2018 Fourth Quarter Earnings Call
February 21, 2019

Presenters:

John Anzalone	Kevin Collins	Lee Phegley	David Lyle	Brian Norris
Chief Executive Officer	President	Chief Financial Officer	Chief Operating Officer	Chief Investment Officer

Invesco

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 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.

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.

Overview

Q4 2018 Financial Highlights	
Basic EPS	$(1.54)
Core EPS (1)	$0.46
Book value per diluted common share (2)	$15.27
Dividend per common share	$0.42
Economic return (3)	(6.8)%
Equity allocation remains diversified	
49% Agency RMBS and CMBS	
33% Commercial Credit	
18% Residential Credit	

- Core EPS of $0.46 for Q4 2018 compared to $0.41 for Q3 2018
- Q4 2018 book value per diluted common share of $15.27 compared to $16.83 at Q3 2018
- Q4 2018 portfolio highlights:
  - Continued to reposition Agency portfolio by rotating out of seasoned investments and into newly issued 30-year Agency RMBS and Agency CMBS
  - Period-end weighted average portfolio yield increased to 4.02%, up 24 basis points compared to Q3 2018
  - Credit quality continues to benefit from underlying property price appreciation and strong borrower performance

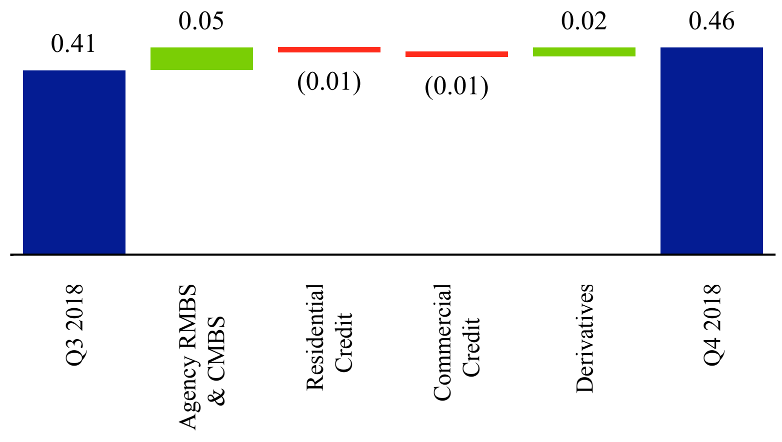
(1) Core EPS is a non-GAAP financial measure. See Slide 14 for non-GAAP reconciliation
(2) Book value per diluted common share is calculated as total equity less the liquidation preference of our Series A Preferred Stock ($140.0 million), Series B Preferred Stock ($155.0 million) and Series C Preferred Stock ($287.5 million); divided by total common shares outstanding plus Operating Partnership Units convertible into shares of common stock (no shares as of December 31, 2018; 1,425,000 shares as of September 30, 2018)
(3) Economic return for the three months ended December 31, 2018 is defined as the change in book value per diluted common share from September 30, 2018 to December 31, 2018 of $(1.56); plus dividends declared of $0.42 per common share; divided by September 30, 2018 book value per diluted common share of $16.83.

Performance

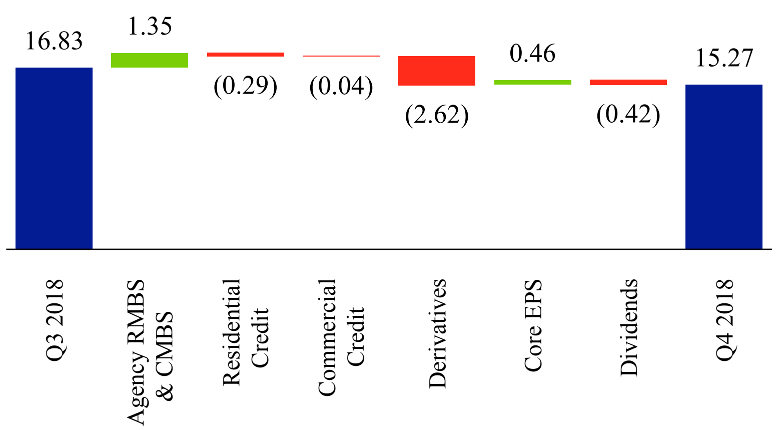
We seek to provide stockholders with attractive income and long term book value stability

