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 September 30, 2024
OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _________ to _________

ARMOUR RESIDENTIAL REIT, INC.

(Exact name of registrant as specified in its charter)

Maryland	001-34766	26-1908763
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

3001 Ocean Drive, Suite 201, Vero Beach, FL 32963

(Address of principal executive offices)(zip code)

(772) 617-4340

(Registrant's telephone number, including area code)

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

Title of Each Class	Trading symbols	Name of Exchange on which registered
Preferred Stock, 7.00% Series C Cumulative Redeemable	ARR-PRC	New York Stock Exchange
Common Stock, $0.001 par value	ARR	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 a 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 number of outstanding shares of the Registrant's common stock as of October 22, 2024 was 55,760,266.

ARMOUR Residential REIT, Inc.
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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements

ARMOUR Residential REIT, Inc.
CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(in thousands, except per share)

	September 30, 2024	December 31, 2023
Assets		
Cash and cash equivalents	$ 63,855	$ 221,888
Cash collateral posted to counterparties	134,246	36,970
Investments in securities, at fair value		
Agency Securities (including pledged securities of $11,248,953 ($5,026,931 with BUCKLER) at September 30, 2024 and $10,599,340 ($5,400,138 with BUCKLER) at December 31, 2023)	12,422,762	11,159,754
Derivatives, at fair value	731,774	877,412
Accrued interest receivable	49,000	47,111
Prepaid and other	2,848	1,260
Total Assets	$ 13,404,485	$ 12,344,395
Liabilities and Stockholders' Equity		
Liabilities:		
Repurchase agreements, net (including $4,213,627 and $4,667,483, respectively with BUCKLER)	$ 10,186,415	$ 9,647,982
Obligations to return securities received as collateral, at fair value	522,660	350,273
Cash collateral posted by counterparties	692,778	860,130
Payable for unsettled purchases	587,263	171,513
Derivatives, at fair value	57,890	5,036
Accrued interest payable- repurchase agreements (including $4,843 and $12,345, respectively with BUCKLER)	24,858	26,509
Accrued interest payable- U.S. Treasury Securities sold short	7,294	5,049
Accounts payable and other accrued expenses	8,470	6,719
Total Liabilities	$ 12,087,628	$ 11,073,211
Commitments and contingencies (Note 9 and Note 15)		
Stockholders' Equity:		
Preferred stock, $0.001 par value, 50,000 shares authorized; 7.00% Series C Cumulative Preferred Stock; 6,847 shares issued and outstanding ($25.00 per share liquidation preference)	7	7
Common stock, $0.001 par value, 125,000 and 90,000 shares authorized; 55,192 shares and 48,799 shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively.	55	49
Additional paid-in capital	4,448,815	4,318,155
Cumulative distributions to stockholders	(2,337,606)	(2,220,567)
Accumulated net loss	(794,414)	(826,460)
Total Stockholders' Equity	$ 1,316,857	$ 1,271,184
Total Liabilities and Stockholders' Equity	$ 13,404,485	$ 12,344,395

See financial statement notes (unaudited).

ARMOUR Residential REIT, Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS) (UNAUDITED)
(in thousands, except per share)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Interest Income:				
Interest Income (includes $973 with BUCKLER for the nine months ended September 30, 2023)	$ 127,060	$ 153,636	$ 398,465	$ 406,706
Interest expense (including $(55,940) and $(72,206) and $(192,061) and $(180,555), respectively with BUCKLER)	(125,221)	(150,041)	(384,326)	(385,361)
Net Interest Income	$ 1,839	$ 3,595	$ 14,139	$ 21,345
Other Income (Loss):				
Realized loss on sale of available for sale Agency Securities (reclassified from Comprehensive Income (Loss))	—	—	—	(7,471)
Gain (Loss) on Agency Securities, trading	306,141	(468,280)	55,522	(505,573)
Gain (Loss) on U.S. Treasury Securities	(21,695)	5,438	8,376	5,517
Gain (Loss) on derivatives, net [1]	(209,959)	291,142	(3,829)	350,932
Total Other Income (Loss)	$ 74,487	$ (171,700)	$ 60,069	$ (156,595)
Expenses:				
Management fees	9,920	9,719	29,530	28,355
Compensation	1,137	1,262	3,709	3,682
Other operating	1,039	1,732	13,873	5,228
Total Expenses	$ 12,096	$ 12,713	$ 47,112	$ 37,265
Less management fees waived	(1,650)	(1,650)	(4,950)	(4,950)
Total Expenses after fees waived	$ 10,446	$ 11,063	$ 42,162	$ 32,315
Net Income (Loss)	$ 65,880	$ (179,168)	$ 32,046	$ (167,565)
Dividends on preferred stock	(2,995)	(2,995)	(8,986)	(8,986)
Net Income (Loss) available (related) to common stockholders	$ 62,885	$ (182,163)	$ 23,060	$ (176,551)
Net Income (Loss)	$ 65,880	$ (179,168)	$ 32,046	$ (167,565)
Reclassification adjustment for realized loss on sale of available for sale Agency Securities	—	—	—	7,471
Net unrealized gain on available for sale Agency Securities	—	—	—	4,056
Other Comprehensive Income	—	—	—	11,527
Comprehensive Income (Loss)	$ 65,880	$ (179,168)	$ 32,046	$ (156,038)
Dividends on preferred stock	(2,995)	(2,995)	(8,986)	(8,986)
Comprehensive Income (Loss) available (related) to common stockholders	$ 62,885	$ (182,163)	$ 23,060	$ (165,024)

Continued

ARMOUR Residential REIT, Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS) (UNAUDITED)
(in thousands, except per share)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Net Income (Loss) per share available (related) to common stockholders (Note 12):				
Basic	$ 1.22	$ (3.92)	$ 0.46	$ (4.30)
Diluted	$ 1.21	$ (3.92)	$ 0.46	$ (4.30)
Dividends declared per common share	$ 0.72	$ 1.20	$ 2.16	$ 3.80
Weighted average common shares outstanding:				
Basic	51,647	46,506	49,736	41,089
Diluted	51,833	46,506	49,922	41,089

(1) Interest income and expense related to our interest rate swap contracts is recorded in gain (loss) on derivatives, net on the consolidated statements of operations and comprehensive income (loss). For additional information, see financial statement Note 8.

See financial statement notes (unaudited).

ARMOUR Residential REIT, Inc.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)
(in thousands)

	Shares		Par						
	Preferred Stock	Common Stock	Preferred Stock	Common Stock	Additional Paid-in Capital	Cumulative Distributions to Stockholders	Accumulated Net Loss	Accumulated Other Comprehensive Income (Loss)	Total Stockholders'Equity
Balance, June 30, 2023	6,847	41,362	$ 7	$ 41	$4,128,568	$ (2,098,693)	$ (746,934)	$ —	$ 1,282,989
Comprehensive Income (Loss)	—	—	—	—	—	—	(179,168)	—	(179,168)
Issuance of common stock, net	—	7,630	—	8	191,458	—	—	—	191,466
Stock based compensation, net of withholding requirements	—	14	—	—	828	—	—	—	828
Common stock repurchased	—	(11)	—	—	(233)	—	—	—	(233)
Preferred stock dividends	—	—	—	—	—	(2,995)	—	—	(2,995)
Common stock dividends	—	—	—	—	—	(56,838)	—	—	(56,838)
Balance, September 30, 2023	6,847	48,995	$ 7	$ 49	$4,320,621	$ (2,158,526)	$ (926,102)	$ —	$ 1,236,049
Balance, June 30, 2024	6,847	48,765	7	49	4,318,666	(2,297,136)	(860,294)	—	1,161,292
Comprehensive Income (Loss)	—	—	—	—	—	—	65,880	—	65,880
Issuance of common stock, net	—	6,415	—	6	129,388	—	—	—	129,394
Stock based compensation, net of withholding requirements	—	12	—	—	761	—	—	—	761
Preferred stock dividends	—	—	—	—	—	(2,995)	—	—	(2,995)
Common stock dividends	—	—	—	—	—	(37,475)	—	—	(37,475)
Balance, September 30, 2024	6,847	55,192	$ 7	$ 55	$4,448,815	$ (2,337,606)	$ (794,414)	$ —	$ 1,316,857

Continued

ARMOUR Residential REIT, Inc.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)
(in thousands)

	Shares		Par						
	Preferred Stock	Common Stock	Preferred Stock	Common Stock	Additional Paid-in Capital	Cumulative Distributions to Stockholders	Accumulated Net Loss	Accumulated Other Comprehensive Income (Loss)	Total Stockholders'Equity
Balance, December 31, 2022	6,847	32,582	$ 7	$ 33	$3,874,757	$ (1,992,361)	$ (758,537)	$ (11,527)	1,112,372
Comprehensive Income (Loss)	—	—	—	—	—	—	(167,565)	11,527	(156,038)
Issuance of common stock, net	—	16,634	—	16	450,132	—	—	—	450,148
Stock based compensation, net of withholding requirements	—	43	—	—	2,341	—	—	—	2,341
Common stock repurchased	—	(264)	—	—	(6,609)	—	—	—	(6,609)
Series C Preferred dividends declared	—	—	—	—	—	(8,986)	—	—	(8,986)
Common stock dividends declared	—	—	—	—	—	(157,179)	—	—	(157,179)
Balance, September 30, 2023	6,847	48,995	$ 7	$ 49	$4,320,621	$ (2,158,526)	$ (926,102)	$ —	$ 1,236,049
Balance, December 31, 2023	6,847	48,799	$ 7	$ 49	$4,318,155	$ (2,220,567)	$ (826,460)	$ —	$ 1,271,184
Comprehensive Income (Loss)	—	—	—	—	—	—	32,046	—	32,046
Issuance of common stock, net	—	6,417	—	6	129,424	—	—	—	129,430
Stock based compensation, net of withholding requirements	—	46	—	—	2,580	—	—	—	2,580
Common stock repurchased	—	(70)	—	—	(1,344)	—	—	—	(1,344)
Series C Preferred dividends declared	—	—	—	—	—	(8,986)	—	—	(8,986)
Common stock dividends declared	—	—	—	—	—	(108,053)	—	—	(108,053)
Balance, September 30, 2024	6,847	55,192	$ 7	$ 55	$4,448,815	$ (2,337,606)	$ (794,414)	$ —	$ 1,316,857

See financial statement notes (unaudited).

ARMOUR Residential REIT, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(in thousands)

	For the Nine Months Ended September 30,	
	2024	2023
Cash Flows From Operating Activities:		
Net Income (Loss)	$ 32,046	$ (167,565)
Adjustments to reconcile net income (loss) to net cash and cash equivalents and cash collateral posted to counterparties provided by operating activities:		
Net amortization of premium on Agency Securities	188	3,189
Net amortization of U.S. Treasury Securities	—	132
Realized loss on sale of Agency Securities, available for sale	—	7,471
(Gain) Loss on Agency Securities, trading	(55,522)	505,573
Gain on U.S. Treasury Securities	(8,376)	(5,517)
Stock based compensation	2,580	2,341
Changes in operating assets and liabilities:		
Increase in accrued interest receivable	(1,035)	(26,129)
Decrease in prepaid and other assets	299	1,118
Change in derivatives, at fair value	198,492	(259,617)
Increase (Decrease) in accrued interest payable- repurchase agreements	(1,651)	11,668
Increase (Decrease) in accrued interest payable- U.S. Treasury Securities sold short	2,245	(3,418)
Increase in accounts payable and other accrued expenses	1,751	3,226
Net cash and cash equivalents and cash collateral posted to counterparties provided by operating activities	$ 171,017	$ 72,472
Cash Flows From Investing Activities:		
Purchases of Agency Securities (includes $0 and $57,039 with BUCKLER, respectively)	(5,502,474)	(10,013,127)
Purchases of U.S. Treasury Securities (includes $0 and $155,857 with BUCKLER, respectively)	(869,257)	(1,111,123)
Principal repayments of Agency Securities	687,362	622,330
Proceeds from sales of Agency Securities	4,022,334	4,251,123
Proceeds from sales of U.S. Treasury Securities (includes $0 and $154,875 with BUCKLER, respectively)	1,050,020	613,852
Disbursements on reverse repurchase agreements (includes $(3,725,263) and $(1,057,803) with BUCKLER, respectively)	(4,808,012)	(1,057,803)
Receipts from reverse repurchase agreements (includes $3,610,013 and $1,762,079 with BUCKLER, respectively)	4,639,012	1,762,079
Increase (Decrease) in cash collateral posted by counterparties	(167,352)	169,736
Proceeds from subordinated loan due from BUCKLER	—	105,000
Net cash and cash equivalents and cash collateral posted to counterparties used in investing activities	$ (948,367)	$ (4,657,933)
Cash Flows From Financing Activities:		
Issuance of common stock, net of expenses	127,514	450,148
Proceeds from repurchase agreements (including $41,619,024 and $53,152,051, respectively with BUCKLER)	71,693,256	89,831,839
Principal repayments on repurchase agreements (including $(41,957,630) and $(51,336,703), respectively with BUCKLER)	(70,985,823)	(85,494,981)
Series C Preferred stock dividends paid	(8,986)	(8,986)
Common stock dividends paid	(108,024)	(157,179)
Common stock repurchased	(1,344)	(6,376)
Net cash and cash equivalents and cash collateral posted to counterparties provided by financing activities	$ 716,593	$ 4,614,465

(Continued)

ARMOUR Residential REIT, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(in thousands)

	For the Nine Months Ended September 30,	
	2024	2023
Net increase (decrease) in cash and cash equivalents and cash collateral posted to counterparties	(60,757)	29,004
Cash and cash equivalents and cash collateral posted to counterparties - beginning of period	258,858	118,090
Cash and cash equivalents and cash collateral posted to counterparties - end of period	$ 198,101	$ 147,094
Supplemental Disclosure:		
Cash paid during the period for interest	$ 519,717	$ 448,735
Non-Cash Investing Activities:		
Receivable for unsettled sales	$ —	$ 96,490
Payable for unsettled purchases	$ (587,263)	$ —
Net unrealized gain on available for sale Agency Securities	$ —	$ 4,056
Non-Cash Financing Activities:		
Amounts receivable for issuance of common stock	$ 1,887	$ —
Amounts payable for common stock repurchased	$ —	$ (233)

See financial statement notes (unaudited).

Note 1 - Organization and Nature of Business Operations

References to "we," "us," "our," or the "Company" are to ARMOUR Residential REIT, Inc. ("ARMOUR") and its subsidiaries. References to "ACM" are to ARMOUR Capital Management LP, a Delaware limited partnership. ARMOUR owns a 10.8% equity interest in BUCKLER Securities LLC ("BUCKLER"). BUCKLER is a Delaware limited liability company and a FINRA-regulated broker-dealer, controlled by ACM. Refer to the Glossary of Terms for definitions of capitalized terms and abbreviations used in this report. U.S. dollar amounts are presented in thousands, except per share amounts or as otherwise noted.

ARMOUR is an externally managed Maryland corporation incorporated in 2008. The Company is managed by ACM, an investment advisor registered with the Securities and Exchange Commission (the "SEC"), (see Note 9 - Commitments and Contingencies and Note 15 - Related Party Transactions). We have elected to be taxed as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended (the "Code"). Our qualification as a REIT 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 capital stock. We believe that we are organized in conformity with the requirements for qualification as a REIT under the Code and our manner of operations enables us to meet the requirements for taxation as a REIT for federal income tax purposes. As a REIT, we will generally not be subject to federal income tax on the REIT taxable income that we currently distribute to our stockholders. If we fail to qualify as a REIT in any taxable year and do not qualify for certain statutory relief provisions, we will be subject to federal income tax at regular corporate rates. Even if we qualify as a REIT for U.S. federal income tax purposes, we may still be subject to some federal, state and local taxes on our income.

At September 30, 2024 and December 31, 2023, we invested in mortgage backed securities ("MBS"), issued or guaranteed by a United States ("U.S.") Government-sponsored entity ("GSE"), such as the Federal National Mortgage Association ("Fannie Mae"), the Federal Home Loan Mortgage Corporation ("Freddie Mac"), or a government agency such as Government National Mortgage Administration ("Ginnie Mae") (collectively, "Agency Securities"). Our Agency Securities consist primarily of fixed rate loans. The remaining are either backed by hybrid adjustable rate or adjustable rate loans. From time to time we have also invested in U.S. Treasury Securities and money market instruments.

Note 2 - Basis of Presentation and Consolidation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X promulgated by the SEC. Accordingly, the condensed financial statements do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 30, 2024 are not necessarily indicative of the results that may be expected for the calendar year ending December 31, 2024. These unaudited consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto included in our annual report on Form 10-K for the year ended December 31, 2023.

The unaudited consolidated financial statements include the accounts of ARMOUR Residential REIT, Inc. and its subsidiaries. All intercompany accounts and transactions have been eliminated. The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates affecting the accompanying consolidated financial statements include the valuation of MBS and derivative instruments. Certain prior year amounts have been reclassified to conform to the current year's presentation.

All per share amounts, common shares outstanding and stock-based compensation amounts for all periods presented reflect our one-for-five reverse stock split (the “Reverse Stock Split”), which was effective September 29, 2023. No other reclassifications have been made to previously reported amounts.

Note 3 - Summary of Significant Accounting Policies

Cash and cash equivalents

Cash and cash equivalents includes cash on deposit with financial institutions. We may maintain deposits in federally insured financial institutions in excess of federally insured limits. However, management believes we are not exposed to significant credit risk due to the financial position and creditworthiness of the depository institutions in which those deposits are held.

Cash Collateral Posted To/By Counterparties

Cash collateral posted to/by counterparties represents cash posted by us to counterparties or posted by counterparties to us as collateral. Cash collateral posted to/by counterparties may include collateral for interest rate swap contracts, interest rate swaptions, basis swap contracts, futures contracts, repurchase agreements on our MBS and our Agency Securities purchased or sold on a to-be-announced basis ("TBA Agency Securities").

The interest earned or paid on cash collateral posted to/by counterparties is recorded in gain on derivatives, net in the consolidated statements of operations and comprehensive income.

Investments in Securities, at Fair Value

Our investments in securities are generally classified as either available for sale or trading securities. Management determines the appropriate classifications of the securities at the time they are acquired and evaluates the appropriateness of such classifications at each balance sheet date.

Trading Securities are reported at their estimated fair values with gains and losses included in Other Income (Loss) as a component of the consolidated statements of operations and comprehensive income (loss).

Available for Sale Securities represented investments that we intended to hold for extended periods of time and were reported at their estimated fair values with unrealized gains and losses excluded from earnings and reported as part of comprehensive income (loss). During the first quarter of 2023, we sold the remaining balance of our Available for Sale Securities which resulted in a realized loss of $(7,471).

Receivables and Payables for Unsettled Sales and Purchases

We account for purchases and sales of securities on the trade date, including purchases and sales for forward settlement. Receivables and payables for unsettled trades represent the agreed trade price multiplied by the outstanding balance of the securities at the balance sheet date.

Accrued Interest Receivable and Payable

Accrued interest receivable includes interest accrued between payment dates on securities and interest on unsettled sales of securities. Accrued interest payable includes interest on unsettled purchases of securities and interest on repurchase agreements, net. At certain times, we may have interest payable on U.S. Treasury Securities sold short.

Repurchase Agreements, net

We finance the acquisition of the majority of our MBS through the use of repurchase agreements. Our repurchase agreements are secured by our MBS and bear interest rates that have moved in close relationship to the Federal Funds Effective Rate ("Federal Funds Rate") and the Secured Overnight Funding Rate ("SOFR"). Under these repurchase agreements, we sell MBS to a lender and agree to repurchase the same MBS in the future for a price that is higher than the original sales price. The difference between the sales price that we receive and the repurchase price that we pay represents interest paid to the lender, which accrues over the life of the repurchase agreement. A repurchase agreement operates as a financing arrangement under which we pledge our MBS as collateral to secure a loan which is equal in value to a specified percentage of the estimated fair value of the pledged collateral. We retain beneficial ownership of the pledged collateral. At the maturity of a repurchase agreement, we are required to repay the loan and concurrently receive back our pledged collateral from the lender or, with the consent of the lender, we may renew such agreement at the then prevailing interest rate. The repurchase agreements may require us to pledge additional assets to the lender in the event the estimated fair value of the existing pledged collateral declines or take back certain pledged collateral if values increase.

