ANNALY CAPITAL MANAGEMENT INC
Form 424B5
July 26, 2017
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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-209447

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Maximum Aggregate Offering Price	Amount of Registration Fee(1)
6.95% Series F Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, $0.01 par value per share	$805,000,000	$93,300

(1) Calculated in accordance with Rule 457(r) under the Securities Act of 1933, as amended. This Calculation of Registration Fee table shall be deemed to update the Calculation of Registration Fee table in the registrant s Registration Statement on Form S-3 (File No. 333-209447) in accordance with Rules 456(b) and 457(r) under the Securities Act of 1933, as amended.

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PROSPECTUS SUPPLEMENT

(To Prospectus Dated February 9, 2016)

28,000,000 Shares

Annaly Capital Management, Inc.

6.95% Series F Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock

(Liquidation Preference $25.00 Per Share)

We are offering 28,000,000 shares of our 6.95% Series F Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, par value $0.01 per share, with a liquidation preference of $25.00 per share, or the Series F Preferred Stock. Holders of Series F Preferred Stock will be entitled to receive cumulative cash dividends (i) from and including the original issue date to, but excluding, September 30, 2022 at a fixed rate equal to 6.95% per annum of the $25.00 per share liquidation preference (equivalent to $1.7375 per annum per share) and (ii) from and including September 30, 2022, at a floating rate equal to three-month LIBOR plus a spread of 4.993% per annum of the $25.00 per share liquidation preference. Dividends will be payable quarterly in arrears on or about the last day of March, June, September and December of each year, when and as declared, beginning on December 31, 2017 (long first dividend period). Dividends will accumulate and be cumulative from, and including, the date of original issuance of the Series F Preferred Stock.

The Series F Preferred Stock is not redeemable by us prior to September 30, 2022, except under circumstances where it is necessary to preserve our qualification as a real estate investment trust, or REIT, for U.S. federal income tax purposes and except as described below upon the occurrence of a Change of Control (as defined herein). On or after September 30, 2022, we may, at our option, subject to certain procedural requirements, redeem any or all of the shares of the Series F Preferred Stock for cash at a redemption price of $25.00 per share, plus any accumulated and unpaid dividends thereon (whether or not authorized or declared) to, but excluding, the redemption date. In addition, upon the occurrence of a Change of Control, we may, at our option, subject to certain procedural requirements, redeem any or all of the shares of Series F Preferred Stock within 120 days after the first date on which such Change of Control occurred, for cash at a redemption price of $25.00 per share, plus any accumulated and unpaid dividends thereon (whether or not authorized or declared) to, but excluding, the redemption date. The Series F Preferred Stock has no stated maturity, is not subject to any sinking fund or mandatory redemption, and will remain outstanding indefinitely unless repurchased or redeemed by us or converted into shares of our common stock, par value $0.01 per share, or our common stock, in connection with a Change of Control by the holders of Series F Preferred Stock.

Upon the occurrence of a Change of Control, each holder of Series F Preferred Stock will have the right (subject to our election to redeem the Series F Preferred Stock in whole or in part, as described above, prior to the Change of Control Conversion Date (as defined herein)) to convert some or all of the shares of the Series F Preferred Stock held by such holder on the Change of Control Conversion Date into a number of shares of our common stock per share of

Series F Preferred Stock equal to the lesser of:

the quotient obtained by dividing (i) the sum of the $25.00 liquidation preference per share of the Series F Preferred Stock, plus any accumulated and unpaid dividends thereon (whether or not authorized or declared) to, but excluding, the Change of Control Conversion Date (unless the Change of Control Conversion Date is after a dividend record date (as defined herein) and prior to the corresponding dividend payment date (as defined herein) for the Series F Preferred Stock, in which case no additional amount for such accumulated and unpaid dividends to be paid on such dividend payment date will be included in this sum) by (ii) the Common Stock Price (as defined herein); and

4.19815, or the Share Cap, subject to certain adjustments as explained herein;

in each case, on the terms and subject to the conditions described in this prospectus supplement, including provisions for the receipt, under specified circumstances, of alternative consideration as described in this prospectus supplement.

The Series F Preferred Stock has not been rated. No current market exists for the Series F Preferred Stock. We intend to apply to list the shares of the Series F Preferred Stock on the New York Stock Exchange, or NYSE, under the symbol NLYPrF . If the application is approved, trading of the Series F Preferred Stock on the NYSE is expected to begin within 30 days after the date of initial issuance of the Series F Preferred Stock. Our common stock is traded on the NYSE under the symbol NLY .

