Invesco Mortgage Capital Inc.

2015 Third Quarter Earnings Call
November 4, 2015

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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, the impact of the restatement of our financial statements for certain periods and the adequacy of our disclosure controls and procedures and internal controls over financial reporting. 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/A 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

Invesco

Q3 2015 Financial Highlights

Dividend per common share	$0.40
Core EPS (1)	$0.40
Basic EPS	($1.18)
Book value per diluted common share (2)	$17.66
Comprehensive (loss) per common share	($0.71)
Economic return (3)	(3.0%)

Equity allocated to benefit improving real estate markets

35% Agency MBS

34% Commercial credit

31% Residential credit

- Core EPS of $0.40 in Q3 2015
  - Prepayments were not a major factor in Q3
  - Repo borrowing rates were elevated in Q3
- Declared quarterly dividend of $0.40 per share
- Book value per share declined $0.96 or 5.2%:
  - Swap spreads tightened and asset spreads widened
  - Buybacks increased book value $0.12 per share
- Economic returns(3)
  - (3.0%) in Q3 2015
  - 0.7% year to date 2015
- Q3 portfolio highlights:
  - Reinvested maturities and prepayments into:
    - Closed commercial real estate mezzanine loan -$34 million
    - IVR stock buybacks -$50 million
  - Asset quality continues to improve and season

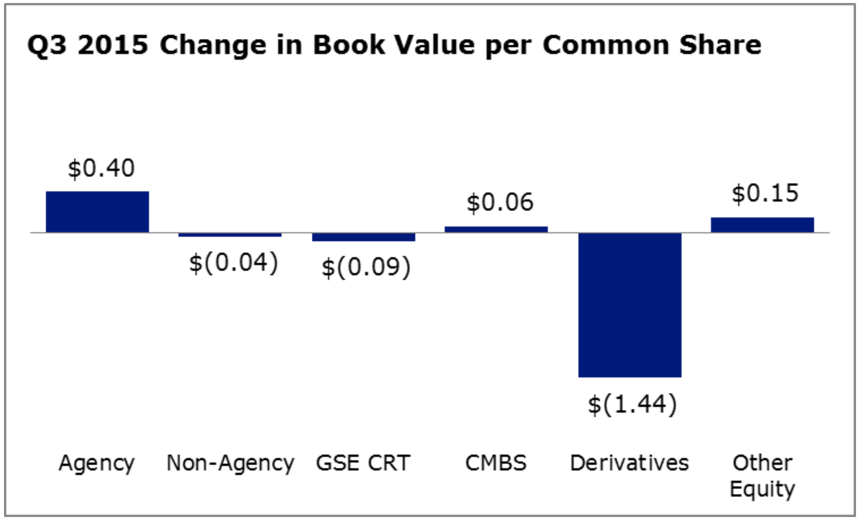
All per share amounts are per common share

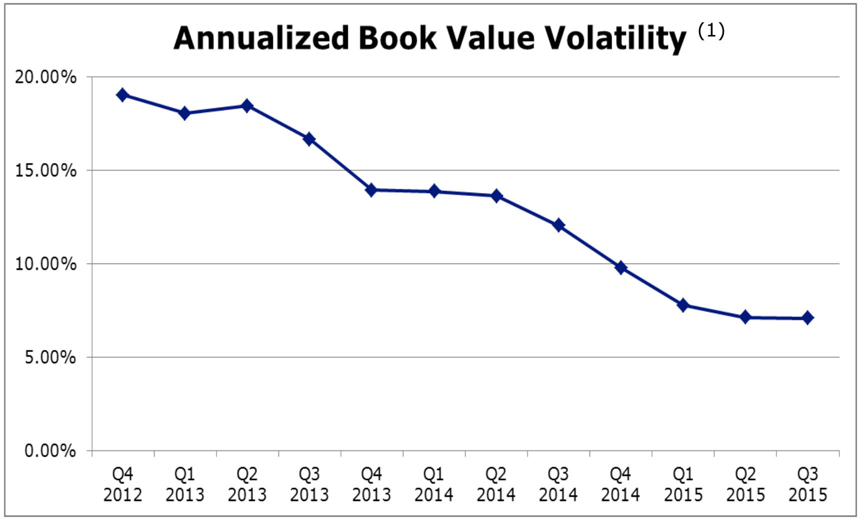
(1) Core EPS is a non-GAAP financial measure. See Slide 11 for non-GAAP reconciliation.

