

A dark blue-tinted background image of a sailboat on the ocean. The sailboat is on the left side, with its sails partially visible. The ocean is in the foreground, and the horizon is in the distance. A large, stylized 'X' logo is overlaid on the right side of the image.

Investor Presentation

September 2020



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, statements regarding our financial performance in future periods, future interest rates, our views on expected characteristics of future investment environments, prepayment rates and investment risks, our future investment strategies, our future leverage levels and financing strategies, 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 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. Except as required by law, we are not obligated to update or revise any information included in this investor presentation, whether as a result of new information, future events or otherwise.

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 Quarterly Report on Form 10-Q for the three months ended June 30, 2020 and subsequent filings with the Securities and Exchange Commission, particularly those set forth under the caption “Risk Factors”.

Except as required by law, we are not obligated to update or revise any information included in the investor presentation, whether as a result of new information, future events or otherwise.

Experienced & Prepared Leadership

Proven skillful leaders successfully managing multiple market cycles.



Byron L. Boston
President, CEO and Co-CIO

Joined Dynex in 2008 as CIO. Became CEO in 2012. Mr. Boston has an extensive background in fixed-income capital markets. During his 30-year career, he has held a number of leadership positions in the asset management/investment banking community.



Smriti L. Popenoe
EVP, Co-CIO

Joined Dynex in 2013. Responsible for the management of the Company's investment portfolio. Ms. Popenoe's 27 year career in finance and capital markets spans a broad range of financial institutions and experience across multiple business and market cycles.



Steve J. Benedetti
EVP, CFO and COO

Joined Dynex in 1994. Has held many leadership positions at the Company, including serving as the de facto President from 2002-2008. Has served as CFO since 2000 and COO since 2004. Mr. Benedetti has extensive strategic and operational experience and capital structure management in the mortgage finance industry.

To view full bios visit: <http://www.dynexcapital.com/about-us/leadership-team/default.aspx>


Company Overview

- NYSE listed since 1988 with history of operating through various interest-rate and credit cycles
- Internally-managed structure aligning shareholders and management
- Significant insider ownership
- Top-down approach with the ability to adjust asset mix based on the environment
- Highly skilled and experienced management team managing credit risk, interest rate risk, and loans

	Common <u>Monthly Dividend</u>	Preferred <u>Quarterly Dividends</u>	
NYSE Ticker	<u><i>DX</i></u>	<u><i>DXPrB</i></u>	<u><i>DXPrC</i></u>
Shares Outstanding (in millions) <i>(as of 9/18/2020)</i>	23.1	2.8	4.5
Current Dividend Rate	\$0.13	\$0.4765625	\$0.43125
Annualized Dividend Yield	9.58%	7.72%	7.73%
Share Price <i>(close on 9/18/20)</i>	\$16.28	\$24.69	\$22.33
Market Capitalization (in millions) <i>(as of 9/18/20)</i>	\$376.80	\$68.84	\$99.59

Why Dynex

- Excellent track record with attractive total return opportunity
- Strong and defensive balance sheet positioned to weather market volatility
- Experienced management with a track record of disciplined capital deployment through multiple economic cycles
- Alignment of interests with shareholders due to owner-operator structure
- Complementary investment opportunities exist with attractive return profiles consistent with our investment philosophy
- Attractive dividend yield at a discounted price-to-book valuation



Comparative Returns	Trailing 12 months
DX	18.4%
Agency MREITs (<i>AI, AGNC, ANH, ARR, CMO, EARN, NLY, ORC</i>)	-15.9%
S&P 500 Financials	-12.3%
iShares 1-3 Year Treasury ETF (<i>SHY</i>)	3.6%
Invesco High Dividend Yield ETF (<i>KBWD</i>)	-28.2%
iShares MREIT (<i>REM</i>)	-31.5%
iShares Real Estate ETF (<i>IYR</i>)	-13.1%
iShares Russell 2000 ETF (<i>IWM</i>)	-3.5%

Source: Bloomberg. Assumes dividends are reinvested

Recent Highlights

- Overall, it remains an exceptional environment to generate solid cash flows for our shareholders. Financing costs remain low and asset returns remain attractive.
- We expect to comfortably out earn the dividend for the third and fourth quarter 2020.
- Our book value per common share is estimated in the range of \$17.60 - \$18.00 as of September 18, 2020, an increase between approximately 6% - 8% since June 30, 2020.
- As of August 31, 2020 the investment portfolio is approximately \$4.6 billion including TBAs vs. \$4.8 billion at June 30, 2020, and the portfolio construction and leverage has not materially changed from the prior quarter end.
- TBA dollar roll market remains constructive and the range of returns on marginal capital are 8-16%.