- Core EPS increased by $0.05 in the quarter primarily due to portfolio repositioning into higher yielding Agency assets
- Book value declined by $1.56 during the quarter
  - Declining interest rates resulted in a $293 million net loss on derivative instruments, partially offset by $77 million of net gains on investments
  - Gains on investments were limited by an increase in interest rate spreads

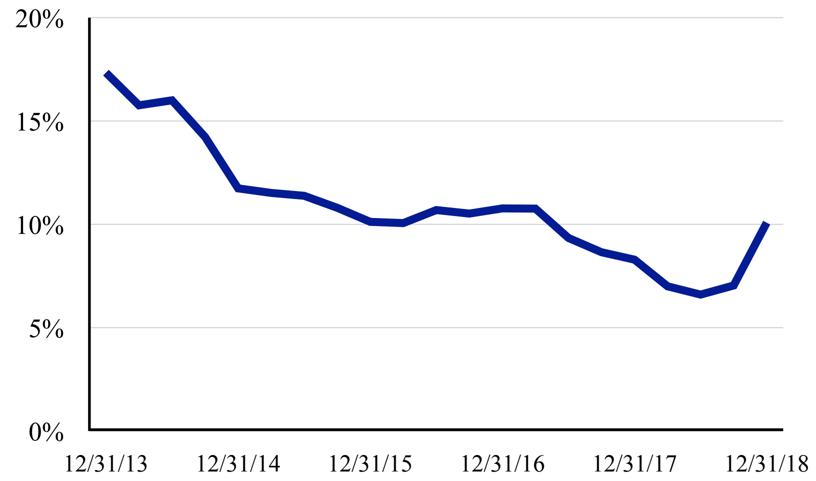
Q4 2018 Change in Core EPS [1]



Q4 2018 Change in Book Value



Annualized Book Value Volatility [2]

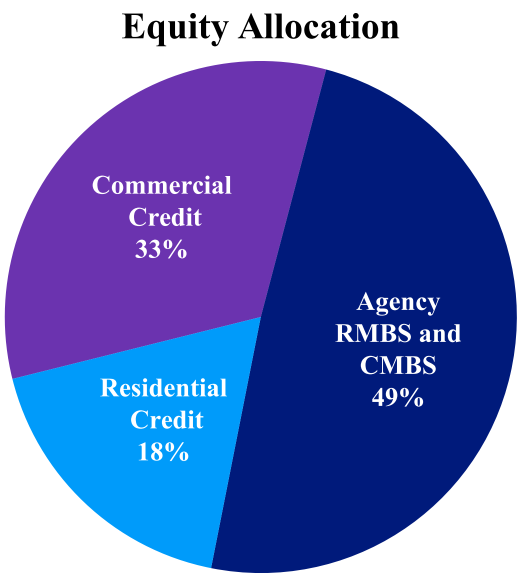


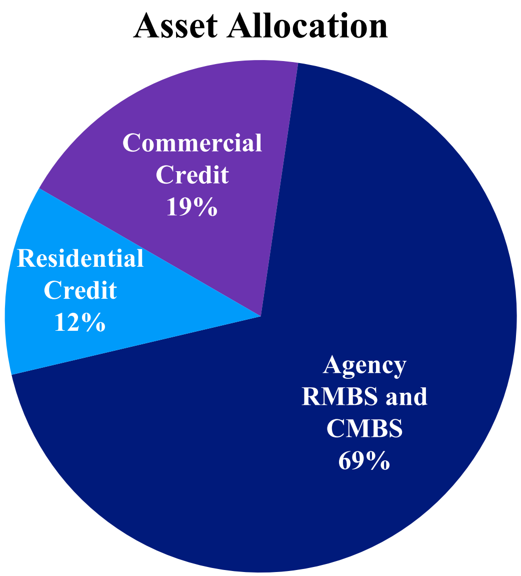
(1) Core EPS is a non-GAAP financial measure. See Slide 14 for non-GAAP reconciliation
(2) Book value volatility is based on the rolling 3 year standard deviation of quarterly book value results

The IVR Portfolio

IVR Invesco Mortgage Capital Inc.

