

# **Invesco Mortgage Capital Inc.**

**JMP Financial Services/Real Estate Conference**

**September 2010**



# Forward-looking statements

This presentation, and comments made in the associated Q&A, may include “forward-looking 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 success of the hybrid REIT strategy, investment opportunities in the mortgage market, our proven management team, our ability to quickly deploy capital from follow-on common stock offerings, our ability to access financing and the adequacy of our current financing, our ability to replicate trends in average return on equity (“ROE”), gross ROE, portfolio yields and reductions in our expense ratio, interest rates and their effect on prepayment risk and premium agency positions, the impact of government-sponsored entities’ loan buyouts on our second quarter 2010 results, the PPIP Fund’s performance, our potential performance in a changing interest rate environment, shareholder benefit from our diversified investment strategy and manager’s experience and our ability to assess credit risk. 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 described in our most recent Form 10-K and subsequent Forms 10-Q, filed with the Securities and Exchange Commission. You may obtain these reports from the SEC’s website at [www.sec.gov](http://www.sec.gov). We expressly disclaim any obligation to update the information in any public disclosure if any forward-looking statement later turns out to be inaccurate.

All material presented is compiled from sources believed to be reliable and current, but accuracy cannot be guaranteed. This is not to be construed as an offer to buy or sell any securities and should not be relied upon as the sole factor in an investment-making decision. As with all investments, there are associated inherent risks. Please obtain and review all financial material carefully before investing. All data is as of June 30, 2010, unless otherwise noted.

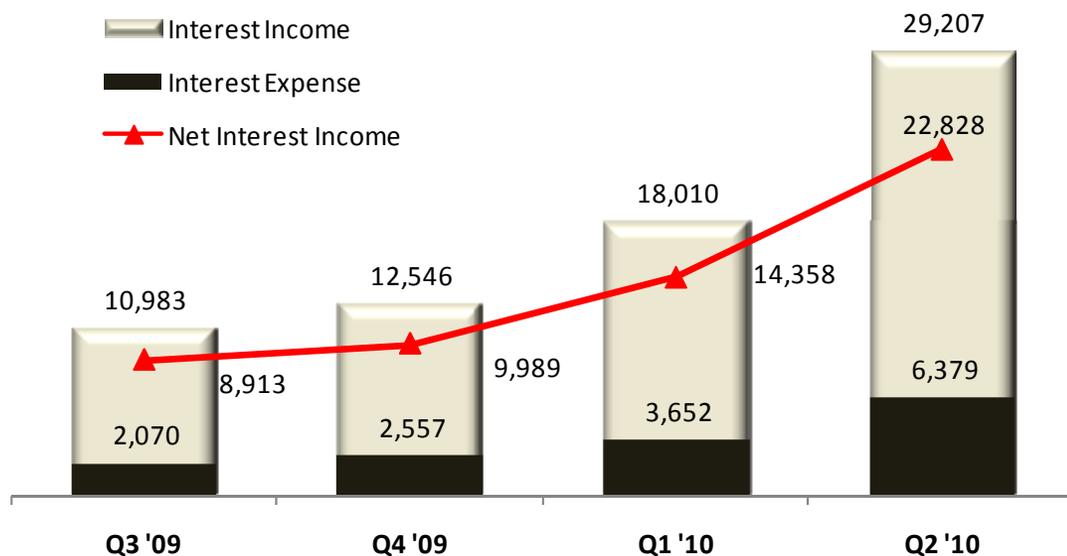


# Why Invesco Mortgage Capital?

- ✓ **Continued successful execution of hybrid mortgage REIT strategy generating diversified risks and dividend yield**
- ✓ **We believe very compelling investment opportunities remain in the mortgage market**
- ✓ **Quality platform, proven management team and full support of a global asset manager**

