

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **August 7, 2019**

MFA FINANCIAL, INC.

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction
of incorporation
or organization)

1-13991
(Commission File Number)

13-3974868
(IRS Employer
Identification No.)

350 Park Avenue, 20th Floor
New York, New York
(Address of principal executive offices)

10022
(Zip Code)

Registrant's telephone number, including area code: **(212) 207-6400**

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, par value \$0.01 per share	MFA	New York Stock Exchange
7.50% Series B Cumulative Redeemable Preferred Stock, par value \$0.01 per share	MFA/PB	New York Stock Exchange
8.00% Senior Notes due 2042	MFO	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 7.01 Regulation FD Disclosure

MFA Financial, Inc. (“MFA”) issued a press release, dated August 7, 2019, announcing its financial results for the quarter ended June 30, 2019, which is attached hereto as Exhibit 99.1 and is incorporated herein by reference. In addition, in conjunction with the announcement of its financial results, MFA issued additional information relating to its 2019 second quarter financial results. Such additional information is attached to this report as Exhibit 99.2 and is incorporated herein by reference.

The information referenced in this Current Report on Form 8-K (including Exhibits 99.1 and 99.2) is being “furnished” and, as such, shall not be deemed to be “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that Section. The information set forth in this Current Report on Form 8-K (including Exhibits 99.1 and 99.2) is and will not be incorporated by reference into any registration statement or other document filed by MFA pursuant to the Securities Act of 1933, as amended (the “Securities Act”), except as may be expressly set forth by specific reference in such filing.

As discussed therein, the press release contains forward-looking statements within the meaning of the Securities Act and the Exchange Act and, as such, may involve known and unknown risks, uncertainties and assumptions. These forward-looking statements relate to MFA’s current expectations and are subject to the limitations and qualifications set forth in the press release as well as in MFA’s other documents filed with the SEC, including, without limitation, that actual events and/or results may differ materially from those projected in such forward-looking statements.

Exhibit

99.1	Press Release, dated August 7, 2019, announcing MFA’s financial results for the quarter ended June 30, 2019.
99.2	Additional information relating to the financial results of MFA for the quarter ended June 30, 2019.

EXHIBIT INDEX

Exhibit No.	Description
99.1	Press Release, dated August 7, 2019, announcing MFA Financial Inc.'s financial results for the quarter ended June 30, 2019.
99.2	Additional information relating to the financial results of MFA Financial, Inc. for the quarter ended June 30, 2019.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MFA FINANCIAL, INC.
(REGISTRANT)

By: /s/ Harold E. Schwartz

Name: Harold E. Schwartz

Title: Senior Vice President and
General Counsel

Date: August 7, 2019



MFA
FINANCIAL, INC.

350 Park Avenue
New York, New York 10022

PRESS RELEASE

August 7, 2019

INVESTOR CONTACT:

InvestorRelations@mfafinancial.com
212-207-6488
www.mfafinancial.com

MEDIA CONTACT:

Abernathy MacGregor
Tom Johnson
212-371-5999

FOR IMMEDIATE RELEASE

NEW YORK METRO

NYSE: MFA

MFA Financial, Inc.
Announces Second Quarter 2019 Financial Results

NEW YORK - MFA Financial, Inc. (NYSE:MFA) today announced its financial results for the second quarter ended June 30, 2019.

Second Quarter 2019 and other highlights:

- MFA generated second quarter GAAP net income of \$89.3 million, or \$0.20 per common share. Core earnings, a non-GAAP financial measure of MFA's operating performance that is calculated by adjusting GAAP net income to exclude the impact of unrealized gains and losses on certain of our investments, was also \$0.20 per common share.
- As of June 30, 2019, book value per common share was \$7.11, unchanged from the prior quarter.
- Continued successful execution of our investment strategy resulted in net portfolio growth for the seventh consecutive quarter. MFA acquired, or committed to acquire, approximately \$1.4 billion of residential mortgage assets in the second quarter, including \$1.0 billion of residential whole loans, increasing our total investment portfolio by \$392 million.
- Net interest income on MFA's residential whole loan portfolio increased 8.9% from the prior quarter to \$19.2 million. This was driven primarily by acquisitions of Non-QM, fix and flip and single family rental loans.
- On July 31, 2019, MFA paid its second quarter 2019 dividend of \$0.20 per share of common stock to shareholders of record as of July 1, 2019.

Craig Knutson, MFA's CEO and President, said, "MFA's investment portfolio growth in the second quarter of 2019 was driven by acquisitions of \$1.4 billion of new assets. Our residential whole loan and REO portfolio increased by \$725 million, largely due to investments in purchased performing loans. In addition, MSR-related assets increased by \$345 million. Our growth in purchased performing loans was driven by the acquisition of Non-QM, fix and flip and single family rental loans. We continue to gain traction on these new acquisition efforts, which involve relationships cultivated over the past two years. Through our willingness and ability to explore and enter into various arrangements, including flow agreements, strategic alliances and also minority equity investments, we have been able to partner with originators to source attractive new investments, while enabling them to grow with support from MFA as a reliable provider of capital."

Mr. Knutson added, "Through our asset selection and hedging strategy, our estimated net effective duration, a gauge of our portfolio's sensitivity to interest rates, remained relatively low and measured 1.11 at quarter-end. Our portfolio continues to deliver book value stability. As of June 30, 2019, MFA's book value per common share was \$7.11, unchanged from March 31, 2019. Leverage, which reflects the ratio of our financing obligations to equity, was 2.8:1 at quarter-end, up slightly from 2.7:1 at the end of the first quarter."

At June 30, 2019, our investments in residential whole loans totaled \$5.9 billion. Of this amount, \$4.4 billion is recorded at carrying value and generated a yield of 5.72% during the quarter, and \$1.5 billion is recorded at fair value on our consolidated balance sheet. We recorded gains for the quarter on residential whole loans measured at fair value of approximately \$51.5 million, primarily reflecting coupon interest payments and other cash received during the quarter together with changes in the fair value of the underlying loans. In addition, as of the end of the quarter, we held approximately \$334 million of REO properties. MFA's proactive asset management team has been able to shorten liquidation timelines and increase property sale proceeds, leading to improved outcomes and better returns.

MFA's Legacy Non-Agency MBS had a face amount of \$1.8 billion with an amortized cost of \$1.2 billion and a net purchase discount of \$596.8 million at June 30, 2019. This discount consists of a \$479.6 million credit reserve and other-than-temporary impairments and a \$117.2 million net accretable discount. We believe this credit reserve appropriately factors in remaining uncertainties regarding underlying mortgage performance and the potential impact on future cash flows. Our Legacy Non-Agency MBS generated a yield of 11.30% for the quarter. The portfolio continues to outperform our credit assumptions and has underlying mortgage loans that are on average approximately thirteen years seasoned and only 10.9% are currently 60 or more days delinquent.

As of June 30, 2019, the Agency MBS portfolio totaled \$2.3 billion, had an amortized cost basis of 103.9% of par and generated a yield of 2.50% for the second quarter. At the end of the second quarter, MFA held approximately \$1.0 billion of RPL/NPL MBS. These securities had an amortized cost basis of 99.95% of par and generated a yield of 4.98% for the quarter. In addition, our investments in MSR-related assets at June 30, 2019 totaled \$1.2 billion and generated a yield of 5.34% for the second quarter. Our investments in CRT securities totaled \$407.3 million at June 30, 2019, and generated a yield of 5.06% for the second quarter. During the quarter we opportunistically sold residential mortgage securities for \$195.3 million, realizing gains of \$7.7 million (\$1.1 million of which had previously been recorded as unrealized gains on CRT securities for which we had elected fair value accounting). We realized a loss of \$6.3 million on

termination of swap hedges in connection with managing our investment in 30-Year Agency MBS, as rates continued to rally sharply, leading to a shortening of these assets and a reduction in their duration.

