DYNEX CAPITAL, INC.

Sound Strategy. Unique Advantages.

2012

Investor Presentation

September 12, 2012

Safe Harbor Statement

NOTE:

This presentation contains certain statements that are not historical facts and that constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Statements in this presentation addressing expectations, assumptions, beliefs, projections, future plans, strategies, and events, developments that we expect or anticipate will occur in the future, and future operating results or financial condition are forward-looking statements. Forward-looking statements in this presentation may include, but are not limited to, statements about projected future investment strategies and leverage ratios, future 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. These forward-looking statements reflect our current beliefs, assumptions and expectations based on information currently available to us, and are applicable only as of the date of this presentation. Forward-looking statements are inherently subject to risks, uncertainties, and other factors, some of which cannot be predicted or quantified and any of which could cause the Company’s actual results and timing of certain events to differ materially from those projected in or contemplated by these forward-looking statements. Not all of these risks, uncertainties and other factors are known to us. New risks and uncertainties arise over time, and it is not possible to predict those risks or uncertainties or how they may affect us. The projections, assumptions, expectations or beliefs upon which the forward-looking statements are based can also change as a result of these risks and uncertainties or other factors. If such a risk, uncertainty, or other factor materializes in future periods, our business, financial condition, liquidity and results of operations may differ materially from those expressed or implied in our forward-looking statements.

While it is not possible to identify all factors, some of the factors that may cause actual results to differ from historical results or from any results expressed or implied by our forward-looking statements, or that may cause our projections, assumptions, expectations or beliefs to change, include the following: the risks and uncertainties referenced in our Annual Report on Form 10-K for the year ended December 31, 2011 and subsequent filings with the Securities and Exchange Commission, particularly those set forth under the caption “Risk Factors”; 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; 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; regulatory actions, if any, taken in connection with an SEC review of certain sections of the Investment Company Act of 1940; government initiatives to support the U.S financial system and U.S. housing and real estate markets; financial condition and future operations of the GSEs; GSE reform or other government policies and actions; an ownership shift under Section 382 of the Internal Revenue Code that impacts the use of our tax NOL carry forward; and our continued eligibility for inclusion in Russell Indexes and the materiality of the income taxes which may be due to the Company’s ownership of securities that generate excess inclusion income.

DX Snapshot

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

Market Highlights: (as of 9/7/12)		
	Common	*Preferred*
NYSE Stock Ticker:	DX	DXPrA
Shares Outstanding:	54,368,484	2,300,000
Dividends	Q2: $0.29	Annually: $2.125
Share Price:	$10.70	$26.00
	Price to Book: 1.11x	Liquidation Preference: $25
Market Capitalization:	$581.74 million	-

Recent Highlights (at June 30, 2012 unless otherwise specified)

Diluted earnings per common share of $0.35

Book value per common share of $9.66

Annualized return on average equity of 14.3% for the second quarter

Net interest spread of 2.18% for the second quarter

Constant prepayment rate (CPR) of 14.3%

Common dividend of $0.29 per share, representing a 11.18% yield on an annualized basis [(1)]

Overall leverage of 6.1x equity capital

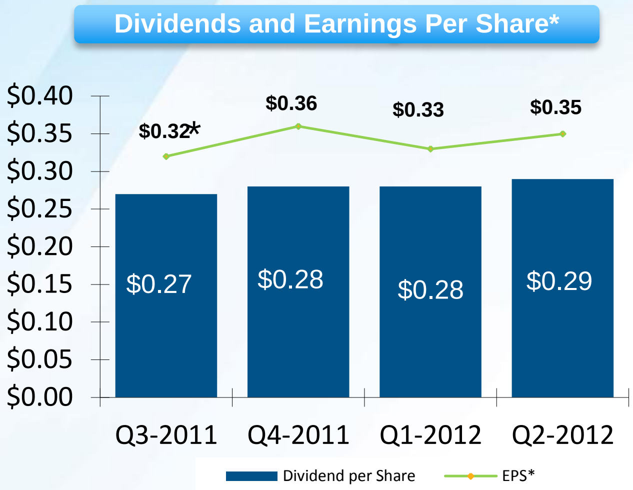
Sold $50 million of Series A Preferred Stock, closed August 1, traded on NYSE under the symbol DXPrA

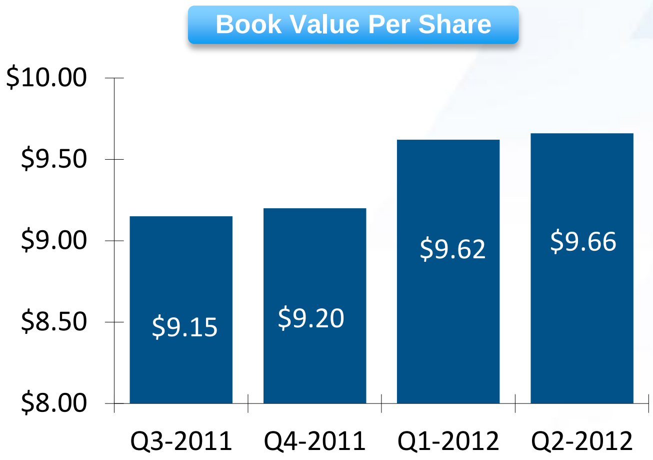
Tax NOL amortization established at $13.4 million/year as a result of an ownership shift

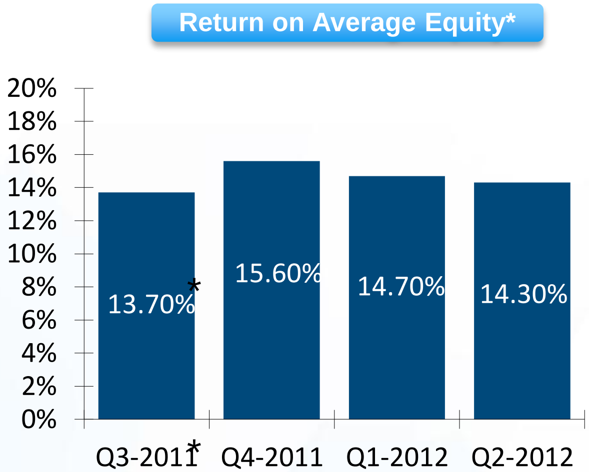
Executed a $200 million two-year facility to finance Agency CMBS IO

(1) Based on the June 29, 2012 closing price of $10.38 per share. See the Company's press release issued July 30, 2012 for further discussion.

