DYNEX

Sound Strategy. Unique Advantages.

Dynex Capital, Inc.

JMP Securities Financial Services & Real Estate Conference

September 26, 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 and June 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

DYNEX

Company Highlights

- ✓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

Market Highlights (all as of 9/22/11)

NYSE Stock Ticker	DX
Shares Outstanding	40,345,192
Quarterly Dividend/Dividend Yield	$0.27/12.80%
Share Price	$8.44
Price to Book	0.88
Market Capitalization	$346.6 million

Macro Themes

- ✓Multiple factors combining to depress economic activity
- ✓Global risk remains high particularly in the Eurozone
- ✓Fed explicitly maintaining its very accommodative posture
- ✓Government policy/regulations continue to influence investment returns
- ✓Financing environment is still strong but anxious over global events
- ✓Increasing volatility and prepayment concerns have impacted asset valuations
- ✓GSE reform will ultimately eliminate a substantial buyer of mortgage credit risk
- ✓Securitization markets are healing slowly but unevenly
- ✓Negative equity is preventing substantial refinancing

Fed/Regulatory Matters

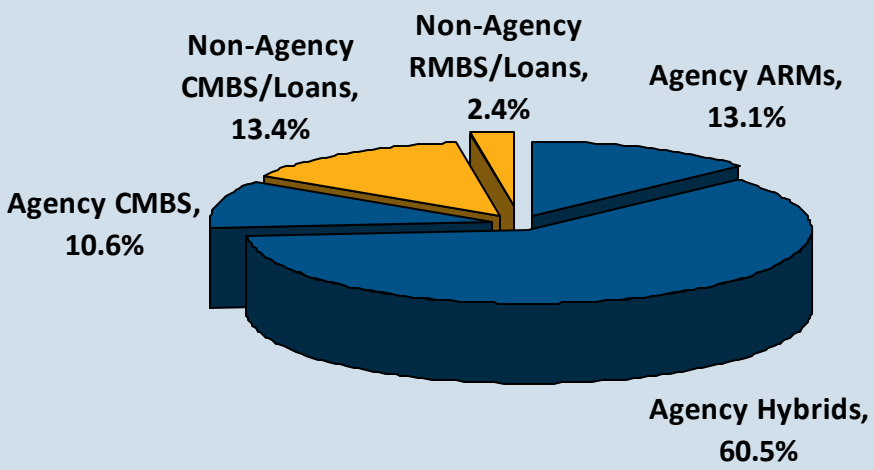
- Potential adjustments to Home Affordable Refinance Program (HARP 2.0)
- GSE reform efforts have stalled and politically difficult in election year
- SEC review of REIT exclusions from the Investment Company Act of 1940 under Section 3(c)5(c)
- Operation Twist has FED purchasing longer MBS collateral
- Dodd Frank changing landscape of mortgage market
- Securitization reform and QRM moving very slowly

Investment Philosophy

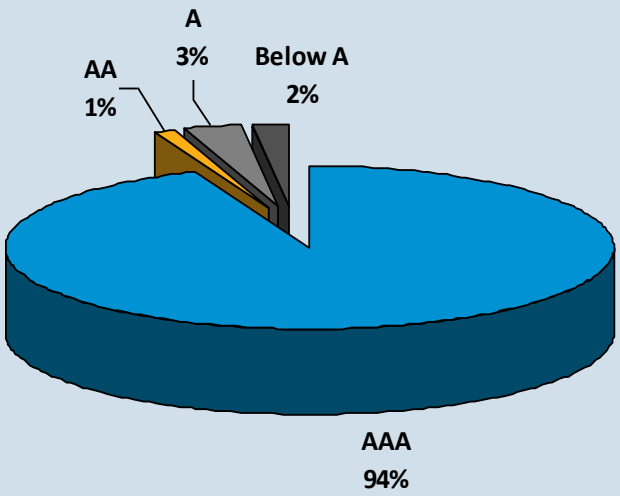
- Diversified investment strategy which targets higher credit quality, shorter duration investments in Agency MBS and non-Agency
- Investment process is a disciplined top-down approach
- Target composition of 50%-70% in Agency MBS with the balance in non-Agency MBS and securitized mortgage loans
- Asset selection focused on liquid investments that have less exposure to interest rate, prepayment and credit risk
- Historically targeted a net duration of 0.5-1.5 years
- Like all mortgage investors, we take spread risk

