



Celebrating a Landmark

20 years on the NYSE



Dynex Capital, Inc.

2009 Annual Meeting of Shareholders

May 13, 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, changes in general economic and market conditions, including the ongoing volatility in the credit markets which impacts assets 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 policy, the impact of regulatory changes, including the Emergency Economic Stabilization Act of 2008 and the American Recovery and Reinvestment Act of 2009, the full impact of which is unknown at this time, and the impact of Section 404 of the Sarbanes-Oxley Act of 2002. 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 period ended March 31, 2009, and other reports filed with and furnished to the Securities and Exchange Commission.

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Dynex Summary as of March 31, 2009

- NYSE Listed REIT since 1989
- Market Cap including Series D of \$140 million
- Attractive Price to Book
- Insiders own 21.01% of total equity
- Dividend Yield over 13%*
- Internally Managed (Alignment of Interests)
- Tax NOL Carryforward of \$150 million
- Well Seasoned Non-Agency Portfolio

**Based on a stock price of \$7.24 on May 12, 2009*

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Our Mission

- Manage DX investments 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 that is respectful of market volatility and leverage
- Continue our culture of integrity and transparency
- Stay focused on long-term business opportunities

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Key Themes from 2008 Annual Meeting

- Grow Capital Base of the Company
- Deploy Capital in Agency MBS
- Grow Earnings Base and Dividend
- Complete Build-out of Investment Management Platform
- Grow the Board

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Accomplishments for 2008

- Avoided Missteps and Protected Book Value
- In the midst of unprecedented market chaos, we:
 - Established 10+ quality counterparty relationships
 - Added almost \$500 million in Agency MBS
 - Kept balance sheet leverage low and financial flexibility high
- Reported our highest annual earnings in a decade
 - Substantial contribution from our non-Agency investments
- Re-established the Common Dividend and paid out \$0.71 for the year (currently a 13% yield*)

**Based on a stock price of \$7.24 as of May 12, 2009*

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Accomplishments for 2008

- Filled-out Management Team
- Expanded our investment capacity
 - Added counterparties
 - Enhanced technology
 - Refined processes
- Bottom line is we are positioned for a solid 2009

What is Next for Us?

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2009 Key Themes

- Long-term strategy is intact
- Grow capital base and earnings
- Continue to build our investment portfolio while taking advantage of chaotic investment environment
- Realize intrinsic value of our non-Agency investments
- Utilize NOL to increase book value
- Position ourselves for future challenges from the Macro-Environment

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Investment Opportunity

Macro-Environment

- Disaster banking scenario has been avoided
- Government policy will drive investment opportunities
- Rates expected to remain low and the yield curve steep
- Liquidity expected to slowly return to the markets
- Spreads expected to remain wider than norms
- Non-Agency market valuations should improve

Successful Investment Results Will Require a
Flexible, but Disciplined Approach

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Investment Opportunity

- Agency MBS spreads still provide attractive returns despite low yields
- Non-Agency opportunities could offer attractive returns given Government involvement
 - Possible recovery in our non-Agency investments
- We have capital to continue to grow our portfolio

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DX Investment Portfolio as of March 31, 2009

Investment	Investment Basis	Financing	Net Invested Capital
Agency Hybrid ARMs and ARMs	\$ 450,800	\$ 387,641	\$ 63,159
Securitized mortgage loans, net:			
Single-family mortgage loans – 2002 Trust (1994 vintage)	68,957	41,482	27,475
Commercial mortgage loans – 1993 Trust	21,002	17,938	3,064
Commercial mortgage loans – 1997 Trust	148,879	138,392	10,487
	238,838	197,812	41,026
Investment in joint venture	5,417	–	5,417
Other investments:			
Non-Agency MBS (1994 vintage)	6,070	–	6,070
Equity securities	1,734	–	1,734
Other loans (1997 vintage)	2,646	–	2,646
	10,450	–	10,450
Total	\$ 705,505	\$ 585,453	\$ 120,052
Estimated ROE on Capital*			17%

*Based on projected net cash flows from the investment portfolio as of March 31, 2009.

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Asset Allocation at March 31, 2009

- Agency MBS ~ 60% of Assets and ~44% of Capital
- Seasoned CMBS ~ 23% of Assets and ~13% of Capital
- Seasoned Non-Agency MBS ~10% of Assets and ~23% of Capital
- Cash ~ 3% of Assets and ~15% of Capital
- Minor Credit Losses in Last Three Years
- No CDOs or Subprime

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Agency MBS Opportunity

- Our Net Interest Spread for 1Q09 was 3.35%
- Below are ROE Ranges for Current Hybrid ARM Investment Opportunities

	Spread to Funding		
	2.00%	2.50%	3.00%
Leverage			
7.0x	18.00%	21.50%	25.00%
7.5x	19.00%	22.75%	26.50%
8.0x	20.00%	24.00%	28.00%

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Agency MBS Investment Strategy

Dynex Portfolio Today

Yield (amortized) on Assets	4.25%
Average Funding Cost	0.75%
Net Interest Spread	3.50%
Projected ROE *	25% - 30%
Effective Asset Duration	0.90
Effective Convexity	-0.56

* *Projected ROE over the life of the investments assuming constant average funding cost*

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Investment Portfolio - Summary

- Diverse mix of investments
 - Agency MBS earning strong net interest income
 - Non-Agency investments continue to provide cash flow within expected credit performance
- Short duration portfolio
- Overall portfolio leverage is a modest 4.1x equity capital

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Challenges for 2009

- Expand capital base
- Managing credit risk in non-Agency investments
- Manage both challenges and opportunities associated with government intervention in the market

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Summary

- We are in great position coming off of our best year in a decade
- Plan for growth is on-track
- We believe we have earned your trust

We are Owner/Operators and our
Interests are Aligned with our
SHAREHOLDERS