

Invesco Mortgage Capital Inc.

2011 First Quarter Earnings Call

May 10, 2011

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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 access capital markets, our outlook on the economy, our view on government reforms for the mortgage industry and our ability to capitalize on the changes, our ability to continue performance trends, our level of debt and our ability to obtain additional financing. 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.

Q1 Overview

Delivered Results

- ✓ EPS: \$1.01
- ✓ Dividend: \$1.00
- ✓ Book Value: \$21.24 a \$0.75 increase from 12/31/10

Strategically Accessed Capital Markets

- ✓ Raised \$470.1MM (net) through a follow-on offering and the DSPP
- ✓ Capital activity added approximately \$0.19 to BV
- ✓ Quickly invested the proceeds to generate 16% - 18% gross ROE

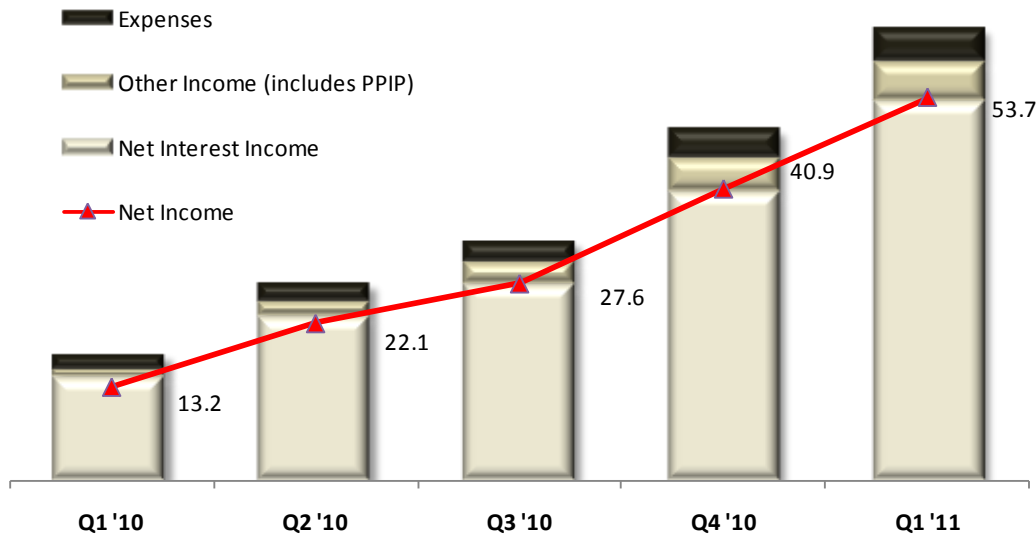
Outlook and Portfolio Direction

- ✓ Low borrowing costs likely to continue through 2011
- ✓ Focused on locking in longer term hedging while rates are low
- ✓ Agency RMBS continues to be the best current opportunity
- ✓ Eventual GSE* changes should open up opportunity for credit assets
- ✓ IVR is well positioned for current and future opportunities

* Government-Sponsored Enterprises ("GSE")

Quarterly Performance

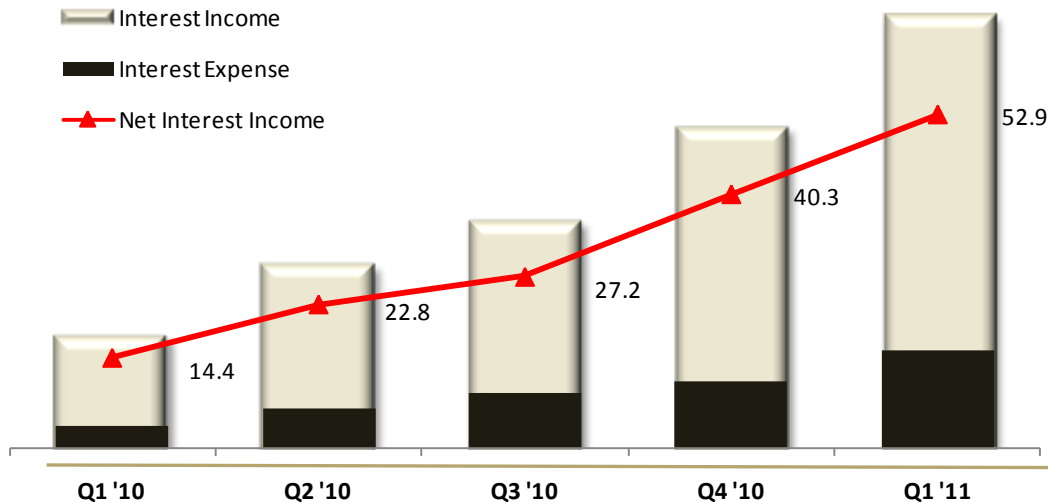
Net Income (\$ in millions)



