



## ARMOUR Residential REIT, Inc. Announces Q3 Results and September 30, 2023 Financial Position; Increased Stock Repurchase Authorization

October 25, 2023

VERO BEACH, Florida, Oct. 25, 2023 (GLOBE NEWSWIRE) -- ARMOUR Residential REIT, Inc. (NYSE: ARR and ARR PRC) ("ARMOUR" or the "Company") today announced the Company's Q3 results and September 30, 2023 financial position. All common share and per common share amounts reflect the previously announced one-for-five reverse stock split (the "Reverse Stock Split"), which was completed on September 29, 2023.

### ARMOUR's Q3 2023 Results

- o Loss attributable to common stockholders of \$(182.2) million or \$(3.92) per common share.
- o Net interest income of \$3.6 million.
- o Distributable Earnings available to common stockholders of \$50.2 million, which represents \$1.08 per common share (see explanation of this non-GAAP measure on page 3).
- o Asset yield of 4.65%, less net cost of funds of 2.92% for a net interest margin of 1.73%.
- o Paid common stock dividends of \$0.40 per share per month.
- o Raised \$191.4 million of capital by issuing 7,628,578 common shares through at the market offerings.

### ARMOUR' s September 30, 2023 Financial Position

- o Book value per common share of \$21.73 resulting from:

<b>Book Value, June 30, 2023</b>	\$	26.90
Net loss per common share		(3.92)
Less: Common dividends per common share		(1.20)
Equity Capital Activities, net		(0.05)
<b>Book Value, September 30, 2023</b>	\$	21.73

- o Liquidity, including cash and unencumbered agency and U.S. government securities, of \$499.0 million.
- o Agency mortgage-backed securities ("MBS") portfolio totaled \$12.0 billion, net of To Be Announced ("TBA") Security positions.
- o Repurchase agreements totaled \$11.5 billion; 50.1% were with ARMOUR affiliate BUCKLER Securities LLC.
- o Debt to equity ratio of 9.3 to 1 (based on repurchase agreements divided by total stockholders' equity). Implied leverage, including TBA Securities and forward settling sales and unsettled purchases was 8.9 to 1.
- o Interest Rate swap contracts totaled \$8.3 billion of notional amount, representing 76% of total repurchase agreement and TBA Securities.

### Stock Repurchase Authorization

On October 24, 2023, ARMOUR's board of directors authorized an increase to the current common stock repurchase authorization to authorize the Company to repurchase up to an aggregate of 2,500,000 shares of the Company's outstanding common stock, par value \$0.001 per share, effective October 30, 2023.

Book value per common share consisted of:

	<b>September 30, 2023</b>
	(in millions except per share)
Common stock, at par value - 48,995,384 shares outstanding	\$ 0.1
Additional paid-in capital	4,320.6
Cumulative distributions to stockholders	(2,158.5)
Accumulated net loss	(926.1)
<b>Total Stockholders' Equity</b>	<b>\$ 1,236.1</b>
Less: liquidation preference - 7.00% Cumulative Redeemable Preferred C Stock - 6,846,978 shares outstanding	(171.2)

Equity Attributable to Common Stockholders	\$ 1,064.9
Book value per common share	\$ 21.73

The major drivers of the change in the Company's financial position during Q3 were:

	<b>Q3 2023</b>
	(in millions)
<b>Total Stockholders' Equity – Beginning</b>	\$ 1,283.0
<b>Income (Loss)</b>	
Investment in securities: <sup>(1)</sup>	
Loss on MBS	\$ (474.8)
Gain on U.S. Treasury Securities	5.4
Gain on TBA Securities	26.9
Amortization of prior unrealized losses	6.5
Interest rate swaps:	
Net interest income	58.2
Gains	250.4
Amortization of prior unrealized gains	(46.5)
Futures contracts:	
Net interest income	1.1
Gains <sup>(1)</sup>	1.1
Net Interest Income	3.6
Total Expenses after fees waived <sup>(2)</sup>	(11.1)
<b>Net Loss</b>	\$ (179.2)
<b>Dividends</b>	(59.8)
<b>Capital Activities</b>	
Issuance of common stock	192.3
Fractional common shares repurchased	(0.2)
<b>Total Stockholders' Equity – Ending</b>	\$ 1,236.1

(1) Includes both realized and unrealized gains and losses.

(2) The Company's external manager has waived a portion of its contractual management fee at the rate of \$1.65 million for Q3 2023.

