

Invesco Mortgage Capital Inc.

2010 First Quarter Earnings Call

May 11, 2010

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Forward-Looking Statements

This presentation, and comments made in the associated conference call today, may include statements and information that constitute “forward-looking statements” within the meaning of the U.S. securities laws. Forward-looking statements include statements with respect to our beliefs, plans, objectives, goals, targets, expectations, anticipations, assumptions, estimates, intentions and future performance. Forward-looking statements also include statements regarding the scale and our ability to quickly invest the proceeds of our May 2010 follow-on offering, the reduction of our expense ratio, improved stock liquidity, interest rates and their effect on prepayment risk and premium agency positions, the ability of our investment strategy to protect against prepayment and margin call risk, the impact of government-sponsored entities loan buyouts on our second quarter 2010 results, low loan balance pools vulnerability to government-sponsored entity loan buyouts, the PPIP Fund, our flexibility to successfully invest in various market cycles, economic and mortgage market recovery and its impact on our assets, commercial loan opportunities, our potential performance in a rising rate environment, shareholder benefit from our diversified investment strategy and manager’s experience, and investment opportunities in the mortgage market. In addition, words such as “anticipate,” “believe,” “will,” “expects” and “plans,” 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 update

Fully invested the \$163 million in net proceeds from follow-on offering that was completed in January 2010

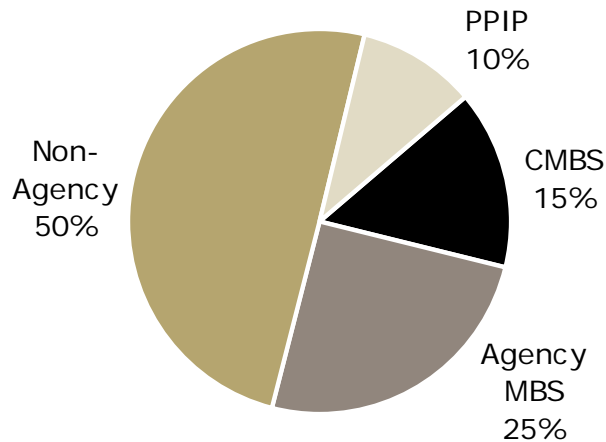
- ✓ Quickly deployed follow-on capital to minimize ROE drag
- ✓ Continued successful execution of hybrid residential mortgage REIT strategy generating \$2.44 per share in dividends since IPO with moderate risk
- ✓ We believe very compelling investment opportunities remain in the mortgage market
- ✓ Quality platform, proven management team and full support of global asset manager



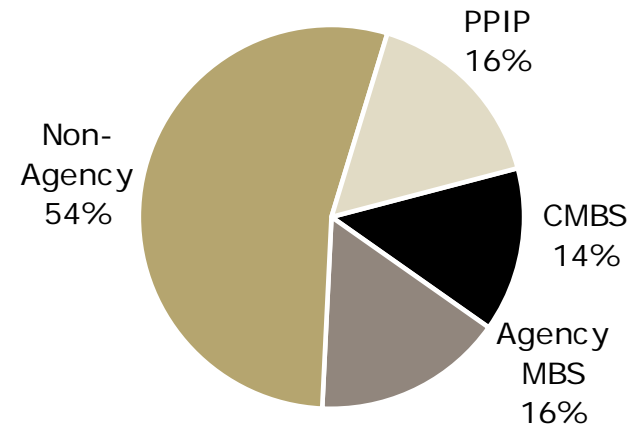
Shareholders benefit from the hybrid model

January 2010 Follow-on Offering Use of Proceeds

Proposed
(Equity allocation)



Actual
(Equity allocation)



Gross ROE	16-20%
Leverage	2-4x
Agency MBS Duration Gap	~0.5 years

Approximate Gross ROE	18%
Approximate Leverage	3x
Estimated Duration Gap	~0.75 years

Intra Quarter equity allocations were adjusted in reaction to market conditions

- Non-agency prices decreased
- IVR took advantage of TALF in Q1'10
- GSE buyouts during Q1'10
- Maximized limited recourse funding through PPIP



