



Celebrating a Landmark

20 years on the NYSE



Dynex Capital, Inc.

Southwest IDEAS
Investor Conference

November 11, 2009



Safe Harbor

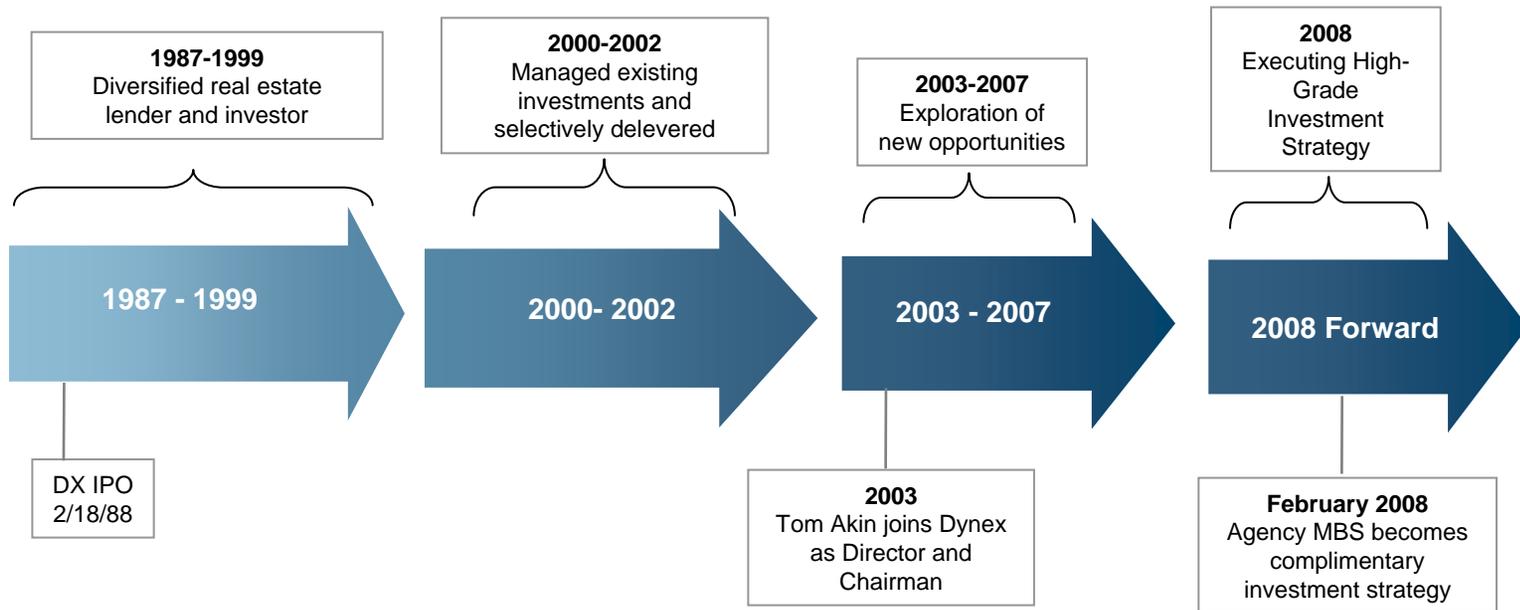
Note: This presentation contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. The words “will,” “believe,” “expect,” “forecast,” “anticipate,” “intend,” “estimate,” “assume,” “project,” “plan,” “continue,” and similar expressions identify forward-looking statements that are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. 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, risks associated with: investing in real estate assets including changes in general economic and market conditions and volatility in the credit markets; the ability to continue to finance our investments; defaults by borrowers and/or guarantors; availability of suitable reinvestment opportunities; fluctuations in interest rates and the market value of our Agency securities particularly in response to changes in government policy; fluctuations in property capitalization rates and values of commercial real estate; defaults by third-party servicers; prepayments of investment portfolio assets; variability in investment portfolio cash flows; other general competitive factors; uncertainty around government policy; and the impact of regulatory changes, 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, 2008 and Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, and other reports filed with and furnished to the Securities and Exchange Commission.



