IVR

Invesco Mortgage Capital Inc.

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

2018 Third Quarter Earnings Call
November 8, 2018

John Anzalone
Chief Executive Officer

Kevin Collins
President

Lee Phegley
Chief Financial Officer

David Lyle
Chief Operating Officer

Brian Norris
Interim 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

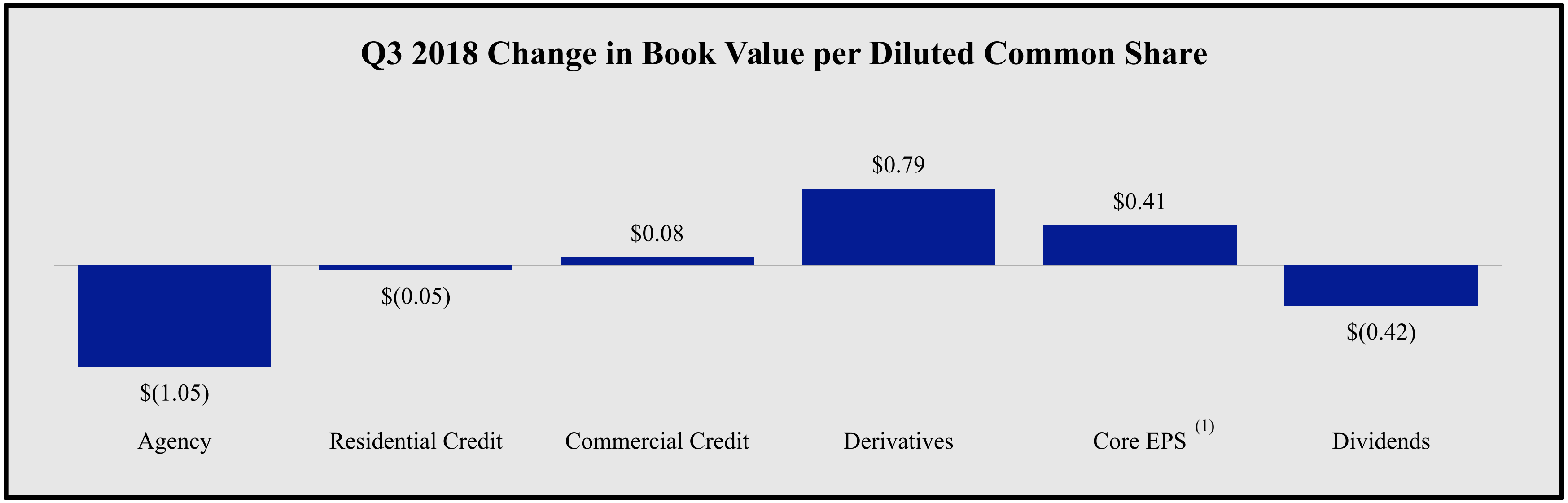
Q3 2018 Financial Summary		
Basic EPS	$	(0.58)
Core EPS (1)	$	0.41
Book value per diluted common share (2)	$	16.83
Dividend per common share	$	0.42
Economic return (3)		1.1%
Equity allocation remains diversified		
51% Agency RMBS and CMBS		
31% Commercial Credit		
18% Residential Credit		

- Maintained core EPS of $0.41 for Q3 2018
- Book value per diluted common share decreased by $0.23 or 1.3% to $16.83 in Q3 2018
- Q3 2018 portfolio highlights
  - Repositioned Agency portfolio by rotating out of seasoned investments and into newly issued 30-year Agency RMBS and Agency CMBS
  - Realized GAAP loss on sale of securities did not impact our book value
  - Period-end weighted average portfolio yield increased to 3.78%, up 21 basis points compared to Q2 2018
  - Diversified investment strategy, active hedging, and credit spread tightening contributed to book value stability
  - 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 (1,425,000 shares)
(3) Economic return for the three months ended September 30, 2018 is defined as the change in book value per diluted common share from June 30, 2018 to September 30, 2018 of ($0.23); plus dividends declared of $0.42 per common share; divided by June 30, 2018 book value per diluted common share of $17.06