Investment Portfolio as of June 30, 2011

Composition [1]



Ratings [1]



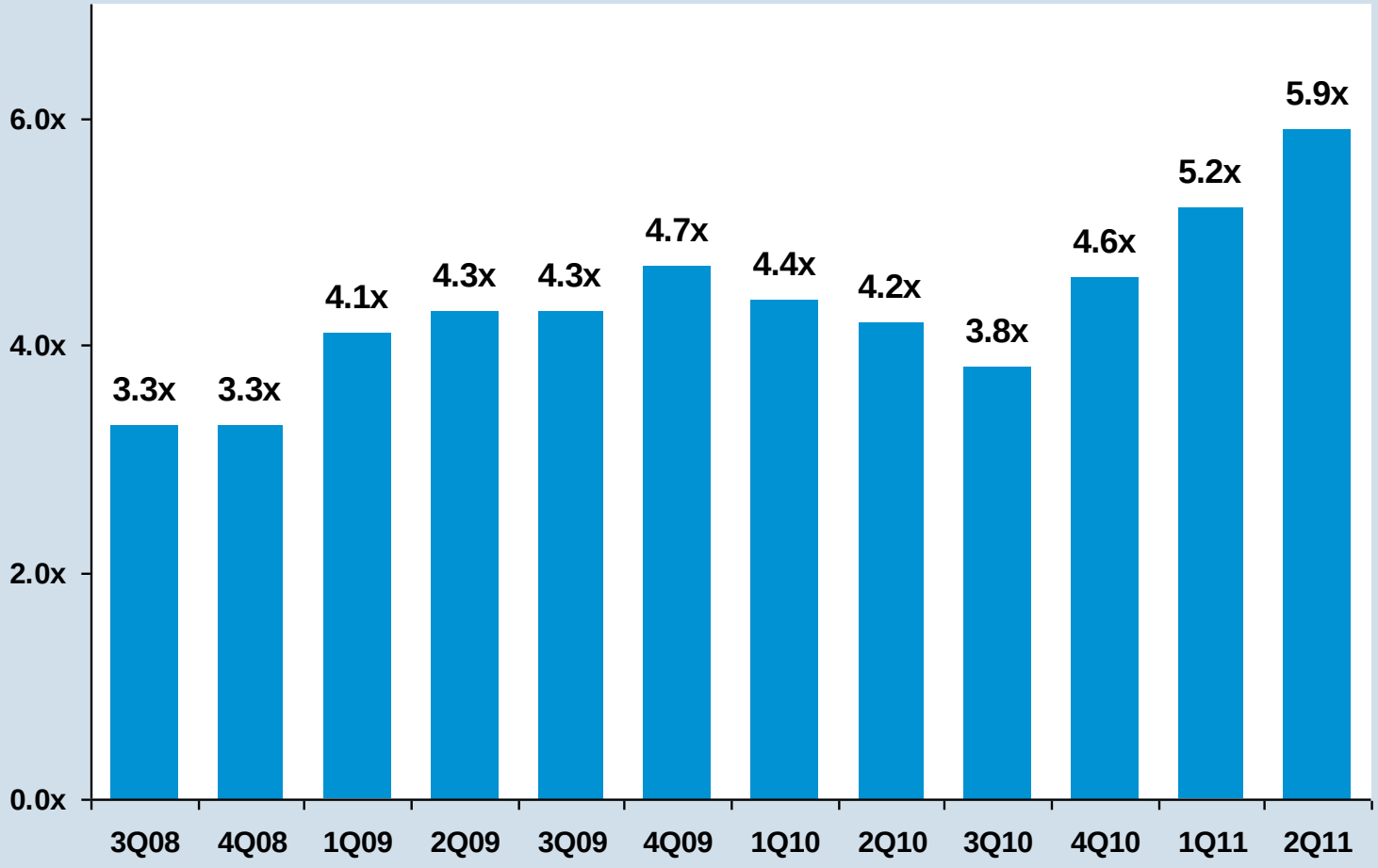
- Portfolio is weighted toward very liquid, less price volatile, short-duration Agency MBS
- Simple investment strategy that presents attractive returns

