

IVR

Invesco Mortgage Capital Inc.

The Expertise. The Resources. Each step of the way.



**2017 Third Quarter Earnings Call
November 7, 2017**

John Anzalone
Chief Executive Officer

Kevin Collins
President

Lee Phegley
Chief Financial Officer

Jason Marshall
Chief Investment Officer

David Lyle
Chief Operating 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 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

Q3 2017 Financial Highlights

Basic EPS	\$0.44
Core EPS ⁽¹⁾	\$0.44
Book value per diluted common share ⁽²⁾	\$18.34
Dividend per common share	\$0.41
Economic return ⁽³⁾	2.6%

Equity allocation remains diversified

41% Agency RMBS

38% Commercial Credit

21% Residential Credit

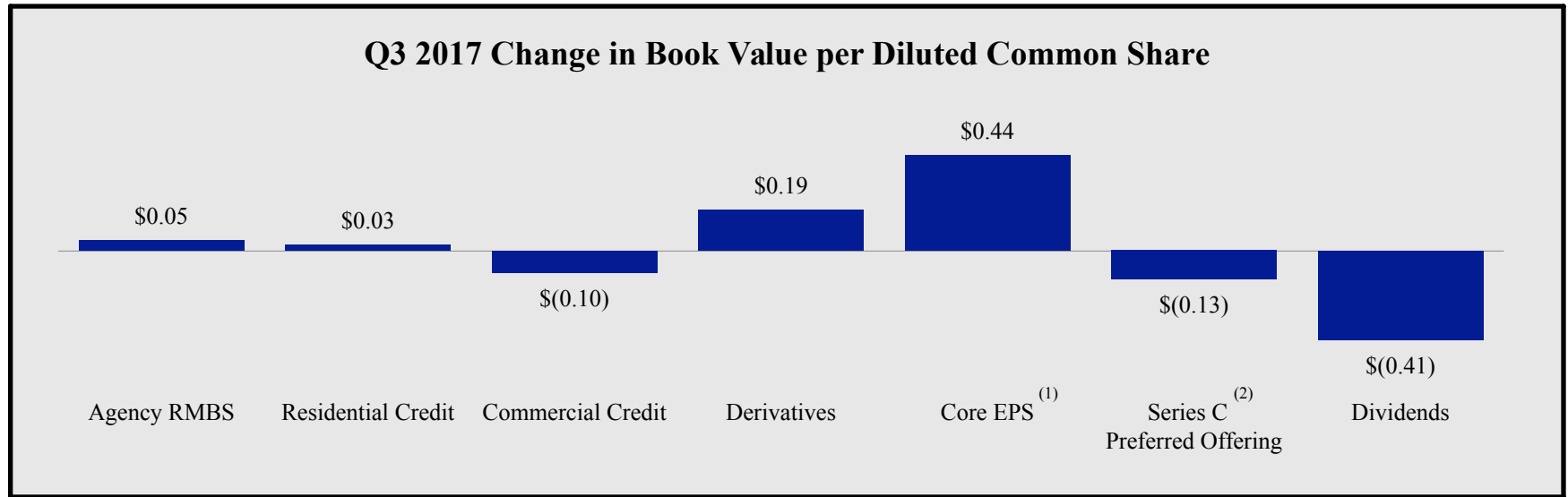
- Core EPS of \$0.44 for Q3 2017 compared to \$0.41 for Q2 2017
 - Core EPS increased primarily due to higher effective net interest income
- Book value per diluted common share increased by \$0.07 or 0.4% to \$18.34 in Q3 2017
 - Three-month economic return of 2.6%
 - Year-to-date economic return of 11.8%
- Q3 2017 portfolio highlights
 - Issued \$287.5M of Series C Preferred Equity
 - Purchases were concentrated in 30 year fixed-rate Agency RMBS and CMBS
 - 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), 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 (1,425,000 shares)

