

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

FORM 10-Q

(Mark One)
☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2024
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 001-34385

 Invesco Mortgage Capital Inc.

Invesco Mortgage Capital Inc.
(Exact Name of Registrant as Specified in Its Charter)

Maryland
(State or Other Jurisdiction of
Incorporation or Organization)
1331 Spring Street, N.W., Suite 2500,
Atlanta, Georgia
(Address of Principal Executive Offices)

26-2749336
(I.R.S. Employer
Identification No.)

30309
(Zip Code)

(404) 892-0896
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock, par value \$0.01 per share	IVR	New York Stock Exchange
7.75% Fixed-to-Floating Series B Cumulative Redeemable Preferred Stock	IVR PrB	New York Stock Exchange
7.50% Fixed-to-Floating Series C Cumulative Redeemable Preferred Stock	IVR PrC	New York Stock Exchange

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

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

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

Large accelerated filer	☐	Accelerated filer	☒
Non-Accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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

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

As of October 31, 2024, there were 60,730,287 outstanding shares of common stock of Invesco Mortgage Capital Inc.

INVESCO MORTGAGE CAPITAL INC.
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PART I

ITEM 1. FINANCIAL STATEMENTS

INVESCO MORTGAGE CAPITAL INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

\$ in thousands, except share amounts	As of	
	September 30, 2024	December 31, 2023
ASSETS		
Mortgage-backed securities, at fair value (including pledged securities of \$5,401,351 and \$4,712,185, respectively; net of allowance for credit losses of \$542 and \$320, respectively)	5,873,696	5,045,306
U.S. Treasury securities, at fair value	—	11,214
Cash and cash equivalents	48,254	76,967
Restricted cash	120,199	121,670
Investment related receivable	26,739	26,604
Derivative assets, at fair value	12,035	939
Other assets	1,307	1,509
Total assets	6,082,230	5,284,209
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Repurchase agreements	5,184,885	4,458,695
Dividends payable	24,292	19,384
Accrued interest payable	10,686	15,787
Collateral held payable	336	2,475
Accounts payable and accrued expenses	1,607	1,296
Due to affiliate	3,421	3,907
Total liabilities	5,225,227	4,501,544
Commitments and contingencies (See Note 14):		
Stockholders' equity:		
Preferred Stock, par value \$0.01 per share; 50,000,000 shares authorized:		
7.75% Fixed-to-Floating Series B Cumulative Redeemable Preferred Stock: 4,247,989 and 4,385,997 shares issued and outstanding, respectively (\$106,200 and \$109,650 aggregate liquidation preference, respectively)	102,678	106,014
7.50% Fixed-to-Floating Series C Cumulative Redeemable Preferred Stock: 7,277,523 and 7,545,439 shares issued and outstanding, respectively (\$181,938 and \$188,636 aggregate liquidation preference, respectively)	175,995	182,474
Common Stock, par value \$0.01 per share; 134,000,000 and 67,000,000 shares authorized, respectively; 60,730,287 and 48,460,626 shares issued and outstanding, respectively	607	484
Additional paid in capital	4,119,347	4,011,138
Accumulated other comprehensive income	361	698
Retained earnings (distributions in excess of earnings)	(3,541,985)	(3,518,143)
Total stockholders' equity	857,003	782,665
Total liabilities and stockholders' equity	6,082,230	5,284,209

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

INVESCO MORTGAGE CAPITAL INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

\$ in thousands, except share data	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Interest income	73,825	75,132	210,436	215,847
Interest expense	66,315	65,701	187,288	174,449
Net interest income	7,510	9,431	23,148	41,398
Other income (loss)				
Gain (loss) on investments, net	165,168	(224,897)	53,803	(272,620)
(Increase) decrease in provision for credit losses	80	(43)	(222)	(212)
Equity in earnings (losses) of unconsolidated ventures	—	2	(193)	4
Gain (loss) on derivative instruments, net	(127,345)	151,689	(5,922)	203,418
Other investment income (loss), net	—	—	—	(66)
Total other income (loss)	37,903	(73,249)	47,466	(69,476)
Expenses				
Management fee – related party	2,888	3,090	8,694	9,237
General and administrative	1,805	1,691	5,544	5,743
Total expenses	4,693	4,781	14,238	14,980
Net income (loss)	40,720	(68,599)	56,376	(43,058)
Dividends to preferred stockholders	(5,474)	(5,772)	(16,567)	(17,474)
Gain on repurchase and retirement of preferred stock	25	347	426	711
Net income (loss) attributable to common stockholders	35,271	(74,024)	40,235	(59,821)
Earnings (loss) per share:				
Net income (loss) attributable to common stockholders				
Basic	0.63	(1.62)	0.78	(1.40)
Diluted	0.63	(1.62)	0.78	(1.40)

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

INVESCO MORTGAGE CAPITAL INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

\$ in thousands	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income (loss)	40,720	(68,599)	56,376	(43,058)
Other comprehensive income (loss):				
Unrealized gain (loss) on mortgage-backed securities, net	(287)	(91)	(639)	(698)
Reclassification of unrealized loss on available-for-sale securities to (increase) decrease in provision for credit losses	—	43	302	212
Reclassification of amortization of net deferred (gain) loss on de-designated interest rate swaps to interest expense	—	(1,810)	—	(9,505)
Currency translation adjustments on investment in unconsolidated venture	—	—	—	(10)
Reclassification of currency translation loss on investment in unconsolidated venture to other investment income (loss), net	—	—	—	123
Total other comprehensive income (loss)	(287)	(1,858)	(337)	(9,878)
Comprehensive income (loss)	40,433	(70,457)	56,039	(52,936)
Dividends to preferred stockholders	(5,474)	(5,772)	(16,567)	(17,474)
Gain on repurchase and retirement of preferred stock	25	347	426	711
Comprehensive income (loss) attributable to common stockholders	34,984	(75,882)	39,898	(69,699)

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

INVESCO MORTGAGE CAPITAL INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the three months ended March 31, 2024; June 30, 2024 and September 30, 2024
(Unaudited)

\$ in thousands, except share amounts	Series B Preferred Stock		Series C Preferred Stock		Common Stock		Additional Paid in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Distributions in excess of earnings)	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance as of December 31, 2023	4,385,997	106,014	7,545,439	182,474	48,460,626	484	4,011,138	698	(3,518,143)	782,665
Net income (loss)	—	—	—	—	—	—	—	—	29,122	29,122
Other comprehensive income (loss)	—	—	—	—	—	—	—	(163)	—	(163)
Proceeds from issuance of common stock, net of offering costs	—	—	—	—	365,838	4	3,314	—	—	3,318
Stock awards	—	—	—	—	(870)	—	—	—	—	—
Repurchase and retirement of preferred stock	(93,347)	(2,256)	(95,917)	(2,320)	—	—	—	—	193	(4,383)
Common stock dividends	—	—	—	—	—	—	—	—	(19,530)	(19,530)
Preferred stock dividends	—	—	—	—	—	—	—	—	(5,585)	(5,585)
Amortization of equity-based compensation	—	—	—	—	—	—	128	—	—	128
Balance as of March 31, 2024	4,292,650	103,758	7,449,522	180,154	48,825,594	488	4,014,580	535	(3,513,943)	785,572
Net income (loss)	—	—	—	—	—	—	—	—	(13,466)	(13,466)
Other comprehensive income (loss)	—	—	—	—	—	—	—	113	—	113
Proceeds from issuance of common stock, net of offering costs	—	—	—	—	1,761,155	18	16,034	—	—	16,052
Stock awards	—	—	—	—	50,855	—	—	—	—	—
Repurchase and retirement of preferred stock	(44,661)	(1,080)	(105,492)	(2,551)	—	—	—	—	208	(3,423)
Common stock dividends	—	—	—	—	—	—	—	—	(20,255)	(20,255)
Preferred stock dividends	—	—	—	—	—	—	—	—	(5,508)	(5,508)
Amortization of equity-based compensation	—	—	—	—	—	—	131	—	—	131
Balance as of June 30, 2024	4,247,989	102,678	7,344,030	177,603	50,637,604	506	4,030,745	648	(3,552,964)	759,216
Net income (loss)	—	—	—	—	—	—	—	—	40,720	40,720
Other comprehensive income (loss)	—	—	—	—	—	—	—	(287)	—	(287)
Proceeds from issuance of common stock, net of offering costs	—	—	—	—	10,084,138	101	88,445	—	—	88,546
Stock awards	—	—	—	—	8,545	—	—	—	—	—
Repurchase and retirement of preferred stock	—	—	(66,507)	(1,608)	—	—	—	—	25	(1,583)
Common stock dividends	—	—	—	—	—	—	—	—	(24,292)	(24,292)
Preferred stock dividends	—	—	—	—	—	—	—	—	(5,474)	(5,474)
Amortization of equity-based compensation	—	—	—	—	—	—	157	—	—	157
Balance as of September 30, 2024	4,247,989	102,678	7,277,523	175,995	60,730,287	607	4,119,347	361	(3,541,985)	857,003

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

INVESCO MORTGAGE CAPITAL INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the three months ended March 31, 2023; June 30, 2023 and September 30, 2023
(Unaudited)

\$ in thousands, except share amounts	Series B Preferred Stock		Series C Preferred Stock		Common Stock		Additional Paid in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Distributions in excess of earnings)	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance as of December 31, 2022	<u>4,537,634</u>	<u>109,679</u>	<u>7,816,470</u>	<u>189,028</u>	<u>38,710,916</u>	<u>387</u>	<u>3,901,562</u>	<u>10,761</u>	<u>(3,407,342)</u>	<u>804,075</u>
Net income (loss)	—	—	—	—	—	—	—	—	21,463	21,463
Other comprehensive income (loss)	—	—	—	—	—	—	—	(4,857)	—	(4,857)
Proceeds from issuance of common stock, net of offering costs	—	—	—	—	2,930,069	29	35,763	—	—	35,792
Stock awards	—	—	—	—	6,259	—	—	—	—	—
Common stock dividends	—	—	—	—	—	—	—	—	(16,658)	(16,658)
Preferred stock dividends	—	—	—	—	—	—	—	—	(5,862)	(5,862)
Amortization of equity-based compensation	—	—	—	—	—	—	162	—	—	162
Balance as of March 31, 2023	<u>4,537,634</u>	<u>109,679</u>	<u>7,816,470</u>	<u>189,028</u>	<u>41,647,244</u>	<u>416</u>	<u>3,937,487</u>	<u>5,904</u>	<u>(3,408,399)</u>	<u>834,115</u>
Net income (loss)	—	—	—	—	—	—	—	—	4,078	4,078
Other comprehensive income (loss)	—	—	—	—	—	—	—	(3,163)	—	(3,163)
Proceeds from issuance of common stock, net of offering costs	—	—	—	—	2,888,639	29	30,939	—	—	30,968
Stock awards	—	—	—	—	43,980	—	—	—	—	—
Repurchase and retirement of preferred stock	(37,788)	(913)	(42,696)	(1,033)	—	—	—	—	364	(1,582)
Common stock dividends	—	—	—	—	—	—	—	—	(17,833)	(17,833)
Preferred stock dividends	—	—	—	—	—	—	—	—	(5,840)	(5,840)
Amortization of equity-based compensation	—	—	—	—	—	—	141	—	—	141
Balance as of June 30, 2023	<u>4,499,846</u>	<u>108,766</u>	<u>7,773,774</u>	<u>187,995</u>	<u>44,579,863</u>	<u>445</u>	<u>3,968,567</u>	<u>2,741</u>	<u>(3,427,630)</u>	<u>840,884</u>
Net income (loss)	—	—	—	—	—	—	—	—	(68,599)	(68,599)
Other comprehensive income (loss)	—	—	—	—	—	—	—	(1,858)	—	(1,858)
Proceeds from issuance of common stock, net of offering costs	—	—	—	—	3,880,763	39	42,305	—	—	42,344
Repurchase and retirement of preferred stock	(34,432)	(832)	(92,563)	(2,238)	—	—	—	—	347	(2,723)
Common stock dividends	—	—	—	—	—	—	—	—	(19,384)	(19,384)
Preferred stock dividends	—	—	—	—	—	—	—	—	(5,772)	(5,772)
Amortization of equity-based compensation	—	—	—	—	—	—	133	—	—	133
Balance as of September 30, 2023	<u>4,465,414</u>	<u>107,934</u>	<u>7,681,211</u>	<u>185,757</u>	<u>48,460,626</u>	<u>484</u>	<u>4,011,005</u>	<u>883</u>	<u>(3,521,038)</u>	<u>785,025</u>

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

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INVESCO MORTGAGE CAPITAL INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

\$ in thousands	Nine Months Ended September 30,	
	2024	2023
Cash Flows from Operating Activities		
Net income (loss)	56,376	(43,058)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Amortization of premiums and (discounts), net	(9,943)	(4,412)
Realized and unrealized (gain) loss on derivative instruments, net	135,363	(13,391)
(Gain) loss on investments, net	(53,803)	272,620
Increase (decrease) in provision for credit losses	222	212
(Gain) loss from investments in unconsolidated ventures in excess of distributions received	193	(4)
Other amortization	417	(9,069)
Loss on foreign currency translation	—	123
Changes in operating assets and liabilities:		
(Increase) decrease in operating assets	(2,091)	(3,106)
Increase (decrease) in operating liabilities	(5,429)	6,200
Net cash provided by (used in) operating activities	121,305	206,115
Cash Flows from Investing Activities		
Purchase of mortgage-backed securities	(1,912,509)	(4,522,098)
Purchase of U.S. Treasury securities	—	(48,672)
Distributions from investments in unconsolidated ventures, net	307	41
Principal payments from mortgage-backed securities	261,933	260,942
Proceeds from sale of mortgage-backed securities	887,185	3,339,830
Proceeds from sale of U.S. Treasury securities	10,755	48,977
Settlement (termination) of swaps, TBAs, futures and forwards, net	(146,459)	19,611
Net change in due from counterparties and collateral held payable on derivative instruments	—	1,584
Net cash provided by (used in) investing activities	(898,788)	(899,785)
Cash Flows from Financing Activities		
Proceeds from issuance of common stock	108,062	109,104
Repurchase of preferred stock	(9,389)	(4,305)
Proceeds from repurchase agreements	31,557,925	28,937,349
Principal repayments of repurchase agreements	(30,831,316)	(28,185,166)
Net change in due from counterparties and collateral held payable on repurchase agreements	(2,139)	(4,892)
Payments of deferred costs	(108)	(329)
Payments of dividends	(75,736)	(77,127)
Net cash provided by (used in) financing activities	747,299	774,634
Net change in cash, cash equivalents and restricted cash	(30,184)	80,964
Cash, cash equivalents and restricted cash, beginning of period	198,637	278,781
Cash, cash equivalents and restricted cash, end of period	168,453	359,745
Supplement Disclosure of Cash Flow Information		
Interest paid	192,389	177,748
Non-cash Investing and Financing Activities Information		
Net change in unrealized gain (loss) on mortgage-backed securities classified as available-for-sale	337	486
Dividends declared not paid	24,292	19,384
Net change in investment related receivable (payable)	(1,772)	80
Net change in foreign currency translation adjustment recorded in accumulated other comprehensive income	—	(113)

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

INVESCO MORTGAGE CAPITAL INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 – Organization and Business Operations

Invesco Mortgage Capital Inc. (the “Company” or “we”) is a Maryland corporation primarily focused on investing in, financing and managing mortgage-backed securities (“MBS”) and other mortgage-related assets.

As of September 30, 2024, we were invested in:

- residential mortgage-backed securities (“RMBS”) that are guaranteed by a U.S. government agency such as the Government National Mortgage Association (“Ginnie Mae”), or a federally chartered corporation such as the Federal National Mortgage Association (“Fannie Mae”) or the Federal Home Loan Mortgage Corporation (“Freddie Mac”) (collectively “Agency RMBS”);
- commercial mortgage-backed securities (“CMBS”) that are guaranteed by a U.S. government agency such as Ginnie Mae or a federally chartered corporation such as Fannie Mae or Freddie Mac (collectively “Agency CMBS”);
- CMBS that are not guaranteed by a U.S. government agency or a federally chartered corporation (“non-Agency CMBS”); and
- RMBS that are not guaranteed by a U.S. government agency or a federally chartered corporation (“non-Agency RMBS”).

During the periods presented in these condensed consolidated financial statements, we also invested in U.S. Treasury securities and real estate-related financing arrangements in the form of unconsolidated ventures.

We conduct our business through IAS Operating Partnership L.P. (the “Operating Partnership”) and have one operating segment. We are externally managed and advised by Invesco Advisers, Inc. (our “Manager”), a registered investment adviser and an indirect, wholly-owned subsidiary of Invesco Ltd. (“Invesco”), a leading independent global investment management firm.

We elected to be taxed as a real estate investment trust (“REIT”) for U.S. federal income tax purposes under the provisions of the Internal Revenue Code of 1986. To maintain our REIT qualification, we are generally required to distribute at least 90% of our REIT taxable income to our stockholders annually. We operate our business in a manner that permits our exclusion from the “Investment Company” definition under the Investment Company Act of 1940, as amended (the “1940 Act”).

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation and Consolidation

Certain disclosures included in our Annual Report on Form 10-K are not required to be included on an interim basis in our quarterly reports on Form 10-Q. We have condensed or omitted these disclosures. Therefore, this Form 10-Q should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2023.

Our condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”) and consolidate the financial statements of the Company and its controlled subsidiaries. All significant intercompany transactions, balances, revenues and expenses are eliminated upon consolidation. In the opinion of management, the condensed consolidated financial statements reflect all adjustments, consisting of normal recurring accruals, which are necessary for a fair statement of our financial condition and results of operations for the periods presented.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in our condensed consolidated financial statements and accompanying notes. Examples of estimates include, but are not limited to, estimates of the fair values of financial instruments, interest income on mortgage-backed securities and allowances for credit losses. Actual results may differ from those estimates.

Significant Accounting Policies

There have been no changes to our accounting policies included in Note 2 to the consolidated financial statements of our Annual Report on Form 10-K for the year ended December 31, 2023 other than as detailed below.

Futures Contracts

We account for our futures contracts as derivative financial instruments. Futures contracts are recorded on our condensed consolidated balance sheets at fair value, and changes in fair value are recorded within gain (loss) on derivative instruments, net on our condensed consolidated statements of operations. Our futures contracts are exchange-traded and valued under the market approach using quoted prices for identical instruments in active markets.

