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Invesco Mortgage Capital Inc. Reports First Quarter 2025 Financial Results

Atlanta - May 7, 2025 -- Invesco Mortgage Capital Inc. (NYSE: IVR) (the “Company”) today announced financial results for the quarter ended March 31, 2025.

- Net income per common share of \$0.26 compared to net loss of \$0.09 in Q4 2024
- Earnings available for distribution per common share⁽¹⁾ of \$0.64 compared to \$0.53 in Q4 2024
- Common stock dividend of \$0.34 per common share compared to \$0.40 in Q4 2024
- Book value per common share⁽²⁾ of \$8.81 compared to \$8.92 as of December 31, 2024
- Economic return⁽³⁾ of 2.6% compared to (0.5)% in Q4 2024

Update from John Anzalone, Chief Executive Officer

“During the first quarter, financial markets reacted negatively to proposed U.S. fiscal and trade policies given concerns they could result in slower economic growth and higher inflation. Despite weaker market sentiment, Agency RMBS performance was largely consistent with Treasuries, with higher coupons modestly outperforming their hedges as longer-dated interest rate volatility trended lower. This resulted in an economic return for the quarter of 2.6%, consisting of our \$0.34 dividend per common share and an \$0.11 decline in book value per common share.

“We ended the first quarter with a debt-to-equity ratio of 7.1x, up from 6.7x as of December 31, 2024. At quarter end, our \$5.9 billion investment portfolio primarily consisted of \$5.0 billion Agency RMBS and \$0.9 billion Agency CMBS, and we maintained a sizeable balance of unrestricted cash and unencumbered investments totaling \$372 million.

“Agency RMBS sharply underperformed Treasuries in April given a significant increase in interest rate volatility and deterioration in risk sentiment driven by rapidly evolving U.S. trade policy. Our book value per common share declined as a result and is estimated to be between \$7.74 and \$8.06⁽⁴⁾ as of April 30, 2025. We remain cautious on the near-term outlook for markets given elevated policy uncertainty and will continue to prudently manage our investment portfolio and liquidity position.

“Our long-term outlook for Agency RMBS is favorable, however, as we expect investor demand to strengthen in higher coupons given attractive valuations, an eventual decline in interest rate volatility, and a steeper yield curve. Finally, while Agency CMBS risk premiums may remain elevated until sentiment in the broader fixed income market improves, limited issuance, strong fundamental performance and stable cash flow profiles should provide favorable support for this sector.”

(1) Earnings available for distribution (and by calculation, earnings available for distribution per common share) is a non-Generally Accepted Accounting Principles (“GAAP”) financial measure. Refer to the section entitled “Non-GAAP Financial Measures” for important disclosures and a reconciliation to the most comparable U.S. GAAP measure.

(2) Book value per common share as of March 31, 2025 and December 31, 2024 is calculated as total stockholders' equity less the liquidation preference of the Company's Series C Preferred Stock (\$177.9 million as of March 31, 2025 and \$180.2 million as of December 31, 2024), divided by total common shares outstanding.

(3) Economic return for the quarter ended March 31, 2025 is defined as the change in book value per common share from December 31, 2024 to March 31, 2025 of (\$0.11); plus dividends declared of \$0.34 per common share; divided by the December 31, 2024 book value per common share of \$8.92. Economic return for the quarter ended December 31, 2024 is defined as the change in book value per common share from September 30, 2024 to December 31, 2024 of (\$0.45); plus dividends declared of \$0.40 per common share; divided by the September 30, 2024 book value per common share of \$9.37.

(4) Book value per common share as of April 30, 2025 is adjusted to exclude a pro rata portion of the current quarter's common stock dividend (which for purposes of this calculation is assumed to be the same as the previous quarter) and is calculated as total stockholders' equity less the liquidation preference of the Company's Series C Preferred Stock (\$176.7 million as of April 30, 2025), divided by total common shares outstanding of 65.9 million.

Key performance indicators for the quarters ended March 31, 2025 and December 31, 2024 are summarized in the table below.