In addition to the repurchase agreement financing discussed above, at certain times, we have entered into reverse repurchase agreements with certain of our repurchase agreement counterparties. Under a typical reverse repurchase agreement, we purchase U.S. Treasury Securities from a borrower in exchange for cash and agree to sell the same securities in the future in exchange for a price that is higher than the original purchase price. The difference between the purchase price originally paid and the sale price represents interest received from the borrower. Reverse repurchase agreement receivables and repurchase agreement liabilities are presented net when they meet certain criteria, including being with the same counterparty, being governed by the same master repurchase agreement ("MRA"), settlement through the same brokerage or clearing account and maturing on the same day. At September 30, 2024 and December 31, 2023, we had $522,938 ($469,188 of which were with BUCKLER) and $353,937 (all of which were with BUCKLER), respectively, in reverse repurchase agreements which are recorded in repurchase agreements, net on our consolidated balance sheet.

Obligations to Return Securities Received as Collateral, at Fair Value

We also sell to third parties the U.S. Treasury Securities received as collateral for reverse repurchase agreements and recognize the resulting obligation to return said U.S. Treasury Securities as a liability on our consolidated balance sheet. Interest is recorded on the repurchase agreements, reverse repurchase agreements and U.S. Treasury Securities on an accrual basis and presented as net interest expense. Both parties to the transaction have the right to make daily margin calls based on changes in the fair value of the collateral received and/or pledged. At September 30, 2024 and December 31, 2023, we had obligations to return securities received as collateral associated with our reverse repurchase agreements of $522,660 and $350,273, respectively.

Derivatives, at Fair Value

We recognize all derivatives individually as either assets or liabilities at fair value on our consolidated balance sheets. All changes in the fair values of our derivatives are reflected in our consolidated statements of operations and comprehensive income (loss). We designate derivatives as hedges for tax purposes and any unrealized derivative gains or losses would not affect our distributable net taxable income. These transactions may include interest rate swap contracts, interest rate swaptions, basis swap contracts and futures contracts.

We also may utilize forward contracts for the purchase or sale of TBA Agency Securities. We account for TBA Agency Securities as derivative instruments if it is reasonably possible that we will not take or make physical delivery of the Agency Security upon settlement of the contract. We account for TBA dollar roll transactions as a series of derivative transactions. We may also purchase and sell TBA Agency Securities as a means of investing in and financing Agency Securities (thereby increasing our “at risk” leverage) or as a means of disposing of or reducing our exposure to Agency Securities (thereby reducing our “at risk” leverage). We agree to purchase or sell, for future delivery, Agency Securities with certain principal and interest terms and certain types of collateral, but the particular Agency Securities to be delivered are not identified until shortly before the TBA settlement date. We may also 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.” When it is reasonably possible that we will pair off a TBA Agency Security, we account for that contract as a derivative.

Revenue Recognition

Interest income is earned and recognized on Agency Securities based on their unpaid principal amounts and their contractual terms. We record interest payable for interest received on securities sold during the period between the trade date and settlement date and interest receivable for purchases during the period between the trade date and settlement date. Premiums and discounts associated with the purchase of Multi-Family MBS, which are generally not subject to prepayment, are amortized or accreted into interest income over the contractual lives of the securities using a level yield method. Premiums and discounts associated with the purchase of other Agency Securities are amortized or accreted into interest income over the actual lives of the securities, reflecting actual prepayments as they occur. Purchase and sale transactions (including TBA Agency Securities) are recorded on the trade date to the extent it is probable that we will take or make timely physical delivery of the related securities. Gains or losses realized from sales of available for sale securities are reclassified into income from Comprehensive Income (Loss) and are determined using the specific identification method.

Interest income on U.S. Treasury Securities is recognized based on their unpaid principal amounts and their contractual terms. Recognition of interest income commences on the settlement date of the purchase transaction and continues through the settlement date of the sale transaction.

Comprehensive Income (Loss)

Comprehensive Income (loss) is comprised of net income (loss) and all changes to the statements of stockholders' equity, except those due to investments by stockholders, changes in additional paid-in capital and distributions to stockholders.

Note 4 - Recent Accounting Pronouncements

In November 2023, the Financial Accounting Standards Board issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. The amendments in the standard apply to all public entities and requires enhanced disclosures about significant segment expenses. The standard is effective for fiscal years beginning after December 15, 2023 and interim periods beginning after December 15, 2024 with early adoption permitted. The Company is currently assessing the impact of the standard but does not expect it to have significant impact on the condensed consolidated financial statements.

Note 5 - Fair Value of Financial Instruments

Our valuation techniques for financial instruments use observable and unobservable inputs. Observable inputs reflect readily obtainable data from third-party sources, while unobservable inputs reflect management's market assumptions. The Accounting Standards Codification Topic No. 820, "Fair Value Measurement," classifies these inputs into the following hierarchy:

Level 1 Inputs - Quoted prices for identical instruments in active markets.

Level 2 Inputs - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 Inputs - Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect management's assumptions about the factors that market participants would use in pricing an asset or liability and would be based on the best information available.

At the beginning of each quarter, we assess the assets and liabilities that are measured at fair value on a recurring basis to determine if any transfers between levels in the fair value hierarchy are needed.

(in thousands, except per share)

The following describes the valuation methodologies used for our assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy. Any transfers between levels are assumed to occur at the beginning of the reporting period.

Investments in Securities

Fair value for our investments in securities are based on obtaining a valuation for each security from third-party pricing services and/or dealer quotes. The third-party pricing services use common market pricing methods that may include pricing models that may incorporate such factors as coupons, prepayment speeds, spread to the Treasury curves and interest rate swap curves, duration, periodic and life caps and credit enhancement. If the fair value of a security is not available from the third-party pricing services or such data appears unreliable, we obtain pricing indications from up to three dealers who make markets in similar securities. Management reviews pricing used to ensure that current market conditions are properly reflected. This review includes, but is not limited to, comparisons of similar market transactions or alternative third-party pricing services, dealer pricing indications and comparisons to a third-party pricing model. Fair values obtained from the third-party pricing services for similar instruments are classified as Level 2 securities if the inputs to the pricing models used are consistent with the Level 2 definition. If quoted prices for a security are not reasonably available from the third-party pricing service, but dealer pricing indications are, the security will be classified as a Level 2 security. If neither is available, management will determine the fair value based on characteristics of the security that we receive from the issuer and based on available market information and classify it as a Level 3 security. U.S. Treasury Securities are classified as Level 1, as quoted unadjusted prices are available in active markets for identical assets.

Derivatives

The fair values of our interest rate swap contracts, interest rate swaptions and basis swap contracts are valued using information provided by third-party pricing services that incorporate common market pricing methods that may include current interest rate curves, forward interest rate curves and market spreads to interest rate curves and are classified as Level 2. We estimate the fair value of TBA Agency Securities based on similar methods used to value our Agency Securities and they are classified as Level 2. Management compares the pricing information received to dealer quotes to ensure that the current market conditions are properly reflected. Futures contracts are traded on the Chicago Mercantile Exchange ("CME") which requires the use of daily mark-to-market collateral and they are classified as Level 1.

The following tables provide a summary of our assets and liabilities that are measured at fair value on a recurring basis at September 30, 2024 and December 31, 2023.

September 30, 2024	**Level 1**	**Level 2**	**Level 3**	**Balance**
Assets at Fair Value:				
Agency Securities	$ —	$ 12,422,762	$ —	$ 12,422,762
Derivatives	$ 416	$ 731,358	$ —	$ 731,774
Liabilities at Fair Value:				
Derivatives	$ —	$ 57,890	$ —	$ 57,890
December 31, 2023	**Level 1**	**Level 2**	**Level 3**	**Balance**
Assets at Fair Value:				
Agency Securities	$ —	$ 11,159,754	$ —	$ 11,159,754
Derivatives	$ —	$ 877,412	$ —	$ 877,412
Liabilities at Fair Value:				
Derivatives	$ —	$ 5,036	$ —	$ 5,036

There were no transfers of assets or liabilities between the levels of the fair value hierarchy during the nine months ended September 30, 2024 or for the year ended December 31, 2023.

(in thousands, except per share)

Excluded from the tables above are financial instruments, including cash and cash equivalents, cash collateral posted to/by counterparties, receivables, payables, borrowings under repurchase agreements, net and obligations to return securities received as collateral, which are presented in our consolidated financial statements at cost, which approximates fair value. The estimated fair value of these instruments is measured using "Level 1" or "Level 2" inputs at September 30, 2024 and December 31, 2023.

Note 6 - Investments in Securities

As of September 30, 2024 and December 31, 2023, our securities portfolio consisted of $12,422,762 and $11,159,754 of investment securities, at fair value, respectively. We also had $0 and $305,039 of TBA Agency Securities, at fair value, which were reported at net carrying value of $290 and $1,816, respectively, at September 30, 2024 and December 31, 2023. TBA Securities are reported in Derivatives, at fair value on our consolidated balance sheets (see Note 8 - Derivatives). The net carrying value of our TBA Agency Securities represents the difference between the fair value of the underlying Agency Security in the TBA contract and the cost basis or the forward price to be paid or received for the underlying Agency Security.

During the first quarter of 2023, we sold the remaining balance of our Available for Sale Securities which resulted in a realized loss of $(7,471).

The tables below present the components of the carrying value and the unrealized gain or loss position of our investments in securities at September 30, 2024 and December 31, 2023.

September 30, 2024	Principal Amount	Amortized Cost	Gross Unrealized Loss	Gross Unrealized Gain	Fair Value
Agency Securities, trading	$ 12,615,755	$ 12,390,457	$ (95,895)	$ 128,200	$ 12,422,762
December 31, 2023					
Agency Securities, trading	$ 11,278,161	$ 11,283,380	$ (176,660)	$ 53,034	$ 11,159,754

The following table summarizes the weighted average lives of our investments in securities at September 30, 2024 and December 31, 2023.

	September 30, 2024		December 31, 2023	
Weighted Average Life	Fair Value	Amortized Cost	Fair Value	Amortized Cost
≥ 1 year and < 3 years	2,011,748	1,992,179	202,508	195,904
≥ 3 years and < 5 years	3,217,840	3,205,993	2,757,464	2,747,842
≥ 5 years	7,193,174	7,192,285	8,199,782	8,339,634
Totals	$ 12,422,762	$ 12,390,457	$ 11,159,754	$ 11,283,380

We use a third-party model to calculate the weighted average lives of our investments in securities. Weighted average life is calculated based on expectations for estimated prepayments for the underlying mortgage loans of our investments in securities. These estimated prepayments are based on assumptions such as interest rates, current and future home prices, housing policy and borrower incentives. The weighted average lives of our investments in securities at September 30, 2024 and December 31, 2023 in the tables above are based upon market factors, assumptions, models and estimates from the third-party model and also incorporate management’s judgment and experience. The actual weighted average lives of these securities could be longer or shorter than estimated.

(in thousands, except per share)

Note 7 - Repurchase Agreements, net

At September 30, 2024, we had active MRAs with 33 counterparties and had $10,186,415 in outstanding borrowings with 16 of those counterparties. At December 31, 2023, we had MRAs with 39 counterparties and had $9,647,982 in outstanding borrowings with 14 counterparties.

The following tables represent the contractual repricing regarding our repurchase agreements to finance MBS purchases at September 30, 2024 and December 31, 2023. Our repurchase agreements require excess collateral, known as a "haircut." At September 30, 2024, the average haircut percentage was 2.95% compared to 2.74% at December 31, 2023. The haircut for our repurchase agreements vary by counterparty and therefore, the changes in the average haircut percentage will vary with the changes in our counterparty repurchase agreement balances.

September 30, 2024	Balance	Weighted Average Contractual Rate	Weighted Average Maturity in days
≤ 30 days [(1)]	$ 9,140,809	5.28 %	12
> 30 days to ≤ 60 days	1,045,606	5.10 %	36
Total or Weighted Average	$ 10,186,415	5.26 %	15

(1) Net of reverse repurchase agreements of $522,938 ($469,188 of which were with BUCKLER). Obligations to return securities received as collateral of $522,660 associated with the reverse repurchase agreements are all due within 30 days.

December 31, 2023	Balance	Weighted Average Contractual Rate	Weighted Average Maturity in days
≤ 30 days [(1)]	$ 9,647,982	5.54 %	12
Total or Weighted Average	$ 9,647,982	5.54 %	12

(1) Net of reverse repurchase agreements of $353,937 (all of which were with BUCKLER). Obligations to return securities received as collateral of $350,273 associated with the reverse repurchase agreements all matured in January 2024.

The following table presents information about the gross and net securities purchased and sold under our repurchase agreements, net on the accompanying consolidated balance sheets at September 30, 2024 and December 31, 2023.

September 30, 2024				Gross Amounts Not Offset		
	Gross Amounts	Gross Amounts offset in the Consolidated Balance Sheet	Net Amounts Presented in the Consolidated Balance Sheet	Financial Instruments [(1)]	Cash Collateral	Total Net
Assets						
Reverse Repurchase Agreements	$ 522,938	$ (522,938)	$ —	$ —	$ —	$ —
Totals	$ 522,938	$ (522,938)	$ —	$ —	$ —	$ —
Liabilities						
Repurchase Agreements	$ (10,709,353)	$ 522,938	$ (10,186,415)	$ 10,186,415	$ —	$ —
Totals	$ (10,709,353)	$ 522,938	$ (10,186,415)	$ 10,186,415	$ —	$ —

(in thousands, except per share)

December 31, 2023				Gross Amounts Not Offset		
	Gross Amounts	Gross Amounts offset in the Consolidated Balance Sheet	Net Amounts Presented in the Consolidated Balance Sheet	Financial Instruments (1)	Cash Collateral	Total Net
Assets						
Reverse Repurchase Agreements	$ 353,937	$ (353,937)	$ —	$ —	$ —	$ —
Totals	$ 353,937	$ (353,937)	$ —	$ —	$ —	$ —
Liabilities						
Repurchase Agreements	$ (10,001,919)	$ 353,937	$ (9,647,982)	$ 9,647,982	$ —	$ —
Totals	$ (10,001,919)	$ 353,937	$ (9,647,982)	$ 9,647,982	$ —	$ —

(1) The fair value of securities pledged against our repurchase agreements was $11,248,953 and $10,599,340 at September 30, 2024 and December 31, 2023, respectively.

Our repurchase agreements require that we maintain adequate pledged collateral. A decline in the value of the MBS pledged as collateral for borrowings under repurchase agreements could result in the counterparties demanding additional collateral pledges or liquidation of some of the existing collateral to reduce borrowing levels. We manage this risk by maintaining an adequate balance of available cash and unpledged securities. An event of default or termination event under the standard MRA would give our counterparty the option to terminate all repurchase transactions existing with us and require any amount due to be payable immediately. In addition, certain of our MRAs contain a restriction that prohibits our leverage from exceeding twelve times our stockholders’ equity as well as termination events in the case of significant reductions in equity capital. We also may receive cash or securities as collateral from our derivative counterparties which we may use as additional collateral for repurchase agreements. Certain interest rate swap contracts provide for cross collateralization and cross default with repurchase agreements and other contracts with the same counterparty.

At September 30, 2024 and December 31, 2023, BUCKLER accounted for 41.4% and 48.4%, respectively, of our aggregate borrowings and had an amount at risk of 7.3% and 8.1%, respectively, of our total stockholders' equity with a weighted average maturity of 10 days and 12 days, respectively, on repurchase agreements, net (see Note 15 - Related Party Transactions).

In addition, at September 30, 2024, we had 3 repurchase agreement counterparties that individually accounted for over 5% of our aggregate borrowings. In total, these counterparties accounted for approximately 22.8% of our repurchase agreement borrowings outstanding at September 30, 2024. At December 31, 2023, we had 4 repurchase agreement counterparties that individually accounted for over 5% of our aggregate borrowings. In total, these counterparties accounted for 27.2% of our repurchase agreement borrowings at December 31, 2023.

Note 8 - Derivatives

We enter into derivative transactions to manage our interest rate risk and agency mortgage rate exposures. We have agreements with our derivative counterparties that provide for the posting of collateral based on the fair values of our derivatives. Through this margin process, either we or our counterparties may be required to pledge cash or securities as collateral. Collateral requirements vary by counterparty and change over time based on the fair value, notional amount and remaining term of the contracts. Certain contracts provide for cross collateralization and cross default with repurchase agreements and other contracts with the same counterparty.

Interest rate swap contracts are designed to lock in long-term average funding costs for repurchase agreements associated with our assets in an attempt to maximize earnings from our assets. Such transactions are based on assumptions about prepayments which, if not realized, will cause transaction results to differ from expectations. Interest rate swaptions generally provide us the option to enter into an interest rate swap agreement at a certain point of time in the future with a predetermined notional amount, stated term and stated rate of interest in the fixed leg and interest rate index on the floating leg. Basis swap contracts allow us to exchange one floating interest rate basis for another, thereby allowing us to diversify our floating rate basis exposures.

All of our interest rate contracts have floating leg interest rate indexes of either the Federal Funds Rate or SOFR. The Federal Funds Rate is published daily by the New York Federal Reserve and is a measure of unsecured borrowings by depository institutions from other depository institutions or GSEs. SOFR is published daily by the New York Federal Reserve and is the average overnight rate for borrowings secured by U.S. Treasury securities. We enter into interest rate swap contracts either directly with a counterparty (a “bilateral” contract) or through a centrally-cleared swap contract. In a bilateral contract, we exchange margin collateral with the counterparty and have exposure to counterparty risk. In a centrally-cleared contract, we exchange margin collateral with a Futures Clearing Merchant, with whom we have opened an account. Our counterparty risk is limited to the clearing exchange itself. All of our centrally-cleared swaps are cleared by the CME. In general, centrally-cleared interest rate swap contracts require us to post higher initial margin than bilateral contracts.

Futures contracts are traded on the CME which requires the use of daily mark-to-market collateral and the CME provides substantial credit support. The collateral requirements of the CME require us to pledge assets under a bi-lateral margin arrangement, including either cash or Agency Securities and these requirements may vary and change over time based on the market value, notional amount and remaining term of the futures contracts. In the event we are unable to meet a margin call under one of our futures contracts, the counterparty to such agreement may have the option to terminate or close-out all of the outstanding futures contracts with us. In addition, any close-out amount due to the counterparty upon termination of the counterparty’s transactions would be immediately payable by us pursuant to the applicable agreement.

TBA Agency Securities are forward contracts for the purchase (“long position”) or sale (“short position”) of Agency Securities at a predetermined price, face amount, issuer, coupon and stated maturity on an agreed-upon future date. The specific Agency Securities delivered into the contract upon the settlement date, published each month by the Securities Industry and Financial Markets Association, are not known at the time of the transaction. We may enter into TBA Agency Securities as a means of hedging against short-term changes in interest rates. We may also enter into TBA Agency Securities as a means of acquiring or disposing of Agency Securities and we may from time to time utilize TBA dollar roll transactions to finance Agency Security purchases. We estimate the fair value of TBA Agency Securities based on similar methods used to value our Agency Securities.

We have netting arrangements in place with all derivative counterparties pursuant to standard documentation developed by ISDA. We are also required to post or hold cash collateral based upon the net underlying market value of our open positions with the counterparty. A decline in the value of the open positions with the counterparty could result in the counterparties demanding additional collateral pledges or liquidation of some of the existing collateral to reduce borrowing levels. We manage this risk by maintaining an adequate balance of available cash and unpledged securities. An event of default or termination event under the standard ISDA would give our counterparty to the applicable agreement the right to terminate the agreement. In addition, certain of our ISDAs contain a restriction that prohibits our leverage from exceeding twelve times our stockholders’ equity as well as termination events in the case of significant reductions in equity capital.