- Versus other Hybrid REITS, DX targets higher credit quality assets
- At June 30, 2011, average price compared to par of DX non-Agency MBS was 101 versus average price compared to par of 76 for non-Agency MBS of other hybrid REITs [2]

(1) Percentages based on asset carrying basis.

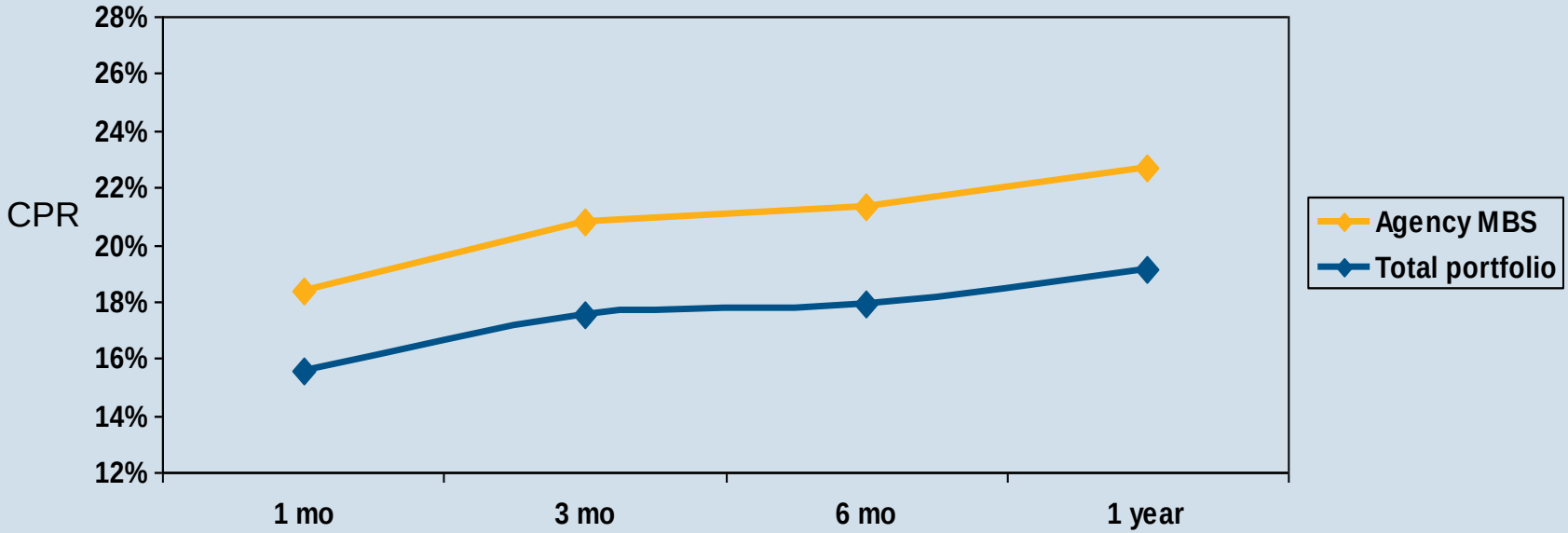
(2) Based on average of MFA, TWO, IVR non-Agency MBS portfolios as per disclosures in respective 10-Q's for the second quarter of 2011. Excludes interest-only securities.