Recently Issued Accounting Pronouncements

In November 2023, the Financial Standards Accounting Board issued an accounting standards update intended to improve reportable segment disclosure requirements on an annual and interim basis. The amendments require, among other items, enhanced disclosures around significant segment expenses regularly provided to the chief operating decision maker ("CODM"), as well as the CODM's title and position. Additionally, the amendments expand the scope of all segment reporting disclosure requirements to include those entities with only a single operating segment, such as us.

We are required to implement the amendments in our consolidated financial statements for the year ended December 31, 2024 and for interim periods thereafter.

Note 3 – Variable Interest Entities ("VIEs")

Our maximum risk of loss in VIEs in which we are not the primary beneficiary as of September 30, 2024 is presented in the table below.

\$ in thousands	Carrying Amount	Company's Maximum Risk of Loss
Non-Agency CMBS	9,936	9,936
Non-Agency RMBS	7,673	7,673
Total	17,609	17,609

Refer to Note 4 - "Mortgage-Backed Securities" for additional details regarding these investments.

Note 4 – Mortgage-Backed Securities

The following tables summarize our MBS portfolio by asset type as of September 30, 2024 and December 31, 2023.

As of September 30, 2024

\$ in thousands	Principal/ Notional Balance	Unamortized Premium (Discount)	Amortized Cost	Allowance for Credit Losses	Unrealized Gain/ (Loss), net	Fair Value	Period- end Weighted Average Yield ⁽¹⁾
Agency RMBS:							
30 year fixed-rate pass-through	5,066,865	(105,046)	4,961,819	—	145,995	5,107,814	5.43 %
Agency-CMO ⁽²⁾	539,741	(470,393)	69,348	—	3,851	73,199	9.91 %
Agency CMBS	664,661	(5,342)	659,319	—	15,755	675,074	4.64 %
Non-Agency CMBS	11,000	—	11,000	(542)	(522)	9,936	8.91 %
Non-Agency RMBS ⁽³⁾⁽⁴⁾⁽⁵⁾	253,758	(246,927)	6,831	—	842	7,673	9.31 %
Total	6,536,025	(827,708)	5,708,317	(542)	165,921	5,873,696	5.41 %

- (1) Period-end weighted average yield is based on amortized cost as of September 30, 2024 and incorporates future prepayment and loss assumptions when appropriate. Total represents period-end weighted average yield of all mortgage-backed securities.
- (2) All Agency collateralized mortgage obligations ("Agency-CMO") are interest-only securities ("Agency IO").
- (3) Non-Agency RMBS is 66.1% fixed rate, 33.2% variable rate, and 0.7% floating rate based on fair value. Coupon payments on variable rate investments are based upon changes in the underlying hybrid adjustable-rate mortgage ("ARM") loan coupons, while coupon payments on floating rate investments are based upon a spread to a reference index.
- (4) Of the total discount in non-Agency RMBS, \$2.1 million is non-accretable calculated using the principal/notional balance and based on estimated future cash flows of the securities.
- (5) Non-Agency RMBS includes interest-only securities ("non-Agency IO") which represent 96.7% of principal/notional balance, 34.4% of amortized cost and 30.9% of fair value.

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As of December 31, 2023

\$ in thousands	Principal/Notional Balance	Unamortized Premium (Discount)	Amortized Cost	Allowance for Credit Losses	Unrealized Gain/ (Loss), net	Fair Value	Period- end Weighted Average Yield ⁽¹⁾
Agency RMBS:							
30 year fixed-rate pass-through	5,005,512	(159,924)	4,845,588	—	106,886	4,952,474	5.33 %
Agency-CMO ⁽²⁾	573,240	(498,355)	74,885	—	(127)	74,758	9.74 %
Non-Agency CMBS	11,000	(372)	10,628	(320)	(373)	9,935	9.58 %
Non-Agency RMBS ⁽³⁾⁽⁴⁾⁽⁵⁾	275,061	(267,744)	7,317	—	822	8,139	9.10 %
Total	5,864,813	(926,395)	4,938,418	(320)	107,208	5,045,306	5.42 %

- (1) Period-end weighted average yield is based on amortized cost as of December 31, 2023 and incorporates future prepayment and loss assumptions when appropriate. Total represents period-end weighted average yield of all mortgage-backed securities.
- (2) All Agency-CMO are Agency IO.
- (3) Non-Agency RMBS is 66.8% fixed rate, 32.5% variable rate and 0.7% floating rate based on fair value. Coupon payments on variable rate investments are based upon changes in the underlying hybrid ARM loan coupons, while coupon payments on floating rate investments are based upon a spread to a reference index.
- (4) Of the total discount in non-Agency RMBS, \$2.1 million is non-accretable calculated using the principal/notional balance and based on estimated future cash flows of the securities.
- (5) Non-Agency RMBS includes non-Agency IO which represent 96.9% of principal/notional balance, 37.6% of amortized cost and 31.7% of fair value.

The following table presents the fair value of our available-for-sale securities and securities accounted for under the fair value option by asset type as of September 30, 2024 and December 31, 2023. We have elected the fair value option for our MBS purchased on or after September 1, 2016 and all of our RMBS interest-only securities. As of September 30, 2024 and December 31, 2023, approximately 99.7% of our MBS were accounted for under the fair value option.

\$ in thousands	As of					
	September 30, 2024			December 31, 2023		
	Available-for-sale Securities	Securities under Fair Value Option	Total Fair Value	Available-for-sale Securities	Securities under Fair Value Option	Total Fair Value
Agency RMBS:						
30 year fixed-rate pass-through	—	5,107,814	5,107,814	—	4,952,474	4,952,474
Agency-CMO	—	73,199	73,199	—	74,758	74,758
Agency CMBS	—	675,074	675,074	—	—	—
Non-Agency CMBS	9,936	—	9,936	9,935	—	9,935
Non-Agency RMBS	5,439	2,234	7,673	5,743	2,396	8,139
Total	15,375	5,858,321	5,873,696	15,678	5,029,628	5,045,306

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The components of the carrying value of our MBS portfolio as of September 30, 2024 and December 31, 2023 are presented below. Accrued interest receivable on our MBS portfolio, which is recorded within investment related receivable on our condensed consolidated balance sheets, was \$25.7 million as of September 30, 2024 (December 31, 2023: \$22.3 million).

\$ in thousands	As of					
	September 30, 2024			December 31, 2023		
	MBS	Interest-Only Securities	Total	MBS	Interest-Only Securities	Total
Principal/notional balance	5,750,928	785,097	6,536,025	5,025,062	839,751	5,864,813
Unamortized premium	17,355	—	17,355	5,061	—	5,061
Unamortized discount	(131,667)	(713,396)	(845,063)	(169,342)	(762,114)	(931,456)
Allowance for credit losses	(542)	—	(542)	(320)	—	(320)
Gross unrealized gains ⁽¹⁾	163,888	6,501	170,389	107,899	3,523	111,422
Gross unrealized losses ⁽¹⁾	(1,835)	(2,633)	(4,468)	(393)	(3,821)	(4,214)
Fair value	5,798,127	75,569	5,873,696	4,967,967	77,339	5,045,306

- (1) Gross unrealized gains and losses includes gains (losses) recognized in net income for securities accounted for under the fair value option as well as gains (losses) for available-for-sale securities which are recognized as adjustments to other comprehensive income. Realization occurs upon sale or settlement of such securities. Further detail on the components of our total gains (losses) on investments, net for the three and nine months ended September 30, 2024 and 2023 is provided below in this Note 4.

The following table summarizes our MBS portfolio according to estimated weighted average life classifications as of September 30, 2024 and December 31, 2023.

\$ in thousands	As of	
	September 30, 2024	December 31, 2023
Less than one year	—	—
Greater than one year and less than five years	1,970,485	189,845
Greater than or equal to five years	3,903,211	4,855,461
Total	5,873,696	5,045,306

The following tables present the estimated fair value and gross unrealized losses of our MBS by length of time that such securities have been in a continuous unrealized loss position as of September 30, 2024 and December 31, 2023.

As of September 30, 2024

\$ in thousands	Less than 12 Months			12 Months or More			Total		
	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses	Number of Securities
Agency RMBS:									
30 year fixed-rate pass-through ⁽¹⁾	137,867	(570)	1	—	—	—	137,867	(570)	1
Agency-CMO ⁽¹⁾	5,030	(344)	1	14,312	(2,054)	4	19,342	(2,398)	5
Agency CMBS ⁽¹⁾	138,300	(732)	6	—	—	—	138,300	(732)	6
Non-Agency CMBS ⁽²⁾	9,936	(522)	1	—	—	—	9,936	(522)	1
Non-Agency RMBS ⁽³⁾	—	—	—	1,384	(246)	9	1,384	(246)	9
Total	291,133	(2,168)	9	15,696	(2,300)	13	306,829	(4,468)	22

- (1) Fair value option has been elected for all Agency securities in an unrealized loss position.
- (2) Unrealized losses on non-Agency CMBS are recorded in accumulated other comprehensive income. These losses are not reflected in an allowance for credit losses based on a comparison of discounted expected cash flows to current amortized cost basis.
- (3) Includes non-Agency IO with a fair value of \$1.1 million for which the fair value option has been elected. Such securities have unrealized losses of \$235,000.

As of December 31, 2023

\$ in thousands	Less than 12 Months			12 Months or More			Total		
	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses	Number of Securities
Agency RMBS:									
Agency-CMO ⁽¹⁾	17,486	(849)	3	21,664	(2,574)	6	39,150	(3,423)	9
Non-Agency CMBS ⁽²⁾	9,935	(373)	1	—	—	—	9,935	(373)	1
Non-Agency RMBS ⁽³⁾	—	—	—	1,462	(418)	9	1,462	(418)	9
Total	27,421	(1,222)	4	23,126	(2,992)	15	50,547	(4,214)	19

(1) Fair value option has been elected for all Agency securities in an unrealized loss position.

(2) Unrealized losses on non-Agency CMBS are included in accumulated other comprehensive income. These losses are not reflected in an allowance for credit losses based on a comparison of discounted expected cash flows to current amortized cost basis.

(3) Includes non-Agency IO with a fair value of \$1.2 million for which the fair value option has been elected. Such securities have unrealized losses of \$399,000.

We recorded an \$80,000 decrease in the provision for credit losses during the three months ended September 30, 2024 and a \$222,000 increase in the provision during the nine months ended September 30, 2024 on a single non-Agency CMBS (three and nine months ended September 30, 2023: \$43,000 and \$212,000 increase in the provision, respectively). The following table presents a roll-forward of our allowance for credit losses.

\$ in thousands	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Beginning allowance for credit losses	(622)	(169)	(320)	—
Additions to the allowance for credit losses on securities for which credit losses were not previously recorded	—	—	—	(212)
Additional (increases) decreases to the allowance for credit losses on securities that had an allowance recorded in a previous period	80	(43)	(222)	—
Ending allowance for credit losses	(542)	(212)	(542)	(212)

The following table summarizes the components of our total gain (loss) on investments, net for the three and nine months ended September 30, 2024 and 2023.

\$ in thousands	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Gross realized gains on sale of MBS	4,963	—	5,111	5,363
Gross realized losses on sale of MBS	—	(33,157)	(9,898)	(62,769)
Net unrealized gains (losses) on MBS accounted for under the fair value option	160,205	(191,752)	59,048	(215,226)
Net unrealized gains (losses) on U.S. Treasury securities	—	—	(372)	—
Net realized gains (losses) on U.S. Treasury securities	—	12	(86)	12
Total gain (loss) on investments, net	165,168	(224,897)	53,803	(272,620)

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The following tables present components of interest income recognized for the three and nine months ended September 30, 2024 and 2023.

For the three months ended September 30, 2024

\$ in thousands	Coupon Interest	Net (Premium Amortization)/Discount Accretion	Interest Income
Agency RMBS	66,337	1,298	67,635
Agency CMBS	5,286	168	5,454
Non-Agency CMBS	125	114	239
Non-Agency RMBS	264	(103)	161
Other (inclusive of interest earned on cash balances)	336	—	336
Total interest income	72,348	1,477	73,825

For the three months ended September 30, 2023

\$ in thousands	Coupon Interest	Net (Premium Amortization)/Discount Accretion	Interest Income
Agency RMBS	70,754	2,465	73,219
Non-Agency CMBS	437	301	738
Non-Agency RMBS	285	(126)	159
U.S. Treasury Securities	—	292	292
Other (inclusive of interest earned on cash balances)	724	—	724
Total interest income	72,200	2,932	75,132

For the nine months ended September 30, 2024

\$ in thousands	Coupon Interest	Net (Premium Amortization)/Discount Accretion	Interest Income
Agency RMBS	193,715	4,028	197,743
Agency CMBS	10,046	338	10,384
Non-Agency CMBS	376	372	748
Non-Agency RMBS	818	(338)	480
U.S. Treasury securities	22	(1)	21
Other (inclusive of interest earned on cash balances)	1,060	—	1,060
Total interest income	206,037	4,399	210,436

For the nine months ended September 30, 2023

\$ in thousands	Coupon Interest	Net (Premium Amortization)/Discount Accretion	Interest Income
Agency RMBS	206,804	3,616	210,420
Non-Agency CMBS	1,404	888	2,292
Non-Agency RMBS	865	(384)	481
U.S. Treasury Securities	—	292	292
Other (inclusive of interest earned on cash balances)	2,362	—	2,362
Total interest income	211,435	4,412	215,847

Note 5 - U.S. Treasury Securities

The following table presents the components of the carrying value of our U.S. Treasury security as of December 31, 2023. We sold the security during the first quarter of 2024. We did not hold any U.S. Treasury securities as of September 30, 2024.

\$ in thousands	As of
	December 31, 2023
Principal balance	10,000
Unamortized premium	842
Amortized cost	10,842
Unrealized gain (loss), net	372
Fair value	11,214

Note 6 – Borrowings

We finance the majority of our investment portfolio through repurchase agreements. Our repurchase agreements bear interest at a contractually agreed upon rate and generally have maturities ranging from one to six months. We account for our repurchase agreements as secured borrowings since we maintain effective control of the financed assets. Our repurchase agreements are subject to certain financial covenants. We were in compliance with all of these covenants as of September 30, 2024.

The following tables summarize certain characteristics of our borrowings as of September 30, 2024 and December 31, 2023. Refer to Note 7 - "Collateral Positions" for collateral pledged and held under our repurchase agreements.

\$ in thousands	As of					
	September 30, 2024			December 31, 2023		
	Amount Outstanding	Weighted Average Interest Rate	Weighted Average Remaining Maturity (days)	Amount Outstanding	Weighted Average Interest Rate	Weighted Average Remaining Maturity (days)
Repurchase Agreements - Agency RMBS	4,535,956	5.15 %	33	4,458,695	5.53 %	20
Repurchase Agreements - Agency CMBS	648,929	5.16 %	25	—	N/A	N/A
Total Borrowings	5,184,885	5.15 %	32	4,458,695	5.53 %	20

Note 7 - Collateral Positions

The following table summarizes the fair value of collateral that we pledged and held under our repurchase agreements, interest rate swaps and futures contracts as of September 30, 2024 and December 31, 2023. Refer to Note 2 - "Summary of Significant Accounting Policies - Fair Value Measurements" of our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2023 and Note 2 of these condensed consolidated financial statements for a description of how we determine fair value. Agency RMBS and Agency CMBS collateral pledged is included in mortgage-backed securities on our condensed consolidated balance sheets. Cash collateral pledged on centrally cleared interest rate swaps and futures contracts is classified as restricted cash on our condensed consolidated balance sheets.

Cash collateral held that is not restricted for use is included in cash and cash equivalents on our condensed consolidated balance sheets and the liability to return the collateral is included in collateral held payable. Non-cash collateral held is only recognized if the counterparty defaults or if we sell the pledged collateral. As of September 30, 2024 and December 31, 2023, we did not recognize any non-cash collateral held on our condensed consolidated balance sheets.

\$ in thousands	As of	
	September 30, 2024	December 31, 2023
Collateral Pledged		
Repurchase Agreements:		
Agency RMBS	4,726,277	4,712,185
Agency CMBS	675,074	—
Total repurchase agreements collateral pledged	5,401,351	4,712,185
Derivative Instruments:		
Restricted cash	120,199	121,670
Total derivative instruments collateral pledged	120,199	121,670
Total Collateral Pledged:		
Mortgage-backed securities	5,401,351	4,712,185
Restricted cash	120,199	121,670
Total Collateral Pledged	5,521,550	4,833,855
	As of	
	September 30, 2024	December 31, 2023
Collateral Held		
Repurchase Agreements:		
Cash	336	2,475
Non-cash collateral	1,481	39,130
Total repurchase agreements collateral held	1,817	41,605

Repurchase Agreements

Collateral pledged with our repurchase agreement counterparties is segregated in our books and records. The repurchase agreement counterparties have the right to resell and repledge the collateral posted but have the obligation to return the pledged collateral, or substantially the same collateral if agreed to by us, upon maturity of the repurchase agreement. Under the repurchase agreements, the respective lender retains the contractual right to mark the underlying collateral to fair value. We would be required to provide additional collateral to fund margin calls if the value of pledged assets declined. We intend to maintain a level of liquidity that will enable us to meet any reasonably anticipated margin calls.

The ratio of our total repurchase agreements collateral pledged to our total repurchase agreements outstanding was 104% as of September 30, 2024 (December 31, 2023: 106%) based on the fair value of the securities as reported in our condensed consolidated balance sheets.

Interest Rate Swaps

As of September 30, 2024 and December 31, 2023, all of our interest rate swaps were centrally cleared by a registered clearing organization such as the Chicago Mercantile Exchange (“CME”) and LCH Limited (“LCH”) through a Futures Commission Merchant (“FCM”). We are required to pledge initial margin and daily variation margin for our centrally cleared interest rate swaps that is based on the fair value of our contracts as determined by our FCM. Collateral pledged with our FCM is segregated in our books and records and can be in the form of cash or securities. Daily variation margin for centrally cleared

interest rate swaps is characterized as settlement of the derivative itself rather than collateral and is recorded as gain (loss) on derivative instruments, net in our condensed consolidated statements of operations. Certain of our FCM agreements include cross default provisions.

