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Invesco Mortgage Capital Inc.

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Third Quarter 2024 Earnings Call

November 6, 2024



John Anzalone
Chief Executive Officer

Kevin Collins
President

Mark Gregson
Interim 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 mortgage-backed securities, 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 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.

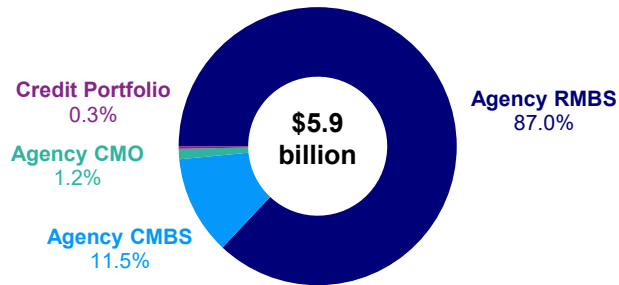
Forward-looking statements are not guarantees, and they involve risks, uncertainties and assumptions. There can be no assurance that actual results will not differ materially from our expectations. We caution investors not to rely unduly on any forward-looking statements and urge you to carefully consider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

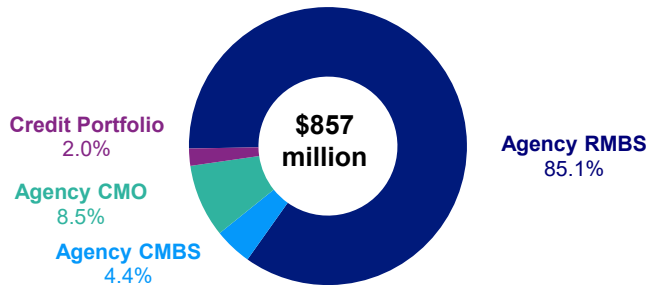
Invesco Mortgage Capital Inc.

Q3 2024 Results

Investment Allocation¹



Equity Allocation



1. Agency RMBS includes specified pools at fair value. Credit portfolio includes non-Agency CMBS and non-Agency RMBS
2. Earnings available for distribution is a non-GAAP financial measure. Refer to Appendix for additional information
3. Refer to Appendix for additional information

Past performance is not a guarantee of future results

Financial results

- Net income per common share of \$0.63
- Earnings available for distribution per common share of \$0.68²
- Book value per common share of \$9.37³
- Dividend per common share of \$0.40
- Economic return of 5.4%³

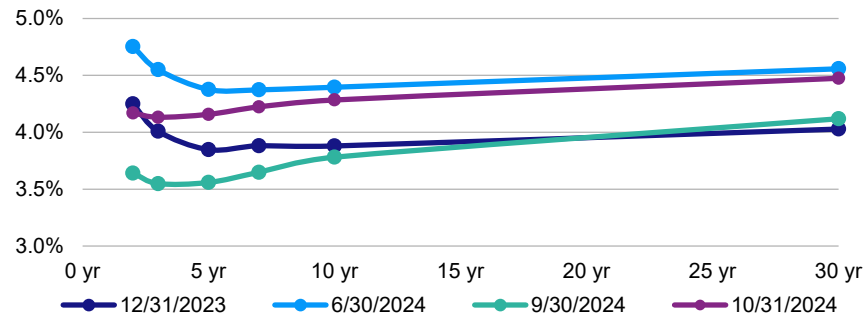
Company activity

- Announced our intention to redeem Series B Preferred Stock on December 27, 2024
- Issued \$88.5 million of common stock under the at-the-market program
- Repurchased Series C Preferred Stock with a carrying value of \$1.6 million
- Held \$521 million of unrestricted cash and unencumbered investments at quarter end

