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): August 2, 2017

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:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).
Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with an new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Item 2.02 Results of Operations and Financial Condition.

On August 2, 2017, Dynex Capital, Inc. (the "Company") issued a press release, which is available on its website (www.dynexcapital.com under "Investor Center/News & Market Information"), reporting its financial condition and financial results as of and for the quarter ended June 30, 2017. 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 7.01 Regulation FD Disclosure

On August 2, 2017, the Company posted a copy of its earnings call presentation for the second quarter of 2017 to its website (www.dynexcapital.com under "Investor Center/Presentations"). A copy of this presentation is being furnished as Exhibit 99.2 to this report and is incorporated by reference into this Item 7.01.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description
99.1	Press Release dated August 2, 2017
99.2	Earnings Call Presentation dated August 2, 2017

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:	August 2, 2017	By:	/s/ Stephen J. Benedetti
			Stephen J. Benedetti
			Executive Vice President, Chief Financial Officer and Chief Operating Officer

PRESS RELEASE

FOR IMMEDIATE RELEASE **CONTACT: Alison Griffin**
August 2, 2017 **(804) 217-5897**

DYNEX CAPITAL, INC. REPORTS SECOND QUARTER 2017 RESULTS

GLEN ALLEN, Va. -- Dynex Capital, Inc. (NYSE: DX) reported its second quarter 2017 results today. As previously announced, the Company's quarterly conference call to discuss these results is today at 10:00 a.m. Eastern Time and may be accessed using conference ID 54789102 via telephone in the U.S. at 1-866-392-3507 (internationally at 1-614-999-9383) or by live webcast which includes a slide presentation, the link for which is provided under "Investor Center" on the Company's website (www.dynexcapital.com).

Second Quarter 2017 Highlights

- Comprehensive income to common shareholders of $0.05 per common share and net loss to common shareholders of $(0.20) per common share
- Core net operating income to common shareholders, a non-GAAP measure, of $0.19 per common share
- Book value per common share of $7.38 at June 30, 2017 compared to $7.52 at March 31, 2017 and $7.18 at December 31, 2016
- Sold $271.4 million in hybrid ARMs during the quarter and entered into to-be-announced ("TBA") forward contracts for the purchase of 30-year fixed rate Agency RMBS with an if settled cost basis of $416.3 million at June 30, 2017
- Added a net $990.0 million in pay-fixed interest rate swaps to substantially mitigate the risk to higher funding costs and to adjust the hedge position for the addition of TBA securities
- Leverage of 5.2x shareholders' equity at June 30, 2017 and leverage including the amortized cost basis of TBA securities (if settled) of 6.0x shareholders' equity at June 30, 2017
- Dividend declared of $0.18 per common share

Management's Remarks

"We are pleased with the results for the second quarter," commented Byron L. Boston, CEO. "The benefit of a diversified investment strategy of a combined CMBS and RMBS portfolio resulted in core net operating income to common shareholders of $0.19 per common share this quarter. While book value was down slightly for the quarter partially due to weakening prices of hybrid ARMs, our CMBS and CMBS IO portfolios continue to perform strongly."

Mr. Boston continued, "This quarter we increased our leverage and reallocated our capital from short duration lower yielding investments to 30-year fixed-rate Agency mortgage-backed securities given the compelling opportunity relative to other sectors. We have continued to invest in this sector in the third quarter which will help drive earnings for the remainder of the year. Longer term we feel that there are potential strong tailwinds for the industry, and in particular, the prospects for mortgage REITs from housing finance reform."

Earnings Summary

Comprehensive income to common shareholders for the second quarter of 2017 was $2.3 million compared to $26.6 million in the first quarter of 2017. Net loss to common shareholders was $(10.1) million for the second quarter of 2017 compared to net income of $6.6 million in the first quarter of 2017, the key components of which are explained below.

Core net operating income to common shareholders, a non-GAAP measure, was $9.3 million for the second quarter of 2017 versus $7.4 million for the first quarter of 2017. Core net operating income to common shareholders includes $1.4 million in drop income from TBA securities (discussed further below) for the second quarter of 2017, which the Company did not invest in during the first quarter of 2017. Please refer to "Use of Non-GAAP Financial Measures" below for more information on management's use of core net operating income and other non-GAAP measures. Reconciliations of all non-GAAP measures to GAAP measures are provided as a supplement to this press release.

Net interest income increased $1.2 million compared to the first quarter of 2017 primarily due to higher prepayment compensation of $2.2 million from CMBS and CMBS IO, partially offset by higher borrowing costs of $1.2 million as a result of increased short-term rates.

The Company recognized a loss on derivative instruments, net of $(15.8) million comprised primarily of a $(16.2) million decline in fair value of interest rate swaps due to lower swap rates during the quarter and $1.7 million in net realized and unrealized gains on TBA securities financed in the dollar roll market. TBA securities are forward contracts accounted for as derivative instruments in the Company's financial statements; however, management views TBA securities as the economic equivalent in all material respects of investing in and financing generic Agency fixed-rate RMBS through the repurchase agreement market. The $1.7 million in net realized and unrealized gains generated from TBA securities during the second quarter of 2017 consisted of $1.4 million in drop income and a $0.3 million increase in fair value. Drop income, which is derived from TBA dollar roll transactions, represents the difference in price between the near settling TBA contract and the price for the same contract with a later settlement date. This difference is also viewed by management as the economic equivalent of net interest income (interest income less implied financing cost) on the underlying Agency security from trade date to settlement date

Book Value and Economic Return

Book value per common share decreased $(0.14) to $7.38 at June 30, 2017 from March 31, 2017. Book value for the quarter was negatively impacted by the underperformance of assets versus our hedges, particularly our hybrid ARMs. Our hedges performed as expected as the yield curve flattened. Economic return on book value was 0.5% for the second quarter of 2017 and 7.8% for the first half of 2017. Economic return on book value is calculated by dividing (i) the sum of dividends declared per common share and the change in book value per common share by (ii) beginning book value per common share.

Investments Summary

The Company's average interest earning assets were $3.1 billion for the second quarter of 2017 compared to $3.2 billion for the first quarter of 2017. Average interest earning assets declined as the Company partially rotated out of variable-rate Agency RMBS and into TBA securities which are not included in average interest earning assets. For the second quarter of 2017, average interest earning assets and average TBA securities on an if-settled basis totaled $3.4 billion.

The following table summarizes activity, average balances, and annualized effective yields on the Company's MBS portfolio for the second quarter of 2017:

($ in thousands)	RMBS	CMBS	CMBS IO	Total
Fair value at March 31, 2017	$ 1,101,169	$ 1,316,181	$ 769,399	$ 3,186,749
Purchases	—	111,085	30,423	141,508
Principal payments	(72,660)	(16,686)	—	(89,346)
Sales	(287,782)	(58,237)	—	(346,019)
(Premium amortization)/discount accretion	(2,855)	185	(38,644)	(41,314)
Net unrealized gain	1,888	7,657	2,903	12,448
Fair value at June 30, 2017	$ 739,760	$ 1,360,185	$ 764,081	$ 2,864,026
Average balance	$ 1,001,175	$ 1,331,664	$ 756,367	$ 3,089,206
MBS effective yield	1.92%	3.07%	3.87%	2.89%

Financing Summary

The Company's cost of funds increased 19 basis points for the second quarter of 2017 compared to the first quarter of 2017 primarily as a result of the increase in short-term interest rates. The following table summarizes the Company's borrowings by collateral type for the periods indicated:

($ in thousands)	Three Months Ended June 30, 2017 [(1)]		Three Months Ended March 31, 2017	
	Average Balance	Weighted Average Rate	Average Balance	Weighted Average Rate
Agency CMBS	$ 1,105,798	1.05%	$ 1,031,264	0.84%
Non-Agency CMBS	47,828	1.96%	65,749	1.70%
Agency CMBS IO	349,997	1.85%	346,643	1.63%
Non-Agency CMBS IO	298,507	1.93%	296,179	1.71%
Agency RMBS	933,877	1.01%	1,074,512	0.86%
Non-Agency RMBS	12,884	2.32%	24,836	2.13%
Securitization financing bond	4,128	2.36%	4,550	2.14%
Total repurchase agreement financing	2,753,019	1.26%	2,843,733	1.07%
Other financing [(2)]	6,003	1.77%	6,359	1.35%
Total average liabilities and cost of funds [(3)]	$ 2,759,022	1.25%	$ 2,850,092	1.06%

(1) Information on our repurchase agreements outstanding as of June 30, 2017 are provided in the supplement to this release.
(2) Other financing for both periods presented includes non-recourse collateralized financing collateralized with a portion of the mortgage loans held for investment, net on the Company's consolidated balance sheet.
(3) Total cost of funds includes 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 hedge accounting effective June 30, 2013.

