



# Third Quarter 2024 Earnings Presentation

October 21, 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**



**Internal management** ensures full transparency, the opportunity to scale the business **and aligns our goals with 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 98% Agency RMBS.***

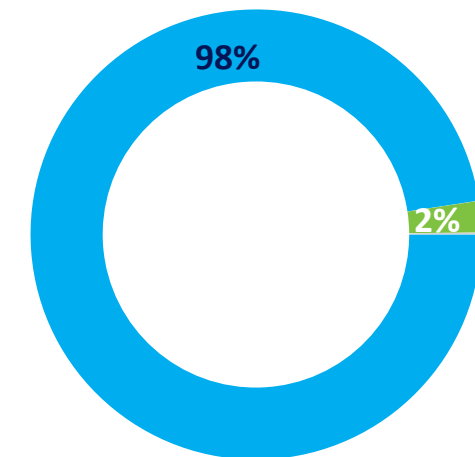
## PORTFOLIO FAIR VALUE OF \$9.3 BILLION

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

**12.2%  
ANNUALIZED  
DIVIDEND YIELD**  
*(as of September 30, 2024)*

**\$1.0 billion  
MARKET CAP**  
*(as of September 30, 2024)*

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



# Dividend Increase from \$0.13 to \$0.15 per share per in November



**Board votes to increase dividend  
in November 2024**

*We believe that we can deliver compelling total shareholder returns across multiple market scenarios. The Board has voted to increase the common dividend by 2 cents per share – this represents a 15% dividend increase from 13 to 15 cents per share.*

## 15% DIVIDEND INCREASE

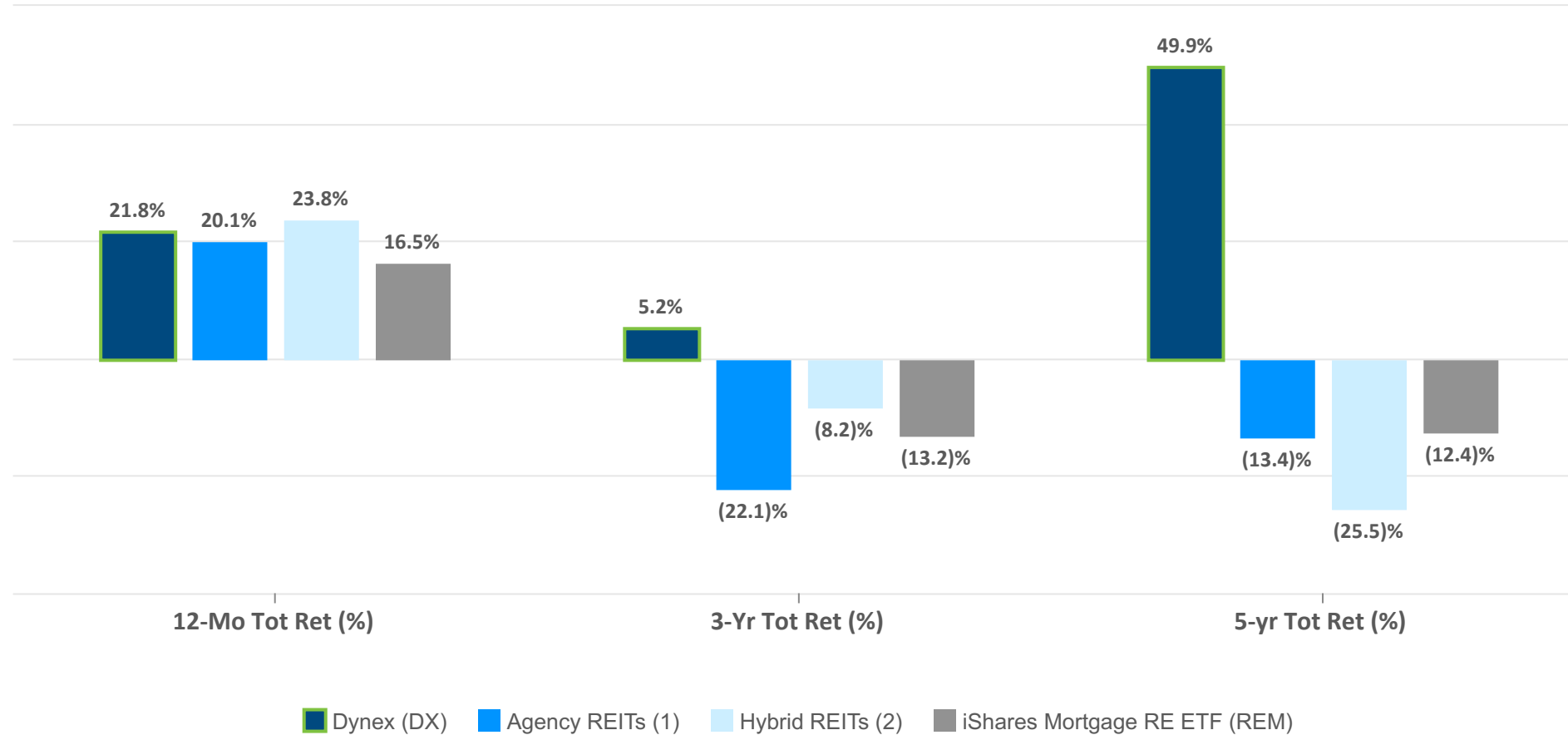
**13.8%  
ANNUAL YIELD ON  
BOOK VALUE**  
*(as of September 30, 2024)*

