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, 2025

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

IVR Invesco Mortgage Capital Inc.

Invesco Mortgage Capital Inc.

(Exact Name of Registrant as Specified in Its Charter)

Maryland	**26-2749336**
(State or Other Jurisdiction of Incorporation or Organization)	*(I.R.S. Employer Identification No.)*
1331 Spring Street, N.W., Suite 2500, Atlanta, Georgia	**30309**
(Address of Principal Executive Offices)	*(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
7.50% 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, 2025, there were 70,945,571 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, 2025	As of December 31, 2024
ASSETS		
Mortgage-backed securities, at fair value (including pledged securities of $5,384,388 and $5,129,486, respectively; net of allowance for credit losses of $0 and $654, respectively)	5,749,238	5,445,508
Cash and cash equivalents	58,539	73,403
Restricted cash	122,181	137,478
Due from counterparties	—	580
Investment related receivable	29,017	24,870
Derivative assets, at fair value	738	5,033
Other assets	1,232	1,162
Total assets	5,960,945	5,688,034
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Repurchase agreements	5,150,081	4,893,958
Derivative liabilities, at fair value	680	627
Dividends payable	24,121	24,692
Investment related payable	427	—
Accrued interest payable	9,114	32,711
Collateral held payable	797	—
Accounts payable and accrued expenses	1,623	1,619
Due to affiliate	4,521	3,698
Total liabilities	5,191,364	4,957,305
Commitments and contingencies (See Note 12):		
Stockholders' equity:		
Preferred Stock, par value $0.01 per share; 50,000,000 shares authorized:		
7.50% Fixed-to-Floating Series C Cumulative Redeemable Preferred Stock: 6,930,487 and 7,206,659 shares issued and outstanding, respectively ($173,262 and $180,166 aggregate liquidation preference, respectively)	167,602	174,281
Common Stock, par value $0.01 per share; 134,000,000 shares authorized; 70,945,571 and 61,729,693 shares issued and outstanding, respectively	709	617
Additional paid in capital	4,202,575	4,127,807
Accumulated other comprehensive income	—	173
Retained earnings (distributions in excess of earnings)	(3,601,305)	(3,572,149)
Total stockholders’ equity	769,581	730,729
Total liabilities and stockholders' equity	5,960,945	5,688,034

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, 2025	Three Months Ended September 30, 2024	Nine Months Ended September 30, 2025	Nine Months Ended September 30, 2024
Interest income	72,916	73,825	217,386	210,436
Interest expense	55,302	66,315	163,222	187,288
Net interest income	17,614	7,510	54,164	23,148
Other income (loss)				
Gain (loss) on investments, net	49,540	165,168	126,430	53,803
(Increase) decrease in provision for credit losses	—	80	—	(222)
Equity in earnings (losses) of unconsolidated ventures	—	—	—	(193)
Gain (loss) on derivative instruments, net	(9,218)	(127,345)	(116,813)	(5,922)
Total other income (loss)	40,322	37,903	9,617	47,466
Expenses				
Management fee – related party	2,662	2,888	8,489	8,694
General and administrative	1,803	1,805	5,507	5,544
Total expenses	4,465	4,693	13,996	14,238
Net income (loss)	53,471	40,720	49,785	56,376
Dividends to preferred stockholders	(3,261)	(5,474)	(9,899)	(16,567)
Gain (loss) on repurchase and retirement of preferred stock	(2)	25	44	426
Net income (loss) attributable to common stockholders	50,208	35,271	39,930	40,235
Earnings (loss) per share:				
Net income (loss) attributable to common stockholders				
Basic	0.74	0.63	0.61	0.78
Diluted	0.74	0.63	0.61	0.78

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)

	Three Months Ended September 30,		Nine Months Ended September 30,	
$ in thousands	**2025**	**2024**	**2025**	**2024**
Net income (loss)	53,471	40,720	49,785	56,376
Other comprehensive income (loss):				
Unrealized gain (loss) on mortgage-backed securities, net	—	(287)	229	(639)
Reclassification of unrealized (gain) loss on sale of mortgage-backed securities to gain (loss) on investments, net	—	—	(402)	—
Reclassification of unrealized loss on available-for-sale securities to (increase) decrease in provision for credit losses	—	—	—	302
Total other comprehensive income (loss)	—	(287)	(173)	(337)
Comprehensive income (loss)	53,471	40,433	49,612	56,039
Dividends to preferred stockholders	(3,261)	(5,474)	(9,899)	(16,567)
Gain (loss) on repurchase and retirement of preferred stock	(2)	25	44	426
Comprehensive income (loss) attributable to common stockholders	50,208	34,984	39,757	39,898

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, 2025; June 30, 2025 and September 30, 2025
(Unaudited)

$ in thousands, except share amounts	Series C Preferred Stock Shares	Series C Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional Paid in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Distributions in excess of earnings)	Total Stockholders' Equity
Balance as of December 31, 2024	7,206,659	174,281	61,729,693	617	4,127,807	173	(3,572,149)	730,729
Net income (loss)	—	—	—	—	—	—	19,641	19,641
Other comprehensive income (loss)	—	—	—	—	—	616	—	616
Proceeds from issuance of common stock, net of offering costs	—	—	4,212,057	42	35,914	—	—	35,956
Stock awards	—	—	745	—	—	—	—	—
Repurchase and retirement of preferred stock	(90,146)	(2,180)	—	—	—	—	(11)	(2,191)
Common stock dividends	—	—	—	—	—	—	(22,420)	(22,420)
Preferred stock dividends	—	—	—	—	—	—	(3,341)	(3,341)
Amortization of equity-based compensation	—	—	—	—	176	—	—	176
Balance as of March 31, 2025	7,116,513	172,101	65,942,495	659	4,163,897	789	(3,578,280)	759,166
Net income (loss)	—	—	—	—	—	—	(23,327)	(23,327)
Other comprehensive income (loss)	—	—	—	—	—	(789)	—	(789)
Proceeds from issuance of common stock, net of offering costs	—	—	282,750	3	2,276	—	—	2,279
Stock awards	—	—	82,134	1	—	—	—	1
Repurchase and retirement of preferred stock	(96,803)	(2,341)	—	—	—	—	57	(2,284)
Common stock dividends	—	—	—	—	—	—	(22,545)	(22,545)
Preferred stock dividends	—	—	—	—	—	—	(3,297)	(3,297)
Amortization of equity-based compensation	—	—	—	—	172	—	—	172
Balance as of June 30, 2025	7,019,710	169,760	66,307,379	663	4,166,345	—	(3,627,392)	709,376
Net income (loss)	—	—	—	—	—	—	53,471	53,471
Proceeds from issuance of common stock, net of offering costs	—	—	4,638,385	46	36,060	—	—	36,106
Stock awards	—	—	(193)	—	—	—	—	—
Repurchase and retirement of preferred stock	(89,223)	(2,158)	—	—	—	—	(2)	(2,160)
Common stock dividends	—	—	—	—	—	—	(24,121)	(24,121)
Preferred stock dividends	—	—	—	—	—	—	(3,261)	(3,261)
Amortization of equity-based compensation	—	—	—	—	170	—	—	170
Balance as of September 30, 2025	6,930,487	167,602	70,945,571	709	4,202,575	—	(3,601,305)	769,581

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 Shares	Series B Preferred Stock Amount	Series C Preferred Stock Shares	Series C Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional Paid in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Distributions in excess of earnings)	Total Stockholders' Equity
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
Repurchase and retirement of preferred stock	—	—	(66,507)	(1,608)	—	—	—	—	25	(1,583)
Stock awards	—	—	—	—	8,545	—	—	—	—	—
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 CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
$ in thousands	**2025**	**2024**
Cash Flows from Operating Activities		
Net income (loss)	49,785	56,376
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Amortization of premiums and (discounts), net	(4,771)	(9,943)
Realized and unrealized (gain) loss on derivative instruments, net	202,661	135,363
(Gain) loss on investments, net	(126,430)	(53,803)
Increase (decrease) in provision for credit losses	—	222
(Gain) loss from investments in unconsolidated ventures in excess of distributions received	—	193
Other amortization	519	417
Changes in operating assets and liabilities:		
(Increase) decrease in operating assets	(2,004)	(2,091)
Increase (decrease) in operating liabilities	(22,484)	(5,429)
Net cash provided by (used in) operating activities	97,276	121,305
Cash Flows from Investing Activities		
Purchase of mortgage-backed securities	(1,997,847)	(1,912,509)
Distributions from investments in unconsolidated ventures, net	—	307
Principal payments from mortgage-backed securities	364,750	261,933
Proceeds from sale of mortgage-backed securities	1,458,335	887,185
Proceeds from sale of U.S. Treasury securities	—	10,755
Settlement (termination) of swaps, TBAs and futures, net	(198,313)	(146,459)
Net change in due from counterparties and collateral held payable on derivative instruments	580	—
Net cash provided by (used in) investing activities	(372,495)	(898,788)
Cash Flows from Financing Activities		
Proceeds from issuance of common stock	74,376	108,062
Repurchase of preferred stock	(6,635)	(9,389)
Proceeds from repurchase agreements	38,471,124	31,557,925
Principal repayments of repurchase agreements	(38,215,001)	(30,831,316)
Net change in due from counterparties and collateral held payable on repurchase agreements	797	(2,139)
Payments of deferred costs	(47)	(108)
Payments of dividends	(79,556)	(75,736)
Net cash provided by (used in) financing activities	245,058	747,299
Net change in cash, cash equivalents and restricted cash	(30,161)	(30,184)
Cash, cash equivalents and restricted cash, beginning of period	210,881	198,637
Cash, cash equivalents and restricted cash, end of period	180,720	168,453
Supplement Disclosure of Cash Flow Information		
Interest paid	186,819	192,389
Non-cash Investing and Financing Activities Information		
Dividends declared not paid	24,121	24,292
Unsettled receivables recorded within investment related receivable	2,060	657

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, 2025, 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"); and
- 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").

