Fourth Quarter and Fiscal Year 2019 Earnings Presentation

DYNEX CAPITAL INC.

February 6, 2020

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, estimates, 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 regarding our financial performance in future periods, future interest rates, our views on expected characteristics of future investment environments, prepayment rates and investment risks, our future investment strategies, our future leverage levels and financing strategies, the use of specific financing and hedging instruments and the future impacts of these strategies, the amount, timing or funding of future dividends. future actions by the Federal Reserve and other central banks, and the expected performance of our investments. 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 risks and uncertainties referenced in our Annual Report on Form 10-K for the year ended December 31, 2018 and subsequent filings with the Securities and Exchange Commission, particularly those set forth under the caption "Risk Factors".

Contents

Market Snapshot

	December 31, 2019		
	Common	Preferred Stocks	
NYSE Ticker	***DX***	***DXPrA***	***DXPrB***
Shares Outstanding *(in millions)*	22.9	2.3	4.5
4Q19 Dividends per share	$0.45	$0.53125	$0.4765625
Annualized Dividend Yield	10.63%	8.27%	7.53%
Book Value	$18.01	—	—
Share Price	$16.94	$25.71	$25.30
Market Capitalization (*in millions)*	$388.71	$59.13	$113.55
Price to Book	94.1%	—	—

Performance Highlights

Fourth Quarter 2019

- Comprehensive income of $0.37 per common share and GAAP net income of $2.26 per common share
- Core net operating income[1] of $0.66 per common share versus $0.48 per share in the third quarter of 2019
- Book value per common share of $18.01 at December 31, 2019 compared to $18.07 at September 30, 2019
- Total economic return[2] to common shareholders of $0.60, or 2.2%
- Net interest spread and adjusted net interest spread [1] of 1.10% and 1.53%, respectively, for the fourth quarter of 2019 compared to 0.82% and 1.14%, respectively, for the third quarter of 2019
- Leverage[3] including TBA net long positions of 9.0x shareholders' equity at December 31, 2019 compared to 9.1x at September 30, 2019

Full Year 2019

- Comprehensive income of $1.86 per common share and GAAP net loss of $(7.01) per common share
- Core net operating income[1] of $2.09 per common share versus $2.20 per common share in 2018
- Dividends to common shareholders declared of $2.01 per common share
- Book value per common share of $18.01 at December 31, 2019 compared to $18.07 at December 31, 2018.
- Total economic return[2] to common shareholders of 10.8%
- Net interest spread and adjusted net interest spread [1] of 0.98% and 1.30%, respectively, for the year compared to 1.22% and 1.48%, respectively, for 2018
- Total MBS investments of $5.1 billion at December 31, 2019 versus $4.6 billion at December 31, 2018, an increase of 10%

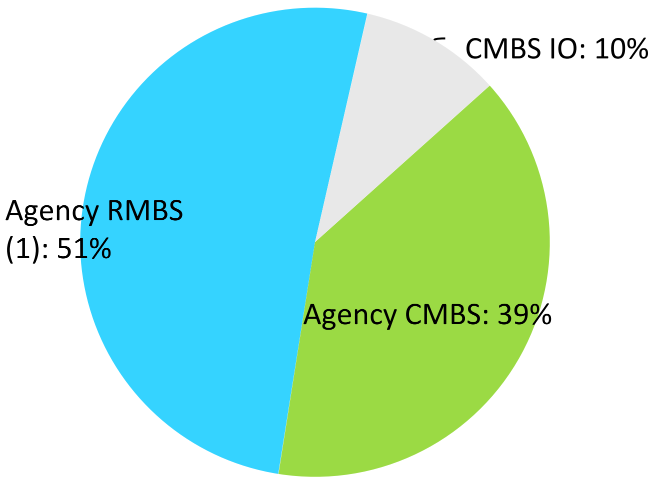
(1) Reconciliations for non-GAAP measures are presented on slide 29.
(2) For 4Q19 equals sum of common stock dividend of $0.45 per share plus the decline in book value of $(0.06) per common share divided by beginning book value per common share of $18.07. For YTD 2019, equals sum of dividends paid year-to-date of $2.01 per common share plus $(0.06) decline in book value per common share divided by beginning book value per common share of $18.07
(3) Equals sum of (i) total liabilities and (ii) amortized cost basis of TBA long positions (if settled) divided by total shareholders' equity.

Macro Economic Thesis

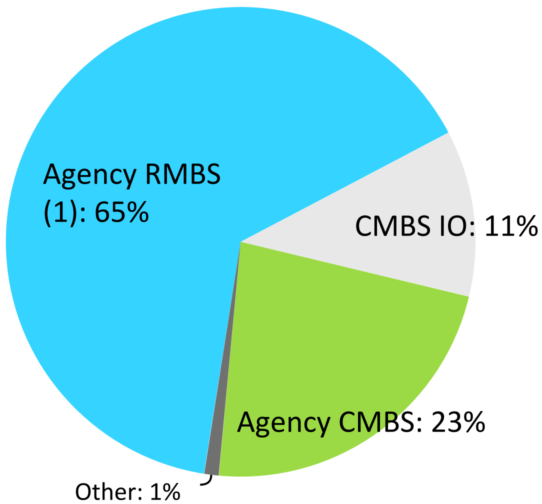
- The global economy is fragile and downside risks are increasing; this remains the core of our long-term macro economic and investment thesis.
- The combination of global debt, demographics, technology, human conflict and climate change continue to impose a drag on global growth and inflation.
- Global economies and the global financial system cannot stand on their own without the central banks continuing to play a major role. Risk factors at play are increasing in complexity and number.
- Fiscal policy remains an important potential factor for stimulating growth and inflation. If financed with debt, the increased supply of bond acts as a governor for how low interest rates can fall and puts liquidity pressure on markets.
- Interest rates should remain in their narrower range with significant pools of negative yielding debt globally, and a global economy that is functioning largely with the continued support of central banks.
- Given the combination of these factors, we believe it is highly probable that the yield range on the 10-year Treasury will remain between 1.5% - 2.5%, with a greater likelihood toward the lower end of the range.

Investment Portfolio

December 31, 2019



December 31, 2018



- ***Diversified investment approach that performs in a variety of market environments***
- ***The combination of CMBS and RMBS greatly reduces duration variability and therefore cash flow variability and hedging costs, relative to a portfolio of 100% Agency RMBS.***

1) *Includes TBA dollar roll positions at their implied market value as if settled which are accounted for as "derivative assets (liabilities)" on our consolidated balance sheet.*

Portfolio Characteristics *(as of December 31, 2019)*

($ in millions)	Par Value									
	Pools	**TBA**	**Total Par Value**	**Estimated Fair Value** [1]	**% of Portfolio**	**WAVG Coupon** [2]	**Amortized cost (%)** [3]	**Unamortized Premium Balance** [3]	**3-month CPR** [3]	**3-month WAVG yield** [3]
Agency RMBS										
2.5% coupon	$ 110,610	$ 135,000	$ 245,610	$ 242,922	4.8 %	2.50 %	98.9 %	($1,269)	— %	2.49 %
3.0% coupon	307,380	—	307,380	314,159	6.1 %	3.00 %	101.0 %	3,106	9.4%	2.83 %
3.5% coupon	538,551	300,000	838,551	871,570	17.1 %	3.50 %	102.1 %	11,184	10.9%	3.12 %
4.0% coupon	1,352,730	(500,000)	852,730	909,430	17.8 %	4.00 %	102.4 %	32,183	23.5%	3.19 %
4.5% coupon	254,413	—	254,413	272,037	5.3 %	4.50 %	104.2 %	10,566	29.9%	2.65 %
Total Agency RMBS	$ 2,563,684	$ (65,000)	$ 2,498,684	$ 2,610,118	51.1 %		102.2 %	$ 55,770	18.9%	3.07 %
Agency CMBS	$ 1,890,186	—	$ 1,890,186	$ 1,999,357	39.1 %	3.30 %	100.8 %	$ 15,414	[5]	3.20 %
CMBS Interest-only	[4]	—	[4]	499,042	9.8 %	— %	n/a	488,145	[5]	3.80 %
Other non-Agency MBS	1,938	—	1,938	1,690	— %	— %	59.8 %	(780)	-	33.52 %
Total	**$ 4,455,808**	**$ (65,000)**	**$ 4,390,808**	**$ 5,110,207**	**100 %**	-	-	**$ 558,549**	-	**3.20 %**