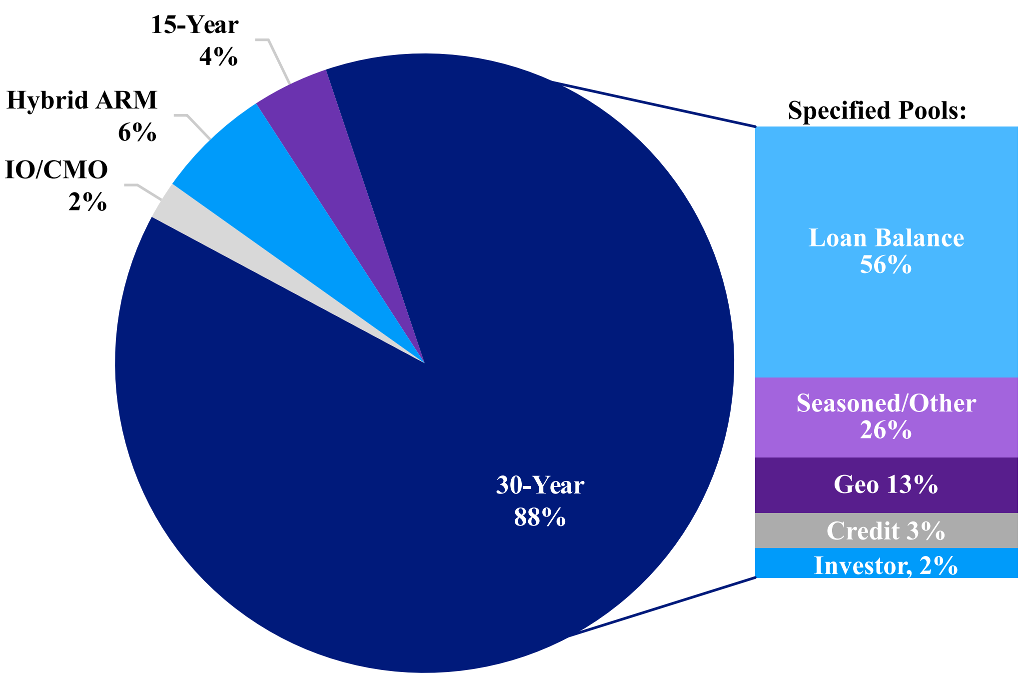
Q4 2018 Portfolio Update





- Continued to invest primarily in 30 year fixed-rate Agency RMBS and CMBS as these sectors offered the most attractive return profiles
- Active portfolio repositioning led to increased net interest margin
- 51% of equity and 31% of assets are allocated to credit
  - Along with Agency CMBS, credit assets reduce prepayment risk in the portfolio
  - Residential and commercial credit fundamentals remain supportive of non-Agency RMBS and CMBS

