



Fourth Quarter and Annual 2021 Earnings Presentation

February 3, 2022



# Safe Harbor Statement

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## NOTE:

This presentation contains certain statements that are not historical facts and that constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Statements in this presentation addressing expectations, assumptions, beliefs, projections, estimates, future plans, strategies, and events, developments that we expect or anticipate will occur in the future, and future operating results or financial condition are forward-looking statements. Forward-looking statements in this presentation may include, but are not limited to, our views on longer-term returns, macroeconomic and industry trends, statements regarding our financial performance in future periods, future interest rates and their impact on our financial measures, our views on expected characteristics of future investment environments, inflation levels, mortgage spreads, the yield curve, prepayment rates and investment risks and trends, our future investment strategies, our future leverage levels and financing strategies and costs, the use of specific financing and hedging instruments and the future impacts of these strategies, the amount, timing or funding of future dividends, future actions by the Federal Reserve and other central banks and GSEs and the expected performance of our investments. The words “will,” “believe,” “expect,” “forecast,” “anticipate,” “intend,” “estimate,” “assume,” “project,” “plan,” “continue,” and similar expressions also identify forward-looking statements. These forward-looking statements reflect our current beliefs, assumptions and expectations based on information currently available to us, and are applicable only as of the date of this presentation. Forward-looking statements are inherently subject to risks, uncertainties, and other factors, some of which cannot be predicted or quantified and any of which could cause the Company’s actual results and timing of certain events to differ materially from those projected in or contemplated by these forward-looking statements. Not all of these risks, uncertainties and other factors are known to us. New risks and uncertainties arise over time, and it is not possible to predict those risks or uncertainties or how they may affect us. The projections, assumptions, expectations or beliefs upon which the forward-looking statements are based can also change as a result of these risks and uncertainties or other factors. If such a risk, uncertainty, or other factor materializes in future periods, our business, financial condition, liquidity and results of operations may differ materially from those expressed or implied in our forward-looking statements.

While it is not possible to identify all factors, some of the factors that may cause actual results to differ from historical results or from any results expressed or implied by our forward-looking statements, or that may cause our projections, assumptions, expectations or beliefs to change, include the risks and uncertainties referenced in our Annual Report on Form 10-K for the year ended December 31, 2020 and subsequent filings with the Securities and Exchange Commission, particularly those set forth under the caption “Risk Factors”.

# Market Snapshot

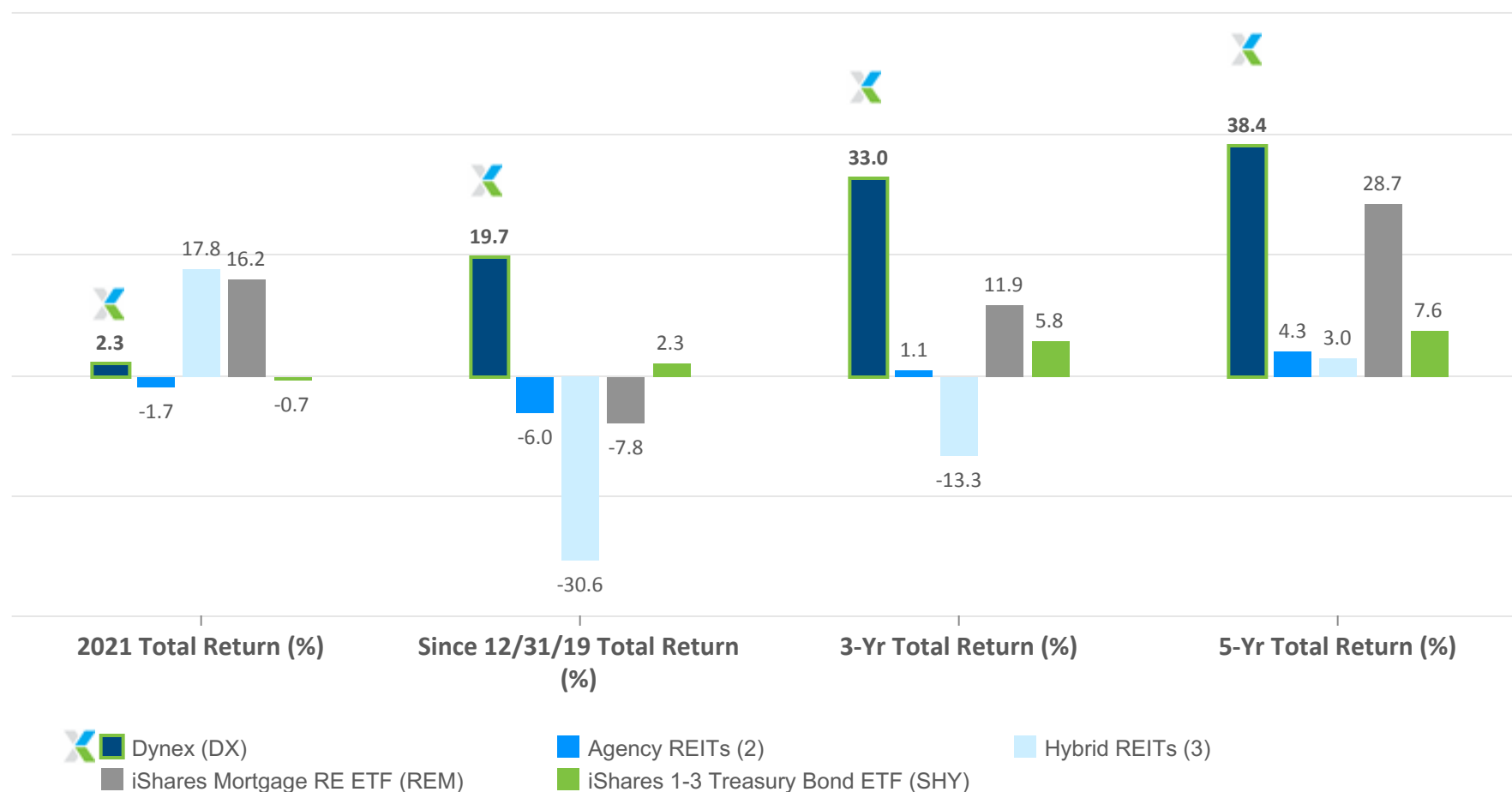
	Common Stock	Series C Preferred Stock
NYSE Ticker	<b><i>DX</i></b>	<b><i>DXPrC</i></b>
Shares Outstanding <i>(in millions) (as of 12/31/21)</i>	36.7	4.5
4Q21 Dividends Declared	\$0.39	\$0.43
Annualized Dividend Yield	9.70%	6.85%
Book Value per share <i>(as of 12/31/21)</i>	\$17.99	—
Share Price <i>(close on 1/31/22)</i>	\$16.08	\$25.20
Market Capitalization <i>(in millions) (as of 1/31/22)</i>	\$590.1	\$113.4
Price to Book <i>(based on 1/31/22 stock price and 12/31/21 book value)</i>	89.4%	—

Source: Bloomberg

# Dynex Strong Performance

 **Track record of long-term industry outperformance**

## Cumulative Total Shareholder Returns <sup>(1)</sup>




(1) Ending period 12/31/2021

(2) Select Agency MREITS on an equal weight basis

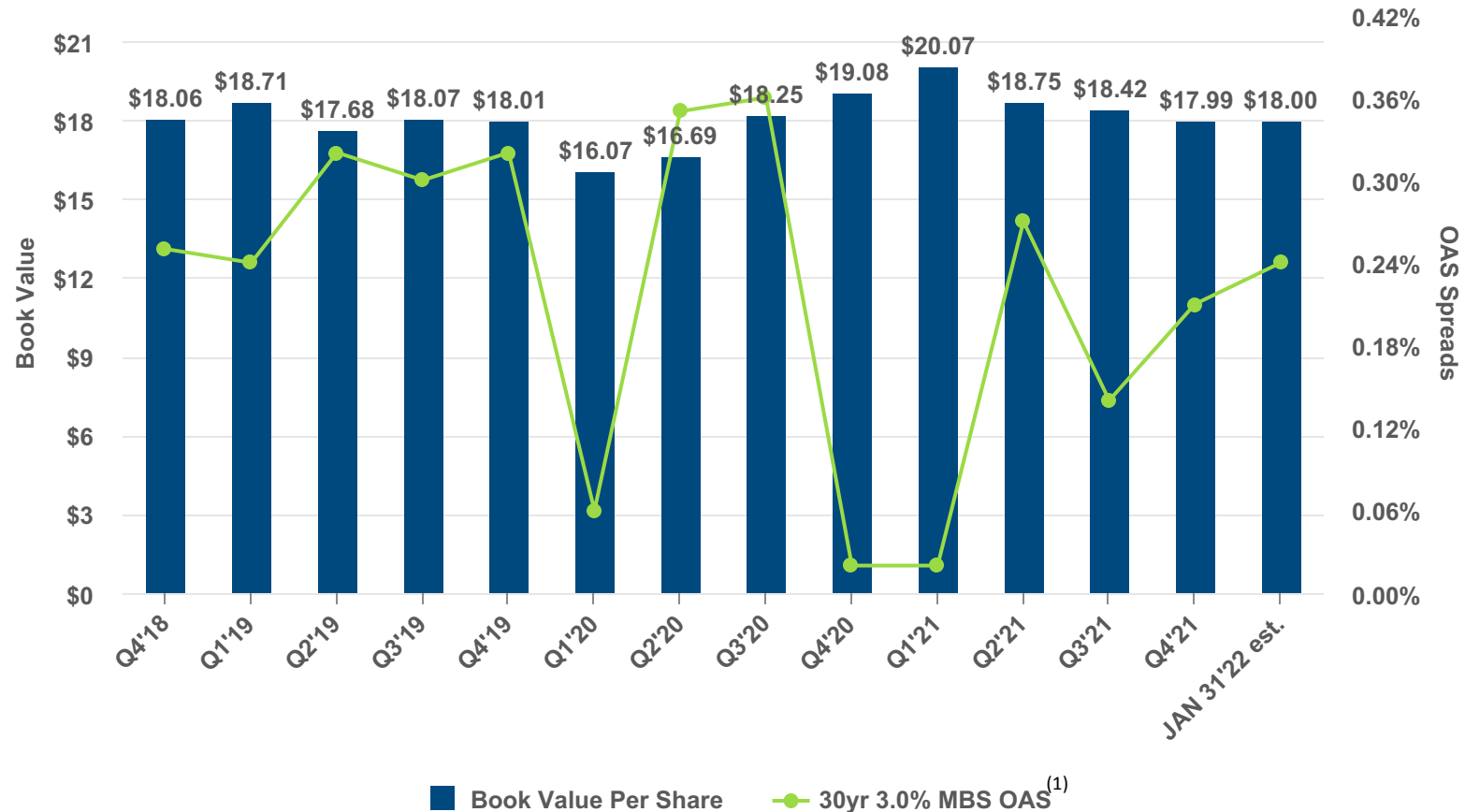
(3) Select Hybrid MREITS on an equal weight basis

Source: Bloomberg. Assumes dividends are reinvested in the respective security.

