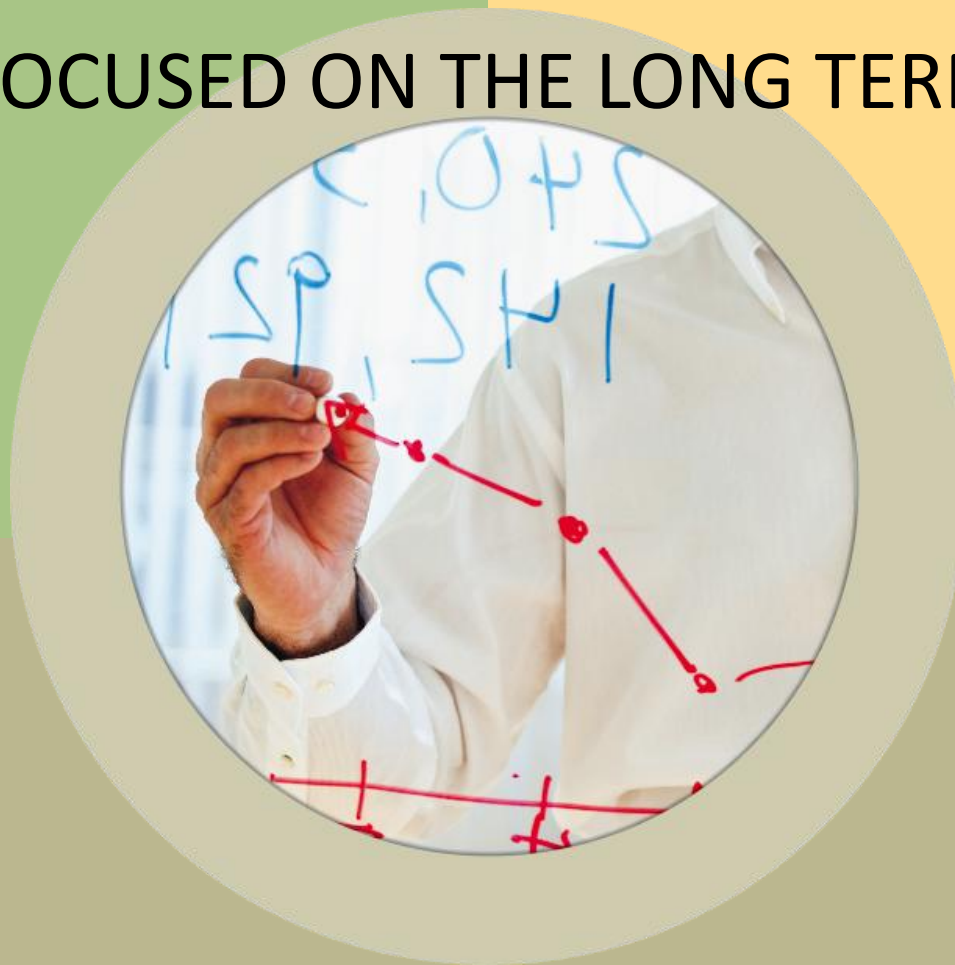


# FOCUSED ON THE LONG TERM



**Dynex Capital, Inc.**  
**2010 FBR Capital Markets Fall Investor Conference**  
**November 30, 2010**



# Safe Harbor Statement



*Note: This presentation contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, including statements about projected 4Q 2010 financial performance, projected impact of CMBS redemptions and NOL carryforwards, future dividends paid to shareholders, and future investment opportunities and capital raising activities. The words “will,” “believe,” “expect,” “forecast,” “anticipate,” “intend,” “estimate,” “assume,” “project,” “plan,” “continue,” and similar expressions also identify forward-looking statements that are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. Although these forward-looking statements reflect our current beliefs, assumptions and expectations based on information currently available to us, the Company’s actual results and timing of certain events could differ materially from those projected in or contemplated by these statements. Our forward-looking statements are subject to the following principal risks and uncertainties: availability of suitable reinvestment opportunities; investing in real estate assets including changes in general economic and market conditions and the general availability of credit; variability in investment portfolio cash flows; defaults by borrowers and/or guarantors and foreclosures and related legal proceedings; fluctuations in interest rates; prepayments of investment portfolio assets; inadequate or improper servicing of our loans and securities by third-party servicers; general competitive factors; uncertainty around government policy and the impact of regulatory changes; our compliance with Section 404 of the Sarbanes-Oxley Act; our ability to maintain our qualification as a REIT; and our ability to maintain our exemption from registration under the Investment Company Act of 1940. For additional information, see the Company’s Annual Report on Form 10-K for the year ended December 31, 2009, and other reports filed with and furnished to the Securities and Exchange Commission.*

## **Company Highlights**

- ✓ Internally managed REIT commenced operations in 1988
- ✓ Significant insider ownership and experienced management team
- ✓ Hybrid investment strategy investing in residential and commercial mortgage assets
- ✓ Large NOL carryforward for unique total return opportunity

## **Market Highlights (as of 11/19/10 unless indicated)**

NYSE Stock Ticker	DX
Shares Outstanding	23,247,685
Quarterly Dividend (3Q 2010)	\$0.25
Share Price	\$10.69
Book Value per Common Share (9/30/10)	\$9.80
Price to Book	1.10
Market Capitalization	\$248.5 million

