AG Mortgage Investment Trust, Inc.
Form 10-Q
May 03, 2019
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2019
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	27-5254382
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
245 Park Avenue, 26th Floor New York, New York	10167
(Address of Principal Executive Offices)	(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 ý 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 ý 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 ý 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 ý
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)

As of April 23, 2019, there were 32,709,397 outstanding shares of common stock of AG Mortgage Investment Trust, Inc.

AG MORTGAGE INVESTMENT TRUST, INC.
TABLE OF CONTENTS

PART I

ITEM 1. FINANCIAL STATEMENTS

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

	March 31, 2019	December 31, 2018
Assets		
Real estate securities, at fair value:		
Agency - $2,240,880 and $1,934,562 pledged as collateral, respectively	$2,287,981	$1,988,280
Non-Agency - $640,396 and $605,243 pledged as collateral, respectively (1)	659,340	625,350
ABS - $12,594 and $13,346 pledged as collateral, respectively	20,199	21,160
CMBS - $266,689 and $248,355 pledged as collateral, respectively	276,403	261,385
Residential mortgage loans, at fair value - $117,830 and $99,283 pledged as collateral, respectively	202,047	186,096
Commercial loans, at fair value - $2,467 and $- pledged as collateral, respectively	110,223	98,574
Single-family rental properties, net	137,886	138,678
Investments in debt and equity of affiliates	102,099	84,892
Excess mortgage servicing rights, at fair value	24,301	26,650
Cash and cash equivalents	50,779	31,579
Restricted cash	37,266	52,779
Other assets	98,617	33,503
Total Assets	$4,007,141	$3,548,926
Liabilities		
Financing arrangements, net	$3,214,909	$2,822,505
Securitized debt, at fair value	10,515	10,858
Dividend payable	16,352	14,372
Other liabilities	33,729	45,180
Total Liabilities	3,275,505	2,892,915
Commitments and Contingencies (Note 14)		
Stockholders' Equity		
Preferred stock - $0.01 par value; 50,000 shares authorized:		
8.25% Series A Cumulative Redeemable Preferred Stock, 2,070 shares issued and outstanding ($51,750 aggregate liquidation preference)	49,921	49,921
8.00% Series B Cumulative Redeemable Preferred Stock, 4,600 shares issued and outstanding ($115,000 aggregate liquidation preference)	111,293	111,293
Common stock, par value $0.01 per share; 450,000 shares of common stock authorized and 32,703 and 28,744 shares issued and outstanding at March 31, 2019 and December 31, 2018, respectively	327	287
Additional paid-in capital	661,561	595,412
Retained earnings/(deficit)	(91,466)	(100,902)
Total Stockholders' Equity	731,636	656,011
Total Liabilities & Stockholders' Equity	$4,007,141	$3,548,926

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

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

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

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Net Interest Income		
Interest income	$41,490	$39,357
Interest expense	23,341	15,326
Total Net Interest Income	18,149	24,031
Other Income/(Loss)		
Rental income	3,397	—
Net realized gain/(loss)	(20,610)	(11,839)
Net interest component of interest rate swaps	1,781	(1,470)
Unrealized gain/(loss) on real estate securities and loans, net	46,753	(36,155)
Unrealized gain/(loss) on derivative and other instruments, net	(10,086)	37,090
Other income	596	—
Total Other Income/(Loss)	21,831	(12,374)
Expenses		
Management fee to affiliate	2,345	2,439
Other operating expenses	3,830	3,223
Equity based compensation to affiliate	126	51
Excise tax	92	375
Servicing fees	371	62
Property depreciation and amortization	1,447	—
Property operating expenses	1,843	—
Total Expenses	10,054	6,150
Income/(loss) before equity in earnings/(loss) from affiliates	29,926	5,507
Equity in earnings/(loss) from affiliates	(771)	2,740
Net Income/(Loss)	29,155	8,247
Dividends on preferred stock	3,367	3,367
Net Income/(Loss) Available to Common Stockholders	$25,788	$4,880
Earnings/(Loss) Per Share of Common Stock		
Basic	$0.84	$0.17
Diluted	$0.84	$0.17
Weighted Average Number of Shares of Common Stock Outstanding		
Basic	30,551	28,196
Diluted	30,581	28,217

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

3

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

	Common Stock		8.25 % Series A Cumulative Redeemable Preferred Stock	8.00 % Series B Cumulative Redeemable Preferred Stock	Additional Paid-in Capital	Retained Earnings/(Deficit)	Total
	Shares	Amount					
Balance at January 1, 2018	28,193	$ 282	$ 49,921	$ 111,293	$585,530	$ (32,767)	$714,259
Net proceeds from issuance of common stock	—	—	—	—	(63)	—	(63)
Grant of restricted stock and amortization of equity based compensation	3	—	—	—	143	—	143
Common dividends declared	—	—	—	—	—	(13,393)	(13,393)
Preferred Series A dividends declared	—	—	—	—	—	(1,067)	(1,067)
Preferred Series B dividends declared	—	—	—	—	—	(2,300)	(2,300)
Net Income/(Loss)	—	—	—	—	—	8,247	8,247
Balance at March 31, 2018	28,196	$ 282	$ 49,921	$ 111,293	$585,610	$ (41,280)	$705,826
Balance at January 1, 2019	28,744	$ 287	$ 49,921	$ 111,293	$595,412	$ (100,902)	$656,011
Net proceeds from issuance of common stock	3,953	40	—	—	65,924	—	65,964
Grant of restricted stock and amortization of equity based compensation	6	—	—	—	225	—	225
Common dividends declared	—	—	—	—	—	(16,352)	(16,352)
Preferred Series A dividends declared	—	—	—	—	—	(1,067)	(1,067)
Preferred Series B dividends declared	—	—	—	—	—	(2,300)	(2,300)
Net Income/(Loss)	—	—	—	—	—	29,155	29,155
Balance at March 31, 2019	32,703	$ 327	$ 49,921	$ 111,293	$661,561	$ (91,466)	$731,636

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

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

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Cash Flows from Operating Activities		
Net income/(loss)	$ 29,155	$ 8,247
Adjustments to reconcile net income/(loss) to net cash provided by (used in) operating activities:		
Net amortization of premium/(discount)	(1,656)	(959)
Net realized (gain)/loss	20,610	11,839
Unrealized (gain)/loss on real estate securities and loans, net	(46,753)	36,155
Unrealized (gain)/loss on derivative and other instruments, net	10,086	(37,090)
Property depreciation and amortization	1,447	—
Equity based compensation to affiliate	126	51
Equity based compensation expense	99	92
(Income)/loss from investments in debt and equity of affiliates in excess of distributions received	1,635	2,127
Change in operating assets/liabilities:		
Other assets	(1,025)	(152)
Other liabilities	(4,004)	4,542
Net cash provided by (used in) operating activities	9,720	24,852
Cash Flows from Investing Activities		
Purchase of real estate securities	(645,249)	(686,020)
Purchase of residential mortgage loans	(19,745)	—
Origination of commercial loans	(11,748)	—
Purchase of commercial loans	(10,118)	—
Purchase of U.S. Treasury securities	—	(249,659)
Purchase of excess mortgage servicing rights	—	(7,604)
Investments in debt and equity of affiliates	(20,734)	(39,216)
Proceeds from sales of real estate securities	213,027	728,366
Proceeds from sales of residential mortgage loans	75	—
Proceeds from sales of U.S. treasury securities	—	249,227
Principal repayments/return of basis on real estate securities and excess mortgage servicing rights	63,995	112,743
Principal repayments on commercial loans	10,471	—
Principal repayments on residential mortgage loans	4,007	183
Distributions received in excess of income from investments in debt and equity of affiliates	1,893	6,460
Net proceeds from/(payments made) on reverse repurchase agreements	11,487	24,695
Net proceeds from/(payments made) on sales of securities borrowed under reverse repurchase agreements	(11,437)	(24,032)
Net settlement of interest rate swaps and other instruments	(31,268)	6,504
Net settlement of TBAs	(431)	373
Cash flows provided by/(used in) other investing activities	(1,151)	1,224
Net cash provided by/(used in) investing activities	(446,926)	123,244

Cash Flows from Financing Activities		
Net proceeds from issuance of common stock	65,964	(63)
Borrowings under financing arrangements	10,167,128	13,806,248
Repayments of financing arrangements	(9,774,724)	(13,950,356)
Net collateral received from/(paid to) derivative counterparty	(599)	27,207
Net collateral received from/(paid to) repurchase counterparty	863	384
Dividends paid on common stock	(14,372)	(13,391)
Dividends paid on preferred stock	(3,367)	(3,367)
Net cash provided by/(used in) financing activities	440,893	(133,338)
Net change in cash, cash equivalents and restricted cash	3,687	14,758
Cash, cash equivalents, and restricted cash, Beginning of Period	84,358	52,815
Cash, cash equivalents, and restricted cash, End of Period	$ 88,045	$ 67,573

	Three Months Ended March 31, 2019		Three Months Ended March 31, 2018	
Supplemental disclosure of cash flow information:				
Cash paid for interest on financing arrangements	$	24,847	$	14,513
Cash paid for excise and income taxes	$	1,396	$	1,379
Supplemental disclosure of non-cash financing and investing activities:				
Receivable on unsettled trades	$	68,389	$	104,654
Payable on unsettled trades	$	—	$	117,356
Principal repayments on real estate securities not yet received	$	—	$	1,018
Common stock dividends declared but not paid	$	16,352	$	13,393
Decrease in securitized debt	$	317	$	994
Transfer from residential mortgage loans to other assets	$	628	$	—
Transfer from non-agency to investments in debt and equity of affiliates	$	—	$	44,970
Transfer from financing arrangements to investments in debt and equity of affiliates	$	—	$	33,720

The following table provides a reconciliation of cash, 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:

	March 31, 2019	March 31, 2018
Cash and cash equivalents	$50,779	$25,294
Restricted cash	37,266	42,279
Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows	$88,045	$67,573

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

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
March 31, 2019

1. Organization

AG Mortgage Investment Trust, Inc. (the "Company") was incorporated in the state of Maryland on March 1, 2011. The Company is a hybrid mortgage REIT that opportunistically invests in a diversified portfolio of residential mortgage-backed securities, or RMBS, residential and commercial mortgage assets, financial assets and real estate. RMBS include securities issued or guaranteed by a U.S. government-sponsored entity such as Fannie Mae or Freddie Mac (collectively, "GSEs"), or any agency of the U.S. Government such as Ginnie Mae (collectively, "Agency RMBS"). Residential and commercial mortgage assets, financial assets and real estate include Non-Agency RMBS, ABS, CMBS, excess mortgage servicing rights ("Excess MSRs"), loans, and single-family rental properties, each as described below.

Non-Agency RMBS represent fixed- and floating-rate RMBS issued by entities or organizations other than a GSE or agency of the U.S. government, including investment grade (AAA through BBB) and non-investment grade classes (BB and below). The mortgage loan collateral for 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.

Asset Backed Securities ("ABS") are securitized investments for which the underlying assets are diverse, not only representing real estate related assets.

Commercial Mortgage Backed Securities ("CMBS") represent investments of fixed- and floating-rate CMBS, including investment grade (AAA through BBB) and non-investment grade classes (BB and below), secured by, or evidencing an ownership interest in, a single commercial mortgage loan or a pool of commercial mortgage loans.

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

Commercial loans are secured by an interest in commercial real estate and represent a contractual right to receive money on demand or on fixed or determinable dates. Residential mortgage loans refer to performing, re-performing and non-performing loans secured by a first lien mortgage on residential mortgaged property located in any of the 50 states of the United States or in the District of Columbia. The Company refers to its residential and commercial mortgage loans as "mortgage loans" or "loans."

Single-family rental properties represent equity interests in residential properties held for the purpose of owning, leasing, and operating as single-family rental properties.

The Company conducts its business through the following segments: (i) Securities and Loans and (ii) Single-Family Rental Properties.

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, 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.

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.

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
March 31, 2019

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. Certain prior period amounts have been reclassified to conform to the current period’s presentation. In the opinion of management, all adjustments considered necessary for a fair statement 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 includes cash invested in money market funds. As of March 31, 2019 and December 31, 2018, the Company held $35.9 million and $0.6 million, respectively, of cash equivalents. 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. Due to broker, which is included in the "Other liabilities" line item on the consolidated balance sheets, does not include variation margin received on centrally cleared derivatives. See Note 9 for more detail. 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, financing arrangements and security deposits. Restricted cash also includes cash deposited into accounts related to rent deposits and collections, security deposits, property taxes, insurance premiums, interest expenses, property management fees and capital expenditures. Restricted cash is not available to the Company for general corporate purposes. As of March 31, 2019 and December 31, 2018, the Company held $1.5 million and $1.3 million, respectively, of restricted cash related to security deposits. Restricted cash may be returned to the Company when the related collateral requirements are exceeded or at the maturity of the derivative or financing arrangement. Restricted cash is carried at cost, which approximates fair value. Restricted cash does not include variation margin pledged on centrally cleared derivatives. See Note 9 for more detail.

Offering costs

The Company has incurred offering costs in connection with common stock offerings and registration statements. 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.

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 but uses 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. In periods in which the Company records a loss, potentially dilutive securities are excluded from the diluted loss per share calculation, as their effect on loss per share is anti-dilutive.

Valuation of financial instruments

The fair value of the financial instruments that the Company records at fair value will be 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 independent 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 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 market value on the consolidated balance sheets and the periodic change in fair market value is recorded in current period earnings on the consolidated statement of operations as a component of "Unrealized gain/(loss) on real estate securities and loans, net." Real estate securities acquired through securitizations are shown in the line item "Purchase of real estate securities" on the consolidated statement of cash flows.

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.

The Company accounts for its securities under ASC 310 and ASC 325 and evaluates securities for other-than-temporary impairment ("OTTI") on at least a quarterly basis. The determination of whether a security is other-than-temporarily impaired involves judgments and assumptions based on subjective and objective factors. When the fair value of a real estate security is less than its amortized cost at the balance sheet date, the security is considered impaired, and the impairment is designated as either "temporary" or "other-than-temporary."

When a real estate security is impaired, an OTTI is considered to have occurred if (i) the Company intends to sell the security (i.e., a decision has been made as of the reporting date) or (ii) it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis. If the Company intends to sell the security or if it is more likely than not that the Company will be required to sell the real estate security before recovery of its amortized cost basis, the entire amount of the impairment loss, if any, is recognized in earnings as a realized loss and the cost basis of the security is adjusted to its fair value. Additionally, for securities accounted for under ASC 325-40, an OTTI is deemed to have occurred when there is an adverse change in the expected cash flows to be received and the fair value of the security is less than its carrying amount. In determining whether an adverse change in cash flows occurred, the present value of the remaining cash flows, as estimated at the initial transaction date (or the last date previously revised), is compared to the present value of the expected cash flows at the current reporting date. The estimated cash flows reflect those a "market participant" would use and include observations of current information and events, and assumptions related to fluctuations in interest rates, prepayment speeds and the timing and amount of potential credit losses.

Cash flows are discounted at a rate equal to the current yield used to accrete interest income. Any resulting OTTI adjustments are reflected in the "Net realized gain/(loss)" line item on the consolidated statement of operations.

