MFA FINANCIAL, INC.

# Third Quarter 2016

# Earnings Presentation

# Forward looking statements

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# Executive summary

- In this low interest rate environment, we continue to generate attractive returns from residential credit mortgage assets.

- In the third quarter we generated EPS of $0.21 and dividend per share of $0.20.

- MFA continued to acquire credit sensitive residential mortgage assets, such as 3 year step-up securities and credit sensitive loans, in response to attractive investment opportunities.

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# Through volatile markets and both interest rate and credit cycles, MFA has generated strong long term returns to investors

| Time Period | Annualized MFA Shareholder Return [1] |
|---|---|
| Since January 1, 2000 | 14.9% |
| 10 Year | 12.6% |
| 5 Year | 15.9% |
| 1 Year | 22.8% |

[1] As of 9/30/16 assuming reinvestment of dividends.

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# 2016 MFA strategy

1) Invest in high value-added assets

A. Generate returns from investment in credit sensitive residential mortgage assets:

- MFA's credit sensitive assets continue to perform well. Legacy Non-Agency MBS Credit Reserve has been reduced by $39.8 million over the past 12 months.

B. Acquire assets with less interest rate sensitivity:

- 73% of MFA's MBS are adjustable, hybrid or step-up.
- Net portfolio duration of 0.55.

2) Maintain staying power and the ability to invest in distressed, less liquid markets

- Permanent equity capital.
- Debt to Equity Ratio of 3.1x is low enough to accommodate potential declines in asset prices.
- MFA is able to invest while other investors may face concerns about capital outflows and potential mark-to-market losses.

# Third quarter investment flows

Our assets run off due to amortization, paydowns or sale, allowing reinvestment opportunities in changing interest rate and credit environments.

**$ in Millions**

| | June 30, 2016 | 3rd Quarter Runoff | 3rd Quarter Acquisitions (1) | MTM and other changes | September 30, 2016 | 3rd Quarter Change |
|---|---|---|---|---|---|---|
| Re-performing and Non-performing Loans | $1,077 | $(38) | $312 | $(3) | $1,348 | $271 |
| 3 Year Step-up Securities (2) | $2,639 | $(503) | $375 | $12 | $2,523 | $(116) |
| Credit Risk Transfer Securities | $273 | $— | $60 | $15 | $348 | $75 |
| Legacy Non-Agency MBS | $3,466 | $(194) | $39 | $75 | $3,386 | $(80) |
| Agency MBS | $4,308 | $(270) | $— | $(16) | $4,022 | $(286) |
| **Totals** | **$11,763** | **$(1,005)** | **$786** | **$83** | **$11,627** | **$(136)** |

*(1)* Includes $204 million of re-performing and non-performing loan acquisitions recorded on the trade date. Loan acquisition amounts recorded reflect best estimates of assets to be acquired at the closing of the transaction. Such estimates are subject to revision at the closing of the transaction pending completion of due diligence performed prior to closing.

*(2)* 3 year step-up securities are MBS that are backed by securitized re-performing and non-performing loans. The securities are structured such that the coupon steps-up 300 basis points (bps) at 36 months or sooner.

# MFA's yields and spreads remain attractive

| | Third Quarter 2016 | Second Quarter 2016 | First Quarter 2016 |
|---|---|---|---|
| **Yield on Interest Earning Assets** | 4.23% | 4.19% | 4.23% |
| **Net Interest Rate Spread** | 2.13% | 2.14% | 2.18% |
| **Debt to Equity Ratio** | 3.1x | 3.3x | 3.4x |
| **EPS** | $0.21 | $0.20 | $0.20 |

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# Third quarter 2016 yields and spreads by asset type

| Asset | Yield/Return | Cost of Funds | Net Spread | Debt/Net Equity Ratio |
|---|---|---|---|---|
| **Agency MBS** | 1.83% | (1.28)% | 0.55% | 7.9x |
| **Legacy Non-Agency MBS** | 8.09% | (2.98)% | 5.11% | 2.1x |
| **3 Year Step-up Securities** | 3.86% | (2.05)% | 1.81% | 3.5x |
| **RPL Whole Loans** | 5.71% (1) | (2.81)% | 2.90% | 1.4x |
| **NPL Whole Loans** | (2) | (3.27)% | (2) | 1.8x |

*(1)* Net of 38 bps of servicing costs.

