Invesco Mortgage Capital Inc.

2016 Third Quarter Earnings Call
November 4, 2016

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President & Chief Executive Officer

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IVR
Invesco Mortgage Capital Inc.

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, mortgage reform programs, 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 2016 Financial Highlights

Dividend per common share	$0.40
Basic EPS	$1.16
Core EPS [1]	$0.41
Book value per diluted common share [2]	$18.08
Comprehensive income per common share	$1.40
Economic return [3]	8.2%

Equity allocated to benefit from improving real estate markets

44% Agency RMBS

31% Commercial Credit

25% Residential Credit

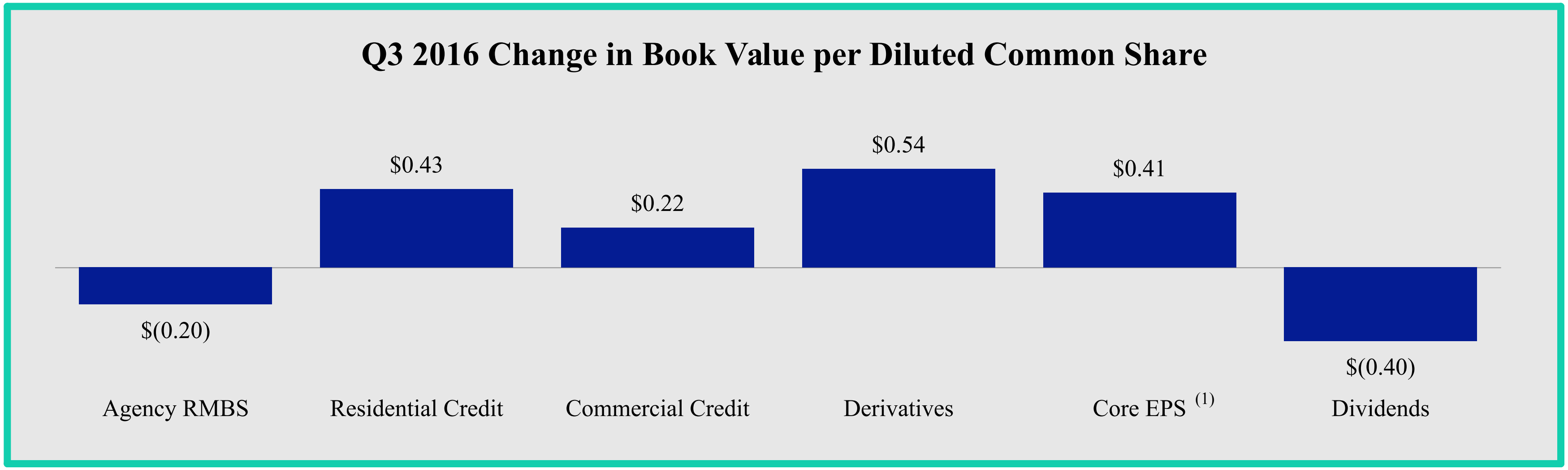
- Core EPS [1] of $0.41 in Q3 2016
  - Decreased modestly from Q2 2016 primarily due to lower interest income on Agency RMBS as a result of a shift in portfolio mix and faster prepayment speeds
- Book value per diluted common share [2] increased by $1.00 or 5.9% to $18.08 in Q3 2016 and increased by $0.94 or 5.5% year-to-date
  - Three-month economic return [3] of 8.2%
  - Year-to-date economic return [3] of 12.5%
- Q3 2016 portfolio highlights
  - Reinvested maturities and prepayments into 15 year fixed-rate Agency RMBS
  - Asset seasoning and improved real estate valuations continue to enhance credit quality
  - Current asset allocation is meant to enhance the quality, liquidity, cash flow certainty, and price stability of our portfolio
  - Reduced total debt-to-equity ratio to 6.0x

(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) and Series B Preferred Stock ($155.0 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, 2016 is defined as change in book value per diluted common share from June 30, 2016 to September 30, 2016 of $1.00; plus dividends declared of $0.40 per common share; divided by June 30, 2016 book value per diluted common share of $17.08. Economic return for the nine months ended September 30, 2016 is defined as the change in book value per diluted common share from December 31, 2015 to September 30, 2016 of $0.94; plus dividends declared of $1.20 per common share; divided by December 31, 2015 book value per diluted common share of $17.14.