## MISSION STATEMENT

*Build a successful public mortgage REIT with a focus on capital preservation and providing returns reflective of a leveraged, high-quality fixed income portfolio*

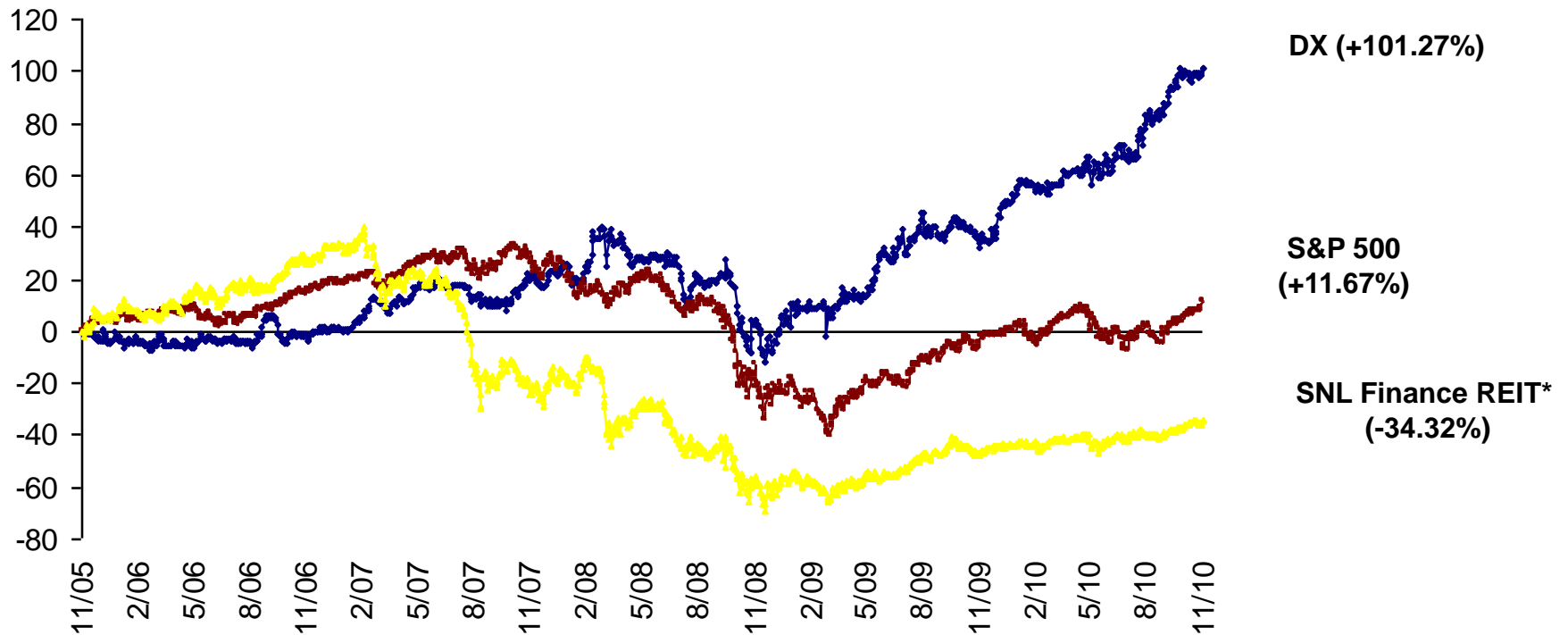
## CORE VALUES

- ✓ Generate dividends for our shareholders
- ✓ Manage leverage conservatively
- ✓ Retain owner-operator mentality
- ✓ Maintain a culture of integrity and employ the highest ethical standards
- ✓ Provide a strong risk management culture and maintain best in class risk management processes
- ✓ Focus on long-term shareholder value while preserving capital

# Long Term Track Record



Demonstrated history of disciplined capital management and producing returns in excess of market benchmarks.



\*SNL Finance REIT : Includes all publicly traded (NYSE, NYSE Amex, NASDAQ, OTC BB, Pink Sheets) Investment Companies with the following primary focuses: MBS REIT, Mortgage REIT and Specialty Finance REIT in SNL's coverage universe.

