



Second Quarter 2021 Earnings Presentation

July 28, 2021



# Safe Harbor Statement

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## NOTE:

This presentation contains certain statements that are not historical facts and that constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Statements in this presentation addressing expectations, assumptions, beliefs, projections, estimates, future plans, strategies, and events, developments that we expect or anticipate will occur in the future, and future operating results or financial condition are forward-looking statements. Forward-looking statements in this presentation may include, but are not limited to, our views on longer-term returns, macroeconomic and industry trends, statements regarding our financial performance in future periods, future interest rates and their impact on our financial measures, our views on expected characteristics of future investment environments, prepayment rates and investment risks and trends, our future investment strategies, our future leverage levels and financing strategies and costs, the use of specific financing and hedging instruments and the future impacts of these strategies, the amount, timing or funding of future dividends, future actions by the Federal Reserve and other central banks and GSEs and the expected performance of our investments. The words “will,” “believe,” “expect,” “forecast,” “anticipate,” “intend,” “estimate,” “assume,” “project,” “plan,” “continue,” and similar expressions also identify forward-looking statements. These forward-looking statements reflect our current beliefs, assumptions and expectations based on information currently available to us, and are applicable only as of the date of this presentation. Forward-looking statements are inherently subject to risks, uncertainties, and other factors, some of which cannot be predicted or quantified and any of which could cause the Company’s actual results and timing of certain events to differ materially from those projected in or contemplated by these forward-looking statements. Not all of these risks, uncertainties and other factors are known to us. New risks and uncertainties arise over time, and it is not possible to predict those risks or uncertainties or how they may affect us. The projections, assumptions, expectations or beliefs upon which the forward-looking statements are based can also change as a result of these risks and uncertainties or other factors. If such a risk, uncertainty, or other factor materializes in future periods, our business, financial condition, liquidity and results of operations may differ materially from those expressed or implied in our forward-looking statements.

While it is not possible to identify all factors, some of the factors that may cause actual results to differ from historical results or from any results expressed or implied by our forward-looking statements, or that may cause our projections, assumptions, expectations or beliefs to change, include the risks and uncertainties referenced in our Annual Report on Form 10-K for the year ended December 31, 2020 and subsequent filings with the Securities and Exchange Commission, particularly those set forth under the caption “Risk Factors”.

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# Market Snapshot

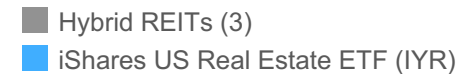
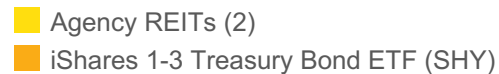
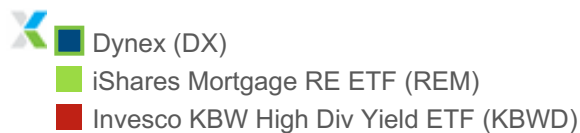
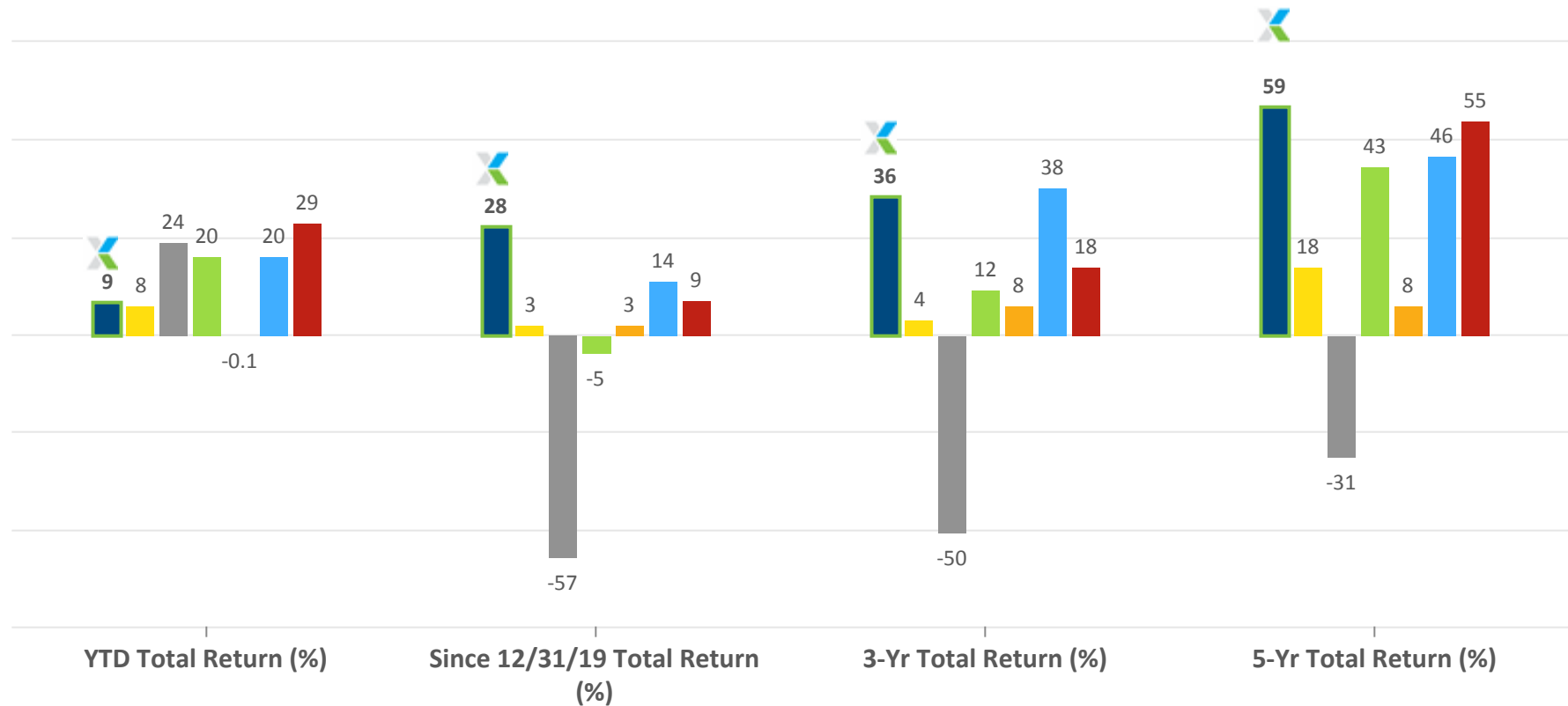
	Common Stock	Series C Preferred Stock
NYSE Ticker	<b><i>DX</i></b>	<b><i>DXPrC</i></b>
Shares Outstanding <i>(in millions) (as of 6/30/21)</i>	34.3	4.5
2Q21 Dividends Declared	\$0.39	\$0.43
Annualized Dividend Yield	8.94%	6.67%
Book Value per share <i>(as of 6/30/21)</i>	\$18.75	—
Share Price <i>(close on 7/22/21)</i>	\$17.45	\$25.85
Market Capitalization <i>(in millions) (as of 7/22/2021)</i>	\$598.5	\$116.3
Price to Book <i>(based on 07/22/21 stock price and 6/30/21 book value)</i>	93.1%	—

