

Invesco Mortgage Capital Inc.

2012 Third Quarter Earnings Call

October 31, 2012

Richard J. King
President & Chief Executive Officer

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Chief Investment Officer

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Chief Financial Officer

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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 ability to maintain or improve book value, the stability of earnings and dividends, 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 ability to select assets with slower 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.

Q3 Overview

Results

- EPS: \$0.72
- Dividend: \$0.65
- Book Value: \$20.93

Q3 Goals:

Improve Book Value

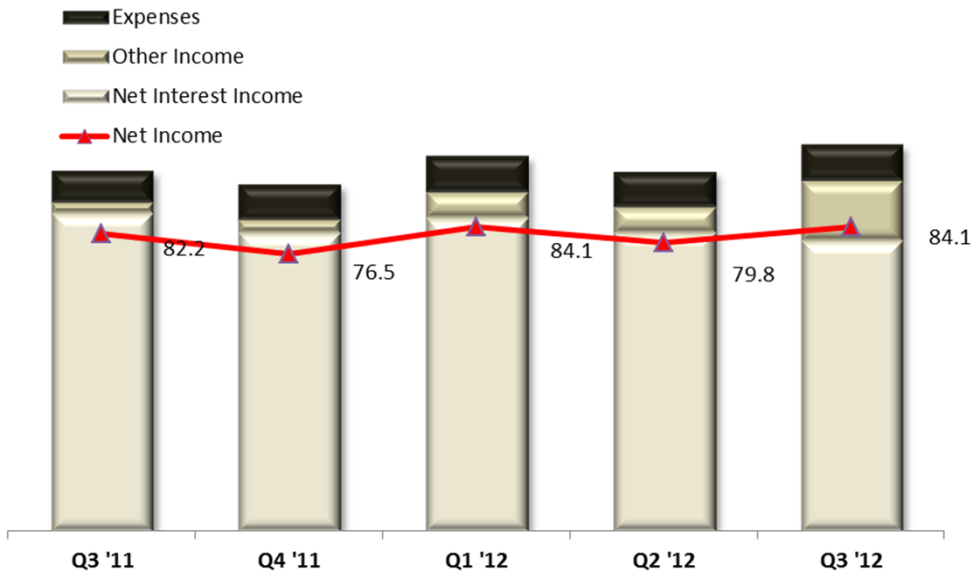
- ✓ Book value increased 13.8%
- ✓ MBS performed well in Q3 as Treasury yields reached record lows
- ✓ Book value has remained stable post quarter-end

Maintain Stable Dividend

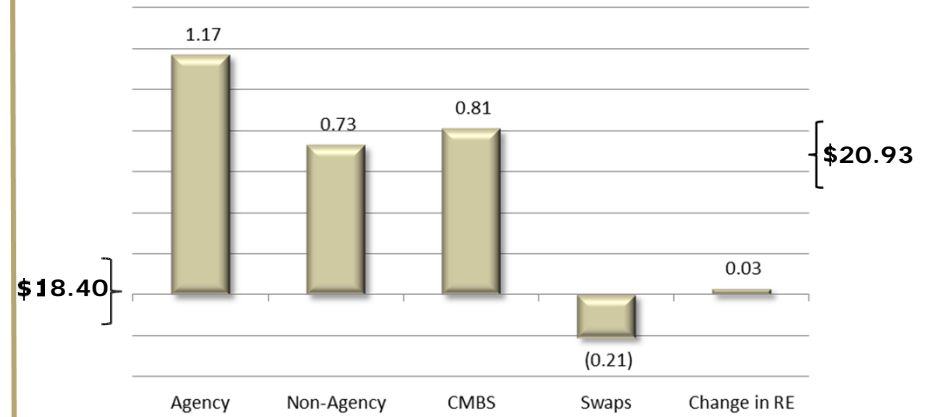
- ✓ Paid \$0.65 dividend while earning \$0.72 per share
- ✓ July preferred offering is fully invested and is accretive to common EPS
- ✓ Increased earning assets by \$2.3B

