

Invesco Mortgage Capital Inc.

2010 Fourth Quarter Earnings Call

March 1, 2011

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Forward-Looking Statements

This presentation, and comments made in the associated conference call today, may include statements and information that constitute “forward-looking statements” within the meaning of the U.S. securities laws. Forward-looking statements include statements with respect to our beliefs, plans, objectives, goals, targets, expectations, anticipations, assumptions, estimates, intentions and future performance. Forward-looking statements also include statements regarding: our ability to deploy capital from follow-on common stock offerings and our ability to maximize earnings and dividends; the position of our portfolio for 2011; our focus for 2011; our ability to repeat performance trends in net income, net interest income, return on equity, portfolio yields and expense ratios; interest rates and their effect on prepayment risk; the existence of favorable market conditions for mortgage assets and our ability to capitalize on those opportunities; the availability of financing, repurchase agreement funding costs and terms; our portfolio composition and our ability to adjust it to generate targeted returns; the constant prepayment rates of mortgage-backed securities; the ability of our hybrid REIT strategy to capture available opportunities; our current focus on agency bonds; legacy credit returns; the ability of our diversified portfolio to minimize book value volatility and maximize dividends; credit performance of mortgage-backed securities and commercial loans; the new issue CMBS market; the exploration of loan opportunities; our ability to maintain a stable book value; and our ability to complete additional follow-on common stock offerings. In addition, words such as “anticipates,” “believes,” “will,” “expects” and “plans,” as well as any other statements that necessarily depend 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.



2010 Overview

Delivered results

- ✓ EPS: Q4 \$1.00, 2010 \$3.78
- ✓ Dividend: Q4 \$0.97, 2010 \$3.49
- ✓ Book Value: \$20.49 a \$0.21 increase from 9/30/10; \$0.10 from 12/31/09

Strategically accessed capital markets

- ✓ Raised \$869MM in four follow-on offerings
- ✓ Reduced G&A expense ratio by 40% to 1.8%
- ✓ Consistently invested proceeds quickly to maximize earnings and dividend

Hybrid model and experienced team provide flexibility

- ✓ Avoided GSE* buyout issues
- ✓ Maintained low prepayment speeds on agency RMBS with asset selection
- ✓ Balanced portfolio results in reduced risks and lower total leverage
- ✓ Adjusted asset mix as the market changed

2011 Outlook

Favorable market exists for mortgage assets

- ✓ Steep yield curve supports strong agency RMBS returns
- ✓ New issue CMBS and RMBS present opportunities for IVR's conservative underwriting
- ✓ GSE reform will reshape residential loan market
 - Greater supply of non-Agency loans and new issue RMBS
 - Potential for new credit assets from agency RMBS
- ✓ Low borrowing costs likely to continue through 2011

Portfolio is well positioned for 2011

- ✓ Balanced portfolio of credit and agency RMBS
- ✓ High hedge ratio with longer term swaps
- ✓ Experienced team and broad platform to maximize opportunities

Continued focus

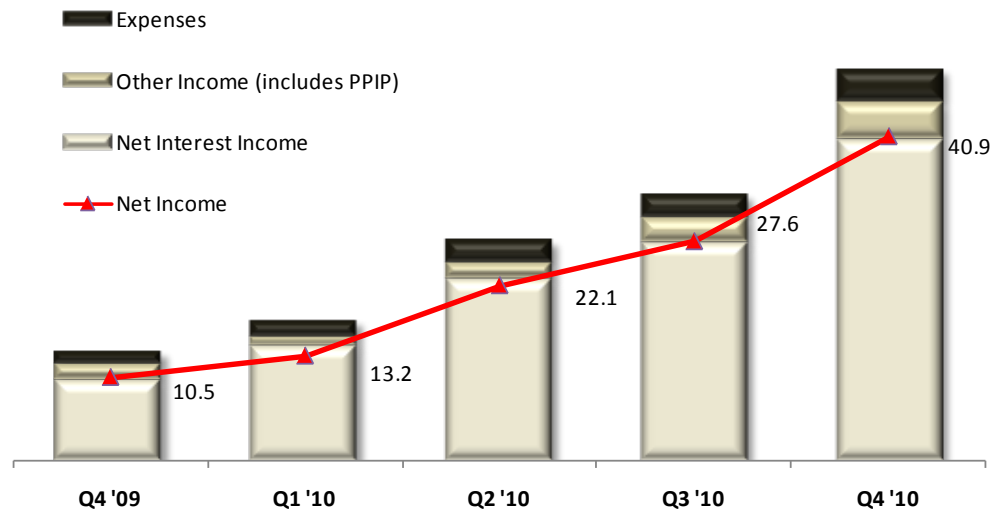
- ✓ Dividend yield
- ✓ Book value stability



