



# Second Quarter 2024 Earnings Presentation

July 22, 2024





# Safe Harbor Statement

## 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,” 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. These factors may include, but are not limited to, ability to find suitable reinvestment opportunities; changes in domestic economic conditions; geopolitical events, such as terrorism, war or other military conflict, including increased uncertainty regarding the war between Russia and the Ukraine and the related impact on macroeconomic conditions as a result of such conflict; changes in interest rates and credit spreads, including the repricing of interest-earning assets and interest-bearing liabilities; 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 the 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; cost and availability of financing, including the future availability of financing due to changes to regulation of, and capital requirements imposed upon, financial institutions; cost and availability of new equity capital; changes in the Company’s leverage and use of leverage; changes to the Company’s investment strategy, operating policies, dividend policy or asset allocations; quality of performance of third-party service 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. 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, 2023 and subsequent filings with the Securities and Exchange Commission, particularly those set forth under the caption “Risk Factors”. The Company assumes no obligation to update any forward-looking statements, which speak only as of the date of this presentation.





**Dynex Capital provides investors with consistent monthly dividends through the active, disciplined management of a portfolio of real estate mortgage assets.**



# Dynex's Guiding Principles Deliver Sustainable Value

*Listed on NYSE in 1989, DX is the longest tenured mREIT. Our strategy centers on:*



**Long-term vision**  
and forward-looking  
strategy that delivers  
**long-term returns**  
and **current income**



**Internally managed structure**  
– ensures our goals are  
**aligned with those of our**  
**stakeholders**



**Commitment to ethical**  
**stewardship** underscores our  
high-performance culture,  
dedicated to **disciplined**  
**capital management**



# A Leading Mortgage Investor Delivering Consistent Dividends



## WHAT WE DO TODAY

*We manage a highly liquid portfolio of mortgage-backed securities that allows us to **take advantage of current opportunities in the housing market** while preserving the flexibility to shift to other investment opportunities as they arise. **Today's portfolio is 97% Agency RMBS.***

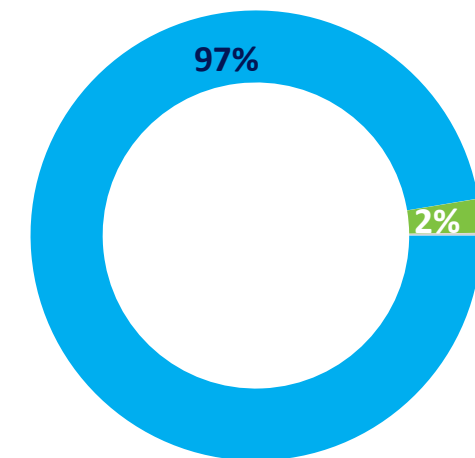
## PORTFOLIO FAIR VALUE OF \$8.9 BILLION

**379% STOCK  
RETURN SINCE  
IPO**  
*(dividends reinvested)*

**13.1%  
ANNUALIZED  
DIVIDEND YIELD**  
*(as of June 30, 2024)*

**\$892.0 million  
MARKET CAP  
\$1 billion TOTAL  
EQUITY**  
*(as of June 30, 2024)*

- Agency RMBS Pools & TBA
- Agency CMBS/CMBS IO
- Non-Agency CMBS IO (less than 1%)

