

Invesco Mortgage Capital Inc.

First Quarter 2025 Earnings Call

May 8, 2025



John Anzalone
Chief Executive Officer

Kevin Collins
President

Mark Gregson
Chief Financial Officer

David Lyle
Chief Operating Officer

Brian Norris
Chief Investment Officer

Cautionary Notice Regarding Forward-Looking Statements

This presentation and comments made in the associated conference call, may include statements and information that constitute “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 Agency RMBS, Agency CMBS and residential and commercial real estate markets), the market for our target assets, our financial performance, including our earnings available for distribution, economic return, comprehensive income and changes in our book value, our intention and ability to pay dividends, our ability to continue performance trends, the stability of portfolio yields, interest rates, credit spreads, prepayment trends, financing sources, cost of funds, our leverage, liquidity, capital structure 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.

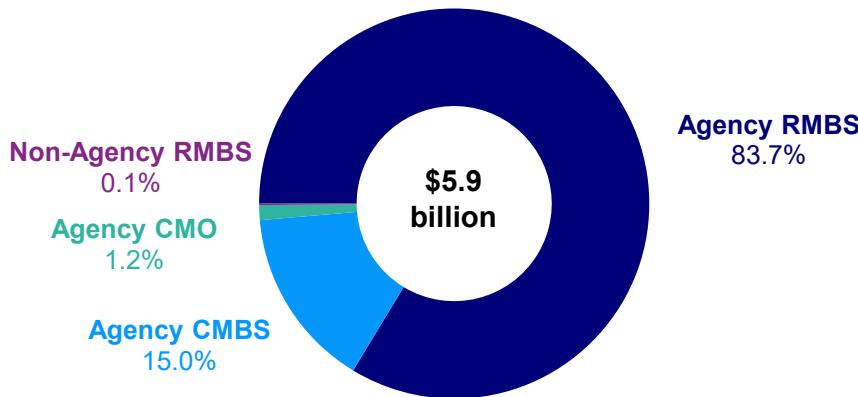
Invesco Mortgage Capital Inc.

Q1 2025 Results

Financial Results

	Q1 25	Q4 24
Net income (loss) per common share	\$0.26	\$(0.09)
Earnings available for distribution per common share ¹	\$0.64	\$0.53
Common stock dividend per share	\$0.34	\$0.40
Book value per common share ²	\$8.81	\$8.92
Economic return ²	2.6%	(0.5)%
Debt-to-equity ratio	7.1x	6.7x

Investment Allocation



Company Activity

- Issued \$36.0 million of common stock under the at-the-market program
- Repurchased Series C Preferred Stock with a carrying value of \$2.2 million
- Held \$372 million of unrestricted cash and unencumbered investments at quarter end

1. Earnings available for distribution is a non-GAAP financial measure. Refer to Appendix for additional information

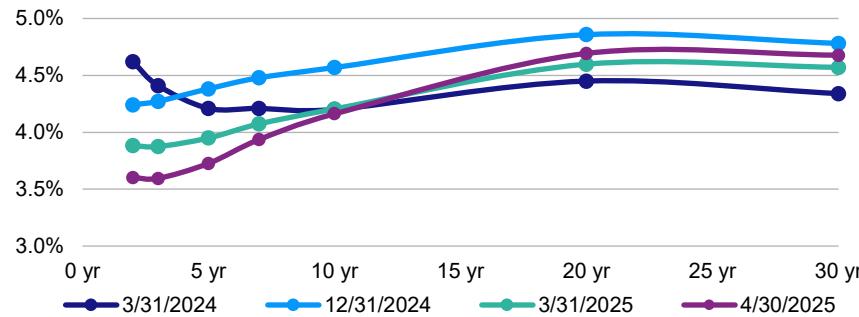
2. Refer to Appendix for additional information

Past performance is not a guarantee of future results

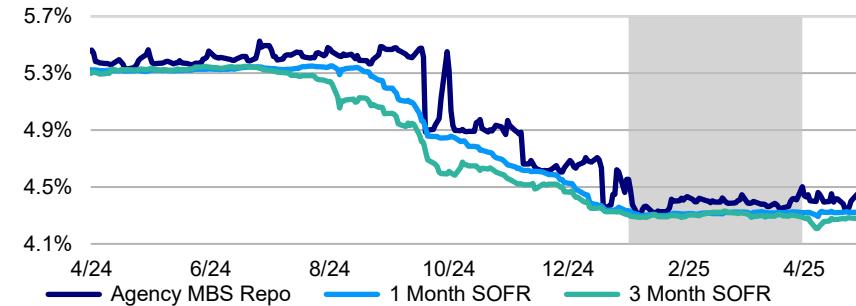
Macro Environment

Interest rates declined across the yield curve and expectations for monetary policy adjusted lower as trade wars threatened the global economy, increasing the risk of a recession in the U.S.

