

Invesco Mortgage Capital Inc.

2011 Fourth Quarter Earnings Call

February 23, 2012

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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 views on the economy including the effects of economic stimulus by U.S. and foreign governments, Federal Reserve policy, current prices of mortgage-backed securities, the positioning of our portfolio to meet current or future economic conditions and the SEC Concept Release on mortgage REITs, our ability to continue performance trends, our current or future book value, our portfolio prepayment speeds, the credit quality of our assets and performance compared to the market, our level of debt, our ability to obtain additional financing and our capital strategy. 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.

Q4 Overview

Results

- EPS: \$0.66
- Dividend: \$0.65
- Book Value: \$16.41

Market Topics

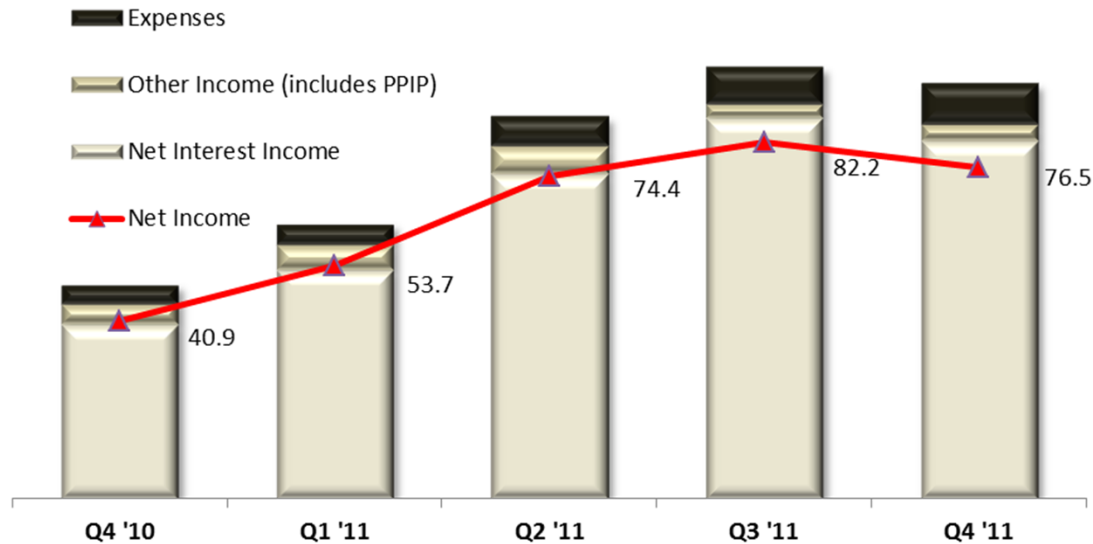
- Stimulative Central Bank Policy Globally
- Increased investor demand for higher yielding credit assets
- Agency RMBS prices outperforming swaps

Portfolio Activity

- ✓ Repositioned portfolio in Q4
- ✓ Agency RMBS increased to 55% of equity
- ✓ Agency RMBS concentrated up in coupon and in prepayment protected pools
- ✓ Non-agency RMBS (~ 70% senior re-REMICs) benefits include much lower volatility
- ✓ CMBS repositioned with higher yield and lower leverage

Quarterly Performance (\$ in millions)

