

Invesco Mortgage Capital Inc. 2020 First Quarter Earnings Call

June 23, 2020

John Anzalone
Chief Executive Officer

Kevin Collins
President

Lee Phegley
Chief Financial Officer

David Lyle
Chief Operating Officer

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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.

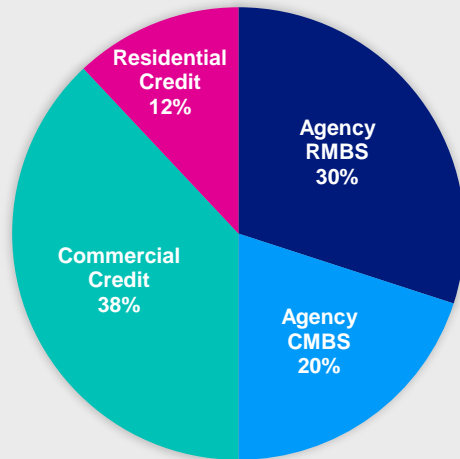
Forward-looking statements are not guarantees, and they involve risks, uncertainties and assumptions. There can be no assurance that actual results will not differ materially from our expectations. We caution investors not to rely unduly on any forward-looking statements and urge you to carefully consider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

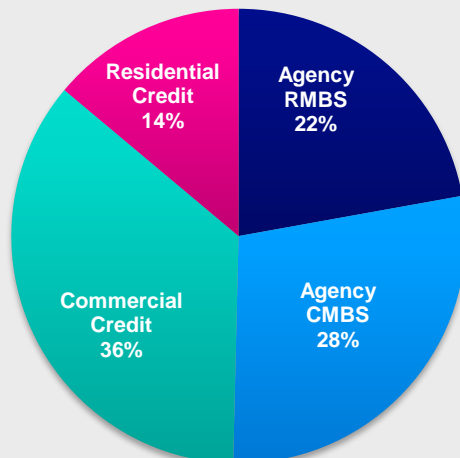
Equity Allocation



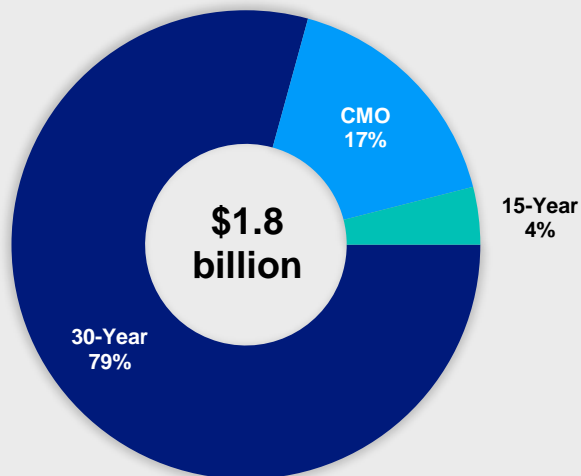
- Q1 2020 Financial Results
 - Net loss per common share of \$10.38
 - Book value per common share of \$5.02*
 - Dividend per common share of \$0.50
 - Economic return of -66.1%*

- Response to COVID-19 pandemic
 - IVR was impacted by unprecedented volatility and severe dislocations in financial markets caused by the COVID-19 pandemic
 - Due to significant spread widening, we received an unusually high number of margin calls from counterparties
 - On March 23, 2020, we notified our financing counterparties that we were suspending payment of margin calls to preserve liquidity
 - We engaged third party financial and legal advisors to assist in navigating pandemic-related market disruptions, including negotiations with our financing counterparties
 - To increase liquidity and reduce leverage, we sold MBS and GSE CRTs for cash proceeds of \$16.2 billion, terminated all interest rate swaps, and repaid \$11.2 billion of our repurchase agreements during the quarter ended March 31, 2020

