

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 27, 2022

DYNEX CAPITAL, INC.

(Exact name of registrant as specified in its charter)

Virginia
(State or other jurisdiction of incorporation)
4991 Lake Brook Drive, Suite 100
Glen Allen, Virginia
(Address of principal executive offices)

1-9819
(Commission File Number)

52-1549373
(I.R.S. Employer Identification No.)

23060-9245
(Zip Code)

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

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))

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 whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter). 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. ☐

Item 2.02 Results of Operations and Financial Condition.

On April 27, 2022, Dynex Capital, Inc. (the "Company") issued a press release, which is available on its website (www.dynexcapital.com under "Investor Center/News & Market Information"), reporting its financial condition and financial results as of and for the quarter and year ended March 31, 2022. 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

Exhibit No.	Description
99.1	Press release dated April 27, 2022
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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 27, 2022

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



PRESS RELEASE

FOR IMMEDIATE RELEASE

April 27, 2022

CONTACT: Alison Griffin

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DYNEX CAPITAL, INC. ANNOUNCES FIRST QUARTER 2022 RESULTS

GLEN ALLEN, Va. -- Dynex Capital, Inc. (NYSE: DX) reported its first quarter 2022 results today. Management will host a call today at 10:00 a.m. Eastern Time to discuss the results and business outlook. Details to access the call can be found below under "Earnings Conference Call."

First Quarter 2022 Highlights

- Comprehensive income of \$0.65 per common share and net income of \$3.14 per common share
- Total economic return of \$0.64 per common share, or 3.5% of beginning book value, comprised of dividends declared of \$0.39 and an increase in book value per common share of \$0.25 to \$18.24 as of March 31, 2022
- Earnings available for distribution ("EAD") to common shareholders, a non-GAAP measure, of \$0.44 per common share
- Net interest spread of 1.86% and adjusted net interest spread, a non-GAAP measure, of 2.08%
- Leverage, inclusive of TBA dollar roll positions, increased to 6.1x shareholders' equity as of March 31, 2022, from 5.7x as of December 31, 2021, through the addition of \$475.3 million, net of paydown, of Agency RMBS and TBA securities
- Maintained hedge position throughout the quarter in anticipation of a higher interest rate environment

Management Remarks

"I am extremely proud of the Dynex team and the first quarter results we achieved, as we skillfully navigated a historically volatile macro environment in which all major bond indices produced negative returns," stated Byron L. Boston, Chief Executive Officer. "We generated a quarterly total economic return of 3.5% and a 21.3% total economic return for our common shareholders since January 1, 2020, maintaining an average book value around \$18 per share during this period. We believe that these are exceptional results that highlight the skills of Dynex's experienced team and our differentiated top-down macro approach to capital management."

Mr. Boston continued, "We have been consistent and transparent in sharing our macro views with the market and how these have translated into our disciplined investment process. We have now begun to see opportunities to generate accretive long-term returns through increased leverage, while our balance sheet and our mindset remain flexible. The Dynex team has successfully navigated through many different market environments in our 30-year history, and we are confident in our ability to continue to generate attractive returns for our investors today."

Earnings Conference Call

As previously announced, the Company's quarterly conference call to discuss first quarter 2022 results is today at 10:00 a.m. Eastern Time and may be accessed via telephone in the United States by dialing 1-888-330-2022 and providing

the ID 1957092 or by live audio webcast by clicking the "Webcast" button in the "Current Events" section on the homepage of the Company's website (www.dynexcapital.com), which includes a slide presentation. To listen to the live conference call via telephone, please dial in at least 10 minutes before the call begins. An archive of the webcast will be available on the Company's website approximately two hours after the live call ends.

First Quarter 2022 Summary of Results

The first quarter's total economic return of \$0.64 per common share, which consists of \$0.39 in dividends declared and an increase in book value per common share of \$0.25, resulted primarily from the Company maintaining its hedge position throughout the quarter, which mitigated declines in the fair value of the investment portfolio as interest rates increased and as RMBS spreads widened. The Company's results also benefited from its lower coupon Agency RMBS experiencing less spread widening relative to higher coupon assets.