The determination as to whether an OTTI exists is subjective, given that such determination is based on information available at the time of assessment as well as the Company’s estimate of the future performance and cash flow projections for the individual security. As a result, the timing and amount of an OTTI constitutes an accounting estimate that may change materially over time.

Increases in interest income may be recognized on a security on which the Company previously recorded an OTTI charge if the performance of such security subsequently improves.

Any remaining unrealized losses on securities at March 31, 2019 do not represent other than temporary impairment as the Company has the ability and intent to hold the securities to maturity or for a period of time sufficient for a forecasted market price recovery up to or above the amortized cost of the investment, and the Company is not required to sell the security for regulatory or other reasons. In addition, any unrealized losses on the Company’s Agency RMBS accounted for under ASC 320 are not due to credit losses given their explicit guarantee of principal and interest by the GSEs, but rather are due to changes in interest rates and prepayment expectations. See Note 3 for a summary of OTTI charges recorded.

Sales of securities are driven by the Manager’s portfolio management process. The Manager seeks to mitigate risks including those associated with prepayments, defaults, severities, amongst others and will opportunistically rotate the portfolio into securities with more favorable attributes. Strategies may also be employed to manage net capital gains, which need to be distributed for tax purposes.

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, or FIFO, basis. Realized gains and losses are recorded in earnings at the time of disposition.

Accounting for residential and commercial mortgage loans

Investments in mortgage loans are recorded in accordance with ASC 310-10, "Receivables." At purchase, the Company may aggregate its mortgage loans into pools based on common risk characteristics. Once a pool of loans is assembled, its composition is maintained. The Company has chosen to make a fair value election pursuant to ASC 825 for its mortgage loan portfolio. Loans are recorded at fair market value on the consolidated balance sheets and any periodic change in fair market value will be recorded in current period earnings on the consolidated statement of operations as a component of "Unrealized gain/(loss) on real estate securities and loans, net."

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 management, 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.

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

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
March 31, 2019

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. Decreases in cash flows expected to be collected from previously projected cash flows, which includes all cash flows originally expected to be collected by the investor plus any additional cash flows expected to be collected arising from changes in estimate after acquisition, may be recognized as impairment. Increases in interest income may be recognized on a loan on which the Company previously recorded an OTTI charge if the performance of such loan subsequently improves.

Investments in debt and equity of affiliates

The Company’s unconsolidated ownership interests in affiliates are accounted for using the equity method. A majority of the Company’s investments held through affiliated entities are comprised of real estate securities, Excess MSRs, and loans. These types of investments may also be held directly by the Company. These entities have chosen to make a fair value election on their financial instruments pursuant to ASC 825; as such, the Company will treat these investments consistently with this election.

On December 9, 2015, the Company, alongside private funds under the management of Angelo Gordon, through AG Arc LLC, one of the Company’s indirect subsidiaries ("AG Arc"), formed Arc Home LLC ("Arc Home"). The Company has chosen to make a fair value election with respect to its investment in AG Arc pursuant to ASC 825.

On August 29, 2017, the Company, alongside private funds under the management of 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-QMs," which are residential mortgage loans that are not deemed "qualified mortgage," or "QM," loans under the rules of the CFPB. Non-QMs are not eligible for delivery to Fannie Mae, Freddie Mac, or Ginnie Mae. MATT is expected to make an election to be treated as a real estate investment trust beginning with the 2018 tax year.

During Q3 2018, the Company transferred certain of its CMBS from certain of its non-wholly owned subsidiaries to a consolidated entity. The Company executed this transfer in order to obtain financing on these real estate securities. As a result, there was a reclassification of these assets from the "Investments in debt and equity of affiliates" line item to the "CMBS" line item on the Company's consolidated balance sheets. In addition, the Company has also shown this reclassification as a non-cash transfer from the "Investments in debt and equity of affiliates" line item to the "CMBS" line item on its consolidated statements of cash flows.

The below table reconciles the fair market value of investments to the "Investments in debt and equity of affiliates" line item on the Company's consolidated balance sheet (in thousands).

	March 31, 2019			December 31, 2018		
	Assets	Liabilities	Equity	Assets	Liabilities	Equity
Real Estate Securities, Excess MSRs and Loans, at fair value (1)(2)	$244,867	$(176,950)	$67,917	$213,419	$(138,893)	$74,526
AG Arc, at fair value	23,775	—	23,775	20,360	—	20,360
Cash and Other assets/(liabilities)	11,510	(1,103)	10,407	7,423	(17,417)	(9,994)
Investments in debt and equity of affiliates	$280,152	$(178,053)	$102,099	$241,202	$(156,310)	$84,892

(1) Net of any non-recourse securitized debt.

(2) Within Real Estate Securities, Excess MSRs and Loans is $144.4 million and $113.3 million of fair market value of Non-QMs held in MATT at March 31, 2019 and December 31, 2018, respectively.

The Company’s investments in debt and equity of affiliates are recorded at fair market value on the consolidated balance sheets in the "Investments in debt and equity of affiliates" line item and periodic changes in fair market value are recorded in current period earnings on the consolidated statement of operations as a component of "Equity in earnings/(loss) from affiliates." Capital contributions, distributions and profits and losses of such entities are allocated in accordance with the terms of the applicable agreements.

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
March 31, 2019

Accounting for excess mortgage servicing rights

The Company has acquired the right to receive the excess servicing spread related to Excess MSRs. The Company has chosen to make a fair value election pursuant to ASC 825 for Excess MSRs. Excess MSRs are recorded at fair market value on the consolidated balance sheets and any periodic change in fair market value is recorded in current period earnings on the consolidated statement of operations as a component of "Unrealized gain/(loss) on derivative and other instruments, net."

The Company amortizes or accretes any premium or discount over the life of the related Excess MSRs utilizing the effective interest method. On at least a quarterly basis, the Company evaluates the collectability of interest of its Excess MSRs to determine whether they are impaired. An Excess MSR 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.

The Company updates its estimate of the cash flows expected to be collected on at least a quarterly basis for Excess MSRs. 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 interest receipts, and assumptions of prepayments, repurchases, defaults and liquidations. If there is a significant increase in expected cash flows over what was 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 Excess MSR’s yield over its remaining life. Decreases in cash flows expected to be collected from previously projected cash flows, which includes all cash flows originally expected to be collected by the investor plus any additional cash flows expected to be collected arising from changes in estimate after acquisition, may be recognized as impairment. Increases in interest income may be recognized on an Excess MSR on which the Company previously recorded an OTTI charge if the performance of such Excess MSR subsequently improves.

Accounting for single-family rental properties

Purchases of single-family rental properties are treated as asset acquisitions under ASU 2017-01, "Clarifying the Definition of a Business" and are recorded at their purchase price, which is allocated between land, building and improvements, and in-place lease intangibles (when a tenant is in place at the acquisition date) based upon their relative fair values at the date of acquisition. Fair value is determined in accordance with ASC 820 and is primarily based on unobservable data inputs. In making estimates of fair values for purposes of allocating the purchase price, the Company utilizes its own market knowledge and published market data and generally engages a third-party valuation specialist to assist management in the determination of fair value for purposes of allocating price of properties acquired as part of portfolio level transactions. For purposes of this allocation, the purchase price is inclusive of acquisition costs, which include legal costs, as well as other closing costs.

The Company incurs costs to acquire, stabilize and prepare our single-family rental properties to be rented. These costs include renovation and other costs associated with these activities. The Company capitalizes these costs as a component of the Company's investment in each single-family rental property, using specific identification and relative allocation methodologies. The capitalization period associated with the Company's stabilization activities begins at such time that activities commence and concludes at the time that a single-family rental property is available to be leased. Once a property is ready for its intended use, expenditures for ordinary maintenance and repairs are expensed to operations as incurred. The Company capitalizes expenditures that improve or extend the life of a home and for certain furniture and fixtures additions.

The Company records single-family rental properties at purchase price plus any capitalized expenses less accumulated depreciation and amortization and any impairment to the "Single-family rental properties, net" line item on the consolidated balance sheets. Costs capitalized in connection with property acquisitions and improvements are depreciated over their estimated useful lives on a straight line basis. Buildings are depreciated over 30 years and improvements are depreciated over a range of 5 years to 30 years. In-place lease intangibles are recorded based on the costs to execute similar leases as well as an estimate of lost rent revenue at in-place rental rates during the estimated time required to lease the property. The in-place lease intangibles are amortized over the remaining life of the leases in place at purchase and are recorded in "Single-family rental properties, net" on the Company's consolidated balance sheets. The weighted average remaining life of the leases in place at purchase is 3.3 months.

The Company assesses impairment in its single-family rental properties at least on a quarterly basis, or whenever events or changes in business circumstances indicate that carrying amounts of the assets may not be fully recoverable. When such trigger events occur, the Company determines whether there has been impairment by comparing the asset’s carrying value with its estimated fair value. Should impairment exist, the asset is written down to its estimated fair value. This analysis is performed at the property level using estimated cash flows, which are estimated based on a number of assumptions that are subject to economic and market uncertainties, including, among others, demand for rental properties, competition for customers, changes in market rental rates, costs to operate each property, expected ownership periods and value of the property. If the carrying amount of a property exceeds the sum of its undiscounted future operating and disposition cash flows, an impairment loss is recorded for excess of the carrying amount over the estimated fair value.

Minimum contractual rents from leases are recognized on a straight-line basis over the terms of the leases in rental income. Therefore, actual amounts billed in accordance with the lease during any given period may be higher or lower than the amount of rental income recognized during the period. Straight-line rental income commences when the customer takes control of the leased premises.

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. A similar analysis will be performed for each entity with which the Company enters into an agreement for management, servicing or related services. In performing the analysis, the Company refers to guidance in 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 either do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support, are unable to direct the entity's activities or 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. See Note 3 for more detail.

The Company entered into a resecuritization transaction in 2014 which resulted in the Company consolidating the VIE that was created to facilitate the transaction and to which the underlying assets in connection with the resecuritization were transferred. In determining the accounting treatment to be applied to this resecuritization transaction, the Company evaluated whether the entity used to facilitate this transaction was a VIE and, if so, whether it should be consolidated. Based on its evaluation, the Company concluded that the VIE should be consolidated. If the Company had determined that consolidation was not required, it would have then assessed whether the transfer of the underlying assets would qualify as a sale or should be accounted for as secured financings under GAAP. See Note 3 below for more detail.

The Company transferred certain of its CMBS in Q3 2018 from certain of its non-wholly owned subsidiaries into a newly formed wholly owned entity so the Company could obtain financing on these real estate securities. The Company evaluated whether this newly formed entity was a VIE and, whether it should be consolidated. Based on its evaluation, the Company concluded that the VIE should be consolidated. If the Company had determined that consolidation was not required, it would have accounted for its investment in this entity as an equity method investment. See Note 3 below as well as the "Investments in debt and equity of affiliates" section above for more detail.

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 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 values. 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 "real estate securities" 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 is accrued based on the actual coupon rate and the outstanding principal balance of such securities. 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 accounted for under the fair value option (ASC 825). As such, premiums and discounts are amortized or accreted into interest income over the lives of the securities 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.

On at least a quarterly basis for securities accounted for under ASC 320-10 and ASC 310-20 (generally Agency RMBS, exclusive of interest-only securities), prepayments of the underlying collateral must be estimated, 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 through the reporting date.

Similarly, the Company also reassesses the cash flows on at least a quarterly basis for securities accounted for under ASC 325-40 (generally Non-Agency RMBS, ABS, CMBS, interest-only securities 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 as adjusted for credit impairment, if any.

Interest income on the Company’s loan portfolio is accrued based on the actual coupon rate and the outstanding principal balance of such loans. The Company has elected to record interest in accordance with ASC 835-30-35-2 using the effective interest method for all loans accounted for under the fair value option (ASC 825). Any amortization will be reflected as an adjustment to interest income in the consolidated statement of operations.

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 may aggregate 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 (accretable 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 (nonaccretable difference) not be recognized as an adjustment of yield, loss accrual or valuation allowance. Subsequent increases in cash flows expected to be collected generally should be recognized prospectively through an adjustment of the loan's yield over its remaining life. Decreases in cash flows expected to be collected should be recognized as impairment.

The Company's accrual of interest, discount accretion and premium amortization for U.S. federal and other tax purposes differs from the financial accounting treatment of these items as described above.

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 financing facilities. The Company's financing facilities include both term loans and revolving facilities. Repurchase agreements and financing 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. In response to declines in fair value of assets pledged under repurchase agreements and revolving facilities, lenders may require the Company to post additional collateral or pay down borrowings to re-establish agreed upon collateral requirements, referred to as margin calls. As of March 31, 2019 and December 31, 2018, the Company has met all margin call requirements.

Accounting for derivative financial instruments

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 March 31, 2019 and December 31, 2018, the Company did not have any interest rate derivatives designated as hedges. All derivatives have been recorded at fair value in accordance with ASC 820-10, with corresponding changes in 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. The Company records the daily receipt or payment of variation margin associated with the Company’s centrally cleared derivative instruments on a net basis. See Note 9 for a discussion of this accounting treatment. 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) on derivative and other instruments, net."

The Company presents the purchase or sale of TBAs net of the corresponding payable or receivable, respectively, until the settlement date of the transaction. Contracts for the purchase or sale of Agency RMBS are accounted for as derivatives if they do not qualify for the "regular way" security trade scope exception found in ASC 815-10. To be eligible for this scope exception, the contract must meet the following conditions: (1) there is no other way to purchase or sell that security, (2) delivery of that security and settlement will occur within the shortest period possible for that type of security, and (3) it is probable at inception and throughout the term of the individual contract that the contract will not settle net and will result in physical delivery of a security when it is issued. Unrealized gains and losses associated with TBA contracts not meeting the regular-way exception and not designated as hedging instruments are recognized in the consolidated statement of operations in the line item "Unrealized gain/(loss) on derivative and other instruments, net."

U.S. Treasury securities

The Company may purchase long or sell short U.S. Treasury securities to help mitigate the potential impact of changes in interest rates. The Company may finance its purchase of U.S. Treasury securities with overnight repurchase agreements. The Company may borrow securities to cover short sales of U.S. Treasury securities through overnight reverse repurchase agreements, which are accounted for as borrowing transactions, and the Company recognizes an obligation to return the borrowed securities at fair value on its consolidated balance sheets based on the value of the underlying borrowed securities as of the reporting date.The Company establishes haircuts to ensure the fair market value of the underlying assets remain sufficient to protect the Company in the event of a default by a counterparty. Interest income and expense associated with purchases and short sales of U.S. Treasury securities are recognized in "Interest income" and "Interest expense," respectively, on the consolidated statement of operations. Realized and unrealized gains and losses associated with purchases and short sales of U.S. Treasury securities are recognized in "Net realized gain/(loss)" and "Unrealized gain/(loss) on derivative and other instruments, net," respectively, on the consolidated statement of operations.

Manager compensation

The management agreement provides for payment to the Manager of a management fee. The management fee is accrued and expensed during the period for which it is earned. For a more detailed discussion on the fees payable under the management agreement, see Note 12.

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.

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) and 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 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. If the Company were to fail to meet the REIT requirements, it would be subject to federal income taxes and applicable state and local taxes.

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 11 for further details.