# Successfully Navigated Volatility

 ***Our experienced team managed a disciplined investment approach that resulted in superior performance during the recent three-year period of high interest rate and interest spread volatility.***

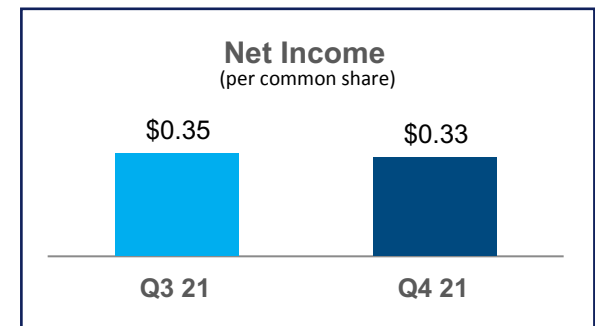
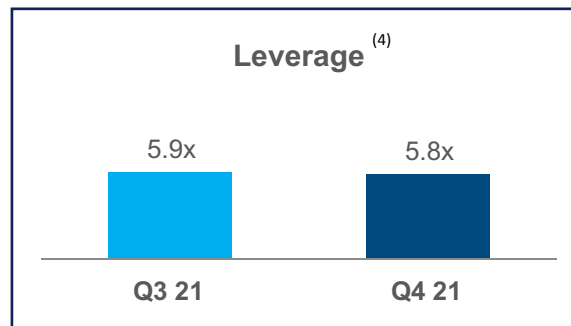
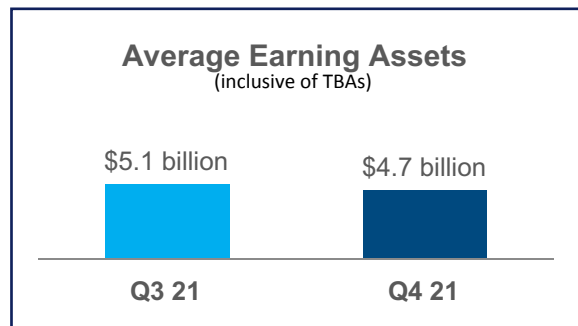
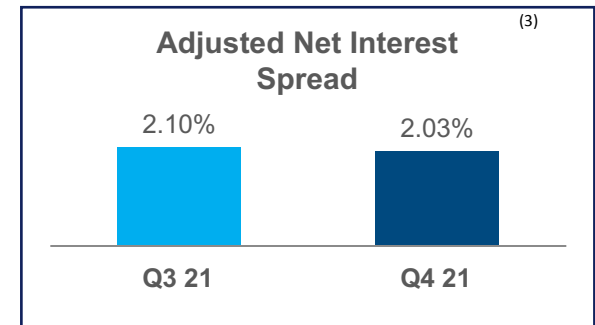
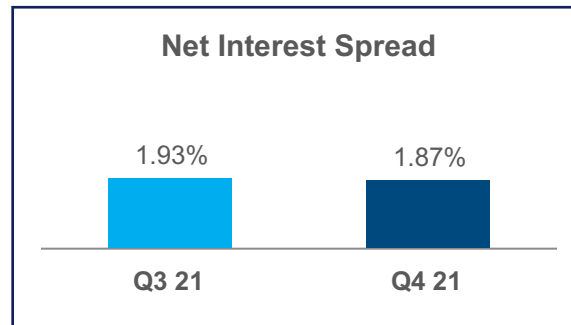
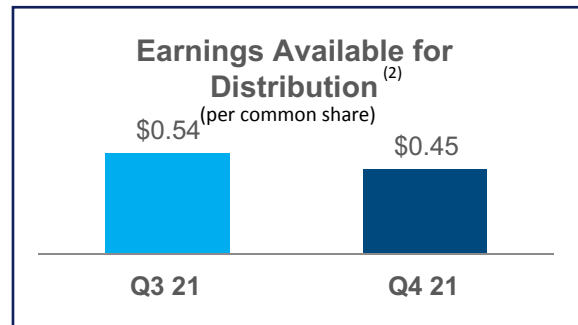
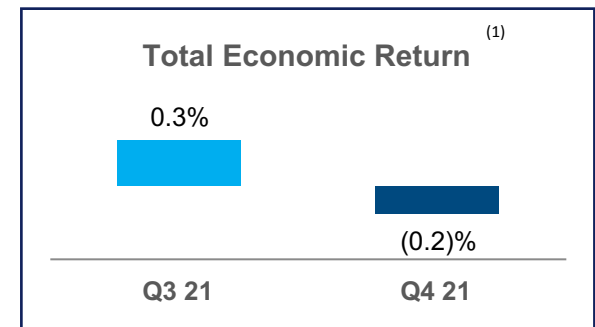
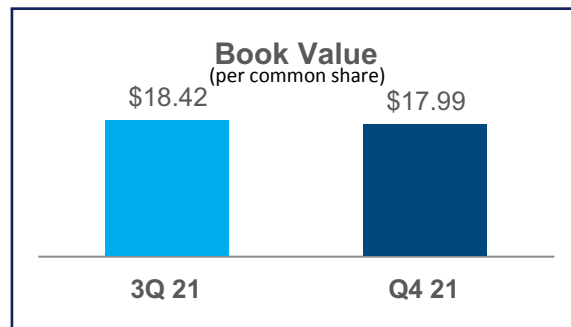
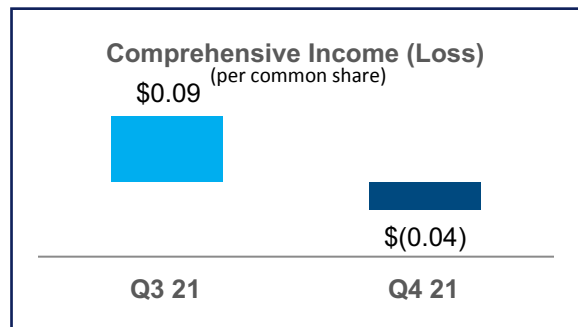
## Track Record of Capital Preservation



- Total economic return was 28.5% for the three-year period ended December 31, 2021.
- Book value per share averaged \$18.14 over the three-year period ended December 31, 2021.
- Book value per share of \$18.00 at January 31, 2022 is an estimate.

<sup>(1)</sup>Source: BlackRock 6.04 model prior to 03/31/2021 and BlackRock 6.1 on 3/31/2021 and after.

# Performance Highlights- 4Q 2021



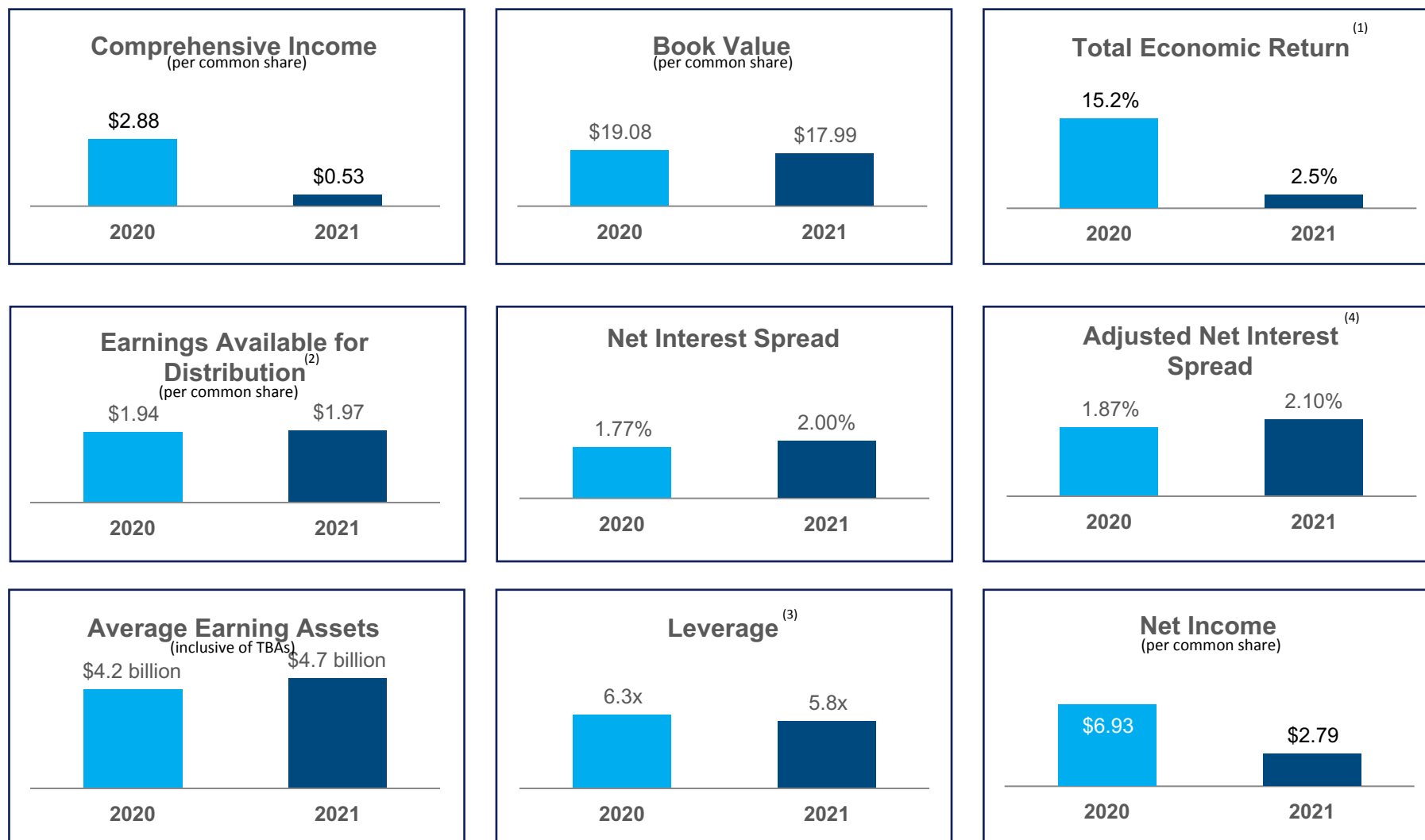
(1) Equals sum of dividend declared per common share during the quarter **plus** the increase in book value per common share during the quarter **divided by** beginning book value per common share.