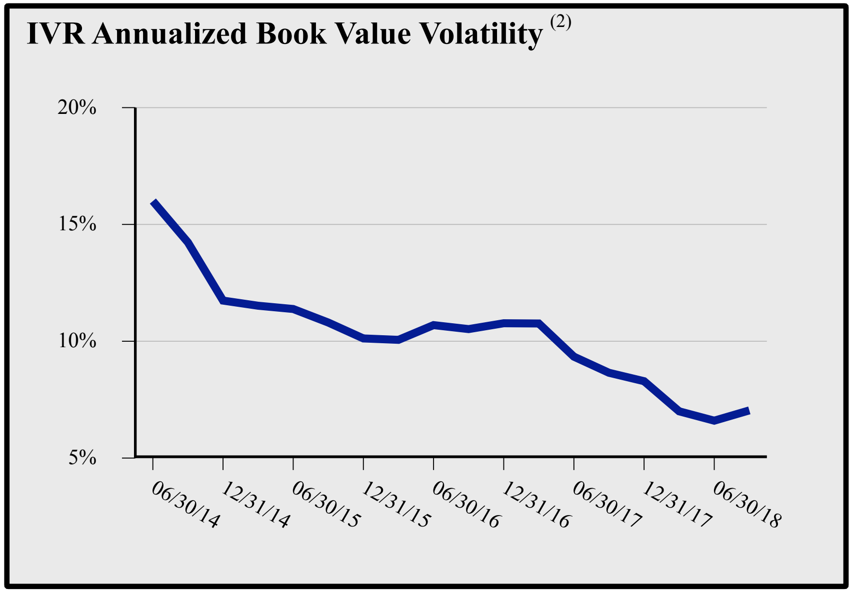
Past performance is not a guarantee of future results.

Book Value Performance



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

- Q3 2018 book value per diluted common share decreased to $16.83, down $0.23 or 1.3% from Q2 2018
- Book value declined due to rising interest rates driving a decrease in the valuations of our mortgage-backed securities portfolio that exceeded the increase in the valuations of our interest rate hedges

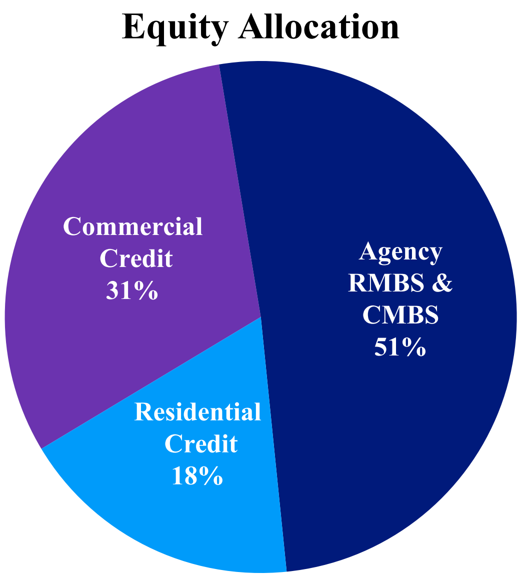


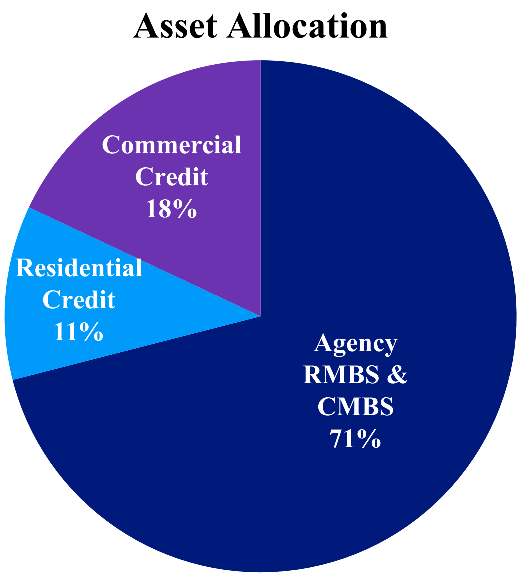
(1) Core EPS is a non-GAAP financial measure. See Slide 14 for non-GAAP reconciliation
(2) Book value volatility is based on the rolling 3 year standard deviation of quarterly book value results

The IVR Portfolio

IVR Invesco Mortgage Capital Inc.

