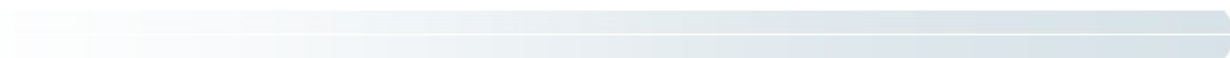




**Fourth Quarter 2022 Earnings Presentation**

**January 30, 2023**



# 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, and liquidity, 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,” “could,” 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, prospects, 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

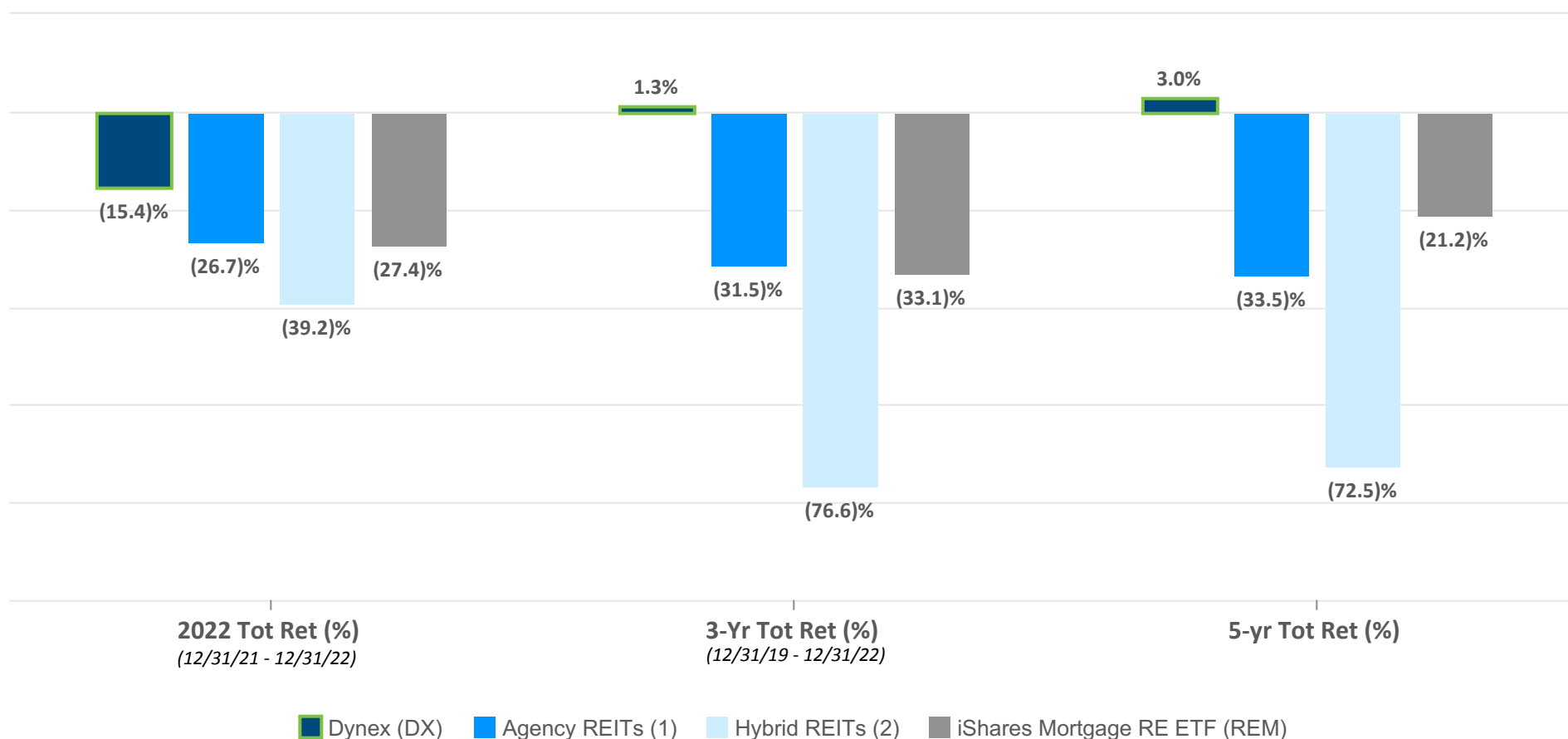
|   | Common Stock     | Series C Preferred Stock |
|---|------------------|--------------------------|
| NYSE Ticker   | <b><i>DX</i></b> | <b><i>DXPrC</i></b>      |
| Shares Outstanding <i>(as of 12/31/22)</i>                  | 53.6 million     | 4.5 million              |
| Book Value per share <i>(as of 12/31/22)</i>                | \$14.73          | —                        |
| 4Q22 Dividends Declared per share                           | \$0.39           | \$0.43                   |
| Annualized Dividend Yield <i>(as of closing on 1/26/23)</i> | 10.51%           | 7.51%                    |
| Share Price <i>(as of closing on 1/26/23)</i>               | \$14.84          | \$22.98                  |
| Market Capitalization <i>(as of 1/26/23)</i>                | \$795.4 million  | \$103.4 million          |

Source: Bloomberg

# Dynex Performance

***Experience in managing assets through multiple economic cycles and scenario planning has allowed us to outperform other Agency REITs during periods of high volatility as illustrated below***

## Cumulative Total Shareholder Returns



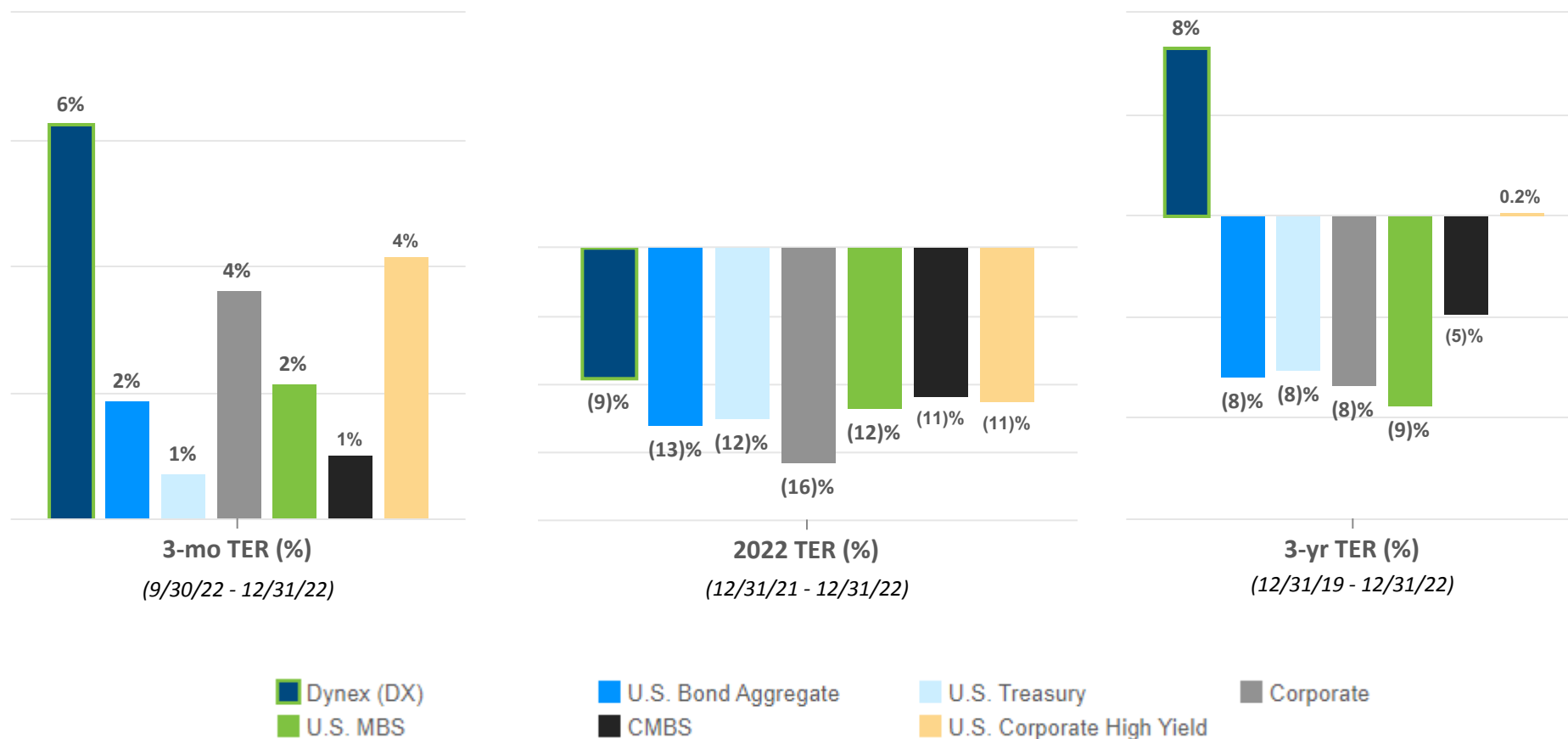
(1) Select Agency MREITS on an equal weight basis  
(2) Select Hybrid MREITS on an equal weight basis

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

# Dynex Performance

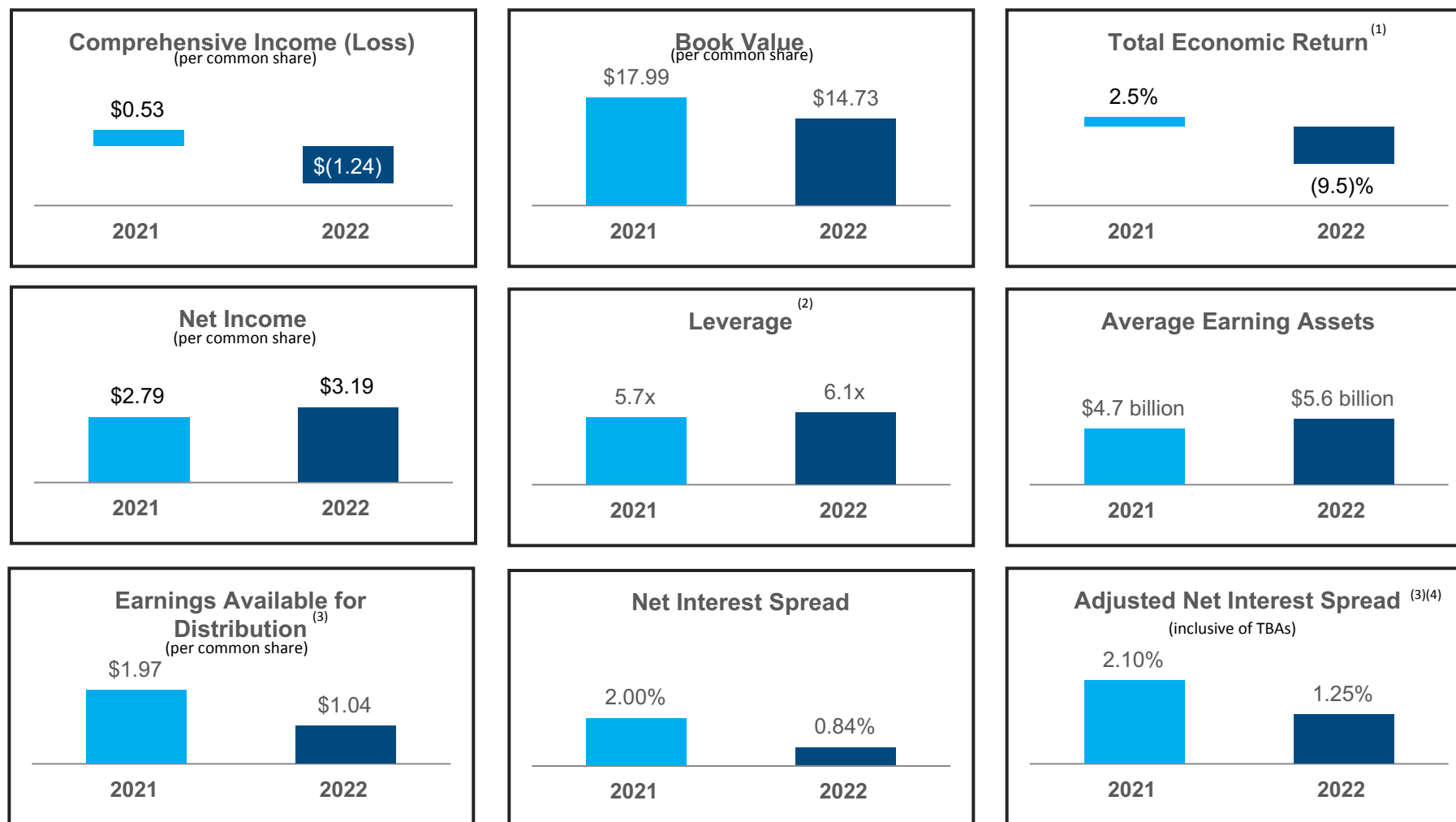
*Our experienced team manages with a disciplined approach that can outperform fixed income indices during periods of high interest rates and spread volatility*