Source: SNL Financial

# Last 12 Month's Highlights

*(from 3Q09 through 3Q10 unless otherwise noted)*



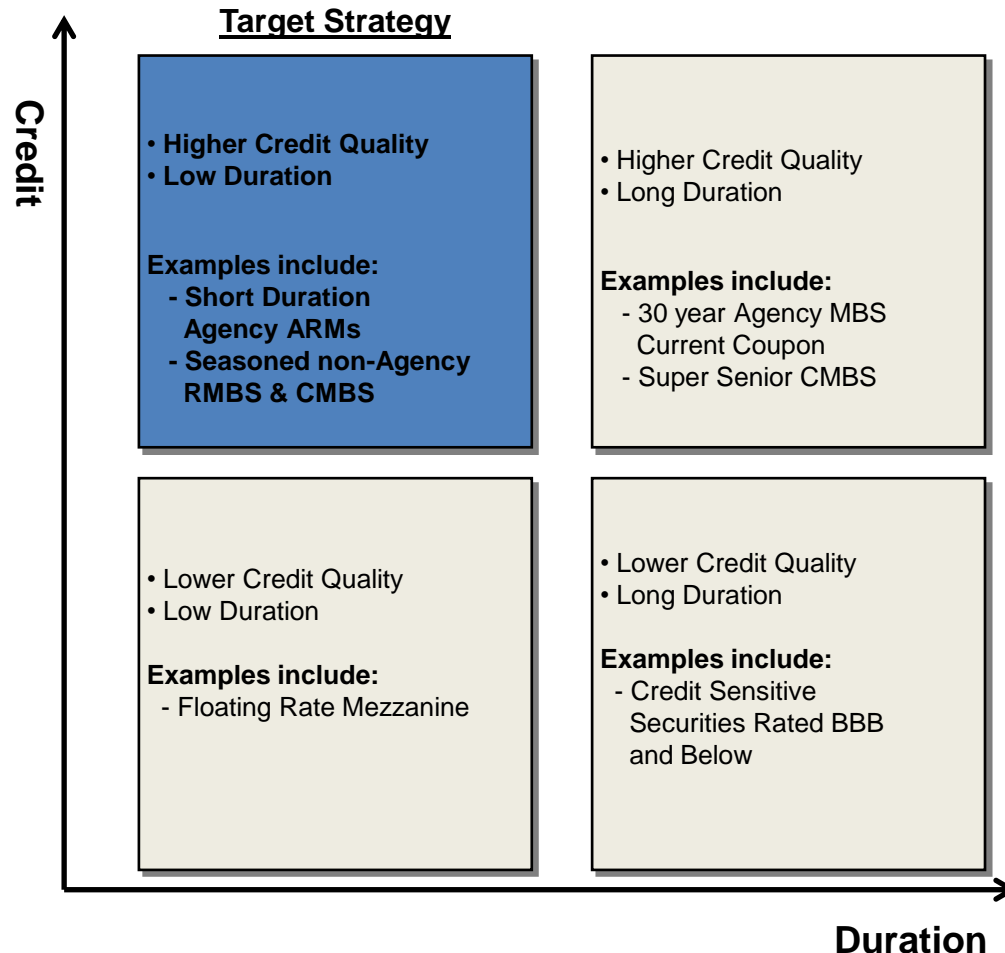
- Generated total return to shareholders of 41% assuming reinvested dividends (*source: Bloomberg*)
- Grew shareholders' equity \$62 million and improved book value per share by \$0.84 to \$9.80
- Added net \$220 million in primarily high-quality, high coupon CMBS which increased shareholders' equity by \$13 million from favorable MTM
- Generated ROE of 13%
- Increased market value of common stock to \$248.5 million as of 11/19/10 and increased average daily volume for last 90 days to over \$1.6 million (*source: Bloomberg*)

.....All while maintaining our conservative  
risk profile

# Hybrid Investment Strategy



**Hybrid Investment Strategy** that invests in a combination of Agency and non-Agency assets to maximize risk adjusted total return.



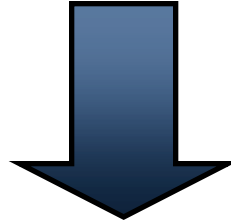
## ASSETS:

- High grade securitized products – Agency MBS, non-Agency RMBS and CMBS
- Target assets with a disciplined capital allocation framework focused on risk-adjusted returns and capital preservation

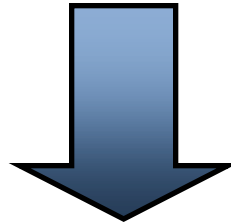
## FUNDING:

- Blend of recourse and non-recourse
- Conservative leverage
- Diversified counterparty profile to avoid concentration risk
- Active maturity management to ensure stable financing profile