**14.1%  
ANNUAL YIELD ON  
SHARE PRICE**  
*(as of September 30, 2024)*

# 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.



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# Third Quarter 2024 Performance





# Quarterly Performance Highlights

	Q3 24	Q2 24
<b>Comprehensive Income (Loss)</b> <i>(per common share)</i>	<b>\$0.93</b>	<b>\$(0.18)</b>
<b>Book Value</b> <i>(per common share)</i>	<b>\$13.00</b>	<b>\$12.50</b>
<b>Total Economic Return <sup>(1)</sup></b>	<b>7.1%</b>	<b>(2.4)%</b>
<b>Net Income (Loss)</b> <i>(per common share)</i>	<b>\$0.38</b>	<b>\$(0.15)</b>
<b>Leverage <sup>(2)</sup></b>	<b>7.6x</b>	<b>7.9x</b>
<b>Average Earning Assets</b> <i>(inclusive of Agency RMBS TBAs)</i>	<b>\$9.3B</b>	<b>\$8.6B</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.*

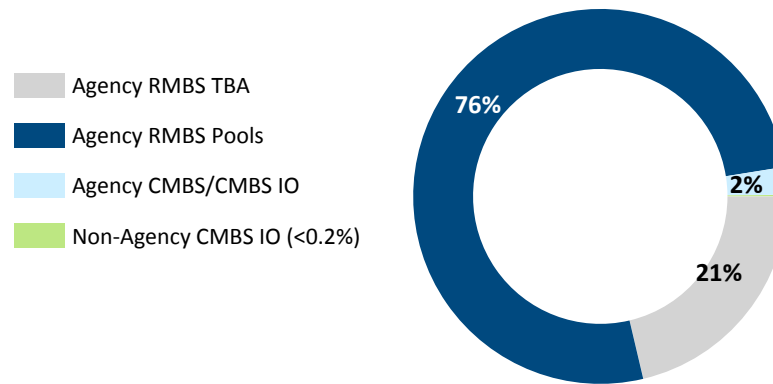
# Investment Portfolio (as of dates indicated) <sup>(1)</sup>

**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. As pricing evolves, other segments of commercial and residential mortgage markets could become attractive again.

