REFINITIV

DELTA REPORT

10-Q

AOMN - ANGEL OAK MORTGAGE REIT,

10-Q - JUNE 30, 2024 COMPARED TO 10-Q - MARCH 31, 2024

The following comparison report has been automatically generated

TOTAL DELTAS	770
CHANGES	257
DELETIONS	214
ADDITIONS	299

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

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended March 31, 2024 June 30, 2024
☐ **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 001-40495

Angel Oak Mortgage REIT, Inc.
(Exact name of registrant as specified in its charter)

Maryland	**37-1892154**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3344 Peachtree Road Northeast, Suite 1725, Atlanta, Georgia 30326
(Address of Principal Executive Offices and Zip Code)

404-953-4900
Registrant's telephone number, including area code

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, $0.01 par value	**AOMR**	**New York Stock Exchange**
9.500% Senior Notes due 2029	**AOMN**	**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 ☒

The registrant had 24,965,274 23,322,816 shares of common stock, $0.01 par value per share, outstanding as of May 8, 2024 August 7, 2024.

ANGEL OAK MORTGAGE REIT, INC.
QUARTERLY REPORT ON FORM 10-Q
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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

Angel Oak Mortgage REIT, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)
(in thousands, except for share data)

As of:

	March 31, 2024	December 31, 2023
	June 30, 2024	December 31, 2023
ASSETS		
Residential mortgage loans - at fair value		
Residential mortgage loans - at fair value		
Residential mortgage loans - at fair value		
Residential mortgage loans in securitization trusts - at fair value		
RMBS - at fair value		
U.S. Treasury securities - at fair value		
Cash and cash equivalents		
Restricted cash		
Principal and interest receivable		
Other assets		
Other assets		
Unrealized appreciation on TBAs and interest rate futures contracts - at fair value		
Unrealized appreciation on TBAs and interest rate futures contracts - at fair value		
Unrealized appreciation on TBAs and interest rate futures contracts - at fair value		
Other assets		
Total assets		
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
LIABILITIES		
LIABILITIES		
Notes payable		
Notes payable		
Notes payable		
Non-recourse securitization obligation, collateralized by residential mortgage loans in securitization trusts (see Note 2)		
Securities sold under agreements to repurchase		
Unrealized depreciation on TBAs and interest rate futures contracts - at fair value		
Due to broker		
Accrued expenses		
Accrued expenses		
Accrued expenses		
Accrued expenses payable to affiliate		
Interest payable		
Income taxes payable		
Management fee payable to affiliate		
Total liabilities		
Commitments and contingencies		
Commitments and contingencies		
Commitments and contingencies		
STOCKHOLDERS' EQUITY		
STOCKHOLDERS' EQUITY		
STOCKHOLDERS' EQUITY		
Common stock, $0.01 par value. As of March 31, 2024: 350,000,000 shares authorized, 24,965,274 shares issued and outstanding. As of December 31, 2023: 350,000,000 shares authorized, 24,965,274 shares issued and outstanding.		
Common stock, $0.01 par value. As of June 30, 2024: 350,000,000 shares authorized, 24,998,549 shares issued and outstanding. As of December 31, 2023: 350,000,000 shares authorized, 24,965,274 shares issued and outstanding.		

Common stock, $0.01 par value. As of March 31, 2024: 350,000,000 shares authorized, 24,965,274 shares issued and outstanding. As of December 31, 2023: 350,000,000 shares authorized, 24,965,274 shares issued and outstanding.
Common stock, $0.01 par value. As of June 30, 2024: 350,000,000 shares authorized, 24,998,549 shares issued and outstanding. As of December 31, 2023: 350,000,000 shares authorized, 24,965,274 shares issued and outstanding.
Common stock, $0.01 par value. As of March 31, 2024: 350,000,000 shares authorized, 24,965,274 shares issued and outstanding. As of December 31, 2023: 350,000,000 shares authorized, 24,965,274 shares issued and outstanding.
Common stock, $0.01 par value. As of June 30, 2024: 350,000,000 shares authorized, 24,998,549 shares issued and outstanding. As of December 31, 2023: 350,000,000 shares authorized, 24,965,274 shares issued and outstanding.
Additional paid-in capital
Accumulated other comprehensive income (loss)
Retained earnings (deficit)
Total stockholders' equity
Total liabilities and stockholders' equity

The accompanying Notes to the Condensed Consolidated Financial Statements are an integral part of this statement.

Angel Oak Mortgage REIT, Inc.
Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)
(Unaudited)
(in thousands, except for share and per share data)

	Three Months Ended Three Months Ended Three Months Ended
	March 31, 2024
	March 31, 2024
	March 31, 2024
	June 30, 2024
	June 30, 2024
	June 30, 2024
INTEREST INCOME, NET	
INTEREST INCOME, NET	
INTEREST INCOME, NET	
Interest income	
Interest income	
Interest income	
Interest expense	
Interest expense	
Interest expense	
NET INTEREST INCOME	
NET INTEREST INCOME	
NET INTEREST INCOME	
REALIZED AND UNREALIZED GAINS (LOSSES), NET	
REALIZED AND UNREALIZED GAINS (LOSSES), NET	
REALIZED AND UNREALIZED GAINS (LOSSES), NET	
Net realized gain (loss) on mortgage loans, derivative contracts, RMBS, and CMBS	
Net realized gain (loss) on mortgage loans, derivative contracts, RMBS, and CMBS	
Net realized gain (loss) on mortgage loans, derivative contracts, RMBS, and CMBS	
Net unrealized gain (loss) on trading securities, mortgage loans, portion of debt at fair value option, and derivative contracts	
Net unrealized gain (loss) on trading securities, mortgage loans, portion of debt at fair value option, and derivative contracts	
Net unrealized gain (loss) on trading securities, mortgage loans, portion of debt at fair value option, and derivative contracts	
TOTAL REALIZED AND UNREALIZED GAINS (LOSSES), NET	

TOTAL REALIZED AND UNREALIZED GAINS (LOSSES), NET
TOTAL REALIZED AND UNREALIZED GAINS (LOSSES), NET
EXPENSES
EXPENSES
EXPENSES
Operating expenses
Operating expenses
Operating expenses
Operating expenses incurred with affiliate
Operating expenses incurred with affiliate
Operating expenses incurred with affiliate
Due diligence and transaction costs
Due diligence and transaction costs
Due diligence and transaction costs
Stock compensation
Stock compensation
Stock compensation
Securitization costs
Securitization costs
Securitization costs
Management fee incurred with affiliate
Management fee incurred with affiliate
Management fee incurred with affiliate
Total operating expenses
Total operating expenses
Total operating expenses
INCOME (LOSS) BEFORE INCOME TAXES
INCOME (LOSS) BEFORE INCOME TAXES
INCOME (LOSS) BEFORE INCOME TAXES
Income tax expense
Income tax expense
Income tax expense
Income tax expense (benefit)
Income tax expense (benefit)
Income tax expense (benefit)
NET INCOME (LOSS) ALLOCABLE TO COMMON STOCKHOLDERS
NET INCOME (LOSS) ALLOCABLE TO COMMON STOCKHOLDERS
NET INCOME (LOSS) ALLOCABLE TO COMMON STOCKHOLDERS
Other comprehensive income (loss)
Other comprehensive income (loss)
Other comprehensive income (loss)
TOTAL COMPREHENSIVE INCOME (LOSS)
TOTAL COMPREHENSIVE INCOME (LOSS)
TOTAL COMPREHENSIVE INCOME (LOSS)
Basic earnings (loss) per common share
Basic earnings (loss) per common share
Basic earnings (loss) per common share
Diluted earnings (loss) per common share
Diluted earnings (loss) per common share
Diluted earnings (loss) per common share
Weighted average number of common shares outstanding:

Weighted average number of common shares outstanding:

Weighted average number of common shares outstanding:

Basic

Basic

Basic

Diluted

Diluted

Diluted

The accompanying Notes to the Condensed Consolidated Financial Statements are an integral part of this statement.

Angel Oak Mortgage REIT, Inc.
Condensed Consolidated Statements of Changes in Stockholders' Equity (Unaudited)
(in thousands)

	Three Months Ended March 31, 2024				
	Common Stock at Par	Additional Paid-in Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings (Deficit)	Total Stockholders' Equity
Stockholder's equity as of December 31, 2023	$ 249	$ 477,068	$ (4,975)	$ (216,236)	$ 256,106
Dividends paid on common stock ($0.32 per share)	$ —	$ —	$ —	$ (7,989)	(7,989)
Stock compensation	$ —	$ 630	$ —	$ —	630
Unrealized gain on RMBS and CMBS	$ —	$ —	$ 1,703	$ —	1,703
Net income	$ —	$ —	$ —	$ 12,874	12,874
Stockholders' equity as of March 31, 2024	$ 249	$ 477,698	$ (3,272)	$ (211,351)	$ 263,324

	Three Months Ended June 30, 2024				
	Common Stock at Par	Additional Paid-in Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings (Deficit)	Total Stockholders' Equity
Stockholder's equity as of March 31, 2024	$ 249	$ 477,698	$ (3,272)	$ (211,351)	$ 263,324
Dividends paid on common stock	$ —	$ —	$ —	$ (8,000)	(8,000)
Stock compensation	$ —	$ 630	$ —	$ —	630
Unrealized gain on RMBS and CMBS	$ —	$ —	$ 125	$ —	125
Net income (loss)	$ —	$ —	$ —	$ (273)	(273)
Stockholders' equity as of June 30, 2024	$ 249	$ 478,328	$ (3,147)	$ (219,624)	$ 255,806

	Three Months Ended March 31, 2023				
	Common Stock at Par	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Total Stockholders' Equity
Stockholders' equity as of December 31, 2022	$ 249	$ 475,379	$ (21,127)	$ (218,022)	$ 236,479
Dividends paid on common stock ($0.32 per share)	—	—	—	(7,976)	(7,976)
Stock compensation	—	541	—	—	541
Unrealized gain on RMBS and CMBS	—	—	14,804	—	14,804
Net income	—	—	—	530	530
Stockholders' equity as of March 31, 2023	$ 249	$ 475,920	$ (6,323)	$ (225,468)	$ 244,378

	Three Months Ended June 30, 2023									
	Common Stock at Par		Additional Paid-in Capital		Accumulated Other Comprehensive Income (Loss)		Retained Earnings (Deficit)		Total Stockholders' Equity	
Stockholders' equity as of March 31, 2023	$	249	$	475,920	$	(6,323)	$	(225,468)	$	244,378
Dividends paid on common stock	$	—	$	—	$	—	$	(7,979)	$	(7,979)
Stock compensation	$	—	$	207	$	—	$	—	$	207
Unrealized gain (loss) on RMBS and CMBS	$	—	$	—	$	(242)	$	—	$	(242)
Net income (loss)	$	—	$	—	$	—	$	(3,688)	$	(3,688)
Stockholders' equity as of June 30, 2023	$	249	$	476,127	$	(6,565)	$	(237,135)	$	232,676

	Six Months Ended June 30, 2024									
	Common Stock at Par		Additional Paid-in Capital		Accumulated Other Comprehensive Income (Loss)		Retained Earnings (Deficit)		Total Stockholders' Equity	
Stockholders' equity as of December 31, 2023	$	249	$	477,068	$	(4,975)	$	(216,236)	$	256,106
Dividends paid on common stock	$	—	$	—	$	—	$	(15,989)	$	(15,989)
Non-cash equity compensation	$	—	$	1,260	$	—	$	—	$	1,260
Unrealized gain on RMBS and CMBS	$	—	$	—	$	1,828	$	—	$	1,828
Net income	$	—	$	—	$	—	$	12,601	$	12,601
Stockholders' equity as of June 30, 2024	$	249	$	478,328	$	(3,147)	$	(219,624)	$	255,806

	Six Months Ended June 30, 2023									
	Common Stock at Par		Additional Paid-in Capital		Accumulated Other Comprehensive Income (Loss)		Retained Earnings (Deficit)		Total Stockholders' Equity	
Stockholders' equity as of December 31, 2022	$	249	$	475,379	$	(21,127)	$	(218,022)		236,479
Non-cash equity compensation		—		748		—		—		748
Unrealized gain on RMBS and CMBS		—		—		14,562		—		14,562
Dividends paid on common stock		—		—		—		(15,955)		(15,955)
Net income (loss)		—		—		—		(3,158)		(3,158)
Stockholders' equity as of June 30, 2023	$	249	$	476,127	$	(6,565)	$	(237,135)	$	232,676

The accompanying Notes to the Condensed Consolidated Financial Statements are an integral part of this statement.

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Angel Oak Mortgage REIT, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(in thousands)

	Three Months Ended	
	March 31, 2024	March 31, 2023
	Six Months Ended	
	June 30, 2024	June 30, 2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)		
Net income (loss)		
Net income (loss)		
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Adjustments to reconcile net (loss) income to net cash provided by or (used in) operating activities:		

Net realized gain (loss) on mortgage loans, derivative contracts, RMBS, and CMBS	
Net realized gain (loss) on mortgage loans, derivative contracts, RMBS, and CMBS	
Net realized gain (loss) on mortgage loans, derivative contracts, RMBS, and CMBS	
Net unrealized gain (loss) on trading securities, mortgage loans, portion of debt at fair value option, and derivative contracts	
Amortization of debt issuance costs	
Net amortization of premiums and discounts on mortgage loans	
Accretion of non-recourse securitized obligation discount	
Accretion of discount on U.S. Treasury securities	
Non-cash equity compensation	
Net change in:	
Purchases of residential mortgage loans from affiliates	
Purchases of residential mortgage loans from affiliates	
Purchases of residential mortgage loans from affiliates	
Purchases of residential mortgage loans from non-affiliates	
Sale of residential mortgage loans into affiliate’s securitization trust	
Sale of residential mortgage loans into affiliate’s securitization trust	
Sale of residential mortgage loans	
Sale of residential mortgage loans into affiliate’s securitization trust	
Principal payments on residential mortgage loans	
Principal payments on residential mortgage loans in securitization trusts	
Margin received from interest rate futures contracts and TBAs	
Margin received from interest rate futures contracts and TBAs	
Margin received from interest rate futures contracts and TBAs	
Principal and interest receivable on residential mortgage loans	
Other assets	
Management fee payable to affiliate	
Accrued expenses	
Accrued expenses payable to affiliate	
Income tax expense	
Income tax payable	
Interest payable	
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	

The accompanying Notes to the Condensed Consolidated Financial Statements are an integral part of this statement.

Angel Oak Mortgage REIT, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(in thousands)

	Six Months Ended	
	June 30, 2024	**June 30, 2023**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments in RMBS, available for sale		
Purchases of investments in RMBS, available for sale		
Purchases of investments in RMBS, available for sale		
Purchases of investments in RMBS, trading		
Sale of investments in RMBS, available for sale		
Sale of investments in RMBS, trading		
Purchase of investment in U.S. Treasury securities		
Investments in majority-owned affiliates		
Purchase of investments in U.S. Treasury securities		

Purchases of investments in majority-owned affiliates
Principal payments on RMBS and CMBS securities
Principal payments on RMBS and CMBS securities
Principal payments on RMBS and CMBS securities
Maturity of U.S. Treasury securities
Maturities of U.S. Treasury securities
Principal payments on commercial mortgage loans
Principal payments on commercial mortgage loans
Principal payments on commercial mortgage loans
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES
CASH FLOWS FROM FINANCING ACTIVITIES
CASH FLOWS FROM FINANCING ACTIVITIES
CASH FLOWS FROM FINANCING ACTIVITIES
Dividends paid to common stockholders
Dividends paid to common stockholders
Dividends paid to common stockholders
Principal payments on non-recourse securitization obligation
Principal payments on non-recourse securitization obligation
Principal payments on non-recourse securitization obligation
Cash paid for debt issuance costs
Net proceeds from (repurchases of) securities sold under agreements to repurchase
Net proceeds from (repurchases of) securities sold under agreements to repurchase
Proceeds from non-recourse securitization obligations
Net proceeds from (repurchases of) securities sold under agreements to repurchase
Net proceeds from (payments on) notes payable
Net proceeds from (payments on) notes payable
Net proceeds from (payments on) notes payable
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES
CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH
CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH
CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of period
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of period
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION
Cash paid during the period for interest
Cash paid during the period for interest
Cash paid during the period for interest

The accompanying Notes to the Condensed Consolidated Financial Statements are an integral part of this statement.

Angel Oak Mortgage REIT, Inc.
Notes to the Condensed Consolidated Financial Statements
(Unaudited)

1. Organization and Basis of Presentation

Angel Oak Mortgage REIT, Inc. (together with its subsidiaries the “Company”, “we” or “our”) is a real estate finance company focused on acquiring and investing in first lien non-qualified residential mortgage (“non-QM”) loans and other mortgage-related assets in the U.S. mortgage market. The Company’s strategy is to make credit-sensitive investments primarily in newly-originated first lien non-QM loans that are primarily made to higher-quality non-QM loan borrowers and primarily sourced from the proprietary mortgage lending platform of its affiliate, Angel Oak Mortgage Solutions LLC (together with other non-operational affiliated originators, “Angel Oak Mortgage Lending”), which currently operates primarily through a wholesale channel and has a national origination footprint. The Company may also invest in other residential mortgage loans, residential mortgage-backed securities (“RMBS”), and other mortgage-related assets. The Company’s objective is to generate attractive risk-adjusted returns for its stockholders, through cash distributions and capital appreciation, across interest rate and credit cycles.

The Company is a Maryland corporation incorporated on March 20, 2018. The Company achieves certain of its investment objectives by investing a portion of its assets in its wholly-owned taxable REIT subsidiary, Angel Oak Mortgage REIT TRS, LLC, a Delaware limited liability company formed on March 21, 2018, which invests its assets in Angel Oak Mortgage Fund TRS, a Delaware statutory trust formed on June 15, 2018.

The Company Company's common stock is traded on the New York Stock Exchange under the ticker symbol AOMR.

The Operating Partnership

On February 5, 2020, the Company formed Angel Oak Mortgage Operating Partnership, LP, a Delaware limited partnership (the "Operating Partnership"), through which substantially all of its assets are held and substantially all of its operations are conducted, either directly or through subsidiaries. The Company holds all of the limited partnership interests in the Operating Partnership and indirectly holds the sole general partnership interest in the Operating Partnership through the general partner, which is the Company's wholly-owned subsidiary.

The Company's Manager and REIT status

The Company is externally managed and advised by Falcons I, LLC (the "Manager"), a Securities and Exchange Commission-registered investment adviser and an affiliate of Angel Oak Capital Advisors, LLC ("Angel Oak Capital"). The Company has elected to be taxed as a real estate investment trust (a "REIT") under the Internal Revenue Code of 1986, as amended (the "Code"), commencing with its taxable year ended December 31, 2019.

Interim Financial Statements

The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with the instructions to Article 10-01 of Regulation S-X for interim financial statements. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles in the United States of America ("GAAP") for complete financial statements. These unaudited condensed consolidated financial statements and related notes should be read in conjunction with the consolidated financial statements and related notes for the year ended December 31, 2023, included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023 (the "Annual Report on Form 10-K").

In the opinion of management, the accompanying condensed consolidated financial statements contain all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of the results for the interim periods presented. Such operating results may not be indicative of the expected results for any other interim periods or the entire year. The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements requires the Company to make a number of significant estimates. These include estimates of fair value of certain assets and liabilities, amounts and timing of credit losses, prepayment rates, and other estimates that affect the reported amounts of certain assets and liabilities as of the date of the condensed consolidated financial statements and the reported amounts of certain revenues and expenses during the reported periods. It is likely that changes in these estimates (e.g., fair value changes due to inputs and underlying assumptions as described in Note 9 — *Fair Value Measurements*, credit performance, prepayments, interest rates, or other reasons) will occur in the near term. The Company's estimates are inherently subjective in nature and actual results could differ from the Company's estimates and the differences could be material.

Reclassifications

Certain comparative period amounts in the condensed consolidated financial statements have been reclassified for consistency with current period presentation. These reclassifications had no effect on the reported results of operations. Specifically, certain cash flows previously presented as cash flows from operating activities on the Consolidated Statements condensed consolidated statements of Cash Flows cash flows for the three six months-ended March 31, 2023 June 30, 2023, have been reclassified to cash flows from investing activities as Purchases of investments in majority-owned affiliates.

Recent Accounting Pronouncements

The Company considers the applicability and impact of all Accounting Standards Updates ("ASUs"). There were no recent ASUs that are expected to have a significant impact on the Company's condensed consolidated financial statements when adopted or had a significant impact on the Company's condensed consolidated financial statements upon adoption.

Summary of Significant Accounting Policies

The Company's summary of significant accounting policies as set forth in its Annual Report on Form 10-K remain unchanged.

2. Variable Interest Entities

Since its inception, the Company has utilized variable interest entities ("VIEs") for the purpose of securitizing whole mortgage loans to obtain long-term non-recourse financing. The Company evaluates its interest in each VIE to determine if it is the primary beneficiary.

VIEs for Which the Company is the Primary Beneficiary

The Company entered into securitization transactions where it was determined that the Company has the power to direct the activities that most significantly impact the VIE's economic performance. The Company was the sole entity to contribute residential whole mortgage loans to these securitization vehicles.