Book Value Performance



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

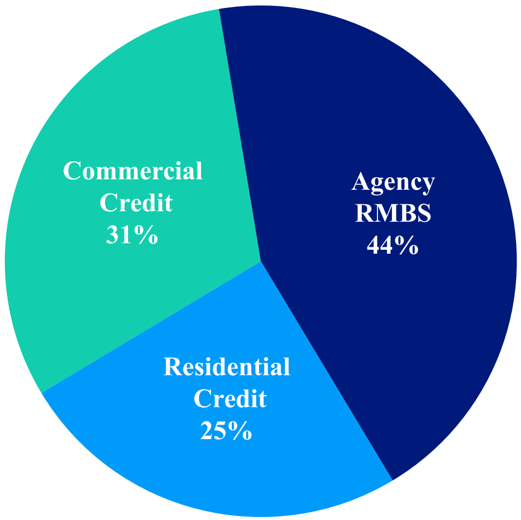
- Book value improved with tighter credit spreads
  - Q3 2016 book value per diluted common share ("BVPS") increased by $1.00 or 5.9% over Q2 2016
  - Residential credit and commercial credit added $0.65 to our BVPS
  - Hedging increased our BVPS by $0.54 due to an increase in interest rates
  - Shortening our Agency RMBS portfolio via Agency Hybrid ARMs and 15 year fixed-rate RMBS protected our downside as interest rates rose in Q3
- Key strategies aimed at capital preservation and reduced book value volatility
  - Hedging to limit interest rate risk
  - Asset selection focuses on predictable cash flows
  - Maintain strong asset quality to reduce the risk of credit losses
  - Support dividend through prudent credit spread capture
  - Opportunistically modulate sector exposures and maintain diverse sources of return

