

Invesco Mortgage Capital Inc.

2012 First Quarter Earnings Call

May 8, 2012

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President & Chief Executive Officer

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Chief Investment Officer

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Chief Operating Officer



Forward-Looking Statements

This presentation, and comments made in the associated conference call today, may include “forward-looking statements”. Forward-looking statements include information concerning future results of operations, our ability to improve book value, the stability of earnings and dividends, our ability to reduce leverage, our views on the economy, current prices of mortgage-backed securities, the positioning of our portfolio to meet current or future economic conditions, our ability to continue performance trends, our portfolio prepayment speeds, and the credit quality of our assets. In addition, words such as “believes,” “expects,” “anticipates,” “intends,” “plans,” “estimates,” “projects,” “forecasts,” and future or conditional verbs such as “will,” “may,” “could,” “should,” and “would” as well as any other statement that necessarily depends on future events, are intended to identify forward-looking statements.

Forward-looking statements are not guarantees, and they involve risks, uncertainties and assumptions. There can be no assurance that actual results will not differ materially from our expectations. We caution investors not to rely unduly on any forward-looking statements and urge you to carefully consider the risks identified under the captions “Risk Factors,” “Forward-Looking Statements” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our annual report on Form 10-K and quarterly reports on Form 10-Q, which are available on the Securities and Exchange Commission’s website at www.sec.gov.

All written or oral forward-looking statements that we make, or that are attributable to us, are expressly qualified by this cautionary notice. We expressly disclaim any obligation to update the information in any public disclosure if any forward-looking statement later turns out to be inaccurate.

Q1 Overview

Results

- EPS: \$0.72
- Dividend: \$0.65
- Book Value: \$18.42

IVR successfully accomplished all four of it's Q1 objectives:

Improve Book Value

- ✓ Increased \$2.01 per share - 12% increase

Provide a stable dividend

- ✓ Paid \$0.65 in Q1
- ✓ Increased earning assets should provide continued stability

