DYNEX CAPITAL INC.

Sound Strategy. Unique Advantages.

Third Quarter Earnings Presentation

November 5, 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, investment opportunities, financial performance, dividends, leverage ratios, capital raising activities, share issuances and repurchases, the use or impact of NOL carryforwards, and interest rates. 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.

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

Third Quarter Highlights

First quarter of results without utilizing hedge accounting

GAAP net loss of $(0.13) per common share. Core net operating income [1] of $0.27 per common share, equal to the dividend declared for the quarter

GAAP return on average common equity of (5.7)%. Adjusted return on average common equity[2] of 12.3% for the quarter

Net interest spread of 1.94% this quarter vs. 1.75% in the second quarter. Adjusted net interest spread[3] was 1.65% this quarter vs. 1.72% in the second quarter

Book value per common share of $8.59 at September 30, 2013 vs. $8.94 at June 30, 2013

Average interest earning assets were $4.4 billion and portfolio CPR of 19.5%. The portfolio CPR for October was 12.0%

Common dividend of $0.27 per share, for an 12.50% yield based on a $8.64 closing price on October 31, 2013

Overall leverage decreased to 6.4x equity capital at the end of the quarter, down 0.4x from the end of the second quarter

(1) Non-GAAP measure. See reconciliation on slide 5
(2) Non-GAAP measure based on core net operating income.
(3) Non-GAAP measure. See Reconciliation on slide 37.

Core Net Operating Income

Core net operating income is presented for the first time due to discontinuation of hedge accounting. It is meant to provide greater transparency to the information we use in our financial and operational decision-making processes and, when analyzed in conjunction with our GAAP operating results, allow investors to more effectively evaluate and compare our performance to that of our peers.

	Three Months Ended		
	September 30, 2013	June 30, 2013	September 30, 2012
GAAP net (loss) income to common shareholders	$ (6,921)	$ 29,442	$ 18,353
Amortization of de-designated cash flow hedges [1]	2,583	—	—
Change in fair value on derivative instruments, net	19,348	(11,509)	333
Gain on terminations of interest rate swaps, net	(800)	—	—
Loss (gain) on sale of investments	825	(2,031)	(3,480)
Fair value adjustments, net	(150)	600	(297)
Core net operating income to common shareholders	$ 14,885	$ 16,502	$ 14,909
Core net operating income to common shareholders per share	$ 0.27	$ 0.30	$ 0.27
Average common equity during the period	$ 484,356	$ 560,449	$ 542,352
ROAE, calculated using annualized GAAP net (loss) income	(5.7)%	21.0%	13.5%
Adjusted ROAE, calculated using annualized core net operating income	12.3%	11.8%	11.0%

(1) Amount recorded as a portion of "interest expense" in accordance with GAAP related to the amortization of the balance remaining in accumulated other comprehensive loss as of June 30, 2013 as a result of the Company's discontinuation of hedge accounting.

Book Value Change

Decline in book value due to continued spread widening and additional hedges

Book value per common share, June 30, 2013	**$**	**8.94**
Impact of earnings per common share, excluding loss on derivative investments, net (1)		0.31
Dividends per common share		(0.27)
Changes in book value per common share due to changes in interest rates (2)		(0.27)
Changes in book value per common share due to changes in credit spreads (2)		(0.21)
Reclassification of realized loss from AOCI for MBS sold during the quarter		0.02
Amortization of AOCI due to de-designated cash flow hedges		0.05
Stock transactions		0.02
Book value per common share, September 30, 2013	$	8.59

(1) For the three months ended September 30, 2013, net loss per common share of $(0.13) on the Company's consolidated statement of operations includes $(0.44) related to loss on derivative instruments, net. This loss on derivative instruments, net is due to changes in interest rates and is included in "changes in book value per common share due to changes in interest rates" in the table.

(2) Based on Company estimates.

Strategy Has Not Changed

Short Duration	High Quality	Diversified	Low Leverage
More predictable cash flows with limited extension risk and curve roll down	Highly rated assets and solid credit fundamentals	RMBS/CMBS; Agency/Non-Agency; High Coupon/Low Coupon; IO's	Leverage target of ~6x, maximum 7x

- **Our core investment strategy has not changed and there is a good business opportunity to generate cash flow rolling down the short-end of the yield curve**
- **Investment portfolio is constructed to perform in a variety of market environments**
  - Limited extension risk
  - Portfolio shock absorbers against continued uncertain environment
    - Investments rolling down the curve
    - Slowing prepayment rates
    - Spreads should be supported by demand for short duration assets, improving credit fundamentals, and/or supply technicals
- **Risk management will be key to our future success. We have made adjustments to our liability structure to deal with extreme market volatility and uncertainty**

Economic Fundamentals are Uncertain

- Sustainability and trajectory of US economic growth is uncertain
- Federal reserve policy makers are projecting accelerating growth into 2014-2015, but economic growth today is only moderate
- Moderate economic activity implies a 3.0%-3.25% rate on the ten-year Treasury absent quantitative easing
  - Equates to a 2's-10's spread of 2.70%-2.95%
- Higher rates have the potential to impede economic activity as current growth is dependent upon low interest rates
- Government deleveraging and austerity in the U.S. and Europe could hamper growth
- Inflation levels are declining and could become a surprise factor

Market Technicals/Psychology are more Important

- **Market Technicals**
  - Technicals have been distorted by Federal Reserve participation in the capital markets
    - Long term interest rates and spread volatility were artificially low
    - Taper talk increased both spread and interest rate volatility. This was further exacerbated by debt ceiling / budget negotiation cliffhanger
  - The Federal Reserve did not taper in September 2013, but technical factors relevant today are:
    - Dealer balance sheets and their commitment to make markets have been negatively impacted by regulation
    - Originator pipelines are reduced given declining refinance activity
    - As we have always expected, the Hybrid ARM market is gaining in attractiveness as more investors are seeking short-duration assets
- **Market Psychology**
  - Psychology will continue to be influenced by perceptions of economic data and Federal Reserve monetary policy
  - We believe that YTD market behavior has been driven by psychological factors as opposed to technicals and fundamentals
  - Fed's stance on QE3 tapering will continue to drive market movements

Government Policy is Key

Government policy will drive investment returns and future investment opportunities

- **Monetary Policy**
  - Federal Reserve expected to maintain dovish policy holding short rates low for “extended period”
  - Steady short term interest rates should create an environment in which we can deploy capital profitably
  - QE3 artificially influences long rates lower
  - QE3 exit strategy uncertain
- **Regulatory Policy**
  - Uncertain, restrictive and changing rapidly
- **Fiscal Policy**
  - Creating economic headwinds and unlikely to be resolved in the near future

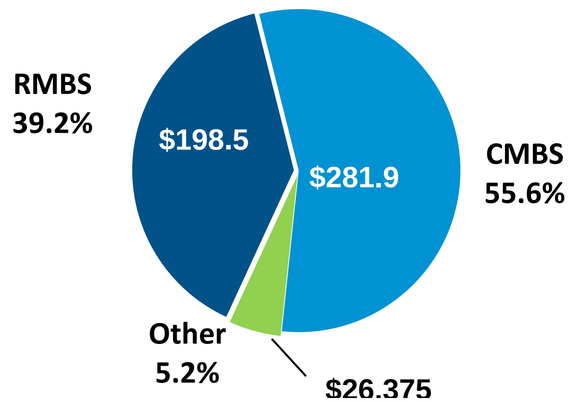
Market Environment is Uncertain

- The combined factors of an uncertain economic environment, distorted monetary policy and unclear fiscal and regulatory policies has and is continuing to foster a volatile market environment
  - On the one hand, short-rates provide opportunity to earn net interest income
  - On the other hand, hedging costs are increasing due to the volatility and book value has declined
- The Federal Reserve has indicated it is data dependent while markets have become monetary policy dependent
- Global uncertainty adds more volatility to the mix
- However, market expectations of higher interest rates is becoming supportive of our short-duration Hybrid ARM investment portfolio and credit fundamentals supporting our CMBS assets continue to be strong
- Market volatility has been high, and will continue to be high, due to:
  - uncertain economic activity
  - data dependency of Federal Reserve monetary policy
  - Federal Reserve desire to be transparent