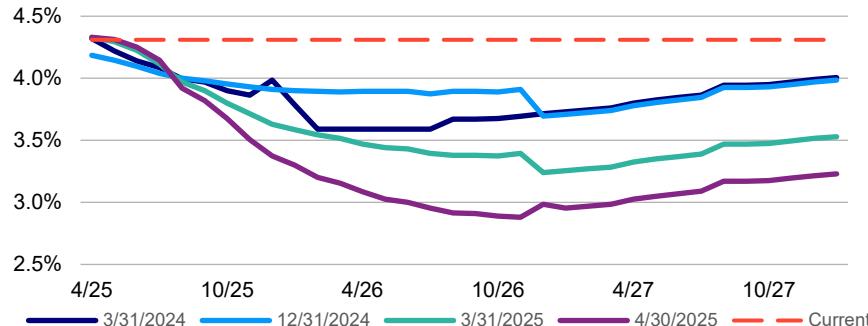
Treasury Yields



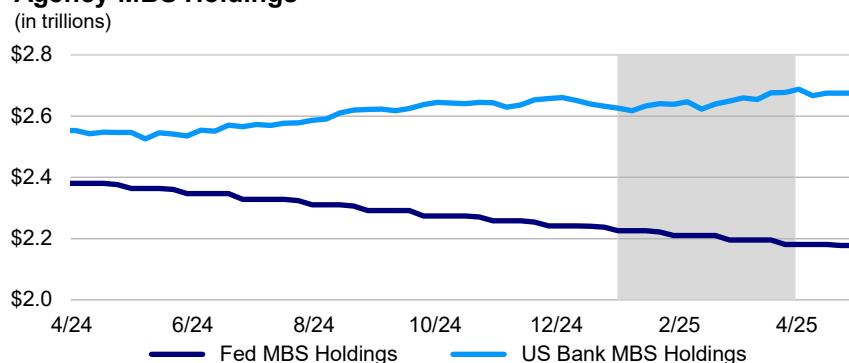
Money Market Rates



Federal Funds Futures



Agency MBS Holdings



Agency RMBS Market

Valuations improved to start the year as interest rate volatility trended lower but deteriorated as trade policy uncertainty led to a broader selloff in risk assets

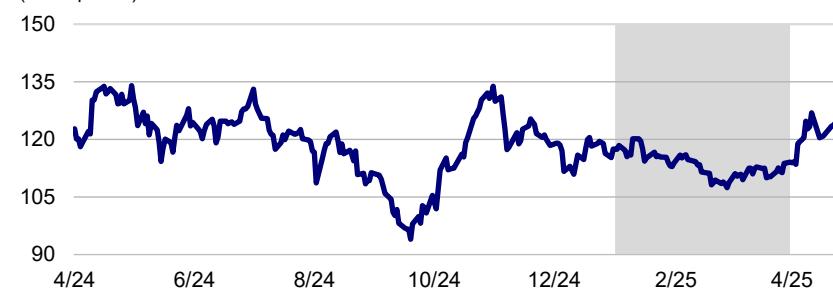
Performance vs. Treasuries¹

(basis points)



Spread to Treasuries²

(basis points)

