

Invesco Mortgage Capital Inc. 2020 Second Quarter Earnings Call

August 7, 2020

John Anzalone
Chief Executive Officer

Kevin Collins
President

Lee Phegley
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 residential and commercial real estate markets), the ongoing spread and the economic and operational impact of the COVID-19 pandemic, the market for our target assets, our financial performance (including our core earnings, economic return, comprehensive income and changes in our book value), our ability to continue performance trends, the stability of portfolio yields, interest rates, credit spreads, prepayment trends, financing sources, cost of funds, our 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.

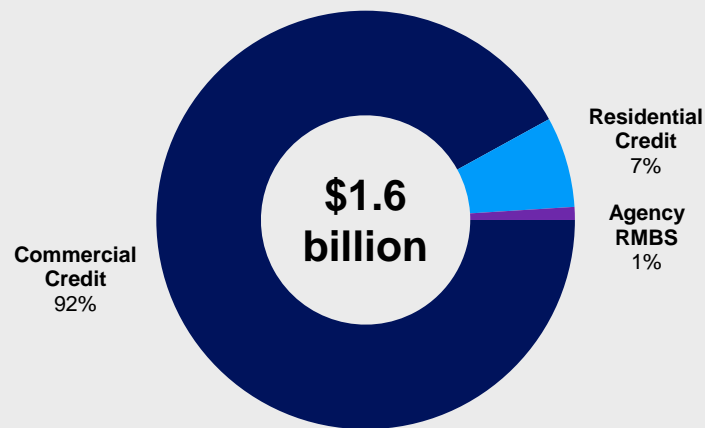
Forward-looking statements are not guarantees, and they involve risks, uncertainties and assumptions. There can be no assurance that actual results will not differ materially from our expectations. We caution investors not to rely unduly on any forward-looking statements and urge you to carefully consider 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, quarterly reports on Form 10-Q, and Current Reports on Form 8-K, 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.

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 financial instruments 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 read all financial material carefully before investing. The opinions expressed herein are based on current market conditions and are subject to change without notice.

Invesco Mortgage Capital Inc.

Asset Allocation

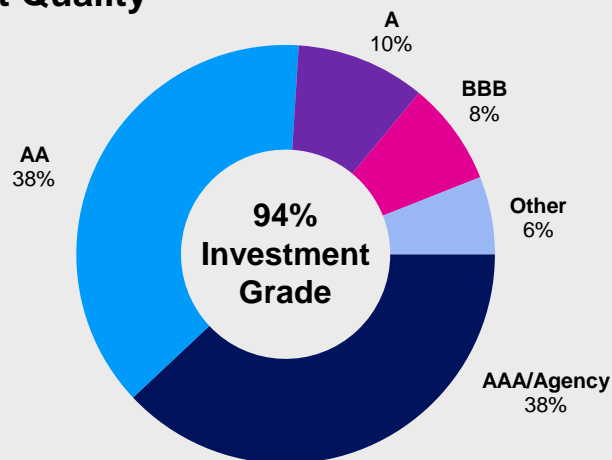


- Q2 2020 financial results
 - Net loss per common share of \$1.80
 - Book value per common share of \$3.17*
 - Dividend per common share of \$0.02
 - Economic return of -36.4%*

- In response to the COVID-19 pandemic, we sought to increase liquidity and reduce leverage during the quarter
 - Sold MBS and GSE CRTs for cash proceeds of \$6.9 billion
 - Repaid \$6.3 billion of repurchase agreements and \$610 million of secured loans

- Elected to hold \$1.6 billion of select non-Agency CMBS and GSE CRTs to benefit from market recovery