There are restrictions on transfer and ownership of the Series F Preferred Stock intended to, among other purposes, preserve our qualification as a REIT. Please see Description of the Series F Preferred Stock Restrictions on Transfer and Ownership in this prospectus supplement and Restrictions on Ownership and Transfer in the accompanying prospectus. In addition, except under limited circumstances as described in this prospectus supplement, holders of Series F Preferred Stock generally will not have any voting rights.

Investing in the Series F Preferred Stock involves risks that are described under the caption Risk Factors beginning on page S-11 of this prospectus supplement and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, which is incorporated by reference into this prospectus supplement.

	Per Share	**Total(1)**
Price to the public	$ 25.0000	$ 700,000,000
Underwriting discounts and commissions	$ 0.7875	$ 22,050,000
Proceeds to us (before expenses)	$ 24.2125	$ 677,950,000

(1) Assumes no exercise of the underwriters over-allotment option.

Neither the Securities and Exchange Commission, or the SEC, nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus to which it relates is truthful or complete. Any representation to the contrary is a criminal offense.

We have granted the underwriters the option to purchase a maximum of 4,200,000 additional shares of Series F Preferred Stock solely to cover over-allotments, if any, on the same terms and conditions set forth above within 30 days of the date of this prospectus supplement.

Delivery of the shares of the Series F Preferred Stock will be made on or about July 31, 2017, only in book-entry form through The Depository Trust Company.

Joint Book-Running Managers

Morgan Stanley **J.P. Morgan** **UBS Investment Bank** **RBC Capital Markets** **Citigroup** **Keefe, Bruyette & Woods**
A Stifel Company

Co-Managers

Credit Suisse **Sandler O Neill + Partners, L.P.**

The date of this prospectus supplement is July 25, 2017

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Prospectus Supplement

Prospectus

You should rely only on the information contained or incorporated by reference into this prospectus supplement, the accompanying prospectus or any applicable free writing prospectus. We have not, and the underwriters have not, authorized anyone to provide you with different information.

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We are not, and the underwriters are not, making an offer of the shares of Series F Preferred Stock covered by this prospectus supplement and the accompanying prospectus in any jurisdiction where the offer is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus, any applicable free writing prospectus and the documents incorporated by reference herein or therein is accurate only as of their respective dates or on the date or dates which are specified in these documents. Our business, financial condition, liquidity, results of operations and prospects may have changed since those dates.

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ABOUT THIS PROSPECTUS SUPPLEMENT AND THE PROSPECTUS

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering and also adds to, changes and updates information contained in the accompanying prospectus and the documents incorporated by reference herein or therein. The second part, the accompanying prospectus, gives more general information, some of which may not apply to this offering.

To the extent the information contained in this prospectus supplement differs or varies from the information contained in the accompanying prospectus or the documents incorporated by reference herein or therein, the information in this prospectus supplement will supersede such information. In addition, any statement in a filing we make with the Securities and Exchange Commission, or the SEC, that adds to, updates, or changes information contained in an earlier filing we made with the SEC shall be deemed to modify and supersede such information in the earlier filing.

This prospectus supplement does not contain all of the information that is important to you. You should read the accompanying prospectus as well as the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. See Where You Can Find More Information in this prospectus supplement and in the accompanying prospectus. Unless otherwise indicated or unless the context requires otherwise, references to we, our and us in this prospectus supplement mean Annaly Capital Management, Inc., a Maryland corporation, and all entities owned by us except where it is made clear that the term means only the parent company. The term you refers to a prospective investor.

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WHERE YOU CAN FIND MORE INFORMATION

We have filed a registration statement on Form S-3 with the SEC in connection with this offering. In addition, we file annual, quarterly, and current reports, proxy statements and other information with the SEC. You may read and copy any reports or other information that we file with the SEC at the SEC s Public Reference Room located at 100 F Street, N.E., Washington D.C. 20549. You may also receive copies of these documents upon payment of a duplicating fee, by writing to the SEC s Public Reference Room. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room in Washington D.C. and other locations. Our SEC filings are also available to you, free of charge, on the SEC s website at www.sec.gov. Finally, we also maintain an internet site where you can find additional information. The address of our internet site is http://www.annaly.com. All internet site addresses provided in this prospectus supplement and accompanying prospectus are for informational purposes only and are not intended to be hyperlinks. In addition, the information on our internet site is not a part of, and is not incorporated or deemed to be incorporated by reference into this prospectus supplement or accompanying prospectus. Accordingly, no information in our or any of these other internet site addresses is included herein or incorporated or deemed to be incorporated by reference herein.