Source: Bloomberg

# Superior Long-term Performance

## Industry-leading performance versus other income-oriented vehicles

### Cumulative Total Shareholder Returns <sup>(1)</sup>



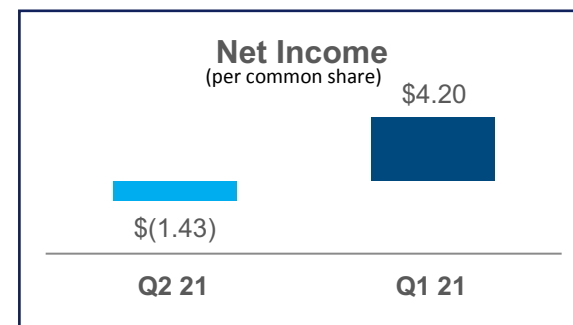
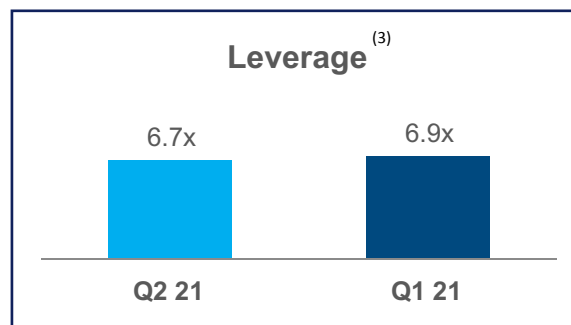
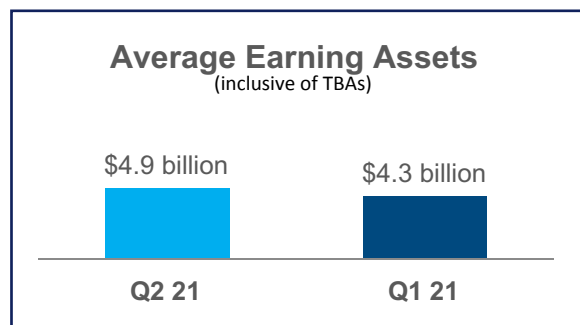
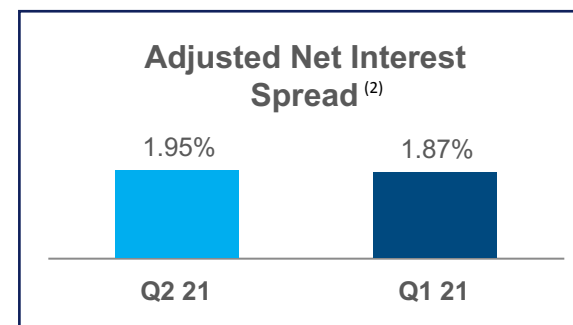
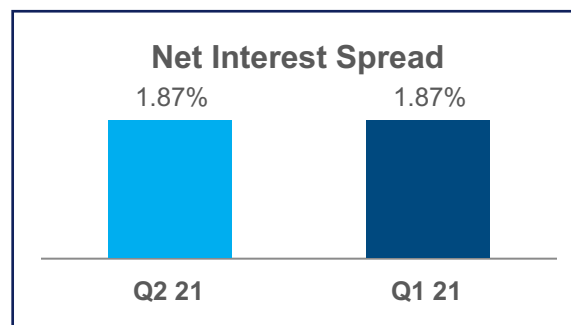
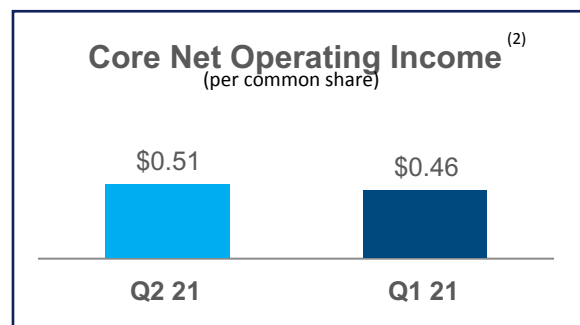
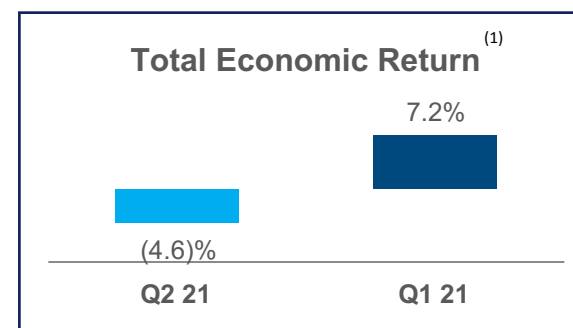
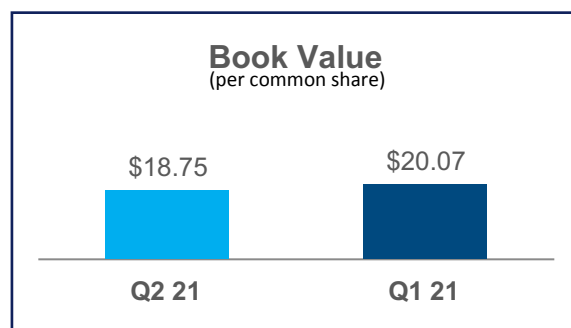
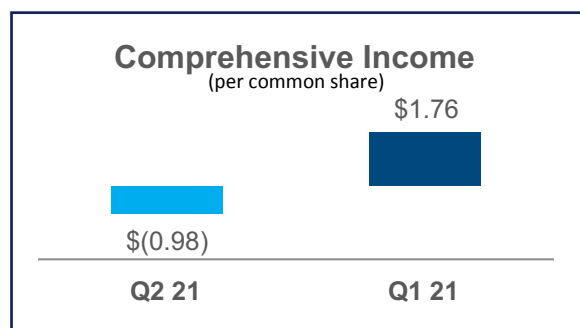
(1) Ending period 6/30/2021

(2) Select Agency MREITS on an equal weight basis

(3) Select Hybrid MREITS on an equal weight basis

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

# Performance Highlights- Q2 2021



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

2. Reconciliations for non-GAAP measures are presented on slide 28.

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

# Macroeconomic Thesis

## Long-term

*The global economy is evolving but remains fragile as significant uncertainties remain about the pandemic's long-term effects across economic, social and political factors.*

- Changing demographics, rising global debt, evolving technologies, human conflict, and climate change all remain key factors that increase the complexity of the macro-environment while also providing investment opportunities.
- Global economies and financial systems are dependent on Central Banks continuing to play a major role. A large number of risk factors have been further exacerbated by the pandemic.
- Fiscal policy remains an important driving force for stimulating growth and inflation. As this policy is being financed with incremental borrowing, the increased supply of bonds must be absorbed by the market.
- The Federal Reserve's stated commitment to keep the Federal Funds rate at zero and its explicit Average Inflation Targeting strategy may further impact the steepness of the curve, volatility, and level of interest rates.
- Longer-term demographic trends, and the growing amount of global debt, are factors that will limit the extent to which interest rates can rise.

# Current Environment and Positioning

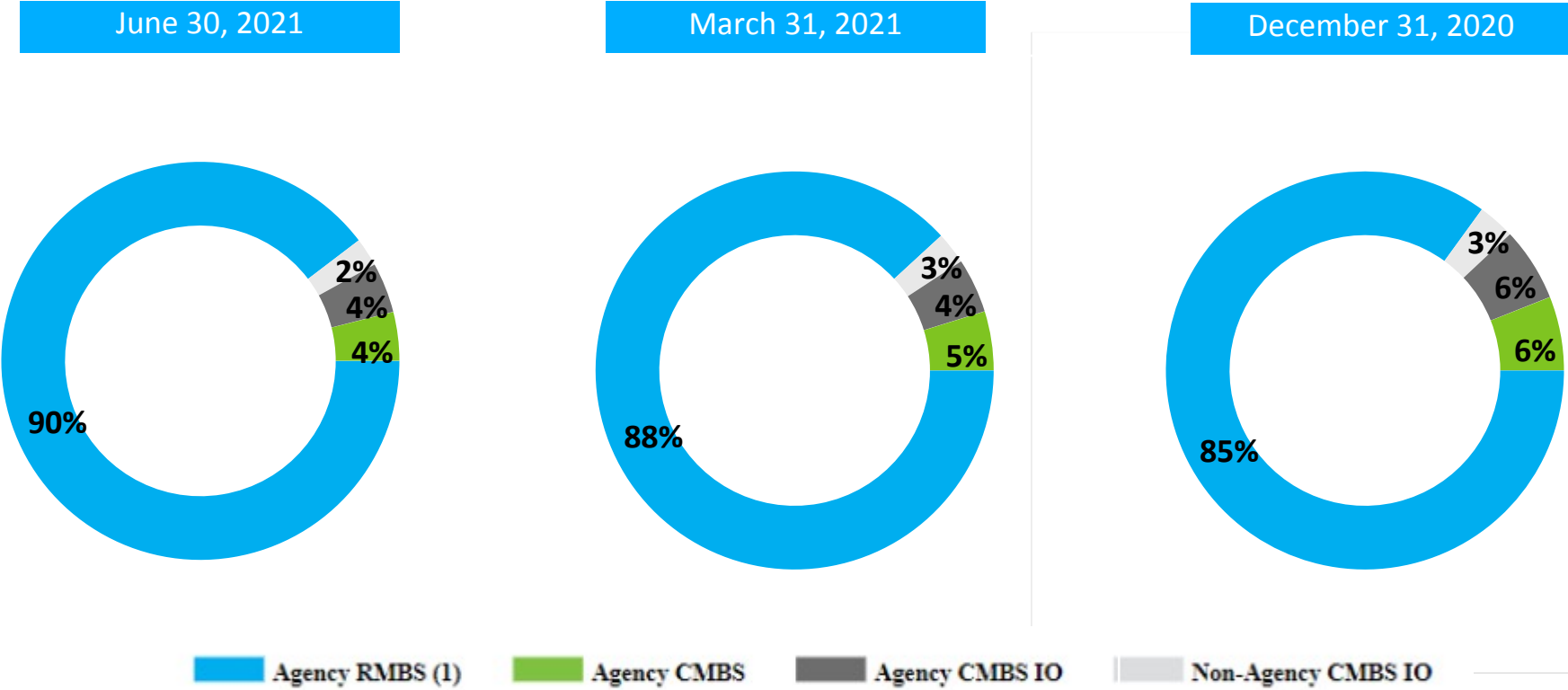


*We believe the broader investment environment remains favorable with financing costs anchored well into 2022 and beyond.*

- We believe front end (0-2yr) rates will remain low for the next 18-24 months, providing a solid base for generating returns.
- In the short term – we anticipate choppy market action in response to the delta variant, exogenous global risk, inflation, fall reopening, and possible equity market volatility. We expect that 10-year Treasury yields will trade in a range of 1.00% to 1.50%.
- We believe the risk of a whipsaw in rates over the coming quarters is substantial due to a potential turn in sentiment and fundamentals.
- In the medium term, we believe 10-year Treasury yields could move higher as we transition to a global reopened economy, a higher percentage of vaccinated populations, stable or rising inflation and a rising supply of global sovereign bonds due to tapering, continued deficit spending, and fiscal stimulus.
- We maintain a flexible portfolio, substantial liquidity, and a capacity to increase leverage. We believe we remain positioned to out-earn the dividend, which provides a capital cushion while generating solid long-term returns.

