DYNEX CAPITAL INC.

Sound Strategy. Unique Advantages.

Keefe, Bruyette & Woods
2013 Mortgage Finance Conference

June 4, 2013

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, 2012 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; the impact of our ownership shift under Section 382 of the Internal Revenue Code on our use of our tax NOL carryforward; 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.

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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 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

- 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 5/30/13 unless otherwise noted)

	Common	Preferred	
NYSE Stock Ticker:	DX	DXPrA	DXPrB
Shares Outstanding: (as of 3/31/13)	54,835,420	2,300,000	2,250,000
Dividends	Q1: $0.29	Annually: $2.125	Annually: $1.90625
Share Price:	$10.34	$26.27	$25.03
Market Capitalization:	$567.0m	$60.4m	$56.3m
Price to Book:	0.98x	-	-

First Quarter 2013 Highlights

Diluted earnings per common share of $0.34

Book value per common share of $10.50 at March 31, 2013 vs. $9.62 at March 31, 2012

Annualized return on average common equity of 13.0% for the quarter

Net interest spread of 1.89% for the quarter

Average interest earnings assets were $4.1 billion

Constant prepayment rate (CPR) of 19.3%, (excluding CMBS IOs)

Common dividend of $0.29 per share, representing a 11.02% yield based on a $10.53 closing price on May 1, 2013

Overall leverage of 6.3x equity capital at March 31, 2013

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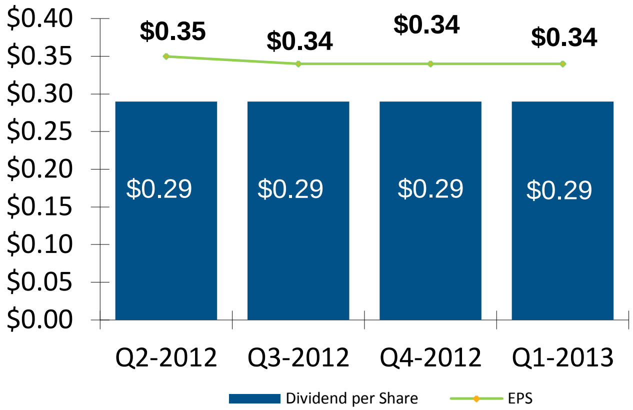
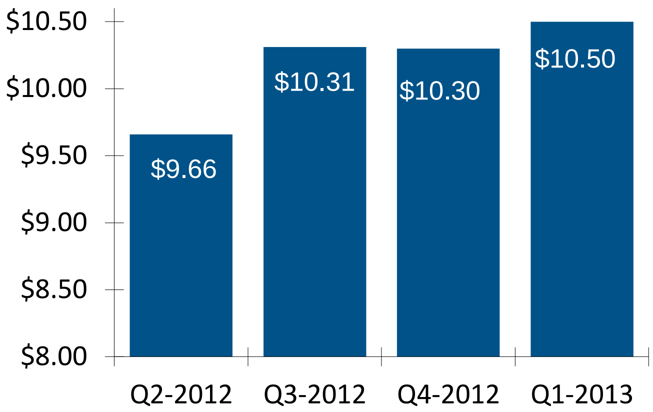
Summary of Results

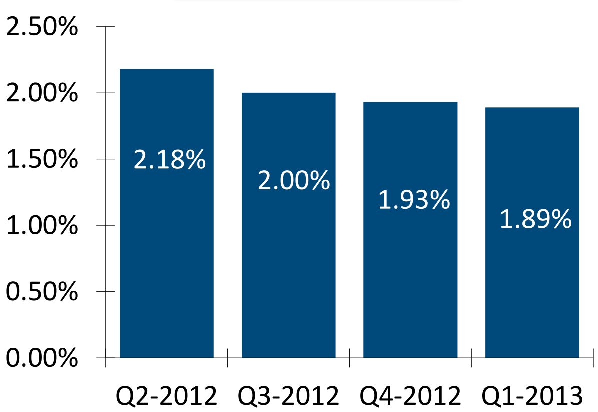
Dividends and Earnings Per Common Share



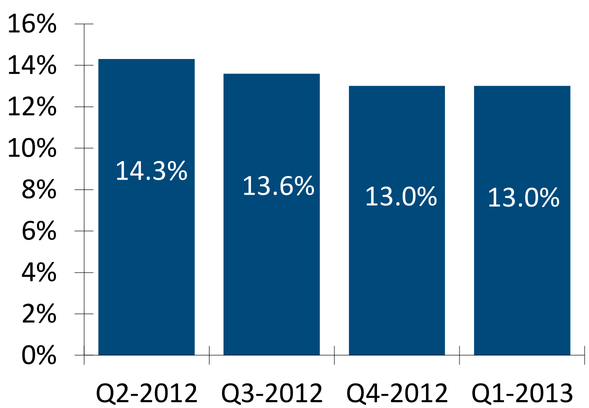
Book Value Per Common Share



Net Interest Spread



Return on Average Common Equity



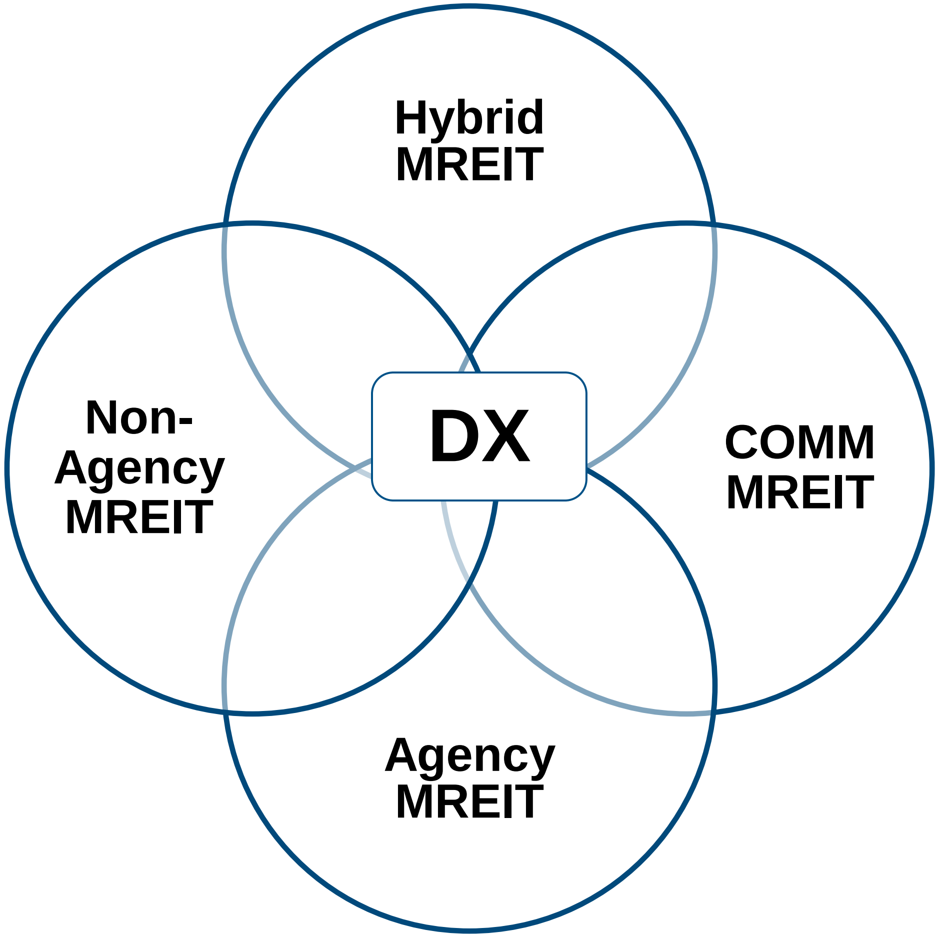
Increasing Book Value Despite Rise in Rates

Book Value
(per common share)

