IVR Invesco Mortgage Capital Inc.

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

2019 Third Quarter Earnings Call
November 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.

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.

This presentation contains non-GAAP financial measures. Please refer to slides 14 and 15 for reconciliations of these non-GAAP financial measures.

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Invesco Mortgage Capital, Inc.

Overview

Q3 2019 Financial Summary	YTD 2019 Financial Highlights
▪ **Basic EPS of $0.57** ▪ **Core EPS of $0.47 (1)** ▪ **Book value per common share of $16.31 (2)** ▪ **Dividend per common share of $0.45** ▪ **Economic return of 3.4% (3)**	▪ **Economic return of 15.7% (3)** ▪ **Book value appreciation of 6.8%** ▪ **Core EPS of $1.40 and dividends per common share of $1.35** ▪ **Issued $486 million of common stock**

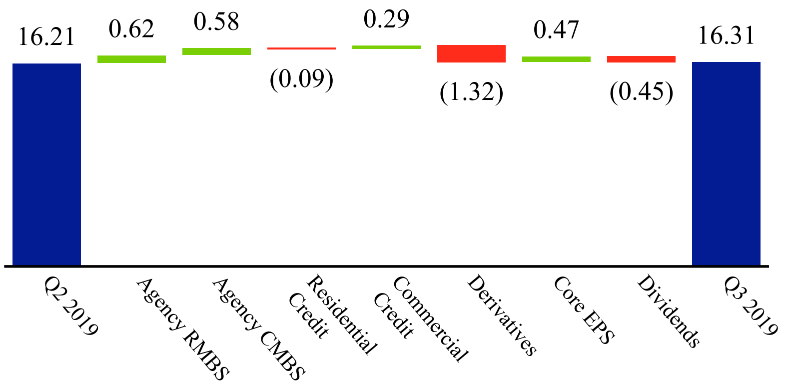
- 88% of investments benefit from prepayment protection, supporting book value and core earnings stability
  - 51% Agency RMBS 30-year specified pools
  - 21% Agency CMBS
  - 16% non-Agency CMBS
- Higher core earnings driven by lower effective cost of funds (1) and August capital raise
- Property price appreciation supports seasoned credit portfolio

(1) Core EPS and effective cost of funds are non-GAAP financial measures (see Slides 14 and 15 for non-GAAP reconciliations)
(2) 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
(3) Economic return for the three months ended September 30, 2019 is defined as the change in book value per common share from June 30, 2019 to September 30, 2019 of $0.10; plus dividends declared of $0.45 per common share; divided by June 30, 2019 book value per common share of $16.21. Economic return for the nine months ended September 30, 2019 is defined as the change in book value per common share from December 31, 2018 to September 30, 2019 of $1.04; plus dividends declared of $1.35 per common share; divided by December 31, 2018 book value per common share of $15.27

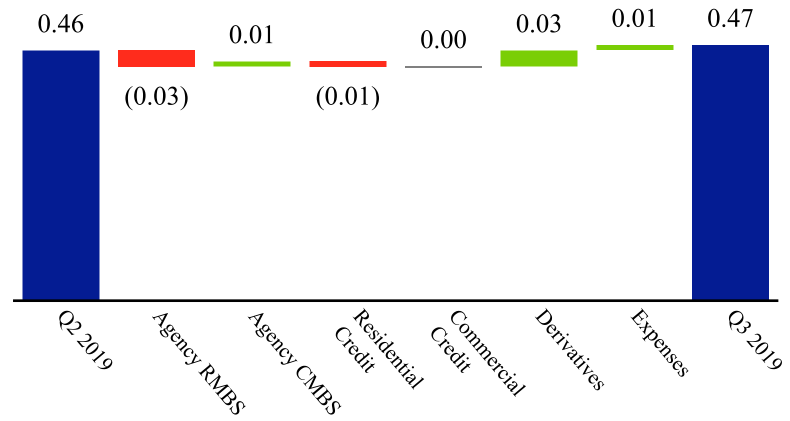
Past performance is not a guarantee of future results.