Current Environment - Short to Medium Term

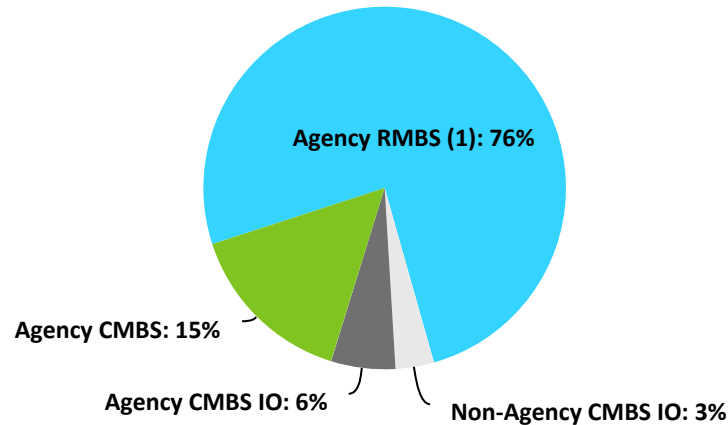
- The world faces unprecedented uncertainty and upheaval across the social, political, economic, and financial landscape. It is too early to discern the broad based impact of the shocks across the economy.
- We are still in the early stages of a health and economic crisis. A financial crisis has been avoided to date, due to Central Banks and governments responding aggressively to mitigate immediate economic fallout from the shocks.
- The evolution of the pandemic and efficacy of the response to the pandemic will drive the need for further fiscal and monetary action.
- The preponderance of the response by Central Banks and governments results in increased leverage and debt issuance, which may ultimately prove to be a headwind to sustained economic growth in the future.
- Financial markets have bifurcated into sectors supported by the Fed versus unsupported. The risk of policy error and unintended consequences is high and government policy will be a major driver of returns going forward.
- Looking ahead at Q4 2020 there are additional risk events such as the election, post-election period, and Brexit among many other existing known and unknown factors. It is also important to note that the development of a vaccine and/or effective treatment are possible scenarios to consider.
- Given the many factors currently at play that can evolve in several directions, we favor a position focused on liquidity and flexibility.

Investment Portfolio *(as of dates indicated)*

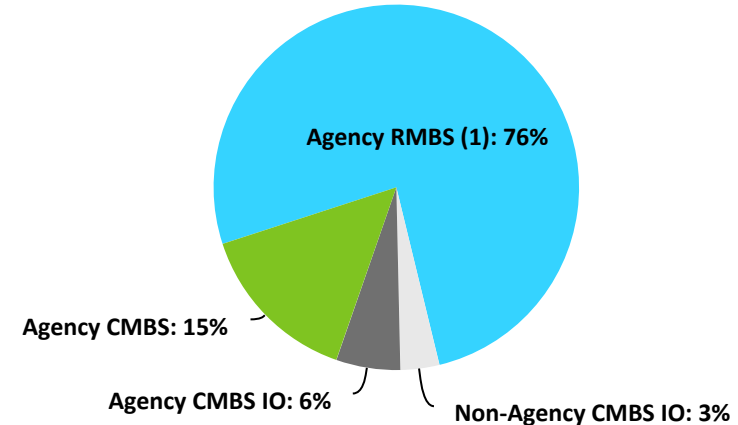
Disciplined capital allocation and portfolio constructed for flexibility

\$4.6 billion investment portfolio at 8/31/20 vs. \$4.8 billion at 6/30/20 and we continue to adjust the portfolio

