



Invesco Mortgage Capital Inc.

2017 Second Quarter Earnings Call

August 8, 2017

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Jason Marshall
Chief Investment Officer

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Chief Financial Officer



IVR

Invesco Mortgage Capital Inc.

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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 market), 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.

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The opinions expressed are based on current market conditions and are subject to change without notice.

Q2 2017 Financial Highlights

Basic EPS	\$0.42
Core EPS ⁽¹⁾	\$0.41
Book value per diluted common share ⁽²⁾	\$18.27
Dividend per common share	\$0.40
Economic return ⁽³⁾	4.0%

Equity allocation remains diversified

41% Agency RMBS

33% Commercial Credit

26% Residential Credit

- Core EPS ⁽¹⁾ of \$0.41 in Q2 2017
 - Net effective interest income remained consistent with Q1 2017 results
 - Core EPS increased from Q1 2017 primarily due to lower losses on unconsolidated ventures
- Book value per diluted common share ⁽²⁾ increased by \$0.32 or 1.8% to \$18.27 in Q2 2017
 - Three-month economic return ⁽³⁾ of 4.0%
 - Year-to-date economic return ⁽³⁾ of 9.1%
- Q2 2017 portfolio highlights
 - Purchases were concentrated in 30 year fixed-rate Agency RMBS and CMBS in Q2 2017
 - Asset seasoning and improved real estate valuations continue to enhance credit quality

(1) Core EPS is a non-GAAP financial measure. See Slide 15 for non-GAAP reconciliation.

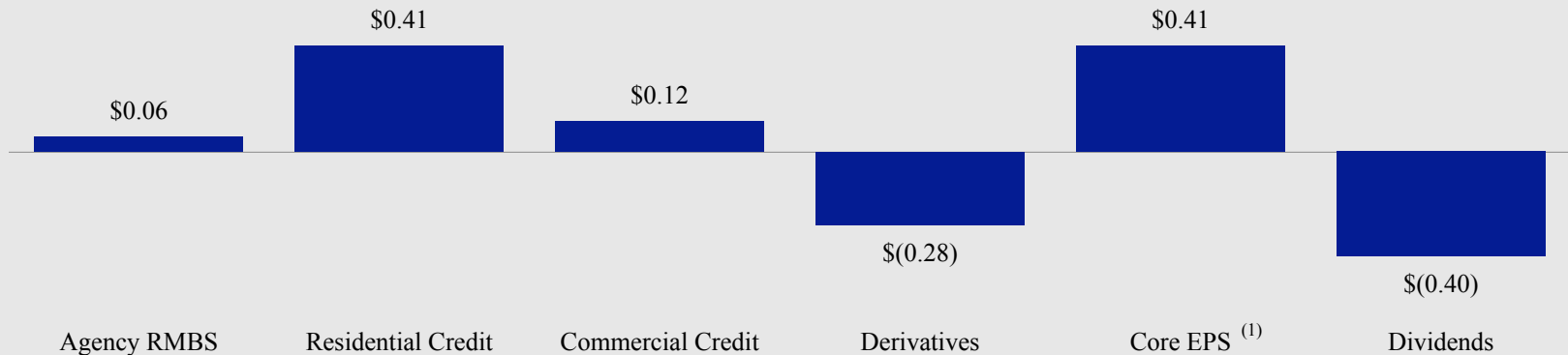
(2) Book value per diluted common share is calculated as total equity less the liquidation preference of our Series A Preferred Stock (\$140.0 million) and Series B Preferred Stock (\$155.0 million); divided by total common shares outstanding plus Operating Partnership Units convertible into shares of common stock (1,425,000 shares).

(3) Economic return for the three months ended June 30, 2017 is defined as the change in book value per diluted common share from March 31, 2017 to June 30, 2017 of \$0.32; plus dividends declared of \$0.40 per common share; divided by March 31, 2017 book value per diluted common share of \$17.95. Economic return for the six months ended June 30, 2017 is defined as the change in book value per diluted common share from December 31, 2016 to June 30, 2017 of \$0.79; plus dividends declared of \$0.80 per common share; divided by December 31, 2016 book value per diluted common share of 17.48.