(2) Reconciliations for non-GAAP measures are presented on slide [32](#).

(3) Adjusted net interest spread, a non-GAAP measure, includes the impact from TBA drop income of 17 basis points and 16 basis points for the third and fourth quarters of 2021, respectively.

(4) Leverage equals the sum of (i) total liabilities **plus** (ii) amortized cost basis of TBA long positions **divided by** total shareholders' equity.

# Performance Highlights - Full Year 2021



(1) Equals sum of dividend declared per common share during the quarter **plus** the increase in book value per common share during the quarter **divided by** beginning book value per common share.

(2) Reconciliations for non-GAAP measures are presented on slide [32](#).

(3) Leverage equals the sum of (i) total liabilities **plus** (ii) amortized cost basis of TBA long positions **divided by** total shareholders' equity.

(4) For 2020, adjusted net interest spread, a non-GAAP measure, includes the impacts of 5 basis points from net periodic interest costs related to interest rate swaps and 5 basis points from TBA drop income. For 2021, adjusted net interest spread includes the impact of 10 basis points from TBA drop income. The Company did not use interest rate swaps during the year ended December 31, 2021.

# Disciplined Focus on the Long-Term

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***The global economy is evolving to a post-pandemic environment with rising complexities across economic, social and political factors.***

- Shifting demographics, rising global debt, technology, human conflict, and climate change all remain key factors that increase the complexity of the macro-environment while also providing investment opportunities.
- The pandemic has resulted in global labor market imbalances, exposed widening gaps in skills, education, healthcare and digital access; increased cyber-risk and changed human migration flows.
- We believe these factors will impact economic trajectories for many years and require greater international cooperation to address effectively.
- We also believe government fiscal and monetary policy will continue to be a major factor in driving returns.
- High and unsustainable debt levels pose a risk to economic growth. During the pandemic, global debt has continued to rise.
- Global inflation levels are elevated, reflecting pandemic supply and demand dynamics. We expect housing and labor to drive upward pressure on inflation.
- Longer-term, global debt and demographic trends should limit the extent to which interest rates can rise.



# New Market Paradigm and Opportunity

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## ***The Market Environment***

- We expect higher returns in the MBS market as private capital replaces the Federal Reserve balance sheet.
- The pace and scope of monetary policy tightening is highly uncertain, and we expect significant moves in the shape of the yield curve as well as the level of yields across the curve.
- Mortgage spreads have widened 20 bps from December, and we expect spread widening in agency MBS to continue in 2022 as counter cyclical emergency measures are tapered.

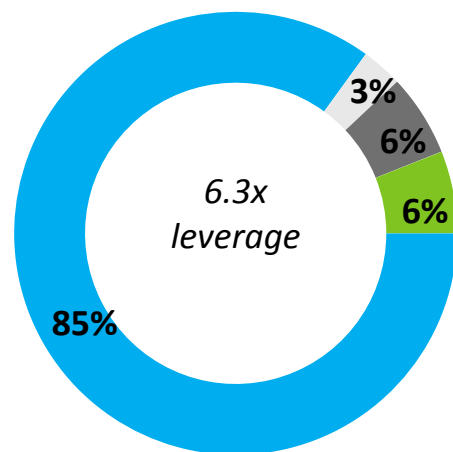
## ***Our Positioning***

- Opportunistic balance sheet growth and prudent capital management are core elements of our strategy.
- In this transitional environment, liquidity, discipline, patience, and flexibility – in position and mindset - will be essential. Our low leverage positions us well to deploy capital and capture incremental cash flow.
- We believe we are well positioned to navigate the book value risk to wider spreads and the opportunity to expand our balance sheet at long-term accretive returns.
- Year-to-date book value and leverage have remained relatively unchanged while spreads have widened 20 bps, illustrating the benefits of our risk management, prudent leverage and capital allocation strategies.
- We remain focused on mitigating the impact of spread widening on book value as the market transitions to a wider spread environment.

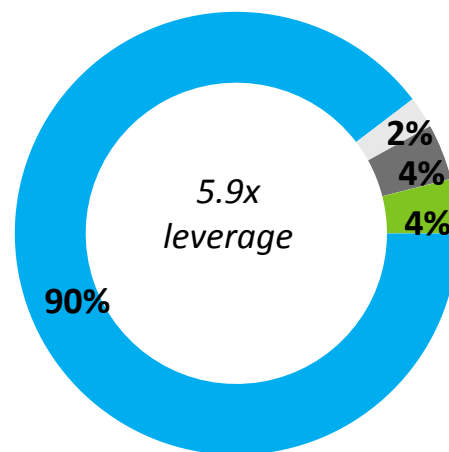
# Investment Portfolio *(as of dates indicated)*

 ***Disciplined capital allocation and portfolio constructed for nimble flexibility.***

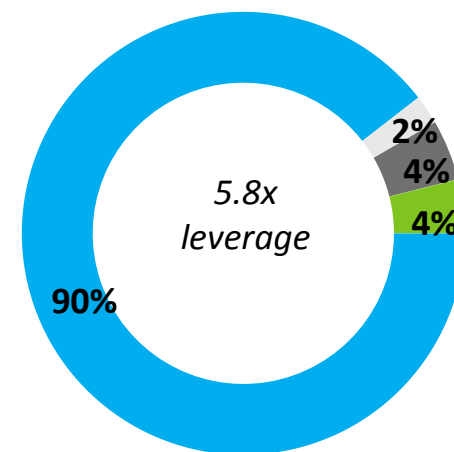
December 31, 2020



September 30, 2021



December 31, 2021



 Agency RMBS (1)  Agency CMBS  Agency CMBS IO  Non-Agency CMBS IO

(1) Includes TBA dollar roll positions at their implied market value which are accounted for as "derivative assets (liabilities)" on our consolidated balance sheet.

# Risk Position - Interest Rates

 *We have maintained a portfolio structure hedged with the long end of the yield curve.*

Parallel Curve Shift	Percentage Change in Common Shareholders' Equity		
	As of January 31, 2022	As of December 31, 2021	As of September 30, 2021
+100	(1.4)%	2.7%	0.2%
+50	0.4%	2.6%	1.4%
-50	(3.3)%	(6.1)%	(6.3)%
-100	(11.0)%	(18.3)%	(19.3)%

Curve Shift 2 year Treasury (bps)	Curve Shift 10 year Treasury (bps)	Percentage Change in Common Shareholders' Equity		
		As of January 31, 2022	As of December 31, 2021	As of September 30, 2021
+25	+50	(1.0)%	1.3%	0.5%
+50	+25	1.6%	2.5%	1.7%
0	-25	0.1%	(1.2)%	(1.2)%
-10	-50	(1.2)%	(4.0)%	(3.5)%
-25	-75	(4.6)%	(9.0)%	(8.2)%

The estimated changes in the tables above incorporate duration and convexity inherent in our investment portfolio as it existed as of the dates indicated.

Source: Company models based on modeled option adjusted duration. Includes changes in market value of our investments and derivative instruments, including TBA securities, but excludes changes in market value of our financings because they are not carried at fair value on our balance sheet. Percentage changes do not reflect any potential changes in market credit spreads.

# Risk Position - Credit Spreads


The estimated percentage change in these values incorporates portfolio and hedge characteristics as they existed at the dates indicated.

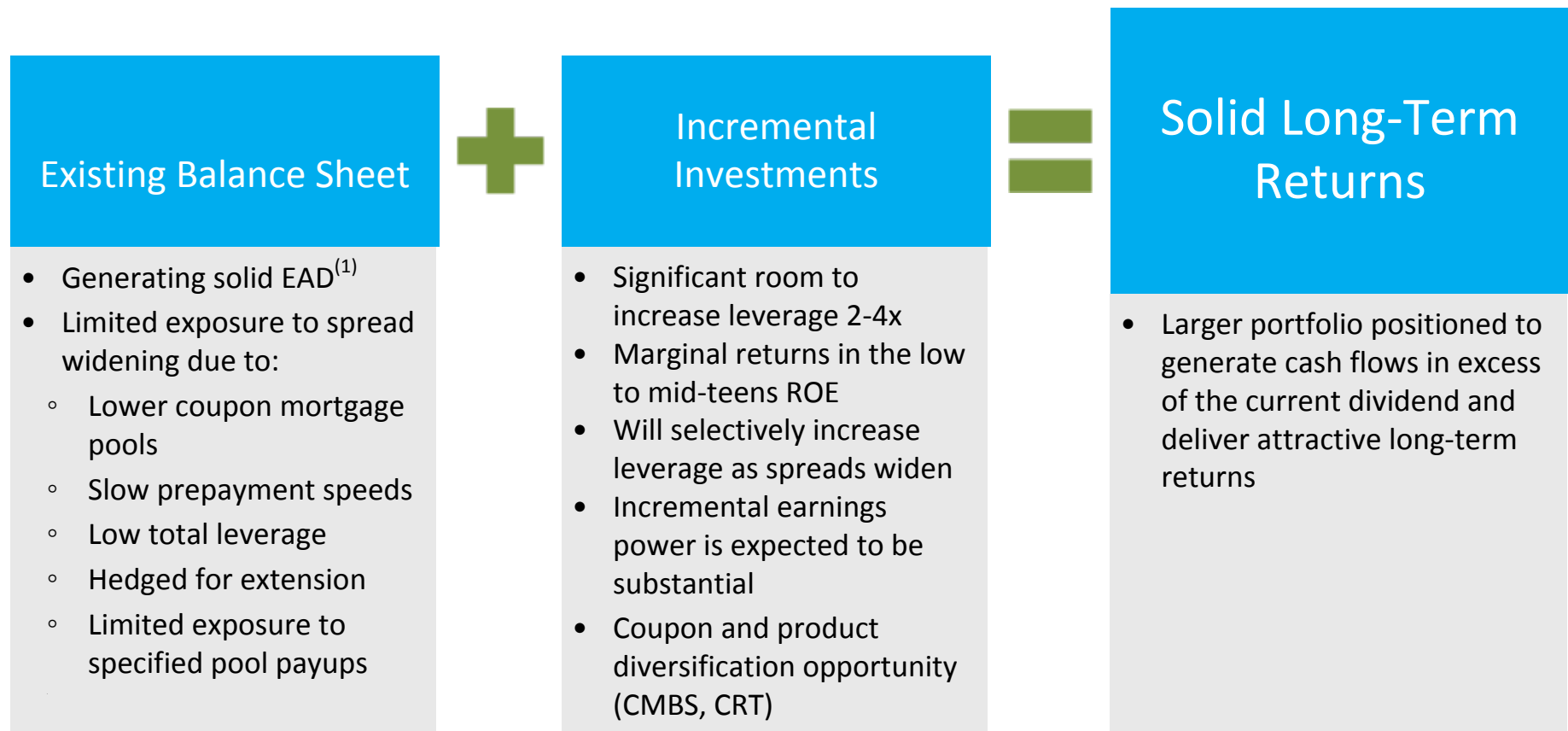
Change in Market Credit Spreads	Percentage Change in Common Shareholders' Equity		
	As of January 31, 2022	As of December 31, 2021	As of September 30, 2021
+20/+50 <sup>(1)</sup>	(9.7)%	(9.2)%	(9.7)%
+10	(4.7)%	(4.4)%	(4.7)%
-10	4.7%	4.4%	4.7%
-20/-50 <sup>(1)</sup>	9.7%	9.2%	9.7%