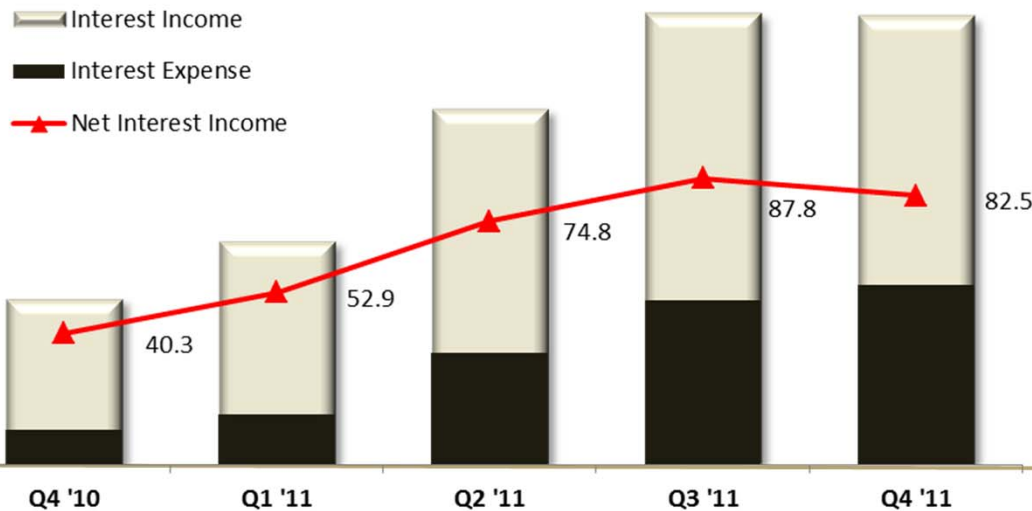
Net Income



Comments

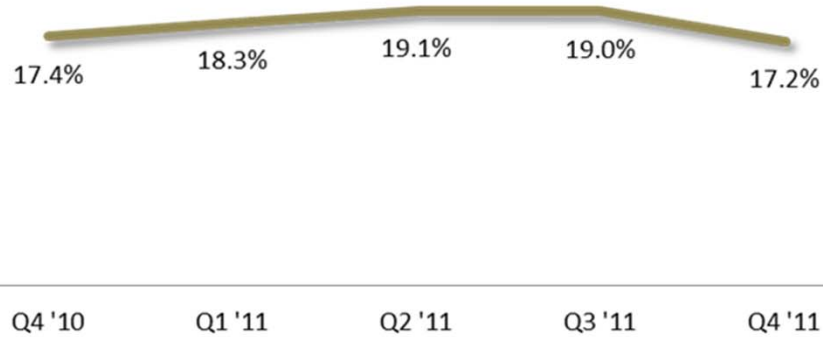
- Net income and net interest income decreased 7% and 6% to \$76.5MM and \$82.5MM, respectively, from Q3
- Key drivers:
 - Portfolio composition was adjusted
 - Interest expense increased \$4.5MM
- EPS Q4 \$0.66
- Dividend Q4 \$0.65

