IVR Invesco Mortgage Capital Inc.

Invesco Mortgage Capital Inc.

Second Quarter 2025 Earnings Call

July 25, 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.

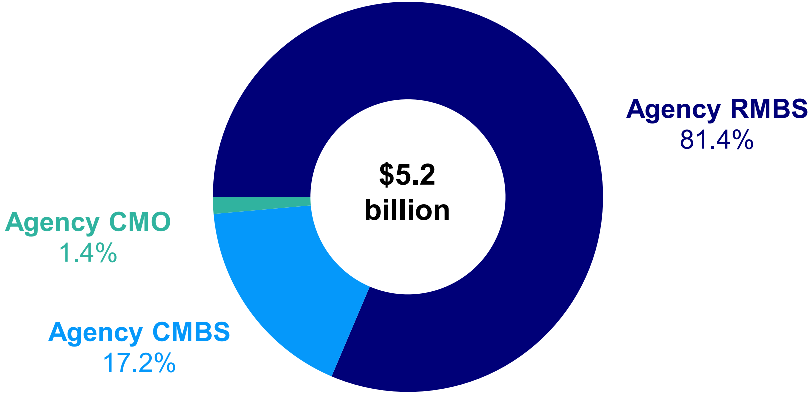
Invesco Mortgage Capital Inc.

Q2 2025 Results

Financial Results

	Q2 25	Q1 25
Net income (loss) per common share	($0.40)	$0.26
Earnings available for distribution per common share[1]	$0.58	$0.64
Common stock dividend per share	$0.34	$0.34
Book value per common share[2]	$8.05	$8.81
Economic return[2]	(4.8%)	2.6%
Debt-to-equity ratio	6.5x	7.1x

Investment Allocation



Company Activity

- Issued $2.2 million of common stock under the at-the-market program
- Repurchased Series C Preferred Stock with a carrying value of $2.3 million
- Held $362 million of unrestricted cash and unencumbered investments at quarter end

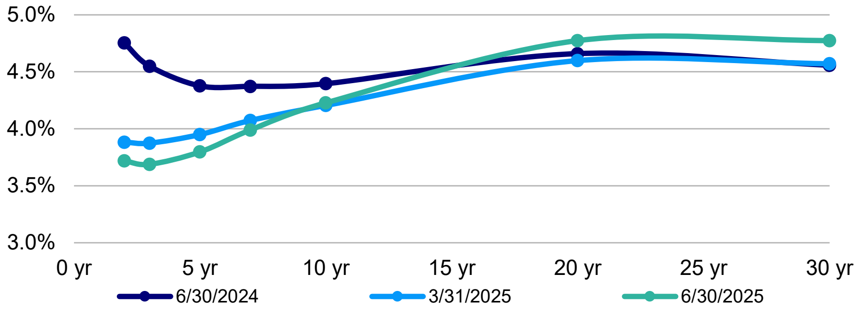
1. *Earnings available for distribution is a non-GAAP financial measure. Refer to Appendix for additional information*
2. *Refer to Appendix for additional information*

Past performance is not a guarantee of future results

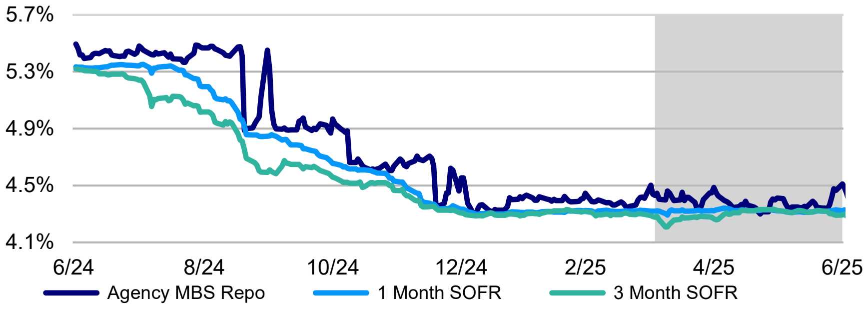
Macro Environment

The yield curve steepened in the second quarter as futures markets priced in additional cuts to the Fed Funds target rate, reflecting expectations of slower economic growth driven by trade policy concerns

