



AG Mortgage Investment Trust, Inc. Reports Third Quarter 2023 Results

November 7, 2023

NEW YORK--(BUSINESS WIRE)--Nov. 7, 2023-- AG Mortgage Investment Trust, Inc. ("MITT," "we," the "Company," or "our") (NYSE: MITT) today reported financial results for the quarter ended September 30, 2023.

Q3 2023 FINANCIAL HIGHLIGHTS

- \$11.37 Book Value per share as of September 30, 2023 compared to \$11.89 as of June 30, 2023⁽¹⁾
- \$11.00 Adjusted Book Value per share as of September 30, 2023 compared to \$11.52 as of June 30, 2023⁽¹⁾
 - Decrease of (4.5)% from June 30, 2023
 - Transaction expenses of \$7.6 million or \$(0.38) per share represented approximately (3.3)% of Adjusted Book Value decline
 - Transaction expenses included \$4.9 million related to the proposed merger with WMC and \$2.7 million primarily related to upfront expenses incurred on two securitizations
 - Quarterly economic return on equity of (3.0)%⁽²⁾
- \$(0.33) and \$0.10 of Net Income/(Loss) and Earnings Available for Distribution ("EAD") per diluted common share, respectively⁽³⁾
- \$0.18 dividend per common share declared in Q3 2023

MANAGEMENT REMARKS

"Despite the volatile quarter, we achieved a strong liquidity position, lowered our economic leverage, and completed two securitizations," said TJ Durkin, Chief Executive Officer and President. "We remain focused on protecting book value, and have positioned ourselves to continue growing and gaining scale, including with respect to the WMC merger expected to close during the fourth quarter and continued improvement at Arc Home."

INVESTMENT AND FINANCING HIGHLIGHTS

- \$4.7 billion Investment Portfolio as of September 30, 2023 compared to \$4.5 billion as of June 30, 2023⁽⁴⁾
 - Purchased \$705.8 million of Non-Agency and Agency-Eligible Loans during Q3 2023
 - Loans with a fair value of \$248.3 million committed to be purchased from Arc Home⁽⁵⁾ as of September 30, 2023
 - Executed strategic sales of \$73.8 million and \$68.7 million of Non-Agency Loans and Re/Non-Performing Loans, respectively, generating capital for reinvestment
 - Sold Agency RMBS for gross proceeds of \$149.1 million
- \$4.4 billion of financing as of September 30, 2023 compared to \$4.1 billion as of June 30, 2023⁽⁴⁾
 - \$3.8 billion of non-recourse financing and \$0.6 billion of recourse financing as of September 30, 2023
 - Executed a rated Agency-Eligible Loan securitization of \$318.3 million of unpaid principal balance and a rated Non-Agency Loan securitization of \$406.4 million of unpaid principal balance during the quarter, converting financing from recourse financing with mark-to-market margin calls to non-recourse financing without mark-to-market margin calls
- 9.7x GAAP Leverage Ratio and 1.2x Economic Leverage Ratio as of September 30, 2023
- 0.7% Net Interest Margin⁽⁶⁾
- \$118.7 million of total liquidity as of September 30, 2023, all of which was cash and cash equivalents

PROPOSED ACQUISITION OF WESTERN ASSET MORTGAGE CAPITAL CORPORATION

On November 7, 2023, our stockholders approved the proposed merger (the "Merger") with Western Asset Mortgage Capital Corporation ("WMC") and related transactions contemplated by the merger agreement at a special stockholders meeting. On November 6, 2023, WMC announced it expected to adjourn its special stockholder meeting relating to the Merger until December 5, 2023, at 9:00 a.m. Pacific Time, online in a virtual-only meeting format, due to a lack of quorum and to allow further solicitation of proxies from WMC common stockholders for the approval of the merger at such special stockholder meeting. The Merger is expected to close in the fourth quarter 2023.