Book Value Performance



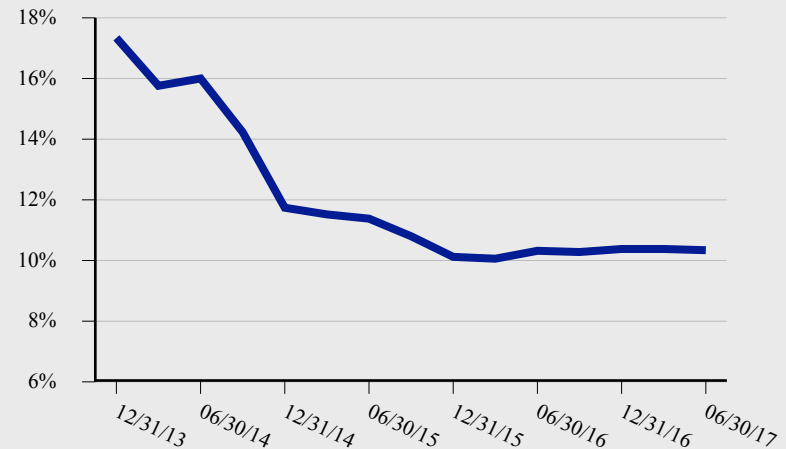
Q2 2017 Change in Book Value per Diluted Common Share



We seek to provide stockholders with attractive income and long term book value stability

- Our diversified portfolio benefited from credit spread and Agency RMBS spread tightening which contributed to a 1.8% increase in book value per diluted common share ("BVPS") for the quarter
- Residential credit added \$0.41 to our BVPS, of which \$0.22 was due to GSE CRT and \$0.19 was due to Non-Agency RMBS
- Derivatives decreased our BVPS by \$0.28 due to higher swap rates

IVR Annualized Book Value Volatility ⁽²⁾



(1) Core EPS is a non-GAAP financial measure. See Slide 15 for non-GAAP reconciliation.

4 (2) Book value volatility is based on the rolling 3 year standard deviation of quarterly book value results.

IVR Outperforming Peers Across Key Metrics

Economic returns ⁽²⁾

- Outperformed peer group average in 2014, 2015 and 2016
- Outperformed peer group average during trailing 3 and 5 year period

Book value performance ⁽³⁾

- 1, 3 and 5 year book value growth above peer group average:
 - 1 YR: +8.60% v. -0.90%
 - 3 YR: -3.10% v. -11.58%
 - 5 YR: -2.50% v. -13.39%

Dividend performance

- Paid \$0.40 dividend per share for last 8 consecutive quarters
- Core EPS in line with or above declared dividend during 7 of last 8 quarters

(1) Peer group includes AGNC, CIM, CYS, EFC, MFA, MITT, MTGE, NLY, TWO and WMC.

(2) Source: Bloomberg and Company filings. Latest financial data as of 12/31/16.

(3) Source: Bloomberg and Company filings. Latest financial data as of 3/31/17.