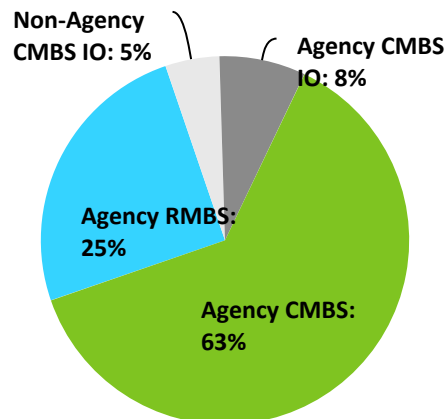
August 31, 2020



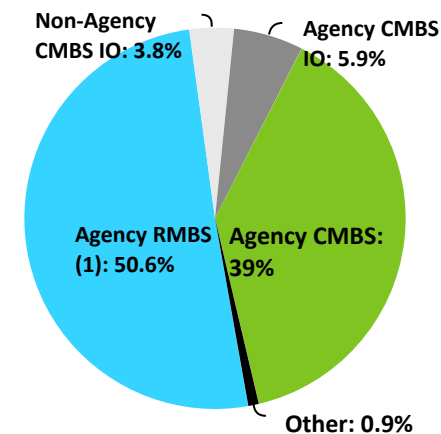
June 30, 2020



March 31, 2020

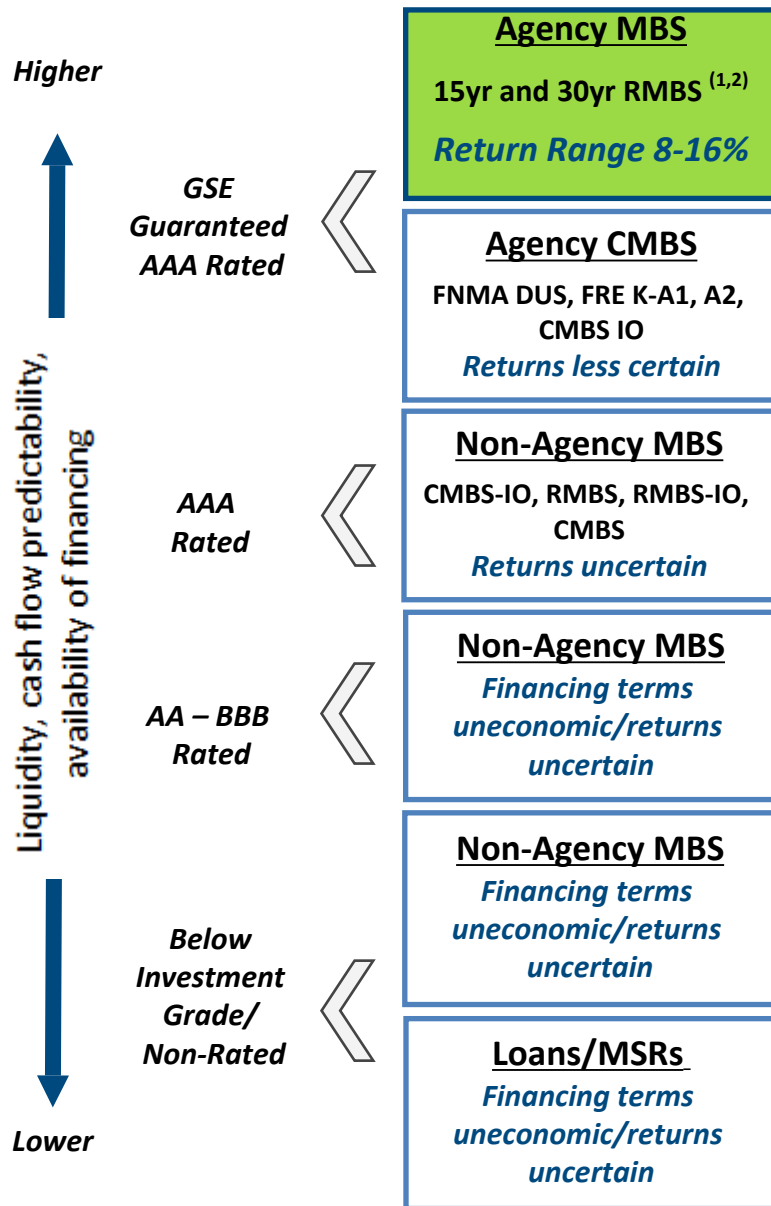


December 31, 2019



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

Return Environment *(as of August 31, 2020)*



Agency RMBS offer attractive returns

- The most compelling levered risk-adjusted 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.

⁽¹⁾ Range of levered returns based on Company assumptions and calculations

⁽²⁾ Includes specified pools and TBAs

Positive Industry Trends

Long-term trends should support our business model

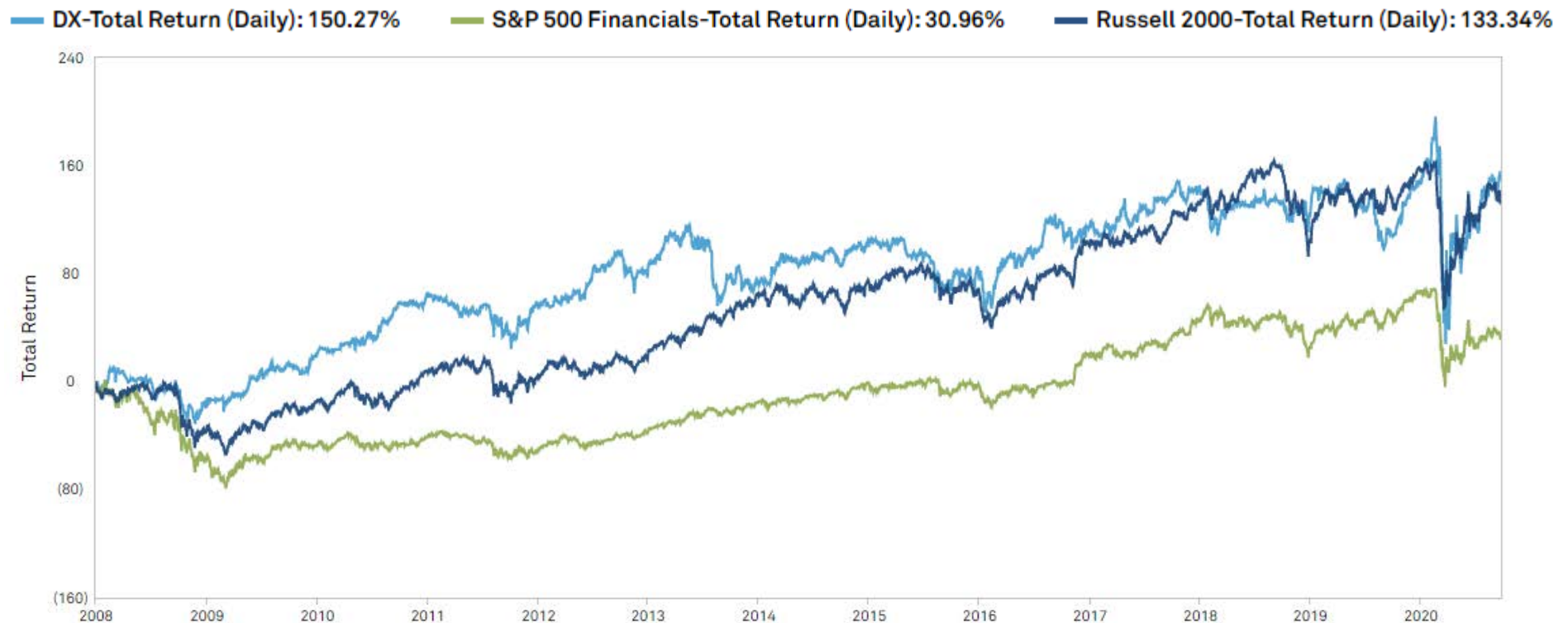
- Substantial global demand for cash yield supports long term valuations of mortgage REITs
 - Aging global population needs cash income
 - The debt overhang results in low to negative global yields reducing cash income available to aging populations
- Favorable investment environment
 - U.S. demographic trends will continue driving household formation/housing demand
 - Financing costs expected to be stable for multiple years on high quality assets
 - Market volatility has been significantly dampened by central bank actions and large scale asset purchases are supportive of market conditions and liquidity
- Further expansion of returns as counter cyclical emergency measures are tapered
 - Need for private capital to replace government balance sheets
 - Better risk premiums as Federal Reserve reduces its footprint over the long-term
 - Less competition from GSEs for assets if they are reformed

