

DYNEX CAPITAL, INC.

Corporate Governance Guidelines

Introduction

The business of the Company is governed by its Board of Directors (the “Board”). The following Corporate Governance Guidelines have been adopted by the Board in accordance with the requirements of the New York Stock Exchange (the “NYSE”), on which the Company’s stock is listed for trading, and to assist directors in fully understanding and effectively implementing their functions while assuring the Company’s ongoing commitment to high standards of corporate conduct and compliance. These Corporate Governance Guidelines are intended to provide a framework for the system of corporate governance and to address specific issues pertaining to the Company’s governance, including:

- Key responsibilities;
- Size of the Board;
- Criteria for membership and selection to the Board;
- Committees of the Board;
- Meetings and access to management;
- Director compensation;
- Director orientation and continuing education;
- Annual performance evaluation of the Board;
- Annual review of performance of the chief executive officer and management succession; and
- Ethics and conduct.

New and continuing members of the Board are encouraged to review these guidelines periodically and to continue to foster a corporate culture focused on efficient and ethical governance.

Key Responsibilities

Ultimately, all of the business of the Company is managed under the direction and oversight of the Board, with the Company’s senior management team responsible for the day-to-day business management. The Board appoints and oversees the performance of the chief executive officer. The Board also reviews the chief executive officer’s recommendations for the Company’s senior management team and appoints and oversees the performance of the senior management team. Each director has the responsibility to oversee management, to exercise his or her business judgment, to act in good faith and to take actions that are in the best interest of the Company’s shareholders.

In fulfilling its responsibilities, the members of the Board are expected to:

- maintain a high level of integrity on an individual and collective basis,
- apply themselves to understanding the business of the Company, its industries and significant risks,
- review and monitor the long-term strategies, plans, goals and business objectives of the Company as presented by senior management,
- evaluate the financial performance of the Company on a regular basis,
- conduct objective and thorough reviews and assessments of the chief executive officer of the Company,
- devote sufficient time to Board and committee meetings and related activities,
- abide by the Company's Code of Business Conduct and Ethics,
- conduct management succession planning and review, and
- evaluate the overall performance and effectiveness of the Board.

Size of the Board

The number of directors shall be determined by the Board, subject to automatic increase in certain situations in accordance with the Articles of Incorporation of the Company and subject further to the minimum and maximum member requirements as set forth in the Bylaws of the Company. The Board periodically evaluates the size of the Board and whether the number of directors should be increased or decreased.

Criteria for Board Membership

It is the Company's policy to maintain standards for director qualifications. The Nominating & Corporate Governance Committee is responsible for recommending any changes in Board membership and identifying and recommending director prospects for nomination to the Board annually or as vacancies occur. The Board is responsible for nominating individuals for election to the Board and for electing a Chairperson of the Board from among the members of the Board.

Independence

The Board must be comprised of a majority of independent directors as described by the applicable rules of the NYSE. The Board, with the assistance of the Nominating & Corporate Governance Committee, will determine at least on an annual basis whether each director is independent. Only those directors who do not have any of the specific relationships that preclude them from being independent within the meaning

of applicable NYSE rules and who the Board affirmatively determines have no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company) are considered to be independent directors. In addition, in accordance with the Bylaws of the Company, during such time as the Company seeks to qualify as a REIT, except in the case of a vacancy, the Board will be comprised of a majority of “unaffiliated directors” as that term is defined in the Bylaws.

A director will not be independent if, within the meaning of applicable NYSE rules:

- the director is, or has been within the last three years employed by the Company, or an immediate family member is, or has been within the last three years an executive officer of the Company;
- (i) the director or an immediate family member is a current partner of a firm that is the Company’s independent or internal auditor; (ii) the director is a current employee of such a firm; (iii) an immediate family member is a current employee of such a firm and personally works on the Company’s audit; or (iv) the director or an immediate family member was within the last three years a partner or employee of such a firm and personally worked on the Company’s audit within that time;
- the director, or an immediate family member, is or has been within the last three years employed as an executive officer of another company where any of the Company’s present executive officers serves or served at the same time on that company’s compensation committee;
- the director is a current executive officer or employee, or has an immediate family member who is a current executive officer, of a company that made payments to, or received payments from, the Company for property or services in any of the last three fiscal years in an annual amount exceeding the greater of \$1 million or 2% of such company’s consolidated gross revenues; or
- the director, or an immediate family member, has received during any twelve month period within the last three years more than \$120,000 in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service).