*(2)* Residential whole loans held at fair value produce GAAP income/loss based on changes in fair value in the current period and therefore results will vary on a quarter to quarter basis. MFA expects to realize returns over time on these investments of 5-7%.

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# Undistributed REIT taxable income

- As of September 30, 2016, we estimate that MFA had undistributed REIT taxable income of approximately $0.16 per share.
- MFA has until the filing of its 2016 tax return (due not later than September 15, 2017) to declare the distribution of any 2016 REIT taxable income not previously distributed.
- An unwind of our remaining re-securitization transaction is expected to occur in Q1 2017 with the expected result that we will generate taxable income (but not GAAP income) of an amount estimated to exceed $0.10 per share.

# MFA's interest rate sensitivity remains below 1.0, as measured by net duration

**$ in Millions**

| Assets | Market Value | Average Coupon | Duration |
|---|---|---|---|
| Non-Agency ARMs (12 months or less MTR) | $2,620 | 3.30% | 0.4 |
| Non-Agency Hybrid (13-48 MTR) | $3 | 3.99% | 1.0 |
| 3 Year Step-up Securities | $2,523 | 3.83% | 0.3 |
| Non-Agency Fixed Rate | $1,109 | 5.82% | 3.0 |
| Residential Whole Loans | $1,367 | 4.48% | 2.7 |
| Agency ARMs (12 months or less MTR) | $1,610 | 2.95% | 0.6 |
| Agency ARMs (13-120 MTR) | $863 | 2.96% | 1.0 |
| Agency 15 Year Fixed Rate | $1,546 | 3.06% | 2.6 |
| Cash, Cash Equivalents & Principal Receivable | $413 | | 0.0 |
| **TOTAL ASSETS** | **$12,056** | | 1.22 |
| **Hedging Instruments** | **Notional Amount** | | **Duration** |
| Swaps (Less than 3 years) | $1,200 | | -1.3 |
| Swaps (3-10 years) | $1,800 | | -3.8 |
| **TOTAL HEDGES** | **$3,000** | | **-2.8** |
| **Net Duration** | | | **0.55** |

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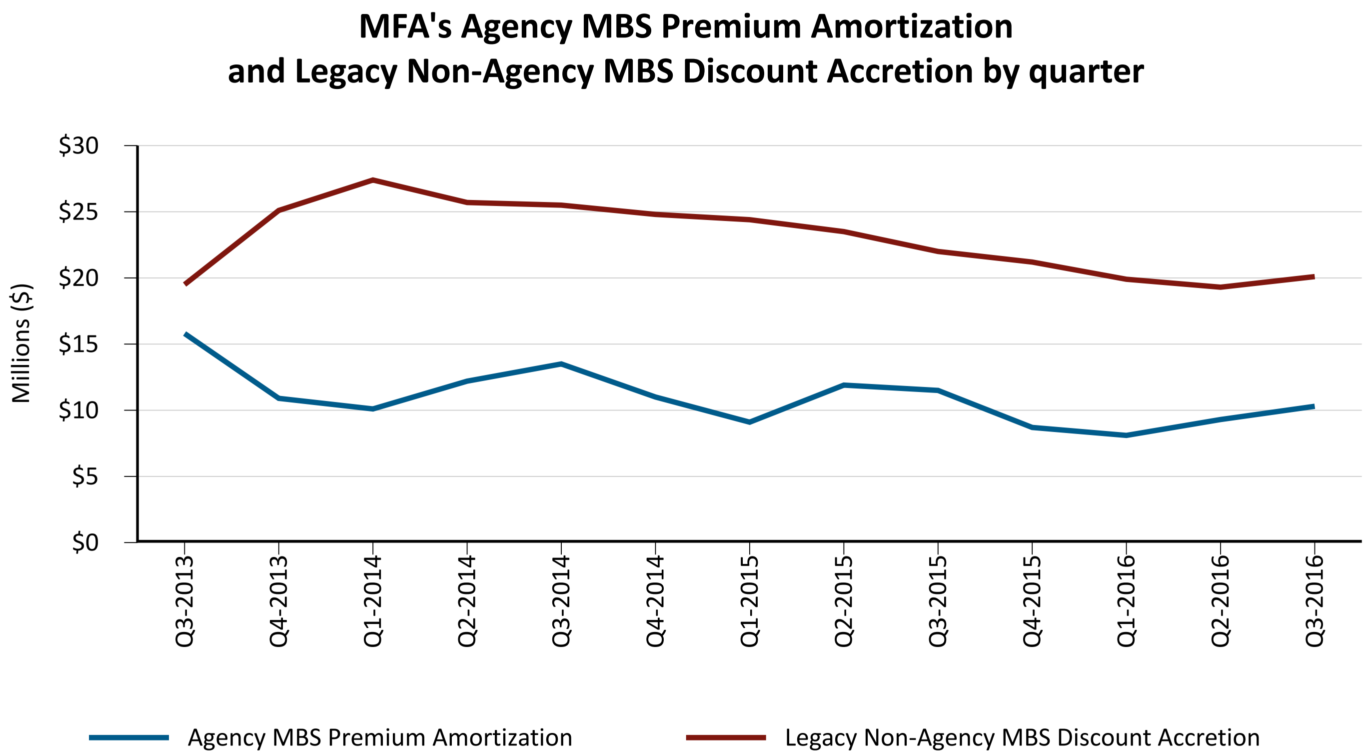
# Low sensitivity to prepayment rates