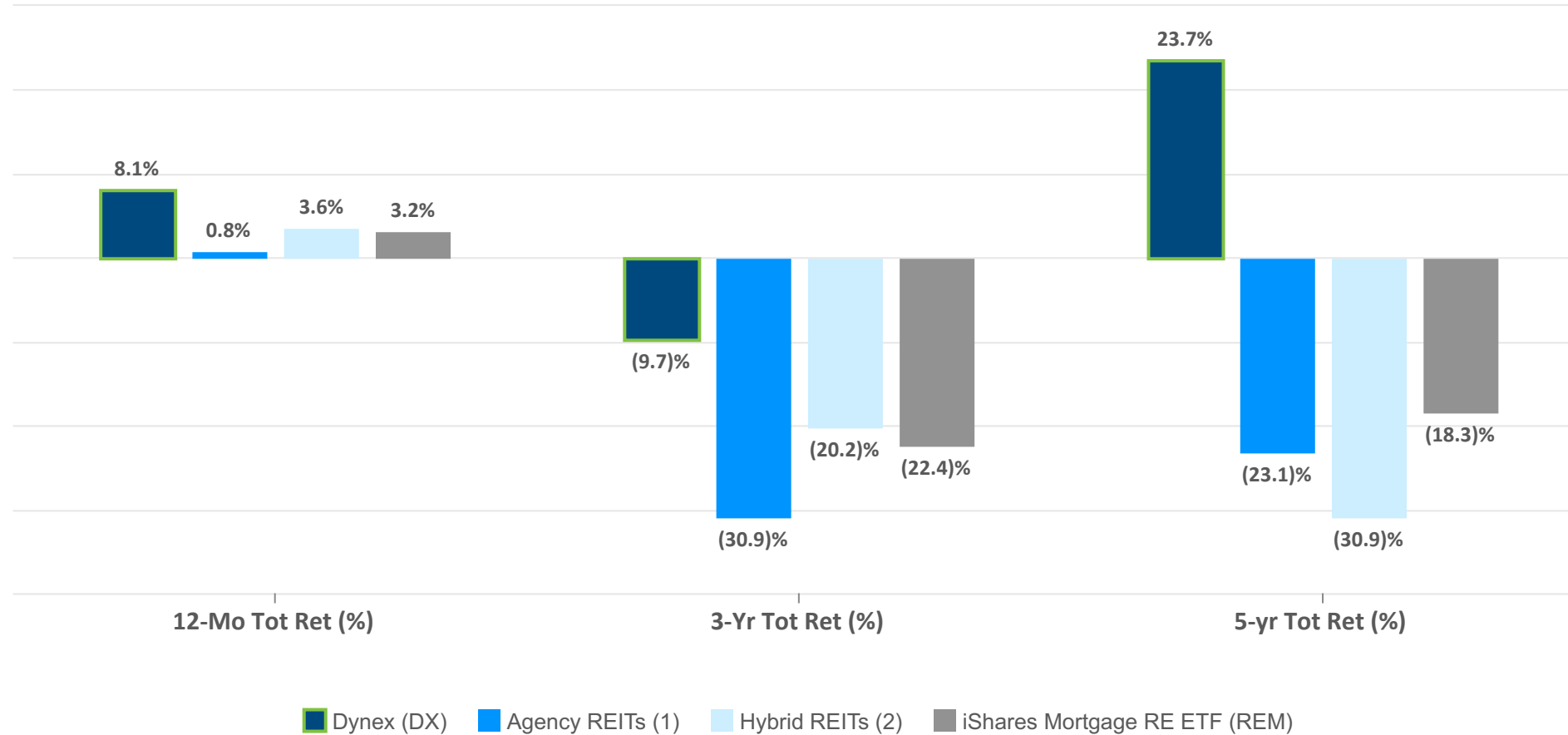




# Dynex Performance

*Experience in managing assets through multiple economic cycles and a disciplined investment process results in Dynex long-term outperformance during periods of high volatility*

## Cumulative Total Shareholder Returns



(1) Select Agency MREITS on an equal weight basis

(2) Select Hybrid MREITS on an equal weight basis

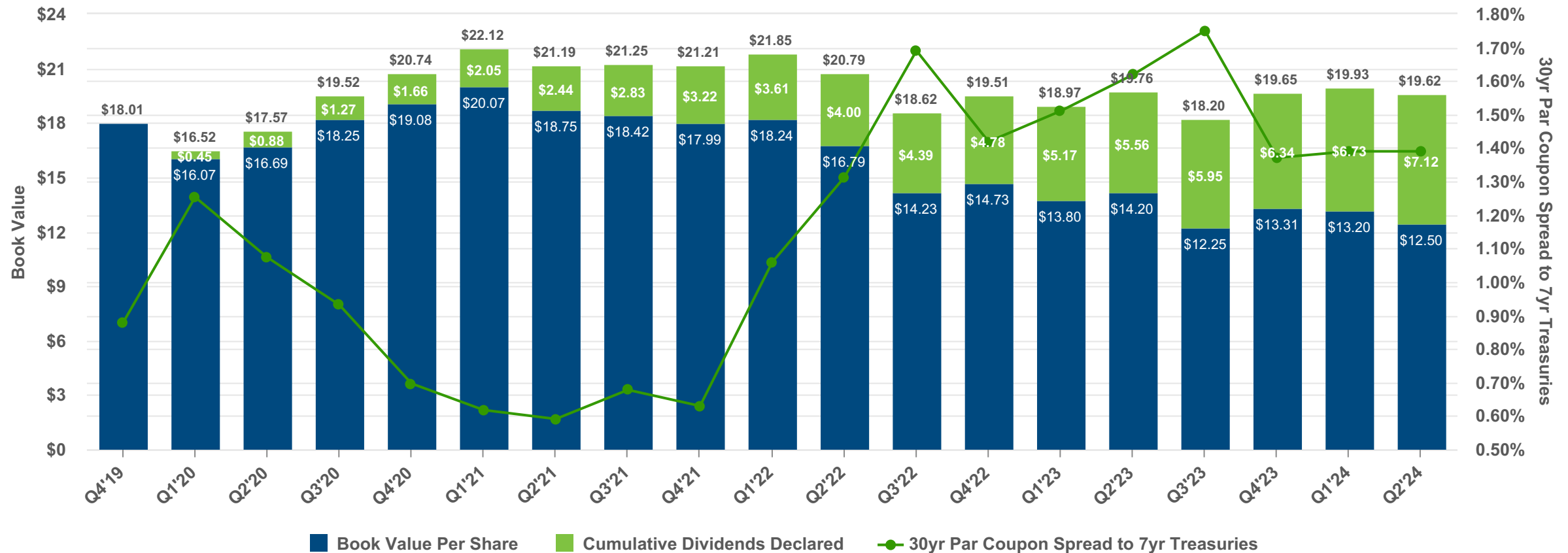
Source: Bloomberg. Assumes dividends are reinvested in the respective security.



# Positioned to Deliver Consistent Value Throughout 2020s

*Our disciplined approach delivers an attractive risk-adjusted return and consistent dividend even during a volatile market environment*

## Building Long-Term Value







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# Second Quarter 2024 Performance





# Quarterly Performance Highlights

	Q2 24	Q1 24
<b>Comprehensive (Loss) Income</b> <i>(per common share)</i>	<b>\$(0.18)</b>	<b>\$0.35</b>
<b>Book Value</b> <i>(per common share)</i>	<b>\$12.50</b>	<b>\$13.20</b>
<b>Total Economic Return <sup>(1)</sup></b>	<b>(2.4)%</b>	<b>2.1%</b>
<b>Net (Loss) Income</b> <i>(per common share)</i>	<b>\$(0.15)</b>	<b>\$0.65</b>
<b>Leverage <sup>(2)</sup></b>	<b>7.9x</b>	<b>8.1x</b>
<b>Average Earning Assets</b> <i>(inclusive of Agency RMBS TBAs)</i>	<b>\$8.6B</b>	<b>\$7.6B</b>

*(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.*



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

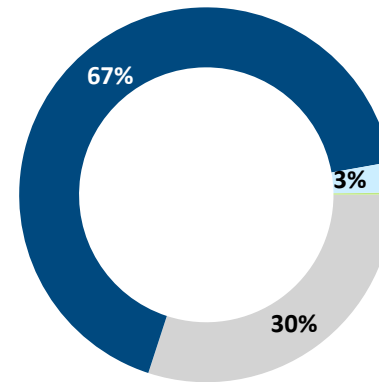
**Dynex's diversified portfolio remains constructed for flexibility.**

We strategically grew our balance sheet with a focus on high quality, liquid, Agency MBS offering compelling risk-adjusted returns.

