# Angel Oak Mortgage, Inc.

First Quarter 2022 Earnings Supplement

Angel Oak
MORTGAGE REIT

# Important Notices

References in this presentation to “we,” “us,” “our,” “AOMR” and the “Company” refer to Angel Oak Mortgage, Inc., a Maryland corporation, its operating partnership and their respective subsidiaries; the term “Manager” refers to Falcons I, LLC, our external manager; the term “Angel Oak Capital” refers to Angel Oak Capital Advisors, LLC; the term “Angel Oak Mortgage Lending” refers collectively to Angel Oak Mortgage Solutions, Angel Oak Home Loans and Angel Oak Commercial Lending; the term “Angel Oak Mortgage Solutions” refers to Angel Oak Mortgage Solutions LLC; the term “Angel Oak Home Loans” refers to Angel Oak Home Loans LLC; the term “Angel Oak Commercial Lending” refers to Angel Oak Commercial Lending, LLC, Angel Oak Prime Bridge, Angel Oak Commercial Bridge and Cherrywood Mortgage; the term “Angel Oak Prime Bridge” refers to Angel Oak Prime Bridge, LLC; the term “Angel Oak Commercial Bridge” refers to Angel Oak Commercial Bridge, LLC; and the term “Cherrywood Mortgage” refers to Cherrywood Mortgage, LLC; the term “Angel Oak” refers collectively to Angel Oak Capital and its affiliates, including our Manager; and the term “AOMT” refers to Angel Oak Mortgage Trust I, LLC, Angel Oak’s securitization platform, including its subsidiaries and affiliates.

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This presentation contains certain forward-looking statements that are subject to various risks and uncertainties, including, without limitation, statements relating to the performance of our investments. Forward-looking statements are generally identifiable by use of forward-looking terminology such as “may,” “will,” “should,” “potential,” “intend,” “expect,” “endeavor,” “seek,” “anticipate,” “estimate,” “believe,” “could,” “project,” “predict,” “continue” or by the negative of these words and phrases or other similar words or expressions. Forward-looking statements are based on certain assumptions, discuss future expectations, describe existing or future plans and strategies, contain projections of results of operations, liquidity and/or financial condition or state other forward-looking information. Our ability to predict future events or conditions or their impact or the actual effect of existing or future plans or strategies is inherently uncertain, in particular due to the uncertainties created by the COVID-19 pandemic, including the projected impact of the COVID-19 pandemic on our business, financial results and performance. Although we believe that such forward-looking statements are based on reasonable assumptions, actual results and performance in the future could differ materially from those set forth in or implied by such forward-looking statements. 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:

(see next page):

# Important Notices

- the impact of the ongoing COVID-19 pandemic;
- the effects of adverse conditions or developments in the financial markets and the economy upon our ability to acquire non-QM loans sourced from Angel Oak's proprietary mortgage lending platform, Angel Oak Mortgage Lending, and other target assets;
- the level and volatility of prevailing interest rates and credit spreads;
- changes in our industry, inflation, interest rates, the debt or equity markets, the general economy (or in specific regions) or the residential real estate finance and the real estate markets specifically;
- changes in our business strategies or target assets;
- 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 platforms;
- the ability of our Manager to locate suitable investments for us, manage our portfolio, and implement our strategy;
- 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;
- our ability to profitably execute securitization transactions;
- 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, escalation of military conflicts (such as the recent 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, disruptions in markets, 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 or Federal Home Loan Mortgage Corporation 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 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.

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 of this presentation. Actual results and performance may 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. Except as required by applicable law, we assume no obligation, and do not intend to, update or otherwise revise any of our forward-looking statements, whether as a result of new information, future events or otherwise.

# Q1 Highlights & Financial Results

# The AOMR Model

AOMR is committed to generating attractive risk-adjusted returns and long-term capital appreciation to drive substantial total economic return to our shareholders

| | |
|---|---|
| **Loan Acquisition** | Source and purchase high-quality, non-QM loans **leveraging the infrastructure, scale, and expertise of Angel Oak ecosystem** |
| **Quarterly Dividend** | Declare a quarterly dividend that **balances shareholder income and long-term book value appreciation** |
| **Securitization Financing** | Target **one securitization per quarter** to lock in funding term and rates and provide capital for additional loan purchases |
| **Holistic Portfolio Management** | Effectively **identify, assess, and act upon key opportunities and risks** in appropriate markets |
| **Growing Book Value** | Consistently grow asset base of loans and securities to **drive increasing returns** |
| **Long-Term Focus** | **AOMR is a business, not a trade** – we will make key decisions in the **best long-term interest of our shareholders** |

