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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): **June 3, 2014**

**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))
-

**Item 7.01 Regulation FD Disclosure.**

Dynex Capital, Inc. (the “Company”) has updated its presentation materials to be used in meetings with shareholders and the investment community. The updated materials are attached hereto as Exhibit 99.1 and incorporated herein by reference. The updated materials will also be accessible online at the Company's website ([www.dynexcapital.com](http://www.dynexcapital.com)) on the “Investor Relations” page under “News and Market Information.”

The materials attached to this report as Exhibit 99.1 are furnished pursuant to Item 7.01 and shall not be deemed filed in this or any other filing of the Company under the Securities Exchange Act of 1934, as amended, unless expressly incorporated by reference in any such other filing.

**Item 9.01 Financial Statements and Exhibits.**

**(d) Exhibits**

<u>Exhibit No.</u>	<u>Description</u>
99.1	Investor presentation materials

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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: June 3, 2014

By: /s/ Stephen J. Benedetti

Stephen J. Benedetti

Executive Vice President, Chief Operating Officer and Chief  
Financial Officer

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Exhibit Index

<b>Exhibit No.</b>	<b>Description</b>
99.1	Investor presentation materials



Sound Strategy. Unique Advantages.

## Investor Presentation

June 2014

# 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, 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 about projected future investment strategies, investment opportunities, financial performance, dividends, leverage ratios, capital raising activities, share issuances and repurchases, the use or impact of NOL carryforwards, and interest rates. 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, 2013 and subsequent filings with the Securities and Exchange Commission, particularly those set forth under the caption “Risk Factors”.



# About Dynex

- Established in 1988, investing across commercial and residential sectors, with a long history of managing businesses across mortgage value chain
- Investment philosophy based on conserving capital and managing for the long-term through market cycles
- Experienced management team with 100+ years managing assets
- Since 2008, delivered a total return of 92%\*, an average dividend yield of 10.9%\*, and common market capitalization has grown over 4x
- Internally managed and high insider ownership aligns interests with shareholders

\*Source: SNL Financial





# About Dynex

- **Mission:**

Manage a successful public mortgage REIT with a focus on capital preservation and providing risk-adjusted returns reflective of a diversified, leveraged fixed income portfolio.

- **Objectives and Core Values:**

Generate dividends for shareholders

Manage leverage conservatively

Remain owner-operators

Maintain a culture of integrity and employ the highest ethical standards

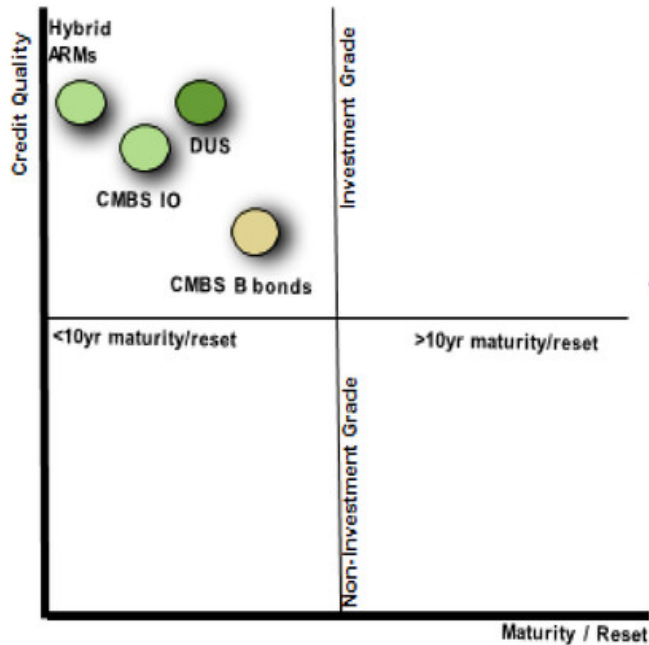
Provide a strong risk management culture

Focus on long-term shareholder value while preserving capital





# Investment Principles



- **Philosophy**

- Focused on capital preservation
- Simple, executable strategy
- Disciplined allocation of capital
- Manageable risk at the enterprise level
- Stable, acceptable long-term returns

- **Strategy**

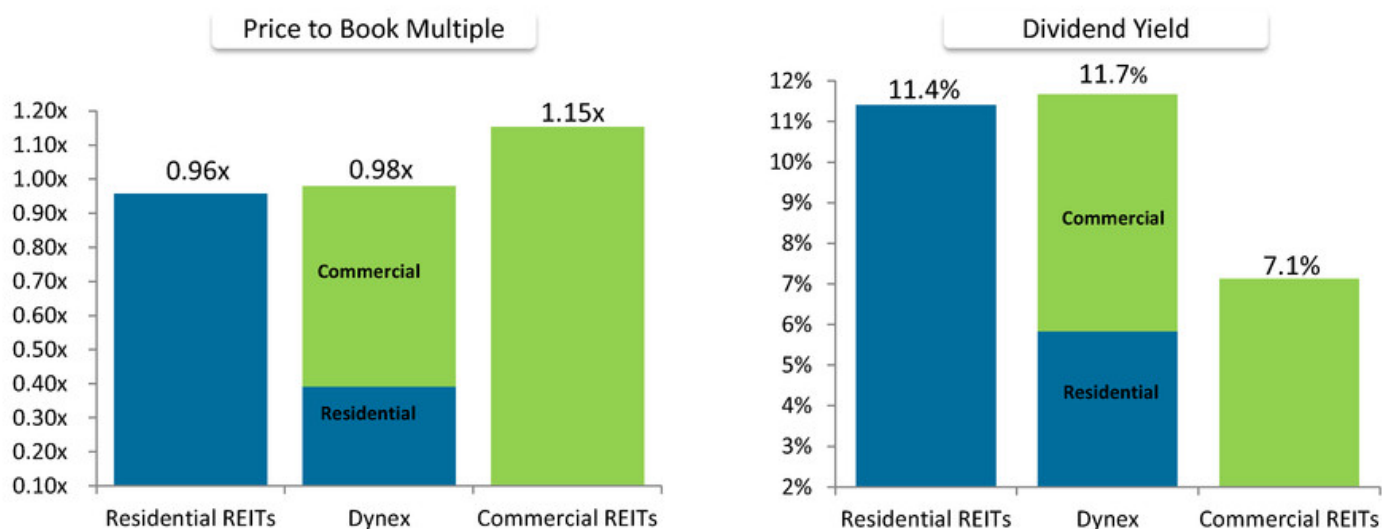
- Diversified strategy with 60% of invested shareholders' capital invested in commercial real estate and 40% invested in single-family real estate
- Designed portfolio to perform in variety of market environments and with a focus on long-term returns



# Our Value Proposition

## - Commercial and Residential Exposure in one REIT

Of our invested capital, 60% is invested in commercial assets  
and 40% is invested in single family assets



Source: Company filings, SNL Financial, FactSet, J.P. Morgan. Market data as of 5/29/2014.