June 30, 2024

**Portfolio Fair Value \$8.9 Billion**  
**Total Shareholder Equity \$1B**

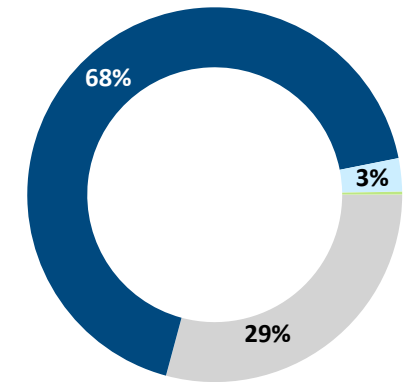
- Agency RMBS TBA
- Agency RMBS Pools
- Agency CMBS/CMBS IO
- Non-Agency CMBS IO (<0.2%)



March 31, 2024

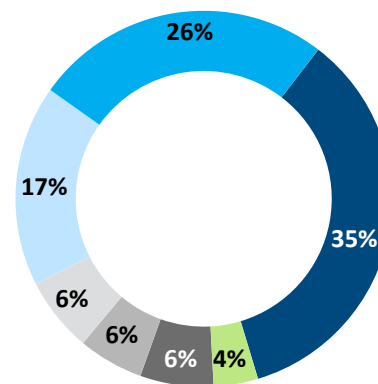
**Portfolio Fair Value \$8.2 Billion**  
**Total Shareholder Equity \$959M**

- Agency RMBS TBA
- Agency RMBS Pools
- Agency CMBS/CMBS IO
- Non-Agency CMBS IO



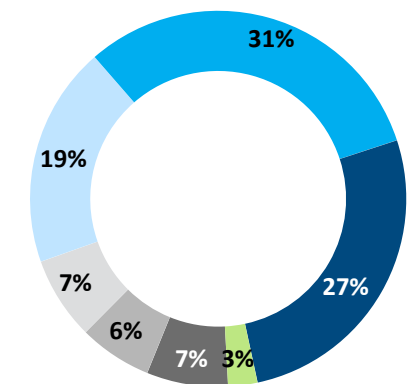
**Agency RMBS by Coupon**

- 2.0% Coupon
- 2.5% Coupon
- 4.0% Coupon
- 4.5% Coupon
- 5.0% Coupon
- 5.5% Coupon
- 6.0% Coupon



**Agency RMBS by Coupon**

- 2.0% Coupon
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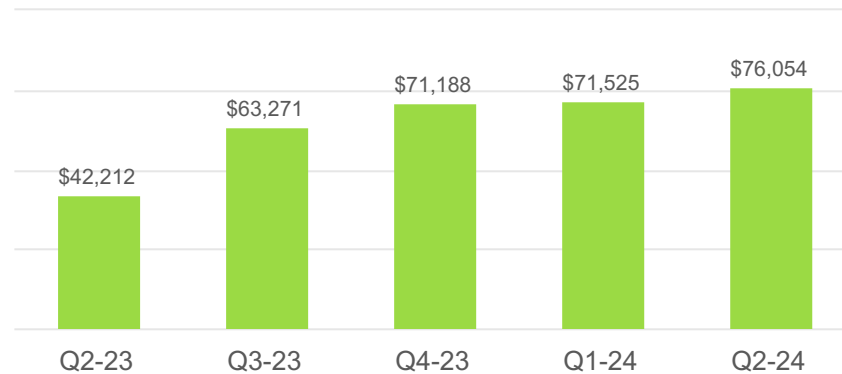
(1) Includes Agency RMBS TBA dollar roll positions at their implied market value which are accounted for as "derivative assets (liabilities)" on our consolidated balance sheet.



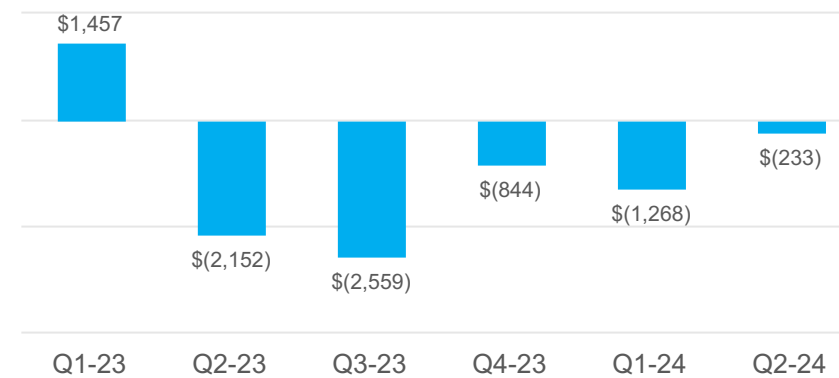
# Primary Components of Portfolio Returns *(excluding mark-to-market)*