# Q1 Financial Results

| | |
|---|---|
| **Dividend** | Declared Q1 dividend of $0.45/share |
| **GAAP Net Income** | ($1.77)/share |
| **Distributable Earnings[1]** | $1.49/share |
| **Distributable Earnings ROAE[1]** | Q1: 32.7% |
| **Book Value** | $16.80/share |
| **Target Balance Sheet Assets** | 20% Growth vs. Q4 2021 |

## KEY COMMENTARY

- Purchased $676MM of loans in Q1 2022; $108MM purchased in Q2 through April 30th
- Recent Angel Oak Mortgage loan locks average over 7%; these loans will be available for purchase in the AOMR portfolio in coming quarters
- Added $50MM in committed financing capacity in Q1, and added a new $340MM credit facility with Royal Bank of Canada in April 2022
- Book Value decline of (13.8%) driven by unrealized mark-to-market losses on our whole loan, on-balance sheet securitization, and RMBS portfolios

[1] See Appendix for definition.

# FY22 Interest Income and Average Asset Balances

| $000s | Q1 2022 | | Q4 2021 | |
|---|---|---|---|---|
| | Interest Income / Expense | Average Balance | Interest Income / Expense | Average Balance |
| **Interest Income** | | | | |
| Residential Loans | $ 11,981 | $ 1,108,704 | $ 11,742 | $ 943,524 |
| Residential Loans in Securitization Trust | 10,418 | 881,294 | 5,117 | 557,080 |
| Commercial Loans | 302 | 19,061 | 172 | 16,779 |
| RMBS | 4,108 | 350,236 | 5,278 | 239,554 |
| CMBS | 300 | 10,499 | 481 | 11,051 |