Comments

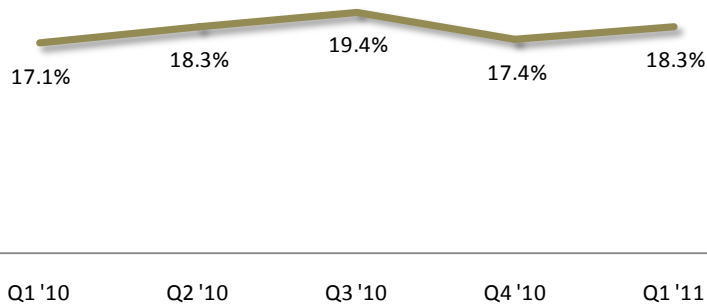
- Net income and Net Interest Income both increased 31% to \$53.7MM and \$52.9MM respectively
- Full quarter of earnings from December capital raise generated additional net interest income
- Income from CDS was \$2.5MM
- Gain on sale of assets \$1.2MM
- EPS Q1 \$1.01
- Dividend Q1 \$1.00

Net Interest Income



Performance

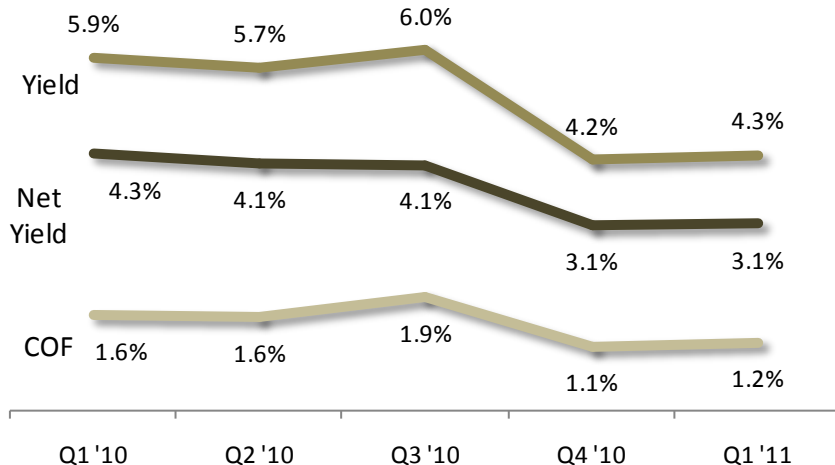
Gross ROE



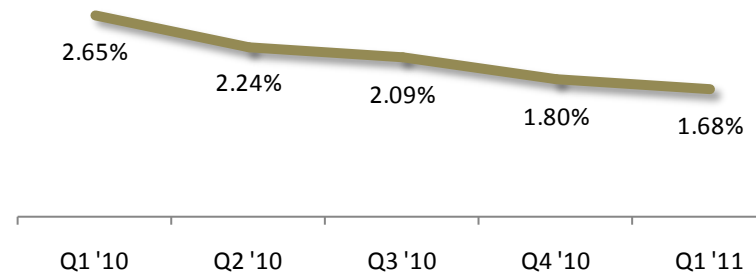
Comments

- Gross ROE improved 90 bps due to full portfolio ramp from Dec capital raise
- Portfolio yield, COF and Net Yield were unchanged
- Expense ratio declined 12 bps