# Investment Portfolio *(as of dates indicated)*

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



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



# Risk Position - Interest Rates

***In our view, the macroeconomic environment is evolving as markets move to reflect shifting economic conditions.***

The estimated changes in the tables above incorporate duration and convexity inherent in our investment portfolio as it existed as of the dates indicated.

Parallel Curve Shift	Percentage Change in Common Shareholders' Equity	
	As of June 30, 2021	As of March 31, 2021
+100	(1.8)%	(9.1)%
+50	(0.5)%	(3.4)%
-50	(2.4)%	(1.4)%
-100	(13.5)%	(9.6)%

Curve Shift 2 year Treasury (bps)	Curve Shift 10 year Treasury (bps)	Percentage Change in Common Shareholders' Equity	
		As of June 30, 2021	As of March 31, 2021
+25	+50	(1.6)%	(4.0)%
+50	+25	0.3%	(1.1)%
0	-25	0.4%	1.1%
-10	-50	(0.2)%	0.8%
-25	-75	(3.6)%	(1.7)%

*Source: Company models based on modeled option adjusted duration. Includes changes in market value of our investments and derivative instruments, including TBA securities, but excludes changes in market value of our financings because they are not carried at fair value on our balance sheet. Percentage changes do not reflect any potential changes in market credit spreads.*

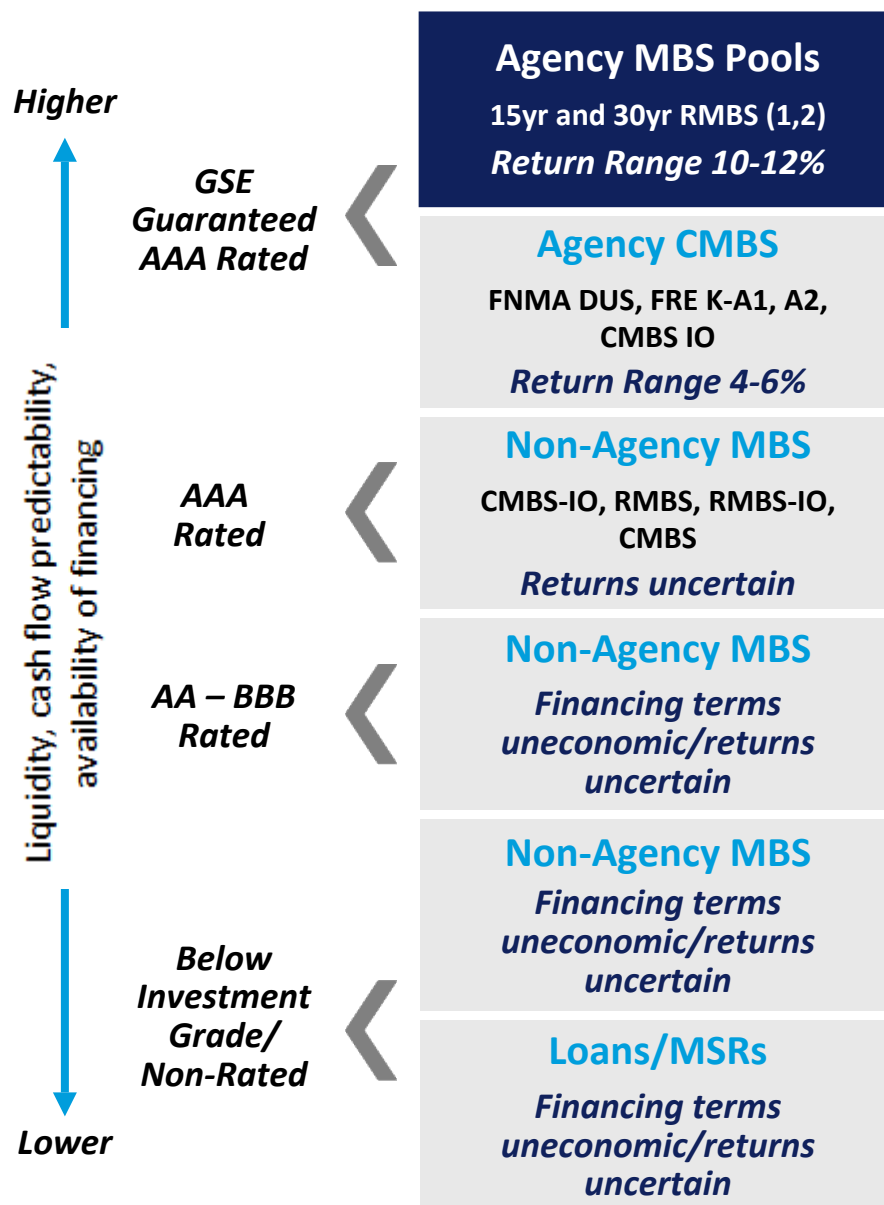
# Hedge Position Changes

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

- Futures offer hedge protection for higher rates with lower impact on liquidity and greater trading flexibility

	June 30, 2021			March 31, 2021		
	Notional Amount/ Long (Short) (\$ in '000s)	Rate	Average Months to Expiration	Notional Amount/ Long (Short) (\$ in '000s)	Rate	Average Months to Expiration
Interest rate payer swaptions	\$ 500,000	1.16%	2	\$ 500,000	1.16%	5
Put options on U.S. Treasury futures	850,000	1.69%	3	250,000	1.30%	2
U.S. Treasury futures	(3,250,000)	n/a	3	(2,980,000)	n/a	3

# Current Marginal Investment Returns *(as of June 30, 2021)*



## Agency RMBS offer attractive returns

- The most compelling levered risk and convexity adjusted marginal returns are still in the highest credit quality and the most liquid assets.
- Agency guaranteed RMBS offer attractive returns as funding costs are low, volatility is lower and the Federal Reserve is supporting this sector with purchases.
- TBA contracts offer additional financing advantage vs. repo and increased flexibility to maneuver portfolio size.
- Investing in more liquid MBS allows us the flexibility to rapidly pivot to other opportunities when they arise.
- Lower coupon Agency RMBS paired with options protect against prepayment risk and extension risk.

<sup>(1)</sup> Range of levered returns based on Company assumptions and calculations

<sup>(2)</sup> Includes returns for TBA specialness and specified pools.

# Long-Term Industry Trends

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***Positive long-term fundamental trends support our business model.***

**1**

Global demand for cash yield supports long term valuations of mortgage REITs

- Low and negative global yields have severely limited positive yielding cash income alternatives available to investors
- Global and domestic demographic trends show a rising aging global population that needs cash income

**2**

Favorable investment environment

- U.S. demographic trends will continue driving household formation/housing demand
- Financing costs expected to be stable for multiple years on high quality assets
- Steeper yield curve environment with stable financing costs is ideal for generating attractive net interest spreads

