AG Mortgage Investment Trust, Inc.
Form 10-Q
August 06, 2015

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 June 30, 2015

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 July 31, 2015, there were 28,410,937 outstanding shares of common stock of AG Mortgage Investment Trust, Inc.

AG MORTGAGE INVESTMENT TRUST, INC.

TABLE OF CONTENTS

		Page
PART I. FINANCIAL INFORMATION		1
Item 1.	Financial Statements	1
	Consolidated Balance Sheets	1
	Consolidated Statements of Operations	2
	Consolidated Statements of Stockholders' Equity	3
	Consolidated Statements of Cash Flows	4
	Notes to Consolidated Financial Statements (unaudited)	5
Item 2.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	40
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	67
Item 4.	Controls and Procedures	70
PART II. OTHER INFORMATION		70
Item 1.	Legal Proceedings	70
Item 1A.	Risk Factors	71
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	71
Item 3.	Defaults Upon Senior Securities	71
Item 4.	Mine Safety Disclosures	71
Item 5.	Other Information	71
Item 6.	Exhibits	71

PART I

ITEM 1. FINANCIAL STATEMENTS

AG Mortgage Investment Trust, Inc. and Subsidiaries

Consolidated Balance Sheets

(Unaudited)

	June 30, 2015	December 31, 2014
Assets		
Real estate securities, at fair value:		
Agency - $1,520,424,707 and $1,691,194,581 pledged as collateral, respectively	$1,639,497,291	$ 1,808,314,746
Non-Agency - $1,117,558,576 and $1,088,398,641 pledged as collateral, respectively	1,164,542,624	1,140,077,928
ABS - $61,094,356 and $66,693,243 pledged as collateral, respectively	61,094,356	66,693,243
CMBS - $105,167,321 and $96,920,646 pledged as collateral, respectively	108,767,353	100,520,652
Residential mortgage loans, at fair value -$74,328,679 and $73,407,869 pledged as collateral, respectively	80,725,305	85,089,859
Commercial loans, at fair value - $62,800,000 pledged as collateral	72,800,000	72,800,000
Investments in affiliates	33,637,519	20,345,131
Excess mortgage servicing rights, at fair value	529,946	628,367
Linked transactions, net, at fair value	-	26,695,091
Cash and cash equivalents	73,802,887	64,363,514
Restricted cash	23,070,257	34,477,975
Interest receivable	11,513,517	11,886,019
Receivable under reverse repurchase agreements	104,868,750	-
Derivative assets, at fair value	4,313,897	11,382,622
Other assets	9,603,578	10,543,072
Due from broker	3,254,746	4,586,912
Total Assets	$3,392,022,026	$ 3,458,405,131
Liabilities		
Repurchase agreements	$2,513,218,214	$ 2,644,955,948
Securitized debt	36,009,319	39,777,914
Obligation to return securities borrowed under reverse repurchase agreements, at fair value	102,891,797	-
Interest payable	2,865,826	2,461,494
Derivative liabilities, at fair value	2,897,666	8,608,209
Dividend payable	17,033,527	17,031,609

Due to affiliates	4,774,983	4,850,807
Accrued expenses	2,227,218	2,285,339
Taxes payable	977,216	1,743,516
Due to broker	2,558,314	4,015,152
Total Liabilities	2,685,454,080	2,725,729,988
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 28,389,211 and 28,386,015 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively	283,893	283,861
Additional paid-in capital	586,141,440	586,051,751
Retained earnings/(deficit)	(41,071,392)	(14,874,474)
Total Stockholders' Equity	706,567,946	732,675,143
Total Liabilities & Stockholders' Equity	$3,392,022,026	$ 3,458,405,131

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 June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Net Interest Income				
Interest income	$ 37,278,271	$ 36,079,435	$ 73,658,536	$ 70,222,175
Interest expense	7,574,429	6,783,768	15,088,607	12,930,355
	29,703,842	29,295,667	58,569,929	57,291,820
Other Income				
Net realized gain/(loss)	(2,153,328)	(1,826,360)	(11,803,254)	(1,277,500)
Income/(loss) from linked transactions, net	-	3,409,366	-	7,536,107
Realized loss on periodic interest settlements of derivative instruments, net	(3,228,729)	(5,773,644)	(6,689,956)	(12,081,501)
Unrealized gain/(loss) on real estate securities and loans, net	(22,256,001)	42,653,828	(10,996,283)	72,020,872
Unrealized gain/(loss) on derivative and other instruments, net	5,798,988	(23,917,820)	(3,121,810)	(43,098,535)
	(21,839,070)	14,545,370	(32,611,303)	23,099,443
Expenses				
Management fee to affiliate	2,502,091	2,507,487	5,009,181	5,008,012
Other operating expenses	3,285,942	2,739,225	6,363,940	5,382,906
Servicing fees	144,999	162,717	319,998	162,717
Equity based compensation to affiliate	36,738	73,586	113,418	154,659
Excise tax	375,000	375,000	750,000	875,000
	6,344,770	5,858,015	12,556,537	11,583,294
Income/(loss) before equity in earnings/(loss) from affiliates	1,520,002	37,983,022	13,402,089	68,807,969
Income tax benefit/(expense)	-	(92,795)	-	(92,795)
Equity in earnings/(loss) from affiliates	320,442	3,275,056	1,201,797	3,636,351
Net Income/(Loss)	1,840,444	41,165,283	14,603,886	72,351,525
Dividends on preferred stock	3,367,354	3,367,354	6,734,708	6,734,708
Net Income/(Loss) Available to Common Stockholders	$ (1,526,910)	$ 37,797,929	$ 7,869,178	$ 65,616,817

Earnings/(Loss) Per Share of Common Stock				
Basic	$ (0.05)	$ 1.33	$ 0.28	$ 2.31
Diluted	$ (0.05)	$ 1.33	$ 0.28	$ 2.31
Weighted Average Number of Shares of Common Stock Outstanding				
Basic	28,389,211	28,377,245	28,388,417	28,374,348
Diluted	28,389,211	28,380,458	28,415,992	28,375,675

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

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	Retained	
	Shares	Amount			Paid-in Capital	Earnings/(Deficit)	Total
Balance at January 1, 2014	28,365,655	$283,657	$49,920,772	$111,293,233	$585,619,488	$(42,686,416)	$704,430,734
Grant of restricted stock and amortization of equity based compensation	11,749	117	-	-	238,936	-	239,053
Common dividends declared	-	-	-	-	-	(34,051,993)	(34,051,993)
Preferred Series A dividends declared	-	-	-	-	-	(2,134,708)	(2,134,708)
Preferred Series B dividends declared	-	-	-	-	-	(4,600,000)	(4,600,000)
Net Income/(Loss)	-	-	-	-	-	72,351,525	72,351,525
Balance at June 30, 2014	28,377,404	$283,774	$49,920,772	$111,293,233	$585,858,424	$(11,121,592)	$736,234,611
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
Offering costs	-	-	-	-	(83,651)	-	(83,651)
Grant of restricted stock and amortization of equity based	3,196	32	-	-	173,340	-	173,372

compensation							
Common dividends declared	-	-	-	-	-	(34,066,096)	(34,066,096)
Preferred Series A dividends declared	-	-	-	-	-	(2,134,708)	(2,134,708)
Preferred Series B dividends declared	-	-	-	-	-	(4,600,000)	(4,600,000)
Net Income/(Loss)	-	-	-	-	-	14,603,886	14,603,886
Balance at June 30, 2015	28,389,211	$283,893	$49,920,772	$111,293,233	$586,141,440	$(41,071,392)	$706,567,946

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)

	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Cash Flows from Operating Activities		
Net income/(loss)	$ 14,603,886	$ 72,351,525
Adjustments to reconcile net income to net cash provided by operating activities:		
Net realized (gain)/loss	11,803,254	1,277,500
Net amortization of premium	7,684,635	9,956,156
Net realized and unrealized (gains)/losses on securities underlying linked transactions	-	(1,984,448)
Unrealized (gains)/losses on derivative and other instruments, net	3,121,810	43,098,535
Unrealized (gains)/losses on real estate securities and loans, net	10,996,283	(72,020,872)
Equity based compensation to affiliate	113,418	154,659
Equity based compensation expense	59,954	90,428
Income from investments in affiliates in excess of distributions received	(698,246)	(31,619)
Change in operating assets/liabilities:		
Interest receivable	766,299	(405,433)
Other assets	594,875	(413,065)
Due from broker	1,332,166	(754,355)
Interest payable	(955,753)	(1,607,597)
Due to affiliates	(75,824)	(283,270)
Accrued expenses	(58,121)	284,797
Taxes payable	(766,300)	(404,018)
Net cash provided by operating activities	48,522,336	49,308,923
Cash Flows from Investing Activities		
Purchase of real estate securities	(387,133,161)	(517,737,467)
Purchase of residential mortgage loans	-	(35,075,171)
Purchase of commercial loans	-	(72,123,364)
Purchase of U.S. treasury securities	(525,244,604)	-
Investments in affiliates	(12,150,900)	7,197,841
Purchase of excess mortgage servicing rights	-	(730,146)
Purchase of securities underlying linked transactions	-	(26,934,398)
Proceeds from sale of real estate securities	387,880,819	349,925,637
Proceeds from sale of securities underlying linked transactions	-	9,678,945
Proceeds from sales of U.S. treasury securities	522,584,101	-
Principal repayments on real estate securities	256,557,649	190,759,954
Principal repayments on residential mortgage loans	4,552,318	454,098
Principal repayments on securities underlying linked transactions	-	34,931,251
Receipt of premium for interest rate swaptions	-	433,750

Payment of premium for interest rate swaptions	-	(745,500)
Net proceeds from (payment made) on reverse repurchase agreements	(104,887,745)	(16,584,132)
Net proceeds from (payment made) on sales of securities borrowed under reverse repurchase agreements	101,381,187	15,251,378
Net settlement of interest rate swaps	(12,095,409)	1,897,155
Net settlement of TBAs	2,838,477	(225,977)
Net settlement of IO Indexes	-	(437,861)
Cash flows provided by (used in) other investing activities	2,667,569	(5,240,175)
Restricted cash provided by (used in) investing activities	12,840,432	(12,724,251)
Net cash provided by (used in) investing activities	249,790,733	(78,028,433)
Cash Flows from Financing Activities		
Offering costs	(83,651)	-
Borrowings under repurchase agreements	15,375,825,942	10,974,971,334
Borrowings under repurchase agreements underlying linked transactions	-	981,707,722
Repayments of repurchase agreements	(15,620,927,549)	(10,890,794,402)
Repayments of repurchase agreements underlying linked transactions	-	(1,046,278,862)
Net collateral received from (paid to) derivative counterparty	(3,622,876)	(25,286,048)
Net collateral received from (paid to) repurchase counterparty	733,324	192,936
Dividends paid on common stock	(34,064,178)	(34,045,244)
Dividends paid on preferred stock	(6,734,708)	(6,734,708)
Net cash provided by (used in) financing activities	(288,873,696)	(46,267,272)
Net change in cash and cash equivalents	9,439,373	(74,986,782)
Cash and cash equivalents, Beginning of Period	64,363,514	86,190,011
Cash and cash equivalents, End of Period	$ 73,802,887	$ 11,203,229
Supplemental disclosure of cash flow information:		
Cash paid for interest on repurchase agreements	$ 14,152,096	$ 14,248,958
Cash paid for income tax	$ 1,535,522	$ 1,372,482
Real estate securities recorded upon unlinking of Linked Transactions	$ 139,778,263	$ 71,626,997
Repurchase agreements recorded upon unlinking of Linked Transactions	$ 113,363,873	$ 61,397,051
Transfer from residential mortgage loans to other assets	$ 1,767,572	$ -
Supplemental disclosure of non-cash financing and investing activities:		
Common stock dividends declared but not paid	$ 17,033,527	$ 17,027,642
Decrease of securitized debt	$ 4,247,368	$ -

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)

June 30, 2015

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 enterprise such as Fannie Mae or Freddie Mac, 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 enterprise 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."

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 commercial and residential 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.

Previously the Company classified gains and losses related to linked transactions in the “Net realized gain/(loss)” line item, however the Company subsequently included such gains and losses in the “Income/(loss) from linked transactions, net” line item prior to the adoption of Accounting Standards Update (“ASU”) 2014-11 Transfers and Servicing (Topic 860), “Repurchase to Maturity Transactions, Repurchase Financings and Disclosures” as the Company believes this presentation is most consistent with the accounting for other components of net income on linked transactions captured within that line. Refer to Note 7 for further detail on the adoption of ASU 2014-11.

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

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. The Company held no cash equivalents at June 30, 2015 or December 31, 2014. The Company places its cash with high credit quality institutions to minimize credit risk exposure. 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.

Restricted cash

Restricted cash includes cash pledged as collateral for clearing and executing trades, derivatives and repurchase agreements. Restricted cash is carried at cost, which approximates fair value.

Offering costs

The Company incurred offering costs in connection with common stock offerings, issuances of preferred stock and registration statements. The offering costs were paid out of the proceeds of the respective offerings. Offering costs in connection with common stock offerings and costs in connection with registration statements have been accounted for as a reduction of additional paid-in-capital. Offering costs in connection with preferred stock offerings have been accounted for as a reduction of their respective gross proceeds.

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.

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.

6

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

Accounting for real estate securities

Investments in real estate securities are recorded in accordance with ASC 320, ASC 325 or ASC 310-30. The Company has chosen to make a fair value election pursuant to ASC 825 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, “Debt and Equity Securities,” 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.

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, “Loans and Debt Securities Acquired with Deteriorated Credit Quality” 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 a real estate security is impaired, an OTTI is considered to have occurred if (i) the Company intends to sell the security (i.e., a decision has been made as of the reporting date) or (ii) it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis. If the Company intends to sell the security or if it is more likely than not that the Company will be required to sell the real estate security before recovery of its

amortized cost basis, the entire amount of the impairment loss, if any, is recognized in earnings as a realized loss and the cost basis of the security is adjusted to its fair value. Additionally for securities accounted for under ASC 325-40, “Beneficial Interests in Securitized Financial Assets,” 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 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 which the Company previously recorded an OTTI charge if the performance of such security subsequently improves.