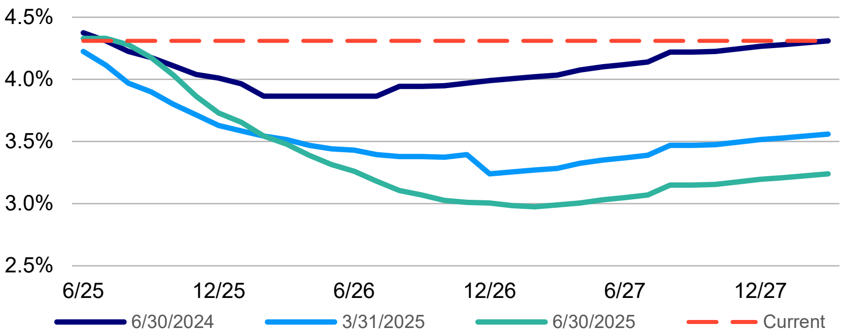
Treasury Yields



Money Market Rates

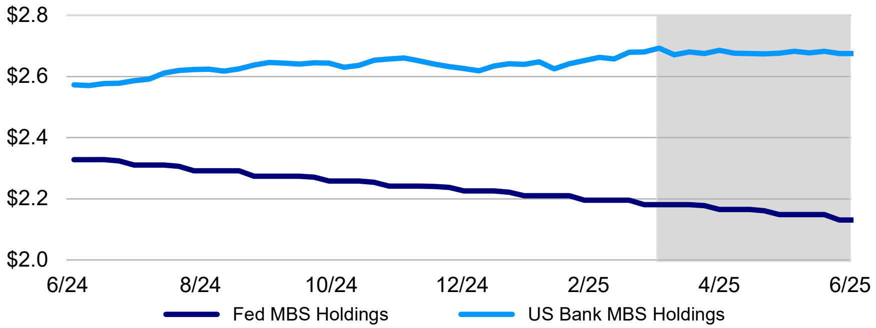


Federal Funds Futures



Agency MBS Holdings

(in trillions)



Data as of 6/30/2025
Sources: Bloomberg, JP Morgan and Federal Reserve Economic Data

Agency RMBS Market

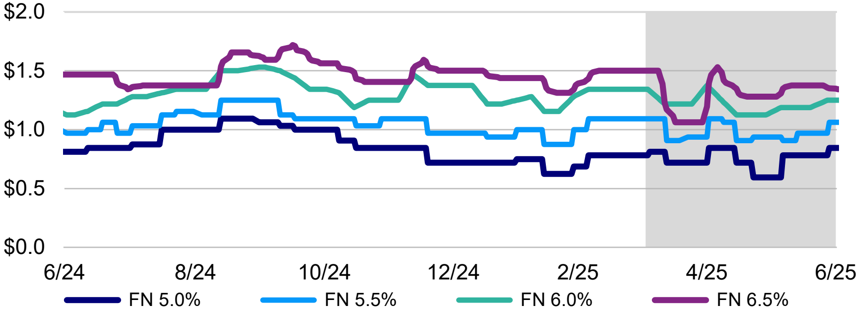
Valuations declined in April as trade policy changes unsettled financial markets but rebounded notably by quarter end, supported by a downward trend in interest rate volatility in May and June

Performance vs. Treasuries[1]

(basis points)

Specified Pool Pay-ups

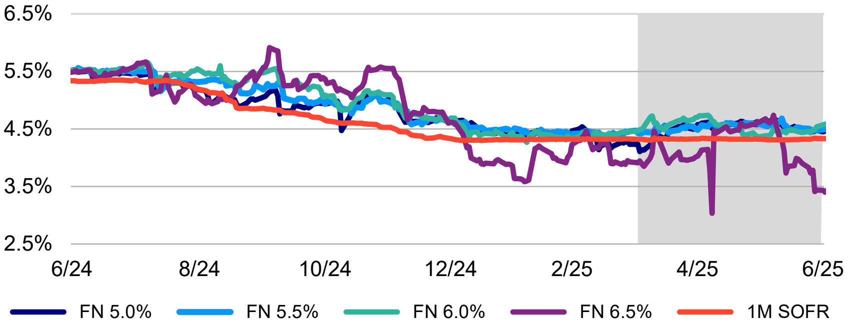
($200k max, in points)