(\$ in millions, except share amounts)	Q1 2025	Q4 2024	Variance
Average Balances ⁽¹⁾	(unaudited)	(unaudited)	
Average earning assets (at amortized cost)	\$5,422.6	\$5,440.7	(\$18.1)
Average borrowings	\$4,930.2	\$4,865.6	\$64.6
Average total stockholders' equity	\$754.7	\$798.4	(\$43.7)
U.S. GAAP Financial Measures			
Total interest income	\$73.8	\$76.1	(\$2.3)
Total interest expense	\$55.0	\$62.4	(\$7.4)
Net interest income	\$18.8	\$13.7	\$5.1
Total expenses	\$4.7	\$4.8	(\$0.1)
Net income (loss) attributable to common stockholders	\$16.3	(\$5.5)	\$21.8
Average earning asset yields	5.45 %	5.60 %	(0.15)%
Average cost of funds	4.46 %	5.13 %	(0.67)%
Average net interest rate margin	0.99 %	0.47 %	0.52 %
Period-end weighted average asset yields ⁽²⁾	5.51 %	5.42 %	0.09 %
Period-end weighted average cost of funds	4.47 %	4.80 %	(0.33)%
Period-end weighted average net interest rate margin	1.04 %	0.62 %	0.42 %
Book value per common share ⁽³⁾	\$8.81	\$8.92	(\$0.11)
Earnings (loss) per common share (basic)	\$0.26	(\$0.09)	\$0.35
Earnings (loss) per common share (diluted)	\$0.26	(\$0.09)	\$0.35
Debt-to-equity ratio	7.1x	6.7x	0.4x
Non-GAAP Financial Measures ⁽⁴⁾			
Earnings available for distribution	\$40.0	\$32.3	\$7.7
Effective interest expense	\$26.9	\$30.1	(\$3.2)
Effective net interest income	\$46.9	\$46.0	\$0.9
Effective cost of funds	2.18 %	2.47 %	(0.29)%
Effective interest rate margin	3.27 %	3.13 %	0.14 %
Earnings available for distribution per common share	\$0.64	\$0.53	\$0.11
Economic debt-to-equity ratio	7.1x	6.7x	0.4x

(1) Average earning assets, average borrowings and average total stockholders' equity are calculated based on the weighted month-end balances of mortgage-backed securities at amortized cost, repurchase agreement borrowings and total U.S. GAAP stockholders' equity, respectively.

(2) Period-end weighted average asset yields are based on amortized cost as of period-end and incorporate future prepayment and loss assumptions when appropriate.

(3) Book value per common share is calculated as total stockholders' equity less the liquidation preference of the Company's Series C Preferred Stock (\$177.9 million as of March 31, 2025 and \$180.2 million as of December 31, 2024), divided by total common shares outstanding.

(4) Earnings available for distribution (and by calculation, earnings available for distribution per common share), effective interest expense (and by calculation, effective cost of funds), effective net interest income (and by calculation, effective interest rate margin), and economic debt-to-equity ratio are non-GAAP financial measures. Refer to the section entitled "Non-GAAP Financial Measures" for important disclosures and a reconciliation to the most comparable U.S. GAAP measures of net income (loss) attributable to common stockholders (and by calculation, basic earnings (loss) per common share), total interest expense (and by calculation, cost of funds), net interest income (and by calculation, net interest rate margin) and debt-to-equity ratio.

Portfolio Composition

The following table summarizes certain characteristics of the Company's MBS portfolio as of March 31, 2025 and December 31, 2024.