Securities in an unrealized loss position at June 30, 2015 are not considered other than temporarily impaired 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. 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)

June 30, 2015

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, "Loans and Debt Securities Acquired with Deteriorated Credit Quality." 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 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.

Investments in affiliates

The Company's unconsolidated ownership interests in affiliates are accounted for using the equity method. The underlying entities have chosen to make a fair value election on its financial instruments pursuant to ASC 825; as such the Company will treat its investments in affiliates consistently with this election. The investments in affiliates is recorded at fair market value on the consolidated balance sheet and periodic changes in fair market value will be recorded in current period earnings on the consolidated statement of operation 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."

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."

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

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. Refer to Note 3 for more detail.

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 sells assets. Upon a transfer of financial assets, the Company will sometimes retain or acquire senior or subordinated interests in the related assets. Pursuant to ASC 860-10, a determination must be made as to whether a transferor has surrendered control over transferred financial assets. That determination must consider the transferor's continuing involvement in the transferred financial asset, including all arrangements or agreements made contemporaneously with, or in contemplation of, the transfer, even if they were not entered into at the time of the transfer. The financial components approach under ASC 860-10 limits the circumstances in which a financial asset, or portion of a financial asset, should be derecognized when the transferor has not transferred the entire original financial asset to an entity that is not consolidated with the transferor in the financial statements being presented and/or when the transferor has continuing involvement with the transferred financial asset. It defines the term "participating interest" to establish specific conditions for reporting a transfer of a portion of a financial asset as a sale.

Under ASC 860-10, after a transfer of financial assets that meets the criteria for treatment as a sale—legal isolation, ability of transferee to pledge or exchange the transferred assets without constraint and transferred control—an entity

recognizes the financial and servicing assets it acquired or retained and the liabilities it has incurred, derecognizes financial assets it has sold and derecognizes liabilities when extinguished. The transferor would then determine the gain or loss on sale of financial assets by allocating the carrying value of the underlying mortgage between securities or loans sold and the interests retained based on their fair values. The gain or loss on sale is the difference between the cash proceeds from the sale and the amount allocated to the securities or loans sold. When a transfer of financial assets does not qualify for sale accounting, ASC 860-10 requires the transfer to be accounted for as a secured borrowing with a pledge of collateral.

From time to time, the Company may securitize mortgage loans it holds if such financing is available. These transactions will be recorded in accordance with ASC 860-10 and will be accounted for as either a “sale” and the loans will be removed from the consolidated balance 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, “Investments—Debt and Equity Securities” or ASC 325-40, “Beneficial Interests in Securitized Financial Assets,” 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 such 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.

9

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

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

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

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 June 30, 2015 and December 31, 2014, the Company has met all margin call requirements.

On June 12, 2014, the Financial Accounting Standards Board (the "FASB") issued ASU No. 2014-11. This amendment requires separate accounting for a transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty. If all derecognition criteria are met, the initial transferee will account for the initial transfer as a purchase and the related repurchase agreement component of the transaction will be accounted for as a secured borrowing. Public business entities are required to apply the accounting changes for the first interim or annual reporting period beginning after December 15, 2014. Entities must present changes in accounting for transactions outstanding on the effective date as a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption.

Prior to the adoption of ASU 2014-11, in instances where the Company acquired assets through repurchase agreements with the same counterparty from whom the assets were purchased, ASC 860-10 required the initial transfer of a financial asset and repurchase financing that were entered into contemporaneously with, or in contemplation of, one another to be considered linked unless all of the criteria found in ASC 860-10 were met at the inception of the transaction. If the transaction met all of the conditions, the initial transfer was accounted for separately from the repurchase financing, and the Company recorded the assets and the related financing on a gross basis on its consolidated balance sheet with the corresponding interest income and interest expense recorded on a gross basis in the consolidated statement of operations. If the transaction was determined to be linked, the Company recorded the initial transfer and repurchase financing on a net basis and recorded a forward commitment to purchase assets as a derivative instrument with changes in market value being recorded on the consolidated statement of operations. Such forward commitments were recorded at fair value with subsequent changes in fair value recognized in income. The Company referred to these transactions as Linked Transactions. The Company recorded interest income, interest expense, and gains and losses related to linked transactions in the "Income/(loss) from linked transactions, net" line item on the consolidated statement of operations. When a transaction was no longer considered to be linked, the real estate asset and related repurchase financing was reported on a gross basis. The unlinking of a transaction caused a realized event in which the fair value of the real estate asset as of the date of unlinking became the cost basis of the real estate asset. The difference between the fair value on the unlinking date and the existing cost basis of the security was the realized gain or loss. Recognition of effective yield for such security was calculated prospectively using the new cost basis. ASU 2014-11 eliminated this guidance for repurchase financings and instead requires that entities consider the initial transfer and the related repurchase agreement separately when applying the derecognition requirements of ASC 860-10. This guidance effectively changes the accounting for linked financings to secured borrowing accounting. Refer to Note 7 for more detail.

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

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 June 30, 2015 and December 31, 2014, the Company did not have any 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.

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."

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.

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

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 provisions and not financial accounting principles.

The Company has elected to treat certain 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.

While a domestic TRS will generate net income/(loss), a domestic TRS can 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 consolidated subsidiaries as a foreign TRS and, accordingly, taxable income generated by this foreign TRS may not be subject to local income taxation, but generally will be included in the Company's income on a current basis as Subpart F income, whether or not distributed.

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

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

The Company evaluates uncertain income tax positions, if any, in accordance with ASC Topic 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.

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

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 are therefore 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 the restricted common shares and restricted stock units granted to the Manager.

Recent accounting pronouncements

In May 2014, the FASB issued 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. ASU 2014-09 is effective for the first interim period within annual reporting periods beginning after December 15, 2017, and early adoption is not permitted. The Company is currently in the process of evaluating the impact the adoption of ASU 2014-09 will have on the Company's financial position or results of operations.

In August 2014, the FASB issued ASU 2014-13, "Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity" ("ASU 2014-13"). This guidance applies to a reporting entity that is required to consolidate a collateralized financing entity under the Variable Interest Entities Subsections of Subtopic 810-10 when (1) the reporting entity measures all of the financial assets and the financial liabilities of that consolidated collateralized financing entity at fair value in the consolidated financial statements based on other Topics and (2) the changes in the fair values of those financial assets and financial liabilities are reflected in earnings. The amendments in this Update clarify that when the measurement alternative is elected, a reporting entity's consolidated net income (loss) should reflect the reporting entity's own economic interests in the collateralized financing entity, including (1) changes in the fair value of the beneficial interests retained by the reporting entity and (2) beneficial

interests that represent compensation for services. Beneficial interests retained by the reporting entity that represent compensation for services (for example, management fees or servicing fees) and nonfinancial assets that are held temporarily by a collateralized financing entity should be measured in accordance with other applicable Topics. The amendments in this update are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. The Company is currently assessing the impact of this guidance.

In February 2015, the FASB issued ASU 2015-02, “Consolidation” (“ASU 2015-02”). The amendments in this update affect reporting entities that are required to evaluate whether they should consolidate certain legal entities. All legal entities are subject to reevaluation under the revised consolidation model. Specifically, the amendments, (1) modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities (VIEs) or voting interest entities, (2) eliminate the presumption that a general partner should consolidate a limited partnership, (3) affect the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships partnership, and (4) provide a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. The amendments in this update are effective for annual periods, and interim periods within those annual periods beginning after December 15, 2015. The Company is currently assessing the impact of this guidance.

In April 2015, the FASB issued ASU 2015-03, “Simplifying the Presentation of Debt Issuance Costs” (“ASU 2015-03”), to simplify the presentation of debt issuance costs. Debt issuance costs are specific incremental third party costs—other than those paid to the lender—that are directly attributable to issuing a debt instrument. Under the new guidance, debt issuance costs will be presented as a direct deduction from the carrying value of the associated debt, consistent with the existing presentation of a debt discount. Before the FASB issued this simplification, debt issuance costs were capitalized as an asset (i.e., a deferred charge). For public business entities, the amendments in this Update are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The Company is currently assessing the impact of this guidance.

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

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 June 30, 2015 and December 31, 2014. 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 or Freddie Mac. 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 enterprise. Real estate securities that are accounted for as a component of linked transactions are not reflected in the tables set forth in this note. See Note 7 for further details on linked transactions.

The following table details the Company's real estate securities portfolio as of June 30, 2015:

		Premium /		**Gross Unrealized (1)**			**Weighted Average**	
	Current Face	**(Discount)**	**Amortized Cost**	**Gains**	**Losses**	**Fair Value**	**Coupon (2)**	**Y**
Agency RMBS:								
20 Year Fixed Rate	$115,433,500	$5,525,045	$120,958,545	$1,708,200	$(357,780)	$122,308,965	3.72%	2
30 Year Fixed Rate	890,073,785	41,993,673	932,067,458	8,630,613	(4,455,610)	936,242,461	3.80%	3
Fixed Rate CMO	82,478,290	796,092	83,274,382	2,167,848	-	85,442,230	3.00%	2
ARM	391,490,514	7,222	391,497,736	6,816,129	(279,697)	398,034,168	2.41%	2
Interest Only	763,244,238	(669,822,513)	93,421,725	4,786,420	(738,678)	97,469,467	3.49%	7
Credit Investments:								
Non-Agency RMBS	1,842,576,195	(696,920,485)	1,145,655,710	25,339,207	(6,452,293)	1,164,542,624	3.13%	5
ABS	61,003,014	(461,061)	60,541,953	900,977	(348,574)	61,094,356	5.27%	5

CMBS	209,935,854	(108,880,417)	101,055,437	2,331,241	(386,316)	103,000,362	5.37 %	6
CMBS Interest Only	52,357,700	(46,750,830)	5,606,870	160,121	-	5,766,991	1.92 %	5
Total	$4,408,593,090	$(1,474,513,274)	$2,934,079,816	$52,840,756	$(13,018,948)	$2,973,901,624	3.35 %	4

(1) The Company has chosen to make a fair value election pursuant to ASC 825 for our 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, 2014:

	Current Face	**Premium / (Discount)**	**Amortized Cost**	**Gross Unrealized (1) Gains**	**Gross Unrealized (1) Losses**	**Fair Value**	**Weighted Average Coupon (2)**	**Yie**
Agency RMBS:								
20 Year Fixed Rate	$125,538,084	$6,009,532	$131,547,616	$2,267,721	$(72,467)	$133,742,870	3.72 %	2.7
30 Year Fixed Rate	973,102,647	46,665,955	1,019,768,602	17,222,909	(967,492)	1,036,024,019	3.90 %	3.1
Fixed Rate CMO	88,345,864	880,994	89,226,858	1,548,517	-	90,775,375	3.00 %	2.8
ARM	421,043,957	(888,105)	420,155,852	7,570,945	(189,430)	427,537,367	2.42 %	2.7
Interest Only	754,905,240	(638,264,371)	116,640,869	5,941,701	(2,347,455)	120,235,115	4.51 %	7.7
Credit Investments:								
Non-Agency RMBS	1,303,432,523	(181,488,454)	1,121,944,069	24,415,728	(6,281,869)	1,140,077,928	4.26 %	5.6
ABS	67,696,117	(379,648)	67,316,469	322,074	(945,300)	66,693,243	5.15 %	5.5
CMBS	220,026,552	(127,623,416)	92,403,136	2,138,358	(146,791)	94,394,703	5.13 %	6.6
CMBS Interest Only	52,357,700	(46,424,765)	5,932,935	193,014	-	6,125,949	1.85 %	5.7
Total	$4,006,448,684	$(941,512,278)	$3,064,936,406	$61,620,967	$(10,950,804)	$3,115,606,569	3.97 %	4.3

(1) The Company has chosen to make a fair value election pursuant to ASC 825 for our 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.

14

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

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 at June 30, 2015 and December 31, 2014:

	Less than 12 months		Greater than 12 months	
As of	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
June 30, 2015	$778,798,167	$(10,304,612)	$123,942,383	$(2,714,336)
December 31, 2014	551,097,657	(6,921,385)	224,261,493	(4,029,419)

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 June 30, 2015 the Company recognized $1.2 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 $1.2 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 $1.2 million of OTTI recorded, $0.7 million related to securities where OTTI was not previously recognized. For the six months ended June 30, 2015 the Company recognized $3.9 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 $3.9 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 $3.9 million of OTTI recorded, $1.8 million related to securities where OTTI was not previously recognized.

For the three months ended June 30, 2014 the Company recognized $0.7 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 $0.7 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 $0.7 million of OTTI recorded, $0.1 million related to securities where OTTI was not previously recognized. For the six months ended June 30, 2014 the Company recognized $1.3 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 $1.3 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 $1.3 million of OTTI

recorded, $0.2 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 for regulatory or other reasons.

All of the principal and interest payments on the Agency RMBS have an explicit guarantee by either an agency of the U.S. government or a U.S. government-sponsored enterprise.

The following table details weighted average life by Agency RMBS, Agency Interest-Only ("IO") and Credit Investments as of June 30, 2015:

	Agency RMBS (1)			**Agency IO**			**Credit Investr**
Weighted Average Life (3)	**Fair Value**	**Amortized Cost**	**Weighted Average Coupon**	**Fair Value**	**Amortized Cost**	**Weighted Average Coupon**	**Fair Value**
Less than or equal to 1 year	$-	$-		$-	$-	-	$41,299,854
Greater than one year and less than or equal to five years	88,682,235	88,038,435	2.34%	62,820,569	60,628,510	3.46%	498,720,313
Greater than five years and less than or equal to ten years	1,160,708,936	1,144,755,002	3.42%	34,648,898	32,793,215	3.56%	680,305,780
Greater than ten years	292,636,653	295,004,684	3.54%	-	-	-	114,078,386
Total	$1,542,027,824	$1,527,798,121	3.38%	$97,469,467	$93,421,725	3.49%	$1,334,404,33

(1) For purposes of this table, Agency RMBS represent securities backed by Fixed Rate 20 Year and Fixed Rate 30 Year mortgages, ARMs and Fixed Rate CMOs.