**Residential REITs** include NLY, AGNC, HTS, ARR, CYS, CMO, ANH, ORC, TWO, CIM, MFA, IVR, MTGE, WMC, NYMT, MITT, AI, AMTG, JMI, EARN, OAKS, NRZ, RWT, PMT, CHMI, ZFC;

**Commercial REITs** include NRF, STAR, RSO, RAS, ABR, NCT, REXI, BRT, STWD, CLNY, BXMT, ARI, ACRE



# Current Market View

- Excess liquidity from global monetary policy is unprecedented and has led to asset value distortions. Foreign central bank action plans remain uncertain and could cause unexpected results.
- The current market environment is complex. Risk premiums have declined as cash seeks to find higher returns – spreads significantly tighter across many risk assets.
- In addition, uncertainty around economic growth, regulatory changes, market reaction and global market imbalances require discipline and vigilance.
- Our investment strategy and thesis remains intact as we have designed our portfolio to perform in multiple market environments. We continue to generate an above average dividend yield with a conservative profile
- Longer term, we see opportunities for investments in both residential and commercial assets and in markets currently dominated by the Fed/GSEs
  - At the conclusion of QE3, private capital for the first time will need to replace the government as the dominant purchaser of MBS
  - As the US housing system is reformed, there should be more opportunity to invest in residential credit



# Market Snapshot

(as of 5/30/2014 unless otherwise indicated)

	<u>Common Stock</u>	<u>Preferred Stock</u>	
NYSE Stock Ticker:	DX	DXPrA	DXPrB
Shares Outstanding: <small>(as of 3/31/2014)</small>	54,697,307	2,300,000	2,250,000
1Q Dividends	\$0.25	\$0.53125	\$0.47656
Dividend Yield <small>(annualized based on 5/30/14 share price)</small>	11.6%	8.5%	8.0%
Closing Share Price:	\$8.65	\$24.95	\$23.97
Market Capitalization:	\$473.1M	\$57.4M	\$53.9M
Price to Book: <small>(based on 3/31/14 Book Value)</small>	0.98x	-	-



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# APPENDIX



# CMBS Investment Thesis

- CMBS market has rebounded since the crisis with better underwriting, more subordination, and broad investor participation
- Fundamentals still positive for Commercial Real Estate, particularly multifamily, given demographic fundamentals and attitude shifts
- Market technicals are favorable given deep liquidity, deep investor participation and favorable supply
- Market psychology reflects “risk on” view and a flatter credit curve

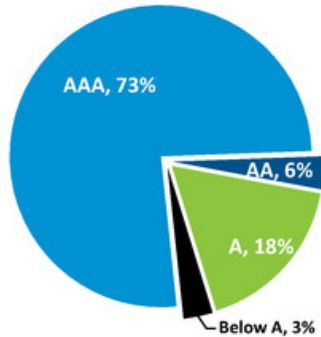




# CMBS Portfolio *(as of March 31, 2014)*

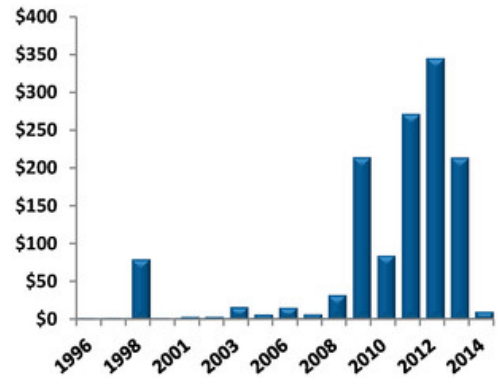
\$ in millions

Credit Quality

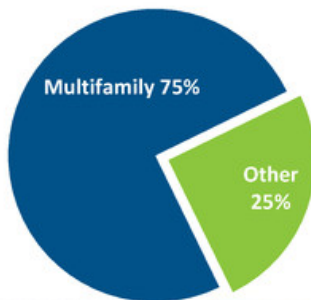


Agency MBS are considered AAA-rated for purposes of this chart.

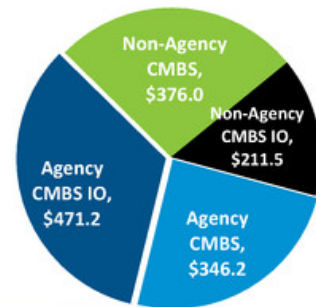
Vintage (by year of origination)



Collateral

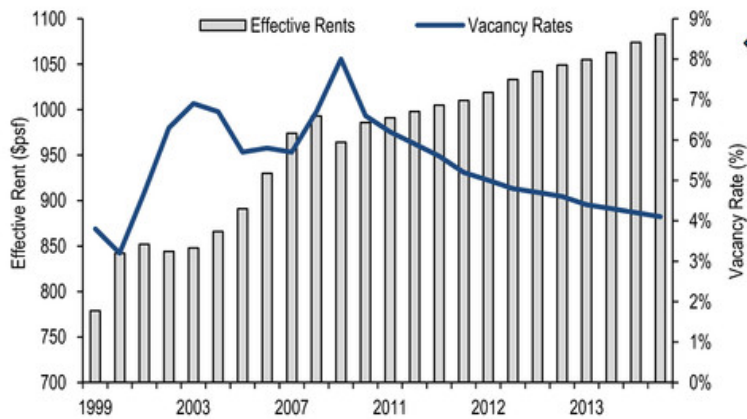


Asset Type





# Multifamily Trends



National effective rents for Multifamily have continued to increase while vacancy rates have declined.

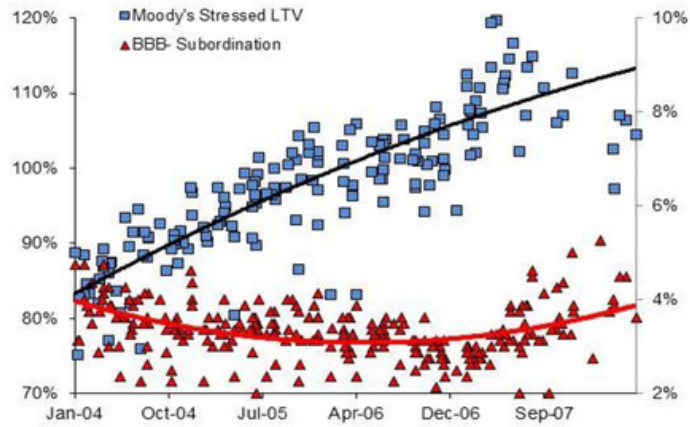
Growth in owner occupied housing units has stabilized while renter occupied units continued to increase in 2013.



Source: REIS, Bank of America, Merrill Lynch Research

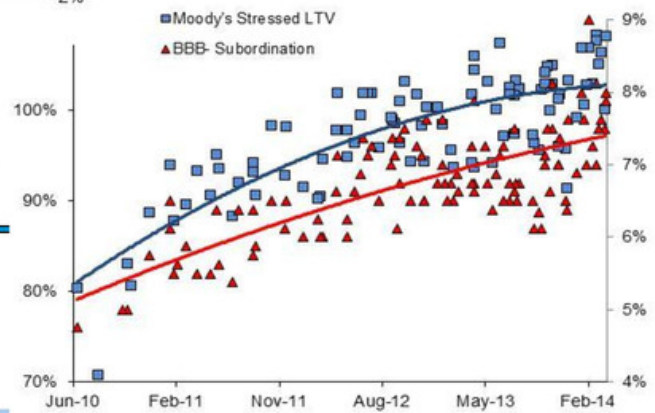


# CMBS Trends



Between 2004-2008, subordination levels did not keep up with stressed LTVs.

CMBS 2.0 reflects a more orderly relationship between subordination levels and stressed LTVs – providing support to our investments in senior IO tranches.