**3**

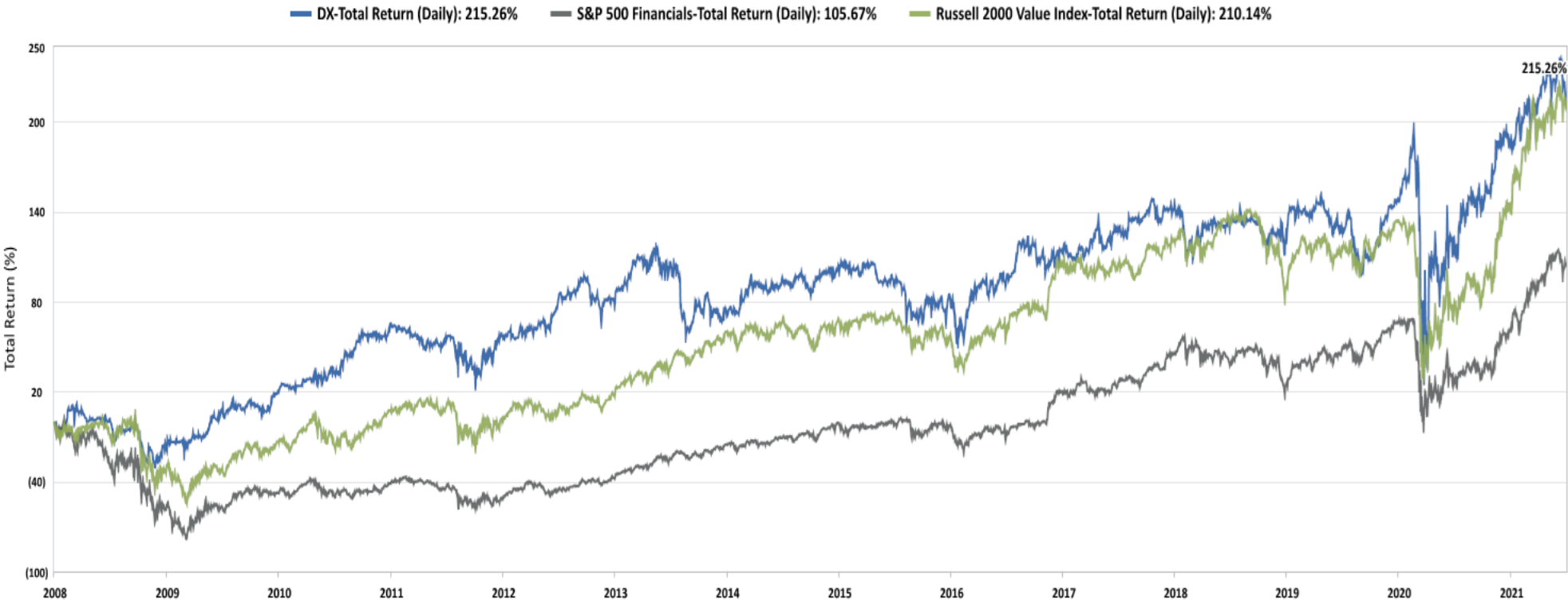
Further expansion of returns as counter cyclical emergency measures are tapered

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

# Disciplined Focus on the Long Term

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








**Total Return (%)**  
*January 1, 2008 - June 30, 2021*



Source: S&P Global

# Key Takeaways

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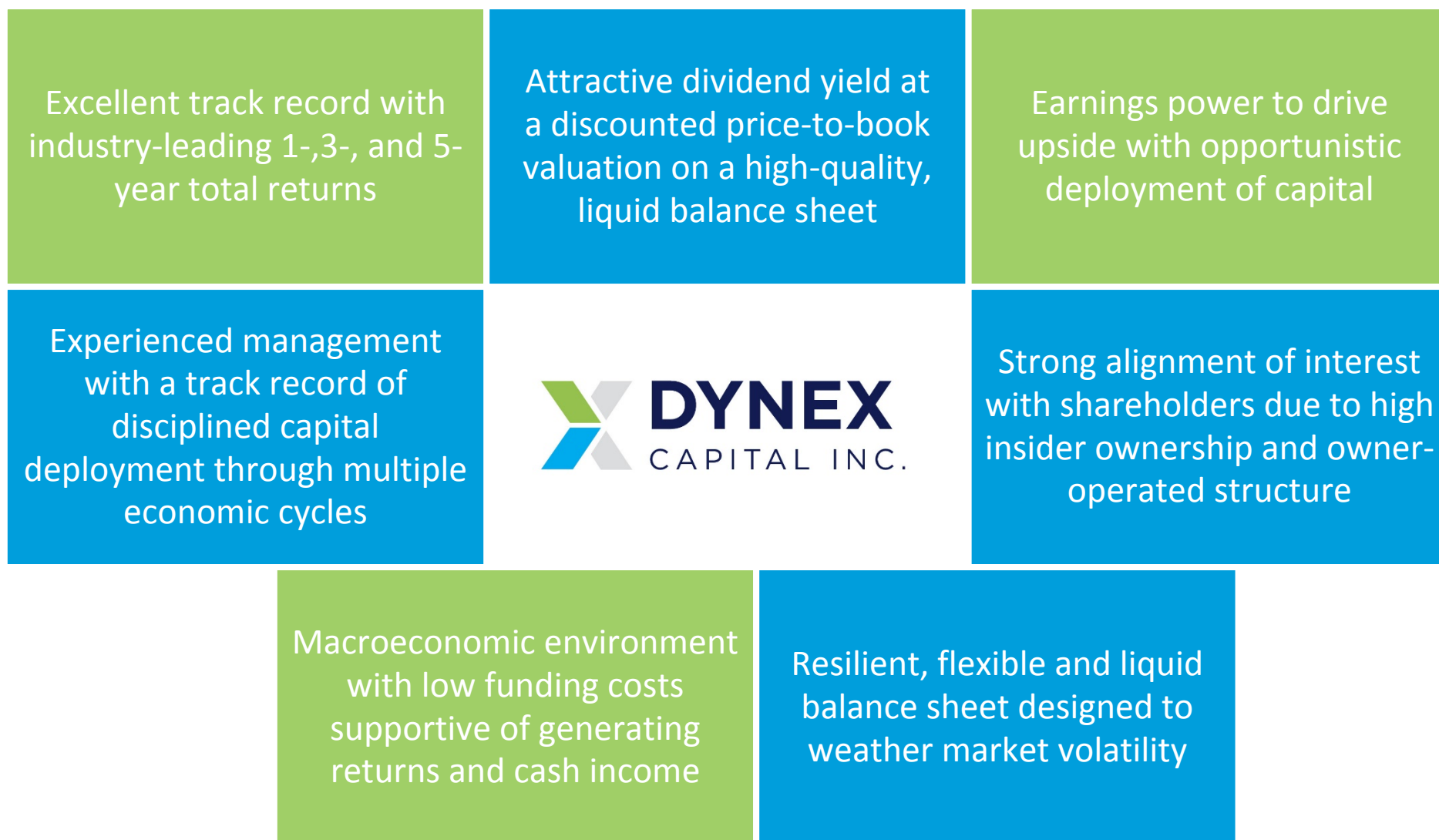
-  Low financing costs continue to provide a solid foundation for generating attractive long-term returns.
-  Generated a rolling 12-month total economic return of 21.7% and a total shareholder return of 42.6%.
-  Continued value creation during the quarter by managing the existing portfolio, optimizing our capital structure, and investing capital at attractive spreads.
-  Expect core net operating income<sup>(1)</sup> to continue to exceed the level of the dividend and believe the Company is well-positioned for the remainder of 2021.
-  Entering a period with additional opportunities to invest capital at wider spreads. We are positioned with low leverage, flexibility, capacity to increase earning assets, over \$400 million in liquidity, which we believe enables us to rapidly deploy capital for significant upside in core earnings<sup>(1)</sup> and total economic return.
-  We believe the macroeconomic environment is evolving as markets move to reflect shifting economic conditions. We believe the risk of a whipsaw in rates over the coming quarters is substantial due to a turn in sentiment and fundamentals. We remain prepared to adjust portfolio positioning as the data picture develops over the summer and into the fall.
-  We continue to manage our business with a long-term view. We remain confident in our ability to generate attractive risk-adjusted returns with solid core earnings that support the dividend and shareholder capital.

<sup>(1)</sup> Reconciliations for non-GAAP measures are presented on slide [28](#).