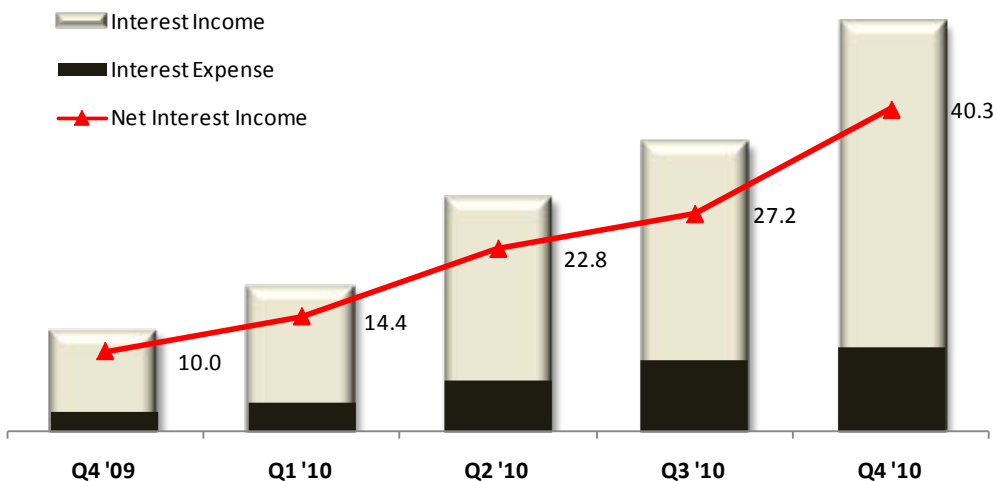
Quarterly Performance

(\$ in millions)

Net Income



Net Interest Income



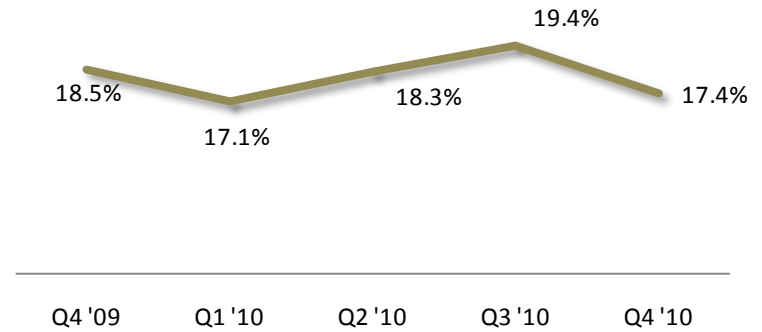
Comments

- Net income and Net Interest Income increased 48% to \$40.9MM and \$40.3MM respectively
- Key drivers:
 - Higher average balances due to two follow-on common stock offerings
 - Balanced portfolio mix lead to short investment period
- EPS Q4 \$1.00, 2010 \$3.78
- Dividend Q4 \$0.97, Y-T-D \$3.49
- Expense ratio declined 29 bps in Q4 to 1.8%

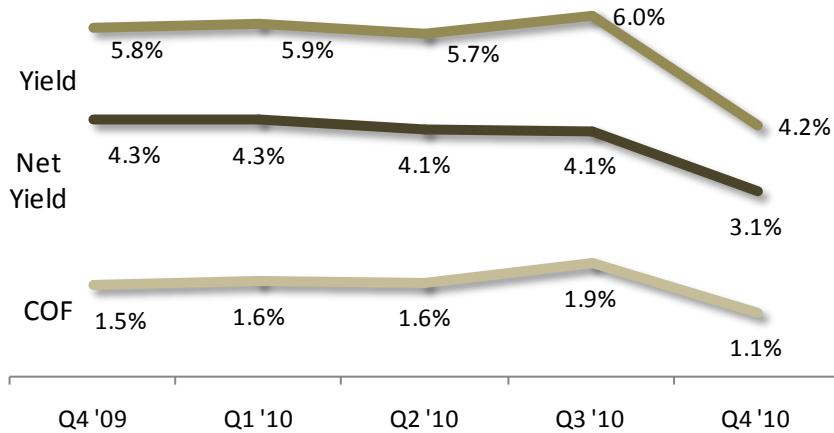
Performance

- The increased allocation to agency RMBS decreased both the portfolio yield and the funding costs
- Portfolio leverage increased with asset mix change maintaining the portfolio's return profile
- Disciplined risk management was maintained with longer term swaps
- G&A continued to fall with increased equity