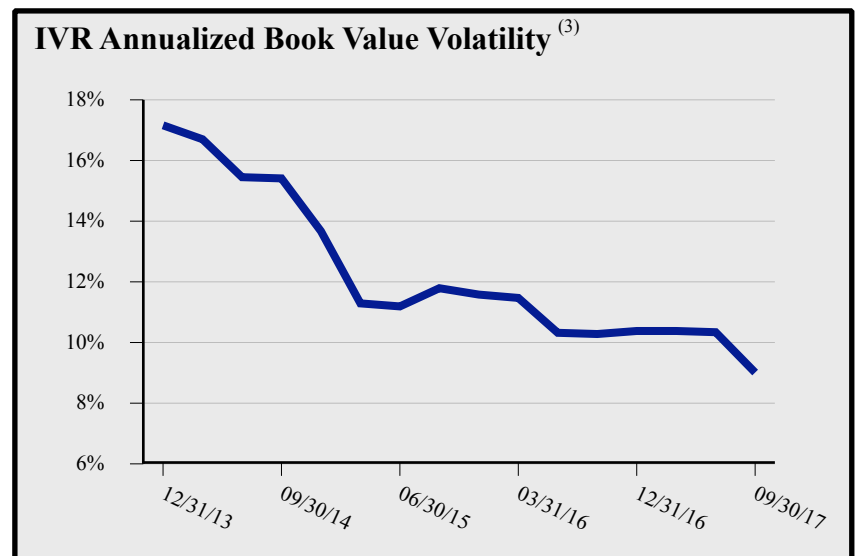
(3) Economic return for the three months ended September 30, 2017 is defined as the change in book value per diluted common share from June 30, 2017 to September 30, 2017 of \$0.07; plus dividends declared of \$0.41 per common share; divided by June 30, 2017 book value per diluted common share of \$18.27. Economic return for the nine months ended September 30, 2017 is defined as the change in book value per diluted common share from December 31, 2016 to September 30, 2017 of \$0.86; plus dividends declared of \$1.21 per common share; divided by December 31, 2016 book value per diluted common share of 17.48

Book Value Performance



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

- Q3 2017 book value per diluted common share ("BVPS") increased by \$0.07 or 0.4%
- Agency RMBS and Residential Credit increased our BVPS modestly in the quarter while Commercial Credit declined due to slightly higher interest rates
- Derivatives increased our BVPS by \$0.19 due to higher swap rates



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

(2) Series C Preferred Offering includes issuance costs of \$9.4 million and dividends declared but not accumulated of \$5.2 million

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

IVR Performance Relative to Peers ⁽¹⁾

IVR Outperforming Peers Across Key Metrics

Economic returns ⁽²⁾

- Outperformed peer group average in 2017 YTD⁽³⁾
- Outperformed peer group average in 2014, 2015 and 2016
- Outperformed peer group average during trailing 3 and 5 year period

Book value performance ⁽⁴⁾

- 1, 3 and 5 year book value growth above peer group average:
 - 1 YR: +6.97% v. -1.74%
 - 3 YR: -7.73% v. -15.13%
 - 5 YR: -0.71% v. -18.24%

Dividend performance

- Increased common stock dividend to \$0.41 in Q3 2017
- IVR is only 1 of 3 peer companies to increase its dividend in the last 3 years
- IVR is only 1 of 2 peer companies to earn the dividend in at least 10 of the last 12 quarters⁽⁵⁾

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

(2) Source: Bloomberg and Company filings

(3) Latest financial data as of 6/30/17

(4) Source: Bloomberg and Company filings. Latest financial data as of 6/30/17

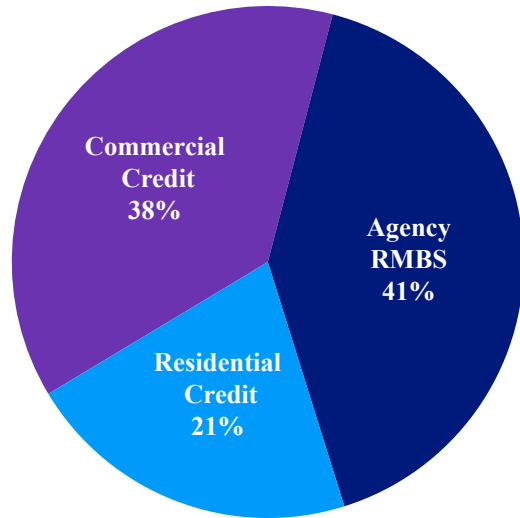
(5) Source: Bloomberg and Company filings. Latest financial data as of 9/30/17