Portfolio Update (as of September 30, 2013)

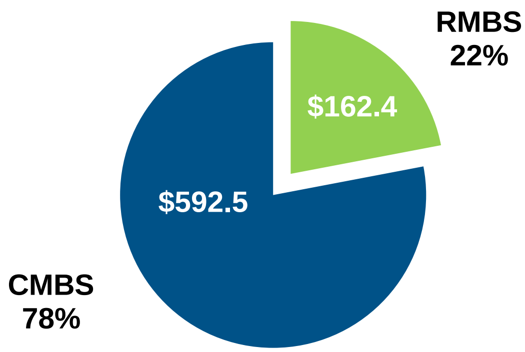
Investment Capital Allocation

($ in millions)

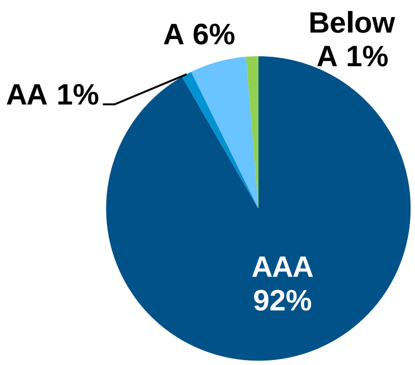


Net Premium by Asset Type

($ in millions)

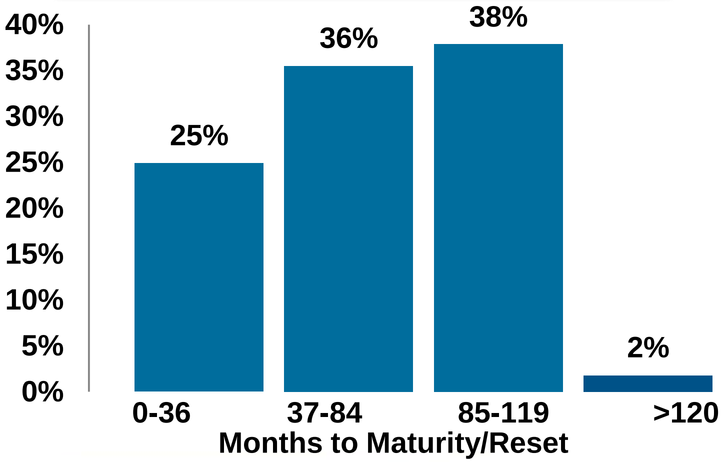


Credit Quality



(Agency MBS are considered AAA-rated)

Portfolio Expected Maturity/Reset Distribution



Portfolio Construction

- Our fundamental portfolio construction has not changed
- Modeled Duration Gap is now at the lower end of our range of 0.5-1.5 years with duration exposure on the short-end of the curve
  - Hedges have been added further out on the curve
- Portfolio is designed to generate cash flow off the short-end of the yield curve and increase in value from rolling down the curve
- Given Federal Reserve policy on short-rates, following 3Q 2013 quarter end we terminated $765.0 million of our interest rate swaps expiring in 2014 and 2015 which we expect to add $2.2 million to 4Q2013 core net operating income
- During 3Q 2013 we modestly delevered and extended repo maturities as part of our overall risk management philosophy

Interest Rate Exposure Reduced

Parallel Shift in Interest Rates	Percentage Change in Projected Market Value of Assets Net of Hedges	
(in basis points)	September 30, 2013	December 31, 2012
+50	(0.27)%	(0.84)%
+25	(0.12)%	(0.42)%

- Duration risk profile reduced primarily from additional hedges
- Our view is long-rates should be higher absent Federal Reserve QE3

Financing

$ in thousands

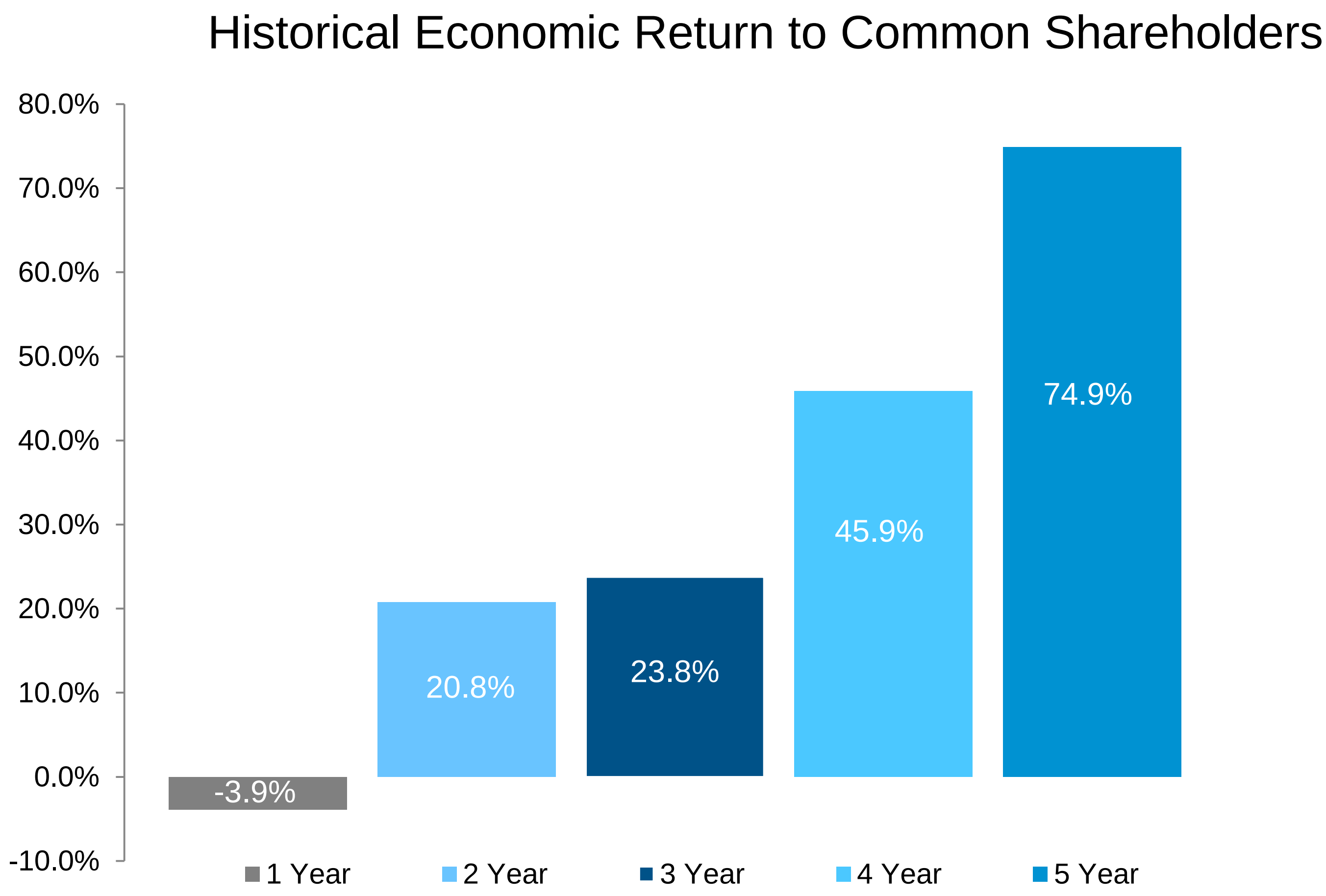
Repurchase Agreements				
	as of 9/30/13		as of 6/30/13	
Original Maturity	Balance	WAVG Rate	Balance	WAVG Rate
<30 days	$486,150	0.85%	$1,677,943	0.64%
31-60	677,725	0.96%	1,121,607	0.69%
61-90	333,007	0.41%	353,523	0.40%
91-120	1,021,594	0.47%	918,770	0.48%
121-150	583,888	0.41%	-	-
>150	572,833	0.45%	-	-

