AG Mortgage Investment Trust, Inc.
Form 10-Q
May 06, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended March 31, 2016

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 x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 and Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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

Large Accelerated filer ¨ Accelerated filer x Non-Accelerated filer ¨ Smaller reporting company ¨ (Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

As of April 29, 2016, there were 28,171,240 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

	March 31, 2016 (Unaudited)	December 31, 2015
Assets		
Real estate securities, at fair value:		
Agency - $1,085,517,634 and $1,133,899,693 pledged as collateral, respectively	$ 1,183,120,918	$ 1,201,441,652
Non-Agency - $1,112,048,620 and $1,157,357,871 pledged as collateral, respectively	1,158,092,784	1,229,811,018
ABS - $64,643,140 and $54,761,837 pledged as collateral, respectively	64,643,140	54,761,837
CMBS - $143,567,705 and $142,852,162 pledged as collateral, respectively	147,067,718	148,948,690
Residential mortgage loans, at fair value -$50,650,246 and $50,686,922 pledged as collateral, respectively	56,709,105	57,080,227
Commercial loans, at fair value - $62,800,000 pledged as collateral	84,800,000	72,800,000
U.S. Treasury securities, at fair value - $432,376,875 and $203,520,859 pledged as collateral, respectively	432,376,875	223,434,922
Investments in debt and equity of affiliates	40,450,755	43,040,191
Excess mortgage servicing rights, at fair value	383,843	425,311
Cash and cash equivalents	40,692,737	46,253,291
Restricted cash	44,053,892	32,200,558
Interest receivable	11,175,814	11,154,785
Derivative assets, at fair value	419,340	1,755,467
Other assets	15,959,515	16,064,115
Due from broker	1,108,986	24,904,168
Total Assets	$ 3,281,055,422	$ 3,164,076,232
Liabilities		
Repurchase agreements	$ 2,556,916,200	$ 2,034,963,460
FHLBC advances	-	396,894,000
Securitized debt, at fair value	28,256,689	30,046,861
Loan participation payable, at fair value	1,800,000	-
Payable on unsettled trades	1,238,947	1,198,587
Interest payable	3,008,330	2,731,846
Derivative liabilities, at fair value	23,071,439	6,863,770
Dividend payable	13,423,355	13,496,139
Due to affiliates	4,273,803	4,407,051

Accrued expenses	1,696,903	2,074,628
Taxes payable	579,716	1,714,716
Due to broker	533,263	2,740,461
Total Liabilities	2,634,798,645	2,497,131,519
Stockholders' Equity		
Preferred stock - $0.01 par value; 50,000,000 shares authorized:		
8.25% Series A Cumulative Redeemable Preferred Stock, 2,070,000 shares issued and outstanding ($51,750,000 aggregate liquidation preference)	49,920,772	49,920,772
8.00% Series B Cumulative Redeemable Preferred Stock, 4,600,000 shares issued and outstanding ($115,000,000 aggregate liquidation preference)	111,293,233	111,293,233
Common stock, par value $0.01 per share; 450,000,000 shares of common stock authorized and 28,168,928 and 28,286,210 shares issued and outstanding at March 31, 2016 and December 31, 2015, respectively	281,690	282,863
Additional paid-in capital	583,130,368	584,581,995
Retained earnings/(deficit)	(98,369,286)	(79,134,150)
Total Stockholders' Equity	646,256,777	666,944,713
Total Liabilities & Stockholders' Equity	$ 3,281,055,422	$ 3,164,076,232

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

1

AG Mortgage Investment Trust, Inc. and Subsidiaries
Consolidated Statements of Operations
(Unaudited)

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Net Interest Income		
Interest income	$ 30,697,158	$ 36,380,265
Interest expense	8,560,299	7,514,178
	22,136,859	28,866,087
Other Income		
Net realized gain/(loss)	(12,986,658)	(9,649,926)
Realized loss on periodic interest settlements of derivative instruments, net	(2,377,775)	(3,461,227)
Unrealized gain/(loss) on real estate securities and loans, net	8,840,770	11,259,718
Unrealized gain/(loss) on derivative and other instruments, net	(11,956,002)	(8,920,798)
	(18,479,665)	(10,772,233)
Expenses		
Management fee to affiliate	2,450,143	2,507,090
Other operating expenses	3,046,812	3,077,998
Servicing fees	104,979	174,999
Equity based compensation to affiliate	54,971	76,680
Excise tax	375,000	375,000
	6,031,905	6,211,767
Income/(loss) before equity in earnings/(loss) from affiliates	(2,374,711)	11,882,087
Equity in earnings/(loss) from affiliates	(69,716)	881,355
Net Income/(Loss)	(2,444,427)	12,763,442
Dividends on preferred stock	3,367,354	3,367,354
Net Income/(Loss) Available to Common Stockholders	$ (5,811,781)	$ 9,396,088
Earnings/(Loss) Per Share of Common Stock		
Basic	$ (0.21)	$ 0.33
Diluted	$ (0.21)	$ 0.33
Weighted Average Number of Shares of Common Stock Outstanding		
Basic	28,271,930	28,387,615
Diluted	28,271,930	28,412,205

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

2

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

	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, 2015	28,386,015	$283,861	$49,920,772	$111,293,233	$586,051,751	$(14,874,474)	$732,675,143
Grant of restricted stock and amortization of equity based compensation	1,600	16	-	-	106,637	-	106,653
Common dividends declared	-	-	-	-	-	(17,032,569)	(17,032,569)
Preferred Series A dividends declared	-	-	-	-	-	(1,067,354)	(1,067,354)
Preferred Series B dividends declared	-	-	-	-	-	(2,300,000)	(2,300,000)
Net Income/(Loss)	-	-	-	-	-	12,763,442	12,763,442
Balance at March 31, 2015	28,387,615	$283,877	$49,920,772	$111,293,233	$586,158,388	$(22,510,955)	$725,145,315
Balance at January 1, 2016	28,286,210	$282,863	$49,920,772	$111,293,233	$584,581,995	$(79,134,150)	$666,944,713
Repurchase of common stock	(119,606)	(1,196)	-	-	(1,536,539)	-	(1,537,735)
Grant of restricted stock and amortization of	2,324	23	-	-	84,912	-	84,935

equity based compensation							
Common dividends declared	-	-	-	-	-	(13,423,355)	(13,423,355)
Preferred Series A dividends declared	-	-	-	-	-	(1,067,354)	(1,067,354)
Preferred Series B dividends declared	-	-	-	-	-	(2,300,000)	(2,300,000)
Net Income/(Loss)	-	-	-	-	-	(2,444,427)	(2,444,427)
Balance at March 31, 2016	28,168,928	$281,690	$49,920,772	$111,293,233	$583,130,368	$(98,369,286)	$646,256,777