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

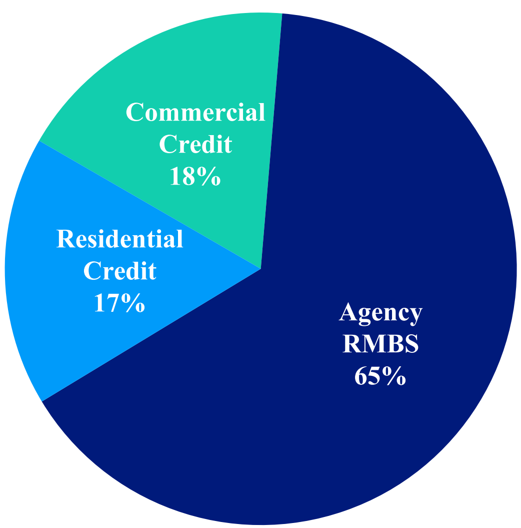
The IVR Portfolio

Q3 2016 Portfolio Update

Equity Allocation



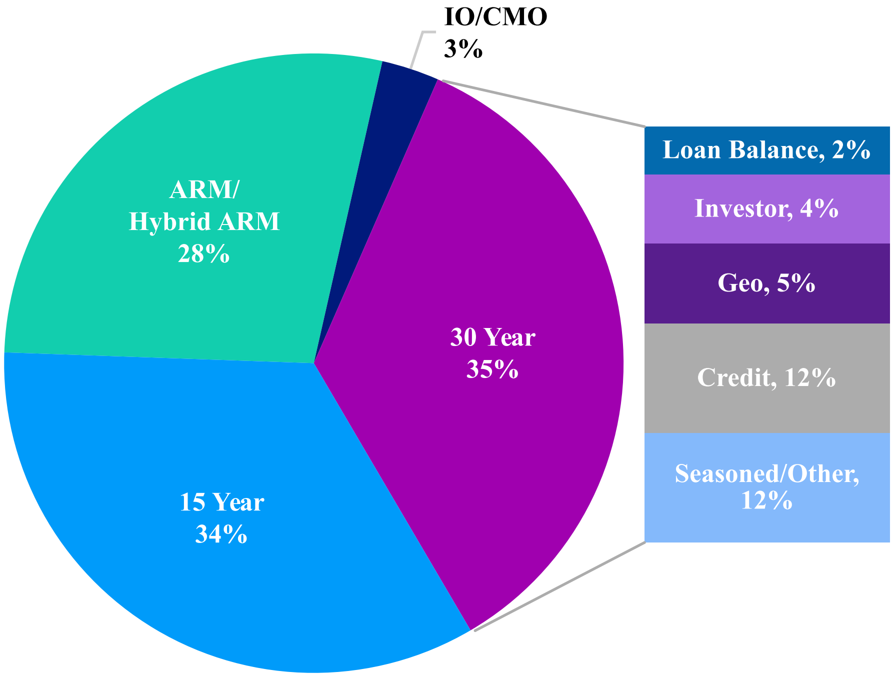
Asset Allocation



Highlights:

- Increased liquidity and credit quality given upcoming US elections, Fed meetings, and Brexit negotiations
- 56% of equity and 35% of assets are allocated to credit
  - Both residential and commercial credit fundamentals remain strong
  - Credit assets exhibit significantly less convexity risk than Agency RMBS
- Further increased our Agency allocation during Q3 by purchasing 15 year fixed-rate RMBS, consistent with our interest rate expectations and desired duration positioning

Agency RMBS



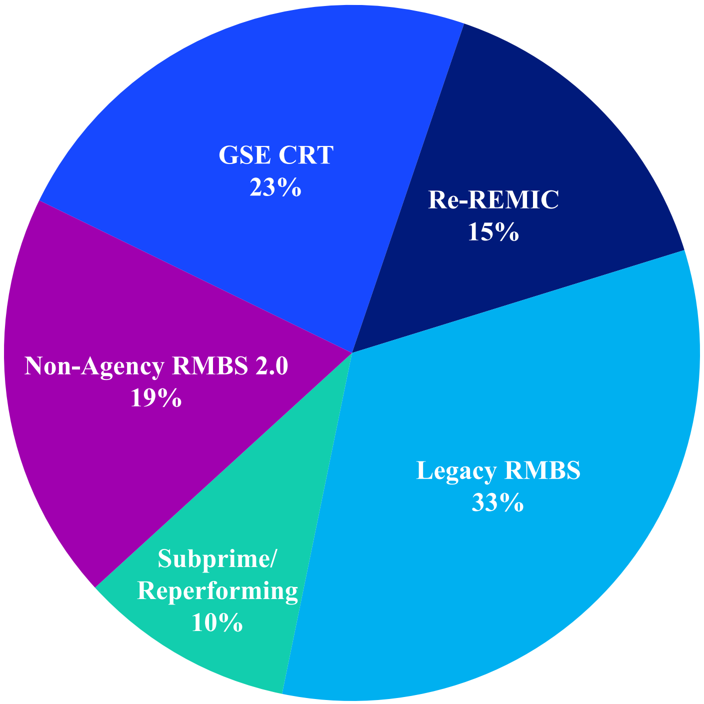
	CPR (1)	Net Wtd Avg Coupon (2)	Period-end Wtd Avg Yield (3)
15 Year	9.5	3.13%	2.21%
30 Year	16.2	4.21%	2.72%
Hybrid ARM	21.7	2.71%	2.55%

Highlights:

- Portfolio Characteristics
  - Fixed-rate 30 year pools consist of well seasoned, high coupon, specified collateral
  - Recent fixed-rate 15 year purchases consist of 2.5% and 3.0% call protected pools
- Agency RMBS prepayment speeds should moderate over the next several months due to modestly higher mortgage rates and lower seasonal housing activity

(1) Constant Prepayment Rate
(2) Net weighted average coupon as of September 30, 2016 is presented net of servicing and other fees.
(3) Period-end weighted average yield is based on amortized cost as of September 30, 2016 and incorporates future prepayment and loss assumptions.

