

Invesco Mortgage Capital Inc.
Credit Suisse Financial Services Forum
February 2013



Forward-Looking Statements

This presentation 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, 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, the credit quality of our assets and the deployment of capital from the stock offering. 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.

All material presented is compiled from sources believed to be reliable and current, but accuracy cannot be guaranteed. This is not an offer to buy or sell any securities and should not be relied upon as the sole factor in an investment-making decision. As with all investments, there are associated inherent risks. Please obtain and review all financial material carefully before investing. All data is as of December 31, 2012 unless otherwise noted.

2012 Overview

Results

- EPS: \$2.89
- Dividend: \$2.60
- Book Value: \$20.83

2012 Goals

Improve Book Value

- ✓ Investors' need for yield drove our prices up in 2012
- ✓ MBS, CMBS, and non-Agency RMBS all contributed to the improvement
- ✓ Book value increased \$4.42 or 26.9%

Maintain Stable Dividend

- ✓ Paid \$0.65 dividend each quarter
- ✓ Increased earning assets by \$4.3B
- ✓ Undistributed earnings were \$0.16 per share at year-end

Q4 Overview

Results

- EPS: \$0.77
- Dividend: \$0.65
- Book Value: \$20.83

Q4 Goals

Maintain Book Value and Strengthen Balance Sheet

- ✓ Book value decreased \$0.10 or 0.5%
- ✓ Agency MBS spread widening offset by improvement in credit assets
- ✓ Improved liquidity in front of political risk

Maintain Stable Dividend

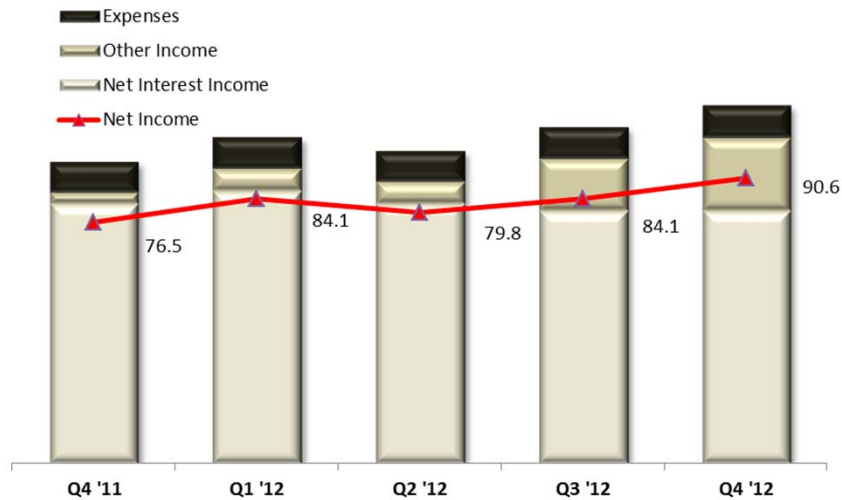
- ✓ Paid \$0.65 dividend while earning \$0.77 per share

Move Equity Allocation Towards Credit Assets

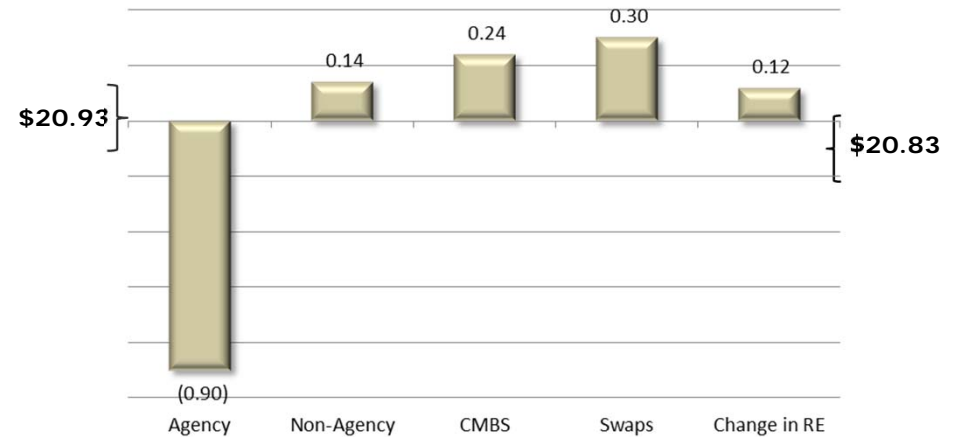
- ✓ Agency MBS allocation declined to 49%
- ✓ Credit allocation increased to 50%

