DYNEX

Sound Strategy. Unique Advantages.

Dynex Capital, Inc.

Third Quarter Investor Presentation

November 17, 2011

www.dynexcapital.com
(NYSE: DX)

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 future investment strategies and leverage ratios, financial performance, the projected impact of 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: our ability to find suitable reinvestment opportunities; changes in economic conditions; changes in interest rates and interest rate spreads, including the repricing of interest-earnings assets and interest-bearing liabilities; our investment portfolio performance particularly as it relates to cash flow, prepayment rates and credit performance; adverse reactions in financial markets related to the budget deficit or national debt of the United States government; potential or actual default by the United States government on Treasury securities; and potential or actual downgrades to the sovereign credit rating of the United States or the credit ratings of GSEs; the cost and availability of financing; the cost and availability of new equity capital; changes in our use of leverage; the quality of performance of third-party service providers of our loans and loans underlying our securities; the level of defaults by borrowers on loans we have securitized; changes in our industry; increased competition; changes in government regulations affecting our business; government initiatives to support the U.S financial system and U.S. housing and real estate markets; GSE reform or other government policies and actions; and an ownership shift under Section 382 of the Internal Revenue Code that impacts the use of our tax NOL carryforward. For additional information, see the Company's Annual Report on Form 10-K for the year ended December 31, 2010, the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2011, June 30, 2011, and September 30, 2011 and other reports filed with and furnished to the Securities and Exchange Commission.

Our Guiding Principles

Our Mission

Manage a successful public mortgage REIT with a focus on capital preservation and providing risk-adjusted returns reflective of a diversified, leveraged fixed income portfolio.

Our Core Values

✓Generate dividends for our shareholders

✓Manage leverage conservatively

✓Remain owner-operators

✓Maintain a culture of integrity and employ the highest ethical standards

✓Provide a strong risk-management culture

✓Focus on long-term shareholder value while preserving capital

DX Snapshot

<u>Company Highlights</u>

✓**Internally managed REIT commenced operations in 1988**

✓**Significant insider ownership and experienced management team**

✓**Diversified investment strategy in residential and commercial mortgage assets**

✓**Large NOL carryfoward for unique total return opportunity**

<u>Market Highlights</u> *(as of 11/01/11 unless indicated)*

NYSE Stock Ticker	**DX**
Shares Outstanding	**40,380,797**
Quarterly Dividend/Dividend Yield	**$0.27/12.60%**
Share Price	**$8.57**
Price to Book (9/30/2011)	**0.88**
Market Capitalization	**$346 million**

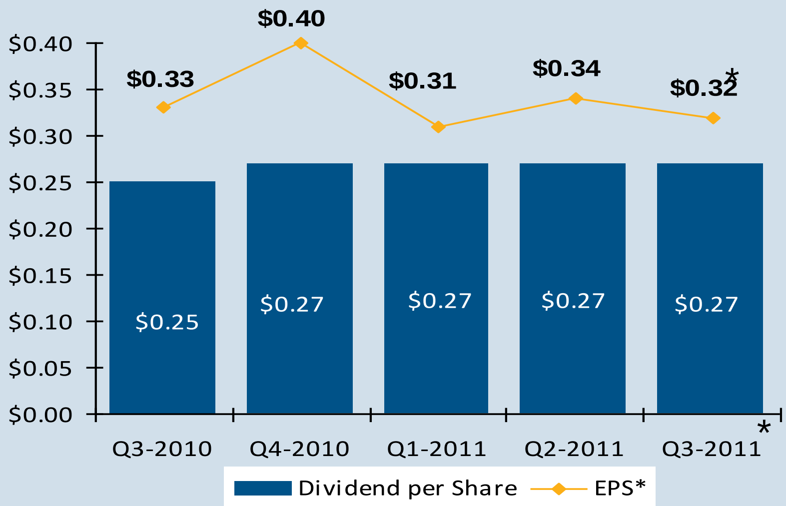
Third Quarter 2011 Highlights

- Reported diluted earnings per common share of $0.04, and $0.32 Ex-Items [(1)]
- Reported book value per common share of $9.15
- Generated a net interest spread of 2.43%
- Declared a dividend of $0.27 per share, representing a 13.4% yield on an annualized basis [(2)]
- Generated an annualized return on average equity of 1.6%, or 13.7% based on EPS Ex-Items [(1)]
- Reported overall leverage of 6.1x equity capital