For the three months ended June 30, 2019, MFA's costs for compensation and benefits and other general and administrative expenses were \$13.8 million, or an annualized 1.62% of stockholders' equity as of June 30, 2019.

The following table presents MFA's asset allocation as of June 30, 2019, and the second quarter 2019 yield on average interest-earning assets, average cost of funds and net interest rate spread for the various asset types.

Table 1

ASSET ALLOCATION									
At June 30, 2019 (\$ in Millions)	Agency MBS	Legacy Non- Agency MBS	RPL/NPL MBS	Credit Risk Transfer Securities	Residential Whole Loans, at Carrying Value (1)	Residential Whole Loans, at Fair Value	MSR- Related Assets	Other, net (2)	Total
Fair Value/Carrying Value	\$ 2,257	\$ 1,691	\$ 1,037	\$ 407	\$ 4,392	\$ 1,526	\$ 1,170	\$ 588	\$ 13,068
Less Payable for Unsettled Purchases	—	—	—	—	—	(87)	—	—	(87)
Less Repurchase Agreements	(2,065)	(1,276)	(809)	(325)	(2,499)	(650)	(921)	(86)	(8,631)
Less Securitized Debt	—	—	—	—	(146)	(481)	—	—	(627)
Less Convertible Senior Notes	—	—	—	—	—	—	—	(223)	(223)
Less Senior Notes	—	—	—	—	—	—	—	(97)	(97)
Net Equity Allocated	\$ 192	\$ 415	\$ 228	\$ 82	\$ 1,747	\$ 308	\$ 249	\$ 182	\$ 3,403
Debt/Net Equity Ratio (3)	10.8x	3.1x	3.5x	4.0x	1.5x	4.0x	3.7x	—	2.8x
For the Quarter Ended June 30, 2019									
Yield on Average Interest Earning Assets	2.50%	11.30%	4.98%	5.06%	5.72%	N/A	5.34%	—	5.47%
(4)/(5)	(2.56)	(3.30)	(3.39)	(3.33)	(4.16)	(4.10)	(3.48)	—	(3.57)
Less Average Cost of Funds (6)	(0.06)%	8.00%	1.59%	1.73%	1.56%	N/A	1.86%	—	1.90%
Net Interest Rate Spread	—	—	—	—	—	—	—	—	—

(1) Includes \$2.3 billion of Non-QM loans, \$859.7 million of Rehabilitation loans, \$295.5 million of Single-family rental loans, \$200.5 million of seasoned performing loans and \$745.7 million of purchased credit impaired loans. At June 30, 2019, the total fair value of these loans is estimated to be approximately \$4.5 billion.

(2) Includes cash and cash equivalents and restricted cash, other assets and other liabilities.

(3) Represents the sum of borrowings under repurchase agreements, securitized debt and payable for unsettled purchases as a multiple of net equity allocated. The numerator of our Total Debt/Net Equity Ratio also includes Convertible Senior Notes and Senior Notes.

(4) Yields reported on our interest earning assets are calculated based on the interest income recorded and the average amortized cost for the quarter of the respective asset. At June 30, 2019, the amortized cost of our interest earning assets were as follows: Agency MBS - \$2.3 billion; Legacy Non-Agency MBS - \$1.2 billion; RPL/NPL MBS - \$1.0 billion; Credit Risk Transfer securities - \$399.4 million; and Residential Whole Loans at carrying value - \$4.4 billion. In addition, the yield for residential whole loans at carrying value was 5.65%, net of 7 basis points of servicing fee expense incurred during the quarter. For GAAP reporting purposes, such expenses are included in Loan servicing and other related operating expenses in our statement of operations.

(5) Interest payments received on residential whole loans at fair value is reported in Other Income as Net gain on residential whole loans measured at fair value through earnings in our statement of operations. Accordingly, no yield is presented as such loans are not included in interest earning assets for reporting purposes.

(6) Average cost of funds includes interest on repurchase agreements, the cost of swaps, Convertible Senior Notes and Senior Notes and securitized debt. Agency MBS cost of funds is reduced by 9 basis points and Legacy Non-Agency MBS cost of funds is reduced by 14 basis points associated with swaps to hedge interest rate sensitivity on these assets. Residential Whole Loans at Carrying Value cost of funds includes 7 basis points associated with swaps to hedge interest rate sensitivity on these assets.

At June 30, 2019, MFA's \$3.9 billion of Agency and Legacy Non-Agency MBS were backed by hybrid, adjustable and fixed-rate mortgages. Additional information about these MBS, including average months to reset and three-month average CPR, is presented below:

Table 2

Time to Reset (\$ in Millions)	Agency MBS			Legacy Non-Agency MBS (1)			Total (1)		
	Fair Value (2)	Average Months to Reset (3)	3 Month Average CPR (4)	Fair Value	Average Months to Reset (3)	3 Month Average CPR (4)	Fair Value (2)	Average Months to Reset (3)	3 Month Average CPR (4)
< 2 years (5)	\$ 869	6	22.0%	\$ 1,034	5	16.8%	\$ 1,903	5	19.1%
2-5 years	107	37	9.6	—	—	—	107	37	9.6
> 5 years	9	72	6.1	—	—	—	9	72	6.1
ARM-MBS Total	\$ 985	10	20.5%	\$ 1,034	5	16.8%	\$ 2,019	7	18.6%
15-year fixed (6)	\$ 656		10.9%	\$ 1		45.1%	\$ 657		11.9%
30-year fixed (6)	616		23.4	607		13.6	1,223		18.2
40-year fixed (6)	—		—	46		8.3	46		8.3
Fixed-Rate Total	\$ 1,272		16.6%	\$ 654		14.0%	\$ 1,926		15.7%
MBS Total	\$ 2,257		18.3%	\$ 1,688		15.7%	\$ 3,945		17.1%

(1) Excludes \$1.0 billion of RPL/NPL MBS.

(2) Does not include principal payments receivable of \$682,000.

(3) Months to Reset is the number of months remaining before the coupon interest rate resets. At reset, the MBS coupon will adjust based upon the underlying benchmark interest rate index, margin and periodic or lifetime caps. Months to Reset does not reflect scheduled amortization or prepayments.

(4) 3 month average CPR weighted by positions as of beginning of each month in the quarter.

(5) Includes floating-rate MBS that may be collateralized by fixed-rate mortgages.

(6) Information presented based on data available at time of loan origination.

Webcast

MFA Financial, Inc. plans to host a live audio webcast of its investor conference call on Wednesday, August 7, 2019, at 10:00 a.m. (Eastern Time) to discuss its second quarter 2019 financial results. The live audio webcast will be accessible to the general public over the internet at <http://www.mfafinancial.com> through the "Webcasts & Presentations" link on MFA's home page. To listen to the conference call over the internet, please go to the MFA website at least 15 minutes before the call to register and to download and install any needed audio software. Earnings presentation materials will be posted on the MFA website prior to the conference call and an audio replay will be available on the website following the call.