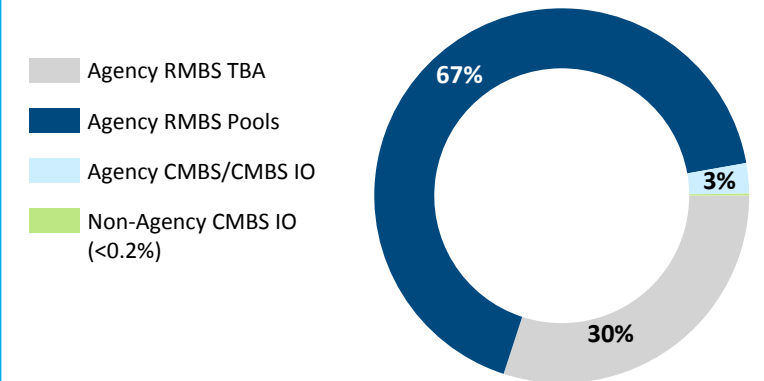
September 30, 2024

Portfolio Fair Value \$9.3 Billion

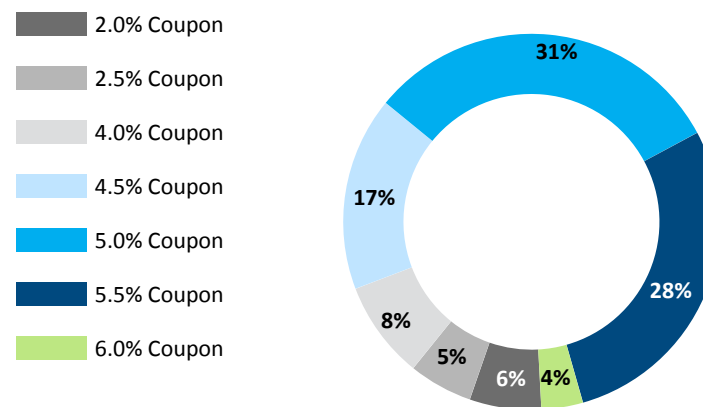


June 30, 2024

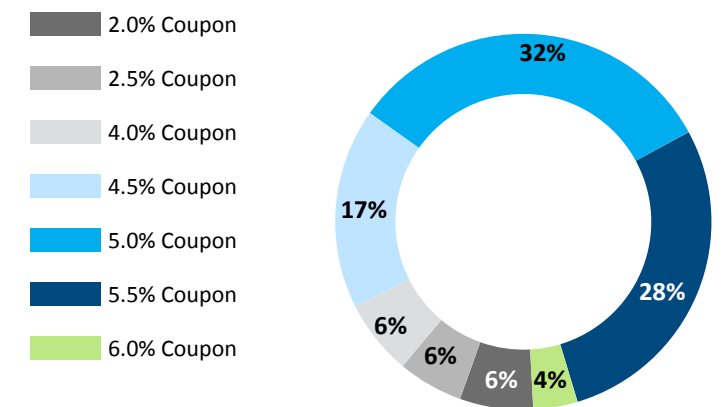
Portfolio Fair Value \$8.9 Billion



Agency RMBS by Coupon



Agency RMBS by Coupon

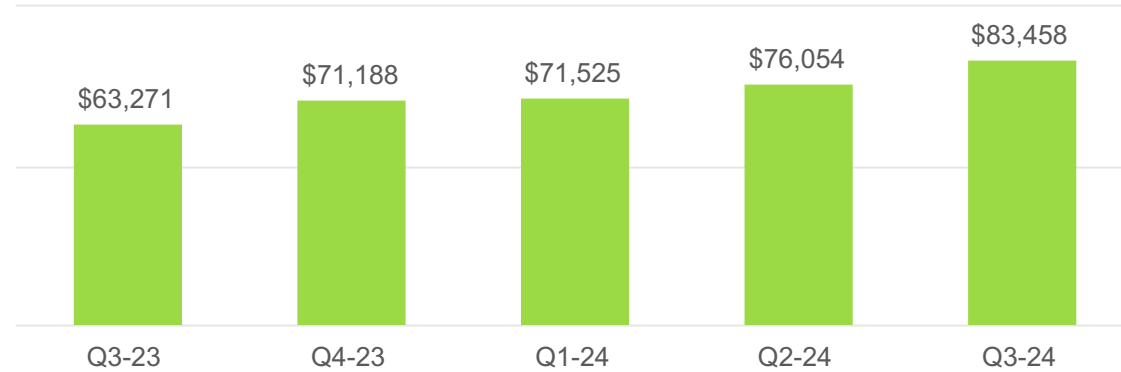


(1) Includes Agency RMBS TBA dollar roll positions at their implied market value which are accounted for as "derivative assets (liabilities)" on our consolidated balance sheet.

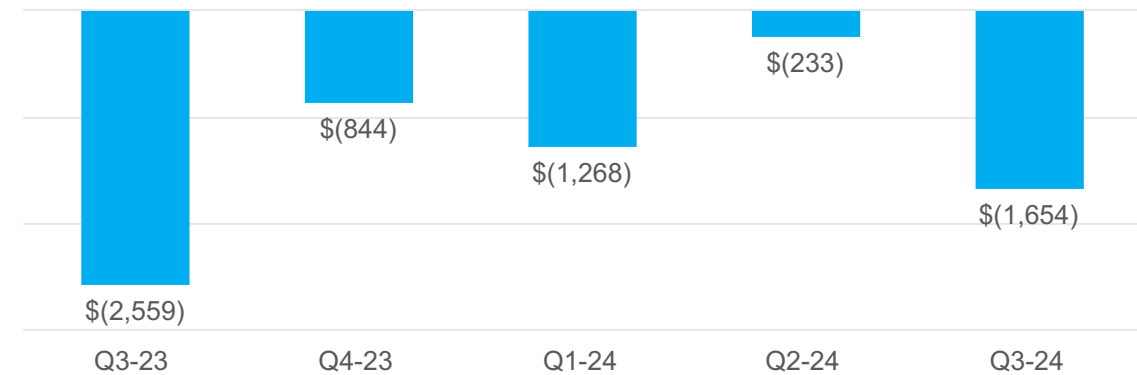
# Selected Components of Portfolio Returns *(excluding mark-to-market)*