Hedging Activities

The Company uses interest rate swaps to mitigate the impact of higher interest rates on its earnings and book value. The Company added a net $990.0 million in pay-fixed interest rate swaps during the second quarter of 2017, given the potential for higher short-term interest rates as a result of the recent and projected increases in the Federal Funds rate as well as to hedge the Company's TBA position. During the second quarter of 2017, the Company had an average notional of $2.1 billion in effective interest rate swaps outstanding at a weighted average net pay-fixed rate of 1.30% versus an average notional of $1.3 billion in effective interest rate swaps at a weighted average net pay-fixed rate of 1.16% for the first quarter of 2017.

	June 30, 2017	
Effective Interest Rate Swaps by Year:	**Weighted Average Notional Outstanding for the Period [(1)]**	**Weighted Average Net Pay-Fixed Rate [(1)]**
($ in thousands)		
Remainder of 2017	$ 2,870	1.41%
2018	$ 2,623	1.79%
2019	$ 2,019	1.93%
2020	$ 1,660	2.12%
2021	$ 1,460	2.21%
2022	$ 1,078	2.43%
2023	$ 1,075	2.45%
2024	$ 1,075	2.47%
2025	$ 695	2.43%
2026	$ 466	2.35%

(1) Includes pay-fixed interest rate swaps, net of receive-fixed interest rate swaps.

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 invests in Agency and non-Agency RMBS, CMBS, and CMBS IO. Additional information about Dynex Capital, Inc. is available at www.dynexcapital.com.

Use of Non-GAAP Financial Measures

In addition to the Company's operating results presented in accordance with GAAP, this release includes certain non-GAAP financial measures including core net operating income to common shareholders (including per common share), adjusted interest expense, adjusted net interest income and the related metrics adjusted cost of funds and adjusted net interest spread. Schedules reconciling core net operating income to common shareholders, adjusted interest expense, and adjusted net interest income to GAAP financial measures are provided as a supplement to this release. Management views core net operating income to common shareholders as an estimate of the net interest earnings from our investments after operating expenses and preferred stock dividends. In addition to the non-GAAP reconciliation set forth in the supplement to this release, which derives core net operating income to common shareholders from GAAP net income to common shareholders as the nearest GAAP equivalent measure, core net operating income to common shareholders can also be determined by adjusting net interest income to include interest rate swap periodic interest costs, drop income on TBA securities, general and administrative expenses (GAAP), and preferred dividends. Management includes drop income in core net operating income and in adjusted net interest income because TBA securities are viewed by management as economically equivalent to holding and financing Agency RMBS using short-term repurchase agreements. Management also includes periodic interest costs from its interest rate swaps, which are included in "gain(loss) on derivatives instruments" on the Company's consolidated statements of comprehensive income, in adjusted net interest expense and in adjusted net interest income because interest rate swaps are used by the Company to economically hedge the Company's borrowing costs from repurchase agreements, and including periodic interest costs from interest rate swaps is a helpful indicator of the Company’s total cost of financing in addition to GAAP interest expense. Because these measures are used in the Company's internal analysis of financial and operating performance, management believes that they provide greater transparency to our investors of management's view of our economic performance. Management also believes the presentation of these measures, when analyzed in conjunction with the Company's GAAP operating results, allows investors to more effectively evaluate and compare the performance of the Company to that of its peers. Because these non-GAAP financial measures include or exclude, as applicable, certain items used to compute GAAP net income to common shareholders, GAAP net interest income, or GAAP interest expense, these non-GAAP measures should be considered as a supplement to, and not as a substitute for, the Company's GAAP results as reported on its consolidated statements of comprehensive income. In addition, because not all companies use identical calculations, the Company's presentation of its non-GAAP measures may not be comparable to other similarly-titled measures of other companies.

Forward Looking Statements

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 may include, without limitation, statements regarding future interest rates, our views on expected characteristics of future investment environments, prepayment rates on our investment portfolio and risks posed by our investment portfolio, 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, future actions by the Federal Reserve, and the expected performance 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 regulatory and monetary policy, the impact of regulatory changes, including the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and ongoing financial institution regulatory reform efforts, 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 Annual Report on Form 10-K for the year ended December 31, 2016, and other reports filed with and furnished to the Securities and Exchange Commission.

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

	June 30, 2017	December 31, 2016
	(unaudited)	
ASSETS		
Mortgage-backed securities	$ 2,864,026	$ 3,212,084
Mortgage loans held for investment, net	17,345	19,036
Cash and cash equivalents	100,863	74,120
Restricted cash	45,377	24,769
Derivative assets	267	28,534
Principal receivable on investments	5,812	11,978
Accrued interest receivable	19,295	20,396
Other assets, net	7,235	6,814
Total assets	$ 3,060,220	$ 3,397,731
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Repurchase agreements	$ 2,540,759	$ 2,898,952
Non-recourse collateralized financing	5,892	6,440
Derivative liabilities	1,686	6,922
Accrued interest payable	1,524	3,156
Accrued dividends payable	11,121	12,268
Other liabilities	1,963	2,809
Total liabilities	2,562,945	2,930,547
Shareholders' equity:		
Preferred stock, par value $.01 per share; 50,000,000 shares authorized; 5,348,658 and 4,571,937 shares issued and outstanding, respectively ($133,716 and $114,298 aggregate liquidation preference, respectively)	$ 128,165	$ 110,005
Common stock, par value $.01 per share, 200,000,000 shares authorized; 49,234,493 and 49,153,463 shares issued and outstanding, respectively	492	492
Additional paid-in capital	728,124	727,369
Accumulated other comprehensive loss	(257)	(32,609)
Accumulated deficit	(359,249)	(338,073)
Total shareholders' equity	497,275	467,184
Total liabilities and shareholders' equity	$ 3,060,220	$ 3,397,731
Book value per common share	$ 7.38	$ 7.18

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	**2016**	**2017**	**2016**
Interest income	$ 24,856	$ 22,816	$ 47,275	$ 47,905
Interest expense	8,714	6,100	16,233	12,410
Net interest income	16,142	16,716	31,042	35,495
Loss on derivative instruments, net	(15,802)	(16,297)	(15,627)	(64,561)
Loss on sale of investments, net	(3,709)	(297)	(5,417)	(4,238)
Fair value adjustments, net	30	28	40	51
Other income (loss), net	4	290	(42)	353
General and administrative expenses:				
Compensation and benefits	(2,041)	(1,875)	(4,286)	(4,093)
Other general and administrative	(2,056)	(1,796)	(4,091)	(3,669)
Net (loss) income	(7,432)	(3,231)	1,619	(40,662)
Preferred stock dividends	(2,641)	(2,294)	(5,077)	(4,588)
Net loss to common shareholders	$ (10,073)	$ (5,525)	$ (3,458)	$ (45,250)
Other comprehensive income:				
Change in net unrealized gain on available-for-sale investments	$ 8,739	$ 22,730	$ 27,107	$ 60,491
Reclassification adjustment for loss on sale of investments, net	3,709	297	5,417	4,238
Reclassification adjustment for de-designated cash flow hedges	(73)	(80)	(172)	(53)
Total other comprehensive income	12,375	22,947	32,352	64,676
Comprehensive income to common shareholders	$ 2,302	$ 17,422	$ 28,894	$ 19,426
Net loss per common share-basic and diluted	$ (0.20)	$ (0.11)	$ (0.07)	$ (0.92)
Weighted average common shares	49,218	49,119	49,197	49,080

DYNEX CAPITAL, INC.
KEY STATISTICS
(UNAUDITED)
($ in thousands except per share data)

