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

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended March 31, 2021
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 April 20, 2021 was 71,244,026.

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)

	March 31, 2021	December 31, 2020
Assets		
Cash	$ 277,554	$ 167,671
Cash collateral posted to counterparties	52,796	3,997
Investments in securities, at fair value		
Agency Securities (including pledged securities of $3,955,310 at March 31, 2021 and $4,726,584 at December 31, 2020)	4,318,397	5,178,322
Receivable for unsettled sales (including pledged securities of $342,482 at March 31, 2021)	358,670	—
Derivatives, at fair value	216,297	54,686
Accrued interest receivable	11,094	12,833
Prepaid and other	9,692	1,977
Subordinated loan to BUCKLER	105,000	105,000
Total Assets	$ 5,349,500	$ 5,524,486
Liabilities and Stockholders' Equity		
Liabilities:		
Repurchase agreements	$ 3,810,790	$ 4,536,065
Cash collateral posted by counterparties	165,130	44,704
Payable for unsettled purchases	295,991	—
Derivatives, at fair value	45,015	1,217
Accrued interest payable- repurchase agreements	1,015	1,625
Accounts payable and other accrued expenses	4,373	2,571
Total Liabilities	$ 4,322,314	$ 4,586,182
Commitments and contingencies (Note 9)		
Stockholders' Equity:		
Preferred stock, $0.001 par value, 50,000 shares authorized;		
7.00% Series C Cumulative Preferred Stock; 6,501 and 5,347 shares issued and outstanding ($162,525 and $133,675 aggregate liquidation preference) at March 31, 2021 and December 31. 2020, respectively	6	5
Common stock, $0.001 par value, 125,000 shares authorized, 69,748 and 65,290 shares issued and outstanding at March 31, 2021 and December 31, 2020, respectively	69	65
Additional paid-in capital	3,115,352	3,033,025
Accumulated deficit	(2,225,038)	(2,273,822)
Accumulated other comprehensive income	136,797	179,031
Total Stockholders' Equity	$ 1,027,186	$ 938,304
Total Liabilities and Stockholders' Equity	$ 5,349,500	$ 5,524,486

See financial statement notes (unaudited).

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

	For the Three Months Ended March 31,	
	2021	2020
Interest Income:		
Agency Securities, net of amortization of premium and fees	$ 18,558	$ 79,776
Credit Risk and Non-Agency Securities, including discount accretion	—	12,355
U.S. Treasury Securities	—	469
BUCKLER Subordinated loan	17	258
Total Interest Income	$ 18,575	$ 92,858
Interest expense- repurchase agreements	(2,427)	(51,520)
Interest expense- U.S. Treasury Securities sold short	(87)	—
Net Interest Income	$ 16,061	$ 41,338
Other Income (Loss):		
Realized gain on sale of available for sale Agency Securities (reclassified from Other comprehensive loss)	7,354	93,325
Credit loss expense	—	(1,012)
Loss on Agency Securities, trading	(62,586)	—
Loss on Credit Risk and Non-Agency Securities	—	(183,111)
Gain on U.S. Treasury Securities	—	21,771
Loss on short sale of U.S. Treasury Securities	(28)	—
Subtotal	$ (55,260)	$ (69,027)
Realized loss on derivatives [(1)]	(27,360)	(235,148)
Unrealized gain (loss) on derivatives	145,980	(133,887)
Subtotal	$ 118,620	$ (369,035)
Total Other Income (Loss)	$ 63,360	$ (438,062)
Expenses:		
Management fees	7,437	7,458
Professional fees	738	846
Insurance	193	183
Compensation	1,676	1,465
Other	450	(17)
Total Expenses	$ 10,494	$ 9,935
Less management fees waived	(2,400)	—
Total Expenses after fees waived	$ 8,094	$ 9,935
Net Income (Loss)	$ 71,327	$ (406,659)
Dividends on preferred stock	(2,486)	(2,827)
Net Income (Loss) available (related) to common stockholders	$ 68,841	$ (409,486)

(Continued)

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

	For the Three Months Ended March 31,	
	2021	2020
Net Income (Loss) per share available (related) to common stockholders (Note 12):		
Basic	$ 1.04	$ (6.95)
Diluted	$ 1.03	$ (6.95)
Dividends declared per common share	$ 0.30	$ 0.51
Weighted average common shares outstanding:		
Basic	65,964	58,884
Diluted	67,018	58,884

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

See financial statement notes (unaudited).

ARMOUR Residential REIT, Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

(in thousands)

	For the Three Months Ended March 31,	
	2021	**2020**
Net Income (Loss)	$ 71,327	$ (406,659)
Other comprehensive income (loss):		
Reclassification adjustment for realized gain on sale of available for sale Agency Securities	(7,354)	(93,325)
Reclassification adjustment for credit loss expense on available for sale Agency Securities	—	1,012
Net unrealized loss on available for sale Agency Securities	(34,880)	(38,143)
Other comprehensive loss	$ (42,234)	$ (130,456)
Comprehensive Income (Loss)	$ 29,093	$ (537,115)

See financial statement notes (unaudited).

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

	Preferred Stock 7.00% Series C		Common Stock					
	Shares	Par	Shares	Par	Total Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2020	5,347	$ 5	65,290	$ 65	$ 3,033,025	$ (2,273,822)	$ 179,031	$ 938,304
Series C Preferred dividends	—	—	—	—	—	(2,486)	—	(2,486)
Common stock dividends	—	—	—	—	—	(20,057)	—	(20,057)
Issuance of Series C Preferred stock, net of expenses	1,154	1	—	—	28,172	—	—	28,173
Issuance of common stock, net	—	—	4,400	4	52,956	—	—	52,960
Stock based compensation, net of withholding requirements	—	—	58	—	1,199		—	1,199
Net Income	—	—	—	—	—	71,327	—	71,327
Other comprehensive loss	—	—	—	—	—	—	(42,234)	(42,234)
Balance, March 31, 2021	6,501	$ 6	69,748	$ 69	$ 3,115,352	$ (2,225,038)	$ 136,797	$ 1,027,186

See financial statement notes (unaudited).

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

	For the Three Months Ended March 31,	
	2021	**2020**
Cash Flows From Operating Activities:		
Net Income (Loss)	$ 71,327	$ (406,659)
Adjustments to reconcile net loss to net cash and cash collateral posted to counterparties provided by (used in) operating activities:		
Net amortization of premium on Agency Securities	15,795	14,130
Accretion of net discount on Credit Risk and Non-Agency Securities	—	(1,078)
Net amortization of U.S. Treasury Securities	—	84
Realized gain on sale of Agency Securities, available for sale	(7,354)	(93,325)
Credit loss expense	—	1,012
Loss on Agency Securities, trading	62,586	—
Loss on Credit Risk and Non-Agency Securities	—	183,111
Gain on U.S. Treasury Securities	—	(21,771)
Loss on short sale of U.S. Treasury Securities	28	—
Stock based compensation	1,199	1,001
Changes in operating assets and liabilities:		
Increase in accrued interest receivable	1,952	25,728
Increase (decrease) in prepaid and other assets	(7,715)	7,446
Change in derivatives, at fair value	(117,813)	128,953
Decrease in accrued interest payable- repurchase agreements	(610)	(28,442)
Increase in accounts payable and other accrued expenses	1,802	5,364
Net cash and cash collateral posted to counterparties provided by (used in) operating activities	$ 21,197	$ (184,446)
Cash Flows From Investing Activities:		
Purchases of Agency Securities	—	(1,657,148)
Purchases of Credit Risk and Non-Agency Securities	—	(237,928)
Purchases of U.S. Treasury Securities	(390,126)	(3,763,561)
Principal repayments of Agency Securities	278,722	475,766
Principal repayments of Credit Risk and Non-Agency Securities	—	31,404
Proceeds from sales of Agency Securities	405,050	9,777,373
Proceeds from sales of Credit Risk and Non-Agency Securities	—	72,437
Proceeds from sales of U.S. Treasury Securities	390,098	3,785,248
Disbursements on reverse repurchase agreements	(391,125)	—
Receipts from reverse repurchase agreements	391,125	—
Decrease in cash collateral posted by counterparties	120,426	115,339
Net cash and cash collateral posted to counterparties provided by investing activities	$ 804,170	$ 8,598,930

(Continued)

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

	For the Three Months Ended March 31,	
	2021	2020
Cash Flows From Financing Activities:		
Redemption of Series B Preferred stock, net of expenses	—	(209,583)
Issuance of Series C Preferred stock, net of expenses	28,173	129,221
Issuance of common stock, net of expenses	52,960	—
Proceeds from repurchase agreements	7,044,307	42,459,521
Principal repayments on repurchase agreements	(7,769,582)	(50,348,596)
Series B Preferred stock dividends paid	—	(1,375)
Series C Preferred stock dividends paid	(2,486)	(1,452)
Common stock dividends paid	(20,057)	(30,377)
Common stock repurchased, net	—	(777)
Net cash and cash collateral posted to counterparties used in financing activities	$ (666,685)	$ (8,003,418)
Net Increase in cash and cash collateral posted to counterparties	158,682	411,066
Cash and cash collateral posted to counterparties - beginning of period	171,668	273,166
Cash and cash collateral posted to counterparties - end of period	$ 330,350	$ 684,232
Supplemental Disclosure:		
Cash paid during the period for interest	$ 4,193	139,313
Non-Cash Investing Activities:		
Receivable for unsettled sales	$ 358,670	688,183
Payable for unsettled purchases	$ 295,991	470,441
Net unrealized loss on available for sale Agency Securities	$ (34,880)	(38,143)

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 10.0% equity interest in BUCKLER Securities LLC ("BUCKLER"). BUCKLER is 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.

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 March 31, 2021 and December 31, 2020, we invested exclusively 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 may also invest in Credit Risk and Non-Agency Securities, Interest-Only Securities, 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 months ended March 31, 2021 are not necessarily indicative of the results that may be expected for the calendar year ending December 31, 2021. 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, 2020.

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 condensed consolidated financial statements include the valuation of MBS, including an assessment of the allowance for credit losses, and derivative instruments.

Note 3 - Summary of Significant Accounting Policies

Cash

Cash 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 (including swaptions and basis swap contracts), and repurchase agreements on our MBS and our Agency Securities purchased or sold on a to-be-announced basis ("TBA Agency Securities").

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.

Available for Sale Securities represent investments that we intend to hold for extended periods of time and are reported at their estimated fair values with unrealized gains and losses excluded from earnings and reported as part of the consolidated statements of comprehensive income (loss).

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.

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. At certain times, we may have interest payable on U.S. Treasury Securities sold short.

Repurchase Agreements

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 historically moved in close relationship to the Federal Funds Rate and short-term London Interbank Offered Rate ("LIBOR"). 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.

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. We did not have any reverse repurchase agreements outstanding at March 31, 2021 and December 31, 2020.

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. 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 and basis swap 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.

Impairment of Assets

We assess impairment of available for sale securities at least on a quarterly basis and more frequently when economic or market concerns warrant such evaluation. We consider an impairment if we (1) intend to sell the available for sale securities, or (2) believe it is more likely than not that we will be required to sell the securities before recovery (for example, because of liquidity requirements or contractual obligations) and a credit impairment exists where fair value is less than amortized cost. Impairment losses recognized establish a new cost basis for the related available for sale securities.

Revenue Recognition

Interest income is earned and recognized on Agency Securities 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. 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 other comprehensive income and are determined using the specific identification method.

Interest income on Credit Risk and Non-Agency Securities and Interest-Only Securities is recognized using the effective yield method over the life of the securities based on the future cash flows expected to be received. Future cash flow projections and related effective yields are determined for each security and updated quarterly. Impairment losses establish a new cost basis in the security for purposes of calculating effective yields, recognized when the fair value of a security is less than its cost basis and there has been an adverse change in the future cash flows expected to be received. Other changes in future cash flows expected to be received are recognized prospectively over the remaining life of the security. 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) refers to changes in equity during a period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period, except those resulting from investments by owners and distributions to owners.

Note 4 - Recent Accounting Pronouncements

We consider the applicability and impact of all Accounting Standards Updates ("ASU") issued by the Financial Accounting Standards Board. We have not identified any ASUs that we deemed to be applicable or that are expected to have a significant impact on our consolidated financial statements when adopted.

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 Input*s - 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.

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.

(in thousands, except per share)

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 swaps 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. We estimate the fair value of TBA Agency Securities based on similar methods used to value our Agency Securities. Management compares the pricing information received to dealer quotes to ensure that the current market conditions are properly reflected. The fair values of our derivatives are classified as Level 2.