The retained beneficial interest in VIEs for which the Company is the primary beneficiary is the subordinated tranches of the securitization and further interests in additional interest-only tranches. The following table summarizes the key details of the Company's loan securitization transactions currently outstanding as of March 31, 2024 June 30, 2024 and December 31, 2023:

As of:	As of:	March 31, 2024		December 31, 2023		As of:	June 30, 2024		December 31, 2023	
						($ in thousands)				
Aggregate unpaid principal balance of residential whole loans sold										
Face amount of Non-recourse securitization obligation issued by the VIE and purchased by third-party investors										
Fair value adjustment for residential mortgage loans in securitization trusts										
Residential mortgage loans in securitization trusts, at fair value										
Outstanding amount of Non-recourse securitization obligation, at carrying value										
Outstanding amount of Non-recourse securitization obligation, at carrying value										
Outstanding amount of Non-recourse securitization obligation, at carrying value										
Outstanding amount of Non-recourse securitization obligation, at amortized cost										
Outstanding amount of Non-recourse securitization obligation, at amortized cost										
Outstanding amount of Non-recourse securitization obligation, at amortized cost										
Fair value adjustment for the portion of Non-recourse securitization obligation, at fair value option										
Outstanding amount of Non-recourse securitization obligation, total										
Non-recourse securitization obligation, collateralized by residential mortgage loans in securitization trusts										
Weighted average fixed rate for Non-recourse securitization obligation issued	Weighted average fixed rate for Non-recourse securitization obligation issued	2.91	%	2.91	%	Weighted average fixed rate for Non-recourse securitization obligation issued	3.52	%	2.91	%
Face amount of Senior Support Certificates received by the Company										
Face amount of Senior Support Certificates received by the Company										
Face amount of Senior Support Certificates received by the Company										
Cash received										
For the period ended:										
For the period ended:										

For the period ended:	June 30, 2024	December 31, 2023
		($ in thousands)
Aggregate unpaid principal balance of residential whole loans sold, at deal date		
Face amount of Non-recourse securitization obligation issued by the VIE and purchased by third-party investors, at deal date		
Face amount of Senior Support Certificates received by the Company, at deal date		
Cash received, at deal date		

During the three months ended March 31, 2024 June 30, 2024, the Company did not issue and retain its affiliates issued and sold bonds with a current face value of $274.8 million to third-party investors for proceeds of $274.8 million, before offering costs and accrued interest. The sold bonds issued

during the period ended June 30, 2024 are included in “Non-recourse securitization obligations, collateralized by residential mortgage loans in securitization trusts” on our the Company’s condensed consolidated balance sheets for any securitization transaction for which the Company was the primary beneficiary. sheets.

As of March 31, 2024 June 30, 2024 and December 31, 2023, as a result of the transactions described above, securitized loans with outstanding principal balance of approximately $1.3 $1.6 billion and $1.3 billion are included in “Residential mortgage loans in securitization trusts” on the Company’s condensed consolidated balance sheets, respectively. As of March 31, 2024 June 30, 2024 and December 31, 2023, the aggregate carrying value of sold bonds issued by consolidated VIEs was $1.2 $1.4 billion and $1.2 billion. billion, respectively. These sold bonds are disclosed as “Non-recourse securitization obligation, collateralized by residential mortgage loans in securitization trusts” on the Company’s condensed consolidated balance sheets. The holders of the securitized debt have no recourse to the general credit of the Company, but the Company does have the obligation, under certain circumstances, to repurchase assets from the VIE upon the breach of certain representations and warranties with respect to the residential whole loans sold to the VIE. In the absence of such a breach, the Company has no obligation to provide any other explicit or implicit support to any VIE.

The Company concluded that the entities created to facilitate the loan securitization transactions are VIEs. The Company completed an analysis of whether each VIE created to facilitate the securitization transactions should be consolidated by the Company, based on consideration of its involvement in each VIE and whether its involvement reflected a controlling financial interest that resulted in the Company being deemed the primary beneficiary of each VIE. In determining whether the Company would be considered the primary beneficiary, the following factors were assessed:

- whether the Company has both the power to direct the activities that most significantly impact the economic performance of the VIE; and
- whether the Company has a right to receive benefits or absorb losses of the entity that could be potentially significant to the VIE.

Based on its evaluation of the factors discussed above, including its involvement in the purpose and design of the entity, the Company determined that it was required to consolidate each VIE created to facilitate the loan securitization transactions.

VIEs for Which the Company is Not the Primary Beneficiary

The Company sponsored or participated along with other affiliates and entities managed by Angel Oak Capital in the formation of various entities that were considered to be VIEs. These VIEs were formed to facilitate securitization issuances that were comprised of secured residential whole loans and/or small balance commercial loans contributed to securitization trusts.

These securities were issued as a result of the unconsolidated securitizations where the Company retained bonds from the issuances of securitizations issued by a depositor that the Company does not control. The Company determined that it was not then and is not now the primary beneficiary of any of these securitization entities, and thus has not consolidated the operating results or statements of financial position of any of these entities. The Company performs ongoing reassessments of all VIEs in which the Company has participated since its inception as to whether changes in the facts and circumstances regarding the Company's involvement with a VIE would cause the Company's consolidation conclusion to change, and the Company's assessment of these VIEs remains unchanged.

The securities received in the securitization transactions for which we are not the primary beneficiary were classified as "available for sale" upon receipt and are included in "RMBS - at fair value" and "Other Assets" on the condensed consolidated balance sheets as of March 31, 2024 June 30, 2024 and December 31, 2023, and details on the accounting treatment and fair value methodology of the securities can be found in Note 9 — *Fair Value Measurements*. See also Note 4 — *Investment Securities*, for the fair value of AOMT securities held by the Company, and Note 13 - *Other Assets*, for investments in majority-owned affiliates ("MOAs"), as of March 31, 2024 June 30, 2024 and December 31, 2023 that were retained by the Company as a result of these securitization transactions.

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3. Residential Mortgage Loans

Residential mortgage loans are measured at fair value. The following table sets forth the cost, unpaid principal balance, net premium on mortgage loans purchased, fair value, weighted average interest rate, and weighted average remaining contractual maturity of the Company's residential mortgage loan portfolio as of March 31, 2024 June 30, 2024 and December 31, 2023:

	March 31, 2024	December 31, 2023
	($ in thousands)	
Cost	$ 376,777	$ 393,443
Unpaid principal balance	$ 370,399	$ 386,872
Net premium on mortgage loans purchased	6,378	6,571
Change in fair value	(8,331)	(13,403)
Fair value	$ 368,446	$ 380,040
Weighted average interest rate	7.11 %	6.78 %
Weighted average contractual maturity (years)	28	29

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	June 30, 2024	December 31, 2023
	($ in thousands)	

Cost	$ 159,910	$ 393,443
Unpaid principal balance	$ 156,390	$ 386,872
Net premium on mortgage loans purchased	3,520	6,571
Change in fair value	(970)	(13,403)
Fair value	$ 158,940	$ 380,040
Weighted average interest rate	7.71 %	6.78 %
Weighted average remaining contractual maturity (years)	30	29

At times, various forms of margin maintenance may be required by certain financing facility counterparties. See Note 5 — *Notes Payable*.

The following table sets forth data regarding the number of consumer mortgage loans secured by residential real property ninety (90) or more days past due and also those in formal foreclosure proceedings, and the recorded investment and unpaid principal balance of such loans as of March 31, 2024 June 30, 2024 and December 31, 2023:

As of:	As of:	March 31, 2024		December 31, 2023	As of:	June 30, 2024		December 31, 2023
					($ in thousands)			
Number of mortgage loans 90 or more days past due	Number of mortgage loans 90 or more days past due	8	7	7	Number of mortgage loans 90 or more days past due	2	7	7
Recorded investment in mortgage loans 90 or more days past due								
Unpaid principal balance of loans 90 or more days past due								
Number of mortgage loans in foreclosure								
Number of mortgage loans in foreclosure								
Number of mortgage loans in foreclosure		3	2	2		3	2	2
Recorded investment in mortgage loans in foreclosure								
Unpaid principal balance of loans in foreclosure								

4. Investment Securities

As of March 31, 2024 June 30, 2024, investment securities were comprised of: (i) non-agency RMBS ("AOMT RMBS") and (ii) Freddie Mac and Fannie Mae whole pool agency RMBS ("Whole Pool Agency RMBS", and together with AOMT RMBS, "RMBS"), and (iii) U.S. Treasury securities. The U.S. Treasury securities held by the Company as of March 31, 2024 June 30, 2024 subsequently matured on April 9, 2024 July 2, 2024.

The following table sets forth a summary of RMBS at cost as of March 31, 2024 June 30, 2024 and December 31, 2023:

	March 31, 2024	December 31, 2023
	June 30, 2024	December 31, 2023
		(in thousands)
AOMT RMBS		
Whole Pool Agency RMBS		

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The following tables sets forth certain information about the Company's investments in RMBS at fair value as of March 31, 2024 June 30, 2024 and December 31, 2023:

	Real Estate Securities at Fair Value	Real Estate Securities at Fair Value	Securities Sold Under Agreements to Repurchase	Allocated Capital	Real Estate Securities at Fair Value	Securities Sold Under Agreements to Repurchase	Allocated Capital
March 31, 2024:		*(in thousands)*					
June 30, 2024:		*(in thousands)*					
AOMT RMBS (1)							
Mezzanine							

Mezzanine
Mezzanine
Subordinate
Interest Only/Excess
Retained RMBS in VIEs (2)
Total AOMT RMBS
Whole Pool Agency RMBS (3)
Whole Pool Agency RMBS (3)
Whole Pool Agency RMBS (3)
Fannie Mae
Fannie Mae
Fannie Mae
Freddie Mac
Whole Pool Total Agency RMBS
Total Whole Pool Agency RMBS
Total RMBS

(1) AOMT RMBS held as of March 31, 2024 June 30, 2024 included both retained tranches of AOMT securitizations in which the Company participated and additional AOMT securities purchased in secondary market transactions.

(2) A portion of repurchase debt includes borrowings against retained bonds received from on-balance sheet securitizations (i.e., consolidated VIEs). These bonds, with a fair value of $142.2 million, are not reflected in the condensed consolidated balance sheets, as the Company reflects the assets of the VIE (residential mortgage loans in securitization trusts - at fair value) on its consolidated balance sheets.

(3) The whole pool RMBS presented as of June 30, 2024 were purchased from a broker to whom the Company owes approximately $182 million, payable upon the settlement date of the trade. See Note 6 - *Due to Broker*. Further, we incurred margin calls in the amount of $1.1 million as of June 30, 2024 in support for these assets.

December 31, 2023	Real Estate Securities at Fair Value		Securities Sold Under Agreements to Repurchase		Allocated Capital	
			(in thousands)			
AOMT RMBS (1)						
Mezzanine	$	10,972	$	(844)	$	10,128
Subordinate		55,665		(19,812)		35,853
Interest Only/Excess		13,059		(1,871)		11,188
Retained RMBS in VIEs (2)		—		(22,116)		(22,116)
Total AOMT RMBS	$	79,696	$	(44,643)	$	35,053
Whole Pool Agency RMBS (3)						
Fannie Mae	$	278,510	$	—	$	278,510
Freddie Mac		113,852		—		113,852
Total Whole Pool Agency RMBS	$	392,362	$	—	$	392,362
Total RMBS	$	472,058	$	(44,643)	$	427,415

(1) AOMT RMBS held as of December 31, 2023 included both retained tranches of AOMT securitizations in which the Company participated and additional AOMT securities purchased in secondary market transactions.

(2) A portion of repurchase debt includes borrowings against retained bonds received from on-balance sheet securitizations (i.e., consolidated VIEs). These bonds, with a fair value of $119.8 million, are not reflected in the consolidated balance sheets, as the Company reflects the assets of the VIE (residential mortgage loans in securitization trusts - at fair value) on its consolidated balance sheets.

(3) The whole pool RMBS presented as of March 31, 2024 were purchased from a broker to whom the Company owes approximately $360 million, payable upon the settlement date of the trade. See Note 6 - *Due to Broker*.

December 31, 2023	Real Estate Securities at Fair Value		Securities Sold Under Agreements to Repurchase		Allocated Capital	
			(in thousands)			
AOMT RMBS (1)						
Mezzanine	$	10,972	$	(844)	$	10,128
Subordinate		55,665		(19,812)		35,853
Interest Only/Excess		13,059		(1,871)		11,188
Retained RMBS in VIEs (2)		—		(22,116)		(22,116)
Total AOMT RMBS	$	79,696	$	(44,643)	$	35,053
Whole Pool Agency RMBS (3)						
Fannie Mae	$	278,510	$	—	$	278,510
Freddie Mac		113,852		—		113,852
Whole Pool Total Agency RMBS	$	392,362	$	—	$	392,362
Total RMBS	$	472,058	$	(44,643)	$	427,415

(1) AOMT RMBS held as of December 31, 2023 included both retained tranches of AOMT securitizations in which the Company participated and additional AOMT securities purchased in secondary market transactions.

(2) A portion of repurchase debt includes borrowings against retained bonds received from on-balance sheet securitizations (i.e., consolidated VIEs). These bonds, with a fair value of $124.1 million, are not reflected in the condensed consolidated balance sheets, as the Company reflects the assets of the VIE (residential mortgage loans in securitization trusts - at fair value) on its consolidated balance sheets.

(3) The whole pool RMBS presented as of December 31, 2023 were purchased from a broker to whom the Company owes approximately $392 million, payable upon the settlement date of the trade. See Note 6 - *Due to Broker*.

The following table sets forth certain information about the Company's investments in U.S. Treasury securities as of March 31, 2024 June 30, 2024 and December 31, 2023:

Date	Date	Face Value	Unamortized Discount, net	Amortized Cost	Unrealized Gain/(Loss)	Fair Value	Net Effective Yield	Date	Face Value	Unamortized Discount, net	Amortized Cost	Unrealized Gain/(Loss)	Fair Value	Net Effective Yield
						($ in thousands)								
March 31, 2024		$150,000	$ 195	$ 149,805	$ —	$149,805	5.19 %							
June 30, 2024		$150,000	$ 43	$ 149,957	$ —	$149,957	5.19 %							
December 31, 2023	December 31, 2023	$150,000	$ 159	$ 149,841	$ 86	$149,927	5.30 5.30 %	December 31, 2023	$150,000	$ 159	$149,841	$ 86	$149,927	5.30 5.30 %

5. Notes Payable

The Company has the ability to finance residential and commercial whole loans, utilizing lines of credit (notes payable) from various counterparties, as further described below. Outstanding borrowings bear interest at floating rates depending on the lending counterparty, the collateral pledged, and the rate in effect for each interest period, as the same may change from time to time at the end of each interest period. Some agreements include upfront fees, fees on unused balances, covenants and concentration limits on types of collateral pledged which vary based on the counterparty. Occasionally, a lender may require certain margin collateral to be posted on a warehouse line of credit. There was no margin collateral required as of March 31, 2024 June 30, 2024 or December 31, 2023.

The following table sets forth the details of the Company's notes payable and drawn amounts for whole loan purchases as of March 31, 2024 June 30, 2024 and December 31, 2023:

Note Payable	Note Payable	Interest Rate Pricing Spread Base Interest Rate	March 31, 2024	Interest Rate Pricing Spread	December 31, 2023	Note Payable	Base Interest Rate	Drawn Amount	June 30, 2024	Interest Rate Pricing Spread	December 31, 2023
								($ in thousands)			

Multinational Bank 1 (1)
Global Investment Bank 2 (2)
Global Investment Bank 2 (2)
Global Investment Bank 2 (2)
Global Investment Bank 3 (3)
Institutional Investors A and B (4)
Institutional Investors A and B (4)
Institutional Investors A and B (4)
Regional Bank 1 (5)
Regional Bank 1 (5)
Regional Bank 1 (5)
Total

(1) On March 25, 2024 June 25, 2024, this financing facility was extended through September 25, 2024 December 26, 2024 in accordance with the terms of the agreement, which contemplates six-month renewals, with an interest rate pricing spread of 2.00% 1.75%. Prior to this extension the interest rate pricing spread was up to 2.10% 2.00%.

(2) On March 28, 2024 the amended and restated Master Repurchase Agreement was terminated and replaced with a new $250 million Master Repurchase Agreement which has a termination date of March 27, 2026. Further, the interest rate pricing margin will range from 2.10% to 3.35%, based on loan status, dwell time and other factors. Prior to this extension the interest rate pricing spread was up to 3.45%.

(3) This financing facility has a termination date of November 7, 2024.

(4) These master repurchase agreements expired by their terms on January 4, 2023.

(5) This agreement expired by its terms on March 16, 2023.

The following table sets forth the total unused borrowing capacity of each financing line as of March 31, 2024 June 30, 2024:

Note Payable	Note Payable	Borrowing Capacity	Balance Outstanding	Available Financing	Note Payable	Borrowing Capacity	Balance Outstanding	Available Financing
				(in thousands)				
Multinational Bank 1								
Global Investment Bank 2								
Global Investment Bank 3								
Total								

Although available financing is uncommitted for each of these lines of credit, the Company's unused borrowing capacity is available if it has eligible collateral to pledge and meets other borrowing conditions as set forth in the applicable agreements.

6. Due to Broker

The "Due to broker" account on the condensed consolidated balance sheets as of March 31, 2024 June 30, 2024 and December 31, 2023, respectively, in the amounts of $360 million $182 million and $392 million relates to the purchase of Whole Pool Agency RMBS at quarter-end in the first second and fourth quarters of 2024 and 2023, respectively. Purchases are accounted for on a trade date basis, and, at times, there may be a timing difference between accounting periods for the trade date and the settlement date of a trade. The trade dates of these purchases were prior to the applicable quarter-end dates. These trades settled on April 11, 2024 July 15, 2024 and January 16, 2024, respectively, at which time these assets were simultaneously sold.

The purchase transactions of these Whole Pool Agency RMBS are excluded from the condensed consolidated statements of cash flows until settled as they are noncash transactions. settled.

7. Securities Sold Under Agreements to Repurchase

Transactions involving securities sold under agreements to repurchase are treated as collateralized financial transactions, and are recorded at their contracted repurchase amounts. Margin (if required) for securities sold under agreements to repurchase represents margin collateral amounts held to ensure that the Company has sufficient coverage for securities sold under agreements to repurchase in case of adverse price changes. Restricted cash of margin collateral for securities sold under agreements to repurchase was $0.3 million and $0.3 million as of March 31, 2024 June 30, 2024 and December 31, 2023, respectively.

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The following table summarizes certain characteristics of the Company's repurchase agreements as of March 31, 2024 June 30, 2024 and December 31, 2023:

	March 31, 2024				June 30, 2024			
Repurchase Agreements	**Amount Outstanding**	**Weighted Average Interest Rate**		**Weighted Average Remaining Maturity (Days)**	**Amount Outstanding**	**Weighted Average Interest Rate**		**Weighted Average Remaining Maturity (Days)**
	($ in thousands)							
U.S. Treasury securities	$ 148,992	5.50	5.50 %	9	$ 149,142	5.60	5.60 %	2
AOMT RMBS (1)	$ 44,501	6.96	6.96 %	17	51,909	6.81	6.81 %	18
Total	$ 193,493	5.84	5.84 %	11	$ 201,051	5.91	5.91 %	6

	December 31, 2023				December 31, 2023			
Repurchase Agreements	**Amount Outstanding**	**Weighted Average Interest Rate**		**Weighted Average Remaining Maturity (Days)**	**Amount Outstanding**	**Weighted Average Interest Rate**		**Weighted Average Remaining Maturity (Days)**
U.S. Treasury Bills	$ 149,013	5.57	5.57 %	10	$ 149,013	5.57	5.57 %	10
AOMT RMBS (1)	$ 44,643	7.04	7.04 %	16	44,643	7.04	7.04 %	16
Total	$ 193,656	5.91	5.91 %	11	$ 193,656	5.91	5.91 %	11

(1) A portion of repurchase debt outstanding as of both March 31, 2024 June 30, 2024 and December 31, 2023 includes borrowings against retained bonds received from on-balance sheet securitizations (i.e., consolidated VIEs). See Note 4 - *Investment Securities.*

Although the transactions under repurchase agreements represent committed borrowings until maturity, the lenders retain the right to mark the underlying collateral at fair value. A reduction in the value of pledged assets would require the Company to provide additional collateral or fund margin calls.

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8. Derivative Financial Instruments

In the normal course of business, the Company enters into derivative financial instruments to manage its exposure to market risk, including interest rate risk and prepayment risk on its whole loan investments. The derivatives in which the Company invests, and the market risk that the economic hedge is intended to mitigate are further discussed below. Derivative instruments as of March 31, 2024 June 30, 2024 and December 31, 2023 included both To-Be-Announced ("TBA") securities and interest rate futures contracts. Restricted cash relating to interest rate futures margin collateral in interest rate futures accounts under the Company's sole control as of March 31, 2024 June 30, 2024 and December 31, 2023 included $2.4 $0.7 million and $2.5 million, respectively. There was no TBA margin collateral required as of either March 31, 2024 June 30, 2024 or December 31, 2023.

The Company uses interest rate futures as economic hedges to hedge a portion of its interest rate risk exposure. Interest rate risk is sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations, as well as other factors. The Company's credit risk with respect to economic hedges is the risk of default on its investments that result from a borrower's or counterparty's inability or unwillingness to make contractually required payments.

The Company may at times hold TBAs in order to mitigate its interest rate risk on certain specified mortgage-backed securities. Amounts or obligations owed by or to the Company are subject to the right of set-off with the TBA counterparty. As part of executing these trades, the Company may enter into agreements with its TBA counterparties that govern the transactions for the TBA purchases or sales made, including margin maintenance, payment and transfer, events of default, settlements, and various other provisions.

