



## ARMOUR Residential REIT, Inc. Announces June 30, 2021 Financial Position and Q2 Results

July 22, 2021

VERO BEACH, Florida, July 22, 2021 (GLOBE NEWSWIRE) -- ARMOUR Residential REIT, Inc. (NYSE: ARR and ARR PRC) ("ARMOUR" or the "Company") today announced the Company's June 30, 2021 financial position and Q2 results.

### June 30, 2021 Financial Position

- o ARMOUR's stockholders' equity totaled \$1,109 million, including:
  - Common stock outstanding of 83,098,691 shares, and
  - 7.00% Cumulative Redeemable Preferred C Stock ("Series C Preferred Stock") with liquidation preference totaling approximately \$171 million.
- o ARMOUR's book value per common share was \$11.28 per share.
- o ARMOUR's liquidity, including cash and unencumbered agency and U.S. government securities, was \$832 million.
- o ARMOUR's portfolio composition was 100% Agency mortgage-backed securities ("MBS"), including To Be Announced ("TBA") Securities.
- o ARMOUR's debt to equity ratio was 3.6 to 1 (based on repurchase agreements divided by stockholders' equity). Leverage, including TBA Securities, was approximately 6.7 to 1.

### Q2 2021 Highlights

- o ARMOUR issued 13,290,759 shares of its common stock through its at the market offering programs, raising \$159.3 million of capital after fees and expenses, which was accretive to book value.
- o ARMOUR Comprehensive loss of \$(61.3) million, or \$(0.85) per common share, which represents an annualized return of (24)% based on stockholders' equity at the beginning of the quarter.
- o ARMOUR Net interest income of \$16.7 million.
- o ARMOUR Core Income (see explanation of non-GAAP measures on page 2) of \$18.9 million which represents \$0.21 per common share.
- o ARMOUR paid common stock dividends of \$0.10 per share per month.

The major drivers of the change in the Company's financial position during Q2 were:

	<b>Q2 2021</b>
	(in millions)
<b>Stockholders' Equity – Beginning</b>	\$ 1,027.2
<b>Comprehensive Income</b>	
Agency MBS including TBA Securities <sup>(1)</sup>	
Gain on MBS	27.0
Gain on TBA Securities	43.3
Interest rate swaps	
Realized loss	(7.9)
Unrealized loss	(131.8)
Net Interest Income	16.7
Operating Expenses, net of Fee Waiver <sup>(2)</sup>	(8.6)
<b>Total Comprehensive Loss</b>	<b>(61.3)</b>
<b>Capital Activities</b>	
Issuance of Series C Preferred Stock	8.4
Issuance of Common Stock	160.5
Dividends	(26.2)
<b>Stockholders' Equity – Ending</b>	<b>\$ 1,108.6</b>

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

(2) See discussion on page 3.

<b>Book Value, March 31, 2021</b>	\$	12.40
Less: Comprehensive Loss per common share		(0.85)
Less: Common dividends per common share		(0.30)
Capital Raising Activities		0.03
<b>Book Value, June 30, 2021</b>	\$	11.28

As previously reported, for Q2 2021, the Company's external manager waived \$2.1 million of its management fee and will continue to waive \$0.7 million per month thereafter until further notice to offset operating expenses.

**Condensed balance sheet information:**

	<b>June 30, 2021</b>	
	(in millions)	
<b>Assets</b>		
Cash	\$	500
Cash collateral posted to counterparties		30
Investments in securities, at fair value:		
Agency Securities		4,351
Derivatives, at fair value		139
Accrued interest receivable		10
Prepaid and other		2
Subordinated loan to BUCKLER		105
<b>Total Assets</b>	<b>\$</b>	<b>5,137</b>
<b>Liabilities:</b>		
Repurchase agreements	\$	3,661
Cash collateral posted by counterparties		107
Payable for unsettled purchases		206
Derivatives, at fair value		49
Accrued interest payable- repurchase agreements		1
Accounts payable and other accrued expenses		4
<b>Total Liabilities</b>		<b>4,028</b>
<b>Stockholders' Equity:</b>		
Additional paid-in capital		3,284
Accumulated deficit		(2,320)
Accumulated other comprehensive income		145
<b>Total Stockholders' Equity</b>	<b>\$</b>	<b>1,109</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$</b>	<b>5,137</b>

**Core Income, Including Drop Income**

Core Income (defined in more detail below) is a non-GAAP measure defined as net interest income plus Drop Income minus hedging costs and net operating expenses. Core Income differs from GAAP total comprehensive income, which include gains and losses and market value adjustments as described below.

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

Forward settling TBA contracts typically trade at a discount, or "Drop," to the regular settled TBA contract to reflect the expected interest income on the underlying deliverable Agency Securities, net of an implied financing cost, which would have been earned by the buyer if the contract settled on the next regular settlement date. When the Company enters into TBA contracts to buy Agency Securities for forward settlement, it earns this "Drop Income," because the TBA contract is essentially a leveraged

investment in the underlying Agency Securities. The amount of Drop Income is calculated as the difference between the spot price of similar TBA contracts for regular settlement and the forward settlement price on the trade date. The Company generally accounts for TBA contracts as derivatives and Drop Income is included as part of the periodic changes in fair value of the TBA contracts that the Company recognizes currently in the Other Income (Loss) section of its Consolidated Statement of Operations.

