



First Quarter 2021 Earnings Presentation

April 28, 2021



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 in macroeconomic trends statements regarding our financial performance in future periods, future interest rates, our views on expected characteristics of future investment environments, and trends 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

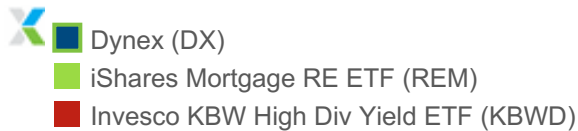
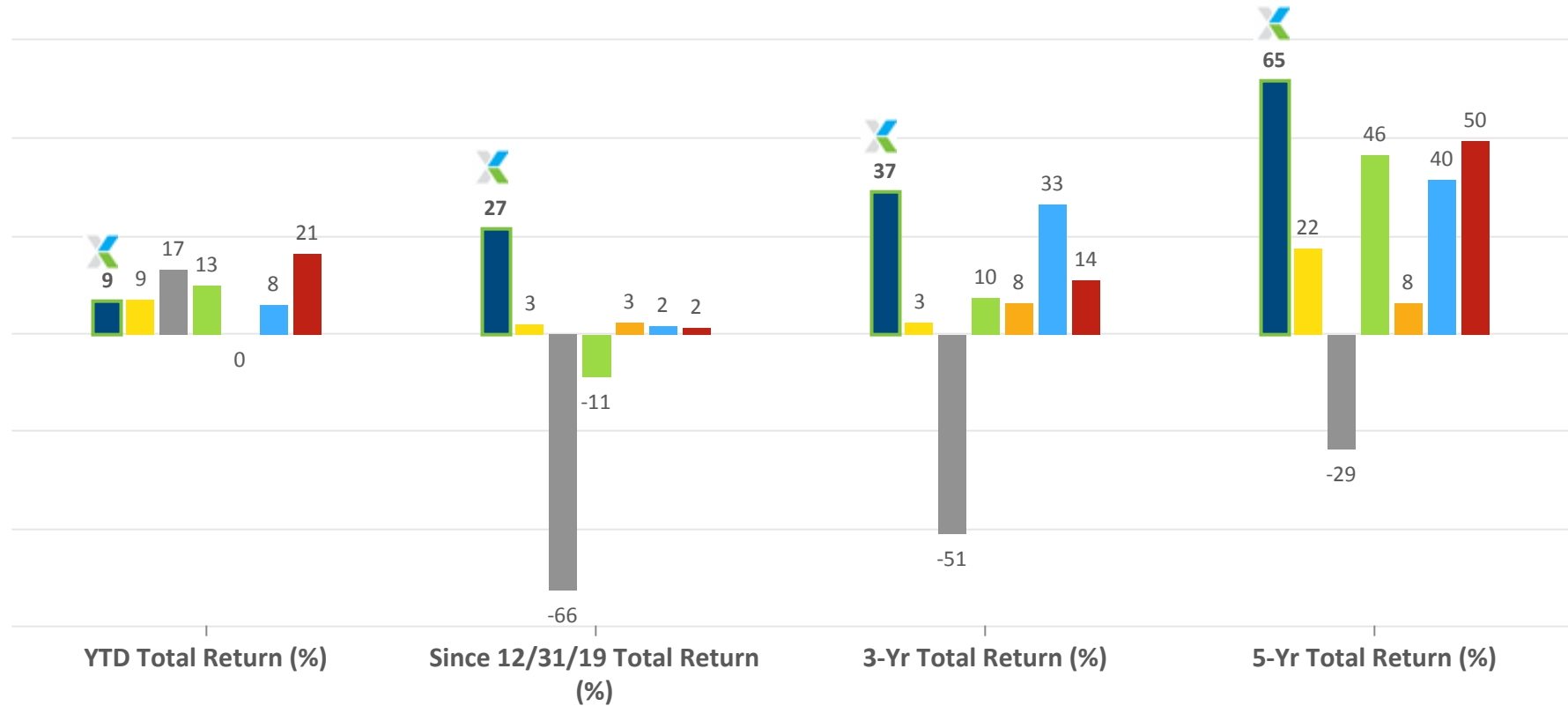
	Common Stock	Series C Preferred Stock
NYSE Ticker	<i>DX</i>	<i>DXPrC</i>
Shares Outstanding <i>(in millions) (as of 4/23/21)</i>	30.9	4.5
1Q21 Dividends Declared	\$0.39	\$0.43
Annualized Dividend Yield	8.00%	6.84%
Book Value per share <i>(as of 3/31/21)</i>	\$20.07	—
Share Price <i>(close on 4/23/21)</i>	\$19.51	\$25.22
Market Capitalization <i>(in millions) (as of 4/23/2021)</i>	\$602.86	\$113.49
Price to Book <i>(based on 04/23/21 stock price and 3/31/21 book value)</i>	97.2%	—

Source: Bloomberg

Superior Performance

Industry-leading performance versus other income-oriented vehicles

Cumulative Total Shareholder Returns ⁽¹⁾



(1) Ending period 3/31/2021
 (2) Select Agency MREITS on an equal weight basis
 (3) Select Hybrid MREITS on an equal weight basis

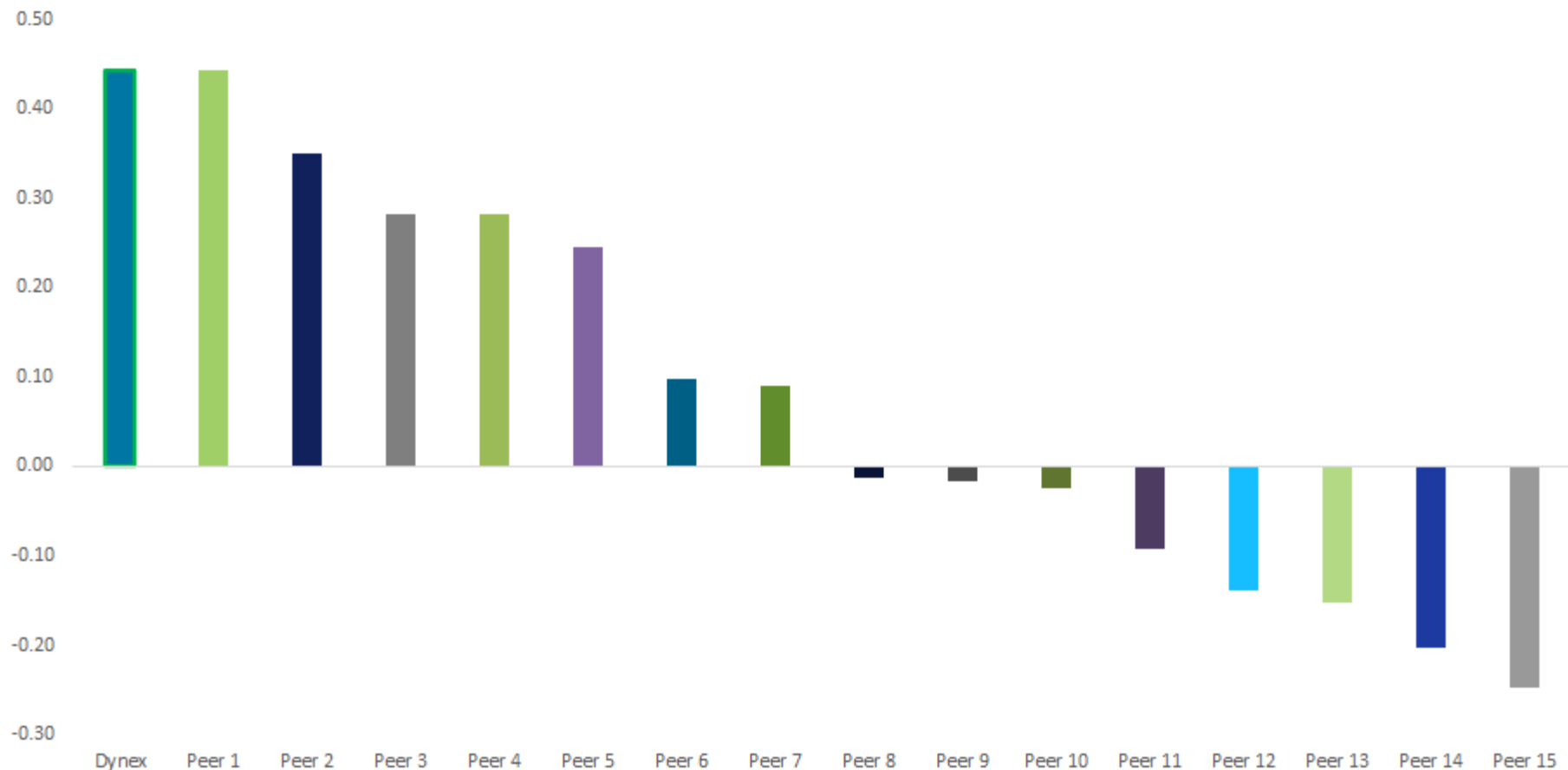
Source: Bloomberg. Assumes dividends are reinvested in the respective security.