Net Interest Income

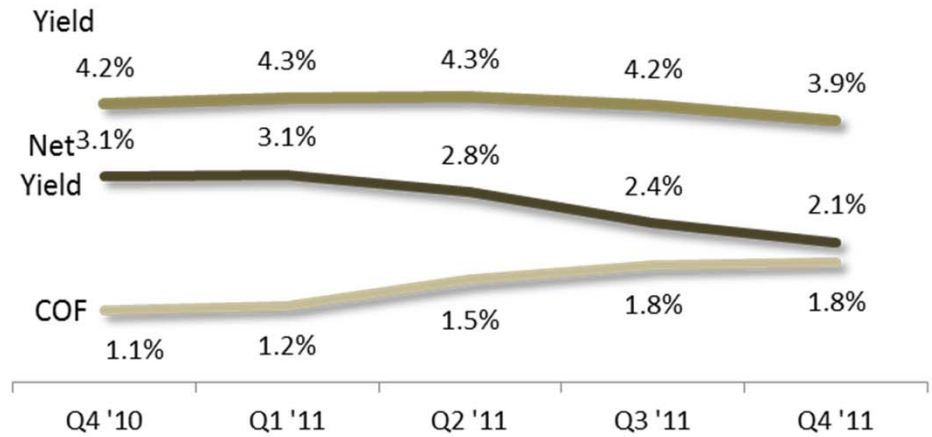


Performance

Gross ROE



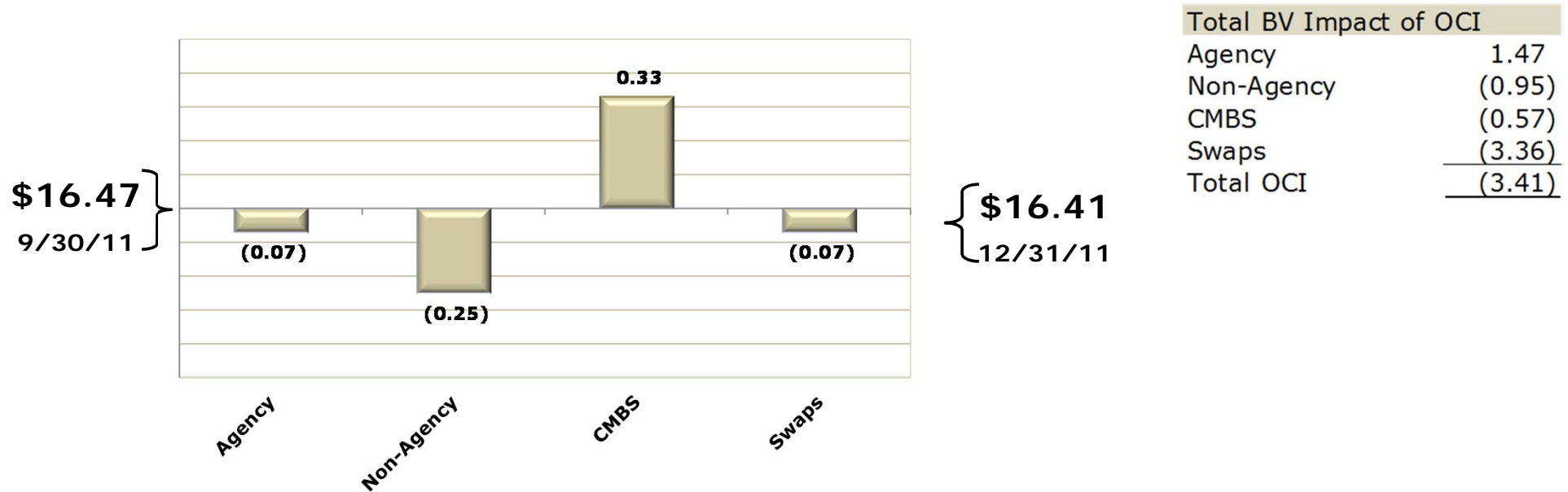
Yields



Comments

- Gross ROE declined 180 bps on lower net interest income
- Portfolio yield decreased 30 bps as portfolio was shifted to higher agency RMBS concentration