	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016
Portfolio and Other Balance Sheet Statistics:					
Total MBS, at fair value as of period end	$ 2,864,026	$ 3,186,749	$ 3,212,084	$ 3,110,467	$ 3,208,735
Agency CMBS, at amortized cost as of period end	$ 1,330,084	$ 1,257,330	$ 1,166,454	$ 909,365	$ 867,065
Agency CMBS, at par as of period end	$ 1,315,974	$ 1,243,516	$ 1,152,586	$ 898,317	$ 856,352
Agency RMBS, at amortized cost as of period end	$ 744,089	$ 1,082,108	$ 1,214,324	$ 1,300,997	$ 1,394,717
Agency RMBS, at par as of period end	$ 715,015	$ 1,033,735	$ 1,157,258	$ 1,239,856	$ 1,329,159
CMBS IO, at amortized cost as of period end [(1)]	$ 752,861	$ 761,083	$ 757,892	$ 730,760	$ 728,729
Other non-Agency MBS, at cost as of period end	$ 37,443	$ 99,080	$ 106,297	$ 116,133	$ 165,599
Net TBA position, at fair value as of period end	$ 414,644	$ —	$ —	$ —	$ —
Net TBA position, at amortized cost as of period end (if settled)	$ 416,312	$ —	$ —	$ —	$ —
Net TBA position, at carrying value as of period end	$ (1,668)	$ —	$ —	$ —	$ —
Average interest earning assets [(2)]	$ 3,107,014	$ 3,206,026	$ 3,166,598	$ 3,110,884	$ 3,242,413
Average interest bearing liabilities	$ 2,759,022	$ 2,850,092	$ 2,832,870	$ 2,806,948	$ 2,916,432
Book value per common share, end of period	$ 7.38	$ 7.52	$ 7.18	$ 7.76	$ 7.69
Leverage at period end [(3)]	5.2x	5.8x	6.3x	5.8x	6.1x
Adjusted leverage at period end [(4)]	6.0x	5.8x	6.3x	5.8x	6.1x
Performance Statistics:					
Net (loss) income per common share	$ (0.20)	$ 0.13	$ 1.36	$ 0.25	$ (0.11)
Core net operating income per common share [(5)]	$ 0.19	$ 0.15	$ 0.20	$ 0.20	$ 0.21
Comprehensive income (loss) per common share	$ 0.05	$ 0.54	$ (0.37)	$ 0.27	$ 0.35
Dividends per common share	$ 0.18	$ 0.18	$ 0.21	$ 0.21	$ 0.21
Effective yield on investments [(2)]	2.90%	2.79%	2.78%	2.75%	2.77%
Cost of funds [(6)]	1.25%	1.06%	0.94%	0.85%	0.83%
Net interest spread	1.65%	1.73%	1.84%	1.90%	1.94%
Adjusted cost of funds [(7)]	1.46%	1.16%	0.97%	0.88%	0.90%
Adjusted net interest spread [(8)]	1.50%	1.63%	1.81%	1.87%	1.87%
CPR for Agency RMBS [(9)]	16.8%	16.3%	19.3%	18.9%	17.4%

(1) CMBS IO includes Agency and non-Agency issued securities.
(2) Includes mortgage loans held for investment and does not include net TBA position.
(3) Leverage is calculated by dividing total liabilities by total shareholders' equity
(4) Adjusted leverage as of June 30, 2017 equals the sum of (i) total liabilities and (ii) amortized cost basis of TBA securities (if settled) divided by total shareholders' equity.
(5) Non-GAAP financial measures are reconciled in the supplement to this release.
(6) Percentages shown are equal to annualized interest expense divided by average interest bearing liabilities.
(7) Adjusted cost of funds is equal to annualized adjusted interest expense (a non-GAAP measure) divided by average interest bearing liabilities.
(8) Adjusted net interest spread is calculated by deducting adjusted cost of funds from effective yield and also includes drop income from TBAs.
(9) Represents the average constant prepayment rate ("CPR") experienced during the quarter.

DYNEX CAPITAL, INC.
SUPPLEMENTAL INFORMATION
(UNAUDITED)
($ in thousands)

Computations of Non-GAAP Measures:	**June 30, 2017**	**March 31, 2017**	**December 31, 2016**	**September 30, 2016**	**June 30, 2016**
Net interest income	$ 16,142	$ 14,900	$ 16,105	$ 15,067	$ 16,716
Add: drop income	1,351	—	—	—	—
Add: net periodic interest costs [1]	(1,352)	(615)	(140)	(155)	(486)
Less: de-designated hedge accretion [2]	(73)	(99)	(99)	(99)	(80)
Adjusted net interest income	16,068	14,186	15,866	14,813	16,150
Other income	4	(46)	(18)	545	290
General and administrative expenses	(4,097)	(4,280)	(3,589)	(3,355)	(3,671)
Preferred stock dividends	(2,641)	(2,435)	(2,303)	(2,294)	(2,294)
Core net operating income to common shareholders	$ 9,334	$ 7,425	$ 9,956	$ 9,709	$ 10,475

(1) Amounts represent net periodic interest costs on effective interest rate swaps outstanding during the period and exclude termination costs and changes in fair value.
(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 hedge accounting effective June 30, 2013.

	June 30, 2017	
Repurchase Agreements by Collateral Type:	**Balance**	**Weighted Average Rate**
Agency CMBS	1,192,447	1.21%
Non-Agency CMBS	31,407	2.23%
Agency CMBS IO	353,922	2.04%
Non-Agency CMBS IO	293,725	2.13%
Agency RMBS	665,346	1.29%
Non-Agency RMBS	—	—%
Securitization financing bond	3,912	2.45%
Total repurchase agreements	$ 2,540,759	1.47%

	Interest Rate Swaps	**TBA Securities**	**Total**
Change in fair value	$ (16,167)	$ 366	$ (15,801)
Periodic interest costs	(1,352)	—	(1,352)
Drop income	—	1,351	1,351
Loss on derivative instruments, net	$ (17,519)	$ 1,717	$ (15,802)

DYNEX CAPITAL, INC.
RECONCILIATIONS OF GAAP MEASURES TO NON-GAAP MEASURES
(UNAUDITED)
($ in thousands)

	Three Months Ended				
	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016
GAAP net (loss) income to common shareholders	$ (10,073)	$ 6,616	$ 66,758	$ 12,406	$ (5,525)
Less:					
Accretion of de-designated cash flow hedges (1)	(73)	(99)	(99)	(99)	(80)
Change in fair value of derivative instruments, net (2)	15,801	(790)	(56,686)	(2,564)	15,811
Loss on sale of investments, net	3,709	1,708	—	—	297
Fair value adjustments, net	(30)	(10)	(17)	(34)	(28)
Core net operating income to common shareholders	$ 9,334	$ 7,425	$ 9,956	$ 9,709	$ 10,475
Weighted average common shares	49,218	49,176	49,151	49,147	49,119
Core net operating income per common share	$ 0.19	$ 0.15	$ 0.20	$ 0.20	$ 0.21

(1) 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 hedge accounting effective June 30, 2013.
(2) Amount represents net realized and unrealized gains and losses on derivatives and excludes net periodic interest costs related to these instruments.

	Three Months Ended				
	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016
	Amount	Amount	Amount	Amount	Amount
GAAP net interest income	$ 16,142	$ 14,900	$ 16,105	$ 15,067	$ 16,716
Add: TBA drop income	1,351	—	—	—	—
Add: net periodic interest costs (1) (2)	(1,352)	(615)	(140)	(155)	(486)
Less: de-designated hedge accretion (3)	(73)	(99)	(99)	(99)	(80)
Non-GAAP adjusted net interest income	$ 16,068	$ 14,186	$ 15,866	$ 14,813	$ 16,150
GAAP interest expense	$ 8,714	$ 7,519	$ 6,753	$ 6,068	$ 6,100
Add: net periodic interest costs (1) (2)	1,352	615	140	155	486
Less: de-designated hedge accretion (3)	73	99	99	99	80
Non-GAAP adjusted interest expense	$ 10,139	$ 8,233	$ 6,992	$ 6,322	$ 6,666

(1) Amount represents net periodic interest costs on effective interest rate swaps outstanding during the period and exclude termination costs and changes in fair value.
(2) Amount related to interest rate swaps hedging TBA position was $475 for the three months ended June 30, 2017.
(3) 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 hedge accounting effective June 30, 2013.

DYNEX CAPITAL INC.

Second Quarter 2017 Earnings Presentation

August 2, 2017

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 future interest rates, our views on expected characteristics of future investment environments, prepayment rates on our investment portfolio and risks posed by our investment portfolio, 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, future actions by the Federal Reserve, 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, 2016 and subsequent filings with the Securities and Exchange Commission, particularly those set forth under the caption "Risk Factors".