During the periods presented in these condensed consolidated financial statements, we also invested in CMBS and RMBS that are not guaranteed by a U.S. government agency or a federally chartered corporation ("non-Agency CMBS" and "non-Agency RMBS", respectively), U.S. Treasury securities and a real estate-related financing arrangement in the form of an unconsolidated venture.

We conduct our business through IAS Operating Partnership L.P. (the "Operating Partnership") and have one operating segment. Refer to Note 13 - "Segment Information" of our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2024 for additional information on our 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, 2024.

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. Certain reclassifications have been made to prior period amounts to conform to the current period presentation.

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, 2024.

Note 3 – Mortgage-Backed Securities

The following tables summarize our MBS portfolio by asset type as of September 30, 2025 and December 31, 2024.

As of September 30, 2025

$ in thousands	Principal/ Notional Balance	Unamortized Premium (Discount)	Amortized Cost	Unrealized Gain/ (Loss), net	Fair Value	Period-end Weighted Average Yield (1)
Agency RMBS:						
30 year fixed-rate pass-through	4,724,657	(40,643)	4,684,014	94,745	4,778,759	5.51 %
Agency-CMO (2)	495,027	(432,690)	62,337	8,623	70,960	10.18 %
Agency CMBS	898,293	(6,435)	891,858	7,661	899,519	4.62 %
Total	6,117,977	(479,768)	5,638,209	111,029	5,749,238	5.42 %

(1) Period-end weighted average yield is based on amortized cost as of September 30, 2025 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").

As of December 31, 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	4,626,174	(87,357)	4,538,817	—	2,708	4,541,525	5.50 %
Agency-CMO (2)	529,137	(461,674)	67,463	—	3,313	70,776	9.20 %
Agency CMBS	845,736	(5,830)	839,906	—	(23,759)	816,147	4.59 %
Non-Agency CMBS	11,000	—	11,000	(654)	(510)	9,836	8.91 %
Non-Agency RMBS (3)(4)(5)	248,957	(242,334)	6,623	—	601	7,224	11.13 %
Total	6,261,004	(797,195)	5,463,809	(654)	(17,647)	5,445,508	5.42 %

(1) Period-end weighted average yield is based on amortized cost as of December 31, 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-CMO are Agency IO.
(3) Non-Agency RMBS is 66.4% fixed rate, 33.0% variable rate and 0.6% floating rate based on fair value. Coupon payments on variable rate investments are based upon changes in the underlying hybrid adjustable-rate mortgage 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, 34.2% of amortized cost and 31.0% of fair value.

We have elected the fair value option for all of our MBS held as of September 30, 2025. We believe the fair value option election more appropriately reflects the results of our operations because MBS fair value changes are accounted for in the same manner as fair value changes in economic hedging instruments. 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 December 31, 2024.

	As of December 31, 2024		
$ in thousands	**Available-for-sale Securities**	**Securities under Fair Value Option**	**Total Fair Value**
Agency RMBS:			
30 year fixed-rate pass-through	—	4,541,525	4,541,525
Agency-CMO	—	70,776	70,776
Agency CMBS	—	816,147	816,147
Non-Agency CMBS	9,836	—	9,836
Non-Agency RMBS	5,114	2,110	7,224
Total	14,950	5,430,558	5,445,508

The components of the carrying value of our MBS portfolio as of September 30, 2025 and December 31, 2024 are presented below. Accrued interest receivable on our MBS portfolio, which is recorded within investment related receivable on our condensed consolidated balance sheets, was $25.6 million as of September 30, 2025 (December 31, 2024: $24.9 million).

	As of					
	September 30, 2025			**December 31, 2024**		
$ in thousands	**MBS**	**Interest-Only Securities**	**Total**	**MBS**	**Interest-Only Securities**	**Total**
Principal/notional balance	5,622,950	495,027	6,117,977	5,491,175	769,829	6,261,004
Unamortized premium	34,115	—	34,115	19,651	—	19,651
Unamortized discount	(81,193)	(432,690)	(513,883)	(116,744)	(700,102)	(816,846)
Allowance for credit losses	—	—	—	(654)	—	(654)
Gross unrealized gains (1)	108,796	8,929	117,725	22,443	5,817	28,260
Gross unrealized losses (1)	(6,390)	(306)	(6,696)	(43,376)	(2,531)	(45,907)
Fair value	5,678,278	70,960	5,749,238	5,372,495	73,013	5,445,508

(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, solely with respect to December 31, 2024, gains (losses) for available-for-sale securities which were 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, 2025 and 2024 is provided below in this Note 3.

The following table summarizes our MBS portfolio according to estimated weighted average life classifications as of September 30, 2025 and December 31, 2024.

	As of	
$ in thousands	**September 30, 2025**	**December 31, 2024**
Greater than one year and less than five years	1,570,227	10,045
Greater than or equal to five years	4,179,011	5,435,463
Total	5,749,238	5,445,508

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, 2025 and December 31, 2024.

As of September 30, 2025

	Less than 12 Months			12 Months or More			Total		
$ in thousands	**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	493,550	(1,829)	6	—	—	—	493,550	(1,829)	6
Agency-CMO	3,989	(29)	1	1,491	(278)	1	5,480	(307)	2
Agency CMBS	194,316	(2,294)	9	136,544	(2,266)	6	330,860	(4,560)	15
Total (1)	691,855	(4,152)	16	138,035	(2,544)	7	829,890	(6,696)	23

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

As of December 31, 2024

	Less than 12 Months			12 Months or More			Total		
$ in thousands	**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)	2,251,552	(18,897)	29	—	—	—	2,251,552	(18,897)	29
Agency-CMO (1)	—	—	—	18,909	(2,300)	5	18,909	(2,300)	5
Agency CMBS (1)	792,031	(23,949)	49	—	—	—	792,031	(23,949)	49
Non-Agency CMBS (2)	9,836	(510)	1	—	—	—	9,836	(510)	1
Non-Agency RMBS (3)	—	—	—	1,322	(251)	9	1,322	(251)	9
Total	3,053,419	(43,356)	79	20,231	(2,551)	14	3,073,650	(45,907)	93

(1) Fair value option has been elected for all Agency securities in an unrealized loss position.
(2) Unrealized losses on non-Agency CMBS were included in accumulated other comprehensive income. These losses were 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 $231,000.

We were required to evaluate our available-for-sale MBS for credit losses. During the nine months ended September 30, 2025, we sold our remaining available-for-sale MBS for cash proceeds of $15.1 million and recognized net gains upon sale of $402,000. There were no sales of available-for-sale MBS during the three months ended September 30, 2025 or during the three and nine months ended September 30, 2024. The following table presents a roll-forward of our allowance for credit losses.

	Three Months Ended September 30,		Nine Months Ended September 30,	
$ in thousands	**2025**	**2024**	**2025**	**2024**
Beginning allowance for credit losses	—	(622)	(654)	(320)
Additional (increases) decreases to the allowance for credit losses on securities that had an allowance recorded in a previous period	—	80	—	(222)
Reductions for securities sold	—	—	654	—
Ending allowance for credit losses	—	(542)	—	(542)

The following table summarizes the components of our total gain (loss) on investments, net for the three and nine months ended September 30, 2025 and 2024.

	Three Months Ended September 30,		Nine Months Ended September 30,	
$ in thousands	2025	2024	2025	2024
Gross realized gains on sale of MBS	1,304	4,963	6,474	5,111
Gross realized losses on sale of MBS	(82)	—	(8,891)	(9,898)
Net unrealized gains (losses) on MBS accounted for under the fair value option	48,318	160,205	128,847	59,048
Net unrealized gains (losses) on U.S. Treasury securities	—	—	—	(372)
Net realized gains (losses) on U.S. Treasury securities	—	—	—	(86)
Total gain (loss) on investments, net	49,540	165,168	126,430	53,803

The following tables present components of interest income recognized for the three and nine months ended September 30, 2025 and 2024.

For the three months ended September 30, 2025

$ in thousands	Coupon Interest	Net (Premium Amortization)/Discount Accretion	Interest Income
Agency RMBS	62,769	(386)	62,383
Agency CMBS	10,251	117	10,368
Other (inclusive of interest earned on cash balances)	165	—	165
Total interest income	73,185	(269)	72,916

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 nine months ended September 30, 2025

$ in thousands	Coupon Interest	Net (Premium Amortization)/Discount Accretion	Interest Income
Agency RMBS	186,633	(727)	185,906
Agency CMBS	30,292	326	30,618
Non-Agency CMBS	77	—	77
Non-Agency RMBS	296	(12)	284
Other (inclusive of interest earned on cash balances)	501	—	501
Total interest income	217,799	(413)	217,386

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

Note 4 – 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, 2025.

The following tables summarize certain characteristics of our borrowings as of September 30, 2025 and December 31, 2024. Refer to Note 5 - "Collateral Positions" for collateral pledged and held under our repurchase agreements.