Why Dynex

- 20+ year public mortgage REIT
- Attractive total return opportunity
- Insiders own almost 20% of total equity
- Internally managed by seasoned management team averaging 20+ years of experience
- Diverse, seasoned investment portfolio with little extension risk
- \$150 million tax NOL carryforward providing flexibility and opportunity
- Clean balance sheet and low leverage

Our History





DX Performance

DX US \$ ↑ **8.0899** -.0401 D L8.07/8.09L 2x8 EquityGPO
 At 10:06 Vol 4,338 Op 8.05 N Hi 8.12 D Lo 8.05 N ValTrd 35061

DX US EQUITY Hide GPO - Bar Chart Page 1/121
 Range - Upper Mov. Avgs Currency
 Period Lower Mov. Avg Events

Day Session	
Last	8.13
High on 04/10/08	9.99
Average	7.1624
Low on 01/07/03	4.26



Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000
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Our Mission

- Manage our investment activities to provide an attractive risk-adjusted return across a variety of market environments
- Provide an attractive total return opportunity for our shareholders as a mortgage REIT while protecting book value
- Maintain a culture of disciplined Risk Management
- Continue our culture of integrity and transparency
- Stay focused on long-term business opportunities

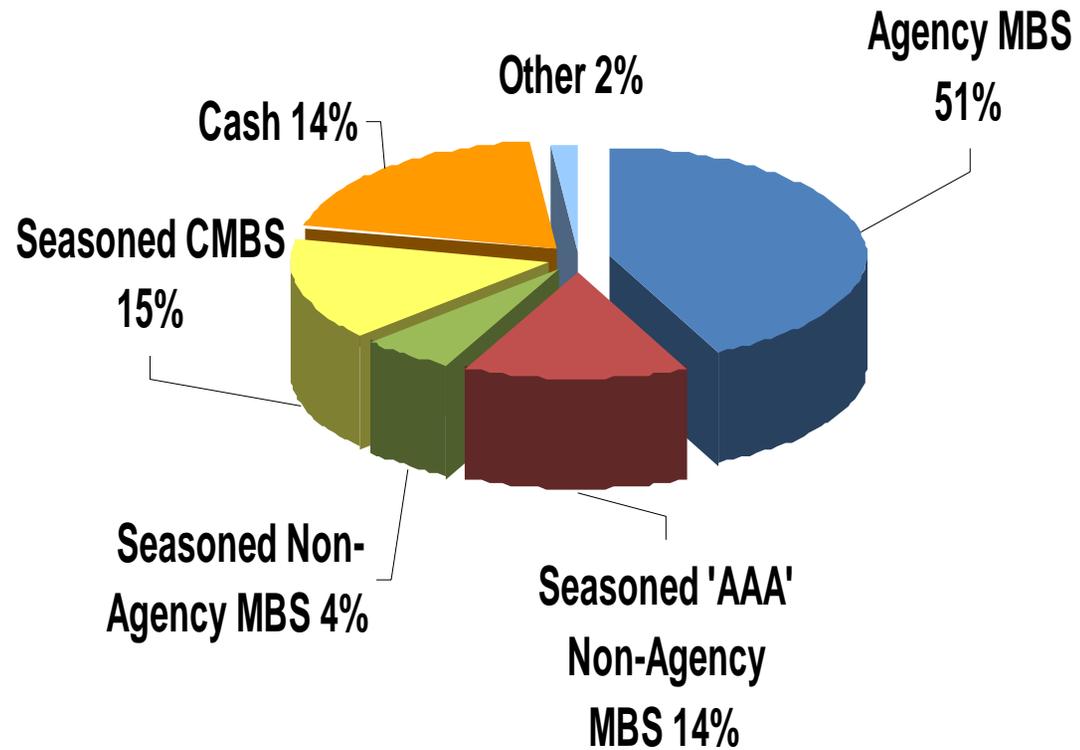
Investment Portfolio as of September 30, 2009