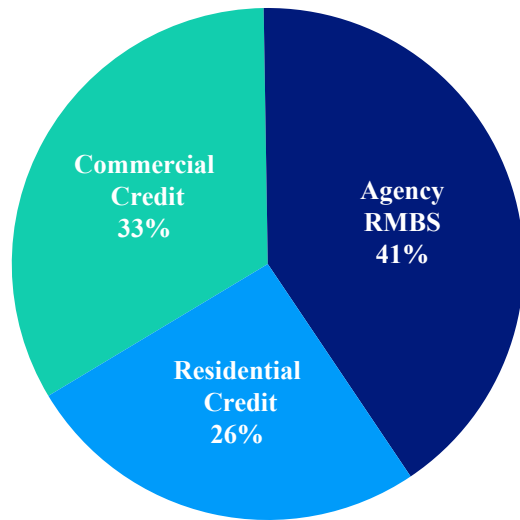
The IVR Portfolio



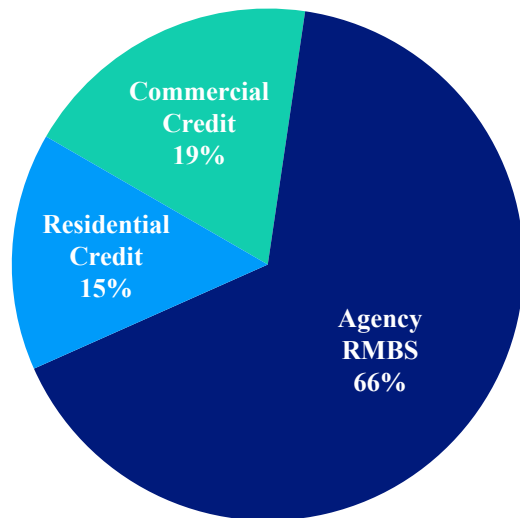
Q2 2017 Portfolio Update



Equity Allocation

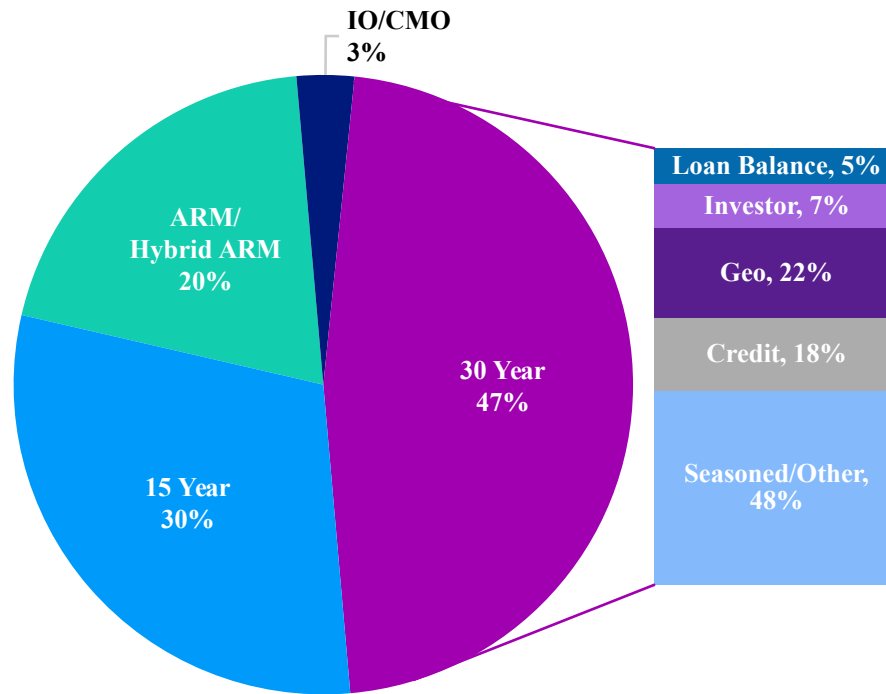


Asset Allocation



Highlights:

- Continued to purchase 30 year fixed-rate Agency RMBS and CMBS as these sectors offered the most attractive return profiles
- 59% of equity and 34% of assets are allocated to credit
 - Both residential and commercial credit fundamentals remain strong
 - Credit assets exhibit significantly less convexity risk than Agency RMBS



Highlights:

- Portfolio Characteristics
 - Added \$717.4 million of 30 year 3.5% coupon specified pools during the quarter due to attractive duration hedged ROE
 - Hybrid ARMs and 15 year fixed-rate outperformed 30 year fixed-rate
- Agency prepayment speeds should remain stable over the next several months if primary mortgage rates remain in the 4% area

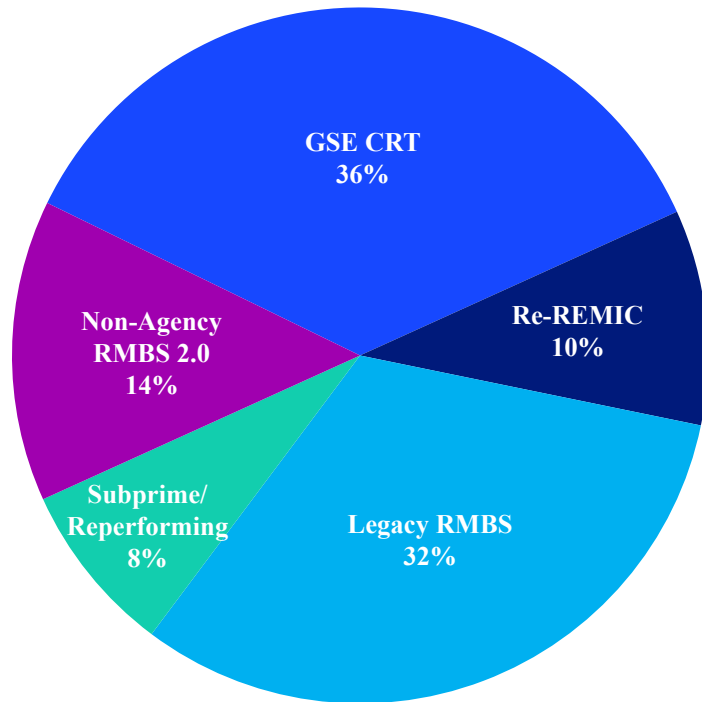
	CPR ⁽¹⁾	Net Wtd Avg Coupon ⁽²⁾	Period-end Wtd Avg Yield ⁽³⁾
15 Year	9.5	3.09%	2.19%
30 Year	9.2	3.95%	3.10%
Hybrid ARM	16.3	2.71%	2.54%