Changes in the value of derivatives designed to protect against mortgage-backed securities fair value fluctuations, or economic hedging gains and losses, are reflected in the tables below. All realized and unrealized gains and losses on derivative contracts are recognized in earnings, in "net realized gain (loss) on mortgage loans, derivative contracts, RMBS, and CMBS" for realized gains and losses, and "net unrealized gain (loss) on trading securities, mortgage loans, portion of debt at fair value option, and derivative contracts" for unrealized gains and losses.

The Company considers the notional amounts, categorized by primary underlying risk, to be representative of the volume of its derivative activities.

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The following table sets forth the derivative instruments presented on the condensed consolidated balance sheets and notional amounts as of March 31, 2024 June 30, 2024 and December 31, 2023:

											Notional Amounts			
As of:	**As of:**	**Derivatives Not Designated as Hedging Instruments**	**Number of Contracts**	**Assets**	**Liabilities**	**Long Exposure**	**Short Exposure**	**As of:**	**Derivatives Not Designated as Hedging Instruments**	**Number of Contracts**	**Assets**	**Liabilities**	**Long Exposure**	**Short Exposure**
								($ in thousands)						
March 31, 2024														
March 31, 2024														
June 30, 2024														
June 30, 2024														
December 31, 2023														
December 31, 2023														
December 31, 2023														
December 31, 2023														

The gains and losses arising from these derivative instruments in the condensed consolidated statements of operations and comprehensive income (loss) for the three and six months ended March 31, 2024 June 30, 2024 and March 31, 2023 June 30, 2023 are set forth as follows:

	Derivatives Not Designated as Hedging Instruments	**Net Realized Gains (Losses) on Derivative Instruments**		**Net Change in Unrealized Appreciation (Depreciation) on Derivative Instruments**	
			(in thousands)		
Three Months Ended March 31, 2024	Interest rate futures	$	3,549	$	204
Three Months Ended March 31, 2024	TBAs	$	306	$	241

Three Months Ended March 31, 2023	Interest rate futures	$ 8,374	$ (9,121)
Three Months Ended March 31, 2023	TBAs	$ (350)	$ (14,052)

	Derivatives Not Designated as Hedging Instruments	Net Realized Gains (Losses) on Derivative Instruments	Net Change in Unrealized Appreciation (Depreciation) on Derivative Instruments
		(in thousands)	
Three Months Ended June 30, 2024	Interest rate futures	$ 290	$ 844
Three Months Ended June 30, 2024	TBAs	$ 1,818	$ 1,748
Three Months Ended June 30, 2023	Interest rate futures	$ (2,604)	$ 8,432
Three Months Ended June 30, 2023	TBAs	$ (2,172)	$ 3,746

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	Derivatives Not Designated as Hedging Instruments	Net Realized Gains (Losses) on Derivative Instruments	Net Change in Unrealized Appreciation (Depreciation) on Derivative Instruments
		(in thousands)	
Six Months Ended June 30, 2024	Interest rate futures	$ 3,839	$ 1,048
Six Months Ended June 30, 2024	TBAs	$ 2,124	$ 1,988
Six Months Ended June 30, 2023	Interest rate futures	$ 5,770	$ (2,052)
Six Months Ended June 30, 2023	TBAs	$ (2,522)	$ (10,306)

9. Fair Value Measurements

For financial reporting purposes, we follow a fair value hierarchy established under GAAP that is used to determine the fair value of financial instruments. This hierarchy prioritizes relevant market inputs in order to determine an “exit price” at the measurement date, or the price at which an asset could be sold or a liability could be transferred in an orderly process that is not a forced liquidation or distressed sale. Level 1 inputs are observable inputs that reflect quoted prices for identical assets or liabilities in active markets. Level 2 inputs are observable inputs other than quoted prices for an asset or liability that are obtained through corroboration with observable market data. Level 3 inputs are unobservable inputs (e.g., our own data or assumptions) that are used when there is little, if any, relevant market activity for the asset or liability required to be measured at fair value.

In certain cases, inputs used to measure fair value fall into different levels of the fair value hierarchy. In such cases, the level at which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. Our assessment of the significance of a particular input requires judgment and considers factors specific to the asset or liability being measured.

As of March 31, 2024 June 30, 2024, our valuation policy and processes had not changed from those described in our consolidated financial statements for the year ended December 31, 2023 included in the Annual Report on Form 10-K. Included in Note 10 — *Fair Value Measurements* to the Consolidated Financial Statements for the year ended December 31, 2023 included in the Annual Report on Form 10-K is a detailed description of our other financial instruments measured at fair value and their significant inputs, as well as the general classification of such instruments pursuant to the Level 1, Level 2, and Level 3 valuation hierarchy.

The fair value of cash, restricted cash, principal and interest receivable, other assets (excluding investments in MOA's) MOAs), notes payable, securities sold under agreements to repurchase, amounts due to broker and accrued expenses (including those payable to an affiliate and management fees payable to an affiliate), and interest payable approximate their carrying values due to the nature of these assets and liabilities.

The Company’s “investments in majority-owned affiliates” included in other assets (see Note 13 — *Other Assets*) and a portion of “non-recourse securitization obligations, collateralized by residential mortgage loans” are held at amortized cost. The fair value of these assets and liabilities is disclosed further below in the section titled “*Assets and Liabilities Held at Amortized Cost - Fair Value Disclosure*”.

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The following table sets forth information about the Company’s financial assets and liabilities measured at fair value as of March 31, 2024 June 30, 2024:

	Level 1	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
			(in thousands)						

Assets, at fair value
Residential mortgage loans
Residential mortgage loans
Residential mortgage loans
Residential mortgage loans in securitization trusts
Investments in securities
AOMT RMBS (1)
AOMT RMBS (1)
AOMT RMBS (1)
Whole Pool Agency RMBS
U.S Treasury Securities
Other Assets, at fair value (2)
Unrealized appreciation on futures contracts
Unrealized appreciation on TBAs
Total assets, at fair value
Liabilities, at fair value
Liabilities, at fair value
Liabilities, at fair value
Non-recourse securitization obligation, collateralized by residential mortgage loans (3)
Non-recourse securitization obligation, collateralized by residential mortgage loans (3)
Non-recourse securitization obligation, collateralized by residential mortgage loans (3)
Unrealized depreciation on futures contracts
Unrealized depreciation on TBAs
Total liabilities, at fair value
Total liabilities, at fair value
Total liabilities, at fair value

(1) AOMT RMBS held as of March 31, 2024 June 30, 2024 included both retained tranches of AOMT securitizations in which the Company participated, additional AOMT securities purchased in secondary market transactions, and other RMBS purchased in secondary market transactions.

(2) Includes Commercial Loans and AOMT commercial mortgage backed securities (“CMBS)” assets. All AOMT CMBS held as of March 31, 2024 June 30, 2024 was comprised of a small-balance commercial loan securitization issuance in which the Company participated.

(3) Only the portion subject to fair value measurement, as adjusted for fair value, is presented above. See below for the disclosure of the full debt at fair value.

Transfers from Level 2 to Level 3 were comprised of residential loans more than 90 days overdue (including those in foreclosure). Transfers between Levels are deemed to take place on the first day of the reporting period in which the transfer has taken place. These transfers were not material.

We use third-party valuation firms who utilize proprietary methodologies to value our residential and commercial loans. These firms generally use both market comparable information and discounted cash flow modeling techniques to determine the fair value of our Level 3 assets. Use of these techniques requires determination of relevant input and assumptions, some of which represent significant unobservable inputs such as anticipated credit losses, prepayment rates, default rates, or other valuation assumptions. Accordingly, a significant increase or decrease in any of these inputs in isolation may result in a significantly lower or higher fair value measurement.

The following table sets forth information regarding the Company’s significant Level 3 inputs as of March 31, 2024 June 30, 2024:

									Input Values			
Asset	**Asset**	**Fair Value**		**Unobservable Input**		**Range**		**Average**	**Asset**	**Fair Value**	**Unobservable Input**	**Range**	**Averag**
	($ in thousands)											
Residential mortgage loans, at fair value												

Residential mortgage loans, at fair value													
Residential mortgage loans, at fair value	$ 6,551	Prepayment rate (annual CPR)	Prepayment rate (annual CPR)	9.39% - 25.92%		15.60%		$ 2,039	Prepayment rate (annual CPR)	Prepayment rate (annual CPR)	9.55% - 24.12%		16.8
	Default rate				Default rate		7.15% - 31.83%		14.05%			Default rate	
	Loss severity				Loss severity		(25.00)% - 32.16%		6.09%			Loss severity	
	Expected remaining life				Expected remaining life		0.67 - 4.35 years		2.49 years			Expected remaining life	
Residential mortgage loans in securitization trust, at fair value													
Residential mortgage loans in securitization trust, at fair value													
Residential mortgage loans in securitization trust, at fair value	$ 14,871	Prepayment rate (annual CPR)	Prepayment rate (annual CPR)	4.95% - 19.23%		10.91%		$ 18,948	Prepayment rate (annual CPR)	Prepayment rate (annual CPR)	4.76% - 19.13%		11.5
	Default rate				Default rate		9.77% - 28.13%		17.42%			Default rate	
	Loss severity				Loss severity		(17.50)% - 60.68%		4.00%			Loss severity	
	Expected remaining life				Expected remaining life		0.67 - 4.41 years		2.59 years			Expected remaining life	

Assets and Liabilities Held at Amortized Cost — Fair Value Disclosure

Portion of Non-Recourse Securitization Obligations, Collateralized by Residential Mortgage Loans — Held at Amortized Cost

To determine the fair value of the Company's non-recourse securitization obligations, collateralized by residential mortgage loans, net, held at amortized cost, the Company uses the same method of valuation as described in the Annual Report on Form 10-K, Note 10 — *Fair Value Measurements* for both the portion of the obligation measured at fair value and the portion of the obligation held at amortized cost, for which fair value is disclosed below.

As of March 31, 2024 June 30, 2024, the total amortized cost basis and fair value of our non-recourse securitization obligations was $1.15 $1.44 billion and $1.07 $1.30 billion, respectively, a difference of approximately $86.1 $139.2 million (which includes AOMT 2022-1, AOMT 2022-4, AOMT 2023-4, and AOMT 2023-4, 2024-4, which are marked to fair value; and AOMT 2021-7 2021-4 and AOMT 2021-4, 2021-7, which are carried at amortized cost, as the fair value option was not elected at the time of the creation of these obligations). The difference between the amortized cost and fair value solely attributable to AOMT 2021-4 and 2021-7 is approximately $80.6 $73.1 million. The difference between the amortized cost basis value and the fair value is derived from the difference between the period-end market pricing of the underlying bonds, as referred to above, and the amortized cost of the obligation. The fair value of the non-recourse securitization debt is not indicative of the amounts at which we could settle this debt.

As of December 31, 2023, the total amortized cost basis and fair value of our non-recourse securitization obligations was $1.24 billion and $1.09 billion, respectively, a difference of approximately $247.8 $156.4 million (which includes AOMT 2022-1, AOMT 2022-4, and AOMT 2023-4, which are marked to fair value; and AOMT 2021-7 2021-4 and AOMT 2021-4, 2021-7, which are carried at amortized cost, as the fair value option was not elected at the time of the creation of these obligations). The fair value solely attributable to AOMT 2021-4 and 2021-7 is approximately $81.9 million less than the amortized cost. The difference between the amortized cost basis value and the fair value is derived from the difference between the period-end market pricing of the underlying bonds, as referred to above, and the amortized cost of the obligation. The fair value of the non-recourse securitization debt is not indicative of the amounts at which we could settle this debt.

Investments in Majority-Owned Affiliates

To determine the fair value of the Company's investments in majority-owned affiliates, which are held at amortized cost and included in "other assets", the Company uses the prices of the underlying bonds in the investments to determine fair value. The Company utilizes PriceServe, Bank of America's independent fixed income pricing service, as the primary valuation source for these bonds. PriceServe obtains its price quotes from actual sales or quotes for sale of the same or similar securities and/or provides model-based valuations that consider inputs derived from recent market activity including default rates, conditional prepayment rates, loss severity, expected yield to maturity, baseline discount margin/yield, recovery assumptions, tranche type, collateral coupon, age and loan size, and other inputs specific to each security. We believe that these quotes are most reflective of the price that would be achieved if the bonds were sold to an independent third party on the date of the condensed consolidated financial statements.

The amortized cost and fair value of this investment as of March 31, 2024 June 30, 2024 was approximately $18.0 $18.6 million and $22.8 $16.7 million, respectively. The amortized cost and fair value of these investments as of December 31, 2023 was approximately $16.2 million and $16.7 million, respectively.

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The following table sets forth information about the Company's financial assets and liabilities measured at fair value as of December 31, 2023:

	Level 1	Level 2	Level 3	Total
		(in thousands)		
Assets, at fair value				
Residential mortgage loans	$ —	$ 374,004	$ 6,036	$ 380,040
Residential mortgage loans in securitization trusts	—	1,207,804	13,263	1,221,067
Investments in securities				
AOMT RMBS (1)	—	79,696	—	79,696
Whole Pool Agency RMBS	—	392,362	—	392,362
U.S. Treasury Securities.	149,927	—	—	149,927
Other Assets, at fair value (2)	—	32,923	—	32,923
Total assets, at fair value	$ 149,927	$ 2,086,789	$ 19,299	$ 2,256,015
Liabilities, at fair value				
Non-recourse securitization obligation, collateralized by residential mortgage loans (3)	$ —	$ 743,189	$ —	$ 743,189
Unrealized depreciation on futures contracts	(840)	—	—	(840)
Unrealized depreciation on TBAs	(494)	—	—	(494)
Total liabilities, at fair value	$ (1,334)	$ 743,189	$ —	$ 741,855

(1) AOMT RMBS held as of December 31, 2023 included both retained tranches of AOMT securitizations in which the Company participated, additional AOMT securities purchased in secondary market transactions, and other RMBS purchased in secondary market transactions.

(2) Includes Commercial Loans and AOMT CMBS assets. All AOMT CMBS held as of December 31, 2023 was comprised of a small-balance commercial loan securitization issuance in which the Company participated.

(3) Only the portion subject to fair value measurement, as adjusted for fair value, is presented above. See below for the disclosure of the full debt at fair value.

All unrealized gains and losses arising from valuation changes in residential and commercial mortgage loans, TBAs, and futures contracts are recognized in net income for the periods presented.

Transfers from Level 2 to Level 3 were comprised of residential loans more than 90 days overdue (including those in foreclosure) and commercial mortgage loans in special servicing or otherwise considered "non-performing" by the Company's third-party valuation providers. Transfers between Levels are deemed to take place on the first day of the reporting period in which the transfer has taken place. Transfers between Level 2 and Level 3 were immaterial for the year ended December 31, 2023.

Angel Oak Mortgage REIT, Inc.
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We use third-party valuation firms who utilize proprietary methodologies to value our residential and commercial loans. These firms generally use both market comparable information and discounted cash flow modeling techniques to determine the fair value of our Level 3 assets. Use of these techniques requires determination of relevant input and assumptions, some of which represent significant unobservable inputs such as anticipated credit losses, prepayment rates, default rates, or other valuation assumptions. Accordingly, a significant increase or decrease in any of these inputs in isolation may result in a significantly lower or higher fair value measurement.

The following table sets forth information regarding the Company's significant Level 3 inputs as of December 31, 2023:

			Input Values

Asset	Fair Value		Unobservable Input	Range	Average
Residential mortgage loans, at fair value	$	6,036	Prepayment rate (annual CPR)	6.86% - 19.93%	13.40%
			Default rate	12.69% - 13.64%	13.16%
			Loss severity	(25.00)% - 40.13%	4.12%
			Expected remaining life	0.67 - 4.09 years	2.22 years
Residential mortgage loans in securitization trust, at fair value	$	13,263	Prepayment rate (annual CPR)	5.97% - 20.71%	12.32%
			Default rate	4.38% - 28.66%	16.92%
			Loss severity	(13.99)% - 19.60%	4.14%
			Expected remaining life	0.67 - 5.67 years	2.72 years

10. Related Party Transactions

Residential Mortgage Loan Purchases

The Company has residential loan purchase agreements with various affiliates of the Company. The purchase price of the loans is generally equal to the outstanding principal of the mortgage, adjusted by a premium or discount, depending on market conditions. The Company purchases the mortgage loans on a servicing released basis.

The following table sets forth certain financial information pertaining to whole loan activity purchased from affiliates during the period and year ended as of March 31, 2024 June 30, 2024 and December 31, 2023:

As of and for the Year-to-Date/Year Ended:	As of and for the Year-to-Date/Year Ended:	Amount of Loans Purchased from Affiliates during the Year-to-Date/Year	Number of Loans Purchased from Affiliates during the Year-to-Date/Year	Number of Loans Purchased from Affiliates, Owned and Held as of Year-to-Date/Year End (1):	As of and for the Year-to-Date/Year Ended:	Amount of Loans Purchased from Affiliates during the Year-to-Date/Year Ended (in thousands)	Number of Loans Purchased from Affiliates during the Year-to-Date/Year Ended	Number of Loans Purchased from Affiliates, Owned and Held as of Year-to-Date/Year Ended (1):
			($ in thousands)					
March 31, 2024								
June 30, 2024								
December 31, 2023								
December 31, 2023								
December 31, 2023								

(1) Excludes loans held in consolidated securitizations.

Securitization Transactions and Majority-Owned Affiliate

From time to time, the Company participates in securitization transactions with other affiliates of Angel Oak Capital. See Note 2 — *Variable Interest Entities*, "*VIEs for Which the Company is Not the Primary Beneficiary"* and Note 13 — *Other Assets*.

Management Fee

The Company's management agreement, effective as of June 21, 2021 and amended and restated on May 1, 2024, by and among the Company, the Operating Partnership, and the Manager (the (as amended and restated, the "Management Agreement"), provides that the Company will pay the Manager, in arrears, on a quarterly basis, an aggregate fixed management fee equal to 1.5% per annum of the Company's Equity (as is defined in the Management Agreement).

Incentive Fee

Under the Management Agreement, the Manager is also entitled to an incentive fee, which is calculated and payable in cash with respect to each calendar quarter (or part thereof that the Management Agreement is in effect) in arrears in an amount, not less than zero, equal to the excess of (1) the product of (a) 15% and (b) the excess of (i) the Company's Distributable Earnings (as defined in the Management Agreement) for the previous 12-month period, over (ii) the product of (A) the Company's Equity (as defined in the Management Agreement)

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in the previous 12-month period, and (B) 8% per annum, over (2) the sum of any incentive fee earned by the Manager with respect to the first three calendar quarters of such previous 12-month period. To date, the incentive fee has not been earned and no expense has been recognized in the Company's financial statements.

Operating Expense Reimbursements

The Company is also required to pay the Manager reimbursements for certain general and administrative expenses pursuant to the Management Agreement. Accrued expenses payable to affiliate and operating expenses incurred with affiliate are substantially comprised of payroll reimbursements to an affiliate of the Manager.

11. Commitments and Contingencies

The Company, from time to time, may be party to litigation relating to claims arising in the normal course of business. As of March 31, 2024 June 30, 2024, the Company was not aware of any legal claims that could materially impact its financial condition. As of March 31, 2024 June 30, 2024, the Company had no unfunded commitments.

The Company has entered into forward purchase commitments with counterparties whereby the Company commits to purchasing residential mortgage loans at a particular price, provided the residential mortgage loans close with the counterparties. As of March 31, 2024 June 30, 2024, the Company has a total purchase commitments of $80.1 $73.1 million related to both Angel Oak Mortgage Lending and third parties. These commitments represent off-balance sheet risk where the Company may be required to extend credit.

12. Accumulated Other Comprehensive Income/(Loss)

The following table sets forth the net unrealized gain/(loss) on available-for-sale ("AFS") securities for the three months ended March 31, 2024 June 30, 2024 and 2023, which is the sole component of the changes in the Company's Accumulated Other Comprehensive Income/(Loss) ("AOCI") for the three months ended March 31, 2024 June 30, 2024 and 2023:

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023
		(in thousands)
AOCI balance, beginning of period		
Net unrealized gain/(loss) on AFS securities		
Net unrealized gain/(loss) on AFS securities		
Net unrealized gain/(loss) on AFS securities		
AOCI balance, end of period		

	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
	(in thousands)	
AOCI balance, beginning of period	$ (4,975)	$ (21,127)
Net unrealized gain/(loss) on AFS securities	1,828	14,562
AOCI balance, end of period	$ (3,147)	$ (6,565)

Angel Oak Mortgage REIT, Inc.
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13. Other Assets

The following table sets forth the detail of other assets included in the condensed consolidated balance sheets as of March 31, 2024 June 30, 2024 and December 31, 2023:

			March 31, 2024	December 31, 2023		
			June 30, 2024	December 31, 2023		
				($ in thousands)		
Investments in Majority-Owned Affiliates						
Commercial Mortgage Loans						
CMBS						
Commercial Mortgage Loans, at fair value						
CMBS, at fair value						
Deferred tax asset						
Prepaid expenses						
Protective advances and other assets	Protective advances and other assets	347	285	Protective advances and other assets	331	285
Total other assets						

Investments in Majority-Owned Affiliates ("MOA")

In 2023 and the first quarter two quarters of 2024, the Company participated in securitization transactions AOMT 2023-1, AOMT 2023-5, AOMT 2023-7, AOMT 2024-3, and AOMT 2024-3, 2024-6, which involved MOAs in which the Company received investments of 41.21%, 34.42%, 10.35%, 10.98%, and 10.98%, 4.51% respectively, in each case proportional to its share of the unpaid principal balance of the residential whole loans contributed to the securitizations. The purpose of the MOAs is to retain and hold risk retention bonds issued by the securitization trust. Each MOA is a limited liability company and is accounted for as an equity method investment and held at amortized cost. The investment will be tested for impairment at least annually utilizing undiscounted cash flows of the underlying risk retention bonds. See Note 9 — *Fair Value Measurements*.