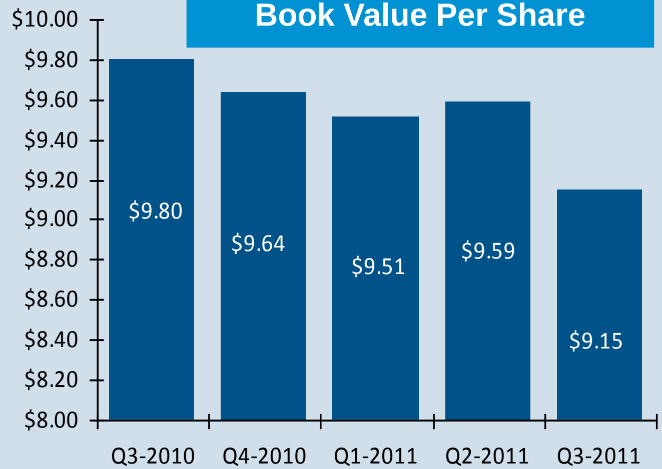
(1) EPS Ex-Items, or Dynex's earnings per share excluding certain items, excludes from GAAP earnings per share the impact of litigation settlement and related defense costs of $8.2 million (or $0.20 per diluted common share), a loss of $2.0 million (or $0.05 per diluted common share) on redemption of non-recourse collateralized financings, and $1.3 million (or $0.03 per diluted common share) in net accelerated premium amortization due to an increase in forecasted prepayment speeds during the third quarter of 2011.
(2) Based on the September 30, 2011 closing price of $8.06 per share. See the Company's press release issued November 1, 2011 for further discussion.

Summary of Results

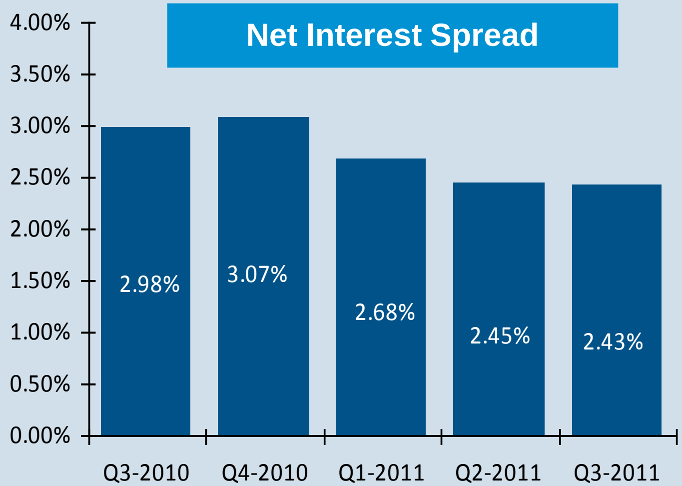
Dividends and Earnings Per Share*



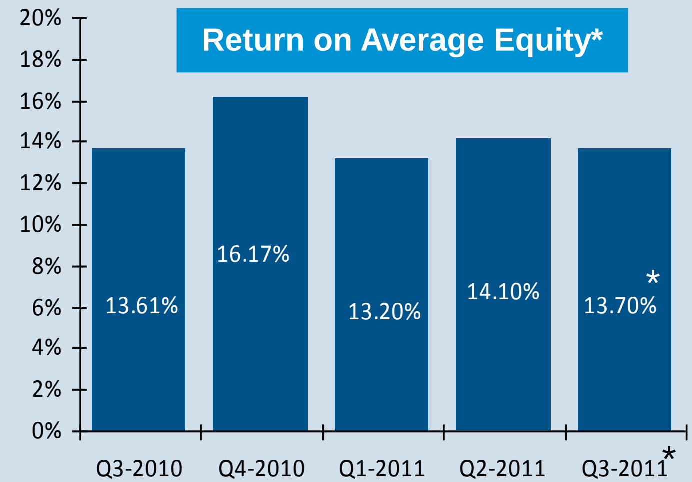
Book Value Per Share



Net Interest Spread



Return on Average Equity*



*As presented on this slide, Q3-2011 earnings per share and return on average equity exclude the impact of certain items. Please see slide 4 for additional information.