Hedges *(Swaps and Eurodollars)*				
	as of 9/30/13		as of 6/30/13	
Year effective	WAVG Notional Balance	WAVG Rate	WAVG Notional Balance	WAVG Rate
4Q2013	$1,586,444	1.55%	$1,492,000	1.55%
2014	1,583,496	1.51%	1,282,671	1.67%
2015	1,686,975	1.55%	1,085,521	1.69%
2016	2,157,582	1.89%	831,877	1.62%
2017	1,875,110	2.52%	681,849	1.68%
2018	1,415,296	2.93%	599,137	1.76%
2019-2024	384,673	3.26%	168,628	2.07%

Outlook and Opportunities

- The macro environment of lower short term rates and a steeper yield curve provides an attractive carry environment
- However, market volatility is generating additional costs related to increased hedging/risk management activities
- Longer term, we see opportunities for credit investments in both residential and commercial assets and in markets currently dominated by the Fed/GSE's
- ROE opportunities continue to be attractive, but are lower than the extraordinary opportunities of several years ago

Managing for the Long-Term (as of September 30, 2013)



APPENDIX

Capital Allocation

(as of September 30, 2013)

($ in thousands)	Asset Carrying Basis	Associated Financing[1]/ Liability Carrying Basis	Allocated Shareholders' Equity	% of Shareholders' Equity
Agency MBS	$ 3,626,858	$ 3,246,474	$ 380,384	65.5%
Non-Agency MBS	514,886	414,797	100,089	17.2%
Securitized mortgage loans	59,797	34,727	25,070	4.3%
Other investments	1,305	—	1,305	0.2%
Derivative instruments	12,908	20,837	(7,929)	(1.4)%
Cash and cash equivalents	39,608	—	39,608	6.8%
Restricted cash	15,849	—	15,849	2.7%
Other assets/other liabilities	48,433	21,768	26,665	4.7%
	$ 4,319,644	$ 3,738,603	$ 581,041	100.0%

•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 derivative 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)

($ in thousands, except per share amounts)	3Q2013	2Q2013	3Q2012
Net interest income after provision	$ 22,948	$ 22,444	$ 18,990
(Loss) gain on derivative instruments, net	$ (24,019)	$ 11,353	$ (333)
(Loss) gain on sale of investments, net	$ (825)	$ 2,031	$ 3,480
General and administrative expenses	$ (3,629)	$ (3,795)	$ (3,090)
Net (loss) income to common shareholders	$ (6,921)	$ 29,442	$ 18,353
Net (loss) income per common share	$ (0.13)	$ 0.54	$ 0.34
Core net operating income to common shareholders [1]	$ 14,885	$ 16,330	$ 14,746
Core net operating income per common share [1]	$ 0.27	$ 0.30	$ 0.27
Return on average common equity (annualized)	(5.7)%	21.0%	13.6%
Adjusted return on average common equity (annualized) [1]	12.3%	11.7%	11.0%
Dividend per common share	$ 0.27	$ 0.29	$ 0.29
Book value per common share, end of period	$ 8.59	$ 8.94	$ 10.31
Interest earnings assets, end of period	$ 4,202,846	$ 4,627,188	$ 4,316,247
Average interest earning assets	$ 4,371,485	$ 4,565,733	$ 3,729,124
Average interest bearing liabilities	$ (3,859,653)	$ (4,068,830)	$ (3,296,830)
Net interest spread	1.94%	1.75%	2.00%
Adjusted net interest spread [1]	1.65%	1.72%	1.98%
Portfolio CPR (excluding CMBS IO)	19.5%	21.0%	18.7%
Debt to shareholders' equity ratio, end of period	6.4x	6.8x	6.1x

[1] Core net operating income to common shareholders (including on a per share basis), adjusted return on average common equity and adjusted net interest spread are non-GAAP financial measures. Reconciliations of these non-GAAP financial measures are provided on slide 5 and slide 37.

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Credit Spread Changes

Assets	September 30, 2013	June 30, 2013	Change
2 year vs. 10 year UST spread	230	218	12
Hybrid ARM 5/1 (2.0% coupon) spread to UST	40	45	-5
Hybrid ARM 10/1 (2.5% coupon) spread to UST	80	75	5
Agency CMBS spread to interest rate swaps	72	92	-20
‘A’-rated CMBS spread to interest rate swaps	255	287	-32
Agency CMBS IO spread to UST	200	200	0
IG Index spread to UST	166	165	1
HY Index spread to UST	531	537	-6
CMBX.NA.A.6 (2012 ‘A’-rated)	270	254	-16

Note: Amounts represent basis point spread to benchmark as noted.