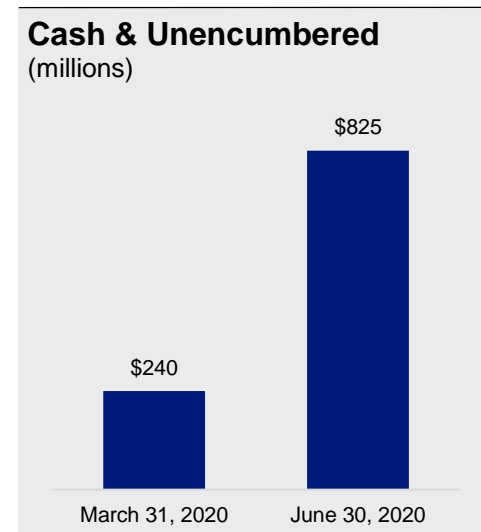
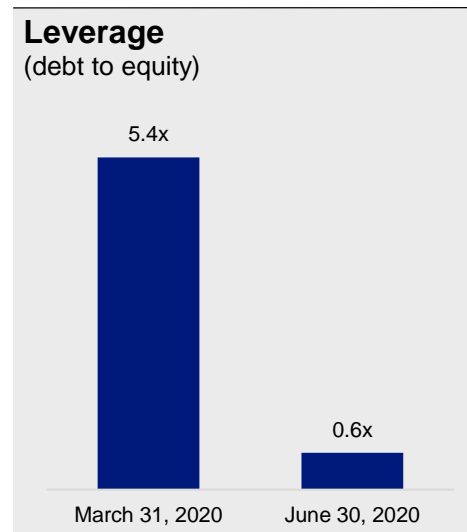
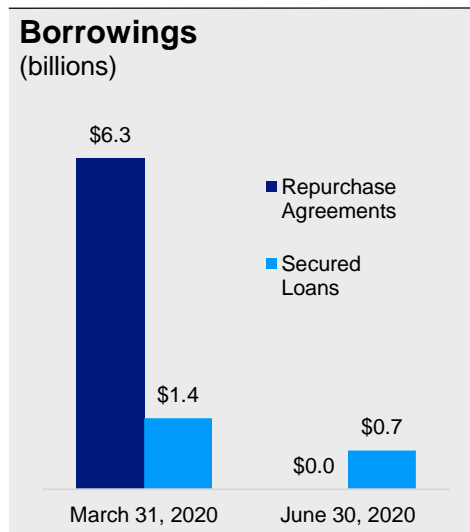
Asset Quality



Q2 2020 COVID-19 Pandemic Response

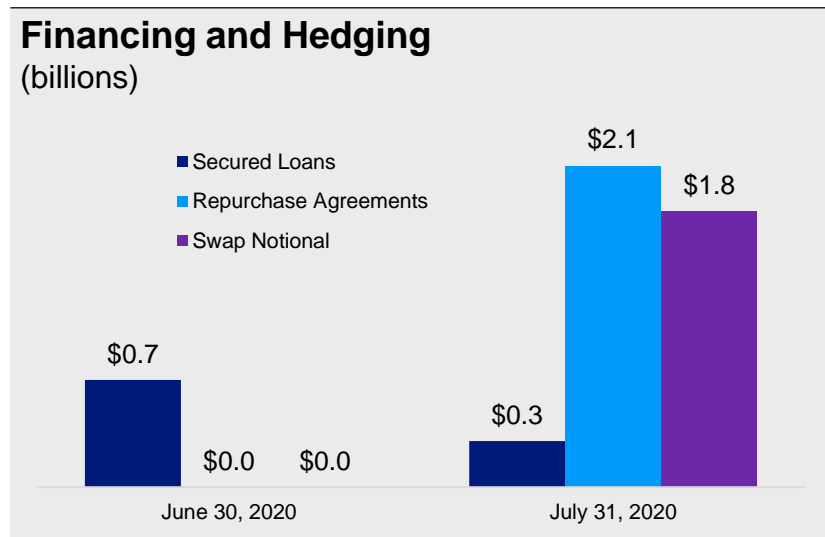
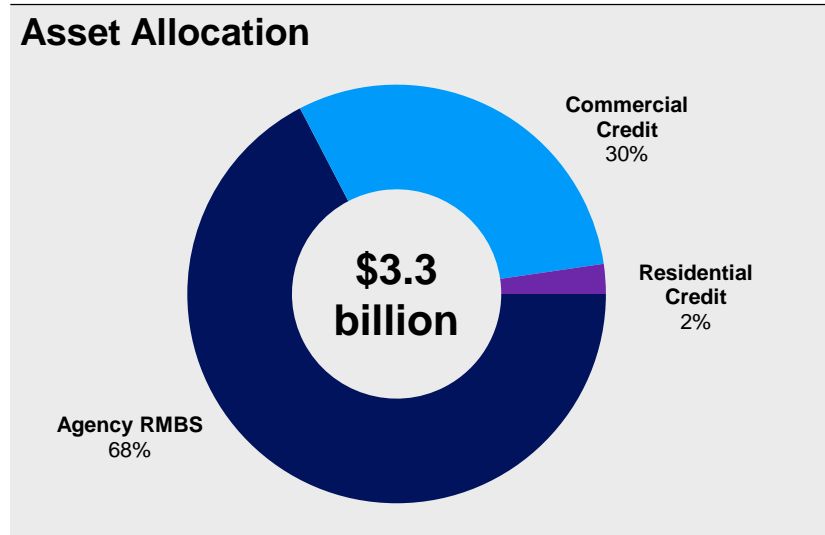
We successfully reduced our exposure to mark-to-market financing, increased liquidity, and retained certain credit investments to benefit from the recovery