Quarterly Performance

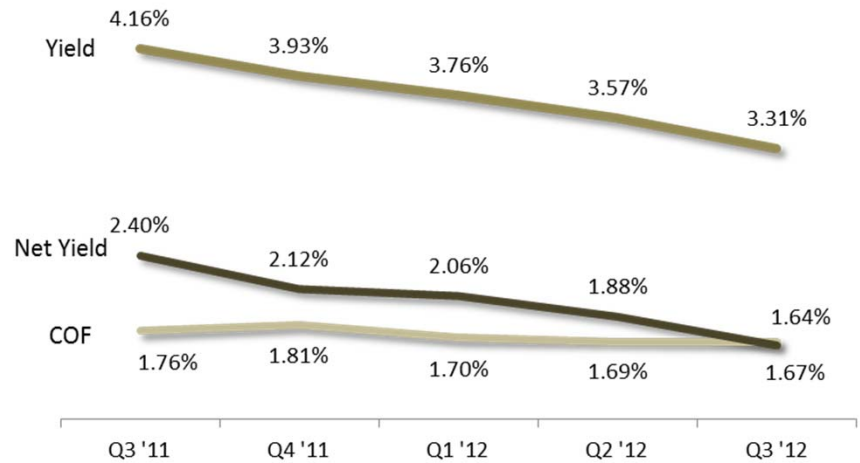
Net Income (\$ in millions)



Q3 Book Value Change



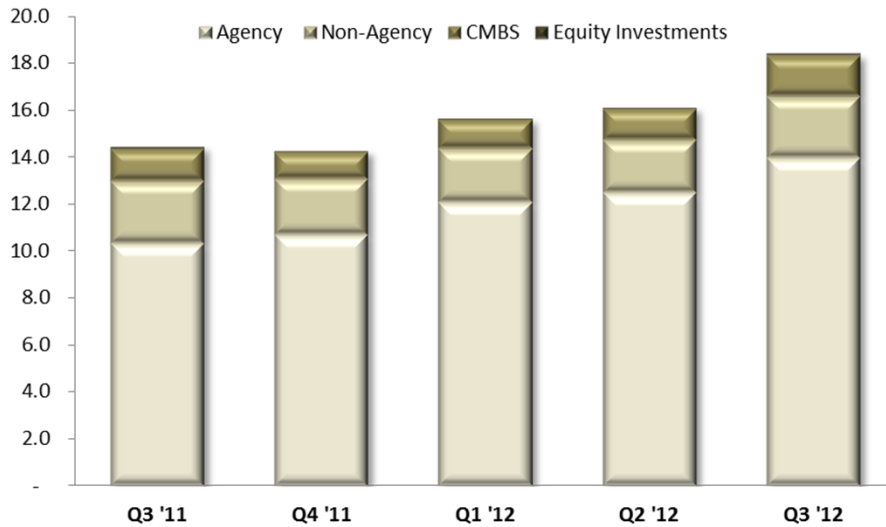
Yield



Prior period yields were adjusted to conform with presentation in our quarterly SEC filings

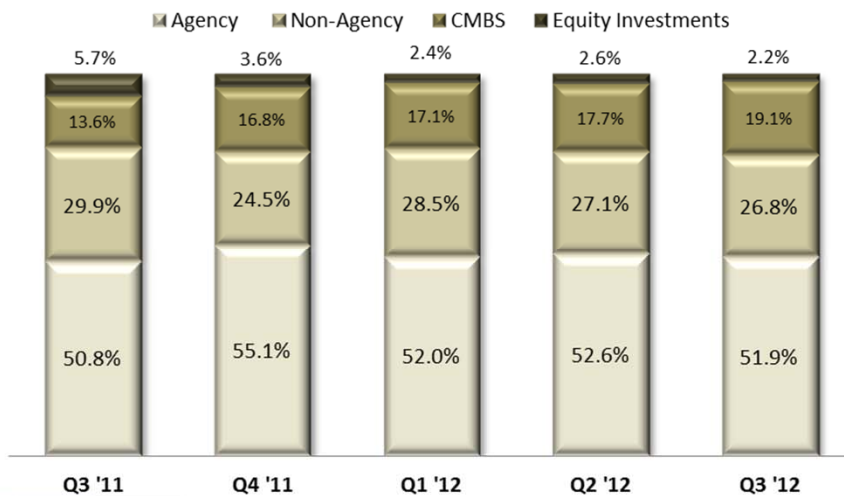
Portfolio Update

Portfolio (\$ in billions)