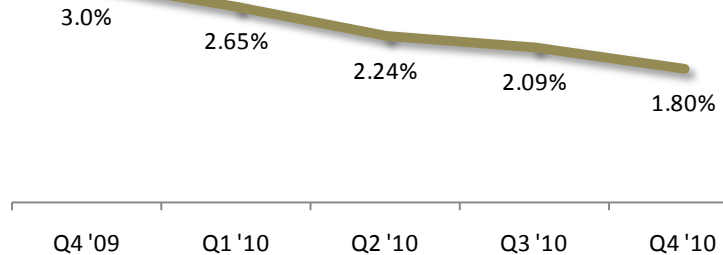
Gross ROE



Yields

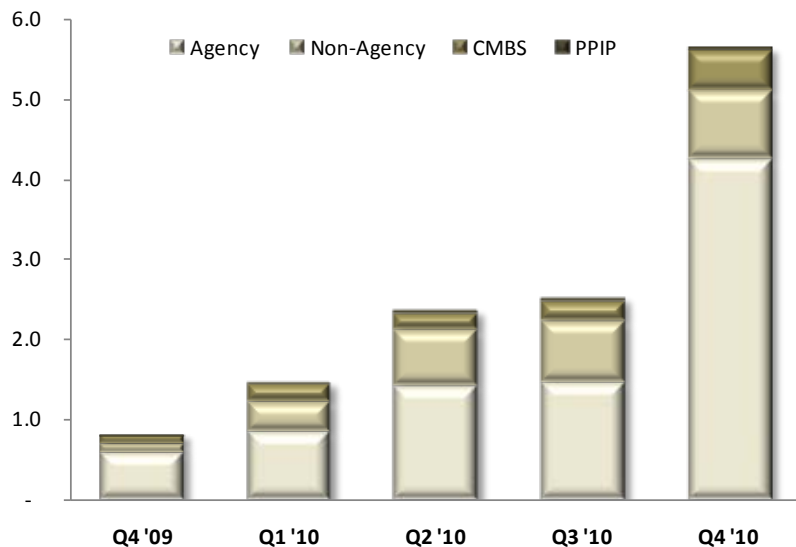


G&A Expense (as % of equity)



Portfolio Update

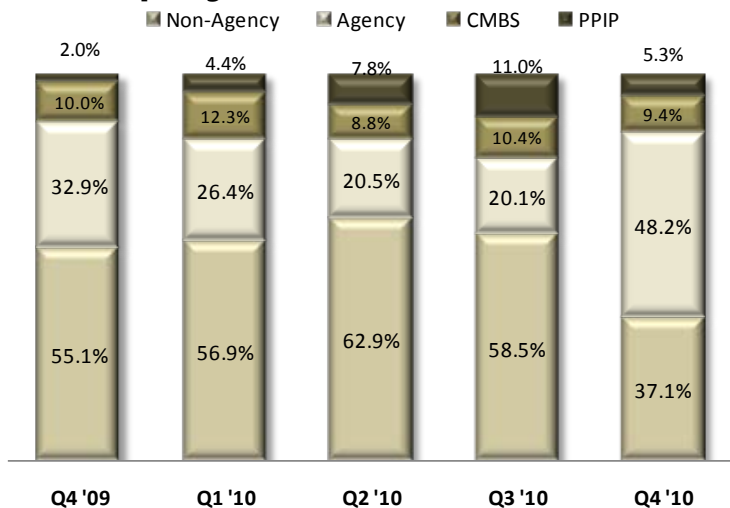
Portfolio (\$ in billions)



