

July 21, 2025



Dynex Capital, Inc. Announces Second Quarter 2025 Results

GLEN ALLEN, Va.--(BUSINESS WIRE)-- Dynex Capital, Inc. ("Dynex" or the "Company") (NYSE: DX) reported its second quarter 2025 financial results today. Management will host a call today at 10:00 a.m. Eastern Time to discuss the results and business outlook. Details to access the call can be found below under "Earnings Conference Call."

Second Quarter Financial Performance and Other Highlights

- Total economic loss of \$(0.10) per common share, or (0.8)% of beginning book value, comprised of a decline in book value of \$(0.61) per common share offset by dividends declared of \$0.51 per common share
- Book value per common share of \$11.95 as of June 30, 2025
- Comprehensive loss of \$(0.11) per common share and net loss of \$(0.14) per common share
- Raised equity capital of \$282 million, net of issuance costs, through at-the-market ("ATM") common stock issuances
- Purchased \$1.9 billion in Agency RMBS and \$364 million in Agency CMBS and increased TBA investments by \$953 million
- Liquidity of \$891 million as of June 30, 2025
- Leverage including to-be-announced ("TBA") securities at cost was 8.3 times shareholders' equity as of June 30, 2025

Management Remarks

"Our approach of strategically raising and deploying capital into compelling mortgage-backed securities markets makes Dynex well positioned to generate strong returns for shareholders. We continue to invest in highly liquid, transparent, and readily valued securities, supporting stability and effective risk management across various interest rate and economic cycles," said Smriti Laxman Popenoe, Co-Chief Executive Officer and President.

Earnings Conference Call

As previously announced, the Company's conference call to discuss these results is today at 10:00 a.m. Eastern Time and may be accessed via telephone by dialing 1-888-596-4144 for North America or 1-646-968-2525 for International and provide the conference ID 1957092 or by live audio webcast by clicking the "Webcast" button on the Investors page of the Company's website (www.dynexcapital.com), which includes a slide presentation. To listen to the live conference call via telephone, please dial in at least ten minutes before the call begins. An archive of the webcast will be available on the Company's website approximately two hours after the live call ends.

Consolidated Balance Sheets (unaudited)

(\$s in thousands except per share data)

ASSETS

	June 30, 2025	March 31, 2025
Cash and cash equivalents	\$ 387,520	\$ 327,447

Cash collateral posted to counterparties	318,317	260,563
Mortgage-backed securities (including pledged of \$9,066,756 and \$7,620,616, respectively)	10,510,006	8,399,925
Due from counterparties	12,349	2,645
Derivative assets	31,816	6,791
Accrued interest receivable	43,309	36,686
Other assets, net	7,948	10,779
Total assets	<u>\$ 11,311,265</u>	<u>\$ 9,044,836</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities:

Repurchase agreements	\$ 8,600,143	\$ 7,234,723
Due to counterparties	976,506	332,676
Derivative liabilities	31	3,810
Cash collateral posted by counterparties	29,323	4,798
Accrued interest payable	60,855	46,861
Accrued dividends payable	26,125	20,707
Other liabilities	8,289	5,346
Total liabilities	<u>9,701,272</u>	<u>7,648,921</u>

Shareholders' equity:

Preferred stock	\$ 107,843	\$ 107,843
Common stock	1,253	1,022
Additional paid-in capital	2,268,143	1,982,781
Accumulated other comprehensive loss	(149,035)	(153,099)
Accumulated deficit	(618,211)	(542,632)
Total shareholders' equity	<u>1,609,993</u>	<u>1,395,915</u>
Total liabilities and shareholders' equity	<u>\$ 11,311,265</u>	<u>\$ 9,044,836</u>

Preferred stock aggregate liquidation preference	\$ 111,500	\$ 111,500
Book value per common share	\$ 11.95	\$ 12.56
Common shares outstanding	125,358,375	102,226,355

Consolidated Comprehensive Statements of Income (Loss) (unaudited)