OUR MANAGER AND TPG ANGELO GORDON

On November 1, 2023, TPG Inc. ("TPG") completed the previously announced acquisition of Angelo Gordon (the "TPG Transaction"), pursuant to which Angelo Gordon, including our Manager, became indirect subsidiaries of TPG. Pursuant to the management agreement with the Manager, the closing of the TPG Transaction resulted in an assignment of the management agreement. Our independent directors unanimously consented to such assignment on July 31, 2023 in advance of the TPG Transaction closing. There were no changes to the management agreement in connection with the TPG Transaction and the assignment of the management agreement became effective upon the closing of the TPG Transaction.

INVESTMENT PORTFOLIO

The following summarizes the Company's Investment Portfolio as of September 30, 2023⁽⁴⁾ (\$ in millions):

	Fair Value	Yield⁽⁷⁾	Financing	Cost of Funds^{(a), (8)}	Equity
Residential Investments ^(b)	\$4,558.0	5.5%	\$4,281.7	4.8%	\$276.3
Agency RMBS	135.0	6.3%	132.3	5.0%	2.7
Total Investment Portfolio	\$4,693.0	5.5%	\$4,414.0	4.8%	\$279.0
Cash and Cash Equivalents	118.7	5.2%	—		118.7
Interest Rate Swaps ^(c)	11.2	1.3%	—		11.2
Arc Home ⁽⁵⁾	35.2	—	—		35.2
Non-interest earning assets, net	6.3	—	—		6.3
Total	\$4,864.4		\$4,414.0		\$450.4
Total Investment Portfolio	\$4,693.0	5.5%	\$4,414.0	4.8%	\$279.0
Less: Investments in Debt and Equity of Affiliates ^(b)	40.2	23.4%	16.6	5.5%	23.6
GAAP Investment Portfolio	\$4,652.8	5.4%	\$4,397.4	4.8%	\$255.4

(a) Cost of Funds shown includes the cost or benefit from our interest rate hedges. Total Cost of Funds as of September 30, 2023 excluding the cost or benefit of our interest rate hedges was 4.9%.

(b) As of September 30, 2023, includes \$40.2 million of Residential Investments that are included in the "Investments in debt and equity of affiliates" line item on our consolidated balance sheet. These Residential Investments include \$32.4 million of Non-QM Securities, \$7.3 million of Re/Non-Performing Securities, and \$0.5 million of Land Related Financing.

(c) Fair value on interest rate swaps represents the sum of the net fair value of interest rate swaps and the margin posted on interest rate swaps as of September 30, 2023. Yield on interest rate swaps represents the net receive/(pay) rate as of September 30, 2023. The impact of the net interest component of interest rate swaps on cost of funds is included within the respective investment portfolio asset line items.

FINANCING PROFILE

The following summarizes the Company's financing as of September 30, 2023⁽⁴⁾ (\$ in millions):

	Securitized Debt	Residential Bond Financing^(a)	Residential Loan Warehouse Financing	Agency Financing	Total
Financing Amount	\$3,831.5	\$328.0	\$122.2	\$132.3	\$4,414.0
Cost of Funds ^{(b), (8)}	4.7%	6.4%	5.5%	5.0%	4.8%
Advance Rate	88%	56%	90%	98%	N/A
Available Borrowing Capacity ^(c)	N/A	N/A	\$1,927.8	N/A	\$1,927.8 87%
Recourse/Non-Recourse	Non-Recourse	Recourse	Recourse	Recourse	Non-Recourse 13% Recourse
Financing Amount	\$3,831.5	\$328.0	\$122.2	\$132.3	\$4,414.0
Less: Financing in Investments in Debt and Equity of Affiliates	—	16.6	—	—	16.6
Financing: GAAP Basis	\$3,831.5	\$311.4	\$122.2	\$132.3	\$4,397.4

(a) Includes financing on the retained tranches from securitizations issued by the Company and consolidated in the "Securitized residential mortgage loans, at fair value" line item on the Company's consolidated balance sheets. Additionally, includes financing on certain securities included in the "Real Estate Securities, at fair value" and "Investments in debt and equity of affiliates" line items on the Company's consolidated balance sheets.

(b) Cost of Funds shown includes the cost or benefit from our interest rate hedges. Total Cost of Funds as of September 30, 2023 excluding the cost or benefit of our interest rate hedges was 4.9%.