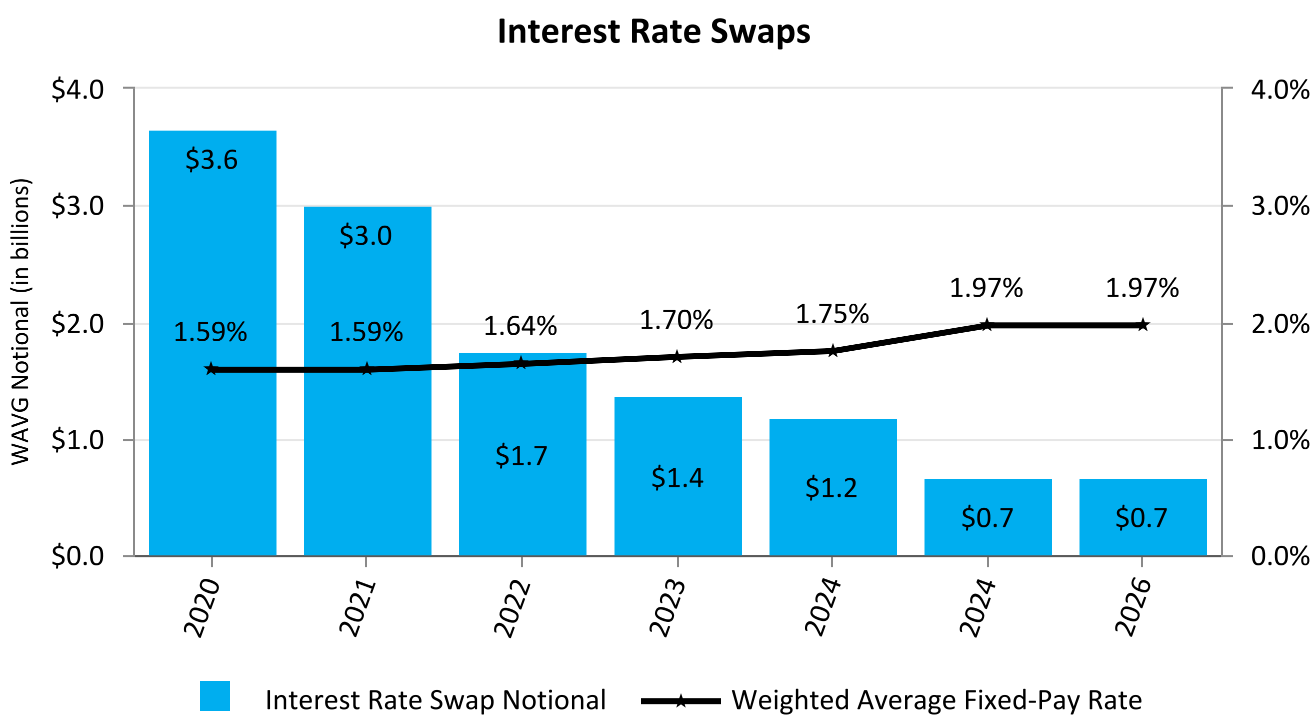
[1] Estimated fair value of TBA long and short positions totaled a net $(78.0) million in fair value.
[2] The weighted average coupon ("WAC") is the gross interest rate of the security weighted by the outstanding principal balance (or by notional amount for CMBS IO).
[3] Amortized cost %, unamortized premium balance, WALA, 3-month CPR and 1-month WAVG yield exclude TBA securities.
[4] CMBS IO do not have underlying par values. The total notional value underlying CMBS IO is $23.2 billion.
[5] Structurally, we are compensated for CMBS prepayments, but there are exceptions under certain circumstances.

Hedge Position *(as of December 31, 2019)*

Hedging Portfolio Summary				
($ in millions)		Notional Amount	WAVG Rate	Duration [1]
Interest rate swaps	$	4,225	1.62%	(3.3)
Interest rate swaptions		750	2.07%	—
Options on U.S. Treasury futures		1,350	—%	—
	$	6,325	1.33%	

[1] Represents a modeled estimate of interest rate sensitivity measured in years.

Interest Rate Swap Maturities				
Years to Maturity-Swaps		Notional Amount (in millions)	WAVG Pay-Fixed Rate	WAVG Life Remaining (in years)
≤ 3 years	$	2,860	1.58%	1.5
>3 and ≤ 6 years		700	1.43%	4.7
>6 and ≤ 10 years		545	1.78%	9.4
>10 years		120	2.84%	27.7
Total	$	4,225	1.62%	3.8



* *Additional interest rate swaps outstanding from 2027-2047 had an average balance of $186.2 million at a weighted average pay-fixed rate of 2.46% as of December 31, 2019.*

Risk Position - Interest Rates

Changes in interest rates impact the market value of our investments, net of hedges, and shareholders' equity. The estimated percentage change in these values incorporates duration and convexity inherent in our investment portfolio as it existed as of the dates indicated.

Parallel Change in Treasury Yields (bps)	As of December 31, 2019 Percentage Change in Market Value of Investments & Hedges	As of December 31, 2019 Percentage Change in Shareholders' Equity	As of September 30, 2019 Percentage Change in Market Value of Investments & Hedges	As of September 30, 2019 Percentage Change in Shareholders' Equity
+100	(0.2)%	(1.5)%	(1.2)%	(10.4)%
+50	(0.3)%	(2.1)%	(0.5)%	(4.7)%
-50	0.8%	6.8%	0.2%	2.3%
-100	1.1%	9.8%	—%	1.0%

Curve Shift 2 year Treasury (bps)	Curve Shift 10 year Treasury (bps)	As of December 31, 2019 Percentage Change in Market Value of Investments & Hedges	As of December 31, 2019 Percentage Change in Shareholders' Equity	As of September 30, 2019 Percentage Change in Market Value of Investments & Hedges	As of September 30, 2019 Percentage Change in Shareholders' Equity
+25	+50	(0.3)%	(2.9)%	(0.5)%	(4.2)%
+50	+25	(0.2)%	(1.9)%	(0.3)%	(2.3)%
-25	0	—%	(0.3)%	(0.1)%	(0.4)%
-50	-10	0.1%	1.0%	—%	(0.1)%
-75	-25	0.3%	3.0%	—%	0.2%

Source: Company models based on modeled option adjusted duration. Includes changes in market value of our investments and derivative instruments, including TBA securities, but excludes changes in market value of our financings because they are not carried at fair value on our balance sheet.