Yields

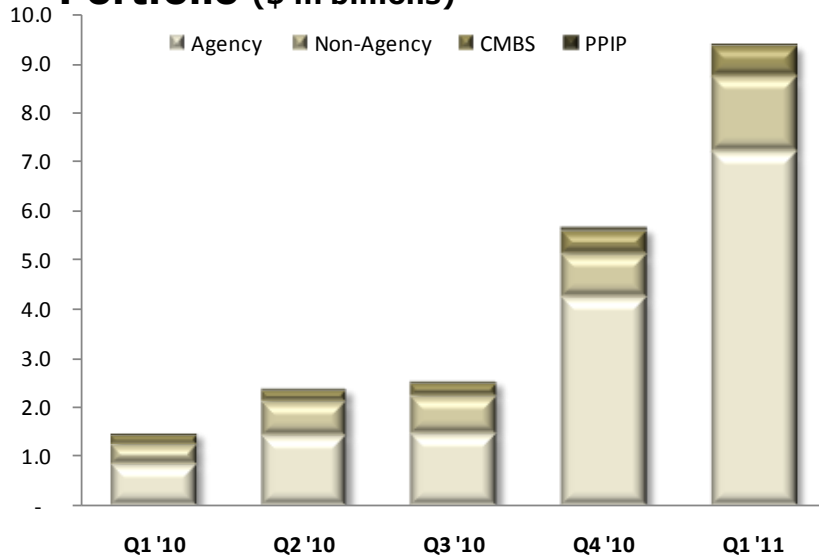


G&A Expense (as % of equity)



Portfolio Update

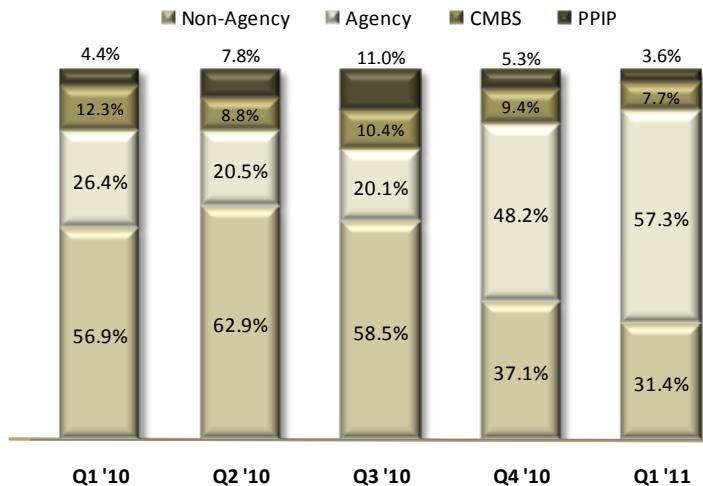
Portfolio (\$ in billions)



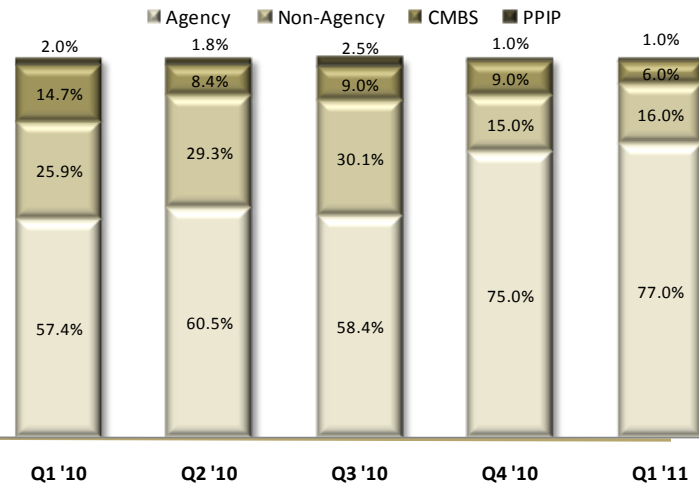
Comments

- First quarter follow-on offering was invested as proposed 60% agency and 40% credit
- Rotation of asset selection over time highlights the benefits of the hybrid strategy – stable book value and maximizing returns
- Agency RMBS represent the most opportunity due to low funding costs
- Credit opportunities remain attractive on a select basis
- Portfolio leverage declined at quarter end due to unsettled trades from the March equity raise. Actual leverage is approximately 5.3x

