



Second Quarter 2022 Earnings Presentation

July 25, 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, 2021 and subsequent filings with the Securities and Exchange Commission, particularly those set forth under the caption “Risk Factors”.

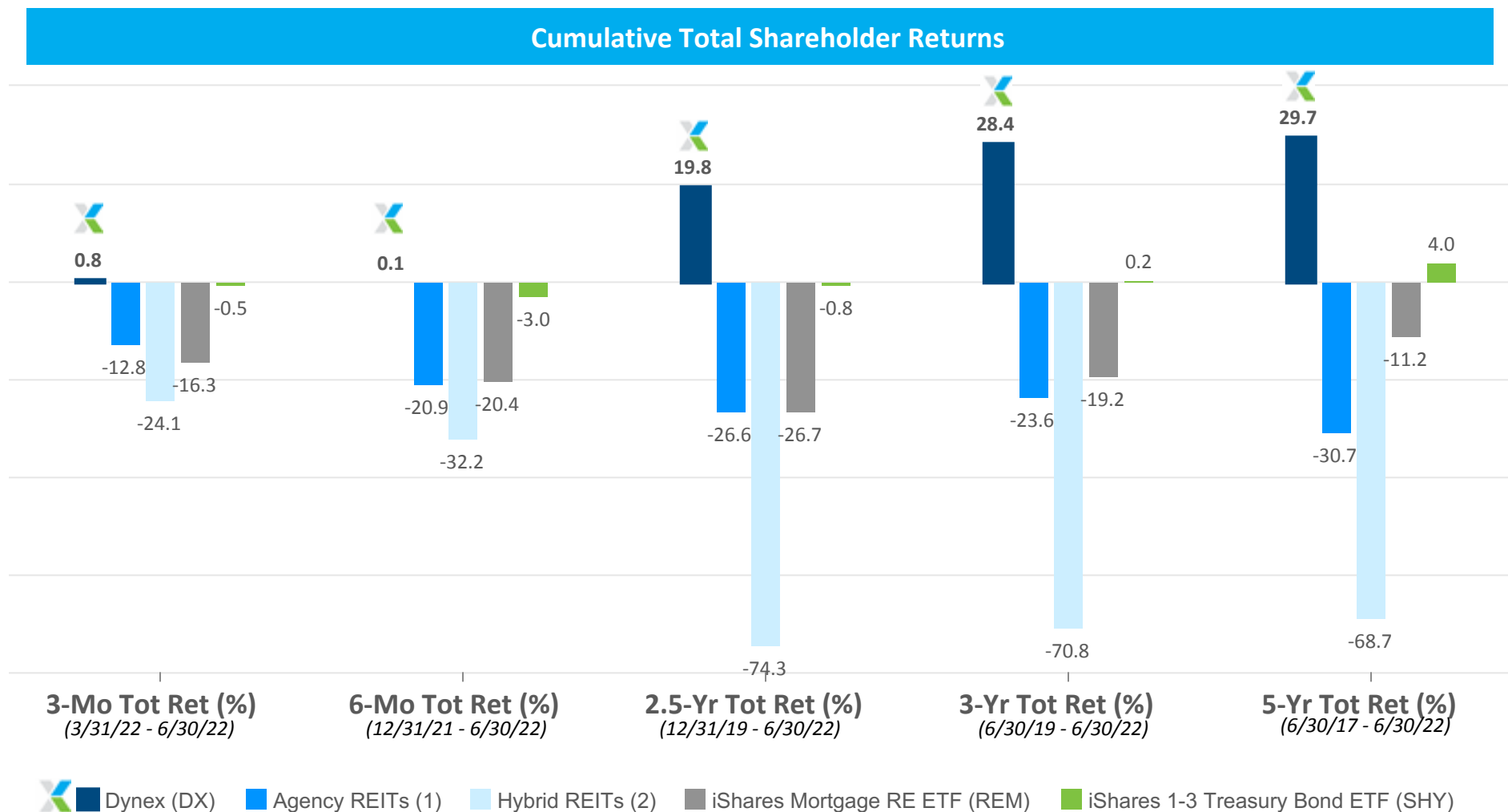
# Market Snapshot

	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 6/30/22)</i>	43.5	4.5
2Q22 Dividends Declared	\$0.39	\$0.43
Annualized Dividend Yield	9.49%	7.68%
Book Value per share <i>(as of 6/30/22)</i>	\$16.79	—
Share Price <i>(as of closing on 7/20/22)</i>	\$16.44	\$22.47
Market Capitalization <i>(in millions) (as of 7/20/22)</i>	\$715.1	\$101.1
Price to Book <i>(based on stock price as of closing on 7/20/22 and book value as of 6/30/22)</i>	97.9%	—

Source: Bloomberg

# Dynex Strong Performance

## Track record of long-term industry outperformance



(1) Select Agency MREITS on an equal weight basis

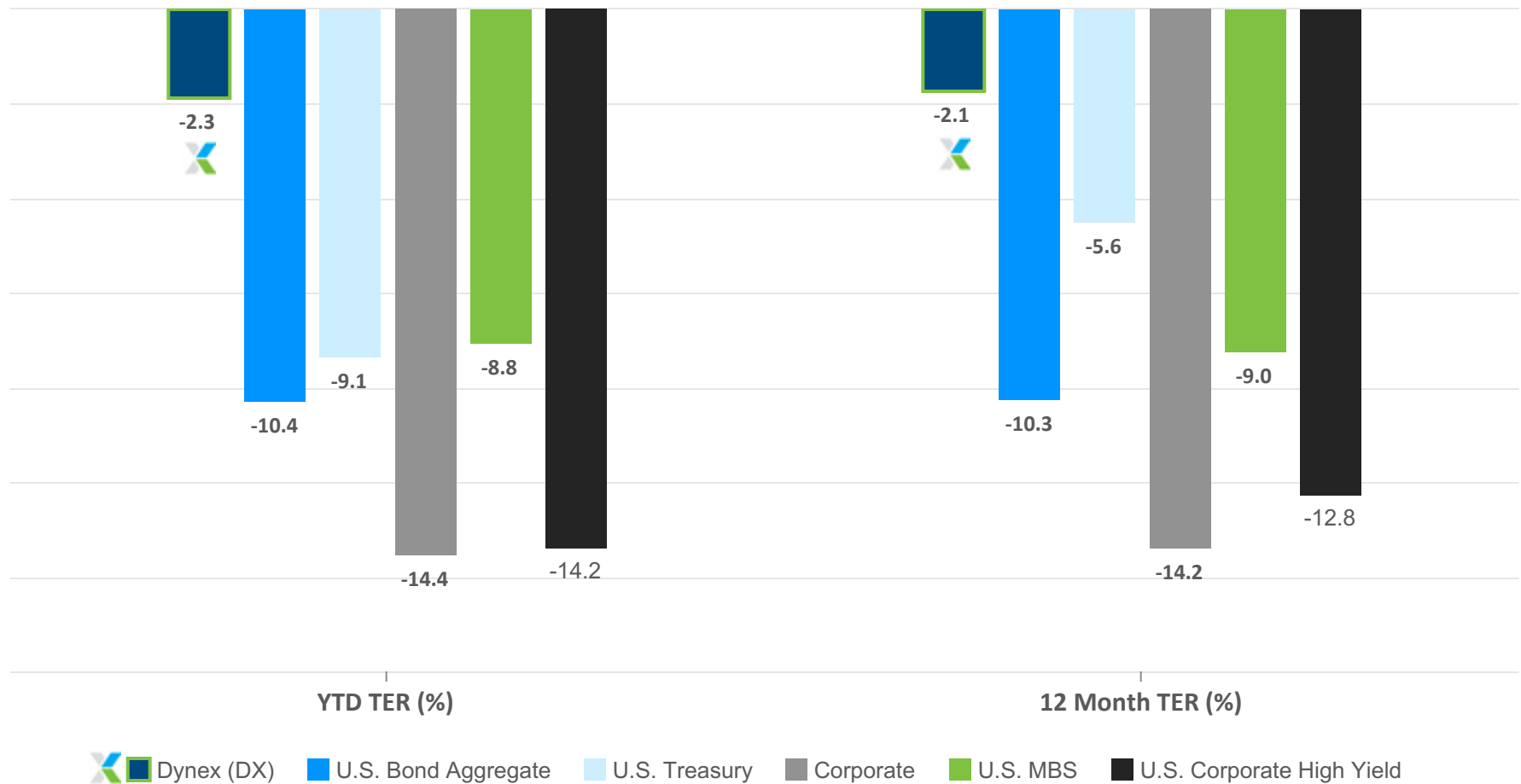
(2) Select Hybrid MREITS on an equal weight basis