(c) The borrowing capacity under our residential mortgage loan warehouse financing arrangements is uncommitted by the lenders.

ARC HOME UPDATE⁽⁵⁾

- Arc Home originated \$533.1 million of residential mortgage loans during the third quarter 2023, a 43% increase from \$374.1 million in the second quarter 2023
- Cash of \$14.4 million, along with Arc Home's \$90.8 million mortgage servicing right portfolio that is largely unlevered,

- provides Arc Home with a strong financial position to manage the current dynamics in the mortgage origination market
- Arc Home generated an after-tax net loss of \$(0.2) million in the third quarter 2023 primarily resulting from losses related to Arc Home's lending and servicing operations, offset by unrealized gains in the fair value of Arc Home's mortgage servicing right portfolio
 - MITT's portion of the after-tax net income was \$(0.1) million, prior to removing any gains on loans acquired by MITT from Arc Home which approximated \$0.8 million during the third quarter 2023^(a)
 - As of September 30, 2023, the fair value of MITT's investment in Arc Home was calculated using a valuation multiple of 0.89x book value, which was reduced from 0.94x book value at June 30, 2023
 - MITT's portion of the mark-to-market loss recorded on its investment in Arc Home was \$1.9 million

(a) MITT eliminates any gains or losses on loans acquired by MITT from Arc Home from the "Equity in earnings/(loss) from affiliates" line item and decreases or increases the cost basis of the underlying loans accordingly resulting in unrealized gains or losses, which are recorded in the "Net unrealized gains/(losses)" line item on the Company's consolidated income statement.

BOOK VALUE ROLL-FORWARD⁽¹⁾

The below table provides a summary of our third quarter activity impacting book value as well as a reconciliation to adjusted book value (\$ in thousands, except per share data).

	Amount	Per Diluted Share ⁽³⁾
June 30, 2023 Book Value ⁽¹⁾	\$ 240,253	\$ 11.89
Common dividend	(3,639)	(0.18)
Equity based compensation	87	—
Earnings available for distribution ("EAD")	2,092	0.10
Net realized and unrealized gain/(loss) included within equity in earnings/(loss) from affiliates	403	0.02
Net realized gain/(loss)	7,127	0.35
Net unrealized gain/(loss)	(8,768)	(0.43)
Transaction related expenses and deal related performance fees	<u>(7,605)</u>	<u>(0.38)</u>
September 30, 2023 Book Value ⁽¹⁾	\$ 229,950	\$ 11.37
Change in Book Value	(10,303)	(0.52)
September 30, 2023 Book Value ⁽¹⁾	\$ 229,950	\$ 11.37
Net proceeds less liquidation preference of preferred stock	<u>(7,519)</u>	<u>(0.37)</u>
September 30, 2023 Adjusted Book Value ⁽¹⁾	\$ 222,431	\$ 11.00
June 30, 2023 Book Value ⁽¹⁾	\$ 240,253	\$ 11.89
Net proceeds less liquidation preference of preferred stock	<u>(7,519)</u>	<u>(0.37)</u>
June 30, 2023 Adjusted Book Value ⁽¹⁾	\$ 232,734	\$ 11.52

DIVIDENDS

The Company announced that on November 3, 2023 its Board of Directors (the "Board") declared fourth quarter 2023 preferred stock dividends as follows:

In accordance with the terms of its 8.25% Series A Cumulative Redeemable Preferred Stock (the "Series A Preferred Stock"), the Board declared a quarterly cash dividend of \$0.51563 per share on its Series A Preferred Stock;

In accordance with the terms of its 8.00% Series B Cumulative Redeemable Preferred Stock (the "Series B Preferred Stock"), the Board declared a quarterly cash dividend of \$0.50 per share on its Series B Preferred Stock; and

In accordance with the terms of its 8.000% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock (the "Series C Preferred Stock"), the Board declared a quarterly cash dividend of \$0.50 per share on its Series C Preferred Stock.

The above dividends for the Series A Preferred Stock, the Series B Preferred Stock, and the Series C Preferred Stock are payable on December 18, 2023 to preferred shareholders of record on November 30, 2023.