# RMBS Investment Thesis

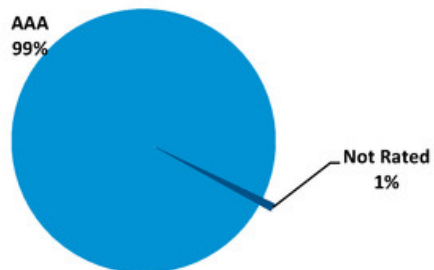
- Hybrid ARMs diversified across product type:
  - Extension risk limited
  - Agency guarantee
  - Steep yield curve offers opportunity to roll down
- Fundamentals
  - Slowing trend in prepayments for premium securities
    - Refinancing activity slowed down as rates rose
  - Valuations have improved reflecting advantages of shorter duration investments in a rising rate environment and slowing prepayments
- Technicals
  - Net Hybrid ARM supply remains negative
  - Originator pipelines significantly lower than in 2013
  - Strong demand for shorter duration cash flow across investor types
  - Steep yield curve and rising rates could cause an increase in ARM supply
- Psychology
  - Lower risk profile is attractive
  - Reduction in large scale asset purchases by Federal Reserve could have spillover effect



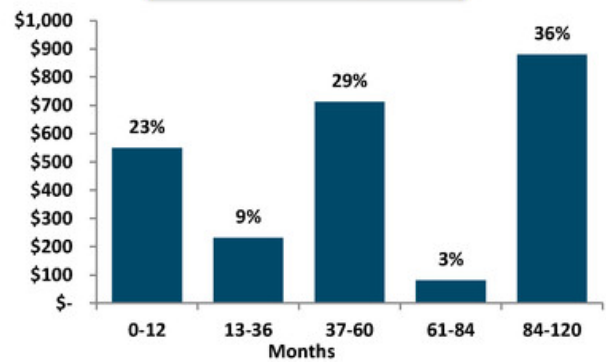
# RMBS Portfolio *(as of March 31, 2014)*

\$ in millions

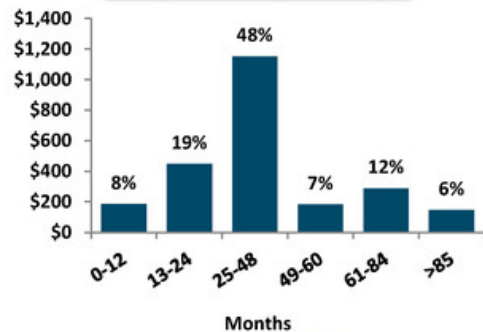
Credit Quality



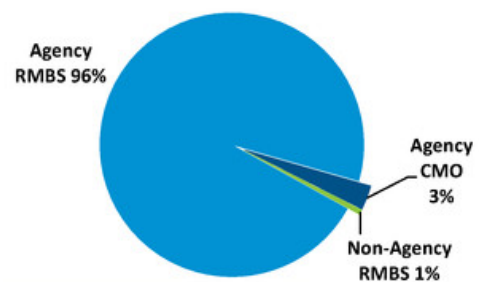
Months to Maturity/Reset



Weighted Average Loan Age



Asset Type



# Interest Rate Sensitivity *(as of March 31, 2014)*

Treasury Yields	
2Y	0.42%
5Y	1.72%
10Y	2.72%
30Y	3.56%

Parallel Change in Treasury Yields (in basis points)	Percentage Change in Projected Market Value of Assets Net of Hedges
+100	(1.46)%
+50	(0.69)%
+25	(0.33)%

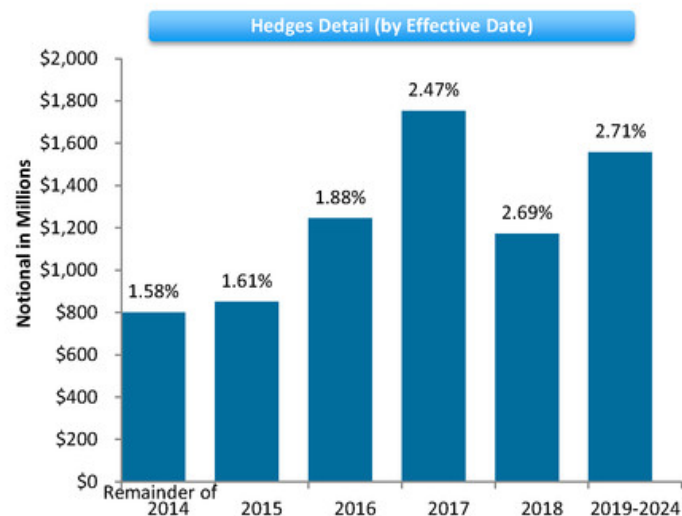
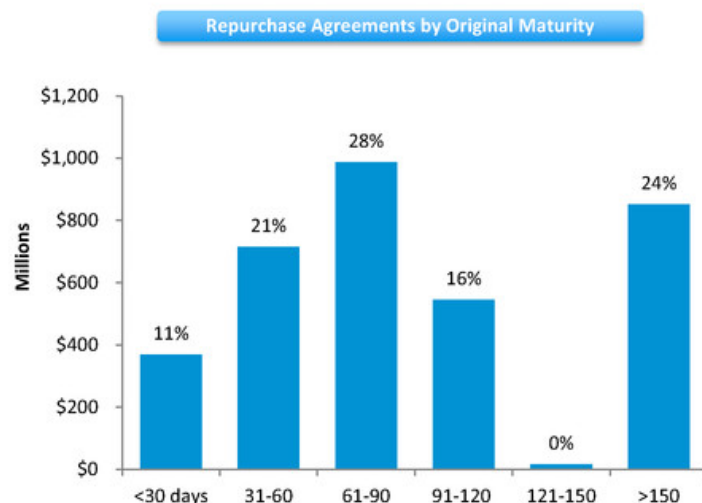
Curve Shift 2 year Treasury (in basis points)	Curve Shift 10 year Treasury (in basis points)	Percentage Change in Projected Market Value of Assets Net of Hedges
0	+25	(0.11)%
+10	+50	(0.32)%
+10	+75	(0.49)%
+25	+75	(0.59)%
+25	0	(0.20)%
+50	0	(0.41)%
-10	-50	0.19%

*Intermediate curve point shifts are interpolated for non-parallel scenarios*



# Financing Details

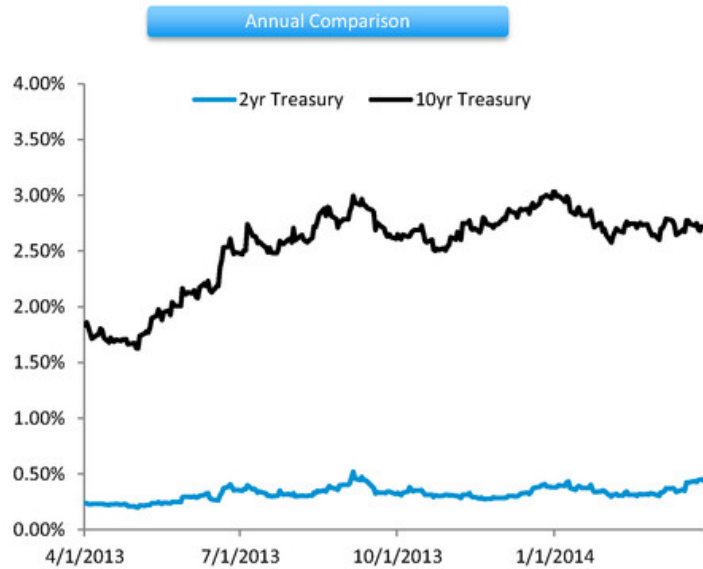
(as of March 31, 2014)



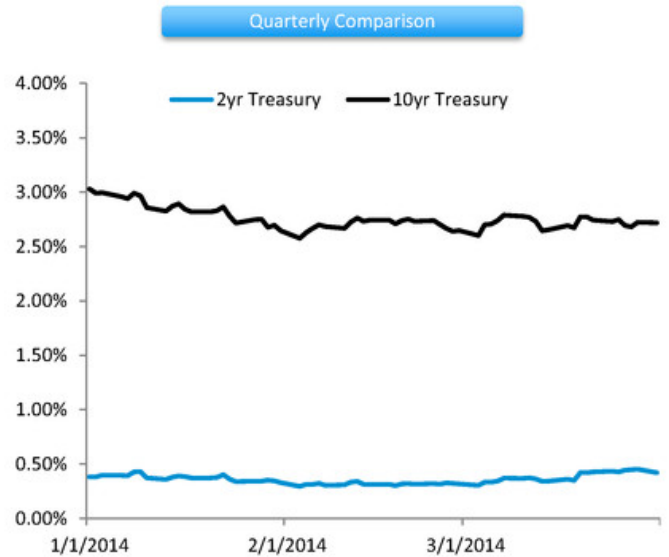
- Our weighted average contractual maturities were 93 days compared to 114 days at December 31, 2013.
- Our repurchase agreement balance was \$3,485,544 at March 31, 2014 with 21 counterparties compared to \$3,580,754 with 22 counterparties at December 31, 2013. We have repurchase agreements available to us with 31 counterparties.