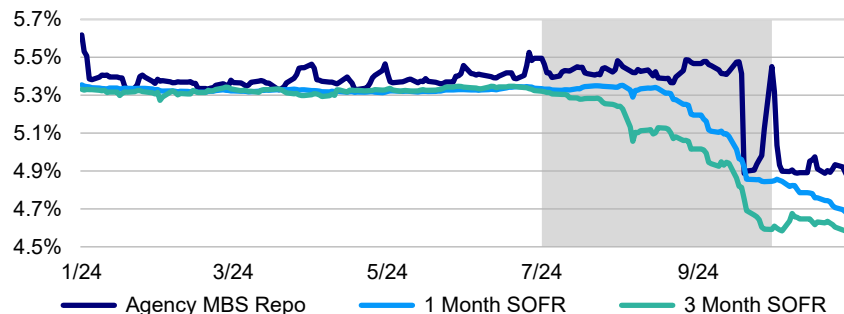
Macro Environment

Interest rates fell across the yield curve as investors anticipated monetary policy easing, and spreads on repurchase agreements moved sharply wider at quarter end before normalizing in October

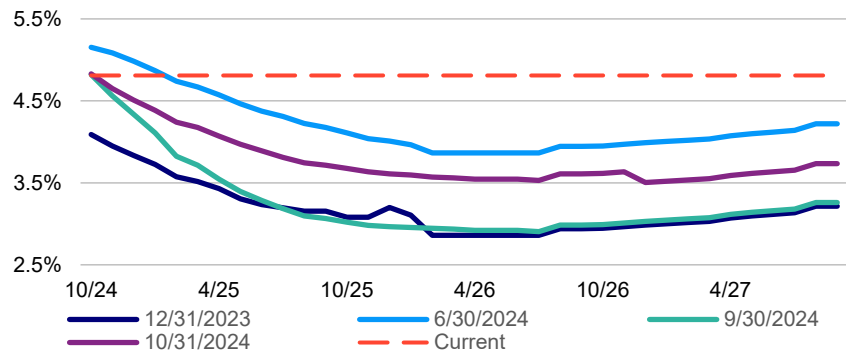
Treasury Yields



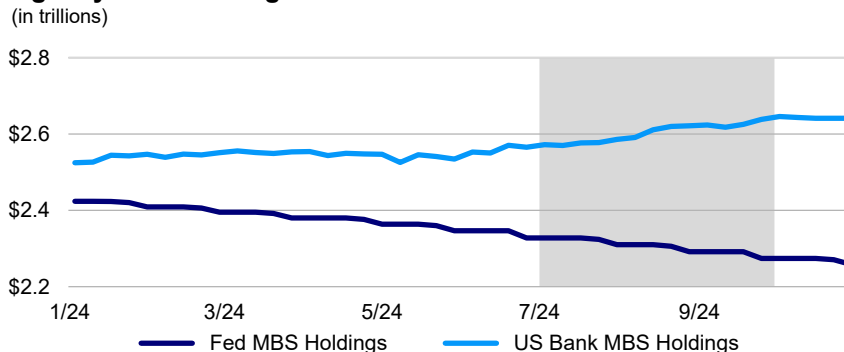
Money Market Rates



Federal Funds Futures



Agency MBS Holdings

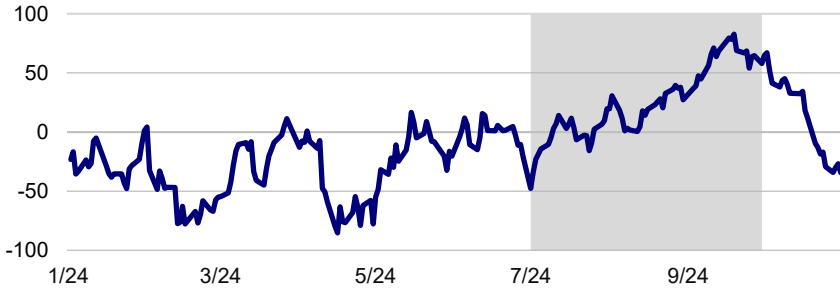


Agency RMBS Market

Valuations improved in the 3rd quarter as interest rates fell and the yield curve steepened, but have weakened recently due to increased interest rate volatility