The following table summarizes the changes in the Company's financial position during the first quarter of 2022, including its components of comprehensive income to common shareholders:

	Net Changes in Fair Value	Comprehensive Income	Common Book Value Rollforward	Per Common Share
Common shareholders' equity, December 31, 2021 ⁽¹⁾			\$ 659,778	\$ 17.99
Net interest income		\$ 15,679		
TBA drop income		9,728		
G & A and other operating expenses		(7,430)		
Preferred stock dividends		(1,923)		
Changes in fair value:				
MBS and loans	\$ (202,591)			
TBAs	(103,889)			
U.S. Treasury futures	288,934			
Interest rate swaptions	25,438			
Total net change in fair value		7,892		
Total comprehensive income to common shareholders			23,946	0.65
Capital transactions:				
Net proceeds from stock issuance			4,839	(0.01)
Common dividends declared			(14,431)	(0.39)
Common shareholders' equity, March 31, 2022 ⁽¹⁾			<u>\$ 674,132</u>	<u>\$ 18.24</u>

(1) Common shareholders' equity is total shareholders' equity less the aggregate liquidation preference of the Company's preferred stock of \$111,500.

Investment Portfolio

The following table provides information about the performance of the Company's MBS including TBA securities and repurchase agreement financing for the first quarter of 2022 compared to the prior quarter:

	Three Months Ended March 31, 2022			Three Months Ended December 31, 2021		
	Income/Expense	Average Balance ⁽¹⁾ ⁽²⁾	Effective Yield/ Cost of Funds ⁽³⁾⁽⁴⁾	Income/Expense	Average Balance ⁽¹⁾ ⁽²⁾	Effective Yield/ Cost of Funds ⁽³⁾⁽⁴⁾
<i>(\$s in thousands)</i>						
Interest-earning assets:						
Agency RMBS	\$ 12,486	\$ 2,740,991	1.82 %	\$ 10,927	\$ 2,550,329	1.71 %
Agency CMBS	1,292	175,322	2.89 %	2,217	180,728	3.34 %
CMBS IO ⁽⁵⁾	3,557	286,390	4.34 %	3,784	304,329	4.34 %
Non-Agency MBS and other investments	92	4,925	6.35 %	123	5,449	7.24 %
Total:	17,427	3,207,628	2.11 %	17,051	3,040,835	2.08 %
Repurchase agreement financing	(1,748)	2,806,212	(0.25)%	(1,443)	2,701,191	(0.21)%
Net interest income/net interest spread	<u>\$ 15,679</u>		<u>1.86 %</u>	<u>\$ 15,608</u>		<u>1.87 %</u>
TBA securities ⁽⁶⁾	9,728	1,574,454	2.47 %	9,447	1,634,617	2.26 %
Adjusted net interest income/adjusted net interest spread ⁽⁷⁾	<u>\$ 25,407</u>		<u>2.08 %</u>	<u>\$ 25,055</u>		<u>2.03 %</u>

(1) Average balance for assets is calculated as a simple average of the daily amortized cost and excludes unrealized gains and losses as well as 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 the sum of gross interest income and scheduled premium amortization/discount accretion (both of which are annualized for any reporting period less than 12 months) and prepayment compensation and premium amortization/discount accretion adjustments (collectively, "prepayment adjustments"), which are not annualized, by the average balance of asset type outstanding during the reporting period.

(4) Cost of funds 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) CMBS IO includes Agency and non-Agency issued securities.

(6) Drop income from TBA securities 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.

(7) Adjusted net interest spread includes the impact from TBA drop income of 22 and 16 basis points, respectively.

The Company's net interest income remained steady versus the prior quarter as the increase in interest income due to a larger portfolio of Agency RMBS with higher effective yields outpaced the Company's higher financing costs, which increased primarily as a result of the increase in the Federal Funds rate. Effective yields on Agency RMBS were higher for the first quarter of 2022 as prepayment speeds slowed to an average of 9.0% for the first quarter of 2022 versus 11.2% for the prior quarter.