# Why Dynex

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



# Supplemental Information



# Fixed Income Market Update

Security	Change 2021	Change QoQ	6/30/21	5/31/21	4/30/21	3/31/21	12/30/20	9/30/20	6/30/20	3/31/20	12/31/19	Change YoY
<b>Treasury <sup>(2)</sup></b>												
IOER rate	0.05%	0.05%	0.15%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	1.55%	0.05%
1m repo <sup>(1)</sup>	-0.10%	-0.03%	0.11%	0.10%	0.11%	0.14%	0.21%	0.23%	0.25%	0.35%	2.06%	-0.14%
3m T-bill	-0.03%	0.03%	0.04%	0.02%	0.01%	0.01%	0.07%	0.09%	0.14%	0.09%	1.54%	-0.10%
2 yr	0.13%	0.09%	0.25%	0.14%	0.16%	0.16%	0.12%	0.13%	0.15%	0.25%	1.57%	0.10%
5 yr	0.53%	-0.05%	0.89%	0.80%	0.85%	0.94%	0.36%	0.28%	0.28%	0.38%	1.69%	0.61%
10 yr	0.55%	-0.27%	1.47%	1.59%	1.63%	1.74%	0.92%	0.69%	0.65%	0.67%	1.92%	0.82%
30 yr	0.44%	-0.32%	2.09%	2.28%	2.30%	2.41%	1.65%	1.46%	1.41%	1.32%	2.39%	0.68%
3M10Y Treasury Vol (15DP)	2.81	-2.10	4.60	4.90	5.40	6.70	3.89	4.54	3.89	5.32	4.18	0.71
<b>Swaps <sup>(2)</sup></b>												
1m Libor	-0.04%	-0.01%	0.10%	0.09%	0.11%	0.11%	0.14%	0.15%	0.17%	0.99%	1.76%	-0.07%
3m Libor	-0.09%	-0.05%	0.15%	0.13%	0.18%	0.19%	0.24%	0.23%	0.29%	1.45%	1.91%	-0.14%
2 yr	0.13%	0.04%	0.33%	0.23%	0.28%	0.29%	0.20%	0.22%	0.22%	0.49%	1.70%	0.11%
5 yr	0.53%	-0.09%	0.96%	0.88%	0.94%	1.06%	0.43%	0.35%	0.32%	0.46%	1.73%	0.64%
10 yr	0.52%	-0.34%	1.44%	1.57%	1.63%	1.78%	0.93%	0.71%	0.63%	0.72%	1.90%	0.81%
30 yr	0.37%	-0.43%	1.77%	2.00%	2.04%	2.20%	1.40%	1.18%	0.91%	0.88%	2.09%	0.86%
3M10Y Swaption Vol	10.8	-14.3	71.1	69.6	75.1	85.4	60.3	61.5	65.7	90.1	64.6	5.4
<b>30 Year MBS OAS <sup>(3)</sup></b>												
2.0% <sup>(4)</sup>	-5	14	-6	-18	-25	-20	-1	9	36	54	-	-
2.5%	3	17	1	-9	-24	-16	-2	-2	2	30	30	-1
3.0%	-9	25	27	11	-3	2	36	35	6	32	30	21
3.5%	12	32	40	23	-8	8	28	30	30	34	37	10
4.0%	3	43	54	36	9	11	51	64	48	27	49	6
FHFA Primary Mortgage <sup>(2)</sup>	0.32%	0.42%	3.12%	3.04%	2.72%	2.70%	2.80%	3.02%	3.32%	3.63%	3.56%	-0.20%
Fn 30yr Current Cpn <sup>(2)</sup>	0.49%	-0.21%	1.83%	1.82%	1.84%	2.04%	1.34%	1.42%	1.57%	1.80%	2.71%	0.26%
<b>CMBS <sup>(3)</sup></b>												
DUS 10/9.5	-18	-4	18	15	18	22	36	45	58	95	60	-40
DUS 12/11.5	-18	-3	26	22	24	29	44	53	68	110	68	-42
10 yr Freddie K A2	-13	-3	15	13	14	18	28	39	44	80	56	-29
Agency CMBS IO	-75	-30	65	65	75	95	140	180	275	400	135	-210
Non-Agency AAA CMBS IO	-60	-25	105	93	100	130	165	190	300	450	113	-195

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

(2) Source: Bloomberg

(3) Source: BlackRock 6.04 model prior to 03/31/2021 and BlackRock 6.1 on 3/31/2021 and after

# Pricing Matrix

30 Year MBS <sup>(1)</sup>		Change during 2021	Change QoQ	6/30/21	5/31/21	4/30/21	3/31/21	12/31/20	9/30/20	6/30/20	3/31/20	12/31/19
2.0% Cpn <sup>(2)</sup>	TBA Price	-2.91	1.30	100.98	101.09	101.00	99.67	103.88	103.41	102.34	-	-
	85K Max	-1.05	-0.22	0.91	0.94	1.19	1.13	1.96	2.78	2.19	-	-
	150K Max	-0.82	-0.13	0.50	0.50	0.75	0.63	1.32	1.88	1.56	-	-
	200k Max	-0.49	-0.13	0.28	0.25	0.50	0.41	0.77	1.19	0.97	-	-
	NY only	-0.77	0.00	0.25	0.25	0.34	0.25	1.02	1.75	1.34	-	-
	95 LTV	-0.13	0.00	0.03	0.03	0.06	0.03	0.16	0.44	0.34	-	-
	Low WALA/new	0.00	0.00	0.03	0.03	0.03	0.03	0.03	0.28	0.08	-	-
2.5% Cpn <sup>(2)</sup>	TBA Price	-1.86	0.91	103.41	103.60	103.76	102.51	105.27	104.92	104.26	-	-
	85K Max	-1.50	-0.19	1.84	1.47	2.00	2.03	3.35	4.00	3.31	-	-
	150K Max	-1.16	-0.13	1.31	0.91	1.38	1.44	2.47	2.59	2.5	-	-
	200k Max	-0.57	-0.19	0.75	0.44	0.94	0.94	1.32	1.50	1.22	-	-
	NY only	-1.28	0.09	1.06	0.63	0.97	0.97	2.34	2.41	2.19	-	-
	95 LTV	-0.13	-0.03	0.09	0.03	0.13	0.13	0.22	0.50	0.31	-	-
	Low WALA/new	-0.03	-0.06	0.03	0.03	0.09	0.09	0.06	0.25	0.08	-	-
3% Cpn	TBA Price	-0.66	0.09	104.22	104.52	104.73	104.13	104.88	104.75	105.31	104.81	101.44
	85K Max	-2.31	0.59	4.00	3.25	3.50	3.41	6.31	6.66	4.53	1.31	1.88
	150K Max	-2.53	0.16	2.88	2.50	2.78	2.72	5.41	4.63	3.34	0.75	1.38
	200k Max	-1.31	0.25	2.41	1.91	2.19	2.16	3.72	2.91	1.56	0.25	0.84
	NY only	-2.23	0.41	3.00	2.47	2.66	2.59	5.23	4.00	3.06	0.78	1.06
	95 LTV	-0.56	0.00	0.94	0.63	0.81	0.94	1.50	1.41	0.53	0.06	0.28
	Low WALA/new	-0.63	-0.25	0.75	0.66	1.00	1.00	1.38	1.25	0.28	0	0.31
3.5% Cpn	TBA Price	-0.59	-0.45	105.27	105.63	106.43	105.72	105.86	105.42	105.16	105.72	102.84
	85K Max	-2.75	0.66	5.06	4.25	4.66	4.41	7.81	8.00	6.84	1.97	3.22
	150K Max	-1.81	0.28	3.50	3.09	3.09	3.22	5.31	5.66	4.91	1.19	2.19
	200k Max	-0.85	0.19	2.78	2.44	2.22	2.59	3.63	3.53	2.84	0.78	1.5
	NY only	-1.31	0.41	3.63	3.06	3.19	3.22	4.94	4.75	4.78	1.09	2.34
	95 LTV	-0.41	0.03	1.09	0.88	0.75	1.06	1.50	1.59	1.38	0.34	0.72
	Low WALA/new	-0.56	-0.13	0.91	0.78	0.78	1.03	1.47	1.53	1.25	0.19	0.42
4% Cpn	TBA Price	-0.40	-0.78	106.54	106.92	107.40	107.32	106.94	106.64	105.97	106.70	103.96
	85K Max	-2.56	0.84	5.75	4.91	5.31	4.91	8.31	8.84	8	2.81	4.78
	150K Max	-0.91	0.47	3.78	3.38	3.59	3.31	4.69	5.38	5.31	1.56	2.94
	200k Max	-0.47	0.41	2.97	2.78	2.44	2.56	3.44	3.31	2.94	1.25	1.94
	NY only	-2.25	0.69	4.09	3.44	3.66	3.41	6.35	5.09	5.44	1.47	3.63
	95 LTV	0.03	0.22	1.06	0.88	0.81	0.84	1.03	1.41	1.25	0.5	0.88
	Low WALA/new	-0.38	0.03	0.84	0.75	1.00	0.81	1.22	1.34	1.22	0.23	0.72

(1) Source: JP Morgan DataQuery, Bloomberg and internal company data. Specified Pool Payups are quoted in percentage points of price above TBAs

(2) UMBS 2.0/2.5 changes are compared from when Specified Pools in that coupon became available in the market.

# Dollar Rolls

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- TBAs are an important part of Dynex's actively managed Agency RMBS strategy. We use TBAs to quickly add or remove earning assets as they are among the most liquid tradeable instruments in the fixed income markets, even more than specified pools.
- Dollar rolls are the financing mechanism for TBA positions and can provide the additional benefit of lower implied financing rates ("trading special") compared to traditional repo financing.
- Implied financing levels in the TBA market are driven by prepayment expectations and supply/demand dynamics by coupon and can be "special" (i.e. below the level of repo rates for substantial periods of time).
- Dynamic management of pools and TBA positions can allow us to capture incremental return versus purely owning Agency RMBS pools.
- TBA positions are hedged using similar instruments as Agency RMBS pools with varying duration estimates.
- Federal Reserve purchase activity and investor demand for Agency RMBS have caused implied financing rates from dollar rolls in "production" coupons to remain favorable versus repo rates.

