Risk Factors Comparison 2024-03-15 to 2023-02-15 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

Changes in Fed policy affect our financial results because 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 investments in securities causes our net income to decline. We cannot predict the impact of any future actions by the Fed on the prices and liquidity of the securities in which we invest. Future Fed action could reduce the value of our assets, reduce the spread on our investments and / or decrease our book value. Changes by the Fed in its securities purchase programs or other monetary policy could materially adversely affect our business, financial condition and results of operations and our ability to pay distributions to our stockholders. In an effort to tame rising inflation levels, the Fed ~~has been~~ aggressively ~~increasing~~ **increased** the Federal Funds Rate ~~since~~ **from a target range of 0. 25 % to 0. 50 % in** the first quarter of 2022 **and continued increases through July 2023** , ending the fourth quarter of ~~2022~~ **2023** with a target range of ~~4~~ **5** . 25 % ~~and 4~~ **to 5** . 50 % **as set in July 2023** ~~, and is likely to continue the hikes~~ . In addition, the Fed' s quantitative tightening policies ~~have~~ included **reducing** ~~decreasing the pace of~~ its ~~large~~ **holdings of agency mortgage** - **backed securities** ~~scale purchases of residential MBS~~ and U. S. Treasuries, creating net supply in the market. The combination of these actions ~~have~~ resulted in **short** ~~an~~ **and** ~~increase in~~ **long- term** interest rates ~~and a flattening~~ **increasing throughout most** of **2023. The U. S. 10 year Treasury rose by over 100 basis points from** the ~~yield curve~~ **start of the year to late October** , negatively impacting the market value of our investments ~~and increasing~~ **, while the rise in short- term rates increased** our borrowing costs ~~since~~ **. From late October to the end of 2023, as the Fed communicated that** ~~the~~ **they** ~~fourth quarter of~~ **would pivot to rate cuts in** ~~2021~~ **2024** ~~and throughout 2022~~ **. Long- term interest rates declined, with the U. S. 10 year Treasury decreasing by more than 100 basis points during such period** . The fair value of our interest rate swaps represents **forecasted future net swap coupon amounts** ~~unrealized gains recognized as a result of past interest rate increases~~ . The fair value of these positions **has already been included in total comprehensive income and total stockholders' equity. It has been received by us in cash through variation margin payments made by our counterparties, which we recognize as a liability. Both the asset and liability** will ultimately go to zero. This exact path of this inevitable decline is uncertain and will depend on future changes in interest rates and other factors. At December 31, ~~2022~~ **2023** , the aggregate fair value of our interest rate swaps was $ ~~983~~ **870** , ~~659~~ **560** , which ~~exceeds~~ **compares to** the amount of our equity attributable to our common stock of $ ~~941~~ **1** , ~~197~~ **100, 009** . The fair value of our interest rate **ARMOUR Residential REIT, Inc. Risk Factors (continued) 12** swaps represents **forecasted present values** ~~unrealized gains recognized as a result~~ of **future net swap coupon amounts. Variation margin provisions in our swap contracts require our counterparties to post to us cash collateral equal to that fair value. We have used that cash collateral to collateralize or reduce our repurchase financing balances, to acquire additional Agency Securities or to increase our cash liquidity. Future changes in forward** interest ~~rate~~ **rates** ~~increases~~ **are the primary determining factor in the economic and aggregate financial reporting impact of our swaps on our investment returns, financial position and results of operations** . Periodic net swap **coupon** receipts and payments were forecasted ~~in arriving~~ **to arrive** at the estimated fair values of our swaps. Accordingly, amounts reported as the periodic net coupon effect of our interest rate swaps largely represent values that were previously recognized elsewhere in total comprehensive income **. Periodic net swap coupon amounts are largely offset by corresponding adjustments in the fair values of the swaps, which are concurrently reported in total comprehensive income** and ~~have relatively less current impact on our~~ total stockholders' equity ~~. ARMOUR Residential REIT~~ , ~~Inc~~ **resulting in a relatively minor aggregate impact** . ~~Risk Factors (continued) 12~~ **When considered with the variation margin requirements, periodic net swap coupon amounts have relatively little practical impact on our current investment, financing or liquidity positions. Terminating interest rate swaps would merely result in the offsetting of our recognized interest rate swap asset and obligation to return cash collateral posted. Termination would have little practical effect on our current investment, financing or liquidity positions. Terminating or entering into new swaps changes our exposure to future interest rate changes.