The Board has adopted certain guidelines for determining the materiality of commercial or charitable relationships. Except with respect to members of the Audit Committee and the Compensation Committee, for purposes of determining whether a non-employee director is independent, the following relationships will not be considered to be a material relationship between a director and the Company:

- if during any twelve month period within the last three years, the director or any immediate family member of the director received \$120,000 or less in direct compensation from the Company, excluding director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);
- if during each of the current fiscal year and three most recent fiscal years, the director is, or was, an executive officer or an employee (or has, or had, an immediate family member who is, or was, an executive officer) of another company that made payments to, or received payments from, the

Company for property or services in an amount which, in each of the last three fiscal years, did not exceed the greater of \$1 million or 2% of such other company's consolidated gross revenues; or

- the director serves as an executive officer of a charitable organization to which the Company made charitable contributions that did not exceed the greater of \$1 million, or 2% of such charitable organization's consolidated gross revenues in each of the last three fiscal years.

Relationships not falling within the criteria set forth in the three preceding bullets (the "Company's Categorical Standards") will be evaluated for materiality by the Board based upon all the relevant facts and circumstances. For members of the Audit Committee and Compensation Committee, who are subject to heightened independence requirements, each relationship will be evaluated for materiality by the Board based upon all the relevant facts and circumstances, even if the relationship would fall within the Company's Categorical Standards noted above. For each director and nominee for director that is determined to be independent, the Company will disclose in the proxy statement for its annual meeting of shareholders, by specific category or type, any transaction, relationship or arrangement that was considered by the Board in its determination of independence that is not otherwise disclosed in the proxy statement as a related person transaction.

Audit Committee Expertise

The Board will determine at least on an annual basis whether each member of the Audit Committee satisfies the criteria necessary to be deemed an "audit committee financial expert". The Board will evaluate each member against criteria established by the Securities and Exchange Commission and will make a formal determination on whether the director can be deemed an "audit committee financial expert." The Nominating & Corporate Governance Committee will assist the Board in determining whether a director meets the criteria of an "audit committee financial expert" by evaluating the director against criteria established by the Securities and Exchange Commission and presenting the findings from this evaluation to the Board. The Board may presume that a director who meets the criteria of an "audit committee financial expert" has the accounting or related financial management expertise required by NYSE rules.

Service to Other Companies

The number of other company boards on which a Company director may serve shall be subject to a case-by-case review by the Nominating & Corporate Governance Committee. The review will consider, among other things, whether the company should be considered a competitor, the director's ability to devote sufficient time to perform his or her duties as a Company director and whether serving on another board could cause a potential conflict of interest with serving as a Company director. The Nominating & Corporate Governance Committee will determine on a case-by-case basis whether permitting the director to accept the directorship is consistent with the best interests of the Company and its shareholders. The Nominating & Corporate Governance Committee will solicit the advice of counsel as necessary. A director is expected to advise the Chairperson of the Board and the Chairperson of the Nominating & Corporate Governance Committee promptly upon being offered any other public company directorship, any assignment to the audit committee or compensation committee of the board of directors of any public company of which such director is a member, or a directorship of any company that may be viewed as a competitor of the Company.

In addition, any director who is offered a position as an officer, employee or consultant of any company that may be viewed as a competitor of the Company is expected to advise the Chairperson of the Board and the Chairperson of the Nominating & Corporate Governance Committee promptly. The Nominating & Corporate Governance Committee will conduct a review in a manner similar to that noted above for a directorship. If the Nominating & Corporate Governance Committee determines that the position is not consistent with the best interests of the Company and its shareholders, the director shall not accept such position.

A Company director serving another company in any capacity is expected to advise the Chairperson of the Board and the Chairperson of the Nominating & Corporate Governance Committee promptly if a potential conflict of interest develops because of a change in the business of such company or the Company or in the director's circumstances, so that the matter may be evaluated and an appropriate resolution may be determined.

