

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2021

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number 001-35151

AG MORTGAGE INVESTMENT TRUST, INC.

Maryland

(State or Other Jurisdiction of
Incorporation or Organization)

**245 Park Avenue, 26th Floor
New York, New York**

(Address of Principal Executive Offices)

27-5254382

(I.R.S. Employer
Identification No.)

10167

(Zip Code)

(212) 692-2000

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 and Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated filer Accelerated filer Non-Accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	Trading Symbols:	Name of each exchange on which registered:
Common Stock, \$0.01 par value per share	MITT	New York Stock Exchange (NYSE)
8.25% Series A Cumulative Redeemable Preferred Stock	MITT PrA	New York Stock Exchange (NYSE)
8.00% Series B Cumulative Redeemable Preferred Stock	MITT PrB	New York Stock Exchange (NYSE)
8.000% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock	MITT PrC	New York Stock Exchange (NYSE)

As of November 3, 2021, there were 15,857,513 outstanding shares of common stock of AG Mortgage Investment Trust, Inc.

AG MORTGAGE INVESTMENT TRUST, INC.
TABLE OF CONTENTS

	<u>Page</u>	
<u>PART I. FINANCIAL INFORMATION</u>		
<u>Item 1.</u>	<u>Financial Statements (unaudited)</u>	
	<u>Consolidated Balance Sheets as of September 30, 2021 and December 31, 2020</u>	3
	<u>Consolidated Statements of Operations for the three and nine months ended September 30, 2021 and September 30, 2020</u>	4
	<u>Consolidated Statements of Stockholders' Equity for the three and nine months ended September 30, 2021 and September 30, 2020</u>	5
	<u>Consolidated Statements of Cash Flows for the nine months ended September 30, 2021 and September 30, 2020</u>	6
	<u>Notes to Consolidated Financial Statements (unaudited)</u>	8
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	47
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	76
<u>Item 4.</u>	<u>Controls and Procedures</u>	81
<u>PART II. OTHER INFORMATION</u>		82
<u>Item 1.</u>	<u>Legal Proceedings</u>	82
<u>Item 1A.</u>	<u>Risk Factors</u>	82
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	82
<u>Item 3.</u>	<u>Defaults Upon Senior Securities</u>	82
<u>Item 4.</u>	<u>Mine Safety Disclosures</u>	82
<u>Item 5.</u>	<u>Other Information</u>	83
<u>Item 6.</u>	<u>Exhibits</u>	84

PART I

ITEM 1. FINANCIAL STATEMENTS

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

	September 30, 2021	December 31, 2020
Assets		
Residential mortgage loans, at fair value - \$854,977 and \$46,571 pledged as collateral, respectively (1)	\$ 1,607,066	\$ 435,441
Real estate securities, at fair value - \$467,740 and \$532,271 pledged as collateral, respectively	509,980	613,546
Commercial loans, at fair value	—	111,549
Commercial loans held for sale, at fair value	—	13,959
Investments in debt and equity of affiliates	109,123	150,667
Cash and cash equivalents	101,749	47,926
Restricted cash	27,087	14,392
Other assets	18,074	12,565
Total Assets	\$ 2,373,079	\$ 1,400,045
Liabilities		
Financing arrangements	\$ 1,160,519	\$ 564,047
Securitized debt, at fair value (1)	708,421	355,159
Payable on unsettled trades	—	51,136
Dividend payable	3,354	1,243
Other liabilities	11,036	18,755
Total Liabilities	1,883,330	990,340
Commitments and Contingencies (Note 12)		
Stockholders' Equity		
Preferred stock - \$227,991 and \$246,610 aggregate liquidation preference as of September 30, 2021 and December 31, 2020, respectively	220,472	238,478
Common stock, par value \$0.01 per share; 450,000 shares of common stock authorized and 15,912 and 13,811 shares issued and outstanding at September 30, 2021 and December 31, 2020, respectively (2)	159	138
Additional paid-in capital (2)	717,176	689,147
Retained earnings/(deficit)	(448,058)	(518,058)
Total Stockholders' Equity	489,749	409,705
Total Liabilities & Stockholders' Equity	\$ 2,373,079	\$ 1,400,045

(1) See Note 3 for details related to variable interest entities.

(2) Amounts have been adjusted to reflect the one-for-three reverse stock split effected July 22, 2021. See Note 2 and Note 11 for additional details.

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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

	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Net Interest Income				
Interest income	\$ 19,629	\$ 9,717	\$ 45,976	\$ 63,354
Interest expense	7,197	4,357	16,552	32,941
Total Net Interest Income	<u>12,432</u>	<u>5,360</u>	<u>29,424</u>	<u>30,413</u>
Other Income/(Loss)				
Net realized gain/(loss)	(5,460)	(14,431)	(5,124)	(257,183)
Net interest component of interest rate swaps	(1,184)	(13)	(3,498)	910
Unrealized gain/(loss), net	29,461	21,465	58,995	(186,567)
Other income/(loss), net	—	(10)	37	1,487
Total Other Income/(Loss)	<u>22,817</u>	<u>7,011</u>	<u>50,410</u>	<u>(441,353)</u>
Expenses				
Management fee to affiliate	1,693	1,698	5,014	5,525
Other operating expenses	5,010	5,929	13,859	11,416
Restructuring related expenses	—	1,345	—	9,949
Excise tax	—	—	—	(815)
Servicing fees	849	540	2,136	1,685
Total Expenses	<u>7,552</u>	<u>9,512</u>	<u>21,009</u>	<u>27,760</u>
Income/(loss) before equity in earnings/(loss) from affiliates	<u>27,697</u>	<u>2,859</u>	<u>58,825</u>	<u>(438,700)</u>
Equity in earnings/(loss) from affiliates	6,882	17,187	34,496	(23,571)
Net Income/(Loss) from Continuing Operations	<u>34,579</u>	<u>20,046</u>	<u>93,321</u>	<u>(462,271)</u>
Net Income/(Loss) from Discontinued Operations	—	—	—	361
Net Income/(Loss)	<u>34,579</u>	<u>20,046</u>	<u>93,321</u>	<u>(461,910)</u>
Gain on Exchange Offers, net (Note 11)	—	539	472	539
Dividends on preferred stock (1)	(4,586)	(5,563)	(14,199)	(16,897)
Net Income/(Loss) Available to Common Stockholders	<u>\$ 29,993</u>	<u>\$ 15,022</u>	<u>\$ 79,594</u>	<u>\$ (478,268)</u>
Earnings/(Loss) Per Share - Basic (2)				
Continuing Operations	\$ 1.87	\$ 1.31	\$ 5.21	\$ (43.06)
Discontinued Operations	—	—	—	0.03
Total Earnings/(Loss) Per Share of Common Stock (2)	<u>\$ 1.87</u>	<u>\$ 1.31</u>	<u>\$ 5.21</u>	<u>\$ (43.03)</u>
Earnings/(Loss) Per Share - Diluted (2)				
Continuing Operations	\$ 1.87	\$ 1.31	\$ 5.21	\$ (43.06)
Discontinued Operations	—	—	—	0.03
Total Earnings/(Loss) Per Share of Common Stock (2)	<u>\$ 1.87</u>	<u>\$ 1.31</u>	<u>\$ 5.21</u>	<u>\$ (43.03)</u>
Weighted Average Number of Shares of Common Stock Outstanding (2)				
Basic	16,077	11,474	15,270	11,116
Diluted	16,077	11,474	15,270	11,116

(1) The three and nine months ended September 30, 2020 include cumulative and undeclared dividends of \$5.6 million and \$11.2 million, respectively, on the Company's Preferred Stock as of September 30, 2020.

(2) Amounts have been adjusted to reflect the one-for-three reverse stock split effected July 22, 2021. See Note 2 and Note 11 for additional details. The accompanying notes are an integral part of these unaudited consolidated financial statements.

AG Mortgage Investment Trust, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity (Unaudited)
(in thousands)

For the Three Months Ended September 30, 2021 and September 30, 2020

	Common Stock (1)		Preferred Stock	Additional Paid-in Capital (1)	Retained Earnings/(Deficit)	Total
	Shares	Amount				
Balance at July 1, 2021	16,164	\$ 162	\$ 220,472	\$ 719,940	\$ (474,697)	\$ 465,877
Repurchase of common stock	(258)	(3)	—	(2,844)	—	(2,847)
Grant of restricted stock	6	—	—	80	—	80
Common dividends declared	—	—	—	—	(3,354)	(3,354)
Preferred dividends declared	—	—	—	—	(4,586)	(4,586)
Net Income/(Loss)	—	—	—	—	34,579	34,579
Balance at September 30, 2021	15,912	\$ 159	\$ 220,472	\$ 717,176	\$ (448,058)	\$ 489,749

	Common Stock (1)		Preferred Stock	Additional Paid-in Capital (1)	Retained Earnings/(Deficit)	Total
	Shares	Amount				
Balance at July 1, 2020	11,274	\$ 113	\$ 272,457	\$ 666,352	\$ (573,544)	\$ 365,378
Net proceeds from issuance of common stock	578	6	—	5,479	—	5,485
Grant of restricted stock and amortization of equity based compensation	15	—	—	60	—	60
Exchange Offer (Note 11)	172	2	(2,495)	1,454	539	(500)
Net Income/(Loss)	—	—	—	—	20,046	20,046
Balance at September 30, 2020	12,039	\$ 121	\$ 269,962	\$ 673,345	\$ (552,959)	\$ 390,469

For the Nine Months Ended September 30, 2021 and September 30, 2020

	Common Stock (1)		Preferred Stock	Additional Paid-in Capital (1)	Retained Earnings/(Deficit)	Total
	Shares	Amount				
Balance at January 1, 2021	13,811	\$ 138	\$ 238,478	\$ 689,147	\$ (518,058)	\$ 409,705
Net proceeds from issuance of common stock	972	10	—	13,123	—	13,133
Repurchase of common stock	(258)	(3)	—	(2,844)	—	(2,847)
Grant of restricted stock	19	—	—	240	—	240
Common dividends declared	—	—	—	—	(9,539)	(9,539)
Preferred dividends declared	—	—	—	—	(14,254)	(14,254)
Exchange Offers (Note 11)	1,368	14	(18,006)	17,510	472	(10)
Net Income/(Loss)	—	—	—	—	93,321	93,321
Balance at September 30, 2021	15,912	\$ 159	\$ 220,472	\$ 717,176	\$ (448,058)	\$ 489,749

	Common Stock (1)		Preferred Stock	Additional Paid-in Capital (1)	Retained Earnings/(Deficit)	Total
	Shares	Amount				
Balance at January 1, 2020	10,913	\$ 109	\$ 272,457	\$ 662,401	\$ (85,921)	\$ 849,046
Net proceeds from issuance of common stock	912	10	—	8,974	—	8,984
Grant of restricted stock and amortization of equity based compensation	42	—	—	516	—	516
Preferred dividends declared	—	—	—	—	(5,667)	(5,667)
Exchange Offers (Note 11)	172	2	(2,495)	1,454	539	(500)
Net Income/(Loss)	—	—	—	—	(461,910)	(461,910)
Balance at September 30, 2020	12,039	\$ 121	\$ 269,962	\$ 673,345	\$ (552,959)	\$ 390,469

(1) Amounts have been adjusted to reflect the one-for-three reverse stock split effected July 22, 2021. See Note 2 and Note 11 for additional details.

The accompanying notes are an integral part of these unaudited consolidated financial statements.

AG Mortgage Investment Trust, Inc. and Subsidiaries
Consolidated Statements of Cash Flows (Unaudited)
(in thousands)

	Nine Months Ended	
	September 30, 2021	September 30, 2020
Cash Flows from Operating Activities		
Net income/(loss)	\$ 93,321	\$ (461,910)
Net (income)/loss from discontinued operations	—	(361)
Net income/(loss) from continuing operations	93,321	(462,271)
Adjustments to reconcile net income/(loss) to net cash provided by (used in) operating activities:		
Net amortization of premium/(discount)	2,993	(4,401)
Net realized (gain)/loss	5,124	257,183
Unrealized (gain)/loss, net	(58,995)	186,567
Foreign currency (gain)/loss, net	(14)	(1,483)
Equity based compensation to affiliate	—	163
Equity based compensation expense	240	353
(Income)/Loss from investments in debt and equity of affiliates in excess of distributions received	(17,337)	25,712
Change in operating assets/liabilities:		
Other assets	(4,939)	8,644
Other liabilities	(628)	(12,025)
Net cash provided by (used in) continuing operating activities	19,765	(1,558)
Net cash provided by (used in) discontinued operating activities	—	(726)
Net cash provided by (used in) operating activities	19,765	(2,284)
Cash Flows from Investing Activities		
Purchase of real estate securities	(768,794)	(174,845)
Purchase of residential mortgage loans	(1,263,835)	(541,823)
Origination of commercial loans	(1,881)	(8,228)
Purchase of commercial loans	(3,219)	(19,280)
Investments in debt and equity of affiliates	(3,806)	(44,869)
Proceeds from sales of excess MSRs	2,230	7,735
Proceeds from sales of real estate securities	761,568	2,722,425
Proceeds from sales of residential mortgage loans	47,219	393,633
Proceeds from sales of commercial loans	74,579	36,935
Principal repayments on real estate securities	49,336	104,213
Principal repayments on excess MSRs	497	2,579
Principal repayments on commercial loans	70,232	5,710
Principal repayments on residential mortgage loans	75,746	50,563
Distributions received in excess of income from investments in debt and equity of affiliates	66,154	26,444
Net settlement of interest rate swaps and other instruments	13,090	(73,180)
Net settlement of TBAs	(1,087)	4,610
Cash flows provided by (used in) other investing activities	3,265	(743)
Net cash provided by (used in) investing activities	(878,706)	2,491,879
Cash Flows from Financing Activities		
Net proceeds from issuance of common stock	13,133	4,669
Repurchase of common stock	(2,847)	—
Borrowings under financing arrangements	12,367,334	13,374,192
Repayments of financing arrangements	(11,770,861)	(16,037,399)
Deferred financing costs paid	(277)	—
Borrowing under secured debt	—	20,000
Repayments of secured debt	(10,000)	(10,000)
Proceeds from issuance of securitized debt	463,987	166,487
Principal repayments on securitized debt	(113,338)	(16,021)
Net collateral received from (paid to) repurchase counterparty	—	(46,613)
Dividends paid on common stock	(7,428)	(14,734)

	Nine Months Ended	
	September 30, 2021	September 30, 2020
Dividends paid on preferred stock	(14,254)	(5,667)
Net cash provided by continuing financing activities	925,449	(2,565,086)
Net change in cash and cash equivalents and restricted cash	66,508	(75,491)
Cash and cash equivalents and restricted cash, Beginning of Period	62,318	125,369
Effect of exchange rate changes on cash	10	(178)
Cash and cash equivalents and restricted cash, End of Period	\$ 128,836	\$ 49,700

Supplemental disclosure of cash flow information:

Cash paid for interest on financing arrangements	\$ 15,416	\$ 42,625
Cash paid for excise and income taxes	\$ 16	\$ 1,058

Supplemental disclosure of non-cash financing and investing activities:

Payable on unsettled trades	\$ —	\$ 105,016
Common stock dividends declared but not paid	\$ 3,354	\$ —
Exchange Offers (Note 11)	\$ 18,006	\$ 2,495
Holdback on sale of excess MSRs	\$ 134	\$ 725
Management fees paid using Common Stock in lieu of cash	\$ —	\$ 4,315
Decrease in securitized debt	\$ —	\$ 7,091
Transfer of real estate securities in satisfaction of repurchase agreements	\$ —	\$ 345,066
Change in repurchase agreements from transfer of real estate securities	\$ —	\$ 344,685
Transfer from residential mortgage loans to other assets	\$ 1,338	\$ 2,100
Transfer from investments in debt and equity of affiliates to CMBS	\$ —	\$ 11,769

The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the consolidated statements of cash flows:

	September 30, 2021	September 30, 2020
Cash and cash equivalents	\$ 101,749	\$ 44,592
Restricted cash	27,087	5,108
Total cash and cash equivalents and restricted cash shown in the consolidated statements of cash flows	\$ 128,836	\$ 49,700

The accompanying notes are an integral part of these unaudited consolidated financial statements.

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
September 30, 2021

1. Organization

AG Mortgage Investment Trust, Inc. (the "Company") was incorporated in the state of Maryland on March 1, 2011. The Company is a mortgage REIT that opportunistically invests in a diversified risk adjusted portfolio of credit investments and agency investments, which contains the asset classes further described below.

The Company's investment groups are primarily comprised of the following:

Investment Groups	Description
Credit - Residential	
Residential mortgage loans	<ul style="list-style-type: none"> Residential mortgage loans represent pools of fixed- and adjustable-rate loans collateralized by Non-QM, GSE Non-Owner Occupied, re-performing, and non-performing mortgages. Non-QM Loans are residential mortgage loans that are not deemed "qualified mortgage," or "QM," loans under the rules of the Consumer Finance Protection Bureau. GSE Non-Owner Occupied Loans are loans that are underwritten in accordance with U.S. government-sponsored entity ("GSE") guidelines and are secured by investment properties. Performing, re-performing, and non-performing loans are residential mortgage loans collateralized by a first lien mortgaged property.
Non-Agency Residential Mortgage-Backed Securities ("RMBS")	<ul style="list-style-type: none"> Non-Agency RMBS represent fixed- and floating-rate RMBS issued by entities other than U.S. GSEs or agencies of the U.S. government. The mortgage loan collateral for Non-Agency RMBS consists of residential mortgage loans that do not generally conform to underwriting guidelines issued by a GSE or agency of the U.S. government.
Credit - Commercial	
Commercial Mortgage-Backed Securities ("CMBS")	<ul style="list-style-type: none"> CMBS represent investments of fixed- and floating-rate CMBS secured by, or evidencing an ownership interest in, a single commercial mortgage loan or a pool of commercial mortgage loans. Single-Asset/Single-Borrower securities are CMBS which securitize a single loan that is backed by a single asset (usually a large commercial property) or by a pool of cross collateralized mortgage obligations to a single borrower or related borrowers. Conduit CMBS are CMBS that are collateralized by commercial mortgage loans to multiple borrowers. The Company did not hold any CMBS as of September 30, 2021.
Commercial Loans	<ul style="list-style-type: none"> Commercial loans are collateralized by an interest in commercial real estate and represent a contractual right to receive money on demand or on fixed or determinable dates. The Company did not hold any Commercial Loans as of September 30, 2021.
Agency RMBS	<ul style="list-style-type: none"> Agency RMBS represent interests in pools of residential mortgage loans guaranteed by a GSE such as Fannie Mae or Freddie Mac, or an agency of the U.S. Government such as Ginnie Mae.
Excess MSRs	<ul style="list-style-type: none"> Excess MSRs represent the excess servicing spread related to mortgage servicing rights, whose underlying collateral is securitized in a trust held by a GSE or agency of the U.S. government ("Agency Excess MSR"). The Company did not directly hold any Agency Excess MSRs as of September 30, 2021.

The Company refers to its residential and commercial mortgage loans as "mortgage loans" or "loans."

The Company refers to Agency RMBS, Non-Agency RMBS, and CMBS asset types as "real estate securities" or "securities."

Credit investments include loans, Non-Agency RMBS, and CMBS and agency investments include Agency RMBS and Agency Excess MSRs.

The Company conducts its business through one reportable segment, Securities and Loans, which reflects how the Company manages its business and analyzes and reports its results of operations. On November 15, 2019, the Company sold its portfolio of single-family rental properties ("SFR portfolio") to a third party, which was previously reported as a separate operating segment. The sale of the Company's SFR portfolio met the criteria for discontinued operations.

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
September 30, 2021

The Company is externally managed by AG REIT Management, LLC, a Delaware limited liability company (the "Manager"), a wholly-owned subsidiary of Angelo, Gordon & Co., L.P. ("Angelo Gordon"), a privately-held, SEC-registered investment adviser, pursuant to a management agreement. The Manager has delegated to Angelo Gordon the overall responsibility of its day-to-day duties and obligations arising under the management agreement.

The Company conducts its operations to qualify and be taxed as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended (the "Code").

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

COVID-19 Impact

In March 2020, the global novel coronavirus ("COVID-19") pandemic and the related economic conditions caused financial and mortgage-related asset markets to come under extreme duress, resulting in credit spread widening, a sharp decrease in interest rates and unprecedented illiquidity in repurchase agreement financing and mortgage-backed securities ("MBS") markets. The illiquidity was exacerbated by inadequate demand for MBS among primary dealers due to balance sheet constraints. Refer to Note 2 "Financing arrangements" for further details related to the impact to the Company as a result of these economic conditions. Although market conditions have improved during 2021, the COVID-19 pandemic is ongoing with new variants emerging despite growing vaccination rates. As a result, the full impact of COVID-19 on the mortgage REIT industry, credit markets, and, consequently, on the Company's financial condition and results of operations for future periods remains uncertain.

2. Summary of significant accounting policies

The accompanying unaudited consolidated financial statements and related notes have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial reporting and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. For all periods presented, all per share amounts and common shares outstanding have been adjusted on a retroactive basis to reflect the Company's one-for-three reverse stock split which was effected following the close of business on July 22, 2021. Certain prior period amounts have been reclassified to conform to the current period's presentation. As of September 30, 2021 and December 31, 2020, the Company reclassified Agency RMBS, Non-Agency RMBS, and CMBS with an aggregate fair value of \$510.0 million and \$613.5 million, respectively, into the "Real estate securities, at fair value" line item on the consolidated balance sheets. See Note 4 for details related to Agency RMBS, Non-Agency RMBS, and CMBS. Excess MSRs with a fair value of \$0.1 million and \$3.2 million as of September 30, 2021 and December 31, 2020, respectively, were reclassified into the "Other Assets" line item on the consolidated balance sheets. In the opinion of management, all adjustments considered necessary for a fair presentation of the Company's financial position, results of operations, and cash flows have been included for the interim period and are of a normal and recurring nature. The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year.

Cash and cash equivalents

Cash is comprised of cash on deposit with financial institutions. The Company classifies highly liquid investments with original maturities of three months or less from the date of purchase as cash equivalents. Cash equivalents may include cash invested in money market funds. Cash and cash equivalents are carried at cost, which approximates fair value. The Company places its cash with high credit quality institutions to minimize credit risk exposure. Cash pledged to the Company as collateral is unrestricted in use and, accordingly, is included as a component of "Cash and cash equivalents" on the consolidated balance sheets. Any cash held by the Company as collateral is included in the "Other liabilities" line item on the consolidated balance sheets and in cash flows from financing activities on the consolidated statement of cash flows. Any cash due to the Company in the form of principal payments is included in the "Other assets" line item on the consolidated balance sheets and in cash flows from operating activities on the consolidated statement of cash flows.

Restricted cash

Restricted cash includes cash pledged as collateral for clearing and executing trades, derivatives, and financing arrangements, as well as restricted cash deposited into accounts held at certain consolidated trusts. Restricted cash is not available to the Company for general corporate purposes. Restricted cash may be returned to the Company when the related collateral

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
September 30, 2021

requirements are exceeded or at the maturity of the derivative or financing arrangement. Restricted cash is carried at cost, which approximates fair value.

Use of estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results may differ from those estimates.

Earnings/(Loss) per share

In accordance with the provisions of Accounting Standards Codification ("ASC") 260, "Earnings per Share," the Company calculates basic income/(loss) per share by dividing net income/(loss) available to common stockholders for the period by weighted average shares of the Company's common stock outstanding for that period. Diluted income per share takes into account the effect of dilutive instruments, such as stock options, warrants, unvested restricted stock, and unvested restricted stock units, using the average share price for the period in determining the number of incremental shares that are to be added to the weighted average number of shares outstanding. Potential dilutive shares are excluded from the calculation if they have an anti-dilutive effect in the period.

Reverse stock split

On July 12, 2021, the Company announced that its board of directors approved a one-for-three reverse stock split of the Company's outstanding shares of common stock. The reverse stock split was effected following the close of business on July 22, 2021 (the "Effective Time"). At the Effective Time, every three issued and outstanding shares of the Company's common stock were combined into one share of the Company's common stock. No fractional shares were issued in connection with the reverse stock split. Instead, each stockholder holding fractional shares was entitled to receive, in lieu of such fractional shares, cash in an amount determined based on the closing price of the Company's common stock on the date of the Effective Time. The reverse stock split applied to all of the Company's outstanding shares of common stock and did not affect any stockholder's ownership percentage of shares of the Company's common stock, except for immaterial changes resulting from the payment of cash for fractional shares. There was no change in the Company's authorized capital stock or par value of each share of common stock as a result of the reverse stock split. All per share amounts and common shares outstanding for all periods presented in the unaudited consolidated financial statements have been adjusted on a retroactive basis to reflect the Company's reverse stock split.

Valuation of financial instruments

The fair value of the financial instruments that the Company records at fair value is determined by the Manager, subject to oversight of the Company's Board of Directors, and in accordance with ASC 820, "Fair Value Measurements and Disclosures." When possible, the Company determines fair value using third-party data sources. ASC 820 establishes a hierarchy that prioritizes the inputs to valuation techniques giving the highest priority to readily available unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements) when market prices are not readily available or reliable.

The three levels of the hierarchy under ASC 820 are described below:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Prices determined using other significant observable inputs. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk, and others.
- Level 3 – Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the Company's assumptions about the factors that market participants would use in pricing an asset or liability, and would be based on the best information available.

Transfers between levels are assumed to occur at the beginning of the reporting period.

Accounting for loans

Investments in loans are recorded in accordance with ASC 310-10, "Receivables." The Company has chosen to make a fair value election pursuant to ASC 825 for its loan portfolio. Electing the fair value option allows the Company to record changes in fair value in the consolidated statement of operations, which, in management's view, more appropriately reflects the results of operations for a particular reporting period as all loan activities will be recorded in a similar manner. As such, loans are recorded at fair value on the consolidated balance sheets and any periodic change in fair value is recorded in current period earnings on the consolidated statement of operations as a component of "Unrealized gain/(loss), net." The Company recognizes certain upfront costs and fees relating to loans for which the fair value option has been elected in current period earnings as incurred and does not defer those costs, which is in accordance with ASC 825-10-25. Purchases and sales of loans are recorded on the settlement date, concurrent with the completion of due diligence and the removal of any contingencies. Prior to the settlement date, the Company will include commitments to purchase loans within the Commitments and Contingencies footnote to the financial statements.

The Company amortizes or accretes any premium or discount over the life of the loans utilizing the effective interest method. On at least a quarterly basis, the Company evaluates the collectability of both interest and principal on its loans to determine whether they are impaired. A loan or pool of loans is impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the existing contractual terms. Income recognition is suspended for loans at the earlier of the date at which payments become 90-days past due or when, in the opinion of the Manager, a full recovery of income and principal becomes doubtful. When the ultimate collectability of the principal of an impaired loan or pool of loans is in doubt, all payments are applied to principal under the cost recovery method. When the ultimate collectability of the principal of an impaired loan is not in doubt, contractual interest is recorded as interest income when received under the cash basis method until an accrual is resumed when the loan becomes contractually current and performance is demonstrated to be resumed. A loan is written off when it is no longer realizable and/or legally discharged.

Residential Mortgage Loans

At purchase, the Company may aggregate its residential mortgage loans into pools based on common risk characteristics. Once a pool of loans is assembled, its composition is maintained. When the Company purchases mortgage loans with evidence of credit deterioration since origination and it determines that it is probable it will not collect all contractual cash flows on those loans, it will apply the guidance found in ASC 310-30. Mortgage loans that are delinquent 60 or more days are considered non-performing.

The Company updates its estimate of the cash flows expected to be collected on at least a quarterly basis for loans accounted for under ASC 310-30. In estimating these cash flows, there are a number of assumptions that will be subject to uncertainties and contingencies including both the rate and timing of principal and interest receipts, and assumptions of prepayments, repurchases, defaults and liquidations. If based on the most current information and events it is probable that there is a significant increase in cash flows previously expected to be collected or if actual cash flows are significantly greater than cash flows previously expected, the Company will recognize these changes prospectively through an adjustment of the loan's yield over its remaining life. The Company will adjust the amount of accretable yield by reclassification from the nonaccretable difference. The adjustment is accounted for as a change in estimate in conformity with ASC 250, "Accounting Changes and Error Corrections" with the amount of periodic accretion adjusted over the remaining life of the loan.

Commercial Loans

Commercial loans are classified as held for sale upon the Company determining that it intends to sell or liquidate the loan in the short-term and certain criteria have been met. Commercial loans meeting all criteria for reclassification are presented separately on the consolidated balance sheets in the "Commercial loans held for sale" line item. Estimated costs incurred to sell a loan are included within the fair value of the loan.

Accounting for real estate securities

Investments in real estate securities are recorded in accordance with ASC 320-10, "Investments – Debt and Equity Securities," ASC 325-40, "Beneficial Interests in Securitized Financial Assets," or ASC 310-30, "Loans and Debt Securities Acquired with Deteriorated Credit Quality." The Company has chosen to make a fair value election pursuant to ASC 825, "Financial Instruments" for its real estate securities portfolio. Real estate securities are recorded at fair value on the consolidated balance

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
September 30, 2021

sheets and the periodic change in fair value is recorded in current period earnings on the consolidated statement of operations as a component of "Unrealized gain/(loss), net." Purchases and sales of real estate securities are recorded on the trade date.

These investments meet the requirements to be classified as available for sale under ASC 320-10-25 which requires the securities to be carried at fair value on the consolidated balance sheets with changes in fair value recorded to other comprehensive income, a component of stockholders' equity. Electing the fair value option allows the Company to record changes in fair value in the consolidated statement of operations, which, in management's view, more appropriately reflects the results of operations for a particular reporting period as all securities activities will be recorded in a similar manner.

When the Company purchases securities with evidence of credit deterioration since origination, it will analyze the securities to determine if the guidance found in ASC 310-30 is applicable.

On January 1, 2020, the Company adopted ASU 2016-13, "Financial Instruments – Credit Losses" ("ASU 2016-13"). The impact of the guidance on accounting for the Company's debt securities and loans is limited to recognition of effective yield. The Company measures its debt securities and loans at fair value with any changes recognized through net income and it updates its estimate of the cash flows expected to be collected on these asset classes on at least a quarterly basis recognizing changes in cash flows in interest income prospectively through an adjustment of an asset's yield over its remaining life.

Realized gains or losses on sales of securities, loans and derivatives are included in the "Net realized gain/(loss)" line item on the consolidated statement of operations. The cost of positions sold is calculated using a first in, first out ("FIFO") basis. Realized gains and losses are recorded in earnings at the time of disposition.

Investments in debt and equity of affiliates

The Company's unconsolidated ownership interests in affiliates are accounted for using the equity method. Substantially all of the Company's investments held through affiliated entities are comprised of real estate securities, loans, and its interest in AG Arc LLC. These types of investments may also be held directly by the Company. Certain entities have chosen to make a fair value election on their financial instruments and certain financing arrangements pursuant to ASC 825; as such, the Company will treat these financial instruments and financing arrangements consistently with this election.

Arc Home

On December 9, 2015, the Company, alongside private funds managed by Angelo Gordon, through AG Arc LLC, one of the Company's indirect subsidiaries ("AG Arc"), formed Arc Home LLC ("Arc Home"). Arc Home originates residential mortgage loans and retains the mortgage servicing rights associated with the loans it originates. Arc Home is led by an external management team. The Company has chosen to make a fair value election with respect to its investment in AG Arc pursuant to ASC 825. The Company elected to treat its investment in AG Arc as a taxable REIT subsidiary. As a result, income or losses recognized by the Company from its investment in AG Arc are recorded in "Equity in earnings/(loss) from affiliates" line item on the Company's consolidated statement of operations net of income taxes.

From time to time, the Company acquires newly originated non-agency loans from Arc Home with the intent to securitize the assets and obtain non-recourse financing. In connection with the sale of loans from Arc Home to the Company, gains or losses recorded by Arc Home are consolidated into AG Arc. In accordance with ASC 323-10, for loans acquired from Arc Home that remain on the Company's consolidated balance sheet at period end, the Company eliminates any profits or losses typically recognized through the "Equity in earnings/(loss) from affiliates" line item on the Company's consolidated statement of operations and adjusts the cost basis of the underlying loans accordingly. For the three and nine months ended September 30, 2021, the Company eliminated \$1.6 million and \$3.5 million of intra-entity profits recognized by Arc Home, respectively, and also decreased the cost basis of the underlying loans by the same amount in connection with loan sales to the Company. The Company did not purchase any loans from Arc Home during three and nine months ended September 30, 2020 and, as a result, it did not eliminate any intra-entity profits during the three and nine months ended September 30, 2020.

