DEAR FELLOW MFA SHAREHOLDERS:

Last year, we celebrated our 20th anniversary as a public company by ringing the closing bell at the New York Stock Exchange on April 17, 2018. MFA also achieved another milestone during 2018, as we successfully executed on our strategy and acquired over $5.7 billion of new assets, growing our investment portfolio by $2.2 billion or 22%. Our efforts that began in early 2017 to forge relationships with loan originators by serving as a reliable capital partner paid off in 2018, as we sourced over $2 billion of newly originated performing loans. During our 20-year history as a listed company, through many interest rate cycles and various economic environments, we have generated a cumulative total return for our shareholders of 675%, or 10.4%, on an annualized basis. Over the last ten years, our annualized total stock return has been 14.5%.

It is worth noting that we deliver these returns to our stockholders with significantly less risk than most of our peers due to our low leverage (2.6 times debt to equity as of year-end 2018), relatively low interest rate sensitivity as measured by net duration (0.96 at year-end 2018) and reduced sensitivity to prepayments. Our asset selection process is heavily centered around residential mortgage credit, where we continue to build on our eleven-year history of credit expertise. We invest in multiple asset classes across the residential mortgage spectrum, and despite the complexity embedded in these investments, we are proud to be recognized as an industry leader in transparency and disclosure. As we have continued to expand our asset classes and our business has become more intricate, we have invested in additional resources including people and technology. In particular, our asset management team has grown to support our credit sensitive loan portfolio, and we have seen these efforts pay off in the form of better and faster resolutions of non-performing loans, which has boosted both our realized and expected returns. Nevertheless, despite our increased investment in resources, MFA's operating expenses remain among the lowest in our peer group at 1.35% of stockholders' equity for 2018. Finally, our internal management structure both reduces operating costs and tightly aligns our interests with those of our shareholders.

The fourth quarter, and in particular the last two months of 2018, was a challenging period for holders of financial assets. The Dow Jones Industrial Average experienced daily swings of 500 points or more for much of the last two weeks of the year (including a 650 point drop on Christmas Eve). Bonds rallied significantly between early November and year end, with yields on two, five and ten year U.S. Treasuries falling by 50 to 60 basis points. Credit spreads also experienced volatility during this period, with high yield spreads widening by 180 basis points. Levered investors in both Agency mortgages and mortgage credit experienced significant value declines as spreads on these assets widened, with corresponding book value reductions commensurate with the amount of leverage deployed. While not immune to these movements, MFA fared better than most of our peers with a modest book value decline of 4.2% during the fourth quarter, due largely to our asset mix and low leverage. Furthermore, while wider credit spreads negatively impacted pricing on our mortgage credit assets, this spread widening was very much a technical phenomenon rather than the result of deteriorating credit or diminution of projected cash flows. Despite this turmoil in the fourth quarter, MFA produced a positive economic return for the year of 3.2%, while most of our peers had negative economic returns for 2018.

MFA recognized in 2017 that in order to compete effectively in sourcing recently originated loans, we would need to formulate a new strategy. Acquiring these investments is a distinctly different process than the traditional method of submitting bids to dealers or sellers of loans from time to time. MFA was an early mover in establishing strategic relationships with originators, entering flow agreements and, in certain cases, making minority equity or preferred stock investments in these origination partners. While forging these alliances and negotiating the related necessary agreements are time-consuming, we recognized the value realizable through these endeavors over the long term. The deep relationships we have built provide our origination partners with a reliable capital colleague that they need to grow their businesses while at the same time furnishing MFA with a dependable and recurring source of future investments. Our vision and willingness to engage in these considerable efforts has begun to meaningfully contribute to our financial results. We are excited about the growth prospects both for our origination partners and our own balance sheet.

2019 AND BEYOND

With significant liquidity, a short duration portfolio and a low level of leverage, MFA has considerable capacity to take advantage of market opportunities to continue to augment our portfolio, and asset growth will drive future earnings. Recent economic developments and pronouncements from the Federal Reserve have suggested that its interest rate posture has decidedly shifted to a more dovish tone. A stable interest rate environment tends to support our mortgage investment asset values, and reduced expectations of future interest rate increases bode well for our future borrowing costs as this headwind abates. Recent press sometimes suggesting a "housing slump" is in reality a reference to reduced trading volume, which is primarily due to high home prices and insufficient new supply to satisfy household formation. These are good omens for MFA's substantial residential mortgage credit investments, as fewer housing starts bolster the demand for (and value of) existing homes that underly our mortgage investments. We believe we are well positioned to continue to take advantage of investment opportunities within the residential mortgage universe as they arise. On behalf of the Board of Directors and all of MFA's dedicated and talented employees, we thank you for your continued ownership and support.

CRAIG L. KNUTSON
Chief Executive Officer, President and Director

Various forward-looking statements are made in this Annual Report, which generally include the words "believe," "expect," "may," "will," "anticipate," "estimate" and similar expressions. Certain factors that may affect these forward-looking statements, including MFA's ability to achieve its goals and meet its objectives, are discussed on pages 5 to 30 and pages 77 to 78 of MFA's Annual Report on Form 10-K, which is a part hereof.