(1) Constant Prepayment Rate

(2) Net weighted average coupon as of June 30, 2017 is presented net of servicing and other fees.

(3) Period-end weighted average yield is based on amortized cost as of June 30, 2017 and incorporates future prepayment and loss assumptions.

Residential Credit



Highlights:

- Economic and housing market fundamentals continued to benefit home prices and borrower performance
- Delinquency rates underlying GSE CRT and Non-Agency RMBS 2.0 securities remained exceptionally low
- GSE CRT spreads tightened considerably in response to robust market demand for residential mortgage credit
- Strong market technicals also drove material gains in Legacy RMBS during the quarter

	Duration	Period-end Wtd Avg Yield ⁽¹⁾
Re-REMIC	0.7	5.35%
Legacy RMBS ⁽²⁾	1.1	6.95%
Subprime/Reperforming	1.6	4.58%
Non-Agency RMBS 2.0 ⁽³⁾	3.1	4.51%
GSE CRT ⁽⁴⁾	0.0	6.23%

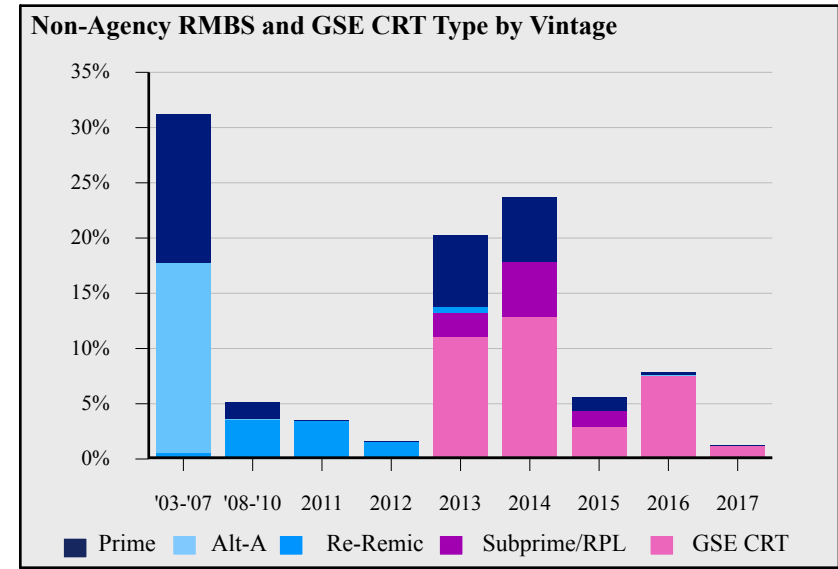
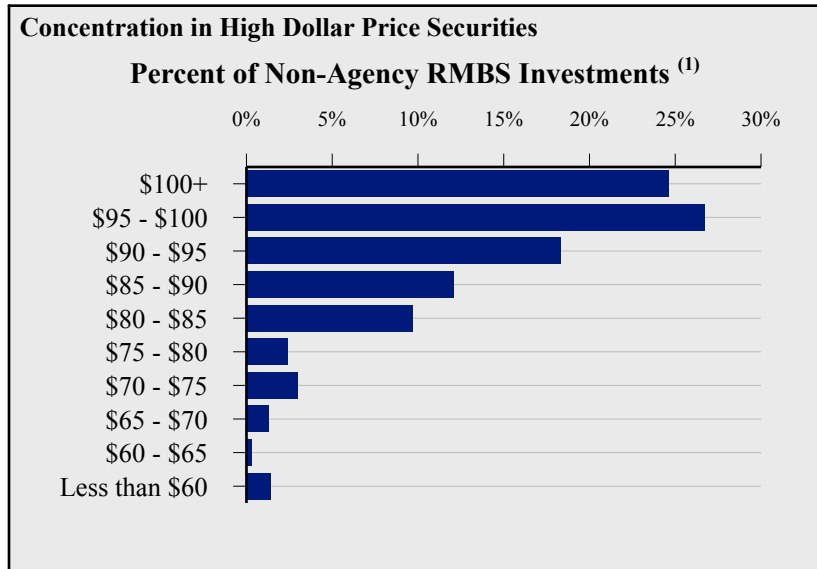
(1) Period-end weighted average yield is based on amortized cost as of June 30, 2017 and incorporates future prepayment and loss assumptions.