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

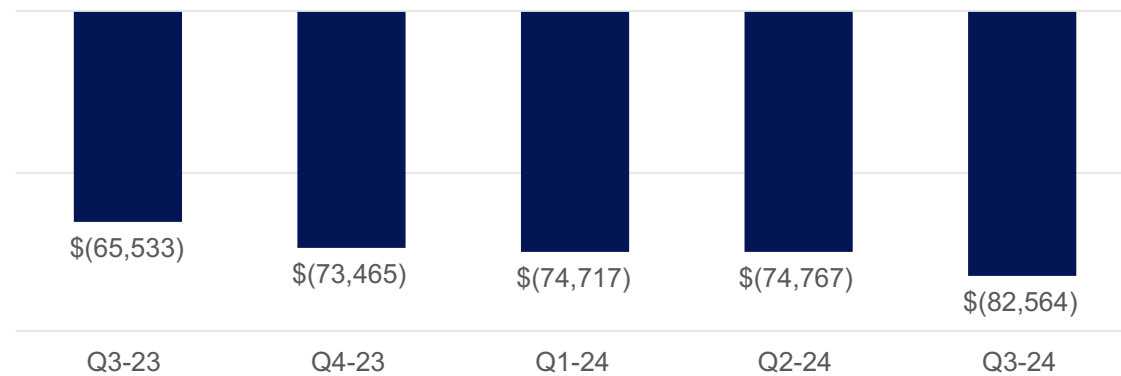
Interest Income<sup>(1)</sup>



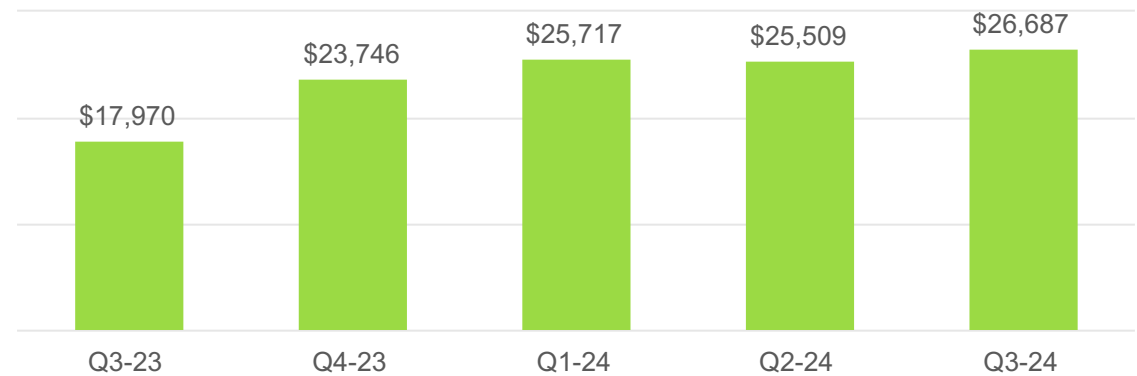
Agency RMBS TBA Drop Loss<sup>(2)</sup>



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 EAD, a non-GAAP measure reconciled to GAAP measures on slide 29.

(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

Trend towards less restrictive policy, even amid modest to moderate growth. While Fed may not deliver the cuts priced into forward markets, risk of rate hikes appears low.

## 02 Fiscal Policy

Fiscal imbalances will likely continue in most developed economies. The US will see \$2T-plus deficits by 2025 and beyond. We expect this to provide an opportunity for hedge selection to create value as deficits fluctuate.

## 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 compared to 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, especially in financing markets, until Fed ends 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 growth and inflation, shaping long- and short-term economic trends and the demand for income-generating assets.

## 06 Government Policy

Election outcomes could drive significant regulatory regime changes as new administrations take charge worldwide, most notably in the U.S. Climate change and regulatory policy established to address global issues may change market dynamics, energy and insurance costs.