Our Track Record



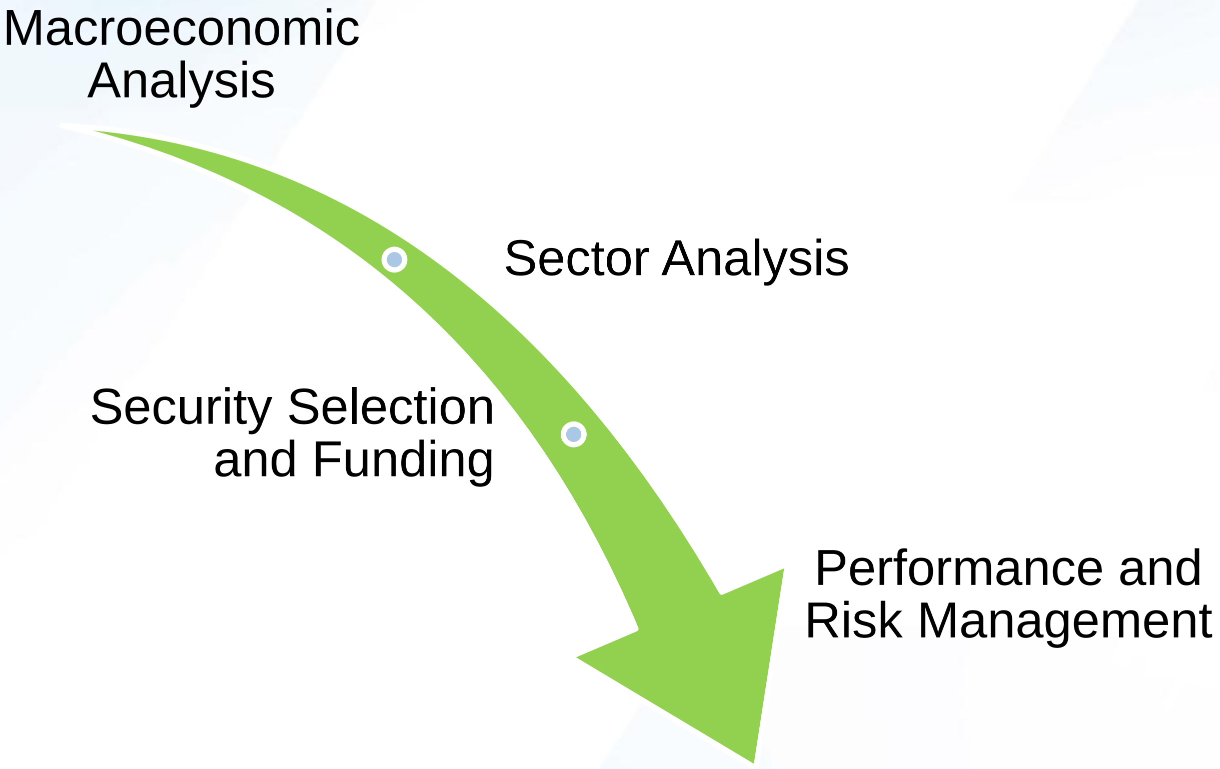




*As presented on this slide, Q3-2011 earnings per share and return on average equity exclude the impact of certain items (EPS Ex-Items). EPS Ex-Items for Q3-2011 excludes from GAAP earnings per share the impact of litigation settlement and related defense costs of $8.2 million (or $0.20 per diluted common 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. For Q3-2011, reported diluted EPS was $0.04 and reported annualized ROAE was 1.6%.

Book Value Growth Since 2008

Disciplined Top-Down Investment Philosophy



Investment Philosophy

Our diversified portfolio strategy proved beneficial this quarter:

- Book Value remained steady despite materially wider credit spreads in the CMBS sector

- Prepayment experience remained below expectations as we have allocated our capital appropriately between prepayment protected CMBS securities and the premium Hybrid ARM sector

- Company-wide ROE remained above 14% despite the decline in interest rates and net spreads

- We continued to find pockets of value given our ability to opportunistically allocate capital in multiple sectors

Our CMBS portfolio continues to provide us an opportunity to deploy capital at higher yields/ROEs without adding prepayment risk to our portfolio

We are creating strategies to obtain longer term financing for our RMBS and CMBS assets

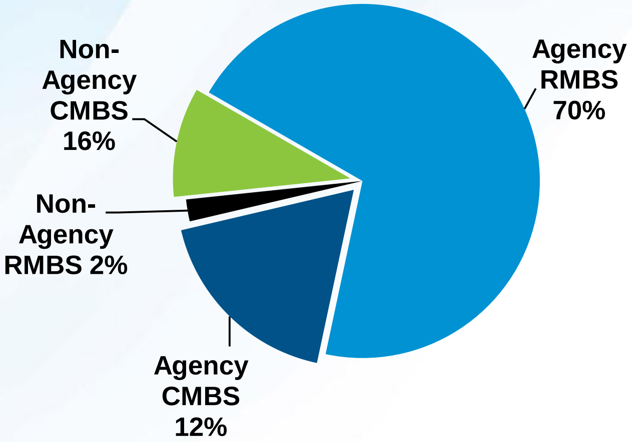
Our diversified strategy continues to generate solid double-digit returns without extending far out the risk spectrum. The portfolio is constructed to perform well despite the changing market environment.