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

3

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

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Cash Flows from Operating Activities		
Net income/(loss)	$ (2,444,427)	$ 12,763,442
Adjustments to reconcile net income/(loss) to net cash provided by (used in) operating activities:		
Net amortization of premium	2,325,974	5,491,860
Net realized (gain)/loss	12,986,658	9,649,926
Unrealized (gains)/losses on real estate securities and loans, net	(8,840,770)	(11,259,718)
Unrealized (gains)/losses on derivative and other instruments, net	11,956,002	8,920,798
Equity based compensation to affiliate	54,971	76,680
Equity based compensation expense	29,964	29,973
Change in operating assets/liabilities:		
Interest receivable	(21,029)	490,583
Other assets	386,237	276,995
Due from broker	(57,492)	(239,144)
Interest payable	(81,489)	(1,417,363)
Due to affiliates	(133,248)	(434,441)
Accrued expenses	(377,725)	91,565
Taxes payable	(1,135,000)	(1,147,325)
Net cash provided by (used in) operating activities	14,648,626	23,293,831
Cash Flows from Investing Activities		
Purchase of real estate securities	(19,691,051)	(270,027,414)
Origination of commercial loans	(10,428,437)	-
Purchase of U.S. treasury securities	(358,417,649)	(356,445,072)
Investments in debt and equity of affiliates	(847,210)	(12,150,900)
Proceeds from sale of real estate securities	29,872,376	326,102,175
Proceeds from sale of residential mortgage loans	23,267,693	-
Proceeds from sales of U.S. treasury securities	155,434,431	280,406,573
Distribution received from investments in debt and equity of affiliates	308,492	6,093
Principal repayments on real estate securities	69,516,938	101,246,269
Principal repayments on residential mortgage loans	326,292	1,858,700
Net proceeds from (payment made) on reverse repurchase agreements	-	(25,132,464)
Net proceeds from (payment made) on sales of securities borrowed under reverse repurchase agreements	-	24,015,493
Net settlement of interest rate swaps	(2,893,517)	(12,095,409)
Net settlement of TBAs	205,664	2,155,078
Cash flows provided by (used in) other investing activities	174,139	1,548,985
Restricted cash provided by (used in) investing activities	(1,144,043)	11,496,435
Net cash provided by (used in) investing activities	(114,315,882)	72,984,542

Cash Flows from Financing Activities		
Repurchase of common stock	(2,736,322)	-
Borrowings under repurchase agreements	25,749,833,423	7,248,785,207
Borrowings under FHLBC advances	147,215,991	-
Repayments of repurchase agreements	(25,227,880,683)	(7,336,489,795)
Repayments of FHLBC advances	(544,109,991)	-
Proceeds from transfer of loan participation	1,564,266	-
Net collateral received from (paid to) derivative counterparty	(13,538,936)	(11,862,625)
Net collateral received from (paid to) repurchase counterparty	622,447	1,431,981
Dividends paid on common stock	(13,496,139)	(17,031,609)
Dividends paid on preferred stock	(3,367,354)	(3,367,354)
Net cash provided by (used in) financing activities	94,106,702	(118,534,195)
Net change in cash and cash equivalents	(5,560,554)	(22,255,822)
Cash and cash equivalents, Beginning of Period	46,253,291	64,363,514
Cash and cash equivalents, End of Period	$ 40,692,737	$ 42,107,692
Supplemental disclosure of cash flow information:		
Cash paid for interest on repurchase agreements and FHLBC advances	$ 7,877,486	$ 7,156,994
Cash paid for income tax	$ 1,563,625	$ 1,522,625
Supplemental disclosure of non-cash financing and investing activities:		
Common stock dividends declared but not paid	$ 13,423,355	$ 17,032,569
Decrease of securitized debt	$ 1,713,596	$ 1,810,119
Transfer from residential mortgage loans to other assets	$ 717,815	$ 1,002,533
Transfer from investments in debt and equity of affiliates to CMBS	$ 3,103,111	$ -
Transfer from Linked Transactions to real estate securities	$ -	$ 139,778,263
Transfer from Linked Transactions to repurchase agreements	$ -	$ 113,363,873

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, 2016

1. Organization

AG Mortgage Investment Trust, Inc. (the “Company”) was incorporated in the state of Maryland on March 1, 2011. The Company is focused on investing in, acquiring and managing a diversified portfolio of residential mortgage-backed securities, or RMBS, issued or guaranteed by a 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”), and other real estate-related securities and financial assets, including Non-Agency RMBS, ABS, CMBS and loans (as defined below).

Non-Agency RMBS represent fixed-and floating-rate RMBS issued by entities or organizations other than a U.S. government-sponsored entity 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 similar to the aforementioned investments except 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 evidence 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.”

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. The Manager, pursuant to a delegation agreement dated as of June 29, 2011, has delegated to Angelo, Gordon the overall responsibility with respect to the Manager’s 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.

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 presentation for the interim period of the Company’s financial position, results of operations and cash flows have been included 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. As of March 31, 2016 and December 31, 2015, the Company held no 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 sheet. Any cash held by the Company as collateral is included in the “Due to broker” line item on the consolidated balance sheet and in cash flows from financing activities on the consolidated statement of cash flows.

5

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

March 31, 2016

Restricted cash

Restricted cash includes cash pledged as collateral for clearing and executing trades, derivatives and repurchase agreements and is not available to the Company for general corporate purposes. Restricted cash may be returned to the Company when the related collateral requirements are exceeded or at the maturity of the derivative or repurchase agreement. Restricted cash is carried at cost, which approximates fair value.

Use of estimates

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

Earnings/(Loss) per share

In accordance with the provisions of Accounting Standards Codification ("ASC") 260, "Earnings per Share," the Company calculates basic income/(loss) per share by dividing net income/(loss) available to common stockholders for the period by weighted-average shares of the Company's common stock outstanding for that period. Diluted income per share takes into account the effect of dilutive instruments, such as stock options, warrants, unvested restricted stock and unvested restricted stock units 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 sheet 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 sheet 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.

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

March 31, 2016

When the Company purchases securities with evidence of credit deterioration since origination, it will analyze 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 an investment 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 an investment 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 unrealized losses on securities at March 31, 2016 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

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 mortgage loans

Investments in mortgage loans are recorded in accordance with ASC 310-10. 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 sheet 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."

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

March 31, 2016

The Company amortizes or accretes any premium or discount over the life of the related loan utilizing the effective interest method. On at least a quarterly basis, the Company evaluates the collectability of both interest and principal of each loan, if circumstances warrant, to determine whether they are impaired. A loan 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. When a loan is impaired, the amount of the loss accrual is calculated and recorded accordingly. 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 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 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, are 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 and loans. These underlying 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. As of March 31, 2016 and December 31, 2015, these investments had a fair market value of $56.8 million and $62.2 million, respectively.

In December 2015, the Company, alongside private funds under the management of Angelo, Gordon, formed Arc Home LLC (“Arc Home”) to originate conforming, FHA, Jumbo and non-qualifying residential mortgage loans (“non-QM”). The Company invests in Arc Home through AG Arc LLC, one of its subsidiaries (“AG Arc”), and has chosen to make a fair value election on AG Arc pursuant to ASC 825. As of March 31, 2016 and December 31, 2015, AG Arc had a fair market value of $0.3 and $(0.3) million, respectively.

In January 2016, Arc Home entered into a definitive agreement to acquire 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 46 states. Arc Home is currently working to secure approval of the acquisition from the GSEs, FHA, VA, Ginnie Mae and various state licensing authorities, which is required prior to closing the transaction.

The Company’s investments in debt and equity of affiliates are recorded at fair market value on the consolidated balance sheet 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.

Excess mortgage servicing rights

The Company has acquired the right to receive the excess servicing spread related to excess mortgage servicing rights (“MSRs”). The Company has chosen to make a fair value election pursuant to ASC 825 for MSRs. MSRs are recorded at fair market value on the consolidated balance sheet 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.”

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

March 31, 2016

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.

In February 2015, the FASB issued ASU 2015-02, “Consolidation (Topic 810): Amendments to the Consolidation Analysis.” This standard modifies existing consolidation guidance for reporting organizations that are required to evaluate whether they should consolidate certain legal entities. The company adopted ASU 2015-02 on January 1, 2016 using the modified retrospective approach, which did not require the restatement of prior periods to conform to the post-adoption presentation. The Company concluded the adoption of this guidance did not have a material impact on its financial statements.

The Company has entered into resecuritization transactions which result in the Company consolidating the VIEs that were created to facilitate the transactions and to which the underlying assets in connection with the resecuritization were transferred. In determining the accounting treatment to be applied to these resecuritization transactions, the Company evaluated whether the entities used to facilitate these transactions were VIEs and, if so, whether they should be consolidated. Based on its evaluation, the Company concluded that the VIEs 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.