Residential Credit



	Duration	Period-end Wtd Avg Yield (1)
Re-REMIC	0.4	4.56%
Legacy RMBS (2)	0.3	6.36%
Subprime/Reperforming	0.5	4.15%
Non-Agency RMBS 2.0 (3)	0.9	3.89%
GSE CRT (4)	0.0	5.21%

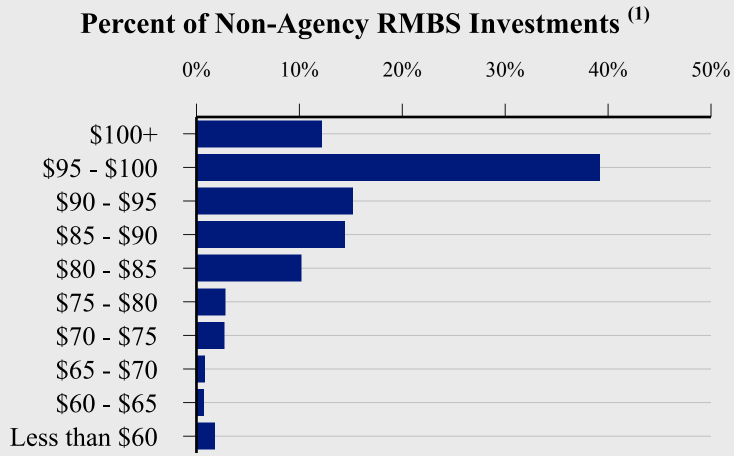
Highlights:

- The housing market remains supported by positive employment and demographic trends against a backdrop of limited supply and low mortgage rates
- Residential credit investments continue to benefit from home price appreciation and strong borrower performance
- Legacy RMBS and GSE CRT spreads tightened significantly during the quarter, driven by demand for credit assets in general and housing related assets in particular
- Positive rating actions contributed to further appreciation in our GSE CRT investments
  - Fitch assigned ratings to $353 million of GSE CRT that was previously unrated
  - $7 million of GSE CRT upgraded to investment grade

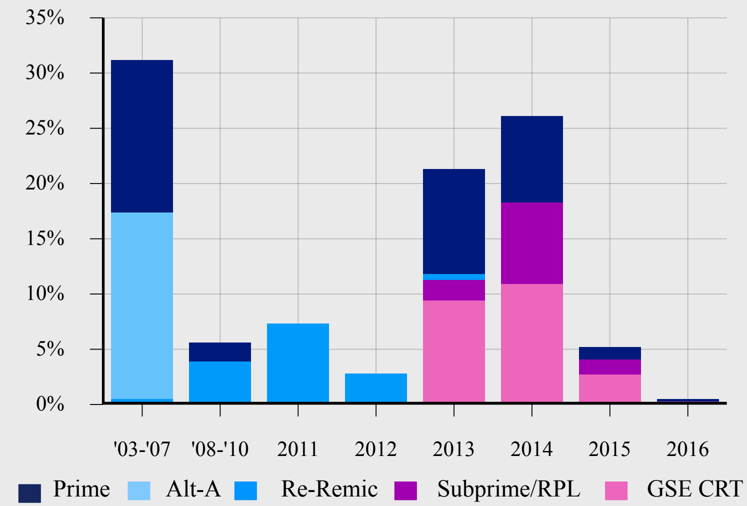
(1) Period-end weighted average yield is based on amortized cost as of September 30, 2016 and incorporates future prepayment and loss assumptions.
(2) Non-Agency RMBS issued prior to 2009
(3) Non-Agency RMBS issued after 2010
(4) GSE CRT period-end weighted average yield includes embedded coupon interest recorded as realized and unrealized credit derivative income under U.S. GAAP. Excluding embedded coupon interest recorded as realized and unrealized credit derivative income, the Company's period-end weighted average yield for GSE CRT was 0.83%

