

May 2012

MFA
FINANCIAL, INC.

Forward Looking Statements

When used in this presentation or other written or oral communications, statements that are not historical in nature, including those containing words such as “will,” “believe,” “expect,” “anticipate,” “estimate,” “plan,” “continue,” “intend,” “should,” “could,” “would,” “may” or similar expressions, are intended to identify “forward-looking statements” for purposes of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and, as such, may involve known and unknown risks, uncertainties and assumptions.

These forward-looking statements include information about possible or assumed future results with respect to our business, financial condition, liquidity, results of operations, plans and objectives. Statements regarding the following subjects, among others, may be forward-looking: changes in interest rates and the market value of MFA’s MBS; changes in the prepayment rates on the mortgage loans securing MFA’s MBS; MFA’s ability to borrow to finance its assets and the terms, including the cost, maturity and other terms, of any such borrowing; implementation of or changes in government regulations or programs affecting MFA’s business; MFA’s ability to maintain its qualification as a REIT for federal income tax purposes; MFA’s ability to maintain its exemption from registration under the Investment Company Act of 1940, including statements regarding the Concept Release issued by the Securities and Exchange Commission relating to interpretive issues under the 1940 Act with respect to the status under the 1940 Act of companies that are engaged in the business of acquiring mortgages and mortgage-related interests; and risks associated with investing in real estate assets, including changes in business conditions and the general economy. These and other risks, uncertainties and factors, including those described in the annual, quarterly and/or current reports that MFA files with the SEC, could cause MFA’s actual results to differ materially from those projected in any forward-looking statements that it makes.

These forward-looking statements are based on beliefs, assumptions and expectations of MFA’s future performance, taking into account all information currently available. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. New risks and uncertainties arise over time and it is not possible to predict those events or how they may affect MFA. Except as required by law, MFA is not obligated to, and does not intend to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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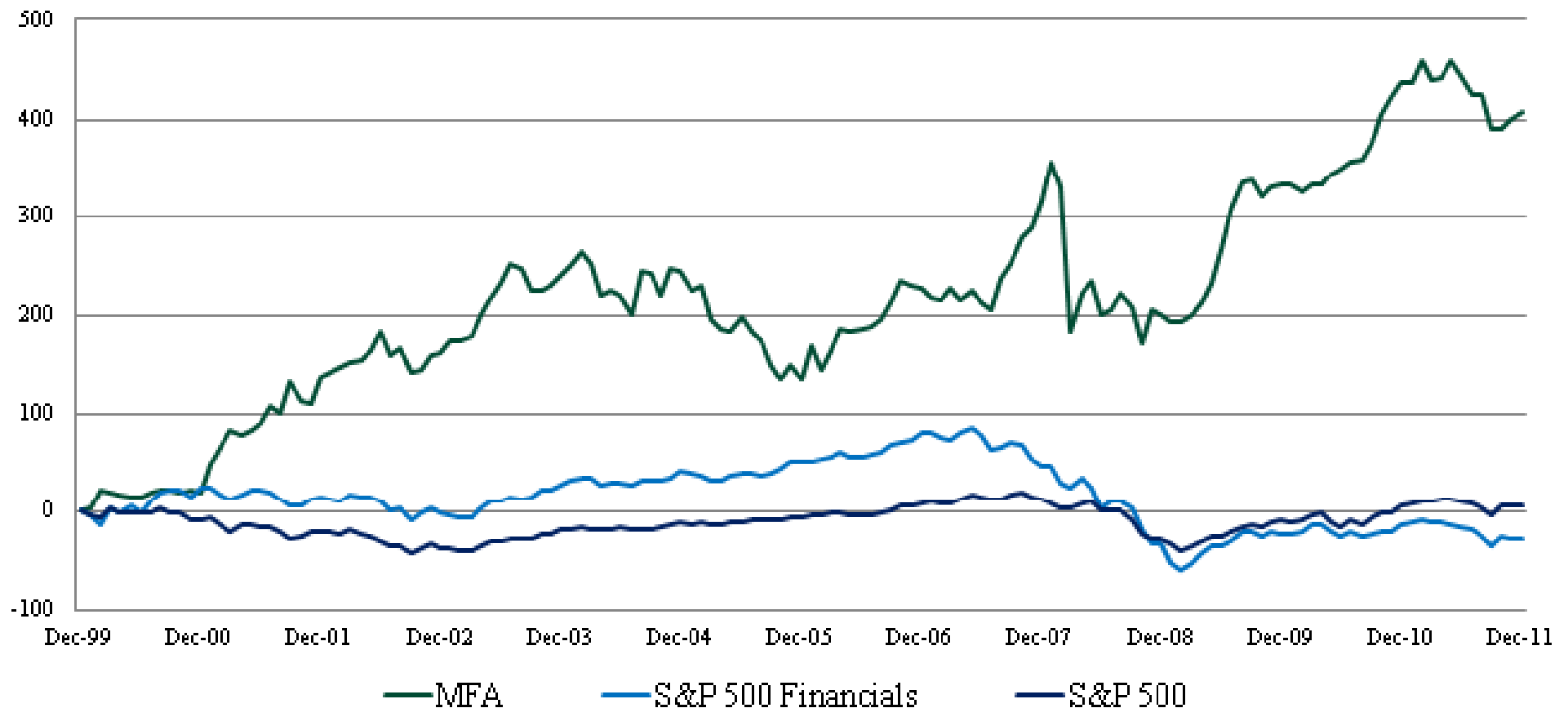
is an internally managed REIT
positioned to benefit from
investment in both Agency
and Non-Agency Residential
MBS