The IVR Portfolio

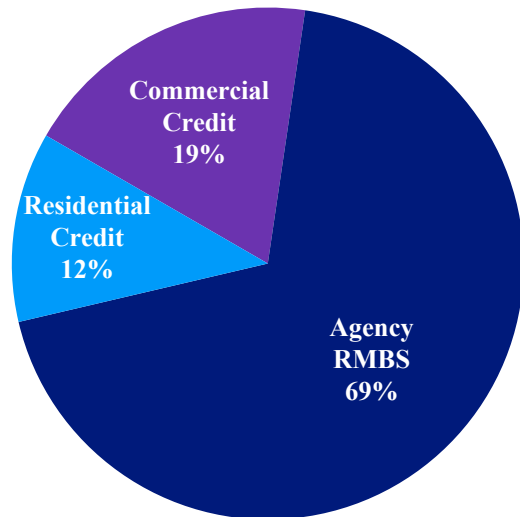


Q3 2017 Portfolio Update

Equity Allocation



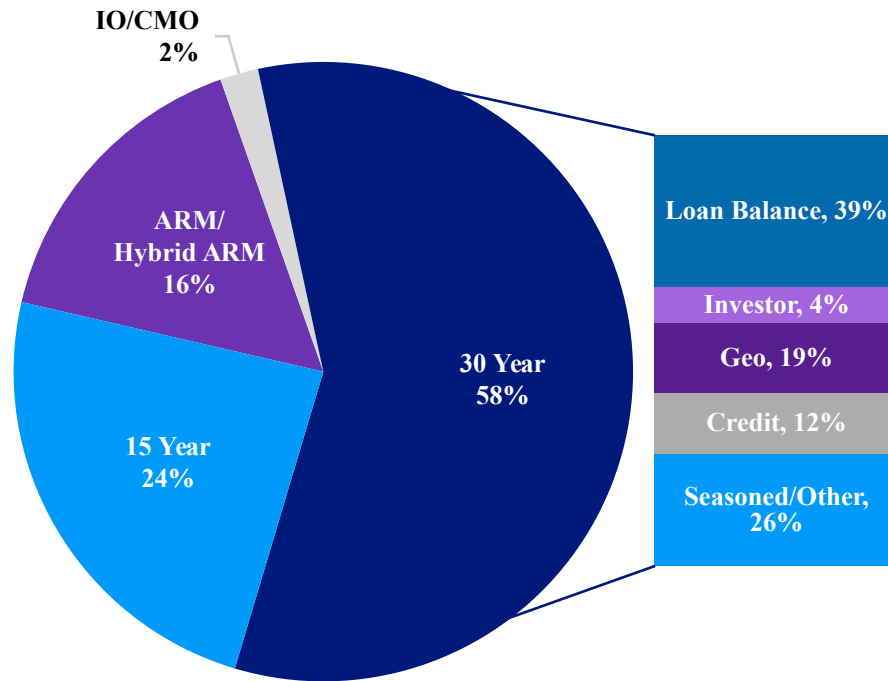
Asset Allocation



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 31% of assets are allocated to credit
 - Both residential and commercial credit fundamentals remain strong
 - Credit assets exhibit significantly less convexity risk than Agency RMBS

Agency RMBS



	CPR ⁽¹⁾	Net Wtd. Avg Coupon ⁽²⁾	Period-end Wtd. Avg Yield ⁽³⁾
15 Year	10.2	3.09%	2.16%
30 Year	9.3	3.75%	3.08%
Hybrid ARM	18.6	2.70%	2.54%

Highlights:

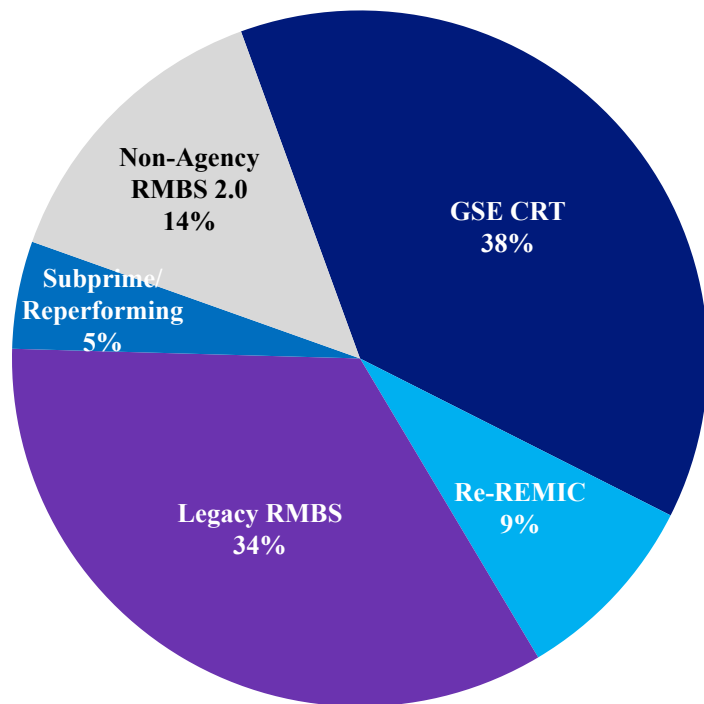
- Added \$2.5 billion of 30 year 3.0% and 3.5% coupon specified pools to deploy preferred proceeds and replace paydowns
- Hedged ROE remains attractive at around 13%
- The 30 year sector outperformed shorter duration alternatives on strong commercial bank demand
- Barring a sharp rally in rates, the Agency RMBS portfolio yield should benefit from seasonally slower housing activity in the winter months

(1) Constant Prepayment Rate

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

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

Residential Credit



Highlights:

- Home prices remain well supported by limited housing inventory and low unemployment
- Pre-crisis mortgage loan performance continues to improve, while post-crisis loans have demonstrated historically low default rates to date
- Legacy RMBS and Re-REMIC prices rose during the quarter, while GSE CRT prices were modestly lower as investors assessed the impact of recent hurricanes
- We expect hurricane-related loan defaults to remain contained; GSE CRT structures feature credit enhancement well in excess of anticipated incremental loan losses

	Duration	Period-end Wtd Avg Yield ⁽¹⁾
Re-REMIC	0.7	6.04%
Legacy RMBS ⁽²⁾	1.3	8.12%
Subprime/Reperforming	1.8	4.75%
Non-Agency RMBS 2.0 ⁽³⁾	2.8	4.48%
GSE CRT ⁽⁴⁾	0.0	6.01%

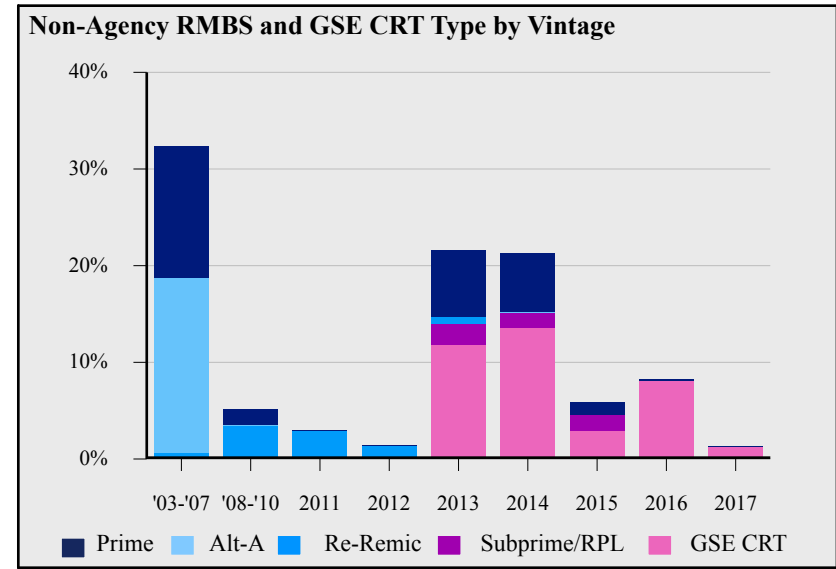
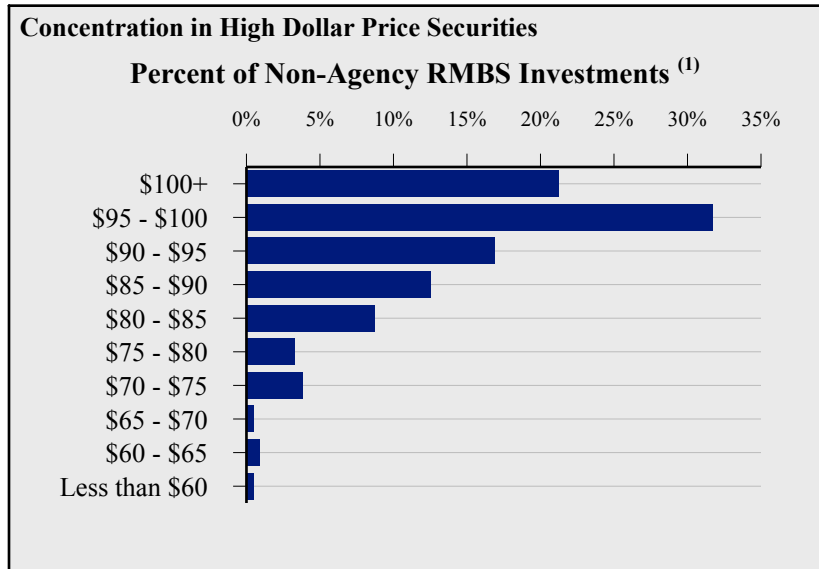
(1) Period-end weighted average yield is based on amortized cost as of September 30, 2017 and incorporates future prepayment and loss assumptions