## Cumulative Total Economic Returns (TER)



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

# Performance Highlights - Full Year 2022



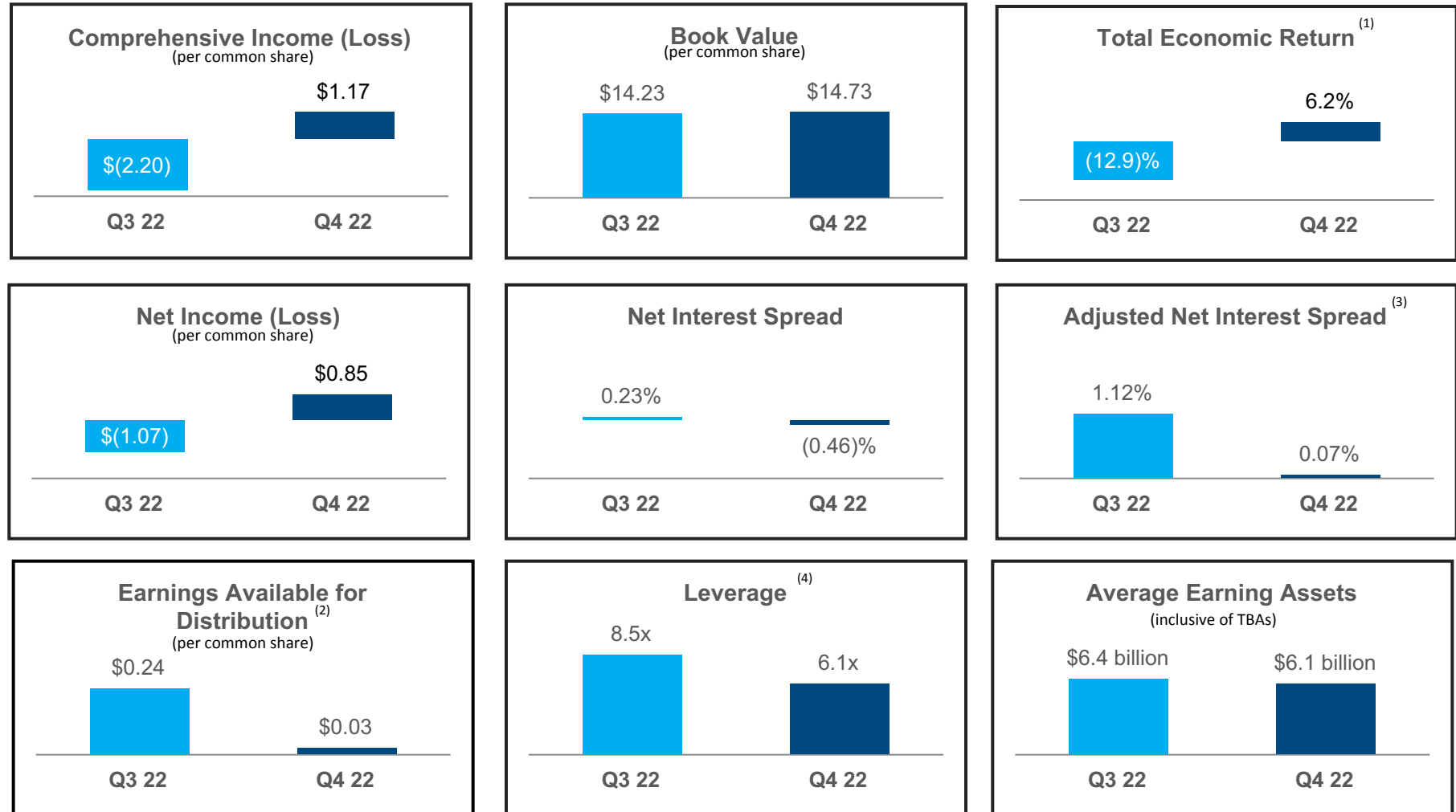
(1) Equals sum of dividend declared per common share during the quarter **plus** the change in book value per common share during the quarter **divided by** beginning book value per common share.

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

(3) Reconciliations for non-GAAP measures are presented on slide [34](#).

(4) Adjusted net interest spread, a non-GAAP measure, includes the impact from TBA drop income of 10 basis points and 41 basis points for 2021 and 2022, respectively.

# Performance Highlights - 4Q 2022



(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](#).

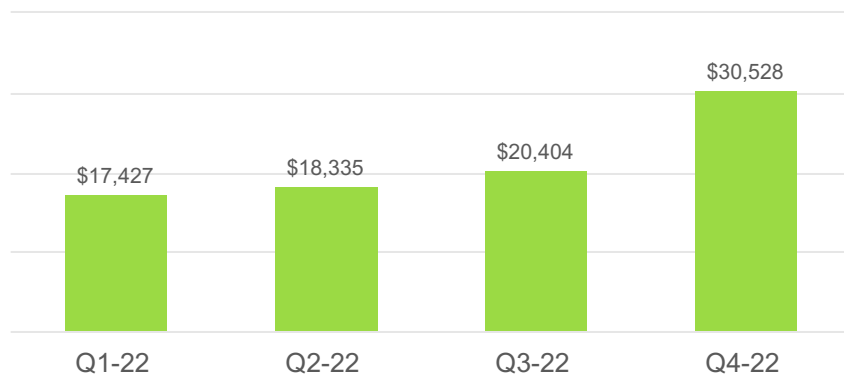
(3) Adjusted net interest spread, a non-GAAP measure, includes the impact from TBA drop income of 89 basis points and 53 basis points for the third and fourth quarters of 2022, respectively.

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

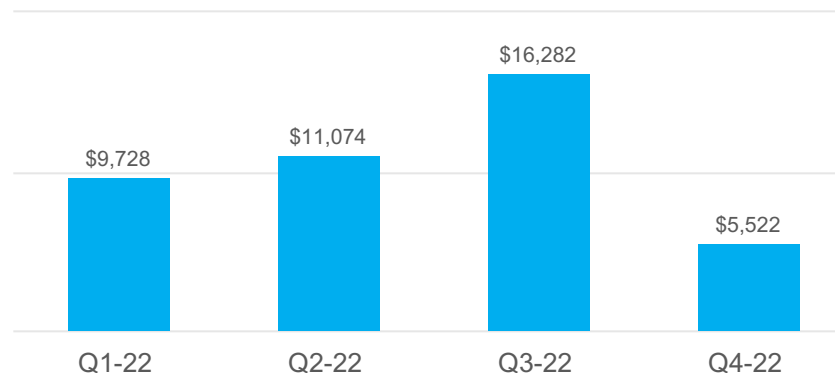
# Primary Components of Portfolio Earnings (excluding mark-to-market)

***The impact of rising financing costs has been largely offset by higher yielding assets and deferred tax hedge gains***

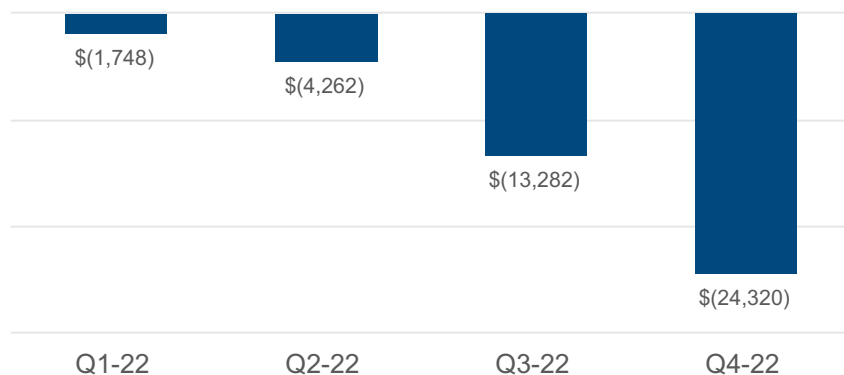
**Interest Income <sup>(1)</sup>**



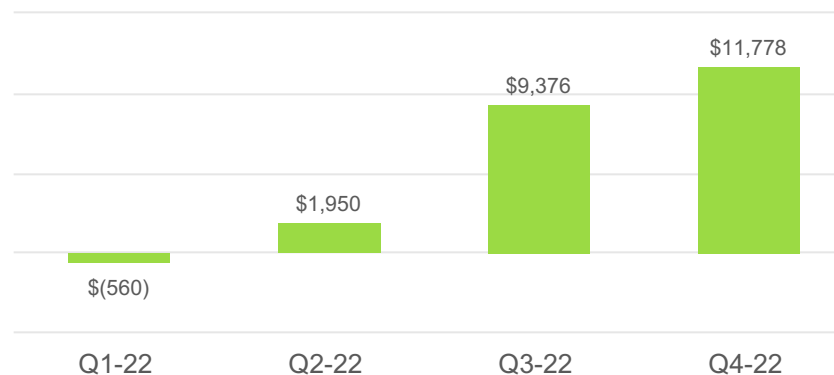
**TBA Drop Income <sup>(2)</sup>**



**Interest Expense**



**Hedge Benefit (Loss)-Tax Basis <sup>(3)</sup>**



(1) Interest income for third and fourth quarters of 2022 includes \$1.2 and \$2.9 million, respectively, earned from cash equivalents. The calculations for net interest spread and adjusted net interest spread presented herein do not include yields on cash equivalents.

(2) TBA drop income is a component of our adjusted net interest income/spread and EAD. Non-GAAP measures are reconciled to GAAP measures on slide 34.