(in thousands, except per share)

The following tables present information about the potential effects of netting our derivatives if we were to offset the assets and liabilities on the accompanying consolidated balance sheets. We currently present these financial instruments at their gross amounts and they are included in Derivatives, at fair value on the accompanying consolidated balance sheets at September 30, 2024 and December 31, 2023.

		Gross Amounts Not Offset		
Assets	Gross Amounts[1]	Financial Instruments	Cash Collateral	Total Net
September 30, 2024				
Interest rate swap contracts [2]	$ 730,965	$ (57,787)	$ (562,258)	$ 110,920
Futures contracts	416	—	2,699	3,115
TBA Agency Securities	393	(103)	1,027	1,317
Totals	$ 731,774	$ (57,890)	$ (558,532)	$ 115,352
December 31, 2023				
Interest rate swap contracts [2]	$ 875,596	$ (5,036)	$ (821,089)	$ 49,471
TBA Agency Securities	1,816	(1,816)	—	—
Totals	$ 877,412	$ (6,852)	$ (821,089)	$ 49,471

(1) See Note 5 - Fair Value of Financial Instruments for additional discussion.

(2) Includes $0 and $6,104 of centrally-cleared interest rate swap contracts, respectively.

		Gross Amounts Not Offset		
Liabilities	Gross Amounts[1]	Financial Instruments	Cash Collateral	Total Net
September 30, 2024				
Interest rate swap contracts [2]	$ (57,787)	$ 57,787	$ —	$ —
TBA Agency Securities	(103)	103	—	—
Totals	$ (57,890)	$ 57,890	$ —	$ —
December 31, 2023				
Interest rate swap contracts [2]	$ (5,036)	$ 5,036	$ —	$ —
TBA Agency Securities	—	1,816	(2,070)	(254)
Totals	$ (5,036)	$ 6,852	$ (2,070)	$ (254)

(1) See Note 5 - Fair Value of Financial Instruments for additional discussion.

(2) Includes $(57,787) and $(5,036) of centrally-cleared interest rate swap contracts, respectively.

(in thousands, except per share)

The following table represents the information regarding our derivatives which are included in Gain on derivatives, net in the accompanying consolidated statements of operations and comprehensive income (loss) for the three and nine months ended September 30, 2024 and September 30, 2023.

	Income (Loss) Recognized			
	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
Derivatives	**2024**	**2023**	**2024**	**2023**
Interest rate swap contracts [1]	$ (232,604)	$ 262,057	$ (41,767)	$ 335,587
Futures contracts	(16,450)	2,227	(20,054)	(11,070)
TBA Agency Securities	39,095	26,858	57,992	26,415
Total Gain (Loss) on Derivatives, net	$ (209,959)	$ 291,142	$ (3,829)	$ 350,932

(1) Includes $(78,766) and $(57,829) and $93,035 and $115,026 of centrally-cleared interest rate swap contract income (loss) for the three and nine months ended September 30, 2024 and September 30, 2023, respectively.

The following tables present information about our derivatives at September 30, 2024 and December 31, 2023. We did not have any TBA Agency Securities at September 30, 2024.

Interest Rate Swap Contracts [1]	Notional Amount	Weighted Average Remaining Term (Months)	Weighted Average Rate
September 30, 2024			
< 3 years	$ 1,409,000	24	0.55 %
≥ 3 years and < 5 years	100,000	60	1.15 %
≥ 5 years and < 7 years	3,152,000	72	0.77 %
≥ 7 years	2,025,000	105	3.05 %
Total or Weighted Average [2]	$ 6,686,000	72	1.42 %
December 31, 2023			
< 3 years	$ 1,102,000	18	1.60 %
≥ 3 years and < 5 years	1,207,000	45	2.06 %
≥ 5 years and < 7 years	1,952,000	75	0.58 %
≥ 7 years	2,525,000	95	1.56 %
Total or Weighted Average [3]	$ 6,786,000	68	1.37 %

(1) Pay Fixed/Receive Variable.

(2) Of this amount, $1,525,000 notional are SOFR based swaps, the last of which matures in 2034; and $5,161,000 notional are Fed Funds based swaps, the last of which matures in 2032. Of this amount, $1,325,000 notional are centrally-cleared interest rate swap contracts, the last of which matures in 2034.

(3) Of this amount, $1,475,000 notional are SOFR based swaps, the last of which matures in 2033; and $5,311,000 notional are Fed Funds based swaps, the last of which matures in 2032. Of this amount, $1,275,000 notional are centrally-cleared interest rate swap contracts, the last of which matures in 2033.

(in thousands, except per share)

TBA Agency Securities	Notional Amount	Cost Basis	Fair Value
December 31, 2023			
30 Year Long, 6.0%	300,000	303,223	305,039
Totals	$ 300,000	$ 303,223	$ 305,039

Note 9 - Commitments and Contingencies

Management

The Company is managed by ACM, pursuant to a management agreement (see also Note 15 - Related Party Transactions). The management agreement entitles ACM to receive management fees payable monthly in arrears. Currently, the monthly management fee is 1/12th of the sum of (a) 1.5% of gross equity raised up to $1.0 billion plus (b) 0.75% of gross equity raised in excess of $1.0 billion. Gross equity raised includes the total amounts of paid in capital relating to both our common and preferred stock, before deduction of brokerage commissions and other costs of capital raising. Amounts paid to stockholders to repurchase stock, before deduction of brokerage commissions and costs, reduces gross equity raised. Dividends specifically designated by the Board as liquidation dividends will reduce the amount of gross equity raised. To date, the Board has not so designated any of the dividends paid by the Company. Realized and unrealized gains and losses do not affect the amount of gross equity raised. At September 30, 2024, the effective management fee, prior to management fees waived, was 0.92% based on gross equity raised of $4,361,496.

During each of the three and nine months ended September 30, 2024, and September 30, 2023 ACM voluntarily waived management fees of $1,650 and $4,950, respectively. ACM is currently waiving $550 per month of its contractual management fee until ACM provides further notice to ARMOUR. The monthly management fees are not calculated based on the performance of our assets. Accordingly, the payment of our monthly management fees may not decline in the event of a decline in our earnings and may cause us to incur losses. We are also responsible for any costs and expenses that ACM incurs solely on our behalf other than the various overhead expenses specified in the terms of the management agreement.

ACM may terminate this waiver by providing notice to ARMOUR on or before the 25th day of the preceding month. This waiver does not constitute a waiver of any other amounts due to ACM from ARMOUR under the management agreement or otherwise, including but not limited to any expense reimbursements, any amounts calculated by reference to the contractual Base Management Fee, or any awards under the 2009 Stock Incentive Plan as amended (the "Plan").

On February 14, 2023, the Company extended the contractual term of the management agreement through December 31, 2029. Based on the management fee base, gross equity raised, as of September 30, 2024, the Company's contractual management fee commitments, prior to management fees waived, are:

Year	Contractual Management Fee
Remainder of 2024	10,053
2025	40,211
2026	40,211
2027	40,211
2028	40,211
2029	40,211
Total	$ 211,108

The Company cannot voluntarily terminate the management agreement without cause before the expiration of its contractual term. If the management agreement is terminated in connection with a liquidation of the Company or certain business combination transactions, the Company is obliged to pay ACM a termination fee equal to 4 times the contractual management fee (before any waiver) for the preceding 12 months.

(in thousands, except per share)

Indemnifications and Litigation

We enter into certain contracts that contain a variety of indemnifications, principally with ACM and underwriters, against third-party claims for errors and omissions in connection with their services to us. We have not incurred any costs to defend lawsuits or settle claims related to these indemnification agreements. As a result, the estimated fair value of these agreements, as well as the maximum amount attributable to past events, is not material. Accordingly, we have no liabilities recorded for these agreements at September 30, 2024 and December 31, 2023.

Nine putative class action lawsuits were filed in connection with the tender offer and merger for JAVELIN alleging, among other things, breach of fiduciary duties and seeking equitable relief, including, among other relief, to enjoin consummation of the transactions, or rescind or unwind the transactions if already consummated, and award costs and disbursements, including reasonable attorneys' fees and expenses. The sole Florida lawsuit was never served on the defendants, and that case was voluntarily dismissed and closed on January 20, 2017. On April 25, 2016, the Maryland court issued an order consolidating the eight Maryland cases into one action, captioned In re JAVELIN Mortgage Investment Corp. Shareholder Litigation (Case No. 24-C-16-001542), and designated counsel for one of the Maryland cases as interim lead co-counsel. On May 26, 2016, interim lead counsel filed the Consolidated Amended Class Action Complaint for Breach of Fiduciary Duty asserting consolidated claims of breach of fiduciary duty, aiding and abetting the breaches of fiduciary duty, and waste. On June 27, 2016, defendants filed a Motion to Dismiss the Consolidated Amended Class Action Complaint for failing to state a claim upon which relief can be granted. A hearing was held on the Motion to Dismiss on March 3, 2017, and the Court reserved ruling. The Court deferred ruling on the Motion to Dismiss several times. On February 14, 2024, the Court issued an order granting defendants’ Motion to Dismiss, and dismissed all of plaintiffs’ claims with prejudice, and without leave to amend. On March 11, 2024, plaintiffs filed a Notice of Appeal of the Court's order of dismissal. On July 3, 2024, plaintiffs filed a voluntary notice of dismissal of the previously filed appeal.

Note 10 - Stock Based Compensation

We adopted the Plan to attract, retain and reward directors and other persons who provide services to us in the course of operations. The Plan authorizes the Board to grant awards including common stock, restricted shares of common stock (“RSUs”), stock options, performance shares, performance units, stock appreciation rights and other equity and cash-based awards (collectively, “Awards”), subject to terms as provided in the Plan. At September 30, 2024, there were 228 shares available for future issuance under the Plan.

Transactions related to awards for the nine months ended September 30, 2024 are summarized below:

	September 30, 2024	
	Number of Awards	Weighted Average Grant Date Fair Value per Award
Unvested RSU Awards Outstanding beginning of period	298	$ 38.21
Vested	(57)	$ 48.17
Forfeited	(55)	$ 29.65
Unvested RSU Awards Outstanding end of period	186	$ 37.68

At September 30, 2024, there was approximately $7,009 of unvested stock based compensation related to the Awards (based on a weighted grant date price of $37.68 per share), which we expect to recognize as an expense as follows: for the remainder of 2024 an expense of $835, in 2025 an expense of $1,986, and thereafter an expense of $4,188. Our policy is to account for forfeitures as they occur. We also pay each of our non-executive Board members quarterly fees of $33, which are payable in cash, common stock, RSUs or a combination of common stock, RSUs and cash at the option of the director. Non-executive Board members have the option to participate in the Company's Non-Management Director Compensation and Deferral Program (the "Deferral Program"). The Deferral Program permits non-executive Board members to elect to receive either common stock or RSUs or a combination of common stock and RSUs at the option of the director, instead of all or part of their quarterly cash compensation and/or all or part of their committee and chairperson cash retainers.

(in thousands, except per share)

Note 11 - Stockholders' Equity

The following table presents the components of cumulative distributions to stockholders at September 30, 2024 and December 31, 2023.

Cumulative Distributions to Stockholders	September 30, 2024	December 31, 2023
Preferred dividends	$ 165,796	$ 156,809
Common stock dividends	2,171,810	2,063,758
Totals	$ 2,337,606	$ 2,220,567

Preferred Stock

At September 30, 2024 and December 31, 2023, we were authorized to issue up to 50,000 shares of preferred stock, par value $0.001 per share, with such designations, voting and other rights and preferences as may be determined from time to time by our Board of Directors (“Board”) or a committee thereof. At September 30, 2024, 10,000 shares of the Company’s authorized preferred stock, par value $0.001 per share are designated as shares of 7.00% Series C Cumulative Redeemable Preferred Stock ("Series C Preferred Stock") with the powers, designations, preferences and other rights as set forth therein and a total of 40,000 shares of our authorized preferred stock remain available for designation as future series.

At September 30, 2024 and December 31, 2023, we had 6,847 shares of Series C Preferred Stock issued and outstanding with a par value of $0.001 per share and a liquidation preference of $25.00 per share, or $171,175 in the aggregate. At September 30, 2024 and December 31, 2023, there were no accrued or unpaid dividends on the Series C Preferred Stock.

On January 29, 2020, the Company entered into an Equity Sales Agreement (the “Preferred C ATM Sales Agreement”) with B. Riley Securities, Inc. (formerly B. Riley FBR, Inc.) and BUCKLER, as sales agents (individually and collectively, the “Agents"), and ACM, pursuant to which the Company may offer and sell, over a period of time and from time to time, through one or more of the Agents, as the Company’s agents, up to 6,550 of Series C Preferred Stock. The Preferred C ATM Sales Agreement relates to a proposed “at-the-market” offering program. Under the Preferred C ATM Sales Agreement, we will pay the agent designated to sell our shares an aggregate commission of up to 2.0% of the gross sales price per share of our common stock sold through the designated agent under the Preferred C ATM Sales Agreement. On June 20, 2024, the Preferred C ATM Sales Agreement was amended to add BTIG, LLC, as a sales agent. We did not sell any shares under the Preferred C ATM Sales Agreement during the nine months ended September 30, 2024. Shares designated as Series C Preferred Stock but unissued, which are available under the Preferred C ATM Sales Agreement, totaled 3,153 at September 30, 2024 and December 31, 2023.

Preferred Stock Repurchase Program

On July 26, 2022, the Board authorized a repurchase program of up to an aggregate of 2,000 shares of the Company’s outstanding Series C Preferred Stock ("Series C Preferred Stock Repurchase Program"). Under the Series C Preferred Stock Repurchase Program, shares may be purchased in the open market, including block trades, through privately negotiated transactions, or pursuant to a trading plan separately adopted in the future. The timing, manner, price and amount of any repurchases will be at our discretion, in consultation with the Pricing Committee of the Board, subject to the requirements of the Exchange Act and related rules. We are not required to repurchase any shares under the Series C Preferred Stock Repurchase Program and it may be modified, suspended or terminated at any time for any reason. We do not intend to purchase shares from our Board or other affiliates. Under Maryland law, such repurchased shares are treated as authorized but unissued. We did not repurchase any shares under the Series C Preferred Stock Repurchase Program during the nine months ended September 30, 2024.

Common Stock

At September 30, 2024 and December 31, 2023, we were authorized to issue up to 125,000 and 90,000 shares of common stock, par value $0.001 per share, with such designations, voting and other rights and preferences as may be determined from time to time by our Board. We had 55,192 and 48,799 shares of common stock issued and outstanding at September 30, 2024 and December 31, 2023, respectively.

On May 14, 2021, we entered into an Equity Sales Agreement (the "2021 Common stock ATM Sales Agreement") with BUCKLER, JMP Securities LLC, Ladenburg Thalmann & Co. Inc. and B. Riley Securities, Inc., as sales agents, relating to the shares of our common stock. In accordance with the terms of the 2021 Common Stock ATM Sales agreement, we could offer and sell over a period of time and from time to time, up to 3,400 shares of our common stock, par value $0.001 per share. On November 12, 2021, the 2021 Common stock ATM Sales Agreement was amended to add JonesTrading Institutional Services LLC, as a sales agent and to offer an additional 5,000 shares available for sale pursuant to the terms of the 2021 Common stock ATM Sales Agreement. On June 9, 2022, the 2021 Common stock ATM Sales Agreement was further amended to offer an additional 5,760 shares available for sale. On November 4, 2022, the Common stock ATM Sales Agreement was further amended to offer an additional 7,000 shares available for sale. On January 17, 2023, it was amended to add an additional 9,736 shares pursuant to the terms of the 2021 Common stock ATM Sales Agreement.

The 2021 Common stock ATM Sales Agreement related to an "at-the-market" offering program. The 2021 Common stock ATM Sales Agreement provided that we would pay the agent designated to sell our shares an aggregate commission of up to 2.0% of the gross sales price per share of our common stock sold through the designated agent under the 2021 Common stock ATM Sales Agreement. From January 2023 through July 2023, we sold 13,305 shares under this agreement for proceeds of $367,997, net of issuance costs and commissions of approximately $3,725. Those sales fully utilized the shares allocated to the 2021 Common stock ATM Sales Agreement, which has been completed.

On July 26, 2023 we entered into a new Equity Sales Agreement (the "2023 Common stock ATM Sales Agreement"), with BUCKLER, JonesTrading Institutional Services LLC, Citizens JMP Securities, LLC (formerly JMP Securities LLC), Ladenburg Thalmann & Co. Inc. and B. Riley Securities, Inc., as sales agents, relating to the shares of our common stock. In accordance with the terms of the 2023 Common Stock ATM Sales agreement, we may offer and sell over a period of time and from time to time, up to 15,000 shares of our common stock, par value $0.001 per share. On October 25, 2023, the 2023 Common stock ATM Sales Agreement was amended to add StockBlock Securities LLC, as a sales agent and on June 20, 2024 it was further amended to add BTIG, LLC as a sales agent. On August 23, 2024, the 2023 Common stock ATM Sales Agreement was amended to increase by 25,000 the number of shares of our common stock that may be offered and sold under the 2023 Common stock ATM Sales Agreement. On September 20, 2024, the 2023 Common stock ATM Sales Agreement was further amended to add Janney Montgomery Scott LLC, as a sales agent. During the nine months ended September 30, 2024, we sold 6,414 common shares under this agreement for proceeds of $129,370, net of issuance costs and commissions of approximately $1,431. During the year ended December 31, 2023, we sold 3,328 shares under this agreement for proceeds of $82,100, net of issuance costs and commissions of approximately $903. In October 2024, we sold 568 shares under this agreement for proceeds of $11,121, net of issuance costs and commissions of approximately $84. See Note 15 - Related Party Transactions for discussion of additional transactions with BUCKLER.

During the nine months ended September 30, 2024, we issued 3 common shares under our Common Stock Dividend Reinvestment Program ("DRIP") for net proceeds of $60.

Common Stock Repurchase Program

At September 30, 2024 and December 31, 2023, there were 2,217 and 2,287 authorized shares remaining under the Company's common stock repurchase authorization (the "Common Stock Repurchase Program"). During the nine months ended September 30, 2024, we repurchased 70 common shares under this authorization for a cost of $(1,344). Under the Common Stock Repurchase Program, shares may be purchased in the open market, including block trades, through privately negotiated transactions, or pursuant to a trading plan separately adopted in the future. The timing, manner, price and amount of any repurchases will be at our discretion, subject to the requirements of the Exchange Act, and related rules. We are not required to repurchase any shares under the Common Stock Repurchase Program and it may be modified, suspended or terminated at any time for any reason. We do not intend to purchase shares from our Board or other affiliates. Under Maryland law, such repurchased shares are treated as authorized but unissued. See Note 15 - Related Party Transactions for discussion of additional transactions with BUCKLER.

(in thousands, except per share)

Equity Capital Activities

The following tables present our equity transactions for the nine months ended September 30, 2024 and for the year ended December 31, 2023.

Transaction Type	Completion Date	Number of Shares	Per Share price (1)	Net Proceeds (costs)
September 30, 2024				
2023 Common stock ATM Sales Agreement	July 26, 2024 - September 30, 2024	6,414	$ 20.17	$ 129,370
DRIP shares issued	January 25, 2024 - September 27, 2024	3	$ 18.96	$ 60
Common stock repurchased	January 22, 2024 - January 25, 2024	(70)	$ 19.31	$ (1,344)
December 31, 2023				
2021 Common stock ATM Sales Agreement	January 4, 2023 - July 12, 2023	13,305	$ 27.66	$ 367,997
2023 Common stock ATM Sales Agreement	July 26, 2023 - September 29, 2023	3,328	$ 24.66	$ 82,100
DRIP shares issued	July 25, 2023 - September 29, 2023	3	$ 19.71	$ 51
Common stock repurchased	March, May and September, October and November	(477)	$ 20.80	$ (9,935)

(1) Weighted average price

Dividends

On October 28, 2024, a cash dividend of $0.14583 per outstanding share of Series C Preferred Stock, or $998 in the aggregate, will be paid to holders of record on October 15, 2024. We have also declared cash dividends of $0.14583 per outstanding share of Series C Preferred Stock payable November 27, 2024 to holders of record on November 15, 2024 and payable December 27, 2024 to holders of record on December 15, 2024.

