# AG Mortgage Investment Trust, Inc.
# Q4 2017 Earnings Presentation

February 28, 2018

# Forward Looking Statements and Non-GAAP Financial Information

**Forward Looking Statements:** This presentation includes "forward-looking statements" within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995 related to dividends, our strategy related to our investments and portfolio, investment returns, return on equity, liquidity and financing, taxes, our assets, our interest rate sensitivity, and our views on certain macroeconomic trends, among others. Forward-looking statements are based on estimates, projections, beliefs and assumptions of management of the Company at the time of such statements and are not guarantees of future performance. Forward-looking statements involve risks and uncertainties in predicting future results and conditions. Actual results could differ materially from those projected in these forward-looking statements due to a variety of factors, including, without limitation, changes in interest rates, changes in the yield curve, changes in prepayment rates, the availability and terms of financing, changes in the market value of our assets, general economic conditions, conditions in the market for Agency RMBS, Non-Agency RMBS, ABS and CMBS securities and loans, and legislative and regulatory changes that could adversely affect the business of the Company. Additional information concerning these and other risk factors are contained in the Company's filings with the Securities and Exchange Commission ("SEC"), including its most recent Annual Report on Form 10-K and subsequent filings. Copies are available free of charge on the SEC's website, http://www.sec.gov/. All information in this presentation is as of February 27, 2018. The Company undertakes no duty to update any forward-looking statements to reflect any change in its expectations or any change in events, conditions or circumstances on which any such statement is based.

**Non-GAAP Financial Information:** In addition to the results presented in accordance with GAAP, this presentation includes certain non-GAAP financial results and financial metrics derived therefrom, which are calculated by including or excluding unconsolidated investments in affiliates, TBAs, and U.S. Treasuries, or by allocating non-investment portfolio related items based on their respective characteristics, as described in the footnotes. Our management believes that this non-GAAP financial information, when considered with our GAAP financials, provide supplemental information useful for investors in evaluating results of our operations. This presentation also contains Core Earnings, a non-GAAP financial measure. Our presentation of non-GAAP financial information may not be comparable to similarly-titled measures of other companies, who may use different calculations. This non-GAAP financial information should not be considered a substitute for, or superior to, the financial measures calculated in accordance with GAAP. Our GAAP financial results and the reconciliations from these results should be carefully evaluated.

# Q4 2017 MITT Earnings Call Presenters

| | | | |
|---|---|---|---|
| **David Roberts** | **TJ Durkin** | **Brian Sigman** | **Karen Werbel** |
| Chief Executive Officer | Chief Investment Officer | Chief Financial Officer | Head of Investor Relations |

# Q4 2017 Performance and Highlights

- **Fourth Quarter 2017:**
  - **$0.74 of Net Income/(Loss) per diluted common share[1]**
  - **$0.50 of Core Earnings per diluted common share[1, 2]**
    - Includes de minimus retrospective adjustment
    - Includes $0.02 of dollar roll income associated with our net TBA position
  - **3.9% economic return on equity for the quarter, 15.6% annualized[5]**
  - **$19.62 book value per share[1] as of December 31, 2017, inclusive of our current quarter $0.475 common dividend**
    - **Book value increased $0.27 or 1.4% from last quarter, inclusive of:**
      - **$0.30 or 1.6% due to our Credit Investments**
        - Strong demand and stable fundamentals drove spreads for most mortgage-backed credit sectors tighter
      - **$(0.05) or (0.3)% due to our investments in Agency RMBS and associated derivative hedges**
        - Agency basis tightening was offset by an increase in interest rates
      - **$0.02 or 0.1% due to core earnings above the $0.475 dividend**

# Full Year 2017 Performance and Highlights

- **Full Year 2017:**
  - **$3.77 of Net Income/(Loss) per diluted common share[1]**
  - **$1.90 of Core Earnings per diluted common share[1, 2]**
    - Includes $(0.02) retrospective adjustment
    - Includes $0.11 of dollar roll income associated with our net TBA position
  - **$2.00 dividend per common share[1]**
    - Includes $0.10 special cash dividend
  - **21.1% economic return on equity for the year[5]**
  - **Issued 460,932 shares of common stock for net proceeds of approximately $8.7 million through ATM Program**

# Q4 2017 Performance and Highlights (cont'd)

- **$3.8 billion investment portfolio as of December 31, 2017 as compared to the $3.5 billion investment portfolio as of September 30, 2017[3, 4]**
  - Net purchased $249.9 million of Agency and TBA securities, inclusive of unsettled trades, coupled with net purchases of $94.1 million of Credit Investments
- **2.38% Net Interest Margin ("NIM") as of December 31, 2017[8]**
  - Increase in cost of funds primarily due to an increase of 25 bps in the federal funds rate in December
- **4.4x "At Risk" Leverage as of December 31, 2017[7]**
  - Increase in leverage primarily due to the addition of Agency RMBS

| | 12/31/2016 | 3/31/2017 | 6/30/2017 | 9/30/2017 | 12/31/2017 |
|---|---|---|---|---|---|
| **Yield on Investment Portfolio[9]** | 5.18% | 5.02% | 4.75% | 4.69% | 4.64% |
| **Cost of Funds[10]** | 2.02% | 2.16% | 2.27% | 2.12% | 2.26% |
| **NIM[8]** | 3.16% | 2.86% | 2.48% | 2.57% | 2.38% |
| | | | | | |
| **"At Risk" Leverage[7]** | 2.9x | 3.0x | 4.2x | 4.2x | 4.4x |

# Q4 2017 Activity

| ($ in millions) Description | Net Purchased/ (Sold/Payoff) | Net Repo (Added)/ Removed[a] | Net Equity Invested/ (Returned) |
|---|---|---|---|
| 30 Year Fixed Rate | $228.0 | $(169.7) | $58.3 |
| Inverse Interest Only | 28.7 | (13.8) | 14.9 |
| Interest Only and Excess MSR | 9.6 | (7.8) | 1.8 |
| **Total Agency RMBS** | **266.3** | **(191.3)** | **75.0** |
| Prime | 16.7 | (8.7) | 8.0 |
| Alt-A | 6.7 | (5.2) | 1.5 |
| Subprime | (29.5) | 24.6 | (4.9) |
| Credit Risk Transfer | 28.5 | (22.5) | 6.0 |
| RPL/NPL | 25.3 | (22.6) | 2.7 |
| Residential Whole Loans | 44.5 | (31.3) | 13.2 |
| **Total Residential Investments** | **92.2** | **(65.7)** | **26.5** |
| CMBS | 9.4 | (2.7) | 6.7 |
| Freddie Mac K-Series CMBS | 3.8 | - | 3.8 |
| CMBS Interest Only | 1.6 | (0.3) | 1.3 |
| **Total Commercial Investments** | **14.8** | **(3.0)** | **11.8** |
| **Total ABS** | **(12.8)** | **5.8** | **(7.0)** |
| **Total Q4 Activity Prior to TBA** | **360.5** | **(254.2)** | **106.3** |
| Fixed Rate 30 Year TBA | (18.7) | N/A | (0.6)[b] |
| **Total Q4 Activity including TBA** | **$341.8** | **N/A** | **$105.7** |