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

June 30, 2015

The following table details weighted average life by Agency RMBS, Agency IO and Credit Investments as of December 31, 2014:

	Agency RMBS (1)			**Agency IO**			**Credit Inves**
Weighted Average Life (3)	**Fair Value**	**Amortized Cost**	**Weighted Average Coupon**	**Fair Value**	**Amortized Cost**	**Weighted Average Coupon**	**Fair Value**
Less than or equal to 1 year	$-	$-	-	$-	$-	-	$39,522,038
Greater than one year and less than or equal to five years	72,253,477	71,713,942	2.57%	67,356,372	67,199,203	4.16%	621,179,58
Greater than five years and less than or equal to ten years	1,486,360,763	1,461,439,648	3.49%	52,878,743	49,441,666	5.13%	562,808,16
Greater than ten years	129,465,391	127,545,338	3.54%	-	-	-	83,782,029
Total	$1,688,079,631	$1,660,698,928	3.45%	$120,235,115	$116,640,869	4.51%	$1,307,291,8

(1) For purposes of this table, Agency RMBS represent securities backed by Fixed Rate 20 Year and Fixed Rate 30 Year mortgages, ARMs and Fixed Rate CMOs.

(2) For purposes of this table, Credit Investments represent Non-Agency RMBS, ABS, CMBS and CMBS Interest Only 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 June 30, 2015, the Company sold 14 securities for total proceeds of $61.8 million, recording realized gains of $2.4 million and realized losses of $1.0 million, respectively. For the six months ended June 30, 2015, the Company sold 32 securities for total proceeds of $387.9 million, recording realized gains of $7.9 million and realized losses of $1.8 million, respectively.

For the three months ended June 30, 2014, the Company sold 8 securities for total proceeds of $167.6 million, with an additional $5.2 million of proceeds on one unsettled security sale as of quarter end, recording realized gains of $1.3 million and realized losses of $3.3 million, respectively. For the six months ended June 30, 2014, the Company sold 19 securities for total proceeds of $349.9 million, with additional proceeds on the aforementioned unsettled security sale as of June 30, 2014, recording realized gains of $2.0 million and realized losses of $4.0 million, inclusive of related tax provisions.

There were no sales of investments held within affiliated entities for the three and six months ended June 30, 2015. For the three and six months ended June 30, 2014, the Company sold 12 securities held within affiliated entities for total gross proceeds of $31.0 million, recording realized gains of $3.6 million.

See Notes 4 and 7 for amounts realized on sales of loans and the settlement of certain derivatives, respectively.

The Company invests in credit sensitive commercial and residential real estate assets through affiliated entities, and has applied the equity method of accounting for such investments. As of June 30, 2015, the investments had a fair market value of $55.0 million and a weighted average yield of 8.93%. The underlying entities financed the acquisition of certain investments with repurchase agreements. As of June 30, 2015, the repurchase agreement balance, collateral pledged, and rate were $21.1 million, $28.0 million and 3.00%, respectively. As of December 31, 2014, the investments accounted for at fair value were $42.0 million with a weighted average yield of 12.13%. As of December 31, 2014, the repurchase agreement balance, collateral pledged, and rate were $21.3 million, $28.4 million and 3.00%, respectively. The Company has presented these investments and any related repurchase financing net on the consolidated balance sheet in the “Investments in affiliates” line item, and all income statement components on the consolidated statement of operations within “Equity in earnings/(loss) from affiliates”.

The underlying affiliated entities evaluate their investments for OTTI on at least a quarterly basis. The determination of whether these investments are other-than-temporarily impaired involves judgments and assumptions based on subjective and objective factors. When the fair value of an investment is less than its amortized cost at the balance sheet date, the investment is considered impaired, and the impairment is designated as either “temporary” or “other-than-temporary.”

For the three and six months ended June 30, 2015 the underlying affiliated entities recognized $1.7 million of OTTI on certain investments held, which is included in the “Equity in earnings/(loss) from affiliates” line item on the consolidated statement of operations. The underlying affiliated entities recorded the $1.7 million of OTTI due to an adverse change in cash flows on certain investments, where the fair values of the investments were less than their carrying amounts. The $1.7 million related to investments where OTTI was not previously recognized. No OTTI was recorded on investments held through affiliated entities for the three or six months ended June 30, 2014.

16

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

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 a 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. Refer to 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 June 30, 2015 and December 31, 2014, the resecuritized asset had an aggregate fair value of $43.6 million and $47.6 million, respectively. As of June 30, 2015 and December 31, 2014, the fair market value of the consolidated tranche was $36.0 million and $39.8 million, respectively, which is included in the Company's consolidated balance sheet as "Non-Agency RMBS." As of June 30, 2015 and December 31, 2014, the aggregate security has a weighted average coupon of 5.59% and 5.50%, respectively, and a weighted average yield of 5.91% and 5.14%, respectively. As of June 30, 2015, and December 31, 2014, the Company has recorded secured financing of $36.0 million and $39.8 million, respectively, on the consolidated balance sheet in the "Securitized debt" 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 June 30, 2015 and December 31, 2014, the consolidated tranche had a weighted average life of 4.42 years and 3.40 years, respectively and a weighted average yield of 3.70% and 3.75%, 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.

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 June 30, 2015:

				Gross Unrealized (1)			Weighted Average		
	Unpaid Principal Balance	**Premium (Discount)**	**Amortized Cost**	**Gains**	**Losses**	**Fair Value**	**Coupon**	**Yield**	**Life (Years)**
Residential mortgage loans	$109,326,731	$(31,652,845)	$77,673,886	$3,051,419	$ -	$80,725,305	5.50%	7.93%	5.72

(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).

The table below details certain information regarding the Company’s residential mortgage loan portfolio as of December 31, 2014:

				Gross Unrealized (1)			Weighted Average		
	Unpaid Principal Balance	**Premium (Discount)**	**Amortized Cost**	**Gains**	**Losses**	**Fair Value**	**Coupon**	**Yield**	**Life (Yea**
Residential mortgage loans	$119,882,836	$(35,534,525)	$84,348,311	$1,101,473	$(359,925)	$85,089,859	5.53%	8.90%	5.65

(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).

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

The table below summarizes the distribution of the Company's residential mortgage loans at fair value:

	June 30, 2015		December 31, 2014	
Loan Type	Fair Value	Unpaid Principal Balance	Fair Value	Unpaid Principal Balance
Re-Performing	$67,766,720	$ 86,159,610	$68,581,824	$ 89,493,175
Non-Performing	12,958,585	23,167,121	16,508,035	30,389,661
	$80,725,305	$ 109,326,731	$85,089,859	$ 119,882,836

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."

For the three and six months ended June 30, 2015 the Company recognized $0.4 million of OTTI on certain loan pools, which is included in the "Net realized gain/(loss)" line item on the consolidated statement of operations. The Company recorded the $0.4 million of OTTI due to an adverse change in cash flows, where the fair values of the securities were less than their carrying amounts. The $0.4 million related to non-performing and re-performing loan pools with unpaid principal balances of $19.4 million and $48.0 million, respectively where OTTI was not previously recognized. No OTTI was recorded on loans for the three or six months ended June 30, 2014.

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	June 30, 2015		December 31, 2014	
Percentage of fair value of mortgage loans with unpaid principal balance to current property value in excess of 100%	97	%	98	%
Percentage of fair value of mortgage loans secured by properties in the following states:				

Representing 5% or more of fair value:		
New York	16 %	16 %
California	10 %	11 %
Florida	7 %	8 %
Maryland	6 %	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 and six months ended June 30, 2015 and June 30, 2014, respectively:

	Three Months Ended		**Six Months Ended**	
	June 30, 2015	**June 30, 2014**	**June 30, 2015**	**June 30, 2014**
Beginning Balance	$39,457,764	$ 16,915,318	$38,008,263	$ -
Additions	-	-	-	17,159,216
Accretion	(1,424,792)	(43,987)	(3,290,087)	(287,885)
Reclassifications from/(to) non-accretable difference	(4,491,240)	-	(212,560)	-
Disposals	(11,408)	(414,764)	(975,292)	(414,764)
Ending Balance	$33,530,324	$ 16,456,567	$33,530,324	$ 16,456,567

18

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

As of June 30, 2015, the Company's residential mortgage loan portfolio is comprised of 544 conventional loans with original loan balances between $5,000 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 at June 30, 2015.

				Gross Unrealized (1)			Weighted Average			
	Current Face	Premium (Discount)	Amortized Cost	Gains	Losses	Fair Value	Coupon (5)	Yield	Life (Years)	Stated Maturi Date (6)
Loan A (2)	$30,000,000	$(164,411)	$29,835,589	$164,411	$-	$30,000,000	6.50 %	8.10 %	1.96	June 5, 2017
Loan B (3)	32,800,000	(90,881)	32,709,119	90,881	-	32,800,000	5.00 %	6.16 %	0.95	July 1, 2016
Loan C (4)	10,000,000	(49,738)	9,950,262	49,738	-	10,000,000	13.50%	15.99%	1.11	February 1, 201
	$72,800,000	$(305,030)	$72,494,970	$305,030	$-	$72,800,000	6.79 %	8.31 %	1.39	

(1) The Company has chosen to make a fair value election pursuant to ASC 825 for our 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 mezzanine loan.

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

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

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 at December 31, 2014.

				Gross Unrealized (1)			Weighted Average			
	Current Face	Premium (Discount)	Amortized Cost	Gains	Losses	Fair Value	Coupon (5)	Yield	Life (Years)	Stated Maturi Date (6)
Loan A (2)	$30,000,000	$(240,326)	$29,759,674	$240,326	$-	$30,000,000	6.50 %	8.76 %	2.77	June 5, 2017
Loan B (3)	32,800,000	(189,506)	32,610,494	189,506	-	32,800,000	5.00 %	6.15 %	1.45	July 1, 2016
Loan C (4)	10,000,000	(66,187)	9,933,813	66,187	-	10,000,000	13.50%	15.77%	1.61	February 1, 20
	$72,800,000	$(496,019)	$72,303,981	$496,019	$-	$72,800,000	6.79 %	8.55 %	2.02	

(1) The Company has chosen to make a fair value election pursuant to ASC 825 for our 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 up to $24.0 million and $12.0 million, respectively, of which $20.0 million and $10.0 million has been advanced.

(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 mezzanine loan.

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

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

During the three and six months ended June 30, 2015 the Company recorded $0.1 million and $0.2 million of discount accretion, respectively. During the three and six months ended June 30, 2014 the Company recorded $0.1 million and $0.1 million of discount accretion, respectively.

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.

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

Values for the Company’s securities, securitized debt, derivatives and loan portfolios 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.

The fair value of the Company's mortgage loans considers data such as loan origination information, additional updated borrower information, loan servicing data, as available, forward interest rates, general economic conditions, home price index forecasts and valuations of the underlying properties. The variables considered most significant to the determination of the fair value of the Company's mortgage loans include market-implied discount rates, projections of default rates, delinquency rates, 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.

The securities underlying the Company’s linked transactions were valued using similar techniques to those used for the Company’s securities portfolio. The value of the underlying security was then netted against the carrying amount (which approximates fair value) of the repurchase agreement at the valuation date. Additionally, 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.

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

The following table presents the Company’s financial instruments measured at fair value on a recurring basis as of June 30, 2015:

	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Agency RMBS:				
20 Year Fixed Rate	$-	$122,308,965	$-	$122,308,965
30 Year Fixed Rate	-	936,242,461	-	936,242,461
Fixed Rate CMO	-	85,442,230	-	85,442,230
ARM	-	398,034,168	-	398,034,168
Interest Only	-	97,469,467	-	97,469,467
Credit Investments:				
Non-Agency RMBS	-	691,409,945	473,132,679	1,164,542,624
ABS	-	-	61,094,356	61,094,356
CMBS	-	45,504,008	57,496,354	103,000,362
CMBS Interest Only	-	-	5,766,991	5,766,991
Residential mortgage loans	-	-	80,725,305	80,725,305
Commercial loans	-	-	72,800,000	72,800,000
Excess mortgage servicing rights	-	-	529,946	529,946
Derivative assets	-	4,313,897	-	4,313,897
Total Assets Carried at Fair Value	$-	$2,380,725,141	$751,545,631	$3,132,270,772
Liabilities:				
Securitized debt	$-	$(36,009,319)	$-	$(36,009,319)
Securities borrowed under reverse repurchase agreements	(102,891,797)	-	-	(102,891,797)
Derivative liabilities	-	(2,897,666)	-	(2,897,666)
Total Liabilities Carried at Fair Value	$(102,891,797)	$(38,906,985)	$-	$(141,798,782)

The following table presents the Company’s financial instruments measured at fair value on a recurring basis as of December 31, 2014.

	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				

Agency RMBS:				
20 Year Fixed Rate	$ -	$133,742,870	$-	$133,742,870
30 Year Fixed Rate	-	1,036,024,019	-	1,036,024,019
Fixed Rate CMO	-	90,775,375	-	90,775,375
ARM	-	427,537,367	-	427,537,367
Interest Only	-	120,235,115	-	120,235,115
Credit Investments:				
Non-Agency RMBS	-	684,841,649	455,236,279	1,140,077,928
ABS	-	-	66,693,243	66,693,243
CMBS	-	55,051,429	39,343,274	94,394,703
CMBS Interest Only	-	-	6,125,949	6,125,949
Residential mortgage loans	-	-	85,089,859	85,089,859
Commercial loans	-	-	72,800,000	72,800,000
Excess mortgage servicing rights	-	-	628,367	628,367
Linked transactions	-	21,612,360	5,082,731	26,695,091
Derivative assets	-	11,382,622	-	11,382,622
Total Assets Carried at Fair Value	$ -	$2,581,202,806	$730,999,702	$3,312,202,508
Liabilities:				
Securitized debt	$ -	$(39,777,914)	$-	$(39,777,914)
Derivative liabilities	-	(8,608,209)	-	(8,608,209)
Total Liabilities Carried at Fair Value	$ -	$(48,386,123)	$-	$(48,386,123)

The Company did not have any transfers of assets or liabilities between Levels 1 and 2 of the fair value hierarchy during the three and six months ended June 30, 2015 and June 30, 2014.

