



Invesco Mortgage Capital Inc.

2015 Morgan Stanley Financials Conference

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Chief Investment Officer



IVR

Invesco Mortgage Capital Inc.

Forward-looking statements



This presentation 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, domestic and global market conditions (including the residential and commercial real estate market), the market for our target assets, mortgage reform programs, our financial performance, including our core earnings, economic return, comprehensive income and changes in our book value, our ability to continue performance trends, the stability of portfolio yields, interest rates, credit spreads, prepayment trends, financing sources, cost of funds, and our 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.

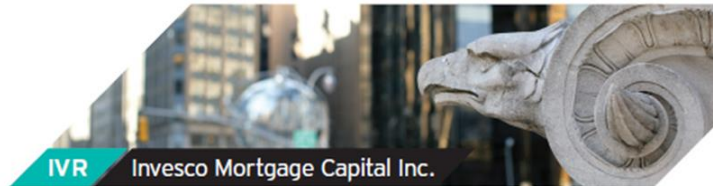
All written or oral forward-looking statements that we make, or that are attributable to us, are expressly qualified by this cautionary notice. We expressly disclaim any obligation to update the information in any public disclosure if any forward-looking statement later turns out to be inaccurate.

IVR Executive Summary



Objectives

- Attractive investment income
- Stable book value



Disciplines

- Leverage global platform to access opportunities - \$14 Trillion of target assets
- Thorough process, and detailed loan-level diligence to protect capital
- Actively modulate risk, seeking the best risk adjusted return
- Hedge the majority of interest rate risk and accept prudent credit risk
- Robust risk management and diversification to optimize outcomes

Portfolio

- Allocated 1/3rd residential credit, 1/3rd commercial credit, 1/3rd Agency MBS
- Financial and funding flexibility:
 - Secured financing: repurchase agreements, FHLB loans, debt facilities
 - Unsecured financing: corporate exchangeable notes, preferred equity
 - Securitization financings consolidated on our balance sheet

Outcomes

- Steady, attractive dividend income for shareholders
- Book value stability on which we earn income
- Attractive economic return on book value
 - 3 yr. economic return* of 41.3% as of 3/31/15
 - Economic returns have been uncorrelated to interest rate movements
 - No credit impairments

**NYSE-listed company,
providing private capital
to finance real estate**

Common stock

Ticker:	IVR
Dividend Yield:	11.7%
Market Cap:	\$1.9B
Total Assets:	\$21.2B
Shares Outstanding:	123.1M

Preferred stock

Tickers:	IVR A,B
Coupon:	7.75%

Exchangeable notes

Coupon:	5.00%
Maturity:	03-15-2018

IPO: June 2009

Source: Bloomberg market data as of 5/5/2015, last reported financials 3/31/2015
* Refer to slide 4 on the calculation of economic return

Q1 Financial Highlights

Dividend per share	\$0.45
Core EPS ⁽¹⁾	\$0.50
EPS (basic)	(\$0.27)
Book value per diluted share ⁽²⁾	\$19.37
Comprehensive income per share	\$1.00
Economic return ⁽³⁾	5.3%
Portfolio equity primarily allocated to credit	
	34% Commercial credit
	32% Residential credit
	34% Agency MBS

IVR Objectives: attractive income and book value stability achieved through:

- Enhanced risk / return profile
- Prudent modulation of risk exposures
- Finding value across global markets
- Diversification
- IVR continues to deliver attractive economic returns⁽³⁾
 - 5.3% in Q1 2015
 - 14.8% over the past year
 - 41.3% over the past 3 years
- Attractive Q1 returns generated via
 - Credit sector positioning
 - Yield Curve positioning
 - Asset selection
 - Appreciation in real estate private equity JV's
- Reduced Book value volatility achieved due to
 - Reduced interest rate risk
 - Reduced repo leverage
 - Lower notional swaps needed