MATH

On August 29, 2017, the Company, alongside private funds managed by Angelo Gordon, formed Mortgage Acquisition Holding I LLC ("MATH") to conduct a residential mortgage investment strategy. MATH in turn sponsored the formation of an entity called Mortgage Acquisition Trust I LLC ("MATT") to purchase predominantly Non-QM Loans. MATT made an election to be treated as a real estate investment trust beginning with the 2018 tax year. As of September 30, 2021, MATT primarily holds retained tranches from securitizations.

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
September 30, 2021

LOTS

On May 15, 2019 and November 14, 2019, the Company, alongside private funds managed by Angelo Gordon, formed LOT SP I LLC and LOT SP II LLC, respectively, (collectively, "LOTS"). LOTS were formed to originate first mortgage loans to third-party land developers and home builders for the acquisition and horizontal development of land ("Land Related Financing").

Summary of investments in debt and equity of affiliates

The below tables reconcile the fair value of investments to the "Investments in debt and equity of affiliates" line item on the Company's consolidated balance sheets (in thousands).

	September 30, 2021			December 31, 2020		
	Assets	Liabilities	Equity	Assets	Liabilities	Equity
Non-QM Loans (1)	\$ 73,182	\$ (45,686)	\$ 27,496	\$ 153,200	\$ (111,135)	\$ 42,065
Land Related Financing	17,660	—	17,660	22,824	—	22,824
Other (2)	12,107	(5,185)	6,922	41,940	(5,588)	36,352
Real Estate Securities and Loans, at fair value	\$ 102,949	\$ (50,871)	\$ 52,078	\$ 217,964	\$ (116,723)	\$ 101,241
AG Arc, at fair value	51,949	—	51,949	45,341	—	45,341
Cash and Other assets/(liabilities)	5,899	(803)	5,096	5,279	(1,194)	4,085
Investments in debt and equity of affiliates	\$ 160,797	\$ (51,674)	\$ 109,123	\$ 268,584	\$ (117,917)	\$ 150,667

- (1) As of September 30, 2021 and December 31, 2020, Non-QM Loans excluded loans with an unpaid principal balance of \$8.2 million and \$17.3 million, respectively, whereby an affiliate of MATT has the right, but not the obligation, to repurchase loans from a trust that are 90 days or more delinquent at its discretion. These loans, which are eligible to be repurchased, would be recorded on the balance sheet of MATT, an unconsolidated equity method investee of the Company, with a corresponding and offsetting liability.
- (2) Certain loans held in securitized form are presented net of non-recourse securitized debt.

The below table reconciles the net income/(loss) to the "Equity in earnings/(loss) from affiliates" line item on the Company's consolidated statements of operations (in thousands).

	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Non-QM Loans	\$ (644)	\$ 1,828	\$ 15,277	\$ (33,016)
AG Arc (1)	399	13,407	4,033	12,891
Land Related Financing	598	728	1,848	1,865
Other	6,529	1,224	13,338	(5,311)
Equity in earnings/(loss) from affiliates	\$ 6,882	\$ 17,187	\$ 34,496	\$ (23,571)

- (1) The earnings/(loss) at AG Arc during the three and nine months ended September 30, 2021 were primarily the result of \$1.0 million and \$5.4 million of net income related to Arc Home's lending and servicing operations, offset by \$(0.7) million and \$(1.9) million, respectively, related to changes in the fair value of the MSR portfolio held by Arc Home. Earnings/(loss) recognized by AG Arc do not include the Company's portion of gains recorded by Arc Home in connection with the sale of residential mortgage loans to the Company. For the three and nine months ended September 30, 2021, the Company eliminated \$1.6 million and \$3.5 million, respectively, of intra-entity profits recognized by Arc Home and also decreased the cost basis of the underlying loans the Company purchased by the same amount, as described above.

Investment consolidation and transfers of financial assets

For each investment made, the Company evaluates the underlying entity that issued the securities acquired or to which the Company makes a loan to determine the appropriate accounting. In performing the analysis, the Company refers to guidance in

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
September 30, 2021

ASC 810-10, "Consolidation." In situations where the Company is the transferor of financial assets, the Company refers to the guidance in ASC 860-10 "Transfers and Servicing."

In variable interest entities ("VIEs"), an entity is subject to consolidation under ASC 810-10 if the equity investors (i) do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support, (ii) are unable to direct the entity's activities, or (iii) are not exposed to the entity's losses or entitled to its residual returns. VIEs within the scope of ASC 810-10 are required to be consolidated by their primary beneficiary. The primary beneficiary of a VIE is determined to be the party that has both the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. This determination can sometimes involve complex and subjective analyses. Further, ASC 810-10 also requires ongoing assessments of whether an enterprise is the primary beneficiary of a VIE. In accordance with ASC 810-10, all transferees, including variable interest entities, must be evaluated for consolidation. If the Company determines that consolidation is not required, it will then assess whether the transfer of the underlying assets would qualify as a sale, should be accounted for as secured financings under GAAP, or should be accounted for as an equity method investment, depending on the circumstances. See Note 3 for more detail.

A Special Purpose Entity ("SPE") is an entity designed to fulfill a specific limited need of the company that organized it. SPEs are often used to facilitate transactions that involve securitizing financial assets or resecuritizing previously securitized financial assets. The objective of such transactions may include obtaining non-recourse financing, obtaining liquidity, or refinancing the underlying securitized financial assets on improved terms. Securitization involves transferring assets to an SPE to convert all or a portion of those assets into cash before they would have been realized in the normal course of business through the SPE's issuance of debt or equity instruments. Investors in an SPE usually have recourse only to the assets in the SPE and depending on the overall structure of the transaction, may benefit from various forms of credit enhancement, such as over-collateralization in the form of excess assets in the SPE, priority with respect to receipt of cash flows relative to holders of other debt or equity instruments issued by the SPE, or a line of credit or other form of liquidity agreement that is designed with the objective of ensuring that investors receive principal and/or interest cash flow on the investment in accordance with the terms of their investment agreement.

The Company enters into securitization transactions of certain of its residential mortgage loans, which results in the Company consolidating the respective VIEs that are created to facilitate these transactions and to which the underlying assets in connection with these securitizations are transferred ("Residential Mortgage Loan VIEs"). The Company has entered into securitization transactions on certain of its Non-QM Loans ("Non-QM VIEs"), as well as certain of its re- and non-performing loans ("RPL/NPL VIEs"). Based on the evaluations of each VIE, the Company concluded that the VIEs should be consolidated and, as a result, transferred assets of these VIEs were determined to be secured borrowings. Upon consolidation, the Company elected the fair value option pursuant to ASC 825 for the assets and liabilities of the Residential Mortgage Loan VIEs. Electing the fair value option allows the Company to record changes in fair value in the consolidated statement of operations, which, in management's view, more appropriately reflects the results of operations for a particular reporting period as all activities will be recorded in a similar manner. The Company applied the guidance under ASU 2014-13, "Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity," whereby the Company determines whether the fair value of the assets or liabilities of the Residential Mortgage Loan VIEs are more observable as a basis for measuring the less observable financial instruments. The Company has determined that the fair value of the liabilities of the Residential Mortgage Loan VIEs are more observable since the prices for these liabilities are more easily determined as similar instruments trade more frequently on a relative basis than the individual assets of the VIEs. See Note 3 for more detail regarding the Residential Mortgage Loan VIEs and Note 5 for more detail related to the Company's determination of fair value for the assets and liabilities included within these VIEs.

From time to time the Company purchases residual positions where it consolidates the securitization and the positions are recorded on the Company's books as residential mortgage loans. There may be limited data available regarding the underlying collateral of such securitizations.

The Company may periodically enter into transactions in which it transfers assets to a third party. Upon a transfer of financial assets, the Company will sometimes retain or acquire senior or subordinated interests in the related assets. Pursuant to ASC 860-10, a determination must be made as to whether a transferor has surrendered control over transferred financial assets. That determination must consider the transferor's continuing involvement in the transferred financial asset, including all arrangements or agreements made contemporaneously with, or in contemplation of, the transfer, even if they were not entered into at the time of the transfer. The financial components approach under ASC 860-10 limits the circumstances in which a financial asset, or portion of a financial asset, should be derecognized when the transferor has not transferred the entire original

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
September 30, 2021

financial asset to an entity that is not consolidated with the transferor in the financial statements being presented and/or when the transferor has continuing involvement with the transferred financial asset. It defines the term "participating interest" to establish specific conditions for reporting a transfer of a portion of a financial asset as a sale.

Under ASC 860-10, after a transfer of financial assets that meets the criteria for treatment as a sale—legal isolation, ability of transferee to pledge or exchange the transferred assets without constraint and transferred control—an entity recognizes the financial and servicing assets it acquired or retained and the liabilities it has incurred, derecognizes financial assets it has sold and derecognizes liabilities when extinguished. The transferor would then determine the gain or loss on sale of financial assets by allocating the carrying value of the underlying mortgage between securities or loans sold and the interests retained based on their fair value. The gain or loss on sale is the difference between the cash proceeds from the sale and the amount allocated to the securities or loans sold. When a transfer of financial assets does not qualify for sale accounting, ASC 860-10 requires the transfer to be accounted for as a secured borrowing with a pledge of collateral.

From time to time, the Company may securitize mortgage loans it holds if such financing is available. These transactions will be recorded in accordance with ASC 860-10 and will be accounted for as either a "sale" and the loans will be removed from the consolidated balance sheets or as a "financing" and will be classified as "residential mortgage loans" on the consolidated balance sheets, depending upon the structure of the securitization transaction. ASC 860-10 is a standard that may require the Company to exercise significant judgment in determining whether a transaction should be recorded as a "sale" or a "financing."

Interest income recognition

Interest income on the Company's real estate securities portfolio and loan portfolio is accrued based on the actual coupon rate and the outstanding principal balance of such securities or loans. The Company has elected to record interest in accordance with ASC 835-30-35-2, "Imputation of Interest," using the effective interest method for all securities and loans accounted for under the fair value option in accordance with ASC 825, "Financial Instruments." As such, premiums and discounts are amortized or accreted into interest income over the lives of the securities or loans in accordance with ASC 310-20, "Nonrefundable Fees and Other Costs," ASC 320-10 or ASC 325-40, as applicable. Total interest income is recorded in the "Interest income" line item on the consolidated statement of operations.

For Agency RMBS, exclusive of interest-only securities, prepayments of the underlying collateral are estimated on a quarterly basis, which directly affect the speed at which the Company amortizes premiums on its securities. If actual and anticipated cash flows differ from previous estimates, the Company records an adjustment in the current period to the amortization of premiums for the impact of the cumulative change in the effective yield retrospectively through the reporting date.

Similarly, the Company also reassesses the cash flows on at least a quarterly basis for securities and loans, including Non-Agency RMBS, CMBS, interest-only securities, Non-QM Loans, GSE Non-Owner Occupied Loans, and Excess MSRs. In estimating these cash flows, there are a number of assumptions made that are uncertain and subject to judgments and assumptions based on subjective and objective factors and contingencies. These include the rate and timing of principal and interest receipts (including assumptions of prepayments, repurchases, defaults, and liquidations), the pass-through or coupon rate and interest rate fluctuations. In addition, interest payment shortfalls due to delinquencies on the underlying mortgage loans have to be estimated. Differences between previously estimated cash flows and current actual and anticipated cash flows are recognized prospectively through an adjustment of the yield over the remaining life of the security based on the current amortized cost of the investment.

For security and loan investments purchased with evidence of deterioration of credit quality for which it is probable, at acquisition, that the Company will be unable to collect all contractually required payments receivable, the Company will apply the provisions of ASC 310-30. For purposes of income recognition, the Company aggregates loans that have common risk characteristics into pools and uses a composite interest rate and expectation of cash flows expected to be collected for the pool. ASC 310-30 addresses accounting for differences between contractual cash flows and cash flows expected to be collected from an investor's initial investment in loans or debt securities (loans) acquired in a transfer if those differences are attributable, at least in part, to credit quality. ASC 310-30 limits the yield that may be accreted (accretible yield) to the excess of the investor's estimate of undiscounted expected principal, interest and other cash flows (cash flows expected at acquisition to be collected) over the investor's initial investment in the loan. ASC 310-30 requires that the excess of contractual cash flows over cash flows expected to be collected (nonaccretible difference) not be recognized as an adjustment of yield, loss accrual or valuation allowance. Subsequent changes in cash flows expected to be collected generally should be recognized prospectively through an adjustment of the loan's yield over its remaining life.

Financing arrangements

The Company finances the acquisition of certain assets within its portfolio through the use of financing arrangements. Financing arrangements include repurchase agreements and revolving facilities. Repurchase agreements and revolving facilities are treated as collateralized financing transactions and carried at their contractual amounts, including accrued interest, as specified in the respective agreements. The carrying amount of the Company's repurchase agreements and revolving facilities approximates fair value.

The Company pledges certain securities, loans, or properties as collateral under financing arrangements with financial institutions, the terms and conditions of which are negotiated on a transaction-by-transaction basis. The amounts available to be borrowed under repurchase agreements and revolving facilities are dependent upon the fair value of the securities or loans pledged as collateral, which can fluctuate with changes in interest rates, type of security and liquidity conditions within the banking, mortgage finance, and real estate industries. If the fair value of pledged assets declines due to changes in market conditions, lenders typically would require the Company to post additional securities as collateral, pay down borrowings or establish cash margin accounts with the counterparties in order to re-establish the agreed-upon collateral requirements, referred to as margin calls. The fair value of financial instruments pledged as collateral on the Company's financing arrangements represents the Company's fair value of such instruments which may differ from the fair value assigned to the collateral by its counterparties. The Company maintains a level of liquidity in order to meet these obligations. If the fair value of pledged assets increases due to changes in market conditions, counterparties may be required to return collateral to us in the form of securities or cash or post additional collateral to us. Financings pursuant to repurchase agreements and revolving facilities are generally recourse to the Company. As of September 30, 2021 and December 31, 2020, the Company had met all margin call requirements.

Forbearance and Reinstatement Agreements

In connection with the market disruption created by the COVID-19 pandemic, in March 2020, the Company received notifications of alleged events of default and deficiency notices from several of its financing counterparties. The Company engaged in discussions with its financing counterparties and, as a result, entered into a series of forbearance agreements (collectively, the "Forbearance Agreement") with certain of its financing counterparties (the "Participating Counterparties") pursuant to which each Participating Counterparty agreed to forbear from exercising its rights and remedies with respect to events of default and any and all other defaults under the applicable financing arrangement (each, a "Bilateral Agreement") for the period ending June 15, 2020.

On June 10, 2020, the Company and the Participating Counterparties entered into a reinstatement agreement (the "Reinstatement Agreement"), pursuant to which the Forbearance Agreement was terminated and each Participating Counterparty permanently waived all existing and prior events of default under the applicable Bilateral Agreements. Pursuant to the Reinstatement Agreement, the Bilateral Agreements were reinstated with certain amendments to reflect current market terms (i.e., increased haircuts and higher coupons), updated financial covenants and various reporting requirements from the Company to the Participating Counterparties, releases, certain netting obligations and cross-default provisions. As a result of the Reinstatement Agreement, default interest on the Company's outstanding borrowings under the Bilateral Agreements ceased to accrue as of June 10, 2020, all cash margin was applied to outstanding balances owed by the Company, and principal and interest payments on the underlying collateral were permitted to flow to and be used by the Company, just as it was prior to the Forbearance Agreements. In addition, pursuant to the terms of the Reinstatement Agreement, the security interests granted to Participating Counterparties as additional collateral under the Forbearance Agreement have been terminated and released. The Company also agreed to pay the reasonable fees and out-of-pocket expenses of counsel and other professional advisors for the Participating Counterparties and the collateral agent.

Concurrently, on June 10, 2020, the Company entered a separate reinstatement agreement with one of its financing counterparties on substantially the same terms as those set forth in the Reinstatement Agreement.

Dividends on Preferred Stock

Holder of the Company's 8.25% Series A Cumulative Redeemable Preferred Stock ("Series A Preferred Stock"), 8.00% Series B Cumulative Redeemable Preferred Stock ("Series B Preferred Stock"), and 8.000% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock ("Series C Preferred Stock") are entitled to receive cumulative cash dividends at a rate of 8.25%, 8.00% and 8.000% per annum, respectively, of the \$25.00 per share liquidation preference for each series. On and after September 17, 2024, dividends on the Series C Preferred Stock will accumulate at a percentage of the \$25.00 liquidation

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
September 30, 2021

preference equal to an annual floating rate of the then three-month LIBOR plus a spread of 6.476% per annum. If the Company's Board of Directors does not declare a dividend in a given period, an accrual is not recorded on the balance sheet. However, undeclared preferred stock dividends are reflected in earnings per share as discussed in ASC 260-10-45-11. Preferred stock dividends that are not declared accumulate and are added to the liquidation preference as of the scheduled payment date for the respective series of the preferred stock. The undeclared and unpaid dividends on the Company's preferred stock accrue without interest, and if dividends on the Company's preferred stock are in arrears, the Company cannot pay cash dividends with respect to its common stock. See Note 11 for further detail on the Company's Preferred Stock.

Accounting for derivative financial instruments

Derivative contracts

The Company enters into derivative contracts as a means of mitigating interest rate risk rather than to enhance returns. The Company accounts for derivative financial instruments in accordance with ASC 815-10, "Derivatives and Hedging." ASC 815-10 requires an entity to recognize all derivatives as either assets or liabilities on the balance sheet and to measure those instruments at fair value. Additionally, if or when hedge accounting is elected, the fair value adjustments will affect either other comprehensive income in stockholders' equity until the hedged item is recognized in earnings or net income depending on whether the derivative instrument is designated and qualifies as a hedge for accounting purposes and, if so, the nature of the hedging activity. As of September 30, 2021 and December 31, 2020, the Company did not have any interest rate derivatives designated as hedges. All derivatives have been recorded at fair value with corresponding changes in fair value recognized in the consolidated statement of operations. The Company records derivative asset and liability positions on a gross basis with respect to its counterparties. During the period in which the Company unwinds a derivative, it records a realized gain/(loss) in the "Net realized gain/(loss)" line item in the consolidated statement of operations.

To-be-announced securities

A to-be-announced security ("TBA") is a forward contract for the purchase or sale of Agency RMBS at a predetermined price, face amount, issuer, coupon and stated maturity on an agreed-upon future date. The specific Agency RMBS delivered into or received from the contract upon the settlement date, published each month by the Securities Industry and Financial Markets Association, are not known at the time of the transaction. The Company may also choose, prior to settlement, to move the settlement of these securities out to a later date by entering into an offsetting short or long position (referred to as a pair off), net settling the paired off positions for cash, simultaneously purchasing or selling a similar TBA contract for a later settlement date. This transaction is commonly referred to as a dollar roll. The Agency RMBS purchased or sold for a forward settlement date are typically priced at a discount to Agency RMBS for settlement in the current month. This difference, or discount, is referred to as the price drop. The price drop is the economic equivalent of net interest carry income on the underlying Agency RMBS over the roll period (interest income less implied financing cost) and is commonly referred to as dollar roll income/(loss). Consequently, forward purchases of Agency RMBS and dollar roll transactions represent a form of off-balance sheet financing. Dollar roll income is recognized in the consolidated statement of operations in the line item "Unrealized gain/(loss), net."

Variation margin

The Company may exchange cash "variation margin" with the counterparties to its derivative instruments on a daily basis based upon changes in the fair value of such derivative instruments as measured by the Chicago Mercantile Exchange ("CME") and the London Clearing House ("LCH"), the central clearinghouses ("CCPs") through which those derivatives are cleared. In addition, the CCPs require market participants to deposit and maintain an "initial margin" amount which is determined by the CCPs and is generally intended to be set at a level sufficient to protect the CCPs from the maximum estimated single-day price movement in that market participant's contracts.

Receivables recognized for the right to reclaim cash initial margin posted in respect of derivative instruments are included in the "Restricted cash" line item in the consolidated balance sheets. The daily exchange of variation margin associated with a CCP instrument is legally characterized as the daily settlement of the derivative instrument itself, as opposed to a pledge of collateral. Accordingly, the Company accounts for the daily receipt or payment of variation margin associated with its centrally cleared derivative instruments as a direct reduction to the carrying value of the derivative asset or liability, respectively. The carrying amount of centrally cleared derivative instruments reflected in the Company's consolidated balance sheets approximates the unsettled fair value of such instruments. As variation margin is exchanged on a one-day lag, the unsettled fair value of such instruments represents the change in fair value that occurred on the last day of the reporting period.

Forward Purchase Commitments

The Company may enter into forward purchase commitments with counterparties whereby the Company commits to purchasing residential mortgage loans at a particular price. Actual loan purchases are contingent upon successful loan closings. The counterparties are required to deliver the committed loans on a mandatory basis. These commitments to purchase mortgage loans are classified as derivatives and are therefore recorded at fair value on the consolidated balance sheets, with corresponding changes in fair value recognized in the consolidated statement of operations. Derivatives with positive fair values to the Company are reported as assets and derivatives with negative fair values to the Company are reported as liabilities.

Manager compensation

The management agreement provides for payment to the Manager of a management fee as well as a reimbursement of certain expenses incurred by the Manager or its affiliates on behalf of the Company. The management fee and reimbursement are accrued and expensed during the period for which they are earned or for which the expenses are incurred, respectively. The management fee and reimbursement are included in the "Management fee" and "Other operating expenses" line items, respectively, on the consolidated statement of operations. For a more detailed discussion on the fees payable under the management agreement, see Note 10.

Income taxes

The Company conducts its operations to qualify and be taxed as a REIT. Accordingly, the Company will generally not be subject to federal or state corporate income tax to the extent that the Company makes qualifying distributions to its stockholders, and provided that it satisfies on a continuing basis, through actual investment and operating results, the REIT requirements including certain asset, income, distribution and stock ownership tests. If the Company fails to qualify as a REIT, and does not qualify for certain statutory relief provisions, it will be subject to U.S. federal, state and local income taxes and may be precluded from qualifying as a REIT for the four taxable years following the year in which the Company fails to qualify as a REIT.

The dividends paid deduction of a REIT for qualifying dividends to its stockholders is computed using the Company's taxable income/(loss) as opposed to net income/(loss) reported on the Company's GAAP financial statements. Taxable income/(loss), generally, will differ from net income/(loss) reported on the financial statements because the determination of taxable income/(loss) is based on tax principles and not financial accounting principles.

Cash distributions declared by the Company that do not exceed its current or accumulated earnings and profits will be considered ordinary income to stockholders for income tax purposes unless all or a portion of a distribution is designated by the Company as a capital gain dividend. Distributions in excess of the Company's current and accumulated earnings and profits will be characterized as return of capital or capital gains.

The Company elected to treat certain domestic subsidiaries as taxable REIT subsidiaries ("TRSs") and may elect to treat other subsidiaries as TRSs. In general, a TRS may hold assets and engage in activities that the Company cannot hold or engage in directly and generally may engage in any real estate or non-real estate-related business.

A domestic TRS may declare dividends to the Company which will be included in the Company's taxable income/(loss) which may necessitate a distribution to stockholders. Conversely, if the Company retains earnings at the domestic TRS level, no distribution is required and the Company can increase book equity of the consolidated entity. A domestic TRS is subject to U.S. federal, state and local corporate income taxes.

The Company elected to treat one of its foreign subsidiaries as a TRS and, accordingly, taxable income generated by this foreign TRS may not be subject to local income taxation, but generally will be included in the Company's taxable income on a current basis as Subpart F income, whether or not distributed.

The Company's financial results are generally not expected to reflect provisions for current or deferred income taxes, except for any activities conducted through one or more TRSs that are subject to corporate income taxation. The Company believes that it will operate in a manner that will allow it to qualify for taxation as a REIT. As a result of the Company's expected REIT qualification, it does not generally expect to pay federal or state corporate income tax. Many of the REIT requirements, however, are highly technical and complex.

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
September 30, 2021

As a REIT, if the Company fails to distribute in any calendar year (subject to specific timing rules for certain dividends paid in January) at least the sum of (i) 85% of its ordinary income for such year, (ii) 95% of its capital gain net income for such year, and (iii) any undistributed taxable income from the prior year, the Company would be subject to a non-deductible 4% excise tax on the excess of such required distribution over the sum of (i) the amounts actually distributed and (ii) the amounts of income retained and on which the Company has paid corporate income tax.

The Company evaluates uncertain income tax positions, if any, in accordance with ASC 740, "Income Taxes." The Company classifies interest and penalties, if any, related to unrecognized tax benefits as a component of provision for income taxes. See Note 9 for further details.

Deal related performance fees

The Company may incur deal related performance fees, payable to Arc Home and third-party operators, on certain of its CMBS and Land Related Financing. The deal related performance fees are based on these investments meeting certain performance hurdles. The fees are accrued and expensed during the period for which they are incurred and are included in the "Other operating expenses" and "Equity in earnings/(loss) from affiliates" line items on the consolidated statement of operations.

Offering costs

The Company has incurred offering costs in connection with common stock offerings, registration statements, preferred stock offerings, and exchanges. Where applicable, the offering costs were paid out of the proceeds of the respective offerings. Offering costs in connection with common stock offerings and costs in connection with registration statements have been accounted for as a reduction of additional paid-in capital. Offering costs in connection with preferred stock offerings have been accounted for as a reduction of their respective gross proceeds. Exchange costs in connection with the Company's preferred stock exchanges have been accounted for as a reduction to the Company's retained earnings.

Recent accounting pronouncements

In March 2020, FASB issued ASU 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting." This ASU provides temporary optional guidance intended to ease the burden of reference rate reform on financial reporting. This ASU is effective as of March 12, 2020 through December 31, 2022 and may be elected over time as reference rate reform activities occur. The ASU applies to all entities that have contracts, hedging relationships and other transactions that reference LIBOR and certain other reference rates that are expected to be discontinued. However, it cannot be applied to contract modifications that occur after December 31, 2022. With certain exceptions, this ASU also cannot be applied to hedging relationships entered into or evaluated after that date. The guidance provides optional expedients and exceptions for applying existing guidance to contract modifications, hedging relationships and other transactions that are expected to be affected by reference rate reform and meet certain scope guidance. While the Company is currently assessing the impact of this ASU, the Company does not expect the adoption to have a material impact on the Company's consolidated financial statements

3. Loans

Residential mortgage loans

For the three months ended September 30, 2021, the Company purchased Non-QM Loans with a gross aggregate unpaid principal balance and a gross acquisition fair value of \$381.0 million and \$396.9 million, respectively. For the nine months ended September 30, 2021, the Company purchased Non-QM Loans with a gross aggregate unpaid principal balance and a gross acquisition fair value of \$1.0 billion and \$1.1 billion, respectively. A portion of these loans were purchased from Arc Home. See Note 10 for more detail.

For the three and nine months ended September 30, 2021, the Company purchased GSE Non-Owner Occupied Loans with a gross aggregate unpaid principal balance and a gross acquisition fair value of \$208.2 million and \$213.4 million, respectively. A portion of these loans were purchased from Arc Home. See Note 10 for more detail.

The Company did not sell any residential mortgage loans during the three months ended September 30, 2021. For the nine months ended September 30, 2021, the Company sold 367 loans for total proceeds of \$45.6 million and one residual position

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
September 30, 2021

where the Company previously consolidated the securitization for total proceeds of \$1.6 million, recording realized gains of \$8.1 million and realized losses of \$0.4 million.

For the three months ended September 30, 2020, the Company sold 52 loans for total proceeds of \$6.2 million, recording realized gains of \$0.3 million and realized losses of \$0.6 million. For the nine months ended September 30, 2020, the Company sold 2,410 loans for total proceeds of \$389.0 million, recording realized gains of \$1.8 million and realized losses of \$59.3 million.

The table below details information regarding the Company's residential mortgage loan portfolio as of September 30, 2021 and December 31, 2020 (\$ in thousands). The gross unrealized gains/(losses) in the table below represent inception to date gains/(losses).

	Unpaid Principal Balance	Premium (Discount)	Amortized Cost	Gross Unrealized		Fair Value (1)	Weighted Average		
				Gains	Losses		Coupon	Yield	Life (Years) (2)
Non-QM Loans	\$ 975,501	\$ 38,730	\$ 1,014,231	\$ 16,016	\$ (248)	\$ 1,029,999	5.02 %	3.64 %	4.10
GSE Non-Owner Occupied Loans	207,801	4,644	212,445	2,188	—	214,633	3.63 %	3.11 %	6.15
Re- and Non-Performing Loans	399,728	(51,164)	348,564	18,532	(4,662)	362,434	3.56 %	6.21 %	7.06
Total at September 30, 2021 (3)	\$ 1,583,030	\$ (7,790)	\$ 1,575,240	\$ 36,736	\$ (4,910)	\$ 1,607,066	4.47 %	4.15 %	5.11
Re- and Non-Performing Loans at December 31, 2020 (4)	\$ 500,980	\$ (69,007)	\$ 431,973	\$ 13,640	\$ (10,172)	\$ 435,441	3.58 %	5.69 %	6.67

- As of September 30, 2021, the fair value of the Company's residential mortgage loan portfolio includes \$484.4 million and \$356.7 million of Non-QM Loans and Re- and Non-Performing Loans included within Residential Mortgage Loan VIEs, respectively. As of December 31, 2020, the fair value of the Company's residential mortgage loan portfolio includes \$426.6 million of Re- and Non-Performing Loans included within Residential Mortgage Loan VIEs. Refer to the "Variable interest entities" section below for additional details.
- This is based on projected life. Typically, actual maturities are shorter than stated contractual maturities. Maturities are affected by the lives of the underlying mortgages, periodic payments of principal, and prepayments of principal.
- As of September 30, 2021, the Company's residential mortgage loan portfolio was comprised of 5,099 loans with original loan balances between \$5.6 thousand and \$3.7 million. Additionally, the Company had residential mortgage loans that were in the process of foreclosure with a fair value of \$30.8 million.
- As of December 31, 2020, the Company's residential mortgage loan portfolio was comprised of 3,273 conventional loans with original loan balances between \$5.6 thousand and \$3.4 million. Additionally, the Company had residential mortgage loans that were in the process of foreclosure with a fair value of \$37.1 million.

The table below details information regarding the Company's residential mortgage loans as of September 30, 2021 and December 31, 2020 (in thousands):

	September 30, 2021		December 31, 2020	
	Fair Value	Unpaid Principal Balance	Fair Value	Unpaid Principal Balance
Non-QM Loans	\$ 1,029,999	\$ 975,501	\$ —	\$ —
GSE Non-Owner Occupied Loans	214,633	207,801	—	—
Re-Performing Loans	259,682	279,330	312,733	347,359
Non-Performing Loans	96,975	113,223	113,976	134,129
Other (1)	5,777	7,175	8,732	19,492
	\$ 1,607,066	\$ 1,583,030	\$ 435,441	\$ 500,980

- Represents residual positions where the Company consolidates a securitization and the positions are recorded in the Company's consolidated balance sheets as residential mortgage loans. There may be limited data available regarding the underlying collateral of such securitizations.

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
September 30, 2021

The Company's residential mortgage loan portfolio consisted of mortgage loans on residential real estate located throughout the United States. The following is a summary of the geographic concentration of credit risk within the Company's residential mortgage loan portfolio as of September 30, 2021 and December 31, 2020, excluding any loans classified as Other above:

Geographic Concentration of Credit Risk	September 30, 2021	December 31, 2020
Percentage of fair value of mortgage loans secured by properties in the following states representing 5% or more of fair value:		
California	35 %	17 %
New York	14 %	10 %
Florida	12 %	11 %
New Jersey	7 %	6 %

The following is a summary of the changes in the accretable portion of the discount for the Company's re-performing and non-performing loan portfolios for the three and nine months ended September 30, 2021 and 2020, which is determined by the excess of the Company's estimate of undiscounted principal expected to be collected in excess of the amortized cost of the mortgage loan (in thousands). The table excludes residual positions where the Company consolidates a securitization and the positions are recorded in the Company's consolidated balance sheets as residential mortgage loans.