# Market Environment



- Treasury yield curve has steepened dramatically over the last twelve months
- 2 year rate remains anchored, reflecting Fed's intention to keep short rates low



- 10 year treasury yields were under pressure at year end but have since rallied
- 2 year remains relatively stable in comparison

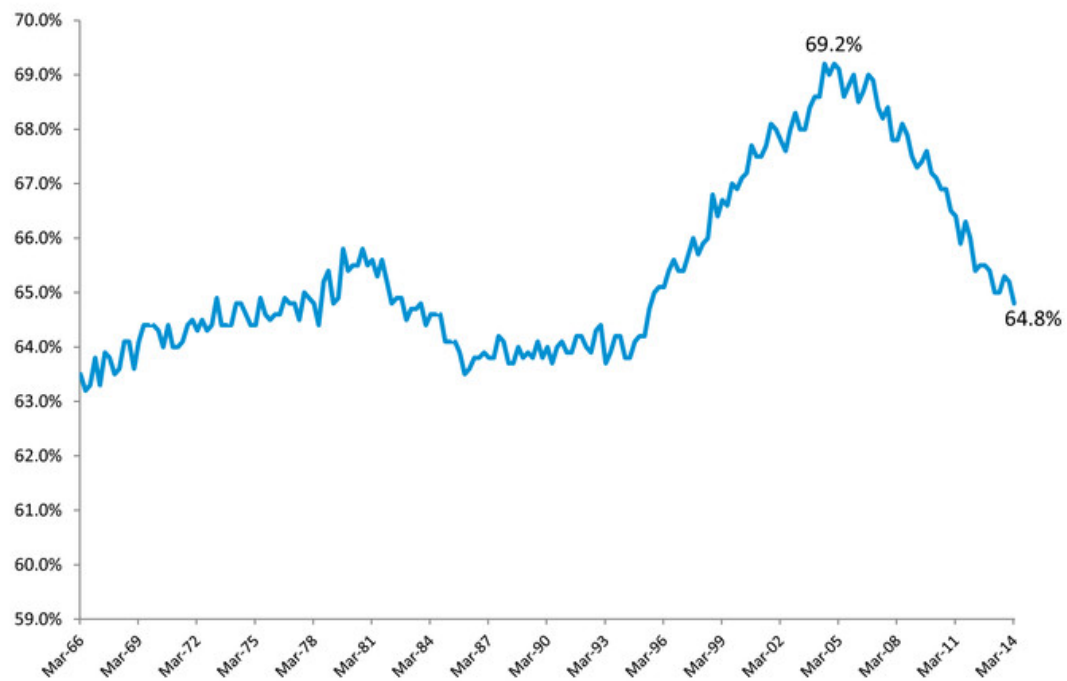
Source: Bloomberg





# Market Environment

## Homeownership Rates

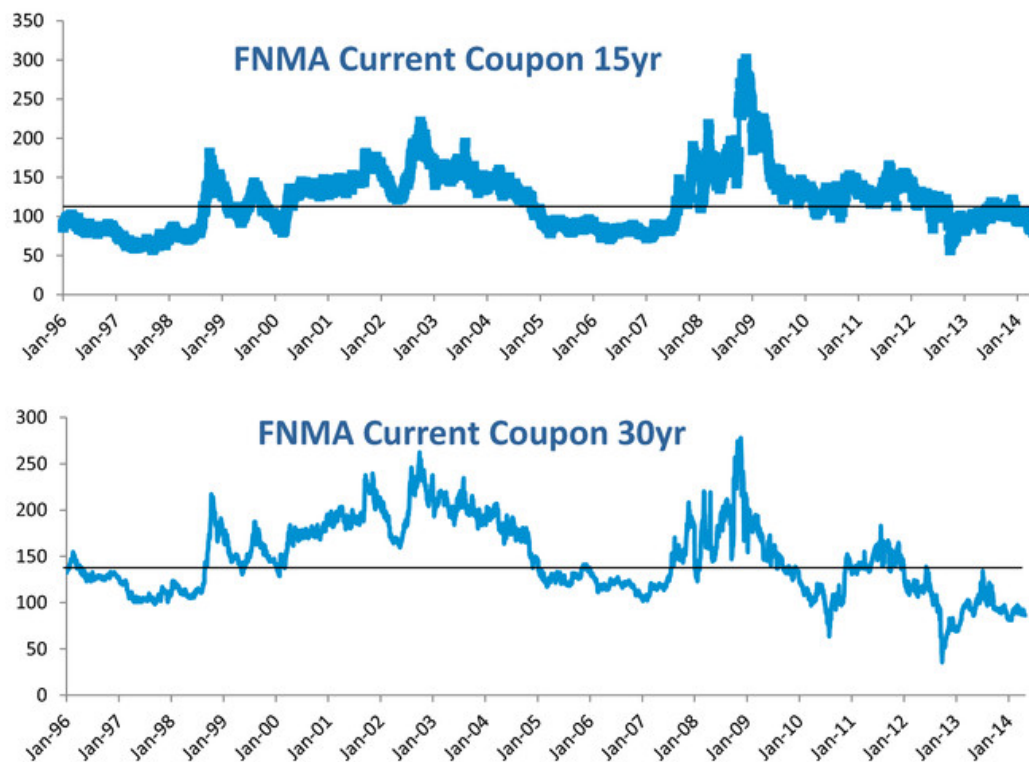


Source: U.S. Census Bureau



# Investment Environment

Mortgage Nominal Spreads to Treasuries *(in basis points)*

