UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

☒ **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended December 31, 2024

or

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Commission File Number: 001-09819

DYNEX CAPITAL, INC.
(Exact name of registrant as specified in its charter)

Virginia	**52-1549373**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
4991 Lake Brook Drive, Suite 100	
Glen Allen, Virginia	**23060-9245**
(Address of principal executive offices)	(Zip Code)

(804) 217-5800
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01 per share	DX	New York Stock Exchange
6.900% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, par value $0.01 per share	DXPRC	New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.
Yes o No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. x

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☒

As of June 30, 2024, the aggregate market value of the common stock held by non-affiliates of the registrant was approximately $884,655,579 based on the closing sales price on the New York Stock Exchange of $11.94.

On February 25, 2025, the registrant had 90,468,433 shares outstanding of common stock, $0.01 par value, which is the registrant’s only class of common stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Definitive Proxy Statement for the registrant’s 2025 Annual Meeting of Shareholders, expected to be filed pursuant to Regulation 14A within 120 days from December 31, 2024, are incorporated by reference into Part III of this Annual Report on Form 10-K to the extent stated herein.

DYNEX CAPITAL, INC.
FORM 10-K
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CAUTIONARY STATEMENT – This Annual Report on Form 10-K contains "forward-looking" statements within the meaning of Section 27A of the Securities Act of 1933, as amended ("Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended ("Exchange Act"). We caution that such forward-looking statements we makeare not guarantees of future performance, and actual results may differ materially from those expressed or implied in such forward-looking statements. Some factors that could cause actual results to differ materially from estimates expressed or implied in our forward-looking statements are set forth in this Annual Report on Form 10-K for the year ended December 31, 2024. See Part I, Item 1A, "Risk Factors" and "Forward-Looking Statements" set forth in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Annual Report on Form 10-K.

In this Annual Report on Form 10-K, we refer to Dynex Capital, Inc. and its subsidiaries as the "Company," "we," "us," or "our," unless we specifically state otherwise, or the context indicates otherwise.

PART I.

ITEM 1. BUSINESS

COMPANY OVERVIEW

Dynex Capital, Inc. commenced operations in 1988 and is an internally managed mortgage real estate investment trust ("REIT"), which invests in mortgage-backed securities ("MBS"). We finance our investments principally with repurchase agreements. Our objective is to provide attractive risk-adjusted returns to our shareholders over the long term that are reflective of a leveraged, high-quality fixed income portfolio with a focus on capital preservation. We seek to provide returns to our shareholders primarily through the payment of regular dividends and through capital appreciation of our investments.

As of December 31, 2024, we were primarily invested in Agency MBS, of which over 97% are residential MBS ("Agency RMBS"), including to-be-announced ("TBA") securities. The remainder of our investment portfolio as of December 31, 2024, was comprised of Agency commercial MBS ("Agency CMBS") and Agency and non-Agency CMBS interest-only ("CMBS IO") securities. Agency MBS have an implicit guaranty of principal payment by an agency of the U.S. government or a U.S. government-sponsored entity ("GSE") such as Fannie Mae and Freddie Mac. Non-Agency MBS are issued by non-governmental enterprises and do not have a guaranty of principal or interest payments.

INVESTMENT STRATEGY

Our investment strategy and the allocation of our capital to a particular sector or investment is driven by a "top-down" framework that focuses on the risk management, scenario analysis, and expected risk-adjusted returns of any investment. Key points of this framework include the following:

- understanding macroeconomic factors, global monetary and fiscal policies, and possible evolving outcomes;
- understanding the regulatory environment, competition for assets, and terms and availability of financing;
- investment analysis, including understanding absolute returns, relative and risk-adjusted returns, and supply/demand metrics in various mortgage asset classes;
- financing and hedging analysis, including sensitivity analysis on credit, interest rate volatility, liquidity, and market value risk; and
- managing performance and inherent portfolio risks, including but not limited to interest rate, credit, prepayment, and liquidity risks.

In allocating our capital and executing our strategy, we seek to balance the risks of owning specific types of investments with the earnings opportunity on the investment. Though the majority of our current investment portfolio is in fixed-rate Agency RMBS, we have allocated capital at various times over the last decade to a variety of other investments, including adjustable-rate Agency RMBS, fixed-rate Agency CMBS, investment grade and unrated non-Agency RMBS and CMBS, Agency and non-Agency CMBS IO, and residual interests in securitized mortgage loans. Our investments in non-Agency MBS are generally higher quality senior or mezzanine classes (typically rated 'A' or better by one or more of the nationally recognized statistical rating organizations) because they are typically more liquid (i.e., they are more easily converted into cash either through sales or pledges as collateral for repurchase agreement borrowings) and have less exposure to credit losses than lower-rated non-Agency MBS. We regularly review our existing operations to determine whether our investment strategy or business model should change, including through capital reallocation, changing our targeted investments as well as hedging instruments and shifting our risk position.

From time to time, we analyze and evaluate potential business opportunities that we identify or are presented to us, including possible partnerships, mergers, acquisitions, or divestiture transactions that might maximize value for our shareholders. Pursuing such an opportunity or transaction could require us to issue additional equity or debt securities.

The performance of our investment portfolio will depend on many factors including, but not limited to, interest rates, trends of interest rates, the steepness of interest rate curves, prepayment rates on our investments, demand for our investments, yield spreads for fixed income securities, general market liquidity, economic and global political conditions, and the credit performance of our investments. In addition, our business model may be impacted by other factors, such as the condition of the overall credit markets, which could impact the availability and costs of financing. See “Risk Factors—Factors that Affect Our Results of Operations and Financial Condition” in Part I, Item 1A, and “Quantitative and Qualitative Disclosures About Market Risk” in Part II, Item 7A of this Annual Report on Form 10-K for further discussion.

RMBS. As of December 31, 2024, the majority of our investments were Agency-issued pass-through RMBS collateralized primarily by pools of fixed-rate single-family mortgage loans. Monthly payments of principal and interest made by the individual borrowers on the mortgage loans underlying the pools are "passed through" to the security holders after deducting GSE or U.S. Government agency guarantee and servicer fees. Mortgage pass-through certificates generally distribute cash flows from the underlying collateral on a pro-rata basis among the security holders. Security holders also receive guarantor advances of principal and interest for delinquent loans in the mortgage pools.

We also purchase TBA securities (“TBAs”) as a means of investing in non-specified fixed-rate Agency RMBS, and from time to time, we may also sell TBA securities to economically hedge our book value exposure to Agency RMBS. A TBA security is a forward contract (“TBA contract”) for the purchase (“long position”) or sale (“short position”) of a fixed-rate Agency MBS at a predetermined price with certain principal and interest terms and certain types of collateral. The actual Agency securities to be delivered are not identified until approximately two days before the settlement date. We hold long and short positions in TBA securities by executing a series of transactions, commonly referred to as “dollar roll” transactions, which effectively delay the settlement of a forward purchase (or sale) of a non-specified Agency RMBS by entering into an offsetting TBA position, net settling the paired-off positions in cash, and simultaneously entering into an identical TBA long (or short) position with a later settlement date. TBAs purchased or sold for a forward settlement date are generally priced at a discount relative to TBAs settling in the current month. This price difference, often referred to as “drop income,” represents the economic equivalent of net interest income (interest income less implied financing cost) on the underlying Agency security from the trade date to the settlement date. We account for all TBAs (whether net long or net short positions, or collectively “TBA dollar roll positions”) as derivative instruments because we cannot assert that it is probable at inception and throughout the term of an individual TBA transaction that its settlement will result in physical delivery of the underlying Agency RMBS, or that the individual TBA transaction will settle in the shortest period possible.

CMBS. Our CMBS investments comprised less than 1% of our investment portfolio as of December 31, 2024, and are fixed-rate Agency-issued securities backed by multifamily housing loans. The loans underlying CMBS are generally fixed-rate with scheduled principal payments generally assuming a 30-year amortization period but typically requiring balloon payments on average approximately 10 years from origination. These loans typically have some form of prepayment protection provisions (such as prepayment lock-out) or prepayment compensation provisions (such as yield maintenance or prepayment penalty), which provide us compensation if underlying loans prepay prior to us earning our expected return on our investment. Yield maintenance and prepayment penalty requirements are intended to create an economic disincentive for the loans to prepay, which we believe makes CMBS less costly to hedge relative to RMBS.

CMBS IO. CMBS IO are interest-only securities issued as part of a CMBS securitization and represent the right to receive a portion of the monthly interest payments (but not principal cash flows) on the unpaid principal balance of the underlying pool of commercial mortgage loans. We invest in both Agency-issued and non-Agency issued CMBS IO, which comprised less than 2% of our investment portfolio as of December 31, 2024. The loans collateralizing Agency-issued CMBS IO pools are similar in composition to the pools of loans that collateralize CMBS as discussed above. Non-Agency issued CMBS IO are backed by loans secured by many different property types, including multifamily, office buildings, hospitality, and retail, among others. Since CMBS IO securities have no principal associated with them, the interest payments received are based on the unpaid principal balance of the underlying mortgage loan pool, which is commonly referred to as the notional amount. Yields on CMBS IO securities depend on the underlying loans' performance. Similar to CMBS described above, the Company receives prepayment compensation as most loans in these securities have some form of prepayment protection from early repayment; however, there are no prepayment protections if the loan defaults and is partially or wholly repaid earlier because of loss mitigation actions taken by the underlying loan servicer. Because Agency CMBS IO generally contain higher credit quality loans, they have a lower risk of default than non-Agency CMBS IO. The majority of our CMBS IO investments are investment grade-rated, with the majority rated 'AAA' by at least one of the nationally recognized statistical rating organizations. In addition, our non-Agency CMBS IO are well seasoned with a weighted average life remaining of less than two years.

FINANCING STRATEGY

We employ leverage to enhance the returns on our invested capital by pledging our investments as collateral for borrowings, primarily through repurchase agreements. The amount of leverage we utilize is contingent on various factors such as prevailing economic, political, and financial market conditions; the actual and anticipated liquidity and price volatility of our assets; the gap between the duration of our investments, financings, and hedges; the availability and cost of financing our assets; our opinion of the creditworthiness of financing counterparties; the health of the U.S. residential mortgage and housing markets; our outlook for the level, slope, and volatility of interest rates; the credit quality of the loans underlying our investments; the rating assigned to securities; and our outlook for asset spreads. Repurchase agreements generally have original terms to maturity of overnight to six months, though in some instances, we may enter into longer-dated maturities depending on market conditions. We pay interest on our repurchase agreement borrowings at a rate determined by a spread to certain short-term interest rates and fixed for the term of the borrowing. Borrowings under uncommitted repurchase agreements are renewable at the discretion of our lenders and do not contain guaranteed rollover terms.

Repurchase agreement financing is provided principally by major financial institutions and broker-dealers acting as financial intermediaries for short-term cash investors, including money market funds and securities lenders. Repurchase agreement financing exposes us to counterparty risk to such financial intermediaries, principally related to the excess of our collateral pledged over the amount borrowed. We seek to mitigate this risk by spreading our borrowings across a diverse set of repurchase agreement lenders. As of December 31, 2024, we did not have more than 10% of equity at risk with any of our repurchase agreement counterparties. Please refer to "Risk Factors—Risks Related to Our Financing and Hedging Activities" in Part I, Item 1A of this Annual Report on Form 10-K for additional information regarding significant risks related to repurchase agreement financing.

HEDGING STRATEGY

We use derivative instruments to economically hedge our exposure to adverse changes in interest rates resulting from our ownership of primarily longer-term fixed-rate investments financed using short-term repurchase agreements with interest rates that reset each time we renew our borrowing. Changes in interest rates can impact net interest income, the market value of our investments, and therefore, our book value per common share. In a period of rising interest rates, our earnings and cash flow may be negatively impacted by borrowing costs increasing faster than interest income from our assets, and our book value may decline due to declining market values of our MBS.

Our hedging strategy is dynamic and is based on our assessment of U.S. and global economic conditions and monetary policies. We frequently adjust our hedging portfolio based on our expectation of future interest rates, including the absolute level of rates and the slope of the yield curve versus market expectations. In conducting our hedging activities, we intend to comply with REIT and tax limitations on our hedging instruments, which could limit our activities and the instruments that we may use. We also intend to enter into derivative contracts only through a futures commission merchant or with counterparties that we believe have a strong credit rating to mitigate the risk of counterparty default or insolvency.

OPERATING POLICIES AND RISK MANAGEMENT

We invest our capital and manage our risk according to our "Investment Policy," which is approved by our Board of Directors. The Investment Policy sets forth investment and risk limitations related to the Company's investment activities and sets parameters for the Company's investment and capital allocation decisions. The Investment Policy also places limits on certain risks to which we are exposed, such as interest rate risk, liquidity risk, and shareholders' equity at risk from changes in the fair value of our investment securities. Also, it sets forth limits for the Company's overall leverage and who is expressly authorized to trade.

Our Investment Policy currently limits our investment in non-Agency MBS that are rated BBB+ or lower at the time of purchase by any of the nationally recognized statistical ratings organizations to 10% of total shareholders' equity. We also conduct our own independent evaluation of the credit risk on any non-Agency MBS, so that we do not rely solely on the security's credit rating. Our Investment Policy requires us to perform a variety of stress tests to model the effect of adverse market conditions on our investment portfolio value and our liquidity.

Within the overall limits established by the Investment Policy, our investment and capital allocation decisions depend on prevailing market conditions and other factors and may change over time in response to opportunities available in different economic and capital market environments. Our Board of Directors may also adjust the Company's Investment Policy from time to time based on macroeconomic expectations, market conditions, and risk tolerances..

In addition to the Investment Policy described above, we manage our operations and investments to comply with various REIT limitations (as discussed further below in "Operating and Regulatory Structure") and to avoid qualifying as an investment company as such term is defined in the Investment Company Act of 1940, as amended, (the "1940 Act") or as a commodity pool operator under the Commodity Exchange Act.

Factors that Affect Our Results of Operations and Financial Condition

Our financial performance is primarily driven by the performance of our investment portfolio and related financing and hedging activity and may be impacted by several factors, such as the absolute level of interest rates, the relative slope of interest rate curves, changes in interest rates and market expectations of future interest and prepayment rates, actual prepayments received on our investments, supply of and competition for investments, the influence of economic conditions on the credit performance of our investments, and market required yields as reflected by market spreads. All of the above factors are influenced by market forces beyond our control, such as macroeconomic and geopolitical conditions, market volatility, Federal Reserve policy, U.S. fiscal and regulatory policy, and foreign central bank and government policy. In addition, our business may be impacted by changes in regulatory requirements, including requirements to avoid qualifying as an investment company pursuant to the 1940 Act, as well as REIT requirements.

Our business model is also impacted by the availability and cost of financing and the state of the overall credit markets. Reductions or limitations in the availability of financing for our investments could significantly impact our business or force us to sell assets, potentially at losses. Disruptions in the repurchase agreement market may also directly impact our availability and cost of financing.

Please refer to Part I, Item 1A, "Risk Factors," as well as Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and Item 7A, "Quantitative and Qualitative Disclosures about Market Risk," of this Annual Report on Form 10-K for additional discussions of factors that have the potential to impact our results of operations and financial condition, including current events such as recent shifts in the Federal Reserve's monetary policy and market trends.

ENVIRONMENTAL, SOCIAL, AND CORPORATE GOVERNANCE

We have adopted the Sustainability Accounting Standards Board ("SASB") Conceptual Framework, and we have made disclosures available on our website in accordance with the Financials Sector standards of the SASB. The information on our website is not a part of, nor is it incorporated by reference, into this Annual Report.

Human Capital Strategy

The Company views its employees as its most important asset and as the key to managing a successful business for the benefit of all of our stakeholders. Our human capital strategy is designed to create an environment where our employees can grow professionally and contribute to the success of the Company. We believe a supportive, collaborative, engaging, and equitable culture is key to attracting and retaining skilled, experienced, and talented employees and fostering the development of the Company's next generation of leaders. We have implemented a formal operating process to track, manage, and monitor key corporate goals for the Company and our employees. Further, we have been increasing employee engagement through monthly Company-wide meetings and an anonymous survey to assess employee satisfaction and solicit feedback on the employee experience at the Company.

As of December 31, 2024, we had 22 full and part-time employees with an average tenure of 10.8 years, and our voluntary turnover rate was 4% for the three years ended December 31, 2024. None of our employees are covered by any collective bargaining agreements, and we are not aware of any union-organizing activity relating to our employees.

Dynex Values

As part of our mission and values, Dynex focuses on key attributes that each employee, board member, consultant, and business partner embodies. Delivering value, being curious, building trust, and being kind allow us to build a winning team that is focused on alignment with shareholders, being prepared, looking around corners for potential risks, being a trusted partner, and also helping each other develop and grow professionally. These values propel us to seek different perspectives and build diversity of thought, which is essential in our business. We hire, evaluate, reward, and promote based on experience, performance, and values.

Health, Safety, and Wellness

The Company strives to offer employees a healthy work-life balance and an open environment in which they are encouraged to offer thoughts and opinions. Employees have a wide selection of resources available to help protect their health, well-being, and financial security, including an on-site gym, coverage of a substantial portion of their health insurance, and a competitive 401(k) company match. We provide our employees with access to flexible, comprehensive, and convenient medical coverage intended to meet their needs and the needs of their families. In addition to standard medical coverage, we offer employees dental and vision coverage, health savings and flexible spending accounts, paid time off, employee assistance programs, voluntary short-term and long-term disability insurance, term life insurance, and other benefits. In addition, we have historically offered flexible working arrangements to accommodate the individual needs of our employees.

Employee Development

Recognizing the vital role that human capital management serves in the long-term success of the Company, we have initiated a Human Capital Strategy Planning process, which is overseen by our Board of Directors, to formalize the process for management and development of employees. In addition to talent management and development initiatives, the Human Capital Strategy Planning process has included the following:

- development of organizational core values and a plan to integrate these values into a variety of human capital processes and practices;
- offering personal and professional development programs for all employees;
- formal process for determining current and future human capital requirements;
- implementing improved performance measures designed to determine individual and team developmental needs better.

COMPETITION

In purchasing investments and obtaining financing, we compete with other mortgage REITs, broker-dealers and investment banking firms, GSEs, mutual funds, banks, hedge funds, mortgage bankers, insurance companies, governmental bodies, including the Federal Reserve, and other entities, many of which may have greater financial resources and a lower cost of capital than we do. Increased competition in the market may reduce the available supply of investments and may drive prices of investments to levels that would negatively impact our ability to earn an acceptable amount of income from these investments. Competition may also reduce the availability of borrowing capacity at our repurchase agreement counterparties as such capacity is not unlimited.

OPERATING AND REGULATORY STRUCTURE

Real Estate Investment Trust Requirements

As a REIT, we are required to abide by certain requirements for qualification as a REIT under the Internal Revenue Code of 1986, as amended (the “Tax Code”). To retain our REIT status, the REIT rules generally require that we invest primarily in real estate-related assets, that our activities be passive rather than active, and that we distribute annually to our shareholders amounts equal to at least 90% of our REIT taxable income, after certain deductions. Dividend distributions to our shareholders in excess of REIT taxable income are considered a return of capital to the shareholder.

We use the calendar year for financial reporting in accordance with GAAP and for tax purposes. Income determined under GAAP differs from income determined under U.S. federal income tax rules due to permanent and temporary differences in income and expense recognition. The primary differences between our GAAP net income and our taxable income are: (i) unrealized gains and losses on investments (including TBAs accounted for as derivatives) are recognized in comprehensive income for GAAP purposes but are excluded from taxable income until realized; (ii) realized gains and losses on derivatives that are designated as tax hedges which are recognized in net income for GAAP purposes but are deferred and amortized for tax purposes over the original periods hedged by those derivatives (e.g., ten-years for a short position on a ten-year U.S. Treasury futures position); and (iii) permanent differences due to limitations on the deductibility of certain GAAP expenses from taxable income. The Company estimates its REIT taxable income for the year ended December 31, 2024, is $96.3 million, which includes $99.9 million related to the amortization of net deferred tax hedge gains.

The following table provides the projected amortization of our net deferred tax hedge gains as of December 31, 2024, that will be recognized as taxable income over the periods indicated;.however, recognition of deferred tax hedge gains and losses may be accelerated if the underlying instrument originally hedged is terminated or paid off:

Period of Recognition for Remaining Hedge Gains, Net	December 31, 2024
	($ in thousands)
Fiscal year 2025	$ 100,144
Fiscal year 2026	100,420
Fiscal year 2027	95,831
Fiscal year 2028 and thereafter	422,643
	$ 719,038

As of December 31, 2024, we also had $557.9 million of capital loss carryforwards, all of which will expire by either December 31, 2027 or by December 31, 2028.

We declared common stock dividends of $1.60 for the year ended December 31, 2024. Our monthly dividend of $0.15 for December 2024 is recognized in the year ended December 31, 2024, for GAAP purposes, but it is not recognized as a taxable dividend until it is paid in January 2025. As such, the total dividends declared for tax purposes is $1.58 for the year ended December 31, 2024. The following table summarizes our dividends declared per share and their related tax characterization for the periods indicated:

	Tax Characterization			
	Ordinary	Capital Gain	Return of Capital	Total Dividends Paid Per Share
Common dividends declared:				
Year ended December 31, 2024	$ 1.27707	$ —	$ 0.30293	$ 1.58000
Year ended December 31, 2023	$ 0.74112	$ —	$ 0.81888	$ 1.56000
Preferred Series C dividends declared:				
Year ended December 31, 2024	$ 1.72500	$ —	$ —	$ 1.72500
Year ended December 31, 2023	$ 1.72500	$ —	$ —	$ 1.72500

Qualification as a REIT

Qualification as a REIT requires that we satisfy various tests relating to our income, assets, distributions, and ownership. The significant tests are summarized below.

Sources of Income. To continue qualifying as a REIT, we must satisfy two distinct tests with respect to the sources of our income: the “75% income test” and the “95% income test.” The 75% income test requires that we derive at least 75% of our gross income (excluding gross income from prohibited transactions) from certain real estate-related sources. To satisfy the 95% income test, 95% of our gross income for the taxable year must consist of either income that qualifies under the 75% income test or certain other types of passive income, such as interest and dividends. Our primary source of income is interest on obligations secured by mortgages on real property.

If we fail to meet either the 75% income test or the 95% income test, or both, in a taxable year, we might nonetheless continue to qualify as a REIT, if our failure was due to reasonable cause and not willful neglect and the nature and amounts of our items of gross income were properly disclosed to the Internal Revenue Service (the “IRS”). However, in such a case, we would be required to pay a tax equal to 100% of any excess non-qualifying income.

Nature and Diversification of Assets. At the end of each calendar quarter, we must meet multiple asset tests. Under the “75% asset test,” at least 75% of the value of our total assets must represent cash or cash items (including receivables), government securities, or real estate assets. Under the “10% asset test,” we may not own more than 10% of the outstanding voting power or value of securities of any single non-governmental issuer, provided such securities do not qualify under the 75% asset test or relate to taxable REIT subsidiaries. Under the “5% asset test,” ownership of any stocks or securities that do not qualify under the 75% asset test must be limited, in respect of any single non-governmental issuer, to an amount not greater than 5% of the value of our total assets (excluding ownership of any taxable REIT subsidiaries). Taxable REIT subsidiaries may not exceed 20% of the value of our total assets.

If we inadvertently fail to satisfy one or more of the asset tests at the end of a calendar quarter, such failure would not cause us to lose our REIT status, provided that (i) we satisfied all of the asset tests at the close of the preceding calendar quarter and (ii) the discrepancy between the values of our assets and the standards imposed by the asset tests either did not exist immediately after the acquisition of any particular asset or was not wholly or partially caused by such an acquisition. If the condition described in clause (ii) of the preceding sentence was not satisfied, we still could avoid disqualification by eliminating any discrepancy within 30 days after the close of the calendar quarter in which it arose.

Ownership. To maintain our REIT status, we must not be deemed to be closely held and must have more than 100 shareholders. The closely held prohibition requires that not more than 50% of the value of our outstanding shares be owned by five or fewer persons at any time during the last half of our taxable year. The "more than 100 shareholders" rule requires that we have at least 100 shareholders for 335 days of a twelve-month taxable year. If we failed to satisfy the ownership requirements, we would be subject to fines and required to take curative action to meet the ownership requirements in order to maintain our REIT status.

Exemption from Regulation under the Investment Company Act of 1940

We conduct our operations under the exemption provided under Section 3(c)(5)(C) of the 1940 Act, a provision available to companies primarily engaged in the business of purchasing and otherwise acquiring mortgages and other liens on and interests in real estate. According to the U.S. Securities and Exchange Commission (“SEC”) staff no-action letters, companies relying on this exemption must ensure that at least 55% of their assets are mortgage loans and other qualifying assets and at least 80% are real estate-related. The 1940 Act requires that we and each of our subsidiaries evaluate our qualification for exemption under the 1940 Act. Our subsidiaries rely either on Section 3(c)(5)(C) of the 1940 Act or other sections that provide exemptions from registering under the 1940 Act, including Sections 3(a)(1)(C) and 3(c)(7). Under the 1940 Act, an investment company is required to register with the SEC and is subject to extensive restrictive and potentially adverse regulations relating to, among other things, operating methods, management, capital structure, leverage, dividends, and transactions with affiliates. We believe that we are operating our business in accordance with the exemption requirements of Section 3(c)(5)(C) of the 1940 Act. Please refer to Part I, Item 1A, "Risk Factors" of this Annual Report on Form 10-K for further discussion.

AVAILABLE INFORMATION

We are subject to the reporting requirements of the Exchange Act and its rules and regulations. The Exchange Act requires us to file reports, proxy statements, and other information with the SEC. These materials may be obtained electronically by accessing the SEC’s home page at www.sec.gov.

Our website can be found at www.dynexcapital.com. Our annual reports on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, and amendments to those reports, filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, are made available free of charge through our website as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC.

Our Code of Conduct is available on our website, along with our Audit Committee Charter, Whistleblower Policy, Nominating and Corporate Governance Committee Charter, Compensation Committee Charter, and our latest ESG disclosures under the SASB framework. We will post amendments to the Code of Conduct or waivers from its provisions, if any, on our website that apply to any of our directors or executive officers in accordance with the requirements of the SEC or the NYSE.

The information on our website is not a part of, nor is it incorporated by reference, into this Annual Report. Further, our references to the URLs for these websites are intended to be inactive textual references only.

ITEM 1A. RISK FACTORS

The following is a discussion of the risk factors we believe are material to our business. These are factors that, individually or in the aggregate, we think could cause our actual results to differ significantly from anticipated or historical results. In addition to understanding the key risks described below, investors should understand that it is not possible to predict or identify all risk factors. Consequently, the following is not a complete discussion of all potential risks or uncertainties. Additionally, investors should not interpret the disclosure of a risk to imply that the risk has not already materialized.

RISKS RELATED TO OUR INVESTMENT ACTIVITIES

Declines in the market value of our investments could negatively impact our comprehensive income, book value per common share, dividends, and liquidity.

Our investments fluctuate in value due to several factors including, among others, market volatility, geopolitical events and changes in credit spreads, spot and forward interest rates, and actual and anticipated prepayments. Our investments may also fluctuate in value due to increased or reduced demand for the types of investments we own. The increased or reduced demand for MBS investments relative to U.S. Treasury securities with similar maturities can be observed by looking at the spread or premium included in the interest rate of an MBS investment compared to a U.S. Treasury. The level of demand may be impacted by, among other things, interest rates, capital flows, economic conditions, and government policies and actions, such as purchases and sales by the Federal Reserve.

Changes in credit spreads represent the market's valuation of the perceived riskiness of assets relative to risk-free rates. Credit spreads change based on several factors, including, but not limited to, macroeconomic and systemic changes, factors specific to a particular security such as prepayment performance or credit performance, market psychology, and Federal Reserve monetary policies. When credit spreads widen, the market value of our investments will decline because market participants typically require additional yield to hold riskier assets.

In addition, the market value of most of our investments will typically decrease as interest rates rise, as seen during fiscal year 2023 and the first quarter of 2024. If market values decrease significantly, we may experience a material reduction in our liquidity if we are forced to sell assets at losses in order to meet margin calls from our lenders, to repay or renew repurchase agreements at maturity, or otherwise to maintain our liquidity. A material reduction in our liquidity could lead to a reduction of the dividend or potentially the payment of the dividend in Company stock subject to the Tax Code rules and limitations.

Interest rate fluctuations could negatively impact our net interest income, comprehensive income, book value per common share, dividends, liquidity, and the market price of our stock.

Interest rate fluctuations impact us in multiple ways. During periods of rising rates, particularly interest rate increases that occur with increases to the targeted U.S. Federal Funds Rate ("Federal Funds Rate"), we may experience a decline in our net interest income because our borrowing rates may increase faster than our investments mature or the coupons on our investments reset. In 2022 and 2023, the Federal Reserve increased the targeted range for the Federal Funds Rate in an effort to slow inflation, which resulted in a significant increase to our repurchase agreement financing costs. While the Federal Reserve cut the Federal Funds Rate in the third quarter of 2024 and indicated that there may be additional rate cuts, future reductions are not certain. Additionally, there can be no assurance that the Federal Reserve will not return to making upwards adjustments to the Federal Funds Rate in the future. Any further increases in the Federal Funds Rate and market anticipation of the same, are likely to cause our borrowing costs to increase further, negatively impacting our net interest income, common stock dividends, market price of our stock, and book value per common share.

Interest rate increases may also negatively affect the market value of our securities, and if we do not adequately hedge against such increases, we will experience declines in comprehensive income, book value per common share, and liquidity. Since our investment portfolio consists substantially of fixed rate instruments, rising interest rates will reduce the market value of our MBS as market participants will in turn demand higher yielding assets. Reductions in the market value of our MBS typically result in margin calls from our lenders, which impacts our liquidity. Furthermore, an increasing interest rate environment may expose us to extension risk because prepayments on the loans underlying our MBS are likely to decline, which may reduce our ability to reinvest into higher yielding assets.

Conversely, declining interest rates may expose us to prepayment risk to the extent that prepayments increase on investments we own at a premium to their par value. We amortize the premiums we pay for a security using the effective interest method, so as prepayments increase, the amortization expense of any remaining premium we paid for an investment will also increase, and thereby negatively impact interest income. If market participants factor in potentially faster prepayment rates, we may also experience declines in the market value of higher coupon MBS.

Interest rate fluctuations may also impact the market price of our common shares independent of the effects such conditions may have on our investment and hedging portfolios. One of the factors investors may consider in deciding whether to buy or sell our common shares is our dividend rate (or expected future dividend rate) relative to market interest rates. If market interest rates continue to increase or do not decline from their current levels, prospective investors may demand a higher dividend rate on our common shares or seek alternative investments paying higher dividends or interest. We cannot assure you that we will achieve results that will allow us to increase our dividend rate in response to market interest rate increases.

It can be difficult to predict the impact on interest rates from unexpected and uncertain domestic and global political and economic events, such as trade conflicts, international politics, global monetary policy, and the impact of economic or other sanctions; however, events such as these may have adverse impacts on, among other things, the U.S. economy, financial markets, the cost of borrowing, the value of the assets we hold, and the financial strength of counterparties with whom we transact business.

We invest in TBA securities and execute TBA dollar roll transactions. It could be uneconomical to roll our TBA contracts or we may be unable to meet margin calls on our TBA contracts.

Under certain market conditions, Agency RMBS purchased (or sold) for forward settlement under a TBA contract may be priced at a premium to Agency RMBS for settlement in the current month. For example, changes to prepay expectations on Agency RMBS as well as changes to the Federal Reserve’s reinvestment policy on Agency RMBS have adversely impacted the TBA dollar roll market. Under such conditions, we may not be able to roll our TBA positions prior to the settlement date, which could cause us to accept physical delivery of the security (or in the case of a short position, force us to deliver one of our Agency RMBS), which would mean using cash to pay off any amounts outstanding under a repurchase agreement collateralized by that security. We may not have sufficient funds or alternative financing sources available to settle such obligations. In addition, pursuant to the margin provisions established by the Mortgage-Backed Securities Division (“MBSD”) of the Fixed Income Clearing Corporation, we are subject to margin calls on our TBA contracts and our trading counterparties may require us to post additional margin above the levels established by the MBSD. Negative income on TBA dollar roll transactions, failure to procure adequate financing to settle our obligations, or failure to meet margin calls under our TBA contracts could result in default or force us to sell assets under adverse market conditions, and thereby adversely affect our financial condition and results of operations.

Volatile market conditions for mortgages and mortgage-related assets as well as the broader financial markets can result in a significant contraction in liquidity for mortgages and mortgage-related assets, which may adversely affect the value of the assets in which we invest.

Our business is materially affected by conditions in the mortgage and real estate markets as well as the broader financial markets. Significant adverse changes in financial market conditions can result in a deleveraging of the global financial system and the forced sale of large quantities of mortgage-related and other financial assets. Concerns over economic recession, inflation, subdued growth expectations, interest rate increases, changes to U.S. fiscal and monetary policy, trade wars, new or increased tariffs, geopolitical issues, unemployment, the availability and cost of financing, or conditions in the mortgage and real estate market have historically contributed, and may continue to contribute to increased and prolonged volatility and diminished expectations for the economy and markets. Increased volatility and deterioration in the markets for mortgages and mortgage-related assets and investor perception of the risks associated with mortgage and mortgage-related assets as well as the broader financial markets may adversely affect the performance, liquidity and market value of our investments.

When these conditions exist, institutions from which we seek financing for our investments may tighten their lending standards, increase margin calls or become insolvent, which could make it more difficult for us to obtain financing on favorable terms or at all. If we are unable to obtain financing on favorable terms, or at all, our ability to acquire new assets or maintain our existing portfolio could be adversely affected. Additionally, a lack of liquidity in the market may force us to sell assets at a loss to meet our liquidity needs, further impacting our profitability; adversely affecting our financial condition and results of operations.

Changes in monetary policy implemented by the Federal Reserve may continue to impact the market value of our investments, borrowing costs, and our ability to earn net interest income.

In an effort to tame rising inflation levels, the Federal Reserve aggressively increased the Federal Funds Rate starting in the first quarter of 2022 and ending the fourth quarter of 2023 with a target range of 5.25%-5.50%. In addition, the Federal Reserve's quantitative tightening policies have included decreasing the pace of its large-scale purchases of Agency RMBS and U.S. Treasuries, creating excess supply in the market. The combination of these actions resulted in an increase in interest rates, an inversion of the yield curve, and a widening of MBS spreads compared to U.S. Treasuries, negatively impacting the market value of our investments. The increase in the Federal Funds Rate also significantly increased our borrowing costs, which may remain elevated. The Federal Reserve cut the Federal Funds Rate in September 2024 and two more times before the end of 2024, which, for now, has ended yield curve inversion. If inflation reverses course, quantitative tightening could resume, including increases in the Federal Funds Rate and it is possible for the yield curve to invert again. These factors could pressure the value of our portfolio and increase the cost of financing.

We invest in MBS that are traded in over-the-counter ("OTC") markets, which are less liquid and have less price transparency than assets traded on securities exchanges. Owning securities that are traded in OTC markets may increase our liquidity risk, particularly in a volatile market environment, because our assets may be more difficult to borrow against or sell promptly and on terms acceptable to us, which may result in losses upon sale of these assets.

Turbulent market conditions may significantly and negatively impact the liquidity and market value of MBS. During periods of severe economic stress, a market may not exist for certain of our investments at any price, particularly non-Agency MBS, which are typically more difficult to value, less liquid, and experience greater price volatility than Agency MBS. If the MBS market were to experience a severe or extended period of illiquidity, lenders may refuse to accept MBS as collateral for repurchase agreement financing, which could have a material adverse effect on our financial condition and results of operations. A sudden reduction in the liquidity of our investments could limit our ability to finance or make it difficult to sell investments if the need arises. If we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the fair value at which we have previously recorded our investments.

Changes in prepayment rates on the mortgage loans underlying our investments may subject us to reinvestment risk and adversely affect our interest income, the market value of our investments, and our liquidity.

We are subject to reinvestment risk as a result of the prepayment, repayment, and sales of our investments. To maintain our investment portfolio size and our earnings, we need to reinvest capital received from these events into new investments, and if market yields on new investments are lower, our interest income will decline. In addition, based on market conditions, our leverage, and our liquidity profile, we may decide to not reinvest the cash flows we receive from our investment portfolio even when attractive reinvestment opportunities are available, or we may decide to reinvest in assets with lower yield but greater liquidity. If we retain capital or pay dividends to return capital to shareholders rather than reinvest capital, or if we invest capital in lower yielding assets for liquidity reasons, the size of our investment portfolio and the amount of income generated by our investment portfolio will decline.