Book Value Analysis

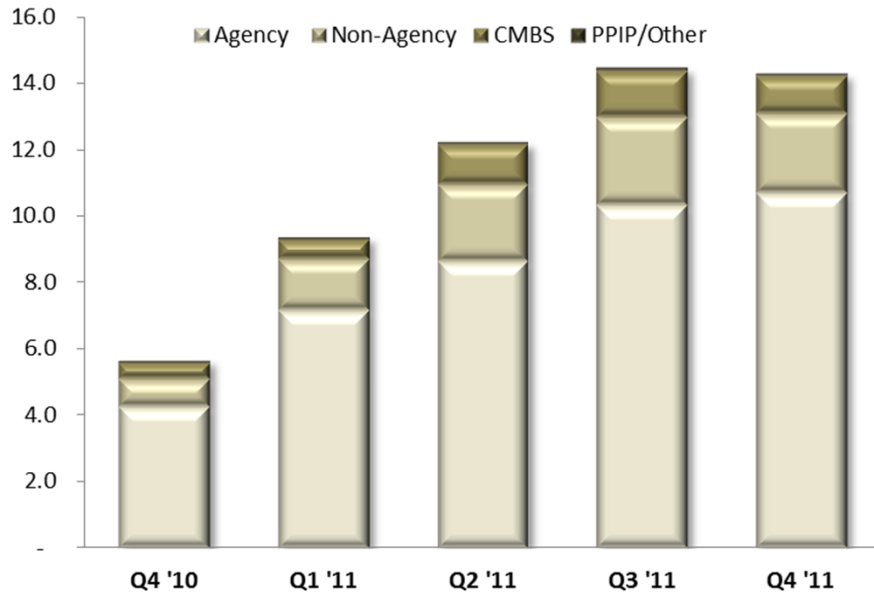


Comments

- Book value was down slightly from 9/30 as swap rates and asset prices were stable
- Total Other Comprehensive Income (OCI) impact on book value of \$3.41
- No impairment expense in 2011 as book value decline was deemed temporary
- Book value in Q1 has improved ~ 5% as agency prices have been outperforming swaps

Portfolio Update (\$ in billions)