Funding Strategy *(as of December 31, 2019)*

($s in thousands)

Collateral Type	Balance	Weighted Average Rate	Fair Value of Collateral
Agency RMBS	$2,594,645	1.96 %	$2,647,638
Agency CMBS	1,735,848	1.98 %	1,901,452
Agency CMBS IO	255,912	2.30 %	282,522
Non-Agency CMBS IO	165,943	2.67 %	193,013
	4,752,348		$5,024,625
Cash and unencumbered MBS			224,025
Total	$4,752,348	2.01 %	$5,248,650

Remaining Term to Maturity	Balance	Percentage	Weighted Average Original Term to Maturity
< 30 days	$2,078,185	44%	34
30 to 90 days	2,674,163	56%	52
	$4,752,348	100%	45

Counterparty by Region (based on outstanding balances)	#	% of all REPO Balances
North America	16	63.1%
Asia	5	20.5%
Europe	4	16.4%
Total	25	100%

- Weighted average repo rate as of December 31, 2019 declined 31 basis points to 2.01% compared to 2.32% as of September 30, 2019 and the average repo rate was 2.10% for the fourth quarter of 2019 versus 2.47% for the prior quarter
- The average repo funding rate was 17 bps higher than average 3 month LIBOR in 4Q19 versus 27 bps in 3Q19
- Active with 25 counterparties at December 31, 2019

Return Environment *(as of January 15, 2020)*

Assets & Available Returns [1]

Liquidity: Higher → Lower

Government Issued AAA Rated	**Agency MBS** RMBS[2], CMBS, CMBS-IO	***Range 8-15%***
AAA Rated	**Non-Agency MBS** CMBS-IO, RMBS, RMBS-IO, CMBS	***Range 6-13%***
AA – BBB Rated	**Non-Agency MBS**	***Range 5-11%***
Below Investment Grade/ Non-Rated	**Non-Agency MBS**	***Range 6-13%***
Below Investment Grade/ Non-Rated	**Loans/MSRs**	***Range 5-10%***

Agency RMBS and CMBS offer attractive returns

- The most compelling levered risk-adjusted returns are still in the highest credit quality and the most liquid assets.
- Agency CMBS are an attractive long term investment due to the prepayment protection, stable cash flow and roll down.
- Agency RMBS offer attractive returns as the Federal Reserve reduces its investment in this sector - we expect to be opportunistic in this sector.
- Investing in more liquid MBS allows us the flexibility to rapidly pivot to other opportunities when they arise.

[1] *Range of levered returns based on Company assumptions and calculations*
[2] *Includes specified pools and TBAs*

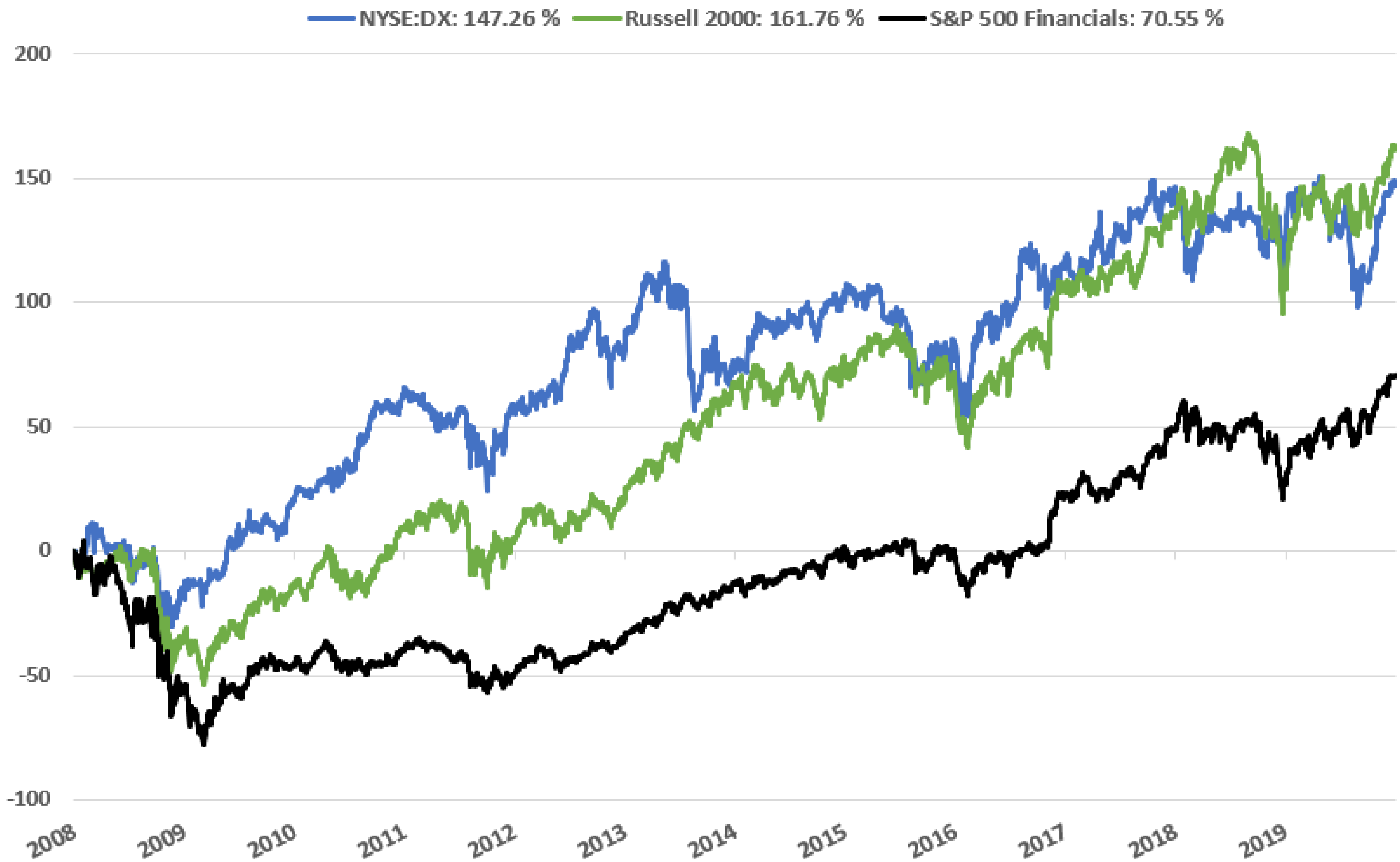
Key Takeaways

- Business conditions for Dynex improved considerably in 2019. In our view, the macroeconomic environment remains favorable to generate net interest margin from high quality, agency guaranteed assets backed by US commercial and residential real estate.
- We generated a solid 10.8% total economic return in 2019 and our disciplined top-down process supports performance momentum into 2020:
    - Book value as of January 31, 2020 is estimated to be in the range of $19.30 to $19.50 per common share, 7-8% higher than book value of $18.01 per common share as of December 31, 2019.[1]
    - The diversified portfolio of Agency CMBS and RMBS is designed for durable cashflows and performance across a variety of scenarios.
    - We are actively managing capital with tactical decisions on both sides of the balance sheet.
    - In 2020, we expect net interest margin to benefit from our rebalancing actions last year and a decline in repo costs in the first quarter, stabilizing at a level moderately above the dividend later in the year.
- Liquid assets currently provide the best marginal returns. Investment opportunities are being driven by the reduction in the Fed balance sheet of Agency RMBS. Hedged static ROE for Agency RMBS is in the 11-14% range.
- Investors should seek and favor experienced management teams and Dynex brings significant experience and expertise in managing securitized real estate assets through multiple economic cycles.
- Internally managed, strong shareholder alignment, and higher insider ownership relative to peers.