# Risk Position - Credit Spreads

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

Change in Market Credit Spreads	As of June 30, 2021	As of March 31, 2021
	Percentage Change in Common Shareholders' Equity	Percentage Change in Common Shareholders' Equity
+20/+50 <sup>(2)</sup>	(10.9)%	(10.5)%
+10	(5.2)%	(5.0)%
-10	5.2%	5.0%
-20/-50 <sup>(2)</sup>	10.9%	10.5%

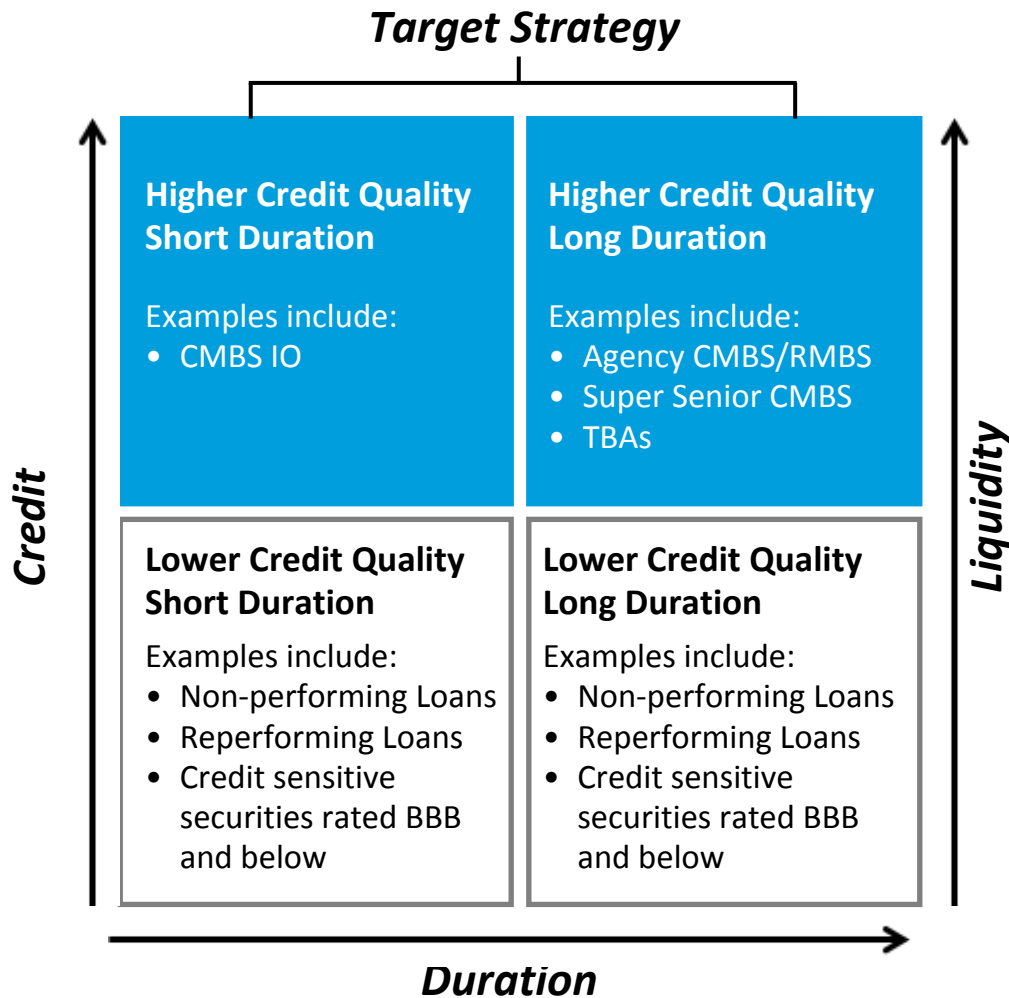
(1) Includes changes in market value of our MBS investments and TBA securities.

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

Source: Company models based on modeled option adjusted duration. Includes changes in market value of our investments and derivative instruments, including TBA securities, but excludes changes in market value of our financings because they are not carried at fair value on our balance sheet.

# Long-term Investment Strategy

Dynamic and disciplined capital allocation model enables us to capture long-term value



- In the current environment invest in a high quality, liquid asset portfolio of primarily Agency investments
- Longer-term diversification is key
  - Balance between commercial and residential sectors provides diversified cash flow and prepayment profile
  - Agency CMBS protect the portfolio from extension risk. High quality CMBS IO add yield and are intended to limit credit exposure and prepayment volatility vs. lower rated tranches
  - Agency fixed rate RMBS allow opportunistic balance sheet growth in high quality liquid assets
- Flexible portfolio duration position to reflect changing market conditions

High concentration
  Low concentration
  No concentration

# Portfolio Characteristics *(as of June 30, 2021)*

(\$ in millions)	Par Value		Total Par Value	Estimated Fair Value	% of Portfolio	WAVG Coupon <sup>(1)</sup>	Amortized Cost (%) <sup>(2)</sup>	Unamortized Premium Balance <sup>(2)</sup>	3-month CPR <sup>(2) (3)</sup>	3-month WAVG Yield <sup>(2)</sup>
	Pools	TBA								
<b>Agency RMBS</b>										
1.5% coupon	\$ —	\$ 375,000	\$375,000	\$ 378,267	7.1 %	1.50 %	n/a	n/a	n/a	n/a
2.0% coupon	907,767	1,115,000	2,022,767	2,049,658	38.3 %	2.00 %	102.0 %	\$ 18,108	13.2%	1.57 %
2.5% coupon	1,244,081	820,000	2,064,081	2,143,241	40.1 %	2.50 %	104.4 %	54,183	16.0%	1.48 %
4.0% coupon	208,875	—	208,875	225,168	4.2 %	4.00 %	103.0 %	6,272	44.8%	1.97 %
<b>Total Agency RMBS</b>	<b>\$ 2,360,722</b>	<b>\$ 2,310,000</b>	<b>\$ 4,670,723</b>	<b>\$ 4,796,334</b>	<b>89.6 %</b>		<b>103.3 %</b>	<b>\$ 78,563</b>	<b>19.0%</b>	<b>1.58 %</b>
<b>Agency CMBS</b>	\$ 196,093	—	\$ 196,093	\$ 211,110	3.9 %	3.23 %	101.4 %	\$ 2,725	<sup>(5)</sup>	2.97 %
<b>CMBS Interest-only</b>	<sup>(4)</sup>	—	<sup>(4)</sup>	342,483	6.4 %	0.64 %	n/a	327,098	<sup>(5)</sup>	4.24 %
<b>Other non-Agency MBS</b>	1,196	—	1,196	1,001	— %	5.88 %	74.4 %	(306)	-	27.02 %
<b>Total</b>	<b>\$ 2,558,011</b>	<b>\$ 2,310,000</b>	<b>\$ 4,868,012</b>	<b>\$ 5,350,928</b>	<b>100 %</b>		<b>-</b>	<b>\$ 408,080</b>	<b>-</b>	<b>2.10 %</b>

(1) The weighted average coupon ("WAC") is the gross interest rate of the security weighted by the outstanding principal balance (or by notional amount for CMBS IO).

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

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

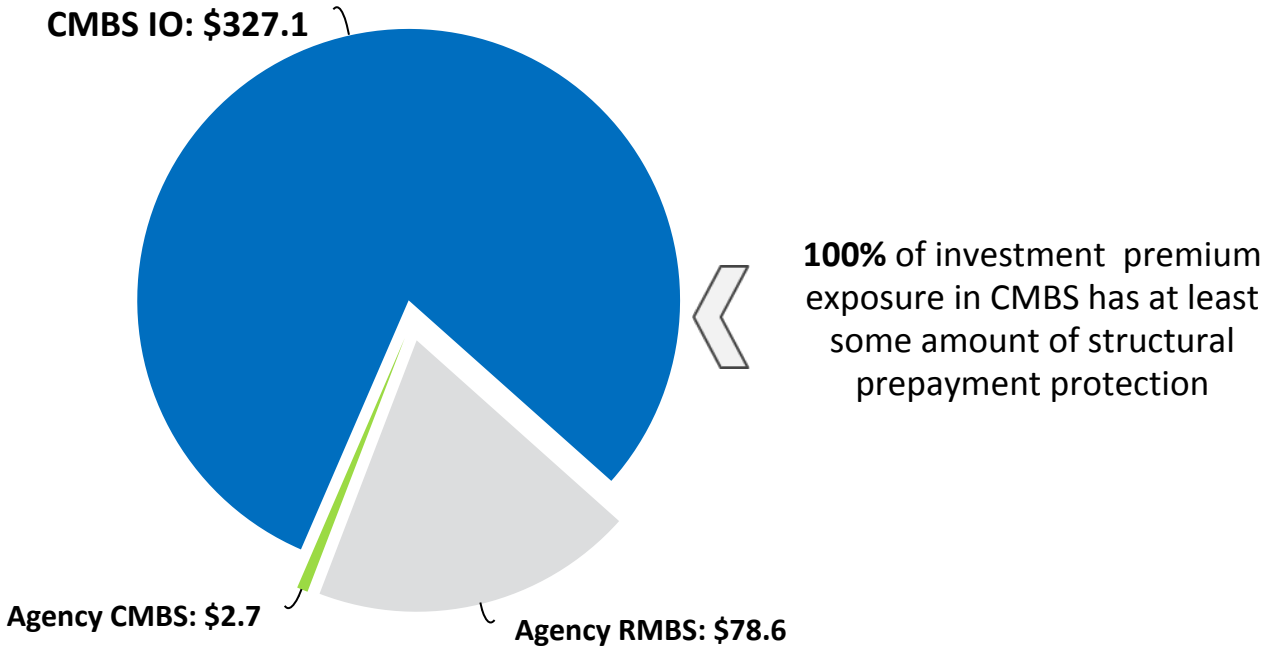
(4) CMBS IO do not have underlying par values. The total notional value underlying CMBS IO was \$19.9 billion as of June 30, 2021.