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

# Dynex Strong Performance vs. Broad Fixed Income

 ***Dynex has significantly outperformed the fixed income sector***

Cumulative Total Economic Returns <sup>(1)</sup>



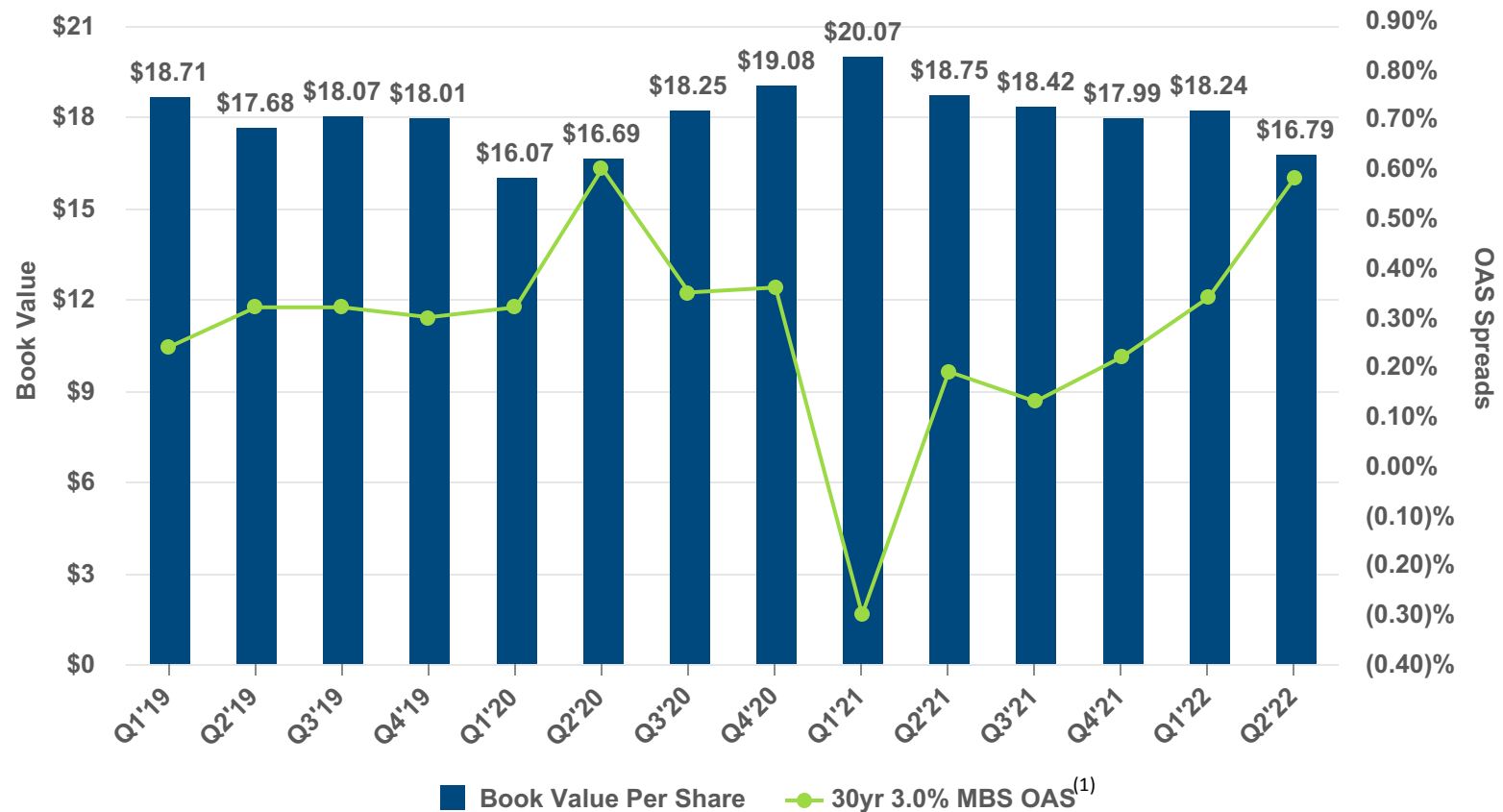
(1) Ending period 6/30/2022

Broad Fixed Income Source: Bloomberg Index Services Limited ("BISL")

# Successfully Navigated Volatility

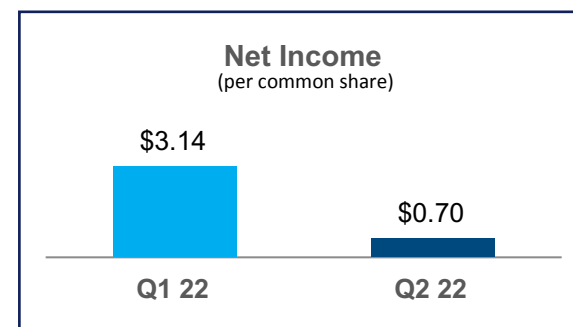
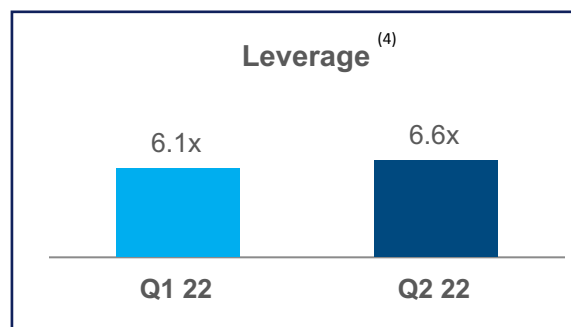
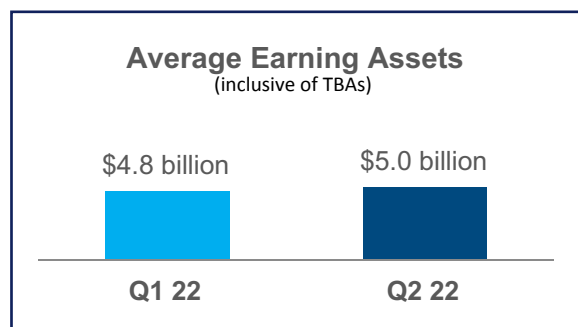
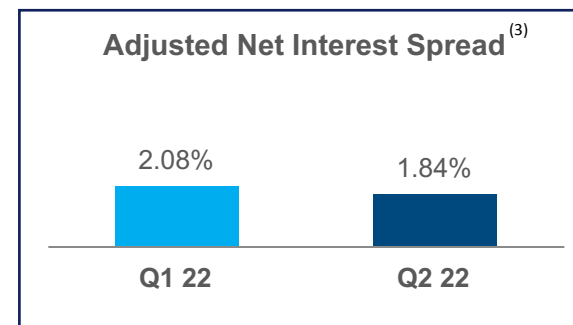
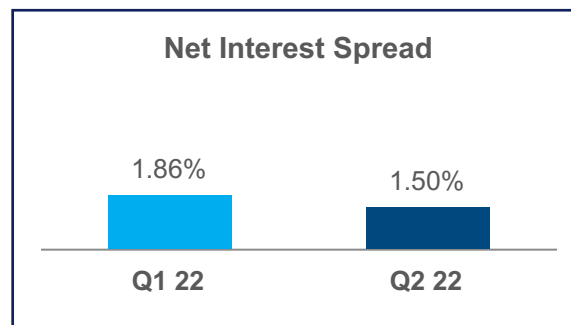
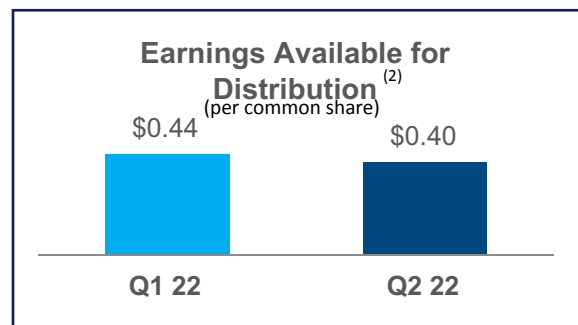
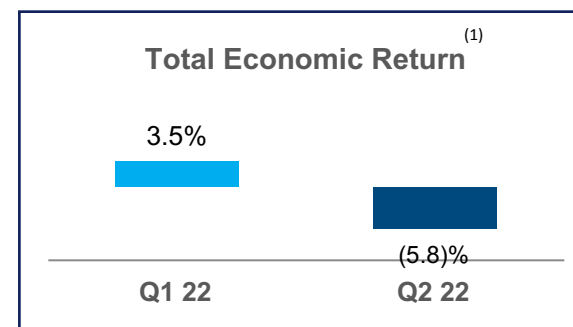
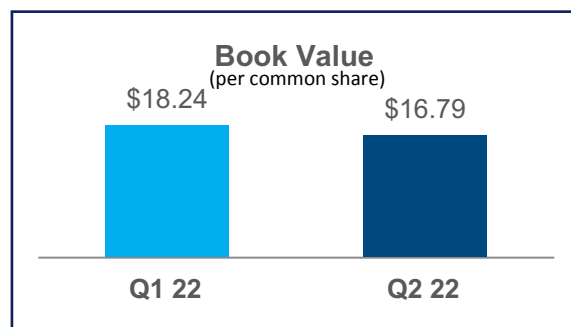
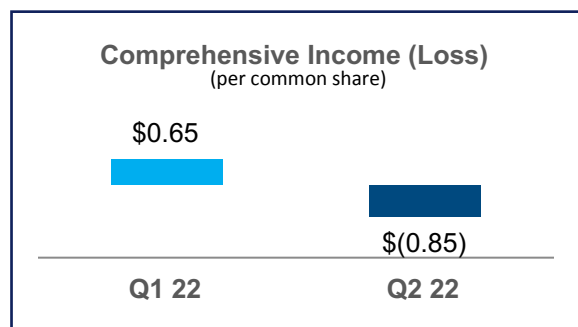
***Our experienced team managed a disciplined investment approach that resulted in strong performance during periods of high interest rate and interest spread volatility.***