[1] The estimated book value range as of January 31, 2020 is based on the Company's standard monthly processes and has not been verified or reviewed by a third party; the Company undertakes no obligation to update or revise this estimate of the book value range

Summary: U.S. Real Estate Assets Provide Attractive Returns

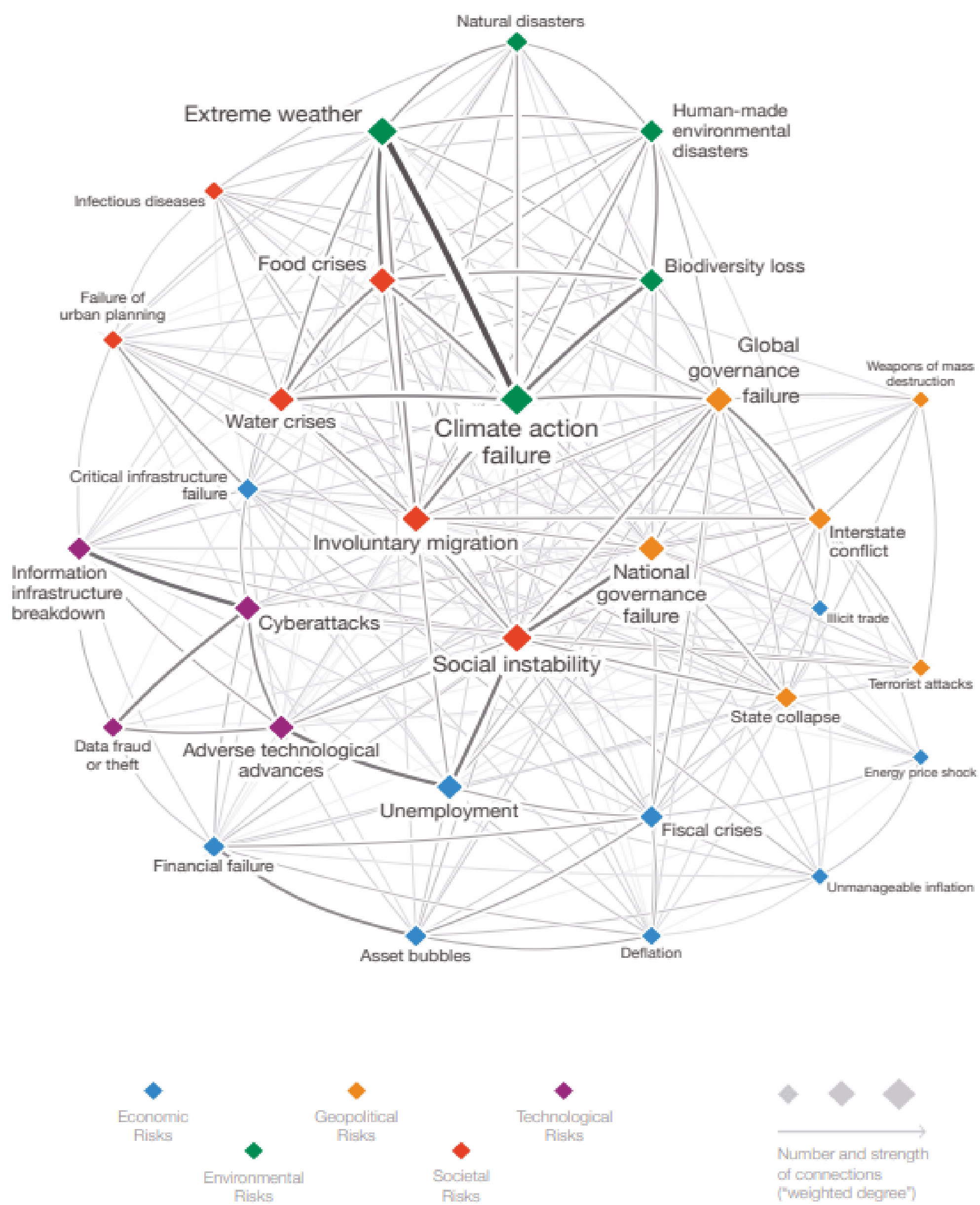
Total Return (%)
January 1, 2008 - December 31, 2019



Source: SNL

Supplemental Information

Global Risk Landscape World Economic Forum Global Risk Report 2020



Source: World Economic Forum Global Risks Perception Survey 2019–2020.

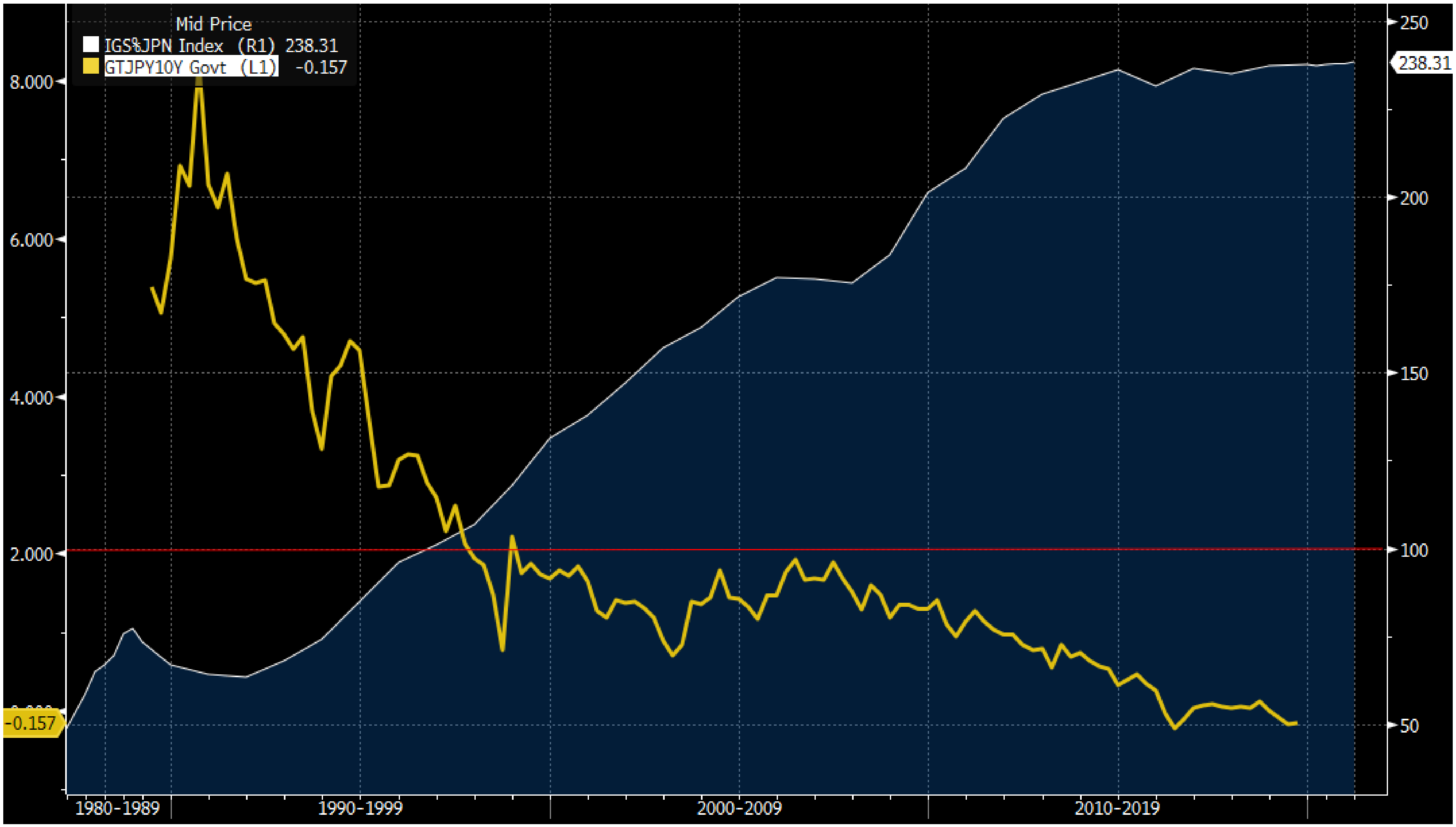
Note: Survey respondents were asked to select up to six pairs of global risks they believe to be most interconnected. See Appendix B of the full report for more details. To ensure legibility, the names of the global risks are abbreviated; see Appendix A for the full name and description.