2Q17 Highlights

- Dividend of $0.18 per common share for the quarter
- Comprehensive income of $0.05 per common share and GAAP net loss of $(0.20) per common share
- Core net operating income[(1)] of $0.19 per common share for the quarter
  - CMBS prepayment income more than offset ARM premium amortization
  - Drop income on TBA securities of $0.03 per common share
- Economic return on book value[(2)] of 0.5% for the quarter and 7.8% year-to-date
- Book value per common share of $7.38 at June 30, 2017 compared to $7.52 at March 31, 2017 and $7.18 at December 31, 2016

(1) Reconciliations for non-GAAP measures are presented in the Appendix.

(2) For second quarter, equals sum of dividend of $0.18 per common share plus the decrease in book value of $0.14 divided by beginning book value per share for the quarter of $7.52. For year-to-date, equals sum of dividend of $0.36 per common share plus the increase in book value of $0.20 divided by beginning book value per share for the quarter of $7.18.

2Q17 Highlights

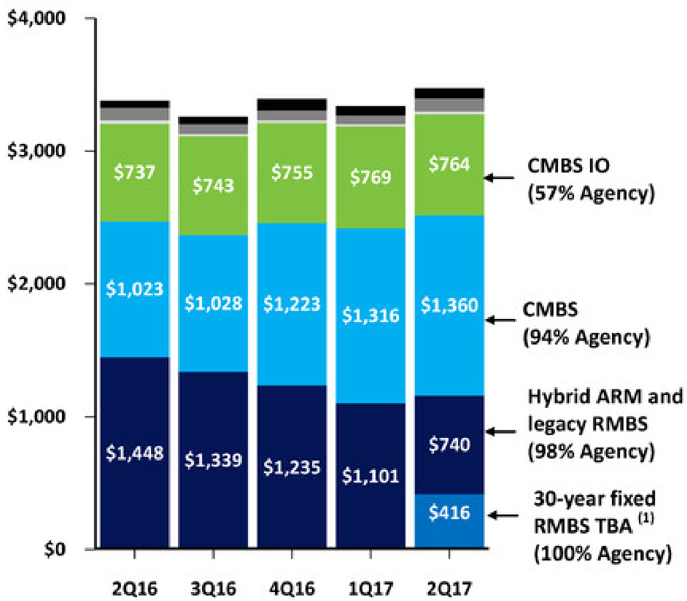
- Expanded allocation to fixed-rate Agency securities by investing in 30-year fixed-rate Agency RMBS TBA securities with a cost basis of $416.3 million at June 30, 2017
  - Combined with Agency CMBS (Fannie Mae DUS), the Company had $1.7 billion in fixed-rate securities at June 30, 2017
  - Increased adjusted leverage(1) to 6.0x at June 30, 2017 versus 5.8x at March 31, 2017
  - Expect to continue increasing leverage and investing capital opportunistically for the balance of 2017
- Reallocated capital away from short-duration lower yielding investments given the flatter US Treasury curve and the prospect for faster prepayments. Sold $271.4 million in short and current reset hybrid ARMs and had $63.7 million in paydowns
  - Hybrid ARM balance has declined over $462 million, or almost 40%, since December 31, 2016
- Increased interest rate swaps by a net $990 million to substantially mitigate the risk to higher funding costs and short-term interest rates for the remainder of 2017, and adjusted the hedge position for the addition of 30-year TBA securities

(1) Includes TBA positions at cost (as if settled) of $416.3 million as a liability representing the off-balance sheet financing risk related to TBA securities.

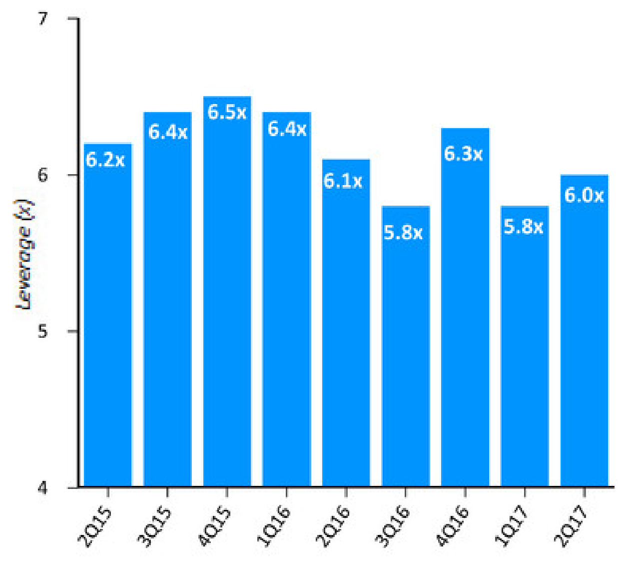
Portfolio Composition and Leverage *(As of Quarter End)*

Portfolio Composition

($ in millions)

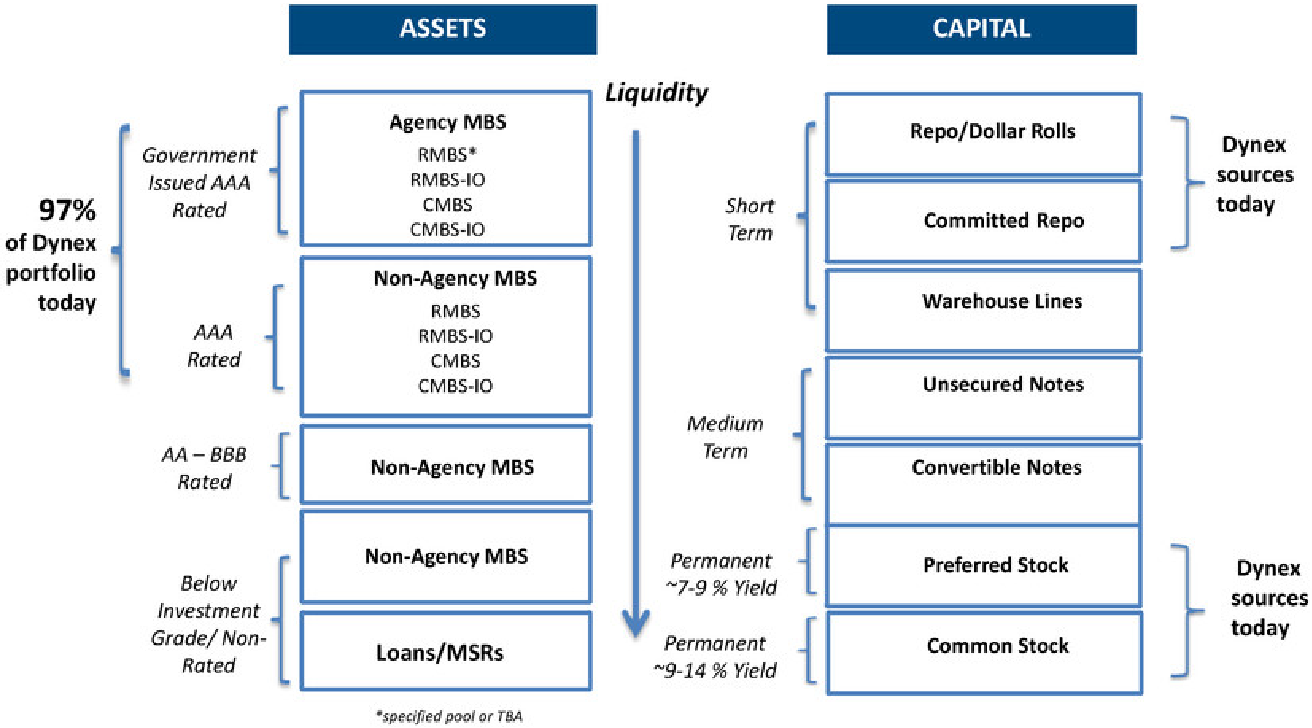


Adjusted Leverage (1)



(1) Leverage is calculated as the ratio of total liabilities to total shareholders' equity for all periods presented except for 2Q17 which also includes off-balance sheet financing for TBA securities with a cost basis (as if settled) of $416.3 million

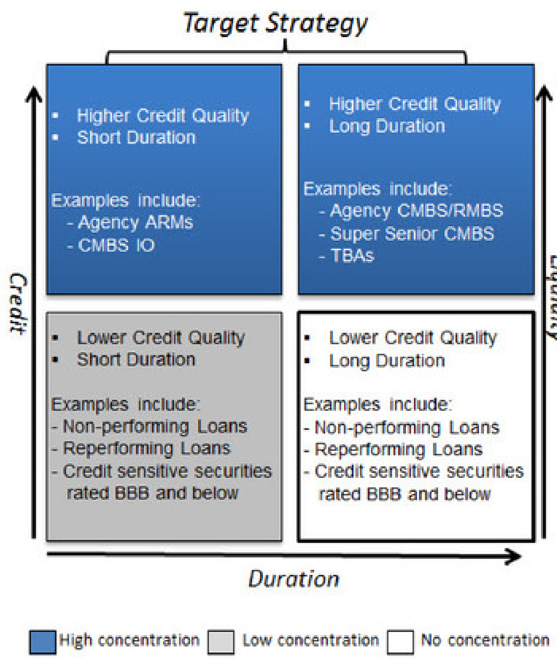
Emphasizing Higher Liquidity and Credit Quality



Over our 30 year history we have invested in every real estate debt asset class. Today we are emphasizing higher liquidity and higher credit quality.