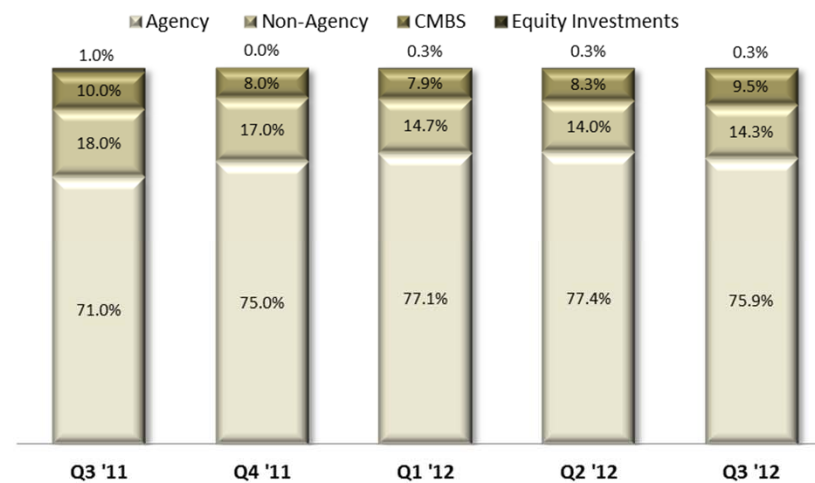


- Portfolio growth of \$2.3B due to increasing asset values and deployment of preferred proceeds
 - Agency RMBS increased \$1.5B
 - CMBS increased \$404mm
 - Non-Agency RMBS increased \$375mm
- Total leverage decreased to 5.8x from 6.3x

% of Equity

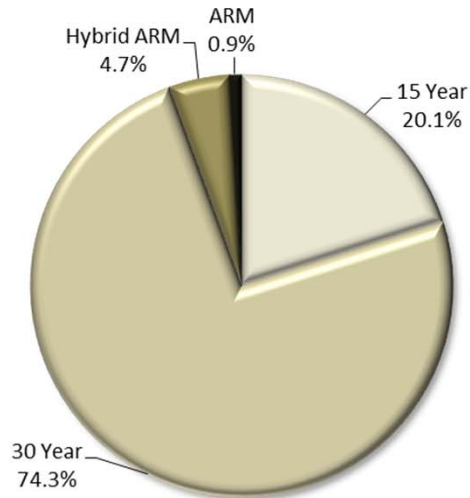


% of Assets

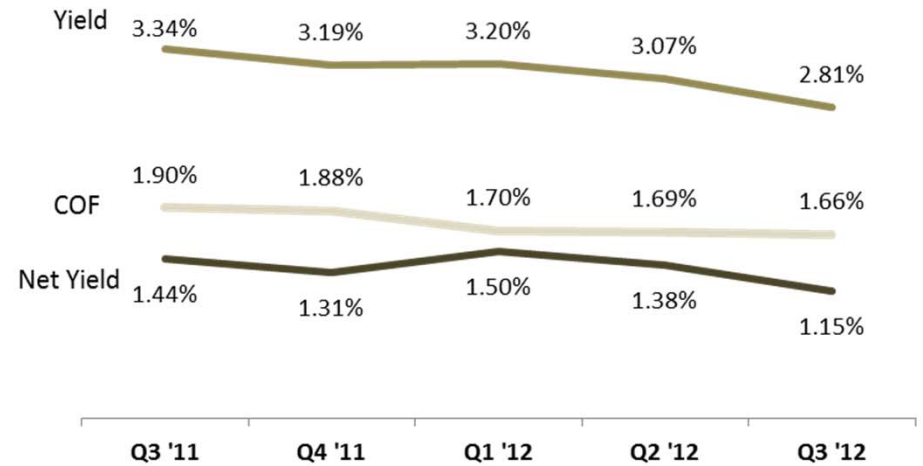


Agency

Agency Detail (% of Total Agency)