- Net equity invested was primarily sourced from principal paydowns and leverage added on previously unlevered securities

(a) Timing and size of repo added may differ from that of repo removed. Excludes repo on prior period purchases.
(b) Net equity in TBA represents initial margin on TBA purchases.
Note: The chart above includes settled purchases, sales and full payoffs on investments, and the associated repo added or removed within the quarter.

# Q4 2017 Activity (cont'd)

- Deployed net equity of $105.7 million during the quarter
  - Increased our sector allocation to Agency RMBS on a hedged basis during the quarter
  - Purchased a pool of primarily NPL mortgage loans alongside another Angelo, Gordon fund
  - Purchased a portfolio of prime jumbo credit subordinate bonds issued post-crisis
  - Refinanced a credit card ABS bridge securitization

# Q4 2017 Macro-Economic Conditions

| | |
|---|---|
| **Macro Environment** | ▪ In December, the FOMC increased the federal funds rate by an additional 25 basis points<br>▪ The yield curve flattened, which was led by steadily rising short-term interest rates and rangebound long-term interest rates<br>▪ Stable growth was led by strong consumer spending and an uptick in fixed investment<br>▪ Slight increase in inflation from earlier in the year due to fading transitory factors |
| **Housing** | ▪ Housing activity remained stable, at or near post crisis highs, but constrained by tight supply conditions |
| **Agency RMBS** | ▪ During the fourth quarter, rangebound long-term interest rates, modest supply, and subdued volatility continued to support valuations for Agency RMBS |
| **Credit** | ▪ Fundamental mortgage collateral performance continued to stabilize as delinquency and default rates approached pre-crisis levels |

# Investment Opportunity Set

**Agency RMBS**

- Hypothetical Duration Hedged Levered ROE: 8-14%(a)(b)
- 30/20/15 Year Fixed Rate, Hybrid ARM, Fixed Rate CMO, Agency IO, Inverse IO, Excess MSRs

**Residential Investments**

- Hypothetical Levered ROE: 8-14%(b)
- CRT, NPL, RPL, Non-QM, Legacy

**Commercial Investments**

- Hypothetical Levered ROE: 10-16%(b)
- Conduit, Single Asset/Single Borrower, Freddie Mac K-series, Commercial Whole Loans

**ABS**

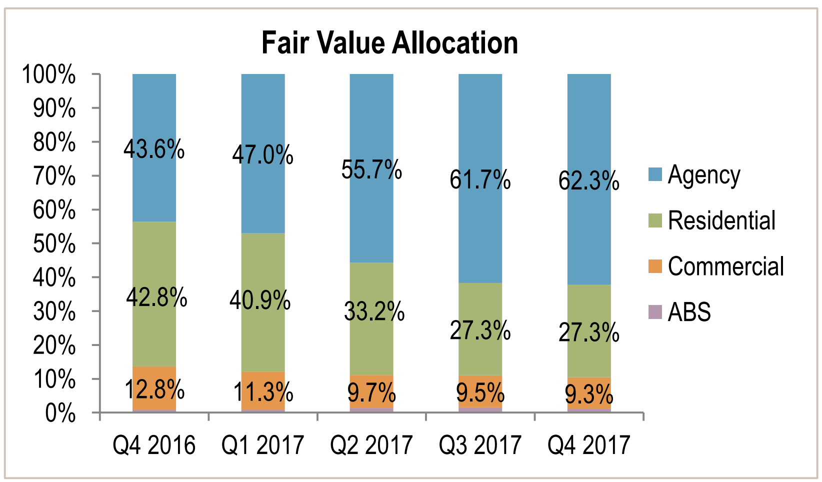
- Hypothetical Levered ROE: 8-14%(b)
- Consumer and auto backed debt

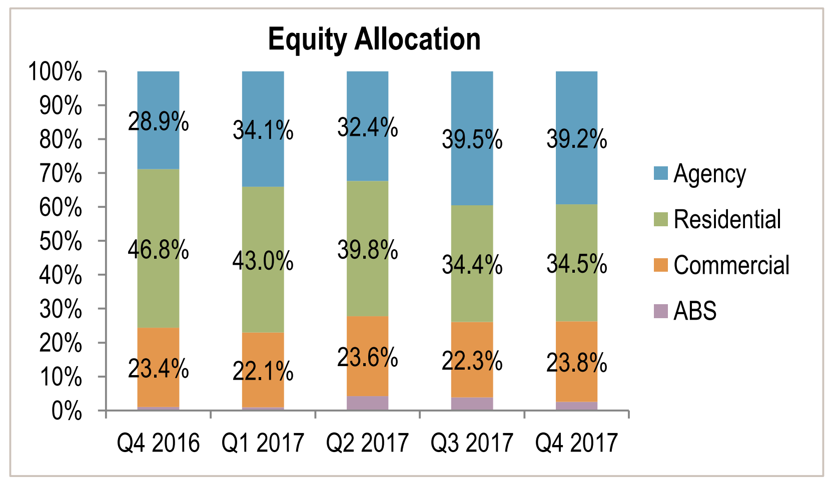
(a) Hypothetical levered returns on Agency RMBS are presented on a duration hedged basis, net of related costs.
(b) ROE values are presented gross of management fee and other corporate expenses.
Note: The hypothetical Levered Returns on Equity ("ROE") depicted above are dependent on a variety of inputs and assumptions, which are assumed to be static, and do not reflect the impact of operating expenses. Actual results could differ materially based on a number of factors, including changes in interest rates, spreads, prepayments, asset values, funding levels, risk positions, hedging costs, expenses and other factors.