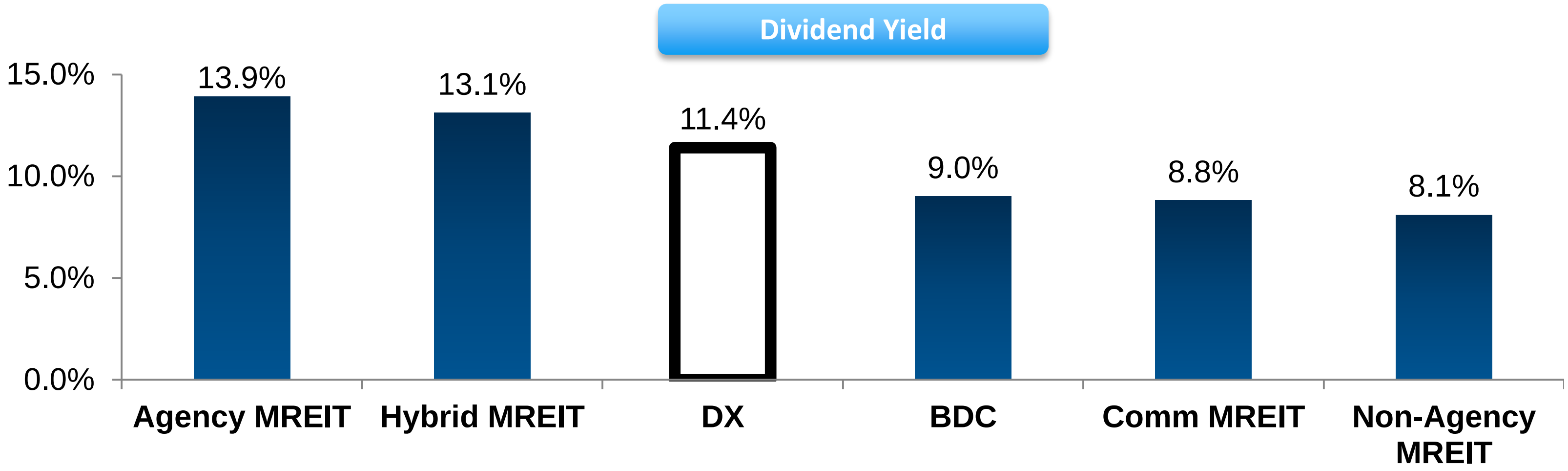
10 Year Treasury Rates

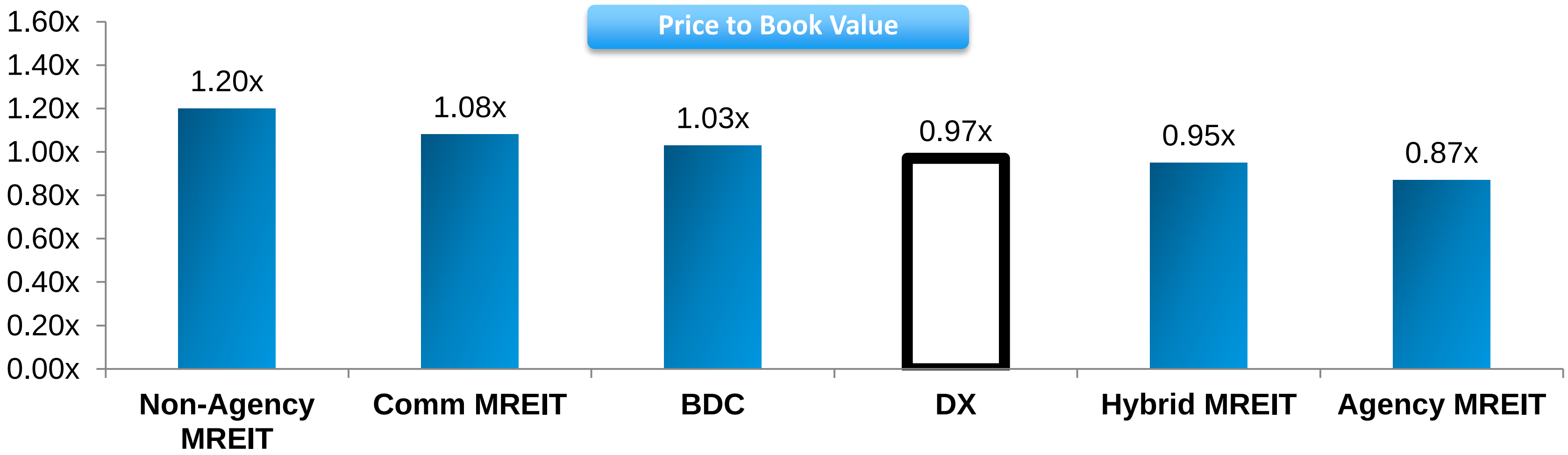
Source: Bloomberg

Portfolio Mix



Dynex vs. Other Yield Vehicles

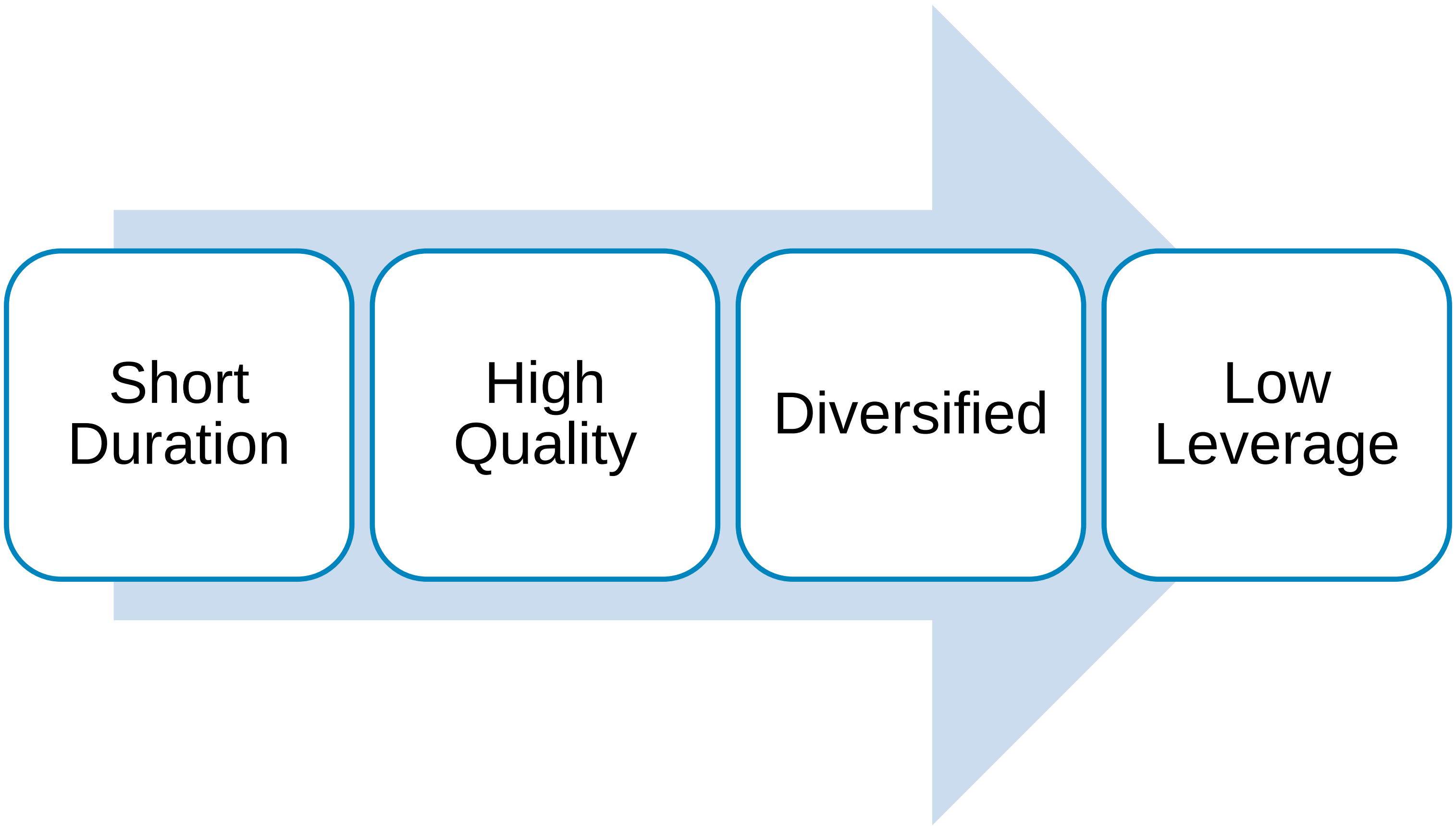




Source: SNL, market data as of 5/29/13.