(1) Incorporates a 20-basis point shift in Agency and non-Agency RMBS/CMBS and a 50-basis point shift in CMBS IO.

Source: Company models based on modeled option adjusted duration. Includes changes in market value of our investments and derivative instruments, including TBA securities, but excludes changes in market value of our financings because they are not carried at fair value on our balance sheet.

# Well-Positioned for a Favorable Investment Environment

 ***We believe our portfolio is well-positioned to enable us to capture incremental shareholder return as MBS spreads widen.***



(1) Earnings available for distribution (EAD) is a non-GAAP measure. Reconciliations for non-GAAP measures are presented on slide [32](#).

# Long-Term Industry Trends

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 ***Positive long-term fundamental trends support our business model.***

**1**

Global demand for cash yield supports long term valuations of mortgage REITs

- Low and negative global yields have severely limited positive yielding cash income alternatives available to investors
- Global and domestic demographic trends show a rising aging global population that needs cash income

**2**

Favorable investment environment

- U.S. demographic trends will continue driving household formation/housing demand
- Marginal returns still in the low to mid-teens ROE

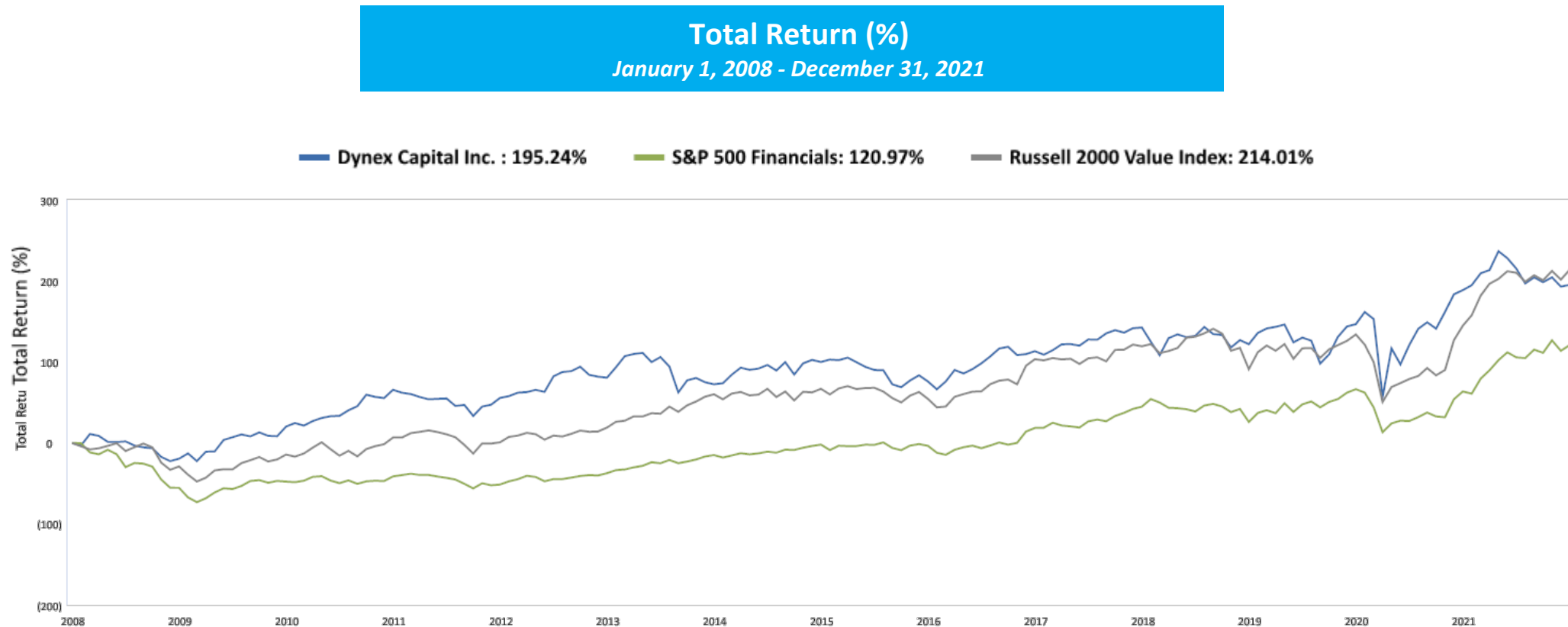
**3**

Further expansion of returns as counter cyclical emergency measures are tapered

- Need for private capital to replace government balance sheets
- Higher returns as Federal Reserve reduces its footprint over the long-term

# Disciplined Focus on the Long-Term

 ***Dynex has generated long-term returns comparable to the S&P 500 Financials and Russell 2000 Value indices.***



Source: S&P Capital IQ  
Assumes reinvestment of dividends

# Key Takeaways

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- ✕ We believe we are entering a favorable period for investing as asset yields adjust higher while the Federal Reserve exits the market.
- ✕ As of December 31, 2021, we had over \$500m of liquidity and our leverage was at 5.8x, which limits risk to our book value and adds the flexibility to swiftly deploy capital accretively in the anticipated higher return environment.
- ✕ Over the last three years through volatile markets, we generated a cumulative total economic return of 28.5%, managing through a 135 bps range in 10yr Treasury yields and significant widening in MBS spreads in the last twelve months, while maintaining year end book values around \$18.00.
- ✕ The collective experience of our team and emphasis on capital preservation, risk management, disciplined asset allocation, and hedging we believe will be important factors for differentiating performance as we move through 2022.
- ✕ We continue to manage our business with a long-term view, including plans to grow our capital base and invest in people, processes and technology.
- ✕ Over the long-term, we are confident in our ability to generate attractive risk-adjusted returns that support our above average dividend yield.



# Why Dynex

 **Industry-leader with a Compelling Long-Term Track Record of Delivering Shareholder Value**

Excellent performance record with industry-leading 1-, 3-, and 5-year total returns

Attractive dividend yield at a discounted price-to-book valuation on a high-quality, liquid balance sheet

Earnings power to drive upside with opportunistic deployment of capital

Experienced management with a track record of disciplined capital deployment through multiple economic cycles




Strong alignment of interest with shareholders due to high insider ownership and owner-operated structure

Macroeconomic environment with low funding costs supportive of generating returns and cash income

Resilient, flexible and liquid balance sheet designed to weather market volatility

# Supplemental Information

# Corporate Responsibility

 *At Dynex, we recognize that we have a responsibility to be stewards of the future and we are committed to excellence in our ESG practices.*

## CORE VALUES

We rely on our core values to sustain our high-performance culture and to consistently generate attractive, long-term returns.