	Three Months Ended		Six Months Ended
	June 30, 2025	March 31, 2025	June 30, 2025
(\$s in thousands except per share data)			
INTEREST INCOME			
Interest income	\$ 111,746	\$ 95,059	\$ 206,805
Interest expense	(88,618)	(77,926)	(166,545)
Net interest income	<u>23,128</u>	<u>17,133</u>	<u>40,260</u>
OTHER GAINS (LOSSES)			
Unrealized gain on investments, net	33,652	109,997	143,649
Loss on derivatives, net	(58,093)	(118,088)	(176,181)
Total other losses, net	<u>(24,441)</u>	<u>(8,091)</u>	<u>(32,532)</u>

EXPENSES			
General and administrative expenses	(11,913)	(11,764)	(23,676)
Other operating expense, net	(380)	(354)	(734)
Total operating expenses	(12,293)	(12,118)	(24,410)
Net loss	(13,606)	(3,076)	(16,682)
Preferred stock dividends	(2,680)	(1,923)	(4,603)
Net loss to common shareholders	<u>\$ (16,286)</u>	<u>\$ (4,999)</u>	<u>\$ (21,285)</u>
Other comprehensive income:			
Unrealized gain on available-for-sale investments, net	4,064	19,390	23,454
Total other comprehensive income	4,064	19,390	23,454
Comprehensive (loss) income to common shareholders	<u>\$ (12,222)</u>	<u>\$ 14,391</u>	<u>\$ 2,169</u>
Weighted average common shares-basic	113,177,331	90,492,327	101,897,495
Weighted average common shares-diluted	113,177,331	90,492,327	101,897,495
Net loss per common share-basic	\$ (0.14)	\$ (0.06)	\$ (0.21)
Net loss per common share-diluted	\$ (0.14)	\$ (0.06)	\$ (0.21)
Dividends declared per common share	\$ 0.51	\$ 0.47	\$ 0.98

The following table summarizes the changes in the Company's financial position during the second quarter of 2025:

<i>(\$s in thousands except per share data)</i>	Net Changes in Fair Value	Components of Comprehensive Income	Common Equity Rollforward
Balance as of March 31, 2025 ⁽¹⁾			\$ 1,284,415
Net interest income		\$ 23,128	
Net periodic interest from interest rate swaps		12,349	
Operating expenses		(12,293)	
Preferred stock dividends		(2,680)	
Changes in fair value:			
MBS and loans	\$ 37,716		
TBAs	7,608		
U.S. Treasury futures	6,320		
Interest rate swaps	(84,552)		
Interest rate swaptions	182		
Total net change in fair value		(32,726)	
Comprehensive income to common shareholders			(12,222)
Capital transactions:			
Net proceeds from stock issuance ⁽²⁾			285,593
Common dividends declared			(59,293)
Balance as of June 30, 2025 ⁽¹⁾			<u>\$ 1,498,493</u>

- (1) Amounts represent total shareholders' equity less the aggregate liquidation preference of the Company's preferred stock of \$111,500.
- (2) Net proceeds from common stock issuances include approximately \$282.1 million from ATM issuances and approximately \$3.5 million from amortization of share-based compensation, net of grants.

Investment Portfolio and Financing

The following table provides detail on the Company's MBS investments, including TBA securities, as of the periods indicated:

