IVR Invesco Mortgage Capital Inc.

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

2019 Second Quarter Earnings Call
August 8, 2019

John Anzalone
Chief Executive Officer

Kevin Collins
President

Lee Phegley
Chief Financial Officer

David Lyle
Chief Operating Officer

Brian Norris
Chief Investment Officer

Invesco

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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.

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.

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Invesco Mortgage Capital, Inc.

Overview

IVR commemorates the 10-year anniversary of its IPO, achieving an annualized total common stock return of 11.4% (1) since inception

Q2 2019 Financial Summary	YTD 2019 Financial Highlights
▪ **Basic EPS of $0.06** ▪ **Core EPS of $0.46 (2)** ▪ **Book value per common share of $16.21 (3)** ▪ **Dividend per common share of $0.45** ▪ **Economic return of 2.3% (4)**	▪ **Economic return of 12.0% (4)** ▪ **Book value appreciation of 6.2%** ▪ **Raised dividend to $0.45 in Q1 2019 from $0.42** ▪ **Core EPS exceeded dividends per common share in seven of the last nine quarters**

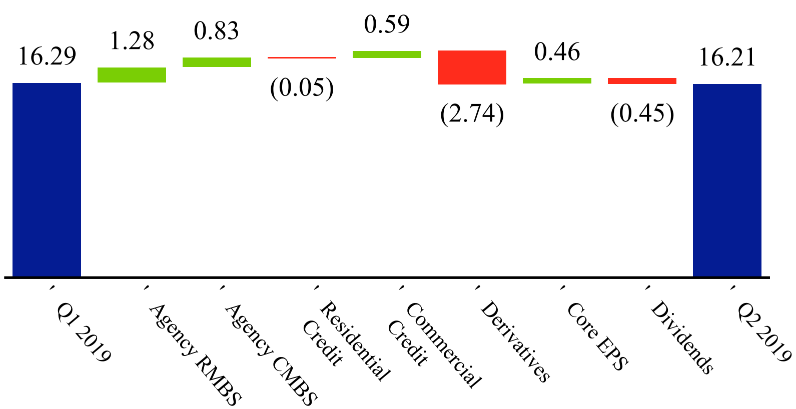
- Book value stability supported by 86% of investments benefiting from prepayment protection characteristics
  - 56% Agency RMBS 30-year specified pools
  - 17% non-Agency CMBS
  - 13% Agency CMBS
- Higher net interest income resulting from February common stock offering
- Seasoned portfolio benefited from further property price appreciation

(1) Source: Bloomberg as of June 30, 2019; includes reinvested dividends
(2) Core EPS is a non-GAAP financial measure (see Slide 14 for non-GAAP reconciliation)
(3) Book value per 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
(4) Economic return for the three months ended June 30, 2019 is defined as the change in book value per common share from March 31, 2019 to June 30, 2019 of ($0.08); plus dividends declared of $0.45 per common share; divided by March 31, 2019 book value per common share of $16.29. Economic return for the six months ended June 30, 2019 is defined as the change in book value per common share from December 31, 2018 to June 30, 2019 of $0.94; plus dividends declared of $0.90 per common share; divided by December 31, 2018 book value per common share of $15.27

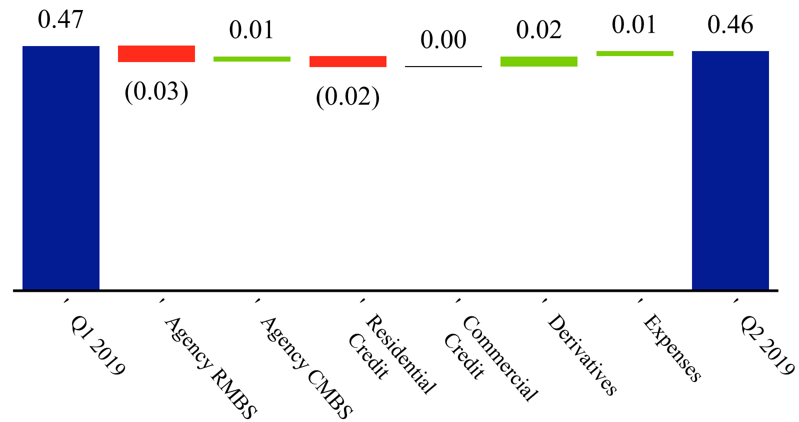
 Past performance is not a guarantee of future results.