	As of					
	September 30, 2025			December 31, 2024		
$ in thousands	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	4,292,146	4.35 %	20	4,112,219	4.80 %	29
Repurchase Agreements - Agency CMBS	857,935	4.35 %	24	781,739	4.77 %	32
Total Borrowings	5,150,081	4.35 %	21	4,893,958	4.80 %	29

Note 5 - Collateral Positions

The following table summarizes the fair value of collateral that we pledged and held under our repurchase agreements and derivative instruments as of September 30, 2025 and December 31, 2024. 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, 2024 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 pledged on to-be-announced securities forward contracts ("TBAs") accounted for as derivatives is classified as due from counterparties 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, 2025 and December 31, 2024, we did not recognize any non-cash collateral held on our condensed consolidated balance sheets.

$ in thousands	As of	
Collateral Pledged	**September 30, 2025**	**December 31, 2024**
Repurchase Agreements:		
Agency RMBS	4,484,869	4,323,626
Agency CMBS	899,519	805,860
Total repurchase agreements collateral pledged	5,384,388	5,129,486
Derivative Instruments:		
Cash	—	580
Restricted cash	122,181	137,478
Total derivative instruments collateral pledged	122,181	138,058
Total Collateral Pledged:		
Mortgage-backed securities	5,384,388	5,129,486
Cash	—	580
Restricted cash	122,181	137,478
Total Collateral Pledged	5,506,569	5,267,544

	As of	
Collateral Held	**September 30, 2025**	**December 31, 2024**
Repurchase Agreements:		
Cash	797	—
Non-cash collateral	2,213	—
Total repurchase agreements collateral held	3,010	—

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 105% as of September 30, 2025 (December 31, 2024: 105%) based on the fair value of the securities as reported in our condensed consolidated balance sheets.

Interest Rate Swaps

As of September 30, 2025 and December 31, 2024, all of our interest rate swaps were centrally cleared by the Chicago Mercantile Exchange ("CME"), a registered clearing organization, 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.

TBAs

Our TBAs provide for bilateral collateral pledging based on market value as determined by our counterparties. Collateral pledged with our TBA counterparties is segregated in our books and records and can be in the form of cash or securities. Our counterparties have the right to repledge the collateral posted and have the obligation to return the pledged collateral, or substantially the same collateral, if agreed to by us, as the market value of the contracts changes.

Note 6 – Derivatives and Hedging Activities

The following table summarizes changes in the notional amount of our derivative instruments during 2025.

$ in thousands	Notional Amount as of December 31, 2024	Additions	Settlement, Termination, Expiration or Exercise	Notional Amount as of September 30, 2025
Interest Rate Swaps	3,265,000	745,000	(630,000)	3,380,000
Futures Contracts	1,402,000	4,167,000	(4,569,000)	1,000,000
TBA Purchase Contracts	100,000	2,556,700	(2,656,700)	—
TBA Sale Contracts	(100,000)	(2,556,700)	2,656,700	—
Total	4,667,000	4,912,000	(5,199,000)	4,380,000

Refer to Note 5 - "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 well as futures contracts, 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.

As of September 30, 2025 and December 31, 2024, we had interest rate swaps whereby we pay fixed interest rates and receive floating interest rates based on the secured overnight financing rate (“SOFR”) with the following maturities outstanding.

$ in thousands	As of September 30, 2025			
Maturities	Notional Amount	Weighted Average Fixed Pay Rate	Weighted Average Floating Receive Rate	Weighted Average Years to Maturity
Less than 3 years	1,555,000	0.31 %	4.24 %	1.9
3 to 5 years	450,000	0.47 %	4.24 %	4.5
5 to 7 years	500,000	0.61 %	4.24 %	5.1
7 to 10 years	430,000	4.13 %	4.24 %	9.3
Greater than 10 years	445,000	1.99 %	4.24 %	19.0
Total	3,380,000	1.08 %	4.24 %	5.9

$ in thousands	As of December 31, 2024			
Maturities	Notional Amount	Weighted Average Fixed Pay Rate	Weighted Average Floating Receive Rate	Weighted Average Years to Maturity
Less than 3 years	1,730,000	1.06 %	4.49 %	2.2
3 to 5 years	375,000	0.39 %	4.49 %	4.3
5 to 7 years	750,000	0.57 %	4.49 %	5.8
Greater than 10 years	410,000	1.83 %	4.49 %	18.9
Total	3,265,000	0.97 %	4.49 %	5.3

Futures Contracts

We use futures contracts to help mitigate the potential impact of changes in interest rates on our performance. The table below presents certain details of our futures contracts as of September 30, 2025 and December 31, 2024.

	As of	
	September 30, 2025	December 31, 2024
$ in thousands	Notional Amount - Short	Notional Amount - Short
10 year U.S. Treasury futures	520,000	136,000
Ultra 10 year U.S. Treasury futures	290,000	1,057,000
30 year U.S. Treasury futures	190,000	209,000
Total	1,000,000	1,402,000

TBAs

TBAs are forward contracts for the purchase or sale of Agency RMBS that specify the price, issuer, term and coupon of the securities to be delivered, but the actual securities are not identified until shortly before the TBA settlement date. Our primary use of TBAs that we do not intend to physically settle has been in long positions as an alternative means of investing in and financing Agency RMBS. During the second quarter of 2025, we used short positions in TBAs to manage risk and economically hedge a portion of our exposure to changes in Agency RMBS valuations.

The table below presents certain characteristics of our TBAs accounted for as derivatives as of December 31, 2024. We did not have any TBAs outstanding as of September 30, 2025.

$ in thousands	As of December 31, 2024			
	Notional Amount	Implied Cost Basis	Implied Market Value	Net Carrying Value - Asset (Liability) (1)
TBA Purchase Contracts	100,000	99,800	99,173	(627)
TBA Sale Contracts	(100,000)	(99,194)	(99,173)	21
Net TBA Derivatives	—	606	—	(606)

(1) Derivative assets and derivative liabilities related to TBAs are presented gross on the condensed consolidated balance sheets.

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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, 2025 and December 31, 2024.

$ in thousands

Derivative Assets			Derivative Liabilities		
	As of			As of	
	September 30, 2025	December 31, 2024		September 30, 2025	December 31, 2024
Balance Sheets	Fair Value	Fair Value	Balance Sheets	Fair Value	Fair Value
Interest Rate Swaps Asset	—	1,549	Interest Rate Swaps Liability	680	—
Futures Contracts	738	3,463	Futures Contracts	—	—
TBAs	—	21	TBAs	—	627
Total Derivative Assets	738	5,033	Total Derivative Liabilities	680	627

The following tables summarize the effect of interest rate swaps, futures contracts and TBAs reported in gain (loss) on derivative instruments, net on the condensed consolidated statements of operations for the three and nine months ended September 30, 2025 and 2024.

$ in thousands

	Three Months Ended September 30, 2025			
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	(35,447)	29,138	5,714	(595)
Futures Contracts	(13,742)	—	5,119	(8,623)
Total	(49,189)	29,138	10,833	(9,218)

$ in thousands

	Three 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	(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

	Nine Months Ended September 30, 2025			
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	(148,022)	85,848	(2,229)	(64,403)
Futures Contracts	(52,258)	—	(2,725)	(54,983)
TBAs	1,967	—	606	2,573
Total	(198,313)	85,848	(4,348)	(116,813)

$ 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)

Note 7 – 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 on 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, 2025 and December 31, 2024. 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 liability of $680,000 related to centrally cleared interest rate swaps and derivative asset of $738,000 related to futures contracts as of September 30, 2025 (December 31, 2024: assets of $1.5 million and $3.5 million related to centrally cleared interest rate swaps and futures contracts, respectively) are not included in the table below as a result of this characterization of daily variation margin.

As of September 30, 2025

				Gross Amounts Not Offset with Financial Assets (Liabilities) in the Balance Sheets		
$ 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**	**Financial Instruments**	**Cash Collateral (Received) Pledged**	**Net Amount**
Liabilities						
Repurchase Agreements [1]	(5,150,081)	—	(5,150,081)	5,150,081	—	—
Total Liabilities	(5,150,081)	—	(5,150,081)	5,150,081	—	—

As of December 31, 2024

				Gross Amounts Not Offset with Financial Assets (Liabilities) in the Balance Sheets		
$ 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**	**Financial Instruments**	**Cash Collateral (Received) Pledged**	**Net Amount**
Assets						
Derivatives [2] [3]	21	—	21	—	—	21
Total Assets	21	—	21	—	—	21
Liabilities						
Derivatives [2] [3]	(627)	—	(627)	—	580	(47)
Repurchase Agreements [1]	(4,893,958)	—	(4,893,958)	4,893,958	—	—
Total Liabilities	(4,894,585)	—	(4,894,585)	4,893,958	580	(47)

(1) The fair value of securities pledged against our borrowings under repurchase agreements was $5.4 billion as of September 30, 2025 (December 31, 2024: $5.1 billion). We held $797,000 of cash collateral under repurchase agreements as of September 30, 2025 (December 31, 2024: none). 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.

(2) Amounts represent derivative assets and derivative liabilities which could potentially be offset against other derivative assets, derivative liabilities and cash collateral pledged or received.

(3) Cash collateral pledged by us on our derivatives was $122.2 million as of September 30, 2025 (December 31, 2024: $138.1 million) of which $122.2 million relates to initial margin pledged on centrally cleared interest rate swaps and futures contracts (December 31, 2024: $137.5 million). 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, 2025 or December 31, 2024.