Why Dynex

- Excellent track record with attractive total return opportunity
- Strong and defensive balance sheet positioned to weather market volatility
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Focused on the Long-Term

Total Return (%) January 1, 2008 - September 22, 2020



Source: S&P Global



Supplemental Information

Macroeconomic Thesis - Long-term

- The global economy is fragile and downside risks are increasing; this remains the core of our long-term macro economic and investment thesis.
- The combination of global debt, demographics, technology, human conflict and climate change continue to impose a drag on global growth and inflation. The Covid-19 pandemic has brought to light the connection and interplay between these factors, which will have long term impacts to the global economy.
- Global economies and the global financial system cannot stand on their own without the central banks continuing to play a major role. Risk factors at play are increasing in complexity and number, further exacerbated by the pandemic.
- Fiscal policy remains an important potential factor for stimulating growth and inflation. If financed with debt, the increased supply of bonds must be absorbed. Without incremental demand from Central Banks and other investors there will be upward pressure on interest rates and a steeper yield curve.
- Interest rates should remain in their narrower range with significant pools of negative yielding debt globally, and a global economy that is functioning largely with the continued support of central banks.

Fault lines in the global macroeconomic environment that were present well before Covid-19 are being exposed in an unprecedented manner. Now more than ever, a top-down, comprehensive approach in making investment decisions is essential.

Portfolio Characteristics *(as of August 31, 2020)*

	Par Value		Total Par Value	Estimated Fair Value	% of Portfolio	WAVG Coupon ⁽¹⁾	Amortized cost (%) ⁽²⁾	Market Value %	Unamortized Premium Balance ⁽²⁾	3-month CPR ⁽²⁾
	Pools	TBA ⁽⁵⁾								
Agency RMBS										
2.0% coupon	\$ 782,887	875,000	\$ 1,657,887	\$ 1,715,423	37.3 %	2.00 %	102.3 %	103.5 %	\$18,261	2.2%
2.5% coupon	990,419	250,000	1,240,419	1,313,649	28.5 %	2.50 %	103.7 %	105.9 %	36,295	3.8%
4.0% coupon	416,274	—	416,274	451,698	9.8 %	4.00 %	102.7 %	108.5 %	11,368	37.1%
Total Agency RMBS	\$2,189,580	\$1,125,000	\$ 3,314,580	\$ 3,480,770	75.6 %		103.0 %	105.0 %	\$ 65,924	9.7%
Agency CMBS	\$ 651,578	—	\$ 651,578	\$ 699,713	15.2 %	2.39 %	101.0 %	107.4 %	\$ 6,347	⁽⁴⁾
CMBS Interest-only	⁽³⁾	—	⁽³⁾	422,386	9.2 %	0.64 %	n/a	n/a	414,305	⁽⁴⁾
Other non-Agency MBS	1,664	—	1,664	1,429	— %	5.93 %	67.3 %	85.9 %	(544)	-
Total	\$2,842,822	\$1,125,000	\$ 3,967,822	\$ 4,604,298	100 %				\$ 486,032	

(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) CMBS IO do not have underlying par values. The total notional value underlying CMBS IO is \$22.2 billion.

(4) Structurally, we are compensated for CMBS prepayments, but there are exceptions under certain circumstances.

(5) TBA long positions only.