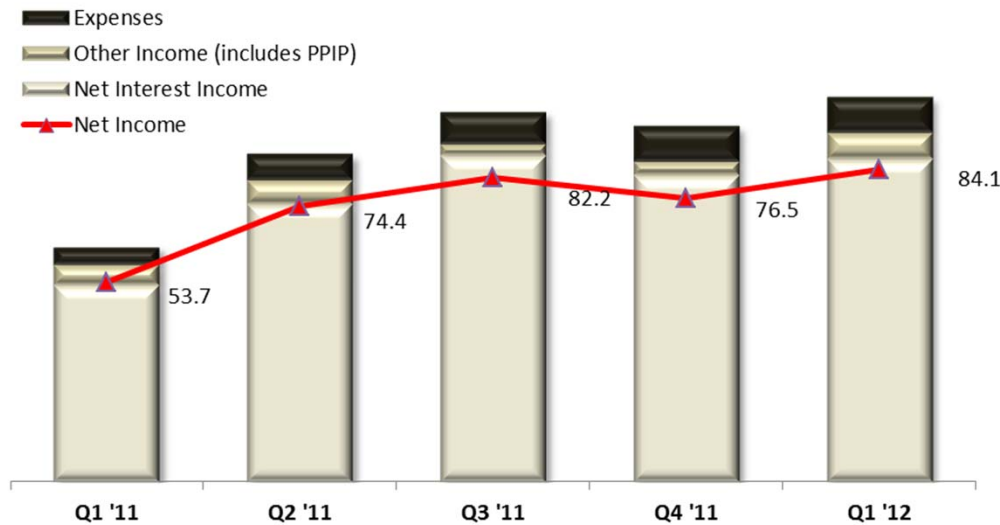
Reduce leverage

- ✓ Improved equity position used to significantly reduce credit leverage

Increased earning assets and net income

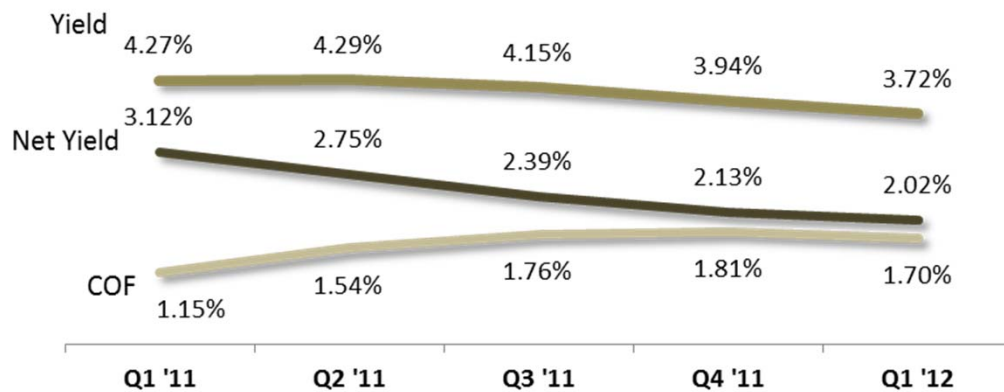
Quarterly Performance (\$ in millions)

Net Income



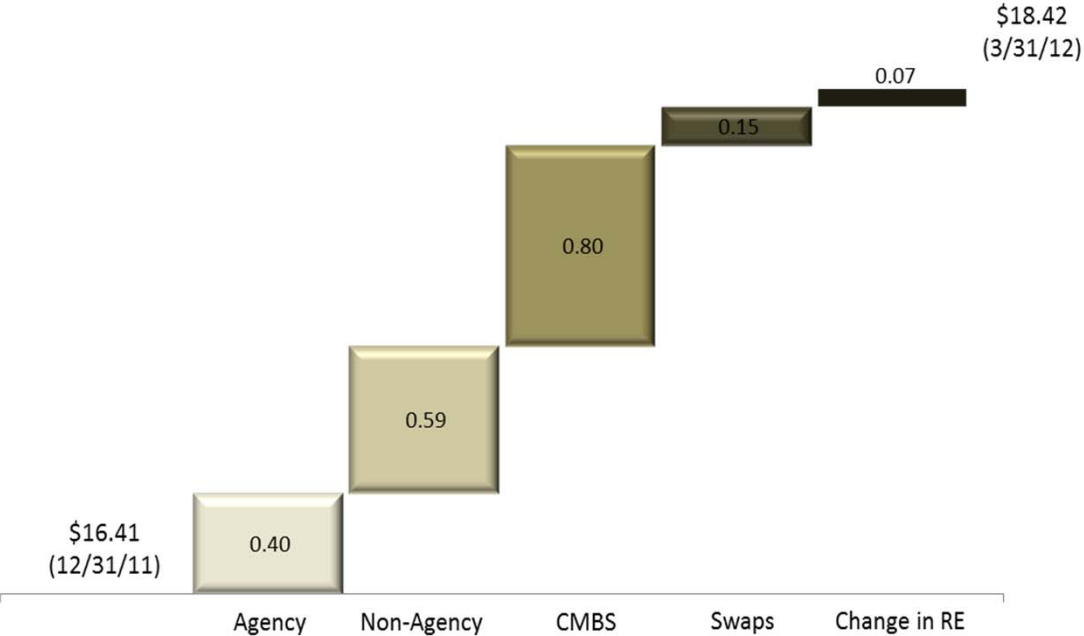
- Net income – up 10%
- Net Interest Income – up 5%
- Key drivers:
 - ~9% improvement in average earning assets
 - Portfolio yield declined 22 bps but was offset by higher average assets
 - COF declined from 1.81% to 1.70%
- Gross ROE declined with lower leverage
- Current portfolio composition supports stable earnings