Quarterly Performance

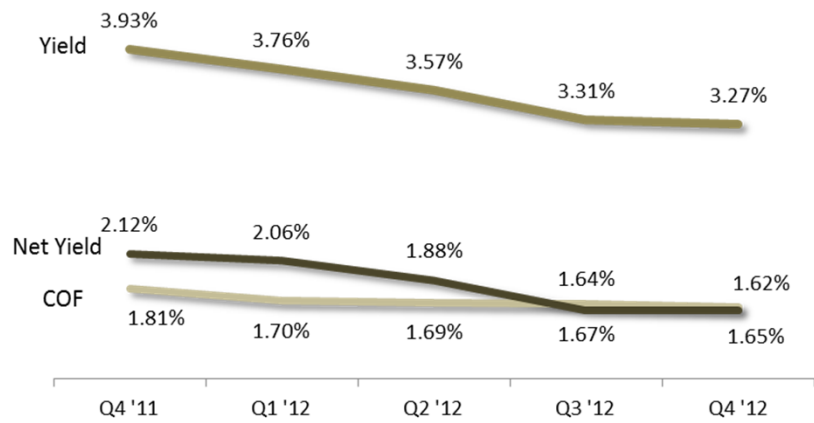
Net Income (\$ in millions)



Q4 Book Value Change



Yield



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

- Increased net income
- Stable net yield
- Stable book value
- Credit asset appreciation offset spread widening in Agency MBS

2013 Outlook

Views for 2013

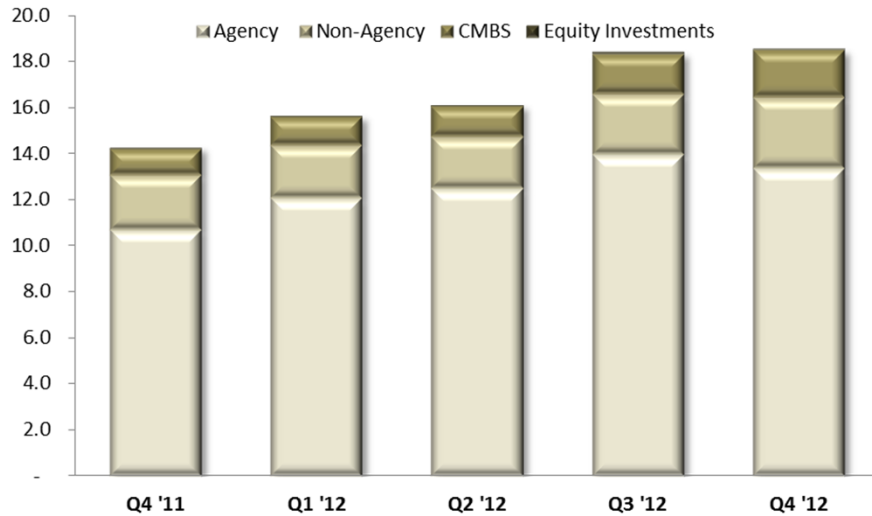
- ✓ Housing recovery will continue
- ✓ Private label securitization will gradually gain market share
- ✓ Risk sharing pilot programs for Agency MBS to begin

Goals for 2013

- ✓ Maintain or improve book value
- ✓ Attractive and stable dividend
- ✓ Shift asset allocation to benefit from housing recovery
- ✓ Position for new opportunities in a growing housing finance market