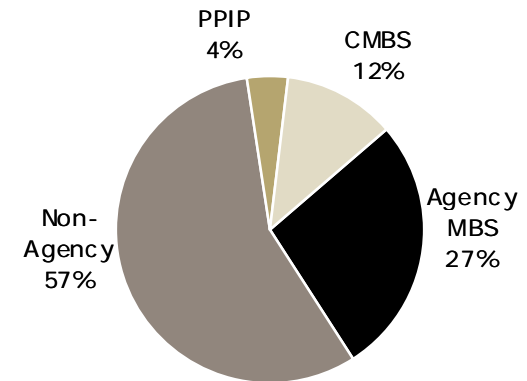
May follow-on offering

Net proceeds of \$178 million

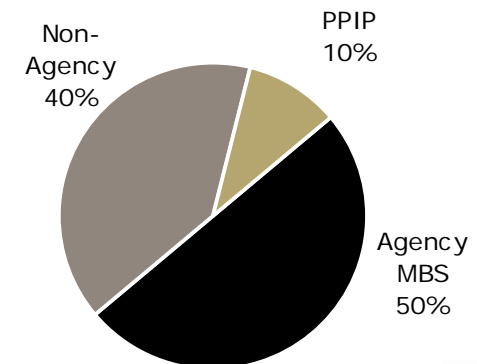
Why raise additional capital?

- ✓ Great opportunity to invest in mortgage assets
- ✓ Scale and ability to quickly invest proceeds
- ✓ Reduces expense ratio approximately 40bps
- ✓ Improve stock liquidity

Q1 equity allocation



Allocation of new equity



Performance

(\$ in millions except per share)

	Q1 '10	Q4 '09
Interest Income	\$ 18.0	\$ 12.6
Interest Expense	3.6	2.6
Net Interest Income	14.4	10.0
Other Income	1.0	2.1
Total Income	15.4	12.1
Management Fee	1.3	0.8
Other G&A	0.9	0.8
Total Expenses	2.2	1.6
Net Income	\$ 13.2	\$ 10.5
EPS (Basic and Diluted)	\$ 0.77	\$ 1.02
Dividend	\$ 0.78	\$ 1.05

Selected Balance Sheet Data

(\$ in millions except per share)

	03/31/10	12/31/09
Mortgage-Backed Securities	\$ 1,436.0	\$ 802.6
Cash and Restricted Cash	39.8	38.5
Other Assets	48.1	12.3
Total Assets	\$ 1,523.9	\$ 853.4
Repurchase Agreements	\$ 961.2	\$ 546.0
TALF Financing	151.8	80.4
Other Liabilities	38.9	16.7
Total Liabilities	1,151.9	643.1
Total Shareholders Equity	372.0	210.3
Total Liabilities and Equity	\$ 1,523.9	\$ 853.4
Book Value Per Share	\$ 20.26	\$ 20.39

Portfolio Detail

Agency RMBS

- 45% 30 year collateral, 38% 15 year collateral, 17% Hybrids
 - Concentration in higher coupons
 - Loan balance, investor property and seasoned pools
-

Non-agency RMBS

- Book value appreciation of approximately 7.5%
 - Voluntary prepayment speeds have been faster than expected
 - Continue to focus on senior or super-senior tranches
 - Credit performance remains within expectations
-

CMBS

- All positions are super senior tranches
- TALF financing on majority of positions
- Exploring commercial loan opportunities with Invesco Real Estate

We believe IVR has the potential to outperform in a rising rate environment

- Rising rates should mitigate prepayment risk, further protecting premium agency positions
- Duration gap target of 0.5 years
- Management has taken advantage of low swap rates and tight spreads to put on long dated swaps maturing in 2014 and 2015
- Higher rates infer economic and mortgage market recovery which should benefit IVR's non-agency and CMBS assets as they should exhibit negative duration characteristics

Portfolio value sensitivity

Assumed Interest Rate Shift	Non-Agency Peer Weighted Average	Combined Peer Weighted Average	IVR Portfolio Value Impact
+1.00%	(3.07%)	(1.30%)	(1.31%)