Yield



Book Value Analysis

Estimated change in book value from 12/31/11 to 3/31/12

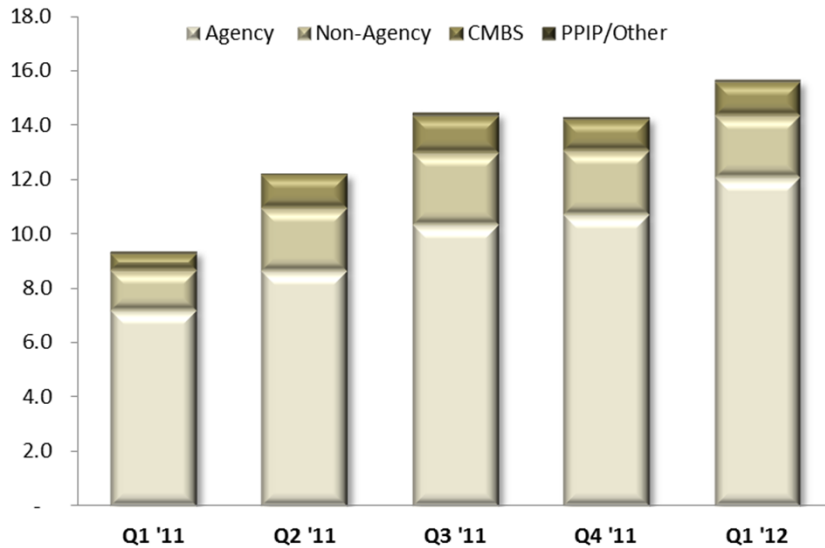


- ✓ Book value increased \$2.01
- ✓ Improvement from all areas
- ✓ Improved asset values added ~\$234mm to equity



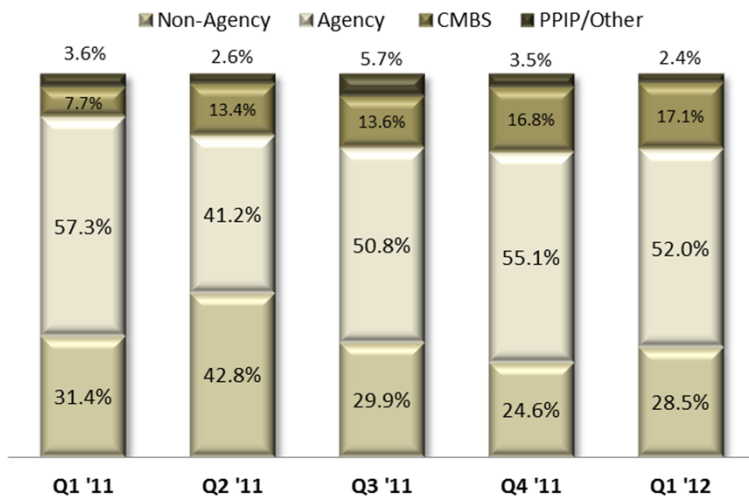
Portfolio Update (\$ in billions)

Portfolio

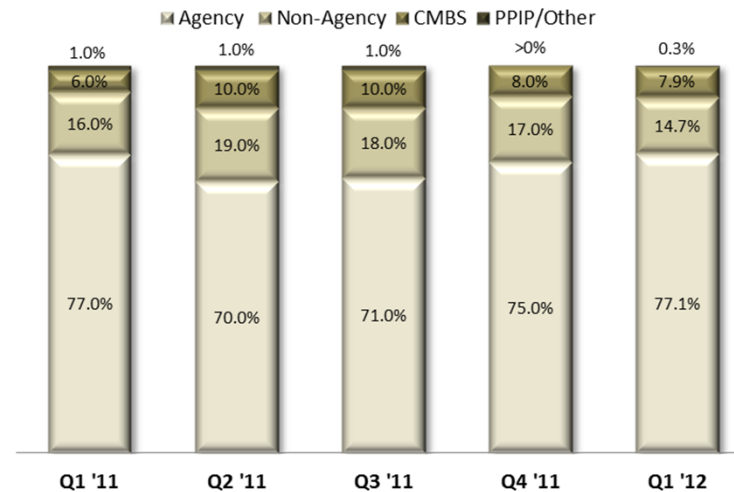


- Total leverage decreased to 6.0x from 6.4x
- Rising asset prices improved equity position
- ~190MM in equity was added to the credit book reducing leverage
- ~60MM in equity was used to increase Agency assets
- ~16MM in PPIP equity was returned