Negative Yielding Global Debt

The global stock of negative-yielding debt is now in excess of $14 trillion as rising market volatility lends extra force to this year's unprecedented bond rally.

Japan Government Debt % to GDP vs 10 Year Yields

As debt has risen, Japanese 10yr yields have remained below 2% for 20 years



Source: Bloomberg

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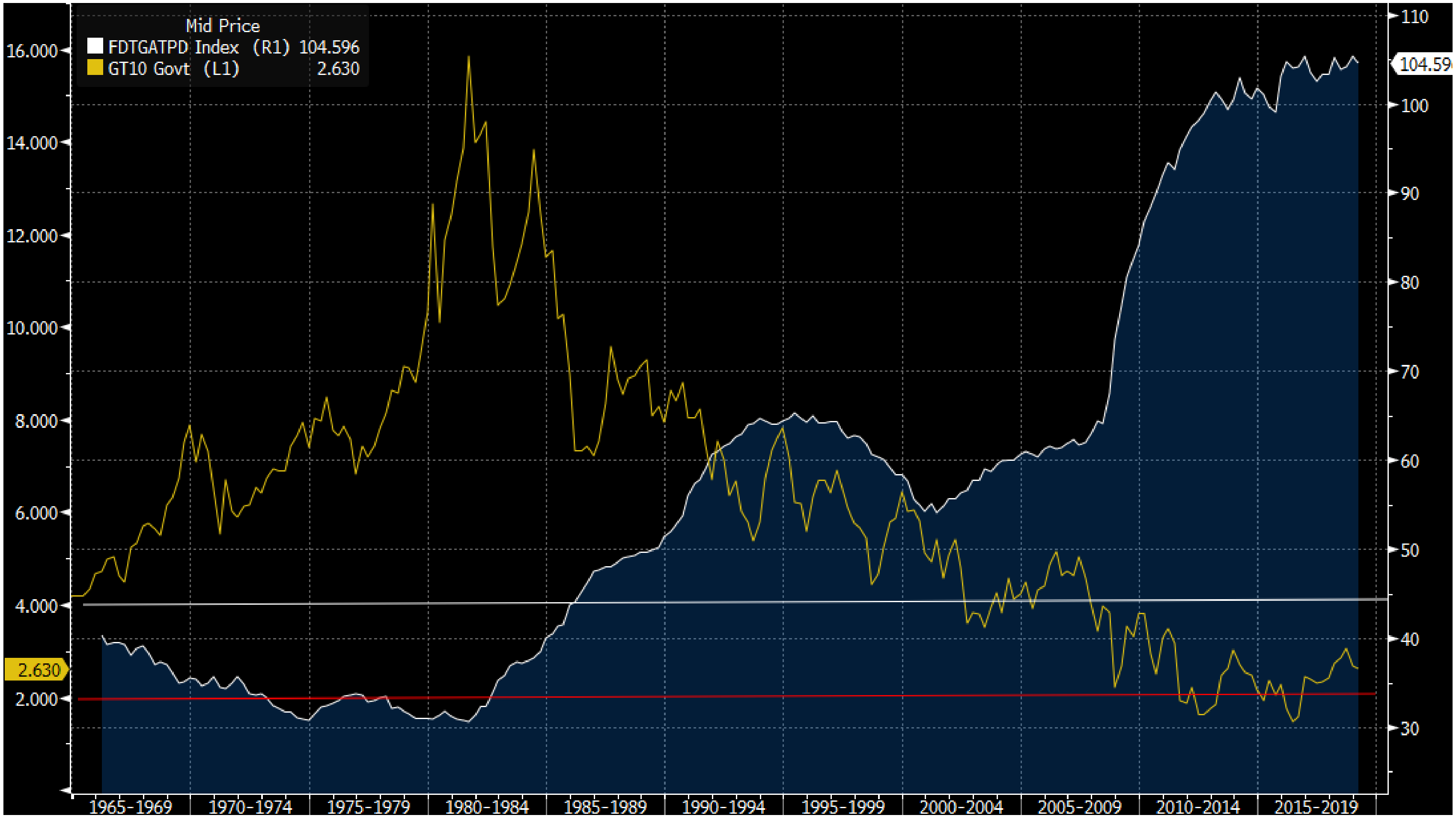
US Government Debt vs 10 Year Treasury Yields

As debt has increased it is difficult for interest rates to rise without having a negative impact on global growth, ultimately putting downward pressure on rates.



Source: Bloomberg

Fixed Income Market Update

Security	1/31/20	12/31/19	9/30/19	6/30/19	3/31/19	12/31/18	Change during 2019
Treasury [2]							
IOER rate	1.60%	1.55%	1.80%	2.35%	2.40%	2.40%	(0.85)%
1m repo [1]	1.75%	2.06%	2.43%	2.63%	2.70%	2.49%	(0.43)%
3m T-bill	1.54%	1.54%	1.81%	2.09%	2.38%	2.36%	(0.82)%
2 yr	1.31%	1.57%	1.62%	1.76%	2.26%	2.49%	(0.92)%
5 yr	1.31%	1.69%	1.54%	1.77%	2.23%	2.51%	(0.82)%
10 yr	1.51%	1.92%	1.67%	2.01%	2.41%	2.68%	(0.76)%
30 yr	2.00%	2.39%	2.11%	2.53%	2.81%	3.02%	(0.63)%
Swaps[2]							
1m Libor	1.66%	1.76%	2.02%	2.40%	2.49%	2.50%	(0.74)%
3m Libor	1.75%	1.91%	2.09%	2.32%	2.60%	2.81%	(0.90)%
2 yr	1.38%	1.70%	1.63%	1.81%	2.38%	2.66%	(0.96)%
5 yr	1.32%	1.73%	1.50%	1.75%	2.29%	2.57%	(0.84)%
10 yr	1.46%	1.90%	1.56%	1.96%	2.41%	2.71%	(0.81)%
30 yr	1.67%	2.09%	1.71%	2.21%	2.58%	2.84%	(0.75)%
30 Year MBS OAS [3]							
3.0%	20	26	25	22	11	11	15
3.5%	27	33	40	23	15	16	17
4.0%	28	44	43	32	25	23	21
4.5%	19	51	30	39	33	38	13
FHFA Primary Mortgage [2]	3.74%	3.56%	3.71%	3.99%	4.36%	4.83%	(1.12)%
Fn 30yr Current Cpn [2]	2.376%	2.710%	2.610%	2.742%	3.108%	3.495%	(0.785)%
CMBS [4]							
DUS 10/9.5	53	60	65	64	66	78	(18)
DUS 12/11.5	64	68	76	74	74	88	(20)
10 yr Freddie K A2	48	56	59	59	60	67	(11)

(1) Average rate for Agency MBS per 20 counterparty survey
(2) Source: Bloomberg
(3) Source: BlackRock 6.0 model
(4) Spread to swap, new issue, Source: JPMDataQuery