Opportunities continue to be available, but we remain very selective in the assets that we add to the portfolio

DX Investment Portfolio

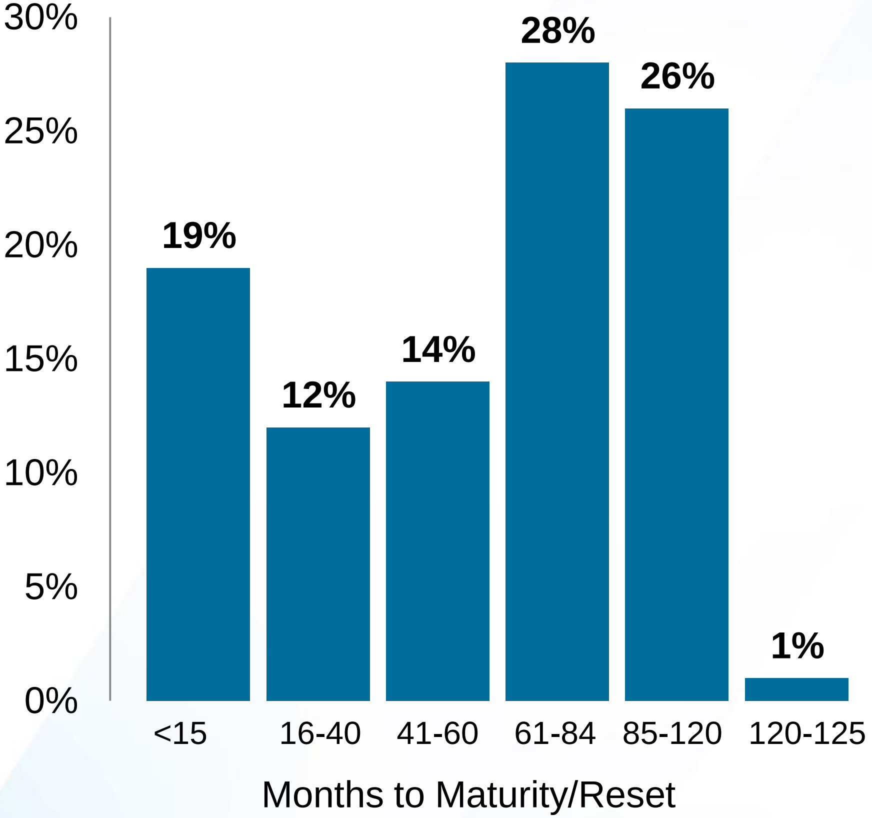
(as of June 30, 2012)

Agency/Non-Agency



Residential/Commercial

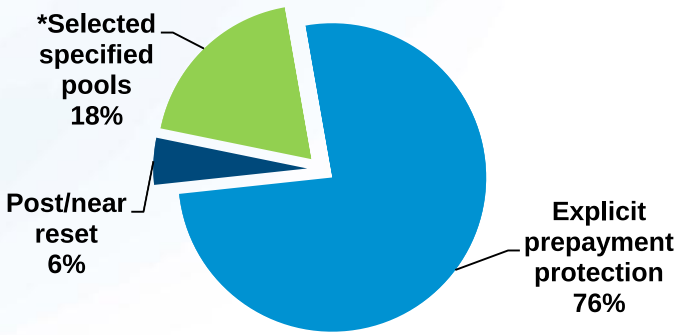
Portfolio Expected Maturity/Reset Distribution



DX Portfolio Detail

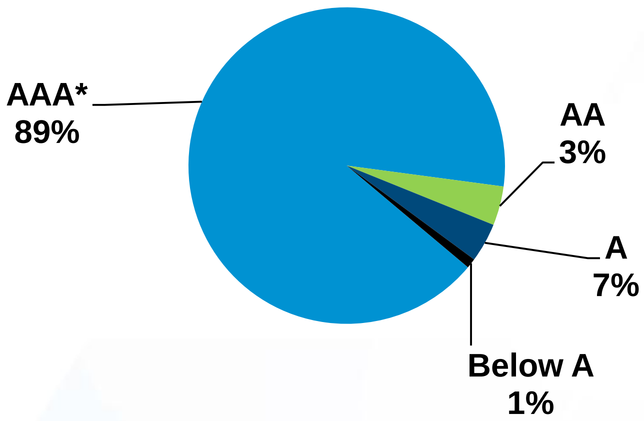
(as of June 30, 2012)