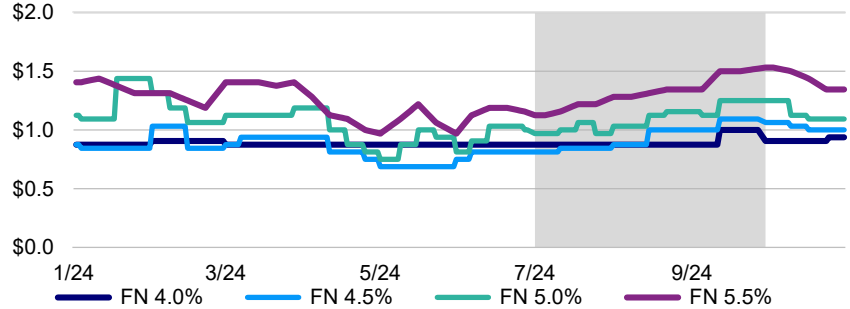
Performance vs. Treasuries¹

(basis points)



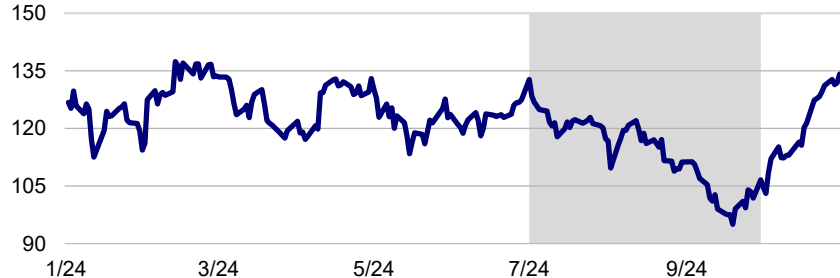
Specified Pool Pay-ups

(\$200k max, in points)

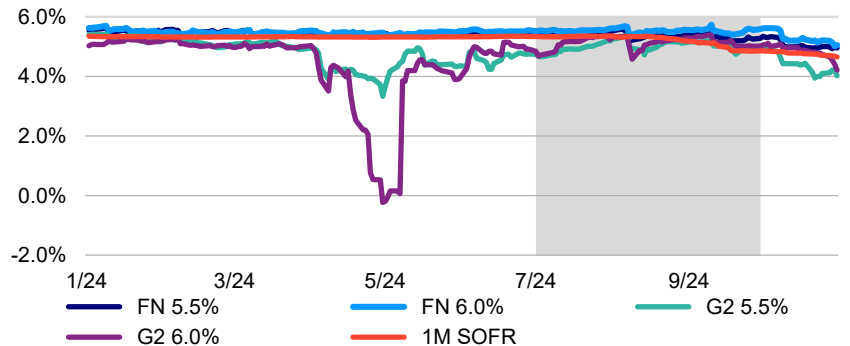


Spread to Treasuries²

(basis points)



