
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): April 29, 2015

DYNEX CAPITAL, INC.

(Exact name of registrant as specified in its charter)

Virginia
(State or other jurisdiction
of incorporation)

1-9819
(Commission File Number)

52-1549373
(IRS Employer
Identification No.)

4991 Lake Brook Drive, Suite 100
Glen Allen, Virginia
(Address of principal executive offices)

23060-9245
(Zip Code)

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

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02 Results of Operations and Financial Condition.

On April 29, 2015, Dynex Capital, Inc. issued a press release, which is available on its website (www.dynexcapi.com under “Investor Relations/News & Market Information”), reporting its financial condition and financial results as of and for the quarter ended March 31, 2015. A copy of the press release is being furnished as Exhibit 99.1 to this report and is incorporated by reference into this Item 2.02.

Item 9.01 Financial Statements and Exhibits.**(d) Exhibits**

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|------------------------------------|
| 99.1 | Press Release dated April 29, 2015 |

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

DYNEX CAPITAL, INC.

Date: April 29, 2015

By: /s/ Stephen J. Benedetti
Stephen J. Benedetti
Executive Vice President, Chief Operating Officer and Chief
Financial Officer

PRESS RELEASE

FOR IMMEDIATE RELEASE

CONTACT:

**Alison Griffin
(804) 217-5897**

DYNEX CAPITAL, INC. REPORTS FIRST QUARTER 2015 RESULTS

GLEN ALLEN, Va. -- Dynex Capital, Inc. (NYSE: DX) reported its first quarter 2015 results today.

First Quarter 2015 Highlights

- Comprehensive income of \$11.3 million, or \$0.21 per common share, comprised of net loss to common shareholders of \$(11.8) million, or \$(0.21) per common share, and other comprehensive income of \$23.1 million, or \$0.42 per common share
- Core net operating income of \$12.4 million, or \$0.23 per common share
- Book value per common share of \$8.96 at March 31, 2015 versus \$9.02 at December 31, 2014
- Annualized economic return on beginning book value per common share of 7.98%, consisting of \$0.24 in dividends declared and \$0.06 decline in book value per common share during the quarter
- Overall leverage increased to 5.7x as a result of investment purchases of \$583.1 million during the quarter (5.4x excluding forward settling purchases)

Quarter-over-Quarter Highlights

(\$ in thousands, except per share amounts)

| | 1Q2015 | 4Q2014 | 1Q2014 |
|---|--------------|--------------|--------------|
| Net (loss) income per common share | \$ (0.21) | \$ 0.03 | \$ (0.06) |
| Core net operating income per common share ⁽¹⁾ | \$ 0.23 | \$ 0.23 | \$ 0.25 |
| Comprehensive income per common share | \$ 0.21 | \$ 0.11 | \$ 0.49 |
| Return on average common equity <i>(annualized)</i> | (9.5)% | 1.1% | (2.5)% |
| Adjusted return on average common equity <i>(annualized)</i> ⁽¹⁾ | 9.9 % | 10.1% | 11.3 % |
| Dividends per common share | \$ 0.24 | \$ 0.25 | \$ 0.25 |
| Book value per common share, end of period | \$ 8.96 | \$ 9.02 | \$ 8.87 |
| Debt to shareholders' equity ratio, end of period | 5.7x | 5.1x | 5.9x |
| Average interest earning assets | \$ 3,577,644 | \$ 3,529,711 | \$ 4,002,555 |
| Average interest bearing liabilities | \$ 3,111,783 | \$ 3,054,355 | \$ 3,509,889 |
| Weighted average effective yield | 2.62 % | 2.64% | 2.74 % |
| Annualized cost of funds | 0.69 % | 0.72% | 0.87 % |
| Net interest spread | 1.93 % | 1.92% | 1.87 % |
| Adjusted net interest spread ⁽¹⁾ | 1.96 % | 1.97% | 1.88 % |

(1) Core net operating income per common share, adjusted return on average common equity, and adjusted net interest spread are non-GAAP financial measures and are reconciled in the supplement to this release.

Conference Call

As previously announced, the Company's quarterly conference call to discuss the first quarter results is today at 11:00 a.m. Eastern Time. Interested investors may access the call by dialing 1-888-339-0823 or by accessing the live webcast, the link for which is provided under "Investor Center/News & Market Information/Event Calendar" on our website (www.dynexcapital.com). A slide presentation will accompany the webcast and will also be available at least one hour prior to the call at the same location on our website.