RMBS have no prepayment protection while CMBS and CMBS IO have voluntary prepayment protection in the form of a prepayment lock-out on the loan for an initial period or by yield maintenance or prepayment penalty provisions, which serve as full or partial compensation for future lost interest income on the loan, although, we may not be able to reinvest the proceeds into a similar yielding asset. Compensation for voluntary prepayment on CMBS IO securities may not be sufficient to compensate us for the loss of interest as a result of the prepayment. We have no protection from involuntary prepayments. The impact of involuntary prepayments on CMBS IO is particularly acute because the investment consists entirely of premium. An increase in involuntary prepayments will result in the loss of investment premiums at an accelerated rate which could materially reduce our interest income and dividend. Involuntary prepayments typically increase in periods of economic slowdown or stress, and actions taken as a result by the GSEs and federal, state, and local governments. Defaults in loans underlying our CMBS IO, particularly loans in non-Agency CMBS IO securities collateralized by income-producing properties such as retail shopping centers, office buildings, multifamily apartments, and hotels, may increase as a result of economic weakness.

Prepayments on Agency CMBS, which are often collateralized by a single loan, could result in margin calls by lenders in excess of our available liquidity, particularly for larger balance investments. Typically, there is a 20-day delay between the announcement of prepayments and the receipt of the cash from the prepayment; however, the repurchase agreement lender may initiate a margin call when the prepayment is announced. If we do not have liquidity available to cover the margin call at that time, we may be in default under the repurchase agreement until we receive the cash from the prepayment. Alternatively, we could be forced to sell assets quickly and on terms unfavorable to us to meet the margin call.

We may be subject to risks associated with inadequate or untimely services from third-party service providers, which may negatively impact our results of operations. We also rely on corporate trustees to act on behalf of us and other holders of securities in enforcing our rights.

Loans underlying our non-Agency MBS receive primary and special servicing from third-party service providers, who control all aspects of loan collection, loss mitigation, default management, and ultimate resolution of a defaulted loan. Though the servicer has a fiduciary obligation to act in the best interest of the securitization trust, we have no contractual rights with the third-party servicer, and significant latitude exists with respect to certain of its servicing activities. If a third-party servicer fails to perform its duties under the securitization documents, this may result in a material increase in delinquencies or losses to the securities. As a result, the value of the securities may be impacted, and we may incur losses on our investment.

In addition, we are exposed to risk to the extent that a third-party servicer becomes insolvent or unable to perform its obligations under the agreements governing the outstanding securities. U.S. bankruptcy laws may also relieve the servicer from its obligations to make advance payments of amounts due from loan borrowers or limit its obligation to the extent that is does not expect to recover the advances due to the deteriorating credit of the delinquent loans. While we expect that the GSEs will transfer the servicing or otherwise make the investors in Agency MBS whole, for non-Agency MBS, financial difficulties with the servicer could lead to a material increase in delinquencies or losses to the securities. As a result, the value of the securities may be impacted, and we may incur losses on our investment.

Under the terms of most securities we hold, we do not have the right to enforce remedies against the issuer of the security directly but instead must rely on a corporate trustee to act on behalf of us and other security holders. Should a trustee not be required to act under the terms of the securities or fail to take action, we could experience losses.

Provisions requiring yield maintenance charges, prepayment penalties, defeasance, or lockouts in CMBS IO securities may not be enforceable.

Provisions in loan documents for mortgages in CMBS IO securities in which we invest requiring yield maintenance charges, prepayment penalties, defeasance, or lock-out periods may not be enforceable in some states and under federal bankruptcy law. Provisions in the loan documents requiring yield maintenance charges and prepayment penalties may also be interpreted as constituting the collection of interest for usury purposes. Accordingly, we cannot be assured that the obligation of a borrower to pay any yield maintenance charge or prepayment penalty under a loan document in a CMBS IO security will be enforceable. Also, we cannot be assured that foreclosure proceeds under a loan document in a CMBS IO security will be sufficient to pay an enforceable yield maintenance charge. If yield maintenance charges and prepayment penalties are not collected, or if a lock-out period is not enforced, we may incur losses to write down the value of the CMBS IO security for the present value of the amounts not collected.

We invest in securities guaranteed by Fannie Mae and Freddie Mac, which are currently under conservatorship by the Federal Housing Finance Agency ("FHFA"). Potential changes to the federal conservatorship of Fannie Mae and Freddie Mac or to the laws and regulations affecting the support that the GSEs receive from the U.S. government may adversely affect the availability, pricing, liquidity, market value, and financing of our assets.

As conservator, the FHFA has assumed all the powers of the shareholders, directors, and officers of the GSEs with the goal of preserving and conserving their assets. At various times since the implementation of the conservatorship, Congress has considered structural changes to the GSEs, including proposals that could lead to the release of the GSEs from conservatorship. If such support is modified or withdrawn, if the U.S. Treasury fails to inject new capital as needed, or if the GSEs are released from conservatorship, the market value of Agency MBS may significantly decline, making it difficult for us to obtain repurchase agreement financing or forcing us to sell assets at substantial losses. Furthermore, any policy changes to the relationship between the GSEs and the U.S. government may create market uncertainty and have the effect of reducing the actual or perceived credit quality of securities issued by the GSEs. It may also interrupt the cash flow received by investors on the underlying MBS. Finally, reforms to the GSEs could also negatively impact our ability to comply with the provisions of the 1940 Act (see further discussion below regarding the 1940 Act).

Credit ratings assigned to debt securities by credit rating agencies may not accurately reflect the risks associated with those securities. Changes in credit ratings for securities we own or for similar securities might negatively impact the market value of these securities.

Rating agencies rate securities based upon their assessment of the safety of the receipt of principal and interest payments on the securities. Rating agencies do not consider the risks of fluctuations in fair value or other factors that may influence the value of securities and, therefore, the assigned credit rating may not fully reflect the true risks of an investment in securities. Also, rating agencies may fail to make timely adjustments to credit ratings based on available data or changes in economic outlook or may otherwise fail to make changes in credit ratings in response to subsequent events, so the credit quality of our investments may be better or worse than the ratings indicate. We attempt to reduce the impact of the risk that a credit rating may not accurately reflect the risks associated with a particular debt security by not relying solely on credit ratings as the indicator of the quality of an investment. We make our acquisition decisions after factoring in other information that we have obtained about the loans underlying the security and the credit subordination structure of the security. Despite these efforts, our assessment of the quality of an investment may also prove to be inaccurate and we may incur credit losses in excess of our initial expectations.

Credit rating agencies may change their methods of evaluating credit risk and determining ratings on securities backed by real estate loans and securities. These changes may occur quickly and often. The market's ability to understand and absorb these changes, and the impact to the securitization market in general, are difficult to predict. Such changes may have a negative impact on the value of securities that we own.

RISKS RELATED TO LEVERAGE, FINANCING AND HEDGING ACTIVITIES

Our use of leverage, primarily through repurchase agreements, to enhance shareholder returns increases the risk of volatility in our results and could lead to material decreases in comprehensive income, shareholders' equity, dividends, and liquidity.

Leverage increases the return on our invested capital if we earn a greater return on investments than our cost of borrowing but decreases return on our invested capital if borrowing costs increase and we have not adequately hedged against such an increase. Further, using leverage magnifies the potential losses to shareholders' equity and book value per common share if our investments' fair market value declines, net of associated hedges.

Our ability to fund our operations, meet financial obligations, and finance targeted asset acquisitions may be impacted by an inability to secure and maintain our financing through repurchase agreements or other borrowings with our counterparties. For example, lenders may respond to adverse market conditions by changing the terms of such financings in a manner that makes it more difficult for us to renew or replace on a continuous basis our maturing short-term repurchase agreement borrowings. Furthermore, we may have to dispose of assets at significantly depressed prices, which could result in significant losses, or we may be forced to curtail our asset purchases if certain events occur including if we:

- are unable to renew or otherwise access new funds under our existing financing arrangements;
- are unable to arrange for new financing on acceptable terms;
- default on our financial covenants contained in our financing arrangements; or
- become subject to larger haircuts under our financing arrangements requiring us to post additional collateral.

In addition, if the Federal Reserve revises capital requirements for lenders, the economy may slow or reduce capital market liquidity. As a result, our lenders may be required to significantly increase the cost of the financing that they provide to us or the amounts of collateral they require as a condition to providing us with financing. At various times, our lenders have revised and may continue to revise, their eligibility requirements for the types of assets that they are willing to finance or the terms of such financing arrangements, including increased haircuts and requiring additional cash collateral, based on, among other factors, the regulatory environment and a lender's management of actual and perceived risk. Moreover, the amount of financing we receive under our financing agreements will be related to our lenders' valuation of the assets subject to such agreements.

Typically, the master repurchase agreements that govern our borrowings grant the lender the absolute right, at its sole discretion, to reevaluate the fair market value of the assets subject to such repurchase agreements at any time. These valuations may be different from the values that we ascribe to these assets and may be influenced by recent asset sales at distressed levels by forced sellers. If a lender determines that the value of the assets has decreased, the lender has the right to initiate a margin call, which requires us to transfer additional assets, including cash, to the lender to collateralize the existing borrowing or to repay a portion of the outstanding borrowings. We would also be required to post additional collateral if haircuts increase under a repurchase agreement. Furthermore, if we move financing from one counterparty to another with larger haircut requirements, we will have to repay more cash to settle the original borrowing than we could borrow from the new counterparty. In these situations, we may be forced to sell assets at significantly depressed prices to meet the margin calls and to maintain adequate liquidity, which may cause significant losses. Significant margin calls related to our repurchase agreement borrowings or variation margin related to our hedging instruments may have a material adverse effect on our results of operations, financial condition, business, liquidity, and ability to make distributions to our shareholders, and could cause the value of our capital stock to decline.

Our ability to access leverage in the conduct of our operations is impacted by certain factors that are beyond our control and are difficult to predict, which could lead to sudden and material adverse effects on our results of operations, financial condition, business, liquidity, and ability to make distributions to shareholders, and could force us to sell assets at significantly depressed prices to maintain adequate liquidity. Market dislocations could limit our ability to access funding or access funding on terms that we believe are attractive, which could have a material adverse effect on our financial condition.

For more information about our operating policies regarding our use of leverage, please see "Liquidity and Capital Resources" within Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K.

Our repurchase agreements and agreements governing certain derivative instruments may contain financial and nonfinancial covenants. Our inability to meet these covenants could adversely affect our financial condition, results of operations, and cash flows.

In connection with certain of our repurchase agreements and derivative instruments, we are required to maintain certain financial and non-financial covenants. As of December 31, 2024, our most restrictive financial covenants require that the declines in our shareholders' equity are no greater than 25% in any quarter and 35% in any year. In addition, virtually all of our repurchase agreements and derivative agreements require us to maintain our status as a REIT and be exempt from the provisions of the 1940 Act. Compliance with these covenants depends on market factors, the strength of our business, and operating results. Various risks, uncertainties, and events beyond our control, including significant fluctuations in interest rates, market volatility and changes in market conditions, may affect our ability to comply with these covenants. Failure to comply with these covenants could result in an event of default, termination of an agreement, acceleration of all amounts owed under an agreement, and may give the counterparty the right to exercise available remedies under the repurchase agreement, such as the sale of the asset subject to repurchase at the time of default, unless we were able to negotiate a waiver in connection with any such default. Any such waiver may be conditioned on an amendment to the underlying agreement and any related guaranty agreement on terms that may be unfavorable to us. If we are unable to negotiate a covenant waiver, or replace or refinance our assets under a new repurchase agreement on favorable terms or at all, we may be forced to sell assets at an inopportune time which will likely have a negative impact on our financial condition, results of operations, liquidity and cash flows. Further, certain of our repurchase agreements and derivative instruments have cross-default, cross-acceleration, or similar provisions, such that if we were to violate a covenant under one agreement, that violation could lead to defaults, accelerations, or other adverse events under other agreements, as well.

Our use of hedging strategies to mitigate our interest rate risk may not be effective and may adversely affect our net income, liquidity, and book value per common share.

We use a variety of derivative instruments to help mitigate increased financing costs and volatility in the market value of our investments from adverse changes in interest rates. Our hedging activity will vary in scope based on, among other things, our forecast of future interest rates, our investment portfolio construction and objectives, the actual and implied level and volatility of interest rates, and sources and terms of financing used. No hedging strategy can completely insulate us from the interest rate risk to which we are exposed. Interest rate hedging may fail to protect or could adversely affect our results of operations, book value and liquidity because, among other things:

- the performance of instruments used to hedge may not completely correlate with the performance of the assets or liabilities being hedged;
- available hedging instruments may not correspond directly with the interest rate risk from which we seek protection;
- the duration of the hedge may not match the duration of the related asset or liability given management's expectation of future changes in interest rates or a result of the inaccuracies of models in forecasting cash flows on the asset being hedged;
- the value of derivatives used for hedging will be adjusted from time to time in accordance with GAAP to reflect changes in fair value and downward adjustments will reduce our earnings, shareholders' equity, and book value;
- the amount of income that a REIT may earn from hedging transactions (other than through taxable REIT subsidiaries) may be limited by U.S. federal income tax rules governing REITs;
- interest rate hedging can be relatively expensive, particularly during periods of volatile interest rates;
- the credit quality of the party owing money on the hedge may be downgraded to such an extent that it impairs our ability to sell or assign our side of the hedging transaction; and
- the party owing money in the hedging transaction may default on its obligation to pay.

Our hedging instruments can be traded on an exchange, or administered through a clearing house or under bilateral agreements between us and a counterparty. Bilateral agreements expose us to increased counterparty risk, and we may be at risk of losing any collateral held by a hedging counterparty if the counterparty becomes insolvent or files for bankruptcy.

Clearing facilities or exchanges may increase the margin requirements we are required to post when entering into derivative instruments, which may negatively impact our ability to hedge and our liquidity.

We are required to post margin when entering into a hedging instrument that is traded on an exchange or administered through a clearing house. The amount of margin is set for each derivative by the exchange or clearinghouse. In prior periods, exchanges have required additional margin in response to events having, or expected to have, adverse economic consequences. Future adverse economic developments or market uncertainty, such as the Federal Reserve's interest rate increases since 2022 and any proposed new reporting requirements by self-regulatory authorities and Congress, may result in increased margin requirements for our hedging instruments, which may have a material adverse effect on our liquidity, financial condition and results of operations.

We may incur significant losses if we, or one or more of our third-party lenders, default on a repurchase agreement or file for bankruptcy.

Repurchase agreement transactions are legally structured as the sale of a security to a lender in return for cash from the lender. These transactions are accounted for as financing agreements because the lenders are obligated to resell the same securities back to us at the end of the transaction term. Because the cash we receive from the lender when we initially sell the securities to the lender is less than the value of those securities, if the lender defaults on its obligation to resell the same securities back to us at the end of the transaction term, we would incur a loss on the transaction equal to the difference between the value of the securities sold and the amount borrowed from the lender including accrued interest. The lender may default on its obligation to resell if it experiences financial difficulty or if the lender has re-hypothecated the security to another party who fails to transfer the security back to the lender. Additionally, if we default on one of our obligations under a repurchase agreement, the lender can terminate the transaction, sell the underlying collateral and cease entering into any other repurchase transactions with us. Any losses we incur on our repurchase transactions could adversely affect our liquidity, earnings, and therefore reduce our ability to pay dividends to our shareholders.

In the event that one of our lenders under a repurchase agreement files for bankruptcy, it may be difficult for us to recover our assets pledged as collateral to such lender. In addition, if we ever file for bankruptcy, lenders under our repurchase agreements may be able to avoid the automatic stay provisions of the U.S. Bankruptcy Code and take possession of and liquidate our collateral under our repurchase agreements without delay. In the event that either we or one of our lenders file for bankruptcy, we may incur losses in amounts equal to the excess of our collateral pledged over the amount of repurchase agreement borrowing due to the lender, which would adversely affect our liquidity, earnings and ability to pay dividends to our shareholders.

We have risks based on models used to make purchases and risk management decisions for our portfolio.

We use models and third-party data to value and to measure the risk in our portfolio. These models provide estimates on duration, convexity, prepayment speeds, future interest rates, defaults as well as other factors. There are no guarantees that the models provide accurate results, and there is a risk that market participants could be using different models or interpreting model results differently than we do. These variations in data, interpretation and even model errors could result in potential losses of cash flow and trading losses in our portfolio.

RISKS RELATED TO OUR QUALIFICATION AS A REIT AND TAX-RELATED OR OTHER REGULATORY MATTERS

If we fail to conduct our operations properly, we may not qualify for exemption under the 1940 Act, which may reduce our flexibility and limit our ability to pursue certain opportunities.

We seek to conduct our operations to avoid falling under the definition of an investment company pursuant to the 1940 Act. Specifically, we seek to conduct our operations to comply with Section 3(c)(5)(C) of the 1940 Act, which provides an exemption to companies primarily engaged in the business of purchasing or otherwise acquiring mortgages and other liens on and interests in real estate. According to SEC staff no-action letters, companies relying on this exemption must ensure that at least 55% of their assets are mortgage loans and other qualifying assets and at least 80% of their assets are real estate-related. The 1940 Act requires that we and each of our subsidiaries evaluate our qualification for exemption under the 1940 Act. We believe that we are operating our business in accordance with the exemption requirements of Section 3(c)(5)(C) of the 1940 Act. Likewise, our subsidiaries will rely either on Section 3(c)(5)(C) of the 1940 Act or other sections of the 1940 Act that provide exemptions from registration thereunder, including Sections 3(a)(1)(C) and 3(c)(7).

Under the 1940 Act, an investment company is required to register with the SEC and is subject to extensive regulations relating to, among other things, operating methods, management, capital structure, leverage, dividends, and transactions with affiliates. If we are classified as an investment company, our ability to use leverage and conduct business as we do today would be substantially impaired. This would severely impact our business model, profitability, and ability to pay dividends to our shareholders.

To maintain REIT distribution requirements, we may be forced to increase our dividend distributions which could cause us to liquidate attractive assets or incur debt on unfavorable terms. If we are unable to generate the required cash for a cash dividend distribution, we may be forced to declare a dividend that is payable, at least in part, in the form of common stock, in which case shareholders may be required to pay income taxes in excess of the cash dividends received.

To qualify as a REIT and avoid certain taxes, we must generally distribute at least 90% of our taxable income annually to our shareholders, subject to certain adjustments and excluding any net capital gain. To the extent that we satisfy this 90% distribution requirement but distribute less than 100% of our taxable income, including our net capital gain, we will be subject to federal corporate income tax on our undistributed taxable income. In addition, if we fail to meet certain other thresholds for the distribution of our taxable income, we may be subject to a non-deductible 4% excise tax. While we have not established a minimum dividend payment level, we aim to distribute sufficient dividends to our shareholders to satisfy the 90% distribution requirement and avoid the corporate income tax and the non-deductible 4% excise tax.

If we do not have the funds available to meet our REIT distribution requirements or to avoid corporate and excise taxes, we could be forced to use unattractive options to generate the necessary cash, such as selling assets at distressed prices, borrowing on unfavorable terms, distributing amounts that would otherwise be invested or used to repay debt, or paying dividends in the form of common stock. Taxable shareholders receiving common stock will be required to include in income, as a dividend, the full value of such stock, to the extent of our current and accumulated earnings for federal income tax purposes. As a result, a U.S. shareholder may be required to pay income taxes with respect to such dividends in excess of the cash dividends received.

As of December 31, 2024, we have $719.0 million of deferred tax hedge gains, which were recognized in GAAP net income (loss) during 2024 and prior periods. Our projected amortization of these deferred tax hedge gains into taxable income for 2025 is currently estimated to be $100.1 million; however, this amount is subject to change based on a number of factors, particularly given the degree of uncertainty about the trajectory of interest rates. It is possible that our REIT distribution requirements may exceed the net cash we generate from our operations.

We have not established a minimum dividend payment level, and we may not have the ability to pay dividends in the future. Furthermore, our monthly dividend strategy could attract shareholders who are especially sensitive to the level and frequency of the dividend. If we were to reduce the dividend or change back to a quarterly payment cycle, our share price could materially decline.

We currently intend to pay regular dividends to our common shareholders and to make distributions to our shareholders in amounts such that all or substantially all of our taxable income, subject to certain adjustments, including utilization of our NOL, is distributed. However, we have not established a minimum dividend payment level, and the amount of our dividend is subject to fluctuation. Our ability to pay dividends may be adversely affected by the risk factors described herein. All distributions will be made at the discretion of our Board of Directors and will depend on our GAAP and tax earnings, our financial condition, the requirements for REIT qualification, and such other factors as our Board of Directors may deem relevant from time to time. We may not be able to make distributions, or our Board of Directors may change our dividend policy in the future. To the extent that we decide to pay dividends in excess of our current and accumulated tax earnings and profits, such distributions would generally be considered a return of capital for federal income tax purposes. A return of capital reduces the basis of a shareholder's investment in our common stock to the extent of such basis and is treated as capital gain thereafter.

Our strategy of paying a monthly dividend is designed in part to attract retail shareholders that invest in stocks that pay a monthly dividend. The ownership of our stock may become overly concentrated in shareholders who only invest in monthly dividend-paying stocks. These shareholders may be more sensitive to reductions in the dividend or a change in the payment cycle, and our share price could materially decline if we were to reduce the dividend or change the payment cycle of our dividend.

Future issuances of equity securities may dilute your percentage ownership in us and may also negatively affect the market price of our common stock.

The issuance or sale of substantial amounts of our common stock (directly, in underwritten offerings or through our at-the-market ("ATM") program, or indirectly through convertible or exchangeable securities, warrants, or options) to raise additional capital, or pursuant to our stock incentive plans, or the perception that such securities are available or that such issuances or sales are likely to occur, could materially and adversely affect the market price of our common stock and our ability to raise capital through future offerings of equity or equity-related securities. However, our future growth will depend, in part, upon our ability to raise additional capital, including through the issuance of equity securities. We are not required to offer any additional equity securities to existing common stockholders on a preemptive basis, and our charter empowers our Board of Directors to make significant changes to our capital stock without stockholder approval. Our preferred stock, as well as any additional preferred stock we may issue, will have a preference on distribution payments, periodically or upon liquidation, which could impact our ability to make distributions to common stockholders.

During 2024, we raised substantial amounts of capital through an underwritten public offering and through our ATM program. Because our decision to issue additional equity securities in the future will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing, nature, or success of our future capital-raising efforts. Thus, common stockholders bear the risk that our future issuances of equity securities may negatively affect the market price of our common stock and will likely dilute their percentage ownership.

Qualifying as a REIT involves highly technical and complex provisions of the Tax Code, and a technical or inadvertent violation could jeopardize our REIT qualification. Maintaining our REIT status may reduce our flexibility to manage our operations.

Qualification as a REIT involves the application of highly technical and complex Tax Code provisions for which only limited judicial and administrative authorities exist. Even a technical or inadvertent violation could jeopardize our REIT qualification. Our qualification as a REIT will depend on our satisfaction of certain asset and income tests, organization, distribution, shareholder ownership, and other requirements on a continuing basis. Our operations and use of leverage also subject us to interpretations of the Tax Code, and any violations of the relevant requirements under the Tax Code could cause us to lose our REIT status or to pay significant penalties and interest. In addition, our ability to satisfy the requirements to qualify as a REIT depends in part on the actions of third parties over which we have no control or only limited influence, including in cases where we own an equity interest in an entity that is classified as a partnership for U.S. federal income tax purposes.

Maintaining our REIT status may limit flexibility in managing our operations. For instance:

- Compliance with the REIT requirements may limit the type or extent of investment or hedging activities.
- Our ability to own non-real estate related assets and earn non-real estate related income is limited. Our ability to own equity interests in other entities is limited. If we fail to comply with these limits, we may be forced to liquidate attractive assets on short notice on unfavorable terms in order to maintain our REIT status.
- Our ability to invest in taxable subsidiaries is limited under the REIT rules. Maintaining compliance with this limitation could require us to constrain the growth of future taxable REIT affiliates.
- Notwithstanding our NOL carryforward, meeting minimum REIT dividend distribution requirements could reduce our liquidity. Earning non-cash REIT taxable income could necessitate our selling assets, incurring debt, or raising new equity in order to fund dividend distributions.
- Stock ownership tests may limit our ability to raise significant amounts of equity capital from one source.

We may be subject to adverse legislative or regulatory tax changes that could increase our tax liability, reduce our operating flexibility, or reduce the market price of our securities.

The present U.S. federal income tax treatment of REITs may be modified, possibly with retroactive effect, by legislative, judicial, or administrative action at any time, which could affect the U.S. federal income tax treatment of an investment in us. The U.S. federal income tax rules dealing with REITs are constantly under review by persons involved in the legislative process, the IRS, and the U.S. Treasury, which results in statutory changes as well as frequent revisions to regulations and interpretations.

Future revisions in the U.S. federal tax laws and interpretations thereof may affect or cause us to change our investments and commitments and affect the tax considerations of an investment in us. Any such revisions could have an adverse effect on an investment in our securities or on the market value or the resale potential of our assets. Shareholders are urged to consult with their tax advisor with respect to the impact of such revisions on their investment in our shares and the status of legislative, regulatory, or administrative developments and proposals and their potential effect on an investment in our shares. Although REITs generally receive certain tax advantages compared to entities taxed as regular corporations, it is possible that future legislation would result in a REIT having fewer tax advantages, and it could become more advantageous for a company that invests in real estate to elect to be treated for U.S. federal income tax purposes as a corporation.

If we do not qualify as a REIT or fail to remain qualified as a REIT, we may be subject to tax as a regular corporation and could face a tax liability, which would reduce the amount of cash available for distribution to our shareholders. We would also violate debt covenants in certain repurchase and derivative agreements which may put us in default on these agreements.

We intend to operate in a manner that will allow us to qualify as a REIT for federal income tax purposes. Our ability to satisfy the asset tests depends upon our analysis of the characterization and fair market values of our assets, some of which are not susceptible to a precise determination, and for which we will not obtain independent appraisals. Our compliance with the REIT income and quarterly asset requirements also depends upon our ability to successfully manage the composition of our income and assets on an ongoing basis.

If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax, after consideration of any remaining NOL carryforward but not considering any dividends paid to our shareholders during the respective tax year. The resulting corporate tax liability could be material. Unless we are entitled to relief under certain Tax Code provisions, we also will be disqualified from taxation as a REIT until the fifth taxable year following the year for which we failed to qualify as a REIT. If we lose our REIT status, our lenders would have the right to terminate any repurchase agreement borrowings and derivative contracts outstanding at that time. This would further stress our liquidity position, reduce the amount of cash available for distribution to our shareholders, and could further exacerbate the adverse impacts on the value of our common stock described above.

Dividends payable by REITs do not qualify for the reduced tax rates available for some dividends.

The maximum tax rate applicable to "qualified dividend income" payable to U.S. shareholders that are taxed at individual rates is lower than the corresponding maximum ordinary income tax rates. Dividends payable by REITs, however, are generally not eligible for the reduced rates on qualified dividend income. Instead, under the current law, qualified REIT dividends constitute "qualified business income," and thus, a 20% deduction is available to individual taxpayers with respect to such dividends, resulting in a 29.6% maximum federal tax rate (plus the 3.8% surtax on net investment income, if applicable) for individual U.S. shareholders. Additionally, without further legislative action, the 20% deduction applicable to qualified REIT dividends will expire on January 1, 2026. The more favorable rates applicable to regular corporate qualified dividends could cause investors who are taxed at individual rates to perceive investments in REITs to be relatively less attractive than equity investments in non-REIT entities that pay dividends, which could adversely affect the value of the shares of REITs, including our common stock.

Uncertainty exists with respect to the treatment of our TBAs for purposes of the REIT asset and income tests.

There is no direct authority with respect to the qualification of TBAs as real estate assets or U.S. government securities for purposes of the 75% asset test or the qualification of income or gains from dispositions of TBAs as gains from the sale of real property or other qualifying income for purposes of the 75% gross income test. However, we treat our TBAs as qualifying assets for purposes of the REIT 75% asset test, and we treat income and gains from our TBAs as qualifying income for purposes of the 75% gross income test, based on an opinion of a nationally recognized accounting and tax services firm, substantially to the effect that (i) for purposes of the REIT asset tests, our ownership of a TBA should more likely than not be treated as ownership of the underlying Agency RMBS, and (ii) for purposes of the 75% REIT gross income test, any gain recognized by us in connection with the settlement of our TBAs should more likely than not be treated as gain from the sale or disposition of the underlying Agency RMBS. Tax opinions are not binding on the IRS, and no assurance can be given that the IRS will not successfully challenge the conclusions set forth in such opinions, which could lead to tax penalties, REIT compliance issues, or other regulatory compliance challenges. In addition, we must emphasize that the opinion is based on various assumptions relating to our TBAs and is conditioned upon fact-based representations and covenants made by our management regarding our TBAs. No assurance can be given that the IRS would not assert that such assets or income are not qualifying assets or income. If the IRS were to challenge the opinion successfully, we could be subject to a penalty tax or we could fail to remain qualified as a REIT if a sufficient portion of our assets consists of TBAs or a sufficient portion of our income consists of income or gains from the disposition of TBAs.

For REIT qualification purposes, we treat repurchase agreement transactions as financing of the investments pledged as collateral. If the IRS disagrees with this treatment, our ability to qualify as a REIT could be adversely affected.

Repurchase agreement financing arrangements are structured legally as a sale and repurchase whereby we sell certain of our investments to a counterparty and simultaneously enter into an agreement to repurchase these securities at a later date in exchange for a purchase price. Economically, these agreements are financings that are secured by the investments sold pursuant thereto. We believe that we would be treated for REIT asset and income test purposes as the owner of the securities that are the subject of any such sale and repurchase agreement, notwithstanding that such agreement may legally transfer record ownership of the securities to the counterparty during the term of the agreement. It is possible, however, that the IRS could assert that we did not own the securities during the term of the sale and repurchase agreement, in which case we could fail to qualify as a REIT.

Even if we remain qualified as a REIT, we may face other tax liabilities that reduce our cash flow and our profitability.

Even if we remain qualified for taxation as a REIT, we may be subject to certain federal, state, and local taxes on our income and assets, including taxes on any undistributed income, tax on income from certain activities conducted as a result of a foreclosure or considered prohibited transactions under the Tax Code, and state or local income taxes. Any of these taxes would decrease cash available for distribution to our shareholders. In addition, to meet the REIT qualification requirements or to avert the imposition of a 100% tax that applies to certain gains derived by a REIT from prohibited transactions, we may hold some of our assets through a taxable REIT subsidiary ("TRS") or other subsidiary corporations that will be subject to corporate-level income tax at regular rates to the extent that such TRS does not have an NOL carryforward. Any of these taxes would decrease cash available for distribution to our shareholders.

The stock ownership limit imposed by the Tax Code for REITs and our Restated Articles of Incorporation ("Articles of Incorporation") may restrict our business combination opportunities. The stock ownership limitation may also result in reduced liquidity of our stock and may result in losses to an acquiring shareholder.

To qualify as a REIT under the Tax Code, not more than 50% in value of our outstanding stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Tax Code to include certain entities) at any time during the last half of each taxable year. Our Articles of Incorporation, with certain exceptions, authorize our Board of Directors to take the actions that are necessary and desirable to qualify as a REIT. Pursuant to our Articles of Incorporation, no person may beneficially or constructively own more than 9.8% of our capital stock (including our common and preferred stocks). Our Board of Directors may grant an exemption from this 9.8% stock ownership limitation, in its sole discretion, subject to such conditions, representations, and undertakings as it determines to be reasonably necessary.

Our Articles of Incorporation's constructive ownership rules are complex and may cause the outstanding stock owned by a group of related individuals or entities to be deemed as constructively owned by one individual. As a result, the acquisition of less than 9.8% of the outstanding stock by an individual or entity could cause that individual or entity to own constructively in excess of the ownership limit. Our Board of Directors has the right to refuse to transfer any shares of our capital stock in a transaction that would result in ownership in excess of the ownership limit. In addition, we have the right to redeem shares of our capital stock held in excess of the ownership limit.

The ownership limits contained in our Articles of Incorporation are intended to assist us in complying with tax law requirements and to minimize administrative burdens. However, these ownership limits might also delay or prevent a transaction or a change in our control that might be in the best interest of our shareholders.

Further, changes in our ownership from capital markets activity, ATM activity, or any potential merger or acquisition activity have the potential of limiting the utilization of NOLs or capital loss carryforwards.

The stock ownership limit imposed by the Tax Code for REITs and our Articles of Incorporation may impair the ability of holders to convert shares of our outstanding preferred stock into shares of our common stock upon a change of control.

The terms of our outstanding preferred stock provide that, upon the occurrence of a change of control (as defined in the Articles of Incorporation), each holder of our outstanding preferred stock may have the right to convert, in conjunction with a change in control, all or part of such outstanding preferred stock held by such holder into a number of shares of our common stock per share of outstanding preferred stock based on the formulas set forth in our Articles of Incorporation. However, the stock ownership restrictions in our Articles of Incorporation also restrict ownership of shares of our outstanding preferred stock. As a result, no holder of outstanding preferred stock will be entitled to convert such stock into our common stock to the extent that receipt of our common stock would cause the holder to exceed the ownership limitations contained in our Articles of Incorporation, endanger the tax status of one or more real estate mortgage investment conduits in which we may have an interest, or result in the imposition of a direct or indirect penalty tax on us. These provisions may limit the ability of a holder of outstanding preferred stock to convert shares of preferred stock into our common stock upon a change of control, which could adversely affect the market price of shares of our outstanding preferred stock.

If we fail to abide by certain Commodity Futures Trading Commission ("CFTC") rules and regulations, we may be subject to enforcement action by the CFTC.

The Dodd-Frank Act established a comprehensive new regulatory framework for derivative contracts commonly referred to as "swaps." As a result, any investment fund that trades in swaps or other derivatives may be considered a "commodity pool," which would cause its operators (in some cases, the fund's directors) to be regulated as commodity pool operators ("CPO"). On December 7, 2012, the CFTC's Division of Swap Dealer and Intermediary Oversight (the "Division") issued no-action relief from CPO registration to mortgage REITs that use CFTC-regulated products ("commodity interests") and that satisfy certain enumerated criteria. Pursuant to the no-action letter, the Division will not recommend that the CFTC take enforcement action against a mortgage REIT if its operator fails to register as a CPO, provided that the mortgage REIT (i) submits a claim to take advantage of the relief and (ii) the mortgage REIT: (a) limits the initial margin and premiums required to establish its commodity interest positions to no greater than 5% of the fair market value of the mortgage REIT's total assets; (b) limits the net income derived annually from its commodity interest positions, excluding the income from commodity interest positions that are "qualifying hedging transactions," to less than 5% of its annual gross income; (c) does not market interests in the mortgage REIT to the public as interests in a commodity pool or otherwise in a vehicle for trading in the commodity futures, commodity options or swaps markets; and (d) either: (1) identified itself as a "mortgage REIT" in Item G of its last U.S. income tax return on Form 1120-REIT; or (2) if it has not yet filed its first U.S. income tax return on Form 1120-REIT, it discloses to its shareholders that it intends to identify itself as a "mortgage REIT" in its first U.S. income tax return on Form 1120-REIT.

We believe that we have complied with all of the requirements set forth above as of December 31, 2024. If we fail to satisfy the criteria set forth above, or if the criteria change, we may become subject to CFTC regulation or enforcement action, the consequences of which could have a material adverse effect on our financial condition or results of operations.

OTHER RISK FACTORS RELATED TO OUR BUSINESS

We rely on a third-party service provider for critical operational and trade functions and on other third parties for information and communication systems, and problems in the use, access, or performance of these systems, including as a result of any cybersecurity incident, could increase our costs and significantly disrupt our ability to operate our business, which may have a significant adverse impact on our financial condition and results of operations.

Certain critical functions of our business relating to our trading and borrowing activities, including MBS trading and repurchase agreement borrowing activities, are operated and managed by a third-party service provider. This service and related technologies may become unavailable due to a variety of reasons, including outages, interruptions, or other failure to perform. The risk of operational failure or constraints of this third-party service could cause us to default on contractual obligations, fail to meet margin calls, or otherwise experience breaches or disruptions to our critical business relationships, which could have a significant adverse effect on our financial condition or results of operations.

Additionally, any failure or interruption of our operational and trading systems or communication or information systems caused by a cybersecurity breach of our networks or systems or the third-party service providers' networks or systems, could cause delays or other problems in our trading or borrowing activities or lead to unauthorized trading activity, any of which may have a significant adverse effect on our financial condition or results of operations. Geopolitical tensions or conflicts may further heighten the risk of cybersecurity attacks, and the use of artificial intelligence ("AI") may increase the sophistication, effectiveness, and harm caused by such attacks. A disruption or breach could also lead to the unauthorized access, release, misuse, loss, or destruction of proprietary or confidential information, including the personal or confidential information of our employees or third parties, which could lead to regulatory fines, litigation, increased expenses due to the costs of remediating a breach, reputational harm, and fewer third parties willing to do business with us.