% of Equity



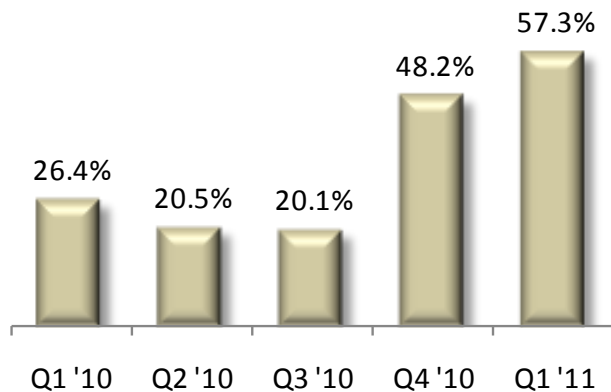
% of Assets



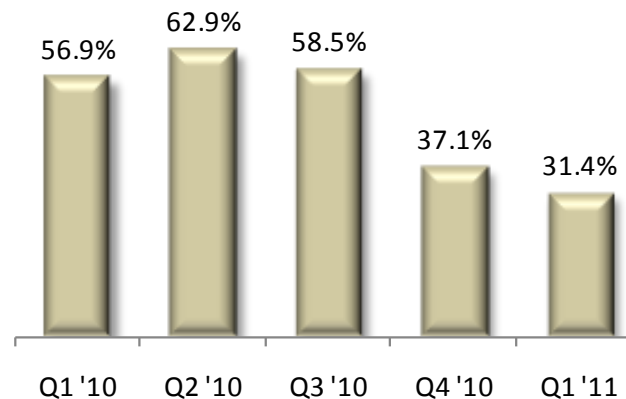
Detailed Portfolio

(% of equity)

