Invesco Mortgage Capital Inc.

2013 Fourth Quarter Earnings Call

February 20, 2014

Richard King
President & Chief Executive Officer

John Anzalone
Chief Investment Officer

Donald Ramon
Chief Financial Officer

Rob Kuster
Chief Operating Officer

Forward-Looking Statements

This presentation, and comments made in the associated conference call today, may include “forward-looking statements” within the meaning of the U.S. securities laws as defined in the Private Securities Litigation Reform Act of 1995, and such statements are intended to be covered by the safe harbor provided by the same. Forward-looking statements include our views on the risk positioning of our portfolio, the economy including the residential and commercial real estate market, the market for our target assets, mortgage reform programs, the positioning of our portfolio to meet current or future economic conditions, our core earnings, our views on the change in our book value, our ability to continue performance trends, the stability of portfolio yields, our views on prepayment trends and our views on leverage and equity allocation. 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.

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Overview

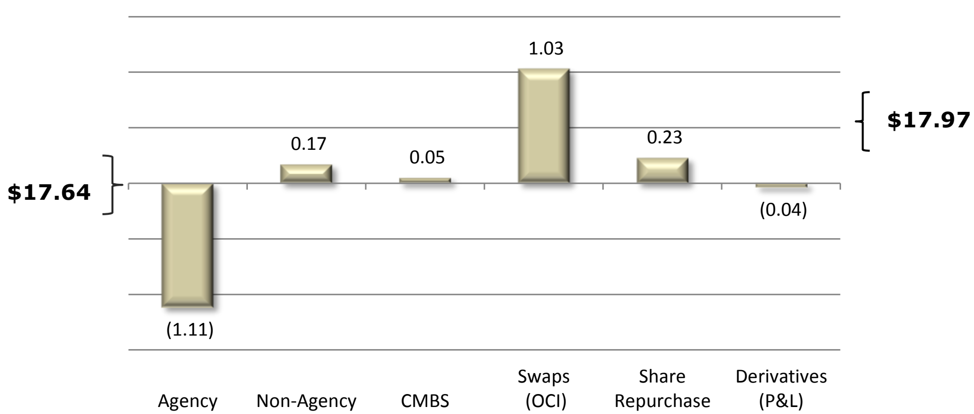
Results

- Core EPS* $0.48
- GAAP EPS ($0.63)
- Book Value $17.97

4th Quarter 2013 Highlights

- Goals - produce stable book value and dividend
- Repurchased 10.7 million shares ($160.5 million)
- Invested in new initiatives to improve long-term book value stability
- Portfolio re-positioned to reduce 30 Yr Agency MBS, increase hybrid ARMS

Q4 Book Value Change



- Book value increased 1.9%
- Interest rates rose ~ 35 - 40bps
- Hedge gains largely offset impact of higher rates on Agency MBS and CMBS
- Non-Agency RMBS appreciation and share repurchases drove book value gain

* Core EPS is a non-GAAP financial measure. See slide 13 for non-GAAP reconciliation.

IVR Core Principles

Create and Maintain Shareholder Value

- Prudent underlying asset selection supports the goal of book value stability
- Ability to seek relative value across the $14 trillion U.S. mortgage market
- Asset / liability management

Be Opportunistic, Diversified, Risk Managed

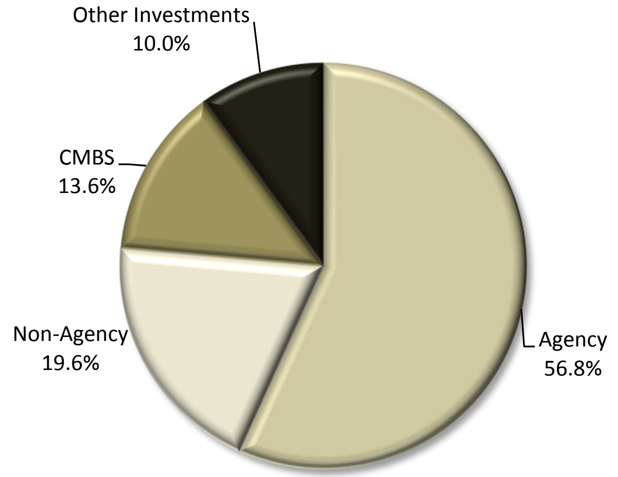
- Build portfolio to capitalize on the expected environment
- Deploy broad resources to model, analyze, source, manage and monitor assets
- Create sustainable and diversified funding sources
- View risk dynamically across multiple dimensions