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.

On February 12, 2016, the Company originated a $12.0 million commercial loan and at closing, transferred a 15% or $1.8 million interest in the loan to an unaffiliated third party. The Company, as transferor, evaluated the transfer under ASC 860-10, and concluded the transferred participation interest should be accounted for as a secured borrowing. The Company has recorded the $12.0 million commercial loan on its consolidated balance sheet as an asset in the "Commercial loans, at fair value" line item. The Company has recorded a $1.8 million liability in the "Loan participation payable, at fair value" line item representing the transfer of the participation interest. The Company has chosen to make a fair value election on the consolidated interest pursuant to ASC 825. The holder of the participation interest has no recourse to the general credit of the Company. See Note 4 for more detail.

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

March 31, 2016

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 sheet or as a “financing” and will be classified as “real estate securities” on the consolidated balance sheet, 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 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), 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 recognizes a “catch-up” 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 and interest only securities). In estimating these cash flows, there are a number of assumptions that will be subject to uncertainties 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 judgmentally 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 aggregates loans that have common risk characteristics into pools and uses a composite interest rate and expectation of cash flows expected to be collected for the pool. ASC 310-30 addresses accounting for differences between contractual cash flows and cash flows expected to be collected from an investor’s initial investment in loans or debt securities (loans) acquired in a transfer if those differences are attributable, at least in part, to credit quality. ASC 310-30 limits the yield that may be accreted (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.

Repurchase agreements and FHLBC Advances

The Company finances the acquisition of certain assets within its portfolio through the use of repurchase agreements. Prior to March 31, 2016, the Company also financed its Agency RMBS portfolio with advances from the Federal Home Loan Bank of Cincinnati (“FHLBC Advances”) (see the following paragraph regarding the current status of the FHLBC Advances). Repurchase agreements are, and while the Company had them, FHLBC Advances were treated as collateralized financing transactions and carried at primarily their contractual amounts, including accrued interest, as specified in the respective agreements. The carrying amount of the Company’s repurchase agreements and FHLBC Advances approximates fair value.

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

March 31, 2016

In July 2015, the Company's wholly-owned captive insurance subsidiary, MITT Insurance Company LLC ("MITT Insurance"), was granted membership in the Federal Home Loan Bank ("FHLB") system, specifically in the FHLB of Cincinnati ("FHLBC"). However, in January 2016, the Federal Housing Finance Agency, the FHFA, issued RIN 2590-AA39, Members of Federal Home Loan Banks ("the Final Rule"), which expressly excludes captive insurance companies, such as MITT Insurance ("Excluded Captives"), from being eligible for membership in the FHLBC. The Final Rule prevents the FHLBC from making any new advances or extending any existing advances to Excluded Captives. In addition, upon the termination of membership, the FHLB must liquidate all outstanding advances to Excluded Captives, settle all other business transactions, and repurchase or redeem all FHLB stock held by the terminated Excluded Captive in accordance with the Final Rule. Therefore, MITT Insurance, along with all other Excluded Captives, must completely wind down all business relationships with the FHLB, including the repayment of all outstanding advances, prior to or simultaneously with the termination of MITT Insurance's membership with the FHLBC where it is a member. As a result of the Final Rule, MITT Insurance exited all FHLBC Advances and as of March 31, 2016, the Company had no outstanding advances with the FHLBC.

The Company pledges certain securities or loans as collateral under repurchase agreements with financial institutions, the terms and conditions of which are negotiated on a transaction-by-transaction basis. The amounts available to be borrowed are dependent upon the fair value of the securities or loans pledged as collateral, which fluctuates 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 pledged assets, 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, 2016 and December 31, 2015, the Company has met all margin call requirements.

Other investments

The Company's subsidiary, MITT Insurance, is a member of, and owns capital stock in the FHLBC. The FHLBC provided MITT Insurance with financing for its Agency RMBS portfolio, but due to the Final Rule, as of March 31, 2016, the Company has no outstanding advances with the FHLBC. The amount of FHLBC Advances is included in the "FHLBC advances" line item on the Company's consolidated balance sheets. Although the FHLBC no longer provides MITT Insurance with financing, MITT Insurance remains a member of the FHLBC and at March 31, 2016 and December 31, 2015 the Company owned FHLBC stock totaling $8.0 million. The Company has chosen to make a fair value election pursuant to ASC 825 for its stock investment in FHLBC which is recorded in the "Other assets" line item on the Company's consolidated balance sheet. When evaluating FHLBC stock for impairment, the Company considers the ultimate recoverability of the par value rather than recognizing temporary declines in value. As of March

31, 2016, the Company had not recognized an impairment charge related to its FHLBC stock. The Company is entitled to a quarterly dividend on the weighted average shares of stock it holds during the period. For the three months ended March 31, 2016 the Company recorded dividend income on its FHLBC stock of approximately $0.1 million that is included in “Interest income” on the Company’s consolidated statement of operations. The Company did not record any dividend income for the three months ended March 31, 2015 as it did not own any FHLBC stock during that period.

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, 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, 2016 and December 31, 2015, 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. When the Company unwinds a derivative, it records a realized gain/(loss) in the period in which it was generated 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.”

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

March 31, 2016

TBAs are exempt from ASC 815 and are accounted for under ASC 320 if there is no other way to purchase or sell that security, if delivery or receipt of that security and settlement will occur within the shortest period possible for that type of security and if it is probable at inception and throughout the term of the individual contract that physical delivery or receipt of the security will occur (referred to as the “regular-way” exception). Unrealized gains and losses associated with TBA contracts not subject to the regular-way exception or 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 sheet based on the value of the underlying borrowed securities as of the reporting date. 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 calculated and earned. For a more detailed discussion on the fees payable under the management agreement, see Note 10.

Income taxes

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

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

The Company has 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.

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

March 31, 2016

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 9 for further details.

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 issued to the Company's directors is measured at its estimated fair value at the grant date, and is amortized and expensed over the vesting period on a straight-line basis. Compensation cost related to restricted common shares and restricted stock units issued to the Manager is initially measured at estimated fair value at the grant date, and is remeasured on subsequent dates to the extent the awards are unvested. Shares of restricted common stock held by the Manager and independent directors accrue dividends, but these dividends are not paid until vested and therefore the shares are not considered to be participating shares. 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 common shares and restricted stock units.

Recent accounting pronouncements

In May 2014, the FASB issued Accounting Standards Updates ("ASU") 2014-09, "Revenue from Contracts with Customers" (Topic 606) ("ASU 2014-09"). ASU 2014-09 is a comprehensive new revenue recognition model requiring a company to recognize revenue to depict the transfer of goods or services to a customer at an amount reflecting the consideration it expects to receive in exchange for those goods or services. In adopting ASU 2014-09, companies may use either a full retrospective or a modified retrospective approach. Additionally, this guidance requires improved disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. In August 2015, the FASB deferred the effective date of the new revenue recognition standard by one year. The new standard is effective for the first interim period within annual reporting periods beginning after December 15, 2017 and early adoption is permitted. The Company is continuing to evaluate its method of adoption and the impact this ASU will have on its consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities" ("ASU 2016-01"). The amendments in this ASU affect all entities that hold financial assets or owe financial liabilities, and address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The classification and measurement guidance of investments in debt securities and loans are not affected by the amendments in this ASU. ASU 2016-01 is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Early adoption is not permitted for public business entities, except for a provision related to financial statements of fiscal years or interim periods that have not yet been issued, to recognize in other comprehensive income, the change in fair value of a liability resulting from a change in the instrument-specific credit risk measured using the fair value option. Entities should apply the amendments in this ASU by recording a cumulative-effect adjustment to equity as of the beginning of the fiscal year of adoption. The Company is currently evaluating its method of adoption and the impact this ASU will have on its consolidated financial statements.