Higher Returns, Less Risk

Our disciplined focus on generating superior returns while preserving long-term capital has resulted in the highest Sharpe ratio in the industry.

Sharpe Ratio*

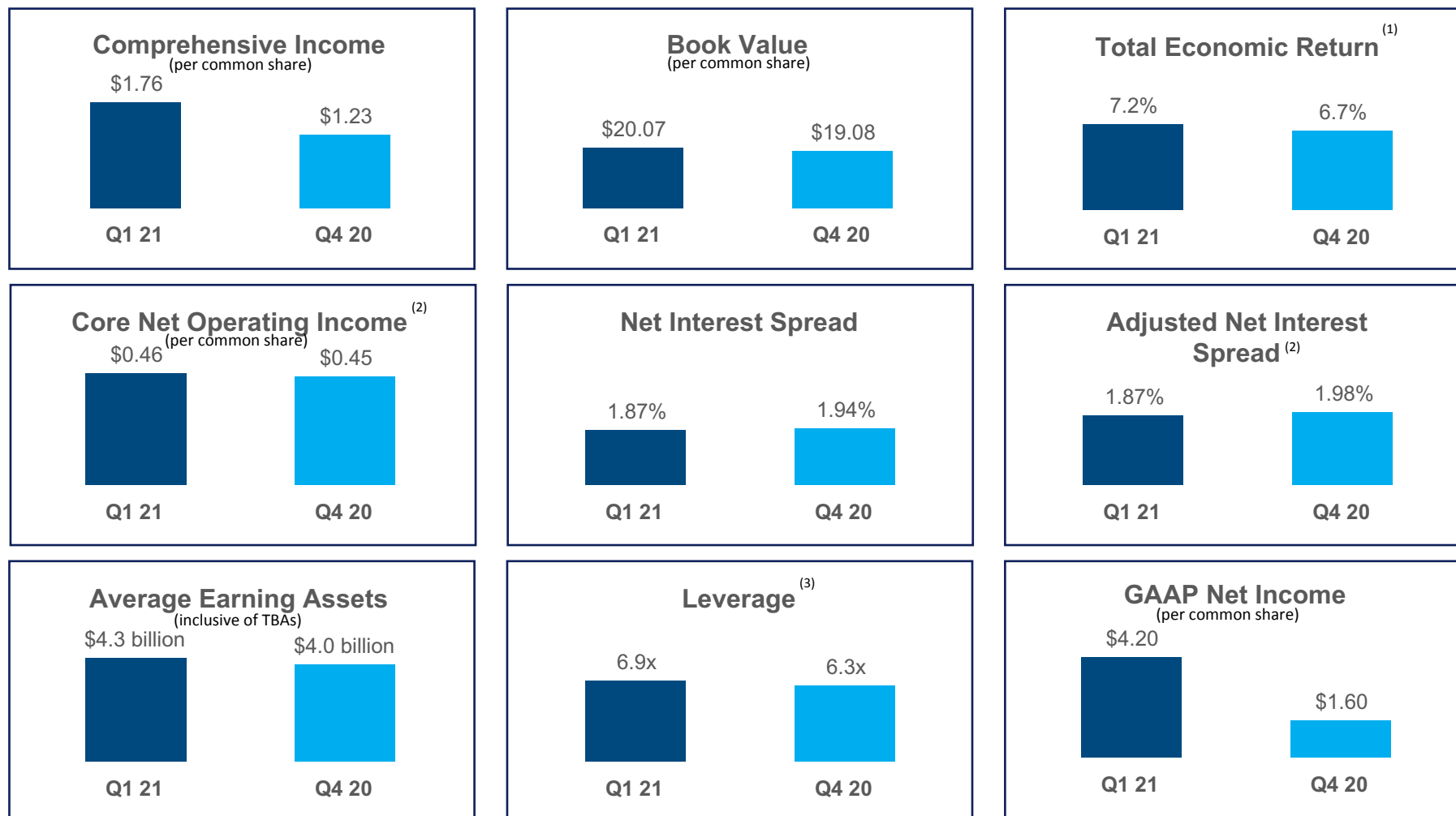
(Annual returns from 2010-2020)



*The Sharpe ratio is a measure of risk-adjusted returns. The higher the ratio vs. peers the better. When comparing two assets versus a common benchmark, the one with a higher Sharpe ratio provides better return for the same risk (or, equivalently, the same return for lower risk). The 15 member peer set is a combination of agency and hybrid public mREITs.

Source: Bloomberg

Performance Highlights- Q1 2021



1. Equals sum of common stock dividend of \$0.39 per share plus the increase in book value of \$0.99 per common share divided by beginning book value per common share of \$19.08.
2. Reconciliations for non-GAAP measures are presented on slide 29.
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

Our disciplined macroeconomic thought process leads us to prepare for a transition to a steeper yield curve as highly accommodative monetary policy is complemented with an expansionary fiscal policy.

- The global economy is evolving but remains fragile as significant uncertainties remain on the pandemic's long-term effects across economic, social and political factors.
- Changing demographics, rising global debt, evolving technologies, human conflict and climate change remain key factors that increase complexity of the environment while also providing investment opportunities.
- Global economies and the global financial system 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. The increased supply of bonds must be absorbed as fiscal policy is financed with debt.
- The Federal Reserve's stated commitment to zero Federal Funds rate and explicit Average Inflation Targeting strategy may further impact steepness of the curve, volatility and level of interest rates.