Cautionary Language Regarding Forward-Looking Statements

When used in this press release or other written or oral communications, statements which 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" within the meaning 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. Statements regarding the following subjects, among others, may be forward-looking: changes in interest rates and the market (i.e., fair) value of MFA's MBS, residential whole loans, CRT securities and other assets; changes in the prepayment rates on residential mortgage assets, an increase of which could result in a reduction of the yield on certain investments in our portfolio and could require us to reinvest the proceeds received by us as a result of such prepayments in investments with lower coupons, while a decrease in which could result in an increase in the interest rate duration of certain investments in our portfolio making their valuation more sensitive

to changes in interest rates and could result in lower forecasted cash flows or, in certain circumstances, other-than-temporary impairment on certain Legacy Non-Agency MBS purchased at a discount; credit risks underlying MFA's assets, including changes in the default rates and management's assumptions regarding default rates on the mortgage loans securing MFA's Non-Agency MBS and relating to MFA's residential whole loan portfolio; MFA's ability to borrow to finance its assets and the terms, including the cost, maturity and other terms, of any such borrowings; implementation of or changes in government regulations or programs affecting MFA's business; MFA's estimates regarding taxable income, the actual amount of which is dependent on a number of factors, including, but not limited to, changes in the amount of interest income and financing costs, the method elected by MFA to accrete the market discount on Non-Agency MBS and residential whole loans and the extent of prepayments, realized losses and changes in the composition of MFA's Agency MBS, Non-Agency MBS and residential whole loan portfolios that may occur during the applicable tax period, including gain or loss on any MBS disposals and whole loan modifications, foreclosures and liquidations; the timing and amount of distributions to stockholders, which are declared and paid at the discretion of MFA's Board of Directors and will depend on, among other things, MFA's taxable income, its financial results and overall financial condition and liquidity, maintenance of its REIT qualification and such other factors as MFA's Board of Directors deems relevant; 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, as amended (or the "Investment Company Act"), including statements regarding the concept release issued by the Securities and Exchange Commission ("SEC") relating to interpretive issues under the Investment Company Act with respect to the status under the Investment Company Act of certain companies that are engaged in the business of acquiring mortgages and mortgage-related interests; MFA's ability to continue growing its residential whole loan portfolio, which is dependent on, among other things, the supply of loans offered for sale in the market; expected returns on our investments in nonperforming residential whole loans ("NPLs"), which are affected by, among other things, the length of time required to foreclose upon, sell, liquidate or otherwise reach a resolution of the property underlying the NPL, home price values, amounts advanced to carry the asset (e.g., taxes, insurance, maintenance expenses, etc. on the underlying property) and the amount ultimately realized upon resolution of the asset; targeted or expected returns on MFA's investments in recently-originated loans, the performance of which is, similar to MFA's other mortgage loan investments, subject to, among other things, prepayment risk, credit risk and financing cost associated with such investments; risks associated with our investments in MSR-related assets, including servicing, regulatory and economic risks, 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 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 it makes. All 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.

MFA FINANCIAL, INC.
CONSOLIDATED BALANCE SHEETS

(In Thousands, Except Per Share Amounts)	June 30, 2019 (Unaudited)	December 31, 2018
Assets:		
Residential mortgage securities:		
Agency MBS, at fair value (\$2,223,163 and \$2,575,331 pledged as collateral, respectively)	\$ 2,257,375	\$ 2,698,213
Non-Agency MBS, at fair value (\$2,705,825 and \$3,248,900 pledged as collateral, respectively)	2,728,270	3,318,299
Credit Risk Transfer ("CRT") securities, at fair value (\$403,381 and \$480,315 pledged as collateral, respectively)	407,316	492,821
Residential whole loans, at carrying value (\$2,814,259 and \$1,645,372 pledged as collateral, respectively) (1)	4,391,983	3,016,715
Residential whole loans, at fair value (\$777,087 and \$738,638 pledged as collateral, respectively) (1)	1,525,814	1,665,978
Mortgage servicing rights ("MSR") related assets (\$1,169,872 and \$611,807 pledged as collateral, respectively)	1,169,872	611,807
Cash and cash equivalents	88,661	51,965
Restricted cash	31,056	36,744
Other assets	607,745	527,785
Total Assets	<u>\$ 13,208,092</u>	<u>\$ 12,420,327</u>
Liabilities:		
Repurchase agreements	\$ 8,630,642	\$ 7,879,087
Other liabilities	1,174,077	1,125,139
Total Liabilities	<u>\$ 9,804,719</u>	<u>\$ 9,004,226</u>
Stockholders' Equity:		
Preferred stock, \$.01 par value; 7.50% Series B cumulative redeemable; 8,050 shares authorized; 8,000 shares issued and outstanding (\$200,000 aggregate liquidation preference)	80	80
Common stock, \$.01 par value; 886,950 shares authorized; 450,622 and 449,787 shares issued and outstanding, respectively	4,506	4,498
Additional paid-in capital, in excess of par	3,625,399	3,623,275
Accumulated deficit	(638,396)	(632,040)
Accumulated other comprehensive income	411,784	420,288
Total Stockholders' Equity	<u>\$ 3,403,373</u>	<u>\$ 3,416,101</u>
Total Liabilities and Stockholders' Equity	<u>\$ 13,208,092</u>	<u>\$ 12,420,327</u>

(1) Includes approximately \$197.0 million and \$209.4 million of Residential whole loans, at carrying value and \$616.0 million and \$694.7 million of Residential whole loans, at fair value transferred to consolidated VIEs at June 30, 2019 and December 31, 2018, respectively. Such assets can be used only to settle the obligations of each respective VIE.

MFA FINANCIAL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(In Thousands, Except Per Share Amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(Unaudited)			
Interest Income:				
Agency MBS	\$ 15,274	\$ 13,170	\$ 33,715	\$ 28,463
Non-Agency MBS	52,027	55,043	106,028	111,145
CRT securities	5,094	8,695	11,294	18,191
Residential whole loans held at carrying value	57,879	17,935	107,499	32,264
MSR-related assets	12,338	6,219	22,958	13,842
Cash and cash equivalent investments	1,036	685	1,800	1,594
Other interest-earning assets	1,287	—	2,593	—
Interest Income	\$ 144,935	\$ 101,747	\$ 285,887	\$ 205,499
Interest Expense:				
Repurchase agreements	\$ 75,890	\$ 46,234	\$ 146,699	\$ 91,951
Other interest expense	9,154	5,576	17,371	10,413
Interest Expense	\$ 85,044	\$ 51,810	\$ 164,070	\$ 102,364
Net Interest Income	\$ 59,891	\$ 49,937	\$ 121,817	\$ 103,135
Other Income, net:				
Net gain on residential whole loans measured at fair value through earnings	\$ 51,473	\$ 32,443	\$ 76,740	\$ 70,941
Net realized gain on sales of residential mortgage securities	7,710	7,429	32,319	16,246
Net unrealized gain/(loss) on residential mortgage securities measured at fair value through earnings	—	(2,351)	8,672	(3,231)
Net (loss)/gain on Swaps not designated as hedges for accounting purposes	(7,394)	353	(16,338)	353
Other, net	5,073	3,132	6,638	4,357
Other Income, net	\$ 56,862	\$ 41,006	\$ 108,031	\$ 88,666
Operating and Other Expense:				
Compensation and benefits	\$ 7,841	\$ 7,038	\$ 16,395	\$ 13,786
Other general and administrative expense	5,934	5,582	10,579	9,414
Loan servicing and other related operating expenses	9,938	7,928	20,977	14,811
Operating and Other Expense	\$ 23,713	\$ 20,548	\$ 47,951	\$ 38,011
Net Income	\$ 93,040	\$ 70,395	\$ 181,897	\$ 153,790
Less Preferred Stock Dividends	3,750	3,750	7,500	7,500
Net Income Available to Common Stock and Participating Securities	\$ 89,290	\$ 66,645	\$ 174,397	\$ 146,290
Basic Earnings per Common Share	\$ 0.20	\$ 0.17	\$ 0.39	\$ 0.36
Diluted Earnings per Common Share	\$ 0.20	\$ 0.17	\$ 0.38	\$ 0.36
Dividends Declared per Share of Common Stock	\$ 0.20	\$ 0.20	\$ 0.40	\$ 0.40