Futures Contracts

We are required to pledge initial margin and daily variation margin for our futures contracts that is based on the fair value of our contracts as determined by our FCM. The daily variation margin payment for our futures contracts is characterized as settlement of the futures contract itself rather than collateral and is recorded as gain (loss) on derivative instruments, net in our condensed consolidated statement of operations.

Note 8 – Derivatives and Hedging Activities

The following table summarizes changes in the notional amount of our derivative instruments during 2024.

\$ in thousands	Notional Amount as of December 31, 2023	Additions	Settlement, Termination, Expiration or Exercise	Notional Amount as of September 30, 2024
Interest Rate Swaps	4,065,000	2,640,000	(2,915,000)	3,790,000
Futures Contracts	—	750,000	(260,000)	490,000
TBA Purchase Contracts	—	1,100,000	(1,100,000)	—
TBA Sale Contracts	—	(1,100,000)	1,100,000	—
Total	4,065,000	3,390,000	(3,175,000)	4,280,000

Refer to Note 7 - "Collateral Positions" for further information regarding our collateral pledged to and received from our derivative counterparties.

Interest Rate Swaps

At each settlement date, we typically refinance each repurchase agreement at the market interest rate at that time. Our objectives in using interest rate derivatives are to add stability to interest expense and to manage our exposures to interest rate movements. To accomplish these objectives, we primarily use interest rate swaps as part of our interest rate risk management strategy. Under the terms of our interest rate swap contracts, we make fixed-rate payments to a counterparty in exchange for the receipt of floating-rate amounts over the life of the agreements without exchange of the underlying notional amount. To a lesser extent, we have also used interest rate swap contracts whereby we make floating-rate payments to a counterparty in exchange for the receipt of fixed-rate amounts as part of our overall risk management strategy.

In 2013, we discontinued cash flow hedge accounting for our interest rate swaps. Amounts recorded in accumulated other comprehensive income before we discontinued cash flow hedge accounting for our interest rate swaps were reclassified to interest expense on the condensed consolidated statements of operations as interest was accrued and paid on the related repurchase agreements over the remaining life of the interest rate swap agreements. We reclassified \$1.8 million and \$9.5 million as a decrease to interest expense during the three and nine months ended September 30, 2023, respectively. As of December 31, 2023, there were no gains or losses on discontinued cash flow hedges remaining in accumulated other comprehensive income.

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As of September 30, 2024 and December 31, 2023, we had interest rate swaps whereby we pay interest at a fixed rate and receive floating interest based on the secured overnight financing rate (“SOFR”) with the following maturities outstanding.

\$ in thousands

Maturities	As of September 30, 2024			
	Notional Amount	Weighted Average Fixed Pay Rate	Weighted Average Floating Receive Rate	Weighted Average Years to Maturity
Less than 3 years	1,730,000	1.93 %	4.96 %	2.1
3 to 5 years	575,000	0.33 %	4.96 %	3.4
5 to 7 years	950,000	0.54 %	4.96 %	5.8
7 to 10 years	100,000	3.61 %	4.96 %	9.3
Greater than 10 years	435,000	1.84 %	4.96 %	19.0
Total	3,790,000	1.37 %	4.96 %	5.4

\$ in thousands

Maturities	As of December 31, 2023			
	Notional Amount	Weighted Average Fixed Pay Rate	Weighted Average Floating Receive Rate	Weighted Average Years to Maturity
Less than 3 years	950,000	2.55 %	5.38 %	1.6
3 to 5 years	1,375,000	0.29 %	5.38 %	3.8
5 to 7 years	1,150,000	0.55 %	5.38 %	6.6
Greater than 10 years	590,000	1.75 %	5.38 %	21.4
Total	4,065,000	1.10 %	5.38 %	6.6

Futures Contracts

We use futures contracts to help mitigate the potential impact of changes in interest rates on our performance. As of September 30, 2024, our futures contracts represented short positions in Ultra 10 year U.S. Treasury Notes. We did not hold any futures contracts as of December 31, 2023.

To-Be-Announced Securities Forward Contracts (“TBAs”)

We primarily use TBAs that we do not intend to physically settle on the contractual settlement date as an alternative means of investing in and financing Agency RMBS. We did not have any TBAs outstanding as of September 30, 2024 or December 31, 2023.

Tabular Disclosure of the Effect of Derivative Instruments on the Balance Sheets

The table below presents the fair value of our derivative financial instruments, as well as their classification on the condensed consolidated balance sheets as of September 30, 2024 and December 31, 2023.

\$ in thousands

Derivative Assets			Derivative Liabilities		
Balance Sheets	As of		Balance Sheets	As of	
	September 30, 2024	December 31, 2023		September 30, 2024	December 31, 2023
	Fair Value	Fair Value		Fair Value	Fair Value
Interest Rate Swaps Asset	9,508	939	Interest Rate Swaps Liability	—	—
Futures Contracts	2,527	—	Futures Contracts	—	—
Total Derivative Assets	12,035	939	Total Derivative Liabilities	—	—

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The following tables summarize the effect of interest rate swaps, futures contracts, TBAs and currency forward contracts reported in gain (loss) on derivative instruments, net on the condensed consolidated statements of operations for the three and nine months ended September 30, 2024 and 2023.

\$ in thousands	Derivative not designated as hedging instrument	Three Months Ended September 30, 2024			
		Realized gain (loss) on derivative instruments, net	Contractual net interest income (expense)	Unrealized gain (loss), net	Gain (loss) on derivative instruments, net
Interest Rate Swaps		(160,472)	40,883	517	(119,072)
Futures Contracts		(12,419)	—	2,527	(9,892)
TBAs		94	—	1,525	1,619
Total		(172,797)	40,883	4,569	(127,345)

\$ in thousands	Derivative not designated as hedging instrument	Three Months Ended September 30, 2023			
		Realized gain (loss) on derivative instruments, net	Contractual net interest income (expense)	Unrealized gain (loss), net	Gain (loss) on derivative instruments, net
Interest Rate Swaps		84,565	72,126	(5,002)	151,689
Total		84,565	72,126	(5,002)	151,689

\$ in thousands	Derivative not designated as hedging instrument	Nine Months Ended September 30, 2024			
		Realized gain (loss) on derivative instruments, net	Contractual net interest income (expense)	Unrealized gain (loss), net	Gain (loss) on derivative instruments, net
Interest Rate Swaps		(134,661)	129,441	8,569	3,349
Futures Contracts		(12,419)	—	2,527	(9,892)
TBAs		621	—	—	621
Total		(146,459)	129,441	11,096	(5,922)

\$ in thousands	Derivative not designated as hedging instrument	Nine Months Ended September 30, 2023			
		Realized gain (loss) on derivative instruments, net	Contractual net interest income (expense)	Unrealized gain (loss), net	Gain (loss) on derivative instruments, net
Interest Rate Swaps		21,509	190,027	(7,658)	203,878
Currency Forward Contracts		(18)	—	—	(18)
TBAs		(1,880)	—	1,438	(442)
Total		19,611	190,027	(6,220)	203,418

Note 9 – Offsetting Assets and Liabilities

Certain of our repurchase agreements and derivative transactions are governed by underlying agreements that generally provide for a right of offset under master netting arrangements (or similar agreements) in the event of default or in the event of bankruptcy of either party to the transactions. Assets and liabilities subject to such arrangements are presented on a gross basis in the condensed consolidated balance sheets.

The following tables present information about the assets and liabilities that are subject to master netting arrangements (or similar agreements) and can potentially be offset on our condensed consolidated balance sheets as of September 30, 2024 and December 31, 2023. The daily variation margin payments for centrally cleared interest rate swaps and futures contracts are characterized as settlement of the derivative itself rather than collateral. Our derivative assets of \$9.5 million related to centrally cleared interest rate swaps and \$2.5 million related to futures contracts as of September 30, 2024 (December 31, 2023: asset of \$939,000 related to centrally cleared interest rate swaps) are not included in the table below as a result of this characterization of daily variation margin.

As of September 30, 2024

\$ in thousands	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset in the Balance Sheets	Net Amounts of Assets (Liabilities) Presented in the Balance Sheets	Gross Amounts Not Offset with Financial Assets (Liabilities) in the Balance Sheets		Net Amount
				Financial Instruments	Cash Collateral (Received) Pledged	
Liabilities						
Repurchase Agreements ⁽¹⁾	(5,184,885)	—	(5,184,885)	5,184,885	—	—
Total Liabilities	(5,184,885)	—	(5,184,885)	5,184,885	—	—

As of December 31, 2023

\$ in thousands	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset in the Balance Sheets	Net Amounts of Assets (Liabilities) Presented in the Balance Sheets	Gross Amounts Not Offset with Financial Assets (Liabilities) in the Balance Sheets		Net Amount
				Financial Instruments	Cash Collateral (Received) Pledged	
Liabilities						
Repurchase Agreements ⁽¹⁾	(4,458,695)	—	(4,458,695)	4,458,695	—	—
Total Liabilities	(4,458,695)	—	(4,458,695)	4,458,695	—	—

- (1) The fair value of securities pledged against our borrowings under repurchase agreements was \$5.4 billion as of September 30, 2024 (December 31, 2023: \$4.7 billion). We held \$336,000 of cash collateral under repurchase agreements as of September 30, 2024 (December 31, 2023: \$2.5 million). Gross amounts not offset are limited to the net amount of repurchase agreement liabilities presented sufficient to reduce the net amount to zero for each counterparty. Accordingly, cash collateral held under repurchase agreements is not shown in the table above, but the obligation to return the cash collateral is separately reported within collateral held payable on the condensed consolidated balance sheets.

Cash collateral pledged by us on our derivatives was \$120.2 million as of September 30, 2024 (December 31, 2023: \$121.7 million) of which \$120.2 million relates to initial margin pledged on centrally cleared interest rate swaps and futures contracts (December 31, 2023: \$121.7 million for centrally cleared interest rate swaps). Centrally cleared interest rate swaps and futures contracts are excluded from the tables above. We held no cash collateral on our derivatives as of September 30, 2024 or December 31, 2023.

Note 10 – Fair Value of Financial Instruments

A three-level valuation hierarchy exists for disclosure of fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. Observable inputs reflect readily obtainable data from independent sources, while unobservable inputs reflect our market assumptions. The three levels are defined as follows:

- *Level 1 Inputs* – Quoted prices for identical instruments in active markets.
- *Level 2 Inputs* – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.
- *Level 3 Inputs* – Instruments with primarily unobservable value drivers.

The following tables present our assets and liabilities measured at fair value on a recurring basis.

	As of September 30, 2024				
	Fair Value Measurements Using:				
\$ in thousands	Level 1	Level 2	Level 3		Total at Fair Value
Assets:					
Mortgage-backed securities ⁽¹⁾	—	5,873,696	—		5,873,696
Derivative assets	2,527	9,508	—		12,035
Total assets	2,527	5,883,204	—		5,885,731

	As of December 31, 2023				
	Fair Value Measurements Using:				
\$ in thousands	Level 1	Level 2	Level 3	NAV as a practical expedient ⁽³⁾	Total at Fair Value
Assets:					
Mortgage-backed securities ⁽¹⁾	—	5,045,306	—	—	5,045,306
U.S. Treasury securities ⁽²⁾	—	11,214	—	—	11,214
Derivative assets	—	939	—	—	939
Other assets	—	—	—	500	500
Total assets	—	5,057,459	—	500	5,057,959

(1) For more detail about the fair value of our MBS, refer to Note 4 - “Mortgage-Backed Securities”.

(2) For more information on U.S. Treasury securities, refer to Note 5 - “U.S. Treasury Securities”.

(3) Our investment in an unconsolidated venture was valued using the net asset value (“NAV”) as a practical expedient and was not subject to redemption, although investors could sell or transfer their interest at the approval of the general partner of the underlying funds. The unconsolidated venture made its final distribution in the first quarter of 2024.

The following table presents the carrying value and estimated fair value of our financial instruments that are not carried at fair value on the condensed consolidated balance sheets as of September 30, 2024 and December 31, 2023.

\$ in thousands	As of			
	September 30, 2024		December 31, 2023	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial Liabilities				
Repurchase agreements	5,184,885	5,185,346	4,458,695	4,458,662
Total	5,184,885	5,185,346	4,458,695	4,458,662

The estimated fair value of repurchase agreements is a Level 3 fair value measurement based on an expected present value technique. This method discounts future estimated cash flows using rates we determined best reflect current market interest rates that would be offered for repurchase agreements with similar characteristics and credit quality.

Note 11 – Related Party Transactions

Our Manager is at all times subject to the supervision and oversight of our board of directors and has only such functions and authority as we delegate to it. Under the terms of our management agreement, our Manager and its affiliates provide us with our management team, including our officers and appropriate support personnel. Each of our officers is an employee of our Manager or one of its affiliates. We do not have any employees. Our Manager is not obligated to dedicate any of its employees exclusively to us, nor is our Manager obligated to dedicate any specific portion of time to our business. The costs of support personnel provided by our Manager for the three and nine months ended September 30, 2024 reimbursed or reimbursable by us were \$494,000 and \$1.1 million, respectively (September 30, 2023: \$397,000 and \$1.3 million, respectively).

Management Fee

We pay our Manager a fee equal to 1.50% of our stockholders' equity per annum. For purposes of calculating the management fee, stockholders' equity is calculated as average month-end stockholders' equity for the prior calendar quarter as determined in accordance with U.S. GAAP. Stockholders' equity may exclude one-time events due to changes in U.S. GAAP and certain non-cash items upon approval by a majority of our independent directors.

During the periods presented in these condensed consolidated financial statements, we did not pay any management fees on our investments in unconsolidated ventures that are managed by an affiliate of our Manager.

Expense Reimbursement

We are required to reimburse our Manager for operating expenses incurred on our behalf, including directors and officers insurance, accounting services, auditing and tax services, legal services, filing fees, and miscellaneous general and administrative costs. Our reimbursement obligation is not subject to any dollar limitation.

The following table summarizes the costs incurred on our behalf by our Manager during the three and nine months ended September 30, 2024 and 2023.

\$ in thousands	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Incurred costs, prepaid or expensed	2,420	2,442	5,308	5,130
Incurred costs, charged or expected to be charged against equity as a cost of raising capital	108	—	108	257
Total incurred costs, originally paid by our Manager	2,528	2,442	5,416	5,387

Note 12 – Stockholders' Equity

Preferred Stock

In May 2022, our board of directors approved a share repurchase program for our Series B and Series C Preferred Stock. During the three and nine months ended September 30, 2024, we repurchased and retired no shares and 138,008 shares of Series B Preferred Stock, respectively, and 66,507 and 267,916 shares of Series C Preferred Stock, respectively. During the three and nine months ended September 30, 2023, we repurchased and retired 34,432 and 72,220 shares of Series B Preferred Stock, respectively, and 92,563 and 135,259 shares of Series C Preferred Stock, respectively. As of September 30, 2024, we had authority to repurchase 1,047,989 additional shares of our Series B Preferred Stock and 777,523 additional shares of our Series C Preferred Stock under the current preferred stock share repurchase program.

Holders of our Series B Preferred Stock are entitled to receive dividends at an annual rate of 7.75% of the liquidation preference of \$25.00 per share or \$1.9375 per share per annum until December 27, 2024. After December 27, 2024, holders are entitled to receive dividends at a floating rate equal to three-month CME Term SOFR and the applicable credit spread adjustment (0.26161%) plus a spread of 5.18% of the \$25.00 liquidation preference per annum. Dividends are cumulative and payable quarterly in arrears.

Holders of our Series C Preferred Stock are entitled to receive dividends at an annual rate of 7.50% of the liquidation preference of \$25.00 per share or \$1.875 per share per annum until September 27, 2027. After September 27, 2027, holders are entitled to receive dividends at a floating rate equal to three-month CME Term SOFR and the applicable credit spread adjustment (0.26161%) plus a spread of 5.289% of the \$25.00 liquidation preference per annum. Dividends are cumulative and payable quarterly in arrears.

We have the option to redeem shares of our Series B Preferred Stock on or after December 27, 2024 and shares of our Series C Preferred Stock on or after September 27, 2027 for \$25.00 per share, plus any accumulated and unpaid dividends through the date of the redemption. Shares of Series B and Series C Preferred Stock are not redeemable, convertible into or

exchangeable for any other property or any other securities of the Company before those times, except under circumstances intended to preserve our qualification as a REIT or upon the occurrence of a change in control.

On November 5, 2024, we announced our intention to redeem all outstanding shares of our Series B Preferred Stock on December 27, 2024. Refer to Note 15 - “Subsequent Events” for additional information.

Common Stock

In August 2024, the Company filed an Articles of Amendment to increase the number of shares of common stock, par value \$0.01 per share, that the Company has authority to issue. Effective upon filing, the Articles of Amendment amended the Charter of the Company to increase the total authorized number of shares of common stock of the Company from 67,000,000 to 134,000,000.

As of September 30, 2024, we had 12,089,398 shares of our common stock remaining available for sale from time to time in at-the-market or privately negotiated transactions under our equity distribution agreement with placement agents. These shares are registered with the SEC under our shelf registration statement (as amended and/or supplemented).

During the three months ended September 30, 2024, we sold 10,084,138 shares of common stock under our equity distribution agreements for proceeds of \$88.5 million, net of approximately \$1.3 million in commissions and fees. During the nine months ended September 30, 2024, we sold 12,211,131 shares of common stock under our equity distribution agreements for proceeds of \$107.9 million, net of approximately \$1.5 million in commissions and fees. During the three months ended September 30, 2023, we sold 3,880,763 shares of common stock under an equity distribution agreement for proceeds of \$42.3 million, net of approximately \$575,000 in commissions and fees. During the nine months ended September 30, 2023, we sold 9,699,471 shares of common stock under an equity distribution agreement for proceeds of \$109.1 million, net of approximately \$1.5 million in commissions and fees.

During the three and nine months ended September 30, 2024 and 2023, we did not repurchase any shares of our common stock. As of September 30, 2024, we had authority to repurchase 1,816,359 shares of our common stock through our common stock share repurchase program.

Accumulated Other Comprehensive Income

The following tables present the components of total other comprehensive income (loss), net and accumulated other comprehensive income (“AOCI”) for the three and nine months ended September 30, 2024 and 2023. The tables exclude gains and losses on MBS that are accounted for under the fair value option.