Current Environment and Positioning

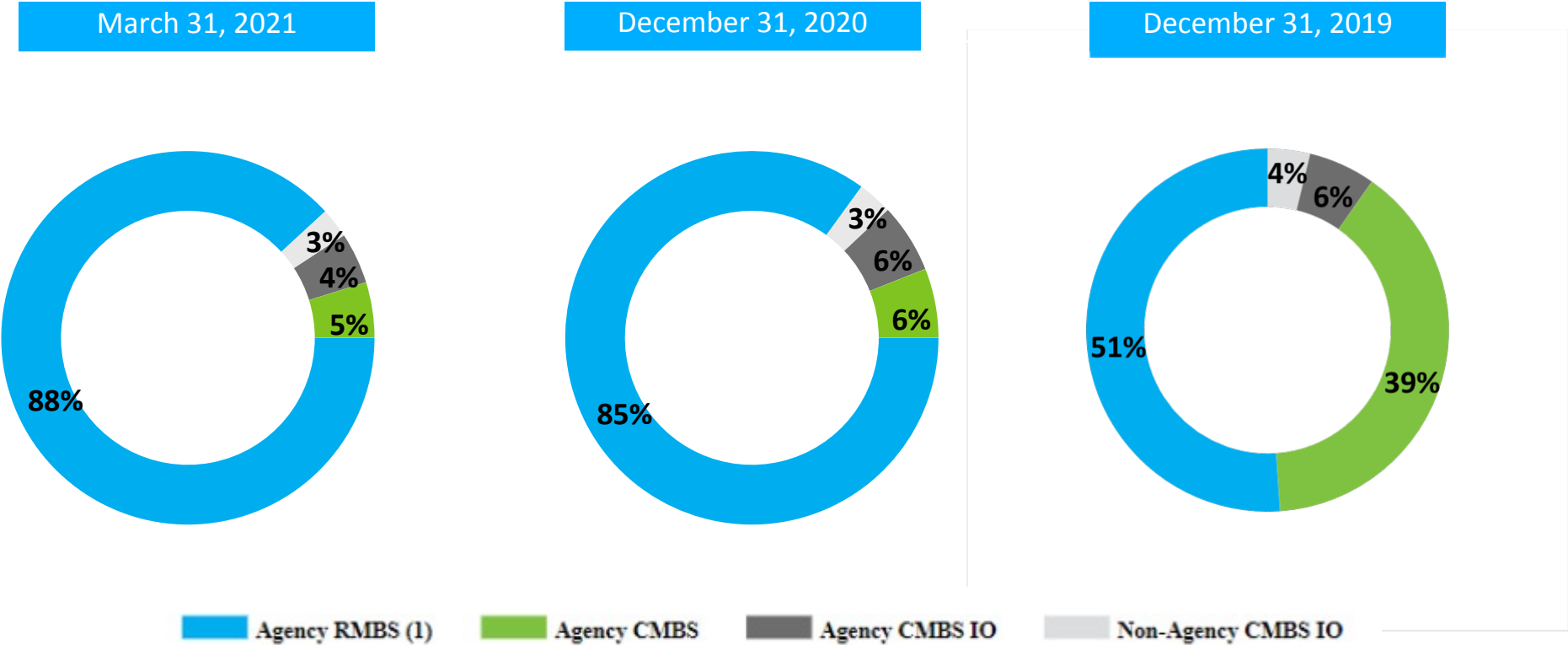


We believe the broader investment environment remains favorable with financing costs anchored well into 2022 and beyond.

- The curve steepened and rates increased in 1Q 2021. We see a shift in the environment to a range bound rates market in the near term with possible surprises in both directions.
- Leverage at quarter end was 6.9x; our posture of flexibility and liquidity enables the rapid deployment of capital with strong earnings power.
- While MBS spreads are tight, the Federal Reserve's asset purchase program of Treasuries and Agency RMBS continues to be a strong technical factor.
- At current returns, we believe our leverage will be stable with rate volatility contained and carry providing attractive returns. We will be opportunistic on spread widening, adding incremental assets, and reinvesting run-off as we demonstrated in 1Q 2021.
- Our macroeconomic view leads us to prepare for a steeper curve and a more favorable return environment of 10-12% for Agency RMBS. Our target leverage will rise in this environment between one to three times.
- A 1x increase in leverage at 10% total economic return produces \$0.24 per share of economic earnings, providing significant upside to total economic return.

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 environment has shifted from rates moving steeper and higher to more range bound with possible surprises in both directions.

Parallel Shift in Interest Rates	Percentage Change in Common Shareholders' Equity	
	As of March 31, 2021	As of December 31, 2020
+100	(9.1)%	(3.8)%
+50	(3.4)%	(1.7)%
-50	(1.4)%	1.3%
-100	(9.6)%	(5.1)%

Curve Shift 2 year Treasury (bps)	Curve Shift 10 year Treasury (bps)	Percentage Change in Common Shareholders' Equity	
		As of March 31, 2021	As of December 31, 2020
+25	+50	(4.0)%	(0.4)%
+50	+25	(1.1)%	(2.7)%
0	-25	1.1%	0.8%
-10	-50	0.8%	1.9%
-25	-75	(1.7)%	1.1%

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

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.

