CEO CFO

DYNEX

Issue:
July 31, 2009

Dynex Capital Is Uniquely Situated To Take Advantage Of The Mortgage REIT Business, Which Over The Years Has Provided A Substantial Excess Rate Of Return For Investors On A Risk-Adjusted Basis

Financial
Mortgage Investment
(DX-NYSE)

Dynex Capital, Inc.
4991 Lake Brook Drive, Suite 100
Glen Allen, VA 23060
Phone: 804-217-5800

Thomas B. Akin
Chairman and CEO

Stephen J. Benedetti, CPA
Chief Financial Officer and
Chief Operating Officer

BIO:

Thomas B. Akin has been a director of the Company and Chairman since 2003. Mr. Akin was appointed Chief Executive Officer of the Company in February of 2008. Mr. Akin has served as the managing general partner of Talkot Capital, LLC located in Sausalito, California since 1995 and continues to serve in this role. Talkot Capital is the general partner for various limited partnerships investing in both private and public companies. From 1991 to 1994, Mr. Akin was the managing director for the Western United States for Merrill Lynch Institutional Services. He had been the regional director of the San Francisco and Los Angeles regions for Merrill Lynch Institutional Services from 1981 to 1991. Prior to Merrill Lynch, Mr. Akin was an employee of Salomon Brothers from 1978 to 1981. He is currently on the board of directors for Acacia Research Corporation, CombiMatrix Corporation, and he serves as Chairman of the Board for both Advance Data Exchange and Centiv Services, Inc. Mr. Akin holds a B.A. from the University of California at Santa Cruz and an M.B.A. from the Anderson School of Management, UCLA.

Stephen J. Benedetti, is our Executive Vice President, Chief Financial Officer and Chief Operating Officer. Mr. Benedetti previously served as the Company's Executive Vice President, Chief Financial Officer from September 2001 to November 2005. From October 1997 until August 2001, Mr. Benedetti served as Vice President and Treasurer of the Company; and from September 1994 until December 1998, he served as Vice President and Controller. From March 1992 until September 1994, he served as Director of Accounting and Financial Reporting for National Housing Partnerships, a national multifamily housing syndicator and property management company. Mr. Benedetti also served as audit manager for Deloitte & Touche from 1985 to 1992, where he provided audit and consulting services to various clients primarily in the financial services and real estate industries. Mr. Benedetti graduated from Virginia Tech with a B.S. in Accounting and is a Certified Public Accountant.

Company Profile:

We are a specialty finance company organized as a real estate investment trust (REIT). We invest in residential mortgage-backed securities (RMBS), which are issued or guaranteed by a federally chartered corporation, such as Fannie Mae or Freddie Mac, or an agency of the U.S. government, such as the Government National Mortgage Association or Ginnie Mae. RMBS issued or guaranteed by these agencies are commonly referred to as “Agency RMBS”.

We also have invested in securitized residential and commercial mortgage loans, non-Agency mortgage-backed securities, or non-Agency RMBS, and through a joint venture, commercial mortgage-backed securities. Substantially all of these loans and securities, including those owned by the joint venture, consist of or are secured by first lien mortgages which were originated by us from 1992 to 1998.

We have generally financed our investments through a combination of repurchase agreements, securitization financing, and equity capital. We employ leverage in order to increase the overall yield on our invested capital. Our primary source of income is net interest income, which is the excess of the interest income earned on our investments over the cost of financing these investments.

We were incorporated in Virginia in 1987 and commenced operations in 1988. Our headquarters are in Glen Allen, Virginia. We are publicly traded on the New York Stock Exchange with a common stock issue under ticker symbol DX and with a preferred stock issue under ticker symbol DXPRD.

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com

CEOCFO: What is the vision at Dynex Capital?