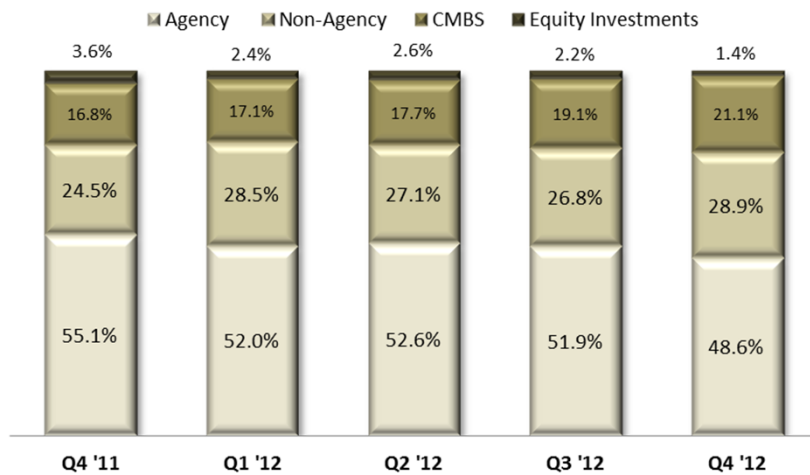
Portfolio Update

Portfolio (\$ in billions)

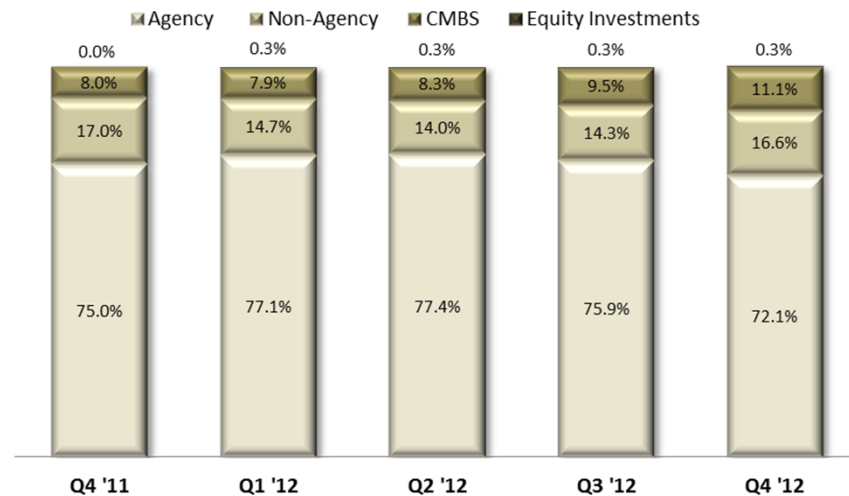


- Agency MBS decreased \$604mm
- Non-Agency RMBS increased \$453mm
- CMBS increased \$297mm
- Total leverage increased from 5.8x to 6.1x
- Recent raise is ~85% invested