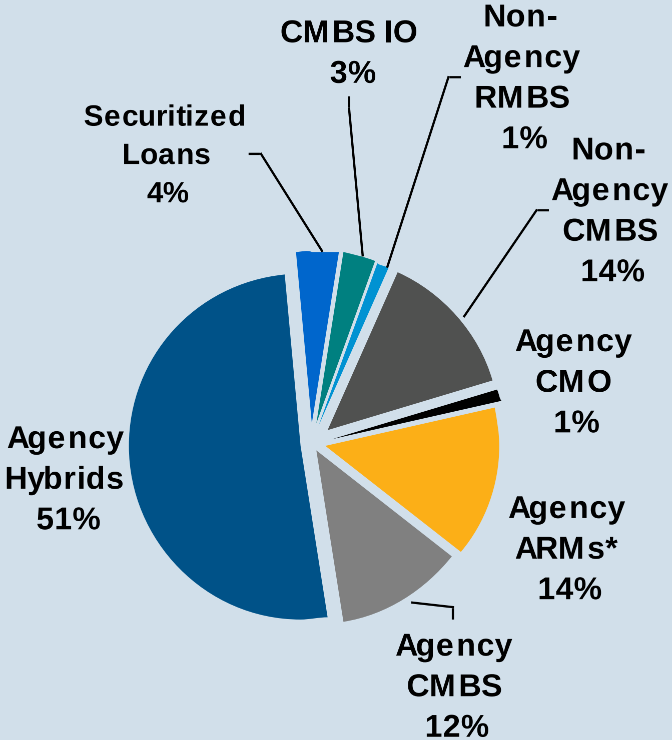
Portfolio Review

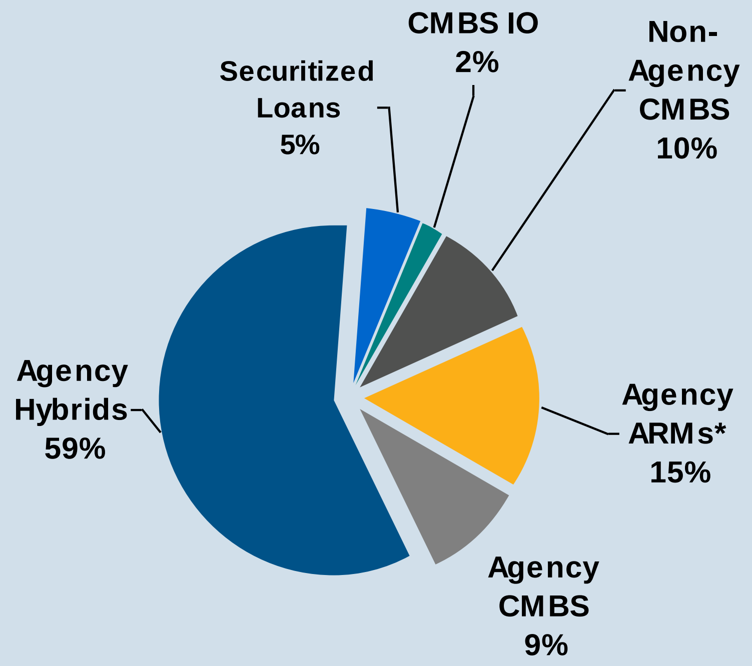
- Our portfolio continues to perform well despite volatile markets.
- Our portfolio is constructed to minimize prepayment risk, credit risk, and extension risk.
- Despite a high average portfolio dollar price, we have built in loan level characteristics that work to offset trends to faster prepayment speeds.
- We have rotated further into securities in the CMBS sector with explicit prepayment protection and higher expected ROEs.
- Most of our CMBS exposure is to GSE multi-family programs, which historically have demonstrated superior credit performance.
- To minimize extension risk we have focused our portfolio on securities that either reset or mature within 10 years. Our average months to maturity or reset is 46 months as of September 30, 2011.

Portfolio Composition

DYNEX

As of September 30, 2011	As of June 30, 2011
-RMBS/RESI 68%	-RMBS/RESI 76%
-CMBS/Commercial 32%	-CMBS/Commercial 24%



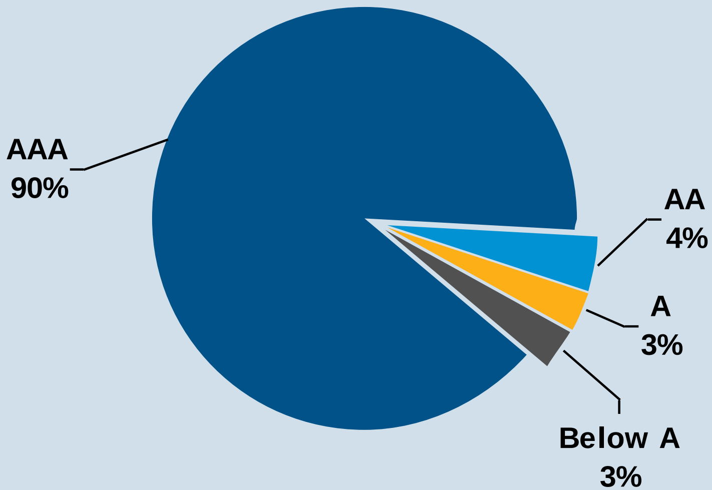


- Well diversified portfolio
- Increasing holdings of CMBS with prepayment protection