## Track Record of Capital Preservation



<sup>(1)</sup>Sources: BlackRock 6.04 model prior to 03/31/2021 and BlackRock 6.1 on 03/31/2021 and after; Bankrate.com 30 year Mortgage Rate Index ILM3NAVG

# Quarterly Highlights



(1) Equals sum of dividend declared per common share during the quarter **plus** the change 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 [34](#).

(3) Adjusted net interest spread, a non-GAAP measure, includes the impact from TBA drop income of 22 basis points and 34 basis points for the first and second quarters of 2022, respectively.

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

# Disciplined Focus on the Long-Term

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***Our core themes of the rising complexity in the global economy across economic, social, geopolitical factors and the continued influence of government policy on returns remain in place.***

- Shifting age demographics, rising global debt, technology, human conflict, and climate change 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 likely impact economic trajectories for many years and require greater international cooperation to address effectively.
- We also believe government fiscal and monetary policy continues 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. We expect housing and labor to continue upward pressure on inflation in the near term, driving central bank responses.
- Longer-term, global debt and demographic trends are important factors that will impact the level of interest rates.



# New Market Paradigm and Historic Opportunity

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***As volatility spiked, interest rates rose and spreads widened, we raised capital and added assets to our portfolio to drive accretive future returns.***

## ***The Market Environment***

- We continue to 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 evolving, and we continue to expect significant moves in the shape of the yield curve as well as the level of yields across the curve.
- Mortgage spreads widened 10-20 bps during the quarter, and we expect spread widening in agency MBS to continue in 2022 as counter cyclical emergency measures are tapered.

## ***Our Positioning***

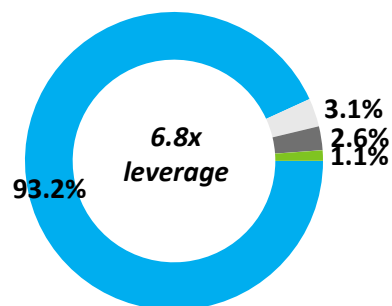
- Opportunistic balance sheet growth and prudent capital management are core elements of our strategy.
- In this transitional environment, liquidity, discipline, patience, and flexibility – in position and mindset - continue to be essential. Our low leverage positioned us well to deploy capital and capture 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.
- While spreads widened, we deployed capital illustrating the benefits of our risk management, prudent leverage and capital allocation strategies.
- We remain focused on preserving capital as the market transitions to a wider spread environment.

# Investment Portfolio<sup>(1)</sup> *(as of dates indicated)*

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

July 20, 2022

**Asset Type**



Agency RMBS

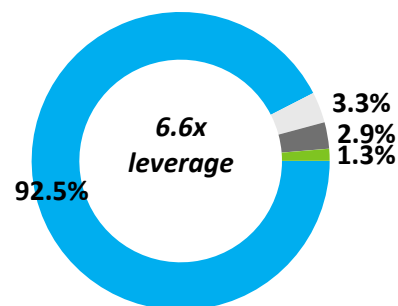
Agency CMBS IO

Agency CMBS

Non-Agency CMBS IO

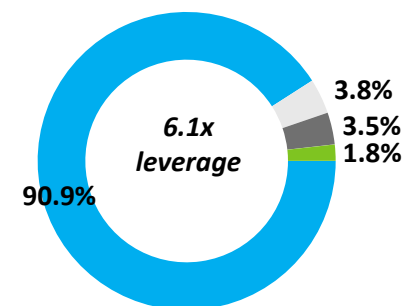
June 30, 2022

**Asset Type**

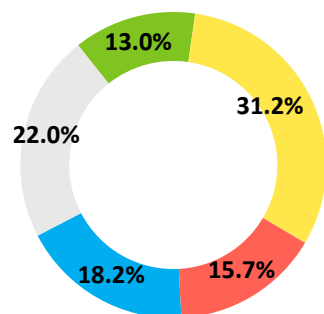


March 31, 2022

**Asset Type**



**Agency RMBS Coupon Type**



2.0% Coupon

2.5% Coupon

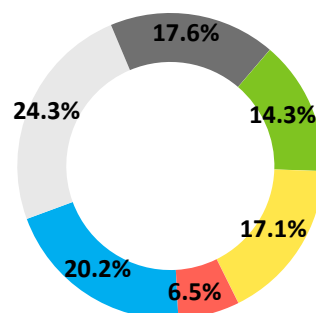
3.0% Coupon

3.5% Coupon

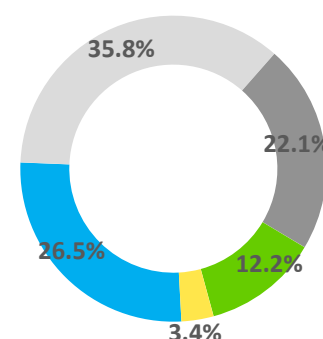
4.0% Coupon

4.5% Coupon

**Agency RMBS Coupon Type**



**Agency RMBS Coupon Type**



(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 (bps)	Percentage Change in Common Shareholders' Equity			
	As of July 20, 2022	As of June 30, 2022	As of March 31, 2022	As of December 31, 2021
+100	(8.1)%	(4.4)%	(0.9)%	2.7%
+50	(3.4)%	(1.6)%	0.4%	2.6%
-50	1.2%	(0.2)%	(3.0)%	(6.1)%
-100	(0.6)%	(2.7)%	(8.7)%	(18.3)%

Curve Shift 2 year Treasury (bps)	Curve Shift 10 year Treasury (bps)	Percentage Change in Common Shareholders' Equity			
		As of July 20, 2022	As of June 30, 2022	As of March 31, 2022	As of December 31, 2021
+25	+50	(3.8)%	(2.4)%	(0.5)%	1.3%
+50	+25	(1.5)%	(0.3)%	0.9%	2.5%
0	-25	1.3%	0.9%	(0.3)%	(1.2)%
-10	-50	0.9%	0.9%	(1.7)%	(4.0)%
-25	-75	0.7%	(0.5)%	(5.0)%	(9.0)%

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 in our financial statements. 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.

