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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT  
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **February 20, 2013**

**DYNEX CAPITAL, INC.**  
(Exact name of registrant as specified in its charter)

**Virginia**  
(State or other jurisdiction  
of incorporation)

**1-9819**  
(Commission File Number)

**52-1549373**  
(IRS Employer  
Identification No.)

**4991 Lake Brook Drive, Suite 100**  
**Glen Allen, Virginia**  
(Address of principal executive offices)

**23060-9245**  
(Zip Code)

Registrant's telephone number, including area code: **(804) 217-5800**

**Not Applicable**  
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 2.02 Results of Operations and Financial Condition.**

On February 20, 2013, Dynex Capital, Inc., or the Company, issued a press release, which is available on its website ([www.dynexcapital.com](http://www.dynexcapital.com) under “Investor Relations/News & Market Information”), reporting its financial results for the quarter and year ended December 31, 2012. A copy of the press release is being furnished as Exhibit 99.1 to this report and is incorporated by reference into this Item 2.02.

**Item 9.01 Financial Statements and Exhibits.**

**(d) Exhibits**

| <u>Exhibit No.</u> | <u>Description</u>                    |
|--------------------|---------------------------------------|
| 99.1               | Press Release dated February 20, 2013 |

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**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**DYNEX CAPITAL, INC.**

Date: February 20, 2013

By: /s/ Stephen J. Benedetti  
Stephen J. Benedetti  
Executive Vice President, Chief Operating Officer and Chief  
Financial Officer

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**PRESS RELEASE**

**FOR IMMEDIATE RELEASE**  
February 20, 2013

**CONTACT: Alison Griffin**  
**(804) 217-5897**

**DYNEX CAPITAL, INC. REPORTS FOURTH QUARTER 2012**  
**DILUTED EPS OF \$0.34 AND BOOK VALUE PER COMMON SHARE OF \$10.30**

GLEN ALLEN, Va. -- Dynex Capital, Inc. (NYSE: DX) reported net income available to common shareholders of \$18.3 million, or \$0.34 per diluted common share for the fourth quarter of 2012 versus \$18.4 million, or \$0.34 per diluted common share, for the third quarter of 2012 and \$14.4 million, or \$0.36 per diluted common share, for the fourth quarter of 2011. The Company reported net income available to common shareholders of \$72.0 million, or \$1.35 per common share for the year ended December 31, 2012 compared to \$39.8 million, or \$1.03 per common share for the same period in 2011.

**Management Remarks**

Mr. Thomas Akin, Chairman and Chief Executive Officer, commented, "We are very pleased with the consistency of our results. We posted a return on average common equity of 13.0% for the fourth quarter and 13.8% for the full year 2012. We increased equity by \$245.4 million during the year to \$616.7 million at December 31, 2012 and executed our strategy of allocating more capital to CMBS. We grew book value per common share during the year by \$1.10 to \$10.30 at December 31, 2012. For the fourth quarter, our net interest spread was a solid 1.93%, a modest decline of 0.07% from the third quarter's 2.00%. Our total portfolio repayments for the quarter were \$233.6 million, or less than 6% of our average assets. Our strategy of investing in short duration high quality assets has consistently performed and we remain well positioned for the uncertain investment environment that lies ahead."