Note: Agency MREITs include NLY, AGNC, HTS, CYS, CMO, ANH, ARR and WMC. Hybrid MREITs include CIM, MFA, TWO, IVR, MTGE, DX, AMTG, EFC, MITT and NYMT. Non-Agency MREITs include RWT and PMT. Comm MREITs include NCT, NRF, SFI, RSO, LSE, RAS, GKK, ABR, STWD, CXS, CLNY, ARI, and ACRE. BDCs include ACAS, MAIN, TCAP, HTGC, MCGC, KCAP, ARCC, PSEC, AINV, SLRC, FSC, BKCC, TICC, GBDC, TCPC, MCC, MVC, TCRD, GLAD, GAIN, SUNS, HRZN, PFLT, TINY, TAXI and SAR

Consistent Core Investment Strategy



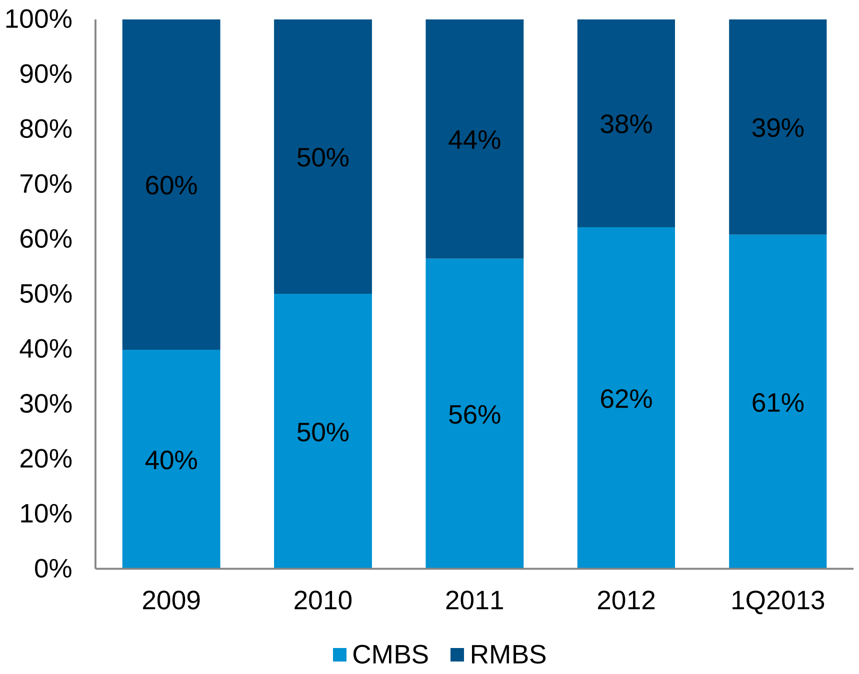
Managing Risk

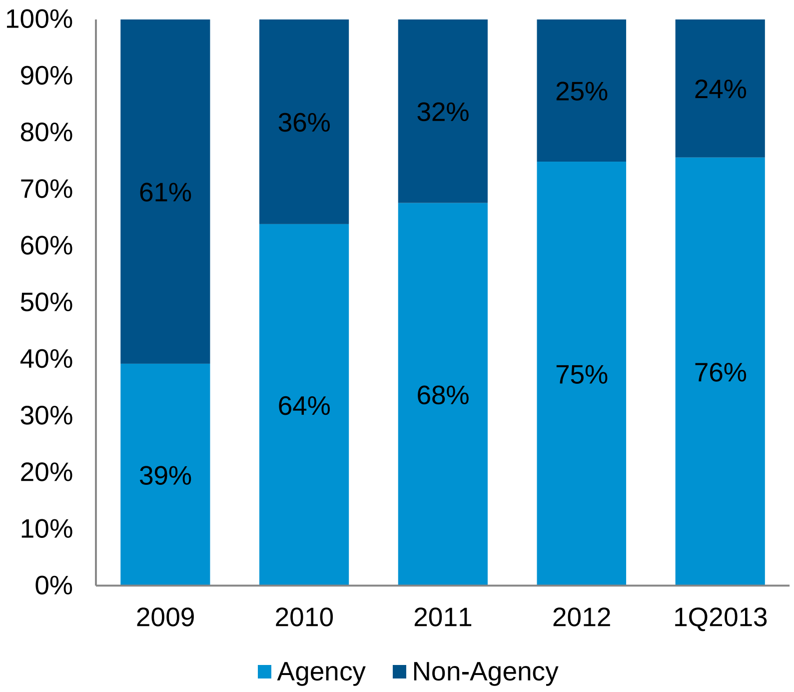
Key Risk	Strategy
Interest Rate Risk	•Invest in shorter duration instruments, with portfolio duration target of 0.5 to 1.5 years •Use interest rate swaps, swaptions, and caps to manage risk •Invest in assets at wider spreads
Prepayment Risk	•CMBS investments with call protection •RMBS specified pools with diversity of prepayment risk
Credit Risk	•Diversify credit risk by investing in multiple asset classes across the sector, including CMBS, Agency and non-Agency RMBS •91% of investment portfolio is AAA -rated*at March 31, 2013 •Current credit risk is multifamily centric
Extension Risk	•Minimize extension risk by emphasizing short duration assets
Liquidity Risk	•Diversify repurchase agreement counterparties and maintain low leverage •Maintain sufficient unencumbered liquidity to meet expected risk events •$44.1 million of cash and cash equivalents, $134.1 million of unpledged Agency MBS at Mar 31,2013

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

Portfolio Capital Allocation

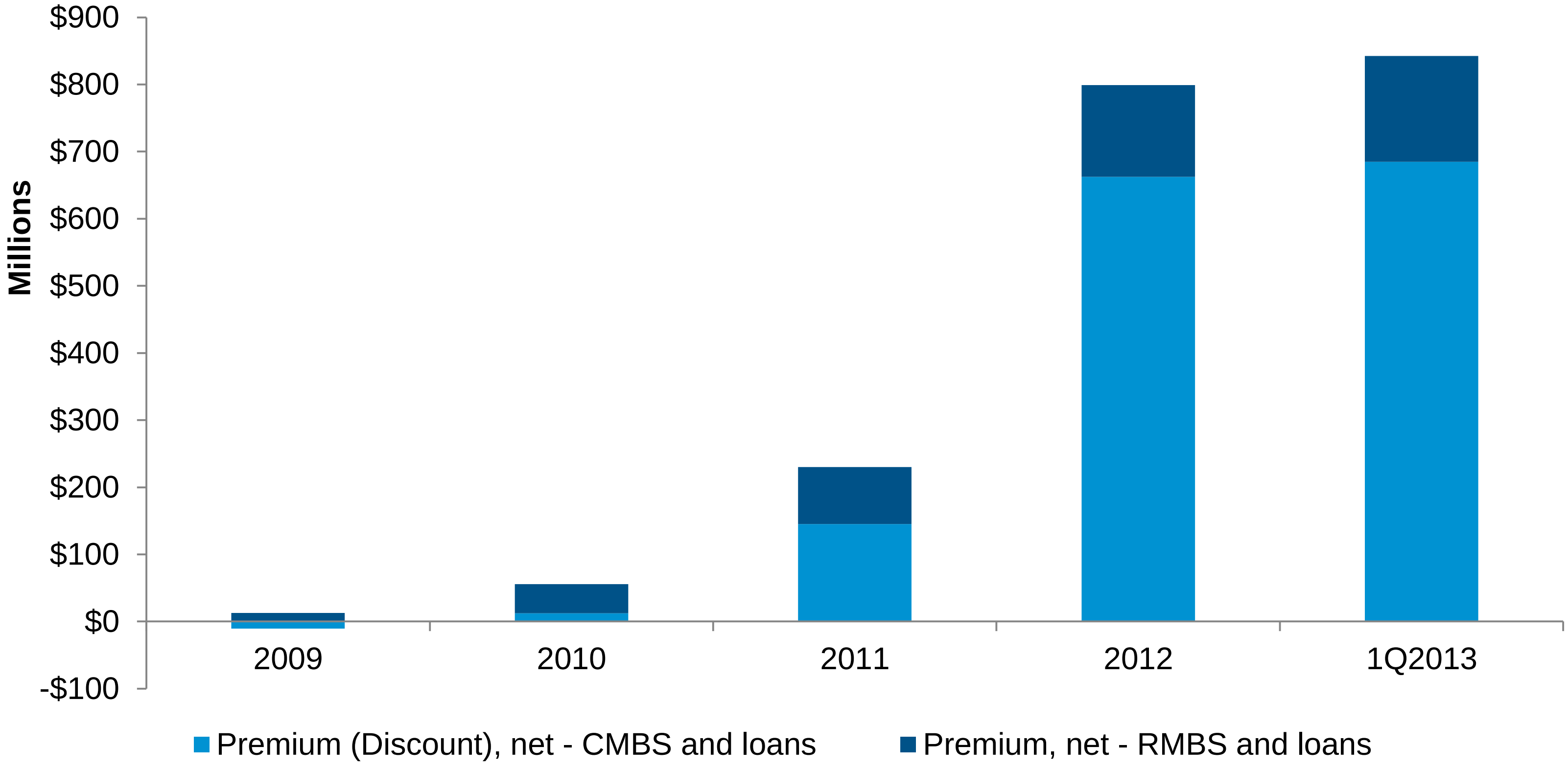
(as of end of period)





Investment Premium Allocation

(as of end of period)