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

March 31, 2016

In March 2016, the FASB issued ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting (Topic 718)," ("ASU 2016-09"). ASU 2016-09 requires all income tax effects of share-based payment awards to be recognized in the income statement when the awards vest or are settled. ASU 2016-09 also allows an employer to repurchase more of an employee's shares for tax withholding purposes than is permitted under current guidance without triggering liability accounting. Finally, ASU 2016-09 allows a policy election to account for forfeitures as they occur. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, 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.

3. Real Estate Securities

The following tables present the current principal balance, premium or discount, amortized cost, gross unrealized gain, gross unrealized loss, fair market value, weighted average coupon rate and weighted average effective yield of the Company's real estate securities portfolio at March 31, 2016 and December 31, 2015. 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 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 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 following table details the Company's real estate securities portfolio as of March 31, 2016:

				Gross Unrealized (1)			Weighted Average	
	Current Face	**Premium / (Discount)**	Amortized Cost	Gains	Losses	Fair Value	Coupon (2)	Yield
Agency RMBS:								
	$761,491,586	$32,645,952	$794,137,538	$17,390,556	$(159,788)	$811,368,306	3.76%	3.03 %

30 Year Fixed Rate								
Fixed Rate CMO	73,624,178	617,181	74,241,359	2,544,359	-	76,785,718	3.00%	2.80 %
ARM	240,552,349	(2,643,704)	237,908,645	8,293,644	-	246,202,289	2.36%	2.80 %
Interest Only	499,337,856	(450,533,308)	48,804,548	1,310,373	(1,350,316)	48,764,605	2.64%	5.67 %
Credit Securities:								
Non-Agency RMBS	1,327,740,329	(178,805,795)	1,148,934,534	19,176,297	(14,070,327)	1,154,040,504	4.19%	5.42 %
Non-Agency RMBS Interest Only	447,889,359	(443,022,963)	4,866,396	-	(814,116)	4,052,280	0.14%	-4.62%
ABS	66,836,631	(451,545)	66,385,086	11,735	(1,753,681)	64,643,140	5.13%	5.29 %
CMBS	210,670,298	(76,184,028)	134,486,270	250,883	(4,796,303)	129,940,850	5.21%	6.15 %
CMBS Interest Only	1,644,448,246	(1,627,839,870)	16,608,376	648,852	(130,360)	17,126,868	0.21%	6.43 %
Total	$5,272,590,832	$(2,746,218,080)	$2,526,372,752	$49,626,699	$(23,074,891)	$2,552,924,560	2.27%	4.36 %

(1) 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. The gross unrealized stated above represents inception to date unrealized gains/(losses).

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

The following table details the Company's real estate securities portfolio as of December 31, 2015:

				Gross Unrealized (1)			Weighted Average	
	Current Face	**Premium / (Discount)**	Amortized Cost	Gains	Losses	Fair Value	Coupon (2)	Yield
Agency RMBS:								
30 Year Fixed Rate	$782,276,607	$34,905,903	$817,182,510	$6,674,932	$(3,720,150)	$820,137,292	3.76%	3.10 %
Fixed Rate CMO	76,098,478	672,376	76,770,854	1,254,658	-	78,025,512	3.00%	2.81 %
ARM	248,169,781	(2,658,877)	245,510,904	4,298,463	-	249,809,367	2.37%	2.84 %

Interest Only	522,058,244	(468,676,886)	53,381,358	2,226,513	(2,138,390)	53,469,481	2.70%	7.56 %
Credit Securities:								
Non-Agency RMBS	1,395,179,483	(183,015,256)	1,212,164,227	23,555,968	(11,462,911)	1,224,257,284	4.17%	5.56 %
Non-Agency RMBS Interest Only	465,387,354	(459,897,579)	5,489,775	351,842	(287,883)	5,553,734	0.12%	11.05%
ABS	56,264,253	(353,693)	55,910,560	236,424	(1,385,147)	54,761,837	5.26%	5.62 %
CMBS	224,844,665	(89,380,593)	135,464,072	789,264	(1,382,362)	134,870,974	5.15%	6.28 %
CMBS Interest Only	1,138,848,526	(1,124,644,529)	14,203,997	37,717	(163,998)	14,077,716	0.25%	6.67 %
Total	$4,909,127,391	$(2,293,049,134)	$2,616,078,257	$39,425,781	$(20,540,841)	$2,634,963,197	2.52%	4.55 %

(1) 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. The gross unrealized stated above represents inception to date unrealized gains/(losses).

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

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

March 31, 2016

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 on March 31, 2016 and December 31, 2015:

	Less than 12 months		Greater than 12 months	
As of	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
March 31, 2016	$554,413,241	$(16,171,213)	$177,554,837	$(6,903,678)
December 31, 2015	905,669,623	(13,906,215)	154,287,673	(6,634,626)

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, 2016 the Company recognized OTTI charges of $9.2 million on its securities, which is included in the "Net realized gain/(loss)" line item on the consolidated statement of operations. The Company recorded $9.2 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 $9.2 million of OTTI recorded, $5.1 million related to securities where OTTI was not previously recognized. For the three months ended March 31, 2015 the Company recognized $2.7 million of OTTI on certain securities, which is included in the "Net realized gain/(loss)" line item on the consolidated statement of operations. The Company recorded the $2.7 million of OTTI due to an adverse change in cash flows, where the fair values of the securities were less than their carrying amounts. Of the $2.7 million of OTTI recorded, $1.1 million related to securities where OTTI was not previously recognized.

The decline in value of the remaining real estate securities is solely due to market conditions and not the quality of the assets. The investments in 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 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.

Unrealized losses on the Company's Agency RMBS accounted for under ASC 320 were not due to credit losses given their explicit guarantee of principal and interest by either an agency of the U.S. government of a GSEs, but rather were due to changes in interest rates and prepayment expectations.

The following table details weighted average life broken out by Agency RMBS, Agency Interest-Only ("IO") and Credit Securities as of March 31, 2016:

	Agency RMBS (1)			Agency IO			Credit Securities (2)	
Weighted Average Life (3)	Fair Value	Amortized Cost	Weighted Average Coupon	Fair Value	Amortized Cost	Weighted Average Coupon	Fair Value	Amortized Cost
Less than or equal to 1 year	$-	$-	-	$-	$-	-	$68,285,349	$69,746,379
Greater than one year and less than or equal to five years	148,398,000	143,439,546	2.74%	38,804,841	38,885,566	2.38%	526,770,684	529,787,755
Greater than five years and less than or equal to ten years	985,958,313	962,847,996	3.49%	9,959,764	9,918,982	4.90%	525,375,510	525,111,391
Greater than ten years	-	-	-	-	-	-	249,372,099	246,635,137
Total	$1,134,356,313	$1,106,287,542	3.39%	$48,764,605	$48,804,548	2.64%	$1,369,803,642	$1,371,280,662

(1) For purposes of this table, Agency RMBS represent securities backed by Fixed Rate 30 Year mortgages, ARMs and Fixed Rate CMOs.

(2) For purposes of this table, Credit Securities represent Non-Agency RMBS, ABS, CMBS and Interest Only credit securities.

(3) Actual maturities of mortgage-backed securities are generally shorter than stated contractual maturities. Maturities are affected by the contractual lives of the underlying mortgages, periodic payments of principal and prepayments of principal.