Computer malware, viruses, computer hacking, and phishing attacks have become more prevalent and may occur on our or our third-party service providers' systems. We have no control over our third-party service providers' systems, and any cybersecurity breach of their network or systems could compromise our operations. Even with all reasonable security efforts, not every system or network breach can be prevented or even detected. Furthermore, because certain of our employees are working remotely, there is an increased risk of disruption to our operations because our employees' residential networks and infrastructure may not be as secure as our office environment. We may face increased costs as we (i) continue to evolve our cybersecurity defenses in order to contend with evolving risks, (ii) monitor our systems for cyber-attacks and security threats, and (iii) seek to determine the extent of our losses in the event of a cybersecurity breach. The costs and losses associated with preventing cybersecurity breaches are difficult to predict and quantify and could have a significant adverse effect on our financial condition and results of operations. We rely heavily on the financial, accounting, risk management, and other data processing systems provided by our third-party service providers, and any failure to maintain performance, reliability, and security of these systems and our other technical infrastructure could have a significant adverse effect on our financial condition or results of operations. Furthermore, we have no control over the cybersecurity systems used by our third-party service providers, and such third-party service providers may have limited indemnification obligations to us.

We may change our investment strategy, operating policies, dividend policy, and/or asset allocations without shareholder consent and/or in a manner in which shareholders, analysts, and capital markets may not agree with us.

A change in our investment strategy or asset allocation may materially change our exposure to interest rate and/or credit risk, default risk, and real estate market fluctuations. These changes could have a material impact on our ability to continue to pay dividends at a level that we had previously paid before the change in strategy. Furthermore, if any change in investment strategy, asset allocation, operating or dividend policy is perceived negatively by the markets or analysts covering our stock, our stock price may decline. Part of our investment strategy includes deciding whether to reinvest payments received on our existing investment portfolio. Based on market conditions, our leverage, and our liquidity profile, we may decide not to reinvest the cash flows we receive from our investment portfolio, or we may pursue alternate investment strategies. If we retain, rather than reinvest, these cash flows, the size of our investment portfolio and the amount of net interest income generated by our investment portfolio will likely decline. In addition, if the new assets we acquire in the future earn lower yields than the assets we currently own, our reported earnings per share will likely decline over time as the older assets pay down or are sold.

We may be subject to risks associated with AI and machine learning technology.

Recent technological advances in AI and machine learning technology may pose risks to us. In the future, we may utilize machine learning to leverage new technology and create efficiencies or opportunities. Any use by us, or by third parties providing information or advice to us, of analytics models or data to manage our business may result in us relying on or receiving incorrect, misleading, or incomplete information, which could materially adversely impact our business and financial results. Our use of AI could give rise to legal or regulatory action, create liabilities, or materially harm our business. While we aim to develop and use AI and machine learning technology responsibly and attempt to mitigate ethical and legal issues presented by its use, we may be unsuccessful in identifying or resolving issues before they arise. Further, as the technology is rapidly evolving, costs and obligations could be imposed on us to comply with new regulations.

We also could be exposed to the risks of machine learning technology if third-party service providers or any counterparties, whether or not known to us, also use machine learning technology in their business activities. We will not be able to control the use of such technology in third-party products or services. Use by third-party service providers could give rise to issues pertaining to data privacy, data protection, and intellectual property considerations.

We are subject to human capital risk.

The success of our Company is dependent on attracting and retaining employees and key personnel, particularly with an understanding of MBS investments and risk as well as REIT regulations. We are also exposed to human capital risks at our key vendors and our business can be adversely affected to the extent a key vendor experiences material turnover. There is competition for talented employees to operate our business and set the strategic direction for the Company. Recruiting, training, assessing talent and retaining highly skilled employees is a focus, but there is no guarantee of success. The departure of employees could impact our operating results and outlook for investing in the future.

Share repurchases of our common stock or Series C Preferred Stock may negatively impact our compliance with covenants in our financing agreements and regulatory requirements (including maintaining exclusions from the

requirements of the 1940 Act and qualification as a REIT). Any compliance failures associated with share repurchases could have a material adverse effect on our business, financial condition, and results of operations. Share repurchases also may negatively impact our ability to invest in our target assets in the future.

Our Board of Directors has approved a share repurchase program that permits the Company to repurchase shares of its common stock at any time or from time to time at management's discretion. Certain of our financing agreements have financial covenants that our share repurchases may impact. Furthermore, if we fund share repurchases by selling our investments, the allocation of our investment portfolio for purposes of maintaining an exclusion from the requirements of the 1940 Act could be impacted, as well as our ability to comply with income and asset tests required to qualify as a REIT. In addition, our decision to repurchase shares under the Program could adversely affect our competitive position and could negatively impact our ability in the future to invest in assets that have a greater potential return than our share repurchases.

Our profitability may be impacted by increased focus related to environmental, social, and governance ("ESG") issues, including, but not limited to, climate-related events and related regulatory requirements.

The effects of climate change could affect our profitability and adversely impact the value of the real estate assets securing our investments. Changing market dynamics, global policy developments, and the increasing frequency and impact of extreme weather events on critical infrastructure could have the potential to disrupt our business and the business of our third-party providers.

Climate change and regulations intended to control its impact may affect the value of our investments and result in higher compliance and energy costs, which would impact the broader economy. There can be no assurance that climate change will not have a material adverse effect on our assets, operations, or business.

In addition, our business is subject to evolving corporate governance and public disclosure regulations and expectations with respect to ESG matters. We are subject to changing rules and regulations promulgated by several governmental and self-regulatory organizations, including the SEC and the NYSE. Mandatory and voluntary reporting, diligence, and disclosure on topics such as climate change, human capital, labor, and risk oversight could expand the nature, scope, and complexity of matters that we are required to manage, assess, and report, which could divert the attention of management. Disclosure that regulators, advocacy groups, investors, or other stakeholders consider inadequate could harm our reputation.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

The Company recognizes cybersecurity as crucial to protecting its business and employees' sensitive information. The Company has implemented and maintains a Security Incident Response Policy as part of its enterprise-wide risk management system, which is intended to ensure that the Dynex information technology ("IT") systems function properly and successfully assess, identify, contain, investigate, remedy, report, and respond to information security risks, threats or incidents.

The Company's IT services including, but not limited to, service desk support, endpoint management, network and server administration, cloud engineering, and cybersecurity and incident management, are provided by an IT team consisting of primarily third-party consultants who are employed on a contract basis with assistance from the Company's IT employees. Our IT team reports directly to the Company's Chief Technology Officer ("CTO") for executive oversight and accountability.

To mitigate the risk of a cybersecurity incident both internally and with third parties, the Company's IT team provides mandatory cybersecurity training for all employees and contractors. They also conduct periodic training and awareness campaigns by sending employees simulated phishing attacks. The results of these simulated phishing attacks are reviewed and reported to management and the Board of Directors. In addition to training its employees and consultants, the Company's devices and servers are equipped with cybersecurity software applications, which are continuously monitored by an expert third-party managed security service provider that has numerous certifications recognized in the IT industry and provides security services for several Fortune 100 companies and certain highly secure government agencies. Different data analytics techniques are used to detect suspicious system behavior, provide contextual information, and block malicious activity. Any detected threat or malicious activity will immediately alert the security team for further investigation and remediation. Periodically, the Company engages a third party to perform both internal and external penetration testing to assess strengths and vulnerabilities of the Company's readiness against cyber attacks.

The Audit Committee oversees the Company's enterprise risk management program, which includes periodic assessments of cybersecurity risk. As a part of these assessments, the Audit Committee reviews and discusses the risks identified by management and the Company's policies and practices in place to mitigate those cybersecurity-related risks. Management presents to the Board of Directors on our cybersecurity strategy, results of testing and training, and, as needed, to inform the Board of Directors and Audit Committee of any new or emerging threats or risks.

The Company is not aware of any material breaches in its cybersecurity operations during the three years ended December 31, 2024. Further, the Company has not identified any specific cybersecurity threats likely to materially affect the Company's business strategy, results of operations, or financial conditions.

For more information, please also refer to our risk factor related to our reliance on third-party service providers under Part I, Item 1A, "Risk Factors" of this Annual Report on Form 10-K.

ITEM 2. PROPERTIES

The Company does not own or lease any physical properties that are material to its business, financial condition, or results of operations.

ITEM 3. LEGAL PROCEEDINGS

To the Company's knowledge, there are no pending or threatened legal proceedings, which, in management's opinion, individually or in total, could have a material adverse effect on the Company's results of operations or financial condition.

ITEM 4. MINE SAFETY DISCLOSURES

None.

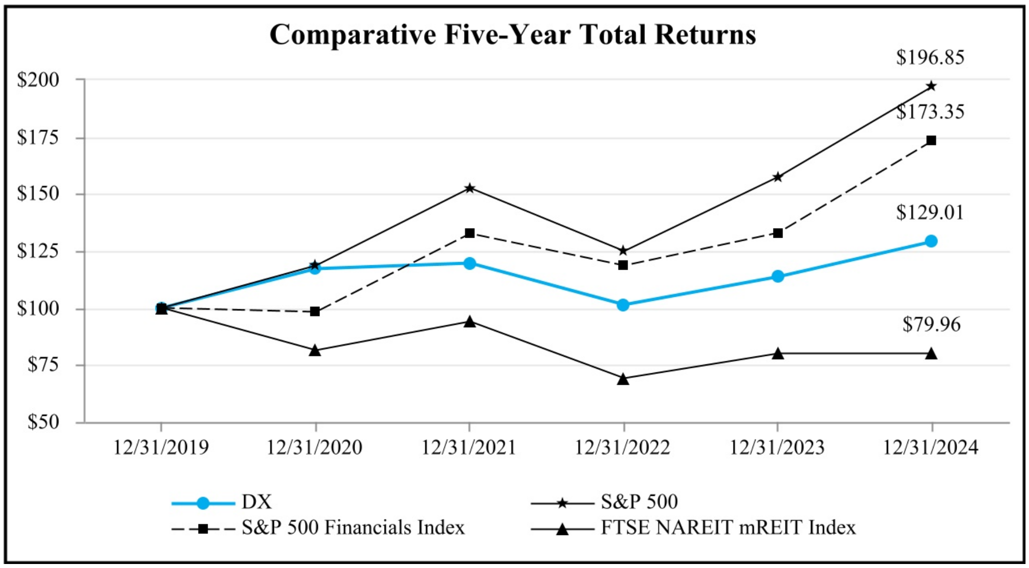
PART II.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on the NYSE under the trading symbol "DX". The common stock was held by approximately 345 holders of record as of February 12, 2025. On that date, the closing price of our common stock on the NYSE was $13.26 per share. The Company currently pays a monthly dividend on its common stock and declared a total of $1.60 per common share for the year ending December 31, 2024. Please refer to "Operating and Regulatory Structure" contained within Part 1, Item I, "Business" for disclosure regarding the tax characterization of these dividends.

Our ability to pay dividends may be adversely affected by the risk factors described in Part I, Item 1A, "Risk Factors." All distributions will be made at the discretion of our Board of Directors who will consider the Company's taxable income, the REIT distribution requirements of the Tax Code, financial performance measures, and maintaining compliance with dividend requirements of the Series C Preferred Stock, and such other factors our Board of Directors may deem relevant from time to time.

The following graph is a five-year comparison of shareholders' cumulative total return, assuming $100 invested at the close of trading on December 31, 2019 with reinvestment of all dividends, in each of: (i) our common stock, (ii) the stocks included in the Standard & Poor's 500 Index ("S & P 500"); (iii) the stocks included in the S&P 500 Financials Index; and (iv) the stocks included in the FTSE NAREIT Mortgage REIT Index.



Index [1]	Cumulative Total Stockholder Returns as of December 31, 2019	2020	2021	2022	2023	2024
Dynex Capital, Inc. Common Stock	$ 100.00	$ 117.01	$ 119.68	$ 101.30	$ 113.48	$ 129.01
S&P 500 Index	$ 100.00	$ 118.39	$ 152.34	$ 124.73	$ 157.48	$ 196.85
S&P 500 Financials Index	$ 100.00	$ 98.24	$ 132.50	$ 118.49	$ 132.83	$ 173.35
FTSE NAREIT mREIT Index	$ 100.00	$ 81.38	$ 94.05	$ 69.27	$ 79.79	$ 79.96

(1) Source: Bloomberg

The historical information set forth above is not necessarily indicative of future performance. Accordingly, we do not make or endorse any predictions as to future share performance.

The Company's Board of Directors has authorized a share repurchase program (the "Program") of up to $100 million of the Company's outstanding shares of common stock and up to $50 million of the Company's Series C Preferred Stock through open market transactions, privately negotiated transactions, trading plans adopted in accordance with Rule 10b5-1 under the Exchange Act, block transactions or otherwise. The Program permits the Company to repurchase shares of common stock or Series C Preferred Stock at any time or from time-to-time at management's discretion. The decision to purchase shares will depend on a variety of factors, including, but not limited to, the market prices of the common stock and the Series C Preferred Stock, as applicable, general market and economic conditions, and applicable legal and regulatory requirements. The Program does not obligate the Company to purchase any shares, and any open market repurchases under the Program will be made in accordance with Exchange Act Rule 10b-18, which sets certain restrictions on the method, timing, price, and volume of open market stock repurchases. The Program is authorized through April 30, 2026, although it may be modified or terminated by the Board of Directors at any time.

The Company has an at-the-market agreement ("ATM") whereby the Company may offer and sell through its sales agents up to approximately 69.4 million shares of common stock. During the year ended December 31, 2024, the Company issued 16.8 million shares of its common stock through its ATM program at an aggregate value of $207.6 million, net of $2.6 million in broker commissions, of which 5.2 million shares were issued during the fourth quarter of 2024 at an aggregate value of $64.4 million, net of $0.8 million in broker commissions.

ITEM 6. [Reserved]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our financial statements and the related notes included in Part II, Item 8, "Financial Statements and Supplementary Data" in this Annual Report on Form 10-K.

This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors including, but not limited to, those disclosed in Part I, Item 1A, "Risk Factors" elsewhere in this Annual Report on Form 10-K and in other documents filed with the SEC and otherwise publicly disclosed. Please refer to "Forward-Looking Statements" contained within this Item 7 for additional information. This discussion also contains non-GAAP financial measures, which are discussed in the section "Non-GAAP Financial Measures."

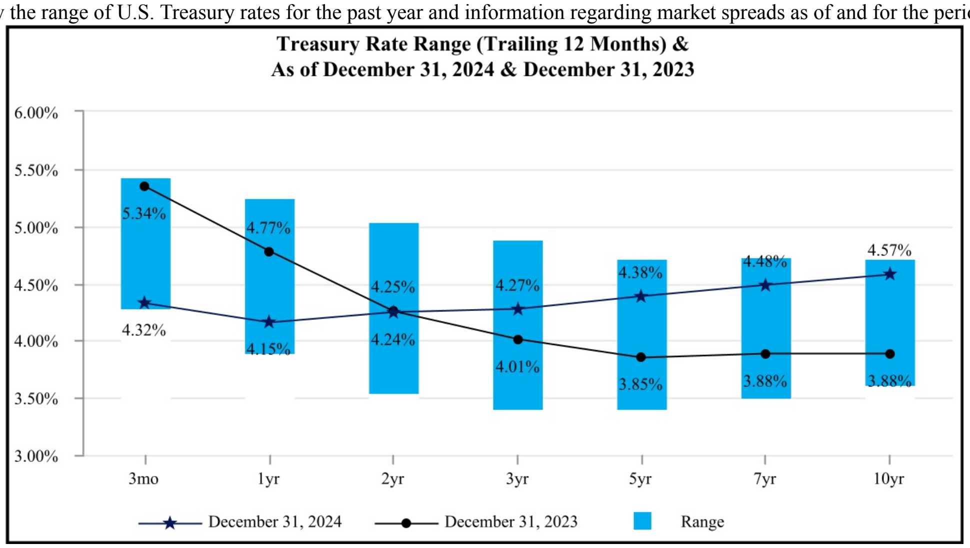
For a complete description of our business, including our operating policies, investment philosophy and strategy, financing and hedging strategies, and other important information, please refer to Part I, Item 1 of this Annual Report on Form 10-K.

EXECUTIVE OVERVIEW

In late 2023, the 10-year U.S. Treasury approached 5% based on inflation fears, but into the end of 2023 and early 2024, there was optimism that many rate cuts were on the near term horizon which spurred longer term rates to fall in the early part of 2024. As the year progressed and more economic data was available, it became clear that growth was still moderate and the early outlook for rate cuts was too aggressive. Beginning in September, the Federal Reserve began to cut interest rates, reversing the direction of short-term rates for the first time since March of 2022. The Federal Funds rate cut in September was followed by two more rate cuts before year end. This shift in policy and the outlook for 2025 changed the shape of the yield curve, and by the end of 2024, the yield curve was no longer inverted with short-term rates below longer-term rates. This change in the shape of the yield curve allows levered mortgage investors, like Dynex, to earn a positive carry by investing in longer term bonds with a higher yield than its repurchase based financing cost which is generally tied to shorter-term rates. Mortgage spreads to Treasuries remained elevated for most of 2024 which provided for solid opportunities to buy assets that will generate good returns over the long term.

Market Data

The charts below show the range of U.S. Treasury rates for the past year and information regarding market spreads as of and for the periods indicated:



Investment Type: (1)	Market Spreads as of: December 31, 2024	September 30, 2024	June 30, 2024	March 31, 2024	December 31, 2023	Change in Spreads YTD
Agency RMBS:						
2.0% coupon	89	83	86	84	76	13
2.5% coupon	93	83	87	84	78	15
4.0% coupon	69	71	78	74	74	(5)
4.5% coupon	68	70	73	71	73	(5)
5.0% coupon	69	66	67	68	69	—
5.5% coupon	72	64	68	65	66	6
6.0% coupon	74	54	65	62	60	14
Agency DUS (Agency CMBS)(2)	96	104	95	94	105	(9)
Freddie K AAA IO (Agency CMBS IO)(2)	120	135	150	165	180	(60)
AAA CMBS IO (Non-Agency CMBS IO)(2)	119	122	135	168	225	(106)

(1) Option adjusted spreads ("OAS") are based on Company estimates using third-party models and market data. OAS shown for prior periods may differ from previous disclosures because the Company regularly updates the third-party model used.

(2) Data represents the spread to swap rate on newly issued securities and is sourced from J.P. Morgan.

Summary of Results

As a result of capital raising and a more favorable investing environment, we significantly grew our balance sheet during the year ended December 31, 2024. Our total assets increased over 28%, and our total shareholders' equity increased over 36%. During the year, we added approximately $2.2 billion in higher coupon Agency RMBS at a lower cost of financing, which improved our net interest income to $5.9 million versus a loss of $(7.9) million in the prior year. As the yield curve un-inverted, we repositioned our hedges, changing the majority of our interest rate derivatives from U.S. Treasury futures to interest rate swaps, which contributed net periodic interest of $16.1 million to our earnings for the year ended December 31, 2024. Our investment portfolio declined in fair value because the increase in the 10-year U.S. Treasury rate as well as widening of credit spreads. However, gains from our hedging portfolio exceeded the losses in fair value of our investments by $130.5 million. Despite the growth in our balance sheet, we managed our operating expenses and lowered our expense ratio by approximately 70 basis points compared to the prior year.

The following table summarizes the changes in the Company's financial position during 2024:

($s in thousands except per share data)	Net Change in Fair Value	Components of Comprehensive Income	Common Book Value Rollforward	Per Common Share
Balance as of December 31, 2023 [1]			$ 759,235	$ 13.31
Net interest income		$ 5,877		
G & A and other operating expenses		(36,498)		
Preferred stock dividends		(7,694)		
Changes in fair value:				
MBS and loans	$ (157,845)			
TBAs	(38,512)			
U.S. Treasury futures	174,108			
Interest rate swaps	152,781			
Total net change in fair value		130,532		
Comprehensive income to common shareholders			92,217	
Capital transactions:				
Net proceeds from stock issuance [2]			338,315	
Common dividends declared			(116,331)	
Balance as of December 31, 2024 [1]			$ 1,073,436	$ 12.70

(1) Amounts represent total shareholders' equity less the aggregate liquidation preference of the Company's preferred stock of $111.5 million, in thousands and on a per common share basis.

(2) Net proceeds from stock issuance include $6.3 million from amortization of share-based compensation, net of grants, and adjustments for payroll tax withholding on share-based compensation vesting during the year ended December 31, 2024.

Current Outlook

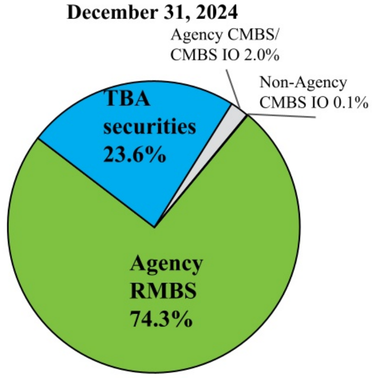
Inflation fears that drove U.S. Federal Reserve policy over the last three years are starting to subside, which allowed the Federal Open Market Committee to start cutting the U.S. Federal Funds rate in the second half of 2024. The shape of the yield curve and less restrictive monetary policy in 2025 provide an investment backdrop that is very different than the last two years, which were marked by rising short-term rates and a prolonged period of an inverted yield curve. Historically wide spreads provide us a good environment to invest into, and the swaps market further supports portfolio returns for levered mortgage investors like Dynex. With rapidly evolving geopolitical and macroeconomic factors, we are focused on regulatory changes and the potential range of impacts on monetary policy, yield curve, and generally supply and demand dynamics. We are also prepared for bouts of volatility and spread widening, which may cause temporary declines in the market value of our assets but should provide for compelling returns for our investors longer term. Inflation is still a focus and tax policy may cause changes to the inflation outlook. The financing environment is still liquid and supportive of ownership of high-quality liquid assets such as Agency MBS. We may continue to expand our capital base through the ATM program to deploy into an attractive market, achieve scale, and continue to attract higher price-to-book multiple on our common stock price.

FINANCIAL CONDITION

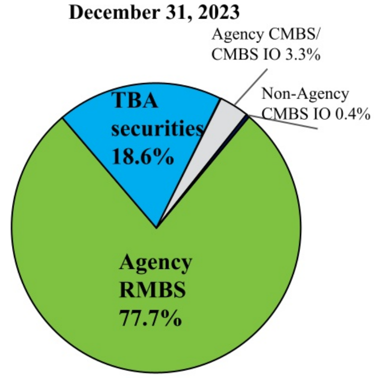
Investment Portfolio

Our investment portfolio (including TBAs) as of December 31, 2024, increased approximately 32% compared to December 31, 2023. The following charts compare the composition of our MBS portfolio (including TBAs) as of the dates indicated:

December 31, 2024



December 31, 2023



We purchased approximately $2.2 billion of higher coupon Agency RMBS during the year ended December 31, 2024, of which $335.1 million were pending settlement as of December 31, 2024. We also increased our TBA positions by a notional of $1.0 billion during the year ended December 31, 2024. The following tables compare our fixed-rate Agency RMBS investments, including TBA dollar roll positions, as of the dates indicated:

	December 31, 2024						
				Weighted Average			
Coupon	Par/Notional	Amortized Cost/ Implied Cost Basis (1)(3)	Fair Value (2)(3)	Loan Age (in months)(4)	3 Month CPR (4)(5)	Estimated Duration (6)	Market Yield (7)
30-year fixed-rate:		($s in thousands)					
2.0%	$ 655,356	$ 666,107	$ 516,541	51	5.0 %	6.49	5.42 %
2.5%	561,625	582,776	463,402	52	4.3 %	6.37	5.33 %
4.0%	324,615	325,091	299,774	45	6.4 %	5.92	5.25 %
4.5%	1,323,371	1,291,410	1,252,219	27	7.4 %	5.79	5.33 %
5.0%	2,356,262	2,315,518	2,284,613	18	5.7 %	5.19	5.47 %
5.5%	2,193,064	2,207,296	2,178,180	13	5.3 %	4.53	5.61 %
6.0%	303,470	307,211	307,509	13	13.2 %	3.60	5.74 %
TBA 4.0%	462,000	424,917	421,796	n/a	n/a	6.62	5.20 %
TBA 4.5%	383,000	361,610	359,837	n/a	n/a	5.95	5.35 %
TBA 5.0%	710,000	693,938	684,706	n/a	n/a	5.20	5.51 %
TBA 5.5%	864,000	860,609	852,053	n/a	n/a	4.21	5.73 %
Total	$ 10,136,763	$ 10,036,483	$ 9,620,630	23	6.1 %	5.22	5.49 %

	December 31, 2023						
				Weighted Average			
Coupon	Par/Notional	Amortized Cost/ Implied Cost Basis (1)(3)	Fair Value (2)(3)	Loan Age (in months)(4)	3 Month CPR (4)(5)	Estimated Duration (6)	Market Yield (7)
30-year fixed-rate:		($s in thousands)					
2.0%	$ 708,528	$ 720,611	$ 586,361	39	4.4 %	6.81	4.60 %
2.5%	608,580	632,343	525,018	40	4.5 %	6.62	4.59 %
4.0%	354,382	354,965	339,212	34	5.5 %	5.65	4.67 %
4.5%	1,383,019	1,350,697	1,348,108	15	5.0 %	5.08	4.88 %
5.0%	2,070,473	2,035,088	2,057,309	9	4.7 %	4.24	5.10 %
5.5%	897,520	900,218	907,524	8	5.0 %	3.58	5.29 %
TBA 4.0%	262,000	240,641	248,040	n/a	n/a	5.89	4.72 %
TBA 4.5%	223,000	210,940	216,415	n/a	n/a	4.75	4.92 %
TBA 5.0%	518,000	490,466	512,982	n/a	n/a	3.98	5.15 %
TBA 5.5%	200,000	191,926	201,047	n/a	n/a	2.81	5.36 %
TBA 6.0%	200,000	193,369	203,219	n/a	n/a	2.15	5.37 %
Total	$ 7,425,502	$ 7,321,264	$ 7,145,235	17	4.8 %	4.72	4.98 %

(1) *Implied cost basis of TBAs represents the forward price to be paid for the underlying Agency MBS.*
(2) *Fair value of TBAs is the implied market value of the underlying Agency security as of the end of the period.*
(3) *TBAs are included on the consolidated balance sheet within "derivative assets/liabilities" at their net carrying value which is the difference between their implied market value and implied cost basis. Please refer to Note 5 of the Notes to the Consolidated Financial Statements for additional information.*
(4) *TBAs are excluded from this calculation as they do not have a defined weighted-average loan balance or age until mortgages have been assigned to the pool.*

(5) Constant prepayment rate ("CPR") represents the 3-month CPR of Agency RMBS held as of date indicated.
(6) Duration measures the sensitivity of a security's price to the change in interest rates and represents the percent change in price of a security for a 100-basis point increase in interest rates. We calculate duration using third-party financial models and empirical data. Different models and methodologies can produce different estimates of duration for the same securities.
(7) Represents the weighted average market yield projected using cash flows generated from the forward curve based on market prices as of the date indicated and assuming zero volatility.

Agency CMBS, Agency CMBS IO, and non-Agency CMBS IO comprise 2.1% of our MBS portfolio as of December 31, 2024 is comprised of Agency CMBS, Agency CMBS IO, and non-Agency CMBS IO. Our Agency CMBS and Agency CMBS IO are backed by loans collateralized by multifamily properties, which have performed well for the last decade versus other sectors of the commercial real estate market. Our Agency CMBS IO are Class X1 from Freddie Mac Series K deals from which interest continues to be advanced even in the event of an underlying default up until liquidation. According to Freddie Mac, 99.8% of the loans in K-deals are current as of September 2024. Our non-Agency CMBS IO were all originated prior to 2018 with a weighted average remaining life of less than 2 years. The underlying loans for the non-Agency CMBS IO securities are collateralized by a number of different property types including: 27% retail, 40% office, 4% multifamily, 10% hotel and 19% all other real estate categories. In the current macroeconomic environment, we are not actively purchasing CMBS or CMBS IO as current risk versus reward remains unattractive relative to Agency RMBS. Our non-Agency CMBS IO investments are nearing maturity and have very little amortized cost remaining; any changes in actual payments may result in large swings in yield as shown below. Non-Agency CMBS IO do not comprise a material percentage of our portfolio and future income is not expected to have a material impact on our financial results.

The following table provides certain information regarding our CMBS and CMBS IO as of the dates indicated:

	December 31, 2024			
($s in thousands)	Amortized Cost	Fair Value	WAVG Life Remaining [(1)]	WAVG Market Yield [(2)]
Agency CMBS	$ 99,848	$ 95,463	2.6	4.76 %
Agency CMBS IO	109,335	103,606	5.7	7.21 %
Non-Agency CMBS IO	8,256	10,780	1.3	26.42 %
Total	$ 217,439	$ 209,849		

	December 31, 2023			
($s in thousands)	Amortized Cost	Fair Value	WAVG Life Remaining [(1)]	WAVG Market Yield [(2)]
Agency CMBS	$ 121,799	$ 115,595	4.1	4.74 %
Agency CMBS IO	140,824	133,302	5.9	5.19 %
Non-Agency CMBS IO	26,490	26,416	1.1	13.32 %
Total	$ 289,113	$ 275,313		

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

Repurchase Agreements

Our repurchase agreement borrowings increased to $6.6 billion as of December 31, 2024 from $5.4 billion as of December 31, 2023 as we used these funds to partially finance our purchases of Agency RMBS during the year. We have not experienced any difficulty in securing financing with any of our counterparties, and our repurchase agreement counterparties have not indicated any concerns regarding leverage or credit. Please refer to Note 4 of the Notes to the Consolidated Financial Statements contained within this Annual Report on Form 10-K as well as "Results of Operations" and "Liquidity and Capital Resources" contained within this Item 7 for additional information relating to our repurchase agreement borrowings.

Derivative Assets and Liabilities

During the year ended December 31, 2024, we shifted the majority of our interest rate hedges from U.S. Treasury futures to interest rate swaps. The table below discloses details on the Company's interest rate hedges held as of December 31, 2024, compared to hedging portfolio held as of December 31, 2023:

Notional Amount Long (Short)	December 31, 2024	December 31, 2023
($s in thousands)		
30-year U.S. Treasury futures	$ (516,500)	$ (700,000)
10-year U.S. Treasury futures	(735,000)	(4,180,000)
4-5 year interest rate swaps (pay-fixed rate of 3.42%)	(1,275,000)	—
6-7 year interest rate swaps (pay-fixed rate of 3.61%)	(3,085,000)	—
9-10 year interest rate swaps (pay-fixed rate of 3.83%)	(1,025,000)	—

Please refer to Note 5 of the Notes to the Consolidated Financial Statements for details on our interest rate hedging instruments as well as "Quantitative and Qualitative Disclosures about Market Risk" in Item 7A of this Annual Report on Form 10-K.

RESULTS OF OPERATIONS

Year Ended December 31, 2024 Compared to the Year Ended December 31, 2023

Net Interest Expense

Net interest expense and net interest spread improved for the year ended December 31, 2024, compared to the year ended December 31, 2023. Though our average cost of financing remained higher than our effective yield for 2024, our net interest income turned positive as our purchases of higher-yielding assets increased our interest income relative to 2023, while the rate cuts implemented by the FOMC during the year helped to lower our interest expense. As market expectations of a rate reduction increased, we shortened our borrowing terms with our counterparties so we would be in a better position to rollover our borrowings as quickly as possible to take advantage of lower financing rates.

The following table presents information about our interest-earning assets and interest-bearing liabilities and their performance for the periods indicated:

($s in thousands)	Year Ended December 31, 2024 Interest Income/Expense		Average Balance [1] [2]		Effective Yield/ Financing Cost [3][4]	2023 Interest Income/Expense		Average Balance [1] [2]		Effective Yield/ Financing Cost [3][4]
Agency RMBS	$	289,781	$	6,477,575	4.47 %	$	177,695	$	4,621,304	3.85 %
Agency CMBS		3,247		106,641	3.00 %		3,713		124,157	2.96 %
CMBS IO [5]		11,029		140,353	7.86 %		9,666		202,261	4.78 %
Non-Agency MBS and other investments		78		1,396	5.04 %		128		2,377	5.28 %
MBS and loans	$	304,135	$	6,725,965	4.52 %	$	191,202	$	4,950,099	3.86 %
Cash equivalents		15,399					16,315			
Total interest income	$	319,534				$	207,517			
Repurchase agreement financing		(313,657)		5,790,037	(5.33)%		(215,448)		4,034,561	(5.27)%
Net interest income (expense)/net interest spread	$	5,877			(0.81)%	$	(7,931)			(1.41)%
Net periodic interest		16,105			0.28 %		—			— %
Economic net interest income (expense)/spread [6]	$	21,982			(0.53)%	$	(7,931)			(1.41)%

(1) Average balance for assets is calculated as a simple average of the daily amortized cost and excludes securities pending settlement if applicable.
(2) Average balance for liabilities is calculated as a simple average of the daily borrowings outstanding during the period.
(3) Effective yield is calculated by dividing interest income by the average balance of asset type outstanding during the reporting period. Unscheduled adjustments to premium/discount amortization/accretion, such as for prepayment compensation, are not annualized in this calculation.
(4) Financing cost is calculated by dividing annualized interest expense by the total average balance of borrowings outstanding during the period with an assumption of 360 days in a year.
(5) Includes Agency and non-Agency issued securities.
(6) Represents a non-GAAP measure. Please refer to the section below "Non-GAAP Financial Measures" for a reconciliation of economic net interest income/spread to GAAP measures.

Gains (Losses) on Investments and Derivative Instruments

The 10-year U.S. Treasury rate rose as high as 4.71%, ending 2024 at 4.57%, an increase of approximately 69 basis points since the year began. Throughout the year, we frequently adjusted the volume and type of derivative instruments used to hedge the volatile interest rate environment. As a result, net gains from our interest rate hedging portfolio exceeded the net loss in fair value of our investments by $130.5 million, which also declined in fair value due to wider credit spreads as of December 31, 2024 versus December 31, 2023.

During the year ended December 31, 2023, the 10-year U.S. Treasury rate ranged from a low of 3.31% in April 2023 to a high of 4.99% in October 2023, yet ended the year where it started at 3.88%. Credit spreads, which were wider for most of 2023, also tightened during the fourth quarter of 2023. We purchased $3.6 billion of Agency RMBS throughout the year when credit spreads were wider relative to December 31, 2023. As a result, the fair value of our investment portfolio, including TBAs, increased a net $68.4 million for the year ended December 31, 2023. These gains were partially offset by net losses on our interest rate hedges of $(10.8) million for the year ended December 31, 2023.

The following tables provide details on realized and unrealized gains and losses within our investment and interest rate hedging portfolios for the periods indicated:

($s in thousands)	Year Ended December 31, 2024 Realized Gain (Loss) Recognized in Net Income		Unrealized Gain (Loss) Recognized in Net Income		Unrealized Gain (Loss) Recognized in OCI		Total Change in Fair Value	
Investment portfolio:								
Agency RMBS	$	—	$	(144,139)	$	(18,642)	$	(162,781)
Agency CMBS		(1,506)		1,073		747		314
CMBS IO		—		531		3,861		4,392
Other non-Agency and loans		—		183		47		230
Subtotal		(1,506)		(142,352)		(13,987)		(157,845)
TBA securities [1]		38,530		(77,042)		—		(38,512)
Net gain (loss) on investments	$	37,024	$	(219,394)	$	(13,987)	$	(196,357)
Interest rate hedging portfolio:								
U.S. Treasury futures	$	(46,955)	$	221,063	$	—	$	174,108
Interest rate swaps [2]		16,105		136,676		—		152,781
Net (loss) gain on interest rate hedges	$	(30,850)	$	357,739	$	—	$	326,889
Total net gain (loss)	$	6,174	$	138,345	$	(13,987)	$	130,532

	Year Ended December 31, 2023			
($s in thousands)	Realized Gain (Loss) Recognized in Net Income	Unrealized Gain (Loss) Recognized in Net Income	Unrealized Gain (Loss) Recognized in OCI	Total Change in Fair Value
Investment portfolio:				
Agency RMBS	$ (74,916)	$ 141,263	$ 16,343	$ 82,690
Agency CMBS	—	96	1,342	1,438
CMBS IO	—	1,111	5,148	6,259
Other non-Agency and loans	—	31	10	41
Subtotal	(74,916)	142,501	22,843	90,428
TBA securities [(1)]	(97,777)	75,713	—	(22,064)
Net (loss) gain on investments	$ (172,693)	$ 218,214	$ 22,843	$ 68,364
Interest rate hedging portfolio:				
U.S. Treasury futures	$ 234,015	$ (246,445)	$ —	$ (12,430)
Put options on U.S. Treasury futures	3,645	(2,056)	—	1,589
Net gain (loss) on interest rate hedges	$ 237,660	$ (248,501)	$ —	$ (10,841)
Total net gain (loss)	$ 64,967	$ (30,287)	$ 22,843	$ 57,523

1) *Realized and unrealized gains (losses) on TBA securities are recorded within "gain (loss) on derivative instruments, net" on the Company's consolidated statements of comprehensive income.*
2) *Realized gain (loss) for interest rate swaps consists of net periodic interest benefit of $16.1 million for the year ended December 31, 2024. We did not have any interest rate swap agreements mature or terminate during the year ended December 31, 2024.*

Operating Expenses

Operating expenses for the year ended December 31, 2024, increased $3.6 million compared to the year ended December 31, 2023, primarily due to accelerated recognition of share-based compensation expense for certain stock incentive awards granted in March 2024 to a retirement eligible employee. In addition, our salary and bonus expenses increased by $1.0 million due to an increase in average headcount as well as salary increases and other performance-based incentives.