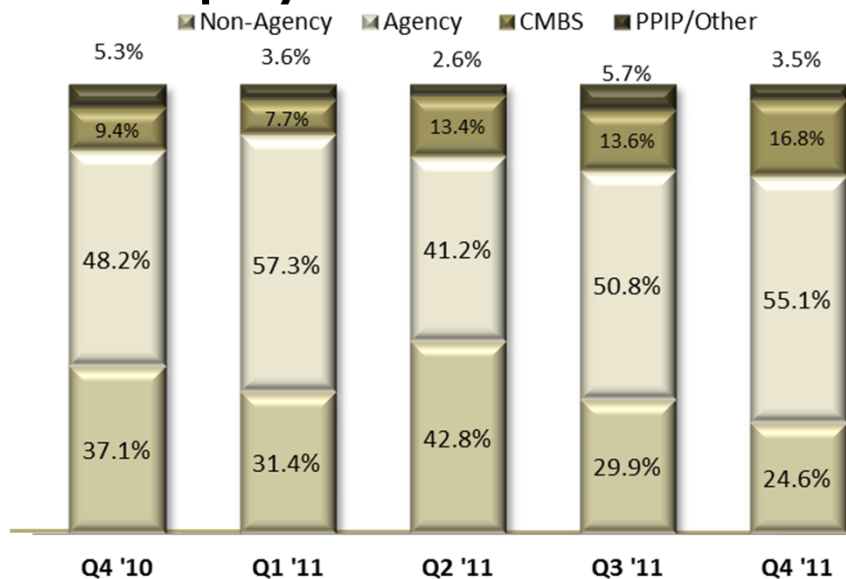
Portfolio



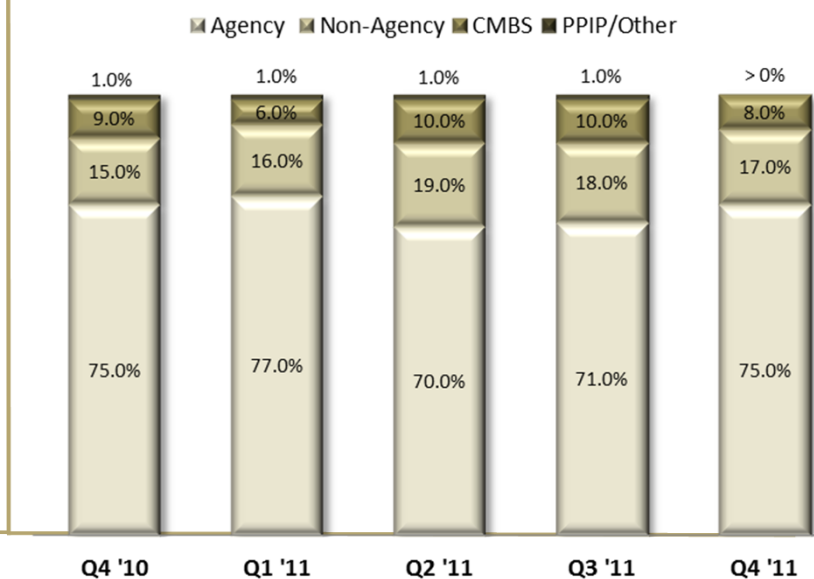
Comments

- Q4 rebalancing resulted in equity allocation to Agency increasing ~ 5% to 55%. Asset allocation increased to 75% Agency from 71%
- Increase in equity allocated to CMBS was primarily the result of higher asset prices and some reduction in borrowings
- PPIP and equity investments declined as cash was returned following expected financing of Atlas
- Total leverage increased to 6.4x from 6.3x