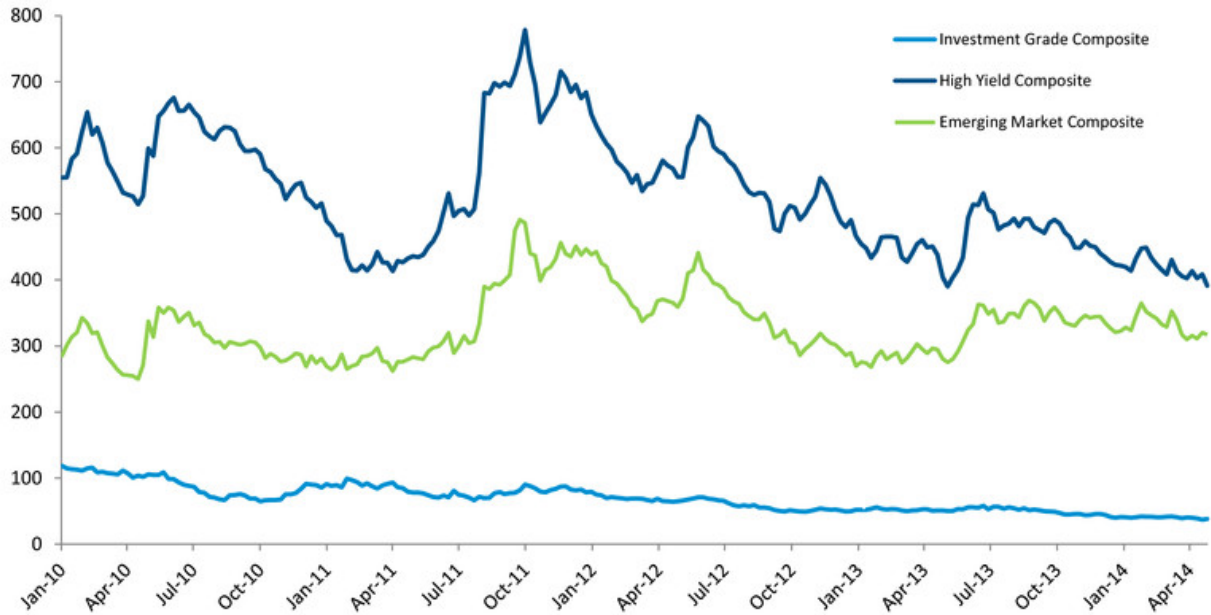


Source: JP Morgan and Company data



# Investment Environment

Non-Mortgage Spreads to Treasuries *(in basis points)*

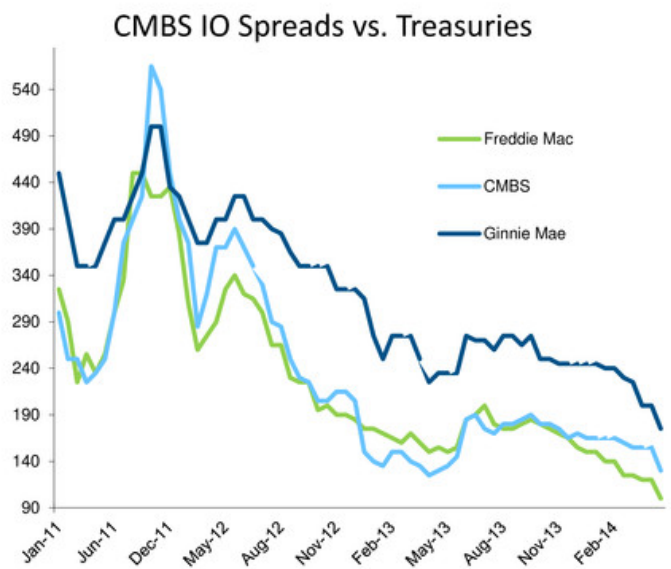
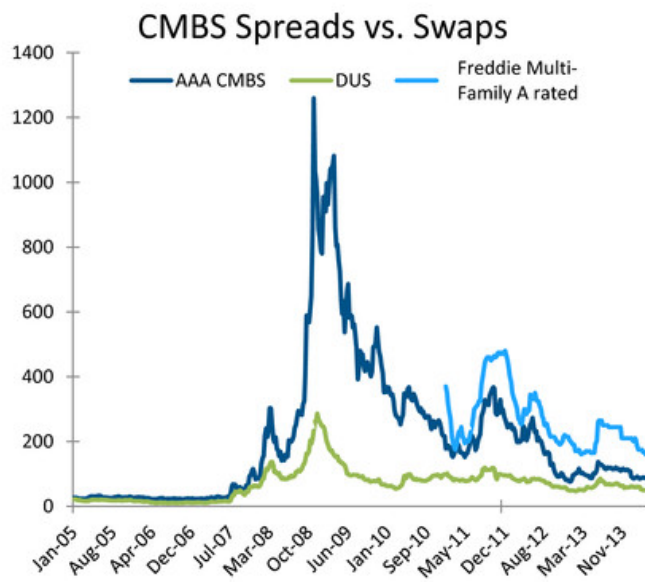


Source: Bloomberg Composite Indexes



# Investment Environment

## CMBS Spreads (in basis points)

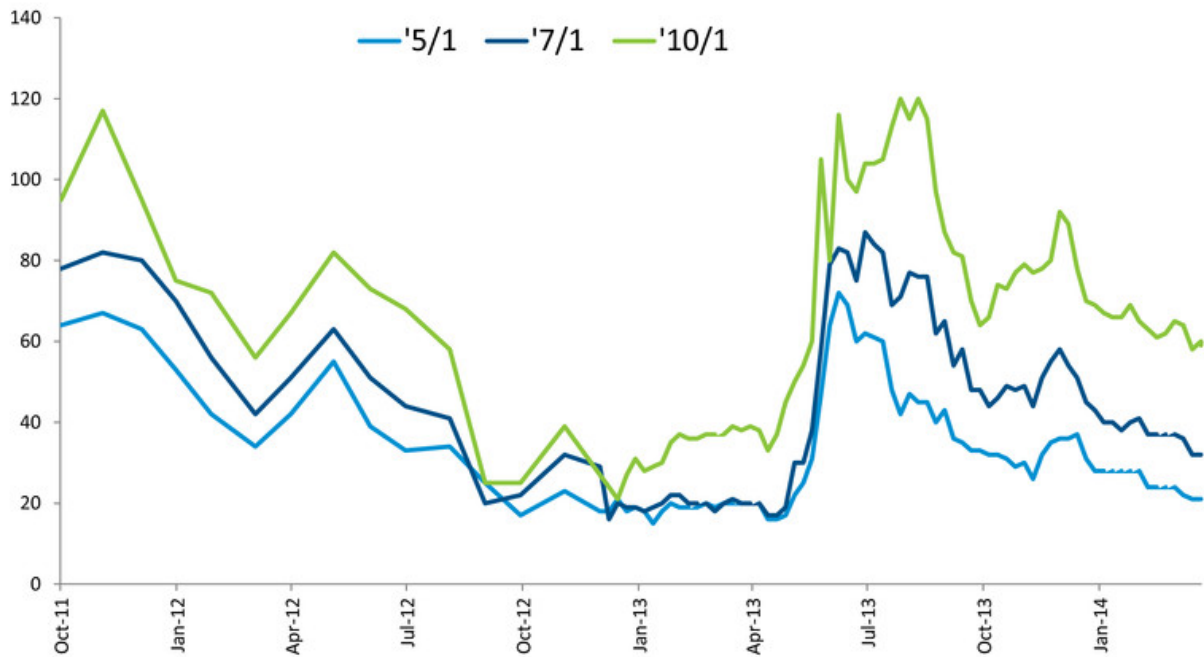


Source: Company Data



# Investment Environment

Generic Discount Hybrid ARM Zero-Volatility Spreads (in basis points)