Dollar Prepayment Premium Exposure



**See appendix for details on specified pools*

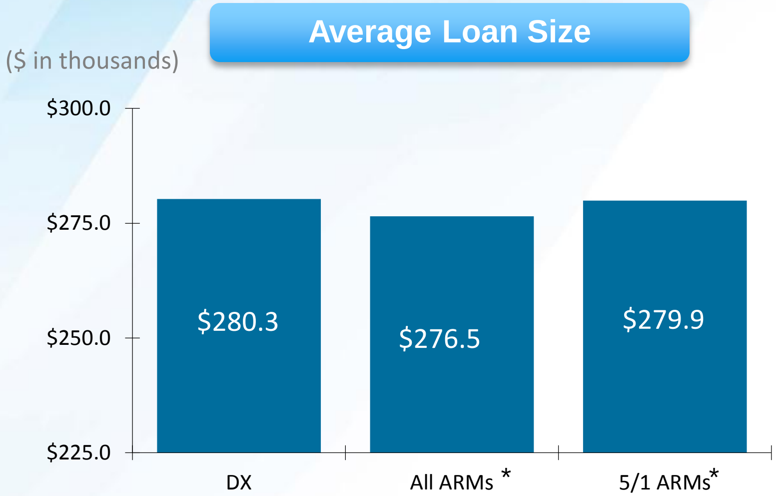
Credit Quality

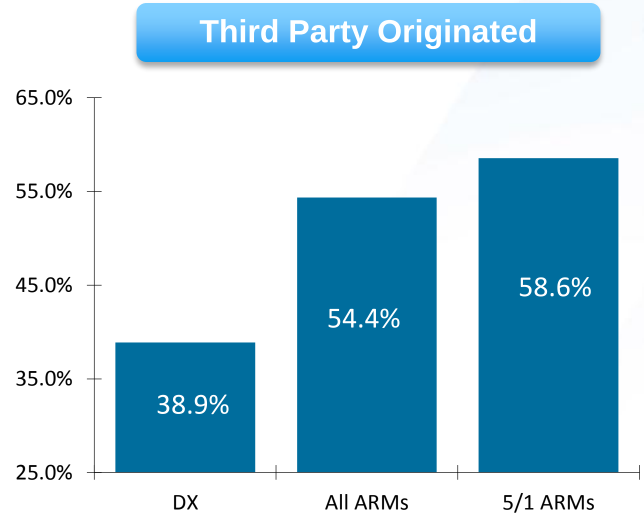


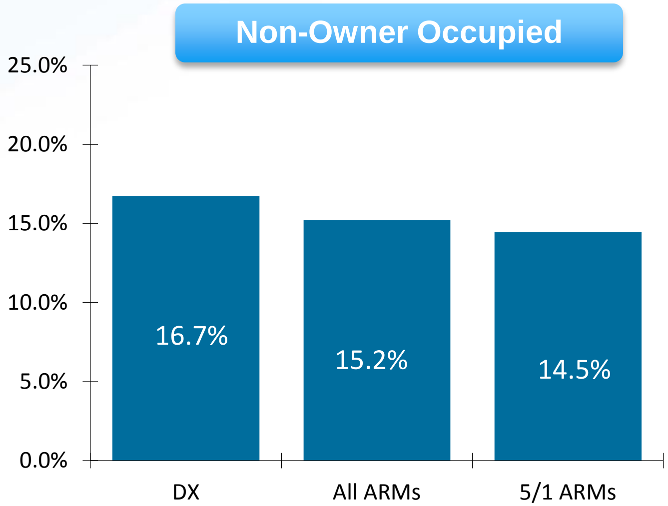
**Agency MBS are considered AAA rated as of the date presented*

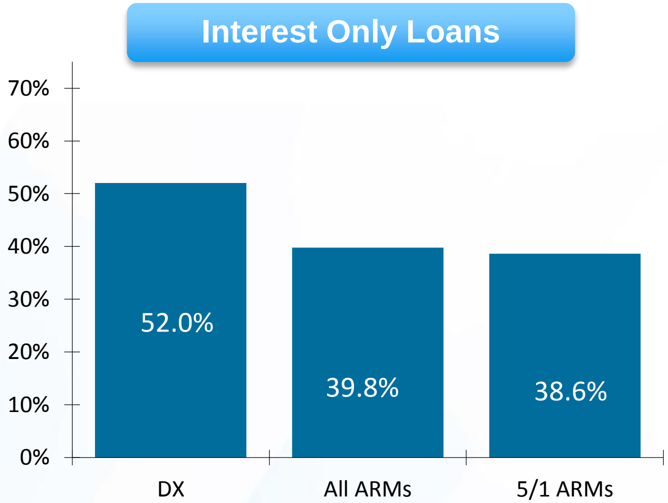
RMBS Specified Pools

(as of June 30, 2012)









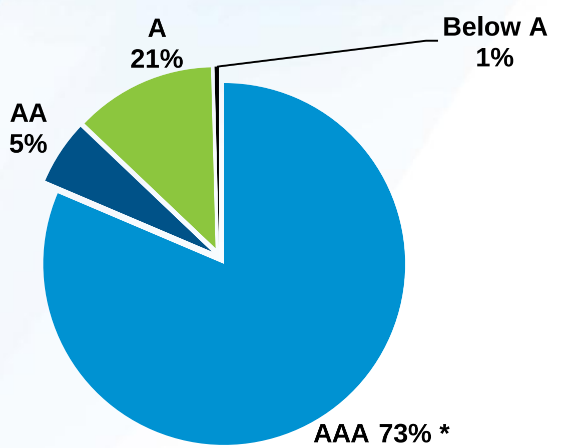
*For loans originated 2010-2011

•Source for Non-DX Metrics : JP Morgan

CMBS Portfolio

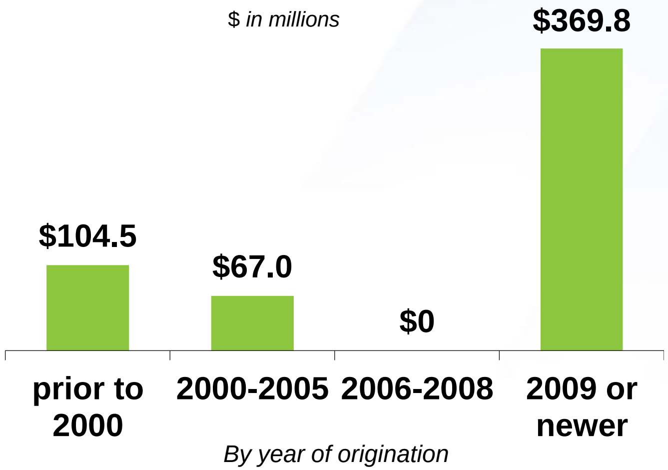
(as of June 30, 2012)