% of Equity

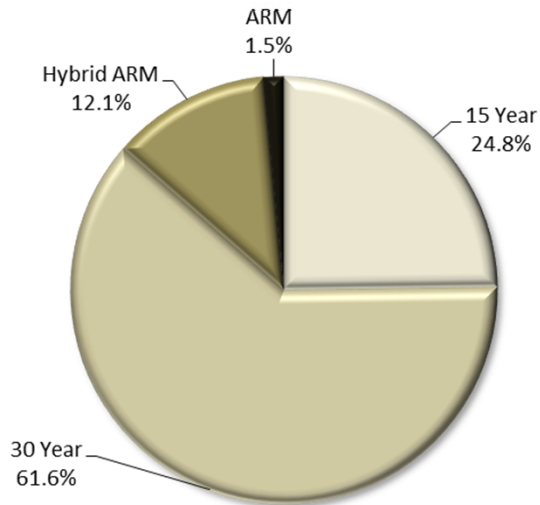


% of Assets

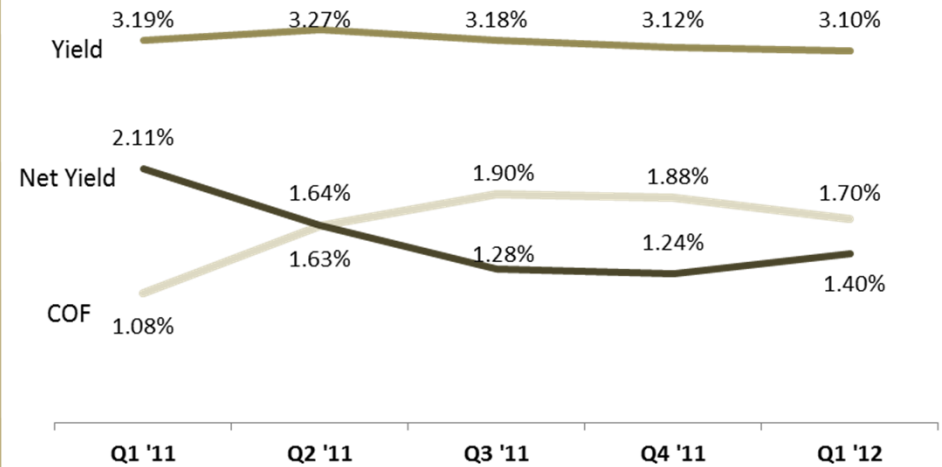


Agency

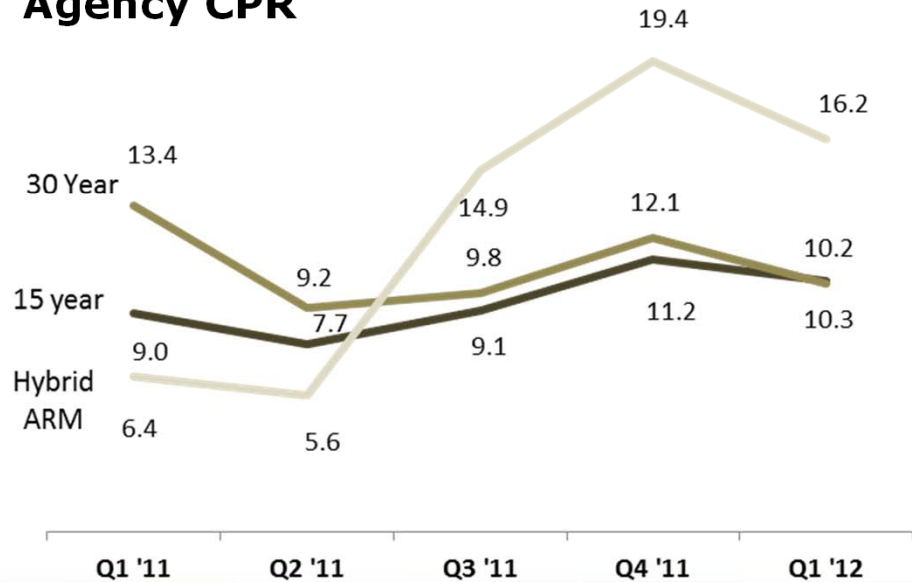
Agency Detail (% of Total Agency)