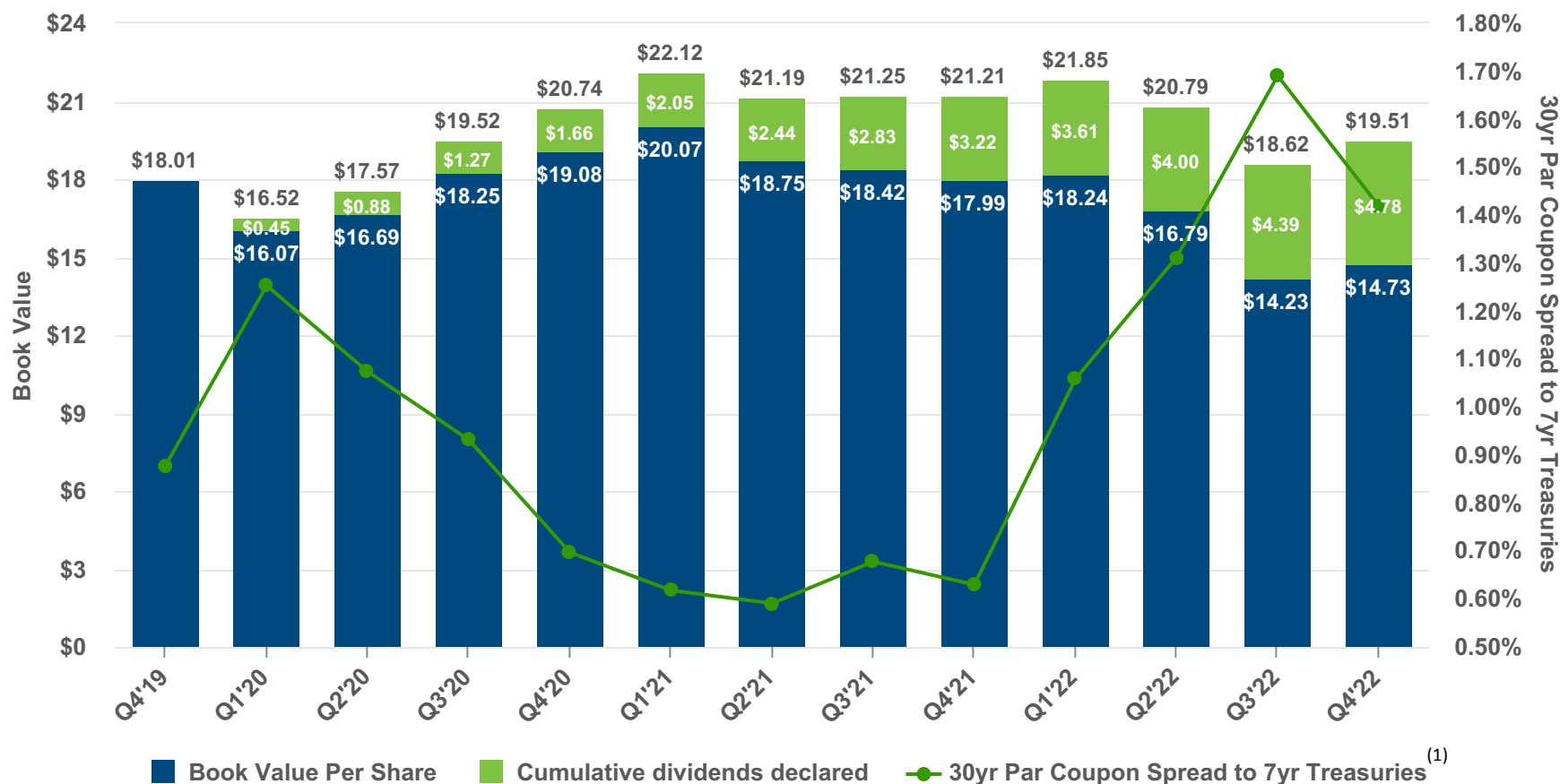
(3) Amount represents the amortization of deferred tax hedge gains previously recognized in GAAP earnings, but not distributable to shareholders until recognized in REIT taxable income.



# Navigating this Decade's Volatility

*Our disciplined approach enabled us to deliver an attractive risk-adjusted return and pay a consistent dividend during a volatile market environment*

## Building Long-Term Value



<sup>(1)</sup>Sources: Bloomberg FNMA par coupon vs 7-year treasury spread

# Key Long-Term Macroeconomic Themes

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***Global central bank tightening is occurring in an already complex global environment of rising debt, increasing human conflict, rapid technology change and shifting demographics. These factors are major considerations in our long-term risk and investment strategy.***

- Government fiscal and monetary policy continues to be a major factor in driving returns, as decision makers face difficult choices between inflation, income inequality, growth and financial stability.
- Monetary tightening is being executed globally, which generally results in increasing risk-free rates and returns as liquidity is removed from the system. The amount of tightening may be limited by unsustainable debt levels that pose a risk to economic growth.
- We are in an unprecedented time of change in the global economy and the yardstick by which to measure what is a fair return for this risk environment is changing.
- Pricing of assets for the last 14 years has been severely distorted by monetary easing. We are focused on evaluating returns in the context of a possible future without the bias of central banks being price makers – this is another key foundational element of our thinking.
- The pandemic 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.
- Human conflict has the potential to be a major element of surprise in the macro economy.
- We characterize the investing landscape as a “flat-fat-tail distribution” environment with a high probability for surprises. There are more outcomes, more equal probabilities in the outcomes, a wider range of outcomes and the possibility for skewed distributions and unexpected events. Our risk and investment strategy are formulated in this context.

# Market Environment and Positioning

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***Favorable investing environment continues as credit spreads on assets are wider, and when financed over the medium to long term, currently provide mid-teens ROE***

## ***The Market Environment***

- The yield curve is currently inverted as interest rates have risen across the entire yield curve in the last year with rates higher in the short term versus expected.
- An inverted yield curve means that our financing costs are higher in the short term versus the long term. Using interest rate hedges, we effectively “lock in” lower future financing – a technique we have been using for decades. This helps us manage through a central bank easing and tightening cycle and can mitigate the impact of higher short term financing costs.
- In an inverted yield curve environment, when short term financing costs have been hedged to be lower (as we have done at Dynex), *the benefit of the lower effective financing costs is earned through price performance of our hedges over time because we predominantly use futures to hedge as is reflected in book value.*
- In addition, when the curve is inverted, it is important to compare asset returns against long-term, hedged financing costs. Comparing asset yields to short term repo costs misses the benefit of hedging, which is a powerful return enhancer in such environments, and is a key reason the investment environment remains favorable.
- The Dynex team has extensive experience managing changes in financing cost regimes including previous Federal Reserve tightening and inversion periods.

## ***Positioning***

- In this transitional environment, liquidity, discipline, patience, and flexibility – in position and mindset - continue to be essential.
- We believe we are well positioned to navigate book value risk through wider spreads with the opportunity to expand our balance sheet at long-term accretive returns.
- We remain focused on preserving capital as the economy and market conditions are evolving.

# Agency RMBS Market Dynamics and Portfolio Strategy

***Agency MBS spreads can remain range bound at today's wider levels with bouts of volatility providing opportunities to add assets. The key is managing the size of the balance sheet to add value during volatility.***

## **Fundamentals**

- Housing Market is slowing in response to tighter financial conditions
- Prepayments have declined – purchase and refinancing activity are near post Great Financial Crisis of 2008 lows
- Primary / Secondary Mortgage spreads have the potential to compress further, lowering mortgage rates even if treasury yields do not fall
- Mortgage originators / servicers have the capacity to rapidly capitalize on small declines in mortgage rates
- GSE / FHFA policy appears to be adjusting to the prospect of lower home prices and potentially higher defaults
- MSR sales could drive a burst of refinancing and impact valuations of existing MSR assets

## **Psychology**

- Largely driven by macro risk sentiment – MBS have exhibited high correlations with risk assets
- Demand for fixed income as interest rates have risen and investors expect lower rates is supportive of MBS demand. MBS can also outperform credit and risk assets in a recession scenario.
- During periods of high volatility, the liquid MBS product is often the first one sold to raise cash or reduce risk

## **Technicals**

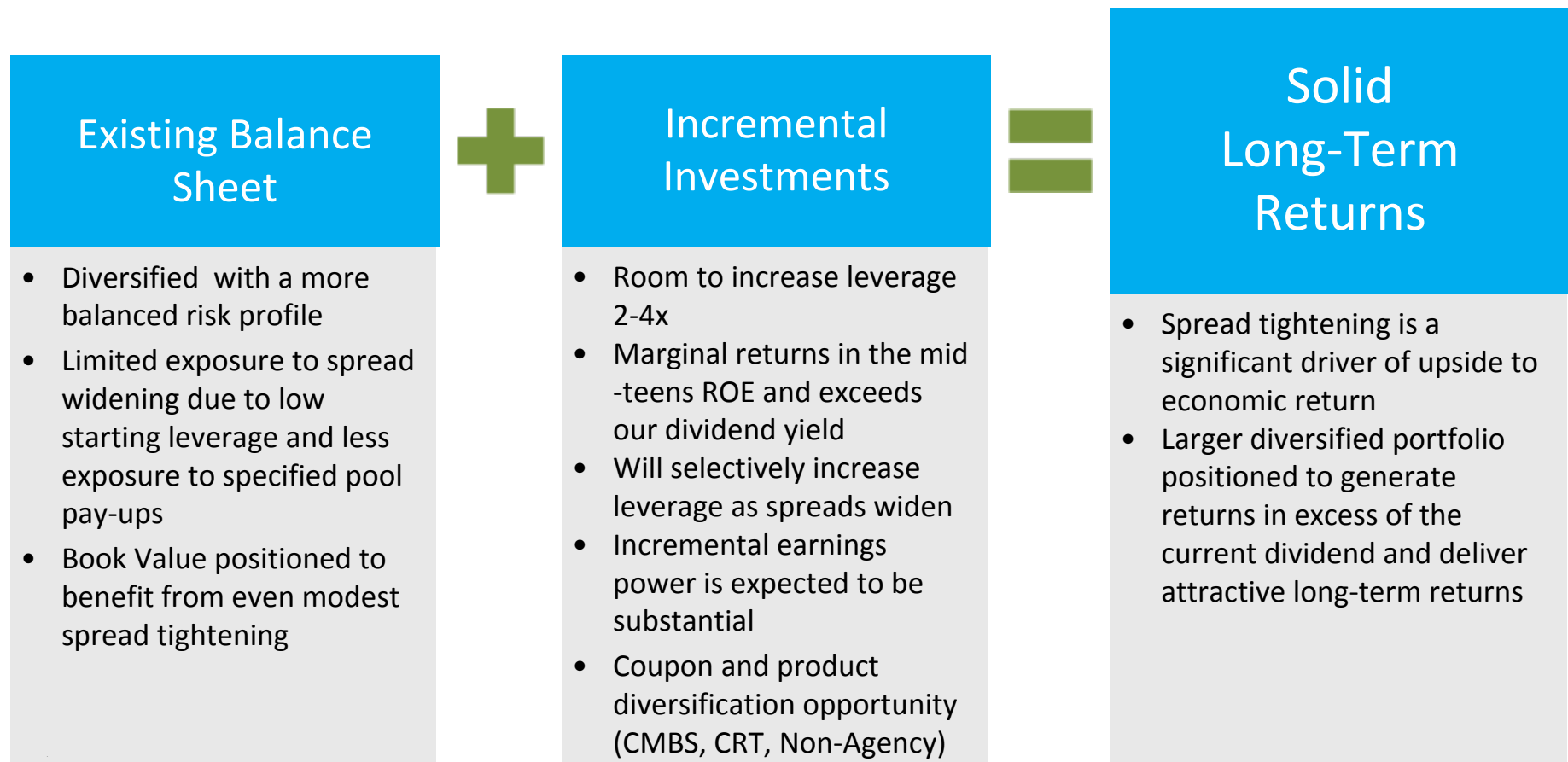
- Fed balance sheet is shrinking, QT expected to continue, banks remain on the sidelines
- Market operating without a Fed or GSE “backstop” bid, causing more spread volatility
- Money managers faced outflows for much of 2022. Even so, they have largely covered Agency MBS underweight and are considered neutral weighted to the sector
- Hedge funds are more active in the MBS space, driving active trading across the coupon stack
- There are more tradeable coupons in the markets than in over a decade, offering opportunities for relative value