# Q2 Performance

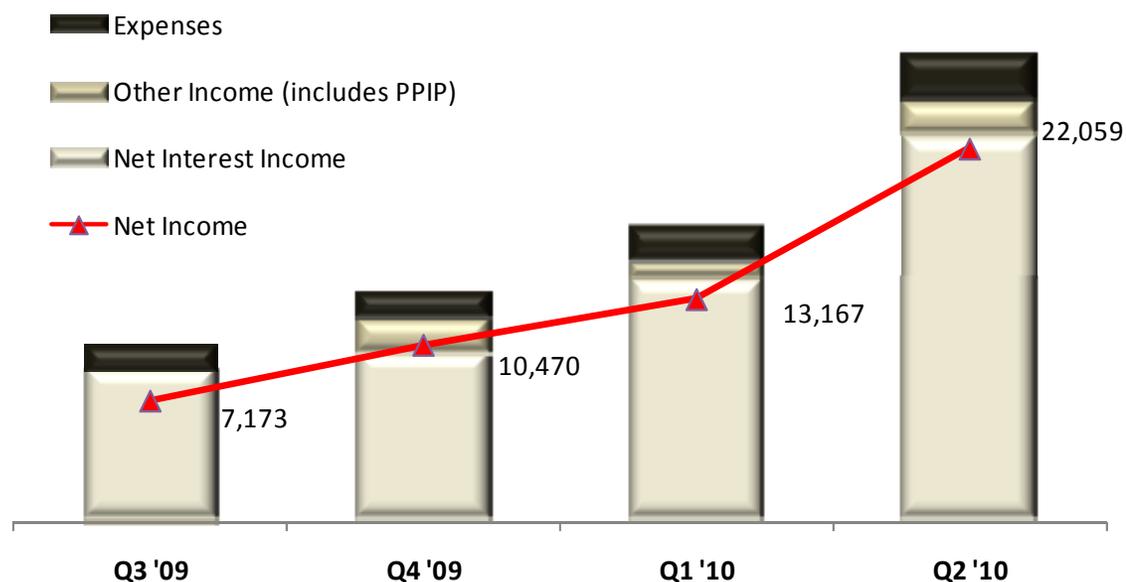
## Net Interest Income



## Comments on Q2 '10

- Net income increased \$8.8MM to \$22.0MM
- Net interest income was \$22.8MM
- Key drivers were early deployment of capital raised in follow-on public offering and better than expected prepayment performance on agency and non-agency portfolio
- Q2 EPS was \$0.91
- Expense ratio declined 41 bps to 2.2%