	June 30, 2025			March 31, 2025		
	Amortized Cost/Implied Cost Basis	Fair Value	Unrealized Gain (Loss)	Amortized Cost/Implied Cost Basis	Fair Value	Unrealized Gain (Loss)
(\$ in thousands)						
Fixed rate						
Agency RMBS:						
2.0% coupon	\$ 639,437	\$ 506,027	\$ (133,410)	\$ 654,189	\$ 518,108	(136,081)
2.5% coupon	561,012	455,838	(105,174)	572,705	465,278	(107,427)
4.0% coupon	309,469	291,063	(18,406)	318,061	299,052	(19,009)
4.5% coupon	1,766,385	1,755,138	(11,247)	1,593,059	1,576,921	(16,138)
5.0% coupon	2,814,838	2,831,069	16,231	2,364,405	2,370,615	6,210
5.5% coupon	3,787,911	3,801,864	13,953	2,650,442	2,651,860	1,418
6.0% coupon	292,046	295,837	3,791	299,966	303,998	4,032
TBA 4.0%	1,178,398	1,192,572	14,174	1,194,627	1,193,191	(1,436)
TBA 4.5% ⁽¹⁾	849,450	858,382	8,932	365,420	369,887	4,467
TBA 5.0%	900,205	903,920	3,715	537,463	537,505	42
TBA 5.5%	723,974	727,943	3,969	630,622	629,718	(904)
Total Agency RMBS	\$ 13,823,125	\$13,619,653	\$ (203,472)	\$ 11,180,959	\$10,916,133	\$ (264,826)
Agency CMBS	\$ 470,882	\$ 472,426	\$ 1,544	\$ 109,578	\$ 106,429	\$ (3,149)
Agency CMBS IO	97,049	94,253	(2,796)	102,898	99,267	(3,631)
Non-Agency CMBS IO	4,621	6,493	1,872	6,013	8,397	2,384
Total	\$ 14,395,677	\$14,192,825	\$ (202,852)	\$ 11,399,448	\$11,130,226	\$ (269,222)

(1) June 30, 2025 includes \$689 million implied cost of 15-year TBA securities.

The following table provides detail on the Company's repurchase agreement borrowings outstanding as of the dates indicated:

Remaining Term to Maturity	June 30, 2025			March 31, 2025		
	Balance	Weighted Average Rate	WAVG Original Term to Maturity	Balance	Weighted Average Rate	WAVG Original Term to Maturity
(\$s in thousands)						

Less than 30 days	\$ 7,037,298	4.49%	67	\$ 3,932,031	4.47%	67
30 to 90 days	—	—%	—	2,997,548	4.45%	96
91 to 180 days	1,562,845	4.37%	184	305,144	4.40%	152
Total	\$ 8,600,143	4.47%	88	\$ 7,234,723	4.46%	83

The following table provides details on the performance of the Company's MBS, repurchase agreement financing, and interest rate swaps for the second quarter of 2025 compared to the prior quarter:

(\$s in thousands)	Three Months Ended					
	June 30, 2025			March 31, 2025		
	Interest Income/Expense	Average Balance (1)(2)	Effective Yield/Financing Cost ⁽³⁾⁽⁴⁾	Interest Income/Expense	Average Balance (1)(2)	Effective Yield/Financing Cost ⁽³⁾⁽⁴⁾
Agency RMBS	\$ 102,738	\$8,663,590	4.74%	\$ 90,075	\$7,726,081	4.66%
Agency CMBS	1,945	189,815	4.05%	735	86,880	3.38%
CMBS IO ⁽⁵⁾	2,612	105,162	9.62%	2,332	113,263	8.74%
Mortgage loans	12	940	4.40%	14	999	4.96%
	107,307	8,959,507	4.79%	93,156	7,927,223	4.71%
Cash equivalents	4,439			1,903		
Total interest income	\$ 111,746			\$ 95,059		
Repurchase agreement financing	(88,618)	7,871,627	(4.45)%	(77,926)	6,842,485	(4.56)%
Net interest income/net interest spread	\$ 23,128		0.33%	\$ 17,133		0.15%
Net periodic interest from interest rate swaps	12,349		0.63%	10,851		0.64%
Economic net interest income ⁽⁶⁾	\$ 35,477		0.96%	\$ 27,984		0.79%

*Table Note: Data may not foot due to rounding.