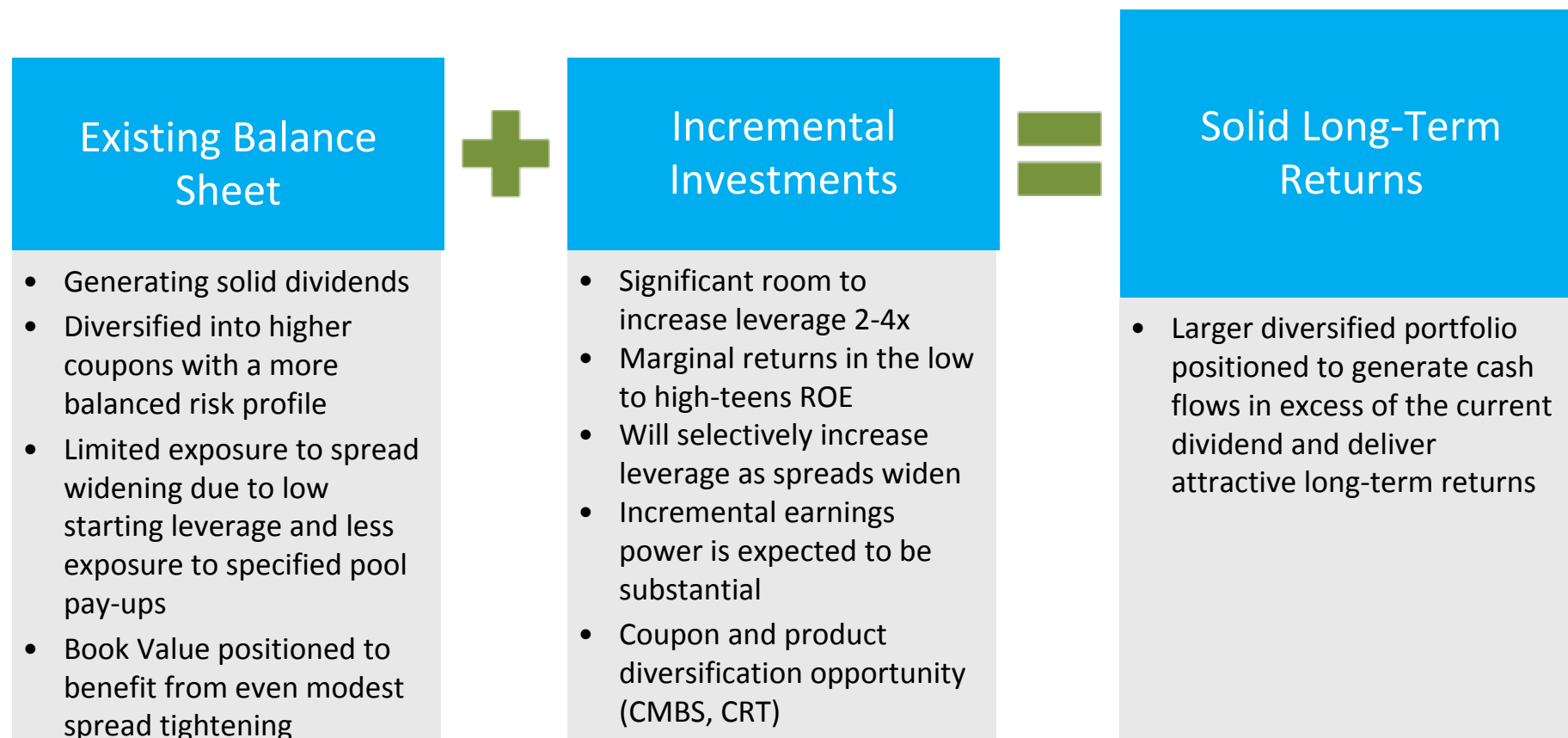
Change in Market Credit Spreads (bps)	Percentage Change in Common Shareholders' Equity			
	As of July 20, 2022	As of June 30, 2022	As of March 31, 2022	As of December 31, 2021
+20/+50 <sup>(1)</sup>	(10.5)%	(10.7)%	(10.0)%	(9.2)%
+10	(5.1)%	(5.2)%	(4.8)%	(4.4)%
-10	5.1%	5.2%	4.8%	4.4%
-20/-50 <sup>(1)</sup>	10.5%	10.7%	10.0%	9.2%

(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 in our financial statements..

# Well-Positioned for a Favorable Investment Environment

***Historic investment opportunity in Agency RMBS as the largest non-economic buyer exits. We believe our book value preservation and low leverage put us in excellent position to capitalize on this opportunity.***



# Long-Term Industry Trends

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***Positive long-term fundamental trends support Dynex's business model.***

**1**

Favorable investment environment and demand for yield

- U.S. demographic trends will drive demand for housing and yield
- We believe we are entering a period of sustainable marginal returns in the low to high-teens ROE

**2**

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

**3**

Focus on Corporate Responsibility

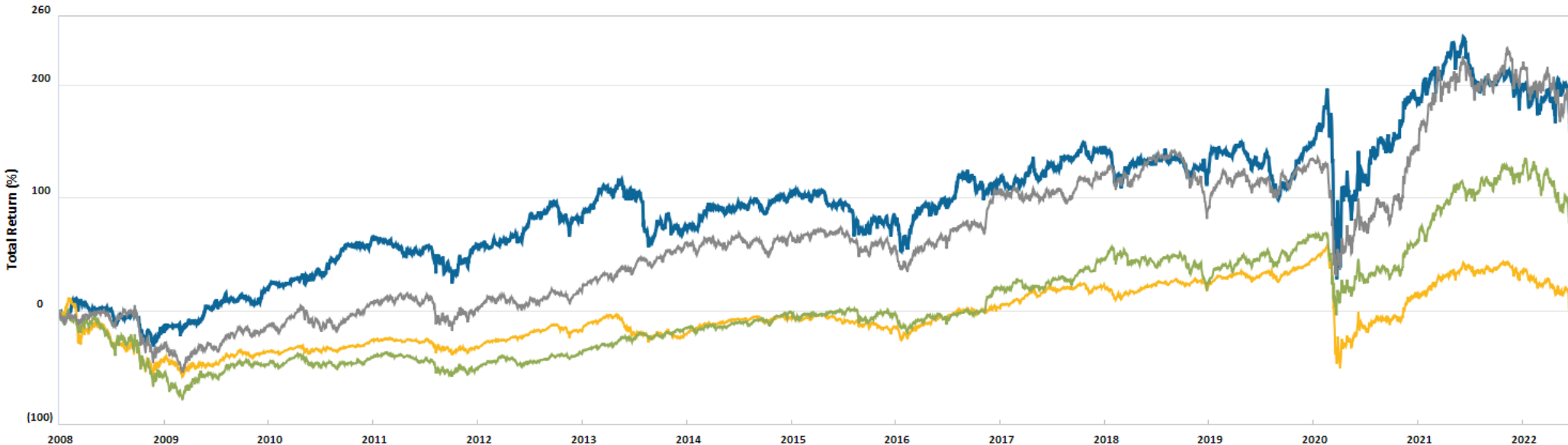
- Experienced, ethical, and purpose-driven team
- Committed to our core values of *Stewardship, Performance, Integrity, Trust, Kindness, Equality & Inclusion, Innovation and Collaboration*

# Disciplined Focus on the Long-Term

***DX has generated long-term returns exceeding the S&P 500 Financials, REM, and Russell 2000 Value indices.***

**Total Return (%)**  
*January 1, 2008 - June 30, 2022*

**Dynex: 195.52%**    **iShares REM: 6.30%**    **S&P 500 Financials: 79.59%**    **Russell 2000 Value: 159.65%**



*Source: S&P Capital IQ  
Assumes reinvestment of dividends*

# Key Takeaways

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- As volatility spiked, interest rates increased and spreads widened, we raised and invested capital to drive future accretive shareholder return.
- We believe that markets are only beginning to price the potential impact of quantitative tightening and we are positioned to continue to deploy capital into a prolonged period of greater return opportunities.
- Generated (2.3)% Total Economic Return YTD during the largest increase in interest rates since 1980 and the largest increase in mortgage rates since 1985.
- As of July 20, 2022, we had over \$600m of liquidity and our leverage was approximately 6.8x, which positions us to swiftly deploy capital.
- The collective experience of our team, emphasis on risk management, capital preservation, disciplined asset allocation, and hedging are 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 technologies.
- Successfully executed CFO leadership transition, continuing the legacy of prudent stewardship of the company and long-term planning.
- Over the long-term, we are confident in our ability to generate attractive total economic returns.



# Why Dynex

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

Excellent performance record with industry-leading 3-year 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 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.