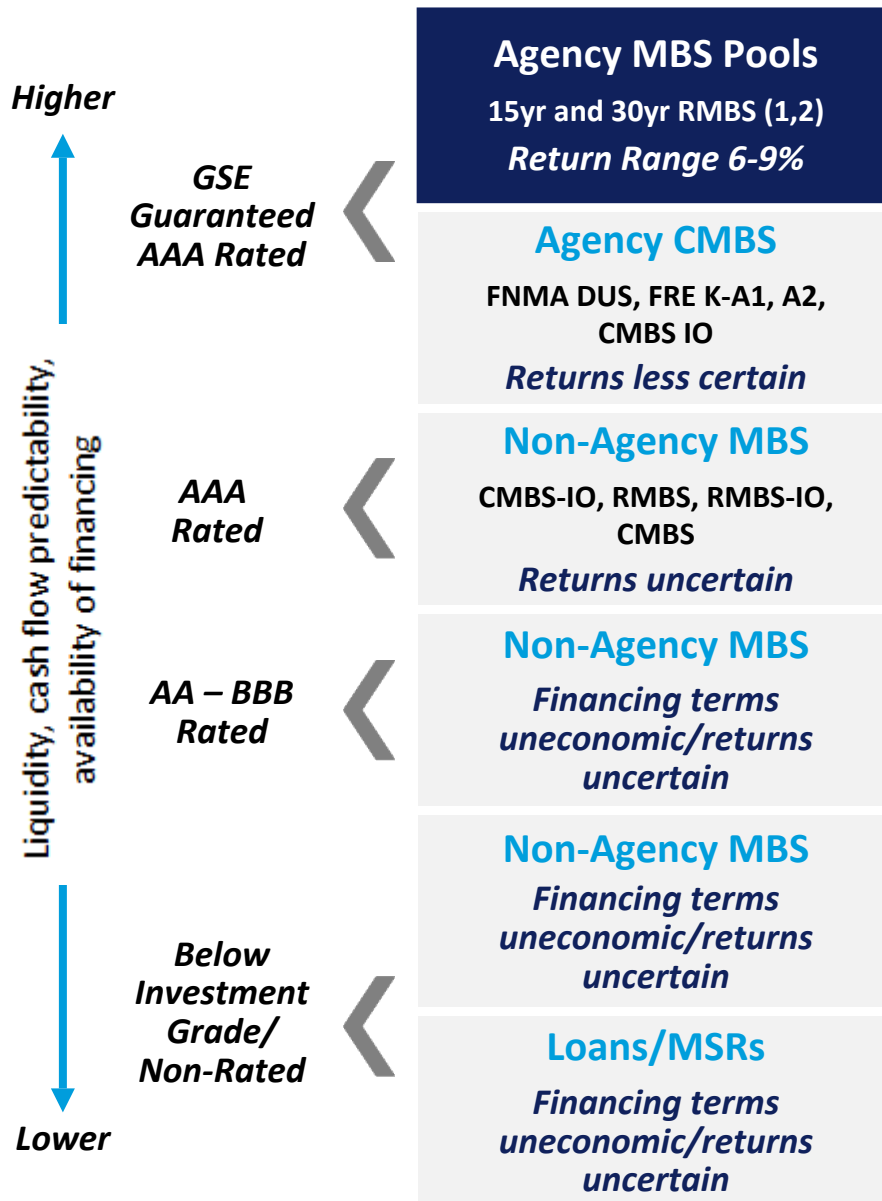
Hedge Position *(as of March 31, 2021)*

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
- We booked gains on our options positions and rebalanced into more futures based hedges to navigate the coming quarters

	March 31, 2021			December 31, 2020		
	Notional Amount/ Long (Short) (\$ in '000s)	Rate	Average Months to Expiration	Notional Amount/ Long (Short) (\$ in '000s)	Rate	Average Months to Expiration
Interest rate swaptions	\$ 500,000	1.16%	5	\$ 1,250,000	1.07%	5
Options on U.S. Treasury futures	250,000	1.30%	2	500,000	1.02%	<1
U.S. Treasury futures	(2,980,000)	n/a	3	(825,000)	n/a	2

Current Marginal Investment Returns *(as of March 31, 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.

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

⁽²⁾ Includes returns for TBA specialness and specified pools.

Long-Term Industry Trends

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

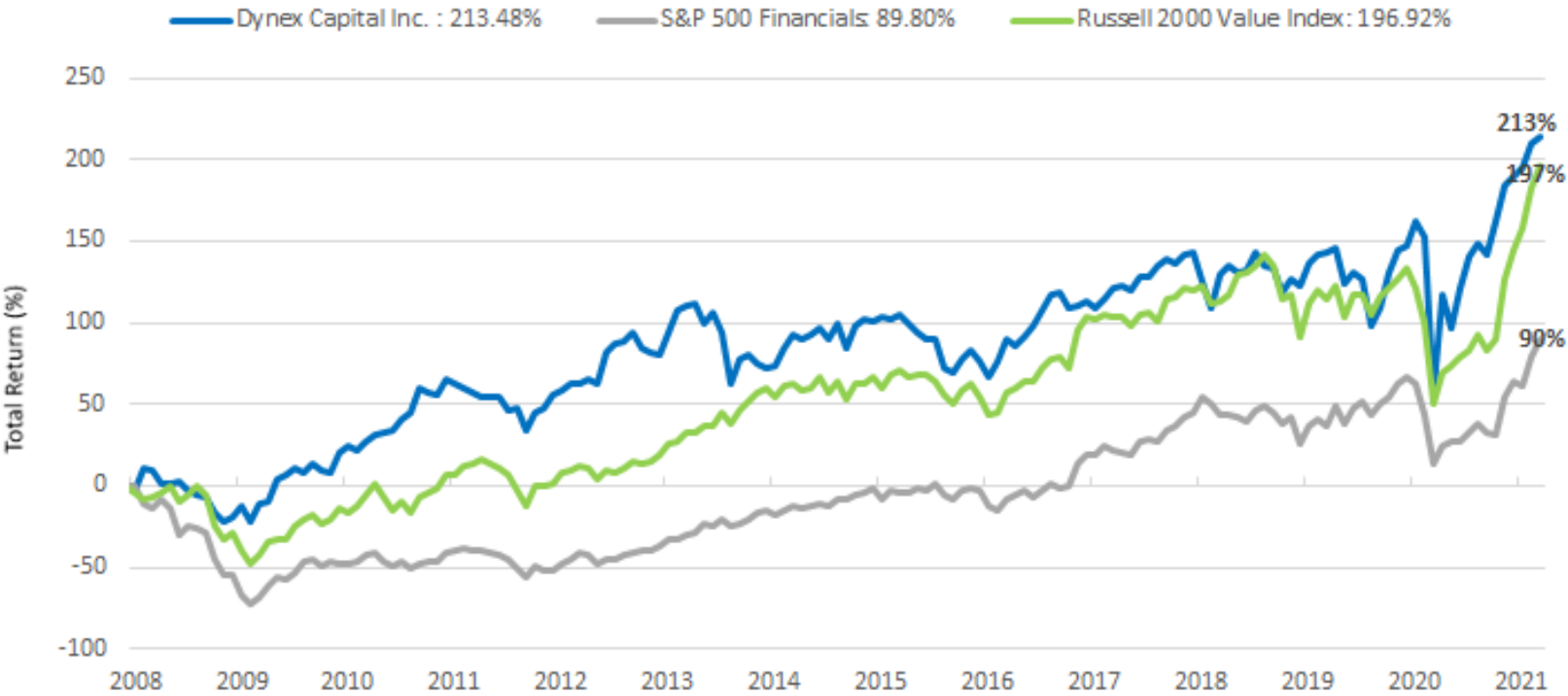
Further expansion of returns as counter cyclical emergency measures are tapered

- 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 and Russell 2000.

Total Return (%) January 1, 2008 - March 31, 2021



Source: S&P Global

Key Takeaways

-  Delivered a Total Economic Return of 7.2% to common shareholders for the first quarter 2021 and 34.8% over the last four quarters, averaging 8.0% per quarter.
-  Since the beginning of 2020, our total shareholder return is 27.1%, outperforming other income-oriented vehicles.
-  Created value during the quarter in four ways - managed the existing portfolio, optimized our capital structure, raised equity and invested capital to generate a solid return for the quarter.
-  Raised \$128 million in new equity capital in the first quarter and invested that capital accretively, executing on our strategy to drive operating leverage and improve our common stock liquidity.
-  Our posture of flexibility, liquidity, and lower leverage enables the rapid deployment of capital for significant upside to earnings and returns.
-  Declining pay-ups on specified pools, historically low repo rates and unprecedented dollar roll specialness are unique potential opportunities within our focus.
-  Expect core net operating income⁽¹⁾ to exceed the level of the dividend and believe the Company is well positioned to deliver solid economic returns for the remainder of 2021.

⁽¹⁾ Reconciliations for non-GAAP measures are presented on slide [29](#).