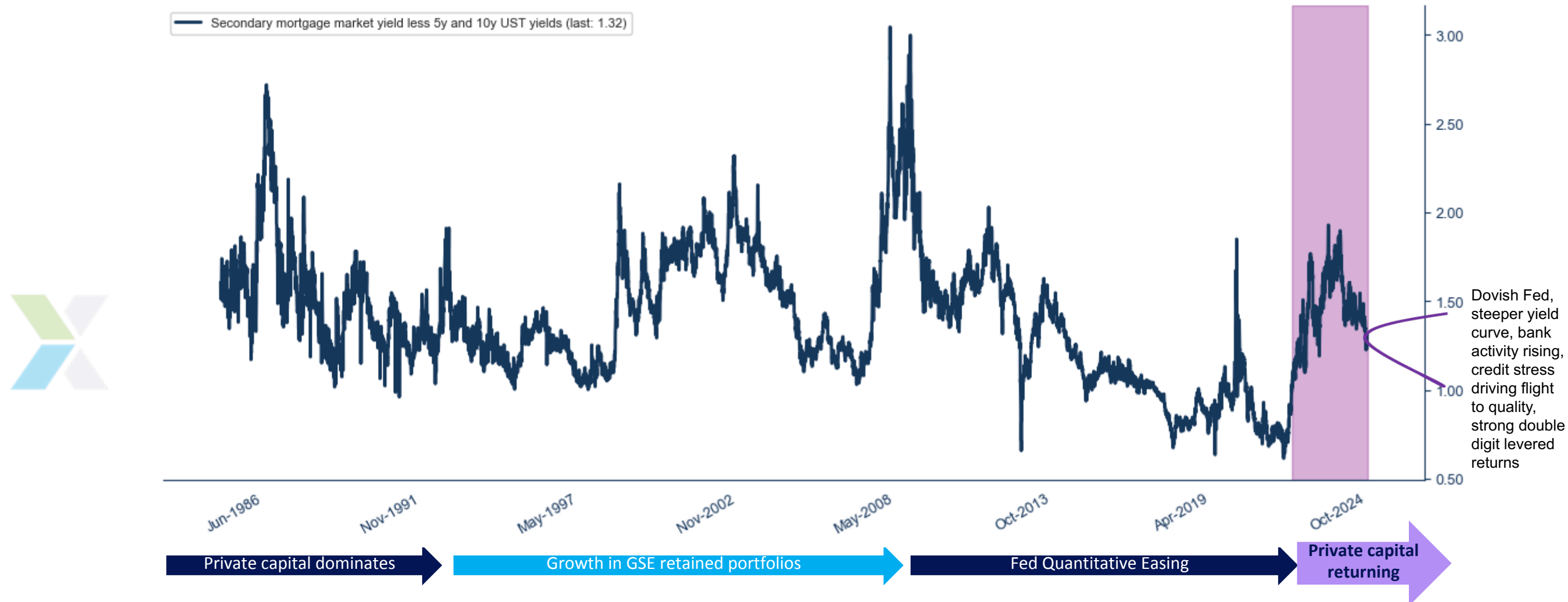
## 07 Human Conflict

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 tighter still

## Mortgage spreads historically wide amid less government intervention

Modest tightening in 3Q24, targeting new long-term equilibrium spread in the 100 - 120 bps range.

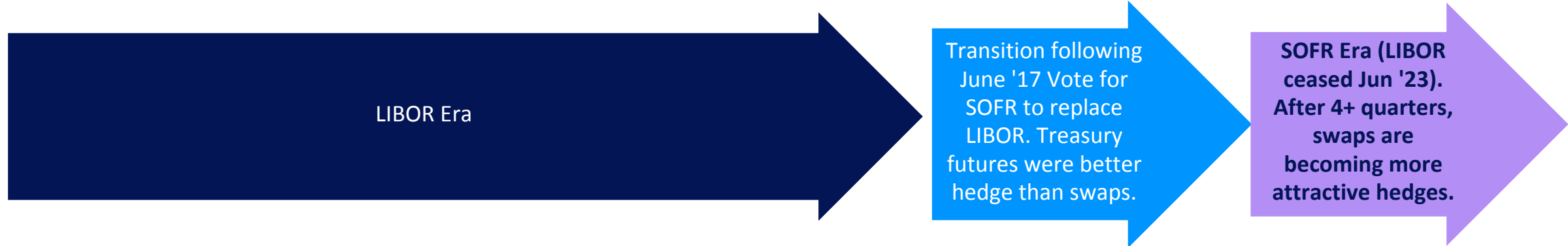
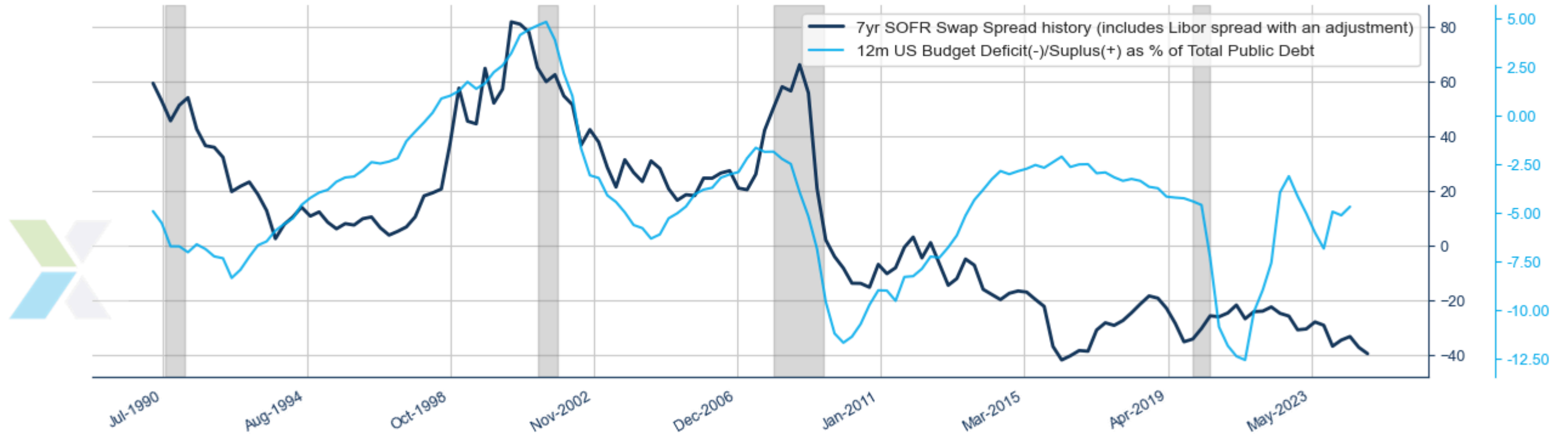


Source: Bloomberg data (Current Coupon "MTGEFNCL Index" vs. 5&10 Year Treasury yields weighted to average 7 years)

# Hedge selection offers potential for alpha generation

## SOFR swap spreads to Treasuries appear to already reflect more deficit financing

Prior to SOFR introduction, swap spreads tracked deficits, today spreads more than price risk of more deficit financing



Source: Dynex calculations using US Treasury, St. Louis FRED, Bloomberg. ARCC SOFR-Libor spread of 26.2bps.