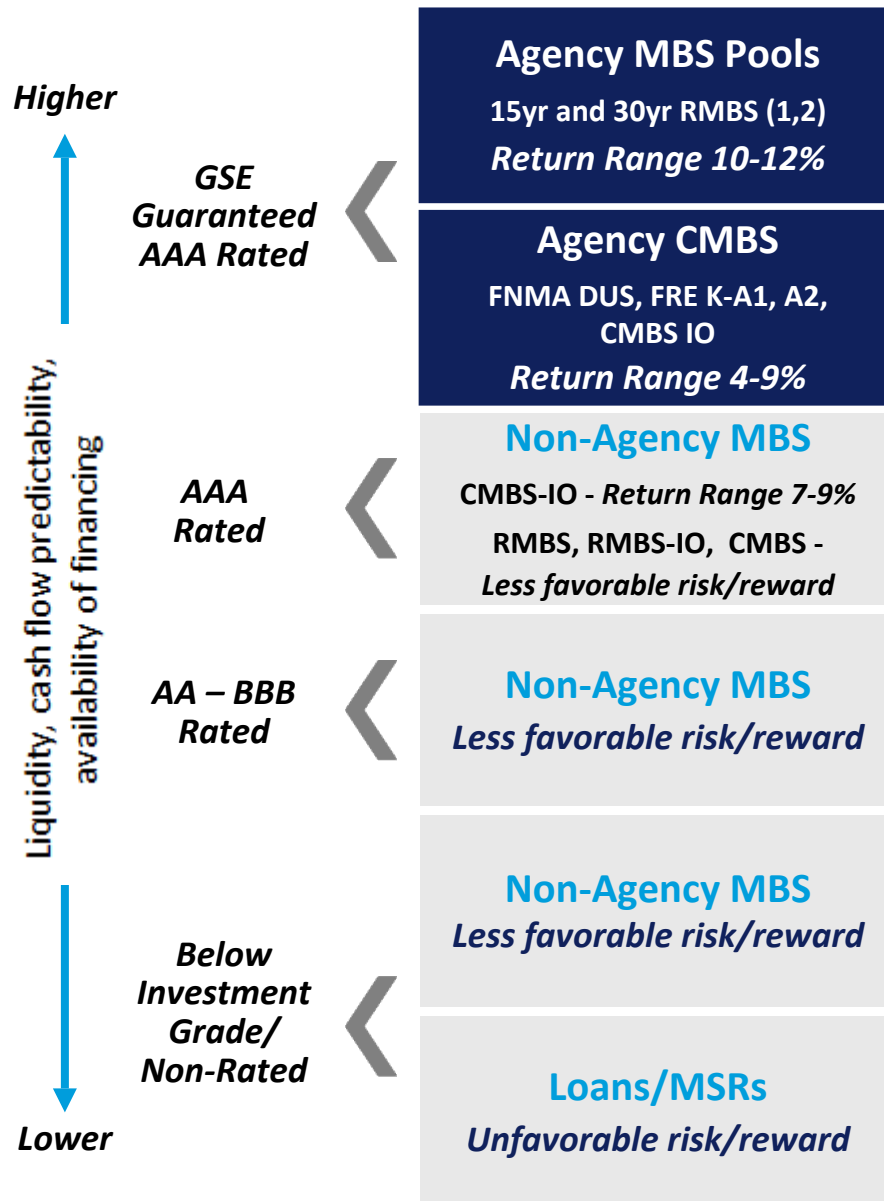


## SASB

Illustrating our commitment to continual improvement in our ESG program, in 2021, we presented our inaugural disclosures under the SASB framework.

These can be found on our corporate website at [\*\*dynexcapital.com/corporate-responsibility\*\*](https://dynexcapital.com/corporate-responsibility).

# Current Marginal Investment Returns *(as of December 31, 2021)*



***Agency RMBS offer attractive returns and we expect other asset classes to adjust to more favorable risk/reward.***

- The most compelling levered risk and convexity adjusted marginal returns are still in the highest credit quality and the most liquid assets.
- Agency guaranteed RMBS offer attractive returns as the Fed exits.
- TBA contracts offer additional financing advantage vs. repo and increased flexibility to maneuver portfolio size.
- Investing in more liquid MBS allows us the flexibility to rapidly pivot to other opportunities when they arise.

(1) Range of levered returns based on Company assumptions and calculations  
(2) Includes returns for TBA specialness and specified pools.

# Fixed Income Market Update

Security	Change 2021	Change QoQ	Change YTD	1/31/2022	12/31/2021	11/30/2021	10/31/2021	9/30/2021	6/30/2021	3/31/21	12/30/20	12/31/19
<b>Treasury <sup>(2)</sup></b>												
IOER rate	0.05%	0.00%	0.00%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.10%	0.10%	1.55%
1m repo <sup>(1)</sup>	-0.07%	0.03%	-0.01%	0.13%	0.14%	0.12%	0.11%	0.11%	0.11%	0.14%	0.21%	2.06%
3m T-bill	-0.01%	0.02%	0.16%	0.22%	0.06%	0.06%	0.05%	0.04%	0.04%	0.01%	0.07%	1.54%
2 yr	0.61%	0.46%	0.45%	1.18%	0.73%	0.57%	0.50%	0.28%	0.25%	0.16%	0.12%	1.57%
5 yr	0.90%	0.30%	0.35%	1.61%	1.26%	1.16%	1.18%	0.96%	0.89%	0.94%	0.36%	1.69%
10 yr	0.59%	0.02%	0.27%	1.78%	1.51%	1.44%	1.55%	1.49%	1.47%	1.74%	0.92%	1.92%
30 yr	0.26%	-0.14%	0.20%	2.11%	1.90%	1.79%	1.93%	2.04%	2.09%	2.41%	1.65%	2.39%
3M10Y Treasury Vol (15DP)	1.53	0.07	0.15	5.57	5.42	5.30	5.39	5.35	4.60	6.70	3.89	4.18
<b>Swaps <sup>(2)</sup></b>												
1m Libor	-0.04%	0.02%	0.01%	0.11%	0.10%	0.09%	0.09%	0.08%	0.10%	0.11%	0.14%	1.76%
3m Libor	-0.03%	0.08%	0.10%	0.31%	0.21%	0.17%	0.13%	0.13%	0.15%	0.19%	0.24%	1.91%
2 yr	0.74%	0.56%	0.39%	1.33%	0.94%	0.80%	0.69%	0.38%	0.33%	0.29%	0.20%	1.70%
5 yr	0.94%	0.32%	0.31%	1.68%	1.37%	1.29%	1.23%	1.05%	0.96%	1.06%	0.43%	1.73%
10 yr	0.66%	0.07%	0.26%	1.84%	1.58%	1.52%	1.56%	1.51%	1.44%	1.78%	0.93%	1.90%
30 yr	0.33%	-0.06%	0.20%	1.93%	1.73%	1.64%	1.72%	1.79%	1.77%	2.20%	1.40%	2.09%
3M10Y Swaption Vol	19.0	5.9	3.7	83.00	79.30	85.90	75.90	73.4	71.1	85.4	60.3	64.6
<b>30 Year MBS OAS <sup>(3)</sup></b>												
2.0%	-5	4	1	-5	-6	-15	-18	-10	-6	-20	-1	-
2.5%	7	9	6	11	5	-5	-9	-4	1	-16	-2	30
3.0%	-15	7	3	24	21	14	7	14	27	2	36	30
3.5%	-15	-9	18	31	13	14	11	22	40	8	28	37
4.0%	-7	5	-3	41	44	36	29	39	54	11	51	49
FHFA Primary Mortgage <sup>(2)</sup>	0.24%	0.17%	-0.07%	2.97%	3.04%	2.87%	2.86%	2.87%	3.12%	2.64%	2.80%	3.56%
Fn 30yr Current Cpn <sup>(2)</sup>	0.73%	0.10%	0.48%	2.55%	2.07%	2.00%	2.00%	1.97%	1.83%	2.04%	1.34%	2.71%
<b>CMBS</b>												
DUS 10/9.5	-5	5	4	35	31	34	25	26	18	22	36	60
DUS 12/11.5	-2	8	6	48	42	45	35	34	26	29	44	68
10 yr Freddie K A2	-1	10	-2	25	27	27	16	17	15	18	28	56
Agency CMBS IO	-35	40	-5	100	105	110	65	65	65	95	140	135
Non-Agency AAA CMBS IO	-52	5	2	115	113	117	100	108	105	130	165	115

(1) Average rate for Agency MBS per 20 counterparty survey

(2) Source: Bloomberg

(3) Source: BlackRock 6.04 model prior to 03/31/2021 and BlackRock 6.1 on 3/31/2021 and after

# Pricing Matrix

30 Year MBS <sup>(1)</sup>		Change during 2021	Change QoQ	Change YTD	1/31/2022	12/30/2021	11/30/2021	10/30/2021	9/30/2021	6/30/2021	3/31/21	12/31/20	12/31/19
2.0% Cpn <sup>(2)</sup>	TBA Price	-4.16	-0.66	-2.23	97.48	99.72	100.02	100.02	100.38	100.98	99.67	103.88	-
	85K Max	-0.80	-0.28	-0.53	0.63	1.16	0.94	1.03	1.44	0.91	1.13	1.96	-
	150K Max	-0.60	-0.28	-0.44	0.28	0.72	0.56	0.78	1.00	0.50	0.63	1.32	-
	200k Max	-0.36	-0.28	-0.22	0.19	0.41	0.34	0.56	0.69	0.28	0.41	0.77	-
	NY only	-0.71	-0.41	-0.31	0.00	0.31	0.22	0.41	0.72	0.25	0.25	1.02	-
	95 LTV	-0.16	-0.03	0.03	0.03	0.00	0.00	0.03	0.03	0.03	0.03	0.16	-
	Low WALA/new	-0.03	-0.06	0.03	0.03	0.00	0.06	0.09	0.06	0.03	0.03	0.03	-
2.5% Cpn <sup>(2)</sup>	TBA Price	-3.18	-1.13	-2.27	99.83	102.09	102.41	102.75	103.22	103.41	102.51	105.27	-
	85K Max	-1.22	-0.16	-0.78	1.34	2.13	1.75	1.72	2.28	1.84	2.03	3.35	-
	150K Max	-0.91	0.06	-0.78	0.78	1.56	1.16	1.28	1.50	1.31	1.44	2.47	-
	200k Max	-0.32	0.03	-0.56	0.44	1.00	0.69	0.84	0.97	0.75	0.94	1.32	-
	NY only	-1.09	-0.28	-0.91	0.34	1.25	0.94	1.13	1.53	1.06	0.97	2.34	-
	95 LTV	-0.19	-0.03	-0.03	0.00	0.03	0.03	0.06	0.06	0.09	0.13	0.22	-
	Low WALA/new	-0.06	-0.03	0.00	0.00	0.00	0.03	0.03	0.03	0.03	0.09	0.06	-
3% Cpn	TBA Price	-1.23	-1.03	-1.50	102.14	103.64	103.79	104.34	104.67	104.22	104.13	104.88	101.44
	85K Max	-2.47	-0.84	-1.47	2.38	3.84	3.28	3.31	4.69	4.00	3.41	6.31	1.88
	150K Max	-2.66	-0.47	-1.19	1.56	2.75	2.31	2.44	3.22	2.88	2.72	5.41	1.38
	200k Max	-1.75	-0.31	-1.03	0.94	1.97	1.59	1.66	2.28	2.41	2.16	3.72	0.84
	NY only	-2.39	-0.75	-1.72	1.13	2.84	2.31	2.66	3.59	3.00	2.59	5.23	1.06
	95 LTV	-1.06	-0.31	-0.38	0.06	0.44	0.41	0.41	0.75	0.94	0.94	1.50	0.28
	Low WALA/new	-1.06	-0.44	-0.31	0.00	0.31	0.31	0.28	0.75	0.75	1.00	1.38	0.31
3.5% Cpn	TBA Price	-0.54	-0.51	-1.16	104.16	105.32	105.14	105.70	105.83	105.27	105.72	105.86	102.84
	85K Max	-3.06	-1.31	-1.34	3.41	4.75	4.38	4.38	6.06	5.06	4.41	7.81	3.22
	150K Max	-2.25	-0.88	-1.13	1.94	3.06	2.75	3.03	3.94	3.50	3.22	5.31	2.19
	200k Max	-1.50	-0.56	-0.88	1.25	2.13	2.06	2.13	2.69	2.78	2.59	3.63	1.5
	NY only	-1.59	-0.72	-1.72	1.63	3.34	2.94	3.16	4.06	3.63	3.22	4.94	2.34
	95 LTV	-0.97	-0.38	-0.41	0.13	0.53	0.69	0.72	0.91	1.09	1.06	1.50	0.72
	Low WALA/new	-1.00	-0.50	-0.44	0.03	0.47	0.69	0.72	0.97	0.91	1.03	1.47	0.42
4% Cpn	TBA Price	-0.52	-0.76	-0.75	105.66	106.41	106.58	107.07	107.17	106.54	107.32	106.94	103.96
	85K Max	-2.94	-0.97	-0.97	4.41	5.38	4.75	5.19	6.34	5.75	4.91	8.31	4.78
	150K Max	-1.34	-0.56	-0.78	2.56	3.34	2.94	3.38	3.91	3.78	3.31	4.69	2.94
	200k Max	-1.38	-0.59	-0.53	1.53	2.06	2.13	2.28	2.66	2.97	2.56	3.44	1.94
	NY only	-2.72	-0.47	-1.16	2.47	3.63	3.19	3.53	4.09	4.09	3.41	6.35	3.63
	95 LTV	-0.50	-0.38	-0.28	0.25	0.53	0.59	0.78	0.91	1.06	0.84	1.03	0.88
	Low WALA/new	-0.81	-0.56	-0.13	0.28	0.41	0.59	0.78	0.97	0.84	0.81	1.22	0.72