Agency RMBS

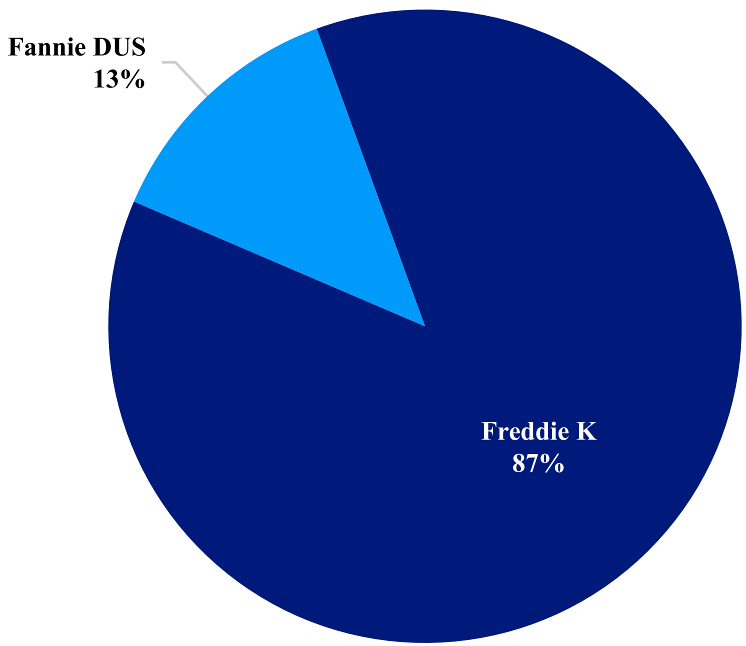


- Continued active management of Agency portfolio, rotating out of seasoned Agency RMBS investments and into newly issued 30-year specified pools and Agency CMBS
- ROEs on 30-year fixed rate Agency RMBS remain attractive at ~14%
- Accretive opportunities remain in 30-year specified pools despite recent spread tightening
- Agency RMBS yields should continue to benefit from low prepayment rates as refinancing activity remains relatively muted

($ in millions)	Fair Market Value	Duration	CPR (1)	Net Wtd. Avg Coupon(2)	Period-end Wtd.Avg Yield(3)
30-Year	$9,773	4.6	6.2	3.89%	3.55%
Hybrid ARM	$660	1.7	13.8	3.00%	2.79%
15-Year	$424	3.1	8.8	3.74%	3.27%

(1) Constant Prepayment Rate
(2) Net weighted average coupon as of December 31, 2018 is based on principal/notional balance and is presented net of servicing and other fees
(3) Period-end weighted average yield is based on amortized cost as of December 31, 2018 and incorporates future prepayment and loss assumptions

Agency CMBS

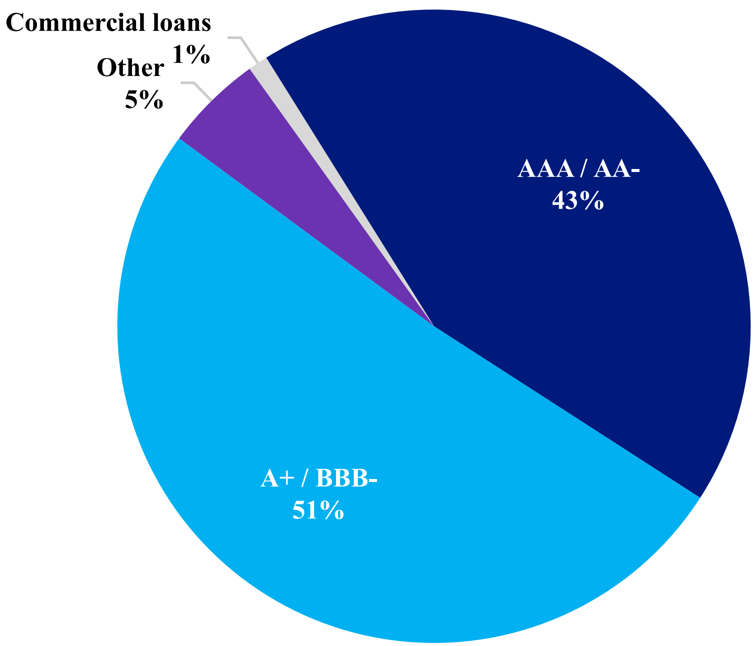


- Added $398 million of Agency CMBS
- Provides targeted exposure to multifamily loans
- Freddie Mac and Fannie Mae guarantee principal and interest payments
- Less sensitive to interest rate risk and typically have a lower hedging cost given limited extension risk and prepayment protection

($ in millions)	Fair Market Value	Duration	Period-end Wtd Avg Yield (1)
Freddie K	$871	7.5	3.53%
Fannie DUS	$132	8.2	3.64%

(1) Period-end weighted average yield is based on amortized cost as of December 31, 2018 and incorporates future prepayment and loss assumptions