| **Total Interest Income[1]** | **$ 27,109** | | **$ 22,790** | |
| **Interest Expense** | | | | |
| Notes Payable | $ 5,497 | $ 918,536 | $ 4,348 | $ 704,260 |
| Non-Recourse Securitization Obligation | 4,583 | 837,504 | 1,815 | 514,733 |
| Repurchase Facilities | 89 | 356,525 | 35 | 206,897 |
| **Total Interest Expense** | **$ 10,170** | | **$ 6,199** | |
| **Net Interest Margin** | **$ 16,940** | | **$ 16,591** | |
| ***Net Interest Margin as % of Income*** | ***62.5%*** | | ***72.8%*** | |

[1] Displays Target Asset Balances and Income, which includes Residential Loans, Loans in Securitization Trust, RMBS, Commercial Loans, and CMBS

# Q1 Distributable Earnings

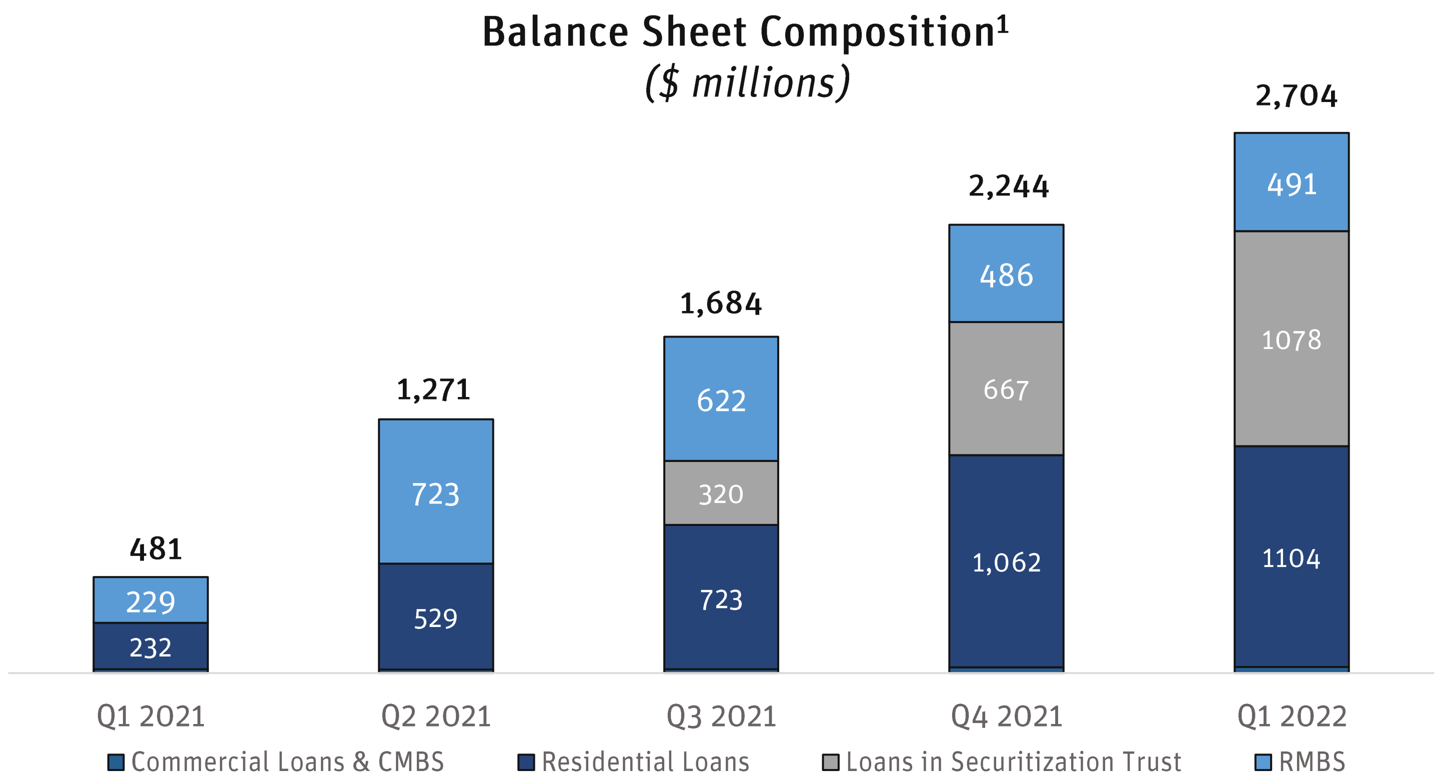
| | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 |
|---|---|---|
| | *(in thousands)* | |
| **Net income allocable to common stockholder(s)** | $ (43,545) | $ 9,483 |
| Adjustments: | | |
| Net realized and unrealized (gains) losses on derivatives | (15,326) | (1,610) |
| Net unrealized (gains) losses on residential loans in securitization trusts and non-recourse securitization obligation | 30,210 | |
| Net unrealized (gains) losses on residential loans | 64,587 | (2,892) |
| Net unrealized (gains) losses on commercial loans | 496 | (142) |
| Non-cash equity compensation expense | 871 | -- |
| **Distributable Earnings** | $ 37,293 | $ 4,839 |