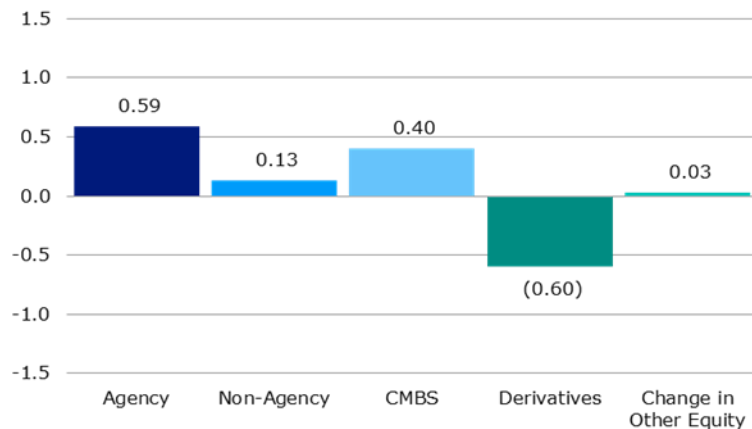
All per share amounts are per common share

(1) Core EPS is a non-GAAP financial measure. See slide 16 for non-GAAP reconciliation.

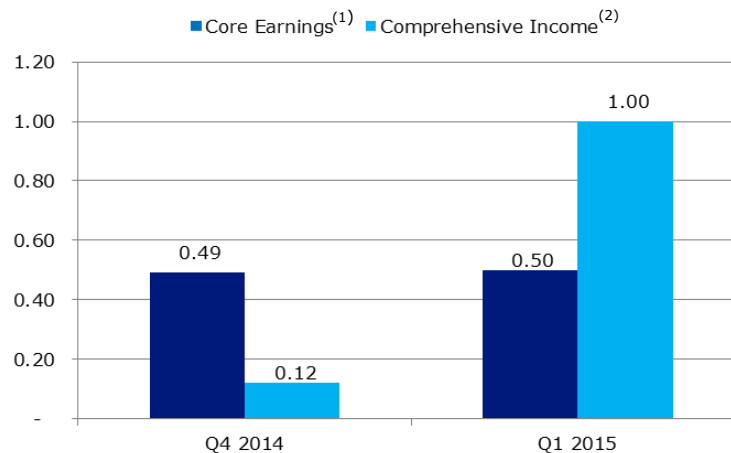
(2) Book value per diluted common share is calculated as total equity less the liquidation preference of our Series A Preferred Stock (\$140.0 million) and Series B Preferred Stock (\$155.0 million); divided by total common shares outstanding plus Operating Partnership Units convertible into shares of common stock (1,425,000 shares).

(3) Economic return for the quarter ended March 31, 2015 is defined as the change in book value per diluted common share from December 31, 2014 to March 31, 2015 of \$0.55; plus dividends declared of \$0.45 per common share; divided by December 31, 2014 book value per diluted common share of \$18.82. Economic return over the past year is defined as the change in book value per diluted common share from March 31, 2014 to March 31, 2015 of \$0.84; plus dividends declared of \$1.90 per common share; divided by March 31, 2014 book value per diluted common share of \$18.53. Economic return for past three years is defined as the change in book value per diluted common share from March 31, 2012 to March 31, 2015 of \$0.95; plus dividends declared of \$6.65 per common share; divided by the March 31, 2012 diluted book value per common share of \$18.42.

Q1 2015 Book Value per Common Share Change



Q1 2015 Earnings



- Book value increased \$0.55 per common share or 3% in Q1 2015 vs. Q4 2014
 - Asset prices increased relative to our hedges
 - Hedges positioned to benefit from flatter yield curve
 - GSE CRT and RPL's outperformed other markets
 - Longer Hybrid ARMs, 15 Yr. MBS, and up in coupon 30 Yr. MBS outperformed the overall MBS market
 - Modest credit spread improvement in CMBS
 - Our subordinate and seasoned CMBS assets appreciated relative to market

- Core earnings⁽¹⁾ benefitted in Q1 due to:
 - Appreciation in real estate private equity JV's
 - Stable prepayment speeds
- Comprehensive income⁽²⁾ increased relative to Q4 2014 due to appreciation in the portfolio as outlined to the left

(1) Non-GAAP financial measure. See slide 16 for non-GAAP reconciliation.