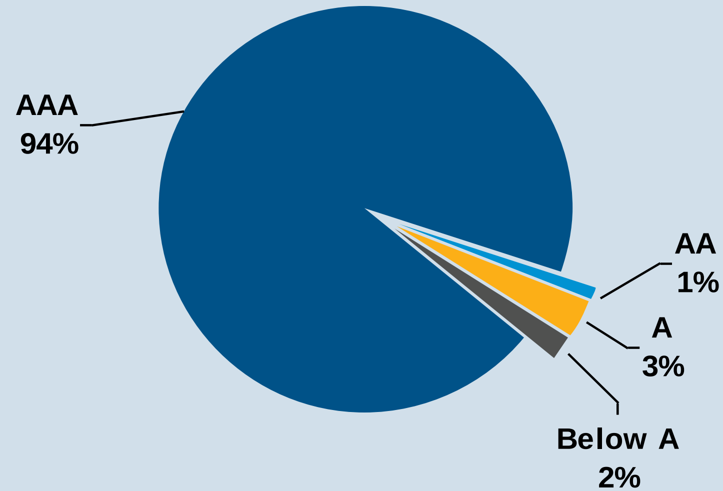
* Less than 15 MTR

Portfolio Ratings

As of September 30, 2011



As of June 30, 2011



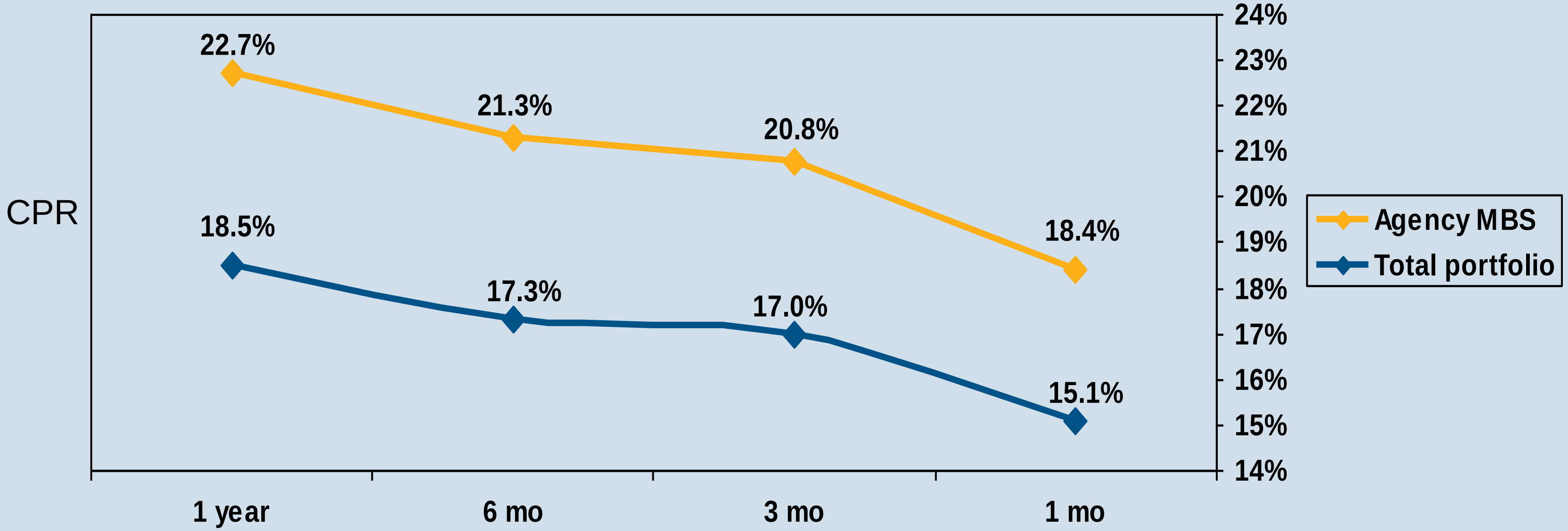
**Agency securities are considered AAA rated by Moody's and Fitch as of the dates presented*

MBA Refi Index

Source: Bloomberg

Prepayment Performance

(through September 30, 2011)



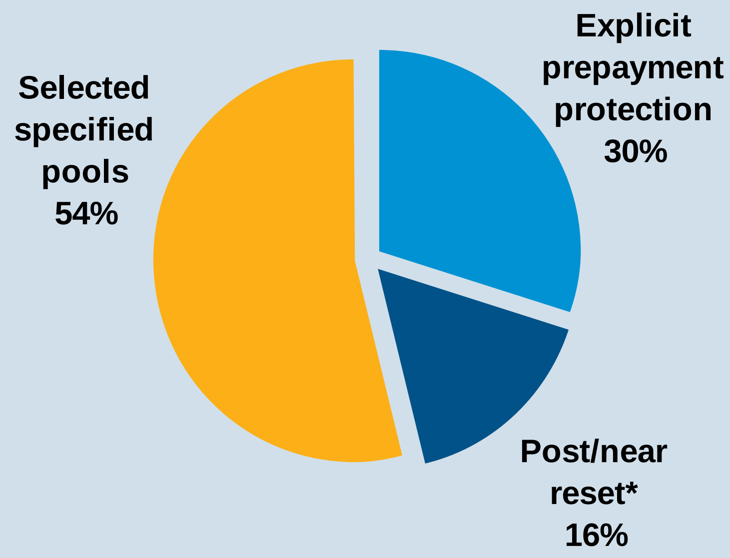
- Consistent prepayment performance over the past year with minimum prepayment spikes
- Meticulously selected portfolio to minimize prepayment volatility

Table represents historical prepayment performance based on the investment portfolio as it exists at September 30, 2011.