## Net Income

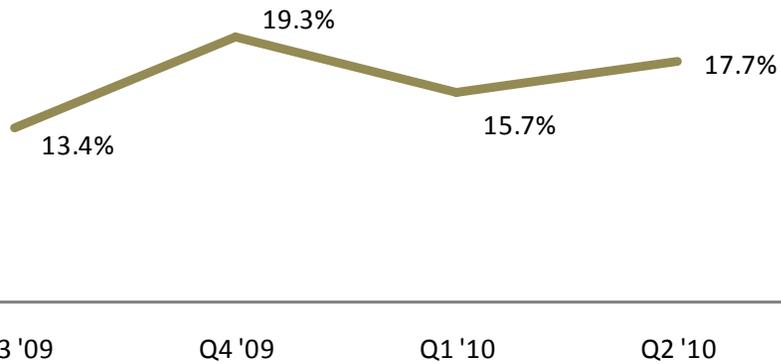


## Q3 Dividend

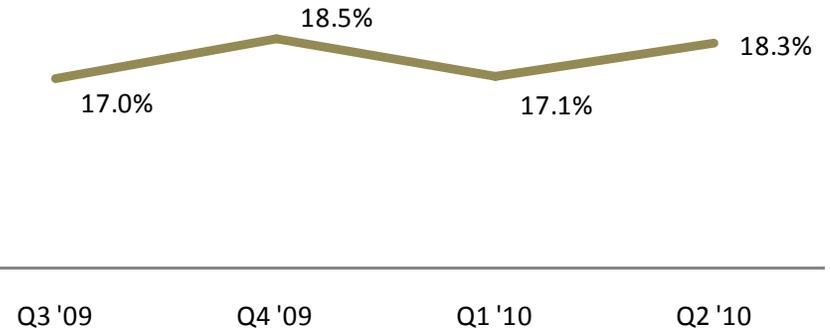
- \$1.00 per share

# Performance

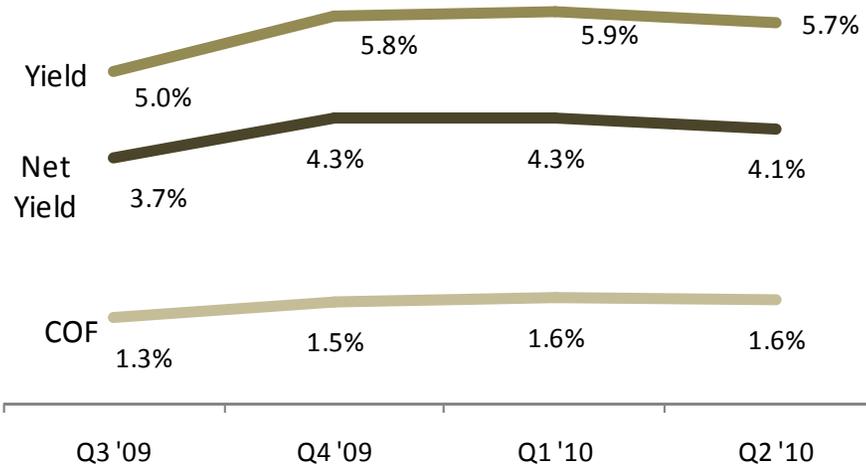
## Average ROE analysis



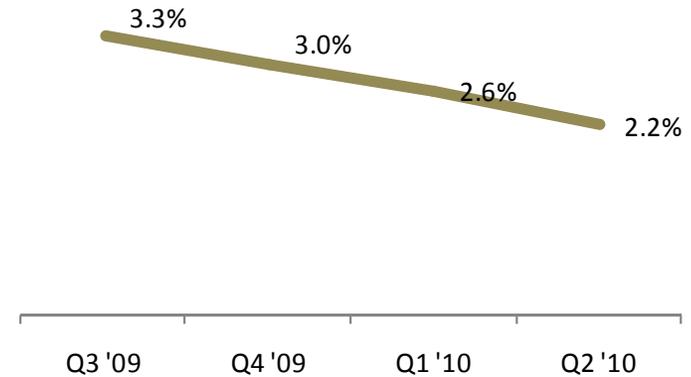
## Gross ROE



## Portfolio Yields & Cost of Funds (COF)



## G&A Expense (as % of equity) <sup>1</sup>



Source: Invesco Mortgage Capital Inc. SEC Filings

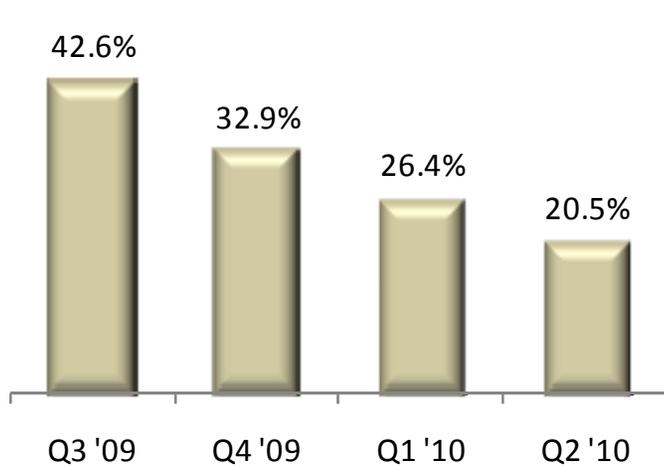
<sup>1</sup> General and administrative expense as a percent of total equity