On October 24, 2023, the Board declared an interim fourth quarter dividend of \$0.08 per share of common stock payable on November 8, 2023 to common stockholders of record as of November 3, 2023.

On September 15, 2023, the Board declared a third quarter dividend of \$0.18 per share of common stock that was paid on October 31, 2023 to common stockholders of record as of September 29, 2023.

On July 31, 2023, the Board declared a quarterly dividend of \$0.51563 per share on the Series A Preferred Stock, \$0.50 per share on the Series B Preferred Stock, and \$0.50 per share on the Series C Preferred Stock. The dividends were paid on September 18, 2023 to preferred stockholders of record as of August 31, 2023.

STOCKHOLDER CALL

The Company invites stockholders, prospective stockholders, and analysts to participate in MITT's third quarter earnings conference call on Tuesday, November 7, 2023 at 5:00 p.m. Eastern Time.

To participate in the call by telephone, please dial (800) 579-2543 at least five minutes prior to the start time. International callers should dial (785) 424-1789. The Conference ID is MITTQ323. To listen to the live webcast of the conference call, please go to <https://event.on24.com/wcc/r/4366928/6D2A72C81B240A8DB6ECD79B19AA21C3> and register using the same Conference ID.

A presentation will accompany the conference call and will be available prior to the call on the Company's website, www.agmit.com, under "Presentations" in the "News & Presentations" section.

For those unable to listen to the live call, an audio replay will be available on November 7, 2023 through 5:30 p.m. Eastern Time on December 7, 2023. To access the replay, please go to the Company's website at www.agmit.com.

ABOUT AG MORTGAGE INVESTMENT TRUST, INC.

AG Mortgage Investment Trust, Inc. is a residential mortgage REIT with a focus on investing in a diversified risk-adjusted portfolio of residential mortgage-related assets in the U.S. mortgage market. AG Mortgage Investment Trust, Inc. is externally managed and advised by AG REIT Management, LLC, a subsidiary of Angelo, Gordon & Co., L.P., a diversified credit and real estate investing platform within TPG.

Additional information can be found on the Company's website at www.agmit.com.

ABOUT TPG ANGELO GORDON

Founded in 1988, Angelo, Gordon & Co., L.P. ("TPG Angelo Gordon") is a diversified credit and real estate investing platform within TPG. The platform currently manages approximately \$74 billion* across a broad range of credit and real estate strategies. TPG Angelo Gordon has over 700 employees, including more than 230 investment professionals, across offices in the U.S., Europe and Asia. For more information, visit www.angelogordon.com.

**TPG Angelo Gordon's currently stated assets under management ("AUM") of approximately \$74 billion as of June 30, 2023 reflects fund-level asset-related leverage. Prior to May 15, 2023, TPG Angelo Gordon calculated its AUM as net assets under management excluding leverage, which resulted in TPG Angelo Gordon AUM of approximately \$53 billion as of December 31, 2022. The difference reflects a change in TPG Angelo Gordon's AUM calculation methodology and not any material change to TPG Angelo Gordon's investment advisory business. For a description of the factors TPG Angelo Gordon considers when calculating AUM, please see the disclosure at www.angelogordon.com/disclaimers/.*