Experienced Management Team Focused on Residential MBS Opportunities

- Investment opportunities exist in RMBS, particularly in the Non-Agency sector.
- Agency MBS investment returns continue to benefit from a steep yield curve. Despite governmental actions, refinancing rates are not spiking.
- In this period of economic uncertainty, our goal remains to generate double-digit returns on equity with an appropriate level of leverage.

14.5% Annual Return Since January 2000

Total Return*



Source: Bloomberg

*Through December 31, 2011. Includes reinvestment of dividends.

Investment in Residential MBS Including Both Agency MBS and Non-Agency MBS

At March 31, 2012 (\$ in Thousands)	Agency MBS	Non-Agency MBS (1)	Cash	Other, net	Total
Amortized Cost	\$ 6,849,432	\$ 4,415,482	\$ 387,626	\$ (38,700)	\$ 11,613,840
Market Value	\$ 7,059,629	\$ 4,519,944	\$ 387,626	\$ (38,700)	\$ 11,928,499
Less Payable-Unsettled Purchases	(46,843)	(52,929)	-	-	(99,772)
Less Repurchase Agreements	(6,115,414)	(1,374,983)	-	-	(7,490,397)
Less Multi-year Collateralized Financing Arrangements (2)	-	(303,311)	-	-	(303,311)
Less Securitized Debt	-	(967,422)	-	-	(967,422)
Equity Allocated	\$ 897,372	\$ 1,621,299	\$ 387,626	\$ (38,700)	\$ 2,867,597
Less Swaps at Market Value	-	-	-	(102,103)	(102,103)
Net Equity Allocated	\$ 897,372	\$ 1,621,299	\$ 387,626	\$ (140,803)	\$ 2,765,494
Debt/Net Equity Ratio (3)	6.87 x	1.79 x	-	-	-

For the Quarter Ended March 31, 2012

Yield on Average Interest Earning Assets	3.15%	6.92%	0.02%	-	4.42%
Less Average Cost of Funds	1.71% (4)	2.16% (4)	0.00%	-	1.85%
Net Interest Rate Spread	1.44%	4.76%	0.02%	-	2.57%

For additional detail regarding the above table, see the Company's first quarter 2012 earnings release dated May 4, 2012.

(1) Information presented with respect to Non-Agency MBS, related repurchase agreement borrowings and resulting totals are presented on a Non-GAAP basis. See the accompanying Reconciliation of Non-GAAP Financial Measures.

(2) Multi-year collateralized financing arrangements are viewed by management as having an effective term of 2.7 years, but for GAAP reporting purposes are disclosed within repurchase agreements and as having a contractual term of over 30 days to 90 days.

(3) Represents the sum of borrowings under repurchase agreements, multi-year collateralized financing arrangements, payable for unsettled purchases and securitized debt as a multiple of net equity allocated.

(4) Includes effect of Swaps

Balanced Portfolio of Hybrid ARMs (~75%) and 15-Year Fixed (~25%)

- **Low premium exposure:** Agency Portfolio average amortized cost basis is 102.8%.
- **MFA's Agency MBS portfolio has limited exposure to HARP 2.0:** The majority of MFA's securities that could be affected have underlying mortgages that are currently in their interest-only period (limiting the incentive to refinance into a fully amortizing 30-year fixed rate mortgage).
- **Agency funding costs are expected to decline:** Approximately \$860 million of interest rate swaps at an average pay rate of 3.79% will mature in the next 12 months.