Q3 2018 Portfolio Update

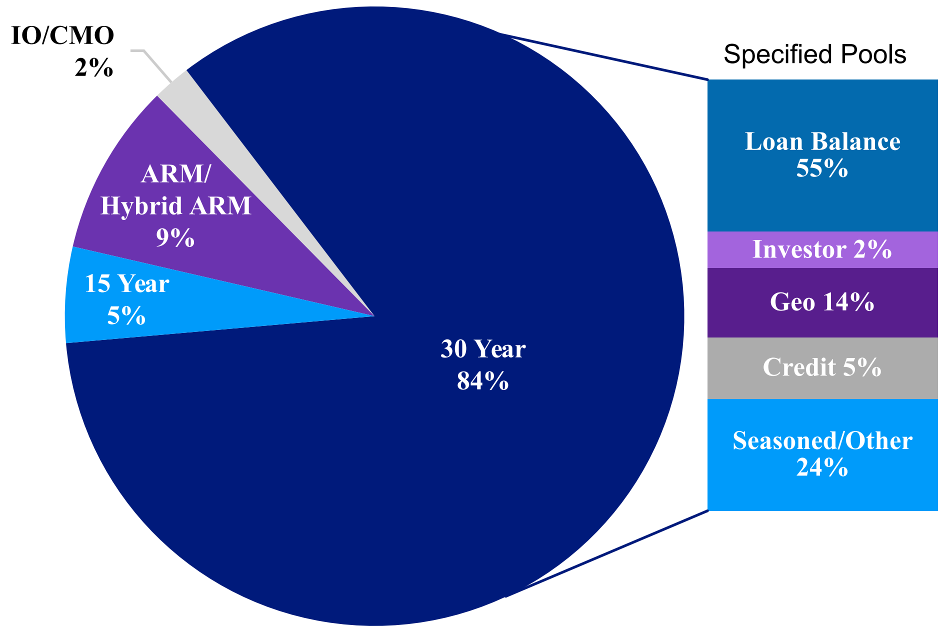




Highlights:

- Repositioned Agency RMBS portfolio, driving a 21 basis point quarter over quarter increase in period end weighted average portfolio yield
  - Rotated out of seasoned Agency RMBS and into newly issued 30 year Agency RMBS and Agency CMBS
  - Reinvested $100 million of commercial loan repayments and MBS paydowns into Agency RMBS and Agency CMBS
- 49% of equity and 29% of assets are allocated to credit investments
  - 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



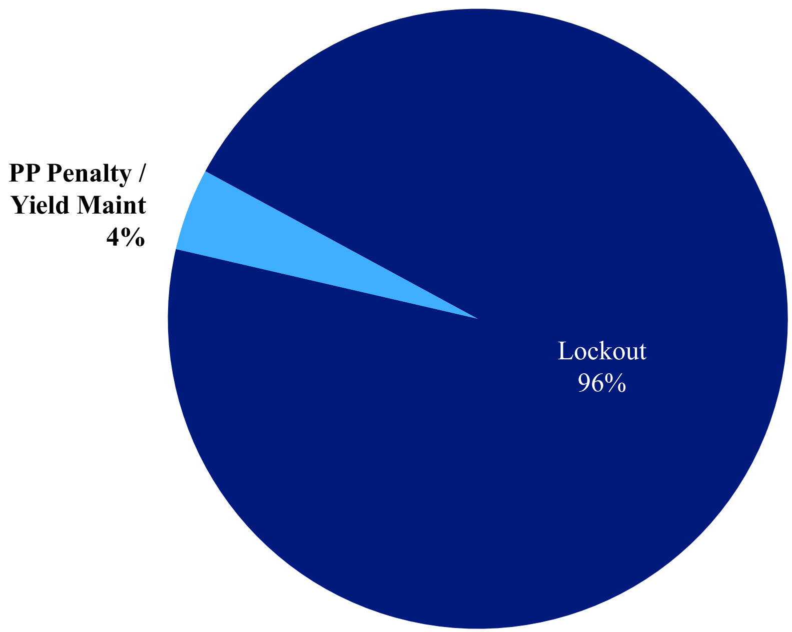
	CPR (1)	Net Wtd. Avg Coupon (2)	Period-end Wtd. Avg Yield (3)
15 Year	10.9	3.77%	3.08%
30 Year	7.4	3.86%	3.46%
Hybrid ARM	16.6	2.85%	2.68%