Mr. Akin: “The overall vision of Dynex Capital is to take our capital and invest it for our shareholders to provide an acceptable risk-adjusted rate of return. It is obviously a moving target that is dependent upon the risk in the marketplace. We feel that the mortgage REIT business is a business that over the years has provided a substantial excess rate of return for investors on a risk-adjusted basis. We feel that Dynex is uniquely situated to take advantage of the marketplace for mortgage securities right now and given the attractive leveraged yields on mortgage securities today, we think there is a multi-billion dollar marketplace for the mortgage REIT business.”

CEOCFO: What makes you uniquely positioned to take advantage?

Mr. Akin: “We did not leverage our balance sheet to any large extent until the beginning of 2008. Throughout the period of 2005-2007, we felt that the risk-adjusted returns for our shareholders were too low to actually invest our capital on a leveraged basis, and that proved to be true. We did not put our capital to work until basically late March of 2008, when spreads had gotten to the point that we thought the risk return for our shareholders had changed, and we started investing our money. Because of that, we have a portfolio that is a new portfolio for the most part, based on assets that we acquired since the credit crunch got well under way in 2008.”

Mr. Benedetti: “I would say that another part of being uniquely positioned is the experience of the management team with Tom and myself and our years in the business as well as our Chief Investment Officer, Byron Boston. Part of the uniqueness of this company is the collective skills of the management team.”

CEOCFO: What does strength and balance mean for you?

Mr. Akin: “At this point, we have a very balanced portfolio. Strength and Balance was the theme of our 2007 annual report and the point that we were trying to bring out is that we have a company that almost went under after the Long-Term Capital crisis in 1998. The stock went from $50 to 50 cents per share. Over most of this decade we have been trying to strengthen the balance sheet. When that annual report was written, which was in the early part of 2008, we had completed the task. We thought that we ended 2007 with a near bulletproof balance sheet. The ensuing madness that occurred in 2008 reinforced that, because we had no balance sheet issues at all throughout 2008. The balance part of it really had to do with how I think the investments at Dynex are managed. They are not managed exclusively for the management teams or for short-term incentives, but it is balanced with the needs of the shareholders. We are looking at both risk and return, and that is the most important balance you can have, because many people in 2005, 2006 and 2007 only looked at the return. They never looked at the risk. Looking at the risk as well as the return, we did not run into the same difficulties that other people had because we did not take the risk throughout that period, and because of that, we’re a much better company.”

“We did not leverage our balance sheet to any large extent until the beginning of 2008. Throughout the period of 2005-2007, we felt that the risk-adjusted returns for our shareholders were too low to actually invest our capital on a leveraged basis, and that proved to be true. We did not put our capital to work until basically late March of 2008, when spreads had gotten to the point that we thought the risk return for our shareholders had changed, and we started investing our money. Because of that, we have a portfolio that is a new portfolio for the most part, based on assets that we acquired since the credit crunch got well under way in 2008.” - Thomas B. Akin

CEOCFO: What is the financial picture like for Dynex today?

Mr. Benedetti: “The financial picture for Dynex is extremely good. As Tom mentioned earlier, we are uniquely positioned as we have a lightly leveraged balance sheet. A portion of our leverage is in non-recourse type financing. It is recourse only to the assets pledged which support the financing. So when you look at the typical measurements of a balance sheet and a mortgage REIT, relative to our peers, it is certainly a lightly levered balance sheet. In addition, we have a host of counterparties that we have really developed over the last eighteen months, and the development of those counterparties has occurred really during this very tumultuous, highly volatile period. So that leads to the credibility of the people that are in the organization as well as the credibility and longevity of the organization itself. And as a further follow-up to your strength and balance question, part of that alluded to the long-term history of the company, as we were coming up on our 20th anniversary of being a public company. Having managed through a number of different cycles, we as a franchise have developed many long-term relationships with people who are knowledgeable about the REIT space and are quality counterparties. I think that the financial condition of Dynex today is frankly as good as it’s been at least as long as I’ve been associated with it since 1994.”

CEOCFO: How do you reassure investors that you should not be painted with the same broad brush that so many others have?