Deal related performance fees

The Company accrues deal related performance fees, payable to Arc Home and third party operators, on certain of its CMBS, Excess MSRs and its single-family rental properties. 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.

Stock-based compensation

The Company applies the provisions of ASC 718, "Compensation—Stock Compensation" with regard to its equity incentive plans. ASC 718 covers a wide range of share-based compensation arrangements including stock options, restricted stock plans, performance-based awards, stock appreciation rights and employee stock purchase plans. ASC 718 requires that compensation cost relating to stock-based payment transactions be recognized in financial statements. Compensation cost is measured based on the fair value of the equity or liability instruments issued.

Compensation cost related to restricted common shares and restricted stock units issued to the Company’s directors and the Manager are measured at its estimated fair value at the grant date, and is amortized and expensed over the vesting period on a straight-line basis. Restricted stock units granted 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. Restricted stock units are measured at fair value reduced by the present value of the dividends expected to be paid on the underlying shares during the requisite service period, discounted at an assumed risk free rate. The Company has elected to use the straight-line method to amortize compensation expense for restricted stock units.

Recent accounting pronouncements

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments – Credit Losses" ("ASU 2016-13"). ASU 2016-13 introduces a new model related to the accounting for credit losses on instruments, specifically, financial assets subject to credit losses and measured at amortized cost and certain off-balance sheet credit exposures. ASU 2016-13 amends the current guidance, requiring an OTTI charge only when fair value is below the amortized cost of an asset. The length of time the fair value of an available-for-sale debt security has been below the amortized cost will no longer impact the determination of whether a credit loss exists. As such, it is no longer an other-than-temporary model. In addition, credit losses on available-for-sale debt securities will now be limited to the difference between the security’s amortized cost basis and its fair value. The new debt security model will also require the use of an allowance to record estimated credit losses. The new guidance also expands the disclosure requirements regarding an entity’s assumptions and models. In addition, public entities will need to disclose the amortized cost balance for each class of financial asset by credit quality indicator, disaggregated by the year of origination (i.e., by vintage year). ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The Company is currently evaluating its method of adoption and the impact this ASU will have on its consolidated financial statements.

In June 2018, the FASB issued ASU 2018-7, "Improvements to Nonemployee Share–Based Payment Accounting" ("ASU 2018-7"). The standard largely aligns the accounting for share–based payment awards issued to employees and nonemployees. Equity-classified share-based payment awards issued to nonemployees will be measured on the grant date, instead of being remeasured through the performance completion date (generally the vesting date), as required under the current guidance. The standard is to be applied on a modified retrospective basis through a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year when adopted. The standard is effective for public business entities for fiscal years beginning after December 15, 2018 and interim periods within those years. The Company adopted ASU 2018-7 in the first quarter of 2019 and applied the guidance on a modified retrospective basis through a cumulative-effect adjustment to retained earnings. The adjustment was immaterial.

In August 2018, the FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820) Disclosure Framework–Changes to the Disclosure Requirements for Fair Value Measurement" ("ASU 2018-13"). ASU 2018-13 changes the fair value measurement disclosure requirements of ASC 820 "Fair Value Measurement" by adding, eliminating, and modifying certain disclosure requirements. ASU 2018-13 is effective for all entities for fiscal years beginning after December 15, 2019 and requires application of the prospective method of transition. The Company is currently assessing the impact the guidance will have on its consolidated financial statements.

3. Real Estate Securities

The following tables detail the Company's real estate securities portfolio as of March 31, 2019 and December 31, 2018. The Company's Agency RMBS are mortgage pass-through certificates or collateralized mortgage obligations ("CMOs") representing interests in or obligations backed by pools of residential mortgage loans issued or guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae. The principal and interest payments on Agency RMBS securities have an explicit guarantee by either an agency of the U.S. government or a U.S. government-sponsored entity. The Company's Non-Agency RMBS, ABS and CMBS portfolios are primarily not issued or guaranteed by Fannie Mae, Freddie Mac or any agency of the U.S. Government and are therefore subject to credit risk. The Company has chosen to make a fair value election pursuant to ASC 825 for its real estate securities portfolio. Unrealized gains and losses are recognized in current period earnings in the "Unrealized gain/(loss) on real estate securities and loans, net" line item on the consolidated statement of operations. The gross unrealized gains/(losses) stated in the tables below represent inception to date unrealized gains/(losses).

The following table details the Company's real estate securities portfolio as of March 31, 2019 (in thousands):

				Gross Unrealized			Weighted Average	
	Current Face	Premium / (Discount)	Amortized Cost	Gains	Losses	Fair Value	Coupon (1)	Yield
Agency RMBS:								
30 Year Fixed Rate	$2,046,873	$58,524	$2,105,397	$35,992	$(1,408)	$2,139,981	4.10%	3.61 %
Fixed Rate CMO	42,622	298	42,920	—	(9)	42,911	3.00%	2.79 %
Interest Only	648,694	(542,216)	106,478	1,701	(3,090)	105,089	3.61%	7.43 %
Total Agency RMBS:	2,738,189	(483,394)	2,254,795	37,693	(4,507)	2,287,981	3.97%	3.77 %
Credit Investments:								
Non-Agency RMBS	785,687	(182,370)	603,317	54,108	(586)	656,839	5.07%	7.09 %
Non-Agency RMBS Interest Only	282,731	(279,675)	3,056	533	(1,088)	2,501	0.63%	17.04%
Total Non-Agency:	1,068,418	(462,045)	606,373	54,641	(1,674)	659,340	4.32%	7.12 %
ABS	20,605	(116)	20,489	—	(290)	20,199	9.72%	10.24%
CMBS	336,448	(126,349)	210,099	17,308	(401)	227,006	5.91%	8.52 %
CMBS Interest Only	3,392,935	(3,346,783)	46,152	3,413	(168)	49,397	0.24%	6.93 %
Total CMBS:	3,729,383	(3,473,132)	256,251	20,721	(569)	276,403	0.50%	8.24 %
Total Credit Investments:	4,818,406	(3,935,293)	883,113	75,362	(2,533)	955,942	1.29%	7.51 %

Total	$7,556,595	$(4,418,687)	$3,137,908	$113,055	$(7,040)	$3,243,923	2.31%	4.87 %

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

18

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
March 31, 2019

The following table details the Company’s real estate securities portfolio as of December 31, 2018 (in thousands):

	Current Face	Premium / (Discount)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Coupon (1)	Weighted Average Yield
Agency RMBS:								
30 Year Fixed Rate	$1,781,995	$50,750	$1,832,745	$6,544	$(9,174)	$1,830,115	4.08%	3.66%
Fixed Rate CMO	44,418	327	44,745	—	(388)	44,357	3.00%	2.79%
Interest Only	680,743	(565,659)	115,084	1,788	(3,064)	113,808	3.61%	8.13%
Total Agency RMBS:	2,507,156	(514,582)	1,992,574	8,332	(12,626)	1,988,280	3.94%	3.89%
Credit Investments:								
Non-Agency RMBS	763,753	(189,569)	574,184	50,131	(2,064)	622,251	5.09%	7.18%
Non-Agency RMBS Interest Only	296,677	(293,520)	3,157	879	(937)	3,099	0.63%	21.88%
Total Non-Agency:	1,060,430	(483,089)	577,341	51,010	(3,001)	625,350	4.29%	7.25%
ABS	22,125	(179)	21,946	—	(786)	21,160	9.49%	10.22%
CMBS	361,514	(163,366)	198,148	14,936	(2,030)	211,054	6.12%	8.87%
CMBS Interest Only	3,401,670	(3,354,311)	47,359	3,243	(271)	50,331	0.24%	6.87%
Total CMBS:	3,763,184	(3,517,677)	245,507	18,179	(2,301)	261,385	0.48%	8.48%
Total Credit Investments:	4,845,739	(4,000,945)	844,794	69,189	(6,088)	907,895	1.26%	7.67%
Total	$7,352,895	$(4,515,527)	$2,837,368	$77,521	$(18,714)	$2,896,175	2.23%	5.08%

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

The following table presents the gross unrealized losses and fair value of the Company’s real estate securities by length of time that such securities have been in a continuous unrealized loss position as of March 31, 2019 and December 31, 2018 (in thousands):

	Less than 12 months		Greater than 12 months	
As of	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
March 31, 2019	$142,762	$(2,554)	$250,514	$(4,486)
December 31, 2018	966,620	(14,937)	81,170	(3,777)

As described in Note 2, the Company evaluates securities for OTTI on at least a quarterly basis. The determination of whether a security is other-than-temporarily impaired involves judgments and assumptions based on subjective and objective factors. When the fair value of a real estate security is less than its amortized cost at the balance sheet date, the security is considered impaired, and the impairment is designated as either "temporary" or "other-than-temporary."

For the three months ended March 31, 2019 the Company recognized an OTTI charge of $2.4 million on its securities, which is included in the "Net realized gain/(loss)" line item on the consolidated statement of operations. The Company recorded $2.4 million of OTTI due to an adverse change in cash flows on certain securities where the fair values of the securities were less than their carrying amounts. Of the $2.4 million of OTTI recorded, $0.3 million related to securities where OTTI was not recognized in a prior year.

For the three months ended March 31, 2018 the Company recognized an OTTI charge of $1.0 million on its securities, which is included in the "Net realized gain/(loss)" line item on the consolidated statement of operations. The Company recorded $1.0 million of OTTI due to an adverse change in cash flows on certain securities where the fair values of the securities were less than their carrying amounts. Of the $1.0 million of OTTI recorded, $0.6 million related to securities where OTTI was not recognized in a prior year.

The decline in value of the remaining real estate securities is solely due to market conditions and not the credit quality of the assets. The investments in any remaining unrealized loss positions are not considered other than temporarily impaired because the Company currently has the ability and intent to hold the investments to maturity or for a period of time sufficient for a forecasted market

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
March 31, 2019

price recovery up to or beyond the cost of the investments and the Company is not required to sell the investments for regulatory or other reasons.

The following table details the weighted average life of our real estate securities broken out by Agency RMBS and Credit Investments as of March 31, 2019 (in thousands):

	Agency RMBS			Credit Investments		
Weighted Average Life (1)	Fair Value	Amortized Cost	Weighted Average Coupon	Fair Value	Amortized Cost	Weighted Average Coupon (2)
Less than or equal to 1 year	$—	$—	—	$90,407	$90,496	0.66 %
Greater than one year and less than or equal to five years	58,962	58,485	3.01 %	283,537	267,034	0.99 %
Greater than five years and less than or equal to ten years	2,229,019	2,196,310	4.04 %	388,946	353,524	1.35 %
Greater than ten years	—	—	— %	193,052	172,059	5.83 %
Total	$2,287,981	$2,254,795	3.97 %	$955,942	$883,113	1.29 %

(1) This is based on projected life. Typically, actual maturities of mortgage-backed securities 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.

The following table details the weighted average life of our real estate securities broken out by Agency RMBS and Credit Investments as of December 31, 2018 (in thousands):

	Agency RMBS			Credit Investments		
Weighted Average Life (1)	Fair Value	Amortized Cost	Weighted Average Coupon	Fair Value	Amortized Cost	Weighted Average Coupon (2)
Less than or equal to 1 year	$—	$—	—	$73,194	$73,738	0.59 %
Greater than one year and less than or equal to five years	61,644	61,305	3.01 %	240,232	226,342	0.89 %
Greater than five years and less than or equal to ten years	1,908,417	1,912,545	4.02 %	420,050	388,500	1.47 %
Greater than ten years	18,219	18,724	3.50 %	174,419	156,214	5.77 %
Total	$1,988,280	$1,992,574	3.94 %	$907,895	$844,794	1.26 %

(1) This is based on projected life. Typically, actual maturities of mortgage-backed securities 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 March 31, 2019, the Company sold 26 securities for total proceeds of $213.0 million, with an additional $68.4 million proceeds on 5 unsettled security sales, recording realized gains of $4.3 million and realized losses of $2.2 million.

For the three months ended March 31, 2018, the Company sold 57 securities for total proceeds of $728.4 million, with an additional $104.7 million of proceeds on 8 unsettled security sales as of quarter end, recording realized gains of $5.9 million and realized losses of $18.4 million.

See Notes 4 and 9 for amounts realized on sales of loans and the settlement of certain derivatives, respectively.

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

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
March 31, 2019

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. See Note 2 for more detail.

The Company previously entered into a resecuritization transaction in 2014 that resulted in the Company consolidating the VIE created for the transaction with the SPE, which was used to facilitate the transaction ("VIE A"). The Company concluded that the SPE created to facilitate this transaction was a VIE. The Company also determined that the VIE created to facilitate the resecuritization transaction should be consolidated by the Company and treated as a secured borrowing, based on the Company's involvement in VIE A, including the design and purpose of the SPE, and whether the Company's involvement reflected a controlling financial interest that resulted in the Company being deemed the primary beneficiary of the VIE.

The following table details certain information on VIE A as of March 31, 2019 (in thousands):

			Weighted Average		
	Current Face	Fair Value	Coupon	Yield	Life (Years) (1)
Consolidated tranche (2)	$ 10,504	$ 10,515	4.24%	4.47 %	2.33
Retained tranche	8,393	6,719	4.50%	18.98%	8.30
Total resecuritized asset	$ 18,897	$ 17,234	4.36%	10.12%	4.98

(1) This is based on projected life. Typically, actual maturities of investments and loans 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) As of March 31, 2019, the fair market value of the consolidated tranche is included in the Company's consolidated balance sheets as "Non-Agency RMBS." As of March 31, 2019, the Company has recorded secured financing of $10.5 million on the consolidated balance sheets in the "Securitized debt, at fair value" line item. The Company recorded the proceeds from the issuance of the secured financing in the "Cash Flows from Financing Activities" section of the consolidated statement of cash flows at the time of securitization.

The following table details certain information on VIE A as of December 31, 2018 (in thousands):

			Weighted Average		
	Current Face	Fair Value	Coupon	Yield	Life (Years) (1)
Consolidated tranche (2)	$10,821	$10,858	4.10%	4.47 %	2.39
Retained tranche	8,401	6,550	4.61%	18.50%	8.37
Total resecuritized asset	$19,222	$17,408	4.32%	9.75 %	5.00

(1) This is based on projected life. Typically, actual maturities of investments and loans 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)

As of December 31, 2018, the fair market value of the consolidated tranche is included in the Company’s consolidated balance sheets as "Non-Agency RMBS." As of December 31, 2018, the Company has recorded secured financing of $10.9 million on the consolidated balance sheets in the "Securitized debt, at fair value" line item. The Company recorded the proceeds from the issuance of the secured financing in the "Cash Flows from Financing Activities" section of the consolidated statement of cash flows at the time of securitization.

The holders of the consolidated tranche have no recourse to the general credit of the Company. The Company has no obligation to provide any other explicit or implicit support to VIE A.

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
March 31, 2019

The Company transferred certain of its CMBS in Q3 2018 from certain of its non-wholly owned subsidiaries into a newly formed entity so it could obtain financing on these real estate securities ("VIE B"). The Company concluded that the entity created to facilitate this transfer was a VIE. The Company also determined that VIE B should be consolidated by the Company based on the Company's 100% equity ownership in VIE B (despite a profit participation interest held by an unaffiliated third party in VIE B), the Company's involvement in VIE B, including the design and purpose of the entity, and whether the Company's involvement reflected a controlling financial interest that resulted in the Company being deemed the primary beneficiary of VIE B.