Credit Quality

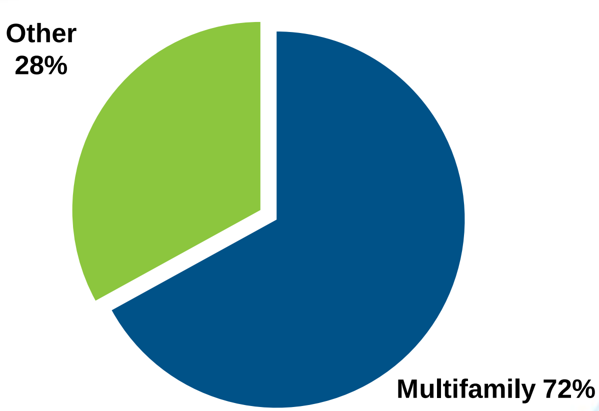


**Agency CMBS are considered AAA-rated as of the date presented*

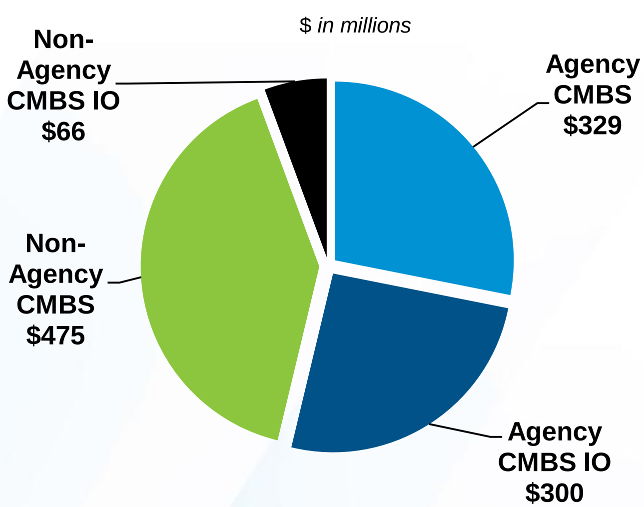
Non-Agency Vintage



Collateral



Asset Type



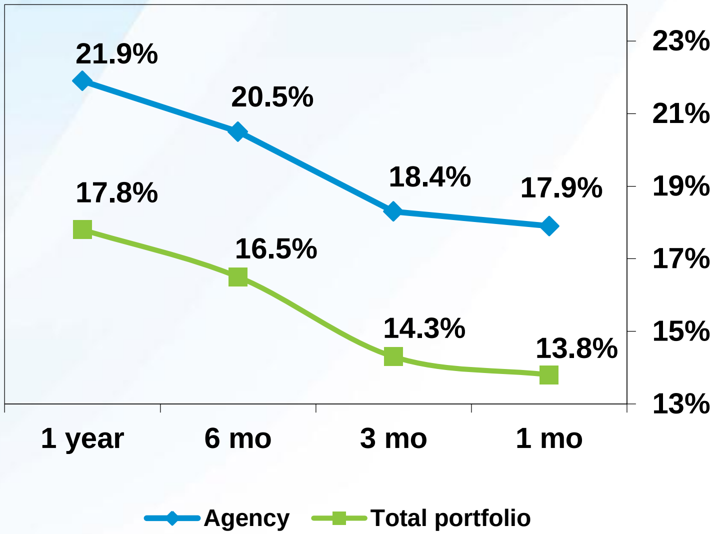
Agency CMBS Historical Credit Performance

Source: Freddie Mac

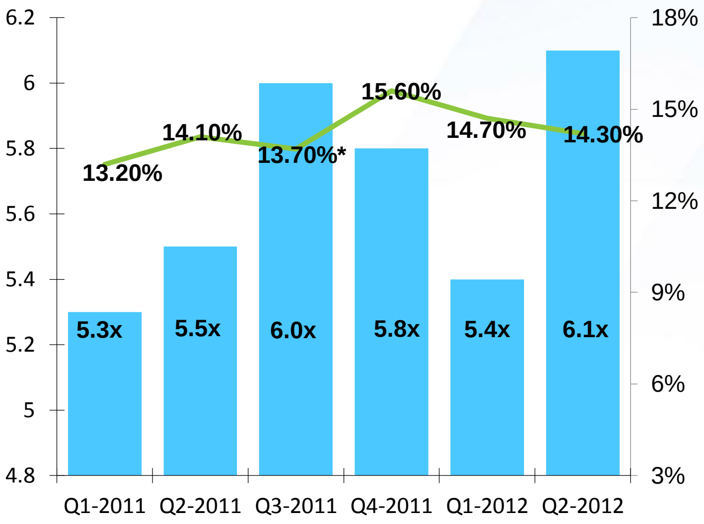
Portfolio Performance

Prepayment Performance

(as of June 30, 2012)



Leverage and ROE



Net Interest Spread

(quarter ended)

	June 30, 2012			March 31, 2012		
	Agency	Non-Agency	Portfolio	Agency	Non-Agency	Portfolio
Investment Yield	2.75%	6.05%	3.29%	2.98%	6.49%	3.58%
Cost of funds	(0.88%)	(2.55%)	(1.11%)	(0.91%)	(2.52%)	(1.17%)
Net interest spread	1.87%	3.50%	2.18%	2.07%	3.97%	2.41%

**As presented on this slide, Q3-2011 return on average equity is calculated based on a measure that excludes the impact of certain items on earnings per share (EPS Ex-Items). EPS Ex-Items for Q3-2011 was $0.32 and 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. For Q3-2011, reported diluted EPS was $0.04 and reported annualized ROAE was 1.6%.*

Potential Investment Returns

(as of July 25, 2012)

Investment	Range of Prices	Range of Yields	Range of Net Spread to Funding	Range of ROEs
Agency RMBS	102-111	1.0%- 2.3%	.60%-1.9%	6%-15%
Agency CMBS	107-115	2.4%-3.0%	1.0%-1.6%	11%-15%
Non-Agency 'A' - 'AAA' RMBS	85-104	2.5%-6.5%	1.3%-3.5%	8%-17%
Non-Agency 'A'- 'AAA' CMBS	95-110	3.6%-4.8%	2.0%-3.2%	10%-17%

The above portfolio is for illustrative purposes only, does not represent or guarantee 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, 2011.