Net interest income sensitivity

Assumed Interest Rate Shift	Non-Agency Peer Weighted Average	Combined Peer Weighted Average	IVR Net Interest Income Impact
+1.00%	(7.45%)	(6.35%)	15.32%

Source 3/31/10 SEC Form 10-Q:

Non-agency – Company filings: CIM, MFA, TWO

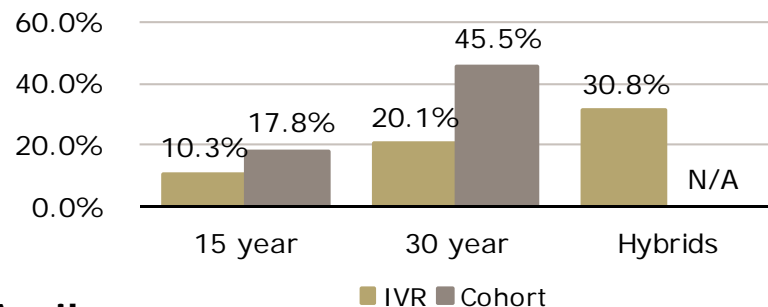
Agency - Company filings: ANH, AGNC, CYS, HTS, NLY

Past performance is not a guarantee of future results.

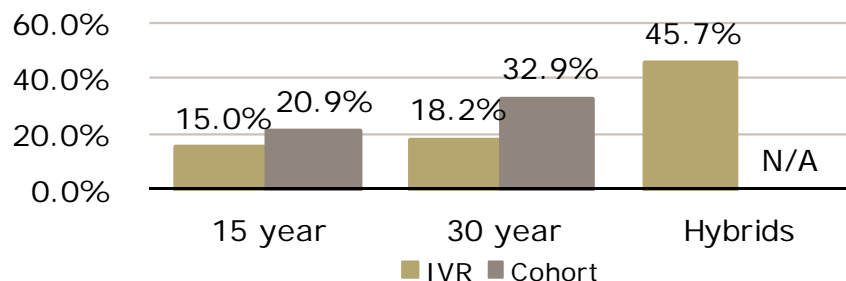
IVR mitigated the impact of GSE buyouts

Agency MBS prepayment speeds (CPR)

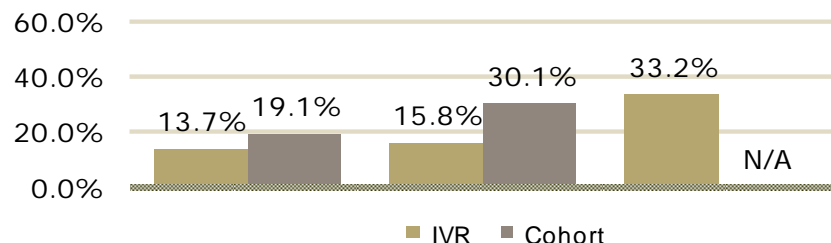
March



April



May



We believe IVR's strategy protects against prepayment and margin call risk

- Hybrid exposure was reduced in anticipation of GSE buyouts
- Limited earnings impact - < \$1 million
- IVR outperformed the cohort and successfully protected its premium Agency assets
- Fannie Mae impact expected to be less in 2Q'10

IVR's strategy

- We believe IVR shareholders benefit from IVR's diversified investment strategy and manager's experience
- Avoided high coupon, credit-impaired pools prior to GSE buyouts
- Buy low loan balance pools which offer prepay protection, which we believe are less vulnerable to buyouts
- Buy 15 year collateral in lieu of high dollar priced hybrids

Source: Company, Fannie Mae, Freddie Mac
 Note: Cohort includes all Fannie and Freddie agency pools

Invesco Mortgage Recovery Master Fund L.P. (Mortgage Recovery Fund)