GAAP Net Income includes the impact of unrealized Gains/(Losses) due to mark-to-market valuations that do not impact Distributable Earnings

- When interest rates rise, the unrealized mark-to-market valuation of existing securities and loans will decline

Note: Please see Appendix for Company's definition of Distributable Earnings.

# Target Asset Growth

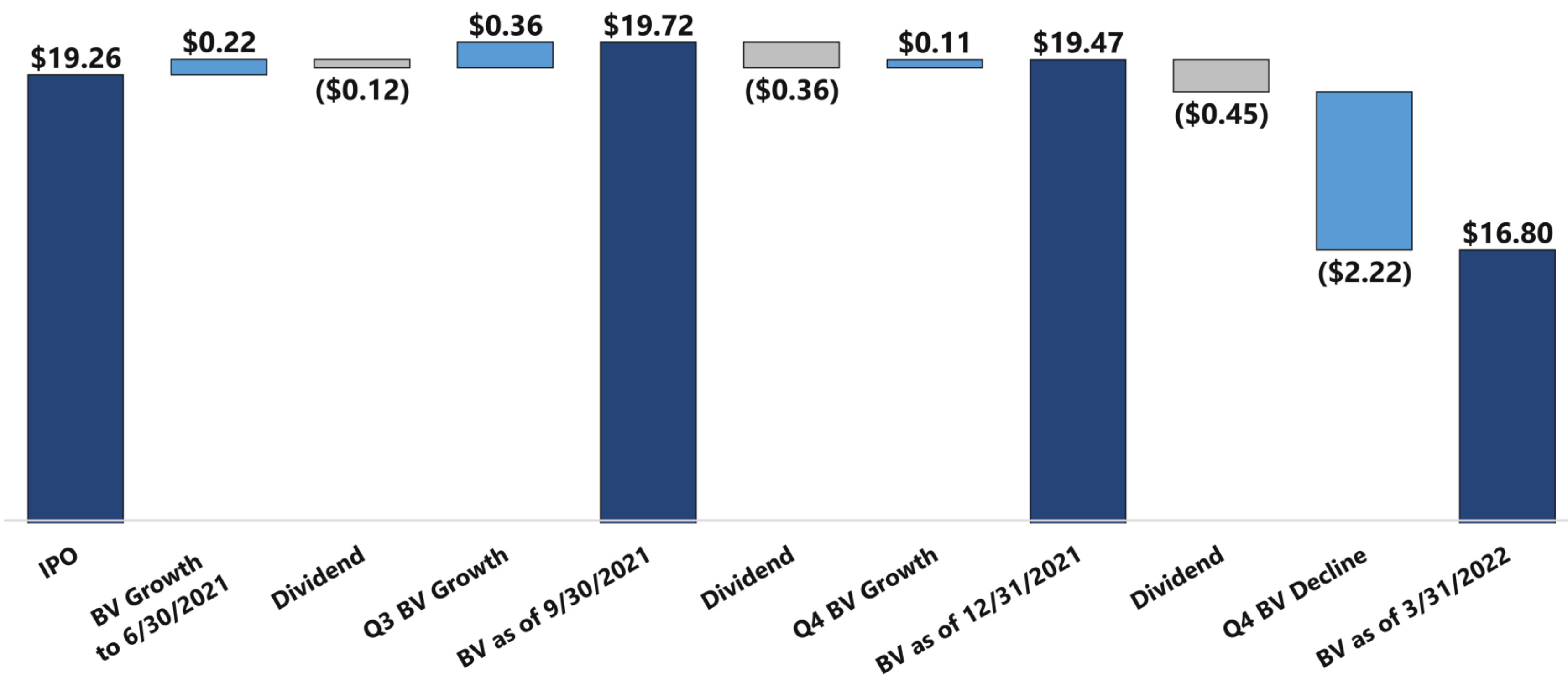



**KEY COMMENTARY**

- Target asset balance growth of 20% versus Q4 2021
- Portfolio growth continues to shift toward Residential Loans and Loans in Securitization Trust, which reflects the AOMR loan procurement and securitization strategy
- Over $108MM of loans purchased in Q2 2022 through April 30

[1] Displays Target Asset Balances as of quarter end, which includes Residential Loans, Loans in Securitization Trust, RMBS, Commercial Loans, and CMBS

# Book Value




## KEY COMMENTARY

- Book Value of $16.80 including impact of $0.45 dividend paid in March, down from $19.47 at end of FY21
- Q1 Book Value decrease driven by unrealized losses on mark-to-market on our whole loan, on-balance sheet securitization, and RMBS portfolios

# AOMR 2022-1 Securitization

AOMR closed its third post-IPO securitization for $537.6MM, with a 4.48% Weighted Average Coupon and a 3.06% Weighted Average Cost of Capital

## 2022-1 Securitization Details as of Deal Date

| Class | Total Balance | Balance Sold | Retained by AOMR | Initial Coupon | Total Proceeds |
|---|---|---|---|---|---|
| A1 | 416,347,000 | 416,347,000 | No | 2.881% | 417,673,403 |
| A2 | 40,587,000 | 40,587,000 | No | 3.137% | 40,728,075 |
| A3 | 31,179,000 | 31,179,000 | No | 3.290% | 31,292,465 |
| M1 | 21,772,000 | 21,772,000 | No | 4.086% | 21,641,424 |
| B1 | 6,450,000 | 6,450,000 | No | 4.086% | 6,186,989 |
| B2 | 7,526,000 | 4,600,000 | Partially | 4.086% | 4,259,073 |
| B3 | 13,708,902 | | Yes | 4.086% | |
| XS | 537,569,903 | | Yes | 1.051% | |
| A-IO-S | 537,569,903 | | Yes | 0.290% | |
| **Total** | **$537,569,902** | **$520,935,000** | | | **$521,781,429** |

## KEY COMMENTARY

- $537.6MM Securitization; Face Value of securities sold $520.9MM
- Weighted average coupon of loans underlying portfolio of **4.48%**
- Weighted average cost of capital of **3.06%**
- AOMR retained B2 (partial), B3, XS, A-IO-S tranches
- Average credit score: **744;** Average Loan-to-Value (LTV): **70.6%**