Fill a Need for Private Capital in a Changing Market

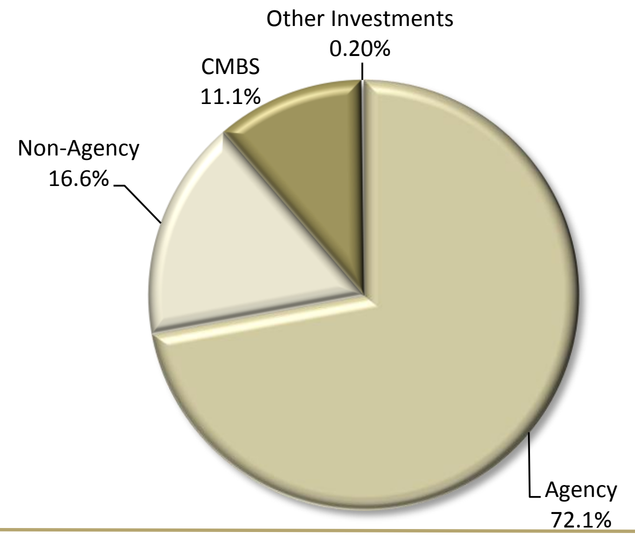
- Government role in the mortgage market is beginning to recede
- Regulation is changing banks strategy in the mortgage space
- IVR is partnering with government and banks to fill a void in the chain of mortgage intermediaries

Portfolio Update

2013 % of Assets



2012 % of Assets



Over the course of 2013, the composition of our portfolio has changed significantly

- **Reduced Interest Rate Exposure**
  - Agency MBS reduced from 72.1% of total assets to 56.8% (-$2.4 billion)
  - Equity duration at ~ 5.4 years
  - Leverage allocated to repo decreased from 6.1x to 5.7x
- **Increased Exposure to Credit**
  - Non-Agency RMBS increased from 16.6% to 19.6% (+$696 million)
  - CMBS increased from 11.1% to 13.6% (+$584 million)
  - Added $1.8 billion of residential loan securitizations
  - Added $64 million of commercial real estate loans

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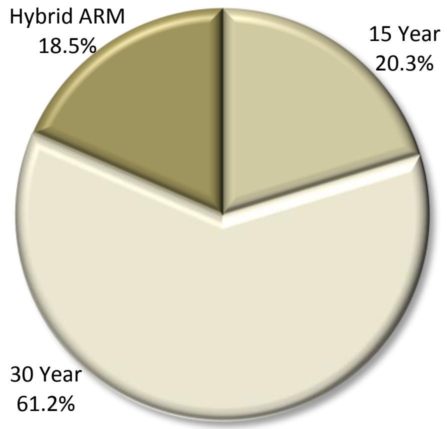
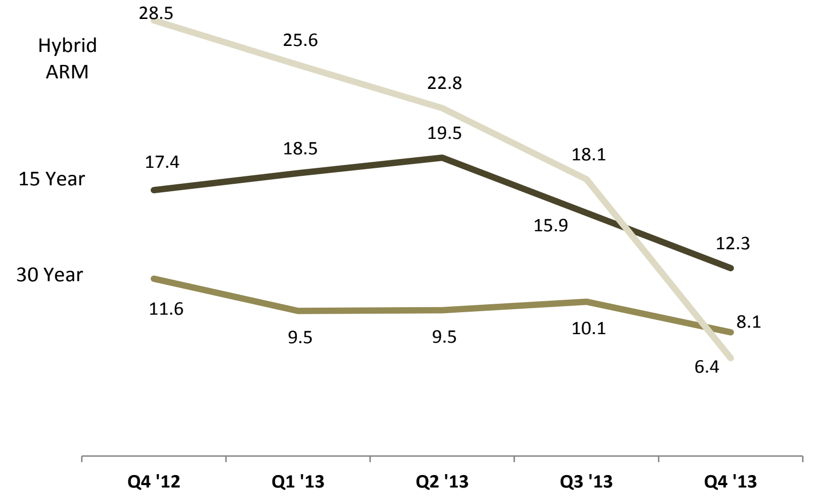
Agency