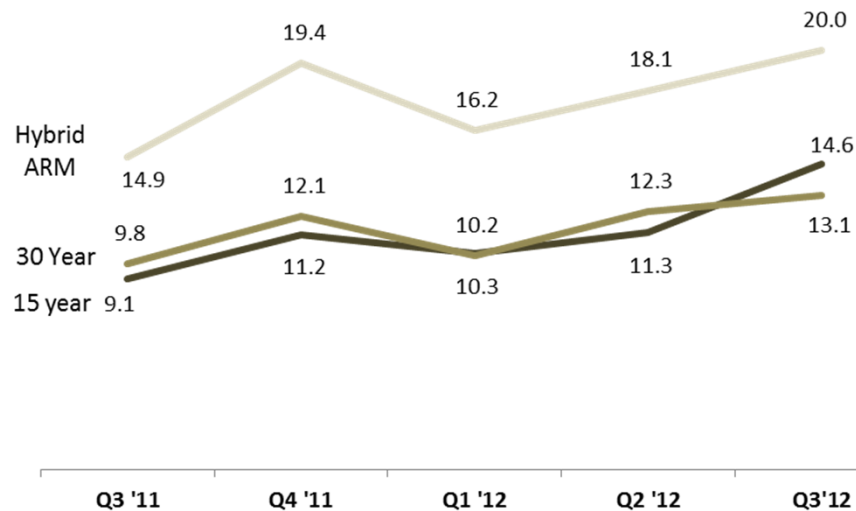


Yield



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Agency CPR

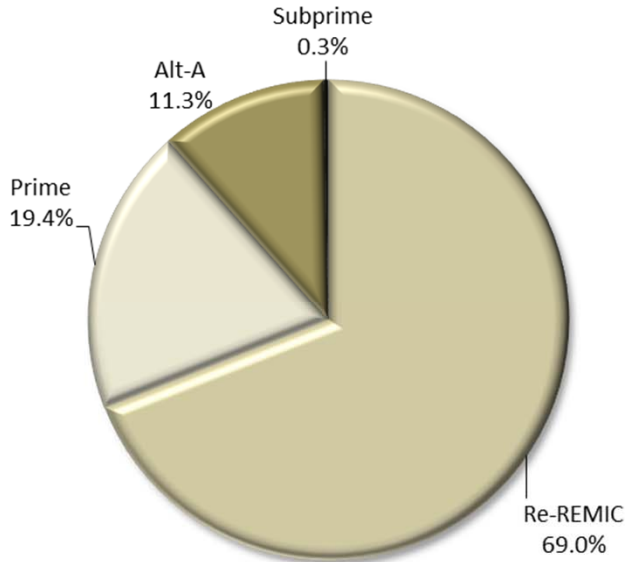


- Decline in agency yields to 2.81%. Earnings power was maintained by adding \$1.4B in additional assets
- Additional asset values reduced agency leverage to 8.7x
- Mid-teens ROEs on new investments
- Over 88% of our fixed rate agencies are in prepay protected pools

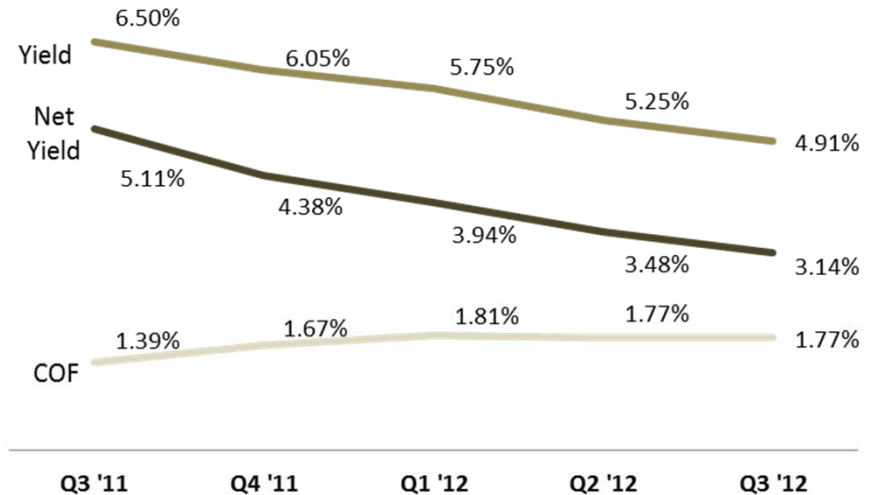
	3 Month CPR	IVR	Cohort
15 Year		14.6	23.4
30 year		13.1	20.7