**Quarterly Highlights**

*(\$ in thousands, except per share amounts)*

|   | <b>4Q2012</b>  | <b>3Q2012</b>  | <b>4Q2011</b>  |
|---|----------------|----------------|----------------|
| Net interest income                       | \$ 21,145      | \$ 19,100      | \$ 16,972      |
| Gain on sale of investments, net          | \$ 2,044       | \$ 3,480       | \$ 773         |
| General and administrative expenses       | \$ (3,501)     | \$ (3,090)     | \$ (3,249)     |
| Net income to common shareholders         | \$ 18,330      | \$ 18,353      | \$ 14,406      |
| Earnings per common share                 | \$ 0.34        | \$ 0.34        | \$ 0.36        |
| Dividend per common share                 | \$ 0.29        | \$ 0.29        | \$ 0.28        |
| Return on average common equity           | 13.0%          | 13.5%          | 15.6%          |
| Average interest earning assets           | \$ 4,117,527   | \$ 3,729,124   | \$ 2,487,167   |
| Average interest bearing liabilities      | \$ (3,655,229) | \$ (3,296,830) | \$ (2,182,788) |
| RMBS and single-family capital allocation | \$ 219,766     | \$ 255,126     | \$ 146,437     |
| CMBS and commercial capital allocation    | \$ 361,264     | \$ 346,287     | \$ 189,851     |
| Book value per common share               | \$ 10.30       | \$ 10.31       | \$ 9.20        |
| Net interest spread                       | 1.93%          | 2.00%          | 2.56%          |
| Portfolio CPR (excluding CMBS IOs)        | 19.0%          | 18.7%          | 17.8%          |
| Debt to equity ratio                      | 5.9x           | 6.1x           | 6.0x           |

## **Conference Call**

As previously announced, the Company's quarterly conference call to discuss the fourth quarter results is today, February 20, 2013 at 11:00 a.m. ET. Interested investors may access the call and the related slides by dialing 1-888-317-6016 or by webcast over the internet at [www.dynexcapital.com](http://www.dynexcapital.com) through a link provided under "Investor Relations/IR Highlights."

## **Earnings Summary**

Net interest income was \$21.1 million for the fourth quarter of 2012 versus \$19.0 million for the third quarter of 2012. Average interest earning investments increased to \$4,117.5 million for the fourth quarter of 2012 versus \$3,729.1 million for the third quarter of 2012. Our net interest spread for the fourth quarter of 2012 of 1.93% is the difference between the yield on the Company's interest-earning investment portfolio of 3.04% and the cost of funds of 1.11%. For the third quarter of 2012, net interest spread of 2.00% consisted of the yield on the Company's interest-earning investments of 3.12% less the cost of funds of 1.12%. For the fourth quarter of 2011, the net interest spread of 2.56% consisted of the yield on the Company's interest-earning investments of 3.76% less the cost of funds of 1.20%. The net interest spread declined in the fourth quarter due primarily to declining yields on the Company's Agency MBS portfolio from recent purchases of Hybrid ARMs and CMBS IOs and from interest rate resets on ARMs.

During the fourth quarter of 2012, the Company sold \$20.4 million in principal amount of non-Agency CMBS for a gain of \$1.8 million and Agency CMBS IO with an amortized cost basis of \$23.9 million (and a notional balance of \$333.0 million) for a gain of \$0.2 million, resulting in a total gain on sale of investments of \$2.0 million. General and administrative expenses were \$3.5 million in the fourth quarter of 2012, or 0.56% of average shareholders' equity, versus \$3.1 million, or 0.54% of average shareholders' equity, in the third quarter of 2012. General and administrative expenses increased as a percentage of average shareholders' equity as a result of the accrual of an additional \$0.5 million in incentive compensation expense during the fourth quarter of 2012.

## **Portfolio Summary**

The Company's investment portfolio was \$4,175.7 million at December 31, 2012 versus \$4,316.2 million at September 30, 2012. The Company's Agency MBS investments were \$3,492.7 million at December 31, 2012 versus \$3,650.7 million at September 30, 2012. The Company's non-Agency MBS investments were \$611.3 million at December 31, 2012 versus \$586.9 million at September 30, 2012. Agency MBS as a percentage of the Company's investment portfolio was 84% at December 31, 2012 compared to 85% at September 30, 2012. During the fourth quarter of 2012 the Company purchased \$168.8 million in CMBS and CMBS IO, while the Agency RMBS portfolio declined by a net \$228.8 million, principally from prepayments and amortization of investment premium. Overall, RMBS and related investments totaled \$2.6 billion and CMBS and related investments totaled \$1.6 billion at December 31, 2012. At December 31, 2012, the Company had \$137.2 million in investment premium on Agency RMBS versus \$145.9 million at September 30, 2012, and \$665.3 million in investment premium on CMBS and CMBS IO versus \$605.3 million at September 30, 2012.