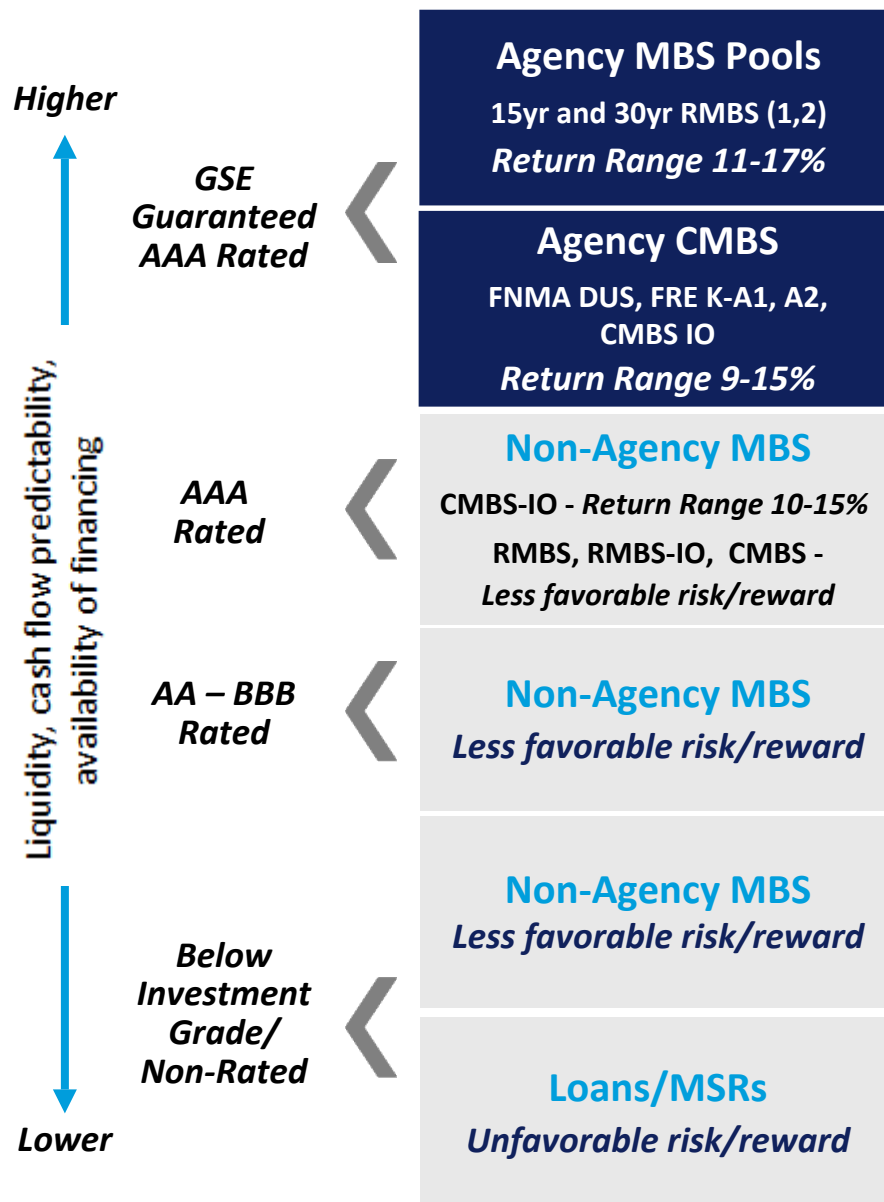


## SASB

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 June 30, 2022)*



***Agency RMBS offer attractive returns and other asset classes are adjusting to a 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 2022	Change QoQ	Change MoM	6/30/2022	5/31/2022	4/30/2022	3/31/2022	12/31/2021
<b>Treasury <sup>(2)</sup></b>								
IOER rate	1.50%	1.25%	0.75%	1.65%	0.90%	0.40%	0.40%	0.15%
1m repo <sup>(1)</sup>	1.36%	1.13%	0.55%	1.50%	0.95%	0.58%	0.37%	0.14%
3m T-bill	1.68%	1.18%	0.49%	1.73%	1.25%	1.15%	0.55%	0.06%
2 yr	2.22%	0.62%	0.40%	2.95%	2.56%	2.71%	2.33%	0.73%
5 yr	1.77%	0.58%	0.22%	3.04%	2.82%	2.95%	2.46%	1.26%
10 yr	1.50%	0.67%	0.17%	3.01%	2.84%	2.93%	2.34%	1.51%
30 yr	1.28%	0.74%	0.14%	3.18%	3.05%	3.00%	2.45%	1.90%
3M10Y Treasury Vol <sup>(15DP)</sup>	3.92	0.52	1.55	9.34	7.79	8.51	8.82	5.42
<b>Swaps <sup>(2)</sup></b>								
1m Libor	1.69%	1.33%	0.67%	1.79%	1.12%	0.80%	0.45%	0.10%
3m Libor	2.08%	1.32%	0.67%	2.29%	1.61%	1.33%	0.96%	0.21%
2 yr	2.33%	0.72%	0.38%	3.28%	2.89%	3.05%	2.55%	0.94%
5 yr	1.71%	0.55%	0.21%	3.08%	2.87%	3.06%	2.52%	1.37%
10 yr	1.51%	0.69%	0.16%	3.09%	2.93%	3.02%	2.41%	1.58%
30 yr	1.22%	0.69%	0.11%	2.95%	2.84%	2.79%	2.25%	1.73%
3M10Y Swaption Vol	40.0	13.4	14.8	119.3	104.5	123.2	105.9	79.3
<b>30 Year MBS OAS <sup>(3)</sup></b>								
2.0%	28	21	10	31	21	19	10	3
2.5%	30	20	14	41	27	30	21	11
3.0%	18	6	14	40	26	29	34	22
3.5%	18	14	11	36	26	25	22	19
4.0%	24	5	8	31	23	20	26	7
30yr Mortgage Rate <sup>(4)</sup>	2.56%	0.93%	0.48%	5.83%	5.35%	5.42%	4.90%	3.27%
Fn 30yr Current Cpn <sup>(2)</sup>	2.32%	0.89%	0.37%	4.38%	4.01%	4.15%	3.49%	2.07%
<b>CMBS <sup>(3)</sup></b>								
DUS 10/9.5	36	9	6	67	61	53	58	31
DUS 12/11.5	36	8	1	78	77	68	70	42
10 yr Freddie K A2	27	6	3	54	51	45	48	27
Agency CMBS IO	65	20	0	170	170	165	150	105
Non-Agency AAA CMBS IO	112	80	0	225	225	170	145	113

(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

(4) Bankrate.com 30 year Mortgage Rate Index ILM3NAVG

# Pricing Matrix

30 Year MBS <sup>(1)</sup>		Change during 2022	Change QoQ	6/30/2022	5/31/2022	4/30/2022	3/31/2022	2/28/2022	1/31/2022	12/30/2021
2.0% Cpn <sup>(2)</sup>	TBA Price	-12.97	-6.05	86.75	88.72	87.90	92.80	96.00	97.48	99.72
	85K Max	-0.78	0.16		0.38	0.19	0.22	0.53	0.63	1.16
	150K Max	-0.56	0.06		0.16	0.06	0.09	0.28	0.28	0.72
	200k Max	-0.31	0.06		0.09	0.03	0.03	0.13	0.19	0.41
	NY only	-0.28	0.03		0.03	0.00	0.00	0.03	0.00	0.31
	95 LTV	0.00	0.00		0.00	0.00	0.00	0.00	0.03	0.00
	Low WALA/new	0.00	0.00		0.00	0.00	0.00	0.03	0.03	0.00
2.5% Cpn <sup>(2)</sup>	TBA Price	-12.20	-5.51	89.89	92.04	91.01	95.40	98.74	99.83	102.09
	85K Max	-1.50	0.09		0.63	0.41	0.53	1.06	1.34	2.13
	150K Max	-1.25	0.06		0.31	0.19	0.25	0.63	0.78	1.56
	200k Max	-0.84	0.06		0.16	0.06	0.09	0.25	0.44	1.00
	NY only	-1.19	0.06		0.06	0.00	0.00	0.13	0.34	1.25
	95 LTV	0.00	0.03		0.03	0.00	0.00	0.00	0.00	0.03
	Low WALA/new	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
3% Cpn	TBA Price	-10.53	-4.67	93.11	95.34	94.09	97.78	101.07	102.14	103.64
	85K Max	-3.13	-0.50	0.72	1.09	0.88	1.22	2.09	2.38	3.84
	150K Max	-2.34	-0.28	0.41	0.59	0.44	0.69	1.38	1.56	2.75
	200k Max	-1.75	-0.13	0.22	0.34	0.19	0.34	0.75	0.94	1.97
	NY only	-2.78	-0.09	0.06	0.13	0.03	0.16	0.72	1.13	2.84
	95 LTV	-0.44	0.00	0.00	0.03	0.00	0.00	0.00	0.06	0.44
	Low WALA/new	-0.31	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.31
3.5% Cpn	TBA Price	-9.15	-3.95	96.17	98.05	96.80	100.13	103.02	104.16	105.32
	85K Max	-3.59	-0.91	1.16	1.91	1.41	2.06	3.09	3.41	4.75
	150K Max	-2.38	-0.53	0.69	1.19	0.75	1.22	1.84	1.94	3.06
	200k Max	-1.78	-0.44	0.34	0.78	0.44	0.78	1.06	1.25	2.13
	NY only	-3.25	-0.66	0.09	0.47	0.16	0.75	1.59	1.63	3.34
	95 LTV	-0.53	-0.03	0.00	0.03	0.00	0.03	0.09	0.13	0.53
	Low WALA/new	-0.47	0.00	0.00	0.00	0.00	0.00	0.03	0.03	0.47
4% Cpn	TBA Price	-7.80	-3.34	98.62	100.05	99.28	101.95	104.46	105.66	106.41
	85K Max	-3.59	-1.16	1.78	2.44	2.13	2.94	3.66	4.41	5.38
	150K Max	-2.13	-0.47	1.22	1.69	1.31	1.69	2.16	2.56	3.34
	200k Max	-1.28	-0.47	0.78	1.31	0.81	1.25	1.19	1.53	2.06
	NY only	-3.19	-0.94	0.44	1.00	0.47	1.38	1.78	2.47	3.63
	95 LTV	-0.53	-0.06	0.00	0.06	0.03	0.06	0.16	0.25	0.53
	Low WALA/new	-0.41	0.00	0.00	0.00	0.03	0.00	0.13	0.28	0.41