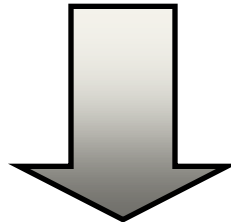
**Macroeconomic Analysis**



**Sector Analysis**



**Security Selection & Funding**



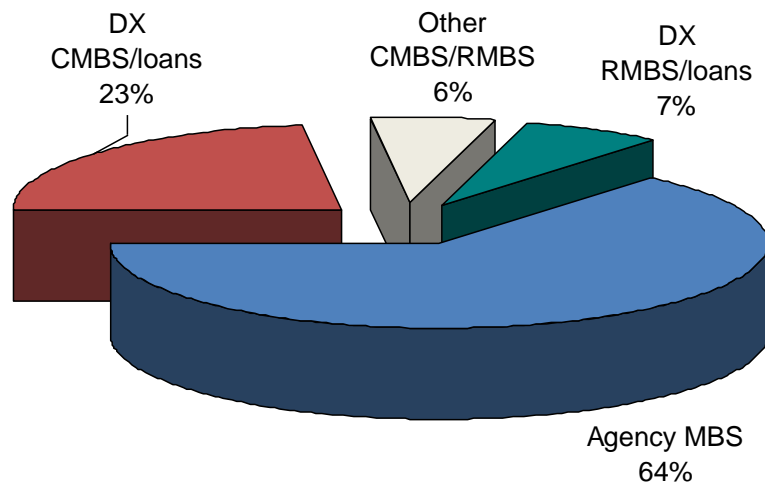
**Performance & Risk Management**



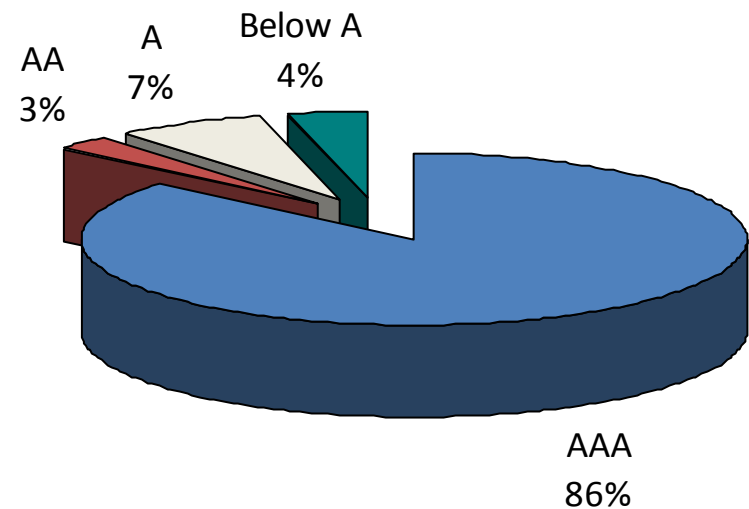
# Investment Portfolio as of 9/30/10



## Composition



## Ratings



- ✓ Macro:
  - Fed funds rate at historic lows with a steep yield curve
  - Government policy/regulations to influence investment returns
  - Improved financing environment
  - Competition for high quality assets
  - Securitization markets are healing slowly but unevenly
  - Global risk remains high
- ✓ Investment thesis:
  - Tighter credit standards have created more predictable mortgage cash flows and better investment opportunities
  - Agency MBS and highly-rated securities offer stable returns and have low financing risk
  - Hybrid REIT strategy allocates capital to most compelling investment opportunities

# Return Profile for New Investments as of 11/22/10



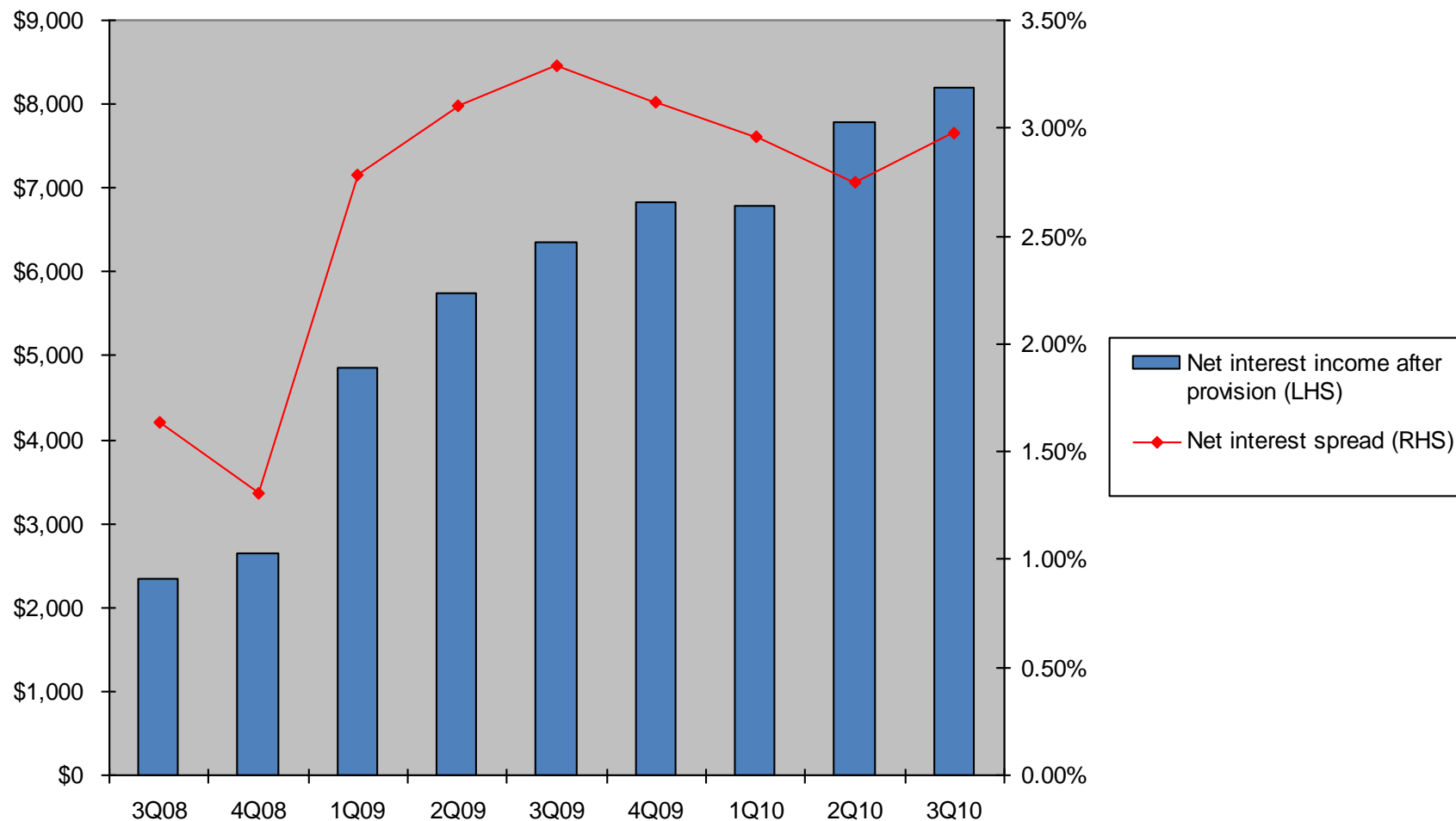
<u>Investment</u>	<u>Range of Prices</u>	<u>Range of yields</u>	<u>Range of net spread to LIBOR funding</u>	<u>Range of ROEs</u>
<b>Agency</b>				
RMBS	104-107	2.0%- 3.0%	1.7%-2.7%	12%-23%
CMBS	109-111	3.4%- 3.8%	2.7%-3.2%	15%-27%
<b>Non –Agency</b>				
‘AAA’ RMBS	90-103	4.0%-6.5%	2.8%-5.3%	12%-25%
‘AAA’ CMBS	100-105	3.8%-4.1%	2.6%-2.9%	10%-15%