### Agency MBS Investments

The Company's Agency RMBS investments consist of ARMs and Hybrid ARMs and have a weighted average months to coupon reset of 53 months. The Company's Agency CMBS and CMBS IO investments consist of fixed rate securities collateralized by multifamily loans and have a weighted average maturity of 125 months. Premium amortization on Agency RMBS during the fourth quarter of 2012 was \$9.5 million, or 0.36% of the average amortized cost of Agency RMBS for the fourth quarter versus \$9.5 million, or 0.39% of the average amortized cost for Agency RMBS for the third quarter of 2012. The following table presents the Company's Agency MBS portfolio by category and certain other information as of and for the three months ended December 31, 2012:

| (\$ in thousands)    | As of December 31, 2012                 |                           |                |              |             | Quarter ended December 31, 2012 |
|----------------------|---|---------------------------|----------------|--------------|-------------|---------------------------------|
|                      | Principal Balance<br>(notional for IOs) | Net Premium<br>(Discount) | Amortized Cost | Fair Value   | WAVG Coupon | WAVG Yield <sup>(2)</sup>       |
| RMBS                 | \$ 2,425,826                            | \$ 137,168                | \$ 2,562,994   | \$ 2,571,337 | 3.67%       | 2.08%                           |
| CMBS                 | 306,527                                 | 23,517                    | 330,044        | 354,142      | 5.19%       | 3.67%                           |
| CMBS IO              | 10,059,495                              | 550,171                   | 550,171        | 567,180      | 0.95%       | 4.66%                           |
| Total <sup>(1)</sup> | \$ 2,732,353                            | \$ 710,856                | \$ 3,443,209   | \$ 3,492,659 |             | 2.62%                           |

(1) Total principal balance excludes notional amount of IO securities.

(2) Weighted average yield is based on weighted average amortized cost for the quarter.

The following table summarizes average yield and financing costs for the Company's Agency MBS investments for the periods presented:

| (\$ in thousands)  | Quarter ended<br>December 31, 2012 | Quarter ended<br>September 30, 2012 | Quarter ended December 31,<br>2011 |
|--|------------------------------------|-------------------------------------|------------------------------------|
| Weighted average annualized yield for the period                                       | 2.62 %                             | 2.63 %                              | 3.11 %                             |
| Weighted average annualized cost of funds including interest rate swaps for the period | (0.92)%                            | (0.90)%                             | (0.91)%                            |
| Net interest spread for the period   | 1.70 %                             | 1.73 %                              | 2.20 %                             |
| Average balance of investments for the period  | \$ 3,492,814                       | \$ 3,109,770                        | \$ 1,963,313                       |
| Average balance of financing for the period  | \$ (3,167,800)                     | \$ (2,815,949)                      | \$ (1,769,923)                     |

The following table presents the average constant prepayment rates ("CPRs") for the Company's Agency RMBS and CMBS for the periods presented (CMBS IOs are not presented as CPRs are not available for IOs):

|       | Quarter ended<br>December 31, 2012 | Quarter ended<br>September 30, 2012 | Quarter ended<br>June 30, 2012 | Quarter ended<br>March 31, 2012 |
|-------|------------------------------------|-------------------------------------|--------------------------------|---------------------------------|
| RMBS  | 24.3%                              | 23.4%                               | 20.8%                          | 21.4%                           |
| CMBS  | —%                                 | —%                                  | —%                             | —%                              |
| Total | 21.5%                              | 20.9%                               | 18.3%                          | 18.4%                           |