Year Ended December 31, 2023 Compared to the Year Ended December 31, 2022

Please refer to "Results of Operations" within Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2023 for a discussion of the results of operations for the year ended December 31, 2023 compared to the year ended December 31, 2022, which is incorporated herein by reference.

Non-GAAP Financial Measures

In evaluating the Company's financial and operating performance, management considers book value per common share, total economic return (loss) to common shareholders, and other operating results presented in accordance with GAAP as well as certain non-GAAP financial measures, which include earnings available for distribution ("EAD") to common shareholders (including per common share) and economic net interest income and the related metric economic net interest spread. Management believes these non-GAAP financial measures may be useful to investors because they are viewed by management as a measure of the investment portfolio's return based on the effective yield of its investments, net of financing costs and, with respect to EAD, net of other normal recurring operating income/expenses.

Drop income generated by TBA dollar roll positions, which is included in "gain (loss) on derivatives instruments, net" on the Company's consolidated statements of comprehensive income, is included in EAD because management views drop income as the economic equivalent of net interest income (interest income less implied financing cost) on the underlying Agency security from trade date to settlement date. However, drop income/loss does not represent the total realized gain/loss from the Company's investments in TBA securities.

Management also includes net periodic interest from its interest rate swaps, which is included in "gain (loss) on derivatives instruments, net," in EAD and economic net interest income because interest rate swaps are used by the Company to economically hedge the impact of changing interest rates on its borrowing costs from repurchase agreements, and including net periodic interest from interest rate swaps is a helpful indicator of the Company's total financing cost in addition to GAAP interest expense.

Non-GAAP financial measures are not a substitute for GAAP earnings and may not be comparable to similarly titled measures of other REITs because they may not be calculated in the same manner. Furthermore, though EAD is one of several factors our management considers in determining the appropriate level of distributions to common shareholders, it should not be utilized in isolation, and it is not an accurate indication of the Company's REIT taxable income, its distribution requirements in accordance with the Tax Code or total economic return.

Reconciliations of each non-GAAP measure to certain GAAP financial measures are provided below.

Reconciliations of GAAP to Non-GAAP Financial Measures:	Year Ended December 31, 2024	Year Ended December 31, 2023
($s in thousands except per share data)		
Comprehensive income to common shareholders (GAAP)	$ 92,217	$ 9,020
Less:		
Change in fair value of investments [1]	157,845	(90,429)
Change in fair value of derivative instruments, net [2]	(274,966)	28,808
EAD to common shareholders (non-GAAP)	$ (24,904)	$ (52,601)
Average common shares outstanding	70,766,410	54,809,462
EAD per common share (non-GAAP)	$ (0.35)	$ (0.96)

Net interest income (loss) (GAAP)	$ 5,877	$ (7,931)
Net periodic interest from interest rate swaps	16,105	—
Economic net interest income (expense) (non-GAAP)	21,982	(7,931)
TBA drop loss [3]	(2,694)	(4,097)
Total operating expenses	(36,498)	(32,879)
Preferred stock dividends	(7,694)	(7,694)
EAD to common shareholders (non-GAAP)	$ (24,904)	$ (52,601)

Net interest spread (GAAP)	(0.81)%	(1.41)%
Net periodic interest as a percentage of average repurchase borrowings	0.28 %	— %
Economic net interest spread (non-GAAP)	(0.53)%	(1.41)%

(1) Amount includes realized and unrealized gains and losses due to changes in the fair value of the Company's MBS.

(2) The following table reconciles "change in fair value of derivative instruments, net" to the "gain (loss) on derivative instruments, net" shown on the consolidated statements of comprehensive income.

($s in thousands)	Year Ended December 31, 2024	Year Ended December 31, 2023
Gain (loss) on derivative instruments, net	$ 288,377	$ (32,905)
Less:		
TBA drop loss	2,694	4,097
Net periodic interest from interest rate swaps	(16,105)	—
Change in fair value of derivative instruments, net	$ 274,966	$ (28,808)

(3) TBA drop income (loss) is calculated by multiplying the notional amount of the TBA dollar roll positions by the difference in price between two TBA securities with the same terms but different settlement dates.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity include borrowings under repurchase arrangements and monthly principal and interest payments we receive on our investments. Additional sources may include proceeds from the sale of investments, equity offerings, and net payments received from counterparties for derivative instruments. We use our liquidity to purchase investments, to pay amounts due on our repurchase agreement borrowings, and to pay our operating expenses and dividends on our common and preferred stock. We also use our liquidity to meet margin requirements for our repurchase agreements and derivative transactions, including TBA contracts, under the terms of the related agreements. We may also periodically use liquidity to repurchase shares of the Company's stock.

During the year ended December 31, 2024, we issued 10,500,000 shares of common stock through a public offering, resulting in proceeds of $124.5 million, net of issuance costs. We also issued 16,756,835 shares of common stock through our ATM program, resulting in proceeds of $207.6 million, net of broker commissions and fees. We deployed these proceeds into purchases of higher coupon Agency RMBS and to cover increased initial margin requirements related to our interest rate swaps.

Our liquidity fluctuates based on our investment activities, leverage, capital raising activities, and changes in the fair value of our investments and derivative instruments. Our measurement of liquidity includes unrestricted cash and cash equivalents and unencumbered Agency MBS, which are recognized as assets on our consolidated balance sheet. In our measure of liquidity, we also include the fair value of noncash collateral pledged to us by our counterparties, which we typically receive when the fair value of our pledged collateral exceeds our current margin requirement. Our liquidity as of December 31, 2024, was $658.3 million, which consisted of unrestricted cash of $377.1 million and unencumbered Agency MBS with a fair value of $281.2 million. Our liquidity as of December 31, 2023, was $453.6 million.

We continuously monitor our liquidity, especially with potential risk events on the horizon, such as uncertainty regarding Federal Reserve policy decisions, the size of the Federal Reserve's balance sheet, quantitative tightening or easing measures, the frequent potential for a government shutdown, and the impact on global markets stemming from global central bank policies. We are also monitoring the wars and conflicts around the globe. We continuously assess the adequacy of our liquidity under various scenarios based on changes in the fair value of our investments and derivative instruments due to market factors such as changes in the absolute level of interest rates and the shape of the yield curve, credit spreads, lender haircuts, and prepayment speeds, which in turn have an impact on derivative margin requirements. In performing these analyses, we will also consider the current state of the fixed-income markets and the repurchase agreement markets to determine if market forces such as supply-demand imbalances or structural changes to these markets could change the liquidity of MBS or the availability of financing. We have not experienced any material changes in the terms of our repurchase agreements with our counterparties, and they have not indicated to us any concerns regarding access to liquidity.

Our perception of the liquidity of our investments and market conditions significantly influences our targeted leverage. In general, our leverage will increase if we view the risk-reward opportunity of higher leverage on our capital outweighs the risk to our liquidity and book value. Our leverage, which we calculate using total liabilities plus the cost basis of TBA long positions, was 7.9 times shareholders' equity as of December 31, 2024. We include 100% of the cost basis of our TBA securities in evaluating our leverage because it is possible under certain market conditions that it may be uneconomical for us to roll a TBA long position into future months, which may result in us having to take physical delivery of the underlying securities and use cash or other financing sources to fund our total purchase commitment.

Repurchase Agreements

Leverage based solely on repurchase agreement amounts outstanding was 5.5 times shareholders' equity as of December 31, 2024. Our repurchase agreement borrowings are uncommitted with terms renewable at the discretion of our lenders and generally have original terms to maturity of overnight to six months, though in some instances, we may enter into longer-dated maturities depending on market conditions. We seek to maintain unused capacity under our existing repurchase agreement credit lines with multiple counterparties, which helps protect us in the event of a counterparty's failure to renew existing repurchase agreements. As part of our continuous evaluation of counterparty risk, we maintain our highest counterparty exposures with broker-dealer subsidiaries of regulated financial institutions or primary dealers.

The amount outstanding for our repurchase agreement borrowings will typically fluctuate in any given period as it is dependent upon several factors, but particularly the extent to which we are active in buying and selling securities, including the volume of activity in TBA dollar roll transactions versus buying specified pools. The following table presents information regarding the balances of our repurchase agreement borrowings as of and for the periods indicated:

	Repurchase Agreements		
($s in thousands)	**Balance Outstanding As of Quarter End**	**Average Balance Outstanding For the Quarter Ended**	**Maximum Balance Outstanding During the Quarter Ended**
December 31, 2024	$ 6,563,120	$ 6,431,743	$ 6,568,805
September 30, 2024	6,423,890	5,943,805	6,461,475
June 30, 2024	5,494,428	5,410,282	5,529,856
March 31, 2024	5,284,708	5,365,575	5,469,434
December 31, 2023	5,381,104	5,168,821	5,381,354
September 30, 2023	5,002,230	4,773,435	5,037,440
June 30, 2023	4,201,901	3,447,406	4,203,788
March 31, 2023	2,937,124	2,713,481	2,959,263
December 31, 2022	2,644,405	2,727,274	3,072,483
September 30, 2022	2,991,876	2,398,268	3,082,138
June 30, 2022	2,202,648	2,486,217	2,949,918
March 31, 2022	2,952,802	2,806,212	2,973,475

For our repurchase agreement borrowings, we are required to post and maintain margin to the lender (i.e., collateral in excess of the repurchase agreement borrowing) in order to support the amount of the financing. This excess collateral is often referred to as a "haircut" and is intended to provide the lender protection against fluctuations in the fair value of the collateral and/or the failure by us to repay the borrowing at maturity. Lenders have the right to change haircut requirements at maturity of the repurchase agreement and may change their haircuts based on market conditions and the perceived riskiness of the collateral pledged. If the fair value of the collateral falls below the amount required by the lender, the lender has the right to demand additional margin or collateral. These demands are referred to as "margin calls," and if we fail to meet any margin call, our lenders have the right to terminate the repurchase agreement and sell any collateral pledged. The weighted average haircut for our borrowings as of December 31, 2024, was consistent with prior periods, typically averaging less than 5% for borrowings collateralized with Agency RMBS and CMBS and between 10-14% for borrowings collateralized with CMBS IO.

The collateral we post in excess of our repurchase agreement borrowing with any counterparty is also typically referred to by us as "equity at risk," which represents the potential loss to the Company if the counterparty is unable or unwilling to return collateral securing the repurchase agreement borrowing at its maturity. The counterparties with whom we have the greatest amounts of equity at risk may vary significantly during any given period due to the short-term and uncommitted nature of the repurchase agreement borrowings. As of December 31, 2024, we had amounts outstanding under 27 different repurchase agreements and did not have more than 10% of equity at risk with any counterparty or group of related counterparties.

We have various financial and operating covenants in certain of our repurchase agreements, which we monitor and evaluate on an ongoing basis for compliance as well as for impacts these customary covenants may have on our operating and financing flexibility. We do not believe we are subject to any covenants that materially restrict our financing flexibility. We were in full compliance with our debt covenants as of December 31, 2024, and we are not aware of circumstances that could potentially result in our non-compliance in the near future.

Derivative Instruments

Derivative instruments we enter into may require us to post initial margin at inception and daily variation margin based on subsequent changes in their fair value. Daily variation margin requirements also entitle us to

receive collateral from our counterparties if the value of amounts owed to us under the derivative agreement exceeds the minimum margin requirement. The collateral posted as margin by us is typically in cash. As of December 31, 2024, we had cash collateral posted to our counterparties of $244.4 million under these agreements.

Collateral requirements for interest rate derivative instruments are typically governed by the central clearing exchange and the associated futures commission merchant, which may establish margin requirements in excess of the clearing exchange. Collateral requirements for our TBA contracts are governed by the Mortgage-Backed Securities Division ("MBSD") of the Fixed Income Clearing Corporation and, if applicable, by our third-party brokerage agreements, which may establish margin levels in excess of the MBSD. Our TBA contracts, which are subject to master securities forward transaction agreements published by the Securities Industry and Financial Markets Association as well as supplemental terms and conditions with each counterparty, generally provide that valuations for our TBA contracts and any pledged collateral are to be obtained from a generally recognized source agreed to by both parties. However, in certain circumstances, our counterparties have the sole discretion to determine the value of the TBA contract and any pledged collateral. In such instances, our counterparties are required to act in good faith in making determinations of value. In the event of a margin call, we must generally provide additional collateral on the same business day.

The following table provides details on the “net receipts (payments) on derivative instruments” shown on our consolidated statements of cash flows for the periods indicated:

	Year Ended December 31,		
Cash received (paid) by instrument:	**2024**	**2023**	**2022**
		($s in thousands)	
Interest rate swaps:			
Net variation margin received	$ 146,379	$ —	$ —
Net periodic interest [1]	—	—	—
	146,379	—	—
U.S. Treasury futures, including put options:[2]			
Net variation margin received	218,399	(214,622)	46,460
(Paid) received upon maturity/termination	(46,955)	214,904	662,549
	171,444	282	709,009
TBA securities:			
Received (paid) upon settlement	45,106	(96,250)	(306,369)
Interest rate swaptions:			
Received upon maturity/termination	—	—	50,940
	—	—	50,940
Net receipts (payments) on derivative instruments	$ 362,929	$ (95,968)	$ 453,580

(1) *Net periodic interest from our effective interest rate swaps are recognized as income or expense during the period earned (incurred), but the cash is not received or paid until the anniversary of each agreement’s effective date or upon maturity.*
(2) *The Company did not use put options on U.S. Treasury futures during the year ended December 31, 2024.*

Dividends

We set our dividend based on many factors, including our view on long-term returns, yield on comparable investments, liquidity and market risk, and levels of taxable income. Among these factors, we focus on economic returns and taxable income within the context of the distribution requirements. As a REIT, we are required to distribute to our shareholders amounts equal to at least 90% of our REIT taxable income for each taxable year after certain deductions, including the separate dividend requirements of the Series C Preferred Stock.

We designate certain derivative instruments as interest rate hedges for tax purposes. Realized gains (losses) resulting from the difference in fair value and the amount of cash received or paid upon termination or maturity of derivative instruments are included in GAAP earnings in the same reporting period in which the derivative instrument matures or is terminated by the Company but are generally not recognized in REIT taxable income until future periods. Our remaining net deferred tax hedge gain was estimated to be $719.0 million as of December 31, 2024, which will be amortized into REIT taxable income over several years. As of December 31, 2024, we also had $557.9 million in capital loss carryforwards, all of which will expire by either December 31, 2027 or by December 31, 2028. Due to these amounts and other temporary and permanent differences between GAAP net income and REIT taxable income, coupled with the degree of uncertainty about the trajectory of interest rates, we cannot reasonably estimate how much the deferred tax hedge gains to be recognized will impact our dividend declarations during 2025 or in any given year.

We generally fund dividend distributions through portfolio cash flows. If we make dividend distributions in excess of our portfolio cash flows during the period, whether for purposes of meeting our REIT distribution requirements or other reasons, those distributions are generally funded either through our existing cash balances or through the return of principal from our investments (either through repayment or sale). Please refer to "Operating and Regulatory Structure" within Part I, Item 1, "Business," as well as Part I, Item 1A, “Risk Factors” of this Form 10-K for additional important information regarding dividends declared on our taxable income.

RECENT ACCOUNTING PRONOUNCEMENTS

Please refer to Note 1 of the Notes to the Consolidated Financial Statements contained within Part II, Item 8 of this Annual Report on Form 10-K for additional information.

CRITICAL ACCOUNTING ESTIMATES

The discussion and analysis of our financial condition and results of operations are based in large part upon our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of our consolidated financial statements requires management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses and disclosure of contingent assets and liabilities. We base these estimates and judgments on historical experience and assumptions believed to be reasonable under current facts and circumstances. Actual results, however, may differ significantly from the estimated amounts we have recorded.

The following discussion provides information on our critical accounting policies, which require management's most difficult, subjective, or complex judgments, and may result in materially different results under different assumptions and conditions. Please also refer to Note 1 of our Notes to the Consolidated Financial Statements included within Part II, Item 8 of this Annual Report on Form 10-K for additional information related to significant accounting policies.

Fair Value Measurements. The fair value of our Agency MBS, as well as a majority of our non-Agency MBS, is based on estimated prices provided by third-party pricing services who have access to observable market information through trading desks and various information services. Most of our MBS are substantially similar to securities actively traded and observable in the market. To determine each security's valuation, the pricing service uses either a market approach or income approach, which rely on observable market data. The market approach uses prices and other relevant information that is generated by market transactions of identical or similar securities, while the income approach uses valuation techniques to convert estimated future cash flows to a discounted present value. Examples of these observable inputs and assumptions used in the valuation techniques include market interest rates, credit spreads, cash flows, and projected prepayment speeds, among other factors. Management reviews the prices it receives from the pricing service for reasonableness using broker quotes as well as other third-party pricing services.

In addition, management reviews the prices received for each security by comparing those prices to a second pricing source. If the price of a security is obtained from quoted prices for similar instruments or model-derived valuations whose inputs are observable, the security is classified as a level 2 security. The security is classified as a level 3 security if the inputs are unobservable, resulting in an estimate of fair value based primarily on management's judgment. Although it is rare, we may exclude a price received from a third party if we determine, based on our knowledge and expertise of the market, that the price received is significantly different from other observable market data. Please refer to Note 6 of the Notes to the Consolidated Financial Statements contained within Part II, Item 8 of this Annual Report on Form 10-K for additional information on fair value measurements.

FORWARD-LOOKING STATEMENTS

Certain written statements in this Annual Report on Form 10-K that are not historical facts constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Statements in this report addressing expectations, assumptions, beliefs, projections, future plans and strategies, future events, developments that we expect or anticipate will occur in the future, and future operating results, capital management, and dividend policy are forward-looking statements. Forward-looking statements are based upon management’s beliefs, assumptions, and expectations as of the date of this report regarding future events and operating performance, considering all information currently available to us, and are applicable only as of the date of this report. Forward-looking statements generally can be identified by the use of words such as “believe,” “expect,” “anticipate,” “estimate,” “plan,” “may,” “will,” “intend,” “should,” “could,” or similar expressions. We caution readers not to place undue reliance on our forward-looking statements, which are not historical facts and may be based on projections, assumptions, expectations, and anticipated events that do not materialize. Except as required by law, we are not obligated to, and do not intend to, update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

Forward-looking statements in this Annual Report on Form 10-K may include, but are not limited to, statements about:

- Our business and investment strategy, including our ability to generate acceptable risk-adjusted returns, our target investment allocations, and our views on the future performance of MBS and other investments;
- Our views on the macroeconomic environment, monetary and fiscal policy, and conditions in the investment, credit, interest rate, and derivatives markets;
- Our views on inflation, market interest rates, and market spreads;
- Our views on the effect of actual or proposed actions of the Federal Reserve or other central banks with respect to monetary policy (including the targeted Fed Funds rate), and the potential impact of these actions on interest rates, borrowing costs, inflation, or unemployment;
- The effect of regulatory initiatives of the Federal Reserve, the Federal Housing Finance Agency, other financial regulators, and other central banks;
- Our financing strategy, including our target leverage ratios, our use of TBA dollar roll transactions, and anticipated trends in financing costs, including TBA dollar roll transaction costs, and our hedging strategy, including changes to the derivative instruments to which we are a party, and changes to government regulation of hedging instruments and our use of these instruments;
- Our investment portfolio composition and target investments;
- Our investment portfolio performance, including the fair value, yields, and forecasted prepayment speeds of our investments;
- Our liquidity and ability to access financing and the anticipated availability and cost of financing;
- Our capital stock activity, including the impact of stock issuances and repurchases;
- The amount, timing, and funding of future dividends;
- Our use of our tax NOL carryforward and other tax loss carryforwards;
- Future competition for and availability of investments, financing, and capital;
- Estimates of future interest expenses, including related to the Company’s repurchase agreements and derivative instruments;
- The status and effect of legislative reforms and regulatory rule-making or review processes, and the status of reform efforts and other business developments in the repurchase agreement financing market;
- Market, industry, and economic trends, and how these trends and related economic data may impact the behavior of market participants and financial regulators;
- The impact of recent bank failures, potential new regulations, and the potential for other bank failures this year;
- The impact of debt ceiling negotiations on interest rates, spreads, the U.S. Treasury market and the impact more broadly on fixed income and equity markets:

- Uncertainties regarding the war between Russia and Ukraine or Israel and Hamas and the related impacts on macroeconomic conditions, including, among other things, interest rates;
- The financial position and creditworthiness of the depository institutions in which the Company's MBS and cash deposits are held;
- The impact of applicable tax and accounting requirements on us, including our tax treatment of derivative instruments such as TBAs, interest rate swaps, options, and futures;
- Our future compliance with covenants in our master repurchase agreements, ISDA agreements, and debt covenants in our other contractual agreements;
- Our reliance on a single service provider for our trading, portfolio management, and risk reporting systems;
- The implementation in a timely and cost-effective manner of our operating platform, which includes trading, portfolio management, risk reporting, and accounting services systems, and the anticipated benefits thereof; and
- Possible future effects of any global health crisis.

Forward-looking statements are inherently subject to risks, uncertainties and other factors that could cause our actual results to differ materially from historical results or from any results expressed or implied by such forward-looking statements. Not all these risks and other factors are known to us. New risks and uncertainties arise over time, and it is not possible to predict those events 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 or other factors. If such a risk or other factor materializes in future periods, our business, financial condition, liquidity, and results of operations may vary materially from those expressed or implied in our forward-looking statements.

While it is not possible to identify all factors that may cause actual results to differ from historical results or any results expressed or implied by forward-looking statements or that may cause our projections, assumptions, expectations, or beliefs to change, some of those factors include the following:

- the risks and uncertainties referenced in this Annual Report on Form 10-K, especially those incorporated by reference into Part I, Item 1A, "Risk Factors,"
- our ability to find suitable reinvestment opportunities;
- changes in domestic economic conditions;
- geopolitical events, such as terrorism, war, or other military conflict, including increased uncertainty regarding the wars between Russia and Ukraine and between Israel and Hamas, and the related impact on macroeconomic conditions as a result of such conflict;
- changes in interest rates and credit spreads, including the repricing of interest-earning assets and interest-bearing liabilities;
- our investment portfolio performance, particularly as it relates to cash flow, prepayment rates, and credit performance;
- the impact on markets and asset prices from changes in the Federal Reserve's policies regarding the purchases of Agency RMBS, Agency CMBS, and U.S. Treasuries;
- actual or anticipated changes in Federal Reserve monetary policy or the monetary policy of other central banks;
- adverse reactions in U.S. financial markets related to actions of foreign central banks or the economic performance of foreign economies, including in particular China, Japan, the European Union, and the United Kingdom;
- uncertainty concerning the long-term fiscal health and stability of the United States;
- the cost and availability of financing, including the future availability of financing due to changes to regulation of, and capital requirements imposed upon, financial institutions;
- the cost and availability of new equity capital;
- changes in our leverage and use of leverage;
- changes to our investment strategy, operating policies, dividend policy, or asset allocations;
- the quality of performance of third-party service providers, including our sole third-party service provider for our critical operations and trade functions;

- the loss or unavailability of our third-party service provider's service and technology that supports critical functions of our business related to our trading and borrowing activities due to outages, interruptions, or other failures;
- the level of defaults by borrowers on loans underlying MBS;
- changes in our industry;
- increased competition;
- changes in government regulations affecting our business;
- changes or volatility in the repurchase agreement financing markets and other credit markets;
- changes to the market for derivative instruments, including changes to margin requirements on derivative instruments;
- uncertainty regarding continued government support of the U.S. financial system and U.S. housing and real estate markets, or to reform the U.S. housing finance system, including the resolution of the conservatorship of Fannie Mae and Freddie Mac;
- the composition of the Board of Governors of the Federal Reserve;
- the political environment in the U.S.;
- systems failures or cybersecurity incidents; and
- exposure to current and future claims and litigation.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the exposure to losses resulting from changes in market factors. Our business strategy exposes us to a variety of market risks, including interest rate, spread, prepayment, credit, liquidity, and reinvestment risks. These risks can and do cause fluctuations in our liquidity, comprehensive income and book value as discussed below.

Interest Rate Risk

Investing in interest-rate sensitive investments such as MBS and TBA securities subjects us to interest rate risk. Interest rate risk results from investing in securities with a fixed coupon or a floating coupon that may not immediately adjust for changes in interest rates. Interest rate risk also results from the mismatch between the duration of our assets versus the duration of our liabilities and hedges. The amount of the impact will depend on the composition of our portfolio, our hedging strategy, the effectiveness of our hedging instruments and the magnitude and duration of the change in interest rates.

We manage interest rate risk within tolerances set by our Board of Directors. We use interest rate hedging instruments to mitigate the impact of changing interest rates on the market value of our assets and on our interest expense from repurchase agreements used to finance our investments. Our hedging methods are based on many factors, including, but not limited to, our estimates regarding future interest rates and expected levels of prepayments of our assets. If prepayments are slower or faster than assumed, the maturity of our investments will also differ from our expectations, which could reduce the effectiveness of our hedging strategies and may cause losses that adversely affect our cash flow. Estimates of prepayment speeds can vary significantly by investor for the same security, and therefore, estimates of security and portfolio duration can vary considerably between market participants.

We continuously monitor market conditions, economic conditions, interest rates, and other market activity and frequently adjust the composition of our investments and hedges throughout any given period. As such, the projections for changes in market value provided below are limited in usefulness because the modeling assumes no changes to the composition of our investment portfolio or hedging instruments as of the dates indicated. Changes in the types of our investments, the returns earned on these investments, future interest rates, credit spreads, the shape of the yield curve, the availability of financing, and/or the mix of our investments and financings, including derivative instruments, may cause actual results to differ significantly from the modeled results shown in the tables below. There can be no assurance that assumed events used to model the results shown below will occur or that other events will not occur that will affect the outcomes; therefore, the modeled results shown in the tables below and all related disclosures constitute forward-looking statements.

Management evaluates changes in interest rate curves to manage portfolio interest rate risk and the market value of its investments and common equity. Because interest rates do not typically move in a parallel fashion from period to period (as can be seen by the graph for U.S. Treasury rates in Item 7, "Executive Overview"), the tables below show the projected sensitivity of our financial instruments and equity to both parallel and non-parallel shifts in market interest rates.

	December 31, 2024							
	Parallel Decrease in Interest Rates of				Parallel Increase in Interest Rates of			
	100 Basis Points		50 Basis Points		50 Basis Points		100 Basis Points	
Type of Instrument [1]	% of Market Value	% of Common Equity	% of Market Value	% of Common Equity	% of Market Value	% of Common Equity	% of Market Value	% of Common Equity
RMBS	3.6 %	33.0 %	1.9 %	17.4 %	(2.0)%	(18.3)%	(4.1)%	(37.1)%
CMBS/ CMBS IO	0.1 %	0.8 %	— %	0.3 %	— %	(0.3)%	(0.1)%	(0.8)%
TBAs	1.0 %	9.6 %	0.6 %	5.3 %	(0.7)%	(6.0)%	(1.3)%	(12.2)%
Interest rate hedges	(5.0)%	(46.2)%	(2.5)%	(22.6)%	2.3 %	21.2 %	4.6 %	41.9 %
Total	(0.3)%	(2.8)%	— %	0.4 %	(0.4)%	(3.4)%	(0.9)%	(8.2)%

	December 31, 2023							
	Parallel Decrease in Interest Rates of				Parallel Increase in Interest Rates of			
	100 Basis Points		50 Basis Points		50 Basis Points		100 Basis Points	
Type of Instrument [1]	% of Market Value	% of Common Equity	% of Market Value	% of Common Equity	% of Market Value	% of Common Equity	% of Market Value	% of Common Equity
RMBS	3.5 %	33.8 %	1.8 %	17.9 %	(2.0)%	(19.4)%	(4.1)%	(39.6)%
CMBS/ CMBS IO	0.1 %	0.9 %	— %	0.5 %	— %	(0.5)%	(0.1)%	(0.9)%
TBAs	0.6 %	5.9 %	0.3 %	3.3 %	(0.4)%	(4.0)%	(0.9)%	(8.5)%
Interest rate hedges	(5.3)%	(51.6)%	(2.6)%	(25.3)%	2.5 %	24.6 %	5.0 %	48.7 %
Total	(1.1)%	(11.0)%	(0.4)%	(3.6)%	0.1 %	0.8 %	— %	(0.3)%

Non-Parallel Shifts		Basis Point Change in 2-year UST	Basis Point Change in 10-year UST	December 31, 2024		December 31, 2023	
				% of Market Value [1]	% of Common Equity	% of Market Value [1]	% of Common Equity
Bearish	Steepening	+25	+50	(0.3)%	(2.5)%	0.1 %	1.4 %
		+50	+100	(0.7)%	(6.6)%	0.1 %	0.8 %
	Flattening	+50	+25	(0.3)%	(2.5)%	— %	(0.5)%
		+100	+50	(0.5)%	(4.9)%	— %	(0.3)%
Bullish	Steepening	-25	+0	0.1 %	1.4 %	0.3 %	2.5 %
		-50	-10	0.3 %	2.6 %	0.4 %	3.6 %
		-75	-25	0.4 %	3.6 %	0.4 %	3.8 %
	Flattening	+0	-25	— %	(0.4)%	(0.2)%	(2.0)%
		-10	-50	(0.1)%	(1.1)%	(0.5)%	(4.7)%
		-25	-75	(0.3)%	(3.0)%	(0.9)%	(8.8)%

(1) Includes changes in market value of our investments and derivative instruments, including TBA securities, but excludes changes in market value of our financings which are not carried at fair value on our balance sheet due to their short-term maturities. The projections for market value do not assume any change in credit spreads.

Interest rates as of December 31, 2024, were 70-80 basis points higher versus December 31, 2023. As interest rates increase, the duration of our investment portfolio, net of hedges, increases, so models project the percentage change in fair value of our investments, net of hedges and our common equity will show a sharper percentage change in value in bearish-rate scenarios as of December 31, 2024 versus December 31, 2023. The percentage change is also magnified because we held a larger portfolio with higher coupons as of December 31, 2024 versus December 31, 2023. Conversely, models project the percentage change in fair value of our investments, net of hedges and our common equity will show a smaller percentage change in value in bullish-rate scenarios as of December 31, 2024 versus December 31, 2023.

Spread Risk

Spread risk is the risk of loss from an increase in the market spread between the yield on an investment versus its benchmark index. Changes in market spreads represent the market's valuation of the perceived riskiness of an asset relative to risk-free rates. Widening spreads reduce the market value of our investments as market participants require additional yield to hold riskier assets. Market spreads could change based on macroeconomic or systemic factors as well as the factors specific to a particular security, such as prepayment performance or credit performance. Other factors that could impact credit spreads include technical issues, such as supply and demand for a particular type of security or Federal Reserve monetary policy. We do not hedge spread risk given the complexity of hedging credit spreads and, in our opinion, the lack of liquid instruments available to use as hedges.

Fluctuations in spreads typically vary based on the type of investment. Sensitivity to changes in market spreads is derived from models that are dependent on various assumptions, and actual changes in market value in response to changes in market spreads could differ materially from the projected sensitivity if actual conditions differ from these assumptions.

The table below shows the projected sensitivity of the market value of our investments given the indicated change in market spreads as of the dates indicated:

	December 31, 2024		December 31, 2023	
	Percentage Change in		Percentage Change in	
Basis Point Change in Market Spreads	**Market Value of Investments [1]**	**% of Common Equity**	**Market Value of Investments [1]**	**% of Common Equity**
+20/+50 [2]	(1.1)%	(10.4)%	(1.1)%	(10.8)%
+10	(0.6)%	(5.2)%	(0.5)%	(5.4)%
-10	0.6 %	5.2 %	0.5 %	5.4 %
-20/-50 [2]	1.1 %	10.4 %	1.1 %	10.8 %

(1) Includes changes in market value of our MBS investments, including TBA securities.
(2) Assumes a 20-basis point shift in Agency and non-Agency RMBS and CMBS and a 50-basis point shift in Agency and non-Agency CMBS IO.

Prepayment Risk

Prepayment risk is the risk of an early, unscheduled return of principal on an investment. We are subject to prepayment risk from premiums paid on investments, which are amortized as a reduction in interest income using the effective interest method. Our comprehensive income and book value per common share may also be negatively impacted by prepayments if the fair value of the investment materially exceeds the par balance of the underlying security. Principal prepayments on our investments are influenced by changes in market interest rates and a variety of economic, geographic, government policy and other factors beyond our control, including GSE policy with respect to loan forbearance and delinquent loan buy-outs.

We seek to manage our prepayment risk on our MBS by diversifying our investments and investing in securities that either contain loans for which the underlying borrowers have a disincentive to refinance or have some provision of prepayment prohibition or yield maintenance, as is the case with CMBS and CMBS IO. Loans underlying our CMBS and CMBS IO securities typically have some form of prepayment protection provisions (such as prepayment lock-outs) or prepayment compensation provisions (such as yield maintenance or prepayment penalties). Because CMBS IO consist of rights to interest on the underlying commercial mortgage loan pools and do not have rights to principal payments on the underlying loans, prepayment risk on these securities is particularly acute without these prepayment protection provisions. There are no prepayment protections if the loan defaults and is partially or wholly repaid earlier as a result of loss mitigation actions taken by the underlying loan servicer.

Our prepayment risk as of December 31, 2024, has declined relative to prior periods as the majority of our MBS portfolio consists of securities owned near or below par and prepayment speeds have declined in the current higher interest rate environment. However, if higher yielding investments prepay at a faster rate than anticipated, we may be unable to reinvest the repayments at comparable yields. Our net interest income may be negatively impacted if the proceeds from prepayments are reinvested into assets with lower yields. In an increasing interest rate environment, lower yielding assets with a fixed rate may extend or prepay slower than anticipated. Because we finance our investments with short-term repurchase agreement financing, we may be required to finance our investments at a higher interest rate without the ability to reinvest principal into higher yielding securities. As a result of rising financing costs, our net interest income could fall or could be negative for extended periods of time.

Credit Risk

Credit risk is the risk that we will not receive all contractual amounts due on investments that we own due to default by the borrower or due to a deficiency in proceeds from the liquidation of the collateral securing the obligation. Credit losses on loans could result in lower or negative yields on our investments.

Agency RMBS and Agency CMBS have credit risk to the extent that Fannie Mae or Freddie Mac fails to remit payments on the MBS for which they have issued a guaranty of payment. Given the improved financial performance and conservatorship of these entities and the continued support of the U.S. government, we believe this risk is low.

Agency and non-Agency CMBS IO represent the right to excess interest (and not principal) on the underlying loans. These securities are exposed to the loss of investment basis in the event a loan collateralizing the security liquidates without paying yield maintenance or prepayment penalty. This will typically occur when the underlying loan is in default and proceeds from the disposition of the loan collateral are insufficient to pay the prepayment consideration. To mitigate credit risk of investing in CMBS IO, we invest in primarily AAA-rated securities that are stripped off senior tranches, which means we receive the highest payment priority and are the last to absorb losses in the event of a shortfall in cash flows. Our Agency CMBS IO are Class X1 from Freddie Mac Series K deals from which interest continues to be advanced even in the event of an underlying default up until liquidation, which is the triggering event that disrupts the Agency CMBS IO cash flow. For non-Agency CMBS IO, the servicer and master servicer will determine if interest will continue to be advanced upon default of a loan based on their estimate of liquidation proceeds. Senior non-Agency CMBS IO may benefit from changes in contractual cash flows, including modifications or loan extensions as the senior classes can remain outstanding beyond the original maturity date.

In addition, bilateral agreements expose us to increased credit risk related to our counterparties, and we may be at risk of loss of any collateral held by a repurchase or derivative counterparty if the counterparty becomes insolvent or files for bankruptcy.