Legacy Non-Agency MBS discount accretion has exceeded Agency MBS premium amortization since 2013.

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# While economic growth rate is uncertain, there are many positive fundamentals for residential mortgage credit and home prices

- Fundamental ***and*** technical support for residential credit assets and home prices
- Distressed sales share of existing home sales is down to 4% (vs. 10% a year ago and 30% 5 years ago)*
- Foreclosure inventory is down 30% year over year (as of August 2016)**
- Median existing single-family home prices are up 5.6% year over year***
- Total housing inventory is down 6.8% year over year***

* Citigroup

** CoreLogic

*** Data sourced from the National Association of Realtors website

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# Continued growth in credit sensitive loan portfolio

- Re-Performing and Non-Performing Loan Portfolio

**$ in Millions**

| September 30, 2016 | June 30, 2016 | March 31, 2016 | December 31, 2015 | September 30, 2015 |
|---|---|---|---|---|
| $1,348 | $1,077 | $1,024 | $895 | $777 |

- At today's market prices, re-performing and non-performing residential mortgage loans generate higher yields than residential MBS.

- Residential whole loans are qualifying interests for purposes of REIT qualification and Investment Company Act exemption.

- Significant expected supply.

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# Credit sensitive residential whole loans: Growing asset class for MFA

- Early results indicate returns to date are consistent with our expectation of 5-7%.
- Utilizes the same residential mortgage credit expertise we have employed in Legacy Non-Agency MBS since 2008.
- Ability to oversee servicing decisions (loan modifications, short sales, etc.) to produce better NPV outcomes.
- Actively manages its loan portfolio through in-house asset management professionals and utilizes third-party special servicers.

# Third quarter 3 Year Step-up Securities Holdings

- Current market yields of mid to high 3%
- Well protected portfolio with current credit enhancement of 48%
- Very short assets with an average of 20 months remaining to step-up

| As of September 30, 2016<br>Underlying collateral | Fair Value mm | Net Coupon | Months to Step-Up | Current Credit Support | Original Credit Support | 3 Month Average Bond CPR |
|---|---|---|---|---|---|---|
| **Re-Performing loans** | $335 | 3.61% | 15 | 41% | 38% | 30.0% |
| **Non-Performing loans** | $2,188 | 3.86% | 21 | 49% | 47% | 32.8% |
| **Total 3 Year Step-up Securities** | $2,523 | 3.83% | 20 | 48% | 46% | 32.2% |