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

15

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

March 31, 2016

The following table details weighted average life broken out by Agency RMBS, Agency IO and Credit Securities as of December 31, 2015:

	Agency RMBS (1)			Agency IO			Credit Securities (2)	
Weighted Average Life (3)	Fair Value	Amortized Cost	Weighted Average Coupon	Fair Value	Amortized Cost	Weighted Average Coupon	Fair Value	Amortized Cost
Less than or equal to 1 year	$-	$-	-	$-	$-	-	$61,279,492	$62,031,034
Greater than one year and less than or equal to five years	8,855,191	8,698,829	2.53%	35,583,940	36,517,583	2.19%	465,361,086	465,420,736
Greater than five years and less than or equal to ten years	1,130,350,078	1,122,059,484	3.39%	17,885,541	16,863,775	5.33%	602,483,200	599,969,280
Greater than ten years	8,766,902	8,705,955	4.11%	-	-	-	304,397,767	295,811,581
Total	$1,147,972,171	$1,139,464,268	3.39%	$53,469,481	$53,381,358	2.70%	$1,433,521,545	$1,423,232,631

(1) For purposes of this table, Agency RMBS represent securities backed by Fixed Rate 30 Year mortgages, ARMs and Fixed Rate CMOs.

(2) For purposes of this table, Credit Securities represent Non-Agency RMBS, ABS, CMBS and Interest Only credit securities.

(3) Actual maturities of mortgage-backed securities are generally shorter than stated contractual maturities. Maturities are affected by the contractual lives of the underlying mortgages, periodic payments of principal and prepayments of principal.

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

For the three months ended March 31, 2016, the Company sold 6 securities for total proceeds of $29.9 million, recording realized gains of $41,181 and realized losses of $1.4 million.

For the three months ended March 31, 2015, the Company sold 18 securities for total proceeds of $326.1 million, recording realized gains of $5.5 million and realized losses of $0.8 million.

See Notes 4 and 7 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 securitized financial assets on improved terms. Securitization involves transferring assets to a 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.

In 2014, the Company entered into a resecuritization transaction that resulted in the Company consolidating the VIE created with the SPE which was used to facilitate the transaction. The Company concluded that the entity created to facilitate this transaction was a VIE. The Company also determined the VIE created to facilitate the resecuritization transaction should be consolidated by the Company and treated as a secured borrowing, based on consideration of its involvement in the VIE, including the design and purpose of the SPE, and whether its involvement reflected a controlling financial interest that resulted in the Company being deemed the primary beneficiary of the VIE. As of March 31, 2016 and December 31, 2015, the resecuritized asset had an aggregate principal balance of $37.9 million and $40.0 million, respectively. As of March 31, 2016 and December 31, 2015, the resecuritized asset had an aggregate fair value of $34.9 million and $37.1 million, respectively. As of March 31, 2016 and December 31, 2015, the principal balance of the consolidated tranche was $28.7 million and $30.4 million, respectively. As of March 31, 2016 and December 31, 2015, the fair market value of the consolidated tranche was $28.3 million and $30.0 million, respectively, which is included in the Company's consolidated balance sheet as "Non-Agency RMBS." As of March 31, 2016 and December 31, 2015, the aggregate security has a weighted average coupon of 5.21% and 5.32%, respectively, and a weighted average yield of 6.06% and 6.14%, respectively. As of March 31, 2015, and December 31, 2015, the Company has recorded secured financing of $28.3 million and $30.0 million, respectively, on the consolidated balance sheet 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 for the year ended December 31, 2014. As of March 31, 2016 and December 31, 2015, the consolidated tranche had a weighted average life of 3.38 years and 4.04 years, respectively and a weighted average yield of 3.11% and 3.67%, respectively. 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 any VIE.

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

March 31, 2016

4. Loans

Residential Mortgage Loans

On February 28, 2014, the Company acquired a residential mortgage loan portfolio with an aggregate unpaid principal balance and acquisition fair value of $59.0 million and $34.9 million, respectively. On February 18, 2014, the Company entered into a Master Repurchase Agreement and Securities Contract ("Repurchase facility") to finance acquisitions of residential mortgage loans. See Note 6 for further detail on the Company's loan repurchase facility.

On July 31, 2014, the Company acquired a residential mortgage loan portfolio with an aggregate unpaid principal balance and acquisition fair value of $13.7 million and $5.7 million, respectively.

On September 30, 2014, the Company acquired a residential mortgage loan portfolio with an aggregate unpaid principal balance and acquisition fair value of $50.5 million and $44.0 million, respectively.

The table below details certain information regarding the Company's residential mortgage loan portfolio as of March 31, 2016:

				Gross Unrealized (1)			Weighted Average		
	Unpaid Principal Balance	Premium (Discount)	Amortized Cost	Gains	Losses	Fair Value	Coupon	Yield	Life (Years) (2)
Residential mortgage loans	$77,639,271	$(23,464,440)	$54,174,831	$2,534,274	$ -	$56,709,105	5.45%	9.24%	5.27

(1) The Company has chosen to make a fair value election pursuant to ASC 825 for its 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 stated above represents inception to date unrealized gains (losses).

(2) Actual maturities of residential mortgage loans are generally 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 certain information regarding the Company's residential mortgage loan portfolio as of December 31, 2015:

				Gross Unrealized (1)			Weighted Average		
	Unpaid Principal Balance	Premium (Discount)	Amortized Cost	Gains	Losses	Fair Value	Coupon	Yield	Life (Years) (2)
Residential mortgage loans	$78,834,774	$(24,413,319)	$54,421,455	$2,658,772	$ -	$57,080,227	5.46%	8.70%	5.58

(1) The Company has chosen to make a fair value election pursuant to ASC 825 for its 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 stated above represents inception to date unrealized gains (losses).

(2) Actual maturities of residential mortgage loans are generally 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 summarizes the distribution of the Company's residential mortgage loans at fair value:

	March 31, 2016		December 31, 2015	
Loan Type	Fair Value	Unpaid Principal Balance	Fair Value	Unpaid Principal Balance
Re-Performing	$43,091,272	$ 55,830,445	$43,152,987	$ 56,424,387
Non-Performing	13,617,833	21,808,826	13,927,240	22,410,387
	$56,709,105	$ 77,639,271	$57,080,227	$ 78,834,774

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

March 31, 2016

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 on loans for the three months ended March 31, 2016 or March 31, 2015.

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 certain concentrations of credit risk within the Company’s mortgage loan portfolio:

Concentration of Credit Risk	March 31, 2016		December 31, 2015	
Percentage of fair value of mortgage loans with unpaid principal balance to current property value in excess of 100%	93	%	95	%
Percentage of fair value of mortgage loans secured by properties in the following states:				
Representing 5% or more of fair value:				
New York	19	%	20	%
California	9	%	9	%
Florida	6	%	6	%
Maryland	5	%	5	%

The Company records interest income on a level-yield 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, 2016 and March 31, 2015, respectively:

	Three Months Ended	
	March 31, 2016	March 31, 2015
Beginning Balance	$24,216,638	$ 38,008,263
Additions	-	-

Accretion	(1,104,027)	(1,865,295)
Reclassifications from/(to) non-accretable difference	154,405	4,356,113
Disposals	(103,869)	(1,041,317)
Ending Balance	$23,163,147	$ 39,457,764

As of March 31, 2016, the Company's residential mortgage loan portfolio is comprised of 385 conventional loans with original loan balances between $9,000 and $1.1 million.

Commercial Loans

The following tables present the current principal balance, premium or discount, amortized cost, gross unrealized gain, gross unrealized loss, fair market value, weighted average coupon rate and weighted average effective yield of the Company's commercial loan portfolio on March 31, 2016.