\$ in thousands	As of					
	March 31, 2025			December 31, 2024		
	Fair Value	Percentage of Portfolio	Period-end Weighted Average Yield	Fair Value	Percentage of Portfolio	Period-end Weighted Average Yield
Agency RMBS:						
30 year fixed-rate pass-through coupon:						
4.0%	—	— %	— %	369,321	6.8 %	4.67 %
4.5%	657,554	11.1 %	4.95 %	658,218	12.1 %	4.95 %
5.0%	993,414	16.7 %	5.32 %	836,197	15.3 %	5.35 %
5.5%	1,414,961	23.8 %	5.58 %	1,196,335	22.0 %	5.59 %
6.0%	1,471,826	24.8 %	5.97 %	1,481,454	27.2 %	5.97 %
6.5%	436,908	7.3 %	6.16 %	—	— %	— %
Total 30 year fixed-rate pass-through	4,974,663	83.7 %	5.61 %	4,541,525	83.4 %	5.50 %
Agency-CMO	73,539	1.2 %	10.02 %	70,776	1.3 %	9.20 %
Agency CMBS	890,372	15.0 %	4.62 %	816,147	15.0 %	4.59 %
Non-Agency CMBS	—	— %	— %	9,836	0.2 %	8.91 %
Non-Agency RMBS	7,215	0.1 %	11.53 %	7,224	0.1 %	11.13 %
Total MBS portfolio	5,945,789	100.0 %	5.51 %	5,445,508	100.0 %	5.42 %

The following table summarizes certain characteristics of the Company's borrowings as of March 31, 2025 and December 31, 2024.

\$ in thousands	As of					
	March 31, 2025			December 31, 2024		
	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	4,512,054	4.48 %	24	4,112,219	4.80 %	29
Repurchase agreements - Agency CMBS	842,507	4.46 %	30	781,739	4.77 %	32
Total borrowings	5,354,561	4.47 %	25	4,893,958	4.80 %	29

The following tables summarize certain characteristics of TBAs accounted for as derivatives as of March 31, 2025 and December 31, 2024.

\$ in thousands	As of March 31, 2025			
	Notional Amount	Implied Cost Basis	Implied Market Value	Net Carrying Value - Asset (Liability)
6.5% TBA purchase contracts	400,000	411,610	412,448	838
6.5% TBA sale contracts	(400,000)	(411,391)	(412,448)	(1,057)
Net TBA derivatives	—	219	—	(219)

\$ in thousands	As of December 31, 2024			
	Notional Amount	Implied Cost Basis	Implied Market Value	Net Carrying Value - Asset (Liability)
5.5% TBA purchase contracts	100,000	99,800	99,173	(627)
5.5% TBA sales contracts	(100,000)	(99,194)	(99,173)	21
Net TBA derivatives	—	606	—	(606)

The followings tables summarize certain characteristics of the Company's interest rate swaps whereby the Company pays interest at a fixed rate and receives floating interest based on the secured overnight financing rate as of March 31, 2025 and December 31, 2024.

\$ in thousands	As of March 31, 2025			
	Notional Amount	Weighted Average Fixed Pay Rate	Weighted Average Floating Receive Rate	Weighted Average Years to Maturity
Maturities				
Less than 3 years	1,480,000	0.54 %	4.41 %	2.3
3 to 5 years	375,000	0.39 %	4.41 %	4.0
5 to 7 years	785,000	0.72 %	4.41 %	5.6
7 to 10 years	555,000	4.14 %	4.41 %	9.8
Greater than 10 years	445,000	1.99 %	4.41 %	19.5
Total	3,640,000	1.29 %	4.41 %	6.4

\$ in thousands	As of December 31, 2024			
	Maturities	Notional Amount	Weighted Average Fixed Pay Rate	Weighted Average Floating Receive Rate
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

The following table summarizes certain characteristics of the Company's futures contracts as of March 31, 2025 and December 31, 2024.

\$ in thousands	As of	
	March 31, 2025	December 31, 2024
	Notional Amount - Short	Notional Amount - Short
10 year U.S. Treasury futures	400,000	136,000
Ultra 10 year U.S. Treasury futures	315,000	1,057,000
30 year U.S. Treasury futures	187,500	209,000
Total	902,500	1,402,000

Capital Activities

Dividends

As previously announced on March 25, 2025, the Company declared a common stock dividend of \$0.34 per share paid on April 25, 2025 to its stockholders of record as of the close of business on April 7, 2025. The Company declared a Series C Preferred Stock dividend of \$0.46875 per share on May 6, 2025 that is payable on June 27, 2025 to its stockholders of record on June 5, 2025.

Issuances of Common Stock

During the three months ended March 31, 2025, the Company sold 4,212,057 shares of common stock for net proceeds of \$36.0 million through its at-the-market program.