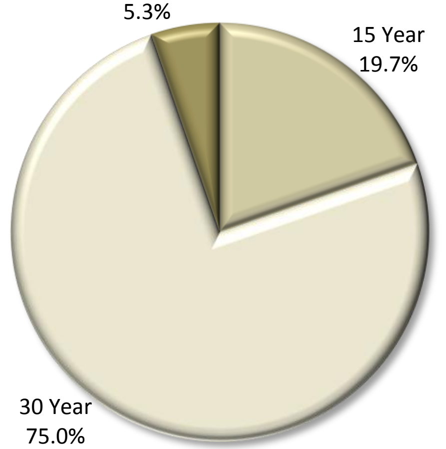
2013 Agency Detail (% of Total Agency)



Agency CPR



2012 Agency Detail (% of Total Agency)



During 2013, we took steps to reduce interest rate exposure within our Agency book

- Reduced Agency portfolio $2.4 billion
  - Hybrid ARMs now 18.5% of Agencies
  - 30 Year Fixed reduced from 75% to 61%
- Reduced leverage ~0.6x
- 137% of Agency repo hedged up from 76%
- Aggregate prepayments continue to drop, led by decreases in hybrid ARM collateral speeds

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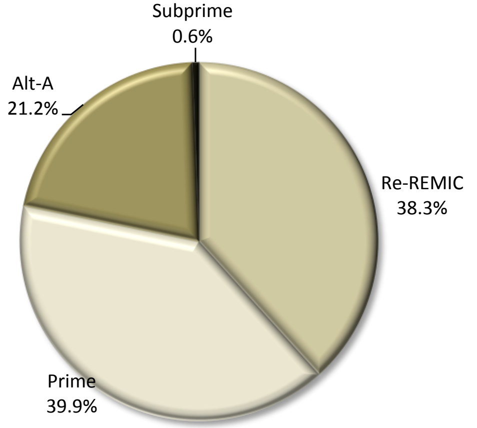
Non-Agency

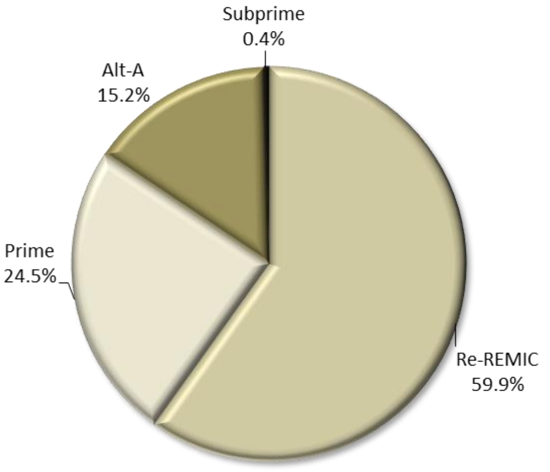
2013 Non-Agency Detail

(% of Total Non-Agency)



2012 Non-Agency Detail

(% of Total Non-Agency)