The following table details certain information on VIE B as of March 31, 2019 and December 31, 2018 (in thousands):

	March 31, 2019	December 31, 2018
Assets		
CMBS	$ 88,400	$ 84,515
Cash and cash equivalents	600	595
Restricted cash	—	258
Other assets	152	151
Total assets	$ 89,152	$ 85,519
Liabilities		
Financing arrangements, net	$ 55,340	$ 54,278
Other liabilities	3,301	2,954
Total liabilities	$ 58,641	$ 57,232

Except for restricted cash, assets held by VIE B are not restricted and can be used to settle any obligations of the Company. The liabilities of VIE B are recourse to the Company and can be satisfied with assets of the Company.

4. Loans

Residential mortgage loans

In February 2019, the Company purchased a residential mortgage loan portfolio with a gross aggregate unpaid principal balance and a gross acquisition fair value of $25.9 million and $19.7 million, respectively.

For the three months ended March 31, 2019, the Company sold 1 loan for total proceeds of $0.1 million, recording realized gains of $16,044. No residential mortgage loans were sold for the three months ended March 31, 2018.

The Company has chosen to make a fair value election pursuant to ASC 825 for its residential mortgage loan portfolio. Unrealized gains and losses are recognized in current period earnings in the "Unrealized gain/(loss) on real estate securities and loans, net" line item. The gross unrealized gains/(losses) stated in the tables below represents inception to date unrealized gains/(losses).

The table below details information regarding the Company's residential mortgage loan portfolio as of March 31, 2019 (in thousands):

	Gross Unrealized	Weighted Average

	Unpaid Principal Balance	Premium (Discount)	Amortized Cost	Gains	Losses	Fair Value	Coupon	Yield	Life (Years) (1)
Residential mortgage loans	$237,780	$(36,060)	$ 201,720	$1,039	$(712)	$202,047	4.80%	6.84%	7.88

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

22

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
March 31, 2019

The table below details information regarding the Company's residential mortgage loan portfolio as of December 31, 2018 (in thousands):

				Gross Unrealized			Weighted Average		
	Unpaid Principal Balance	Premium (Discount)	Amortized Cost	Gains	Losses	Fair Value	Coupon	Yield	Life (Years) (1)
Residential mortgage loans	$216,853	$(31,773)	$ 185,080	$ 1,190	$ (174)	$ 186,096	4.75%	6.53%	7.14

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

The table below details information regarding the Company's re-performing and non-performing residential mortgage loans as of March 31, 2019 and December 31, 2018 (in thousands):

	March 31, 2019		December 31, 2018	
	Fair Value	Unpaid Principal Balance	Fair Value	Unpaid Principal Balance
Re-Performing	$161,777	$ 187,811	$148,508	$ 172,470
Non-Performing	40,270	49,969	37,588	44,383
	$202,047	$ 237,780	$186,096	$ 216,853

As described in Note 2, the Company evaluates loans for OTTI on at least a quarterly basis. The determination of whether a loan is other-than-temporarily impaired involves judgments and assumptions based on subjective and objective factors. When the fair value of a loan is less than its amortized cost at the balance sheet date, the loan is considered impaired, and the impairment is designated as either "temporary" or "other-than-temporary."

No OTTI was recorded for the three months ended March 31, 2019 and March 31, 2018 on the Company's residential mortgage loans.

As of March 31, 2019 and December 31, 2018 the Company had residential mortgage loans that were in the process of foreclosure with a fair value of $16.8 million and $17.3 million, respectively.

The Company's mortgage loan portfolio consisted of mortgage loans on residential real estate located throughout the U.S. The following is a summary of the geographic concentration of credit risk within the Company's mortgage loan portfolio:

Geographic Concentration of Credit Risk	March 31, 2019	December 31, 2018
Percentage of fair value of mortgage loans secured by properties in the following states:		
Representing 5% or more of fair value:		
California	18 %	19 %
Florida	9 %	9 %
Georgia	5 %	5 %
New York	4 %	5 %

23

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
March 31, 2019

The Company records interest income on an effective interest basis. The accretable discount is determined by the excess of the Company's estimate of undiscounted principal, interest, and other cash flows expected to be collected over its initial investment in the mortgage loan. The following is a summary of the changes in the accretable portion of discounts for the three months ended March 31, 2019 and March 31, 2018, respectively (in thousands):

	Three Months Ended	
	March 31, 2019	March 31, 2018
Beginning Balance	$ 79,610	$ 9,318
Additions	19,731	—
Accretion	(3,263)	(490)
Reclassifications from/(to) non-accretable difference	3,849	997
Disposals	(423)	—
Ending Balance	$ 99,504	$ 9,825

As of March 31, 2019, the Company's residential mortgage loan portfolio was comprised of 2,355 conventional loans with original loan balances between $2,053 and $1.9 million.

As of December 31, 2018, the Company's residential mortgage loan portfolio was comprised of 2,025 conventional loans with original loan balances between $10,000 and $1.9 million.

Commercial loans

The Company has chosen to make a fair value election pursuant to ASC 825 for its commercial loan portfolio. Unrealized gains and losses are recognized in current period earnings in the "Unrealized gain/(loss) on real estate securities and loans, net" line item. The gross unrealized gains/(losses) columns in the tables below represent inception to date unrealized gains/(losses).

The following table presents detail on the Company's commercial loan portfolio on March 31, 2019 (in thousands).

				Gross Unrealized			Weighted Average					
Loan (1)	Current Face	Premium (Discount)	Amortized Cost	Gains	Losses	Fair Value	Coupon (2)	Yield	Life (Years) (3)	Initial Stated Maturity Date	Extended Maturity Date (4)	Location
Loan B (5)	$ 32,800	$ —	$ 32,800	$ —	$ —	$ 32,800	7.23 %	7.61 %	0.27	July 1, 2016	July 1, 2019	TX
Loan G (6)	27,008	—	27,008	—	—	27,008	7.24 %	7.24 %	1.29	July 9, 2020	July 9, 2022	CA
Loan H (7)	36,000	—	36,000	—	—	36,000	6.48 %	6.48 %	0.96	March 9, 2019	March 9, 2020	AZ
Loan I (8)	6,818	(235)	6,583	235	—	6,818	12.99 %	15.48 %	1.81	February 9, 2021	February 9, 2023	MN
Loan J (9)	2,467	—	2,467	—	—	2,467	7.14 %	7.14 %	2.88	January 1, 2023	January 1, 2024	NY
Loan K (10)	5,130	—	5,130	—	—	5,130	11.49 %	12.76 %	2.39	May 22, 2021	February 22, 2024	NY
	$ 110,223	$ (235)	$ 109,988	$ 235	$ —	$ 110,223	7.54 %	7.87 %	1.00			

(1) The Company has the contractual right to receive a balloon payment for each loan.
(2) Each commercial loan investment has a variable coupon rate.
(3) Actual maturities of commercial mortgage loans may be shorter than stated contractual maturities. Maturities are affected by prepayments of principal.
(4) Represents the maturity date of the last possible extension option.
(5) Loan B is comprised of a first mortgage and mezzanine loan of $31.8 million and $1.0 million, respectively. As of March 31, 2019, Loan B has been extended to the extended maturity date shown above.
(6) Loan G is a first mortgage of up to $75.0 million, of which $27.0 million has been advanced.
(7) Loan H is a first mortgage of up to $36.0 million, all of which has been advanced. As of Q1 2019, Loan H has been extended to the extended maturity date.
(8) Loan I is a mezzanine loan of up to $20.0 million, of which $6.8 million has been advanced.

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
March 31, 2019

(9) Loan J is a first mortgage of up to $30.0 million, of which $2.5 million had been advanced.

(10) Loan K is comprised of a first mortgage and mezzanine loan of up to $15.0 million and $5.0 million, respectively. As of March 31, 2019, $3.8 million and $1.3 million of the first mortgage and mezzanine loan, respectively, have been advanced.

The following table presents detail on the Company’s commercial loan portfolio on December 31, 2018 (in thousands).

Loan (1)	Current Face	Premium (Discount)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Coupon (2)	Weighted Average Yield	Weighted Average Life (Years) (3)	Initial Stated Maturity Date	Extended Maturity Date (4)	Location
Loan B (5)	$32,800	$—	$32,800	$—	$—	$32,800	7.13 %	7.51 %	0.52	July 1, 2016	July 1, 2019	TX
Loan F (6)	10,417	(1)	10,416	1	—	10,417	13.39%	14.02%	0.03	September 9, 2018	September 9, 2019	MN
Loan G (7)	19,357	—	19,357	—	—	19,357	7.14 %	7.14 %	1.54	July 9, 2020	July 9, 2022	CA
Loan H (8)	36,000	—	36,000	—	—	36,000	6.21 %	6.21 %	1.21	March 9, 2019	March 9, 2020	AZ
	$98,574	$(1)	$98,573	$1	$—	$98,574	7.45 %	7.65 %	0.92			

(1) The Company has the contractual right to receive a balloon payment for each loan.
(2) Each commercial loan investment has a variable coupon rate.
(3) Actual maturities of commercial mortgage loans may be shorter than stated contractual maturities. Maturities are affected by prepayments of principal.
(4) Represents the maturity date of the last possible extension option.
(5) Loan B is comprised of a first mortgage and mezzanine loan of $31.8 million and $1.0 million , respectively. As of December 31, 2018, Loan B has been extended to the extended maturity date shown above.
(6) Loan F is a mezzanine loan of up to $10.4 million, all of which has been funded. As of December 31, 2018, Loan F has been extended to January 2019. Loan F paid off at par in Q1 2019, with the Company receiving proceeds of $10.4 million.
(7) Loan G is a first mortgage loan of up to $75.0 million, of which $19.4 million has been advanced.
(8) Loan H is a first mortgage loan of up to $36.0 million, all of which has been funded. As of Q1 2019, Loan H has been extended to the extended maturity date.

During the three months ended March 31, 2019 and March 31, 2018, the Company recorded a de minimis amount and $1.0 million of discount accretion, respectively, on its commercial loans. The decrease is due to the early payoff at par of a loan held at a discount in April 2018.

5. Excess MSRs

The Company has chosen to make a fair value election pursuant to ASC 825 for its Excess MSR portfolio. Unrealized gains and losses are recognized in current period earnings in the "Unrealized gain/(loss) on derivative and other instruments, net" line item. The gross unrealized gains/(losses) columns below represent inception to date unrealized gains/(losses).

The following table presents detail on the Company’s Excess MSR portfolio on March 31, 2019 (in thousands).

			Gross Unrealized			Weighted Average	
	Unpaid Principal Balance	Amortized Cost	Gains	Losses	Fair Value	Yield	Life (Years) (1)
Agency Excess MSRs	$3,476,642	$ 24,646	$ 628	$ (1,176)	$ 24,098	9.22 %	6.45
Credit Excess MSRs	39,912	203	2	(2)	203	24.56%	5.08
Total Excess MSRs	$3,516,554	$ 24,849	$ 630	$ (1,178)	$ 24,301	9.41 %	6.43

(1) This is based on projected life. Actual maturities of Excess MSRs may be shorter than stated contractual maturities. Maturities are affected by prepayments of principal.

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
March 31, 2019

The following table presents detail on the Company’s Excess MSR portfolio on December 31, 2018 (in thousands).

			Gross Unrealized			Weighted Average	
	Unpaid Principal Balance	Amortized Cost	Gains	Losses	Fair Value	Yield	Life (Years) (1)
Agency Excess MSRs	$3,564,527	$ 26,182	$ 1,081	$ (821)	$ 26,442	10.43 %	6.77
Credit Excess MSRs	41,231	215	—	(7)	208	24.09 %	5.02
Total Excess MSRs	$3,605,758	$ 26,397	$ 1,081	$ (828)	$ 26,650	10.62 %	6.75

(1) This is based on projected life. Actual maturities of Excess MSRs may be shorter than stated contractual maturities. Maturities are affected by prepayments of principal.

As described in Note 2, the Company evaluates securities for OTTI on at least a quarterly basis. The determination of whether an Excess MSR is other-than-temporarily impaired involves judgments and assumptions based on subjective and objective factors. When the fair value of an Excess MSR is less than its amortized cost at the balance sheet date, the Excess MSR is considered impaired, and the impairment is designated as either "temporary" or "other-than-temporary." For the three months ended March 31, 2019, the Company recognized an OTTI charge of $0.6 million on its Excess MSRs, which is included in the "Net realized gain/(loss)" line item on the consolidated statement of operations. Of the $0.6 million of OTTI recorded for the three months ended March 31, 2019, $0.1 million was related to Excess MSRs where OTTI was not recognized in a prior year. No OTTI was recorded for the three months ended March 31, 2018.

6. Single-family rental properties

In September 2018, the Company purchased 1,225 single-family rental properties for $140.9 million. The Company also financed the portfolio with $103.0 million of 5-year, fixed rate debt. The carrying amount of the properties included $1.3 million of capitalized acquisition costs.

The following table presents the net carrying amount associated with the Company's properties by component (in thousands).

	March 31, 2019	December 31, 2018
Land	$29,104	$ 29,104
Building and improvements	110,468	109,812
In-place lease intangibles	2,097	2,098
Single-family rental properties	141,669	141,014
Less: Accumulated depreciation and amortization	(3,783)	(2,336)
Single-family rental properties, net	$137,886	$ 138,678

During the three months ended March 31, 2019, the Company recognized $0.9 million of depreciation expense related to buildings and improvements. The Company also recognized $0.5 million of amortization related to in-place lease intangible assets. The weighted average life of the in-place lease intangibles at purchase is 3.3 months and the Company expects to fully amortize these assets over that time period. These amounts are included in the "Property depreciation and amortization" line item in the consolidated statement of operations.

During the three months ended March 31, 2019, the Company incurred $1.6 million of expenses relating to operating and maintenance and $0.2 million of property management fees. These expenses are included in the "Property operating expenses" line item in the consolidated statement of operations.

The following table presents a schedule of non-cancellable, contractual, future minimum rent under leases at March 31, 2019 (in thousands). These rental payments are based on contractual cash receipts.

Period Ending December 31,	Amount
2019 (last 9 months)	$ 6,127
2020	749
2021	4
2022	1
Total	$ 6,881

7. Fair value measurements

As described in Note 2, the fair value of financial instruments that are recorded at fair value will be 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 independent 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.

Values for the Company’s securities, Excess MSRs, securitized debt, derivatives and U.S. Treasury securities are based upon prices obtained from third party pricing services, which are indicative of market activity. The fair value of the Company’s obligation to return securities borrowed under reverse repurchase agreements is based upon the value of the underlying borrowed U.S. Treasury securities as of the reporting date. 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 valuing its derivatives, the Company considers the creditworthiness of both the Company and its counterparties, along with collateral provisions contained in each derivative agreement, from the perspective of both the Company and its counterparties. All of the Company’s derivatives are either subject to bilateral collateral arrangements or clearing in accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd Frank Act"). For swaps cleared under the Dodd Frank Act, a Central Counterparty Clearing House ("CCCH") now stands between the Company and the over-the-counter derivative counterparties. In order to access clearing, the Company has entered into clearing agreements with Futures Commissions Merchants ("FCMs").