CMBS: Why We Invest

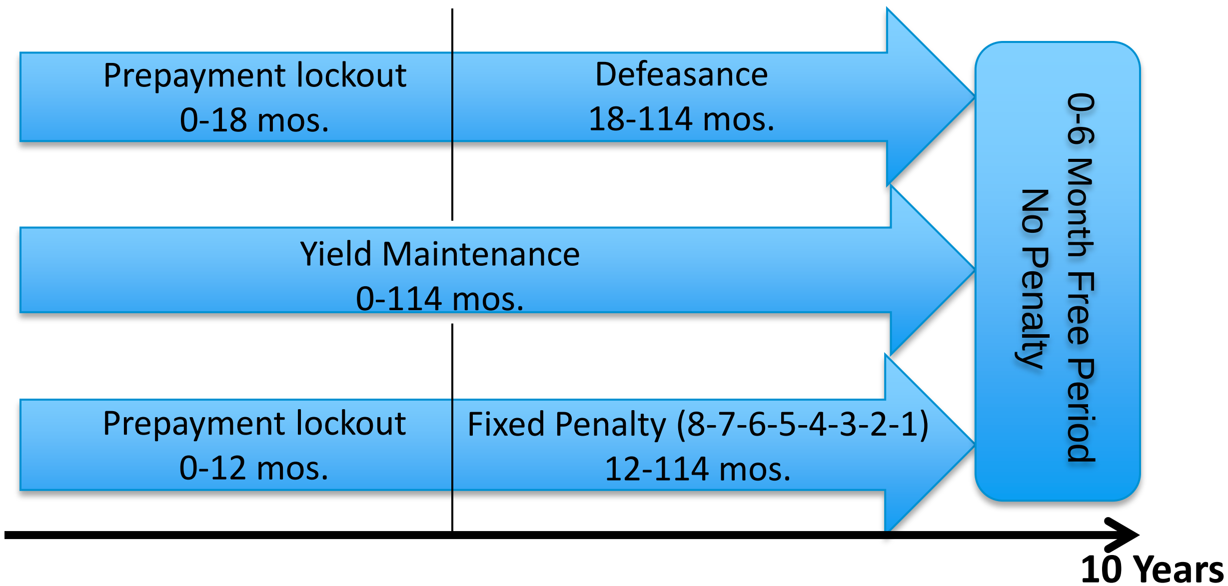
Explicit call protection:

Lockout: No prepayments allowed

Defeasance: Borrower cannot prepay the loan but may substitute US government collateral that replicates remaining cash flow stream

Yield Maintenance: Borrower can prepay the loan by paying a penalty generally equal to present value of lost coupon relative to US treasury rates. Can result in higher rates of return than would have been realized otherwise

Fixed Penalty: % of loan balance paid at time of prepayment



CMBS v. RMBS

CMBS

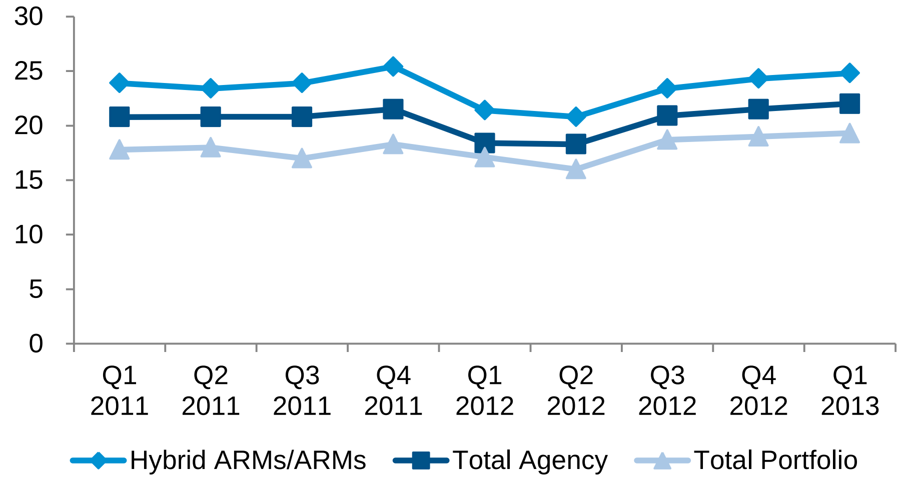
- Explicit call protection
- Short duration, predictable "bond like" cash flows
- Predictability rolls down the curve
- Complimentary cash flow profile to our RMBS investments
- Opportunity for credit spread tightening

RMBS

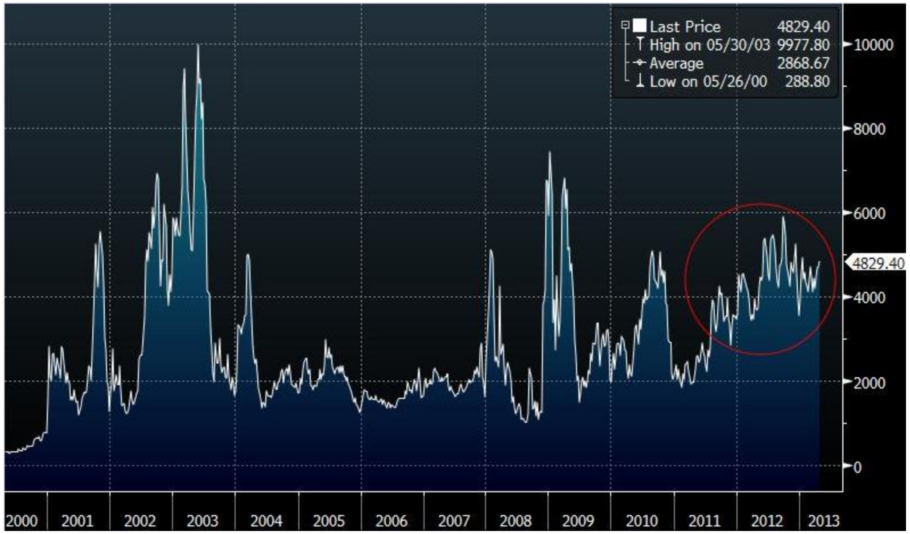
- No explicit call protection
- Implicit call protection through asset selection
- Dynex asset selection focuses on:
  - Low loan balance
  - Limited % of third-party originated loans
  - Higher % of high LTV and investor loans

Consistent Prepayment Speeds

Dynex Portfolio CPRs



MBA Refinancing Index

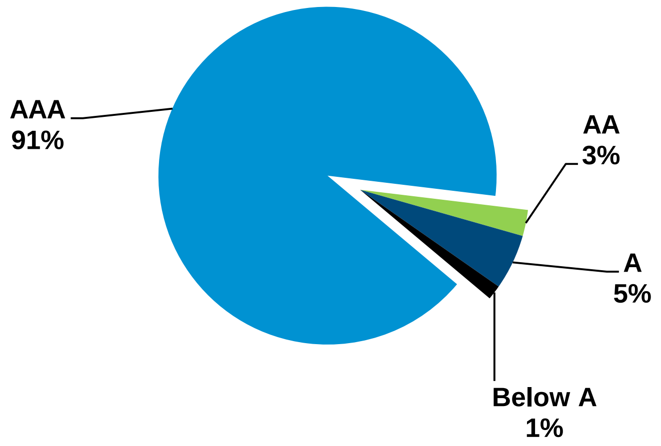


Source: Bloomberg

Portfolio Details

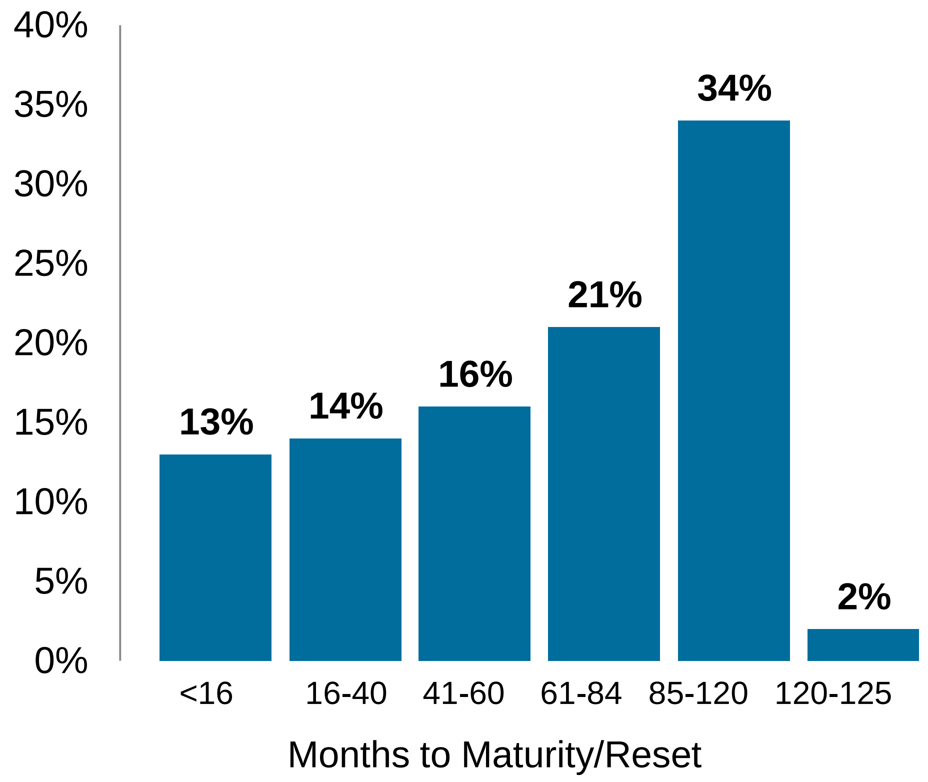
(as of March 31, 2013)