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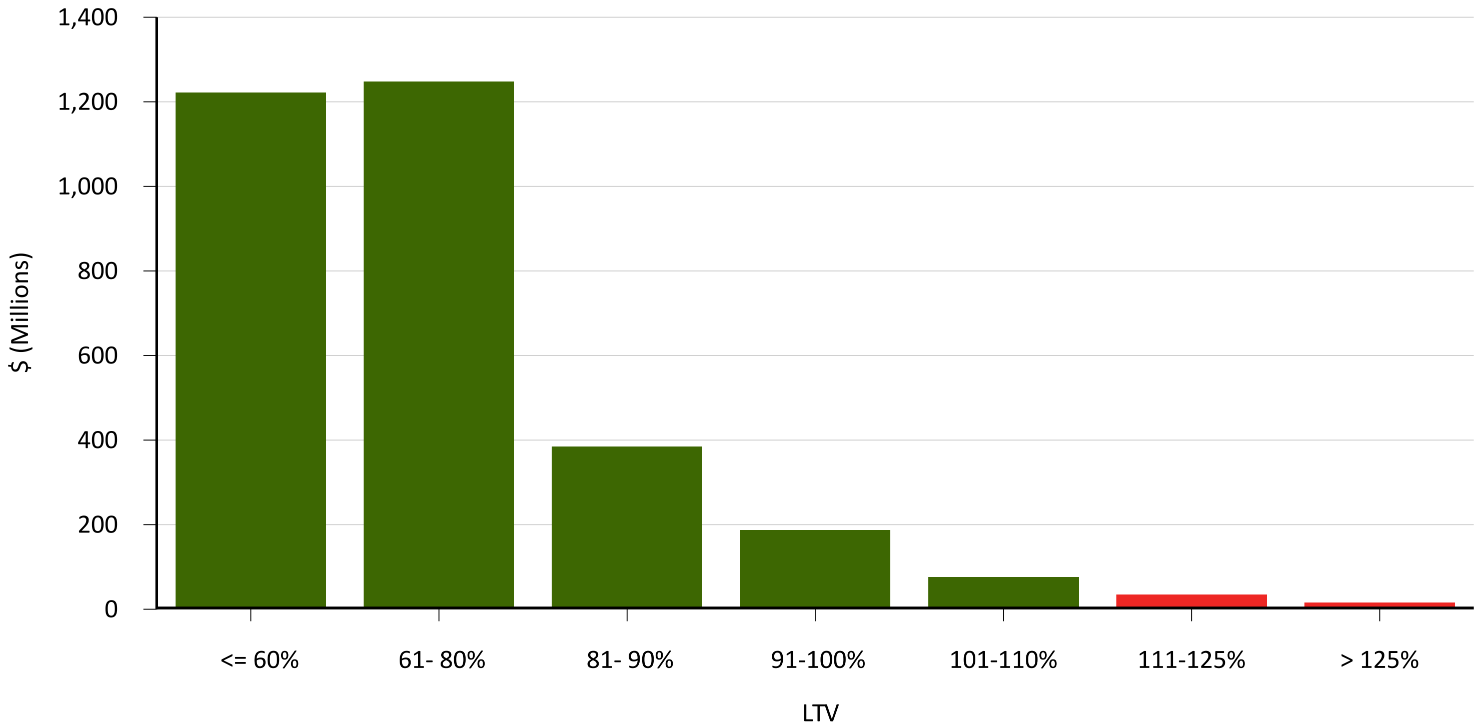
# LTV breakdown of non-delinquent mortgage loans underlying MFA's Legacy Non-Agency MBS




- These loans are up to date on all required mortgage payments.
- Underlying loans are over ten years seasoned on average.

*Source: CoreLogic*
*Data as of September 30, 2016*

# Summary

- We continue to identify and acquire attractive credit sensitive residential mortgage assets.

- We continued to acquire 3 year step-up securities and credit sensitive mortgage loans during the quarter.

- Our credit sensitive assets continue to perform well.

- MFA is well positioned for changes in prepayment rates, monetary policy and/or interest rates.

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# Additional Information

# Book value increased 3% primarily due to impact of fair value changes in Legacy Non-Agency MBS

| | |
|---|---|
| Book value per common share as of 6/30/16 | $7.41 |
| Net income available to common shareholders | 0.21 |
| Common dividend declared during the quarter | (0.20) |
| Net change attributable to Agency MBS | (0.02) |
| Net change attributable to Non-Agency MBS and CRT securities | 0.18 |
| Net change in value of swap hedges | 0.06 |
| **Book value per common share as of 9/30/16** | $7.64 |

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# Third Quarter Non-Agency MBS impact on MFA book value

| | Impact Per Share[1] |
|---|---|
| Impact of change in market prices | $0.23 |
| Realized gains from asset sales: Reallocation from OCI to Retained Earnings | (0.02) |
| Discount Accretion: Primarily income in excess of coupon on Non-Agency MBS purchased at a discount. This income increases amortized cost and lowers unrealized gains | (0.05) |
| Principal Paydowns | 0.06 |
| Realized Credit Losses | (0.04) |
| **Total** | $0.18 |

*(1)* Does not include impact of swap hedges.

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