Invesco Mortgage Capital Inc.

2013 Third Quarter Earnings Call

October 29, 2013

Richard King
President & Chief Executive Officer

John Anzalone
Chief Investment Officer

Donald Ramon
Chief Financial Officer

Rob Kuster
Chief Operating Officer

Invesco

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, 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.

Q3 Overview

Q3 Focus

- Improve risk positioning
  - Reduce interest rate risk
  - Reduce reliance on short term funding

✓ Reduced Agency RMBS leverage ~1.5x

✓ Paid down ~$2 billion in repo

✓ Added ~$650 million in Agency Hybrid ARMs

Portfolio Positioning

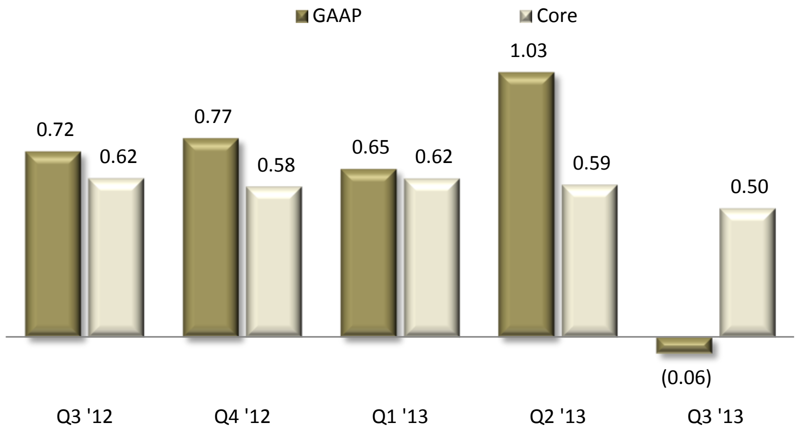
- Well positioned for environment
- Negative net supply in Agency MBS and Non-Agency RMBS
- Improving fundamentals in residential and commercial markets
- We are positioned for and expect risk premia to contract in CMBS and RMBS

New Initiatives

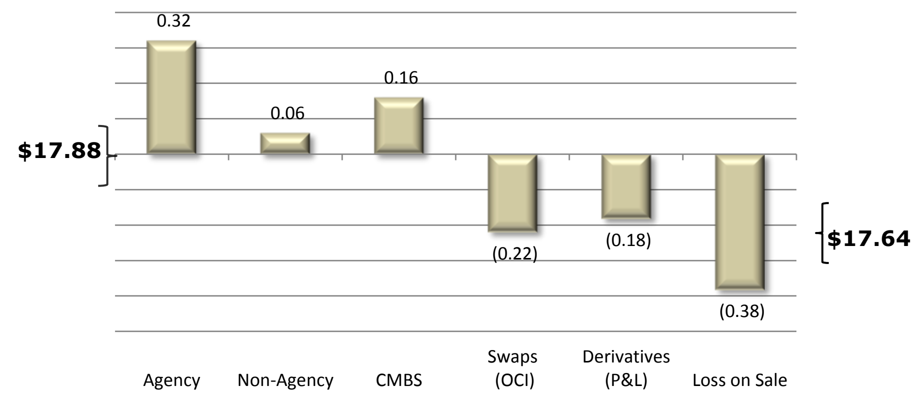
- CRE debt origination pipeline is building
- GSE risk sharing programs continue to grow
- Adding subordinated credit positions on newly underwritten RMBS
- Expecting another consolidated residential loan transaction in Q4

Quarterly Performance

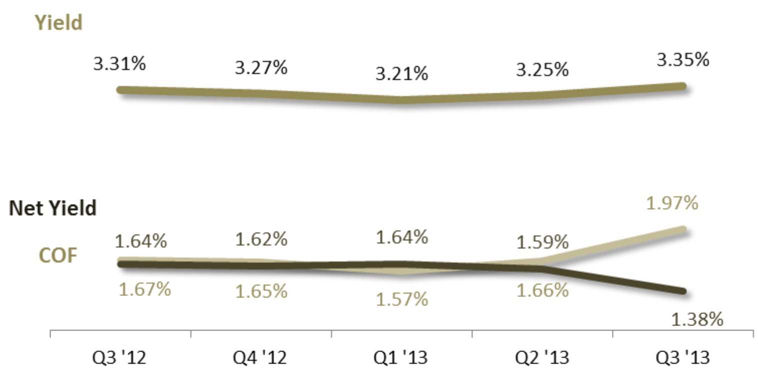
EPS*



Q3 Book Value Change



Yield



- Core earnings declined as sensitivity to interest rates was reduced
- BV decreased $0.24 from Q2
- Net portfolio yield decreased 21bps from Q2 primarily due to $1.9 billion in swaps that began in Q3