Portfolio Leverage



Prepayment Performance

(through September 22, 2011)



- Consistent prepayment performance
- Hand selected portfolio to minimize prepayment exposure (our portfolio includes substantial amount of prepayment-protected securities)
- As a benchmark, recently our fastest CPR quarters for Agency MBS were 33.9% for 2Q10 (GSE buy-outs) and 23.4% for 4Q10 (last low environment)
- We expect faster prepayments due to significant rally in rates

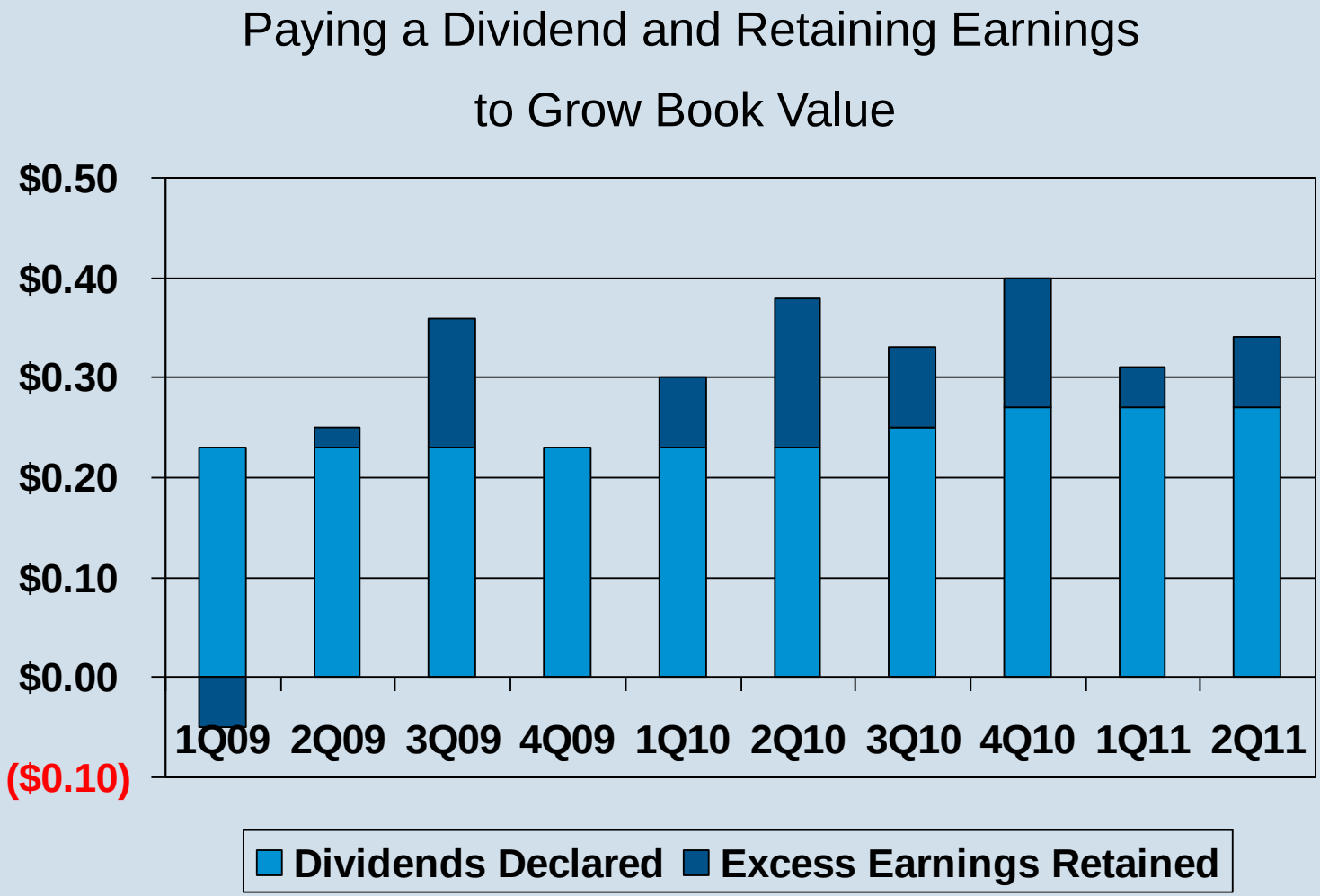
Table represents historical prepayment performance based on the investment portfolio as it exists at September 22, 2011.