	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Beginning Balance	\$ 51,672	\$ 37,287	\$ 56,907	\$ 41,472
Additions	—	12,860	—	28,110
Accretion	(1,318)	(767)	(3,669)	(4,057)
Reclassifications from/(to) non-accretable difference	(3,548)	642	(871)	(1,208)
Disposals	(42)	(56)	(5,603)	(14,351)
Ending Balance	\$ 46,764	\$ 49,966	\$ 46,764	\$ 49,966

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
September 30, 2021

Variable interest entities

The following table details certain information related to the assets and liabilities of the Residential Mortgage Loan VIEs as of September 30, 2021 and December 31, 2020 (\$ in thousands):

	September 30, 2021			December 31, 2020		
	Carrying Value	Weighted Average		Carrying Value	Weighted Average	
		Yield	Life (Years) (1)		Yield	Life (Years) (1)
Assets						
Non-QM Loan VIEs	\$ 484,427	3.60%	4.01	\$ —	— %	—
RPL/NPL VIEs	356,657	5.81%	7.14	426,604	5.61%	6.78
Residential mortgage loans, at fair value	\$ 841,084			\$ 426,604		
Restricted cash	1,503			2,110		
Other assets	3,591			3,705		
Total Assets	\$ 846,178			\$ 432,419		
Liabilities						
Non-QM Loan VIEs - Securitized debt	\$ 442,883	1.27%	2.20	\$ —	— %	—
RPL/NPL VIEs - Securitized debt	265,538	3.05%	3.90	355,159	3.00%	3.85
Securitized debt, at fair value	\$ 708,421			\$ 355,159		
Financing arrangements	57,007			25,590		
Other liabilities	481			519		
Total Liabilities	\$ 765,909			\$ 381,268		
Total Equity	\$ 80,269			\$ 51,151		

(1) This is based on projected life. Typically, actual maturities are shorter than stated contractual maturities. Maturities are affected by the contractual lives of the underlying mortgages, periodic payments of principal, and prepayments of principal.

The holders of the securitized debt have no recourse to the general credit of the Company. The Company has no obligation to provide any other explicit or implicit support to the Residential Mortgage Loan VIEs.

Commercial loans

During the three months ended September 30, 2021, Loan K and Loan L were repaid in full for total proceeds of \$74.1 million, recording realized gains of \$0.4 million. In connection with the repayment of Loan L, the Company received \$3.0 million of deferred interest for the 12-month period following a loan modification entered into with the borrower during the fourth quarter of 2020. In addition, the proceeds received from the repayment of Loan L were used to pay down the \$26.0 million commercial loan revolving facility. In addition to these payoffs, the Company sold Loan G and Loan I for total proceeds of \$74.3 million, recording realized losses of \$2.9 million during the nine months ended September 30, 2021. As of September 30, 2021, the Company did not hold any commercial loans.

For the three months ended September 30, 2020, the Company sold one commercial loan, for total proceeds of \$2.7 million, recording realized losses of \$4.7 million. For the nine months ended September 30, 2020, the Company sold two commercial loans for total proceeds of \$36.9 million, recording realized losses of \$6.5 million.

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
September 30, 2021

The following table presents detail on the Company's commercial loan portfolio as of December 31, 2020 (\$ in thousands). The gross unrealized losses in the table below represents inception to date unrealized losses.

Loan	Current Face	Premium (Discount)	Amortized Cost	Gross Unrealized Losses	Fair Value	Weighted Average			Extended Maturity Date	Location	Collateral Type
						Coupon	Yield	Life (Years)			
Commercial Loans, at fair value											
Loan G	\$ 59,451	\$ —	\$ 59,451	\$ (3,940)	\$ 55,511	5.27 %	5.27 %	1.54	July 9, 2022	CA	Condo, Retail, Hotel
Loan K	15,787	—	15,787	(1,100)	14,687	10.00 %	10.83 %	1.27	February 22, 2024	NY	Hotel, Retail
Loan L	51,000	(337)	50,663	(9,312)	41,351	N/A	N/A	3.61	July 22, 2024	IL	Hotel, Retail
	126,238	(337)	125,901	(14,352)	111,549	3.73 %	4.05 %	2.34			
Commercial Loans Held for Sale, at fair value											
Loan I	15,929	(175)	15,754	(1,795)	13,959	11.50 %	12.23 %	2.22	February 9, 2023	MN	Office, Retail
Total	\$ 142,167	\$ (512)	\$ 141,655	\$ (16,147)	\$ 125,508	4.60 %	4.96 %	2.33			

4. Real Estate Securities

The following tables detail the Company's real estate securities portfolio as of September 30, 2021 and December 31, 2020 (\$ in thousands). The gross unrealized gains/(losses) in the tables below represent inception to date unrealized gains/(losses).

September 30, 2021

	Current Face	Premium / (Discount)	Amortized Cost	Gross Unrealized		Fair Value	Weighted Average	
				Gains	Losses		Coupon (1)	Yield
Agency RMBS:								
30 Year Fixed Rate	\$ 497,214	\$ 12,797	\$ 510,011	\$ 695	\$ (4,180)	\$ 506,526	2.19 %	1.77 %
Credit - Residential Investments:								
Prime	6,966	(4,694)	2,272	421	—	2,693	3.50 %	15.06 %
Re/Non-Performing Securities	709	(55)	654	107	—	761	5.25 %	32.50 %
Total Credit - Residential Investments:	7,675	(4,749)	2,926	528	—	3,454	3.78 %	18.90 %
Total	\$ 504,889	\$ 8,048	\$ 512,937	\$ 1,223	\$ (4,180)	\$ 509,980	2.20 %	1.88 %

December 31, 2020

	Current Face	Premium / (Discount)	Amortized Cost	Gross Unrealized		Fair Value	Weighted Average	
				Gains	Losses		Coupon (1)	Yield
Agency RMBS:								
30 Year Fixed Rate	\$ 494,307	\$ 22,368	\$ 516,675	\$ 1,794	\$ (117)	\$ 518,352	2.10 %	1.17 %
Credit Investments:								
Residential Investments								
Prime	15,093	(7,081)	8,012	663	(10)	8,665	3.68 %	8.97 %
Alt-A/Subprime	16,287	(9,377)	6,910	4,586	—	11,496	4.25 %	12.52 %
Credit Risk Transfer	13,880	—	13,880	15	(587)	13,308	4.71 %	4.70 %
Non-U.S. RMBS	2,435	706	3,141	51	(92)	3,100	6.45 %	6.41 %
Non-Agency RMBS Interest Only (2)	157,590	(157,513)	77	207	(48)	236	0.53 %	NM
Re/Non-Performing Securities	1,690	(238)	1,452	149	—	1,601	5.25 %	14.05 %
Total Residential Investments:	206,975	(173,503)	33,472	5,671	(737)	38,406	2.01 %	8.50 %
Commercial Investments								
Conduit	4,925	(1,024)	3,901	—	(606)	3,295	4.62 %	11.89 %
Single-Asset/Single-Borrower	50,480	(1,494)	48,986	668	(9,464)	40,190	4.15 %	4.81 %
Freddie Mac K-Series CMBS	22,572	(12,062)	10,510	47	(1,557)	9,000	3.83 %	9.00 %
CMBS Interest Only (3)	687,077	(682,961)	4,116	256	(69)	4,303	0.10 %	6.93 %
Total Commercial Investments:	765,054	(697,541)	67,513	971	(11,696)	56,788	0.44 %	6.04 %
Total Credit Investments:	972,029	(871,044)	100,985	6,642	(12,433)	95,194	0.65 %	7.04 %
Total	\$ 1,466,336	\$ (848,676)	\$ 617,660	\$ 8,436	\$ (12,550)	\$ 613,546	1.18 %	2.08 %

(1) Equity residual investments and principal only securities with a zero coupon rate are excluded from this calculation.

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
September 30, 2021

- (2) Non-Agency RMBS Interest Only includes only two investments as of December 31, 2020. The overall impact of the investments' yields on the Company's portfolio is not meaningful.
- (3) Comprised of Freddie Mac K-Series interest-only bonds.

The following tables detail the weighted average life of our real estate securities as of September 30, 2021 and December 31, 2020 (\$ in thousands):

September 30, 2021	Agency RMBS			Credit - Residential Investments		
	Fair Value	Amortized Cost	Weighted Average Coupon	Fair Value	Amortized Cost	Weighted Average Coupon (2)
Weighted Average Life (1)						
Less than or equal to 1 year	\$ —	\$ —	— %	\$ 553	\$ 516	5.25 %
Greater than one year and less than or equal to five years	—	—	—	208	138	— %
Greater than five years and less than or equal to ten years	479,158	482,099	2.20 %	2,284	2,107	3.50 %
Greater than ten years	27,368	27,912	2.00 %	409	165	— %
Total	\$ 506,526	\$ 510,011	2.19 %	\$ 3,454	\$ 2,926	3.78 %

December 31, 2020	Agency RMBS			Credit Investments		
	Fair Value	Amortized Cost	Weighted Average Coupon	Fair Value	Amortized Cost	Weighted Average Coupon (2)
Weighted Average Life (1)						
Less than or equal to 1 year	\$ —	\$ —	— %	\$ 31,166	\$ 39,588	1.81 %
Greater than one year and less than or equal to five years	181,947	181,209	2.29 %	20,131	21,634	0.33 %
Greater than five years and less than or equal to ten years	336,405	335,466	2.00 %	20,310	20,808	0.36 %
Greater than ten years	—	—	—	23,587	18,955	4.18 %
Total	\$ 518,352	\$ 516,675	2.10 %	\$ 95,194	\$ 100,985	0.65 %

- (1) This is based on projected life. Typically, actual maturities are shorter than stated contractual maturities. Maturities are affected by the contractual lives of the underlying mortgages, periodic payments of principal, and prepayments of principal.
- (2) Equity residual investments and principal only securities with a zero coupon rate are excluded from this calculation.

For the three months ended September 30, 2021, the Company sold four real estate securities for total proceeds of \$202.8 million, recording realized losses of \$4.8 million. For the nine months ended September 30, 2021, the Company sold 73 real estate securities for total proceeds of \$760.7 million, recording realized gains of \$12.4 million and realized losses \$22.1 million.

For the three months ended September 30, 2020, the Company sold 13 securities for total proceeds of \$38.8 million, recording realized gains of \$0.7 million and realized losses of \$4.5 million. For the nine months ended September 30, 2020, the Company sold, directly or as a result of financing counterparty seizures, 341 securities for total proceeds of \$2.7 billion, recording realized gains of \$54.0 million and losses of \$180.4 million.

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
September 30, 2021

5. Fair value measurements

The following tables present the Company's financial instruments measured at fair value on a recurring basis as of September 30, 2021 and December 31, 2020 (in thousands):

	Fair Value at September 30, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Residential mortgage loans	\$ —	\$ 875	\$ 1,606,191	\$ 1,607,066
30 Year Fixed Rate Agency RMBS	—	506,526	—	506,526
Non-Agency RMBS (1)	—	2,694	760	3,454
Excess mortgage servicing rights (2)	—	—	70	70
Derivative assets (3)	—	14,800	841	15,641
AG Arc (4)	—	—	51,949	51,949
Total Assets Measured at Fair Value	\$ —	\$ 524,895	\$ 1,659,811	\$ 2,184,706
Liabilities:				
Securitized debt	\$ —	\$ —	\$ (708,421)	\$ (708,421)
Derivative liabilities (3)	—	(676)	(46)	(722)
Total Liabilities Measured at Fair Value	\$ —	\$ (676)	\$ (708,467)	\$ (709,143)

(1) Non-Agency RMBS is comprised of Prime and Re/Non-Performing Securities.

(2) Excess mortgage servicing rights are included in the "Other assets" line item on the consolidated balance sheets.

(3) As of September 30, 2021, the Company applied a reduction in fair value of \$13.4 million and \$0.6 million to its interest rate swap assets and liabilities, respectively, related to variation margin with a corresponding increase or decrease in restricted cash, respectively. Derivative assets and liabilities are included in the "Other assets" and "Other liabilities" line items on the consolidated balance sheets, respectively. Refer to Note 2 and Note 7 for more information on the Company's accounting policies with regard to derivatives.

(4) Refer to Note 2 for more information on the Company's accounting policies with regard to cash equivalents, if applicable, and AG Arc. The table above includes the Company's investment in AG Arc, which is included in its "Investments in debt and equity of affiliates" line item on the consolidated balance sheets, as the Company has chosen to elect the fair value option with respect to its investment pursuant to ASC 825.

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
September 30, 2021

	Fair value at December 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Residential mortgage loans	\$ —	\$ 2,134	\$ 433,307	\$ 435,441
Agency RMBS:				
30 Year Fixed Rate	—	518,352	—	518,352
Credit Investments:				
Non-Agency RMBS (1)	—	35,070	3,100	38,170
Non-Agency RMBS Interest Only	—	236	—	236
CMBS (2)	—	52,485	—	52,485
CMBS Interest Only	—	4,303	—	4,303
Commercial loans	—	—	125,508	125,508
Excess mortgage servicing rights (3)	—	—	3,158	3,158
Derivative assets (4)	—	1,356	—	1,356
AG Arc (5)	—	—	45,341	45,341
Total Assets Measured at Fair Value	\$ —	\$ 613,936	\$ 610,414	\$ 1,224,350
Liabilities:				
Securitized debt	\$ —	\$ —	\$ (355,159)	\$ (355,159)
Derivative liabilities (4)	—	(294)	—	(294)
Total Liabilities Measured at Fair Value	\$ —	\$ (294)	\$ (355,159)	\$ (355,453)

- (1) Non-Agency RMBS is comprised of Prime, Alt-A/Subprime, Credit Risk Transfer, Non-US RMBS, and Re/Non-Performing Securities.
- (2) CMBS is comprised of Conduit, Single-Asset/Single-Borrower, and Freddie Mac K-Series CMBS.
- (3) Excess mortgage servicing rights are included in the "Other assets" line item on the consolidated balance sheets.
- (4) As of December 31, 2020, the Company applied a reduction in fair value of \$1.4 million and \$0.2 million to its interest rate swap assets and liabilities, respectively, related to variation margin with a corresponding increase or decrease in restricted cash, respectively. Derivative assets and liabilities are included in the "Other assets" and "Other liabilities" line items on the consolidated balance sheets, respectively. Refer to Note 2 and Note 7 for more information on the Company's accounting policies with regard to derivatives.
- (5) Refer to Note 2 for more information on the Company's accounting policies with regard to cash equivalents, if applicable, and AG Arc. The table above includes the Company's investment in AG Arc, which is included in its "Investments in debt and equity of affiliates" line item on the consolidated balance sheets, as the Company has chosen to elect the fair value option with respect to its investment pursuant to ASC 825.

Values for the Company's securities, Excess MSR, and derivatives are based upon prices obtained from third-party pricing services, which are indicative of market activity. The evaluation methodology of the Company's third-party pricing services incorporates commonly used market pricing methods, including a spread measurement to various indices such as the one-year constant maturity treasury and LIBOR, which are observable inputs. The evaluation also considers the underlying characteristics of each investment, which are also observable inputs, including: coupon; maturity date; loan age; reset date; collateral type; periodic and life cap; geography; and prepayment speeds. The Company collects and considers current market intelligence on all major markets, including benchmark security evaluations and bid-lists from various sources, when available. As part of the Company's risk management process, the Company reviews and analyzes all prices obtained by comparing prices to recently completed transactions involving the same or similar investments on or near the reporting date. If, in the opinion of the Manager, one or more prices reported to the Company are not reliable or unavailable, the Manager reviews the fair value based on characteristics of the investment it receives from the issuer and available market information.

In determining the fair value of the Company's mortgage loans and securitized debt relating to the Residential Mortgage Loan VIEs, the Company considers data such as loan origination information, additional updated borrower information, loan servicing data, as available, forward interest rates, general economic conditions, home price index forecasts, and valuations of the underlying properties. The variables considered most significant to the determination of the fair value of the Company's mortgage loans include market-implied discount rates, projections of default rates, delinquency rates, prepayment rates, loss severity, loan-to-value ratios, and recovery rates. Projections of default and prepayment rates are impacted by other variables such as reperformance rates and timeline to liquidation. The Company uses loan level data and macro-economic inputs to

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
September 30, 2021

generate loss adjusted cash flows and other information in determining the fair value of its mortgage loans. Because of the inherent uncertainty of such valuation, the fair value established for mortgage loans held by the Company may differ from the fair value that would have been established if a ready market existed for these mortgage loans.

Management may also base its valuation on prices obtained from a third-party pricing service provider to assess and corroborate the valuation of a selection of investments in the Company's loan and securitized debt portfolio and the Company's investment in Arc Home on a periodic basis. These third-party pricing service providers conduct independent valuation analyses based on a review of source documents, available market data, and comparable investments. The analyses provided by valuation service providers are reviewed and considered by the Manager.

The Company did not have any transfers of assets or liabilities between Levels 1 and 2 of the fair value hierarchy during the three and nine months ended September 30, 2021 and 2020.

Refer to the tables below for details on transfers between the Level 3 and Level 2 categories under ASC 820. Transfers into the Level 3 category of the fair value hierarchy occur due to instruments exhibiting indications of reduced levels of market transparency. Transfers out of the Level 3 category of the fair value hierarchy occur due to instruments exhibiting indications of increased levels of market transparency and updates to the Company's leveling policy, which are detailed in Note 2. Indications of increases or decreases in levels of market transparency include a change in observable transactions or executable quotes involving these instruments or similar instruments. Changes in these indications could impact price transparency, and thereby cause a change in level designations in future periods.

The following tables present additional information about the Company's assets and liabilities which are measured at fair value on a recurring basis for which the Company has utilized Level 3 inputs to determine fair value:

Three Months Ended September 30, 2021 (in thousands)

	Residential Mortgage Loans	Non-Agency RMBS	Commercial Loans	Excess Mortgage Servicing Rights	Derivative Assets	AG Arc	Securitized debt	Derivative Liabilities
Beginning balance	\$ 1,028,378	\$ 1,183	\$ 62,279	\$ 2,608	\$ —	\$ 50,862	\$ (482,533)	\$ —
Purchases/Transfers	608,771	—	—	—	—	—	—	—
Issuances of Securitized Debt	—	—	—	—	—	—	(260,086)	—
Capital distributions	—	—	—	—	—	(893)	—	—
Proceeds from sales of assets	—	—	—	(2,364)	—	—	—	—
Proceeds from settlement	(42,095)	(396)	(70,195)	—	—	—	34,407	—
Total net gains/(losses) (1)								
Included in net income	11,137	(27)	7,916	(174)	841	1,980	(209)	(46)
Ending Balance	\$ 1,606,191	\$ 760	\$ —	\$ 70	\$ 841	\$ 51,949	\$ (708,421)	\$ (46)

Change in unrealized appreciation/(depreciation) for level 3 assets/liabilities still held as of September 30, 2021 (2)	\$ 10,880	\$ (27)	\$ —	\$ 523	\$ 841	\$ 1,980	\$ (209)	\$ (46)
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(1) Gains/(losses) are recorded in the following line items in the consolidated statement of operations:

Unrealized gain/(loss), net	\$ 20,389
Net realized gain/(loss)	(951)
Equity in earnings/(loss) from affiliates	1,980
Total	\$ 21,418

(2) Unrealized gains/(losses) are recorded in the following line items in the consolidated statement of operations:

Unrealized gain/(loss), net	\$ 11,962
Equity in earnings/(loss) from affiliates	1,980
Total	\$ 13,942

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
September 30, 2021

Three Months Ended September 30, 2020 (in thousands)

	Residential Mortgage Loans	Non-Agency RMBS	Commercial Loans	Excess Mortgage Servicing Rights	AG Arc	Securitized debt
Beginning balance	\$ 379,822	\$ 4,496	\$ 127,685	\$ 12,294	\$ 28,030	\$ (198,974)
Transfers (1):						
Transfers out of level 3	(2,225)	—	—	—	—	—
Purchases/Transfers	60,100	—	8,308	—	—	—
Issuances of Securitized Debt	—	—	—	—	—	(163,487)
Proceeds from sales of assets	(6,151)	—	(2,724)	(8,460)	—	—
Proceeds from settlement	(11,436)	(954)	(5,710)	—	—	6,798
Total net gains/(losses) (2)						
Included in net income	7,263	148	(4,679)	(308)	13,406	(3,323)
Ending Balance	\$ 427,373	\$ 3,690	\$ 122,880	\$ 3,526	\$ 41,436	\$ (358,986)

Change in unrealized appreciation/(depreciation) for level 3 assets/liabilities still held as of September 30, 2020 (2)

	\$ 9,778	\$ 221	\$ —	\$ 3,298	\$ 13,406	\$ (3,323)
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(1) Transfers are assumed to occur at the beginning of the period. During the three months ended September 30, 2020, the Company transferred two Residential Mortgage Loan investments into the Level 2 category from the Level 3 category under the fair value hierarchy of ASC 820.

(2) Gains/(losses) are recorded in the following line items in the consolidated statement of operations:

Unrealized gain/(loss), net	\$ 9,575
Net realized gain/(loss)	(8,377)
Equity in earnings/(loss) from affiliates	13,406
Total	\$ 14,604

(2) Unrealized gains/(losses) are recorded in the following line items in the consolidated statement of operations:

Unrealized gain/(loss), net	\$ 9,974
Equity in earnings/(loss) from affiliates	13,406
Total	\$ 23,380

Nine months ended September 30, 2021 (in thousands)

	Residential Mortgage Loans	Non-Agency RMBS	Commercial Loans	Excess Mortgage Servicing Rights	Derivative Assets	AG Arc	Securitized debt	Derivative Liabilities
Beginning balance	\$ 433,307	\$ 3,100	\$ 125,508	\$ 3,158	\$ —	\$ 45,341	\$ (355,159)	\$ —
Transfers (1):								
Transfers out of level 3	—	(1,499)	—	—	—	—	—	—
Purchases/Transfers	1,261,568	—	5,100	—	—	—	—	—
Issuances of Securitized Debt	—	—	—	—	—	—	(463,478)	—
Capital distributions	—	—	—	—	—	(893)	—	—
Proceeds from sales of assets	(45,615)	—	(74,342)	(2,364)	—	—	—	—
Proceeds from settlement	(75,746)	(897)	(70,232)	—	—	—	113,338	—
Total net gains/(losses) (2)								
Included in net income	32,677	56	13,966	(724)	841	7,501	(3,122)	(46)
Ending Balance	\$ 1,606,191	\$ 760	\$ —	\$ 70	\$ 841	\$ 51,949	\$ (708,421)	\$ (46)

Change in unrealized appreciation/(depreciation) for level 3 assets/liabilities still held as of September 30, 2021 (3)

	\$ 25,481	\$ 56	\$ —	\$ (27)	\$ 841	\$ 7,501	\$ (3,122)	\$ (46)
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(1) Transfers are assumed to occur at the beginning of the period. During the nine months ended September 30, 2021, the Company transferred one Non-Agency RMBS into the Level 2 category from the Level 3 category under the fair value hierarchy of ASC 820.

(2) Gains/(losses) are recorded in the following line items in the consolidated statement of operations:

Unrealized gain/(loss), net	\$ 40,472
Net realized gain/(loss)	3,176
Equity in earnings/(loss) from affiliates	7,501
Total	\$ 51,149

(3) Unrealized gains/(losses) are recorded in the following line items in the consolidated statement of operations:

Unrealized gain/(loss), net	\$ 23,183
Equity in earnings/(loss) from affiliates	7,501
Total	\$ 30,684

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
September 30, 2021

Nine months ended September 30, 2020

	Residential Mortgage Loans	Non-Agency RMBS	Non-Agency RMBS Interest Only	CMBS	CMBS Interest Only	Commercial Loans	Excess Mortgage Servicing Rights	AG Arc	Securitized debt
Beginning balance	\$ 417,785	\$ 630,115	\$ 1,074	\$ 366,566	\$ 47,992	\$ 158,686	\$ 17,775	\$ 28,546	\$ (72,415)
Transfers (1):									
Transfers into level 3	—	—	—	—	—	—	—	—	(151,933)
Transfers out of level 3	—	(210,709)	(1,074)	(170,816)	(22,055)	—	—	—	7,230
Purchases/Transfers	536,710	1,559	—	3,540	—	27,508	—	—	—
Issuances of Securitized Debt	—	—	—	—	—	—	—	—	(166,487)
Proceeds from sales of assets and seizures of assets	(393,559)	(362,199)	—	(148,111)	(21,995)	(36,924)	(8,460)	—	—
Proceeds from settlement	(50,563)	(11,823)	—	(9,367)	—	(5,710)	—	—	16,021
Total net gains/(losses) (2)									
Included in net income	(83,000)	(43,253)	—	(41,812)	(3,942)	(20,680)	(5,789)	12,890	8,598
Ending Balance	\$ 427,373	\$ 3,690	\$ —	\$ —	\$ —	\$ 122,880	\$ 3,526	\$ 41,436	\$ (358,986)

Change in unrealized appreciation/(depreciation) for level 3 assets/liabilities still held as of September 30, 2020 (3)	\$ (25,443)	\$ (329)	\$ —	\$ —	\$ —	\$ (14,210)	\$ (2,183)	\$ 12,890	\$ 8,598
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(1) Transfers are assumed to occur at the beginning of the period. During the nine months ended September 30, 2020, the Company transferred 50 Non-Agency RMBS securities, two Non-Agency RMBS Interest Only securities, 32 CMBS securities, 15 CMBS Interest Only securities, and one securitized debt security into the Level 2 category from the Level 3 category under the fair value hierarchy of ASC 820. During the nine months ended September 30, 2020, the Company transferred one securitized debt security into the Level 3 category from the Level 2 category under the fair value hierarchy of ASC 820.

(2) Gains/(losses) are recorded in the following line items in the consolidated statement of operations:

Unrealized gain/(loss), net	\$ (71,500)
Net realized gain/(loss)	(118,378)
Equity in earnings/(loss) from affiliates	12,890
Total	\$ (176,988)

(3) Unrealized gains/(losses) are recorded in the following line items in the consolidated statement of operations:

Unrealized gain/(loss), net	\$ (33,567)
Equity in earnings/(loss) from affiliates	12,890
Total	\$ (20,677)

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
September 30, 2021

The following tables present a summary of quantitative information about the significant unobservable inputs used in the fair value measurement of investments for which the Company has utilized Level 3 inputs to determine fair value.

Asset Class	Fair Value at September 30, 2021 (in thousands)	Valuation Technique	Unobservable Input	Range (Weighted Average) (1)
Residential Mortgage Loans	\$ 1,565,296	Discounted Cash Flow	Yield	1.69% - 15.00% (3.01%)
			Projected Collateral Prepayments	3.32% - 33.71% (13.72%)
			Projected Collateral Losses	0.02% - 4.03% (0.60%)
	\$ 4,902	Consensus Pricing	Projected Collateral Severities	-16.78% - 27.52% (10.90%)
			Offered Quotes	87.48 - 114.43 (102.44)
\$ 35,993	Recent Transaction	Cost	N/A	
Non-Agency RMBS	\$ 760	Discounted Cash Flow	Yield	15.00% - 15.00% (15.00%)
			Projected Collateral Prepayments	6.06% - 6.06% (6.06%)
			Projected Collateral Losses	2.46% - 2.46% (2.46%)
			Projected Collateral Severities	-41.91% - -41.91% (-41.91%)
Excess Mortgage Servicing Rights	\$ 70	Consensus Pricing	Offered Quotes	0.26 - 0.26 (0.26)
Derivative assets	\$ 841	Discounted Cash Flow	Yield	2.82% - 2.97% (2.86%)
			Projected Collateral Prepayments	12.37% - 15.66% (13.71%)
			Projected Collateral Losses	0.16% - 0.25% (0.21%)
			Projected Collateral Severities	10.00% - 10.00% (10.00%)
			Pull Through %	90.00% - 95.00% (91.34%)
AG Arc	\$ 51,949	Comparable Multiple	Book Value Multiple	1.06x - 1.06x (1.06x)

Liability Class	Fair Value at September 30, 2021 (in thousands)	Valuation Technique	Unobservable Input	Range (Weighted Average)
Securitized debt	\$ (708,421)	Discounted Cash Flow	Yield	1.10% - 4.38% (1.80%)
			Projected Collateral Prepayments	5.81% - 11.02% (9.51%)
			Projected Collateral Losses	0.35% - 3.06% (1.01%)
			Projected Collateral Severities	8.42% - 16.50% (11.38%)
Derivative liabilities	\$ (46)	Discounted Cash Flow	Yield	3.04% - 3.04% (3.04%)
			Projected Collateral Prepayments	15.03% - 15.03% (15.03%)
			Projected Collateral Losses	0.22% - 0.22% (0.22%)
			Projected Collateral Severities	10.00% - 10.00% (10.00%)
			Pull Through %	100.00% - 100.00% (100.00%)

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
September 30, 2021

Asset Class	Fair Value at December 31, 2020 (in thousands)	Valuation Technique	Unobservable Input	Range (Weighted Average) (1)
Residential Mortgage Loans	\$ 426,709	Discounted Cash Flow	Yield	4.50% - 10.00% (5.01%)
			Projected Collateral Prepayments	4.30% - 9.31% (7.28%)
			Projected Collateral Losses	1.66% - 5.75% (2.58%)
			Projected Collateral Severities	-9.29% - 49.43% (15.68%)
			Offered Quotes	82.03 - 106.29 (99.96)
Non-Agency RMBS	\$ 1,601	Discounted Cash Flow	Yield	8.05% - 8.05% (8.05%)
			Projected Collateral Prepayments	5.46% - 5.46% (5.46%)
			Projected Collateral Losses	5.37% - 5.37% (5.37%)
			Projected Collateral Severities	-20.89% - -20.89% (-20.89%)
			Offered Quotes	91.59 - 91.59 (91.59)
Commercial Loans	\$ 1,499	Discounted Cash Flow	Yield	10.95% - 39.54% (14.09%)
			Credit Spread	1,001 bps - 3,304 bps (1,279 bps)
			Recovery Percentage (2)	100.00% - 100.00% (100.00%)
			Loan-to-Value	43.60% - 97.50% (62.04%)
			Yield	9.00% - 9.70% (9.08%)
Excess Mortgage Servicing Rights	\$ 3,073	Discounted Cash Flow	Projected Collateral Prepayments	11.11% - 15.51% (12.49%)
			Offered Quotes	0.25 - 0.25 (0.25)
AG Arc	\$ 45,341	Comparable Multiple	Book Value Multiple	1.05x - 1.05x (1.05x)

Liability Class	Fair Value at December 31, 2020 (in thousands)	Valuation Technique	Unobservable Input	Range (Weighted Average)
Securitized debt	\$ (355,159)	Discounted Cash Flow	Yield	2.45% - 5.50% (2.98%)
			Projected Collateral Prepayments	5.90% - 8.20% (7.17%)
			Projected Collateral Losses	1.94% - 3.46% (2.62%)
			Projected Collateral Severities	12.70% - 20.03% (16.75%)

(1) Amounts are weighted based on fair value.

(2) Represents the proportion of the principal expected to be collected relative to the loan balances as of December 31, 2020.

As further described above, fair value for the Company's securities portfolio are based upon prices obtained from third-party pricing services. Broker quotations may also be used. The significant unobservable inputs used in the fair value measurement of the Company's securities are yields, prepayment rates, probability of default, and loss severity in the event of default. Significant increases (decreases) in any of those inputs in isolation would result in a significantly lower (higher) fair value measurement. Generally, a change in the assumption used for the probability of default is accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for prepayment rates.

Also, as described above, valuation of the Company's loan portfolio is determined by the Manager using third-party pricing services where available, valuation analyses from third-party pricing service providers, or model-based pricing. The evaluation considers the underlying characteristics of each loan, which are observable inputs, including: coupon, maturity date, loan age, reset date, collateral type, periodic and life cap, geography, and prepayment speeds. The valuations of commercial loans also require significant judgments, which include assumptions regarding capitalization rates, re-performance rates, leasing, creditworthiness of major tenants, occupancy rates, availability of financing, exit plan, loan sponsorship, actions of other lenders, and other factors deemed necessary by management. Changes in the market environment and other events that may occur over the life of our investments may cause the gains or losses ultimately realized on these investments to be different than the valuations currently estimated. If applicable, analyses provided by valuation service providers are reviewed and considered by the Manager.

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
September 30, 2021

6. Financing arrangements

The following table presents a summary of the Company's financing arrangements as of September 30, 2021 and December 31, 2020 (\$ in thousands).

	September 30, 2021						December 31, 2020	
	Carrying Value	Stated Maturity	Weighted Average		Collateral (1)(2)(3)		Carrying Value	
			Funding Cost	Life (Years)	Amortized Cost Basis	Fair Value		
Repurchase Agreements								
Residential Mortgage Loans (4)(5)	\$ 713,049	Oct 2021 - Sept 2022	2.44%	0.50	\$ 829,450	\$ 854,977	\$	25,590
Agency RMBS	445,836	Oct 2021	0.11%	0.04	467,323	464,696	\$	435,893
Non-Agency RMBS	1,634	Oct 2021	1.60%	0.04	2,761	3,044	\$	14,550
CMBS	—	N/A	—%	—	—	—	\$	24,881
Total Repurchase Agreements	\$ 1,160,519		1.54 %	0.32	\$ 1,299,534	\$ 1,322,717	\$	500,914
Revolving Facilities								
Commercial Loans	\$ —	N/A	—%	—	\$ —	\$ —	\$	63,133
Total Financing Arrangements	\$ 1,160,519		1.54 %	0.32	\$ 1,299,534	\$ 1,322,717	\$	564,047

- (1) The Company also had \$4.6 million of cash pledged under repurchase agreements as of September 30, 2021.
- (2) Under the terms of the Company's financing agreements, the Company's financing counterparties may, in certain cases, sell or re-hypothecate the pledged collateral.
- (3) Amounts pledged as collateral under Residential Mortgage Loans include certain of the Company's retained interests in securitizations. Refer to Note 3 for more information on the Residential Mortgage Loan VIEs.
- (4) The Company's Residential Mortgage Loan financing arrangements include a maximum uncommitted borrowing capacity of \$1.1 billion on facilities used to finance Non-QM Loans and \$500 million on facilities used to finance GSE Non-Owner Occupied Loans.
- (5) The funding cost includes deferred financing costs. The weighted average stated rate on the Residential Mortgage Loans repurchase agreements was 2.22% as of September 30, 2021.