Commercial Credit

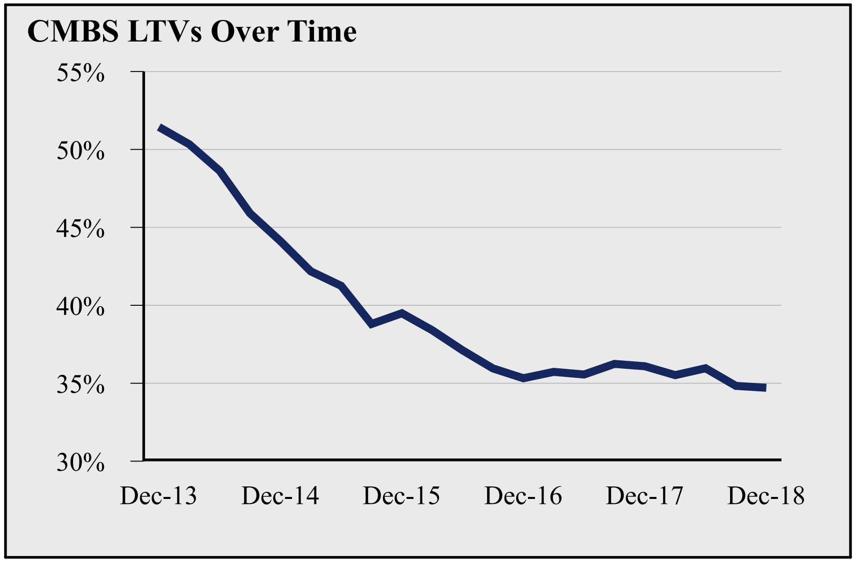


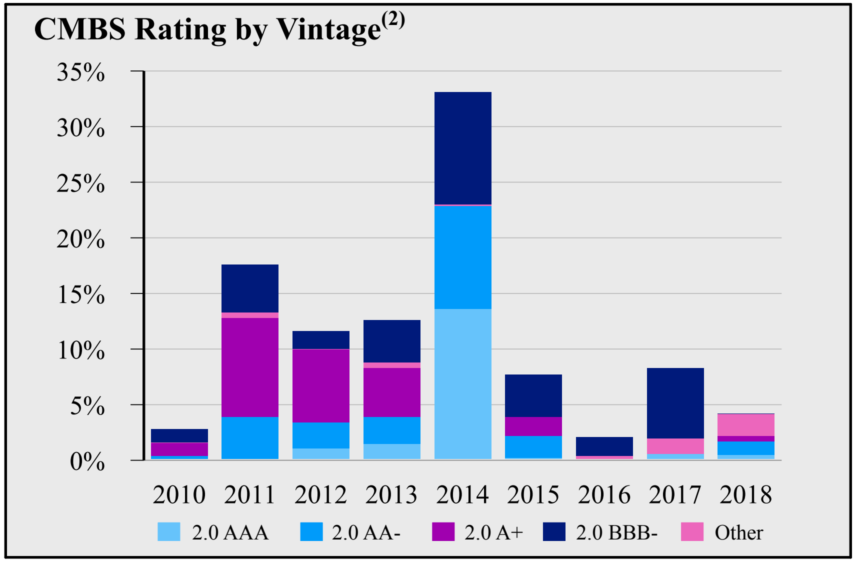
- Higher property valuations and asset seasoning have resulted in $656 million of rating agency upgrades since issuance
- Credit spread widening, resulting from broader market weakness, has increased the availability of accretive investments
- Commercial mortgage loan yields increased along with LIBOR

($ in millions)	Fair Market Value	Duration	Period-end Wtd Avg Yield (1)
A+ / BBB- (2)	$1,685	4.7	5.66%
AAA / AA- (3)	$1,444	4.0	4.05%
Other (4)	$157	4.4	7.39%
Commercial loans	$32	0.8	10.78%