% of Equity

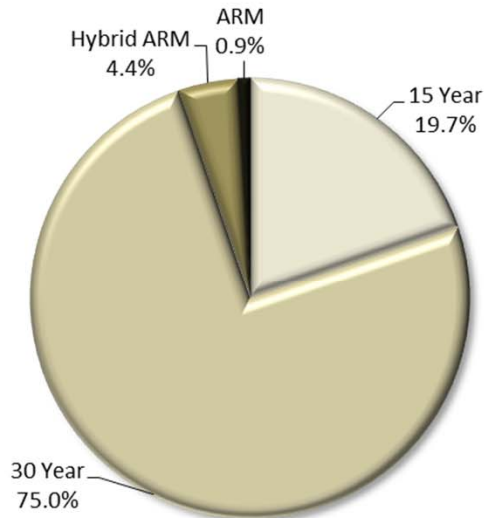


% of Assets

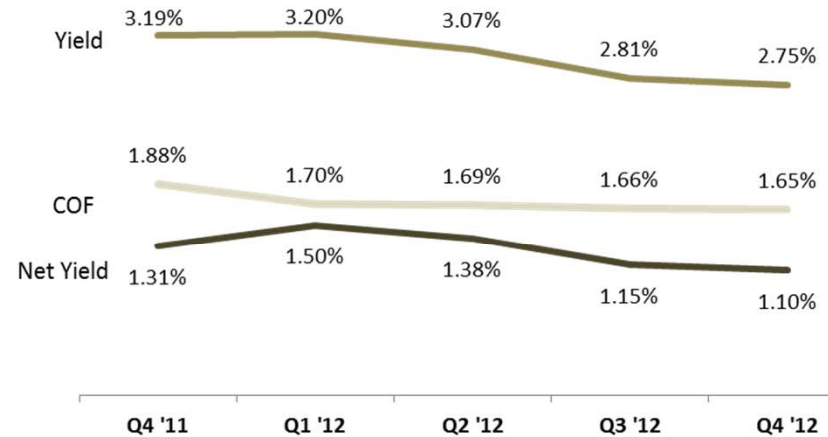


Agency

Agency Detail (% of Total Agency)

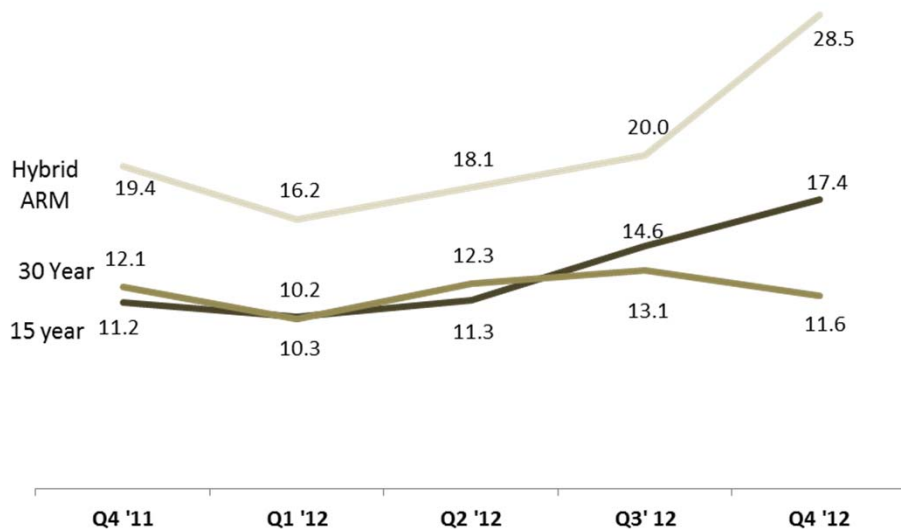


Yield



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

Agency CPR

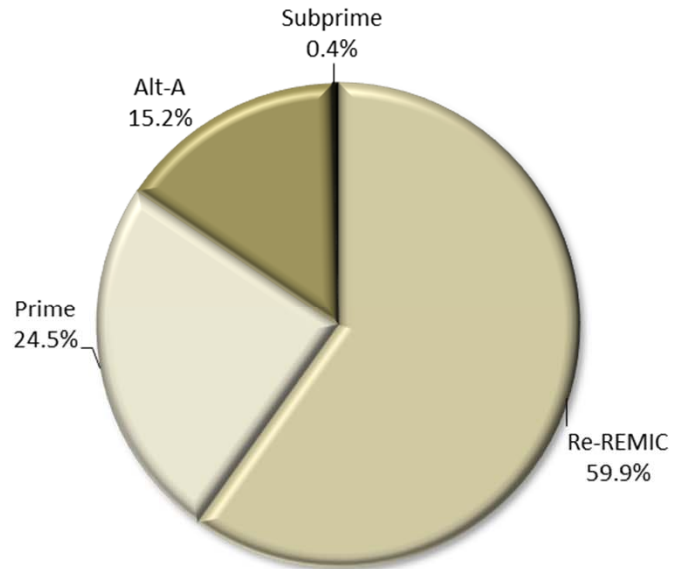


- ~ 90% of fixed-rate pools are prepayment protected
- Sold higher coupon investor pools
- Purchased lower coupon loan balance and geographic pools
- Reallocation resulted in \$20mm in gains
- Leverage is 9.3x