\$ in thousands	Three Months Ended September 30, 2024			
	Equity method investments	Available-for-sale securities	Derivatives and hedging	Total
Total other comprehensive income (loss)				
Unrealized gain (loss) on mortgage-backed securities, net	—	(287)	—	(287)
Total other comprehensive income (loss)	—	(287)	—	(287)
AOCI balance at beginning of period	—	648	—	648
Total other comprehensive income (loss)	—	(287)	—	(287)
AOCI balance at end of period	—	361	—	361

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\$ in thousands	Three Months Ended September 30, 2023			
	Equity method investments	Available-for-sale securities	Derivatives and hedging	Total
Total other comprehensive income (loss)				
Unrealized gain (loss) on mortgage-backed securities, net	—	(91)	—	(91)
Reclassification of unrealized loss on available-for-sale securities to (increase) decrease in provision for credit losses	—	43	—	43
Reclassification of amortization of net deferred (gain) loss on de-designated interest rate swaps to interest expense	—	—	(1,810)	(1,810)
Total other comprehensive income (loss)	—	(48)	(1,810)	(1,858)
AOCI balance at beginning of period	—	31	2,710	2,741
Total other comprehensive income (loss)	—	(48)	(1,810)	(1,858)
AOCI balance at end of period	—	(17)	900	883

\$ in thousands	Nine Months Ended September 30, 2024			
	Equity method investments	Available-for-sale securities	Derivatives and hedging	Total
Total other comprehensive income (loss)				
Unrealized gain (loss) on mortgage-backed securities, net	—	(639)	—	(639)
Reclassification of unrealized loss on available-for-sale securities to (increase) decrease in provision for credit losses	—	302	—	302
Total other comprehensive income (loss)	—	(337)	—	(337)
AOCI balance at beginning of period	—	698	—	698
Total other comprehensive income (loss)	—	(337)	—	(337)
AOCI balance at end of period	—	361	—	361

\$ in thousands	Nine Months Ended September 30, 2023			
	Equity method investments	Available-for-sale securities	Derivatives and hedging	Total
Total other comprehensive income (loss)				
Unrealized gain (loss) on mortgage-backed securities, net	—	(698)	—	(698)
Reclassification of unrealized loss on available-for-sale securities to (increase) decrease in provision for credit losses	—	212	—	212
Reclassification of amortization of net deferred (gain) loss on de-designated interest rate swaps to repurchase agreements interest expense	—	—	(9,505)	(9,505)
Currency translation adjustments on investment in unconsolidated venture	(10)	—	—	(10)
Reclassification of currency translation loss on investment in unconsolidated venture to other investment income (loss), net	123	—	—	123
Total other comprehensive income (loss)	113	(486)	(9,505)	(9,878)
AOCI balance at beginning of period	(113)	469	10,405	10,761
Total other comprehensive income (loss)	113	(486)	(9,505)	(9,878)
AOCI balance at end of period	—	(17)	900	883

Amounts recorded in AOCI before we discontinued cash flow hedge accounting for our interest rate swaps were reclassified to interest expense on the condensed consolidated statements of operations as interest was accrued and paid on the related repurchase agreements over the remaining original life of the interest rate swap agreements.

Dividends

The table below summarizes the dividends we declared during the nine months ended September 30, 2024 and 2023.

\$ in thousands, except per share amounts

<u>Series B Preferred Stock</u>	Dividends Declared		
	Per Share	In Aggregate	Date of Payment
2024			
August 7, 2024	0.4844	2,058	September 27, 2024
May 7, 2024	0.4844	2,058	June 27, 2024
February 21, 2024	0.4844	2,086	March 27, 2024
2023			
August 2, 2023	0.4844	2,167	September 27, 2023
May 8, 2023	0.4844	2,186	June 27, 2023
February 17, 2023	0.4844	2,198	March 27, 2023

\$ in thousands, except per share amounts

<u>Series C Preferred Stock</u>	Dividends Declared		
	Per Share	In Aggregate	Date of Payment
2024			
August 7, 2024	0.46875	3,416	September 27, 2024
May 7, 2024	0.46875	3,450	June 27, 2024
February 21, 2024	0.46875	3,499	March 27, 2024
2023			
August 2, 2023	0.46875	3,605	September 27, 2023
May 8, 2023	0.46875	3,654	June 27, 2023
February 17, 2023	0.46875	3,664	March 27, 2023

\$ in thousands, except per share amounts

<u>Common Stock</u>	Dividends Declared		
	Per Share	In Aggregate	Date of Payment
2024			
September 24, 2024	0.40	24,292	October 25, 2024
June 24, 2024	0.40	20,255	July 26, 2024
March 26, 2024	0.40	19,530	April 26, 2024
2023			
September 26, 2023	0.40	19,384	October 27, 2023
June 21, 2023	0.40	17,833	July 27, 2023
March 27, 2023	0.40	16,658	April 27, 2023

Note 13 – Earnings (Loss) per Common Share

Earnings (loss) per share for the three and nine months ended September 30, 2024 and 2023 is computed as shown in the table below.

In thousands, except per share amounts	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Numerator (Income)				
Basic Earnings:				
Net income (loss) available to common stockholders	35,271	(74,024)	40,235	(59,821)
Denominator (Weighted Average Shares)				
Basic Earnings:				
Shares available to common stockholders	56,232	45,747	51,394	42,604
Effect of dilutive securities:				
Restricted stock awards	1	—	1	—
Dilutive Shares	56,233	45,747	51,395	42,604
Earnings (loss) per share:				
Net income (loss) attributable to common stockholders				
Basic	0.63	(1.62)	0.78	(1.40)
Diluted	0.63	(1.62)	0.78	(1.40)

There were no weighted average common shares excluded from diluted earnings per share for the three months ended September 30, 2024 because the effect would be antidilutive (three and nine months ended September 30, 2023: 1,383 and 1,077 excluded for restricted stock awards, respectively).

Note 14 – Commitments and Contingencies

Commitments and contingencies may arise in the ordinary course of business. As of September 30, 2024, we were not aware of any reported or unreported contingencies.

Note 15 – Subsequent Events

Dividends

We declared the following dividends on November 4, 2024: a Series B Preferred Stock dividend of \$0.4844 per share payable on December 27, 2024 to our stockholders of record as of December 5, 2024 and a Series C Preferred Stock dividend of \$0.46875 per share payable on December 27, 2024 to our stockholders of record as of December 5, 2024.

Redemption of Series B Preferred Stock

On November 5, 2024, we announced that we intend to redeem all 4,247,989 outstanding shares of our 7.75% Fixed-to-Floating Series B Cumulative Redeemable Preferred Stock on December 27, 2024 for a cash redemption price of \$25.00 per share, plus accrued and unpaid dividends (whether or not declared) to, but not including, the redemption date.

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

In this quarterly report on Form 10-Q, or this "Quarterly Report," we refer to Invesco Mortgage Capital Inc. and its consolidated subsidiaries as "we," "us," "our Company," or "our;" unless we specifically state otherwise or the context indicates otherwise. We refer to our external manager, Invesco Advisers, Inc., as our "Manager;" and we refer to the indirect parent company of our Manager, Invesco Ltd. together with its consolidated subsidiaries (which does not include us), as "Invesco."

The following discussion should be read in conjunction with our condensed consolidated financial statements and the accompanying notes to our condensed consolidated financial statements, which are included in Item 1 of this Quarterly Report, as well as the information contained in our most recent Form 10-K filed with the Securities and Exchange Commission (the "SEC").

Forward-Looking Statements

We make forward-looking statements in this Quarterly Report and other filings we make with the SEC within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and such statements are intended to be covered by the safe harbor provided by the same. Forward-looking statements are subject to substantial risks and uncertainties, many of which are difficult to predict and are generally beyond our control. These forward-looking statements include information about possible or assumed future results of our business, investment strategies, financial condition, liquidity, results of operations, plans, objectives and our views on domestic and global market conditions (including the mortgage-backed securities, residential and commercial real estate markets). When we use the words "believe," "expect," "anticipate," "estimate," "plan," "intend," "project," "forecast" or similar expressions and future or conditional verbs such as "will," "may," "could," "should," and "would," and any other statement that necessarily depends on future events, we intend to identify forward-looking statements, although not all forward-looking statements may contain such words.

The forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. You should not place undue reliance on these forward-looking statements. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us. We caution you not to rely unduly on any forward-looking statements and urge you to carefully consider the factors described under the headings "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Report and our Annual Report on Form 10-K. 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 over time, and it is not possible 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.

Executive Summary

We are a Maryland corporation primarily focused on investing in, financing and managing mortgage-backed securities (“MBS”) and other mortgage-related assets. Our objective is to provide attractive risk-adjusted returns to our stockholders, primarily through dividends and secondarily through capital appreciation.

As of September 30, 2024, we were invested in:

- residential mortgage-backed securities (“RMBS”) that are guaranteed by a U.S. government agency such as the Government National Mortgage Association (“Ginnie Mae”), or a federally chartered corporation such as the Federal National Mortgage Association (“Fannie Mae” or “FNMA”) or the Federal Home Loan Mortgage Corporation (“Freddie Mac” or “FHLMC”) (collectively “Agency RMBS”);
- commercial mortgage-backed securities (“CMBS”) that are guaranteed by a U.S. government agency such as Ginnie Mae or a federally chartered corporation such as Freddie Mac or Fannie Mae (collectively “Agency CMBS”);
- CMBS that are not guaranteed by a U.S. government agency or a federally chartered corporation (“non-Agency CMBS”); and
- RMBS that are not guaranteed by a U.S. government agency or a federally chartered corporation (“non-Agency RMBS”).

During the periods presented in this Quarterly Report, we also invested in:

- to-be-announced securities forward contracts (“TBAs”) to purchase Agency RMBS;
- U.S. Treasury securities; and
- other real estate-related financing arrangements in the form of unconsolidated ventures.

We continuously evaluate new investment opportunities to complement our current investment portfolio by expanding our target assets and portfolio diversification.

We conduct our business through our wholly-owned subsidiary, IAS Operating Partnership L.P. (the “Operating Partnership”). We are externally managed and advised by our Manager, an indirect wholly-owned subsidiary of Invesco.

We have elected to be taxed as a real estate investment trust (“REIT”) for U.S. federal income tax purposes under the provisions of the Internal Revenue Code of 1986. To maintain our REIT qualification, we are generally required to distribute at least 90% of our REIT taxable income to our stockholders annually. We operate our business in a manner that permits our exclusion from the definition of “Investment Company” under the 1940 Act.

Market Conditions and Impacts

Macroeconomic factors that affect our business include inflation, economic growth, employment conditions, interest rates, interest rate volatility, fiscal and monetary policy, financial conditions, spread premiums, residential and commercial real estate prices, credit availability, the health of the banking system, consumer personal income and spending and corporate earnings. Of these macroeconomic factors, inflation, employment conditions, monetary policy, interest rates and interest rate volatility had the most direct impacts on our performance and financial condition during the third quarter of 2024.

Inflation readings trended lower during the quarter, moving closer to the Federal Reserve's 2% inflation target. The headline consumer price index ("CPI") ended the quarter at 2.4%, down from June's 3.0%, while CPI (ex. food and energy) remained flat at 3.3%. Investors reacted positively to these readings, with expectations for future inflation adjusting lower and Treasury inflation-protected securities breakeven rates decreased. The two-year breakeven ended the quarter at 1.77% (down from 2.11% at the end of June) and the five-year breakeven ended at 2.09% (down from 2.28%). Meanwhile, employment data released during the quarter reflected a slowing labor market, as the economy added an average of 152 thousand jobs during July and August. Following the end of the quarter, the Bureau of Labor Statistics announced the nonfarm payrolls changed to 254 thousand in September.

Cooling inflation and softer employment data prior to the release of September payrolls led to a re-pricing of the market's expectations of future monetary policy. Following the Federal Open Market Committee's ("FOMC") 50 basis point reduction of the Federal Funds target rate in September. In addition, Federal Funds futures market expectations as of September 30, 2024 reflected a further 175 to 200 basis point reduction of the target rate through the end of 2025. Quantitative tightening continued in the third quarter of 2024, as the Federal Reserve passively reduced the size of its balance sheet through maturities of U.S. Treasuries and paydowns of Agency RMBS. Paydowns of Agency RMBS from the balance sheet added approximately \$17 billion of net supply to the market each month, well below the Federal Reserve's monthly cap of \$35 billion. Although quantitative tightening is anticipated to conclude over the next several quarters, runoff of the Agency RMBS portion of the balance sheet is expected to continue, with proceeds redeployed into Treasuries.

Interest rates dropped sharply across the maturity spectrum, as investors reacted to potentially slower economic activity signaled by a weakening labor market. The yield on the two-year Treasury decreased 107 basis points to 3.65%, the yield on the five-year Treasury decreased 75 basis points to 3.58% and the yield on the ten-year Treasury finished at 3.80%, down 54 basis points on the quarter. Interest rate volatility increased through August before declining in the wake of the FOMC's decision to begin easing monetary policy at their September meeting.

Against this macroeconomic backdrop, Agency RMBS outperformed Treasuries during the third quarter. Lower interest rate volatility increased demand for Agency RMBS, with lower coupons performing better than higher coupons as the sharp decline in interest rates impacted coupons trading at a premium to par. Prepayment speeds remained at very low levels given limited housing activity and elevated mortgage rates. Premiums on higher coupon specified pool collateral increased modestly given the decrease in interest rates. Implied financing via the dollar roll market for TBA investments remained relatively unattractive throughout the quarter. Agency CMBS risk premiums moved modestly wider.

Market Rates

	As of							
	September 30, 2024	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023	One Quarter Change	One Year Change	
Interest Rates								
Effective Federal Funds Rate	4.83 %	5.33 %	5.33 %	5.33 %	5.33 %	(0.50)%	(0.50)%	
One-month SOFR	4.86 %	5.34 %	5.33 %	5.35 %	5.32 %	(0.48)%	(0.46)%	
2 Year Treasury	3.65 %	4.72 %	4.62 %	4.25 %	5.04 %	(1.07)%	(1.39)%	
5 Year Treasury	3.58 %	4.33 %	4.20 %	3.83 %	4.60 %	(0.75)%	(1.02)%	
10 Year Treasury	3.80 %	4.34 %	4.19 %	3.86 %	4.57 %	(0.54)%	(0.77)%	
30 Year Treasury	4.13 %	4.50 %	4.34 %	4.02 %	4.71 %	(0.37)%	(0.58)%	

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(in basis points)	As of						
	September 30, 2024	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023	One Quarter Change	One Year Change
Swap Spreads ⁽¹⁾							
2 Year	(20)	(15)	(8)	(18)	(7)	(5)	(13)
5 Year	(31)	(28)	(23)	(32)	(23)	(3)	(8)
10 Year	(47)	(42)	(37)	(40)	(30)	(5)	(17)
30 Year	(82)	(80)	(73)	(71)	(69)	(2)	(13)
30 Year Mortgage Spreads vs. 5/10 Year Treasury Blend ⁽²⁾							
FNMA 2.0%	70	62	62	55	63	8	7
FNMA 2.5%	76	68	68	65	71	8	5
FNMA 3.0%	81	74	75	73	77	7	4
FNMA 3.5%	86	80	80	81	85	6	1
FNMA 4.0%	96	91	89	95	96	5	—
FNMA 4.5%	110	101	102	110	107	9	3
FNMA 5.0%	132	116	118	131	125	16	7
FNMA 5.5%	137	138	138	154	144	(1)	(7)
FNMA 6.0%	107	157	153	165	164	(50)	(57)
10 Year Agency CMBS Spreads vs. Treasuries ⁽³⁾							
FHLMC K	48	49	54	60	74	(1)	(26)
FNMA DUS	58	54	58	67	78	4	(20)

(1) Swap spreads represent the difference between the fixed rate coupon of an interest rate swap and the yield on a U.S. Treasury security with a similar maturity.

(2) Mortgage spreads represent the difference between the yield on the Agency TBA and the blended average yield of five year and ten year U.S. Treasury securities.

(3) Agency CMBS spreads represent the difference between the yields on new issue Freddie Mac K Certificates and Fannie Mae Delegated Underwriting and Servicing MBS (“DUS”) and a U.S. Treasury security with a similar maturity.

Outlook

The recent disinflationary trend in economic data suggests that the Federal Reserve may continue to ease monetary policy in the coming months as the need for restrictive monetary policy declines. This easing should lead to a steeper yield curve and lower interest rate volatility, creating a favorable environment for Agency RMBS investments. However, if the disinflationary trend reverses and the labor market and economic growth improve, expectations for monetary policy could shift, posing a near-term risk. Additionally, short-term funding pressures into year end could reduce investor interest in the sector. Despite these near-term risks, we are constructive on the sector, as Agency mortgage performance stands to benefit from normalization of monetary policy given attractive valuations and supportive supply and demand technicals. We also remain constructive on Agency CMBS, as we expect a gradual increase in new issuance to be met with adequate investor demand, as the sector offers value relative to other fixed income investments, given its attractive prepayment protection and return profiles.

Investment Activities

The table below shows the composition of our investment portfolio as of September 30, 2024, December 31, 2023 and September 30, 2023.

\$ in thousands	As of		
	September 30, 2024	December 31, 2023	September 30, 2023
Agency RMBS:			
30 year fixed-rate pass-through, at fair value	5,107,814	4,952,474	5,331,969
Agency CMO, at fair value	73,199	74,758	78,007
Agency CMBS, at fair value	675,074	—	—
Non-Agency CMBS, at fair value	9,936	9,935	25,987
Non-Agency RMBS, at fair value	7,673	8,139	7,965
U.S. Treasury securities, at fair value	—	11,214	—
Investments in unconsolidated ventures	—	500	505
Total investment portfolio	5,873,696	5,057,020	5,444,433

As of September 30, 2024, our holdings of 30 year fixed-rate Agency RMBS represented approximately 87% of our total investment portfolio versus 98% as of December 31, 2023 and September 30, 2023. Our 30 year fixed-rate Agency RMBS holdings as of September 30, 2024, December 31, 2023 and September 30, 2023 consisted of specified pools with coupon distributions as shown in the table below.