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

# Prepayment Protection on Unamortized Premium

(as of June 30, 2021)

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



Unamortized Premium		\$ in Millions	% of Total
<i>Explicit prepayment protection:</i>	CMBS/CMBS IO	\$329.8	81%
<i>Favorable prepayment characteristics:</i>	RMBS	78.6	19%

# Funding Strategy *(as of June 30, 2021)*

(\$s in thousands)

Collateral Type	Balance	Weighted Average Rate	Fair Value of Collateral
Agency RMBS	\$1,835,941	0.12 %	\$1,928,660
Agency CMBS	195,168	0.12 %	209,156
Agency CMBS IO	190,110	0.72 %	215,503
Non-Agency CMBS IO	99,824	1.00 %	119,938
Total	\$ 2,321,043	0.21 %	\$2,473,257

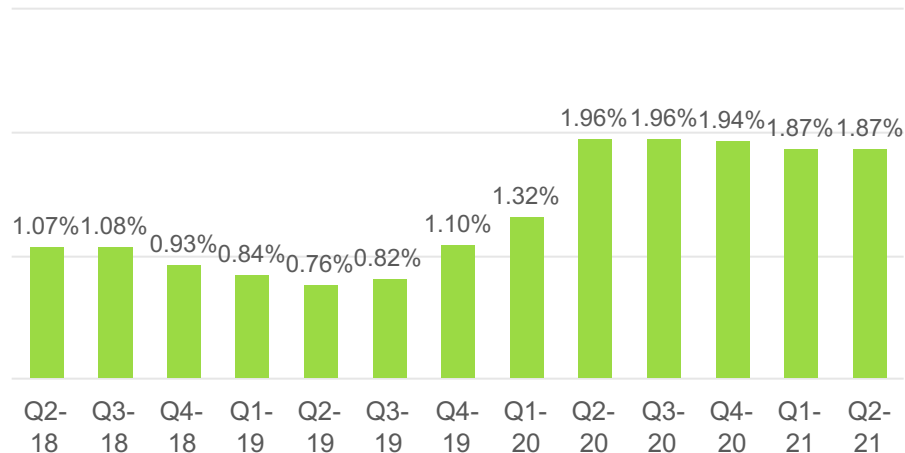
Remaining Term to Maturity	Balance	Percentage	Weighted Average Original Term to Maturity
< 30 days	\$620,942	27%	51
30 to 90 days	1,115,526	48%	97
91 to 180 days	530,975	23%	165
181 to 365 dats	53,600	2%	364
Total	\$2,321,043	100%	106

- Weighted average repo rate for the second quarter of 2021 was 0.23%, a decline of 7 basis points compared to the first quarter 2021 weighted average rate of 0.30%.
- Active with 23 counterparties at June 30, 2021.
- Maximum equity at risk with any one counterparty is less than 5%.

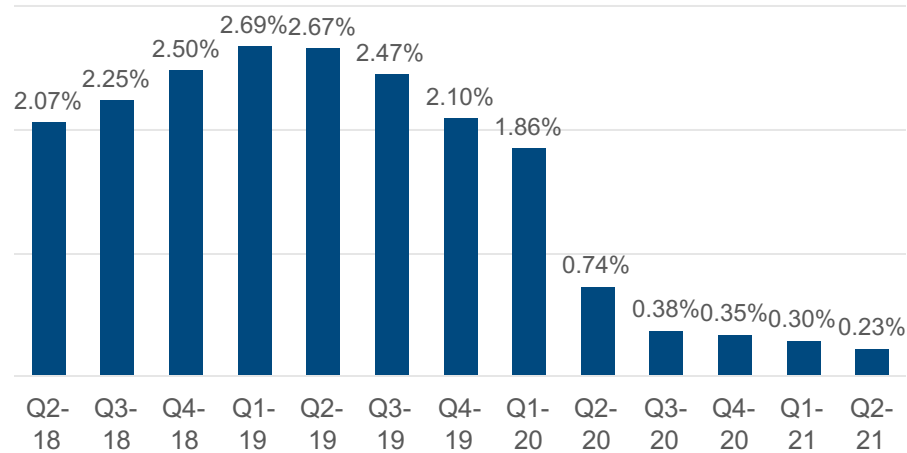


# Performance Statistics Overview

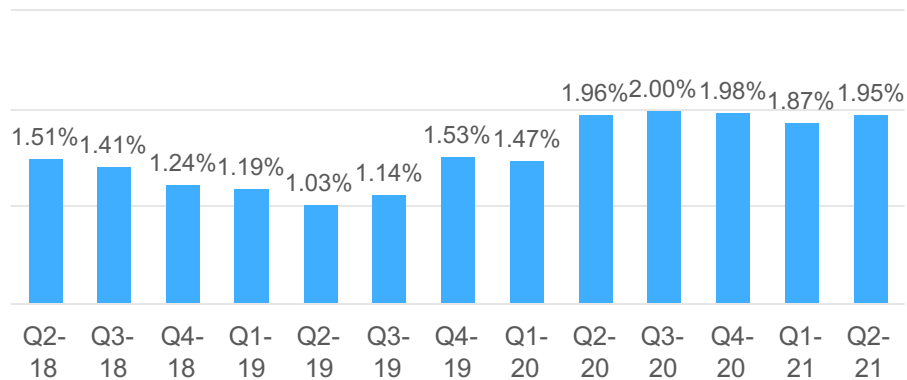
## Net Interest Spread



## Repo and Other Financing Costs



## Adjusted Net Interest Spread<sup>(1)</sup>



■ Adjusted net interest spread

(1) Adjusted net interest spread, a non-GAAP measure, includes the impact of net periodic interest cost/benefit from interest rate swaps and drop income from TBA dollar roll positions.

# Financial Performance - Comparative Quarters

(\$ in thousands, except per share amounts)	2Q21		1Q21	
	Income (Expense)	Per Common Share*	Income (Expense)	Per Common Share*
Interest income	\$ 13,393	\$ 0.42	\$ 13,892	\$ 0.52
Interest expense	(1,275)	(0.04)	(1,633)	(0.06)
<b>GAAP net interest income</b>	12,118	0.38	12,259	0.46
TBA drop income <sup>(1)</sup>	12,177	0.38	8,568	0.32
<b>Adjusted net interest income <sup>(2)</sup></b>	24,295	0.76	20,827	0.78
General and administrative expenses	(5,706)	(0.18)	(5,468)	(0.21)
Other operating expense, net	(323)	(0.01)	(380)	(0.01)
Preferred stock dividends	(1,923)	(0.06)	(2,559)	(0.10)
<b>Core net operating income to common shareholders <sup>(2)</sup></b>	16,343	0.51	12,420	0.46
Realized gain on sale of investments, net	2,008	0.06	4,697	0.18
Unrealized gain (loss) on investments, net	1,084	0.03	(980)	(0.04)
Change in fair value of derivatives <sup>(1)</sup>	(65,118)	(2.04)	99,233	3.70
Preferred stock redemption charge	—	—	(2,987)	(0.11)
<b>GAAP net (loss) income to common shareholders</b>	(45,683)	(1.43)	112,383	4.19
Net unrealized gain (loss) on AFS investments	14,270	0.45	(65,156)	(2.43)
<b>Comprehensive (loss) income to common shareholders</b>	\$ (31,413)	\$ (0.98)	\$ 47,227	\$ 1.76
WAVG common shares outstanding	31,974		26,789	

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

1. TBA drop income and change in fair value of derivatives are components of "gain (loss) on derivative instruments, net" reported in the comprehensive income statement.
2. See reconciliations for non-GAAP measures on slide [28](#).

# Book Value Rollforward

	Quarter Ended June 30, 2021	
	\$ in thousands	Per Common Share
Common shareholders' equity, beginning of period <sup>(1)</sup>	\$619,776	\$20.07
GAAP net loss to common shareholders:		
Core net operating income <sup>(2)</sup>	16,343	
Realized gain on sale of investments, net	2,008	
Unrealized gain on investments, net	1,084	
Change in fair value of derivatives	(65,118)	
Net unrealized gain on MBS designed as AFS	14,270	
Dividends declared	(12,613)	
Stock transactions <sup>(3)</sup>	68,380	
Common shareholders' equity, end of period <sup>(1)</sup>	\$644,130	\$18.75

(1) Common shareholders' equity represents total shareholders' equity less the liquidation value of preferred stock outstanding as of the date indicated.

(2) See reconciliations for non-GAAP measures on slide [28](#).