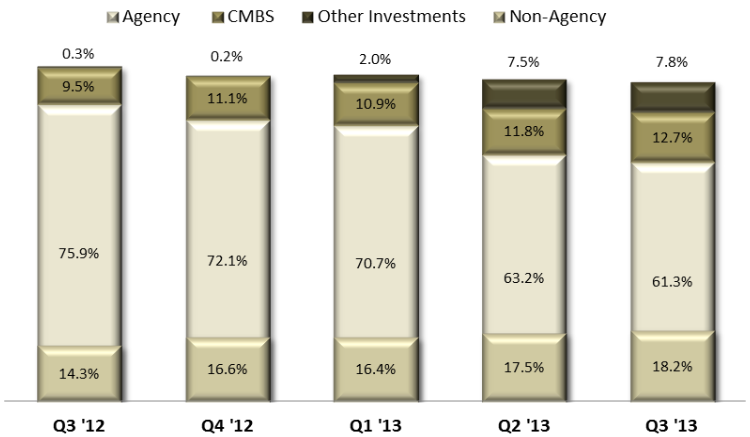
* Core earnings is a non-GAAP financial measure. We calculate core earnings as GAAP net income attributable to common shareholders excluding gain/loss on sale of investments and realized and unrealized gain/loss on interest rate derivative instruments.

See the information in the Appendix for additional disclosures and a reconciliation to the most comparable U.S. GAAP measure.

Invesco

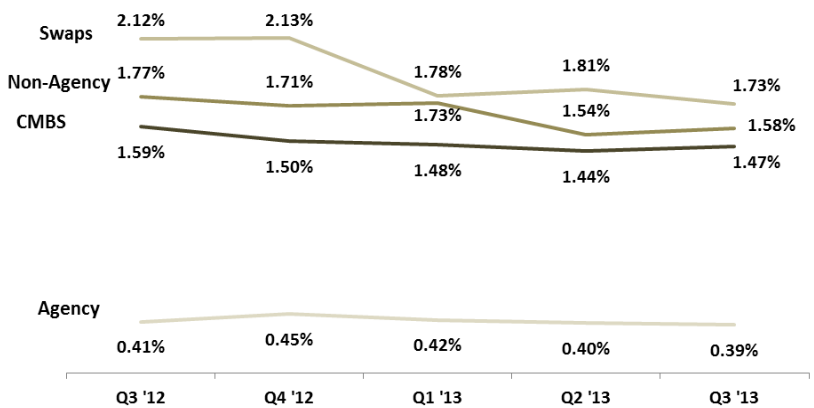
Portfolio Update

% of Assets

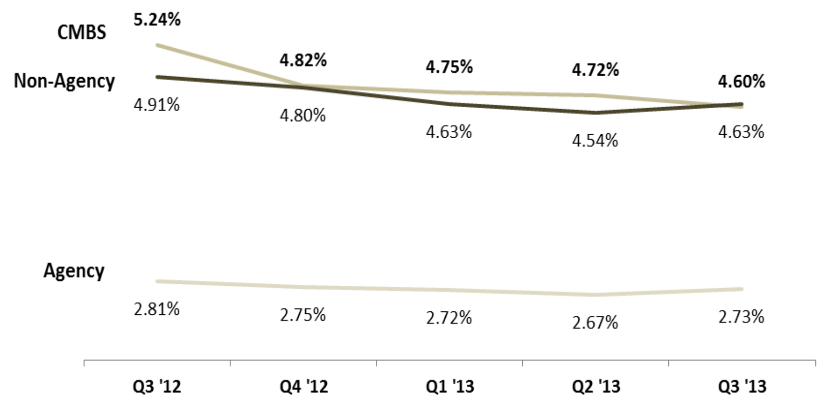


- Total MBS portfolio decreased 5% to $18.8 billion
- Agency RMBS declined $1.0 billion
- Decreased exposure to 30 year collateral while increasing exposure to hybrid ARM's
- CMBS increased $65.8 million