Potential Return Profile for Current Focus Investments *(as of September 21, 2011)*

Investment	Range of Prices	Range of yields	Range of net spread to funding	Range of ROEs
Agency RMBS	104-107	2.5%- 2.8%	1.8%-2.5%	17%-23%
Agency CMBS	103-111	3.0%-3.5%	1.3%-2.0%	14%-20%
Non-Agency 'AAA' RMBS	90-102	3.6%-6.0%	2.6%-4.0%	14%-21%
Non-Agency 'A'-'AAA' CMBS	88-108	5.8%-6.4%	3.2%-3.9%	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 Report on Form 10-Q for the quarter ended June 30, 2011.

Earnings – Paid and Retained



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**
  - 32 years of experience in the industry and 7 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**
  - 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
  - Employed at Dynex for 16 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

Investment Portfolio Summary

as of June 30, 2011

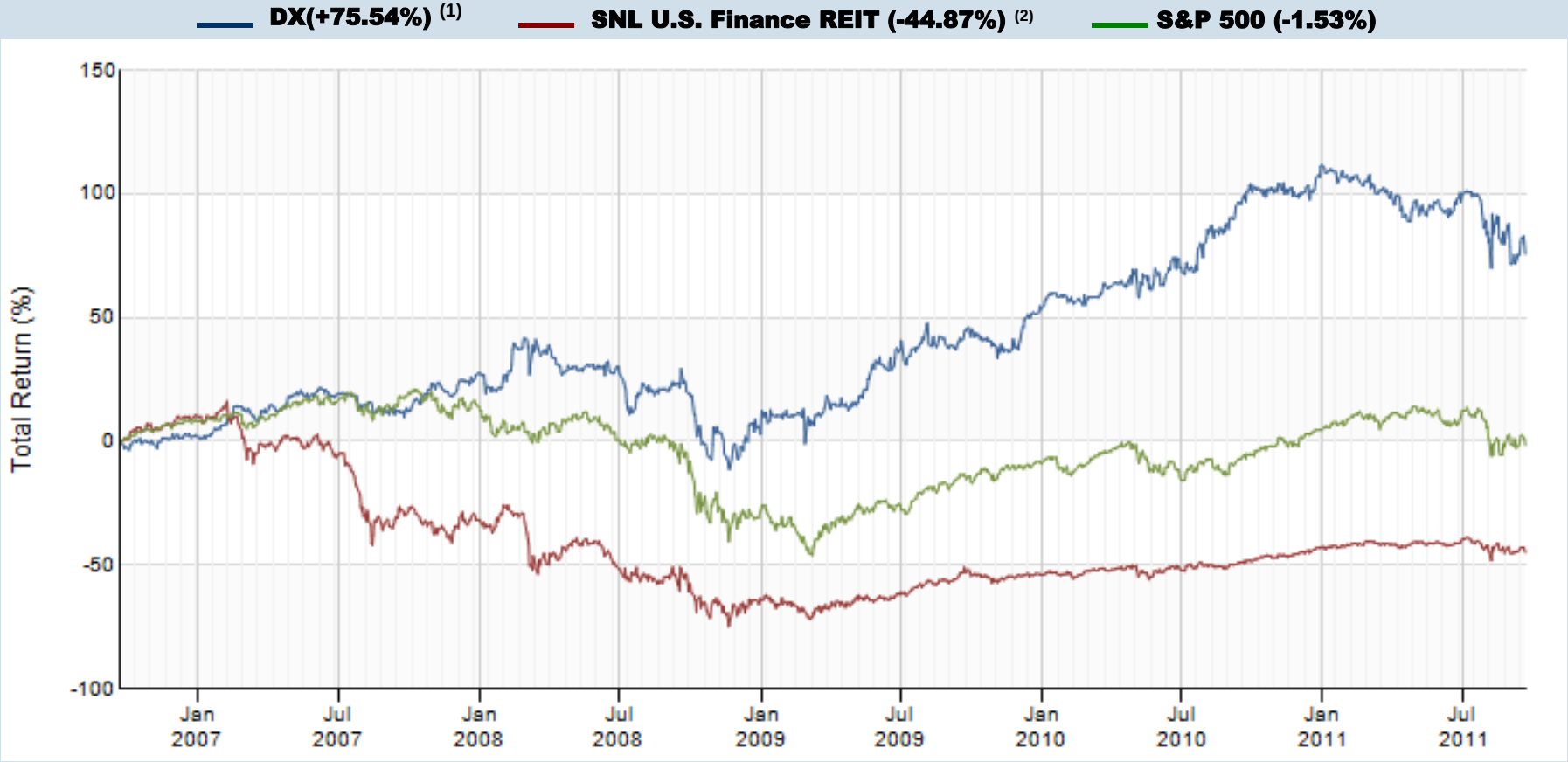