Beginning in the first quarter of 2017, as a result of a CCCH amendment to its rule book governing central clearing activities, the daily exchange of variation margin associated with a CCCH centrally cleared derivative instrument is legally characterized as the daily settlement of the derivative instrument itself, as opposed to a pledge of collateral. Accordingly, beginning in 2017, the Company accounts for the daily receipt or payment of variation margin associated with its centrally cleared interest rate swaps and futures as a direct reduction to the carrying value of the interest rate swap and future derivative asset or liability, respectively. Beginning in 2017, the carrying amount of centrally cleared interest rate swaps and futures reflected in the Company’s consolidated balance sheets is equal to the unsettled fair value of such instruments. See Note 9 for more information.

The fair value of the Company’s mortgage loans 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 and loss severity (considering mortgage insurance). 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 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 values established for mortgage loans held by the Company may differ from the fair values that would have been established if a ready market existed for these mortgage loans. Accordingly, mortgage loans are classified as Level 3 in the fair value hierarchy.

The Manager may also engage specialized third party valuation service providers to assess and corroborate the valuation of a selection of investments in the Company's loan portfolio on a periodic basis. These specialized third party valuation 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.

TBA instruments are similar in form to the Company's Agency RMBS portfolio, and the Company therefore estimates fair value based on similar methods.

Cash equivalents include investments in money market funds that invest primarily in short-term U.S. Treasury and Agency securities. These cash equivalent instruments are valued at their market quoted prices, which generally approximate cost plus accrued interest and are generally categorized as Level 1.

The Company entered into a resecuritization transaction that resulted in the Company consolidating a VIE created with the SPE which was used to facilitate the transaction. The Company categorizes the fair value measurement of the consolidated tranche as Level 3.

In December 2015, the Company, alongside private funds under the management of Angelo Gordon, through AG Arc, formed Arc Home. The Company invests in Arc Home through AG Arc. In June 2016, Arc Home closed on the acquisition of a Fannie Mae, Freddie Mac, FHA, VA and Ginnie Mae seller/servicer of residential mortgages. Through this subsidiary, Arc Home originates conforming, Government, Jumbo and other non-conforming residential mortgage loans, retains the mortgage servicing rights associated with the loans it originates, and purchases additional mortgage servicing rights from third-party sellers. As a result of this acquisition, the Company transferred its investment in AG Arc from Level 1 into Level 3.

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
March 31, 2019

The following table presents the Company's financial instruments measured at fair value on a recurring basis as of March 31, 2019 (in thousands):

	Fair Value at March 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets:				
Agency RMBS:				
30 Year Fixed Rate	$—	$2,139,981	$—	$2,139,981
Fixed Rate CMO	—	42,911	—	42,911
Interest Only	—	105,089	—	105,089
Credit Investments:				
Non-Agency RMBS	—	150,736	506,103	656,839
Non-Agency RMBS Interest Only	—	—	2,501	2,501
ABS	—	—	20,199	20,199
CMBS	—	14,102	212,904	227,006
CMBS Interest Only	—	—	49,397	49,397
Residential mortgage loans	—	—	202,047	202,047
Commercial loans	—	—	110,223	110,223
Excess mortgage servicing rights	—	—	24,301	24,301
Cash equivalents	35,870	—	—	35,870
Derivative assets	—	4,149	—	4,149
AG Arc	—	—	23,775	23,775
Total Assets Measured at Fair Value	$35,870	$2,456,968	$1,151,450	$3,644,288
Liabilities:				
Securitized debt	$—	$—	$(10,515)	$(10,515)
Derivative liabilities	—	(1,290)	—	(1,290)
Total Liabilities Measured at Fair Value	$—	$(1,290)	$(10,515)	$(11,805)

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
March 31, 2019

The following table presents the Company’s financial instruments measured at fair value on a recurring basis as of December 31, 2018 (in thousands):

	Fair value at December 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets:				
Agency RMBS:				
30 Year Fixed Rate	$—	$1,830,115	$—	$1,830,115
Fixed Rate CMO	—	44,357	—	44,357
Interest Only	—	113,808	—	113,808
Credit Investments:				
Non-Agency RMBS	—	130,697	491,554	622,251
Non-Agency RMBS Interest Only	—	—	3,099	3,099
ABS	—	—	21,160	21,160
CMBS	—	—	211,054	211,054
CMBS Interest Only	—	—	50,331	50,331
Residential mortgage loans	—	—	186,096	186,096
Commercial loans	—	—	98,574	98,574
Excess mortgage servicing rights	—	—	26,650	26,650
Cash equivalents	595	—	—	595
Derivative assets	—	1,729	—	1,729
AG Arc	—	—	20,360	20,360
Total Assets Measured at Fair Value	$595	$2,120,706	$1,108,878	$3,230,179
Liabilities:				
Securitized debt	$—	$—	$(10,858)	$(10,858)
Securities borrowed under reverse repurchase agreements	—	(11,378)	—	(11,378)
Derivative liabilities	—	(317)	—	(317)
Total Liabilities Measured at Fair Value	$—	$(11,695)	$(10,858)	$(22,553)

The Company did not have any transfers of assets or liabilities between Levels 1 and 2 of the fair value hierarchy during the three months ended March 31, 2019 and March 31, 2018.

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. 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.

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
March 31, 2019

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
March 31, 2019
(in thousands)

	Non-Agency RMBS	Non-Agency RMBS Interest Only	ABS	CMBS	CMBS Interest Only	Residential Mortgage Loans	Commercial Loans	Excess Mortgage Servicing Rights	AG Arc	S d
Beginning balance	$491,554	$3,099	$21,160	$211,054	$50,331	$186,096	$98,574	$26,650	$20,360	$
Transfers (1):										
Transfers into level 3	30,980	—	—	—	—	—	—	—	—	–
Transfers out of level 3	(61,531)	—	—	(5,280)	—	—	—	—	—	–
Purchases/Transfers	79,066	—	339	19,789	—	19,745	21,516	—	—	–
Capital contributions	—	—	—	—	—	—	—	—	6,689	–
Proceeds from sales/redemptions	(34,636)	—	(1,283)	(6,068)	—	(75)	—	—	—	–
Proceeds from settlement	(5,300)	—	(549)	(15,364)	—	(4,038)	(10,417)	—	—	3
Total net gains/(losses) (2)										
Included in net income	5,970	(598)	532	8,773	(934)	319	550	(2,349)	(3,274)	2
Ending Balance	$506,103	$2,501	$20,199	$212,904	$49,397	$202,047	$110,223	$24,301	$23,775	$
Change in unrealized appreciation/(depreciation) for level 3 assets/liabilities still held as of March 31, 2019 (3)	$4,979	$(598)	$467	$5,404	$(934)	$145	$550	$(1,736)	$(3,274)	$

(1) Transfers are assumed to occur at the beginning of the period. During the three months ended March 31, 2019, the Company transferred 4 Non-Agency RMBS securities into the Level 3 category from the Level 2 category and 6 Non-Agency RMBS and 2 CMBS securities 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) on real estate securities and loans, net	$11,414
Unrealized gain/(loss) on derivative and other	(2,325)

instruments, net	
Net realized gain/(loss)	3,198
Equity in earnings/(loss) from affiliates	(3,274)
Total	$9,015

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

Unrealized gain/(loss) on real estate securities and loans, net	$10,013
Unrealized gain/(loss) on derivative and other instruments, net	(1,710)
Equity in earnings/(loss) from affiliates	(3,274)
Total	$5,029

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
March 31, 2019

Three Months Ended
March 31, 2018
(in thousands)

	Non-Agency RMBS	Non-Agency RMBS Interest Only	ABS	CMBS	CMBS Interest Only	Residential Mortgage Loans	Commercial Loans	Excess Mortgage Servicing Rights	AG Arc	Securit debt
Beginning balance	$845,424	$2,662	$40,958	$161,250	$50,702	$18,890	$57,521	$5,084	$17,911	$(16,4
Transfers (1):										
Transfers into level 3	8,034	—	—	—	—	—	—	—	—	—
Transfers out of level 3	—	—	—	(6,951)	—	—	—	—	—	—
Purchases/Transfers	91,586	—	2,968	30,200	—	—	—	25,371	—	—
Sales/Transfers	(178,121)	—	—	—	—	—	—	—	—	—
Proceeds from settlement	(37,951)	—	(7,974)	(904)	—	(183)	—	(333)	—	994
Total net gains/(losses) (2)										
Included in net income	1,947	251	(114)	(625)	(2,077)	1,165	145	625	527	(13
Ending Balance	$730,919	$2,913	$35,838	$182,970	$48,625	$19,872	$57,666	$30,747	$18,438	$(15,4
Change in unrealized appreciation/(depreciation) for level 3 assets/liabilities still held as of March 31, 2018 (3)	$1,025	$271	$(95)	$(625)	$(2,077)	$1,165	$145	$625	$527	$(13

(1) Transfers are assumed to occur at the beginning of the period. During the three months ended March 31, 2018, the Company transferred 1 Non-Agency RMBS security into the Level 3 category from the Level 2 and 1 CMBS security 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) on real estate securities and loans, net	$(2,323)
Unrealized gain/(loss) on derivative and other instruments, net	(13)
Net realized	4,641

gain/(loss)	
Equity in earnings/(loss) from affiliates	527
Total	$1,832

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

Unrealized gain/(loss) on real estate securities and loans, net	$434
Unrealized gain/(loss) on derivative and other instruments, net	(13)
Equity in earnings/(loss) from affiliates	527
Total	$948

32

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
March 31, 2019

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 March 31, 2019 (in thousands)	Valuation Technique	Unobservable Input	Range (Weighted Average)
Non-Agency RMBS	$497,679	Discounted Cash Flow	Yield	1.43% - 20.00% (5.26%)
			Projected Collateral Prepayments	0.00% - 100.00% (15.68%)
			Projected Collateral Losses	0.00% - 30.00% (2.08%)
			Projected Collateral Severities	-16.49% - 100.00% (23.90%)
	$8,424	Consensus Pricing	Offered Quotes	89.89 - 94.89 (91.95)
Non-Agency RMBS Interest Only	$2,501	Discounted Cash Flow	Yield	7.00% - 27.50% (20.24%)
			Projected Collateral Prepayments	3.25% - 18.00% (13.60%)
			Projected Collateral Losses	0.75% - 2.00% (1.59%)
			Projected Collateral Severities	20.00% - 65.00% (35.66%)
ABS	$12,594	Discounted Cash Flow	Projected Collateral Prepayments	20.00% - 20.00% (20.00%)
			Projected Collateral Losses	2.00% - 2.00% (2.00%)
			Projected Collateral Severities	50.00% - 50.00% (50.00%)
	$7,605	Consensus Pricing	Offered Quotes	100.00 - 100.00 (100.00)
CMBS	$212,904	Discounted Cash Flow	Yield	4.49% - 14.16% (7.43%)
			Projected Collateral Prepayments	0.00% - 0.00% (0.00%)
			Projected Collateral Losses	0.00% - 0.00% (0.00%)
			Projected Collateral Severities	0.00% - 0.00% (0.00%)
CMBS Interest Only	$49,397	Discounted Cash Flow	Yield	3.41% - 10.51% (4.69%)
			Projected Collateral Prepayments	99.00% - 100.00% (99.92%)
			Projected Collateral Losses	0.00% - 0.00% (0.00%)
			Projected Collateral Severities	0.00% - 0.00% (0.00%)
Residential Mortgage Loans	$84,217	Discounted Cash Flow	Yield	6.00% - 8.50% (6.19%)
			Projected Collateral Prepayments	5.48% - 8.37% (8.00%)
			Projected Collateral Losses	1.51% - 4.11% (1.80%)
			Projected Collateral Severities	2.41% - 29.85% (6.09%)
	$117,830	Recent Transaction	Cost	N/A
			Yield	7.23% - 14.04% (8.15%)

Commercial Loans	$ 37,930	Discounted Cash Flow	Credit Spread	475 bps - 900 bps (532.48 bps)
			Recovery Percentage (1)	100.00% - 100.00% (100.00%)
	$ 72,293	Consensus Pricing	Offered Quotes	100.00 - 100.00 (100.00)
Excess Mortgage Servicing Rights	$ 24,098	Discounted Cash Flow	Yield	8.50% - 11.62% (9.19%)
			Projected Collateral Prepayments	6.96% - 12.33% (9.69%)
	$ 203	Consensus Pricing	Offered Quotes	0.02 - 0.49 (0.47)
AG Arc	$ 23,775	Comparable Multiple	Book Value Multiple	1.0x - 1.0x (1.0x)

Liability Class	Fair Value at March 31, 2019 (in thousands)	Valuation Technique	Unobservable Input	Range (Weighted Average)
Securitized debt	$ (10,515)	Discounted Cash Flow	Yield	3.80% - 3.80% (3.80%)
			Projected Collateral Prepayments	10.00% - 10.00% (10.00%)
			Projected Collateral Losses	3.50% - 3.50% (3.50%)
			Projected Collateral Severities	45.00% - 45.00% (45.00%)

(1) Represents the proportion of the principal expected to be collected relative to the loan balances as of March 31, 2019.

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
March 31, 2019

Asset Class	Fair Value at December 31, 2018 (in thousands)	Valuation Technique	Unobservable Input	Range (Weighted Average)
Non-Agency RMBS	$ 475,927	Discounted Cash Flow	Yield	3.32% - 20.00% (5.34%)
			Projected Collateral Prepayments	0.00% - 100.00% (13.66%)
			Projected Collateral Losses	0.00% - 30.00% (2.24%)
			Projected Collateral Severities	-0.43% - 100.00% (26.30%)
	$ 15,627	Consensus Pricing	Offered Quotes	86.57 - 97.39 (92.43)
Non-Agency RMBS Interest Only	$ 3,099	Discounted Cash Flow	Yield	7.00% - 35.00% (27.37%)
			Projected Collateral Prepayments	9.50% - 18.00% (15.70%)
			Projected Collateral Losses	0.75% - 2.00% (1.53%)
			Projected Collateral Severities	20.00% - 65.00% (34.04%)
ABS	$ 13,346	Discounted Cash Flow	Projected Collateral Prepayments	20.00% - 20.00% (20.00%)
			Projected Collateral Losses	2.00% - 2.00% (2.00%)
			Projected Collateral Severities	50.00% - 50.00% (50.00%)
	$ 7,814	Consensus Pricing	Offered Quotes	100.00 - 100.00 (100.00)
CMBS	$ 208,228	Discounted Cash Flow	Yield	4.99% - 14.51% (7.91%)
			Projected Collateral Prepayments	0.00% - 0.00% (0.00%)
			Projected Collateral Losses	0.00% - 0.50% (0.02%)
			Projected Collateral Severities	0.00% - 25.00% (1.05%)
	$ 2,826	Consensus Pricing	Offered Quotes	4.83 - 8.88 (7.87)
CMBS Interest Only	$ 50,331	Discounted Cash Flow	Yield	3.67% - 10.79% (4.93%)
			Projected Collateral Prepayments	99.00% - 100.00% (99.92%)
			Projected Collateral Losses	0.00% - 0.00% (0.00%)
			Projected Collateral Severities	0.00% - 0.00% (0.00%)
Residential Mortgage Loans	$ 86,813	Discounted Cash Flow	Yield	5.92% - 9.00% (6.33%)
			Projected Collateral Prepayments	4.99% - 8.37% (7.95%)
			Projected Collateral Losses	1.43% - 5.83% (1.94%)
			Projected Collateral Severities	6.28% - 32.19% (8.13%)
	$ 99,283	Recent Transaction	Cost	N/A
Commercial Loans	$ 32,800		Yield	7.51% - 7.51% (7.51%)
			Credit Spread	

		Discounted Cash Flow		475 bps - 475 bps (475 bps)
			Recovery Percentage (1)	100.00% - 100.00% (100.00%)
	$65,774	Consensus Pricing	Offered Quotes	100.00 - 100.00 (100.00)
Excess Mortgage Servicing Rights	$26,442	Discounted Cash Flow	Yield	8.50% - 11.62% (9.18%)
			Projected Collateral Prepayments	6.31% - 10.12% (8.47%)
	$208	Consensus Pricing	Offered Quotes	0.02 - 0.49 (0.47)
AG Arc	$20,360	Comparable Multiple	Book Value Multiple	1.0x - 1.0x (1.0x)

Liability Class	Fair Value at December 31, 2018 (in thousands)	Valuation Technique	Unobservable Input	Range (Weighted Average)
Securitized debt	$(10,858)	Discounted Cash Flow	Yield	4.09% - 4.09% (4.09%)
			Projected Collateral Prepayments	10.00% - 10.00% (10.00%)
			Projected Collateral Losses	3.50% - 3.50% (3.50%)
			Projected Collateral Severities	45.00% - 45.00% (45.00%)

(1) Represents the proportion of the principal expected to be collected relative to the loan balances as of December 31, 2018.