Performance

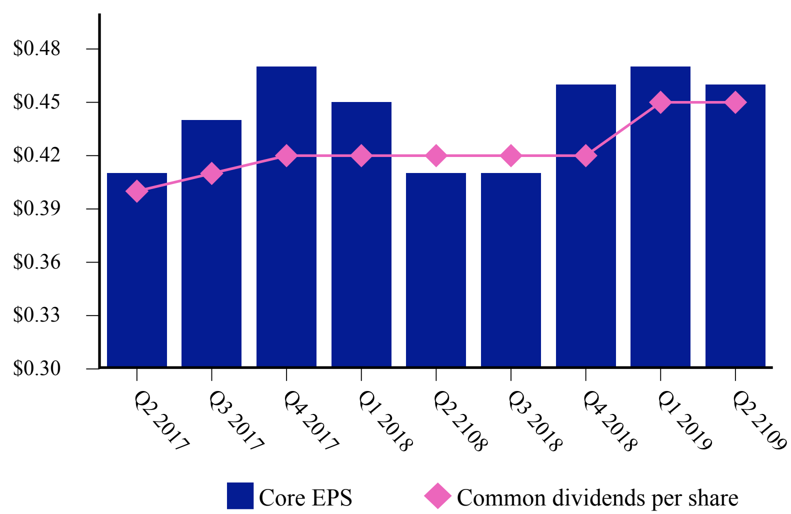
Q2 2019 Change in Book Value per Common Share



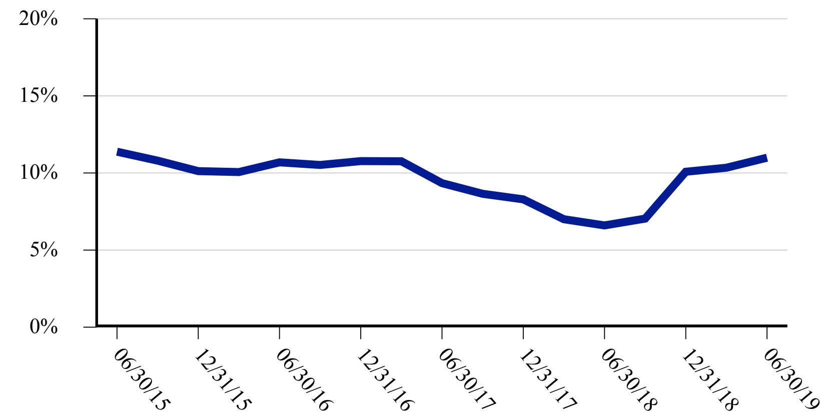
Q2 2019 Change in Core EPS [1]



Common Dividend Coverage



Annualized Book Value Volatility [2]



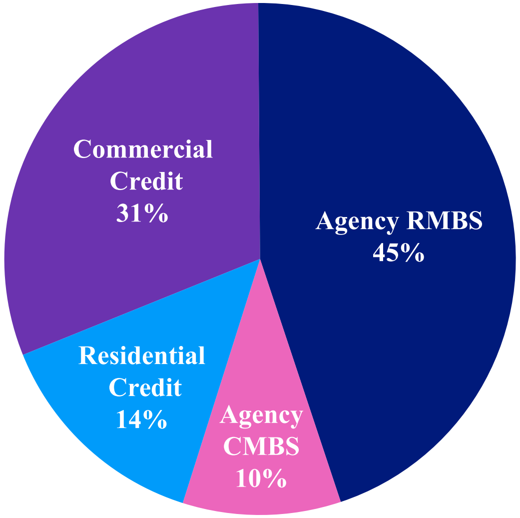
(1) Core EPS is a non-GAAP financial measure. See Slide 14 for non-GAAP reconciliation