Performance

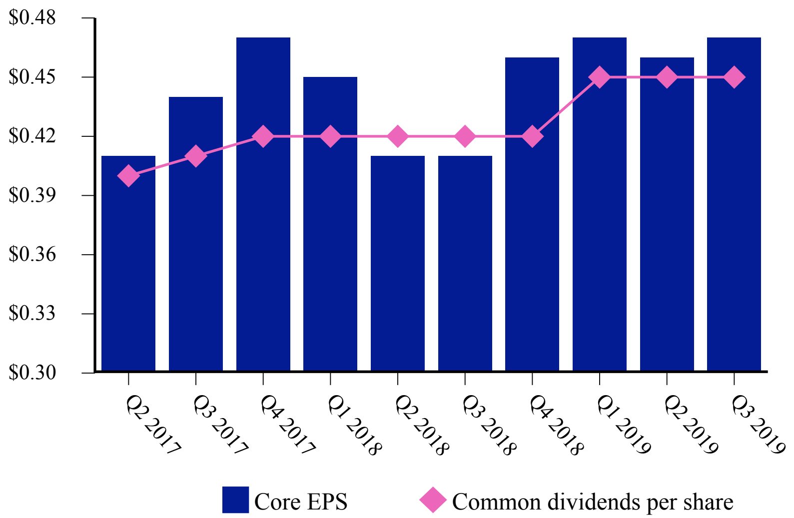
Q3 2019 Change in Book Value per Common Share



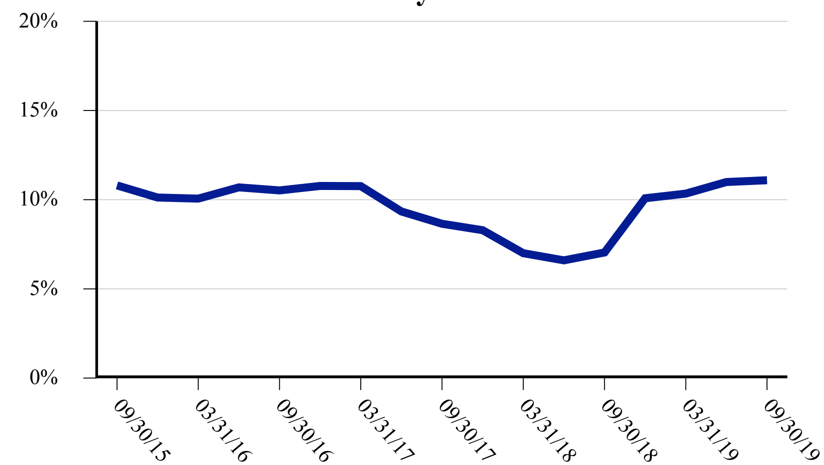
Q3 2019 Change in Core EPS (1)



Common Dividend Coverage



Annualized Book Value Volatility (2)



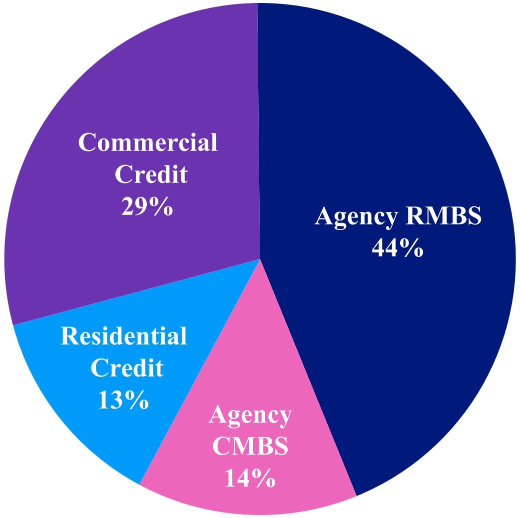
(1) Core EPS is a non-GAAP financial measure. See Slide 14 for non-GAAP reconciliation