Note 8 – 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, 2025 Fair Value Measurements Using:			
$ in thousands	**Level 1**	**Level 2**	**Level 3**	**Total at Fair Value**
Assets:				
Mortgage-backed securities (1)	—	5,749,238	—	5,749,238
Derivative assets (2)	738	—	—	738
Total assets	738	5,749,238	—	5,749,976
Liabilities:				
Derivative liabilities (2)	—	680	—	680
Total liabilities	—	680	—	680

	As of December 31, 2024 Fair Value Measurements Using:			
$ in thousands	**Level 1**	**Level 2**	**Level 3**	**Total at Fair Value**
Assets:				
Mortgage-backed securities (1)	—	5,445,508	—	5,445,508
Derivative assets (2)	3,463	1,570	—	5,033
Total assets	3,463	5,447,078	—	5,450,541
Liabilities:				
Derivative liabilities (2)	—	627	—	627
Total liabilities	—	627	—	627

(1) For more detail about the fair value of our MBS, refer to Note 3 - "Mortgage-Backed Securities".

(2) Derivative assets and derivative liabilities include futures contracts as Level 1 measurements and interest rate swaps and TBAs as Level 2 measurements.

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, 2025 and December 31, 2024.

	As of			
	September 30, 2025		**December 31, 2024**	
$ in thousands	**Carrying Value**	**Estimated Fair Value**	**Carrying Value**	**Estimated Fair Value**
Financial Liabilities				
Repurchase agreements	5,150,081	5,150,156	4,893,958	4,895,017
Total	5,150,081	5,150,156	4,893,958	4,895,017

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 9 – 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, 2025 reimbursed or reimbursable by us were $309,000 and $860,000, respectively (three and nine months ended September 30, 2024: $494,000 and $1.1 million, respectively).

When cash collateral is received from counterparties under repurchase agreement borrowings, it is generally invested in a money market fund for which our Manager serves as the investment adviser. These investments are included in cash and cash equivalents and the liability to return the collateral is included in collateral held payable on our condensed consolidated balance sheets.

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 investment in an unconsolidated venture that was 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, 2025 and 2024.

	Three Months Ended September 30,		Nine Months Ended September 30,	
$ in thousands	**2025**	**2024**	**2025**	**2024**
Incurred costs, prepaid or expensed	2,313	2,420	5,004	5,308
Incurred costs, charged or expected to be charged against equity as a cost of raising capital	165	108	165	108
Total incurred costs, originally paid by our Manager	2,478	2,528	5,169	5,416

Note 10 – 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, 2025, we repurchased and retired 89,223 and 276,172 shares of Series C Preferred Stock, respectively. 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. We redeemed all outstanding shares of our Series B Preferred Stock in December 2024. As of September 30, 2025, we had authority to repurchase 430,487 additional shares of our Series C Preferred Stock under the current preferred stock share repurchase program.

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 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 C Preferred Stock are not redeemable, convertible into or exchangeable for any other property or any other securities of the Company before this time, except under circumstances intended to preserve our qualification as a REIT or upon the occurrence of a change in control.

Common Stock

As of September 30, 2025, we had 20,388,007 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). The table below shows sales of our common stock under equity distribution agreements during the three and nine months ended September 30, 2025 and 2024.

	Three Months Ended September 30,		Nine Months Ended September 30,	
Shares in ones, $ in thousands	**2025**	**2024**	**2025**	**2024**
Shares sold	4,638,385	10,084,138	9,133,192	12,211,131
Fees paid to placement agents	458	1,123	942	1,369
Cash proceeds, net of fees paid to placement agents	36,145	88,684	74,376	108,062

During the three and nine months ended September 30, 2025 and 2024, we did not repurchase any shares of our common stock. As of September 30, 2025, we had authority to repurchase 1,816,359 shares of our common stock through our common stock share repurchase program.

Accumulated Other Comprehensive Income

Our accumulated other comprehensive income and other comprehensive income (loss) related to gains and losses on MBS that were not accounted for under the fair value option. Gains and losses on MBS that are accounted for under the fair value option are recorded on our condensed consolidated statements of operations within “Gain (loss) on investments, net”.

Dividends

The table below summarizes the dividends we declared during the nine months ended September 30, 2025 and 2024.

$ in thousands, except per share amounts	Dividends Declared		
Series B Preferred Stock	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

$ in thousands, except per share amounts	Dividends Declared		
Series C Preferred Stock	Per Share	In Aggregate	Date of Payment
2025			
August 7, 2025	0.46875	3,261	September 29, 2025
May 6, 2025	0.46875	3,297	June 27, 2025
February 19, 2025	0.46875	3,341	March 27, 2025
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

$ in thousands, except per share amounts	Dividends Declared		
Common Stock	Per Share	In Aggregate	Date of Payment
2025			
September 24, 2025	0.34	24,121	October 24, 2025
June 24, 2025	0.34	22,545	July 25, 2025
March 25, 2025	0.34	22,420	April 25, 2025
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

Note 11 – Earnings (Loss) per Common Share

Earnings (loss) per share for the three and nine months ended September 30, 2025 and 2024 is computed as shown in the table below.

In thousands, except per share amounts	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Numerator (Income)				
Basic Earnings:				
Net income (loss) available to common stockholders	50,208	35,271	39,930	40,235
Denominator (Weighted Average Shares)				
Basic Earnings:				
Shares available to common stockholders	67,582	56,232	65,495	51,394
Effect of dilutive securities:				
Restricted stock awards	1	1	1	1
Dilutive Shares	67,583	56,233	65,496	51,395
Earnings (loss) per share:				
Net income (loss) attributable to common stockholders				
Basic	0.74	0.63	0.61	0.78
Diluted	0.74	0.63	0.61	0.78

There were no antidilutive shares that were excluded from the calculation of diluted earnings per share during the three and nine months ended September 30, 2025 and 2024.

Note 12 – Commitments and Contingencies

Commitments and contingencies may arise in the ordinary course of business. As of September 30, 2025, we were not aware of any reported or unreported contingencies.

Note 13 – Subsequent Events

Dividends

On November 4, 2025, we declared a Series C Preferred Stock dividend of $0.46875 per share payable on December 29, 2025 to our stockholders of record as of December 5, 2025.

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 annual report on 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 Agency RMBS, Agency CMBS and 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, 2025, 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"); and
- 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").

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

- CMBS that are not guaranteed by a U.S. government agency or a federally chartered corporation ("non-Agency CMBS");
- RMBS that are not guaranteed by a U.S. government agency or a federally chartered corporation ("non-Agency RMBS");
- to-be-announced securities forward contracts ("TBAs") to purchase Agency RMBS;
- U.S. Treasury securities; and
- a real estate-related financing arrangement in the form of an unconsolidated venture.

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, public policy, financial conditions, spread premiums, residential and commercial real estate prices, credit availability, the health of the banking system, consumer spending, personal income and corporate earnings. Of these macroeconomic factors, financial conditions, inflation, employment conditions, monetary policy, interest rates and interest rate volatility had the most direct impact on our performance and financial condition during the third quarter of 2025.

Financial conditions remained accommodative during the third quarter as volatility measures declined sharply and equity markets performed well, with the S&P 500 Index and the NASDAQ posting gains of 8.1% and 11.4%, respectively. Credit markets ended the quarter largely unchanged, with investment-grade and high-yield corporate bond spreads widening slightly, while emerging market debt spreads tightened modestly.

Inflation continued to exceed the Federal Reserve's 2% target over the quarter, with the headline consumer price index ("CPI") rising 2.9% year-over-year in August, up from 2.7% at the end of June, and core CPI, which excludes food and energy, increased by 3.1% year-over-year, compared to 2.9% previously. Investor expectations for future inflation increased modestly, reflecting concerns about the potential impact of fiscal and trade policies on consumer prices. Breakeven rates on Treasury inflation-protected securities moved higher during the quarter, with the two-year breakeven rising to 2.6% from 2.5%, and the five-year breakeven increasing to 2.5% from 2.3%. Meanwhile, labor market data pointed to continued sluggish growth. The economy added an average of 51,000 jobs in July and August (with September data delayed due to the government shutdown), down slightly from the second quarter average of 55,000. The headline unemployment rate increased slightly, moving from 4.1% in June to 4.3% in August.

Despite inflation levels consistently above the Federal Reserve's 2% target, the Federal Open Market Committee ("FOMC") lowered its benchmark Federal Funds target rate by 25 basis points in mid-September, citing signs of a weaker labor market. As of the end of September, Federal Funds futures reflected expectations for an additional 50 basis points of rate cuts by year end. Quantitative tightening continued through the third quarter, with the Federal Reserve maintaining its monthly runoff of U.S. Treasuries at $5 billion, while maintaining the $35 billion cap on Agency MBS runoff.

Interest rates declined across the Treasury yield curve during the third quarter, reflecting market expectations for a more accommodative policy stance from the Federal Reserve and continued weakness in the labor market. The yield on the two-year Treasury fell 12 basis points to 3.60%, the five-year yield declined 6 basis points to 3.73% and the ten-year yield decreased by 8 basis points to 4.15%. Interest rate volatility declined notably throughout the quarter, as the market coalesced around expectations for two additional rate cuts by the Federal Reserve before year end.