Managing Prepayment Risk

- Asset Selection
 - Heavier capital allocation to lower coupons: 87% of the Agency RMBS portfolio (as of 8/31) is allocated in 2.0% and 2.5% coupons.
 - Approximately 90% of Specified Pools benefit from favorable prepayment characteristics
 - Modest allocation to Specified Pools in the 4.0% coupon as protection for rising rate scenarios
 - Allocation to TBA versus pools for flexibility in reducing leverage and to take advantage of dollar roll “specialness”
 - Implied financing rates from dollar rolls in the production coupons (2.0% and 2.5%) are expected to remain favorable due to Federal Reserve purchase activity and bank demand offsetting potential impacts of higher prepayment speeds.
- Lower Premium at Risk to Faster Prepayments
 - Lower basis in specified pools provides a cushion for prepayment impact on core EPS as less premium is at risk versus par
- Timing of Reinvestment Decisions
 - As spreads widen, we pre-invest future runoff to lock-in favorable returns.

Our Prepayment View

- Macro Economic View: We expect the range on the 10Yr UST to be between 40-90 bps and mortgage rates to fall between 2-3%.
- In the short term; we expect primary/secondary mortgage spreads to tighten bringing mortgage rates down to about 2.5%. This should result in prepayment speeds rising in Agency RMBS 2.5% coupon and above.
- This is offset by several factors that could result in slowing speeds
 - The GSE's announced in August 2020 an Adverse Market Fee of 50bps for any loans delivered after December 1st, 2020. Many lenders are starting to incorporate this fee into their rates, and this may slow prepayment activity into November/December.
 - Late fall and winter months have historically been slow prepayment periods.
 - Loan-level Price Adjustment Matrix from GSEs shows punitive charges for any cash-out refi activity of 0.625% for 60 LTV and best credit borrowers. This should limit amount of cash-out refi activity
 - Federal Reserve is buying the fastest paying pools in the market, leaving behind bonds with better prepayment characteristics.
- In the long term, other the level of interest rates, prepayments will be impacted by
 - Policy Risk contingent upon the US Election
 - Technology and capacity of mortgage originators/servicers
 - Overall performance of the US economy and employment

Fixed Income Market Update

Security	Change during 2020	8/31/20	7/31/20	6/30/20	3/31/20	1/31/20	12/31/19	9/30/19	6/30/19	YoY Change
Treasury ⁽²⁾										
IOER rate	-1.45%	0.10%	0.10%	0.10%	0.10%	1.60%	1.55%	1.80%	2.35%	-2.35%
1m repo ⁽¹⁾	-1.81%	0.25%	0.25%	0.25%	0.35%	1.75%	2.06%	2.43%	2.63%	-2.38%
3m T-bill	-1.44%	0.10%	0.09%	0.14%	0.09%	1.54%	1.54%	1.81%	2.09%	-1.95%
2 yr	-1.44%	0.13%	0.11%	0.15%	0.25%	1.31%	1.57%	1.62%	1.76%	-1.61%
5 yr	-1.42%	0.27%	0.21%	0.28%	0.38%	1.31%	1.69%	1.54%	1.77%	-1.49%
10 yr	-1.21%	0.71%	0.53%	0.65%	0.67%	1.51%	1.92%	1.67%	2.01%	-1.36%
30 yr	-0.91%	1.48%	1.19%	1.41%	1.32%	2.00%	2.39%	2.11%	2.53%	-1.12%
Swaps ⁽²⁾										
1m Libor	-1.60%	0.16%	0.16%	0.17%	0.99%	1.66%	1.76%	2.02%	2.40%	-2.23%
3m Libor	-1.67%	0.24%	0.25%	0.29%	1.45%	1.75%	1.91%	2.09%	2.32%	-2.03%
2 yr	-1.48%	0.22%	0.18%	0.22%	0.49%	1.38%	1.70%	1.63%	1.81%	-1.59%
5 yr	-1.40%	0.33%	0.25%	0.32%	0.46%	1.32%	1.73%	1.50%	1.75%	-1.43%
10 yr	-1.19%	0.71%	0.52%	0.63%	0.72%	1.46%	1.90%	1.56%	1.96%	-1.33%
30 yr	-0.99%	1.10%	0.77%	0.91%	0.88%	1.67%	2.09%	1.71%	2.21%	-1.30%
30 Year MBS OAS ⁽³⁾										
2.00%	-40	14	17	36	54	-	-	-	-	-
2.50%	-45	-15	-33	2	30	21	30	54	21	-
3.00%	-27	3	-19	6	32	30	30	32	30	-
3.50%	-13	24	11	30	34	41	37	50	32	-
4.00%	8	57	65	48	27	47	49	56	44	-
FHFA Primary Mortgage ⁽²⁾	-0.36%	3.20%	3.27%	3.32%	3.63%	3.74%	3.56%	3.71%	3.99%	-0.67%
Fn 30yr Current Cpn ⁽²⁾	-1.30%	1.41%	1.24%	1.57%	1.80%	2.38%	2.71%	2.61%	2.74%	-1.18%
CMBS ⁽⁴⁾										
DUS 10/9.5	-20	40	49	58	95	53	60	65	64	-6
DUS 12/11.5	-21	47	60	68	110	64	68	76	74	-6
10 Yr. Freddie K A2	-20	36	46	44	80	48	56	59	59	-15
Agency CMBS IO	55	190	210	275	400	135	135	120	115	160
Non-Agency AAA CMBS IO	107	220	240	300	450	113	-	-	-	-