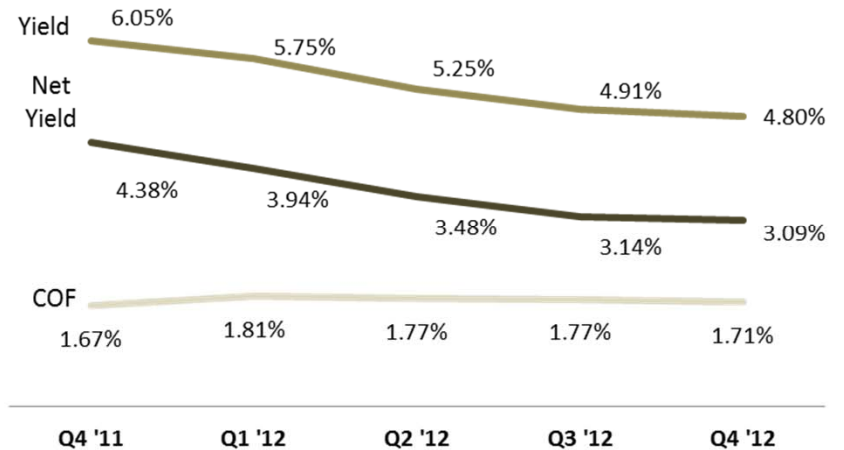
	<u>3 Month CPR</u>	<u>IVR</u>	<u>Cohort</u>
15 Year		17.4	26.5
30 year		11.6	20.9