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A WARNING ABOUT FORWARD-LOOKING STATEMENTS

Certain statements contained in this prospectus supplement and the accompanying prospectus, and the information incorporated by reference into this prospectus supplement and the accompanying prospectus and certain statements contained in our future filings with the SEC, in our press releases or in our other public or stockholder communications contain or incorporate by reference certain forward-looking statements which are based on various assumptions (some of which are beyond our control) and may be identified by reference to a future period or periods or by the use of forward-looking terminology, such as may, will, believe, expect, anticipate, continue, or simi or variations on those terms or the negative of those terms. Actual results could differ materially from those set forth in forward-looking statements due to a variety of factors, including, but not limited to:

- changes in interest rates;
- changes in the yield curve;
- changes in prepayment rates;
- the availability of mortgage-backed securities and other securities for purchase;
- the availability of financing and, if available, the terms of any financings;
- changes in the market value of our assets;
- changes in business conditions and the general economy;
- our ability to grow our commercial business;
- our ability to grow our residential mortgage credit business;
- credit risks related to our investments in credit risk transfer securities, residential mortgage-backed securities and related residential mortgage credit assets, commercial real estate assets and corporate debt;
- risks related to our investments in mortgage servicing rights and ownership of a servicer;
- our ability to consummate any contemplated investment opportunities;

changes in government regulations and policy affecting our business;

our ability to maintain our qualification as a REIT for U.S. federal income tax purposes;

our ability to maintain our exemption from registration under the Investment Company Act of 1940, as amended; and

our inability to accurately predict our net income per share, core earnings (excluding PAA) and core earnings for the three- and six-month period ended June 30, 2017 and our book value per share and economic leverage at June 30, 2017, for which we have provided preliminary estimates, contained in this prospectus supplement.

The forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. You should not place undue reliance on these forward-looking statements. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us. For a discussion of the risks and uncertainties which could cause actual results to differ from those contained in the forward-looking statements, see Risk Factors in this prospectus supplement, the accompanying prospectus, our most recent Annual Report on Form 10-K and any subsequent Quarterly Reports on Form 10-Q. We do not undertake, and specifically disclaim any obligation, to publicly release the result of any revisions which may be made to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements.

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SUMMARY

The following summary highlights information contained elsewhere or incorporated by reference into this prospectus supplement and the accompanying prospectus. It may not contain all of the information that is important to you. Before making a decision to invest in our Series F Preferred Stock, you should read carefully this entire prospectus supplement and the accompanying prospectus, including the risks set forth under the caption Risk Factors in this prospectus supplement, the accompanying prospectus and our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 and our subsequent Quarterly Reports on Form 10-Q, which are incorporated by reference into this prospectus supplement and the accompanying prospectus. This summary is qualified in its entirety by the more detailed information and financial statements, including the notes thereto, appearing elsewhere or incorporated by reference into this prospectus supplement and the accompanying prospectus. All references to Annaly, we, our and us in this prospectus supplement mean Annaly Capital Management, Inc., a Maryland corporation, and all entities owned by us except where it is made clear that the term means only the parent company. The term you refers to a prospective investor. The following defines certain of the commonly used terms in this prospectus supplement: Agency refers to a federally chartered corporation, such as the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, or an agency of the U.S. Government, such as the Government National Mortgage Association, and Agency mortgage-backed securities refers to residential mortgage-backed securities that are issued or guaranteed by an Agency. Unless otherwise indicated, the information in this prospectus supplement assumes that the underwriters over-allotment option is not exercised.

Overview

Our Company

We are a leading diversified capital manager that invests in and finances residential and commercial assets. Our principal objectives are to generate net income for distributions to our stockholders from our investments and capital preservation. We are a Maryland corporation that has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, or the Code. Annaly is externally managed by Annaly Management Company LLC, or our Manager.

We use our capital coupled with borrowed funds to invest primarily in real estate related investments, earning the spread between the yield on our assets and the cost of our borrowing and hedging activities. Our activities focus on capital preservation and income generation through proactive portfolio management, supported by a conservative liquidity and leverage posture. We have made significant investments in our business as part of the diversification of our investment strategy. Our operating platform has expanded in support of our diversification strategy, and has included investments in systems, infrastructure and personnel. Our operating platform supports our investments in Agency and residential credit assets (including residential mortgage loans), to-be-announced forward contracts, commercial real estate, mortgage servicing rights, and corporate loans. We believe the diversity of our investment alternatives provides us the flexibility to adapt to changes in market conditions and to take advantage of potential resulting opportunities.