*Note: Ranges noted above reflect estimates based on certain assumptions made by management and may not be indicative of actual results*

# Investment Portfolio Income and Spread



\$ in thousands

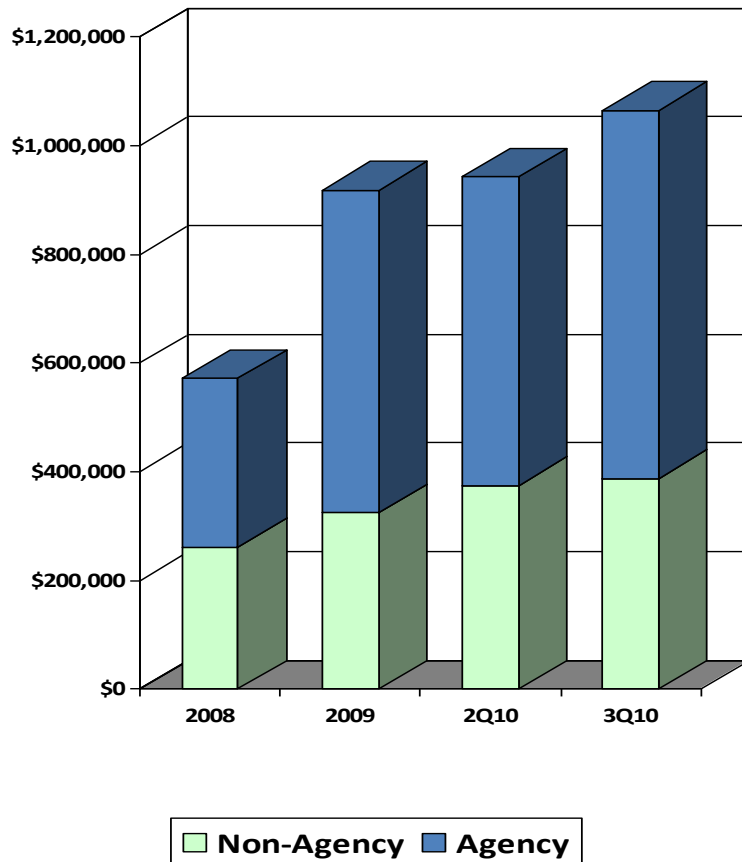


*Note: 2Q10 includes \$1.1 million in CMBS yield maintenance payments which are expected to be non-recurring. 3Q10 amounts include cumulative reduction in amortization of premium on agency RMBS due to reduced actual and projected prepayments.*

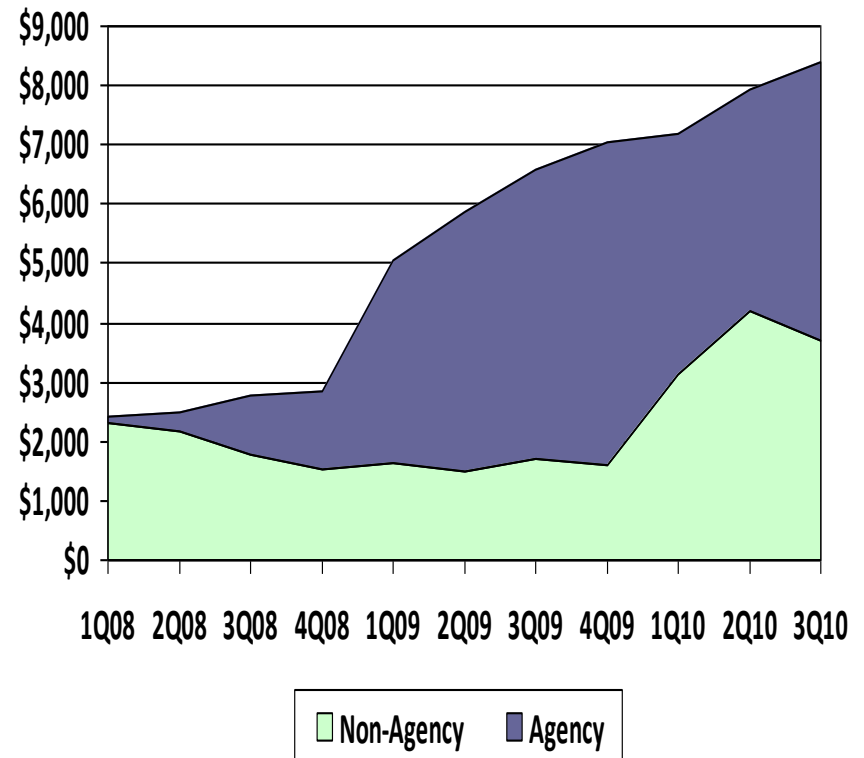
# Portfolio Growth and Diversification of Income