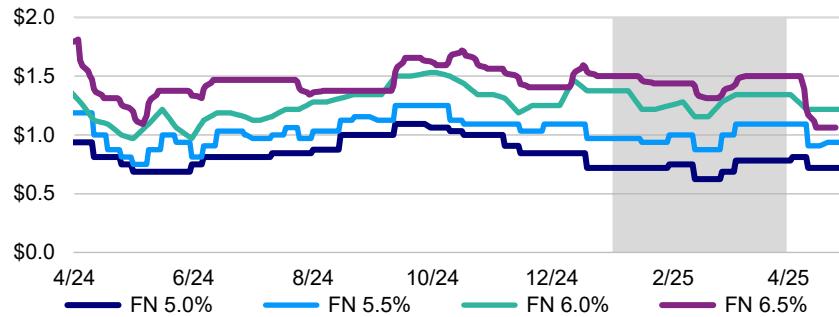


1. 30 year current coupon hedged performance vs. Treasuries

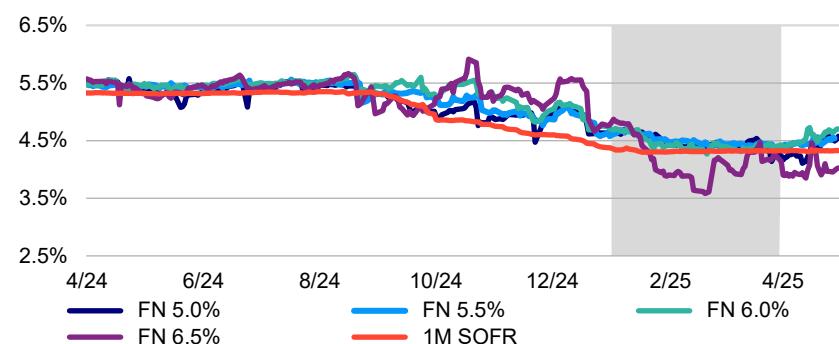
2. 30 year current coupon zero volatility spread to Treasuries

Specified Pool Pay-ups

(\$200k max, in points)

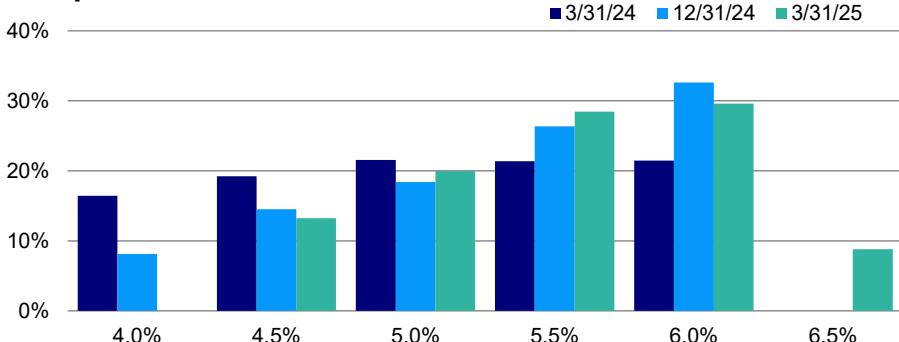


Dollar Roll Implied Financing Rate

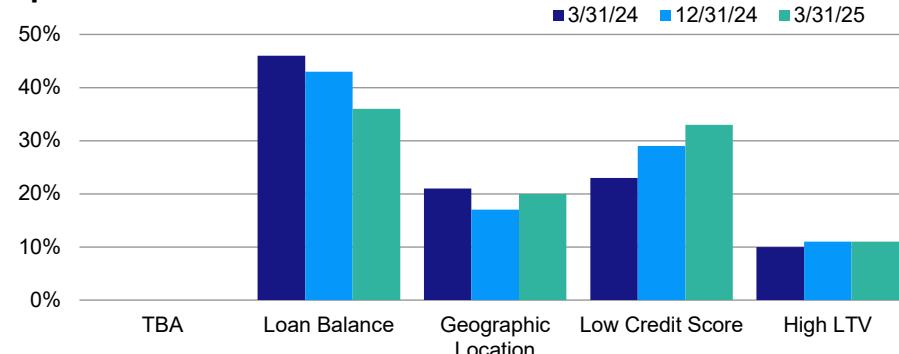


Agency RMBS Investments

Coupon Allocation



Specified Pool Allocation

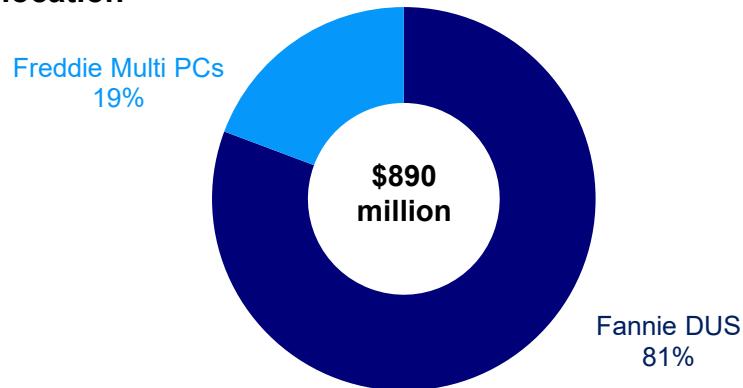


Agency RMBS investment portfolio includes specified pools at fair value and TBAs at implied market value