Corporate Information

Our principal executive offices are located at 1211 Avenue of Americas, New York, New York 10036. Our telephone number is (212) 696-0100. Our website is http://www.annaly.com. The contents of our website are not a part of this prospectus supplement or the accompanying prospectus. Our shares of common stock are traded on the NYSE under the symbol NLY.

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Recent Developments

Preliminary Estimates of Net Income Per Average Common Share, Core Earnings (excluding PAA) Per Average Common Share and Core Earnings Per Average Common Share for the quarter ended June 30, 2017 and Book Value Per Common Share and Economic Leverage at June 30, 2017

Although our financial results for the second quarter of 2017 are not yet finalized, we estimate the following:

Net income (loss) per average common share. Our net income (loss) per average common share for the quarter ended June 30, 2017 was $(0.01), compared to $0.41 and ($0.32) per average common share for the quarters ended March 31, 2017 and June 30, 2016, respectively.

Core earnings (excluding PAA) per average common share. Our core earnings (excluding the premium amortization adjustment, or PAA) were $0.30 per average common share for the quarter ended June 30, 2017, compared to $0.31 and $0.29 per average common share for the quarters ended March 31, 2017 and June 30, 2016, respectively.

Core earnings per average common share. Our core earnings were $0.23 per average common share for the quarter ended June 30, 2017, compared to $0.29 and $0.19 per average common share for the quarters ended March 31, 2017 and June 30, 2016, respectively.

Book value per common share. Our book value per common share at June 30, 2017 was $11.19, compared to $11.23 per common share at March 31, 2017.

Economic leverage. Our economic leverage ratio, which is computed as the sum of recourse debt, to-be-announced (or TBA) derivative notional outstanding and net forward purchases of investments divided by total equity, at June 30, 2017 was 6.4:1, compared to 6.1:1 at March 31, 2017. Recourse debt consists of repurchase agreements and other secured financing.

Per share amounts at June 30, 2017 are based on 1,019,027,880 common shares issued and outstanding as of such date.

We define core earnings, a non-GAAP measure, as net income (loss) excluding gains or losses on disposals of investments and termination of interest rate swaps, unrealized gains or losses on interest rate swaps and investments measured at fair value through earnings, net gains and losses on trading assets, impairment losses, net income (loss) attributable to noncontrolling interest, corporate acquisition related expenses and certain other non-recurring gains or losses, and inclusive of dollar roll income and realized amortization of mortgage servicing rights, or MSRs. We also present core earnings as defined in the sentence above, but excluding the PAA, which is the component of premium amortization representing the cumulative impact on prior periods, but not on the current period, of the quarter-over-quarter change in estimated long-term constant prepayment rates.

To supplement our preliminary estimate of net income per average common share, which is prepared and presented in accordance with U.S. generally accepted accounting principles (GAAP), we provide core earnings (excluding PAA) per average common share and core earnings per average common share (each of which are non-GAAP financial measures). The Company believes these non-GAAP measures provide management and investors with additional details regarding the Company s underlying operating results and investment portfolio trends by (i) making adjustments to account for the disparate reporting of changes in fair value where certain instruments are reflected in GAAP net income (loss) while others are reflected in other comprehensive income (loss), and (ii) by excluding certain unrealized, non-cash or episodic components of GAAP net income (loss) in order to provide additional transparency into the operating performance of the Company s portfolio. Additionally, these non-GAAP measures may be useful in assessing our performance versus that of industry peers.

While intended to offer a fuller understanding of our results and operations, non-GAAP financial measures also have limitations. For example, we may define our non-GAAP measures differently than those of industry peers. Additionally, in the case of core earnings (excluding PAA), the amount of premium amortization expense excluding the PAA is not necessarily representative of the amount of future periodic amortization nor is it indicative of the term over which we will amortize the remaining unamortized premium. Changes to actual and estimated prepayments will impact the timing and amount of premium amortization and, as such, both our GAAP and non-GAAP financial results. Our non-GAAP measures should not be considered a substitute for, or superior to, financial measures computed in accordance with GAAP. For additional information pertaining to our use of non-GAAP measures, please refer to our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2017, both of which have been incorporated herein by reference.