The following table provides detail on the coupon composition of the Company's fixed-rate Agency RMBS including TBA securities as of March 31, 2022 compared to December 31, 2021:

Agency RMBS By Coupon (<i>\$s in thousands</i>)	March 31, 2022			December 31, 2021		
	Par/Notional	Amortized Cost/ Implied Cost Basis ⁽¹⁾⁽³⁾	Fair Value ⁽²⁾⁽³⁾	Par/Notional	Amortized Cost/ Implied Cost Basis ⁽¹⁾⁽³⁾	Fair Value ⁽²⁾⁽³⁾
30-year:						
2.0%	\$ 1,279,265	\$ 1,297,846	\$ 1,191,682	\$ 1,311,069	\$ 1,330,353	\$ 1,312,190
2.5%	1,483,736	1,526,332	1,421,864	1,165,810	1,215,841	1,199,092
4.0%	148,355	152,745	153,009	162,868	167,713	175,493
TBA 2.0%	—	—	—	965,000	957,600	961,080
TBA 2.5%	200,000	197,750	190,578	190,000	193,563	193,585
TBA 3.0%	1,020,000	995,491	994,181	—	—	—
TBA 3.5%	550,000	542,352	547,895	—	—	—
15-year: 1.5% TBA	—	—	—	375,000	375,259	376,523
Total	<u>\$ 4,681,356</u>	<u>\$ 4,712,516</u>	<u>\$ 4,499,209</u>	<u>\$ 4,169,747</u>	<u>\$ 4,240,329</u>	<u>\$ 4,217,963</u>

(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.

As of March 31, 2022, the Company's investment portfolio including TBA securities was comprised of 91% fixed-rate Agency RMBS (including TBA securities), 3% Agency CMBS, and 6% Agency and non-Agency CMBS IO.

Repurchase Agreement Financing

The following table provides detail on the Company's repurchase agreement borrowings outstanding as of March 31, 2022 compared to December 31, 2021:

Remaining Term to Maturity (<i>\$s in thousands</i>)	As of March 31, 2022			December 31, 2021		
	Balance	Weighted Average Rate	WAVG Original Term to Maturity	Balance	Weighted Average Rate	WAVG Original Term to Maturity
Less than 30 days	\$ 1,567,265	0.36 %	88	\$ 602,994	0.42 %	123
30 to 90 days	977,241	0.24 %	154	763,302	0.14 %	166
91 to 180 days	159,180	0.16 %	367	1,075,324	0.15 %	198
181 days to 1 year	249,116	0.38 %	365	408,296	0.30 %	366
Total	<u>\$ 2,952,802</u>	<u>0.31 %</u>	<u>148</u>	<u>\$ 2,849,916</u>	<u>0.23 %</u>	<u>198</u>

Hedging Portfolio

The following table provides detail on the Company's derivative instruments used to hedge interest rate risk as of March 31, 2022:

As of March 31, 2022				
Instrument Type	Notional Amount	Fair Value	WAVG Months to Expiration	Rate
10-year U.S. Treasury futures-short positions	\$ (3,940,000)	\$ (9,847)	3	n/a
Pay-fixed interest rate swaptions	500,000	28,640	4	1.60 %

Consolidated Balance Sheets

(\$s in thousands except per share data)