% of Equity

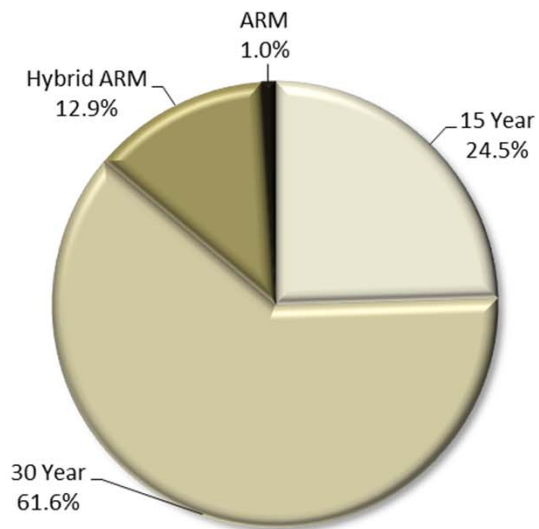


% of Assets

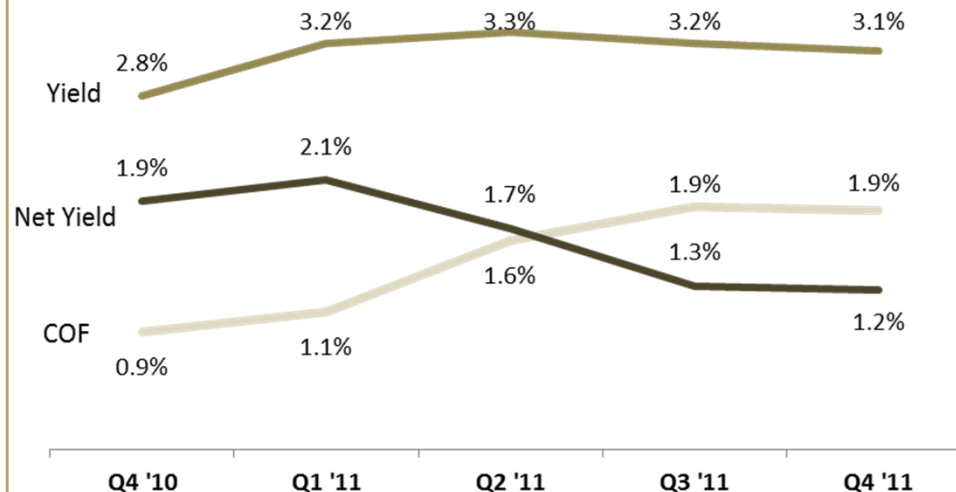


Agency

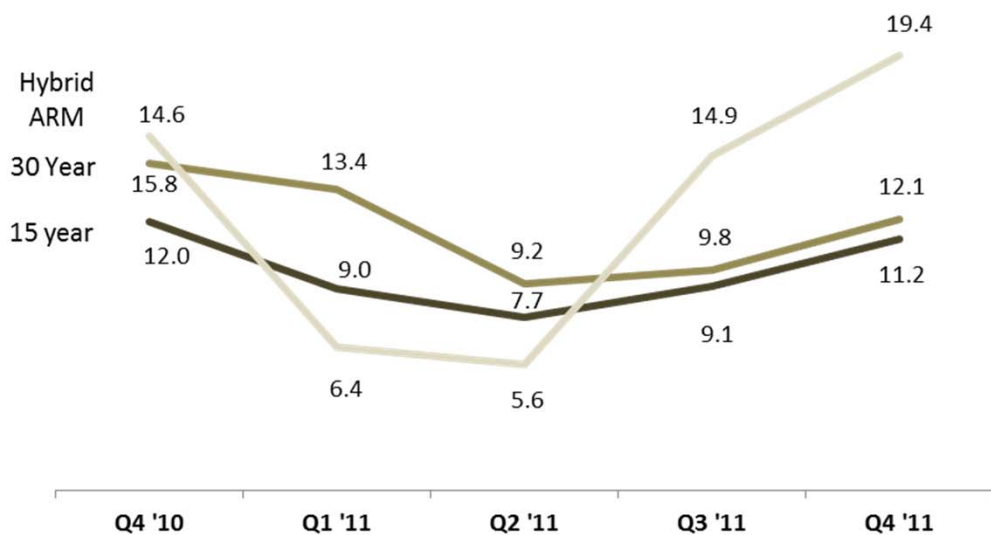
Agency Detail (% of Total Agency)



Yield



Agency CPR



Comments

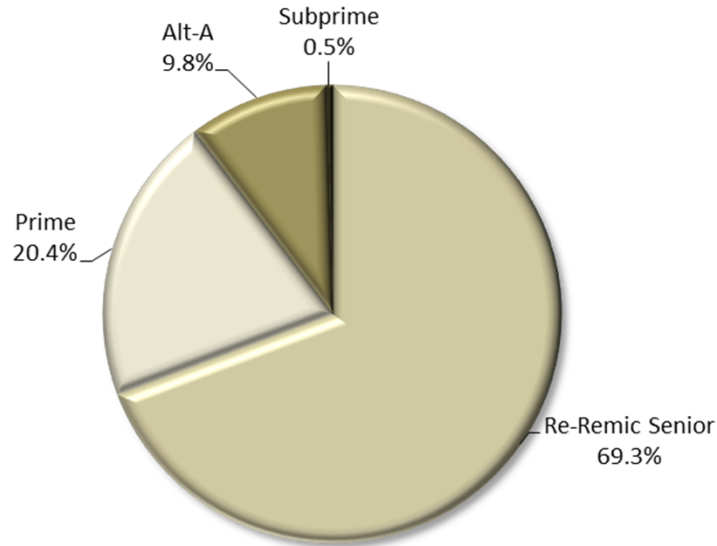
- Agency yields declined 10bps as new assets were added with lower yields and prepayment speeds increased
- Q4 Agency leverage of 9.0x, down from 9.3x
- 73% of Agency repo hedged down from 77%
- Continued focus on prepay protection stories with greater focus on 30 year collateral