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

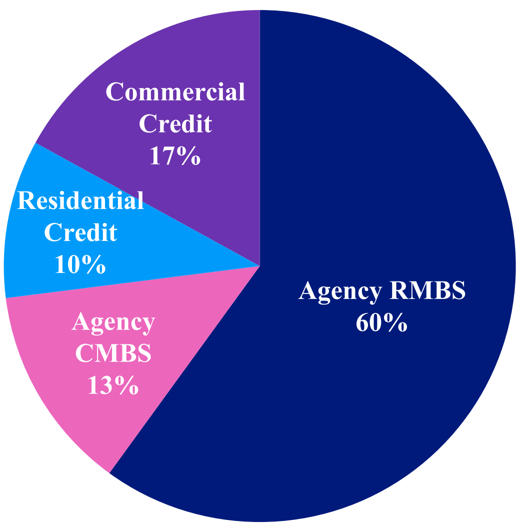
The IVR Portfolio

Q2 2019 Portfolio Update

Equity Allocation

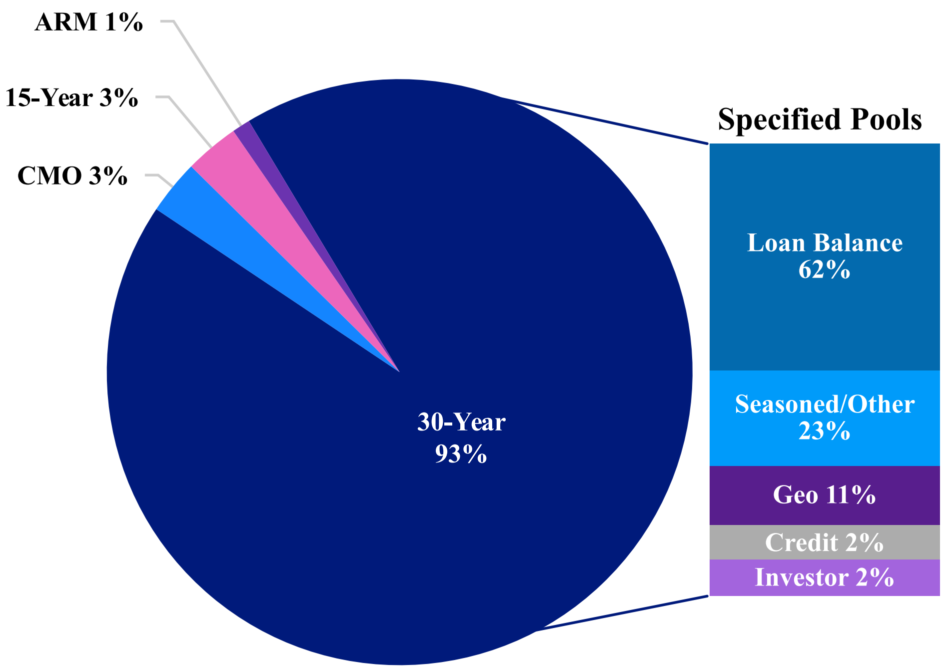


Asset Allocation



- Book value stability supported by:
  - Portfolio rotation into stronger prepayment protection profiles, as the asset allocation to Agency RMBS 30-year specified pools, Agency CMBS and non-Agency CMBS increased from 62% to 86% year-over-year
  - Further reduction of spread duration in our seasoned credit assets, with 70% issued prior to 2015
  - Dynamic hedging strategy, which mitigated the impact of higher volatility during the quarter
- Agency RMBS specified pool pay-ups continued to appreciate notably during the quarter
- Asset spreads remained well-supported, with tightening in Agency CMBS and across most credit sectors offset by widening in Agency RMBS and seasoned CRT
- Seasoned credit assets benefited from further property price appreciation