- Agency RMBS investment portfolio increased 9.5% to \$5.0 billion in Q1 2025
 - Invested proceeds from ATM issuances and sales into 30-year 5.0% to 6.5% coupons given more attractive available returns and relative value
 - Increased allocation to specified pools containing exposure to credit-constrained borrowers as the elevated risk of a recession improves prepayment profile
- Q1 2025 specified pool characteristics
 - 6.8% CPR
 - Weighted average coupon of 5.5%
 - Amortized cost to principal balance ratio of 99.1%
 - Period-end weighted average specified pool pay-up of 0.8 points

Agency CMBS Investments

Allocation



Spread to Treasuries

(basis points)



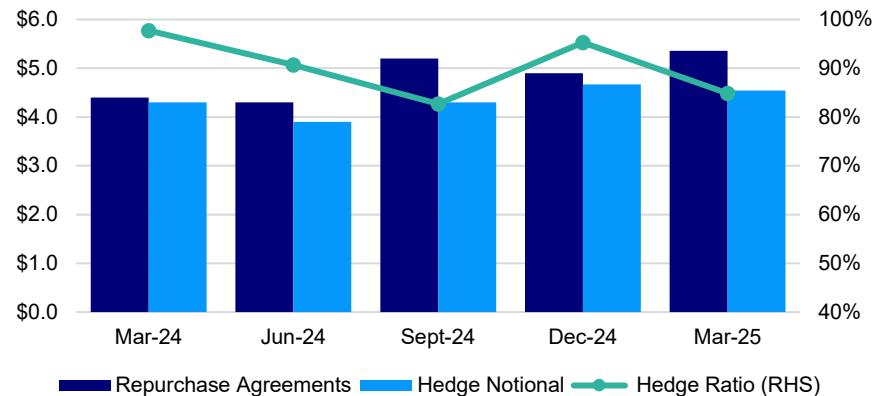
Fannie DUS 10/9.5 spread data as of 4/25/2025
Source: JP Morgan DataQuery

- Added \$52 million of Fannie DUS in Q1 2025
- Agency CMBS benefits from:
 - Guarantee of principal and interest from the issuing agency or federally chartered corporation
 - Lower sensitivity to interest rate volatility than Agency RMBS given prepayment protection and balloon payments at maturity
 - Favorable financing terms with multiple counterparties
- Agency CMBS risk premiums increased, reflecting weakness in broader fixed income markets

Financing & Hedging

Cost of Funds Protection¹

(in billions)



Hedge Portfolio Composition

Maturities ²	Treasury Futures Notional (\$ millions)	Interest Rate Swap Notional (\$ millions)	Interest Rate Swap Pay Rate ³
Less than 3 years	-	1,480	0.54%
3 to 5 years	-	375	0.39%
5 to 7 years	-	785	0.72%
7 to 10 years	715	555	4.14%
10+ years	188	445	1.99%
Total	\$903	\$3,640	1.29%

- Financed Agency RMBS and Agency CMBS investments with repurchase agreements across 21 counterparties
- Hedged 85% of borrowing costs with interest rate swaps and U.S. Treasury futures
- Debt-to-equity ratio and economic debt-to-equity ratio⁴ of 7.1x at quarter end

1. Chart reflects carrying value of repurchase agreement borrowings and total hedge notional amount of interest rate swaps and U.S. Treasury futures