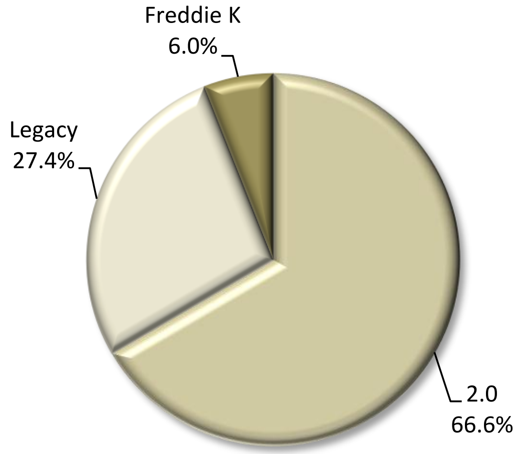


Increased Exposure to the Recovery in Housing

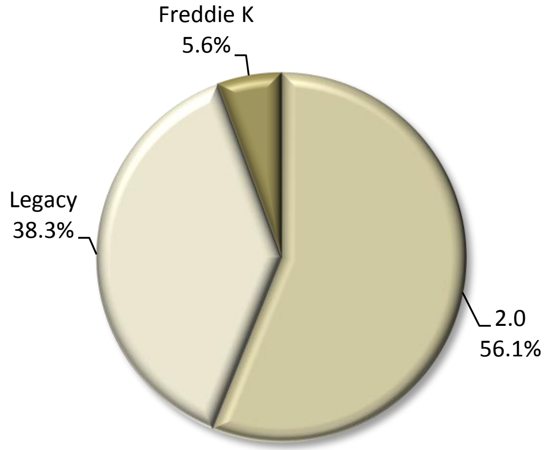
- Non-Agency RMBS increased $696.3 million
- Increased exposure to new issue subordinate bonds
- Senior re-REMIC paydowns have reduced our exposure to 38.3% of non-Agencies
- Housing fundamentals continue to improve
- Leverage was 3.5x

CMBS

2013 CMBS Detail (% of Total CMBS)



2012 CMBS Detail (% of CMBS)



Increased Exposure to CMBS

- CMBS increased $584.0 million
- Investments in recently originated credit (CMBS 2.0) have increased from 56.1% to 66.6%
- Legacy paper declined from 38.3% to 27.4%
- Fundamentals continue to improve
- Leverage was 3.5x

Opportunities

	CRE Loans	Subordinate Interests in Residential Securitizations	GSE Risk Sharing	Agency hybrid
Less dependence on repo financing	✓	✓	✓	
Floating rate / short duration	✓		✓	✓
Increased exposure to credit fundamentals	✓	✓	✓	

Our Views on Mortgage Market Trends

- Heightened interest rate volatility
- Improving credit fundamentals
- Growing opportunities for private capital

Initiatives to Capitalize on Trends

- Residential loan securitization
- GSE risk sharing(1)
- Commercial real estate (CRE) loans

Results

- Less exposure to rate-sensitive investments
- More diversified asset mix
- Less dependence on repo financing

(1) Government Sponsored Enterprise (GSE) risk sharing

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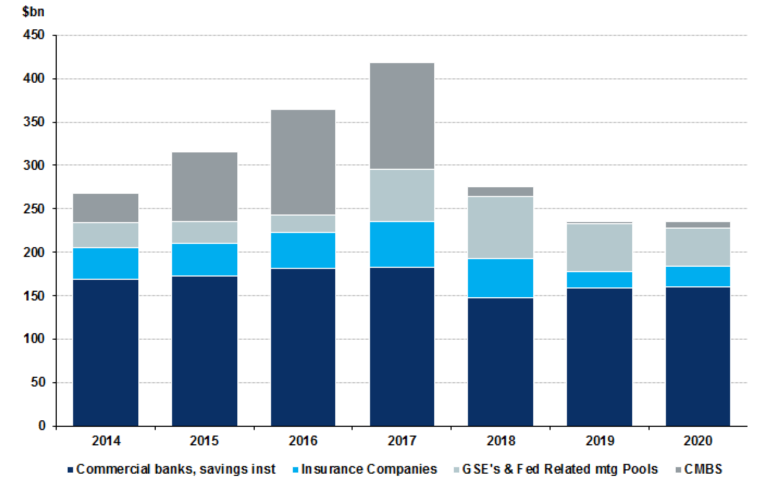
IVR Opportunities – CRE Loan Origination