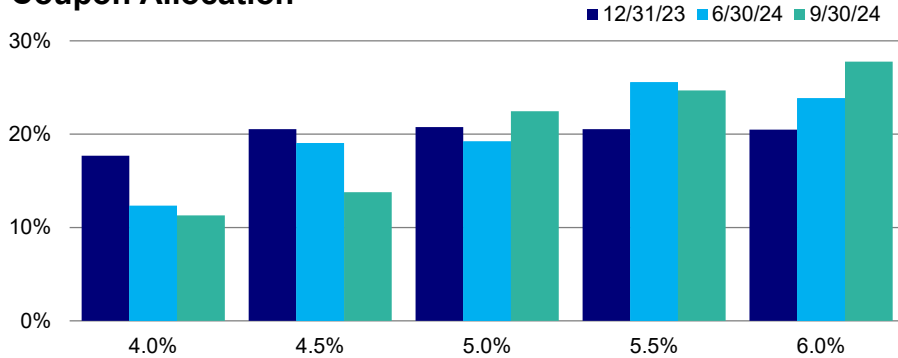
Dollar Roll Implied Financing Rate



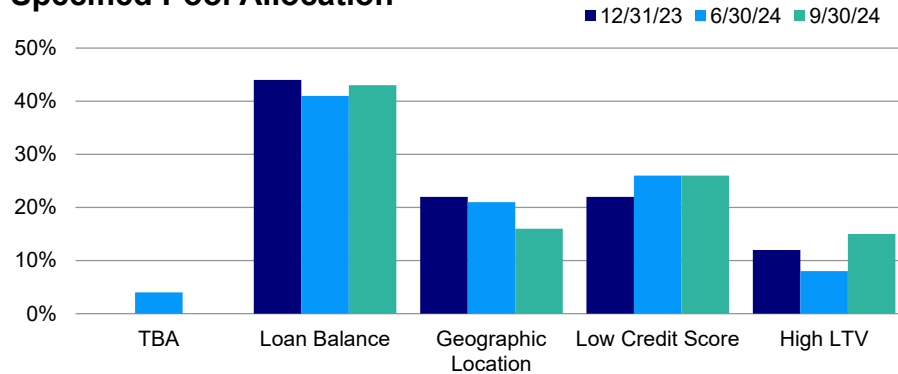
1. 30 year current coupon hedged performance vs. Treasuries
2. 30 year current coupon zero volatility spread to Treasuries

Agency RMBS Investments

Coupon Allocation



Specified Pool Allocation

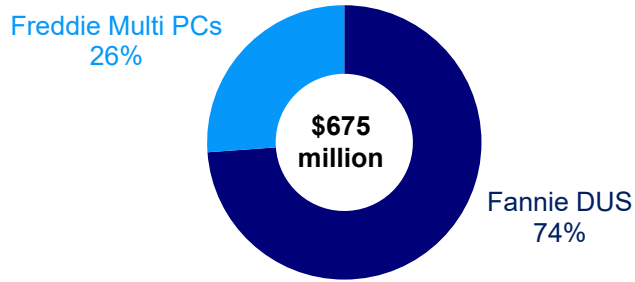


Agency RMBS investment portfolio includes specified pools at fair value and TBAs at implied cost.

- Agency RMBS investment portfolio increased 12% to \$5.1 billion in Q3 2024
 - Invested proceeds of ATM issuance into higher coupon specified pools
 - Rotated \$200 million Agency TBA into 30-year 6% specified pools
 - Sold lower coupon specified pools to reinvest into Agency CMBS
 - Maintained preference for loan balance characteristics given more predictable prepayment profile
- Q3 2024 specified pool characteristics
 - 6.5% CPR
 - Weighted average coupon of 5.2%
 - Amortized cost to principal balance ratio of 97.9%
 - Period-end weighted average specified pool pay-up of 0.7 points

Agency CMBS Investments

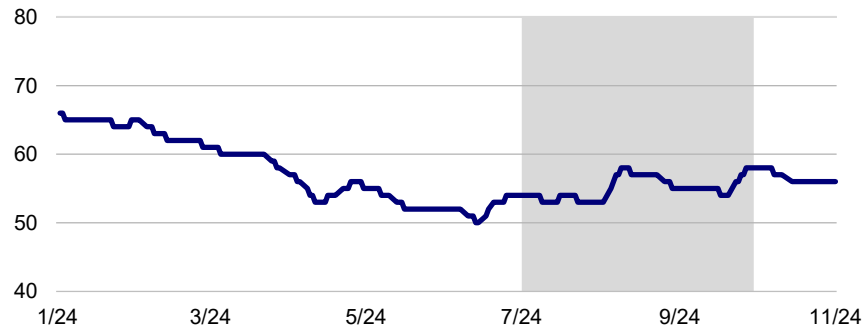
Allocation



- Added \$214 million of Fannie DUS and \$61 million of Freddie Multi PCs in Q3 2024
- Agency CMBS benefits from:
 - Guarantee of principal and interest from the issuing agency or federally chartered corporation
 - Less sensitive 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 slightly over the quarter given elevated new issuance