The following tables provide a summary of our assets and liabilities that are measured at fair value on a recurring basis at March 31, 2021 and December 31, 2020.

March 31, 2021	**(Level 1)**	**(Level 2)**	**(Level 3)**	**Balance**
Assets at Fair Value:				
Agency Securities	$ —	$ 4,318,397	$ —	$ 4,318,397
Derivatives	$ —	$ 216,297	$ —	$ 216,297
Liabilities at Fair Value:				
Derivatives	$ —	$ 45,015	$ —	$ 45,015
December 31, 2020	**(Level 1)**	**(Level 2)**	**(Level 3)**	**Balance**
Assets at Fair Value:				
Agency Securities	$ —	$ 5,178,322	$ —	$ 5,178,322
Derivatives	$ —	$ 54,686	$ —	$ 54,686
Liabilities at Fair Value:				
Derivatives	$ —	$ 1,217	$ —	$ 1,217

There were no transfers of assets or liabilities between the levels of the fair value hierarchy during the three months ended March 31, 2021 or for the year ended December 31, 2020.

Excluded from the tables above are financial instruments, including cash, cash collateral posted to/by counterparties, receivables, the Subordinated loan to BUCKLER, payables and borrowings under repurchase agreements, 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 March 31, 2021 and December 31, 2020.

(in thousands, except per share)

Note 6 - Investments in Securities

As of March 31, 2021 and December 31, 2020, our securities portfolio consisted of $4,318,397 and $5,178,322 of investment securities, at fair value, respectively, and $3,564,067 and $2,711,977 of TBA Agency Securities, at fair value, respectively. Our TBA Agency Securities are reported at net carrying value of $(45,001) and $19,747, at March 31, 2021 and December 31, 2020, respectively, and 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.

The following tables summarizes our investments in securities as of March 31, 2021 and December 31, 2020, excluding TBA Agency Securities (see *Note 8 - Derivatives*). Beginning in the second quarter of 2020, we designated Agency MBS purchased as "trading securities" for financial reporting purposes, and consequently, fair value changes for these investments will be reported in net income. We anticipate continuing this designation for newly acquired Agency MBS positions because it is more representative of our results of operations insofar as the fair value changes for these securities are presented in a manner consistent with the presentation and timing of the fair value changes of our hedging instruments. Fair value changes for the legacy Agency Securities designated as available for sale will continue to be reported in other comprehensive income as required by GAAP.

	Available for Sale Securities	Trading Securities			
	Agency	**Agency**	**Credit Risk and Non-Agency**	**U.S. Treasuries**	**Totals**
March 31, 2021					
Balance, December 31, 2020	$ 1,970,902	$ 3,207,420	$ —	$ —	$ 5,178,322
Purchases (1)	—	295,778	—	390,126	685,904
Proceeds from sales	(87,875)	(317,175)	—	(390,098)	(795,148)
Receivable for unsettled sales	—	(358,670)	—	—	(358,670)
Principal repayments	(98,342)	(180,380)	—	—	(278,722)
Gains (losses)	(34,880)	(62,586)	—	(28)	(97,494)
Amortization/accretion	(4,492)	(11,303)	—	—	(15,795)
Balance, March 31, 2021	**$ 1,745,313**	**$ 2,573,084**	**$ —**	**$ —**	**$ 4,318,397**
Percentage of Portfolio	40.42 %	59.58 %	— %	— %	100.00 %
December 31, 2020					
Balance, December 31, 2019	$ 11,941,766	$ —	$ 883,601	$ —	$ 12,825,367
Purchases (1)	1,768,688	3,711,961	237,928	4,621,776	10,340,353
Proceeds from sales	(10,800,879)	(158,708)	(889,057)	(4,643,049)	(16,491,693)
Principal repayments	(873,650)	(343,514)	(45,766)	—	(1,262,930)
Gains (losses)	(32,565)	19,557	(189,555)	21,357	(181,206)
Credit loss expense	(1,012)	—	—	—	(1,012)
Amortization/accretion	(31,446)	(21,876)	2,849	(84)	(50,557)
Balance, December 31, 2020	**$ 1,970,902**	**$ 3,207,420**	**$ —**	**$ —**	**$ 5,178,322**
Percentage of Portfolio	38.06 %	61.94 %	— %	— %	100.00 %

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

(in thousands, except per share)

Available for Sale Securities:

At March 31, 2021, we evaluated our available for sale securities to determine if the available for sale securities in an unrealized loss position were impaired. As a result of this evaluation, no credit loss expense was required. We do not have an allowance for credit losses as all of our available for sale securities consist of Agency MBS.

During the year ended December 31, 2020, we evaluated our available for sale securities to determine if the available for sale securities in an unrealized loss position were impaired. In the first quarter of 2020, we recognized an impairment of $1,012 in our consolidated statements of operations as we had determined that we may have been required to sell certain securities in the near future. No credit loss expense was required for the remainder of 2020.

The table below presents the components of the carrying value and the unrealized gain or loss position of our available for sale securities at March 31, 2021 and December 31, 2020. Our available for sale securities had a weighted average coupon of 3.14% and 3.25% at March 31, 2021 and December 31, 2020.

Agency Securities	Principal Amount	Amortized Cost	Gross Unrealized Loss	Gross Unrealized Gain	Fair Value
March 31, 2021					
Total Fannie Mae	$ 1,279,088	$ 1,314,096	$ (29)	$ 121,729	$ 1,435,796
Total Freddie Mac	267,184	277,793	—	14,933	292,726
Total Ginnie Mae	16,215	16,627	(7)	171	16,791
Total	$ 1,562,487	$ 1,608,516	$ (36)	$ 136,833	$ 1,745,313
December 31, 2020					
Total Fannie Mae	$ 1,359,136	$ 1,397,206	$ (1)	$ 159,603	$ 1,556,808
Total Freddie Mac	354,382	368,686	—	19,246	387,932
Total Ginnie Mae	25,388	25,979	(43)	226	26,162
Total	$ 1,738,906	$ 1,791,871	$ (44)	$ 179,075	$ 1,970,902

The following table presents the unrealized losses and estimated fair value of our available for sale securities by length of time that such securities have been in a continuous unrealized loss position at March 31, 2021 and December 31, 2020. All of our available for sale securities are issued and guaranteed by GSEs or Ginnie Mae. The GSEs have a long term credit rating of AA+.

	Unrealized Loss Position For:					
	< 12 Months		≥ 12 Months		Total	
Agency Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
March 31, 2021	$ 7,071	$ (36)	$ —	$ —	$ 7,071	$ (36)
December 31, 2020	$ 8,811	$ (44)	$ —	$ —	$ 8,811	$ (44)

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Actual maturities of available for sale securities are generally shorter than stated contractual maturities because actual maturities of available for sale securities are affected by the contractual lives of the underlying mortgages, periodic payments of principal and prepayments of principal. The following table summarizes the weighted average lives of our available for sale securities at March 31, 2021 and December 31, 2020.

	March 31, 2021		December 31, 2020	
Weighted Average Life of Available for Sale Securities	**Fair Value**	**Amortized Cost**	**Fair Value**	**Amortized Cost**
< 1 year	$ 72	$ 72	$ 71	$ 72
≥ 1 year and < 3 years	21,717	20,883	548,352	520,657
≥ 3 years and < 5 years	655,870	622,694	282,739	269,716
≥ 5 years	1,067,654	964,867	1,139,740	1,001,426
Total Available for Sale Securities	$ 1,745,313	$ 1,608,516	$ 1,970,902	$ 1,791,871

We use a third party model to calculate the weighted average lives of our available for sale securities. Weighted average life is calculated based on expectations for estimated prepayments for the underlying mortgage loans of our available for sale 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 available for sale securities at March 31, 2021 and December 31, 2020 in the table 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 our available for sale securities could be longer or shorter than estimated.

Trading Securities:

The components of the carrying value of our trading securities at March 31, 2021 and December 31, 2020 are presented in the table below. We did not have any Credit Risk and Non-Agency Securities, U.S. Treasury Securities or Interest-Only Securities at March 31, 2021 and December 31, 2020.

	Principal Amount	Amortized Cost	Gross Unrealized Loss	Gross Unrealized Gain	Fair Value
March 31, 2021					
Agency Securities:					
Total Fannie Mae	$ 1,958,951	$ 2,078,710	$ (37,761)	$ 2,891	$ 2,043,840
Total Freddie Mac	507,962	533,065	(5,666)	1,845	529,244
Total Trading Securities	$ 2,466,913	$ 2,611,775	$ (43,427)	$ 4,736	$ 2,573,084
December 31, 2020					
Agency Securities:					
Total Fannie Mae	$ 2,420,828	$ 2,585,409	$ (1,441)	$ 18,211	$ 2,602,179
Total Freddie Mac	570,654	601,320	(430)	4,351	605,241
Total Trading Securities	$ 2,991,482	$ 3,186,729	$ (1,871)	$ 22,562	$ 3,207,420

(in thousands, except per share)

The following table summarizes the weighted average lives of our trading securities at March 31, 2021 and December 31, 2020.

	March 31, 2021		December 31, 2020	
Estimated Weighted Average Life of Trading Securities	**Fair Value**	**Amortized Cost**	**Fair Value**	**Amortized Cost**
< 1 year	$ —	$ —	$ —	$ —
≥ 1 year and < 3 years	2,028	2,035	649,425	650,328
≥ 3 years and < 5 years	719,487	716,320	1,522,509	1,506,035
≥ 5 years	1,851,569	1,893,420	1,035,486	1,030,366
Total	$ 2,573,084	$ 2,611,775	$ 3,207,420	$ 3,186,729

We use a third party model to calculate the weighted average lives of our trading securities. Weighted average life is calculated based on expectations for estimated prepayments for the underlying mortgage loans of our trading 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 trading securities at March 31, 2021 and December 31, 2020 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 our trading securities could be longer or shorter than estimated.

Note 7 - Repurchase Agreements

At March 31, 2021, we had active MRAs with 33 counterparties and had $3,810,790 in outstanding borrowings with 18 of those counterparties. At December 31, 2020, we had $4,536,065 in outstanding borrowings with 18 counterparties.

The following table represents the contractual repricing regarding our repurchase agreements to finance MBS purchases at March 31, 2021 and December 31, 2020. No amounts below are subject to offsetting. Our repurchase agreements require excess collateral, known as a "haircut." At March 31, 2021, the average haircut percentage was 3.52% compared to 3.13% at December 31, 2020. 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.

	Balance	Weighted Average Contractual Rate	Weighted Average Maturity in days
March 31, 2021			
Agency Securities			
≤ 30 days	$ 3,470,940	0.18 %	12
> 30 days to ≤ 60 days	89,304	0.17 %	50
> 60 days	250,546	0.19 %	97
Total or Weighted Average	$ 3,810,790	0.18 %	18
December 31, 2020			
Agency Securities			
≤ 30 days	$ 3,618,255	0.23 %	15
> 30 days to ≤ 60 days	917,810	0.23 %	45
Total or Weighted Average	$ 4,536,065	0.23 %	21

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 March 31, 2021 and December 31, 2020, BUCKLER accounted for 61.9% and 66.1%, respectively, of our aggregate borrowings and had an amount at risk of 7.2% and 8.3%, respectively, of our total stockholders' equity with a weighted average maturity of 20 days and 21 days, respectively, on repurchase agreements (see *Note 15 - Related Party Transactions*).

In addition, at March 31, 2021, we had 1 repurchase agreement counterparty that individually accounted for over 5% of our aggregate borrowings. In total, this counterparty accounted for approximately 10.6% of our repurchase agreement borrowings outstanding at March 31, 2021. At December 31, 2020, we had 1 repurchase agreement counterparty that individually accounted for over 5% of our aggregate borrowings. In total, this counterparty accounted for 9.0% of our repurchase agreement borrowings at December 31, 2020.

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 funding costs for repurchase agreements associated with our assets in such a way to help assure the realization of net interest margins. 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.

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 the option to terminate all repurchase transactions existing with us and require any amount due to be payable immediately. 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 March 31, 2021 and December 31, 2020.