Agency RMBS performed well during the third quarter, benefiting from the persistent decline in interest rate volatility as well as the overall supportive environment for risk assets. While demand from commercial banks and overseas investors remained relatively subdued during the quarter, the steepening of the yield curve in the front end, aided by expectations for additional monetary policy easing in the coming months, improved investor sentiment for Agency RMBS as money managers and mortgage REITs deployed inflows into the sector. The outperformance was broadly distributed across the 30-year conventional mortgage coupon stack, with discount coupons recording the largest gains. Coupons ranging from 2.0% to 5.0% outperformed their Treasury hedges by 90 to 130 basis points, while 5.5% to 6.5% coupons posted more modest excess returns relative to Treasuries of 30 to 80 basis points. Performance in higher coupons was dampened by elevated prepayment risk, as 30-year mortgage rates declined approximately 0.5% during the quarter.

Prepayment speeds increased marginally during the quarter as the seasonal decline in housing turnover was offset by a notable increase in refinancing activity, which is expected to persist in higher coupons over the next few months. Positively, premiums on specified pool collateral improved in higher coupons during the quarter as investors sought prepayment protection. Agency CMBS risk premiums continued to decline with broader financial markets.

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Market Rates

	As of						
	September 30, 2025	June 30, 2025	March 31, 2025	December 31, 2024	September 30, 2024	One Quarter Change	One Year Change
Interest Rates							
Effective Federal Funds Rate	4.09 %	4.33 %	4.33 %	4.33 %	4.83 %	(0.24)%	(0.74)%
One-month SOFR	4.13 %	4.34 %	4.32 %	4.33 %	4.86 %	(0.21)%	(0.73)%
2 Year Treasury	3.60 %	3.72 %	3.91 %	4.25 %	3.65 %	(0.12)%	(0.05)%
5 Year Treasury	3.73 %	3.79 %	3.98 %	4.39 %	3.58 %	(0.06)%	0.15 %
10 Year Treasury	4.15 %	4.23 %	4.24 %	4.58 %	3.80 %	(0.08)%	0.35 %
30 Year Treasury	4.73 %	4.77 %	4.61 %	4.78 %	4.13 %	(0.04)%	0.60 %

	As of						
(in basis points)	September 30, 2025	June 30, 2025	March 31, 2025	December 31, 2024	September 30, 2024	One Quarter Change	One Year Change
Swap Spreads (1)							
2 Year	(22)	(23)	(17)	(16)	(20)	1	(2)
5 Year	(35)	(37)	(31)	(34)	(31)	2	(4)
10 Year	(49)	(54)	(45)	(50)	(47)	5	(2)
30 Year	(80)	(87)	(79)	(85)	(82)	7	2
30 Year Mortgage Spreads vs. 5/10 Year Treasury Blend (2)							
FNMA 2.0%	84	91	76	65	72	(7)	12
FNMA 2.5%	91	97	86	74	82	(6)	9
FNMA 3.0%	90	98	88	77	85	(8)	5
FNMA 3.5%	89	99	89	78	87	(10)	2
FNMA 4.0%	88	99	87	76	95	(11)	(7)
FNMA 4.5%	99	114	105	91	109	(15)	(10)
FNMA 5.0%	119	130	122	108	132	(11)	(13)
FNMA 5.5%	134	149	142	126	143	(15)	(9)
FNMA 6.0%	123	160	146	140	129	(37)	(6)
FNMA 6.5%	113	127	118	135	109	(14)	4
10 Year Agency CMBS Spreads vs. Treasuries (3)							
FHLMC K	37	42	45	41	45	(5)	(8)
FNMA DUS	44	47	49	47	58	(3)	(14)

(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

Given the notable decline in interest rate volatility, we remain constructive on Agency RMBS, though we view near term risks as balanced following its recent strong performance. Our longer-term outlook for the sector remains favorable, as we expect investor demand to broaden given lower interest rate volatility, a steeper yield curve and attractive valuations. In addition, Agency CMBS continues to offer attractive risk-adjusted yields and diversification benefits relative to our Agency RMBS holdings, supported by its stable cash flow profile and lower sensitivity to interest rate fluctuations. Lastly, we believe anticipated changes to bank regulatory capital rules would increase demand for Agency RMBS and Agency CMBS, providing further support for both sectors.

Investment Activities

The table below shows the composition of our investment portfolio as of September 30, 2025, December 31, 2024 and September 30, 2024.

	As of		
$ in thousands	**September 30, 2025**	**December 31, 2024**	**September 30, 2024**
Agency RMBS:			
30 year fixed-rate pass-through, at fair value	4,778,759	4,541,525	5,107,814
Agency CMO, at fair value	70,960	70,776	73,199
Agency CMBS, at fair value	899,519	816,147	675,074
Non-Agency CMBS, at fair value	—	9,836	9,936
Non-Agency RMBS, at fair value	—	7,224	7,673
Total investment portfolio	5,749,238	5,445,508	5,873,696

As of September 30, 2025, our holdings of 30 year fixed-rate Agency RMBS represented approximately 83% of our total investment portfolio compared to 83% as of December 31, 2024 and 87% as of September 30, 2024. Our 30 year fixed-rate Agency RMBS holdings as of September 30, 2025, December 31, 2024 and September 30, 2024 consisted of specified pools with coupon distributions as shown in the table below.

	As of								
	September 30, 2025			**December 31, 2024**			**September 30, 2024**		
$ in thousands	**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%	—	— %	— %	369,321	8.1 %	4.67 %	577,105	11.3 %	4.66 %
4.5%	745,869	15.6 %	4.91 %	658,218	14.5 %	4.95 %	703,865	13.8 %	4.95 %
5.0%	1,238,419	25.9 %	5.24 %	836,197	18.4 %	5.35 %	1,147,475	22.5 %	5.27 %
5.5%	1,224,244	25.6 %	5.56 %	1,196,335	26.3 %	5.59 %	1,260,678	24.6 %	5.59 %
6.0%	1,340,686	28.1 %	5.93 %	1,481,454	32.7 %	5.97 %	1,418,691	27.8 %	5.98 %
6.5%	229,541	4.8 %	6.14 %	—	— %	— %	—	—	— %
Total 30 year fixed-rate Agency RMBS	4,778,759	100.0 %	5.51 %	4,541,525	100.0 %	5.50 %	5,107,814	100.0 %	5.43 %

Our holdings of Agency RMBS are 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, 2025, December 31, 2024 and September 30, 2024.

	As of					
	September 30, 2025		December 31, 2024		September 30, 2024	
$ in thousands	Fair Value	Percentage	Fair Value	Percentage	Fair Value	Percentage
Specified pool characteristic:						
Geographic location	791,587	16.6 %	741,428	16.3 %	797,179	15.6 %
Loan balance	1,979,169	41.4 %	1,961,771	43.2 %	2,185,843	42.8 %
High loan-to-value ratio	748,964	15.7 %	509,459	11.2 %	792,248	15.5 %
Low credit score	1,259,039	26.3 %	1,328,867	29.3 %	1,332,544	26.1 %
Total 30 year fixed-rate Agency RMBS	4,778,759	100.0 %	4,541,525	100.0 %	5,107,814	100.0 %

As of September 30, 2025, our holdings of Agency CMBS represented approximately 16% of our total investment portfolio compared to 15% as of December 31, 2024 and 11% as of September 30, 2024. Our holdings of Agency CMBS 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, 2025, approximately 81% of our Agency CMBS holdings were Fannie Mae DUS and 19% were Freddie Mac Multifamily Participation Certificates.

We sold our remaining investments in non-Agency securities during 2025. As of December 31, 2024 and September 30, 2024, our holdings of non-Agency securities represented less than 1% of our total investment portfolio.

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.

$ in thousands	Collateralized borrowings under repurchase agreements		
Quarter Ended	Quarter-end balance	Average quarterly balance (1)	Maximum balance (2)
September 30, 2024	5,184,885	5,004,504	5,184,885
December 31, 2024	4,893,958	4,865,582	4,943,054
March 31, 2025	5,354,561	4,930,237	5,354,561
June 30, 2025	4,635,881	4,577,566	4,635,881
September 30, 2025	5,150,081	4,889,782	5,150,081

(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.

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, 2025, we entered into interest rate swaps with a notional amount of $745.0 million and terminated existing interest rate swaps with a notional amount of $630.0 million.

We also use futures contracts as an alternative way to help mitigate the potential impact of changes in interest rates on our performance. During the nine months ended September 30, 2025, we entered into futures contracts with a notional amount of $4.2 billion and terminated existing futures contracts with a notional amount of $4.6 billion.

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 statements of operations.

Additionally, we have used and may in the future use short positions in TBAs to manage risk and economically hedge a portion of our exposure to changes in Agency RMBS valuations.

Capital Activities

As of September 30, 2025, we had 20,388,007 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, 2025 and 2024.

	Three Months Ended September 30,		Nine Months Ended September 30,	
Shares in ones, $ in thousands	**2025**	**2024**	**2025**	**2024**
Shares sold	4,638,385	10,084,138	9,133,192	12,211,131
Fees paid to placement agents	458	1,123	942	1,369
Cash proceeds, net of fees paid to placement agents	36,145	88,684	74,376	108,062

For information on dividends declared during the nine months ended September 30, 2025 and 2024, see Note 10 - “Stockholders' Equity” of our condensed consolidated financial statements in Part I. Item 1 of this quarterly report on Form 10-Q.

During the nine months ended September 30, 2025, 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, 2025, we repurchased and retired 89,223 and 276,172 shares of Series C Preferred Stock, respectively. 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. We redeemed all outstanding shares of our Series B Preferred Stock in December 2024. As of September 30, 2025, we had authority to repurchase 430,487 additional shares of our Series C Preferred Stock under the current preferred stock share repurchase program.

Book Value per Common Share

We calculate book value per common share as follows.