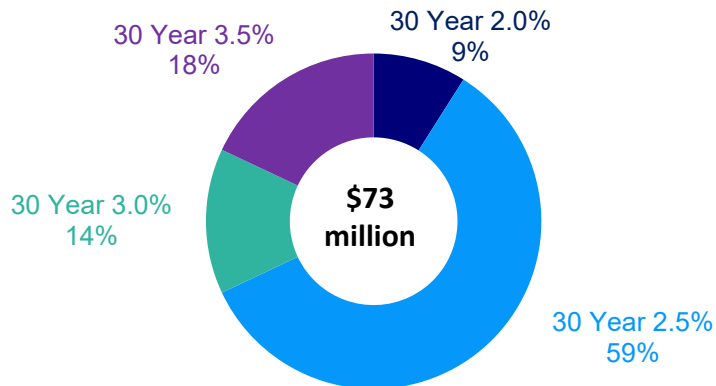
Spread to Treasuries

(basis points)



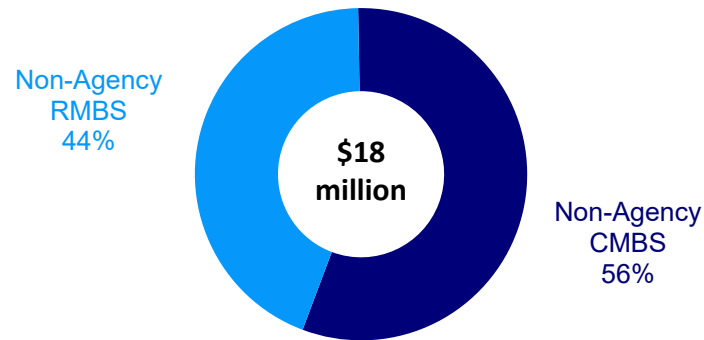
Agency CMO and Credit Investments

Agency CMO Allocation



- Q3 2024 Agency CMO characteristics
 - All investments are interest only securities
 - 5.8% CPR
 - Period-end weighted average yield of 9.91%
 - Period-end weighted average coupon of 2.58%

Credit Allocation

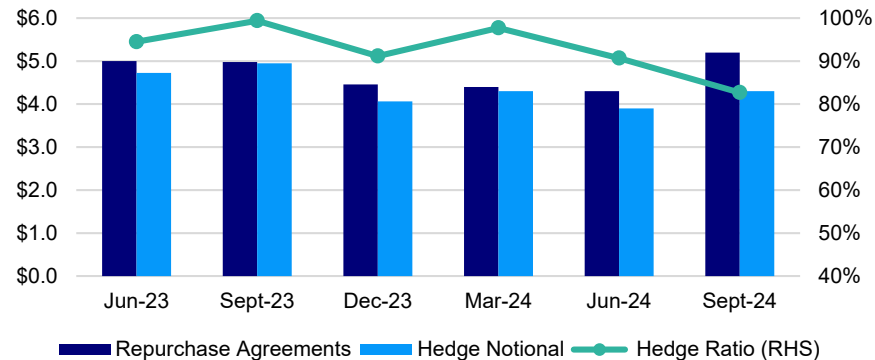


- Non-Agency CMBS investment is collateralized by loans benefitting from property type diversification
- Favorable subordination levels support credit investment valuations

Financing & Hedging

Cost of Funds Protection¹

(in billions)



- Financed Agency RMBS and Agency CMBS investments with repurchase agreements across 20 counterparties
- Hedged 83% of borrowing costs with \$3.8 billion notional pay-fixed / receive-floating interest rate swaps and \$490 million notional U.S. Treasury futures at quarter end
- Debt-to-equity ratio of 6.1x and economic debt-to-equity ratio³ of 6.1x at quarter end

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

2. Represents period-end weighted average as of September 30, 2024

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

Swap Portfolio Composition

Maturities	Notional Amount (\$ millions)	Fixed Pay Rate ²	Floating Receive Rate ²	Years to Maturity ²
Less than 3 years	1,730	1.93%	4.96%	2.1
3 to 5 years	575	0.33%	4.96%	3.4
5 to 7 years	950	0.54%	4.96%	5.8
7 to 10 years	100	3.61%	4.96%	9.3
10+ years	435	1.84%	4.96%	19.0
Total	3,790	1.37%	4.96%	5.4

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 on repurchase and retirement of preferred stock; foreign currency gains (losses), net and amortization of net deferred (gain) loss on de-designated interest rate swaps.