On October 30, 2024, a cash dividend of $0.24 per outstanding common share, or $13,389 in the aggregate, will be paid to holders of record on October 15, 2024. We have also declared a cash dividend of $0.24 per outstanding common share payable November 27, 2024 to holders of record on November 15, 2024.

(in thousands, except per share)

The following table presents our Series C Preferred Stock dividend transactions for the nine months ended September 30, 2024.

Record Date	Payment Date	Rate per Series C Preferred Share	Aggregate amount paid to holders of record
January 15, 2024	January 29, 2024	$ 0.14583	$ 998.5
February 15, 2024	February 27, 2024	$ 0.14583	998.5
March 15, 2024	March 27, 2024	$ 0.14583	998.5
April 15, 2024	April 29, 2024	$ 0.14583	998.5
May 15, 2024	May 28, 2024	$ 0.14583	998.5
June 15, 2024	June 27, 2024	$ 0.14583	998.5
July 15, 2024	July 29, 2024	$ 0.14583	998.5
August 15, 2024	August 27, 2024	$ 0.14583	998.5
September 15, 2024	September 27, 2024	$ 0.14583	998.5
Total dividends paid			$ 8,986.5

The following table presents our common stock dividend transactions for the nine months ended September 30, 2024.

Record Date	Payment Date	Rate per common share	Aggregate amount paid to holders of record
January 16, 2024	January 30, 2024	$ 0.24	$ 11,787
February 15, 2024	February 28, 2024	$ 0.24	11,770
March 15, 2024	March 28, 2024	$ 0.24	11,755
April 15, 2024	April 29, 2024	$ 0.24	11,756
May 15, 2024	May 28, 2024	$ 0.24	11,756
June 17, 2024	June 27, 2024	$ 0.24	11,754
July 15, 2024	July 30, 2024	$ 0.24	11,755
August 15, 2024	August 29, 2024	$ 0.24	12,532
September 16, 2024	September 27, 2024	$ 0.24	13,188
Total dividends paid			$ 108,053

Note 12 - Net Income (Loss) per Common Share

The following table presents a reconciliation of net income (loss) and the shares used in calculating weighted average basic and diluted earnings per common share for the three and nine months ended September 30, 2024 and September 30, 2023.

ARMOUR Residential REIT, Inc.
FINANCIAL STATEMENT NOTES (UNAUDITED)
(in thousands, except per share)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Net Income (Loss)	$ 65,880	$ (179,168)	$ 32,046	$ (167,565)
Less: Preferred dividends	(2,995)	(2,995)	(8,986)	(8,986)
Net Income (Loss) related to common stockholders	$ 62,885	$ (182,163)	$ 23,060	$ (176,551)
Weighted average common shares outstanding – basic	51,647	46,506	49,736	41,089
Add: Effect of dilutive non-vested awards, assumed vested	186	—	186	—
Weighted average common shares outstanding – diluted	51,833	46,506	49,922	41,089

For the three and nine months ended September 30, 2023, 318 of potentially dilutive non-vested awards outstanding were excluded from the computation of diluted Net Income (Loss) related to common stockholders because to have included them would have been anti-dilutive for the period.

Note 13 - Comprehensive Income (Loss) per Common Share

The following table presents a reconciliation of comprehensive income (loss) and the shares used in calculating weighted average basic and diluted comprehensive income (loss) per common share for the three and nine months ended September 30, 2024 and September 30, 2023.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Comprehensive Income (Loss)	$ 65,880	$ (179,168)	$ 32,046	$ (156,038)
Less: Preferred dividends	(2,995)	(2,995)	(8,986)	(8,986)
Comprehensive Income (Loss) related to common stockholders	$ 62,885	$ (182,163)	$ 23,060	$ (165,024)
Comprehensive Income (Loss) per share related to common stockholders:				
Basic	$ 1.22	$ (3.92)	$ 0.46	$ (4.02)
Diluted	$ 1.21	$ (3.92)	$ 0.46	$ 4.02
Weighted average common shares outstanding:				
Basic	51,647	46,506	49,736	41,089
Add: Effect of dilutive non-vested awards, assumed vested	186	—	186	—
Diluted	51,833	46,506	49,922	41,089

For the three and nine months ended September 30, 2023, 318 of potentially dilutive non-vested awards outstanding were excluded from the computation of diluted Comprehensive Income (Loss) related to common stockholders because to have included them would have been anti-dilutive for the period.

(in thousands, except per share)

Note 14 - Income Taxes

The following table reconciles our GAAP net income (loss) to estimated REIT taxable income for the three and nine months ended September 30, 2024 and September 30, 2023.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
GAAP net income (loss)	$ 65,880	$ (179,168)	$ 32,046	$ (167,565)
Book to tax differences:				
TRS income	(99)	(18)	—	(15)
Premium amortization expense	—	—	—	(1)
Agency Securities	(306,142)	468,280	(55,522)	505,573
U.S. Treasury Securities	21,695	(5,438)	(8,376)	(5,517)
Changes in interest rate contracts	274,030	(231,890)	185,737	(191,071)
Security Sales	—	—	—	7,471
Amortization of deferred hedging costs	(20,025)	(24,019)	(62,339)	(80,590)
Amortization of deferred Treasury Future gains	4,140	5,570	13,465	17,447
Other	517	495	1,699	1,274
Estimated REIT taxable income	$ 39,996	$ 33,812	$ 106,710	$ 87,006

Interest rate contracts and futures contracts are treated as hedging transactions for U.S. federal income tax purposes. Unrealized gains and losses on open interest rate contracts are not included in the determination of REIT taxable income. Realized gains and losses on interest rate contracts and futures contracts terminated before their maturity are deferred and amortized over the remainder of the original term of the contract for REIT taxable income. At September 30, 2024 and December 31, 2023, we had approximately $(225,758) and $(247,349), respectively, of net deductible expense relating to previously terminated interest rate swap and treasury futures/shorts contracts amortizing through the year 2034. At September 30, 2024, we had $257,341 of net operating loss carryforwards available for use indefinitely.

Net capital losses realized	Amount	Available to offset capital gains through
2019	$ (13,819)	2024
2021	$ (15,606)	2026
2022	$ (732,477)	2027
2023	$ (472,002)	2028

The Company's subsidiary, ARMOUR TRS, Inc. has made an election as a taxable REIT subsidiary (“TRS”). As such, the TRS is taxable as a domestic C corporation and subject to federal, state, and local income taxes based upon its taxable income.

The aggregate tax basis of our assets and liabilities was greater than our total Stockholders’ Equity at September 30, 2024 by approximately $130,159, or approximately $2.36 per common share (based on the 55,192 common shares then outstanding). State and federal tax returns for the years 2021 and later remain open and are subject to possible examination.

We are required and intend to timely distribute substantially all of our REIT taxable income in order to maintain our REIT status under the Code. Total dividend payments to stockholders for the three and nine months ended September 30, 2024 and September 30, 2023 were $40,470 and $117,039 and $59,833 and $166,165, respectively.

(in thousands, except per share)

Our estimated REIT taxable income and dividend requirements to maintain our REIT status are determined on an annual basis. Dividends paid in excess of current tax earnings and profits for the year will generally not be taxable to common stockholders.

Our management is responsible for determining whether tax positions taken by us are more likely than not to be sustained on their merits. We have no material unrecognized tax benefits or material uncertain tax positions.

Note 15 - Related Party Transactions

ACM

The Company is managed by ACM, pursuant to a management agreement. All of our executive officers are also employees of ACM. ACM manages our day-to-day operations, subject to the direction and oversight of the Board. The management agreement runs through December 31, 2029 and is thereafter automatically renewed for an additional five-year term unless terminated under certain circumstances. Either party must provide 180 days prior written notice of any such termination.

Under the terms of the management agreement, ACM is responsible for costs incident to the performance of its duties, such as compensation of its employees and various overhead expenses. ACM is responsible for the following primary roles:

- Advising us with respect to, arranging for and managing the acquisition, financing, management and disposition of, elements of our investment portfolio;
- Evaluating the duration risk and prepayment risk within the investment portfolio and arranging borrowing and hedging strategies;
- Coordinating capital raising activities;
- Advising us on the formulation and implementation of operating strategies and policies, arranging for the acquisition of assets, monitoring the performance of those assets and providing administrative and managerial services in connection with our day-to-day operations; and
- Providing executive and administrative personnel, office space and other appropriate services required in rendering management services to us.

ACM has voluntarily waived a portion of its contractual management fee. ACM is currently waiving $550 per month of its contractual management fee until ACM provides further notice to ARMOUR (see Note 9 - Commitments and Contingencies).

The following table reconciles the fees incurred in accordance with the management agreement for the three and nine months ended September 30, 2024 and September 30, 2023.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
ARMOUR management fees	$ 9,919	$ 9,704	$ 29,532	$ 28,309
Less management fees waived	(1,650)	(1,650)	(4,950)	(4,950)
Total management fee expense	$ 8,269	$ 8,054	$ 24,582	$ 23,359

We are required to take actions as may be reasonably required to permit and enable ACM to carry out its duties and obligations. We are also responsible for any costs and expenses that ACM incurred solely on our behalf other than the various overhead expenses specified in the terms of the management agreement. For the three and nine months ended September 30, 2024 and September 30, 2023, we reimbursed ACM $446 and $701 and $82 and $487, respectively, for other expenses incurred on our behalf. In 2020, 2021 and 2023, we elected to grant restricted stock unit awards to our executive officers and other ACM employees that generally vest over 5 years. In 2020, 2021 and 2023, we elected to grant

RSUs to the Board. We recognized stock based compensation expense of $90 and $268 and $113 and $372 for the three and nine months ended September 30, 2024 and September 30, 2023, respectively.

BUCKLER

At September 30, 2024, we held an ownership interest in BUCKLER of 10.8%, which is included in prepaid and other assets in our consolidated balance sheet and is accounted for using the equity method as BUCKLER maintains specific ownership accounts. Based on our evaluation of certain protective rights and the nature of the on demand subordinated loan agreement, we have determined that we do not have the power to direct the day-to-day activities that most significantly impact BUCKLER's economic performance and additionally do not have the obligation to absorb losses or the right to receive benefits that could be significant to BUCKLER. As a result, we do not have a controlling financial interest, and thus, are not BUCKLER's primary beneficiary and do not consolidate BUCKLER. The value of the investment was $385 at September 30, 2024 and $382 at December 31, 2023, reflecting our total investment plus our share of BUCKLER's operating results, in accordance with the terms of the operating agreement of BUCKLER that our independent directors negotiated. The primary purpose of our investment in BUCKLER is to facilitate our access to repurchase financing on potentially attractive terms (considering rate, term, size, haircut, relationship and funding commitment) compared to other suitable repurchase financing counterparties.

Our operating agreement with BUCKLER contains certain provisions to benefit and protect the Company, including (1) sharing in any (a) defined profits realized by BUCKLER from the anticipated financing spreads resulting from repurchase financing facilitated by BUCKLER, and (b) distributions from BUCKLER to its members of net cash receipts, and (2) the realization of anticipated savings from reduced clearing, brokerage, trading and administrative fees. In addition, the independent directors of the Company must approve, in their sole discretion, any third-party business engaged by BUCKLER and may, under certain circumstances, cause BUCKLER to wind up and dissolve and promptly return certain subordinated loans we provide to BUCKLER as regulatory capital (as described more fully below). For each of the three and nine months ended September 30, 2024 and September 30, 2023, we earned $0 from BUCKLER as an allocated share of Financing Gross Profit for a reduction of interest on repurchase agreements charged to the Company. Financing Gross Profit is defined in the operating agreement.

Effective March 20, 2023, the Company committed to provide on demand a subordinated loan agreement to BUCKLER in an amount up to $200,000. The commitment extends through March 20, 2026, and is collateralized by mortgage backed and/or U.S. Treasury Securities owned by the Company and pledged to BUCKLER. The commitment is treated by BUCKLER currently as capital for regulatory purposes and BUCKLER may pledge the securities to secure its own borrowings.

This arrangement replaced the prior $105,000 subordinated loan, which was to mature on May 1, 2025. In March 2023, BUCKLER, at its option after obtaining regulatory approval, repaid all of the principal amount of the loan. The loan had a stated interest rate of zero, plus additional interest payable to the Company in an amount equal to the amount of interest earned by BUCKLER on the investment of the loan proceeds, generally in government securities funds. For the three and nine months ended September 30, 2023, the Company earned $0 and $973 of interest on this loan.

On February 22, 2021, the Company entered into an uncommitted revolving credit facility and security agreement with BUCKLER. Under the terms of the facility, the Company may, in its sole and absolute discretion, provide drawings to BUCKLER of up to $50,000. Interest on drawings is payable monthly at the Federal Reserve Bank of New York SOFR plus 2% per annum. To date, BUCKLER has not yet used the facility and therefore no interest expense was payable for the three and nine months ended September 30, 2024.

With BUCKLER as the sales agent, under the 2023 Common stock ATM Sales Agreement, we sold 5,014 common shares for proceeds of $101,384, net of issuance costs and commissions of approximately $833 during the three and nine months ended September 30, 2024. We also repurchased 70 common shares under the current repurchase authorization which cost $(1,344), including commissions of approximately $11, to BUCKLER during the nine months ended September 30, 2024. In October 2024, we sold 568 shares under the 2023 Common stock ATM sales agreement for proceeds of $11,121, net of issuance costs and commissions of approximately $84 to BUCKLER (see Note 11 - Stockholders' Equity).

Note 16 - Subsequent Events

Except as disclosed above, no subsequent events were identified through the date of filing this Quarterly Report of Form 10-Q.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations
ARMOUR Residential REIT, Inc.

References to “we,” “us,” “our,” or the “Company” are to ARMOUR Residential REIT, Inc. (“ARMOUR”) and its subsidiaries. References to “ACM” are to ARMOUR Capital Management LP, a Delaware limited partnership. ARMOUR owns a 10.8% equity interest in BUCKLER Securities LLC ("BUCKLER"), a Delaware limited liability company and a FINRA-regulated broker-dealer, controlled by ACM and certain executive officers of ARMOUR. Refer to the Glossary of Terms for definitions of capitalized terms and abbreviations used in this report.

The following discussion of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this report. All per share amounts, common shares outstanding and stock-based compensation amounts for all periods reflect the effect of our Reverse Stock Split. U.S. dollar amounts are presented in thousands, except per share amounts or as otherwise noted.

Overview

We are a Maryland corporation managed by ACM, an investment advisor registered with the SEC (see Note 9 and Note 15 to the consolidated financial statements). We have elected to be taxed as a REIT under the Code. We believe that we are organized in conformity with the requirements for qualification as a REIT under the Code and our manner of operations enables us to meet the requirements for taxation as a REIT for federal income tax purposes.

ARMOUR brings private capital into the mortgage markets to support home ownership for a broad and diverse spectrum of Americans. We seek to create stockholder value through thoughtful investment and risk management of a leveraged and diversified portfolio of MBS. We rely on the decades of experience of our management team for (i) MBS securities portfolio analysis and selection, (ii) access to equity capital and repurchase financing on potentially attractive rates and terms, and (iii) hedging and liquidity strategies to moderate interest rate and MBS price risk. We prioritize maintaining common share dividends appropriate for the intermediate term rather than focusing on short-term market fluctuations.

We are deeply committed to implementing sustainable environmental, responsible social, and prudent governance practices that improve our work and our world. We strive to contribute to a healthy, sustainable environment by utilizing resources efficiently. As an organization, we create a relatively small environmental footprint. Still, we are focused on minimizing the environmental impact of our business where possible.

At September 30, 2024 and December 31, 2023, we invested in MBS, issued or guaranteed by a U.S. GSE, such as Fannie Mae, Freddie Mac, or a government agency such as Ginnie Mae (collectively, Agency Securities). Our Agency Securities consist of fixed rate loans. From time to time we have also invested in U.S. Treasury Securities and money market instruments.

We earn returns on the spread between the yield on our assets and our costs, including the interest cost of the funds we borrow, after giving effect to our hedges. We identify and acquire MBS, finance our acquisitions with borrowings under a series of short-term repurchase agreements and then hedge certain risks based on our entire portfolio of assets and liabilities and our management’s view of the market.

Factors that Affect our Results of Operations and Financial Condition

Our results of operations and financial condition are affected by various factors, many of which are beyond our control, including, among other things, our net interest income, the market value of our assets and the supply of and demand for such assets. Recent events, such as those discussed below, can affect our business in ways that are difficult to predict and may produce results outside of typical operating variances. Our net interest income varies primarily as a result of changes in interest rates, borrowing costs and prepayment speeds, the behavior of which involves various risks and uncertainties. We currently invest primarily in Agency Securities, for which the principal and interest payments are guaranteed by a GSE or other government agency. From time to time, we also invest in U.S. Treasury Securities and money market instruments subject to certain income tests we must satisfy for our qualification as a REIT. We expect our investments to be subject to risks arising from prepayments resulting from existing home sales, financings, delinquencies and foreclosures. We are exposed to changing mortgage spreads, which could result in declines in the fair value of our investments. Our asset selection, financing and hedging strategies are designed to work together to generate current net interest income while moderating our exposure to market volatility.

Interest Rates

Changes in interest rates, particularly short-term interest rates, may significantly influence our net interest income. With the maturities of our assets, generally of a longer term than those of our liabilities, interest rate increases will tend to decrease our net interest income and the market value of our assets (and therefore our book value). Such rate increases could possibly result in operating losses or adversely affect our ability to make distributions to our stockholders. Our operating results depend, in large part, upon our ability to manage interest rate risks effectively while maintaining our status as a REIT.

While we use strategies to economically hedge some of our interest rate risk, we do not hedge all of our exposure to changes in interest rates and prepayment rates, as there are practical limitations on our ability to insulate our securities portfolio from all potential negative consequences associated with changes in short-term interest rates in a manner that will allow us to seek attractive net spreads on our securities portfolio. For GAAP purposes, all changes in the fair value of our derivatives currently flow through earnings. Changes in the fair value of our legacy Agency MBS portfolio, that was designated as available for sale historically, were recognized in other comprehensive income. Therefore, historical earnings reported in accordance with GAAP have fluctuated even in situations where our derivatives were operating as intended. Currently, all of our Agency MBS portfolio is designated as trading securities and changes in the fair values of our derivatives and Agency MBS flow through earnings together. Accordingly, our results of operations will not be subject to the additional fluctuations caused by the previous differences in mark-to-market accounting treatments. Comparisons with companies that use hedge accounting for all or part of their derivative activities may not be meaningful.

Prepayment Rates

Prepayments on MBS and the underlying mortgage loans may be influenced by changes in market interest rates and a variety of economic and geographic factors, policy decisions by regulators, as well as other factors beyond our control. To the extent we hold MBS acquired at a premium or discount to par, or face value, changes in prepayment rates may impact our anticipated yield. In periods of declining interest rates, prepayments on our MBS will likely increase. If we are unable to reinvest the proceeds of such prepayments at comparable yields, our net interest income may decline. Our operating results depend, in large part, upon our ability to manage prepayment risks effectively while maintaining our status as a REIT.

In addition to the use of derivatives to hedge interest rate risk, a variety of other factors relating to our business may also impact our financial condition and operating performance; these factors include:

- our degree of leverage;
- our access to funding and borrowing capacity;
- the REIT requirements under the Code; and
- the requirements to qualify for an exclusion under the 1940 Act and other regulatory and accounting policies related to our business.