	March 31, 2022	December 31, 2021
	(unaudited)	(audited)
ASSETS		
Cash	\$ 456,957	\$ 366,023
Cash collateral posted to counterparties	114,732	55,284
Mortgage-backed securities (including pledged of \$3,119,668 and \$3,011,319, respectively), at fair value	3,215,017	3,181,839
Mortgage loans held for investment, at fair value	3,757	4,268
Receivable for securities pending settlement	1,491	2,771
Derivative assets	34,183	7,969
Accrued interest receivable	15,914	14,184
Other assets, net	7,171	7,400
Total assets	\$ 3,849,222	\$ 3,639,738
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Repurchase agreements	\$ 2,952,802	\$ 2,849,916
Payable for securities pending settlement	48,046	—
Derivative liabilities	18,328	2,471
Cash collateral posted by counterparties	30,276	1,834
Accrued interest payable	1,524	1,365
Accrued dividends payable	6,672	6,541
Other liabilities	5,941	6,332
Total liabilities	3,063,589	2,868,459
Shareholders' equity:		
Preferred stock	\$ 107,843	\$ 107,843
Common stock	370	367
Additional paid-in capital	1,112,628	1,107,792
Accumulated other comprehensive income	(84,611)	6,729
Accumulated deficit	(350,597)	(451,452)
Total shareholders' equity	785,633	771,279
Total liabilities and shareholders' equity	\$ 3,849,222	\$ 3,639,738
Preferred stock aggregate liquidation preference	\$ 111,500	\$ 111,500
Book value per common share	\$ 18.24	\$ 17.99
Common shares outstanding	36,957,882	36,665,805

Consolidated Comprehensive Statements of Income (unaudited)

	Three Months Ended	
	March 31, 2022	December 31, 2021
<i>(\$s in thousands except per share data)</i>		
Interest income	\$ 17,427	\$ 17,051
Interest expense	(1,748)	(1,443)
Net interest income	15,679	15,608
Unrealized loss on investments	(111,251)	(11,833)
Gain on derivative instruments, net	220,211	16,953
Other operating expense, net	(321)	(308)
General and administrative expenses	(7,109)	(6,362)
Net income	117,209	14,058
Preferred stock dividends	(1,923)	(1,923)
Net income to common shareholders	\$ 115,286	\$ 12,135
Other comprehensive income:		
Unrealized loss on available-for-sale investments, net	(91,340)	(13,507)
Comprehensive income (loss) to common shareholders	\$ 23,946	\$ (1,372)
Net income per common share-basic	\$ 3.14	\$ 0.33
Net income per common share-diluted	\$ 3.11	\$ 0.33
Weighted average common shares-basic	36,725	36,565
Weighted average common shares-diluted	37,111	36,730

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 EAD to common shareholders (formerly, core net operating income to common shareholders) (including on a per common share basis), adjusted net interest income and the related metric adjusted net interest spread. Because these measures are used in the Company's internal analysis of financial and operating performance, management believes that they provide greater transparency to investors of management's views of 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, although the Company's presentation of its non-GAAP measures may not be comparable to other similarly titled measures of other companies.

EAD to common shareholders is a non-GAAP metric used by the Company as a measure of the investment portfolio's return based on the effective yield of its investments, net of financing costs and other normal recurring operating income/expenses, net. It is one of several factors the Board considers in determining the appropriate level of distributions to shareholders, and therefore the Company believes it serves as a useful indicator for investors in evaluating the Company's performance and its ability to pay dividends. In addition to the non-GAAP reconciliation set forth below, which derives EAD to common shareholders from GAAP comprehensive income to common shareholders, EAD to common shareholders is alternatively determined by adjusting net interest income to include interest rate swap periodic interest benefit/cost (if any), drop income on TBA dollar roll transactions, G & A expenses, and preferred dividends. 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 and in adjusted net interest income 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. For reporting periods during which the Company uses interest rate swaps to economically hedge the impact of changing interest rates on its borrowing costs from repurchase agreements, management also includes interest rate swap net periodic interest benefit/cost in adjusted net interest income because management considers such benefit/cost to represent either an offset to or an additional cost of financing in addition to GAAP interest expense. However, these non-GAAP measures do not provide a full perspective on the Company's results of operations, and therefore, their usefulness is limited. For example, these non-GAAP measures do not include the changes in fair value of investments or changes in fair value of and costs of terminating derivative instruments used by management to economically hedge the impact of changing interest rates on the fair value of the Company's portfolio and book value per common share. As a result, 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. Additionally, similarly titled non-GAAP financial measures used by other companies may not be computed in the same or similar fashion. A reconciliation of the non-GAAP financial measures used in this earnings release to the most directly comparable GAAP financial measure is presented below.