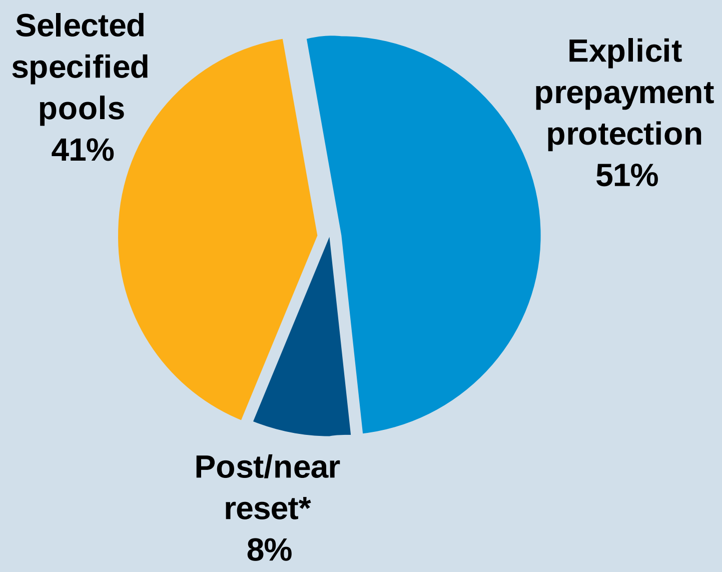
Prepayment Exposure

(as of September 30, 2011)

By Market Value



By Dollar Premium



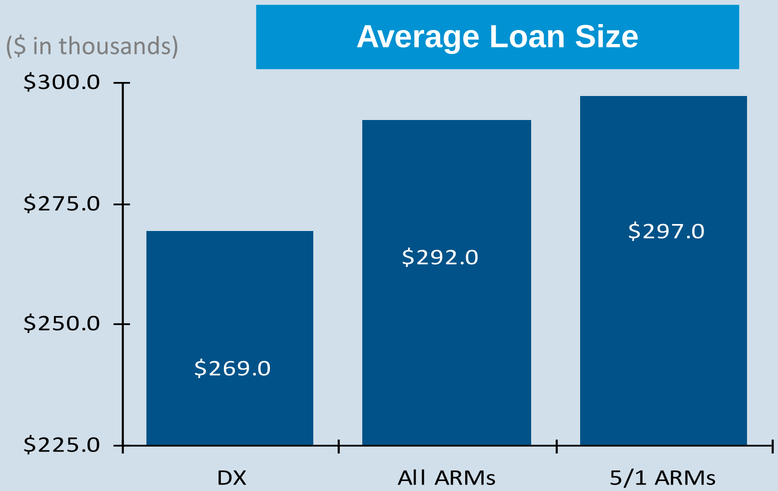
- Significant explicit prepayment protection
- Meticulously selected portfolio to minimize prepayment exposure

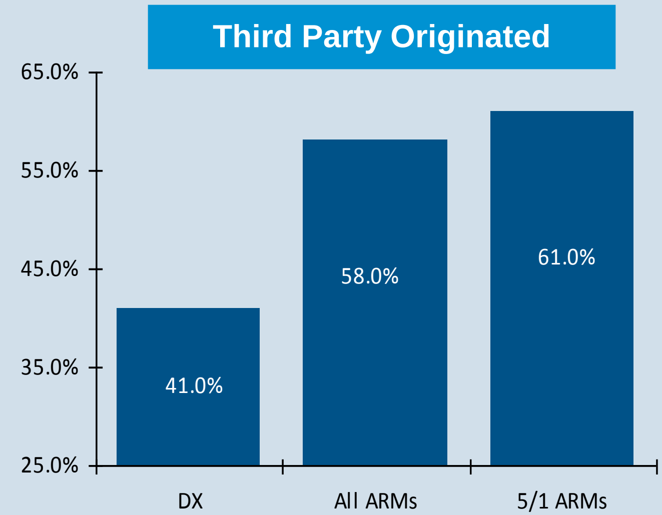
* Less than 15 MTR

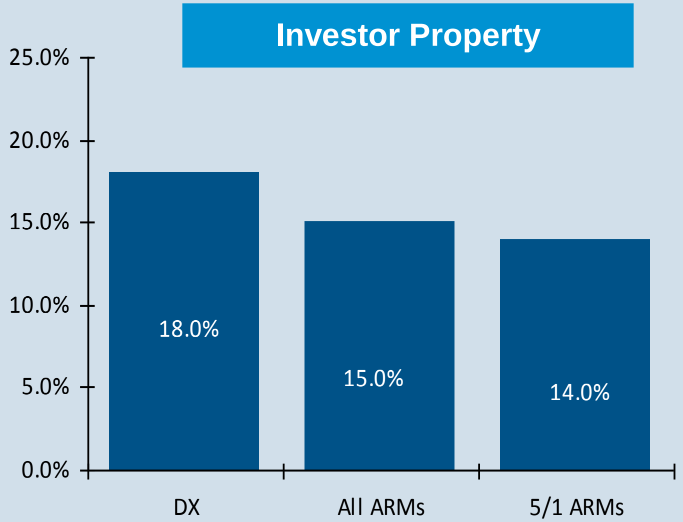
Key Prepayment Metrics for Selected Specified Pools