Cost of Funds



Portfolio Yields



Invesco

Equity Allocation and Leverage

As of 9/30/13

($ in millions)	Agency	Non-Agency	CMBS	Residential Loans	Commercial Loans	Unconsolidated Ventures	Corporate Liability	Total
Repurchase agreements	10,960	2,995	1,943	-	-	-	-	15,898
Asset-backed securities	-	-	-	1,412	-	-	-	1,412
Exchangeable notes	-	-	-	-	-	-	400	400
Allocated equity	1,347	743	668	124	17	42	(390)	2,551
Debt / Equity	8.1x	4.0x	2.9x	11.4x	–	–	–	6.9x
% of Total equity	52.8%	29.1%	26.2%	4.9%	0.7%	1.6%	-15.3%	100%

As of 6/30/13

($ in millions)	Agency	Non-Agency	CMBS	Residential Loans	Commercial Loans	Unconsolidated Ventures	Corporate Liability	Total
Repurchase agreements	12,901	2,955	2,023	-	-	-	-	17,879
Asset-backed securities	-	-	-	1,432	-	-	-	1,432
Exchangeable notes	-	-	-	-	-	-	400	400
Allocated equity	1,350	943	515	125	9	36	(394)	2,584
Debt / Equity	9.6x	3.1x	3.9x	11.5x	–	–	–	7.6x
% of Total equity	52.3%	36.5%	19.9%	4.8%	0.3%	1.4%	-15.2%	100%

- Risk positioning improved by reducing leverage
- Reduced total repo by ~$2.0 billion
- Agency exposure was reduced ~1.5x
- Leverage allocated to repo[1] decreased ~ 0.6x to 5.8x

(1) Leverage allocated to repurchase agreements is total repurchase agreements/total allocated equity for Agency RMBS, Non-Agency RMBS and CMBS

Invesco

Interest Rate Derivative Instruments

Swaps included in OCI	As of 6/30/13 Notional Amount ($ in millions)	Average Fixed Pay Rate	Average Maturity (Years)	As of 9/30/13 Notional Amount ($ in millions)	Average Fixed Pay Rate	Average Maturity (Years)
1 year or less	-	-	-	100	2.79%	0.8
Greater than 1 year and less than 3 years	5,100	2.25%	2.7	5,000	2.24%	2.4
Greater than 3 years and less than 5 years	2,500	1.51%	4.6	3,000	1.43%	4.4
Greater than 5 years	4,600	2.22%	9.0	4,700	2.43%	9.3
	12,200	2.09%	5.4	12,800	2.12%	5.4

Hedges included in P&L ($ in millions)	Notional Amount 6/30/2013	Additions	Termination/ Expiration	Notional Amount 9/30/2013
Swaptions	2,400	1,150	(1,850)	1,700
U.S. Treasury Futures	-	100	-	100
	2,400	1,250	(1,850)	1,800

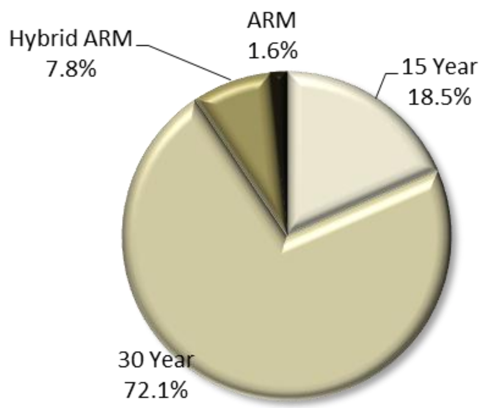
- Added $600 million in swaps
- Net decrease in swaptions was $700 million
- Added $100 million short U.S. Treasury futures to better hedge duration of 30 year MBS
- Fixed rate on swaps increased to 2.12% from 2.09%
- Increased percentage of repo hedged:

	9/30/13	6/30/13
Agency Repo	133%	113%
Total Repo	92%	82%

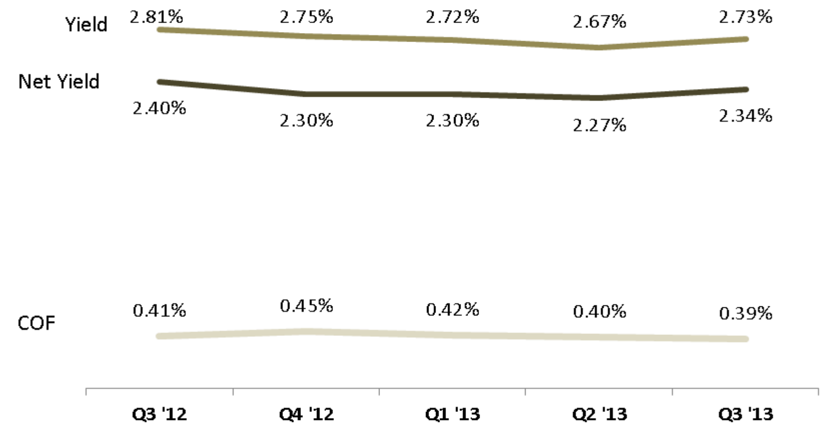
Invesco

Agency

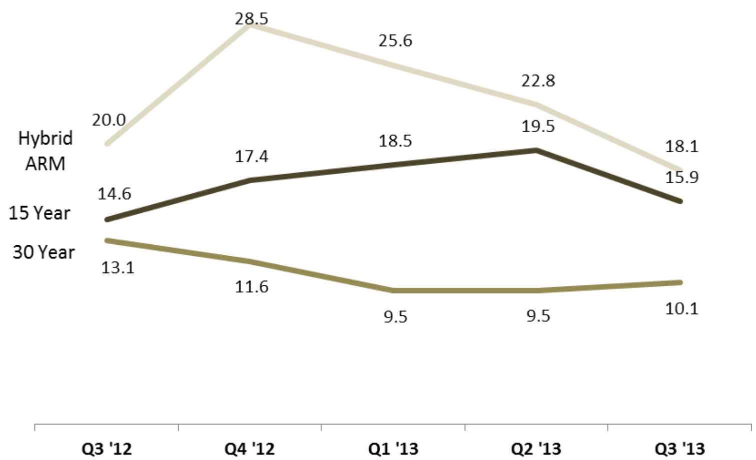
Agency Detail (% of Total Agency)



Yield



Agency CPR



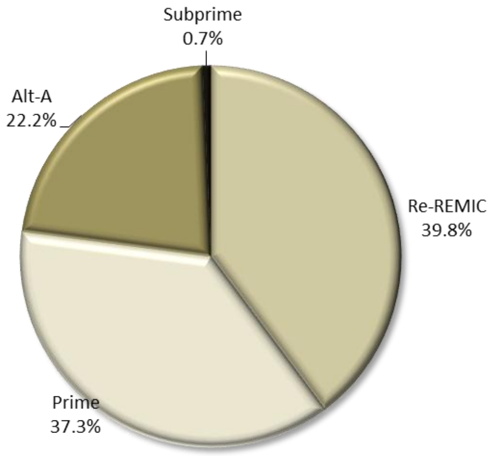
- Reduced Agency portfolio $1.0 billion
- Reduced leverage ~1.5x
- 133% of Agency repo hedged up from 113%
- Aggregate prepayment speeds were down slightly, led by decreases in 15 year and hybrid ARM collateral