(1) Source: JP Morgan DataQuery, Bloomberg and internal company data. Specified Pool Payups are quoted in percentage points of price above TBAs

(2) UMBS 2.0/2.5 changes are compared from when Specified Pools in that coupon became available in the market.

# Hedge Position Changes

***Our hedge strategy is constructed to maximize liquidity and protect the portfolio under various rate scenarios.***

- Futures offer hedge protection for higher rates with lower impact on liquidity and greater trading flexibility.

December 31, 2021				September 30, 2021		
	Notional Amount/ Long (Short) (\$ in '000s)	Rate	Average Months to Expiration	Notional Amount/ Long (Short) (\$ in '000s)	Rate	Average Months to Expiration
U.S. Treasury futures	\$ (3,890,000)	n/a	3	\$ (3,540,000)	n/a	3
Interest rate payer swaptions	500,000	1.60%	7	750,000	1.46%	7

# Funding Strategy *(as of December 31, 2021)*

(\$s in thousands)

Collateral Type	Balance	Weighted Average Rate	Fair Value of Collateral
Agency RMBS	\$2,408,126	0.17 %	\$2,536,094
Agency CMBS	176,268	0.14 %	184,847
Agency CMBS IO	180,912	0.68 %	192,481
Non-Agency CMBS IO	84,610	0.99 %	97,897
Total	\$ 2,849,916	0.23 %	\$3,011,319

Remaining Term to Maturity	Balance	Percentage	Weighted Average Original Term to Maturity
< 30 days	\$602,994	21%	123
30 to 90 days	763,302	27%	166
91 to 180 days	1,075,324	38%	198
181 to 365 days	408,296	14%	366
Total	\$2,849,916	100%	198

- Weighted average repo rate for the fourth quarter of 2021 was 0.21%, a slight increase compared to third quarter 2021. The weighted average rate on repo outstanding as of December 31, 2021 was 0.23%.
- Extended average term to maturity to 6 months to lock in low financing rates for longer
- Active with 22 counterparties at December 31, 2021.
- Maximum equity at risk with any one counterparty is less than 5%.



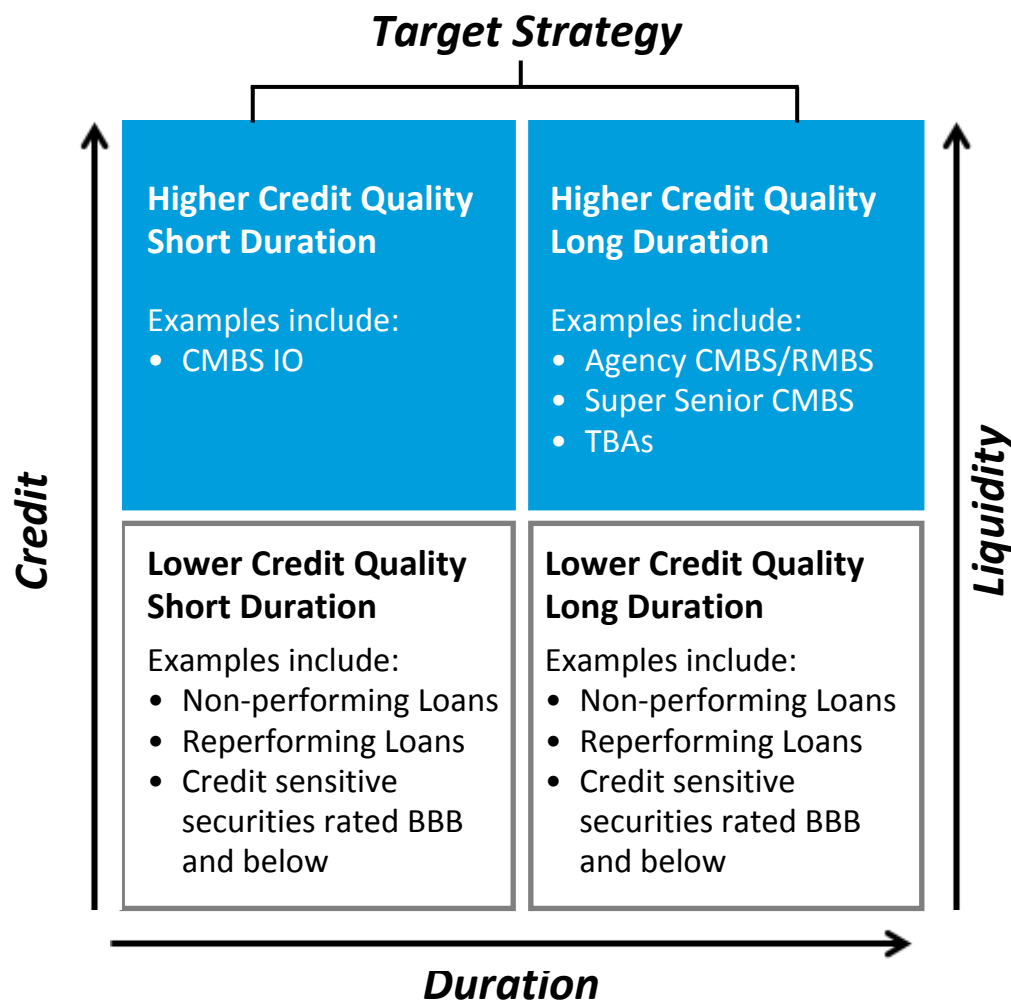
# Dollar Rolls

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- TBAs are an important part of Dynex's actively managed Agency RMBS strategy. We use TBAs to quickly add or remove earning assets as they are among the most liquid tradeable instruments in the fixed income markets, even more than specified pools.
- Dollar rolls are the financing mechanism for TBA positions and can provide the additional benefit of lower implied financing rates ("trading special") compared to traditional repo financing.
- Implied financing levels in the TBA market are driven by prepayment expectations and supply/demand dynamics by coupon and can be "special" (i.e. below the level of repo rates for substantial periods of time).
- Dynamic management of pools and TBA positions allows us to capture incremental return versus purely owning Agency RMBS pools.
- TBA positions are hedged using similar instruments as Agency RMBS pools with varying duration estimates.
- Federal Reserve purchase activity and investor demand for Agency RMBS have caused implied financing rates from dollar rolls in "production" coupons to remain favorable versus repo rates.

# Long-term Investment Strategy

Dynamic and disciplined capital allocation model enables us to capture long-term value



- In the current environment invest in a high quality, liquid asset portfolio of primarily Agency investments
- Longer-term diversification is key
  - Balance between commercial and residential sectors provides diversified cash flow and prepayment profile
  - Agency CMBS protect the portfolio from extension risk. High quality CMBS IO add yield and are intended to limit credit exposure and prepayment volatility vs. lower rated tranches
  - Agency fixed rate RMBS allow opportunistic balance sheet growth in high quality liquid assets
- Flexible portfolio duration position to reflect changing market conditions

High concentration   Low concentration   No concentration

# Portfolio Characteristics *(as of December 31, 2021)*

(\$ in millions)	Par Value		Total Par Value	Estimated Fair Value	% of Portfolio	WAVG Coupon <sup>(1)</sup>	Amortized Cost (%) <sup>(2)</sup>	Unamortized Premium Balance <sup>(2)</sup>	3-month CPR <sup>(2) (3)</sup>	3-month WAVG Yield <sup>(2)</sup>
	Pools	TBA								
<b>Agency RMBS</b>										
1.5% coupon	\$ —	\$ 375,000	\$ 375,000	\$ 376,523	8.0 %	1.50 %	n/a	n/a	n/a	n/a
2.0% coupon	1,311,069	965,000	2,276,069	2,273,270	48.2 %	2.00 %	101.5 %	\$ 19,284	8.0%	1.66 %
2.5% coupon	1,165,810	190,000	1,355,810	1,392,677	29.5 %	2.50 %	104.3 %	50,031	11.3%	1.66 %
4.0% coupon	162,868	—	162,868	175,493	3.7 %	4.00 %	103.0 %	4,846	34.1%	2.45 %
<b>Total Agency RMBS</b>	<b>\$ 2,639,747</b>	<b>\$ 1,530,000</b>	<b>\$ 4,169,747</b>	<b>\$ 4,217,963</b>	<b>89.5 %</b>		<b>102.8 %</b>	<b>\$ 74,161</b>	<b>11.2%</b>	<b>1.71 %</b>
<b>Agency CMBS</b>										
	\$ 174,899	—	\$ 174,899	\$ 184,847	3.9 %		101.3 %	\$ 2,312	<sup>(5)</sup>	3.34 %
<b>CMBS Interest-only</b>	<sup>(4)</sup>	—	<sup>(4)</sup>	309,419	6.6 %		n/a	298,197	<sup>(5)</sup>	4.34 %
<b>Other non-Agency MBS</b>	966	—	966	798	— %		80.4 %	(189)	-	27.66 %
<b>Total</b>	<b>\$ 2,815,612</b>	<b>\$ 1,530,000</b>	<b>\$ 4,345,612</b>	<b>\$ 4,713,027</b>	<b>100 %</b>		<b>-</b>	<b>\$ 374,481</b>	<b>-</b>	<b>2.08 %</b>

(1) The weighted average coupon is the gross interest rate of the security weighted by the outstanding principal balance (or by notional amount for CMBS IO).