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

The following tables present additional information about the Company's investments 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

June 30, 2015

	Non-Agency RMBS	ABS	CMBS	CMBS Interest Only	Residential Mortgage Loans	Commercial Loans	Excess Mortgag Servicin Rights
Beginning balance	$509,545,172	$69,067,254	$53,810,559	$6,006,027	$82,392,720	$72,800,000	$579,73
Transfers (1):							
Transfers into level 3	20,308,267	-	-	-	-	-	-
Transfers out of level 3	-	-	-	-	-	-	-
Purchases	28,384,097	-	18,000,000	-	-	-	-
Reclassification of security type (2)	-	-	-	-	-	-	-
Proceeds from sales	(14,262,260)	(7,803,290)	(13,870,892)	-	-	-	-
Proceeds from settlement	(71,350,444)	(334,856)	(717,106)	-	(2,702,973)	-	(49,788
Total net gains/(losses) (3)	-	-	-	-	-	-	-
Included in net income	507,847	165,248	273,793	(239,036)	1,035,558	-	-
Included in other comprehensive income (loss)	-	-	-	-	-	-	-
Ending Balance	$473,132,679	$61,094,356	$57,496,354	$5,766,991	$80,725,305	$72,800,000	$529,94
Change in unrealized appreciation/(depreciation) for level 3 assets still held as of June 30, 2015 (4)	$2,057,034	$212,014	$(133,055)	$(239,036)	$1,401,735	$-	$12,878

(1) Transfers are assumed to occur at the beginning of the period.
(2) Primarily 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	$1,701,227
Net realized gain/(loss)	42,183
Total	$1,743,410

(4) 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	$3,311,570

Three Months Ended

June 30, 2014

	Non-Agency RMBS	ABS	CMBS	CMBS Interest Only	Residential Mortgage Loans	Commercial Loans	Excess Mortgag Servicin Rights
Beginning balance	$381,244,949	$73,661,029	$37,924,945	$6,398,258	$34,939,773	$10,000,000	$-
Transfers (1):							
Transfers into level 3	-	-	-	-	-	-	-
Transfers out of level 3	-	-	-	-	-	-	-
Purchases	173,507,091	6,562,500	-	-	-	62,157,000	730,14
Reclassification of security type (2)	19,245,007	(6,562,500)	(12,683,116)	-	-	-	-
Proceeds from sales	(4,985,789)	(23,791,829)	(5,674,728)	-	-	-	-
Proceeds from settlement	(24,887,481)	(6,679,339)	(357,588)	-	(454,098)	-	-
Total net gains/ (losses) (3)							
Included in net income	4,213,261	(94,663)	80,392	231,122	355,373	643,000	-
Included in other comprehensive income (loss)	-	-	-	-	-	-	-
Ending Balance	$548,337,038	$43,095,198	$19,289,905	$6,629,380	$34,841,048	$72,800,000	$730,14
Change in unrealized appreciation/(depreciation) for level 3 assets still held as of June 30, 2014 (4)	$3,974,028	$(235,466)	$(754,949)	$231,122	$416,220	$643,000	$-

(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:

Income/(loss) from linked transactions, net	$1,230,198
Unrealized gain/(loss) on real estate securities and loans, net	4,778,701
Interest income	649,784
Total	$6,658,683

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

Income/(loss) from linked transactions, net	$1,283,351
Unrealized gain/(loss) on real estate securities and loans, net	4,273,955
Total	$5,557,306

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

Six Months Ended

June 30, 2015

	Non-Agency RMBS	ABS	CMBS	CMBS Interest Only	Residential Mortgage Loans	Commercial Loans	Excess Mortga Servici Rights
Beginning balance	$455,236,279	$66,693,243	$39,343,274	$6,125,949	$85,089,859	$72,800,000	$628,3
Transfers (1):							
Transfers into level 3	20,308,267	-	-	-	-	-	-
Transfers out of level 3	-	-	-	-	-	-	-
Purchases	102,530,233	4,027,500	32,642,289	-	-	-	-
Reclassification of security type (2)	24,129,591	-	-	-	-	-	-
Proceeds from sales	(26,645,804)	(10,399,188)	(13,870,892)	-	-	-	-
Proceeds from settlement	(106,575,361)	(563,102)	(1,105,069)	-	(4,561,672)	-	(98,4
Total net gains/(losses) (3)							
Included in net income	4,149,474	1,335,903	486,752	(358,958)	197,118	-	-
Included in other comprehensive income (loss)	-	-	-	-	-	-	-
Ending Balance	$473,132,679	$61,094,356	$57,496,354	$5,766,991	$80,725,305	$72,800,000	$529,9
Change in unrealized appreciation/(depreciation) for level 3 assets still held as of June 30, 2015 (4)	$5,504,661	$1,285,375	$79,904	$(358,958)	$631,106	$-	$12,87

(1) Transfers are assumed to occur at the beginning of the period.
(2) Primarily 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	$5,785,039
Net realized gain/(loss)	25,250
Total	$5,810,289

(4) 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	$7,154,966

Six Months Ended

June 30, 2014

	Non-Agency RMBS	ABS	CMBS	Interest Only	Residential Mortgage Loans	Commercial Loans	Excess Mortgag Servicin Rights
Beginning balance	$309,840,562	$71,344,784	$23,972,043	$6,324,735	$-	$-	$-
Transfers (1):							
Transfers into level 3	-	-	-	-	-	-	-
Transfers out of level 3	-	-	-	-	-	-	-
Purchases	249,366,020	9,584,500	-	-	35,075,171	72,084,833	730,14
Reclassification of security type (2)	26,752,862	-	-	-	-	-	-
Proceeds from sales	(15,765,033)	(23,791,829)	(5,674,728)	-	-	-	-
Proceeds from settlement	(29,006,717)	(14,245,380)	(564,395)	-	(454,098)	-	-
Total net gains/(losses) (3)							
Included in net income	7,149,344	203,123	1,556,985	304,645	219,975	715,167	-
Included in other comprehensive income (loss)	-	-	-	-	-	-	-
Ending Balance	$548,337,038	$43,095,198	$19,289,905	$6,629,380	$34,841,048	$72,800,000	$730,14
Change in unrealized appreciation/(depreciation) for level 3 assets still held as of June 30, 2014 (4)	$6,946,307	$62,320	$721,644	$304,645	$280,822	$715,167	$-

(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:

Income/(loss) from linked transactions, net	$1,658,629
Unrealized gain/(loss) on real estate securities and loans, net	9,768,366
Net realized loss	380,873
Total	$11,807,868

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

Income/(loss) from linked transactions, net	$1,656,144
Unrealized gain/(loss) on real estate securities and loans, net	9,030,905
Total	$10,687,049

During the three and six months ended June 30, 2015, the Company transferred a $20.3 million Non-Agency RMBS into the Level 3 category from the Level 2 category of the fair value hierarchy under ASC 820 as this security exhibited indications of reduced levels of market transparency. Examples of such indications include a reduction in observable transactions or executable quotes involving this security or similar securities. 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 and six months ended June 30, 2014.

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

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 June 30, 2015	Valuation Technique	Unobservable Input	Range (Weighted Average)
Non-Agency RMBS	$ 473,132,679	Discounted Cash Flow	Yield	3.05% - 20.48% (5.67%)
			Projected Collateral Prepayments	0.00% - 25.00% (5.91%)
			Projected Collateral Losses	0.00% - 35.00% (8.74%)
			Projected Collateral Severities	0.00% - 80.00% (35.45%)
ABS	$ 61,094,356	Discounted Cash Flow	Yield	4.61% - 7.64% (5.66%)
			Projected Collateral Prepayments	20.00% - 100.00% (68.91%)
			Projected Collateral Losses	2.00% - 2.00% (2.00%)
			Projected Collateral Severities	50.00% - 50.00% (50.00%)
CMBS	$ 57,496,354	Discounted Cash Flow	Yield	4.31% - 15.92% (6.06%)
			Projected Collateral Prepayments	0.00% - 20.00% (1.05%)
			Projected Collateral Losses	0.00% - 0.00% (0.00%)
			Projected Collateral Severities	0.00% - 0.00% (0.00%)
CMBS Interest Only	$ 5,766,991	Discounted Cash Flow	Yield	5.77% - 5.80% (5.78%)
			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%)
Residential Mortgage Loans	$ 80,725,305	Discounted Cash Flow	Yield	5.17% - 29.78% (7.93%)
			Projected Collateral Prepayments	3.56% - 7.20% (5.45%)
				4.47% - 8.38% (6.32%)

			Projected Collateral Losses	
			Projected Collateral Severities	30.25% - 39.25% (34.62%)
			Yield	6.16% - 15.99% (8.31%)
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	$ 529,946	Discounted Cash Flow	Yield	11.90% - 15.25% (14.62%)

* Represents the proportion of the principal expected to be collected relative to the loan balances as of June 30, 2015.

Asset Class	**Fair Value at December 31, 2014**	**Valuation Technique**	**Unobservable Input**	**Range (Weighted Average)**
			Yield	0.29% - 35.48% (5.30%)
Non-Agency RMBS	$ 455,236,279	Discounted Cash Flow	Projected Collateral Prepayments	0.00% - 12.00% (3.21%)
			Projected Collateral Losses	0.00% - 35.00% (13.07%)
			Projected Collateral Severities	0.00% - 80.00% (36.04%)
			Yield	4.62% - 7.95% (5.55%)
ABS	$ 66,693,243	Discounted Cash Flow	Projected Collateral Prepayments	20.00% - 100.00% (88.56%)
			Projected Collateral Losses	0.00% - 8.30% (5.13%)
			Projected Collateral Severities	0.00% - 50.00% (7.15%)
			Yield	4.80% - 10.52% (6.34%)
CMBS	$ 39,343,274	Discounted Cash Flow	Projected Collateral Prepayments	0.00% - 0.00% (0.00%)
			Projected Collateral Losses	0.00% - 0.00% (0.00%)
			Projected Collateral Severities	0.00% - 0.00% (0.00%)
			Yield	5.72% - 5.78% (5.73%)
CMBS Interest Only	$ 6,125,949	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	5.60% - 23.67% (8.90%)
Residential Mortgage Loans	$ 85,089,859	Discounted Cash Flow	Projected Collateral Prepayments	1.98% - 8.36% (6.44%)

			Projected Collateral Losses	4.47% - 9.64% (6.20%)
			Projected Collateral Severities	20.93% - 41.94% (27.65%)
			Yield	6.15% - 15.77% (8.55%)
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	$ 628,367	Discounted Cash Flow	Yield	9.09% - 12.52% (9.78%)
			Yield	4.49% - 6.45% (5.50%)
Linked Transactions*	$ 5,082,731	Discounted Cash Flow	Projected Collateral Prepayments	3.00% - 12.00% (6.94%)
			Projected Collateral Losses	4.00% - 14.00% (8.09%)
			Projected Collateral Severities	42.00% - 60.00% (52.87%)

*Linked Transactions are comprised of unobservable inputs from Non-Agency RMBS investments.

** Represents the proportion of the principal expected to be collected relative to the loan balances as of December 31, 2014.

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

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 classified as a component of Linked Transactions 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

The Company pledges certain real estate securities and loans as collateral under repurchase agreements with financial institutions, the terms and conditions of which are negotiated on a transaction-by-transaction basis. Repurchase agreements involve the sale and a simultaneous agreement to repurchase the transferred assets or similar assets at a future date. The amount borrowed generally is equal to the fair value of the assets pledged less an agreed-upon discount, referred to as a "haircut." Repurchase agreements entered into by the Company are accounted for as financings and require the repurchase of the transferred assets at the end of each agreement's term, typically 30 to 90 days. The carrying amount of the Company's repurchase agreements approximates fair value. The Company maintains the beneficial interest in the specific assets pledged during the term of the repurchase agreement and receives the related principal and interest payments. 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 repurchase agreement at which time the Company may enter into a new repurchase agreement 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 Company maintains a level of liquidity in the form of cash and unpledged Agency whole-pool 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.

The following table presents certain information regarding the Company's repurchase agreements secured by real estate securities as of June 30, 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	$1,784,481,000	0.84%	9.4 %	$2,008,500,287	$1,978,221,373	$6,375,2
31-60 days	213,157,000	1.20%	11.1%	243,309,452	249,224,502	731,63
61-90 days	19,727,000	1.80%	27.1%	27,175,990	26,109,661	53,494
Greater than 90 days	421,111,508	1.69%	12.5%	517,989,672	509,619,203	1,555,5
Total / Weighted Average	$2,438,476,508	1.02%	10.3%	$2,796,975,401	$2,763,174,739	$8,715,9

The following table presents certain information regarding the Company's repurchase agreements secured by real estate securities as of December 31, 2014:

	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	$1,969,873,000	0.75%	10.4%	$2,205,969,794	$2,174,485,394	$6,903,4
31-60 days	220,953,000	1.11%	12.2%	253,788,749	249,993,183	816,57
61-90 days	51,090,128	1.26%	13.1%	60,149,910	58,111,076	171,27
Greater than 90 days	329,966,102	1.84%	17.7%	416,125,338	408,496,220	1,105,2
Total / Weighted Average	$2,571,882,230	0.93%	11.5%	$2,936,033,791	$2,891,085,873	$8,996,5

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

The following table presents certain information regarding the Company's repurchase agreements secured by interests in residential mortgage loans as of June 30, 2015:

	Repurchase Agreements				Collateral Pledged		
Repurchase Agreements Maturing Within:	**Balance**	**Weighted Average Rate**	**Weighted Average Funding Cost**	**Weighted Average Haircut**	**Fair Value Pledged**	**Amortized Cost**	**Accrued Interest**
30 days or less	$-	-	-	-	$-	$-	$-
31-60 days	-	-	-	-	-	-	-
61-90 days	-	-	-	-	-	-	-
Greater than 90 days	52,241,706	2.69%	2.93%	29.6%	74,328,679	71,754,313	83,543
Total / Weighted Average	$52,241,706	2.69%	2.93%	29.6%	$74,328,679	$71,754,313	$83,543

The following table presents certain information regarding the Company's repurchase agreements secured by interests in residential mortgage loans as of December 31, 2014:

	Repurchase Agreements				Collateral Pledged		
Repurchase Agreements Maturing Within:	**Balance**	**Weighted Average Rate**	**Weighted Average Funding Cost**	**Weighted Average Haircut**	**Fair Value Pledged**	**Amortized Cost**	**Accrued Interest**
30 days or less	$-	-	-	-	$-	$-	$-
31-60 days	-	-	-	-	-	-	-
61-90 days	-	-	-	-	-	-	-
Greater than 90 days	50,573,718	2.93%	3.08%	31.1%	73,407,869	73,084,817	709,585
Total / Weighted Average	$50,573,718	2.93%	3.08%	31.1%	$73,407,869	$73,084,817	$709,585

The following table presents certain information regarding the Company's repurchase agreements secured by interests in commercial mortgage loans as of June 30, 2015:

	Repurchase Agreements				Collateral Pledged		

Repurchase Agreements Maturing Within:	Balance	Weighted Average Rate	Weighted Average Funding Cost	Weighted Average Haircut	Fair Value Pledged	Amortized Cost	Accrued Interest
30 days or less	$-	-	-	-	$-	$-	$-
31-60 days	-	-	-	-	-	-	-
61-90 days	-	-	-	-	-	-	-
Greater than 90 days	22,500,000	2.43%	3.33%	64.2%	62,800,000	62,544,708	771,348
Total / Weighted Average	$22,500,000	2.43%	3.33%	64.2%	$62,800,000	$62,544,708	$771,348

The following table presents certain information regarding collateral pledged under the Company's repurchase agreements secured by commercial mortgage loans as of December 31, 2014:

	Repurchase Agreements				Collateral Pledged		
Repurchase Agreements Maturing Within:	Balance	Weighted Average Rate	Weighted Average Funding Cost	Weighted Average Haircut	Fair Value Pledged	Amortized Cost	Accrued Interest
30 days or less	$-	-	-	-	$-	$-	$-
31-60 days	-	-	-	-	-	-	-
61-90 days	-	-	-	-	-	-	-
Greater than 90 days	22,500,000	2.50%	2.83%	64.2%	62,800,000	62,370,168	533,832
Total / Weighted Average	$22,500,000	2.50%	2.83%	64.2%	$62,800,000	$62,370,168	$533,832

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

Although repurchase agreements are committed borrowings until maturity, the lender retains the right to mark the underlying collateral to fair value. A reduction in the value of pledged assets resulting from changes in market conditions or factor changes would require the Company to provide additional collateral or cash to fund margin calls. The following table presents information with respect to the Company's posting of collateral under repurchase agreements at June 30, 2015 and December 31, 2014:

	June 30, 2015	December 31, 2014
Fair Value of investments pledged as collateral under repurchase agreements:		
Agency RMBS	$1,513,155,148	$ 1,684,021,261
Non-Agency RMBS	1,117,558,576	1,088,398,641
ABS	61,094,356	66,693,243
CMBS	105,167,321	96,920,646
Residential Mortgage Loans	74,328,679	73,407,869
Commercial Mortgage Loans	62,800,000	62,800,000
Cash pledged (i.e., restricted cash) under repurchase agreements	12,641,361	13,374,600
Total collateral pledged under Repurchase agreements	$2,946,745,441	$ 3,085,616,260

The following table presents information with respect to the Company's total borrowings under repurchase agreements at June 30, 2015 and December 31, 2014:

	June 30, 2015	December 31, 2014
Repurchase agreements secured by investments:		
Agency RMBS	$1,429,553,000	$ 1,583,911,000
Non-Agency RMBS	882,842,508	860,019,230
ABS	48,140,000	52,993,000
CMBS	77,941,000	74,959,000
Residential Mortgage Loans	52,241,706	50,573,718
Commercial Mortgage Loans	22,500,000	22,500,000
Gross Liability for Repurchase agreements	$2,513,218,214	$ 2,644,955,948

The following table presents both gross information and net information about repurchase agreements eligible for offset in the consolidated balance sheet as of June 30, 2015:

				Gross Amounts Not Offset in the Consolidated Balance Sheet		
Description	**Gross Amounts of Recognized Liabilities**	**Gross Amounts Offset in the Consolidated Balance Sheet**	**Net Amounts of Liabilities Presented in the Consolidated Balance Sheet**	**Financial Instruments Posted**	**Cash Collateral Posted**	**Net Amount**
Repurchase Agreements	$ 2,513,218,214	$ -	$ 2,513,218,214	$ 2,513,218,214	$ -	$ -

The following table presents both gross information and net information about repurchase agreements eligible for offset in the consolidated balance sheet as of December 31, 2014:

				Gross Amounts Not Offset in the Consolidated Balance Sheet		
Description	**Gross Amounts of Recognized Liabilities**	**Gross Amounts Offset in the Consolidated Balance Sheet**	**Net Amounts of Liabilities Presented in the Consolidated Balance Sheet**	**Financial Instruments Posted**	**Cash Collateral Posted**	**Net Amount**
Repurchase Agreements	$ 2,644,955,948	$ -	$ 2,644,955,948	$ 2,644,955,948	$ -	$ -

The Company seeks to transact with several different counterparties in order to reduce the exposure to any single counterparty. The Company has entered into master repurchase agreements ("MRAs") with 37 and 34 counterparties, under which it had outstanding debt with 22 and 22 counterparties at June 30, 2015 and December 31, 2014 on a GAAP basis, respectively.

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

At June 30, 2015 the following table reflects amounts at risk under its repurchase agreements greater than 5% of the Company’s equity with any counterparty, excluding repurchase agreements through affiliated entities.

Counterparty	Amount at Risk	Weighted Average Maturity (days)	Percentage of Stockholders' Equity	
Wells Fargo Bank, N.A.	$ 86,135,568	555	12	%
Credit Suisse Securities, LLC	58,680,541	109	8	%
Merrill Lynch, Pierce, Fenner & Smith Incorporated	45,527,811	11	6	%
JP Morgan Securities, LLC	39,798,147	399	6	%
The Royal Bank of Canada	39,018,295	36	6	%

At December 31, 2014, the following table reflects amounts at risk under the Company’s repurchase agreements greater than 5% of its equity with any counterparty, excluding repurchase agreements accounted for as linked transactions and repurchase agreements through affiliated entities.

Counterparty	Amount at Risk	Weighted Average Maturity (days)	Percentage of Stockholders' Equity	
Wells Fargo Bank, N.A.	$ 92,478,572	509	13	%
Credit Suisse Securities, LLC	85,479,003	117	12	%
JP Morgan Securities, LLC	51,502,631	168	7	%
Merrill Lynch, Pierce, Fenner & Smith Incorporated	42,082,013	13	6	%
Goldman, Sachs & Co.	32,078,210	18	4	%

In addition to the amount at risk in the table above, at December 31, 2014, the Company had repurchase agreements with Credit Suisse Securities, LLC, and JP Morgan Securities, LLC and Goldman, Sachs & Co. determined to be linked. The amount at risk including linked transactions is $88.3 million, $52.8 million and $39.2 million,

respectively, with weighted average maturities of 114 days, 165 days and 16 days, respectively, representing approximately 12%, 7%, and 5% of stockholders' equity, respectively.

On April 13, 2015, the Company, AG MIT LLC and AG MIT CMO, LLC, each a direct, wholly-owned subsidiary of the Company, entered into an Amendment Number 2 to the Master Repurchase and Securities Contract (the "Second Renewal") with Wells Fargo Bank, National Association ("Wells Fargo") to finance AG MIT's or AG MIT CMO's acquisition of certain consumer asset-backed securities and commercial mortgage-backed securities as well as residential, Non-Agency Securities. The Second Renewal amends the repurchase agreement entered into by the Company, AG MIT and AG MIT CMO with Wells Fargo Bank, National Association, in 2014. Each transaction under the Second Renewal will have its own specific terms, such as identification of the assets subject to the transaction, sale price, repurchase price and rate. The Second Renewal includes a 270 day evergreen structure providing for the automatic renewal of the agreement each day for a new term of 270 days unless Wells Fargo notifies AG MIT and AG MIT CMO that it has decided not to renew, at which point the agreement will terminate 270 days after the date of nonrenewal. The Second Renewal also increased the aggregate maximum borrowing capacity to $200 million and extended the maturity date to April 13, 2017. At the request of AG MIT and AG MIT CMO, Wells Fargo may grant a 90 day extension of the maturity date. The Second Renewal contains representations, warranties, covenants, events of default and indemnities that are substantially identical to those in the previous repurchase agreements and are customary for agreements of this type. As of June 30, 2015, the Company had $84.2 million of debt outstanding under this facility.

On February 27, 2015, AG MIT WFB1 2014 LLC, ("AG MIT WFB1"), a direct, wholly-owned subsidiary of the Company, entered into Amendment Number Three of the Master Repurchase Agreement and Securities Contract, (as so amended, the "WFB1 Repurchase Agreement") with Wells Fargo Bank to finance the ownership and acquisition of certain beneficial interests in trusts owning participation interests in one or more pools of residential mortgage loans. Each transaction under the WFB1 Repurchase Agreement has its own specific terms, such as identification of the assets subject to the transaction, sale price, repurchase price and rate. The WFB1 Repurchase Agreement provides for a funding period ending February 26, 2016 and a facility termination date of February 27, 2017. The maximum aggregate borrowing capacity available under the WFB1 Repurchase Agreement is $100.0 million. At the request of the Company, Wells Fargo may grant a one year extension of the facility termination date. The WFB1 Repurchase Agreement contains representations, warranties, covenants, events of default and indemnities that are customary for agreements of this type. The WFB1 Repurchase Agreement also contains financial covenants that are the same as those in the Second Renewal Agreement. As of June 30, 2015, the Company had $52.2 million of debt outstanding under the WFB1 Repurchase Agreement.

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

On September 17, 2014, AG MIT CREL, LLC ("AG MIT CREL"), an indirect, wholly-owned subsidiary of the Company, entered into a Master Repurchase Agreement and Securities Contract, dated as of September 17, 2014 (the "CREL Repurchase Agreement"), with Wells Fargo to finance AG MIT CREL's acquisition of certain beneficial interests in one or more commercial mortgage loans. Each transaction under the CREL Repurchase Agreement will have its own specific terms, such as identification of the assets subject to the transaction, sale price, repurchase price and rate. The CREL Repurchase Agreement provides for a funding period ending September 17, 2016 and an initial facility termination date of September 17, 2016 (the "Initial Termination Date"), subject to satisfaction of certain terms of the extensions. AG MIT CREL has three (3) one-year options to extend the term of the CREL Repurchase Agreement: (i) the first for an additional one year period (the "First Extension Period") ending September 17, 2017 (the "First Extended Termination Date"), (ii) the second for an additional one year period (the "Second Extension Period") ending September 17, 2018 (the "Second Extended Termination Date") and (iii) the third for an additional one year period ending September 17, 2019 (the "Third Extended Termination Date"). For each of the Initial Termination Date, the First Extended Termination Date, the Second Extended Termination Date and the Third Extended Termination Date, if such day is not a Business Day, such date shall be the next succeeding Business Day. Each option shall be exercisable in each case no more than ninety (90) days and no fewer than thirty (30) days prior to the initial facility termination date, the First Extended Termination Date or the Second Extended Termination Date, as the case may be. The maximum aggregate borrowing capacity available under the CREL Repurchase Agreement is $150.0 million. Under the CREL Repurchase Agreement, Wells Fargo's recourse against the Company and AG MIT, LLC in the event of a default is limited to $80 million. The Company records its financing at cost, which approximates its estimated fair value. As of June 30, 2015, the Company had $22.5 million of debt outstanding under this facility.

On August 4, 2015, the Company, AG MIT CREL and AG MIT, LLC, entered into an Omnibus Amendment No. 1 to Master Repurchase and Securities Contract, Guarantee Agreement and Fee and Pricing Letter (the "Amendment") with Wells Fargo. The Amendment amended certain terms in the CREL Repurchase Agreement, the Guarantee, dated as of September 17, 2014, delivered by the Company and AG MIT to Wells Fargo (the "Guarantee"), and the Fee and Pricing Letter, dated as of September 17, 2014, between AG MIT CREL and Wells Fargo. The Amendment lowered the maximum aggregate borrowing capacity available under the CREL Repurchase Agreement from $150 million to approximately $42.8 million. The Amendment also provided that the CREL Repurchase Agreement become full recourse to the Company and AG MIT, LLC. By amending the recourse of the CREL Repurchase Agreement to the Company and AG MIT, LLC, the Company was able to remove certain financial covenants on AG MIT CREL that limited the amount that could be borrowed under the CREL Repurchase Agreement. The Amendment also eliminated the fee for the portion of the repurchase facility that was unused. In connection with the execution of the Amendment, AG MIT CREL borrowed an additional $20.3 million so that as of August 4, 2015 the outstanding borrowings under the Repurchase Agreement totaled approximately $42.8 million.

The CREL Repurchase Agreement contains representations, warranties, covenants, events of default and indemnities that are customary for agreements of this type. It also contains financial covenants that are the same as the financial covenants in the Second Renewal Agreement.

The Company's MRAs generally include customary representations, warranties, and covenants, but may also contain more restrictive supplemental terms and conditions. Although specific to each MRA, typical supplemental terms include requirements of minimum equity, leverage ratios, performance triggers or other financial ratios.

As discussed in Note 2, for any transactions determined to be linked, the initial transfer and repurchase financing will be recorded as a forward commitment to purchase assets. At December 31, 2014, the Company had repurchase agreements of $113.4 million that were accounted for as linked. These linked repurchase agreements are not included in the above tables. There were no linked transactions as of June 30, 2015. See Note 7 for details.

7. Derivatives

The Company's derivatives may include interest rate swaps ("swaps"), swaptions, TBAs, MBS options, IO Indexes and linked transactions. Derivatives have not been designated as hedging instruments. The Company may also enter into non-derivative instruments to manage interest rate risk, including Agency IO securities and long and short positions in U.S. treasury securities.

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

The following table presents the fair value of the Company's derivative instruments and their balance sheet location at June 30, 2015 and December 31, 2014.