# 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:*

- **Steeper Curve** - positive for mortgage carry, including dollar rolls
- **Focused Refis** – refi response has been high for a select, concentrated segment of high-rate, easily refinanced loans.
- **Slow Housing** – large portion of borrowers “locked-in” with rates below 4%, but there have been hints turnover may increase in rates can get near 5%.
- **Affordability** – improving but still low.
- **Innovation** – mortgage bankers continue to look for ways to help borrowers extract equity.
- **Credit Risk** – hints of cheapening in non-agency MBS, but credit supported by strong housing fundamentals.

### *Psychology:*

- **Economic Sentiment** - modest to moderate economic growth, but consumer sentiment depends on politics.
- **Fed Bias** – even amid bouts of inflation upside surprises, Fed officials appear unlikely to entertain higher policy rates in this cycle.
- **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 impact on asset prices extremely hard to assess.

### *Technical:*

- **Fed Balance Sheet** - MBS portfolio runoff will likely continue even after net “quantitative tightening” ends; private capital will absorb marginal net supply.
- **Low Supply** – net issuance will likely remain historically low but see periodic spikes as see in 3Q24.
- **Return of Banks** – banks were net buyers amid lower funding costs, and CMO activity increased modestly, expect more in 4Q and 2025.
- **Retail Matters** – fund flows remain positive, money managers are overweight the sector.
- **Hedge Funds** - remain active in agency MBS.
- **The Coupon Stack** – recent rate moves highlight importance of having exposure across the tradable coupons in agency MBS

### *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
- **Relative Value** – diverse coupon positions benefited portfolio; specified pools have traded very well; we are considering relative value opportunities.
- **Potential for diversification** – select segments of Agency CMBS market increasingly will merit close look as agency RMBS spreads tighten further.

# 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, especially in Sunbelt, is pressuring rent growth and occupancy levels.
- **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** - likely supportive of CRE transaction volumes, property prices, and CMBS spreads.
- **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 has been relatively light but could grow with lower mortgage rates higher transaction volumes.
- **Reduced Bank Demand** - has resulted in increased participation from other investor types.

### *Value:*

- **Yield Curve** - steeper yield curve offers potential for additional returns from roll-down.
- **Spread Tightening This Year** – sector performed well. Some segments have cheapened modestly and look more attractive hedged with interest rate swaps
- **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 good.

Pricing started to reflect impact of Fed "QT" and regulatory constraints.

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

### *Fundamentals:*

- **Evolving Economic Data** – expect to take advantage of fluctuations in pricing of expected rate cuts amid periodic volatility in economic data.
- **Central Clearing** – SEC adopted rule to reduce and manage risk in financial markets.
- **Reserves** – Bank reserves remain high. Fed more closely monitoring with survey of reserve conditions and regular publication of results.

### *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.
- **Year-end** - window-dressing of balance sheets and risk-weighted asset concerns could impact market participants' views on financing into 2025.

### *Technical:*

- **Money Market Funds** - YTD totals grew to \$570B, supporting availability of funding.
- **Fed Reverse Repo Program** - balances fluctuating between \$290-400B as dealer constraints shift cash within funding markets.
- **Quarter-End SOFR** - SOFR increased 12bps over 9/30 due balance sheet constraints, which normalized quickly in early October.
- **GSE Cash** - consistent source of cash at regular interval during the month.

### *Value:*

- **Portfolio Financing** – DX managed shifts in the financing market's supply & demand technicals and executed repo at opportunistic levels when available.
- **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 remain near generational wides and offer opportunity to earn positive carry from the yield curve.

## 02 Well Positioned

Existing portfolio can drive significant upside as spreads converge to longer-term equilibrium levels; shifting yield dynamics offer potential for further accretive returns from hedges and diversification.

## 03 High Liquidity

We are operating with ample liquidity in order to capture future opportunities, with \$709 million of cash and unencumbered assets as of September 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 create value through opportunistic investing, diversifying our hedges and asset mix, 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.



## **Stewardship**

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



## **Integrity**

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



## **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.



## **Performance Mentality**

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



## **Trust**

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



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# Supplemental Financials

# Capital Structure

	Common Stock	Series C Preferred Stock
<b>NYSE Ticker</b>	DX	DX PRC
<b>Shares Outstanding</b>	79.3 million	4.5 million
<b>Book Value per share Outstanding</b>	\$13.00	—
<b>3Q24 Dividends Declared per share</b>	\$0.39	\$0.43
<b>Annualized Dividend Yield</b>	12.23%	6.79%
<b>Share Price</b>	\$12.76	\$25.42
<b>Market Capitalization</b>	\$1.0 billion	—
<b>Liquidation Value</b>		\$111.5 million