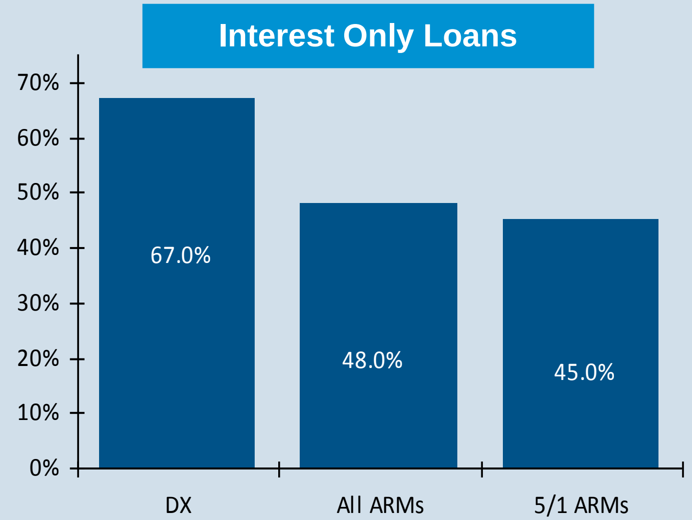
(as of September 30, 2011)

DYNEX







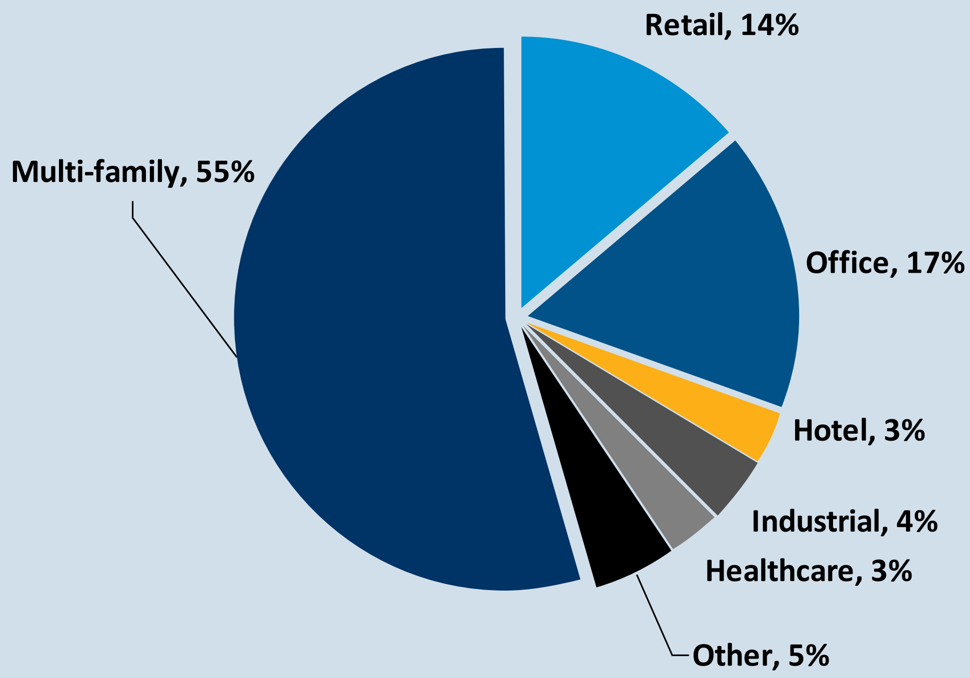


Source for Non-DX Metrics : JP Morgan

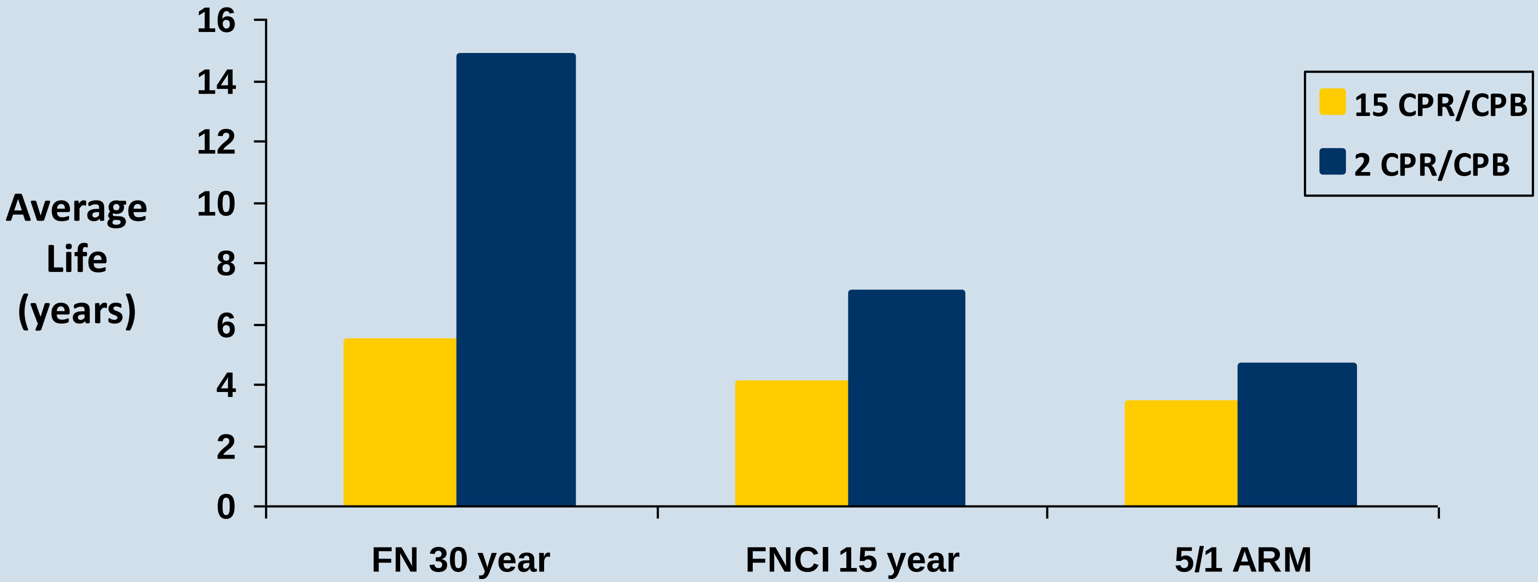
Non-Agency CMBS Vintage Portfolio
(as of September 30, 2011)