Repurchases of Preferred Stock

During the three months ended March 31, 2025, the Company repurchased and retired 90,146 shares of Series C Preferred Stock for a total cost of \$2.2 million.

Portfolio and Liquidity Update as of April 30, 2025

- Total investment portfolio of \$5.1 billion, consisting of 82% Agency RMBS and 18% Agency CMBS
- Unrestricted cash and unencumbered investments totaling approximately \$336 million
- Debt-to-equity ratio estimated to be 6.4x

About Invesco Mortgage Capital Inc.

The Company is a real estate investment trust that primarily focuses on investing in, financing and managing mortgage-backed securities and other mortgage-related assets. The Company is externally managed and advised by Invesco Advisers, Inc., a registered investment adviser and an indirect wholly-owned subsidiary of Invesco Ltd., a leading independent global investment management firm.

Earnings Call

Members of the investment community and the general public are invited to listen to the Company's earnings conference call on Thursday, May 8, 2025, at 9:00 a.m. ET, by calling one of the following numbers:

North America Toll Free: 888-982-7409
International: 1-212-287-1625
Passcode: Invesco

An audio replay will be available until 5:00 pm ET on May 22, 2025 by calling:

866-363-1806 (North America) or 1-203-369-0194 (International)

The presentation slides that will be reviewed during the call will be available on the Company's website at www.invescomortgagecapital.com.

Cautionary Notice Regarding Forward-Looking Statements

This press release, the related presentation and comments made in the associated conference call, may include statements and information that constitute "forward-looking statements" within the meaning of the U.S. securities laws as defined in the Private Securities Litigation Reform Act of 1995, and such statements are intended to be covered by the safe harbor provided by the same. Forward-looking statements include our views on the risk positioning of our portfolio, domestic and global market conditions (including the Agency RMBS, Agency CMBS and residential and commercial real estate markets), the market for our target assets, our financial performance, including our earnings available for distribution, economic return, comprehensive income and changes in our book value, our intention and ability to pay dividends, our ability to continue performance trends, the stability of portfolio yields, interest rates, credit spreads, prepayment trends, financing sources, cost of funds, our leverage, liquidity, capital structure and equity allocation. In addition, words such as "believes," "expects," "anticipates," "intends," "plans," "estimates," "projects," "forecasts," and future or conditional verbs such as "will," "may," "could," "should," and "would" as well as any other statement that necessarily depends on future events, are intended to identify forward-looking statements.

Forward-looking statements are not guarantees, and they involve risks, uncertainties and assumptions. There can be no assurance that actual results will not differ materially from our expectations. We caution investors not to rely unduly on any forward-looking statements and urge you to carefully consider the risks identified under the captions "Risk Factors," "Forward-Looking Statements" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our annual report on Form 10-K and quarterly reports on Form 10-Q, which are available on the Securities and Exchange Commission's website at www.sec.gov.

All written or oral forward-looking statements that we make, or that are attributable to us, are expressly qualified by this cautionary notice. We expressly disclaim any obligation to update the information in any public disclosure if any forward-looking statement later turns out to be inaccurate.

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

	Three Months Ended		
	March 31, 2025	December 31, 2024	March 31, 2024
\$ in thousands, except share data			
Interest income	73,846	76,110	68,583
Interest expense	55,025	62,431	61,580
Net interest income	18,821	13,679	7,003
Other income (loss)			
Gain (loss) on investments, net	82,158	(187,714)	(66,153)
(Increase) decrease in provision for credit losses	—	(236)	(39)
Equity in earnings (losses) of unconsolidated ventures	—	—	(193)
Gain (loss) on derivative instruments, net	(76,679)	182,556	93,161
Other investment income (loss), net	—	2	—
Total other income (loss)	5,479	(5,392)	26,776
Expenses			
Management fee – related party	2,996	3,172	2,861
General and administrative	1,663	1,609	1,796
Total expenses	4,659	4,781	4,657
Net income (loss)	19,641	3,506	29,122
Dividends to preferred stockholders	(3,341)	(5,444)	(5,585)
Gain (loss) on repurchase and retirement of preferred stock	(11)	1	193
Issuance and redemption cost of redeemed preferred stock	—	(3,535)	—
Net income (loss) attributable to common stockholders	<u>16,289</u>	<u>(5,472)</u>	<u>23,730</u>
Earnings (loss) per share:			
Net income (loss) attributable to common stockholders			
Basic	<u>0.26</u>	<u>(0.09)</u>	<u>0.49</u>
Diluted	<u>0.26</u>	<u>(0.09)</u>	<u>0.49</u>