# RMBS Portfolio Details *(as of September 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	\$ 668,416	101.7	\$ 559,167	83.7 %	6.0 %	1.06	\$ 11,073	4.50%	1.77%	5.6 %
2.5% coupon	571,513	103.8	499,128	87.3 %	5.4 %	1.13	21,721	4.44%	1.96%	5.7 %
4.0% coupon	331,722	100.2	321,575	96.9 %	3.5 %	0.97	498	4.48%	3.92%	8.1 %
4.5% coupon	1,354,851	97.6	1,337,957	98.8 %	14.4 %	0.50	(32,879)	4.69%	4.90%	7.7 %
5.0% coupon	2,062,913	98.4	2,074,274	100.6 %	22.3 %	0.66	(33,907)	4.90%	5.29%	6.4 %
5.5% coupon	1,950,064	100.7	1,987,567	101.9 %	21.3 %	0.79	14,507	5.10%	5.44%	4.6 %
6.0% coupon	315,455	101.2	325,422	103.2 %	3.5 %	0.99	3,920	5.06%	5.80%	6.6 %
<b>Total Agency RMBS Pools:</b>	<b>\$ 7,254,934</b>	<b>99.8</b>	<b>\$ 7,105,090</b>	<b>97.9 %</b>	<b>76.3 %</b>	<b>0.77</b>	<b>\$ (15,067)</b>	<b>4.84%</b>	<b>4.53 %</b>	<b>6.1 %</b>
<b>Agency RMBS TBA:</b>										
4.0% coupon	462,000	-	443,447	96.0 %	4.8 %	-	-	4.55%	-	-
4.5% coupon	183,000	-	179,819	98.3 %	1.9 %	-	-	4.75 %	-	-
5.0% coupon	767,000	-	766,161	99.9 %	8.2 %	-	-	5.02 %	-	-
5.5% coupon	592,000	-	598,752	101.1 %	6.4 %	-	-	5.09 %	-	-
<b>Total Agency RMBS TBA:</b>	<b>\$ 2,004,000</b>	<b>-</b>	<b>\$ 1,988,179</b>	<b>99.2 %</b>	<b>21.3 %</b>	<b>-</b>	<b>-</b>	<b>4.91%</b>	<b>-</b>	<b>-</b>
<b>Total Agency RMBS:</b>	<b>\$ 9,258,934</b>		<b>\$ 9,093,269</b>	<b>98.2 %</b>	<b>97.6 %</b>			<b>4.86 %</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	\$ 101,169	\$ 98,026	1.1 %	2.9	2.96 %	4.44 %	\$ 91,985	\$ 6,041	
Agency CMBS IO	116,006	111,774	1.2 %	5.8	5.16 %	6.59 %	100,080	11,694	
Non-Agency CMBS IO	11,525	12,754	0.1 %	1.3	35.19 %	26.63 %	10,801	1,953	
<b>Total</b>	<b>\$ 228,700</b>	<b>\$ 222,554</b>	<b>2.4 %</b>	<b>4.3</b>	<b>5.93 %</b>	<b>6.82 %</b>	<b>\$ 202,866</b>	<b>\$ 19,688</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 September 30, 2024	As of June 30, 2024
+100	(4.4)%	(5.6)%
+50	(1.1)%	(2.1)%
-50	(2.6)%	(0.1)%
-100	(9.2)%	(3.5)%

## Spread Sensitivity

Change in Spreads (bps)	Percentage Change in Common Shareholders' Equity	
	September 30, 2024	As of June 30, 2024
+20/+50 <sup>(1)</sup>	(9.2)%	(10.6)%
+10	(4.6)%	(5.3)%
-10	4.6%	5.3%
-20/-50 <sup>(1)</sup>	9.2%	10.6%

(1) Incorporates a 20-basis point shift in option-adjusted spread of 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 September 30, 2024	As of June 30, 2024
<b>Bear Steepener</b>	+25	+50	(0.5)%	(1.1)%
	+50	+100	(3.2)%	(3.6)%
<b>Bear Flattener</b>	+50	+25	(1.0)%	(2.1)%
	+100	+50	(1.9)%	(3.6)%
<b>Bull Steepener</b>	-25	+0	1.1%	2.8%
	-50	-10	1.7%	4.6%
	-75	-25	1.6%	5.8%
<b>Bull Flattener</b>	+0	-25	(1.3)%	(0.7)%
	-10	-50	(3.2)%	(1.7)%
	-25	-75	(6.6)%	(4.1)%



# Hedge Position Changes

***Our hedge strategy is constructed to protect and optimize portfolio performance under various rate scenarios.***

- We adjusted our hedge book in the 3rd Quarter, shifting to SOFR swaps from Treasury futures.***

(\$ in thousands)	September 30, 2024	June 30, 2024
	Notional Amount / Long (Short)	Notional Amount / Long (Short)
30-year U.S. Treasury futures	\$ (505,000)	\$ (825,000)
10-year U.S. Treasury futures	(3,850,000)	(4,570,000)
>5yr to 7yr Interest Rate swaps	(260,000)	(10,000)
>3yr to 5yr Interest Rate swaps	(1,275,000)	—

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

Collateral Type	Balance (\$s in thousands)	Weighted Average Rate	Fair Value of MBS Pledged as Collateral (\$s in thousands)
Agency RMBS	\$6,221,024	5.39 %	\$6,549,630
Agency CMBS	91,985	5.36 %	97,627
Agency CMBS IO	100,080	5.71 %	108,817
Non-Agency CMBS IO	10,801	6.07 %	11,873
<b>Total</b>	<b>\$6,423,890</b>	<b>5.40 %</b>	<b>\$6,767,947</b>