**The impact of rising financing costs has been mostly offset by deferred tax hedge gains.**

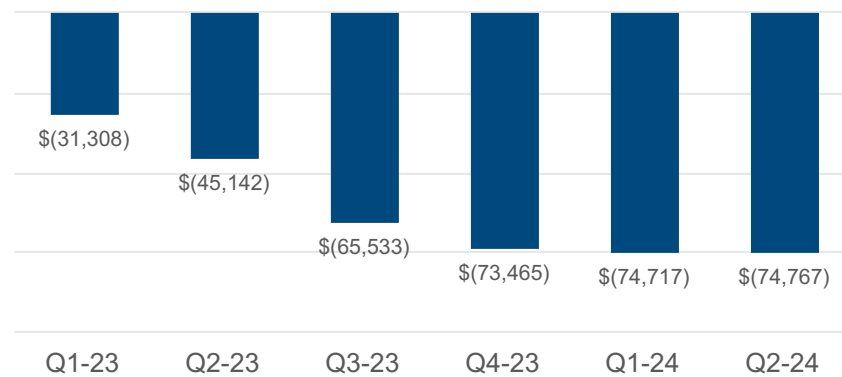
Interest Income <sup>(1)</sup>



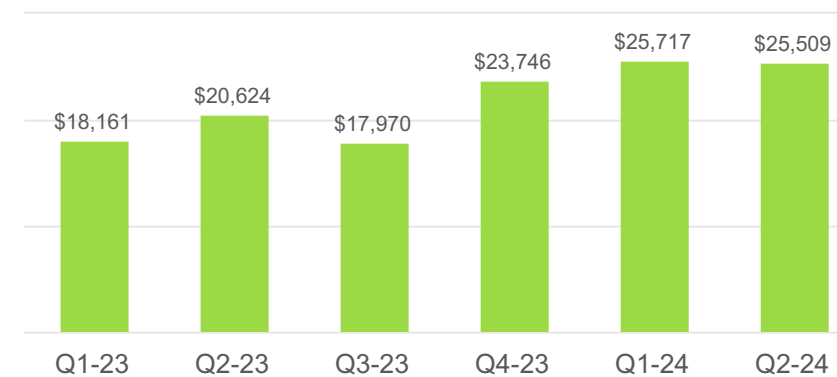
Agency RMBS TBA Drop Income (Loss) <sup>(2)</sup>



Interest Expense



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



(1) Interest income includes amounts earned from cash equivalents.

(2) TBA drop income is a component of our adjusted net interest income and EAD. Non-GAAP measures are reconciled to GAAP measures on slide 28.

(3) Amount represents the amortization of deferred tax hedge gains that are distributable as REIT taxable income for the periods presented, but which were recognized in GAAP earnings in prior periods.



# Key Macroeconomic Themes

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**Dynex remains vigilant and mindful of the evolving economic and regulatory forces over the short-, medium- and long-term.**

**Our strategy is built on navigating uncertainty through scenario analysis, preparation and flexibility.**

## 01 Fed Policy

More clear as data are now consistent with declining inflation and a softer labor market. The Fed has indicated a willingness to cut rates before inflation reaches 2% - a tailwind for Dynex

## 02 Fiscal Policy

Fiscal imbalances look highly probable for many years in most developed economies. The US will see \$2T-plus deficits by 2025 and beyond. Implications for yields and asset prices will be significant. Our hedge positioning reflects uncertainty around this factor.

## 03 Inflation & Volatility

Expect continued pockets of volatility, likely driven by periods of surprising economic data and exogenous factors. Medium term macro trends still suggest lower volatility in the data versus the last two years which can drive equilibrium MBS spreads tighter.

## 04 System Liquidity

Fed's balance sheet is still a critical source of liquidity. Reserve scarcity could contribute to bouts of market volatility as the Fed continues quantitative tightening.

## 05 Demographics & Tech

Demand for income is global and persistent and supports our overall business model. AI, the emergence of green technology, and aging populations will shift demand for income, growth and inflation, shaping long- and short-term economic trends

## 06 Elections

The U.S. election is a risk factor that will become more in focus in 3rd and 4th quarter of 2024. Countries representing nearly 50% of global population have held or will hold elections in 2024. Many are close calls and foreshadow major policy shifts.