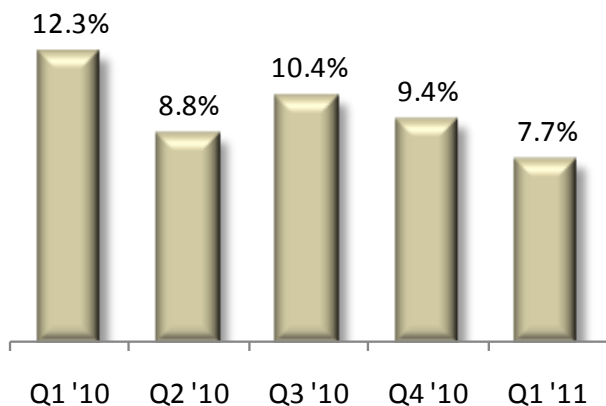
Agency



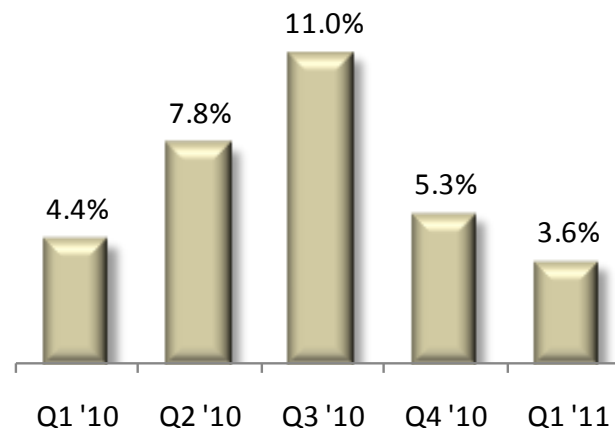
Non-agency



CMBS

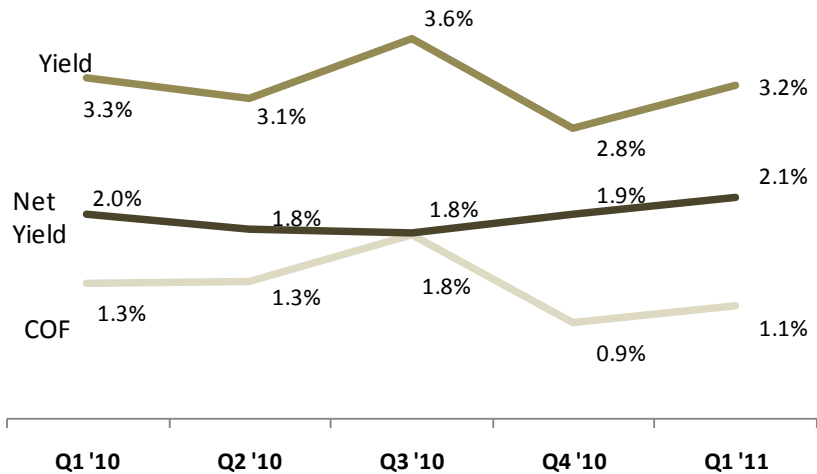


PPIP

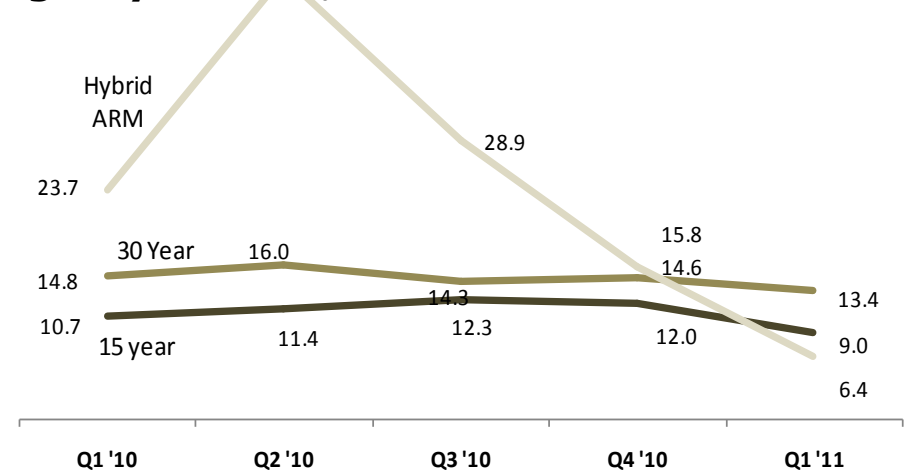


Agency

Yields



Agency CPR

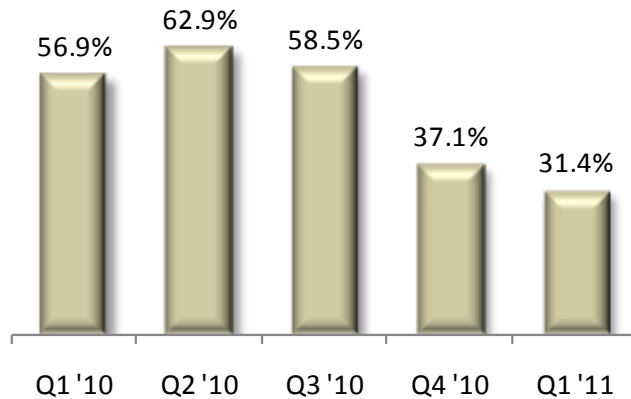


Comments

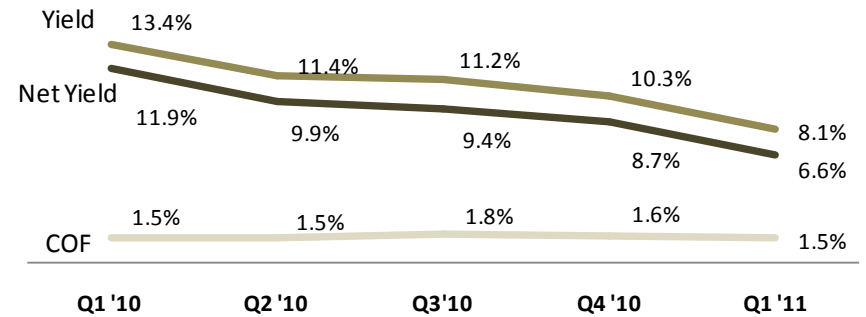
- Continued focus on prepay protection stories such as credit impairment, low to moderate loan balances and investor pools in both 15 and 30 year collateral
- Began adding Hybrid ARMs as valuations became attractive
- Q1 agency leverage of 5.0x, down from 6.9x, as we were ramping the portfolio at quarter-end
 - Overall leverage of 3.7x, reflecting the impact of the portfolio ramp
 - 89% of Agency repo hedged (assuming \$2.5BN of unsettled securities settled at quarter-end)
- Prepayment speeds remain very well contained
 - 15 Year collateral paid 9.0 CPR versus 16.1 CPR for generic collateral
 - 30 Year collateral paid 13.4 CPR versus 19.8 CPR for generic collateral