Increasing Non-Agency MBS Portfolio*

- MFA owned \$4.5 billion market value of Non-Agency MBS with an average amortized cost of 73% of par.
- In the first quarter of 2012, these assets generated a loss adjusted yield of 6.92% on an unlevered basis.
- These assets are less sensitive to changes in the yield curve and interest rates. Returns on discounted Non-Agency MBS increase if prepayments increase.

Non-Agency MBS – 20 Largest Positions □ □



Projections Assume Continued Housing Market Weakness with Defaults Well in Excess of Currently Delinquent Mortgages

% of Total Portfolio	Collateral Type	FICO	WALA	Credit Support (%)	60+ DQ	Projected Defaults	Projected Principal Recovery	6 Month Loss Severity
2.3%	7/23	725	57	0.1	27%	49%	76%	58%
1.5%	10/20	737	63	3.6	17%	37%	86%	42%
1.5%	Fixed	744	59	1.3	16%	27%	83%	44%
1.4%	Fixed	716	83	5.3	9%	38%	71%	53%
1.4%	10/20	741	58	0.0	25%	40%	79%	57%
1.4%	Fixed	729	59	0.0	23%	43%	70%	67%
1.3%	5/25	730	80	10.8	23%	46%	81%	55%
1.3%	5/25	746	56	4.5	18%	40%	86%	51%
1.2%	7/23	732	67	2.8	24%	48%	80%	40%
1.1%	5/25	735	73	5.0	13%	38%	87%	46%
1.0%	5/25	724	56	4.1	25%	53%	74%	45%
1.0%	Fixed	741	60	0.0	19%	36%	81%	65%
1.0%	Fixed	730	58	5.6	27%	29%	76%	65%
1.0%	10/20	728	67	0.7	23%	55%	69%	49%
1.0%	5/25	737	77	5.1	10%	36%	88%	44%
0.9%	5/25	726	88	12.7	12%	32%	95%	51%
0.9%	10/20	710	61	1.1	10%	35%	85%	37%
0.9%	5/25	722	90	14.4	11%	29%	98%	35%
0.9%	10/20	742	79	7.6	9%	21%	97%	46%
0.8%	7/23	745	59	0.2	28%	38%	81%	48%

Total/weighted average :		733	66	3.9	19%	39%	81%	51%
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□ Data as of March 31, 2012. FICO scores as of deal origination date.

Example of Loss-Adjusted Yield

For Illustrative Purposes Only

Scenario	Price	Coupon	Defaults	Severity	Prepay Speed	Yield
Historic Base Case	72	4.50%	0%	0%	15%	14%
Slow Speed	72	4.50%	0%	0%	6%	10%
Slow Speed Loss Adjusted	72	4.50%	44%	50%	6%	7%