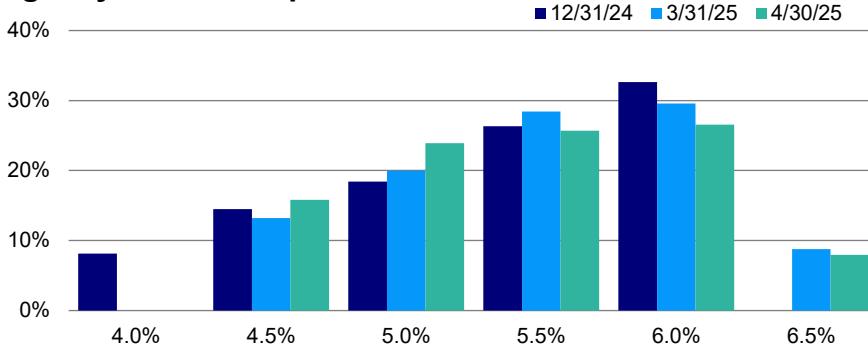
2. Grouped according to weighted average years to maturity for interest rate swaps and the average remaining years to maturity of the delivery basket for U.S. Treasury futures

3. Represents period-end weighted average as of March 31, 2025

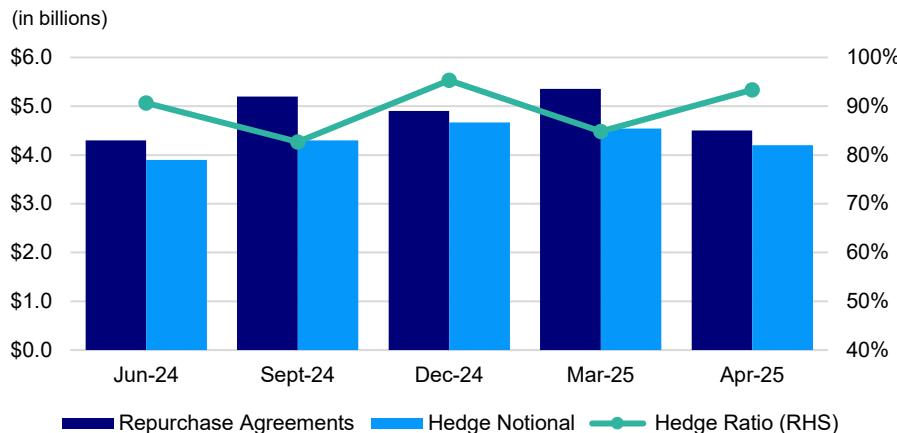
4. Economic debt-to-equity ratio is a non-GAAP financial measure. Refer to Appendix for additional information

Portfolio Update as of April 30

Agency RMBS Coupon Allocation



Cost of Funds Protection



Portfolio Composition

Investments	% of Total	Fair Value	QTD Change
Agency RMBS	81.0%	\$4,108	(\$866)
Agency CMBS	17.6%	\$894	\$3
Agency TBA	0.0%	\$0	\$0
Agency CMO	1.4%	\$73	(\$1)
Credit	0.0%	\$0	(\$7)
Total	100%	\$5,075	(\$871)

- Estimated book value per common share¹ range of \$7.74 to \$8.06, down from \$8.81 at quarter end
- Reduced portfolio size to lower risk in highly volatile environment by selling higher coupon Agency RMBS
- Estimated debt-to-equity of 6.4x, down from 7.1x at quarter end
- Held cash and unencumbered investments totaling \$336 million

1. Refer to Appendix for additional information

Capital Structure

Improved capital structure and reduced cost of capital by issuing common stock and repurchasing preferred stock

	As of March 31, 2025		As of December 31, 2024		As of March 31, 2024		
	Common Stock	Preferred Stock	Common Stock	Preferred Stock	Common Stock	Preferred Stock	
NYSE Ticker	IVR	IVR-PC	IVR	IVR-PC	IVR	IVR-PB	IVR-PC
Shares Outstanding	65.9 million	7.1 million	61.7 million	7.2 million	48.8 million	4.3 million	7.4 million
Share Price	\$7.89	\$23.78	\$8.05	\$24.24	\$9.68	\$22.50	\$22.11
Book Value per share ¹	\$8.81	\$25.00	\$8.92	\$25.00	\$10.08	\$25.00	\$25.00
Quarterly Dividend per share	\$0.34	\$0.46875	\$0.40	\$0.46875	\$0.40	\$0.4844	\$0.46875
Annualized Dividend Yield ²	17.2%	7.9%	19.9%	7.7%	16.5%	8.6%	8.5%
Stockholders' Equity ³	\$581 million	\$178 million	\$551 million	\$180 million	\$493 million	\$107 million	\$186 million
% Stockholders' Equity	77%	23%	75%	25%	63%	14%	23%