(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 2.34%

Residential Credit Investment Quality

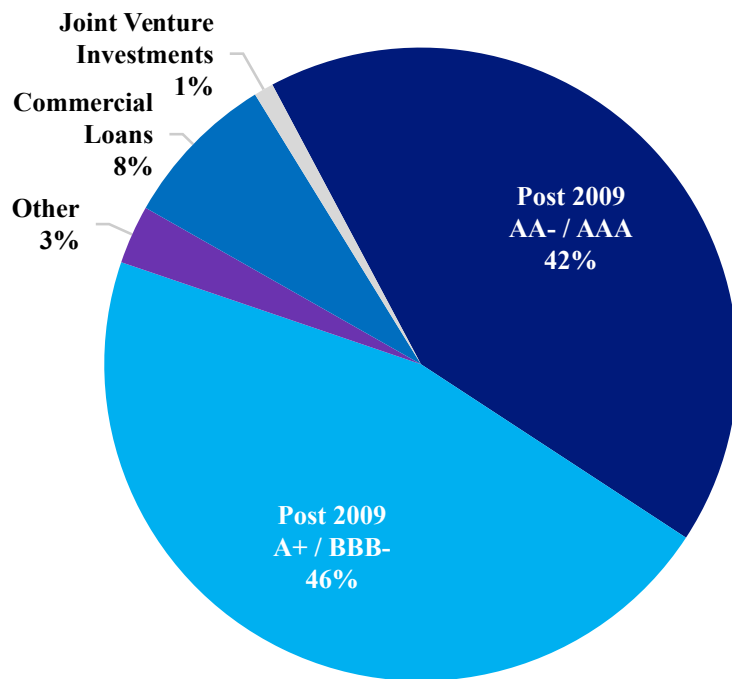


- 70% of Non-Agency RMBS holdings have dollar prices above \$90, and 91% above \$80
- These high dollar prices generally reflect lower exposure to collateral performance issues, demonstrate less price volatility and are more attractive to finance
- Low dollar price bonds demonstrate greater price volatility, 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
 - Reference loans have significant embedded home price appreciation
 - Rating agencies have been active in upgrading seasoned securities

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

Commercial Credit



Highlights:

- Favorable trends in property fundamentals provided positive support for commercial mortgage credit investments
- CMBS spreads benefited from increased investor appetite
- Increased portfolio yield by adding \$376 million of CMBS during the quarter
- Commercial mortgage loan portfolio yields increased along with LIBOR

	Duration	Period-end Wtd Avg Yield ⁽¹⁾
Post 2009 AA- / AAA ⁽²⁾	4.9	3.98%
Post 2009 A+ / BBB- ⁽³⁾	6.3	5.50%
Other ⁽⁴⁾	2.3	6.84%
Commercial Loans	0.3	8.86%