Why Dynex

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



Supplemental Information

Fixed Income Market Update

Security	Change 2021	3/31/21	2/26/21	1/29/21	12/30/20	9/30/20	6/30/20	3/31/20	12/31/19	9/30/19	Change YoY
Treasury ⁽²⁾											
IOER rate	0.00%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	1.55%	1.80%	-1.45%
1m repo ⁽¹⁾	-0.07%	0.14%	0.16%	0.19%	0.21%	0.23%	0.25%	0.35%	2.06%	2.43%	-1.85%
3m T-bill	-0.06%	0.01%	0.04%	0.06%	0.07%	0.09%	0.14%	0.09%	1.54%	1.81%	-1.47%
2 yr	0.04%	0.16%	0.13%	0.11%	0.12%	0.13%	0.15%	0.25%	1.57%	1.62%	-1.45%
5 yr	0.58%	0.94%	0.73%	0.42%	0.36%	0.28%	0.28%	0.38%	1.69%	1.54%	-1.33%
10 yr	0.82%	1.74%	1.40%	1.07%	0.92%	0.69%	0.65%	0.67%	1.92%	1.67%	-1.00%
30 yr	0.76%	2.41%	2.15%	1.83%	1.65%	1.46%	1.41%	1.32%	2.39%	2.11%	-0.74%
3M10Y Treasury Vol (15DP)	2.81	6.70	7.33	4.18	3.89	4.54	3.89	5.32	4.18	5.00	-0.29
Swaps ⁽²⁾											
1m Libor	-0.03%	0.11%	0.12%	0.12%	0.14%	0.15%	0.17%	0.99%	1.76%	2.02%	-1.62%
3m Libor	-0.04%	0.19%	0.19%	0.20%	0.24%	0.23%	0.29%	1.45%	1.91%	2.09%	-1.67%
2 yr	0.09%	0.29%	0.24%	0.19%	0.20%	0.22%	0.22%	0.49%	1.70%	1.63%	-1.50%
5 yr	0.63%	1.06%	0.83%	0.52%	0.43%	0.35%	0.32%	0.46%	1.73%	1.50%	-1.30%
10 yr	0.86%	1.78%	1.47%	1.11%	0.93%	0.71%	0.63%	0.72%	1.90%	1.56%	-0.97%
30 yr	0.80%	2.20%	1.88%	1.59%	1.40%	1.18%	0.91%	0.88%	2.09%	1.71%	-0.69%
3M10Y Swaption Vol	25.1	85.4	83.4	62.4	60.3	61.5	65.7	90.1	64.6	75.8	-4.28
30 Year MBS OAS ⁽³⁾											
2.0% ⁽⁴⁾	-19	-20	-1	-4	-1	9	36	54	-	-	-
2.5%	-14	-16	0	-12	-2	-2	2	30	30	54	-32
3.0%	-34	2	11	22	36	35	6	32	30	32	6
3.5%	-20	8	10	9	28	30	30	34	37	50	-9
4.0%	-40	11	17	28	51	64	48	27	49	56	2
FHFA Primary Mortgage ⁽²⁾	-0.10%	2.70%	2.70%	2.83%	2.80%	3.02%	3.32%	3.63%	3.56%	3.71%	-0.76%
Fn 30yr Current Cpn ⁽²⁾	0.70%	2.04%	1.84%	1.43%	1.34%	1.42%	1.57%	1.80%	2.71%	2.61%	-1.37%
CMBS ⁽⁵⁾											
DUS 10/9.5	-14	22	24	26	36	45	58	95	60	65	-24
DUS 12/11.5	-15	29	31	34	44	53	68	110	68	76	-24
10 yr Freddie K A2	-10	18	18	20	28	39	44	80	56	59	-28
Agency CMBS IO	-45	95	85	85	140	180	275	400	135	120	5
Non-Agency AAA CMBS IO	-35	130	113	138	165	190	300	450	113	128	52

(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 ⁽¹⁾		Change during 2021	3/31/21	2/26/21	1/29/21	12/31/20	9/30/20	6/30/20	5/29/20	4/30/20	3/31/20	12/31/19
2.0% Cpn ⁽²⁾	TBA Price	-4.21	99.67	101.01	103.27	103.88	103.41	102.34	102.03	-	-	-
	85K Max	-0.83	1.13	1.69	2.06	1.96	2.78	2.19	2.06	-	-	-
	150K Max	-0.69	0.63	1.31	1.50	1.32	1.88	1.56	1.41	-	-	-
	200k Max	-0.36	0.41	0.84	1.00	0.77	1.19	0.97	0.98	-	-	-
	NY only	-0.77	0.25	0.88	1.25	1.02	1.75	1.34	1.06	-	-	-
	95 LTV	-0.13	0.03	0.16	0.22	0.16	0.44	0.34	0.39	-	-	-
	Low WALA/new	0.00	0.03	0.06	0.03	0.03	0.28	0.08	0.14	-	-	-
2.5% Cpn ⁽²⁾	TBA Price	-2.77	102.51	103.69	105.41	105.27	104.92	104.26	103.75	104.16	-	-
	85K Max	-1.32	2.03	2.75	3.13	3.35	4.00	3.31	2.72	2.09	-	-
	150K Max	-1.04	1.44	2.22	2.34	2.47	2.59	2.5	2.03	1.06	-	-
	200k Max	-0.38	0.94	1.28	1.34	1.32	1.50	1.22	1.06	0.47	-	-
	NY only	-1.38	0.97	1.97	2.25	2.34	2.41	2.19	1.84	0.84	-	-
	95 LTV	-0.10	0.13	0.22	0.19	0.22	0.50	0.31	0.34	0.13	-	-
	Low WALA/new	0.03	0.09	0.13	0.09	0.06	0.25	0.08	0.13	0	-	-
3% Cpn	TBA Price	-0.75	104.13	104.72	105.23	104.88	104.75	105.31	105.2	105.57	104.81	101.44
	85K Max	-2.91	3.41	5.38	6.16	6.31	6.66	4.53	3.72	3.44	1.31	1.88
	150K Max	-2.69	2.72	4.44	4.84	5.41	4.63	3.34	2.69	2.34	0.75	1.38
	200k Max	-1.56	2.16	3.41	4.00	3.72	2.91	1.56	1.19	1	0.25	0.84
	NY only	-2.64	2.59	4.44	5.31	5.23	4.00	3.06	2.34	1.81	0.78	1.06
	95 LTV	-0.56	0.94	1.28	1.69	1.50	1.41	0.53	0.44	0.47	0.06	0.28
	Low WALA/new	-0.38	1.00	1.41	1.56	1.38	1.25	0.28	0.19	0.19	0	0.31
3.5% Cpn	TBA Price	-0.14	105.72	106.09	106.32	105.86	105.42	105.16	105.51	105.65	105.72	102.84
	85K Max	-3.41	4.41	6.75	7.28	7.81	8.00	6.84	0.88	5.22	1.97	3.22
	150K Max	-2.09	3.22	4.47	4.81	5.31	5.66	4.91	4.09	3.53	1.19	2.19
	200k Max	-1.04	2.59	3.38	3.81	3.63	3.53	2.84	2.31	2.09	0.78	1.5
	NY only	-1.72	3.22	4.75	5.34	4.94	4.75	4.78	3.88	3.16	1.09	2.34
	95 LTV	-0.44	1.06	1.22	1.59	1.50	1.59	1.38	1.13	1.53	0.34	0.72
	Low WALA/new	-0.44	1.03	1.28	1.50	1.47	1.53	1.25	0.88	0.94	0.19	0.42
4% Cpn	TBA Price	0.38	107.32	107.44	107.23	106.94	106.64	105.97	106.43	106.50	106.70	103.96
	85K Max	-3.41	4.91	7.16	8.38	8.31	8.84	8	7.19	5.78	2.81	4.78
	150K Max	-1.38	3.31	4.47	4.56	4.69	5.38	5.31	4.66	3.69	1.56	2.94
	200k Max	-0.88	2.56	3.19	3.56	3.44	3.31	2.94	2.63	2.16	1.25	1.94
	NY only	-2.94	3.41	4.91	5.44	6.35	5.09	5.44	4.5	3.5	1.47	3.63
	95 LTV	-0.19	0.84	0.94	1.22	1.03	1.41	1.25	1.19	1.72	0.5	0.88
	Low WALA/new	-0.41	0.81	1.03	1.38	1.22	1.34	1.22	1.06	1	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