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, as of June 30, 2017
    - 87% Agency guaranteed
    - 97% AAA rated
- 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 will allow us to grow our balance sheet opportunistically.
- Flexible portfolio duration position to reflect changing market conditions

Fixed Rate 30-Year Strategy

- This asset class offers the opportunity to earn an above average return over the long term versus other sectors today. This is unique for Dynex as over the last ten years we have always had more attractive alternatives in other sectors.
- The Federal Reserve balance sheet reduction has been well telegraphed and appears priced into the market today. Additional spread widening would present an opportunity to reallocate out of other sectors into Agency residential RMBS. We believe additional spread widening would be limited by demand for these high quality assets from crossover buyers.
- The macroeconomic environment continues to be supportive for spread products. Two major central banks (BoJ and ECB) continue to inject liquidity through large scale asset purchases supporting valuations across sectors. This is a key risk factor and we continue to be vigilant on this issue.
- Housing continues to be a major issue in the U.S. Housing finance reform debate is dominated by the need for private capital as the GSEs' footprint shrinks in this market. Potential change in government policy could present a major business opportunity for Dynex shareholders.
- The risk adjusted return and the liquidity of 30-year fixed-rate RMBS more than compensate for the relatively higher duration drift vs. less liquid ARMs. The incremental liquidity also gives us the ability to shrink or grow the balance sheet rapidly.

Macroeconomic Themes

Our core macroeconomic views center around the following themes:

- Global economic fundamentals have improved - but still fragile
- U.S. fundamentals - inflation declining; GDP increasing; employment improving
- Government policy - monetary, regulatory, fiscal - will continue to drive returns and is more uncertain today than at any point in the last decade
    - Composition and culture of the Federal Reserve could change over the next 2 years
    - Economic environment increases potential tightening/easing cycle by the Fed similar to 1994-1995
    - Fed intends to reduce MBS/Treasury portfolio
- High asset prices reflect global demand for yield and significant QE liquidity injections from central banks
- Global debt and US debt are at all time high levels, creating a fragile global economy vulnerable to exogenous events
- Globalization has created an irreversible connectedness between our economy and the rest of the world

Long-Term Positive Trends

Our business model is supported by positive long-term trends:

- U.S. demographic trends are driving a significant increase in household formation and therefore more demand in multifamily and single-family housing
- Global demographic aging trends are driving a demand for income/yield investments
- As government participation wanes there is a large need for private capital and expertise in the housing finance system
- The outlook for the regulatory environment is improving and could provide both investment and financing opportunities

Risk and Investment Posture

- **Interest Rate Risk**: We have structured the portfolio to be more interest rate neutral and we have now included hedges incorporating the risk profile of 30-year fixed rate RMBS. There are many global factors that will ultimately determine the level of interest rates. We expect to dynamically and opportunistically manage our profile including the addition of other instruments such as options and swaptions.

- **Spread Risk:** Spreads on all major fixed income asset classes are close to their tightest levels since 2014. Volatility in high quality asset spreads has been muted by central bank quantitative easing activities. The return offered by Agency 30-year fixed rate RMBS is greater than that offered by riskier assets. While the Fed's reinvestment policy could impact pricing in this sector, we have increased our allocation to this investment as we believe long term returns are compelling and accretive. Asset spreads could be vulnerable to widening due to changes in central bank involvement in these markets, which would present an opportunity to add assets.

- **Credit Risk:** We remain invested in the highest quality assets, which includes Agency and AAA rated securities. Credit spreads on lower rated tranches have tightened substantially and are vulnerable to economic weakness and sector related default risk. This risk is further exacerbated when these positions are funded with short term repo – a risk we do not believe offers long term value at these levels.

- **Liquidity and Leverage Risk:** We are focused on high quality earning assets that are highly liquid, which gives us the flexibility to reallocate capital. We will also dynamically manage leverage and liquidity to opportunistically increase the size of our portfolio, which we expect to ultimately drive earnings.

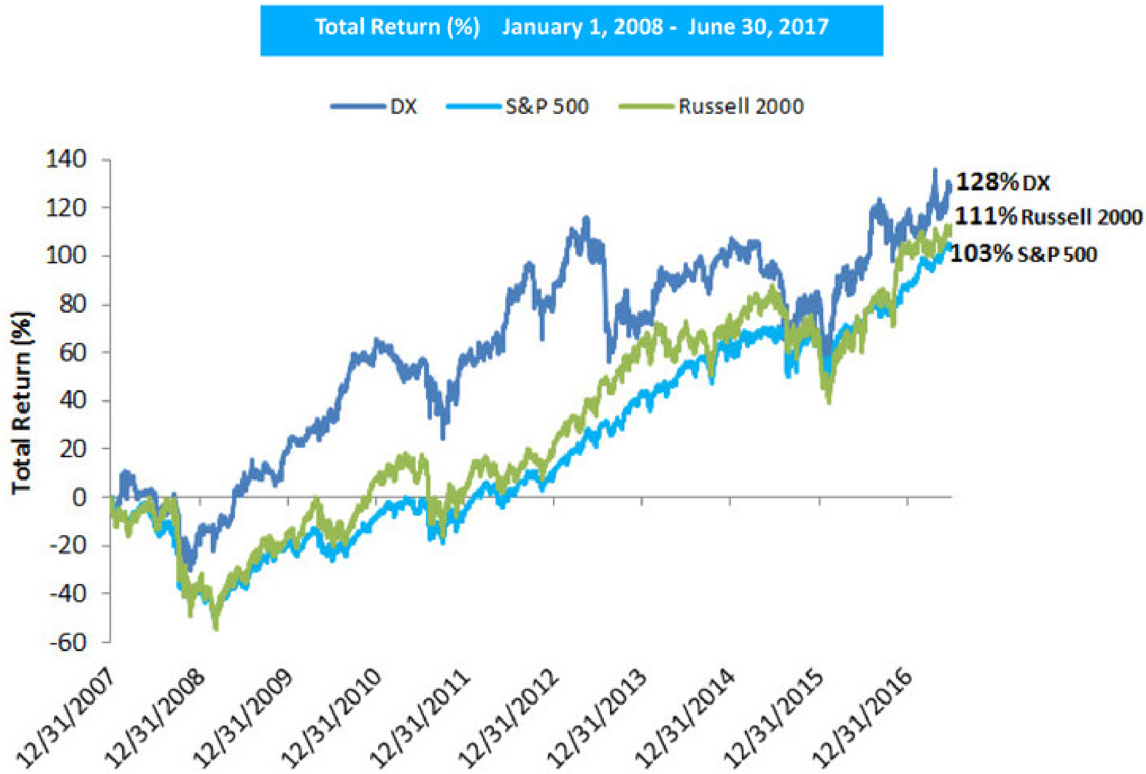
Strategic Focus

- Maintain investments in higher credit quality, more liquid assets with some portion providing extension and prepayment protection
- Capitalize on opportunities for investing capital from shifts in government and regulatory policy
- Positioned to reallocate/invest capital as market volatility creates attractive risk adjusted return opportunities
- Continue to seek ways to diversify funding sources as the regulatory environment becomes more favorable
- Continue commitment to disciplined risk management and capital allocation decisions that maximize flexibility given the current environment

Summary

- Year to date we have paid $0.36 in dividends per common share and reported core net income of $0.34 per common share.
- We continue to believe the diversified investment strategy will generate superior risk adjusted returns given the complementary cash flow and risk profiles of the commercial and residential sectors.
- There is a unique opportunity to generate returns in 30-year fixed rate RMBS. We are allocating capital out of ARMs and have doubled our position in the 30-year sector since June 30, 2017. We expect to continue to opportunistically invest in this sector, which will help drive earnings for the remainder of the year.
- The risk adjusted returns and the liquidity of 30-year fixed rate RMBS more than compensates for the relatively higher duration drift versus less liquid ARMs. The incremental liquidity also gives us the ability to shrink or grow the balance sheet rapidly.
- Global macro environment is still complex and asset prices are high and the potential for spread widening is elevated.
- We have an experienced management team, an internally managed structure that creates shareholder alignment, and a long-term history of disciplined capital allocation.