** The fair value of our swap positions will ultimately go to zero over their remaining terms, which averaged ~~73~~ **68** months as of December 31, ~~2022~~ **2023** . The rate and exact path of this inevitable decline is uncertain and will depend on future changes in **expected forward** interest rates and other factors ~~, which~~ **. These factors** will also drive the future amounts of net swap receipts or payments **and corresponding future fair values and variation margin amounts** . We also may terminate swaps before their maturity and receive or make final settlement payments based on the estimated fair value of the swap at the time of termination. During stressful market conditions, we may be forced to sell MBS at depressed prices, thereby potentially incurring permanent equity losses. Occasionally, the cash and financing markets for MBS experience temporary periods of significant distress, as evidenced by limited liquidity, low bid prices and few transactions. In such circumstances, our lenders may increase their margin requirements and significantly reduce their collateral value for our pledged securities. Our lenders are contractually entitled to adjust margin requirements on relatively short notice and collateral values as frequently as daily. Depending on the duration and severity of the market distress, ARMOUR has sold, and may in the future need to sell, MBS at prices significantly below their long- term value in order to meet lender margin calls. We may not be able to participate in any potential market recovery and the resulting losses may permanently and materially reduce our equity. Our lenders may insist on financing terms that could result in reducing the availability and / or increasing the cost of our financing or may terminate our financing. In order to achieve a competitive return for our investors, we use financial leverage to hold a portfolio of MBS that is several times larger than our total stockholders' equity. Our borrowings are essentially all in the form of repurchase agreements where we nominally sell MBS to counterparties with an agreement to repurchase them at a later date.

The sale and purchase prices are set several percentage points below the current fair value of the MBS. This " haircut " percentage provides the counterparty with excess collateral to secure their loan and provides us with an incentive to complete the repurchase transaction on schedule. **ARMOUR Residential REIT, Inc. Risk Factors (continued) 13** There is a risk that our counterparties might be unwilling to continue to extend repurchase financing to us. Changes in regulation, market conditions or the financial position or business strategy of our counterparties could cause them to reduce or terminate our repurchase financing facilities. We attempt to mitigate our funding risk by maintaining repurchase funding relationships with a variety of counterparties that are diversified as to size, character and primary regulatory jurisdiction, including a substantial funding relationship with BUCKLER. We also monitor our borrowing levels with each counterparty, attempt to establish appropriate additional business relationships beyond our borrowing and regularly communicate with their credit and business officers responsible for our relationship. From time to time, we explore new funding structures and opportunities, but there can be no assurance that any such additional funding will become available on attractive terms. We may not be able to minimize potential credit risks that could arise in the event of bankruptcy of one or more of our counterparties. Substantially all of our Agency Securities are issued or guaranteed by GSEs, which we consider the functional equivalent of the full faith and credit of the U. S Government. Our primary credit risk relates to our exposure to our counterparties for the amount of the excess collateral they hold to secure our repurchase financing and derivative obligations. We would typically become a general unsecured creditor for that amount in the event of the bankruptcy of a counterparty. Our forward settling transactions, including TBAs, subject us to certain risks, including price risks and counterparty risks. We purchase a portion of our Agency Securities through forward settling transactions, including TBAs. In a forward settling transaction, we enter into a forward purchase agreement with a counterparty to ~~ARMOUR Residential REIT, Inc. Risk Factors (continued) 13~~ purchase either (i) an identified Agency Security, or (ii) a TBA, or to- be- issued, Agency Securities with certain terms. As with any forward purchase contract, the value of the underlying Agency Security may decrease between the contract date and the settlement date. Furthermore, a transaction counterparty may fail to deliver the underlying Agency Securities at the settlement date. If any of the above risks were to occur, our financial condition and results of operations may be materially adversely affected. We mitigate our credit risk by evaluating the credit quality of our counterparties on an ongoing basis, reducing or closing positions with counterparties where we have credit concerns, monitoring our collateral positions to minimize excess collateral balances and diversifying our repurchase financing and derivatives positions among numerous counterparties. At December 31, ~~2022~~ **2023** and December 31, ~~2021~~ **2022** , BUCKLER ~~(see Note 14 to the consolidated financial statements)~~ accounted for **48. 4 % and** 50. 2 ~~% and 49. 7~~ %, respectively, of our aggregate borrowings and had an amount at risk of **8. 1 % and** 12. 9 ~~% and 5. 