Non-Agency

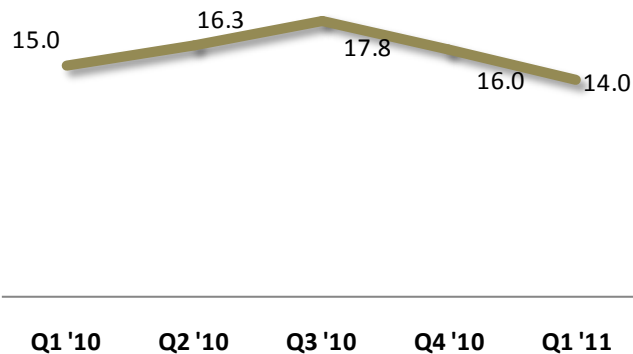
Balance (% of equity)



Yield



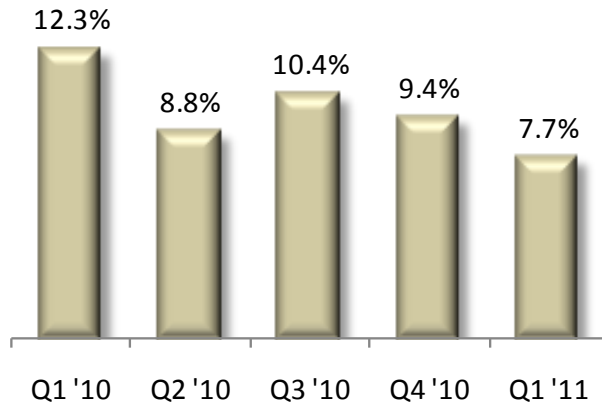
Non-agency CPR



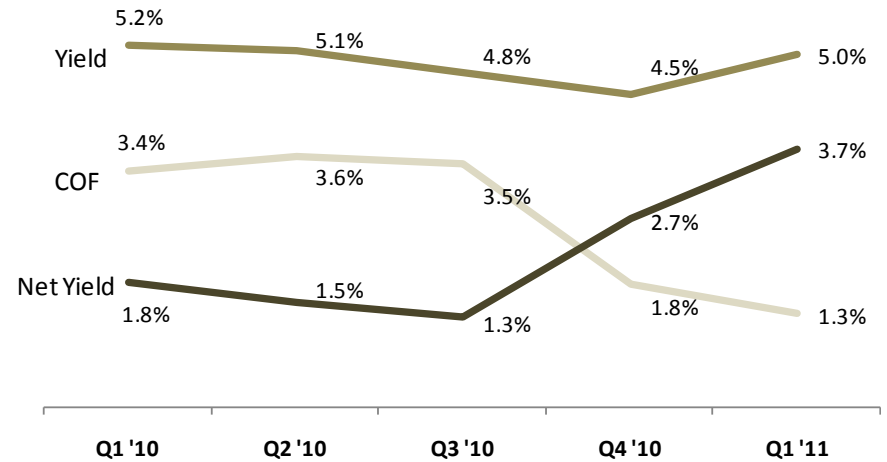
Comments

- Equity allocation reduced with Q1 capital offerings but has since increased with capital expenditures in April (43% of equity)
- No significant change in prices during the quarter
- Increased opportunities in new issue senior re-remics
- Leverage increased to 1.6x from 1.2x and is now approximately 2.0x

Portfolio (as a % of equity)



Yields



Comments

- Purchased both legacy and new-issued bonds
- Terms and availability of private repo continue to improve
- Continuing to explore loan opportunities
- Current leverage is 4.0x