1. Refer to Appendix for further information on book value per common share. Book value per share on preferred stock equals the liquidation value per share

2. Calculated as the annualized dividend per share divided by the period end share price, by class respectively

3. Common stockholders' equity is calculated as total stockholders' equity less the liquidation preference of Series B and Series C Preferred Stock

Appendix - Non-GAAP Financial Information

The Company's business objective is to provide attractive risk-adjusted returns to its stockholders, primarily through dividends and secondarily through capital appreciation. The Company uses earnings available for distribution as a measure of its investment portfolio's ability to generate income for distribution to common stockholders and to evaluate its progress toward meeting this objective. The Company calculates earnings available for distribution as U.S. GAAP net income (loss) attributable to common stockholders adjusted for (gain) loss on investments, net; realized (gain) loss on derivative instruments, net; unrealized (gain) loss on derivative instruments, net; TBA dollar roll income; (gain) loss on repurchase and retirement of preferred stock and foreign currency gains (losses), net.

By excluding the gains and losses discussed above, the Company believes the presentation of earnings available for distribution provides a consistent measure of operating performance that investors can use to evaluate its results over multiple reporting periods and, to a certain extent, compare to its peer companies. However, because not all of the Company's peer companies use identical operating performance measures, the Company's presentation of earnings available for distribution may not be comparable to other similarly titled measures used by its peer companies. The Company excludes the impact of gains and losses when calculating earnings available for distribution because (i) when analyzed in conjunction with its U.S. GAAP results, earnings available for distribution provides additional detail of its investment portfolio's earnings capacity and (ii) gains and losses are not accounted for consistently under U.S. GAAP. Under U.S. GAAP, certain gains and losses are reflected in net income whereas other gains and losses are reflected in other comprehensive income. For example, a portion of the Company's mortgage-backed securities are classified as available-for-sale securities, and changes in the valuation of these securities are recorded in other comprehensive income on its condensed consolidated balance sheets. The Company elected the fair value option for its mortgage-backed securities purchased on or after September 1, 2016, and changes in the valuation of these securities are recorded in other income (loss) in the condensed consolidated statements of operations. In addition, certain gains and losses represent one-time events. The Company may add and has added additional reconciling items to its earnings available for distribution calculation as appropriate.

To maintain qualification as a REIT, U.S. federal income tax law generally requires that the Company distribute at least 90% of its REIT taxable income annually, determined without regard to the deduction for dividends paid and excluding net capital gains. Because the Company views earnings available for distribution as a consistent measure of its investment portfolio's ability to generate income for distribution to common stockholders, earnings available for distribution is one metric, but not the exclusive metric, that the Company's board of directors uses to determine the amount, if any, and the payment date of dividends on common stock. However, earnings available for distribution should not be considered as an indication of the Company's taxable income, a guaranty of its ability to pay dividends or as a proxy for the amount of dividends it may pay, as earnings available for distribution excludes certain items that impact its cash needs.

Earnings available for distribution is an incomplete measure of the Company's financial performance and there are other factors that impact the achievement of the Company's business objective. The Company cautions that earnings available for distribution should not be considered as an alternative to net income (determined in accordance with U.S. GAAP) or as 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 as an indication of amounts available to fund its cash needs.

Appendix – Reconciliation of GAAP to Non-GAAP Financial Information

\$ in thousands

Net income (loss) attributable to common stockholders

Adjustments:

(Gain) loss on investments, net

Realized (gain) loss on derivative instruments, net

Unrealized (gain) loss on derivative instruments, net

TBA dollar roll income

(Gain) loss on repurchase and retirement of preferred stock

Foreign currency (gains) losses, net

Earnings available for distribution

\$ in thousands, except per share data

Net interest income

Add: Contractual net interest income (expense) on interest rate swaps recorded as gain (loss) on derivative instruments, net