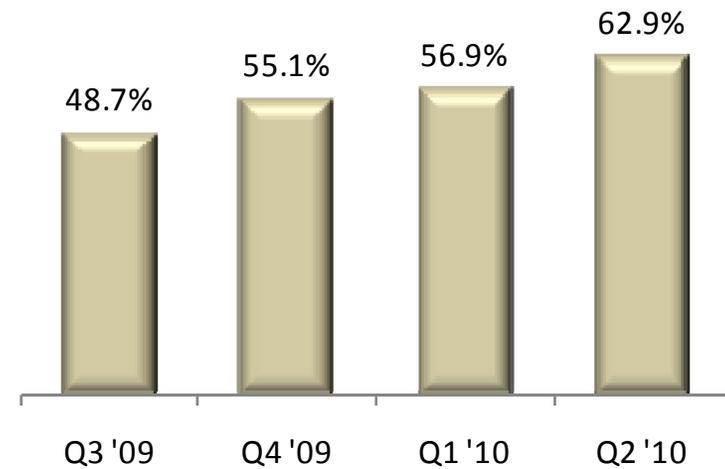
# Detailed Portfolio

(% of equity)

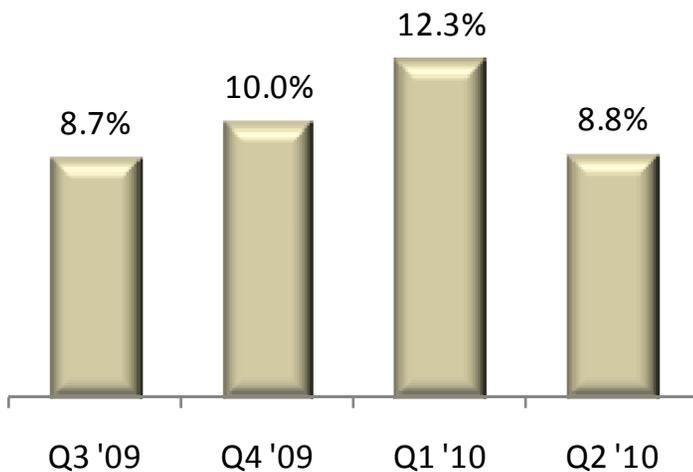
## Agency



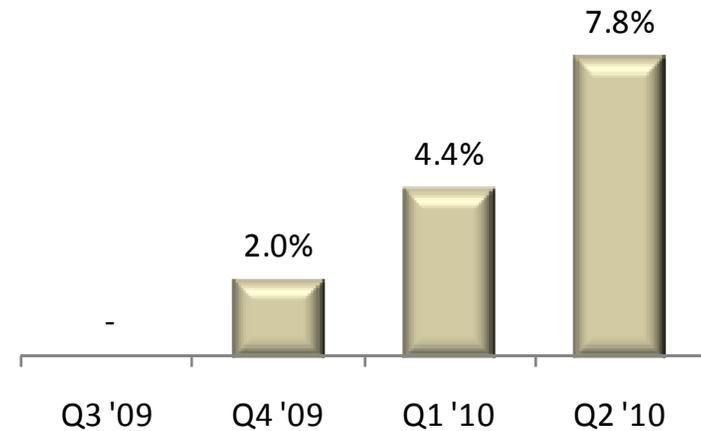
## Non-agency



## CMBS

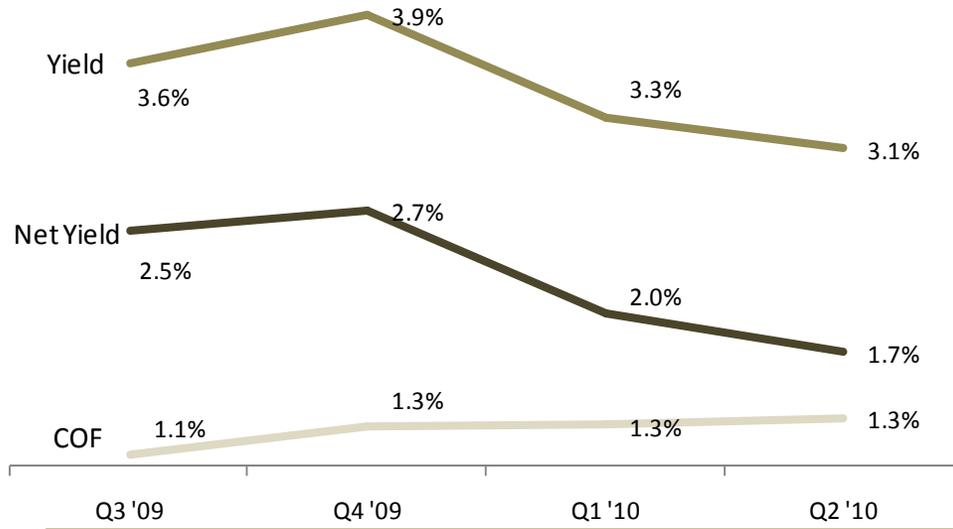


## PPIP

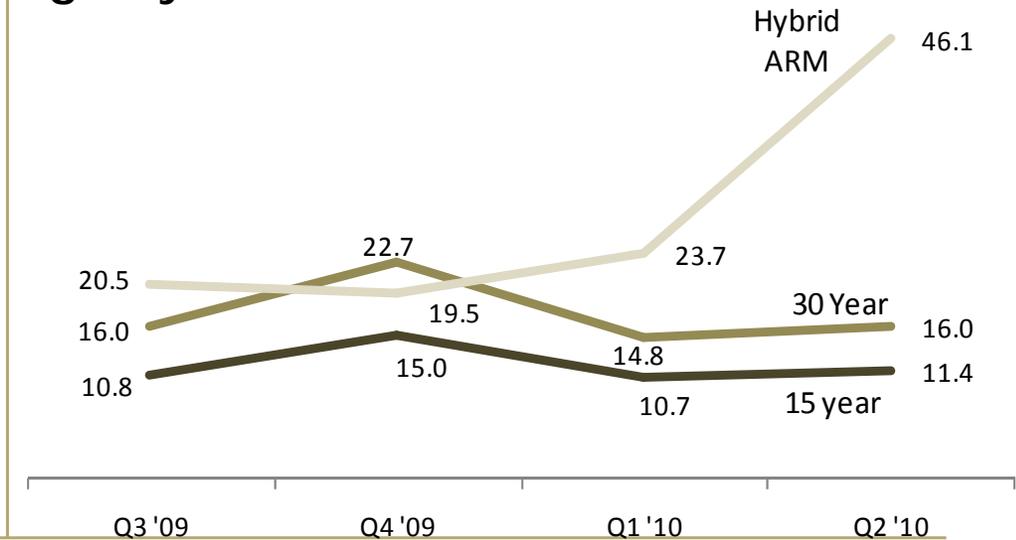


# Agency

## Yields



## Agency CPR<sup>1</sup>

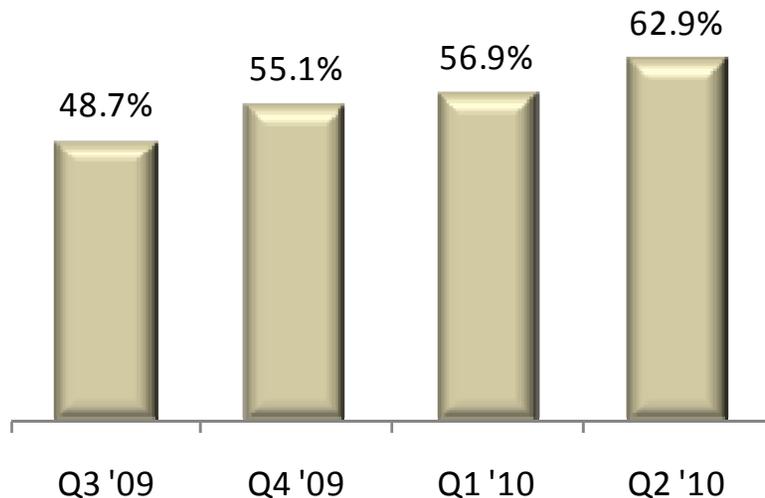