(2) Non-Agency RMBS issued prior to 2009

(3) Non-Agency RMBS issued after 2010

(4) GSE CRT period-end weighted average yield includes embedded coupon interest recorded as realized and unrealized credit derivative income under U.S. GAAP. Excluding embedded coupon interest recorded as realized and unrealized credit derivative income, our period-end weighted average yield for GSE CRT was 2.40%

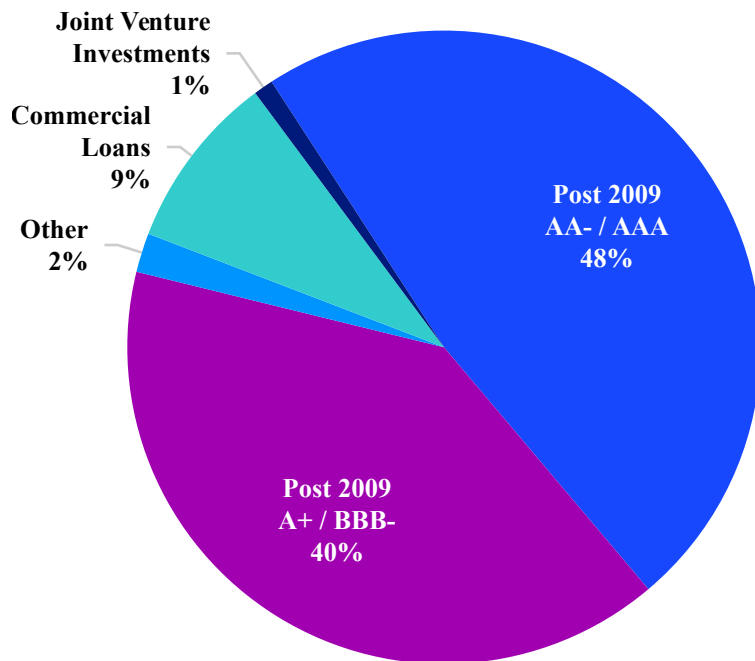
Residential Credit Investment Quality



- 70% of Non-Agency RMBS holdings have dollar prices above \$90, and 92% above \$80
- These high dollar prices generally reflect lower exposure to collateral performance issues, demonstrate less price volatility and are more attractive to finance
- Low dollar price bonds demonstrate greater price volatility, are often unattractive to finance, and are sensitive to changes in servicer advancing and property disposition strategies

- Legacy Non-Agency RMBS investments are focused in securities backed by Prime and Alt-A loans as well as Re-REMICs
- GSE CRT holdings are concentrated in early vintages
 - These seasoned transactions have experienced significant rating agency upgrades
 - Reference loans have significant embedded home price appreciation

(1) Excludes GSE CRT and interest-only securities. As of June 30, 2017



Highlights:

- Favorable trends in property fundamentals provide positive support for commercial mortgage credit investments
- CMBS spreads benefited from increased investor appetite
- Commercial mortgage loan portfolio expected to benefit from recent increase in LIBOR

	Duration	Period-end Wtd Avg Yield ⁽¹⁾
Post 2009 AA- / AAA ⁽²⁾	5.1	3.90%
Post 2009 A+ / BBB- ⁽³⁾	4.4	5.35%
Other ⁽⁴⁾	3.6	6.72%
Commercial Loans	0.0	8.69%

(1) Period-end weighted average yield is based on amortized cost as of June 30, 2017 and incorporates future prepayment and loss assumptions.