Book Value Per Common Share

Book value per common share was \$8.96 at March 31, 2015, a decrease of \$(0.06) per common share from December 31, 2014. Overall, book value per common share decreased primarily from the flattening in the yield curve during the quarter and capital stock transactions.

Investments

Below is a summary of the activity in the Company's MBS portfolio during the first quarter of 2015:

| <i>(\$ in thousands)</i> | RMBS | CMBS | CMBS IO | Total |
|-------------------------------|---------------------|-------------------|-------------------|---------------------|
| Balance at December 31, 2014 | \$ 2,209,148 | \$ 543,235 | \$ 763,856 | \$ 3,516,239 |
| Purchases | 58,442 | 457,217 | 67,474 | 583,133 |
| Principal payments | (92,294) | (11,111) | — | (103,405) |
| Sales | (60,666) | — | (40,949) | (101,615) |
| Net premium amortization | (5,077) | (1,216) | (30,331) | (36,624) |
| Change in net unrealized gain | 11,969 | 5,887 | 4,139 | 21,995 |
| Balance at March 31, 2015 | <u>\$ 2,121,522</u> | <u>\$ 994,012</u> | <u>\$ 764,189</u> | <u>\$ 3,879,723</u> |

Purchases of RMBS during the quarter consisted entirely of senior tranches of NPL securities. The majority of the CMBS purchases during the quarter were new issue multifamily Agency CMBS.

The following table presents information for the Company's MBS portfolio by category as of March 31, 2015:

| <i>(\$ in thousands)</i> | Par Balance (Notional for CMBS IO) ⁽¹⁾ | Net Premium (Discount) | Amortized Cost | Fair Value | WAVG Coupon |
|--------------------------|---|---------------------------|---------------------|---------------------|-------------|
| RMBS: | | | | | |
| Agency | \$ 1,942,332 | \$ 104,352 | \$ 2,046,684 | \$ 2,044,880 | 3.08% |
| Non-Agency | 76,647 | (69) | 76,578 | 76,642 | 3.57% |
| | <u>2,018,979</u> | <u>104,283</u> | <u>2,123,262</u> | <u>2,121,522</u> | |
| CMBS: | | | | | |
| Agency | 740,363 | 17,321 | 757,684 | 777,747 | 3.68% |
| Non-Agency | 217,479 | (8,451) | 209,028 | 216,265 | 4.23% |
| | <u>957,842</u> | <u>8,870</u> | <u>966,712</u> | <u>994,012</u> | |
| CMBS IO: | | | | | |
| Agency | 10,415,002 | 410,948 | 410,948 | 424,193 | 0.87% |
| Non-Agency | 9,115,887 | 331,090 | 331,090 | 339,996 | 0.71% |
| | <u>19,530,889</u> | <u>742,038</u> | <u>742,038</u> | <u>764,189</u> | |
| | <u>\$ 2,976,821</u> | <u>\$ 855,191</u> | <u>\$ 3,832,012</u> | <u>\$ 3,879,723</u> | |

(1) Total par balance excludes notional amounts of CMBS IO.

The table below presents the constant prepayment rate ("CPR"), which is a measure of prepayment speed, by collateral type for our Agency MBS portfolio for the periods presented:

| | 1Q2015 | 4Q2014 | 3Q2014 | 2Q2014 |
|---------------------------------------|-------------|--------------|--------------|--------------|
| Agency RMBS | 12.4% | 12.5% | 15.3% | 14.1% |
| Agency CMBS | 0.5% | 2.2% | 3.3% | 0.0% |
| Total weighted average ⁽¹⁾ | <u>9.2%</u> | <u>11.2%</u> | <u>13.9%</u> | <u>12.4%</u> |

(1) CPRs for CMBS IO are not calculated and therefore are not included in the total weighted average.