Remaining Term to Maturity	Balance (\$s in thousands)	Percentage	Weighted Average Original Term to Maturity
< 30 days	\$4,403,523	69%	59
30 to 90 days	2,020,367	31%	89
<b>Total</b>	<b>\$6,423,890</b>	<b>100%</b>	<b>68</b>

- o The weighted average repo borrowing cost was 5.44% during the third quarter of 2024, a decrease of 3 basis points from the second quarter of 2024. The weighted average rate on repo outstanding as of quarter end September 30, 2024 was 5.40%.
- o Active with 28 counterparties at September 30, 2024 with maximum equity at risk no greater than 10% with any one counterparty.

# Financial Performance

(\$ in thousands, except per share amounts)	3Q24		2Q24		YTD 2024	
	Income (Expense)	Per Common Share*	Income (Expense)	Per Common Share*	Income (Expense)	Per Common Share*
Interest income	\$ 83,458	\$ 1.10	\$ 76,054	\$ 1.14	\$ 231,038	\$ 3.43
Interest expense	(82,564)	(1.09)	(74,767)	(1.12)	(232,048)	(3.45)
<b>GAAP net interest income (expense)</b>	894	0.01	1,287	0.02	(1,010)	(0.02)
Net periodic interest benefit from interest rate swaps <sup>(1)</sup>	4,162	0.05	17	—	4,179	0.06
Agency RMBS TBA drop loss <sup>(1)</sup>	(1,654)	(0.02)	(233)	—	(3,154)	(0.05)
General, administrative, and other operating expenses	(8,707)	(0.11)	(7,243)	(0.11)	(27,252)	(0.40)
Preferred stock dividends	(1,923)	(0.03)	(1,923)	(0.03)	(5,770)	(0.09)
<b>Earnings available for distribution <sup>(2)</sup></b>	(7,228)	(0.10)	(8,095)	(0.12)	(33,007)	(0.49)
Realized loss on sales of investments, net	—	—	(1,506)	(0.02)	(1,506)	(0.02)
Unrealized gain (loss) on investments, net	192,874	2.54	(41,977)	(0.63)	80,873	1.20
Change in fair value of derivatives <sup>(1)</sup>	(156,572)	(2.07)	41,351	0.62	10,682	0.16
<b>GAAP net income (loss) to common shareholders</b>	29,074	0.38	(10,227)	(0.15)	57,042	0.85
Net unrealized gain (loss) on AFS investments	41,667	0.55	(1,786)	(0.03)	22,613	0.34
<b>Comprehensive income (loss) to common shareholders</b>	\$ 70,741	\$ 0.93	\$ (12,013)	\$ (0.18)	\$ 79,655	\$ 1.18
WAVG common shares outstanding	75,793		66,955		67,313	

\*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 September 30, 2024	
	Common Equity	Per Common Share
(\$s in thousands except amounts per share)		
Common equity, beginning of period <sup>(1)</sup>	\$ 933,763	\$ 12.50
Earnings available for distribution <sup>(2)</sup>	(7,228)	
Change in fair value of investments, including TBAs	308,386	
Change in fair value of interest rate hedges	(230,417)	
Comprehensive income to common shareholders	70,741	
Dividends declared	(30,198)	
Stock transactions <sup>(3)</sup>	56,753	
Common equity, end of period <sup>(1)</sup>	\$ 1,031,059	\$ 13.00

(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)	3Q24	2Q24	1Q24	4Q23	3Q23
<b>Comprehensive income (loss) to common shareholders</b>	\$ 70,741	\$ (12,013)	\$ 20,927	\$ 81,648	\$ (86,748)
Adjustments:					
Change in fair value of investments <sup>(2)</sup>	(234,541)	45,269	87,292	(323,259)	220,874
Change in fair value of derivatives instruments, net <sup>(3)</sup>	156,572	(41,351)	(125,903)	227,759	(149,512)
<b>EAD to common shareholders</b>	\$ (7,228)	\$ (8,095)	\$ (17,684)	\$ (13,852)	\$ (15,386)
<b>EAD per common share</b>	\$ (0.10)	\$ (0.12)	\$ (0.30)	\$ (0.24)	\$ (0.28)

(\$ in thousands)	3Q24	2Q24	1Q24	4Q23	3Q23
<b>Net interest income (expense)</b>	\$ 894	\$ 1,287	\$ (3,192)	\$ (2,277)	\$ (2,262)
Net periodic interest benefit from interest rate swaps	4,162	17	—	—	—
Agency RMBS TBA drop loss	(1,654)	(233)	(1,268)	(844)	(2,559)
Operating expenses, net	(8,707)	(7,243)	(11,301)	(8,808)	(8,642)
Preferred stock dividends	(1,923)	(1,923)	(1,923)	(1,923)	(1,923)
<b>EAD to common shareholders</b>	\$ (7,228)	\$ (8,095)	\$ (17,684)	\$ (13,852)	\$ (15,386)

(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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