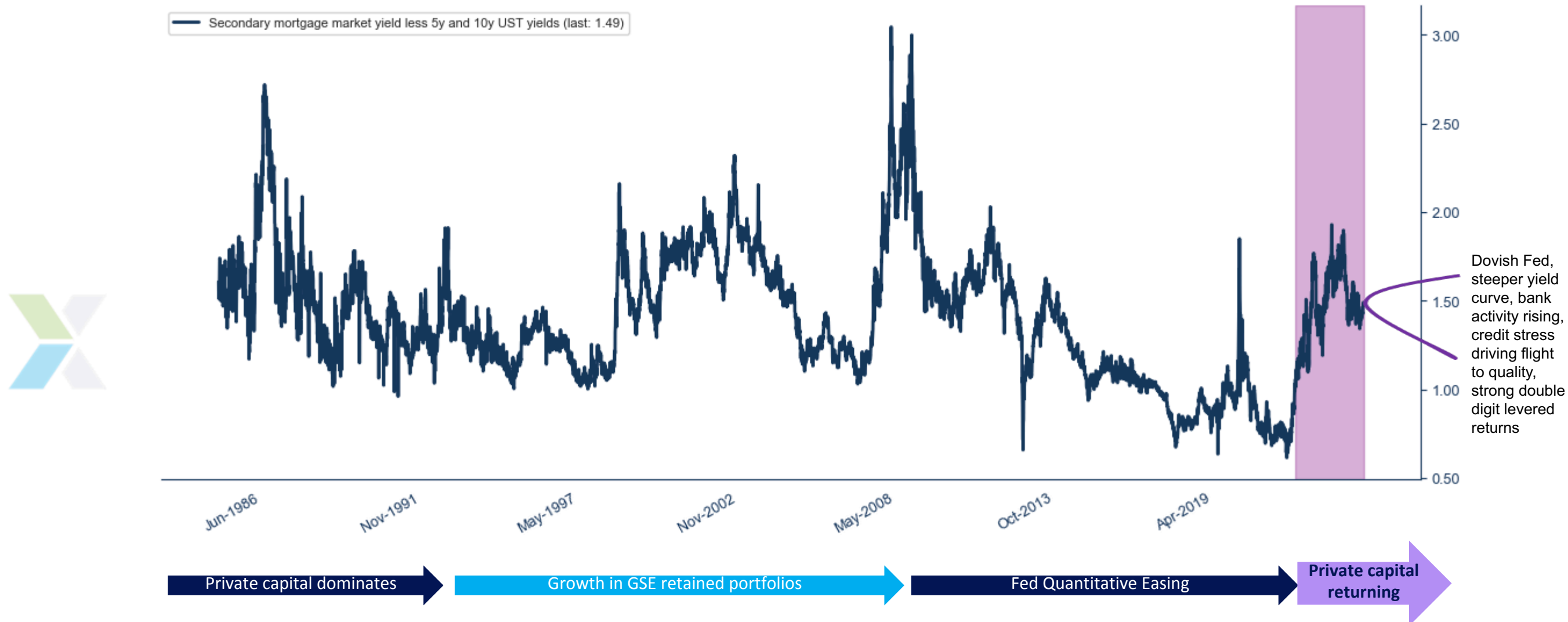
## 07 Human Conflict

Increasing conflict, including the potential for cyber and traditional wars can rapidly shift global growth, inflation and government policy responses. Such risks can be binary and difficult to hedge. This requires liquidity, preparedness and scenario planning.

# Equilibrium spread range headed tighter

## Mortgage spreads historically wide amid less government intervention

Expect private capital to find new long-term equilibrium spread in the 100 - 120 bps range.



Source: Bloomberg data (Current Coupon "MTGEFNCL Index" vs. 5&10 Year Treasury yields weighted to average 7 years)



# Agency RMBS Market Dynamics and Portfolio Strategy

## Agency MBS offer compelling returns for private capital.

Expect private capital to drive spreads towards a tighter long-term equilibrium over the medium- and long-term.

Periodic short-term volatility remains a high probability.

### *Fundamentals:*

- **Muted housing rebound** – “lock-in” hampered activity, seasonal turnover lower than expected.
- **Demographics support housing** – millennials are at peak home- buying years, will cushion any correction and aid long-term turnover.
- **Affordability** – improving but still low.
- **Innovative products** – bankers focus on ways for borrowers to extract equity; Freddie Mac piloting program to buy second mortgages
- **Credit risk not priced** – non-agency MBS have yet to price risk of higher unemployment, weaker growth.

### *Psychology:*

- **Economic Sentiment** - Strong economy but consumer sentiment unusually low. Political uncertainty contributes to risk posture.
- **Fed Bias** – most on Fed are concerned real policy rate will prove too high, eager to adjust lower.
- **Soft Landing Bias** – other risky assets appear fully priced relative to MBS. Little room for error in most credit products.
- **Regulatory/Political Backdrop** – election year and policy uncertainty not priced in non-agency credit.

### *Technical:*

- **Fed Balance Sheet** - MBS portfolio runoff continues; private capital will absorb marginal net supply.
- **Low Supply** – net issuance will likely remain historically low for 2024.
- **Return of Banks** – some repositioning in 2Q after buying in previous two quarters, expect tactical buying in 2H24.
- **Retail Matters** – fund flows remain positive, money managers are overweight the sector.
- **Hedge Funds** - remain active in agency MBS.
- **The Coupon Stack** – more tradable coupons in agency MBS make for more relative value opportunities.

### *Value:*

- **Periodic Vol Amid Lower Trend** - expect volatility to cheapen MBS periodically, offering opportunities amid a medium- and long-term trend towards lower interest rate volatility and tighter MBS spread
- **Financing Edge** – closely manage relationships to get the best execution, capitalize on Fed policy changes.
- **Anchor in Predictability** – diverse coupon positions, specified pools with attributes to protect against volatility.
- **Balance with Higher Yield** – higher coupon mortgages offer better yield.

# CMBS Market Dynamics and Strategy

## Stable cash flows in senior CMBS and Agency CMBS offer potential for diversification.

Potential returns relative to risk still skew in favor of Agency RMBS across a range of economic and real estate specific scenarios. Expect idiosyncratic opportunities as we monitor CMBS IO and multifamily assets.

### *Fundamentals:*

- **Multifamily (MF)** – demographic demand for housing is strong, driving tight markets for MF. High prices and low affordability for single-family support demand for apartments.
- **Supply** – new MF supply coming online, especially in Sunbelt, is pressuring rents and occupancy.
- **Structural Office Headwinds** – work from home and obsolescence pushed overall vacancy rates to levels in excess of those seen in the GFC.
- **Inflation & Rates** – higher cap-rates and financing costs have negatively impacted property values as well as borrowers' ability to service and/or refinance existing debt. Inflation has resulted in higher property operating expenses.
- **Delinquencies & Special-servicing** - could ultimately result in losses in certain non-agency CMBS tranches.

### *Psychology:*

- **Fed Policy** - the potential for a lower interest rate environment has helped push spreads tighter.
- **Risk Assets** - strong performance in equities and corporate bonds has been a tailwind.
- **Broad CRE Concerns** - CRE loan maturities and certain bank exposures may weigh on the sector.
- **Rating Agency Downgrades** - non-agency CMBS downgrades may be a concern for some investors.

### *Technical:*

- **Issuance** - non-agency CMBS issuance has rebounded in 2024 due to increases in single asset / borrower transactions and five year conduit deals. Agency CMBS issuance remains relatively light as a result of higher mortgage rates and lower property transaction volumes.
- **Reduced Bank Demand** - has resulted in increased participation from other investor types.