(1) Constant Prepayment Rate
(2) Net weighted average coupon as of September 30, 2018 is presented net of servicing and other fees
(3) Period-end weighted average yield is based on amortized cost as of September 30, 2018 and incorporates future prepayment and loss assumptions

Highlights:

- Rotated out of $2.9 billion of seasoned Agency RMBS and into newly issued 30-year specified pools
- ROEs on 30-year fixed rate Agency RMBS remain attractive at 13% to 14%
- Accretive opportunities remain given spread widening and higher yields despite higher financing costs
- Agency RMBS yields should benefit from a seasonal slowdown in prepays and historically low refinance rates

Agency CMBS



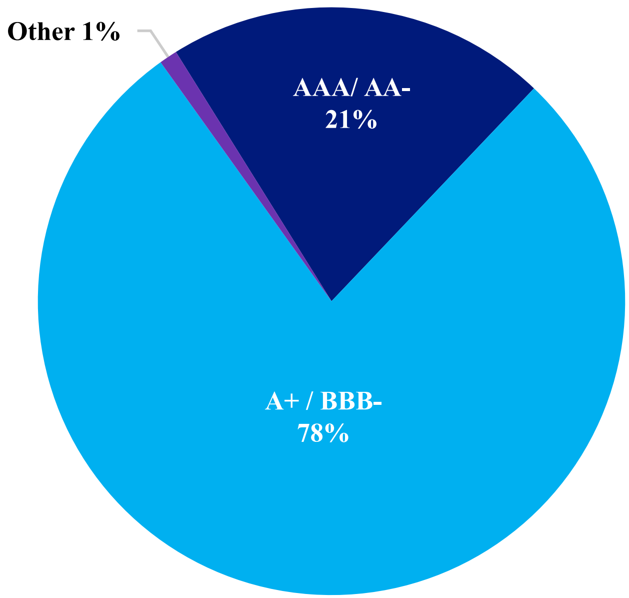
Highlights:

- Added $440 million of Agency CMBS
- Provides targeted exposure to multifamily loans
- Benefits from a GSE guarantee and underlying loan prepayment protection

	Period-end Wtd Avg Yield(1)
Freddie K A2	3.39%

(1) Period-end weighted average yield is based on amortized cost as of September 30, 2018 and incorporates future prepayment and loss assumptions

Commercial Credit



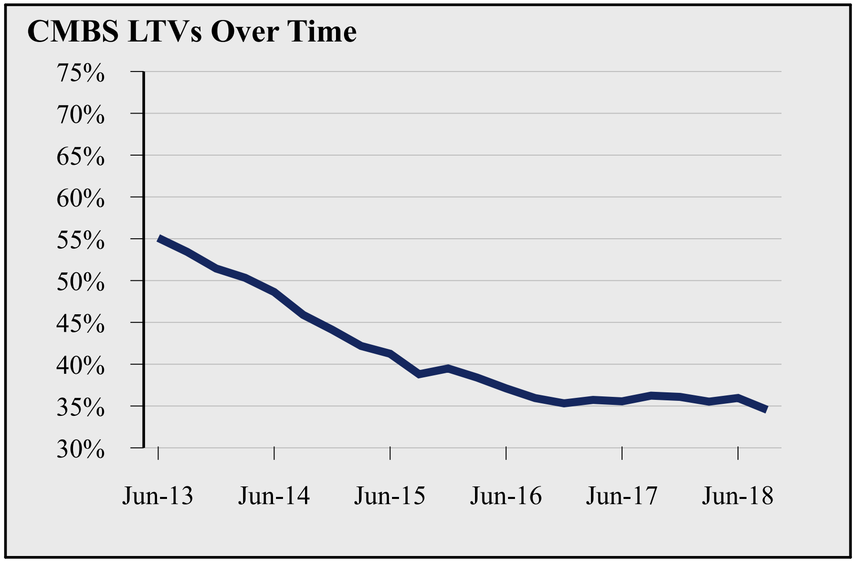
	Duration	Period-end Wtd Avg Yield (1)
AAA/ AA- (2)	4.2	4.16%
A+ / BBB- (3)	4.4	5.27%
Other (4)	2.6	6.98%
Commercial Loans	0.1	10.05%