\$ in thousands	As of								
	September 30, 2024			December 31, 2023			September 30, 2023		
	Fair Value	Percentage	Period-end Weighted Average Yield	Fair Value	Percentage	Period-end Weighted Average Yield	Fair Value	Percentage	Period-end Weighted Average Yield
4.0%	577,105	11.3 %	4.66 %	876,337	17.7 %	4.65 %	1,218,869	22.9 %	4.64 %
4.5%	703,865	13.8 %	4.95 %	1,017,191	20.5 %	4.95 %	1,313,632	24.6 %	4.97 %
5.0%	1,147,475	22.5 %	5.27 %	1,028,036	20.8 %	5.34 %	1,424,615	26.7 %	5.32 %
5.5%	1,260,678	24.6 %	5.59 %	1,016,707	20.5 %	5.59 %	1,374,853	25.8 %	5.59 %
6.0%	1,418,691	27.8 %	5.98 %	1,014,203	20.5 %	6.03 %	—	—	— %
Total 30 year fixed-rate Agency RMBS	5,107,814	100.0 %	5.43 %	4,952,474	100.0 %	5.33 %	5,331,969	100.0 %	5.15 %

Our purchases of Agency RMBS have been primarily focused on specified pools with attractive prepayment profiles. We seek to capitalize on the impact of prepayments on our investment portfolio by purchasing specified pools with characteristics that optimize borrower incentive to prepay for both our premium and discount priced investments. The table below shows the specified pool characteristics of our 30 year fixed-rate Agency RMBS holdings as of September 30, 2024, December 31, 2023 and September 30, 2023.

\$ in thousands	As of					
	September 30, 2024		December 31, 2023		September 30, 2023	
	Fair Value	Percentage	Fair Value	Percentage	Fair Value	Percentage
Specified pool characteristic:						
Geographic location	797,179	15.6 %	1,079,310	21.8 %	1,557,191	29.2 %
Loan balance	2,185,843	42.8 %	2,193,876	44.3 %	1,634,316	30.7 %
High loan-to-value ratio	792,248	15.5 %	574,246	11.6 %	1,012,827	19.0 %
Low credit score	1,332,544	26.1 %	1,105,042	22.3 %	1,127,635	21.1 %
Total 30 year fixed-rate Agency RMBS	5,107,814	100.0 %	4,952,474	100.0 %	5,331,969	100.0 %

We resumed investing in fixed-rate Agency CMBS in the first quarter of 2024 because these securities benefit from prepayment protection characteristics and have an attractive return profile. Further, the hedging costs related to these holdings are economical as they are less sensitive to interest rate risk given prepayment protection and scheduled balloon maturity payments. As of September 30, 2024, our holdings of Agency CMBS represented approximately 11% of our total investment portfolio, and approximately 74% of our Agency CMBS were Fannie Mae DUS and 26% were Freddie Mac Multifamily Participation Certificates.

As of September 30, 2024, December 31, 2023 and September 30, 2023, our holdings of non-Agency CMBS and non-Agency RMBS represented less than 1% of our total investment portfolio. Approximately 68% of our non-Agency securities were rated double-A (or equivalent) or higher by a nationally recognized statistical rating organization as of September 30, 2024.

In the first quarter of 2024, we received a final distribution from our sole remaining unconsolidated venture. Following this distribution, we no longer have any investments in unconsolidated ventures.

Financing and Other Liabilities

We finance the majority of our investment portfolio through repurchase agreements. Repurchase agreements are generally settled on a short-term basis, usually from one to six months, and bear interest at rates that are expected to move in close relationship to the secured overnight financing rate ("SOFR").

The following table presents the amount of collateralized borrowings outstanding under repurchase agreements as of the end of each quarter, the average amount outstanding during the quarter and the maximum balance outstanding during the quarter.

Quarter Ended	Collateralized borrowings under repurchase agreements		
	Quarter-end balance	Average quarterly balance	Maximum balance ⁽²⁾
September 30, 2023	4,987,006	4,902,400	4,987,006
December 31, 2023	4,458,695	3,736,432	4,458,695
March 31, 2024	4,393,908	4,419,757	4,531,261
June 30, 2024	4,260,475	4,251,953	4,269,254
September 30, 2024	5,184,885	5,004,504	5,184,885

(1) Average quarterly balance for each period is based on month-end balances.

(2) Amount represents the maximum borrowings at month-end during each of the respective periods.

Hedging Instruments

We enter into interest rate swap agreements that are designed to mitigate the effects of changes in interest rates for a portion of our borrowings. Under these swap agreements, we generally pay fixed interest rates and receive floating interest rates indexed to SOFR. To a lesser extent, we have also used interest rate swap agreements whereby we make floating interest rate payments indexed to SOFR and receive fixed interest rate payments as part of our overall risk management strategy.

We actively manage our interest rate swap portfolio as the size and composition of our investment portfolio changes. During the nine months ended September 30, 2024, we entered into interest rate swaps with a notional amount of \$2.6 billion and terminated existing interest rate swaps with a notional amount of \$2.9 billion.

During the third quarter of 2024, we began entering into futures contracts comprised of short positions in Ultra 10 year U.S. Treasury Notes as an alternative way to help mitigate the potential impact of changes in interest rates on our performance. During the quarter, we entered into futures contracts with a notional amount of \$750.0 million and terminated existing futures contracts with a notional amount of \$260.0 million.

Daily variation margin for interest rate swaps and futures contracts is characterized as settlement of the derivative itself rather than collateral and is recorded as a realized gain or loss in our condensed consolidated statement of operations.

Capital Activities

As of September 30, 2024, we had 12,089,398 shares of our common stock remaining available for sale from time to time in at-the-market or privately negotiated transactions under our equity distribution agreement with placement agents. The table below shows sales of our common stock under equity distribution agreements during the three and nine months ended September 30, 2024 and 2023.

Shares in ones, \$ in thousands	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Shares sold	10,084,138	3,880,763	12,211,131	9,699,471
Net proceeds	88,546	42,344	107,915	109,104
Commissions and other costs	1,261	575	1,515	1,478

For information on dividends declared during the nine months ended September 30, 2024 and 2023, see Note 12 - "Stockholders' Equity" of our condensed consolidated financial statements in Part I. Item 1 of this report on Form 10-Q.

During the nine months ended September 30, 2024, we did not repurchase any shares of our common stock.

In May 2022, our board of directors approved a share repurchase program for our Series B and Series C Preferred Stock. During the three and nine months ended September 30, 2024, we repurchased and retired no shares and 138,008 shares of Series B Preferred Stock, respectively, and 66,507 and 267,916 shares of Series C Preferred Stock, respectively. During the three and nine months ended September 30, 2023, we repurchased and retired 34,432 and 72,220 shares of Series B Preferred Stock, respectively, and 92,563 and 135,259 shares of Series C Preferred Stock, respectively. As of September 30, 2024, we had authority to repurchase 1,047,989 additional shares of our Series B Preferred Stock and 777,523 additional shares of our Series C Preferred Stock under the current preferred stock share repurchase program.

On November 5, 2024, we announced our intention to redeem all outstanding shares of our Series B Preferred Stock on December 27, 2024 for a cash redemption price of \$25.00 per share, plus accrued and unpaid dividends. The redemption of the Series B Preferred Stock will help optimize our capital structure and reduce our dividend obligations moving forward.

Book Value per Common Share

We calculate book value per common share as follows.

In thousands except per share amounts	As of	
	September 30, 2024	December 31, 2023
Numerator (adjusted equity):		
Total equity	857,003	782,665
Less: Liquidation preference of Series B Preferred Stock	(106,200)	(109,650)
Less: Liquidation preference of Series C Preferred Stock	(181,938)	(188,636)
Total adjusted equity	568,865	484,379
Denominator (number of shares):		
Common stock outstanding	60,730	48,461
Book value per common share	9.37	10.00

Our book value per common share decreased 6.3% as of September 30, 2024 compared to December 31, 2023. The decrease in our book value per common share occurred during the first half of 2024 as Agency RMBS modestly underperformed interest rate swaps. Our book value per common share rebounded slightly during the third quarter of 2024 as interest rates declined sharply and Agency RMBS outperformed interest rate swaps. Refer to Item 3. "Quantitative and Qualitative Disclosures About Market Risk" for interest rate risk and its impact on fair value.

Critical Accounting Policies and Estimates

There have been no significant changes to our critical accounting policies and estimates that are disclosed in our most recent Form 10-K for the year ended December 31, 2023.

Recent Accounting Standards

None.

Results of Operations

The table below presents information from our condensed consolidated statements of operations for the three and nine months ended September 30, 2024 and 2023.

\$ in thousands, except share data	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Interest income	73,825	75,132	210,436	215,847
Interest expense	66,315	65,701	187,288	174,449
Net interest income	7,510	9,431	23,148	41,398
Other income (loss)				
Gain (loss) on investments, net	165,168	(224,897)	53,803	(272,620)
(Increase) decrease in provision for credit losses	80	(43)	(222)	(212)
Equity in earnings (losses) of unconsolidated ventures	—	2	(193)	4
Gain (loss) on derivative instruments, net	(127,345)	151,689	(5,922)	203,418
Other investment income (loss), net	—	—	—	(66)
Total other income (loss)	37,903	(73,249)	47,466	(69,476)
Expenses				
Management fee – related party	2,888	3,090	8,694	9,237
General and administrative	1,805	1,691	5,544	5,743
Total expenses	4,693	4,781	14,238	14,980
Net income (loss)	40,720	(68,599)	56,376	(43,058)
Dividends to preferred stockholders	(5,474)	(5,772)	(16,567)	(17,474)
Gain on repurchase and retirement of preferred stock	25	347	426	711
Net income (loss) attributable to common stockholders	35,271	(74,024)	40,235	(59,821)
Earnings (loss) per share:				
Net income (loss) attributable to common stockholders				
Basic	0.63	(1.62)	0.78	(1.40)
Diluted	0.63	(1.62)	0.78	(1.40)
Weighted average number of shares of common stock:				
Basic	56,231,850	45,746,840	51,394,067	42,604,379
Diluted	56,233,031	45,746,840	51,395,488	42,604,379

Interest Income and Average Earning Asset Yields

The table below presents information related to our average earning assets and earning asset yields for the three and nine months ended September 30, 2024 and 2023.

\$ in thousands	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Average earning assets ⁽¹⁾	5,566,299	5,498,298	5,130,153	5,344,055
Average earning asset yields ⁽²⁾	5.31 %	5.47 %	5.47 %	5.39 %

(1) Average balances for each period are based on weighted month-end balances.

(2) Average earning asset yields for the period were calculated by dividing interest income, including amortization of premiums and discounts, by average earning assets based on the amortized cost of the investments. All yields are annualized.

Total average earning assets increased \$68.0 million and decreased \$213.9 million for the three and nine months ended September 30, 2024 compared to the same periods in 2023, respectively. Changes in our average earning assets are a factor of our total stockholders' equity and our desired leverage levels.

Average earning asset yields decreased 16 basis points and increased 8 basis points for the three and nine months ended September 30, 2024 compared to the same periods in 2023, respectively. Changes in our average earning assets yields are driven by our coupon allocation to Agency RMBS and the book prices of our securities.

We earned total interest income of \$73.8 million and \$210.4 million for the three and nine months ended September 30, 2024, respectively (September 30, 2023: \$75.1 million and \$215.8 million). Our interest income includes coupon interest and net (premium amortization) discount accretion as shown in the table below.

\$ in thousands	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Interest Income				
Coupon interest	72,348	72,200	206,037	211,435
Net (premium amortization) discount accretion	1,477	2,932	4,399	4,412
Total interest income	73,825	75,132	210,436	215,847

Our interest income was relatively flat for the three months ended September 30, 2024 compared to the same period in 2023 as a decrease in average earning asset yields was largely offset by an increase in average earning assets. Our interest income decreased \$5.4 million for the nine months ended September 30, 2024 compared to the same period in 2023 as a decrease in average earning assets was partially offset by an increase in average earning asset yields.

Prepayment Speeds

Our RMBS portfolio is subject to inherent prepayment risk primarily driven by changes in interest rates, which impacts the amount of premium and discount on the purchase of these securities that is recognized into interest income. Generally, in an environment of falling interest rates, prepayment speeds will increase as homeowners are more likely to prepay their existing mortgage and refinance into a lower borrowing rate. In an environment of rising interest rates, prepayment speeds will generally decrease as homeowners are not as incentivized to refinance. For Agency RMBS where we do not estimate prepayments, premium amortization and discount accretion are not impacted by prepayments until actual prepayments occur. For those securities on which we do estimate prepayments, expected future prepayment speeds are estimated on a quarterly basis. If the actual prepayment speed during the period is faster than estimated, the amortization on securities purchased at a premium to par value will be accelerated, resulting in lower interest income recognized. Conversely, for securities purchased at a discount to par value, interest income will be reduced in periods where prepayment speeds were slower than expected.

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The following table presents net (premium amortization) discount accretion recognized for the three and nine months ended September 30, 2024 and 2023.

\$ in thousands	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Agency RMBS	1,298	2,465	4,028	3,616
Agency CMBS	168	—	338	—
Non-Agency CMBS	114	301	372	888
Non-Agency RMBS	(103)	(126)	(338)	(384)
U.S. Treasury Securities	—	292	(1)	292
Net (premium amortization) discount accretion	1,477	2,932	4,399	4,412

Net discount accretion decreased for three months ended September 30, 2024 compared to the same period in 2023 as our portfolio was repositioned into securities with higher book prices. Net discount accretion was relatively flat for nine months ended September 30, 2024 compared to the same period in 2023 as higher discount accretion in the earlier part of 2024 was offset by our portfolio repositioning into securities with higher book prices.

Our interest income is subject to interest rate risk. Refer to Item 3. "Quantitative and Qualitative Disclosures about Market Risk" for more information relating to interest rate risk and its impact on our operating results.

Interest Expense and Cost of Funds

The table below presents information related to our borrowings and cost of funds for the three and nine months ended September 30, 2024 and 2023.

\$ in thousands	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Total average borrowings ⁽¹⁾	5,004,504	4,902,400	4,560,365	4,811,136
Maximum borrowings during the period ⁽²⁾	5,184,885	4,987,006	5,184,885	4,987,006
Cost of funds ⁽³⁾	5.30 %	5.36 %	5.48 %	4.83 %

(1) Average borrowings for each period are based on weighted month-end balances.

(2) Amount represents the maximum borrowings at month-end during each of the respective periods.

(3) Average cost of funds is calculated by dividing annualized interest expense including amortization of net deferred gain (loss) on de-designated interest rate swaps by our average borrowings.

Total average borrowings increased \$102.1 million and decreased \$250.8 million for the three and nine months ended September 30, 2024 compared to the same periods in 2023, respectively. Changes in our average borrowings are a factor of our total stockholders' equity and our desired leverage levels.

Our average cost of funds decreased 6 basis points and increased 65 basis points for the three and nine months ended September 30, 2024 compared to the same periods in 2023, respectively. Changes in our costs of funds are substantially driven by the Federal Funds target rate, which the FOMC raised from a range of 4.25% to 4.50% as of January 1, 2023 to a maximum of 5.25% to 5.50%, before lowering the target rate to 4.75% to 5.00% in September 2024. Our cost of funds for the three and nine months ended September 30, 2024 was also significantly impacted by a decrease in amortization of net deferred gains on de-designated interest rate swaps. The amortization of these gains ended in December 2023.

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The table below presents the components of interest expense for the three and nine months ended September 30, 2024 and 2023.

\$ in thousands	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Interest Expense				
Interest expense on repurchase agreement borrowings	66,315	67,511	187,288	183,954
Amortization of net deferred (gain) loss on de-designated interest rate swaps	—	(1,810)	—	(9,505)
Total interest expense	66,315	65,701	187,288	174,449

Our interest expense was relatively flat for the three months ended September 30, 2024 compared to the same period in 2023 as a decrease in contractual interest expense on our repurchase agreements was offset by a decrease in amortization of net deferred gains on de-designated interest rate swaps. Our interest expense increased \$12.8 million for the nine months ended September 30, 2024 compared to the same period in 2023 due to a decrease in amortization of net deferred gains on de-designated interest rate swaps and increases in borrowing rates that more than offset decreases in our average borrowings.

Amounts recorded in accumulated other comprehensive income before we discontinued cash flow hedge accounting for our interest rate swaps were reclassified to interest expense on the condensed consolidated statements of operations as interest was accrued and paid on the related repurchase agreements over the remaining life of the interest rate swap agreements.

Net Interest Income

The table below presents the components of net interest income for the three and nine months ended September 30, 2024 and 2023.

\$ in thousands	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Interest income	73,825	75,132	210,436	215,847
Interest Expense:				
Interest expense on repurchase agreement borrowings	66,315	67,511	187,288	183,954
Amortization of net deferred (gain) loss on de-designated interest rate swaps	—	(1,810)	—	(9,505)
Total interest expense	66,315	65,701	187,288	174,449
Net interest income	7,510	9,431	23,148	41,398
Net interest rate margin	0.01 %	0.11 %	(0.01)%	0.56 %

Our net interest income, which equals total interest income less total interest expense, totaled \$7.5 million and \$23.1 million for the three and nine months ended September 30, 2024, respectively (September 30, 2023: \$9.4 million and \$41.4 million). The decrease in net interest income for the three months ended September 30, 2024 compared to the same period in 2023 was primarily due to lower average earning asset yields, which was partially offset by higher average earning assets. The decrease in net interest income for the nine months ended September 30, 2024 compared to the same period in 2023 was primarily due to a decrease in amortization of net deferred gains on de-designated interest rate swaps and increases in the Federal Funds target rate, which were partially offset by lower average borrowings.

Our net interest rate margin, which equals the yield on our average assets for the period less the average cost of funds, decreased in the three months ended September 30, 2024 compared the same period in 2023 due to decreases in average earning asset yields. Our net interest rate margin decreased in the nine months ended September 30, 2024 due to increases in the Federal Funds target rate and decreases in amortization of net deferred gains on de-designated interest rate swaps. Our cost of funds is generally more sensitive to changes in interest rates than the yield on our investment portfolio, which is largely comprised of 30 year fixed-rate Agency RMBS.

Gain (Loss) on Investments, net

The table below summarizes the components of gain (loss) on investments, net for the three and nine months ended September 30, 2024 and 2023.