FORWARD LOOKING STATEMENTS

This press release 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, book value, adjusted book value, our investments, our business and investment strategy, investment returns, return on equity, liquidity, financing, taxes, our assets, our interest rate sensitivity, and our views on certain macroeconomic trends and conditions, among others. Forward-looking statements are based on estimates, projections, beliefs and assumptions of management of our 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, our ability to complete the proposed Merger with WMC on the proposed terms or on the anticipated timeline, or at all, including risks and uncertainties related to securing the necessary stockholder approval from WMC's stockholders and satisfaction of other closing conditions to consummate the proposed Merger; failure to realize the expected benefits of the proposed Merger; the uncertainty and economic impact of the COVID-19 pandemic and of responsive measures implemented by various governmental authorities, businesses and other third parties; whether market conditions will improve and its impact on our performance, including our ability to continue growing earnings power; whether challenging market conditions will provide us with attractive investment opportunities we anticipate or at all; our ability to continue to grow our residential investment portfolio; our acquisition pipeline; our ability to invest in higher yielding assets through Arc Home, other origination partners or otherwise; our levels of liquidity, including whether our liquidity will sufficiently enable us to continue to deploy capital within the residential whole loan space as anticipated or at all; the impact of market, regulatory and structural changes on the market opportunities we expect to have, and whether we will be able to capitalize on such opportunities in the manner we anticipate; the impact of market volatility and economic recession on our business and ability to execute our strategy; whether we will be able to generate liquidity from additional opportunistic liquidations in our Re/Non-performing loan portfolio; our portfolio mix, including levels of Non-Agency/Agency-Eligible Loans and Agency RMBS; whether re-deployment of capital from loan sales will result in the benefits anticipated or at all; our ability to manage warehouse exposure as anticipated or at all; our levels of leverage and economic leverage, including our levels of recourse and non-recourse financing; our ability to execute securitizations, including at the pace anticipated or at all; our ability to achieve our forecasted returns on equity on warehoused assets and post-securitization, including whether such returns will support earnings growth; our ability to call securitizations, including the value we are able to derive from such calls if any; changes in our business and investment strategy; the stability of our book value, including our ability to protect and grow our adjusted book value; our ability to predict and control costs; changes in inflation, interest rates and the fair value of our assets, including negative changes resulting in margin calls relating to the financing of our assets; the impact of credit spread movements on our business; the impact of interest rate changes on our asset yields and net interest margin; changes in the yield curve; the timing and amount of stock issuances pursuant to our ATM program or otherwise; the timing and amount of stock repurchases, if any; our capitalization, including the timing and amount of preferred stock repurchases or exchanges, if any; expense levels, including levels of management fees; changes in prepayment rates on the loans we own or that underlie our investment securities; our distribution policy; Arc Home's performance, including its liquidity position and ability to increase origination volumes in Non-Agency loans or otherwise; the composition of Arc Home's portfolio, including levels of MSR exposure; levels of leverage on Arc Home's MSR portfolio; our percentage allocation of loans originated by Arc Home; increased rates of default or delinquencies and/or decreased recovery rates on our assets; the availability of and competition for our target investments; our ability to obtain and maintain financing arrangements on terms favorable to us or at all; changes in general economic or market conditions in our industry and in the finance and real estate markets, including the impact on the value of our assets; conditions in the market for Residential Investments and Agency RMBS; our levels of EAD; legislative and regulatory actions by the U.S. Department of the Treasury, the Federal Reserve and other agencies and instrumentalities; regional bank failures; how COVID-19 may affect us, our operations and personnel; our ability to make distributions to our stockholders in the future; our ability to maintain our qualification as a REIT for federal tax purposes; and our ability to qualify for an exemption from registration under the Investment Company Act of 1940, as amended. Additional information concerning these and other risk factors are contained in our filings with the Securities and Exchange Commission ("SEC"), including those described in Part I - Item 1A. "Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 and in Part II - Item 1A "Risk Factors" of our Quarterly Report on

Form 10-Q for the quarter ended June 30, 2023, as such factors may be updated from time to time in our filings with the SEC. Copies are available free of charge on the SEC's website, <http://www.sec.gov>. All forward looking statements in this press release speak only as of the date of this press release. We undertake no duty to update any forward-looking statements to reflect any change in our expectations or any change in events, conditions or circumstances on which any such statement is based. All financial information in this press release is as of September 30, 2023, unless otherwise indicated.

NON-GAAP FINANCIAL INFORMATION

In addition to the results presented in accordance with GAAP, this press release includes certain non-GAAP financial results and financial metrics derived therefrom, including Earnings Available for Distribution, investment portfolio, financing arrangements, and Economic Leverage Ratio, which are calculated by including or excluding unconsolidated investments in affiliates as described in the footnotes to this press release. Our management team believes that this non-GAAP financial information, when considered with our GAAP financial statements, provides supplemental information useful for investors to help evaluate our financial performance. However, our management team also believes that our definition of EAD has important limitations as it does not include certain earnings or losses our management team considers in evaluating our financial performance. 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 of the non-GAAP financial measures included in this press release to the most directly comparable financial measures prepared in accordance with GAAP should be carefully evaluated.