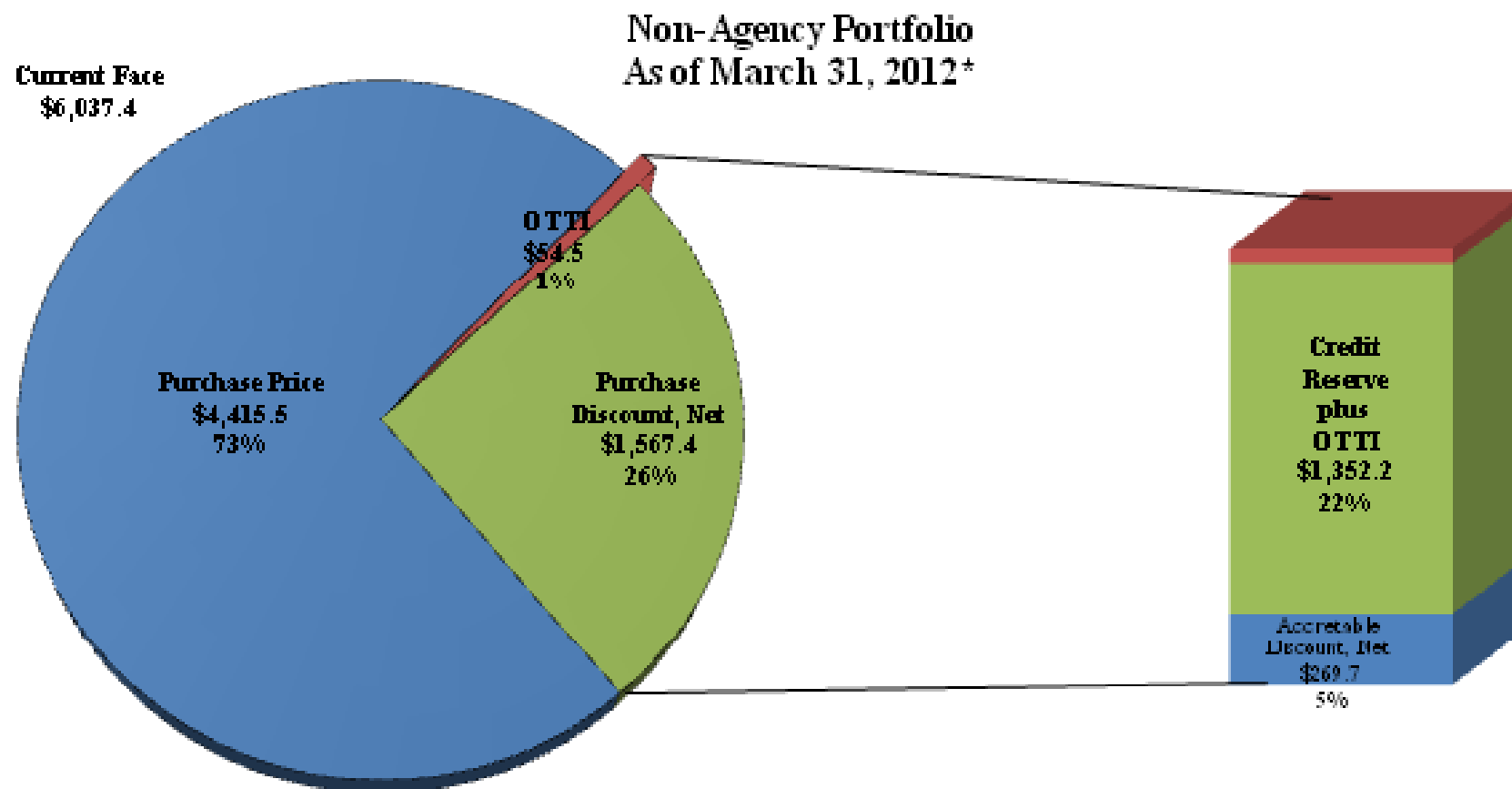
In general, MFA's yields are based on estimated future cash flows utilizing credit assumptions similar to those used in the slow speed, loss-adjusted illustration.

While Housing Fundamentals Remain Weak, We Have Factored This Into Our Credit Reserve Estimates*

- 1) **Credit enhancement**: Average credit enhancement of 4.6% absorbs realized losses before the securities owned by MFA are impacted.
- 2) **Discounted purchase price**: On average, capital losses of 27% can occur within a Non-Agency MBS before MFA has a loss on its investment.
- 3) **Substantial credit reserve**: MFA is booking income utilizing a substantial credit reserve that assumes \$1.4 billion of realized losses will occur within its \$6.0 billion face value of Non-Agency MBS.

**Data as of March 31, 2012. Information regarding Non-Agency MBS is presented on a non-GAAP basis. For a GAAP reconciliation of such items, see Annex 1.*

Deeply Discounted Purchase Price, Substantial Credit Reserve and 4.6% Credit Enhancement mitigate Credit Risk



Dollars in Millions

* Information regarding Non-Agency MBS is presented on a non-GAAP basis. For a GAAP reconciliation of such items, see Annex 1.

Less Than One-Third of MFA Non-Agency MBS Funded with Short-Term Repo*

Non- Agency Financing	\$	Avg. First Quarter Borrowing Cost	%
Market value of Non-Agency MBS	\$ 4.5 Billion		100%
Repo (less than 12 months)	\$ 1.2 Billion	2.08%	27%
Repo (12 months)	\$.2 Billion	2.64%	4%
Securitized Debt	\$ 1.0 Billion	1.72%	22%
Multi-year Collateralized Financing	\$.5 Billion	3.20%	11%
Equity	\$ 1.6 Billion		36%

* Data as of March 31, 2012

MFA Financial, Inc.

- Internally managed.
- Goal is to generate double-digit returns on equity.
- 14.5% annual return since 2000 (including reinvestment of dividends).
- While housing fundamentals do remain weak, we believe this has been appropriately factored into our cash flow projections and credit reserve estimates.
- Diverse funding sources for Non-Agency MBS Portfolio including securitized debt, structured financing and equity, in addition to repo.