Liquidity Risk

We have liquidity risk principally from the use of recourse repurchase agreements to finance our ownership of securities. Our repurchase agreements are renewable at the discretion of our lenders and do not contain guaranteed rollover terms. If we fail to repay the lender at maturity, the lender has the right to immediately sell the collateral and pursue us for any shortfall if the sales proceeds are inadequate to cover the repurchase agreement financing. In addition, declines in the market value of our investments pledged as collateral for repurchase agreement borrowings and for our derivative instruments may result in counterparties initiating margin calls for additional collateral.

Our use of TBA long positions as a means of investing in and financing Agency RMBS also exposes us to liquidity risk in the event that we are unable to roll or terminate our TBA contracts prior to their settlement date. If we are unable to roll or terminate our TBA long positions, we could be required to take physical delivery of the underlying securities and settle our obligations for cash, which could negatively impact our liquidity position or force us to sell assets under adverse conditions if financing is not available to us on acceptable terms.

For further information, including how we attempt to mitigate liquidity risk and monitor our liquidity position, and in particular, during the current macroeconomic environment, please refer to "Liquidity and Capital Resources" in Item 7 of this Annual Report on Form 10-K.

Reinvestment Risk

We are subject to reinvestment risk as a result of the prepayment, repayment and sales of our investments. In order to maintain our investment portfolio size and our earnings, we need to reinvest capital received from these events into new interest-earning assets or TBA securities, and if market yields on new investments are lower or if financing costs are higher, our net interest income will decline. In addition, based on market conditions, our leverage, and our liquidity profile, we may decide to not reinvest the cash flows we receive from our investment portfolio even when attractive reinvestment opportunities are available, or we may decide to reinvest in assets with lower yield but greater liquidity. If we retain capital or pay dividends to return capital to shareholders rather than reinvest capital, or if we invest capital in lower yielding assets for liquidity reasons, the income generated by our investment portfolio will likely decline.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our consolidated financial statements and the related notes, together with the Reports of the Independent Registered Public Accounting Firm thereon, are set forth beginning on page F-1 of this Annual Report on Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management evaluated, with the participation of our co-principal executive officers and principal financial officer, the effectiveness of our disclosure controls and procedures, as defined in Exchange Act Rule 13a-15(e), as of the end of the period covered by this report. Based on that evaluation, our co-principal executive officers and principal financial officer concluded that, as of December 31, 2024, our disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our co-principal executive officers and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the three months ended December 31, 2024 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) of the Exchange Act. Because of inherent limitations, a system of internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate due to a change in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Our management evaluated, with the participation of our co-principal executive officers and principal financial officer, the effectiveness of our internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") (2013) in "Internal Control-Integrated Framework." Based on that evaluation, our co-principal executive officers and principal financial officer concluded that our internal control over financial reporting was effective as of the end of the period covered by this report.

The Company's internal control over financial reporting as of December 31, 2024 has been audited by BDO USA, P.C., the independent registered public accounting firm that also audited the Company's consolidated financial statements included in this Annual Report on Form 10-K. The attestation report of BDO USA, P.C. on the effectiveness of the Company's internal control over financial reporting appears on page F-5 herein.

ITEM 9B. OTHER INFORMATION

Rule 10b5-1 Trading Plan

During the three months ended December 31, 2024, none of the Company's directors or Section 16 officers adopted or terminated any "Rule 10b5-1 trading arrangements" or any "non-Rule 10b5-1 trading arrangements" (in each case, as defined in Item 408 of Regulation S-K).

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by Item 10 will be included in our definitive proxy statement for use in connection with our 2025 Annual Meeting of Shareholders (“2025 Proxy Statement”) and is incorporated herein by reference.

Our Board has adopted a Code of Business Conduct and Ethics (“Code of Conduct”) that applies to all of our directors and employees. We have posted a copy of our Code of Conduct on our website at www.dynexcapital.com. We intend to satisfy the disclosure requirements under Item 5.05 of Form 8-K regarding amendments to, or waivers from, the Code of Conduct by posting such information on our website. We are not including the information contained on our website as part of, or incorporating it by reference into, this Annual Report.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 will be included in the 2025 Proxy Statement and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth information as of December 31, 2024 with respect to the Company's common stock that may be issued under the Dynex, Inc. 2020 Stock and Incentive Plan, which is the Company's only compensation plan under which equity securities are currently authorized for issuance:

Equity Compensation Plan Information

Plan Category (1)	Number of Securities to Be Issued upon Exercise of Outstanding Options, Warrants and Rights (2)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (3)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
Equity Compensation Plans Approved by Shareholders:			
2020 Stock and Incentive Plan	1,427,888	$ —	152,870
Equity Compensation Plans Not Approved by Shareholders	—	—	—
Total	1,427,888	$ —	152,870

(1) This table does not include new shares to be reserved for issuance under the 2025 Stock and Incentive Plan if approved by shareholders at the Annual Meeting.
(2) Amount shown reflects the maximum number of shares that may be issued upon future vesting of restricted stock units if time-based service conditions are met and performance-based stock units if maximum performance goals are achieved.
(3) The outstanding stock awards and units issued by the Company for share-based compensation do not have an exercise price.

The remaining information required by Item 12 will be included in the 2025 Proxy Statement and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by Item 13 will be included in the 2025 Proxy Statement and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by Item 14 will be included in the 2025 Proxy Statement and is incorporated herein by reference.

PART IV.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) and (a)(2) Financial Statements and Schedules:

1. and 2.	Financial Statements and Schedules: The information required by this section of Item 15 is set forth in the Consolidated Financial Statements and Reports of Independent Registered Public Accounting Firm beginning at page F-1 of this Annual Report on Form 10-K. The index to the Financial Statements is set forth at page F-2 of this Annual Report on Form 10-K.

(a)(3) Documents filed as part of this report:

Exhibit No.	Description
3.1	Restated Articles of Incorporation, effective May 14, 2021 (incorporated herein by reference to Exhibit 3.1 to Dynex's Current Report on Form 8-K filed May 18, 2021).
3.1.1	Articles of Amendment of the Restated Articles of Incorporation, effective May 18, 2023 (incorporated herein by reference to Exhibit 3.1.1 to Dynex's Quarterly Report on Form 10-Q for the quarter ended June 30, 2023).
3.2	Amended and Restated Bylaws, effective as of May 11, 2021 (incorporated herein by reference to Exhibit 3.2 to Dynex's Current Report on Form 8-K filed May 12, 2021).
4.1	Specimen of Common Stock Certificate (incorporated herein by reference to Exhibit 4.1 to Dynex's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019).
4.2	Specimen of 6.900% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock Certificate (incorporated herein by reference to Exhibit 4.4 to Dynex's Registration Statement on Form 8-A12B filed February 18, 2020).
4.3	Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (filed herewith).
10.1*	Amended and Restated Employment Agreement for Smriti L. Popenoe, dated as of July 19, 2024 (incorporated herein by reference to Exhibit 10.1 to Dynex's Quarterly Report on Form 10-Q for the quarter ended June 30, 2024).
10.2*	Amended and Restated Employment Agreement for Byron L. Boston, dated as of July 19, 2024 (incorporated herein by reference to Exhibit 10.2 to Dynex's Quarterly Report on Form 10-Q for the quarter ended June 30, 2024).
10.3*	Amended and Restated Employment Agreement for Robert S. Colligan, dated as of July 19, 2024 (incorporated herein by reference to Exhibit 10.3 to Dynex's Quarterly Report on Form 10-Q for the quarter ended June 30, 2024).
10.18*	Non-employee directors' annual compensation for Dynex Capital, Inc. (incorporated herein by reference to Exhibit 10.18 to Dynex's Annual Report on Form 10-K for the year ended December 31, 2023).
10.35	Distribution Agreement, dated June 29, 2018, among J.P. Morgan Securities LLC, JMP Securities LLC, and Dynex Capital, Inc. (incorporated herein by reference to Exhibit 10.35 to Dynex's Current Report on Form 8-K filed June 29, 2018).
10.35.1	Amendment No. 1 to Distribution Agreement, dated May 31, 2019, among J.P. Morgan Securities LLC, JMP Securities LLC, JonesTrading Institutional Services LLC, and Dynex Capital, Inc. (incorporated herein by reference to Exhibit 10.1 to Dynex's Current Report on Form 8-K filed May 31, 2019).
10.35.2	Amendment No. 2, dated August 3, 2021, to the Distribution Agreement by and among Dynex Capital, Inc., J.P. Morgan Securities LLC, JMP Securities LLC, JonesTrading Institutional Services LLC and BTIG, LLC (incorporated herein by reference to Exhibit 10.1 to Dynex's Current Report on Form 8-K filed August 3, 2021).
10.35.3	Amendment No. 3, dated June 3, 2022, to the Distribution Agreement by and among Dynex Capital, Inc., J.P. Morgan Securities LLC, JMP Securities LLC, JonesTrading Institutional Services LLC and BTIG, LLC (incorporated herein by reference to Exhibit 10.1 to Dynex's Current Report on Form 8-K filed June 3, 2022).
10.35.4	Amendment No. 4 to the Distribution Agreement, dated February 10, 2023, by and among Dynex Capital, Inc., J.P. Morgan Securities LLC, JMP Securities LLC, JonesTrading Institutional Services LLC and BTIG, LLC (incorporated herein by reference to Exhibit 10.1 to Dynex's Current Report on Form 8-K filed February 10, 2023).
10.35.5	Amendment No. 5 to the Distribution Agreement, dated October 29, 2024, by and among Dynex Capital, Inc., BTIG, LLC, Citizens JMP Securities, LLC, Janney Montgomery Scott LLC, Keefe, Bruyette & Woods, Inc., JonesTrading Institutional Services LLC, J.P. Morgan LLC, RBC Capital Markets, LLC, UBS Securities LLC and Wells Fargo Securities, LLC. (incorporated herein by reference to Exhibit 10.1 to Dynex's Current Report on Form 8-K filed October 29, 2024).
10.40*	Dynex Capital, Inc. Annual Cash Incentive Plan, amended and restated effective as of January 1, 2021 (incorporated herein by reference to Exhibit 10.40 to Dynex's Quarterly Report on Form 10-Q for the quarter ended June 30, 2021).
10.41*	Dynex Capital, Inc. 2020 Stock and Incentive Plan, effective June 9, 2020 (incorporated herein by reference to Exhibit 10.41 to Dynex's Current Report on Form 8-K filed June 9, 2020).
10.41.1*	Form of Performance Stock Unit Award Agreement for Executive Officers (for awards on or after March 8, 2024) under the Dynex Capital, Inc. 2020 Stock and Incentive Plan (incorporated herein by reference to Exhibit 10.41.1 to Dynex's Quarterly Report on Form 10-Q for the quarter ended March 31, 2024).
10.41.2*	Form of Restricted Stock Unit Award Agreement for Executive Officers (for awards on or after March 8, 2024) under the Dynex Capital, Inc. 2020 Stock and Incentive Plan (incorporated herein by reference to Exhibit 10.41.2 to Dynex's Quarterly Report on Form 10-Q for the quarter ended March 31, 2024).
10.41.3*	Form of Restricted Stock Unit Award Agreement for Executive Officers (for awards on or after March 10, 2023 through March 7, 2024) under the Dynex Capital, Inc. 2020 Stock and Incentive Plan (incorporated herein by reference to Exhibit 10.41.3 to Dynex's Quarterly Report on Form 10-Q for the quarter ended March 31, 2024).
10.41.4*	Form of Performance Stock Unit Award Agreement for Executive Officers (for awards on or after March 10, 2023 through March 7, 2024) under the Dynex Capital, Inc. 2020 Stock and Incentive Plan (incorporated herein by reference to Exhibit 10.41.4 to Dynex's Quarterly Report on Form 10-Q for the quarter ended March 31, 2024).
10.41.5*	Form of Restricted Stock Agreement for Non-Employee Directors (approved May 11, 2021) under the Dynex Capital, Inc. 2020 Stock and Incentive Plan (incorporated herein by reference to Exhibit 10.41.1 to Dynex's Quarterly Report on Form 10-Q for the quarter ended June 30, 2021).
19.1	Statement of Policy Regarding Trading in Company Securities (filed herewith).
21.1	List of consolidated entities of Dynex Capital, Inc. (incorporated herein by reference to Exhibit 21.1 to Dynex's Annual Report on Form 10-K for the year ended December 31, 2020).
23.1	Consent of BDO USA, P.C. (filed herewith).
31.1	Certification of co-principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of co-principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.3	Certification of principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification of co-principal executive officers and principal financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
97.1	Dynex Capital, Inc. Executive Clawback Policy (incorporated herein by reference to Exhibit 10.5 to Dynex's Annual Report on Form 10-K for the year ended December 31, 2023).
101	The following materials from Dynex Capital, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2024, formatted in iXBRL (Inline Extensible Business Reporting Language), filed herewith: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Comprehensive Income, (iii) Consolidated Statements of Shareholders' Equity, (iv) Consolidated Statements of Cash Flows, and (v) Notes to the Consolidated Financial Statements.
104	The cover page from Dynex Capital, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2024, formatted in iXBRL (Inline Extensible Business Reporting Language) (included with Exhibit 101).

* Denotes a management contract or compensatory plan or arrangement.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DYNEX CAPITAL, INC.

Date:	February 28, 2025	/s/ Robert S. Colligan Robert S. Colligan Chief Financial Officer, Chief Operating Officer, and Secretary (Principal Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Byron L. Boston Byron L. Boston	Co-Chief Executive Officer and Chairman (Co-Principal Executive Officer)	February 28, 2025
/s/ Smriti L. Popenoe Smriti L. Popenoe	Co-Chief Executive Officer, President, and Director (Co-Principal Executive Officer)	February 28, 2025
/s/ Robert S. Colligan Robert S. Colligan	Chief Financial Officer, Chief Operating Officer, and Secretary (Principal Financial Officer)	February 28, 2025
/s/ Jeffrey L. Childress Jeffrey L. Childress	Chief Accounting Officer (Principal Accounting Officer)	February 28, 2025
/s/ Marie A. Chandoha Marie A. Chandoha	Director	February 28, 2025
/s/ Julia L. Coronado Julia L. Coronado	Director	February 28, 2025
/s/ Alexander I. Crawford Alexander I. Crawford	Director	February 28, 2025
/s/ Andrew I. Gray Andrew I. Gray	Director	February 28, 2025
/s/ Joy D. Palmer Joy D. Palmer	Director	February 28, 2025

DYNEX CAPITAL, INC.

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORTS OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

For Inclusion in Annual Report on Form 10-K

Filed with Securities and Exchange Commission

December 31, 2024

DYNEX CAPITAL, INC.
INDEX TO FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
Dynex Capital, Inc
Glen Allen, Virginia

Opinion on Internal Control over Financial Reporting

We have audited Dynex Capital, Inc's (the "Company's") internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of December 31, 2024 and 2023, the related consolidated statements of comprehensive income (loss), shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2024, and the related notes and our report dated February 28, 2025 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

BDO USA, P.C.

Richmond, Virginia
February 28, 2025

Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
Dynex Capital, Inc.
Glen Allen, Virginia

Opinion on the consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Dynex Capital, Inc. (the “Company”) as of December 31, 2024 and 2023, the related consolidated statements of comprehensive income (loss), shareholders’ equity, and cash flows for each of the three years in the period ended December 31, 2024, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2024**,** in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company's internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) and our report dated February 28, 2025, expressed an unqualified opinion thereon.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Valuation of Investments in Mortgage-Backed Securities

As discussed in Note 6 to the consolidated financial statements, the Company’s consolidated balance of investments in mortgage-backed securities (“MBS”) was recorded at an estimated fair value of $7.5 billion as of December 31, 2024. The Company’s management derived the fair value estimates using prices obtained from a third-party pricing service.

We identified the valuation of mortgage-backed securities at fair value as a critical audit matter. The principal considerations for our determination include the degree of auditor effort in performing procedures and determining the estimates of fair value, including utilizing personnel with specialized skill and knowledge in valuation. The primary procedures we performed to address this critical audit matter included:

- Testing the completeness and accuracy of key data elements for the sample of securities selected for testing the reasonableness of the fair value.

- Utilizing personnel with specialized skill and knowledge in valuation to assist in evaluating the reasonableness of the Company’s calculated fair values for selected MBS by developing an independent estimate of fair value utilizing transparent market data provided by third-party pricing services, other than the pricing service used by the Company.

BDO USA, P.C.

We have served as the Company's auditor since 2005.

Richmond, Virginia

February 28, 2025

DYNEX CAPITAL, INC.
CONSOLIDATED BALANCE SHEETS
($s in thousands except per share data)

	December 31, 2024	December 31, 2023
ASSETS		
Cash and cash equivalents	$ 377,099	$ 119,639
Cash collateral posted to counterparties	244,440	118,225
Mortgage-backed securities (including pledged of $6,893,629 and $5,880,747, respectively), at fair value	7,512,087	6,038,948
Due from counterparties	10,445	1,313
Derivative assets	133	54,361
Accrued interest receivable	32,841	28,727
Other assets, net	7,534	8,537
Total assets	$ 8,184,579	$ 6,369,750
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Repurchase agreements	$ 6,563,120	$ 5,381,104
Due to counterparties	341,924	95
Derivative liabilities	22,814	—
Cash collateral posted by counterparties	—	46,001
Accrued interest payable	44,672	53,194
Accrued dividends payable	16,501	10,320
Other liabilities	10,612	8,301
Total liabilities	6,999,643	5,499,015
Shareholders' equity:		
Preferred stock, par value $0.01 per share; 50,000,000 shares authorized; 4,460,000 and 4,460,000 shares issued and outstanding, respectively ($111,500 and $111,500 aggregate liquidation preference, respectively)	107,843	107,843
Common stock, par value $0.01 per share, 180,000,000 shares authorized; 84,491,800 and 57,038,247 shares issued and outstanding, respectively	845	570
Additional paid-in capital	1,742,471	1,404,431
Accumulated other comprehensive loss	(172,489)	(158,502)
Accumulated deficit	(493,734)	(483,607)
Total shareholders' equity	1,184,936	870,735
Total liabilities and shareholders' equity	$ 8,184,579	$ 6,369,750

See accompanying notes to the audited consolidated financial statements.

DYNEX CAPITAL, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
($s in thousands except per share data)

	Year Ended December 31,		
	2024	**2023**	**2022**
INTEREST INCOME (EXPENSE)			
Interest income	$ 319,534	$ 207,517	$ 86,695
Interest expense	(313,657)	(215,448)	(43,612)
Net interest income (expense)	5,877	(7,931)	43,083
OTHER GAINS (LOSSES)			
Realized loss on sales of investments, net	(1,506)	(74,916)	(89,067)
Unrealized (loss) gain on investments, net	(142,352)	142,501	(213,022)
Gain (loss) on derivative instruments, net	288,377	(32,905)	436,007
Total other gains, net	144,519	34,680	133,918
EXPENSES			
Compensation and benefits	(20,505)	(16,929)	(16,808)
Other general and administrative	(14,088)	(13,799)	(15,545)
Other operating expenses	(1,905)	(2,151)	(1,487)
Total operating expenses	(36,498)	(32,879)	(33,840)
Net income (loss)	113,898	(6,130)	143,161
Preferred stock dividends	(7,694)	(7,694)	(7,694)
Net income (loss) to common shareholders	$ 106,204	$ (13,824)	$ 135,467
Other comprehensive income:			
Unrealized (loss) gain on available-for-sale investments, net	$ (13,987)	$ 22,844	$ (202,063)
Reclassification of realized gain on available-for-sale investments, net	—	—	13,988
Total other comprehensive (loss) income	(13,987)	22,844	(188,075)
Comprehensive income (loss) to common shareholders	$ 92,217	$ 9,020	$ (52,608)
Weighted average common shares-basic	70,766,410	54,809,462	42,491,433
Weighted average common shares-diluted	71,260,358	54,809,462	42,743,037
Net income (loss) per common share-basic	$ 1.50	$ (0.25)	$ 3.19
Net income (loss) per common share-diluted	$ 1.49	$ (0.25)	$ 3.17

See accompanying notes to the audited consolidated financial statements.

DYNEX CAPITAL, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
($s in thousands)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount	Shares	Amount				
December 31, 2021	4,460,000	$ 107,843	36,665,805	$ 367	$ 1,107,792	$ 6,729	$ (451,452)	$ 771,279
Stock issuance	—	—	16,880,615	168	246,714	—	—	246,882
Restricted stock granted, net of amortization	—	—	71,216	1	1,877	—	—	1,878
Other share-based compensation, net of amortization	—	—	118,390	1	2,540	—	—	2,541
Adjustments for tax withholding on share-based compensation	—	—	(98,931)	(1)	(1,346)	—	—	(1,347)
Stock issuance costs	—	—	—	—	(63)	—	—	(63)
Net income	—	—	—	—	—	—	143,161	143,161
Dividends on preferred stock	—	—	—	—	—	—	(7,694)	(7,694)
Dividends on common stock	—	—	—	—	—	—	(67,234)	(67,234)
Other comprehensive loss	—	—	—	—	—	(188,075)	—	(188,075)
Balance as of December 31, 2022	4,460,000	$ 107,843	53,637,095	$ 536	$ 1,357,514	$ (181,346)	$ (383,219)	$ 901,328
Stock issuance	—	—	3,329,802	33	42,593	—	—	42,626
Restricted stock granted, net of amortization	—	—	74,017	1	1,168	—	—	1,169
Other share-based compensation, net of amortization	—	—	33,213	—	3,664	—	—	3,664
Adjustments for tax withholding on share-based compensation	—	—	(35,880)	—	(445)	—	—	(445)
Stock issuance costs	—	—	—	—	(63)	—	—	(63)
Net loss	—	—	—	—	—	—	(6,130)	(6,130)
Dividends on preferred stock	—	—	—	—	—	—	(7,694)	(7,694)
Dividends on common stock	—	—	—	—	—	—	(86,564)	(86,564)
Other comprehensive income	—	—	—	—	—	22,844	—	22,844

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount	Shares	Amount				
Balance as of December 31, 2023	4,460,000	$ 107,843	57,038,247	$ 570	$ 1,404,431	$ (158,502)	$ (483,607)	$ 870,735
Stock issuance	—	—	27,256,835	273	332,044	—	—	332,317
Restricted stock granted, net of amortization	—	—	65,668	1	870	—	—	871
Other share-based compensation, net of amortization	—	—	195,641	2	6,362	—	—	6,364
Adjustments for tax withholding on share-based compensation	—	—	(64,591)	(1)	(948)	—	—	(949)
Stock issuance costs	—	—	—	—	(288)	—	—	(288)
Net income	—	—	—	—	—	—	113,898	113,898
Dividends on preferred stock	—	—	—	—	—	—	(7,694)	(7,694)
Dividends on common stock	—	—	—	—	—	—	(116,331)	(116,331)
Other comprehensive loss	—	—	—	—	—	(13,987)	—	(13,987)
Balance as of December 31, 2024	4,460,000	$ 107,843	84,491,800	$ 845	$ 1,742,471	$ (172,489)	$ (493,734)	$ 1,184,936

See accompanying notes to the audited consolidated financial statements.

DYNEX CAPITAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
($s in thousands)

	Year Ended December 31,		
	2024	2023	2022
Operating activities:			
Net income (loss)	$ 113,898	$ (6,130)	$ 143,161
Adjustments to reconcile net income (loss) to cash provided by operating activities:			
Realized loss on sales of investments, net	1,506	74,916	89,067
Unrealized loss (gain) on investments, net	142,352	(142,501)	213,022
(Gain) loss on derivative instruments, net	(288,378)	32,905	(436,007)
Amortization of investment premiums, net	47,671	74,696	98,071
Other amortization and depreciation	1,867	2,315	2,354
Share-based compensation expense	7,235	4,833	4,419
Increase in accrued interest receivable	(3,471)	(13,467)	(1,076)
(Decrease) increase in accrued interest payable	(8,522)	36,744	15,085
Change in other assets and liabilities, net	234	(2,111)	(1,744)
Net cash provided by operating activities	14,392	62,200	126,352
Investing activities:			
Purchases of investments	(1,872,422)	(3,578,289)	(1,553,217)
Principal payments received on trading securities	439,900	233,387	123,982
Principal payments received on available-for-sale investments	75,024	86,272	225,639
Proceeds from sales of trading securities	13,782	348,091	588,651
Proceeds from sales of available-for-sale investments	—	—	95,678
Principal payments received on mortgage loans held for investment	762	889	1,646
Net receipts (payments) on derivative instruments	362,929	(95,968)	453,580
(Decrease) increase in cash collateral posted by counterparties	(46,001)	45,566	(1,399)
Net cash used in investing activities	(1,026,026)	(2,960,052)	(65,440)
Financing activities:			
Borrowings under repurchase agreements	66,437,278	23,502,271	16,248,926
Repayments of repurchase agreement borrowings	(65,255,262)	(20,765,572)	(16,454,437)
Proceeds from issuance of common stock	332,317	42,626	246,882
Cash paid for stock issuance costs	(231)	—	—
Payments related to tax withholding for share-based compensation	(949)	(445)	(1,347)
Dividends paid	(117,844)	(93,041)	(72,366)
Net cash provided by (used in) financing activities	1,395,309	2,685,839	(32,342)
Net increase (decrease) in cash, including cash posted to counterparties	383,675	(212,013)	28,570
Cash including cash posted to counterparties at beginning of period	237,864	449,877	421,307
Cash including cash posted to counterparties at end of period	$ 621,539	$ 237,864	$ 449,877
Supplemental Disclosure of Cash Activity:			
Cash paid for interest	$ 322,179	$ 178,705	$ 28,527

See accompanying notes to the audited consolidated financial statements.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Dynex Capital, Inc. (the "Company") was incorporated in the Commonwealth of Virginia on December 18, 1987 and commenced operations in February 1988. The Company is an internally managed mortgage real estate investment trust, or mortgage REIT, which primarily earns income from investing on a leveraged basis in Agency mortgage-backed securities ("Agency MBS") and in to-be-announced securities ("TBAs" or "TBA securities"). Agency MBS have a guaranty of principal and interest payments by a U.S. government-sponsored entity ("GSE") such as Fannie Mae and Freddie Mac, which are in conservatorship and are currently supported by a senior preferred stock purchase agreement from the U.S. Treasury. As of December 31, 2024, the majority of the Company's Agency MBS are secured by residential real property ("Agency RMBS"). The remainder of the Company's investments are in Agency commercial MBS ("Agency CMBS") and in both Agency and non-Agency CMBS interest-only ("CMBS IO"). Non-Agency MBS do not have a GSE guaranty of principal or interest payments.

Basis of Presentation

The accompanying consolidated financial statements of Dynex Capital, Inc. and its subsidiaries (together, "Dynex" or, as appropriate, the "Company") have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and the rules and regulations of the U.S. Securities and Exchange Commission.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates. The most significant estimates used by management include, but are not limited to, amortization of premiums and discounts and fair value measurements of its investments, including TBA securities accounted for as derivative instruments. These items are discussed further below within this note to the consolidated financial statements. The Company believes the estimates and assumptions underlying the consolidated financial statements included herein are reasonable and supportable based on the information available as of December 31, 2024.

Consolidation and Variable Interest Entities

The consolidated financial statements include the accounts of the Company and the accounts of its majority owned subsidiaries and variable interest entities ("VIE") for which it is the primary beneficiary. All intercompany accounts and transactions have been eliminated in consolidation.

The Company consolidates a VIE if the Company is determined to be the VIE's primary beneficiary, which is defined as the party that has both (i) the power to control the activities that most significantly impact the VIE's financial performance; and (ii) the right to receive benefits or absorb losses that could potentially be significant to the VIE. The Company reconsiders its evaluation of whether to consolidate a VIE on an ongoing basis, based on changes in the facts and circumstances pertaining to the VIE. Though the Company invests in Agency and non-Agency MBS which are generally considered to be interests in VIEs, the Company does not consolidate these entities because it does not meet the criteria to be deemed a primary beneficiary. The maximum exposure to loss for these VIEs is the carrying value of the MBS.

Income Taxes

The Company has elected to be taxed as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986 (the "Tax Code") and the corresponding provisions of state law. To qualify as a REIT, the Company must meet certain asset, income, ownership, and distribution tests. To meet these requirements, the Company's main source of income is interest earned from obligations secured by mortgages on real property, and the Company must distribute at least 90% of its annual REIT taxable income to shareholders. The Company's income will generally not be subject to federal income tax to the extent its income is distributed as dividends to shareholders.

The Company assesses its tax positions for all open tax years and determines whether the Company has any material unrecognized liabilities and records these liabilities, if any, to the extent they are deemed more likely than not to have been incurred.

Net Income (Loss) Per Common Share

The Company calculates basic net income (loss) per common share by dividing net income (loss) to common shareholders for the period by weighted-average shares of common stock outstanding for that period. Please see Note 2 for the calculation of the Company's basic and diluted net income (loss) per common share for the periods indicated.

The Company currently has unvested restricted stock, service-based restricted stock units ("RSUs") and performance-based stock units ("PSUs") issued and outstanding. Restricted stock awards are considered participating securities and therefore are included in the computation of basic net income per common share using the two-class method because holders of unvested shares of restricted stock are eligible to receive non-forfeitable dividends. Holders of RSUs and PSUs accrue forfeitable dividend equivalent rights over the period outstanding, receiving dividend payments only upon the settlement date if the requisite service-based and performance-based conditions have been achieved, as applicable. As such, RSUs and PSUs are excluded from the computation of basic net income per common share but are included in the computation of diluted net income per common share unless the effect is to reduce a net loss or increase the net income per common share (also known as "anti-dilutive"). Upon vesting, restrictions on transfer expire on each share of restricted stock, RSU, and PSU, and each such share or unit becomes one unrestricted share of common stock and is included in the computation of basic net income per common share.

Because the Company's 6.900% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock (the "Series C Preferred Stock") is redeemable at the Company's option for cash only and convertible into shares of common stock only upon a change of control of the Company (and subject to other circumstances) as described in Article IIIC of the Company's Restated Articles of Incorporation, the effect of those shares and their related dividends are excluded from the calculation of diluted net income per common share for the periods presented.

Cash and Cash Equivalents

Cash and cash equivalents include unrestricted demand deposits at highly rated financial institutions and highly liquid investments with original maturities of three months or less. The Company's cash balances fluctuate throughout the year and may exceed Federal Deposit Insurance Corporation ("FDIC") insured limits from time to time. Although the Company bears risk to amounts in excess of those insured by the FDIC, the Company believes the risk of loss is mitigated by the financial position, creditworthiness, and strength of the depository institutions in which those deposits are held.

Cash Collateral Posted To/By Counterparties

The Company regularly pledges and receives amounts to cover margin requirements related to the Company's financing and derivative instruments. If the amount pledged to a counterparty exceeds the amount received from a counterparty, the net amount is recorded as an asset within "cash collateral posted to counterparties," and if the amount received from a counterparty exceeds the amount pledged to a counterparty, the net amount is recorded as a liability within "cash collateral posted by counterparties" on the Company's consolidated balance sheets. If we receive securities in lieu of cash, the securities are not recorded on our balance sheet, but are included in our disclosures.

The following table provides a reconciliation of "cash" and "cash posted to counterparties" reported on the Company's consolidated balance sheets presented herein that sum to the total of the same such amounts shown on the Company's consolidated statement of cash flows for the years ended December 31, 2024 and December 31, 2023:

($s in thousands)	December 31, 2024	December 31, 2023
Cash and cash equivalents	$ 377,099	$ 119,639
Cash collateral posted to counterparties	244,440	118,225
Total cash including cash posted to counterparties shown on consolidated statement of cash flows	$ 621,539	$ 237,864

Mortgage-Backed Securities

The Company's MBS are recorded at fair value on the Company's consolidated balance sheet. Changes in fair value of MBS purchased prior to January 1, 2021 are designated as available-for-sale ("AFS") with changes in fair value reported in other comprehensive income ("OCI") as an unrealized gain (loss) until the security is sold or matures. Effective January 1, 2021, the Company elected the fair value option ("FVO") for all MBS purchased on or after that date with changes in fair value reported in net income as "unrealized gain (loss) on investments, net" until the security is sold or matures. Management elected the fair value option so that GAAP net income will reflect the changes in fair value for its future purchases of MBS in a manner consistent with the presentation and timing of the changes in fair value of its derivative instruments. Upon the sale of an MBS, any unrealized gain or loss within OCI or net income is reclassified to "realized gain (loss) on sale of investments, net" within net income using the specific identification method.

Interest Income, Premium Amortization, and Discount Accretion. Interest income on MBS is accrued based on the outstanding principal balance (or notional balance in the case of IO securities) and the contractual terms. Premiums or discounts associated with the purchase of Agency MBS as well as any non-Agency MBS are amortized or accreted into interest income over the life of such securities using the effective interest method, and adjustments to premium amortization and discount accretion are made for actual cash payments received. On at least a quarterly basis, the Company reviews and makes any necessary adjustments to its cash flows and updates the yield recognized on these assets.

Determination of MBS Fair Value. The Company estimates the fair value of the majority of its MBS based upon prices obtained from a pricing service. These prices are assessed for reasonableness using broker quotes and other third-party pricing services. Please refer to Note 6 for further discussion of MBS fair value measurements.

Allowance for Credit Losses. On at least a quarterly basis, the Company evaluates any MBS designated as AFS with a fair value less than its amortized cost for credit losses. If the difference between the present value of cash flows expected to be collected on the MBS is less than its amortized cost, the difference is recorded as an allowance for credit loss through net income up to and not exceeding the amount that the amortized cost exceeds current fair value. Subsequent changes in credit loss estimates are recognized in earnings in the period in which they occur. Because the majority of the Company's investments are higher credit quality and most are guaranteed by a GSE, the Company is not likely to have an allowance for credit losses related to its MBS recorded on its consolidated balance sheet.

Interest accrued between payment dates on MBS is presented separately from the Company's investment portfolio as "accrued interest receivable" on its consolidated balance sheet. The Company does not estimate an allowance for credit loss for its accrued interest receivable because the interest is generally received within 30 days and amounts not received when due are written off against interest income.

Repurchase Agreements

The Company's repurchase agreements are used to finance its purchases of MBS and are accounted for as secured borrowings. The Company pledges its securities as collateral to secure a loan, which is equal to a specified percentage of the estimated fair value of the pledged collateral. The Company retains beneficial ownership of the pledged collateral, which is disclosed parenthetically on the Company's consolidated balance sheets. At the maturity of a repurchase agreement borrowing, the Company is required to repay the loan and concurrently receives back its pledged collateral from the lender, or, with the consent of the lender, the Company may renew the agreement at the then prevailing financing rate. A repurchase agreement lender may require the Company to pledge additional collateral in the event of a decline in the fair value of the collateral pledged. Repurchase agreement financing is recourse to the Company and the assets pledged. The repurchase facilities available to the Company are uncommitted with no guarantee of renewal.

Derivative Instruments

Derivatives are carried at fair value, and all periodic interest benefits/costs and changes in the fair value of derivative instruments, including gains and losses realized upon termination, maturity, or settlement, are recorded in “gain (loss) on derivative instruments, net” on the Company’s consolidated statements of comprehensive income (loss). Cash receipts and payments related to derivative instruments are classified in the investing activities section of the consolidated statements of cash flows in accordance with the underlying nature or purpose of the derivative transactions.

The Company’s short positions in U.S. Treasury futures contracts are valued based on exchange pricing with daily variation margin settlements, which are treated as legal settlements of the exposure under the related futures contracts. The effect of these legal settlements reduces what would have otherwise been reported as the fair value of the futures contracts, generally to $0. The margin requirement varies based on the market value of the open positions and the equity retained in the account. Any margin excess or deficit outstanding is recorded as a receivable or payable as of the date of the Company’s consolidated balance sheets. The Company realizes gains or losses on these contracts upon expiration at an amount equal to the difference between the current fair value of the underlying asset and the contractual price of the futures contract.

The Company’s options on U.S. Treasury futures provide the Company the right, but not an obligation, to buy or sell U.S. Treasury futures at a predetermined notional amount and stated term in the future and are valued based on exchange pricing. The Company records the premium paid for the option contract as a derivative asset on its consolidated balance sheet and adjusts the balance for changes in fair value through “gain (loss) on derivative instruments” until the option is exercised or the contract expires. If the option contract expires unexercised, the realized loss is limited to the premium paid. If exercised, the realized gain or loss on the options is equal to the difference between the fair value of the underlying U.S. Treasury future and the premium paid for the option contract.