Management

See Note 9 and Note 15 to the consolidated financial statements.

Market and Interest Rate Trends and the Effect on our Securities Portfolio

Federal Reserve Actions

On September 18, 2024, the Fed lowered the target range for the Federal Funds Rate by 0.5% to 4.75% to 5.00%, which it had kept unchanged in its previous Federal Open Market Committee meeting on July 31, 2024. The Fed said it had gained greater confidence that inflation is moving sustainably toward 2% and judged that the risks to achieving its employment and inflation goals are roughly in balance. The Fed further stated that in considering additional adjustments to the target range for the Federal Funds Rate, it will carefully assess incoming data, the evolving outlook, and the balance of risks.

The Fed said it will continue reducing its holdings of Treasury securities and agency debt and agency mortgage backed securities, according to its previously announced plans. The Fed will roll over at auction the amount of principal payments from its holdings of Treasury securities maturing in each calendar month that exceeds a cap of $25 billion per month. The Fed will also reinvest the amount of principal payments from its holdings of agency debt and agency mortgage backed securities received in each calendar month that exceeds a cap of $35 billion per month into Treasury securities.

Financial markets will likely be highly sensitive to the Fed’s interest rate decisions, its bond purchasing and balance sheet holding decisions, as well as its communication. We intend to continue to mitigate risk and maximize liquidity within the scope of our business plan. The agency mortgage backed securities market remains highly dependent on the future course and timing of the Fed's actions on interest rates as well as its purchases and holdings of our target assets.

Developments at Fannie Mae and Freddie Mac

The payments we receive on the Agency Securities in which we invest depend upon a steady stream of payments by borrowers on the underlying mortgages and the fulfillment of guarantees by GSEs. There can be no assurance that the U.S. Government's intervention in Fannie Mae and Freddie Mac will continue to be adequate or assured for the longer-term viability of these GSEs. These uncertainties may lead to concerns about the availability of and market for Agency Securities in the long term. Accordingly, if the GSEs defaulted on their guaranteed obligations, suffered losses or ceased to exist, the value of our Agency Securities and our business, operations and financial condition could be materially and adversely affected.

Short-term Interest Rates and Funding Costs

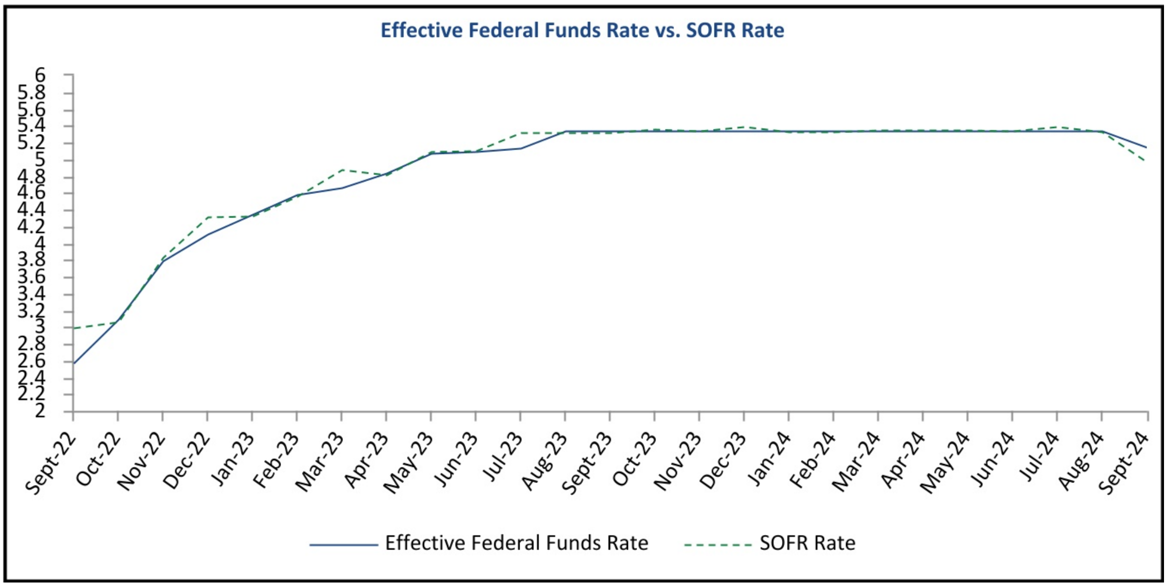
Changes in Fed policy affect our financial results, since our cost of funds is largely dependent on short-term rates. An increase in our cost of funds without a corresponding increase in interest income earned on our MBS would cause our net income to decline.

Below is the Fed's target range for the Fed Funds Rate at each Fed meeting where a change was made since the beginning of 2023.

Meeting Date	Lower Bound	Higher Bound
September 18, 2024	4.75 %	5.00 %
July 26, 2023	5.25 %	5.50 %
May 3, 2023	5.00 %	5.25 %
March 22, 2023	4.75 %	5.00 %
February 1, 2023	4.50 %	4.75 %

Our borrowings in the repurchase market have closely tracked the Federal Funds Rate, and SOFR. Traditionally, a lower Federal Funds Rate has indicated a time of increased net interest spread and higher asset values. Volatility in these rates and divergence from the historical relationship among these rates could negatively impact our ability to manage our securities portfolio. If rates were to increase as a result, our net interest spread and the value of our securities portfolio might suffer as a result. Our derivatives are either Federal Funds Rate or SOFR-based interest rate swap contracts (see Note 8 to the consolidated financial statements).

The following graph shows the effective Fed Funds Rate as compared to SOFR on a monthly basis from September 30, 2022 to September 30, 2024.



Long-term Interest Rates and Mortgage Spreads

Our securities are valued at an interest rate spread versus long-term interest rates (mortgage spread). This mortgage spread varies over time and can be above or below long-term averages, depending upon market participants' current desire to own MBS over other investment alternatives. When the mortgage spread gets smaller (or negative) versus long-term interest rates, our book value will be positively affected. When this spread gets larger (or positive), our book value will be negatively affected.

Mortgage spreads can vary due to movements in securities valuations, movements in long-term interest rates or a combination of both. We mainly use interest rate swap contracts, interest rate swaptions, basis swap contracts and futures contracts to economically hedge against changes in the valuation of our securities. We do not use such hedging contracts for speculative purposes.

We may reduce our mortgage spread exposure by entering in to certain TBA Agency Securities short positions. The TBA short positions may represent different securities and maturities than our MBS and TBA Agency Security long positions, and accordingly, may perform somewhat differently. While we expect our TBA Agency Securities short positions to perform well compared to our related mortgage securities, there can be no assurance as to their relative performance.

Results of Operations

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Net Interest Income	$ 1,839	$ 3,595	$ 14,139	$ 21,345
Total Other Income (Loss)	74,487	(171,700)	60,069	(156,595)
Total Expenses after fees waived	(10,446)	(11,063)	(42,162)	(32,315)
Net Income (Loss)	$ 65,880	$ (179,168)	$ 32,046	$ (167,565)
Reclassification adjustment for realized loss on sale of available for sale Agency Securities	—	—	—	7,471
Net unrealized gain on available for sale Agency Securities	—	—	—	4,056
Other Comprehensive Income	—	—	—	11,527
Comprehensive Income (Loss)	$ 65,880	$ (179,168)	$ 32,046	$ (156,038)

Net income for the three and nine months ended September 30, 2024 compared to net loss for the three and nine months ended September 30, 2023 reflected gains on our trading securities offset by losses on derivatives. During the nine months ended September 30, 2024, total expenses included costs associated with the previously disclosed Special Committee internal investigation. Information about this investigation and the findings are disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, under the heading, "Item 9B. Other Information".

Net interest income is a function of the size of and yield earned from our investment portfolio and the size of and cost of our repurchase and other financing costs.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Interest Income	$ 127,060	$ 153,636	$ 398,465	$ 406,706
Interest Expense	(125,221)	(150,041)	(384,326)	(385,361)
Net Interest Income	$ 1,839	$ 3,595	$ 14,139	$ 21,345

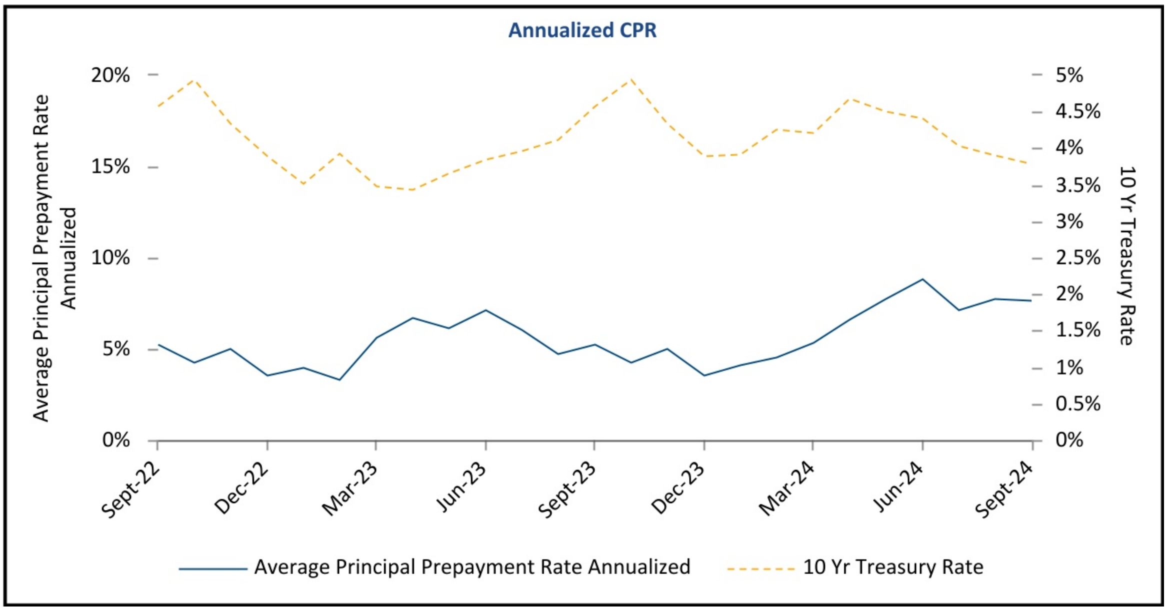
Beginning in the fourth quarter of 2023, we made changes to the presentation of certain information related to net interest income, including Net Interest Margin. As a result, the Net Interest Margin information presented prior to the fourth quarter of 2023 is not comparable to the items shown in the table below.

The following table details the factors impacting our net interest income for three and nine months ended September 30, 2024 and September 30, 2023.

	For the Three Months Ended September 30, 2024			For the Three Months Ended September 30, 2023		
	Interest Income (Expense)	Average Balance	Yield/Rate	Interest Income (Expense)	Average Balance	Yield/Rate
Interest-bearing Assets:						
Agency Securities, Net of Amortization	$ 125,653	$ 10,310,492	4.87 %	$ 152,370	$ 12,387,235	4.92 %
Cash Equivalents & Treasury Securities	1,407	77,294	7.28 %	1,266	120,981	4.19 %
Total Interest Income/Average Interest Earning Assets	$ 127,060	$ 10,387,786	4.89 %	$ 153,636	$ 12,508,216	4.91 %
Interest-bearing Liabilities:						
Repurchase Agreements	(119,628)	8,572,732	(5.58)%	(147,071)	10,621,989	(5.54)%
Treasury Securities Sold Short	(5,593)	517,066	(4.33)%	(2,970)	165,508	(7.18)%
Total Interest Expense/Average Interest Bearing Liabilities	$ (125,221)	$ 9,089,798	(5.51)%	$ (150,041)	$ 10,787,497	(5.56)%
Net Interest Income/Net Interest Spread	$ 1,839		(0.62)%	$ 3,595		(0.65)%
Net Yield on Interest Earning Assets			0.07 %			0.11 %

	For the Nine Months Ended September 30, 2024			For the Nine Months Ended September 30, 2023		
	Interest Income (Expense)	Average Balance	Yield/Rate	Interest Income (Expense)	Average Balance	Yield/Rate
Interest-bearing Assets:						
Agency Securities, Net of Amortization	$ 393,274	$ 10,612,172	4.94 %	$ 401,099	$ 11,319,609	4.72 %
Cash Equivalents & Treasury Securities	5,191	167,092	4.14 %	4,634	168,496	3.67 %
Subordinated Loan to BUCKLER	—	—	— %	973	30,385	4.27 %
Total Interest Income/Average Interest Earning Assets	$ 398,465	$ 10,779,264	4.93 %	$ 406,706	$ 11,518,490	4.71 %
Interest-bearing Liabilities:						
Repurchase Agreements	(361,312)	8,633,478	(5.58)%	(372,021)	9,604,716	(5.16)%
Treasury Securities Sold Short	(23,014)	749,495	(4.09)%	(13,340)	391,760	(4.54)%
Total Interest Expense/Average Interest Bearing Liabilities	$ (384,326)	$ 9,382,973	(5.46)%	$ (385,361)	$ 9,996,476	(5.14)%
Net Interest Income/Net Interest Spread	$ 14,139		(0.53)%	$ 21,345		(0.43)%
Net Yield on Interest Earning Assets			0.17 %			0.25 %

The yield on our assets is most significantly affected by the rate of repayments on our Agency Securities. The following graph shows the annualized CPR on a monthly basis for the quarterly periods ended on the dates shown below.



Other Income (Loss)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Other Income (Loss):				
Realized loss on sale of available for sale Agency Securities (reclassified from Comprehensive Income (Loss))	$ —	$ —	$ —	$ (7,471)
Gain (Loss) on Agency Securities, trading	306,141	(468,280)	55,522	(505,573)
Gain (Loss) on U.S. Treasury Securities	(21,695)	5,438	8,376	5,517
Gain (Loss) on derivatives, net	(209,959)	291,142	(3,829)	350,932
Total Other Income (Loss)	$ 74,487	$ (171,700)	$ 60,069	$ (156,595)

Three and Nine Months Ended September 30, 2024 vs. Three and Nine Months Ended September 30, 2023

- During the first quarter of 2023, we sold the remaining balance of our Available for Sale Securities which resulted in a realized loss of $(7,471).
- Gain (Loss) on Agency Securities, trading, includes mark to market changes in the fair value of our securities as well as the gain (loss) on sales.
    - For the three and nine months ended September 30, 2024, the change in fair value of the securities was $306,043 and $155,931 compared to $(447,039) and $(200,921) for the three and nine months ended September 30, 2023, respectively.

- Sales of our Agency Securities, trading resulted in realized gains (losses) of $98 and $(100,409) and $(21,241) and $(304,652) for the three and nine months ended September 30, 2024 and September 30, 2023, respectively.
- During the three and nine months ended September 30, 2024, we sold $484,464 and $4,022,334 of Agency Securities, trading. During the three and nine months ended September 30, 2023 we sold Agency Securities, trading of $244,323 (including $96,490 of receivable for unsettled sales) and $4,157,682, respectively.

- Gain (Loss) on U.S. Treasury Securities resulted from the change in fair value of the securities as well as the gain (loss) on sales.
  - For the three and nine months ended September 30, 2024 and September 30, 2023, the change in fair value of the securities was $(21,695) and $5,914 and $2,391 and $7,859, respectively.
  - For the nine months ended September 30, 2024, we sold short $869,257 of U.S. Treasury Securities resulting in realized gain of $2,462. For the three and nine months ended September 30, 2023, we sold short $491,750 and sold $(613,852) of U.S. Treasury Securities resulting in a gain (loss) of $3,047 and $(2,342), respectively.
- Gain (Loss) on Derivatives resulted from a combination of the following:
  - Changes in fair value due to interest rate movements.
  - Interest rate swap contracts' net change in notional balance decreased from $6,786,000 at December 31, 2023 to $6,686,000 at September 30, 2024.

Expenses

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Expenses:				
Management fees	$ 9,920	$ 9,719	$ 29,530	$ 28,355
Compensation	1,137	1,262	3,709	3,682
Other operating	1,039	1,732	13,873	5,228
Total Expenses	$ 12,096	$ 12,713	$ 47,112	$ 37,265
Less management fees waived	(1,650)	(1,650)	(4,950)	(4,950)
Total Expenses after fees waived	$ 10,446	$ 11,063	$ 42,162	$ 32,315

The Company is managed by ACM, pursuant to a management agreement. The management fees are determined based on gross equity raised. Therefore, management fees increase when we raise capital and decline when we repurchase previously issued stock and distribute liquidation distributions as approved and so designated by a majority of the Board. However, because the management fee rate decreases to 0.75% per annum for gross equity raised in excess of $1.0 billion pursuant to the management agreement, the effective management fee rate declines as equity is raised. The cost of repurchased stock and any dividends specifically designated by the Board as liquidation distributions will reduce the amount of gross equity raised used to calculate the monthly management fee. Realized and unrealized gains and losses do not affect the amount of gross equity raised. At September 30, 2024 and September 30, 2023, the effective management fee, prior to management fees waived, was 0.92% and 0.93% based on gross equity raised of $4,361,496 and $4,235,238, respectively. During each of the three and nine months ended September 30, 2024 and September 30, 2023 ACM voluntarily waived management fees of $1,650 and $4,950, respectively (see Note 15 - Related Party Transactions).

Compensation includes non-executive director compensation as well as the restricted stock units awarded to our Board and executive officers directly or through ACM. The fluctuation from year to year is due to the number of awards vesting.

Other Operating expenses include:

- For the nine months ended September 30, 2024, other expenses included $9,010 of expenses related to the Special Committee internal investigation in the first quarter of 2024. With the dismissal this quarter of the JAVELIN class action lawsuits, other expenses for the three and nine months ended September 30, 2024 reflect the reversal of $1,000 of certain costs accrued in prior years.
- Fees for market and pricing data, analytics and risk management systems and portfolio related data processing costs as well as stock exchange listing fees and similar stockholder related expenses, net of other miscellaneous income.
- Professional fees for securities clearing, legal, audit and consulting costs that are generally driven by the size and complexity of our securities portfolio, the volume of transactions we execute and the extent of research and due diligence activities we undertake on potential transactions.
- Insurance premiums for both general business and directors and officers liability coverage fluctuate from year to year due to changes in premiums.

Taxable Income

As a REIT that regularly distributes all of its taxable income, we are generally not required to pay federal income tax (see Note 14 to the consolidated financial statements).

Realized gains and losses on interest rate contracts and treasury futures terminated before their maturity are deferred and amortized over the remainder of the original term of the contract for REIT taxable income. At September 30, 2024 and December 31, 2023, we had approximately $(225,758) and $(247,349), respectively, of net deductible expense relating to previously terminated interest rate swap and treasury futures/shorts contracts amortizing through the year 2034. At September 30, 2024, we had $257,341 of net operating loss carryforwards available for use indefinitely. For 2024, we forecast that estimated ordinary REIT taxable income will be positive. This would likely result in Series C Preferred Stock dividends for 2024 being treated as fully taxable ordinary income. Common stock dividends for 2024 are expected to partially be treated as taxable ordinary income.

Comprehensive Income (Loss)

Comprehensive Income (loss) is comprised of net income (loss) and all changes to the statements of stockholders' equity, except those due to investments by stockholders, changes in additional paid-in capital and distributions to stockholders (see Note 13 to the consolidated financial statements).

Financial Condition

Investment In Securities

Our securities portfolio consists of Agency Securities backed by fixed rate home loans. Our charter permits us to invest in MBS backed by fixed rate, hybrid adjustable rate and adjustable rate home loans as well as unsecured notes and bonds issued by GSEs, U.S. Treasuries and money market instruments, subject to certain income tests we must satisfy for our qualification as a REIT. Our TBA Agency Securities are reported at net carrying value and are reported in Derivatives, at fair value on our consolidated balance sheets (see Note 8 to the consolidated financial statements).