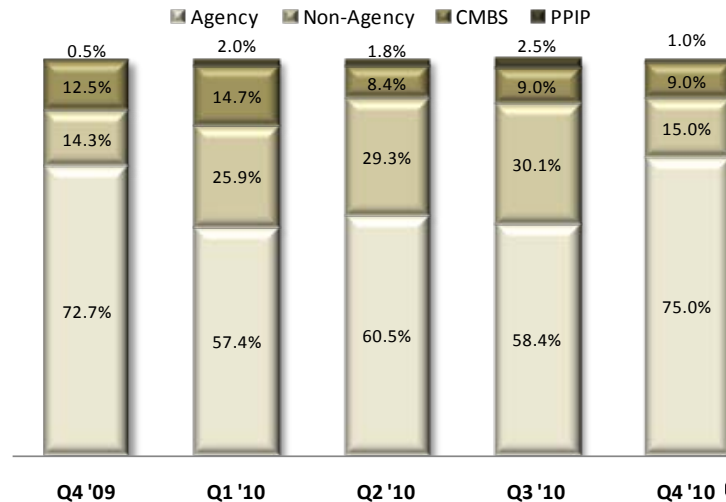
Comments

- Fourth quarter follow-on offerings were invested primarily in agency and non-agency RMBS
- Hybrid strategy captures best available opportunities
- Current focus on agency trade as legacy credit returns fade and new mortgage market evolves
- Total leverage increased to 4.1x from 3.4x
- Diversified portfolio structured to minimize book value volatility and maximize dividend

% of Equity



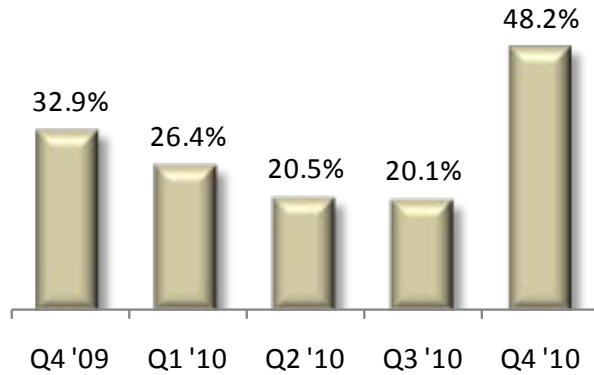
% of Assets



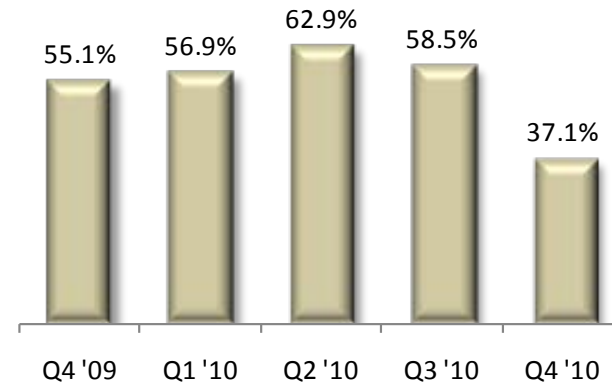
Detailed Portfolio

(% of equity)