## Regulation G Reconciliation

Core Income, including Drop income, excludes gains or losses from securities sales and early termination of derivatives, market value adjustments (including impairments) and certain non-recurring expenses. The Company believes that Core Income is useful to investors because it is related to the amount of dividends the Company may distribute. However, because Core Income is an incomplete measure of the Company's financial performance and involves differences from total comprehensive income (loss) computed in accordance with GAAP, Core Income should be considered as supplementary to, and not as a substitute for, the Company's total comprehensive income (loss) computed in accordance with GAAP as a measure of the Company's financial performance.

The elements of ARMOUR's Core Income and a reconciliation of that Core Income to the Company's Total Comprehensive Loss appears below:

	<b>Q2 2021</b>	
	<b>(unaudited)</b>	
	(in millions)	
<b>Net Interest Income</b>	\$	16.7
Drop Income		18.7
Less: Realized loss on interest rate swaps		(7.9)
Operating Expenses, net of Fee Waiver		(8.6)
<b>Core Income</b>	\$	18.9
Less dividends on Preferred Stock		(3.0)
<b>Core Income available to common stockholders</b>	\$	15.9
<b>Core Income per Common Share</b>	\$	0.21
<b>Core Income</b>	\$	18.9
Gain on MBS		27.0
Gain on TBA Securities, less drop income		24.6
Unrealized loss on interest rate swaps		(131.8)
<b>Total Comprehensive Loss</b>	\$	(61.3)

## Company Update

At the close of business on July 21, 2021:

- o Common stock outstanding of 83,098,691 shares, Series C Preferred Stock with liquidation preference totaling approximately \$171 million.
- o Book value per Common share was estimated to be \$10.77.
- o ARMOUR's liquidity, including cash and unencumbered securities, exceeded \$715 million.
- o ARMOUR's securities portfolio included approximately \$8.2 billion of Agency MBS (including TBA Securities).
- o ARMOUR's debt to equity ratio (based on repurchase agreements divided by stockholders' equity) was approximately 3.5 to 1. Leverage, including TBA Securities was approximately 7.2 to 1.

The Company's remote work environment protocol has allowed operations to remain fully functional while we worked remotely. All of ACM's eligible employees are fully vaccinated, and have begun a phased plan to return to working from the Company's offices, which is expected to be complete in September 2021.

## Dividends

ARMOUR paid monthly cash dividends of \$0.10 per share of the Company's common stock for each month in Q2 2021. ARMOUR previously announced the July and August common stock dividends of \$0.10 per share payable July 29, 2021 and August 27, 2021 to holders of record on July 15, 2021 and August 16, 2021, respectively. ARMOUR's Board of Directors will determine future common dividend rates based on an evaluation of the Company's results, financial position, real estate investment trust ("REIT") tax requirements, and overall market conditions as the quarter progresses. In order to maintain ARMOUR's tax status as a REIT, the Company is required to timely distribute substantially all of its ordinary REIT taxable income for the tax year.

ARMOUR paid monthly cash dividends of \$0.14583 per share of the Company's Series C Preferred Stock for each month in Q2 2021. ARMOUR previously announced monthly dividends on its Series C Preferred Stock at the rate of \$0.14583 per share to

holders of record on July 15, 2021, August 15, 2021 and September 15, 2021, payable on July 27, 2021, August 27, 2021 and September 27, 2021, respectively.

### **Conference Call**

As previously announced, the Company will provide an online, real-time webcast of its conference call with equity analysts covering Q2 2021 operating results on Friday, July 23, 2021, at 8:00 a.m. (Eastern Time). The live broadcast will be available online and can be accessed at <https://services.choruscall.com/mediaframe/webcast.html?webcastid=VbyVHuvl>. To monitor the live webcast, please visit the website at least 15 minutes prior to the start of the call to register, download, and install any necessary audio software. An online replay of the event will be available on the Company's website at [www.armourreit.com](http://www.armourreit.com) and continue for one year.

### **ARMOUR Residential REIT, Inc.**

ARMOUR invests exclusively in fixed rate residential, adjustable rate and hybrid adjustable rate residential mortgage-backed securities issued or guaranteed by U.S. Government-sponsored enterprises or guaranteed by the Government National Mortgage Association. ARMOUR is externally managed and advised by ARMOUR Capital Management LP, an investment advisor registered with the Securities and Exchange Commission ("SEC").

### **Safe Harbor**

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

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

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

CONTACT: [investors@armourreit.com](mailto:investors@armourreit.com)

James R. Mountain  
Chief Financial Officer  
ARMOUR Residential REIT, Inc.  
(772) 617-4340



Source: ARMOUR Residential REIT, Inc.