## Comments

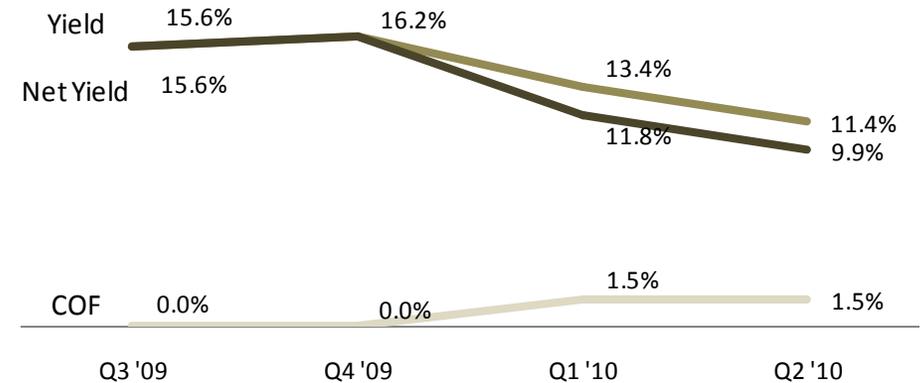
- Q2 agency leverage of 11.7x, increase from 7.9x in Q1
  - Agency repurchase agreement funding cost is approximately 1.50% lower for 30 days than non-agency. Balancing overall leverage at 3.3x but higher agency leverage to take advantage of lower funding cost
  - Equity has shifted to non-agency and PPIP