Non-Agency CMBS Portfolio
as of September 30, 2011

Property Type

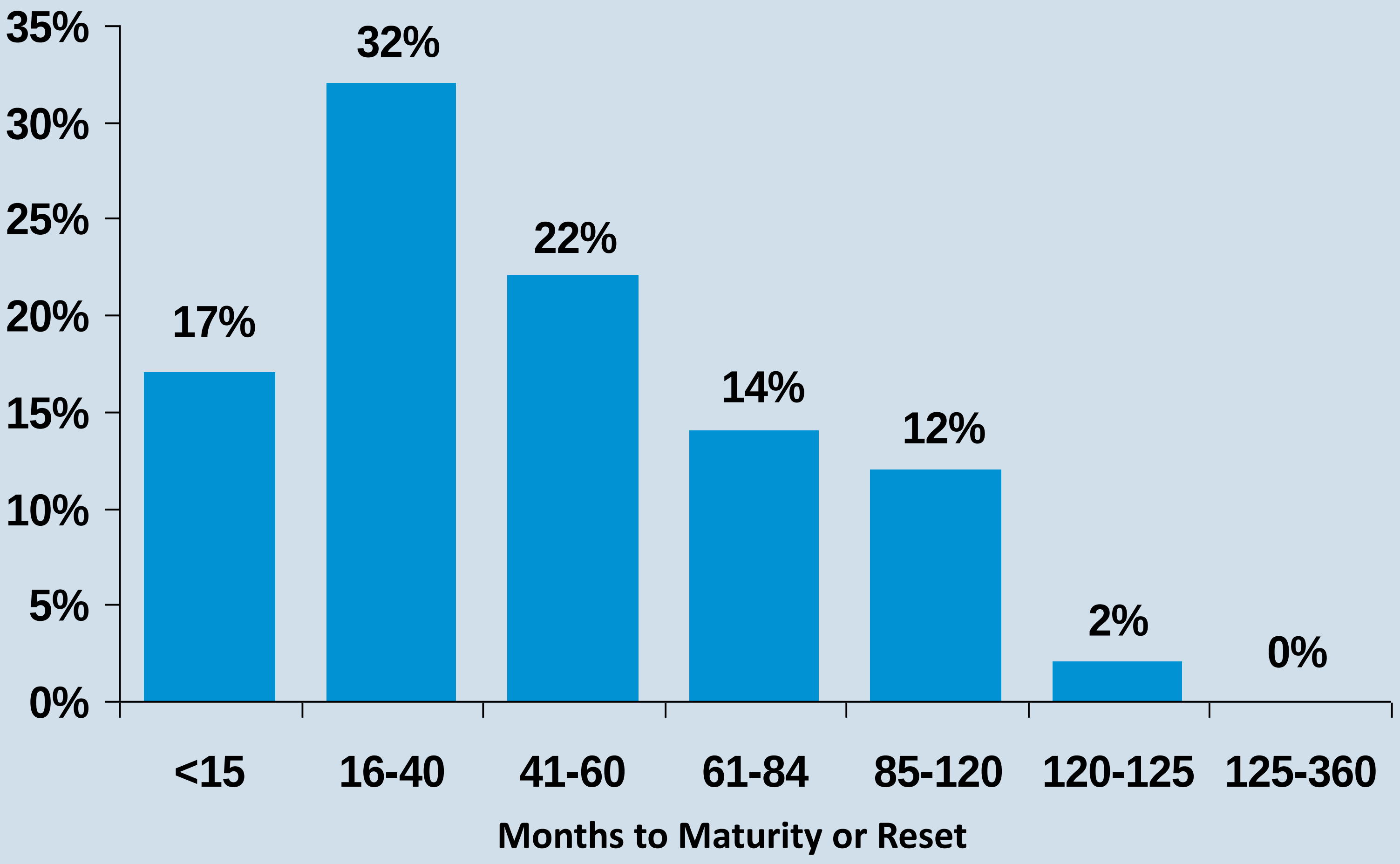


Extension Risk
(as of September 30, 2011)