# Q4 2017 Investment Portfolio Composition[3,4]

| | Amortized Cost (mm) | Fair Value (mm) | Percent of Fair Value | Allocated Equity (mm)[16] | Percent of Equity | Weighted Average Yield[9] | Funding Cost[(a)] | NIM[(a)] | Leverage[(b)] |
|---|---|---|---|---|---|---|---|---|---|
| Agency RMBS | $2,354.8 | $2,354.9 | 62.3% | $280.3 | 39.2% | 3.3% | 1.6% | 1.7% | 7.5x |
| Residential Investments[(c)] | 969.8 | 1,034.8 | 27.3% | 245.9 | 34.5% | 6.2% | 2.8% | 3.4% | 3.3x |
| Commercial Investments[(c)] | 345.2 | 351.6 | 9.3% | 170.0 | 23.8% | 8.3% | 2.9% | 5.4% | 1.1x |
| ABS | 40.2 | 41.0 | 1.1% | 18.1 | 2.5% | 8.3% | 2.9% | 5.4% | 1.3x |
| **Total Investment Portfolio** | **$3,710.0** | **$3,782.3** | **100.0%** | **$714.3** | **100.0%** | **4.6%** | **2.3%** | **2.3%** | **4.4x** |

(a) Total funding cost and NIM includes cost of interest rate hedges.
(b) Total leverage ratio includes any net receivables on TBA and the leverage ratio by type is calculated based on allocated equity.
(c) Includes fair value of $11.4 mm of Residential Investments and $73.9 mm of Commercial Investments that are included in the "Investments in debt and equity of affiliates" line item on our consolidated balance sheet.

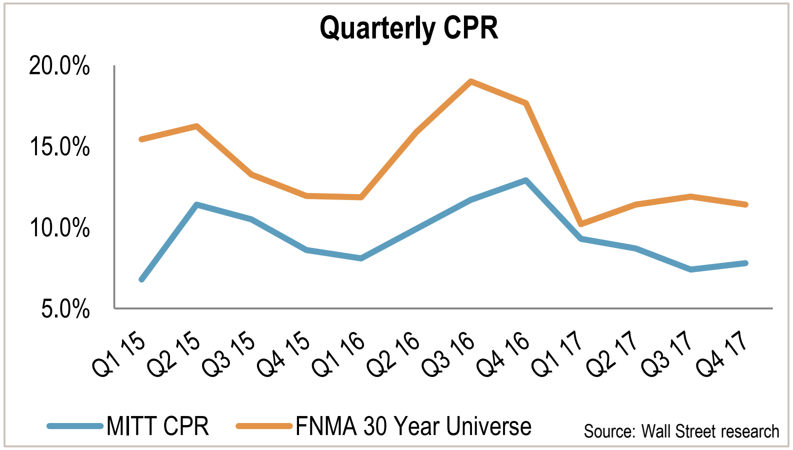


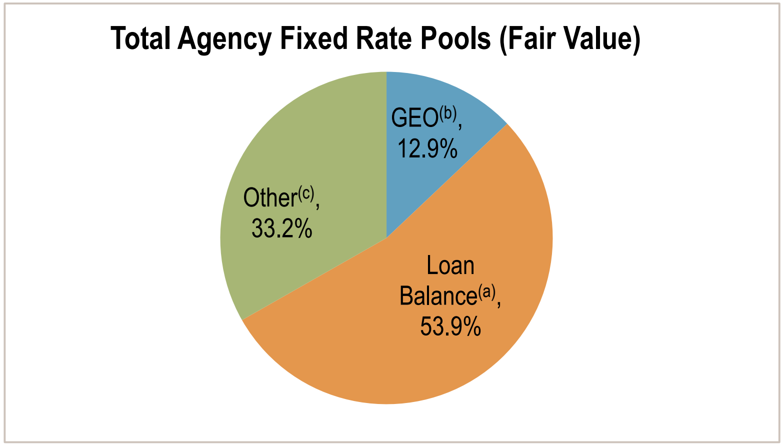




- As of Q4 2017, 62.3% of fair value allocated to Agency and 37.7% to Credit
- As of Q4 2017, 39.2% of equity allocated to Agency and 60.8% to Credit

# Q4 2017 Agency Portfolio Details

| Description | Current Face (mm) | Fair Value (mm) | Percent of Fair Value | Weighted Average Coupon[14] | Weighted Average Yield[9] |
|---|---|---|---|---|---|
| 30 Year Fixed Rate | $1,848.0 | $1,929.0 | 81.8% | 3.8% | 3.1% |
| Fixed Rate CMO | 52.3 | 53.0 | 2.3% | 3.0% | 2.8% |
| ARM | 176.6 | 176.4 | 7.5% | 2.3% | 2.8% |
| Inverse Interest Only | 257.0 | 43.9 | 1.9% | 4.2% | 7.4% |
| Interest Only and Excess MSRs | 1,209.9 | 49.9 | 2.1% | 2.7% | 6.9% |
| Fixed Rate 30 Year TBA | 100.0 | 102.7 | 4.4% | 3.5% | N/A |
| **Total Agency RMBS** | **$3,643.8** | **$2,354.9** | **100.0%** | **3.6%** | **3.3%** |



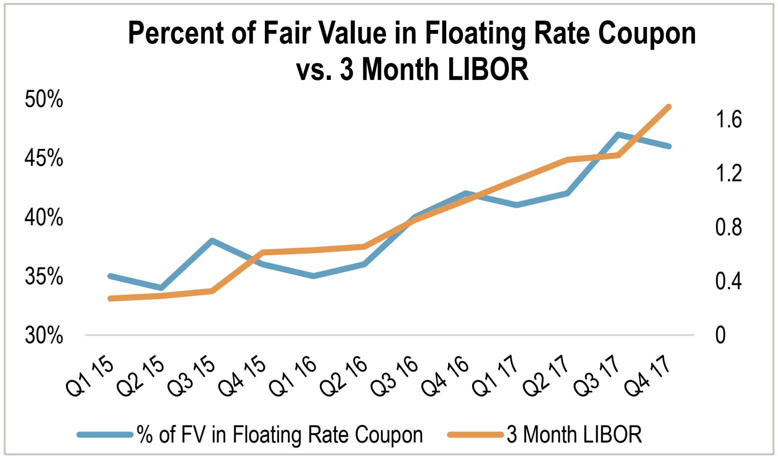

- 7.8% constant prepayment rate ("CPR")[6] on the Agency RMBS investment portfolio for Q4 2017