Commercial Mortgage Loans

Commercial mortgage loans are measured at fair value. As of March 31, 2024 June 30, 2024 and December 31, 2023, the cost and unpaid principal balance of the assets was $5.6 million and $5.6 million, with a fair value of $5.2 million and $5.2 million, respectively. The weighted average interest rate was 6.24% with a weighted average maturity of 12 years, as of March 31, 2024 June 30, 2024. There were no commercial mortgage loans more than ninety (90) days past due or in foreclosure as of March 31, 2024 June 30, 2024 or December 31, 2023.

Commercial Mortgage Backed Securities

CMBS are held at fair value. As of March 31, 2024 June 30, 2024 and December 31, 2023, the cost of these assets were $6.3 $6.2 million and $6.3 million, with a fair value of $6.6 million and $6.6 million, respectively. There was no repurchase debt held against these assets at March 31, 2024 June 30, 2024 or December 31, 2023.

14. Equity and Earnings per Share ("EPS")

In the calculations of basic and diluted earnings per common share for the three and six months ended March 31, 2024 June 30, 2024 and 2023, the Company included participating securities, which are certain equity awards that have non-forfeitable dividend participation rights. Dividends and undistributed earnings allocated to participating securities under the basic and diluted earnings per share calculations require specific shares to be included that may differ in certain circumstances.

For the three months and six month periods ended March 31, 2024 June 30, 2024, there were 186,886 91,590 and 83,729 anti-dilutive outstanding restricted stock awards, respectively, and 123,767 performance-based restricted stock units. To date we have expensed $0.1 $0.3 million related to the performance-based restricted stock units based on current market conditions. However, these units were not included in the diluted weighted average common shares outstanding.

For the three months and six month periods ended March 31, 2023 June 30, 2023, there were no 165,473 anti-dilutive outstanding restricted stock awards and 49,370 performance shares, although the market-based "total stockholder return" conditions for 64,096 performance-based restricted stock performance share units had not been achieved and thus these units were not included in the diluted weighted average common shares outstanding.

The following table sets forth the calculation of basic and diluted earnings per share for the three months ended March 31, 2024 June 30, 2024 and 2023:

	March 31, 2024	March 31, 2023
	June 30, 2024	**June 30, 2023**
		(in thousands, except share and per share data)
Basic Earnings (Loss) per Common Share:		
Net income (loss) to common stockholders		
Net income (loss) to common stockholders		
Net income (loss) to common stockholders		
Dividends allocated to participating securities		
Net income (loss) to common stockholders - basic		
Basic weighted average common shares outstanding		
Basic earnings (loss) per common share		
Diluted Earnings (Loss) per Common Share:		
Diluted Earnings (Loss) per Common Share:		
Diluted Earnings (Loss) per Common Share:		
Net income (loss) to common stockholders - basic		
Net income (loss) to common stockholders - basic		
Net income (loss) to common stockholders - basic		
Dividends allocated to participating securities		
Net income (loss) to common stockholders - diluted		
Basic weighted average common shares outstanding		
Net effect of dilutive equity awards		
Diluted weighted average common shares outstanding		
Diluted earnings (loss) per common share		

The following table sets forth the calculation of basic and diluted earnings per share for the six months ended June 30, 2024 and 2023:

	June 30, 2024	June 30, 2023
	(in thousands, except share and per share data)	
Basic Earnings (Loss) per Common Share:		
Net income (loss) to common stockholders	$ 12,601	$ (3,158)
Dividends allocated to participating securities	(54)	(81)
Net income (loss) to common stockholders - basic	$ 12,547	$ (3,239)
Basic weighted average common shares outstanding	24,792,918	24,674,875
Basic earnings (loss) per common share	$ 0.51	$ (0.13)
Diluted Earnings (Loss) per Common Share:		
Net income (loss) to common stockholders - basic	$ 12,601	$ (3,158)
Dividends allocated to participating securities	(54)	(81)
Net income (loss) to common stockholders - diluted	$ 12,547	$ (3,239)
Basic weighted average common shares outstanding	24,792,918	24,674,875
Net effect of dilutive equity awards	180,583	—
Diluted weighted average common shares outstanding	24,973,501	24,674,875
Diluted earnings (loss) per common share	$ 0.50	$ (0.13)

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15. Subsequent Events

On April 11, 2024 July 25, 2024, the Company securitized residential closed an underwritten public offering and sale of, and issued, $50 million in aggregate principal amount of its 9.500% Senior Notes due 2029 (the “Notes”). The Notes bear interest at a rate of 9.500% per annum, payable quarterly in arrears on January 30, April 30, July 30 and October 30 of each year, commencing on October 30, 2024. The Notes will mature on July 30, 2029, unless earlier redeemed or repurchased by the Company. The Company intends to use the majority of the net proceeds from the offering for general corporate purposes, which may include the acquisition of non-QM loans and other target assets primarily sourced from its affiliated proprietary mortgage loans lending platform or other target assets through the secondary market in a manner consistent with an unpaid principal balance of $300 million in the issuance of AOMT 2024-4. Similar to certain previous securitizations, Company’s strategy and investment guidelines. Additionally, the Company will consolidate used the VIE used net proceeds from the offering to facilitate this transaction. See Note 2 “Variable Interest Entities” for a discussion repurchase 1,707,922 shares of the accounting policies applied to the consolidation Company’s common stock owned by Xylem Finance LLC, an affiliate of VIEs and transfers Davidson Kempner Capital Management LP, for an aggregate repurchase price of financial assets in connection with financing transactions. approximately $20.0 million.

On May 7, 2024 August 6, 2024, the Company declared a dividend of $0.32 per share of common stock, to be paid on May 31, 2024 August 30, 2024 to common stockholders of record as of May 22, 2024 August 22, 2024.

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

Management’s discussion and analysis of financial condition and results of operations is intended to help the reader understand the results of operations and financial condition of Angel Oak Mortgage REIT, Inc. The following should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto. References herein to our “Company,” “we,” “us,” or “our” refer to Angel Oak Mortgage REIT, Inc. and its subsidiaries including Angel Oak Mortgage Operating Partnership, LP (our “operating partnership” (the “Operating Partnership”), through which we hold substantially all of our assets and conduct our operations. Unless otherwise indicated, the term “Angel Oak” refers collectively to Angel Oak Capital Advisors, LLC (“Angel Oak Capital”) and its affiliates, including Falcons I, LLC, our external manager (our “Manager”), Angel Oak Companies, LP (“Angel Oak Companies”), and the proprietary mortgage lending platform of affiliates Angel Oak Mortgage Solutions LLC (together with other non-operational affiliated originators, “Angel Oak Mortgage Lending”).

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contain forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve numerous risks and uncertainties. Our actual results may differ from our beliefs, expectations, estimates, and projections and, consequently, you should not rely on these forward-looking statements as predictions of future events. Forward-looking statements are not historical in nature and can be identified by words such as “anticipate,” “estimate,” “will,” “should,” “expect,” “believe,” “intend,” “seek,” “plan” and similar expressions or their negative forms, or by references to strategy, plans, or intentions. These forward-looking statements are subject to risks and uncertainties, including, among other things, those described under Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2023 (the “Annual Report on Form 10-K”). Other risks, uncertainties, and factors that could cause actual results to differ materially from those projected may be described from time to time in other reports we file with the Securities and Exchange Commission (the “SEC”). We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Factors that could have a material adverse effect on future results and performance relative to those set forth in or implied by the related forward-looking statements, as well as on our business, financial condition, liquidity, results of operations and prospects, include, but are not limited to:

- the effects of adverse conditions or developments in the financial markets and the economy upon our ability to acquire target assets such as non-qualified residential mortgage (“non-QM”) loans, particularly those sourced from Angel Oak’s proprietary mortgage lending platform, Angel Oak Mortgage Lending;
- the level and volatility of prevailing interest rates and credit spreads;

- changes in our industry, inflation, interest rates, business strategies, target assets, the debt or equity markets, the general economy (or in specific regions) or the residential real estate finance and real estate markets specifically;
- general volatility of the markets in which we invest;
- changes in the availability of attractive loan and other investment opportunities, including non-QM loans sourced from Angel Oak Mortgage Lending;
- the ability of our Manager to locate suitable investments for us, manage our portfolio, and implement our strategy;
- our ability to profitably execute securitization transactions;
- our ability to obtain and maintain financing arrangements on favorable terms, or at all;
- the adequacy of collateral securing our investments and a decline in the fair value of our investments;
- the timing of cash flows, if any, from our investments;
- the operating performance, liquidity, and financial condition of borrowers;
- increased rates of default and/or decreased recovery rates on our investments;
- changes in prepayment rates on our investments;
- the departure of any of the members of senior management of the Company, our Manager, or Angel Oak;
- the availability of qualified personnel;
- conflicts with Angel Oak, including our Manager and its personnel, including our officers, and entities managed by Angel Oak;
- events, contemplated or otherwise, such as acts of God, including hurricanes, earthquakes, and other natural disasters, including those resulting from global climate change, pandemics, acts of war or terrorism, the initiation or escalation of military conflicts (such as the Russian invasion of Ukraine), and others that may cause unanticipated and uninsured performance declines, disruptions in markets, and/or losses to us or the owners and operators of the real estate securing our investments;
- impact of and changes in governmental regulations, tax laws and rates, accounting principles and policies and similar matters;
- the level of governmental involvement in the U.S. mortgage market;
- future changes with respect to the Federal National Mortgage Association (“Fannie Mae”) or Federal Home Loan Mortgage Corporation (“Freddie Mac” and together with Fannie Mae, the “GSEs”) in the mortgage market and related events, including the lack of certainty as to the future roles of these entities and the U.S. Government in the mortgage market and changes to legislation and regulations affecting these entities;
- effects of hedging instruments on our target assets and our returns, and the degree to which our hedging strategies may or may not protect us from interest rate volatility;
- our ability to make distributions to our stockholders in the future at the level contemplated by our stockholders or the market generally, or at all;
- our ability to continue to qualify as a real estate investment trust (a “REIT”) for U.S. federal income tax purposes; and
- our ability to maintain our exclusion from regulation as an investment company under the Investment Company Act of 1940, as amended (the “Investment Company Act”).

When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements in this report and in the Annual Report on Form 10-K. Readers are cautioned not to place undue reliance on any of these forward-looking statements, which reflect our management’s views only as of the date such statements are made. The risks summarized under Item 1A. “Risk Factors” in the Annual Report on Form 10-K could cause actual results and performance to differ materially from those set forth in or implied by our forward-looking statements. New risks and uncertainties arise over time, and it is not possible for us to predict those events or how they may affect us.

Important Information Regarding Our Disclosure to Investors

We may use our website (www.angeloakreit.com) to communicate with our investors and disclose company information. The information disclosed through our website may be considered material, so investors should monitor our website in addition to press releases, SEC filings and public conference calls and webcasts. The contents of our website referenced herein are not incorporated by reference into this report.

General

Angel Oak Mortgage REIT, Inc. is a real estate finance company focused on acquiring and investing in first lien non-QM loans and other mortgage-related assets in the U.S. mortgage market. Our strategy is to make credit-sensitive investments primarily in newly-originated first lien non-QM loans that are primarily made to higher-quality non-QM loan borrowers and primarily sourced from Angel Oak's proprietary mortgage lending platform, Angel Oak Mortgage Lending, which currently operates primarily through a wholesale channel and has a national origination footprint. We also may invest in other residential mortgage loans, RMBS, residential mortgage-backed securities ("RMBS"), and other mortgage-related assets, which, collectively with non-QM loans, we refer to as our target assets. Further, we also may identify and acquire our target assets through the secondary market when market conditions and asset prices are conducive to making attractive purchases. Our objective is to generate attractive risk-adjusted returns for our stockholders, through cash distributions and capital appreciation, across interest rate and credit cycles.

We are externally managed and advised by our Manager, Falcons I, LLC, a registered investment adviser under the Investment Advisers Act of 1940, as amended, and an affiliate of Angel Oak Capital, a leading alternative credit manager with market leadership in mortgage credit that includes asset management, lending and capital markets. Angel Oak Mortgage Lending, an affiliated Angel Oak mortgage origination platform, is a market leader in non-QM loan production.

Through our relationship with our Manager, we benefit from Angel Oak's vertically integrated platform and in-house expertise, providing us with the resources that we believe are necessary to generate attractive risk-adjusted returns for our stockholders. Angel Oak Mortgage Lending provides us with proprietary access to non-QM loans, as well as transparency over the underwriting process and the ability to acquire loans with our desired credit and return profile. We believe our ability to identify and acquire target assets through the secondary market is bolstered by Angel Oak's experience in the mortgage industry and expertise in structured credit investments. In addition, we believe we have significant competitive advantages due to Angel Oak's analytical investment tools, extensive relationships in the financial community, financing and capital structuring skills, investment surveillance capabilities, and operational expertise.

We have elected to be taxed as a REIT for U.S. federal income tax purposes commencing with our taxable year ended December 31, 2019. Commencing with our taxable year ended December 31, 2019, we believe that we have been organized and operated, and we intend to continue to operate in conformity with the requirements for qualification and taxation as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"). Our qualification as a REIT, and maintenance of such qualification, depends on our ability to meet, on a continuing basis, various complex requirements under the Code relating to, among other things, the sources of our gross income, the composition and values of our assets, our distribution levels, and the concentration of ownership of our stock. We also intend to operate our business in a manner that will allow us to maintain our exclusion from regulation as an investment company under the Investment Company Act. Our common stock commenced trading on the New York Stock Exchange on June 17, 2021.

We expect to derive our returns primarily from the difference between the interest we earn on loans we invest in and our cost of capital, as well as the returns from bonds, including risk retention securities, that are retained after securitizing the underlying loan collateral.

Trends and Recent Developments

Overall macroeconomic environment and its effect on us

2024 kicked off with optimism around federal funds rate cuts over Markets remained focused on the course of the year, with variability in analyst projections of the number and size of rate reductions. However, in the first quarter, stubborn employment and latest inflation readings have delayed market expectations for when and macroeconomic conditions during the second quarter of 2024 as investors tried to determine the timing and degree to which the Federal Reserve Bank ("Fed") will begin to cut interest rates. In Contrary to the first quarter, during which data underscored stubborn inflation, data in the second quarter and subsequent to the second quarter have shown signs of easing inflation. Despite the macroeconomic movement, and given the conflicting and inconsistent nature of recent data and the fact that inflation is still above its May 2024 meeting, annualized 2% target, the Fed elected to hold interest rates steady through the second quarter. It has indicated that it still expects to cut rates in 2024, but though the timing has been pushed to later in the year versus the initial analyst consensus. and number of rate cuts remains uncertain.

30 year fixed residential conforming mortgage rates increased over ended at similar levels in the course of second quarter compared to the first quarter, ending just below 7% before increasing back above 7% after with the average rate at the end of June at 6.87% compared to 6.79% at the quarter. Additionally, a new set end of rules announced in conjunction with a landmark $418 million legal settlement March. However, we observed volatility within the second quarter as rates increased from the end of March to the end of April, then fell back down to March levels by the National Association end of Realtors will prohibit agent's compensation from being included on multiple listing services (MLS), end a requirement that brokers subscribe to MLS, June. Home purchase and introduce a requirement that MLS participants enter into written agreements mortgage origination activity have remained suppressed in line with their buyers. Taken together, maintained elevated interest rates, high home prices, and limited supply. However, mortgage application activity accelerated in June, reflecting the effect is highest level since January of this year. Rate cuts are expected to drive down broker commissions increased home purchase and increase home purchases when implemented in July 2024. mortgage origination activity, but the extent of such activity remains uncertain.

The two-year and five-year Treasury yields each experienced a modest increase of were relatively flat in the second quarter, increasing by approximately 37 six basis points during the first quarter, which, combined with relatively muted volatility, had a limited impact on the valuation of our portfolio. and two basis points, respectively. Net of new loan purchases and securitizations, we observed an increase of approximately 124 216 basis points in the weighted average price of our residential whole loans portfolio during since the end of first quarter. quarter 2024. Additionally, we have increased the weighted average coupon of our residential whole loans portfolio by 33 60 basis points since the end of 2023 the first quarter 2024 to 7.11% 7.71% as of the end of the first second quarter of 2024. The In April, we executed the AOMT 2024-4 securitization executed subsequent to March 31, 2024 reduced as the sole contributor of loans, contributing approximately $300 million in scheduled unpaid principal balance of our residential whole loans portfolio by over 75%. Consistent with our loan acquisition and mortgage loans. Additionally, we participated in the AOMT 2024-6 securitization process, we are refilling the in June, contributing approximately $22.9 million in scheduled unpaid principal balance of our residential whole loans portfolio with high-quality, mortgage loans. During the second quarter of 2024, we purchased $114.4 million of newly-originated, current market coupon non-QM residential mortgage loans, that with a weighted average coupon of 7.93%, weighted average loan-to-value ratio ("LTV") of 70.4% and weighted average credit score of 757.

Notes offering

Subsequent to the end of the second quarter, on July 25, 2024, we expect closed an underwritten public offering and sale of, and issued, $50 million in aggregate principal amount of our 9.500% Senior Notes due 2029 (the "Notes"). The Notes bear interest at a rate of 9.500% per annum, payable quarterly in arrears on January 30, April 30, July 30 and October 30 of each year, commencing on October 30, 2024. The Notes will mature on July 30, 2029, unless earlier redeemed or repurchased by us. We intend to contribute use the majority of the net proceeds from the offering for general corporate purposes, which may include the acquisition of non-QM loans and other target assets primarily sourced from our affiliated proprietary mortgage lending platform or other target assets through the secondary market in a manner consistent with our strategy and investment guidelines. Additionally, we used the net proceeds from the offering to future securitization transactions. repurchase 1,707,922 shares of our common stock owned by Xylem Finance LLC, an affiliate of Davidson Kempner Capital Management LP, for an aggregate repurchase price of approximately $20.0 million.

Our investment performance

Net Interest Margin ("NIM"). Despite holding fewer target assets in the first second quarter of2024 as compared to the first second quarter of 2023, an increase in the yield of our target assets generated greater interest income than in the first second quarter of 2023. 2024. Borrowings on our whole loan portfolio decreased as well, reducing our overall interest expense, despite continued high variable interest rates in the first second quarter of 2024 compared to the first second quarter of 2023.

Net realized loss. Our net realized loss for the quarter ended March 31, 2024 June 30, 2024 was primarily due to a realized loss on the sale of whole loans contributed into the AOMT 2024-3 2024-6 securitization which was not consolidated into a VIE, as well as realized losses on loans held in which we participated. As this securitization did not result in consolidation trusts associated with pay downs of the AOMT 2024-3 VIE entity, we recognized a loss on the sale of these underlying loans. This was partially offset by realized gains on the economic hedges of our interest rate futures and To-Be-Announced ("TBA") securities.

Net unrealized gain. Our net unrealized gain in for the first quarter of 2024 ended June 30, 2024 was primarily due to an increase in the valuation of our residential whole loans and the net valuation of loans in securitization trust portfolios, as well as and non-recourse securitization obligation portfolios. Additionally,

the reversal of the unrealized loss (and thereby the recognition of net realized loss discussed above) on the sale of residential mortgage loans into the AOMT 2024-3 securitization. 2024-6 securitization contributed to our unrealized gain.

Whole loans and securitization activity

During the quarter ended March 31, 2024 June 30, 2024, we purchased $43.2 million $114.4 million of newly-originated, current market coupon non-QM residential mortgage loans, with a weighted average coupon of 8.14% 7.93%, weighted average loan-to-value ratio ("LTV")of 68.7% 70.4% and weighted average credit score of 747. 757.

In March 2024, we participated in AOMT 2024-3, an approximately $439.6 million scheduled unpaid principal balance securitization backed by a pool of residential mortgage loans, to which we contributed loans with a scheduled unpaid principal balance of approximately $48.7 million. We participated in this securitization alongside other Angel Oak entities, and may strategically enter into similar securitizations in the future.

Subsequent to March 31, 2024, In April 2024, we issued AOMT 2024-4, an approximately $300 million $299.8 million scheduled unpaid principal balance securitization backed by a pool of residential mortgage loans. We issued AOMT 2024-4 as the sole participant in the securitization. As the primary beneficiary we have consolidated the AOMT 2024-4 securitization, maintaining the residential mortgage loans held in the securitization trust and the related financing obligation thereto on our condensed consolidated balance sheet as of the applicable balance sheet date.

In June 2024, we participated in AOMT 2024-6, an approximately $479.6 million scheduled unpaid principal balance securitization backed by a pool of residential mortgage loans, to which we contributed loans with a scheduled unpaid principal balance of approximately $22.9 million. We participated in this securitization alongside other Angel Oak entities, and may strategically enter into similar securitizations in the future.

Whole loan financing facilities activity

We continuously evaluate our lender base and may enter into new agreements and / or exit agreements as we deem prudent, in accordance with our core financial strategy of purchasing whole loans and financing them until securitized. See Liquidity "Liquidity and Capital Resources, Resources" below for a full description of our financing arrangements. Our total borrowing capacity was $1.1 billion as of March 31, 2024 June 30, 2024. Highlights of whole loan financing facilities activity over the first second quarter of 2024 are as follows:

- During the quarter ended March 31, 2024 June 30, 2024, we maintained the same whole loan financing facility lender base as of December 31, 2023.