AG Mortgage Investment Trust, Inc. and Subsidiaries
Consolidated Balance Sheets (Unaudited)
(in thousands, except per share data)

	September 30, 2023	December 31, 2022
Assets		
Securitized residential mortgage loans, at fair value - \$512,146 and \$423,967 pledged as collateral, respectively	\$ 4,343,371	\$ 3,707,146
Residential mortgage loans, at fair value - \$136,543 and \$353,039 pledged as collateral, respectively	139,283	356,467
Residential mortgage loans held for sale, at fair value - \$0 and \$64,984 pledged as collateral, respectively	—	64,984
Real estate securities, at fair value - \$170,213 and \$41,653 pledged as collateral, respectively	170,213	43,719
Investments in debt and equity of affiliates	60,320	71,064
Cash and cash equivalents	118,735	84,621
Restricted cash	20,527	14,182
Other assets	29,307	27,595
Total Assets	\$ 4,881,756	\$ 4,369,778
Liabilities		
Securitized debt, at fair value	\$ 3,831,515	\$ 3,262,352
Financing arrangements	565,913	621,187
Dividend payable	3,639	3,846
Other liabilities	30,267	19,593
Total Liabilities	4,431,334	3,906,978
Commitments and Contingencies		
Stockholders' Equity		
Preferred stock - \$227,991 aggregate liquidation preference	220,472	220,472
Common stock, par value \$0.01 per share; 450,000 shares of common stock authorized and 20,219 and 21,284 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	202	212
Additional paid-in capital	772,525	778,606
Retained earnings/(deficit)	(542,777)	(536,490)
Total Stockholders' Equity	450,422	462,800
Total Liabilities & Stockholders' Equity	\$ 4,881,756	\$ 4,369,778

AG Mortgage Investment Trust, Inc. and Subsidiaries
Consolidated Statements of Operations (Unaudited)
(in thousands, except per share data)

	Three Months Ended	
	September 30, 2023	September 30, 2022
Net Interest Income		
Interest income	\$ 64,211	\$ 50,190
Interest expense	52,692	34,699
Total Net Interest Income	11,519	15,491
Other Income/(Loss)		
Net interest component of interest rate swaps	2,221	(996)

Net realized gain/(loss)	7,127	50,981
Net unrealized gain/(loss)	(8,768)	(54,261)
Total Other Income/(Loss)	580	(4,276)
Expenses		
Management fee to affiliate	2,054	2,064
Non-investment related expenses	2,454	2,501
Investment related expenses	2,347	2,568
Transaction related expenses	7,597	5,325
Total Expenses	14,452	12,458
Income/(loss) before equity in earnings/(loss) from affiliates	(2,353)	(1,243)
Equity in earnings/(loss) from affiliates	188	(1,626)
Net Income/(Loss)	(2,165)	(2,869)
Dividends on preferred stock	(4,586)	(4,586)
Net Income/(Loss) Available to Common Stockholders	\$ (6,751)	\$ (7,455)
Earnings/(Loss) Per Share of Common Stock		
Basic	\$ (0.33)	\$ (0.33)
Diluted	\$ (0.33)	\$ (0.33)
Weighted Average Number of Shares of Common Stock Outstanding		
Basic	20,219	22,394
Diluted	20,219	22,394

NON-GAAP FINANCIAL MEASURES

Earnings Available for Distribution

This press release contains Earnings Available for Distribution ("EAD"), a non-GAAP financial measure. Our presentation of EAD may not be comparable to similarly-titled measures of other companies, who may use different calculations. This non-GAAP measure 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.