Agency Securities:

Agency Security purchase and sale transactions, including purchases and sales for forward settlement, are recorded on the trade date to the extent it is probable that we will take or make timely physical delivery of the related securities. Gains or losses realized from the sale of securities are included in income and are determined using the specific identification method. We typically purchase Agency Securities at premium prices. The premium price paid over par value on those assets is expensed as the underlying mortgages experience repayment or prepayment. The lower the prepayment rate, the lower the amount of amortization expense for a particular period. Accordingly, the yield on an asset and earnings are higher. If prepayment rates increase, the amount of amortization expense for a particular period will go up. These increased prepayment rates would act to decrease the yield on an asset and would decrease earnings.

Our net interest income is primarily a function of the difference between the yield on our assets and the financing (borrowing and hedging) cost of owning those assets. Since we tend to purchase Agency Securities at a premium to par, the main item that can affect the yield on our Agency Securities after they are purchased is the rate at which the mortgage borrowers repay the loan. While the scheduled repayments, which are the principal portion of the homeowners' regular monthly payments, are fairly predictable, the unscheduled repayments, which are generally refinancing of the mortgage but can also result from repurchases of delinquent, defaulted, or modified loans, are less so. Being able to accurately estimate and manage these repayment rates is a critical portion of the management of our securities portfolio, not only for estimating current yield but also for considering the rate of reinvestment of those proceeds into new securities, the yields on those new securities and the impact of the repayments on our hedging strategy.

TBA Agency Securities:

We account for TBA Agency Securities as derivative instruments if it is reasonably possible that we will not take or make physical delivery of the Agency Security upon settlement of the contract. TBA Agency Securities are forward contracts for the purchase ("long position") or sale ("short position") of Agency Securities at a predetermined price, face amount, issuer, coupon and stated maturity on an agreed-upon future date. The specific Agency Securities delivered pursuant to the contract upon the settlement date, published each month by the Securities Industry and Financial Markets Association, are not known at the time of the transaction. We estimate the fair value of TBA Agency Securities based on similar methods used to value our Agency Securities. TBA Agency Securities are included in the table below on a gross basis, as applicable, since they can be used to establish and finance portfolio positions in Agency Securities.

The tables below summarize certain characteristics of our investments in securities at September 30, 2024 and December 31, 2023.

September 30, 2024	Principal Amount	Amortized Cost	Gross Unrealized Gain (Loss)	Fair Value	CPR [(1)]	Weighted Average Months to Maturity	Percent of Total
Agency Fixed Rates ≥ 181 months							
2.5%	500,977	411,505	20,838	432,343	3.5 %	330	3.5 %
3.0%	1,114,788	967,375	34,366	1,001,741	3.4 %	324	8.1 %
3.5%	1,342,166	1,287,085	(34,759)	1,252,326	6.5 %	332	10.1 %
4.0%	1,059,116	1,052,386	(32,252)	1,020,134	7.8 %	332	8.2 %
4.5%	992,079	983,292	(6,577)	976,715	7.6 %	334	7.9 %
5.0%	1,791,665	1,782,383	12,590	1,794,973	6.0 %	346	14.4 %
5.5%	2,360,410	2,380,885	16,878	2,397,763	6.8 %	345	19.3 %
6.0%	2,455,291	2,502,127	14,011	2,516,138	7.8 %	345	20.3 %
6.5%	579,216	593,056	6,422	599,478	14.1 %	350	4.8 %
Other Agency Securities							
Agency CMBS	$ 420,047	$ 430,363	$ 788	$ 431,151	— %	57	3.4 %
Total Agency Securities	$ 12,615,755	$ 12,390,457	$ 32,305	$ 12,422,762			100.0 %

(1) Weighted average CPR during the quarter for the securities owned at September 30, 2024. Negative CPR can occur if payments are not made on the first of the month and the scheduled principal amount is not received.

December 31, 2023	Principal Amount	Amortized Cost	Gross Unrealized Gain (Loss)	Fair Value	CPR [1]	Weighted Average Months to Maturity	Percent of Total
Agency Fixed Rates ≥ 181 months							
3.5%	1,181,289	1,157,554	(70,416)	1,087,138	3.7 %	340	9.5 %
4.0%	1,130,222	1,123,331	(49,895)	1,073,436	4.5 %	341	9.4 %
4.5%	1,054,481	1,045,143	(21,283)	1,023,860	3.8 %	343	8.9 %
5.0%	1,620,054	1,609,875	(1,517)	1,608,358	4.0 %	347	14.0 %
5.5%	3,280,469	3,294,740	10,566	3,305,306	4.3 %	351	28.8 %
6.0%	2,416,172	2,458,340	2,515	2,460,855	5.3 %	350	21.5 %
6.5%	52,896	54,259	566	54,825	6.0 %	348	0.4 %
Other Agency Securities							
Agency CMBS	$ 542,578	$ 540,138	$ 5,838	$ 545,976	n/a	115	4.8 %
Total Agency Securities	$ 11,278,161	$ 11,283,380	$ (123,626)	$ 11,159,754	4.2 %	336	97.3 %
TBA Agency Securities							
30 Year Long, 6.0% [2]	$ 300,000	$ 303,223	$ 1,816	$ 305,039	n/a	n/a	2.7 %
Total Investments in Securities	$ 11,578,161	$ 11,586,603	$ (121,810)	$ 11,464,793	n/a	n/a	100.0 %

(1) Weighted average CPR during the fourth quarter for the securities owned at December 31, 2023. Negative CPR can occur if payments are not made on the first of the month and the scheduled principal amount is not received.

(2) Our TBA Agency Securities were recorded as derivative instruments in our accompanying consolidated financial statements. Our TBA Agency Securities were reported at net carrying values of $1,816, at December 31, 2023 and were reported in Derivatives, at fair value on our consolidated balance sheets (see Note 8 to the consolidated financial statements).

The following tables summarize changes in our investments in securities as of September 30, 2024 and December 31, 2023, excluding TBA Agency Securities (see Note 8 to the consolidated financial statements).

	Trading Securities		
	Agency	U.S. Treasuries	U.S. Treasury Securities Sold Short
September 30, 2024			
Balance, December 31, 2023	$ 11,159,754	$ —	$ (355,322)
Purchases [1]	5,917,370	—	869,257
Proceeds from sales	(4,022,334)	—	(1,050,020)
Principal repayments	(687,362)	—	—
Gains	55,522	—	8,376
Accrued interest payable	—	—	(2,245)
Amortization of purchase premium	(188)	—	—
Balance, September 30, 2024	$ 12,422,762	$ —	$ (529,954)
Percentage of Portfolio	100.00 %	— %	

(1) Purchases include cash paid during the period, plus payable for investment securities purchased during the period as of period end.

	Available for Sale Securities	Trading Securities		
December 31, 2023	**Agency**	**Agency**	**U.S. Treasuries**	**U.S. Treasury Securities Sold Short**
Balance, December 31, 2022	$ 187,944	$ 8,010,647	$ —	$ (506,074)
Purchases [1]	—	10,106,910	624,039	841,709
Proceeds from sales	(189,931)	(6,100,661)	(618,520)	(651,621)
Principal repayments	(1,997)	(801,161)	—	—
Gains (losses)	4,056	(52,665)	(5,388)	(37,705)
Accrued interest payable	—	—	—	(1,631)
Amortization of purchase premium	(72)	(3,316)	(131)	—
Balance, December 31, 2023	$ —	$ 11,159,754	$ —	$ (355,322)
Percentage of Portfolio	— %	100.00 %	— %	

(1) Purchases include cash paid during the period, plus payable for investment securities purchased during the period as of period end.

Repurchase Agreements, net

We have entered into repurchase agreements to finance the majority of our MBS. Our repurchase agreements are secured by our MBS and bear interest at rates that have moved in close relationship to the Fed Funds Rate and SOFR. We have established borrowing relationships with numerous investment banking firms and other lenders, 16 and 14 of which had open repurchase agreements with us at September 30, 2024 and December 31, 2023, respectively. We had outstanding balances under our repurchase agreements, net at September 30, 2024 and December 31, 2023 of $10,186,415 and $9,647,982, respectively, consistent with the increase in our MBS in our securities portfolio. At September 30, 2024 and December 31, 2023, BUCKLER accounted for 41.4% and 48.4%, respectively, of our aggregate borrowings and had an amount at risk of 7.3% and 8.1%, respectively, of our total stockholders' equity with a weighted average maturity of 10 days and 12 days, respectively, on repurchase agreements (see Note 7 to the consolidated financial statements).

Our repurchase agreements require excess collateral, known as a "haircut." At September 30, 2024, the average haircut percentage was 2.95% compared to 2.74% at December 31, 2023.

Derivative Instruments

We use various contracts to manage our interest rate risk as we deem prudent in light of market conditions and the associated costs with counterparties that have a high quality credit rating and with futures exchanges. We generally pay a fixed rate and receive a floating rate with the objective of fixing a portion of our borrowing costs and hedging the change in our book value to some degree. The floating rate we receive is generally the Fed Funds Rate or SOFR. We had contractual commitments under derivatives at September 30, 2024 and December 31, 2023. At September 30, 2024 and December 31, 2023, we had derivatives with a net fair value of $673,884 and $872,376, respectively (see Note 8 to the consolidated financial statements).

At September 30, 2024, we had interest rate swap contracts with an aggregate notional balance of $6,686,000, a weighted average swap rate of 1.42% and a weighted average term of 72 months. At December 31, 2023, we had interest rate swap contracts with an aggregate notional balance of $6,786,000, a weighted average swap rate of 1.37% and a weighted average term of 68 months. We also had TBA Agency Securities with an aggregate notional balance of $300,000 at December 31, 2023. We did not have TBA Agency Securities at September 30, 2024 (see Note 8 to the consolidated financial statements).

The following table details the changes in the fair value of our interest rate swap contracts for the nine months ended September 30, 2024 and for the year ended December 31, 2023.

Interest Swap Contracts	For the Nine Months Ended September 30, 2024	For the Year Ended December 31, 2023
Net Balance, beginning of period	$ 870,560	$ 983,659
Net interest rate swap contract payments received	(163,567)	(133,863)
Interest rate swap income accrued	312,474	397,468
Interest rate swap expense accrued	(131,716)	(180,585)
Unrealized losses	(222,525)	(158,584)
Loss (gain) on early terminations	7,952	(37,535)
Net Balance, end of period	$ 673,178	$ 870,560

Our policies do not contain specific requirements as to the percentages or amount of interest rate risk that we are required to hedge. No assurance can be given that our derivatives will have the desired beneficial impact on our results of operations or financial condition. We have not elected cash flow hedge accounting treatment as allowed by GAAP. Since we do not designate our derivative activities as cash flow hedges, realized as well as unrealized gains/losses from these transactions will impact our GAAP earnings.

Use of derivative instruments may fail to protect or could adversely affect us because, among other things:

- available derivatives may not correspond directly with the interest rate risk for which protection is sought (e.g., the difference in interest rate movements for long-term U.S. Treasury Securities compared to Agency Securities);
- the duration of the derivatives may not match the duration of the related liability;
- the counterparty to a derivative agreement with us may default on its obligation to pay or not perform under the terms of the agreement and the collateral posted may not be sufficient to protect against any consequent loss;
- we may lose collateral we have pledged to secure our obligations under a derivative agreement if the associated counterparty becomes insolvent or files for bankruptcy;
- we may experience a termination event under one or more of our derivative agreements related to our REIT status, equity levels and performance, which could result in a payout to the associated counterparty and a taxable loss to us;
- the credit-quality of the party owing money on the derivatives may be downgraded to such an extent that it impairs our ability to sell or assign our side of the hedging transaction; and
- the value of derivatives may be adjusted from time to time in accordance with GAAP to reflect changes in fair value; downward adjustments, or "mark-to-market losses," would reduce our net income or increase any net loss.

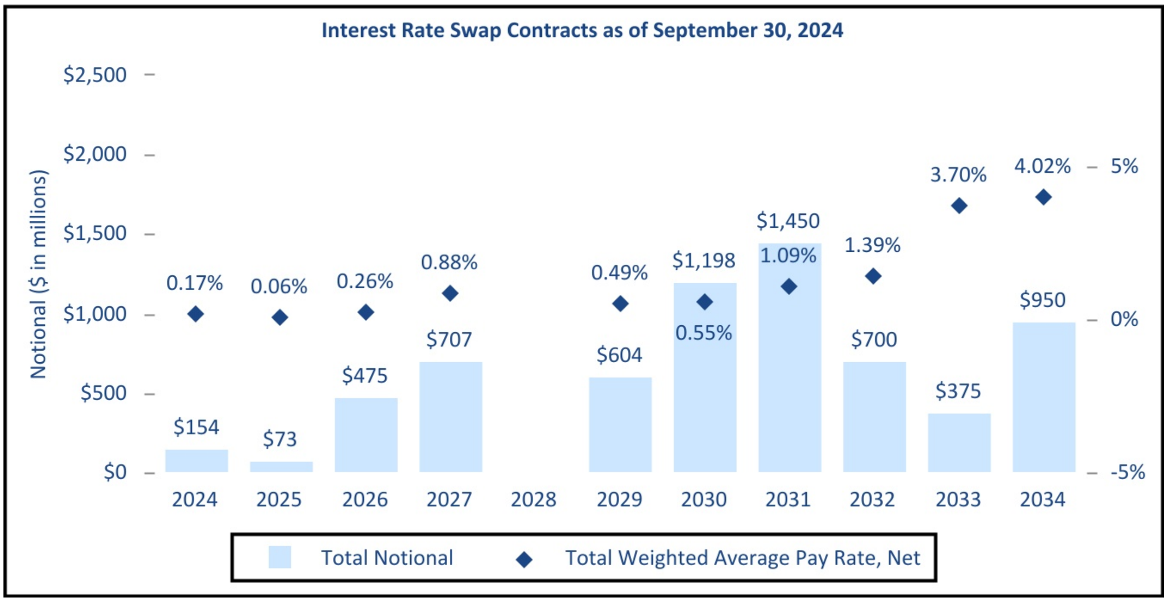
Although we attempt to structure our derivatives to offset the changes in asset prices, the complexity of the actual and expected prepayment characteristics of the underlying mortgages as well as the volatility in mortgage interest rates relative to U.S. Treasury and interest rate swap contract rates makes achieving high levels of offset difficult. We recognized net (losses) gains related to our derivatives of $(209,959) and $(3,829) and $291,142 and $350,932, for the three and nine months ended September 30, 2024 and September 30, 2023, respectively.

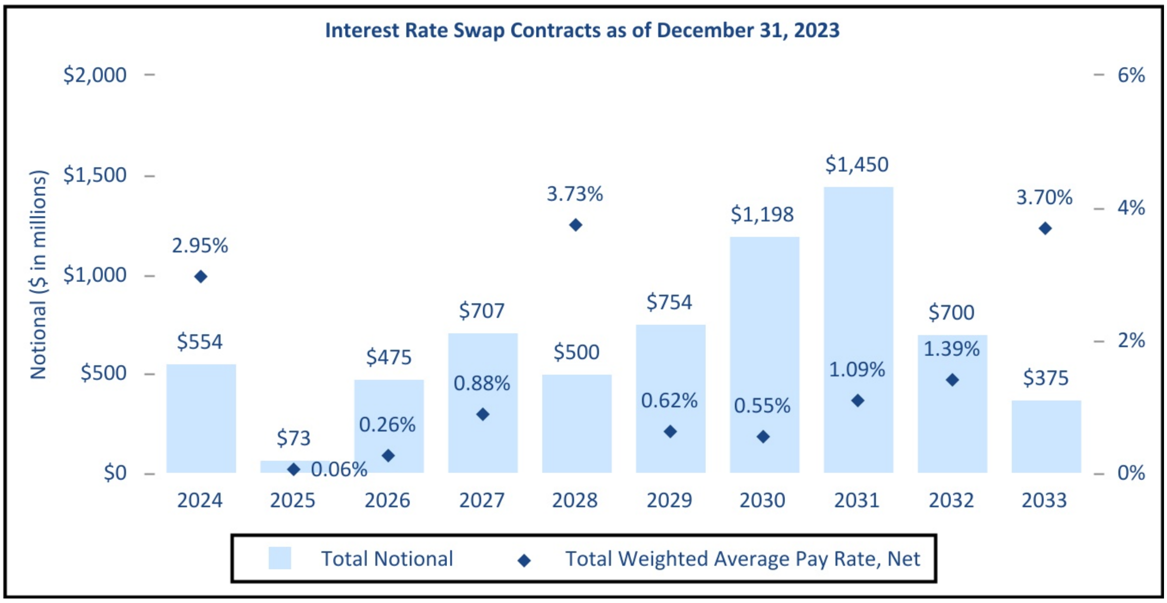
As required by the Dodd-Frank Act, the Commodity Futures Trading Commission has adopted rules requiring certain interest rate swap contracts to be cleared through a derivatives clearing organization. We are required to clear certain new interest rate swap contracts. Centrally-cleared interest rate swaps may have higher margin requirements than bilateral interest rate swaps. We have established an account with a futures commission merchant for this purpose. At

September 30, 2024 and December 31, 2023, we had $1,325,000 and $1,275,000, respectively, of notional amount of centrally-cleared interest rate swap contracts.

We are required to account for our TBA Agency Securities as derivatives when it is reasonably possible that we will not take or make timely physical delivery of the related securities. However, from time to time, we use TBA Agency Securities primarily to effectively establish portfolio positions. See the section, "TBA Agency Securities" above.

The following graphs present the notional and weighted average interest rate of our interest rate swap contracts by year of maturity.





Liquidity and Capital Resources

At September 30, 2024, our liquidity totaled $667,427, consisting of $63,855 of cash and cash equivalents plus $603,572 of unencumbered Agency Securities and U.S. government securities (including securities received as reverse margin collateral). Our primary sources of funds are borrowings under repurchase arrangements, monthly principal and interest payments on our MBS and cash generated from our operating results.

We generally maintain liquidity to pay down borrowings under repurchase arrangements to reduce borrowing costs and otherwise efficiently manage our long-term investment capital. Because the level of our borrowings can be adjusted on a daily basis, the level of cash and cash equivalents carried on our consolidated balance sheet is significantly less important than our potential liquidity available under our borrowing arrangements. We continue to pursue additional lending counterparties in order to help increase our financial flexibility and ability to withstand periods of contracting liquidity in the credit markets.

In addition to the repurchase agreement financing discussed above, from time to time we have entered into reverse repurchase agreements with certain of our repurchase agreement counterparties. Under a typical reverse repurchase agreement, we purchase U.S. Treasury Securities from a borrower in exchange for cash and agree to sell the same securities back in the future. We then sell such U.S. Treasury Securities to third parties and recognize a liability to return the securities to the original borrower. Reverse repurchase agreement receivables and repurchase agreement liabilities are presented net when they meet certain criteria, including being with the same counterparty, being governed by the same MRA, settlement through the same brokerage or clearing account and maturing on the same day. The practical effect of these transactions is to replace a portion of our repurchase agreement financing of our MBS in our securities portfolio with short positions in U.S. Treasury Securities. We believe that this helps to reduce interest rate risk, and therefore counterparty credit and liquidity risk. Both parties to the repurchase and reverse repurchase transactions have the right to make daily margin calls based on changes in the value of the collateral obtained and/or pledged. At September 30, 2024, we had $522,938 ($469,188 of which were with BUCKLER) and at December 31, 2023 we had $353,937 (all of which were with BUCKLER), in reverse repurchase agreements. At September 30, 2024 and December 31, 2023, we had obligations to return securities received as collateral associated with our reverse repurchase agreements of $522,660 and $350,273, respectively.