(2) Comprehensive income attributable to common shareholders

Active Portfolio Positioning



Our capital is allocated 2/3rds to credit, 1/3rd to Agency MBS

- Objective:
 - Align outcomes with improving real estate fundamentals
 - Maintain modest interest rate exposure

Equity Allocation	Q1 2015	2014	2013	2012
Commercial Credit ⁽¹⁾	34%	34%	25%	22%
Residential Credit ⁽²⁾	32%	34%	33%	29%
Agency MBS	34%	32%	42%	49%

Selected 1Q 2015 Mortgage Market Un-levered Excess Returns

<u>Barclays Index Sector</u>	<u>2014 Excess Return*</u>
30 year fixed rate MBS	-0.51%
Long reset Agency 5/1 hybrid ARM MBS	0.55%
AAA CMBS 2.0	0.51%
AA CMBS 2.0	1.23%
A CMBS 2.0	1.35%
BBB CMBS 2.0	2.02%

*Source: Barclays Capital Indices for 2014.

(1) Includes CMBS, commercial real estate loans, and investments in unconsolidated ventures of distressed commercial real estate debt.

(2) Includes Non-Agency, GSE CRT and consolidated VIEs

2015 Investment Outlook



Current economic and financial conditions related to real estate

- Improving domestic employment
- Improving home prices and very minimal delinquency on post-crisis mortgage loans
- Improving commercial real estate fundamentals including rents and occupancy
- Limited direct exposure to energy concerns in the mortgage market

Our views for the remainder of 2015

- We have a positive outlook for mortgage credit fundamentals
 - Strong employment and household formation to drive home price appreciation
 - Broad economic growth increases demand for commercial real estate
- We have a positive outlook for mortgage credit risk premiums
 - Another year of negative net supply in structured securities
 - Tight residential loan underwriting and wide AAA RMBS spreads restrict supply
 - Investor demand for yield to contract risk premiums
- US Agency MBS are attractive on a relative value basis

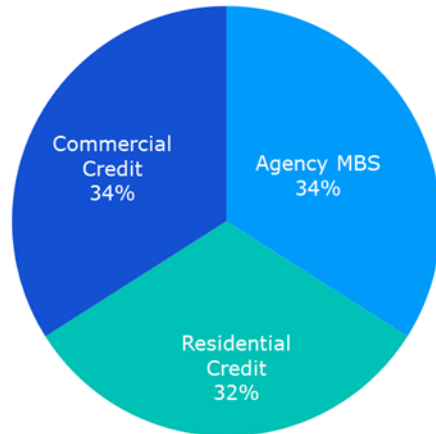
The IVR Portfolio



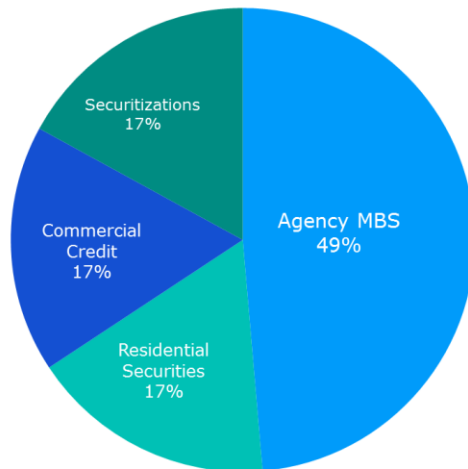
Q1 2015 Portfolio Update



Equity Allocation



Asset Allocation



Highlights:

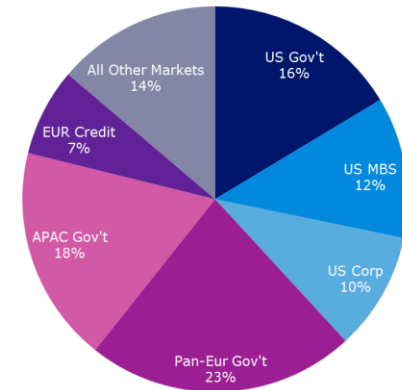
- Highly diversified portfolio
 - Residential & commercial
 - Agency & credit
 - New issue & legacy
- 2/3rds of equity allocated to credit assets
 - Fundamentals remain strong
 - Significantly less convexity risk than Agency MBS
- Limited exposure to interest rates
 - Portfolio has exhibited very low correlation with interest rates over the last year

Why Does IVR Invest in US Agency MBS?



1. **US Agency MBS is a large liquid global market**
2. **Significant relative yield advantage vs. global debt**
3. **Attractive risk profile**
 - **Strong performance in stressed market conditions**
 - **Low duration vs. other large bond markets**
 - **High credit quality / supportive fundamentals**
4. **Attractive historic risk / return ratio**
5. **Excess return correlation vs. corporates is below 50%**

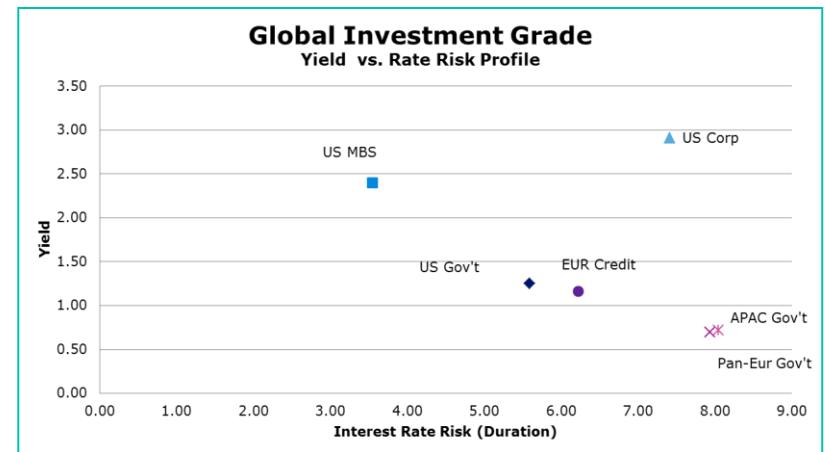
Global Aggregate Bond Index Major Components
~\$43 Trillion Total Market Value



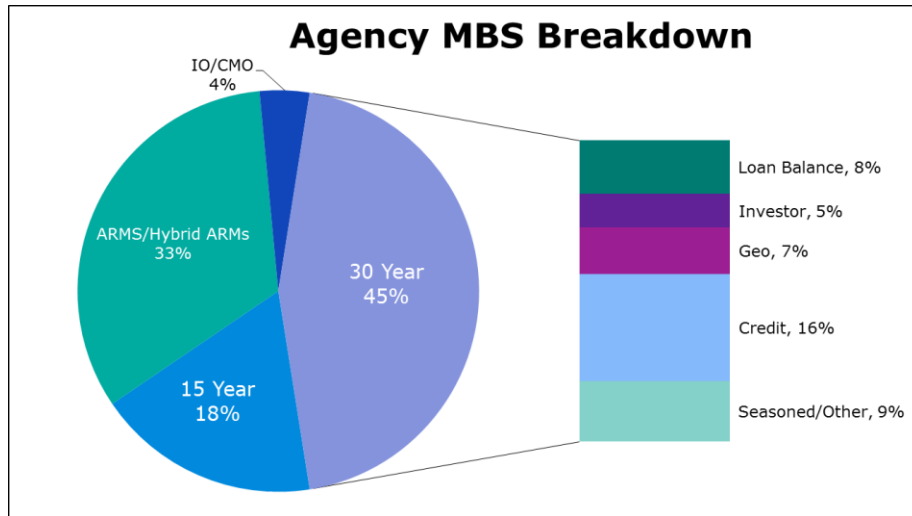
YTD MBS average daily trading volume is \$219 Billion