Agency RMBS

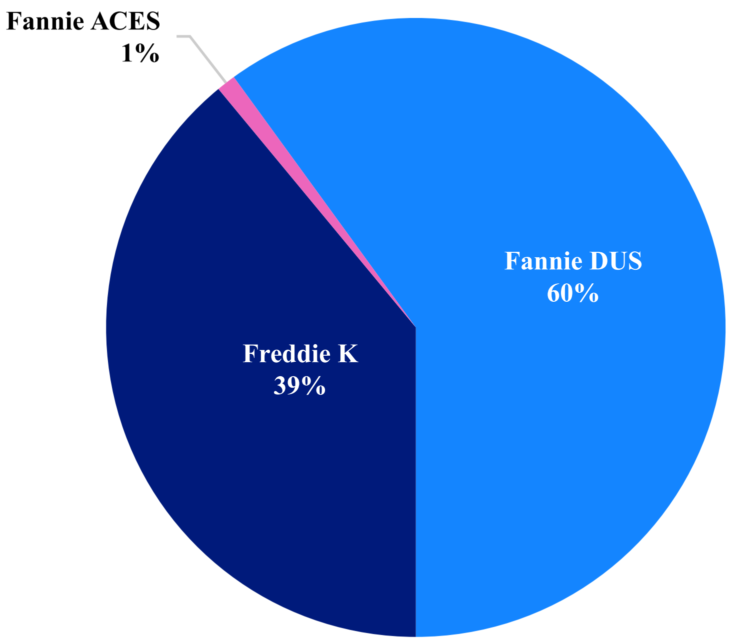


- Proceeds from paydowns and sales were reinvested into new issue Agency CMBS and 30-year specified pools
- Specified pool holdings reduced impact of faster prepayment speeds during the quarter with prepayments nearly 30% slower than generic collateral
- Sector supported as demand remains robust given high quality ratings and liquidity relative to investment alternatives
- ROEs on 30-year fixed rate Agency RMBS remain attractive

($ in millions)	Fair Market Value	Duration	CPR(1)	Net Wtd. Avg Coupon(2)	Period-end Wtd.Avg Yield(3)
30-Year	$ 12,077	2.3	8.5	4.00%	3.70%
CMO	$ 413	4.2	13.6	2.40%	3.41%
15-Year	$ 338	2.7	11.1	3.64%	3.35%
Hybrid ARM	$ 101	0.5	18.2	3.47%	3.21%

(1) Constant Prepayment Rate
(2) Net weighted average coupon as of June 30, 2019 is presented net of servicing and other fees
(3) Period-end weighted average yield is based on amortized cost as of June 30, 2019 and incorporates future prepayment and loss assumptions

Agency CMBS

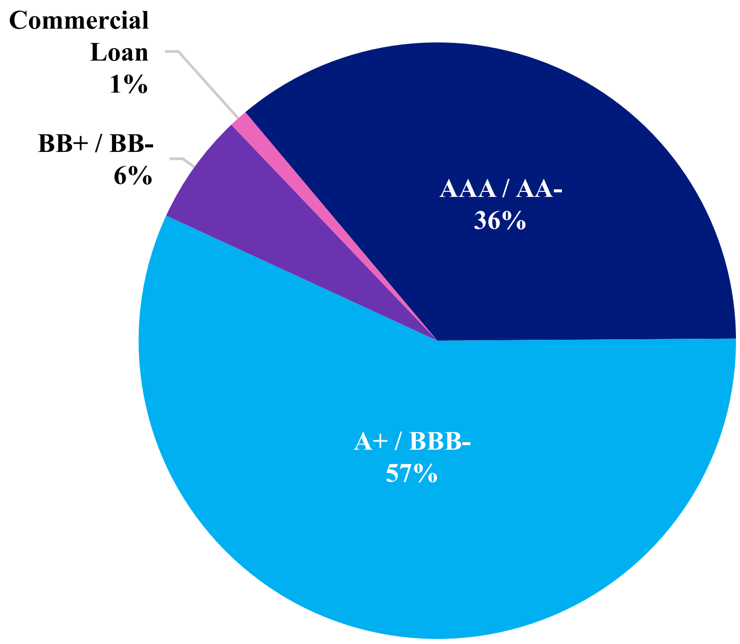


($ in millions)	Fair Market Value	Duration	Period-end Wtd. Avg Yield[1]
Fannie DUS	$ 1,780	9.0	3.31%
Freddie K	$ 1,132	7.6	3.51%
Fannie ACES	$ 14	11.2	3.63%

(1) Period-end weighted average yield is based on amortized cost as of June 30, 2019 and incorporates future prepayment and loss assumptions

- Added $819 million of Agency CMBS
- Benefits include:
  - GSE guarantee
  - Underlying loan prepayment protection
  - Low hedging costs given limited extension risk and prepayment protection
  - Targeted exposure to multifamily loans
- Despite recent spread tightening, ROEs remain attractive