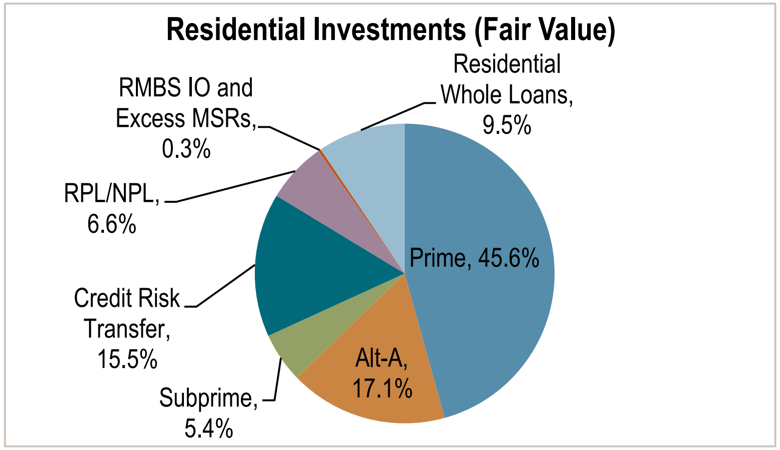
(a) Loan Balance: Pools made up of loans with original balances less than $200,000
(b) Geography: Pools made up of loans originated in states that offer favorable prepayment profiles
(c) Other: Pools made up of newly originated loans, loans on investor properties, loans with higher LTVs or loans taken out by borrowers with lower than average FICOs

# Q4 2017 Residential Portfolio Details

| Description | Current Face (mm) | Fair Value (mm) | Percent of Fair Value | Weighted Average Coupon[14] | Weighted Average Yield[9] |
|---|---|---|---|---|---|
| Prime | $550.6 | $472.9 | 45.6% | 4.4% | 6.3% |
| Alt-A | 254.5 | 176.8 | 17.1% | 4.0% | 6.1% |
| Subprime | 56.6 | 55.8 | 5.4% | 4.4% | 5.2% |
| Credit Risk Transfer | 149.7 | 160.5 | 15.5% | 5.1% | 5.3% |
| RPL/NPL[(a)] | 68.0 | 67.9 | 6.6% | 3.5% | 3.6% |
| RMBS Interest Only and Excess MSRs | 421.6 | 2.9 | 0.3% | 0.3% | 11.6% |
| Residential Whole Loans[(b)] | 126.3 | 98.0 | 9.5% | 5.2% | 9.8% |
| **Total Residential Investments** | **$1,627.3** | **$1,034.8** | **100.0%** | **3.4%** | **6.2%** |

(a) RPL/NPL whose deal structures contain an interest rate step-up feature.
(b) Consolidated whole loan positions as well as whole loans purchased from an affiliate or affiliates of our manager in securitized form.




- 54% of our Residential Investments are fixed rate coupon and 46% are floating rate coupon[14]

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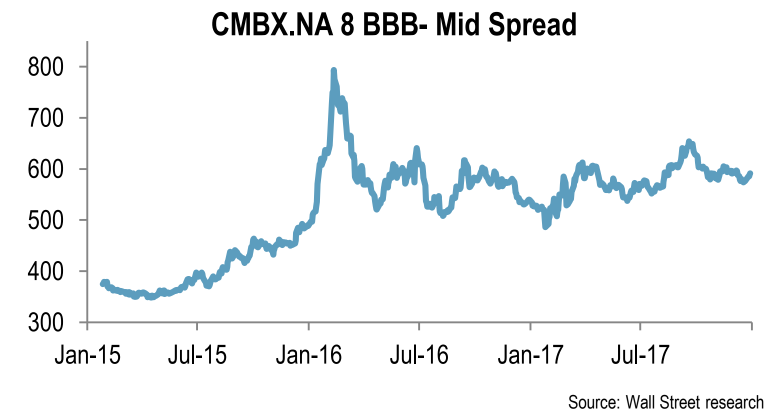
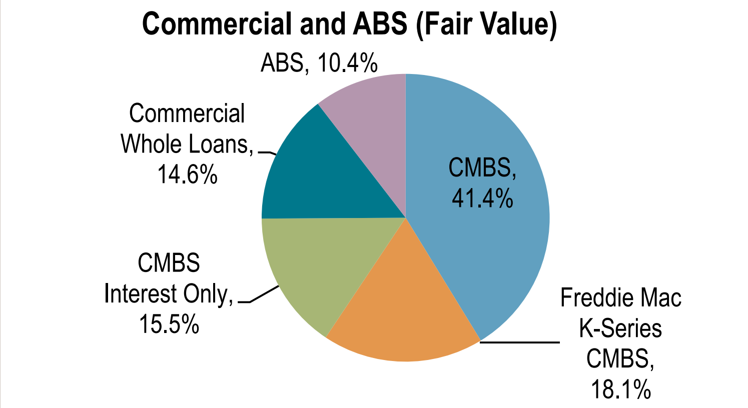
# Q4 2017 Commercial and ABS Portfolio Details

| Description | Current Face (mm) | Fair Value (mm) | Percent of Fair Value | Weighted Average Coupon[14] | Weighted Average Yield[9] |
|---|---|---|---|---|---|
| CMBS | 214.1 | 162.0 | 41.4% | 5.5% | 6.2% |
| Freddie Mac K-Series CMBS | 210.8 | 71.1 | 18.1% | 5.8% | 13.5% |
| CMBS Interest Only | 3,493.6 | 61.0 | 15.5% | 0.3% | 6.6% |
| Commercial Whole Loans | 57.7 | 57.5 | 14.6% | 8.2% | 9.4% |
| **Total Commercial Investments** | **3,976.2** | **351.6** | **89.6%** | **0.6%** | **8.3%** |
| ABS | 40.7 | 41.0 | 10.4% | 7.6% | 8.3% |
| **Total Commercial and ABS** | **4,016.9** | **392.6** | **100.0%** | **0.7%** | **8.3%** |

Note: Our Credit Investments[3] include fair value of $85.3 mm of investment in debt and equity of affiliates comprised of $11.4 mm of Residential Whole Loans, $10.3 mm of CMBS Interest Only and $63.6 mm of Freddie Mac K-Series CMBS. These items, inclusive of our investment in AG Arc LLC[15] and other items, net to $99.7 mm which is included in the "Investments in debt and equity of affiliates" line item on our GAAP Balance Sheet. See slide 12 for further detail on Residential Whole Loans.




Source: Wall Street research




- 32% of our Commercial and ABS Investments are fixed rate coupon and 68% are floating rate coupon[14]

AG MORTGAGE Investment Trust, Inc.