Bond Market Returns and volatility over the past Ten Years ended March 31, 2015

Sector	Annualized Return %	Risk – Annual % Volatility	% Return Per Unit of Risk
US Treasury	4.93	4.99	0.99
US Corporate	4.59	5.91	0.78
US MBS	4.87	2.59	1.88



Sources: Barclays Global Indices as of March 31, 2015 - Barclays U.S. Government Index (US Gov't), Barclays U.S. MBS Index (US MBS), Barclays U.S. Corporate Index (US Corp), Barclays Euro-Aggregate Government Index (Pan-Eur Gov't), Barclays Asian-Pacific Government Index (APAC Gov't), Barclays Euro-Aggregate Credit Index (EUR Credit), All other markets is the catch all for all other components of Barclays Global Aggregate bond Index. Volume data source is SIFMA



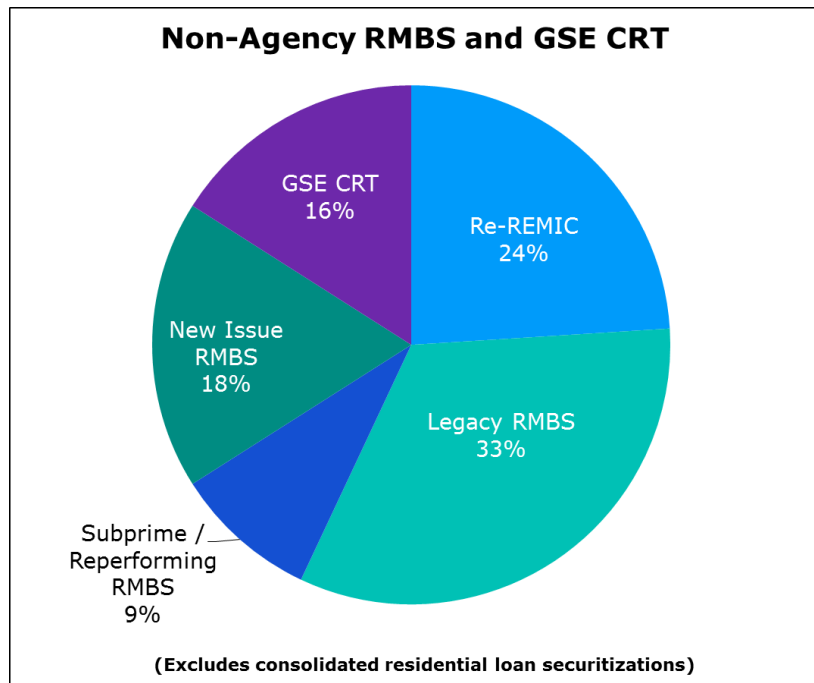
	CPR ⁽¹⁾	Net Wtd Avg Coupon ⁽²⁾	Yield ⁽³⁾
15 Year	9.4	3.77%	2.54%
30 Year	11.1	4.29%	3.02%
Hybrid ARMs	14.2	2.77%	2.28%

(1) Constant Prepayment Rate
 (2) Net weighted average coupon as of March 31, 2015 is presented net of servicing and other fees.
 (3) Period-end weighted average yield is based on amortized cost as of March 31, 2015 and incorporates future prepayment and loss assumptions but excludes changes in anticipated interest rates.