The following table presents contractual maturity information about the Company's borrowings under repurchase agreements and revolving facilities as of September 30, 2021 (\$ in thousands).

	Within 30 Days	Over 30 Days to 3 Months	Over 3 Months to 12 Months	Total
Repurchase Agreements				
Residential Mortgage Loans	\$ 12,599	\$ 44,408	\$ 656,042	\$ 713,049
Agency RMBS	445,836	—	—	445,836
Non-Agency RMBS	1,634	—	—	1,634
Total Repurchase Agreements	\$ 460,069	\$ 44,408	\$ 656,042	\$ 1,160,519

Counterparties

The Company had exposure to five counterparties as of September 30, 2021 and December 31, 2020.

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
September 30, 2021

The following tables present information as of September 30, 2021 and December 31, 2020 with respect to each counterparty that provides the Company with financing for which the Company had greater than 5% of its stockholders' equity at risk, excluding stockholders' equity at risk under financing through affiliated entities (\$ in thousands).

September 30, 2021

Counterparty	Stockholders' Equity at Risk	Weighted Average Maturity (days)	Percentage of Stockholders' Equity
Barclays Capital Inc.	\$ 84,947	71	17.3 %
Credit Suisse AG, Cayman Islands Branch	56,517	169	11.5 %

December 31, 2020

Counterparty	Stockholders' Equity at Risk	Weighted Average Maturity (days)	Percentage of Stockholders' Equity
BofA Securities, Inc.	\$ 28,091	19	6.9 %
Credit Suisse AG, Cayman Islands Branch	26,305	35	6.4 %
Barclays Capital Inc.	24,890	15	6.1 %

Financial Covenants

The Company's financing arrangements generally include customary representations, warranties, and covenants, but may also contain more restrictive supplemental terms and conditions. Although specific to each financing arrangement, typical supplemental terms include requirements of minimum equity and liquidity, leverage ratios, and performance triggers. In addition, some of the financing arrangements contain cross default features, whereby default under an agreement with one lender simultaneously causes default under agreements with other lenders. To the extent that the Company fails to comply with the covenants contained in these financing arrangements or is otherwise found to be in default under the terms of such agreements, the counterparty has the right to accelerate amounts due under the associated agreement. Financings pursuant to repurchase agreements and revolving facilities are generally recourse to the Company. As of September 30, 2021, the Company is in compliance with all of its financial covenants.

7. Other assets and liabilities

The following table details certain information related to the Company's "Other assets" and "Other liabilities" line items on its consolidated balance sheet as of September 30, 2021 and December 31, 2020 (in thousands):

	September 30, 2021	December 31, 2020
Other assets		
Interest receivable	\$ 8,483	\$ 2,962
Derivative assets, at fair value	2,199	—
Other assets	4,105	5,538
Due from broker	3,217	907
Excess mortgage servicing rights, at fair value	70	3,158
Total Other assets	\$ 18,074	\$ 12,565
Other liabilities		
Interest payable	\$ 1,178	\$ 853
Derivative liabilities, at fair value	110	68
Due to affiliates (1)	3,411	14,041
Purchase Price Payable on GSE Non-Owner Occupied Loans (2)	3,084	—
Accrued expenses	2,264	2,521
Due to broker	989	1,272
Total Other liabilities	\$ 11,036	\$ 18,755

(1) Refer to Note 10 for more information.

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
September 30, 2021

(2) Represents the portion of the purchase price on GSE Non-Owner Occupied Loans that has not yet settled as of September 30, 2021.

Derivatives

The following table presents the fair value of the Company's derivatives and other instruments and their balance sheet location as of September 30, 2021 and December 31, 2020 (in thousands).

Derivatives and Other Instruments (1)(2)	Balance Sheet Location	September 30, 2021	December 31, 2020
Pay Fix/Receive Float Interest Rate Swap Agreements (1)	Other liabilities	\$ (64)	\$ (68)
TBAs	Other assets	1,358	—
Forward Purchase Commitments	Other assets	841	—
Forward Purchase Commitments	Other liabilities	(46)	—

(1) As of September 30, 2021, the Company applied a reduction in fair value of \$13.4 million and \$0.6 million to its interest rate swap assets and liabilities, respectively, related to variation margin with a corresponding increase or decrease in restricted cash, respectively. As of December 31, 2020, the Company applied a reduction in fair value of \$1.4 million and \$0.2 million to its interest rate swap assets and liabilities, respectively, related to variation margin with a corresponding increase or decrease in restricted cash, respectively.

(2) As of September 30, 2021 and December 31, 2020, all derivatives held by the Company are not designated as hedges.

The following table summarizes information related to derivatives and other instruments (in thousands):

Notional amount of non-hedge derivatives and other instruments:	Notional Currency	September 30, 2021	December 31, 2020
Pay Fix/Receive Float Interest Rate Swap Agreements (1)	USD	\$ 720,000	\$ 417,000
Short TBAs	USD	(307,500)	—
Forward Purchase Commitments	USD	120,455	—
Short positions on British Pound Futures (2)	GBP	—	3,313

(1) As of September 30, 2021, the Company's pay fix/receive float interest rate swaps had a weighted average pay-fixed rate of 0.73%, a weighted average receive-variable rate of 0.13%, and a weighted average years to maturity of 5.87 years. As of December 31, 2020, the Company's pay fix/receive float interest rate swaps had a weighted average pay-fixed rate of 0.49%, a weighted average receive-variable rate of 0.23%, and a weighted average years to maturity of 5.99 years.

(2) Each British Pound Future contract embodies £62,500 of notional value.

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
September 30, 2021

The following table summarizes gains/(losses) related to derivatives and other instruments (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Included within Unrealized gain/(loss), net				
Interest Rate Swaps	\$ 10	\$ 170	\$ 12,565	\$ (11,418)
Swaptions	—	1,051	—	354
British Pound Futures	—	(57)	64	129
Euro Futures	—	—	—	20
TBAs	1,290	—	1,357	—
Forward Purchase Commitments	795	—	795	—
	2,095	1,164	14,781	(10,915)
Included within Net realized gain/(loss)				
Interest Rate Swaps	1,657	—	2,554	(65,368)
Swaptions	—	(1,051)	—	(2,437)
British Pound Futures	—	(108)	(165)	406
Euro Futures	—	—	—	68
TBAs	(1,087)	—	(1,087)	4,610
	570	(1,159)	1,302	(62,721)
Total income/(loss)	\$ 2,665	\$ 5	\$ 16,083	\$ (73,636)

Derivative and other instruments eligible for offset are presented gross on the consolidated balance sheets as of September 30, 2021 and December 31, 2020, if applicable. The Company has not offset or netted any derivatives or other instruments with any financial instruments or cash collateral posted or received.

The Company must post cash or securities as collateral on its derivative instruments when their fair value declines. This typically occurs when prevailing market rates change adversely, with the severity of the change also dependent on the term of the derivatives involved. The posting of collateral is generally bilateral, meaning that if the fair value of the Company's derivatives increases, its counterparty will post collateral to it. As of September 30, 2021, the Company's restricted cash balance included \$21.0 million of collateral related to certain derivatives, of which \$8.2 million represents cash collateral posted by the Company and \$12.8 million represents amounts related to variation margin. As of December 31, 2020, the Company's restricted cash balance included \$10.8 million of collateral related to certain derivatives, of which \$9.7 million represents cash collateral posted by the Company and \$1.1 million represents amounts related to variation margin.

TBAs

The following tables present information about the Company's TBAs for the three months ended September 30, 2021 and the nine months ended September 30, 2021 and September 30, 2020 (in thousands). The Company did not hold any TBA positions during the three months ended September 30, 2020.

		For the Three Months Ended:						
		Beginning Notional Amount	Buys or Covers	Sales or Shorts	Ending Net Notional Amount	Net Fair Value as of Period End	Net Receivable/(Payable) from/to Broker	Derivative Asset
September 30, 2021	TBAs - Short	\$ (130,000)	\$ 338,000	\$ (515,500)	\$ (307,500)	\$ (316,937)	\$ 318,295	\$ 1,358
		For the Nine Months Ended:						
		Beginning Notional Amount	Buys or Covers	Sales or Shorts	Ending Net Notional Amount	Net Fair Value as of Period End	Net Receivable/(Payable) from/to Broker	Derivative Asset
September 30, 2021	TBAs - Short	\$ —	\$ 338,000	\$ (645,500)	\$ (307,500)	\$ (316,937)	\$ 318,295	\$ 1,358
September 30, 2020	TBAs - Long	—	728,000	(728,000)	—	—	—	—

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
September 30, 2021

8. Earnings per share

Following the close of business on July 22, 2021, the Company effected a one-for-three reverse stock split of its outstanding shares of common stock. All per share amounts and common shares outstanding for all periods presented in the unaudited consolidated financial statements have been adjusted on a retroactive basis to reflect the Company's one-for-three reverse stock split. Refer to Note 2 and Note 11 for additional information.

The following table presents a reconciliation of the earnings and shares used in calculating basic and diluted earnings per share for the three and nine months ended September 30, 2021 and 2020 (in thousands, except per share data).

	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Numerator:				
Net Income/(Loss) from Continuing Operations	\$ 34,579	\$ 20,046	\$ 93,321	\$ (462,271)
Gain on Exchange Offers, net (Note 11)	—	539	472	539
Dividends on preferred stock	(4,586)	(5,563)	(14,199)	(16,897)
Net income/(loss) from continuing operations available to common stockholders	\$ 29,993	\$ 15,022	\$ 79,594	\$ (478,629)
Net Income/(Loss) from Discontinued Operations	—	—	—	361
Net income/(loss) available to common stockholders	\$ 29,993	\$ 15,022	\$ 79,594	\$ (478,268)
Denominator:				
Basic weighted average common shares outstanding	16,077	11,474	15,270	11,116
Diluted weighted average common shares outstanding	16,077	11,474	15,270	11,116
Earnings/(Loss) Per Share - Basic				
Continuing Operations	\$ 1.87	\$ 1.31	\$ 5.21	\$ (43.06)
Discontinued Operations	—	—	—	0.03
Total Earnings/(Loss) Per Share of Common Stock	\$ 1.87	\$ 1.31	\$ 5.21	\$ (43.03)
Earnings/(Loss) Per Share - Diluted				
Continuing Operations	\$ 1.87	\$ 1.31	\$ 5.21	\$ (43.06)
Discontinued Operations	—	—	—	0.03
Total Earnings/(Loss) Per Share of Common Stock	\$ 1.87	\$ 1.31	\$ 5.21	\$ (43.03)

Restricted stock units issued to the Manager do not entitle the participant the rights of a shareholder of the Company's common stock, such as dividend and voting rights, until shares are issued in settlement of the vested units. The restricted stock units are not considered to be participating shares. The dilutive effects of the restricted stock units are only included in diluted weighted average common shares outstanding. The Company had no unvested restricted stock units as of September 30, 2021 and December 31, 2020.

Dividends

On March 27, 2020, the Company announced that its Board of Directors approved a suspension of the Company's quarterly dividends on its Series A Preferred Stock, Series B Preferred Stock, and Series C Preferred Stock, beginning with the preferred dividend that would have been declared in May 2020, as well as a suspension of the quarterly dividend on the Company's common stock, beginning with the dividend that normally would have been declared in March 2020, in order to conserve capital and improve its liquidity position during the market volatility due to the COVID-19 pandemic. Under the terms of the Company's charter governing its series of preferred stock, the Company cannot pay cash dividends with respect to its common stock if dividends on its preferred stock are in arrears.

On December 17, 2020, the Company paid its Series A Preferred Stock, Series B Preferred Stock, and Series C Preferred Stock dividends that were in arrears as well as the full dividends payable on the preferred stock for the fourth quarter of 2020 in the amount of \$1.54689, \$1.50, and \$1.50 per share, respectively. On December 22, 2020, the Company's Board of Directors declared a dividend of \$0.09 per common share for the fourth quarter 2020 which was paid on January 29, 2021 to shareholders.

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
September 30, 2021

of record at the close of business on December 31, 2020. During the first through third quarters of 2021, the Company declared its preferred and common dividends in ordinary course.

The following table details the Company's common stock dividends declared during the nine months ended September 30, 2021:

Declaration Date	Record Date	Payment Date	Cash Dividend Per Share
3/22/2021	4/1/2021	4/30/2021	\$ 0.18
6/15/2021	6/30/2021	7/30/2021	0.21
9/15/2021	9/30/2021	10/29/2021	0.21
Total			\$ 0.60

The Company did not declare any common stock dividends during the nine months ended September 30, 2020.

The following tables detail the Company's preferred stock dividends declared and paid during the nine months ended September 30, 2021 and 2020:

Declaration Date	Record Date	Payment Date	Cash Dividend Per Share		
			8.25% Series A	8.00% Series B	8.000% Series C
2/16/2021	2/26/2021	3/17/2021	\$ 0.51563	\$ 0.50	\$ 0.50
5/17/2021	5/28/2021	6/17/2021	0.51563	0.50	0.50
7/30/2021	8/31/2021	9/17/2021	0.51563	0.50	0.50
Total			\$ 1.54689	\$ 1.50	\$ 1.50

Declaration Date	Record Date	Payment Date	Cash Dividend Per Share		
			8.25% Series A	8.00% Series B	8.000% Series C
2/14/2020	2/28/2020	3/17/2020	\$ 0.51563	\$ 0.50	\$ 0.50

9. Income taxes

As a REIT, the Company is not subject to federal income tax to the extent that it makes qualifying distributions to its stockholders, and provided it satisfies on a continuing basis, through actual investment and operating results, the REIT requirements including certain asset, income, distribution and stock ownership tests. Most states follow U.S. federal income tax treatment of REITs.

Excise tax represents a four percent tax on the required amount of the Company's ordinary income and net capital gains not distributed during the year. The expense is calculated in accordance with applicable tax regulations. For the three and nine months ended September 30, 2021, as well as the three months ended September 30, 2020, the Company did not record any excise tax expense. For the nine months ended September 30, 2020, the Company recorded excise tax expense of \$(0.8) million. The reversal of the previously accrued excise tax expense during the nine months ended September 30, 2020 was a result of losses resulting from market conditions associated with the COVID-19 pandemic.

The Company files tax returns in several U.S jurisdictions. There are no ongoing U.S. federal, state or local tax examinations related to the Company.

Based on its analysis of any potential uncertain income tax positions, the Company concluded it did not have any uncertain tax positions that meet the recognition or measurement criteria of ASC 740 as of September 30, 2021. The Company's federal income tax returns for the last three tax years are open to examination by the Internal Revenue Service. In the event that the Company incurs income tax related interest and penalties, its policy is to classify them as a component of provision for income taxes.

10. Related party transactions

Manager

The Company has entered into a management agreement with the Manager, which provided for an initial term and will be deemed renewed automatically each year for an additional one-year period, subject to certain termination rights. The Company is externally managed and advised by the Manager. Pursuant to the terms of the management agreement, which became effective July 6, 2011 (upon the consummation of the Company's initial public offering (the "IPO")), the Manager provides the Company with its management team, including its officers, along with appropriate support personnel. Each of the Company's officers is an employee of Angelo Gordon. The Company does not have any employees. The Manager, pursuant to a delegation agreement dated as of June 29, 2011, has delegated to Angelo Gordon the overall responsibility of its day-to-day duties and obligations arising under the Company's management agreement. Below is a description of the fees and reimbursements provided in the management agreements.

Management fee

The Manager is entitled to a management fee equal to 1.50% per annum, calculated and paid quarterly, of the Company's Stockholders' Equity. For purposes of calculating the management fee, "Stockholders' Equity" means the sum of the net proceeds from any issuances of equity securities (including preferred securities) since inception (allocated on a pro rata daily basis for such issuances during the fiscal quarter of any such issuance, and excluding any future equity issuance to the Manager), plus the Company's retained earnings at the end of such quarter (without taking into account any non-cash equity compensation expense or other non-cash items described below incurred in current or prior periods), less any amount that the Company pays for repurchases of its common stock, excluding any unrealized gains, losses or other non-cash items that have impacted stockholders' equity as reported in the Company's financial statements prepared in accordance with GAAP, regardless of whether such items are included in other comprehensive income or loss, or in net income, and excluding one-time events pursuant to changes in GAAP, and certain other non-cash charges after discussions between the Manager and the Company's independent directors and after approval by a majority of the Company's independent directors. Stockholders' Equity, for purposes of calculating the management fee, could be greater or less than the amount of stockholders' equity shown on the Company's financial statements.

For the three and nine months ended September 30, 2021, the Company incurred management fees of approximately \$1.7 million and \$5.0 million, respectively. For the three and nine months ended September 30, 2020, the Company incurred management fees of approximately \$1.7 million and \$5.5 million, respectively. As of September 30, 2021 and December 31, 2020, the Company recorded management fees payable of \$1.7 million and \$1.7 million, respectively.

On April 6, 2020, the Company and the Manager executed an amendment to the management agreement pursuant to which the Manager agreed to defer the Company's payment of the management fee effective the first quarter of 2020 through September 30, 2020.

On September 24, 2020, the Company and the Manager executed another amendment (the "Second Management Agreement Amendment") to the management agreement, pursuant to which the Manager agreed to receive a portion of the deferred base management fee in shares of common stock. Pursuant to the Second Management Agreement Amendment, the Manager agreed to purchase (i) 405,123 shares of common stock in full satisfaction of the deferred base management fee of \$3.8 million payable by the Company in respect to the first and second quarters of 2020 and (ii) 51,500 shares of common stock in satisfaction of \$0.5 million of the base management fee payable by the Company in respect to the third quarter of 2020. The shares of common stock issued to the Manager were valued at \$9.45 per share based on the midpoint of the estimated range of the Company's book value per share as of August 31, 2020. The remaining third quarter 2020 management fee was paid in the normal course of business.

Termination fee

Upon the occurrence of (i) the Company's termination of the management agreement without cause or (ii) the Manager's termination of the management agreement upon a breach by the Company of any material term of the management agreement, the Manager will be entitled to a termination fee equal to three times the average annual management fee during the 24-month period prior to such termination, calculated as of the end of the most recently completed fiscal quarter. As of September 30, 2021 and December 31, 2020, no event of termination of the management agreement had occurred.

Expense reimbursement

The Company is required to reimburse the Manager or its affiliates for operating expenses which are incurred by the Manager or its affiliates on behalf of the Company, including expenses relating to legal, accounting, due diligence and other services. The Company's reimbursement obligation is not subject to any dollar limitation; however, the reimbursement is subject to an annual budget process which combines guidelines from the Management Agreement with oversight by the Company's Board of Directors.

The Company reimburses the Manager or its affiliates for the Company's allocable share of the compensation, including, without limitation, annual base salary, bonus, any related withholding taxes and employee benefits paid to (i) the Company's chief financial officer based on the percentage of time spent on Company affairs, (ii) the Company's general counsel based on the percentage of time spent on the Company's affairs, and (iii) other corporate finance, tax, accounting, internal audit, legal, risk management, operations, compliance and other non-investment personnel of the Manager and its affiliates who spend all or a portion of their time managing the Company's affairs based upon the percentage of time devoted by such personnel to the Company's affairs. In their capacities as officers or personnel of the Manager or its affiliates, they devote such portion of their time to the Company's affairs as is necessary to enable the Company to operate its business.

Of the \$5.0 million and \$13.9 million of Other operating expenses for the three and nine months ended September 30, 2021, respectively, the Company has incurred \$1.6 million and \$4.2 million, respectively, representing a reimbursement of expenses. Of the \$5.9 million and \$11.4 million of Other operating expenses for the three and nine months ended September 30, 2020, respectively, the Company has incurred \$2.3 million and \$6.2 million, respectively, representing a reimbursement of expenses.

As of September 30, 2021 and December 31, 2020, the Company recorded a reimbursement payable to the Manager of \$1.6 million and \$1.8 million, respectively. For the year ended December 31, 2021, the Manager agreed to waive its right to receive expense reimbursements of \$0.8 million.

On April 6, 2020, the Company executed an amendment to the management agreement pursuant to which the Manager agreed to defer the reimbursement of expenses, effective the first quarter of 2020 through September 30, 2020. All deferred expense reimbursements were paid as of September 30, 2020.

Secured debt

On April 10, 2020, in connection with the first Forbearance Agreement, the Company issued a secured promissory note (the "Note") to the Manager evidencing a \$10 million loan made by the Manager to the Company. Additionally, on April 27, 2020, in connection with the second Forbearance Agreement, the Company and the Manager entered into an amendment to the Note to reflect an additional \$10 million loan by the Manager to the Company. The \$10 million loan made by the Manager on April 10, 2020 was repaid in full with interest when it matured on March 31, 2021 and the \$10 million loan made on April 27, 2020 was repaid in full with interest when it matured on July 27, 2020. The unpaid balance of the Note accrued interest at a rate of 6.0% per annum. Interest on the Note was payable monthly in kind through the addition of such accrued monthly interest to the outstanding principal balance of the Note. The Note and accrued interest on the Note, when outstanding, were included within the due to affiliates amount, which is included within the "Other Liabilities" line item in the consolidated balance sheets. See Note 7 for a breakout of the "Other liabilities" line item.

Restricted stock grants

Equity Incentive Plans

Effective on April 15, 2020 upon the approval of the Company's stockholders at its 2020 annual meeting of stockholders, the 2020 Equity Incentive Plan provides for a maximum of 666,666 shares of common stock to be issued. The maximum number of shares of common stock granted during a single fiscal year to any non-employee director, taken together with any cash fees paid to such non-employee director during any fiscal year, shall not exceed \$300,000 in total value (calculating the value of any such awards based on the grant date fair value). As of September 30, 2021, 606,372 shares of common stock were available to be awarded under the 2020 Equity Incentive Plan.

Since its IPO, the Company has granted an aggregate of 35,264 and 60,294 shares of restricted common stock to its independent directors under its equity incentive plan dated July 6, 2011 and its 2020 Equity Incentive Plan, respectively. As of September 30, 2021, all shares of restricted common stock granted to its independent directors have vested.

Manager Equity Incentive Plans

Following approval of the Company's stockholders at its 2021 annual meeting of stockholders, the AG Mortgage Investment Trust, Inc. 2021 Manager Equity Incentive Plan (the "2021 Manager Plan") became effective on April 7, 2021 and provides for a maximum of 573,425 shares of common stock to be issued to the Manager. As of September 30, 2021, there were no shares or awards issued under the 2021 Manager Plan.

The AG Mortgage Investment Trust, Inc. Manager Equity Incentive Plan became effective on July 6, 2011 (the "2011 Manager Plan"). Since its IPO, the Company has issued 13,416 shares of restricted common stock and 40,000 restricted stock units to its Manager under the 2011 Manager Plan. Upon the adoption of the 2020 Equity Incentive Plan on April 15, 2020, the Company was no longer permitted to issue any shares of our common stock under the 2011 Manager Plan. As of July 1, 2020, all shares of restricted common stock and restricted stock units granted to its Manager under the 2011 Manager Plan fully vested.

Director compensation

Beginning January 1, 2021, the annual base director's fee for each independent director decreased from \$160,000 to \$150,000, \$70,000 of which is payable on a quarterly basis in cash and \$80,000 of which is payable on a quarterly basis in shares of restricted common stock. The number of shares of restricted common stock to be issued each quarter to each independent director is determined based on the average of the high and low prices of the Company's common stock on the New York Stock Exchange on the last trading day of each fiscal quarter. To the extent that any fractional shares would otherwise be issuable and payable to each independent director, a cash payment is made to each independent director in lieu of any fractional shares. All directors' fees are paid pro rata (and restricted stock grants determined) on a quarterly basis in arrears, and shares issued are fully vested and non-forfeitable. These shares may not be sold or transferred by such director during the time of their service as an independent member of the Company's board. As of September 30, 2021, the Company's Board of Directors consisted of four independent directors.

Pursuant to the Forbearance Agreement previously discussed, the Company, among other things, agreed to compensate its independent directors solely with common stock for the quarter ended March 31, 2020.

Investments in debt and equity of affiliates

The Company invests in credit sensitive residential assets through affiliated entities which hold an ownership interest in the assets. The Company is one investor, amongst other investors managed by affiliates of Angelo Gordon, in such entities and has applied the equity method of accounting for such investments. See Note 2 for the gross fair value of the Company's share of these investments as of September 30, 2021 and December 31, 2020 and the net income/(loss) generated by these investments for the three and nine months ended September 30, 2021 and 2020.

The Company's investment in AG Arc is reflected within the "Investments in debt and equity of affiliates" line item on its consolidated balance sheets. The Company has an approximate 44.6% interest in AG Arc. See Note 2 for the fair value of AG Arc as of September 30, 2021 and December 31, 2020.

Arc Home may sell loans to the Company, to third parties, or to affiliates of the Manager. Arc Home may also enter into agreements with us, third parties, or affiliates of the Manager to sell rights to receive the excess servicing spread related to MSRMs that it either purchases from third parties or originates. The Company, directly or through its subsidiaries, previously entered into agreements with Arc Home to purchase rights to receive the excess servicing spread related to certain of Arc Home's MSRMs. As of September 30, 2021, the Company did not hold any of these Excess MSRMs. These Excess MSRMs had a fair value of approximately \$3.5 million as of December 31, 2020. See below "Transactions with affiliates" for details regarding the sale of the Company's Excess MSRMs during the third quarters of 2020 and 2021.

On April 3, 2020, the Company, alongside private funds under the management of Angelo Gordon, restructured its financing arrangements in MATT ("Restructured Financing Arrangement"). The Restructured Financing Arrangement required all principal and interest on the underlying assets in MATT to be used to pay down principal and interest on the outstanding financing arrangement. As of April 3, 2020, the Restructured Financing Arrangement did not have mark-to-market margin calls and was non-recourse to the Company. The Restructured Financing Arrangement provided for a termination date of October 1, 2021. At the earlier of the termination date or the securitization or sale by the Company of the remaining assets subject to the Restructured Financing Arrangement, the financing counterparty (which is a non-affiliate) was entitled to 35% of the remaining equity in the assets. The Company evaluated this restructuring and concluded it was an extinguishment of debt. MATT chose to

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
September 30, 2021

make a fair value election on this financing arrangement and the Company treated this arrangement consistently with this election.

On January 29, 2021, the Company, alongside private funds under the management of Angelo Gordon, entered into an amendment with respect to its Restructured Financing Arrangement in MATT. The amendment serves to convert the existing financing to a mark-to-market facility that is recourse to the Company and the private funds managed by Angelo Gordon that invest in MATT up to the below mentioned commitment from MATH to MATT. Upon amending the agreement, the Company settled the premium recapture fee with the financing counterparty.

On January 29, 2021, the Company alongside private funds under the management of Angelo Gordon, entered into an amendment to the MATH LLC Agreement, which requires MATH to fund a capital commitment of \$50.0 million to MATT. The Company, through its investment in MATH, is responsible for its pro-rata share of the capital commitment. Refer to Note 12 for additional information.

The Company's investment in LOTS require it to fund various commitments in connection with the origination of Land Related Financing. Refer to Note 12 for additional information. The Company has an approximate 47.5% and 50% interest in LOTS I and LOTS II, respectively.

Transactions with affiliates

In connection with the Company's investments in residential mortgage loans, the Company engages asset managers to provide advisory, consultation, asset management, and other services. The Company engaged Red Creek Asset Management LLC ("Asset Manager"), a related party of the Manager and direct subsidiary of Angelo Gordon, as the asset manager for certain of its residential mortgage loans. The Company pays the Asset Manager separate arm's-length asset management fees as assessed and confirmed periodically by a third-party valuation firm. In the third quarter of 2019, the third-party assessment of asset management fees resulted in the Company updating the fee amount for its Re- and Non-Performing Loans and establishing the fee level for its Non-QM Loans. The fees paid by the Company to the Asset Manager totaled \$0.5 million and \$1.7 million for the three and nine months ended September 30, 2021, respectively. The fees paid by the Company to the Asset Manager totaled \$0.6 million and \$2.1 million for the three and nine months ended September 30, 2020, respectively.

During 2020, Arc Home began selling Non-QM Loans to a private fund under the management of Angelo Gordon. Arc Home sold Non-QM Loans with an unpaid principal balance of \$172.0 million and \$440.6 million to this affiliate of the Manager during the three and nine months ended September 30, 2021, respectively. For the three and nine months ended September 30, 2020, Arc Home sold Non-QM Loans with an unpaid principal balance of \$4.6 million to this affiliate of the Manager.

For the three and nine months ended September 30, 2021, Arc Home sold Non-QM Loans with an unpaid principal balance of \$172.1 million and \$422.5 million to the Company, respectively. For the three and nine months ended September 30, 2021, Arc Home sold GSE Non-Owner Occupied Loans with an unpaid principal balance of \$64.6 million to the Company.

In February 2020, the Company, alongside private funds under the management of Angelo Gordon, participated through its unconsolidated ownership interest in MATT in a rated Non-QM Loan securitization, in which Non-QM Loans with a fair value of \$348.2 million were securitized. Certain senior tranches in the securitization were sold to third parties with the Company and private funds under the management of Angelo Gordon retaining the subordinate tranches, which had a fair value of \$26.6 million as of March 31, 2020. The Company has a 44.6% interest in the retained subordinate tranches.

In July 2020, in accordance with the Company's Affiliated Transactions Policy, the Company sold certain real estate securities to an affiliate of the Manager. As of the date of the transaction, these real estate securities had a total fair value of \$1.9 million. The purchase occurred by the affiliate submitting an offer to purchase the securities to the Company in a competitive bidding process. This allowed the Company to confirm third-party market pricing and best execution.

In August 2020, the Company, alongside private funds under the management of Angelo Gordon, participated through its unconsolidated ownership interest in MATT in a rated Non-QM Loan securitization, in which Non-QM Loans with a fair value of \$226.0 million were securitized. Certain senior tranches in the securitization were sold to third parties with the Company and private funds under the management of Angelo Gordon retaining the subordinate tranches, which had a fair value of \$24.3 million as of September 30, 2020. The Company has a 44.6% interest in the retained subordinate tranches.

In August 2020, the Company, alongside private funds under the management of Angelo Gordon, sold its Ginnie Mae Excess MSR portfolio to Arc Home for total proceeds of \$18.9 million. The portfolio had a total unpaid principal balance of

\$3.5 billion. The Company's share of the total proceeds approximated \$8.5 million, representing its approximate 45% ownership interest. Arc Home subsequently sold its Ginnie Mae MSR portfolio to a third party.

In October 2020, in accordance with the Company's Affiliated Transactions Policy, the Company acquired certain real estate securities and Excess MSRs from an affiliate of the Manager. As of the date of the transaction, these real estate securities and Excess MSRs had a total fair value of \$0.5 million and \$20.0 thousand, respectively. As procuring market bids for the real estate securities was determined to be impracticable in the Manager's reasonable judgment, appropriate pricing was based on a valuation prepared by third-party pricing vendors. The third-party pricing vendors allowed the Company to confirm third-party market pricing and best execution.

In March 2021, in accordance with the Company's Affiliated Transactions Policy, the Company sold certain real estate securities to an affiliate of the Manager. As of the date of the transaction, these real estate securities had a total fair value of \$6.9 million. The purchase occurred by the affiliate submitting an offer to purchase the securities to the Company in a competitive bidding process. This allowed the Company to confirm third-party market pricing and best execution.

In April 2021, in accordance with the Company's Affiliated Transactions Policy, the Company sold certain CMBS to affiliates of the Manager. As of the date of the transaction, the CMBS sold to the buyer had a total fair value of \$16.8 million. Pricing was based on valuations prepared by third-party pricing vendors in accordance with the Company's policy. The third-party pricing vendors allowed the Company to confirm third-party market pricing and best execution.