## **Value**

- MBS pricing today largely reflects quantitative tightening impact at current rate levels. Few near term catalysts for significant spread tightening. However, mortgage rates below 5% or above 6.5% could precipitate substantial widening of spreads to Treasuries
- The OAS curve is positively sloped reflecting various risks and opportunities across the coupon stack
- We are focused on assets that can be hedged, with durations that are more solid or predictable to anchor the portfolio. We balance this with higher coupons that offer better current returns with more hedging volatility

# Well-Positioned for a Favorable Investment Environment

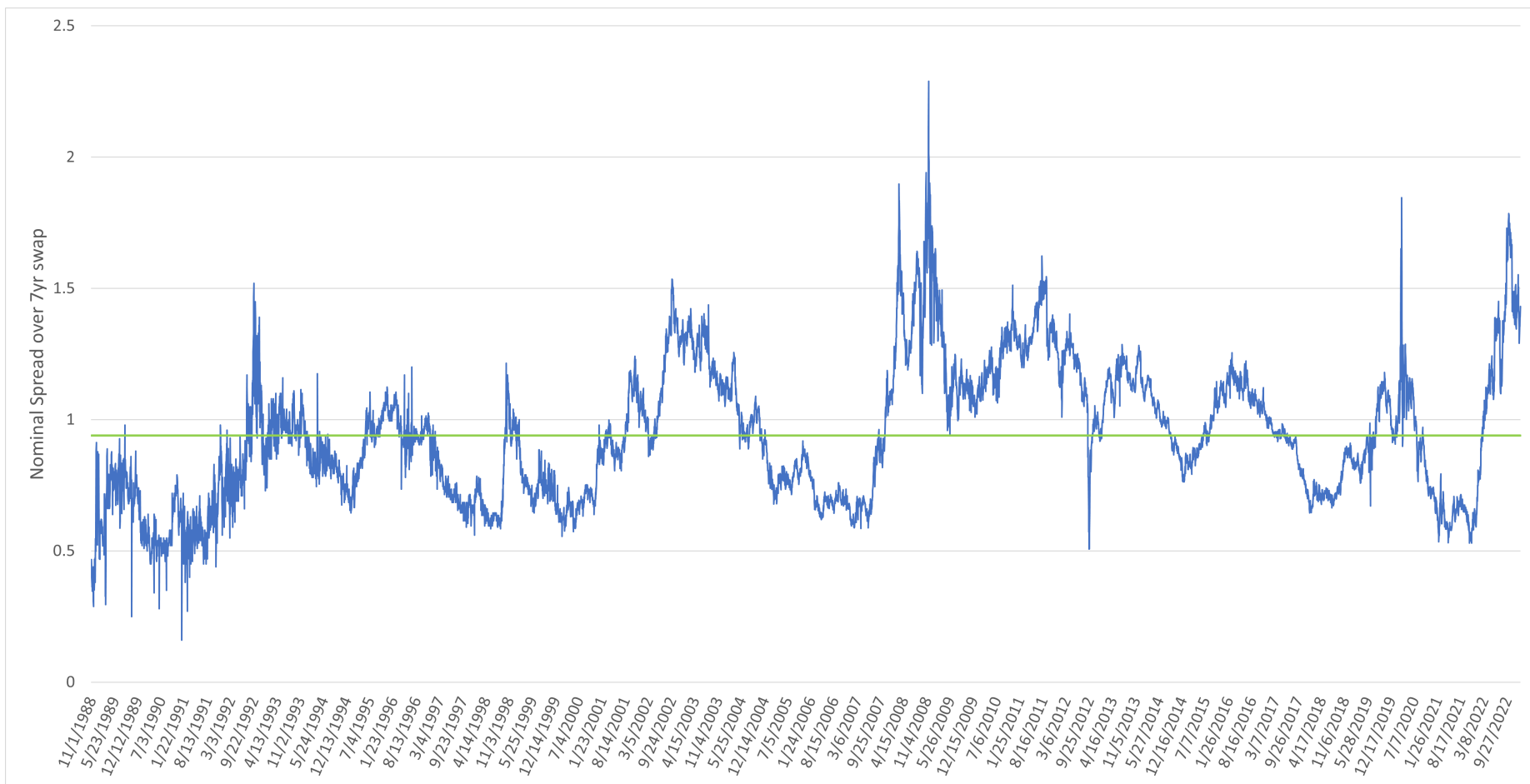
***Persistent investment opportunity in Agency RMBS as the largest non-economic buyer exits. We believe our book value preservation and low leverage put us in excellent position to capitalize on this opportunity.***



# Long-Term Par Coupon 30-year Agency RMBS Returns

***We remain at historically wide levels surpassed only by the levels seen during the Great Financial Crisis of 2008***

## Long Term 30 Year Agency RMBS Returns



Source: Company data, Bloomberg par coupon yield vs 7yr swap, duration neutral

# Risk Position - Interest Rates Sensitivity

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

| Parallel Curve Shift (bps) | Percentage Change in<br>Common Shareholders' Equity |                           |                             |                            |
|----------------------------|---|---------------------------|-----------------------------|----------------------------|
|                            | As of<br>December 31, 2022                          | As of<br>October 19, 2022 | As of<br>September 30, 2022 | As of<br>December 31, 2021 |
| +100                       | (1.0)%  | 1.3%                      | (9.3)%                      | 2.7%                       |
| +50                        | (0.2)%  | 0.7%                      | (4.3)%                      | 2.6%                       |
| -50                        | (1.0)%  | (0.8)%                    | 3.9%                        | (6.1)%                     |
| -100                       | (4.0)%  | (1.4)%                    | 7.1%                        | (18.3)%                    |

|   |  | Percentage Change in<br>Common Shareholders' Equity |                           |                                |                            |
|---|--|---|---------------------------|--------------------------------|----------------------------|
| Curve Shift<br>2 year Treasury<br>(bps) | Curve Shift<br>10 year Treasury<br>(bps) | As of<br>December 31, 2022                          | As of<br>October 19, 2022 | As of<br>September 30,<br>2022 | As of<br>December 31, 2021 |
| +25                                     | +50                                      | (1.0)%  | (0.9)%                    | (5.3)%                         | 1.3%                       |
| +50                                     | +25                                      | 0.6%  | 1.8%                      | (1.5)%                         | 2.5%                       |
| 0                                       | -25                                      | 0.4%  | 1.1%                      | 2.8%                           | (1.2)%                     |
| -10                                     | -50                                      | 0.1%  | 1.5%                      | 5.0%                           | (4.0)%                     |
| -25                                     | -75                                      | (1.4)%  | 0.8%                      | 6.1%                           | (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 Sensitivity

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

| Change in Market Credit Spreads (bps) | Percentage Change in Common Shareholders' Equity |                        |                          |                         |
|---------------------------------------|--|------------------------|--------------------------|-------------------------|
|                                       | As of December 31, 2022                          | As of October 19, 2022 | As of September 30, 2022 | As of December 31, 2021 |
| +20/+50 <sup>(1)</sup>                | (9.1)%   | (9.9)%                 | (12.5)%                  | (9.2)%                  |
| +10                                   | (4.5)%   | (4.9)%                 | (6.2)%                   | (4.4)%                  |
| -10                                   | 4.5%   | 4.9%                   | 6.2%                     | 4.4%                    |
| -20/-50 <sup>(1)</sup>                | 9.1%   | 9.9%                   | 12.5%                    | 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.



# 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 cash income

- 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 mid teens ROE which exceeds our dividend rate

**2**

### Further expansion of returns as central banks reduce their balance sheets

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

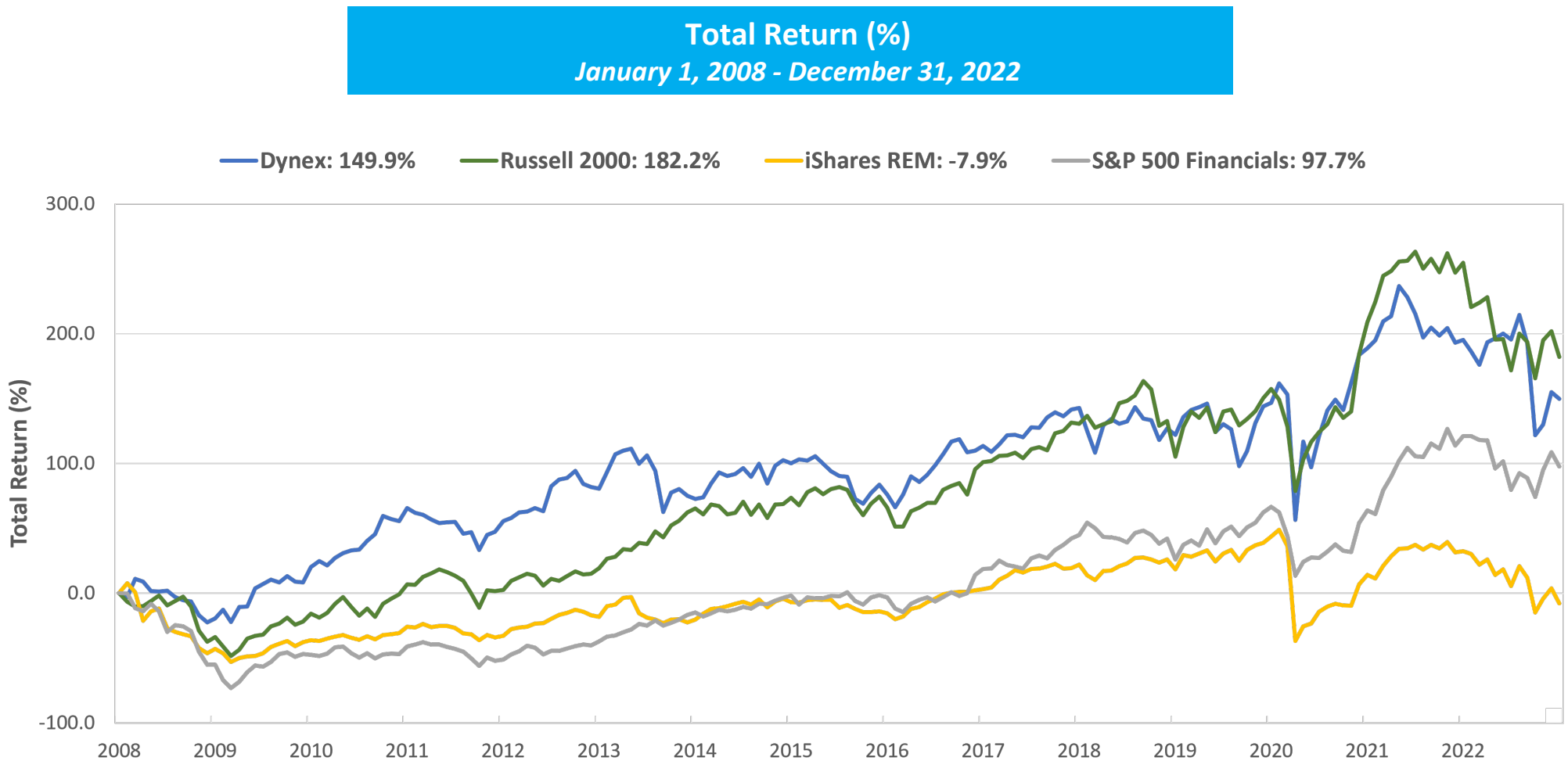
**3**

### 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*
- Operational improvements will build a solid foundation for the success of Dynex