Source: JP Morgan

Market Volatility

1 year/10 year Swaption Volatility

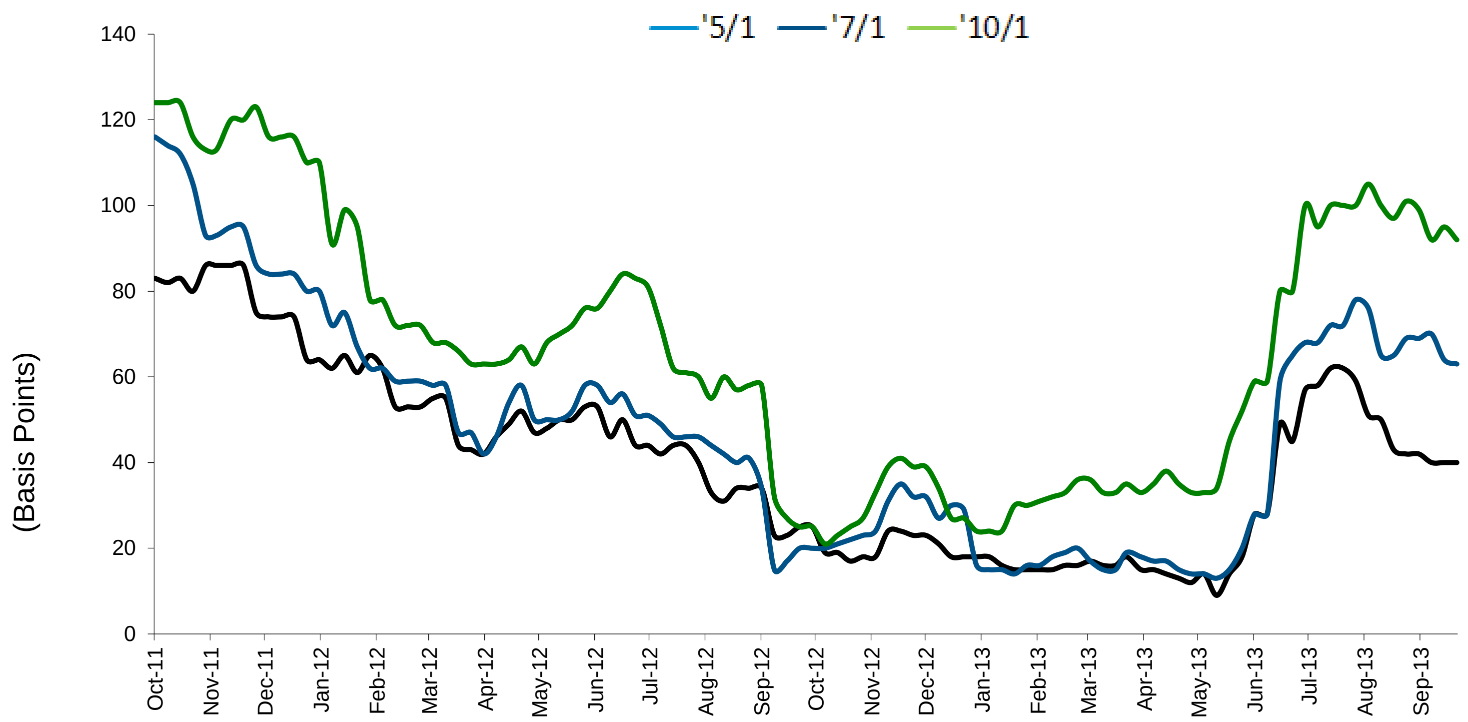
January 1, 2006 – November 1, 2013

10-Year Treasury Note Yield

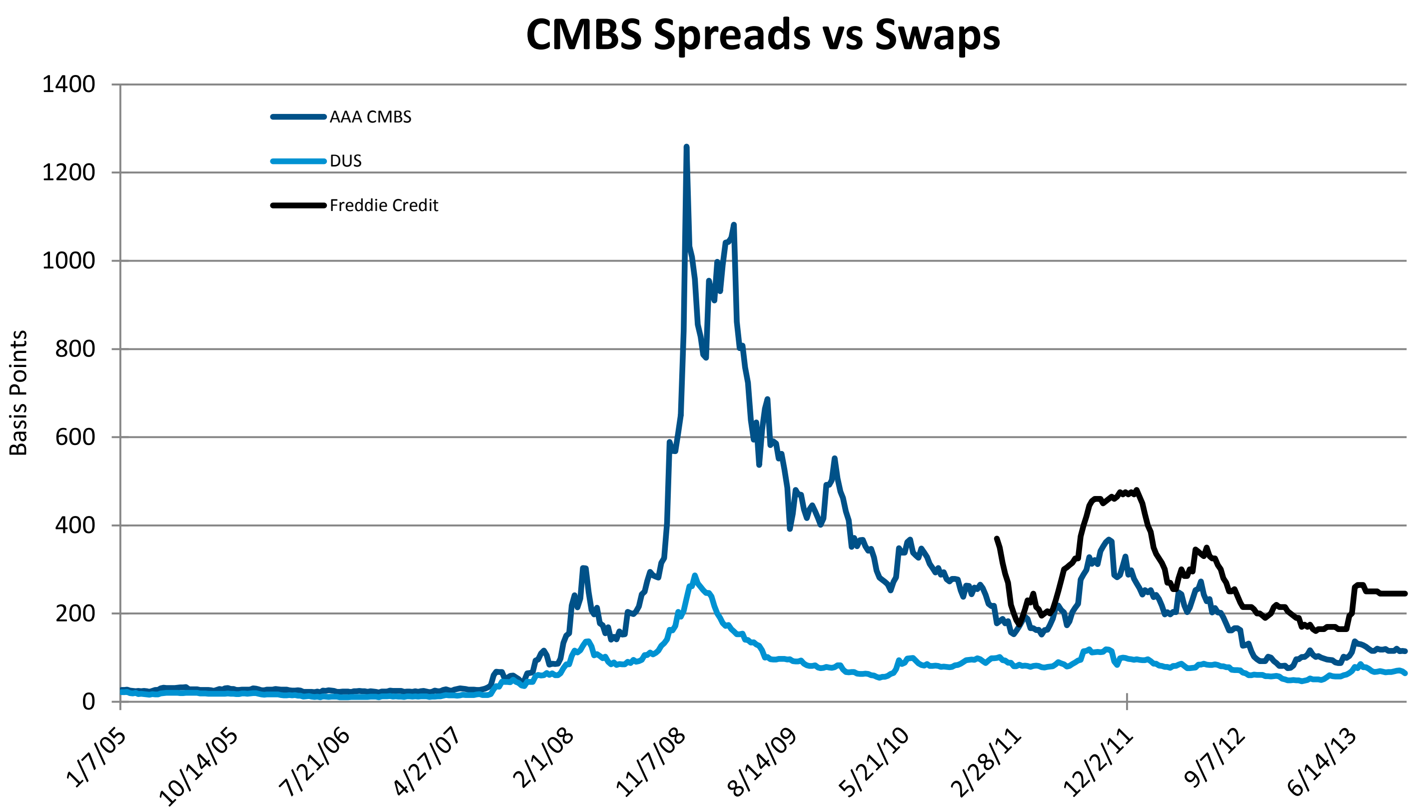
January 1, 2011 – November 1, 2013

Source: Bloomberg

Hybrid ARM Credit Spreads



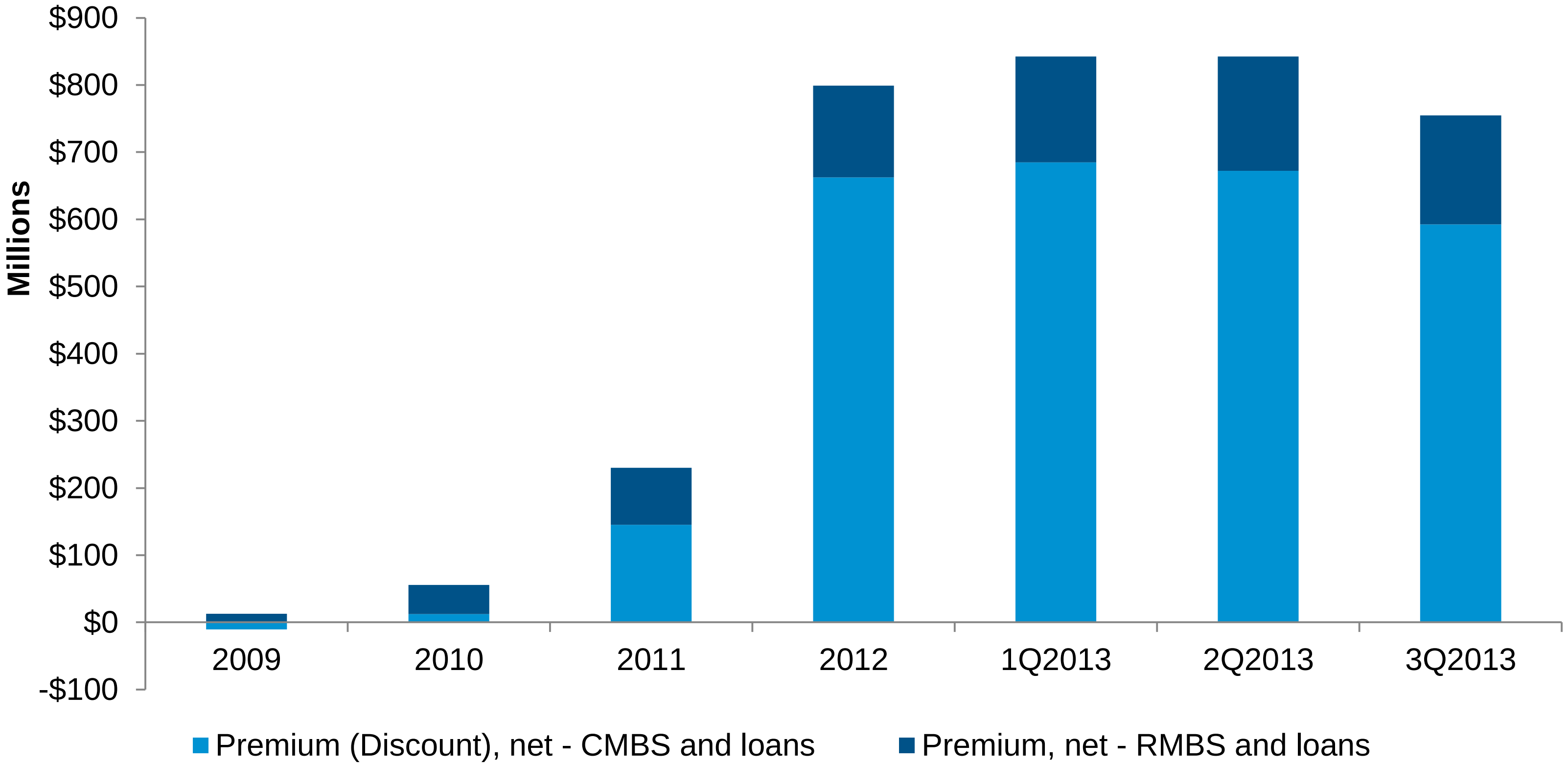
CMBS Credit Spreads



Source: Company Data

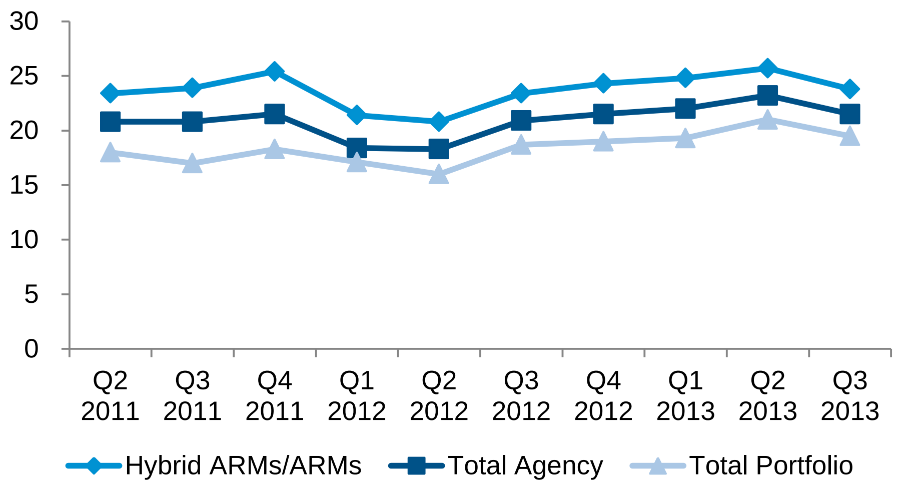
Investment Premium Allocation