- 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

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 March 31, 2021		As of December 31, 2020	
	Percentage Change in		Percentage Change in	
	Market Value of Investments ⁽¹⁾	Common Shareholders' Equity	Market Value of Investments ⁽¹⁾	Common Shareholders' Equity
+20/+50 ⁽²⁾	(2.6)%	(10.5)%	(1.6)%	(9.5)%
+10	(1.3)%	(5.0)%	(0.8)%	(4.4)%
-10	1.3%	5.0%	0.8%	4.4%
-20/-50 ⁽²⁾	2.6%	10.5%	1.6%	9.5%

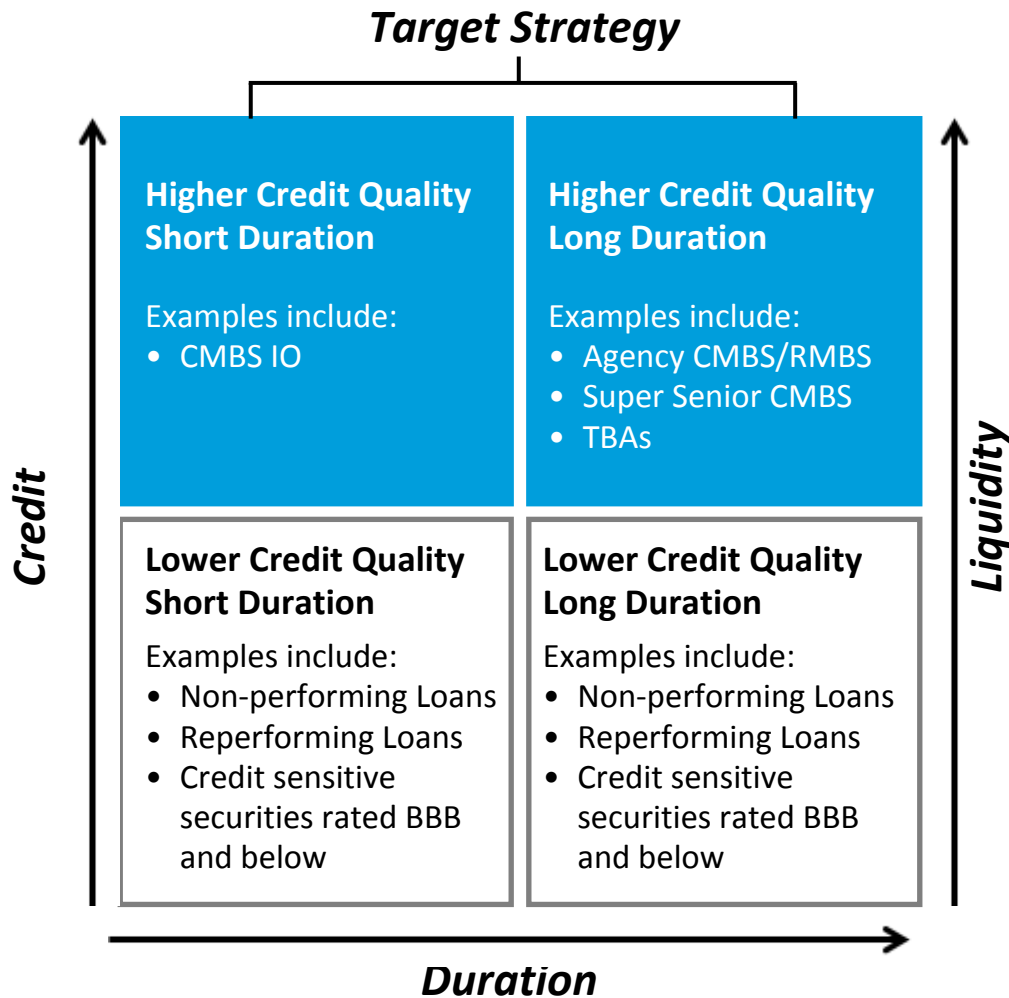
(1) Includes changes in market value of our MBS investments and TBA securities.

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

Investment Strategy

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



- Invest in a high quality, liquid asset portfolio of primarily Agency investments
- 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 March 31, 2021)*

(\$ in millions)	Par Value		Total Par Value	Estimated Fair Value	% of Portfolio	WAVG Coupon ⁽¹⁾	Amortized cost (%) ⁽²⁾	Unamortized Premium Balance ⁽²⁾	3-month CPR ⁽²⁾	3-month WAVG yield ⁽²⁾
	Pools	TBA ⁽⁵⁾								
Agency RMBS										
1.5% coupon	\$ —	\$ 375,000	\$375,000	\$ 375,850	7.2 %	1.50 %	n/a	n/a	n/a	n/a
2.0% coupon	664,474	1,535,000	2,199,474	2,205,642	42.4 %	2.00 %	102.3 %	\$ 15,064	11.0%	1.51 %
2.5% coupon	810,213	890,000	1,700,213	1,742,329	33.5 %	2.50 %	104.1 %	33,566	17.8%	1.49 %
4.0% coupon	244,868	—	244,868	265,852	5.1 %	4.00 %	103.0 %	7,338	39.9%	2.32 %
Total Agency RMBS	\$ 1,719,555	\$ 2,800,000	\$ 4,519,555	\$ 4,589,673	88.2 %		103.3 %	\$ 55,968	18.6%	1.62 %
Agency CMBS										
	\$ 234,091	—	\$ 234,091	\$ 249,617	4.8 %	3.18 %	101.3 %	\$ 2,975	⁽⁴⁾	2.91 %
CMBS Interest-only	⁽³⁾	—	⁽³⁾	365,876	7.0 %	0.55 %	n/a	352,655	⁽⁴⁾	4.33 %
Other non-Agency MBS	1,354	—	1,354	1,143	— %	5.91 %	72.7 %	(370)	-	27.08 %
Total	\$ 1,955,000	\$ 2,800,000	\$ 4,755,000	\$ 5,206,309	100 %		-	\$ 411,228	-	2.17 %

(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 was \$20.3 billion as of March 31, 2021.