- Increase in Hybrid ARM CPR due to GSE buyouts
  - Reduced exposure to 4.8% of the portfolio from 22.8% at year-end 2009
- Overall CPR better than bonds with similar characteristics (15 year: 19.0; 30 year: 29.2)
  - Specified pool collateral continues to perform well

# Non-Agency

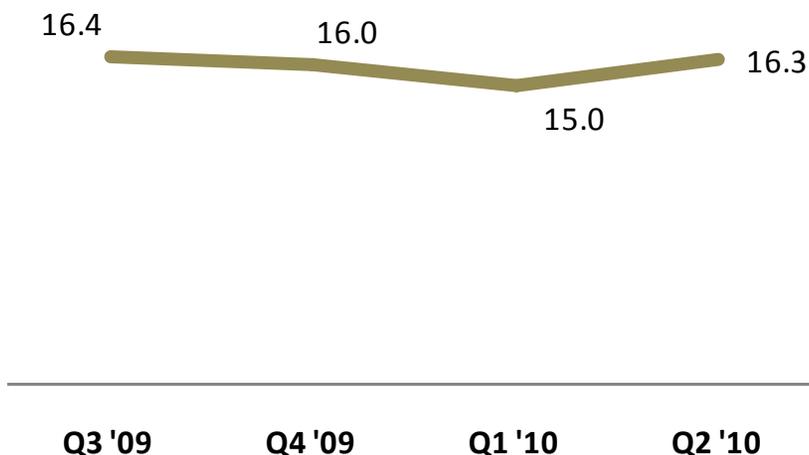
## Balance (% of equity)