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

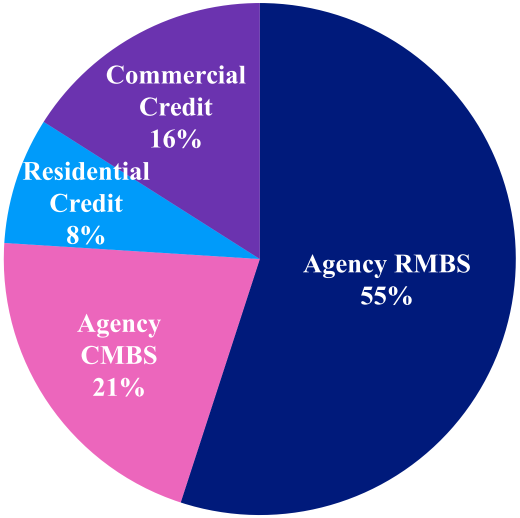
The IVR Portfolio

Q3 2019 Portfolio Update

Equity Allocation

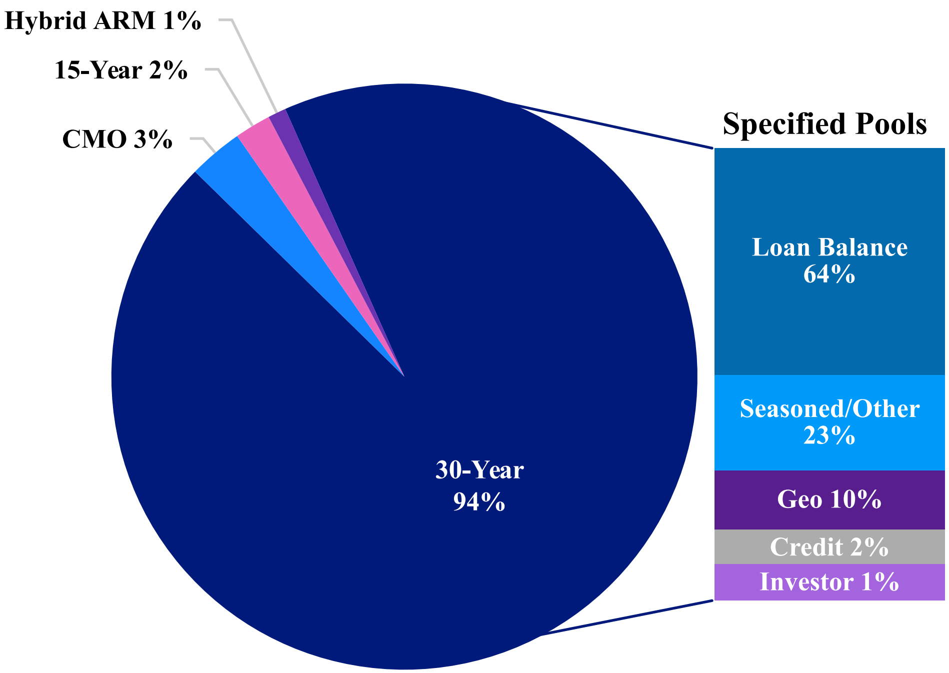


Asset Allocation



- Invested proceeds from the August equity raise predominantly into Agency CMBS and Agency RMBS
- Spreads were mixed during the quarter with modest widening in agency assets offset by modest tightening in credit assets
- 58% of equity and 76% of assets are allocated to agency assets, a quarter over quarter increase from 55% and 73%, respectively
- 42% of equity and 24% of assets are allocated to credit
  - Residential and commercial mortgage credit fundamentals support non-Agency RMBS and non-Agency CMBS
  - Credit assets, along with Agency CMBS, reduce prepayment risk in the portfolio