	As of	
In thousands except per share amounts	**September 30, 2025**	**December 31, 2024**
Numerator (adjusted equity):		
Total equity	769,581	730,729
Less: Liquidation preference of Series C Preferred Stock	(173,262)	(180,166)
Total adjusted equity	596,319	550,563
Denominator (number of shares):		
Common stock outstanding	70,946	61,730
Book value per common share	8.41	8.92

Our book value per common share decreased 5.7% as of September 30, 2025 compared to December 31, 2024. The decrease in our book value per common share was primarily due to losses on derivative instruments, dividends declared and expenses, which were partially offset by net interest income and gains on investments. 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, 2024.

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, 2025 and 2024.

$ in thousands, except share data	Three Months Ended September 30, 2025	Three Months Ended September 30, 2024	Nine Months Ended September 30, 2025	Nine Months Ended September 30, 2024
Interest income	72,916	73,825	217,386	210,436
Interest expense	55,302	66,315	163,222	187,288
Net interest income	17,614	7,510	54,164	23,148
Other income (loss)				
Gain (loss) on investments, net	49,540	165,168	126,430	53,803
(Increase) decrease in provision for credit losses	—	80	—	(222)
Equity in earnings (losses) of unconsolidated ventures	—	—	—	(193)
Gain (loss) on derivative instruments, net	(9,218)	(127,345)	(116,813)	(5,922)
Total other income (loss)	40,322	37,903	9,617	47,466
Expenses				
Management fee – related party	2,662	2,888	8,489	8,694
General and administrative	1,803	1,805	5,507	5,544
Total expenses	4,465	4,693	13,996	14,238
Net income (loss)	53,471	40,720	49,785	56,376
Dividends to preferred stockholders	(3,261)	(5,474)	(9,899)	(16,567)
Gain (loss) on repurchase and retirement of preferred stock	(2)	25	44	426
Net income (loss) attributable to common stockholders	50,208	35,271	39,930	40,235
Earnings (loss) per share:				
Net income (loss) attributable to common stockholders				
Basic	0.74	0.63	0.61	0.78
Diluted	0.74	0.63	0.61	0.78
Weighted average number of shares of common stock:				
Basic	67,582,202	56,231,850	65,494,740	51,394,067
Diluted	67,582,683	56,233,031	65,495,971	51,395,488

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, 2025 and 2024.

	Three Months Ended September 30,		Nine Months Ended September 30,	
$ in thousands	**2025**	**2024**	**2025**	**2024**
Average earning assets (1)	5,382,189	5,566,299	5,294,406	5,130,153
Average earning asset yields (2)	5.42 %	5.31 %	5.47 %	5.47 %

(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 decreased $184.1 million for the three months ended September 30, 2025 and increased $164.3 million for the nine months ended September 30, 2025 compared to the same periods in 2024. Changes in our average earning assets are a factor of our total stockholders' equity and our desired leverage levels.

Average earning asset yields increased 11 basis points for the three months ended September 30, 2025 and were unchanged for the nine months ended September 30, 2025 compared to the same periods in 2024. Changes in our average earning asset yields are driven by the composition of our investments, amortized cost of our securities and prepayment rates.

Our interest income includes coupon interest and net (premium amortization) discount accretion as shown in the table below.

	Three Months Ended September 30,		Nine Months Ended September 30,	
$ in thousands	**2025**	**2024**	**2025**	**2024**
Interest Income				
Coupon interest	73,185	72,348	217,799	206,037
Net (premium amortization) discount accretion	(269)	1,477	(413)	4,399
Total interest income	72,916	73,825	217,386	210,436

Our interest income decreased slightly for the three months ended September 30, 2025 compared to the same period in 2024 as a decrease in average earning assets was largely offset by an increase in average earning asset yields. Interest income increased $7.0 million for the nine months ended September 30, 2025 compared to the same period in 2024 due to higher average earning assets.

Prepayment Speeds

Our Agency 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 Agency RMBS purchased at a substantial premium relative to principal value, expected future prepayment speeds are estimated on at least 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.

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The following table presents net (premium amortization) discount accretion recognized for the three and nine months ended September 30, 2025 and 2024.

	Three Months Ended September 30,		Nine Months Ended September 30,	
$ in thousands	2025	2024	2025	2024
Agency RMBS	(386)	1,298	(727)	4,028
Agency CMBS	117	168	326	338
Non-Agency CMBS	—	114	—	372
Non-Agency RMBS	—	(103)	(12)	(338)
U.S. Treasury Securities	—	—	—	(1)
Net (premium amortization) discount accretion	(269)	1,477	(413)	4,399

The change in net (premium amortization) discount accretion for the three and nine months ended September 30, 2025 compared to the same periods in 2024 was primarily a result of repositioning a portion of our investment portfolio into higher coupon securities that have higher amortized costs relative to principal value.

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, 2025 and 2024.

	Three Months Ended September 30,		Nine Months Ended September 30,	
$ in thousands	2025	2024	2025	2024
Total average borrowings (1)	4,889,782	5,004,504	4,799,047	4,560,365
Maximum borrowings during the period (2)	5,150,081	5,184,885	5,354,561	5,184,885
Cost of funds (3)	4.52 %	5.30 %	4.53 %	5.48 %

(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 by our average borrowings.

Total average borrowings decreased $114.7 million for the three months ended September 30, 2025 and increased $238.7 million for the nine months ended September 30, 2025 compared to the same periods in 2024. Changes in our average borrowings are a factor of our total stockholders' equity and our desired leverage levels.

Our average cost of funds decreased 78 basis points and 95 basis points for the three and nine months ended September 30, 2025 compared to the same periods in 2024, respectively. Changes in our costs of funds are substantially driven by the Federal Funds target rate, which was set at a range of 4.25% to 4.50% for the majority of the three and nine months ended September 30, 2025 and a range of 5.25% to 5.50% for the majority of the three and nine months ended September 30, 2024.

The table below presents the components of interest expense for the three and nine months ended September 30, 2025 and 2024.

	Three Months Ended September 30,		Nine Months Ended September 30,	
$ in thousands	2025	2024	2025	2024
Interest Expense				
Interest expense on repurchase agreement borrowings	55,302	66,315	163,222	187,288
Total interest expense	55,302	66,315	163,222	187,288

Our interest expense decreased $11.0 million for three months ended September 30, 2025 compared to the same period in 2024 due to a lower cost of funds and a decrease in average borrowings. Our interest expense decreased $24.1 million for the nine months ended September 30, 2025 compared to the same period in 2024 due to a lower cost of funds, which was partially offset by an increase in average borrowings.

Net Interest Income

The table below presents the components of net interest income for the three and nine months ended September 30, 2025 and 2024.

	Three Months Ended September 30,		Nine Months Ended September 30,	
$ in thousands	**2025**	**2024**	**2025**	**2024**
Interest income	72,916	73,825	217,386	210,436
Interest expense	55,302	66,315	163,222	187,288
Net interest income	17,614	7,510	54,164	23,148
Net interest rate margin	0.90 %	0.01 %	0.94 %	(0.01)%

Our net interest income, which equals total interest income less total interest expense, and our net interest rate margin, which equals the yield on our average earning assets for the period less the average cost of funds, increased for the three months ended September 30, 2025 compared to the same period in 2024 due to a lower cost of funds and an increase in average earning asset yields. Our net interest income and net interest rate margin increased for the nine months ended September 30, 2025 compared to the same period in 2024 due to a lower cost of funds. 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, 2025 and 2024.

	Three Months Ended September 30,		Nine Months Ended September 30,	
$ in thousands	**2025**	**2024**	**2025**	**2024**
Net realized gains (losses) on sale of MBS	1,222	4,963	(2,417)	(4,787)
Net unrealized gains (losses) on MBS accounted for under the fair value option	48,318	160,205	128,847	59,048
Net unrealized gains (losses) on U.S. Treasury securities	—	—	—	(372)
Net realized gains (losses) on U.S. Treasury securities	—	—	—	(86)
Total gain (loss) on investments, net	49,540	165,168	126,430	53,803

During the three and nine months ended September 30, 2025, we sold MBS and realized net gains of $1.2 million and net losses of $2.4 million, respectively (three and nine months ended September 30, 2024: net gains of $5.0 million and net losses of $4.8 million, respectively). Net realized gains during the three months ended September 30, 2025 reflect a decrease in our allocation to higher coupon Agency RMBS. Net realized losses during the nine months ended September 30, 2025 primarily reflect sales of lower coupon Agency RMBS during the first quarter. 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.

Under the fair value option, changes in fair value are recognized in income on the condensed consolidated statements of operations. As of September 30, 2025, all of our MBS were accounted for under the fair value option (December 31, 2024: $5.4 billion or 99.7%).

We recorded net unrealized gains on our MBS portfolio accounted for under the fair value option of $48.3 million and $128.8 million in the three and nine months ended September 30, 2025, respectively, primarily due to a sharp decline in interest rates during the year, as valuations on fixed-rate securities increased as interest rates fell. 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, respectively, due to lower interest rates during the third quarter resulting in improved valuations on Agency RMBS and Agency CMBS.

We did not hold any U.S. Treasury securities during the three and nine months ended September 30, 2025 or the three months ended September 30, 2024. We recorded net realized and unrealized losses of $458,000 on U.S. Treasury securities in the nine months ended September 30, 2024.