## Yield



## Non-agency CPR



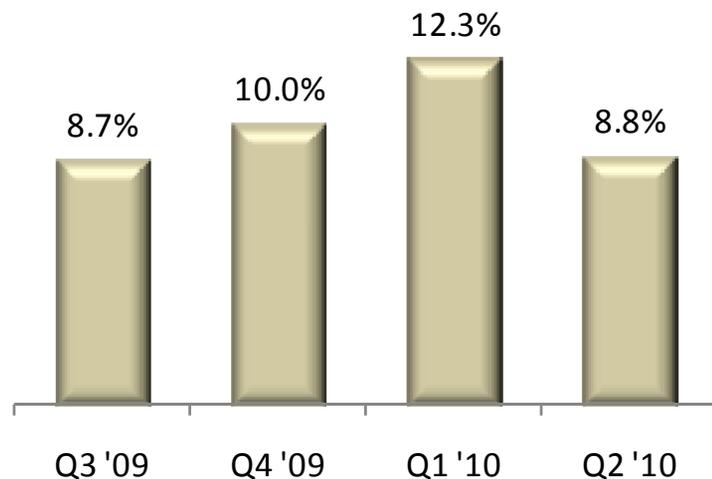
## Comments

- Q2 Leverage 1.1x, increase from 0.8x in Q1
- Added leverage during Q2
  - Repo terms remain attractive
  - Availability of financing continues to improve
  - 1 year committed non-agency facility in use
- Improved market has reduced yields as anticipated
  - Credit continues to perform within expectations
  - Voluntary prepayment speeds have exceeded expectations