### Non-Agency MBS Investments

The following table presents the Company's non-Agency MBS portfolio by category and certain other information as of and for the three months ended December 31, 2012:

| (\$ in thousands)    | As of December 31, 2012                 |                           |                |            |             | Quarter ended December 31, 2012 |
|----------------------|---|---------------------------|----------------|------------|-------------|---------------------------------|
|                      | Principal Balance<br>(notional for IOs) | Net Premium<br>(Discount) | Amortized Cost | Fair Value | WAVG Coupon | WAVG Yield <sup>(2)</sup>       |
| RMBS                 | \$ 11,411                               | \$ (781)                  | \$ 10,630      | \$ 11,038  | 4.28%       | 5.55%                           |
| CMBS                 | 463,747                                 | (17,313)                  | 446,434        | 486,342    | 5.31%       | 5.64%                           |
| CMBS IO              | 2,393,614                               | 108,928                   | 108,928        | 113,942    | 0.86%       | 4.75%                           |
| Total <sup>(1)</sup> | \$ 475,158                              | \$ 90,834                 | \$ 565,992     | \$ 611,322 |             | 5.47%                           |

(1) Total principal balance excludes notional amount of IO securities.

(2) Weighted average yield is based on weighted average amortized cost for the quarter.

The following table summarizes average yield and financing costs for the Company's non-Agency MBS investments for the periods presented:

| (\$ in thousands)  | Quarter ended December 31, 2012 | Quarter ended September 30, 2012 | Quarter ended December 31, 2011 |
|--|---------------------------------|----------------------------------|---------------------------------|
| Weighted average annualized yield for the period                                       | 5.47 %                          | 5.67 %                           | 6.36 %                          |
| Weighted average annualized cost of funds including interest rate swaps for the period | (2.52)%                         | (2.58)%                          | (2.73)%                         |
| Net interest spread for the period   | 2.95 %                          | 3.09 %                           | 3.63 %                          |
| Average balance of investments for the period  | \$ 548,153                      | \$ 533,536                       | \$ 404,574                      |
| Average balance of financing for the period  | \$ (443,288)                    | \$ (427,487)                     | \$ (336,955)                    |

The decline in net interest spread for non-Agency MBS for the fourth quarter of 2012 compared to the third quarter of 2012 was primarily due to purchases during the fourth quarter. Approximately \$44.8 million and \$19.5 million of CMBS and CMBS IO were purchased during the fourth quarter of 2012 at an approximate weighted average yield of 3.19% and 3.33%, respectively, which are lower than the weighted average yields of 5.72% and 5.39%, respectively, earned on these portfolios during the third quarter of 2012.

Information related to the credit ratings for the Company's non-Agency MBS as of December 31, 2012 is as follows:

|                      | RMBS   | CMBS       | IOs        | Weighted average |
|----------------------|--------|------------|------------|------------------|
| AAA                  | \$ 975 | \$ 156,180 | \$ 112,107 | 44.0%            |
| AA                   | —      | 46,967     | 1,836      | 8.0%             |
| A                    | 3,528  | 275,310    | —          | 45.6%            |
| Below A or not rated | 6,535  | 7,885      | —          | 2.4%             |

### Securitized Mortgage Loans

Securitized mortgage loans had an amortized cost basis, net of reserves, of \$70.8 million and a principal balance of \$71.8 million with \$30.4 million principal in commercial mortgage loans and \$41.3 million principal in single-family mortgage loans at December 31, 2012. Seriously delinquent loans (loans 60+ days past due) totaled \$3.4 million as of December 31, 2012 versus \$3.4 million at September 30, 2012 and \$18.4 million as of December 31, 2011. As of December 31, 2012, the allowance for loan losses for the Company's securitized mortgage loan portfolio remained unchanged from September 30, 2012 at \$0.4 million compared to \$2.5 million at December 31, 2011.