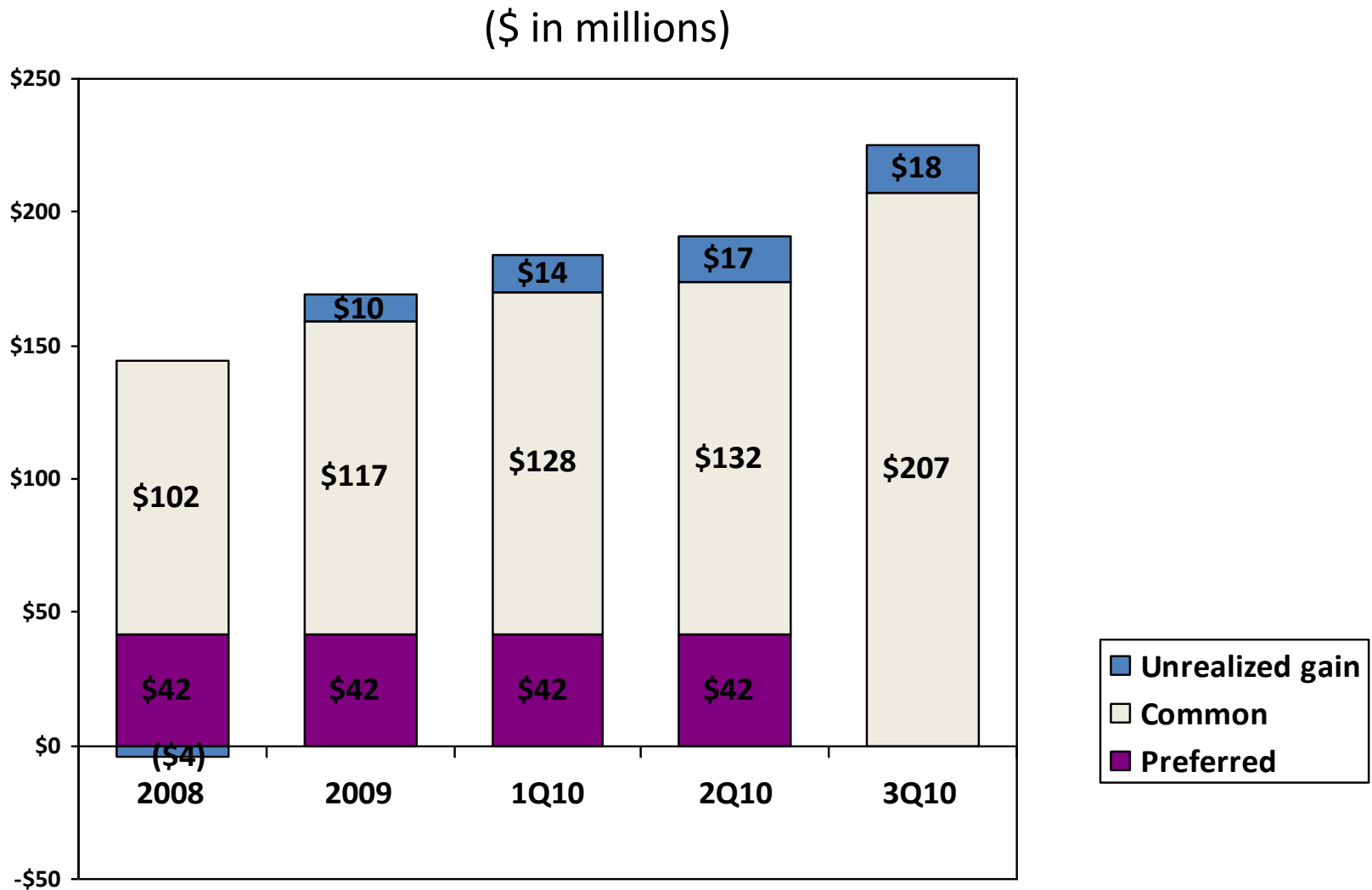
Investments (\$ in thousands)