In May 2021, the Company, alongside private funds under the management of Angelo Gordon, participated through its unconsolidated ownership interest in MATT in a rated Non-QM Loan securitization, in which Non-QM Loans with a fair value of \$171.4 million were securitized. Certain senior tranches in the securitization were sold to third parties with the Company and private funds under the management of Angelo Gordon retaining the subordinate tranches, which had a fair value of \$25.7 million as of June 30, 2021. Subsequent to this transaction, MATT had securitized a majority of Non-QM Loans previously acquired and its remaining portfolio consisted primarily of the subordinate tranches retained from this securitization and past securitizations. During the current year, the Company has begun acquiring Non-QM Loans directly which are recorded in the "Residential mortgage loans, at fair value" line item on the consolidated balance sheets.

In July 2021, in accordance with the Company's Affiliated Transactions Policy, the Company sold certain real estate securities to affiliates of the Manager. As of the date of the transaction, these real estate securities had a total fair value of \$17.6 million. The purchase occurred by the affiliate submitting an offer to purchase the securities to the Company in a competitive bidding process. This allowed the Company to confirm third-party market pricing and best execution.

In July 2021, the Company, alongside private funds under the management of Angelo Gordon, sold its remaining Agency Excess MSRs to Arc Home for total proceeds of \$9.9 million. The portfolio had a total unpaid principal balance of \$2.0 billion. The Company's share of the total proceeds was \$2.7 million, representing its approximate 45% ownership interest. Arc Home subsequently sold its MSR portfolio to a third party for a minimal gain, offset by prepayment protection reserve and transaction related costs.

11. Equity

Reverse stock split

On July 12, 2021, the Company announced that its board of directors approved a one-for-three reverse stock split of its outstanding shares of common stock. The reverse stock split was effected following the close of business on July 22, 2021. At the Effective Time, every three issued and outstanding shares of the Company's common stock were converted into one share of the Company's common stock. No fractional shares were issued in connection with the reverse stock split. Instead, each stockholder holding fractional shares was entitled to receive, in lieu of such fractional shares, cash in an amount determined based on the closing price of the Company's common stock on the date of the Effective Time. As a result, the number of common shares outstanding was reduced from 48,510,978 immediately prior to the Effective Time to 16,170,312. The reverse stock split applied to all of the Company's outstanding shares of common stock and did not affect any stockholder's ownership percentage of shares of the Company's common stock, except for immaterial changes resulting from the payment of cash for fractional shares. There was no change in the Company's authorized capital stock or par value of each share of common stock as a result of the reverse stock split. All per share amounts and common shares outstanding for all periods presented in the unaudited consolidated financial statements have been adjusted on a retroactive basis to reflect the Company's one-for-three reverse stock split.

Stock repurchase programs

On November 3, 2015, the Company's Board of Directors authorized a stock repurchase program ("Repurchase Program") to repurchase up to \$25.0 million of the Company's outstanding common stock. Such authorization does not have an expiration date. As part of the Repurchase Program, shares may be purchased in open market transactions, including through block purchases, through privately negotiated transactions, or pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 of the Exchange Act. Open market repurchases will be made in accordance with Exchange Act Rule 10b-18, which sets certain restrictions on the method, timing, price and volume of open market stock repurchases. Subject to applicable securities laws, the timing, manner, price and amount of any repurchases of common stock under the Repurchase Program may be determined by the Company in its discretion, using available cash resources. Shares of common stock repurchased by the Company under the Repurchase Program, if any, will be cancelled and, until reissued by the Company, will be deemed to be authorized but unissued shares of its common stock as required by Maryland law. The Repurchase Program may be suspended or discontinued by the Company at any time and without prior notice and the authorization does not obligate the Company to acquire any particular amount of common stock. The cost of the acquisition by the Company of shares of its own stock in excess of the aggregate par value of the shares first reduces additional paid-in capital, to the extent available, with any residual cost applied against retained earnings. 0.3 million of shares were repurchased under the Repurchase Program during the three and nine months ended September 30, 2021. No shares were repurchased under the Repurchase Program during the three and nine months ended September 30, 2020. Approximately \$11.8 million of common stock remained authorized for future share repurchases under the Repurchase Program as of September 30, 2021.

On February 22, 2021, the Company's Board of Directors authorized a stock repurchase program (the "Preferred Repurchase Program") pursuant to which the Company's Board of Directors granted a repurchase authorization to acquire shares of its Series A Preferred Stock, its Series B Preferred Stock, and its Series C Preferred Stock having an aggregate value of up to \$20.0 million. No shares were repurchased under the Preferred Repurchase Program during the three and nine months ended September 30, 2021.

Equity distribution agreements

On May 5, 2017, the Company entered into an equity distribution agreement with each of Credit Suisse Securities (USA) LLC and JMP Securities LLC (collectively, the "Sales Agents"), which the Company refers to as the "Equity Distribution Agreements," pursuant to which the Company may sell up to \$100.0 million aggregate offering price of shares of its common stock from time to time through the Sales Agents under the Securities Act of 1933. For the three months ended September 30, 2021, the Company did not issue any shares of common stock under the Equity Distribution Agreements. For the nine months ended September 30, 2021, the Company sold 1.0 million shares of common stock under the Equity Distribution Agreements for net proceeds of approximately \$13.1 million. For the three and nine months ended September 30, 2020, the Company sold 0.1 million and 0.5 million shares of common stock under the Equity Distribution Agreements for net proceeds of approximately \$1.2 million and \$4.7 million, respectively. Since inception of the program, the Company has issued approximately 2.2 million shares of common stock under the Equity Distribution Agreements for gross proceeds of \$48.3 million.

Shelf registration statement

On May 7, 2021, the Company filed a new shelf registration statement, registering up to \$1.0 billion of its securities, including capital stock (the "2021 Registration Statement"). The 2021 Registration Statement became effective on May 26, 2021 and will expire on May 28, 2024. Upon effectiveness of the 2021 Registration Statement, the Company's previous registration statement filed in 2018 was terminated.

Preferred stock

The Company is authorized to designate and issue up to \$50.0 million shares of preferred stock, par value \$0.01 per share, in one or more classes or series. As of September 30, 2021, there were 1.7 million, 3.7 million, and 3.7 million of Series A Preferred Stock, Series B Preferred Stock, and Series C Preferred Stock, respectively, issued and outstanding. As of December 31, 2020, there were 1.8 million, 4.2 million, and 3.9 million of Series A Preferred Stock, Series B Preferred Stock, and Series C Preferred Stock, respectively, issued and outstanding.

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
September 30, 2021

The following table includes a summary of preferred stock issued and outstanding as of September 30, 2021 (\$ and shares in thousands):

Preferred Stock Series	Issuance Date	Shares Outstanding	Carrying Value	Aggregate Liquidation Preference (1)	Optional Redemption Date (2)	Rate (3)(4)
Series A Preferred Stock	August 3, 2012	1,663	\$ 40,110	\$ 41,580	August 3, 2017	8.25 %
Series B Preferred Stock	September 27, 2012	3,728	90,187	93,191	September 17, 2017	8.00 %
Series C Preferred Stock	September 17, 2019	3,729	90,175	93,220	September 17, 2024	8.000 %
Total		9,120	\$ 220,472	\$ 227,991		

- (1) The Company's Preferred Stock has a liquidation preference of \$25.00 per share.
- (2) Shares have no stated maturity and are not subject to any sinking fund or mandatory redemption. Shares of the Company's Preferred Stock are redeemable at \$25.00 per share plus accumulated and unpaid dividends (whether or not declared) exclusively at the Company's option. Shares of the Company's Series C Preferred Stock may be redeemable earlier than the optional redemption date under certain circumstances intended to preserve its qualification as a REIT for Federal income tax purposes.
- (3) The initial dividend rate for the Series C Preferred Stock, from and including the date of original issue to, but not including, September 17, 2024, is 8.000% per annum of the \$25.00 per share liquidation preference. On and after September 17, 2024, dividends on the Series C Preferred Stock will accumulate at a percentage of the \$25.00 liquidation preference equal to an annual floating rate of the then three-month LIBOR plus a spread of 6.476% per annum.
- (4) Dividends are payable quarterly in arrears on the 17th day of each March, June, September and December and holders are entitled to receive cumulative cash dividends at the respective state rate per annum before holders of common stock are entitled to receive any cash dividends.

The Company's Series A Preferred Stock, Series B Preferred Stock, and Series C Preferred Stock generally do not have any voting rights, subject to an exception in the event the Company fails to pay dividends on such stock for six or more quarterly periods (whether or not consecutive). Under such circumstances, holders of the Company's Series A Preferred Stock, Series B Preferred Stock, and Series C Preferred Stock voting together as a single class with the holders of all other classes or series of its preferred stock upon which like voting rights have been conferred and are exercisable and which are entitled to vote as a class with the Company's Series A Preferred Stock, Series B Preferred Stock, and Series C Preferred Stock will be entitled to vote to elect two additional directors to the Company's Board of Directors until all unpaid dividends have been paid or declared and set apart for payment. In addition, certain material and adverse changes to the terms of any series of the Company's Series A Preferred Stock, Series B Preferred Stock, and Series C Preferred Stock cannot be made without the affirmative vote of holders of at least two-thirds of the outstanding shares of the series of the Company's Series A Preferred Stock, Series B Preferred Stock, and Series C Preferred Stock whose terms are being changed.

Exchange offers

On August 14, 2020, the Company announced the commencement of an offer to exchange newly issued shares of common stock for up to 250,470 shares of its Series A Preferred Stock, up to 556,600 shares of its Series B Preferred Stock, and up to 556,600 shares of its Series C Preferred Stock. This offer had an expiration date of September 11, 2020. Based on the final count provided by the Exchange Agent, American Stock Transfer & Trust Company, LLC, a total of 42,820 shares of Series A Preferred Stock, 31,085 Series B Preferred Stock, and 29,355 Series C Preferred Stock were validly tendered and not properly withdrawn prior to the expiration of the offer. The Company accepted all such 103,260 validly tendered shares of preferred stock, and issued in exchange a total of 172,100 shares of common stock in reliance upon the exemption from registration provided under Section 3(a)(9) of the Securities Act of 1933, as amended.

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
September 30, 2021

The below details privately negotiated exchange agreements with existing holders of the Company's preferred shares exchanged for common shares and, in certain cases, cash consideration during the 2020 and 2021. Subsequent to each transaction closed, the Preferred Stock exchanged pursuant to the exchange agreement was reclassified as authorized but unissued shares of preferred stock without designation as to class or series (\$ in thousands).

Date	Preferred Shares Exchanged			Total Preferred Stock Par Value	Common Shares Exchanged	Cash Consideration
	Shares of Series A Preferred Stock	Shares of Series B Preferred Stock	Shares of Series C Preferred Stock			
September 30, 2020	210,662	404,187	427,467	\$ 26,058	1,226,544	\$ 6,337
October 2, 2020	—	—	260,000	6,500	300,000	1,670
March 17, 2021	153,325	350,609	—	12,598	937,462	—
June 14, 2021	—	86,478	154,383	6,022	429,802	—

As of September 30, 2021, the Company had outstanding 1,663,193 shares of Series A Preferred Stock, 3,727,641 shares of Series B Preferred Stock, and 3,728,795 shares of Series C Preferred Stock.

Common stock issuance to the Manager

On September 24, 2020, the Company issued (i) 405,123 shares of common stock to the Manager in full satisfaction of the deferred base management fee of \$3.8 million payable by the Company in respect to the first and second quarters of 2020 and (ii) 51,500 shares of common stock in satisfaction of \$0.5 million of the base management fee payable by the Company in respect to the third quarter of 2020. The shares of Common Stock issued to the Manager were valued at \$9.45 per share based on the midpoint of the estimated range of the Company's book value per share as of August 31, 2020. The remaining third quarter management fee was paid in the normal course of business. Refer to Note 10 for more information on this transaction.

12. Commitments and Contingencies

From time to time, the Company may become involved in various claims and legal actions arising in the ordinary course of business. As of September 30, 2021, other than as set forth below, the Company was not involved in any material legal proceedings.

On March 25, 2020, certain of the Company's subsidiaries filed a suit in federal district court in New York seeking to enjoin Royal Bank of Canada and one of its affiliates ("RBC") from selling certain assets that the Company had on repo with RBC and seeking damages (*AG MIT CMO et al. v. RBC (Barbados) Trading Corp. et al., 20-cv-2547, U.S. District Court, Southern District of New York*). On March 31, 2020, the Company withdrew, as moot, its request for injunctive relief in the complaint based on the court's ruling on March 25, 2020 relating to the sale at issue. As previously disclosed in a Form 8-K filed with the SEC on June 2, 2020, the Company entered into a settlement agreement with RBC on May 28, 2020, pursuant to which the Company and RBC mutually released each other from further claims related to the repurchase agreements at issue. As part of the settlement, and to resolve all claims by either party under the repurchase agreements, the Company paid RBC \$5.0 million in cash and issued to RBC a secured promissory note in the principal amount of \$2.0 million. On June 11, 2020, the Company repaid the secured promissory note due to RBC in full. The Company recognized this settlement in the "Net realized gain/(loss)" line item on the consolidated statement of operations in the second quarter of 2020. As a result, the Company has satisfied all of its payment obligations to RBC under the settlement agreement and promissory note, and, as previously reported, the federal lawsuit has been voluntarily dismissed with prejudice.

For the year ended December 31, 2020, the Company recorded a loss of \$11.6 million related to deficiencies asserted by other counterparties. The Company recognized these losses in the "Net realized gain/(loss)" line item on the consolidated statement of operations. As of August 2020, MITT resolved and settled all deficiency claims with lenders.

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
September 30, 2021

The below table details the Company's outstanding commitments as of September 30, 2021 (in thousands):

Commitment type	Date of Commitment	Total Commitment	Funded Commitment	Remaining Commitment
GSE Non-Owner Occupied Loans (a)	Various	\$ 150,088	\$ 26,147	\$ 123,941
LOTS (b)	Various	23,644	16,623	7,021
MATH (b)	January 29, 2021	22,295	—	22,295
Total		\$ 196,027	\$ 42,770	\$ 153,257

(a) The Company entered into commitments to purchase certain pools of GSE Non-Owner Occupied Loans which have not yet settled as of September 30, 2021.

(b) Refer to Note 10 "Investments in debt and equity of affiliates" for more information regarding LOTS and MATH.

13. Subsequent Events

The Company purchased \$281.3 million of Non-QM Loans, inclusive of \$80.8 million which were purchased from Arc Home. Additionally, the Company purchased \$105.1 million of GSE Non-Owner Occupied Loans, inclusive of \$50.1 million which were purchased from Arc Home.

The Company repurchased 61,104 shares of common stock for \$0.7 million.

On November 5, 2021, the Company announced that its Board of Directors has declared fourth quarter 2021 preferred stock dividends on its Series A Preferred Stock, Series B Preferred Stock, and Series C Preferred Stock in the amount of \$0.51563, \$0.50 and \$0.50 per share, respectively. The dividends will be paid on December 17, 2021 to holders of record on November 30, 2021.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In this quarterly report on Form 10-Q, or this "report," we refer to AG Mortgage Investment Trust, Inc. as "we," "us," the "Company," or "our," unless we specifically state otherwise or the context indicates otherwise. We refer to our external manager, AG REIT Management, LLC, as our "Manager," and we refer to the direct parent company of our Manager, Angelo, Gordon & Co., L.P., as "Angelo Gordon."

The following discussion should be read in conjunction with our consolidated financial statements and the accompanying notes to our consolidated financial statements, which are included in Item 1 of this report, as well as the information contained in our Annual Report on Form 10-K for the year ended December 31, 2020, and any subsequent filings.

Forward-Looking Statements

We make forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), in this report that are subject to substantial known and unknown risks and uncertainties. These forward-looking statements include information about possible or assumed future results of our business, financial condition, liquidity, returns, results of operations, plans, yields, objectives, the composition of our portfolio, actions by governmental entities, including the Federal Reserve, and the potential effects of actual and proposed legislation on us, and our views on certain macroeconomic trends, and the impact of the novel coronavirus ("COVID-19"). When we use the words "believe," "expect," "anticipate," "estimate," "plan," "continue," "intend," "should," "may" or similar expressions, we intend to identify forward-looking statements.

These forward-looking statements are based upon information presently available to our management and are inherently subjective, uncertain and subject to change. There can be no assurance that actual results will not differ materially from our expectations. Some, but not all, of the factors that might cause such a difference include, without limitation:

- the uncertainty and economic impact of the COVID-19 pandemic (including the impact of any significant variants) and of responsive measures implemented by various governmental authorities, businesses and other third parties, and the potential impact of COVID-19 on our personnel;
- changes in our business and investment strategy;
- our ability to predict and control costs;
- changes in interest rates and the fair value of our assets, including negative changes resulting in margin calls relating to the financing of our assets;
- changes in the yield curve;
- changes in prepayment rates on the loans we own or that underlie our investment securities;
- regulatory and structural changes in the residential loan market and its impact on non-agency mortgage markets;
- increased rates of default or delinquencies and/or decreased recovery rates on our assets;
- our ability to obtain and maintain financing arrangements on terms favorable to us or at all;
- changes in general economic 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;
- legislative and regulatory actions by the U.S. Congress, U.S. Department of the Treasury, the Federal Reserve and other agencies and instrumentalities in response to the economic effects of the COVID-19 pandemic;
- the forbearance program included in the Coronavirus Aid, Relief, and Economic Security Act;
- 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.

We caution investors not to rely unduly on any forward-looking statements, which speak only as of the date made, and urge you to carefully consider the risks noted above and identified under the captions "Risk Factors," and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2020 and any subsequent filings. New risks and uncertainties arise from time to time, and it is impossible for us to predict those events or how they may affect us. Except as required by law, we are not obligated to, and do not intend to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. All forward-looking statements that we make, or that are attributable to us, are expressly qualified by this cautionary notice.

Special Note Regarding COVID-19 Pandemic

In March 2020, the global pandemic associated with COVID-19 and the related economic conditions caused financial and mortgage-related asset markets to come under extreme duress, resulting in credit spread widening, a sharp decrease in interest rates and unprecedented illiquidity in repurchase agreement financing and MBS markets. The illiquidity was exacerbated by inadequate demand for MBS among primary dealers due to balance sheet constraints. Refer to the "Financing activities—Forbearance and Reinstatement Agreements" section below for further details related to the impact these economic conditions had on us.

Although market conditions have improved during 2021, the COVID-19 pandemic is ongoing with new variants emerging despite growing vaccination rates. As a result, the full impact of COVID-19 (including the impact of any significant variants) on the mortgage REIT industry, credit markets, and, consequently, on our financial condition and results of operations for future periods remains uncertain. Future developments with respect to the COVID-19 pandemic, including among others, the emergence of new variants, the effectiveness and durability of current vaccines and government stimulus measures, could materially and adversely affect our business, operations, operating results, financial condition, liquidity, or capital levels.

Executive Summary

During the third quarter of 2021, we continued to focus our efforts on growing our portfolio of Residential Credit Investments, including investing in residential mortgage loans with the intent to securitize these assets as market conditions permit. We completed one Non-QM securitization and continued to purchase Non-QM Loans. In addition, we also began purchasing GSE Non-Owner Occupied Loans. Our loan purchases have continued to be from both third-party originators as well as Arc Home. During the quarter, we sold our remaining CMBS portfolio and also received full repayment on our remaining two Commercial Loans, completely exiting our Commercial Investments. We also opportunistically repurchased shares of our common stock under our existing Repurchase Program. The information presented below provides a summary of investment and capital activity during the third quarter.

Investment and Capital Activity

- Purchased \$396.9 million of Non-QM Loans, \$176.6 million of which were purchased from Arc Home, a licensed mortgage originator we invest in alongside other Angelo Gordon funds;
 - Amended certain financing arrangements to increase the maximum uncommitted borrowing capacity to \$1.1 billion to finance the acquisition of Non-QM Loans, of which \$641.3 million of the maximum uncommitted borrowing capacity remains available as of September 30, 2021;
 - Subsequent to quarter end, purchased an additional \$281.3 million of Non-QM Loans, inclusive of \$80.8 million purchased from Arc Home;
- Purchased \$213.4 million of GSE Non-Owner Occupied Loans, \$66.1 million of which were purchased from Arc Home;
 - Entered into a financing arrangement with a maximum uncommitted borrowing capacity of \$500 million to finance the acquisition of GSE Non-Owner Occupied Loans, of which \$302.6 million of the maximum uncommitted borrowing capacity remains available as of September 30, 2021;
 - Subsequent to quarter end, purchased an additional \$105.1 million of GSE Non-Owner Occupied Loans, inclusive of \$50.1 million purchased from Arc Home;
- Participated in a rated securitization in which Non-QM Loans with a fair value of \$282.5 million were securitized, converting financing from recourse financing with mark-to-market margin calls to non-recourse financing without mark-to-market margin calls;
- Exited remaining commercial investments
 - Received total proceeds of \$74.1 million from the full repayment of our Commercial Loans, inclusive of all accrued or deferred interest outstanding;
 - Sold our remaining CMBS portfolio for gross proceeds of \$33.7 million;
- Sold remaining directly held Agency Excess MSR portfolio to Arc Home for proceeds of \$2.7 million; and
- Accretive repurchase of 258,755 shares of common stock for \$2.8 million, representing a weighted average cost of \$11.00 per share.
 - Subsequent to quarter end, repurchased 61,104 shares of common stock for \$0.7 million, representing a weighted average cost of \$11.59 per share. Approximately \$11.0 million of common stock remained authorized for future share repurchases under the Repurchase Program after these repurchases.

Our company

We are a mortgage REIT that opportunistically invests in a diversified risk adjusted portfolio of Residential Investments and Agency RMBS. The Company has an approximate 44.6% interest in Arc Home, an affiliate that originates residential mortgage loans and retains the mortgage servicing rights associated with the loans that it originates. We are a Maryland corporation and are externally managed by our Manager, a wholly-owned subsidiary of Angelo Gordon, pursuant to a management agreement. Our Manager, pursuant to a delegation agreement dated as of June 29, 2011, has delegated to Angelo Gordon the overall responsibility of its day-to-day duties and obligations arising under the management agreement. We conduct our operations to qualify and be taxed as a real estate investment trust ("REIT"), for U.S. federal income tax purposes. Accordingly, we generally will not be subject to U.S. federal income taxes on our taxable income that we distribute currently to our stockholders as long as we maintain our intended qualification as a REIT, with the exception of our domestic taxable REIT subsidiaries ("TRS"). We also operate our business in a manner that permits us to maintain our exemption from registration under the Investment Company Act of 1940, as amended, or the Investment Company Act.

Our investment portfolio

Credit - Residential Investments

Our Residential Investments include:

- Non-QM Loans, which include:
 - Residential mortgage loans that do not qualify for the Consumer Finance Protection Bureau's (the "CFPB") safe harbor provision for "qualifying mortgages," or "QM." When held directly, these investments are included in the "Residential mortgage loans, at fair value" line item on our consolidated balance sheets.
 - Non-QM Loans held alongside other private funds under the management of Angelo Gordon are held in one of our unconsolidated subsidiaries, Mortgage Acquisition Trust I LLC ("MATT") (see the "Contractual obligations" section below for more detail). These investments are included in the "Investments in debt and equity of affiliates" line item on our consolidated balance sheets.
 - Non-QM Loans in securitized form that are issued by MATT. The securitizations typically take the form of various classes of notes. These investments are included in the "Investments in debt and equity of affiliates" line item on our consolidated balance sheets.
- GSE Non-Owner Occupied Loans include loans that are underwritten in accordance with U.S. government-sponsored entity ("GSE") guidelines and are secured by investment properties. These investments are included in the "Residential mortgage loans, at fair value" line item on our consolidated balance sheets.
- Re/Non-Performing Loans, which include:
 - RPLs or NPLs in securitized form issued by an entity in which we own an equity interest and that we hold alongside other private funds under the management of Angelo Gordon. The securitizations typically take the form of equity and various classes of notes. These investments are included in the "RMBS" and "Investments in debt and equity of affiliates" line items on our consolidated balance sheets.
 - RPLs or NPLs we hold through interests in certain consolidated trusts. These investments are secured by residential real property, including prime, Alt-A, and subprime mortgage loans, and are included in the "Residential mortgage loans, at fair value" line item on our consolidated balance sheets.
- Land Related Financing includes first mortgage loans we originate to third-party land developers and home builders for purposes of the acquisition and horizontal development of land. These loans may be held through our unconsolidated subsidiaries. These loans are included in the "Investments in debt and equity of affiliates" line item on our consolidated balance sheets.

The Residential Investments that we own also include residential mortgage-backed securities ("RMBS") that are not issued or guaranteed by Ginnie Mae or a GSE. We collectively refer to these investments as our Non-Agency RMBS. The mortgage loan collateral for residential Non-Agency RMBS consists of residential mortgage loans that do not generally conform to underwriting guidelines issued by U.S. government agencies or U.S. government-sponsored entities. Our Non-Agency RMBS include investment grade and non-investment grade fixed and floating-rate securities.

Agency RMBS

Our investment portfolio includes RMBS. Certain of the assets in our RMBS portfolio have a guarantee of principal and interest by a U.S. government agency such as the Government National Mortgage Association, or Ginnie Mae, or by a GSE such as the Federal National Mortgage Association, or Fannie Mae, or the Federal Home Loan Mortgage Corporation, or Freddie Mac. We refer to these securities as Agency RMBS ("Agency RMBS"). Our Agency RMBS includes fixed rate securities held as mortgage pass-through securities.

Investment classification

Throughout this report, (1) we use the terms "credit portfolio" and "credit investments" to refer to our Residential Investments and Commercial Investments, inclusive of investments held within affiliated entities but exclusive of AG Arc (discussed below); (2) we refer to our Re/Non-Performing Loans (exclusive of our RPLs or NPLs in securitized form), Non-QM Loans (exclusive of those in securitized form), Land Related Financing, and commercial real estate loans, collectively, as our "loans"; (3) we use the term "credit securities" to refer to our credit portfolio, excluding loans; and (4) we use the term "real estate securities" or "securities" to refer to our Agency RMBS portfolio, exclusive of Excess MSRs, and our credit securities. Our "investment portfolio" refers to our combined Agency RMBS portfolio and credit portfolio and encompasses all of the investments described above.

We also use the term "GAAP investment portfolio" which consists of (i) our Agency RMBS, exclusive of (x) to-be-announced securities ("TBAs"), if any, and (y) any investment classified as "Other assets" on our consolidated balance sheets (our "GAAP Agency RMBS portfolio"), and (ii) our credit portfolio, exclusive of (x) all investments held within affiliated entities and (y) any investments classified as "Other assets" on our consolidated balance sheets (our "GAAP credit portfolio"). See Note 2 to the "Notes to Consolidated Financial Statements" for a discussion of our investments held within affiliated entities. For a reconciliation of our investment portfolio to our GAAP investment portfolio, see the GAAP Investment Portfolio Reconciliation Table below.

This presentation of our investment portfolio is consistent with how our management evaluates our 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.

Arc Home LLC

We, alongside private funds under the management of Angelo Gordon, through AG Arc LLC, one of our indirect subsidiaries ("AG Arc"), formed Arc Home LLC ("Arc Home"). Arc Home originates residential mortgage loans and retains the mortgage servicing rights associated with the loans that it originates. From time to time, Arc Home may sell originated loans to us or other private funds under the management of Angelo Gordon. See Note 10 to the "Notes to Consolidated Financial Statements (unaudited)" for additional financial information regarding transactions with affiliates.

Market conditions

The mortgage and housing markets remained well-supported during the third quarter of 2021 due to strong fundamentals, demand for risk assets and active new-issue markets. Delinquency and forbearance rates continued to decline and home prices reached a record high, nearing a 20% rise year-over-year. We expect that the mortgage and housing sectors will continue to benefit from these factors as well as in part to excess savings accrued from various federal stimulus disbursements. As various relief programs sunset, the term-driven expiration of mortgage payment forbearance may lead to some near-term headwinds in mortgage and other consumer debt investments. However we believe this risk should be offset by strong demand for labor, rising collateral prices and persistently tight new mortgage underwriting.

Non-Agency Loans and Securitizations: Issuance continued to remain strong with almost \$6 billion of Non-QM transactions pricing in the third quarter of 2021, on pace for well over \$20 billion for 2021. Agency-eligible mortgage loans backed by investment properties and second homes were also issued into the Private Label Securities ("PLS") market with over \$7 billion of transactions pricing, as originators looked for liquidity away from the GSE's as a result of amendments made to the Preferred Stock Purchase Agreement earlier in the year. It is highly unlikely for that pace of issuance to continue, as the relevant amendments were subsequently suspended on September 14th allowing originators to sell their production directly to the GSE's without limitation. However, given the strength of the PLS execution demonstrated over the course of the quarter, some originators may still look to private capital to diversify their funding sources, leading to issuance volume well above the 2019 and 2020 levels of approximately \$2 billion per year. Appetite for securitized debt continued to remain strong, leading to loan pricing remaining relatively high throughout the quarter.

Agency RMBS: Nominal spreads on Agency RMBS widened in July as compared to benchmark rates, but stabilized throughout the remainder of the quarter. While the Federal Reserve has strongly suggested that it will officially initiate the tapering of asset purchases at their November meeting, continued strong bank buying has supported valuations. Payups on specified pools held up well as banks and money managers purchased specified pools over TBAs with dollar roll beginning to weaken as a result of the anticipated tapering from the Federal Reserve.

Non-Agency RMBS: Spreads for securitized residential debt sectors were mixed during the third quarter, as most Credit Risk Transfer tranches tightened 10-20 basis points while other assets such as AAA Non-QM tranches and legacy mortgages were mostly unchanged. Despite relatively minimal spread movement, many of the same themes that have supported the sector persisted during the quarter, including favorable collateral fundamentals, record high home prices, demand for yield, and continued employment gains. Issuance of new RMBS fell approximately 15% to \$46 billion in the third quarter and, for the first nine months of 2021, RMBS issuance totaled \$140 billion, rising 66% from year-ago levels and 43% from the first nine months of 2019. Comparisons to 2020 are considerably skewed by the issuance lull immediately following the outbreak of the COVID-19 pandemic.

In light of various market uncertainties, in particular the pervasive uncertainties of the COVID-19 pandemic for the U.S. and global economy, there can be no assurance that the trends and conditions described above will not change in a manner materially adverse to the mortgage REIT industry and/or our Company.

Results of Operations

Our operating results can be affected by a number of factors and primarily depend on the size and composition of our investment portfolio, the level of our net interest income, the fair value of our assets and the supply of, and demand for, our investments in residential mortgages in the marketplace, among other things, which can be impacted by unanticipated credit events, such as defaults, liquidations or delinquencies, experienced by borrowers whose mortgage loans are included in our investment portfolio and other unanticipated events in our markets. Our primary source of net income or loss available to common stockholders is our net interest income, less our cost of hedging, which represents the difference between the interest earned on our investment portfolio and the costs of financing and economic hedges in place on our investment portfolio, as well as any income or losses from our equity investments in affiliates.

Three Months Ended September 30, 2021 compared to the Three Months Ended September 30, 2020

The table below presents certain information from our consolidated statements of operations for the three months ended September 30, 2021 and 2020 (in thousands):

	Three Months Ended		Increase/(Decrease)
	September 30, 2021	September 30, 2020	
Statement of Operations Data:			
Net Interest Income			
Interest income	\$ 19,629	\$ 9,717	\$ 9,912
Interest expense	7,197	4,357	2,840
Total Net Interest Income	12,432	5,360	7,072
Other Income/(Loss)			
Net realized gain/(loss)	(5,460)	(14,431)	8,971
Net interest component of interest rate swaps	(1,184)	(13)	(1,171)
Unrealized gain/(loss), net	29,461	21,465	7,996
Other income/(loss), net	—	(10)	10
Total Other Income/(Loss)	22,817	7,011	15,806
Expenses			
Management fee to affiliate	1,693	1,698	(5)
Other operating expenses	5,010	5,929	(919)
Restructuring related expenses	—	1,345	(1,345)
Servicing fees	849	540	309
Total Expenses	7,552	9,512	(1,960)
Income/(loss) before equity in earnings/(loss) from affiliates	27,697	2,859	24,838
Equity in earnings/(loss) from affiliates	6,882	17,187	(10,305)
Net Income/(Loss)	34,579	20,046	14,533
Gain on Exchange Offers, net	—	539	(539)
Dividends on preferred stock	(4,586)	(5,563)	977
Net Income/(Loss) Available to Common Stockholders	\$ 29,993	\$ 15,022	\$ 14,971

Interest income

Interest income is calculated using the effective interest method for our GAAP investment portfolio and calculated based on the actual coupon rate.