The Company’s interest rate swaps are pay-fixed, which involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the interest rate swap without exchange of the underlying notional amount. The net periodic interest benefit (cost) is recorded in the period earned (incurred) in “gain (loss) on derivative instruments”, but the net receipt (payment) of cash is exchanged annually, typically on the anniversary of each agreement’s effective date. The Company’s interest rate swap agreements are centrally cleared through the Chicago Mercantile Exchange (“CME”), which requires the Company to post initial margin as determined by the CME, and additional variation margin is exchanged, typically in cash, for changes in the fair value of the interest rate swaps. Similar to the Company’s U.S. Treasury futures, the exchange of variation margin for CME cleared swaps is legally considered to be the settlement of the derivative itself as opposed to a pledge of collateral. As such, these legal settlements reduce what would have otherwise been reported as the fair value of the interest rate swaps, generally to $0. Accordingly, any margin excess or deficit outstanding is recorded as a receivable or payable as of the date of the Company’s consolidated balance sheets. Net periodic interest benefit/cost and changes in the fair value of these instruments is recorded in “gain(loss) on derivative instruments” until termination or expiration.

The Company may also purchase swaptions, which provide the Company the right, but not an obligation, to enter into an interest rate swap at a predetermined notional amount with a stated term and pay and receive rates in the future. The accounting for swaptions is similar to options on U.S. Treasury futures.

A TBA security is a forward contract (“TBA contract”) for the purchase (“long position”) or sale (“short position”) of a non-specified Agency MBS at a predetermined price with certain principal and interest terms and certain types of collateral, but the particular Agency securities to be delivered are not identified until shortly before the settlement date. The Company accounts for long and short positions in TBAs as derivative instruments because the Company cannot assert that it is probable at inception and throughout the term of an individual TBA transaction that its settlement will result in physical delivery of the underlying Agency RMBS or that the individual TBA transaction will settle in the shortest time period possible.

Please refer to Note 5 for additional information regarding the Company’s derivative instruments as well as Note 6 for information on how the fair value of these instruments is calculated.

Share-Based Compensation

The Company's 2020 Stock and Incentive Plan (the "2020 Plan") reserves for issuance up to 2,300,000 common shares for eligible employees, non-employee directors, consultants, and advisors to the Company to be granted in the form of stock options, restricted stock, restricted stock units ("RSUs"), stock appreciation rights, performance-based stock units ("PSUs"), and performance-based cash awards (collectively, "awards"). As of December 31, 2024, 152,870 common shares are available for issuance under the 2020 Plan.

The Company has issued restricted stock and RSUs, which are treated as equity awards and recorded at their fair value using the closing stock price on the grant date. Compensation expense is generally recognized over a service period specified within each award with a corresponding credit to shareholders' equity using the straight-line method until the vesting date specified within each award or until the employee becomes eligible for retirement, if earlier than the vesting date. Compensation expense is recognized immediately upon the grant date for equity awards granted to an employee who is retirement eligible.

The Company also has PSUs issued and outstanding which contain Company performance-based and market performance-based conditions. PSUs subject to Company performance-based conditions are initially recognized as equity at their fair value which is measured using the closing stock price on the grant date multiplied by the number of units expected to vest based on an assessment of the probability of achievement of the Company performance-based conditions as of the grant date. The grant date fair value is recognized as expense using the straight-line method until the earlier of the vesting date specified within each award or the date the employee becomes eligible for retirement. Adjustments are made, if necessary, based on any change in probability of achievement which is re-assessed as of each reporting date and on at least a quarterly basis. PSUs subject to market performance-based conditions are recognized as equity at their grant date fair value determined through a Monte-Carlo simulation of the Company's common stock total shareholder return ("TSR") relative to the common stock TSR of the group of peer companies specified in the award agreement. Awards subject to market performance-based conditions are not assessed for probability of achievement and are not remeasured subsequent to issuance. The grant date fair value is recognized as expense using the straight-line method until the earlier of the vesting date specified within each award or the date the employee becomes eligible for retirement, even if the market performance-based conditions are not achieved.

The Company does not estimate forfeitures for any of its share-based compensation awards but adjusts for actual forfeitures in the periods in which they occur. Because RSUs and PSUs have forfeitable dividend equivalent rights, which are paid in cash only upon settlement, any accrued dividend equivalent rights ("DERs") on forfeited units are reversed with a corresponding credit to "Compensation and benefits" expense.

Please see Note 7 for additional information about the Company's share-based compensation awards.

Contingencies

The Company did not have any pending lawsuits, claims, or other contingencies as of December 31, 2024 or December 31, 2023.

Recently Issued Accounting Pronouncements

The Company evaluates Accounting Standards Updates ("ASU") issued by the Financial Accounting Standards Board on at least a quarterly basis to evaluate applicability and significance of any impact on its financial condition and results of operations. There were no accounting pronouncements issued during the year ended December 31, 2024, that are expected to have a material impact on the Company's financial condition or results of operations.

NOTE 2 – NET INCOME (LOSS) PER COMMON SHARE

Please refer to Note 1 for information regarding the Company's treatment of its preferred stock and stock awards in the calculation of its basic and diluted net income or loss per common share and to Note 7 for information regarding the Company's stock award activity for the periods presented. The following table presents the computations of basic and diluted net income or loss per common share for the periods indicated:

	Year Ended December 31,		
($s in thousands)	2024	2023	2022
Weighted average number of common shares outstanding - basic	70,766,410	54,809,462	42,491,433
Incremental common shares-unvested RSUs	194,597	—	76,950
Incremental common shares-unvested PSUs	299,351	—	174,654
Weighted average number of common shares outstanding - diluted	71,260,358	54,809,462	42,743,037
Net income (loss) to common shareholders	$ 106,204	$ (13,824)	$ 135,467
Net income (loss) per common share-basic	$ 1.50	$ (0.25)	$ 3.19
Net income (loss) per common share-diluted	$ 1.49	$ (0.25)	$ 3.17

The calculation of diluted net loss per common share for the year ended December 31, 2023 excludes unvested RSUs and PSUs of 401,522, which would have been anti-dilutive for the period.

NOTE 3 – MORTGAGE-BACKED SECURITIES

The following tables provide details on the Company's MBS by investment type as of the dates indicated:

	December 31, 2024			December 31, 2023		
($s in thousands)	Par Value	Amortized Cost	Fair Value	Par Value	Amortized Cost	Fair Value
Agency RMBS	$ 7,717,764	$ 7,695,409	$ 7,302,238	$ 6,022,502	$ 5,993,922	$ 5,763,532
Agency CMBS	99,636	99,848	95,463	121,293	121,799	115,595
CMBS IO [(1)]	n/a	117,591	114,386	n/a	167,314	159,718
Non-Agency other	—	—	—	150	150	103
Total	$ 7,817,400	$ 7,912,848	$ 7,512,087	$ 6,143,945	$ 6,283,185	$ 6,038,948

(1) The notional balance for Agency CMBS IO and non-Agency CMBS IO was $6,196,778 and $2,450,398, respectively, as of December 31, 2024, and $7,723,379 and $3,860,007, respectively, as of December 31, 2023.

	December 31, 2024			
($s in thousands)	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
MBS measured at fair value through OCI:				
Agency RMBS	$ 827,314	$ —	$ (167,248)	$ 660,066
Agency CMBS	99,848	3	(4,388)	95,463
CMBS IO	81,854	3,280	(4,137)	80,997
Total	$ 1,009,016	$ 3,283	$ (175,773)	$ 836,526
MBS measured at fair value through net income:				
Agency RMBS	$ 6,868,095	$ 11,081	$ (237,004)	$ 6,642,172
CMBS IO	35,737	—	(2,348)	33,389
Total	$ 6,903,832	$ 11,081	$ (239,352)	$ 6,675,561

	December 31, 2023			
($s in thousands)	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
MBS measured at fair value through OCI:				
Agency RMBS	$ 898,420	$ —	$ (148,606)	$ 749,814
Agency CMBS	106,527	28	(5,159)	101,396
CMBS IO	126,672	1,296	(6,014)	121,954
Non-Agency other	150	—	(47)	103
Total	$ 1,131,769	$ 1,324	$ (159,826)	$ 973,267
MBS measured at fair value through net income:				
Agency RMBS	$ 5,095,502	$ 48,459	$ (130,243)	$ 5,013,718
Agency CMBS	15,272	—	(1,073)	14,199
CMBS IO	40,642	2	(2,880)	37,764
Total	$ 5,151,416	$ 48,461	$ (134,196)	$ 5,065,681

The majority of the Company's MBS are pledged as collateral for the Company's repurchase agreements, which are disclosed in Note 4. Actual maturities of MBS are affected by the contractual lives of the underlying mortgage collateral, scheduled payments and unscheduled prepayments of principal, and the payment priority structure of the security; therefore, actual maturities are generally shorter than the securities' stated contractual maturities.

The following table presents information regarding unrealized gains and losses on investments reported within net income (loss) on the Company's consolidated statements of comprehensive income (loss) for the periods indicated:

	Year Ended December 31,		
($s in thousands)	2024	2023	2022
Agency RMBS	$ (144,139)	$ 141,263	$ (208,129)
Agency CMBS	1,073	96	(1,169)
CMBS IO	531	1,111	(3,924)
Other investments	183	31	200
Total unrealized (loss) gain on investments, net	$ (142,352)	$ 142,501	$ (213,022)

The following table presents information regarding realized gains and losses on sales of MBS reported in the Company's consolidated statements of comprehensive income (loss) for the periods indicated:

	Year Ended December 31,		
($s in thousands)	2024	2023	2022
Realized losses on sales of MBS - AFS	$ —	$ —	$ (13,988)
Realized losses on sales of MBS - FVO	(1,506)	(74,916)	(75,079)
Total realized loss on sales of investments, net	$ (1,506)	$ (74,916)	$ (89,067)

The following table presents certain information for MBS designated as AFS that were in an unrealized loss position as of the dates indicated:

	December 31, 2024			December 31, 2023		
($s in thousands)	Fair Value	Gross Unrealized Losses	# of Securities	Fair Value	Gross Unrealized Losses	# of Securities
Continuous unrealized loss position for less than 12 months:						
Agency MBS	$ 920	$ (3)	3	$ 3,926	$ (149)	4
Non-Agency MBS	823	(73)	2	1,736	(37)	8
Continuous unrealized loss position for 12 months or longer:						
Agency MBS	$ 814,443	$ (175,497)	65	$ 932,682	$ (158,651)	78
Non-Agency MBS	6,097	(200)	10	21,704	(989)	41

The unrealized losses on the Company's MBS designated as AFS were the result of rising interest rates and declines in market prices and were not credit related; therefore, the Company did not have any allowance for credit losses as of December 31, 2024 or December 31, 2023. Although the unrealized losses are not credit related, the Company assesses its ability and intent to hold any MBS with an unrealized loss until the recovery in its value. This assessment is based on the amount of the unrealized loss and significance of the related investment as well as the Company's leverage and liquidity position. In addition, for its non-Agency MBS, the Company reviews the credit ratings, the credit characteristics of the mortgage loans collateralizing these securities, and the estimated future cash flows including projected collateral losses.

NOTE 4 – REPURCHASE AGREEMENTS

The Company's repurchase agreements outstanding as of December 31, 2024 and December 31, 2023 are summarized in the following tables:

	December 31, 2024			December 31, 2023		
Collateral Type	Balance	Weighted Average Rate	Fair Value of Collateral Pledged	Balance	Weighted Average Rate	Fair Value of Collateral Pledged
($s in thousands)						
Agency RMBS	$ 6,368,457	4.79 %	$ 6,689,336	$ 5,130,438	5.59 %	$ 5,613,212
Agency CMBS	90,717	4.78 %	95,071	104,495	5.60 %	113,753
Agency CMBS IO	96,146	5.18 %	101,165	120,979	5.83 %	127,823
Non-Agency CMBS IO	7,800	5.52 %	8,057	25,192	6.25 %	25,959
Total	$ 6,563,120	4.80 %	$ 6,893,629	$ 5,381,104	5.59 %	$ 5,880,747

The Company had borrowings outstanding under 27 different repurchase agreements as of December 31, 2024, and its equity at risk did not exceed 10% with any counterparty as of that date. The Company also had $341.9 million payable to counterparties for transactions pending settlement as of December 31, 2024 and $95.0 thousand as of December 31, 2023.

The following table provides information on the remaining term to maturity and original term to maturity for the Company's repurchase agreements as of the dates indicated:

	December 31, 2024			December 31, 2023		
Remaining Term to Maturity	**Balance**	**Weighted Average Rate**	**WAVG Original Term to Maturity**	**Balance**	**Weighted Average Rate**	**WAVG Original Term to Maturity**
($s in thousands)						
Less than 30 days	$ 1,742,440	4.83 %	68	$ 2,855,917	5.61 %	92
30 to 90 days	4,820,680	4.78 %	83	2,525,187	5.58 %	86
Total	$ 6,563,120	4.80 %	79	$ 5,381,104	5.59 %	89

The Company's accrued interest payable related to its repurchase agreement borrowings decreased to $44.7 million as of December 31, 2024 from $53.2 million as of December 31, 2023.

The Company's counterparties, as set forth in the master repurchase agreement with the counterparty, require the Company to comply with various customary operating and financial covenants, including, but not limited to, minimum net worth, maximum declines in net worth in a given period, and maximum leverage requirements as well as maintaining the Company's REIT status. In addition, some of the agreements contain cross default features, whereby default under an agreement with one lender simultaneously causes default under agreements with other lenders. To the extent that the Company fails to comply with the covenants contained in these financing agreements or is otherwise found to be in default under the terms of such agreements, the counterparty has the right to accelerate amounts due under the master repurchase agreement. The Company believes it was in full compliance with all covenants in master repurchase agreements under which there were amounts outstanding as of December 31, 2024.

The Company's repurchase agreements are subject to underlying agreements with master netting or similar arrangements, which provide for the right of setoff in the event of default or in the event of bankruptcy of either party to the transactions. The Company reports its repurchase agreements to these arrangements on a gross basis. The following table presents information regarding the Company's repurchase agreements as if the Company had presented them on a net basis as of December 31, 2024 and December 31, 2023:

				Gross Amount Not Offset in the Balance Sheet (1)		
($s in thousands)	**Gross Amount of Recognized Liabilities**	**Gross Amount Offset in the Balance Sheet**	**Net Amount of Liabilities Presented in the Balance Sheet**	**Financial Instruments Posted as Collateral**	**Cash Posted as Collateral**	**Net Amount**
December 31, 2024:						
Repurchase agreements	$ 6,563,120	$ —	$ 6,563,120	$ (6,563,120)	$ —	$ —
December 31, 2023:						
Repurchase agreements	$ 5,381,104	$ —	$ 5,381,104	$ (5,381,104)	$ —	$ —

(1) Amounts disclosed for collateral received by or posted to the same counterparty include cash and the fair value of MBS up to and not exceeding the net amount of the repurchase agreement liability presented in the balance sheet. The fair value of the total collateral received by or posted to the same counterparty may exceed the amounts presented. Please refer to the consolidated balance sheets for the total fair value of financial instruments pledged as collateral for derivatives and repurchase agreements, which is shown parenthetically, and the total cash pledged or received as collateral, which is disclosed as "cash collateral posted to/by counterparties."

Please see Note 5 for information related to the Company's derivatives, which are also subject to underlying agreements with master netting or similar arrangements.

NOTE 5 – DERIVATIVES

Types and Uses of Derivatives Instruments

Interest Rate Derivatives. During the year ended December 31, 2024, the Company used short positions in U.S. Treasury futures and interest rate swaps to mitigate the impact of changing interest rates on its repurchase agreement financing costs and the fair value of its investments.

TBA Transactions. The Company purchases TBA securities as a means of investing in non-specified fixed-rate Agency RMBS and may also periodically sell TBA securities as a means of economically hedging its exposure to Agency RMBS. The Company holds long or short positions in TBA securities by executing a series of transactions, commonly referred to as "dollar roll" transactions, which effectively delay the settlement of a forward purchase (or sale) of a non-specified Agency RMBS by entering into an offsetting TBA position, net settling the paired-off positions in cash, and simultaneously entering into an identical TBA long (or short) position with a later settlement date. TBA securities purchased (or sold) for a forward settlement date are generally priced at a discount relative to TBA securities settling in the current month. This discount, often referred to as "drop income" represents the economic equivalent of net interest income (interest income less implied financing cost) on the underlying Agency security from trade date to settlement date. The Company accounts for all TBAs (whether net long or net short positions, or collectively "TBA dollar roll positions") as derivative instruments because it cannot assert that it is probable at inception and throughout the term of an individual TBA transaction that its settlement will result in physical delivery of the underlying Agency RMBS, or that the individual TBA transaction will settle in the shortest period possible.

The table below provides detail of the Company's gain and losses by type of derivative instrument for the periods indicated:

	Year Ended December 31,		
Type of Derivative Instrument	**2024**	**2023**	**2022**
($s in thousands)			
U.S. Treasury futures	$ 174,108	$ (12,430)	$ 724,347
Interest rate swaps	152,781	—	—
Interest rate swaptions	—	—	47,738
Put options on U.S. Treasury futures	—	1,588	(431)
TBA securities	(38,512)	(22,063)	(335,647)
Gain (loss) on derivative instruments, net	$ 288,377	$ (32,905)	$ 436,007

The table below provides the carrying amount by type of derivative instrument comprising the Company's derivative assets and liabilities on its consolidated balance sheets as of the dates indicated:

Type of Derivative Instrument	Balance Sheet Location	Purpose	December 31, 2024	December 31, 2023
($s in thousands)				
TBA securities	Derivative assets	Investing	$ 133	$ 54,361
Total derivatives assets			$ 133	$ 54,361
TBA securities	Derivative liabilities	Investing	$ 22,814	$ —
Total derivatives liabilities			$ 22,814	$ —

The table below presents certain information regarding the short positions in interest rate swaps the Company held as of December 31, 2024. The Company did not hold any interest rate swap agreements as of December 31, 2023.

Interest Rate Swaps - Years to Maturity	December 31, 2024 Notional Amount Long (Short)	December 31, 2024 Weighted Average Fixed Pay Rate
($s in thousands)		
4-5 years	$ (1,275,000)	3.42 %
6-7 years	(3,085,000)	3.61 %
9-10 years	(1,025,000)	3.83 %
	$ (5,385,000)	3.61 %

Because the daily margin exchanged for the Company's U.S. Treasury futures and interest rate swaps are considered legal settlement of the derivative as opposed to a pledge of collateral, these instruments have a carrying value of $0 on the Company's consolidated balance sheets. The Company's U.S. Treasury futures were in an asset position of $1.9 million as of December 31, 2024 and a liability position of $(219.9) million as of December 31, 2023, and its interest rate swaps were in an asset position of $152.8 million as of December 31, 2024 and $0 as of December 31, 2023. The amount of cash posted by the Company to cover required initial margin for these instruments was $219.2 million as of December 31, 2024 and $118.2 million as of December 31, 2023, which was recorded within "cash collateral posted to counterparties." The Company had a margin excess of $10.4 million as of December 31, 2024 and $1.3 million as of December 31, 2023, which was recorded within "due from counterparties."

The following table summarizes information about the Company's long positions in TBA securities as of the dates indicated:

($s in thousands)	December 31, 2024	December 31, 2023
Implied market value (1)	$ 2,318,392	$ 1,381,702
Implied cost basis (2)	2,341,073	1,327,341
Net carrying value (3)	$ (22,681)	$ 54,361

(1) Implied market value represents the estimated fair value of the underlying Agency MBS as of the dates indicated.
(2) Implied cost basis represents the forward price to be paid for the underlying Agency MBS as of the dates indicated.
(3) Net carrying value is the amount included on the consolidated balance sheets within "derivative assets" and "derivative liabilities" and represents the difference between the implied market value and the implied cost basis of the TBA securities as of the dates indicated.

Volume of Activity

The table below summarizes changes in the Company's derivative instruments for the year ended December 31, 2024:

Type of Derivative Instrument	Beginning Notional Amount-Long (Short)	Additions	Settlements, Terminations, or Pair-Offs	Ending Notional Amount-Long (Short)
($s in thousands)				
U.S. Treasury futures	$ (4,880,000)	$ (19,199,500)	$ 22,828,000	$ (1,251,500)
Interest rate swaps	—	(5,385,000)	—	(5,385,000)
TBA securities	1,403,000	26,025,000	(25,009,000)	2,419,000

Offsetting

The Company's derivatives are subject to underlying agreements with master netting or similar arrangements, which provide for the right of setoff in the event of default or in the event of bankruptcy of either party to the transactions. The Company reports its derivative assets and liabilities subject to these arrangements on a gross basis. Please see Note 4 for information related to the Company's repurchase agreements, which are also subject to underlying agreements with master netting or similar arrangements. The following tables present information regarding those derivative assets and liabilities subject to such arrangements as if the Company had presented them on a net basis as of December 31, 2024 and December 31, 2023:

	Offsetting of Assets					
				Gross Amount Not Offset in the Balance Sheet [(1)]		
($s in thousands)	**Gross Amount of Recognized Assets**	**Gross Amount Offset in the Balance Sheet**	**Net Amount of Assets Presented in the Balance Sheet**	**Financial Instruments Received as Collateral**	**Cash Received as Collateral**	**Net Amount**
December 31, 2024						
TBA securities	$ 133	$ —	$ 133	$ (133)	$ —	$ —
Derivative assets	$ 133	$ —	$ 133	$ (133)	$ —	$ —
December 31, 2023						
TBA securities	$ 54,361	$ —	$ 54,361	$ —	$ (44,153)	$ 10,208
Derivative assets	$ 54,361	$ —	$ 54,361	$ —	$ (44,153)	$ 10,208

	Offsetting of Liabilities					
				Gross Amount Not Offset in the Balance Sheet [(1)]		
($s in thousands)	**Gross Amount of Recognized Liabilities**	**Gross Amount Offset in the Balance Sheet**	**Net Amount of Liabilities Presented in the Balance Sheet**	**Financial Instruments Posted as Collateral**	**Cash Posted as Collateral**	**Net Amount**
December 31, 2024						
TBA securities	$ 22,814	$ —	$ 22,814	$ (133)	$ (21,308)	$ 1,373
Derivative liabilities	$ 22,814	$ —	$ 22,814	$ (133)	$ (21,308)	$ 1,373
December 31, 2023						
TBA securities	$ —	$ —	$ —	$ —	$ —	$ —
Derivative liabilities	$ —	$ —	$ —	$ —	$ —	$ —

(1) Amounts disclosed for collateral received by or posted to the same counterparty include cash and the fair value of MBS up to and not exceeding the net amount of the derivative asset or liability presented in the balance sheet. The fair value of the total collateral received by or posted to the same counterparty may exceed the amounts presented. Please refer to the consolidated balance sheets for the total fair value of financial instruments pledged as collateral for derivatives and repurchase agreements, which is shown parenthetically, and the total cash pledged or received as collateral which is disclosed as "cash collateral posted to/by counterparties."

NOTE 6 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is based on the assumptions market participants would use when pricing an asset or liability and also considers all aspects of nonperformance risk, including the entity's own credit standing, when measuring fair value of a liability. ASC Topic 820 established a valuation hierarchy of three levels as follows:

- Level 1 – Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities as of the measurement date.

- Level 2 – Inputs include quoted prices in active markets for similar assets or liabilities; quoted prices in inactive markets for identical or similar assets or liabilities; or inputs either directly observable or indirectly observable through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.
- Level 3 – Unobservable inputs are supported by little or no market activity. The unobservable inputs represent management's best estimate of how market participants would price the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

The following table presents the Company's financial instruments that are measured at fair value on the Company's consolidated balance sheet by their valuation hierarchy levels as of the dates indicated:

	December 31, 2024				December 31, 2023			
($s in thousands)	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets:								
MBS	$ 7,512,087	$ —	$ 7,512,087	$ —	$ 6,038,948	$ —	$ 6,038,845	$ 103
TBA securities [(1)]	133	—	133	—	54,361	—	54,361	—
Mortgage loans [(2)]	1,130	—	—	1,130	1,793	—	—	1,793
Total assets carried at fair value	$ 7,513,350	$ —	$ 7,512,220	$ 1,130	$ 6,095,102	$ —	$ 6,093,206	$ 1,896
Liabilities:								
TBA securities [(1)]	$ 22,814	$ —	$ 22,814	$ —	$ —	$ —	$ —	$ —
Total liabilities carried at fair value	$ 22,814	$ —	$ 22,814	$ —	$ —	$ —	$ —	$ —

(1) TBA securities are reflected on consolidated balance sheets within "derivative assets" and "derivative liabilities" at their implied fair value, net of implied cost basis. Please refer to Note 5 for additional information.

(2) Mortgage loans are included within "other assets" on the consolidated balance sheets.

As of December 31, 2024, the fair value measurements for the Company's TBA securities and its MBS are considered Level 2 because there are substantially similar securities actively trading or for which there has been recent trading activity in their respective markets and are based on prices received from a pricing service. In valuing a security, the pricing service primarily uses a market approach, which uses observable prices and other relevant information that is generated by market transactions of identical or similar securities, but may use an income approach, which uses valuation techniques such as discounted cash flow modeling. Examples of the observable inputs and assumptions used in the valuation techniques include market interest rates, credit spreads, and projected prepayment speeds, among other things. The Company reviews the prices it receives from the pricing service for reasonableness using broker quotes as well as other third-party pricing services.

As of December 31, 2024, the Company's mortgage loans held for investment are single-family mortgage loans, which were originated or purchased by the Company prior to 2000, and for which the Company has elected the fair value option. The fair value measurements for these mortgage loans are considered Level 3 because there has been no recent trading activity of similar instruments upon which their fair value can be measured. The fair value for these Level 3 assets is measured by discounting the estimated future cash flows derived from cash flow models using certain inputs such as the security's credit rating, coupon rate, estimated prepayment speeds, expected weighted average life, collateral composition, and expected credit losses as well as certain other relevant information. The Company used a constant prepayment rate assumption of 10%, default rate of 2%, loss severity of

20%, and a discount rate of 10.2% in measuring the fair value of its Level 3 assets as of December 31, 2024 and as of December 31, 2023.

The Company's short positions in U.S. Treasury futures contracts are valued based on exchange pricing and are classified accordingly as Level 1 measurements. Interest rate swaps are valued using the daily settlement price, or fair value, determined by the clearing exchange based on a pricing model that references observable market inputs, including current benchmark rates and the forward yield curve, and thus their fair values are considered Level 2 measurements. The carrying value of the U.S. Treasury futures contracts and interest rate swaps on the Company's consolidated balance sheets is $0 because the instruments require daily margin exchanges, which are considered by the settlement agent to represent legal settlement of the contracts on a daily basis. Please see Note 1 and Note 5 for additional information regarding the fair value of the Company's derivative instruments.

NOTE 7 – SHAREHOLDERS' EQUITY AND SHARE-BASED COMPENSATION

Preferred Stock. The Company's Board of Directors has designated 6,600,000 shares of the Company's preferred stock for issuance as Series C Preferred Stock, of which the Company has 4,460,000 of such shares outstanding as of December 31, 2024. The Series C Preferred Stock has no stated maturity, is not subject to any sinking fund or mandatory redemption, and will remain outstanding indefinitely unless redeemed, repurchased, or converted into common stock pursuant to the terms of the Series C Preferred Stock. Except under certain limited circumstances described in Article IIIC of the Company's Restated Articles of Incorporation, the Company may not redeem the Series C Preferred Stock prior to April 15, 2025. On or after that date, the Series C Preferred Stock may be redeemed at any time and from time to time at the Company's option at a cash redemption price of $25.00 per share plus any accumulated and unpaid dividends. Because the Series C Preferred Stock is redeemable only at the option of the issuer, it is classified as equity on the Company's consolidated balance sheet.

The Series C Preferred Stock pays a cumulative cash dividend equivalent to 6.900% of the $25.00 liquidation preference per share each year until April 15, 2025. Due to the cessation of 3-month LIBOR, the original terms of the Series C Preferred Stock have been revised to state that upon April 15, 2025 and thereafter, the Company will pay cumulative cash dividends at a percentage of the $25.00 liquidation value per share equal to 3-month term SOFR plus the statutorily prescribed tenor spread adjustment of 0.26161% in addition to the original spread pursuant to the terms of the Series C Preferred Stock of 5.461% for a total spread of 5.723%. The Company paid its regular quarterly dividend of $0.43125 per share of Series C Preferred Stock on January 15, 2025 to shareholders of record as of January 1, 2025.

Common Stock. During the year ended December 31, 2024, the Company issued 10,500,000 shares of its common stock through a public offering, resulting in proceeds of $124.5 million, net of issuance costs, and issued 16,756,835 shares of its common stock through its at-the-market ("ATM") program at an aggregate value of $207.6 million, net of broker commissions and fees. The Company declared common dividends of $0.43 on its common stock for the three months ended December 31, 2024 and $1.60 per common share for the year ended December 31, 2024. The Company's timing, frequency, and amount of dividends declared on its common stock are determined by its Board of Directors. When declaring dividends, the Board of Directors considers the Company's taxable income, the REIT distribution requirements of the Tax Code, and maintaining compliance with dividend requirements of the Series C Preferred Stock, along with other factors that the Board of Directors may deem relevant from time to time.

Share-Based Compensation. The following table presents a rollforward of share-based awards for the periods indicated:

	Year Ended December 31,					
	2024		2023		2022	
Type of Award	**Shares**	**Weighted Average Grant Date Fair Value Per Share**	**Shares**	**Weighted Average Grant Date Fair Value Per Share**	**Shares**	**Weighted Average Grant Date Fair Value Per Share**
Restricted stock:						
Awards outstanding, beginning of period	104,282	$ 12.61	133,951	$ 15.22	197,804	$ 15.27
Granted	65,668	12.56	74,017	11.27	71,216	15.60
Vested	(76,355)	12.37	(103,686)	15.03	(135,069)	15.49
Awards outstanding, end of period	93,595	$ 12.78	104,282	$ 12.61	133,951	$ 15.22
Target RSUs: (1)						
Awards outstanding, beginning of period	394,497	$ 13.06	86,666	$ 16.57	55,019	$ 19.40
Granted	214,755	12.50	341,044	12.55	73,767	15.19
Vested	(146,182)	13.57	(33,213)	16.96	(42,120)	17.85
Awards outstanding, end of period	463,070	$ 12.64	394,497	$ 13.06	86,666	$ 16.57
Target PSUs: (2)						
Awards outstanding, beginning of period	276,866	$ 13.17	201,284	$ 16.60	110,040	$ 19.04
Granted	322,132	12.50	160,277	11.97	147,542	14.83
Vested	(116,589)	14.83	(84,695)	19.04	(56,298)	16.73
Awards outstanding, end of period	482,409	$ 12.32	276,866	$ 13.17	201,284	$ 16.60

(1) The number of RSUs shown represent the target number of awards. Actual number of shares that will potentially settle may range from 0% if the recipient's service-based vesting condition is not met to 100% if the service-based vesting condition is met.

(2) The number of PSUs shown represent the target number of awards. Actual number of shares that will potentially settle may range from 0% to 200% based on the achievement of the performance goals defined in each grant award.

The restricted stock awards outstanding as of December 31, 2024 were all granted to employees except for 38,068 granted to the Company's non-employee members of its Board of Directors, which have a vesting period of 1 year. Restricted stock granted to employees generally vests in equal installments over a period of 3 years.

RSU and PSU awards are granted only to executive officers of the Company. RSUs vest in equal installments over a period of 3 years. PSUs vest based on performance results measured over a period of 3 years. The Company expects 102% of the remaining target PSUs outstanding as of December 31, 2024 will be settled on their vesting dates. The table above excludes 116,589 PSUs with a performance period ending December 31, 2024, of which 75% are expected to be awarded based on information known as of the filing date of this Annual Report on Form 10-K.

The Company has DERs accrued for RSUs and PSUs of $0.9 million and $1.3 million, respectively, as of December 31, 2024 compared to $0.4 million and $0.8 million, respectively, as of December 31, 2023, which is included on the Company's consolidated balance sheet within "accrued dividends payable."

Total share-based compensation expense recognized by the Company for the year ended December 31, 2024 was $7.2 million compared to $4.8 million and $4.4 million for the years ended December 31, 2023 and December 31, 2022, respectively. The increase in share-based compensation for the year ended December 31, 2024 is due to accelerated recognition of expense for certain stock incentive awards granted in March 2024 to retirement eligible employees. The following table discloses the Company's remaining compensation expense related to stock awards it has granted as of December 31, 2024, which will be amortized over the period disclosed:

	December 31, 2024	
($s in thousands)	**Remaining Compensation Cost**	**WAVG Period of Recognition**
Restricted stock	$ 564	1.3 years
RSUs	3,007	1.8 years
PSUs	1,900	1.8 years
Total	$ 5,471	1.8 years

NOTE 8 – INCOME TAXES

The Company does not expect to incur any income tax liability for the year ended December 31, 2024 and did not incur any material income tax liability for the years ended December 31, 2023 or December 31, 2022. As of December 31, 2024, the Company has $557.9 million of capital loss carryforwards, all of which will expire by either December 31, 2027 or by December 31, 2028.

After reviewing for any potentially uncertain income tax positions, the Company has concluded that it does not have any uncertain tax positions that meet the recognition or measurement criteria of ASC Topic 740 as of December 31, 2024 or December 31, 2023, although its tax returns for those tax years are open to examination by the IRS. In the event that the Company incurs income tax related interest and penalties, its policy is to classify them as a component of provision for income taxes.

NOTE 9 - SEGMENT REPORTING

The Company's operations consist of one reportable segment which involves investing in MBS and funding these investments with repurchase agreements and equity. Because the Company's investment portfolio and financings are subject to market risks, primarily interest rate risk, management seeks to offset a portion of its market value exposure and financing costs through its interest rate derivative instruments ("hedging portfolio"). The Company's investment and hedging portfolios are managed together.

The Company's revenue is derived from its investment portfolio, which currently consists of primarily Agency RMBS. The Company's chief operating decision maker ("CODM") is its Co-CEO and President. Segment performance is measured by and resource allocation decisions are based on "comprehensive income (loss) to common shareholders" as presented on the Company's consolidated statement of comprehensive income (loss). The segment's significant expense categories as shown on the Company's consolidated statement of comprehensive income (loss) are regularly provided to the CODM for review and are also used to make resource allocation decisions. Segment assets are total assets as shown on the Company's consolidated balance sheet.

NOTE 10 - SUBSEQUENT EVENTS

Subsequent to December 31, 2024, the Company issued 5.9 million shares of its common stock through its ATM program, for which it received proceeds of approximately $77.4 million, net of commissions.

Exhibit 4.3

**DESCRIPTION OF THE REGISTRANT'S SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934**

This description of our common stock, $0.01 par value per share (the "common stock"), and our 6.900% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock (the "Series C Preferred Stock") does not purport to be complete and is in all respects subject to, and qualified in its entirety by references to, the relevant provisions of our restated articles of incorporation, effective May 14, 2021 (the "articles of incorporation"), our bylaws and Virginia law. Our articles of incorporation and our bylaws are included as exhibits to the Annual Report on Form 10-K of which this exhibit is a part.

References to "us," "our" and "we" mean Dynex Capital, Inc. excluding its subsidiaries, unless otherwise expressly stated or the context otherwise requires.

DESCRIPTION OF OUR CAPITAL STOCK

OVERVIEW

Authorized Shares

Our articles of incorporation currently authorize a total of 230,000,000 shares of capital stock, consisting of 180,000,000 shares of common stock and 50,000,000 shares of preferred stock, $0.01 par value per share (the "preferred stock"). There are up to 6,600,000 shares of Series C Preferred Stock designated under our articles of incorporation.

Restrictions on Ownership and Transfer

Two of the requirements of qualification for the tax benefits accorded by the real estate investment trust ("REIT") provisions of the Internal Revenue Code of 1986, as amended (the "Code") are that (1) during the last half of each taxable year not more than 50% in value of the outstanding shares of our capital stock may be owned directly or indirectly by five or fewer individuals, and (2) there must be at least 100 shareholders on 335 days of each taxable year of 12 months.

To assist us in meeting these requirements and qualifying as a REIT, our articles of incorporation prohibit anyone from owning in the aggregate, directly or indirectly, more than 9.8% of the outstanding shares of our capital stock, unless our Board of Directors waives this limitation (the "Ownership Limit"). For this purpose, "ownership" includes constructive ownership in accordance with the constructive ownership provisions of Section 544 of the Code, as modified in Section 856(h) of the Code, as well as shares beneficially owned under the provisions of Rule 13d-3 (or any successor rule) under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

The constructive ownership provisions of Section 544 of the Code generally attribute ownership of securities owned by a corporation, partnership, estate or trust proportionately to its shareholders, partners or beneficiaries; attribute ownership of securities owned by family members to other members of the same family; and set forth rules for attributing securities constructively owned by one person to another person. All shares of our capital stock which any person or persons acting as a group have the right to acquire upon exercise of outstanding rights, options and warrants, and upon conversion of any securities convertible into shares of capital stock, will be considered outstanding for purposes of determining the applicable Ownership Limit if such inclusion will cause such person or persons acting as a group to own more than such applicable Ownership Limit.