Credit Quality



**Agency MBS are considered AAA-rated.*

Portfolio Expected Maturity/Reset Distribution



Macro Environment Factors

- US Economy has improved, but is it sustainable?
- Global risk remains high
- Rates have reacted to Fed comments and market perceptions
- Future events with no date predicted
  - Fed ends QE3
  - Fed allows long rates to increase
  - Fed raises short interest rates
- Volatility has been low but has the potential to increase
- Credit spreads have tightened
- Multifamily housing strength continues, single family housing has stabilized
- Funding markets are stable
- KEY CONSIDERATION – Governments are involved

Macro Environment Factors

- **What happens when QE3 ends?**
  - We are relying upon our CMBS position to limit extension risk and to tighten in spread over time
  - Expect our short duration assets to perform well
  - Expect our premium seasoned assets to perform well
  - Expect prepayments to slow and net interest spread to increase

- **What happens with a 1.25% 10-year?**
  - Expect CMBS cash flows to remain stable, roll down the curve
  - Expect our short-duration assets to underperform
  - Expect our prepayments to increase
  - Expect multifamily demand to be unaffected
  - Expect demand to increase for yield

Dynex Value Proposition

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

+111.26%

Source: SNL

APPENDIX

Capital Allocation *(as of March 31, 2013)*

($ in thousands)	Asset Carrying Basis	Associated Financing[1]/ Liability Carrying Basis	Allocated Shareholders' Equity	% of Shareholders' Equity	1Q13 Net Interest Income Contribution	4Q12 Net Interest Income Contribution
Agency MBS	$ 3,848,434	$ 3,397,273	$ 451,161	71.2%	$ 16,863	$ 15,570
Non-Agency MBS	617,261	499,642	117,619	18.6%	4,861	4,656
Securitized mortgage loans [2]	64,825	37,864	26,961	4.3%	522	877
Other investments [2]	822	—	822	0.1%	19	20
Derivative instruments[3]	—	37,687	(37,687)	(6.0)%	—	—
Cash and cash equivalents	44,129	—	44,129	7.0%	—	—
Other assets/other liabilities	52,642	22,349	30,293	4.8%	—	—
	$ 4,628,113	$ 3,994,815	$ 633,298	100.0%	$ 22,265	$ 21,123

($ in thousands)	Asset Carrying Basis	Associated Financing[1]/ Liability Carrying Basis	Capital Allocation	% of Allocated Capital	1Q13 Net Interest Income Contribution	4Q12 Net Interest Income Contribution
RMBS and loans	$ 2,944,582	$ 2,710,712	$ 233,870	39.2%	$ 9,383	$ 9,382
CMBS and loans	873,965	661,613	212,352	35.6%	5,706	5,761
CMBS IO	712,795	562,454	150,341	25.2%	7,176	5,980
	$ 4,531,342	$ 3,934,779	$ 596,563	100.0%	$ 22,265	$ 21,123

(1) *Associated financing for investments includes repurchase agreements and securitization financing issued to third parties (which is 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.*
(2) *Net interest income contribution amount is after provision for loan losses.*
(3) *Net interest expense from derivative instruments designated as hedges of repurchase agreement financing is included within net interest income contribution amounts for each respective investment category.*

Selected Financial Highlights

(as of and for the quarter ended)

Financial Highlights: *($000 except per share amounts)*	**Mar 31, 2013**	**Dec 31, 2012**	**Sept 30, 2012**	**Jun 30, 2012**	**Mar 31, 2012**
Total Investments	$ 4,531,342	$ 4,175,662	$ 4,316,247	$ 3,628,163	$ 3,276,170
Total Assets	4,628,113	4,280,229	4,405,030	3,729,197	3,349,056
Total Liabilities	3,994,815	3,663,519	3,787,099	3,204,124	2,826,159
Total Equity	633,298	616,710	617,931	525,073	522,897
Interest Income	32,982	31,576	28,574	27,125	26,272
Interest Expense	10,456	10,431	9,474	8,117	7,125
Net Interest Income	22,526	21,145	19,100	19,008	19,147
General and Administrative Expenses	3,808	3,501	3,090	3,024	3,121
Net Income to Common Shareholders	$ 18,381	$ 18,330	$ 18,353	$ 18,847	$ 16,476
Diluted EPS	$ 0.34	$ 0.34	$ 0.34	$ 0.35	$ 0.33
Dividends Declared per Common Share	$ 0.29	$ 0.29	$ 0.29	$ 0.29	$ 0.28
Book Value per Common Share	$ 10.50	$ 10.30	$ 10.31	$ 9.66	$ 9.62

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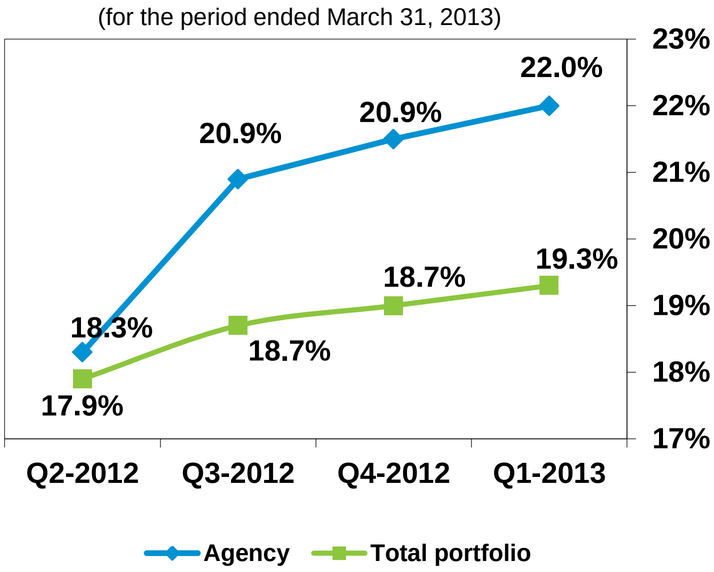
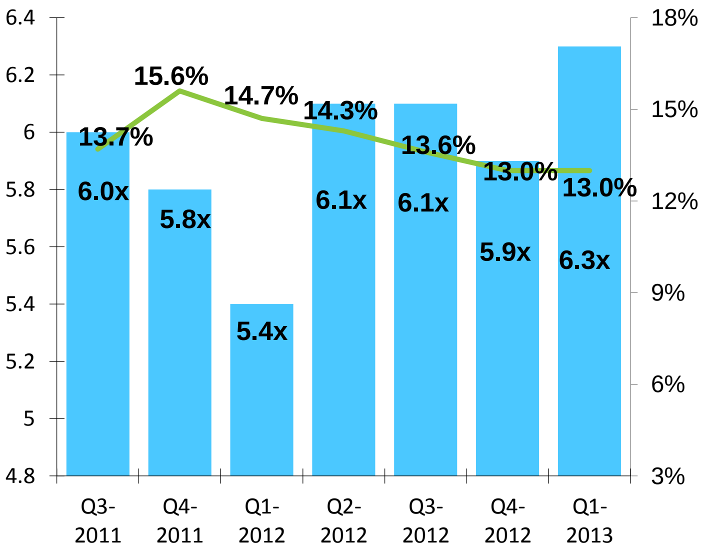
Portfolio Performance

Prepayment Performance



Leverage and ROE*



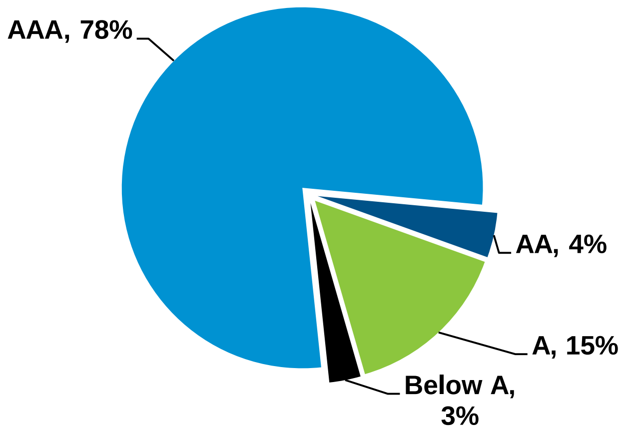
	March 31, 2013			December 31, 2012		
	Agency	Non-Agency	Portfolio	Agency	Non-Agency	Portfolio
Investment Yield	2.60%	5.39%	3.04%	2.62%	5.47%	3.04%
Cost of funds	(0.93%)	(2.58%)	(1.15%)	(0.92%)	(2.52%)	(1.11%)
Net interest spread	1.67%	2.81%	1.89%	1.70%	2.95%	1.93%

*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 ROE was 1.6%.