(2) Amortized cost %, unamortized premium balance, 3-month CPR and WAVG yield exclude TBA securities.

(3) 3-month CPRs exclude recent purchases of securities which do not have a prepayment history.

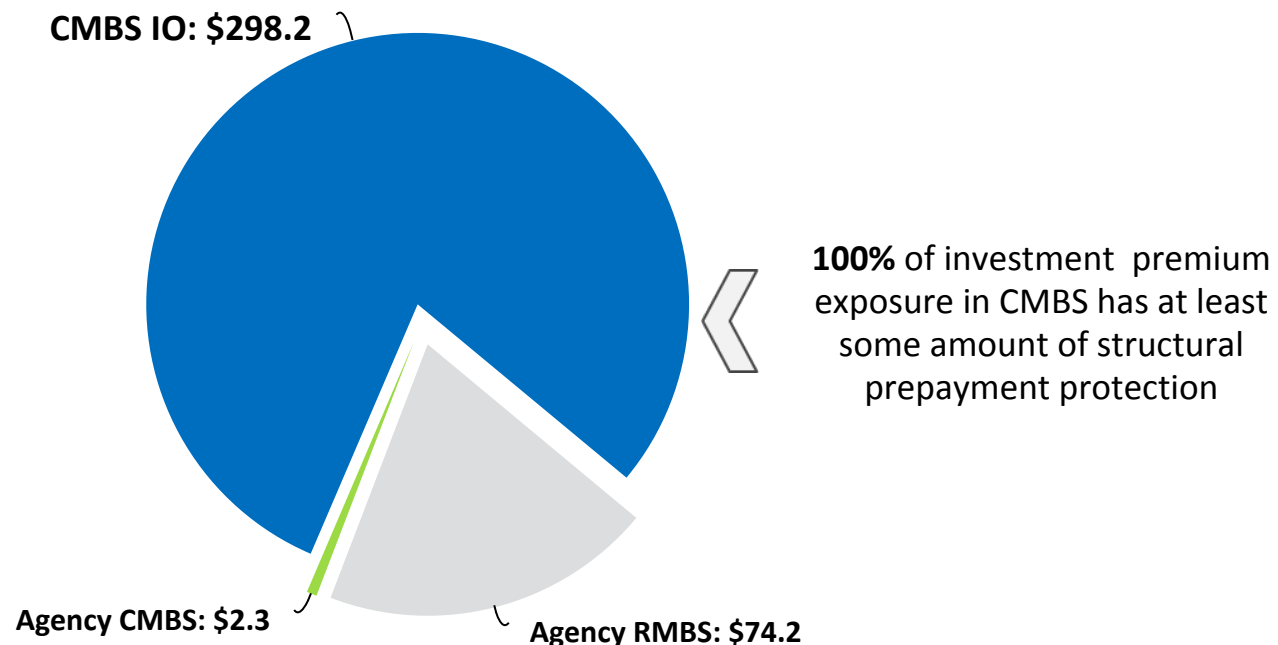
(4) CMBS IO do not have underlying par values. The total notional value underlying CMBS IO was \$19.3 billion as of December 31, 2021.

(5) Structurally, we are compensated for CMBS prepayments except under certain circumstances.

# Prepayment Protection on Unamortized Premium

(as of December 31, 2021)

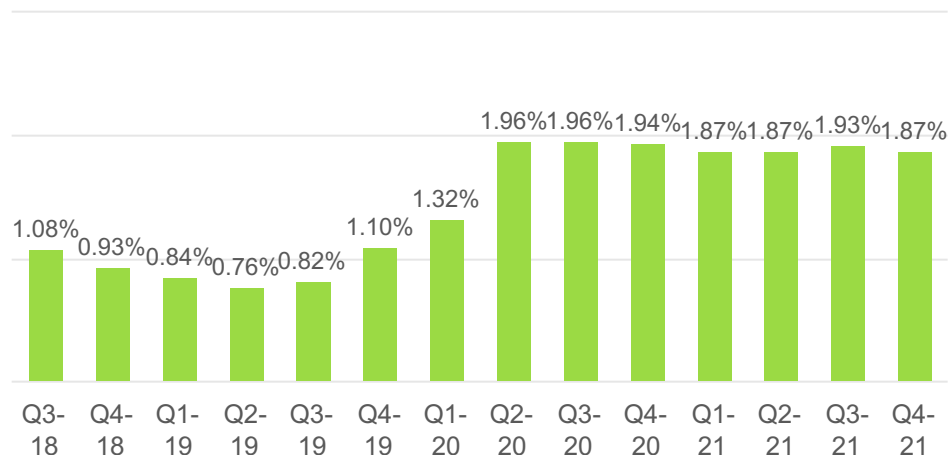
## Investment Premium by Asset Type (\$ in millions)



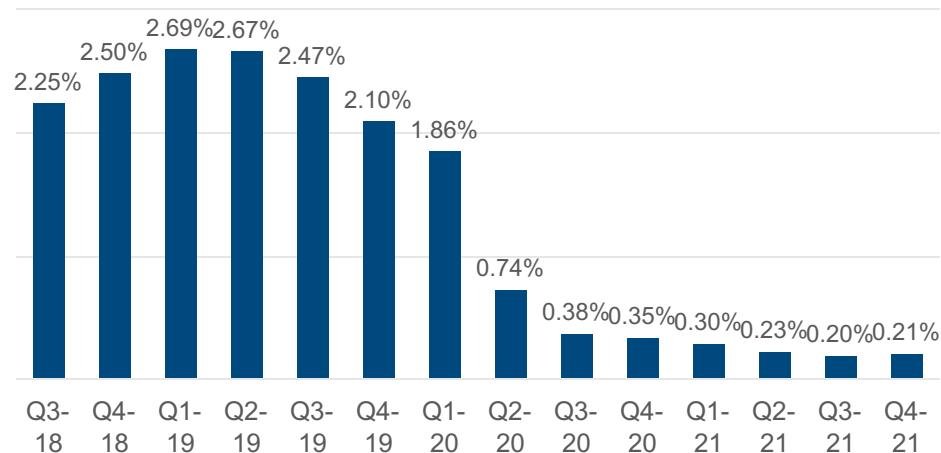
Unamortized Premium		\$ in Millions	% of Total
Explicit prepayment protection:	CMBS/CMBS IO	\$300.5	80%
Favorable prepayment characteristics:	RMBS	74.2	20%

# Performance Statistics Overview

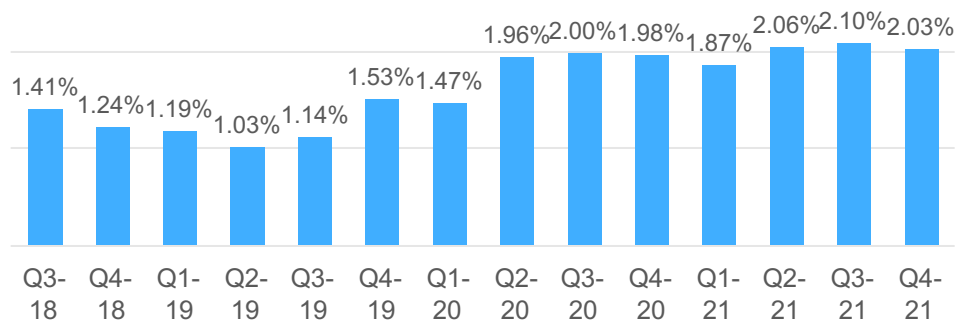
## Net Interest Spread



## Repo and Other Financing Costs



## Adjusted Net Interest Spread <sup>(1)</sup>



■ Adjusted net interest spread

*(1) Adjusted net interest spread, a non-GAAP measure, includes the impact of net periodic interest cost/benefit from interest rate swaps and drop income from TBA dollar roll positions.*

# Financial Performance

(\$ in thousands, except per share amounts)	4Q21		3Q21		2021	
	Income (Expense)	Per Common Share*	Income (Expense)	Per Common Share*	Income (Expense)	Per Common Share*
Interest income	\$ 17,051	\$ 0.47	\$ 15,714	\$ 0.45	\$ 60,051	\$ 1.84
Interest expense	(1,443)	(0.04)	(1,320)	(0.04)	(5,671)	(0.17)
<b>GAAP net interest income</b>	15,608	0.43	14,394	0.41	54,380	1.67
TBA drop income <sup>(1)</sup>	9,447	0.26	13,319	0.38	43,512	1.33
<b>Adjusted net interest income <sup>(2)</sup></b>	25,055	0.69	27,713	0.79	97,892	3.00
General and administrative expenses	(6,362)	(0.17)	(6,549)	(0.19)	(24,085)	(0.74)
Other operating expense, net	(308)	(0.01)	(330)	(0.01)	(1,342)	(0.04)
Preferred stock dividends	(1,923)	(0.05)	(1,923)	(0.06)	(8,329)	(0.26)
<b>Earnings available for distribution <sup>(2)</sup></b>	16,462	0.45	18,911	0.54	64,136	1.97
Realized gain on sale of investments, net	—	—	—	—	6,705	0.21
Unrealized loss on investments, net	(11,833)	(0.32)	(3,085)	(0.09)	(14,814)	(0.45)
Change in fair value of derivatives <sup>(1)</sup>	7,506	0.21	(3,716)	(0.11)	37,905	1.16
Preferred stock redemption charge	—	—	—	—	(2,987)	(0.09)
<b>GAAP net income to common shareholders</b>	12,135	0.33	12,110	0.35	90,945	2.79
Net unrealized loss on AFS investments	(13,507)	(0.37)	(9,139)	(0.26)	(73,532)	(2.26)
<b>Comprehensive (loss) income to common shareholders</b>	\$ (1,372)	\$ (0.04)	\$ 2,971	\$ 0.09	\$ 17,413	\$ 0.53
WAVG common shares outstanding	36,565		34,924		32,596	

\*Per common share amounts may not foot due to \$'s presented in '000s.