Specified Pool Pricing Matrix - *Specified Pools vs. TBAs*

30 Year MBS		1/31/20	12/31/19	9/30/19	6/30/19	3/31/19	12/31/18	Change during 2019
3% coupon	TBA Price	102.27	101.44	101.98	100.85	99.54	97.79	3.65
	85K Max	2.38	1.88	1.59	1.03	0.28	0.28	1.60
	150K Max	1.69	1.38	1.09	0.72	0.16	0.16	1.22
	200k Max	1.09	0.84	0.69	0.22	0.06	0.06	0.78
	NY only	1.59	1.06	0.94	0.63	0.00	0.00	1.06
	95 LTV	0.44	0.28	0.47	0.02	0.02	0.02	0.26
	Low WALA/new	0.09	0.31	0.03	0.00	0.00	0.00	0.31
3.5% coupon	TBA Price	103.23	102.84	102.49	102.24	101.34	100.16	2.68
	85K Max	4.00	3.22	3.00	2.00	1.00	0.59	2.63
	150K Max	2.94	2.19	2.06	1.44	0.69	0.34	1.85
	200k Max	1.94	1.50	1.28	0.94	0.34	0.16	1.34
	NY only	3.13	2.34	2.13	1.59	0.47	0.09	2.25
	95 LTV	0.78	0.72	0.66	0.53	0.03	0.02	0.70
	Low WALA/new	0.50	0.42	0.34	0.03	0.00	0.00	0.42
4% coupon	TBA Price	104.46	103.96	103.73	103.35	102.84	102.10	1.86
	85K Max	5.38	4.78	4.38	3.50	1.88	1.25	3.53
	150K Max	3.28	2.94	2.66	2.50	1.38	0.75	2.19
	200k Max	2.34	1.94	1.75	1.53	0.88	0.44	1.50
	NY only	3.66	3.63	3.19	2.59	1.50	0.84	2.79
	95 LTV	0.88	0.88	0.88	0.66	0.25	0.09	0.79
	Low WALA/new	0.72	0.72	0.56	0.34	0.03	0.01	0.71
4.5% coupon	TBA Price	105.78	105.22	105.31	104.19	104.19	103.65	1.57
	85K Max	5.94	5.56	5.38	4.47	2.91	2.22	3.34
	150K Max	3.56	3.22	2.97	3.03	2.19	1.53	1.69
	200k Max	2.13	2.00	1.78	1.75	1.25	0.78	1.22
	NY only	4.09	4.25	3.69	3.25	2.28	1.84	2.41
	95 LTV	0.84	0.84	0.84	0.81	0.59	0.34	0.50
	Low WALA/new	0.69	0.72	0.47	0.47	0.19	0.05	0.67

Source: JPM DataQuery, Bloomberg
**Specified Pool Payups are quoted in percentage points of price above TBAs*

Cash Flow Protection - *Agency CMBS vs. RMBS Specified Pools*

Feature	Agency CMBS - DUS and Fre-K A2	Agency RMBS Specified pools
Type of Prepayment Protection	Explicit - in the form of a lockout from prepayments. Prepayment penalties or defeasance that intend to compensate the investor for early prepayment.	Implicit - in the form of loan characteristics that raise the cost of early prepayment such as higher LTV, lower loan balance, specific states etc.
Impact on income from early prepayments	The impact of yield maintenance is to pull interest income forward from future periods. In the event of defeasance, the related loan's cash flows are replicated by a requisite amount of US Government and / or GSE securities. This effectively eliminates negative impact to current period income.	If the asset was purchased at a premium, there is a negative impact on earnings proportional to the amount of the early prepayment. Future returns are also impacted negatively due to a lower earning asset balance.
Prepayment protection effectiveness in a declining rate environment	As interest rates decline, the borrower can lock in lower rates but must pay increasing costs, reducing the incentive to prepay.	As interest rates decline, the incentive to prepay increases, reducing the effectiveness of implicit prepayment protection.
Pool / Bond Pricing as interest rates decline	Spreads are usually wider on bonds with dollar prices above par - the spread concession typically ranges from 1- 2 bps per point of premium versus par priced bonds.	Spread widening usually occurs in the benchmark TBA but is often offset by an increase in the pool payup. As rates continue to decline, there may be a limit as to how high payups can go, especially if payups are already high.
Liquidity: Financing and Tradeability	Agency CMBS market is over $600 billion in outstanding securities with Freddie Mac K bonds included in many indices. Agency CMBS have similar haircut and repo terms as Agency RMBS.	Agency RMBS market among the most liquid fixed income markets globally. The Fed actively monitors financing conditions for these securities.

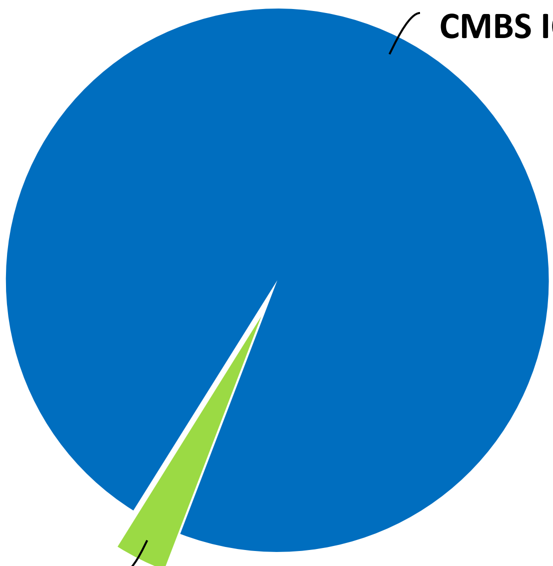
Prepayment Protection on Unamortized Premium

Investment Premium by Asset Type
(as of December 31, 2019)

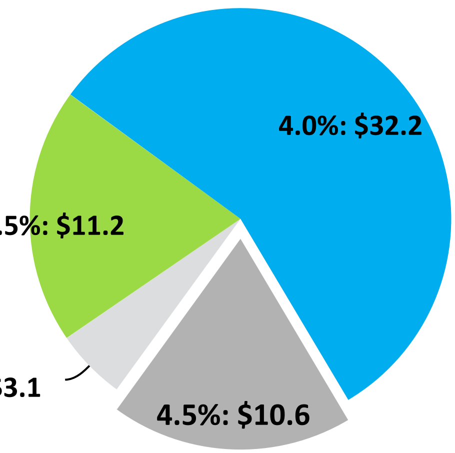
($ in millions)