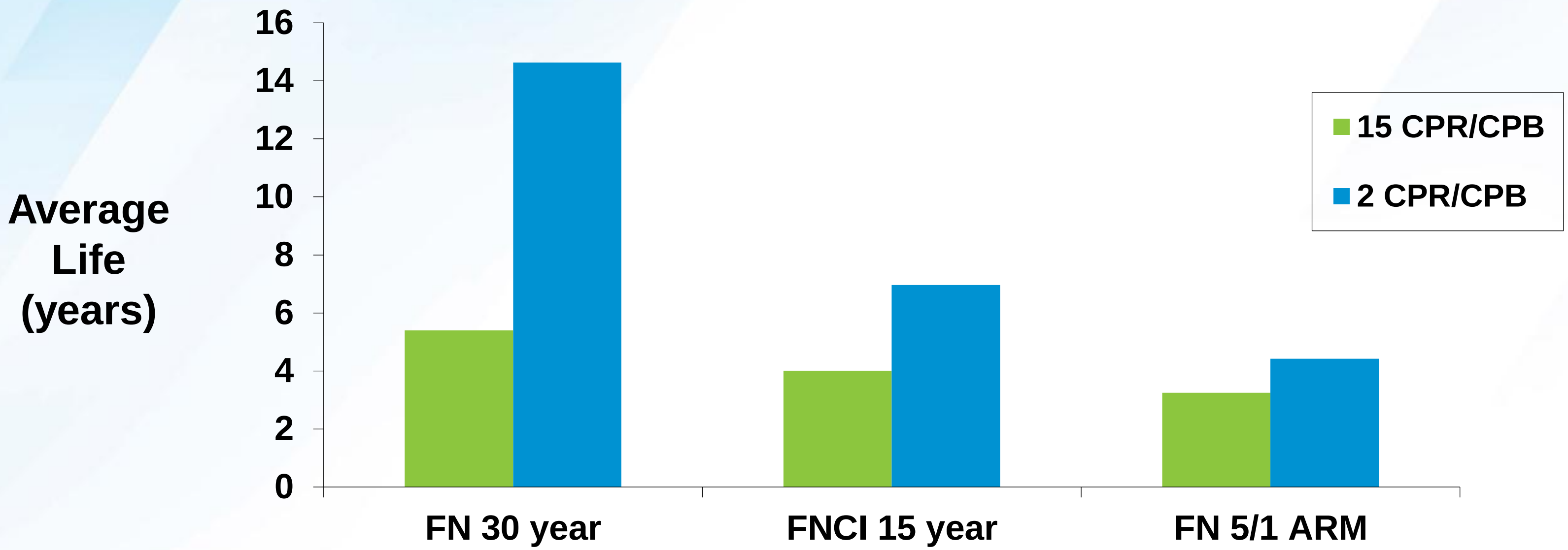
Dynex Is Focused on Capital Preservation and Managing Risk

Key Risk	Dynex Strategy
Liquidity Risk	•Diversify repurchase agreement counterparties (26 available counterparties at present) •Extend maturity dates of repurchase agreements when possible •Targets staggering repurchase agreement maturities •Maintain cash and liquid instruments to meet margin calls •$53.8mm of cash and cash equivalents, $147.8mm of unpledged Agency MBS at June 30, 2012 •Target leverage of 6.0x invested equity capital
Interest Rate Risk	•Invest in shorter duration instruments, with portfolio duration target of 0.5 to 1.5 years •Use interest rate swaps, swaptions, and caps to manage risk •Match terms of funding with terms of assets
Credit Risk	•89% of investment portfolio is AAA rated* •Diversify credit risk by investing in multiple asset classes across mortgage sector, including CMBS, Agency and non-Agency RMBS •Only purchase high quality non-Agency MBS •Well-seasoned securitized mortgage loans with low LTV
Extension Risk	•Chose to minimize extension risk by emphasizing short duration assets •Expect minimal extension for short duration hybrid ARMs •See examples in appendix

**Agency MBS are considered AAA rated as of the date presented.*

Extension Risk

(as of June 30, 2012)



	Price	Coupon	WAC	Speed	Average Life	Average Life Extension
FN 30yr	$106-10	3.50%	3.99%	15 CPR 2 CPR	5.37 years 14.49 years	~9 years
FNCI 15yr	$104-6	2.50%	3.08%	15 CPR 2 CPR	4.09 years 7.28 years	~3 years
FN 5/1 ARM	$104-8	2.193%	2.75%	15 CPB 2 CPB	3.25 years 4.44 years	~1 year

Financing

(as of June 30, 2012)