(1) Period-end weighted average yield is based on amortized cost as of December 31, 2018 and incorporates future prepayment and loss assumptions
(2) CMBS originally rated between A+ and BBB- (or an equivalent rating by a nationally recognized statistical rating organization)
(3) CMBS originally rated between AAA and AA- (or an equivalent rating by a nationally recognized statistical rating organization)
(4) Includes below investment grade CMBS

Commercial Mortgage Investment Credit Quality





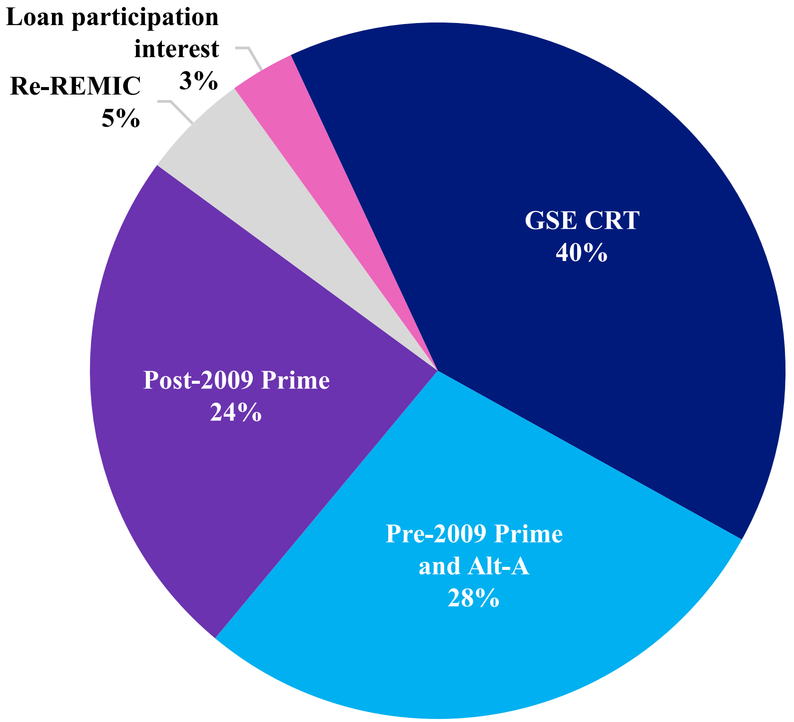
- CMBS LTV [(1)] of 35%
- Over 60% of the CMBS portfolio is rated single-A or higher
- Improved loan underwriting in risk retention compliant CMBS transactions has created new opportunities to invest

(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 as of December 31, 2018

(2) Ratings (AAA, AA-, A+ and BBB-) reflect those originally assigned by a nationally recognized statistical rating organization at the time of issuance