### *Value:*

- **Spread Tightening This Year** – sector performed well recently, resulting in projected returns that appear relatively less attractive versus residential MBS.
- **More Predictable Cash Flow** – certain senior securities are easier to hedge, and can help improve convexity profile of the overall portfolio.
- **Non-Agency Funding** - terms are generally more restrictive versus agency, requiring wider non-agency CMBS spreads to generate compelling risk-return profiles.
- **Interest Only** – factors laid out can lead to better returns as underlying loans remain outstanding longer.



# Funding Market Dynamics and Strategy

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## Funding availability remains ample.

Our strategy emphasizes fostering deep relationships with our partners, managing liquidity for multitude of scenarios.

### *Fundamentals:*

- **Evolving Economic Data** – inflation has moved out the pricing of rate cuts. Repo desks are pricing fewer cuts and liquidity remains ample.
- **Central Clearing** – SEC adopted rule to reduce and manage risk in financial markets.
- **Reserves** – Fed reserves remain high, and all signs suggest Fed's "least comfortable level of reserves" will remain historically high.

### *Psychology:*

- **Economic Volatility** - periods of volatility can shift pricing in repo relative to our expectations and interest-rate forwards, creating opportunities.
- **Financing Market Lags** - repo market participants tend to wait to price actual eases in forwards unlike fed funds and SOFR, offering opportunities for hedgers.

### *Technical:*

- **Money Market Funds (MMF)**- MMF reform is expected to increase balances in Govt only funds, a potential source of new funds for agency MBS repo.
- **Positive T-Bill Issuance** - \$250B+ net increase in Bill issuance through 3Q has pressured rates upward.
- **Fed Reverse Repo Program** - still ~\$400B with upward movements on month- and quarter-ends, suggests markets remain healthy with plentiful cash.
- **GSE Cash** - consistent source of cash at regular interval during the month.

### *Value:*

- **Portfolio Financing** – DX can still benefit from the supply & demand technical and execute repo at opportunistic levels.
- **Prepared for Stress** – meticulous liquidity sensitivity analysis and management of event-risk.

# Dynex Positioned to Capture Growth and Drive Value

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## 01 Historic Opportunity

Mortgage spreads are at generationally wide levels and offer a persistent opportunity for significant returns.

## 02 Well Positioned

Existing portfolio can drive significant upside as spreads converge to longer-term equilibrium levels.

## 03 High Liquidity

We are operating with ample liquidity in order to capture future opportunities, with \$644.0 million of cash and unencumbered assets as of June 30, 2024.

## 04 Fed Policy

The Fed's bias towards less restrictive policy will slowly ease financing costs over time. The Fed appears likely to continue to let its MBS holdings run-off.

## 05 Experience

Seasoned team respectful of and prepared for complex macro environment. Human capital remains a focus and we have made several key decisions to build for future success.

**We expect to drive incremental returns through opportunistic investing, capital raising, and deployment to support solid return generation well into the future.**



# Doing Good Helps Dynex Do Well

*Our Core Values Underpin Every Decision We Make to Sustain Our High-Performance Culture and Consistently Generate Attractive, Long-Term Returns*



## **Kindness**

We can accomplish more together and build a culture like no other when we show compassion and understanding toward others.



## **Integrity**

We choose courage over comfort, doing what is right over what is fast or easy, and make choices that are just and ethical.



## **Performance Mentality**

We aim and expect ourselves to achieve the highest level of excellence and performance in everything we do.



## **Stewardship**

We are thoughtful, ethical, and responsible fiduciary stewards of environmental, social, and financial capital.



## **Equality & Inclusion**

We operate with an open, fair, inclusive, mindset, respecting others' ideas, beliefs, and backgrounds. We believe that a diversity of people and opinions makes us and our company better.



## **Trust**

We understand that building trust is imperative with each action we take, conversation we hold, and relationship we build.





# Supplemental Financials



# Capital Structure

	Common Stock	Series C Preferred Stock
<b>NYSE Ticker</b>	DX	DX PRC
<b>Shares Outstanding</b>	74.7 million	4.5 million
<b>Book Value per share Outstanding</b>	\$12.50	—
<b>2Q24 Dividends Declared per share</b>	\$0.39	\$0.43
<b>Annualized Dividend Yield</b>	13.07%	6.97%
<b>Share Price</b>	\$11.94	\$24.76
<b>Market Capitalization</b>	\$892.0 million	—
<b>Liquidation Value</b>	—	\$111.5 million

# RMBS Portfolio Details *(as of June 30, 2024)*

(\$ in thousands)	Par/Notional Value	Amortized Cost (%) <sup>(1)</sup>	Fair Value	Fair Value (%)	% of Total Portfolio	WAVG Pay up to TBA	Unamortized Premium Balance <sup>(1)</sup>	Market Yield <sup>(2)</sup>	3-month WAVG Yield <sup>(1)</sup>	3-month CPR <sup>(1) (3)</sup>
<b>Agency RMBS Pools:</b>										
2.0% coupon	\$ 682,622	101.7	\$ 543,906	79.7 %	6.1 %	1.29	\$ 11,410	5.22%	1.77%	5.1 %
2.5% coupon	583,629	103.8	485,088	83.1 %	5.5 %	1.26	22,382	5.19%	1.89%	7.4 %
4.0% coupon	340,558	100.2	315,611	92.7 %	3.6 %	1.01	550	5.19%	3.97%	6.3 %
4.5% coupon	1,387,896	97.6	1,317,480	94.9 %	14.9 %	0.49	(33,872)	5.28%	4.82%	5.8 %
5.0% coupon	1,996,271	98.3	1,941,874	97.3 %	21.9 %	0.46	(33,595)	5.43%	5.30%	6.5 %
5.5% coupon	1,073,941	100.1	1,066,340	99.3 %	12.0 %	0.55	1,553	5.62%	5.46%	6.2 %
6.0% coupon	288,922	101.3	292,118	101.1 %	3.3 %	0.72	3,803	5.78%	5.83%	5.2 %
<b>Total Agency RMBS Pools:</b>	<b>\$ 6,353,839</b>	<b>99.6</b>	<b>\$ 5,962,417</b>	<b>93.8 %</b>	<b>67.3 %</b>	<b>0.69</b>	<b>\$ (27,769)</b>	<b>5.40%</b>	<b>4.42 %</b>	<b>6.2 %</b>
<b>Agency RMBS TBA:</b>										
4.0% coupon	262,000	-	240,303	91.7 %	2.7 %	-	-	5.13%	-	-
4.5% coupon	183,000	-	172,821	94.4 %	2.0 %	-	-	5.30 %	-	-
5.0% coupon	275,000	-	266,310	96.8 %	3.0 %	-	-	5.47 %	-	-
5.5% coupon	1,982,000	-	1,945,775	98.2 %	22.0 %	-	-	5.71 %	-	-
6.0% coupon	37,000	-	37,142	100.4 %	0.4 %	-	-	5.88%	-	-
<b>Total Agency RMBS TBA:</b>	<b>\$ 2,739,000</b>	<b>-</b>	<b>\$ 2,662,351</b>	<b>97.2 %</b>	<b>30.1 %</b>	<b>-</b>	<b>-</b>	<b>5.56%</b>	<b>-</b>	<b>-</b>
<b>Total Agency RMBS:</b>	<b>\$ 9,092,839</b>		<b>\$ 8,624,768</b>	<b>94.9 %</b>	<b>97.4 %</b>			<b>5.45 %</b>		