CRE Loans

- We believe CRE mezzanine and whole loans are among the most attractive investments in the market
  - Preference for short duration opportunities
  - Finance via exchangeable notes and/or warehouse facilities to enhance return
  - Options exist to securitize loans and recycle capital
- IVR and Invesco Real Estate are synergistic partners
  - Sourcing and due diligence
  - 30 years of equity real estate experience
  - 5 offices throughout the U.S.
  - Provides value with no additional expense
- We expect improving real estate fundamentals

CRE Loan Maturity Schedule



Source: Barclays and US Federal Reserve as of 12/31/13

Economics / Benefits

- Closed 4 loans as of 12/31/13 for $64 million
- Active pipeline continues to build
- Target return ~4%-10% unlevered
- Modest leverage available to enhance the returns

- The need for mezzanine financing is growing
  - $360 billion in commercial mortgage-backed securities refinancing needed '14-17
  - Greater than $1.3 trillion maturing over same period
- We expect ~$100 billion of CRE mezz debt will be created over the next 5 years
- Potential to deploy 25% to 30% of our capital in the CRE space over the next 3 years

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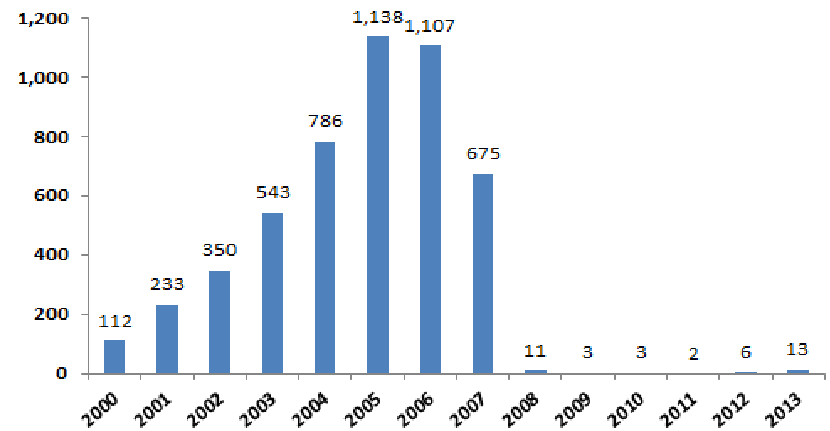
IVR Opportunities – Residential Securitization

IVR Securitizations

- IVR has participated in five securitizations as of 12/31/13
- IVR has retained the subordinate classes of these structures
- 2,292 loans totaling $1.8 billion as of 12/31/13
- The credit profile of these deals has been stellar
  - 0% 60+ delinquencies
  - Mark-to-market loan to value ratio has fallen from 68% to 62%

PLS RMBS Issuance



Source: Citi as of 12/31/13

Economics / Benefits

- Target return of ~10-12%
- AAA execution price improved late last year, and we expect that trend to continue
- Securitization offers IVR
  - Replace repo with permanent, match funded non-recourse leverage
  - Ability to retain interest-only tranches on low rate collateral

- Residential mortgage market is ~ $9.9 trillion
- We expect volumes to increase each year over the next 3-5 years
- Our goal is to deploy 25% to 30% of our capital over the next 3 years

Private Label Securitization (PLS)

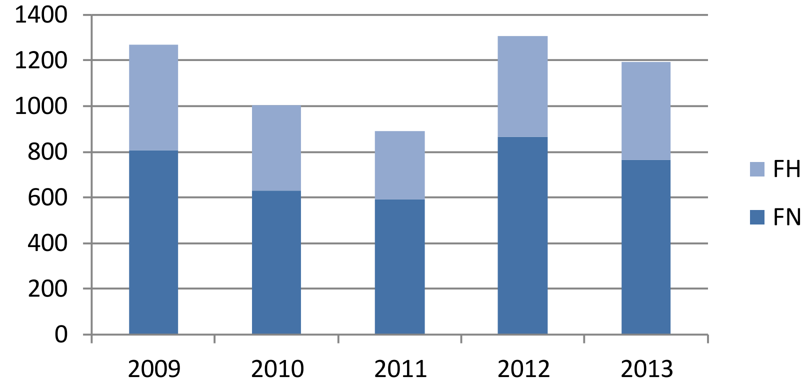
IVR Opportunities – Risk Sharing

GSE Reform

- Risk sharing is a key part of the FHFA's agenda to attract private capital and reduce taxpayers' risk
  - Each Agency was to transfer $30 Billion in unpaid principal balance of risk in 2013
  - FNMA and FHLMC each completed transactions in 2013
  - We expect volume will be larger in 2014 vs. 2013
  - Beyond 2014 risk sharing to become commonplace
- GSEs expect to offer senior / sub structures as well
- IVR is well positioned to provide private first loss capital on high quality conforming loans