(as of end of period)

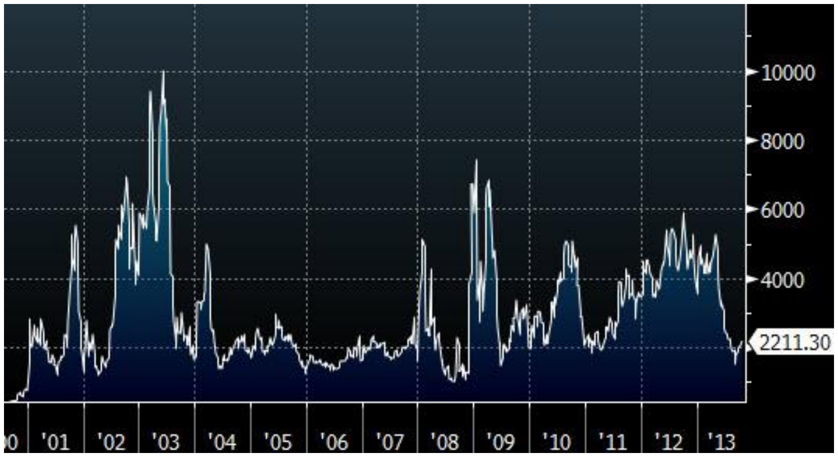


Prepayment Speeds versus Refinancing Index

Dynex Portfolio CPRs



MBA Refinancing Index



Source: Bloomberg

CMBS: Why We Invest

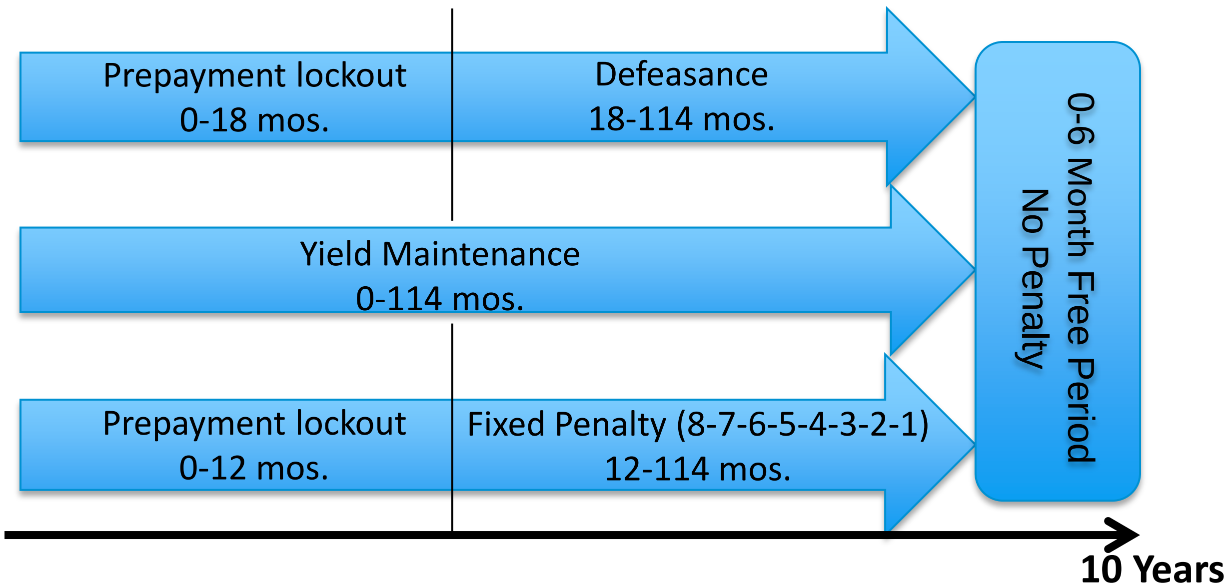
Explicit call protection:

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
- Predictably rolls down the curve
- Complementary cash flow profile to our RMBS investments
- Opportunity for credit spread tightening