		Gross Amounts Not Offset		
Assets	**Gross Amounts(1)**	**Financial Instruments**	**Cash Collateral**	**Total Net**
March 31, 2021				
Interest rate swap contracts	$ 216,283	$ —	$ (159,641)	$ 56,642
TBA Agency Securities	14	(14)	—	—
Totals	$ 216,297	$ (14)	$ (159,641)	$ 56,642
December 31, 2020				
Interest rate swap contracts	$ 34,588	$ (866)	$ (27,773)	$ 5,949
TBA Agency Securities	20,098	(351)	(13,942)	5,805
Totals	$ 54,686	$ (1,217)	$ (41,715)	$ 11,754

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

		Gross Amounts Not Offset		
Liabilities	**Gross Amounts(1)**	**Financial Instruments**	**Cash Collateral**	**Total Net**
March 31, 2021				
Interest rate swap contracts	$ —	$ —	$ —	$ —
TBA Agency Securities	(45,015)	14	44,906	(95)
Totals	$ (45,015)	$ 14	$ 44,906	$ (95)
December 31, 2020				
Interest rate swap contracts	$ (866)	$ 866	$ —	$ —
TBA Agency Securities	(351)	351	—	—
Totals	$ (1,217)	$ 1,217	$ —	$ —

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

(in thousands, except per share)

The following table represents the location and information regarding our derivatives which are included in Other Income (Loss) in the accompanying consolidated statements of operations for the three months ended March 31, 2021 and March 31, 2020.

		Income (Loss) Recognized	
		For the Three Months Ended March 31,	
Derivatives	**Location on consolidated statements of operations**	**2021**	**2020**
Interest rate swap contracts:			
Realized loss	Realized loss on derivatives	$ —	$ (261,384)
Interest income	Realized loss on derivatives	872	26,462
Interest expense	Realized loss on derivatives	(4,448)	(32,233)
Changes in fair value	Unrealized gain (loss) on derivatives	185,960	(151,386)
		$ 182,384	(418,541)
TBA Agency Securities:			
Realized gain (loss)	Realized loss on derivatives	(23,784)	32,007
Changes in fair value	Unrealized gain (loss) on derivatives	(39,980)	17,499
		$ (63,764)	$ 49,506
Totals		$ 118,620	$ (369,035)

The following tables present information about our derivatives at March 31, 2021 and December 31, 2020.

Interest Rate Swaps (1)	Notional Amount	Weighted Average Remaining Term (Months)	Weighted Average Rate
March 31, 2021			
< 3 years	$ 1,307,000	19	0.06 %
≥ 3 years and < 5 years	412,000	47	0.16 %
≥ 5 years and < 7 years	889,000	69	0.28 %
≥ 7 years	3,152,000	115	0.88 %
Total or Weighted Average (2)	$ 5,760,000	81	0.55 %
December 31, 2020			
< 3 years	$ 2,230,000	12	0.06 %
≥ 3 years and < 5 years	463,000	45	0.14 %
≥ 5 years and < 7 years	942,000	72	0.28 %
≥ 7 years	1,702,000	113	0.50 %
Total or Weighted Average (3)	$ 5,337,000	58	0.24 %

(1) Pay Fixed/Receive Variable.

(2) Of this amount, $4,557,000 notional are Fed Funds based swaps, the last of which matures in 2031 and $1,203,000 notional are SOFR based swaps, the last of which matures in 2023.

(in thousands, except per share)

(3) Of this amount, $2,230,000 notional are SOFR based swaps, the last of which matures in 2023; and $3,107,000 notional are Fed Funds based swaps, the last of which matures in 2030.

TBA Agency Securities	Notional Amount	Cost Basis	Fair Value
March 31, 2021			
15 Year Long			
1.5%	$ 200,000	$ 200,523	$ 200,527
2.0%	1,700,000	1,751,223	1,741,247
30 Year Long			
2.0%	500,000	502,992	497,975
2.5%	1,100,000	1,136,129	1,124,318
Total (1)	$ 3,500,000	$ 3,590,867	$ 3,564,067
December 31, 2020			
15 Year Long			
1.5%	$ 200,000	$ 204,758	$ 205,781
2.0%	1,200,000	1,248,015	1,253,354
30 Year Long			
2.0%	600,000	619,031	622,934
2.5%	800,000	838,047	841,314
3.5%	(200,000)	(211,055)	(211,406)
Total (1)	$ 2,600,000	$ 2,698,796	$ 2,711,977

(1) $1,350,000 and $1,250,000 notional were forward settling at March 31, 2021 and December 31, 2020, respectively.

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. The cost of repurchased stock and any dividend representing a return of capital for tax purposes will reduce the amount of gross equity raised used to calculate the monthly management fee. At March 31, 2021 and March 31, 2020, the effective management fee, prior to management fees waived, was 1.00% and 1.00% based on gross equity raised of $3,026,269 and $2,887,586, respectively. ACM began waiving 40% of its management fee during the second quarter of 2020 and on January 13, 2021, ACM notified ARMOUR that it intended to adjust the fee waiver to the rate of $2,400 for the first quarter of 2021 and $800 per month thereafter. On April 20, 2021, ACM notified ARMOUR that it intended to adjust the fee waiver to the rate of $2,100 for the second quarter of 2021 and $700 per month thereafter until further notice (see *Note 16 - Subsequent Events*). During the three months ended March 31, 2021, ACM waived management fees of $2,400. 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 is further entitled to receive termination fees from us under certain circumstances.

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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 March 31, 2021 and December 31, 2020.

Nine putative class action lawsuits have been filed in connection with the tender offer (the "Tender Offer") and merger (the "Merger") for JAVELIN. The Tender Offer and Merger are collectively defined herein as the "Transactions." All nine suits name ARMOUR, the previous members of JAVELIN's board of directors prior to the Merger (of which eight are current members of ARMOUR's board of directors) (the "Individual Defendants") and JMI Acquisition Corporation ("Acquisition"*)* as defendants. Certain cases also name ACM and JAVELIN as additional defendants. The lawsuits were brought by purported holders of JAVELIN's common stock, both individually and on behalf of a putative class of JAVELIN's stockholders, alleging that the Individual Defendants breached their fiduciary duties owed to the plaintiffs and the putative class of JAVELIN stockholders, including claims that the Individual Defendants failed to properly value JAVELIN; failed to take steps to maximize the value of JAVELIN to its stockholders; ignored or failed to protect against conflicts of interest; failed to disclose material information about the Transactions; took steps to avoid competitive bidding and to give ARMOUR an unfair advantage by failing to adequately solicit other potential acquirors or alternative transactions; and erected unreasonable barriers to other third-party bidders. The suits also allege that ARMOUR, JAVELIN, ACM and Acquisition aided and abetted the alleged breaches of fiduciary duties by the Individual Defendants. The lawsuits seek 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. On September 27, 2019, the court further deferred the matter for six months. On June 15, 2020, co-counsel for the plaintiff filed a notice of supplemental authority requesting to move the matter forward. On August 19, 2020, a Notification To Parties of Contemplated Dismissal was sent out by the Clerk of the Circuit Court to all parties. Counsel for the plaintiff responded on August 24, 2020, with a Motion to Defer Dismissal. No further action has been taken by the court.

Each of ARMOUR, JAVELIN, ACM and the Individual Defendants intends to defend the claims made in these lawsuits vigorously; however, there can be no assurance that any of ARMOUR, JAVELIN, ACM or the Individual Defendants will prevail in its defense of any of these lawsuits to which it is a party. An unfavorable resolution of any such litigation surrounding the Transactions may result in monetary damages being awarded to the plaintiffs and the putative class of former stockholders of JAVELIN and the cost of defending the litigation, even if resolved favorably, could be substantial. Due to the preliminary nature of all of these suits, ARMOUR is not able at this time to estimate their outcome.

Note 10 - Stock Based Compensation

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 March 31, 2021, there were 42 shares available for future issuance under the Plan.

(in thousands, except per share)

Transactions related to awards for the three months ended March 31, 2021 are summarized below:

	March 31, 2021	
	Number of Awards	Weighted Average Grant Date Fair Value per Award
Unvested RSU Awards Outstanding beginning of period	496	$ 19.77
Granted (1)	635	$ 11.08
Vested	(77)	$ 17.10
Unvested RSU Awards Outstanding end of period	1,054	$ 14.73

(1) During the three months ended March 31, 2021, 535 RSUs were granted to certain officers of ARMOUR through ACM and 100 RSUs were granted to the Board.

At March 31, 2021, there was approximately $15,539 of unvested stock based compensation related to the Awards (based on a weighted average grant date price of $14.73 per share), which we expect to recognize as an expense over the remaining average service period of 3.3 years. 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.

Note 11 - Stockholders' Equity

Changes in Stockholders' Equity

The following table presents the changes in Stockholders' Equity for the following interim periods.

Stockholders' Equity	March 31, 2021	March 31, 2020
Balance, beginning of quarter	**$ 938,304**	**$ 1,436,707**
Series B Preferred dividends ($0.1640625 per share)	—	(1,375)
Series C Preferred dividends ($0.14583 per share)	(2,486)	(1,452)
Common stock dividends (1)	(20,057)	(30,377)
Series B Preferred Stock, called for redemption	—	(209,583)
Issuance of Series C Preferred Stock	28,173	129,221
Issuance of Common stock, net	52,960	—
Stock based compensation, net of withholding requirements	1,199	1,001
Common Stock repurchased, net	—	(777)
Net income (loss)	71,327	(406,659)
Other comprehensive loss	(42,234)	(130,456)
Balance, end of quarter	**$ 1,027,186**	**$ 786,250**

(1) See the below table for common stock dividends per share for the three months ended March 31, 2021. Common stock dividends were $0.17 per share each month for the three months ended March 31, 2020.

Preferred Stock

At March 31, 2021 and December 31, 2020, 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. On January 28, 2020, we filed Articles Supplementary with the State Department of Assessments and Taxation of the State of Maryland to designate 10,000 shares of the Company’s authorized preferred stock, par value $0.001 per share, as shares of 7.00% Series C Preferred Stock with the powers, designations, preferences and other rights as set forth therein. At March 31, 2021, a total of 31,617 shares of our authorized preferred stock remain available for designation as future series.

Series C Cumulative Redeemable Preferred Stock "Series C Preferred Stock"

At March 31, 2021 and December 31, 2020, we had 6,501 and 5,347 shares, respectively, 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 $162,525 and $133,675 in the aggregate. Shares designated as Series C Preferred Stock but unissued totaled 3,499 and 4,653 at March 31, 2021 and December 31, 2020, respectively. At March 31, 2021 and December 31, 2020, 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 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 agreement. During the three months ended March 31, 2021, we sold 1,154 shares under this agreement for proceeds of $28,173, net of issuance costs and commissions of approximately $296.

Common Stock

At March 31, 2021 and December 31, 2020, we were authorized to issue up to 125,000 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 69,748 shares of common stock issued and outstanding at March 31, 2021 and 65,290 shares of common stock issued and outstanding at December 31, 2020.

On February 15, 2019, we entered into an Equity Sales Agreement (the “Common stock ATM Sales Agreement”) with BUCKLER, JMP Securities LLC and Ladenburg Thalmann & Co. Inc., as sales agents, relating to the shares of our common stock. On April 3, 2020, the Common stock ATM Sales Agreement was amended to add B. Riley Securities, Inc. (formerly B. Riley FBR, Inc.) as a sales agent. On May 4, 2020 the Common stock ATM Sales Agreement was further amended to increase the number of shares available for sale pursuant to the terms of the Common Stock ATM Sales Agreement. In accordance with the terms of the Common Stock ATM Sales agreement, as amended, we may offer and sell over a period of time and from time to time, up to 17,000 shares of our common stock, par value $0.001 per share. The Common stock ATM Sales Agreement relates to an "at-the-market" offering program. Under the 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 agreement. During the three months ended March 31, 2021, we sold 4,400 shares under this agreement for proceeds of $52,960, net of issuance costs and commissions of approximately $670.

See *Note 15 - Related Party Transactions* for discussion of additional transactions with BUCKLER.

(in thousands, except per share)

Common Stock Repurchased

At March 31, 2021 and December 31, 2020, there were 8,210 authorized shares remaining under the current repurchase authorization. Under the 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 Securities Exchange Act of 1934, as amended, and related rules. We are not required to repurchase any shares under the 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.

Equity Capital Raising Activities

The following tables present our equity transactions for the three months ended March 31, 2021 and for the year ended December 31, 2020.

Transaction Type	Completion Date	Number of Shares	Per Share price [1]	Net Proceeds (Costs)
March 31, 2021				
Preferred C ATM Sales Agreement	January 19, 2021 - March 31, 2021	1,154	$ 24.40	$ 28,173
Common stock ATM Sales Agreement	March 3, 2021 - March 31, 2021	4,400	$ 12.04	$ 52,960
December 31, 2020				
Preferred C Underwritten Offering	January 28, 2020	3,450	$ 24.14	$ 83,282
Preferred C ATM Sales Agreement	January 30, 2020 - December 23, 2020	1,897	$ 24.70	$ 46,856
Common stock ATM Sales Agreement	April 7, 2020 - December 15, 2020	6,287	$ 8.68	$ 54,575
Common stock repurchases, net	February 26, 2020 - March 3, 2020	(40)	$ 19.42	$ (777)

(1) Weighted average price

Dividends

The following table presents our Series C Preferred Stock dividend transactions for the three months ended March 31, 2021.