The Mortgage Recovery Fund, PPIP and its importance to IVR

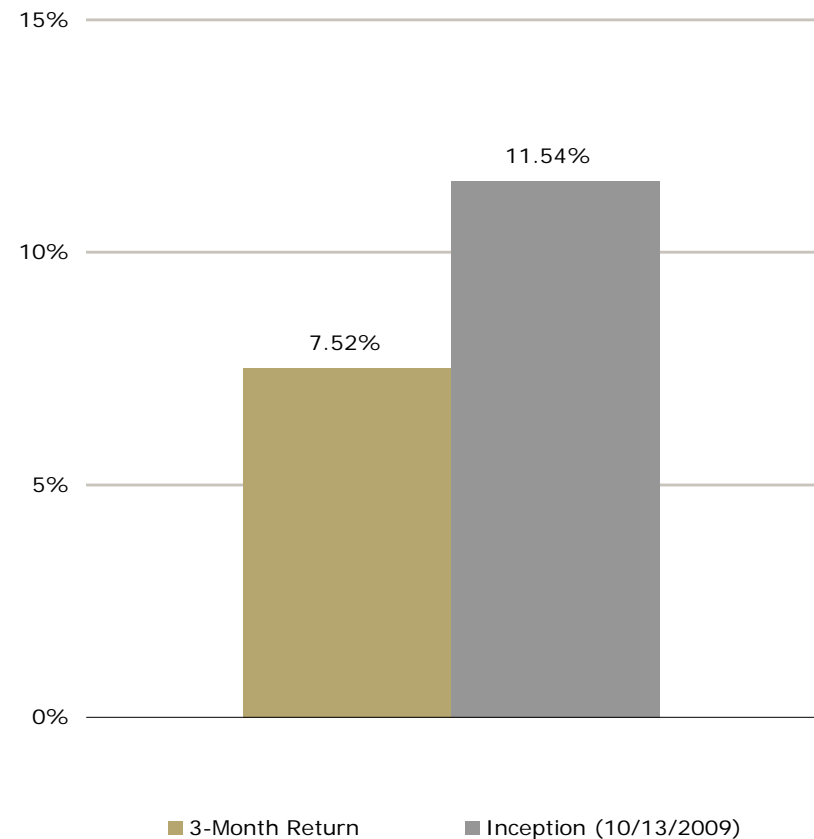
Key Features of Mortgage Recovery Fund

- Invests in Invesco Legacy Securities Master Fund, L.P. (PPIP Fund), an Invesco-sponsored public-private investment fund under PPIP
- IVR has committed \$100MM to the Mortgage Recovery Fund
- IVR pays no additional management or incentive fees
- Richard King and Wilbur Ross on Mortgage Recovery Fund's investment committee

Source of Funding for Target Assets

- Eligible assets of PPIP Fund generally are originally rated AAA RMBS and CMBS issued prior to 2009
- Mortgage Recovery Fund can also invest in residential and commercial loan pools
- Private Capital invested in PPIP Fund is matched dollar for dollar by the U.S. Treasury
- Full Turn Financing Option– U.S. Treasury matches every dollar of equity (public and private) of PPIP Fund with one dollar of financing
- Half Turn Financing Option – U.S. Treasury matches every dollar of equity (public and private) with one-half of a dollar of financing
 - 3rd party financing allowed

UST's Invesco Legacy Securities Master Fund, L.P. Gross Returns



Source: SIGTARP Quarterly Report to Congress April 20, 2010.

IVR returns may differ from these due to potential loan investments



Past performance is not a guarantee of future results.

First Quarter 2010 Summary

- **Follow on Equity Raise**
 - Opportunistic raise was deployed efficiently at target ROE
 - Lowered expense drag, increased liquidity
- **Q1 2010 Investment Strategy**
 - Largely avoided GSE buyouts and benefited from TALF and PPIP
 - Added Non-Agencies at attractive loss adjusted yields
- **Looking ahead**
 - The Fed is keeping rates low and Government is supportive of housing
 - IVR has modest leverage, ample repo capacity, term facility for RMBS
 - Credit risk profile – Loan level discipline leads us to senior RMBS / CMBS
 - IVR benefits from diversification and market opportunity

Questions and Answers

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