Our primary uses of cash are to purchase MBS, pay interest and principal on our borrowings, fund our operations and pay dividends. From time to time, we purchase or sell assets for forward settlement up to 90 days in the future to lock in purchase prices or sales proceeds. At September 30, 2024 and December 31, 2023, we financed our securities portfolio with $10,186,415 and $9,647,982 of borrowings under repurchase agreements. We generally seek to borrow (on a recourse basis) between six and ten times the amount of our total stockholders' equity. Our debt to equity ratios at September 30, 2024 and December 31, 2023, were 7.74:1 and 7.59:1, respectively, as we substituted Agency MBS for TBA Agency Securities. Our leverage ratios, including notional on our TBA Agency Securities, were 7.74:1 and 7.83:1 at September 30, 2024 and December 31, 2023, respectively. Implied leverage, including TBA Securities and forward settling sales and unsettled purchases was 8.18:1 and 7.96:1 at September 30, 2024 and December 31, 2023, respectively.

Securities Portfolio Matters

	For the Nine Months Ended September 30,	
	2024	2023
Securities purchased using proceeds from repurchase agreements and principal repayments	$ 5,917,370	$ 10,279,568
Average securities portfolio (includes TBA Agency Securities)	$ 11,198,838	$ 11,480,443
Cash received from principal repayments on MBS	$ 687,362	$ 622,330
Net cash increase from repurchase agreements, net	$ 538,433	$ 5,041,134
Cash interest payments made on liabilities	$ 519,717	$ 448,735
Net cash and cash equivalents and cash collateral posted to counterparties provided by operating activities [1]	$ 171,017	$ 72,472

(1) The increase in cash and cash collateral posted to counterparties related to operating activities from 2023 to 2024 is related to exiting certain MBS positions.

Other potential sources of liquidity include our automatic shelf registration filed with the SEC, pursuant to which we may offer an unspecified amount of shares of our common stock, preferred stock, warrants, depositary shares and debt securities.

The following tables present our equity transactions for the nine months ended September 30, 2024 and for the year ended December 31, 2023 (see Note 11 and Note 15 to the consolidated financial statements).

Transaction Type	Completion Date	Number of Shares	Per Share price [1]	Net Proceeds (costs)
September 30, 2024				
2023 Common stock ATM Sales Agreement	July 26, 2024 - September 30, 2024	6,414	$ 20.17	$ 129,370
DRIP shares issued	January 25, 2024 - September 27, 2024	3	$ 18.96	$ 60
Common stock repurchased	January 22, 2024 - January 25, 2024	(70)	$ 19.31	$ (1,344)
December 31, 2023				
2021 Common stock ATM Sales Agreement	January 4, 2023 - July 12, 2023	13,305	$ 27.66	$ 367,997
2023 Common stock ATM Sales Agreement	July 26, 2023 - September 29, 2023	3,328	$ 24.66	$ 82,100
DRIP shares issued	July 25, 2023 - September 29, 2023	3	$ 19.71	$ 51
Common stock repurchased	March, May and September, October and November	(477)	$ 20.80	$ (9,935)

Other Contractual Obligations

The Company is managed by ACM, pursuant to a management agreement (see Note 9 and Note 15 to the consolidated financial statements). The management agreement runs through December 31, 2029 and is thereafter automatically renewed for an additional five-year term unless terminated under certain circumstances.

The following table reconciles the fees incurred in accordance with the management agreement for the three and nine months ended September 30, 2024 and September 30, 2023 (see Note 9 to the consolidated financial statements).

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
ARMOUR management fees	$ 9,919	$ 9,704	$ 29,532	$ 28,309
Less management fees waived	(1,650)	(1,650)	(4,950)	(4,950)
Total management fee expense	$ 8,269	$ 8,054	$ 24,582	$ 23,359

We adopted the 2009 Stock Incentive Plan (as amended, the "Plan") to attract, retain and reward directors and other persons who provide services to us in the course of operations. The Plan authorizes the Board to grant awards including common stock, restricted shares of common stock ("RSUs"), stock options, performance shares, performance units, stock appreciation rights and other equity and cash-based awards (collectively, "Awards"), subject to terms as provided in the Plan. At September 30, 2024, there were 228 shares available for future issuance under the Plan.

At September 30, 2024, there was approximately $7,009 of unvested stock based compensation related to the Awards (based on a weighted grant date price of $37.68 per share), which we expect to recognize as an expense as follows: for the remainder of 2024 an expense of $835, in 2025 an expense of $1,986, and thereafter an expense of $4,188. Our policy is to account for forfeitures as they occur. We also pay each of our non-executive Board members quarterly fees, which are payable in cash, common stock, RSUs or a combination of common stock, RSUs and cash at the option of the director. Compensation to be paid to our non-executive Board in the form of cash and common equity is $1,219 annually (see Note 10 to the consolidated financial statements).

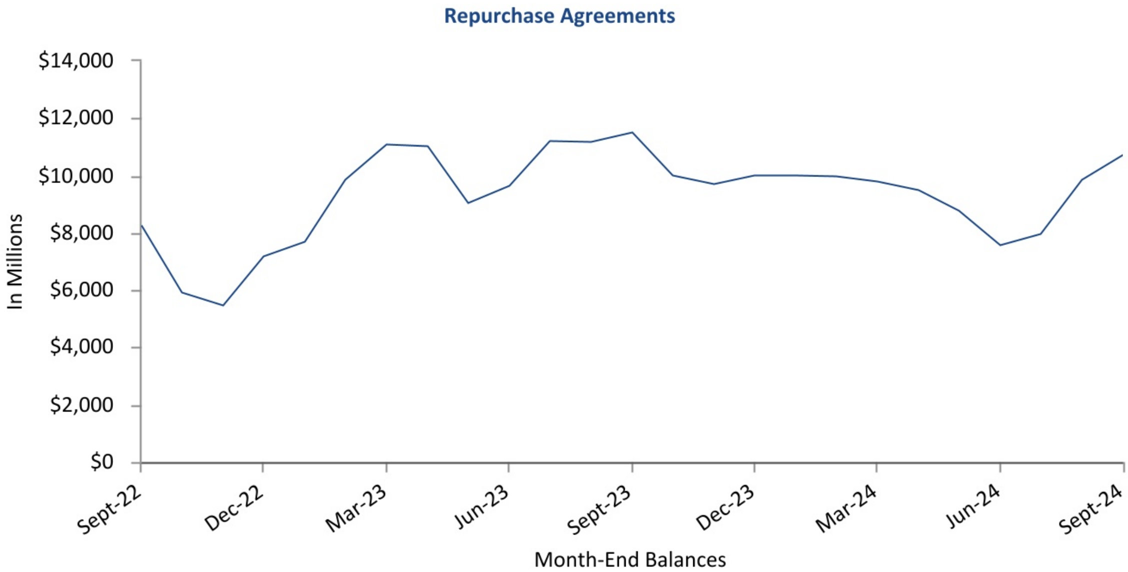
We currently believe that we have sufficient liquidity and capital resources available for the acquisition of additional investments, repayments on repurchase borrowings, reacquisition of securities to be returned to borrowers and the payment of cash dividends as required for continued qualification as a REIT.

Repurchase Agreements, net

Declines in the value of our Agency Securities portfolio can trigger margin calls by our lenders under our repurchase agreements. An event of default or termination event under the standard MRA would give our counterparty the option to terminate all repurchase transactions existing with us and require any amount due to be payable immediately.

Changing capital or other financial market regulatory requirements may cause our lenders to exit the repurchase market, increase financing rates, tighten lending standards or increase the amount of required equity capital or haircut we post, any of which could make it more difficult or costly for us to obtain financing.

The following graph represents the outstanding balances of our repurchase agreements (before the effect of netting reverse repurchase agreements), which finance most of our MBS. Our repurchase agreements balance will fluctuate based on our change in capital, leverage targets and the market prices of our assets (including the effects of principal paydowns) and the level and timing of investment and reinvestment activity (see Note 7 and Note 15 to the consolidated financial statements).



Effects of Margin Requirements, Leverage and Credit Spreads

Our MBS have values that fluctuate according to market conditions and, as discussed above, the market value of our MBS will decrease as prevailing interest rates or credit spreads increase. When the value of the securities pledged to secure a repurchase agreement decreases to the point where the positive difference between the collateral value and the loan amount is less than the haircut, our lenders may issue a margin call, which requires us to pay the difference in cash or pledge additional collateral to meet the obligations under our repurchase agreements. Under our repurchase facilities, our lenders have full discretion to determine the value of the MBS we pledge to them. Most of our lenders will value securities based on recent trades in the market. Lenders also issue margin calls as the published current principal balance factors change on the pool of mortgages underlying the securities pledged as collateral when scheduled and unscheduled principal repayments are announced monthly.

Forward-Looking Statements Regarding Liquidity

Based on our current portfolio, leverage rate and available borrowing arrangements, we believe that our cash flow from operations and our ability to make timely portfolio adjustments will be sufficient to enable us to meet anticipated short-term (one year or less) liquidity requirements such as to fund our investment activities, meet our financing obligations, pay fees under the management agreement and fund our distributions to stockholders and pay general corporate expenses.

We may increase our capital resources by obtaining long-term credit facilities or making public or private offerings of equity or debt securities, including classes of preferred stock, common stock and senior or subordinated notes to meet our liquidity requirements. As of the date hereof, we have "at-the-market" offering programs with 3,153 shares of 7.00% Series C Cumulative Redeemable Preferred Stock available under the Preferred C ATM Sales Agreement and 29,690 shares of common stock remain available under the 2023 Common stock ATM Sales Agreement. In accordance with the terms of these agreements, we may offer and sell shares of stock over a period of time and from time to time, with BUCKLER and other agents as sales agents (see Note 11 to the consolidated financial statements). These liquidity requirements include maturing repurchase agreements, settling TBA Agency Security positions and potentially making net payments on our interest rate swap contracts, and in each case, continuing to meet ongoing margin requirements. Such financing will depend on market conditions for capital raises and for the investment of any proceeds and there can be no assurances that we will successfully obtain any such financing.

Stockholders' Equity

See Note 11 to the consolidated financial statements.

Critical Accounting Policies

Valuation

Fair value is based on valuations obtained from third-party pricing services and/or dealer quotes. The third-party pricing services use common market pricing methods that include valuation models which incorporate such factors as coupons, collateral type, bond structure, historical and projected future prepayment speeds, priority of payments, historical and projected future delinquency rates and default severities, spread to the Treasury curve and interest rate swap curves, duration, periodic and life caps and credit enhancement. If the fair value of the MBS is not available from the third-party pricing services or such data appears unreliable, we obtain pricing indications from up to three dealers who make markets in similar MBS. Management reviews pricing used to ensure that current market conditions are properly reflected. This review includes, but is not limited to, comparisons of similar market transactions or alternative third-party pricing services, dealer pricing indications and comparisons to a third-party pricing model.

Valuation modeling is required because each individual MBS pool is a separately identified security with individual combinations of characteristics that influence market pricing. While the Agency Security market is generally very active and liquid within the context of broader classes of MBS, any particular security will likely trade infrequently. Our interest rate contracts are bilateral contracts with individual dealers and counterparties and are not cleared through recognized clearing organizations. Valuation models for these positions rely on information from the active and liquid general interest rate swap market to infer the value of these unique positions.

From time to time, we challenge the information and valuations we receive from third-party pricing services. Occasionally, the third-party pricing services revise their information or valuations as a result of such challenges. While we have concluded that the fair values reflected in the financial statements are appropriate, there is no way to verify that the particular fair value estimated for any individual position represents the price at which it may actually be bought or sold at any given date.

Fair value for our U.S. Treasury Securities is based on obtaining a valuation for each U.S. Treasury Security from third-party pricing services and/or dealer quotes.

We update our fair value estimates at the end of each business day to reflect current market dynamics. During times of high market volatility, it can be difficult to obtain accurate market information timely, and accordingly, the confidence interval around our valuation estimates will increase, potentially significantly. During the three and nine months ended September 30, 2024, the largest inter-day movement was the overall estimated values of our investment and hedge positions translated to a change in estimated book value of $(0.52) per common share. Similarly, 95% of inter-day movements in estimated value translated to changes in estimated book value per share of $0.86 or less.

Inflation

Virtually all of our assets and liabilities are interest rate-sensitive in nature. As a result, interest rates and other factors influence our performance far more than inflation. Changes in interest rates do not necessarily correlate with inflation rates or changes in inflation rates. Our financial statements are prepared in accordance with GAAP and any distributions we may make will be determined by our Board based in part on our REIT taxable income as calculated according to the requirements of the Code; in each case, our activities and balance sheet are measured with reference to fair value without considering inflation.

Subsequent Events

See Note 16 to the consolidated financial statements.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The forward-looking statements in this report are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. These beliefs, assumptions and expectations are subject to risks and uncertainties and can change as a result of many possible events or factors, not all of which are known to us. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. See Part I, Item 1A. "Risk Factors" of our most recent Annual Report on Form 10-K. You should carefully consider these risks before you make an investment decision with respect to our stock, along with the following factors that could cause actual results to vary from our forward-looking statements:

- changes in interest rates, interest rate spreads and the yield curve or prepayment rates;
- the geopolitical situation as a result of the war between Russia and Ukraine, as well as the outbreak of hostilities in the Middle East, may continue to adversely affect the U.S. economy, which may lead the Fed to take actions that may impact our business;
- the impact of the federal conservatorship of Fannie Mae and Freddie Mac and related efforts, along with any changes in laws and regulations affecting the relationship between Fannie Mae and Freddie Mac and the federal government and the Fed system;
- the possible material adverse effect on our business if the U.S. Congress passed legislation reforming or winding down Fannie Mae or Freddie Mac;
- mortgage loan modification programs and future legislative action;
- actions by the Fed which could cause a change of the yield curve, which could materially adversely affect our business, financial condition and results of operations and our ability to pay distributions to our stockholders;
- the impact of a delay or failure of the U.S. Government in reaching an agreement on the national debt ceiling;
- availability, terms and deployment of capital;
- extended trade disputes with foreign countries;
- changes in economic conditions generally;
- the impact of COVID-19 or a new pandemic on our operations;
- general volatility of the financial markets, including markets for mortgage securities;
- a downgrade of the U.S. Government's or certain European countries' credit ratings and future downgrades of the U.S. Government's or certain European countries' credit ratings may materially adversely affect our business, financial condition and results of operations;
- our inability to maintain the level of non-taxable returns of capital through the payment of dividends to our stockholders or to pay dividends to our stockholders at all;
- inflation or deflation;
- the impact of a shutdown of the U.S. Government;
- availability of suitable investment opportunities;
- the degree and nature of our competition, including competition for MBS;
- changes in our business and investment strategy;
- our failure to maintain our qualification as a REIT;
- our failure to maintain an exemption from being regulated as a commodity pool operator;
- our dependence on ACM and ability to find a suitable replacement if ACM was to terminate its management relationship with us;

- the existence of conflicts of interest in our relationship with ACM, BUCKLER, certain of our directors and our officers, which could result in decisions that are not in the best interest of our stockholders;
- the potential for BUCKLER's inability to access attractive repurchase financing on our behalf or secure profitable third-party business;
- our management's and certain directors' competing duties to other affiliated entities, which could result in decisions that are not in the best interest of our stockholders;
- changes in personnel at ACM or the availability of qualified personnel at ACM;
- limitations imposed on our business by our status as a REIT under the Code;
- the potential burdens on our business of maintaining our exclusion from the 1940 Act and possible consequences of losing that exclusion;
- changes in GAAP, including interpretations thereof;
- changes in applicable laws and regulations; and
- changes in effectiveness of our controls

We cannot guarantee future results, levels of activity, performance or achievements. You should not place undue reliance on forward-looking statements, which apply only as of the date of this report. We do not intend and disclaim any duty or obligation to update or revise any industry information or forward-looking statements set forth in this report to reflect new information, future events or otherwise, except as required under the U.S. federal securities laws.

GLOSSARY OF TERMS
ARMOUR Residential REIT, Inc.

Term	Definition
2023 Common stock ATM Sales Agreement	An equity sales agreement that we entered into on July 26, 2023 with BUCKLER, JonesTrading Institutional Services LLC, Citizens JMP Securities, LLC (formerly JMP Securities LLC), Ladenburg Thalmann & Co. Inc. and B. Riley Securities, Inc., as sales agents, as amended on October 25, 2023 to add StockBlock Securities LLC as a sales agent, as amended on June 20, 2024 to add BTIG, LLC as a sales agent, as amended on August 23, 2024 to increase the number of shares of the Company's common stock that may be offered and sold under the agreement by 25,000, as further amended on September 20, 2024, to add Janney Montgomery Scott LLC as a sales agent, pursuant to which we may offer and sell over a period of time and from time to time up to 40,000 shares of our common stock, par value $0.001 per share.
Agency CMBS	Commercial mortgage backed securities.
Agency Securities	Securities issued or guaranteed by Fannie Mae, Freddie Mac and Ginnie Mae; interests in or obligations backed by pools of fixed rate, hybrid adjustable rate and adjustable rate mortgage loans.
Basis swap contracts	Derivative contracts that allow us to exchange one floating interest rate basis for another, for example, Federal Funds Rate and SOFR, thereby allowing us to diversify our floating rate basis exposures.
Board	ARMOUR's Board of Directors.
BUCKLER	A Delaware limited liability company, and a FINRA-regulated broker-dealer. The primary purpose of our investment in BUCKLER is to facilitate our access to repurchase financing, on potentially more attractive terms (considering rate, term, size, haircut, relationship and funding commitment) compared to other suitable repurchase financing counterparties.
CFO	Chief Financial Officer and Controller of ARMOUR, Gordon Harper.
CME	Chicago Mercantile Exchange.
CEO	Chief Executive Officer of ARMOUR, Scott Ulm.
Code	The Internal Revenue Code of 1986.
Common Stock Repurchase Program	ARMOUR's common stock repurchase program originally authorized by our Board on December 17, 2012, as amended from time to time.
CPR	Constant prepayment rate.
Dodd-Frank Act	The Dodd-Frank Wall Street Reform and Consumer Protection Act.
Exchange Act	Securities Exchange Act of 1934.
Fannie Mae	The Federal National Mortgage Association.
Fed	The U.S. Federal Reserve.
Federal Funds Rate	Federal Funds Effective Rate.
FINRA	The Financial Industry Regulatory Authority. A private corporation that acts as a self-regulatory organization.
Freddie Mac	The Federal Home Loan Mortgage Corporation.
GAAP	Accounting principles generally accepted in the United States of America.
Ginnie Mae	The Government National Mortgage Administration.
GSE	A U.S. Government Sponsored Entity. Obligations of agencies originally established or chartered by the U.S. government to serve public purposes as specified by the U.S. Congress; these obligations are not explicitly guaranteed as to the timely payment of principal and interest by the full faith and credit of the U.S. government.
Haircut	The weighted average margin requirement, or the percentage amount by which the collateral value must exceed the loan amount. Among other things, it is a measure of our unsecured credit risk to our lenders.
Hybrid	A mortgage that has a fixed rate for an initial term after which the rate becomes adjustable according to a specific schedule.