## Hedging Activities

As of December 31, 2012, the Company had a notional total of \$1.5 billion in pay-fixed interest rate swaps with a weighted average rate of 1.53% and a weighted average remaining maturity of 41 months. Of this amount, \$275.0 million with a weighted average pay-fixed rate of 1.62% are forward-starting swaps, \$150.0 million of which became effective in January 2013 with the remaining \$125 million to become effective in March and April 2013. Additionally, \$27.0 million of the Company's \$1.5 billion of interest rate swaps are considered trading instruments and have a weighted average rate of 2.88% and weighted average remaining maturity of 50 months and are intended to offset market value changes of Agency CMBS with a par value at December 31, 2012 of \$25.9 million which are also designated as trading instruments.

## Equity Summary

Shareholders' equity was \$616.7 million at December 31, 2012, a decrease from \$617.9 million at September 30, 2012 and an increase from \$371.3 million at December 31, 2011. Book value per common share of \$10.30 at December 31, 2012 was essentially unchanged from September 30, 2012. Book value per common share was \$9.20 at December 31, 2011. Net income of \$19.6 million for the quarter ended December 31, 2012 exceeded the \$17.0 million in preferred and common stock dividends declared as the Company utilized a portion of its tax net operating loss carryforwards to offset its distribution requirement. Accumulated other comprehensive income declined during the fourth quarter of 2012 by \$3.4 million due to the decreasing market value of our Agency RMBS. Also during the quarter the Company purchased 104,000 shares of common stock under its share repurchase program at a net cost of \$0.9 million.

The following table summarizes the allocation of the Company's shareholders' equity as of December 31, 2012 and the net interest income contribution for the quarters indicated to each component of the Company's balance sheet:

| <i>(\$ in thousands)</i>                  | Asset Carrying Basis | Associated Financing <sup>(1)</sup> /Liability Carrying Basis | Allocated Shareholders' Equity | % of Shareholders' Equity | 4Q12 Net Interest Income Contribution | 3Q12 Net Interest Income Contribution |
|---|----------------------|---|--------------------------------|---------------------------|---------------------------------------|---------------------------------------|
| Agency RMBS                               | \$ 2,571,337         | \$ 2,365,982  | \$ 205,355                     | 33.3 %                    | \$ 8,928                              | \$ 8,125                              |
| Agency CMBS                               | 354,142              | 248,771   | 105,371                        | 17.1 %                    | 1,565                                 | 1,501                                 |
| Agency CMBS IO                            | 567,180              | 442,881   | 124,299                        | 20.2 %                    | 5,077                                 | 3,584                                 |
| Non-Agency RMBS                           | 11,038               | 7,808   | 3,230                          | 0.5 %                     | 130                                   | 176                                   |
| Non-Agency CMBS                           | 486,342              | 397,159   | 89,183                         | 14.5 %                    | 3,623                                 | 3,903                                 |
| Non-Agency CMBS IO                        | 113,942              | 88,221  | 25,721                         | 4.2 %                     | 903                                   | 681                                   |
| Securitized mortgage loans <sup>(2)</sup> | 70,823               | 43,810  | 27,013                         | 4.4 %                     | 877                                   | 999                                   |
| Other investments <sup>(2)</sup>          | 858                  | —   | 858                            | 0.1 %                     | 20                                    | 21                                    |
| Derivative instruments <sup>(3)</sup>     | —                    | 42,537  | (42,537)                       | (6.9)%                    | —                                     | —                                     |
| Cash and cash equivalents                 | 55,809               | —   | 55,809                         | 9.0 %                     | —                                     | —                                     |
| Other assets/other liabilities            | 48,758               | 26,350  | 22,408                         | 3.6 %                     | —                                     | —                                     |
|   | <b>\$ 4,280,229</b>  | <b>\$ 3,663,519</b>   | <b>\$ 616,710</b>              | <b>100.0 %</b>            | <b>\$ 21,123</b>                      | <b>\$ 18,990</b>                      |



- (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.

## Company Description

Dynex Capital, Inc. is an internally managed real estate investment trust, or REIT, which invests in mortgage assets on a leveraged basis. The Company is actively investing in Agency and non-Agency RMBS and CMBS. The Company also has investments in securitized single-family residential and commercial mortgage loans originated by the Company from 1992 to 1998. Additional information about Dynex Capital, Inc. is available at [www.dynexcapital.com](http://www.dynexcapital.com).