Reconciliation of GAAP net income available to common stock and participating securities to non-GAAP Core earnings

“Core earnings” is a non-GAAP financial measure of our operating performance, within the meaning of Regulation G and Item 10(e) of Regulation S-K, as promulgated by the Securities and Exchange Commission. Core earnings excludes certain unrealized gains and losses that we are required to include in GAAP Net Income each period because management believes that these items, which to date have typically resulted from short-term market volatility or other market technical factors and not due to changes in fundamental asset cash flows, are not reflective of the economic income generated by our investment portfolio. Accordingly, we believe that the adjustments to compute Core earnings specified below better allow investors and analysts to evaluate our financial results, including by analyzing changes in our Core earnings between periods. In addition to using Core earnings in the evaluation of investment portfolio performance over time, Management considers estimates of periodic Core earnings as an input to the determination of the level of quarterly dividends to common shareholders that are recommended to the Board of Directors for approval and in its forecasting and decision-making processes relating to the allocation of capital between different asset classes.

We believe that Core earnings provides useful supplemental information to both management and investors in evaluating our financial results. Core earnings should be used in conjunction with results presented in accordance with GAAP. Core earnings does not represent and should not be considered as a substitute for Net Income or Cash Flows from Operating Activities, each as determined in accordance with GAAP, and our calculation of this measure may not be comparable to similarly titled measures reported by other companies.

The following table provides a reconciliation of our GAAP net income available to common stock and participating securities to our non-GAAP Core earnings for the three months ended June 30, 2019, March 31, 2019 and December 31, 2018:

(In Thousands, Except Per Share Amounts)	Three Months Ended		
	June 30, 2019	March 31, 2019 (Unaudited)	December 31, 2018
GAAP Net income to common stockholders - basic	\$ 89,014	\$ 84,851	\$ 56,888
Adjustments:			
Unrealized loss/(gain) on CRT securities measured at fair value through earnings	2,040	(2,690)	27,246
Unrealized net (gain)/loss on Agency MBS measured at fair value through earnings and related swaps that are not accounted for as hedging transactions	(918)	(4,840)	11,758
Total adjustments	\$ 1,122	\$ (7,530)	\$ 39,004
Core earnings	\$ 90,136	\$ 77,321	\$ 95,892
GAAP earnings per common share	\$ 0.20	\$ 0.19	\$ 0.13
Core earnings per common share	\$ 0.20	\$ 0.17	\$ 0.21
Weighted average common shares for earnings per share	450,538	450,358	449,559



Second Quarter 2019

Earnings Presentation

Forward Looking Statements

When used in this presentation or other written or oral communications, statements which are not historical in nature, including those containing words such as “will,” “believe,” “expect,” “anticipate,” “estimate,” “plan,” “continue,” “intend,” “should,” “could,” “would,” “may” the negative of these words or similar expressions, are intended to identify “forward-looking statements” within the meaning of Section 27A of the 1933 Act and Section 21E of the 1934 Act and, as such, may involve known and unknown risks, uncertainties and assumptions. Statements regarding the following subjects, among others, may be forward-looking: changes in interest rates and the market (i.e., fair) value of MFA’s MBS, residential whole loans, CRT securities and other assets; changes in the prepayment rates on residential mortgage assets, an increase of which could result in a reduction of the yield on certain investments in our portfolio and could require us to reinvest the proceeds received by us as a result of such prepayments in investments with lower coupons, while a decrease in which could result in an increase in the interest rate duration of certain investments in our portfolio making their valuation more sensitive to changes in interest rates and could result in lower forecasted cash flows, or in certain circumstances, other-than-temporary impairment on certain Legacy Non-Agency MBS purchased at a discount; credit risks underlying MFA’s assets, including changes in the default rates and management’s assumptions regarding default rates on the mortgage loans securing MFA’s Non-Agency MBS and relating to MFA’s residential whole loan portfolio; MFA’s ability to borrow to finance its assets and the terms, including the cost, maturity and other terms, of any such borrowings; implementation of or changes in government regulations or programs affecting MFA’s business; MFA’s estimates regarding taxable income, the actual amount of which is dependent on a number of factors, including, but not limited to, changes in the amount of interest income and financing costs, the method elected by MFA to accrete the market discount on Non-Agency MBS and residential whole loans and the extent of prepayments, realized losses and changes in the composition of MFA’s Agency MBS, Non-Agency MBS and residential whole loan portfolios that may occur during the applicable tax period, including gain or loss on any MBS disposals and whole loan modifications, foreclosures and liquidations; the timing and amount of distributions to stockholders, which are declared and paid at the discretion of MFA’s Board of Directors and will depend on, among other things, MFA’s taxable income, its financial results and overall financial condition and liquidity, maintenance of its REIT qualification and such other factors as MFA’s Board of Directors deems relevant; 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, as amended (or the Investment Company Act), including statements regarding the Concept Release issued by the Securities and Exchange Commission (SEC) relating to interpretive issues under the Investment Company Act with respect to the status under the Investment Company Act of certain companies that are engaged in the business of acquiring mortgages and mortgage-related interests; MFA’s ability to continue growing its residential whole loan portfolio which is dependent on, among other things, the supply of loans offered for sale in the market; expected returns on our investments in non-performing residential whole loans (NPLs), which are affected by, among other things, the length of time required to foreclose upon, sell, liquidate or otherwise reach a resolution of the property underlying the NPL, home price values, amounts advanced to carry the asset (e.g., taxes, insurance, maintenance expenses, etc. on the underlying property) and the amount ultimately realized upon resolution of the asset; targeted or expected returns on MFA’s investments in recently-originated loans, the performance of which is, similar to MFA’s other mortgage loan investments, subject to, among other things, prepayment risk, credit risk and financing cost associated with such investments; risks associated with our investments in MSR-related assets, including servicing, regulatory and economic risks, 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 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 it makes. All 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.

Executive summary

- MFA's GAAP EPS and Core earnings ⁽¹⁾ in the second quarter of 2019 were \$0.20, as our whole loan portfolio continued to make meaningful and growing contributions to our results.
- For the second quarter of 2019, MFA acquired approximately \$1.4 billion of assets, increasing its portfolio by \$391 million. As we continue to execute our investment strategy, we have achieved seven consecutive quarters of net investment portfolio growth.
- Our second quarter dividend to common stockholders of \$0.20 was paid on July 31.
- Book value at June 30, 2019 was \$7.11, unchanged from the prior quarter.
- Estimated undistributed taxable income was \$0.05 per share at June 30, 2019.

(1) Core earnings is a Non-GAAP financial measure of MFA's operating performance that is calculated by adjusting GAAP net income to exclude the impact of unrealized gains and losses on certain of our investments. Refer to slide 25 for additional information, including a reconciliation of GAAP net income to Core earnings.

Executive summary (cont'd.)