(2) CMBS originally rated between AA- and AAA (or an equivalent/comparable ratings by a nationally recognized statistical rating organization) issued after 2009

(3) CMBS originally rated between A+ and BBB- (or an equivalent/comparable rating by a nationally recognized statistical rating organization) issued after 2009

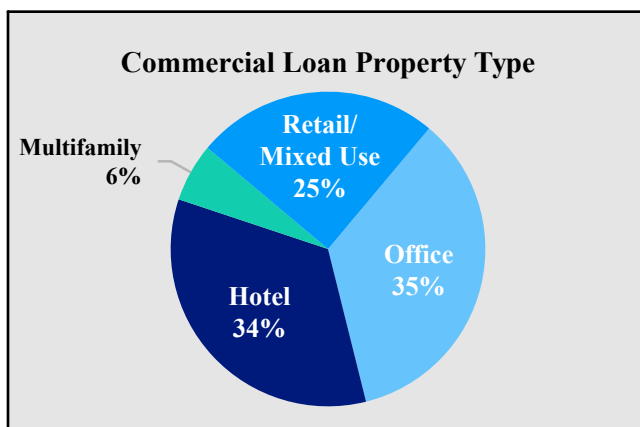
(4) Below investment grade CMBS originally issued after 2009, including bonds issued from risk retention compliant transactions

Commercial Loan & Joint Venture Investments



Investment Type	Property Type	Location	Commitment ⁽¹⁾	Borrower	Rate Type	Loan Status
Mezzanine Loan	Retail/Mixed Use	New York, NY	\$41,013,463	Public REIT	Floating	Current
Mezzanine Loan	Office	Atlanta, GA	\$49,700,000	Institutional Investor	Floating	Current
Mezzanine Loan	Hotel	Fort Lauderdale, FL	\$21,000,000	Private REIT	Floating	Current
Mezzanine Loan	Office	Phoenix, AZ	\$33,977,900	Institutional Investor	Floating	Current
Mezzanine Loan	Hotel	London, UK	\$49,598,925	Institutional Investor	Fixed	Current
Mezzanine Loan	Retail/Mixed Use	Aventura, FL	\$28,000,000	Institutional Investor	Floating	Current
Mezzanine Loan	Hotel	San Antonio, TX	\$25,000,000	Institutional Investor	Floating	Current
Mezzanine Loan	Multifamily	Apopka, FL	\$10,000,000	Institutional Investor	Floating	Current
Mezzanine Loan	Multifamily	Irving, TX	\$7,000,000	Institutional Investor	Floating	Current
Mezzanine Loan	Office	Oakland, CA	\$25,000,000	Institutional Investor	Floating	Current
Joint Venture Investments ⁽²⁾	Various	U.S. / Ireland	\$122,011,000	Various	Floating	NA
Mezzanine Loan	Office	New York, NY	\$15,000,000	Institutional Investor	Floating	Paid Off
Whole Loan	Hotel	Palm Beach, FL	\$22,000,000	Regional Developer	Floating	Paid Off
Preferred Equity	Office	Chicago, IL	\$23,000,000	Institutional Investor	Floating	Paid Off
B-Note	Office	London, UK	\$33,892,396	Institutional Investor	Floating	Paid Off
Mezzanine Loan	Hotel	Various	\$18,500,000	Institutional Investor	Floating	Paid Off

As of July 2017



As of June 30, 2017. Joint venture investment property types are not included.