We define EAD, a non-GAAP financial measure, as Net Income/(loss) available to common stockholders excluding (i) (a) unrealized gains/(losses) on loans, real estate securities, derivatives and other investments, inclusive of our investment in AG Arc, and (b) net realized gains/(losses) on the sale or termination of such instruments, (ii) any transaction related expenses incurred in connection with the acquisition, disposition, or securitization of our investments as well as transaction related expenses incurred in connection with the pending Merger with WMC, (iii) accrued deal-related performance fees payable to third party operators to the extent the primary component of the accrual relates to items that are excluded from EAD, such as unrealized and realized gains/(losses), (iv) realized and unrealized changes in the fair value of Arc Home's net mortgage servicing rights and the derivatives intended to offset changes in the fair value of those net mortgage servicing rights, (v) deferred taxes recognized at our taxable REIT subsidiaries, if any, and (vi) any gains/(losses) associated with exchange transactions on our common and preferred stock. Items (i) through (vi) above include any amount related to those items held in affiliated entities. Management considers the transaction related expenses referenced in (ii) above to be similar to realized losses incurred at the acquisition, disposition, or securitization of an asset and does not view them as being part of its core operations. Management views the exclusion described in (iv) above to be consistent with how it calculates EAD on the remainder of its portfolio. Management excludes all deferred taxes because it believes deferred taxes are not representative of current operations. EAD includes the net interest income and other income earned on our investments on a yield adjusted basis, including TBA dollar roll income/(loss) or any other investment activity that may earn or pay net interest or its economic equivalent.

A reconciliation of GAAP Net Income/(loss) available to common stockholders to EAD for the three months ended September 30, 2023 and 2022 is set forth below (in thousands, except per share data):

	Three Months Ended	
	September 30, 2023	September 30, 2022
Net Income/(loss) available to common stockholders	\$ (6,751)	\$ (7,455)
Add (Deduct):		
Net realized (gain)/loss	(7,127)	(50,981)
Net unrealized (gain)/loss	8,768	54,261
Transaction related expenses and deal related performance fees	7,605	5,486
Equity in (earnings)/loss from affiliates	(188)	1,626
EAD from equity method investments ^{(a)(b)}	(215)	(4,170)
Dollar roll income/(loss)	—	633

Earnings available for distribution	\$ 2,092	\$ (600)
Earnings available for distribution, per Diluted Share	\$ 0.10	\$ (0.03)

(a) For the three months ended September 30, 2023 and 2022, \$0.4 million or \$0.02 per share and \$2.4 million or \$0.11 per share, respectively, of realized and unrealized changes in the fair value of Arc Home's net mortgage servicing rights and corresponding derivatives were excluded from EAD, net of deferred tax expense or benefit. Additionally, for the three months ended September 30, 2023 and 2022, \$(1.9) million or \$(0.09) per share and \$(1.2) million or \$(0.05) per share, respectively, of unrealized changes in the fair value of our investment in Arc Home were excluded from EAD.

(b) EAD recognized by AG Arc does not include our portion of gains recorded by Arc Home in connection with the sale of residential mortgage loans to us. For the three months ended September 30, 2023 and 2022, we eliminated \$0.8 million or \$0.04 per share and \$1.8 million or \$0.08 per share, respectively.

The components of EAD for the three months ended September 30, 2023 and 2022 are set forth below (in thousands, except per share data):

	Three Months Ended	
	September 30, 2023	September 30, 2022
Net Interest Income	\$ 12,711	\$ 17,119
Net interest component of interest rate swaps	2,221	(996)
Dollar roll income/(loss)	—	633
Hedge Income/(Expense)	2,221	(363)
MITT's After-Tax Share of Arc Home Net Income	(109)	(1,303)
Less: Gains on loans sold to MITT ^(a)	(800)	(1,755)
Less: MSR gains / deferred tax benefit ^(b)	(381)	(2,430)
Arc Home EAD to MITT	(1,290)	(5,488)
Management fee to affiliate	(2,054)	(2,064)
Non-investment related expenses	(2,454)	(2,501)
Investment related expenses	(2,456)	(2,717)
Dividends on preferred stock	(4,586)	(4,586)
Operating Expense	(11,550)	(11,868)
Earnings available for distribution	\$ 2,092	\$ (600)
Earnings available for distribution, per Diluted Share	\$ 0.10	\$ (0.03)

(a) EAD excludes our portion of gains recorded by Arc Home in connection with the sale of residential mortgage loans to us. We eliminated such gains recognized by Arc Home and also decreased the cost basis of the underlying loans we purchased by the same amount. Upon reducing our cost basis, unrealized gains are recorded within net income based on the fair value of the underlying loans at quarter end.