(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 quarter ended September 30, 2015 is defined as the change in book value per diluted common share from June 30, 2015 to September 30, 2015 of ($0.96); plus dividends declared of $0.40 per common share; divided by June 30, 2015 book value per diluted common share of $18.62. Economic return year to date is defined as the change in book value per diluted common share from December 31, 2014 to September 30, 2015 of ($1.16); plus dividends declared of $1.30 per common share; divided by December 31, 2014 book value per diluted common share of $18.82. Economic return for the past three years is defined as the change in book value per diluted common share from September 30, 2012 to September 30, 2015 of ($3.27; plus dividends declared of $6.20 per common share; divided by the September 30, 2012 diluted book value per common share of $20.93.

Book Value Performance





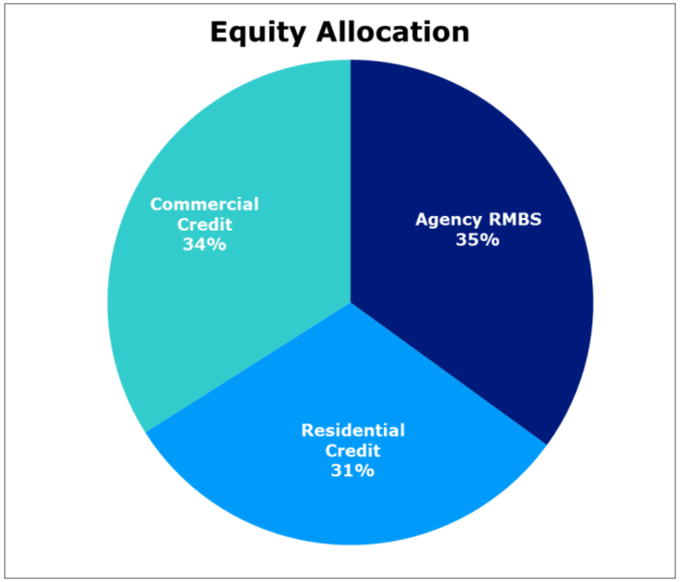
We seek to provide stockholders with attractive income and long term book value stability

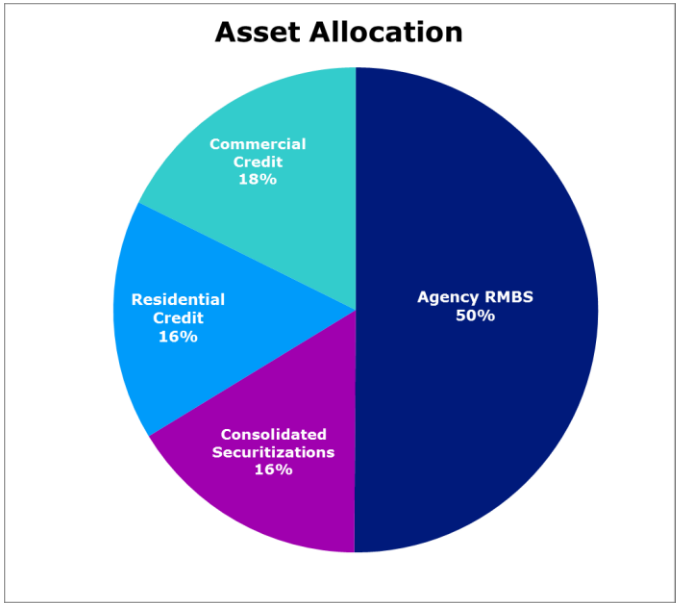
- Book value impacted by transitory yield spread changes
  - Q3 BVPS declined $0.96 or 5.2%
  - 10 year interest rate swap yields declined by 0.46%, outpacing all other sectors including Agency MBS, residential and commercial credit, and US Treasury notes
  - While Agency MBS and CMBS prices were higher, they underperformed hedges
  - Buybacks added $0.12 to book value per share
- Key strategies aimed at capital preservation have reduced book value volatility:
  - Maintain low interest rate risk because interest rate levels trend over long periods
  - Maintain strong asset quality to avoid credit losses
  - Earn dividend through prudent credit spread capture because spreads are cyclical, mean reverting, and improve with seasoning
  - Opportunistically modulate sector exposures and maintain diverse sources of return
  - Strategically manage capital to benefit book value through activities such as buy backs