# Financing

- **Financing arrangements with 39 counterparties**
  - Currently financing investments at 27 of the counterparties
  - Our weighted average days to maturity is 43 days and our weighted average original days to maturity is 118 days
  - Financing counterparties remain stable

| Repurchase Agreements[(a)] ($ in millions) | | | | |
|---|---|---|---|---|
| | Agency | | Credit | |
| **Maturing Within** | **Amount Outstanding** | **WA Funding Cost** | **Amount Outstanding** | **WA Funding Cost** |
| Overnight | $128.8 | 1.8% | $- | - |
| 30 Days or less | 1,398.4 | 1.6% | 708.0 | 2.7% |
| 31-60 Days | 477.9 | 1.5% | 133.8 | 2.7% |
| 61-90 Days | - | - | 32.5 | 3.0% |
| 90-180 Days | - | - | 1.2 | 3.2% |
| Greater than 180 Days | - | - | 131.0 | 3.2% |
| **Total and WA** | **$2,005.1** | **1.6%** | **$1,006.5** | **2.8%** |

(a) Numbers do not include securitized debt of $16.5 mm.

# Duration Gap[13]

- **Duration gap was approximately 1.15 years as of December 31, 2017**
  - Opportunistically added hedges to reduce duration and protect against higher rates in response to improved underlying economic fundamentals

| Duration | Years |
|---|---|
| Agency | 2.77 |
| Hedges | (2.59) |
| **Agency Gap Subtotal** | **0.18** |
| Credit | 0.97 |
| **Duration Gap** | **1.15** |

- **Duration gap was approximately 1.36 years as of September 30, 2017**

| Duration | Years |
|---|---|
| Agency | 2.65 |
| Hedges | (2.20) |
| **Agency Gap Subtotal** | **0.45** |
| Credit | 0.91 |
| **Duration Gap** | **1.36** |

# Hedging

- Added hedges versus increased Agency RMBS exposure during the quarter
- Opportunistically added swap and swaption hedges to reduce our exposure to rising rates and a potential increase in implied volatility

| Hedge Portfolio Summary as of December 31, 2017 ($ in millions) | | |
|---|---|---|
| | **Notional** | **Duration[13]** |
| Interest Rate Swaps | $(2,227.0) | (2.41) |
| Swaptions | (270.0) | (0.04) |
| U.S Treasuries, net | (24.7) | (0.04) |
| Treasury Futures, net | (52.5) | (0.10) |
| **Total** | **$(2,574.2)** | **(2.59)** |

| Interest Rate Swaps as of December 31, 2017 ($ in millions) | | | | |
|---|---|---|---|---|
| **Maturity** | **Notional Amount** | **Weighted Average Pay-Fixed Rate** | **Weighted Average Receive Variable Rate[(a)]** | **Weighted Average Years to Maturity** |
| 2019 | $170.0 | 1.36% | 1.43% | 1.88 |
| 2020 | 835.0 | 1.77% | 1.52% | 2.54 |
| 2022 | 653.0 | 1.90% | 1.51% | 4.59 |
| 2024 | 230.0 | 2.06% | 1.47% | 6.50 |
| 2026 | 75.0 | 2.12% | 1.44% | 8.89 |
| 2027 | 264.0 | 2.35% | 1.50% | 9.69 |
| **Total / Wtd Avg** | **$2,227.0** | **1.89%** | **1.50%** | **4.56** |

(a) 100% of our receive variable interest rate swap notional amount resets quarterly based on three-month LIBOR

# Arc Home Update

- In its first fiscal year of mortgage origination, Arc Home originated $1.1 billion of government and agency loans through its four channels of retail, direct, correspondent and wholesale, retaining the originated MSR on its balance sheet
- Arc Home produced positive net income available to its common shareholders of $1.2 million in 2017
- In 2017, Arc Home, in conjunction with MITT and other Angelo, Gordon funds, purchased ~$2.4 billion notional of Fannie Mae, Freddie Mac, and Ginnie Mae MSR from third parties
- In Q4 of 2017, Arc Home launched its Non-QM origination program

| As of December 31, 2017 | |
|---|---|
| Employees* | 101 |
| State Licenses | 46 |
| MSR UPB | $5.6 billion |
| Correspondent Relationships | 65 |
| Wholesale Relationships | 123 |

*Includes 18 commission based Retail Loan Officers

Note: MITT owns approximately 45% of the common equity of Arc Home alongside other Angelo, Gordon funds.

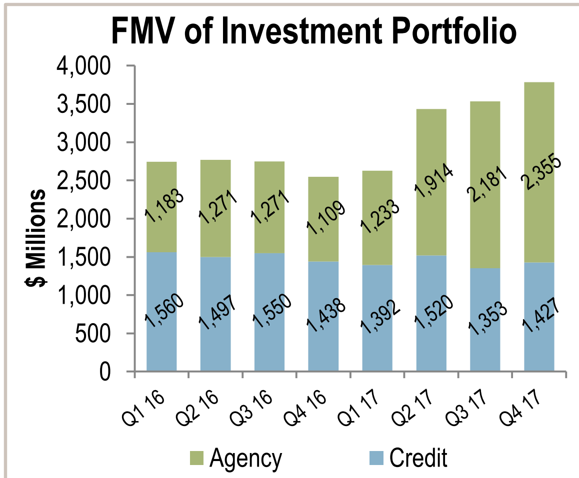
# Q4 2017 Financial Metrics

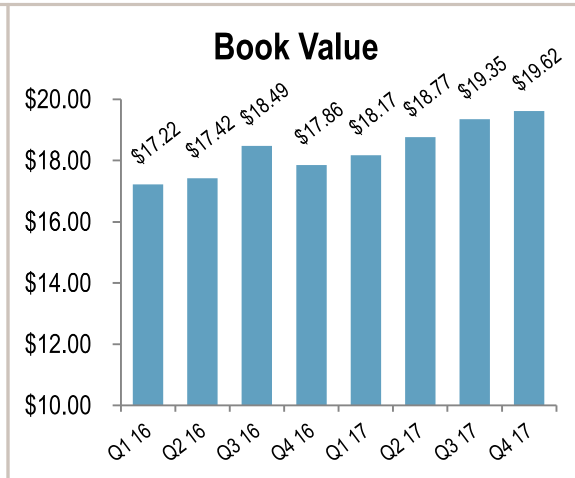
| ($ in millions) Key Statistics | December 31, 2017 | Weighted Average for the quarter-ended December 31, 2017 |
|---|---|---|
| Investment portfolio[3, 4] | $3,782.3 | $3,513.2 |
| Repurchase agreements[4] | 3,011.6 | 2,839.8 |
| Total Financing[7] | 3,133.0 | 2,884.1 |
| Stockholders' equity | 714.3 | 711.9 |
| GAAP Leverage | 4.2x | 4.0x |
| "At Risk" Leverage[7] | 4.4x | 4.1x |
| | | |
| Yield on investment portfolio[9] | 4.64% | 4.49% |
| Cost of funds[10] | 2.26% | 2.18% |
| Net interest margin[8] | 2.38% | 2.31% |
| Management fees[11] | 1.38% | 1.38% |
| Other operating expenses[12] | 1.52% | 1.53% |
| Book value, per share[1] | $19.62 | |
| Undistributed taxable income, per share[(a)] | $1.54 | |
| Common Dividend, per share[1] | $0.475 | |