Agency RMBS

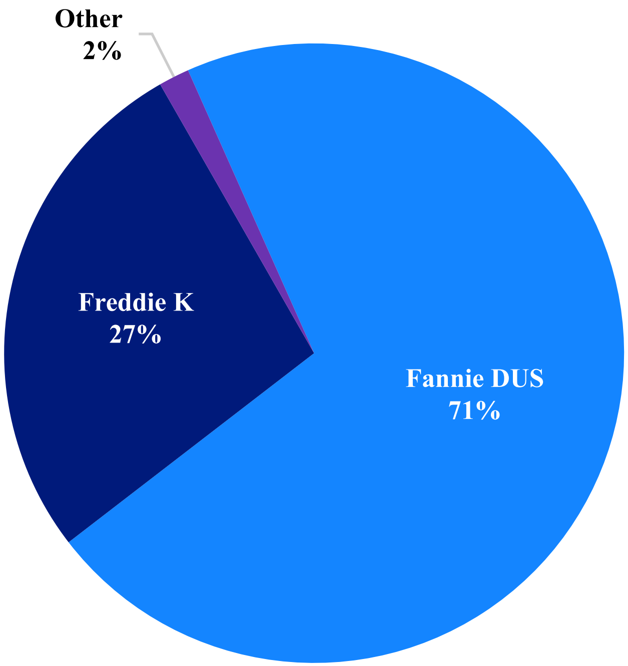


- Despite purchases related to the August equity raise, our Agency RMBS holdings decreased as monthly paydowns and sales proceeds were mostly reinvested into Agency CMBS
- The value of the prepayment protection in our specified pool holdings increased modestly as interest rates fell
- The combination of seasonal factors and lower mortgage rates drove prepayment speeds faster during the quarter, from 8.8% to 13.7%

($ in millions)	Fair Market Value	Duration	CPR (1)	Net Wtd. Avg Coupon (2)	Period-end Wtd.Avg Yield (3)
30-Year	$ 12,045	2.9	13.8	3.98%	3.66%
CMO	$ 447	4.2	10.6	2.59%	3.48%
15-Year	$ 309	3.0	12.3	3.64%	3.33%
Hybrid ARM	$ 63	0.3	29.2	3.71%	3.58%

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

Agency CMBS

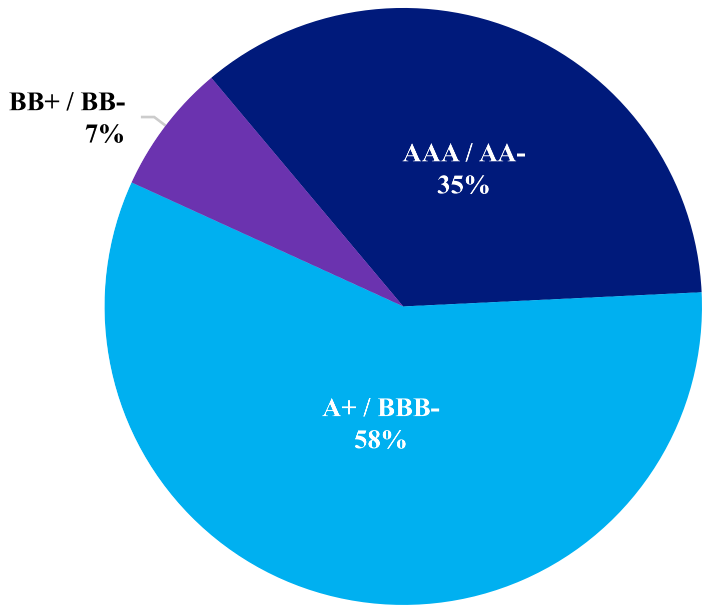


- Added $1.9 billion of Agency CMBS
- Benefits include:
  - GSE guarantee
  - Underlying loan prepayment protection
  - Low hedging costs given limited extension risk and prepayment protection
  - Targeted exposure to multifamily loans

($ in millions)	Fair Market Value		Duration	Period-end Wtd. Avg Yield (1)
Fannie DUS	$	3,506	9.5	2.86%
Freddie K	$	1,336	7.8	3.35%
Other (2)	$	94	13.6	3.16%

(1) Period-end weighted average yield is based on amortized cost as of September 30, 2019 and incorporates future prepayment and loss assumptions
(2) Other Agency CMBS includes Ginnie CLCs and Fannie ACEs