Mr. Akin: “The past is an indication of what you’re going to do in the future. People are always asking me how do they know that we are not taking too much risk in our portfolio and the bonds that we’re investing in right now. I tell them that we stayed in cash with almost our entire investment portfolio for the better part of three years. We were willing to wait for almost three years for the right investment opportunity. When we talk about being conservative and that we are very careful with our shareholder’s money, we can speak from experience. Often times it is not what you say that matters, but what you do, and we have done the right thing. The Board owns 22% of this company, and as such, we are owner-operators. We are not an anonymous group that gets paid a fee to manage this company. We own this company and we care. That is why we did not make the mistakes that others did earlier this decade. Are we going to be faultless and make no mistakes at all? I wish I could be so bold as to say that, but I think that we both know that would be rather self-serving. All we’re trying to do is miss the big mistakes and try and perform as conservatively as we can for our shareholders and I think that our experience and history reflects what we do more than what we say."

CEOCFO: What's ahead for Dynex?
Mr. Akin: "Dynex is in a great position to do exactly what we're doing right now and I don't think that we need to do anything outrageously different to earn a very acceptable risk-adjusted return for our shareholders. What's ahead for Dynex is perhaps a long period of time where we very conservatively grow the capital for our shareholders at a modest amount of risk, realizing that we have a large tax loss carry forward, where any excess return on our capital is going to be carried tax free for our shareholders. I think that gives us an opportunity to remain a less risky institution, providing a solid rate of return for our shareholders for an extended period of time. That extended period of time is easily for the next 3-5 years. What lies beyond that I really can't say, but we have shown that we're willing to take advantage of the market situation as they present themselves and we're not going to shy away from those opportunities when they come as well."

CEOCFO: Do you still see much opportunity?
Mr. Akin: "I think that there is fabulous opportunity out there under the mortgage bridge, which is as wide as I've ever seen in my career, standing about 25 years and I think that you have a government that's willing to provide financing for a lot of these securities. In many cases, we own securities guaranteed by the government and we're financing them with capital that is effectively guaranteed by the government. It's interesting to know that you have a banking system that is trading at almost 25 times leverage where their assets are not effectively government guaranteed and traded at 1 ½ times book or even more. Here you have a whole industry that is trading at book or less than book, operating with leverage at less than 7 times, with government guaranteed securities on their assets side and to a certain degree, on the liability side, trading right at book value and yielding upwards of 12%. There's clearly an opportunity in this investment class, and I think that we're going to see that value get realized if we continue to do our jobs and give our shareholders solid returns."

CEOCFO: What should people remember most when they look at Dynex Capital?
Mr. Akin: "The things that shareholders need to realize is that the management of this company is on the same page as our shareholders, that we are in this together and that we're sensitive to the risk nature of this investment opportunity as well as the return side. We are not going to take undo risk with our shareholder's capital and chase a very small amount of return. They can rest assured that the investments that we make will be looking at both sides of that equation."

Mr. Benedetti: "I think that the emphasis of the alignment of interest given the strong insider ownership of the organization really should be a powerful argument for any investor, coupled with Tom becoming a shareholder in the early 2000 time period, and then becoming Chairman in 2003. Since that time, Dynex has been the best performing mortgage REIT in this space, really by a wide margin. I think that reflects Tom and the Board's investment style and commitment to protect shareholder's capital and not take unnecessary risk."

"Having managed through a number of different cycles, we as a franchise have developed many long-term relationships with people who are knowledgeable about the REIT space and are quality counterparties. I think that the financial condition of Dynex today is frankly as good as it's been at least as long as I've been associated with it since 1994."
- Stephen J. Benedetti, CPA

Stephen J. Benedetti, CPA **Thomas B. Akin**
Chief Financial Officer and C OO - Chairman and CEO

Dynex Capital, Inc.
4991 Lake Brook Drive, Suite 100
Glen Allen, VA 23060
Phone: 804-217-5800