Effective net interest income

TBA dollar roll income

Equity in earnings (losses) of unconsolidated ventures

(Increase) decrease in provision for credit losses

Total expenses

Dividends to preferred stockholders

Issuance and redemption costs of redeemed preferred stock

Earnings available for distribution

Earnings available for distribution per common share¹

	Three Months Ended		
	March 31, 2025	December 31, 2024	March 31, 2024
\$	16,289	\$ (5,472)	\$ 23,730
(Gain) loss on investments, net	(82,158)	187,714	66,153
Realized (gain) loss on derivative instruments, net	101,516	(157,864)	(48,682)
Unrealized (gain) loss on derivative instruments, net	3,242	7,629	808
TBA dollar roll income	1,147	249	-
(Gain) loss on repurchase and retirement of preferred stock	11	(1)	(193)
Foreign currency (gains) losses, net	-	(2)	-
Earnings available for distribution	\$ 40,047	\$ 32,253	\$ 41,816

	Three Months Ended		
	March 31, 2025	December 31, 2024	March 31, 2024
\$	18,821	\$ 13,679	\$ 7,003
Net interest income	28,079	32,321	45,287
Add: Contractual net interest income (expense) on interest rate swaps recorded as gain (loss) on derivative instruments, net	46,900	46,000	52,290
Effective net interest income	1,147	249	-
TBA dollar roll income	-	-	(193)
Equity in earnings (losses) of unconsolidated ventures	-	(236)	(39)
(Increase) decrease in provision for credit losses	(4,659)	(4,781)	(4,657)
Total expenses	(3,341)	(5,444)	(5,585)
Dividends to preferred stockholders	-	(3,535)	-
Issuance and redemption costs of redeemed preferred stock	\$ 40,047	\$ 32,253	\$ 41,816
Earnings available for distribution	\$ 0.64	\$ 0.53	\$ 0.86

1. Earnings available for distribution per common share is equal to earnings available for distribution divided by the basic weighted average number of common shares outstanding.

Appendix - Definitions

Agency CMO - Collateralized mortgage obligations created from Agency RMBS pools that divide cash flows into different tranches, where each tranche has a different priority for receiving principal and interest payments. All of our Agency CMOs are interest only securities, which are created by separating the principal and interest payments on the underlying loan pool so that the owner receives cash flows based on the interest payments only

Agency RMBS – Residential mortgage-backed securities ("RMBS") that are guaranteed by a U.S. government agency such as the Government National Mortgage Association or a federally chartered corporation such as the Federal National Mortgage Association ("Fannie" or "FN") or the Federal Home Loan Mortgage Corporation ("Freddie")

Book value per common share – Total stockholders' equity less the liquidation preference of the Company's preferred stock, divided by total common shares outstanding. Book value per common share as of April 30, 2025 is adjusted to exclude a pro rata portion of the current quarter's common stock dividend (which for purposes of this calculation is assumed to be the same as the previous quarter) and is calculated as total stockholders' equity less the liquidation preference of the Company's Series C Preferred Stock (\$176.7 million as of April 30, 2025), divided by total common shares outstanding of 65.9 million.

CPR – The constant prepayment rate is the standard measure of prepayment speeds, also known as the conditional prepayment rate

Dollar Roll Implied Financing Rate – The reinvestment rate at which an investor is indifferent between rolling a TBA contract forward and holding MBS

Economic return – Economic return for quarter ended March 31, 2025 is defined as the change in book value per common share from December 31, 2024 to March 31, 2025 of (\$0.11) plus dividends declared of \$0.34 per common share; divided by the December 31, 2024 book value per common share of \$8.92. Economic return for the quarter ended December 31, 2024 is defined as the change in book value per common share from September 30, 2024 to December 31, 2024 of (\$0.45); plus dividends declared of \$0.40 per common share; divided by the September 30, 2024 book value per common share of \$9.37

Economic debt-to-equity ratio – A non-GAAP financial measure calculated as the ratio of total repurchase agreements (\$5.4 billion as of March 31, 2025) and TBAs at implied cost basis \$0.2 million as of March 31, 2025) to total stockholders' equity (\$759.2 million as of March 31, 2025)

Non-Agency RMBS – Residential mortgage-backed securities that are not guaranteed by a U.S. government agency or a federally chartered corporation

The Secured Overnight Financing Rate (SOFR) – A broad measure of the cost of borrowing cash overnight collateralized by Treasury securities

1 month and 3 month SOFR – Indices published by the Chicago Mercantile Exchange (CME) that provide an indication of the forward-looking measurement of overnight SOFR, based on market expectations for their respective tenors implied from derivatives markets

TBAs – To-be-announced securities forward contracts