Commercial Credit

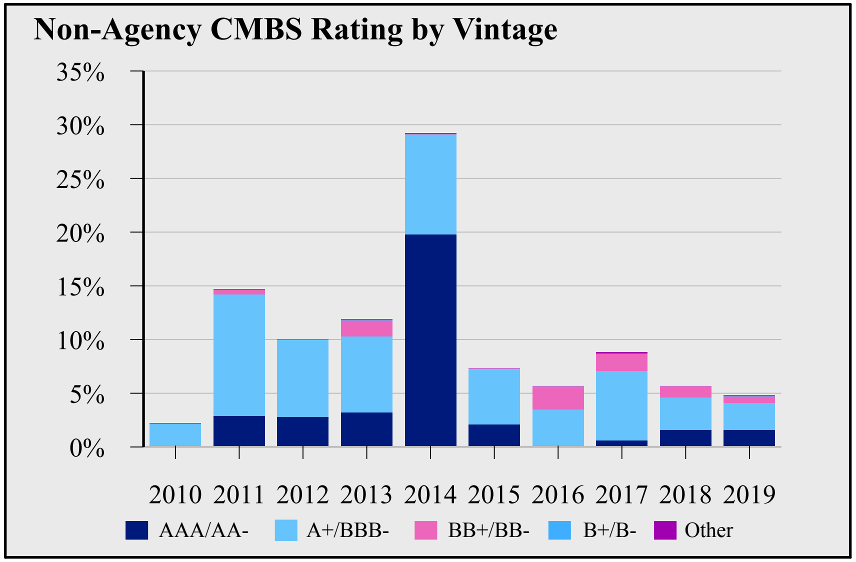


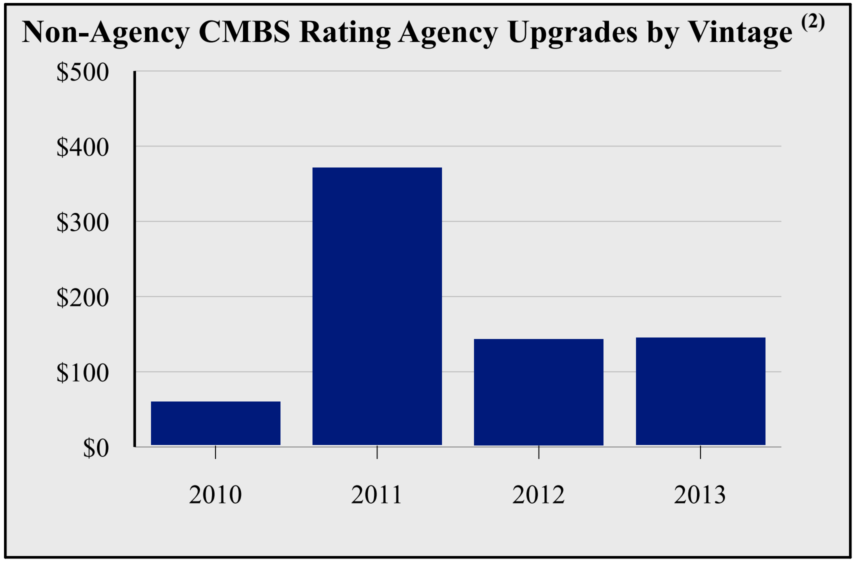
- Added $140 million of non-Agency CMBS
- Increased investor demand and positive commercial real estate fundamentals resulted in slight subordinate CMBS credit spread tightening
- Higher property valuations and asset seasoning have resulted in $720 million of rating agency upgrades since issuance

($ in millions)	Fair Market Value	Duration	Period-end Wtd. Avg Yield (1)
A+ / BBB-(2)	$ 2,217	4.4	5.69%
AAA / AA-(2)	$ 1,337	4.1	3.98%
BB+ / BB-(2)	$ 282	5.6	7.47%
B+ / B-(2)	$ 13	3.0	6.21%
Other(3)	$ 3	0.7	5.63%
Commercial Loan	$ 24	0.8	10.84%

(1) Period-end weighted average yield is based on amortized cost as of September 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