$ in thousands

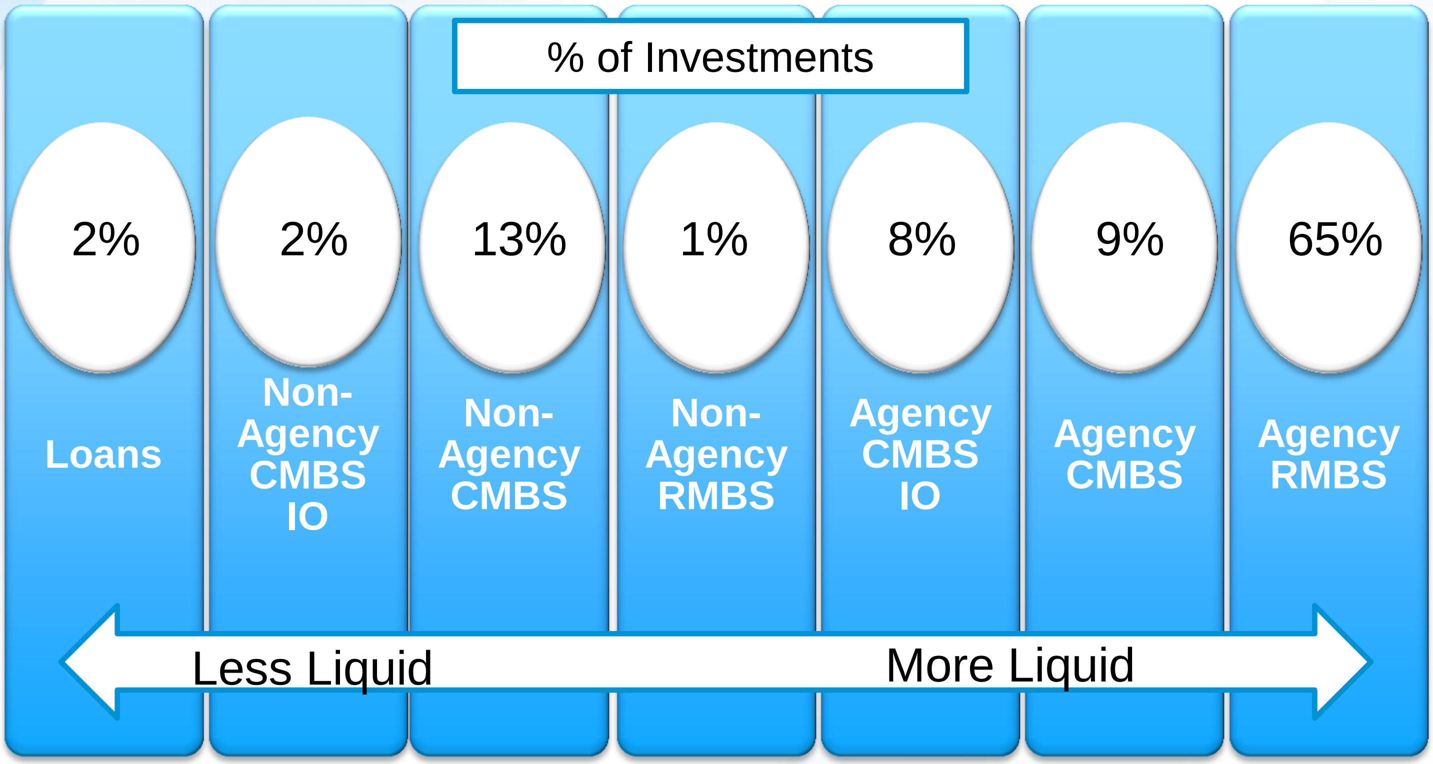
Repurchase Agreements	Financing Balance	WAVG Rate
By collateral pledged:		
Agency	$ 2,630,802	0.47%
Non-Agency	439,816	1.42%
Other	41,306	1.61%
Total	$ 3,111,924	0.62%
By original maturity: (days)		
0-30	$ 1,076,065	0.70%
31-60	1,168,159	0.68%
61-90	536,687	0.49%
>90	331,013	0.38%
Total	$ 3,111,924	0.62%

SWAPS(1)		
Maturity (mos.)	Total Notional Balance	WAVG Rate
0-12	$ 75,000	1.30%
13-36	565,000	1.44%
37-60	260,000	1.96%
>60	585,000	1.39%
Total	$ 1,485,000	1.50%
WAVG Maturity 45 months		

(1) Excludes trading swaps of $27 million and includes $275 million of forward starting swaps in 2013

Liquidity Continuum

(as of 6/30/2012)



Portfolio Summary

We have continued to favor shorter duration assets to minimize the volatility of the portfolio and protect book value

CMBS offers a complimentary risk profile to our RMBS at attractive relative value yields

Our prepayment exposure is mitigated from asset selection for RMBS and prepayment protection for CMBS. Government policy (e.g., HARP 2.0) with respect to RMBS prepayments remains a concern

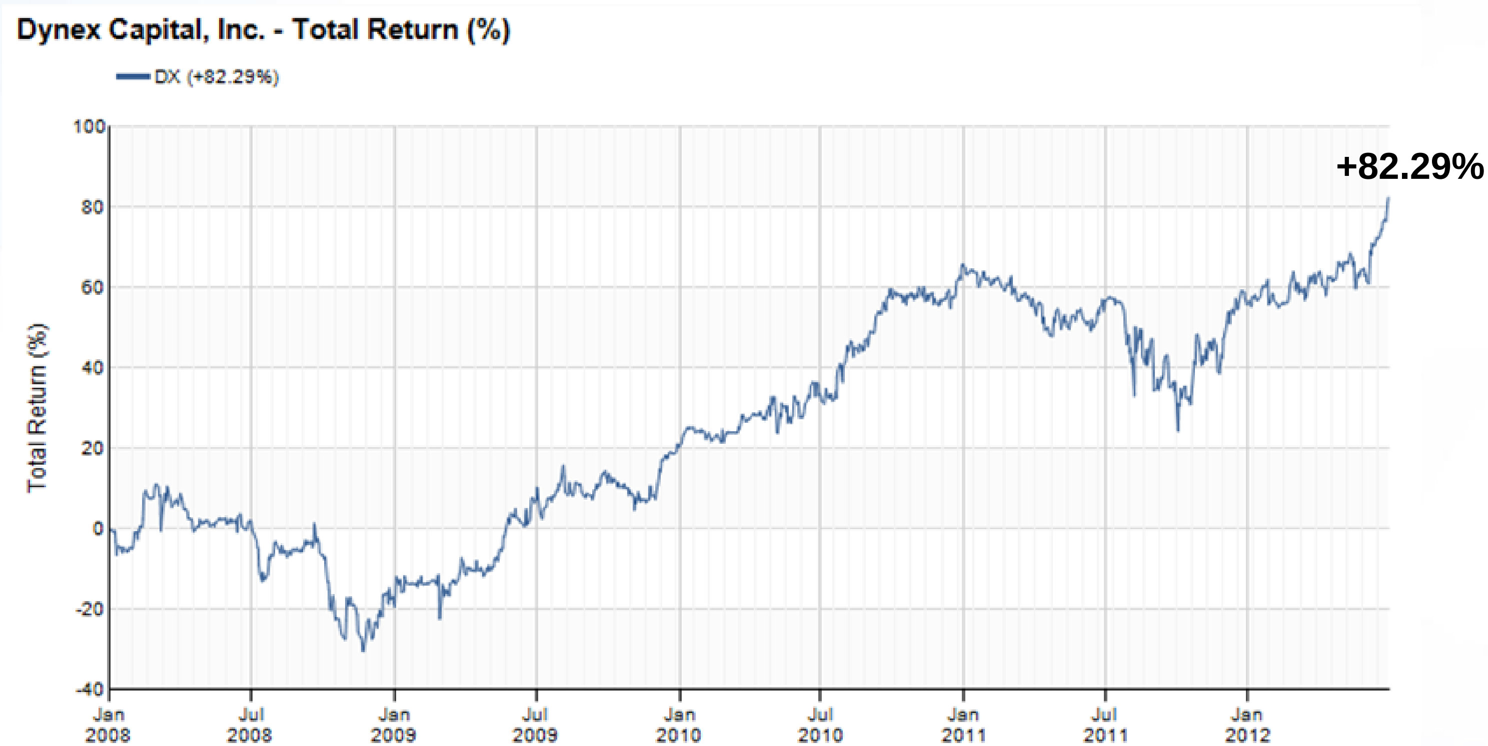
Our credit exposure is focused on the multifamily sector which is the strongest performing sector in the commercial real-estate market