(1) Amortized cost %, 3-month WAVG yield, and 3-month CPR not applicable to TBA securities.

(2) 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.

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



# CMBS and CMBS IO Portfolio Details

(\$ in thousands)	Portfolio Characteristics						Financing Details	
	Amortized Cost	Fair Value	% of Total Portfolio	WAVG Life Remaining <sup>(1)</sup>	3-month WAVG Yield	WAVG Market Yield <sup>(2)</sup>	Repo Outstanding	Equity Invested
Agency CMBS	\$ 102,516	\$ 97,482	1.1 %	3.0	2.97 %	5.02 %	\$ 92,472	\$ 5,010
Agency CMBS IO	124,184	116,853	1.3 %	5.9	4.79 %	7.05 %	103,281	13,572
Non-Agency CMBS IO	15,810	16,386	0.2 %	1.4	24.62 %	27.22 %	14,442	1,944
<b>Total</b>	<b>\$ 242,510</b>	<b>\$ 230,721</b>	<b>2.6 %</b>	<b>4.4</b>	<b>5.46 %</b>	<b>7.66 %</b>	<b>\$ 210,195</b>	<b>\$ 20,526</b>

(1) Represents the weighted average life remaining in years based on contractual cash flows as of the dates indicated.

(2) Represents the weighted average market yield projected using cash flows generated off the forward curve based on market prices as of the dates indicated and assuming zero volatility.

# Risk Position - Interest Rate and Spread Sensitivity

## Interest Rate Sensitivity

Parallel Curve Shift (bps)	Percentage Change in Common Shareholders' Equity	
	As of June 30, 2024	As of March 31, 2024
+100	(5.6)%	(4.9)%
+50	(2.1)%	(1.4)%
-50	(0.1)%	(1.5)%
-100	(3.5)%	(6.7)%

## Spread Sensitivity

Change in Spreads (bps)	Percentage Change in Common Shareholders' Equity	
	As of June 30, 2024	As of March 31, 2024
+20/+50 <sup>(1)</sup>	(10.6)%	(10.6)%
+10	(5.3)%	(5.3)%
-10	5.3%	5.3%
-20/-50 <sup>(1)</sup>	10.6%	10.6%

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

The estimated changes in the Interest Rate Sensitivity tables incorporate duration and convexity inherent in our investment portfolio as it existed as of the dates indicated. Percentage changes assume no change in market credit spreads.

Source: Company models based on modeled option adjusted duration. Includes changes in market value of our investments, including TBA securities, and derivative instruments used to hedge interest rate risk.

	Curve Shift		Percentage Change in Common Shareholders' Equity	
	2 year Treasury (bps)	10 year Treasury (bps)	As of June 30, 2024	As of March 31, 2024
<b>Bear Steepener</b>	+25	+50	(1.1)%	(0.7)%
	+50	+100	(3.6)%	(3.7)%
<b>Bear Flattener</b>	+50	+25	(2.1)%	(1.7)%
	+100	+50	(3.6)%	(2.7)%
<b>Bull Steepener</b>	-25	+0	2.8%	2.8%
	-50	-10	4.6%	4.5%
	-75	-25	5.8%	5.4%
<b>Bull Flattener</b>	+0	-25	(0.7)%	(1.1)%
	-10	-50	(1.7)%	(2.8)%
	-25	-75	(4.1)%	(6.0)%



# 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.***

(\$ in thousands)	June 30, 2024	March 31, 2024
	Notional Amount / Long (Short)	Notional Amount / Long (Short)
30-year U.S. Treasury futures	\$ (825,000)	\$ (700,000)
10-year U.S. Treasury futures	(4,570,000)	(4,475,000)
Interest rate swaps	(10,000)	—

# Funding Strategy *(as of June 30, 2024)*

Collateral Type	Balance (\$s in thousands)	Weighted Average Rate	Fair Value of MBS Pledged as Collateral (\$s in thousands)
Agency RMBS	\$5,284,233	5.46 %	\$5,562,905
Agency CMBS	92,472	5.45 %	96,046
Agency CMBS IO	103,281	5.75 %	113,334
Non-Agency CMBS IO	14,442	6.17 %	15,863
<b>Total</b>	<b>\$5,494,428</b>	<b>5.46 %</b>	<b>\$5,788,148</b>

Remaining Term to Maturity	Balance (\$s in thousands)	Percentage	Weighted Average Original Term to Maturity
< 30 days	\$2,350,410	43%	99
30 to 90 days	3,015,537	55%	89
90 to 180 days	128,481	2%	113
<b>Total</b>	<b>\$5,494,428</b>	<b>100%</b>	<b>94</b>

- o The weighted average repo borrowing cost was 5.47% during the second quarter of 2024, a decrease of 4 basis points from the first quarter of 2024. The weighted average rate on repo outstanding as of quarter end June 30, 2024 was 5.46%.
- o Active with 28 counterparties at June 30, 2024 with maximum equity at risk no greater than 10% with any one counterparty.