(1) BV volatility is based on trailing 2 years of quarterly data

The IVR Portfolio

Q3 2015 Portfolio Update

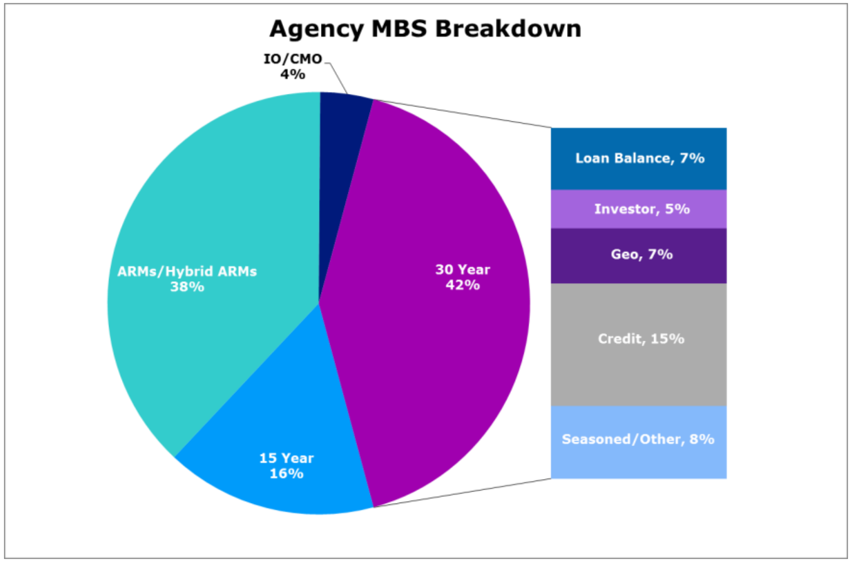




Highlights:

- We believe the portfolio remains well positioned for the current environment
- 65% of equity and 50% of assets are allocated to credit
  - Both residential and commercial credit fundamentals remain strong
  - Credit assets exhibit significantly less convexity risk than Agency MBS
- Prepayment risk remains well contained
- The portfolio continues to have limited exposure to changes in interest rates, but increased exposure to changes in spreads
- Credit spreads in our portfolio widened, as spreads across all of fixed income were negatively impacted by global macro concerns
- Swap spreads tightened significantly, driven by a rebalancing by central banks and increased corporate debt issuance