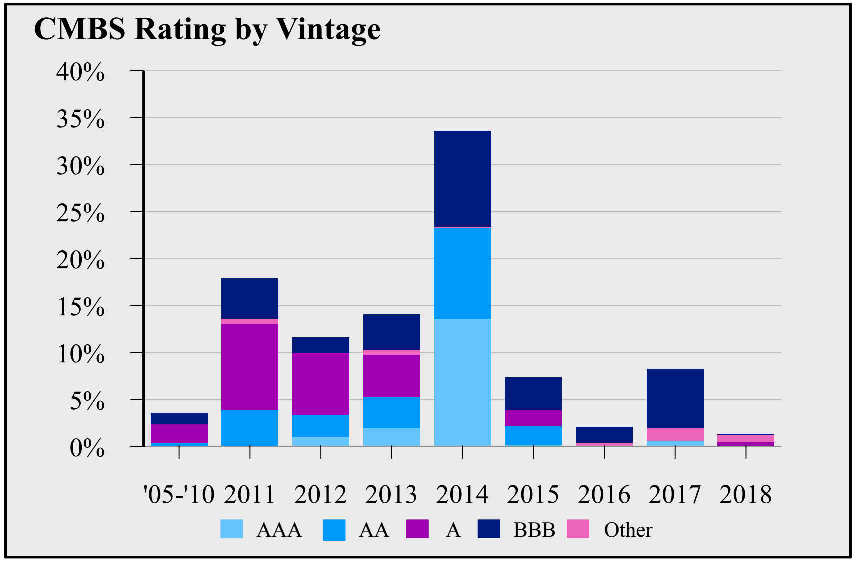
Highlights:

- Higher property valuations and asset seasoning have resulted in $589 million of rating agency upgrades
- Subordinate CMBS credit spreads tightened notably
- Purchased $167 million of CMBS
- $100 million of commercial mortgage loan portfolio paydowns
- Commercial mortgage loan portfolio yield increased with LIBOR

(1) Period-end weighted average yield is based on amortized cost as of September 30, 2018 and incorporates future prepayment and loss assumptions
(2) CMBS originally rated between AAA and AA- (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

Improvement in Commercial Mortgage Investment Credit Quality



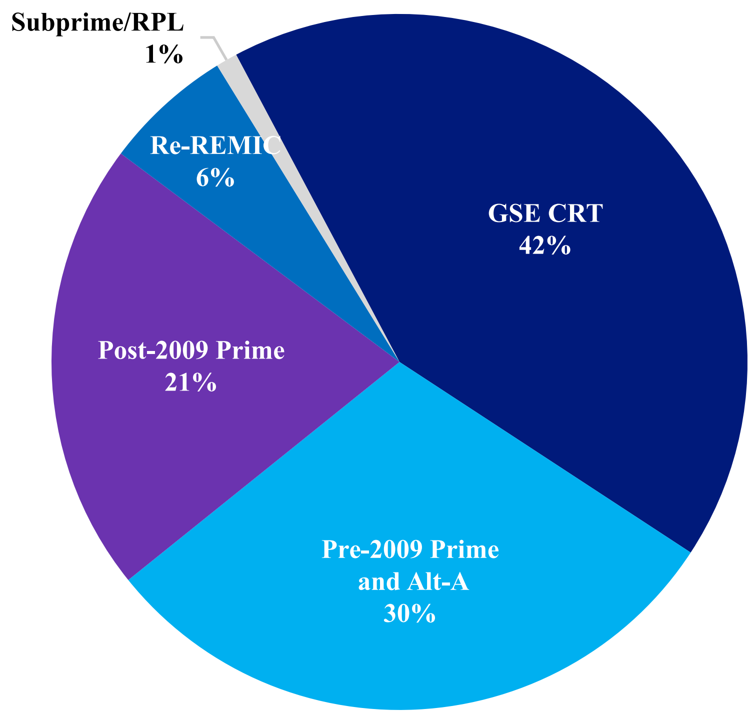


- CMBS LTV [(1)] of 35%
- Approximately 64% of CMBS portfolio is rated single-A or higher
- Quarter-end commercial loan portfolio of $32 million and joint venture portfolio of $24 million
- Commercial loan portfolio has zero delinquencies and a weighted average maturity of approximately 2 years