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

# Reconciliation of GAAP Measures to Non-GAAP Measures

<i>(\$ in thousands except per share data)</i>	<u>2Q21</u>	<u>1Q21</u>	<u>4Q20</u>	<u>3Q20</u>	<u>2Q20</u>
<b>Comprehensive (loss) income to common shareholders</b>	(\$31,412)	\$47,227	\$28,725	\$44,471	\$26,538
Adjustments:					
Change in fair value of investments <sup>(1)</sup>	(17,362)	61,439	(754)	(28,038)	(28,384)
Change in fair value of derivatives instruments, net <sup>(2)</sup>	65,117	(99,233)	(17,428)	(2,258)	10,252
Preferred stock redemption charge	—	2,987	—	—	—
<b>Core net operating income to common shareholders</b>	<u>\$16,343</u>	<u>\$12,420</u>	<u>\$10,543</u>	<u>\$14,175</u>	<u>\$8,406</u>
<b>Core net operating income per common share</b>	<u>\$0.51</u>	<u>\$0.46</u>	<u>\$0.45</u>	<u>\$0.61</u>	<u>\$0.36</u>

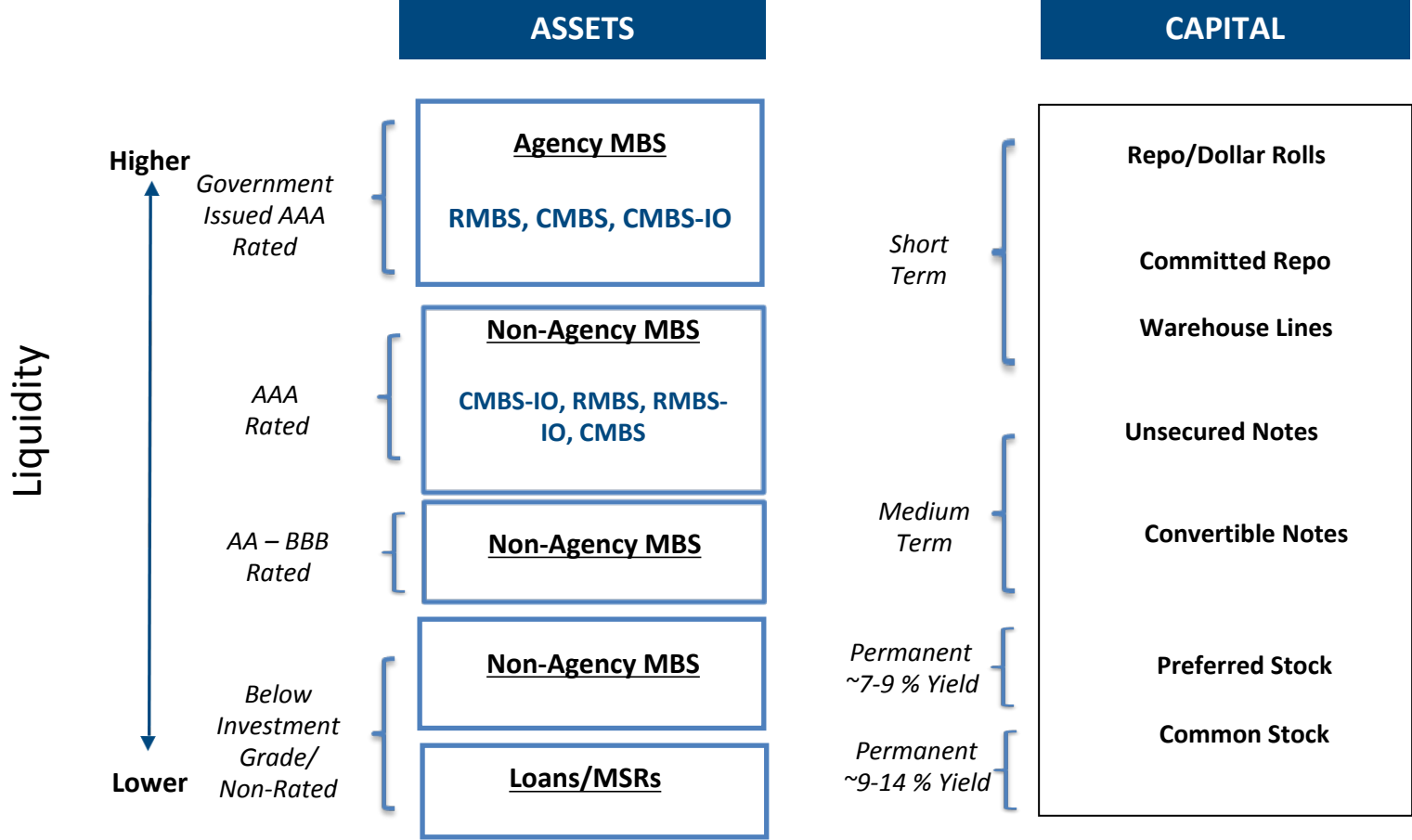
<i>(\$ in thousands)</i>	<u>2Q21</u>	<u>1Q21</u>	<u>4Q20</u>	<u>3Q20</u>	<u>2Q20</u>
<b>Net interest income</b>	\$12,118	\$12,259	\$14,416	\$16,713	\$15,003
TBA drop income	12,177	8,568	6,445	6,087	1,796
Net periodic interest cost <sup>(2)</sup>	—	—	(7)	(371)	(107)
<b>Adjusted net interest income</b>	<u>\$24,295</u>	<u>\$20,827</u>	<u>\$20,854</u>	<u>\$22,429</u>	<u>\$16,692</u>
Other operating expense, net	(323)	(380)	(205)	(207)	(222)
General and administrative expenses	(5,706)	(5,468)	(6,853)	(4,795)	(4,811)
Preferred stock dividends	(1,923)	(2,559)	(3,253)	(3,252)	(3,253)
<b>Core net operating income to common shareholders</b>	<u>\$16,343</u>	<u>\$12,420</u>	<u>\$10,543</u>	<u>\$14,175</u>	<u>\$8,406</u>

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

(2) Amount represents realized and unrealized gains and losses on derivatives and excludes TBA drop income and net periodic interest costs of interest rate swaps.

(3) Amount represents net periodic interest cost of interest rate swaps outstanding during the period.

# Mortgage REIT Business Model



# MREIT Glossary of Terms

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**Commercial Mortgage-Backed Securities (CMBS)** are a type of mortgage-backed security that is secured by the mortgage on a commercial property. CMBS can be Agency issued and issued by a private enterprise (non-Agency).

**Credit Risk** is the risk of loss of principal or interest stemming from a borrower's failure to repay a loan.

## **Curve Twist Terms:**

**Bull Flattener:** Is a rate environment in which long-term interest rates are declining faster than short-term interest rates.

**Bear Flattener:** Is a yield-rate environment in which short-term interest rates are rising faster rate than long-term interest rates.

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

**Bull Steepener:** Is a rate environment in which short-term interest rates are declining faster than long-term interest rates.

**Duration** is a measure of the sensitivity of the price of a fixed-income investment to a change in interest rates. Duration is expressed as a number of years.

**Duration Drift** is a measure of the change in duration for a change in interest rates

**Interest Only Securities (IOs)** are securities backed by a portion of the excess interest of a securitization and sold individually from the principal component.

**Interest Rate Risk** is the risk that an investment's value will change due to a change in the absolute level of interest rates, the shape of the yield curve or in any other interest rate relationship. Interest rate risk can also manifest itself through the purchase of fixed rate instruments funded with floating rate, or very short maturity, instruments.

**Leverage** is the use of borrowed money to finance assets including TBA dollar rolls.

**Prepayment Risk** is the risk associated with the early unscheduled return of principal.

# MREIT Glossary of Terms

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**Repurchase Agreements** are a short-term borrowing that uses loans or securities as collateral. The lender advances only a portion of the value of the asset (the advance rate). The inverse of the advance rate is the equity contribution of the borrower (the haircut).

**Residential Mortgage-Backed Securities (RMBS)** are a type of mortgage-backed debt obligation whose cash flows come from residential debt, such as mortgages, home-equity loans and subprime mortgages. Each security is typically backed by a pool of mortgage loans created by US government agencies, banks, or other financial institutions. RMBS can be Agency issued or issued by a private enterprise (non-Agency).

**Specified Mortgage Backed Securities Pools** are pools created with loans that have similar characteristics, or “stories.”

**Spread Risk** is the potential price volatility resulting from the expansion and contraction of the security’s risk premium over a benchmark (or risk-free) interest rate.

**TBA Dollar Roll** is a financing mechanism for long positions in TBAs whereby an investor enters into an offsetting short position and simultaneously enters into an identical TBA with a later settlement date.

**To Be Announced (TBA) Securities** are forward contracts involving the purchase or sale of non-specified Agency RMBS or CMBS.

**Whipsaw** describes the movement of a security when, at a particular time, the security's price is moving in one direction, but then quickly pivots to move in the opposite direction.



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