Agency MBS



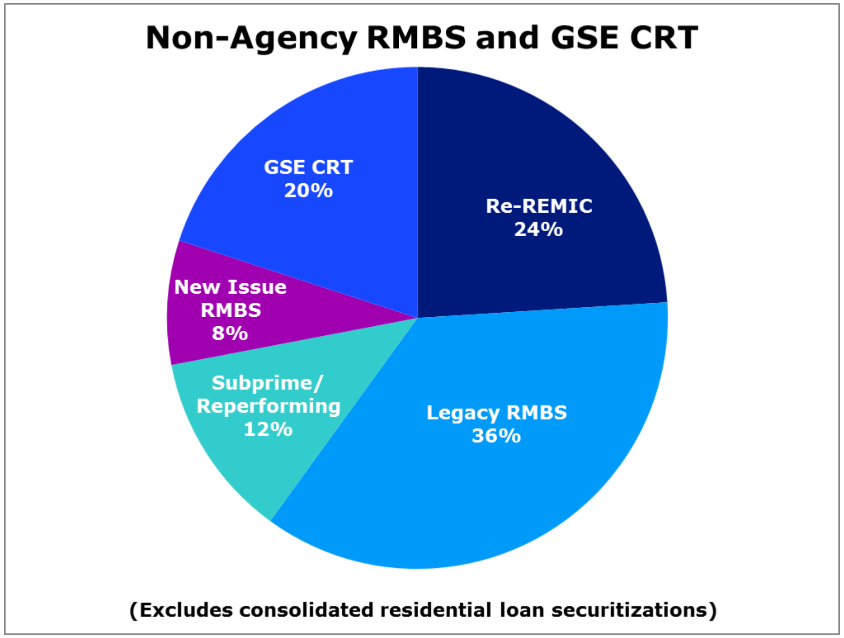
Highlights:

- Portfolio characteristics
  - Fixed rate pools consist of well seasoned, high coupon, specified collateral
  - ARMs and Hybrid ARMs increased to 38% of the Agency portfolio
- We expect prepayment speeds to decline modestly in the next quarter, due to the seasonal impact of housing turnover
- This seasonal benefit could be negated if interest rates trend lower. Specifically, we think that a move to 1.75% on the 10-year note could cause an uptick in refinancing

	CPR (1)	Net Wtd Avg Coupon (2)	Yield (3)
15 Year	13.1	3.73%	2.44%
30 Year	14.8	4.26%	2.70%
Hybrid ARMs	15.2	2.73%	2.55%

(1) Constant Prepayment Rate
(2) Net weighted average coupon as of September 30, 2015 is presented net of servicing and other fees.
(3) Period-end weighted average yield is based on amortized cost as of September 30, 2015 and incorporates future prepayment and loss assumptions but excludes changes in anticipated interest rates.

Residential Credit



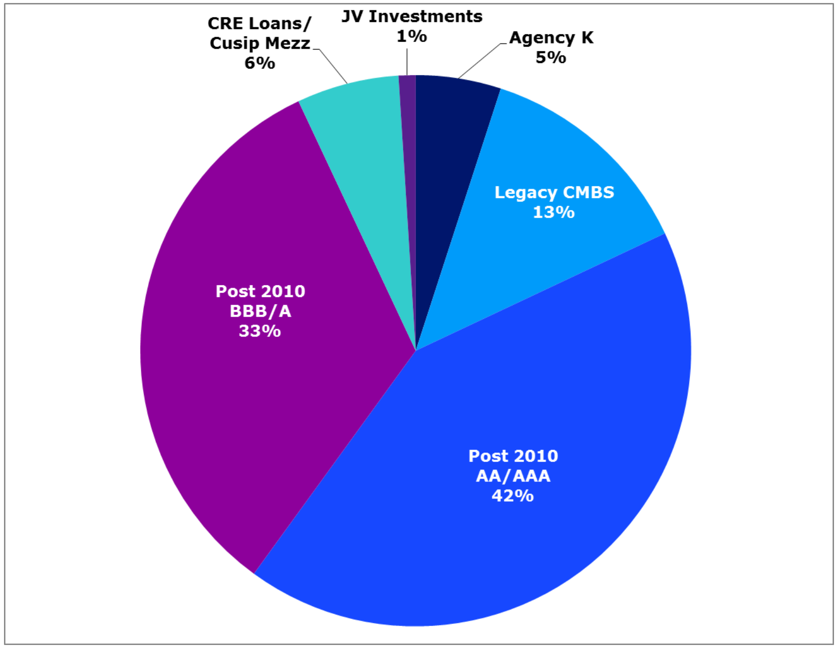
	Duration	Yield [(1)]
Re-REMIC	0.5	3.71%
Legacy RMBS	0.2	3.57%
Subprime / Reperforming	0.5	3.86%
New Issue RMBS [(2)]	3.2	3.79%
GSE CRT [(3)]	0.0	0.51%