Residential Credit Investment Quality

Concentration in High Dollar Price Securities



Non-Agency RMBS and GSE CRT Type by Vintage

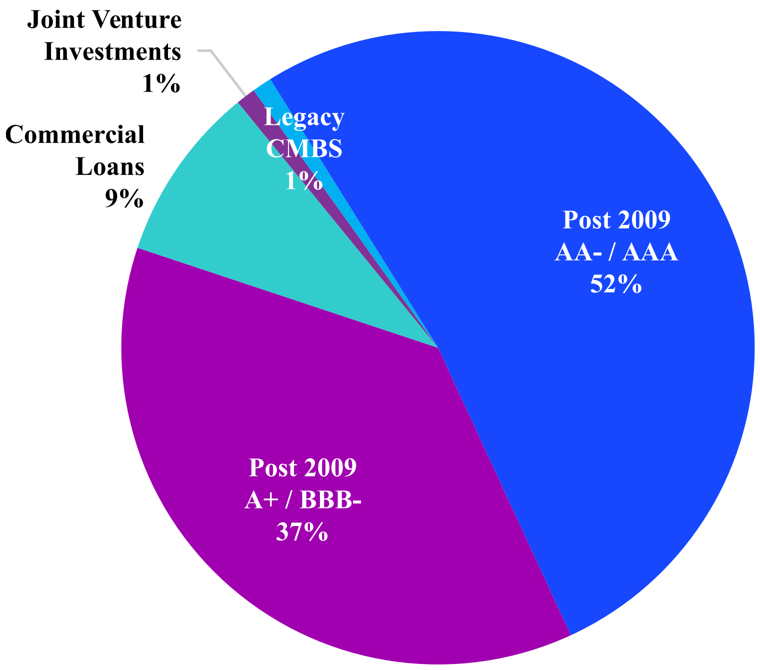


- 67% of Non-Agency RMBS holdings have dollar prices above $90, and 91% above $80
- These high dollar prices generally reflect lower exposure to collateral performance issues, demonstrate less price volatility and are more attractive to finance
- Low dollar price bonds demonstrate greater price volatility, 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 largely 2013 and 2014 vintage
  - These seasoned transactions demonstrate lower price volatility relative to more recent issuance
  - Reference loans have significant embedded home price appreciation

(1) Excludes GSE CRT and interest-only securities. As of September 30, 2016

Commercial Credit



	Duration	Period-end Wtd Avg Yield (1)
Legacy CMBS (2)	0.1	3.53%
Post 2009 AA- / AAA (3)	5.6	3.85%
Post 2009 A+ / BBB- (4)	4.5	5.02%
Commercial Loans	0.0	8.27%

Highlights:

- CMBS spreads benefited from broader rally in risk assets during the quarter, as CMBS spreads tightened and the credit curve compressed
- Favorable trends in property fundamentals provide positive support for commercial mortgage credit investments
- CMBS positions continue to benefit from rating agency upgrades and underlying property price appreciation

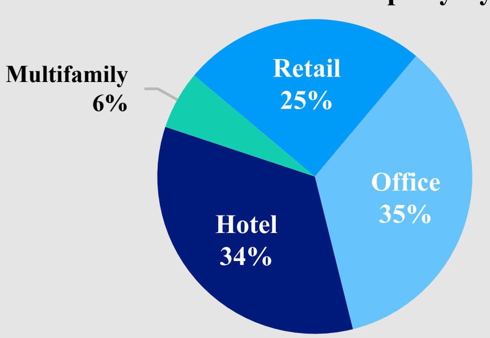
(1) Period-end weighted average yield is based on amortized cost as of September 30, 2016 and incorporates future prepayment and loss assumptions.
(2) CMBS issued prior to 12/31/2008.
(3) CMBS originally rated between AA- and AAA (or an equivalent/comparable ratings by a nationally recognized statistical rating organization) issued after 2009
(4) CMBS originally rated between A+ and BBB- (or an equivalent/comparable rating by a nationally recognized statistical rating organization) issued after 2009

Commercial Loan & Joint Venture Investments

Investment Type	Property Type	Location	Commitment (1)	Borrower	Rate Type	Loan Status
Mezzanine Loan	Retail	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	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	$121,723,000	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 October 2016

Commercial Loan Property Type



As of September 30, 2016. Joint venture investment property types are not included.