Portfolio Highlights

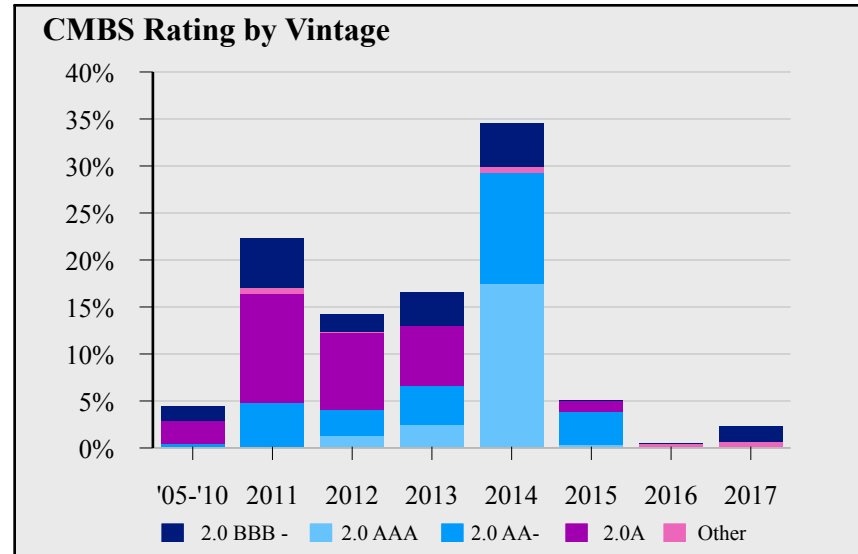
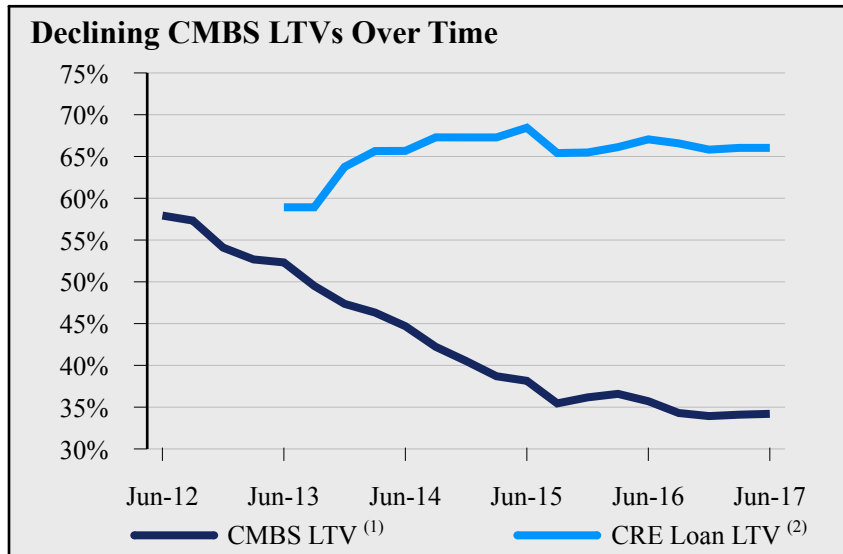
- Quarter-end portfolio of \$302.2 million
- \$112.3 million of principal has been returned through realization of borrower business plans
- No delinquencies as of June 30, 2017
- Investments predominantly behind balance sheet lenders

(1) As of June 30, 2017 our undrawn commitments in commercial loans and joint venture investments were \$6.4 million and \$12.6 million, respectively

(2) As of June 30, 2017 we have received cumulative distributions totaling \$178.1 million from joint venture investments

12 As of June 30, 2017 our joint venture investment balance was \$23.3 million

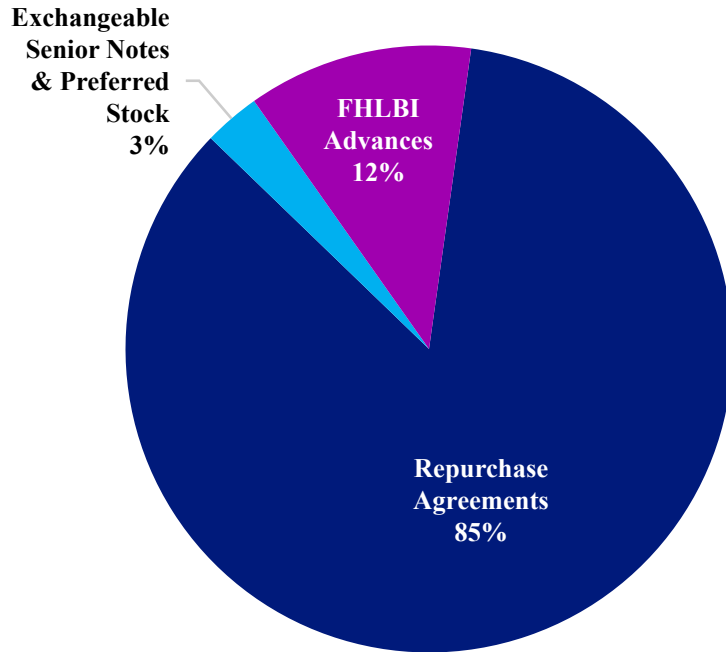
Improvement in Commercial Mortgage Investment Credit Quality