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

(2) Source: Bloomberg

(3) Source: BlackRock 6.0 model

(4) Spread to swap, new issue. Source: JP Morgan DataQuery

Pricing Matrix

30 Year MBS*		Change during 2020	8/31/20	7/31/20	6/30/20	5/29/20	4/30/20	3/31/20	2/28/20	1/31/20	12/31/19
2.0% coupon	TBA Price	6.01	103.16	103.63	102.34	102.03	102.02	101.13	100.38	98.71	97.15
	85K Max	0.38	2.44	2.56	2.19	2.06	-	-	-	-	-
	150K Max	0.25	1.66	1.78	1.56	1.41	-	-	-	-	-
	200k Max	0.08	1.06	1.22	0.97	0.98	-	-	-	-	-
	NY only	0.72	1.78	1.47	1.34	1.06	-	-	-	-	-
	95 LTV	0.14	0.53	0.41	0.34	0.39	-	-	-	-	-
	Low WALA/new	0.05	0.19	0.16	0.08	0.14	-	-	-	-	-
2.5% coupon	TBA Price	6.36	105.25	105.08	104.26	103.75	104.16	103.58	102.00	100.79	98.89
	85K Max	1.25	3.34	3.69	3.31	2.72	2.09	-	-	-	-
	150K Max	1.07	2.13	2.53	2.5	2.03	1.06	-	-	-	-
	200k Max	0.72	1.19	1.38	1.22	1.06	0.47	-	-	-	-
	NY only	1.29	2.13	2.41	2.19	1.84	0.84	-	-	-	-
	95 LTV	0.21	0.34	0.34	0.31	0.34	0.13	-	-	-	-
	Low WALA/new	0.06	0.06	0.16	0.08	0.13	0.00	-	-	-	-
3.0% coupon	TBA Price	3.98	105.42	105.80	105.31	105.20	105.57	104.81	102.99	102.27	101.44
	85K Max	3.34	5.22	4.97	4.53	3.72	3.44	1.31	3.28	2.38	1.88
	150K Max	1.96	3.34	3.38	3.34	2.69	2.34	0.75	2.31	1.69	1.38
	200k Max	1.00	1.84	1.69	1.56	1.19	1.00	0.25	1.59	1.09	0.84
	NY only	2.00	3.06	3.06	3.06	2.34	1.81	0.78	2.25	1.59	1.06
	95 LTV	0.41	0.69	0.53	0.53	0.44	0.47	0.06	0.22	0.44	0.28
	Low WALA/new	0.16	0.47	0.31	0.28	0.19	0.19	0.00	0.19	0.09	0.31
3.5% coupon	TBA Price	2.60	105.44	105.44	105.16	105.51	105.65	105.72	103.85	103.23	102.84
	85K Max	4.22	7.44	7.38	6.84	0.88	5.22	1.97	4.84	4.00	3.22
	150K Max	2.69	4.88	5.16	4.91	4.09	3.53	1.19	3.56	2.94	2.19
	200k Max	1.53	3.03	2.94	2.84	2.31	2.09	0.78	2.41	1.94	1.50
	NY only	2.25	4.59	4.75	4.78	3.88	3.16	1.09	3.75	3.13	2.34
	95 LTV	0.81	1.53	1.59	1.38	1.13	1.53	0.34	0.53	0.78	0.72
	Low WALA/new	0.92	1.34	1.53	1.25	0.88	0.94	0.19	0.66	0.50	0.42
4% coupon	TBA Price	2.63	106.59	106.23	105.97	106.43	106.50	106.70	105.33	104.46	103.96
	85K Max	3.50	8.28	8.41	8	7.19	5.78	2.81	5.88	5.38	4.78
	150K Max	1.94	4.88	5.41	5.31	4.66	3.69	1.56	4.06	3.28	2.94
	200k Max	0.97	2.91	2.97	2.94	2.63	2.16	1.25	2.81	2.34	1.94
	NY only	1.25	4.88	5.16	5.44	4.50	3.50	1.47	4.00	3.66	3.63
	95 LTV	0.59	1.47	1.47	1.25	1.19	1.72	0.50	0.56	0.88	0.88
	Low WALA/new	0.34	1.06	1.31	1.22	1.06	1.00	0.23	0.66	0.72	0.72

DUS: Premium Concession Estimates** ~113 \$Px							~107 \$Px
8-10 Yr. / 6Mo Open	Change	9/8/20	6/30/20	6/1/20	4/29/20	3/31/20	9/2/20
Premium		13	14	13	13	13	7
All-in-Spread	49	58	96	98	105	107	48
Base Spread	42	42	56	60	65	84	40
Premium Concession in Basis Points	7	16	39	38	40	23	8
Premium Concession in Points of Price	0.6	1.2	2.8	2.9	3.0	1.8	1.1

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

**Source: Internal company estimates from trading and marketing information

Risk Position - Interest Rates

Changes in interest rates impact the market value of our investments, net of hedges, and shareholders' equity. The estimated percentage change in these values incorporates duration and convexity inherent in our investment portfolio as it existed as of the dates indicated.