Commercial Mortgage Investment Credit Quality





- LTV [1] of 34%
- Approximately 55% of portfolio is rated single-A or higher

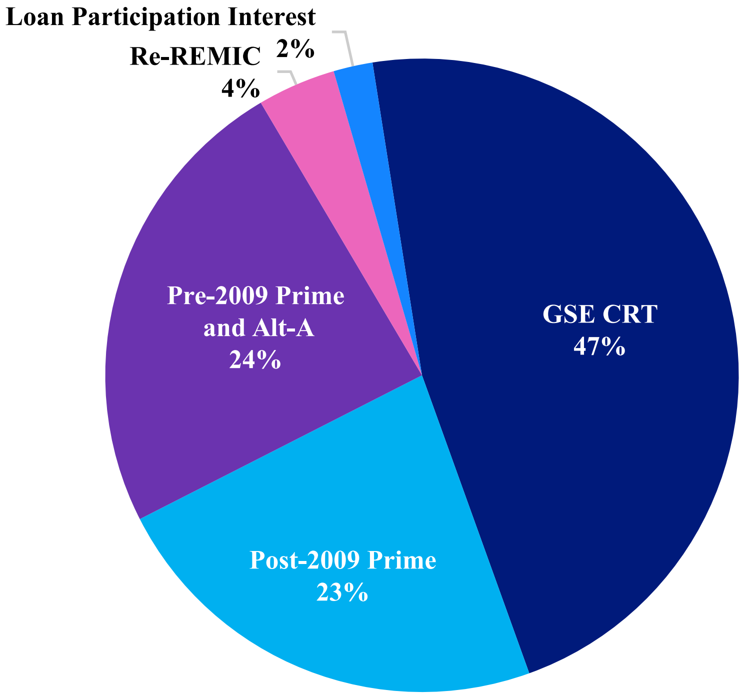
- Positive rating actions driven by:
  - Underlying property price appreciation
  - Strong borrower performance
  - Increased subordination levels due to loan paydowns

Source: Trepp as of September 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 September 30, 2019