(1) Sources: 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 specified pool spreads not populated due to the small sample of issuance within those coupons. Changes are compared vs 5/31/2022.

# Key Rate Yield Changes

US 2y Nominal Treasury Yield  
Quarterly Changes



US 5y Nominal Treasury Yield  
Quarterly Changes



US 10y Nominal Treasury Yield  
Quarterly Changes



Current Coupon MBS Yield  
Quarterly Changes



# Key Rate Yield Percent Changes

**US 2y Nominal Treasury Yield  
Quarterly Percent Changes**



**US 5y Nominal Treasury Yield  
Quarterly Percent Changes**



**US 10y Nominal Treasury Yield  
Quarterly Percent Changes**



**Current Coupon MBS Yield  
Quarterly Percent Changes**





# 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.

June 30, 2022				March 31, 2022		
	Notional Amount/ Long (Short) (\$ in '000s)	Rate	Average Months to Expiration	Notional Amount/ Long (Short) (\$ in '000s)	Rate	Average Months to Expiration
10-year U.S. Treasury futures	\$ (3,610,000)	n/a	3	\$ (3,940,000)	n/a	3
5-year U.S. Treasury futures	(740,000)	n/a	3	—	n/a	—
Interest rate payer swaptions	500,000	1.60%	1	500,000	1.60%	4

# Funding Strategy *(as of June 30, 2022)*

(\$ in thousands)

Collateral Type	Balance	Weighted Average Rate	Fair Value of Collateral
Agency RMBS	\$1,825,113	1.22 %	\$1,959,295
Agency CMBS	156,422	1.37 %	166,562
Agency CMBS IO	157,320	1.63 %	173,256
Non-Agency CMBS IO	63,793	2.48 %	74,133
Total	\$ 2,202,648	1.30 %	\$2,373,246

Remaining Term to Maturity	Balance	Percentage	Weighted Average Original Term to Maturity
< 30 days	\$1,742,085	79%	53
30 to 90 days	211,447	10%	187
91 to 180 days	249,116	11%	365
Total	\$2,202,648	100%	101

- Weighted average repo rate for the second quarter of 2022 was 0.68%, an increase of 43 bps from the first quarter 2022. The weighted average rate on repo outstanding as of June 30, 2022 was 1.30%.
- Active with 22 counterparties at June 30, 2022.
- Maximum equity at risk with any one counterparty is less than 5%.

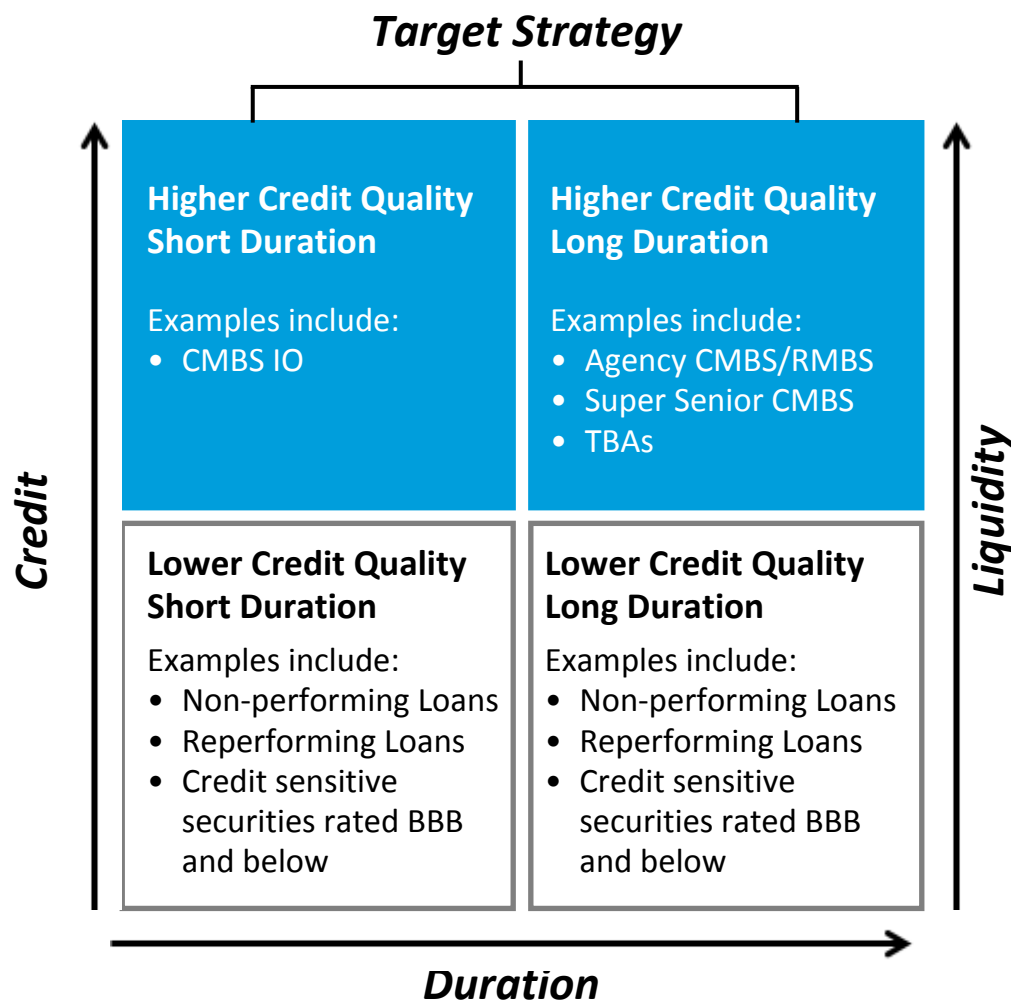
# Dollar Rolls

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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