Interest income increased from September 30, 2020 to September 30, 2021 primarily due to an increase in the size of our portfolio. The weighted average amortized cost of our GAAP investment portfolio increased by \$1.3 billion from \$0.7 billion for the three months ended September 30, 2020 to \$2.0 billion for the three months ended September 30, 2021. The increase was primarily driven by purchases of Non-QM Loans, GSE Non-Owner Occupied Loans, and Agency RMBS during the period. This increase was offset by a decrease of 1.24% in the weighted average yield of our GAAP investment portfolio from 5.22% for the three months ended September 30, 2020 to 3.98% for the three months ended September 30, 2021.

Interest expense

Interest expense is calculated based on the actual financing rate and the outstanding financing balance of our GAAP investment portfolio.

Interest expense increased from September 30, 2020 to September 30, 2021 primarily due to an increase in the amount of financing on our GAAP investment portfolio during the period. The weighted average financing balance on our GAAP investment portfolio increased by \$0.9 billion from \$0.3 billion for the three months ended September 30, 2020 to \$1.2 billion for the three months ended September 30, 2021. This was offset by a decrease of 4.49% in the weighted average financing rate on our GAAP investment portfolio from 6.83% for the three months ended September 30, 2020 to 2.34% for the three months ended September 30, 2021.

Net realized gain/(loss)

The following table presents a summary of Net realized gain/(loss) for the three months ended September 30, 2021 and 2020 (in thousands):

	Three Months Ended	
	September 30, 2021	September 30, 2020
Sales of real estate securities	\$ (4,795)	\$ (8,477)
Sales of loans and loans transferred to or sold from Other assets	640	(4,795)
Settlement of derivatives and other instruments	(1,305)	(1,159)
Total Net realized gain/(loss)	\$ (5,460)	\$ (14,431)

Net interest component of interest rate swaps

Net interest component of interest rate swaps represents the net interest income received or expense paid on our interest rate swaps.

Net interest component of interest rate swaps decreased from September 30, 2020 to September 30, 2021 primarily due to an increase in the size of our interest rate swap portfolio. As of the September 30, 2021, we held an interest rate swap portfolio with a notional value of \$720.0 million, a weighted average receive-variable rate of 0.13%, and a weighted average pay-fix rate of 0.73%. As of the September 30, 2020, we held an interest rate swap portfolio with a notional value of \$180.0 million, a weighted average receive-variable rate of 0.13%, and a weighted average pay-fix rate of 0.42%.

Unrealized gain/(loss), net

The following table presents a summary of Unrealized gain/(loss), net for the three months ended September 30, 2021 and 2020 (in thousands):

	Three Months Ended	
	September 30, 2021	September 30, 2020
Real estate securities	\$ 5,388	\$ 9,281
Loans	20,662	10,214
Excess mortgage servicing rights	1,507	4,127
Derivatives	2,095	1,164
Securitized debt	(191)	(3,321)
Total Unrealized gain/(loss), net	\$ 29,461	\$ 21,465

Management fee to affiliate

Our management fee is based upon a percentage of our Stockholders' Equity. See the "Contractual obligations" section of this Item 2 for further detail on the calculation of our management fee and for the definition of Stockholders' Equity. Management fees remained relatively flat from September 30, 2020 to September 30, 2021.

Other operating expenses

This amount is primarily comprised of professional fees, directors' and officers' ("D&O") insurance and directors' fees, as well as certain expenses reimbursable to the Manager. We are required to reimburse our Manager or its affiliates for operating expenses incurred by our Manager or its affiliates on our behalf, including certain salary expenses and other expenses relating to legal, accounting, due diligence, and other services. Refer to the "Contractual obligations" section below for more detail on certain expenses reimbursable to the Manager. The following table presents a summary of expenses within Other operating expenses broken out between non-investment related expenses and investment related expenses for the three months ended September 30, 2021 and 2020 (in thousands):

	Three Months Ended	
	September 30, 2021	September 30, 2020
Non Investment Related Expenses		
Affiliate expense reimbursement - Operating expenses (1)	\$ 1,125	\$ 1,697
Professional fees	343	729
D&O insurance	349	321
Directors' compensation	169	138
Other	275	118
Total Non Investment Related Expenses	2,261	3,003
Investment Related Expenses		
Affiliate expense reimbursement - Deal related expenses	189	643
Affiliate expense reimbursement - Transaction related expenses	250	—
Residential mortgage loan related expenses	479	597
Transaction related expenses and deal related performance fees	1,763	1,590
Other	68	96
Total Investment Expenses	2,749	2,926
Total Other operating expenses	\$ 5,010	\$ 5,929

- (1) For the year ended December 31, 2021, the Manager agreed to waive its right to receive expense reimbursements of \$0.8 million. For the three months ended September 30, 2021, \$0.2 million of the reduction in reimbursable expenses is included within the "Affiliated expense reimbursement - Operating expenses" line item above.

Restructuring related expenses

During the three months ended September 30, 2020, restructuring related expenses relate to legal and consulting fees primarily incurred in connection with restructuring our debt and capital structure.

Servicing fees

We incur servicing fee expenses in connection with the servicing of our residential mortgage loans. As of September 30, 2021 and September 30, 2020, we owned residential mortgage loans with a fair value of \$1.6 billion and \$0.4 billion, respectively. The increase in the fair value of residential mortgage loans was a result of net purchases of Non-QM Loans and GSE Non-Owner Occupied Loans in 2021. As a result, servicing fees increased from the three months ended September 30, 2020 to the three months ended September 30, 2021.

Equity in earnings/(loss) from affiliates

Equity in earnings/(loss) from affiliates represents our share of earnings and profits of investments held within affiliated entities. Substantially all of these investments are comprised of real estate securities, loans, and our investment in AG Arc. The below table reconciles the net income/(loss) to the "Equity in earnings/(loss) from affiliates" line item on our consolidated statements of operations (in thousands).

	Three Months Ended	
	September 30, 2021	September 30, 2020
Non-QM Loans	\$ (644)	\$ 1,828
AG Arc (1)	399	13,407
Land Related Financing	598	728
Other (2)	6,529	1,224
Equity in earnings/(loss) from affiliates	\$ 6,882	\$ 17,187

- (1) The earnings/(loss) at AG Arc during the three months ended September 30, 2021 were primarily the result of \$1.0 million of net income related to Arc Home's lending and servicing operations, offset by \$(0.7) million related to changes in the fair value of the MSR portfolio held by Arc Home. The earnings recognized by AG Arc do 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, 2021, we eliminated \$1.6 million of intra-entity profits recognized by Arc Home and also decreased the cost basis of the underlying loans we purchased by the same amount. Refer to Note 2 to the "Notes to Consolidated Financial Statements (unaudited)" for more information on this accounting policy.
- (2) The earnings for the three months ended September 30, 2021 were primarily the result of accelerated accretion as a result of paydowns on certain Re/Non-Performing Loans held at discounts.

Gain on Exchange Offers, net

We completed an exchange offer during the third quarter of 2020. As a result of the exchange offer, we exchanged a total of 42,820 shares of our 8.25% Series A Cumulative Redeemable Preferred Stock ("Series A Preferred Stock"), 31,085 shares of our 8.00% Series B Cumulative Redeemable Preferred Stock ("Series B Preferred Stock"), and 29,355 shares of our 8.000% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock ("Series C Preferred Stock") for a total of 172,100 shares of common stock. We recognized a gain of \$0.5 million in connection with the exchange offer, which is net of related expenses.

Nine Months Ended September 30, 2021 compared to the Nine Months Ended September 30, 2020

The table below presents certain information from our consolidated statements of operations for the nine months ended September 30, 2021 and 2020 (in thousands):

	Nine Months Ended		Increase/(Decrease)
	September 30, 2021	September 30, 2020	
Statement of Operations Data:			
Net Interest Income			
Interest income	\$ 45,976	\$ 63,354	\$ (17,378)
Interest expense	16,552	32,941	(16,389)
Total Net Interest Income	29,424	30,413	(989)
Other Income/(Loss)			
Net realized gain/(loss)	(5,124)	(257,183)	252,059
Net interest component of interest rate swaps	(3,498)	910	(4,408)
Unrealized gain/(loss), net	58,995	(186,567)	245,562
Other income/(loss), net	37	1,487	(1,450)
Total Other Income/(Loss)	50,410	(441,353)	491,763
Expenses			
Management fee to affiliate	5,014	5,525	(511)
Other operating expenses	13,859	11,416	2,443
Restructuring related expenses	—	9,949	(9,949)
Excise tax	—	(815)	815
Servicing fees	2,136	1,685	451
Total Expenses	21,009	27,760	(6,751)
Income/(loss) before equity in earnings/(loss) from affiliates	58,825	(438,700)	497,525
Equity in earnings/(loss) from affiliates	34,496	(23,571)	58,067
Net Income/(Loss) from Continuing Operations	93,321	(462,271)	555,592
Net Income/(Loss) from Discontinued Operations	—	361	(361)
Net Income/(Loss)	93,321	(461,910)	555,231
Gain on Exchange Offers, net	472	539	(67)
Dividends on preferred stock	(14,199)	(16,897)	2,698
Net Income/(Loss) Available to Common Stockholders	\$ 79,594	\$ (478,268)	\$ 557,862

Interest income

Interest income decreased from September 30, 2020 to September 30, 2021 primarily due to a decrease in the weighted average yield of our portfolio. The weighted average yield of our GAAP investment portfolio decreased by 1.16% from 4.72% for the nine months ended September 30, 2020 to 3.56% for the nine months ended September 30, 2021. This decrease was coupled with a decrease of \$0.1 billion in the weighted average amortized cost of our GAAP investment portfolio from \$1.8 billion for the nine months ended September 30, 2020 to \$1.7 billion for the nine months ended September 30, 2021.

Interest expense

Interest expense decreased from September 30, 2020 to September 30, 2021 primarily due to a decrease in the amount of financing on our GAAP investment portfolio during the period. The weighted average financing balance on our GAAP investment portfolio during the period decreased by \$0.2 billion from \$1.3 billion for the nine months ended September 30,

2020 to \$1.1 billion for the nine months ended September 30, 2021. Additionally, the weighted average financing rate on our GAAP investment portfolio decreased by 1.41% from 3.45% for the nine months ended September 30, 2020 to 2.04% for the nine months ended September 30, 2021.

Net realized gain/(loss)

The following table presents a summary of Net realized gain/(loss) for the nine months ended September 30, 2021 and 2020 (in thousands):

	Nine Months Ended	
	September 30, 2021	September 30, 2020
Sales/Seizures of real estate securities (1)	\$ (9,677)	\$ (131,070)
Sales of loans and loans transferred to or sold from Other assets	5,126	(63,560)
Settlement of derivatives and other instruments	(573)	(62,553)
Total Net realized gain/(loss)	\$ (5,124)	\$ (257,183)

(1) Certain realized losses on real estate securities during the nine months ended September 30, 2020 were a result of financing counterparty seizures.

Net interest component of interest rate swaps

We recognized losses on net interest component of interest rate swaps for the nine months ended September 30, 2021 compared with gains for the nine months September 30, 2020 primarily due to the difference in terms on the outstanding interest rate swaps during the periods coupled with exiting our interest rate swap portfolio in the first quarter of 2020. As of the September 30, 2021, we held an interest rate swap portfolio with a notional value of \$720.0 million, a weighted average receive-variable rate of 0.13%, and a weighted average pay-fix rate of 0.73%.

Unrealized gain/(loss), net

The following table presents a summary of Unrealized gain/(loss), net for the nine months ended September 30, 2021 and 2020 (in thousands):

	Nine Months Ended	
	September 30, 2021	September 30, 2020
Real estate securities	\$ 1,122	\$ (145,146)
Loans	44,786	(39,624)
Excess mortgage servicing rights	1,399	603
Derivatives	14,781	(10,915)
Securitized debt	(3,093)	8,515
Total Unrealized gain/(loss), net	\$ 58,995	\$ (186,567)

Other income/(loss), net

Other income/(loss), net includes gains or losses on foreign currency pertaining to the effects of remeasuring the monetary assets and liabilities of our foreign investments into U.S. dollars using foreign currency exchange rates at the end of the reporting period. During the nine months ended September 30, 2020, the value of GBP relative to USD decreased, resulting in a gain on the liabilities held in foreign currencies. As of September 30, 2021, we did not hold any positions denominated in foreign currencies.

Management fee to affiliate

Management fees decreased from September 30, 2020 to September 30, 2021 primarily due to a decrease in our Stockholders' Equity as calculated pursuant to our Management Agreement.

Other operating expenses

The following table presents a summary of expenses within Other operating expenses broken out between non-investment related expenses and investment related expenses for the nine months ended September 30, 2021 and 2020 (in thousands):

	Nine Months Ended	
	September 30, 2021	September 30, 2020
Non Investment Related Expenses		
Affiliate expense reimbursement - Operating expenses (1)	\$ 3,375	\$ 5,273
Professional fees	2,048	1,922
D&O insurance	1,137	669
Directors' compensation	504	529
Equity based compensation to affiliate	—	163
Other	689	545
Total Non Investment Related Expenses	7,753	9,101
Investment Related Expenses		
Affiliate expense reimbursement - Deal related expenses	518	967
Affiliate expense reimbursement - Transaction related expenses	330	—
Residential mortgage loan related expenses	1,729	2,176
Transaction related expenses and deal related performance fees (2)	3,401	(1,256)
Other	128	428
Total Investment Expenses	6,106	2,315
Total Other operating expenses	\$ 13,859	\$ 11,416

- (1) For the year ended December 31, 2021, the Manager agreed to waive its right to receive expense reimbursements of \$0.8 million. For the nine months ended September 30, 2021, \$0.6 million of the reduction in reimbursable expenses is included within the "Affiliated expense reimbursement - Operating expenses" line item above.
- (2) The increase in Transaction related expenses and deal related performance fees from the nine months ended September 30, 2020 to the nine months ended September 30, 2021 is the result of expenses incurred in 2021 in relation to securitizations of Non-QM Loans and the reversal of previously accrued deal related performance fees in the period ended March 31, 2020 due to a decline in the price of the related assets, as well as the seizure of such assets by financing counterparties.

Restructuring related expenses

Restructuring related expenses relate to legal and consulting fees primarily incurred in connection with executing the Forbearance Agreement and subsequent Reinstatement Agreement in 2020. Refer to the "Financing activities" section below for more information regarding the Forbearance Agreement and the Reinstatement Agreement.

Excise tax

During the nine months ended September 30, 2020, we reversed previously accrued excise taxes primarily as a result of losses associated with COVID-19. We did not record any excise taxes for the nine months ended September 30, 2021.

Servicing fees

Servicing fees increased from the nine months ended September 30, 2020 to the nine months ended September 30, 2021 as a result of net purchases of Non-QM Loans and GSE Non-Owner Occupied Loans during 2021.

Equity in earnings/(loss) from affiliates

The below table reconciles the net income/(loss) to the "Equity in earnings/(loss) from affiliates" line item on our consolidated statements of operations (in thousands).

	Nine Months Ended	
	September 30, 2021	September 30, 2020
Non-QM Loans (1)	\$ 15,277	\$ (33,016)
AG Arc (2)	4,033	12,891
Land Related Financing	1,848	1,865
Other (3)	13,338	(5,311)
Equity in earnings/(loss) from affiliates	\$ 34,496	\$ (23,571)

- (1) The earnings within MATT for the nine months ended September 30, 2021 were primarily the result of mark-to-market gains on its Non-QM Loan portfolio and net interest income, offset by expenses. The losses generated within MATT for the nine months ended September 30, 2020 were primarily the result of mark-to-market losses on its Non-QM Loan portfolio and related financing, offset by net interest income.
- (2) The earnings/(loss) at AG Arc during the nine months ended September 30, 2021 were primarily the result of \$5.4 million of net income related to Arc Home's lending and servicing operations, offset by \$(1.9) million related to changes in the fair value of the MSR portfolio held by Arc Home. The earnings recognized by AG Arc also do not include our portion of gains recorded by Arc Home in connection with the sale of residential mortgage loans to us. For the nine months ended September 30, 2021, we eliminated \$3.5 million of intra-entity profits recognized by Arc Home and also decreased the cost basis of the underlying loans we purchased by the same amount. Refer to Note 2 to the "Notes to Consolidated Financial Statements (unaudited)" for more information on this accounting policy.
- (3) The earnings for the nine months ended September 30, 2021 were primarily the result of accelerated accretion as a result of paydowns on certain Re/Non-Performing Loans held at discounts.

Gain on Exchange Offers, net

We completed two privately negotiated exchange offers during the nine months ended September 30, 2021. As a result of the exchange offers, we exchanged 153,325 shares of our Series A Preferred Stock, 437,087 shares of our Series B Preferred Stock, and 154,383 shares of our Series C Preferred Stock for a total of 1,367,264 shares of common stock. We recognized a gain of \$0.5 million in connection with the offers.

During the nine months ended September 30, 2020, we completed an exchange offer whereby a total of 42,820 shares of Series A Preferred Stock, 31,085 shares of Series B Preferred Stock, and 29,355 shares of Series C Preferred Stock were exchanged for a total of 172,100 shares of common stock. We recognized a gain of \$0.5 million in connection with the exchange offer.

Book value and Adjusted book value per share

On July 12, 2021, we announced a one-for-three reverse stock split of our outstanding shares of common stock. The reverse stock split was effected following the close of business on July 22, 2021. All per share amounts and common shares outstanding for all periods presented have been adjusted on a retroactive basis to reflect the one-for-three reverse stock split.

Per share amounts for book value are calculated using all outstanding common shares in accordance with GAAP, including all vested shares issued to our Manager, and our independent directors under our equity incentive plans as of quarter-end. As of September 30, 2021, the net proceeds for the Series A Preferred Stock, Series B Preferred Stock, and our Series C Preferred Stock were \$40.1 million, \$90.2 million, and \$90.2 million, respectively. As of September 30, 2021, the liquidation preference for the issued and outstanding Series A Preferred Stock, Series B Preferred Stock, and Series C Preferred Stock was \$41.6 million, \$93.2 million, and \$93.2 million, respectively.

As of September 30, 2021 and December 31, 2020, our book value per common share calculated using stockholders' equity less net proceeds on our preferred stock as the numerator was \$16.92 and \$12.40, respectively. As of September 30, 2021 and December 31, 2020, our adjusted book value per common share calculated using stockholders' equity less the liquidation preference of our preferred stock as the numerator was \$16.45 and \$11.81, respectively.

Presentation of investment, financing and hedging activities

In the "Investment activities," "Financing activities," "Hedging activities," and "Liquidity and capital resources" sections of this Item 2, where we disclose our investment portfolio and the related financing arrangements, 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) TBAs, which are accounted for as derivatives under GAAP. Our investment portfolio and the related financing arrangements are presented along with a reconciliation to GAAP. This presentation of our investment portfolio is consistent with how our management team 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 Note 2 to the "Notes to Consolidated Financial Statements (unaudited)" for a discussion of investments in debt and equity of affiliates.

Net interest margin and leverage ratio

Net interest margin and leverage ratio are metrics that management believes should be considered when evaluating the performance of our investment portfolio.

GAAP net interest margin and non-GAAP net interest margin, a non-GAAP financial measure, are calculated by subtracting the weighted average cost of funds from the weighted average yield for our GAAP investment portfolio and our investment portfolio, respectively, both of which exclude cash held by us and any net TBA position. The weighted average yield on our credit portfolio and our Agency RMBS 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 calculation of weighted average yield is weighted on fair value at quarter-end. The weighted average cost of funds is the sum of the weighted average funding costs on total financing arrangements outstanding at quarter-end, including all non-recourse financing arrangements, and our weighted average hedging cost, which is the weighted average of the net pay rate on our interest rate swaps. GAAP and non-GAAP cost of funds are weighted by the outstanding financing arrangements on our GAAP investment portfolio and our investment portfolio, respectively, and the fair value of securitized debt at quarter-end.

Our leverage ratio is determined by our portfolio mix as well as many additional factors, including the liquidity of our portfolio, the availability and price of our financing, the available capacity to finance our assets, and anticipated regulatory developments. See the "Financing activities" section below for more detail on our leverage ratio.

The table below sets forth the net interest margin and leverage ratio on our investment portfolio as of September 30, 2021 and September 30, 2020 and a reconciliation to the net interest margin and leverage ratio on our GAAP investment portfolio:

September 30, 2021

Weighted Average	GAAP Investment Portfolio	Investments in Debt and Equity of Affiliates	Investment Portfolio (a)
Yield	3.60 %	18.69 %	4.30 %
Cost of Funds (b)	1.92 %	3.16 %	1.96 %
Net Interest Margin	1.68 %	15.53 %	2.34 %
Leverage Ratio (c)	3.8x	(d)	1.8x

September 30, 2020

Weighted Average	GAAP Investment Portfolio	Investments in Debt and Equity of Affiliates	Investment Portfolio (a)
Yield	4.40 %	9.13 %	5.32 %
Cost of Funds (b)	2.76 %	4.90 %	3.02 %
Net Interest Margin	1.64 %	4.23 %	2.30 %
Leverage Ratio (c)	1.8x	(d)	0.9x

(a) Excludes net TBA position, if any.

(b) Includes cost of non-recourse financing arrangements.

(c) The leverage ratio on our GAAP investment portfolio represents GAAP leverage. The leverage ratio on our investment portfolio represents Economic Leverage as defined below in the "Financing Activities" section.

(d) Refer to the "Financing activities" section below for an aggregate breakout of leverage.

Core Earnings

One of our objectives is to generate net income from net interest margin on the portfolio, and management uses Core Earnings, as one of several metrics, to help measure our performance against this objective. Management believes that this non-GAAP measure, when considered with our GAAP financial statements, provides supplemental information useful for investors to help evaluate our financial performance. However, management also believes that our definition of Core Earnings has important

limitations as it does not include certain earnings or losses our management team considers in evaluating our financial performance. Our presentation of Core Earnings 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, Net Income/(loss) available to common stockholders or Net income/(loss) per diluted common share calculated in accordance with GAAP. Our GAAP financial results and the reconciliations from these results should be carefully evaluated.

We define Core Earnings, a non-GAAP financial measure, as Net Income/(loss) available to common stockholders excluding (i) (a) unrealized gains/(losses) on real estate securities, loans, 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 or disposition of our investments, (iii) accrued deal-related performance fees payable to Arc Home and third party operators to the extent the primary component of the accrual relates to items that are excluded from Core Earnings, 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, (vi) any foreign currency gain/(loss) relating to monetary assets and liabilities, (vii) income from discontinued operations, and (viii) any gains/(losses) associated with exchange transactions on our common and preferred stock. Items (i) through (viii) 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 or disposition 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 Core Earnings on the remainder of its portfolio. Management excludes all deferred taxes because it believes deferred taxes are not representative of current operations. Core Earnings include 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.

The below table includes Core Earnings for the three and nine months ended September 30, 2020. However, during those periods, we determined that Core Earnings did not appropriately capture our business, liquidity, results of operations, financial condition, or our ability to make distributions to our stockholders due to the impact of COVID-19 on our business. Refer to the "Results of Operations" section above for a detailed discussion of our GAAP financial results.

A reconciliation of "Net Income/(loss) available to common stockholders" to Core Earnings for the three and nine months ended September 30, 2021 and 2020 is set forth below (in thousands, except per share data):

	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Net Income/(loss) available to common stockholders	\$ 29,993	\$ 15,022	\$ 79,594	\$ (478,268)
Add (Deduct):				
Net realized (gain)/loss	5,460	14,431	5,124	257,183
Unrealized (gain)/loss, net	(29,461)	(21,465)	(58,995)	186,567
Transaction related expenses and deal related performance fees (1)	2,484	2,167	4,496	(673)
Equity in (earnings)/loss from affiliates	(6,882)	(17,187)	(34,496)	23,571
Net interest income and expenses from equity method investments (2)(3)	15,000	14,148	24,861	26,614
Net (income)/loss from discontinued operations	—	—	—	(361)
Other (income)/loss, net	—	10	(14)	(1,483)
(Gains) from Exchange Offers, net	—	(539)	(472)	(539)
Dollar roll income/(loss)	(1,113)	—	(1,113)	322
Core Earnings	\$ 15,481	\$ 6,587	\$ 18,985	\$ 12,933
Core Earnings, per Diluted Share (4)	\$ 0.96	\$ 0.57	\$ 1.24	\$ 1.16

(1) For the three months ended September 30, 2021 and 2020, total transaction related expenses and deal related performance fees included \$2.0 million and \$1.6 million, respectively, recorded within the "Other operating expenses" line item and \$0.5 million and \$0.6 million, respectively, recorded within the "Interest expense" line item, which relates to the amortization of deferred financing costs. For the nine months ended September 30, 2021 and 2020, total transaction related expenses and deal related performance fees included \$3.7 million and \$(1.3) million, respectively, recorded within the "Other operating expenses" line item and \$0.8 million and \$0.6 million, respectively, recorded

within the "Interest expense" line item, which relates to the amortization of deferred financing costs.

- (2) For the three months ended September 30, 2021 and 2020, \$0.2 million or \$0.01 per share and \$1.8 million or \$0.16 per share, respectively; and for the nine months ended September 30, 2021 and 2020, \$1.3 million or \$0.08 per share and \$(3.2) million or \$(0.29) per share, respectively, of realized and unrealized changes in the fair value of Arc Home's net mortgage servicing rights and corresponding derivatives net of taxes were excluded from Core Earnings per diluted share.
- (3) Core income or loss 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 and nine months ended September 30, 2021, we eliminated \$1.6 million and \$3.5 million of intra-entity profits recognized by Arc Home, respectively, and also decreased the cost basis of the underlying loans we purchased by the same amount. We did not eliminate any intra-entity profits for the three and nine months ended September 30, 2020. Refer to Note 2 to the "Notes to Consolidated Financial Statements (unaudited)" for more information on this accounting policy.
- (4) All per share amounts for all periods presented have been adjusted to reflect the one-for-three reverse stock split.

Investment activities

We aim to allocate capital to investment opportunities with attractive risk/return profiles in our target asset classes. We recently have focused our efforts on growing our portfolio of Residential Credit Investments, investing in residential mortgage loans with the intent to securitize these assets as market conditions permit. We are also currently investing in 30 Year Fixed Rate Agency RMBS to utilize excess liquidity. Our investment and capital allocation decisions depend on prevailing market conditions and compliance with Investment Company Act and REIT tests, among other factors, and may change over time in response to opportunities available in different economic and capital market environments. As a result, in reacting to market conditions and taking into account a variety of other factors, including liquidity, duration, and interest rate expectations, the mix of our assets changes over time as we opportunistically deploy capital. We actively evaluate our investments based on factors including, among others, the characteristics of the underlying collateral, geography, expected return, expected future prepayment trends, supply of and demand for our investments, costs of financing, costs of hedging, expected future interest rate volatility, and the overall shape of the U.S. Treasury and interest rate swap yield curves.

The following table presents a detailed break-down of our investment portfolio as of September 30, 2021 and December 31, 2020 and a reconciliation to our GAAP Investment Portfolio (\$ in thousands):

	Fair Value		Percent of Investment Portfolio Fair Value		Leverage Ratio (a)	
	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
Residential Investments	\$ 1,713,539	\$ 691,478	77.2 %	49.5 %	1.1x	0.2x
Commercial Investments	—	182,296	— %	13.1 %	—	0.9x
Agency RMBS	506,526	521,843	22.8 %	37.4 %	4.1x	6.1x
Total: Investment Portfolio	\$ 2,220,065	\$ 1,395,617	100.0 %	100.0 %	1.8x	1.5x
Investments in Debt and Equity of Affiliates (b)	\$ 102,949	\$ 217,964	N/A	N/A	(c)	(c)
Total: GAAP Investment Portfolio	\$ 2,117,116	\$ 1,177,653	N/A	N/A	3.8x	2.4x

- (a) The leverage ratio on our investment portfolio represents Economic Leverage as defined below in the "Financing Activities" section and is calculated by dividing each investment type's total recourse financing arrangements by its allocated equity (described in the chart below). Cash posted as collateral has been allocated pro-rata by each respective asset class's Economic Leverage amount. The Economic Leverage Ratio excludes any fully non-recourse financing arrangements and includes any net receivables or payables on TBA. The leverage ratio on our GAAP Investment Portfolio represents GAAP leverage.
- (b) Certain Re/Non-Performing Loans held in securitized form are presented net of non-recourse securitized debt.
- (c) Refer to the "Financing activities" section below for an aggregate breakout of leverage.

We allocate our equity by investment type using the fair value of our investment portfolio, less any associated leverage, inclusive of any long TBA position (at cost). We allocate all non-investment portfolio related assets and liabilities to our investment portfolio based on the characteristics of such assets and liabilities in order to sum to stockholders' equity per the consolidated balance sheets. Our equity allocation method is a non-GAAP methodology and may not be comparable to the similarly titled measure or concepts of other companies, who may use different calculations and allocation methodologies.

The following table presents a summary of the allocated equity of our investment portfolio as of September 30, 2021 and December 31, 2020 (\$ in thousands):

	Allocated Equity		Percent of Equity	
	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
Residential Investments \$	380,817	\$ 229,183	77.8 %	56.0 %
Commercial Investments	—	99,668	— %	24.3 %
Agency RMBS	108,932	80,854	22.2 %	19.7 %
Total \$	489,749	\$ 409,705	100.0 %	100.0 %

The following table presents a reconciliation of our Investment Portfolio to our GAAP Investment Portfolio as of September 30, 2021 and December 31, 2020 (\$ in thousands):

Instrument	September 30, 2021							December 31, 2020
	Current Face	Amortized Cost	Unrealized Mark-to-Market	Fair Value (1)	Weighted Average Coupon (2)	Weighted Average Yield	Weighted Average Life (Years) (3)	Fair Value (1)
Credit Investments:								
Residential Investments								
Non-QM Loans (4)	\$ 975,501	\$ 1,014,231	\$ 15,768	\$ 1,029,999	5.02 %	3.64 %	4.10	\$ —
GSE Non-Owner Occupied Loans	207,801	212,445	2,188	214,633	3.63 %	3.11 %	6.15	—
MATT Non-QM Loans (5)	921,459	72,606	576	73,182	0.80 %	11.13 %	0.67	153,200
Re/Non-Performing Loans	431,656	360,578	14,724	375,302	3.57 %	8.34 %	6.61	478,565
Land Related Financing	17,660	17,660	—	17,660	14.50 %	14.50 %	0.81	22,824
Prime	6,966	2,272	421	2,693	3.50 %	15.06 %	10.04	8,665
Alt-A/Subprime	—	—	—	—	— %	— %	—	11,496
Credit Risk Transfer	—	—	—	—	— %	— %	—	13,308
Non-U.S. RMBS	—	—	—	—	— %	— %	—	3,100
Interest Only and Excess MSR	26,698	187	(117)	70	N/A	7.22 %	3.67	320
Total Residential Investments	2,587,741	1,679,979	33,560	1,713,539	3.70 %	5.05 %	3.45	691,478
Total Commercial Investments	—	—	—	—	— %	— %	—	182,296
Total Credit Investments	2,587,741	1,679,979	33,560	1,713,539	3.70 %	5.05 %	3.45	873,774
Agency RMBS:								
30 Year Fixed Rate	497,214	510,011	(3,485)	506,526	2.19 %	1.77 %	7.18	518,352
Excess MSR	—	—	—	—	— %	— %	—	3,491
Total Agency RMBS	497,214	510,011	(3,485)	506,526	2.19 %	1.77 %	7.18	521,843
Total: Investment Portfolio	\$ 3,084,955	\$ 2,189,990	\$ 30,075	\$ 2,220,065	3.41 %	4.30 %	4.05	\$ 1,395,617
Investments in Debt and Equity of Affiliates	\$ 970,338	\$ 101,626	\$ 1,323	\$ 102,949	1.40 %	18.69 %	0.69	\$ 217,964
Total: GAAP Investment Portfolio	\$ 2,114,617	\$ 2,088,364	\$ 28,752	\$ 2,117,116	3.92 %	3.60 %	5.59	\$ 1,177,653

- (1) Refer to Note 2 to the "Notes of the Consolidated Financial Statements (unaudited)" for more detail on what is included in our "Investments in debt and equity of affiliates" line item on our consolidated balance sheets. Our assets held through Investments in debt and equity of affiliates are included in the "MATT Non-QM Loans," "Re/Non-Performing Loans," "Land Related Financing," and "Excess MSR" line items above.
- (2) Equity residuals, principal only securities, and Excess MSRs with a zero coupon rate are excluded from this calculation.
- (3) Weighted average life is based on projected life. Typically, actual maturities are shorter than stated contractual maturities. Maturities are affected by the contractual lives of the underlying mortgages, periodic payments of principal, and prepayments of principal.
- (4) Prior to 2021, we acquired Non-QM Loans through our equity method investment in MATT. This line item represents direct purchases of Non-QM Loans, which began in Q1 2021.
- (5) As of September 30, 2021, this line item primarily includes retained tranches from securitizations.