# Disciplined Focus on the Long-Term

***Dynex has generated long-term returns exceeding the S&P 500 Financials and REM indices illustrating our ability to be successful in various rate and economic cycles***



Source: S&P Capital IQ  
Assumes reinvestment of dividends

# Key Takeaways

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- Favorable investing environment continues as credit spreads on assets are wider, and when financed over the medium to long term, currently provide mid-teens ROE.
- 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 2023.
- As of December 31, 2022, we had over \$632 million of cash and unencumbered assets. Our leverage to total capital was approximately 6.1x. Our leverage to common was approximately 6.9x.
- We characterize the investing landscape as a “flat-fat-tail distribution” environment with a high probability for surprises. Our risk posture reflects this view and we are operating with ample liquidity in order to seek to take advantage of opportunities in 2023, prepared for multiple possible outcomes.
- We believe our existing portfolio is positioned to provide economic return to support the dividend. We have hedged a substantial portion of our financing costs, which has largely mitigated the rise in short term financing costs – this is evident in the value of our hedges.
- We expect to drive incremental returns in the portfolio by continuing to add assets, opportunistic capital raising, and deployment. In the long term, we believe spread tightening can also drive significant upside to returns.
- 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 to support solid return generation well into the future.

# Why Dynex

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

Excellent performance record with industry-leading 3-year total returns

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

Liquidity 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

Can earn an attractive return in various rate scenarios and market cycles

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.

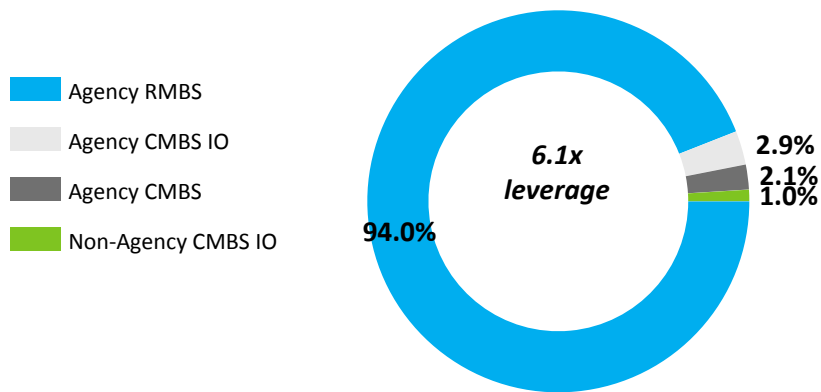
These can be found on our corporate website at [\*\*dynexcapital.com/corporate-responsibility\*\*](https://dynexcapital.com/corporate-responsibility).

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

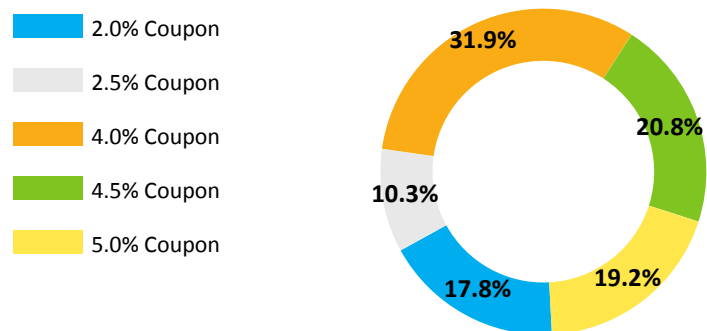
***Disciplined capital allocation and portfolio constructed for flexibility. We are nimble and can be opportunistic investors in 2023.***

December 31, 2022

Asset Type

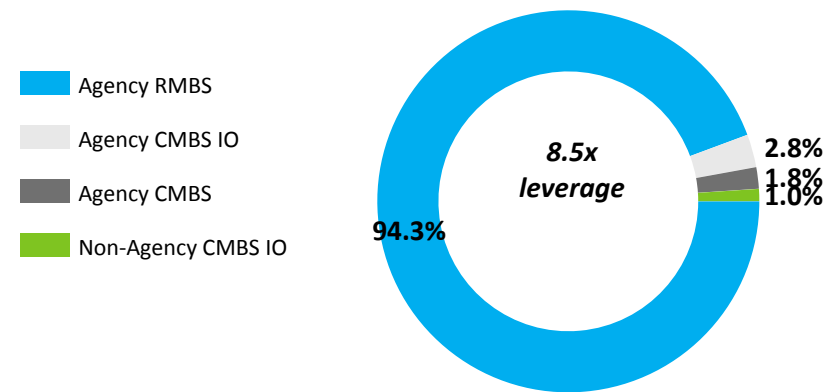


Agency RMBS Coupon Type

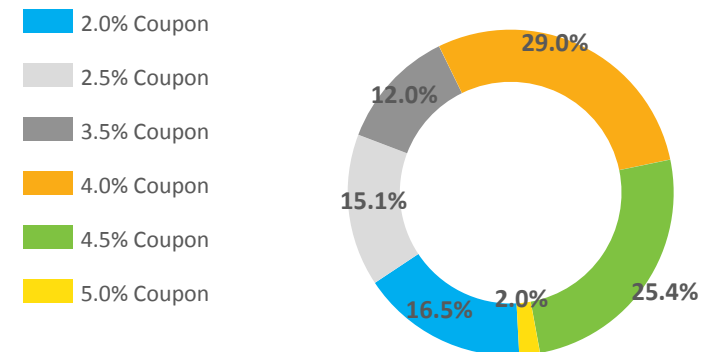


September 30, 2022

Asset 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.

# MBS Portfolio Characteristics *(as of December 31, 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> | Market Yield <sup>(3)</sup> |
|---------------------------|---------------------|---------------------|---------------------|----------------------|----------------|-----------------------------------|--|--------------------------------|-----------------------------------|-----------------------------|
|                           | Pools               | TBA                 |                     |                      |                |                                   |  |                                |                                   |                             |
| <b>Agency RMBS</b>        |                     |                     |                     |                      |                |                                   |  |                                |                                   |                             |
| 2.0% coupon               | \$ 1,193,344        | \$ —                | \$ 1,193,344        | \$ 982,387           | 16.8 %         | 101.4 %                           | \$ 16,721                                  | 5.2%                           | 1.75 %                            | 4.53 %                      |
| 2.5% coupon               | 659,181             | —                   | 659,181             | 566,525              | 9.7 %          | 104.0 %                           | 26,657                                     | 5.9%                           | 1.88 %                            | 4.59 %                      |
| 4.0% coupon               | 325,726             | 1,539,000           | 1,864,726           | 1,757,225            | 30.0 %         | 101.2 %                           | 3,999                                      | 7.2%                           | 3.50 %                            | 4.75 %                      |
| 4.5% coupon               | 803,043             | 380,000             | 1,183,043           | 1,149,079            | 19.6 %         | 99.6 %                            | (3,257)                                    | 4.4%                           | 4.63 %                            | 4.89 %                      |
| 5.0% coupon               | 123,204             | 950,000             | 1,073,204           | 1,059,230            | 18.1 %         | 101.8 %                           | 2,255                                      | 7.2%                           | 4.97 %                            | 5.19 %                      |
| <b>Total Agency RMBS</b>  | <b>\$ 3,104,498</b> | <b>\$ 2,869,000</b> | <b>\$ 5,973,498</b> | <b>\$ 5,514,446</b>  | <b>94.0 %</b>  | <b>101.5 %</b>                    | <b>\$ 46,375</b>                           | <b>5.4%</b>                    | <b>2.82 %</b>                     | <b>4.70 %</b>               |
|                           |                     |                     |                     |                      |                |                                   |  |                                |                                   |                             |
| <b>Agency CMBS</b>        | \$ 131,578          | —                   | \$ 131,578          | \$ 124,690           | 2.1 %          | 100.6 %                           | \$ 755                                     | <sup>(5)</sup>                 | 2.93 %                            | 4.50 %                      |
| <b>CMBS Interest-only</b> | <sup>(4)</sup>      | —                   | <sup>(4)</sup>      | 224,985              | 3.8 %          | n/a                               | 238,841                                    | <sup>(5)</sup>                 | 5.71 %                            | 6.15 %                      |
| <b>Non-Agency RMBS</b>    | 209                 | —                   | 209                 | 152                  | — %            | 100.0 %                           | —  | -                              | 7.35 %                            | 15.01 %                     |
| <b>Total</b>              | <b>\$ 3,236,285</b> | <b>\$ 2,869,000</b> | <b>\$ 6,105,285</b> | <b>\$ 5,864,273</b>  | <b>100 %</b>   | <b>-</b>                          | <b>\$ 285,971</b>                          | <b>-</b>                       | <b>3.03 %</b>                     | <b>4.88 %</b>               |