# Financial Performance

(\$ in thousands, except per share amounts)	2Q24		1Q24		YTD 2024	
	Income (Expense)	Per Common Share*	Income (Expense)	Per Common Share*	Income (Expense)	Per Common Share*
Interest income	\$ 76,054	\$ 1.14	\$ 71,525	\$ 1.21	\$ 147,580	\$ 2.34
Interest expense	(74,767)	(1.12)	(74,717)	(1.27)	(149,484)	(2.37)
<b>GAAP net interest Income (expense)</b>	1,287	0.02	(3,192)	(0.06)	(1,904)	(0.03)
Net periodic interest benefit from interest rate swaps <sup>(1)</sup>	17	—	—	—	17	—
Agency RMBS TBA drop loss <sup>(1)</sup>	(233)	—	(1,268)	(0.02)	(1,500)	(0.02)
<b>Adjusted net interest income (expense) <sup>(2)</sup></b>	1,071	0.02	(4,460)	(0.08)	(3,387)	(0.05)
General, administrative, and other operating expenses	(7,243)	(0.11)	(11,301)	(0.19)	(18,545)	(0.29)
Preferred stock dividends	(1,923)	(0.03)	(1,923)	(0.03)	(3,847)	(0.06)
<b>Earnings available for distribution <sup>(2)</sup></b>	(8,095)	(0.12)	(17,684)	(0.30)	(25,779)	(0.41)
Realized loss on sales of investments, net	(1,506)	(0.02)	—	—	(1,506)	(0.02)
Unrealized loss on investments, net	(41,977)	(0.63)	(70,024)	(1.19)	(112,001)	(1.78)
Change in fair value of derivatives <sup>(1)</sup>	41,351	0.62	125,903	2.13	167,254	2.65
<b>GAAP net (loss) income to common shareholders</b>	(10,227)	(0.15)	38,195	0.65	27,968	0.44
Net unrealized loss on AFS investments	(1,786)	(0.03)	(17,268)	(0.29)	(19,054)	(0.30)
<b>Comprehensive (loss) income to common shareholders</b>	\$ (12,013)	\$ (0.18)	\$ 20,927	\$ 0.35	\$ 8,914	\$ 0.14
WAVG common shares outstanding	66,955		59,008		63,004	

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

(1) Net periodic interest benefit from interest rate swaps, TBA drop income/loss, 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 28.

# Book Value Rollforward

	Quarter Ended June 30, 2024	
	Common Equity	Per Common Share
(\$s in thousands except amounts per share)		
Common equity, beginning of period <sup>(1)</sup>	\$ 847,032	\$ 13.20
Earnings available for distribution <sup>(2)</sup>	(8,095)	
Change in fair value of investments, including TBAs	(68,022)	
Change in fair value of interest rate hedges	64,104	
Comprehensive loss to common shareholders	(12,013)	
Dividends declared	(26,824)	
Stock transactions <sup>(3)</sup>	125,568	
Common equity, end of period <sup>(1)</sup>	\$ 933,763	\$ 12.50

(1) Common equity is calculated as 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 28.

(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 <sup>(1)</sup>

(\$ in thousands except per share amounts)	2Q24	1Q24	4Q23	3Q23	2Q23
<b>Comprehensive (loss) income to common shareholders</b>	\$ (12,013) \$	20,927 \$	81,648 \$	(86,748) \$	42,971
Adjustments:					
Change in fair value of investments <sup>(2)</sup>	45,269	87,292	(323,259)	220,874	60,556
Change in fair value of derivatives instruments, net <sup>(3)</sup>	(41,351)	(125,903)	227,759	(149,512)	(118,164)
<b>EAD to common shareholders</b>	\$ (8,095) \$	(17,684) \$	(13,852) \$	(15,386) \$	(14,637)
<b>EAD per common share</b>	\$ (0.12) \$	(0.30) \$	(0.24) \$	(0.28) \$	(0.27)

(\$ in thousands)	2Q24	1Q24	4Q23	3Q23	2Q23
<b>Net interest (expense) income</b>	\$ 1,287 \$	(3,192) \$	(2,277) \$	(2,262) \$	(2,930)
Net periodic interest benefit from interest rate swaps	17	—	—	—	—
Agency RMBS TBA drop loss	(233)	(1,268)	(844)	(2,559)	(2,152)
<b>Adjusted net interest income (expense)</b>	\$ 1,071 \$	(4,460) \$	(3,121) \$	(4,821) \$	(5,082)
Operating expenses, net	(7,243)	(11,301)	(8,808)	(8,642)	(7,632)
Preferred stock dividends	(1,923)	(1,923)	(1,923)	(1,923)	(1,923)
<b>EAD to common shareholders</b>	\$ (8,095) \$	(17,684) \$	(13,852) \$	(15,386) \$	(14,637)

(1) Please refer to "Non-GAAP Financial Measures" in our Annual Report on Form 10-K, our Quarterly Report on Form 10-Q, or in our earnings release filed on Form 8-K with the SEC for a discussion of management's use of these measures.

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

(3) Amount represents realized and unrealized gains and losses on derivatives including TBAs except for TBA drop income/loss.





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