	Price	Coupon	WAC	Speed	Average Life	Average Life Extension
FN 30yr	$103-10	4.00%	4.43%	15 CPR 2 CPR	5.41 years 14.78 years	~9 years
FNCI 15yr	$103-10	3.50%	3.80%	15 CPR 2 CPR	4.01 years 6.98 years	~3 years
5/1 ARM	$103-2	2.75%	3.16%	15 CPB 2 CPB	3.35 years 4.57 years	~1 year

Portfolio Maturity/Reset Distribution
(as of September 30, 2011)



Potential Return Profile for Current Focus Investments *(as of October 31, 2011)*

Investment	Range of Prices	Range of yields	Range of net spread to funding	Range of ROEs
Agency RMBS	103-108	2.3%- 2.8%	1.8%-2.3%	16%-23%
Agency CMBS	103-111	3.10%-3.5%	1.3%-2.0%	15%-20%
Non-Agency 'A' –'AAA' RMBS	85-103	3.5%-7.0%	2.6%-4.0%	14%-24%
Non-Agency 'A'-'AAA' CMBS	85-107	4.5%-6.4%	2.2%-4.10%	15%-23%

The above portfolio is for illustrative purposes only, does not represent actual or expected performance and should not be relied upon for any investment decision. The range of returns on equity is based on certain assumptions, including assumptions relating to asset allocation percentages and spreads where mortgage assets can be acquired versus a current cost of funds to finance acquisitions of those assets. Rates used represent a range of asset yields and funding costs based on data available as of the date referenced above. Any change in the assumed yields, funding costs or assumed leverage could materially alter the company's returns. There can be no assurance that asset yields or funding costs will remain at current levels. For a discussion of risks that may affect our ability to implement strategy and other factors which may affect our potential returns, please see the section entitled "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2010 and our Quarterly Reports on Form 10-Q for the quarters ended June 30, 2011 and September 30, 2011.

Summary

- Our portfolio has performed well since 2008 and the earnings power today remains relatively intact.
- Prepayment risk is mitigated by superior portfolio construction and HARP 2.0 should have less impact on Hybrid ARMs.
- Credit risk is mitigated by highly-rated securities, superior loan origination years and concentration in multifamily collateral.
- Extension risk is mitigated by the short-duration investment portfolio with 71% of the investments maturing or resetting within five years (as of September 30, 2011).
- There continues to be attractive investment opportunities to deploy capital despite the volatile financial markets.

Why Dynex

- ✓ Excellent long term performance record
- ✓ 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 without significant book value dilution

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**
  - 33 years of experience in the industry and 8 years at Dynex
  - Chairman since 2003 and CEO since 2008
  - Managing Member of Talkot Capital, LLC
  - 16 years at Merrill Lynch and Salomon Brothers

- **Byron L. Boston – Chief Investment Officer**
  - 28 years of experience in the industry with 4 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**
  - 22 years of experience in the industry
  - Employed at Dynex for 17 years in various treasury, risk management and financial reporting roles
  - Managed Dynex from 2002 – 2007
  - Began career at Deloitte & Touche

- **Portfolio Management Team**
  - 5 member team with a collective 65 years of industry experience with broad and deep skill sets in both agency and non-agency investment strategies

Selected Financial Highlights

(as of and for the quarter ended)

DYNEX

Financial Highlights: *($000 except per share amounts)*	**Sept 30, 2011**	**Jun 30, 2011**	**Mar 31, 2011**	**Dec 31, 2010**	**Sept 30, 2010**
Total Investments	$ 2,595,574	$ 2,591,097	$ 2,279,610	$ 1,614,126	$ 1,064,546
Total Assets	2,633,686	2,656,703	2,359,816	1,649,584	1,091,835
Total Liabilities	2,264,152	2,269,843	1,976,323	1,357,227	866,361
Total Equity	369,534	386,860	383,493	292,357	225,474
Interest Income	21,143	21,065	17,465	14,281	11,734
Interest Expense	6,583	6,032	4,734	3,385	3,333
Net Interest Income	14,560	15,033	12,731	10,896	8,401
General and Administrative Expenses	2,335	2,255	2,118	2,911	1,971
Net income	$ 1,532	$ 13,594	$ 10,280	$ 9,646	$ 7,022
Diluted EPS	$ 0.04*	$ 0.34	$ 0.31	$ 0.40	$ 0.33
Dividends declared per common share	0.27	0.27	0.27	0.27	0.25
Book Value per share	9.15	9.59	9.51	9.64	9.80

* Diluted EPS Ex-Items was $0.32. EPS Ex-Items, or Dynex's earnings per share excluding certain items, excludes from GAAP earnings per share the impact of litigation settlement and related defense costs of $8.2 million (or $0.20 per diluted common share), a loss of $2.0 million (or $0.05 per diluted common share) on redemption of non-recourse collateralized financings, and $1.3 million (or $0.03 per diluted common share) in net accelerated premium amortization due to an increase in forecasted prepayment speeds during the third quarter of 2011. See the Company's press release issued November 1, 2011 for further discussion.