**Condensed balance sheet information:**

	<b>September 30, 2023</b>
	(in millions)
<b>Assets:</b>	
Cash	\$ 133.5
Cash collateral posted to counterparties	13.6
Agency Securities, at fair value	12,384.1
Receivable for unsettled sales	96.5
Derivatives, at fair value	1,231.1
Accrued interest receivable	54.4
Prepaid and other	1.0
<b>Total Assets</b>	\$ 13,914.2
<b>Liabilities:</b>	
Repurchase agreements, net	\$ 11,504.2
Cash collateral posted by counterparties	1,133.3
Accrued interest payable- repurchase agreements	30.8
Accounts payable and other accrued expenses	9.8
<b>Total Liabilities</b>	12,678.1

**Stockholders' Equity:**

Common stock (\$0.001 par value per share) - 48,995,384 shares outstanding:	0.1
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Additional paid-in capital	4,320.6
Cumulative distributions to stockholders	(2,158.5)
Accumulated net loss	(926.1)
Total Stockholders' Equity	<u>1,236.1</u>
Total Liabilities and Stockholders' Equity	\$ 13,914.2

### Distributable Earnings

Distributable Earnings is a non-GAAP measure defined as net interest income plus TBA Drop Income adjusted for the net coupon effect of interest rate swaps and futures contracts minus net operating expenses. Distributable Earnings is based on the historical cost basis of our Agency Securities, interest rate swaps and futures contracts. Distributable Earnings differs, potentially significantly, from net interest income and from net income (loss) (which includes realized gains and losses and market value adjustments). The net coupon effect of interest rate swaps is the primary driver of market value adjustments on these positions that were recognized in net income (loss) and total stockholders' equity in prior periods.

For a portion of its Agency Securities the Company may enter into TBA forward contracts for the purchase or sale of Agency Securities at a predetermined price, face amount, issuer, coupon and stated maturity on an agreed-upon future date, but the particular Agency Securities to be delivered are not identified until shortly before the TBA settlement date. The Company accounts for TBA Agency Securities as derivative instruments if it is reasonably possible that it will not take or make physical delivery of the Agency Securities upon settlement of the contract. The Company may choose, prior to settlement, to move the settlement of these securities out to a later date by entering into an offsetting short or long position (referred to as a "pair off"), net settling the paired off positions for cash, and simultaneously purchasing or selling a similar TBA Agency Security for a later settlement date. This transaction is commonly referred to as a "dollar roll." The Company accounts for TBA dollar roll transactions as a series of derivative transactions.

Forward settling TBA contracts typically trade at a discount, or "Drop," to the regular settled TBA contract to reflect the expected interest income on the underlying deliverable Agency Securities, net of an implied financing cost, which would have been earned by the buyer if the contract settled on the next regular settlement date. When the Company enters into TBA contracts to buy Agency Securities for forward settlement, it earns this "TBA Drop Income," because the TBA contract is essentially equivalent to a leveraged investment in the underlying Agency Securities. The amount of TBA Drop Income is calculated as the difference between the spot price of similar TBA contracts for regular settlement and the forward settlement price on the trade date. The Company generally accounts for TBA contracts as derivatives and TBA Drop Income is included as part of the periodic changes in fair value of the TBA contracts that the Company recognizes currently in the Other Income (Loss) section of its Consolidated Statement of Operations.

### Regulation G Reconciliation

The Company believes that Distributable Earnings and Distributable Earnings per common share may be useful to investors because our Board of Directors considers Distributable Earnings and Distributable Earnings per common share as part of its deliberations when determining the level of dividends on our common stock. Distributable Earnings and Distributable Earnings per common share tend to be more stable over time and this practice is designed to increase the stability of our common stock dividend from month to month. However, because Distributable Earnings is an incomplete measure of the Company's financial performance and involves significant differences from net interest income and net income (loss) computed in accordance with GAAP, Distributable Earnings should be considered as supplementary to, and not as a substitute for, the Company's net interest income and net income (loss) computed in accordance with GAAP as a measure of the Company's financial performance.

The elements of ARMOUR's Distributable Earnings and Distributable Earnings per common share and a reconciliation of those amounts to the Company's Net Interest Income, Net Loss and Net Loss per common share appear below:

	<b>Q3 2023</b>
	<b>(unaudited)</b>
	(in millions)
<b>Net Interest Income</b>	\$ 3.6
TBA Drop Income	1.4
Net interest income on interest rate swaps	58.2
Net interest income on futures contracts	1.1
Total Expenses after fees waived	(11.1)
<b>Distributable Earnings</b>	<u>\$ 53.2</u>
Dividends on Preferred Stock	(3.0)
<b>Distributable Earnings available to common stockholders</b>	<u>\$ 50.2</u>
<b>Distributable Earnings per common share</b>	\$ 1.08
<b>Net Loss</b>	\$ (179.2)
<b>Items Excluded from Distributable Earnings:</b>	

Loss on MBS	474.8
Gain on U.S. Treasury Securities	(5.4)
Gain on TBA Securities, less TBA Drop Income	(25.5)
Amortization of prior unrealized net gains	40.0
Gain on futures contracts	(1.1)
Gains on interest rate swaps	(250.4)
Add net	\$ 232.4
<b>Distributable Earnings</b>	\$ 53.2
Dividends on Preferred Stock	(3.0)
<b>Distributable Earnings available to common stockholders</b>	\$ 50.2
<b>Distributable Earnings per common share</b>	\$ 1.08
<b>Net Loss</b>	\$ (179.2)
Dividends on Preferred Stock	(3.0)
<b>Net loss related to common stockholders</b>	\$ (182.2)
<b>Net loss per common share</b>	\$ (3.92)
Weighted average common shares outstanding - 46,506,373	