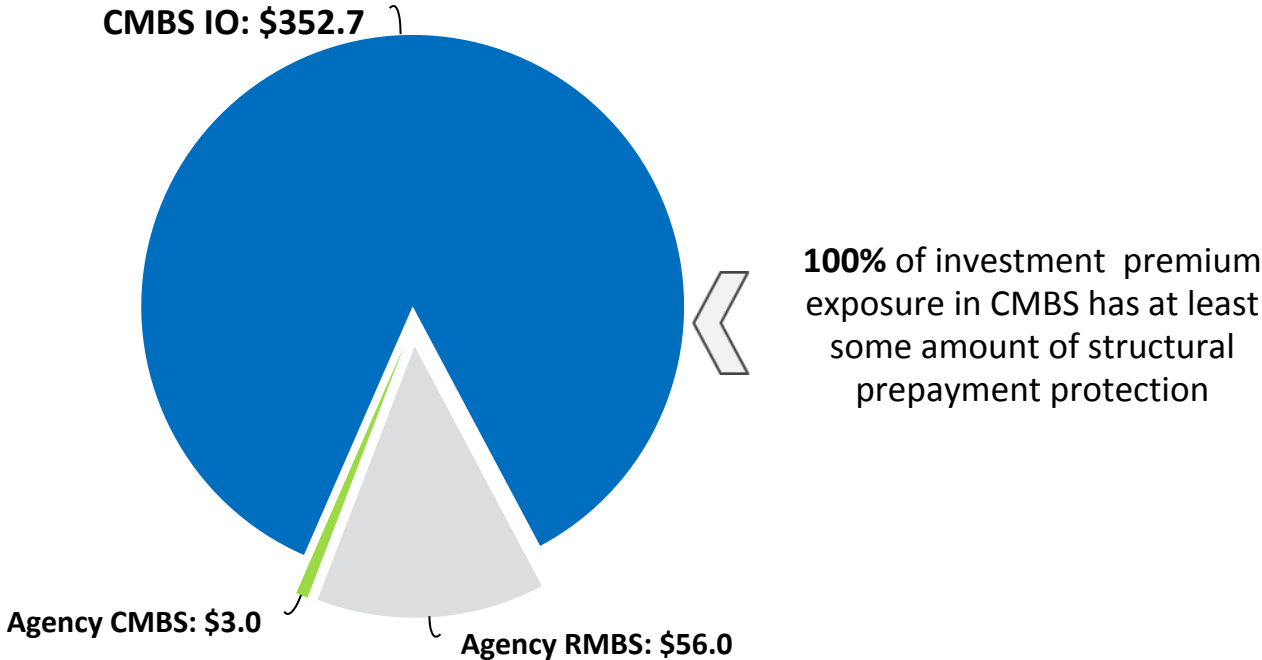
(4) Structurally, we are compensated for CMBS prepayments except under certain circumstances.

(5) Consists of 15- and 30-year TBA long positions only.

Prepayment Protection on Unamortized Premium

(as of March 31, 2021)

Investment Premium by Asset Type (\$ in millions)



Unamortized Premium		% of Total
<i>Explicit prepayment protection:</i>	CMBS/CMBS IO	86%
<i>Favorable prepayment</i>	RMBS	14%

Funding Strategy *(as of March 31, 2021)*

(\$s in thousands)

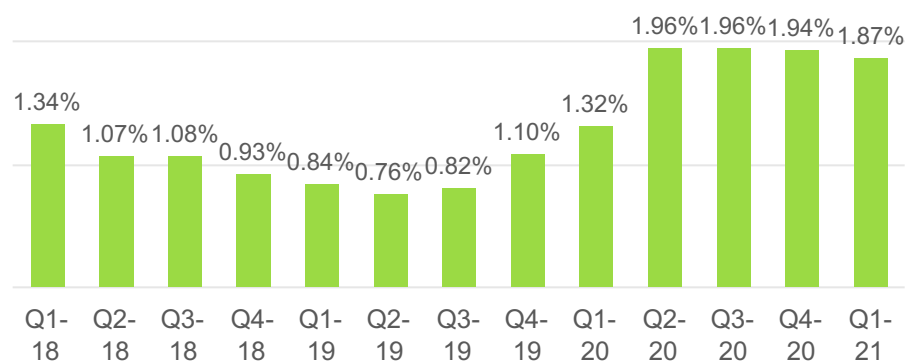
Collateral Type	Balance	Weighted Average Rate	Fair Value of Collateral
Agency RMBS	\$1,499,034	0.16 %	\$1,568,623
Agency CMBS	234,228	0.16 %	246,936
Agency CMBS IO	191,882	0.78 %	228,854
Non-Agency CMBS IO	106,945	1.01 %	128,920
Total	\$ 2,032,089	0.26 %	\$2,173,333

Remaining Term to Maturity	Balance	Percentage	Weighted Average Original Term to Maturity
< 30 days	\$1,119,808	55%	24
30 to 90 days	753,223	37%	42
91 to 180 days	159,058	8%	14
Total	\$2,032,089	100%	30

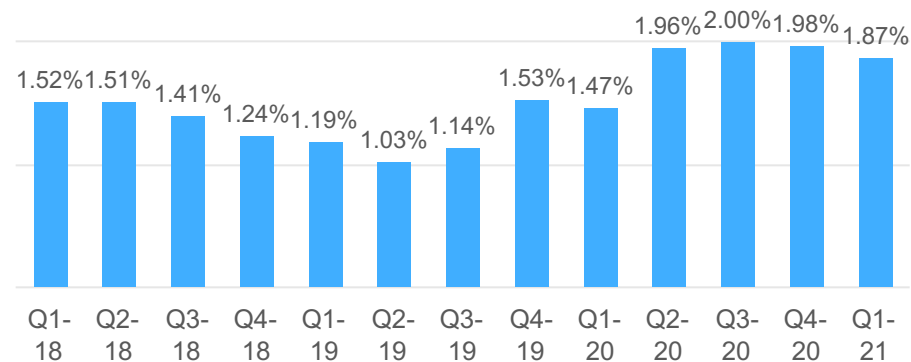
- Weighted average repo rate for the first quarter of 2021 was 0.30%, a decline of 5 basis points compared to the fourth quarter 2020 weighted average rate of 0.35%.
- Active with 20 counterparties at March 31, 2021.
- Maximum equity at risk with any one counterparty is less than 5%.

Performance Statistics Overview

Net Interest Spread



Adjusted Net Interest Spread (1)



(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. Reconciliations for non-GAAP measures are presented on slide [29](#).

Financial Performance - Comparative Quarters

(\$ in thousands, except per share amounts)	1Q21		4Q20	
	Income (Expense)	Per Common Share*	Income (Expense)	Per Common Share*
Interest income	\$ 13,892	\$ 0.52	\$ 16,705	\$ 0.72
Interest expense	(1,633)	(0.06)	(2,289)	(0.10)
GAAP net interest income	12,259	0.46	14,416	0.62
TBA drop income ⁽¹⁾	8,568	0.32	6,445	0.28
Net periodic interest cost of interest rate swaps ⁽¹⁾	—	—	(7)	—
Adjusted net interest income ⁽²⁾	20,827	0.78	20,854	0.90
General and administrative expenses	(5,468)	(0.20)	(6,853)	(0.30)
Other operating expense, net	(380)	(0.01)	(205)	(0.01)
Preferred stock dividends	(2,559)	(0.10)	(3,253)	(0.14)
Core net operating income to common shareholders ⁽²⁾	12,420	0.47	10,543	0.45
Change in fair value of derivatives ⁽¹⁾	99,233	3.70	17,428	0.75
Realized gain on sale of investments	4,697	0.18	9,356	0.40
Loss on investments, net ⁽³⁾	(980)	(0.04)	(134)	—
Preferred stock redemption charge	(2,987)	(0.11)	—	—
GAAP net income to common shareholders	112,383	4.20	37,193	1.60
Net unrealized loss on AFS investments	(65,156)	(2.44)	(8,468)	(0.37)
Comprehensive income to common shareholders	\$ 47,227	\$ 1.76	\$ 28,725	\$ 1.23
WAVG common shares outstanding	26,789		23,262	

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

1. TBA drop income, net periodic interest cost, 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 [29](#).
3. "Loss on investments, net" was previously titled "fair value adjustments, net" on the consolidated statement of comprehensive income.