Long-Term Value is Driven by Above Average Dividends



Source: SNL Financial

Market Snapshot

	Common Stock	Preferred Stocks	
NYSE Ticker:	*DX*	*DXPrA*	*DXPrB*
Shares Outstanding: (as of 6/30/17)	49.23M	2.30M	3.05M
Q2 Dividends per share:	$0.18	$0.53125	$0.4765625
Dividend Yield: (annualized, based on 7/24/17 stock price)	10.53%	8.32%	7.76%
Share Price: (at 7/24/17)	$6.84	$25.54	$24.57
Market Capitalization: (based on 6/30/17 shares outstanding and 7/24/17 stock price)	$336.76	$58.74	$74.91
Price to Book: (based on 6/30/17 book value and 7/24/17 stock price)	92.7%	-	-


Appendix
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Credit Spreads *(in bps)*

Asset Class	6/30/17	3/31/17	12/31/16	9/30/16	06/30/16	12/31/15	06/30/15	12/31/14
Agency DUS	**68**	**67**	**76**	**80**	**94**	**89**	**60**	**59**
Freddie K AAA IO	**145**	**150**	**200**	**230**	**255**	**225**	**150**	**155**
AAA CMBS	**88**	**93**	**91**	**100**	**104**	**138**	**92**	**88**
AAA CMBS IO	**110**	**145**	**195**	**215**	**240**	**240**	**175**	**165**
Freddie K B	**165**	**220**	**295**	**265**	**325**	**350**	**157**	**170**
Fixed 30yr FN 3%	**33**	**31**	**36**	**22**	**30**	**34**	**24**	**17**
Fixed 30yr FN 4%	**28**	**24**	**31**	**11**	**26**	**32**	**25**	**2**
Freddie K C	275	350	435	490	540	480	228	250
IG Corporates	123	128	138	159	157	172	146	132
High Yield	441	456	476	558	628	746	521	562
AA CMBS	132	129	128	160	186	223	163	141
A CMBS	182	182	230	255	304	348	230	203
BBB CMBS	357	439	485	560	604	562	388	358
10y swap spreads	(2.4)	(0.4)	(13.0)	(14.0)	(10.6)	(8.5)	9.8	11.8
CRT.M3-2014	162	236	297	311	415	478	425	475
Agency ARM 5/1 (new issue)	21	24	19	32	38	22	16	21
Fixed 30yr FN 3.5%	35	30	33	21	31	34	28	5

Dynex Portfolio

Source: Blackrock, JP Morgan and Company data

Book Value Rollforward

($ in thousands, except per share amounts)	$ Amount	Per Common Share
Common shareholders' equity, March 31, 2017 [(1)]	$370,094	$7.52
GAAP net loss:		
Core net operating income [(2)]	9,334	0.19
Realized loss on sale of MBS, net	(3,709)	(0.07)
Remaining GAAP income amounts	103	—
Change in fair value of derivatives	(15,801)	(0.32)
Unrealized gains on MBS	12,448	0.25
Dividends declared	(8,862)	(0.18)
Stock transactions	(49)	(0.01)
Common shareholders' equity, June 30, 2017 [(1)]	$363,558	$7.38

GAAP EPS: $(0.20)

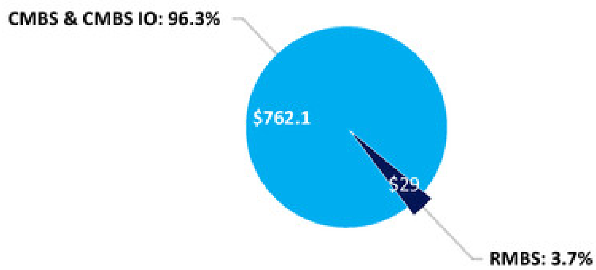
(1) Common shareholders' equity represents total shareholders' equity less the liquidation value of preferred stock outstanding as of the date indicated.
(2) Reconciliations for non-GAAP measures are presented in the Appendix.

Portfolio Details* *(as of June 30, 2017)*

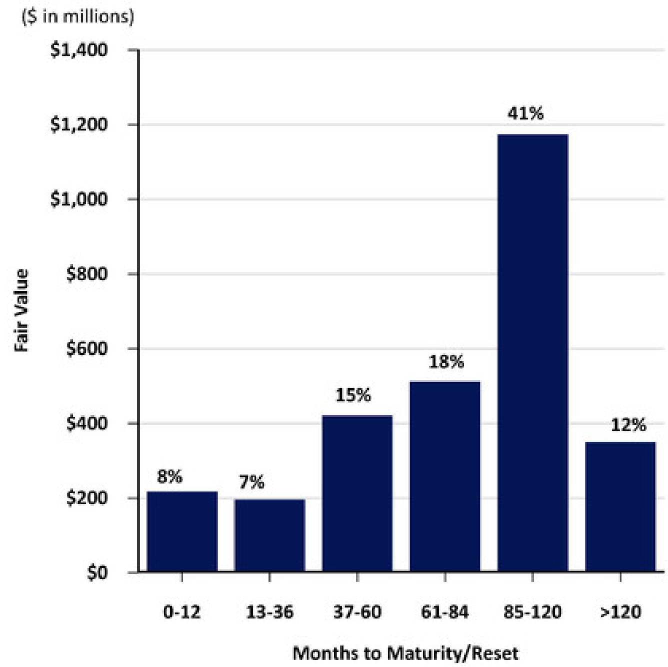
** MBS investments only, excludes loans held for investment.*

Net Premium by Asset Type [1]

($ in millions)

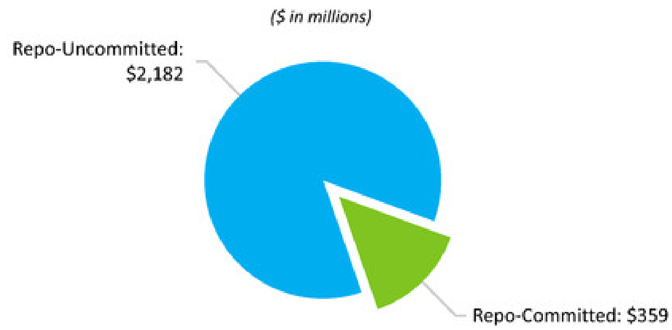


Portfolio Expected Maturity/Reset Distribution



[1] *CMBS & CMBS IO typically have prepayment protection. RMBS have no prepayment protection.*

Funding Sources *(as of June 30, 2017)*



Active Counterparty by Region	#	% of all REPO
North America	9	70%
Asia	6	16%
Europe	3	14%
Total	18	100%

Active Counterparty by Type	#	% of all REPO
Broker/Dealers	4	19%
Domestic Banks	8	64%
Foreign Banks	6	17%
Total	18	100%

- We maintain a diversified funding platform with over 34 established counterparties, currently active with 18 counterparties
- Our funding is well diversified by counterparty and geography
- Repo markets remain highly liquid

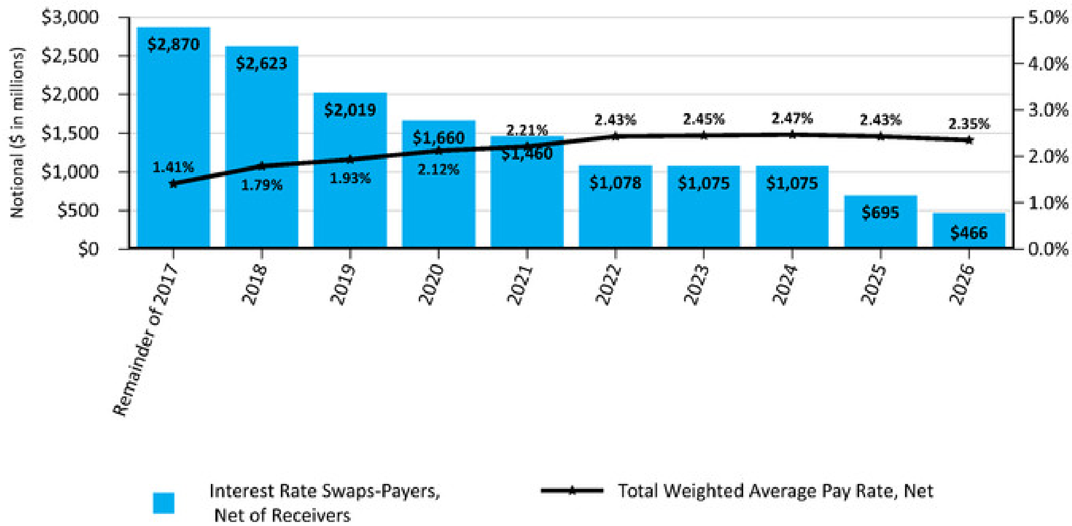
TBA Dollar Roll Funding Advantage

Q2 2017			
	TBA Dollar Roll [1]	*Example:* Specified Agency MBS Funded with Repo	Dollar Roll Fund Advantage
Agency MBS yield / dollar roll net interest spread	3.05 %	3.05 %	—%
Repurchase agreement cost	(0.90)%	(1.25)%	0.35%
	2.15 %	1.80 %	0.35%
Interest rate swap cost	(0.73)%	(0.73)%	—%
Net interest spread	1.42 %	1.07 %	0.35%

[1] Based on drop income of $1,351 on average TBA securities balance on an if-settled basis of $259,842.