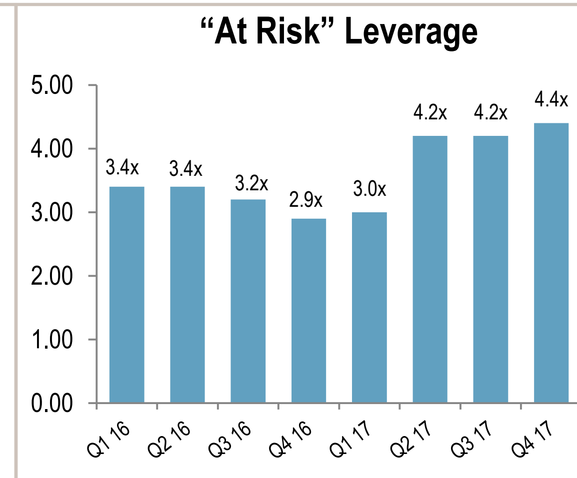
(a) Refer to slide 24 for further detail

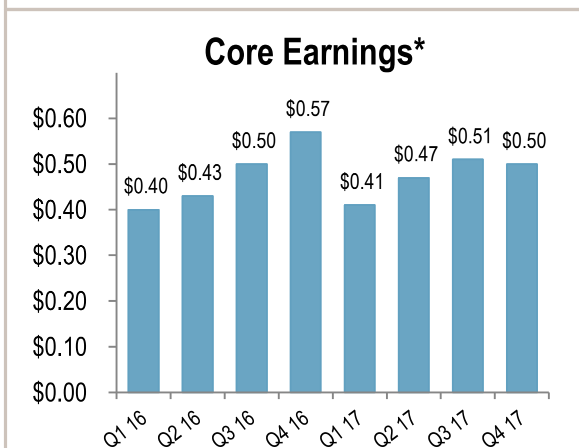
# Supplemental Information & Financial Statements

# Quarter-Over-Quarter Snapshot

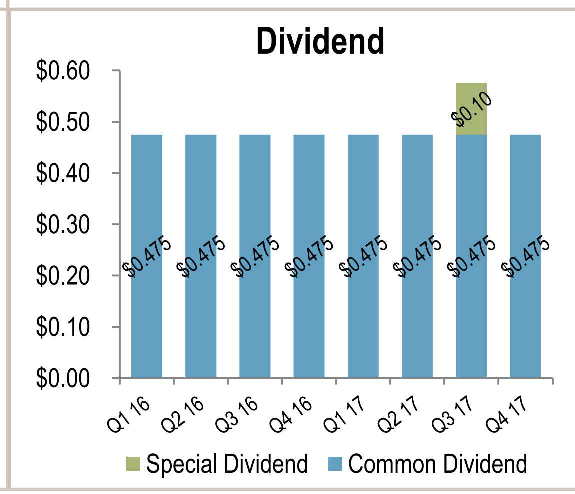


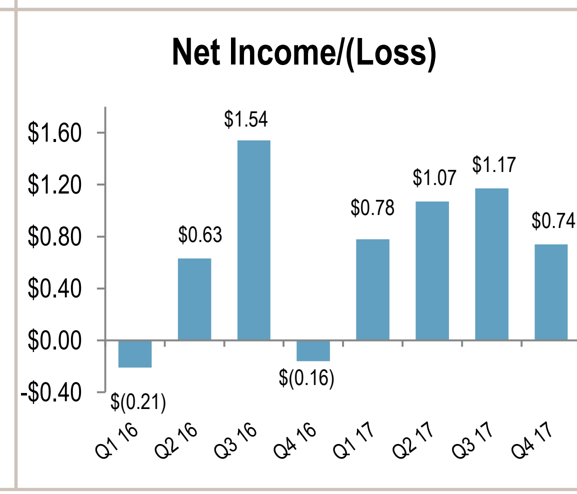




*Net of retrospective adjustment



# Market Snapshot

| Interest Rates | 12/31/16 | 3/31/17 | 6/30/17 | 9/30/17 | 12/31/17 |
|---|---|---|---|---|---|
| **Treasuries** | | | | | |
| 2-year | 1.190 | 1.256 | 1.384 | 1.486 | 1.885 |
| 5-year | 1.928 | 1.922 | 1.889 | 1.937 | 2.207 |
| 10-year | 2.445 | 2.388 | 2.305 | 2.334 | 2.406 |
| **Swaps** | | | | | |
| 3 month LIBOR | 0.998 | 1.150 | 1.299 | 1.334 | 1.694 |
| 2-year | 1.452 | 1.618 | 1.618 | 1.741 | 2.078 |
| 5-year | 1.975 | 2.052 | 1.958 | 2.004 | 2.244 |
| 10-year | 2.337 | 2.384 | 2.281 | 2.291 | 2.398 |

| Agency RMBS | 12/31/16 | 3/31/17 | 6/30/17 | 9/30/17 | 12/31/17 |
|---|---|---|---|---|---|
| **Fannie Mae Pass-Throughs** | | | | | |
| 15 year 2.50% | 100-01+ | 100-02+ | 100-15+ | 100-21+ | 99-29+ |
| 15 year 3.00% | 102-15+ | 102-17+ | 102-19+ | 102-23+ | 101-28+ |
| 30 year 3.00% | 99-06+ | 99-07+ | 99-26+ | 100-08+ | 100-01+ |
| 30 year 3.50% | 102-10+ | 102-11+ | 102-21+ | 103-01+ | 102-23+ |
| **Mortgage Rates** | | | | | |
| 15-year | 3.55% | 3.39% | 3.17% | 3.13% | 3.44% |
| 30-year | 4.32% | 4.14% | 3.88% | 3.83% | 3.99% |

| Credit Spreads | 12/31/16 | 3/31/17 | 6/30/17 | 9/30/17 | 12/31/17 |
|---|---|---|---|---|---|
| CDX IG | 68 | 66 | 61 | 56 | 49 |
| CAS 2016 Vintage M2 | 360 | 295 | 230 | 235 | 160 |
| CMBX.NA 8 BBB- Mid Spread | 539 | 582 | 568 | 628 | 591 |

Source: Bloomberg and Wall Street research. Data has not been independently validated.