CMBS Portfolio

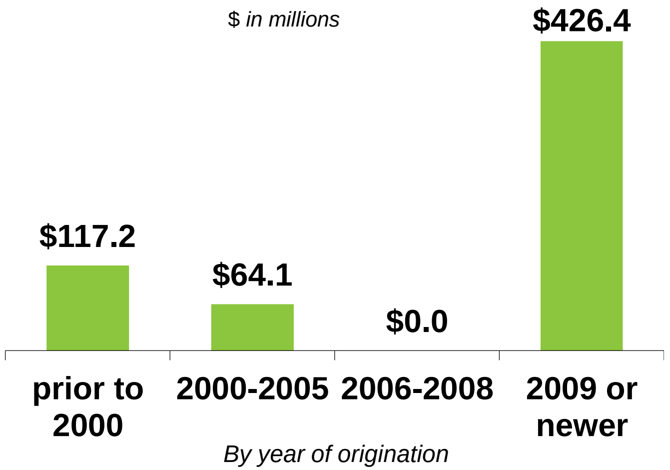
(as of March 31, 2013)

Credit Quality

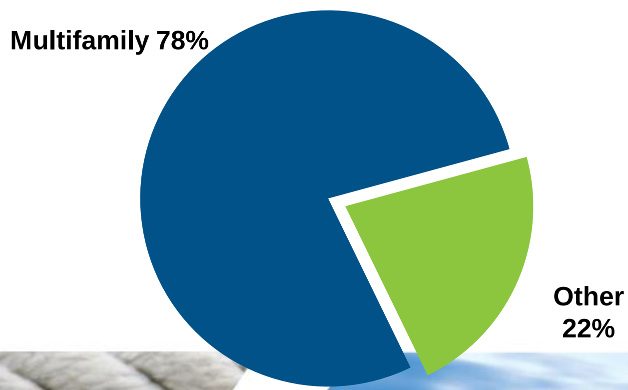


Agency CMBS are considered AAA-rated as of the date presented. Includes CMBS IO securities.

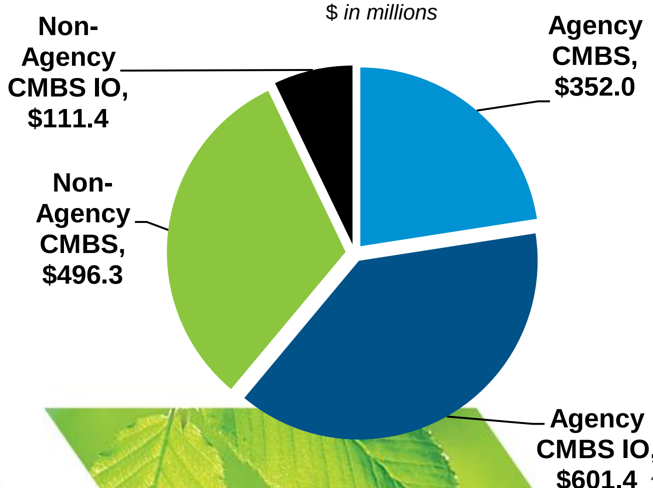
Non-Agency Vintage



Collateral



Asset Type



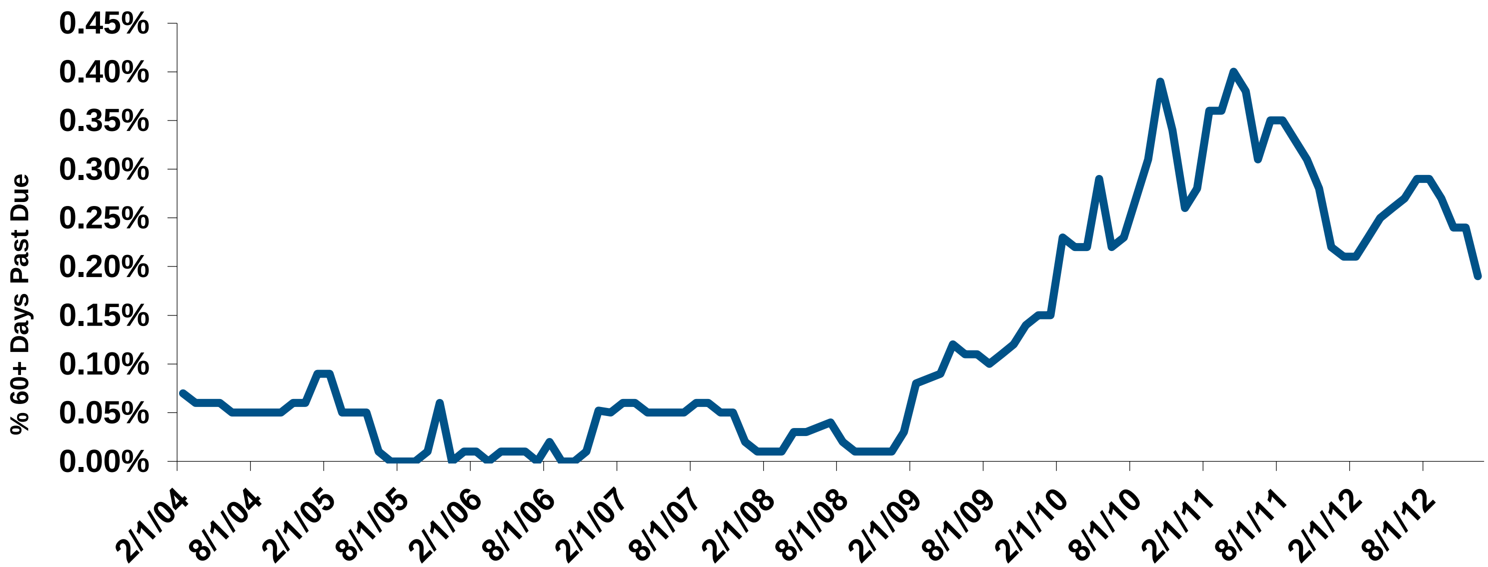
Agency CMBS Performance

Credit Volatility:

Agency CMBS cash flow returns are leveraged to credit performance

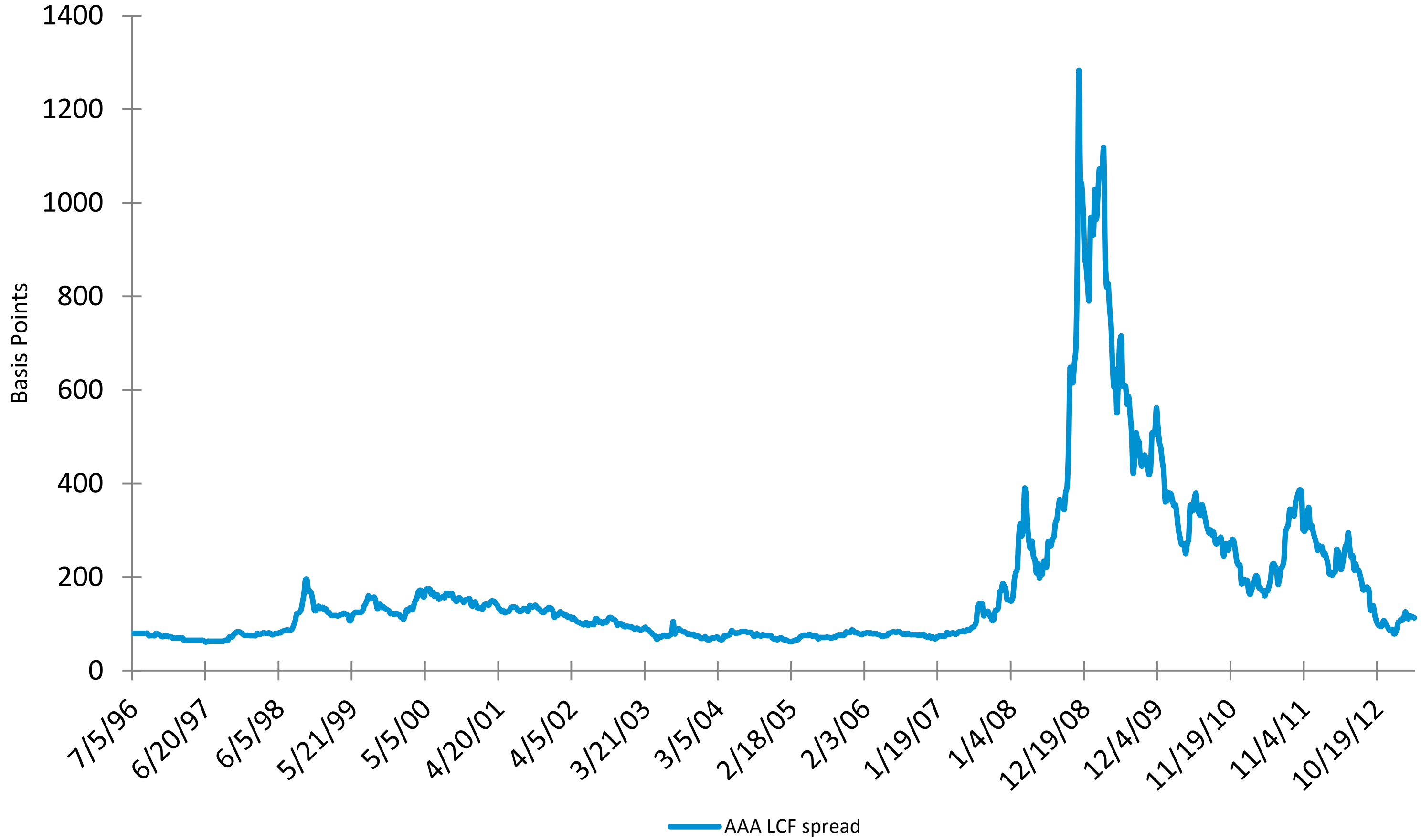
Agency CMBS are collateralized by multifamily cash flows