As further described above, values 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 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, specialized third party valuation 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. These valuations 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.

8. Financing arrangements

The following table presents a summary of the Company's financing arrangements as of March 31, 2019 and December 31, 2018 (in thousands).

	March 31, 2019	December 31, 2018
Repurchase agreements	$2,984,198	$ 2,595,873
Term loan, net	102,074	102,017
Revolving facilities	128,637	124,615
Financing arrangements, net	$3,214,909	$ 2,822,505

Repurchase agreements

A vast majority of the Company's financing arrangements are effectuated through repurchase agreements. The Company pledges certain real estate securities and loans as collateral under repurchase agreements with financial institutions, the terms and conditions of which are negotiated on a transaction-by-transaction basis. Repurchase agreements involve the sale and a simultaneous agreement to repurchase the transferred assets or similar assets at a future date. 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 Company calculates haircuts disclosed in the tables below by dividing allocated capital on each borrowing by the current fair market value of each investment. Repurchase agreements entered into by the Company are accounted for as financings and require the repurchase of the transferred assets at the end of each agreement’s term, typically 30 to 90 days. The carrying amount of the Company’s repurchase agreements approximates fair value due to their short-term maturities or floating rate coupons. If the Company maintains the beneficial interest in the specific assets pledged during the term of the borrowing, it receives the related principal and interest payments. If the Company does not maintain the beneficial interest in the specific assets pledged during the term of the borrowing, it will have the related principal and interest payments remitted to it by the lender. Interest rates on these 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 the Company 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. If the fair value of pledged assets declines due to changes in market conditions or the publishing of monthly security paydown factors, 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 repurchase agreements disclosed in the tables below represent 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 the form of cash and unpledged Agency RMBS and Agency Interest-Only securities in order to meet these obligations. Under the terms of the Company’s master repurchase agreements, the counterparties may, in certain cases, sell or re-hypothecate the pledged collateral. If the fair market 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.

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
March 31, 2019

The following table presents a summary of financial information regarding the Company’s repurchase agreements and corresponding real estate securities pledged as collateral as of March 31, 2019 (in thousands):

	Repurchase Agreements			Financial Instruments Pledged		
Repurchase Agreements Maturing Within:	Balance	Weighted Average Rate	Weighted Average Haircut	Fair Value Pledged	Amortized Cost	Accrued Interest
Overnight	$68,515	2.85 %	3.2 %	$70,766	$69,401	$229
30 days or less	1,607,956	3.01 %	10.7 %	1,815,263	1,704,137	7,270
31-60 days	613,755	2.91 %	9.4 %	685,042	653,039	2,033
61-90 days	588,157	2.79 %	7.7 %	640,893	621,399	2,134
91-180 days	433	4.74 %	18.9 %	534	375	1
Greater than 180 days	4,594	4.49 %	22.7 %	6,886	6,564	5
Total / Weighted Average	$2,883,410	2.94 %	9.7 %	$3,219,384	$3,054,915	$11,672

The following table presents a summary of financial information regarding the Company’s repurchase agreements and corresponding real estate securities pledged as collateral as of December 31, 2018 (in thousands):

	Repurchase Agreements			Financial Instruments Pledged		
Repurchase Agreements Maturing Within:	Balance	Weighted Average Rate	Weighted Average Haircut	Fair Value Pledged	Amortized Cost	Accrued Interest
Overnight	$52,385	3.92 %	3.0 %	$54,032	$53,848	$177
30 days or less	1,555,709	2.80 %	9.7 %	1,733,753	1,698,750	7,294
31-60 days	852,017	2.85 %	8.1 %	939,222	925,418	3,123
61-90 days	46,594	3.89 %	21.4 %	59,319	58,422	306
Greater than 180 days	5,406	4.53 %	23.1 %	7,977	7,387	6
Total / Weighted Average	$2,512,111	2.86 %	9.3 %	$2,794,303	$2,743,825	$10,906

The following table presents a summary of financial information regarding the Company’s repurchase agreements and corresponding residential mortgage loans pledged as collateral as of March 31, 2019 (in thousands):

	Repurchase Agreements				Financial Instruments Pledged		
Repurchase Agreements Maturing Within:	Balance	Weighted Average Rate	Weighted Average Funding Cost	Weighted Average Haircut	Fair Value Pledged	Amortized Cost	Accrued Interest
Greater than 180 days	$99,185	4.29 %	4.38 %	16.7 %	$ 117,830	$ 118,497	$ 111

The following table presents a summary of financial information regarding the Company’s repurchase agreements and corresponding residential mortgage loans pledged as collateral as of December 31, 2018 (in thousands):

	Repurchase Agreements				Financial Instruments Pledged		
Repurchase Agreements Maturing Within:	Balance	Weighted Average	Weighted Average	Weighted Average	Fair Value Pledged	Amortized Cost	Accrued Interest

		Rate	Funding Cost	Haircut			
Greater than 180 days	$83,762	4.27 %	4.37 %	15.6 %	$ 99,283	$ 99,457	$ 91

The following table presents a summary of financial information regarding the Company's repurchase agreements and corresponding commercial loans pledged as collateral as of March 31, 2019 (in thousands):

	Repurchase Agreements				Financial Instruments Pledged		
Repurchase Agreements Maturing Within:	Balance	Weighted Average Rate	Weighted Average Funding Cost	Weighted Average Haircut	Fair Value Pledged	Amortized Cost	Accrued Interest
Greater than 180 days	$1,603	5.24 %	7.42 %	35.0 %	$ 2,467	$ 2,467	$ 15

36

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
March 31, 2019

There were no repurchase agreements and corresponding commercial loans pledged as collateral as of December 31, 2018.

Although repurchase agreements are committed borrowings until maturity, the lender retains the right to mark the underlying collateral to fair value. A reduction in the value of pledged assets resulting from changes in market conditions or factor changes would require the Company to provide additional collateral or cash to fund margin calls. See Note 9 for details on collateral posted/received against certain derivatives. The following table presents information with respect to the Company's posting of collateral under repurchase agreements on March 31, 2019 and December 31, 2018, broken out by investment type (in thousands):

	March 31, 2019	December 31, 2018
Fair Value of investments pledged as collateral under repurchase agreements		
Agency RMBS	$2,231,482	$1,927,359
Non-Agency RMBS	640,396	605,243
ABS	12,594	13,346
CMBS	266,689	248,355
Residential Mortgage Loans	117,830	99,283
Commercial Loans	2,467	—
Cash pledged (i.e., restricted cash) under repurchase agreements	6,232	20,267
Fair Value of unsettled trades pledged as collateral under repurchase agreements	68,223	—
Total collateral pledged under repurchase agreements	$3,345,913	$2,913,853

The following table presents the fair value of collateral posted to us under repurchase agreements by lenders (in thousands):

	March 31, 2019	December 31, 2018
Fair Value of investments posted to us under repurchase agreements:		
Agency RMBS	$ 2,927	$ 1,534
U.S. Treasury Securities	3,510	1,123
Total collateral posted to us under repurchase agreements	$ 6,437	$ 2,657

The following table presents information with respect to the Company's total borrowings under repurchase agreements on March 31, 2019 and December 31, 2018, broken out by investment type (in thousands):

	March 31, 2019	December 31, 2018
Repurchase agreements secured by investments:		
Agency RMBS	$2,164,542	$1,805,054
Non-Agency RMBS	507,790	499,851
ABS	9,480	10,548
CMBS	201,598	196,658
Residential Mortgage Loans	99,185	83,762
Commercial Loans	1,603	—
Gross Liability for repurchase agreements	$2,984,198	$2,595,873

37

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
March 31, 2019

The following table presents both gross information and net information about repurchase agreements eligible for offset in the consolidated balance sheets as of March 31, 2019 (in thousands):

Description	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts of Liabilities Presented in the Consolidated Balance Sheets	Gross Amounts Not Offset in the Consolidated Balance Sheets: Financial Instruments Posted	Gross Amounts Not Offset in the Consolidated Balance Sheets: Cash Collateral Posted	Net Amount
Repurchase agreements	$ 2,984,198	$ —	$ 2,984,198	$ 2,984,198	$ —	$ —

The following table presents both gross information and net information about repurchase agreements eligible for offset in the consolidated balance sheets as of December 31, 2018 (in thousands):

Description	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts of Liabilities Presented in the Consolidated Balance Sheets	Gross Amounts Not Offset in the Consolidated Balance Sheets: Financial Instruments Posted	Gross Amounts Not Offset in the Consolidated Balance Sheets: Cash Collateral Posted	Net Amount
Repurchase agreements	$2,595,873	$ —	$ 2,595,873	$2,595,873	$ —	$ —

Term loan and revolving facilities

The following table presents information regarding the Company's term loan and revolving facilities, excluding facilities within investments in debt and equity of affiliates, as of March 31, 2019 and December 31, 2018 (in thousands).

			March 31, 2019				December 31, 2018				
Facility (1)	Investment	Maturity Date	Rate	Funding Cost	Balance	Net Carrying Value of Assets Pledged as Collateral	Maximum Aggregate Borrowing Capacity	Rate	Funding Cost	Balance	Net Carrying Value of Assets Pledged as Collateral
Term loan, net (2)	Single-family rental properties	October 10, 2023	4.63%	4.80%	$102,074	$137,886	$103,000	4.63%	4.80%	$102,017	$138,678
Revolving facility A (4)	Commercial loans	July 1, 2019	4.64%	4.64%	$21,796	$32,800	$21,796	4.66%	4.66%	$21,796	$32,800

Revolving facility B (3)(4)	Residential mortgage loans	June 15, 2020	4.50%	4.50%	62,285	83,413	110,000	4.53%	4.54%	63,328	85,343
Revolving facility C (3)(4)	Commercial loans	August 10, 2023	4.58%	4.83%	44,556	63,008	100,000	4.53%	4.80%	39,491	55,357
Total revolving facilities					$128,637	$179,221	$231,796			$124,615	$173,500
Total term loan and revolving facilities					$230,711	$317,107	$334,796			$226,632	$312,178

(1) The term loan and all revolving facilities listed above are interest only until maturity.

(2) As of March 31, 2019 and December 31, 2018, the total borrowings under the term loan is $103.0 million, which is shown net of deferred financing costs of $0.9 million and $1.0 million, respectively.

(3) Increasing the Company's borrowing capacity under this facility requires consent of the lender.

(4) Under the terms of the Company’s financing agreements, the Company's financial counterparties may, in certain cases, sell or re-hypothecate the pledged collateral.

In September 2018, SFR MT LLC, a subsidiary of the Company, entered into an agreement with an insurance company to finance the ownership and acquisition of Single-family rental properties (the "term loan"). The financing has a fixed rate of 4.625%. This

38

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
March 31, 2019

financing arrangement contains representations, warranties, covenants, including financial covenants, events of default and indemnities that are customary for agreements of this type.

On September 17, 2014, AG MIT CREL, LLC ("AG MIT CREL"), a subsidiary of the Company, entered into a Master Repurchase Agreement and Securities Contract (the "CREL Repurchase Agreement" or "Revolving facility A") with Wells Fargo to finance certain commercial loans. Each transaction under the CREL Repurchase Agreement will have its own specific terms, such as identification of the assets subject to the transaction, sale price, repurchase price and rate. The CREL Repurchase Agreement contains representations, warranties, covenants, including financial covenants, events of default and indemnities that are customary for agreements of this type.

In June 2018, AG MIT WFB1 2014 LLC ("AG MIT WFB1"), a subsidiary of the Company, entered into Amendments Seven and Eight of the Master Repurchase Agreement and Securities Contract (as amended, the "WFB1 Repurchase Agreement" or "Revolving facility B") with Wells Fargo to finance the ownership and acquisition of certain pools of residential mortgage loans. The WFB1 Repurchase Agreement provides for a funding period ending June 14, 2019 and a facility termination date of June 15, 2020. The WFB1 Repurchase Agreement contains representations, warranties, covenants, including financial covenants, events of default and indemnities that are customary for agreements of this type. In the event the debt outstanding under the WFB1 Repurchase Agreement falls below $7.0 million, a cash trap trigger event will occur in which all income payments received by Wells Fargo will be applied against the outstanding balance until the WFB1 Repurchase Agreement is paid off.

In August 2018, AG MIT CREL II, LLC, a subsidiary of the Company, entered into a Master Repurchase Agreement with JP Morgan (the "JPM Repurchase Agreement" or "Revolving facility C") to finance certain commercial loans. The JPM Repurchase Agreement contains representations, warranties, covenants, including financial covenants, events of default and indemnities that are customary for agreements of this type.

Financing arrangements

The Company seeks to obtain financing from several different counterparties in order to reduce the financing risk related to any single counterparty. The Company has entered into master repurchase agreements ("MRAs") or loan agreements with such financing counterparties. As of March 31, 2019 and December 31, 2018 the Company had 44 financing counterparties under which it had outstanding debt with 32 and 31 counterparties, respectively.

The following table presents information at March 31, 2019 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).

Counterparty	Stockholders' Equity at Risk (in thousands)	Weighted Average Maturity (days)	Percentage of Stockholders' Equity
Barclays Capital Inc	$ 53,089	295	7 %

The following table presents information at December 31, 2018 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).

Counterparty

	Stockholders' Equity at Risk (in thousands)	Weighted Average Maturity (days)	Percentage of Stockholders' Equity
Barclays Capital Inc	$ 40,882	356	6 %

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, leverage ratios, performance triggers or other financial ratios.