# MBS Portfolio Characteristics *(as of June 30, 2022)*

(\$ in millions)	Par Value		Total Par Value	Estimated Fair Value	% of Portfolio	Amortized Cost (%) <sup>(1)</sup>	Unamortized Premium Balance <sup>(1)</sup>	3-month CPR <sup>(1) (2)</sup>	3-month WAVG Yield <sup>(1)</sup>
	Pools	TBA							
<b>Agency RMBS</b>									
2.0% coupon	\$ 1,248,457	\$ —	\$ 1,248,457	\$ 1,091,610	18.7 %	101.4 %	\$ 17,918	7.1%	1.76 %
2.5% coupon	1,095,110	353,000	1,448,110	1,310,502	22.4 %	104.2 %	46,273	9.2%	1.89 %
3.0% coupon	—	1,020,000	1,020,000	950,994	16.3 %	n/a	n/a	n/a	n/a
3.5% coupon	—	800,000	800,000	769,832	13.2 %	n/a	n/a	n/a	n/a
4.0% coupon	135,312	800,000	935,312	924,183	15.8 %	103.0 %	4,051	27.8%	2.92 %
4.5% coupon	—	350,000	350,000	351,039	6.0 %	n/a	n/a	n/a	n/a
<b>Total Agency RMBS</b>	<b>\$ 2,478,879</b>	<b>\$ 3,323,000</b>	<b>\$ 5,801,879</b>	<b>\$ 5,398,160</b>	<b>92.5 %</b>	<b>102.8 %</b>	<b>\$ 68,242</b>	<b>9.3%</b>	<b>1.88 %</b>
<b>Agency CMBS</b>	\$ 171,326	—	\$ 171,326	\$ 168,437	2.9 %	101.2 %	\$ 2,040	<sup>(4)</sup>	2.87 %
<b>CMBS Interest-only</b>	<sup>(3)</sup>	—	<sup>(3)</sup>	270,717	4.6 %	n/a	275,185	<sup>(4)</sup>	4.69 %
<b>Other non-Agency MBS</b>	759	—	759	613	— %	86.4 %	(103)	-	22.75 %
<b>Total</b>	<b>\$ 2,650,964</b>	<b>\$ 3,323,000</b>	<b>\$ 5,973,964</b>	<b>\$ 5,837,927</b>	<b>100 %</b>	<b>-</b>	<b>\$ 345,364</b>	<b>-</b>	<b>2.18 %</b>

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

(2) 3-month CPRs exclude recent purchases of securities which do not have a prepayment history.

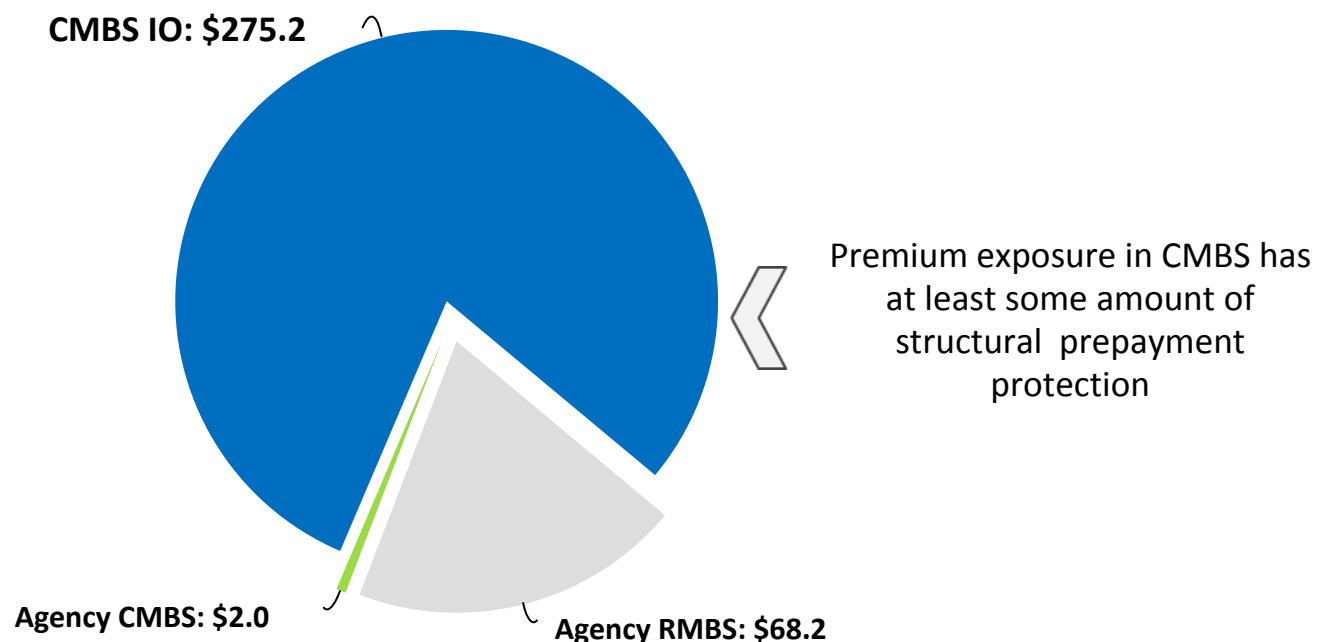
(3) CMBS IO do not have underlying par values. The total notional value underlying CMBS IO was \$18.0 billion as of June 30, 2022.

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

# Prepayment Protection on Unamortized Premium

(as of June 30, 2022)

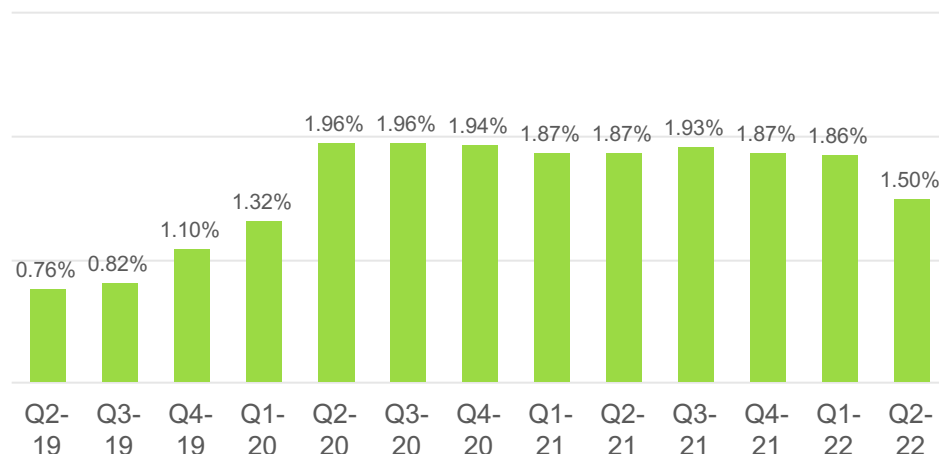
## Investment Premium by Asset Type (\$ in millions)



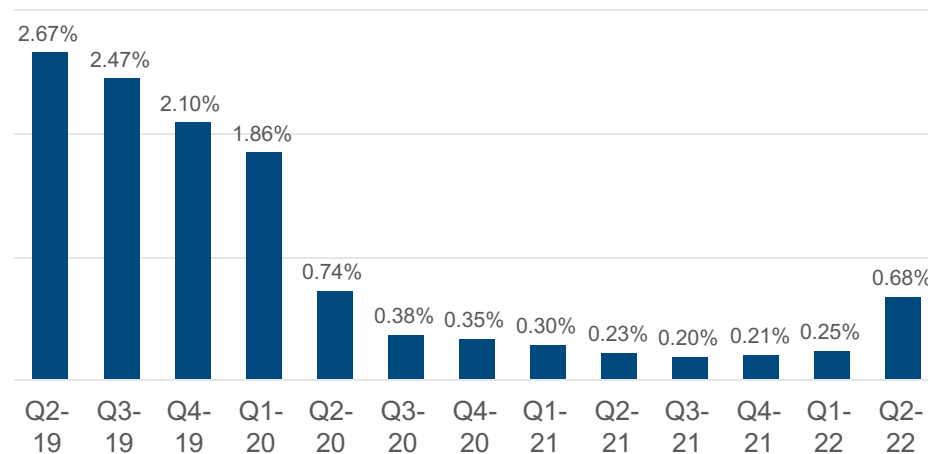
Unamortized Premium		\$ in Millions	% of Total
Explicit prepayment protection:	CMBS/CMBS IO	\$277.2	80%
Favorable prepayment characteristics:	RMBS	68.2	20%

# Performance Statistics Overview

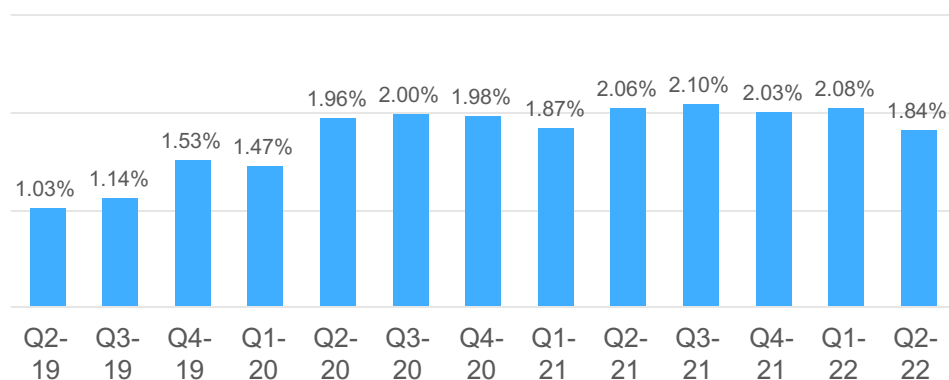
## Net Interest Spread



## 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 (if applicable in the period shown) and drop income from TBA dollar roll positions.