- During the quarter ended March 31, 2024 June 30, 2024, we (i) renewed our loan financing facility with Multinational Bank 1 in accordance with the mechanism for six-month renewal periods simultaneously decreasing the interest rate pricing margin to 1.75% from 2.00% and (ii) replaced amended our existing $250 million loan financing facility with Global Investment Bank 2 with a new $250 million loan 3 to allow for the financing facility with Global Investment Bank 2. of closed-end second position residential mortgage loans.

Key Financial Metrics

As a real estate finance company, we believe the key financial measures and indicators for our business are Distributable Earnings, Distributable Earnings Return on Average Equity, Book Value per Share of Common Stock, and Economic Book Value per Share of Common Stock.

Distributable Earnings

Distributable Earnings is a non-GAAP measure and is defined as net income (loss) allocable to common stockholders as calculated in accordance with generally accepted accounting principles in the United States of America ("GAAP"), excluding (1) unrealized gains and losses on our aggregate portfolio, (2) impairment losses, (3) extinguishment of debt, (4) non-cash equity compensation expense, (5) the incentive fee earned by our Manager, (6) realized gains or losses on swap terminations and (7) certain other nonrecurring gains or losses. We believe that the presentation of Distributable Earnings provides investors with a useful measure to facilitate comparisons of financial performance among our REIT peers, but has important limitations. We believe Distributable Earnings as described above helps evaluate our financial performance without the impact of certain transactions but is of limited usefulness as an analytical tool. As a REIT, we are generally required to distribute at least 90% of our annual REIT taxable income and to pay U.S. federal income tax at the regular corporate rate to the extent that we annually distribute less than 100% of such taxable income. Given these requirements and our belief that dividends are generally one of the principal reasons that stockholders invest in our common stock, generally we intend to attempt to pay dividends to our stockholders in an amount equal to our REIT taxable income, if and to the extent authorized by our Board of Directors. Distributable Earnings is one of a number of factors considered by our Board of Directors in declaring dividends and, while not a direct measure of REIT taxable income, over time, the measure can be considered a useful indicator of our dividends. Distributable Earnings should not be viewed in isolation and is not a substitute for net income computed in accordance with GAAP. Our methodology for calculating Distributable Earnings may differ from the methodologies employed by other REITs to calculate the same or similar supplemental performance measures, and as a result, our Distributable Earnings may not be comparable to similar measures presented by other REITs.

We also use Distributable Earnings to determine the incentive fee, if any, payable to our Manager pursuant to the management agreement (the "Management Agreement") that we and the Operating Partnership entered into with our Manager upon the completion of our IPO on June 21, 2021 and amended and restated on May 1, 2024 (as amended and restated, the "Management Agreement"). For information on the fees that are payable to our Manager under the Management Agreement, see "Note 10 – *Related Party Transactions"* in our unaudited condensed consolidated financial statements included in this report.

Distributable Earnings were approximately a gain loss of $2.8 million $2.3 million and a loss of $9.1 million $3.9 million for the three months ended March 31, 2024 June 30, 2024 and 2023, respectively. The primary drivers of this quarter's Distributable Earnings as compared to GAAP net income are the adjustments to remove unrealized gains associated with our residential loans and residential loans in securitization trusts and non-recourse securitization obligation portfolios.

The table below sets forth a reconciliation of net income (loss) allocable to common stockholders, calculated in accordance with GAAP, to Distributable Earnings for the three and six months ended March 31, 2024 June 30, 2024 and 2023:

	Three Months Ended
	Three Months Ended
	Three Months Ended
	March 31, 2024
	March 31, 2024
	March 31, 2024
	June 30, 2024
	June 30, 2024
	June 30, 2024
	(in thousands)
	(in thousands)
	(in thousands)
Net income (loss) allocable to common stockholders	
Adjustments:	
Adjustments:	
Adjustments:	
Net unrealized (gains) losses on trading securities	
Net unrealized (gains) losses on trading securities	
Net unrealized (gains) losses on trading securities	
Net unrealized (gains) losses on derivatives	
Net unrealized (gains) losses on derivatives	
Net unrealized (gains) losses on derivatives	
Net unrealized (gains) losses on residential loans in securitization trusts and non-recourse securitization obligation	
Net unrealized (gains) losses on residential loans in securitization trusts and non-recourse securitization obligation	
Net unrealized (gains) losses on residential loans in securitization trusts and non-recourse securitization obligation	
Net unrealized (gains) losses on residential loans	
Net unrealized (gains) losses on residential loans	
Net unrealized (gains) losses on residential loans	
Net unrealized (gains) losses on commercial loans	
Net unrealized (gains) losses on commercial loans	
Net unrealized (gains) losses on commercial loans	
Non-cash equity compensation expense	
Non-cash equity compensation expense	
Non-cash equity compensation expense	
Distributable Earnings	
Distributable Earnings	
Distributable Earnings	

Distributable Earnings Return on Average Equity

Distributable Earnings Return on Average Equity is a non-GAAP measure and is defined as annual or annualized Distributable Earnings divided by average total stockholders' equity. We believe that the presentation of Distributable Earnings Return on Average Equity provides investors with a useful measure to facilitate comparisons of financial performance among our REIT peers, but has important limitations. Additionally, we believe Distributable Earnings Return on Average Equity provides investors with additional detail on the Distributable Earnings generated by our invested equity capital. We believe Distributable Earnings Return on Average Equity as described above helps evaluate our financial performance without the impact of certain transactions but is of limited usefulness as an analytical tool. Therefore, Distributable Earnings Return on Average Equity should not be viewed in isolation and is not a substitute for net income computed in accordance with GAAP. Our methodology for calculating Distributable Earnings Return on Average Equity may differ from the methodologies employed by other REITs to calculate the same or similar supplemental performance measures, and as a result, our Distributable Earnings Return on Average Equity may not be comparable to similar measures presented by other REITs. Set forth below is our computation of Distributable Earnings Return on Average Equity for the three and six months ended March 31, 2024 June 30, 2024 and 2023:

	Three Months Ended
	Three Months Ended
	Three Months Ended

	March 31, 2024
	March 31, 2024
	March 31, 2024
	June 30, 2024
	June 30, 2024
	June 30, 2024
	($ in thousands)
	($ in thousands)
	($ in thousands)
Annualized Distributable Earnings	
Average total stockholders' equity	
Average total stockholders' equity	
Average total stockholders' equity	
Distributable Earnings Return on Average Equity	
Distributable Earnings Return on Average Equity	
Distributable Earnings Return on Average Equity	

Book Value per Share of Common Stock

The following table sets forth the calculation of our book value per share of common stock as of March 31, 2024 June 30, 2024 and December 31, 2023:

	March 31, 2024	
	March 31, 2024	
	March 31, 2024	December 31, 2023
	June 30, 2024	
	June 30, 2024	
	June 30, 2024	December 31, 2023
		(in thousands except for share and per share data)
Total stockholders' equity		
Number of shares of common stock outstanding at period end		
Number of shares of common stock outstanding at period end		
Number of shares of common stock outstanding at period end		
Book value per share of common stock		

Economic Book Value per Share of Common Stock

"Economic book value" is a non-GAAP financial measure of our financial position. To calculate our economic book value, the portions of our non-recourse financing obligation held at amortized cost are adjusted to fair value. These adjustments are also reflected in the table below in our end of period total stockholders' equity. Management considers economic book value to provide investors with a useful supplemental measure to evaluate our financial position as it reflects the impact of fair value changes for our legally held retained bonds, irrespective of the accounting model applied for GAAP reporting purposes. Economic book value does not represent and should not be considered as a substitute for book value per share of common stock or stockholders' equity, as determined in accordance with GAAP, and our calculation of this measure may not be comparable to similarly titled measures reported by other companies.

The following table sets forth a reconciliation from GAAP total stockholders' equity and book value per share of common stock to economic book value and economic book value per share of common stock as of March 31, 2024 June 30, 2024 and December 31, 2023:

	March 31, 2024	
	March 31, 2024	
	March 31, 2024	December 31, 2023
	June 30, 2024	
	June 30, 2024	
	June 30, 2024	December 31, 2023
	(in thousands except for share and per share data)	
GAAP total stockholders' equity		
Adjustments:		
Adjustments:		

Adjustments:	
Fair value adjustment for securitized debt held at amortized cost	
Fair value adjustment for securitized debt held at amortized cost	
Fair value adjustment for securitized debt held at amortized cost	
Stockholders’ equity including economic book value adjustments	
Number of shares of common stock outstanding at period end	
Number of shares of common stock outstanding at period end	
Number of shares of common stock outstanding at period end	
Book value per share of common stock	
Economic book value per share of common stock	

Results of Operations

Three Months Ended March 31, 2024 June 30, 2024 and 2023

The following table sets forth a summary of our results of operations for the three months ended March 31, 2024 June 30, 2024 and 2023:

		Three Months Ended
	March 31, 2024	**March 31, 2023**
	June 30, 2024	**June 30, 2023**
		(in thousands)
INTEREST INCOME, NET		
Interest income		
Interest income		
Interest income		
Interest expense		
NET INTEREST INCOME		
REALIZED AND UNREALIZED GAINS (LOSSES), NET		
REALIZED AND UNREALIZED GAINS (LOSSES), NET		
REALIZED AND UNREALIZED GAINS (LOSSES), NET		
Net realized gain (loss) on mortgage loans, derivative contracts, RMBS, and CMBS		
Net realized gain (loss) on mortgage loans, derivative contracts, RMBS, and CMBS		
Net realized gain (loss) on mortgage loans, derivative contracts, RMBS, and CMBS		
Net unrealized gain (loss) on trading securities, mortgage loans, debt at fair value option (see Financial Statements — Note 2), and derivative contracts		
Net unrealized gain (loss) on trading securities, mortgage loans, portion of debt at fair value option, and derivative contracts		
TOTAL REALIZED AND UNREALIZED GAINS (LOSSES), NET		
EXPENSES		
EXPENSES		
EXPENSES		
Operating expenses		
Operating expenses		
Operating expenses		
Operating expenses incurred with affiliate		
Due diligence and transaction costs		
Stock compensation		
Securitization costs		
Management fee incurred with affiliate		
Total operating expenses		
INCOME (LOSS) BEFORE INCOME TAXES		
INCOME (LOSS) BEFORE INCOME TAXES		
INCOME (LOSS) BEFORE INCOME TAXES		
Income tax expense		

Income tax expense (benefit)	
NET INCOME (LOSS) ALLOCABLE TO COMMON STOCKHOLDERS	
NET INCOME (LOSS) ALLOCABLE TO COMMON STOCKHOLDERS	
NET INCOME (LOSS) ALLOCABLE TO COMMON STOCKHOLDERS	
Other comprehensive income (loss)	
TOTAL COMPREHENSIVE INCOME (LOSS)	

Net Interest Income

The following table sets forth the components of net interest income for the three months ended March 31, 2024 June 30, 2024 and 2023:

	Three Months Ended									
	Three Months Ended									
	Three Months Ended									
			March 31, 2024		**March 31, 2023**					
			June 30, 2024		**June 30, 2023**					
			(in thousands)							
Interest income	**Interest income**	Interest income / expense	Average balance	Interest income / expense	Average balance	**Interest income**	Interest income / expense	Average balance	Interest income / expense	Average balance
Residential mortgage loans										
Residential mortgage loans in securitization trusts										
Commercial mortgage loans										
RMBS and Majority-Owned Affiliate										
CMBS										
U.S. Treasury securities										
Other interest income										
Total interest income										
Interest expense										
Interest expense										
Interest expense										
Notes payable										
Notes payable										
Notes payable										
Non-recourse securitization obligation, collateralized by residential mortgage loans										
Repurchase facilities										
Total interest expense										
Net interest income										
Net interest income										
Net interest income										

Net interest income for the three months ended March 31, 2024 June 30, 2024 and 2023 was $8.6 million $9.5 million and $6.8 million $6.5 million, respectively. Interest income increased in the three months ended March 31, 2024 June 30, 2024 as compared to the same period in 2023, primarily due higher to an increase in the yield of our assets in the second quarter of 2024 despite generally lower average balances. Interest expense decreased as well, further contributing to the increase in net interest income, generated from a larger asset balance of residential mortgage loans in securitization trusts. Meanwhile, interest expense was relatively flat, with primarily due to lower balances and therefore less expense associated with notes payable offset by increased expense associated with non-recourse securitization obligation, collateralized by residential mortgage loans as compared to the same period in 2023.

Total Realized and Unrealized Gains (Losses)

The components of total realized and unrealized gains (losses), net for the three months ended March 31, 2024 June 30, 2024 and 2023 are set forth as follows:

	Three Months Ended	
	March 31, 2024	**March 31, 2023**

	June 30, 2024	June 30, 2023
		(in thousands)
Realized and unrealized gain (loss) on securitization, net of unrealized gain (loss) on non-recourse securitization obligation		
Realized gain (loss) on RMBS		
Unrealized gain (loss) on Whole Pool Agency RMBS		
Realized gain (loss) on CMBS		
Realized gain (loss) on interest rate futures		
Realized and unrealized gain (loss) on TBAs		
Realized and unrealized gain (loss) on residential mortgage loans		
Realized and unrealized gain (loss) on commercial mortgage loans		
Realized and unrealized loss on U.S. Treasury securities		
Unrealized appreciation (depreciation) on interest rate futures		
Realized gain/(loss) on AOMT MOA		
Total realized and unrealized gains (losses), net		

For the three months ended March 31, 2024 June 30, 2024 and 2023, total realized and unrealized gains and (losses), net resulted in a net gain of $9.3 million and losses of $0.7 million $4.1 million and $3.8 million, respectively. During the three months ended March 31, 2024 June 30, 2024, gains losses on securitization, net of unrealized gain (loss) on non-recourse securitization obligation drove the overall loss to our portfolio. During the three months ended June 30, 2023, losses were driven by declines in securitization, net of unrealized gain (loss) on non-recourse securitization obligation, whole pool agency RMBS, interest rate futures, and residential mortgage loans, drove the overall gain to our portfolio. During the three months ended March 31, 2023, increased optimism and stability in interest rate markets drove gains in the valuation of our residential mortgage loans portfolio which were partially offset by losses associated with TBAs and unrealized appreciation on interest rate futures.

Expenses

Operating Expenses

For the three months ended March 31, 2024 June 30, 2024 and 2023, our operating expenses were $2.0 million $1.3 million and $2.2 million, respectively. Our operating expenses decreased compared to the comparative period due to continued cost savings actions such as in-sourcing of key accounting functions, vendor contract negotiations, and a decrease in servicing fees associated with servicing our whole loans. loan portfolio.

Operating Expenses Incurred with Affiliate

For the three months ended March 31, 2024 June 30, 2024 and 2023, our operating expenses incurred with affiliate were $0.5 million and $0.5 million $0.6 million, respectively. These expenses, which are substantially comprised of payroll reimbursements to our Manager, were relatively flat in the first three months second quarter of 2024 compared to the first three months same period of 2023.

Due Diligence and Transaction Costs

For the three months ended March 31, 2024 June 30, 2024 and 2023, our due diligence and transaction costs were $49.5 $359 thousand and $0.0 $21 thousand, respectively. Our due diligence and transaction expenses increased slightly over the comparative period as we did not purchase any due to accelerated purchases of whole loans during the three months ended March 31, 2023 June 30, 2024 as compared to the three months ended June 30, 2023.

Stock Compensation

For the three months ended March 31, 2024 June 30, 2024 and 2023, our stock compensation expense was $0.6 million and $0.5 million $0.2 million, respectively. Our stock compensation expense increased for the three months ended March 31, 2024 June 30, 2024 due to an increase in the estimated impact for outstanding performance-based restricted stock unit awards.

Securitization Costs

For the three months ended March 31, 2024 June 30, 2024 and 2023, we incurred $0.2 million $1.4 million and $0.9 million $1.0 million of securitization costs, respectively. The expense incurred in both periods was a proportional allocation of expenses in conjunction with our share of the loans contributed to the AOMT 2024-3 securitization 2024-4 and AOMT 2024-6 securitizations in the first second quarter of 2024 and the AOMT 2023-1 2023-4 securitization in the first second quarter of 2023, respectively.

Management Fee Incurred with Affiliate

For the three months ended March 31, 2024 June 30, 2024 and 2023, our management fee incurred with affiliate was $1.3 million and $1.5 million, respectively. The decrease is due to the decrease in our average Equity as defined in the Management Agreement for the three months ended March 31, 2024 June 30, 2024 as compared to the same period in 2023. The calculation of Equity for the purposes of the Management Agreement includes the addition of Distributable Earnings, which is the primary departure from the calculation of equity in accordance with GAAP, GAAP.

Six Months Ended June 30, 2024 and 2023

The following table sets forth a summary of our results of operations for the six months ended June 30, 2024 and 2023:

	Six Months Ended

	June 30, 2024	June 30, 2023
	(in thousands)	
INTEREST INCOME, NET		
Interest income	$ 51,114	$ 47,503
Interest expense	33,072	34,252
NET INTEREST INCOME	18,042	13,251
REALIZED AND UNREALIZED GAINS (LOSSES), NET		
Net realized gain (loss) on mortgage loans, derivative contracts, RMBS, and CMBS	(8,192)	(15,012)
Net unrealized gain (loss) on trading securities, mortgage loans, portion of debt at fair value option, and derivative contracts	13,342	10,569
TOTAL REALIZED AND UNREALIZED GAINS (LOSSES), NET	5,150	(4,443)
EXPENSES		
Operating expenses	3,333	4,418
Operating expenses incurred with affiliate	971	1,073
Due diligence and transaction costs	409	21
Stock compensation	1,260	748
Securitization costs	1,583	1,910
Management fee incurred with affiliate	2,606	3,015
Total operating expenses	10,162	11,185
INCOME (LOSS) BEFORE INCOME TAXES	13,030	(2,377)
Income tax expense (benefit)	429	781
NET INCOME (LOSS) ALLOCABLE TO COMMON STOCKHOLDERS	$ 12,601	$ (3,158)
Other comprehensive income (loss)	1,828	14,562
TOTAL COMPREHENSIVE INCOME (LOSS)	$ 14,429	$ 11,404

Net Interest Income

The following table sets forth the components of net interest income for the six months ended June 30, 2024 and 2023:

	Six Months Ended			
	June 30, 2024		June 30, 2023	
	(in thousands)			
Interest income	Interest income / expense	Average balance	Interest income / expense	Average balance
Residential mortgage loans	$ 9,266	$ 278,316	$ 14,185	$ 544,607
Residential mortgage loans in securitization trusts	33,271	1,315,336	24,545	1,056,558
Commercial mortgage loans	176	5,219	399	9,489
RMBS and Majority Owned Affiliate	6,363	161,912	6,158	232,980
CMBS	681	6,556	643	6,427
U.S. Treasury securities	483	18,587	659	34,360
Other interest income	874	38,952	914	37,613
Total interest income	51,114		47,503	
Interest expense				
Notes payable	7,097	199,000	17,105	438,661
Non-recourse securitization obligation, collateralized by residential mortgage loans	23,894	1,253,614	15,165	1,035,339
Repurchase facilities	2,081	68,205	1,982	84,332
Total interest expense	33,072		34,252	
Net interest income	$ 18,042		$ 13,251	

Net interest income for the six months ended June 30, 2024 and 2023 was $18.0 million and $13.3 million, respectively. Net interest income increased in the six months ended June 30, 2024 as compared to the same period in 2023, primarily due to higher net interest income from our residential mortgage loan portfolio (residential mortgage loan interest income less notes payable interest expense) during the six months ended June 30, 2024 . The net interest income associated with our residential mortgage loan portfolio was $2.2 million in the six months ended June 30, 2024 as compared to a loss of $(2.9) million in the comparable period of 2023.

Total Realized and Unrealized Gains (Losses)

The components of total realized and unrealized gains (losses), net for the six months ended June 30, 2024 and 2023 are set forth as follows:

	Six Months Ended	
	June 30, 2024	**June 30, 2023**
	(in thousands)	
Realized and unrealized gain (loss) on securitization, net of unrealized gain (loss) on non-recourse securitization obligation	$ 379	$ (12,300)
Realized loss on RMBS	(1,698)	(947)
Unrealized gain (loss) on Whole Pool Agency RMBS	(4,425)	(260)
Realized gain (loss) on CMBS	(119)	(139)
Realized gain (loss) on interest rate futures	3,839	5,770
Realized and unrealized gain (loss) on TBAs	4,112	(12,828)
Realized and unrealized (loss) gain on residential mortgage loans	2,051	18,124
Realized and unrealized (loss) gain on commercial mortgage loans	49	148
Realized and unrealized loss on U.S. Treasury securities	(86)	41
Unrealized appreciation on interest rate futures	1,048	(2,052)
Total realized and unrealized gains (losses), net	$ 5,150	$ (4,443)

For the six months ended June 30, 2024 and 2023, total realized and unrealized gains (losses), net resulted in a net gain of $5.2 million and a loss of $(4.4) million, respectively. During the six months ended June 30, 2024, gains on residential mortgage loans in securitization trust, net of non-recourse securitization obligation, residential mortgage loans, interest rate futures, and TBAs were offset by losses on RMBS and whole pool agency RMBS. In the six months ended June 30, 2023, the net realized and unrealized loss was primarily due to losses on residential mortgage loans in securitization trust, net of non-recourse securitization obligation and TBAs offset by gains on residential mortgage loans.

Expenses

Operating Expenses

For the six months ended June 30, 2024 and 2023, our operating expenses were $3.3 million and $4.4 million, respectively. Our operating expenses decreased during the comparative period due to continued cost savings actions such as in-sourcing of key accounting functions, vendor contract negotiations, and a decrease in servicing fees associated with servicing our whole loan portfolio.