# Book Value Roll-Forward

| | Amount (000's) | Per Share[1] |
|---|---|---|
| **9/30/17 Book Value** | **$ 545,412** | **$ 19.35** |
| | | |
| Common dividend | (13,391) | (0.48) |
| Core earnings | 14,209 | 0.50 |
| Equity based compensation | 135 | 0.00 |
| Capital Appreciation/(Reduction) | 953 | 0.02 |
| | | |
| Net realized gain/(loss) | (1,459) | (0.05) |
| Net realized and unrealized gain/(loss) on investments in debt and equity of affiliates | 685 | 0.02 |
| Net unrealized gain/(loss) | 7,454 | 0.28 |
| Net realized and unrealized gain/loss | 6,680 | 0.25 |
| | | |
| **12/31/17 Book Value** | **$ 553,045** | **$ 19.62** |
| Change in Book Value | 7,633 | 0.27 |

# Reconciliation of GAAP Net Income to Core Earnings[2]

| Three Months Ended December 31, 2017 | Amount (000's) | Per Share[1] |
|---|---|---|
| **Net Income/(loss) available to common stockholders** | **$ 20,890** | **$ 0.74** |
| Add (Deduct): | | |
| Net realized (gain)/loss | 1,459 | 0.05 |
| Drop income | 473 | 0.02 |
| Equity in (earnings)/loss from affiliates | (2,921) | (0.10) |
| Net interest income and expenses from equity method investments | 2,236 | 0.06 |
| Unrealized (gain)/loss on real estate securities and loans, net | 7,661 | 0.28 |
| Unrealized (gain)/loss on derivative and other instruments, net | (15,589) | (0.55) |
| **Core Earnings** | **$ 14,209** | **$ 0.50** |

# Undistributed Taxable Income Roll-Forward

| | Amount (000's) | Per Share[1] |
|---|---|---|
| **9/30/17 Undistributed Taxable Income** | **$ 44,828** | **$ 1.59** |
| | | |
| Q4 Core Earnings | 14,209 | 0.50 |
| Q4 Recurring Core-Tax Differences | (2,265) | (0.07) |
| **Q4 2017 Ordinary Taxable Income, Net of Preferred Distribution** | 11,944 | 0.43 |
| | | |
| Q4 2017 Common Distribution | (13,391) | (0.48) |
| | | |
| **12/31/17 Undistributed Taxable Income** | **$ 43,381** | **$ 1.54** |

Note: This estimate of undistributed taxable income per share represents the total estimated undistributed taxable income as of quarter-end. Undistributed taxable income is based on current estimates. The actual amount is not finalized until we file our annual tax return, typically in September of the following year. Figures may not foot due to rounding.

# Condensed Consolidated Balance Sheet

| | | | December 31, 2017 (Unaudited) |
|---|---|---|---|
| Amount (000's) | | | |
| **Assets** | | **Liabilities** | |
| Real estate securities, at fair value | $ 3,512,543 | Repurchase agreements | $ 3,004,407 |
| Residential mortgage loans, at fair value | 18,890 | Securitized debt, at fair value | 16,478 |
| Commercial loans, at fair value | 57,521 | Obligation to return securities borrowed under reverse repurchase agreement | 24,379 |
| Investments in debt and equity of affiliates | 99,696 | Payable on unsettle trades | 2,419 |
| Excess mortgage servicing rights, at fair value | 5,084 | Interest payable | 5,226 |
| Cash and cash equivalents | 15,200 | Derivative liabilities, at fair value | 450 |
| Restricted cash | 37,615 | Dividend payable | 13,391 |
| Interest receivable | 12,607 | Due to affiliates | 4,258 |
| Receivable under reverse repurchase agreement | 24,671 | Accrued expenses and other liabilities | 4,028 |
| Derivative assets, at fair value | 2,127 | Total Liabilities | 3,075,036 |
| Other assets | 2,490 | **Stockholders' Equity** | |
| Due from broker | 851 | Preferred stock | 161,214 |
| Total Assets | $ 3,789,295 | Common stock | 282 |
| | | Additional paid-in capital | 585,530 |
| | | Retained earnings (deficit) | (32,767) |
| | | Total Stockholders' Equity | 714,259 |
| | | Total Liabilities & Stockholders' Equity | $ 3,789,295 |

# Consolidated Statement of Operations

| | Three Months Ended December 31, 2017 (Unaudited) | | |
|---|---|---|---|
| Amount (000's) | | | |
| **Net Interest Income** | | **Earnings/(Loss) Per Share of Common Stock** | |
| Interest income | $ 36,072 | Basic | $ 0.74 |
| Interest expense | 13,400 | Diluted | $ 0.74 |
| | 22,672 | | |
| **Other Income** | | **WA Shares of Common Stock Outstanding** | |
| Net realized gain/(loss) | (1,459) | Basic | 28,193 |
| Realized loss on interest settlements of derivative instruments, net | (2,148) | Diluted | 28,211 |
| Unrealized gain/(loss) on real estate securities and loans, net | (7,661) | | |
| Unrealized gain/(loss) on derivative and other instruments, net | 15,589 | | |
| Other Income | 21 | | |
| | 4,342 | | |
| **Expenses** | | | |
| Management fee to affiliate | 2,461 | | |
| Other operating expenses | 2,718 | | |
| Servicing fees | 49 | | |
| Equity based compensation to affiliate | 75 | | |
| Excise tax | 375 | | |
| | 5,678 | | |
| | | | |
| Income/(loss) before equity in earnings/(loss) from affiliates | 21,336 | | |
| Equity in earnings/(loss) from affiliates | 2,921 | | |
| **Net Income/(Loss)** | **24,257** | | |
| | | | |
| Dividends on preferred stock | 3,367 | | |
| | | | |
| **Net Income/(Loss) Available to Common Stockholders** | **$ 20,890** | | |

# Footnotes

1. Diluted per share figures are calculated using weighted average outstanding shares in accordance with GAAP. Per share figures are calculated using a denominator of all outstanding common shares including all shares granted to our Manager and our independent directors under our equity incentive plans as of quarter-end. Book value uses stockholders' equity less net proceeds of the Company's 8.25% Series A and 8.00% Series B Cumulative Redeemable Preferred Stock as the numerator.