Derivative Instrument	Designation	Balance Sheet Location	June 30, 2015	December 31, 2014
Interest rate swaps	Non-Hedge	Derivative liabilities, at fair value	$(2,143,761)	$(8,608,209)
Interest rate swaps	Non-Hedge	Derivative assets, at fair value	4,169,367	9,902,151
TBAs	Non-Hedge	Derivative liabilities, at fair value	(753,905)	-
TBAs	Non-Hedge	Derivative assets, at fair value	144,530	1,480,471
Short positions on U.S. Treasuries	Non-Hedge	Obligation to return securities borrowed under reverse repurchase agreements, at fair value (1)	(102,891,797)	-
Linked transactions	Non-Hedge	Linked transactions, net, at fair value	-	26,695,091

(1) The Company's obligation to return securities borrowed under reverse repurchase agreements as of June 30, 2015 relates to securities borrowed to cover short sales of U.S. Treasury securities. The change in fair value of the borrowed securities is recorded in the "Unrealized gain/(loss) on derivatives and other instruments, net" line item in the Company's consolidated statement of operations.

The following table summarizes information related to derivatives:

Non-hedge derivatives held long/(short):	June 30, 2015	December 31, 2014
Notional amount of Pay Fix/Receive Float Interest Rate Swap Agreements	$1,105,000,000	$1,441,000,000
Notional amount of Receive Fix/Pay Float Interest Rate Swap Agreements	(5,000,000)	(5,000,000)
Notional amount of TBAs	-	225,000,000
Notional amount of short positions on U.S. Treasuries	(105,000,000)	-
Notional amount of Linked Transactions (1)	-	150,836,900

(1) Represents the current face of the securities comprising linked transactions as of December 31, 2014.

The following table summarizes gains/(losses) related to derivatives:

Non-hedge derivatives gain (loss):	Statement of Operations Location	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six M Ende June 2014
Interest rate swaps, at fair value	Unrealized gain/(loss) on derivative and other instruments, net	$9,168,104	$(25,096,503)	$(513,854)	$(43,
Interest rate swaps, at fair value	Net realized gain/(loss)	-	1,277,513	(12,095,409)	1,89
Swaptions, at fair value	Unrealized gain/(loss) on derivative and other instruments, net	-	(462,115)	-	(581
Swaptions, at fair value	Net realized gain/(loss)	-	(311,250)	-	133,
TBAs (1)	Unrealized gain/(loss) on derivative and other instruments, net	(2,776,176)	2,199,452	(2,089,846)	2,09
TBAs	Net realized gain/(loss)	683,399	(225,977)	2,838,477	(225
IO Index, at fair value	Unrealized gain/(loss) on derivative and other instruments, net	-	72,595	-	37,9
IO Index, at fair value	Net realized gain/(loss)	-	(452,650)	-	(322
MBS Options, at fair value	Unrealized gain/(loss) on derivative and other instruments, net	-	-	-	38,7
MBS Options, at fair value	Net realized gain/(loss)	-	-	-	19,5
Linked transactions	Income/(loss) from linked transactions, net	-	3,409,366	-	7,53
Long positions on U.S. Treasuries	Unrealized gain/(loss) on derivative and other instruments, net	(649,023)	-	-	-
Long positions on U.S. Treasuries	Net realized gain/(loss)	(1,914,062)	-	(3,177,734)	-
Short positions on U.S. Treasuries	Unrealized gain/(loss) on derivative and other instruments, net	14,453	(631,249)	(354,688)	(1,1
Short positions on U.S. Treasuries	Net realized gain/(loss)	(708,789)	565,539	(1,151,758)	565,

(1) For the three months ended June 30, 2015, realized and unrealized gains and losses from purchases and sales of TBAs consisted of $1.0 million of net TBA dollar roll net interest income and net losses of $(3.1) million due to price changes. For the six months ended June 30, 2015, realized and unrealized gains and losses from purchases and sales of TBAs consisted of $2.2 million of net TBA dollar roll net interest income and net losses of $(1.5) million due to price changes. For the three months ended June 30, 2014, realized and unrealized gains and losses from purchases and sales of TBAs consisted of $0.3 million of net TBA dollar roll net interest income and net gains of $1.7 million due to price changes. For the six months ended June 30, 2014, realized and unrealized gains and losses from purchases and sales of TBAs consisted of $0.3 million of net TBA dollar roll net interest income and net gains of $1.6 million due to price changes.

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

The following table presents both gross information and net information about derivative and other instruments eligible for offset in the consolidated balance sheet as of June 30, 2015:

				Gross Amounts Not Offset in the Consolidated Balance Sheet		
Description	**Gross Amounts of Recognized Assets (Liabilities)**	**Gross Amounts Offset in the Consolidated Balance Sheet**	**Net Amounts of Assets (Liabilities) Presented in the Consolidated Balance Sheet**	**Financial Instruments (Posted)/Received**	**Cash Collateral (Posted)/Received**	**Net Amount**
Receivable Under Reverse Repurchase Agreements	$ 104,868,750	$ -	$ 104,868,750	$ 102,891,797	$ -	$ 1,976,953
Derivative Assets (1)						
Interest Rate Swaps	$ 6,223,883	$ -	$ 6,223,883	$ -	$ 2,479,502	$ 3,744,381
TBAs	144,530	-	144,530	-	-	144,530
Total Derivative Assets	$ 6,368,413	$ -	$ 6,368,413	$ -	$ 2,479,502	$ 3,888,911
Derivative Liabilities (2)						
Interest Rate Swaps	$ (875,024)	$ -	$ (875,024)	$ -	$ (875,024)	$ -
TBAs	(753,905)	-	(753,905)	-	(753,905)	-
Total Derivative Liabilities	$ (1,628,929)	$ -	$ (1,628,929)	$ -	$ (1,628,929)	$ -

(1) Included in Derivative Assets on the consolidated balance sheet is $6,368,413 less accrued interest of $2,054,516 for a total of $4,313,897.

(2) Included in Derivative Liabilities on the consolidated balance sheet is $1,628,929 plus accrued interest of $1,268,737 for a total of $2,897,666.

The following table presents both gross information and net information about derivative instruments eligible for offset in the consolidated balance sheet as of December 31, 2014:

Description	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Assets (Liabilities) Presented in the Consolidated Balance Sheet	Gross Amounts Not Offset in the Consolidated Balance Sheet		Net Amount
				Financial Instruments (Posted)/Received	Cash Collateral (Posted)/Received	
Linked Transactions (1)	$ 139,778,263	$ (113,363,873)	$ 26,414,390	$ (26,414,390)	$ -	$ -
Derivative Assets (2)						
Interest Rate Swaps	$ 13,369,511	$ -	$ 13,369,511	$ -	$ 3,907,000	$ 9,462,511
TBAs	1,480,471	-	1,480,471	-	1,480,471	-
Total Derivative Assets	$ 14,849,982	$ -	$ 14,849,982	$ -	$ 5,387,471	$ 9,462,511
Derivative Liabilities (3)						
Interest Rate Swaps	$ (7,506,798)	$ -	$ (7,506,798)	$ -	$ (7,506,798)	$ -
Total Derivative Liabilities	$ (7,506,798)	$ -	$ (7,506,798)	$ -	$ (7,506,798)	$ -

(1) Included in Linked Transactions on the consolidated balance sheet is security fair market value of $139,778,263, less repurchase agreements of $(113,363,873), plus net accrued interest of $280,701 for a total of $26,695,091.

(2) Included in Derivative Assets on the consolidated balance sheet is $14,849,982 less accrued interest of $(3,467,360) for a total of $11,382,622.

(3) Included in Derivative Liabilities on the consolidated balance sheet is $(7,506,798) plus accrued interest of $(1,101,411) for a total of $(8,608,209).

At June 30, 2015, the Company had real estate securities with a fair value of $7.3 million and $10.4 million of cash pledged as collateral against certain derivatives. The Company had $2.5 million of cash received as collateral against certain derivatives. At December 31, 2014, the Company had real estate securities with a fair value of $7.2 million and $21.1 million of cash pledged as collateral against certain derivatives. The Company had $3.9 million of cash received

as collateral against certain derivatives. The Company pledged assets accounted for within linked transactions with a fair value of $139.6 million as collateral against the related linked repurchase agreements.

Interest Rate Swaps

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

31

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

The following table presents information about the Company's interest rate swaps as of June 30, 2015:

Maturity	Notional Amount	Weighted Average Pay Rate		Weighted Average Receive Rate		Weighted Average Years to Maturity
2017	$ 80,000,000	0.87	%	0.32	%	2.18
2018	210,000,000	1.05	%	0.27	%	2.76
2019	260,000,000	1.27	%	0.27	%	4.14
2020	290,000,000	1.67	%	0.27	%	4.76
2022	70,000,000	1.75	%	0.27	%	7.02
2023	160,000,000	2.31	%	0.28	%	7.92
2025	40,000,000	2.48	%	0.28	%	9.93
Total/Wtd Avg	$ 1,110,000,000	1.53	%	0.28	%	4.84

The following table presents information about the Company's interest rate swaps as of December 31, 2014:

Maturity	Notional Amount	Weighted Average Pay Rate		Weighted Average Receive Rate		Weighted Average Years to Maturity
2017	$ 80,000,000	0.86	%	0.27	%	2.68
2018	210,000,000	1.05	%	0.23	%	3.26
2019	350,000,000	1.39	%	0.23	%	4.59
2020	440,000,000	1.61	%	0.23	%	5.24
2022	50,000,000	1.69	%	0.23	%	7.68
2023	278,000,000	2.43	%	0.23	%	8.52
2024	38,000,000	2.75	%	0.23	%	9.18
Total/Wtd Avg	$ 1,446,000,000	1.62	%	0.24	%	5.47

TBAs

The Company has entered into TBA positions to facilitate the future purchase or sale of Agency RMBS. Pursuant to these TBAs, the Company agrees to purchase or sell, for future delivery, Agency RMBS with certain principal and interest terms and certain types of underlying collateral, but the particular Agency RMBS to be delivered or received would not be identified until shortly (generally two days) before the TBA settlement date. 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, and 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 securities purchased or sold for a forward settlement date are typically priced at a discount to agency securities 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 securities over the roll period (interest income less implied financing cost) and is commonly referred to as dollar roll income/(loss). The Company presents the purchase or sale of TBAs net of the corresponding payable or receivable until the settlement date of the transaction. Contracts for the purchase or sale of Agency RMBS are accounted for as derivatives if the delivery of the Agency security and settlement extends beyond 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). Our maximum exposure to loss represents the net payable amount until the settlement date. As of June 30, 2015, our maximum exposure to loss on TBAs was $0.6 million. As of December 31, 2014, our maximum exposure to loss on TBAs was $235.2 million.

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

The following table presents information about the Company's TBAs for the three and six months ended June 30, 2015 and June 30, 2014:

For the Three Months Ended June 30, 2015

	Beginning Notional Amount	Buys or Covers	Sales or Shorts	Ending Notional Amount	Fair Value as of Period End	Receivable/(Payable) from/to Broker	Derivative Asset	Derivative Liability
TBAs - Long	$180,000,000	$310,000,000	$(490,000,000)	$ -	$ -	$ (609,375)	$144,530	$(753,905)
TBAs - Short	$-	$-	$-	$ -	$ -	$ -	$-	$-

For the Three Months Ended June 30, 2014

	Beginning Notional Amount	Buys or Covers	Sales or Shorts	Ending Notional Amount	Fair Value as of Period End	Receivable/(Payable) from/to Broker	Derivative Asset	Derivative Liability
TBAs - Long	$-	$235,000,000	$(75,000,000)	$160,000,000	$168,729,295	$(166,639,257)	$2,963,081	$(873,043)
TBAs - Short	$-	$100,000,000	$(100,000,000)	$-	$-	$-	$-	$-

For the Six Months Ended June 30, 2015

	Beginning Notional Amount	Buys or Covers	Sales or Shorts	Ending Notional Amount	Fair Value as of Period End	Receivable/(Payable) from/to Broker	Derivative Asset	Derivative Liability
TBAs - Long	$225,000,000	$915,000,000	$(1,140,000,000)	$ -	$ -	$ (609,375)	$144,530	$(753,905)
TBAs - Short	$-	$219,000,000	$(219,000,000)	$ -	$ -	$ -	$-	$-

For the Six Months Ended June 30, 2014

	Beginning Notional Amount	Buys or Covers	Sales or Shorts	Ending Notional Amount	Fair Value as of Period End	Receivable/(Payable) from/to Broker	Derivative Asset	Derivative Liability
TBAs - Long	$-	$235,000,000	$(75,000,000)	$160,000,000	$168,729,295	$(166,639,257)	$2,963,081	$(873,043)
TBAs - Short	$-	$247,000,000	$(247,000,000)	$-	$-	$-	$-	$-

Linked Transactions

In June 2014, the FASB issued final guidance for repurchase financings, ASU 2014-11, "Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures," which requires separate accounting for a transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty. If all derecognition criteria are met, the initial transferee will account for the initial transfer as a purchase and the related repurchase agreement component of the transaction will be accounted for as a secured borrowing. ASU 2014-11 also requires repurchase-to-maturity transactions to be accounted for as secured borrowings as if the transferor retains effective control, even though the transferred financial assets are not returned to the transferor at settlement. The accounting changes are effective for public business entities for the first interim or annual period beginning after December 15, 2014. Entities are required to present changes in accounting for transactions outstanding on the effective date as a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption.

The Company has adopted this guidance as of January 1, 2015. This change had no effect on net income or stockholders' equity, but did impact the amounts reported on the consolidated balance sheet and the consolidated statement of operations. The Company has disaggregated amounts previously netted together in the "Linked transactions, net, at fair value" line item on the consolidated balance sheet and has presented these amounts gross. As of January 1, 2015, the Company made a cumulative-effect adjustment to transfer real estate securities with values of $124.9 million and $14.9 million to the "Non-Agency" and "CMBS" line items, respectively, and to transfer secured borrowings of $113.4 million to the "Repurchase agreements" line item on the consolidated balance sheet. As part of the cumulative-effect adjustment the Company also transferred interest receivable and payable of $0.4 million and $0.1 million to the "Interest receivable" and "Interest payable" line items, respectively. There was no effect on prior periods as the FASB did not require full retrospective application. As a result, disclosures for periods prior to January 1, 2015 will not be comparable to disclosures subsequent to that date.