Commercial Credit



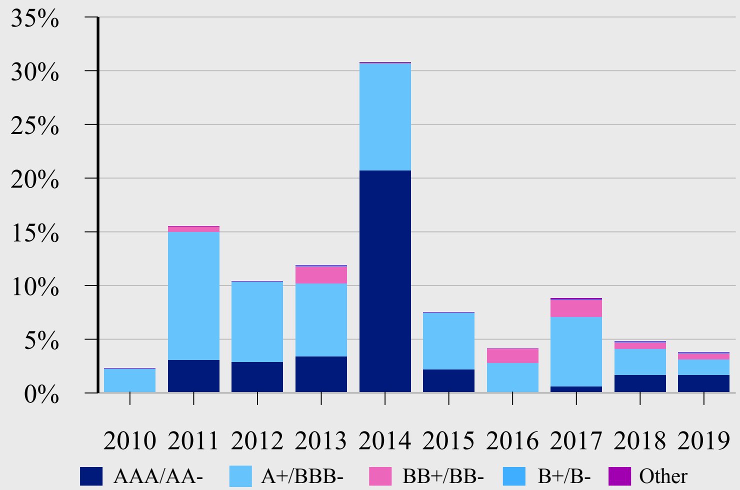
- Added $120 million of non-Agency CMBS
- Increased investor demand and positive commercial real estate fundamentals resulted in credit spread tightening
- Higher property valuations and asset seasoning have resulted in $683 million of rating agency upgrades since issuance

($ in millions)	Fair Market Value	Duration	Period-end Wtd. Avg Yield[1]
A+ / BBB-[2]	$ 2,077	4.3	5.75%
AAA / AA-[2]	$ 1,329	4.3	3.97%
BB+ / BB-[2]	$ 230	5.4	7.44%
B+ / B-[2]	$ 13	3.1	6.29%
Other[3]	$ 3	3.0	6.03%
Commercial Loan	$ 24	0.8	11.20%

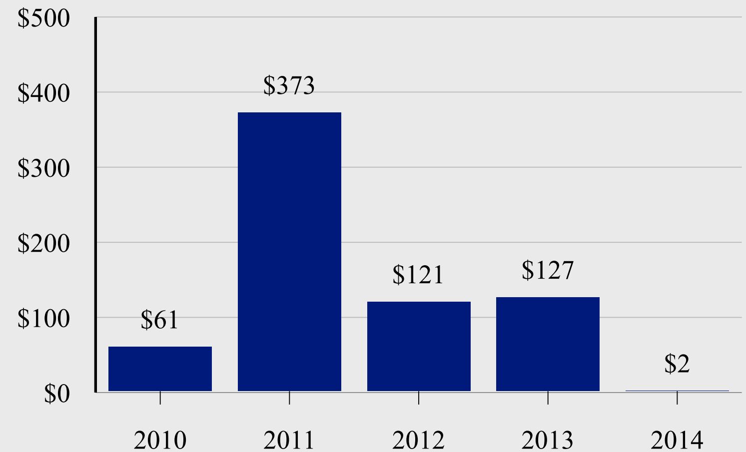
(1) Period-end weighted average yield is based on amortized cost as of June 30, 2019 and incorporates future prepayment and loss assumptions
(2) Non-Agency CMBS original rating (or an equivalent/comparable rating by a nationally recognized statistical rating organization)
(3) Unrated non-Agency CMBS and CUSIP loans

Commercial Mortgage Investment Credit Quality

Non-Agency CMBS Rating by Vintage



Non-Agency CMBS Rating Agency Upgrades by Vintage[2]



- LTV [1] of 34%
- Approximately 58% of portfolio is rated single-A or higher

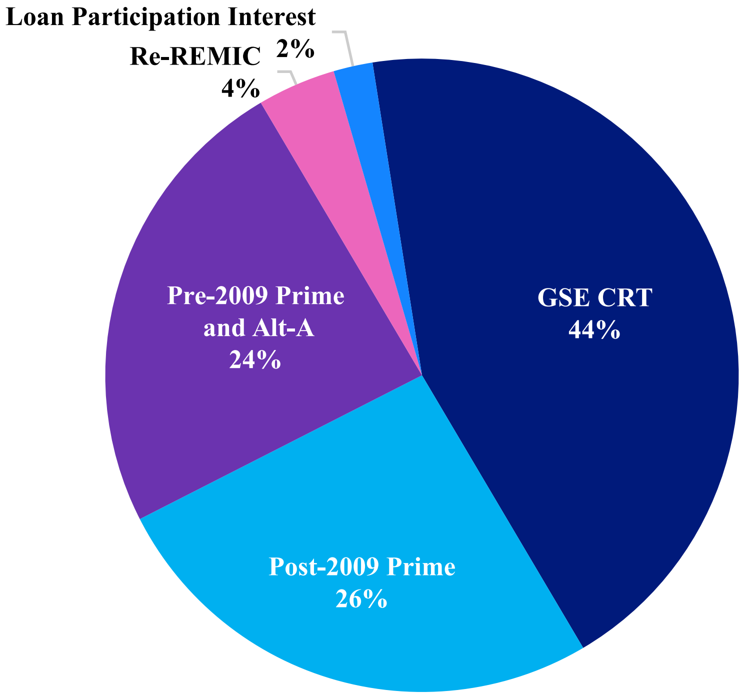
- Positive rating actions driven by:
  - Underlying property price appreciation
  - Strong borrower performance
  - Increased subordination levels due to loan paydowns