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

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

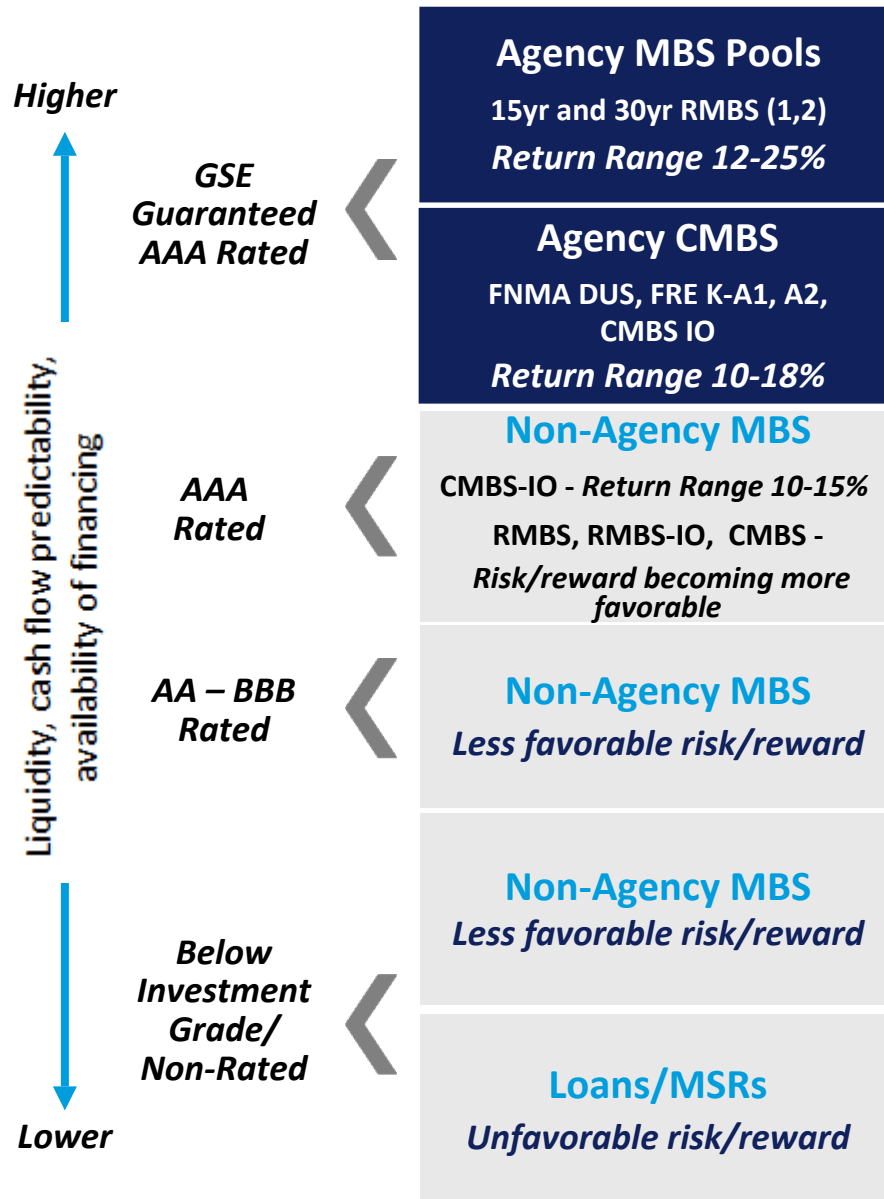
(3) Market yield represents the projected yield calculated using cash flows generated off the forward curve based on market prices as of the end of the period and assuming zero volatility.

(4) CMBS IO do not have underlying par values. The total notional value underlying CMBS IO was \$16.0 billion as of December 31, 2022.

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



# Current Marginal Investment Returns *(as of December 31, 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.
- We believe Agency MBS will be an attractive asset class if we experience a recession in 2023.

(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<br>2022 | Change<br>QoQ | Change<br>MoM | 12/30/2022 | 11/30/2022 | 10/31/2022 | 9/30/2022 | 6/30/2022 | 3/31/2022 | 12/31/2021 |
|---------------------------------------|----------------|---------------|---------------|------------|------------|------------|-----------|-----------|-----------|------------|
| <b>Treasury <sup>(2)</sup></b>        |                |               |               |            |            |            |           |           |           |            |
| IOER rate                             | 4.25%          | 1.25%         | 0.50%         | 4.40%      | 3.90%      | 3.15%      | 3.15%     | 1.65%     | 0.40%     | 0.15%      |
| 1m repo <sup>(1)</sup>                | 4.31%          | 1.31%         | 0.02%         | 4.45%      | 4.43%      | 3.79%      | 3.14%     | 1.50%     | 0.37%     | 0.14%      |
| 3m T-bill                             | 4.32%          | 1.10%         | 0.02%         | 4.37%      | 4.35%      | 4.07%      | 3.27%     | 1.73%     | 0.55%     | 0.06%      |
| 2 yr                                  | 3.70%          | 0.15%         | 0.12%         | 4.43%      | 4.31%      | 4.49%      | 4.28%     | 2.95%     | 2.33%     | 0.73%      |
| 5 yr                                  | 2.74%          | -0.09%        | 0.27%         | 4.01%      | 3.74%      | 4.23%      | 4.09%     | 3.04%     | 2.46%     | 1.26%      |
| 10 yr                                 | 2.37%          | 0.04%         | 0.27%         | 3.88%      | 3.61%      | 4.05%      | 3.83%     | 3.01%     | 2.34%     | 1.51%      |
| 30 yr                                 | 2.06%          | 0.19%         | 0.23%         | 3.97%      | 3.74%      | 4.17%      | 3.78%     | 3.18%     | 2.45%     | 1.90%      |
| 3M10Y Treasury Vol (15DP)             | 2.98           | -2.02         | -0.05         | 8.40       | 8.45       | 9.66       | 10.42     | 9.34      | 8.82      | 5.42       |
| <b>Swaps <sup>(2)</sup></b>           |                |               |               |            |            |            |           |           |           |            |
| 1m Libor                              | 4.04%          | 1.00%         | 0.00%         | 4.14%      | 4.14%      | 3.81%      | 3.14%     | 1.79%     | 0.45%     | 0.10%      |
| 3m Libor                              | 4.57%          | 1.03%         | 0.00%         | 4.78%      | 4.78%      | 4.46%      | 3.75%     | 2.29%     | 0.96%     | 0.21%      |
| 2 yr                                  | 3.77%          | 0.16%         | 0.08%         | 4.71%      | 4.63%      | 4.86%      | 4.55%     | 3.28%     | 2.55%     | 0.94%      |
| 5 yr                                  | 2.65%          | -0.12%        | 0.26%         | 4.02%      | 3.76%      | 4.30%      | 4.14%     | 3.08%     | 2.52%     | 1.37%      |
| 10 yr                                 | 2.26%          | -0.04%        | 0.27%         | 3.84%      | 3.57%      | 4.09%      | 3.88%     | 3.09%     | 2.41%     | 1.58%      |
| 30 yr                                 | 1.76%          | 0.14%         | 0.20%         | 3.49%      | 3.29%      | 3.70%      | 3.35%     | 2.95%     | 2.25%     | 1.73%      |
| 3M10Y Swaption Vol                    | 52.9           | -5.1          | 6.7           | 132.2      | 125.5      | 143.2      | 137.3     | 119.3     | 105.9     | 79.3       |
| <b>30 Year MBS OAS <sup>(3)</sup></b> |                |               |               |            |            |            |           |           |           |            |
| 2.0%                                  | 24             | -4            | 7             | 27         | 20         | 28         | 31        | 28        | 10        | 3          |
| 2.5%                                  | 24             | -6            | 7             | 35         | 28         | 38         | 41        | 38        | 21        | 11         |
| 3.0%                                  | 26             | -7            | 4             | 36         | 32         | 42         | 43        | 38        | 34        | 10         |
| 3.5%                                  | 24             | -10           | 4             | 39         | 35         | 48         | 49        | 42        | 22        | 15         |
| 4.0%                                  | 26             | -13           | 5             | 33         | 28         | 44         | 46        | 25        | 26        | 7          |
| 4.5%                                  | 24             | -18           | 5             | 34         | 30         | 48         | 52        | 25        | 34        | 10         |
| 30yr Mortgage Rate <sup>(4)</sup>     | 3.39%          | -0.40%        | -0.01%        | 6.66%      | 6.67%      | 7.22%      | 7.06%     | 5.83%     | 4.90%     | 3.27%      |
| Fn 30yr Current Cpn <sup>(2)</sup>    | 3.32%          | -0.29%        | 0.27%         | 5.39%      | 5.12%      | 5.88%      | 5.68%     | 4.38%     | 3.49%     | 2.07%      |
| <b>CMBS <sup>(3)</sup></b>            |                |               |               |            |            |            |           |           |           |            |
| DUS 10/9.5                            | 43             | -17           | -6            | 74         | 80         | 107        | 91        | 67        | 58        | 31         |
| DUS 12/11.5                           | 44             | -14           | -6            | 86         | 92         | 116        | 100       | 78        | 70        | 42         |
| 10 yr Freddie K A2                    | 42             | -12           | -10           | 69         | 79         | 96         | 81        | 54        | 48        | 27         |
| Agency CMBS IO                        | 130            | 30            | -5            | 235        | 240        | 225        | 205       | 170       | 150       | 105        |
| Non-Agency AAA CMBS IO                | 202            | 15            | 5             | 315        | 310        | 335        | 300       | 225       | 145       | 113        |