The following table presents a summary reconciliation of our preliminary estimates of our GAAP financial results to our preliminary estimates of non-GAAP core earnings and core earnings (excluding PAA) for the quarter ended June 30, 2016. Amounts for the quarters ended March 31, 2017 and June 30, 2016 are based on actual results, as previously reported:

	For the Quarters Ended		
	June 30, 2017	**March 31, 2017**	**June 30, 2016**
	(dollars in thousands, except per share data)		
GAAP net income (loss)	$ 14,522	$ 440,408	$ (278,497)
Less:			
Unrealized (gains) losses on interest rate swaps	177,567	(149,184)	373,220
Other adjustments: (gains) and losses[1]	3,859	(29,134)	22,351
Plus:			
TBA dollar roll income and MSR amortization	63,953	55,938	79,519
Core earnings	259,901	318,028	196,593
PAA cost (benefit)	72,700	17,870	85,583
Core earnings (excluding PAA)	$ 332,601	$ 335,898	$ 282,176
GAAP net income (loss) per average common share[2]	$ (0.01)	$ 0.41	$ (0.32)
Core earnings per average common share[2]	$ 0.23	$ 0.29	$ 0.19
Core earnings (excluding PAA) per average common share[2]	$ 0.30	$ 0.31	$ 0.29

(1) Comprised of realized gains (losses) on termination of interest rate swaps, net gains (losses) on disposal of investments, net gains (losses) on trading assets, net unrealized gains (losses) on investments measured at fair value through earnings, corporate acquisition related expenses and net income (loss) attributable to

noncontrolling interest.

(2) Net of dividends on preferred stock.

Our closing procedures for the three months ended June 30, 2017 are not yet complete and, as a result, our preliminary estimates of the financial information above reflect our preliminary estimate with respect to such results based on information currently available to management, and may vary from our actual financial results as of and for the quarter ended June 30, 2017. Further, these estimates are not a comprehensive statement of our financial results as of and for the quarter ended June 30, 2017. Accordingly, you should not place undue reliance

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on this preliminary information. These estimates, which are the responsibility of our management, were prepared by our management in connection with the preparation of our financial statements and are based upon a number of assumptions. Additional items that may require adjustments to the preliminary operating results may be identified and could result in material changes to our estimated preliminary operating results. Estimates of operating results are inherently uncertain and we undertake no obligation to update this information. See Special Note Regarding Forward-Looking Statements, Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations included or incorporated by reference herein for factors that could impact our actual results of operations. Ernst & Young LLP has not audited, reviewed, compiled or performed any procedures with respect to this preliminary financial information. Accordingly, Ernst & Young LLP does not express an opinion or provide any form of assurance with respect thereto.

Offering of Common Stock

On July 21, 2017, we closed on an underwritten public offering of 60,000,000 shares of our common stock, for net proceeds of approximately $700 million before deducting estimated offering expenses. In connection with the offering, we granted the underwriters a thirty-day option to purchase up to an additional 9,000,000 shares of common stock, which the underwriters have exercised in full and is expected to close, subject to customary closing conditions, on July 26, 2017 for additional net proceeds of approximately $105 million.

Sale by Annaly of Pingora loan servicing platform to Bayview Asset Management, LLC

We have entered into an interest purchase agreement with Bayview Asset Management, LLC, or Bayview, pursuant to which we will sell Pingora Holdings, L.P., or Pingora, a Delaware limited partnership and wholly-owned indirect subsidiary of our Company, to Bayview. Through its wholly-owned subsidiaries, Pingora operates as a specialized asset manager focused on investing in new production performing MSRs and servicing residential mortgage loans. The disposition is subject to customary closing conditions, including requisite regulatory approvals, and is expected to close in the third quarter of 2017.

Increased Stock Ownership Commitment by CEO and Senior Management

Kevin Keyes, our Chief Executive Officer and President, has volunteered an increased commitment to own an aggregate $15 million of shares of common stock of the Company within the next three years. Mr. Keyes current stock ownership position has been acquired entirely through purchases on the open market and he has pledged to meet his enhanced $15 million commitment solely through additional open market purchases. This $15 million commitment exceeds Mr. Keyes $10 million stock ownership requirement, which was implemented pursuant to the expanded stock ownership guidelines previously announced by us in 2016.

In addition to Mr. Keyes, other members of senior management, including Chief Investment Officer David Finkelstein, Chief Credit Officer Timothy Coffey, Chief Financial Officer Glenn Votek and Chief Legal Officer Anthony Green, have committed to voluntarily increase their stock ownership positions beyond the amounts required under the 2016 stock ownership guidelines. Like Mr. Keyes, these officers have agreed to achieve their increased stock ownership commitments through open market purchases of the Company s common stock within the next three years. As of June 30, 2017, all individuals subject to the Company s stock ownership guidelines either met or, within the applicable period, are expected to meet such guidelines.