Portfolio Highlights

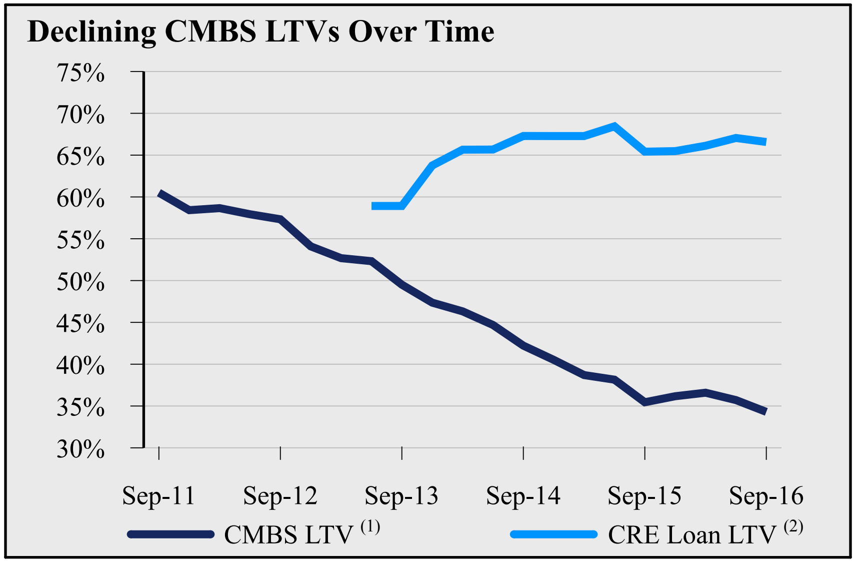
- Quarter-end portfolio of $306.1 million
- $112 million of principal has been returned through realization of borrower business plans
- No delinquencies as of September 30, 2016
- Investments behind five different balance sheet lenders

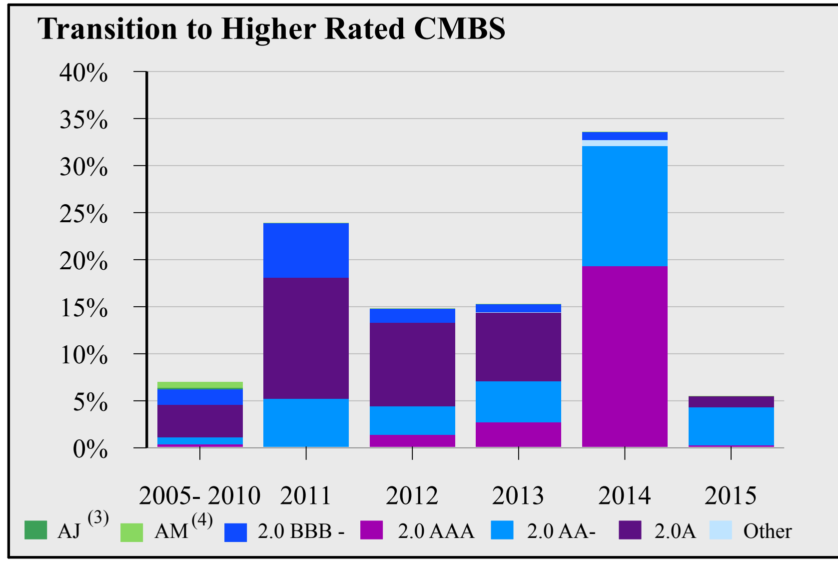
(1) As of September 30, 2016 the Company's undrawn commitments in commercial loans and joint venture investments were $11.8 million and $16.3 million, respectively

(2) As of September 30, 2016 the Company has received cumulative distributions totaling $166.7 million from joint venture investments. As of September 30, 2016, the Company's joint venture investment balance was $32.8 million

Improvement in Commercial Mortgage Investment Credit Quality

Invesco





- CMBS LTV [(1)] of 34% and CRE Loan LTV [(2)] of 67%
- Approximately 95% of CMBS is collateralized by loans originated during or prior to 2014 benefiting from notable underlying property price appreciation
- Recent vintage CMBS are almost entirely triple and double-A rated classes benefiting from substantial subordination and FHLB financing
- Commercial loans are collateralized by institutional quality properties and benefit from strong borrowers