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
March 31, 2019

9. Other assets and liabilities

The following table details certain information on the Company's "Other assets" and "Other liabilities" line items on its consolidated balance sheet as of March 31, 2019 and December 31, 2018 (in thousands):

	March 31, 2019	December 31, 2018
Other assets		
Interest receivable	$ 13,809	$ 12,762
Receivable on unsettled trades - $68,223 and $- pledged as collateral, respectively	68,389	—
Receivable under reverse repurchase agreements	—	11,461
Derivative assets, at fair value	4,149	1,729
Other assets	11,726	6,948
Due from broker	544	603
Total Other assets	$ 98,617	$ 33,503
Other liabilities		
Obligation to return securities borrowed under reverse repurchase agreements, at fair value	$ —	$ 11,378
Interest payable	10,364	12,196
Derivative liabilities, at fair value	1,290	317
Due to affiliates	4,135	4,023
Accrued expenses	6,256	7,859
Taxes payable	375	1,673
Due to broker	11,309	7,734
Total Other liabilities	$ 33,729	$ 45,180

Derivative assets and liabilities

The Company’s derivatives may include interest rate swaps ("swaps"), TBAs, swaption contracts, Eurodollar Futures and U.S. Treasury Futures, (the latter two, collectively, "Futures"). Derivatives have not been designated as hedging instruments. The Company uses these derivatives and may also utilize other instruments to manage interest rate risk, including long and short positions in U.S. Treasury securities.

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. Prior to the first quarter of 2017, the daily exchange of variation margin associated with centrally cleared derivative instruments was considered a pledge of collateral. For these prior periods, receivables recognized for the right to reclaim cash variation margin posted in respect of derivative instruments are included in the "Restricted cash" line item in the consolidated balance sheets.

Beginning in the first quarter of 2017, as a result of an amendment to the CCPs' rule book, which governs their central clearing activities, 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, beginning in 2017, 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. Beginning in 2017, the carrying amount of centrally cleared

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
March 31, 2019

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. Non-exchange traded derivatives were not affected by these legal interpretations and continue to be reported at fair value including accrued interest.

The following table presents the fair value of the Company's derivatives and other instruments and their balance sheet location at March 31, 2019 and December 31, 2018 (in thousands).

Derivatives and Other Instruments (1)	Designation	Balance Sheet Location	March 31, 2019	December 31, 2018
Pay Fix/Receive Float Interest Rate Swap Agreements (2)	Non-Hedge	Other assets	$1,601	$ 1,406
Pay Fix/Receive Float Interest Rate Swap Agreements (2)	Non-Hedge	Other liabilities	(265)	(317)
Payer Swaptions	Non-Hedge	Other assets	556	323
TBAs	Non-Hedge	Other assets	1,992	—
TBAs	Non-Hedge	Other liabilities	(1,025)	—
Short positions on U.S. Treasuries	Non-Hedge	Other liabilities (3)	—	(11,378)

(1) As of March 31, 2019, the Company applied a reduction in fair value of $34,375 to its Eurodollar Futures assets related to variation margin. As of December 31, 2018, the Company applied a fair value reduction of $0.1 million and $1.0 million to its U.S. Treasury Futures assets and Eurodollar Future liabilities, respectively, related to variation margin.

(2) As of March 31, 2019, the Company applied a reduction in fair value of $8.7 million and $12.8 million to its interest rate swap assets and liabilities, respectively, related to variation margin. As of December 31, 2018, the Company applied a reduction in fair value of $26.0 million and $18.1 million to its interest rate swap assets and liabilities, respectively, related to variation margin.

(3) Short positions on U.S. Treasuries relate to securities borrowed to cover short sales of U.S. Treasury securities. The change in fair value of the borrowed securities is recorded in the "Unrealized gain/(loss) on derivatives and other instruments, net" line item in the Company's consolidated statement of operations.

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

Notional amount of non-hedge derivatives and other instruments:	March 31, 2019	December 31, 2018
Pay Fix/Receive Float Interest Rate Swap Agreements	1,666,500	1,963,500
Payer Swaptions	485,000	260,000
Long TBAs	125,000	—
Long positions on U.S. Treasury Futures (1)	—	30,000
Short positions on Eurodollar Futures (2)	750,000	500,000
Short positions on U.S. Treasuries	—	11,250

(1) Each U.S. Treasury Future contract embodies $100,000 of notional value.
(2) Each Eurodollar Future contract embodies $1,000,000 of notional value.

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
March 31, 2019

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

	Three Months Ended	
	March 31, 2019	March 31, 2018
Included within Unrealized gain/(loss) on derivative and other instruments, net		
Interest rate swaps	$(10,662)	$36,252
Eurodollar Futures	1,034	—
Swaptions	(518)	352
U.S. Treasury Futures	(145)	(494)
TBAs (1)	893	428
U.S. Treasuries	82	(94)
	(9,316)	36,444
Included within Net realized gain/(loss)		
Interest rate swaps	(17,542)	—
Eurodollar Futures	(1,240)	—
Swaptions	(634)	51
U.S. Treasury Futures	69	673
TBAs (1)	(356)	373
U.S. Treasuries	(73)	131
	(19,776)	1,228
Total income/(loss)	$(29,092)	$37,672

(1) For the three months ended March 31, 2019, gains and losses from purchases and sales of TBAs consisted of $0.4 million of net TBA dollar roll net interest income and net gains of $0.1 million due to price changes. For the three months ended March 31, 2018, gains and losses from purchases and sales of TBAs consisted of $0.5 million of net TBA dollar roll net interest income and net gains of $0.3 million due to price changes.

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
March 31, 2019

The following table presents both gross information and net information about derivative and other instruments eligible for offset in the consolidated balance sheets as of March 31, 2019 (in thousands):

Description (1)	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts of Assets (Liabilities) Presented in the Consolidated Balance Sheets	Gross Amounts Not Offset in the Consolidated Balance Sheet: Financial Instruments (Posted)/Received	Gross Amounts Not Offset in the Consolidated Balance Sheet: Cash Collateral (Posted)/Received	Net Amount
Derivative Assets (2)						
Interest Rate Swaps	$ 3,521	$ —	$ 3,521	$ —	$ 865	$ 2,656
Interest Rate Swaptions	557	—	557	—	(300)	857
TBAs	1,992	—	1,992	1,992	—	—
Total Derivative Assets	$ 6,070	$ —	$ 6,070	$ 1,992	$ 565	$ 3,513
Derivative Liabilities (3)						
Interest Rate Swaps	$ 2,117	$ —	$ 2,117	$ —	$ 865	$ 1,252
TBAs	(1,025)	—	(1,025)	—	(1,025)	—
Total Derivative Liabilities	$ 1,092	$ —	$ 1,092	$ —	$ (160)	$ 1,252

(1) The Company applied a reduction in fair value of $8.7 million and $12.8 million to its interest rate swap assets and liabilities, respectively, related to variation margin. The Company applied a reduction in fair value of $34,375 to its Eurodollar Futures assets related to variation margin.

(2) Included in Other assets on the consolidated balance sheet is $6.1 million less accrued interest of $(2.0) million for a total of $4.1 million.

(3) Included in Other liabilities on the consolidated balance sheet is $1.1 million plus accrued interest of $(2.4) million for a total of $(1.3) million.

The following table presents both gross information and net information about derivative instruments eligible for offset in the consolidated balance sheets as of December 31, 2018 (in thousands):

Description (1)	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts of Assets (Liabilities) Presented in the Consolidated Balance Sheets	Gross Amounts Not Offset in the Consolidated Balance Sheet: Financial Instruments (Posted)/Received	Gross Amounts Not Offset in the Consolidated Balance Sheet: Cash Collateral (Posted)/Received	Net Amount
Receivable Under Reverse Repurchase Agreements	$ 11,461	$ —	$ 11,461	$11,378	$ —	$ 83
Derivative Assets (2)						
Interest Rate Swaps	$ 2,608	$ —	$ 2,608	$—	$ 1,465	$ 1,143
Interest Rate Swaptions	322	—	322	—	(600)	922

Total Derivative Assets	$ 2,930	$ —	$ 2,930	$—	$ 865	$ 2,065
Derivative Liabilities (3)						
Interest Rate Swaps	$ 1,635	$ —	$ 1,635	$—	$ 1,465	$ 170
Total Derivative Liabilities	$ 1,635	$ —	$ 1,635	$—	$ 1,465	$ 170

(1) The Company applied a reduction in fair value of $26.0 million and $18.1 million to its interest rate swap assets and liabilities, respectively, related to variation margin as well as a reduction in fair value of $0.1 million and $1.0 million to its U.S. Treasury Futures assets and Eurodollar Futures liabilities, respectively, related to variation margin.

(2) Included in Other assets on the consolidated balance sheet is $2.9 million less accrued interest of $(1.2) million for a total of $1.7 million.

(3) Included in Other liabilities on the consolidated balance sheet is $1.6 million plus accrued interest of $(1.9) million for a total of $(0.3) million.

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

43

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 March 31, 2019, the Company pledged real estate securities with a fair value of $9.4 million and cash of $26.6 million as collateral against certain derivatives. The $26.6 million of cash pledged as collateral against certain derivatives has been reduced by $4.0 million related to variation margin. The Company's counterparties posted cash of $0.9 million to it as collateral for certain derivatives. As of December 31, 2018, the Company pledged real estate securities with a fair value of $7.2 million and cash of $29.3 million as collateral against certain derivatives. Of the $29.3 million of cash pledged as collateral against certain derivatives, $7.1 million represents amounts related to variation margin.The Company's counterparties posted cash of $1.5 million as collateral for certain derivatives.

Interest rate swaps

To help mitigate exposure to increases in interest rates, the Company uses currently-paying and may use forward-starting, one- or three-month LIBOR-indexed, pay-fixed, receive-variable, interest rate swap agreements. This arrangement hedges our exposure to higher interest rates because the variable-rate payments received on the swap agreements largely offset additional interest accruing on the related borrowings due to the higher interest rate, leaving the fixed-rate payments to be paid on the swap agreements as the Company's effective borrowing rate, subject to certain adjustments including changes in spreads between variable rates on the swap agreements and actual borrowing rates.

As of March 31, 2019, the Company's interest rate swap positions consist of pay-fixed interest rate swaps. The following table presents information about the Company's interest rate swaps as of March 31, 2019 (in thousands):

Maturity	Notional Amount	Weighted Average Pay-Fixed Rate		Weighted Average Receive-Variable Rate		Weighted Average Years to Maturity
2020	$ 105,000	1.54	%	2.73	%	0.95
2021	58,500	3.00	%	2.66	%	2.52
2022	635,000	2.01	%	2.33	%	3.24
2023	154,000	3.07	%	2.73	%	4.45
2024	280,000	2.16	%	2.67	%	5.19
2025	20,000	2.81	%	2.74	%	5.85
2026	195,000	2.44	%	2.66	%	7.19
2027	194,000	2.30	%	2.70	%	8.33
2028	25,000	2.52	%	2.80	%	8.78
Total/Wtd Avg	$ 1,666,500	2.24	%	2.56	%	4.68

As of December 31, 2018, the Company's interest rate swap positions consist of pay-fixed interest rate swaps. The following table presents information about the Company's interest rate swaps as of December 31, 2018 (in thousands):

Maturity	Notional Amount	Weighted Average Pay-Fixed Rate		Weighted Average Receive-Variable Rate		Weighted Average Years to Maturity
2020	$ 105,000	1.54	%	2.56	%	1.20
2021	58,500	3.00	%	2.63	%	2.76
2022	478,000	1.87	%	2.72	%	3.58
2023	403,000	3.05	%	2.64	%	4.65
2024	230,000	2.06	%	2.63	%	5.50

2025	125,000	2.87	%	2.70	%	6.38
2026	75,000	2.12	%	2.66	%	7.89
2027	264,000	2.35	%	2.66	%	8.68
2028	225,000	2.96	%	2.69	%	9.37
Total/Wtd Avg	$ 1,963,500	2.41	%	2.67	%	5.57

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
March 31, 2019

TBAs

As discussed in Note 2, the Company has entered into TBAs. The following table presents information about the Company's TBAs for the three months ended March 31, 2019 and March 31, 2018 (in thousands):

For the Three Months Ended March 31, 2019

	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	Derivative Liability
TBAs - Long	$ —	$657,000	$(532,000)	$125,000	$126,680	$ (125,713)	$ 1,992	$ (1,025)
TBAs - Short	$ —	$185,000	$(185,000)	$—	$—	$ —	$ —	$ —

For the Three Months Ended March 31, 2018

	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	Derivative Liability
TBAs - Long	$100,000	$635,000	$(596,000)	$139,000	$143,723	$ (143,068)	$ 1,012	$ (357)
TBAs - Short	$—	$551,000	$(551,000)	$—	$—	$ —	$ —	$ —

10. Earnings per share

Basic earnings per share ("EPS") is calculated by dividing net income/(loss) available to common stockholders for the period by the weighted- average shares of the Company's common stock outstanding for that period that participate in the Company's common dividends. Diluted EPS takes into account the effect of dilutive instruments, such as stock options, warrants, unvested restricted stock and unvested restricted stock units but uses 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.

As of March 31, 2019 and March 31, 2018, the Company's outstanding warrants and unvested restricted stock units were as follows:

	March 31, 2019	March 31, 2018
Outstanding warrants (1)	—	1,007,500
Unvested restricted stock units previously granted to the Manager	40,007	60,000

(1) The warrants expired on July 6, 2018.

Each warrant entitled the holder to purchase half a share of the Company's common stock at a fixed price upon exercise of the warrant. For the three months ended March 31, 2018, the Company excluded the effects of such from the computation of diluted earnings per share because their effect would be anti-dilutive. The warrants expired on July 6, 2018.

Restricted stock units granted 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.

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
March 31, 2019

The following table presents a reconciliation of the earnings and shares used in calculating basic and diluted EPS for the three months ended March 31, 2019 and March 31, 2018 (in thousands, except per share data):

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Numerator:		
Net income/(loss) available to common stockholders for basic and diluted earnings per share	$25,788	$ 4,880
Denominator:		
Basic weighted average common shares outstanding	30,551	28,196
Dilutive effect of restricted stock units	30	21
Diluted weighted average common shares outstanding	30,581	28,217
Basic Earnings/(Loss) Per Share of Common Stock:	$0.84	$ 0.17
Diluted Earnings/(Loss) Per Share of Common Stock:	$0.84	$ 0.17

The following tables detail our common stock dividends during the three months ended March 31, 2019 and March 31, 2018:

2019

Declaration Date	Record Date	Payment Date	Dividend Per Share
3/15/2019	3/29/2019	4/30/2019	$ 0.50

2018

Declaration Date	Record Date	Payment Date	Dividend Per Share
3/15/2018	3/29/2018	4/30/2018	$ 0.475

The following tables detail our preferred stock dividends during the three months ended March 31, 2019 and March 31, 2018:

2019

Dividend	Declaration Date	Record Date	Payment Date	Dividend Per Share
8.25% Series A	2/15/2019	2/28/2019	3/18/2019	$0.51563

Dividend	Declaration Date	Record Date	Payment Date	Dividend Per Share
8.00% Series B	2/15/2019	2/28/2019	3/18/2019	$0.50

2018

Dividend	Declaration Date	Record Date	Payment Date	Dividend Per Share
8.25% Series A	2/16/2018	2/28/2018	3/19/2018	$0.51563

Dividend	Declaration Date	Record Date	Payment Date	Dividend Per Share
8.00% Series B	2/16/2018	2/28/2018	3/19/2018	$0.50

11. 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.