# Key Portfolio Statistics

# Key Portfolio Statistics: Residential Loans

**RESIDENTIAL LOAN PORTFOLIO:**

Residential Loans represent individual loans awaiting securitization

Total Fair Value: $1.1B

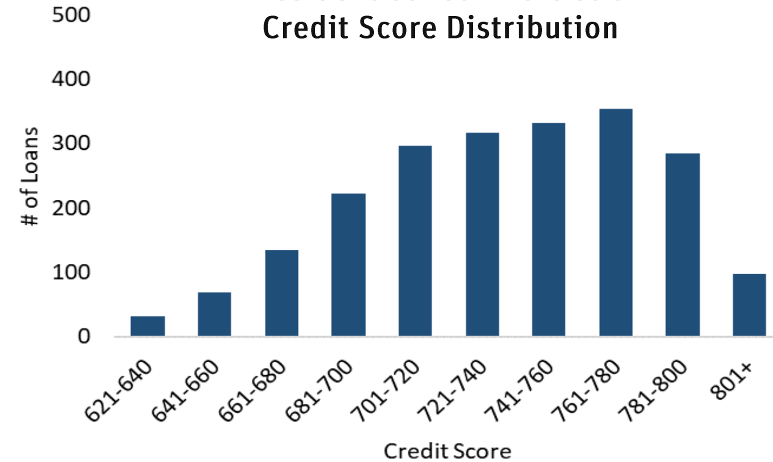
Weighted Average Coupon: 4.5%

Weighted Average LTV at Origination: 69.7%

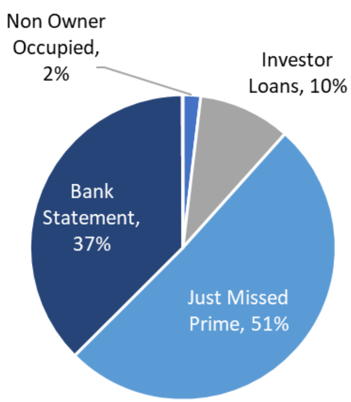
Weighted Average FICO Score at Loan Origination: 739

% of Loans 90+ Days Delinquent (based on Unpaid Principal Balance): 0.8%

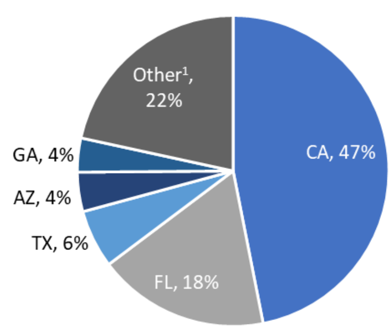
**Residential Loan Portfolio Credit Score Distribution**



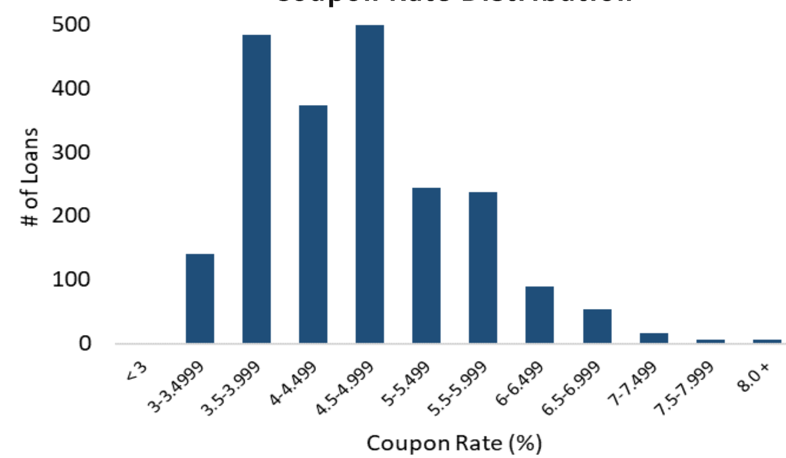

**Residential Loans by Product**




**Residential Loan Geographic Diversification**




**Residential Loan Portfolio Coupon Rate Distribution**

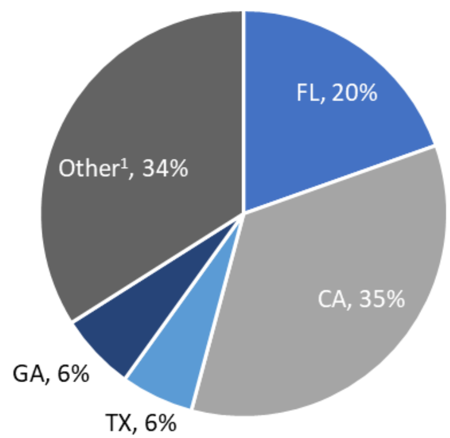



As of March 31, 2022.

# Key Portfolio Statistics: Loans in Securitization Trust

| *$000s* | AOMT 2021-4 | AOMT 2021-7 | AOMT 2022-1 | Total / Weighted Average |
|---|---|---|---|---|
| UPB of loans | $ 225,216 | $ 349,088 | $ 517,987 | $ 1,092,291 |
| Number of loans | 494 | 876 | 1,113 | 2,483 |
| Weighted Average Loan Coupon | 5.10% | 4.80% | 4.47% | 4.71% |
| Average Loan Amount | $ 456 | $ 399 | $ 465 | $ 442 |
| Weighted Average LTV at loan origination and deal date | 71% | 70% | 69% | 70% |
| Weighted Average Credit Score at loan origination and deal date | 740 | 743 | 748 | 745 |
| Current 3 month CPR | 51.0% | 21.8% | 18.8% | 26% |
| 90+ Delinquency (as a % of UPB) | 0.3% | 0.2% | 0.0% | 0.1% |

**Loans in Securitization Trust
Geographic Diversification**




As of March 31, 2021.
[1] No state in other represents more than a 3% in the underlying collateral

# Key Portfolio Statistics: RMBS

**RMBS PORTFOLIO:**

Our RMBS Portfolio represents the legacy securitizations that AOMR took part in before becoming a public company in June 2021 as well as any RMBS purchased in the secondary market. Only retained tranches of these securitizations are included on our Balance Sheet