- CMBS LTV ⁽¹⁾ of 34% and CRE Loan LTV ⁽²⁾ of 66%
- Over 75% of CMBS portfolio is rated single-A or higher
- Improved loan underwriting in risk retention compliant CMBS transactions has created new opportunities to invest

Source: Trepp as of June 30, 2017

- (1) The product of (a) the weighted average current loan-to-value ratio of the CMBS collateral pool of which the value of the property is adjusted for price appreciation using Moody's/RCA CPPI, multiplied by (b) a fraction, the numerator of which is the total principal balance of the subject class and all other classes senior to such class (if any) less the aggregate balance of underlying defeased loans and the denominator of which is the total principal balance of all classes of the transaction less the aggregate balance of underlying defeased loans. Values are as of June 30, 2017.
- (2) The weighted average loan-to-value ratio for each commercial real estate loan investment with property values adjusted to reflect the most recently obtained appraisals.



Highlights:

- Funding sources include:
 - Secured financing: repurchase agreements, debt facility, FHLBI advances
 - Exchangeable senior notes
 - Preferred equity
- 26 active repurchase agreement counterparties
- Retired \$31.2 million of exchangeable senior notes in Q2 2017; \$217.8 million has been retired as of July 2017

Average Cost of Funds ⁽¹⁾	Q2 2017	Q1 2017
Agency RMBS ⁽²⁾	1.10%	0.87%
CMBS ⁽²⁾	1.63%	1.34%
Non-Agency RMBS	2.47%	2.20%
GSE CRT	2.51%	2.27%

(1) Average cost of funds is calculated by dividing annualized interest expense excluding amortization of net deferred gain (loss) on de-designated interest rate swaps by average borrowings.

(2) Agency RMBS and CMBS average borrowing and cost of funds include borrowings under repurchase agreements and FHLBI advances.

Appendix — Non-GAAP Financial Information



We calculate core earnings 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; realized and unrealized (gain) loss on GSE CRT embedded derivatives, net; (gain) loss on foreign currency transactions, net; amortization of net deferred (gain) loss on de-designated interest rate swaps; net loss on extinguishment of debt; and cumulative adjustments attributable to non-controlling interest. We may add additional reconciling items to our core earnings calculation in the future if appropriate.

We believe the presentation of core earnings provides a consistent measure of operating performance by excluding the impact of gains and losses described above from operating results. We exclude the impact of gains and losses because 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, the majority of our mortgage-backed securities are classified as available-for-sale securities, and we record changes in the valuation of these securities in other comprehensive income on our condensed consolidated balance sheet. We elected the fair value option for our 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 our condensed consolidated statement of operations. In addition, certain gains and losses represent one-time events.

We believe that providing transparency into core earnings enables our investors to consistently measure, evaluate and compare our operating performance to that of our peers over multiple reporting periods. However, we caution that core earnings should not be considered as an alternative to net income (determined in accordance with U.S. GAAP), or as an indication of our cash flow from operating activities (determined in accordance with U.S. GAAP), a measure of our liquidity, or as an indication of amounts available to fund our cash needs, including our ability to make cash distributions.

	Three Months Ended		
	June 30, 2017	March 31, 2017	June 30, 2016
\$ in thousands, except per share data			
Net income (loss) attributable to common stockholders	46,834	87,130	(11,617)
Adjustments:			
(Gain) loss on investments, net	(11,175)	1,853	(1,414)
Realized (gain) loss on derivative instruments, net	40,229	(14,918)	20,584
Unrealized (gain) loss on derivative instruments, net	(6,682)	(13,438)	44,794
Realized and unrealized (gain) loss on GSE CRT embedded derivatives, net	(15,559)	(14,148)	(11,116)
(Gain) loss on foreign currency transactions, net	(1,731)	(513)	3,542
Amortization of net deferred (gain) loss on de-designated interest rate swaps	(6,369)	(6,298)	3,238
Net loss on extinguishment of debt	526	4,711	—
Subtotal	(761)	(42,751)	59,628
Cumulative adjustments attributable to non-controlling interest	10	539	(752)
Core earnings attributable to common stockholders	46,083	44,918	47,259
Basic income (loss) per common share	0.42	0.78	(0.10)
Core earnings per share attributable to common stockholders	0.41	0.40	0.42