For the three months ended March 31, 2019 and March 31, 2018, the Company recorded excise tax expense of $0.1 million and $0.4 million, respectively. 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.

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.

The Company elected to treat certain domestic subsidiaries as 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.

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

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.

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 March 31, 2019 or March 31, 2018. 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.

12. Related party transactions

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. As of March 31, 2019 and December 31, 2018, no event of termination had occurred. 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.

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 months ended March 31, 2019 and March 31, 2018, the Company incurred management fees of approximately $2.3 million and $2.4 million, respectively.

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
March 31, 2019

Termination fee

The termination fee, payable 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 of any material term of the management agreement, will be 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 March 31, 2019 and December 31, 2018, 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 $3.8 million and $3.2 million of Other operating expenses for the three months ended March 31, 2019 and March 31, 2018, respectively, the Company has accrued $2.0 million and $1.8 million, respectively, representing a reimbursement of expenses. The Manager did not waive its right to receive any expense reimbursements for the three months ended March 31, 2019. The Manager waived its right to receive expense reimbursements of $0.5 million for the year ended December 31, 2018.

Restricted stock grants

Pursuant to the Company's Manager Equity Incentive Plan and the Equity Incentive Plan adopted on July 6, 2011, the Company can award up to 277,500 shares of its common stock in the form of restricted stock, stock options, restricted stock units or other types of awards to the directors, officers, advisors, consultants and other personnel of the Company and to the Manager. As of March 31, 2019, 36,736 shares of common stock were available to be awarded under the equity incentive plans. Awards under the equity incentive plans are forfeitable until they become vested. An award will become vested only if the vesting conditions set forth in the applicable award agreement (as determined by the compensation committee) are satisfied. The vesting conditions may include performance of services for a specified period, achievement of performance goals, or a combination of both. The compensation committee also has the authority to provide for accelerated vesting of an award upon the occurrence of certain events in its discretion.

As of March 31, 2019, the Company has granted an aggregate of 80,514 and 40,250 shares of restricted common stock to its independent directors and Manager, respectively, and 120,000 restricted stock units to its Manager under its equity incentive plans. As of March 31, 2019, all the shares of restricted common stock granted to the Company's

Manager and independent directors have vested and 79,993 restricted stock units granted to the Company's Manager have vested. The 40,007 restricted stock units that have not vested as of March 31, 2019 were granted to the Manager on July 1, 2017 and represent the right to receive an equivalent number of shares of the Company's common stock to be issued if and when the units vest. Annual vesting of approximately 20,000 units will occur on each of July 1, 2019, and July 1, 2020. The units do not entitle the participant the rights of a holder of the Company's common stock, such as dividend and voting rights, until shares are issued in settlement of the vested units. The vesting of such units is subject to the continuation of the management agreement. If the management agreement terminates, all unvested units then held by the Manager or the Manager's transferee shall be immediately cancelled and forfeited without consideration.

Director compensation

Beginning in 2018, the Company began paying a $160,000 annual base director’s fee to each independent director. Base director’s fees are paid 50% in cash and 50% in 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 his service as an independent member of the Company’s board. Beginning in 2019, the Company increased the annual fee paid to the lead independent director from $15,000 to $25,000.

Investments in debt and equity of affiliates

The Company invests in credit sensitive residential and commercial real estate 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 March 31, 2019 and December 31, 2018.

During Q3 2018, the Company transferred certain of its CMBS from certain of its non-wholly owned subsidiaries to a fully consolidated entity. The Company executed the transfer in order to obtain financing on these real estate securities. As a result, there was a reclassification of these assets from the "Investments in debt and equity of affiliates" line item to the "CMBS" line item on the Company's consolidated balance sheets. In addition, the Company has also shown this reclassification as a non-cash transfer on its consolidated statement of cash flows.

The Company’s investment in AG Arc is reflected on the "Investments in debt and equity of affiliates" line item on its consolidated balance sheets. See Note 2 for the fair value of AG Arc as of March 31, 2019 and December 31, 2018.

In June 2016, Arc Home closed on the acquisition of a Fannie Mae, Freddie Mac, Federal Housing Administration ("FHA"), Veteran’s Administration ("VA") and Ginnie Mae seller/servicer of mortgages with licenses to conduct business in 47 states, including Washington D.C. Through this subsidiary, Arc Home originates conforming, Government, Jumbo and other non-conforming residential mortgage loans, retains the mortgage servicing rights associated with the loans it originates, and purchases additional mortgage servicing rights from third-party sellers. Arc Home is led by an external management team.

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 third parties or affiliates of the Manager to sell rights to receive the excess servicing spread related to MSRs that it either purchases from third parties or originates. The Company, directly or through its subsidiaries, has entered into agreements with Arc Home to purchase rights to receive the excess servicing spread related to certain of Arc Home's MSRs. As of March 31, 2019 and December 31, 2018, these Excess MSRs had fair value of approximately $24.9 million and $27.3 million, respectively.

On August 29, 2017, the Company, alongside private funds under the management of Angelo Gordon, entered into the MATH LLC Agreement, which requires that MATH fund a capital commitment of $75.0 million to MATT. This commitment was increased by $25.0 million to $100.0 million on March 28, 2019 with an amendment to the MATH LLC Agreement. As of March 31, 2019, the Company’s share of MATH’s total capital commitment to MATT was

$44.6 million, of which the Company had funded $33.4 million and the Company's remaining commitment was $11.2 million (net of any return of capital to the Company).

Transactions with affiliates

In connection with the Company’s investments in residential mortgage loans and residential mortgage loans in securitized form that it purchases from an affiliate (or affiliates) of the Manager ("Re/Non-Performing Loans"), the Company may engage asset managers to provide advisory, consultation, asset management and other services to help our third-party servicers formulate and implement strategic plans to manage, collect and dispose of loans in a manner that is reasonably expected to maximize the amount of proceeds from each loan. Beginning in November 2015, 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 loans and Re/Non-Performing Loans. The Asset Manager acknowledges that the Company will at all times have and retain ownership of all loans and that the Asset Manager will not acquire (i) title to any loan, (ii) any security interest in any loan, or (iii) any other rights or interests of any kind or any nature whatsoever in or to any loan. The Company pays separate arm’s-length asset management fees as assessed and confirmed periodically by a third party valuation firm for (i) non-performing loans and (ii) re-performing loans. For the three months ended March 31, 2019 and March 31, 2018, the fees paid by the Company to the Asset Manager totaled $124,984 and $47,641, respectively.

In connection with the Company’s investments in Excess MSRs purchased through Arc Home, the Company pays an administrative fee to Arc Home. For the three months ended March 31, 2019 and March 31, 2018 the administrative fees paid by the Company to Arc Home totaled $82,904 and $19,935, respectively.

In February 2017, in accordance with the Company’s Affiliated Transactions Policy, the Company executed one trade whereby the Company acquired a real estate security from an affiliate of the Manager (the "February Selling Affiliate"). As of the date of the trade, the security acquired from the February Selling Affiliate had a total fair value of $2.0 million. The February Selling Affiliate sold the real estate security through a BWIC (Bids Wanted in Competition). Prior to the submission of the BWIC by the February Selling Affiliate, the Company submitted its bid for the real estate security to the February Selling Affiliate. The Company’s pre-submission of its bid allowed the Company to confirm third-party market pricing and best execution.

In July 2017, in accordance with the Company’s Affiliated Transactions Policy, the Company acquired certain real estate securities from an affiliate of the Manager (the "July Selling Affiliate"). As of the date of the trade, the securities acquired from the July Selling Affiliate had a total fair value of $0.2 million. 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 an independent third-party pricing vendor. The third-party pricing vendor allowed the Company to confirm third-party market pricing and best execution.

In October 2017, in accordance with the Company’s Affiliated Transactions Policy, the Company acquired certain real estate securities and loans from two affiliates of the Manager (the "October Selling Affiliates"). As of the date of the trade, the real estate securities and loans acquired from the October Selling Affiliates had a total fair value of $8.4 million. As procuring market bids for the real estate securities and loans were determined to be impracticable in the Manager’s reasonable judgment, appropriate pricing was based on a valuation prepared by independent third-party pricing vendors. The third-party pricing vendors allowed the Company to confirm third-party market pricing and best execution.

In October 2018, in accordance with the Company’s Affiliated Transactions Policy, the Company acquired certain real estate securities and loans from an affiliate of the Manager (the "October 2018 Selling Affiliate"). As of the date of the trade, the real estate securities and loans acquired from the October 2018 Selling Affiliate had a total fair value of $0.5 million. As procuring market bids for the real estate securities and loans was determined to be impracticable in the

Manager’s reasonable judgment, appropriate pricing was based on a valuation prepared by independent third-party pricing vendors. The third-party pricing vendors allowed the Company to confirm third-party market pricing and best execution.

In March 2019, in accordance with the Company’s Affiliated Transactions Policy, the Company executed one trade whereby the Company acquired a real estate security from an affiliate of the Manager (the "March 2019 Selling Affiliate"). As of the date of the trade, the security acquired from the March 2019 Selling Affiliate had a total fair value of $0.9 million. The March 2019 Selling Affiliate sold the real estate security through a BWIC. Prior to the submission of the BWIC by the March 2019 Selling Affiliate, the Company submitted its bid for the real estate security to the March 2019 Selling Affiliate. The pre-submission of the Company's bid allowed the Company to confirm third-party market pricing and best execution.

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
March 31, 2019

13. Equity

On May 2, 2018, the Company filed a shelf registration statement registering up to $750.0 million of its securities, including capital stock (the "2018 Registration Statement"). As of March 31, 2019, $591.2 million of the Company’s securities, including capital stock, was available for issuance under the 2018 Registration Statement. The 2018 Registration Statement became effective on May 18, 2018 and will expire on May 18, 2021.

Concurrently with the IPO in 2011, the Company offered a private placement of 3,205,000 units at $20.00 per share to a limited number of investors qualifying as "accredited investors" under Rule 501 of Regulation D promulgated under the Securities Act of 1933, as amended (the "Securities Act"). Each unit consisted of one share of common stock ("private placement share") and a warrant ("private placement warrant") to purchase 0.50 of a share of common stock. Each private placement warrant had an exercise price of $20.50 per share (as adjusted for reorganizations, reclassifications, consolidations, mergers, sales, transfers or other dispositions) and expired on July 6, 2018. No warrants were exercised for the three months ended March 31, 2018, or in 2018 through the expiration date on July 6, 2018.

The Company’s Series A and Series B Preferred Stock have no stated maturity and are not subject to any sinking fund or mandatory redemption. Under certain circumstances upon a change of control, the Company’s Series A and Series B Preferred Stock are convertible to shares of the Company’s common stock. Holders of the Company’s Series A and Series B Preferred Stock have no voting rights, except under limited conditions, and holders are entitled to receive cumulative cash dividends at a rate of 8.25% and 8.00% per annum on the Series A and Series B Preferred Stock, respectively, of the $25.00 per share liquidation preference before holders of the common stock are entitled to receive any dividends. Shares of the Company’s Series A and Series B Preferred Stock are currently redeemable at $25.00 per share plus accumulated and unpaid dividends (whether or not declared) exclusively at the Company’s option. Dividends are payable quarterly in arrears on the 17th day of each March, June, September and December. As of March 31, 2019, the Company had declared all required quarterly dividends on the Company’s Series A and Series B Preferred Stock.

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 its 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. No shares were repurchased under the Repurchase Program during the three months ended March 31, 2019 or March 31, 2018, and approximately $14.6 million of common stock remained authorized for future share repurchases under the Repurchase Program.

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, as defined in Rule 415 under the Securities Act of 1933. The Equity Distribution Agreements were amended on May 22, 2018 in conjunction with the filing of the Company's 2018 Registration Statement. For the three months ended March 31, 2019, the Company sold 503,700 shares of common stock under the Equity Distribution Agreements for net proceeds of approximately $8.6 million. For the three months ended March 31, 2018, the Company did not sell any common stock under the Equity Distribution Agreements.

On February 14, 2019, the Company completed a public offering of 3,000,000 shares of its common stock and subsequently issued an additional 450,000 shares pursuant to the underwriters' over-allotment option at a price of $16.70 per share. Net proceeds to the Company from the offering were approximately $57.4 million, after deducting estimated offering expenses.

14. 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.

The below table details the Company's outstanding commitments as of March 31, 2019 (in thousands):

Commitment type	Date of Commitment	Total Commitment	Funded Commitment	Remaining Commitment
MATH (a)	March 28, 2019	$ 44,590	$ 33,400	$ 11,190
Variable funding note (b)	March 29, 2018	12,400	7,600	4,800
Commercial loan G (c)	July 26, 2018	75,000	27,008	47,992
Commercial loan I (c)	January 23, 2019	20,000	6,818	13,182
Commercial loan J (c)	February 11, 2019	30,000	2,467	27,533
Commercial loan K (c)	February 22, 2019	20,000	5,130	14,870
Total		$ 201,990	$ 82,423	$ 119,567

(a) Refer to Note 12 "Investments in debt and equity of affiliates" for more information regarding MATH.

(b) On March 29, 2018, the Company, alongside private funds under the management of Angelo Gordon, purchased a variable funding note issued pursuant to an indenture.

(c) The Company entered into commitments on commercial loans relating to construction projects. See Note 4 for further details.

15. Segment reporting

The Company reassessed its determination of segments after its purchase of a portfolio of Single-family rental properties in September 2018 and has determined that it has two reportable segments based on how management reviews and manages the business. These reportable segments include its (i) Securities and Loans, which includes the Company's investments in Excess MSRs and Arc Home, and (ii) Single-Family Rental Properties. Corporate includes the operating expenses of the Company and those items that are not directly allocable to either of the two reportable segments.

AG Mortgage Investment Trust Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
March 31, 2019

The table below presents our results of operations for the three months ended March 31, 2019 by business segment (in thousands):

	Securities and Loans	Single-Family Rental Properties	Corporate	Total
Net Interest Income				
Interest income (1)	$41,406	$ —	$ 84	$41,490
Interest expense	22,093	1,248	—	23,341
Total Net Interest Income	19,313	(1,248)	84	18,149
Other Income/(Loss)				
Rental income	—	3,397	—	3,397
Net realized gain/(loss)	(20,584)	(26)	—	(20,610)
Net interest component of interest rate swaps	1,781	—	—	1,781
Unrealized gain/(loss) on real estate securities and loans, net	46,753	—	—	46,753
Unrealized gain/(loss) on derivative and other instruments, net	(10,086)	—	—	(10,086)
Other income	413	183	—	596
Total Other Income/(Loss)	18,277	3,554	—	21,831
Expenses				
Management fee to affiliate	—	—	2,345	2,345
Other operating expenses	968	48	2,814	3,830
Equity based compensation to affiliate	—	—	126	126
Excise tax	—	—	92	92
Servicing fees	371	—	—	371
Property depreciation and amortization	—	1,447	—	1,447
Property operating expenses	—	1,843	—	1,843
Total Expenses	1,339	3,338	5,377	10,054
Income/(loss) before equity in earnings/(loss) from affiliates	36,251	(1,032)	(5,293)	29,926