Non-Agency

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

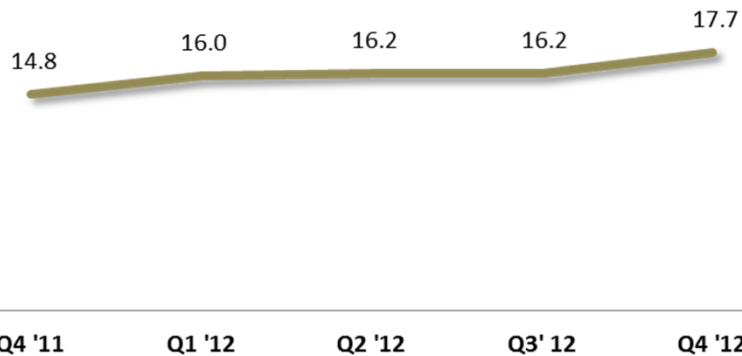


Yield



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Non-Agency CPR

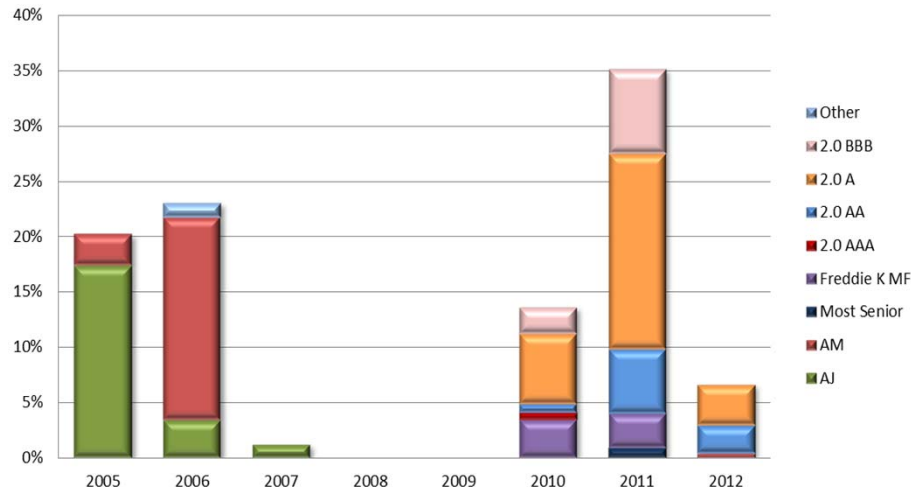


- Non-Agency RMBS increased \$453mm
- Housing fundamentals continue to improve while technicals remain favorable
- Favorable return profile in a rising rate environment
- Yields declined as hybrid ARM coupons reset lower and new positions were added at lower nominal yields
- Leverage was 3.3x

CMBS

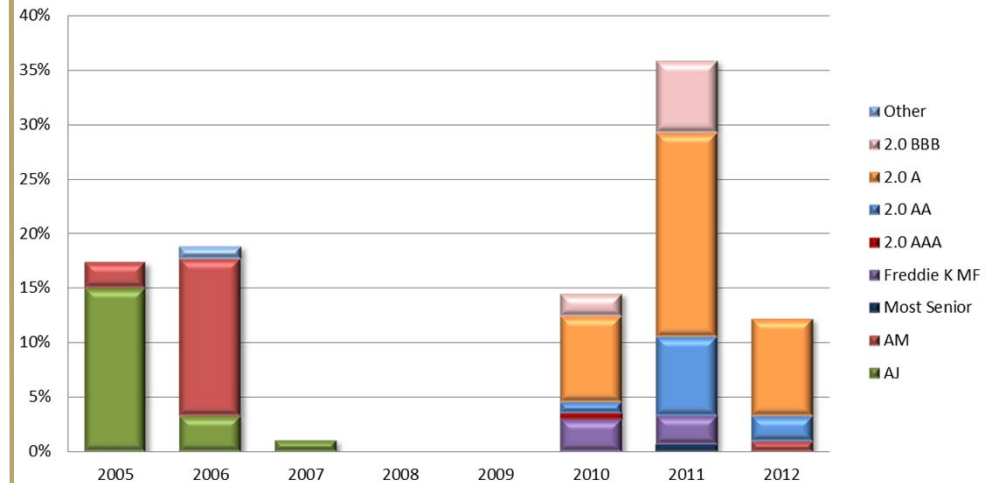
Q3 2012

IVR CMBS by Vintage

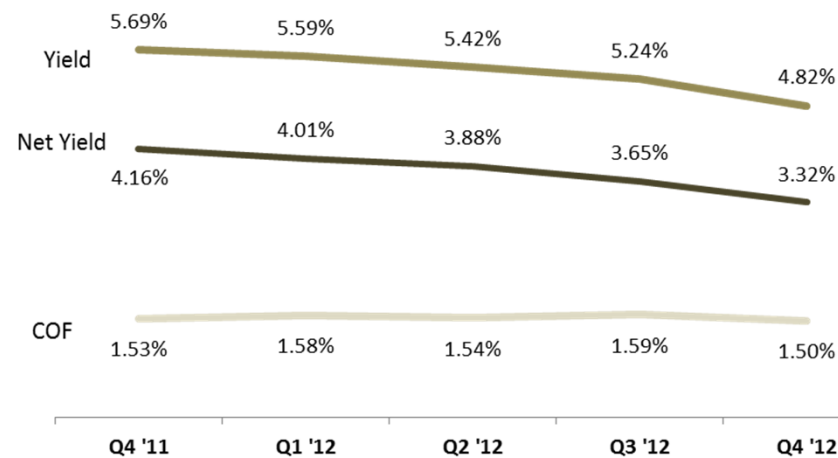


Q4 2012

IVR CMBS by Vintage



Yields



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

- CMBS increased \$297mm
- Purchases focused on new issue 2.0 single-A
- Supportive technicals - negative net supply and strong investor demand
- Continued improvement in CRE fundamentals
- Leverage was 2.9x