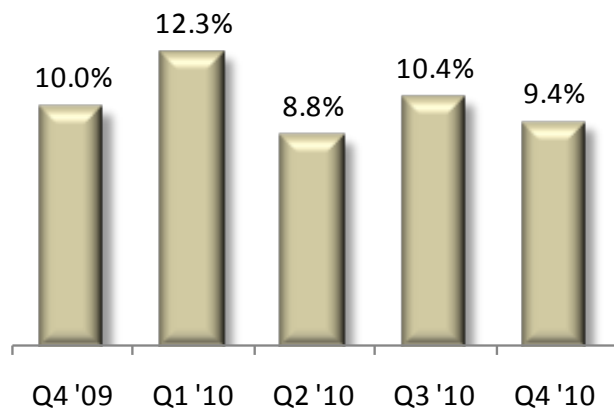
Agency



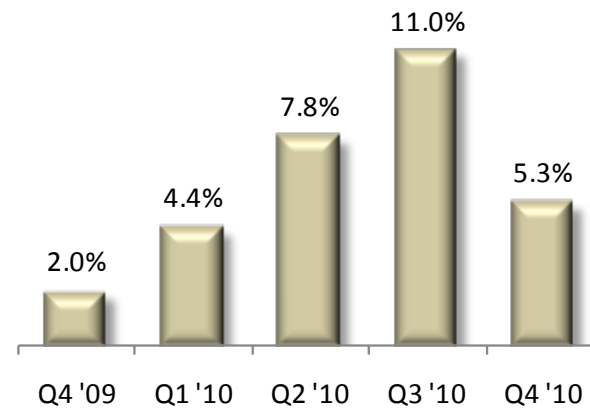
Non-agency



CMBS

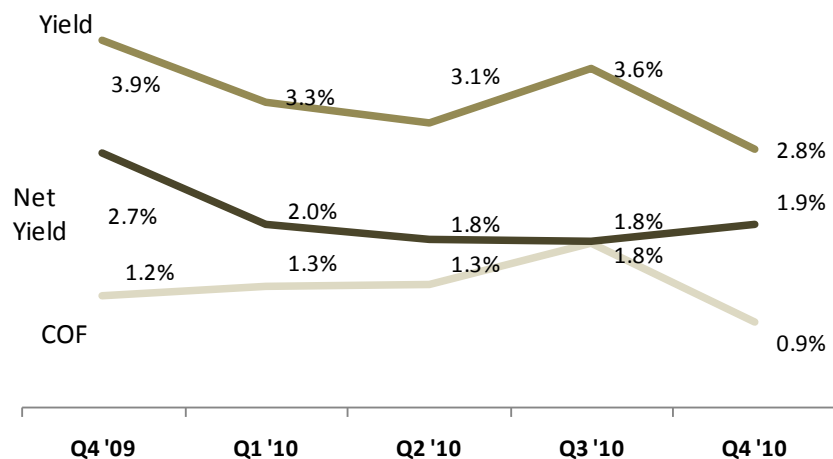


PPIP

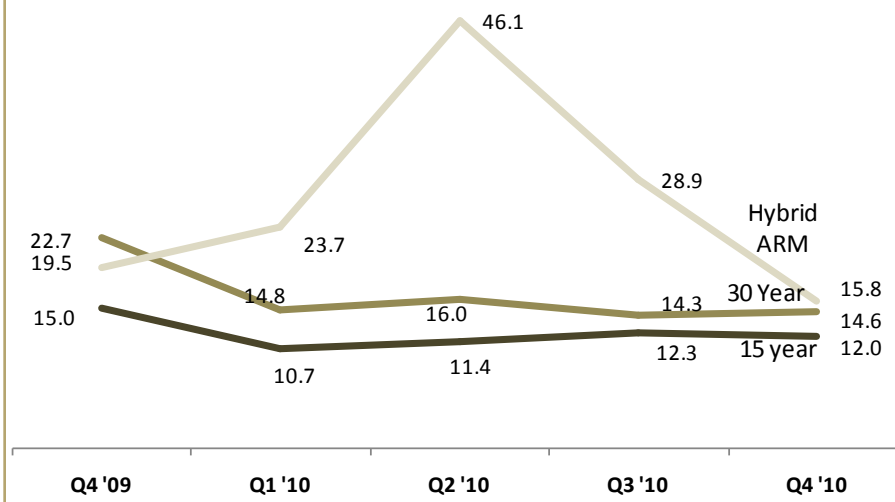


Agency

Yields



Agency CPR

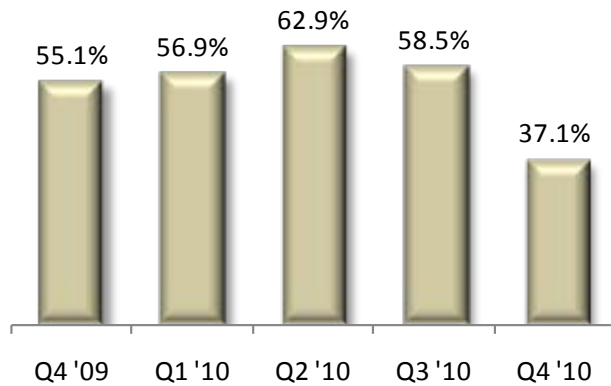


Comments

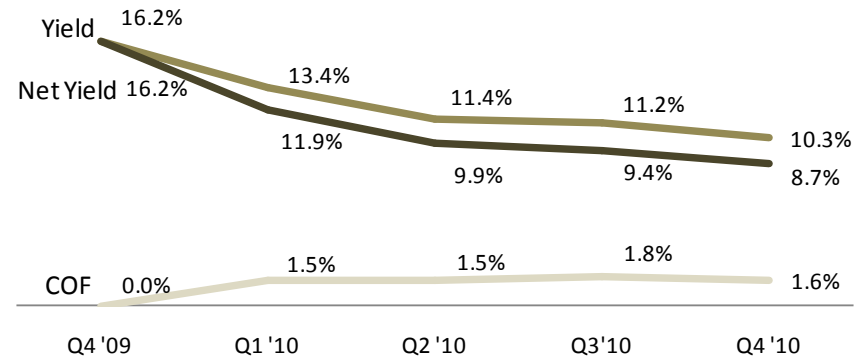
- Continued focus on reasonably priced prepay protection RMBS such as credit impairment, low to moderate loan balances and investor pools in both 15 and 30 year collateral
- Agency leverage was reduced to 6.9x from 11.6x with increased allocation
 - Continued to maintain duration gap target of ½ to 1 year
 - ~74% of agency RMBS repo hedged as of 12/31/10
- Prepayment speeds remained very well contained
 - 15 Year collateral paid 12.0 CPR versus 28.8 CPR for generic collateral