Information related to the credit ratings for the Company's non-Agency MBS as of March 31, 2015 is as follows:

| <i>(\$ in thousands)</i> | Fair Value | | | Weighted average % of total |
|--------------------------|------------------|-------------------|-------------------|--------------------------------|
| | RMBS | CMBS | CMBS IO | |
| AAA | \$ — | \$ 86,993 | \$ 318,480 | 64.1% |
| AA | — | 60,383 | 18,640 | 12.5% |
| A | — | 31,108 | — | 4.9% |
| Below A or not rated | 76,642 | 37,781 | 2,876 | 18.5% |
| | <u>\$ 76,642</u> | <u>\$ 216,265</u> | <u>\$ 339,996</u> | <u>100.0%</u> |

Investment Performance

The following table provides details for our adjusted net interest spread for the periods indicated:

(\$ in thousands)

| | 1Q2015 | 4Q2014 | 1Q2014 |
|--|---------|---------|---------|
| Weighted average effective yield by investment type ⁽¹⁾: | | | |
| RMBS | 1.88 % | 1.87 % | 1.87 % |
| CMBS | 3.70 % | 4.09 % | 4.61 % |
| CMBS IO | 3.83 % | 3.94 % | 4.21 % |
| Mortgage loans held for investment | 4.13 % | 4.68 % | 5.17 % |
| Total investments: | 2.62 % | 2.64 % | 2.74 % |
| Weighted average effective borrowing rate ⁽²⁾ | (0.66)% | (0.67)% | (0.86)% |
| Adjusted net interest spread ⁽²⁾ | 1.96 % | 1.97 % | 1.88 % |

(1) Weighted average effective yield is based on the average balance of investments which is calculated using daily amortized cost basis.

(2) Weighted average effective borrowing rate and adjusted net interest spread are non-GAAP financial measures and are reconciled in the supplement to this release.

Adjusted net interest spread is a non-GAAP measure that includes the periodic interest costs on our derivative instruments as an additional cost of financing. Adjusted net interest spread decreased slightly for the first quarter of 2015 compared to the fourth quarter of 2014 as the modest decline of 2 basis points in the weighted average yield in our investments was partially offset by a 1 basis point decline in our effective borrowing rate. As compared to the first quarter in 2014, adjusted net interest spread for the first quarter of 2015 was 8 basis points higher due to lower borrowing costs and lower periodic interest costs from derivative instruments, partially offset by lower weighted average effective yield earned on investments.

Portfolio Financing

The following table presents repurchase agreements by the type of security pledged as collateral as of the dates indicated:

| (\$ in thousands) | March 31, 2015 | | December 31, 2014 | |
|--------------------------------|---------------------|-----------------------|---------------------|-----------------------|
| | Balance | Weighted Average Rate | Balance | Weighted Average Rate |
| Agency RMBS | \$ 1,901,144 | 0.40% | \$ 1,977,338 | 0.39% |
| Non-Agency RMBS | 59,396 | 1.54% | 17,594 | 1.57% |
| Agency CMBS | 451,290 | 0.36% | 253,857 | 0.36% |
| Non-Agency CMBS | 143,107 | 1.07% | 114,895 | 1.15% |
| Agency CMBS IO | 346,527 | 0.93% | 372,609 | 0.92% |
| Non-Agency CMBS IO | 275,257 | 1.05% | 266,983 | 1.04% |
| Securitization financing bonds | 9,122 | 1.53% | 9,834 | 1.51% |
| | <u>\$ 3,185,843</u> | <u>0.56%</u> | <u>\$ 3,013,110</u> | <u>0.61%</u> |

The combined weighted average original term to maturity for our repurchase agreements was 116 days as of March 31, 2015 and 144 days as of December 31, 2014.

Hedging Activities

Because we increased our repurchase agreement borrowings to finance our investment purchases during the first quarter of 2015, the Company added interest rate swaps with a combined notional amount of \$815.0 million and a weighted average pay-fixed rate of 1.88%, of which \$425.0 million are forward-starting. The Company also

terminated \$205.0 million of interest rate swaps with a weighted average pay-fixed rate of 2.14%, resulting in a realized loss of (\$5.7) million. The following table summarizes certain information with respect to our derivatives as of March 31, 2015:

| Effective Period | Weighted-Average Rate: | | Eurodollar Futures ⁽²⁾ | Weighted-Average Rate: Eurodollar Futures ⁽¹⁾ | Total Weighted Average Notional Outstanding ⁽¹⁾ | Weighted Average Rate ⁽¹⁾ |
|--------------------------|--|--|-----------------------------------|---|--|--------------------------------------|
| | Interest Rate Swaps - Payers Net of Receivers ⁽¹⁾ | Interest Rate Swaps - Payers Net of Receivers ⁽¹⁾ | | | | |
| <i>(\$ in thousands)</i> | | | | | | |
| Remainder of 2015 | \$ 784,873 | 1.52% | \$ 505,818 | 0.87% | \$ 1,290,691 | 1.27% |
| 2016 | 980,628 | 1.53% | 1,292,691 | 1.67% | 2,273,319 | 1.61% |
| 2017 | 873,178 | 1.61% | 1,113,767 | 2.99% | 1,986,945 | 2.38% |
| 2018 | 800,000 | 1.67% | 681,027 | 3.74% | 1,481,027 | 2.62% |
| 2019 | 667,178 | 1.77% | 487,055 | 4.00% | 1,154,233 | 2.71% |
| 2020 | 421,079 | 1.89% | 194,604 | 4.56% | 615,683 | 2.73% |
| 2021 | 355,000 | 1.90% | — | —% | 355,000 | 1.90% |
| 2022 | 283,082 | 1.93% | — | —% | 283,082 | 1.93% |
| 2023 | 162,534 | 1.80% | — | —% | 162,534 | 1.80% |
| 2024 | 162,104 | 1.82% | — | —% | 162,104 | 1.82% |
| 2025 | 9,315 | 1.93% | — | —% | 9,315 | 1.93% |

(1) Amounts shown are net of interest rate swaps with fixed receive rates.

(2) Eurodollar futures are presented on the weighted average basis outstanding for the period indicated.

The following table details the components of our loss on derivative instruments, net recognized in our consolidated statement of comprehensive income for the first quarter of 2015:

| <i>(\$ in thousands)</i> | Change in Fair Value of Derivative Instruments, Net | Periodic Interest Costs ⁽¹⁾ | Gain (Loss) on Derivative Instruments, Net |
|----------------------------|---|--|--|
| | Interest rate swaps-receivers | \$ 3,332 | \$ 1,196 |
| Interest rate swaps-payers | (11,305) | (2,058) | (13,363) |
| Eurodollar futures | (16,488) | — | (16,488) |
| Total | \$ (24,461) | \$ (862) | \$ (25,323) |

(1) Periodic interest costs represent interest receipts and payments (including accrued amounts) related to interest rate swaps effective during the quarter.

Company Description

Dynex Capital, Inc. is an internally managed real estate investment trust, or REIT, which invests in mortgage assets on a leveraged basis. The Company invests in Agency and non-Agency RMBS, CMBS, and CMBS IO. Additional information about Dynex Capital, Inc. is available at www.dynexcapital.com.

Use of Non-GAAP Financial Measures

In addition to the Company's operating results presented in accordance with GAAP, this release includes certain non-GAAP financial measures including core net operating income to common shareholders (including per

common share), adjusted return on average common equity, effective borrowing cost and rate, adjusted net interest income, and adjusted net interest spread. Management presents this information because net income (loss) includes material fair value adjustments on the Company's derivatives but does not include corresponding fair value adjustments on investments. In addition, net interest income and net interest spread exclude the net periodic costs of the Company's derivative instruments. Management believes these non-GAAP measures coupled with the GAAP measures more clearly explains the Company's performance from period to period. Management uses these measures in its internal analysis of financial and operating performance and believes that it provides better transparency to our investors of management's view of our economic performance. Management also believes the presentation of these measures, when analyzed in conjunction with the Company's GAAP operating results, allows investors to more effectively evaluate and compare the performance of the Company to that of its peers even though peer companies may present its non-GAAP measures on a different basis than the Company's. Because these non-GAAP financial measures exclude certain items used to compute GAAP net income to common shareholders and GAAP interest expense, these non-GAAP measures should be considered as a supplement to, and not as a substitute for, the Company's GAAP results as reported on its consolidated statements of comprehensive income. In addition, because not all companies use identical calculations, the Company's presentation of core net operating income, adjusted return on average common equity, effective borrowing cost and rate, adjusted net interest income, and adjusted net interest spread may not be comparable to other similarly-titled measures of other companies. Schedules reconciling these non-GAAP financial measures to GAAP are provided as a supplement to this release.

Forward Looking Statements

This release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The words "believe," "expect," "forecast," "anticipate," "estimate," "project," "plan," and similar expressions identify forward-looking statements that are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. Forward-looking statements in this release may include, without limitation, statements regarding future interest rates, our views on expected characteristics of future investment environments, prepayment rates on our investment portfolio and risks posed by our investment portfolio, our future investment strategies, our future leverage levels and financing strategies including the use of specific financing and hedging instruments and the future impacts of these strategies, future actions by the Federal Reserve, and the expected performance of our investments. The Company's actual results and timing of certain events could differ materially from those projected in or contemplated by the forward-looking statements as a result of unforeseen external factors. These factors may include, but are not limited to, changes in general economic and market conditions, including volatility in the credit markets which impacts asset prices and the cost and availability of financing, defaults by borrowers, availability of suitable reinvestment opportunities, variability in investment portfolio cash flows, fluctuations in interest rates, fluctuations in property capitalization rates and values of commercial real estate, defaults by third-party servicers, prepayments of investment portfolio assets, other general competitive factors, uncertainty around government regulatory and monetary policy, the impact of regulatory changes, including the

Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the full impacts of which are unknown at this time, and another ownership change under Section 382 that further impacts the use of our tax net operating loss carryforward. For additional information on risk factors that could affect the Company's forward-looking statements, see the Company's Annual Report on Form 10-K for the year ended December 31, 2014, and other reports filed with and furnished to the Securities and Exchange Commission.

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

| | March 31, 2015 | December 31, 2014 |
|---|-----------------------|--------------------------|
| | <i>(unaudited)</i> | |
| ASSETS | | |
| Mortgage-backed securities | \$ 3,879,723 | \$ 3,516,239 |
| Mortgage loans held for investment, net | 32,775 | 39,700 |
| Investment in limited partnership | 10,022 | 4,000 |
| Cash and cash equivalents | 38,504 | 43,944 |
| Restricted cash | 66,967 | 42,263 |
| Derivative assets | 8,079 | 5,727 |
| Principal receivable on investments | 8,792 | 7,420 |
| Accrued interest receivable | 22,856 | 21,157 |
| Other assets, net | 7,793 | 7,861 |
| Total assets | \$ 4,075,511 | \$ 3,688,311 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Liabilities: | | |
| Repurchase agreements | \$ 3,185,843 | \$ 3,013,110 |
| Payable for unsettled mortgage-backed securities | 196,473 | — |
| Non-recourse collateralized financing | 10,196 | 10,786 |
| Derivative liabilities | 57,168 | 35,898 |
| Accrued interest payable | 2,260 | 1,947 |
| Accrued dividends payable | 15,112 | 15,622 |
| Other liabilities | 2,998 | 3,646 |
| Total liabilities | 3,470,050 | 3,081,009 |
| Shareholders' equity: | | |
| Preferred stock, par value \$.01 per share, 8.5% Series A Cumulative Redeemable; 8,000,000 shares authorized; 2,300,000 shares issued and outstanding (\$57,500 aggregate liquidation preference) | \$ 55,407 | \$ 55,407 |
| Preferred stock, par value \$.01 per share, 7.625% Series B Cumulative Redeemable; 7,000,000 shares authorized; 2,250,000 shares issued and outstanding (\$56,250 aggregate liquidation preference) | 54,251 | 54,251 |
| Common stock, par value \$.01 per share, 200,000,000 shares authorized; 54,893,076 and 54,739,111 shares issued and outstanding, respectively | 549 | 547 |
| Additional paid-in capital | 763,979 | 763,935 |
| Accumulated other comprehensive income | 44,369 | 21,316 |
| Accumulated deficit | (313,094) | (288,154) |
| Total shareholders' equity | 605,461 | 607,302 |
| Total liabilities and shareholders' equity | \$ 4,075,511 | \$ 3,688,311 |
| Book value per common share | \$ 8.96 | \$ 9.02 |

DYNEX CAPITAL, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

(amounts in thousands except per share data)

| | Three Months Ended | |
|---|---------------------------|-------------------|
| | March 31, | |
| | 2015 | 2014 |
| Interest income: | | |
| Mortgage-backed securities | \$ 23,727 | \$ 26,902 |
| Mortgage loans held for investment, net | 372 | 738 |
| | <u>24,099</u> | <u>27,640</u> |
| Interest expense: | | |
| Repurchase agreements | 5,346 | 7,611 |
| Non-recourse collateralized financing | 25 | 22 |
| | <u>5,371</u> | <u>7,633</u> |
| Net interest income | 18,728 | 20,007 |
| Loss on derivative instruments, net | (25,323) | (13,422) |
| Gain (loss) on sale of investments, net | 1,308 | (3,307) |
| Fair value adjustments, net | 39 | 32 |
| Income from investment in limited partnership | 22 | — |
| Other income, net | 12 | 75 |
| General and administrative expenses: | | |
| Compensation and benefits | (2,117) | (2,552) |
| Other general and administrative | (2,141) | (1,567) |
| Net loss | <u>(9,472)</u> | <u>(734)</u> |
| Preferred stock dividends | (2,294) | (2,294) |
| Net loss to common shareholders | <u>\$ (11,766)</u> | <u>\$ (3,028)</u> |
| Other comprehensive income: | | |
| Change in fair value of available-for-sale investments | \$ 23,304 | \$ 23,965 |
| Reclassification adjustment for (gain) loss on sale of investments, net | (1,308) | 3,307 |
| Reclassification adjustment for de-designated cash flow hedges | 1,057 | 2,288 |
| Total other comprehensive income | <u>23,053</u> | <u>29,560</u> |
| Comprehensive income to common shareholders | <u>\$ 11,287</u> | <u>\$ 26,532</u> |
| Weighted average common shares | \$ 54,800 | \$ 54,626 |
| Net loss per common share-basic and diluted | \$ (0.21) | \$ (0.06) |