(b) EAD excludes unrealized changes in the fair value of Arc Home's net mortgage servicing rights and corresponding derivatives, net of any deferred taxes.

Economic Leverage Ratio

This press release contains Economic Leverage Ratio, a non-GAAP financial measure. Our presentation of Economic Leverage Ratio may not be comparable to similarly-titled measures of other companies, who may use different calculations. This non-GAAP measure 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.

We define GAAP leverage as the sum of (1) GAAP Securitized debt, at fair value, (2) our GAAP Financing arrangements, net of any restricted cash posted on such financing arrangements, and (3) the amount payable on purchases that have not yet settled less the financing remaining on sales that have not yet settled. We define Economic Leverage, a non-GAAP metric, as the sum of: (i) our GAAP leverage, exclusive of any fully non-recourse financing arrangements, (ii) financing arrangements held through affiliated entities, net of any restricted cash posted on such financing arrangements, exclusive of any financing utilized through AG Arc, any adjustment related to unsettled trades as described in (2) in the previous sentence, and any non-recourse financing arrangements and (iii) our net TBA position (at cost), if any.

The calculation in the table below divides GAAP leverage and Economic Leverage by our GAAP stockholders' equity to derive our leverage ratios. The following table presents a reconciliation of our GAAP Leverage to Economic Leverage ratio (\$ in thousands).

September 30, 2023	Leverage	Stockholders' Equity	Leverage Ratio
GAAP Securitized debt, at fair value	\$ 3,831,515		
GAAP Financing arrangements	565,913		
Restricted cash posted on Financing arrangements	(9,486)		
GAAP Leverage	\$ 4,387,942	\$ 450,422	9.7x
Financing arrangements through affiliated entities	16,574		
Non-recourse financing arrangements ^(a)	(3,844,455)		
Economic Leverage	\$ 560,061	\$ 450,422	1.2x

(a) Non-recourse financing arrangements include securitized debt and other non-recourse financing on certain Non-QM securities held within the "Investments in debt and equity of affiliates" line item on the consolidated balance sheets.

Footnotes

(1) Book value is calculated using stockholders' equity less net proceeds of our cumulative redeemable preferred stock (\$220.5 million) as the numerator. Adjusted book value is calculated using stockholders' equity less the liquidation preference of our cumulative redeemable preferred stock (\$228.0 million) as the numerator.

(2) The economic return on equity represents the change in adjusted book value per share during the period, plus the common dividends per share declared over the period, divided by adjusted book value per share from the prior period.

(3) Diluted per share figures are calculated using diluted weighted average outstanding shares in accordance with GAAP.

(4) Our Investment Portfolio consists of Residential Investments and Agency RMBS, both of which are held at fair value, and our financing is inclusive of Securitized Debt, which is held at fair value, and Financing Arrangements. Throughout this press release where we disclose our Investment Portfolio and the related financing, we have presented this information inclusive of (i) mortgage loans and securities owned through investments in affiliates that are accounted for under GAAP using the equity method and, where applicable, (ii) long positions in TBAs, which are accounted for as derivatives under GAAP. This presentation excludes investments through AG Arc LLC unless otherwise noted.

(5) We invest in Arc Home LLC through AG Arc LLC, one of our equity method investees. Our investment in AG Arc LLC is \$35.2 million as of September 30, 2023, representing a 44.6% ownership interest.

(6) Net interest margin is calculated by subtracting the weighted average cost of funds from the weighted average yield for our Investment Portfolio, which excludes cash held.

(7) The yield on our debt investments 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. Our 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.

(8) The cost of funds at quarter end is calculated as the sum of (i) the weighted average funding costs on recourse financing arrangements outstanding at quarter end, (ii) the weighted average funding costs on non-recourse financing arrangements outstanding at quarter end, and (iii) the weighted average of the net pay or receive rate on our interest rate swaps outstanding at quarter end. The cost of funds at quarter end are weighted by the outstanding financing arrangements at quarter end, including any non-recourse financing arrangements.

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