Investment	Investment Basis	Financing	Net Invested Capital
Agency Hybrid ARMs and ARMs	\$ 600,927	\$ 516,627	\$ 84,300
Securitized mortgage loans, net:			
Single-family mortgage loans – 2002 Trust (1994 vintage)	65,016	42,930	22,086
Commercial mortgage loans – 1993 Trust	18,479	10,979	7,500
Commercial mortgage loans – 1997 Trust	142,236	132,504	9,732
	225,731	186,413	39,318
Joint venture (CMBS)	8,174	–	8,174
Other investments:			
Non-Agency MBS (1994 vintage)	6,112	–	6,112
Other loans (1997 vintage)	2,327	–	2,327
	8,439	–	8,439
Total	\$ 843,271	\$ 703,040	\$ 140,231

Investment Portfolio as of September 30, 2009 (cont.)

Investment	Net Invested Capital	3Q 09 Earnings Contribution
Agency Hybrid ARMs and ARMs	\$ 84,300	\$4,881
Securitized mortgage loans, net:		
Single-family mortgage loans – 2002 Trust (1994 vintage)	22,086	540
Commercial mortgage loans – 1993 Trust	7,500	369
Commercial mortgage loans – 1997 Trust	9,732	351
	39,318	1,260
Joint venture (CMBS)	8,174	1,620
Other investments:		
Non-Agency MBS (1994 vintage)	6,112	155
Other loans (1997 vintage)	2,327	49
	8,439	204
Total	\$ 140,231	\$7,965

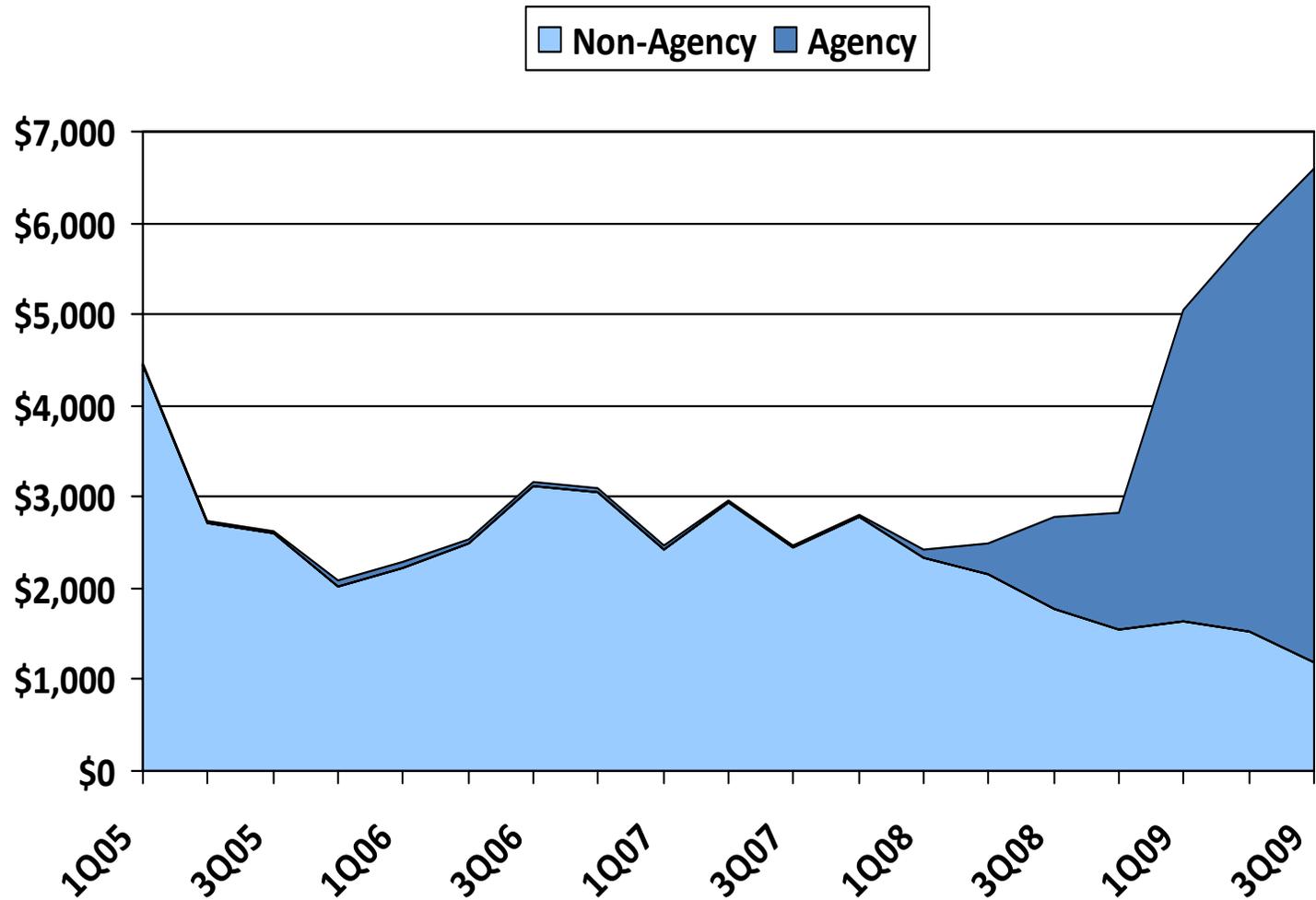
Capital Allocation at September 30, 2009