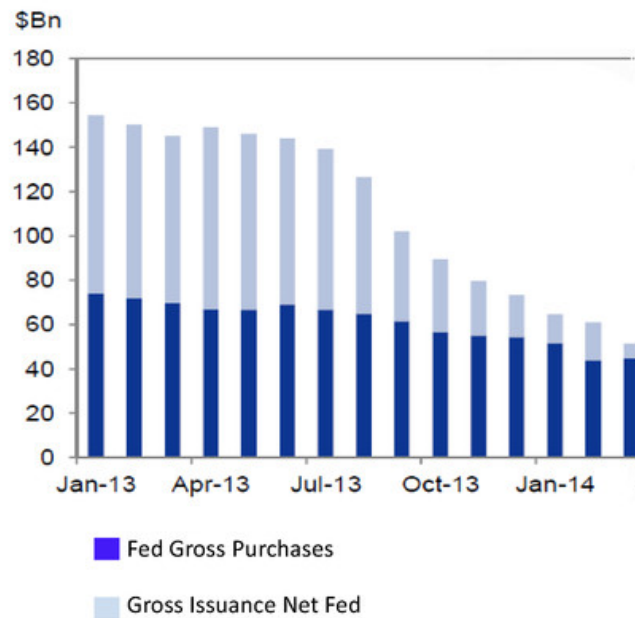
Source: Company Data



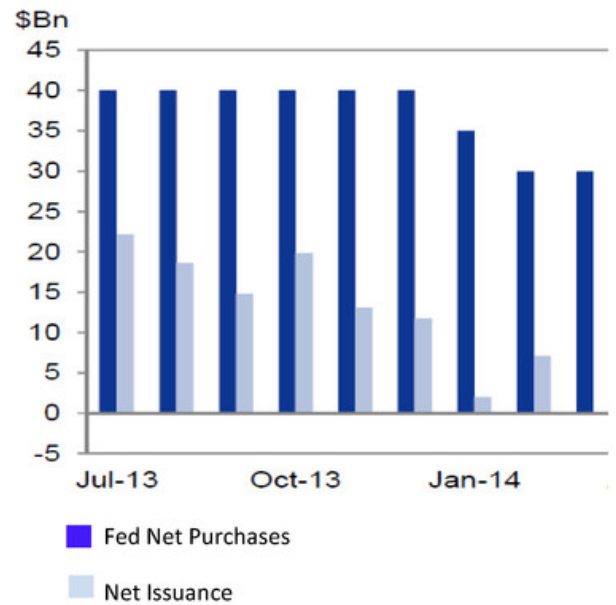
# Investment Environment

## Net RMBS Supply

Gross Issuances



FOMC Net Purchases vs. Net Issuances



Source: eMBS, Federal Reserve and Goldman Sachs



## Investment Thesis

# Capital Allocation (as of March 31, 2014)

(\$ in thousands)	Asset Carrying Basis	Associated Financing <sup>(1)</sup> / Liability Carrying Basis	Allocated Shareholders' Equity	% of Shareholders' Equity
Agency MBS	\$ 3,356,759	\$ 2,998,479	\$ 358,280	59.8 %
Non-Agency MBS	603,093	486,459	116,634	19.5 %
Mortgage loans held for investment, net	53,804	29,086	24,718	4.1 %
Derivative assets (liabilities)	12,064	11,137	927	0.2 %
Cash and cash equivalents	61,168	—	61,168	10.2 %
Restricted cash	18,242	—	18,242	3.0 %
Other assets/other liabilities	39,152	20,106	19,046	3.2 %
	\$ 4,144,282	\$ 3,545,267	\$ 599,015	100.0 %

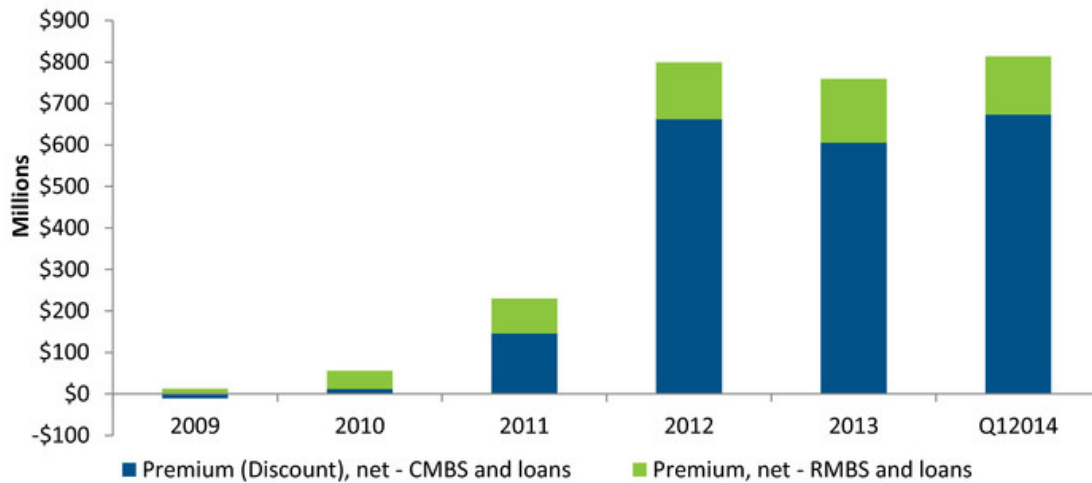
<sup>(1)</sup>Associated financing for investments includes repurchase agreements and securitization financing issued to third parties (which is presented on the Company's balance sheet as "non-recourse collateralized financing"). Associated financing for derivative instruments represents the fair value of the derivative instruments in a liability position.





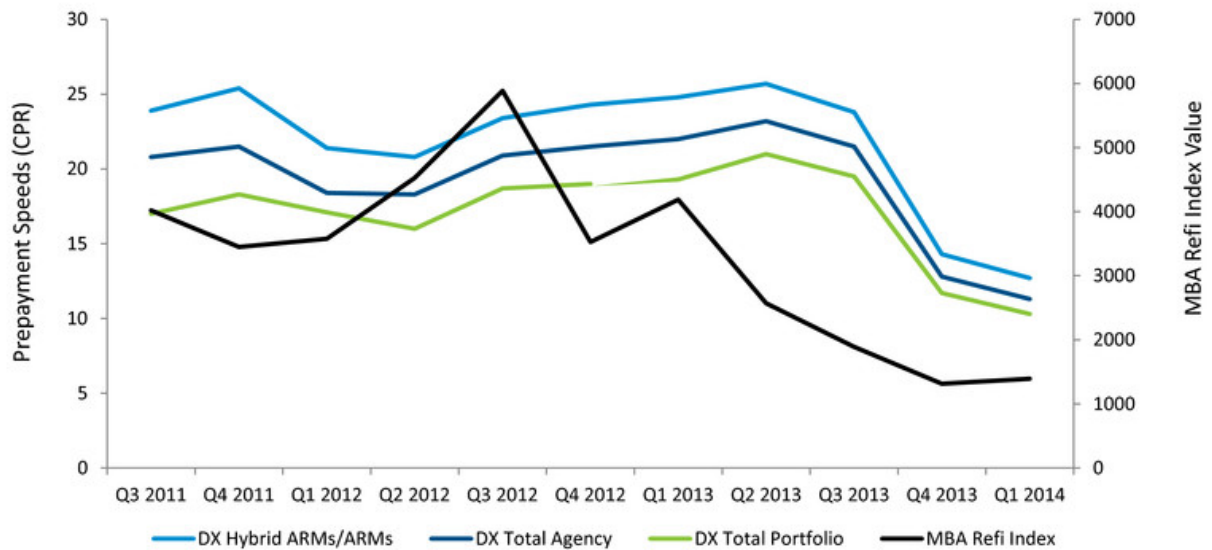
## Investment Premium Allocation

(as of end of period)



## Drivers of EPS

# ARM Prepayment Speeds vs MBA Refinancing Index



Source : MBA REFI Index (Bloomberg)



## Spread Risk

- An asset's "spread" is the market premium above a benchmark rate that reflects the relative riskiness of the asset versus the benchmark.
- Spread risk is the uncertainty in pricing resulting from the expansion and contraction of the risk premium over the benchmark.
- Spreads (and therefore prices) are impacted by the following factors:
  - **Fundamentals:** Probability of default, cash flow uncertainty
  - **Technicals:** Supply and demand for various assets
  - **Psychology:** Reflects the risk appetite of the market and the perceived riskiness of specific assets
- Most mortgage REIT business models are inherently exposed to spread risk. At Dynex, we focus on all three aspects of spread risk. However, changes in pricing due to technicals and psychology are very difficult to predict. We manage spread risk over the long-term through portfolio construction.



## Drivers of Book Value

# Spread Changes

Assets	March 31, 2014	December 31, 2013	Change
2 year vs. 10 year UST spread	230	265	-35
Hybrid ARM 5/1 spread to UST	21	30	-9
Hybrid ARM 10/1 spread to UST	57	76	-19
Agency CMBS spread to interest rate swaps	50	58	-8
'A'-rated CMBS spread to interest rate swaps	190	220	-30
Agency CMBS IO spread to UST	155	165	-10
IG Index spread to UST	131	135	-4
HY Index spread to UST	435	460	-25
CMBX.NA.A.6 (2012 'A'-rated)	195	205	-10