*Note: This release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The words "believe," "expect," "forecast," "anticipate," "estimate," "project," "plan," and similar expressions identify forward-looking statements that are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. Forward-looking statements in this release include, without limitation, statements regarding future interest rates, our views on expected characteristics of future investment environments and risks posed by our investment portfolio, our future investment strategies, our future leverage levels and financing strategies, and the expected performance of our investment portfolio and certain of our investments. The Company's actual results and timing of certain events could differ materially from those projected in or contemplated by the forward-looking statements as a result of unforeseen external factors. These factors may include, but are not limited to, changes in general economic and market conditions, including volatility in the credit markets which impacts asset prices and the cost and availability of financing, defaults by borrowers, availability of suitable reinvestment opportunities, variability in investment portfolio cash flows, fluctuations in interest rates, fluctuations in property capitalization rates and values of commercial real estate, defaults by third-party servicers, prepayments of investment portfolio assets, other general competitive factors, uncertainty around government policy, the impact of regulatory changes, including the Emergency Economic Stabilization Act of 2008 and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the full impacts of which are unknown at this time, and another ownership change under Section 382 that further impacts the use of our tax net operating loss carryforward. For additional information on risk factors that could affect the Company's forward-looking statements, see the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 and for the quarter ended June 30, 2012, the Company's Annual Report on Form 10-K for the year ended December 31, 2011, and other reports filed with and furnished to the Securities and Exchange Commission.*

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**DYNEX CAPITAL, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(amounts in thousands except share and per share data)

|  | <b>December 31, 2012</b> | <b>December 31, 2011</b> |
|--|--------------------------|--------------------------|
|  | <i>(unaudited)</i>       |                          |
| <b>ASSETS</b>  |                          |                          |
| Agency MBS   | \$ 3,492,659             | \$ 1,965,159             |
| Non-Agency MBS   | 611,322                  | 421,096                  |
| Securitized mortgage loans, net  | 70,823                   | 113,703                  |
| Other investments, net   | 858                      | 1,018                    |
|  | <u>4,175,662</u>         | <u>2,500,976</u>         |
| Cash and cash equivalents  | 55,809                   | 48,776                   |
| Principal receivable on investments  | 17,008                   | 13,826                   |
| Accrued interest receivable  | 23,073                   | 12,609                   |
| Other assets, net  | 8,677                    | 6,006                    |
| Total assets   | <u>\$ 4,280,229</u>      | <u>\$ 2,582,193</u>      |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>  |                          |                          |
| <b>Liabilities:</b>  |                          |                          |
| Repurchase agreements  | \$ 3,564,128             | \$ 2,093,793             |
| Non-recourse collateralized financing  | 30,504                   | 70,895                   |
| Derivative liabilities   | 42,537                   | 27,997                   |
| Accrued interest payable   | 2,895                    | 2,165                    |
| Accrued dividends payable  | 16,770                   | 11,307                   |
| Other liabilities  | 6,685                    | 4,687                    |
| Total liabilities  | <u>3,663,519</u>         | <u>2,210,844</u>         |
| <b>Shareholders' equity:</b>   |                          |                          |
| Preferred stock, par value \$.01 per share, 8.5% Series A Cumulative Redeemable; 8,000,000 shares authorized; 2,300,000 and no shares issued and outstanding, respectively | 55,407                   | —                        |
| Common stock, par value \$.01 per share, 100,000,000 shares authorized; 54,268,915 and 40,382,530 shares issued and outstanding, respectively                              | 543                      | 404                      |
| Additional paid-in capital   | 759,214                  | 634,683                  |
| Accumulated other comprehensive income (loss)  | 52,511                   | (3,255)                  |
| Accumulated deficit  | (250,965)                | (260,483)                |
| Total shareholders' equity   | <u>616,710</u>           | <u>371,349</u>           |
| Total liabilities and shareholders' equity   | <u>\$ 4,280,229</u>      | <u>\$ 2,582,193</u>      |
| Book value per common share  | \$ 10.30                 | \$ 9.20                  |