\$ in thousands	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net realized gains (losses) on sale of MBS	4,963	(33,157)	(4,787)	(57,406)
Net unrealized gains (losses) on MBS accounted for under the fair value option	160,205	(191,752)	59,048	(215,226)
Net unrealized gains (losses) on U.S. Treasury securities	—	—	(372)	—
Net realized gains (losses) on U.S. Treasury securities	—	12	(86)	12
Total gain (loss) on investments, net	165,168	(224,897)	53,803	(272,620)

During the three and nine months ended September 30, 2024, we sold MBS and realized net gains of \$5.0 million and net losses of \$4.8 million, respectively (September 30, 2023: net losses of \$33.2 million and \$57.4 million). Net realized gains and losses during the three and nine months ended September 30, 2024 primarily reflect sales of 4.0% to 5.0% coupon Agency RMBS with a portion of the proceeds being used to purchase Agency CMBS. Net realized losses during the three and nine months ended September 30, 2023 primarily reflect the repositioning of Agency RMBS coupon allocations and sales of lower yielding Agency RMBS to purchase higher yielding Agency RMBS in an effort to improve the earnings power of the portfolio.

We have elected the fair value option for all of our MBS purchased on or after September 1, 2016. Before September 1, 2016, we had also elected the fair value option for our non-Agency RMBS interest-only securities. Under the fair value option, changes in fair value are recognized in income in the condensed consolidated statements of operations. As of September 30, 2024, \$5.9 billion (December 31, 2023: \$5.0 billion) or 99.7% (December 31, 2023: 99.7%) of our MBS were accounted for under the fair value option.

We recorded net unrealized gains on our MBS portfolio accounted for under the fair value option of \$160.2 million and \$59.0 million in the three and nine months ended September 30, 2024 compared to net unrealized losses of \$191.8 million and \$215.2 million in the three and nine months ended September 30, 2023. Net unrealized gains in the three and nine months ended September 30, 2024 were due to lower interest rates during the third quarter resulting in improved valuations on Agency RMBS and Agency CMBS. Net unrealized losses in the three and nine months ended September 30, 2023 were primarily due to lower valuations on our Agency RMBS given higher interest rates and wider interest rate spreads on our holdings.

We recorded net realized and unrealized losses of \$458,000 on U.S. Treasury securities in the nine months ended September 30, 2024. We sold the security during the first quarter of 2024.

(Increase) Decrease in Provision for Credit Losses

As of September 30, 2024, \$15.4 million of our MBS are classified as available-for-sale and subject to evaluation for credit losses (December 31, 2023: \$15.7 million). During the three and nine months ended September 30, 2024, we recorded a decrease of \$80,000 and an increase of \$222,000 in the provision for credit losses, respectively, on a single non-Agency CMBS. We recorded a \$43,000 and \$212,000 increase in the provision for credit losses during the three and nine months ended September 30, 2023, respectively, on the same security. Increases and decreases in the provision are based on a comparison of the security's amortized cost basis to discounted expected cash flows.

Equity in Earnings (Losses) of Unconsolidated Ventures

For the nine months ended September 30, 2024 we recorded equity in losses of unconsolidated ventures of \$193,000 (three and nine months ended September 30, 2023: equity in earnings of \$2,000 and \$4,000, respectively). We received a final distribution from our sole remaining unconsolidated venture during the first quarter of 2024, and the venture was dissolved in April 2024.

Gain (Loss) on Derivative Instruments, net

We record all derivatives on our condensed consolidated balance sheets at fair value. Changes in the fair value of our derivatives are recorded in gain (loss) on derivative instruments, net in our condensed consolidated statements of operations. Net interest paid or received under our interest rate swaps is also recognized in gain (loss) on derivative instruments, net in our condensed consolidated statements of operations.

The tables below summarize our realized and unrealized gain (loss) on derivative instruments, net for the following periods.

\$ in thousands	Derivative not designated as hedging instrument	Three months ended September 30, 2024			
		Realized gain (loss) on derivative instruments, net	Contractual net interest income (expense)	Unrealized gain (loss), net	Gain (loss) on derivative instruments, net
	Interest Rate Swaps	(160,472)	40,883	517	(119,072)
	Futures Contracts	(12,419)	—	2,527	(9,892)
	TBAs	94	—	1,525	1,619
	Total	(172,797)	40,883	4,569	(127,345)

\$ in thousands	Derivative not designated as hedging instrument	Three months ended September 30, 2023			
		Realized gain (loss) on derivative instruments, net	Contractual net interest income (expense)	Unrealized gain (loss), net	Gain (loss) on derivative instruments, net
	Interest Rate Swaps	84,565	72,126	(5,002)	151,689
	Total	84,565	72,126	(5,002)	151,689

\$ in thousands	Nine months ended September 30, 2024				
	Derivative not designated as hedging instrument	Realized gain (loss) on derivative instruments, net	Contractual net interest income (expense)	Unrealized gain (loss), net	Gain (loss) on derivative instruments, net
Interest Rate Swaps		(134,661)	129,441	8,569	3,349
Futures Contracts		(12,419)	—	2,527	(9,892)
TBAs		621	—	—	621
Total		(146,459)	129,441	11,096	(5,922)

\$ in thousands	Nine months ended September 30, 2023				
	Derivative not designated as hedging instrument	Realized gain (loss) on derivative instruments, net	Contractual net interest income (expense)	Unrealized gain (loss), net	Gain (loss) on derivative instruments, net
Interest Rate Swaps		21,509	190,027	(7,658)	203,878
Currency Forward Contracts		(18)	—	—	(18)
TBAs		(1,880)	—	1,438	(442)
Total		19,611	190,027	(6,220)	203,418

During the nine months ended September 30, 2024, we entered into interest rate swaps with a notional amount of \$2.6 billion and terminated existing interest rate swaps with a notional amount of \$2.9 billion. We recorded net losses of \$119.1 million and net gains of \$3.3 million on interest rate swaps for the three and nine months ended September 30, 2024, respectively, (September 30, 2023: net gains of \$151.7 million and \$203.9 million) primarily due to changes in forward interest rate expectations.

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As of September 30, 2024 and December 31, 2023, we held the following interest rate swaps whereby we pay fixed rate interest and receive floating rate interest based upon SOFR.

\$ in thousands	As of September 30, 2024				As of December 31, 2023			
	Notional Amount	Weighted Average Fixed Pay Rate	Weighted Average Floating Receive Rate	Weighted Average Years to Maturity	Notional Amount	Weighted Average Fixed Pay Rate	Weighted Average Floating Receive Rate	Weighted Average Years to Maturity
Interest Rate Swaps	3,790,000	1.37 %	4.96 %	5.4	4,065,000	1.10 %	5.38 %	6.6

As of September 30, 2024, we had \$5.2 billion of repurchase agreement borrowings with a weighted average remaining maturity of 32 days. We typically refinance each repurchase agreement at market interest rates upon maturity. We use interest rate swaps to manage our exposure to changing interest rates and add stability to interest rate expense.

During the third quarter of 2024, we began using futures contracts as an alternative way to help mitigate the potential impact of changes in interest rates on our performance. During the three and nine months ended September 30, 2024, we entered into futures contracts with a notional amount of \$750.0 million and terminated existing futures contracts with a notional amount of \$260.0 million. We recognized net losses of \$9.9 million on futures contracts during the three and nine months ended September 30, 2024 due to changes in forward interest rate expectations.

We primarily use TBAs that we do not intend to physically settle on the contractual settlement date as an alternative means of investing in and financing Agency RMBS. We recorded net gains of \$1.6 million and \$621,000 on TBAs during the three and nine months ended September 30, 2024, respectively (nine months ended September 30, 2023: net losses of \$442,000).

Other Investment Income (Loss), net

Our other investment income (loss), net during the nine months ended September 30, 2023 consisted of foreign currency transaction gains and losses and the reclassification of our foreign currency translation adjustment that was previously recorded in accumulated other comprehensive income related to an unconsolidated venture that was liquidated during the first quarter of 2023.

Expenses

We incurred management fees of \$2.9 million and \$8.7 million for the three and nine months ended September 30, 2024, respectively (September 30, 2023: \$3.1 million and \$9.2 million). Management fees decreased for the three and nine months ended September 30, 2024 compared to the same period in 2023 due to a lower stockholders' equity management fee base. Refer to Note 11 – "Related Party Transactions" of our condensed consolidated financial statements for a discussion of our relationship with our Manager and a description of how our fees are calculated.

Our general and administrative expenses not covered under our management agreement amounted to \$1.8 million and \$5.5 million for the three and nine months ended September 30, 2024, respectively (September 30, 2023: \$1.7 million and \$5.7 million). General and administrative expenses not covered under our management agreement primarily consist of directors and officers insurance, legal costs, accounting, auditing and tax services, filing fees and miscellaneous general and administrative costs.

Gain on Repurchase and Retirement of Preferred Stock

In May 2022, our board of directors approved a share repurchase program for our Series B and Series C Preferred Stock. During the three and nine months ended September 30, 2024, we repurchased and retired no shares and 138,008 shares of Series B Preferred Stock, respectively, and 66,507 and 267,916 shares of Series C Preferred Stock, respectively. During the three and nine months ended September 30, 2023, we repurchased and retired 34,432 and 72,220 shares of Series B Preferred Stock, respectively, and 92,563 and 135,259 shares of Series C Preferred Stock, respectively. Gains on repurchases and retirements of preferred stock represent the difference between the consideration transferred and the carrying value of the preferred stock.

Net Income (Loss) attributable to Common Stockholders

For the three months ended September 30, 2024, our net income attributable to common stockholders was \$35.3 million (September 30, 2023: net loss of \$74.0 million) or \$0.63 basic and diluted net income per average share available to common stockholders (September 30, 2023: \$1.62 net loss per share). The change in net income (loss) attributable to common stockholders was primarily due to (i) net gains on investments of \$165.2 million in the 2024 period compared to net losses on investments of \$224.9 million in the 2023 period; (ii) net losses on derivative instruments of \$127.3 million in the 2024 period compared to net gains on derivatives of \$151.7 million in the 2023 period; and (iii) a \$1.9 million decrease in net interest income.

For the nine months ended September 30, 2024, our net income attributable to common stockholders was \$40.2 million (September 30, 2023: net loss of \$59.8 million) or \$0.78 basic and diluted net income per average share available to common stockholders (September 30, 2023: \$1.40 net loss per share). The change in net income (loss) attributable to common stockholders was primarily due to (i) net gains on investments of \$53.8 million in the 2024 period compared to net losses on investments of \$272.6 million in the 2023 period; (ii) net losses on derivative instruments of \$5.9 million in the 2024 period compared to net gains on derivative instruments of \$203.4 million in the 2023 period; and (iii) a \$18.3 million decrease in net interest income.

For further information on the changes in net gain (loss) on derivative instruments, net gain (loss) on investments and changes in net interest income, see preceding discussion under “Gain (Loss) on Investments, net”, “Gain (Loss) on Derivative Instruments, net” and “Net Interest Income”.

Non-GAAP Financial Measures

The table below shows the non-GAAP financial measures we use to analyze our operating results and the most directly comparable U.S. GAAP measures. We believe these non-GAAP measures are useful to investors in assessing our performance as discussed further below.

Non-GAAP Financial Measure	Most Directly Comparable U.S. GAAP Measure
Earnings available for distribution (and by calculation, earnings available for distribution per common share)	Net income (loss) attributable to common stockholders (and by calculation, basic earnings (loss) per common share)
Effective interest expense (and by calculation, effective cost of funds)	Total interest expense (and by calculation, cost of funds)
Effective net interest income (and by calculation, effective interest rate margin)	Net interest income (and by calculation, net interest rate margin)
Economic debt-to-equity ratio	Debt-to-equity ratio

The non-GAAP financial measures used by management should be analyzed in conjunction with U.S. GAAP financial measures and should not be considered substitutes for U.S. GAAP financial measures. In addition, the non-GAAP financial measures may not be comparable to similarly titled non-GAAP financial measures of our peer companies.

Earnings Available for Distribution

Our business objective is to provide attractive risk-adjusted returns to our stockholders, primarily through dividends and secondarily through capital appreciation. We use earnings available for distribution as a measure of our investment portfolio’s ability to generate income for distribution to common stockholders and to evaluate our progress toward meeting this objective. We calculate earnings available for distribution as U.S. GAAP net income (loss) attributable to common stockholders adjusted for (gain) loss on investments, net; realized (gain) loss on derivative instruments, net; unrealized (gain) loss on derivative instruments, net; TBA dollar roll income; gain on repurchase and retirement of preferred stock; foreign currency (gains) losses, net and amortization of net deferred (gain) loss on de-designated interest rate swaps.

By excluding the gains and losses discussed above, we believe the presentation of earnings available for distribution provides a consistent measure of operating performance that investors can use to evaluate our results over multiple reporting periods and, to a certain extent, compare to our peer companies. However, because not all of our peer companies use identical operating performance measures, our presentation of earnings available for distribution may not be comparable to other similarly titled measures used by our peer companies. We exclude the impact of gains and losses when calculating earnings available for distribution because (i) when analyzed in conjunction with our U.S. GAAP results, earnings available for distribution provides additional detail of our investment portfolio’s earnings capacity and (ii) gains and losses are not accounted for consistently under U.S. GAAP. Under U.S. GAAP, certain gains and losses are reflected in net income whereas other gains and losses are reflected in other comprehensive income. For example, a portion of our mortgage-backed securities are classified

as available-for-sale securities, and we record changes in the valuation of these securities in other comprehensive income on our condensed consolidated balance sheets. We elected the fair value option for our mortgage-backed securities purchased on or after September 1, 2016, and changes in the valuation of these securities are recorded in other income (loss) in our condensed consolidated statements of operations. In addition, certain gains and losses represent one-time events. We may add and have added additional reconciling items to our earnings available for distribution calculation as appropriate.

To maintain our qualification as a REIT, U.S. federal income tax law generally requires that we distribute at least 90% of our REIT taxable income annually, determined without regard to the deduction for dividends paid and excluding net capital gains. We have historically distributed at least 100% of our REIT taxable income. Because we view earnings available for distribution as a consistent measure of our investment portfolio's ability to generate income for distribution to common stockholders, earnings available for distribution is one metric, but not the exclusive metric, that our board of directors uses to determine the amount, if any, and the payment date of dividends on our common stock. However, earnings available for distribution should not be considered as an indication of our taxable income, a guaranty of our ability to pay dividends or as a proxy for the amount of dividends we may pay, as earnings available for distribution excludes certain items that impact our cash needs.

Earnings available for distribution is an incomplete measure of our financial performance and there are other factors that impact the achievement of our business objective. We caution that earnings available for distribution should not be considered as an alternative to net income (determined in accordance with U.S. GAAP) or as an indication of our cash flow from operating activities (determined in accordance with U.S. GAAP), a measure of our liquidity or as an indication of amounts available to fund our cash needs.

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The table below provides a reconciliation of U.S. GAAP net income (loss) attributable to common stockholders to earnings available for distribution for the following periods.

\$ in thousands, except per share data	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income (loss) attributable to common stockholders	35,271	(74,024)	40,235	(59,821)
Adjustments:				
(Gain) loss on investments, net	(165,168)	224,897	(53,803)	272,620
Realized (gain) loss on derivative instruments, net ⁽¹⁾	172,797	(84,565)	146,459	(19,611)
Unrealized (gain) loss on derivative instruments, net ⁽¹⁾	(4,569)	5,002	(11,096)	6,220
TBA dollar roll income ⁽²⁾	39	—	1,117	697
Gain on repurchase and retirement of preferred stock	(25)	(347)	(426)	(711)
Foreign currency (gains) losses, net ⁽³⁾	—	—	—	66
Amortization of net deferred (gain) loss on de-designated interest rate swaps ⁽⁴⁾	—	(1,810)	—	(9,505)
Subtotal	3,074	143,177	82,251	249,776
Earnings available for distribution	38,345	69,153	122,486	189,955
Basic income (loss) per common share	0.63	(1.62)	0.78	(1.40)
Earnings available for distribution per common share ⁽⁵⁾	0.68	1.51	2.38	4.46

(1) U.S. GAAP gain (loss) on derivative instruments, net on the condensed consolidated statements of operations includes the following components.

\$ in thousands	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Realized gain (loss) on derivative instruments, net	(172,797)	84,565	(146,459)	19,611
Unrealized gain (loss) on derivative instruments, net	4,569	(5,002)	11,096	(6,220)
Contractual net interest income (expense) on interest rate swaps	40,883	72,126	129,441	190,027
Gain (loss) on derivative instruments, net	(127,345)	151,689	(5,922)	203,418

(2) A TBA dollar roll is a series of derivative transactions where TBAs with the same specified issuer, term and coupon but different settlement dates are simultaneously bought and sold. The TBA settling in the later month typically prices at a discount to the TBA settling in the earlier month. TBA dollar roll income represents the price differential between the TBA price for current month settlement versus the TBA price for forward month settlement. We include TBA dollar roll income in earnings available for distribution because it is the economic equivalent of interest income on the underlying Agency RMBS, less an implied financing cost, over the forward settlement period. TBA dollar roll income is a component of gain (loss) on derivative instruments, net on our condensed consolidated statements of operations.

(3) Foreign currency gains (losses), net includes foreign currency transaction gains and losses and the reclassification of currency translation adjustments that were previously recorded in accumulated other comprehensive income and is included in other investment income (loss), net on the condensed consolidated statements of operations.

(4) U.S. GAAP interest expense on the condensed consolidated statements of operations includes the following components.

\$ in thousands	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Interest expense on repurchase agreement borrowings	66,315	67,511	187,288	183,954
Amortization of net deferred (gain) loss on de-designated interest rate swaps	—	(1,810)	—	(9,505)
Total interest expense	66,315	65,701	187,288	174,449

(5) Earnings available for distribution per common share is equal to earnings available for distribution divided by the basic weighted average number of common shares outstanding.

The table below shows the components of earnings available for distribution for the following periods.

\$ in thousands	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Effective net interest income ⁽¹⁾	48,393	79,747	152,589	221,920
TBA dollar roll income	39	—	1,117	697
Equity in earnings (losses) of unconsolidated ventures	—	2	(193)	4
(Increase) decrease in provision for credit losses	80	(43)	(222)	(212)
Total expenses	(4,693)	(4,781)	(14,238)	(14,980)
Subtotal	43,819	74,925	139,053	207,429
Dividends to preferred stockholders	(5,474)	(5,772)	(16,567)	(17,474)
Earnings available for distribution	38,345	69,153	122,486	189,955

(1) See below for a reconciliation of net interest income to effective net interest income, a non-GAAP measure.

Earnings available for distribution decreased during the three and nine months ended September 30, 2024 compared to the same periods in 2023 due to lower effective net interest income. See below for details on the change in effective net interest income.