# Financial Performance

(\$ in thousands, except per share amounts)	2Q22		1Q22	
	Income (Expense)	Per Common Share*	Income (Expense)	Per Common Share*
Interest income	\$ 18,335	\$ 0.47	\$ 17,427	\$ 0.47
Interest expense	(4,262)	(0.11)	(1,748)	(0.05)
<b>GAAP net interest income</b>	14,073	0.36	15,679	0.42
TBA drop income <sup>(1)</sup>	11,074	0.28	9,728	0.26
<b>Adjusted net interest income <sup>(2)</sup></b>	25,147	0.64	25,407	0.68
General and administrative expenses	(7,201)	(0.18)	(7,109)	(0.19)
Other operating expense, net	(295)	(0.01)	(321)	(0.01)
Preferred stock dividends	(1,923)	(0.05)	(1,923)	(0.05)
<b>Earnings available for distribution <sup>(2)</sup></b>	15,728	0.40	16,054	0.44
Unrealized loss on investments, net	(65,103)	(1.66)	(111,251)	(3.03)
Change in fair value of derivatives <sup>(1)</sup>	95,338	2.43	210,482	5.73
<b>GAAP net income to common shareholders</b>	27,413	0.70	115,285	3.14
Net unrealized loss on AFS investments	(60,910)	(1.55)	(91,340)	(2.49)
<b>Comprehensive (loss) income to common shareholders</b>	\$ (33,497)	\$ (0.85)	\$ 23,945	\$ 0.65
WAVG common shares outstanding	39,190		36,725	

\*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 Company's consolidated statement of comprehensive income.

(2) See reconciliations for non-GAAP measures on slide [34](#).



# Book Value Rollforward

	Quarter Ended June 30, 2022	
	\$ in thousands	Per Common Share
Common shareholders' equity, beginning of period <sup>(1)</sup>	\$674,132	\$18.24
<b>GAAP net income to common shareholders:</b>		
Earnings available for distribution <sup>(2)</sup>	15,728	
Realized loss on sale of investments, net	(18,550)	
Unrealized loss on investments including TBAs, net	(146,742)	
Change in fair value of derivatives	176,977	
Other comprehensive loss (MBS designed as AFS)	(60,910)	
Dividends declared	(15,505)	
Stock transactions <sup>(3)</sup>	105,735	
Common shareholders' equity, end of period <sup>(1)</sup>	\$730,865	\$16.79

(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 [34](#).

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

# Reconciliation of GAAP Measures to Non-GAAP Measures

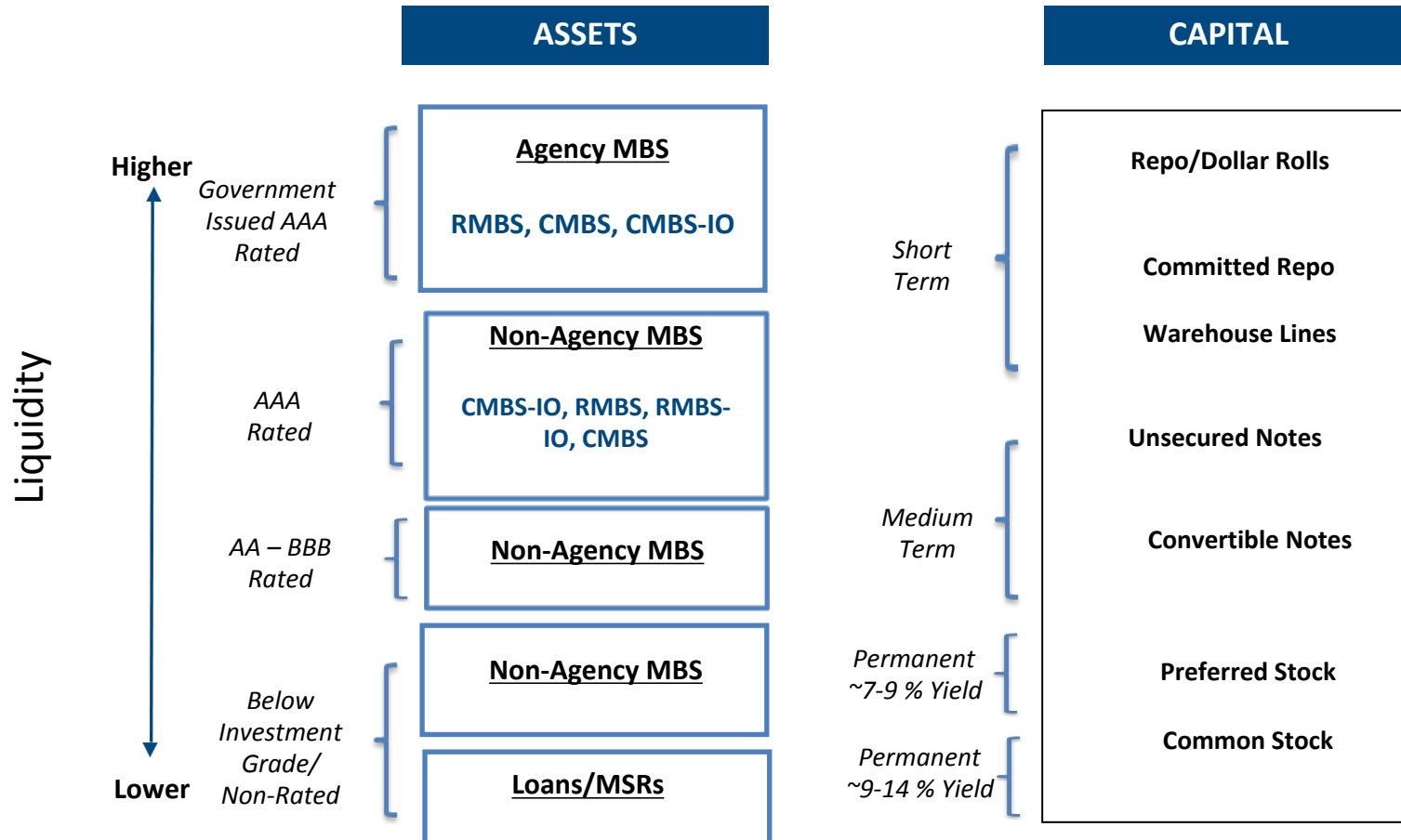
(\$ in thousands except per share data)	2Q22	1Q22	4Q21	3Q21	2Q21
<b>Comprehensive (loss) income to common shareholders</b>	(\$33,497)	\$23,946	(\$1,372)	\$2,971	(\$31,412)
Adjustments:					
Change in fair value of investments <sup>(1)</sup>	144,563	202,591	25,340	12,224	(17,362)
Change in fair value of derivatives instruments, net <sup>(2)</sup>	(95,338)	(210,483)	(7,506)	3,716	65,117
<b>EAD to common shareholders</b>	<b>\$15,728</b>	<b>\$16,054</b>	<b>\$16,462</b>	<b>\$18,911</b>	<b>\$16,343</b>
<b>EAD per common share</b>	<b>\$0.40</b>	<b>\$0.44</b>	<b>\$0.45</b>	<b>\$0.54</b>	<b>\$0.51</b>

(\$ in thousands)	2Q22	1Q22	4Q21	3Q21	2Q21
<b>Net interest income</b>	\$14,073	\$15,679	\$15,608	\$14,394	\$12,118
TBA drop income	11,074	9,728	9,447	13,319	12,177
<b>Adjusted net interest income</b>	<b>\$25,147</b>	<b>\$25,407</b>	<b>\$25,055</b>	<b>\$27,713</b>	<b>\$24,295</b>
Other operating expense, net	(295)	(321)	(308)	(330)	(323)
General and administrative expenses	(7,201)	(7,109)	(6,362)	(6,549)	(5,706)
Preferred stock dividends	(1,923)	(1,923)	(1,923)	(1,923)	(1,923)
<b>EAD to common shareholders</b>	<b>\$15,728</b>	<b>\$16,054</b>	<b>\$16,462</b>	<b>\$18,911</b>	<b>\$16,343</b>

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

(2) Amount represents realized and unrealized gains and losses on derivatives including TBAs except for 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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