Parallel Change in Treasury Yields (bps)	As of August 31, 2020		As of June 30, 2020	
	Percentage Change in		Percentage Change in	
	Market Value of Investments & Hedges	Shareholders' Equity	Market Value of Investments & Hedges	Shareholders' Equity
+100	(0.4)%	(1.9)%	(0.4)%	(2.3)%
+50	—%	(0.2)%	(0.2)%	(1.0)%
-50	(0.4)%	(2.0)%	(0.1)%	(0.9)%
-100	(0.3)%	(1.7)%	(0.2)%	(1.2)%

Curve Shift 2 year Treasury (bps)	Curve Shift 10 year Treasury (bps)	As of August 31, 2020		As of June 30, 2020	
		Percentage Change in		Percentage Change in	
		Market Value of Investments & Hedges	Shareholders' Equity	Market Value of Investments & Hedges	Shareholders' Equity
+25	+50	—%	(0.2)%	(0.2)%	(1.0)%
+50	+25	(0.2)%	(1.0)%	(0.3)%	(1.6)%
-25	0	(0.1)%	(0.4)%	0.3%	2.1%
-50	-10	0.3%	1.4%	0.3%	1.6%

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.

Risk Position - Credit Spreads

Changes in market credit spreads impact the market value of our investments and shareholders' equity. 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 August 31, 2020		As of July 31, 2020	
	Market Value of Investments ⁽¹⁾	Shareholders' Equity	Market Value of Investments ⁽¹⁾	Shareholders' Equity
+20/+50 ⁽²⁾	(1.6)%	(8.4)%	(1.3)%	(8.0)%
+10	(0.7)%	(3.9)%	(0.6)%	(3.7)%
-10	0.7%	3.9%	0.6%	3.7%
-20/-50 ⁽²⁾	1.6%	8.4%	1.3%	8.0%

(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. The projections for market value do not assume any change in credit spreads.

Reconciliation of GAAP Measures to Non-GAAP Measures

(\$ in thousands except per share data)	2Q20	1Q20	4Q19	3Q19	2Q19
Comprehensive income (loss) to common shareholders	\$26,538	(\$33,262)	\$8,570	\$15,250	(\$11,064)
Adjustments:					
Change in fair value of available for sale investments	(28,052)	(157,755)	43,204	(59,800)	(100,767)
Change in fair value of derivatives instruments, net ⁽¹⁾	10,252	198,370	(36,750)	56,079	122,370
Fair value adjustments, net	(332)	372	14	13	16
Preferred stock redemption charge	—	3,914	—	—	—
Core net operating income to common shareholders	\$8,406	\$11,639	\$15,038	\$11,542	\$10,555
Core net operating income per common share	\$0.36	\$0.51	\$0.66	\$0.48	\$0.43

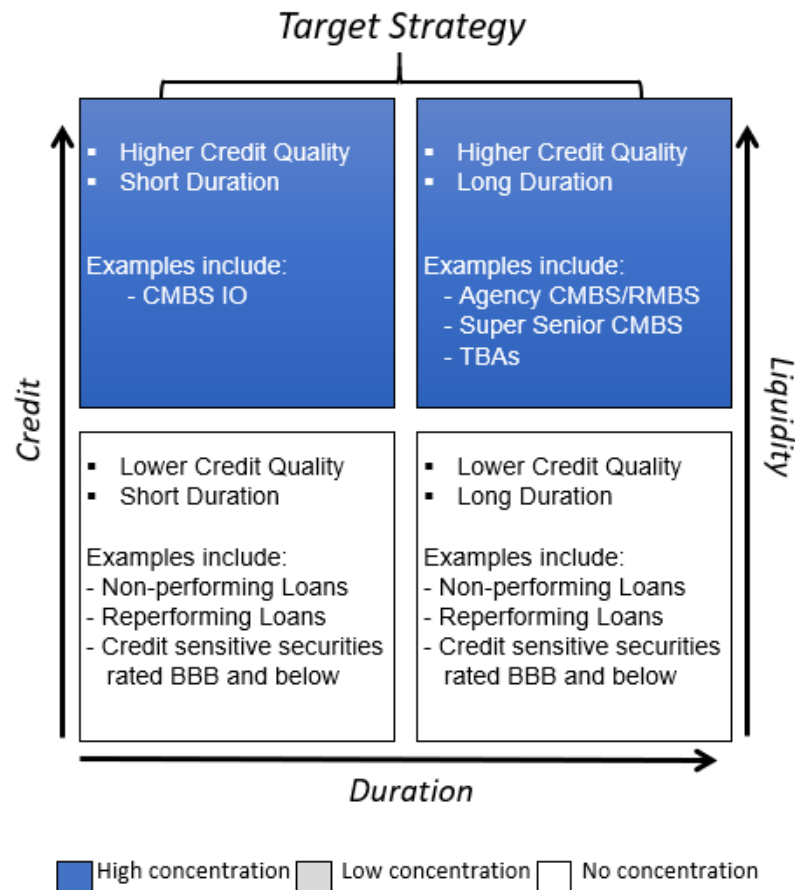
(\$ in thousands)	2Q20	1Q20	4Q19	3Q19	2Q19
Net interest income	\$15,003	\$17,721	\$16,195	\$13,246	\$12,935
TBA drop income	1,796	739	1,582	1,404	1,282
Net periodic interest (cost) benefit ⁽²⁾	(107)	2,064	4,660	3,966	3,553
Adjusted net interest income	\$16,692	\$20,524	\$22,437	\$18,616	\$17,770
Other operating expense, net	(222)	(423)	(28)	25	255.58
General and administrative expenses	(4,811)	(4,621)	(4,010)	(3,758)	(\$4,265)
Preferred stock dividends	(3,253)	(3,841)	(3,361)	(3,341)	(3,206)
Core net operating income to common shareholders	\$8,406	\$11,639	\$15,038	\$11,542	\$10,555

(1) Amount represents net realized and unrealized gains and losses on derivatives and excludes net periodic interest cost/benefit related to these instruments and TBA drop income.