Record Date	Payment Date	Rate per Series C Preferred Share	Aggregate amount paid to holders of record
January 15, 2021	January 27, 2021	$ 0.14583	$ 779.7
February 15, 2021	February 26, 2021	$ 0.14583	$ 836.9
March 15, 2021	March 29, 2021	$ 0.14583	$ 869.6
Total dividends paid			$ 2,486.2

(in thousands, except per share)

The following table presents our common stock dividend transactions for the three months ended March 31, 2021.

Record Date	Payment Date	Rate per common share	Aggregate amount paid to holders of record
January 15, 2021	January 28, 2021	$ 0.10	$ 6,646
February 16, 2021	February 26, 2021	$ 0.10	6,645
March 15, 2021	March 29, 2021	$ 0.10	6,766
Total dividends paid			$ 20,057

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 months ended March 31, 2021 and March 31, 2020.

	For the Three Months Ended March 31,	
	2021	2020
Net Income (Loss)	$ 71,327	$ (406,659)
Less: Preferred dividends	(2,486)	(2,827)
Net Income (Loss) available (related) to common stockholders	$ 68,841	$ (409,486)
Weighted average common shares outstanding – basic	65,964	58,884
Add: Effect of dilutive non-vested awards, assumed vested	1,054	—
Weighted average common shares outstanding – diluted	67,018	58,884

For the three months ended March 31, 2020, 650 of potentially dilutive non-vested awards outstanding were excluded from the computation of diluted Net Income (Loss) available (related) to common stockholders because to have included them would have been anti-dilutive for the period.

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

Note 13 - Comprehensive Income (Loss) per Common Share

The following table presents a reconciliation of comprehensive net income (loss) and the shares used in calculating weighted average basic and diluted comprehensive income (loss) per common share for the three months ended March 31, 2021 and March 31, 2020.

	For the Three Months Ended March 31,	
	2021	**2020**
Comprehensive Income (Loss)	$ 29,093	$ (537,115)
Less: Preferred dividends	(2,486)	(2,827)
Comprehensive Income (Loss) available (related) to common stockholders	$ 26,607	$ (539,942)
Net Comprehensive Income (Loss) per share available (related) to common stockholders:		
Basic	$ 0.40	$ (9.17)
Diluted	$ 0.40	$ (9.17)
Weighted average common shares outstanding:		
Basic	65,964	58,884
Add: Effect of dilutive non-vested awards, assumed vested	1,054	—
Diluted	67,018	58,884

For the three months ended March 31, 2020, 650 of potentially dilutive non-vested awards outstanding were excluded from the computation of diluted Net Comprehensive Income (Loss) available (related) to common stockholders because to have included them would have been anti-dilutive for the period.

Note 14 - Income Taxes

The following table reconciles our GAAP net income (loss) to estimated REIT taxable income (loss) for the three months ended March 31, 2021 and March 31, 2020.

	For the Three Months Ended March 31,	
	2021	**2020**
GAAP net income (loss)	$ 71,327	$ (406,659)
Book to tax differences:		
TRS (income) loss	(7)	63
Premium amortization expense	(48)	—
Agency Securities, trading	62,586	—
Credit Risk and Non-Agency Securities	—	182,247
U.S. Treasury Securities	28	(21,771)
Changes in interest rate contracts	(122,195)	363,265
Credit loss expense	—	1,012
Gain on Security Sales	(7,354)	(93,325)
Amortization of deferred hedging costs	(41,867)	(19,874)
Series B Cumulative Preferred Stock dividend - Called for redemption	—	1,375
Other	417	4
Estimated REIT taxable income (loss)	$ (37,113)	$ 6,337

(in thousands, except per share)

Interest rate 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 terminated before their maturity are deferred and amortized over the remainder of the original term of the contract for REIT taxable income. At March 31, 2021 and at December 31, 2020, we had approximately $675,000 and $717,000, respectively, in interest rate swap expense amortizing through the year 2029. We had $91,961 of net operating loss carryforwards available for use indefinitely.

Net capital losses realized	Amount		Available to offset capital gains through
2018	$	(136,388)	2023
2019	$	(13,819)	2024

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 March 31, 2021 by approximately $264,192, or approximately $3.79 per common share (based on the 69,748 common shares then outstanding).

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 were $22,543 and $34,579 (including the final dividend on the Series B Preferred Stock, called for redemption) for the three months ended March 31, 2021 and March 31, 2020, respectively. Our estimated REIT taxable income (loss) available for distribution as dividends was $(37,113) and $6,337 for the three months ended March 31, 2021 and March 31, 2020, respectively. Our 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 June 18, 2027 and is thereafter automatically renewed for an additional five-year term unless terminated under certain circumstances.

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

(in thousands, except per share)

- Providing executive and administrative personnel, office space and other appropriate services required in rendering management services to us.

The following table reconciles the fees incurred in accordance with the management agreement for the three months ended March 31, 2021 and March 31, 2020. ACM began waiving 40% of its management fee during the second quarter of 2020 and on January 13, 2021, ACM notified ARMOUR that it intended to adjust the fee waiver to the rate of $2,400 for the first quarter of 2021 and $800 per month thereafter. On April 20, 2021, ACM notified ARMOUR that it intended to adjust the fee waiver to the rate of $2,100 for the second quarter of 2021 and $700 per month thereafter until further notice (see *Note 16 - Subsequent Events*).

	For the Three Months Ended March 31,	
	2021	**2020**
Management fees	$ 7,428	$ 7,444
Less management fees waived	(2,400)	—
Total Management fee expense	$ 5,028	$ 7,444

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 months ended March 31, 2021 and March 31, 2020, we reimbursed ACM $7 and $117 for other expenses incurred on our behalf. In 2013, 2017, 2020 and January 2021, we elected to grant restricted stock unit awards to our executive officers and other ACM employees through ACM that generally vest over 5 years. In 2017, 2020 and January 2021, we elected to grant restricted stock unit awards to the Board. We recognized stock based compensation expense of $207 and $186 for the three months ended March 31, 2021 and March 31, 2020, respectively.

BUCKLER

In March 2017, we contributed $352 for a 10% ownership interest in BUCKLER. The investment 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. The value of the investment was $650 at March 31, 2021 and $634 at December 31, 2020, 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 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) if the independent directors reasonably determine that BUCKLER's ability to provide attractive securities transactions for the Company is materially adversely affected. For the three months ended March 31, 2021 and March 31, 2020, we earned $0 and $363, respectively, 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, subject to a contractually required reduction in our share of the Financing Gross Profit of $306 per annum until the end of the first quarter of 2022. See *Note 11 - Stockholders' Equity* for discussion of equity transactions with BUCKLER.

We have one subordinated loan agreement with BUCKLER, totaling $105.0 million and maturing on May 1, 2025. BUCKLER may, at its option after obtaining regulatory approval, repay all or a portion of the principal amount of the loan.

(in thousands, except per share)

The loan has 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 months ended March 31, 2021 and March 31, 2020, the Company earned $17 and $258, respectively, of interest on this loan.

The table below summarizes other transactions with BUCKLER as of and for the three months ended March 31, 2021 and as of and for the year ended December 31, 2020.

Transactions with BUCKLER	**March 31, 2021**	**December 31, 2020**
Repurchase agreements [1]	$ 2,360,264	$ 2,998,111
Interest on repurchase agreements	$ 1,805	$ 38,663
Collateral posted on repurchase agreements	$ 2,450,044	$ 3,117,929
U.S. Treasury Securities Purchased	$ 200,000	$ —
U.S. Treasury Securities Sold	$ 200,000	$ —

(1) See also Note 7, Repurchase Agreements for transactions with BUCKLER.

Note 16 - Subsequent Events

ACM Management Agreement

On April 20, 2021, ACM notified ARMOUR that it intended to adjust the fee waiver to the rate of $2,100 for the second quarter of 2021 and $700 per month thereafter until ACM provides further notice to ARMOUR. ACM may terminate this waiver for any month 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 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 Second Amended and Restated 2009 Stock Incentive Plan.

Series C Preferred Stock

A cash dividend of $0.14583 per outstanding share of Series C Preferred Stock, or $998 in the aggregate, will be paid on April 27, 2021 to holders of record on April 15, 2021. We have also declared cash dividends of $0.14583 per outstanding share of Series C Preferred Stock payable May 27, 2021 to holders of record on May 15, 2021 and payable June 28, 2021 to holders of record on June 15, 2021.

Between April 1, 2021 and April 9, 2021, we issued 346 shares under our Preferred C ATM Sales Agreement for proceeds of $8,475 net of issuance costs and commissions of $86.

Common Stock

A cash dividend of $0.10 per outstanding common share, or $7,234 in the aggregate, will be paid on April 29, 2021 to holders of record on April 15, 2021. We have also declared a cash dividend of $0.10 per outstanding common share payable May 27, 2021 to holders of record on May 17, 2021.

Between April 1, 2021 and April 9, 2021, we issued 1,495 shares under our Common Stock ATM Sales Agreement for proceeds of $18,082 net of issuance costs and commissions of $229.

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% 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. 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 and believe that we are organized in conformity with the requirements for qualification as a REIT under the Code and that our manner of operations enables us to meet the requirements for taxation as a REIT for federal income tax purposes.

Our strategy is to create shareholder value through thoughtful investment and risk management that produces current yield and superior risk adjusted returns over the long term. Our focus on residential real estate finance supports home ownership for a broad and diverse spectrum of Americans by bringing private capital into the mortgage markets. 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 March 31, 2021 and December 31, 2020, we invested exclusively 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 primarily of fixed rate loans. The remaining are either backed by hybrid adjustable rate or adjustable rate loans. From time to time we may also invest in Credit Risk and Non-Agency Securities, Interest-Only Securities, 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 exclusively in Agency Securities, for which the principal and interest payments are guaranteed by a GSE. From time to time we may also invest in Credit Risk and Non-Agency Securities, Interest-Only Securities, U.S. Treasury Securities and money market instruments. As such, we expect our investments to be subject to risks arising from delinquencies and foreclosures, thereby exposing our investment portfolio to potential losses. We are exposed to changing credit spreads, which could result in declines in the fair value of our investments. We believe ACM’s in-depth investment expertise across multiple sectors of the mortgage market, prudent asset selection and our hedging strategy enable us to minimize our credit losses, our market value losses and financing costs.

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.

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.

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. Also, since we have not elected to use cash flow hedge accounting, earnings reported in accordance with GAAP will fluctuate even in situations where our derivatives are operating as intended. As a result of this mark-to-market accounting treatment, our results of operations are likely to fluctuate far more than if we were to designate our derivative activities as cash flow hedges. Comparisons with companies that use cash flow hedge accounting for all or part of their derivative activities may not be meaningful. For these and other reasons more fully described under the section captioned "Derivative Instruments" below, no assurance can be given that our derivatives will have the desired beneficial impact on our results of operations or financial condition.

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:

First Quarter 2021 Trends

COVID-19 continued to have a material impact on all business sectors during the first quarter. The extent of the ongoing impact on the Company's operational and financial performance will depend on various developments, including the rate of vaccination and virus caseloads, as well as additional federal, state and local actions including progress in completely reopening businesses, schools and public services.

The continued strong intervention of the Federal Reserve that began in 2020 has stabilized and increased the price of agency residential and commercial mortgage-backed securities. ARMOUR continues to mitigate risk, use moderate leverage, and maximize liquidity within the scope of its business plan. The Company has carefully selected new investments within the context of the historically high prices currently of our target assets. The agency mortgage backed securities market remains highly dependent on the future course and timing of the Federal Reserves’ actions on interest rate and market purchases of our target assets.

The Company’s remote work environment protocol has allowed our operations to remain fully functional while we worked remotely. With increased vaccinations and the potential significant reduction of infections, we expect that we will be able to plan a safe return to the office environment over the next two quarters.

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.

The passage of any new federal legislation affecting Fannie Mae and Freddie Mac may create market uncertainty and reduce the actual or perceived credit quality of securities issued or guaranteed by them. If Fannie Mae and Freddie Mac were reformed or wound down, it is unclear what effect, if any, this would have on the value of the existing Fannie Mae and Freddie Mac Agency Securities. The foregoing could materially adversely affect the pricing, supply, liquidity and value of the Agency Securities in which we invest and otherwise materially adversely affect our business, operations and financial condition.

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 Federal Funds Rate at each Fed meeting where a change was made since March 2019.