Credit Investments

The following table presents the fair value of the securities and loans in our credit portfolio and a reconciliation to our GAAP credit portfolio (in thousands):

	Fair Value	
	September 30, 2021	December 31, 2020
Residential loans (1)	\$ 1,637,165	\$ 563,263
Commercial real estate loans	—	125,508
Total loans	1,637,165	688,771
Non-Agency RMBS (2)	\$ 76,374	\$ 128,215
CMBS (3)	—	56,788
Total Credit securities	76,374	185,003
Total Credit Investments	\$ 1,713,539	\$ 873,774
Less: Investments in Debt and Equity of Affiliates	\$ 102,949	\$ 217,547
Total GAAP Credit Portfolio	\$ 1,610,590	\$ 656,227

(1) Includes Re/Non-Performing Loans, Non-QM Loans, GSE Non-Owner Occupied Loans, and Land Related Financing not held in securitized form.

(2) Includes Prime, Alt-A/Subprime, Credit Risk Transfer, Non-U.S. RMBS, Interest-Only and Excess MSR, Re/Non-Performing Loans, and Non-QM Loans held in securitized form.

(3) Includes Conduit, Single-Asset/Single-Borrower, Freddie Mac K-Series, and Interest-Only investments.

Residential loans

The following tables present certain information regarding credit quality for certain categories within our Residential loan portfolio (\$ in thousands):

	September 30, 2021								December 31, 2020	
	Unpaid Principal Balance	Fair Value	Weighted Average (1)(2)		Aging by Unpaid Principal Balance (1)(2)					Fair Value
			Current LTV Ratio	Current FICO (3)	Current	30-59 Days	60-89 Days	90+ Days		
Non-QM Loans	\$ 975,501	\$ 1,029,999	68.49 %	738	\$ 966,612	\$ 6,995	\$ 1,192	\$ 702	\$ —	
GSE Non-Owner Occupied Loans	207,801	214,633	64.25 %	757	207,411	390	—	—	—	
MATT Non-QM Loans	11,626	12,245	58.45 %	680	5,715	809	—	5,102	100,264	
Re/Non-Performing Loans	400,014	362,628	79.21 %	638	258,884	36,036	14,737	83,182	440,175	
Land Related Financing	17,660	17,660	N/A	N/A	N/A	N/A	N/A	N/A	22,824	
Total Residential loans	\$ 1,612,602	\$ 1,637,165	71.46 %	709	\$ 1,438,622	\$ 44,230	\$ 15,929	\$ 88,986	\$ 563,263	
Less: Investments in Debt and Equity of Affiliates	29,572	30,099	59.41 %	679	5,771	809	—	5,332	127,822	
Total GAAP Residential Loans	\$ 1,583,030	\$ 1,607,066	71.56 %	709	\$ 1,432,851	\$ 43,421	\$ 15,929	\$ 83,654	\$ 435,441	

(1) Weighted average and aging data excludes residual positions where we consolidate a securitization and the positions are recorded on our balance sheet as Re/Non-Performing Loans. There may be limited data available regarding the underlying collateral of the residual positions.

(2) Weighted average and aging data excludes Land Related Financing.

(3) Weighted average current FICO excludes borrowers where FICO scores were not available.

See Note 3 to the "Notes to Consolidated Financial Statements (unaudited)" for a breakout of geographic concentration of credit risk within loans we include in the "Residential mortgage loans, at fair value" line item on our consolidated balance sheets.

Credit securities

The following table presents the fair value of our credit securities portfolio by credit rating as of September 30, 2021 and December 31, 2020 (in thousands):

Credit Rating - Credit Securities (1)	September 30, 2021 (2)(3)		December 31, 2020 (2)(3)	
AAA	\$	—	\$	630
BB		5,706		9,037
B		18,394		25,318
Below B		—		17,046
Not Rated		52,274		132,972
Total: Credit Securities	\$	76,374	\$	185,003
Less: Investments in Debt and Equity of Affiliates	\$	72,850	\$	89,725
	Total: GAAP Basis	\$	3,524	\$
				95,278

(1) Represents the minimum rating for rated assets of S&P, Moody and Fitch credit ratings, stated in terms of the S&P equivalent.

(2) Certain Re/Non-Performing Loans held in securitized form are presented net of non-recourse securitized debt.

(3) As of September 30, 2021 and December 31, 2020, includes \$0.1 million of credit Excess MSRs.

The following tables present the geographic concentration of the underlying collateral for our Non-Agency RMBS portfolio (\$ in thousands).

September 30, 2021			December 31, 2020		
State	Fair Value (1)	Percentage (1)	State	Fair Value (2)	Percentage (2)
California	\$ 33,279	43.6 %	California	\$ 40,593	32.5 %
New York	17,377	22.8 %	New York	17,742	14.2 %
Florida	4,350	5.7 %	Florida	10,982	8.8 %
New Jersey	2,188	2.9 %	Texas	4,216	3.4 %
Pennsylvania	1,672	2.2 %	New Jersey	4,028	3.2 %
Other	17,508	22.8 %	Other	50,654	37.9 %
Total	\$ 76,374	100.0 %	Total	\$ 128,215	100.0 %

(1) As of September 30, 2021, Non-Agency RMBS fair value includes \$0.1 million of credit Excess MSRs.

(2) As of December 31, 2020, Non-Agency RMBS fair value includes \$3.2 million of investments where there was no data regarding the underlying collateral, including \$0.1 million of credit Excess MSRs. These positions were excluded from the percent calculation.

Agency RMBS

The following table presents the fair value (\$ in thousands) and the Constant Prepayment Rate ("CPR") experienced on our GAAP Agency RMBS portfolio for the periods presented.

Agency RMBS	Fair Value		CPR (1)	
	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
30 Year Fixed Rate	\$ 506,526	\$ 518,352	5.1 %	2.7 %

(1) Represents the weighted average monthly CPRs published during the period for our in-place portfolio.

Investments in debt and equity of affiliates

The below table details our investments in debt and equity of affiliates as of September 30, 2021 and December 31, 2020 (in thousands):

	September 30, 2021			December 31, 2020		
	Assets	Liabilities	Equity	Assets	Liabilities	Equity
MATT Non-QM Loans (1)	\$ 73,182	\$ (45,686)	\$ 27,496	\$ 153,200	\$ (111,135)	\$ 42,065
Re/Non-Performing Loans (2)	12,107	(5,185)	6,922	41,523	(5,588)	35,935
Land Related Financing	17,660	—	17,660	22,824	—	22,824
Total Residential Investments	102,949	(50,871)	52,078	217,547	(116,723)	100,824
Excess MSR	—	—	—	417	—	417
Total Investments excluding AG Arc	102,949	(50,871)	52,078	217,964	(116,723)	101,241
AG Arc, at fair value	51,949	—	51,949	45,341	—	45,341
Cash and Other assets/(liabilities) (3)	5,899	(803)	5,096	5,279	(1,194)	4,085
Investments in debt and equity of affiliates	\$ 160,797	\$ (51,674)	\$ 109,123	\$ 268,584	\$ (117,917)	\$ 150,667

- (1) As of September 30, 2021 and December 31, 2020, Non-QM Loans excluded loans with an unpaid principal balance of \$8.2 million and \$17.3 million, respectively, whereby an affiliate of MATT has the right, but not the obligation, to repurchase loans from a trust that are 90 days or more delinquent at its discretion. These loans, which are eligible to be repurchased, would be recorded on the balance sheet of MATT, an unconsolidated equity method investee of the Company, with a corresponding and offsetting liability.
- (2) Certain Re/Non-Performing Loans held in securitized form are presented net of non-recourse securitized debt.
- (3) Includes financing arrangements of \$(9.4) thousand on real estate owned as of December 31, 2020.

Financing activities

We use leverage to finance the purchase of our investment portfolio. Our leverage has primarily been in the form of repurchase agreements, revolving facilities, and securitized debt. Repurchase agreements involve the sale and a simultaneous agreement to repurchase the transferred assets or similar assets at a future date and typically have a term 30 to 90 days. The amount borrowed generally is equal to the fair value of the assets pledged less an agreed-upon discount, referred to as a "haircut." The size of the haircut reflects the perceived risk associated with the pledged asset. Haircuts may change as our financing arrangements mature or roll and are sensitive to governmental regulations. Interest rates on borrowings are fixed based on prevailing rates corresponding to the terms of the borrowings, and interest is paid at the termination of the borrowing at which time we may enter into a new borrowing arrangement at prevailing market rates with the same counterparty or repay that counterparty and negotiate financing with a different counterparty. We have also used revolving facilities, which are typically longer term in nature than repurchase agreements, to finance loans. Interest rates on these facilities are based on prevailing rates corresponding to the terms of the borrowings, and interest is paid on a monthly basis. Repurchase agreements and revolving facilities, which we refer to as our financing arrangements, are generally mark-to-market with respect to margin calls and recourse to us. We had outstanding financing arrangements with five counterparties as of September 30, 2021 and December 31, 2020.

Our financing arrangements generally include customary representations, warranties, and covenants, but may also contain more restrictive supplemental terms and conditions. Although specific to each financing arrangement, typical supplemental terms include requirements of minimum equity and liquidity, leverage ratios, and performance triggers. In addition, some of the financing arrangements contain cross default features, whereby default under an agreement with one lender simultaneously causes default under agreements with other lenders. To the extent that we fail to comply with the covenants contained in these financing arrangements or is otherwise found to be in default under the terms of such agreements, the counterparty has the right to accelerate amounts due under the associated agreement. As of September 30, 2021, we are in compliance with all of our financial covenants.

We also use securitized debt to finance our loan portfolio. Securitized debt is generally non-mark-to-market with respect to margins calls and non-recourse to us.

Forbearance and Reinstatement Agreements

In connection with the market disruption created by the COVID-19 pandemic, in March 2020, we received notifications of alleged events of default and deficiency notices from several of our financing counterparties. We engaged in discussions with our financing counterparties and, as a result, entered into a series of forbearance agreements (collectively, the "Forbearance Agreement") with certain of our financing counterparties (the "Participating Counterparties") pursuant to which each Participating Counterparty agreed to forbear from exercising its rights and remedies with respect to events of default and any and all other defaults under the applicable financing arrangement (each, a "Bilateral Agreement") for the period ending June 15, 2020.

On June 10, 2020, we and the Participating Counterparties entered into a reinstatement agreement (the "Reinstatement Agreement"), pursuant to which the Forbearance Agreement was terminated and each Participating Counterparty permanently waived all existing and prior events of default under the applicable Bilateral Agreements. Pursuant to the Reinstatement Agreement, the Bilateral Agreements were reinstated with certain amendments to reflect current market terms (i.e., increased haircuts and higher coupons), updated financial covenants, and various reporting requirements from us to the Participating Counterparties, releases, certain netting obligations and cross-default provisions. As a result of the Reinstatement Agreement, default interest on our outstanding borrowings under the Bilateral Agreements ceased to accrue as of June 10, 2020, all cash margin was applied to outstanding balances owed by us, and principal and interest payments on the underlying collateral were permitted to flow to and be used by us, just as it was prior to the Forbearance Agreements. In addition, pursuant to the terms of the Reinstatement Agreement, the security interests granted to Participating Counterparties as additional collateral under the Forbearance Agreement have been terminated and released. We also agreed to pay the reasonable fees and out-of-pocket expenses of counsel and other professional advisors for the Participating Counterparties and the collateral agent.

Concurrently, on June 10, 2020, we entered a separate reinstatement agreement with one of our financing counterparties on substantially the same terms as those set forth in the Reinstatement Agreement.

Refer to Note 12 in the "Notes to Consolidated Financial Statements (unaudited)" for more information on deficiencies that are now settled.

Recourse and non-recourse financing

We utilize both recourse and non-recourse debt to finance our portfolio. Non-recourse financing includes securitized debt and other non-recourse financing. Recourse financing includes the secured debt from our Manager, as further described in the "Contractual obligations—Secured debt" section below, and other recourse financing. The below table provides detail on the breakout between recourse and non-recourse financing as of September 30, 2021 and December 31, 2020 (in thousands):

	September 30, 2021	December 31, 2020
Recourse financing - Financing arrangements	\$ 1,187,539	\$ 569,644
Recourse financing - Secured debt	—	10,393
Non-recourse financing - Securitized debt, at fair value	708,421	355,159
Non-recourse financing - Financing arrangements included in Investments in Debt and Equity of Affiliates (1)	23,851	111,135
Total	1,919,811	1,046,331
Less:		
Recourse financing - Financing arrangements included in Investments in Debt and Equity of Affiliates	27,020	5,597
Non-recourse financing - Financing arrangements included in Investments in Debt and Equity of Affiliates (1)	23,851	111,135
Total Investments in Debt and Equity of Affiliates	50,871	116,732
Total: GAAP Basis	\$ 1,868,940	\$ 929,599

(1) On January 29, 2021, we and private funds under the management of Angelo Gordon entered into an amendment with respect to our Restructured Financing Arrangement in MATT. The amendment serves to convert the existing financing to a mark-to-market facility with respect to margin calls that is recourse to us and the private funds managed by Angelo Gordon that invest in MATT up to our and each funds' allocation of the \$50.0 million commitment to MATH,

which is further described in the "Contractual Obligations–MATT Financing Arrangement Restructuring" section below and Note 12 to the "Notes of the Consolidated Financial Statements (unaudited)."

See Note 6 to the "Notes to Consolidated Financial Statements (unaudited)" for a breakout of the "Financing arrangements" line item on our consolidated balance sheets. See Note 2 and Note 3 to the "Notes to Consolidated Financial Statements (unaudited)" for more detail on securitized debt and our consolidated variable interest entities.

Leverage

We define GAAP leverage as the sum of (1) our GAAP financing arrangements, net of any restricted cash posted on such financing arrangements, (2) the amount payable on purchases that have not yet settled less the financing remaining on sales that have not yet settled, and (3) securitized debt, at fair value. 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 calculations in the tables below divide GAAP leverage and Economic Leverage by our GAAP stockholders' equity to derive our leverage ratios. The following tables present a reconciliation of our Economic Leverage ratio back to GAAP (\$ in thousands).

September 30, 2021	Leverage	Stockholders' Equity	Leverage Ratio
GAAP Leverage	\$ 1,864,352	\$ 489,749	3.8x
Financing arrangements through affiliated entities	50,871		
Non-recourse financing arrangements (1)	(732,272)		
Net TBA (receivable)/payable adjustment	(318,295)		
Economic Leverage	\$ 864,656	\$ 489,749	1.8x

(1) Non-recourse financing arrangements include securitized debt and other non-recourse financing held within MATT.

December 31, 2020	Leverage	Stockholders' Equity	Leverage Ratio
GAAP Leverage	\$ 979,303	\$ 409,705	2.4x
Financing arrangements through affiliated entities	116,688		
Non-recourse financing arrangements (1)	(466,294)		
Economic Leverage	\$ 629,697	\$ 409,705	1.5x

(1) Non-recourse financing arrangements include securitized debt and other non-recourse financing held within MATT.

Hedging activities

Subject to maintaining our qualification as a REIT and our Investment Company Act exemption, to the extent leverage is deployed, we may utilize derivative instruments in an effort to hedge the interest rate risk associated with the financing of our portfolio. Specifically, we may seek to hedge our exposure to potential interest rate mismatches between the interest we earn on our investments and our borrowing costs caused by fluctuations in short-term interest rates. We may utilize interest rate swaps, swaption agreements, TBAs, and other financial instruments such as short positions in U.S. Treasury securities. In addition, we may utilize Eurodollar Futures, U.S. Treasury Futures, British Pound Futures, and Euro Futures (collectively, "Futures"). In utilizing leverage and interest rate derivatives, our objectives are to improve risk-adjusted returns and, where possible, to lock in, on a long-term basis, a spread between the yield on our assets and the costs of our financing and hedging. Derivatives have not been designated as hedging instruments for GAAP. See Note 7 in the "Notes to Consolidated Financial Statements (unaudited)" for more information.

Dividends

Federal income tax law generally requires that a REIT distribute annually at least 90% of its REIT ordinary taxable income, without regard to the deduction for dividends paid and excluding net capital gains and that it pay tax at regular corporate rates to the extent that it annually distributes less than 100% of its net taxable income. Before we pay any dividend, whether for U.S. federal income tax purposes or otherwise, we must first meet both our operating requirements and debt service on our financing arrangements and other debt payable. If our cash available for distribution is less than our net taxable income, we could be required to sell assets or borrow funds to make required cash distributions or we may make a portion of the required distribution

in the form of a taxable stock distribution or distribution of debt securities.

As described above, our distribution requirements are based on taxable income rather than GAAP net income. Differences between taxable income and GAAP net income include (i) unrealized gains and losses associated with investment and derivative portfolios which are marked-to-market in current income for GAAP purposes, but excluded from taxable income until realized or settled, (ii) temporary differences related to amortization of premiums and discounts paid on investments, (iii) the timing and amount of deductions related to stock-based compensation, (iv) temporary differences related to the recognition of realized gains and losses on sold investments and certain terminated derivatives, (v) taxes, (vi) methods of depreciation and (vii) differences between GAAP income or losses in our TRS's and taxable income resulting from dividend distributions to the REIT from our TRS's. Undistributed taxable income is based on current estimates and is not finalized until we file our annual tax return for that tax year, typically in October of the following year. We did not have any undistributed taxable income as of September 30, 2021. Refer to the "Results of operations" section above for more detail.

On March 27, 2020, we announced that our Board of Directors approved a suspension of our quarterly dividends on our Series A Preferred Stock, Series B Preferred Stock, and Series C Preferred Stock, beginning with the preferred dividend that would have been declared in May 2020, as well as a suspension of the quarterly dividend on the common stock, beginning with the dividend that normally would have been declared in March 2020, in order to conserve capital and improve its liquidity position during the market volatility due to the COVID-19 pandemic. Under the terms of the Articles Supplementary governing our series of preferred stock, we cannot pay cash dividends with respect to our common stock if dividends on our preferred stock are in arrears.

On December 17, 2020, we paid our Series A Preferred Stock, Series B Preferred Stock, and Series C Preferred Stock dividends that were in arrears as well as the full dividends payable on the preferred stock for the fourth quarter of 2020 in the amount of \$1.54689, \$1.50 and \$1.50 per share, respectively. On December 22, 2020, our Board of Directors declared a dividend of \$0.09 per common share for the fourth quarter 2020 which was paid on January 29, 2021 to shareholders of record at the close of business on December 31, 2020. During the first through third quarters of 2021, we declared its preferred and common dividends in the ordinary course of business.

On July 12, 2021, we announced a one-for-three reverse stock split of our outstanding shares of common stock. The reverse stock split was effected following the close of business on July 22, 2021. All per share amounts and common shares outstanding for all periods presented have been adjusted on a retroactive basis to reflect the one-for-three reverse stock split.

The following table details our common stock dividends declared during the nine months ended September 30, 2021:

Declaration Date	Record Date	Payment Date	Cash Dividend Per Share
3/22/2021	4/1/2021	4/30/2021	\$ 0.18
6/15/2021	6/30/2021	7/30/2021	0.21
9/15/2021	9/30/2021	10/29/2021	0.21
Total			\$ 0.60

We did not declare any common stock dividends during the nine months ended September 30, 2020.

The following tables detail our preferred stock dividends declared and paid during the nine months ended September 30, 2021 and 2020:

2021			Cash Dividend Per Share		
Declaration Date	Record Date	Payment Date	8.25% Series A	8.00% Series B	8.000% Series C
2/16/2021	2/26/2021	3/17/2021	\$ 0.51563	\$ 0.50	\$ 0.50
5/17/2021	5/28/2021	6/17/2021	0.51563	0.50	0.50
7/30/2021	8/31/2021	9/17/2021	0.51563	0.50	0.50
Total			\$ 1.54689	\$ 1.50	\$ 1.50

2020			Cash Dividend Per Share		
Declaration Date	Record Date	Payment Date	8.25% Series A	8.00% Series B	8.000% Series C
2/14/2020	2/28/2020	3/17/2020	\$ 0.51563	\$ 0.50	\$ 0.50

Liquidity and capital resources

Our liquidity determines our ability to meet our cash obligations, including distributions to our stockholders, payment of our expenses, financing our investments and satisfying other general business needs.

Our principal sources of cash as of September 30, 2021 consisted of borrowings under financing arrangements, principal and interest payments we receive on our investment portfolio, cash generated from our operating results, and proceeds from capital market transactions. We typically use cash to repay principal and interest on our financing arrangements, to purchase real estate securities, loans and other real estate related assets, to make dividend payments on our capital stock, and to fund our operations. At September 30, 2021, we had \$143.6 million of liquidity, which consisted of \$101.7 million of cash and \$41.9 million of unencumbered assets available to support our liquidity needs. Refer to the "Contractual obligations" section of this Item 2 for additional obligations that could impact our liquidity.

Margin requirements

The fair value of our real estate securities and loans fluctuate according to market conditions. When the fair value of the assets pledged as collateral to secure a financing arrangement decreases to the point where the difference between the collateral fair value and the financing arrangement amount is less than the haircut, our lenders may issue a "margin call," which requires us to post additional collateral to the lender in the form of additional assets or cash. Under our repurchase facilities, our lenders have full discretion to determine the fair value of the securities we pledge to them. Our lenders typically value assets based on recent transactions in the market. Lenders also issue margin calls as the published current principal balance factors change on the pool of mortgages underlying the securities pledged as collateral when scheduled and unscheduled paydowns are announced monthly. We experience margin calls in the ordinary course of our business. In seeking to manage effectively the margin requirements established by our lenders, we maintain a position of cash and, when owned, unpledged Agency RMBS. We refer to this position as our "liquidity." The level of liquidity we have available to meet margin calls is directly affected by our leverage levels, our haircuts and the price changes on our securities. Typically, if interest rates increase or if credit spreads widen, then the prices of our collateral (and our unpledged assets that constitute our liquidity) will decline, we will experience margin calls, and we will need to use our liquidity to meet the margin calls. There can be no assurance that we will maintain sufficient levels of liquidity to meet any margin calls. If our haircuts increase, our liquidity will proportionately decrease. In addition, if we increase our borrowings, our liquidity will decrease by the amount of additional haircut on the increased level of indebtedness. We intend to maintain a level of liquidity in relation to our assets that enables us to meet reasonably anticipated margin calls but that also allows us to be substantially invested in the residential mortgage market. We may misjudge the appropriate amount of our liquidity by maintaining excessive liquidity, which would lower our investment returns, or by maintaining insufficient liquidity, which may force us to liquidate assets into potentially unfavorable market conditions and harm our results of operations and financial condition. Further, an unexpected rise in interest rates and a corresponding fall in the fair value of our securities may also force us to liquidate assets under difficult market conditions, thereby harming our results of operations and financial condition, in an effort to maintain sufficient liquidity to meet increased margin calls.

Similar to the margin calls that we receive on our borrowing agreements, we may also receive margin calls on our derivative instruments when their fair value declines. This typically occurs when prevailing market rates change adversely, with the severity of the change also dependent on the terms of the derivatives involved. We may also receive margin calls on our derivatives based on the implied volatility of interest rates. Our posting of collateral with our counterparties can be done in cash or securities, and is generally bilateral, which means that if the fair value of our interest rate hedges increases, our counterparty will be required to post collateral with us. Refer to the "Liquidity risk – derivatives" section of Item 3 below for a further discussion on margin.

Refer to the "Financing activities–Forbearance and Reinstatement Agreements" section above for information on the impact of COVID-19 on margin calls in 2020.

Cash Flows

The below details changes to our cash, cash equivalents, and restricted cash for the nine months ended September 30, 2021 and 2020 (in thousands).

	Nine Months Ended		Change
	September 30, 2021	September 30, 2020	
Cash and cash equivalents and restricted cash, Beginning of Period	\$ 62,318	\$ 125,369	\$ (63,051)
Net cash provided by (used in) operating activities (1)	19,765	(2,284)	22,049
Net cash provided by (used in) investing activities (2)	(878,706)	2,491,879	(3,370,585)
Net cash provided by (used in) financing activities (3)	925,449	(2,565,086)	3,490,535
Net change in cash and cash equivalents and restricted cash	66,508	(75,491)	141,999
Effect of exchange rate changes on cash	10	(178)	188
Cash and cash equivalents and restricted cash, End of Period	\$ 128,836	\$ 49,700	\$ 79,136

- (1) Cash provided by or used in operating activities is primarily attributable to net interest income less operating expenses for the nine months ended September 30, 2021 and 2020, respectively.
- (2) Cash used in investing activities for the nine months ended September 30, 2021 was primarily attributable to purchases of investments less sales of investments and principal repayments of investments. Cash provided by investing activities for the nine months ended September 30, 2020 was primarily attributable to sales of investments and principal repayments of investments, offset by purchases of investments. The difference period over period is primarily due to significant sales in 2020 as a result of the global COVID-19 pandemic.
- (3) Cash provided by financing activities for the nine months ended September 30, 2021 was primarily attributable to borrowings under financing arrangements offset by repayments of financing arrangements and dividend payments. Cash used in financing activities for the nine months ended September 30, 2020 was primarily attributable to repayments of financing arrangements offset by borrowings under financing arrangements. The difference period over period is primarily due to a reduction in financing arrangements as a result of significant sales in 2020 due to the global COVID-19 pandemic.

Stock repurchase programs

On November 3, 2015, our Board of Directors authorized a stock repurchase program ("Repurchase Program") to repurchase up to \$25.0 million of our outstanding common stock. Such authorization does not have an expiration date. As part of the Repurchase Program, shares may be purchased in open market transactions, including through block purchases, through privately negotiated transactions, or pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 of the Exchange Act. Open market repurchases will be made in accordance with Exchange Act Rule 10b-18, which sets certain restrictions on the method, timing, price and volume of open market stock repurchases. Subject to applicable securities laws, the timing, manner, price and amount of any repurchases of common stock under the Repurchase Program may be determined by our discretion, using available cash resources. Shares of common stock repurchased by us under the Repurchase Program, if any, will be cancelled and, until reissued, will be deemed to be authorized but unissued shares of common stock as required by Maryland law. The Repurchase Program may be suspended or discontinued by us at any time and without prior notice and the authorization does not obligate us to acquire any particular amount of common stock. The cost of the acquisition of shares of our own stock in excess of the aggregate par value of the shares first reduces additional paid-in capital, to the extent available, with any residual cost applied against retained earnings. We repurchased 0.3 million shares under the Repurchase Program during the three and nine months ended September 30, 2021. We did not repurchase shares under the Repurchase Program during the three and nine months ended September 30, 2020. Approximately \$11.8 million of common stock remained authorized for future share repurchases under the Repurchase Program as of September 30, 2021.

Equity distribution agreements

On May 5, 2017, we entered into an equity distribution agreement with each of Credit Suisse Securities (USA) LLC and JMP Securities LLC (collectively, the "Sales Agents"), which we refer to as the "Equity Distribution Agreements," pursuant to which we may sell up to \$100.0 million aggregate offering price of shares of our common stock from time to time through the Sales Agents, under the Securities Act of 1933. For the three months ended September 30, 2021, we did not issue any shares of common stock under the Equity Distribution Agreements. For the nine months ended September 30, 2021, we issued 1.0 million shares of common stock under the Equity Distribution Agreements for net proceeds of approximately \$13.1 million.

For the three and nine months ended September 30, 2020, we sold 0.1 million and 0.5 million shares of common stock under the Equity Distribution Agreements for net proceeds of approximately \$1.2 million and \$4.7 million, respectively. Since inception of the program, we have issued approximately 2.2 million shares of common stock under the Equity Distribution Agreements for gross proceeds of \$48.3 million.

Exchange Offers

The below details the privately negotiated exchange agreements with existing holders of our preferred shares exchanged for common shares during the nine months ended September 30, 2021. Subsequent to each transaction closed, the Preferred Stock exchanged pursuant to the exchange agreement was reclassified as authorized but unissued shares of preferred stock without designation as to class or series (\$ in thousands).

Date	Preferred Shares Exchanged			Total Preferred Stock Par Value	Common Shares Exchanged
	Shares of Series A Preferred Stock	Shares of Series B Preferred Stock	Shares of Series C Preferred Stock		
March 17, 2021	153,325	350,609	—	\$ 12,598	937,462
June 14, 2021	—	86,478	154,383	6,022	429,802

As of September 30, 2021, we had outstanding 1,663,193 shares of Series A Preferred Stock, 3,727,641 shares of Series B Preferred Stock, and 3,728,795 shares of Series C Preferred Stock.

Common stock issuance to the Manager

Refer to "Contractual obligations–Management agreement" below for more detail related to the Second Management Agreement Amendment.

Forward-looking statements regarding liquidity

Based upon our current portfolio, leverage and available borrowing arrangements, we believe the net proceeds of our common equity offerings, preferred equity offerings, and private placements, combined with cash flow from operations and our available borrowing capacity will be sufficient to enable us to meet our anticipated liquidity requirements, including funding our investment activities, paying fees under our management agreement, funding our distributions to stockholders and paying general corporate expenses.

Contractual obligations

Management agreement

On June 29, 2011, we entered into a management agreement with our Manager, pursuant to which our Manager is entitled to receive a management fee and the reimbursement of certain expenses. The management fee is calculated and payable quarterly in arrears in an amount equal to 1.50% of our Stockholders' Equity, per annum.

For purposes of calculating the management fee, "Stockholders' Equity" means the sum of the net proceeds from any issuances of equity securities (including preferred securities) since inception (allocated on a pro rata daily basis for such issuances during the fiscal quarter of any such issuance, and excluding any future equity issuance to the Manager), plus our retained earnings at the end of such quarter (without taking into account any non-cash equity compensation expense or other non-cash items described below incurred in current or prior periods), less any amount that we pay for repurchases of our common stock, excluding any unrealized gains, losses or other non-cash items that have impacted stockholders' equity as reported in our financial statements prepared in accordance with GAAP, regardless of whether such items are included in other comprehensive income or loss, or in net income, and excluding one-time events pursuant to changes in GAAP, and certain other non-cash charges after discussions between the Manager and our independent directors and after approval by a majority of our independent directors. Stockholders' Equity, for purposes of calculating the management fee, could be greater or less than the amount of stockholders' equity shown on our financial statements. For the three and nine months ended September 30, 2021, we incurred management fees of approximately \$1.7 million and \$5.0 million, respectively. For the three and nine months ended September 30, 2020, we incurred management fees of approximately \$1.7 million and \$5.5 million, respectively. As of September 30, 2021 and December 31, 2020, we have recorded management fees payable of \$1.7 million and \$1.7 million, respectively.

Our Manager uses the proceeds from its management fee in part to pay compensation to its officers and personnel, who, notwithstanding that certain of them also are our officers, receive no compensation directly from us. We are required to reimburse our Manager or its affiliates for operating expenses incurred by our Manager or its affiliates on our behalf, including certain salary expenses and other expenses relating to legal, accounting, due diligence and other services. Our reimbursement obligation is not subject to any dollar limitation; however, the reimbursement is subject to an annual budget process which combines guidelines from the Management Agreement with oversight by our Board of Directors and discussions with our Manager. Of the \$5.0 million and \$13.9 million of Other operating expenses for the three and nine months ended September 30, 2021, respectively, we have incurred \$1.6 million and \$4.2 million, respectively, representing a reimbursement of expenses. Of the \$5.9 million and \$11.4 million of Other operating expenses for the three and nine months ended September 30, 2020, respectively, we incurred \$2.3 million and \$6.2 million, respectively, representing a reimbursement of expenses.

As of September 30, 2021 and December 31, 2020, we recorded a reimbursement payable to the Manager of \$1.6 million and \$1.8 million, respectively. For the year ended December 31, 2021, the Manager agreed to waive its right to receive expense reimbursements of \$0.8 million.

On April 6, 2020, we executed an amendment to the management agreement, pursuant to which the Manager agreed to defer our payment of the management fee and reimbursement of expenses, effective the first quarter of 2020 through September 30, 2020. All deferred expense reimbursements were paid as of September 30, 2020.

On September 24, 2020, we executed an amendment (the "Second Management Agreement Amendment") to the management agreement, pursuant to which the Manager agreed to receive a portion of the deferred base management fee in shares of common stock. Pursuant to the Second Management Agreement Amendment, the Manager agreed to purchase (i) 405,123 shares of common stock in full satisfaction of the deferred base management fee of \$3.8 million payable by us in respect to the first and second quarters of 2020 and (ii) 51,500 shares of common stock in satisfaction of \$0.5 million of the base management fee payable by us in respect to the third quarter of 2020. The shares of common stock issued to the Manager were valued at \$9.45 per share based on the midpoint of the estimated range of our book value per share as of August 31, 2020. The remaining third quarter 2020 management fee was paid in the normal course of business.