(Increase) Decrease in Provision for Credit Losses

We recorded an $80,000 decrease and $222,000 increase in the provision for credit losses during the three and nine months ended September 30, 2024, respectively, on a single security based on a comparison of the security's amortized cost basis to discounted expected cash flows. We sold the security in 2025 and no longer own any securities that are classified as available-for-sale and, therefore, subject to evaluation for credit losses.

Equity in Earnings (Losses) of Unconsolidated Ventures

For the nine months ended September 30, 2024, we recorded equity in losses of $193,000. 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	Three months ended September 30, 2025			
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	(35,447)	29,138	5,714	(595)
Futures Contracts	(13,742)	—	5,119	(8,623)
Total	(49,189)	29,138	10,833	(9,218)

$ in thousands	Three 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	(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	Nine months ended September 30, 2025			
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	(148,022)	85,848	(2,229)	(64,403)
Futures Contracts	(52,258)	—	(2,725)	(54,983)
TBAs	1,967	—	606	2,573
Total	(198,313)	85,848	(4,348)	(116,813)

$ 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)

As of September 30, 2025 and December 31, 2024, we held the following interest rate swaps whereby we pay fixed interest rates and receive floating interest rates based upon SOFR.

$ in thousands	As of September 30, 2025				As of December 31, 2024			
Derivative instrument	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	3,380,000	1.08 %	4.24 %	5.9	3,265,000	0.97 %	4.49 %	5.3

We use interest rate swaps to manage our exposure to changing interest rates and add stability to interest rate expense. During the nine months ended September 30, 2025, we entered into interest rate swaps with a notional amount of $745.0 million and terminated existing interest rate swaps with a notional amount of $630.0 million. We recorded net losses of $595,000 and $64.4 million on interest rate swaps for the three and nine months ended September 30, 2025, respectively (three and nine months ended September 30, 2024: net losses of $119.1 million and net gains of $3.3 million, respectively). Net losses during the nine months ended September 30, 2025 were due to a sharp decline in swap rates during the year.

As of September 30, 2025 and December 31, 2024, we held the following futures contracts.

	As of	
	September 30, 2025	December 31, 2024
$ in thousands	Notional Amount - Short	Notional Amount - Short
10 year U.S. Treasury futures	520,000	136,000
Ultra 10 year U.S. Treasury futures	290,000	1,057,000
30 year U.S. Treasury futures	190,000	209,000
Total	1,000,000	1,402,000

We use futures contracts as an alternative way to help mitigate the potential impact of changes in interest rates on our performance. During the nine months ended September 30, 2025, we entered into futures contracts with a notional amount of $4.2 billion and terminated existing futures contracts with a notional amount of $4.6 billion. We recognized net losses of $8.6 million and $55.0 million on futures contracts during the three and nine months ended September 30, 2025, respectively (three and nine months ended September 30, 2024: net losses of $9.9 million). Net losses during the three and nine months ended September 30, 2025 were due to a decline in interest rates.

We primarily use TBAs that we do not intend to physically settle on the contractual settlement date in long positions as an alternative means of investing in and financing Agency RMBS. During the second quarter of 2025, we used short positions in TBAs in response to heightened market volatility to manage risk and economically hedge a portion of our exposure to changes in Agency RMBS valuations. We did not hold any TBAs during the three months ended September 30, 2025. We recorded net gains of $2.6 million on TBAs during the nine months ended September 30, 2025 (three and nine months ended September 30, 2024: net gains of $1.6 million and $621,000, respectively).

Expenses

We incurred management fees of $2.7 million and $8.5 million for the three and nine months ended September 30, 2025, respectively (three and nine months ended September 30, 2024: $2.9 million and $8.7 million, respectively). Our management fees are determined by our average stockholders' equity. Refer to Note 9 – "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, 2025, respectively (three and nine months ended September 30, 2024: $1.8 million and $5.5 million, respectively). 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 (Loss) 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, 2025, we repurchased and retired 89,223 and 276,172 shares of Series C Preferred Stock, respectively. 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. Gains and losses 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, 2025, our net income attributable to common stockholders was $50.2 million (September 30, 2024: $35.3 million) or $0.74 basic and diluted net income per average share available to common stockholders (September 30, 2024: $0.63 per share). The change in net income attributable to common stockholders was primarily due to (i) net gains on investments of $49.5 million in the 2025 period compared to net gains on investments of $165.2 million in the 2024 period; (ii) net losses on derivative instruments of $9.2 million in the 2025 period compared to net losses on derivatives of $127.3 million in the 2024 period; and (iii) a $10.1 million increase in net interest income.

For the nine months ended September 30, 2025, our net income attributable to common stockholders was $39.9 million (September 30, 2024: $40.2 million) or $0.61 basic and diluted net income per average share available to common stockholders (September 30, 2024: $0.78 per share). The change in net income attributable to common stockholders was primarily due to (i) net gains on investments of $126.4 million in the 2025 period compared to net gains on investments of $53.8 million in the 2024 period; (ii) net losses on derivative instruments of $116.8 million in the 2025 period compared to net losses on derivatives of $5.9 million in the 2024 period; and (iii) a $31.0 million increase in net interest income.

For further information on the changes in net gain (loss) on investments, net gain (loss) on derivative instruments 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 and (gain) loss on repurchase and retirement of preferred stock.

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 have not been accounted for consistently under U.S. GAAP. Under U.S. GAAP, certain gains and losses may be reflected in net income whereas other gains and losses may be reflected in other comprehensive income. For example, a portion of our mortgage-backed securities were historically classified as available-for-sale securities, and changes in the valuation of these securities were recorded 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, 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.

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.

	Three Months Ended September 30,		Nine Months Ended September 30,	
$ in thousands, except per share data	**2025**	**2024**	**2025**	**2024**
Net income (loss) attributable to common stockholders	50,208	35,271	39,930	40,235
Adjustments:				
(Gain) loss on investments, net	(49,540)	(165,168)	(126,430)	(53,803)
Realized (gain) loss on derivative instruments, net (1)	49,189	172,797	198,313	146,459
Unrealized (gain) loss on derivative instruments, net (1)	(10,833)	(4,569)	4,348	(11,096)
TBA dollar roll income (2)	—	39	1,147	1,117
(Gain) loss on repurchase and retirement of preferred stock	2	(25)	(44)	(426)
Subtotal	(11,182)	3,074	77,334	82,251
Earnings available for distribution	39,026	38,345	117,264	122,486
Basic income (loss) per common share	0.74	0.63	0.61	0.78
Earnings available for distribution per common share (3)	0.58	0.68	1.79	2.38

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
$ in thousands	**2025**	**2024**	**2025**	**2024**
Realized gain (loss) on derivative instruments, net	(49,189)	(172,797)	(198,313)	(146,459)
Unrealized gain (loss) on derivative instruments, net	10,833	4,569	(4,348)	11,096
Contractual net interest income (expense) on interest rate swaps	29,138	40,883	85,848	129,441
Gain (loss) on derivative instruments, net	(9,218)	(127,345)	(116,813)	(5,922)

(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 compared to 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) 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.

	Three Months Ended September 30,		Nine Months Ended September 30,	
$ in thousands	2025	2024	2025	2024
Effective net interest income [1]	46,752	48,393	140,012	152,589
TBA dollar roll income	—	39	1,147	1,117
Equity in earnings (losses) of unconsolidated ventures	—	—	—	(193)
(Increase) decrease in provision for credit losses	—	80	—	(222)
Total expenses	(4,465)	(4,693)	(13,996)	(14,238)
Subtotal	42,287	43,819	127,163	139,053
Dividends to preferred stockholders	(3,261)	(5,474)	(9,899)	(16,567)
Earnings available for distribution	39,026	38,345	117,264	122,486

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

Earnings available for distribution increased slightly during the three months ended September 30, 2025 compared to the same period in 2024 due to lower preferred dividends resulting from the redemption of our Series B Preferred Stock in December 2024, which was partially offset by a decrease in effective net interest income. Earnings available for distribution decreased during the nine months ended September 30, 2025 compared to the same period in 2024 due to lower effective net interest income, which was partially offset by lower preferred dividends. 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. 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 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.

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.

	Three Months Ended September 30,			
	2025		2024	
$ in thousands	Reconciliation	Cost of Funds / Effective Cost of Funds	Reconciliation	Cost of Funds / Effective Cost of Funds
Total interest expense	55,302	4.52 %	66,315	5.30 %
Less: Contractual net interest expense (income) on interest rate swaps recorded as gain (loss) on derivative instruments, net	(29,138)	(2.38)%	(40,883)	(3.27)%
Effective interest expense	26,164	2.14 %	25,432	2.03 %

	Nine Months Ended September 30,			
	2025		2024	
$ in thousands	Reconciliation	Cost of Funds / Effective Cost of Funds	Reconciliation	Cost of Funds / Effective Cost of Funds
Total interest expense	163,222	4.53 %	187,288	5.48 %
Less: Contractual net interest expense (income) on interest rate swaps recorded as gain (loss) on derivative instruments, net	(85,848)	(2.39)%	(129,441)	(3.78)%
Effective interest expense	77,374	2.14 %	57,847	1.70 %

Our effective interest expense increased slightly in the three months ended September 30, 2025 compared to the same period in 2024 due to a decrease in contractual net interest income on interest rate swaps, which was largely offset by a lower average cost of funds and a decrease in average borrowings. Our effective interest expense increased in the nine months ended September 30, 2025 compared to the same period in 2024 due to a decrease in contractual net interest income on interest rate swaps and an increase in average borrowings, which was partially offset by a lower average cost of funds.