*Note: Amounts represent basis point spread to benchmark as noted.*

*Source: JP Morgan*



## Risk Management

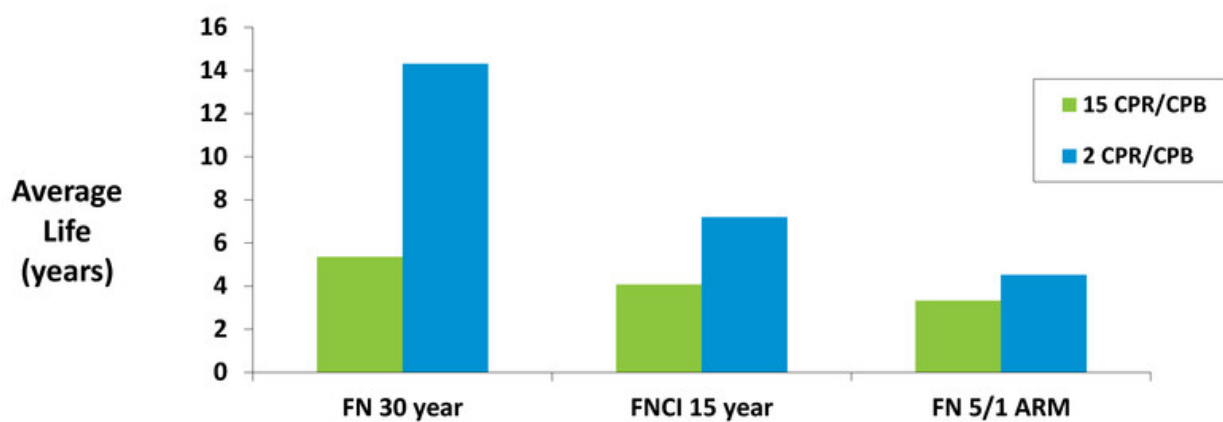
Key Risk	Mitigating Strategy
Interest Rate/Extension Risk	Duration target of <u>0.5 to 1.5 years</u> Derivatives to economically hedge interest rate risk Invest in credit assets that should increase in value as rates rise Short duration assets and more predictable cash flows
Prepayment Risk	CMBS investments with call protection RMBS specified pools with diversity of prepayment risk
Credit Risk	90% of MBS are AAA-rated*at March 31, 2014 Current credit risk is multifamily focused
Spread Risk	Portfolio construction and long-term portfolio strategy
Liquidity Risk	Diversified repurchase agreement counterparties and low leverage Unencumbered liquidity to meet expected risk events

*\*Agency MBS are considered AAA-rated as of the date presented.*



## Drivers of Book Value

### Extension Risk *(as of April 30, 2014)*



	Price	Coupon	WAC	Speed	Average Life	Average Life Extension
FN 30yr	\$101-13	3.50%	4.01%	15 CPR 2 CPR	5.36 years 14.31 years	~9 years
FNCI 15yr	\$103-5	3.0%	3.48%	15 CPR 2 CPR	4.07 years 7.19 years	~3 years
FN 5/1 ARM	\$103-10	2.78%	3.42%	15 CPB 2 CPB	3.33 years 4.53 years	~1 year





# First Quarter 2014 Highlights

- GAAP net loss of \$0.06 per common share and a return on common equity of (2.5)%, reflecting change in fair value of derivatives over the quarter
- Core net operating income<sup>(1)</sup> of \$0.25 and an adjusted return on common equity<sup>(1)</sup> of 11.3%
- Common dividend declared of \$0.25 per share, for an annualized 11.7% yield based on \$8.54 closing stock price on May 6, 2014
- GAAP net interest spread of 1.87% and adjusted net interest spread<sup>(1)</sup> of 1.88%
- Increase in book value per common share of 2.1% to \$8.87 from \$8.69 at December 31, 2013
- Decline during the quarter in overall leverage to 5.9x from 6.2x
- Continued decline in portfolio CPR to 10.3% from 11.7% in the fourth quarter of 2013

(1) Non-GAAP measures. See reconciliations on slides 37 and 38.

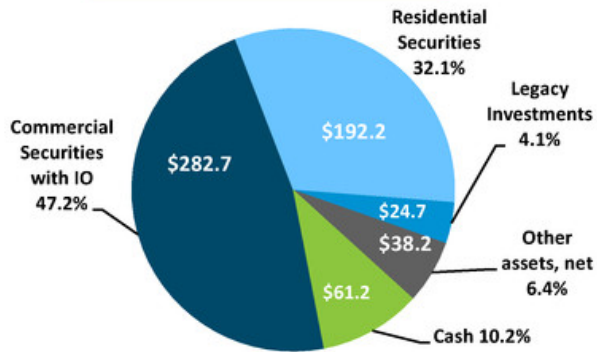




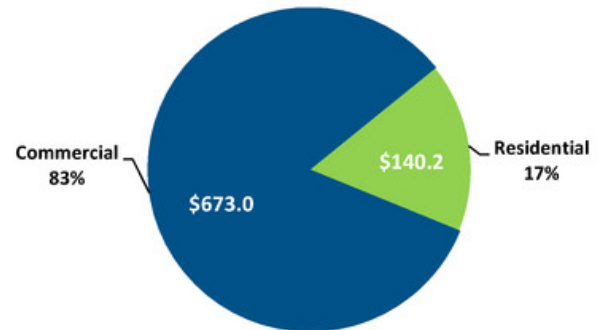
# Portfolio Update *(as of March 31, 2014)*

(\$ in millions)

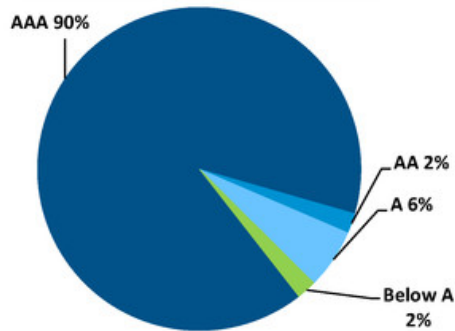
Equity Capital Allocation



Net Premium by Asset Type

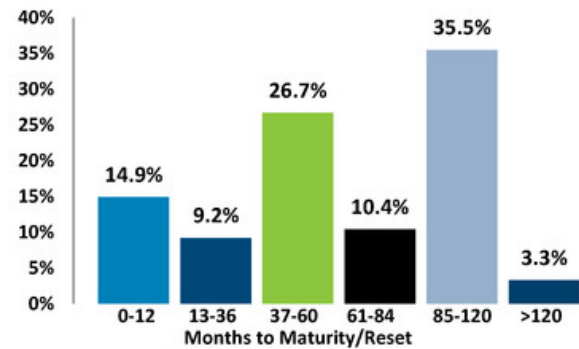


MBS Credit Quality



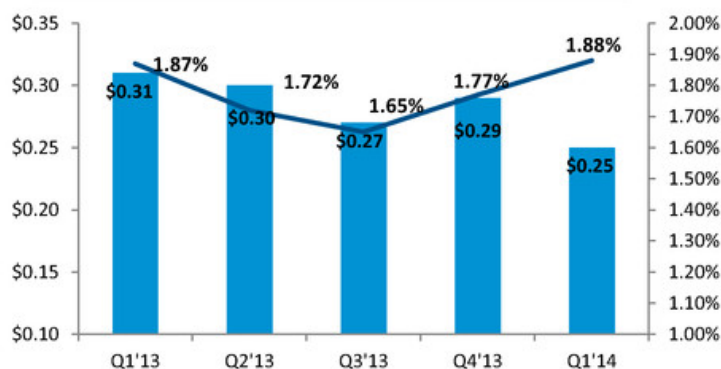
Agency MBS are considered AAA-rated for purposes of this chart.

MBS Expected Maturity/Reset Distribution



# Key Financial Metrics

Core Net Operating Income per Common Share and Adjusted Net Interest Spread <sup>(1)</sup>



- Core net operating income per share for the first quarter was \$0.25 equal to the dividend of \$0.25 per share
- Investment portfolio purchases and repositioning on both investments and funding/hedging contributed to wider net interest spread in the quarter

Book Value per Common Share



- Book value per common share increased \$0.18 in the first quarter as spreads tightened on investments and interest rates declined.

(1) Non-GAAP measures. See reconciliation on slides 37 and 38.