Yield



Agency CPR

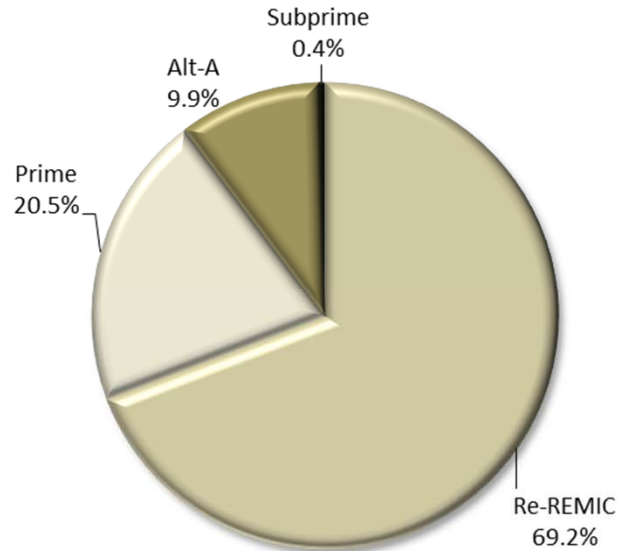


- Net interest margin improved 16 basis points to 1.40%
- Prepayments declined 14% supporting earnings and book value
- 66% of Agency repo hedged down from 73%

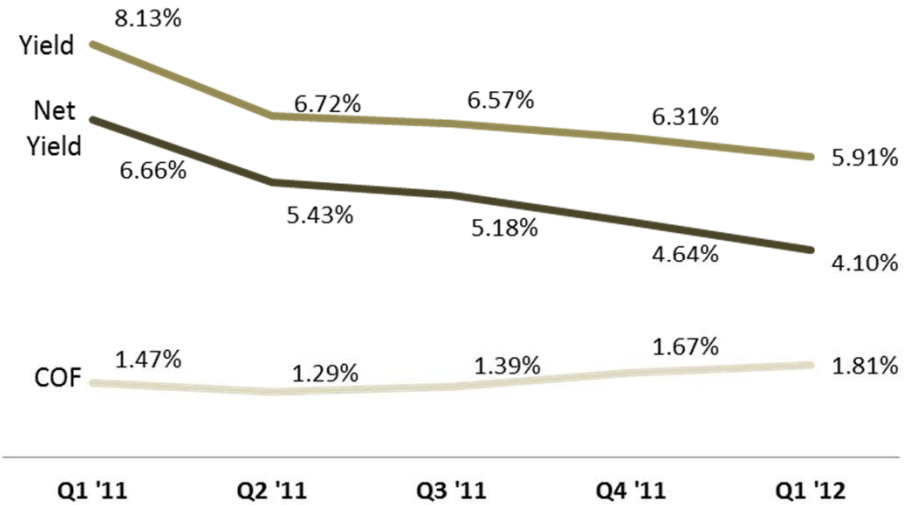
	3 Month CPR	IVR	Cohort
15 Year	10.3	21.7	
30 year	10.2	18.6	

Non-Agency

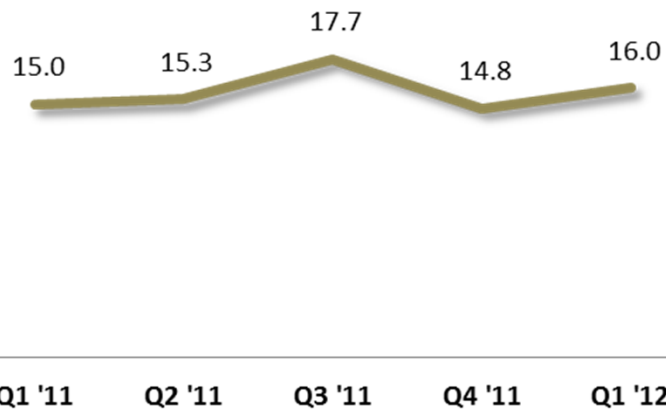
Non-Agency Detail (% of Total Non-Agency)