Source: Trepp as of December 31, 2018

Residential Credit

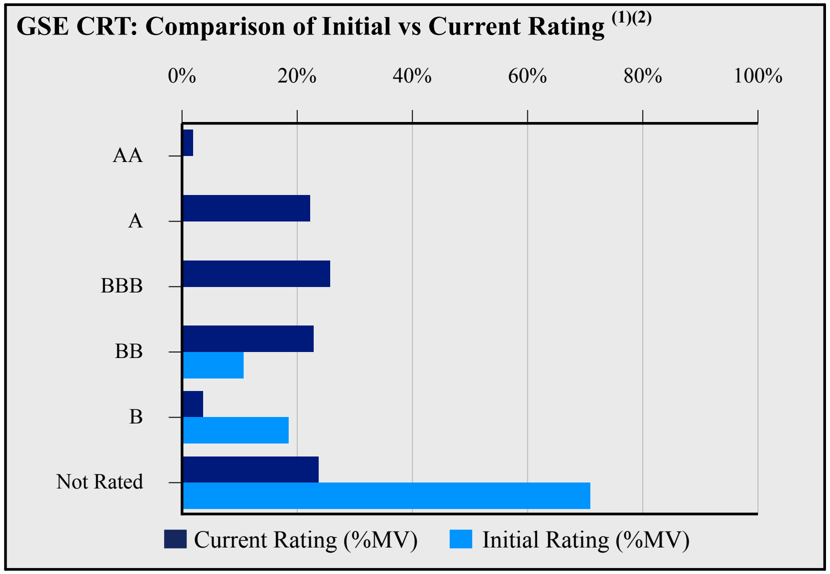


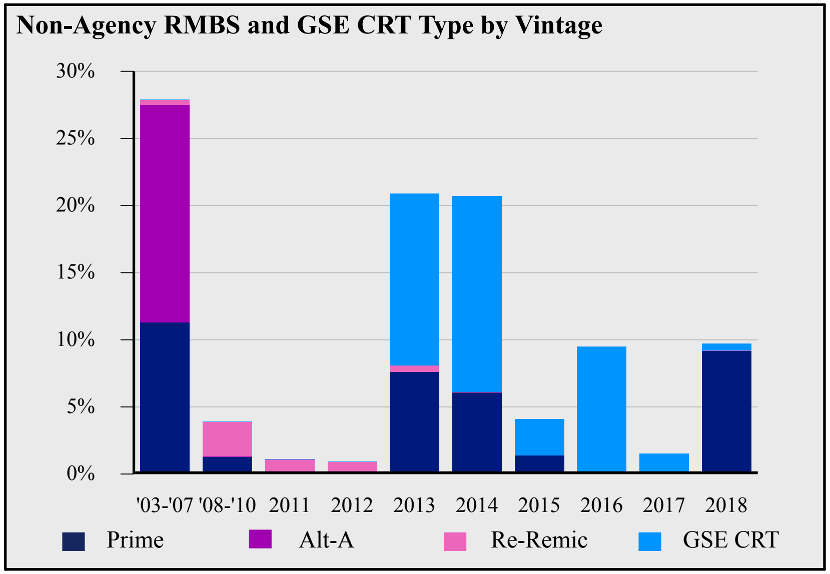
- Residential credit spreads widened during the quarter amid an increase in issuance and broad based weakness in risk assets
- Wider credit spreads in combination with strong credit profiles and attractive financing terms have created compelling opportunities in the sector
- We purchased $60 million of Post-2009 Prime and $10 million of GSE CRT during the quarter
- Fundamentals remain supportive, with lower mortgage rates and accelerating wage growth easing affordability pressures

($ in millions)	Fair Market Value	Duration	Period-end Wtd Avg Yield (1)
GSE CRT (2)	$819	(1.0)	6.83%
Pre-2009 Prime and Alt-A	$571	1.7	9.92%
Post-2009 Prime	$484	3.0	4.60%
Re-REMIC	$107	2.2	6.92%
Loan participation interest	$55	0.0	5.78%

(1) Period-end weighted average yield is based on amortized cost as of December 31, 2018 and incorporates future prepayment and loss assumptions
(2) 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 3.10%