Source: Trepp as of June 30, 2019

(1) The product of (a) the weighted average current loan-to-value ratio of the non-Agency CMBS collateral pool of which the value of the property is adjusted for price appreciation using Moody's/RCA CPPI, and (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, 2019

(2) Incorporates rating agency upgrades by Moodys, S&P or Fitch since initial purchase. Amounts in millions of dollars

Residential Credit



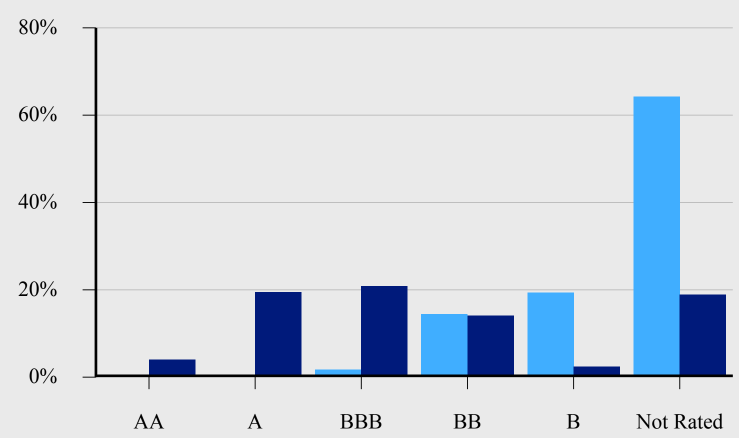
- Purchased $26 million of GSE CRT during the quarter
- Residential credit spreads were stable with the exception of seasoned GSE CRT, which widened due to faster prepayment speeds
- Fundamentals remain supported by labor market strength, positive demographic trends, and low mortgage ratess

($ in millions)		Fair Market Value	Duration	Period-end Wtd. Avg Yield(1)
GSE CRT (2)	$	905	(2.2)	5.80%
Post-2009 Prime	$	532	0.6	4.35%
Pre-2009 Prime and Alt-A	$	493	1.3	9.76%
Re-REMIC	$	93	1.7	6.67%
Loan Participation Interest	$	48	0.0	5.67%

(1) Period-end weighted average yield is based on amortized cost as of June 30, 2019 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 3.11%

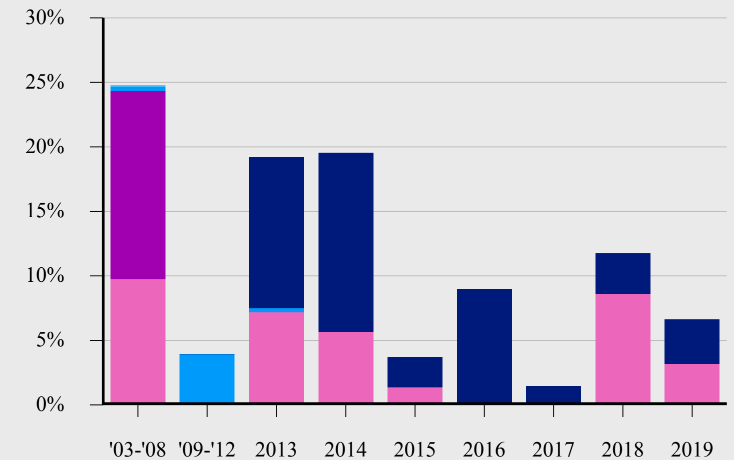
Residential Mortgage Investment Credit Quality

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



- 66% of GSE CRT investments have been upgraded by at least one rating agency since issuance [(2)]
- Positive rating actions were driven by underlying home price appreciation and strong borrower performance