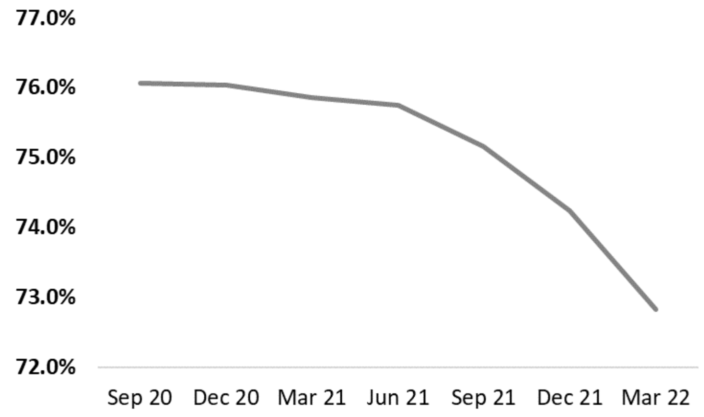
Total Fair Value: $491.3MM

Weighted Average Coupon: 6.5%

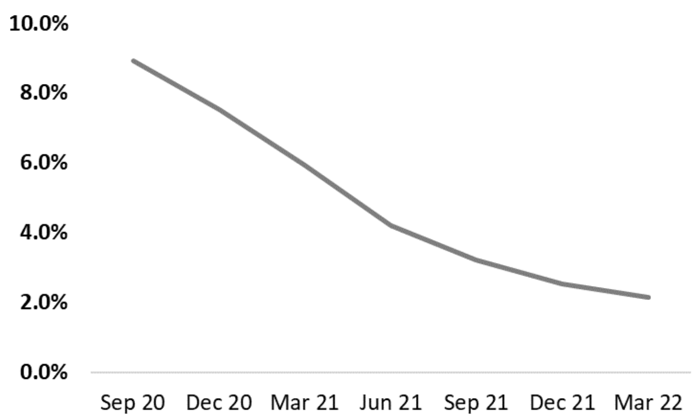
Weighted Average LTV: 73.0%

90 Day DLQ: 7.85%

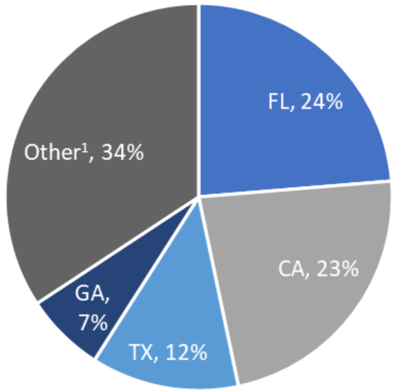
**RMBS Portfolio LTV Trend**




**RMBS Portfolio 90+ Day Delinquency Trend[2]**




**RMBS Portfolio Geographic Diversification**




As of March 31, 2022.

[1] No state in "Other" represents more than a 3% concentration of the underlying collateral; [2] As % of Original UPB

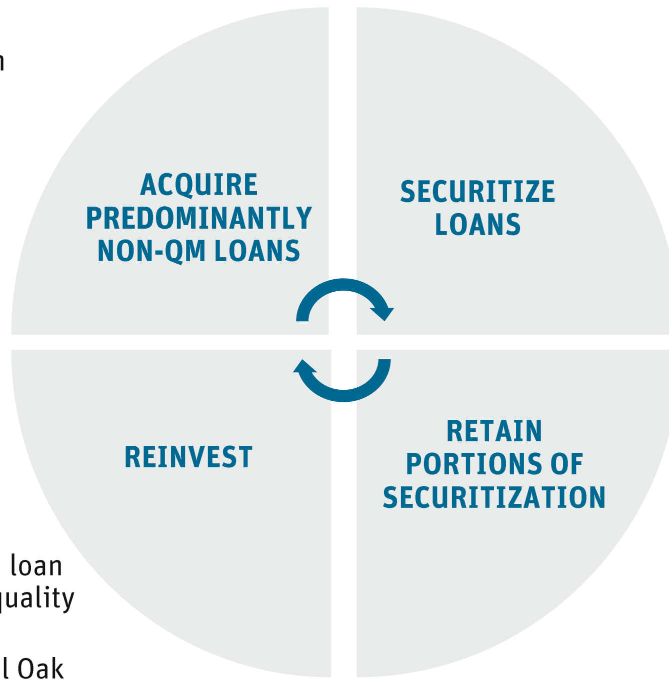
# Appendix

# AOMR Investment Strategy

Our acquisition, securitization, and reinvestment processes enable us to consistently deliver on our business model