**DYNEX CAPITAL, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
*(amounts in thousands except per share data)*

|   | <b>Three Months Ended</b> |                    | <b>For the Year Ended</b> |                  |
|---|---------------------------|--------------------|---------------------------|------------------|
|   | <b>December 31,</b>       |                    | <b>December 31,</b>       |                  |
|   | <b>2012</b>               | <b>2011</b>        | <b>2012</b>               | <b>2011</b>      |
|   | <i>(unaudited)</i>        | <i>(unaudited)</i> | <i>(unaudited)</i>        |                  |
| Interest income:                                    |                           |                    |                           |                  |
| Agency MBS  | \$ 22,976                 | \$ 15,154          | \$ 77,761                 | \$ 56,814        |
| Non-Agency MBS                                      | 7,515                     | 6,862              | 29,967                    | 18,825           |
| Securitized mortgage loans                          | 1,065                     | 1,662              | 5,395                     | 7,615            |
| Other investments                                   | 20                        | 26                 | 425                       | 123              |
|   | <u>31,576</u>             | <u>23,704</u>      | <u>113,548</u>            | <u>83,377</u>    |
| Interest expense:                                   |                           |                    |                           |                  |
| Repurchase agreements                               | 10,116                    | 6,075              | 33,789                    | 19,569           |
| Non-recourse collateralized financing               | 315                       | 657                | 1,358                     | 4,513            |
|   | <u>10,431</u>             | <u>6,732</u>       | <u>35,147</u>             | <u>24,082</u>    |
| Net interest income                                 | 21,145                    | 16,972             | 78,401                    | 59,295           |
| Provision for loan losses                           | (22)                      | (121)              | (192)                     | (871)            |
| Net interest income after provision for loan losses | <u>21,123</u>             | <u>16,851</u>      | <u>78,209</u>             | <u>58,424</u>    |
| Litigation settlement and related costs             | —                         | —                  | —                         | (8,240)          |
| Loss on non-recourse collateralized financing       | —                         | —                  | —                         | (1,970)          |
| Gain on sale of investments, net                    | 2,044                     | 773                | 8,461                     | 2,096            |
| Fair value adjustments, net                         | (44)                      | (19)               | (173)                     | (676)            |
| Other income, net                                   | (70)                      | 50                 | 281                       | 134              |
| General and administrative expenses:                |                           |                    |                           |                  |
| Compensation and benefits                           | (2,359)                   | (1,874)            | (7,635)                   | (5,321)          |
| Other general and administrative                    | (1,142)                   | (1,375)            | (5,101)                   | (4,635)          |
| Net income  | <u>19,552</u>             | <u>14,406</u>      | <u>74,042</u>             | <u>39,812</u>    |
| Preferred stock dividends                           | (1,222)                   | —                  | (2,036)                   | —                |
| Net income to common shareholders                   | <u>\$ 18,330</u>          | <u>\$ 14,406</u>   | <u>\$ 72,006</u>          | <u>\$ 39,812</u> |
| Weighted average common shares:                     |                           |                    |                           |                  |
| Basic   | 54,318                    | 40,381             | 53,146                    | 38,580           |
| Diluted   | 54,318                    | 40,381             | 53,146                    | 38,581           |
| Net income per common share:                        |                           |                    |                           |                  |
| Basic   | \$ 0.34                   | \$ 0.36            | \$ 1.35                   | \$ 1.03          |
| Diluted   | \$ 0.34                   | \$ 0.36            | \$ 1.35                   | \$ 1.03          |
| Dividends declared per common share                 | \$ 0.29                   | \$ 0.28            | \$ 1.15                   | \$ 1.09          |