- Total borrowings declined by 90% to \$740 million
- Cash and unencumbered investments increased by \$585 million to \$825 million
- Leverage declined by 4.8x, ending the quarter at 0.6x
- Captured appreciation in \$1.6 billion of remaining investments



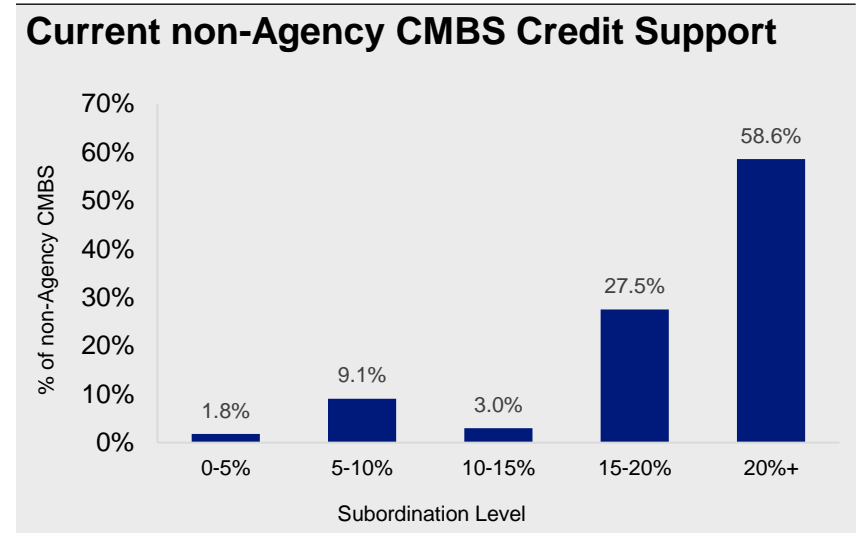
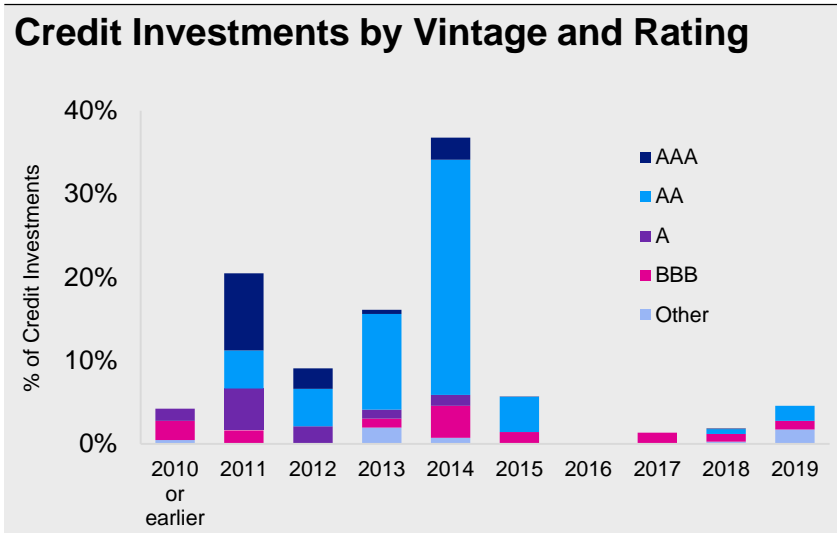
As we move into the second half of the year, we are focused on our strategy to restore meaningful core earnings for distribution to investors:

- Capture further appreciation in remaining credit investments
- Redeploy capital
 - Primary focus on Agency MBS for income generation
 - Explore opportunities in credit assets that do not rely on short term mark-to-market financing
- Prudently hedge interest rate risk
- Maintain ample liquidity profile



- In the month of July we:
 - Sold additional MBS and GSE CRTs for cash proceeds of \$547 million
 - Repaid \$435 million of secured loans
 - Purchased \$2.2 billion of Agency RMBS
 - \$0.2 billion 30-yr 2.0%
 - \$1.4 billion 30-yr 2.5%
 - \$0.6 billion 30-yr 3.0%
 - Added \$1.8 billion of interest rate swaps

- As of July 31, 2020:
 - Total investment portfolio (excluding cash) of approximately \$3.3 billion, of which \$473 million is unencumbered
 - Cash balance of approximately \$230.3 million, of which \$89.5 million is restricted
 - Total debt of \$2.4 billion, consisting of \$2.1 billion of repurchase agreements and \$305 million of secured loans



- 81% of credit investments are rated single-A or higher
- Majority of non-Agency CMBS investments are collateralized by loans benefitting from property type diversification and improved underwriting following the 2008 global financial crisis
- 88% of non-Agency CMBS investments have subordination levels in excess of 2007 vintage cumulative collateral losses
- 99% of residential credit investments were issued in 2014 or earlier - significant embedded home price appreciation and seasoned borrowers will help mitigate the impact of the COVID-19 pandemic
- Access to Fed financing via Term Asset-Backed Securities Loan Facility (TALF) is available through year end and is expected to continue to support investor demand and benefit our credit investments

- Seek to provide attractive risk-adjusted returns primarily through dividends and secondarily through capital appreciation
- Enable investors to:
 - Capitalize on the attractive environment for Agency MBS resulting from reliable financing at attractive terms and continued support from the Federal Reserve
 - Avoid risks associated with utilization of mark-to-market financing on credit assets
- Portfolio size will allow IVR to take advantage of relative value opportunities within the Agency MBS sector
- Provide access to an established global asset manager* with extensive Agency MBS expertise
 - Management team has over 80 years of combined Agency MBS management experience through multiple cycles and has been engaged in the management of IVR's portfolio since inception
 - Depth and breadth of Invesco's investment and operational resources are committed to support IVR
 - Ready access to in-house sector specialists to be utilized as market opportunities evolve

Appendix – Definitions

Agency CMBS – Commercial mortgage-backed securities 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 or the Federal Home Loan Mortgage Corporation

Agency RMBS – Residential mortgage-backed securities 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 or the Federal Home Loan Mortgage Corporation

Book value per common share – Total equity less the liquidation preference of our Series A Preferred Stock (\$140.0 million), Series B Preferred Stock (\$155.0 million), and Series C Preferred Stock (\$287.5 million); divided by total common shares outstanding

Economic return for the three months ended June 30, 2020 – The change in book value per common share from March 31, 2020 to June 30, 2020 of -\$1.85; plus dividends declared of \$0.02 per common share; divided by the March 31, 2020 book value per common share of \$5.02

GSE CRT – Credit risk transfer securities that provide protection to the issuer with respect to credit events within pools of mortgage loans secured by single family properties that collateralize Agency RMBS and multifamily properties that collateralize Agency CMBS

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

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