Operating Expenses Incurred with Affiliate

For the six months ended June 30, 2024 and 2023, our operating expenses incurred with affiliate were $1.0 million and $1.1 million, respectively. These expenses, which has caused are substantially comprised of payroll reimbursements to our Manager, were relatively flat versus the comparative period.

Due Diligence and Transaction Costs

For the six months ended June 30, 2024 and 2023, our due diligence and transaction costs were $409 thousand and $21 thousand, respectively. Our due diligence and transaction expenses increased versus the comparative period as we purchased more whole loans during the six months ended June 30, 2024 than the six months ended June 30, 2023.

Stock Compensation

For the six months ended June 30, 2024 and 2023 our stock compensation expense was $1.3 million and $0.7 million, respectively. Stock compensation expense increased for the six months ended June 30, 2024 due to an increase in the estimated impact for outstanding performance-based restricted stock unit awards.

Securitization Costs

Securitization costs of $1.6 million were incurred for the six months ended June 30, 2024 in connection with the AOMT 2024-3, AOMT 2024-4, and AOMT 2024-6 securitization transactions. There were $1.9 million of securitization costs incurred for the comparable period in 2023, representing costs incurred in connection with the AOMT 2023-1 and AOMT 2023-4 securitizations.

Management Fee Incurred with Affiliate

For the six months ended June 30, 2024 and 2023, our management fee incurred with affiliate was $2.6 million and $3.0 million, respectively. The decrease is due to the decrease in our average Equity (as as defined in the Management Agreement) Agreement for the six months ended June 30, 2024 as compared to decrease. the same period in 2023. The calculation of Equity for the purposes of the Management Agreement includes the addition of Distributable Earnings, which is the primary departure from the calculation of equity in accordance with GAAP.

Our Portfolio

As of March 31, 2024 June 30, 2024, our portfolio consisted of approximately $2.0 billion $1.9 billion of residential mortgage loans, RMBS, and other target assets. Certain of these portfolio assets are located in states such as Florida and California where natural disasters such as hurricanes and earthquakes may occasionally occur. We require all of our collateral to be adequately insured. The graphs in the subsequent detail of residential mortgage loans, residential mortgage loans held in securitization trusts, and residential mortgage loans underlying RMBS issuances show the percentage of residential mortgage loans held in each state where there is a concentration of loans.

The following table sets forth additional information regarding our portfolio, including the manner in which our equity capital was allocated among investment types, as of March 31, 2024 June 30, 2024:

Portfolio:	Portfolio:	Fair Value	Fair Value	Collateralized Debt		Allocated Capital	% of Total Capital	% of Total Capital	Portfolio:	Fair Va		
		($ in thousands)								($ in thousands)		
Residential mortgage loans	Residential mortgage loans	$ 368,446	$	$ 284,002	$	$ 84,444	32.1	32.1 %	Residential mortgage loans	$ 158,940	$	
Residential mortgage loans in securitization trust	Residential mortgage loans in securitization trust	1,201,210	1,146,641	1,146,641	$	$ 54,569	20.7	20.7 %	Residential mortgage loans in securitization trust	1,447,901	1,372,272	
Total whole loan portfolio	Total whole loan portfolio	$1,569,656	$	$1,430,643	$	$139,013	52.8	52.8 %	Total whole loan portfolio	$ 1,606,841	$	
Investment securities												
Investment securities												
Investment securities												
RMBS												
RMBS												
RMBS		$ 445,136	$	$ 44,501	$	$400,635	152.1	152.1 %	$ 266,752	$	$	
U.S. Treasury securities	U.S. Treasury securities	149,805	148,992	148,992	813	813	0.3	0.3 %	U.S. Treasury securities	149,957	149,142	
Total investment securities	Total investment securities	$ 594,941	$	$ 193,493	$	$401,448	152.4	152.4 %	Total investment securities	$ 416,709	$	
Investment in Majority-Owned Affiliate												
Investment in Majority-Owned Affiliate												
Investment in Majority-Owned Affiliate		$ 18,021	$	$ —	$	$ 18,021	6.8	6.8 %	$ 18,614	$	$	
Total investment portfolio												
Total investment portfolio												
Total investment portfolio		$2,182,618	$	$1,624,136	$	$558,482	212.1	212.1 %	$ 2,042,164	$	$	1
Target assets (1)	Target assets (1)	$2,032,813	$	$1,475,144	$	$557,669	211.8	211.8 %	Target assets (1)	$ 1,892,207	$	
Cash												
Cash												
Cash		$ 39,421	$	$ —	$	$ 39,421	15.0	15.0 %	$ 43,956	$	$	
Other assets and liabilities (2)	Other assets and liabilities (2)	(334,580)	—	—	(334,580)	(334,580)	(127.1)	(127.1) %	Other assets and liabilities (2)	(155,791)	—	
Total	Total	$1,887,459	$	$1,624,136	$	$263,323	100.0	100.0 %	Total	$ 1,930,329	$	

(1) "Target assets" as defined by us excludes U.S. Treasury securities, and includes our investment in a Majority-Owned Affiliates.

(2) Other assets and liabilities presented is calculated as a net liability substantially comprised of $359.9 million $181.8 million due to broker for our quarter-end purchase of certain Freddie Mac and Fannie Mae-issued whole pool agency residential mortgage-backed securities ("Whole Pool Agency RMBS"), and excluding the portion of "other assets" which includes our investment in a Majority-Owned Affiliate, which is considered a target asset.

As of December 31, 2023, our portfolio consisted of approximately $2.1 billion of residential mortgage loans, RMBS, and other target assets. The following table sets forth additional information regarding our portfolio including the manner in which our equity capital was allocated among investment types, as of December 31, 2023:

	Fair Value	Collateralized Debt	Allocated Capital	% of Total Capital
Portfolio:	($ in thousands)			
Residential mortgage loans	$ 380,040	$ 290,610	$ 89,430	34.9 %
Residential mortgage loans in securitization trust	1,221,067	1,169,154	51,913	20.3 %
Total whole loan portfolio	$ 1,601,107	$ 1,459,764	$ 141,343	55.2 %
Investment securities				
RMBS	$ 472,058	44,643	$ 427,415	166.9 %
Investment in Majority-Owned Affiliates	16,232	—	16,232	6.3 %
U.S. Treasury Securities	149,927	149,013	914	0.4 %
Total investment securities	$ 638,217	$ 193,656	$ 444,561	173.6 %
Total investment portfolio	$ 2,239,324	$ 1,653,420	$ 585,904	228.8 %
Target assets (1)	$ 2,089,397	$ 1,504,407	$ 585,904	228.8 %
Cash	$ 41,625	$ —	$ 41,625	16.2 %
Other assets and liabilities (2)	(371,423)	—	(371,423)	(145.0)%
Total	$ 1,909,526	$ 1,653,420	$ 256,106	100.0 %

(1) "Target assets" as defined by us excludes U.S. Treasury securities, and includes our investment in a Majority-Owned Affiliates.

(2) Other assets and liabilities presented is calculated as a net liability substantially comprised of $392.0 million due to broker for our quarter-end purchase of certain Freddie Mac and Fannie Mae-issued Whole Pool Agency RMBS, and excluding the portion of "other assets" which includes our investment in a Majority-Owned Affiliates, which is considered a target asset. Additionally, other assets includes $5.2 million of commercial loans and $6.6 million of CMBS.

Residential Mortgage Loans

The following table sets forth additional information on the residential mortgage loans in our portfolio as of March 31, 2024 June 30, 2024:

	Portfolio Range	Portfolio Weighted Average
	($ in thousands)	
Unpaid principal balance ("UPB")	$6 88 - $3,357 $3,410	$441 456
Interest rate	2.99% 3.63% - 12.50% 11.13%	7.11% 7.71%
Maturity date	9/27/2048 1/28/2050 - 11/27/2063 4/03/2064	October 2053 March 2054
FICO score at loan origination	628 - 825 816	748 752
LTV at loan origination	9.1% 13.5% - 90.0%	70.0% 70.7%
DTI at loan origination	1.94% - 59.1% 52.0%	30.6% 29.7%
Percentage of first lien loans	N/A	100% 99.6%
Percentage of loans 90+ days delinquent (based on UPB)	N/A	2.2% 1.5%

The following table sets forth additional information on the residential mortgage loans in our portfolio as of December 31, 2023:

	Portfolio Range	Portfolio Weighted Average
	($ in thousands)	
Unpaid principal balance (“UPB”)	$18 - $3,410	$492
Interest rate	2.99% - 12.50%	6.8%
Maturity date	9/27/2048 - 11/27/2063	December 2053
FICO score at loan origination	624 - 825	748
LTV at loan origination	9.00% - 90.00%	69.4%
DTI at loan origination	1.90% - 59.10%	30.9%
Percentage of first lien loans	N/A	100%
Percentage of loans 90+ days delinquent (based on UPB)	N/A	0.9%

The following charts illustrate the distribution of the credit scores and interest coupon rates by the number of loans in our residential mortgage loan portfolio as of March 31, 2024 June 30, 2024:

Resi Loans Credit Score Distribution.jpg

Resi Loans Credit Score.jpg

Resi Loans Coupon.jpg

The following charts illustrate the distribution of the credit scores and interest coupon rates by the number of loans in our residential mortgage loan portfolio as of December 31, 2023:

Resi Loans Credit Score Distribution.jpg

Resi Loans Coupon Distribution.jpg

The following charts illustrate additional characteristics of our residential mortgage loans in our portfolio that we owned directly as of March 31, 2024 June 30, 2024, based on the product profile, borrower profile, and geographic location (percentages are based on the aggregate unpaid principal balance of such loans):

Characteristics of Our Residential Mortgage Loans as of March 31, 2024 June 30, 2024:

Resi Loans by Product Type.jpg

Resi Loans Product Type.jpg

Resi Loans Borrower Type.jpg

Resi Loans Geography.jpg

Note: No state in “Other” represents more than a 3% concentration of the residential mortgage loans in our portfolio that we owned directly as of March 31, 2024 June 30, 2024. Numbers presented may add to more than 100% due to rounding.

The following charts illustrate additional characteristics of the residential mortgage loans in our portfolio that we owned directly as of December 31, 2023, based on the product profile, borrower profile, and geographic location (percentages are based on the aggregate unpaid principal balance of such loans):

Characteristics of Our Residential Mortgage Loans as of December 31, 2023:

2023 Resi Loan Product Type 2.13.jpg

2023 Resi Loan Borrower Type 2.13.jpg

Resi Loans Geography.jpg

Note: No state in "Other" represents more than a 3% concentration of the residential mortgage loans in our portfolio that we owned directly as of December 31, 2023. Numbers presented may add to more than 100% due to rounding.

Residential Mortgage Loans Held in Securitization Trusts

The following table sets forth the information regarding the underlying collateral of our residential mortgage loans held in securitization trusts as of March 31, 2024 June 30, 2024:

	($ in thousands)
UPB	$1,312,169 1,554,781
Fair Value	$1,201,210 1,447,901
Number of loans	3,053 3,668
Weighted average loan coupon	4.66% 5.14%
Average loan amount	$432 425
Weighted average LTV at loan origination and deal date	68.0%
Weighted average credit score at loan origination and deal date	742 741
Current 3-month constant prepayment rate ("CPR") (1)	5.0% 9.6%
Percentage of loans 90+ days delinquent (based on UPB)	1.3% 1.2%

(1) CPR is a method of expressing the prepayment rate for a mortgage pool that assumes that a constant fraction of the remaining principal is prepaid each month or year.

The following chart illustrates the geographic distribution of the underlying collateral of our residential mortgage loans held in securitization trusts as of March 31, 2024 June 30, 2024 (percentages are based on the aggregate unpaid principal balance of such loans):

Loans in Trust Geography.jpg

Note: No state in "Other" represents more than a 3% concentration of the underlying collateral of our residential mortgage loans held in securitization trusts as of March 31, 2024 June 30, 2024. Numbers presented may add to more than 100% due to rounding.

The following table sets forth the information regarding the underlying collateral of our residential mortgage loans held in securitization trusts as of December 31, 2023:

	($ in thousands)
UPB	$1,334,963
Fair Value	$1,221,067
Number of loans	3,112
Weighted average loan coupon	4.7%
Average loan amount	$429
Weighted average LTV at loan origination and deal date	68.0%
Weighted average credit score at loan origination and deal date	742
Current 3-month CPR	5.6%
Percentage of loans 90+ days delinquent (based on UPB)	1.0%

The following chart illustrates the geographic distribution of the underlying collateral of our residential mortgage loans held in securitization trusts as of December 31, 2023 (percentages are based on the aggregate unpaid principal balance of such loans):

Loans in Trust Geography.jpg

Note: No state in "Other" represents more than a 3% concentration of the underlying collateral of our residential mortgage loans held in securitization trusts as of December 31, 2023. Numbers presented may add to more than 100% due to rounding.

RMBS

We have participated in numerous securitization transactions pursuant to which we contributed to a securitization trust under the purview of AOMT I, LLC, non-QM loans that we had accumulated and held on our balance sheet. These loans were purchased from affiliated and unaffiliated entities. In return, we received bonds from these securitization trusts, and cash. At times, we were allocated certain risk retention securities as part of these transactions. Risk retention securities represent at least 5% of a horizontal or vertical slice of the bonds issued as part of the transaction.

Certain information regarding the mortgage loans underlying our portfolio of RMBS issued in such securitization transactions is set forth below as of March 31, 2024 June 30, 2024, unless otherwise stated:

AOMT 2019 Securitizations		AOMT 2019 Securitizations		AOMT 2020 Securitizations		AOMT 2023 Securitizations		AOMT 2024 Securitizations	AOMT 2019 Securitizations		AOMT 2020 Securitizations		A Sec

($ in thousands)

UPB of loans	UPB of loans	$318,671	$164,661	$1,168,534	$436,161	UPB of loans	$308,213	$158,275	$1,143,398
Number of loans									
Weighted average loan coupon	Weighted average loan coupon	7.10 %	5.80 %	5.30 %	5.30 %	Weighted average loan coupon	7.11 %	5.81 %	5.26 %
Average loan amount	Average loan amount	$276	$327	$521	$466	Average loan amount	$275	$326	$519
Weighted average LTV at loan origination and deal date	Weighted average LTV at loan origination and deal date	69.5 %	74.1 %	69.2 %	69.3 %	Weighted average LTV at loan origination and deal date	69.2 %	74.1 %	68.9 %
Weighted average credit score at loan origination and deal date	Weighted average credit score at loan origination and deal date	707	720	731	733	Weighted average credit score at loan origination and deal date	707	720	732
Current 3-month CPR (1, 6)	Current 3-month CPR (1, 6)	12.9 %	3.9 %	6.5 %	7.7 %	Current 3-month CPR (1, 6)	10.6 %	13.2 %	7.1 %
90+ day delinquency (as a % of UPB)	90+ day delinquency (as a % of UPB)	8.3 %	3.4 %	0.9 %	0.1 %	90+ day delinquency (as a % of UPB)	9.4 %	3.4 %	1.3 %
Weighted Average 90+ Delinquency (as a % of Original Balance)	Weighted Average 90+ Delinquency (as a % of Original Balance)	1.4 %	1.3 %	0.9 %	0.1 %	Weighted Average 90+ Delinquency (as a % of Original Balance)	1.5 %	1.2 %	1.2 %
Weighted Average LTV of 90+ Delinquent Loans (FHFA HPI Estimate) (2)		52.6 %	— %	69.9 %	70.4 %				
Weighted Average LTV of 90+ Delinquent Loans (FHFA HPI Estimate) (2,6)		49.6 %	74.1 %	66.4 %	60.6 %				
Fair value of first loss piece (3,5)	Fair value of first loss piece (3,5)	$18,057	$21,389	$52,531	$31,406	Fair value of first loss piece (3,5)	$18,785	$22,527	$11,267
Investment thickness (4)									
Investment thickness (4,6)		20.60 %	19.60 %	7.43 %	10.45 %				

(1) CPR is a method of expressing the prepayment rate for a mortgage pool that assumes that a constant fraction of the remaining principal is prepaid each month or year.

(2) AOMT 2020-3 does not have LTV or Federal Housing Finance Agency Home Price Index Estimates (“FHFA HPI Estimates”); accordingly, original LTV is used.

(3) Represents the fair value of the securities we hold in the first loss tranche in each securitization.

(3) (4) Represents the average size of the subordinate securities we own as investments in each securitization relative to the average overall size of the securitization.

(4) The fair value of the first loss piece presented for AOMT 2023-1 is the total at risk for the Majority-Owned Affiliate.

(5) The fair value of the first loss pieces presented for AOMT 2023-1, AOMT 2023-5, AOMT 2023-7, AOMT 2024-3, and AOMT 2024-3 2024-6 is the total at risk for the Majority-Owned Affiliates.

(6) AOMT 2024-3 reflects the one-month CPR. 2024-6 has been excluded as these data points do not yet exist.

Certain information regarding the mortgage loans underlying our portfolio of RMBS issued in AOMT securitization transactions is set forth below as of December 31, 2023, unless otherwise stated:

		AOMT 2019 Securitizations	AOMT 2019 Securitizations	AOMT 2020 Securitizations		AOMT 2023 Securitizations	AOMT 2019 Securitizations	AOMT 2020 Securitizations	AOMT 2023 Securitizations
			($ in thousands)						
UPB of loans	UPB of loans	$331,376	$167,028	$1,192,450	UPB of loans	$331,376	$167,028		$1,192,450
Number of loans	Number of loans	1197	512	2288	Number of loans	1197	512		2288
Weighted average loan coupon	Weighted average loan coupon	6.90 %	5.80 %	5.30 %	Weighted average loan coupon	6.90 %	5.80 %		5.30 %
Average loan amount	Average loan amount	$277	$326	$521	Average loan amount	$277	$326		$521
Weighted average LTV at loan origination and deal date	Weighted average LTV at loan origination and deal date	70 %	74 %	70 %	Weighted average LTV at loan origination and deal date	70 %	74 %		70 %
Weighted average credit score at loan origination and deal date	Weighted average credit score at loan origination and deal date	707	720	733	Weighted average credit score at loan origination and deal date	707	720		733
Current 3-month CPR (1, 6)	Current 3-month CPR (1, 6)	14.3 %	5.4 %	4.3 %	Current 3-month CPR (1, 6)	14.3 %	5.4 %		4.3 %
90+ day delinquency (as a % of UPB)	90+ day delinquency (as a % of UPB)	9.0 %	3.0 %	1.6 %	90+ day delinquency (as a % of UPB)	9.0 %	3.0 %		1.6 %
Weighted Average 90+ Delinquency (as a % of Original Balance)	Weighted Average 90+ Delinquency (as a % of Original Balance)	1.5 %	1.1 %	1.3 %	Weighted Average 90+ Delinquency (as a % of Original Balance)	1.5 %	1.1 %		1.3 %
Weighted Average LTV of 90+ Delinquent Loans (FHFA HPI Estimate) (2)	Weighted Average LTV of 90+ Delinquent Loans (FHFA HPI Estimate) (2)	50.8 %	74.1 %	72.8 %	Weighted Average LTV of 90+ Delinquent Loans (FHFA HPI Estimate) (2)	50.8 %	74.1 %		72.8 %
Fair value of first loss piece (3,5,6)		$18,057	$21,389	$55,056					
Fair value of first loss piece (3,5)		$18,057	$21,389	$13,003					
Investment thickness (4)	Investment thickness (4)	19.15 %	18.57 %	3.78 %	Investment thickness (4)	19.15 %	18.57 %		3.78 %

(1) CPR is a method of expressing the prepayment rate for a mortgage pool that assumes that a constant fraction of the remaining principal is prepaid each month or year.

(2) AOMT 2020-3 does not have LTV or Federal Housing Finance Agency Home Price Index Estimates (“FHFA HPI Estimates”); accordingly, original LTV is used.

(3) Represents the fair value of the securities we hold in the first loss tranche in each securitization.

(4) Represents the average size of the subordinate securities we own as investments in each securitization relative to the average overall size of the securitization.

(5) The fair value of the first loss pieces presented for AOMT 2023-1, AOMT 2023-5, and AOMT 2023-7 is the total at risk for the Majority-Owned Affiliates.

(6) AOMT 2023-5 reflects one-month CPR.

The following table provides certain information with respect to our RMBS portfolio both received in AOMT securitization transactions and acquired from other third parties as of March 31, 2024 June 30, 2024:

	RMBS			RMBS		Repurchase Debt (1)			Allocated Capital			RMBS		Repurchase Debt (1)		Allocated Capital			
	AOMT	AOMT	Third Party RMBS	Total	AOMT	Third Party RMBS	Total	AOMT	Third Party RMBS	Total	AOMT	Third Party RMBS	Total	AOMT	Third Party RMBS	Total	AOMT	Third Party RMBS	Total
					(in thousands)														
Mezzanine																			
Subordinate																			
Interest only / excess																			
Whole pool (2)																			
Retained RMBS in VIEs (3)																			
Subtotal																			
Investment in Majority Owned Affiliates																			
Total																			

(1) Repurchase debt includes borrowings against retained bonds received from on-balance sheet securitizations (i.e., consolidated VIEs).

(2) The whole pool RMBS presented as of March 31, 2024 June 30, 2024 were purchased from a broker to whom the Company owes approximately $360.0 million $181.8 million, payable upon the settlement date of the trade. See Note 6 — *Due to Broker* in our unaudited condensed consolidated financial statements included in this report.