Historical performance of Agency multifamily product has been exceptional



Source: Freddie Mac

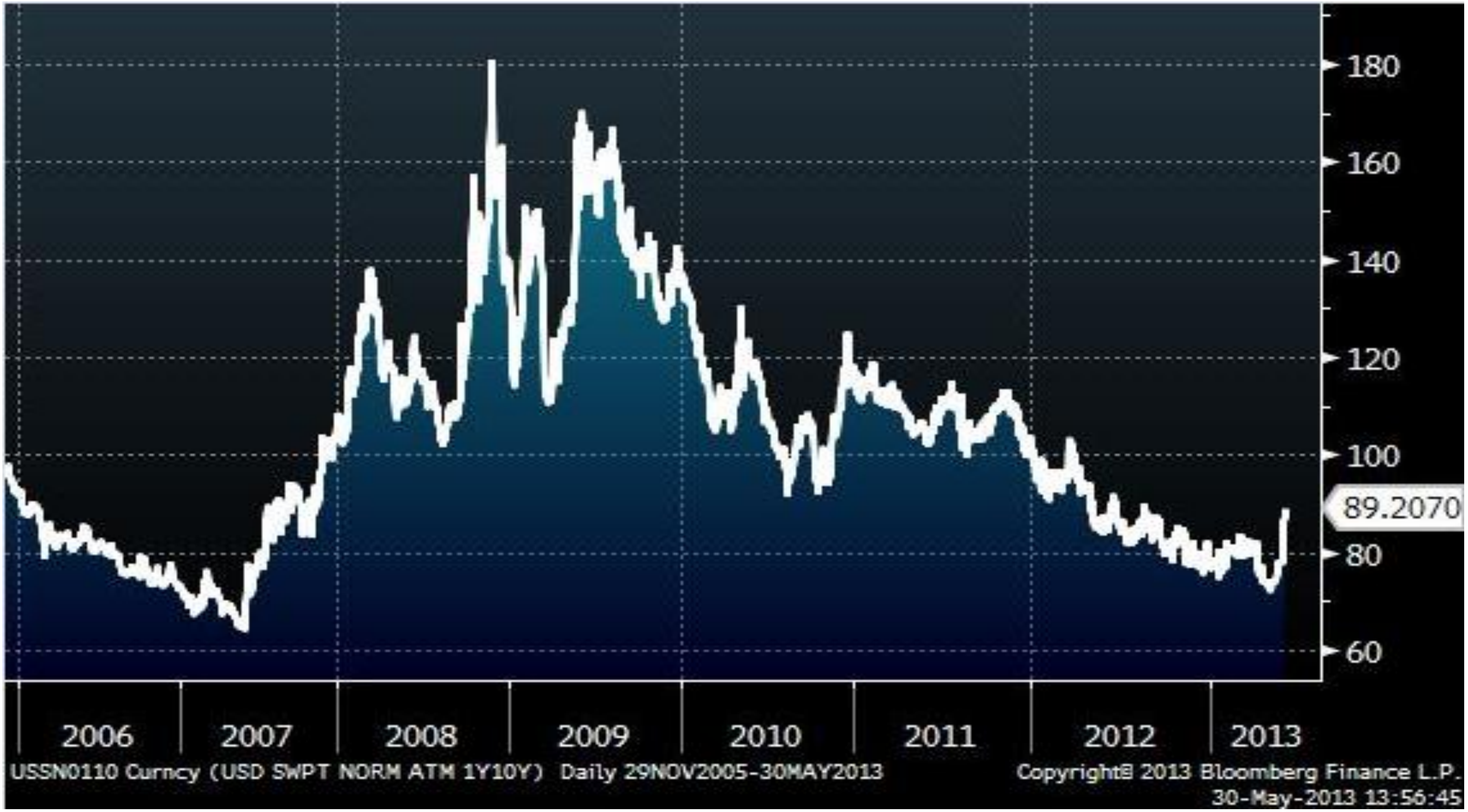
CMBS Spreads



Source: Company Data

Volatility is Low

1 year/10 year Swaption Volatility



Source: Bloomberg

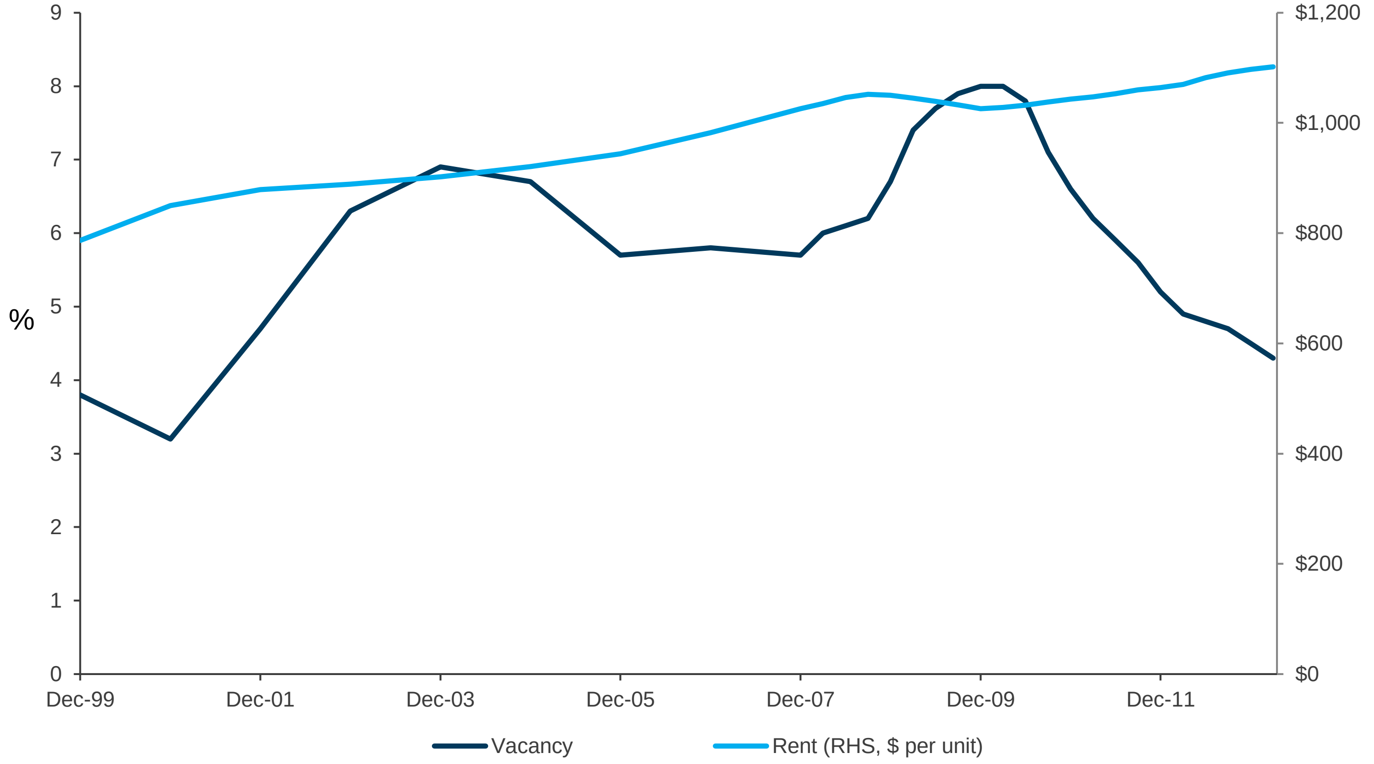
Rates are Range-Bound

10-Year Treasury Note Yield
January 1, 2011 – April 30, 2013

Source: Bloomberg

Positive Multifamily Trend

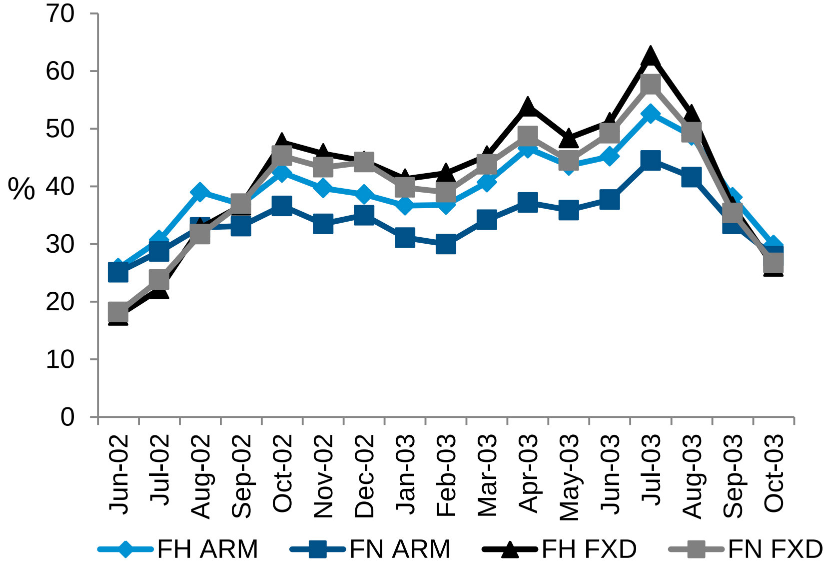
Multifamily Vacancies and Rents
December 1999 – March 2013

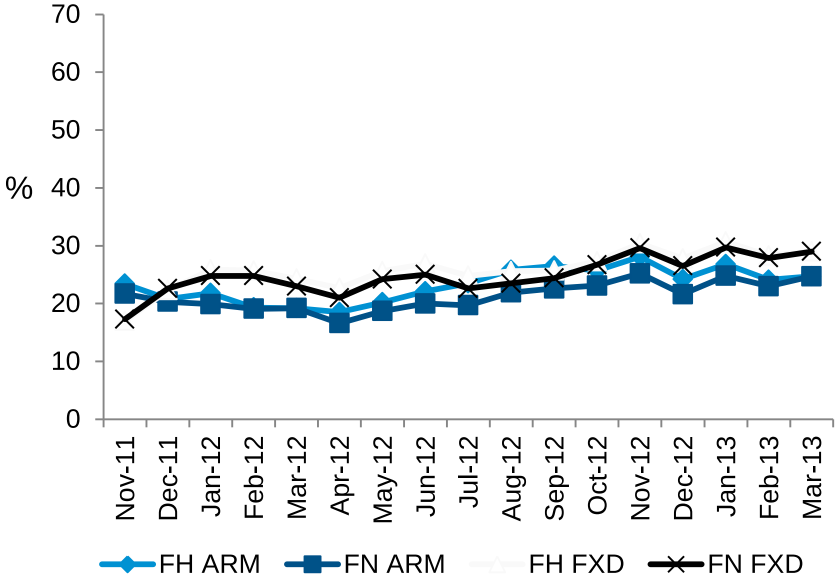


Source: REIS, Barclays Research

Aggregate Agency CPRs

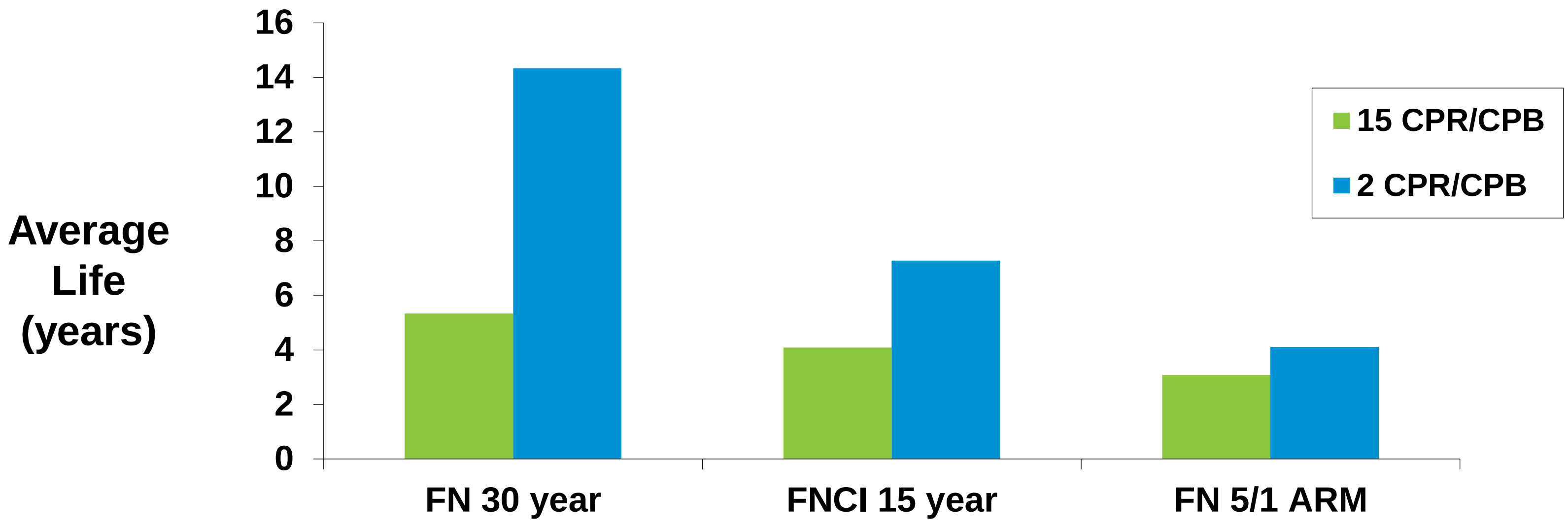
2002-2003 vs. 2011- 2013





Source: eMBS

Extension Risk *(as of May 1, 2013)*



	Price	Coupon	WAC	Speed	Average Life	Average Life Extension
FN 30yr	$104-25	3.00%	3.61%	15 CPR 2 CPR	5.34 years 14.33 years	~9 years
FNCI 15yr	$104-20	2.50%	3.10%	15 CPR 2 CPR	4.09 years 7.28 years	~3 years
FN 5/1 ARM	$103-18	1.85%	2.56%	15 CPB 2 CPB	3.08 years 4.11 years	~1 year

Financing (as of March 31, 2013)

$ in thousands

Repurchase Agreements	**Financing Balance** (1)	**WAVG Rate**
By collateral pledged:		
Agency	$ 3,199,633	0.54%
Non-Agency	485,612	1.36%
Other	23,566	1.61%
Total	$ 3,708,811	0.65%
By original maturity: (days)		
0-30	$ 1,030,894	0.69%
31-60	1,333,963	0.79%
61-90	969,050	0.50%
>90	374,904	0.46%
Total	$ 3,708,811	0.65%

SWAPS(2)		
Maturity (mos.)	Total Notional Balance	WAVG Rate
0-12	$ 300,000	1.29%
13-36	490,000	1.76%
37-60	220,000	1.10%
>60	400,000	1.60%
Total	$ 1,410,000	1.51%
WAVG Maturity 39 months		

(1) Excludes $556 thousand of deferred fees related to 2-year committed financing facility

(2) Excludes trading swaps of $27 million and includes $25 million of forward starting swaps in 2013