To determine whether a person holds or would hold capital stock in excess of the Ownership Limit, a person will be treated as owning not only shares of capital stock actually owned, but also any shares of capital stock attributed to that person under the attribution rules described above. Accordingly, a person who individually owns less than 9.8% of the shares outstanding may nevertheless be in violation of the Ownership Limit.

Any acquisition of shares of capital stock that could or would (i) cause us to be disqualified as a REIT, (ii) result in the imposition of a penalty tax (a “Penalty Tax”) on us (including the imposition of an entity-level tax on one or more real estate mortgage investment conduits (“REMICs”) in which we have acquired or plan to acquire an interest) or (iii) endanger the tax status of one or more REMICs in which we have acquired or plan to acquire an interest will be null and void to the fullest extent permitted by law, and the intended transferee (the “purported transferee”) will be deemed never to have had an interest in such shares. If the prior sentence is held void or invalid by virtue of any legal decision, statute, rule or regulation, then the purported transferee of those shares will be deemed, at our option, to have acted as agent on our behalf in acquiring those shares and to hold those shares on our behalf.

Shares which, but for the provisions of Article VI of our articles of incorporation, would be owned by a person or persons acting as a group and would, at any time, be in excess of the Ownership Limit will be “Excess Shares.” At the discretion of the Board of Directors, all Excess Shares may be redeemed by us. We will provide written notice of redemption to the holder of the Excess Shares not less than one week prior to the redemption date (the “Redemption Date”) determined by the Board of Directors and included in the notice of redemption. The redemption price to be paid for Excess Shares will be equal to (a) the closing price of those shares on the principal national securities exchange on which the shares are listed or admitted to trading on the last business day prior to the Redemption Date, or (b) if the shares are not so listed or admitted to trading, the closing bid price on the last business day prior to the Redemption Date as reported on the NASD System, if quoted thereon, or (c) if the redemption price is not determinable in accordance with either clause (a) or (b) of this sentence, the net asset value of the shares determined in good faith by the Board of Directors and in accordance with the Virginia Stock Corporation Act. From and after the Redemption Date, the holder of any shares of our capital stock called for redemption will cease to be entitled to any distributions and other benefits with respect to those shares, except the right to payment of the redemption price.

In addition, whenever our Board of Directors deems it to be prudent in avoiding (i) the imposition of a Penalty Tax on us (including the imposition of an entity-level tax on one or more REMICs in which we have acquired or plan to acquire an interest) or (ii) the endangerment of the tax status of one or more REMICs in which we have acquired or plan to acquire an interest, we may redeem shares of our capital stock in the manner described in the foregoing paragraph.

Whenever our Board of Directors deems it to be prudent in protecting our tax status, the Board of Directors may require to be filed with us a statement or affidavit from each proposed transferee of shares of our capital stock setting forth the number of such shares already owned by the transferee and any related person(s). Any contract for the sale or other transfer of shares of our capital stock will be subject to this provision. Prior to any transfer or transaction that would cause a shareholder to own, directly or indirectly, shares in excess of the Ownership Limit, and in any event upon demand of our Board of Directors, such shareholder must file with us an affidavit setting forth the number of shares of our capital stock owned by it directly or indirectly, including both constructive and beneficial ownership. The affidavit must set forth all information required to be reported in returns filed by shareholders under Treasury Regulation § 1.857-9 issued under the Code or similar provisions of any successor regulation, and in reports to be filed under Section 13(d), or any successor rule thereto, of the Exchange Act. The affidavit must be filed with us within ten days after demand therefor and at least fifteen days prior to any transfer or transaction which, if consummated, would cause the filing person to hold a number of shares of our capital stock in excess of the Ownership Limit. The Board of Directors has the right, but is not required, to refuse to transfer any shares of our capital stock purportedly transferred if, as a result of the proposed transfer, any person or persons acting as a group would hold or be deemed to hold Excess Shares.

In addition, whenever our Board of Directors deems it to be prudent in avoiding (i) the imposition of a Penalty Tax on us (including the imposition of an entity-level tax on one or more REMICs in which we have acquired or plan to acquire an interest) or (ii) the endangerment of the tax status of one or more REMICs in which we have acquired or plan to acquire an interest, the Board of Directors may require to be filed with us a statement or affidavit from any holder or proposed transferee of our capital stock stating whether the holder or proposed transferee is a tax-exempt organization or a pass-through entity. Any contract for the sale or other transfer of shares of our capital stock will be subject to this provision. The Board of Directors has the right, but is not required, to refuse to transfer any shares of our capital stock purportedly transferred, if either (a) a statement or affidavit requested as described in this paragraph has not been received, or (b) the proposed transferee is a tax-exempt organization or pass-through entity.

Our Board of Directors may take any and all other action as it in its sole discretion deems necessary or advisable to protect us and the interests of our shareholders by (i) maintaining our eligibility to be, and preserving our status as, a REIT, (ii) avoiding the imposition of a Penalty Tax and (iii) avoiding the endangerment of the tax status of one or more REMICs in which we have acquired or plan to acquire an interest. The Board of Directors in its discretion may exempt from the Ownership Limit and from the affidavit filing requirements described above ownership or transfers of certain designated shares of our capital stock while owned by or transferred to a person who has provided the Board of Directors with acceptable evidence and assurances that our REIT status would not be jeopardized thereby. The Ownership Limit will not apply to the acquisition of shares of our capital stock by an underwriter in a public offering of those shares or in any transaction involving the issuance of shares of capital stock by us in which the Board of Directors determines that the underwriter or other person initially acquiring those shares will timely distribute those shares to or among others so that, following such distribution, none of those shares will be deemed to be Excess Shares.

The provisions described above may inhibit market activity, and may delay, defer or prevent a change in control or other transaction and the resulting opportunity for the holders of our capital stock to receive a premium for their shares that might otherwise exist in the absence of such provisions. Such provisions also may make us an unsuitable investment vehicle for any person seeking to obtain ownership of more than 9.8% of the outstanding shares of our capital stock. None of the provisions of our articles of incorporation may preclude settlement of any transaction entered into or through the facilities of the New York Stock Exchange or any other exchange on which our common stock may be listed from time to time.

Liability of Shareholders

Under the Virginia Stock Corporation Act, shareholders generally are not liable for a corporation's debts or obligations.

DESCRIPTION OF OUR COMMON STOCK

Authorized Shares

Our articles of incorporation currently authorize 180,000,000 shares of common stock.

Dividend Rights

Subject to the preferential rights of any other class or series of stock and to the provisions of our articles of incorporation regarding the restrictions on the ownership and transfer of stock, holders of shares of our common stock are entitled to receive dividends on such stock when, as and if authorized by our Board of Directors out of funds legally available therefor and declared by us and to share ratably in our assets legally available for distribution to our shareholders in the event of our liquidation, dissolution or winding up after payment of or adequate provision for all known debts and liabilities of ours, including the preferential rights on dissolution of any class or classes of preferred stock.

Voting Rights

Subject to the provisions of our articles of incorporation regarding the restrictions on the ownership and transfer of stock, each outstanding share of our common stock entitles the holder to one vote on all matters submitted to a vote of shareholders, including the election of directors and, except as provided with respect to any other class or series of stock, the holders of such shares will possess the exclusive voting power. There is no cumulative voting in the election of our Board of Directors. Under our "majority vote" standard for uncontested director elections, with respect to each nominee, votes may be cast for or against, or a holder may abstain from voting. If a quorum is present, in order for a nominee to be elected in an uncontested election, the votes cast for such nominee's election must exceed the votes cast against such nominee's election.

Under the Virginia Stock Corporation Act, a Virginia corporation generally cannot dissolve, amend its articles of incorporation, merge, sell all or substantially all of its assets, engage in a share exchange or engage in similar transactions outside the ordinary course of business unless approved by the affirmative vote of more than two-thirds of all votes entitled to be cast on the matter, unless a greater or lesser proportion of votes (but not less than a majority of all votes cast) is specified in its articles of incorporation. Our articles of incorporation provide that, except as otherwise required or authorized by the Virginia Stock Corporation Act or our articles of incorporation, the vote required to approve an amendment or restatement of our articles of incorporation will be a majority of all votes entitled to be cast by each voting group entitled to vote on the amendment, other than in the case of an amendment or restatement that amends or affects: (i) the shareholder vote required by the Virginia Stock Corporation Act to approve a merger, share exchange, sale of all or substantially all of our assets or our dissolution, or (ii) the provisions addressing the ownership of Excess Shares in our articles of incorporation.

Other Rights

Holders of shares of our common stock have no preference, conversion, exchange, sinking fund, redemption or appraisal rights and have no preemptive rights to subscribe for any of our securities. Subject to the provisions of our articles of incorporation regarding the restrictions on the ownership and transfer of stock, shares of our common stock will have equal dividend, liquidation and other rights.

DESCRIPTION OF OUR OUTSTANDING PREFERRED STOCK

Authorized Shares

Our articles of incorporation currently authorize 50,000,000 shares of preferred stock. There are up to 6,600,000 shares of Series C Preferred Stock designated under our articles of incorporation.

We may issue additional shares of Series C Preferred Stock ranking equally and ratably with the outstanding shares of the Series C Preferred Stock in all respects. Any additional shares of Series C Preferred Stock would form a single series and would have the same terms.

Maturity

The Series C Preferred Stock does not have a stated maturity and is not subject to any sinking fund or mandatory redemption. Shares of the Series C Preferred Stock will remain outstanding indefinitely unless we decide to redeem or repurchase them or they become convertible and are converted as described below under "—Conversion Rights." We are not required to set aside funds to redeem the Series C Preferred Stock.

Ranking

The Series C Preferred Stock ranks, with respect to rights to the payment of dividends and the distribution of assets upon our liquidation, dissolution or winding up:

(1) senior to all classes or series of our common stock and to all other equity securities issued by us other than equity securities referred to in clauses (2) and (3) below;

(2) on a parity with all equity securities issued by us with terms specifically providing that those equity securities rank on a parity with the Series C Preferred Stock with respect to rights to the payment of dividends and the distribution of assets upon our liquidation, dissolution or winding up;

(3) junior to all equity securities issued by us with terms specifically providing that those equity securities rank senior to the Series C Preferred Stock with respect to rights to the payment of dividends and the distribution of assets upon our liquidation, dissolution or winding up (please see the section entitled "—Voting Rights" below); and

(4) junior to all of our existing and future indebtedness (including indebtedness convertible to our common stock or preferred stock), including under our repurchase agreements, and effectively junior to the indebtedness of our existing subsidiaries and any future subsidiaries.

Dividends

Holders of shares of the Series C Preferred Stock are entitled to receive, when, as and if declared by our Board of Directors, out of funds legally available for the payment of dividends, cumulative cash dividends initially fixed from the original issuance date to, but not including, April 15, 2025 (the "Fixed Rate Period"), at the rate of 6.900% of the $25.00 per share of Series C Preferred Stock per year (equivalent to $1.725 per year per share), and on and after April 15, 2025 (the "Floating Rate Period"), at a percentage of the $25.00 liquidation preference per share of Series C Preferred Stock equal to an annual floating rate of the Three-Month LIBOR Rate (as defined below) plus a spread of 5.461%.

Dividends on the Series C Preferred Stock accrue daily and are cumulative from, and including, the date of original issue and shall be payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year (each, a "dividend payment date"); provided that if any dividend payment date is not a business day, as defined in our articles of incorporation, then the dividend which would otherwise have been payable on that dividend payment date may be paid on the next succeeding business day and no interest, additional dividends or other sums will accrue on the amount so payable for the period from and after that dividend payment date to that next succeeding business day. Any dividend payable on the Series C Preferred Stock, including dividends payable for any partial dividend period, will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends will be payable to holders of record as they appear in our stock records for the Series C Preferred Stock at the close of business on the applicable record date, which shall be the first day of the calendar month, whether or not a business day, in which the applicable dividend payment date falls (each, a "dividend record date").

For each dividend period during the Floating Rate Period, LIBOR (the London interbank offered rate) ("Three-Month LIBOR Rate") will be determined by us or a third party independent financial institution of national standing with experience providing such services, which has been selected by us ("Calculation Agent"), as of the applicable Dividend Determination Date (as defined below), in accordance with the following provisions:

- LIBOR will be the rate (expressed as a percentage per year) for deposits in U.S. dollars having an index maturity of three months, in amounts of at least $1,000,000, as such rate appears on "Reuters Page LIBOR01" at approximately 11:00 a.m. (London time) on the relevant Dividend Determination Date (as defined below); or

- if no such rate appears on "Reuters Page LIBOR01" or if the "Reuters Page LIBOR01" is not available at approximately 11:00 a.m. (London time) on the relevant Dividend Determination Date, then we will select four nationally-recognized banks in the London interbank market and request that the principal London offices of those four selected banks provide us with their offered quotation for three-month deposits in U.S. dollars, commencing on the first day of the applicable Dividend Period, to prime banks in the London interbank market at approximately 11:00 a.m. (London time) on that Dividend Determination Date for the applicable Dividend Period. Offered quotations must be based on a principal amount equal to an amount that, in our discretion, is representative of a single transaction in U.S. dollars in the London interbank market at that time. If at least two quotations are provided, the Three-Month LIBOR Rate for such

Dividend Period will be the arithmetic mean (rounded upward if necessary, to the nearest 0.00001 of 1%) of those quotations. If fewer than two quotations are provided, the Three-Month LIBOR Rate for such Dividend Period will be the arithmetic mean (rounded upward if necessary, to the nearest 0.00001 of 1%) of the rates quoted at approximately 11:00 a.m. (New York City time) on that Dividend Determination Date for such Dividend Period by three nationally-recognized banks in New York, New York selected by us, for loans in U.S. dollars to nationally-recognized European banks (as selected by us), for a period of three months commencing on the first day of such Dividend Period. The rates quoted must be based on an amount that, in our discretion, is representative of a single transaction in U.S. dollars in that market at that time. If no quotation is provided as described above, then if a Calculation Agent has not been appointed at such time, we will appoint a Calculation Agent who shall, after consulting such sources as it deems comparable to any of the foregoing quotations or display page, or any such source as it deems reasonable from which to estimate LIBOR or any of the foregoing lending rates or display page, shall determine LIBOR for the second London Business Day immediately preceding the first day of such distribution period in its sole discretion. If the Calculation Agent is unable or unwilling to determine LIBOR as provided in the immediately preceding sentence, then LIBOR will be equal to Three-Month LIBOR for the then current Dividend Period, or, in the case of the first Dividend Period in the Floating Rate Period, the most recent dividend rate that would have been determined based on the last available Reuters Page LIBOR01 had the Floating Rate Period been applicable prior to the first Dividend Period in the Floating Rate Period.

Notwithstanding the foregoing, if we determine on the relevant Dividend Determination Date that LIBOR has been discontinued, then we will appoint a Calculation Agent and the Calculation Agent will consult with an investment bank of national standing to determine whether there is an industry accepted substitute or successor base rate to Three-Month LIBOR Rate. If, after such consultation, the Calculation Agent determines that there is an industry accepted substitute or successor base rate, the Calculation Agent shall use such substitute or successor base rate. In such case, the Calculation Agent in its sole discretion may (without implying a corresponding obligation to do so) also implement changes to the business day convention, the definition of business day, the Dividend Determination Date and any method for obtaining the substitute or successor base rate or spread thereon if such rate is unavailable on the relevant business day (as defined below), in a manner that is consistent with industry accepted practices for such substitute or successor base rate. Unless the Calculation Agent determines that there is an industry accepted substitute or successor base rate as so provided above, the Calculation Agent will, in consultation with us, follow the steps specified in the second bullet point in the immediately preceding paragraph in order to determine Three-Month LIBOR Rate for the applicable Dividend Period.

Three-month LIBOR Rate ceased publication on a representative basis after June 30, 2023 (the "Cessation Date"). Therefore, by operation of law, the annual floating rate of the Series C Preferred Stock will be the three-month CME Term SOFR Reference Rate plus a tenor spread adjustment of 0.26161% pursuant to the Adjustable Interest Rate (LIBOR) Act.

The following definitions apply to the preceding two paragraphs:

- "Dividend Determination Date" means the London Business Day immediately preceding the first date of the applicable Dividend Period;
- "Dividend Period" means the period from, and including, a dividend payment date to, but excluding, the next succeeding dividend payment date, except for the initial Dividend Period, which will be the period

from, and including, the Original Issue Date of the Series C Preferred Stock to, but excluding, April 15, 2020;

- "London Business Day" means any day on which dealings in deposits in U.S. dollars are transacted in the London interbank market;

- "Original Issue Date" means February 21, 2020; and

- "business day" means any day other than a Saturday, Sunday or a day on which state or federally chartered banking institutions in New York, New York are not required to be open.

No dividends on shares of Series C Preferred Stock shall be authorized by our Board of Directors or paid or set apart for payment by us at any time when the terms and provisions of any agreement of ours, including any agreement relating to our indebtedness, prohibit the authorization, payment or setting apart for payment thereof or provide that the authorization, payment or setting apart for payment thereof would constitute a breach of the agreement or a default under the agreement, or if the authorization, payment or setting apart for payment shall be restricted or prohibited by law.

Notwithstanding the foregoing, dividends on the Series C Preferred Stock will accrue whether or not we have earnings, whether or not there are funds legally available for the payment of those dividends and whether or not those dividends are declared. No interest, or sum in lieu of interest, will be payable in respect of any dividend payment or payments on the Series C Preferred Stock which may be in arrears, and holders of the Series C Preferred Stock will not be entitled to any dividends in excess of full cumulative dividends described above. Any dividend payment made on the Series C Preferred Stock shall first be credited against the earliest accumulated but unpaid dividend due with respect to those shares.

Future distributions on our common stock and Series C Preferred Stock will be at the discretion of our Board of Directors and will depend on, among other things, our results of operations, cash flow from operations, financial condition and capital requirements, the annual distribution requirements under the REIT provisions of the Code and our ability to use our tax net operating loss carryforward, any debt service requirements and any other factors our Board of Directors deems relevant. Accordingly, we cannot guarantee that we will be able to make cash distributions on our Series C Preferred Stock or what the actual distributions will be for any future period.

Unless full cumulative dividends on the Series C Preferred Stock have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof is set apart for payment for all past dividend periods, no dividends (other than in shares of common stock or in shares of any series of preferred stock that we may issue ranking junior to the Series C Preferred Stock as to dividends and upon liquidation) shall be declared or paid or set aside for payment upon shares of our common stock or preferred stock that we may issue ranking junior to or on a parity with the Series C Preferred Stock as to dividends or upon liquidation. Nor shall any other distribution be declared or made upon shares of our common stock or preferred stock that we may issue ranking junior to or on a parity with the Series C Preferred Stock as to dividends or upon liquidation. In addition, any shares of our common stock or preferred stock that we may issue ranking junior to or on a parity with the Series C Preferred Stock as to dividends or upon liquidation shall not be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any such shares) by us (except by conversion into or exchange for our other capital stock that we may issue ranking junior to the Series C Preferred

Stock as to dividends and upon liquidation, for the surrender of shares of our common stock to us to satisfy tax withholding or similar obligations in connection with restricted stock granted under an equity compensation or incentive plan and for transfers made pursuant to the provisions of our articles of incorporation relating to restrictions on the ownership and transfer of our capital stock).

When dividends are not paid in full (or a sum sufficient for such full payment is not so set apart) upon the Series C Preferred Stock and the shares of any other series of preferred stock that we may issue ranking on a parity as to dividends with the Series C Preferred Stock, all dividends declared upon the Series C Preferred Stock and any other series of preferred stock that we may issue ranking on a parity that we may issue as to dividends with the Series C Preferred Stock shall be declared pro rata so that the amount of dividends declared per share of Series C Preferred Stock and such other series of preferred stock that we may issue shall in all cases bear to each other the same ratio that accumulated dividends per share on the Series C Preferred Stock and such other series of preferred stock that we may issue (which shall not include any accrual in respect of unpaid dividends for prior dividend periods if such preferred stock does not have a cumulative dividend) bear to each other. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on the Series C Preferred Stock which may be in arrears.

Liquidation Preference

In the event of our voluntary or involuntary liquidation, dissolution or winding up, the holders of shares of Series C Preferred Stock will be entitled to be paid out of the assets we have legally available for distribution to our shareholders, subject to the preferential rights of the holders of any class or series of our stock we may issue ranking senior to the Series C Preferred Stock with respect to the distribution of assets upon liquidation, dissolution or winding up, a liquidation preference of $25.00 per share, plus an amount equal to any accumulated and unpaid dividends thereon to, but not including, the date of payment, before any distribution of assets is made to holders of our common stock or any other class or series of our stock we may issue that ranks junior to the Series C Preferred Stock as to liquidation rights.

In the event that, upon any such voluntary or involuntary liquidation, dissolution or winding up, our available assets are insufficient to pay the amount of the liquidating distributions on all outstanding shares of Series C Preferred Stock and the corresponding amounts payable on all shares of other classes or series of our capital stock that we may issue ranking on a parity with the Series C Preferred Stock in the distribution of assets, then the holders of the Series C Preferred Stock and all other such classes or series of capital stock shall share ratably in any such distribution of assets in proportion to the full liquidating distributions to which they would otherwise be respectively entitled.

Holders of Series C Preferred Stock will be entitled to written notice of any such liquidation no fewer than 30 days and no more than 60 days prior to the payment date. After payment of the full amount of the liquidating distributions to which they are entitled, the holders of Series C Preferred Stock will have no right or claim to any of our remaining assets. The consolidation or merger of us with or into any other corporation, trust or entity or of any other entity with or into us, or the sale, lease, transfer or conveyance of all or substantially all of our property or business, shall not be deemed to constitute a liquidation, dissolution or winding up of us (although such events may give rise to the special optional redemption and contingent conversion rights described below).

Redemption

The Series C Preferred Stock may be redeemed by us at our option under the circumstances described below. In addition, as provided in our articles of incorporation, we may purchase or redeem shares of the Series C Preferred Stock in order to preserve our qualification as a REIT, or, in accordance with our articles of incorporation, to avoid the direct or indirect imposition of a penalty tax in respect of, or protect the tax status of, any of our REMIC interests. Please see the section above entitled "—Description of Our Capital Stock—Restrictions on Ownership and Transfer."

Overview

Optional Redemption. We may, at our option, upon not less than 30 nor more than 60 days' written notice, redeem the Series C Preferred Stock, in whole or in part, at any time or from time to time, for cash at a redemption price of $25.00 per share, plus any accumulated and unpaid dividends thereon to, but not including, the redemption date. If we elect to redeem any shares of Series C Preferred Stock as described in this paragraph, we may use any available cash to pay the redemption price, and we will not be required to pay the redemption price only out of the proceeds from the issuance of other equity securities or any other specific source. We may not elect to optionally redeem the Series C Preferred Stock prior to April 15, 2025.

Special Optional Redemption. Upon the occurrence of a Change of Control, we may, at our option, upon not less than 30 nor more than 60 days' written notice, redeem the Series C Preferred Stock, in whole or in part, within 120 days after the first date on which such Change of Control occurred, for cash at a redemption price of $25.00 per share, plus any accumulated and unpaid dividends thereon to, but not including, the redemption date. If, prior to the Change of Control Conversion Date, we have provided notice of our election to redeem some or all of the shares of Series C Preferred Stock (whether pursuant to our optional redemption right described above under "—Optional Redemption" or this special optional redemption right), the holders of Series C Preferred Stock will not have the Change of Control Conversion Right (as defined below) described below under "—Conversion Rights" with respect to the shares called for redemption. If we elect to redeem any shares of the Series C Preferred Stock as described in this paragraph, we may use any available cash to pay the redemption price, and we will not be required to pay the redemption price only out of the proceeds from the issuance of other equity securities or any other specific source.

A "Change of Control" is deemed to occur when, after the original issuance of the Series C Preferred Stock, the following have occurred and are continuing:

- the acquisition by any person, including any syndicate or group deemed to be a "person" under Section 13(d)(3) of the Exchange Act, of beneficial ownership, directly or indirectly, through a purchase, merger or other acquisition transaction or series of purchases, mergers or other acquisition transactions of our stock entitling that person to exercise more than 50% of the total voting power of all our stock entitled to vote generally in the election of our directors (except that such person will be deemed to have beneficial ownership of all securities that such person has the right to acquire, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition); and

- following the closing of any transaction referred to in the bullet point above, neither we nor the acquiring or surviving entity has a class of common securities (or American Depositary Receipts representing such securities) listed on the New York Stock Exchange ("NYSE"), the NYSE American or Nasdaq Stock Market ("Nasdaq"), or listed or quoted on an exchange or quotation system that is a successor to the NYSE, the NYSE American or Nasdaq.

Redemption Procedures. In the event we elect to redeem shares of Series C Preferred Stock, the notice of redemption will be mailed to each holder of record of shares of Series C Preferred Stock at such holder's address as it appears on our stock transfer records and will state the following:

- the redemption date;
- the number of shares of Series C Preferred Stock to be redeemed;
- the redemption price;
- the place or places where certificates (if any) for the Series C Preferred Stock are to be surrendered for payment of the redemption price;
- that dividends on the shares to be redeemed will cease to accumulate on the redemption date;
- whether such redemption is being made pursuant to the provisions described above under "—Optional Redemption" or "—Special Optional Redemption";
- if applicable, that such redemption is being made in connection with a Change of Control and, in that case, a brief description of the transaction or transactions constituting such Change of Control; and
- if such redemption is being made in connection with a Change of Control, that the holders of the Series C Preferred Stock being so called for redemption will not be able to tender such shares of Series C Preferred Stock for conversion in connection with the Change of Control and that each share of Series C Preferred Stock tendered for conversion that is called, prior to the Change of Control Conversion Date, for redemption will be redeemed on the related date of redemption instead of converted on the Change of Control Conversion Date.

If less than all of the shares of Series C Preferred Stock held by any holder are to be redeemed, the notice mailed to such holder shall also specify the number of shares of the Series C Preferred Stock held by such holder to be redeemed. No failure to give such notice or any defect thereto or in the mailing thereof shall affect the validity of the proceedings for the redemption of any shares of Series C Preferred Stock except as to the holder to whom notice was defective or not given.

Holders of Series C Preferred Stock to be redeemed shall surrender such preferred stock at the place designated in the notice of redemption and shall be entitled to the redemption price and any accumulated and unpaid dividends payable upon the redemption following the surrender. If notice of redemption of any shares of Series C Preferred Stock has been given and if we have irrevocably set aside the funds necessary for redemption in trust for the benefit of the holders of the shares of Series C Preferred Stock so called for redemption, then from and after the redemption date (unless we default in providing for the payment of the redemption price plus accumulated and unpaid dividends, if any), dividends will cease to accrue on those shares of Series C Preferred Stock, those shares of Series C Preferred Stock shall no longer be deemed outstanding and all rights of the holders of those shares will terminate, except the right to receive the redemption price plus accumulated and unpaid dividends, if any, payable upon redemption. If any redemption date is not a business day, then the redemption price and accumulated and unpaid dividends thereon, if any, payable upon redemption may be paid on the next business day and no interest, additional dividends or other sums will accrue on the amount payable for the period from and after that redemption date to that next business day. If less than all of the outstanding shares of Series C Preferred Stock is to be redeemed, the shares to be redeemed shall be selected pro rata (as nearly as may be practicable without creating fractional shares).

Immediately prior to any redemption of Series C Preferred Stock, we shall pay, in cash, any accumulated and unpaid dividends through and including the redemption date, unless a redemption date falls after a dividend record date and prior to the corresponding dividend payment date, in which case each holder of Series C Preferred Stock at the close of business on such dividend record date shall be entitled to the dividend payable on such shares on the corresponding dividend payment date notwithstanding the redemption of such shares before such dividend payment date. Except as provided above, we will make no payment or allowance for unpaid dividends, whether or not in arrears, on shares of the Series C Preferred Stock to be redeemed.

Unless full cumulative dividends on all shares of Series C Preferred Stock have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof has been or contemporaneously is set apart for payment for all past dividend periods, no shares of Series C Preferred Stock shall be redeemed unless all outstanding shares of the Series C Preferred Stock are simultaneously redeemed and we shall not purchase or otherwise acquire directly or indirectly any shares of the Series C Preferred Stock (except by exchanging it for our capital stock ranking junior to the Series C Preferred Stock as to dividends and upon liquidation); provided, however, that the foregoing shall not prevent the purchase, redemption or acquisition by us of shares of the Series C Preferred Stock to preserve our REIT status or, in accordance with our articles of incorporation, avoid the direct or indirect imposition of a penalty tax in respect of, or protect the tax status of, any of our REMIC interests or pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding shares of the Series C Preferred Stock.

Subject to applicable law, we may purchase shares of Series C Preferred Stock in the open market, by tender or by private agreement. Any shares of Series C Preferred Stock that we acquire may be retired and re-classified as authorized but unissued shares of preferred stock, without designation as to class or series, and may thereafter be reissued as any class or series of preferred stock.

Conversion Rights

Upon the occurrence of a Change of Control, each holder of Series C Preferred Stock will have the right (unless, prior to the Change of Control Conversion Date, we have provided notice of our election to redeem some or all of the shares of Series C Preferred Stock held by such holder as described above under “—Redemption—Optional Redemption” or “—Redemption—Special Optional Redemption,” in which case such holder will have the right only with respect to shares of Series C Preferred Stock that are not called for redemption) to convert some or all of the Series C Preferred Stock held by such holder (the “Change of Control Conversion Right”) on the Change of Control Conversion Date into a number of shares of our common stock per share of Series C Preferred Stock (the “Common Stock Conversion Consideration”) equal to the lesser of:

- the quotient obtained by dividing (i) the sum of the $25.00 liquidation preference per share of Series C Preferred Stock plus the amount of any accumulated and unpaid dividends thereon to, but not including, the Change of Control Conversion Date (unless the Change of Control Conversion Date is after a dividend record date and prior to the corresponding dividend payment date for the Series C Preferred Stock, in which case no additional amount for such accumulated and unpaid dividends will be included in this sum) by (ii) the Common Stock Price, as defined below (such quotient, the “Conversion Rate”); and

- 2.63852 (“Share Cap”), subject to certain adjustments as described below.

Anything in our articles of incorporation to the contrary notwithstanding and except as otherwise required by law, the persons who are the holders of record of shares of Series C Preferred Stock at the close of business on a dividend record date will be entitled to receive the dividend payable on the corresponding dividend payment date notwithstanding the conversion of those shares after such dividend record date and on or prior to such dividend payment date and, in such case, the full amount of such dividend shall be paid on such dividend payment date to the persons who were the holders of record at the close of business on such dividend record date. Except as provided above, we will make no allowance for unpaid dividends that are not in arrears on the shares of Series C Preferred Stock to be converted.

The Share Cap is subject to pro rata adjustments for any share splits (including those effected pursuant to a distribution of our common stock to existing holders of our common stock), subdivisions or combinations (in each case, a “Share Split”) with respect to our common stock as follows: the adjusted Share Cap as the result of a Share Split will be the number of shares of our common stock that is equivalent to the product obtained by multiplying (i) the Share Cap in effect immediately prior to such Share Split by (ii) a fraction, the numerator of which is the number of shares of our common stock outstanding immediately after giving effect to such Share Split and the denominator of which is the number of shares of our common stock outstanding immediately prior to such Share Split.

For the avoidance of doubt, subject to the immediately succeeding sentence, the aggregate number of shares of our common stock (or equivalent Alternative Conversion Consideration (as defined below), as applicable) issuable or deliverable, as applicable, in connection with the exercise of the Change of Control Conversion Right with regard to Series C Preferred Stock will not exceed the product of (i) the number of outstanding shares of the Series C Preferred Stock and (ii) the Share Cap (such product, the “Exchange Cap”). The Exchange Cap is subject to pro rata adjustments for any Share Splits on the same basis as the corresponding adjustment to the Share Cap.

In the case of a Change of Control pursuant to which our common stock is or will be converted into cash, securities or other property or assets (including any combination thereof) (the “Alternative Form Consideration”), a holder of Series C Preferred Stock will receive upon conversion of such Series C Preferred Stock the kind and amount of Alternative Form Consideration which such holder would have owned or been entitled to receive upon the Change of Control had such holder held a number of shares of our common stock equal to the Common Stock Conversion Consideration immediately prior to the effective time of the Change of Control (the “Alternative Conversion Consideration”; the Common Stock Conversion Consideration or the Alternative Conversion Consideration, whichever shall be applicable to a Change of Control, is referred to as the “Conversion Consideration”).

If the holders of our common stock have the opportunity to elect the form of consideration to be received in the Change of Control, the Conversion Consideration in respect of such Change of Control will be deemed to be the kind and amount of consideration actually received by holders of a majority of the outstanding shares of our common stock that made or voted for such an election (if electing between two types of consideration) or holders of a plurality of the outstanding shares of our common stock that made or voted for such an election (if electing between more than two types of consideration), as the case may be, and will be subject to any limitations to which all holders of our common stock are subject, including, without limitation, pro rata reductions applicable to any portion of the consideration payable in such Change of Control.

We will not issue fractional shares of our common stock upon the conversion of the Series C Preferred Stock in connection with a Change of Control. Instead, we will make a cash payment equal to the value of such fractional shares based upon the Common Stock Price used in determining the Common Stock Conversion Consideration for such Change of Control.

Within 15 days following the occurrence of a Change of Control, provided that we have not then exercised our right to redeem all shares of Series C Preferred Stock pursuant to the redemption provisions described above, we will provide to holders of Series C Preferred Stock not being fully redeemed a notice of occurrence of the Change of Control that describes the resulting Change of Control Conversion Right. This notice will state the following:

- the events constituting the Change of Control;
- the date of the Change of Control;
- the last date on which the holders of the Series C Preferred Stock may exercise their Change of Control Conversion Right;
- the method and period for calculating the Common Stock Price;
- the Change of Control Conversion Date;
- that if, prior to the Change of Control Conversion Date, we have provided notice of our election to redeem all or any shares of the Series C Preferred Stock, holders will not be able to convert the shares called for redemption and such shares will be redeemed on the related redemption date, even if such shares have already been tendered for conversion pursuant to the Change of Control Conversion Right;
- if applicable, the type and amount of Alternative Conversion Consideration entitled to be received per share of the Series C Preferred Stock;
- the name and address of the paying agent, transfer agent and conversion agent for the Series C Preferred Stock;
- the procedures that the holders of the Series C Preferred Stock must follow to exercise the Change of Control Conversion Right (including procedures for surrendering shares for conversion through the facilities of a Depositary (as defined below)), including the form of conversion notice to be delivered by such holders as described below; and
- the last date on which holders of the Series C Preferred Stock may withdraw shares surrendered for conversion and the procedures that such holders must follow to effect such a withdrawal.

Under such circumstances, we will also issue a press release containing such notice for publication on Dow Jones & Company, Inc., Wall Street Journal, Business Wire, PR Newswire or Bloomberg Business News (or, if these organizations are not in existence at the time of issuance of the press release, such other news or press organization as is reasonably calculated to broadly disseminate the relevant information to the public), and post a notice on our website, in any event prior to the opening of business on the first business day following any date on which we provide the notice described above to the holders of the Series C Preferred Stock.

To exercise the Change of Control Conversion Right, the holders of Series C Preferred Stock will be required to deliver, on or before the close of business on the Change of Control Conversion Date, the certificates (if any) representing the shares of Series C Preferred Stock to be converted, duly endorsed for transfer (or, in the case of any shares of Series C Preferred Stock held in book-entry form through a Depositary, to deliver, on or before the close of business on the Change of Control Conversion Date, the shares of Series C Preferred Stock to be converted through the facilities of such Depositary), together with a written conversion notice in the form provided by us, duly completed, to our transfer agent. The conversion notice must state:

- the relevant Change of Control Conversion Date;
- the number of shares of Series C Preferred Stock to be converted; and
- that the Series C Preferred Stock is to be converted pursuant to the provisions of the Series C Preferred Stock.

The "Change of Control Conversion Date" is the date the applicable series of Series C Preferred Stock is to be converted, which will be a business day selected by us that is no fewer than 20 days nor more than 35 days after the date on which we provide the notice described above to the holders of the Series C Preferred Stock.