ISDA	International Swaps and Derivatives Association.
JAVELIN	JAVELIN Mortgage Investment Corp., formerly a publicly-traded REIT. Since its acquisition on April 6, 2016, JAVELIN became a wholly-owned, qualified REIT subsidiary of ARMOUR and continues to be managed by ACM pursuant to the pre-existing management agreement between JAVELIN and ACM.
MBS	Mortgage backed securities. A security representing a direct interest in a pool of mortgage loans. The pass-through issuer or servicer collects the payments on the loans in the pool and “passes through” the principal and interest to the security holders on a pro rata basis.
Merger	The merger of JMI Acquisition Corporation with and into JAVELIN on April 6, 2016.
MRA	Master repurchase agreement. A document that outlines standard terms between the Company and counterparties for repurchase agreement transactions.
Multi-Family MBS	MBS issued under Fannie Mae's Delegated Underwriting System (DUS) program.
Preferred C ATM Sales Agreement	An equity sales agreement that we entered into on January 20, 2020 with B. Riley Securities, Inc. (formerly B. Riley FBR, Inc.) and BUCKLER, as sales agents, as amended on June 20, 2024 to add BTIG, LLC as a sales agent, pursuant to which we may offer and sell, over a period of time and from time to time, through one or more of the agents, up to 6,550 of Series C Preferred Stock.
REIT	Real Estate Investment Trust. A special purpose investment vehicle that provides investors with the ability to participate directly in the ownership or financing of real-estate related assets by pooling their capital to purchase and manage mortgage loans and/or income property.
Reverse Stock Split	The one-for-five reverse stock split which was effective September 29, 2023.
SEC	The Securities and Exchange Commission.
SOFR	Secured overnight funding rate. A measure of the cost of borrowing cash overnight collateralized by U.S. Treasury Securities.
TBA Agency Securities	Forward contracts for the purchase (“long position”) or sale (“short position”) of Agency Securities at a predetermined price, face amount, issuer, coupon and stated maturity on an agreed-upon future date.
TBA Drop Income	The discount associated with TBA Agency Securities contracts which reflects 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 TBA Agency Securities contract had settled on the next regular settlement date instead of the forward settlement date specified. TBA Drop Income is calculated as the difference between the forward settlement price of the TBA Agency Securities contract and the spot price of similar TBA Agency Securities contracts for regular settlement. The Company generally accounts for TBA Agency Securities contracts as derivatives and TBA Drop Income is included as part of the periodic changes in fair value of the TBA Agency Securities that the Company recognizes in the Other Income (Loss) section of its Consolidated Statement of Operations.
TRS	Taxable REIT subsidiary.
U.S.	United States.
1940 Act	The Investment Company Act of 1940.

We seek to create stockholder value through thoughtful investment and risk management of a leveraged and diversified portfolio of MBS. While we do not seek to avoid risk completely, we believe the risk can be quantified from historical experience and seek to actively manage that risk, to earn sufficient compensation to justify taking those risks and to maintain capital levels consistent with the risks we undertake.

Interest Rate Risk

Our primary market risk is interest rate risk. Interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors beyond our control. Changes in the general level of interest rates can affect net interest income, which is the difference between the interest income earned on our assets and the interest expense incurred in connection with our liabilities, by affecting the spread between the interest-earning assets and interest-bearing liabilities. Changes in the level of interest rates also can affect the value of MBS and our ability to realize gains from the sale of these assets. A decline in the value of the MBS pledged as collateral for borrowings under repurchase agreements could result in the counterparties demanding additional collateral pledges or liquidation of some of the existing collateral to reduce borrowing levels.

Our borrowings are not subject to similar restrictions and are generally repurchase agreements of limited duration that track the Federal Funds Rate and SOFR and are periodically refinanced at current market rates. Therefore, on average, our cost of funds may rise or fall more quickly than our earnings rate on our assets. Hence, in a period of increasing interest rates, interest rates on our borrowings could increase without limitation, while the changes in the interest rates on our mortgage related assets could be limited. These factors could lower our net interest income or cause a net loss during periods of rising interest rates, which would negatively impact our liquidity, net income and our ability to make distributions to stockholders.

We anticipate that in most cases the interest rates, interest rate indices and repricing terms of our mortgage assets and our funding sources will not be identical, thereby creating an interest rate mismatch between assets and liabilities. These indices generally move in the same direction, but there can be no assurance that this will continue to occur. Furthermore, our net income may vary somewhat as the spread between one-month interest rates, the typical term for our repurchase agreements, and the interest rates on our mortgage assets varies. During periods of changing interest rates, such interest rate mismatches could negatively impact our net interest income, dividend yield and the market price of our stock.

Another component of interest rate risk is the effect changes in interest rates will have on the market value of our MBS. We face the risk that the market value of our MBS will increase or decrease at different rates than that of our liabilities, including our derivative instruments and obligations to return securities received as collateral.

We primarily assess our interest rate risk by estimating the effective duration of our assets and the effective duration of our liabilities and by estimating the time difference between the interest rate adjustment of our assets and the interest rate adjustment of our liabilities. Effective duration essentially measures the market price volatility of financial instruments as interest rates change. We generally estimate effective duration using various financial models and empirical data. Different models and methodologies can produce different effective duration estimates for the same securities.

The sensitivity analysis tables presented below reflect the estimated impact of an instantaneous parallel shift in the yield curve, up and down 50 and 100 basis points, on the market value of our interest rate-sensitive investments and net interest income, at September 30, 2024 and December 31, 2023. It assumes that the mortgage spread on our MBS remains constant. Actual interest rate movements over time will likely be different, and such differences may be material. When evaluating the impact of changes in interest rates, prepayment assumptions and principal reinvestment rates are adjusted based on ACM’s expectations. Interest rates for interest rate swaps and repurchase agreements are assumed to remain positive. The analysis presented utilized assumptions, models and estimates of ACM based on ACM's judgment and experience.

ARMOUR Residential REIT, Inc.
Market Risk Disclosures (continued)

Change in Interest Rates	Percentage Change in Projected Net Interest Income	Percentage Change in Projected Portfolio Including Derivatives	Percentage Change in Projected Shareholder's Equity
September 30, 2024			
1.00%	(8.71)%	(1.22)%	(11.50)%
0.50%	(4.54)%	(0.49)%	(4.58)%
(0.50)%	5.03%	0.18%	1.72%
(1.00)%	10.56%	0.04%	0.40%
December 31, 2023			
1.00%	(5.93)%	(1.24)%	(11.57)%
0.50%	(2.96)%	(0.50)%	(4.64)%
(0.50)%	2.95%	0.20%	1.83%
(1.00)%	5.89%	0.07%	0.61%

While the tables above reflect the estimated immediate impact of interest rate increases and decreases on a static securities portfolio, we rebalance our securities portfolio from time to time either to seek to take advantage of or reduce the impact of changes in interest rates. It is important to note that the impact of changing interest rates on market value and net interest income can change significantly when interest rates change beyond 100 basis points from current levels. Therefore, the volatility in the market value of our assets could increase significantly when interest rates change beyond amounts shown in the tables above. In addition, other factors impact the market value of and net interest income from our interest rate-sensitive investments and derivative instruments, such as the shape of the yield curve, market expectations as to future interest rate changes and other market conditions. Accordingly, interest income would likely differ from that shown above and such difference might be material and adverse to our stockholders.

Mortgage Spread Risk

Weakness in the mortgage market may adversely affect the performance and market value of our investments. This could negatively impact our book value. Furthermore, if our lenders are unwilling or unable to provide additional financing, we could be forced to sell our MBS at an inopportune time when prices are depressed.

The table below quantifies the estimated changes in the fair value of our securities portfolio and in our stockholders' equity as of September 30, 2024 and December 31, 2023. The estimated impact of changes in spreads is in addition to our interest rate sensitivity presented above. Our securities portfolio's sensitivity to mortgage spread changes will vary with changes in interest rates and in the size and composition of our securities portfolio. Therefore, actual results could differ materially from our estimates.

	September 30, 2024		December 31, 2023	
	Percentage Change in Projected		Percentage Change in Projected	
Change in MBS spread	Portfolio Value	Shareholders' Equity	Portfolio Value	Shareholders' Equity
+25 BPS	(1.17)%	(11.05)%	(1.14)%	(10.29)%
+10 BPS	(0.47)%	(4.42)%	(0.46)%	(4.12)%
-10 BPS	0.47%	4.42%	0.46%	4.12%
-25 BPS	1.17%	11.05%	1.14%	10.29%

Prepayment Risk

As we receive payments of principal on our MBS, premiums paid on such securities are amortized against interest income and discounts are accreted to interest income as realized. Premiums arise when we acquire MBS at prices in excess of the principal balance of the mortgage loans underlying such MBS. Conversely, discounts arise when we acquire MBS at prices below the principal balance, adjusted for expected impairment losses, of the mortgage loans underlying such MBS. Volatility in actual prepayment speeds will create volatility in the amount of premium amortization we recognize. Higher speeds will reduce our interest income and lower speeds will increase our interest income.

Credit Risk

We have limited our exposure to impairment losses on our securities portfolio of Agency Securities. The payment of principal and interest on the Freddie Mac and Fannie Mae Agency Securities are guaranteed by those respective agencies and the payment of principal and interest on the Agency Securities guaranteed by Ginnie Mae are backed by the full faith and credit of the U.S. Government. Fannie Mae and Freddie Mac remain in conservatorship of the U.S. Government. There can be no assurances as to how or when the U.S. Government will end these conservatorships or how the future profitability of Fannie Mae and Freddie Mac and any future credit rating actions may impact the credit risk associated with Agency Securities and, therefore, the value of the Agency Securities. All of our Agency Securities are issued and guaranteed by GSEs or Ginnie Mae. The GSEs have a long term credit rating of AA+.

Liquidity Risk

Our primary liquidity risk arises from financing long-maturity MBS with short-term debt. The interest rates on our borrowings adjust frequently while the interest rates on our MBS are fixed. Accordingly, in a period of rising interest rates, our borrowing costs will usually increase faster than our interest earnings from MBS. Our repurchase agreements require that we maintain adequate pledged collateral. A decline in the value of the MBS pledged as collateral for borrowings under repurchase agreements could result in the counterparties demanding additional collateral pledges or liquidation of some of the existing collateral to reduce borrowing levels.

Operational Risk

We rely on our financial, accounting and other data processing systems. Computer malware, viruses, computer hacking and phishing attacks have become more prevalent in our industry and may occur on our systems. Although we have not detected a material cybersecurity breach to date, other financial services institutions have reported material breaches of their systems, some of which have been significant. Even with all reasonable security efforts, not every breach can be prevented or even detected. It is possible that we have experienced an undetected breach. There is no assurance that we, or the third parties that facilitate our business activities, have not or will not experience a breach. It is difficult to determine what, if any, negative impact may directly result from any specific interruption or cyber-attacks or security breaches of our networks or systems (or the networks or systems of third parties that facilitate our business activities) or any failure to maintain performance.

ACM has established an Information Technology Steering Committee (the "ITSC") to help mitigate technology risks including cybersecurity. One of the roles of the ITSC is to oversee cyber risk assessments, monitor applicable key risk indicators, review cybersecurity training procedures, oversee the Company’s Cybersecurity Policies, including an incident response plan. and engage third parties to conduct periodic penetration testing. Our cybersecurity risk assessment includes an evaluation of cyber risk related to sensitive data held by third parties on their systems. There is no assurance that these efforts will effectively mitigate cybersecurity risk and mitigation efforts are not an assurance that no cybersecurity incidents will occur.

In addition, our Audit Committee periodically monitors and oversees our information and cybersecurity risks including reviewing and approving any information and cybersecurity policies, procedures and resources, and reviewing our information and cybersecurity risk assessment, detection, protection, and mitigation systems.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and to ensure that information required to be disclosed in our reports filed or furnished under the Exchange Act, is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosures. Our CEO and CFO participated in an evaluation by our management of the effectiveness of our disclosure controls and procedures as of the end of our third quarter that ended on September 30, 2024. Based on their participation in that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were not effective as of September 30, 2024 due to the material weaknesses identified below.

Based on this evaluation and an evaluation of the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the third quarter ended September 30, 2024, we have concluded that we have material weaknesses in each of the following areas:

Control Environment

We did not maintain an effective control environment based on the criteria established in the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") framework which resulted in deficiencies in principles associated with the control environment. Specifically, these control deficiencies constitute material weaknesses, either individually or in the aggregate, relating to: (i) our commitment to integrity and ethical values; (ii) our Board demonstrating independence from management and exercising oversight of the development and performance of internal control; (iii) establishment, with Board oversight, of structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives; and (iv) demonstration of a commitment to attract, develop, and retain competent individuals in alignment with objectives.

Risk Assessment

We did not maintain effective risk assessment based on the criteria established in the COSO framework which resulted in deficiencies in principles associated with risk assessment. Specifically, this control deficiency constitutes a material weakness, relating to: considering the potential for fraud in assessing risks to the achievement of objectives.

Information and Communication

We did not generate and provide quality information and communication based on the criteria established in the COSO framework, which resulted in deficiencies in the principles associated with the information and communication component. Specifically, these control deficiencies constitute material weaknesses, either individually or in the aggregate, relating to: (i) internal communication of information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control and (ii) communicating with external parties regarding matters affecting the functioning of internal control.

The following was a contributing factor to the material weaknesses in the control environment, risk assessment and information and communication:

Certain members of senior management and the Board did not maintain an appropriate tone at the top. Specifically, certain members of senior management and the Board engaged in inappropriate conduct during the course of the Special Committee internal investigation of issues raised internally at the Company in late January 2024 that did not comport with the Company's culture of compliance and Code of Business Conduct and Ethics, Whistleblower Policy and the

Board's Corporate Governance Guidelines. The tone set by these individuals was insufficient to create the proper environment for effective internal control over financial reporting, to ensure compliance with the Company's policies, and to further the Company's commitment to integrity and ethical values. Information about the Special Committee internal investigation and the findings are disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, under the heading, "Item 9B. Other Information."

After giving full consideration to these material weaknesses, and the additional analyses and other procedures that we performed to ensure that our consolidated financial statements included in this Quarterly Report on Form 10-Q were prepared in accordance with GAAP, our management has concluded that our consolidated financial statements present fairly, in all material respects, our financial position, results of operations and cash flows for the periods disclosed in conformity with GAAP. However, these control deficiencies could have resulted in material misstatements to the quarterly consolidated financial statements that would not have been prevented or detected on a timely basis.

Remediation Plan and Status

With oversight and input from the Board, management has been continuing to design and implement changes in processes and controls to remediate the material weaknesses and to enhance our internal control over financial reporting as noted below. Management and the Board, including the independent members of the Board, are continuing to work to remediate the material weaknesses identified herein. The Company has completed or made progress on certain remedial actions and expects to take other remedial actions, as described in more detail below. As previously disclosed, the Company has streamlined the Company's senior management structure such that the Company now has a single CEO and Vice Chair - Scott Ulm - following the retirement of Jeffrey Zimmer. Also, as previously disclosed, the Company has entered into an advisory agreement with Mr. Zimmer, which documents Mr. Zimmer's ongoing service to the Company as an ex-officio, non-voting special advisor to the Board, since immediately following his retirement.

In addition, the Company has completed or continues to implement the following actions to enhance its internal control over financial reporting and its corporate culture:

a. Caused ACM to provide a written reminder to all ACM employees of ACM's and the Company's policies and procedures that address workplace conduct, professionalism and integrity, including procedures for the submission of complaints without retaliation, and the investigatory process. Such notice also reiterated to employees of the need to conduct themselves ethically and professionally and to comply with the Company's policies and laws and regulations, or face disciplinary action;

b. Revised the Company's Whistleblower Policy and Code of Business Conduct and Ethics to provide for an independent third-party whistleblower hotline, where complaints can be raised anonymously, without attribution;

c. The Company has added a regular review and assessment of "tone-at-the-top". The assessment is examined and tested by the internal audit function and includes certifications from senior management to confirm that each senior manager is aware of tone-at-the-top and that such individual has not witnessed any incidents of concern, or, if such an incident has occurred, that it has been dealt with appropriately;

d. Engaged an independent, third-party consultant to provide regular (at least annual) training to all management level personnel regarding tone-at-the-top, and best practices to ensure a positive tone-at-the-top, with Board members invited and encouraged to join such sessions. Management and all of the Board members completed this training during the third quarter of 2024;

e. Hosted an initial town hall meeting in May 2024, with plans to conduct additional town hall meetings on a regular basis, where all Company and ACM personnel will be provided an opportunity to participate in an open discussion with management and have a forum to raise any issues or concerns.

Management believes the foregoing efforts will effectively remediate the material weaknesses described above. However, as the Company continues to evaluate and work to improve its internal control over financial reporting, management may determine to take additional measures to improve controls or determine to modify the remediation plan. The Company is working to remediate the material weaknesses identified above as efficiently and effectively as possible. At this time, the Company cannot provide an estimate of the timing or costs expected to be incurred to remediate such material weaknesses.

Changes in Internal Control Over Financial Reporting

Except for the changes described above, there has been no change in the Company's internal control over financial reporting during the third quarter ended September 30, 2024 that has materially affected or is reasonably likely to materially affect its internal control over financial reporting.

PART II. OTHER INFORMATION
ARMOUR Residential REIT, Inc.

Item 1. Legal Proceedings

During the quarter ended September 30, 2024, there have been no material changes to the legal proceedings disclosed in our Annual Report on Form 10–K for the year ended December 31, 2023, filed with the SEC on March 15, 2024.

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on March 15, 2024.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Index

Exhibit Number	Description
3.1	Articles of Amendment to Articles of Amendment and Restatement (Incorporated by reference to Exhibit 3.1 to ARMOUR's Current Report on Form 8-K filed with the SEC on August 23, 2024)
10.1	Amendment No. 3, dated August 23, 2024, by and among ARMOUR Residential REIT, Inc. and ARMOUR Capital Management LP, and BUCKLER Securities LLC, JonesTrading Institutional Services LLC, Citizens JMP Securities, LLC, Ladenburg Thalmann & Co. Inc., B. Riley Securities, Inc., StockBlock Securities LLC and BTIG, LLC. (Incorporated by reference to Exhibit 1.1 to ARMOUR's Current Report on Form 8-K filed with the SEC on August 23, 2024)
10.2	Amendment No. 4, dated September 20, 2024, by and among ARMOUR Residential REIT, Inc. and ARMOUR Capital Management LP, and BUCKLER Securities LLC, JonesTrading Institutional Services LLC, Citizens JMP Securities, LLC, Ladenburg Thalmann & Co. Inc., B. Riley Securities, Inc., StockBlock Securities LLC, BTIG, LLC and Janney Montgomery Scott LLC. (Incorporated by reference to Exhibit 1.1 to ARMOUR's Current Report on Form 8-K filed with the SEC on September 20, 2024)
31.1	Certification of Chief Executive Officer Pursuant to SEC Rule 13a-14(a)/15d-14(a) (1)
31.2	Certification of Chief Financial Officer Pursuant to SEC Rule 13a-14(a)/15d-14(a) (1)
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. §1350 (2)
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. §1350 (2)
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document (1)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document (1)
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document (1)
101.LAB	XBRL Taxonomy Extension Label Linkbase Document (1)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document (1)
104	Cover Page Interactive Data (formatted as Inline XBRL and contained in Exhibit 101)

(1) Filed herewith.

(2) Furnished herewith.

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.

October 23, 2024	**ARMOUR RESIDENTIAL REIT, INC.**
	/s/ Gordon M. Harper
	Gordon M. Harper
	Chief Financial Officer, Duly Authorized Officer, Principal Financial Officer and Principal Accounting Officer

EXHIBIT 31.1

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Scott J. Ulm of ARMOUR Residential REIT, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended September 30, 2024 of ARMOUR Residential REIT, Inc. (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of 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: October 23, 2024

ARMOUR RESIDENTIAL REIT, INC.

By: /s/ Scott J. Ulm
Scott J. Ulm
Chief Executive Officer

EXHIBIT 31.2

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Gordon M. Harper of ARMOUR Residential REIT, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended September 30, 2024 of ARMOUR Residential REIT, Inc. (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of 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: October 23, 2024

ARMOUR RESIDENTIAL REIT, INC.

By: /s/ Gordon M. Harper
Gordon M. Harper
Chief Financial Officer

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 of ARMOUR Residential REIT, Inc. (the “Company”) on Form 10-Q for the period ended September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Scott J. Ulm, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; 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: October 23, 2024

ARMOUR RESIDENTIAL REIT, INC.

By: /s/ Scott J. Ulm
Scott J. Ulm
Chief Executive Officer

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 of ARMOUR Residential REIT, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gordon M. Harper, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; 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: October 23, 2024

ARMOUR RESIDENTIAL REIT, INC.

By: /s/ Gordon M. Harper
Gordon M. Harper
Chief Financial Officer