Annual MBS Pool Issuance

(In $Billions)



Economics / Benefits

- IVR has participated in each issuance
- Target returns of ~12%
- Floating rate asset
- Less reliance on repo funding
- Additional avenue for growth and diversification of loan type and borrowers

Agency Issuance Could Lead to Large Risk Sharing Opportunity

- 2013 – $87.6 billion original loan balance, ~$1.8 billion of risk sharing issuance
- We expect $5 billion to $10 billion of risk sharing issuance in 2014
- Risk sharing could eventually represent 25% of our capital

Source: Bloomberg and Bank of America as of 12/31/13

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The IVR Difference

The Right Strategy
- Hybrid business model
- Risk monitored and managed dynamically across multiple dimensions

The Right Team
- Expertise and resources to model, analyze, source, manage & monitor assets
- Large, stable team with diverse mortgage industry backgrounds

The Right Platform
- Global Invesco platform providing a myriad of resources and sourcing opportunities
- Sustainable and diversified funding sources

Appendix – Non-GAAP Financial Information

In addition to the results presented in accordance with U.S. GAAP, this release contains the non-GAAP financial measure of "core earnings". The Company's management uses core earnings in its internal analysis of results and believes this information is useful to investors for the reasons explained below.

The Company calculates core earnings as U.S. GAAP net income attributable to common shareholders excluding gain (loss) on sale of investments and realized and unrealized gain (loss) on interest rate derivative instruments. The Company records changes in the valuation of its investment portfolio and certain interest rate swaps in other comprehensive income. In addition, the Company uses swaptions and invests in U.S. Treasury futures that do not qualify under U.S. GAAP for inclusion in other comprehensive income and, as such, the changes in valuation are recorded in the period in which they occur. For internal portfolio analysis, the Company's management deducts these gains and losses from U.S. GAAP net income to provide a consistent view of investment portfolio performance across reporting periods.

The Company believes the presentation of core earnings allows investors to evaluate and compare the performance of the Company to that of its peers because core earnings measures investment portfolio performance over multiple reporting periods by removing realized and unrealized gains and losses. As such, the Company believes that the disclosure of core earnings is useful and meaningful to its investors.

However, the Company cautions that core earnings should not be considered as an alternative to net income (determined in accordance with U.S. GAAP), or an indication of the Company's cash flow from operating activities (determined in accordance with U.S. GAAP), a measure of the Company's liquidity, or an indication of amounts available to fund its cash needs, including its ability to make cash distributions. In addition, the Company's methodology for calculating core earnings may differ from those employed by other companies for a similarly described measure and, therefore, may not be comparable.

Reconciliation of Net Income Attributable to Common Shareholders to Core Earnings

	Three Months Ended December 31,		Years Ended December 31,	
$ in thousands, except per share data	2013	2012	2013	2012
Net income (loss) attributable to common shareholders	(83,384)	89,519	130,769	334,490
Adjustments				
(Gain) loss on sale of investments, net	142,530	(23,236)	199,449	(48,215)
Realized (gain) loss on interest rate derivative instruments	12,308	-	(53,926)	-
Unrealized (gain) loss on interest rate derivative instruments	(7,887)	1,382	13,923	4,232
Total adjustments	146,951	(21,854)	159,446	(43,983)
Core earnings	63,567	67,665	290,215	290,507
Basic earnings (loss) per common share	(0.63)	0.77	0.99	2.89
Core earnings per share attributable to common shareholders	0.48	0.59	2.19	2.52

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