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

(2) Source: Bloomberg

(3) Source: BlackRock 6.2 and JPMorgan Data Query

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

# Pricing Matrix

| 30 Year MBS <sup>(1)</sup> |              | Change during 2022 | Change QoQ | 12/30/2022 | 11/30/2022 | 10/31/2022 | 9/30/2022 | 8/31/2022 | 7/31/2022 | 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    | -18.30             | 0.66       | 81.42      | 82.64      | 78.94      | 80.77     | 85.88     | 90.02     | 86.75     | 88.72     | 87.90     | 92.80     | 96.00     | 97.48     | 99.72      |
|                            | 85K Max      | -0.78              |            |            |            |            |           |           |           |           | 0.38      | 0.19      | 0.22      | 0.53      | 0.63      | 1.16       |
|                            | 150K Max     | -0.56              |            |            |            |            |           |           |           |           | 0.16      | 0.06      | 0.09      | 0.28      | 0.28      | 0.72       |
|                            | 200k Max     | -0.31              |            |            |            |            |           |           |           |           | 0.09      | 0.03      | 0.03      | 0.13      | 0.19      | 0.41       |
|                            | NY only      | -0.28              |            |            |            |            |           |           |           |           | 0.03      | 0.00      | 0.00      | 0.03      | 0.00      | 0.31       |
|                            | 95 LTV       | 0.00               |            |            |            |            |           |           |           |           | 0.00      | 0.00      | 0.00      | 0.00      | 0.03      | 0.00       |
|                            | Low WALA/new | 0.00               |            |            |            |            |           |           |           |           | 0.00      | 0.00      | 0.00      | 0.03      | 0.03      | 0.00       |
| 2.5% Cpn <sup>(2)</sup>    | TBA Price    | -17.42             | 0.84       | 84.67      | 85.83      | 82.05      | 83.83     | 89.16     | 93.27     | 89.89     | 92.04     | 91.01     | 95.40     | 98.74     | 99.83     | 102.09     |
|                            | 85K Max      | -1.50              |            |            |            |            |           |           |           |           | 0.63      | 0.41      | 0.53      | 1.06      | 1.34      | 2.13       |
|                            | 150K Max     | -1.25              |            |            |            |            |           |           |           |           | 0.31      | 0.19      | 0.25      | 0.63      | 0.78      | 1.56       |
|                            | 200k Max     | -0.84              |            |            |            |            |           |           |           |           | 0.16      | 0.06      | 0.09      | 0.25      | 0.44      | 1.00       |
|                            | NY only      | -1.19              |            |            |            |            |           |           |           |           | 0.06      | 0.00      | 0.00      | 0.13      | 0.34      | 1.25       |
|                            | 95 LTV       | 0.00               |            |            |            |            |           |           |           |           | 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       |
| 3% Cpn                     | TBA Price    | -15.89             | 0.91       | 87.75      | 88.92      | 85.08      | 86.84     | 92.39     | 96.41     | 93.11     | 95.34     | 94.09     | 97.78     | 101.07    | 102.14    | 103.64     |
|                            | 85K Max      | -2.84              | 0.44       | 1.00       | 0.72       | 0.69       | 0.56      | 0.75      | 1.28      | 0.81      | 1.09      | 0.88      | 1.22      | 2.09      | 2.38      | 3.84       |
|                            | 150K Max     | -2.03              | 0.41       | 0.72       | 0.41       | 0.38       | 0.31      | 0.41      | 0.75      | 0.44      | 0.59      | 0.44      | 0.69      | 1.38      | 1.56      | 2.75       |
|                            | 200k Max     | -1.59              | 0.16       | 0.38       | 0.28       | 0.28       | 0.22      | 0.38      | 0.41      | 0.28      | 0.34      | 0.19      | 0.34      | 0.75      | 0.94      | 1.97       |
|                            | NY only      | -2.84              | 0.00       | 0.00       | 0.00       | 0.00       | 0.00      | 0.02      | 0.02      | 0.02      | 0.13      | 0.03      | 0.16      | 0.72      | 1.13      | 2.84       |
|                            | 95 LTV       | -0.44              | 0.00       | 0.00       | 0.00       | 0.00       | 0.00      | 0.00      | 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      | 0.00      | 0.00      | 0.00      | 0.00      | 0.00      | 0.00      | 0.31       |
| 3.5% Cpn                   | TBA Price    | -14.45             | 0.97       | 90.88      | 92.03      | 88.11      | 89.91     | 95.20     | 99.09     | 96.17     | 98.05     | 96.80     | 100.13    | 103.02    | 104.16    | 105.32     |
|                            | 85K Max      | -3.56              | 0.50       | 1.19       | 0.88       | 0.81       | 0.69      | 1.00      | 1.56      | 1.22      | 1.91      | 1.41      | 2.06      | 3.09      | 3.41      | 4.75       |
|                            | 150K Max     | -2.25              | 0.44       | 0.81       | 0.59       | 0.50       | 0.38      | 0.47      | 1.06      | 0.72      | 1.19      | 0.75      | 1.22      | 1.84      | 1.94      | 3.06       |
|                            | 200k Max     | -1.56              | 0.31       | 0.56       | 0.38       | 0.31       | 0.25      | 0.31      | 0.66      | 0.47      | 0.78      | 0.44      | 0.78      | 1.06      | 1.25      | 2.13       |
|                            | NY only      | -3.34              | -0.02      | 0.00       | 0.00       | 0.00       | 0.02      | 0.06      | 0.19      | 0.08      | 0.47      | 0.16      | 0.75      | 1.59      | 1.63      | 3.34       |
|                            | 95 LTV       | -0.53              | 0.00       | 0.00       | 0.00       | 0.00       | 0.00      | 0.00      | 0.00      | 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      | 0.00      | 0.00      | 0.00      | 0.00      | 0.00      | 0.00      | 0.03      | 0.03      | 0.47       |
| 4% Cpn                     | TBA Price    | -12.62             | 1.06       | 93.80      | 95.05      | 91.13      | 92.73     | 97.53     | 100.61    | 98.62     | 100.05    | 99.28     | 101.95    | 104.46    | 105.66    | 106.41     |
|                            | 85K Max      | -3.69              | 0.88       | 1.69       | 1.31       | 1.16       | 0.81      | 1.56      | 2.34      | 1.91      | 2.44      | 2.13      | 2.94      | 3.66      | 4.41      | 5.38       |
|                            | 150K Max     | -2.19              | 0.66       | 1.16       | 0.84       | 0.75       | 0.50      | 0.97      | 1.63      | 1.22      | 1.69      | 1.31      | 1.69      | 2.16      | 2.56      | 3.34       |
|                            | 200k Max     | -1.34              | 0.38       | 0.72       | 0.56       | 0.41       | 0.34      | 0.59      | 1.00      | 0.72      | 1.31      | 0.81      | 1.25      | 1.19      | 1.53      | 2.06       |
|                            | NY only      | -3.38              | 0.22       | 0.25       | 0.16       | 0.00       | 0.03      | 0.31      | 0.78      | 0.31      | 1.00      | 0.47      | 1.38      | 1.78      | 2.47      | 3.63       |
|                            | 95 LTV       | -0.53              | 0.00       | 0.00       | 0.00       | 0.00       | 0.00      | 0.00      | 0.00      | 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       | 0.00       | 0.00      | 0.00      | 0.00      | 0.02      | 0.00      | 0.03      | 0.00      | 0.13      | 0.28      | 0.41       |
| 4.5% Cpn                   | TBA Price    | 96.36              | 1.13       | 96.36      | 97.75      | 93.97      | 95.23     | 99.33     | 101.86    | 100.44    |           |           |           |           |           |            |
|                            | 85K Max      | -0.50              | 0.75       | 2.03       | 1.91       | 1.47       | 1.28      | 2.28      | 3.13      | 2.53      |           |           |           |           |           |            |
|                            | 150K Max     | -0.38              | 0.56       | 1.34       | 1.31       | 0.91       | 0.78      | 1.59      | 2.13      | 1.72      |           |           |           |           |           |            |
|                            | 200k Max     | -0.28              | 0.13       | 0.94       | 0.78       | 0.59       | 0.81      | 0.91      | 1.38      | 1.22      |           |           |           |           |           |            |
|                            | NY only      | -0.41              | 0.34       | 0.50       | 0.31       | 0.03       | 0.16      | 0.91      | 1.72      | 0.91      |           |           |           |           |           |            |
|                            | 95 LTV       | 0.00               | 0.00       | 0.00       | 0.00       | 0.00       | 0.00      | 0.00      | 0.00      | 0.00      |           |           |           |           |           |            |
|                            | Low WALA/new | -0.03              | 0.00       | 0.00       | 0.00       | 0.00       | 0.00      | 0.00      | 0.01      | 0.03      |           |           |           |           |           |            |
| 5.0% Cpn                   | TBA Price    | 98.56              | 1.17       | 98.56      | 99.88      | 96.58      | 97.39     | 100.88    | 102.73    | 102.09    |           |           |           |           |           |            |
|                            | 85K Max      | -0.25              | 0.56       | 2.75       | 2.53       | 1.88       | 2.19      | 3.38      | 4.00      | 3.00      |           |           |           |           |           |            |
|                            | 150K Max     | -0.09              | 0.59       | 1.91       | 1.81       | 1.19       | 1.31      | 2.25      | 2.56      | 2.00      |           |           |           |           |           |            |
|                            | 200k Max     | -0.34              | 0.34       | 1.31       | 1.13       | 0.72       | 0.97      | 1.44      | 1.94      | 1.66      |           |           |           |           |           |            |
|                            | NY only      | -0.19              | 0.38       | 1.00       | 0.78       | 0.25       | 0.63      | 1.50      | 2.06      | 1.19      |           |           |           |           |           |            |
|                            | 95 LTV       | 0.00               | 0.00       | 0.00       | 0.00       | 0.00       | 0.00      | 0.00      | 0.00      | 0.00      |           |           |           |           |           |            |
|                            | Low WALA/new | -0.03              | 0.00       | 0.00       | 0.00       | 0.00       | 0.00      | 0.00      | 0.01      | 0.03      |           |           |           |           |           |            |

(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 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 Percent Changes

*While interest rates have been volatile, mortgage yields are the most volatile since 1970*

**US 2y Yield**  
Quarterly Percent Change in Yield



**US 5y Yield**  
Quarterly Percent Change in Yield



**US 10y Yield**  
Quarterly Percent Change in Yield



**Current Coupon MBS Yield**  
Quarterly Percent Change in Yield



# Hedge Position Changes

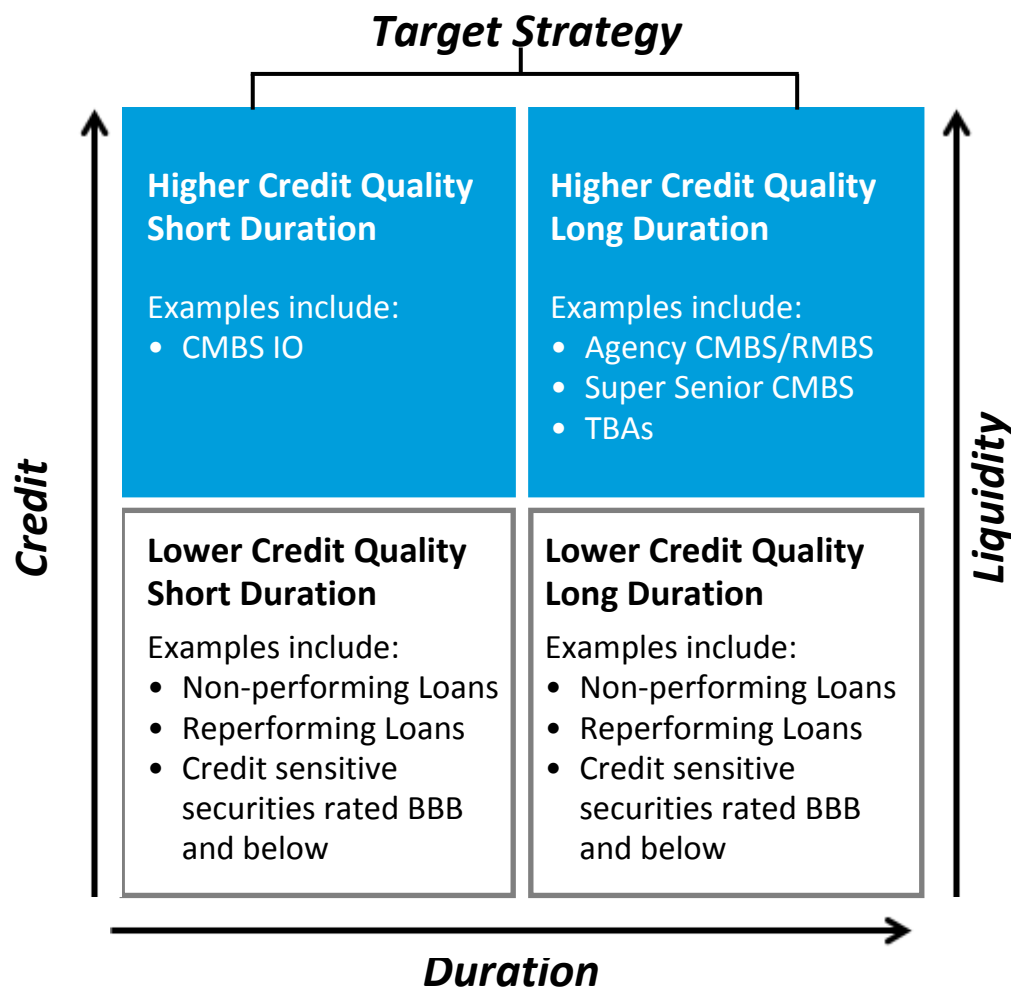
***Our hedge strategy is constructed to maximize liquidity and protect the portfolio under various rate scenarios***

- Futures offer hedge protection for interest rate changes. Futures trade in a highly liquid market and have lower margin requirements compared to a similar swap instrument

|                                  | December 31, 2022                                 | September 30, 2022                                |
|----------------------------------|---|---|
|                                  | Notional Amount/<br>Long (Short)<br>(\$ in '000s) | Notional Amount/<br>Long (Short)<br>(\$ in '000s) |
| 10-year U.S. Treasury futures    | \$ (4,180,000)                                    | \$ (4,420,000)                                    |
| 5-year U.S. Treasury futures     | (740,000)   | (740,000)   |
| Options on U.S. Treasury futures | 250,000   | 750,000   |

# Long-term Investment Strategy

*Dynamic and disciplined capital allocation model enables us to capture long-term value and the ability to earn an attractive yield for investors in various rate and economic cycles*



- 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 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

# Funding Strategy *(as of December 31, 2022)*

(\$ in thousands)

| Collateral Type    | Balance      | Weighted Average Rate | Fair Value of Collateral |
|--------------------|--------------|-----------------------|--------------------------|
| Agency RMBS        | \$2,349,181  | 4.15 %                | \$2,496,781              |
| Agency CMBS        | 108,580      | 3.76 %                | 108,146                  |
| Agency CMBS IO     | 137,569      | 4.62 %                | 150,517                  |
| Non-Agency CMBS IO | 49,075       | 5.26 %                | 55,513                   |
| Total              | \$ 2,644,405 | 4.18 %                | \$2,810,957              |

| Remaining Term to Maturity | Balance     | Percentage | Weighted Average Original Term to Maturity |
|----------------------------|-------------|------------|--|
| < 30 days                  | \$858,161   | 32%        | 42   |
| 30 to 90 days              | 1,786,244   | 68%        | 104  |
| Total                      | \$2,644,405 | 100%       | 84   |

- Weighted average repo rate for the fourth quarter of 2022 was 3.49%, an increase of 132 basis points from the third quarter 2022. The weighted average rate on repo outstanding as of December 31, 2022 was 4.18%.
- Active with 24 counterparties at December 31, 2022.
- Maximum equity at risk with any one counterparty is less than 5%.