- (1) *Average balance for assets is calculated as a simple average of the daily amortized cost and excludes securities pending settlement if applicable.*
- (2) *Average balance for liabilities is calculated as a simple average of the daily borrowings outstanding during the period.*
- (3) *Effective yield is calculated by dividing annualized interest income by the average balance of asset type outstanding during the reporting period. Unscheduled adjustments to premium/discount amortization/accretion, such as for prepayment compensation, are not annualized in this calculation.*
- (4) *Financing cost is calculated by dividing annualized interest expense by the total average balance of borrowings outstanding during the period with an assumption of 360 days in a year.*
- (5) *CMBS IO ("Interest only") includes Agency and non-Agency issued securities.*
- (6) *Represents a non-GAAP measure.*

Hedging Portfolio

The following tables provide details on the Company's interest rate hedging portfolio as of the dates indicated:

Derivative Type	June 30, 2025		March 31, 2025	
	Notional Amount Long (Short)	WAVG Fixed Pay Rate	Notional Amount Long (Short)	WAVG Fixed Pay Rate
(\$s in thousands)				
30-year U.S. Treasury futures	\$ (953,500)	n/a	\$ (766,500)	n/a
10-year U.S. Treasury futures	(1,521,500)	n/a	(795,000)	n/a
	<u>\$ (2,475,000)</u>		<u>\$ (1,561,500)</u>	
4-5 year interest rate swaps	\$ (1,275,000)	3.42%	\$ (1,275,000)	3.42%
5-6 year interest rate swaps	(10,000)	4.15%	—	—%
6-7 year interest rate swaps	(3,750,000)	3.67%	(3,510,000)	3.66%
9-10 year interest rate swaps	(1,875,000)	3.93%	(1,350,000)	3.92%
10-15 year interest rate swaps	(250,000)	3.73%	(200,000)	3.93%
	<u>\$ (7,160,000)</u>		<u>\$ (6,335,000)</u>	
	June 30, 2025		March 31, 2025	
	Underlying Receiver Swap		Underlying Receiver Swap	
	Average Fixed Receive		Average Fixed Receive	
	Notional Amount	Fixed Rate	Notional Amount	Fixed Rate
		Average Term (Years)		Average Term (Years)

(\$s in thousands)

1-2 year interest rate swaption	\$500,000	3.25%	5 year	\$500,000	3.25%	5 year
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The following table provides detail on the Company's "gain (loss) on derivatives, net" recognized in the Company's consolidated statements of comprehensive income (loss) during the periods indicated:

	Three Months Ended	
	June 30, 2025	March 31, 2025
Unrealized gain (loss):		
TBA securities	\$ 28,622	\$ 24,851
U. S. Treasury futures	(51,950)	(18,546)
Interest rate swaps	(84,552)	(127,577)
Interest rate swaptions	182	811
	(107,698)	(120,461)
Realized gain (loss) upon settlement, maturity or termination:		
TBA securities	(21,014)	17,323
U. S. Treasury futures	58,270	(25,801)
	37,256	(8,478)
Net periodic interest:		
Interest rate swaps	12,349	10,851
Loss on derivatives, net	<u>\$ (58,093)</u>	<u>\$ (118,088)</u>

The table below provides the projected amortization of the Company's net deferred tax hedge gains that may be recognized as taxable income over the periods indicated, given conditions known as of June 30, 2025; however, uncertainty inherent in the forward interest rate curve makes future realized gains and losses difficult to estimate, and as such, these projections are subject to change for any given period.

Projected Period of Recognition for Tax Hedge Gains, Net	June 30, 2025
	<i>(\$ in thousands)</i>
Fiscal year 2025	\$ 100,144
Fiscal year 2026	100,421
Fiscal year 2027	95,831
Fiscal year 2028 and thereafter	422,642
	<u>\$ 719,038</u>

Non-GAAP Financial Measures

In evaluating the Company's financial and operating performance, management considers book value per common share, total economic return to common shareholders, and other operating results presented in accordance with GAAP as well as certain non-GAAP financial measures, which include earnings available for distribution ("EAD") to common shareholders (including per common share) and economic net interest income (and the related metric economic net interest spread). Management believes these non-GAAP financial measures may be useful to investors because they are viewed by management as a measure of the investment portfolio's return

based on the effective yield of its investments, net of financing costs and, with respect to EAD, net of other normal recurring operating income/expenses.