(1) TBA drop income and change in fair value of derivatives are components of "gain (loss) on derivative instruments, net" reported in the comprehensive income statement.

(2) See reconciliations for non-GAAP measures on slide [33](#).

# Book Value Rollforward

	Quarter Ended December 31, 2021	
	\$ in thousands	Per Common Share
Common shareholders' equity, beginning of period <sup>(1)</sup>	\$662,011	\$18.42
<b>GAAP net income to common shareholders:</b>		
Earnings available for distribution <sup>(2)</sup>	16,462	
Unrealized loss on trading investments including TBAs, net	(19,513)	
Change in fair value of derivatives	15,186	
Other comprehensive loss (MBS designed as AFS)	(13,507)	
Dividends declared	(14,364)	
Stock transactions <sup>(3)</sup>	13,503	
Common shareholders' equity, end of period <sup>(1)</sup>	\$659,778	\$17.99

(1) Common shareholders' equity represents total shareholders' equity less the liquidation value of preferred stock outstanding as of the date indicated.

(2) See reconciliations for non-GAAP measures on slide [32](#).

(3) Includes issuance of common stock and vesting of restricted stock, net of stock issuance costs.

# Reconciliation of GAAP Measures to Non-GAAP Measures

(\$ in thousands except per share data)	4Q21	3Q21	2Q21	1Q21	2021
<b>Comprehensive (loss) income to common shareholders</b>	(\$1,372)	\$2,971	(\$31,412)	\$47,227	\$17,413
Adjustments:					
Change in fair value of investments <sup>(1)</sup>	25,340	12,224	(17,362)	61,439	81,641
Change in fair value of derivatives instruments, net <sup>(2)</sup>	(7,506)	3,716	65,117	(99,233)	(37,905)
Preferred stock redemption charge	—	—	—	2,987	2,987
<b>EAD to common shareholders</b>	\$16,462	\$18,911	\$16,343	\$12,420	\$64,136
<b>EAD per common share</b>	\$0.45	\$0.54	\$0.51	\$0.46	\$1.97

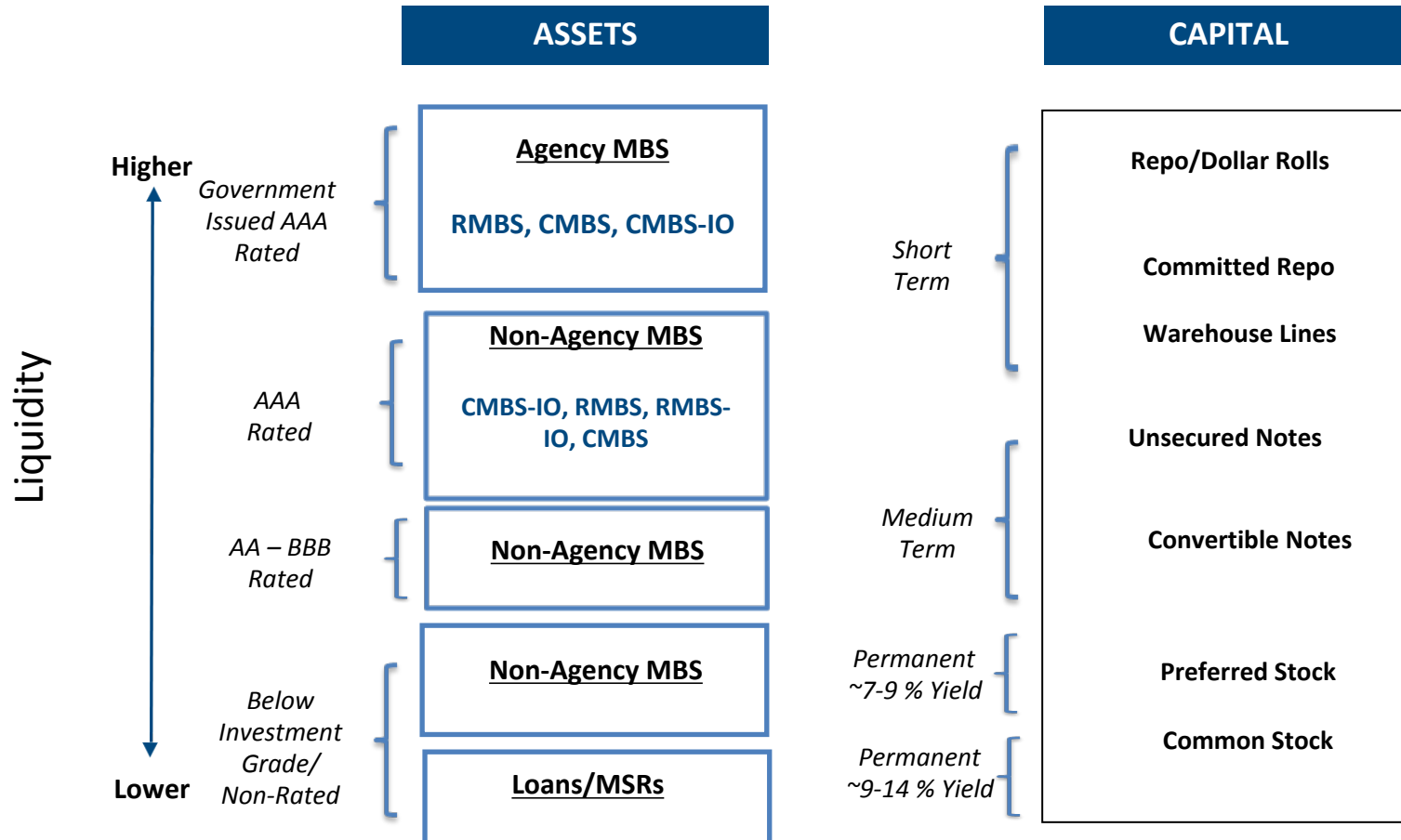
(\$ in thousands)	4Q21	3Q21	2Q21	1Q21	2021
<b>Net interest income</b>	\$15,608	\$14,394	\$12,118	\$12,259	\$54,380
TBA drop income	9,447	13,319	12,177	8,568	43,512
<b>Adjusted net interest income</b>	\$25,055	\$27,713	\$24,295	\$20,827	\$97,892
Other operating expense, net	(308)	(330)	(323)	(380)	(1,342)
General and administrative expenses	(6,362)	(6,549)	(5,706)	(5,468)	(24,085)
Preferred stock dividends	(1,923)	(1,923)	(1,923)	(2,559)	(8,329)
<b>EAD to common shareholders</b>	\$16,462	\$18,911	\$16,343	\$12,420	\$64,136

(1) Amount represents realized and unrealized gains and losses on the Company's MBS and other investments.

(2) Amount represents realized and unrealized gains and losses on derivatives and excludes TBA drop income..



# Mortgage REIT Business Model



# MREIT Glossary of Terms

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**Commercial Mortgage-Backed Securities (CMBS)** are a type of mortgage-backed security that is secured by the mortgage on a commercial property. CMBS can be Agency issued and issued by a private enterprise (non-Agency).

**Credit Risk** is the risk of loss of principal or interest stemming from a borrower's failure to repay a loan.

**Curve Twist Terms:**

**Bull Flatten:** Is a rate environment in which long-term interest rates are declining faster than short-term interest rates.

**Bear Flatten:** Is a yield-rate environment in which short-term interest rates are rising faster rate than long-term interest rates.

**Bear Steepener:** Is a rate environment in which long-term interest rates are rising faster than short-term interest rates.

**Bull Steepener:** Is a rate environment in which short-term interest rates are declining faster than long-term interest rates.

**Duration** is a measure of the sensitivity of the price of a fixed-income investment to a change in interest rates. Duration is expressed as a number of years.

**Duration Drift** is a measure of the change in duration for a change in interest rates.

**Interest Only Securities (IOs)** are securities backed by a portion of the excess interest of a securitization and sold individually from the principal component.

**Interest Rate Risk** is the risk that an investment's value will change due to a change in the absolute level of interest rates, the shape of the yield curve or in any other interest rate relationship. Interest rate risk can also manifest itself through the purchase of fixed rate instruments funded with floating rate, or very short maturity, instruments.

**Leverage** is the use of borrowed money to finance assets including TBA dollar rolls.

**Prepayment Risk** is the risk associated with the early unscheduled return of principal.

# MREIT Glossary of Terms

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**Repurchase Agreements** are a short-term borrowing that uses loans or securities as collateral. The lender advances only a portion of the value of the asset (the advance rate). The inverse of the advance rate is the equity contribution of the borrower (the haircut).

**Residential Mortgage-Backed Securities (RMBS)** are a type of mortgage-backed debt obligation whose cash flows come from residential debt, such as mortgages, home-equity loans and subprime mortgages. Each security is typically backed by a pool of mortgage loans created by US government agencies, banks, or other financial institutions. RMBS can be Agency issued or issued by a private enterprise (non-Agency).

**Specified Mortgage Backed Securities Pools** are pools created with loans that have similar characteristics, or “stories.”

**Spread Risk** is the potential price volatility resulting from the expansion and contraction of the security’s risk premium over a benchmark (or risk-free) interest rate.

**TBA Dollar Roll** is a financing mechanism for long positions in TBAs whereby an investor enters into an offsetting short position and simultaneously enters into an identical TBA with a later settlement date.

**To Be Announced (TBA) Securities** are forward contracts involving the purchase or sale of non-specified Agency RMBS or CMBS.

**Whipsaw** describes the movement of a security when, at a particular time, the security's price is moving in one direction, but then quickly pivots to move in the opposite direction.



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