- Second quarter investment activity was very robust as we purchased approximately \$1.4 billion of assets and increased our portfolio by \$391 million during the quarter.
 - We added \$913 million of Purchased Performing Loans.⁽¹⁾
 - We continue to pursue new investment structures to strengthen our originator relationships and gain access to loan flow.
 - We purchased an additional \$354 million of MSR-related assets in the second quarter.

(1) Purchased Performing Loans are comprised of Non-QM loans, Fix and Flip Loans, Single Family Rental Loans and Seasoned Performing Loans. They are included, along with Purchased Credit Impaired Loans, in Residential whole loans held at carrying value on our consolidated balance sheet.

Executive summary (cont'd.)

- Loan portfolio growth from Purchased Performing Loans has increased interest income in 2019:
 - Loans held at carrying value⁽¹⁾ produced \$57.9 million of interest income in the second quarter of 2019 (versus \$49.6 million in Q1 2019 and \$100.9 million for all of 2018).
 - \$46.9 million of this \$57.9 million of interest income was from Purchased Performing Loans, up from \$38.2 million in Q1 2019.
- MFA's asset management team maintains oversight of servicing of our credit sensitive loans, particularly non-performing loans, to improve outcomes and expected returns.
- Strong credit fundamentals continue to drive performance of our Legacy Non-Agency portfolio, which generated an unlevered yield in the second quarter of 11.30%.

(1) As of June 30, 2019, Residential whole loans held at carrying value includes \$3.6 billion of Purchased Performing Loans and \$745.7 million of Purchased Credit Impaired Loans.

Investment strategy

- Continue to grow investment assets
 - Purchased Performing Loans are providing recurring (and increasing) portfolio growth
 - Opportunistic growth in other asset classes
- Optimize Balance Sheet/Capital Structure
 - Modest increase in leverage (including securitization) to support asset growth
 - Produce attractive returns that are comparable to peers, but with less risk due to lower leverage, less interest rate exposure and reduced prepayment sensitivity
- Manage existing portfolio
 - Strategic sales of Legacy Non-Agency MBS

Market conditions and investment activity

- Expand investment opportunities in the form of newly originated whole loans.

Acquiring these assets is a unique process:

- Long gestation periods
 - Creative approach to partnering with originators
 - Flow vs bulk purchases
- Opportunities still exist to purchase non-performing and re-performing credit sensitive whole loans.

Higher sequential quarter GAAP EPS and Core earnings

Summary Income Statement	Q2 2019 \$ in mm	Q1 2019 \$ in mm
Net Interest Income:		
MBS, CRT, MSR-related	\$ 42.4	\$ 45.0
Residential whole loans ⁽¹⁾	19.2	17.6
Other interest earning assets less interest on Convertible Senior Notes and Senior Notes	(1.7)	(0.7)
Net Interest Income	\$ 59.9	\$ 61.9
Other Income, net:		
Net gains on residential whole loans measured at fair value	51.5	25.3
Net income impact of MBS and CRT sales ⁽²⁾	6.6	19.1
Unrealized gain/(loss) on CRT securities measured at fair value	(0.9)	8.2
Net loss on Agency MBS and related swap hedges measured at fair value	(5.4)	(3.0)
Other	5.1	1.6
Other Income, net:	\$ 56.9	\$ 51.2
Operating and Other Expenses	(23.7)	(24.2)
Preferred Dividends	(3.8)	(3.8)
Net Income Available to Common Shareholders	\$ 89.3	\$ 85.1
Earnings Per Common Share	\$ 0.20	\$ 0.19
Core Earnings Per Common Share	\$ 0.20	\$ 0.17

(1) Includes interest expense on financing associated with all residential whole loans. Interest income received on residential whole loans held at fair value is reported in Other Income in Net gains on residential whole loans measured at fair value.

(2) Net income impact of MBS and CRT securities sold is comprised of:

Realized gains on MBS and CRT securities sold	\$7.7	\$24.6
Reversal of previously unrealized gains on sold CRT securities held at fair value	\$(1.1)	\$(5.5)
	<u>\$6.6</u>	<u>\$19.1</u>

GAAP EPS \$0.01 higher. Core Earnings \$0.03 higher.
Q2 2019 net income drivers include:

- Higher other income, as additional net gains on whole loans measured at fair value were partially offset by:
 - Lower realized gains on MBS and CRT sales;
 - Higher net loss on 30-Year Agency MBS and related swap hedges; and
 - Relatively flat marks on CRT portfolio.
- Net interest income essentially unchanged as growth in Purchased Performing Loans and MSR-related assets was offset by:
 - Lower yields and amounts invested in residential mortgage securities; and
 - Interest expense from convertible debt issued in Q2.
- Operating and other expenses declined slightly primarily due to lower costs associated with managing our loan and REO portfolios.

Second quarter 2019 investment flows

- Continued robust investment activity with asset acquisitions of approximately \$1.4 billion.
- Investment portfolio grew by \$391 million in the second quarter as we continue to expand our new loan initiatives.
- Opportunistic sales of \$195 million of residential mortgage securities in the quarter.

\$ in Millions	March 31, 2019	2nd Quarter Runoff	2nd Quarter Acquisitions	Sales ⁽¹⁾ , MTM and other changes	June 30, 2019	2nd Quarter Change
Residential Whole Loans and REO	\$5,527	\$(313)	\$1,000	\$37	\$6,251	\$724
RPL/NPL MBS	\$1,285	\$(218)	\$9	\$(39)	\$1,037	\$(248)
MSR-Related Assets	\$825	\$(12)	\$354	\$3	\$1,170	\$345
CRT Securities	\$424	\$—	\$6	\$(23)	\$407	\$(17)
Legacy Non-Agency MBS	\$1,814	\$(124)	\$2	\$(1)	\$1,691	\$(123)
Agency MBS	\$2,547	\$(194)	\$—	\$(96)	\$2,257	\$(290)
Totals	\$12,422	\$(861)	\$1,371	\$(119)	\$12,813	\$391

(1) Includes sales for the quarter of \$103.3 million of Agency MBS, \$21.2 million of CRT Securities, \$28.2 million of Legacy Non-Agency MBS and \$42.6 million of RPL/NPL MBS.

Strong portfolio growth since expanding investment strategy to include Non-QM, Fix and Flip and SFR Loans

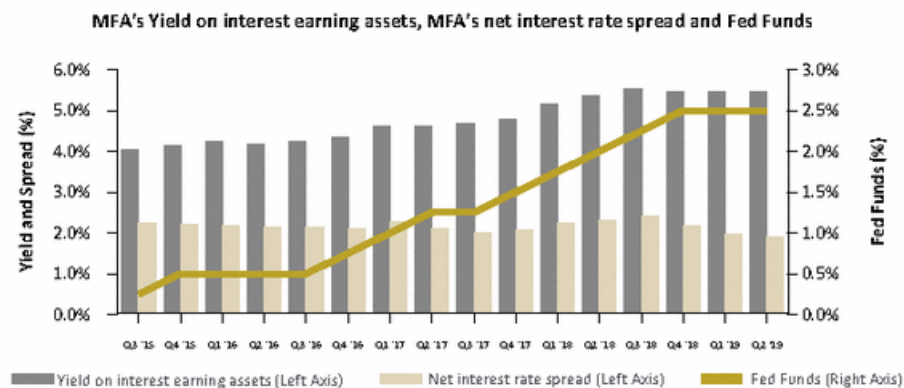
- Since expanding our investment universe to include Purchased Performing Loans, our investment portfolio has grown by over \$2.9 billion since the end of Q3 2017.
- Residential whole loans and REO have grown by approximately \$4.4 billion since the end of Q3 2017 and are currently our largest asset class.
- Non-QM, Fix and Flip and SFR Loans have grown from \$0 since the end of Q3 2017 to over \$3.4 billion at the end of Q2 2019 and now represent 27% of our investment portfolio.