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

\$ in thousands	Three Months Ended		
	March 31, 2025	December 31, 2024	March 31, 2024
Net income (loss)	19,641	3,506	29,122
Other comprehensive income (loss):			
Unrealized gain (loss) on mortgage-backed securities, net	500	(412)	(202)
Reclassification of unrealized (gain) loss on sale of mortgage-backed securities to gain (loss) on investments, net	116	—	—
Reclassification of unrealized loss on available-for-sale securities to (increase) decrease in provision for credit losses	—	224	39
Total other comprehensive income (loss)	616	(188)	(163)
Comprehensive income (loss)	20,257	3,318	28,959
Dividends to preferred stockholders	(3,341)	(5,444)	(5,585)
Gain (loss) on repurchase and retirement of preferred stock	(11)	1	193
Issuance and redemption cost of redeemed preferred stock	—	(3,535)	—
Comprehensive income (loss) attributable to common stockholders	16,905	(5,660)	23,567

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

\$ in thousands, except share amounts	As of	
	March 31, 2025	December 31, 2024
ASSETS		
Mortgage-backed securities, at fair value (including pledged securities of \$5,616,874 and \$5,129,486, respectively; net of allowance for credit losses of \$0 and \$654, respectively)	5,945,789	5,445,508
Cash and cash equivalents	42,894	73,403
Restricted cash	138,611	137,478
Due from counterparties	251	580
Investment related receivable	27,315	24,870
Derivative assets, at fair value	2,931	5,033
Other assets	973	1,162
Total assets	6,158,764	5,688,034
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Repurchase agreements	5,354,561	4,893,958
Derivative liabilities, at fair value	1,767	627
Dividends payable	22,420	24,692
Accrued interest payable	14,273	32,711
Collateral held payable	1,526	—
Accounts payable and accrued expenses	1,418	1,619
Due to affiliate	3,633	3,698
Total liabilities	5,399,598	4,957,305
Commitments and contingencies (See Note 12) ⁽¹⁾		
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: 7,116,513 and 7,206,659 shares issued and outstanding, respectively (\$177,913 and \$180,166 aggregate liquidation preference, respectively)	172,101	174,281
Common Stock, par value \$0.01 per share; 134,000,000 shares authorized; 65,942,495 and 61,729,693 shares issued and outstanding, respectively	659	617
Additional paid in capital	4,163,897	4,127,807
Accumulated other comprehensive income	789	173
Retained earnings (distributions in excess of earnings)	(3,578,280)	(3,572,149)
Total stockholders' equity	759,166	730,729
Total liabilities and stockholders' equity	6,158,764	5,688,034

- (1) See Note 12 of the Company's condensed consolidated financial statements filed in Item 1 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2025.

Non-GAAP Financial Measures

The table below shows the non-GAAP financial measures the Company uses to analyze its operating results and the most directly comparable U.S. GAAP measures. The Company believes these non-GAAP measures are useful to investors in assessing its 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 the Company's 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 its peer companies.

Earnings Available for Distribution

The Company's business objective is to provide attractive risk-adjusted returns to its stockholders, primarily through dividends and secondarily through capital appreciation. The Company uses earnings available for distribution as a measure of its investment portfolio's ability to generate income for distribution to common stockholders and to evaluate its progress toward meeting this objective. The Company calculates earnings available for distribution as U.S. GAAP net income (loss) attributable to common stockholders adjusted for (gain) loss on investments, net; realized (gain) loss on derivative instruments, net; unrealized (gain) loss on derivative instruments, net; TBA dollar roll income; (gain) loss on repurchase and retirement of preferred stock and foreign currency (gains) losses, net.