Highlights:

- Decreased interest rate risk
 - 30 year exposure reduced from 59% of Agencies to less than 50% over the last 4 quarters
 - 15 year and Hybrid ARMs make up 51% of Agencies, up from 37% a year ago
- Convexity risk has been reduced
 - Fixed rate MBS is up in coupon, seasoned, and prepay protected
 - Low coupon Hybrid ARMs have less prepayment sensitivity
- Prepayments remain contained

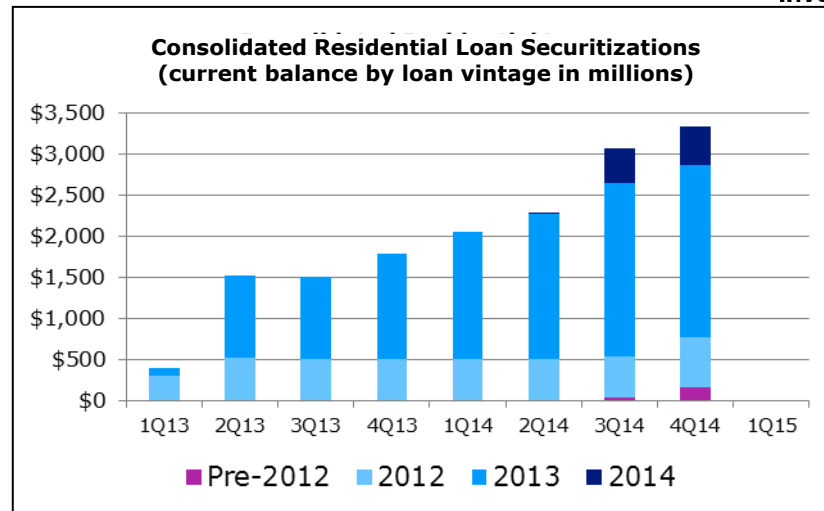
Residential Mortgage Credit



	Duration	Yield ⁽¹⁾
Re-REMIC	0.5	4.0%
Legacy RMBS	0.4	4.3%
Subprime / Reperforming	0.8	4.0%
New Issue RMBS ⁽²⁾	2.9	3.7%
GSE CRT	0.0	4.13%

(1) Period-end weighted average yield is based on amortized cost as of March 31, 2015 and incorporates future prepayment and loss assumptions but excludes changes in anticipated interest rates.

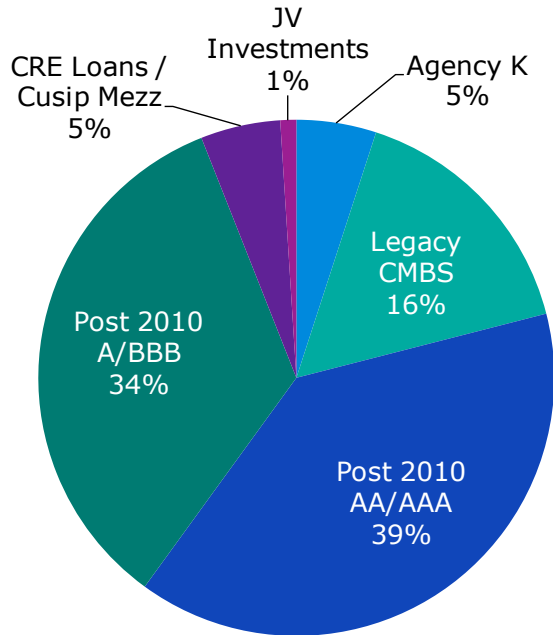
(2) RMBS issued after 2010



Highlights:

- The residential mortgage credit portfolio benefitted from significant tightening in GSE CRT spreads during the first quarter
- Legacy RMBS spreads also tightened modestly
- Consolidated residential loan investments bolstered by higher prepayments and continued strength in borrower and collateral performance
- Further improvement in real estate fundamentals and demand for credit assets support our positive outlook for non-agency residential mortgage investments