Spread to Treasuries[2]

(basis points)

Dollar Roll Implied Financing Rate



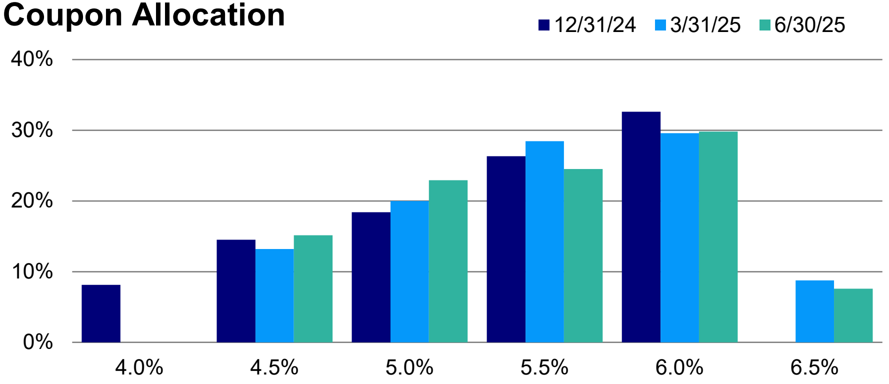
1. 30 year current coupon hedged performance vs. Treasuries
2. 30 year current coupon zero volatility spread to Treasuries

Data as of 6/30/2025

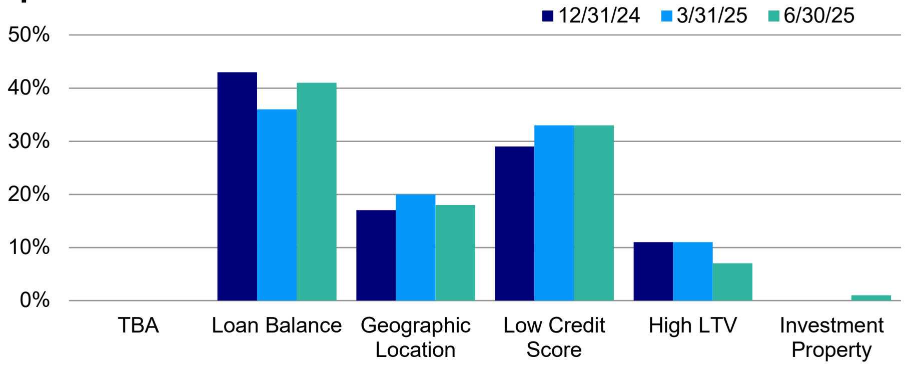
Sources: Bloomberg, JP Morgan

Agency RMBS Investments

Coupon Allocation



Specified Pool Allocation



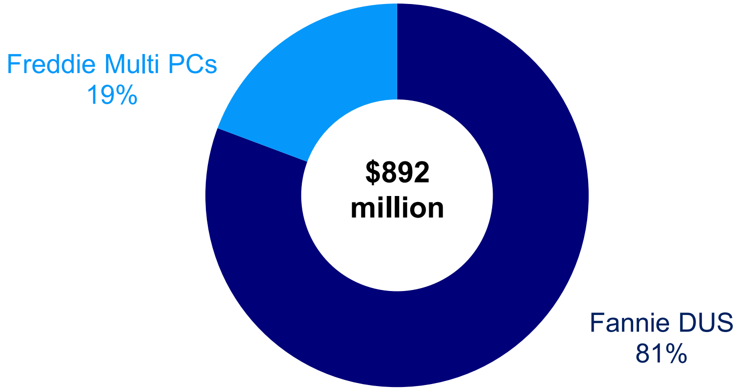
- Agency RMBS investment portfolio decreased 15.1% to $4.2 billion in Q2 2025
  - Net sold $0.8 billion in April to reduce leverage as trade policy uncertainty led to extreme market volatility
  - Sales were focused in low pay-up, higher coupon specified pools given their elevated exposure to interest rate volatility relative to lower coupons
  - Prepayment speeds increased quarter-over-quarter as housing turnover seasonals improved and the notable Q1 2025 decline in mortgage rates led to higher refinance activity