Source: Trepp as of September 30, 2018

(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, 2018

Residential Credit



	Duration	Period-end Wtd Avg Yield [(1)]
Re-REMIC	2.4	6.82%
Pre-2009 Prime and Alt-A	1.8	9.63%
Subprime/Reperforming	1.7	4.45%
Post-2009 Prime	2.9	4.54%
GSE CRT [(2)]	(0.9)	6.70%

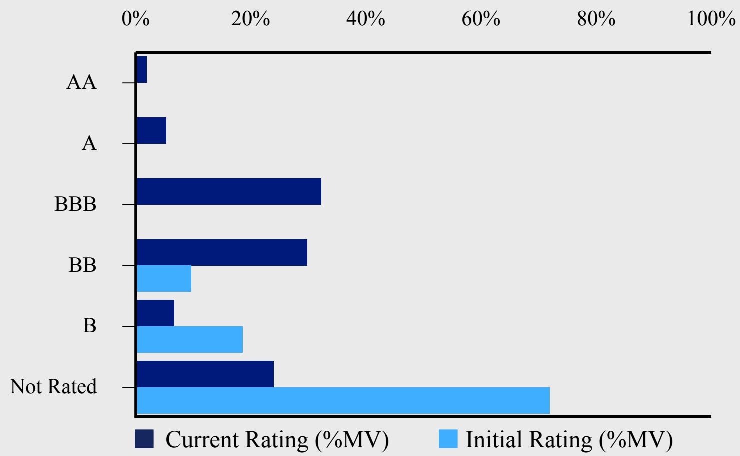
Highlights:

- Credit spreads on GSE CRT and Pre-2009 Prime/Alt-A tightened amid continued demand for variable rate structured securities
- Invested $45 million in a loan participation interest with a commitment to fund an additional $30 million over the next two years
- The majority of residential credit portfolio has a variable coupon, limiting duration and hedging requirements
- Though the rate of home price appreciation is slowing as affordability declines, tight housing inventory and a strong economy should continue to benefit residential credit investments

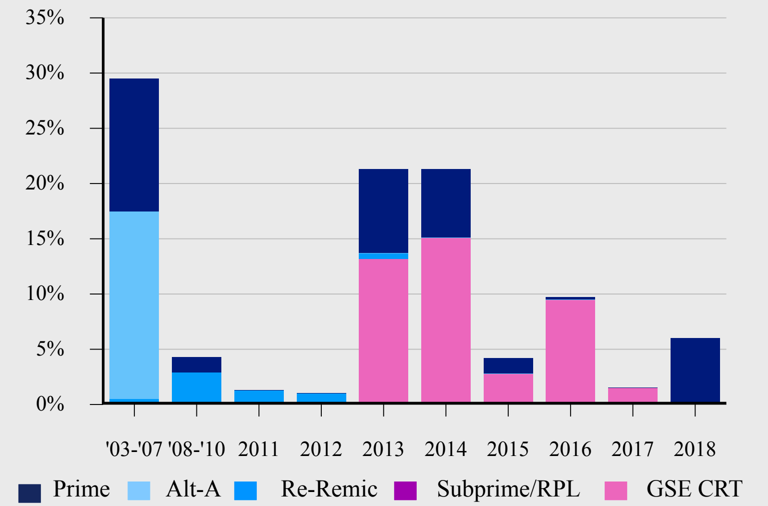
(1) Period-end weighted average yield is based on amortized cost as of September 30, 2018 and incorporates future prepayment and loss assumptions
(2) GSE CRT period-end weighted average yield includes embedded coupon interest recorded as realized and unrealized credit derivative income under U.S. GAAP. Excluding embedded coupon interest recorded as realized and unrealized credit derivative income, our period-end weighted average yield for GSE CRT was 2.91%

Residential Credit Investment Quality

GSE CRT: Comparison of Initial vs Current Rating (1)(2)



Non-Agency RMBS and GSE CRT Type by Vintage(2)