DYNEX CAPITAL, INC.
RECONCILIATIONS OF GAAP MEASURES TO NON-GAAP MEASURES
(UNAUDITED)

(\$ in thousands except per share data)

| | Three Months Ended | | |
|--|--------------------|-------------------|------------------|
| | March 31, 2015 | December 31, 2014 | March 31, 2014 |
| GAAP net (loss) income to common shareholders | \$ (11,766) | \$ 1,379 | \$ (3,028) |
| Amortization of de-designated cash flow hedges ⁽¹⁾ | 1,057 | 1,449 | 2,288 |
| Change in fair value of derivative instruments, net | 24,461 | 20,675 | 11,211 |
| (Gain) loss on sale of investments, net | (1,308) | (10,950) | 3,307 |
| Fair value adjustments, net | (39) | (45) | (32) |
| Core net operating income to common shareholders | <u>\$ 12,405</u> | <u>\$ 12,508</u> | <u>\$ 13,746</u> |
| Core net operating income per common share | \$ 0.23 | \$ 0.23 | \$ 0.25 |
| Average common equity during the period | \$ 497,626 | \$ 501,553 | \$ 485,044 |
| ROAE, calculated using annualized GAAP net (loss) income | (9.5)% | 1.1% | (2.5)% |
| Adjusted ROAE, calculated using annualized core net operating income | 9.9% | 10.1% | 11.3% |

(1) Amount recorded as a portion of "interest expense" in accordance with GAAP related to the amortization of the balance remaining in accumulated other comprehensive loss as of June 30, 2013 as a result of the Company's discontinuation of hedge accounting.

| | Three Months Ended | | | | | |
|---|--------------------|---------------|-------------------|---------------|------------------|---------------|
| | March 31, 2015 | | December 31, 2014 | | March 31, 2014 | |
| | Amount | Yield/Rate | Amount | Yield/Rate | Amount | Yield/Rate |
| GAAP interest income | \$ 24,099 | 2.62 % | \$ 24,286 | 2.64 % | \$ 27,640 | 2.74 % |
| GAAP interest expense/annualized cost of funds ⁽¹⁾ | 5,371 | 0.69 % | 5,652 | 0.72 % | 7,633 | 0.87 % |
| Net interest income/spread | <u>18,728</u> | <u>1.93 %</u> | <u>18,634</u> | <u>1.92 %</u> | <u>20,007</u> | <u>1.87 %</u> |
| GAAP interest expense/annualized cost of funds ⁽¹⁾ | \$ 5,371 | 0.69 % | \$ 5,652 | 0.72 % | \$ 7,633 | 0.87 % |
| Amortization of de-designated cash flow hedges ⁽¹⁾ | (1,057) | (0.14)% | (1,449) | (0.19)% | (2,288) | (0.26)% |
| Net periodic interest costs of derivative instruments | 862 | 0.11 % | 1,064 | 0.14 % | 2,211 | 0.25 % |
| Effective borrowing cost/rate | <u>5,176</u> | <u>0.66 %</u> | <u>5,267</u> | <u>0.67 %</u> | <u>7,556</u> | <u>0.86 %</u> |
| Adjusted net interest income/spread | <u>\$ 18,923</u> | <u>1.96 %</u> | <u>\$ 19,019</u> | <u>1.97 %</u> | <u>\$ 20,084</u> | <u>1.88 %</u> |

(1) Rates shown are based on annualized interest expense amounts divided by average interest bearing liabilities.

(2) Amount recorded as a portion of "interest expense" in accordance with GAAP related to the amortization of the balance remaining in accumulated other comprehensive loss as of June 30, 2013 as a result of the Company's discontinuation of hedge accounting.