In general, serving on the board of a not-for-profit entity will not require prior approval by the Nominating & Corporate Governance Committee. In all cases, each director will disclose to the Board at least annually a list of all boards on which the individual serves.

Skills and Characteristics

The Board requires that each of its members possess unquestionable integrity and character. The Nominating & Corporate Governance Committee will assist the Board in identifying other appropriate skills and characteristics required for Board membership. In evaluating current and prospective members, the Nominating & Corporate Governance Committee will consider and assess issues and factors regarding an individual's education, business experience, accounting and financial expertise, age, diversity, reputation, civic and community relationships, knowledge and experience in matters impacting the industry of the Company.

Lead Independent Director

If the Chairperson of the Board is an officer of the Company, then a lead independent director will be designated by the independent directors. The lead independent director will assist the Chairperson of the Board with board-related matters and will act, as necessary, as a liaison between the independent directors and the Chairperson of the Board. The lead independent director also will preside at all executive sessions and other meetings of non-management directors, and shall have the power to call meetings of the non-management directors.

Retirement Policy

The Board has established a retirement policy for directors which it believes is appropriate for its circumstances. Under that policy, new directors may not stand for reelection after reaching age 70; however, individuals who were serving as directors on March 11, 2010 may not stand for reelection past age 75.

Committees of the Board

The Board has established an Audit Committee, a Compensation Committee, and a Nominating & Corporate Governance Committee to assist in fulfilling its obligations and responsibilities. Members of the foregoing committees will be independent and will meet criteria established by the NYSE and all applicable laws and regulations. Separate charters and self-evaluation practices will be established for each of these committees.

The Board has also established an Investment Committee to assist the Board in the oversight of the Company's investment and investment risk management activities.

In addition, the Board can establish special committees from time to time.

The Nominating & Corporate Governance Committee recommends all Board committee assignments and committee chairs on all active committees of the Board, and recommends committee members to fill vacancies on committees as necessary.

Each committee will have a Chairperson. In general, the Chairperson shall be responsible for the overall activities of the committee and for achieving the Committee's purposes. The Chairperson of each committee, in consultation with the appropriate members of management and staff, will develop the committee's agenda, which will be circulated in advance of each meeting.

Each committee Chairperson, in consultation with the committee members, will determine the frequency and length of the meetings of the committee. All committee meetings shall be open only to members of the committee and employees or other persons invited, except where otherwise specified by the Chairperson. Furthermore, committees will meet only as required by the purposes of each committee and the duties of the committee members. At each meeting of the Board, committee Chairpersons will present oral reports to the full Board. Each committee shall keep written minutes of its meetings and a draft of such minutes shall be timely distributed to all committee members. Each committee's minutes, once approved by the respective committee, will be presented to the Secretary of the Company for inclusion in the Company's minute books and will be available to all members of the Board upon request.

Meetings and Access to Management

The Board generally meets in formal sessions at least four times per year. Directors are expected to participate in all Board meetings and meetings of committees on which they serve. Directors are also expected to spend sufficient time to prepare for meetings. The Chairperson of the Board will prepare the agenda for each Board meeting, taking into account suggestions from Board members and the lead independent director in particular.

The agenda and as much information and data as is relevant to the Board members' understanding of the matters to be discussed at an upcoming Board meeting and that is practical to provide will be distributed to all members of the Board in advance of the meeting. Senior management is expected to update the Board on any significant developments or matter between Board meetings. The Board recognizes that the Board's proceedings and deliberation, including those of its committees, are confidential, and that each director shall maintain the confidentiality of information received in connection with his or her service as

a director. In addition, directors must disclose to other directors any potential conflicts of interest they may have with respect to any matter under discussion and, if appropriate, refrain from voting on a matter in which they may have a conflict.

The Board has open and complete access to the Company's executive officers, its other managers and, as necessary and appropriate, independent advisors. The Board may arrange to meet with managers at any level without senior management present. The Board welcomes the regular attendance of senior management at Board meetings, and the chief executive officer is encouraged to invite any other employees to Board and committee meetings who can provide additional insight and expertise into matters being discussed by the Board and the committees.