3 Month CPR	IVR	Cohorts
15 Year	15.9	23.9
30 year	10.1	14.2

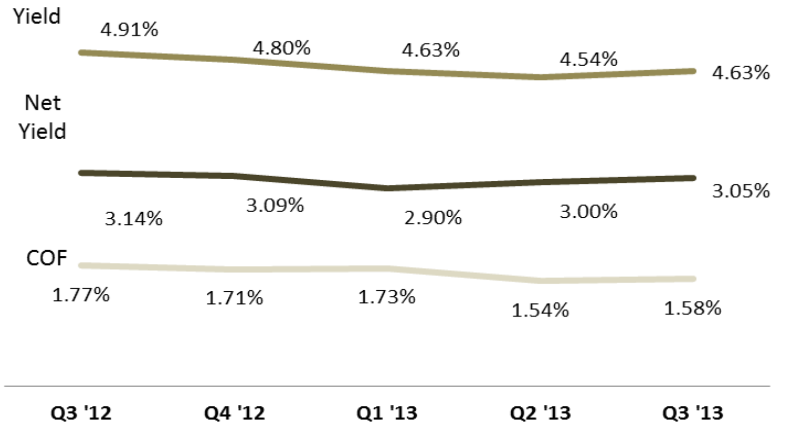
Invesco

Non-Agency

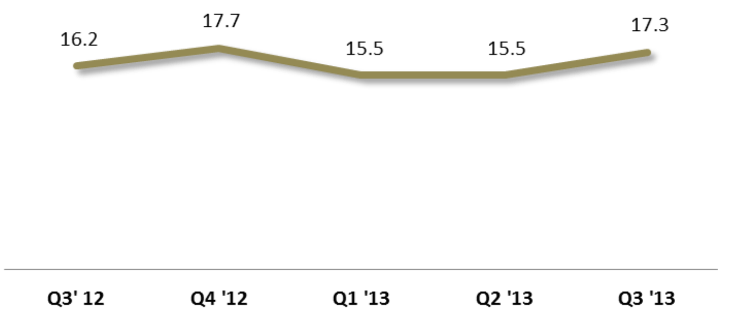
Non-Agency Detail (% of Total Non-Agency)



Yield



Non-Agency CPR

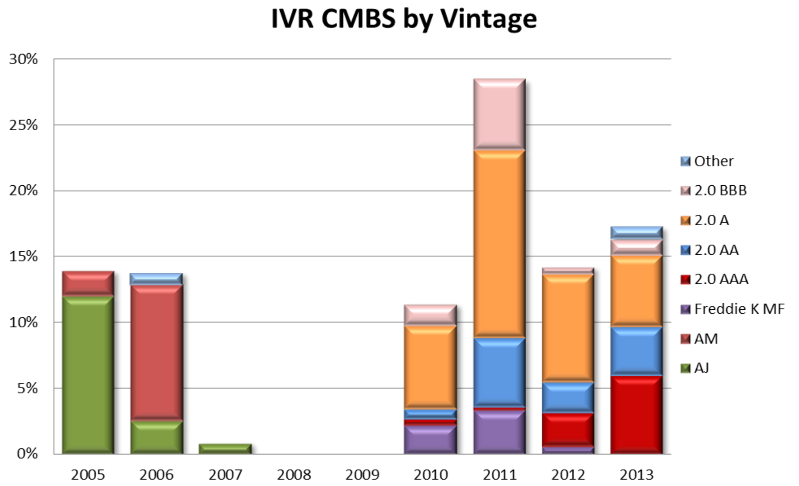


- Focusing purchases on Prime and Alt-A
- Housing fundamentals continue to improve while technicals remain favorable
- Capitalizing on opportunities in new issue space, both in senior and subordinate tranches
- Leverage is 4.0x in Q3 vs. 3.1x in Q2