Hedging Details

As of June 30, 2017



Risk Position

Treasury Yields [1]	As of June 30, 2017	As of March 31, 2017
2Y	1.38%	1.26%
5Y	1.89%	1.92%
10Y	2.31%	2.39%
30Y	2.84%	3.01%

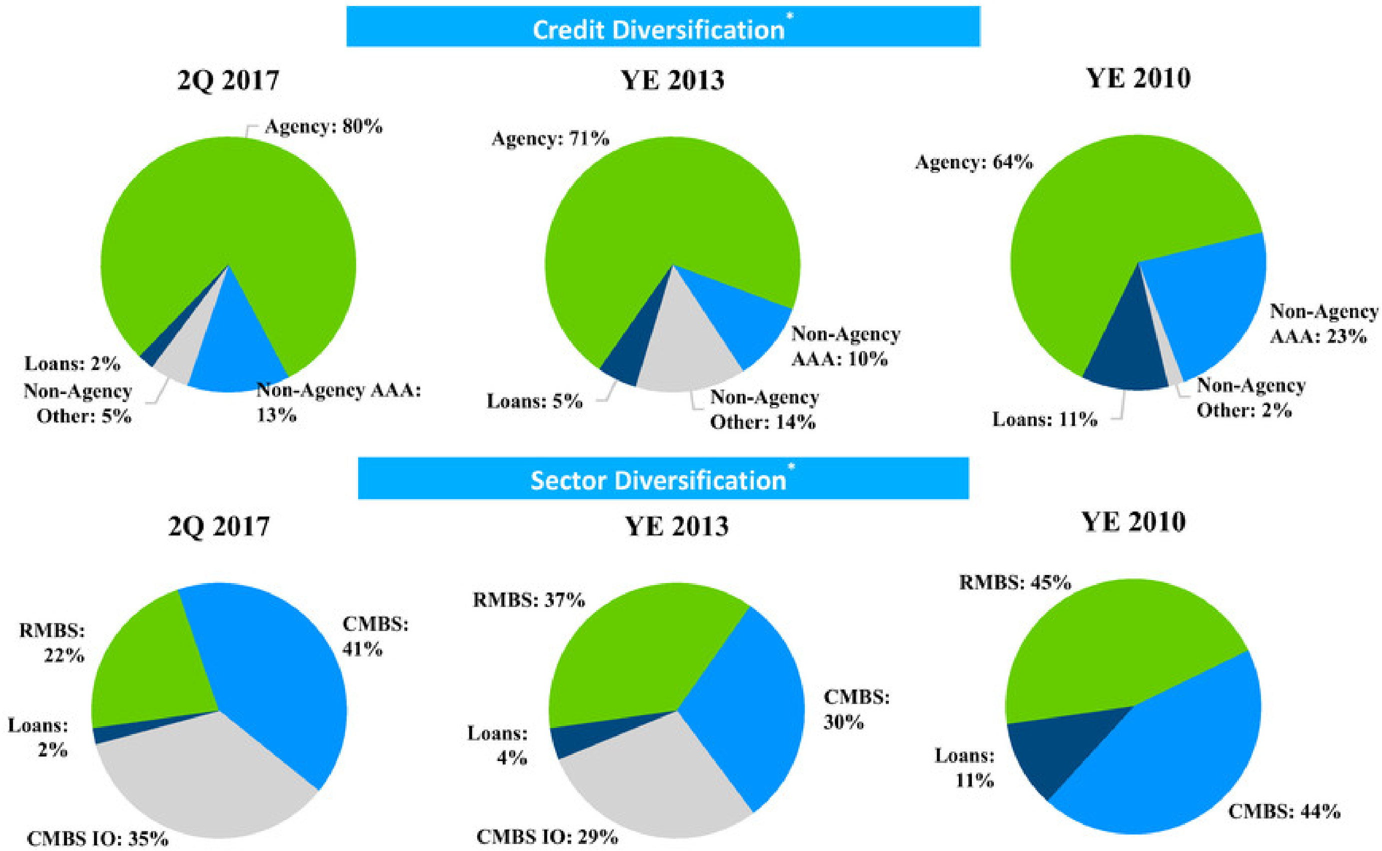
Parallel Change in Treasury Yields (bps)	Percentage Change in Projected Market Value of Assets, Net of Hedges [2]	
	As of June 30, 2017	As of March 31, 2017
+100	(0.49)%	(0.34)%
+50	(0.19)%	(0.14)%
-50	0.06%	0.03%

Curve Shift 2 year Treasury (bps)	Curve Shift 10 year Treasury (bps)	Percentage Change in Projected Market Value of Assets, Net of Hedges [2]	
		As of June 30, 2017	As of March 31, 2017
0	-25	—%	(0.15)%
-10	-50	—%	(0.26)%
+25	+50	(0.14)%	0.07%
+50	+100	(0.38)%	0.07%
+25	+0	(0.06)%	(0.23)%
+50	+25	(0.14)%	(0.28)%

Parallel Change in Market Credit Spreads	Percentage Change in Projected Market Value of Assets	
	As of June 30, 2017	As of March 31, 2017
+50	(1.99)%	(2.26)%
+25	(1.00)%	(1.14)%
-25	1.01%	1.15%
-50	2.03%	2.32%

[1] Treasury yields source: Bloomberg
[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. The projections for market value do not assume any change in credit spreads.

Disciplined Capital Allocation (% of investment capital)

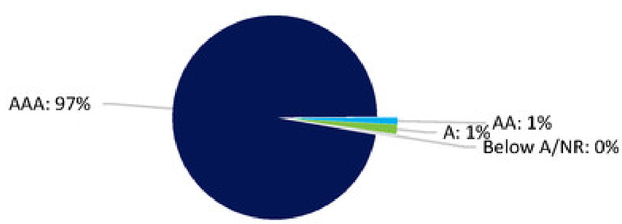


*Amounts exclude non-investment assets/liabilities

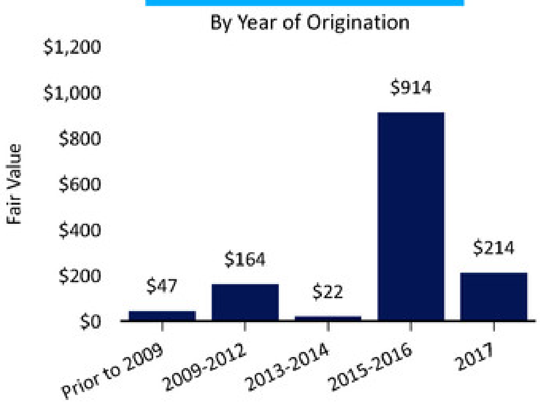
DYNEX CAPITAL INC.