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THE OFFERING

The following is a brief summary of certain terms of this offering. For a more complete description of the terms of the Series F Preferred Stock, see Description of the Series F Preferred Stock in this prospectus supplement and Description of Equity Securities Preferred Stock in the accompanying prospectus.

In this prospectus supplement, (i) our Junior Stock means our common stock, par value $0.01 per share, and any class or series of stock we may issue in the future that by its terms ranks junior to the Series F Preferred Stock with respect to the payment of dividends and the distribution of assets in the event of our liquidation, dissolution, or winding up, (ii) our Parity Stock means our 7.875% Series A Cumulative Redeemable Preferred Stock, par value $0.01 per share, or the Series A Preferred Stock, our 6.00% Series B Cumulative Redeemable Preferred Stock, par value $0.01 per share, or the Series B Preferred Stock, our 7.625% Series C Cumulative Redeemable Preferred Stock, par value $0.01 per share, or the Series C Preferred Stock, our 7.50% Series D Cumulative Redeemable Preferred Stock, par value $0.01 per share, or the Series D Preferred Stock, our 7.625% Series E Cumulative Redeemable Preferred Stock, par value $0.01 per share, or the Series E Preferred Stock, and any other class or series of stock issued by us from time to time that by its terms ranks on parity with the Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock, Series D Preferred Stock, Series E Preferred Stock and Series F Preferred Stock with respect to the payment of dividends and the distribution of assets in the event of our liquidation, dissolution or winding up, and (iii) our Senior Stock means any class or series of stock we may issue in the future that by its terms ranks senior to the Series F Preferred Stock with respect to the payment of dividends and the distribution of assets in the event of our liquidation, dissolution or winding up. The term stock does not include any convertible or exchangeable debt securities we may issue in the future.

Issuer	Annaly Capital Management, Inc., a Maryland corporation
Securities Offered	28,000,000 shares of 6.95% Series F Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, par value $0.01 per share (plus up to an additional 4,200,000 shares of 6.95% Series F Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock that we will issue and sell in the event the underwriters exercise their over-allotment option).
Dividends	Holders of Series F Preferred Stock will be entitled to receive cumulative cash dividends (i) from and including the original issue date to, but excluding, September 30, 2022 at a fixed rate equal to 6.95% per annum of the $25.00 per share liquidation preference (equivalent to $1.7375 per annum per share) and (ii) from and including September 30, 2022, at a floating rate equal to three-month LIBOR plus a spread of 4.993% per annum of the $25.00 per share liquidation preference.
	Dividends will be payable quarterly in arrears on the last day of March, June, September and December of each year, when and as declared, provided that if any dividend payment date is not a business day, then the dividend which would otherwise have been payable on that dividend

payment date may be paid on the next succeeding business day. Dividends will accumulate and be cumulative from, and including, the date of original issuance, which is expected to be July 31, 2017. The first dividend is scheduled to be payable on or about December 31, 2017 (long first dividend period) in the amount of $0.72396 per share

	and will be paid to the persons who are the holders of record of the Series F Preferred Stock at the close of business on the corresponding record date fixed by our board of directors in accordance with the articles supplementary classifying and designating the Series F Preferred Stock.
No Maturity	The Series F Preferred Stock has no stated maturity and will not be subject to any sinking fund or mandatory redemption. Shares of the Series F Preferred Stock will remain outstanding indefinitely unless we decide to redeem or otherwise repurchase them or they become convertible and are converted as described below under Conversion Rights. We are not required to set apart for payment the funds to redeem the Series F Preferred Stock.
Optional Redemption	The Series F Preferred Stock is not redeemable by us prior to September 30, 2022, except under circumstances where it is necessary to preserve our qualification as a REIT for U.S. federal income tax purposes and except as described below under Special Optional Redemption upon the occurrence of a Change of Control (as defined herein). On and after September 30, 2022, we may, at our option, subject to certain procedural requirements, redeem the Series F Preferred Stock, in whole or in part, at any time or from time to time, for cash at a redemption price of $25.00 per share, plus any accumulated and unpaid dividends thereon (whether or not authorized or declared) to, but excluding, the redemption date, without interest. Please see the section entitled Description of the Series F Preferred Stock Redemption Optional Redemption.
Special Optional Redemption	Upon the occurrence of a Change of Control, we may, at our option, subject to certain procedural requirements, redeem the Series F Preferred Stock, in whole or in part, within 120 days after the first date on which such Change of Control occurred, for cash at a redemption price of $25.00 per share, plus any accumulated and unpaid dividends thereon (whether or not authorized or declared) to, but excluding, the redemption date. If, prior to the Change of Control Conversion Date (as defined herein), we have provided notice of our election to redeem some or all of the shares of Series F Preferred Stock (whether pursuant to our optional redemption right described above or this special optional redemption right), the holders of Series F Preferred Stock will not have the conversion right described below under Conversion Rights with respect to the shares of Series F Preferred Stock called for redemption. Please see the section entitled Description of the Series F Preferred Stock Redemption in this prospectus supplement.