Commercial Mortgage Credit



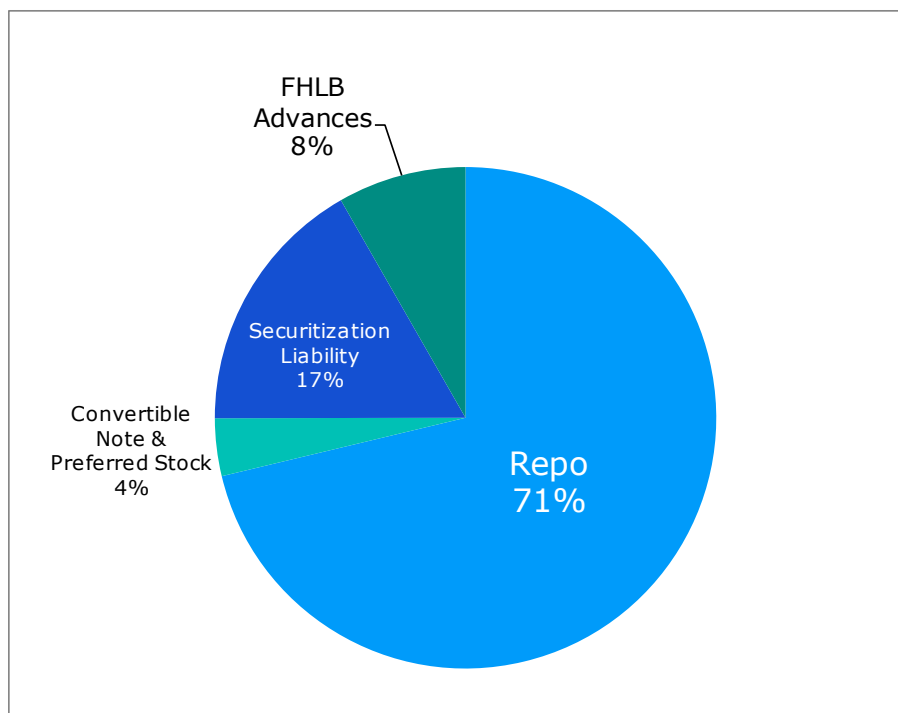
Highlights:

- Improving economy and property fundamentals continue to support CMBS and CRE Loan investments
- Demand for post 2010 senior CMBS remains strong
- Subordinate positions benefit from notable underlying property price appreciation and investor preference for slightly seasoned vintages
- Legacy CMBS benefits from growing subordination, scarcity value and declining duration
- Floating rate CRE loans continue to perform well while providing attractive un-levered returns

	Duration	Yield ⁽¹⁾
Agency K	4.8	5.35%
Legacy CMBS	0.9	5.09%
Post 2010 AA/AAA	6.8	3.74%
Post 2010 A/BBB	5.5	5.08%
Cusip Mezz	0.6	5.01%
CRE Loans		8.53% ⁽²⁾

(1) Period-end weighted average yield is based on amortized cost as of March 31, 2015 and incorporates future prepayment and loss assumptions but excludes changes in anticipated interest rates.

(2) Average book yield for the three months ending March 31, 2015 was calculated by dividing interest income, including amortization of premiums and discounts, by our average of the amortized cost of the investments. All yields are annualized. Minimum rating by one or more of the nationally recognized statistical rating organizations



Highlights:

- Diversified funding mix:
 - Secured financing: repurchase agreements, debt facility, FHLB loans
 - Unsecured financing: exchangeable corporate notes, preferred equity
 - Securitization financings consolidated on our balance sheet
- 27 active repo counterparties
- Weighted average remaining maturity of our liabilities is 359 days as of 3/31/15, up from 335 days at 12/31/14 due to replacing approximately \$300 million of repurchase agreement borrowings with a long-term FHLBI advance in Q1 2015

Average Cost of Funds, 3 Months Ending 3/31/15 ⁽¹⁾	
Agency MBS ⁽²⁾	0.34%
Non-Agency RMBS	1.51%
GSE CRT	1.69%
CMBS ⁽²⁾	0.90%

(1) Average cost of funds is calculated by dividing annualized interest expense by our average borrowings. Refer to the Average Balances table in the earnings release for more average balances.