The independent directors will meet at least once a year in executive session, with no management directors or management present. It is expected that executive sessions will occur at the end of regularly scheduled Board meetings. The Chairperson of the Board will generally chair the executive sessions. If the Chairperson of the Board is an officer of the Company, the lead independent director will chair the executive sessions.

Director Compensation

Maintaining the independence in fact and appearance for non-management Board members is critical. Non-management members of the Board are paid an annual base fee plus meeting attendance fees. The non-management members also receive equity based compensation as outlined in the Company's annual proxy statement. Generally, it is the Company's policy to pay non-management members of the Board fees that are commensurate with fees paid to board members of entities that are similar to the Company. The Board will review annually the form and amount of compensation to be paid to directors, including cash, equity-based awards and other director compensation, after considering the views and recommendations of the Compensation Committee. In connection with such director compensation, the Board will be aware that questions may be raised when directors' fees and benefits exceed what is customary. Similarly, the Board will be aware that the independence of directors could be questioned if substantial charitable contributions are made to organizations in which a director is affiliated or if the Company enters into consulting contracts with, or provides other indirect compensation to, a director. The Board will critically evaluate each of these matters when determining the form and amount of director compensation and the independence of a director. Generally, the Company's policy is to refrain from entering contracts with Board members and their immediate family members or providing support directly or indirectly to other organizations with whom a Board member may be affiliated. In the event the Company deems it appropriate to enter transactions with a Board member or a member of their immediate family, the terms of the transaction must be made in the ordinary course of business and on substantially the same terms as those prevailing at the time for a comparable transaction with a non-affiliated person. Unless the transactions fall within the Company's Categorical Standards, the Board will evaluate each of these transactions when the independence of the director is determined.

Director Orientation and Continuing Education

The Company seeks to facilitate ongoing orientation and continuing education for all members of the Board. New members are provided with a detailed orientation session. Continuing education consists of, among other things, presentations from senior management regarding the Company's strategic plans,

significant accounting and financial issues, unique transactions, compliance and risk management techniques. Internal auditors and external accountants and consultants will make additional presentations when deemed necessary and appropriate.

Annual Performance Evaluation of the Board

Annually, the Board must complete a self-evaluation to determine whether it and its committees are functioning effectively.

The Nominating & Corporate Governance Committee is responsible for overseeing the self-evaluation by the directors of the Board's performance and will report and discuss its findings and conclusions to the Board.

Annual Review of Performance of the Chief Executive Officer and Management Succession

The Compensation Committee will conduct an annual review of the performance of the chief executive officer and will prepare a performance report, which may be oral or written. The report of the Committee will be presented to the full Board in order to ensure that the chief executive officer is providing the best leadership for the Company.

The Compensation Committee is responsible for ensuring that the Company has appropriately planned for management succession. The Compensation Committee will maintain a formal policy for selection of key executives and for succession during emergencies and in the event of retirement.

Ethics and Conduct

The Company has adopted a Code of Business Conduct and Ethics (the "Code"). The Code applies to all employees, officers and directors of the Company, its subsidiaries, and its controlled affiliates. No waiver of strict compliance with the Code by an executive officer or a director of the Company shall be considered or granted except as provided by the Board, or a committee of the Board specifically authorized for the purpose. In the event its ultimate responsibility to the Company's shareholders requires consideration of such a waiver, the Board may prospectively grant by resolution the limited waiver of the Code, provided that such waiver will not cause a violation of any applicable law, regulation or NYSE rule. Any waivers from the Code shall be promptly disclosed to shareholders to the extent required by applicable law and NYSE rules.

Review of Guidelines; Amendment; Waiver

The Board, with the assistance of the Nominating & Corporate Governance Committee, as appropriate, shall review these Corporate Governance Guidelines on at least an annual basis to determine whether any changes are appropriate.

These Corporate Governance Guidelines may be amended, modified or waived by the Board, subject to the disclosure and other provisions of the Securities Exchange Act of 1934, the rules promulgated thereunder and the applicable rules of the NYSE.

Originally approved on June 2, 2004 and last amended and approved March 3, 2014, in each case by the Board of Directors of Dynex Capital, Inc.