Effective Interest Expense / Effective Cost of Funds / Effective Net Interest Income / Effective Interest Rate Margin

We calculate effective interest expense (and by calculation, effective cost of funds) as U.S. GAAP total interest expense adjusted for contractual net interest income (expense) on our interest rate swaps that is recorded as gain (loss) on derivative instruments, net and the amortization of net deferred gains (losses) on de-designated interest rate swaps that is recorded as interest expense. We view our interest rate swaps as an economic hedge against increases in future market interest rates on our borrowings. We add back the net payments or receipts on our interest rate swap agreements to our total U.S. GAAP interest expense because we use interest rate swaps to add stability to interest expense. We exclude the amortization of net deferred gains (losses) on de-designated interest rate swaps from our calculation of effective interest expense because we do not consider the amortization a current component of our borrowing costs.

We calculate effective net interest income (and by calculation, effective interest rate margin) as U.S. GAAP net interest income adjusted for contractual net interest income (expense) on our interest rate swaps that is recorded as gain (loss) on derivative instruments, net and amortization of net deferred gains (losses) on de-designated interest rate swaps that is recorded as interest expense.

We believe the presentation of effective interest expense, effective cost of funds, effective net interest income and effective interest rate margin measures, when considered together with U.S. GAAP financial measures, provides information that is useful to investors in understanding our borrowing costs and operating performance.

The following table reconciles total interest expense to effective interest expense and cost of funds to effective cost of funds for the following periods.

\$ in thousands	Three Months Ended September 30,			
	2024		2023	
	Reconciliation	Cost of Funds / Effective Cost of Funds	Reconciliation	Cost of Funds / Effective Cost of Funds
Total interest expense	66,315	5.30 %	65,701	5.36 %
Add: Amortization of net deferred gain (loss) on de-designated interest rate swaps	—	— %	1,810	0.15 %
Less: Contractual net interest expense (income) on interest rate swaps recorded as gain (loss) on derivative instruments, net	(40,883)	(3.27)%	(72,126)	(5.88)%
Effective interest expense	25,432	2.03 %	(4,615)	(0.37)%

\$ in thousands	Nine Months Ended September 30,			
	2024		2023	
	Reconciliation	Cost of Funds / Effective Cost of Funds	Reconciliation	Cost of Funds / Effective Cost of Funds
Total interest expense	187,288	5.48 %	174,449	4.83 %
Add: Amortization of net deferred gain (loss) on de-designated interest rate swaps	—	— %	9,505	0.26 %
Less: Contractual net interest expense (income) on interest rate swaps recorded as gain (loss) on derivative instruments, net	(129,441)	(3.78)%	(190,027)	(5.27)%
Effective interest expense	57,847	1.70 %	(6,073)	(0.18)%

Our effective interest expense and effective cost of funds increased in the three and nine months ended September 30, 2024 compared to the same periods in 2023 due to decreases in contractual net interest income on interest rate swaps.

In addition to changes caused by the underlying floating rate index, the amount of contractual net interest income or expense on interest rate swaps that we recognize has changed based on changes in the size and composition of our interest rate swap portfolio. During the third quarter of 2024, we also began using futures contracts, which do not earn or incur contractual interest, in lieu of certain interest rate swaps as an alternative way to help mitigate the potential impact of changing interest rates on our performance. See preceding discussion under “Gain (Loss) on Derivative Instruments, net” for details of our interest rate swap portfolio as of September 30, 2024 and December 31, 2023.

The following table reconciles net interest income to effective net interest income and net interest rate margin to effective interest rate margin for the following periods.

\$ in thousands	Three Months Ended September 30,			
	2024		2023	
	Reconciliation	Net Interest Rate Margin / Effective Interest Rate Margin	Reconciliation	Net Interest Rate Margin / Effective Interest Rate Margin
Net interest income	7,510	0.01 %	9,431	0.11 %
Less: Amortization of net deferred (gain) loss on de-designated interest rate swaps	—	— %	(1,810)	(0.15)%
Add: Contractual net interest income (expense) on interest rate swaps recorded as gain (loss) on derivative instruments, net	40,883	3.27 %	72,126	5.88 %
Effective net interest income	48,393	3.28 %	79,747	5.84 %

\$ in thousands	Nine Months Ended September 30,			
	2024		2023	
	Reconciliation	Net Interest Rate Margin / Effective Interest Rate Margin	Reconciliation	Net Interest Rate Margin / Effective Interest Rate Margin
Net interest income	23,148	(0.01)%	41,398	0.56 %
Less: Amortization of net deferred (gain) loss on de-designated interest rate swaps	—	— %	(9,505)	(0.26)%
Add: Contractual net interest income (expense) on interest rate swaps recorded as gain (loss) on derivative instruments, net	129,441	3.78 %	190,027	5.27 %
Effective net interest income	152,589	3.77 %	221,920	5.57 %

Our effective net interest income and effective interest rate margin decreased in the three months ended September 30, 2024 compared to the same period in 2023 due to decreases in contractual net interest income on interest rate swaps. Our effective net interest income and effective interest rate margin decreased in the nine months ended September 30, 2024 compared to the same period in 2023 due to decreases in contractual net interest income on interest rate swaps and increases in the Federal Funds target rate.

Economic Debt-to-Equity Ratio

The tables below show the allocation of our stockholders' equity to our target assets, our debt-to-equity ratio, and our economic debt-to-equity ratio as of September 30, 2024 and December 31, 2023. Our debt-to-equity ratio is calculated in accordance with U.S. GAAP and is the ratio of total debt to total stockholders' equity. As of September 30, 2024, approximately 94% of our equity is allocated to Agency RMBS.

We present an economic debt-to-equity ratio, a non-GAAP financial measure of leverage that considers the impact of the off-balance sheet financing of our investments in TBAs that are accounted for as derivative instruments under U.S. GAAP. We include our TBAs at implied cost basis in our measure of leverage because a forward contract to acquire Agency RMBS in the TBA market carries similar risks to Agency RMBS purchased in the cash market and funded with on-balance sheet liabilities. Similarly, a contract for the forward sale of Agency RMBS has substantially the same effect as selling the underlying Agency RMBS and reducing our on-balance sheet funding commitments. We believe that presenting our economic debt-to-equity ratio, when considered together with our U.S. GAAP financial measure of debt-to-equity ratio, provides information that is useful to investors in understanding how management evaluates our at-risk leverage and gives investors a comparable statistic to those of other mortgage REITs who also invest in TBAs and present a similar non-GAAP measure of leverage.

As of September 30, 2024

\$ in thousands	Agency RMBS	Agency CMBS	Credit Portfolio ⁽¹⁾	Total
Mortgage-backed securities	5,181,013	675,074	17,609	5,873,696
Cash and cash equivalents ⁽²⁾	42,190	6,064	—	48,254
Restricted cash ⁽³⁾	115,416	4,783	—	120,199
Derivative assets, at fair value ⁽³⁾	11,556	479	—	12,035
Other assets	25,598	2,448	—	28,046
Total assets	5,375,773	688,848	17,609	6,082,230
Repurchase agreements	4,535,956	648,929	—	5,184,885
Other liabilities	37,289	2,360	693	40,342
Total liabilities	4,573,245	651,289	693	5,225,227
Total stockholders' equity (allocated)	802,528	37,559	16,916	857,003
Debt-to-equity ratio ⁽⁴⁾	5.7	17.3	—	6.1
Economic debt-to-equity ratio ⁽⁵⁾	5.7	17.3	—	6.1

(1) Investments in non-Agency CMBS and non-Agency RMBS are included in credit portfolio.

(2) Cash and cash equivalents is allocated based on our financing strategy for each asset class.

(3) Restricted cash and derivative assets are allocated based on our hedging strategy for each asset class.

(4) Debt-to-equity ratio is calculated as the ratio of total repurchase agreements to total stockholders' equity.

(5) Economic debt-to-equity ratio is calculated as the ratio of total repurchase agreements and TBAs at implied cost basis to total stockholders' equity. We did not have any TBAs outstanding as of September 30, 2024.

As of December 31, 2023

\$ in thousands	Agency RMBS	Credit Portfolio ⁽¹⁾	Total
Mortgage-backed securities	5,027,232	18,074	5,045,306
U.S. Treasury securities	11,214	—	11,214
Cash and cash equivalents ⁽²⁾	76,967	—	76,967
Restricted cash ⁽³⁾	121,670	—	121,670
Derivative assets, at fair value ⁽³⁾	939	—	939
Other assets	27,480	633	28,113
Total assets	5,265,502	18,707	5,284,209
Repurchase agreements	4,458,695	—	4,458,695
Other liabilities	42,117	732	42,849
Total liabilities	4,500,812	732	4,501,544
Total stockholders' equity (allocated)	764,690	17,975	782,665
Debt-to-equity ratio ⁽⁴⁾	5.8	—	5.7
Economic debt-to-equity ratio ⁽⁵⁾	5.8	—	5.7

(1) Investments in non-Agency CMBS, non-Agency RMBS and an unconsolidated joint venture are included in credit portfolio.

(2) Cash and cash equivalents is allocated based on our financing strategy for each asset class.

(3) Restricted cash and derivative assets are allocated based on our hedging strategy for each asset class.

(4) Debt-to-equity ratio is calculated as the ratio of total repurchase agreements to total stockholders' equity.

(5) Economic debt-to-equity ratio is calculated as the ratio of total repurchase agreements and TBAs at implied cost basis to total stockholders' equity. We did not have any TBAs outstanding as of December 31, 2023.

Liquidity and Capital Resources

Liquidity is a measure of our ability to meet potential cash requirements, including ongoing commitments to pay dividends, fund investments, repay borrowings and fund other general business needs. Our primary sources of funds for liquidity consist of the net proceeds from our common and preferred equity offerings, net cash provided by operating activities, proceeds from repurchase agreements and other financing arrangements and future issuances of equity and/or debt securities.

We currently believe that we have sufficient liquidity and capital resources available for the acquisition of additional investments, repayments on borrowings, margin requirements and the payment of cash dividends as required for continued qualification as a REIT. We generally maintain liquidity to pay down borrowings under repurchase arrangements to reduce borrowing costs and otherwise efficiently manage our long-term investment capital. Because the level of these borrowings can be adjusted on a daily basis, the level of cash and cash equivalents carried on our condensed consolidated balance sheets is significantly less important than our potential liquidity available under borrowing arrangements or through the sale of liquid investments. However, there can be no assurance that we will maintain sufficient levels of liquidity to meet any margin calls.

We held cash, cash equivalents and restricted cash of \$168.5 million as of September 30, 2024 (September 30, 2023: \$359.7 million). Our cash, cash equivalents and restricted cash change due to normal fluctuations in cash balances related to the timing of principal and interest payments, repayments of debt, and asset purchases and sales. Our operating activities provided net cash of approximately \$121.3 million for the nine months ended September 30, 2024 (September 30, 2023: \$206.1 million).

Our investing activities used net cash of \$898.8 million in the nine months ended September 30, 2024 compared to net cash used by investing activities of \$899.8 million in the nine months ended September 30, 2023. Our primary source of cash from investing activities for the nine months ended September 30, 2024 was proceeds from sales of MBS of \$887.2 million and proceeds from sales of U.S. Treasury securities of \$10.8 million (September 30, 2023: \$3.3 billion from the sales of MBS). We also generated \$261.9 million from principal payments of MBS during the nine months ended September 30, 2024 (September 30, 2023: \$260.9 million) and used cash of \$146.5 million to settle derivative contracts in the nine months ended September 30, 2024 (September 30, 2023: net cash provided of \$19.6 million). We used cash of \$1.9 billion to purchase MBS during the nine months ended September 30, 2024 (September 30, 2023: \$4.5 billion to purchase MBS).

Our financing activities provided net cash of \$747.3 million for the nine months ended September 30, 2024 compared to net cash provided by financing activities of \$774.6 million in the nine months ended September 30, 2023. During the nine months ended September 30, 2024, we received net cash from proceeds on our repurchase agreements of \$726.6 million.

(September 30, 2023: \$752.2 million). We used cash of \$75.7 million for the nine months ended September 30, 2024 to pay dividends (September 30, 2023: \$77.1 million). Proceeds from issuance of common stock provided \$108.1 million for the nine months ended September 30, 2024 (September 30, 2023: \$109.1 million).

As of September 30, 2024, the average margin requirement (weighted by borrowing amount), or the haircut, under our repurchase agreements was 4.3% for Agency RMBS and 4.5% for Agency CMBS. The haircuts ranged from a low of 3% to a high of 5% for Agency RMBS and a low of 3% to a high of 5% for Agency CMBS. Declines in the value of our securities portfolio can trigger margin calls by our lenders under our repurchase agreements. An event of default or termination event may give our counterparties the option to terminate all repurchase transactions outstanding with us and require any amount due from us to the counterparties to be payable immediately.

Effects of Margin Requirements, Leverage and Credit Spreads

Our securities have values that fluctuate according to market conditions and the market value of our securities will decrease as prevailing interest rates or credit spreads increase. When the value of the securities pledged to secure a repurchase loan decreases to the point where the positive difference between the collateral value and the loan amount is less than the haircut, our lenders may issue a “margin call”, which means that the lender will require us to pay cash or pledge additional collateral. Under our repurchase facilities, our lenders have full discretion to determine the value of the securities we pledge to them. Most of our lenders will value securities based on recent trades in the market. Lenders also issue margin calls as the published current principal balance factors change on the pool of mortgages underlying the securities pledged as collateral when scheduled and unscheduled paydowns are announced monthly.

We experience margin calls and increased collateral requirements in the ordinary course of our business. In seeking to effectively manage the margin requirements established by our lenders, we maintain a position of cash and unpledged securities. We refer to this position as our liquidity. The level of liquidity we have available to meet margin calls is directly affected by our leverage levels, our haircuts and the price changes on our securities. If interest rates increase as a result of a yield curve shift or for another reason or if credit spreads widen, then the prices of our collateral (and our unpledged assets that constitute our liquidity) will decline, we will experience margin calls, and we will seek to use our liquidity to meet the margin calls. There can be no assurance that we will maintain sufficient levels of liquidity to meet any margin calls or increased collateral requirements. If our haircuts increase, our liquidity will proportionately decrease. In addition, if we increase our borrowings, our liquidity will decrease by the amount of additional haircut on the increased level of indebtedness.

We intend to maintain a level of liquidity in relation to our assets that enables us to meet reasonably anticipated margin calls and increased collateral requirements but that also allows us to be substantially invested in securities. We may misjudge the appropriate amount of our liquidity by maintaining excessive liquidity, which would lower our investment returns, or by maintaining insufficient liquidity, which would force us to liquidate assets into unfavorable market conditions and harm our results of operations and financial condition.

We are subject to financial covenants in connection with our lending, derivatives and other agreements we enter into in the normal course of our business. We intend to operate in a manner which complies with all of our financial covenants. Our lending and derivative agreements provide that we may be declared in default of our obligations if our leverage ratio exceeds certain thresholds and we fail to maintain stockholders' equity or market value above certain thresholds over specified time periods.

Forward-Looking Statements Regarding Liquidity

As of September 30, 2024, we held \$5.4 billion of Agency securities that are financed by repurchase agreements. We also had approximately \$472.3 million of unencumbered investments and unrestricted cash of \$48.3 million as of September 30, 2024. As of September 30, 2024, our known contractual obligations primarily consisted of \$5.2 billion of repurchase agreement borrowings with a weighted average remaining maturity of 32 days. We generally intend to refinance the majority of our repurchase agreement borrowings at market rates upon maturity. Repurchase agreement borrowings that are not refinanced upon maturity are typically repaid through the use of cash on hand or proceeds from sales of securities.

Based upon our current portfolio and existing borrowing arrangements, we believe that cash flow from operations and available borrowing capacity will be sufficient to enable us to meet anticipated short-term (one year or less) liquidity requirements to fund our investment activities, fund our announced redemption of Series B Preferred Stock, pay fees under our management agreement, fund our required distributions to stockholders and fund other general corporate expenses.

Our ability to meet our long-term (greater than one year) liquidity and capital resource requirements will be subject to obtaining additional debt financing. We may increase our capital resources by obtaining long-term credit facilities or through public or private offerings of equity or debt securities, possibly including classes of preferred stock, common stock, senior or subordinated notes and convertible notes. Such financing will depend on market conditions for capital raises and our ability to

invest such offering proceeds. If we are unable to renew, replace or expand our sources of financing on substantially similar terms, it may have an adverse effect on our business and results of operations.

Exposure to Financial Counterparties

We finance a substantial portion of our investment portfolio through repurchase agreements. Under these agreements, we pledge assets from our investment portfolio as collateral. Additionally, certain counterparties may require us to provide cash collateral in the event the market value of the assets declines to maintain a contractual repurchase agreement collateral ratio. If a counterparty were to default on its obligations, we would be exposed to potential losses to the extent the fair value of collateral pledged by us to the counterparty including any accrued interest receivable on such collateral exceeded the amount loaned to us by the counterparty plus interest due to the counterparty.

As of September 30, 2024, no counterparty held collateral that exceeded the amounts borrowed under the related repurchase agreements by more than \$42.9 million, or 5% of our stockholders' equity. The following table summarizes our exposure to counterparties by geographic concentration as of September 30, 2024. The information is based on the geographic headquarters of the counterparty or counterparty's parent company. However, our repurchase agreements are denominated in U.S. dollars.

\$ in thousands	Number of Counterparties	Repurchase Agreement Financing	Exposure
North America	13	3,192,088	(142,441)
Europe (excluding United Kingdom)	2	675,444	(27,727)
Asia	4	858,367	(38,769)
United Kingdom	1	458,986	(17,858)
Total	20	5,184,885	(226,795)

Dividends

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

As discussed above, our distribution requirements are based on REIT taxable income rather than U.S. GAAP net income. The primary differences between our REIT taxable income and U.S. GAAP net income are: (i) unrealized gains and losses on investments that we have elected the fair value option for that are included in current U.S. GAAP income but are excluded from REIT taxable income until realized or settled; (ii) gains and losses on derivative instruments that are included in current U.S. GAAP net income but are excluded from REIT taxable income until realized; and (iii) temporary differences related to amortization of premiums and discounts on investments. For additional information regarding the characteristics of our dividends, refer to Note 12 – "Stockholders' Equity" of our annual report on Form 10-K for the year ended December 31, 2023.

Unrelated Business Taxable Income

We have not engaged in transactions that would result in a portion of our income being treated as unrelated business taxable income.