- Non-QM loans offer an attractive risk-adjusted return in a growing market segment
- Loans are held on financing lines with global money centers, community banks, and regional banks

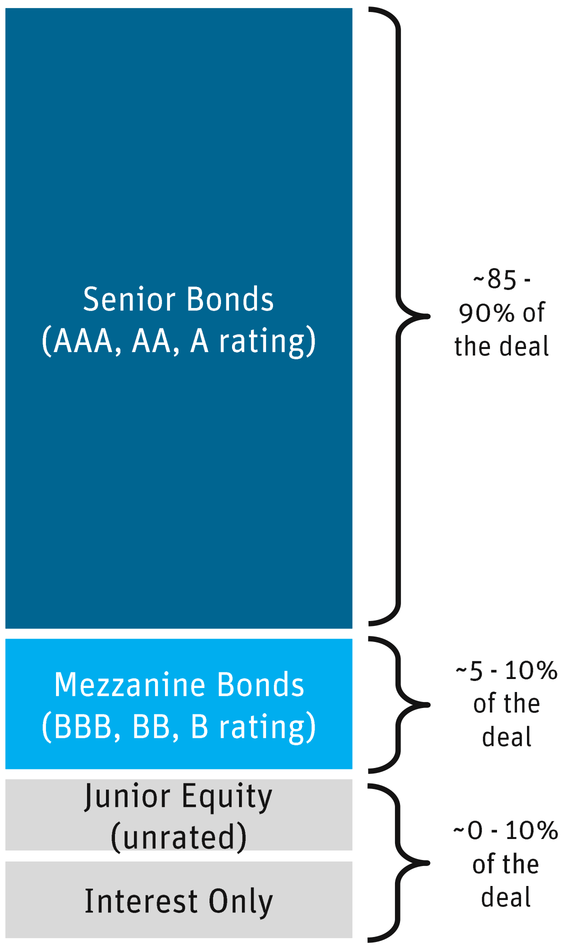
- Securitization enables us to:
  - Secure term financing on a regular, programmatic basis
  - Reduce cost of funding in many markets
  - Replace largely mark-to-market financial leverage with term structural leverage




- Utilize structural term leverage from securitizations, portfolio returns, and loan financing facilities to purchase high quality non-QM loans
- Utilize the breadth and depth of Angel Oak to act upon key market opportunities and risks

- Typically retain the bottom 4-10% of market value of the securitization
- Retention of subordinated and interest-only tranches can drive higher returns without additional financial leverage
- Borrowings against retained RMBS facilitated through repurchase agreements with Wall Street banks

# Illustrative Securitization Structure




## KEY CHARACTERISTICS

- Senior and mezzanine bonds receive a fixed coupon
- Junior bonds receive the net Weighted Average Coupon of collateral
- Interest-only tranches receive remaining excess spread between the collateral pool and the coupon on the senior, mezzanine, and junior bonds
  - This excess spread is sensitive to prepayments
- Bonds can typically be called after two to three years

- Angel Oak intends to retain bonds where it finds the best relative value, which may include Subordinated Bonds and Junior Equity (credit sensitive) and IO bonds (prepayment sensitive)
- Retaining these bonds creates a natural hedge in the portfolio as the B2 and B3 bonds tend to perform well in a faster prepayment environment, whereas the XS and AIOS interest only bonds tend to experience reduced cash flows

# Appendix: Q1 FY22 Income Statement (Unaudited)

| | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 |
|---|---|---|
| **INTEREST INCOME, NET** | | |
| Interest income | $ 27,109 | $ 10,033 |
| Interest expense | 10,170 | 832 |
| **NET INTEREST INCOME** | 16,939 | 9,201 |
| | | |
| **REALIZED AND UNREALIZED (LOSSES) GAINS, NET** | | |
| Net realized gain (loss) on mortgage loans, derivative contracts, RMBS, and CMBS | 26,416 | (2,288) |
| Net unrealized (loss) gain on mortgage loans and derivative contracts | (80,181) | 4,518 |
| **TOTAL REALIZED AND UNREALIZED (LOSSES) GAINS, NET** | (53,765) | 2,230 |
| | | |
| **EXPENSES** | | |
| Operating expenses | 3,784 | 523 |
| Operating expenses incurred with affiliate | 855 | 439 |
| Due diligence and transaction costs | 770 | 64 |
| Stock compensation | 871 | - |
| Securitization costs | 2,019 | - |
| Management fee incurred with affiliate | 1,873 | 918 |
| Total operating expenses | 10,172 | 1,944 |
| | | |
| **INCOME BEFORE INCOME TAXES** | (46,998) | 9,487 |
| Income tax benefit | (3,457) | - |
| **NET (LOSS) INCOME** | $ (43,541) | $ 9,487 |
| Preferred dividends | (4) | (4) |
| **NET (LOSS) INCOME ALLOCABLE TO COMMON STOCKHOLDER(S)** | $ (43,545) | $ 9,483 |
| Other comprehensive (loss) income | (12,987) | 529 |
| **TOTAL COMPREHENSIVE (LOSS) INCOME** | $ (56,532) | $ 10,012 |
| | | |
| Basic (loss) earnings per common share | $ (1.77) | $ 0.60 |
| Diluted (loss) earnings per common share | $ (1.77) | $ 0.60 |
| | | |
| Weighted average basic | 24,642,961 | 15,724,050 |
| Weighted average diluted | 24,642,961 | 15,724,050 |