	Three Months Ended	
	March 31, 2022	December 31, 2021
<i>(\$s in thousands except per share data)</i>		
Comprehensive income (loss) to common shareholders	\$ 23,946	\$ (1,372)
Less:		
Change in fair value of investments, net ⁽¹⁾	202,591	25,340
Change in fair value of derivative instruments, net ⁽²⁾	(210,483)	(7,506)
EAD to common shareholders	\$ 16,054	\$ 16,462
Weighted average common shares	36,725	36,565
Comprehensive income (loss) per common share	\$ 0.65	\$ (0.04)
EAD per common share	\$ 0.44	\$ 0.45
Net interest income	\$ 15,679	\$ 15,608
TBA drop income ⁽³⁾	9,728	9,447
Adjusted net interest income	\$ 25,407	\$ 25,055
Other operating expense, net	(321)	(308)
General and administrative expenses	(7,109)	(6,362)
Preferred stock dividends	(1,923)	(1,923)
EAD to common shareholders	\$ 16,054	\$ 16,462

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

(2) Amount includes unrealized gains and losses from changes in fair value of derivatives and realized gains and losses on terminated derivatives and excludes TBA drop income.

(3) TBA drop income 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.

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," "may," "could," 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, including statements made in Mr. Boston's quotes, may include, without limitation, statements regarding the Company's financial performance in future periods, future interest rates, future market credit spreads, management's views on expected characteristics of future investment and macroeconomic environments, central bank strategies prepayment rates and investment risks, future investment strategies, future leverage levels and financing strategies, 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 the Company's 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, volatility and disruption in national and international financial markets; adverse effects of the ongoing novel coronavirus (COVID-19) pandemic and any governmental or societal responses thereto, or other unusual and infrequently occurring events; ability to find suitable investment opportunities; changes in economic conditions, including an increased rate of inflation; changes in interest rates and interest rate spreads, including the repricing of interest-earning assets and interest-bearing liabilities; the Company's 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 purchases of Agency residential and Agency commercial mortgage-backed securities 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 the Company's use of leverage; changes to the Company's investment strategy, operating policies, dividend policy or asset allocations; the quality of performance of third-party servicer providers of the Company's loans and loans underlying securities owned by the Company; the level of defaults by borrowers on loans the Company has securitized or otherwise is invested through its ownership of MBS; changes in the Company's industry; increased competition; changes in government regulations affecting the Company's business and/or status as a real estate investment trust; changes or volatility in the repurchase agreement financing markets and other credit markets; changes to the market for interest rate swaps and other 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 reform of the U.S. housing finance system, including the resolution of the conservatorship of Fannie Mae and Freddie Mac; the composition of the Federal Reserve; systems failures or cybersecurity incidents; catastrophes affecting global markets; and exposure to current and future claims and litigation. 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, 2021, and other reports filed with and furnished to the Securities and Exchange Commission.

All forward-looking statements are qualified in their entirety by these and other cautionary statements that the Company makes from time to time in its filings with the Securities and Exchange Commission and other public communications. The Company cannot assure the reader that it will realize the results or developments the Company anticipates or, even if substantially realized, that they will result in the consequences or affect the Company or its operations in the way the Company expects. Forward-looking statements speak only as of the date made. The Company undertakes no obligation to update or revise any forward-looking statements to reflect events or circumstances arising after the date on which they were made, except as otherwise required by law. As a result of these risks and uncertainties, readers are cautioned not to place undue reliance on any forward-looking statements included herein or that may be made elsewhere from time to time by, or on behalf of, the Company.

Company Description

Dynex Capital, Inc. is an internally managed real estate investment trust, or REIT, which invests in mortgage assets on a leverage basis. The Company invests in Agency and non-Agency RMBS, CMBS, and CMBS IO. Currently, it is predominantly invested in Agency MBS. Additional information about Dynex Capital, Inc., including its most recent Quarterly Report on Form 10-Q and Annual Report on Form 10-K, is available on the Company's website at www.dynexcapital.com.

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