Drop income/loss generated by TBA dollar roll positions, which is included in "gain (loss) on derivatives instruments, net" on the Company's consolidated statements of comprehensive income, is included in EAD because management views drop income/loss as the economic equivalent of net interest income on the underlying Agency security from trade date to settlement date. However, drop income/loss does not represent the total realized gain/loss from the Company's TBA securities.

Management also includes net periodic interest from its interest rate swaps, which is included in "gain (loss) on derivatives instruments, net", in each of these non-GAAP measures because interest rate swaps are used by the Company to economically hedge the impact of changing interest rates on its borrowing costs from repurchase agreements, and including net periodic interest from interest rate swaps is a helpful indicator of the Company's total financing cost in addition to GAAP interest expense.

Non-GAAP financial measures are not a substitute for GAAP earnings and may not be comparable to similarly titled measures of other REITs because they may not be calculated in the same manner. Furthermore, though EAD is one of several factors our management considers in determining the appropriate level of distributions to common shareholders, it should not be utilized in isolation, and it is not an accurate indication of the Company's REIT taxable income or its distribution requirements in accordance with the Tax Code.

Reconciliations of each non-GAAP measure to certain GAAP financial measures are provided below.

	Three Months Ended	
	June 30, 2025	March 31, 2025
<i>(\$s in thousands except per share data)</i>		
Comprehensive (loss) income to common shareholders (GAAP)	\$ (12,222)	\$ 14,391
Less:		
Change in fair value of investments, net ⁽¹⁾	(37,716)	(129,387)
Change in fair value of derivative instruments, net ⁽²⁾	75,200	133,724
EAD to common shareholders (non-GAAP)	\$ 25,262	\$ 18,728
Weighted average common shares	113,177,331	90,492,327
EAD per common share (non-GAAP)	\$ 0.22	\$ 0.21
Net interest income (GAAP)	\$ 23,128	\$ 17,133
Net periodic interest from interest rate swaps	12,349	10,851
Economic net interest income	35,477	27,984
TBA drop income ⁽³⁾	4,758	4,785
Operating expenses	(12,293)	(12,118)
Preferred stock dividends	(2,680)	(1,923)
EAD to common shareholders (non-GAAP)	\$ 25,262	\$ 18,728
Net interest spread (GAAP)	0.33%	0.15%
Net periodic interest as a percentage of average repurchase borrowings	0.63%	0.64%
Economic net interest spread (non-GAAP)	0.96%	0.79%

- (1) Amount includes realized and unrealized gains and losses from the Company's MBS.
- (2) Amount includes unrealized gains and losses from changes in fair value of derivatives (including TBAs accounted for as derivative instruments) and realized gains and losses on terminated derivatives and excludes TBA drop income and net periodic interest from interest rate swaps.
- (3) TBA drop income/loss is calculated by multiplying the notional amount of the TBA dollar roll positions by the difference in price between two TBA securities with the same terms but different settlement dates.