By excluding the gains and losses discussed above, the Company believes the presentation of earnings available for distribution provides a consistent measure of operating performance that investors can use to evaluate its results over multiple reporting periods and, to a certain extent, compare to its peer companies. However, because not all of the Company's peer companies use identical operating performance measures, the Company's presentation of earnings available for distribution may not be comparable to other similarly titled measures used by its peer companies. The Company excludes the impact of gains and losses when calculating earnings available for distribution because (i) when analyzed in conjunction with its U.S. GAAP results, earnings available for distribution provides additional detail of its investment portfolio's earnings capacity and (ii) gains and losses are not accounted for consistently under U.S. GAAP. Under U.S. GAAP, certain gains and losses are reflected in net income whereas other gains and losses are reflected in other comprehensive income. For example, a portion of the Company's mortgage-backed securities are classified as available-for-sale securities, and changes in the valuation of these securities are recorded in other comprehensive income on its condensed consolidated balance sheets. The Company elected the fair value option for its 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 the condensed consolidated statements of operations. In addition, certain gains and losses represent one-time events. The Company may add and has added additional reconciling items to its earnings available for distribution calculation as appropriate.

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

Earnings available for distribution is an incomplete measure of the Company's financial performance and there are other factors that impact the achievement of the Company's business objective. The Company cautions 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 the Company's cash flow from operating activities (determined in accordance with U.S. GAAP), a measure of the Company's liquidity, or as an indication of amounts available to fund its 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.

\$ in thousands, except per share data	Three Months Ended		
	March 31, 2025	December 31, 2024	March 31, 2024
Net income (loss) attributable to common stockholders	16,289	(5,472)	23,730
Adjustments:			
(Gain) loss on investments, net	(82,158)	187,714	66,153
Realized (gain) loss on derivative instruments, net ⁽¹⁾	101,516	(157,864)	(48,682)
Unrealized (gain) loss on derivative instruments, net ⁽¹⁾	3,242	7,629	808
TBA dollar roll income ⁽²⁾	1,147	249	—
(Gain) loss on repurchase and retirement of preferred stock	11	(1)	(193)
Foreign currency (gains) losses, net ⁽³⁾	—	(2)	—
Subtotal	23,758	37,725	18,086
Earnings available for distribution	40,047	32,253	41,816
Basic income (loss) per common share	0.26	(0.09)	0.49
Earnings available for distribution per common share ⁽⁴⁾	0.64	0.53	0.86

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

\$ in thousands	Three Months Ended		
	March 31, 2025	December 31, 2024	March 31, 2024
Realized gain (loss) on derivative instruments, net	(101,516)	157,864	48,682
Unrealized gain (loss) on derivative instruments, net	(3,242)	(7,629)	(808)
Contractual net interest income (expense) on interest rate swaps	28,079	32,321	45,287
Gain (loss) on derivative instruments, net	(76,679)	182,556	93,161

- (2) A TBA dollar roll is a series of derivative transactions where TBAs with the same specified issuer, term and coupon but different settlement dates are simultaneously bought and sold. The TBA settling in the later month typically prices at a discount to the TBA settling in the earlier month. TBA dollar roll income represents the price differential between the TBA price for current month settlement versus the TBA price for forward month settlement. The Company includes 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 the Company's condensed consolidated statements of operations.
- (3) Foreign currency gains (losses), net are included in other investment income (loss), net on the condensed consolidated statements of operations.
- (4) 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 presents the components of earnings available for distribution for the following periods.