Other Matters

We believe that we satisfied each of the asset tests in Section 856(c)(4) of the Internal Revenue Code of 1986, as amended (the "Code") for the period ended September 30, 2024, and that our proposed method of operation will permit us to satisfy the asset tests, gross income tests, and distribution and stock ownership requirements for our taxable year that will end on December 31, 2024.

At all times, we intend to conduct our business so that neither we nor our Operating Partnership nor the subsidiaries of our Operating Partnership are required to register as an investment company under the 1940 Act. If we were required to register as an investment company, then our use of leverage would be substantially reduced. Because we are a holding company that

conducts our business through our Operating Partnership and the Operating Partnership's wholly-owned or majority-owned subsidiaries, the securities issued by these subsidiaries that are excepted from the definition of "investment company" under Section 3(c)(1) or Section 3(c)(7) of the 1940 Act, together with any other investment securities the Operating Partnership may own, may not have a combined value in excess of 40% of the value of the Operating Partnership's total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis, which we refer to as the 40% test. This requirement limits the types of businesses in which we are permitted to engage in through our subsidiaries. In addition, we believe neither we nor the Operating Partnership are considered an investment company under Section 3(a)(1)(A) of the 1940 Act because they do not engage primarily or hold themselves out as being engaged primarily in the business of investing, reinvesting or trading in securities. Rather, through the Operating Partnership's wholly-owned or majority-owned subsidiaries, we and the Operating Partnership are primarily engaged in the non-investment company businesses of these subsidiaries. IAS Asset I LLC and certain of the Operating Partnership's other subsidiaries that we may form in the future rely upon the exclusion from the definition of "investment company" under the 1940 Act provided by Section 3(c)(5)(C) of the 1940 Act, which is available for entities "primarily engaged in the business of purchasing or otherwise acquiring mortgages and other liens on and interests in real estate." This exclusion generally requires that at least 55% of each subsidiary's portfolio be comprised of qualifying assets and at least 80% be comprised of qualifying assets and real estate-related assets (and no more than 20% comprised of miscellaneous assets). We calculate that as of September 30, 2024, we conducted our business so as not to be regulated as an investment company under the 1940 Act.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The primary components of our market risk are related to interest rate, principal prepayment and market value. While we do not seek to avoid risk completely, we believe the risk can be quantified from historical experience and we seek to actively manage that risk, to earn sufficient compensation to justify taking those risks and to maintain capital levels consistent with the risks we undertake.

For additional discussion of market risk, see Part I. Item 1 - Risk Factors of our annual report on Form 10-K for the year ended December 31, 2023.

Interest Rate Risk

Interest rate risk is highly sensitive to many factors, including governmental, monetary and tax policies, domestic and international economic and political considerations, and other factors beyond our control. We are subject to interest rate risk in connection with our investments and our repurchase agreements. Our repurchase agreements are typically short-term in nature and are periodically refinanced at current market rates. We typically mitigate this interest rate risk by utilizing derivative contracts, primarily interest rate swap agreements and futures contracts.

Interest Rate Effect on Net Interest Income

Our operating results depend in large part upon differences between the yields earned on our investments and our cost of borrowing and interest rate hedging activities. During periods of rising interest rates, the borrowing costs associated with our investments tend to increase while the income earned on our fixed interest rate investments may remain substantially unchanged. This increase in borrowing costs results in the narrowing of the net interest spread between the related assets and borrowings and may even result in losses. Further, defaults could increase and result in credit losses to us, which could adversely affect our liquidity and operating results. Such delinquencies or defaults could also have an adverse effect on the spread between interest-earning assets and interest-bearing liabilities.

Hedging techniques are partly based on assumed levels of prepayments of our RMBS. If prepayments are slower or faster than assumed, the life of the RMBS will be longer or shorter, which would reduce the effectiveness of any hedging strategies we may use and may cause losses on such transactions. Hedging strategies involving the use of derivative securities are highly complex and may produce volatile returns.

Interest Rate Effects on Fair Value

Another component of interest rate risk is the effect that changes in interest rates will have on the market value of the assets that we acquire. We face the risk that the market value of our assets will increase or decrease at different rates than those of our liabilities, including our hedging instruments.

We primarily assess our interest rate risk by estimating the duration of our assets and the duration of our liabilities. Duration measures the market price volatility of financial instruments as interest rates change. We generally calculate duration using various financial models and empirical data. Different models and methodologies can produce different duration values for the same securities.

The impact of changing interest rates on fair value can change significantly when interest rates change materially. Therefore, the volatility in the fair value of our assets could increase significantly in the event interest rates change materially.

In addition, other factors impact the fair value of our interest rate-sensitive investments and hedging instruments, such as the shape of the yield curve, market expectations as to future interest rate changes and other market conditions. Accordingly, changes in actual interest rates may have a material adverse effect on us.

Spread Risk

We refer to the difference between interest rates on our investments and interest rates on risk free instruments as spreads. We employ a variety of spread risk management techniques that seek to mitigate the influences of spread changes on our book value and our liquidity to help us achieve our investment objectives. The yield on our investments changes over time due to the level of risk free interest rates, the creditworthiness of the security, and the price of the perceived risk. The change in the market yield of our interest rate hedges also changes primarily with the level of risk free interest rates. We manage spread risk through careful asset selection, sector allocation, regulating our portfolio value-at-risk, and seeking to maintain adequate liquidity. Changes in spreads impact our book value and our liquidity and could cause us to sell assets and to change our investment strategy to maintain liquidity and preserve book value.

Inflation, financial conditions, monetary policy initiatives, interest rates and interest rate volatility may have an impact on credit spreads.

Prepayment Risk

As we receive prepayments of principal on our investments, premiums or discounts on these investments are amortized against interest income. In general, an increase in prepayment rates will accelerate the amortization of purchase premiums, thereby reducing the interest income earned on the investments. Conversely, discounts on such investments are accreted into interest income. In general, an increase in prepayment rates will accelerate the accretion of purchase discounts, thereby increasing the interest income earned on the investments.

Uncertainty regarding the rate of inflation, fiscal and monetary policy initiatives, elevated interest rate volatility and other factors have made it more difficult to predict prepayment levels for the securities in our portfolio. As a result, it is possible that realized prepayment behavior will be materially different from our expectations.

Extension Risk

We compute the projected weighted average life of our investments based upon assumptions regarding the rate at which the borrowers will prepay the underlying mortgages. In general, when a fixed-rate or hybrid adjustable-rate security is acquired with borrowings, we may, but are not required to, enter into an interest rate swap agreement or other hedging instrument that effectively fixes our borrowing costs for a period close to the anticipated average life of the fixed-rate portion of the related assets. This strategy is designed to protect us from rising interest rates, because the borrowing costs are fixed for the duration of the fixed-rate portion of the related target asset.

However, if prepayment rates decrease in a rising interest rate environment, then the life of the fixed-rate portion of the related assets could extend beyond the term of the swap agreement or other hedging instrument. This could have a negative impact on our results from operations, as borrowing costs would no longer be fixed after the end of the hedging instrument, while the income earned on the hybrid adjustable-rate assets would remain fixed. This situation may also cause the market value of our hybrid adjustable-rate assets to decline, with little or no offsetting gain from the related hedging transactions. In extreme situations, we may be forced to sell assets to maintain adequate liquidity, which could cause us to incur losses.

Market Risk

Market Value Risk

Our available-for-sale securities are reflected at their estimated fair value with unrealized gains and losses excluded from earnings and reported in other comprehensive income under ASC Topic 320. The estimated fair value of these securities fluctuates primarily due to changes in interest rates and other factors. Generally, in a rising interest rate environment, the estimated fair value of these securities would be expected to decrease; conversely, in a falling interest rate environment, the estimated fair value of these securities would be expected to increase.

Pandemics and other widespread crises, including any related fiscal or monetary policy responses, may cause extreme volatility and illiquidity in fixed income markets. The amount of financing we receive under our repurchase agreements is directly related to our counterparties' valuation of our assets that collateralize the outstanding repurchase agreement financing. When these or similar market conditions are present, margin call risk is elevated and our operating results and financial condition may be materially impacted.

The sensitivity analysis table presented below shows the estimated impact of an instantaneous parallel shift in the yield curve, up and down 50 and 100 basis points, on the market value of our interest rate-sensitive investments and net interest income, including net interest paid or received under interest rate swaps, as of September 30, 2024 and December 31, 2023, assuming a static portfolio and constant financing and credit spreads. When evaluating the impact of changes in interest rates,

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prepayment assumptions and principal reinvestment rates are adjusted based on our Manager's expectations. The analysis presented utilized assumptions, models and estimates of our Manager based on our Manager's judgment and experience.

Change in Interest Rates	As of September 30, 2024		As of December 31, 2023	
	Percentage Change in Projected Net Interest Income	Percentage Change in Projected Portfolio Value	Percentage Change in Projected Net Interest Income	Percentage Change in Projected Portfolio Value
+1.00%	(2.68)%	(0.93)%	(1.04)%	(0.76)%
+0.50%	(1.11)%	(0.30)%	(0.41)%	(0.23)%
-0.50%	0.91 %	(0.08)%	0.27 %	(0.13)%
-1.00%	2.08 %	(0.59)%	0.93 %	(0.68)%

Certain assumptions have been made in connection with the calculation of the information set forth in the foregoing interest rate sensitivity table and, as such, there can be no assurance that assumed events will occur or that other events will not occur that would affect the outcomes. The interest rate scenarios assume interest rates as of September 30, 2024 and December 31, 2023. Furthermore, while the analysis reflects the estimated impact of interest rate increases and decreases on a static portfolio, we actively manage the size and composition of our investment and swap portfolios, which can result in material changes to our interest rate risk profile. When applicable, our scenario analysis assumes a floor of 0% for U.S. Treasury yields and, to be consistent, we also apply a floor of 0% for all related funding costs.

The information set forth in the interest rate sensitivity table above and all related disclosures constitutes forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. Actual results could differ significantly from those estimated in the foregoing interest rate sensitivity table.

Real Estate Risk

Residential and commercial property values are subject to volatility and may be adversely affected by a number of factors, including, but not limited to: national, regional and local economic conditions (which may be adversely affected by industry slowdowns and other factors); local real estate conditions (such as the supply of housing stock or other property sectors); changes or continued weakness in specific industry segments; construction quality, age and design; demographic factors; and retroactive changes to building or similar codes. In addition, decreases in property values reduce the value of the collateral and the potential proceeds available to a borrower to repay our loans, which could also cause us to suffer losses.

Credit Risk

We retain the risk of potential credit losses on all of our residential and commercial mortgage investments. We seek to manage this risk through our pre-acquisition due diligence process. In addition, we re-evaluate the credit risk inherent in our investments on a regular basis pursuant to fundamental considerations such as GDP, unemployment, interest rates, retail sales, store closings/openings, corporate earnings, housing inventory, affordability and regional home price trends. We also review key loan credit metrics including, but not limited to, payment status, current loan-to-value ratios, current borrower credit scores and debt yields. These characteristics assist in determining the likelihood and severity of loan loss as well as prepayment and extension expectations. We then perform structural analysis under multiple scenarios to establish likely cash flow profiles and credit enhancement levels relative to collateral performance projections. This analysis allows us to quantify our opinions of credit quality and fundamental value, which are key drivers of portfolio management decisions.

Deteriorating fundamentals and tightening lending conditions may cause borrowers to experience difficulties meeting their obligations and refinancing loans upon scheduled maturities. Loans may experience increasing delinquency levels and eventual defaults, which could impact the performance of our mortgage-backed securities. Rating agencies periodically reassess transactions negatively impacted by these adverse changes, which may result in our investments being downgraded.

Risk Management

To the extent consistent with maintaining our REIT qualification, we seek to manage risk exposure to protect our investment portfolio against the effects of major interest rate changes. We generally seek to manage this risk by:

- monitoring and adjusting, if necessary, the reset index and interest rate related to our target assets and our financings;
- attempting to structure our financing agreements to have a range of different maturities, terms, amortizations and interest rate adjustment periods;
- exploring options to obtain financing arrangements that are not marked to market;
- using hedging instruments, primarily interest rate swap agreements but also financial futures, options, interest rate cap agreements, floors and forward sales to adjust the interest rate sensitivity of our target assets and our borrowings; and

- actively managing, on an aggregate basis, the interest rate indices, interest rate adjustment periods, and gross reset margins of our target assets and the interest rate indices and adjustment periods of our financings.

ITEM 4. CONTROLS AND PROCEDURES.

Our management is responsible for establishing and maintaining disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act.

We have evaluated, with the participation of our principal executive officer and principal financial officer, the effectiveness of our disclosure controls and procedures as of September 30, 2024. Based upon our evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the quarter ended September 30, 2024 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

From time to time, we may be involved in various claims and legal actions arising in the ordinary course of business. As of September 30, 2024, we were not involved in any such legal proceedings.

ITEM 1A. RISK FACTORS.

There were no material changes during the period covered by this Quarterly Report to the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023, as filed with the SEC on February 22, 2024. Additional risks not presently known, or that we currently deem immaterial, also may have a material adverse effect on our business, financial condition and results of operations.

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

The following tables sets forth information with respect to our repurchases of Series C Preferred Stock during the three months ended September 30, 2024.

Month	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽¹⁾	Maximum Number at end of period of Shares that May Yet Be Purchased Under the Plans or Programs ⁽¹⁾
July 1, 2024 to July 31, 2024	23,245	22.94	23,245	820,785
August 1, 2024 to August 31, 2024	28,615	24.04	28,615	792,170
September 1, 2024 to September 30, 2024	14,647	24.64	14,647	777,523
	66,507	23.80	66,507	

- (1) In May 2022, our board of directors approved a share repurchase program under which we may purchase up to 3,000,000 shares of our Series B Preferred Stock and 5,000,000 shares of our Series C Preferred Stock with no stated expiration date. The shares may be repurchased from time to time through privately negotiated transactions or open market transactions, including under a trading plan in accordance with Rules 10b5-1 and 10b-18 under Exchange Act or by any combination of such methods. The manner, price, number and timing of share repurchases are subject to a variety of factors, including market conditions and applicable SEC rules.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

A list of exhibits to this Form 10-Q is set forth on the Exhibit Index and is incorporated herein by reference.

SIGNATURES

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

INVESCO MORTGAGE CAPITAL INC.

November 5, 2024

By: /s/ John M. Anzalone
John M. Anzalone
Chief Executive Officer

November 5, 2024

By: /s/ Mark Gregson
Mark Gregson
Interim Chief Financial Officer

EXHIBIT INDEX

Item 6. Exhibits

<u>Exhibit No.</u>	<u>Description</u>
3.1	<u>Articles of Amendment and Restatement of Invesco Mortgage Capital Inc. (incorporated by reference to Exhibit 3.1 to our Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission ("SEC") on August 12, 2009).</u>
3.2	<u>Articles Supplementary of 7.75% Fixed-to-Floating Series B Cumulative Redeemable Preferred Stock (incorporated by reference to Exhibit 3.3 to the Registrant's Registration Statement on Form 8-A, filed with the SEC on September 8, 2014).</u>
3.3	<u>Articles Supplementary classifying 1,500,000 shares of the Company's preferred stock as additional Series B Shares (incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K, filed with the SEC on March 19, 2019).</u>
3.4	<u>Articles Supplementary of 7.50% Fixed-to-Floating Series C Cumulative Redeemable Preferred Stock (incorporated by reference to Exhibit 3.4 to the Registrant's Registration Statement on Form 8-A, filed with the SEC on August 11, 2017).</u>
3.5	<u>Articles Supplementary classifying 4,000,000 shares of the Company's preferred stock as additional Series C Shares (incorporated by reference to Exhibit 3.3 to the Current Report on Form 8-K, filed with the SEC on March 19, 2019).</u>
3.6	<u>Articles Supplementary reclassifying 2,110,000 shares of authorized but unissued shares of Series A Preferred Stock as shares of Preferred Stock without designation (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K, filed with the SEC on June 17, 2021).</u>
3.7	<u>Articles of Amendment of Invesco Mortgage Capital Inc. (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K, filed with the SEC on June 3, 2022).</u>
3.8	<u>Articles of Amendment of Invesco Mortgage Capital Inc. (incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K, filed with the SEC on June 3, 2022).</u>
3.9	<u>Articles of Amendment (Authorized shares) (incorporated by reference to Exhibit 3.9 to the Quarterly Report on Form 10-Q, filed with the SEC on August 4, 2022).</u>
3.10	<u>Articles of Amendment (Authorized shares) (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K, filed with the SEC on August 9, 2024).</u>
3.11	<u>Amended and Restated Bylaws of Invesco Mortgage Capital Inc. (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K, filed with the SEC on February 17, 2017).</u>
10.1	<u>Equity Distribution Agreement, dated August 9, 2024, among the Company, the Operating Partnership, its Manager and the Placement Agents (incorporated by reference to Exhibit 1.1 to the Current Report on Form 8-K, filed with the SEC on August 9, 2024).</u>
31.1	<u>Certification of John M. Anzalone pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2	<u>Certification of Mark Gregson pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32.1*	<u>Certification of John M. Anzalone pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
32.2*	<u>Certification of Mark Gregson pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101	101.INS XBRL Instance Document - The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. 101.SCH XBRL Taxonomy Extension Schema Document 101.CAL XBRL Taxonomy Calculation Linkbase Document 101.LAB XBRL Taxonomy Label Linkbase Document 101.PRE XBRL Taxonomy Presentation Linkbase Document 101.DEF XBRL Taxonomy Definition Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

*Furnished herewith

**Certification Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002**

I, John M. Anzalone, certify that:

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

November 5, 2024

/s/ John M. Anzalone

John M. Anzalone
Chief Executive Officer

**Certification Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Mark Gregson, certify that:

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

November 5, 2024

/s/ Mark Gregson

Mark Gregson
Interim Chief Financial Officer

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

In connection with Invesco Mortgage Capital Inc.'s (the "Company") Quarterly Report on Form 10-Q for the period ended September 30, 2024 (the "Report"), I, John M. Anzalone, do hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 5, 2024

/s/ John M. Anzalone

John M. Anzalone
Chief Executive Officer

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

In connection with Invesco Mortgage Capital Inc.'s (the "Company") Quarterly Report on Form 10-Q for the period ended September 30, 2024 (the "Report"), I, Mark Gregson, do hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 5, 2024

/s/ Mark Gregson

Mark Gregson
Interim Chief Financial Officer