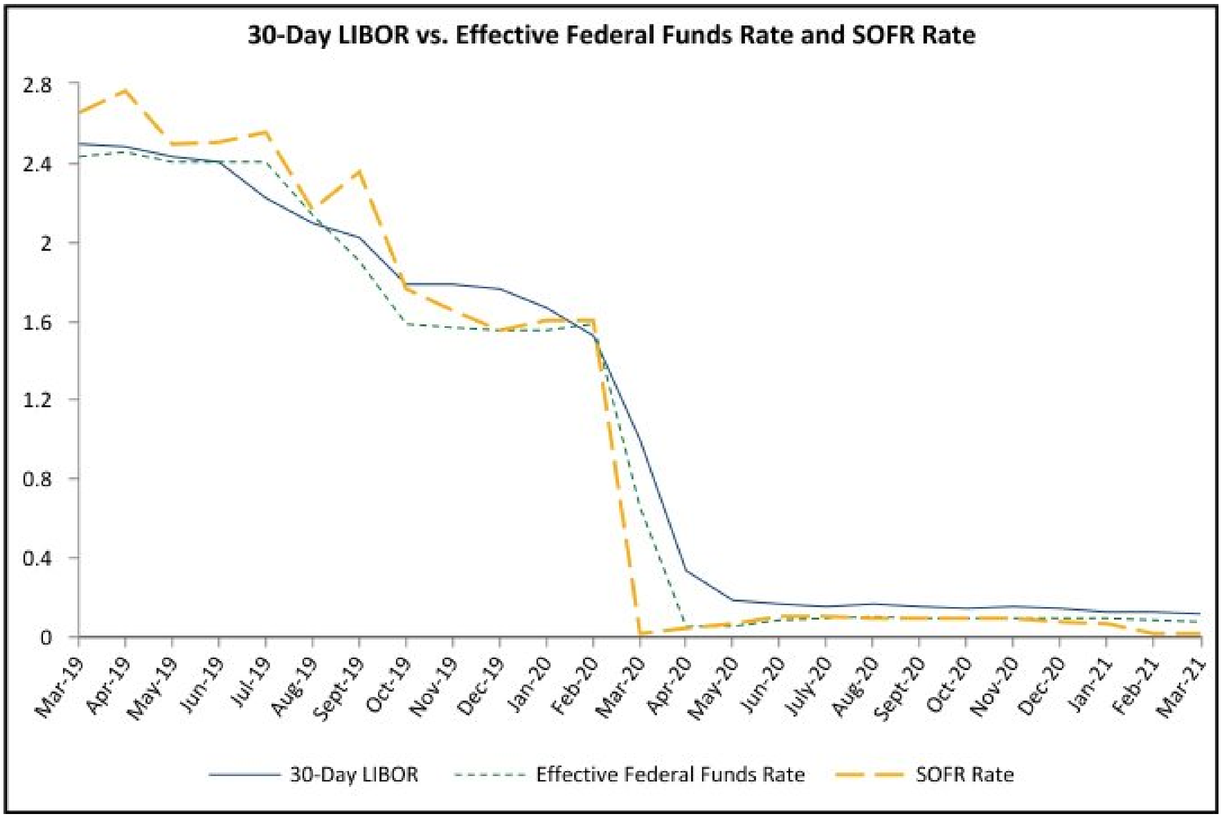
Meeting Date	Lower Bound	Higher Bound
March 16, 2020	0.00 %	0.25 %
March 3, 2020	1.00 %	1.25 %
December 2019	1.50 %	1.75 %
October 2019	1.50 %	1.75 %
September 2019	1.75 %	2.00 %
July 2019	2.00 %	2.25 %
March 2019	2.25 %	2.50 %

Our borrowings in the repurchase market have historically closely tracked the Federal Funds Rate and LIBOR, and more recently SOFR. Traditionally, a lower Federal Funds Rate has indicated a time of increased net interest margin 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 margin and the value of our securities portfolio might suffer as a result. The expected discontinuation of LIBOR in 2021 may impact our liquidity and the value of our MBS, although we don't expect it to be material at this time. SOFR is currently scheduled to replace LIBOR as a reference rate. We continue to assess the impact on our securities portfolio and will continue to do so throughout 2021.

ARMOUR Residential REIT, Inc.

Management's Discussion and Analysis (continued)

The following graph shows 30-day LIBOR as compared to the Effective Federal Funds Rate and SOFR Rate on a monthly basis from March 31, 2019 to March 31, 2021.



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.

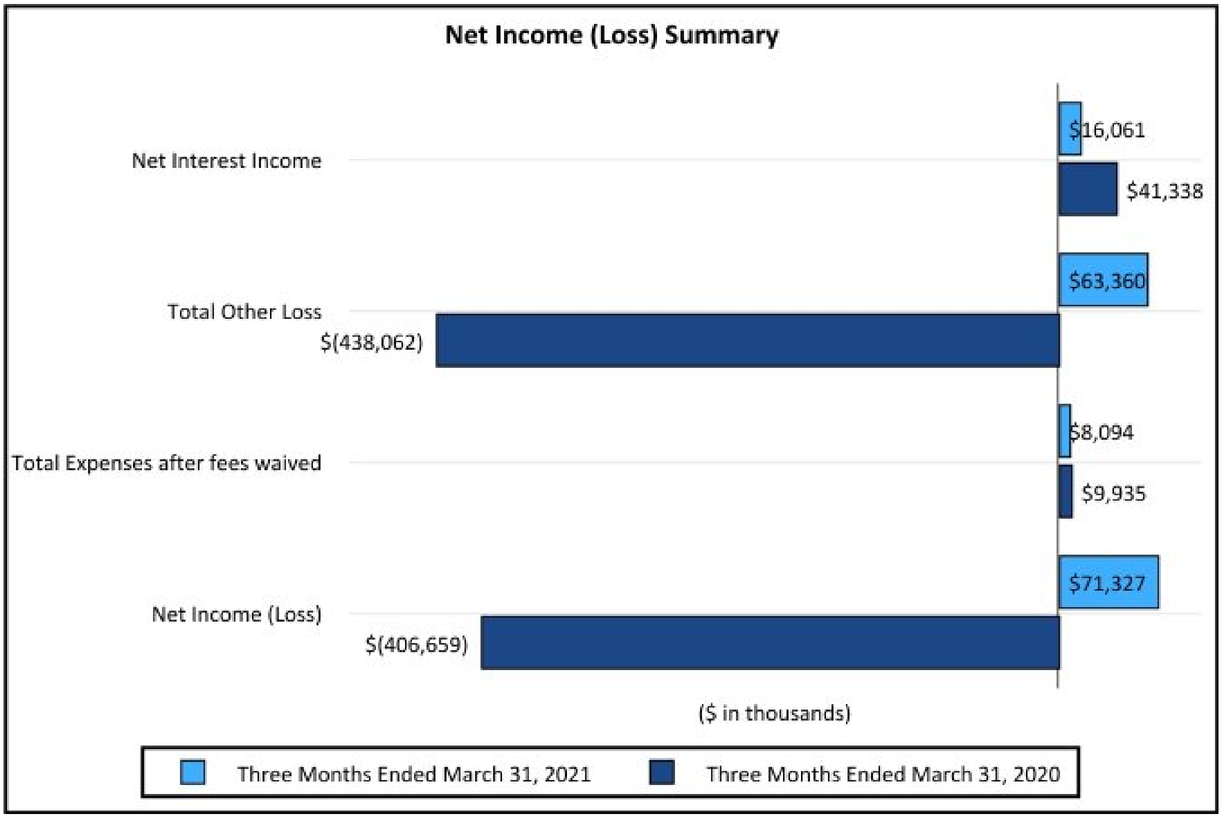
Mortgage spreads can vary due to movements in securities valuations, movements in long-term interest rates or a combination of both. We mainly use interest rate swap contracts (including swaptions) to economically hedge against changes in the valuation of our securities. We do not use such hedging contracts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

We may reduce our net TBA Agency Securities exposure by entering in to certain TBA short positions. The TBA short positions represent different securities and maturities than our 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

Net Income (Loss) Summary

The following is a summary of our consolidated results of operations for the periods presented:



Our results for the three months ended March 31, 2020 were significantly impacted by COVID-19. To increase liquidity, we significantly reduced our portfolio of Agency Securities (including TBA Agency Securities) by 68% from December 31, 2019. We also terminated $3,975,000 in notional interest rate swap contracts. The net loss for the three months ended March 31, 2020 reflected realized and unrealized losses on our interest rate swaps due to declines in interest rates in the quarter and exiting notional positions as well as fair value losses on our Credit Risk Transfer securities. We are now focused exclusively on an all Agency Securities portfolio. Net income for the three months ended March 31, 2021 reflected net interest income from a smaller average securities portfolio as well as gains on our derivatives.

Net Interest Income

Net interest income is a function of both our securities portfolio size and net interest rate spread.

2021 vs. 2020

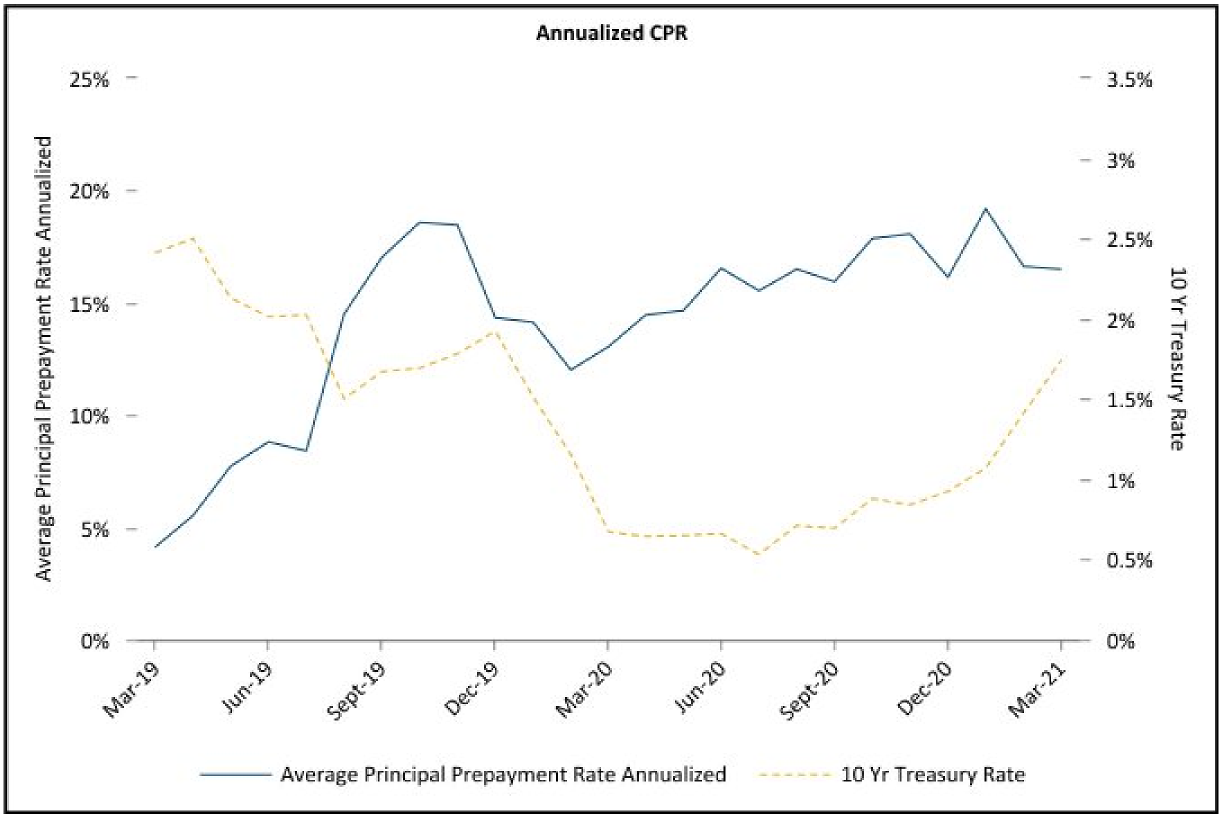
- Our average securities portfolio, including TBA Agency Securities, decreased 42.7% from $12,056,794 for the three months ended March 31, 2020 to $6,902,777 for the three months ended March 31, 2021.
- Our average securities portfolio yield decreased 1.34% and our cost of funds decreased 1.60% quarter over quarter.
- Our net interest rate spread increased by 0.26% quarter over quarter. However net interest income decreased due to a lower average securities portfolio balance.