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ANNEX 1 – Reconciliations of Non-GAAP Financial Measures



Information pertaining to MFA's Non-Agency MBS that are a component of Linked Transactions are reconciled below as of and for the three months ended March 31, 2012 with the most directly comparable financial measure calculated in accordance with GAAP, as follows:

<i>(Dollars in Thousands)</i>	GAAP Based Information	Adjustments to Include Assets/Liabilities of Underlying Linked Transactions	Non- GAAP Presentation
At March 31, 2012:			
Repurchase Agreement Borrowings	\$ 7,908,932	\$ 84,776 (1)	\$ 7,993,708
Securitized Debt	967,422	-	967,422
Obligation to Return Securities Held as Collateral	503,740	-	503,740
Payable for Unsettled MBS Purchases	99,772	-	99,772
Total Borrowings (Debt)	\$ 9,479,866	\$ 84,776 (1)	\$ 9,564,642
Stockholders' Equity	\$ 2,765,494	\$ -	\$ 2,765,494
Debt-to-Equity (Debt/Stockholders' Equity)	3.4 x		3.5 x
For the Three Months Ended March 31, 2012:			
Average Interest Earning Assets	\$ 11,244,222	\$ 147,321 (2)	\$ 11,391,543
Interest Income	\$ 123,523	\$ 2,288	\$ 125,811
Yield on Average Interest Earning Assets	4.39 %	6.21 %	4.42 %
Average Total Borrowings	\$ 0,721,060	\$ 111,010 (2)	\$ 0,832,066
Interest Expense	\$ 40,127	\$ 504	\$ 40,631
Average Cost of Funds	1.85 %	1.83 %	1.85 %
Net Interest Rate Spread	2.54 %	4.38 %	2.57 %

(1) Represents borrowings under repurchase agreements underlying Linked Transactions.

(2) Represents Non-Agency MBS underlying Linked Transactions.

ANNEX 1 – Reconciliations of Non-GAAP Financial Measures (cont)



The table below reconciles MFA's Non-Agency MBS and related repurchase agreement borrowings and securitized debt on a GAAP basis to reflect on a combined basis its Non-Agency MBS and related repurchase agreements underlying its Linked Transactions, which is a Non-GAAP financial measure. Based on this Non-GAAP presentation, MFA has also presented certain resulting performance measures (reflected in the table below) on a Non-GAAP basis.

<i>(Dollars in Thousands)</i>	GAAP Based Information	(1)	Adjustments to Include Assets/Liabilities Underlying Linked Transactions	(2)	Non-GAAP Presentation
At March 31, 2012:					
Amortized Cost of Non-Agency MBS	\$ 4,312,520		\$ 102,962		\$ 4,415,482
Fair Value of Non-Agency MBS	\$ 4,415,277		\$ 104,667		\$ 4,519,944
Face/Par Value of Non-Agency MBS	\$ 5,920,383		\$ 117,022		\$ 6,037,405
Purchase (Discount) Designated as Credit Reserve and OTTI	\$ (1,344,718) (3)		\$ (7,473)		\$ (1,352,191) (4)
Net Purchase (Discount) Designated as Accrutable	(263,145)		(6,337)		(269,732)
Total Purchase (Discount) on Non-Agency MBS	\$ (1,607,863) (3)		\$ (14,060)		\$ (1,621,923) (4)
Non-Agency Repurchase Agreements and Securitized Debt	\$ 2,760,940		\$ 84,776		\$ 2,845,716
For the Three Months Ended March 31, 2012:					
Non-Agency MBS Average Amortized Cost	\$ 4,040,977		\$ 147,321		\$ 4,188,298
Non-Agency Average Total Borrowings	\$ 2,666,995		\$ 111,018		\$ 2,778,013
Coupon Interest on Non-Agency MBS	\$ 60,860		\$ 1,958		\$ 62,818
Effective Yield Adjustment (5)	9,344		330		9,674
Interest Income on Non-Agency MBS	\$ 70,204		\$ 2,288		\$ 72,492
Interest Expense on Non-Agency Total Borrowings	\$ 14,404		\$ 504		\$ 14,908
Yield on Average Interest Earning Non-Agency MBS	6.95 %		6.21 %		6.92 %
Non-Agency Average Cost of Funds	2.17		1.83		2.16
Non-Agency Interest Rate Spread	4.78 %		4.38 %		4.76 %

(1) Includes Non-Agency MBS transferred to consolidated VIE.

(2) Adjustment to reflect Non-Agency MBS underlying Linked Transactions and borrowings under repurchase agreements underlying Linked Transactions.

(3) Amounts disclosed reflect purchase discount designated as credit reserve of \$1.290 billion and OTTI of \$34.5 million.

(4) Amounts disclosed reflect purchase discount designated as credit reserve of \$1.298 billion and OTTI of \$34.5 million.

(5) The effective yield adjustment on Non-Agency MBS is the difference between net income calculated using the net yield on average interest earning Non-Agency MBS, which is based on management's estimates of future cash flows for Non-Agency MBS, less the current coupon yield.

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