# Appendix: Consolidated Balance Sheet (Unaudited)

| | March 31, 2022 | December 31, 2021 |
|---|---|---|
| **ASSETS** | | |
| Residential mortgage loans - at fair value | $ 1,103,773 | $ 1,061,912 |
| Residential mortgage loans in securitization trusts - at fair value | 1,077,967 | 667,365 |
| Commercial mortgage loans - at fair value | 20,704 | 18,664 |
| RMBS - at fair value | 491,287 | 485,634 |
| CMBS - at fair value | 10,055 | 10,756 |
| U.S. Treasury securities - at fair value | 349,992 | 249,999 |
| Cash and cash equivalents | 90,445 | 40,801 |
| Restricted cash | 5,448 | 11,508 |
| Principal and interest receivable | 28,012 | 25,984 |
| Unrealized appreciation on TBAs and interest rate futures contracts - at fair value | 17,027 | 2,428 |
| Other assets | 3,491 | 2,878 |
| Total assets | $ 3,198,201 | $ 2,577,929 |

# Appendix: Consolidated Balance Sheet Cont. (Unaudited)

| | | |
|---|---|---|
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| LIABILITIES | | |
| Notes payable | $ 956,165 | $ 853,408 |
| Non-recourse securitization obligation, collateralized by residential mortgage loans - at fair value | 1,031,200 | 616,557 |
| Securities sold under agreements to repurchase | 477,422 | 609,251 |
| Unrealized depreciation on TBAs and interest rate futures contracts - at fair value | - | 728 |
| Due to broker | 298,654 | - |
| Collateral due to counterparties | 8,024 | - |
| Accrued expenses | 530 | 442 |
| Accrued expenses payable to affiliate | 1,204 | 1,425 |
| Interest payable | 1,709 | 1,283 |
| Income taxes payable | - | 1,600 |
| Management fee payable to affiliate | 1,857 | 1,845 |
| Total liabilities | $ 2,776,765 | $ 2,086,539 |
| STOCKHOLDERS' EQUITY | | |
| Series A preferred stock, $.01 par value, 12% cumulative, non-voting, 125 shares authorized, issued, and outstanding as of March 31, 2022 and December 31, 2021 | 101 | 101 |
| Common stock, $0.01 par value. As of March 31, 2022: 350,000,000 shares authorized, 25,227,328 shares issued and outstanding. As of December 31, 2021: 350,000,000 shares authorized, 25,227,328 shares issued and outstanding. | 252 | 252 |
| Additional paid-in capital | 463,088 | 476,510 |
| Accumulated other comprehensive (loss) income | (9,987) | 3,000 |
| Retained (deficit) earnings | (32,018) | 11,527 |
| Total stockholders' equity | $ 421,436 | $ 491,390 |
| Total liabilities and stockholders' equity | $ 3,198,201 | $ 2,577,929 |

# Appendix: Q1 FY22 GAAP Reconciliation of Distributable Earnings

| | Three Months Ended | |
|---|---|---|
| | March 31, 2022 | March 31, 2021 |
| | *(in thousands)* | |
| **Net income allocable to common stockholder(s)** | $ (43,545) | $ 9,483 |
| Adjustments: | | |
| Net realized and unrealized (gains) losses on derivatives | (15,326) | (1,610) |
| Net unrealized (gains) losses on residential loans in securitization trusts and non-recourse securitization obligation | 30,210 | |
| Net unrealized (gains) losses on residential loans | 64,587 | (2,892) |
| Net unrealized (gains) losses on commercial loans | 496 | (142) |
| Non-cash equity compensation expense | 871 | -- |
| **Distributable Earnings** | $ 37,293 | $ 4,839 |
| **Annualized Distributable Earnings Return on Average Equity** | | |
| Annualized Distributable Earnings | $ 149,171 | $ 19,356 |
| Average total stockholder(s)' equity | 456,415 | 281,481 |
| Distributable Earnings Return on Average Equity | 32.7% | 6.9% |

Distributable Earnings is a non-GAAP measure and is defined as net income (loss) allocable to common stockholders as calculated in accordance with 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 between 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. Therefore, 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.

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.