(1) Period-end weighted average yield is based on amortized cost as of September 30, 2015 and incorporates future prepayment and loss assumptions but excludes changes in anticipated interest rates.
(2) RMBS issued after 2010
(3) GSE CRT period-end yield excludes embedded coupon interest recorded as realized and unrealized credit derivative income

Highlights:

- The housing market continued to strengthen in the third quarter, with further improvement in home prices, sales and housing starts
- Improving housing demand and low vacancy rates are supportive of our Non-Agency RMBS and GSE CRT investments
- Legacy RMBS declined modestly during the quarter while GSE CRT spreads widened as part of the broad sell-off across fixed income markets
- The consolidated residential loan portfolio continues to demonstrate excellent performance, reflecting high borrower quality and significant embedded home price appreciation

Commercial Credit



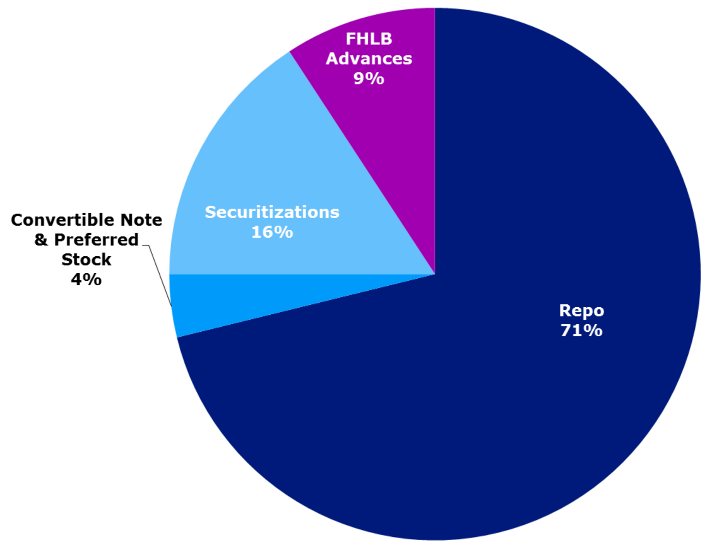
	Duration	Yield (1)
Agency K(2)	4.4	5.51%
Legacy CMBS(3)	0.6	5.33%
Post 2010 AA/AAA(4)	6.4	3.75%
Post 2010 A/BBB(5)	5.1	5.27%
Cusip Mezz	0.0	5.30%
CRE Loans		8.39% (6)

Highlights:

- Favorable trends in property fundamentals continue to provide positive support for our commercial mortgage credit investments
- A spike in issuance and heightened macro volatility resulted in credit spread widening
- IVR's seasoned CMBS subordinate portfolio was more resilient to spread widening relative to on-the-run as it benefits from underlying property price appreciation, growing subordination, scarcity and declining duration
- Weighted average Effective CMBS LTV (7) of 36% and weighted average CRE Loan LTV of 67%
- Closed one floating rate mezzanine loan totaling approximately $34 million and pipeline remains steady

(1) Period-end weighted average yield is based on amortized cost as of September 30, 2015 and excludes changes in anticipated interest rates.
(2) Subordinate CMBS collateralized by multi-family loans issued by Freddie Mac which do not benefit from a guarantee.
(3) CMBS issued prior to 12/31/2008.
(4) CMBS originally rated between AAA and AA- (or an equivalent/comparable ratings by a nationally recognized statistical rating organization) issued after 2009
(5) CMBS originally rated between A+ and BBB- (or an equivalent/comparable rating by a nationally recognized statistical rating organization) issued after 2009
(6) Average book yield for the three months ending September 30, 2015 was calculated by dividing interest income, including amortization of premiums and discounts, by our average of the amortized cost of the investments. All yields are annualized.
(7) 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 by 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, 2015.