($ in millions)	Asset Carrying Basis	Associated Financing [1]/ Liability Carrying Basis	Allocated Shareholders' Equity	Leverage Target	Notes
Agency RMBS	$1,906.3	($1,728.5)	$177.8	7 – 9x	• $1,566.9 mm in Hybrid Agency ARMs - Weighted average months-to-reset of 40 months • $339.4 mm in Agency ARMs - Weighted average months-to-reset of 8 months
Agency CMBS	275.6	(192.7)	82.9	8x	• Fixed rate agency CMBS • Voluntary prepayment protected
Non-Agency RMBS	10.4	(7.7)	2.7	4 – 5x	• 4Q 2010 weighted average annualized yield of 6.23% • ~44% “AAA” and “AA” rated
Non-Agency CMBS	266.8	(218.4)	48.3	4 – 5x	• 4Q 2010 weighted average annualized yield of 6.03% • ~76% “AAA” and “AA” rated
Securitized mortgage loans	131.0	(92.0)	39.0	2 – 3x	• Loans pledged to support repayment of securitization bonds issued by the Company • Originated in the 1990’s
Other investments	1.1	–	1.1	–	• Unsecuritized single family and commercial mortgage loans
Total	**$2,591.2**	**($2,239.3)**	**$351.9**	**5 – 6x**	**• 5.9x actual leverage**