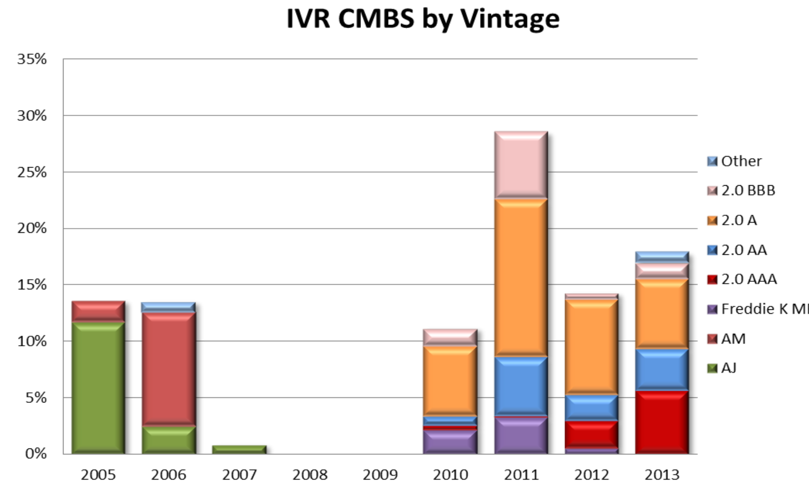
Invesco

CMBS

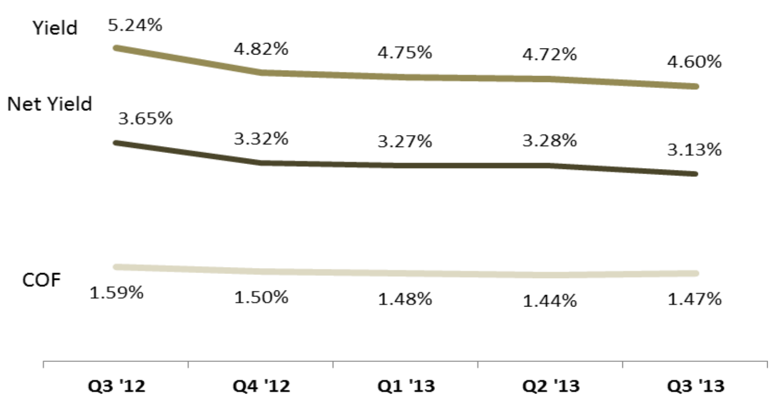
Q2 2013



Q3 2013



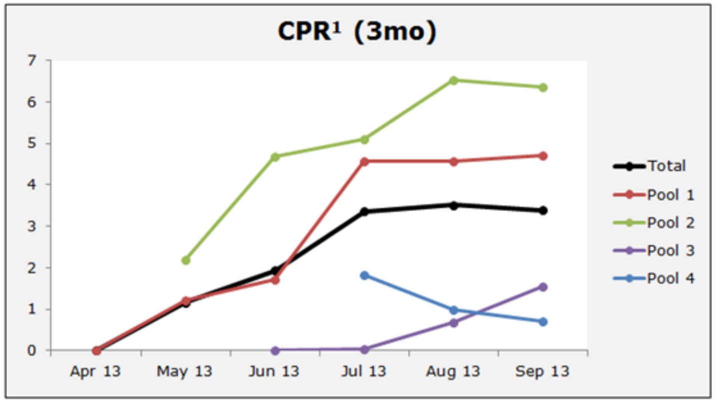
Yields

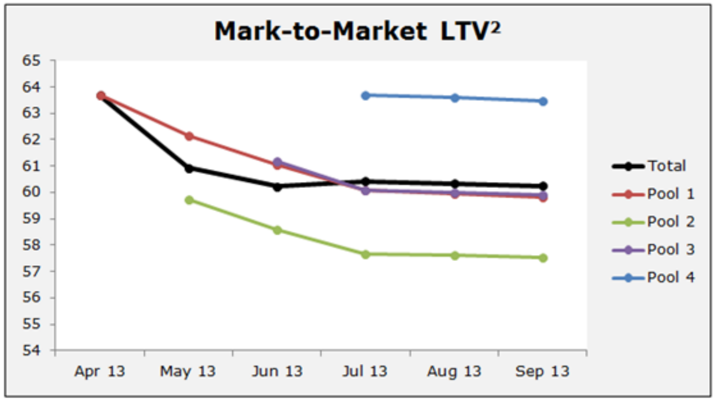


- CMBS increased $65.8 million
- Focusing purchases on high quality, new-issue paper
- Supportive technicals - flat net supply and strong investor demand
- Continued gradual improvement in CRE fundamentals
- Leverage was 2.9x down from 3.9x in Q2