(in millions)	Total Investment Portfolio	Residential Whole Loans and REO	% of Total Investment Portfolio	Non-QM, Fix and Flip and SFR Loans	% of Residential Whole Loans and REO
9/30/17	\$9,878	\$1,881	19%	\$—	—%
12/31/17	\$9,901	\$2,386	24%	\$118	5%
3/31/18	\$10,018	\$2,838	28%	\$326	11%
6/30/18	\$10,160	\$3,601	35%	\$845	23%
9/30/18	\$11,488	\$4,144	36%	\$1,399	34%
12/31/18	\$12,053	\$4,932	41%	\$1,995	40%
3/31/19	\$12,422	\$5,527	44%	\$2,735	49%
6/30/19	\$12,813	\$6,251	49%	\$3,446	55%
Change (9/30/17 to 6/30/19)	\$2,935	\$4,370		\$3,446	

10

MFA's yields and spreads remain attractive

- Despite nine Fed Fund increases over three years, MFA's interest rate spread has remained stable and attractive.
 - During this period, yield on interest earning assets has risen.
 - Funding costs have risen slower than Fed Funds.
- Going forward, MFA's funding costs are expected to benefit from falling short term rates in anticipation of rate cuts by the Federal Reserve.
 - At June 30, 2019, the ratio of MFA's outstanding interest rate swaps to repo financings was 32%, down from 41% at the end of 2018.
 - 1mth Libor has declined 29bp year to date. 19bp of the decline has occurred in Q3 2019.



Second quarter 2019 yields and spreads by asset type

Asset	Amount (millions)	Net Equity Allocated (millions)	Yield/ Return	Cost of Funds	Net Spread	Debt/Net Equity Ratio
Whole Loans at Carrying Value	\$4,392	\$1,747	5.65% ⁽¹⁾	(4.16)% ⁽³⁾	1.49%	1.5x
Whole Loans at Fair Value	\$1,526	\$308	N/A ⁽²⁾	(4.10)%	N/A	4.0x
Legacy Non-Agency MBS	\$1,691	\$415	11.30%	(3.30)% ⁽³⁾	8.00%	3.1x
RPL/NPL MBS	\$1,037	\$228	4.98%	(3.39)%	1.59%	3.5x
Agency MBS	\$2,257	\$192	2.50%	(2.56)% ⁽³⁾	(0.06)%	10.8x
Credit Risk Transfer Securities	\$407	\$82	5.06%	(3.33)%	1.73%	4.0x
MSR-Related Assets	\$1,170	\$249	5.34%	(3.48)%	1.86%	3.7x

(1) Net of servicing expense.

(2) These residential whole loans 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%.

(3) Agency MBS cost of funds reduced by 9 bps and Legacy Non-Agency cost of funds reduced by 14 bps associated with swaps to hedge interest rate sensitivity on these assets. Whole Loans at Carrying Value cost of funds increased by 7 bps associated with swaps to hedge interest rate sensitivity on these assets.

MFA's net interest rate sensitivity remains low at 1.11

- Excluding hedges, our asset duration remains relatively low at 1.57.
- Our assets continue to be primarily sensitive to mortgage credit fundamentals.
- In addition, our leverage remains low, with a debt-to-equity ratio of 2.8x.

Duration Risk

Assets (in millions)	Market Value	Average Coupon	Duration
Non-Agency ARMs and CRTs	\$ 1,441	4.49%	0.4
RPL/NPL MBS	\$ 1,037	5.13%	0.5
Non-Agency Fixed Rate	\$ 657	5.85%	3.0
Residential Whole Loans	\$ 5,962	5.51%	2.2
MSR-Related Assets	\$ 1,170	4.40%	0.9
Agency ARMs	\$ 985	4.32%	0.8
Agency 15-Year Fixed Rate	\$ 656	3.12%	2.3
Agency 30-Year Fixed Rate	\$ 616	4.50%	1.5
Cash, cash equivalents and Other Assets	\$ 599		0.2
Total Assets	\$ 13,123		1.57

Hedging Instruments (in millions)	Notional/Market Value	Duration
Swaps (Less than 3 years)	\$ 2,430	-1.4
Swaps (3-10 years)	\$ 297	-3.8
Securitized and Other Fixed Rate Debt	\$ 961	-1.8
Total Hedges	\$ 3,688	-1.7

Estimated Net Duration	1.11
-------------------------------	-------------

Portfolio sensitivity to Rates

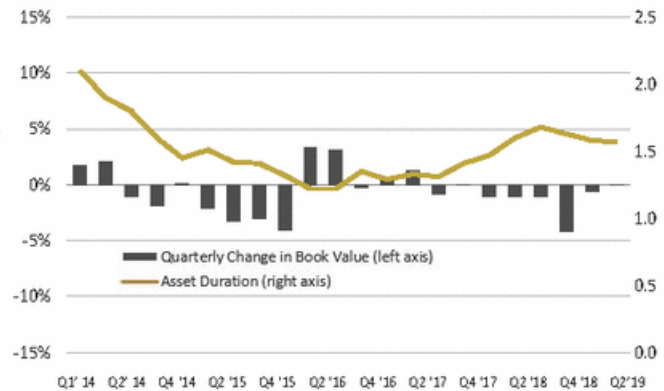
Parallel interest rate shift	Estimated Change in portfolio value (1)	Estimated Change as a % of Equity
-100bp	0.8%	3.2%
-50bp	0.5%	1.9%
+50bp	-0.6%	-2.4%
+100bp	-1.4%	-5.3%

(1) Includes the impact of estimated valuation changes in residential whole loans and certain other assets that are held at carrying value. For GAAP reporting purposes, valuation changes for these assets are not included in the determination of net income or changes in shareholders' equity for any given period.

MFA's strategy continues to limit quarterly book value fluctuations

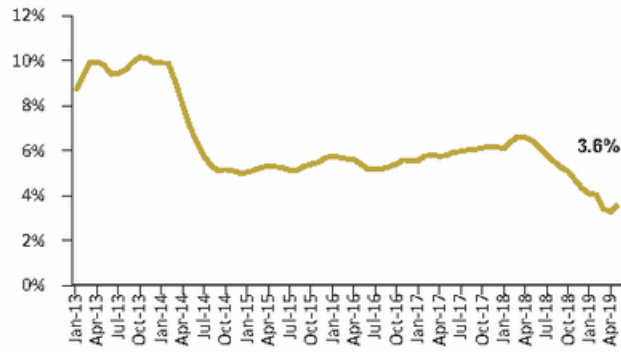
- Through asset selection and risk management MFA has consistently limited quarterly book value fluctuations.
- Since 2014 MFA's average quarterly book value change has been less than 2%. Largest quarterly book value decline was 4%.
- Protecting book value gives MFA the ability to take advantage of new opportunities as they arise.