# Financial Performance

| (\$ in thousands, except per share amounts)               | 4Q22                |                         | 3Q22                |                         | 2022                |                         |
|---|---------------------|-------------------------|---------------------|-------------------------|---------------------|-------------------------|
|   | Income<br>(Expense) | Per<br>Common<br>Share* | Income<br>(Expense) | Per<br>Common<br>Share* | Income<br>(Expense) | Per<br>Common<br>Share* |
| Interest income   | \$ 30,528           | \$ 0.63                 | \$ 20,404           | \$ 0.45                 | \$ 86,695           | \$ 2.04                 |
| Interest expense  | (24,320)            | (0.50)                  | (13,282)            | (0.29)                  | (43,612)            | (1.03)                  |
| <b>GAAP net interest income</b>                           | 6,208               | 0.13                    | 7,122               | 0.16                    | 43,083              | 1.01                    |
| TBA drop income <sup>(1)</sup>                            | 5,522               | 0.11                    | 16,282              | 0.36                    | 42,606              | 1.00                    |
| <b>Adjusted net interest income <sup>(2)</sup></b>        | 11,730              | 0.24                    | 23,404              | 0.52                    | 85,689              | 2.01                    |
| General, administrative, and other operating expenses     | (8,336)             | (0.17)                  | (10,579)            | (0.23)                  | (33,840)            | (0.80)                  |
| Preferred stock dividends                                 | (1,923)             | (0.04)                  | (1,923)             | (0.04)                  | (7,694)             | (0.18)                  |
| <b>Earnings available for distribution <sup>(2)</sup></b> | 1,471               | 0.03                    | 10,902              | 0.24                    | 44,155              | 1.04                    |
| Realized gain (loss) on sale of investments, net          | 450                 | 0.01                    | (70,967)            | (1.46)                  | (89,067)            | (2.10)                  |
| Unrealized gain (loss) on investments, net                | 32,529              | 0.67                    | (69,197)            | (1.53)                  | (213,022)           | (5.01)                  |
| Change in fair value of derivatives <sup>(1)</sup>        | 6,915               | 0.14                    | 80,665              | 1.78                    | 393,401             | 9.26                    |
| <b>GAAP net income (loss) to common shareholders</b>      | 41,365              | 0.85                    | (48,597)            | (1.07)                  | 135,467             | 3.19                    |
| Net unrealized gain (loss) on AFS investments             | 15,283              | 0.31                    | (51,108)            | (1.13)                  | (188,075)           | (4.43)                  |
| <b>Comprehensive income (loss) to common shareholders</b> | \$ 56,648           | \$ 1.17                 | \$ (99,705)         | \$ (2.20)               | \$ (52,608)         | \$ (1.24)               |
| WAVG common shares outstanding                            | 48,541              |                         | 45,348              |                         | 42,491              |                         |

\*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 [33](#).



# Book Value Rollforward

|   |  | Quarter Ended<br>December 31, 2022 |                        |
|---|--|------------------------------------|------------------------|
|   |  | \$ in thousands                    | Per<br>Common<br>Share |
| Common shareholders' equity, beginning of period <sup>(1)</sup> |  | \$659,766                          | \$14.23                |
| Earnings available for distribution <sup>(2)</sup>              |  | \$1,471                            |                        |
| Realized gain on sale of investments, net                       |  | 450                                |                        |
| Unrealized gain on investments including TBAs, net              |  | 37,394                             |                        |
| Change in fair value of derivatives                             |  | 2,050                              |                        |
| GAAP net income to common shareholders                          |  | 41,365                             |                        |
| Other comprehensive income (MBS designed as AFS)                |  | 15,283                             |                        |
| Dividends declared  |  | (19,342)                           |                        |
| Stock transactions <sup>(3)</sup>                               |  | 92,756                             |                        |
| Common shareholders' equity, end of period <sup>(1)</sup>       |  | \$789,828                          | \$14.73                |

(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 [33](#).

(3) Includes issuance of common stock, net of stock issuance costs and restricted stock, net of vesting as well as other share-based compensation.

# Reconciliation of GAAP Measures to Non-GAAP Measures

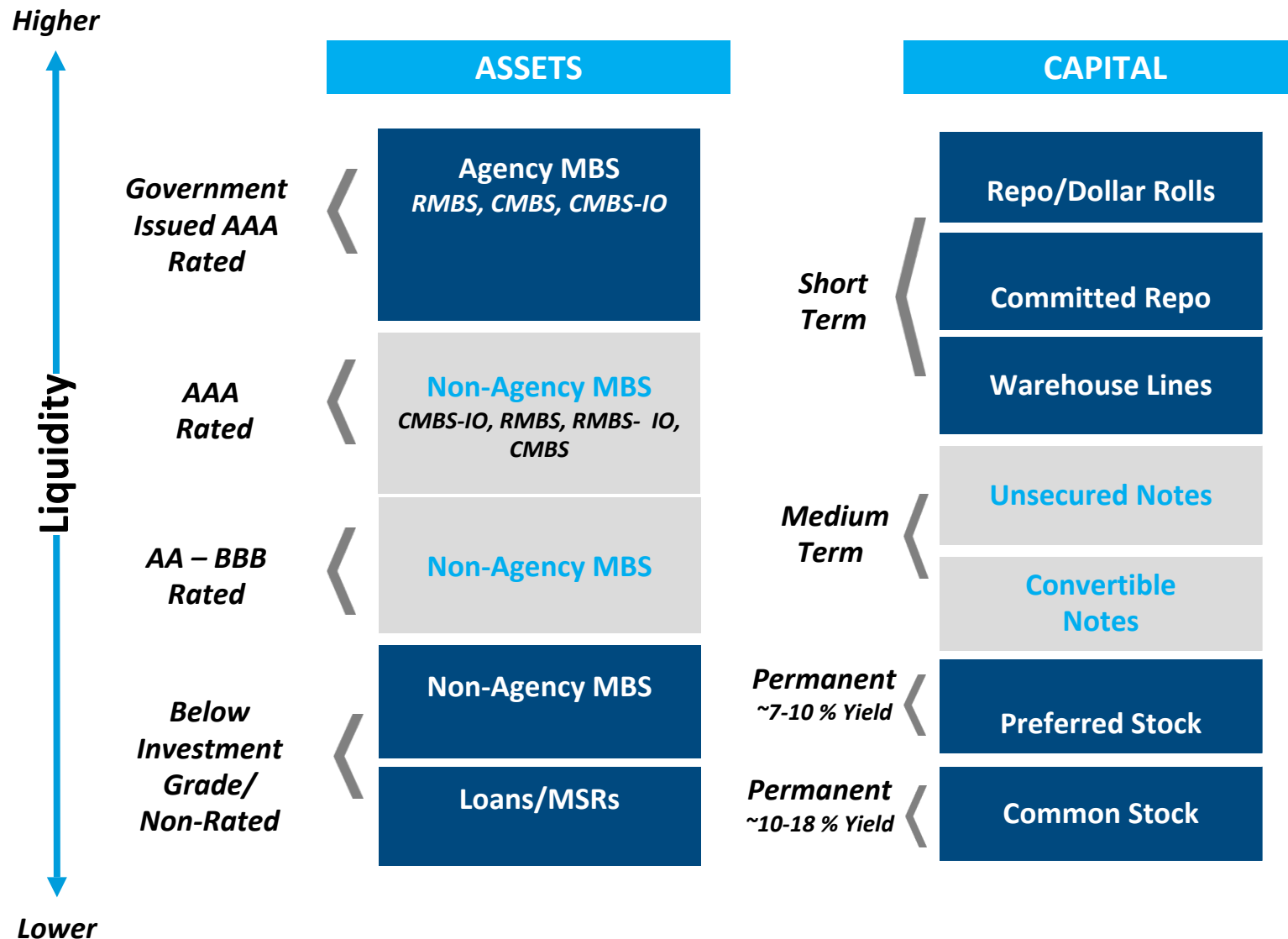
| (\$ in thousands except per share data)                             | 4Q22           | 3Q22            | 2Q22            | 1Q22            | 2022            |
|---|----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Comprehensive income (loss) to common shareholders</b>           | \$56,648       | (\$99,705)      | (\$33,497)      | \$23,946        | (\$52,608)      |
| Adjustments:  |                |                 |                 |                 |                 |
| Change in fair value of investments <sup>(1)</sup>                  | (48,262)       | 191,272         | 144,563         | 202,591         | 490,164         |
| Change in fair value of derivatives instruments, net <sup>(2)</sup> | (6,915)        | (80,665)        | (95,338)        | (210,483)       | (393,401)       |
| <b>EAD to common shareholders</b>                                   | <u>\$1,471</u> | <u>\$10,902</u> | <u>\$15,728</u> | <u>\$16,054</u> | <u>\$44,155</u> |
| <b>EAD per common share</b>   | \$0.03         | \$0.24          | \$0.40          | \$0.44          | \$1.04          |

| (\$ in thousands)                   | 4Q22            | 3Q22            | 2Q22            | 1Q22            | 2022            |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Net interest income</b>          | \$6,208         | \$7,122         | \$14,073        | \$15,679        | \$43,083        |
| TBA drop income                     | 5,522           | 16,282          | 11,074          | 9,728           | 42,606          |
| <b>Adjusted net interest income</b> | <u>\$11,730</u> | <u>\$23,404</u> | <u>\$25,147</u> | <u>\$25,407</u> | <u>\$85,689</u> |
| Other operating expense, net        | (438)           | (433)           | (295)           | (321)           | (1,487)         |
| General and administrative expenses | (7,898)         | (10,146)        | (7,201)         | (7,109)         | (32,353)        |
| Preferred stock dividends           | (1,923)         | (1,923)         | (1,923)         | (1,923)         | (7,694)         |
| <b>EAD to common shareholders</b>   | <u>\$1,471</u>  | <u>\$10,902</u> | <u>\$15,728</u> | <u>\$16,054</u> | <u>\$44,155</u> |

(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 Flatteners:** A rate environment in which long-term interest rates are declining faster than short-term interest rates.

**Bear Flatteners:** A yield-rate environment in which short-term interest rates are rising faster rate than long-term interest rates.

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

**Bull Steepener:** 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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