Prepayment protected CMBS and CMBS IO:
unamortized premium $503.6 million

100% of investment premium exposure in CMBS has structural prepayment protection



Prepayment advantaged RMBS:
unamortized net premium $55.8 million



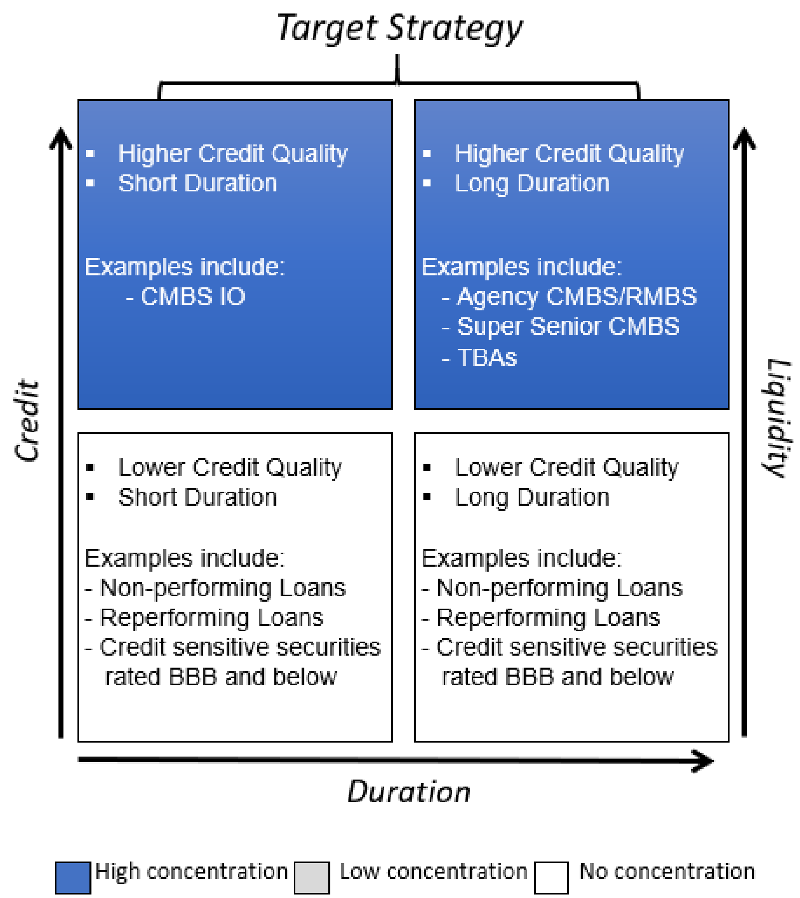
Investment premium protection in Agency RMBS, while non-structural, is achieved through careful selection of pool characteristics[1]

[1] *Includes Agency RMBS collateralized by low loan balance, high LTV or geographically favorable loans*

Unamortized Premium (as of 12/31/2019)		$ in Millions	% of Total
Explicit prepayment protection:	CMBS/CMBS IO	504	90%
Favorable prepayment	RMBS	56	10%

Investment Strategy

Diversified investment approach that performs in a variety of market environments



- Dynamic and disciplined capital allocation model enables capturing long-term value
- Invest in a high quality, liquid asset portfolio of primarily Agency investments
- Diversification is a key benefit
  - Balance between commercial and residential sectors provides diversified cash flow and prepayment profile
  - Agency CMBS protect the portfolio from extension risk. High quality CMBS IO add yield and are intended to limit credit exposure and prepayment volatility vs. lower rated tranches
  - Agency fixed rate RMBS allow opportunistic balance sheet growth in high quality liquid assets
- Flexible portfolio duration position to reflect changing market conditions

Risk Position - Credit Spreads

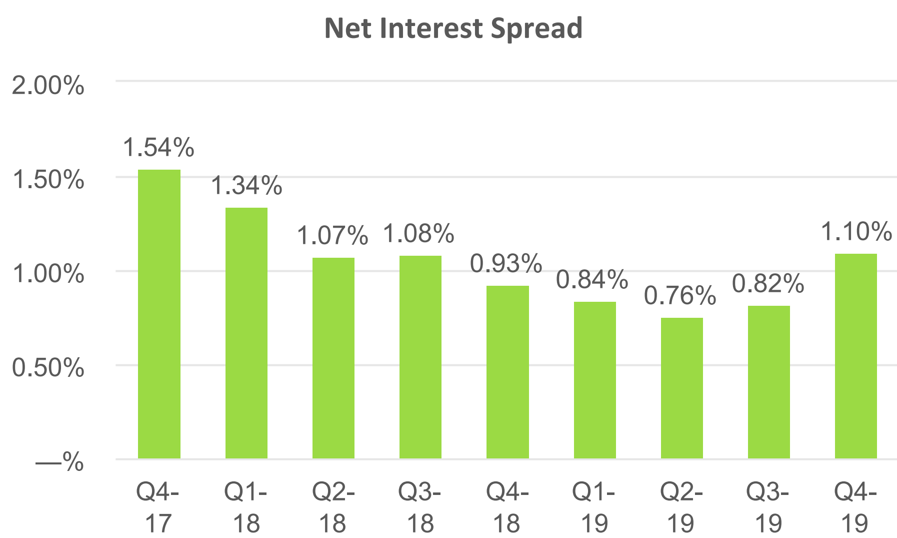
Changes in market credit spreads impacts the market value of our investments and shareholders' equity. The estimated percentage change in these values incorporates portfolio and hedge characteristics as they existed at the dates indicated.

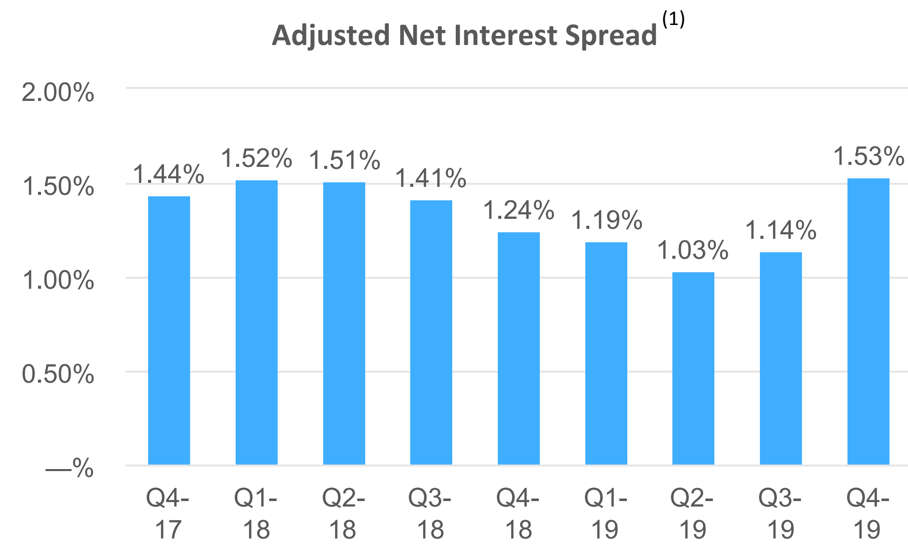
	As of December 31, 2019		As of September 30, 2019	
	Percentage Change in			
Change in Market Credit Spreads	Market Value of Investments (1)	Shareholders' Equity	Market Value of Investments (1)	Shareholders' Equity
+20/+50 (2)	(1.2)%	(11.1)%	(1.2)%	(11.0)%
+10	(0.6)%	(5.2)%	(0.6)%	(5.2)%
-10	0.6%	5.4%	0.6%	5.4%
-20/-50 (2)	1.3%	11.6%	1.3%	11.4%

(1) Includes changes in market value of our MBS investments and TBA securities.
(2) Incorporates a 20-basis point shift in Agency and non-Agency RMBS/CMBS and a 50-basis point shift in CMBS IO.

Source: Company models based on modeled option adjusted duration. Includes changes in market value of our investments and derivative instruments, including TBA securities, but excludes changes in market value of our financings because they are not carried at fair value on our balance sheet. The projections for market value do not assume any change in credit spreads.

Performance Statistics Overview





(1) Adjusted net interest spread, a non-GAAP measure, includes the impact of drop income from TBA dollar roll positions after deducting adjusted cost of funds from average asset yield.

DYNEX CAPITAL INC.