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

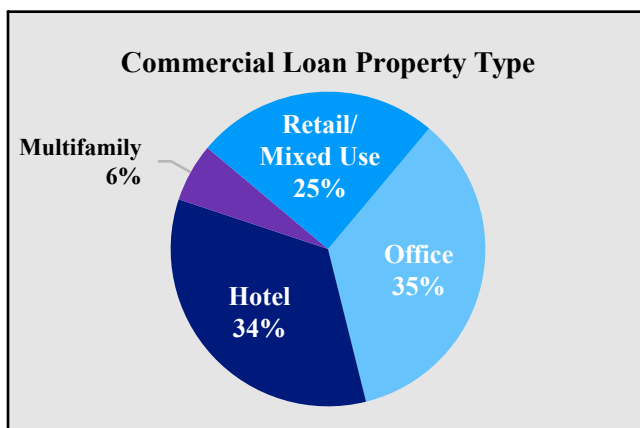
(2) CMBS originally rated between AA- and AAA (or an equivalent/comparable ratings by a nationally recognized statistical rating organization) issued after 2009

(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 September 30, 2017. Joint venture investment property types are not included.

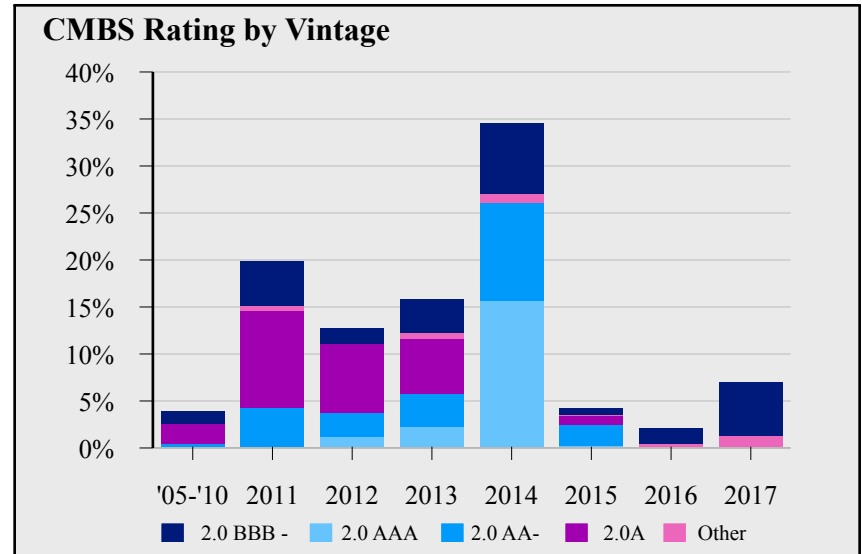
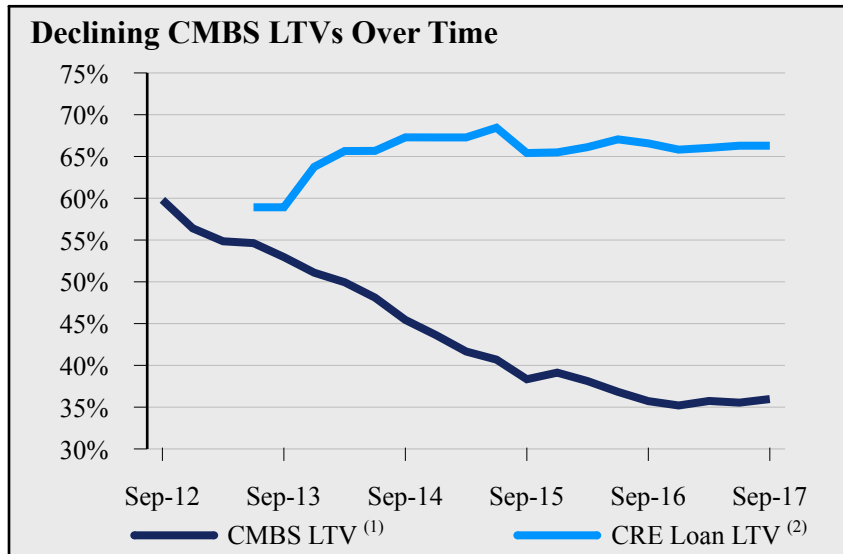
Portfolio Highlights

- Quarter-end commercial loan & joint venture portfolio of \$303.7 million
- \$112.3 million of principal has been returned through realization of borrower business plans
- No delinquencies as of September 30, 2017
- Investments predominantly behind balance sheet lenders