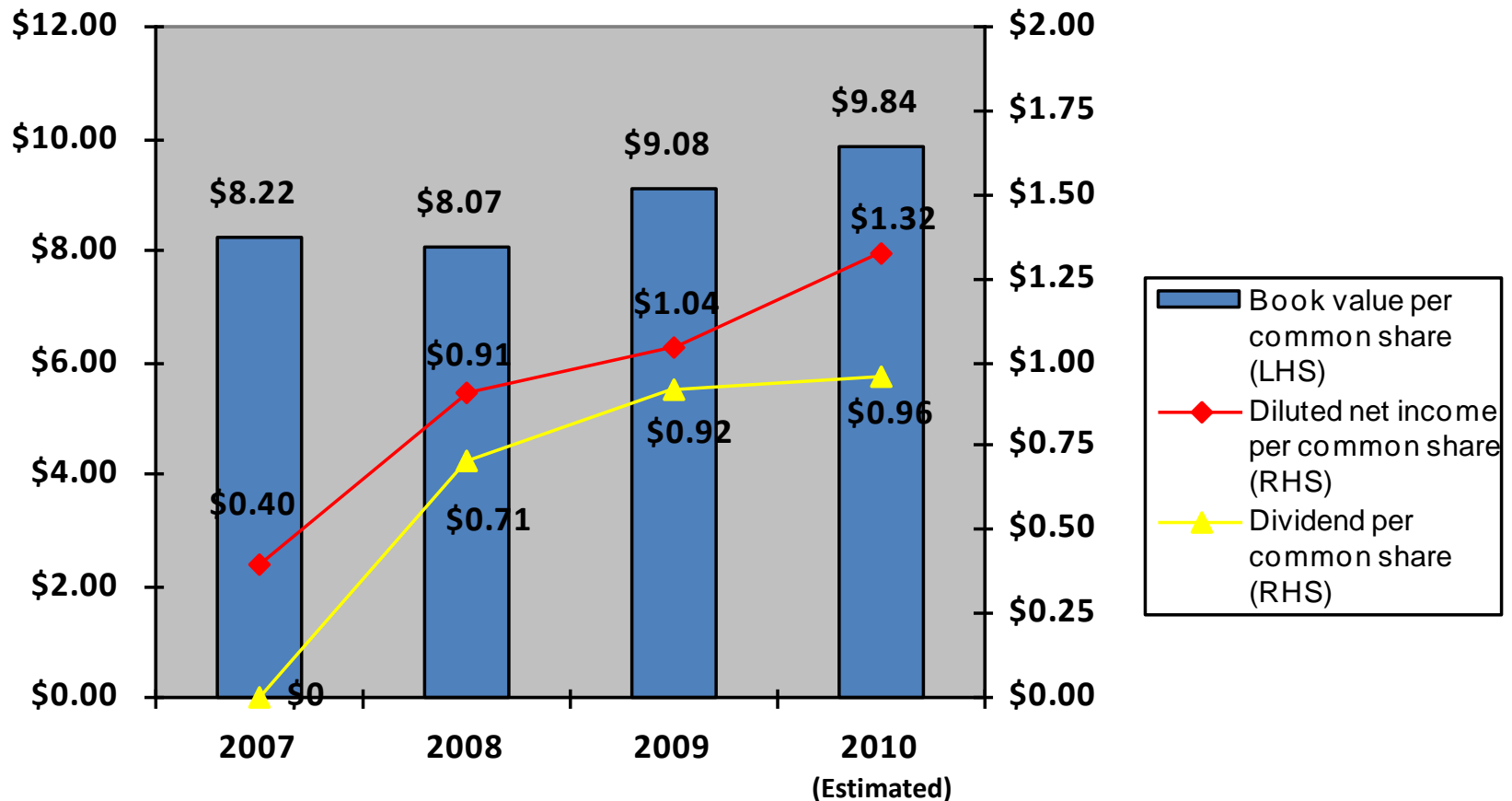
Net Interest Income



# Shareholders' Equity – Measured Growth



# Total Return Opportunity

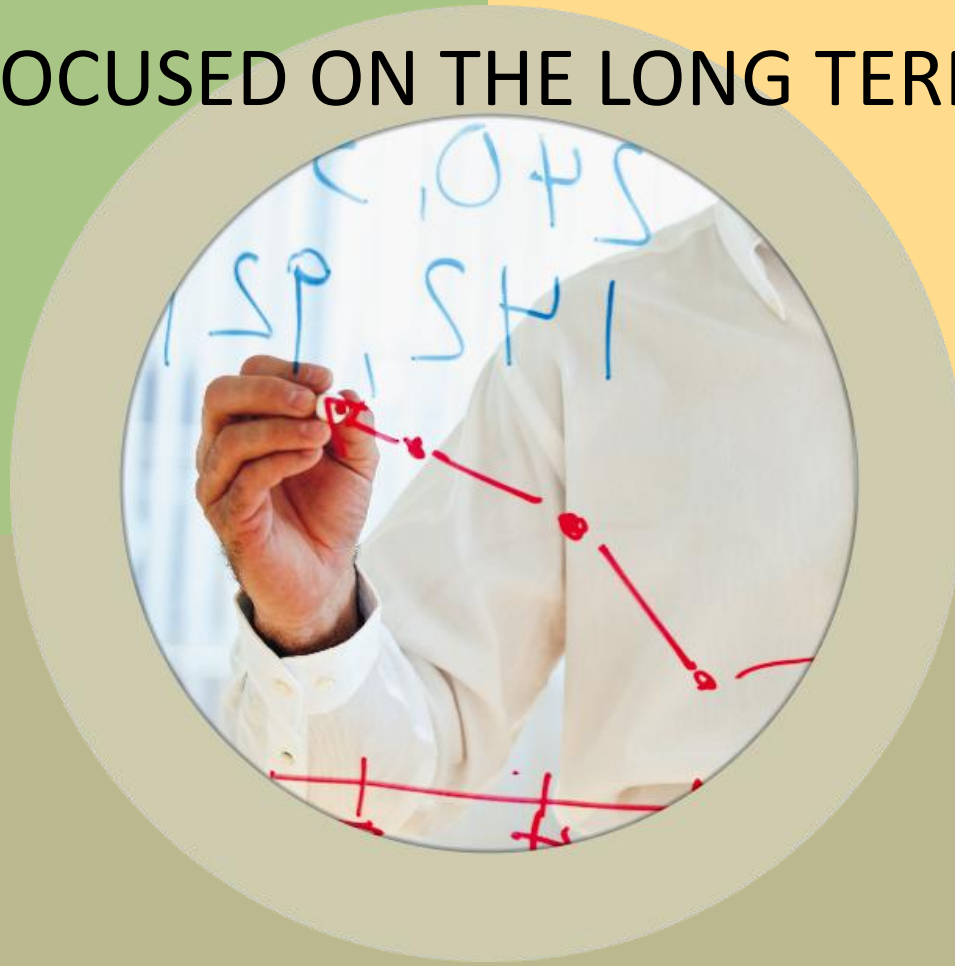


*Note: 2010 includes YTD actual through 3Q10 plus consensus analyst estimates for 4Q10.*

- ✓ Excellent track record with attractive total return opportunity
- ✓ Strong and defensive balance sheet positioned to weather market volatility
- ✓ Experienced management with a track record of disciplined capital deployment through multiple economic cycles
- ✓ Alignment of interests with shareholders due to owner-operator structure
- ✓ Complementary investment opportunities exist with attractive return profiles consistent with our investment philosophy
- ✓ Opportunistic capital raises have increased shareholder value with minimal book value dilution



**FOCUSED ON THE LONG TERM**



**APPENDIX**



# Management Team



Experienced team of professionals with a combined 80 years of experience managing mortgage REITs and mortgage portfolios

- **Thomas B. Akin – Chairman and Chief Executive Officer**

- 32 years of experience in the industry and 7 years at Dynex
- CEO since 2008
- Managing General Partner of Talkot Capital, LLC
- 16 years at Merrill Lynch and Salomon Brothers

- **Byron L. Boston – Chief Investment Officer**

- 27 years of experience in the industry with 3 years as CIO at Dynex
- 13 years managing levered multi-product portfolios at Freddie Mac and Sunset Financial Resources.
- 11 years trading MBS on Wall Street
- 3 years Senior Corporate Lending Officer at Chemical Bank

- **Stephen J. Benedetti – Chief Financial Officer and Chief Operating Officer**

- 21 years of experience in the industry and 16 years at Dynex
- Employed in various capacities at Dynex since 1994