Residential Mortgage Investment Credit Quality

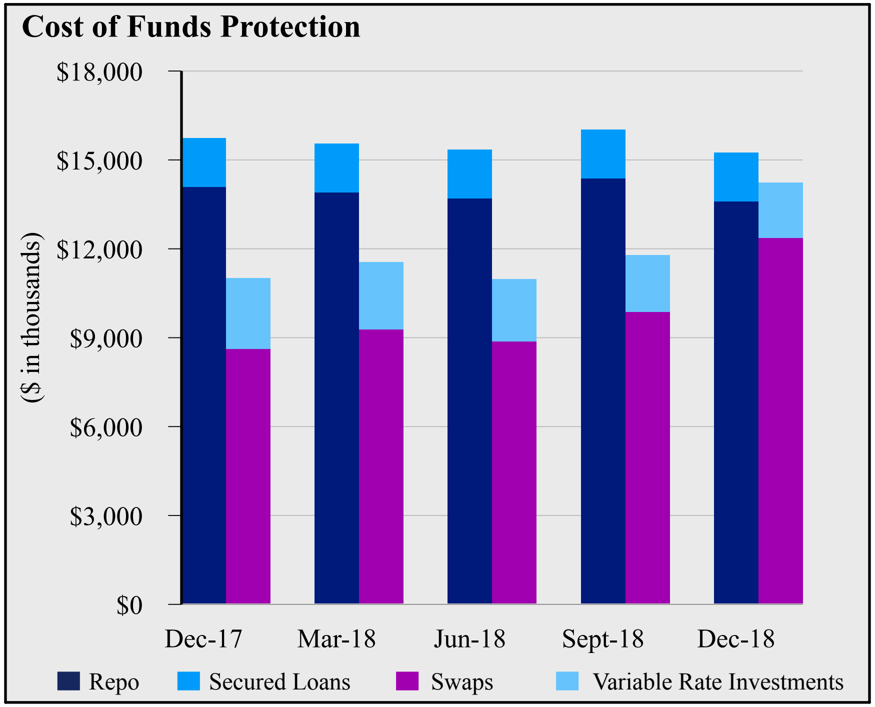




- 75% of GSE CRT investments have been upgraded by at least one rating agency since issuance [3]
- Positive rating actions were driven by underlying home price appreciation and strong borrower performance
- GSE CRT investments are M2 and M3 classes, which have significant credit enhancement
- Legacy Non-Agency RMBS investments are focused in securities backed by Prime and Alt-A loans as well as Re-REMICs
- Post-2009 Prime and GSE CRT holdings are backed by conservatively underwritten loans to well-qualified borrowers

(1) Reflects highest rating
(2) Values as of December 31, 2018
(3) Includes investments that were not rated at issuance and subsequently received a rating. Values as of December 31, 2018

Financing & Hedging



- $13.6 billion of repurchase agreements with 29 active counterparties and $1.65 billion of secured loans from FHLBI
- Average cost of funds increased during the quarter as borrowing rates moved higher with LIBOR
- Impact of further increases in interest rates mitigated by interest rate swaps, variable rate investments and treasury futures

Average Cost of Funds [1]	Q4 2018	Q3 2018
Agency RMBS [2]	2.52%	2.24%
Agency CMBS	2.40%	2.26%
Non-Agency CMBS [2]	3.11%	2.88%
Non-Agency RMBS	3.49%	3.40%
GSE CRT	3.47%	3.26%
Loan participation interest	4.04%	3.83%

Floating Rate Exposure as of 12/31/18	($ in thousands)
Interest rate swaps	12,370
Variable rate investments	1,861
Total assets	**$ 14,231**
Repurchase agreements	13,602
Secured loans	1,650
Total liabilities	**$ 15,252**
Ratio of floating rate assets to liabilities	**93.3%**

(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 non-Agency 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 and have added additional reconciling items to our core earnings calculation as 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, a portion 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 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 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. Please refer to pages 8-10 in the Q4 2018 earnings press release for a description of the adjustments.

	Three Months Ended		
$ in thousands, except per share data	December 31, 2018	September 30, 2018	December 31, 2017
Net income (loss) attributable to common stockholders	(172,215)	(64,480)	137,436
Adjustments:			
(Gain) loss on investments, net	(76,957)	207,910	17,153
Realized (gain) loss on derivative instruments, net	252,323	(99,641)	(73,646)
Unrealized (gain) loss on derivative instruments, net	40,533	9,206	(7,368)
Realized and unrealized (gain) loss on GSE CRT embedded derivatives, net	14,595	663	(7,401)
(Gain) loss on foreign currency transactions, net	(7)	(215)	(387)
Amortization of net deferred (gain) loss on de-designated interest rate swaps	(5,980)	(6,422)	(6,438)
Net loss on extinguishment of debt	—	—	233
Subtotal	224,507	111,501	(77,854)
Cumulative adjustments attributable to non-controlling interest	(1,449)	(1,405)	981
Series B preferred stock dividend cumulative adjustment	—	—	(2,870)
Series C preferred stock dividend declared but not accumulated	—	—	(5,211)
Core earnings attributable to common stockholders	50,843	45,616	52,482
Basic income (loss) per common share	(1.54)	(0.58)	1.23
Core earnings per share attributable to common stockholders	0.46	0.41	0.47