## Company Update

At the close of business on October 24, 2023:

- o Common stock outstanding of 48,995,384 shares.
- o 7.00% Cumulative Redeemable Preferred C Stock ("Series C Preferred Stock") with liquidation preference totaling approximately \$171.2 million.
- o Estimated Book value per common share was approximately \$17.95.
- o Liquidity, including cash and unencumbered securities, exceeded \$354 million. MBS principal and interest receivable due October 25, 2023 totaled \$110 million.
- o Securities portfolio included approximately \$9.7 billion of Agency MBS (including TBA Securities).
- o Debt to equity ratio (based on repurchase agreements divided by total stockholders' equity) was approximately 8.9 to 1. Leverage, including TBA Securities was approximately 8.4 to 1. Implied leverage, including TBA Securities and forward settling sales and unsettled purchases was 7.9 to 1.

## Dividends

ARMOUR paid monthly cash dividends of \$0.40 per share of the Company's common stock each month in Q3 2023. On October 30, 2023, a cash dividend of \$0.40 per outstanding common share will be paid to holders of record on October 16, 2023. We have also declared a cash dividend of \$0.40 per outstanding common share payable November 29, 2023 and December 28, 2023 to holders of record on November 15, 2023 and December 15, 2023, respectively. ARMOUR's Board of Directors will determine future common dividend rates based on an evaluation of the Company's results, financial position, real estate investment trust ("REIT") tax requirements, and overall market conditions as the quarter progresses. In order to maintain ARMOUR's tax status as a REIT, the Company is required to timely distribute substantially all of its ordinary REIT taxable income for the tax year.

ARMOUR paid monthly cash dividends of \$0.14583 per share of the Company's Series C Preferred Stock for each month in Q3 2023. On October 27, 2023, a cash dividend of \$0.14583 per outstanding share of Series C Preferred Stock will be paid to holders of record on October 15, 2023. We have also declared cash dividends of \$0.14583 per outstanding share of Series C Preferred Stock payable November 27, 2023 to holders of record on November 15, 2023 and payable December 27, 2023 to holders of record on December 15, 2023.

The Company forecasts that Series C Preferred Stock dividends for 2023 will likely be treated as fully taxable ordinary income. Common stock dividends for 2023 will likely be treated, at least partially, as taxable ordinary income.

## Conference Call

As previously announced, the Company will provide an online, real-time webcast of its conference call with equity analysts covering Q3 2023 operating results on Thursday, October 26, 2023, at 8:00 a.m. (Eastern Time). The live broadcast will be available online and can be accessed at <https://event.choruscall.com/mediaframe/webcast.html?webcastid=uBstlvnb>. To monitor the live webcast, please visit the website at least 15 minutes prior to the start of the call to register, download, and install any necessary audio software. An online replay of the event will be available on the Company's website at [www.armourreit.com](http://www.armourreit.com) and continue for one year.

## ARMOUR Residential REIT, Inc.

ARMOUR invests primarily in fixed rate residential, adjustable rate and hybrid adjustable rate residential mortgage-backed securities issued or guaranteed by U.S. Government-sponsored enterprises or guaranteed by the Government National Mortgage

Association. ARMOUR is externally managed and advised by ARMOUR Capital Management LP, an investment advisor registered with the Securities and Exchange Commission ("SEC").

### **Safe Harbor**

This press release includes "forward-looking statements" within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. Actual results may differ from expectations, estimates and projections and, consequently, you should not rely on these forward-looking statements as predictions of future events. Words such as "expect," "estimate," "project," "budget," "forecast," "anticipate," "intend," "plan," "may," "will," "could," "should," "believes," "predicts," "potential," "continue," and similar expressions are intended to identify such forward-looking statements. These forward-looking statements involve significant risks and uncertainties that could cause the actual results to differ materially from the expected results. Additional information concerning these, the impact of the COVID-19 pandemic on the Company's operational and financial performance and other risk factors are contained in the Company's most recent filings with the SEC. All subsequent written and oral forward-looking statements concerning the Company are expressly qualified in their entirety by the cautionary statements above. The Company cautions readers not to place undue reliance upon any forward-looking statements, which speak only as of the date made. The Company does not undertake or accept any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements to reflect any change in its expectations or any change in events, conditions or circumstances on which any such statement is based, except as required by law.

### **Additional Information and Where to Find It**

Investors, security holders and other interested persons may find ARMOUR's most recent Company Update and additional information regarding the Company at the SEC's internet site at [www.sec.gov](http://www.sec.gov), or the Company website at [www.armourreit.com](http://www.armourreit.com) or by directing requests to: ARMOUR Residential REIT, Inc., 3001 Ocean Drive, Suite 201, Vero Beach, Florida 32963, Attention: Investor Relations.

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