	For the Three Months Ended March 31,	
	2021	**2020**
Interest Income:		
Agency Securities, net of amortization of premium and fees	$ 18,558	$ 79,776
Credit Risk and Non-Agency Securities, including discount accretion	—	12,355
U.S. Treasury Securities	—	469
BUCKLER Subordinated loan	17	258
Total Interest Income	$ 18,575	$ 92,858
Interest expense- repurchase agreements	(2,427)	(51,520)
Interest expense- U.S. Treasury Securities sold short	(87)	—
Net Interest Income	$ 16,061	$ 41,338

The following table presents the components of the yield earned on our securities portfolio for the quarterly periods ended on the dates shown below:

	Asset Yield	Cost of Funds	Net Interest Margin	Interest Expense on Repurchase Agreements
March 2021	1.84 %	0.35 %	1.49 %	0.23 %
December 2020	1.99 %	0.27 %	1.72 %	0.26 %
September 2020	2.21 %	0.26 %	1.95 %	0.26 %
June 2020	2.53 %	0.90 %	1.63 %	0.55 %
March 2020	3.18 %	1.95 %	1.23 %	1.94 %
December 2019	3.63 %	2.14 %	1.49 %	2.14 %
September 2019	3.56 %	2.25 %	1.31 %	2.55 %
June 2019	3.70 %	2.30 %	1.40 %	2.69 %
March 2019	3.65 %	2.03 %	1.62 %	2.71 %

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)

2021 vs. 2020

- Gains (losses) on Agency Securities, available for sale, resulted from sales during the three months ended March 31, 2021 of $87,875 compared to $10,395,454 (including $618,081 receivable for unsettled sales) during the three months ended March 31, 2020).
- During the three months ended March 31, 2021, we evaluated our available for sale securities to determine if the available for sale securities in an unrealized loss position were impaired. It was determined that no credit loss expense was required. In the first quarter of 2020, we recognized an impairment of $1,012 in our consolidated statements of operations as we had determined that we may have been required to sell certain securities in the near future.
- Loss on Agency Securities, trading, resulted from the change in fair value of the securities as well as losses on sales during the three months ended March 31, 2021. The change in fair value of the securities was $59,381 for the three months ended March 31, 2021. For the three months ended March 31, 2021, we sold $675,845 of Agency Securities which resulted in a loss of $3,205.
- Loss on Credit Risk and Non-Agency Securities resulted from the sale of securities as well as the change in fair value of the securities. We did not have any Credit Risk and Non-Agency Securities at March 31, 2021. The change in the fair value of the securities was $(181,879) for the three months ended March 31, 2020.

For the three months ended March 31, 2020, we sold $142,539 (including $70,102 receivable for unsettled sales) of Credit Risk and Non-Agency Securities, which resulted in losses of $(1,232).

- We did not have any U.S. Treasury Securities at March 31, 2021. Sales of U.S. Treasury Securities of $3,785,248 resulted in realized gain of $21,771 for the three months ended March 31, 2020.
- Gain (losses) on Derivatives resulted from a combination of the following:
  - Interest rate swap contracts' aggregate notional balance increased from $5,337,000 at December 31, 2020 to $5,760,000 at March 31, 2021.
  - The majority of the realized loss on derivatives for the three months ended March 31, 2020 was due to exiting notional positions on our interest rate swap contracts of $3,975,000. For the three months ended March 31, 2021 we did not early terminate any interest rate swap contracts.
  - The decrease in TBA prices and the increase of our total TBA Agency Securities aggregate notional balance from $2,600,000 at December 31, 2020 to $3,500,000 at March 31, 2021 resulted in a $(63,764) loss for the three months ended March 31, 2021 compared to the prior period income of $49,506.

	For the Three Months Ended March 31,	
	2021	**2020**
Other Income (Loss):		
Realized gain on sale of available for sale Agency Securities (reclassified from Other comprehensive loss)	7,354	93,325
Credit loss expense	—	(1,012)
Loss on Agency Securities, trading	(62,586)	—
Loss on Credit Risk and Non-Agency Securities	—	(183,111)
Gain on U.S. Treasury Securities	—	21,771
Loss on short sale of U.S. Treasury Securities	(28)	—
Subtotal	$ (55,260)	$ (69,027)
Realized loss on derivatives	(27,360)	(235,148)
Unrealized gain (loss) on derivatives	145,980	(133,887)
Subtotal	$ 118,620	$ (369,035)
Total Other Income (Loss)	$ 63,360	$ (438,062)

Expenses

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 liquidate distributions as approved and so designated by a majority of the Board. However, because the management fee rate decreased to 0.75% per annum for gross equity raised in excess of $1.0 billion, the effective average management fee rate declines as equity is raised. Gross equity raised was $3,026,269 at March 31, 2021, compared to $2,887,586 at March 31, 2020. ACM began waiving 40% of its management fee during the second quarter of 2020 and on January 13, 2021, ACM notified ARMOUR that it intended to adjust the fee waiver to the rate of $2,400 for the first quarter of 2021 and $800 per month thereafter. On April 20, 2021, ACM notified ARMOUR that it intended to adjust the fee waiver to the rate of $2,100 for the second quarter of 2021 and $700 per month thereafter until further notice (see Note 16 to the consolidated financial statements). During the three months ended March 31, 2021, ACM waived management fees of $2,400.

Professional fees include securities clearing, legal, audit and consulting costs and 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 includes premiums for both general business and directors and officers liability coverage. The fluctuation from year to year is due to changes in premiums.

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

Other expenses include 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.

	For the Three Months Ended March 31,	
	2020	**2019**
Expenses:		
Management fees	7,437	7,458
Professional fees	738	846
Insurance	193	183
Compensation	1,676	1,465
Other	450	(17)
Total Expenses	$ 10,494	$ 9,935
Less management fees waived	(2,400)	—
Total Expenses after fees waived	$ 8,094	$ 9,935

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 terminated before their maturity are deferred and amortized over the remainder of the original term of the contract for REIT taxable income. At March 31, 2021 and at December 31, 2020, we had approximately $675,000 and $717,000, respectively, in interest rate swap expense amortizing through the year 2029. We currently project that such amortization will exceed the Company's other taxable income for 2021. As a result, we currently project that all 2021 dividends on the Company's common stock and Series C Preferred Stock will be treated as basis adjustments rather than currently taxable income for stockholder tax purposes. This is consistent with the treatment of dividends for 2020.

We had $91,961 of net operating loss carryforwards available for use indefinitely.

Comprehensive Income (Loss)

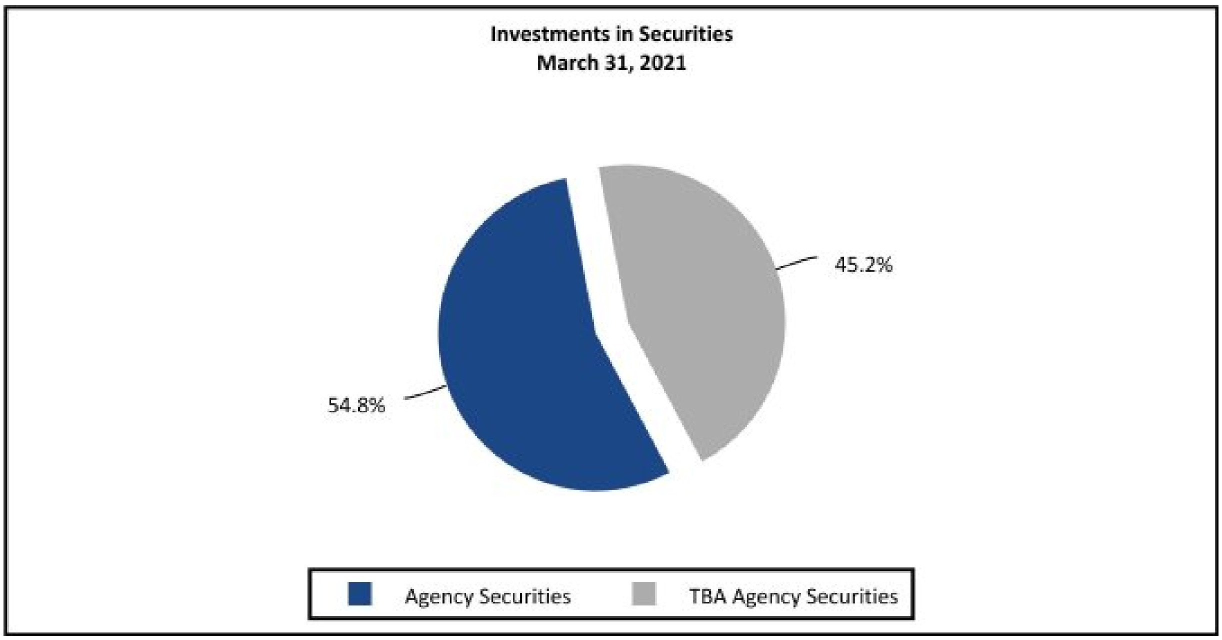
Comprehensive income (loss) includes all changes in equity during a period, except those resulting from investments by owners and distributions to owners (see Note 13 to the consolidated financial statements).

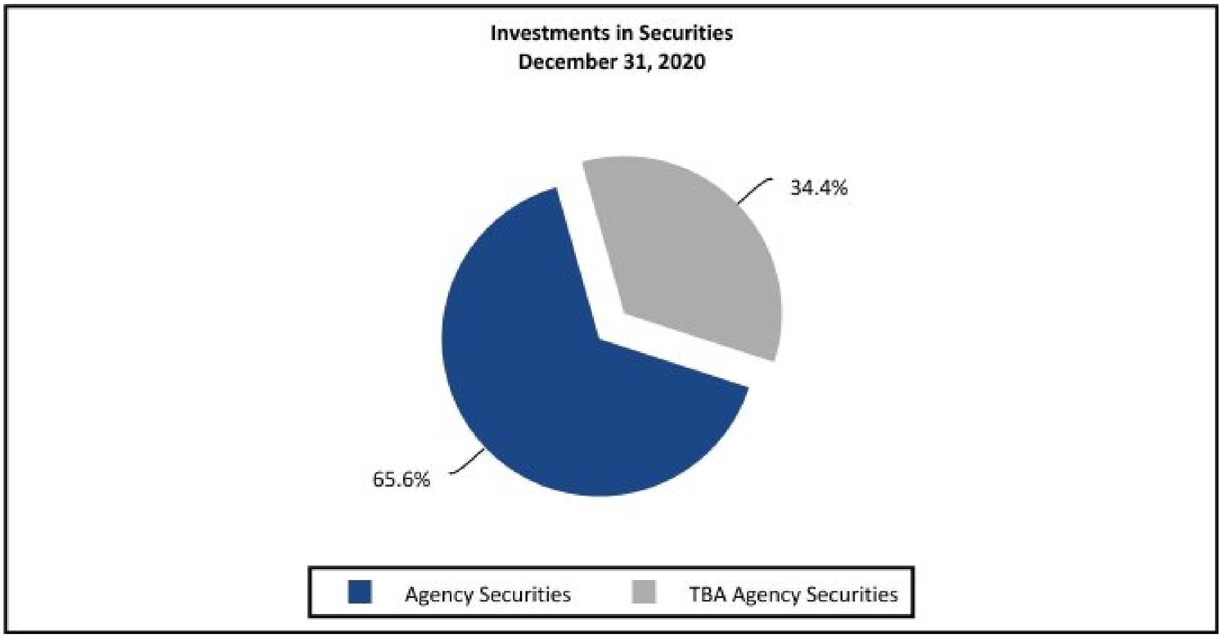
Financial Condition

Investments In Securities

Our securities portfolio consists primarily of Agency Securities backed by fixed rate home loans. From time to time, a portion of our Agency Securities may be backed by 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 charter permits us to invest in MBS. 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).

The charts below present our investments in securities by percentage of our total investments in securities, at fair value as of the dates indicated.





Agency Securities

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.

Adjustable and hybrid adjustable rate mortgage loans underlying some of our Agency Securities have fixed interest rates after which time the interest rates reset and become adjustable. After a reset date, interest rates on our adjustable and hybrid adjustable Agency Securities float based on spreads over various indices, typically LIBOR or the one-year constant maturity treasury rate. These interest rates are subject to caps that limit the amount the applicable interest rate can increase during any year, known as an annual cap and through the maturity of the security, known as a lifetime cap.

Beginning in the second quarter of 2020, we designated Agency MBS purchased as "trading securities" for financial reporting purposes, and consequently, fair value changes for these investments will be reported in net income. We anticipate continuing this designation for newly acquired Agency MBS positions because it is more representative of our results of operations insofar as the fair value changes for these securities are presented in a manner consistent with the presentation and timing of the fair value changes of our hedging instruments. Fair value changes for the legacy Agency MBS positions designated as "available for sale" will continue to be reported in other comprehensive income as required by GAAP.