 - 30 Year collateral paid 14.6 CPR versus 27.8 CPR for generic collateral

Non-Agency

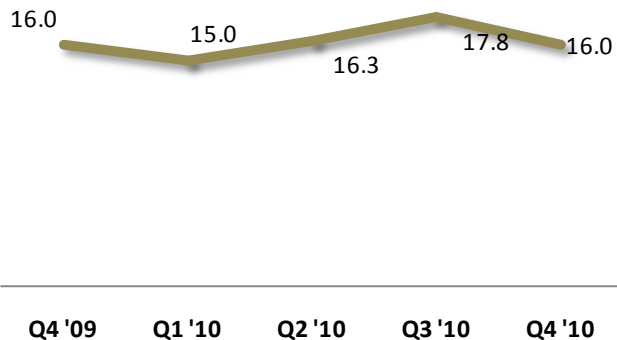
Balance (% of equity)



Yield



Non-agency CPR

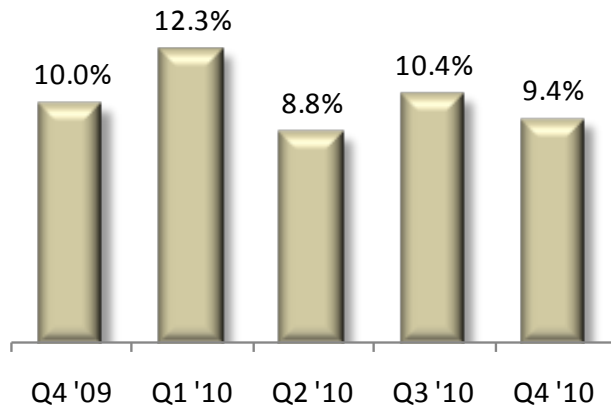


Comments

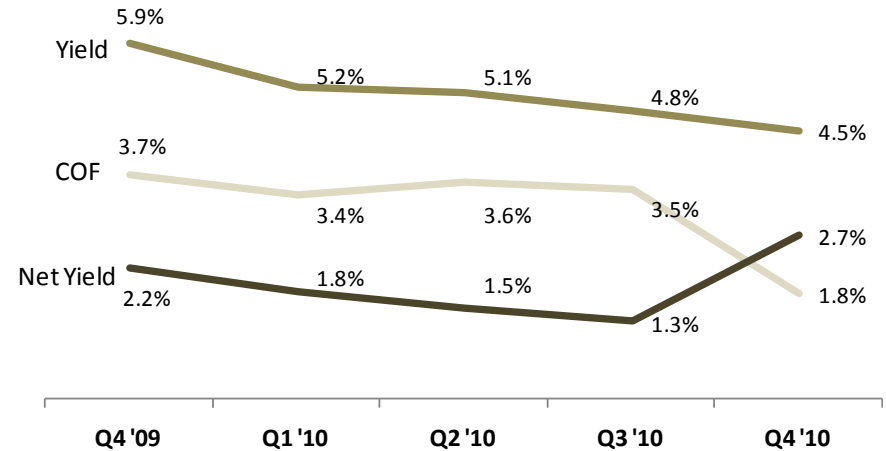
- Equity allocation reduced with Q4 capital offerings
- Prices rallied reducing yield on new assets
- Leverage increased to 1.2x with improved terms and availability

CMBS

Balance (% of equity)



Yields



Comments

- Opportunities found in legacy CMBS but also in new issue subordinate bonds
- New issue CMBS market recovering rapidly
- TALF refinancing lowered funding costs, increased the net yield and increased the amount of cash advanced
- Terms in the private repo market have improved dramatically
- Continuing to explore loan opportunities