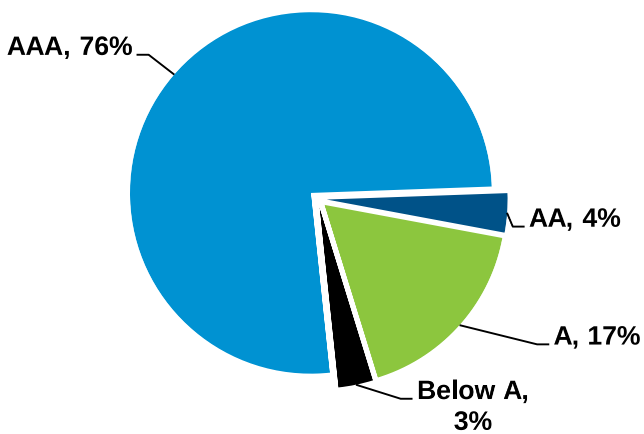
RMBS

- No explicit call protection
- Implicit call protection through asset selection
- Short duration, limited extension
- Less predictable, but efficiently rolls down the curve

CMBS Portfolio

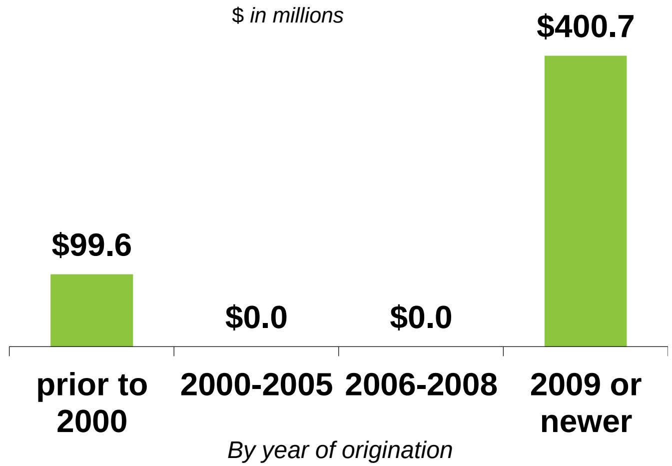
(as of September 30, 2013)

Credit Quality

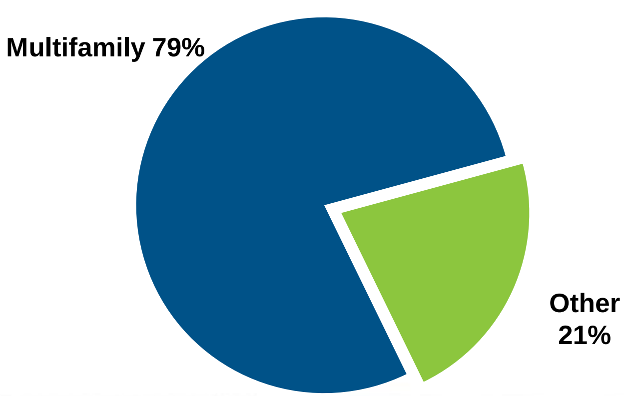


Agency CMBS are considered AAA-rated as of the date presented.
Includes CMBS IO securities.

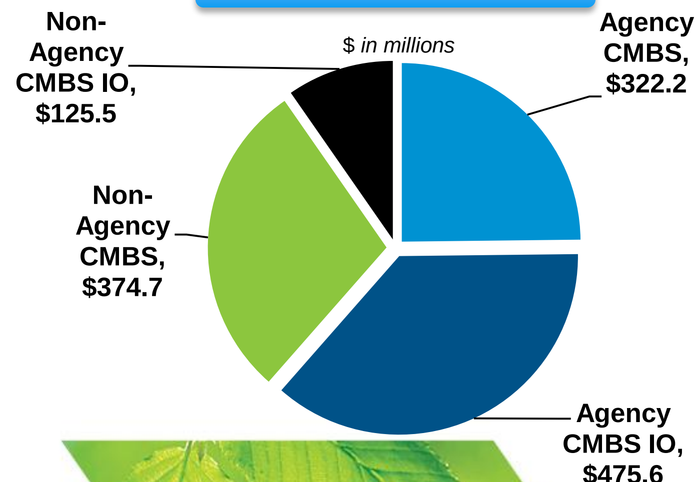
Non-Agency Vintage



Collateral



Asset Type



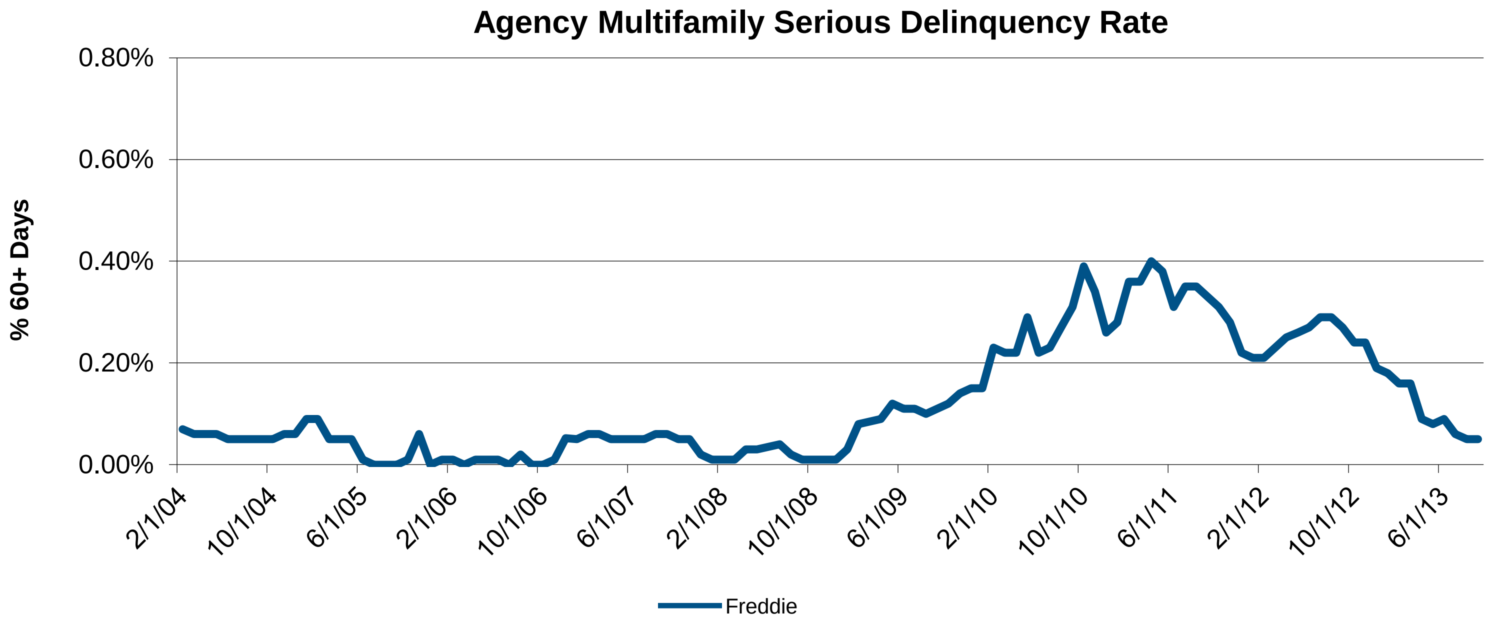
Agency CMBS Performance

Credit Volatility:

Agency CMBS cash flow returns are leveraged to credit performance

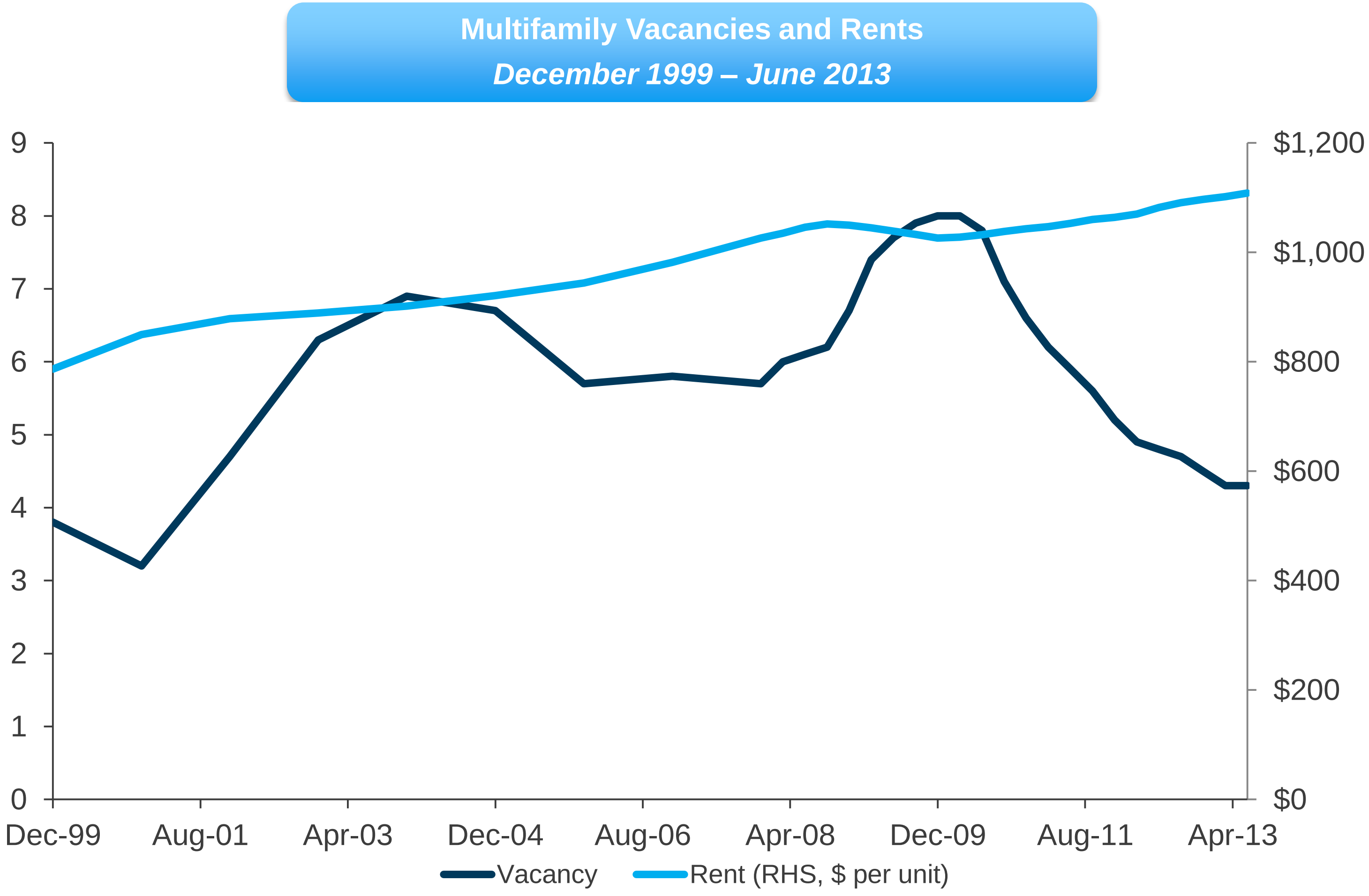
Agency CMBS are collateralized by multifamily cash flows