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 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 March 31, 2021 and December 31, 2020.

Asset Type	Principal Amount	Fair Value	Weighted Average Coupon	CPR (1)	Weighted Average Months to Maturity	Percent of Total
March 31, 2021						
Agency Securities:						
Total Fannie Mae	$ 3,238,039	$ 3,479,636	3.1 %	9.8 %	247	44.1 %
Total Freddie Mac	775,146	821,970	3.2 %	24.0 %	255	10.4
Total Ginnie Mae	16,215	16,791	2.2 %	8.0 %	217	0.3
Total Agency Securities	$ 4,029,400	$ 4,318,397	3.1 %	12.5 %	249	54.8 %
TBA Agency Securities:						
15 Year Long (2)	1,900,000	1,941,774	2.0 %	n/a	n/a	24.6
30 Year Long (2)	1,600,000	1,622,293	2.4 %	n/a	n/a	20.6
Total TBA Agency Securities	$ 3,500,000	$ 3,564,067	2.1 %	n/a	n/a	45.2 %
Total Investments in Securities	$ 7,529,400	$ 7,882,464				100.0 %
December 31, 2020						
Agency Securities:						
Total Fannie Mae	$ 3,779,964	$ 4,158,987	3.2 %	14.8 %	255	52.7 %
Total Freddie Mac	925,036	993,173	3.3 %	23.9 %	262	12.6
Total Ginnie Mae	25,388	26,162	2.9 %	7.6 %	206	0.3
Total Agency Securities	$ 4,730,388	$ 5,178,322	3.3 %	16.6 %	256	65.6 %
TBA Agency Securities:						
15 Year Long (2)	1,400,000	1,459,136	1.9 %	n/a	n/a	18.5
30 Year Long (2)	1,200,000	1,252,842	2.1 %	n/a	n/a	15.9
Total TBA Agency Securities	$ 2,600,000	$ 2,711,978	2.0 %	n/a	n/a	34.4 %
Total Investments in Securities	$ 7,330,388	$ 7,890,300				100.0 %

(1) Weighted average CPR during the quarter for the securities owned at March 31, 2021 and December 31, 2020.

(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 $(45,001) and $19,747, at March 31, 2021 and December 31, 2020, respectively, and were reported in Derivatives, at fair value on our consolidated balance sheets (see Note 8 to the consolidated financial statements).

Repurchase Agreements

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 historically moved in close relationship to the Federal Funds Rate and LIBOR. We have established borrowing relationships with numerous investment banking firms and other lenders, 18 of which had open repurchase agreements with us at March 31, 2021 and December 31, 2020. We had outstanding balances under our repurchase agreements at March 31, 2021 and December 31, 2020 of $3,810,790 and $4,536,065, respectively, consistent with the size of our securities portfolio.

Our repurchase agreements require excess collateral, known as a “haircut.” At March 31, 2021, the average haircut percentage was 3.52% compared to 3.13% at December 31, 2020. 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.

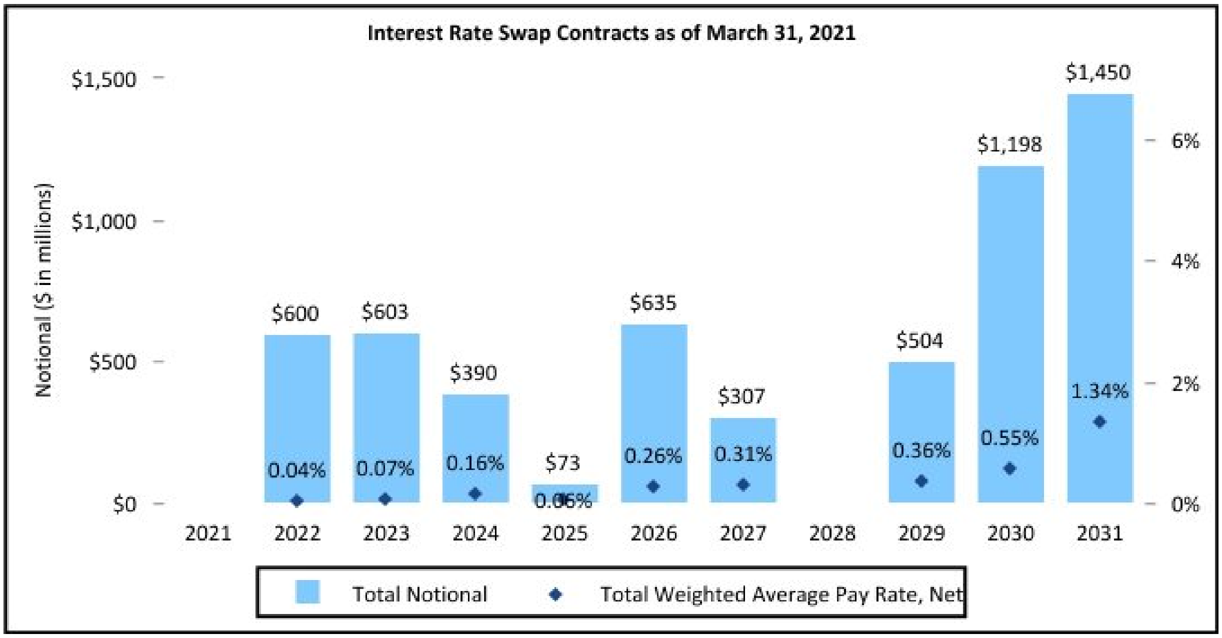
Derivative Instruments

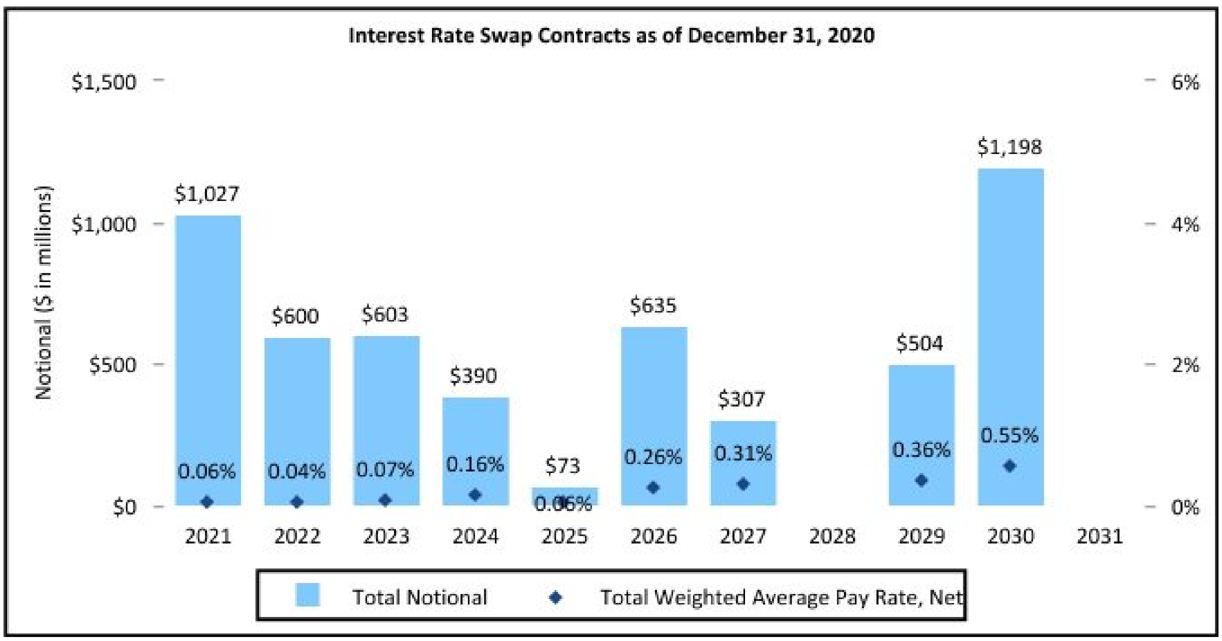
We use various contracts to manage our interest rate risk as we deem prudent in light of market conditions and the associated costs with counterparties that have a high quality credit rating and with futures exchanges. We generally pay a fixed rate and receive a floating rate with the objective of fixing 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 Federal Funds Rate, SOFR or LIBOR. 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.

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





At March 31, 2021 and December 31, 2020, we had derivatives with a net fair value of $171,282 and $53,469, respectively. At March 31, 2021, we had interest rate swap contracts with an aggregate notional balance of $5,760,000, a weighted average swap rate of 0.55% and a weighted average term of 81 months. At December 31, 2020, we had interest rate swap contracts with an aggregate notional balance of $5,337,000, a weighted average swap rate of 0.24% and a weighted average term of 58 months. Counterparty risk of derivatives is limited to some degree because of daily mark-to-market and collateral requirements. These derivative transactions are designed to: (1) lock in a portion of funding costs for financing activities associated with our assets in such a way as to help assure the realization of attractive net interest margins and (2) vary inversely in value with our MBS. Such contracts are based on assumptions about prepayments which, if not realized, will cause results to differ from expectations.

We also had TBA Agency Securities with an aggregate notional balance of $3,500,000 and $2,600,000 at March 31, 2021 and December 31, 2020, respectively.

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 gains (losses) of $118,620 and $(369,035), for the three months ended March 31, 2021 and March 31, 2020, respectively, related to our derivatives.

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. Cleared interest rate swaps may have higher margin requirements than un-cleared interest rate swaps we previously had. We have established an account with a futures commission merchant for this purpose. To date, we have not entered into any 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.

Liquidity and Capital Resources

At March 31, 2021, our liquidity totaled $687,317, consisting of $277,554 of cash plus $409,763 of unpledged MBS (including securities received as 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. 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 (refer to Note 11 to the consolidated financial statements). 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 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. We did not have any reverse repurchase agreements outstanding at March 31, 2021 and December 31, 2020.

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 March 31, 2021 and December 31, 2020, we financed our securities portfolio with $3,810,790 and $4,536,065 of borrowings under repurchase agreements. Our debt to equity ratios at March 31, 2021 and December 31, 2020, were 4.21:1 and 7.90:1, respectively. Our leverage ratios, including notional on our TBA Agency Securities, were 7.12:1 and 7.61:1 at March 31, 2021 and December 31, 2020, respectively.

During the three months ended March 31, 2021, we purchased $686,117 of securities using proceeds from repurchase agreements and principal repayments. During the three months ended March 31, 2021, we received cash of $278,722 from principal payments on our MBS. We had a net cash decrease from our repurchase agreements of $725,275 for the three months ended March 31, 2021 and made cash interest payments of approximately $4,193 on our liabilities for the three months ended March 31, 2021.

During the three months ended March 31, 2020, we purchased $6,129,078 of securities using proceeds from repurchase agreements and principal repayments. During the three months ended March 31, 2020, we received cash of $507,170 from principal payments on our MBS. We had a net cash decrease from our repurchase agreements of $7,889,075 for the three months ended March 31, 2020 and made cash interest payments of approximately $139,313 on our liabilities for the three months ended March 31, 2020.

Cash and cash collateral posted to counterparties provided by (used in) operating activities was $21,197 and $(184,446), respectively, for the three months ended March 31, 2021 and March 31, 2020. The increase quarter over quarter was primarily due to the changes in fair value on our derivatives of $(369,035) in Q1 2020 compared to gains of $118,620 in Q1 2021.

Our average securities portfolio was $6,902,777 and $12,056,794 for the three months ended March 31, 2021 and March 31, 2020, respectively. During the three months ended March 31, 2021, we sold 1,154 of Series C Preferred stock for an increase in equity of $28,173. During the three months ended March 31, 2021, we sold 4,400 shares of our common stock, for an increase in equity of $52,960 (see Note 11 to the consolidated financial statements).