Non-Agency

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

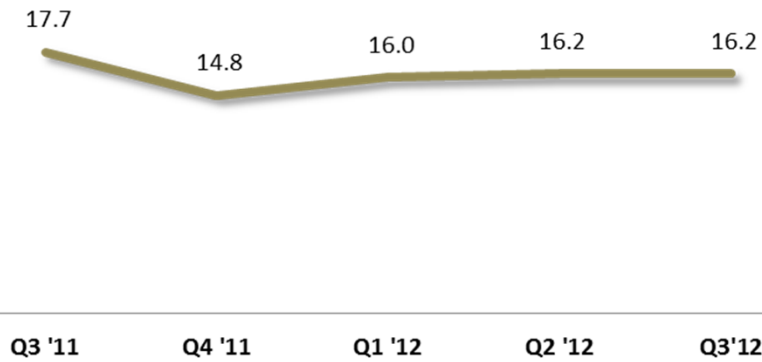


Yield



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Non-Agency CPR

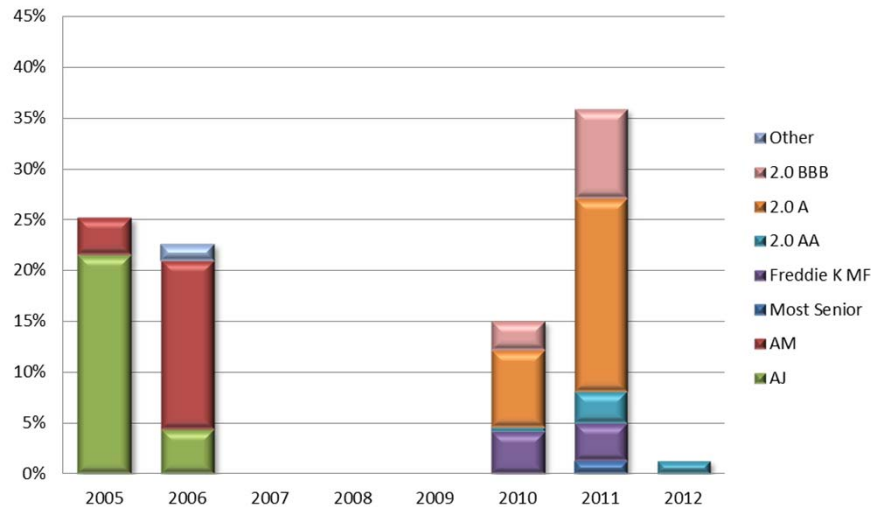


- Yields declined as hybrid ARM coupons reset lower and new positions were added at lower nominal yields
- Housing fundamentals continue to improve
- Supportive technicals, with negative net supply and continued strong investor demand
- Favorable return profile in a rising rate environment
- Leverage was 2.8x

CMBS

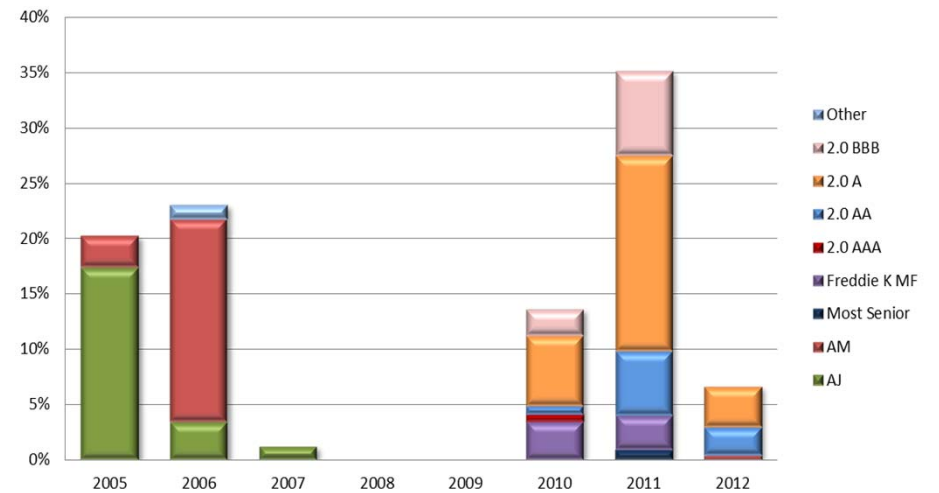
Q2 2012

IVR CMBS by Vintage

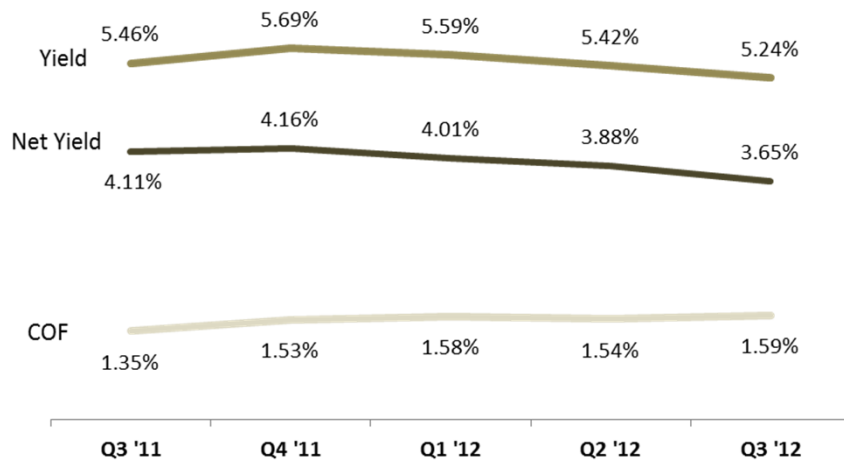


Q3 2012

IVR CMBS by Vintage



Yields



Prior period yields were adjusted to conform with presentation in our quarterly SEC filings

- CMBS portfolio repositioning continued in Q3 with focus on higher credit quality
- New asset purchases focused on legacy senior bonds and higher quality CMBS 2.0/3.0
- Lower yield reflects repositioning into higher credit
- Leverage was 2.5x