(3) A portion of repurchase debt includes borrowings against retained bonds received from on-balance sheet securitizations (i.e., consolidated VIEs). These bonds, with a fair value of $119.8 $142.2 million, are not reflected in the condensed consolidated balance sheets, as the Company reflects the assets of the VIE (residential mortgage loans in securitization trusts - at fair value) on its condensed consolidated balance sheets.

The following table provides certain information with respect to our RMBS portfolio both received in AOMT securitization transactions and acquired from other third parties as of December 31, 2023:

	RMBS			RMBS		Repurchase Debt (1,3)			Allocated Capital			RMBS		Repurchase Debt (1,3)		Allocated Capital			
	AOMT	AOMT	Third Party RMBS	Total	AOMT	Third Party RMBS	Total	AOMT	Third Party RMBS	Total	AOMT	Third Party RMBS	Total	AOMT	Third Party RMBS	Total	AOMT	Third Party RMBS	Total
					(in thousands)														
Mezzanine																			
Subordinate																			
Interest only / excess																			
Whole pool (2)																			
Retained RMBS in VIEs (3)																			
Subtotal																			
Investment in Majority Owned Affiliates																			
Total																			

(1) Repurchase debt includes borrowings against retained bonds received from on-balance sheet securitizations (i.e., consolidated VIEs).

(2) The whole pool RMBS presented as of December 31, 2023 were purchased from a broker to whom the Company owes approximately $392.0 million, payable upon the settlement date of the trade. See Note 6 — *Due to Broker* in our unaudited condensed consolidated financial statements included in this report.

(3) A portion of repurchase debt includes borrowings against retained bonds received from on-balance sheet securitizations (i.e., consolidated VIEs). These bonds, with a fair value of $124.1 million, are not reflected in the condensed consolidated balance sheets, as the Company reflects the assets of the VIE (residential mortgage loans in securitization trusts - at fair value) on its condensed consolidated balance sheets.

The following table sets forth information with respect to our RMBS ending balances, at fair value, for the period ended March 31, 2024 as of June 30, 2024:

	Senior	Senior	Mezzanine	Subordinate	Interest Only	Whole Pool	Total	Senior	Mezzanine	Subordinate	Interest Only	Whole Pool	Total
			(in thousands)										

Beginning fair value	
Acquisitions:	
Retained bonds received in securitizations	
Retained bonds received in securitizations	
Retained bonds received in securitizations	
Third party securities	
Third party securities	
Third party securities	
Effect of principal payments / called deals	
IO and excess servicing prepayments	
Changes in fair value, net	
Ending fair value	

The following table sets forth information with respect to our RMBS ending balances, at fair value, for the year ended as of December 31, 2023:

	Senior	Mezzanine	Subordinate	Interest Only	Whole Pool	Total
			(in thousands)			
Beginning fair value	$ —	$ 1,958	$ 49,578	$ 10,424	$ 993,378	$ 1,055,338
Acquisitions:						
Retained bonds received in securitizations	—	9,831	4,880	3,530	—	18,241
Third party securities	—	—	—	—	1,741,864	1,741,864
Effect of principal payments / called deals	—	(869)	—	—	(2,339,028)	(2,339,897)
IO and excess servicing prepayments	—	—	—	(1,396)	—	(1,396)
Changes in fair value, net	—	52	1,207	501	(3,852)	(2,092)
Ending fair value	$ —	$ 10,972	$ 55,665	$ 13,059	$ 392,362	$ 472,058

The following chart illustrates the geographic diversification of the loans underlying our portfolio of RMBS issued in AOMT securitization transactions as of March 31, 2024 June 30, 2024 (percentages are based on the aggregate unpaid principal balance of such loans):

Geographic Diversification of Loans Underlying Our Portfolio
of RMBS Issued in AOMT Securitization Transactions
(as of March 31, 2024 June 30, 2024)

RMBS Geography.jpg

te: No state in "Other" represents more than a 4% concentration of the loans underlying our portfolio of RMBS issued in AOMT securitization transactions as of March 31, 2024 June 30, 2024. Numbers presented may add to more than 100% due to rounding.

The following chart illustrates the geographic diversification of the loans underlying our portfolio of RMBS issued in AOMT securitization transactions as of December 31, 2023 (percentages are based on the aggregate unpaid principal balance of such loans):

Geographic Diversification of Loans Underlying Our Portfolio
of RMBS Issued in AOMT Securitization Transactions
(as of December 31, 2023)

RMBS Geography.jpg

e: No state in "Other" represents more than a 4% concentration of the loans underlying our portfolio of RMBS issued in AOMT securitization transactions as of December 31, 2023. Numbers presented may add to more than 100% due to rounding.

CMBS

In November 2020, we participated in a securitization transaction of a pool of small balance commercial mortgage loans consisting of mortgage loans secured by commercial properties pursuant to which we contributed to AOMT 2020-SBC1 commercial mortgage loans with a carrying value of approximately $31.2 million that we had accumulated and held on our balance sheet, and we received bonds from AOMT 2020-SBC1 with a fair value of approximately $8.9 million.

Certain information regarding the commercial mortgage loans underlying our portfolio of CMBS issued in the AOMT 2020-SBC1 securitization transaction is shown below as of March 31, 2024 June 30, 2024 and December 31, 2023:

		March 31, 2024	December 31, 2023		June 30, 2024	December 31, 2023
		($ in thousands)				
UPB of loans	UPB of loans	$109,742	$112,302	UPB of loans	$106,800	$112,302
Number of loans	Number of loans	142	145	Number of loans	138	145
Weighted average loan coupon	Weighted average loan coupon	7.5 %	7.5 %	Weighted average loan coupon	7.7 %	7.5 %
Average loan amount	Average loan amount	$773	$774	Average loan amount	$774	$774
Weighted average LTV at loan origination and deal date	Weighted average LTV at loan origination and deal date	56.2 %	56.2 %	Weighted average LTV at loan origination and deal date	56.2 %	56.2 %

The following table provides certain information with respect to the CMBS we received in connection with the AOMT 2020-SBC1 securitization transactions as of March 31, 2024 June 30, 2024 and December 31, 2023:

		March 31, 2024			December 31, 2023			June 30, 2024			December 31, 2023		
	CMBS	CMBS	Repurchase Debt	Allocated Capital	CMBS	Repurchase Debt	Allocated Capital	CMBS	Repurchase Debt	Allocated Capital	CMBS	Repurchase Debt	Allocated Capital
			(in thousands)										
Subordinate													
Subordinate													
Subordinate													
Interest only / excess													
Total													

Liquidity and Capital Resources

Overview

Liquidity is a measurement of our ability to meet potential cash requirements, including ongoing commitments to repay borrowings, fund our investments and operating costs, make distributions to our stockholders, and satisfy other general business needs. Our financing sources currently include payments of principal and interest we receive on our investment portfolio, unused borrowing capacity under our in-place loan financing lines and repurchase facilities, and securitizations of our whole loans. Additionally, on July 25, 2024, we closed an underwritten public offering and sale of, and issued, $50 million in aggregate principal amount of our 9.500% Senior Notes due 2029, the proceeds of which we intend to use for general corporate purposes and a portion of which was used to fund the repurchase of shares of our common stock as described in more detail under "—Trends and Recent Developments—Notes offering" in this report. Our financing sources historically have included the foregoing, as well as capital contributions from our investors prior to our IPO, and the proceeds from our IPO and concurrent private placement (which capital has all been deployed). Going forward, we may also utilize other types of borrowings, including bank credit facilities and warehouse lines of credit, among others. We may also seek to raise additional capital through public or private offerings of equity, equity-related, or debt securities, depending upon market conditions. The use of any particular source of capital and funds will depend on market conditions, availability of these sources, and the investment opportunities available to us.

We have used and expect to continue to use loan financing lines to finance the acquisition and accumulation of mortgage loans or other mortgage-related assets pending their eventual securitization. Upon accumulating an appropriate amount of assets, we have financed and expect to continue to finance a substantial portion of our mortgage loans utilizing fixed-rate term securitization funding that provides long-term financing for our mortgage loans and locks in our cost of funding, regardless of future interest rate movements.

Securitizations may either take the form of the issuance of securitized bonds or the sale of "real estate mortgage investment conduit" securities backed by mortgage loans or other assets, with the securitization proceeds being used in part to repay pre-existing loan financing lines and repurchase facilities. We have sponsored and participated in securitization transactions with other entities that are managed by Angel Oak, and may continue to do so in the future, along with sponsoring sole securitization transactions.

We believe these identified sources of financing will be adequate for purposes of meeting our short-term (within one year) and our longer-term liquidity needs. We cannot predict with certainty the specific transactions we will undertake to generate sufficient liquidity to meet our obligations as they come due. We will adjust our plans as appropriate in response to changes in our expectations and any potential changes in market conditions.

Description of Existing Financing Arrangements

As of March 31, 2024 June 30, 2024, we were a party to three warehouse loan financing lines, which permitted borrowings in an aggregate amount of up to $1.1 billion. During the quarter ended March 31, 2024 June 30, 2024, we (i) renewed our loan financing facility with Multinational Bank 1 in accordance with the mechanism for six-month renewal periods simultaneously decreasing the interest rate pricing margin and replaced (ii) amended our existing $250 million loan financing facility with Global Investment Bank 2 with a new $250 million loan 3 to allow for the financing facility with Global Investment Bank 2 of closed-end second position residential mortgage loans. Borrowings under warehouse loan financing lines (in general, each a "loan financing facility") may be used to purchase whole loans for securitization or loans purchased for long-term investment purposes.

Our financing facilities are generally subject to limits on borrowings related to specific asset pools ("advance rates") and other restrictive covenants, as is usual and customary. As of March 31, 2024 June 30, 2024, the advance rates (when required) of our three active lenders ranged from 65% to 92%, depending on the asset type and loan delinquency status. Our most restrictive covenants (when covenants are required by any of our three active lenders) included (1) our minimum tangible net worth must not (i) decline 20% or more in the previous 30 days, 25% or more in the previous 90 days, or 35% or more in the previous year, or (ii) fall below $200.0 million of tangible net worth as of September 30, 2022 plus 50% of any capital contribution made or raised after September 30, 2022; (2) our minimum liquidity must not fall below the greatest of (i) the product of 5% and the aggregate repurchase price for a specific loan financing facility as of such date of determination, (ii) $10.0 million and (iii) any other amount of liquidity that we have covenanted to maintain in any other note, indenture, loan agreement, guaranty, swap agreement or any other contract, agreement or transaction (including, without limitation, any repurchase agreement, loan and security agreement, or similar credit facility or agreement for borrowed funds); and (3) the maximum ratio of our and our subsidiaries' total indebtedness to tangible net worth must not be greater than 5:1. Our minimum liquidity requirement as of March 31, 2024 June 30, 2024 was $10.0 million.

A description of each loan financing facility in place during the quarter ended March 31, 2024 June 30, 2024 is set forth as follows:

Multinational Bank 1 Loan Financing Facility. On April 13, 2022, we and two of our subsidiaries entered into a master repurchase agreement with a multinational bank ("Multinational Bank 1"). Our subsidiaries are each considered a "Seller" under this agreement. From time to time and pursuant to the agreement, either of our subsidiaries may sell to Multinational Bank 1, and later repurchase, up to $600.0 million aggregate borrowings on mortgage loans.

Pursuant to the terms of the master repurchase agreement, the agreement may be renewed every three months for a maximum six-month term. As of March 31, 2024 June 30, 2024, the termination date of the master repurchase agreement was September 25, 2024 December 26, 2024.

The amount expected to be paid by Multinational Bank 1 for each eligible mortgage loan is based on an advance rate as a percentage of either the outstanding principal balance of the mortgage loan or the market value of the mortgage loan, whichever is less. Pursuant to the agreement, Multinational Bank 1 retains the right to determine the market value of the mortgage loans in its sole commercially reasonable discretion. The loan financing line is marked-to-market. Additionally, Multinational Bank 1 is under no obligation to purchase the eligible mortgage loans we offer to sell to them. The interest rate on any outstanding balance under the master repurchase agreement that the applicable subsidiary is required to pay Multinational Bank 1 is generally in line with other similar agreements that the Company or one or more of its subsidiaries has entered into, where the interest rate is equal to the sum of (1) a pricing spread, as of March 25, 2024 June 25, 2024, 2.00% 1.75% and (2) the average SOFR for each U.S. Government Securities Business Day (as defined in the master repurchase agreement) beginning on April 11, 2022 and ending on the day that is two U.S. Government Securities Business Days prior to the date the applicable loan is repurchased by the applicable subsidiary.

The obligations of the subsidiaries under the master repurchase agreement are guaranteed by the Company pursuant to a guaranty executed contemporaneously with the master repurchase agreement. In addition, and similar to other repurchase agreements that the Company has entered into, the Company is subject to various financial and other covenants, including those relating to (1) maintenance of a minimum tangible net worth; (2) a maximum ratio of indebtedness to tangible net worth; and (3) minimum liquidity.

The agreement contains margin call provisions that provide Multinational Bank 1 with certain rights in the event of a decline in the market value of the purchased mortgage loans. Under these provisions, Multinational Bank 1 may require us or our subsidiaries to transfer cash sufficient to eliminate any margin deficit resulting from such a decline.

In addition, the agreement contains events of default (subject to certain materiality thresholds and grace periods), including payment defaults, breaches of covenants and/or certain representations and warranties, cross-defaults, bankruptcy or insolvency proceedings and other events of default customary for this type of transaction. The remedies for such events of default are also customary for this type of transaction and include the acceleration of the principal amount outstanding under the agreement and Multinational Bank 1's right to liquidate the mortgage loans then subject to the agreement.

We and our subsidiaries are also required to pay certain customary fees to Multinational Bank 1 and to reimburse Multinational Bank 1 for certain costs and expenses incurred in connection with its structuring, management, and ongoing administration of the master repurchase agreement.

Global Investment Bank 2 Loan Financing Facility. On March 28, 2024, two of our subsidiaries entered into a master repurchase agreement with a global investment bank ("Global Investment Bank 2"), replacing the existing master repurchase agreement with Global Investment Bank 2 entered into on February 13, 2020. Our two subsidiaries are each considered a "Seller" under this agreement. Pursuant to the agreement, on of our subsidiaries may sell to Global Investment Bank 2, and later repurchase, up to $250.0 million aggregate borrowings on mortgage loans. The agreement is set to terminate on March 27, 2026, unless terminated earlier pursuant to the terms of the agreement.

The principal amount paid by Global Investment Bank 2 for each mortgage loan is based on a percentage of the market value, cost-basis value, or unpaid principal balance of the mortgage loan (depending on the type of loan and certain other factors and subject to certain other adjustments). Pursuant to the agreement, Global Investment Bank 2 retains the right to determine the market value of the mortgage loan collateral in its sole good faith discretion. Additionally, Global Investment Bank 2 is under no obligation to purchase the eligible mortgage loans we offer to sell to them. Upon our or our subsidiary's repurchase of the mortgage loan, our subsidiaries are required to repay Global Investment Bank 2 the principal amount related to such mortgage loan plus accrued and unpaid interest at a rate based on the sum of (1) the greater of (A) the greater of (i) 0.00% and (ii) Term SOFR (which is defined as the forward-looking term rate based on the Secured Overnight Financing Rate for a corresponding tenor of one month) and (B) a pricing spread generally ranging from 2.10% to 3.35%.

he obligations of the subsidiaries under the master repurchase agreement are guaranteed by the Company pursuant to a guaranty executed contemporaneously with the master repurchase agreement. In addition, and similar to other repurchase agreements that the Company has entered into, the Company is subject to various financial and other covenants, including those relating to (1) maintenance of a minimum tangible net worth; (2) a maximum ratio of indebtedness to tangible net worth; and (3) minimum liquidity.

The agreement contains margin call provisions that provide Global Investment Bank 2 with certain rights in the event of a decline in the market value or cost-basis value of the purchased mortgage loans. Under these provisions, Global Investment Bank 2 may require us or our subsidiary to transfer cash sufficient to eliminate any margin deficit resulting from such a decline.

In addition, the agreement contains events of default (subject to certain materiality thresholds and grace periods), including payment defaults, breaches of covenants and/or certain representations and warranties, cross-defaults, bankruptcy or insolvency proceedings and other events of default customary for this type of transaction. The remedies for such events of default are also customary for this type of transaction and include the acceleration of the principal amount outstanding under the agreement and Global Investment Bank 2's right to liquidate the mortgage loans then subject to the agreement.

We and our subsidiary are also required to pay certain customary fees to Global Investment Bank 2 and to reimburse Global Investment Bank 2 for certain costs and expenses incurred in connection with its structuring, management and ongoing administration of the agreement.

Global Investment Bank 3 Loan Financing Facility. On October 24, 2018, two of our subsidiaries entered into a master repurchase agreement with a global investment bank ("Global Investment Bank 3") for which we serve as guarantor of our subsidiaries' obligations . Our subsidiaries, are each considered a "Seller" under this agreement. Pursuant to the initial agreement, our subsidiaries could sell to Global Investment Bank 3, and later repurchase, up to $200.0 million aggregate borrowings on mortgage loans, although Global Investment Bank 3 was under no obligation to purchase the loans our subsidiaries offered to sell to them.

On January 1, 2022, the facility was amended to transition the reference rate from a LIBOR-based index to Compound SOFR. Compound SOFR is determined on a one-month basis and is defined as a daily rate as determined by Global Investment Bank 3 to be the "USD-SOFR-Compound" rate as defined in the International Swaps and Derivatives Association, Inc. definitions.

On November 7, 2023, the facility's termination date was extended to November 7, 2024. In addition, the base interest rate spread was reduced to 1.80% plus a 0.20% index spread adjustment. The advance rate for performing non-seasoned loans was increased to 85%.

The loan financing line is marked-to-market at fair value, where Global Investment Bank 3 retains the right to determine the market value of the mortgage loan collateral in its sole and good faith discretion and in a commercially reasonable manner and is under no obligation to purchase the eligible mortgage loans we offered to sell to them. Further, the principal amount paid by Global Investment Bank 3 for each eligible mortgage loan is based on a percentage of the outstanding principal balance of the mortgage loan or the market value of the mortgage loan, whichever is less.

The Agreement contains margin call provisions that provide Global Investment Bank 3 with certain rights in the event of a decline in the market value of the purchased mortgage loans. Under those provisions, Global Investment Bank 3 could require us or our subsidiaries to transfer cash sufficient to eliminate any margin deficit resulting from such a decline.

The agreement requires us to maintain various financial and other customary covenants. The agreement also sets forth events of default (subject to certain materiality thresholds and grace periods), including payment defaults, breaches of covenants and/or certain representations and warranties, cross-defaults, bankruptcy or insolvency proceedings and other events of default customary for this type of transaction. The remedies for such events of default are also customary for this type of transaction and include the acceleration of the principal amount outstanding under the agreement and Global Investment Bank 3's right to liquidate the mortgage loans then subject to the agreement.

We and our subsidiaries are also required to pay certain customary fees to Global Investment Bank 3 and to reimburse Global Investment Bank 3 for certain costs and expenses incurred in connection with its structuring, management, and ongoing administration of the agreement.

Institutional Investors A and B Static Loan Pool Financing. On October 4, 2022, the Company and a subsidiary entered into two separate master repurchase facilities with two affiliates of an institutional investor ("Institutional Investors A and B") regarding a specific pool of whole loans with financing of approximately $168.7 million on approximately $239.3 million of unpaid principal balance. The Company repaid these financing facilities in full on January 4, 2023, at which time the facilities were terminated pursuant to their terms.

Regional Bank 1 Loan Financing Facility. On December 21, 2018, we and one of our subsidiaries entered into a master repurchase agreement with a regional bank ("Regional Bank 1"). This financing facility was substantially unused, and expired by its terms on March 16, 2023.

The following table sets forth the details of our financing lines as of each of March 31, 2024 June 30, 2024 and December 31, 2023:

Note Payable	Note Payable	Interest Base Interest Rate Pricing Spread	March 31, 2024	Interest Rate Pricing Spread	December 31, 2023	Note Payable	Drawn Amount Base Interest Rate		June 30, 2024	Interest Rate Pricing Spread	December 31, 2023	Drawn Amount
								($ in thousands)				
Multinational Bank 1 (1)												
Global Investment Bank 2 (2)												
Global Investment Bank 2 (2)												
Global Investment Bank 2 (2)												
Global Investment Bank 3 (3)												
Institutional Investors A and B (4)												
Institutional Investors A and B (4)												
Institutional Investors A and B (4)												
Regional Bank 1 (5)												
Regional Bank 1 (5)												
Regional Bank 1 (5)												
Total												

(1) On March 25, 2024 June 25, 2024, this financing facility was extended through September 25, 2024 December 26, 2024 in accordance with the terms of the agreement, which contemplates six-month renewals, with an interest rate pricing spread of 2.00% 1.75%. Prior to this extension the interest rate pricing spread was up to 2.10% 2.00%.

(2) On March 28, 2024 the amended and restated Master Repurchase Agreement was terminated and replaced with a new $250 million Master Repurchase Agreement which has a termination date of March 27, 2026. Further, the interest rate pricing margin will range from 2.10% to 3.35%, based on loan status, dwell time and other factors. Prior to this extension the interest rate pricing spread was up to 3.45%.

(3) This financing facility has a termination date of November 7, 2024.

(4) These agreements expired by their terms on January 4, 2023.

(5) This agreement expired by its terms on March 16, 2023.