(2) Agency MBS and CMBS average borrowing and cost of funds include borrowings under repurchase agreements and secured loans.

Why Invesco Mortgage Capital?



Positioned well for the expected environment

- Market conditions are supportive of improving mortgage asset risk premiums
- Our portfolio is positioned to capture improving risk premiums
- Our portfolio has shown minimal sensitivity to the direction of interest rates

IVR has delivered on our shareholder value proposition

- Attractive investment income and book value stability is our value proposition
- Delivering on these has generated among the highest economic returns⁽¹⁾ in our industry
 - 5.3% in Q1 2015
 - 14.8% over the past year
 - 41.3% over the past 3 years

Our disciplines sustain strong economic performance

- Leverage global platform to access opportunities - \$14 Trillion of target assets
- Thorough process, and detailed loan-level diligence to protect capital
- Actively modulate risk, seeking the best risk adjusted return
- Hedge the majority of interest rate risk, accepting prudent credit risk
- Robust risk management and diversification to optimize outcomes

(1) Economic return for the quarter ended March 31, 2015 is defined as the change in book value per diluted common share from December 31, 2014 to March 31, 2015 of \$0.55; plus dividends declared of \$0.45 per common share; divided by December 31, 2014 book value per diluted common share of \$18.82. Economic return over the past year is defined as the change in book value per diluted common share from March 31, 2014 to March 31, 2015 of \$0.84; plus dividends declared of \$1.90 per common share; divided by March 31, 2014 book value per diluted common share of \$18.53. Economic return for past three years is defined as the change in book value per diluted common share from March 31, 2012 to March 31, 2015 of \$0.95; plus dividends declared of \$6.65 per common share; divided by the March 31, 2012 diluted book value per common share of \$18.42.

Appendix — Non-GAAP Financial Information



In addition to the results presented in accordance with U.S. GAAP, this presentation contains the non-GAAP financial measures 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.

These non-GAAP financial measures should not be considered as substitutes for any measures derived in accordance with U.S. GAAP and may not be comparable to other similarly titled measures of other companies. An analysis of any non-GAAP financial measure should be made in conjunction with results presented in accordance with U.S. GAAP. Additional reconciling items may be added to the non-GAAP measures if deemed appropriate.

The Company calculates core earnings as U.S. GAAP net income attributable to common shareholders adjusted for gain (loss) on sale of investments, net, realized gain on interest rate derivative instruments (excluding contractual net interest on interest rate swaps), unrealized loss on interest rate derivative instruments, amortization of deferred swap losses from de-designation and adjustments attributable to non-controlling interest.

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. The Company records changes in the valuation of its mortgage-backed securities in other comprehensive income on its consolidated balance sheets. Changes in the fair value of the Company’s derivative instruments are recorded in gain (loss) on derivative instruments, net in the Company’s consolidated statement of operations.

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.

	Three Months Ended		
	March 31, 2015	December 31, 2014	March 31, 2014
\$ in thousands, except per share data			
Net loss attributable to common shareholders	(32,700)	(79,003)	(74,440)
Adjustments			
(Gain) loss on sale of investments, net	(2,142)	(1,006)	11,718
Realized (gain) loss on derivative instruments, net (excluding contractual net interest on interest rate swaps of \$45,608, \$45,691 and \$51,441, respectively)	26,103	37,310	18,824
Unrealized (gain) loss on derivative instruments	51,034	81,637	81,047
Loss on foreign currency transactions, net	1,525	1,266	-
Reclassification of amortization of net deferred losses on de-designated interest rate swaps to repurchase agreements interest expense	19,145	21,121	21,296
Subtotal	95,665	140,328	132,885
Adjustment attributable to non-controlling interest	(1,095)	(1,606)	(1,511)
Core earnings	61,870	59,719	56,934
Basic earnings (loss) per common share	(0.27)	(0.64)	(0.60)
Core earnings per share attributable to common shareholders	0.50	0.49	0.46