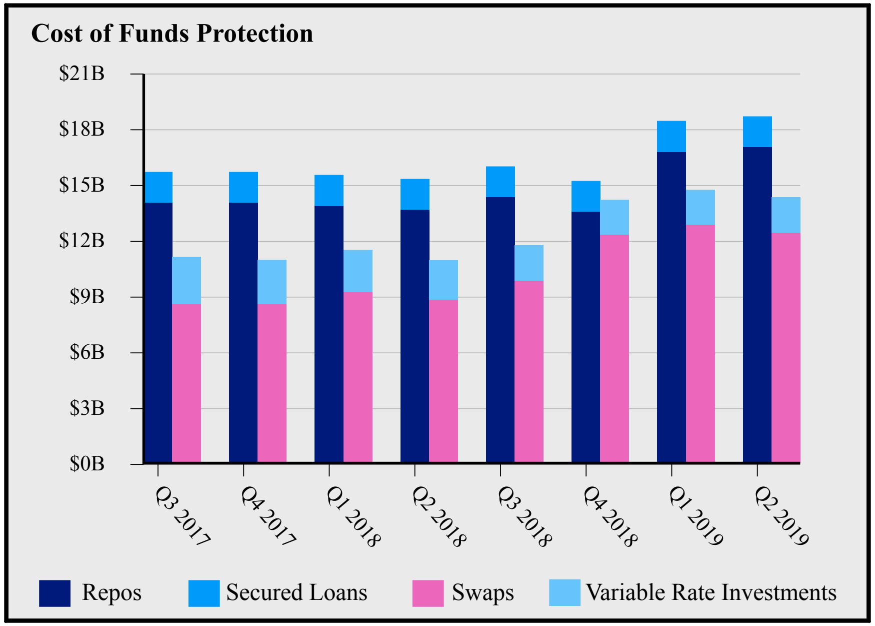
Non-Agency RMBS and GSE CRT Type by Vintage



- Pre-2009 vintage non-Agency RMBS investments are concentrated 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 as of June 30, 2019
(2) Includes investments that were not rated at issuance and subsequently received a rating

Financing & Hedging



- Dynamic hedging strategy contributed to book value stability
- $17 billion of repurchase agreements with 31 counterparties and $1.65 billion of secured loans from FHLBI
- Repo funding costs improved as 1-month and 3-month LIBOR decreased, reflecting anticipated Fed cuts in the second half of the year

Average Cost of Funds[(1)]	Q2 2019	Q1 2019
Agency RMBS [(2)]	**2.73%**	**2.59%**
Agency CMBS	**2.68%**	**2.64%**
Non-Agency CMBS [(2)]	**3.19%**	**3.24%**
Non-Agency RMBS	**3.46%**	**3.54%**
GSE CRT	**3.47%**	**3.49%**
Loan Participation Interest	**4.11%**	**4.15%**

Floating Rate Exposure as of 6/30/19		($ in millions)
Interest Rate Swaps		12,470
Variable Rate Investments		1,899
Total Assets	**$**	**14,369**
Repurchase Agreements		17,075
Secured Loans		1,650
Total Liabilities	**$**	**18,725**
Ratio of Floating Rate Assets to Liabilities		**76.7%**

(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

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, 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 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 Q2 2019 earnings press release for a description of the adjustments.

	Three Months Ended		
$ in thousands, except per share data	June 30, 2019	March 31, 2019	June 30, 2018
Net income attributable to common stockholders	7,230	127,683	80,008
Adjustments:			
(Gain) loss on investments, net	(302,182)	(268,382)	36,377
Realized (gain) loss on derivative instruments, net	307,239	232,387	(36,274)
Unrealized (gain) loss on derivative instruments, net	45,019	(26,418)	(35,406)
Realized and unrealized (gain) loss on GSE CRT embedded derivatives, net	7,738	(2,534)	4,903
(Gain) loss on foreign currency transactions, net	—	—	2,966
Amortization of net deferred (gain) loss on de-designated interest rate swaps	(5,916)	(5,851)	(6,898)
Subtotal	51,898	(70,798)	(34,332)
Cumulative adjustments attributable to non-controlling interest	—	—	432
Core earnings attributable to common stockholders	59,128	56,885	46,108
Basic income (loss) per common share	0.06	1.05	0.72
Core earnings per share attributable to common stockholders	0.46	0.47	0.41