Quarterly change in MFA's Book Value (left axis) and MFA's Asset Duration by Quarter (right axis)



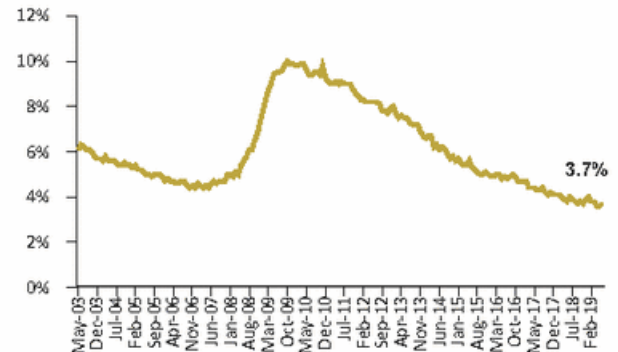
Continued positive fundamentals residential mortgage credit

National HPA-YoY
As of May 2019



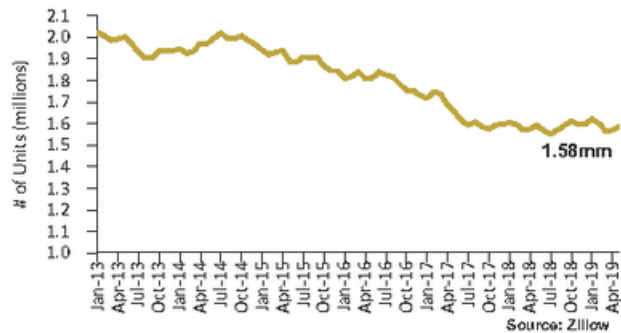
Source: CoreLogic

U-3 Unemployment Rate
As of June 2019



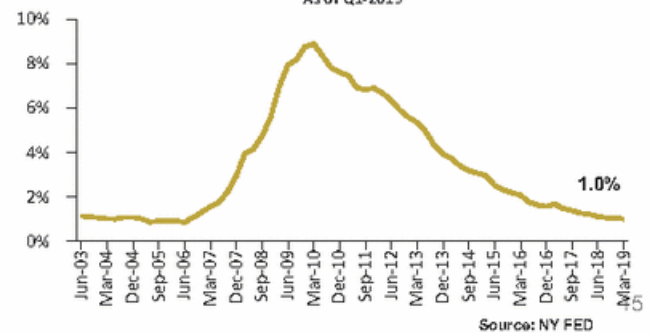
Source: BLS

National for Sale Inventory
As of May 2019



Source: Zillow

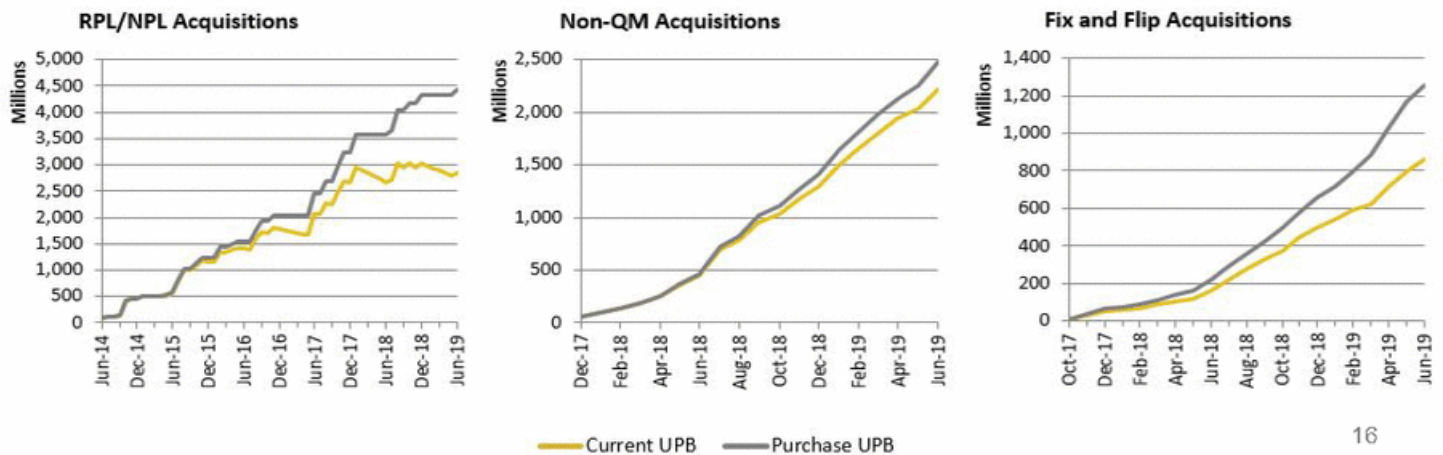
90+ Day Delinquencies on Mortgages
As of Q1-2019



Source: NY FED

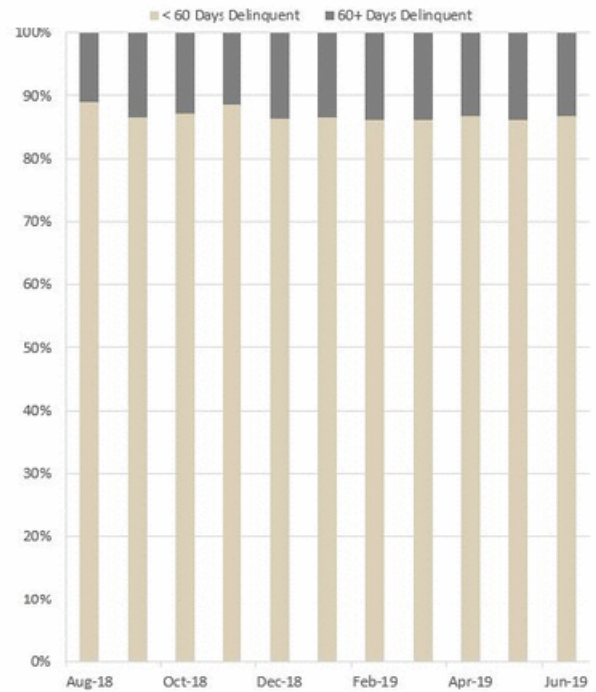
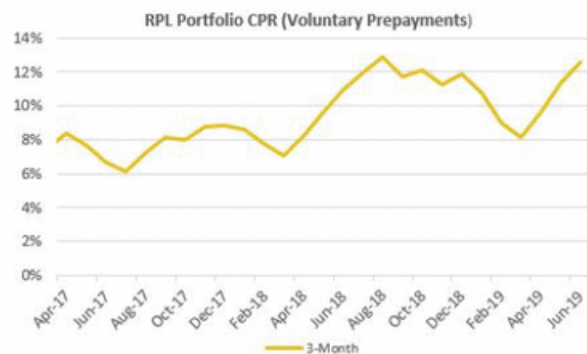
Residential whole loan portfolio

- We purchased approximately \$1.0 billion of residential whole loans in the second quarter of 2019.
- We continue to grow our portfolio of Non-QM, Fix & Flip, and Single Family Rental loans by adding origination partners and developing our existing relationships.
- Seasoned RPL and NPL loans continue to out-perform our initial expectations.



RPL portfolio delinquency characteristics as of 6/30/2019

- 87% of our RPL portfolio is less than 60 days delinquent.
- On average, 27% of the 60+ days delinquent loans are making payments.
- Prepayment speeds have outperformed expectations maintaining a range between 6% and 14%.