Financing



Average Cost of Funds (1)	
GSE CRT	1.75%
Non-Agency RMBS	1.60%
CMBS (2)	0.93%
Agency RMBS (2)	0.40%

Highlights:

- Diversified funding mix
  - Secured financing: repurchase agreements, debt facility, FHLB loans
  - Unsecured financing: exchangeable corporate notes, preferred equity
  - Securitization financings consolidated on our balance sheet
- 28 active repo counterparties
- Weighted average remaining maturity on borrowings increased from 60 days as of 12/31/13 to 380 days at 9/30/2015
- FHLB financing has increased to 9% of total outstanding debt
- Cost of funds were modestly higher during the quarter

(1) Average cost of funds is calculated by dividing annualized interest expense by our average borrowings for the three months ended September 30, 2015. Refer to the Average Balances table in the earnings release for more average balances.
(2) Agency RMBS and CMBS average borrowing and cost of funds include borrowings under repurchase agreements and secured loans.

Appendix — Non-GAAP Financial Information

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In addition to the results presented in accordance with U.S. GAAP, this presentation contains the non-GAAP financial measures 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.

These non-GAAP financial measures should not be considered as substitutes 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 to the non-GAAP measures if deemed appropriate.

The Company calculates core earnings as U.S. GAAP net income attributable to common stockholders adjusted for gain (loss) on investments, net; realized gain (loss) on derivative instruments, net (excluding contractual net interest on interest rate swaps); unrealized gain (loss) on derivative instruments, net; realized and unrealized change in fair value of GSE CRT credit derivative income (loss), net; gain (loss) on foreign currency transactions, net; amortization of net deferred losses on de-designated interest rate swaps to repurchase agreements interest expense; and an adjustment attributable to non-controlling interest.

The Company believes the presentation of core earnings allows investors to evaluate and compare the performance of the Company to that of its peers because core earnings measures investment portfolio performance over multiple reporting periods by removing realized and unrealized gains and losses. The Company records changes in the valuation of its mortgage-backed securities in other comprehensive income on its consolidated balance sheets. Changes in the fair value of the Company’s derivative instruments are recorded in gain (loss) on derivative instruments, net in the Company’s consolidated statement of operations.

However, the Company cautions that core earnings should not be considered as an alternative to net income (determined in accordance with U.S. GAAP), or an indication of the Company's cash flow from operating activities (determined in accordance with U.S. GAAP), a measure of the Company's liquidity, or an indication of amounts available to fund its cash needs, including its ability to make cash distributions.

	Three Months Ended			Nine Months Ended	
$ in thousands, except per share data	September 30, 2015	June 30, 2015	September 30, 2014 (As Restated)	September 30, 2015	September 30, 2014 (As Restated)
Net income (loss) attributable to common shareholders	(144,550)	139,925	(2,836)	(22,065)	(135,369)
Adjustments					
(Gain) loss on investments, net	2,958	(10,876)	48,364	(10,090)	86,333
Realized (gain) loss on derivative investments, net (excluding contractual net interest on interest rate swaps of $46,785, $46,011, $50,446, $138,404 and $154,092, respectively	3,079	15,212	1,016	44,394	34,877
Unrealized (gain) loss on derivative	170,738	(117,226)	(47,758)	104,546	133,863
Realized and unrealized change in fair value of GSE CRT credit derivative income (loss), net	3,564	6,591	33,644	(5,091)	(8,307)
(Gain) loss on foreign currency transactions, net	-	(996)	1,479	529	1,479
Amortization of deferred swap losses on de-designation	15,724	16,313	21,227	51,182	64,055
Subtotal	196,063	(90,982)	57,972	185,470	312,300
Adjustment attributable to non-controlling interest	(2,272)	1,041	(664)	(2,152)	(3,564)
Core earnings	49,241	49,984	54,472	161,253	173,368
Basic earnings (loss) per common share	(1.18)	1.14	(0.02)	(0.18)	(1.10)
Core earnings per share attributable to common shareholders	0.40	0.41	0.44	1.31	1.41