	3 Month CPR	IVR	Cohort
15 Year		11.2	25.6
30 year		12.2	20.6

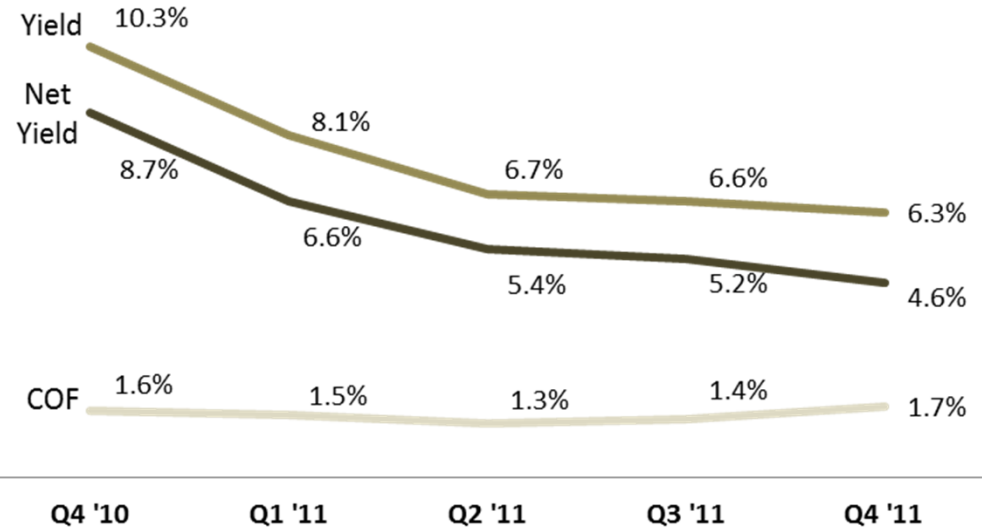


Non-Agency

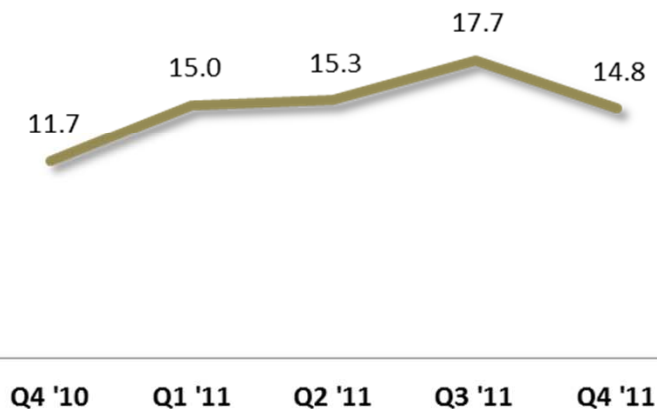
Non-Agency Detail (% of Total Non-Agency)



Yield



Non-Agency CPR



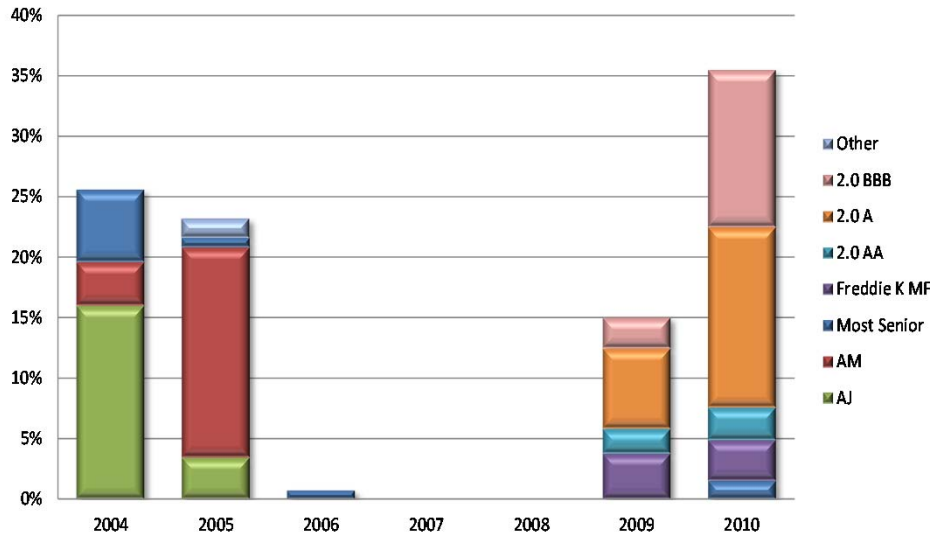
Comments

- Equity allocation decreased with portfolio repositioning
- ~ 69% of non-Agency RMBS are in re-REMIC Seniors up from ~ 62%
- Decline in portfolio yield corresponds to emphasis on senior Re-REMICs with lower risk/return profile and better cash flow characteristics but higher leverage
- Leverage increased to 4.1x from 3.7x in Q3
- COF increased as rates continued to increase on market concerns for credit assets