Performance of Non-Performing¹ loans purchased before 6/30/18

	Acquisition Year					Total
	2014	2015	2016	2017	2018 ³	
Loan Count	743	2,365	1,069	3,124	977	8,278
UPB Purchased (in millions)	\$161.3	\$619.9	\$301.3	\$704.7	\$304.2	\$2,091.4
6/30/2019 Status						
Performing²/PIF	37%	27%	30%	37%	53%	35%
Liquidation/REO	50%	52%	51%	33%	16%	40%
Non-Performing	<u>13%</u>	<u>21%</u>	<u>19%</u>	<u>30%</u>	<u>31%</u>	<u>25%</u>
Total	100%	100%	100%	100%	100%	100%

- Through diligent asset management we continue to improve outcomes for our NPL portfolio by returning loans to performing or paid-in-full status, and through other forms of resolution.
- In addition, 40% of our NPL portfolio has liquidated or reverted to REO.
- Measured by UPB at purchase, 35% (or approximately 3,200) of loans that were non-performing at purchase are either performing or have paid in full as of June 2019.
- 78% of MFA modified loans are either performing today or have paid in full.

¹Non-Performing at purchase defined as greater than or equal to 60 days delinquent

²Performing as of 6/30/2019 defined as less than 60 days delinquent or made a full P&I payment in June 2019

³2018 only includes acquisitions prior to 6/30/2018

Non-QM investments

- We have been purchasing loans made to creditworthy borrowers who have limited conventional mortgage finance options.
- We have purchased over \$2.5 billion UPB to date
- Delinquencies have remained very low with less than 0.8% greater than 60 days delinquent.
- Currently working with several origination partners.
- Able to achieve appropriate leverage through warehouse lines and potentially through capital markets transactions.
- Targeted yield on Non-QM assets in the mid 4% range and ROE of low double digits.

Non-QM Portfolio Statistics (6/30/19)

WA LTV	66%
WA FICO	708
WA Coupon	6.47%
Avg Balance	\$436,756
Total UPB (in millions)	\$2,217.8
Hybrid ARM's	78%
Fixed Rate	22%
Current and 30 Days DQ	99.2%
60+Days DQ	0.8%
<u>Top 2 States</u>	
CA	57%
FL	16%

Business purpose loans - Rehabilitation and Single Family Rental (SFR) Loans

We continue to grow our holdings of Rehabilitation and SFR loans as we expand our existing originator relationships and develop new ones. Since inception we have acquired (including undrawn commitments) over \$1.7 billion of Rehabilitation and SFR loans.

Rehabilitation loans ("Fix and Flip")

- Fixed rate short term loans collateralized by residential property. Term is generally less than 24 months.
- Borrower intends to rehabilitate property and resell.
- Non-owner occupied business purpose loans.
- Target yield of 7%.

SFR Loans

- Hybrid and fixed rate loans collateralized by residential property/properties. Term is 30 years.
- Borrower intends to rent out property.
- Non-owner occupied business purpose loans.
- Target yield of 6%.

Rehabilitation Portfolio Statistics (6/30/19)

WA ARV-LTV*	65%
WA FICO	711
WA Orig Term	14
WA Passthrough Rate	7.33%
UPB (in millions)	\$860.2
Undrawn Commitments (in millions)	\$100.4
Current and 30 Days DQ	95.5%
60+ Days DQ	4.5%

SFR Portfolio Statistics (6/30/19)

WA LTV	69%
WA FICO	740
WA DSCR**	1.5x
WA Coupon	6.65%
Hybrid Arm Loans	65%
UPB (in millions)	\$294.1
Current and 30 Days DQ	99.6%
60+ Days DQ	0.4%

* WA ARV-LTV: Weighted average after repair loan to value

** WA DSCR: Weighted average debt service coverage ratio

Summary

- Continued robust investment activity, growing the portfolio for the seventh consecutive quarter. We purchased approximately \$1.4 billion of assets and grew our portfolio by \$391 million.
- Net portfolio growth exceeds \$750 million for the six months ended June 30, 2019.
- Acquisitions of Purchased Performing Loans continues to drive interest income expansion and we expect this to continue.
- Our investment strategy and portfolio continue to deliver dividend and book value stability.

Additional Information

Book value continues to be stable

	QTR 6/30/19	YTD 6/30/19
Book value per common share at the beginning of the period	\$7.11	\$7.15
Net income available to common shareholders	0.20	0.39
Common dividends declared	(0.20)	(0.40)
Net change attributable to Agency MBS	0.04	0.05
Impact of Discount Accretion and realization of gains on sale of Non-Agency MBS that results in a reduction of unrealized gains	(0.05)	(0.12)
Fair value and other net changes attributable to Non-Agency MBS	0.05	0.11
Net change in value of swap hedges	(0.04)	(0.07)
Book value per common share as of 6/30/19	\$7.11	\$7.11

"Core earnings"

- Core earnings = GAAP earnings less the impact of ***unrealized*** gains and losses on:
 - CRT securities that are measured at fair value through earnings
 - Agency MBS and related hedges that are measured at fair value through earnings
- Included in Core earnings:
 - Realized gains and losses
 - Unrealized gains/losses on residential whole loans that are measured at fair value through earnings
- Core earnings
 - Represents what the Company considers to be economic earnings
 - Serves as an input to Board's dividend determination

Reconciliation of GAAP to Core earnings

"Core earnings" is a non-GAAP financial measure of our operating performance, within the meaning of Regulation G and Item 10(e) of Regulation S-K, as promulgated by the Securities and Exchange Commission. Core earnings excludes certain unrealized gains and losses that we are required to include in GAAP Net Income each period because management believes that these items, which to date have typically resulted from short-term market volatility or other market technical factors and not due to changes in fundamental asset cash flows, are not reflective of the economic income generated by our investment portfolio. Accordingly, we believe that the adjustments to compute Core earnings specified below better allow investors and analysts to evaluate our financial results, including by analyzing changes in our Core earnings between periods. In addition to using Core earnings in the evaluation of investment portfolio performance over time, Management considers estimates of periodic Core earnings as an input to the determination of the level of quarterly dividends to common shareholders that are recommended to the Board of Directors for approval and in its forecasting and decision-making processes relating to the allocation of capital between different asset classes.

We believe that Core earnings provides useful supplemental information to both management and investors in evaluating our financial results. Core earnings should be used in conjunction with results presented in accordance with GAAP. Core earnings does not represent and should not be considered as a substitute for Net Income or Cash Flows from Operating Activities, each as determined in accordance with GAAP, and our calculation of this measure may not be comparable to similarly titled measures reported by other companies.

The following table provides a reconciliation of GAAP net income to our non-GAAP Core earnings for each quarter from Q1 2018 through Q2 2019 and for 2018.

(in millions)	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
GAAP Net Income to common stock holders - basic	\$ 89.0	\$ 84.9	\$ 56.9	\$ 83.1	\$ 66.4	\$ 79.4
Adjustments:						
Unrealized loss/(gain) on CRT securities measured at fair value through earnings	2.0	(2.7)	27.2	3.0	2.4	0.9
Unrealized net (gain)/loss on Agency MBS measured at fair value through earnings and related swaps not accounted for as hedging transactions	(0.9)	(4.8)	11.8	1.5	—	—
Total adjustments:	\$ 1.1	\$ (7.5)	\$ 39.0	\$ 4.5	\$ 2.4	\$ 0.9
Core earnings	\$ 90.1	\$ 77.3	\$ 95.9	\$ 87.7	\$ 68.8	\$ 80.3
Core earnings per common share	\$ 0.20	\$ 0.17	\$ 0.21	\$ 0.21	\$ 0.17	\$ 0.20
Core earnings - Annual Period 2018				\$0.79		
GAAP earnings per common share	\$ 0.20	\$ 0.19	\$ 0.13	\$ 0.19	\$ 0.17	\$ 0.20
GAAP earnings - Annual Period 2018				\$0.68		