Forward Looking Statements

This release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The words "believe," "expect," "forecast," "anticipate," "estimate," "project," "plan," "may," "could," "will," "continue" and similar expressions identify forward-looking statements that are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. Forward-looking statements in this release, including statements made in Ms. Popenoe's quote, may include, without limitation, statements regarding the Company's financial performance in future periods, future interest rates, future market credit spreads, management's views on expected characteristics of future investment and macroeconomic environments, central bank strategies, prepayment rates and investment risks, future investment strategies, future leverage levels and financing strategies, the use of specific financing and hedging instruments and the future impacts of these strategies, future actions by the Federal Reserve, and the expected performance of the Company's investments. The Company's actual results and timing of certain events could differ materially from those projected in or contemplated by the forward-looking statements as a result of unforeseen external factors. These factors may include, but are not limited to, the Company's ability to find suitable investment opportunities; changes in domestic economic conditions; geopolitical events, such as terrorism, war, or other military conflict, including the war between Russia and Ukraine and the conflict in the Middle East and the related impacts on macroeconomic conditions as a result of such conflicts; tariffs that the U.S. imposes on trading partners or tariffs imposed on the U.S. from trading partners; global government policy changes and the ability or inability to react to rapidly changing global economic policies; changes in interest rates and credit spreads, including the repricing of interest-earning assets and interest-bearing liabilities; the Company's investment portfolio performance, particularly as it relates to cash flow, prepayment rates, and credit performance; the impact on markets and asset prices from changes in the Federal Reserve's policies regarding purchases of Agency RMBS, Agency CMBS, and U.S. Treasuries; actual or anticipated changes in Federal Reserve monetary policy or the monetary policy of other central banks; adverse reactions in U.S. financial markets related to actions of foreign central banks or the economic performance of foreign economies, including in particular China, Japan, the European Union, and the United Kingdom; uncertainty concerning the long-term fiscal health and stability of the United States; the cost and availability of financing, including the future availability of financing due to changes to regulation of, and capital requirements imposed upon, financial institutions; the cost and availability of new equity capital; changes in the Company's use of leverage; changes to the Company's investment strategy, operating policies, dividend policy, or asset allocations; the quality of performance of third-party servicer providers, including the Company's sole third-party service provider for our critical operations and trade functions; the loss or unavailability of the Company's third-party service provider's service and technology that supports critical functions of the Company's business related to the Company's trading and borrowing activities due to outages, interruptions, or other failures; the level of defaults by borrowers on loans underlying

MBS; changes in the Company's industry; increased competition; changes in government regulations affecting the Company's business; changes or volatility in the repurchase agreement financing markets and other credit markets; changes to the market for interest rate swaps and other derivative instruments, including changes to margin requirements on derivative instruments; uncertainty regarding continued government support of the U.S. financial system and U.S. housing and real estate markets, or to reform the U.S. housing finance system including the resolution of the conservatorship of Fannie Mae and Freddie Mac; the composition of the Board of Governors of the Federal Reserve; the political environment in the U.S.; systems failures or cybersecurity incidents; and exposure to current and future claims and litigation. For additional information on risk factors that could affect the Company's forward-looking statements, see the Company's Annual Report on Form 10-K for the year ended December 31, 2024, and other reports filed with and furnished to the Securities and Exchange Commission.

All forward-looking statements are qualified in their entirety by these and other cautionary statements that the Company makes from time to time in its filings with the Securities and Exchange Commission and other public communications. The Company cannot assure the reader that it will realize the results or developments the Company anticipates or, even if substantially realized, that they will result in the consequences or affect the Company or its operations in the way the Company expects. Forward-looking statements speak only as of the date made. The Company undertakes no obligation to update or revise any forward-looking statements to reflect events or circumstances arising after the date on which they were made, except as otherwise required by law. As a result of these risks and uncertainties, readers are cautioned not to place undue reliance on any forward-looking statements included herein or that may be made elsewhere from time to time by, or on behalf of, the Company.

Company Description

Dynex Capital delivers value at the intersection of capital markets and housing finance, using our expertise to transform residential real estate into compelling long-term yields for our shareholders. We are committed to ethical stewardship of stakeholders' capital, expert risk management, disciplined capital allocation, and social responsibility. We generate dividend income and long-term total returns through the financing of real estate assets, and by doing so, support the growth and vitality of housing communities in the United States. We employ comprehensive risk management and disciplined capital allocation to provide shareholders with attractive and consistent risk-adjusted returns over the long term. Dynex Capital operates as a real estate investment trust (REIT) and is internally managed to maximize stakeholder alignment. Additional information is available at www.dynexcapital.com.

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Source: Dynex Capital, Inc.