The following table sets forth the total unused borrowing capacity of each financing line as of March 31, 2024 June 30, 2024:

Note Payable	Note Payable	Borrowing Capacity	Balance Outstanding	Available Financing	Note Payable	Borrowing Capacity	Balance Outstanding	Available Financing
				(in thousands)				
Multinational Bank 1								
Global Investment Bank 2								
Global Investment Bank 2								
Global Investment Bank 2								
Global Investment Bank 3								

Total

Total

Total

Although available financing is uncommitted, the Company's unused borrowing capacity is available if it has eligible collateral to pledge and meets other borrowing conditions as set forth in the applicable agreements.March 31, 2024, this financing facility had no unused borrowing capacity as the outstanding borrowings were based on static pools of mortgage loans. agreements.

Short-Term Repurchase Facilities. In addition to our existing loan financing lines, we employ short-term repurchase facilities to borrow against U.S. Treasury securities, securities issued by AOMT, Angel Oak's securitization platform, and other securities we may acquire in accordance with our investment guidelines. The following table sets forth certain characteristics of our short-term repurchase facilities as of March 31, 2024 June 30, 2024 and December 31, 2023:

March 31, 2024

June 30, 2024

Repurchase Agreements

Repurchase Agreements

Repurchase Agreements		**Amount Outstanding**		**Weighted Average Interest Rate**	**Weighted Average Remaining Maturity (Days)**		**Amount Outstanding**		**Weighted Average Interest Rate**	**Weighted Average Remaining Maturity (Days)**
	($ in thousands)									
U.S. Treasury securities U.S. Treasury securities U.S. Treasury securities	$	148,992	5.50	5.50 %	9	$	149,142	5.60	5.60 %	2
RMBS (1) RMBS (1)	$	44,501	6.96	6.96 %	17	RMBS (1) $	51,909	6.81	6.81 %	18
Total Total	$	193,493	5.84	5.84 %	11	Total $	201,051	5.91	5.91 %	6

December 31, 2023

December 31, 2023

December 31, 2023

Repurchase Agreements

Repurchase Agreements

Repurchase Agreements		**Amount Outstanding**	**Weighted Average Interest Rate**		**Weighted Average Remaining Maturity (Days)**	**Amount Outstanding**	**Weighted Average Interest Rate**	**Weighted Average Remaining Maturity (Days)**
	($ in thousands)							
RMBS (1) RMBS (1)								
U.S. Treasury Bills U.S. Treasury Bills U.S. Treasury Bills	$	149,013	5.57	%	10			

RMBS (1)		44,643	7.04	7.04 %	16 (1)	RMBS	44,643	7.04	7.04 %	16
Total	Total	$ 193,656	5.91	5.91 %	11	Total	$ 193,656	5.91	5.91 %	11

(1) A portion of repurchase debt outstanding as of both March 31, 2024 June 30, 2024 and December 31, 2023 includes borrowings against retained bonds received from on-balance sheet securitizations (i.e., consolidated VIEs).

The repurchase debt against the U.S. Treasury securities was repaid in full upon the maturity of the U.S. Treasury securities.

The following table presents the amount of collateralized borrowings outstanding under repurchase facilities as of the end of each quarter, the average amount of collateralized borrowings outstanding under repurchase facilities during the quarter and the highest balance of any month end during the quarter:

Quarter End	Quarter End	Quarter End Balance	Average Balance in Quarter	Highest Month-End Balance in Quarter	Quarter End	Quarter End Balance	Average Balance in Quarter	Highest Month-End Balance in Quarter
			(in thousands)					
Q2 2022								
Q2 2022								
Q2 2022								
Q3 2022								
Q3 2022								
Q3 2022								
Q4 2022								
Q1 2023								
Q2 2023								
Q3 2023								
Q4 2023								
Q1 2024								
Q2 2024								

We utilize short-term repurchase facilities on our RMBS portfolio and to finance assets for REIT asset test purposes. Over time, the need to purchase securities for REIT asset test purposes will be reduced as we obtain and participate in additional securitizations and acquire assets directly for investment purposes. We will continue to use repurchase facilities on our RMBS portfolio to add additional leverage which increases the yield on those assets. Our use of repurchase facilities is generally highest at the end of any particular quarter, as shown in the table above, where the quarter-end balance and the highest month-end balance in each quarter are generally equivalent.

Securitization Transactions

In June 2024, we and other affiliated entities participated in asecuritization transaction of a pool of residential mortgage loans, approximately 62% of which were mortgage loans originated by our affiliated mortgage origination companies, secured primarily by first liens on one-to-four family residential properties. In the transaction, AOMT 2024-6 issued approximately $479.6 million in face value of bonds. Our proportionate share of 4.51% of the retained bonds and investments in MOAs was approximately $2.5 million, including a retained discount on issuance of approximately $0.8 million. We used the proceeds of the securitization transaction to repay outstanding debt of approximately $15.8 million and retained cash of $1.8 million, which was used for operational purposes.

We derecognized the mortgage loans sold in AOMT 2024-6 and recorded an investment in majority-owned affiliates located within “other assets” on our consolidated balance sheet as of June 30, 2024.

In April 2024, we were the sole participant in asecuritization transaction of a pool of residential mortgage loans, approximately 79% of which were mortgage loans originated by our affiliated mortgage origination companies, secured exclusively by first liens on one-to-four family residential properties. In the transaction, AOMT 2024-4 issued approximately $299.8 million in face value of bonds. We used the proceeds of the securitization transaction to repay outstanding debt of approximately $235.9 million and retained cash of $39.1 million, which was used for new loan purchases and operational purposes.

We are the sole member of the Depositor and also own and hold the call rights on the XS tranche of bonds, which is the “controlling class” of the bonds. We have consolidated the AOMT 2024-4 securitization on our consolidated balance sheet, maintaining the residential mortgage loans held in the securitization trust and the related financing obligation thereto on our consolidated balance sheets as of June 30, 2024.

In March 2024, we and other affiliated entities participated in a securitization transaction of a pool of residential mortgage loans, approximately 60% of which were mortgage loans originated by our affiliated mortgage origination companies, secured primarily by first liens on one-to-four family residential properties. In the transaction, AOMT 2024-3 issued approximately $439.6 million in face value of bonds. Our proportionate share of 10.98% of the retained bonds and investments in majority owned affiliates (“MOAs”) MOAs was approximately $4.0 million $4.8 million, including a retained discount on issuance of approximately $0.9 million $1.6 million. We used the proceeds of the securitization transaction to repay outstanding debt of approximately $35.9 million and retained cash of $4.6 million, which was used for operational purposes.

We derecognized the mortgage loans sold in AOMT 2024-3 and recorded an investment in majority-owned affiliates located within “other assets” on our consolidated balance sheet as of March 31, 2024 June 30, 2024.

In December 2023, we and other affiliated entities participated in a securitization transaction of a pool of residential mortgage loans, approximately 60% of which were mortgage loans originated by our affiliated mortgage origination companies, secured primarily by first liens on one-to-four family residential properties. In the transaction, AOMT 2023-7 issued approximately $397.2 million in face value of bonds. Our proportionate share of 10.36% of the retained bonds and investments in MOAs was approximately $3.5 million, including a retained discount on issuance of approximately $1.4 million. We used the proceeds of the securitization transaction to repay outstanding debt of approximately $30.9 million and retained cash of $3.6 million, which was used for operational purposes.

We derecognized the mortgage loans sold in AOMT 2023-7 and recorded an investment in majority-owned affiliates located within "other assets" on our consolidated balance sheet as of March 31, 2024 June 30, 2024.

In August 2023, we and other affiliated entities participated in a securitization transaction of a pool of residential mortgage loans, approximately 36% 55% of which were mortgage loans originated by our affiliated mortgage origination companies, secured primarily by first liens on one-to-four family residential properties. In the transaction, AOMT 2023-5 issued approximately $260.6 million in face value of bonds. Our proportionate share of 34.42% of the retained bonds and investments in MOAs was approximately $8.7 million $7.7 million, including a retained discount on issuance of approximately $2.7 million. We used the proceeds of the securitization transaction to repay outstanding debt of approximately $63.4 million and retained cash of $10.7 million, which was used for operational purposes.

We derecognized the mortgage loans sold in AOMT 2023-5 and recorded an investment in majority-owned affiliates located within "other assets" on our consolidated balance sheet as of March 31, 2024 June 30, 2024.

In June 2023, we were the sole participant in a securitization transaction of a pool of residential mortgage loans, approximately 48% of which were mortgage loans originated by third parties and the remainder of which were originated by our affiliated mortgage origination companies, secured exclusively by first liens on one-to-four family residential properties. In the transaction, AOMT 2023-4 issued approximately $259.4 million in face value of bonds. We used the proceeds of the securitization transaction to repay outstanding debt of approximately $197.3 million and retained cash of $35.7 million, which was used for new loan purchases and operational purposes.

We are the sole member of the Depositor and also own and hold the call rights on the XS tranche of bonds, which is the "controlling class" of the bonds. We have consolidated the AOMT 2023-4 securitization on our consolidated balance sheet, maintaining the residential mortgage loans held in the securitization trust and the related financing obligation thereto on our consolidated balance sheets as of March 31, 2024 June 30, 2024.

In January 2023, we and other affiliated entities participated in a securitization transaction of a pool of residential mortgage loans, approximately 59% of which were mortgage loans originated by our affiliated mortgage origination companies, secured primarily by first liens on one-to-four family residential properties. In the transaction, AOMT 2023-1 issued approximately $552.9 million in face value of bonds. Our proportionate share of 41.21% of the retained bonds and investments in MOAs was approximately $21.8 million $19.8 million, including a retained discount on issuance of approximately $6.8 million. We used the proceeds of the securitization transaction to repay outstanding debt of approximately $190.1 million and retained cash of $15.9 million, which was used for operational purposes.

We derecognized the mortgage loans sold in this transaction and recorded an investment in majority-owned affiliate located within "other assets" on our consolidated balance sheet as of March 31, 2024 June 30, 2024.

We finance our assets with what we believe to be a prudent amount of leverage, which will vary from time to time based upon the particular characteristics of our portfolio, availability of financing, and market conditions.

Subject to maintaining our qualification as a REIT and maintaining our exclusion from regulation as an investment company under the Investment Company Act, we expect to utilize various derivative instruments and other hedging instruments to mitigate interest rate risk, credit risk and other risks. For example, we may enter into hedging transactions with respect to interest rate exposure on one or more of our assets or liabilities. Any such hedging transactions could take a variety of forms, including the use of derivative instruments such as interest rate swap contracts, index swap contracts, interest rate cap or floor contracts, futures or forward contracts, and options.

Notes Offering

Subsequent to the end of the second quarter, on July 25, 2024, we closed an underwritten public offering and sale of, and issued, $50 million in aggregate principal amount of our 9.500% Senior Notes due 2029. The Notes bear interest at a rate of 9.500% per annum, payable quarterly in arrears on January 30, April 30, July 30 and October 30 of each year, commencing on October 30, 2024. The Notes will mature on July 30, 2029, unless earlier redeemed or repurchased by us. The Notes are fully and unconditionally guaranteed on a senior unsecured basis by the Operating Partnership, including the due and punctual payment of principal of, premium, if any, and interest on the Notes. We may redeem the Notes in whole or in part at any time or from time to time at our option on or after July 30, 2026 at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. Upon the occurrence of certain events relating to a change of control of us, we must make an offer to repurchase all outstanding Notes at a price in cash equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest to, but excluding, the repurchase date.

Cash Availability

Cash and cash equivalents

Our cash balance as of March 31, 2024 June 30, 2024 was sufficient to meet our liquidity covenants under our financing facilities. We believe that we maintain sufficient cash to fund margin calls on our mark to market financing facilities or our economic hedge agreements, should such margin calls occur. Due to the conversion of our financing facility with Global Investment Bank 3 to a static pool financing facility, which limited our mark-to-market exposure, some of our cash was restricted, as further described below, and held in an economic interest rate hedging account for the benefit of Global Investment Bank 3, for its benefit and under its control.

We may also participate in upcoming securitizations either solely or with other Angel Oak entities. We also have the ability to leverage currently unleveraged securities or whole loan assets, if we deem those actions advisable.

Restricted Cash

Restricted cash of approximately $2.8 million $2.1 million as of March 31, 2024 June 30, 2024 was comprised of: $0.1 1.1 million was of margin collateral held for the benefit in support of Global Investment Bank 3, the majority of which balance is in an economic interest rate hedging account under the control of Global Investment Bank 3, and may be drawn by Global Investment Bank 3 at its discretion, $2.4 our whole pool assets; $0.7 million in interest rate futures margin collateral for the interest rate futures under our sole control; and margin collateral for securities sold under agreements to repurchase of $0.3 million.

Restricted cash of approximately $2.9 million as of December 31, 2023 was comprised of: $2.5 million in interest rate futures margin collateral; and margin collateral for securities sold under agreements to repurchase of $0.3 million. Our counterparties did not require any margin collateral for TBAs as of December 31, 2023.

Cash Flows

	Three Months Ended	
	March 31, 2024	**March 31, 2023**
	Six Months Ended	
	June 30, 2024	**June 30, 2023**
	(in thousands)	
Cash flows provided by (used in) operating activities		
Cash flows provided by (used in) investing activities		
Cash flows provided by financing activities		
Net increase in cash and restricted cash		

The cash provided by operating activities of $40.2 million $16.0 million for the three six months ended March 31, 2024 June 30, 2024 as compared to the cash provided of $276.6 million $292.0 million for the three six months ended March 31, 2023 June 30, 2023 was primarily due to the volume of residential mortgage loans sold into affiliate's securitization trust during the first three six months of 2023, as compared to the first six months of 2024.

The use of investing cash flows of $(4.8) $(11.1) million for the three six months ended March 31, 2024 June 30, 2024 as compared to cash provided by investing activities of $(421.0) $(318.1) million for the three six months ended March 31, 2023 June 30, 2023 were primarily due to the timing of purchases and maturities of U.S. Treasury securities in the comparative period of 2023.

Financing cash flows used of $(37.7) $(3.3) million for the three six months ended March 31, 2024 June 30, 2024 as compared to $162.2 million $55.0 million provided for the three six months ended March 31, 2023 June 30, 2023 were primarily due to the activity within net borrowings under repurchase agreements and notes payable for the comparative periods.

Cash Flows - Residential and Commercial Loan Classification

Residential loan activity is recognized in the statement of cash flows as an operating activity, as our residential mortgage loans are generally held for a short period of time with the intent to securitize these loans. Commercial mortgage loan activity is recognized in the statement of cash flows as an investing activity, as our commercial mortgage loan portfolio is generally deemed to be held for investing purposes.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates. A discussion of critical accounting policies and estimates is included in the "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Estimates" section in the Annual Report on Form 10-K. Our critical accounting policies and estimates have not materially changed since December 31, 2023. Management discusses the ongoing development and selection of these critical accounting policies and estimates with the Audit Committee of our Board of Directors.

We expect quarter-to-quarter GAAP earnings volatility from our business activities. This volatility can occur for a variety of reasons, particularly changes in the fair values of consolidated assets and liabilities. In addition, the amount or timing of our reported earnings may be impacted by technical accounting issues and estimates.

Recent Accounting Pronouncements

Refer to the notes to our condensed consolidated financial statements included in this report for a discussion of recent accounting pronouncements and any expected impact on the Company.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, we are not required to provide this information.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") as of the end of the period covered by this report. The Company's disclosure controls and procedures are designed to provide reasonable assurance that information is recorded, processed, summarized, and reported accurately and on a timely basis. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 1A. RISK FACTORS

For a discussion of our potential risks and uncertainties, see the information under Item 1A. “Risk Factors” in the Annual Report on Form 10-K. There have been no material changes to our principal risks that we believe are material to our business, results of operations, and financial condition from the risk factors previously disclosed in the Annual Report on Form 10-K. The risks described in the Annual Report on Form 10-K are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, or future results.

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

Issuer Purchases of Equity Securities

There were no issuer purchases of equity securities during the quarter ended March 31, 2024 June 30, 2024.

Unregistered Sales of Equity Securities

There were no unregistered sales of equity securities during the quarter ended March 31, 2024 June 30, 2024.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number		Description
3.1		Articles of Amendment and Restatement of the Company, dated June 17, 2021 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on June 23, 2021)
3.2		Articles of Amendment of the Company, effective as of March 10, 2023 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on March 2, 2023)
3.3		Third Amended and Restated Bylaws of the Company, effective as of March 10, 2023 (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on March 2, 2023)
4.1		Indenture, dated as of July 25, 2024, among Angel Oak Mortgage REIT, Inc., as issuer, Angel Oak Mortgage Operating Partnership, LP, as guarantor, and U.S. Bank Trust Company, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on July 25, 2024)
4.2		First Supplemental Indenture, dated as of July 25, 2024, among Angel Oak Mortgage REIT, Inc., as issuer, Angel Oak Mortgage Operating Partnership, LP, as guarantor, and U.S. Bank Trust Company, National Association, as trustee (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on July 25, 2024)
4.3		Form of 9.500% Senior Notes due 2029 (including the notation of guarantee) (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed on July 25, 2024)
10.1	+	Master Repurchase Agreement by and among AOMR TRS SPE, LLC, Spruce Mortgage Trust and Global Investment Bank 2 dated March 28, 2024 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 28, 2024)
10.2	+	Pricing Side Letter by and among AOMR TRS SPE, LLC, Angel Oak Mortgage REIT, Inc and Global Investment Bank 2 dated March 28, 2024 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on March 28, 2024)
10.3	+	Guaranty of Angel Oak Mortgage REIT, Inc dated March 28, 2024 (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on March 28, 2024)
10.4		Amended and Restated Management Agreement among Angel Oak Mortgage REIT, Inc., Angel Oak Mortgage Operating Partnership, LP and Falcons I, LLC, dated as of May 1, 2024 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 6, 2024)
10.5		Stock Repurchase Agreement, dated July 18, 2024, between Angel Oak Mortgage REIT, Inc. and Xylem Finance LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 18, 2024)
22.1	†	List of Guarantor Subsidiaries
31.1	†	Certification of Chief Executive Officer as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	†	Certification of Chief Financial Officer as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	*	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	*	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.Def		Definition Linkbase Document
101.Pre		Presentation Linkbase Document
101.Lab		Labels Linkbase Document
101.Cal		Calculation Linkbase Document
101.Sch		Schema Document
101.Ins		Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
104		The cover page from this Quarterly Report on Form 10-Q for the quarter ended March 31, 2024 June 30, 2024, formatted in Inline XBRL

\+ Portions of this exhibit are redacted pursuant to Item 601(b)(10)(iv) of Regulation S-K.
† Filed herewith.
* Exhibit is being furnished and shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities of that Section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended.

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:

ANGEL OAK MORTGAGE REIT, INC.

Date: May 8, 2024 August 7, 2024

By: /s/ Sreeniwas Prabhu
Sreeniwas Prabhu
Chief Executive Officer and President
(Principal Executive Officer)

Date: May 8, 2024 August 7, 2024

By: /s/ Brandon R. Filson
Brandon R. Filson
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

EXHIBIT 22.1

LIST OF GUARANTOR SUBSIDIARIES

The following subsidiary of Angel Oak Mortgage REIT, Inc. (the “Company”) was a guarantor of the Company’s 9.50% Senior Note Due 2029:

NAME OF GUARANTOR SUBSIDIARY	JURISDICTION OF INCORPORATION
Angel Oak Mortgage Operating Partnership, LP	Delaware

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EXHIBIT 31.1

CHIEF EXECUTIVE OFFICER CERTIFICATION PURSUANT TO RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Sreeniwas Prabhu, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2024 June 30, 2024 of Angel Oak Mortgage REIT, 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)) 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 the 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.

Date: May 8, 2024 August 7, 2024

/s/ Sreeniwas Prabhu

Sreeniwas Prabhu

Chief Executive Officer and President

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EXHIBIT 31.2

CHIEF FINANCIAL OFFICER CERTIFICATION PURSUANT TO RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Brandon Filson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2024 June 30, 2024 of Angel Oak Mortgage REIT, 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)) 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 the 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.

Date: May 8, 2024 August 7, 2024

/s/ Brandon Filson

Brandon Filson
Chief Financial Officer and Treasurer

EXHIBIT 32.1

CERTIFICATION
Pursuant to 18 U.S.C. Section 1350, as Adopted
Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of Angel Oak Mortgage REIT, Inc. (the "Company") for the annual period ended March 31, 2024 June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Sreeniwas Prabhu, as Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) 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.

Date: May 8, 2024 August 7, 2024

/s/ Sreeniwas Prabhu

Sreeniwas Prabhu
Chief Executive Officer and President

The foregoing certification is being furnished solely pursuant to 18 U.S.C. §1350 , as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and is not being "filed" as part of the Form 10-K or as a separate disclosure document for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to liability under that section. This certification shall not be deemed to be incorporated by reference to any filing under the Securities Act of 1933, as amended, or the Exchange Act except to the extent that this Exhibit 32.1 is expressly and specifically incorporated by reference in any such filing.

EXHIBIT 32.2

CERTIFICATION
Pursuant to 18 U.S.C. Section 1350, as Adopted
Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of Angel Oak Mortgage REIT, Inc. (the "Company") for the annual period ended March 31, 2024 June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brandon Filson, as Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) 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.

Date: May 8, 2024 August 7, 2024

/s/ Brandon Filson

Brandon Filson

Chief Financial Officer and Treasurer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. §1350 , as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and is not being “filed” as part of the Form 10-K or as a separate disclosure document for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to liability under that section. This certification shall not be deemed to be incorporated by reference to any filing under the Securities Act of 1933, as amended, or the Exchange Act except to the extent that this Exhibit 32.2 is expressly and specifically incorporated by reference in any such filing.

DISCLAIMER

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