S in thousands	Three Months Ended		
	March 31, 2025	December 31, 2024	March 31, 2024
Effective net interest income ⁽¹⁾	46,900	46,000	52,290
TBA dollar roll income	1,147	249	—
Equity in earnings (losses) of unconsolidated ventures	—	—	(193)
(Increase) decrease in provision for credit losses	—	(236)	(39)
Total expenses	(4,659)	(4,781)	(4,657)
Subtotal	43,388	41,232	47,401
Dividends to preferred stockholders	(3,341)	(5,444)	(5,585)
Issuance and redemption costs of redeemed preferred stock	—	(3,535)	—
Earnings available for distribution	40,047	32,253	41,816

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

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

The Company calculates 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 its interest rate swaps that is recorded as gain (loss) on derivative instruments, net. The Company views its interest rate swaps as an economic hedge against increases in future market interest rates on its borrowings. The Company adds back the net payments or receipts on its interest rate swap agreements to its total U.S. GAAP interest expense because the Company uses interest rate swaps to add stability to interest expense.

The Company calculates 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 its interest rate swaps that is recorded as gain (loss) on derivative instruments, net.

The Company believes 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 the Company's 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.

S in thousands	Three Months Ended					
	March 31, 2025		December 31, 2024		March 31, 2024	
	Reconciliation	Cost of Funds / Effective Cost of Funds	Reconciliation	Cost of Funds / Effective Cost of Funds	Reconciliation	Cost of Funds / Effective Cost of Funds
Total interest expense	55,025	4.46 %	62,431	5.13 %	61,580	5.57 %
Less: Contractual net interest expense (income) on interest rate swaps recorded as gain (loss) on derivative instruments, net	(28,079)	(2.28)%	(32,321)	(2.66)%	(45,287)	(4.10)%
Effective interest expense	26,946	2.18 %	30,110	2.47 %	16,293	1.47 %

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

\$ in thousands	Three Months Ended					
	March 31, 2025		December 31, 2024		March 31, 2024	
	Reconciliation	Net Interest Rate Margin / Effective Interest Rate Margin	Reconciliation	Net Interest Rate Margin / Effective Interest Rate Margin	Reconciliation	Net Interest Rate Margin / Effective Interest Rate Margin
Net interest income	18,821	0.99 %	13,679	0.47 %	7,003	(0.05)%
Add: Contractual net interest income (expense) on interest rate swaps recorded as gain (loss) on derivative instruments, net	28,079	2.28 %	32,321	2.66 %	45,287	4.10 %
Effective net interest income	46,900	3.27 %	46,000	3.13 %	52,290	4.05 %

Economic Debt-to-Equity Ratio

The following table shows the Company's debt-to-equity ratio and the Company's economic debt-to-equity ratio as of March 31, 2025 and December 31, 2024. The Company's debt-to-equity ratio is calculated in accordance with U.S. GAAP and is the ratio of total debt to total stockholders' equity.

The Company presents an economic debt-to-equity ratio, a non-GAAP financial measure of leverage that considers the impact of the off-balance sheet financing of its investments in TBAs that are accounted for as derivative instruments under U.S. GAAP. The Company includes its TBAs at implied cost basis in its 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 the Company's on-balance sheet funding commitments. The Company believes that presenting its economic debt-to-equity ratio, when considered together with its U.S. GAAP financial measure of debt-to-equity ratio, provides information that is useful to investors in understanding how management evaluates 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.

\$ in thousands	As of	
	March 31, 2025	December 31, 2024
Repurchase agreements	5,354,561	4,893,958
Total stockholders' equity	759,166	730,729
Debt-to-equity ratio ⁽¹⁾	7.1	6.7
Economic debt-to-equity ratio ⁽²⁾	7.1	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 (\$219,000 as of March 31, 2025; \$606,000 as of December 31, 2024) to total stockholders' equity.

Average Balances

The table below presents information related to the Company's average earning assets, average earning asset yields, average borrowings and average cost of funds for the following periods:

\$ in thousands	Three Months Ended		
	March 31, 2025	December 31, 2024	March 31, 2024
Average earning assets ⁽¹⁾	5,422,552	5,440,662	4,972,242
Average earning asset yields ⁽²⁾	5.45 %	5.60 %	5.52 %
Average borrowings ⁽³⁾	4,930,237	4,865,582	4,419,757
Average cost of funds ⁽⁴⁾	4.46 %	5.13 %	5.57 %

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

(2) Average earning asset yields for each period are 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.

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

(4) Average cost of funds is calculated by dividing annualized interest expense by average borrowings.