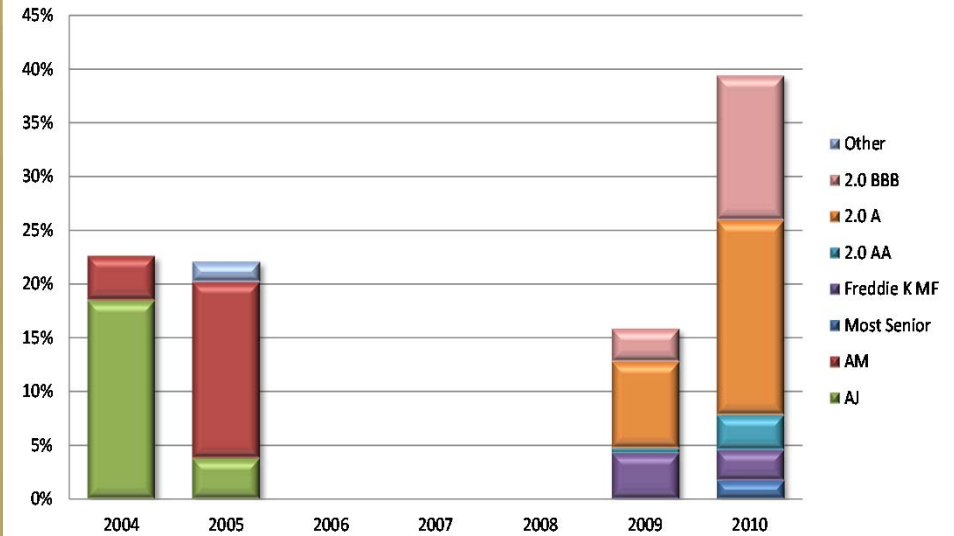


CMBS

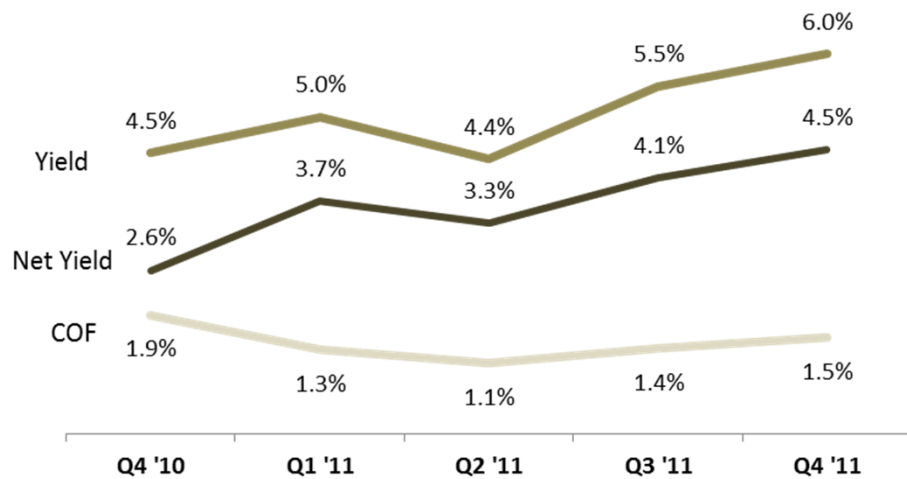
CMBS by Vintage 9/30/11



CMBS by Vintage 12/31/11



Yields



Comments

- Equity allocation increase was the result of higher asset prices, portfolio re-positioning and some reduction in borrowings
- Leverage declined to 2.6x from 3.9x
- Strategic portfolio repositioning was the primary driver of a higher yield and COF
- Fundamental stabilization remained across most commercial real estate markets and the portfolio