(1) Associated financing for investments includes repurchase agreements, securitization financing issued to third parties and TALF financing (the latter two of which are presented on the Company’s balance sheet as “non-recourse collateralized financing”).

(2) Includes hedging instruments, cash and cash equivalents, and other assets/other liabilities.

Long Term Performance

Five Year Total Return

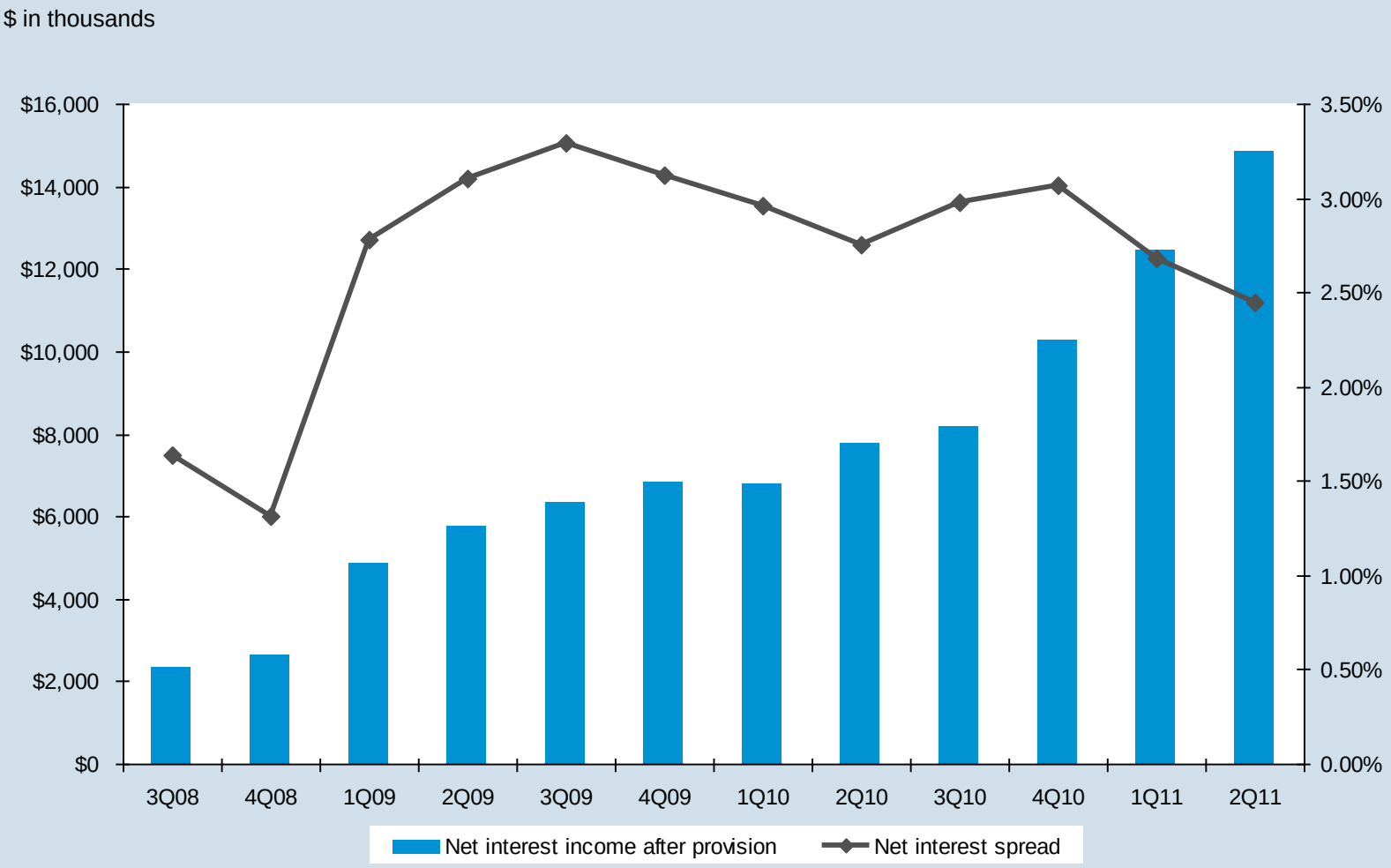


Source: SNL Financial.

(1) Based on beginning share price of $6.95 on 9/21/06 and ending share price of $8.59 on 9/21/11. Assumes reinvestment of dividends.

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

Investment Portfolio Income and Spread



Industry Interest Rate Risk

Ticker	Estimated Company Leverage[1]	Change in Value from Change in Rates: Portfolio Value [2] +50	Portfolio Value [2] +75	Portfolio Value [2] +100	Equity Value [3] +75	Equity Value [3] +100
AGENCY MBS						
NLY	5.7x	-.96%	-1.58%		-9.01%	
ANH	7.0x			-2.40%		-16.80%
HTS	7.4x	-0.56%		-1.76%		-13.02%
AGNC	7.5x	-0.50%		-1.20%		-9.00%
CYS	8.1x	-2.03%	-3.09%		-25.03%	
ARR	8.7x	-1.61%		-2.70%		-23.54%
DIVERSIFIED MBS						
DX	**5.9x**	**-0.40%**		**-0.90%**		**-5.31%**
IVR	5.7x	-0.58%		-1.34%		-7.64%
MFA	3.3x	-0.36%		-0.84%		-2.77%
TWO	4.5x	-0.30%		-0.70%		-4.60%
CIM	1.9x	-3.35%	-5.08%		-9.65%	

(1) As disclosed in each company's 10-Q for quarter ended June 30, 2011. Ratios are dependent on each company's method of calculation.
(2) As of June 30, 2011, as disclosed in each company's 10-Q for quarter ended June 30, 2011. Percentages are dependent on each company's assumptions, as disclosed in their 10-Qs.
(3) Figure shown for TWO is disclosed in 10-Q for quarter ended June 30, 2011. All others equal estimated percentage decrease for the +75/+100 scenarios multiplied by estimated company leverage, and are meant to show the potential change in equity value for the corresponding change in rates.