- Q2 2025 specified pool characteristics
  - 10.4% CPR
  - Weighted average coupon of 5.4%
  - Amortized cost to principal balance ratio of 99.0%
  - Period-end weighted average specified pool pay-up of 0.8 points

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

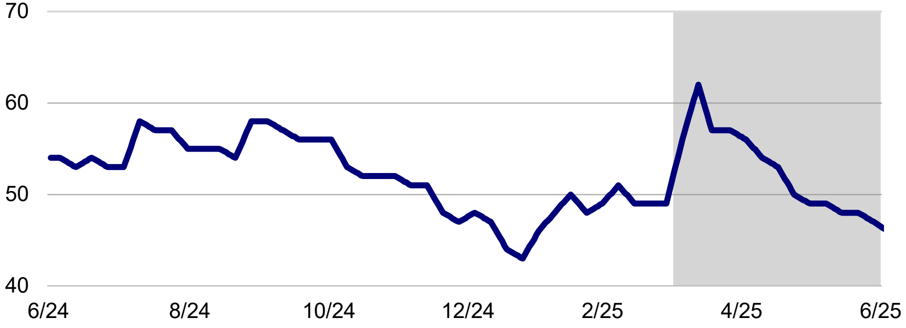
Agency CMBS Investments

Allocation



Spread to Treasuries

(basis points)



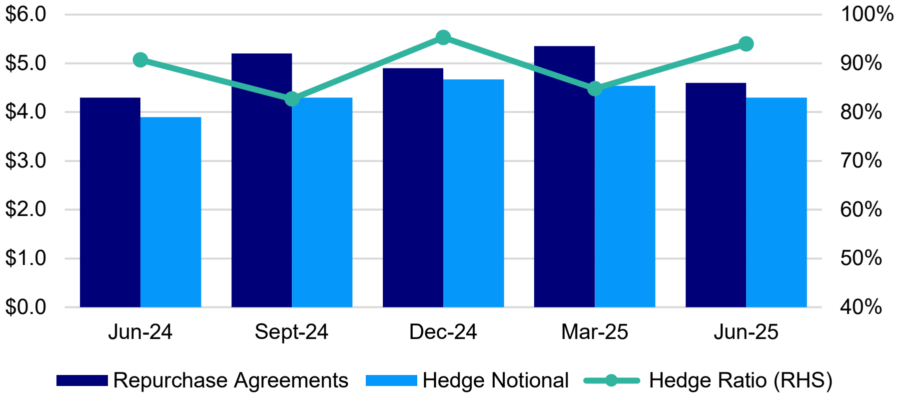
Fannie DUS 10/9.5 spread data as of 6/30/2025
Source: JP Morgan

- 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 with broader financial markets during April before improving in May and June

Financing & Hedging

Cost of Funds Protection[1]

(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	-	1,380	0.31%
3 to 5 years	-	375	0.39%
5 to 7 years	-	750	0.57%
7 to 10 years	640	555	4.14%
10+ years	190	445	1.99%
Total	**$830**	**$3,505**	**1.19%**