				Gross Unrealized (1)			Weighted Average				
	Current Face	Premium (Discount)	Amortized Cost	Gains	Losses	Fair Value	Coupon (6)	Yield	Life (Years) (7)	Stated Maturity Date (8)	Extended Maturity Date
Loan A (2)	$30,000,000	$(26,196)	$29,973,804	$26,196	$-	$30,000,000	6.69 %	8.53 %	0.19	June 5, 2017	June 5, 2019
Loan B (3)	32,800,000	(14,560)	32,785,440	14,560	-	32,800,000	5.19 %	5.75 %	0.27	July 1, 2016	July 1, 2019
Loan C (4)	10,000,000	(22,173)	9,977,827	22,173	-	10,000,000	13.44%	15.41%	0.85	February 1, 2017	February 1, 2018
Loan D (5)	12,000,000	(1,374,502)	10,625,498	1,374,502	-	12,000,000	10.44%	15.11%	0.88	February 11, 2017	August 11, 2019
	$84,800,000	$(1,437,431)	$83,362,569	$1,437,431	$-	$84,800,000	7.44 %	9.20 %	0.40		

(1) The Company has chosen to make a fair value election pursuant to ASC 825 for its 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 stated above represents inception to date unrealized gains (losses).

(2) Loan A is comprised of a first mortgage and mezzanine loan of $20.0 million and $10.0 million, respectively.

(3) Loan B is comprised of a first mortgage and mezzanine loan of $31.8 million and $1.0 million, respectively.

(4) Loan C is a mezzanine loan.

(5) Loan D is a first mortgage loan. See below for further information.

(6) Each commercial loan investment has a variable coupon rate.

(7) Actual maturities of commercial mortgage loans may be shorter than stated contractual maturities. Maturities are affected by prepayments of principal.

(8) The Company has the contractual right to receive a balloon payment.

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

March 31, 2016

In February 2016, the Company originated a $12.0 million commercial loan and, at closing, transferred a 15.0%, or $1.8 million, participation interest in the loan (the “Participation Interest”) to an unaffiliated third party. The Participation Interest did not meet the sales criteria established under ASC 860, therefore, the entire commercial loan has been recorded as an asset in the “Commercial loans, at fair value” line item on the Company’s consolidated balance sheet, referred to in the above table as “Loan D”. The weighted average coupon and yield on the commercial loan was 10.44% and 15.11%, respectively, at March 31, 2016. A $1.8 million liability was recorded in the “Loan participation payable, at fair value” line item on the Company’s consolidated balance sheet representing the transfer of the Participation Interest. The Company recorded the origination of the commercial loan in the “Cash Flows from Investing Activities” section and the proceeds from the transfer in the “Cash Flows from Financing Activities” section of the consolidated statement of cash flows for the three months ended March 31, 2016. The weighted average coupon and yield on the Participation Interest was 10.44% and 24.18%, respectively, at March 31, 2016.

The following tables present the current principal balance, premium or discount, amortized cost, gross unrealized gain, gross unrealized loss, fair market value, coupon rate and effective yield of the Company’s commercial loan portfolio on December 31, 2015.

				Gross Unrealized (1)			Weighted Average					
	Current Face	Premium (Discount)	Amortized Cost	Gains	Losses	Fair Value	Coupon (5)	Yield	Life (Years) (6)	Stated Maturity Date (7)	Extended Maturity Date	L
Loan A (2)	$30,000,000	$(70,981)	$29,929,019	$70,981	$-	$30,000,000	6.52 %	8.50 %	0.44	June 5, 2017	June 5, 2019	F
Loan B (3)	32,800,000	(38,441)	32,761,559	38,441	-	32,800,000	5.02 %	5.72 %	0.52	July 1, 2016	July 1, 2019	T
Loan C (4)	10,000,000	(29,607)	9,970,393	29,607	-	10,000,000	13.50%	16.13%	1.19	February 1, 2017	February 1, 2018	N
	$72,800,000	$(139,029)	$72,660,971	$139,029	$-	$72,800,000	6.80 %	8.30 %	0.58			

(1) The Company has chosen to make a fair value election pursuant to ASC 825 for its 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 stated above represents inception to date unrealized gains (losses).

(2) Loan A is comprised of a first mortgage and mezzanine loan of $20.0 million and $10.0 million, respectively.

(3) Loan B is comprised of a first mortgage and mezzanine loan of $31.8 million and $1.0 million, respectively.

(4) Loan C is a mezzanine loan.

(5) Each commercial loan investment has a variable coupon rate.

(6) Actual maturities of commercial mortgage loans may be shorter than stated contractual maturities. Maturities are affected by prepayments of principal.

(7) The Company has the contractual right to receive a balloon payment.

During the three months ended March 31, 2016 the Company recorded $0.1 million of discount accretion. During the three months ended March 31, 2015 the Company recorded $0.3 million of discount accretion.

5. 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. 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.

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

In 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 ("CCP") 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"). The Company records its derivative asset and liability positions on a gross basis.

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

March 31, 2016

The fair value of the Company's mortgage loans and loan participation 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, reperformance rates, loss severity (considering mortgage insurance) and prepayment rates. 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.

U.S. Treasury securities are valued using quoted prices for identical instruments in active markets. 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 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 2.

In December 2015, the Company, alongside private funds under the management of Angelo, Gordon, formed Arc Home to originate conforming, FHA, Jumbo and non-QM loans. The Company invests in Arc Home through AG Arc. The Company categorizes the fair value measurement of AG Arc as Level 1.

In February 2016, the Company originated a $12.0 million commercial loan and transferred a 15% participation interest in the loan to an unaffiliated third party. The Company categorizes the fair value measurement of the commercial loan and consolidated participation interest as Level 3.

As a condition to membership in the FHLBC, members are required to purchase and hold a certain amount of FHLBC stock, which is considered a non-marketable, long-term investment. Because this stock can only be transacted at its par value, and only to the FHLBC, the Manager believes cost approximates fair value. The Company categorizes the fair value measurement of these assets as Level 3. As part of the Final Rule mentioned previously, the Company will have to sell back all of its FHLBC stock by February 19, 2017.

20

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

March 31, 2016

The following table presents the Company’s financial instruments measured at fair value as of March 31, 2016:

	Fair Value at March 31, 2016			
	Level 1	Level 2	Level 3	Total
Assets:				
Agency RMBS:				
30 Year Fixed Rate	$-	$811,368,306	$-	$811,368,306
Fixed Rate CMO	-	76,785,718	-	76,785,718
ARM	-	246,202,289	-	246,202,289
Interest Only	-	48,764,605	-	48,764,605
Credit Investments:				
Non-Agency RMBS	-	394,035,740	760,004,764	1,154,040,504
Non-Agency RMBS Interest Only	-	-	4,052,280	4,052,280
ABS	-	-	64,643,140	64,643,140
CMBS	-	42,960,845	86,980,005	129,940,850
CMBS Interest Only	-	-	17,126,868	17,126,868
Residential mortgage loans	-	-	56,709,105	56,709,105
Commercial loans	-	-	84,800,000	84,800,000
U.S. Treasury securities	432,376,875	-	-	432,376,875
Excess mortgage servicing rights	-	-	383,843	383,843
Derivative assets	-	419,340	-	419,340
FHLBC stock	-	-	8,015,900	8,015,900
AG ARC	302,495	-	-	302,495
Total Assets Carried at Fair Value	$432,679,370	$1,620,536,843	$1,082,715,905	$3,135,932,118
Liabilities:				
Securitized debt	$-	$-	$(28,256,689)	$(28,256,689)
Loan participation payable	-	-	(1,800,000)	(1,800,000)
Derivative liabilities	-	(23,071,439)	-	(23,071,439)
Total Liabilities Carried at Fair Value	$-	$(23,071,439)	$(30,056,689)	$(53,128,128)

21

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

March 31, 2016

The following table presents the Company's financial instruments measured at fair value as of December 31, 2015.