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 - Non-GAAP Financial Information

The table below provides a reconciliation of U.S. GAAP net income (loss) attributable to common stockholders to earnings available for distribution for the following periods:

\$ in thousands, except per share data	Three Months Ended		
	September 30, 2024	June 30, 2024	September 30, 2023
Net income (loss) attributable to common stockholders	\$ 35,271	\$ (18,766)	\$ (74,024)
Adjustments:			
(Gain) loss on investments, net	(165,168)	45,212	224,897
Realized (gain) loss on derivative instruments, net	172,797	22,344	(84,565)
Unrealized (gain) loss on derivative instruments, net	(4,569)	(7,335)	5,002
TBA dollar roll income	39	1,078	-
Gain on repurchase and retirement of preferred stock	(25)	(208)	(347)
Amortization of net deferred (gain) loss on de-designated interest rate swaps	-	-	(1,810)
Subtotal	<u>3,074</u>	<u>61,091</u>	<u>143,177</u>
Earnings available for distribution	<u>\$ 38,345</u>	<u>\$ 42,325</u>	<u>\$ 69,153</u>
Basic income (loss) per common share	<u>\$ 0.63</u>	<u>\$ (0.38)</u>	<u>\$ (1.62)</u>
Earnings available for distribution per common share ¹	<u>\$ 0.68</u>	<u>\$ 0.86</u>	<u>\$ 1.51</u>

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 - Non-GAAP Financial Information

The table below provides the components of earnings available for distribution for the following periods:

\$ in thousands, except per share data	September 30, 2024	June 30, 2024	September 30, 2023
Interest income	\$ 73,825	\$ 68,028	\$ 75,132
Interest expense	66,315	59,393	65,701
Net interest income	7,510	8,635	9,431
Less: Amortization of net deferred (gain) loss on de-designated interest rate swaps	-	-	(1,810)
Add: Contractual net interest income (expense) on interest rate swaps recorded as gain (loss) on derivative instruments, net	40,883	43,271	72,126
Effective net interest income	48,393	51,906	79,747
TBA dollar roll income	39	1,078	-
Equity in earnings (losses) of unconsolidated ventures	-	-	2
(Increase) decrease in provision for credit losses	80	(263)	(43)
Total expenses	(4,693)	(4,888)	(4,781)
Subtotal	43,819	47,833	74,925
Dividends to preferred stockholders	(5,474)	(5,508)	(5,772)
Earnings available for distribution	\$ 38,345	\$ 42,325	\$ 69,153
Basic income (loss) per common share	\$ 0.63	\$ (0.38)	\$ (1.62)
Earnings available for distribution per common share ¹	\$ 0.68	\$ 0.86	\$ 1.51

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 – Interest Only - An interest only security is created by separating the principal and interest portions of the payments on the underlying loan pool and selling them as distinct products. The investor in the interest only security benefits when the prepayment rate on the underlying debt is low and interest rates are rising.

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

Book value per common share – Total stockholders' equity less the liquidation preference of the Company's Series B Preferred Stock (\$106.2 million) and Series C Preferred Stock (\$181.9 million), divided by total common shares outstanding

Credit portfolio – Investments in non-Agency CMBS and non-Agency RMBS are included in credit portfolio

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 September 30, 2024 is defined as the change in book value per common share from June 30, 2024 to September 30, 2024 of \$0.10 plus dividends declared of \$0.40 per common share; divided by the June 30, 2024 book value per common share of \$9.27

Economic debt-to-equity ratio – A non-GAAP financial measure calculated as the ratio of total repurchase agreements (\$5.2 billion as of September 30, 2024) and TBAs at implied cost basis (\$0 as of September 30, 2024) to total stockholders' equity (\$857.0 million as of September 30, 2024)

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 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