Book Value Rollforward

	Quarter Ended March 31, 2021	
	\$ in thousands	Per Common Share
Common shareholders' equity, beginning of period ⁽¹⁾	\$452,244	\$19.08
GAAP net income to common shareholders:		
Core net operating income to common ⁽²⁾	12,420	
Gain on sale of investments, net	4,697	
Loss on investments, net	(980)	
Change in fair value of derivatives	99,233	
Preferred stock redemption charge	(2,987)	
Net unrealized loss on MBS designed as AFS	(65,156)	
Dividends declared	(10,586)	
Stock transactions ⁽³⁾	130,891	
Common shareholders' equity, end of period ⁽¹⁾	\$619,776	\$20.07

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

(2) Reconciliations for non-GAAP measures are presented on slide [29](#).

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

Reconciliation of GAAP Measures to Non-GAAP Measures

(\$ in thousands except per share data)	1Q21	4Q20	3Q20	2Q20	1Q20
Comprehensive income (loss) to common shareholders	\$47,227	\$28,725	\$44,471	\$26,538	(\$33,262)
Adjustments:					
Change in fair value of available for sale investments	60,459	(888)	(27,844)	(28,052)	(157,755)
Gain (loss) on investments, net ⁽¹⁾	980	134	(194)	(332)	372
Change in fair value of derivatives instruments, net ⁽²⁾	(99,233)	(17,428)	(2,258)	10,252	198,370
Preferred stock redemption charge	2,987	—	—	—	3,914
Core net operating income to common shareholders	\$12,420	\$10,543	\$14,175	\$8,406	\$11,639
Core net operating income per common share	\$0.46	\$0.45	\$0.61	\$0.36	\$0.51

(\$ in thousands)	1Q21	4Q20	3Q20	2Q20	1Q20
Net interest income	\$12,259	\$14,416	\$16,713	\$15,003	\$17,721
TBA drop income	8,568	6,445	6,087	1,796	739
Net periodic interest (cost) benefit ⁽²⁾	—	(7)	(371)	(107)	2,064
Adjusted net interest income	\$20,827	\$20,854	\$22,429	16,692	\$20,524
Other operating expense, net	(380,000)	(205,437)	(207)	(222)	(423,346)
General and administrative expenses	(5,468)	(6,853)	(4,795)	(4,811)	(4,621)
Preferred stock dividends	(2,559)	(3,253)	(3,252)	(3,253)	(3,841)
Core net operating income to common shareholders	\$12,420	\$10,543	\$14,175	\$8,406	\$11,639

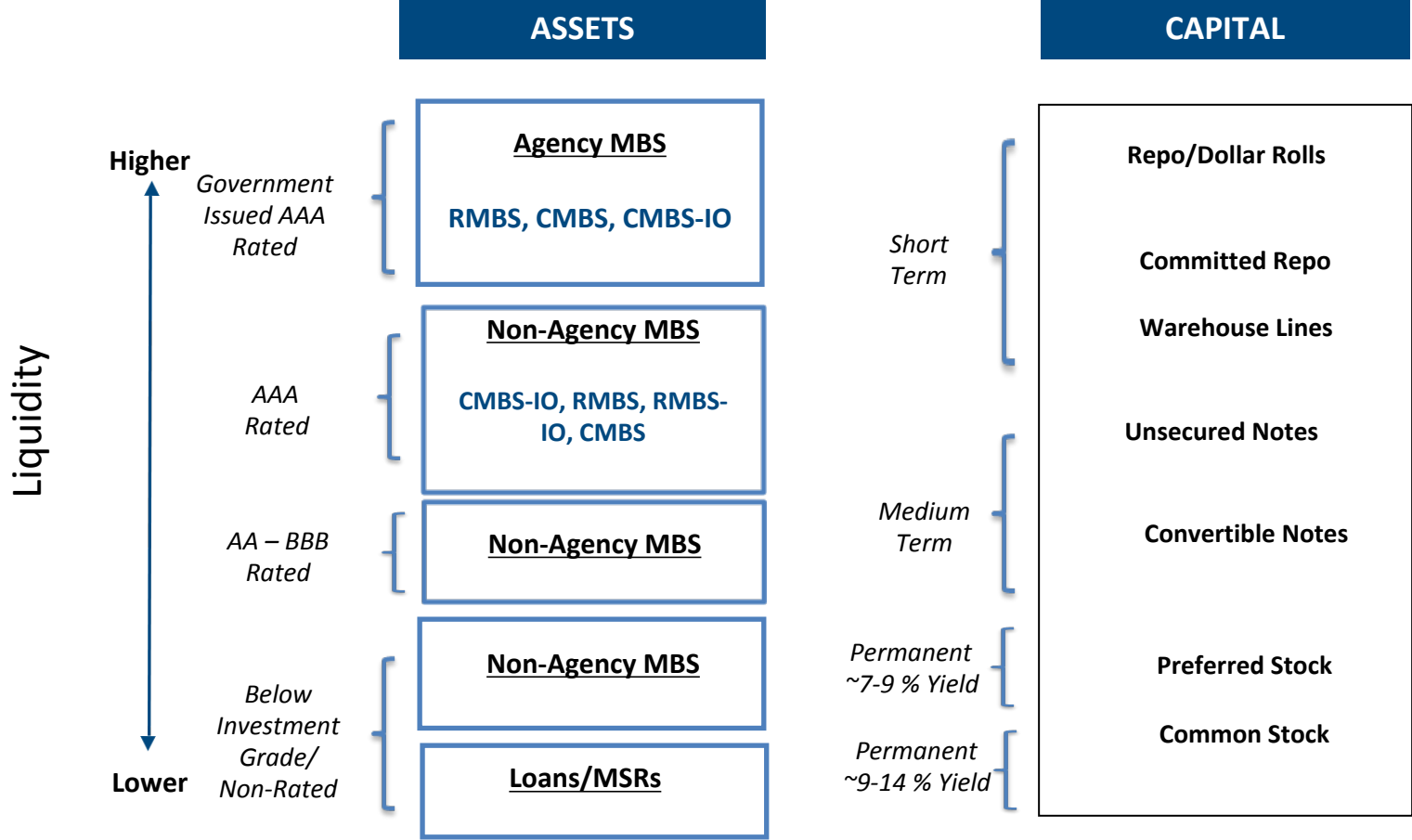
	1Q21	4Q20
Net interest spread	1.87 %	1.94 %
TBA drop income	— %	0.04 %
Adjusted net interest spread	1.87 %	1.98 %

(1) "Gain (loss) on investments, net" was previously titled "fair value adjustments, net" on the Company's consolidated statement of comprehensive income.

(2) 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.

(3) 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.

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 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

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.



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