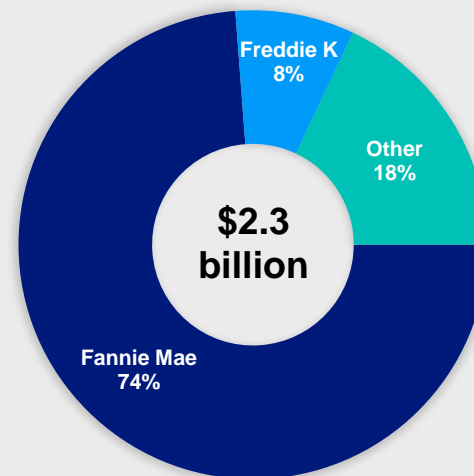
Asset Allocation



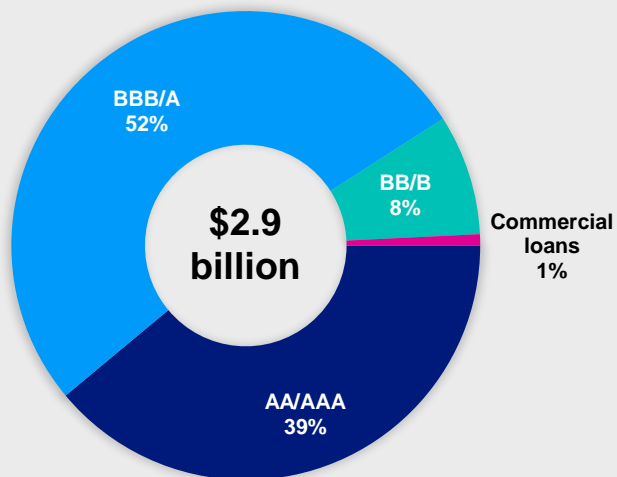
Agency RMBS



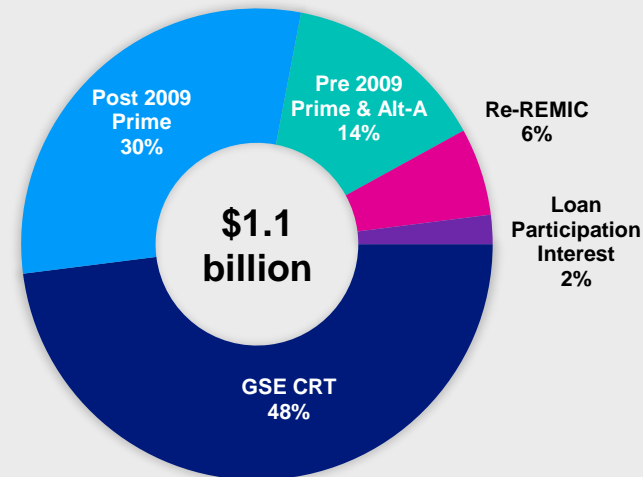
Agency CMBS



Commercial Credit

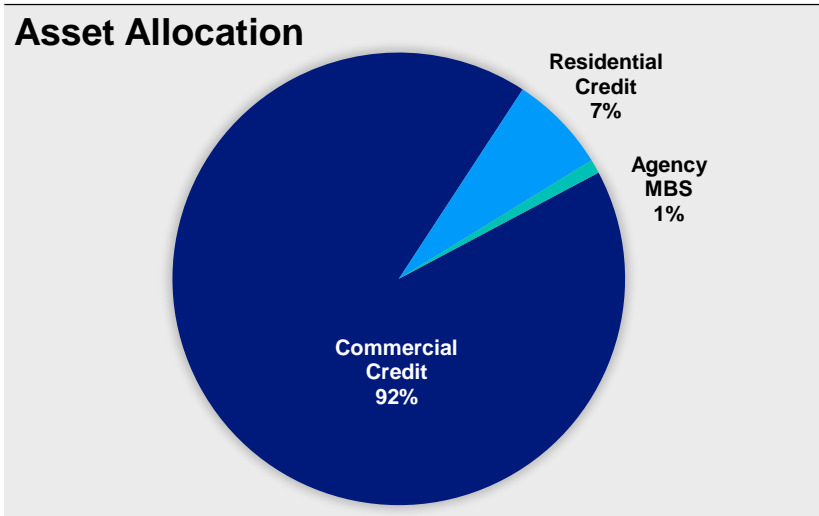


Residential Credit

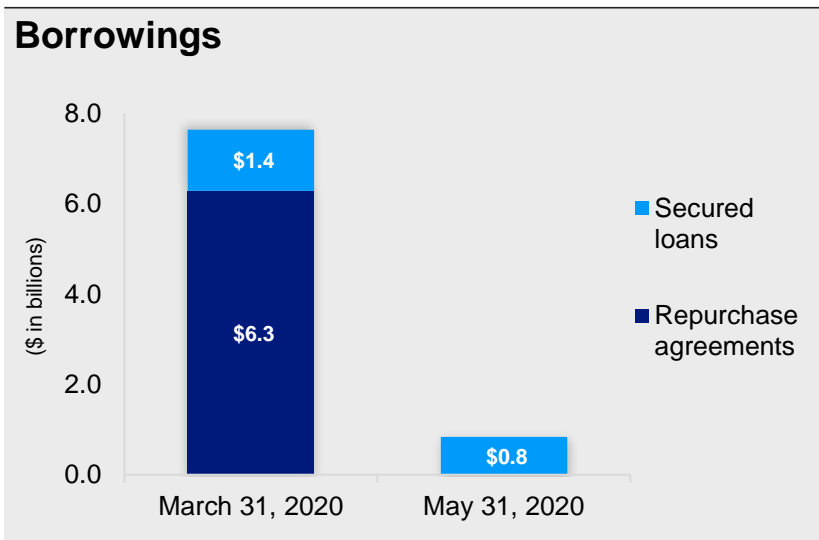


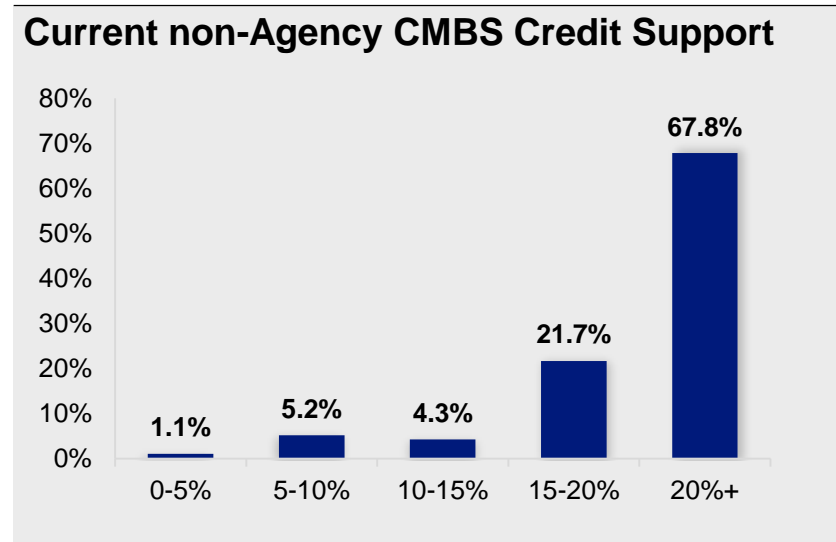
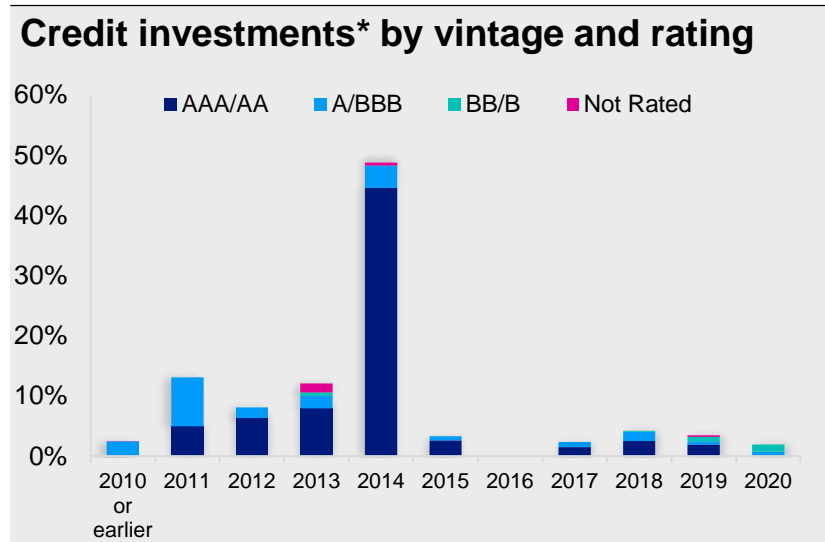
May 31, 2020 Portfolio Update





- We continued to increase liquidity and reduce leverage in the second quarter of 2020
- Between April 1, 2020 and May 31, 2020
 - Sold additional MBS and GSE CRTs with a fair value of \$6.2 billion at March 31, 2020 for cash proceeds of \$5.9 billion
 - Repaid \$512 million of secured loans
 - Fully repaid the outstanding balance of repurchase agreements
- As of May 31, 2020
 - Total investment portfolio excluding cash of approximately \$1.6 billion, of which \$540 million is unencumbered
 - Cash balance of approximately \$328 million, of which \$55 million is restricted
 - Secured loans remaining balance of \$837 million
 - Estimated book value per common share* in a range of \$2.65 to \$3.15





- 85% 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
- 93% of non-Agency CMBS investments have subordination levels in excess of 2007 vintage cumulative collateral losses
- 82% 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
- Fed financing via the recently announced Term Asset-Backed Securities Loan Facility (TALF) is expected to increase investor demand and benefit our credit investments

- Outlook
 - IVR maintains ample scale to construct an investment portfolio that can generate compelling returns for stockholders and position for future growth
 - We continue to benefit from the expertise and resources of our manager and its strong relationships with our financing and trading counterparties
 - We expect markets for our target assets, especially Agency RMBS, to remain dynamic and liquid due to both private and public capital support
- IVR strategy
 - Capture appreciation in existing credit investments as markets recover
 - Realign investment portfolio
 - Primary focus on Agency RMBS for income generation
 - Explore opportunities in credit assets that do not rely on short term mark-to-market financing
 - Hedge interest rate risk
 - Maintain high liquidity profile
 - Preserve stockholder value
- Consistent with past practice, we anticipate paying common stock dividends that reflect our estimated Core EPS

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 March 31, 2020 – The change in book value per common share from December 31, 2019 to March 31, 2020 of -\$11.27; plus dividends declared of \$0.50 per common share; divided by the December 31, 2019 book value per common share of \$16.29

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