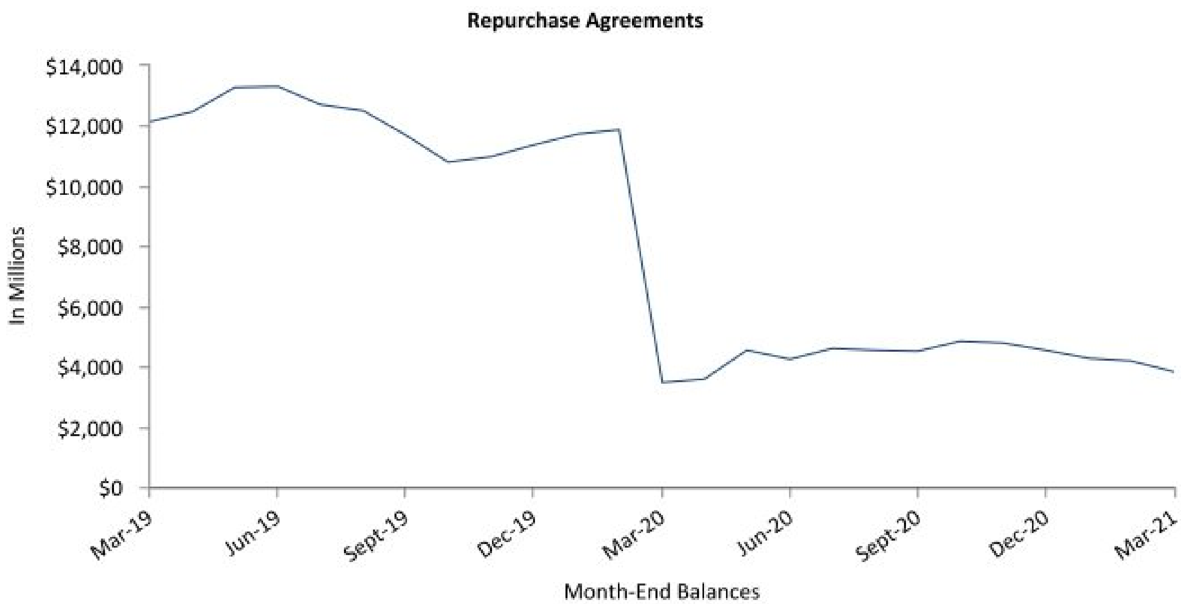
We currently believe that we have sufficient liquidity and capital resources available for the acquisition of additional investments, repayments on repurchase borrowings, reacquisition of securities to be returned to borrowers and the payment of cash dividends as required for continued qualification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

Repurchase Agreements

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.

We generally seek to borrow (on a recourse basis) between six and ten times the amount of our total stockholders' equity. At March 31, 2021 and December 31, 2020, we financed our securities portfolio with $3,810,790 and $4,536,065 of borrowings under repurchase agreements. Our debt to equity ratios at March 31, 2021 and December 31, 2020, were 4.21:1 and 7.90:1, respectively. Our leverage ratios, including notional on our TBA Agency Securities, were 7.12:1 and 7.61:1 at March 31, 2021 and December 31, 2020, respectively.

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 long-term (greater than one year) liquidity. 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.

Off-Balance Sheet Arrangements

At March 31, 2021 and December 31, 2020, we had not maintained any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance, or special purpose or variable interest entities, established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. Furthermore, at March 31, 2021 and December 31, 2020, we had not guaranteed any obligations of any unconsolidated entities or entered into any commitment or intent to provide funding to any such entities. All of our transactions with BUCKLER are reflected in our consolidated balance sheets.

Critical Accounting Policies

See Note 3 to the consolidated financial statements for our significant accounting policies.

Valuation

The unrealized changes in fair value on our available for sale securities are reflected in total stockholders' equity as accumulated other comprehensive income or loss. Changes in fair value of our trading securities are reported in the consolidated statements of operations as income or loss. We do not use hedge accounting for our derivatives for financial reporting purposes and therefore changes in fair value are reflected in net income as other gain or loss. To the extent that fair value changes on derivatives offset fair value changes in our MBS, the fluctuation in our stockholders' equity will be lower. For example, rising interest rates may tend to result in an overall increase in our reported net income even while our total stockholders' equity declines.

Fair value for our MBS and derivatives is based on obtaining a valuation for each 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, collateral type, bond structure, prepayment speeds, priority of payments, defaults, delinquencies and 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.

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.

Realized Gains and Losses

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.

Available for Sale Securities

We realize gains and losses on our available for sale securities upon their sale. At that time, previously unrealized amounts included in accumulated other comprehensive income are reclassified and reported in net income as other gain or loss. To the extent that we sell available for sale securities in later periods after changes in the fair value of those available for sale securities have occurred, we may report significant net income or net loss without a corresponding change in our total stockholders' equity.

Declines in the fair values of our available for sale securities that represent credit impairments are also treated as realized losses and reported in net income as other loss. We evaluate available for sale securities for impairment at least on a quarterly basis and more frequently when economic or market concerns warrant such evaluation. We consider available for sale securities impaired if we (1) intend to sell the available for sale securities, (2) believe it is more likely than not that we will be required to sell the securities before recovery (for example, because of liquidity requirements or contractual obligations), and (3) a credit loss exists. Impairment losses recognized establish a new cost basis for the related available for sale securities. Gains or losses on subsequent sales are determined by reference to such new cost basis.

Trading Securities

We carry our trading securities at fair value and reflect changes in those fair values in net income as other gains and losses.

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:

- the impact of COVID-19 on our operations;

- 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;
- changes in interest rates, interest rate spreads and the yield curve or prepayment rates;
- 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 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; and
- changes in applicable laws and regulations.

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
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.
ARMs	Adjustable Rate Mortgage backed securities.
Basis swap contracts	Derivative contracts that allow us to exchange one floating interest rate basis for another, for example, 3 month LIBOR and Fed Funds Rates, 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 of ARMOUR, James Mountain.
Co-CEOs	Co-Chief Executive Officers of ARMOUR, Jeffrey Zimmer and Scott Ulm.
Code	The Internal Revenue Code of 1986.
COVID-19	The Coronavirus pandemic.
CPR	Constant prepayment rate.
Credit Risk and Non-Agency Securities	Securities backed by residential mortgages in which we may invest, which are not issued or guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae.
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.
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.
Interest-Only Securities	The interest portion of Agency Securities, which is separated and sold individually from the principal portion of the same payment.
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.
LIBOR	The London Interbank Offered Rate.

ARMOUR Residential REIT, Inc.

GLOSSARY OF TERMS (continued)

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.
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.
Repurchase Program	ARMOUR's common stock repurchase program authorized by our Board.
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.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

ARMOUR Residential REIT, Inc.

We seek to manage our risks related to the credit-quality of our assets, interest rates, liquidity, prepayment speeds and market value while, at the same time, seeking to provide an opportunity to stockholders to realize attractive risk adjusted returns through ownership of our capital stock. 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.

A portion of our securities portfolio consists of hybrid adjustable rate and adjustable rate MBS. Hybrid mortgages are ARMs that have a fixed interest rate for an initial period of time (typically three years or greater) and then convert to an adjustable rate for the remaining loan term. ARMs are typically subject to periodic and lifetime interest rate caps that limit the amount the interest rate can change during any given period. Furthermore, some ARMs may be subject to periodic payment caps that result in some portion of the interest being deferred and added to the principal outstanding. ARMs are also typically subject to a minimum interest rate payable. Most of our adjustable rate assets are based on the one-year constant maturity treasury rate and the one-year LIBOR rate. Our fixed rate MBS have interest rates that are not variable and are constant for the entire loan term.

Our borrowings are not subject to similar restrictions and are generally repurchase agreements of limited duration that track the Federal Funds Rate and LIBOR 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.

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.

ARMOUR Residential REIT, Inc.

Market Risk Disclosures (continued)

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 March 31, 2021 and December 31, 2020. 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.

	Percentage Change in Projected		
Change in Interest Rates	**Net Interest Income**	**Portfolio Including Derivatives**	**Shareholder's Equity**
March 31, 2021			
1.00%	50.91%	(1.41)%	(11.10)%
0.50%	26.34%	(0.63)%	(5.00)%
(0.50)%	(0.46)%	0.29%	2.30%
(1.00)%	(3.51)%	0.14%	1.10%
December 31, 2020			
1.00%	27.41%	(1.45)%	(12.20)%
0.50%	13.19%	(0.52)%	(4.40)%
(0.50)%	1.48%	0.06%	0.50%
(1.00)%	(2.52)%	(0.30)%	(2.50)%

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 shareholders' equity as of March 31, 2021 and December 31, 2020. 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.

ARMOUR Residential REIT, Inc.

Market Risk Disclosures (continued)

	March 31, 2021		December 31, 2020	
	Percentage Change in Projected		Percentage Change in Projected	
Change in MBS spread	Portfolio Value	Shareholders' Equity	Portfolio Value	Shareholders' Equity
+25 BPS	(1.43)%	(11.01)%	(1.18)%	(9.88)%
+10 BPS	(0.57)%	(4.40)%	(0.47)%	(3.95)%
-10 BPS	0.57%	4.40%	0.47%	3.95%
-25 BPS	1.43%	11.01%	1.18%	9.88%

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 credit 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 credit 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+.

At March 31, 2021 and December 31, 2020, we did not own any Credit Risk and Non-Agency Securities. From time to time we may purchase Credit Risk and Non-Agency Securities at prices which incorporate our expectations for prepayment speeds, defaults, delinquencies and severities. These expectations determine the yields we receive on our assets. If actual prepayment speeds, defaults, delinquencies and severities are different from our expectations, our actual yields could be higher or lower. We evaluate each investment based on the characteristics of the underlying collateral and securitization structure, rather than relying on the ratings assigned by rating agencies. Credit Risk and Non-Agency Securities are subject to risk of loss with regard to principal and interest payments.

Liquidity Risk

Our primary liquidity risk arises from financing long-maturity MBS with short-term debt. The interest rates on our borrowings generally adjust more frequently than the interest rates on our ARMs. 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 Committee") to help mitigate technology risks including cybersecurity. One of the roles of the Committee is to oversee cyber risk assessments, monitor applicable key risk indicators, review cybersecurity training procedures, oversee the Company's Cybersecurity 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.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our Co-Chief Executive Officers ("Co-CEOs") and Chief Financial Officer ("CFO") participated in an evaluation by our management of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of our fiscal quarter that ended on March 31, 2021. Based on their participation in that evaluation, our Co-CEOs and CFO concluded that our disclosure controls and procedures were effective as of March 31, 2021 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 Co-CEOs and CFO, as appropriate, to allow timely decisions regarding required disclosures.

Internal Control Over Financial Reporting

Our Co-CEOs and CFO also participated in an evaluation by our management of any changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended March 31, 2021. That evaluation did not identify any changes that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ARMOUR Residential REIT, Inc.

Item 1. Legal Proceedings

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, 2020, filed with the SEC on February 17, 2021.

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, 2020, filed with the SEC on February 17, 2021.

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

None.

Item 3. Defaults Upon Senior Securities

None.

IItem 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

EXHIBIT INDEX

Exhibit Number	Description
31.1	Certification of Chief Executive Officer Pursuant to SEC Rule 13a-14(a)/15d-14(a) (1)
31.2	Certification of Chief Executive Officer Pursuant to SEC Rule 13a-14(a)/15d-14(a) (1)
31.3	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 Executive Officer Pursuant to 18 U.S.C. §1350 (2)
32.3	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 and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

April 21, 2021	**ARMOUR RESIDENTIAL REIT, INC.**
	/s/ James R. Mountain
	James R. Mountain
	Chief Financial Officer, Duly Authorized Officer and Principal Financial Officer

EXHIBIT 31.1

Certification Pursuant to 18 U.S.C Section 1350, Adopted 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 March 31, 2021 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 officers 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 officers 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: April 21, 2021

ARMOUR RESIDENTIAL REIT, INC.

By: /s/ Scott J. Ulm

Scott J. Ulm

Co-Chief Executive Officer

EXHIBIT 31.2

Certification Pursuant to 18 U.S.C Section 1350, Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Jeffrey J. Zimmer of ARMOUR Residential REIT, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended March 31, 2021 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 officers 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 officers 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: April 21, 2021

ARMOUR RESIDENTIAL REIT, INC.

By: /s/ Jeffrey J. Zimmer

Jeffrey J. Zimmer
Co-Chief Executive Officer

EXHIBIT 31.3

Certification Pursuant to 18 U.S.C Section 1350, Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, James R. Mountain of ARMOUR Residential REIT, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended March 31, 2021 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 officers 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 officers 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: April 21, 2021

ARMOUR RESIDENTIAL REIT, INC.

By: /s/ James R. Mountain

James R. Mountain

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 March 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Scott J. Ulm, Co-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: April 21, 2021

ARMOUR RESIDENTIAL REIT, INC.

By: /s/ Scott J. Ulm
Scott J. Ulm
Co-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 March 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Jeffrey J. Zimmer, Co-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: April 21, 2021

ARMOUR RESIDENTIAL REIT, INC.

By: /s/ Jeffrey J. Zimmer
Jeffrey J. Zimmer
Co-Chief Executive Officer

EXHIBIT 32.3

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 March 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, James R. Mountain, 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: April 21, 2021

ARMOUR RESIDENTIAL REIT, INC.

By: /s/ James R. Mountain
James R. Mountain
Chief Financial Officer