Invesco

Residential Whole Loan Portfolio Performance





Pool[3]	Loan Count	Current Balance	Factor[4]	Coupon	Loan Age	Original LTV	MTM LTV[2]	Serious Delinquency %[5]	Loans Prepaid[6]	3mo CPR[1]
1	482	380,062,006	0.97	3.77	7	67.85	59.82	0.00	6	4.71
2	465	381,154,852	0.97	3.73	7	65.14	57.53	0.00	13	6.36
3	428	332,981,524	0.99	3.76	5	66.73	59.90	0.00	2	1.56
4	529	404,527,513	0.99	3.78	4	69.57	63.48	0.00	1	0.71
Total	**1,904**	**1,498,725,896**	**0.98**	**3.76**	**6**	**67.38**	**60.24**	**0.00**	**22**	**3.40**

Top States	
California	49.87%
Illinois	5.87%
Massachusetts	5.67%
Virginia	4.27%
Maryland	4.24%
Total	**69.92%**

Top Servicers	
Select Portfolio Servicing Inc	67.50%
First Republic Bank	22.96%
Phh Mortgage Corporation	6.35%
Fifth Third Mortgage Company	3.19%
Total	**100.00%**

Top Core Based Statistical Areas (CBSAs)	
Los Angeles-Long Beach-Santa Ana CA	16.11%
San Francisco-Oakland-Fremont CA	14.75%
Washington-Arlington-Alexandria-Rockville DC-VA-MD-WV	9.61%
Chicago-Naperville-Joliet IL-IN-WI	5.87%
New York-Northern New Jersey-Long Island NY-NJ-PA	5.67%
Total	**52.01%**

Top Originators	
First Republic Bank	22.96%
Other	16.42%
Quicken Loans Inc	14.26%
Caliber Funding	7.67%
Bank of the Internet	6.44%
Total	**44.80%**

Source: CoreLogic, Invesco

As of: Sep 2013

See page 11 for footnotes

Invesco

Appendix – Definitions

<u>Definitions for Whole Loan Portfolio Performance on page 10</u>

(1) "Constant Prepayment Rate (CPR)" reflects the three month average of the annualized rate of voluntary prepayments in excess of scheduled amounts

(2) "Mark-to-Market LTV" represents the weighted average of the ratio of outstanding principal balance to property value of each loan, where the current property value is estimated based primarily on home price index data at the zip code or county level as provided by Corelogic

(3) "Pool" corresponds to the VIE with which each loan is associated, where Pool 1 loans collateralize the CSMC 2013-IVR1 securitization, Pool 2 loans collateralize the CSMC 2013-IVR2 securitization, etc

(4) The "Factor" is the current pool balance divided by the original pool balance at the time of purchase

(5) "Serious Delinquency Percentage" is the principal balance of all loans that are 60 or more days delinquent divided by the total principal balance of all loans

(6) "Loans Prepaid" reflects the cumulative number of loans that have prepaid in full since purchase

Invesco

Appendix – Non-GAAP Financial Information

In addition to the results presented in accordance with 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 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 that do not qualify under 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 GAAP net income to provide a consistent view of investment portfolio performance across reporting periods.

The Company believes that 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 to its investors.

However, the Company cautions that core earnings should not be considered as an alternative to net income (determined in accordance with GAAP), or an indication of our cash flow from operating activities (determined in accordance with GAAP), a measure of our liquidity, or an indication of amounts available to fund our cash needs, including our ability to make cash distributions. In addition, our 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 September 30,		Nine Months ended September 30,	
$ in thousands, except per share data	**2013**	**2012**	**2013**	**2012**
Net income (loss) attributable to common shareholders	(8,686)	83,068	214,152	244,971
Adjustments				
(Gain) loss on sale of investments, net	69,323	(12,836)	56,919	(24,978)
Realized gain on interest rate derivative instruments	(39,075)	-	(66,234)	-
Unrealized loss on interest rate derivative instruments (1)	45,962	808	21,810	2,851
Total adjustments	76,210	(12,028)	12,495	(22,127)
Core earnings	67,524	71,040	226,647	222,844
Basic earnings per common share	(0.06)	0.72	1.61	2.12
Core earnings per share attributable to common shareholders	0.50	0.62	1.70	1.93

(1) Unrealized (gain) loss on interest rate derivative instruments for the three and nine months ended September 30, 2013 include adjustments for unrealized losses of $3.4 million attributed to short U.S. Treasury futures contracts the Company began purchasing during the three months ended September 30, 2013.

Invesco