Secured debt

On April 10, 2020, in connection with the first Forbearance Agreement, we issued a secured promissory note (the "Note") to the Manager evidencing a \$10 million loan made by the Manager to us. Additionally, on April 27, 2020, in connection with the second Forbearance Agreement, we entered into an amendment to the Note to reflect an additional \$10 million loan by the Manager to us. The \$10 million loan made by the Manager on April 10, 2020 was repaid in full with interest when it matured on March 31, 2021, and the \$10 million loan made on April 27, 2020 was repaid in full with interest when it matured on July 27, 2020. The unpaid balance of the Note accrued interest at a rate of 6.0% per annum. Interest on the Note was payable monthly in kind through the addition of such accrued monthly interest to the outstanding principal balance of the Note. The Note and accrued interest on the Note, when outstanding, were included within the due to affiliates amount, which is included within the "Other Liabilities" line item in the consolidated balance sheets.

Share-based compensation

Effective on April 15, 2020 upon the approval of our stockholders at our 2020 annual meeting of stockholders, the 2020 Equity Incentive Plan provides for 666,666 shares of common stock to be issued. The maximum number of shares of common stock granted during a single fiscal year to any non-employee director, taken together with any cash fees paid to such non-employee director during any fiscal year, shall not exceed \$300,000 in total value (calculating the value of any such awards based on the grant date fair value). As of September 30, 2021, 606,372 shares of common stock were available to be awarded under the Equity Incentive Plan.

Since our IPO, we have granted an aggregate of 35,264 and 60,294 shares of restricted common stock to our independent directors under our equity incentive plans, dated July 6, 2011 (the "2011 Equity Incentive Plans") and our 2020 Equity Incentive Plan, respectively. As of September 30, 2021, all shares of restricted common stock granted to our independent directors have vested.

Following approval of our stockholders at our 2021 annual meeting of stockholders, the AG Mortgage Investment Trust, Inc. 2021 Manager Equity Incentive Plan (the "2021 Manager Plan") became effective on April 7, 2021 and provides for a maximum of 573,425 shares of common stock to be issued to our Manager. As of September 30, 2021, there were no shares or awards issued under the 2021 Manager Plan.

Further, since our IPO, we have issued 13,416 shares of restricted common stock and 40,000 restricted stock units to our Manager under our 2011 Equity Incentive Plans. As of July 1, 2020, all shares of restricted common stock and restricted stock units granted to our Manager have fully vested.

Unfunded commitments

See Note 12 of the "Notes to Consolidated Financial Statements (unaudited)" for detail on our commitments as of September 30, 2021.

MATT Financing Arrangement Restructuring

See Note 10 and Note 12 of the "Notes to Consolidated Financial Statements (unaudited)" for detail on the MATT Restructured Financing Arrangement and our commitments as of September 30, 2021.

Off-balance sheet arrangements

Our investments in debt and equity of affiliates primarily consist of real estate securities, loans, and our interest in AG Arc. Investments in debt and equity of affiliates are accounted for using the equity method of accounting. Certain of our investments in debt and equity of affiliates securitize residential mortgage loans and retain interests in the subordinated tranches of the transferred assets. These retained interests are included in the MATT Non-QM Loans and Re/Non-Performing Loans line items of our investment portfolio. See Note 2 to the "Notes to Consolidated Financial Statements (unaudited)" for a discussion of investments in debt and equity of affiliates.

We have entered into TBA positions in connection with purchases of GSE Non-Owner Occupied Loans. We record TBA purchases and sales on the trade date and present the purchase or receipt net of the corresponding payable or receivable until the settlement date of the transaction. As of September 30, 2021, we had a net short TBA position with a net receivable amount of \$318.3 million and fair market value of \$316.9 million. We recorded \$1.4 million in the "Other assets" line item on our consolidated balance sheets.

In addition to our investments in debt and equity of affiliates and TBA positions described above, we also have commitments outstanding on certain loans. For additional information on our commitments as of September 30, 2021, refer to Note 12 of the "Notes to Consolidated Financial Statements (unaudited)." Exclusive of our investments in debt and equity of affiliates described above, we do not expect these commitments, taken as a whole, to be significant to, or to have a material impact on, our overall liquidity or capital resources or our operations.

Critical accounting policies

We prepare our consolidated financial statements in conformity with GAAP, which requires the use of estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based, in part, on our judgment and assumptions regarding various economic conditions that we believe are reasonable based on facts and circumstances existing at the time of reporting. We believe that the estimates, judgments and assumptions utilized in the preparation of our consolidated financial statements are prudent and reasonable. Although our estimates contemplate conditions as of September 30, 2021 and how we expect them to change in the future, it is reasonably possible that actual conditions could be different than anticipated in arriving at those estimates, which could materially affect reported amounts of assets, liabilities and accumulated other comprehensive income at the date of the consolidated financial statements and the reported amounts of income, expenses and other comprehensive income during the periods presented.

Our consolidated financial statements are prepared in accordance with GAAP, which requires the use of estimates that involve the exercise of judgment and the use of assumptions as to future uncertainties. A discussion of the critical accounting policies and the possible effects of changes in estimates on our consolidated financial statements is included in Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2020 and in Note 2 to the "Notes to Consolidated Financial Statements (unaudited)." Our most critical accounting policies are believed to include (i) Valuation of financial instruments, (ii) Accounting for real estate securities, (iii) Accounting for loans, (iv) Interest income recognition, and (v) Financing arrangements.

See Note 2 to the "Notes to Consolidated Financial Statements (unaudited)" for more detail on these critical accounting policies. These policies involve decisions and assessments that could affect our reported assets and liabilities, as well as our reported revenues and expenses. We believe that all of the decisions and assessments upon which our consolidated financial statements

are based are reasonable at the time made and based upon information available to us at that time. We rely upon third-party pricing of our assets at each-quarter end to arrive at what we believe to be reasonable estimates of fair value, whenever available. For more information on our fair value measurements, see Note 5 to the "Notes to Consolidated Financial Statements (unaudited)." For a review of our significant accounting policies and the recent accounting pronouncements that may impact our results of operations, see Note 2 to the "Notes to Consolidated Financial Statements (unaudited)."

Inflation

Virtually all of our assets and liabilities are interest rate sensitive in nature. As a result, interest rates and other factors influence our performance far more than inflation. Changes in interest rates do not necessarily correlate with inflation rates or changes in inflation rates.

Compliance with Investment Company Act and REIT tests

We intend to conduct our business so as to maintain our exempt status under, and not to become regulated as an investment company for purposes, of the Investment Company Act. Under Section 3(a)(1)(A) of the Investment Company Act, a company is an investment company if it is, or holds itself out as being, engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities. Under Section 3(a)(1)(C) of the Investment Company Act, a company is deemed to be an investment company if it is engaged, or proposes to engage, in the business of investing, reinvesting, owning, holding or trading in securities and owns or proposes to acquire "investment securities" having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis (the "40% Test"). "Investment securities" do not include, among other things, U.S. government securities, and securities issued by majority-owned subsidiaries that (i) are not investment companies and (ii) are not relying on the exceptions from the definition of investment company provided by Section 3(c)(1) or 3(c)(7) of the Investment Company Act (the so called "private investment company" exemptions). As of December 31, 2020 and for the three months ended September 30, 2021, we determined that we maintained compliance with the 40% test requirements.

If we failed to comply with the 40% Test or another exemption under the Investment Company Act and became regulated as an investment company, our ability to, among other things, use leverage would be substantially reduced and, as a result, we would be unable to conduct our business as described in this Report. Accordingly, in order to maintain our exempt status, we monitor our subsidiaries' compliance with Section 3(c)(5)(C) of the Investment Company Act, which exempts from the definition of "investment company" entities primarily engaged in the business of purchasing or otherwise acquiring mortgages and other liens on and interests in real estate. The staff of the Securities and Exchange Commission, or the SEC, generally requires an entity relying on Section 3(c)(5)(C) to invest at least 55% of its portfolio in "qualifying assets" and at least another 25% in additional qualifying assets or in "real estate-related" assets (with no more than 20% comprised of miscellaneous assets). As of December 31, 2020 and for the three months ended September 30, 2021, we determined that our subsidiaries maintained compliance with both the 55% Test and the 80% Test requirements.

We calculate that at least 75% of our assets were real estate assets, cash and cash items and government securities for the year ended December 31, 2020. We also calculate that a sufficient portion of our revenue qualifies for the 75% gross income test and for the 95% gross income test rules for the year ended December 31, 2020. We believe we are currently in compliance with the REIT income and asset tests as well as all other REIT requirements including the ownership of our stock and the distribution of our taxable income. Therefore, for the year ended December 31, 2020, we believe that we qualified as a REIT under the Code.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The primary components of our market risk relate to interest rates, liquidity, prepayment rates, real estate, credit and basis risk. While we do not seek to avoid risk completely, we seek to assume risk that can be reasonably quantified from historical experience and to actively manage that risk, to earn sufficient returns to justify taking those risks and to maintain capital levels consistent with the risks we undertake. Many of these risks have become particularly heightened due to the COVID-19 pandemic and related economic and market conditions.

Interest rate risk

Interest rate risk is highly sensitive to many factors, including governmental monetary, fiscal and tax policies, domestic and international economic and political considerations and other factors beyond our control. We are subject to interest rate risk in connection with both our investments and the financing under our financing arrangements. We generally seek to manage this risk by monitoring the reset index and the interest rate related to our investment portfolio and our financings; by structuring our financing arrangements to have a range of maturity terms, amortizations and interest rate adjustment periods; and by using derivative instruments to adjust interest rate sensitivity of our investment portfolio and borrowings. Our hedging techniques can be highly complex, and the value of our investment portfolio and derivatives may be adversely affected as a result of changing interest rates.

Interest rate effects on net interest income

Our operating results depend in large part upon differences between the yields earned on our investments and our cost of borrowing and upon the effectiveness of our interest rate hedging activities. The majority of our financing arrangements are short term in nature with an initial term of between 30 and 90 days. The financing rate on these agreements will generally be determined at the outset of each transaction by reference to prevailing rates plus a spread. As a result, our borrowing costs will tend to increase during periods of rising interest rates as we renew, or "roll", maturing transactions at the higher prevailing rates. When combined with the fact that the income we earn on our fixed interest rate investments will remain substantially unchanged, this will result in a narrowing of the net interest spread between the related assets and borrowings and may even result in losses. We have obtained term financing on certain borrowing arrangements. The financing on term facilities generally are fixed at the outset of each transaction by reference to a pre-determined interest rate plus a spread.

In an attempt to offset the increase in funding costs related to rising interest rates, our Manager may cause us to enter into hedging transactions structured to provide us with positive cash flow in the event interest rates rise. Our Manager accomplishes this through the use of interest rate derivatives. Some hedging strategies involving the use of derivatives are highly complex, may produce volatile returns and may expose us to increased risks relating to counterparty defaults.

Interest rate effects on fair value

Another component of interest rate risk is the effect that changes in interest rates will have on the fair value of the assets that we acquire.

Generally, in a rising interest rate environment, the fair value of our real estate securities and loan portfolios would be expected to decrease, all other factors being held constant. In particular, the portion of our real estate securities and loan portfolios with fixed-rate coupons would be expected to decrease in value more severely than that portion with a floating-rate coupon. This is because fixed-rate coupon assets tend to have significantly more duration, or price sensitivity to changes in interest rates, than floating-rate coupon assets. Fixed-rate assets currently represent a majority of our portfolio.

The fair value of our investment portfolio could change at a different rate than the fair value of our liabilities when interest rates change. We measure the sensitivity of our portfolio to changes in interest rates by estimating the duration of our assets and liabilities. Duration is the approximate percentage change in fair value for a 100 basis point parallel shift in the yield curve. In general, our assets have higher duration than our liabilities. In order to reduce this exposure, we use hedging instruments to reduce the gap in duration between our assets and liabilities.

We calculate estimated effective duration (i.e., the price sensitivity to changes in risk-free interest rates) to measure the impact of changes in interest rates on our portfolio value. We estimate 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 does not include our investment in AG Arc LLC.

The following chart details information about our duration gap as of September 30, 2021:

Duration (1)	Years
Agency RMBS	1.30
Residential Investments (2)	3.05
Hedges	(2.91)
Duration Gap	1.44

- (1) Duration related to financing arrangements is netted within its respective line items.
- (2) Residential Investments are presented pro-forma for forward purchase commitments to purchase GSE Non-Owner Occupied Loans as of September 30, 2021 as the hedges related to these purchase commitments have already been added to the portfolio. The duration gap exclusive of these commitments would have been 1.00.

The following tables quantify the estimated percent changes in GAAP equity, the fair value of our assets, and projected net interest income should interest rates go up or down instantaneously by 25, 50, and 75 basis points, assuming (i) the yield curves of the rate shocks will be parallel to each other and the current yield curve and (ii) all other market risk factors remain constant. These estimates were compiled using a combination of third-party services and models, market data and internal models. All changes in equity, assets and income are measured as percentage changes from the projected net interest income and GAAP equity from our base interest rate scenario. The base interest rate scenario assumes spot and forward interest rates existing as of September 30, 2021. Actual results could differ materially from these estimates.

Agency RMBS assumptions attempt to predict default and prepayment activity at projected interest rate levels. To the extent that these estimates or other assumptions do not hold true, actual results will likely differ materially from projections and could result in percentage changes larger or smaller than the estimates in the table below. Moreover, if different models were employed in the analysis, materially different projections could result. In addition, while the table below reflects the estimated impact of interest rate increases and decreases on a static portfolio as of September 30, 2021, our Manager may from time to time sell any of our investments as a part of the overall management of our investment portfolio.

Change in Interest Rates (basis points) (1)(2)	Change in Fair Value as a Percentage of GAAP Equity	Change in Fair Value as a Percentage of Assets	Percentage Change in Projected Net Interest Income (3)
75	(2.5)%	(0.5)%	(4.9)%
50	(1.6)%	(0.3)%	(3.2)%
25	(0.8)%	(0.2)%	(1.6)%
(25)	0.8 %	0.2 %	(0.8)%
(50)	1.7 %	0.3 %	(3.9)%
(75)	2.5 %	0.5 %	(7.1)%

- (1) Includes investments held through affiliated entities that are reported as "Investments in debt and equity of affiliates" on our consolidated balance sheet, but excludes AG Arc.
- (2) Does not include cash investments, which typically have overnight maturities and are not expected to change in value as interest rates change.
- (3) Interest income includes trades settled as of September 30, 2021.

The below table quantifies the estimated percent changes in GAAP equity, the fair value of our assets, and projected net interest income should interest rates go up or down instantaneously, including the forward purchase commitments on GSE Non-Owner Occupied Loans as of September 30, 2021 mentioned in the footnote 2 of the duration gap chart above as of September 30, 2021.

Change in Interest Rates (basis points) (1)(2)	Change in Fair Value as a Percentage of GAAP Equity (3)	Change in Fair Value as a Percentage of Assets (3)	Percentage Change in Projected Net Interest Income (4)
75	(3.9)%	(0.8)%	(4.9)%
50	(2.6)%	(0.5)%	(3.2)%
25	(1.3)%	(0.3)%	(1.6)%
(25)	1.3 %	0.3 %	(0.8)%
(50)	2.7 %	0.6 %	(3.9)%
(75)	4.0 %	0.8 %	(7.1)%

- (1) Includes investments held through affiliated entities that are reported as "Investments in debt and equity of affiliates" on our consolidated balance sheet, but excludes AG Arc.
- (2) Does not include cash investments, which typically have overnight maturities and are not expected to change in value as interest rates change.
- (3) Changes in fair value as a percentage of GAAP equity and assets are presented pro-forma for forward purchase commitments to purchase GSE Non-Owner Occupied Loans as of September 30, 2021, as the hedges related to these potential purchases have already been added to the portfolio.
- (4) Interest income includes trades settled as of September 30, 2021.

The information set forth in the interest rate sensitivity tables above and all related disclosures constitute forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. Actual results could differ significantly from those estimated in the foregoing interest rate sensitivity tables. See below for additional risks which may impact the fair value of our assets, GAAP equity and net income.

Liquidity risk

Our primary liquidity risk arises from financing long-maturity assets with shorter-term financings primarily in the form of financing arrangements. Our Manager seeks to mitigate our liquidity risks by maintaining a prudent level of leverage, monitoring our liquidity position on a daily basis and maintaining a substantial cushion of cash and unpledged real estate securities and loans in our portfolio in order to meet future margin calls. In addition, our Manager seeks to further mitigate our liquidity risk by (i) maintaining relationships with a broad number of financing counterparties and (ii) monitoring the ongoing financial stability of our financing counterparties.

As discussed throughout this report, the COVID-19 pandemic-driven disruptions in the real estate, mortgage and financial markets have negatively affected and may continue to negatively affect our liquidity. During the three months ended March 31, 2020, we observed a mark-down of a portion of our assets by the counterparties to our repurchase agreements, resulting in us having to pay cash or additional securities to counterparties to satisfy margin calls that were well beyond historical norms. To conserve capital, protect assets and to pause the escalating negative impacts caused by the market dislocation and allow the markets for many of our assets to stabilize, on March 20, 2020 we notified our repurchase agreement counterparties that we did not expect to fund the existing and anticipated future margin calls under our repurchase agreements and commenced discussions with our counterparties with regard to entering into forbearance agreements.

In response to these conditions, we sold assets, reduced the amount of our outstanding financing arrangements and the number of our financing counterparties, and entered into forbearance agreements with our largest financing counterparties. As previously described, on June 10, 2020, we entered into a Reinstatement Agreement, pursuant to which the parties thereto agreed to terminate the Forbearance Agreement and to permanently waive all existing and prior events of default under our financing agreements and to reinstate each Bilateral Agreement, as each may be amended by agreement. For additional information related to the Forbearance Agreement and the Reinstatement Agreement, see Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Financing activities.

Liquidity risk – financing arrangements

We pledge real estate securities or mortgage loans and cash as collateral to secure our financing arrangements. Should the fair value of our real estate securities or mortgage loans pledged as collateral decrease (as a result of rising interest rates, changes in

prepayment speeds, widening of credit spreads or otherwise), we will likely be subject to margin calls for additional collateral from our financing counterparties. Should the fair value of our real estate securities or mortgage loans decrease materially and suddenly, margin calls will likely increase causing an adverse change to our liquidity position which could result in substantial losses. In addition, we cannot be assured that we will always be able to roll our financing arrangements at their scheduled maturities, which could cause material additional harm to our liquidity position and result in substantial losses. Further, should funding conditions tighten as they did in 2007, 2009 and more recently in March of 2020, our financing arrangement counterparties may increase our margin requirements on new financings, including repurchase transactions that we roll at maturity with the same counterparty. This would require us to post additional collateral and would reduce our ability to use leverage and could potentially cause us to incur substantial losses.

Liquidity risk - derivatives

The terms of our interest rate swaps require us to post collateral in the form of cash or Agency RMBS to our counterparties to satisfy two types of margin requirements: variation margin and initial margin.

We and our swap counterparties are both required to post variation margin to each other depending upon the daily moves in prevailing benchmark interest rates. The amount of this variation margin is derived from the mark to market valuation of our swaps. Hence, as our swaps lose value in a falling interest rate environment, we are required to post additional variation margin to our counterparties on a daily basis; conversely, as our swaps gain value in a rising interest rate environment, we are able to recall variation margin from our counterparties. By recalling variation margin from our swaps counterparties, we are able to partially mitigate the liquidity risk created by margin calls on our repurchase transactions during periods of rising interest rates.

Initial margin works differently. Collateral posted to meet initial margin requirements is intended to create a safety buffer to benefit our counterparties if we were to default on our payment obligations under the terms of the swaps and our counterparties were forced to unwind the swap. For trades executed on a bilateral basis, the initial margin is set at the outset of each trade as a fixed percentage of the notional amount of the trade. This means that once we post initial margin at the outset of a bilateral trade, we will have no further posting obligations as it pertains to initial margin. However, the initial margin on our centrally cleared trades varies from day to day depending upon various factors, including the absolute level of interest rates and the implied volatility of interest rates. There is a distinctly positive correlation between initial margin, on the one hand, and the absolute level of interest rates and implied volatility of interest rates, on the other hand. As a result, in times of rising interest rates or increasing rate volatility, we anticipate that the initial margin required on our centrally-cleared trades will likewise increase, potentially by a substantial amount. These margin increases will have a negative impact on our liquidity position and will likely impair the intended liquidity risk mitigation effect of our swaps and futures discussed above.

Real estate value risk

Residential property values are subject to volatility and may be affected adversely by a number of factors outside of our control, including, but not limited to, national, regional and local economic conditions (which may be adversely affected by industry slowdowns and other factors); local real estate conditions (such as an oversupply of housing or commercial real estate); construction quality, age and design; demographic factors; and retroactive changes to building or similar codes. Decreases in property values could cause us to suffer losses and reduce the value of the collateral underlying our RMBS portfolio as well as the potential sale proceeds available to repay our loans in the event of a default. In addition, substantial decreases in property values can increase the rate of strategic defaults by residential mortgage borrowers which can impact and create significant uncertainty in the recovery of principal and interest on our investments. Given the combination of low interest rates, government stimulus and high unemployment, and other disruptions related to the COVID-19 pandemic, it has become more difficult to predict prepayment levels for the securities in our portfolio.

Credit risk

We are exposed to the risk of potential credit losses from an unanticipated increase in borrower defaults as well as general credit spread widening on any Non-Agency assets in our portfolio, including residential mortgage loans as well as Non-Agency RMBS and Interest Only investments related to Non-Agency. We seek to manage this risk through our Manager's pre-acquisition due diligence process and, if available, through the use of non-recourse financing, which limits our exposure to credit losses to the specific pool of collateral which is the subject of the non-recourse financing. Our Manager's pre-acquisition due diligence process includes the evaluation of, among other things, relative valuation, supply and demand trends, the shape of various yield curves, prepayment rates, delinquency and default rates, recovery of various sectors and vintage of collateral.

Concern surrounding the ongoing COVID-19 pandemic and certain of the actions taken to reduce its spread have caused and may continue to cause business shutdowns, limitations on commercial activity and financial transactions, labor shortages,

supply chain interruptions, increased unemployment and property vacancy and lease default rates, reduced profitability and ability for property owners to make loan, mortgage and other payments, and overall economic and financial market instability, all of which may cause an increase in credit risk of our credit sensitive assets. Any future period of payment deferrals, forbearance, delinquencies, defaults, foreclosures or losses will likely adversely affect our net interest income from residential loans and RMBS investments, the fair value of these assets, our ability to liquidate the collateral that may underlie these investments and obtain additional financing and the future profitability of our investments. Further, in the event of delinquencies, defaults and foreclosure, regulatory changes and policies designed to protect borrowers and renters may slow or prevent us from taking remediation actions.

Prepayment risk

Premiums arise when we acquire real estate assets at a price in excess of the principal balance of the mortgages securing such assets (i.e., par value). Conversely, discounts arise when we acquire assets at a price below the principal balance of the mortgages securing such assets. Premiums paid on our assets are amortized against interest income and accretable purchase discounts on our assets are accreted to interest income. Purchase premiums on our assets, which are primarily carried on our Agency RMBS, are amortized against interest income over the life of each respective asset using the effective yield method, adjusted for actual prepayment activity. An increase in the prepayment rate, as measured by the CPR, will typically accelerate the amortization of purchase premiums, thereby reducing the yield or interest income earned on such assets. Generally, if prepayments on our Non-Agency RMBS or mortgage loans are less than anticipated, we expect that the income recognized on such assets would be reduced due to the slower accretion of purchase discounts.

As further discussed in Note 2 of the "Notes to Consolidated Financial Statements (unaudited)," differences between previously estimated cash flows and current actual and anticipated cash flows caused by changes to prepayment or other assumptions are adjusted retrospectively through a "catch up" adjustment for the impact of the cumulative change in the effective yield through the reporting date for securities accounted for under ASC 320-10 (generally, Agency RMBS) or adjusted prospectively through an adjustment of the yield over the remaining life of the investment for investments accounted for under ASC 325-40 (generally, Non-Agency RMBS and interest-only securities) and mortgage loans accounted for under ASC 310-30.

In addition, our interest rate hedges are structured in part based upon assumed levels of future prepayments within our real estate securities or mortgage loan portfolio. If prepayments are slower or faster than assumed, the life of the real estate securities or mortgage loans will be longer or shorter than assumed, respectively, which could reduce the effectiveness of our Manager's hedging strategies and may cause losses on such transactions.

Our Manager seeks to mitigate our prepayment risk by investing in real estate assets with a variety of prepayment characteristics.

Basis risk

Basis risk refers to the possible decline in book value triggered by the risk of incurring losses on the fair value of Agency RMBS as a result of widening market spreads between the yields on Agency RMBS and the yields on comparable duration Treasury securities. The basis risk associated with fluctuations in fair value of Agency RMBS may relate to factors impacting the mortgage and fixed income markets other than changes in benchmark interest rates, such as actual or anticipated monetary policy actions by the Federal Reserve, market liquidity, or changes in required rates of return on different assets. Consequently, while we use interest rate swaps and other hedges to protect against moves in interest rates, such instruments will generally not protect our net book value against basis risk.

Capital Market Risk

We are exposed to risks related to the equity capital markets, and our related ability to raise capital through the issuance of our common stock, preferred stock or other equity instruments. We are also exposed to risks related to the debt capital markets, and our related ability to finance our business through revolving facilities or other debt instruments. As a REIT, we are required to distribute a significant portion of our taxable income annually, which constrains our ability to accumulate operating cash flow and therefore may require us to utilize debt or equity capital to finance our business. We seek to mitigate these risks by monitoring the debt and equity capital markets to inform our decisions on the amount, timing, and terms of capital we raise.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Our management is responsible for establishing and maintaining disclosure controls and procedures that are designed to ensure that information the Company is required to disclose in the reports that it files or submits under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include controls and procedures designed to ensure that the Company's management, including its principal executive officer and principal financial officer, as appropriate, allow for timely decisions regarding required disclosure.

We have evaluated, with the participation of our principal executive officer and principal financial officer, the effectiveness of our disclosure controls and procedures as of September 30, 2021. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon our evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow for timely decisions regarding required disclosure.

(b) Changes in Internal Control over Financial Reporting

No change occurred in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act) during the period covered by this quarterly report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

We are at times subject to various legal proceedings arising in the ordinary course of business. In addition, in the ordinary course of business, we can be and are involved in governmental and regulatory examinations, information gathering requests, investigations, proceedings and settlements. As of the date of this report, we are not party to any litigation or legal proceedings, or to our knowledge, any threatened litigation or legal proceedings, which we believe, individually or in the aggregate, would have a material adverse effect on our results of operations or financial condition.

ITEM 1A. RISK FACTORS.

Refer to the risks identified under the caption "Risk Factors", in our Annual Report on Form 10-K for the year ended December 31, 2020 and our subsequent filings, which are available on the Securities and Exchange Commission's website at www.sec.gov, and in the "Forward-Looking Statements" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections herein.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

On July 1, 2021, in connection with our non-employee director compensation policy, the Company granted an aggregate of 6,304 shares of restricted common stock to its independent directors under the Company's 2020 Equity Incentive Plan in a private transaction exempt from registration pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended. The shares of restricted common stock were fully vested upon grant.

On November 3, 2015, the Company's Board of Directors authorized a stock repurchase program ("Repurchase Program") to repurchase up to \$25.0 million of the Company's outstanding common stock. Such authorization does not have an expiration date. As part of the Repurchase Program, shares may be purchased in open market transactions, including through block purchases, through privately negotiated transactions, or pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 of the Exchange Act. The following table presents information related to our purchases of our common stock during the three months ended September 30, 2021:

Period (1)	Total Number of Shares Purchased	Weighted Average Price Paid per Share (2)	Total Number of Shares Purchased as Part of Publicly Announced Program (3)	Maximum Approximate Dollar Value that May Yet Be Purchased Under the Program (4)
August 1, 2021 to August 31, 2021	150,870	\$ 10.72	398,006	\$ 12,980,553
September 1, 2021 to September 30, 2021	107,885	11.39	505,891	11,751,409
Total	258,755	\$ 11.00	505,891	\$ 11,751,409

(1) Based on trade date. The Program was announced on November 4, 2015. The Program does not have an expiration date.

(2) Includes brokerage commissions and clearing fees.

(3) Amounts have been adjusted to reflect the one-for-three reverse stock split effected July 22, 2021.

(4) The maximum dollar amount authorized was \$25.0 million.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

Exhibit No.	Description
<u>3.1</u>	<u>Articles of Amendment and Restatement of AG Mortgage Investment Trust, Inc., incorporated by reference to Exhibit 3.1 of Amendment No. 2 to the Company's Registration Statement on Form S-11, filed with the Securities and Exchange Commission on April 18, 2011 ("Pre-Effective Amendment No. 2").</u>
<u>3.2</u>	<u>Articles of Amendment to Articles of Amendment and Restatement of AG Mortgage Investment Trust, Inc., incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on May 8, 2017.</u>
<u>3.3</u>	<u>Amended and Restated Bylaws of AG Mortgage Investment Trust, Inc., incorporated by reference to Exhibit 3.2 of Pre-Effective Amendment No. 2.</u>
<u>3.4</u>	<u>Articles Supplementary of 8.25% Series A Cumulative Redeemable Preferred Stock, incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on August 2, 2012.</u>
<u>3.5</u>	<u>Articles Supplementary of 8.00% Series B Cumulative Redeemable Preferred Stock, incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on September 24, 2012.</u>
<u>3.6</u>	<u>Articles Supplementary of 8.000% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, incorporated by reference to Exhibit 3.5 of the Company's Registration Statement on Form 8-A12B, filed with the Securities and Exchange Commission on September 16, 2019.</u>
<u>3.7</u>	<u>Articles of Amendment of AG Mortgage Investment Trust, Inc., incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on July 27, 2021.</u>
<u>3.8</u>	<u>Articles of Amendment of AG Mortgage Investment Trust, Inc., incorporated by reference to Exhibit 3.2 of the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on July 27, 2021.</u>
<u>4.1</u>	<u>Specimen Common Stock Certificate of AG Mortgage Investment Trust, Inc., incorporated by reference to Exhibit 4.1 on Form 10-Q filed with the Securities and Exchange Commission on May 7, 2021</u>
<u>4.2</u>	<u>Specimen 8.25% Series A Cumulative Redeemable Preferred Stock Certificate, incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on August 2, 2012.</u>
<u>4.3</u>	<u>Specimen 8.00% Series B Cumulative Redeemable Preferred Stock Certificate, incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on September 24, 2012.</u>
<u>4.4</u>	<u>Specimen 8.000% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock Certificate, incorporated by reference to Exhibit 3.9 of the Company's Registration Statement on Form 8-A12B, filed with the Securities and Exchange Commission on September 16, 2019.</u>
<u>31.1*</u>	<u>Certification of David N. Roberts pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
<u>31.2*</u>	<u>Certification of Anthony W. Rossiello pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
<u>32.1*</u>	<u>Certification of David N. Roberts pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
<u>32.2*</u>	<u>Certification of Anthony W. Rossiello pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>

101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL)

* Filed herewith.

† Management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AG MORTGAGE INVESTMENT TRUST, INC.

November 5, 2021

By: /s/ DAVID N. ROBERTS

David N. Roberts

Chief Executive Officer (principal executive officer)

November 5, 2021

By: /s/ ANTHONY W. ROSSIELLO

Anthony W. Rossiello

Chief Financial Officer (principal financial officer and principal accounting officer)

Exhibit 31.1

I, David N. Roberts, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AG Mortgage Investment Trust, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2021

/s/ David N. Roberts

David N. Roberts

Chief Executive Officer

Exhibit 31.2

I, Anthony W. Rossiello, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AG Mortgage Investment Trust, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2021

/s/ Anthony W. Rossiello

Anthony W. Rossiello
Chief Financial Officer

EXHIBIT 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of AG Mortgage Investment Trust, Inc. (the "Company") for the quarterly period ended September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David N. Roberts, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates of, and for the periods covered by, the Report.

It is not intended that this statement be deemed to be filed for purposes of the Securities Exchange Act of 1934.

/s/ David N. Roberts

David N. Roberts

Chief Executive Officer

November 5, 2021

EXHIBIT 32.2

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of AG Mortgage Investment Trust, Inc. (the "Company") for the quarterly period ended September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Anthony W. Rossiello, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates of, and for the periods covered by, the Report.

It is not intended that this statement be deemed to be filed for purposes of the Securities Exchange Act of 1934.

/s/ Anthony W. Rossiello

Anthony W. Rossiello
Chief Financial Officer
November 5, 2021