	Fair Value at December 31, 2015			
	Level 1	Level 2	Level 3	Total
Assets:				
Agency RMBS:				
30 Year Fixed Rate	$-	$820,137,292	$-	$820,137,292
Fixed Rate CMO	-	78,025,512	-	78,025,512
ARM	-	249,809,367	-	249,809,367
Interest Only	-	53,469,481	-	53,469,481
Credit Investments:				
Non-Agency RMBS	-	772,579,324	451,677,960	1,224,257,284
Non-Agency RMBS Interest Only	-	-	5,553,734	5,553,734
ABS	-	-	54,761,837	54,761,837
CMBS	-	43,846,556	91,024,418	134,870,974
CMBS Interest Only	-	-	14,077,716	14,077,716
Residential mortgage loans	-	-	57,080,227	57,080,227
Commercial loans	-	-	72,800,000	72,800,000
U.S. Treasury securities	223,434,922	-	-	223,434,922
Excess mortgage servicing rights	-	-	425,311	425,311
Derivative assets	-	1,755,467	-	1,755,467
FHLBC stock	-	-	8,015,900	8,015,900
AG ARC	(316,580)	-	-	(316,580)
Total Assets Carried at Fair Value	$223,118,342	$2,019,622,999	$755,417,103	$2,998,158,444
Liabilities:				
Securitized debt	$-	$(30,046,861)	$-	$(30,046,861)
Derivative liabilities	-	(6,863,770)	-	(6,863,770)
Total Liabilities Carried at Fair Value	$-	$(36,910,631)	$-	$(36,910,631)

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, 2016 and March 31, 2015.

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, 2016

	Non-Agency RMBS	Non-Agency RMBS IO	ABS	CMBS	CMBS Interest Only	Residential Mortgage Loans	Commer Loans
Beginning balance	$451,677,960	$5,553,734	$54,761,837	$91,024,418	$14,077,716	$57,080,227	$72,800
Transfers (1):							
Transfers into level 3	341,075,247	-	-	-	-	-	-
Transfers out of level 3	-	-	-	-	-	-	-
Purchases/transfers (2)	6,724,062	-	11,198,203	-	29,884	-	10,428
Reclassification of security type (3)	-	-	-	-	3,103,111	-	-
Proceeds from sales	(7,494,697)	-	-	-	-	-	-
Proceeds from settlement	(22,910,622)	-	(627,620)	(920,368)	-	(326,292)	-
Total net gains/(losses) (4)							
Included in net income	(9,067,186)	(1,501,454)	(689,280)	(3,124,045)	(83,843)	(44,830)	1,571,
Included in other comprehensive income (loss)	-	-	-	-	-	-	-
Ending Balance	$760,004,764	$4,052,280	$64,643,140	$86,980,005	$17,126,868	$56,709,105	$84,800
Change in unrealized appreciation/(depreciation) for level 3 assets/liabilities still held as of March 31, 2016 (5)	$(4,319,506)	$(1,007,267)	$(551,022)	$(2,794,125)	$(83,843)	$(44,830)	$1,571,

(1) Transfers are assumed to occur at the beginning of the period.

(2) Transfers represent proceeds from transfer of loan participation.

(3) Represents a reclassification from investments in debt and equity of affiliates.

(4) 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	$(7,225,630)
Unrealized gain/(loss) on derivative and other instruments, net	(159,158)
Net realized gain/(loss)	(5,713,445)
Total	$(13,098,233)

(5) 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	$(7,229,030)
Unrealized gain/(loss) on derivative and other instruments, net	(159,158)
Total	$(7,388,188)

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

March 31, 2016

Three Months Ended
March 31, 2015

	Non-Agency RMBS	Non-Agency RMBS IO	ABS	CMBS	CMBS Interest Only	Residential Mortgage Loans	Commerci Loans
Beginning balance	$455,236,279	$-	$66,693,243	$39,343,274	$6,125,949	$85,089,859	$72,800,0
Transfers (1):							
Transfers into level 3	-	-	-	-	-	-	-
Transfers out of level 3	-	-	-	-	-	-	-
Purchases	71,926,246	2,219,890	4,027,500	14,642,289	-	-	-
Reclassification of security type (2)	24,129,591	-	-	-	-	-	-
Proceeds from sales	(12,383,544)	-	(2,595,898)	-	-	-	-
Proceeds from settlement	(35,224,917)	-	(228,246)	(387,963)	-	(1,858,699)	-
Total net gains/ (losses) (3)							
Included in net income	3,641,627	-	1,170,655	212,959	(119,922)	(838,440)	-
Included in other comprehensive income (loss)	-	-	-	-	-	-	-
Ending Balance	$507,325,282	$2,219,890	$69,067,254	$53,810,559	$6,006,027	$82,392,720	$72,800,0
Change in unrealized appreciation/(depreciation) for level 3 assets still held as of March 31, 2015 (4)	$3,447,627	$-	$1,073,361	$212,959	$(119,922)	$(770,629)	$-

(1) Transfers are assumed to occur at the beginning of the period.

(2) Represents an accounting reclassification between a linked transaction and a real estate security.

(3) 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	$4,083,812
Interest income	(16,933)
Total	$4,066,879

(4) 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	$4,359,636
Net realized gain/(loss)	(516,240)
Total	$3,843,396

During the three months ended March 31, 2016, the Company transferred 29 Non-Agency RMBS securities and its securitized debt instrument with a total fair market value of $341.1 million and $30.0 million, respectively, into the Level 3 category from the Level 2 category of the fair value hierarchy under ASC 820 as these instruments exhibited indications of reduced levels of market transparency. Examples of such indications include a reduction in observable transactions or executable quotes involving these instruments or similar instruments. Changes in these indications could impact price transparency, and thereby cause a change in level designations in future periods. The Company did not have any transfers of assets or liabilities into or out of Level 3 of the fair value hierarchy during the three months ended March 31, 2015.

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

March 31, 2016

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, 2016	Valuation Technique	Unobservable Input	Range (Weighted Average)
			Yield	-1.46% - 21.14% (5.54%)
Non-Agency RMBS	$ 760,004,764	Discounted Cash Flow	Projected Collateral Prepayments	0.00% - 20.00% (6.69%)
			Projected Collateral Losses	0.00% - 38.00% (8.45%)
			Projected Collateral Severities	0.00% - 100.00% (46.78%)
			Yield	-28.45% - 10.18% (-23.58%)
Non-Agency RMBS	$ 4,052,280	Discounted Cash Flow	Projected Collateral Prepayments	25.00% - 25.00% (25.00%)
Interest Only			Projected Collateral Losses	1.00% - 1.00% (1.00%)
			Projected Collateral Severities	10.00% - 10.00% (10.00%)
			Yield	2.45% - 7.02% (5.29%)
ABS	$ 64,643,140	Discounted Cash Flow	Projected Collateral Prepayments	1.50% - 100.00% (77.58%)
			Projected Collateral Losses	0.00% - 8.30% (5.85%)
			Projected Collateral Severities	0.00% - 0.00% (0.00%)
			Yield	3.53% - 17.94% (5.61%)
CMBS	$ 86,980,005	Discounted Cash Flow	Projected Collateral Prepayments	0.00% - 20.00% (0.53%)
			Projected Collateral Losses	0.00% - 0.00% (0.00%)
			Projected Collateral Severities	0.00% - 0.00% (0.00%)
			Yield	3.43% - 11.30% (6.43%)
CMBS Interest Only	$ 17,126,868			

		Discounted Cash Flow	Projected Collateral Prepayments	100.00% - 100.00% (100.00%)
			Projected Collateral Losses	0.00% - 0.00% (0.00%)
			Projected Collateral Severities	0.00% - 0.00% (0.00%)
			Yield	6.96% - 43.37% (9.24%)
Residential Mortgage Loans	$ 56,709,105	Discounted Cash Flow	Projected Collateral Prepayments	4.31% - 7.92% (6.86%)
			Projected Collateral Losses	7.78% - 11.67% (10.15%)
			Projected Collateral Severities	28.95% - 38.94% (35.22%)
			Yield	5.75% - 24.18% (9.20%)
Commercial Loans	$ 84,800,000	Discounted Cash Flow	Credit Spread	4.75 bps - 13 bps (7 bps)
			Recovery Percentage*	100.00% - 100.00% (100.00%)
Excess Mortgage Servicing Rights	$ 383,843	Discounted Cash Flow	Yield	5.94% - 7.67% (6.15%)
FHLBC stock	$ 8,015,900	**	Yield	4.00% - 4.00% (4.00%)