- Financed Agency RMBS and Agency CMBS investments with repurchase agreements across 20 counterparties
- Hedged 94% of borrowing costs with interest rate swaps and U.S. Treasury futures
- Debt-to-equity ratio and economic debt-to-equity ratio[4] of 6.5x 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 average remaining years to maturity of the delivery basket for U.S. Treasury futures*
3. *Represents period-end weighted average as of June 30, 2025*
4. *Economic debt-to-equity ratio is a non-GAAP financial measure. 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 June 30, 2025		As of June 30, 2024		
	Common Stock	Preferred Stock	Common Stock	Preferred Stock	
NYSE Ticker	IVR	IVR-PC	IVR	IVR-PB	IVR-PC
Shares Outstanding	66.3 million	7.0 million	50.6 million	4.2 million	7.3 million
Share Price	$7.84	$23.23	$9.37	$24.10	$22.14
Book Value per share[1]	$8.05	$25.00	$9.27	$25.00	$25.00
Quarterly Dividend per share	$0.34	$0.46875	$0.40	$0.4844	$0.46875
Annualized Dividend Yield[2]	17.3%	8.1%	17.1%	8.0%	8.5%
Stockholders' Equity[3]	$534 million	$175 million	$469 million	$106 million	$184 million
% Stockholders' Equity	75%	25%	62%	14%	24%

1. *Refer to Appendix for further information on book value per common share. Book value per share of preferred stock equals liquidation value per share*
2. *Calculated as annualized dividend per share divided by period end share price, by class respectively*
3. *Common stockholders' equity is calculated as total stockholders' equity less 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 and (gain) loss on repurchase and retirement of preferred stock.

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 were not accounted for consistently under U.S. GAAP. Under U.S. GAAP, certain gains and losses may be reflected in net income whereas other gains and losses may be reflected in other comprehensive income. For example, a portion of the Company's mortgage-backed securities were historically classified as available-for-sale securities, and changes in the valuation of these securities were 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	Three Months Ended June 30, 2025	Three Months Ended March 31, 2025	Three Months Ended June 30, 2024
Net income (loss) attributable to common stockholders	$ (26,567)	$ 16,289	$ (18,766)
Adjustments:			
(Gain) loss on investments, net	5,268	(82,158)	45,212
Realized (gain) loss on derivative instruments, net	47,608	101,516	22,344
Unrealized (gain) loss on derivative instruments, net	11,939	3,242	(7,335)
TBA dollar roll income	-	1,147	1,078
(Gain) loss on repurchase and retirement of preferred stock	(57)	11	(208)
Earnings available for distribution	$ 38,191	$ 40,047	$ 42,325

$ in thousands, except per share data	Three Months Ended June 30, 2025	Three Months Ended March 31, 2025	Three Months Ended June 30, 2024
Net interest income	$ 17,729	$ 18,821	$ 8,635
Add: Contractual net interest income (expense) on interest rate swaps recorded as gain (loss) on derivative instruments, net	28,631	28,079	43,271
Effective net interest income	46,360	46,900	51,906
TBA dollar roll income	-	1,147	1,078
(Increase) decrease in provision for credit losses	-	-	(263)
Total expenses	(4,872)	(4,659)	(4,888)
Dividends to preferred stockholders	(3,297)	(3,341)	(5,508)
Earnings available for distribution	$ 38,191	$ 40,047	$ 42,325
Earnings available for distribution per common share[1]	$ 0.58	$ 0.64	$ 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 CMBS - Commercial mortgage-backed securities ("CMBS") 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")

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 ($709.4 million as of June 30, 2025 and $759.2 million as of March 31, 2025) less the liquidation preference of the Company's preferred stock ($175.5 million as of June 30, 2025 and $177.9 million as of March 31, 2025), divided by total common shares outstanding (66.3 million as of June 30, 2025 and 65.9 million as of March 31, 2025)

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 debt-to-equity ratio – A non-GAAP financial measure calculated as the ratio of total repurchase agreements ($4.6 billion as of June 30, 2025) and TBAs at implied cost basis ($0 million as of June 30, 2025) to total stockholders' equity ($709.4 million as of June 30, 2025)

Economic return – Economic return for quarter ended June 30, 2025 is defined as the change in book value per common share from March 31, 2025 to June 30, 2025 of ($0.76) plus dividends declared of $0.34 per common share; divided by the March 31, 2025 book value per common share of $8.81. Economic return for the 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.

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