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

Under previous GAAP, when the initial transfer of a financial asset and repurchase financing are entered into contemporaneously with, or in contemplation of, one another, the transaction was considered linked unless all of the criteria found in ASC 860-10 were met at the inception of the transaction. If the transaction was determined to be linked, the Company recorded the initial transfer and repurchase financing on a net basis and recorded a forward commitment to purchase assets as a derivative instrument. Gains and losses were recorded together with net interest income in the "Income/(loss) from linked transactions, net" line item on the consolidated statement of operations. When, or if a transaction was no longer considered linked, the security and related repurchase agreement was recorded on a gross basis. The fair value of linked transactions reflected the value of the underlying security's fair market value netted with the respective linked repurchase agreement borrowings and net accrued interest. Disclosures required under previous GAAP have been presented for periods under which the superseded guidance applied.

The following table presents certain information related to the securities accounted for as a part of linked transactions during the three and six months ended June 30, 2014:

					For the Three Months Ended June 30, 2014			
Instrument	**Current Face**	**Amortized Cost**	**Fair Value**	**Net Accrued Interest**	**Net Interest Income**	**Unrealized Gain/(Loss)**	**Net Realized Gain/(Loss)**	**Amount Included in Statement of Operations**
Non-Agency RMBS	$174,306,536	$161,625,769	$162,531,203	$346,452	$707,409	$(2,911,422)	$4,327,677	$2,123,664
CMBS	28,870,000	27,195,155	28,708,893	44,597	331,340	686,190	268,172	1,285,702
Total	$203,176,536	$188,820,924	$191,240,096	$391,049	$1,038,749	$(2,225,232)	$4,595,849	$3,409,366

The following table presents certain information related to the repurchase agreements accounted for as a part of linked transactions as of June 30, 2014:

Instrument	**Repurchase Agreement**	**Weighted Average Interest Rate**	**Weighted Average Years to Maturity**
Non-Agency RMBS	$137,465,510	1.61 %	0.05

CMBS	20,809,667	1.40	%	0.04
	$158,275,177	1.58	%	0.05

For the three months ended June 30, 2014 a Non-Agency RMBS security with a fair value of $47.3 million and the related repurchase agreement borrowing of $40.4 million became unlinked, and the Company recorded a net realized loss of $2.4 million from the unlinking of the Linked Transaction. For the six months ended June 30, 2014 two Non-Agency RMBS with fair value of $71.6 million and related repurchase agreement borrowings of $61.4 million became unlinked, and the Company recorded a net realized loss of $2.2 million from the unlinking of the Linked Transactions.

8. Earnings per Share

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

As of June 30, 2015 and June 30, 2014, the Company's outstanding warrants, unvested shares of restricted common stock and unvested restricted stock units were as follows:

	June 30, 2015	**June 30, 2014**
Warrants	1,007,500	1,007,500
Restricted stock granted to the Manager	-	3,355
Restricted stock units granted to the Manager	60,000	-
Restricted stock granted to the independent directors	-	2,000

Each warrant entitles the holder to purchase half a share of the Company's common stock at a fixed price upon exercise of the warrant. For the three and six months ended June 30, 2015 and June 30, 2014, the Company excluded the effects of such from the computation of diluted earnings per share because their effect would be anti-dilutive.

Shares of restricted stock held by the Manager and independent directors accrue dividends, but are not paid until vested and are therefore 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. The dilutive effects of these shares and restricted stock units are only included in diluted weighted average shares outstanding.

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

The following table presents a reconciliation of the earnings and shares used in calculating basic and diluted EPS for the three and six months ended June 30, 2015 and June 30, 2014:

	Three Months Ended June 30, 2015	**Three Months Ended June 30, 2014**	**Six Months Ended June 30, 2015**	**Six Months Ended June 30, 2014**
Numerator:				
Net income/(loss) available to common stockholders for basic and diluted earnings per share	$ (1,526,910)	$ 37,797,929	$ 7,869,178	$ 65,616,817
Denominator:				
Basic weighted average common shares outstanding	28,389,211	28,377,245	28,388,417	28,374,348
Dilutive effect of manager and director restricted stock, and restricted stock units	-	3,213	27,575	1,327
Dilutive weighted average common shares outstanding	28,389,211	28,380,458	28,415,992	28,375,675
Basic Earnings/(Loss) Per Share of Common Stock:	$ (0.05)	$ 1.33	$ 0.28	$ 2.31
Diluted Earnings/(Loss) Per Share of Common Stock:	$ (0.05)	$ 1.33	$ 0.28	$ 2.31

Excluded from the computation of diluted earnings per share because its effect would be anti-dilutive was manager restricted stock units of 29,915 for the three months ended June 30, 2015.

9. Income Taxes

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

income tax treatment of REITs.

For the three months ended June 30, 2015 and June 30, 2014, the Company recorded excise tax expense of $0.4 million and $0.4 million, respectively. For the six months ended June 30, 2015 and June 30, 2014, the Company recorded excise tax expense of $0.8 million and $0.9 million, respectively. Excise tax represents a four percent tax on the required amount of the Company’s ordinary income and net capital gains not distributed during the year. The quarterly expense is calculated in accordance with applicable tax regulations.

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

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

The Company elected to treat one of its consolidated subsidiaries as a foreign 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.

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

Based on the Company’s analysis of any potential uncertain income tax positions, the Company concluded it did not have any uncertain tax positions that meet the recognition or measurement criteria of ASC 740 as of June 30, 2015 and December 31, 2014. The Company’s federal income tax returns for the last three years are open to examination by the Internal Revenue Service. In the event that the Company incurs income tax related interest and penalties, its policy is to classify them as a component of provision for income taxes.

10. Related Party Transactions

The Company has entered into a management agreement with the Manager, which provided for an initial term and will be deemed renewed automatically each year for an additional one-year period, subject to certain termination rights. As of June 30, 2015 and December 31, 2014, no event of termination had occurred. The Company is externally

managed and advised by the Manager. Pursuant to the terms of the management agreement, which became effective July 6, 2011 (upon the consummation of the Company's initial public offering (the "IPO"), the Manager provides the Company with its management team, including its officers, along with appropriate support personnel. Each of the Company's officers is an employee of Angelo, Gordon. The Company does not have any employees. The Manager, pursuant to a delegation agreement dated as of June 29, 2011, has delegated to Angelo, Gordon the overall responsibility its day-to-day duties and obligations arising under the Company's management agreement.

35

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

Management fee

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

For the three and six months ended June 30, 2015, the Company incurred a management fee of approximately $2.5 million and $5.0 million, respectively. For the three and six months ended June 30, 2014, the Company incurred a management fee of approximately $2.5 million and $5.0 million, respectively.

Termination fee

The termination fee, payable for the Company's termination of the management agreement without cause or the Manager's termination of the management agreement upon a default in the performance of any material term of the management agreement, will be equal to three times the average annual management fee during the 24-month period prior to such termination, calculated as of the end of the most recently completed fiscal quarter. As of June 30, 2015 and December 31, 2014, no event of termination of the management agreement had occurred.

Expense reimbursement

The Company is required to reimburse the Manager for operating expenses related to the Company that are either incurred by the Manager or on behalf of the Company, including expenses relating to legal, accounting, due diligence and other services. The Company's reimbursement obligation is not subject to any dollar limitation, however expenses are evaluated in accordance with its policy. The reimbursement is subject to an annual budget process which combines guidelines found in the Management Agreement with oversight by the Company's board of directors. The Company will not reimburse the Manager for the salaries and other compensation of its personnel except that the Company will be responsible for expenses incurred by the Manager in employing the Company's chief financial officer, general counsel and other employees as further described below.

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

For the three and six months ended June 30, 2015, the Company expensed into Other operating expenses $1.9 million, and $3.7 million, respectively, of reimbursable expenses payable to the Manager. For the three and six ended June 30, 2014, the Company expensed into Other operating expenses $1.6 million, and $3.3 million, respectively, of reimbursable expenses payable to the Manager. The Manager did not waive any expense reimbursements for these periods.

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

Restricted stock grants

On July 6, 2011 (the date of consummation of the IPO), the Company entered into (i) a restricted stock award agreement with the Manager under the Manager Equity Incentive Plan, pursuant to which the Manager received 40,250 shares of the Company's common stock, which vest ratably on a quarterly basis over a three-year period that began on October 1, 2011 and (ii) restricted stock award agreements with the Company's four initial independent directors under the Equity Incentive Plan, pursuant to which each of the four initial independent directors received 1,500 shares of the Company's common stock that vest in equal installments over three years on each annual anniversary of the grant date. Following the election of Arthur Ainsberg as an independent director at the 2013 Annual Meeting of Stockholders, 500 shares of the Company's common stock that vested on July 6, 2014 were granted to Mr. Ainsberg under the Equity Incentive Plan. As of July 6, 2014, an aggregate of 46,750 shares awarded to the Manager and the independent directors were fully vested.

Pursuant to the Manager Equity Incentive Plan and the Equity Incentive Plan, 277,500 shares of common stock were available to be awarded. As of June 30, 2015, 145,946 shares of common stock were available to award under the plan. Awards under the equity incentive plans are forfeitable until they become vested. An award will become vested only if the vesting conditions set forth in the award agreement (as determined by the board of directors or the compensation committee, as applicable) are satisfied. The vesting conditions may include performance of services for a specified period, achievement of performance goal, or a combination of both. The board of directors or the compensation committee, as applicable, also has authority to provide for accelerated vesting upon the occurrence of certain events.

On July 1, 2014, the Company granted 60,000 restricted stock units to the Manager that represent the right to receive an equivalent number of shares of the Company's common stock to be issued if and when such units vest. Annual vesting of 20,000 units will occur on each of July 1, 2015, July 1, 2016, and July 1, 2017. The units do not entitle the participant the rights of a holder of the Company's common stock, such as dividend and voting rights, until shares are issued in settlement of the vested units. As of June 30, 2015, all of these units remained outstanding.

The Company also pays a $90,000 annual base director's fee to each independent director. Base director's fees are paid two-thirds in cash and one-third in restricted common stock. The number of shares of restricted common stock to be issued each quarter to each independent director is determined based on the average of the high and low prices of the Company's common stock on the New York Stock Exchange on the last trading day of each fiscal quarter. To the

extent that any fractional shares would otherwise be issuable and payable to each independent director, a cash payment is made to each independent director in lieu of any fractional shares. All directors' fees are paid pro rata (and restricted stock grants determined) on a quarterly basis in arrears, and shares issued are fully vested and non-forfeitable. These shares may not be sold or transferred during the time of service as an independent member of the Company's board.

Investments in Affiliates

The Company invests in credit sensitive commercial and residential real estate assets through affiliated entities which also hold an ownership interest in the assets. The Company is one investor, amongst other investors managed by the Manager, in such entities and has applied the equity method of accounting for such investments. These assets include investments in unguaranteed portions of CMBS issued by a GSE and secured by mortgages on multifamily properties. These assets also include an investment in a portfolio of non-performing single-family mortgage loans acquired through a competitive auction conducted by a U.S. government agency. Our maximum exposure to loss with respect to these investments is generally equal to the amount that we invested.

Transactions with affiliates

In May 2015, the Company, with other investors managed by an affiliate of the Manager (collectively, "Related Parties"), completed an arms-length transaction. The transaction consisted of a securitization of seasoned, fixed-rate and adjustable-rate, non-performing and re-performing mortgage loans secured by first or second liens on one- to four-family properties or cooperative shares and real estate owned.

The assets contributed to the securitization were previously held within two private securitizations which the Company held a 10% and 0% ownership interest, respectively. The remaining interests were owned by certain of the Related Parties.

11. Equity

On January 24, 2012, the Company completed a follow-on offering of 5,000,000 shares of its common stock and subsequently issued an additional 750,000 shares of common stock pursuant to the underwriters' over-allotment option at a price of $19.00 per share, for aggregate gross proceeds of approximately $109.3 million. Net proceeds to the Company from the offering were approximately $104.0 million, net of issuance costs of approximately $5.3 million.

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

On July 13, 2012, the Company filed a shelf registration statement on Form S-3 with the SEC, offering up to $1.0 billion of our securities, including capital stock. The registration statement was declared effective on July 20, 2012. On May 6, 2015, the Company renewed its shelf registration statement, upsizing the amount of securities, including capital stock, available for issuance to $750.0 million. At June 30, 2015, approximately $750.0 million of the Company's securities, including capital stock, was available for issuance under the registration statement.

On August 3, 2012, the Company completed a public offering of 1,800,000 shares of 8.25% Series A Cumulative Redeemable Preferred Stock and subsequently issued an additional 270,000 shares pursuant to the underwriters' over-allotment option with a liquidation preference of $25.00 per share. The Company received total gross proceeds of approximately $51.8 million. Net proceeds to the Company from the offering were approximately $49.9 million, net of underwriting discounts, commissions and expenses. The Company's Series A Preferred Stock has no stated maturity and is not subject to any sinking fund or mandatory redemption. Under certain circumstances upon a change of control, the Company's Series A Preferred Stock is convertible to shares of the common stock. Holders of the Company's Series A Preferred Stock have no voting rights, except under limited conditions, and holders are entitled to receive cumulative cash dividends at a rate of 8.25% per annum of the $25.00 per share liquidation preference before holders of the common stock are entitled to receive any dividends. Shares of the Company's Series A Preferred Stock are redeemable at $25.00 per share plus accumulated and unpaid dividends (whether or not declared) exclusively at the Company's option commencing on August 3, 2017, or earlier under certain circumstances intended to preserve the Company's qualification as a REIT for federal income tax purposes. Dividends are payable quarterly in arrears on the 17th day of each March, June, September and December. As of June 30, 2015, the Company had declared all required quarterly dividends on the Company's Series A Preferred Stock.

On August 15, 2012, the Company completed a public offering of 6,000,000 shares of its common stock and simultaneously issued an additional 900,000 shares pursuant to the underwriters' over-allotment option at a price of $23.29 per share. The Company received total gross proceeds of approximately $160.7 million. Net proceeds to the Company from the offering were approximately $152.7 million, net of underwriting discounts, commissions and expenses.