Yield



Non-Agency CPR

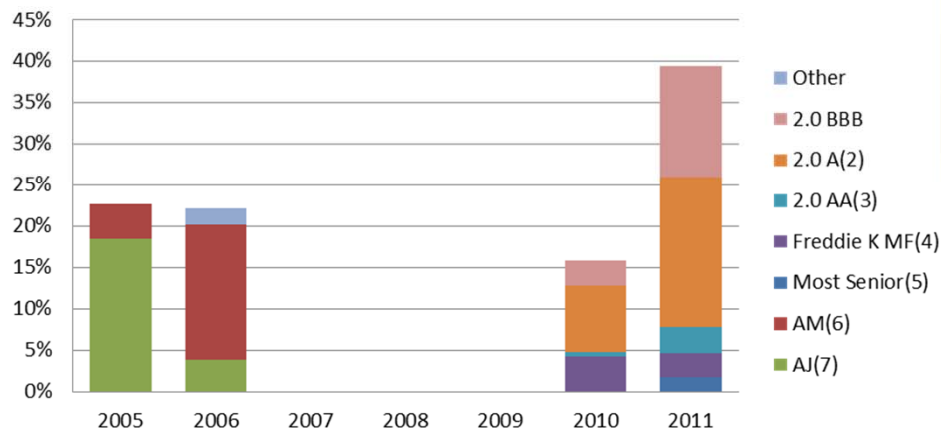


- Leverage decreased to 2.77x from 4.07x by repaying \$218MM in higher cost borrowings
- End of period COF is 1.76%
- High quality credit assets generating attractive mid teens ROE
- Well positioned to take advantage of opportunities

CMBS

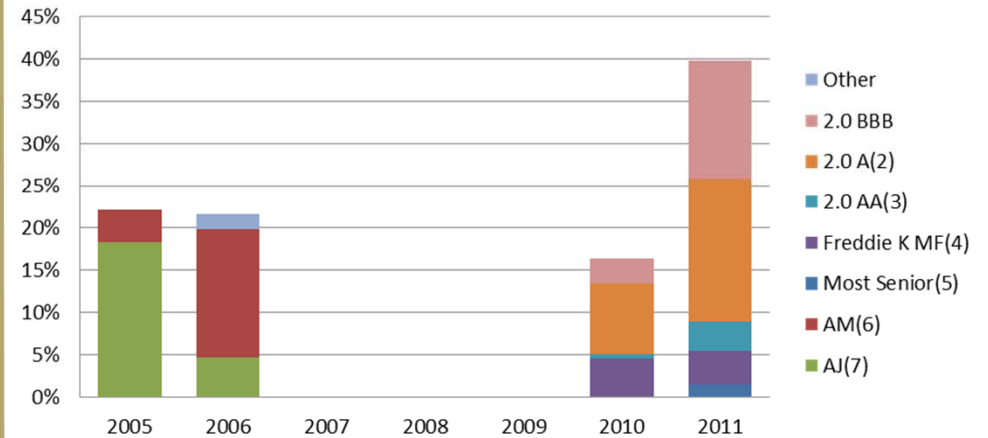
Q4 2011

IVR CMBS by Vintage

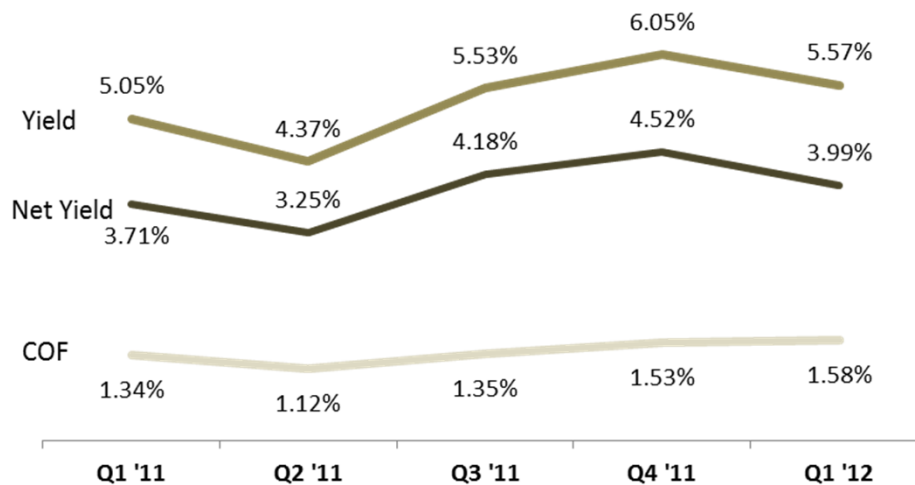


Q1 2012

IVR CMBS by Vintage



Yields



- Leverage declined to 2.4x from 2.6x
- Took advantage of attractive market prices and repositioned portfolio while generating over \$45MM in equity
- Continues to generate attractive mid teens returns with high quality assets
- CMBS reduces convexity risk