We continue to closely manage our liquidity risk and have the majority of our investments in the most liquid securities

Current yields and net interest spreads on new RMBS and CMBS investments are lower than what we have historically realized

Dynex Value Proposition

Internally Managed and Publicly Traded Since 1988 → Diversified Investment Strategy → Large Tax NOL → Significant Insider Ownership



Source: SNL

APPENDIX

Management Team

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

- **Thomas B. Akin – Chairman and Chief Executive Officer**
  - 34 years of experience in the industry and 9 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 – President and Chief Investment Officer**
  - 27 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**
  - 23 years of experience in the industry
  - Employed at Dynex for 18 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 70 years of industry experience with broad and deep skill sets in both agency and non-agency investment strategies

Capital Allocation *(as of June 30, 2012)*

($ in millions)	Asset Carrying Basis	Associated Financing [1]/ Liability Carrying Basis	Allocated Shareholders' Equity	Leverage Target	Notes
Agency RMBS	$2,350.4	($2,162.5)	$187.9	8 - 9x	• $1,715.0 in Hybrid Agency ARMs - Weighted average months-to-reset of 65 months • $552.2 in Agency ARMs - Weighted average months-to-reset of 8 months
Agency CMBS	328.8	(225.0)	103.7	8x	• Weighted average months-to-maturity of 102 • Voluntary prepayment protected
Agency CMBS IO	299.9	(243.7)	56.2	3 - 4x	• Weighted average months-to-maturity of 100 months
Non-Agency RMBS	18.1	(14.6)	3.5	4 - 5x	• 2Q 2012 weighted average annualized yield of 5.60% • ~43% "AAA" and "AA" rated
Non-Agency CMBS	474.9	(389.3)	85.6	3 - 4x	• 2Q 2012 weighted average annualized yield of 5.81% • ~47% "AAA" and "AA" rated
Non-Agency CMBS IO	66.0	(51.1)	14.9	3 - 4x	• 2Q 2012 weighted average annualized yield of 7.64% • 100% "AAA" and "AA" rated
Securitized mortgage loans	89.2	(57.7)	31.5	3 - 4x	• Loans pledged to support repayment of securitization bonds issued by the Company • Originated in the 1990's
Other investments	0.9	0.0	0.9	-	• Unsecuritized single family and commercial mortgage loans
Derivative Instruments	0.0	(39.3)	(39.3)	-	• Consists of interest rate swaps
Cash and cash equivalents	53.8	0.0	53.8	-	
Other assets/other liabilities	47.3	(20.9)	26.4	-	
Total	**$3,729.2**	**($3,204.1)**	**$525.1**	**6-7x**	

(1) At June 30, 2012, associated financing for investments includes repurchase agreements, and securitization financing issued to third parties (the latter of which are presented on the Company's balance sheet as "non-recourse collateralized financing"). Associated financing for hedging instruments represents the fair value of the interest rate swap agreements in a liability position.

Selected Financial Highlights

(as of and for the quarter ended)

Financial Highlights: *($000 except per share amounts)*	**Jun 30, 2012**	**Mar 31, 2012**	**Dec 31, 2011**	**Sept 30, 2011**	**Jun 30, 2011**
Total Investments	$ 3,628,163	$ 3,276,170	$ 2,500,976	$ 2,595,574	$ 2,591,097
Total Assets	3,729,197	3,349,056	2,582,193	2,633,686	2,656,703
Total Liabilities	3,204,124	2,826,159	2,210,844	2,264,152	2,269,843
Total Equity	525,073	522,897	371,349	369,534	386,860
Interest Income	27,125	26,272	23,704	21,143	21,065
Interest Expense	8,117	7,125	6,732	6,583	6,032
Net Interest Income	19,008	19,147	16,972	14,560	15,033
General and Administrative Expenses	3,024	3,121	3,249	2,335	2,255
Net Income	$ 18,847	$ 16,476	$ 14,406	$ 1,532	$ 13,594
Diluted EPS	$ 0.35	$ 0.33	$ 0.36	$ 0.04 *	$ 0.34
Dividends Declared per Common Share	0.29	0.28	0.28	0.27	0.27
Book Value per Share	9.66	9.62	9.20	9.15	9.59

* 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.