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

Residential Credit

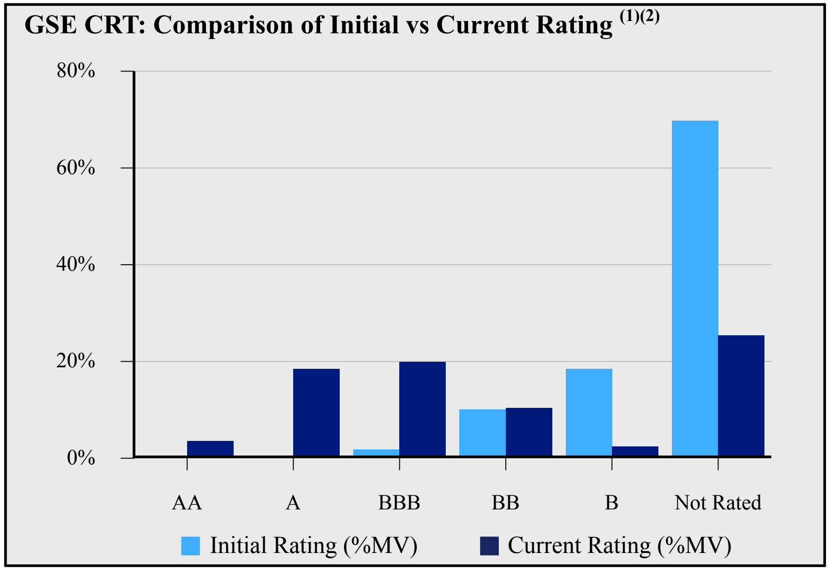


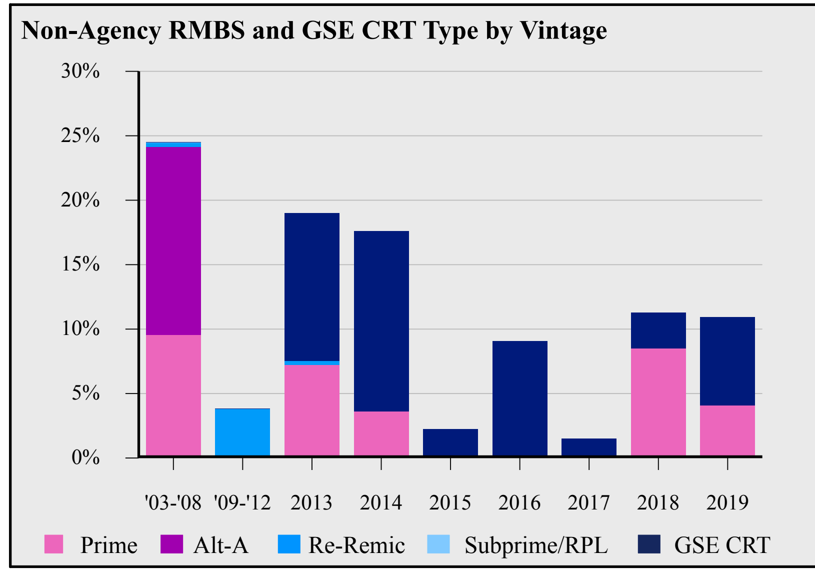
- Credit spread performance was mixed
  - Recently issued GSE CRT tightened
  - Seasoned GSE CRT widened due to faster prepayments on premium dollar price securities
  - Pre-2009 Prime and Alt-A spreads widened modestly
- Purchased $89 million of GSE CRT and $23 million of Prime Jumbo securities
- Fundamentals remain supported by labor market strength, positive demographic trends, and low mortgage rates

($ in millions)	Fair Market Value		Duration	Period-end Wtd. Avg Yield (1)
GSE CRT (2)	$	929	(1.9)	5.16%
Post-2009 Prime	$	461	1.8	4.40%
Pre-2009 Prime and Alt-A	$	470	1.3	9.42%
Re-REMIC	$	87	1.8	6.82%
Loan Participation Interest	$	45	0.0	5.28%

(1) Period-end weighted average yield is based on amortized cost as of September 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 2.88%

Residential Mortgage Investment Credit Quality



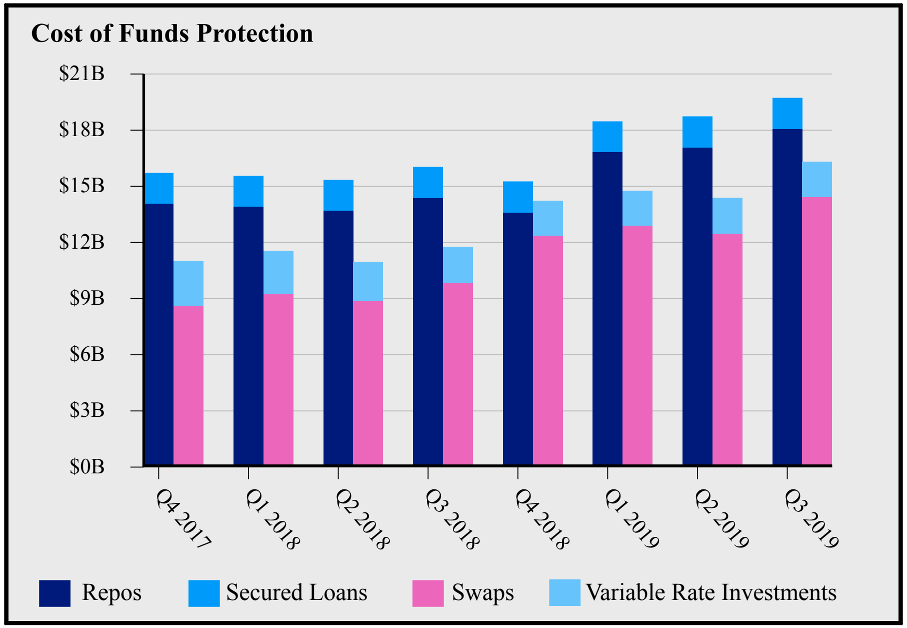


- 62% of GSE CRT investments by market value have been upgraded by at least one rating agency since issuance [(2)]
- Positive rating actions were driven by underlying home price appreciation and strong borrower performance