Source: Trepp as of September 30, 2016

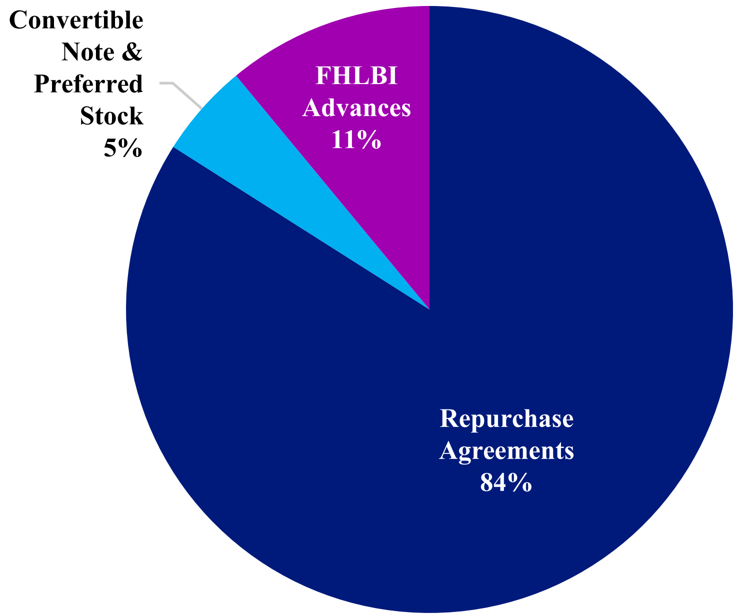
(1) The product of (a) the weighted average current loan-to-value ratio of the CMBS collateral pool of which the value of the property is adjusted for price appreciation using Moody's/RCA CPPI, multiplied by (b) a fraction, the numerator of which is the total principal balance of the subject class and 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, 2016.

(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.

(3) Originally rated AAA class which is typically subordinate to the most AM class and issued prior to 12/31/2008.

(4) Originally rated AAA class which is typically subordinate to the most senior AAA rated class and senior to the AJ class and issued prior to 12/31/2008.

Financing



Average Cost of Funds (1)	Q3 2016	Q2 2016
Agency RMBS (2)	0.67%	0.65%
CMBS (2)	1.14%	1.11%
Non-Agency RMBS	1.94%	1.85%
GSE CRT	2.16%	2.08%

Highlights:

- Funding sources include:
  - Secured financing: repurchase agreements, debt facility, FHLBI advances
  - Exchangeable senior notes
  - Preferred equity
- 25 active repurchase agreement counterparties

(1) Average cost of funds is calculated by dividing annualized interest expense by the Company's average borrowings.
(2) Agency RMBS and CMBS average borrowing and cost of funds include borrowings under repurchase agreements and secured loans.

Appendix — Non-GAAP Financial Information

In addition to the results presented in accordance with U.S. GAAP, this presentation contains the non-GAAP financial measure of "core earnings". The Company's management uses core earnings in its internal analysis of results and believes this information is useful to investors for the reasons explained below.

Core earnings should not be considered a substitute for any measures derived in accordance with U.S. GAAP and may not be comparable to other similarly titled measures of other companies. An analysis of any non-GAAP financial measure should be made in conjunction with results presented in accordance with U.S. GAAP. Additional reconciling items may be added in the future to non-GAAP measures if deemed appropriate.

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; and cumulative adjustments attributable to non-controlling interest. We record changes in the valuation of our mortgage-backed securities, excluding securities for which we elected the fair value option and the valuation assigned to the debt host contract associated with our GSE CRTs in other comprehensive income on our consolidated balance sheets.

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 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			Nine Months Ended	
$ in thousands, except per share data	September 30, 2016	June 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Net income (loss) attributable to common stockholders	129,219	(11,617)	(144,515)	(38,558)	(15,985)
Adjustments:					
(Gain) loss on investments, net	7,155	(1,414)	1,967	(5,860)	(11,019)
Realized (gain) loss on derivative instruments, net	(1,347)	20,584	3,079	62,222	44,394
Unrealized (gain) loss on derivative instruments, net	(60,419)	44,794	170,738	150,842	104,546
Realized and unrealized (gain) loss on GSE CRT embedded derivatives, net	(25,963)	(11,116)	3,564	(39,175)	(5,091)
(Gain) loss on foreign currency transactions, net	1,340	3,542	—	6,007	529
Amortization of net deferred (gain) loss on de-designated interest rate swaps	(4,831)	3,238	15,724	11,331	51,182
Subtotal	(84,065)	59,628	195,072	185,367	184,541
Cumulative adjustments attributable to non-controlling interest	1,060	(752)	(2,260)	(2,289)	(2,141)
Core earnings	46,214	47,259	48,297	144,520	166,415
Basic income (loss) per common share	1.16	(0.10)	(1.18)	(0.34)	(0.13)
Core earnings per share attributable to common stockholders	0.41	0.42	0.40	1.29	1.36