- Managed Dynex from 2002 – 2007
- Began career at Deloitte & Touche

- **Portfolio Management Team**

- **4 member team with a collective 55 years** of industry experience with broad and deep skill sets in both agency and non-agency investment strategies

# CMBS Investments Unique to DX



## 1998 CMBS (10/31/10 balances)

<u>UPB</u>	<u>WAC</u>	<u>Rating</u>	<u>Credit Support</u>
\$85.2 million	8.0%	'AAA'	49.9%
\$43.4 million	8.0%	'A+'	24.4%
\$19.5 million	8.0%	'BBB+'	12.9%
\$6.5 million	8.0%	'BBB'	9.1%
\$15.5 million	5.3%	Non-investment grade	

## 1997 CMBS (10/31/10 balances)

<u>UPB</u>	<u>WAC</u>	<u>Rating</u>	<u>Credit Support</u>
\$2.2 million	6.7%	'AAA'	98%
\$0.1 million	1200%	'AAA'	98%
\$20.5 million	6.8%	'AAA'	77.4%
\$33.1 million	7.0%	'AAA'	43.9%
\$23.7 million	7.2%	'A'	20%
\$19.8 million	7.6%	Non-investment grade	

✓ We created and sold two CMBS in 1997 and 1998, retaining only the non-investment grade CMBS in green at issuance

✓ We redeemed the 1998 CMBS bonds in blue at par in 12/2009 and 7/2010

✓ We redeemed the 1997 CMBS bonds in blue at par in 8/2010

✓ We financed all of the redemptions via resecuritization and repo at a current effective interest rate of ~2.0% for a current weighted average "spread" on the redeemed CMBS of ~6.2%

✓ Annual net interest income expected based on the spread earned on the CMBS is ~\$12 million based on current rates

✓ DX still owns rights to redeem the CMBS bonds in red at par

18

**Bank of America**  
**Greenwich Capital**  
**Cantor Fitzgerald**  
**BB&T Capital**  
**Morgan Keegan**  
**Deutsche Bank**  
**Morgan Stanley**  
**SunTrust**  
**MF Global**

**ING**  
**Guggenheim**  
**Jefferies Securities**  
**Mizuho**  
**South Street Securities**  
**Goldman Sachs**  
**Nomura**  
**LBBW**  
**Credit Suisse**