Financial Performance - Comparative Quarters

($ in thousands, except per share amounts)	4Q19 Income (Expense)	4Q19 Per Common Share	3Q19 Income (Expense)	3Q19 Per Common Share
Interest income	$41,961	$1.83	$44,502	$1.84
Interest expense	25,766	1.12	31,256	1.29
GAAP net interest income	16,195	0.71	13,246	0.55
TBA drop income [1]	1,582	0.07	1,404	0.06
Net periodic interest benefit of interest rate swaps [1]	4,660	0.20	3,966	0.16
Adjusted net interest income [2]	22,437	0.98	18,616	0.77
Other operating (expense) income, net	(28)	—	25	—
General and administrative expenses	(4,010)	(0.17)	(3,758)	(0.15)
Preferred stock dividends	(3,361)	(0.15)	(3,341)	(0.14)
Core net operating income to common shareholders [2]	15,038	0.66	11,542	0.48
Change in fair value of derivatives [1]	36,750	1.60	(56,079)	(2.32)
Realized gain on sale of investments, net	—	—	4,605	0.19
Fair value adjustments, net	(14)	—	(13)	—
GAAP net income (loss) to common shareholders	51,774	2.26	(39,945)	(1.65)
Unrealized (loss) gain on MBS	(43,204)	(1.89)	55,195	2.28
Comprehensive income to common shareholders	$8,570	$0.37	$15,250	$0.63
WAVG common shares outstanding	22,946		24,174	

(1) TBA drop income, net periodic interest benefit, and change in fair value of derivatives are components of "gain (loss) on derivative instruments, net" reported in the comprehensive income statement.
(2) See reconciliations for non-GAAP measures on slide 29.

Book Value Rollforward

($ in thousands, except per share amounts)		Per Common Share
Common shareholders' equity, September 30, 2019 [1]	$414,739	$18.07
GAAP net income to common shareholders:		
Core net operating income to common [2]	15,038	
Change in fair value of derivatives	36,750	
Other	(14)	
Unrealized net gain on MBS	(43,204)	
Dividends declared	(10,326)	
Stock transactions [3]	297	
Common shareholders' equity, December 31, 2019 [1]	$413,280	$18.01

(1) *Common shareholders' equity represents total shareholders' equity less the liquidation value of preferred stock outstanding as of the date indicated.*
(2) *Reconciliations for non-GAAP measures are presented on slide 29.*
(3) *Includes amortization of stock issuance costs and restricted stock as well as impact on common equity from preferred shares issued below liquidation value of $25.00 per share.*

Reconciliation of GAAP Measures to Non-GAAP Measures

($ in thousands except per share data)	12/31/2019	09/30/2019	Quarter Ended 06/30/2019	3/31/2019	12/31/2018
GAAP net income (loss) to common shareholders	$51,774	($39,945)	($122,191)	($55,273)	($81,485)
Adjustments:					
Change in fair value of derivatives instruments, net [1]	(36,750)	56,079	122,370	67,557	86,993
(Loss) gain on sale of investments, net	—	(4,605)	10,360	—	5,428
Accretion of de-designated cash flow hedges [2]	—	—	—	(165)	(75)
Fair value adjustments, net	14	13	16	13	16
Core net operating income to common shareholders	$15,038	$11,542	$10,555	$12,132	$10,877
Core net operating income per common share	$0.66	$0.48	$0.43	$0.53	$0.54

($ in thousands)	12/31/2019	09/30/2019	Quarter Ended 06/30/2019	3/31/2019	12/31/2018
GAAP net interest income	$16,195	$13,246	$12,935	$13,681	$12,961
Add: TBA drop income	1,582	1,404	1,282	1,963	3,072
Add: net periodic interest benefit [3]	4,660	3,966	3,553	3,897	1,940
Less: de-designated hedge accretion [2]	—	—	—	(165)	(75)
Non-GAAP adjusted net interest income	$22,437	$18,616	$17,770	$19,376	$17,898
GAAP interest expense	$25,766	$31,256	$30,813	$26,276	$19,053
Add: net periodic interest benefit [3]	(4,660)	(3,966)	(3,553)	(3,897)	(1,940)
Less: de-designated hedge accretion [2]	—	—	—	165	75
Non-GAAP adjusted interest expense	$21,106	$27,290	$27,260	$22,544	$17,188

(1) *Amount represents net realized and unrealized gains and losses on derivatives and excludes net periodic interest benefits related to these instruments.*
(2) *Amount recorded as a portion of "interest expense" in accordance with GAAP related to the accretion of the balance remaining in accumulated other comprehensive income as a result of the Company's discontinuation of cash flow hedge accounting effective June 30, 2013.*
(3) *Amount represents net periodic interest benefit of effective interest rate swaps outstanding during the period and excludes changes in fair value and termination costs of derivative instruments.*

Mortgage REIT Business Model

Liquidity	Rating	ASSETS
Higher	*Government Issued AAA Rated*	**Agency MBS** RMBS, CMBS, CMBS-IO
	AAA Rated	**Non-Agency MBS** CMBS-IO, RMBS, RMBS-IO, CMBS
	AA – BBB Rated	**Non-Agency MBS**
Lower	*Below Investment Grade/ Non-Rated*	**Non-Agency MBS**
		Loans/MSRs

Term	CAPITAL
Short Term	**Repo/Dollar Rolls**
	Committed Repo
	Warehouse Lines
Medium Term	**Unsecured Notes**
	Convertible Notes
Permanent ~7-9 % Yield	**Preferred Stock**
Permanent ~9-14 % Yield	**Common Stock**

MREIT Glossary of Terms

Commercial Mortgage-Backed Securities (CMBS) are a type of mortgage-backed security that is secured by the mortgage on a commercial property. CMBS can be Agency issued and issued by a private enterprise (non-Agency).

Credit Risk is the risk of loss of principal or interest stemming from a borrower's failure to repay a loan.

Curve Twist Terms:

- **Bull Flattener:** Is a rate environment in which long-term interest rates are declining faster than short- term interest rates.
- **Bear Flattener:** Is a yield-rate environment in which short-term interest rates are rising faster rate than long-term interest rates.
- **Bear Steepener:** Is a rate environment in which long-term interest rates are rising faster than short-term interest rates.
- **Bull Steepener:** Is a rate environment in which short-term interest rates are declining faster than long-term interest rates.

Duration is a measure of the sensitivity of the price of a fixed-income investment to a change in interest rates. Duration is expressed as a number of years.

Duration Drift is a measure of the change in duration for a change in interest rates

Interest Only Securities (IOs) are securities backed by a portion of the excess interest of a securitization and sold individually from the principal component.

Interest Rate Risk is the risk that an investment's value will change due to a change in the absolute level of interest rates, the shape of the yield curve or in any other interest rate relationship. Interest rate risk can also manifest itself through the purchase of fixed rate instruments funded with floating rate, or very short maturity, instruments.

Leverage is the use of borrowed money to finance assets including TBA dollar rolls.

Prepayment Risk is the risk associated with the early unscheduled return of principal.

MREIT Glossary of Terms

Repurchase Agreements are a short-term borrowing that uses loans or securities as collateral. The lender advances only a portion of the value of the asset (the advance rate). The inverse of the advance rate is the equity contribution of the borrower (the haircut).

Residential Mortgage-Backed Securities (RMBS) are a type of mortgage-backed debt obligation whose cash flows come from residential debt, such as mortgages, home-equity loans and subprime mortgages. Each security is typically backed by a pool of mortgage loans created by US government agencies, banks, or other financial institutions. RMBS can be Agency issued or issued by a private enterprise (non-Agency).

Specified Mortgage Backed Securities Pools are pools created with loans that have similar characteristics, or "stories."

Spread Risk is the potential price volatility resulting from the expansion and contraction of the security's risk premium over a benchmark (or risk-free) interest rate.

TBA Dollar Roll is a financing mechanism for long positions in TBAs whereby an investor enters into an offsetting short position and simultaneously enters into an identical TBA with a later settlement date.

To Be Announced (TBA) Securities are forward contracts involving the purchase or sale of non-specified Agency RMBS or CMBS.

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