(1) As of September 30, 2017 our undrawn commitments in commercial loans and joint venture investments were \$5.8 million and \$12.9 million, respectively

12 (2) As of September 30, 2017 we have received cumulative distributions totaling \$180.2 million from joint venture investments. As of September 30, 2017 our joint venture investment balance was \$22.7 million

Improvement in Commercial Mortgage Investment Credit Quality

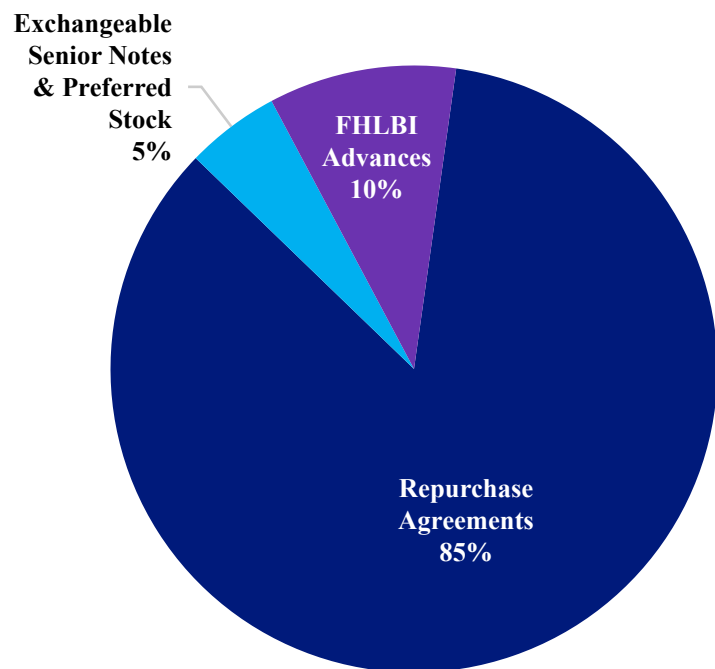


- CMBS LTV ⁽¹⁾ of 36% and CRE Loan LTV ⁽²⁾ of 66%
- Approximately 70% of CMBS portfolio is rated single-A or higher
- Improved loan underwriting in risk retention compliant CMBS transactions has created new opportunities to invest

Source: Trepp as of September 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 September 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

Financing



Highlights:

- Funding sources include:
 - Secured financing: repurchase agreements and FHLBI advances
 - Exchangeable senior notes
 - Preferred equity
- 27 active repurchase agreement counterparties
- Issued \$287.5M of Series C Preferred Equity in August 2017
- Retired \$60.9 million of exchangeable senior notes in Q3 2017; As of September 30, 2017, \$157.8 million is outstanding

Average Cost of Funds ⁽¹⁾	Q3 2017	Q2 2017
Agency RMBS ⁽²⁾	1.28%	1.10%
CMBS ⁽²⁾	1.91%	1.63%
Non-Agency RMBS	2.67%	2.47%
GSE CRT	2.69%	2.51%

(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		
	September 30, 2017	June 30, 2017	September 30, 2016
\$ in thousands, except per share data			
Net income (loss) attributable to common stockholders	49,127	46,834	129,219
Adjustments:			
(Gain) loss on investments, net	11,873	(11,175)	7,155
Realized (gain) loss on derivative instruments, net	(19,503)	40,229	(1,347)
Unrealized (gain) loss on derivative instruments, net	95	(6,682)	(60,419)
Realized and unrealized (gain) loss on GSE CRT embedded derivatives, net	8,803	(15,559)	(25,963)
(Gain) loss on foreign currency transactions, net	(1,504)	(1,731)	1,340
Amortization of net deferred (gain) loss on de-designated interest rate swaps	(6,438)	(6,369)	(4,831)
Net loss on extinguishment of debt	1,344	526	—
Subtotal	(5,330)	(761)	(84,065)
Cumulative adjustments attributable to non-controlling interest	67	10	1,060
Preferred stock dividend declared but not accumulated	5,211	—	—
Core earnings attributable to common stockholders	49,075	46,083	46,214
Basic income (loss) per common share	0.44	0.42	1.16
Core earnings per share attributable to common stockholders	0.44	0.41	0.41