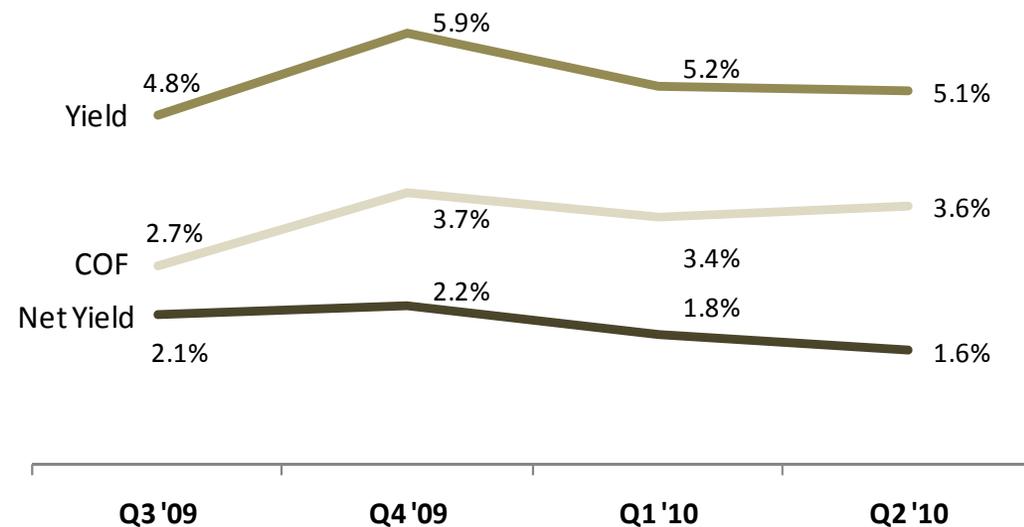


# CMBS

## Portfolio (as a % of equity)



## Yields

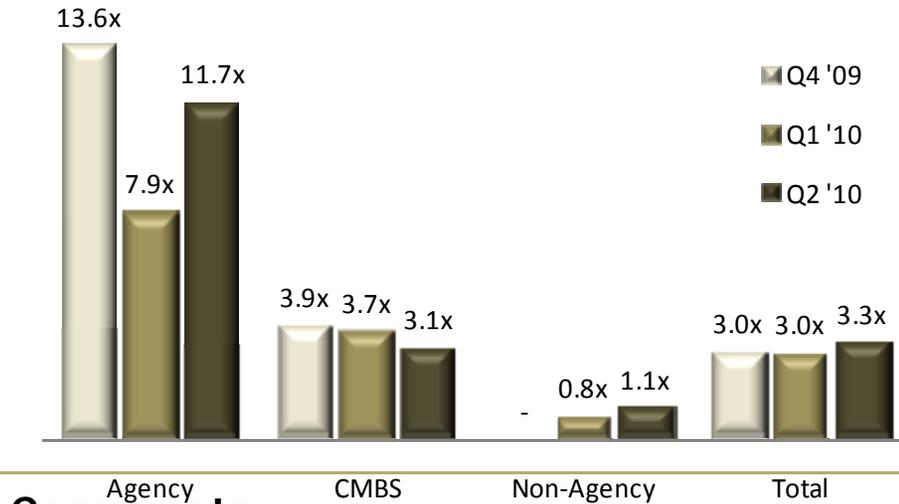


## Comments

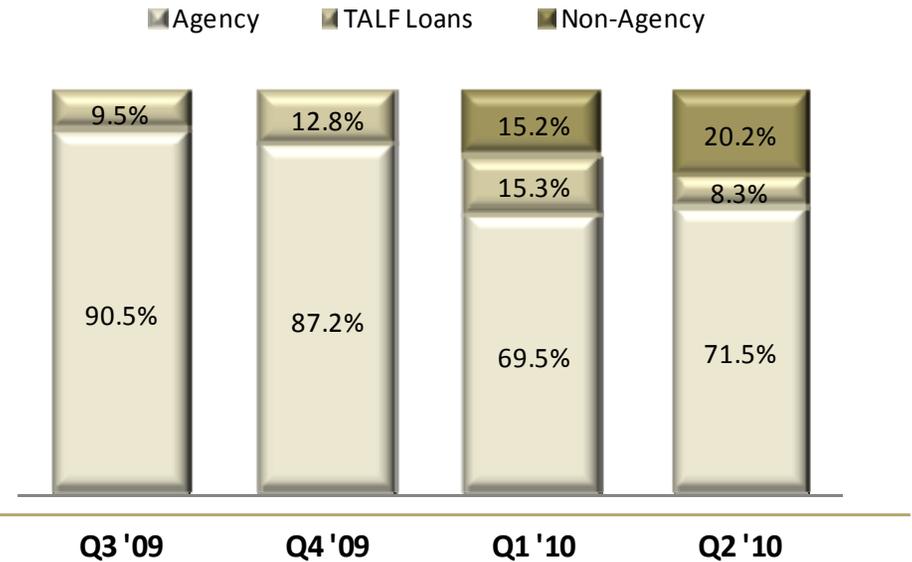
- Sold approx \$20MM CMBS that was financed with REPO
- All positions now financed through TALF
- Decrease in percentage of equity due to capital raise
- No additional purchases since the TALF program expired Q1

# Financing Update

## Debt-to-Equity Ratio



## Debt Composition



## Comments

- Overall portfolio leverage of 3.3x
- Agency leverage increased to take advantage of low funding costs on repo compared to non-agency with the same term
- Agency repo hedged 71% with swaps which declined from 87%. Duration target still .5 – 1.0 year
- Terms on private non-agency repo remain attractive
  - Rates ~1.50%, advance rates ~70%
  - Began utilizing committed repo facility

# IVR is supported by Invesco Ltd.

Specialist real estate resources support the REIT and will allow IVR's shareholders to benefit from new investment opportunities

## Invesco Fixed Income

### PPIP Program

- Large experienced team
- Expertise/Scale in target assets
- Strong performance
- Breadth of repo relationships
- Strong credit culture
- PPIP fund fees waived for IVR

## WL Ross and Co.

### FDIC Loan Program

- Joint bids for loan packages out of FDIC
- Hired Jim Lockhart
- One of the largest residential servicing platforms
- Direct interaction with IVR's management
- WL Ross and Rich King are investment committee members of Invesco PPIP Fund

## Invesco Real Estate

### CMBS and CRE Loans

- Direct real estate investing expertise
- Fundamental real estate analysis and valuation critical to the credit underwriting process
- Direct interaction with IVR and joint work on commercial mortgage loans



# Invesco Mortgage Capital Inc.

## **Proven ability to execute on strategy**

- Delivered attractive total returns to shareholders
- Focus on risk management to protect book value

## **Nimble structure and experienced management team ideally positioned to benefit from various market cycles**

- Flexibility to invest in the most compelling opportunities across the U.S. mortgage market

## **Opportunity to partner with a market leader**

- Extensive resources of a leading asset manager