## Accounting Disclosure

# Selected Financial Highlights (as of and for the quarter ended)

(\$ in thousands, except per share amounts)	1Q2014	4Q2013	1Q2013
Net interest income	\$ 20,007	\$ 20,186	\$ 22,526
(Loss) gain on derivative instruments, net	(13,422)	2,607	(17)
Net (loss) income to common shareholders	(3,028)	19,266	18,381
Net (loss) income per common share	(0.06)	0.35	0.34
Comprehensive income to common shareholders	26,532	19,813	27,427
Comprehensive income per common share	\$ 0.49	\$ 0.36	\$ 0.51
Core net operating income to common shareholders <sup>(1)</sup>	13,746	15,544	16,973
Core net operating income per common share <sup>(1)</sup>	\$ 0.25	\$ 0.29	\$ 0.31
Return on average common equity (annualized)	(2.5)%	16.1%	13.0%
Adjusted return on average common equity (annualized) <sup>(1)</sup>	11.3%	13.0%	12.0%
Dividends per common share	\$ 0.25	\$ 0.27	\$ 0.29
Book value per common share, end of period	\$ 8.87	\$ 8.69	\$ 10.50
Interest earning assets, end of period	\$ 4,013,656	\$ 4,073,584	\$ 4,531,342
Average interest earning assets	\$ 4,002,555	\$ 4,123,224	\$ 4,098,681
Average interest bearing liabilities	\$ 3,509,889	\$ 3,620,795	\$ 3,641,654
Weighted average effective yield	2.74%	2.72%	3.04%
Annualized cost of funds	0.87%	0.90%	1.15%
Net interest spread	1.87%	1.82%	1.89%
Adjusted net interest spread <sup>(1)</sup>	1.88%	1.77%	1.87%
Portfolio CPR	10.3%	11.7%	19.3%
Debt to shareholders' equity ratio, end of period	5.9x	6.2x	6.3x

<sup>(1)</sup> Core net operating income to common shareholders (including on a per share basis), adjusted return on average common equity and adjusted net interest spread are non-GAAP financial measures. Reconciliations of these non-GAAP financial measures are provided on slides 37 and 38.



## Book Value Reconciliation

	Book Value (\$ in thousands)	Book Value Per Common Share
<b>Shareholders' equity, December 31, 2013</b>	<b>\$ 585,876</b>	<b>\$ 8.69</b>
GAAP net loss to common shareholders:		
Core net operating income	13,746	0.25
Amortization of de-designated cash flow hedges	(2,288)	(0.04)
Change in fair value of derivative instruments, net	(11,211)	(0.21)
Loss on sale of investments, net	(3,307)	(0.06)
Fair value adjustments, net	32	—
Other comprehensive income	29,560	0.54
Common dividends declared	(13,674)	(0.25)
<b>Balance before capital transactions</b>	<b>598,734</b>	<b>8.92</b>
Restricted stock amortization	672	0.01
Stock issued, including incentive stock issued to employees, net of forfeitures and issuance costs	(391)	(0.06)
<b>Shareholders' equity, March 31, 2014</b>	<b>\$ 599,015</b>	<b>\$ 8.87</b>
Common Shares outstanding March 31, 2014		54,697,307



## Accounting Disclosure

# Reconciliation of GAAP Measures to Non-GAAP Measures

(\$ in thousands except per share data)

	Quarter Ended				
	3/31/2014	12/31/2013	9/30/2013	6/30/2013	3/31/2013
<b>Net (loss) income to common shareholders</b>	<b>\$ (3,028)</b>	<b>\$ 19,266</b>	<b>\$ (6,921)</b>	<b>\$ 29,442</b>	<b>\$ 18,381</b>
Adjustments:					
Amortization of de-designated cash flow hedges <sup>(1)</sup>	2,288	2,609	2,583	—	—
Change in fair value on derivatives instruments, net	11,211	(5,636)	18,548	(11,626)	(157)
Loss (gain) on sale of investments, net	3,307	(757)	825	(2,031)	(1,391)
Fair value adjustments, net	(32)	62	(150)	600	140
<b>Core net operating income to common shareholders</b>	<b>\$ 13,746</b>	<b>\$ 15,544</b>	<b>\$ 14,885</b>	<b>\$ 16,385</b>	<b>\$ 16,973</b>
<b>Core net operating income per share</b>	<b>\$ 0.25</b>	<b>\$ 0.29</b>	<b>\$ 0.27</b>	<b>\$ 0.30</b>	<b>\$ 0.31</b>
ROAE based on annualized net (loss) income to common shareholders	(2.5)%	16.1 %	(5.7)%	21.0 %	13.0 %
Amortization of de-designated cash flow hedges	1.9%	2.2 %	2.1 %	—%	—%
Change in fair value on derivatives instruments, net	9.2%	(4.7)%	15.3 %	(8.3)%	(0.1)%
Loss (gain) on sale of investments	2.7%	(0.6)%	0.7 %	(1.4)%	(1.0)%
Fair value adjustments, net	—%	0.1 %	(0.1)%	0.4 %	0.1 %
<b>Adjusted ROAE, based on annualized core net operating income</b>	<b>11.3%</b>	<b>13.0 %</b>	<b>12.3 %</b>	<b>11.7 %</b>	<b>12.0 %</b>
Average common equity during the period	\$ 485,044	\$ 477,432	\$ 484,356	\$ 560,449	\$ 567,489

<sup>(1)</sup> Amount recorded as a portion of "interest expense" in accordance with GAAP related to the amortization of the balance remaining in accumulated other comprehensive loss as of June 30, 2013 as a result of the Company's discontinuation of hedge accounting.





## Accounting Disclosure

# Reconciliation of GAAP Measures to Non-GAAP Measures

(\$ in thousands)

	Quarter Ended									
	3/31/2014		12/31/2013		9/30/2013		6/30/2013		3/31/2013	
GAAP Interest income/annualized yield	\$27,640	2.74%	\$28,594	2.72%	\$31,666	2.82%	\$33,890	2.86%	\$32,982	3.04%
GAAP Interest expense/annualized cost of funds <sup>(1)</sup>	7,633	0.87%	8,408	0.90%	8,718	0.88%	11,446	1.11%	10,456	1.15%
<b>GAAP net interest income/spread</b>	<b>20,007</b>	<b>1.87%</b>	<b>20,186</b>	<b>1.82%</b>	<b>22,948</b>	<b>1.94%</b>	<b>22,444</b>	<b>1.75%</b>	<b>22,526</b>	<b>1.89%</b>
GAAP interest expense/annualized cost of funds (from above)	7,633	0.87%	8,408	0.90%	8,718	0.88%	11,446	1.11%	10,456	1.15%
Amortization of de-designated cash flow hedges <sup>(2)</sup>	(2,288)	(0.26)%	(2,609)	(0.28)%	(2,583)	(0.26)%	—	—%	—	—%
Net periodic interest costs <sup>(3)</sup>	2,211	0.25%	3,029	0.33%	5,471	0.55%	274	0.03%	174	0.02%
Effective borrowing costs	7,556	0.86%	8,828	0.95%	11,606	1.17%	11,720	1.14%	10,630	1.17%
<b>Adjusted net interest income/spread</b>	<b>\$20,084</b>	<b>1.88%</b>	<b>\$19,766</b>	<b>1.77%</b>	<b>\$20,060</b>	<b>1.65%</b>	<b>\$22,170</b>	<b>1.72%</b>	<b>\$22,352</b>	<b>1.87%</b>

(1) Rates shown are based on annualized interest expense amounts divided by average interest bearing liabilities. Recalculation of annualized cost of funds using total interest expense shown in the table may not be possible because certain expense items use a 360-day year for the calculation while others use actual number of days in the year.

(2) Amount recorded as a portion of "interest expense" in accordance with GAAP related to the amortization of the balance remaining in accumulated other comprehensive loss as of June 30, 2013 as a result of the Company's discontinuation of hedge accounting.

(3) Amount equals the net interest payments (including accrued amounts) related to interest rate derivatives during the period which are not already included in "interest expense" in accordance with GAAP.