CMBS
(as of June 30, 2017)

Credit Quality



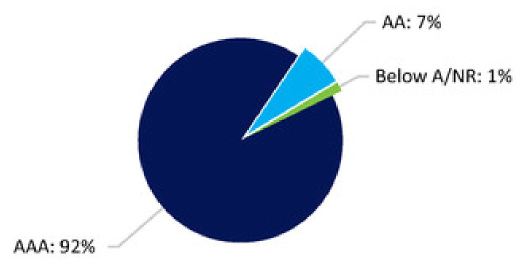
Vintage



($ in millions)

CMBS IO
(as of June 30, 2017)

Credit Quality

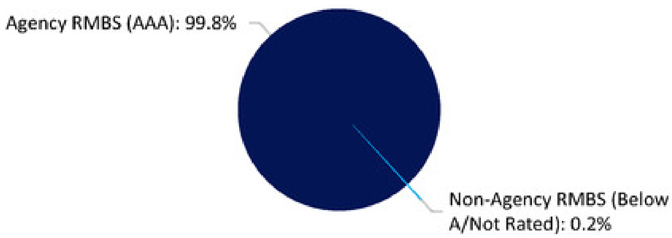


Vintage

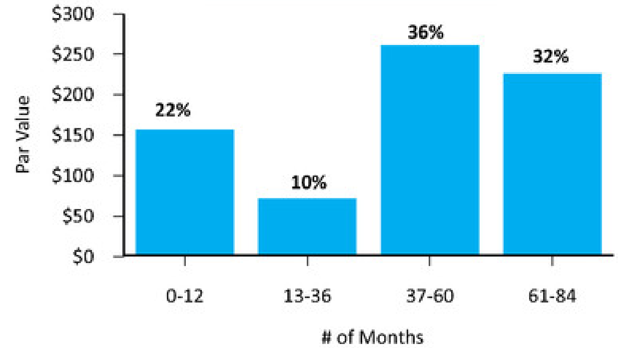
RMBS *(as of June 30, 2017)*

($ in millions)

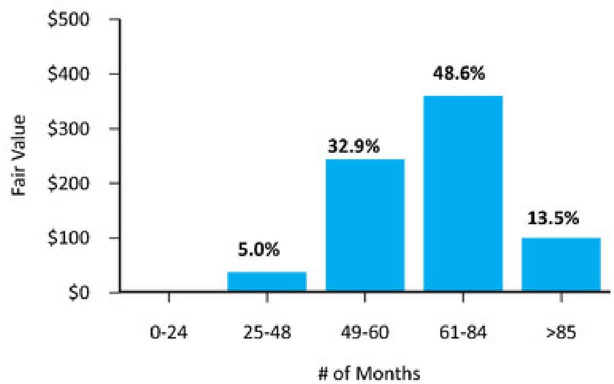
Credit Quality



Months to Maturity/Reset For ARMs/Hybrids



Weighted Average Loan Age



DYNEX CAPITAL INC.

Financial Performance - Comparative Quarters

($ in thousands, except per share amounts)	2Q2017 Income (Expense)	2Q2017 Per Common Share	1Q2017 Income (Expense)	1Q2017 Per Common Share
Interest income	$24,856	$0.51	$22,419	0.45
Interest expense	8,714	0.18	7,519	0.15
GAAP net interest income	16,142	0.33	14,900	0.30
Add: drop income	1,351	0.03		
Plus: net periodic interest costs (1)	(1,352)	(0.03)	(615)	(0.01)
Less: accretion of de-designated hedges	(73)	—	(99)	—
Adjusted net interest income (2)	16,068	0.33	14,186	0.29
Other income, net	4	—	(46)	—
G & A expenses	(4,097)	(0.08)	(4,280)	(0.09)
Preferred stock dividends	(2,641)	(0.06)	(2,435)	(0.05)
Core net operating income to common shareholders (2)	9,334	0.19	7,425	0.15
Change in fair value of derivatives (1)	(15,801)	(0.32)	790	0.02
Realized loss on sale of investments, net	(3,709)	(0.07)	(1,708)	(0.04)
Accretion of de-designated hedges	73	—	99	—
Fair value adjustments, net	30	—	10	—
GAAP net (loss) income to common shareholders	(10,073)	(0.20)	6,616	0.13
Unrealized gain on MBS	12,448	0.25	20,076	0.41
Accretion of de-designated hedges	(73)	—	(99)	—
Total comprehensive income	$2,302	$0.05	$26,593	$0.54

(1) Net periodic interest costs and change in fair value of derivatives are components of "gain (loss) on derivative instruments, net" reported in the comprehensive income statement.

(2) Reconciliations for non-GAAP measures are presented in the Appendix.

Dividend Character - YTD 06/30/2017 *(Estimated)*

($ in thousands)	
GAAP net loss to common shareholders	($3,458)
GAAP net income on taxable REIT subsidiary	17
GAAP net loss to common shareholders excluding taxable REIT subsidiary	(3,475)
Differences between GAAP net loss and taxable income:	
Change in fair value of derivative instruments	16,873
Loss on sale of investments	251
Tax amortization on terminated derivative instruments	(10,758)
Premium amortization	1,625
Other	(564)
Taxable income to common shareholders	3,952
Add back: Capital losses	1,781
Taxable income - ordinary income	$5,733
Common dividends paid deduction	($19,093)
Common dividend representing return of capital	($13,360)
% of common dividend representing non-taxable return of capital	70.0%

Reconciliation of GAAP Measures to Non-GAAP Measures

($ in thousands except per share data)

	Quarter Ended				
	6/30/17	3/31/17	12/31/16	9/30/16	06/30/16
GAAP net (loss) income to common shareholders	($10,073)	$6,616	$66,758	$12,406	($5,525)
Adjustments:					
Accretion of de-designated cash flow hedges [1]	(73)	(99)	(99)	(99)	(80)
Change in fair value of derivatives instruments, net [2]	15,801	(790)	(56,686)	(2,564)	15,811
Loss on sale of investments, net	3,709	1,708	—	—	297
Fair value adjustments, net	(30)	(10)	(17)	(34)	(28)
Core net operating income to common shareholders	$9,334	$7,425	$9,956	$9,709	$10,475
Core net operating income per common share	$0.19	$0.15	$0.20	$0.20	$0.21

	Quarter Ended				
	6/30/17	3/31/17	12/31/16	9/30/16	06/30/16
GAAP net interest income	$16,142	$14,900	$16,105	$15,067	$16,716
Add: TBA drop income	1,351	—	—	—	—
Add: net periodic interest costs [3]	(1,352)	(615)	(140)	(155)	(486)
Less: de-designated hedge accretion [1]	(73)	(99)	(99)	(99)	(80)
Non-GAAP adjusted net interest income	$16,068	$14,186	$15,866	$14,813	$16,150
GAAP interest expense	$8,714	$7,519	$6,753	$6,068	$6,100
Add: net periodic interest costs [3]	1,352	615	140	155	486
Less: de-designated hedge accretion [1]	73	99	99	99	80
Non-GAAP adjusted interest expense	$10,139	$8,233	$6,992	$6,322	$6,666

(1) 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 hedge accounting effective June 30, 2013.

(2) Amount represents net realized and unrealized gains and losses on derivatives and excludes net periodic interest costs related to these instruments.

(3) Amount represents net periodic interest costs on effective interest rate swaps outstanding during the period and exclude termination costs and changes in fair value.

MREIT Glossary of Terms

Commercial Mortgage-Backed Securities (CMBS) are a type of mortgage-backed security that is secured by the loan on a commercial property.

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

Curve Twist Terms:

- **Bull Flattener:** If the yield curve is exhibiting bull flattener behavior, the spread between the long-term rate and the short-term rate is getting smaller because long-term rates are decreasing as short-term rates are increasing. This could occur as more investors choose long-term bonds relative to short-term bonds, which drives long-term bond prices up and reduces yields.
- **Bear Flattener:** A yield-rate environment in which short-term interest rates are increasing at a faster rate than long-term interest rates. This causes the yield curve to flatten as short-term and long-term rates start to converge.
- **Bear Steepener:** Widening of the yield curve caused by long-term rates increasing at a faster rate than short-term rates. This causes a larger spread between the two rates as the long-term rate moves further away from the short-term rate.
- **Bull Steepener:** A change in the yield curve caused by short-term rates falling faster than long-term rates, resulting in a higher spread between the two 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.

Interest Only Securities (IOs) are the interest only strips of mortgage, Treasury, or bond payments, which are separated and sold individually from the principal portions.

MREIT Glossary of Terms

Interest Rate Risk is the risk that an investment's value will change due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship.

Leverage is the use of borrowed money to finance assets.

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

Repurchase Agreements are a short-term borrowing that uses loans or securities as collateral. The lender advances only a percentage 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.

Spread Risk is the uncertainty in pricing resulting from the expansion and contraction of the risk premium over the benchmark or the risk of how the spread of a security will react over the benchmarked security. treasury curve.

TBA Securities are forward contracts for the purchase or sale of 15-year and 30-year generic Agency RMBS.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