- 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
- Credit profiles continued to benefit from strong borrower performance and higher prepayment rates

(1) Reflects highest rating as of September 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 and core earnings stability
- $18.1 billion of repurchase agreements with 34 counterparties and $1.65 billion of secured loans from FHLBI
- Repo funding costs improved as 1-month and 3-month LIBOR decreased, primarily reflecting two Fed cuts during the quarter

Average Cost of Funds[1]	Q3 2019	Q2 2019
Agency RMBS [2]	**2.54%**	**2.73%**
Agency CMBS	**2.54%**	**2.68%**
Non-Agency CMBS [2]	**3.00%**	**3.19%**
Non-Agency RMBS	**3.26%**	**3.46%**
GSE CRT	**3.22%**	**3.47%**
Loan Participation Interest	**4.03%**	**4.11%**

Floating Rate Exposure as of 9/30/19		($ in millions)
Interest Rate Swaps		14,425
Variable Rate Investments		1,887
Total Assets	**$**	**16,312**
Repurchase Agreements		18,072
Secured Loans		1,650
Total Liabilities	**$**	**19,722**
Ratio of Floating Rate Assets to Liabilities		**82.7%**

(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 Q3 2019 earnings press release for a description of the adjustments.

	Three Months Ended		
$ in thousands, except per share data	September 30, 2019	June 30, 2019	September 30, 2018
Net income attributable to common stockholders	77,896	7,230	(64,480)
Adjustments:			
(Gain) loss on investments, net	(202,413)	(302,182)	207,910
Realized (gain) loss on derivative instruments, net	173,607	307,239	(99,641)
Unrealized (gain) loss on derivative instruments, net	15,352	45,019	9,206
Realized and unrealized (gain) loss on GSE CRT embedded derivatives, net	5,195	7,738	663
(Gain) loss on foreign currency transactions, net	14	—	(215)
Amortization of net deferred (gain) loss on de-designated interest rate swaps	(5,981)	(5,916)	(6,422)
Subtotal	(14,226)	51,898	111,501
Cumulative adjustments attributable to non-controlling interest	—	—	(1,405)
Core earnings attributable to common stockholders	63,670	59,128	45,616
Basic income (loss) per common share	0.57	0.06	(0.58)
Core earnings per share attributable to common stockholders	0.47	0.46	0.41

Appendix — Non-GAAP Financial Information

We calculate effective interest expense (and by calculation, effective cost of funds) as U.S. GAAP total interest expense adjusted for contractual net interest income (expense) on our interest rate swaps that is recorded as gain (loss) on derivative instruments, net and the amortization of net deferred gains (losses) on de-designated interest rate swaps that is recorded as repurchase agreements interest expense. We view our interest rate swaps as an economic hedge against increases in future market interest rates on our floating rate borrowings. We add back the net payments we make on our interest rate swap agreements to our total U.S. GAAP interest expense because we use interest rate swaps to add stability to interest expense. We exclude the amortization of net deferred gains (losses) on de-designated interest rate swaps from our calculation of effective interest expense because we do not consider the amortization a current component of our borrowing costs.

We believe the presentation of effective interest expense (and by calculation, effective cost of funds) provides information that is useful to investors in understanding our borrowing costs and operating performance.

	Three Months Ended					
	September 30, 2019		June 30, 2019		September 30, 2018	
$ in thousands	**Reconciliation**	**Cost of Funds / Effective Cost of Funds**	**Reconciliation**	**Cost of Funds / Effective Cost of Funds**	**Reconciliation**	**Cost of Funds / Effective Cost of Funds**
Total interest expense	123,264	2.55 %	129,236	2.73 %	91,253	2.29%
Add (Less): Amortization of net deferred gain (loss) on de-designated interest rate swaps	5,981	0.12 %	5,916	0.13 %	6,422	0.16%
Add (Less): Contractual net interest expense (income) on interest rate swaps recorded as gain (loss) on derivative instruments, net	(11,715)	(0.24)%	(7,525)	(0.16)%	2,763	0.07%
Effective interest expense	117,530	2.43 %	127,627	2.70 %	100,438	2.52%