Net Interest Income since 2005

(in thousands)





Investment Opportunity

Macroeconomic Environment

- Disaster banking scenario has been avoided
- Short-term rates expected to remain low for the foreseeable future and the yield curve steep
- Government policy continues to influence investment opportunities
- Liquidity has continued to improve
- Spreads are expected to widen when the government reduces purchases of MBS and/or when volatility increases from change in monetary policy
- Non-Agency market valuations have improved throughout 2009
- Commercial Real Estate (CRE) fundamentals remain weak



Investment Opportunity - Agency MBS

- Agency MBS net spreads still wide given low funding costs
 - Our focus is on short duration assets, which have limited extension risk in a rising rate environment
- Current 5/1 Hybrid ARM ROE's based on spread to funding per table below:

Leverage	Spread to Funding		
	2.00%	2.50%	3.00%
6.0x	15.5%	18.5%	21.5%
7.0x	17.5%	21.0%	24.5%
8.0x	19.5%	23.5%	27.5%



Investment Opportunity - CMBS

- We have the opportunity to repurchase and refinance previously issued Dynex debt of \$184 million
- \$116 million of the \$184 million total is 'AAA'-rated CMBS bonds with a current coupon of 8%
- Current market rates for 'AAA'-rated CMBS debt such as this range between 4.5% and 5.5%
- A refinance of these bonds at those rates could result in as much as \$3.9 million in additional cash earnings per year
- The rights to repurchase and refinance these bonds are currently owned by our joint venture so our portion of the dollar savings is half



Investment Opportunity – High Grade MBS vs. Agency MBS

Current Market Examples		
	'AAA' MBS Super Senior	Agency 5/1 Hybrid
Yield	4.42%	3.50%
Price	99-24	103-29
Coupon	4.38%	4.03%
Duration	0.9	2.6
Leverage	5x	7x
Funding Cost	1.75%	1.25%
ROE	17.77%	19.25%



Key Themes

- Long-term strategy of diverse investment platform is intact
- Grow capital base and earnings
- Continue to fill out our short duration investment portfolio while taking advantage of a chaotic investment environment
- Realize intrinsic value of our non-Agency investments
- Utilize NOL to increase book value
- Position ourselves for future challenges and opportunities from the macroeconomic environment



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