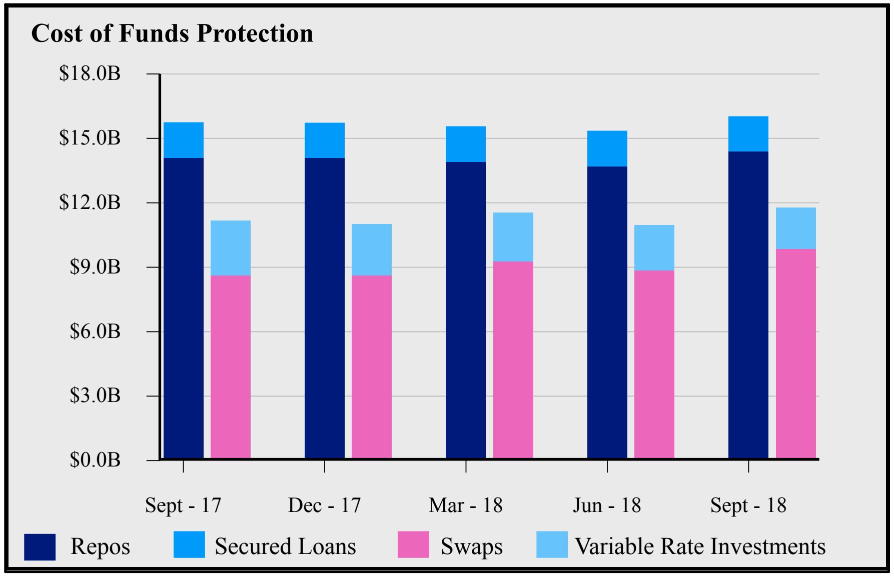


- 72% of GSE CRT investments have been upgraded by at least one rating agency since issuance (3)
- Positive rating actions were driven by underlying home price appreciation and strong borrower performance
- Reference loans are generally collateralized by moderately priced properties, where market supply remains limited

- 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 September 30, 2018
(3) Includes investments that were not rated at issuance and subsequently received a rating as of September 30, 2018

Financing & Hedging



Average Cost of Funds [1]	Q3 2018	Q2 2018
Agency RMBS [2]	2.24%	1.98%
Agency CMBS	2.26%	2.10%
Non-Agency CMBS [2]	2.88%	2.68%
Non-Agency RMBS	3.40%	3.19%
GSE CRT	3.26%	3.16%

Highlights:

- $14.4 billion of repurchase agreements with 29 active counterparties and $1.7 billion of FHLBI secured loans
- Average cost of funds increased during quarter as borrowing rates moved higher with LIBOR
- Impact of further increases in interest rates mitigated by:
  - $9.9 billion of interest rate swaps, up $1.0 billion from Q2 2018
  - $1.9 billion of variable rate investments
  - $1.5 billion of Treasury futures, up $1.2 billion from Q2 2018

(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) Includes borrowings under repurchase agreements and FHLBI advances for Agency RMBS and non-Agency CMBS

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. Please refer to pages 8-10 in the Q3 2018 earnings press release for a description of the adjustments.

	Three Months Ended		
$ in thousands, except per share data	September 30, 2018	June 30, 2018	September 30, 2017
Net income attributable to common stockholders	(64,480)	80,008	49,127
Adjustments:			
(Gain) loss on investments, net	207,910	36,377	11,873
Realized (gain) loss on derivative instruments, net	(99,641)	(36,274)	(19,503)
Unrealized (gain) loss on derivative instruments, net	9,206	(35,406)	95
Realized and unrealized (gain) loss on GSE CRT embedded derivatives, net	663	4,903	8,803
(Gain) loss on foreign currency transactions, net	(215)	2,966	(1,504)
Amortization of net deferred (gain) loss on de-designated interest rate swaps	(6,422)	(6,898)	(6,438)
Net loss on extinguishment of debt	—	—	1,344
Subtotal	111,501	(34,332)	(5,330)
Cumulative adjustments attributable to non-controlling interest	(1,405)	432	67
Preferred stock dividend declared but not accumulated	—	—	5,211
Core earnings attributable to common stockholders	45,616	46,108	49,075
Basic income (loss) per common share	(0.58)	0.72	0.44
Core earnings per share attributable to common stockholders	0.41	0.41	0.44