(2) Amount represents net periodic interest cost/benefit of effective interest rate swaps outstanding during the period and excludes changes in fair value and termination costs of derivative instruments.

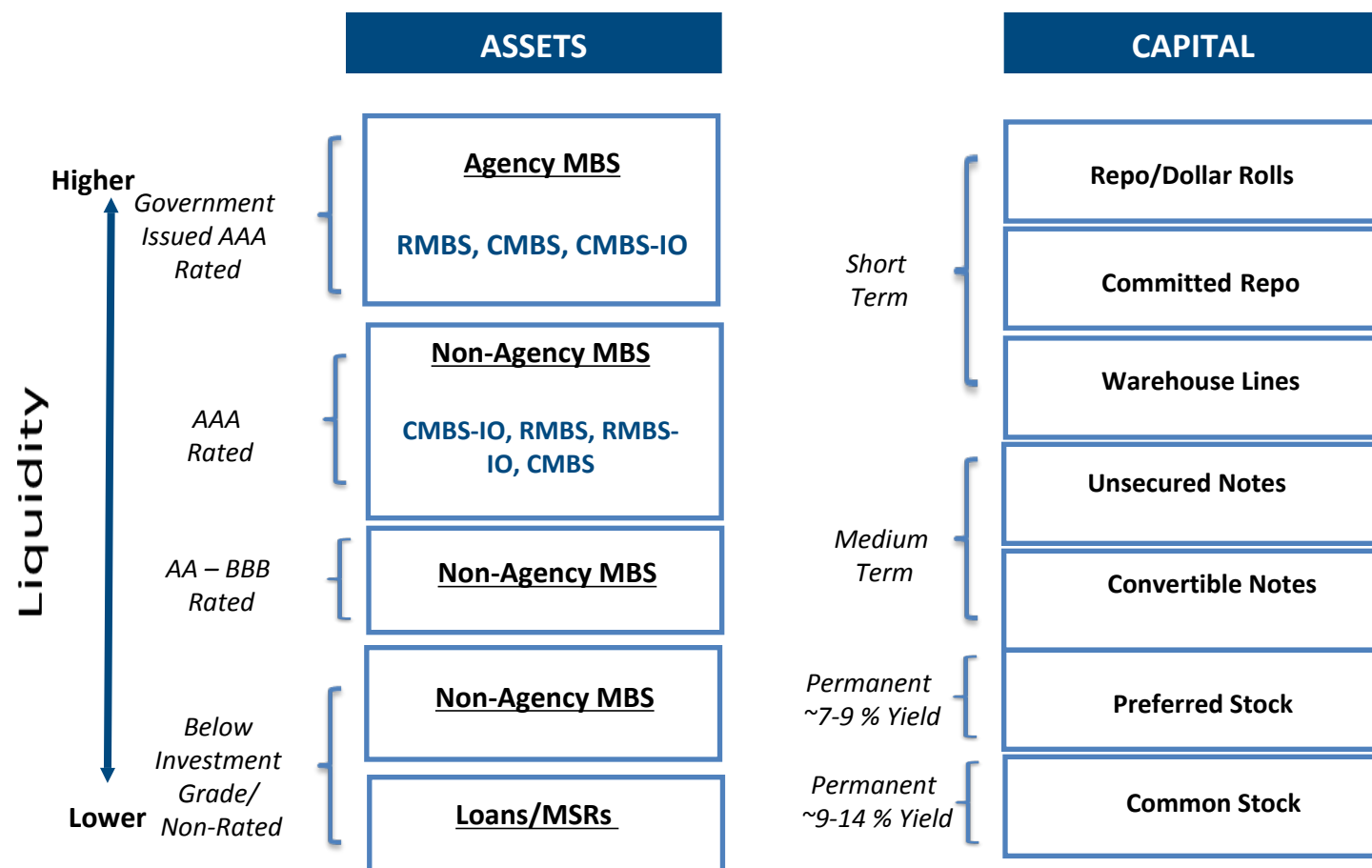
Investment Strategy

Diversified investment approach that performs in a variety of market environments



- Dynamic and disciplined capital allocation model enables capturing long-term value
- Invest in a high quality, liquid asset portfolio of primarily Agency investments
- Diversification is a key benefit
 - 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

Mortgage REIT Business Model



MREIT Glossary of Terms

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

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

Curve Twist Terms:

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

Bear Flatteners: 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

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.