The "Common Stock Price" is (i) if the consideration to be received in the Change of Control by the holders of our common stock is solely cash, the amount of cash consideration per share of our common stock or (ii) if the consideration to be received in the Change of Control by holders of our common stock is other than solely cash (x) the average of the closing sale prices per share of our common stock (or, if no closing sale price is reported, the average of the closing bid and ask prices per share or, if more than one in either case, the average of the average closing bid and the average closing ask prices per share) for the ten consecutive trading days immediately preceding, but not including, the date on which such Change of Control occurred as reported on the principal United States securities exchange on which our common stock is then traded, or (y) the average of the last quoted bid prices for our common stock in the over-the-counter market as reported by Pink OTC Markets Inc. or similar organization for the ten consecutive trading days immediately preceding, but not including, the date on which such Change of Control occurred, if our common stock is not then listed for trading on a United States securities exchange.

Holders of Series C Preferred Stock may withdraw any notice of exercise of a Change of Control Conversion Right (in whole or in part) by a written notice of withdrawal delivered to our transfer agent prior to the close of business on the business day prior to the Change of Control Conversion Date. The notice of withdrawal delivered by any holder must state:

- the number of withdrawn shares of Series C Preferred Stock;

- if certificated Series C Preferred Stock has been surrendered for conversion, the certificate numbers of the withdrawn shares of Series C Preferred Stock; and

- the number of shares of Series C Preferred Stock, if any, which remain subject to the holder's conversion notice.

Notwithstanding the foregoing, if any shares of Series C Preferred Stock are held in book-entry form through The Depository Trust Company or a similar depositary (each, a "Depositary"), the conversion notice and/or the notice of withdrawal, as applicable, must comply with applicable procedures, if any, of the applicable Depositary.

Series C Preferred Stock as to which the Change of Control Conversion Right has been properly exercised and for which the conversion notice has not been properly withdrawn will be converted into the applicable Conversion Consideration in accordance with the Change of Control Conversion Right on the Change of Control Conversion Date, unless prior to the Change of Control Conversion Date we have provided notice of our election to redeem some or all of the shares of Series C Preferred Stock, as described above under "—Redemption—Optional Redemption" or "—Redemption—Special Optional Redemption," in which case only the shares of Series C Preferred Stock properly surrendered for conversion and not properly withdrawn that are not called for redemption will be converted as aforesaid. If we elect to redeem shares of Series C Preferred Stock that would otherwise be converted into the applicable Conversion Consideration on a Change of Control Conversion Date, such shares of Series C Preferred Stock will not be so converted and the holders of such shares will be entitled to receive on the applicable redemption date the redemption price described above under "—Redemption—Optional Redemption" or "—Redemption—Special Optional Redemption," as applicable.

We will deliver all securities, cash and any other property owing upon conversion no later than the third business day following the Change of Control Conversion Date. Notwithstanding the foregoing, the persons entitled to receive any shares of our common stock or other securities delivered on conversion will be deemed to have become the holders of record thereof as of the Change of Control Conversion Date.

In connection with the exercise of any Change of Control Conversion Right, we will comply with all federal and state securities laws and stock exchange rules in connection with any conversion of Series C Preferred Stock into shares of our common stock or other property. Notwithstanding any other provision of the Series C Preferred Stock, no holder of Series C Preferred Stock will be entitled to convert such Series C Preferred Stock into shares of our common stock to the extent that receipt of such common stock would cause such holder (or any other person) to exceed the applicable share ownership limitations contained in our articles of incorporation and our articles of incorporation, unless we provide an exemption from this limitation to such holder. Please see the section entitled "—Restrictions on Ownership and Transfer" below and "Description of Our Capital Stock—Overview—Restrictions On Ownership and Transfer" above.

The Change of Control conversion feature may make it more difficult for a third party to acquire us or discourage a party from acquiring us.

Except as provided above in connection with a Change of Control, the Series C Preferred Stock is not convertible into or exchangeable for any other securities or property.

Voting Rights

Holders of the Series C Preferred Stock will not have any voting rights, except as set forth below or as otherwise required by law.

Whenever dividends on any shares of Series C Preferred Stock are in arrears for six or more quarterly dividend periods, whether or not consecutive, the number of directors constituting our Board of Directors will be automatically increased by two (if not already increased by two by reason of the election of directors by the holders of any other class or series of our preferred stock we may issue upon which similar voting rights have been conferred and are exercisable and with which the holders of the Series C Preferred Stock is entitled to vote as a class with respect to the election of those two directors) and the holders of the Series C Preferred Stock (voting separately as a class with all other classes or series of preferred stock we may issue upon which similar voting rights have been conferred and are exercisable and which are entitled to vote as a class with the Series C Preferred Stock in the election of those two directors) will be entitled to vote for the election of those two additional directors at a special meeting called by us at the request of (i) the holders of record of at least 25% of the outstanding shares of Series C Preferred Stock or (ii) by the holders of any other class or series of preferred stock upon which similar voting rights have been conferred and are exercisable and which are entitled to vote as a class with the holders of the Series C Preferred Stock in the election of those two directors (unless the request is received less than 90 days before the date fixed for the next annual or special meeting of shareholders, in which case, such vote will be held at the earlier of the next annual or special meeting of shareholders), and at each subsequent annual meeting until all dividends accumulated on the Series C Preferred Stock for all past dividend periods and the then current dividend period shall have been fully paid or declared and a sum sufficient for the payment thereof set aside for payment. In that case, the right of holders of the Series C Preferred Stock to elect any directors will cease and, unless there are other classes or series of our preferred stock upon which similar voting rights have been conferred and are exercisable, any directors elected by holders of the Series C Preferred Stock shall immediately resign and the number of directors constituting the Board of Directors shall be reduced accordingly. For the avoidance of doubt, in no event shall the total number of directors elected by holders of Series C Preferred Stock (voting separately as a class with all other classes or series of preferred stock we may issue upon which similar voting rights have been conferred and are exercisable and which are entitled to vote as a class with the Series C Preferred Stock in the election of such directors) pursuant to these voting rights exceed two.

If a special meeting is not called by us within 30 days after request from the holders of Series C Preferred Stock as described above, then the holders of record of at least 25% of the shares outstanding of such series may designate a holder to call the meeting at our expense.

On each matter on which holders of Series C Preferred Stock are entitled to vote, each share of such series of Series C Preferred Stock will be entitled to one vote, except that when shares of any other class or series of our preferred stock have the right to vote with the Series C Preferred Stock as a single class on any matter, the Series C Preferred Stock and the shares of each such other class or series will have one vote for each $25.00 of liquidation preference (excluding accumulated dividends).

So long as any shares of Series C Preferred Stock remain outstanding, we will not, without the affirmative vote or consent of the holders of at least two-thirds of the shares of the Series C Preferred Stock outstanding at the time, given in person or by proxy, either in writing or at a meeting (voting together as a voting group with all series of parity preferred stock that we may issue upon which similar voting rights have been conferred and are exercisable), (a) authorize or create, or increase the authorized or issued amount of, any class or series of capital stock ranking senior to the Series C Preferred Stock with respect to payment of dividends or the distribution of assets upon liquidation, dissolution or winding up or reclassify any of our authorized capital stock into such shares, or create, authorize or issue any obligation or security convertible into or evidencing the right to purchase any such shares; or (b) amend, alter or repeal the provisions of our articles of incorporation, whether by merger, consolidation or otherwise, so as to materially and adversely affect any right, preference, privilege or voting power of the Series C Preferred Stock (each, an "Event"); provided, however, with respect to the occurrence of any Event set forth in (b) above, so long as the Series C Preferred Stock remains outstanding with the terms thereof materially unchanged, taking into account that, upon an occurrence of an Event, we may not be the surviving entity, the occurrence of any such Event shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting power of holders of the Series C Preferred Stock; provided, further that if an Event set forth in (b) above affects materially and adversely any right, preference, privilege or voting power of the Series C Preferred Stock but not all of the series of our preferred stock that we may issue upon which similar voting rights have been conferred and are exercisable, the vote or consent that is required will be the vote or consent of the holders of at least two-thirds of the outstanding shares of the Series C Preferred Stock and all such other series so affected (voting together as a single voting group); and, provided further, that any increase in the amount of the authorized preferred stock, including the Series C Preferred Stock, or the creation or issuance of any additional shares of common stock or Series C Preferred Stock or other series of preferred stock that we may issue, or any increase in the amount of authorized shares of such series, in each case ranking on a parity with or junior to the Series C Preferred Stock that we may issue with respect to payment of dividends or the distribution of assets upon liquidation, dissolution or winding up, shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers.

The foregoing voting provisions will not apply to Series C Preferred Stock if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding shares of Series C Preferred Stock shall have been redeemed or called for redemption upon proper notice and sufficient funds shall have been deposited in trust to effect such redemption.

Except as expressly stated in our articles of incorporation or as may be required by applicable law, the Series C Preferred Stock will not have any relative, participating, optional or other special voting rights or powers and the consent of the holders thereof shall not be required for the taking of any corporate action.

Information Rights

During any period in which we are not subject to Section 13 or 15(d) of the Exchange Act and any shares of Series C Preferred Stock are outstanding, we will use our best efforts to (i) transmit by mail (or other permissible means under the Exchange Act) to all holders of Series C Preferred Stock, as their names and addresses appear on our record books and without cost to such holders, copies of the annual reports on Form 10-K and quarterly reports on Form 10-Q that we would have been required to file with the Securities and Exchange Commission (the "SEC") pursuant to Section 13 or 15(d) of the Exchange Act if we were subject thereto (other than any exhibits that would have been required) and (ii) promptly, upon request, supply copies of such reports to any holders or prospective holder of Series C Preferred Stock. We will use our best effort to mail (or otherwise provide) the information to the holders of Series C Preferred Stock within 15 days after the respective dates by which a periodic report on Form 10-K or Form 10-Q, as the case may be, in respect of such information would have been required to be filed with the SEC, if we were subject to Section 13 or 15(d) of the Exchange Act, in each case, based on the dates on which we would be required to file such periodic reports if we were a "non-accelerated filer" within the meaning of the Exchange Act.

Restrictions on Ownership and Transfer

Please see the section entitled "Description of Our Capital Stock—Overview—Restrictions On Ownership and Transfer" above.

In addition to the restrictions on ownership and transfer of the Series C Preferred Stock discussed in such section, no holder of Series C Preferred Stock will be entitled to convert the Series C Preferred Stock into our common stock upon a Change of Control to the extent that receipt of our common stock would cause the holder to exceed the Ownership Limit, unless our Board of Directors waives this limitation.

Preemptive Rights

No holders of Series C Preferred Stock will, as holders of Series C Preferred Stock, have any preemptive rights to purchase or subscribe for our common stock or any other security.

DYNEX CAPITAL, INC.

Statement of Policy Regarding Trading in Company Securities

Dynex Capital, Inc. (the "Company") has a strict policy against insider trading violations that applies to all directors, officers and other employees. This policy statement assists directors, officers and other employees in complying with the federal securities laws (the "Insider Trading Policy").

The Need For A Policy Statement

It is a violation of the federal securities laws for an individual to purchase or sell securities while aware of material nonpublic (or "inside") information or to disclose material nonpublic information to others ("tippees") who then trade. Insider trading violations are pursued vigorously by the Securities and Exchange Commission ("SEC") and the Department of Justice and can be punished severely. The federal securities laws also impose potential liability on companies and other "controlling persons" (discussed below) if they fail to take reasonable steps to prevent prohibited insider trading by company personnel.

The Consequences

The consequences of an insider trading violation can be severe:

Trading and Tipping. Persons (or their tippees) who trade on material nonpublic information are subject to the following penalties:

- a civil penalty of up to three times the profit gained or loss avoided;
- a criminal fine of up to $5,000,000 (no matter how small the profit); and
- a jail term of up to 20 years.

A person who tips information to a tippee is subject to the same penalties as the tippee.

Controlling Persons. The Company and its supervisory personnel, if they fail to take appropriate steps to prevent prohibited insider trading, are subject to the following penalties:

- a civil penalty of up to $1,000,000 or, if greater, three times the profit gained or loss avoided as a result of the Company insider's violation; and
- a criminal fine of up to $25,000,000.

Company-Imposed Sanctions. The Company takes its commitment to compliance seriously. Independent of any governmental action or penalty, an employee who violates the Insider Trading Policy may be subject to Company-imposed sanctions, including dismissal for cause, whether or not the failure to comply with the Insider Trading Policy results in a violation of law.

Persons Subject to the Policy

The Insider Trading Policy applies to all members of the Company's Board of Directors and all officers and other employees of the Company and its subsidiaries. The Company, through the Chief Financial Officer, may also determine that other persons are subject to the Insider Trading Policy, such as contractors or consultants who have access to the Company's material nonpublic information. The Insider Trading Policy also applies to family members and other members of the household of a person who is subject to the Insider Trading Policy, and entities that are controlled or influenced by a person who is subject to the Insider Trading Policy, as described further below.

Transactions by Family Members and Members of Your Household. The Insider Trading Policy applies to your family members who reside with you, anyone else who lives in your household, and any family members who do not live in your household but whose transactions in Company securities are directed by you or are subject to your influence or control (such as parents or children who consult with you before they engage in a transaction in Company securities). You are responsible for the transactions of these other persons and, therefore, should make them aware of the need to check with you before they engage in any transaction in the Company's securities.

Transactions by Entities that You Influence or Control. The Insider Trading Policy applies to any entities that you influence or control, including any corporations, partnerships or trusts (collectively referred to as "Controlled Entities"). Transactions by these Controlled Entities should be treated for the purposes of the Insider Trading Policy and applicable securities laws as if they were for your own account.

You are personally responsible for ensuring that you do not engage in prohibited insider trading. You are also personally responsible for ensuring that your family members, other members of your household and any Controlled Entities do not engage in prohibited insider trading. You should refer to the Insider Trading Policy before any transaction, use good judgment and seek guidance whenever you are in doubt.

Transactions Subject to the Policy

The Insider Trading Policy applies to transactions in the Company's securities, including the Company's common stock, preferred stock and any other type of securities that the Company may issue, including without limitation options to purchase the Company's stock, convertible debentures and warrants.

The Insider Trading Policy provides exceptions for certain transactions that do not raise concerns about violating federal securities laws. Those transactions are specifically identified below under the headings "Transactions Under Company Plans," "Gifts" and "Rule 10b5-1 Trading Plans."

Statement of Policy

No director, officer or other employee who is aware of material nonpublic information relating to the Company may, directly or through family members or other persons or entities, engage in transactions in the securities of the Company, except as otherwise specified below under the headings “Transactions Under Company Plans,” “Gifts” and “Rule 10b5-1 Trading Plans.”

No director, officer or other employee who is aware of material nonpublic information relating to the Company may engage in any other action to take personal advantage of that information or pass that information on to others outside the Company, including family and friends.

If a director, officer or other employee learns, in the course of working for the Company, of material nonpublic information about another company with which the Company does business (including a counterparty or supplier of the Company), the individual may not engage in any transaction in that other company’s securities until the information becomes public or is no longer material and may not pass that information on to others outside the Company, including family and friends.

Transactions that a person may feel to be necessary or justifiable for independent reasons (such as the need to raise money for an emergency expenditure) are not excepted from the Insider Trading Policy. The federal securities laws do not recognize such mitigating circumstances.

Recognizing Material Nonpublic Information

Material Information. Material information is any information that a reasonable investor would consider important in making a decision to buy, hold or sell securities. Any information that could be expected to affect the Company’s stock price, whether it is positive or negative, should be considered material. Some examples of information that ordinarily would be regarded as material are:

- projections of future earnings or losses, or other earnings guidance;
- earnings that are inconsistent with the consensus expectations of the investment community;
- significant changes to the Company’s investment portfolio or investment strategy;
- a pending or proposed merger, acquisition or tender offer;
- a pending or proposed acquisition or disposition of a significant asset;
- a change in dividend policy or the declaration of a stock split;
- a pending or proposed offering of additional securities;
- a pending or proposed joint venture;
- pending or threatened significant litigation or the resolution of such litigation;
- bank borrowings or other financing transactions out of the ordinary course of business;
- a change in management;
- a significant cybersecurity incident; and
- impending bankruptcy or the existence of severe liquidity problems.

When Information is "Public". Information should not be considered public until it has been disclosed broadly to the marketplace (generally through an SEC filing or press release) and the investing public has had time to absorb the information fully. As a general rule, information should not be considered fully absorbed by the marketplace until one full trading day has elapsed since the information was released. If, for example, the Company makes a material announcement on a Monday after trading begins, you should not purchase or sell the Company's securities until Wednesday. If an announcement is made on a Friday after trading begins, Tuesday generally would be the first eligible trading day for a purchase or sale.

If you have any question as to whether information should be considered material or publicly available, please err on the side of caution and direct an inquiry to the Chief Financial Officer.

Disclosure of Information to Others. The Company is required under Regulation FD of the federal securities laws to avoid the selective disclosure of material nonpublic information. The Company has established procedures for releasing material information to the public. You may not disclose the Company's material nonpublic information to anyone outside the Company, including family members and friends, or discuss such information through online social media, a blog, or any similar Internet-based forum, other than in accordance with the Company's procedures. Even within the Company, material nonpublic information should not be shared with or accessed by any person who does not need that information as part of his or her Company responsibilities or job function.

Exceptions to the Policy

Transactions Under Company Plans. The Insider Trading Policy does not apply to the following transactions under Company plans, except as specifically noted below:

Stock Option Exercises and Exercises of Stock Appreciation Rights. The Insider Trading Policy does not apply to the exercise of a director or employee stock option or stock appreciation right granted under any Company stock incentive plan, or to the exercise of a tax withholding right pursuant to which you elect to have the Company withhold shares subject to an option or stock appreciation right to satisfy tax withholding requirements. The Insider Trading Policy (including the restrictions set forth below under the headings "Pre-Clearance Procedures" and "Blackout Periods," if applicable) does apply, however, to any sale of stock as part of a broker-assisted cashless exercise of an option, or any other market sale for the purpose of generating the cash needed to pay the exercise price of an option. The Insider Trading Policy (including the restrictions set forth below under the headings "Pre-Clearance Procedures" and "Blackout Periods," if applicable) also applies to any market sale of stock received upon exercise of an option or stock appreciation right.

Restricted Stock Awards. The Insider Trading Policy does not apply to the vesting of restricted stock granted under any Company stock incentive plan, or to the exercise of a tax withholding right pursuant to which you elect to have the Company withhold shares subject to an award to satisfy tax withholding requirements upon the vesting of any restricted stock. The Insider Trading Policy (including the restrictions set forth below under the headings "Pre-Clearance Procedures" and "Blackout Periods," if applicable) does apply, however, to any market sale of previously restricted stock.

401(k) Plan. The Insider Trading Policy does not apply to automatic purchases of Company stock in the 401(k) plan resulting from your periodic contribution of money to the plan pursuant to a deduction election or pursuant to periodic reinvestment of cash dividends allocated to the Company stock fund. The Insider Trading Policy (including the restrictions set forth below under the headings "Pre-Clearance Procedures" and "Blackout Periods," if applicable) does apply, however, to certain elections you may make under the 401(k) plan, including (a) an election to increase or decrease the percentage of your periodic contributions that will be allocated to the Company stock fund, (b) an election to make an intra-plan transfer of an existing account balance into or out of the Company stock fund, (c) an election to participate in the reinvestment of cash dividends allocated to the Company stock fund, if such reinvestment is offered under the 401(k) plan on an elective basis, (d) an election to change the level of cash dividend reinvestment or to cease participating in the reinvestment of cash dividends allocated to the Company stock fund, if such reinvestment is offered under the 401(k) plan on an elective basis, (e) an election to borrow money against your 401(k) plan account if the loan will result in a liquidation of some or all of your Company stock fund balance, and (f) an election to pre-pay a plan loan if the pre-payment will result in allocation of loan proceeds to the Company stock fund.

Employee Stock Purchase Plan. The Insider Trading Policy does not apply to automatic purchases of Company stock in an employee stock purchase plan, if one is implemented, resulting from the periodic contribution of money to the plan pursuant to the election made at the time of enrollment in the plan. The Insider Trading Policy also does not apply to purchases of Company stock resulting from lump-sum contributions to the plan, provided that you elected to participate by lump-sum payment at the beginning of the applicable enrollment period. The Insider Trading Policy (including the restrictions set forth below under the headings "Pre-Clearance Procedures" and "Blackout Periods," if applicable) does apply, however, to your election to participate in the plan for any enrollment period (either through periodic contributions or lump-sum contributions), and to your sales of Company stock purchased pursuant to the plan.

Dividend Reinvestment Plan. The Insider Trading Policy does not apply to automatic purchases of Company stock under the Company's dividend reinvestment plan or under a broker-provided dividend reinvestment plan resulting from your reinvestment of dividends paid on Company securities. The Insider Trading Policy (including the restrictions set forth below under the headings "Pre-Clearance Procedures" and "Blackout Periods," if applicable) does apply, however, to voluntary purchases of Company stock resulting from additional contributions you choose to make to such a plan, and to your election to participate in such a plan or to increase your level of participation in such a plan. The Insider Trading Policy (including the restrictions set forth below under the headings "Pre-Clearance Procedures" and

"Blackout Periods," if applicable) also applies to your sale of any Company stock purchased pursuant to such a plan.

Gifts. The Insider Trading Policy does not apply to bona fide gifts of securities (including contributions to a trust and similar transfers) except as specifically noted in this section. In the case of charitable donations of securities, the recipient often intends to sell the donated securities upon or shortly after receipt of the donation. As a result, the Insider Trading Policy does apply to all charitable donations of Company securities and, accordingly, no director, officer or other employee may make a charitable donation of Company securities while in possession of material nonpublic information relating to the Company. In addition, a Designated Insider who is subject to the restrictions set forth below under the headings "Pre-Clearance Procedures" and "Blackout Periods" may not make a charitable donation of Company securities during a quarterly or event-specific blackout period and is encouraged to follow the pre-clearance procedures for any charitable donations outside of the blackout periods, all as set forth below.

Rule 10b5-1 Trading Plans. The SEC adopted Rule 10b5-1 to assist insiders of public companies in carrying out personal trading programs with reduced risk of violating insider trading laws. SEC Rule 10b5-1 permits directors, officers and other employees to implement written plans to purchase or sell Company securities even when in possession of material nonpublic information, provided the plan meets the conditions described below. The Rule 10b5-1 trading plan must specify the dates, prices and amounts of the contemplated trades or establish a formula for determining the dates, prices and amounts.

Rule 10b5-1 requires:

a**. Company Approval.** The Chief Financial Officer must review and approve any such Rule 10b5-1 trading plan ("Trading Plan") prior to its effectiveness, as well as any proposed modifications to a Trading Plan prior to the effectiveness of any such modification. Anyone seeking to establish a Trading Plan should contact the Chief Financial Officer at least two weeks prior to the proposed effective date of the Trading Plan. The acceptance by the Chief Financial Officer of a Trading Plan does not, however, mean that it automatically meets the requirements of Rule 10b5-1 or that persons adopting such Trading Plans will be insulated from insider trading liability; it is the responsibility of the individual to ensure compliance with insider trading laws and regulations, including Rule 10b5-1;

b**. Adoption**. At the time of adoption, the director, officer or employee who is initiating the plan may not be aware of any material nonpublic information about the Company or its securities and must adopt the Trading Plan in good faith and not as part of a plan or scheme to evade the prohibitions of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The relevant director, officer or employee must personally certify, through the Trading Plan, as such;

c. **No Subsequent Influence**. The Trading Plan must (1) specify the amount of securities to be purchased or sold and the price at which and the date on which the securities are to be purchased or sold, (2) include a written formula or algorithm, or computer program, for determining the amount of securities to be purchased or sold and the price at which and the date on which the securities are to be purchased or sold or (3) not permit the Company's director, officer or employee who is initiating the plan to exercise any subsequent influence over how, when or whether to effect purchases or sales and, in addition, any other person who, pursuant to the contract, instruction or plan did exercise such influence, must not have been aware of material nonpublic information when doing so;

d**. Single Trade Plans**. The Trading Plan meets the twelve-month limitation on single transaction plans set forth in Rule 10b5-1, subject to certain exceptions (i.e., to permit sell-to-cover plans);

e**. Duration.** The Trading Plan has a minimum duration of six months and maximum duration of 18 months;

f**. One Plan at a Time.** No one may adopt more than one Trading Plan at a time, except as specifically permitted by Rule 10b5-1; and

g**. Cooling-Off Period.** When establishing or amending a Trading Plan by director or officer, no purchases or sales pursuant to a plan may occur until the expiration of a cooling-off period ending on the later of 90 days after the adoption or modification of the plan, and two business days following the disclosure of the Company's financial results on a Form 10-Q or Form 10-K for the completed fiscal quarter in which the plan was adopted or modified; provided, however, that in no event shall the required cooling-off period exceed 120 days. When establishing or amending a Trading Plan by all other persons other than directors or officers, no purchases or sales may occur until the expiration of a cooling off period that is 30 days after the adoption or modification of the Trading Plan. An amendment or change to a Trading Plan that is treated as a termination of such plan and adoption of a new plan under Rule 10b5-1 shall be treated similarly for purposes of these requirements (including with respect to cooling-off periods). Furthermore, Trading Plans cannot be entered into or amended during an applicable quarterly or event-specific blackout period.

Once the Trading Plan is properly established in accordance with this section, transactions effected pursuant to such plan are excepted from the Insider Trading Policy. For the avoidance of doubt, this means that such transactions may occur during a quarterly or event-specific blackout period and are not subject to further pre-clearance at the time of the transaction.

Although Trading Plans may help insiders avoid trading on the basis of material nonpublic information, they do not eliminate the requirements and prohibitions contained in other relevant securities laws. Any trading plan must comply with the Section 16 reporting requirements and short-swing liability rules under the Exchange Act .

Other Transactions Prohibited by the Policy

In addition to prohibiting both intentional and unintentional violations of the federal securities laws, the Insider Trading Policy also prohibits certain transactions that the Company considers to be improper and inappropriate. It is the policy of the Company that no director, officer or other employee may engage in the following transactions, except as specifically noted below:

Short Sales. You may not engage in short sales. Short sales of the Company's securities reflect an expectation that the securities will decline in value, and therefore signal to the market that the seller has no confidence in the Company or its short-term prospects. In addition, short sales may reduce the seller's incentive to improve the Company's performance. For these reasons, short sales of the Company's securities are prohibited by the Insider Trading Policy. In addition, Section 16(c) of the Exchange Act prohibits officers and directors from engaging in short sales.

Publicly Traded Derivative Securities. You may not engage in transactions in options, puts, calls or other derivative securities relating to the Company's stock (other than the exercise of options or other awards granted under a Company stock incentive plan). A transaction in options is, in effect, a bet on the short-term movement of the Company's stock and therefore creates the appearance that you are trading based on material nonpublic information. Transactions in options also may focus your attention on short-term performance at the expense of the Company's long-term objectives. Accordingly, transactions in puts, calls or other derivative securities, on an exchange or in any other organized market, are prohibited by the Insider Trading Policy.

Hedging Transactions. You may not engage in hedging transactions involving Company securities. Certain forms of hedging or monetization transactions, such as zero-cost collars and forward sale contracts, allow a holder to lock in much of the value of his or her stock holdings, often in exchange for all or part of the potential for upside appreciation in the stock. These transactions allow the holder to continue to own the covered securities, but without the full risks and rewards of ownership. When that occurs, the holder may no longer have the same objectives as the Company's other shareholders. Accordingly, hedging transactions are prohibited by the Insider Trading Policy.

Margin Accounts and Pledges. Securities held in a margin account may be sold by the broker without the customer's consent if the customer fails to meet a margin call. Similarly, securities pledged (or hypothecated) as collateral for a loan may be sold in foreclosure if the borrower defaults on the loan. Because a margin sale or foreclosure sale may occur at a time when the pledgor is aware of material nonpublic information or otherwise is not permitted to engage in any transaction in Company securities, the Insider Trading Policy prohibits all members of the Company's Board of Directors and all officers and other employees from holding Company securities in a margin account. In addition, the Insider Trading Policy prohibits members of the Company's Board of Directors, and all officers and other employees from pledging Company securities as collateral for a loan.

Other Provisions Applicable to All Persons

Personal Responsibility. In all cases, the responsibility for determining whether an individual is in possession of material nonpublic information rests with that individual. Any action on the part of the Company, the Chief Financial Officer or any other employee or director pursuant to the Insider Trading Policy does not constitute legal, tax or investment advice and does not insulate an individual from liability under federal securities laws.

Company Assistance. If you have any questions about the Insider Trading Policy or its application to any proposed transaction, please seek additional guidance from the Chief Financial Officer.

Certifications. All directors, officers and other employees must annually certify their understanding of and intent to comply with the Insider Trading Policy. For individuals subject to the restrictions set forth below under the headings "Pre-Clearance Procedures" and "Blackout Periods," the certification also covers compliance with those additional procedures.

Post-Termination Transactions. The Insider Trading Policy continues to apply to transactions in Company securities even after termination of service to the Company. A director, officer or other employee who is aware of material nonpublic information when he or she terminates service may not purchase or sell Company securities until that information has become public or is no longer material. In addition, an individual who is subject to the restrictions set forth below under the headings "Pre-Clearance Procedures" and "Blackout Periods" at the time of his or her termination will remain subject to those additional procedures with regard to transactions in Company securities until the expiration of any blackout period that is applicable to him or her at the time of termination of service.

Twenty-Twenty Hindsight. Remember, anyone scrutinizing your transactions will be doing so after the fact, with the benefit of hindsight. As a practical matter, before engaging in any transaction, you should carefully consider how enforcement authorities and others might view the transaction in hindsight.

Additional Restrictions Applicable to Certain Individuals

To prevent violations of the federal securities laws and to avoid even the appearance of trading on material nonpublic information, the Insider Trading Policy imposes additional restrictions on certain individuals. The following provisions apply only to the Designated Insiders, except as specifically noted below:

Pre-Clearance Procedures. The Company recommends that Designated Insiders, together with their family members, other members of their households and any Controlled

Entities, not engage in any transaction in the Company's securities (including making a gift) without first obtaining pre-clearance of the transaction from the Chief Financial Officer. A request for pre-clearance should be submitted to the Chief Financial Officer at least two business days in advance of the proposed transaction. The Chief Financial Officer is under no obligation to approve a transaction submitted for pre-clearance, and may determine not to permit the transaction.

As set forth above under the heading "Rule 10b5-1 Trading Plans," a Designated Insider who wishes to implement a trading plan under SEC Rule 10b5-1 must pre-clear the plan with the Chief Financial Officer at least two weeks prior to the proposed effective date of the plan.

Blackout Periods.

Quarterly Blackout Periods. Subject to the next sentence, Designated Insiders, together with their family members, other members of their households and any Controlled Entities, may not engage in any transaction in the Company's securities (other than as specifically noted in the Insider Trading Policy) during the period beginning on the last business day of the Company's fiscal quarter and ending after one full trading day following the Company's issuance of its quarterly earnings release; provided, however, that this restriction does not apply to transactions in the Company's securities in which the Company itself is the seller or purchaser and is not in possession of material nonpublic information, including without limitation "at the market" offerings or purchases under the Company's repurchase program, as may be in effect from time to time. The Chief Financial Officer retains the discretion to designate any other individual as being subject to a quarterly blackout period by notifying such individual of such designation.

Event-Specific Blackout Periods. From time to time, an event may occur or may be anticipated to occur that is material to the Company and is known by only a few individuals within the Company. In addition, the Company may on occasion issue interim earnings guidance or other potentially material information by means of a press release, SEC filing or other means designed to achieve widespread dissemination of the information and may assign individuals to assemble the information to be released.

In any situation in which the Chief Financial Officer determines it to be appropriate, the Chief Financial Officer retains the discretion to designate any individual as being subject to an event-specific blackout period during which he or she may not engage in any transaction in the Company's securities (other than as specifically noted in the Insider Trading Policy) until the information has been released and fully absorbed by the market. The Chief Financial Officer will notify any such individual of such designation, which will also apply to such individual's family members, other members of his or her household, and any Controlled Entities. Any person made aware of the existence of an event-specific blackout period should not disclose the existence of the blackout to any other person. The failure of the Chief Financial Officer to designate a person as being subject to an event-specific blackout period will not relieve that person of the personal obligation not to engage in any transaction while aware of material nonpublic information (other than as specifically noted in the Insider Trading Policy).

Hardship Exceptions. A Designated Insider who has an unexpected and urgent need to sell Company securities to generate cash may, in appropriate circumstances, be permitted to sell Company securities even during the quarterly blackout period. Hardship exceptions may be granted only by a consensus of the Chief Executive Officer (or if there is no Chief Executive Officer, the Chairperson of the Board of Directors) and the Chief Financial Officer. In the absence of a consensus, the Designated Insider may bring the hardship exception request to the Board of Directors. A hardship exception may be granted only if the Chief Executive Officer (or Chairperson of the Board of Directors, as applicable) and Chief Financial Officer, or the Board as the case may be, concludes that the Designated Insider does not possess material nonpublic information at the time. Under no circumstance will a hardship exception be granted during an event-specific blackout period.

Transactions by the Chief Financial Officer. If the Chief Financial Officer desires to engage in any transaction subject to the Insider Trading Policy, the Chief Financial Officer will follow all policies and procedures as outlined herein. Where such transaction requires guidance or approval, the Chief Financial Officer will seek guidance from or submit such transaction for approval to the Chief Executive Officer or President, or in the absence of such, to the Chairperson of the Board of Directors.

Exceptions. The Company has determined that certain transactions specifically identified in the Insider Trading Policy do not raise concerns about violating federal securities laws and has excepted such transactions from the Insider Trading Policy. The additional procedures set forth above under the headings “Pre-Clearance Procedures” and “Blackout Periods” do not apply to those transactions to which the Insider Trading Policy does not apply.

***

You are personally responsible for ensuring that you do not engage in prohibited insider trading. You are also personally responsible for ensuring that your family members, other members of your household and any Controlled Entities do not engage in prohibited insider trading. You should refer to the Insider Trading Policy before any transaction, use good judgment and seek guidance whenever you are in doubt.

Originally approved on July 25, 2002 and last amended and approved December 2023, in each case by the Board of Directors of Dynex Capital, Inc.

ANNUAL CERTIFICATION

I certify that:

1. I have read and understand the Company's Statement of Policy Regarding Trading in Company Securities dated December 2023 (the "Insider Trading Policy"). I understand that the Chief Financial Officer is available to answer any questions I have regarding the Insider Trading Policy.

2. I understand that the Insider Trading Policy applies to my family members who reside with me, anyone else who lives in my household, and any family members who do not live in my household but whose transactions in Company securities are directed by me or are subject to my influence or control and that I am responsible for the transactions of these other persons. I understand that the Insider Trading Policy applies to entities subject to my influence or control and that I should treat transactions by these entities as if they were for my own account.

3. For such time as I have been an employee or director of the Company through the date hereof, I have complied with the Company's previously stated policies regarding insider trading and the SEC rules and regulations regarding insider trading.

4. I will comply with the Insider Trading Policy for as long as I am subject to the policy.

5. I understand that failure to comply with the Insider Trading Policy may subject me to Company-imposed sanctions, including dismissal for cause, whether or not the failure to comply results in a violation of law.

Signature: ________________

Printed Name: ________________

Date: ________________

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-281180) and Form S-8 (No. 333-198796, 333-224967, and 333-239097) of Dynex Capital, Inc. (the "Company") of our reports dated February 28, 2025, relating to the consolidated financial statements, and the effectiveness of the Company's internal control over financial reporting, which appear in this Form 10-K.

BDO USA, P.C.

Richmond, Virginia

February 28, 2025

Exhibit 31.1

CERTIFICATIONS

I, Byron L. Boston, certify that:

1. I have reviewed this Annual Report on Form 10-K of Dynex Capital, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2025

/s/ Byron L. Boston
Byron L. Boston
Co-Principal Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Smriti L. Popenoe, certify that:

1. I have reviewed this Annual Report on Form 10-K of Dynex Capital, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2025

/s/ Smriti L. Popenoe
Smriti L. Popenoe
Co-Principal Executive Officer

Exhibit 31.3

CERTIFICATIONS

I, Robert S. Colligan, certify that:

1. I have reviewed this Annual Report on Form 10-K of Dynex Capital, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2025

/s/ Robert S. Colligan
Robert S. Colligan
Principal Financial Officer

Exhibit 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER PURSUANT TO SECTION 906

In connection with the Annual Report on Form 10-K of Dynex Capital, Inc. (the "Company") for the year ended December 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, as the Principal Executive Officers of the Company and the Principal Financial Officer of the Company, respectively, certify, pursuant to and for purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to their knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date:	February 28, 2025	/s/ Byron L. Boston Byron L. Boston Co-Principal Executive Officer
Date:	February 28, 2025	/s/ Smriti L. Popenoe Smriti L. Popenoe Co-Principal Executive Officer
Date:	February 28, 2025	/s/ Robert S. Colligan Robert S. Colligan Principal Financial Officer