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A Change of Control is deemed to occur when, after the original issuance of the Series F Preferred Stock, the following have occurred and are continuing:

- the acquisition by any person, including any syndicate or group deemed to be a person under Section 13(d)(3) of the Securities Exchange Act of 1934, as amended, of beneficial ownership, directly or indirectly, through a purchase, merger or other acquisition transaction or series of purchases, mergers or other acquisition transactions of our stock entitling that person to exercise more than 50% of the total voting power of all our stock entitled to vote generally in the election of our directors (except that such person will be deemed to have beneficial ownership of all securities that such person has the right to acquire, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition); and

- following the closing of any transaction referred to in the bullet point above, neither we nor the acquiring or surviving entity has a class of common securities (or American Depositary Receipts representing such securities) listed on the NYSE, the NYSE MKT LLC or the Nasdaq Stock Market, or listed or quoted on an exchange or quotation system that is a successor to the NYSE, the NYSE MKT LLC or the Nasdaq Stock Market.

Conversion Rights

Upon the occurrence of a Change of Control, each holder of Series F Preferred Stock will have the right (unless we have exercised our right to redeem the Series F Preferred Stock in whole or part, as described above under Optional Redemption or Special Optional Redemption, prior to the Change of Control Conversion Date) to convert some or all of the shares of Series F Preferred Stock held by such holder on the Change of Control Conversion Date into a number of shares of our common stock per share of Series F Preferred Stock to be converted equal to the lesser of:

- the quotient obtained by dividing (i) the sum of the $25.00 liquidation preference per share of Series F Preferred Stock, plus any accumulated and unpaid dividends thereon (whether or not authorized or declared) to, but excluding, the Change of Control Conversion Date (unless the Change of Control Conversion Date is after a dividend record date (as defined herein) and prior to the corresponding dividend payment date (as defined herein) for the Series F Preferred Stock, in which case no additional amount for such accumulated and unpaid dividends to be paid on such dividend payment date will be included in this sum) by (ii) the Common

Stock Price (as defined herein); and

4.19815, or the Share Cap, subject to adjustments to the Share Cap for any splits, including those effected by distributions, subdivisions or combinations of our common stock;

in each case, on the terms and subject to the conditions described in this prospectus supplement, including provisions for the receipt,

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	under specified circumstances, of alternative consideration as described in this prospectus supplement.
	For definitions of Change of Control Conversion Right, Change of Control Conversion Date and Common Stock Price and a description of certain adjustments and provisions for the receipt of alternative consideration that may be applicable to the conversion of Series F Preferred Stock in the event of a Change of Control, and for other important information, please see the section entitled Description of the Series F Preferred Stock Conversion Rights.
Liquidation Preference	If we liquidate, dissolve or wind up, subject to the preferential rights of any class or series ranking senior to the Series F Preferred Stock, holders of Series F Preferred Stock will have the right to receive $25.00 per share, plus any accumulated and unpaid dividends thereon (whether or not authorized or declared) to, but excluding, the payment date, before any payment is made to the holders of our common stock and the holders of any other Junior Stock we may issue in the future. Please see the section entitled Description of the Series F Preferred Stock Liquidation Preference.
Ranking	The Series F Preferred Stock will rank, with respect to rights to the payment of dividends and the distribution of assets upon our liquidation, dissolution or winding up: senior to all classes or series of our common stock and any other Junior Stock we may issue in the future; on a parity with our Parity Stock; junior to any Senior Stock we may issue in the future; and effectively junior to all of our existing and future indebtedness (including indebtedness convertible into or exchangeable for our common stock or preferred stock) and the indebtedness of our existing and future subsidiaries.
Voting Rights	Holders of Series F Preferred Stock will generally have no voting rights. However, if we do not pay dividends on the Series F Preferred Stock for six or more full quarterly Dividend Periods (as defined herein) (whether

or not consecutive), the number of directors constituting the board of directors will automatically be increased by two and the holders of Series F Preferred Stock, voting together as a single class with the holders of the Parity Stock upon which like voting rights have been conferred and are exercisable, will be entitled to vote for the election of two additional directors to serve on our board of directors until we pay all dividends accumulated on the Series F Preferred Stock for all past Dividend Periods and the then current Dividend Period.