2. Core Earnings are defined as net income available to common stockholders excluding both unrealized and realized gains/(losses) on the sale or termination of securities and the related tax expense/benefit or disposition expense, if any, and on such sale or termination, including investments held in affiliated entities and derivatives. Core Earnings includes earnings from AG Arc LLC. Earnings from AG Arc LLC were $0.1 million in the fourth quarter of 2017 and $0.6 million for the year ended December 31, 2017. See page 24 for a reconciliation of GAAP net income to Core Earnings. See footnote 15 for further details on AG Arc LLC.

3. The investment portfolio at period end is calculated by summing the fair market value of our Agency RMBS, any long positions in TBAs, Residential Investments, Commercial Investments, and ABS Investments, including securities and mortgage loans owned through investments in affiliates, exclusive of AG Arc LLC. Our Credit Investments refer to our Residential Investments, Commercial Investments, and ABS Investments. Refer to footnote 4 for more information on the GAAP accounting for certain items included in our investment portfolio. The percentage of fair market value includes any net TBA positions and securities and mortgage loans owned through investments in affiliates and is exclusive of AG Arc LLC. See footnote 15 for further details on AG Arc LLC.

4. Generally, when we purchase a security and employ leverage, the security is included in our assets and the leverage is reflected in our liabilities on our consolidated balance sheet as either "Repurchase agreements" or "Securitized debt, at fair value." Throughout this presentation where we disclose our investment portfolio and the related repurchase agreements that finance it, we have presented this information inclusive of (i) unconsolidated ownership interests in affiliates that are accounted for under GAAP using the equity method and (ii) long positions in TBAs, which are accounted for as derivatives under GAAP. This presentation excludes investments through AG Arc LLC unless otherwise noted. This presentation of our investment portfolio is consistent with how our management evaluates the business, and we believe this presentation, when considered with the GAAP presentation, provides supplemental information useful for investors in evaluating our investment portfolio and financial condition. See footnote 15 for further details on AG Arc LLC.

5. The economic return on equity for the quarter represents the change in book value per share from September 30, 2017 to December 31, 2017, plus the common dividends declared over that period, divided by book value per share as of September 30, 2017. The annualized economic return on equity is the quarterly return on equity multiplied by four. The economic return on equity for 2017 represents the change in net book value per share from December 31, 2016 to December 31, 2017, plus the dividends declared over that period, divided by net book value per share as of December 31, 2016.

6. This represents the weighted average monthly CPRs published during the quarter for our in-place portfolio during the same period. Any net TBA position is excluded from the CPR calculation.

7. "At Risk" Leverage was calculated by dividing total financing including any net TBA position by our GAAP stockholders' equity at quarter-end. Our net TBA position (at cost) was $102.5 million, $121.6 million, $310.5 million, $93.4 million, and $(22.9) million for the periods ending December 31, 2017, September 30, 2017, June 30, 2017, March 31, 2017, and December 31, 2016, respectively. Total financing at quarter-end, and when shown, daily weighted average total financing, includes repurchase agreements inclusive of repurchase agreements through affiliated entities, exclusive of any financing utilized through AG Arc LLC, plus the payable on all unsettled buys less the financing on all unsettled sells, securitized debt, and any net TBA position (at cost). Total financing excludes any repurchase agreements and unsettled trades on U.S. Treasuries.

8. Net interest margin is calculated by subtracting the weighted average cost of funds from the weighted average yield for the Company's investment portfolio, which excludes cash held by the Company. Net interest margin also excludes any net TBA position. See footnotes 9 and 10 for further detail.

9. The yield on our investment portfolio represents an effective interest rate, which utilizes all estimates of future cash flows and adjusts for actual prepayment and cash flow activity as of quarter-end. The yield on our investment portfolio during the quarter was calculated by annualizing interest income for the quarter and dividing by our daily weighted average investment portfolio. This calculation excludes cash held by the Company and excludes any net TBA position. The calculation of weighted average yield is weighted based on fair value.

# Footnotes (cont.)

10. The cost of funds during the quarter was calculated by annualizing the sum of our interest expense and net interest settlements on all derivative instruments and dividing that sum by our daily weighted average total financing for the period. Interest earning/paying derivative instruments may include interest rate swaps and U.S. Treasuries. The cost of funds at quarter-end was calculated as the sum of (i) the weighted average funding costs on total financing outstanding at quarter-end and (ii) the weighted average of the net pay rate on our interest rate swaps, the net receive rate on our Treasury long positions, the net pay rate on our Treasury short positions and the net receivable rate on our IO index derivatives, if any. Both elements of the cost of funds at quarter-end were weighted by the outstanding repurchase agreements and securitized debt outstanding at quarter-end, excluding repurchase agreements associated with U.S. Treasury positions. The cost of funds excludes any net TBA position.

11. The management fee percentage during the quarter was calculated by annualizing the management fees recorded during the quarter and dividing by the weighted average stockholders' equity for the quarter. The management fee percentage at quarter-end was calculated by annualizing management fees recorded during the quarter and dividing by quarter-end stockholders' equity.

12. The other operating expenses percentage during the quarter was calculated by annualizing the other operating expenses recorded during the quarter and dividing by our weighted average stockholders' equity for the quarter. The other operating expenses percentage at quarter-end was calculated by annualizing other operating expenses recorded during the quarter and dividing by quarter-end stockholders' equity.

13. The Company estimates duration based on third-party models. Different models and methodologies can produce different effective duration estimates for the same securities. We allocate the net duration by asset type based on the interest rate sensitivity. Duration includes any net TBA position. Duration does not include our equity interest in AG Arc LLC. Duration related to repurchase agreements is netted within its respective agency and credit line items.

14. Equity residuals, excess MSRs and principal only securities with a zero coupon rate are excluded from this calculation. The calculation of weighted average coupon is weighted based on face value.

15. The Company invests in Arc Home LLC through AG Arc LLC, one of its indirect subsidiaries.

16. The Company allocates its equity by investment using the fair market value of its investment portfolio, less any associated leverage, inclusive of any long TBA position (at cost). The Company allocates all non-investment portfolio related items based on their respective characteristics in order to sum to the Company's stockholders' equity per the consolidated balance sheets. The Company's equity allocation method is a non-GAAP methodology and may not be comparable to similarly titled measures or concepts of other companies, who may use different calculations.

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