Historical performance of Agency multifamily product has been exceptional



Source: Freddie Mac

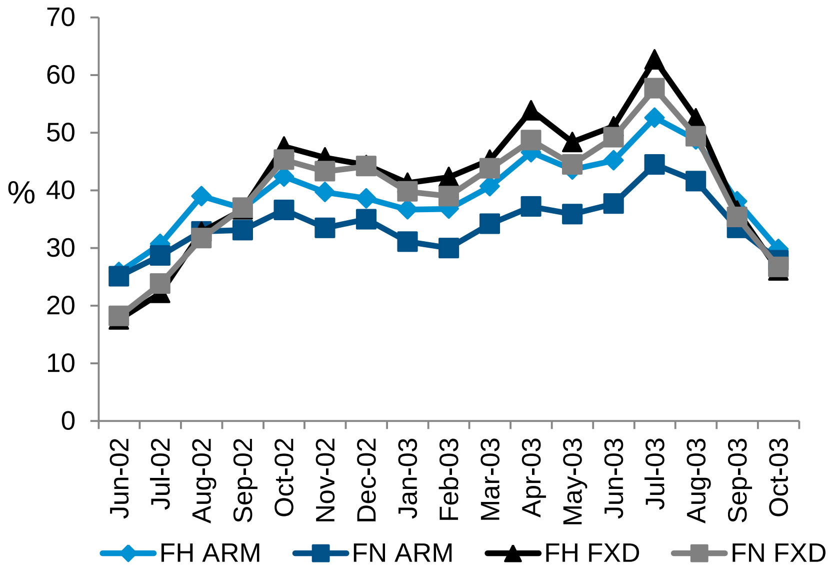
Positive Multifamily Trend

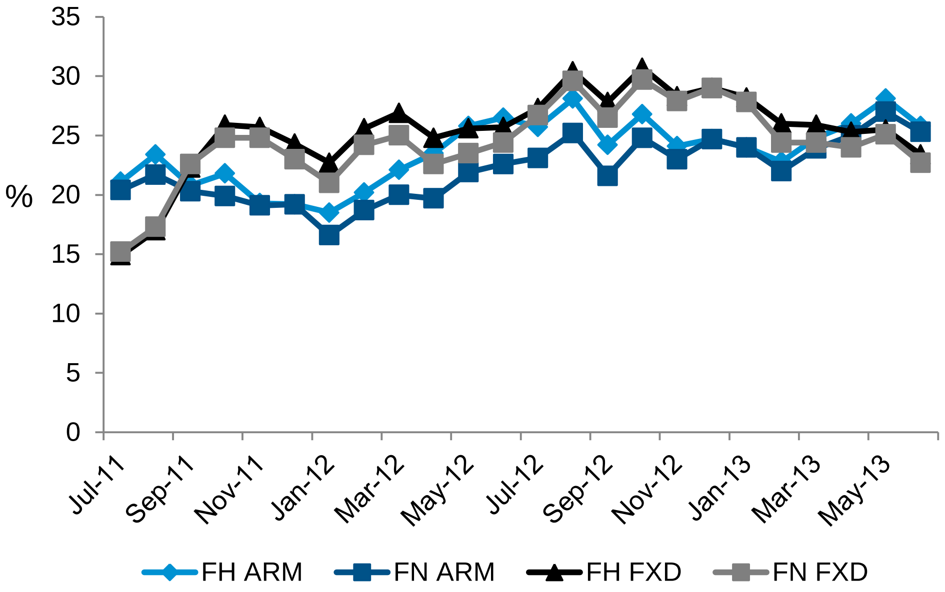


Source: REIS, Barclays Research

Aggregate Agency CPRs

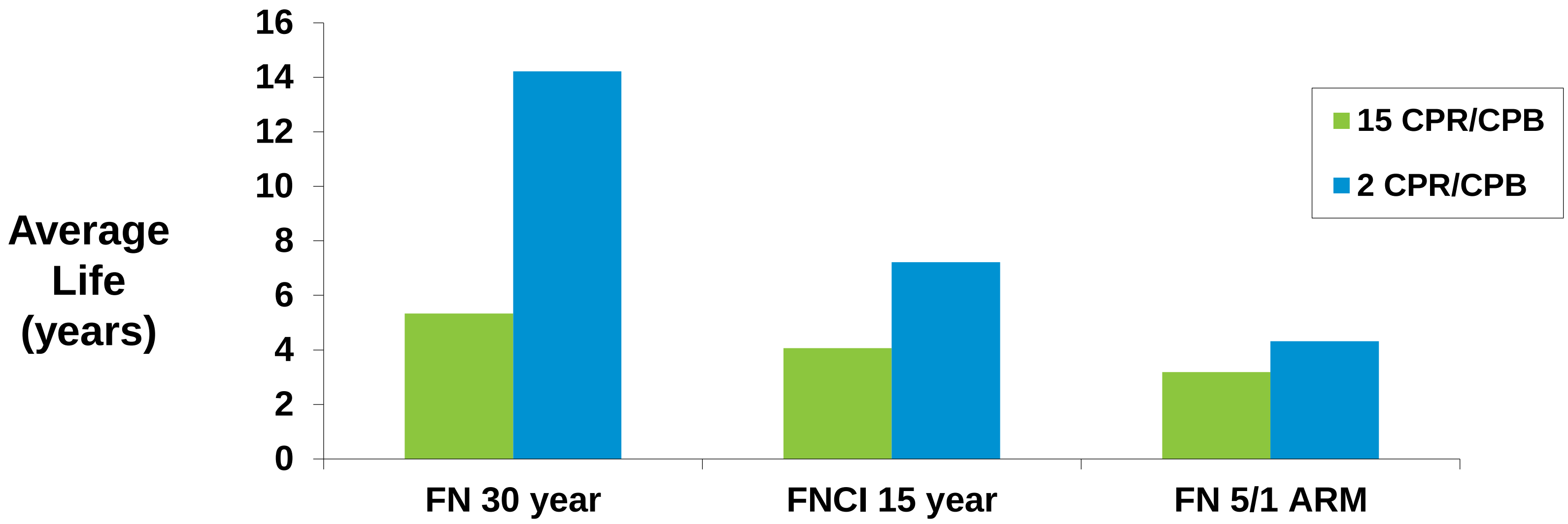
2002-2003 vs. 2011- 2013





Source: eMBS

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



	Price	Coupon	WAC	Speed	Average Life	Average Life Extension
FN 30yr	$98-0	3.00%	3.60%	15 CPR 2 CPR	5.33 years 14.22 years	~9 years
FNCI 15yr	$100-23	2.50%	2.97%	15 CPR 2 CPR	4.06 years 7.22 years	~3 years
FN 5/1 ARM	$101-23	2.146%	2.916%	15 CPB 2 CPB	3.19 years 4.32 years	~1 year

What is Roll-Down?

- The Federal Reserve is in an easing mode, intent on keeping short rates low for a considerable amount of time. As a result the Treasury yield curve is exceptionally steep, meaning short-term rates are substantially lower than long-term rates.
- The combination of these factors provides investors in well structured bonds and bonds with shorter maturity/reset dates with an opportunity to “roll down the curve”.
- As a bond ages it will increase in price as it rolls down the curve. This occurs because the bond is valued at successively lower yields (due to the steepness of the yield curve) and thus potentially higher prices.

Treasury Yield Curve	**3 month**	**2 year**	**5 year**	**7 year**	**10 year**	**30 year**
(as of 10/31/2013)	0.038	0.307	1.330	1.967	2.555	3.639
		3/1	**5/1**	**7/1**	**10/1**	
Hybrid Arm 2.5% coupon		$ 103.53	$ 103.06	$ 101.87	$ 100.06	

Spread Risk

- An asset's "spread" is the market premium above a benchmark rate that reflects the relative riskiness of the asset versus the benchmark.
- Spread risk is the uncertainty in pricing resulting from the expansion and contraction of the risk premium over the benchmark.
- Spreads (and therefore prices) are impacted by the following factors:
  - **Fundamentals:** Probability of default, cash flow uncertainty
  - **Technicals:** Supply and demand for various assets
  - **Psychology:** Reflects the risk appetite of the market and the perceived riskiness of specific assets
- Most mortgage REIT business models are inherently exposed to spread risk. At Dynex, we focus on all three aspects of spread risk. However, changes in pricing due to technicals and psychology are very difficult to predict. We manage spread risk over the long-term through portfolio construction.

Risk Management

Key Risk	Strategy
Interest Rate/Extension Risk	•Duration target of 0.5 to 1.5 years •Derivatives to economically hedge interest rate risk •Invest in credit assets which should increase in value as rates rise •Emphasize short duration assets and more predictable cash flows
Prepayment Risk	•CMBS investments with call protection •RMBS specified pools with diversity of prepayment risk
Credit Risk	•92% of investment portfolio is AAA -rated*at September 30, 2013 •Current credit risk is multifamily centric
Spread Risk	•Portfolio construction and long-term portfolio strategy
Liquidity Risk	•Diversify repurchase agreement counterparties and maintain low leverage •Maintain sufficient unencumbered liquidity to meet expected risk events •$39.6 million of cash and cash equivalents, $125.7 million of unpledged Agency MBS at September 30, 2013

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

Non-GAAP Reconciliation

DYNEX CAPITAL, INC.
RECONCILIATION OF GAAP INTEREST EXPENSE TO EFFECTIVE BORROWING COSTS AND OF GAAP NET INTEREST SPREAD TO ADJUSTED NET INTEREST SPREAD
(UNAUDITED)
($ in thousands)

	Three Months Ended								
	September 30, 2013			June 30, 2013			September 30, 2012		
		Amount	Yield		Amount	Yield		Amount	Yield
GAAP interest income	$	31,666	2.82%	$	33,890	2.86%	$	28,574	3.12%
GAAP interest expense		8,718	0.88%		11,446	1.11%		9,474	1.12%
Net interest income/spread	$	22,948	1.94%	$	22,444	1.75%	$	19,100	2.00%
GAAP interest expense	$	8,718	0.88%	$	11,446	1.11%	$	9,474	1.12%
Amortization of de-designated cash flow hedges (1)		(2,583)	(0.26)%		—	—%		—	—%
Net periodic costs on interest rate derivatives (2)		5,471	0.55%		328	0.03%		163	0.02%
Effective borrowing costs	$	11,606	1.17%	$	11,774	1.14%	$	9,637	1.14%
Adjusted net interest income/spread	$	20,060	1.65%	$	22,116	1.72%	$	18,937	1.98%

(1) Amount recorded as a portion of "interest expense" in accordance with GAAP related to the amortization of the balance remaining in accumulated other comprehensive loss as of June 30, 2013 as a result of the Company's discontinuation of hedge accounting.
(2) Amount equals the net interest payments (including accrued amounts) related to interest rate derivatives during the period which are not already included in "interest expense" in accordance with GAAP.