On September 6, 2012, the Company entered into an equity distribution agreement with each of Mitsubishi UFJ Securities (USA), Inc., JMP Securities LLC and Brinson Patrick Securities Corporation (the "Sales Agents"), which the Company refers to as the Equity Distribution Agreements, pursuant to which the Company may sell up to 3,000,000 shares of common stock from time to time through the Sales Agents, as defined in Rule 415 under the Securities Act of 1933. As of June 30, 2015, the Company had sold 1,254,854 shares of common stock through the Sales Agents for net proceeds of approximately $31.3 million with the last sale settling on June 13, 2013.

On September 27, 2012, the Company completed a public offering of 4,000,000 shares of 8.00% Series B Cumulative Redeemable Preferred Stock and issued an additional 600,000 shares pursuant to the underwriters' over-allotment option with a liquidation preference of $25.00 per share. The Company received total gross proceeds of approximately $115.0 million. Net proceeds to the Company from the offering were approximately $111.3 million, net of underwriting discounts, commissions and expenses. The Company's Series B Preferred Stock has no stated maturity and is not subject to any sinking fund or mandatory redemption. Under certain circumstances upon a change of control, the Company's Series B Preferred Stock is convertible to shares of the common stock. Holders of the Company's Series B Preferred Stock have no voting rights, except under limited conditions, and holders are entitled to receive cumulative cash dividends at a rate of 8.00% per annum of the $25.00 per share liquidation preference before holders of the common stock are entitled to receive any dividends. Shares of the Company's Series B Preferred Stock are redeemable at $25.00 per share plus accumulated and unpaid dividends (whether or not declared) exclusively at the Company's option commencing on September 27, 2017, or earlier under certain circumstances intended to preserve the Company's qualification as a REIT for Federal income tax purposes. Dividends are payable quarterly in arrears on the 17th day of each March, June, September and December. As of June 30, 2015, the Company had declared all required quarterly dividends on the Series B Preferred Stock.

On December 26, 2012, the Company completed a public offering of 3,750,000 shares of its common stock at a price of $24.33 per share. The Company received total gross proceeds of approximately $91.2 million. Net proceeds to the Company from the offering were approximately $87.5 million, net of underwriting discounts, commissions and expenses.

Concurrently with the IPO, the Company offered a private placement of 3,205,000 units at $20.00 per share to a limited number of investors qualifying as "accredited investors" under Rule 501 of Regulation D promulgated under the Securities Act of 1933, as amended (the "Securities Act"). Each unit consisted of one share of common stock ("private placement share") and a warrant ("private placement warrant") to purchase 0.5 of a share of common stock. Each private placement warrant had an exercise price of $20.50 per share (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like). No warrants were exercised for the three and six months ended June 30, 2015 and June 30, 2014.

AG Mortgage Investment Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)

June 30, 2015

The following table details the Company's common stock dividends during the six months ended June 30, 2015 and June 30, 2014:

2015

Declaration Date	Record Date	Payment Date	Dividend Per Share
3/12/2015	3/23/2015	4/30/2015	$ 0.60
6/11/2015	6/22/2015	7/31/2015	0.60

2014

Declaration Date	Record Date	Payment Date	Dividend Per Share
3/5/2014	3/18/2014	4/28/2014	$ 0.60
6/9/2014	6/19/2014	7/28/2014	0.60

The following table details the Company's preferred stock dividends during the six months ended June 30, 2015 and June 30, 2014:

2015

Dividend	Declaration Date	Record Date	Payment Date	Dividend Per Share
8.25% Series A	2/12/2015	2/27/2015	3/17/2015	$ 0.51563
8.25% Series A	5/14/2015	5/29/2015	6/17/2015	0.51563

Dividend	Declaration Date	Record Date	Payment Date	Dividend Per Share
8.00% Series B	2/12/2015	2/27/2015	3/17/2015	$ 0.50
8.00% Series B	5/14/2015	5/29/2015	6/17/2015	0.50

2014

Dividend	Declaration Date	Record Date	Payment Date	Dividend Per Share
8.25% Series A	2/14/2014	2/28/2014	3/17/2014	$ 0.51563
8.25% Series A	5/15/2014	5/30/2014	6/17/2014	0.51563

Dividend	Declaration Date	Record Date	Payment Date	Dividend Per Share

8.00% Series B	2/14/2014	2/28/2014	3/17/2014	$	0.50
8.00% Series B	5/15/2014	5/30/2014	6/17/2014		0.50

12. Commitments and Contingencies

From time to time, the Company may become involved in various claims and legal actions arising in the ordinary course of business. Management is not aware of any significant commitments and contingencies at June 30, 2015 and December 31, 2014.

In the normal course of business, the Company enters into agreements where payment may become due if certain events occur. Management believes that the probability of making such payments is remote.

13. Subsequent Events

As of July 30, 2015, the Company's wholly-owned captive insurance subsidiary was granted membership in the Federal Home Loan Bank ("FHLB") system, specifically in the FHLB of Cincinnati ("FHLBC"). The 11 regional FHLBs provide short- and long-term secured loans, called "advances" to their members. FHLB members may use a variety of real estate related assets, including residential mortgage loans and Agency RMBS, as collateral for advances. Membership in the FHLBC obligates the Company's wholly-owned captive insurance subsidiary to purchase FHLBC membership stock and activity stock, the latter being a percentage of the advances it obtains from the FHLBC. Membership in the FHLB will provide the Company with greater financial flexibility and enhanced liquidity management.

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

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

The following discussion should be read in conjunction with our consolidated financial statements and the accompanying notes to our consolidated financial statements, which are included in Item 1 of this report, as well as the information contained in our Annual Report on Form 10-K for the year ended December 31, 2014.

Forward-Looking Statements

We make forward-looking statements in this report that are subject to risks and uncertainties. These forward-looking statements include information about possible or assumed future results of our business, financial condition, liquidity, results of operations, plans, objectives, the composition of our portfolio, actions by the U.S. government and governmental entities, including the Federal Reserve, and the potential effects of proposed legislation on us. When we use the words "believe," "expect," "anticipate," "estimate," "plan," "continue," "intend," "should," "may" or similar expressio intend to identify forward-looking statements.

These forward-looking statements are based upon information presently available to our management and are inherently subjective, uncertain and subject to change. There can be no assurance that actual results will not differ materially from our expectations. We caution investors not to rely unduly on any forward-looking statements and urge you to carefully consider the risks identified under the captions "Risk Factors," "Forward-Looking Statements" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2014 which is available on the Securities and Exchange Commission's website at www.sec.gov. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made. New risks and uncertainties arise from time to time, and it is impossible for us to predict those events or how they may affect us. Except as required by law, we are not obligated to, and do not intend to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. All written or oral forward-looking statements that we make, or that are attributable to us, are expressly qualified by this cautionary notice. We expressly disclaim any obligation to update the information in any public disclosure if any forward-looking statement later turns out to be inaccurate, except as may otherwise be required by law.

Our Company

We are a Maryland corporation focused on investing in, acquiring and managing a diversified portfolio of residential mortgage assets, other real estate-related securities and financial assets, which we refer to as our target assets. We are externally managed by our Manager, a wholly-owned subsidiary of Angelo, Gordon. Our Manager, pursuant to the delegation agreement dated as of June 29, 2011, has delegated to Angelo, Gordon the overall responsibility for its Manager's day-to-day duties and obligations arising under our management agreement.

The majority of our portfolio is comprised of mortgage-backed securities, specifically residential mortgage-backed securities, or RMBS. Certain of our RMBS portfolio have an explicit guarantee of principal and interest by a U.S. government agency such as the Government National Mortgage Association, or Ginnie Mae, or a federally-chartered corporation such as the Federal National Mortgage Association, or Fannie Mae, or the Federal Home Loan Mortgage Corporation, or Freddie Mac. We refer to these securities as Agency RMBS. Our Agency RMBS investments include mortgage pass-through securities, securities backed by interest-only strips, collateralized mortgage obligations ("CMOs"), and certain Agency RMBS whose underlying collateral is not identified until shortly (generally two days) before the purchase or sale settlement date ("TBAs").

Our portfolio also includes a significant portion of RMBS that are not issued or guaranteed by a U.S. government agency or a U.S. government-sponsored entity, which we refer to as Non-Agency RMBS. Our Non-Agency RMBS investments may include fixed-and floating- rate securities, including investment grade and non-investment grade. We group our Non-Agency RMBS by credit score at origination into Prime, Alt-A, Subprime, with the exception of RPL/NPL MBS, as defined below, and Securitized Whole Loans, as defined below, which are separately categorized.

RPL/NPL MBS are collateralized by re-performing or non-performing loans. RPL/NPL MBS are purchased primarily in offerings of new issues of such securities at prices at or around par and represent the senior tranches in the securitizations of the loan portfolios collateralizing such securities. These RPL/NPL MBS are structured with significant credit enhancement (typically approximately 50%) to mitigate our exposure to credit risk on these securities. The subordinate tranche(s) absorb(s) all credit losses (until extinguished) and typically receives no cash flow (interest or principal) until the senior tranche is paid off. In addition, these deal structures contain an interest rate step-up feature, whereby the coupon on the senior tranche increases by 300 basis points if the security that we hold has not been redeemed by the issuer after 36 months. We expect that the combination of the priority cash flow of the senior tranche and the 36-month step-up will result in these securities exhibiting short average lives and, accordingly, reduced interest rate sensitivity.

Securitized Whole Loans are whole loans in securitized form that we purchase from a related party or parties. The whole loans are generally re-performing or non-performing. The securitizations typically take the form of debt securities consisting of various classes of notes and a trust certificate. Securitized Whole Loans do not include re-performing or non-performing whole loans that we hold through interests in certain consolidated trusts.

We have invested in other target assets, including asset backed securities, or ABS, and commercial mortgage-backed securities, or CMBS, which, together with Agency RMBS and Non-Agency RMBS, we collectively refer to as real estate securities. We have also invested in commercial and residential mortgage loans, including non-performing and re-performing residential mortgage loans, as well as excess mortgage servicing rights ("MSRs"). We have the discretion to invest in other target assets such as other real estate structured finance products, and other real estate-related loans and securities. Recently, target assets were expanded to include interests in certain types of real estate. Non-Agency RMBS, ABS, CMBS, MSRs and residential and commercial loans are referred to as our credit portfolio and residential and commercial mortgage loans are collectively referred to as loans.

As of June 30, 2015 and per our GAAP consolidated balance sheet, we have a $3.1 billion investment portfolio comprised of securities, loans and MSRs, which consists of $1.6 billion, or 52.4%, of Agency RMBS and $1.5 billion, or 47.6%, of assets in our credit portfolio. Our investment portfolio, gross of investments held within affiliated entities in the credit investments category is $3.2 billion, which consists of $1.6 billion, or 51.6%, of Agency RMBS and $1.6 billion, or 48.4%, of assets in our credit portfolio. We utilize different hedging instruments as a means to mitigate interest rate risk. As of June 30, 2015 we entered into $1.1 billion notional amount of interest rate swaps, and $105.0 million notional of short positions in U.S. Treasury securities. We had no positions in TBAs at June 30, 2015. This compares with a $3.3 billion investment portfolio per our GAAP consolidated balance sheet as of December 31, 2014, which consisted of $1.8 billion, or 55.2%, of Agency RMBS and $1.5 billion, or 44.8%, of assets in our credit portfolio. Our investment portfolio as of December 31, 2014, gross of linked transactions and investments held within affiliated entities in the credit investments category and including TBAs in the Agency RMBS category, was $3.7 billion, which consisted of $2.0 billion, or 55.4%, of Agency RMBS and $1.7 billion, or 44.6%, of assets in our credit portfolio. We also entered into $1.4 billion notional amount of interest rate swaps as of December 31, 2014. We did not have any positions in U.S. Treasury securities at December 31, 2014. Refer to Note 7 to our financial statements for a discussion of TBAs, and investments held within affiliated entities.

Our common stock is traded on the New York Stock Exchange, or the NYSE, under the symbol MITT. Our 8.25% Series A Cumulative Redeemable Preferred Stock and our 8.00% Series B Cumulative Redeemable Preferred Stock trade on the NYSE under the symbols MITT-PA and MITT-PB, respectively.

We conduct our operations to qualify and be taxed as a REIT for U.S. federal income tax purposes. Accordingly, we generally will not be subject to federal income tax on our taxable income that we distribute currently to our stockholders as long as we maintain our intended qualification as a REIT. We operate our business in a manner that permits us to maintain our exemption from registration under the Investment Company Act of 1940 (the "Investment Company Act").

Market and interest rate trends

Inclusive of distressed sales, home prices nationwide increased by 6.3% on a year-over-year basis in May 2015 as compared with May 2014, according to data released by CoreLogic. This marks the 39th consecutive monthly increase year-over-year in national home prices. The housing market continues to show signs of stabilization, albeit recovery is expected to be somewhat muted for the rest of the year. The U.S. government agencies and central bank policy sponsorship of housing via lower mortgage rates and potential loosening of credit available to potential homeowners, coupled with an improving broader domestic economy, have provided some support for the housing market recovery.

According to CoreLogic, the percent of owners underwater decreased slightly in the first quarter of 2015 to 10.2%, or 5.1 million homes, as many homeowners are emerging from the negative equity trap, which bodes well for a continued recovery in the housing market. CoreLogic projects that a 5% appreciation in home values across the U.S. would reduce the number of homeowners with negative equity by about one million. Additionally, credit performance in terms of serious delinquencies and subsequent default rates continued to improve in 2015 and is anticipated to remain positive in the near future. We believe that current prices for certain Non-Agency RMBS offer attractive risk-adjusted returns. We believe Angelo, Gordon's granular credit-centric approach and deep understanding of government public policy initiatives will provide our Manager strong insight into both Non-Agency and Agency RMBS performance drivers.

During the fourth quarter of 2014, the Federal Open Market Committee ("FOMC") officially exited its large scale asset purchase program, commonly referred to as quantitative easing (QE). However, it continued to maintain its existing policy of reinvesting principal payments from its holdings of Agency RMBS into new purchases of Agency RMBS and of rolling over maturing U.S. Treasury securities at auction through an unspecified date in the future. On February 24, 2015, during her Congressional testimony, the Chair of the Federal Reserve stated that the FOMC intends to reduce its securities holdings in a gradual and predictable manner primarily by ceasing to reinvest Agency RMBS principal payments. The timing of when the cessation would begin was not stated in the testimony.