Our effective cost of funds increased in the three and nine months ended September 30, 2025 compared to the same periods in 2024 due to a decrease in contractual net interest income on interest rate swaps, which was partially offset by a lower average cost of funds.

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, 2025 and December 31, 2024.

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.

	Three Months Ended September 30,			
	2025		2024	
$ in thousands	Reconciliation	Net Interest Rate Margin / Effective Interest Rate Margin	Reconciliation	Net Interest Rate Margin / Effective Interest Rate Margin
Net interest income	17,614	0.90 %	7,510	0.01 %
Add: Contractual net interest income (expense) on interest rate swaps recorded as gain (loss) on derivative instruments, net	29,138	2.38 %	40,883	3.27 %
Effective net interest income	46,752	3.28 %	48,393	3.28 %

	Nine Months Ended September 30,			
	2025		2024	
$ in thousands	Reconciliation	Net Interest Rate Margin / Effective Interest Rate Margin	Reconciliation	Net Interest Rate Margin / Effective Interest Rate Margin
Net interest income	54,164	0.94 %	23,148	(0.01)%
Add: Contractual net interest income (expense) on interest rate swaps recorded as gain (loss) on derivative instruments, net	85,848	2.39 %	129,441	3.78 %
Effective net interest income	140,012	3.33 %	152,589	3.77 %

Our effective net interest income decreased in the three months ended September 30, 2025 compared to the same period in 2024 due to a decrease in contractual net interest income on interest rate swaps, which was partially offset by a lower average cost of funds and an increase in average earning asset yields. Our effective net interest income decreased in the nine months ended September 30, 2025 compared to the same period in 2024 due to a decrease in contractual net interest income on interest rate swaps, which was partially offset by a lower average cost of funds.

Our effective net interest rate margin was unchanged in the three months ended September 30, 2025 compared to the same period in 2024 as a decrease in contractual net interest income on interest rate swaps was offset by a lower average cost of funds and an increase in average earning asset yields. Our effective net interest rate margin decreased in the nine months ended September 30, 2025 compared to the same period in 2024 due to a decrease in contractual net interest income on interest rate swaps, which was partially offset by a lower average cost of funds.

Economic Debt-to-Equity Ratio

The table below shows our debt-to-equity ratio and our economic debt-to-equity ratio as of September 30, 2025 and December 31, 2024. Our debt-to-equity ratio is calculated in accordance with U.S. GAAP and is the ratio of total debt to total stockholders' equity.

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 these types of 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	
$ in thousands	**September 30, 2025**	**December 31, 2024**
Repurchase agreements	5,150,081	4,893,958
Total stockholders' equity	769,581	730,729
Debt-to-equity ratio (1)	6.7	6.7
Economic debt-to-equity ratio (2)	6.7	6.7

(1) Debt-to-equity ratio is calculated as the ratio of total repurchase agreements to total stockholders' equity.
(2) Economic debt-to-equity ratio is calculated as the ratio of total repurchase agreements and TBAs at implied cost basis (none as of September 30, 2025; $606,000 as of December 31, 2024) to stockholders' equity.

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 cash proceeds from our common 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 $180.7 million as of September 30, 2025 (September 30, 2024: $168.5 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 $97.3 million for the nine months ended September 30, 2025 (September 30, 2024: $121.3 million).

Our investing activities used net cash of $372.5 million in the nine months ended September 30, 2025 (September 30, 2024: $898.8 million). We used cash of $2.0 billion to purchase MBS during the nine months ended September 30, 2025 (September 30, 2024: $1.9 billion). Our primary source of cash from investing activities for the nine months ended September 30, 2025 was proceeds from sales of MBS of $1.5 billion (September 30, 2024: $887.2 million from the sales of MBS and $10.8 million from the sale of U.S. Treasury securities). We also generated $364.8 million from principal payments of MBS during the nine months ended September 30, 2025 (September 30, 2024: $261.9 million) and used cash of $198.3 million to settle derivative contracts in the nine months ended September 30, 2025 (September 30, 2024: $146.5 million).

Our financing activities provided net cash of $245.1 million for the nine months ended September 30, 2025 (September 30, 2024: $747.3 million). During the nine months ended September 30, 2025, we received net cash from proceeds on our repurchase agreements of $256.1 million (September 30, 2024: $726.6 million). We used cash of $79.6 million for the nine months ended September 30, 2025 to pay dividends (September 30, 2024: $75.7 million). Proceeds from issuance of common stock provided $74.4 million for the nine months ended September 30, 2025 (September 30, 2024: $108.1 million).

As of September 30, 2025, the average margin requirement (weighted by borrowing amount), or the haircut, under our repurchase agreements was 4.5% for Agency RMBS and 4.9% for Agency CMBS. The haircuts ranged from a low of 3% to a high of 5% for Agency RMBS and a low of 4% 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 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 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 or if spreads widen, then the value 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.

Our interest rate swaps and futures contracts require us to post initial margin and daily variation margin based on subsequent changes in their fair value. Daily variation margin requirements also entitle us to receive collateral from our counterparties if the value of amounts owed to us under the derivative agreement exceeds the minimum margin requirement.

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 that 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, 2025, we held $5.4 billion of Agency securities that are financed by repurchase agreements. We also had approximately $364.9 million of unencumbered investments and unrestricted cash of $58.5 million as of September 30, 2025. As of September 30, 2025, our known contractual obligations primarily consisted of $5.2 billion of repurchase agreement borrowings with a weighted average remaining maturity of 21 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, 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 ongoing debt financing. In addition, 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, 2025, one counterparty held collateral that exceeded the amounts borrowed under the related repurchase agreements by more than 5% of our stockholders' equity.

The following table summarizes our exposure to counterparties by geographic concentration as of September 30, 2025. 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	14	3,248,401	156,354
Asia	3	648,057	32,980
Europe (excluding United Kingdom)	2	714,266	34,345
United Kingdom	1	539,357	21,809
Total	20	5,150,081	245,488

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 for which we have elected the fair value option 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 11 – "Stockholders' Equity" of our annual report on Form 10-K for the year ended December 31, 2024.

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, 2025, 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, 2025.

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, 2025, 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, 2024.

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.

Hedging techniques are partly based on assumed levels of prepayments of our Agency RMBS. If prepayments are slower or faster than assumed, the life of the Agency 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 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 make 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 assets would remain fixed. This situation may also cause the market value of our 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

The estimated fair value of our 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, 2025 and December 31, 2024, assuming a static portfolio and constant financing and asset spreads. When evaluating the impact of changes in interest rates, 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.

	As of September 30, 2025		As of December 31, 2024	
Change in Interest Rates	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%	(6.03)%	(0.92)%	(0.16)%	(0.59)%
+0.50%	(2.57)%	(0.33)%	0.02 %	(0.21)%
-0.50%	2.00 %	(0.11)%	(0.48)%	(0.05)%
-1.00%	3.90 %	(0.77)%	(1.30)%	(0.47)%

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, 2025 and December 31, 2024. 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.

Other Risks

We have previously invested in non-Agency CMBS and non-Agency RMBS and may invest in these types of assets again in the future. The following sections discuss additional risks associated with credit investments in commercial and residential real estate markets.

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 their loans, which could also cause us to suffer losses.

Credit Risk

We retain the risk of potential credit losses on all of our commercial and residential 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;
- 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, 2025. 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, 2025 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, 2025, we were not involved in any such legal proceedings.

ITEM 1A. RISK FACTORS.

There were no material changes during the periods 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, 2024, as filed with the SEC on February 20, 2025. 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, 2025.

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, 2025 to July 31, 2025	32,328	24.01	32,328	487,382
August 1, 2025 to August 31, 2025	24,995	24.50	24,995	462,387
September 1, 2025 to September 30, 2025	31,900	24.22	31,900	430,487
	89,223	24.22	89,223	

(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 the 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. We redeemed all outstanding shares of our Series B Preferred Stock in December 2024.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

Rule 10b5-1 Trading Plans

During the fiscal quarter ended September 30, 2025, none of our directors or officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement” as each term is defined in Item 408 of Regulation S-K.

Series C Preferred Stock Dividends

We declared a Series C Preferred Stock dividend of $0.46875 per share on November 4, 2025 that is payable on December 29, 2025 to stockholders of record on December 5, 2025.

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, 2025	By:	/s/ John M. Anzalone
		John M. Anzalone Chief Executive Officer
November 5, 2025	By:	/s/ Mark Gregson
		Mark Gregson Chief Financial Officer

EXHIBIT INDEX

Item 6. Exhibits

Exhibit No.	Description
3.1	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).
3.2	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).
3.3	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).
3.4	Articles Supplementary reclassifying 2,200,000 shares of authorized but unissued shares of Series B 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 December 27, 2024).
3.5	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).
3.6	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).
3.7	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).
3.8	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).
10.1	Equity Distribution Agreement, dated August 8, 2025 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 8, 2025).
31.1	Certification of John M. Anzalone pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Mark Gregson pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	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.
32.2*	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.
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

EXHIBIT 31.1

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, 2025

/s/ John M. Anzalone

John M. Anzalone
Chief Executive Officer

EXHIBIT 31.2

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, 2025

/s/ Mark Gregson

Mark Gregson
Chief Financial Officer

EXHIBIT 32.1

**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, 2025 (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, 2025

/s/ John M. Anzalone

John M. Anzalone
Chief Executive Officer

EXHIBIT 32.2

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, 2025 (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, 2025

/s/ Mark Gregson

Mark Gregson
Chief Financial Officer