In addition, the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series F Preferred Stock and Parity Stock

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upon which like voting rights have been conferred and are exercisable (voting together as a single class), is required for us to:

- authorize, create or increase the authorized or issued amount of any class or series of Senior Stock; or

- amend, alter or repeal any provision of our charter (including the articles supplementary designating the Series F Preferred Stock) so as to materially and adversely affect any rights of the Series F Preferred Stock. However, if any such change would materially and adversely affect the rights, preferences, privileges or voting rights of the Series F Preferred Stock disproportionately relative to other classes or series of Parity Stock, then the affirmative vote or consent of the holders of at least two-thirds of the outstanding shares of Series F Preferred Stock (voting as a separate class) will also be required.

Among other things, we may, without a vote of the holders of Series F Preferred Stock, issue additional shares of Series F Preferred Stock and we may authorize and issue additional classes or series of Parity Stock, including the Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock, Series D Preferred Stock and Series E Preferred Stock.

Information Rights

During any period in which we are not subject to Section 13 or 15(d) of the Exchange Act and any shares of Series F Preferred Stock are outstanding, we will use our best efforts to transmit through our website at http://www.annaly.com (or other permissible means under the Exchange Act) copies of the Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q that we would have been required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act if we were subject thereto (other than any exhibits that would have been required). We will use our best efforts to provide such reports on our website within 15 days after the respective dates by which we would have been required to file such reports with the SEC if we were subject to Section 13 or 15(d) of the Exchange Act and we were a non-accelerated filer within the meaning of the Exchange Act.

Listing

No current market exists for the Series F Preferred Stock. We intend to apply to list the Series F Preferred Stock on the NYSE under the symbol NLYPrF . If approved for listing, we expect that trading on the NYSE will commence within 30 days after the date of initial issuance of the Series F Preferred Stock. Certain of the underwriters have advised us that they intend to make a market in the Series F Preferred Stock prior to the commencement of any trading on the NYSE, but they are not obligated to do so and may discontinue market making at any time without notice. We cannot assure you that a market for the Series F Preferred Stock will develop prior to commencement of trading on the NYSE or, if developed, will be maintained or will provide you with adequate liquidity.

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Restrictions on Transfer and Ownership	Our charter contains restrictions on the number of shares of our capital stock that a person may own that are intended to assist us in maintaining the qualification as a REIT. Among other things, our charter provides that, subject to exceptions, no person may beneficially or constructively own shares of any class or series of our capital stock in excess of 9.8% in value or in number of our outstanding shares of such class or series of capital stock. In addition, our charter, subject to exceptions, prohibits any person from beneficially owning our shares of capital stock to the extent that such ownership of shares would result in failing to qualify as a REIT. For more information about these restrictions, see Description of the Series F Preferred Stock Restrictions on Transfer and Ownership in this prospectus supplement and Restrictions on Ownership and Transfer in the accompanying prospectus.
Book Entry and Form	DTC will act as securities depositary for the Series F Preferred Stock, which will only be issued in the form of global securities held in book-entry form.
Use of Proceeds	We intend to use the net proceeds of this offering to redeem all of our outstanding Series A Preferred Stock with an aggregate liquidation preference of approximately $185.3 million, plus a sum equal to all accrued and unpaid dividends on the Series A Preferred Stock, up to, and including, the redemption date. We intend to use the remaining net proceeds of this offering to acquire targeted assets under our capital allocation policy, which may include further diversification of our investments in Agency assets as well as residential, commercial and corporate credit assets. These investments include, without limitation, residential credit assets (including residential mortgage loans), middle market corporate loans, Agency MBS pools, to-be-announced forward contracts, adjustable rate mortgages, commercial real estate loans and securities and mortgage servicing rights. We also intend to use the net proceeds of this offering for general corporate purposes, including, without limitation, to pay down obligations and other working capital items. See Use of Proceeds in this prospectus supplement.
U.S. Federal Income Tax Considerations	For a discussion of the material U.S. federal income tax considerations relating to purchasing, owning and disposing of the Series F Preferred Stock and any common stock received upon conversion of the Series F Preferred Stock, please see the sections entitled Additional Material U.S. Federal Income Tax Considerations in this prospectus supplement and Material U.S. Federal Income Tax Considerations in the ac