Liability Class	Fair Value at March 31, 2016	Valuation Technique	Unobservable Input	Range (Weighted Average)
			Yield	3.11% - 3.11% (3.11%)
Securitized debt	$ (28,256,689)	Discounted Cash Flow	Projected Collateral Prepayments	12.00% - 12.00% (12.00%)
			Projected Collateral Losses	5.50% - 5.50% (5.50%)
			Projected Collateral Severities	43.00% - 43.00% (43.00%)
			Yield	24.18% - 24.18% (24.18%)
Loan participation payable	$ (1,800,000)	Discounted Cash Flow	Credit Spread	10 bps - 10 bps (10 bps)
			Recovery Percentage*	100.00% - 100.00% (100.00%)

* Represents the proportion of the principal expected to be collected relative to the loan balances as of March 31, 2016.

** Fair value of the FHLBC stock approximates outstanding face amount as the Company's wholly-owned subsidiary is restricted from trading the stock and can only put the stock back to the FHLBC, at the FHLBC's discretion, at par.

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

March 31, 2016

Asset Class	Fair Value at December 31, 2015	Valuation Technique	Unobservable Input	Range (Weighted Average)
Non-Agency RMBS	$ 451,677,960	Discounted Cash Flow	Yield	0.81% - 16.11% (5.82%)
			Projected Collateral Prepayments	0.00% - 20.00% (6.36%)
			Projected Collateral Losses	0.00% - 38.00% (10.27%)
			Projected Collateral Severities	0.00% - 88.08% (31.22%)
Non-Agency RMBS Interest Only	$ 5,553,734	Discounted Cash Flow	Yield	10.59% - 11.40% (10.70%)
			Projected Collateral Prepayments	25.00% - 25.00% (25.00%)
			Projected Collateral Losses	1.00% - 1.00% (1.00%)
			Projected Collateral Severities	10.00% - 10.00% (10.00%)
ABS	$ 54,761,837	Discounted Cash Flow	Yield	2.44% - 7.57% (5.62%)
			Projected Collateral Prepayments	20.00% - 100.00% (79.96%)
			Projected Collateral Losses	0.00% - 8.30% (6.06%)
			Projected Collateral Severities	0.00% - 50.00% (10.98%)
CMBS	$ 91,024,418	Discounted Cash Flow	Yield	3.94% - 16.87% (5.83%)
			Projected Collateral Prepayments	0.00% - 20.00% (0.37%)
			Projected Collateral Losses	0.00% - 0.00% (0.00%)
			Projected Collateral Severities	0.00% - 0.00% (0.00%)
CMBS Interest Only	$ 14,077,716	Discounted Cash Flow	Yield	5.78% - 7.28% (6.67%)
			Projected Collateral Prepayments	100.00% - 100.00% (100.00%)
			Projected Collateral Losses	0.00% - 0.00% (0.00%)
			Projected Collateral Severities	0.00% - 0.00% (0.00%)

			Yield	6.27% - 38.49% (8.70%)
Residential Mortgage Loans	$ 57,080,227	Discounted Cash Flow	Projected Collateral Prepayments	3.42% - 7.41% (6.54%)
			Projected Collateral Losses	6.32% - 12.26% (10.17%)
			Projected Collateral Severities	28.10% - 37.47% (34.05%)
			Yield	5.72% - 16.13% (8.30%)
Commercial Loans	$ 72,800,000	Discounted Cash Flow	Credit Spread	4.75 bps - 13.25 bps (6.54 bps)
			Recovery Percentage*	100.00% - 100.00% (100.00%)
Excess Mortgage Servicing Rights	$ 425,311	Discounted Cash Flow	Yield	5.49% - 11.51% (6.33%)
FHLBC stock	$ 8,015,900	**	Yield	4.00% - 4.00% (4.00%)

* Represents the proportion of the principal expected to be collected relative to the loan balances as of December 31, 2015.

** Fair value of the FHLBC stock approximates outstanding face amount as the Company's wholly-owned subsidiary is restricted from trading the stock and can only put the stock back to the FHLBC, at the FHLBC's discretion, at par.

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.

6. Repurchase Agreements and FHLBC Advances

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. FHLBC Advances involve loan advances made to the Company by the FHLBC in exchange for real estate securities as collateral. 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 and FHLBC Advances 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 and FHLBC Advances 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. In response to declines in fair value of pledged assets due to changes in market conditions or the publishing of monthly security paydown factors, lenders typically 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 and FHLBC Advances 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.

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

March 31, 2016

In January 2016, the FHFA issued the Final Rule, which prevents MITT Insurance from renewing, extending or receiving any additional FHLBC Advances. As of March 31, 2016, the Company had no outstanding advances with the FHLBC. See Note 2 for more detail. Any FHLBC Advances reflected in the tables below are as of December 31, 2015.

The following table presents certain financial information regarding the Company's repurchase agreements secured by real estate securities as of March 31, 2016:

	Repurchase Agreements			Collateral Pledged		
Repurchase Agreements Maturing Within:	Balance	Weighted Average Rate	Weighted Average Haircut	Fair Value Pledged	Amortized Cost	Accrued Interest
30 days or less	$1,381,399,000	1.30 %	12.5 %	$1,608,225,524	$1,591,368,251	$5,121,864
31-60 days	138,255,000	1.48 %	11.1 %	156,115,130	157,014,464	502,301
61-90 days	165,811,000	1.45 %	13.8 %	195,833,906	195,056,307	533,650
Greater than 90 days	364,544,074	1.73 %	9.8 %	440,628,465	432,153,023	1,127,571
Total / Weighted Average	$2,050,009,074	1.40 %	12.0 %	$2,400,803,025	$2,375,592,045	$7,285,386

The following table presents certain financial information regarding the Company's repurchase agreements secured by real estate securities as of December 31, 2015:

	Repurchase Agreements			Collateral Pledged		
Repurchase Agreements Maturing Within:	Balance	Weighted Average Rate	Weighted Average Haircut	Fair Value Pledged	Amortized Cost	Accrued Interest
30 days or less	$1,052,983,000	1.43 %	15.4 %	$1,268,366,695	$1,256,686,536	$4,308,583
31-60 days	245,124,000	1.23 %	11.8 %	281,093,633	280,893,609	887,640
61-90 days	76,739,000	1.98 %	21.1 %	98,349,611	97,456,598	222,769
Greater than 90 days	364,352,658	1.57 %	9.4 %	431,942,111	425,617,273	1,315,462
Total / Weighted Average	$1,739,198,658	1.46 %	13.9 %	$2,079,752,050	$2,060,654,016	$6,734,454

The Company had no FHLBC Advances as of March 31, 2016.

The following table presents certain financial information regarding the Company's FHLBC Advances secured by Agency RMBS as of December 31, 2015:

	FHLBC Advances			Collateral Pledged		
FHLBC Advances Maturing Within:	Balance	Weighted Average Rate	Weighted Average Haircut	Fair Value Pledged	Amortized Cost	Accrued Interest
30 days or less	$186,449,500	0.36 %	0.2 %	$187,002,677	$186,972,618	$550,689
31-60 days	39,750,000	0.44 %	2.7 %	40,857,352	40,726,086	115,211
61-90 days	170,694,500	0.49 %	0.3 %	176,322,379	174,577,627	471,330