0~~ %, respectively, of our total stockholders' equity **(see Note 14 to the consolidated financial statements)** . Factors beyond our control may increase the prepayment speeds on our MBS, thereby reducing our interest income. Agency Securities backed by single- family residential loans allow the underlying borrowers to prepay their loans without premium or penalty. When borrowers default on their loans, the GSE or government entity that issued or guaranteed the Agency Securities (including Agency Securities backed by multi- family loans) pay off the remaining loan balance. Those prepayments, including default payoffs, are passed through to us, reducing the balance of the Agency Security. We generally purchase Agency Securities at premium prices, and the premium amortization associated with prepayments reduces our interest income. We experience prepayments on our Agency ~~Security~~ **Securities** every month and the speed of prepayments varies widely from month to month and across individual Agency Securities. Factors driving prepayment speeds include the rate of new and existing home sales, the level of borrower refinancing activities and the frequency of borrower defaults. Such factors are themselves influenced by government monetary, fiscal and regulatory policies and **ARMOUR Residential REIT, Inc. Risk Factors (continued) 14** general economic conditions such as the level of and trends in interest rates, ~~GDP~~ **gross domestic product** , employment and consumer confidence. Prepayment expectations are an integral part of pricing Agency Securities in the marketplace. Volatility in actual prepayment speeds creates volatility in the amount of premium amortization we recognize. Higher speeds reduce our interest income and lower speeds increase our interest income. We consider our expectations of future prepayments when evaluating the prices at which we purchase and sell Agency Securities. We attempt to mitigate the risk of unexpected prepayments by identifying characteristics of the underlying loans, such as the loan size, coupon rate, loan age and maturity, geographic location, borrower credit scores and originator / servicer that might predict relatively faster or slower prepayment speed tendencies for a particular Agency Security. Agency Securities with characteristics expected to be favorable often command marginally higher prices, or " pay ups. " We seek to purchase Agency Securities with favorable prepayment characteristics when the required pay ups are relatively lower and may sell our Agency Securities when their pay ups are relatively higher. ARMOUR actively issues new shares ~~and redeems outstanding shares~~ of its common stock: We have issued and may in the future issue shares of our common **stock** in **" at the market " offerings or** underwritten " block ~~" or " at the market~~ " offerings, which may adversely impact the market price of our stock and result in dilution to existing stockholders. We have historically been active in raising capital for ARMOUR. Through February 2019, we primarily relied on " block " offerings placed through a syndicate of underwriters to issue new shares of our common stock. The number of shares offered typically represents a multiple of daily trading volume and the offering price is typically set at a discount to recently reported market prices to facilitate the timely sale to investors. The public announcement of the transactions may depress market trading prices, potentially for an extended period of time. ~~ARMOUR Residential REIT, Inc. Risk Factors (continued) 14~~ We continue from time to time to evaluate underwritten block offerings and may execute one or more in the future depending on overall considerations of size, pricing and market conditions. Since 2020, we have relied on " at the market " offerings (or " ATM ") to issue new shares of our common stock. Under our ATM programs, we instruct a placement agent to accept bids and post offers for our stock in the regular trading markets throughout the trading day. These transactions are typically executed through automated trading algorithms and subject to limits including minimum sales prices and maximum percentage of trading volume. A placement agent may also entertain direct offers from its institutional customers on our behalf. Our ATM sales are not the subject of contemporaneous public reporting. Therefore, the direct impact on overall

market trading prices for our stock is difficult to discern, but may also be negative. Fees to placement agents for ATM transactions represent a lower percentage of stock proceeds than underwriting fees for block offerings. We consider the potential dilution of existing ~~shareholders~~ **stockholders** as part of our decision to issue new shares. ARMOUR' s board of directors has authorized ~~the~~ **our CEO to** ~~issuance~~ --- **issue** ~~of~~ new common shares where the net proceeds to the Company, after fees and expenses, represents at least 93. 5 % of our most recent estimate of ARMOUR' s book value per common share. We endeavor to achieve net proceeds representing a higher percentage. For ~~2022~~ **2023** , we realized net proceeds that averaged approximately 98 % of recently estimated book value, resulting in an aggregate dollar dilution of $ ~~9~~ **7** , ~~528~~ **802** . We also consider the favorable impact **to existing stockholders** of spreading administrative and operating expenses over an increased number of common shares. We may issue stock when investment opportunities are relatively less attractive. The market trading price of our common stock tends to be positively correlated with the general price levels of the MBS that represent our target investments. Therefore, opportunities to raise capital at attractive prices may occur when potential investment opportunities are relatively less attractive. Accordingly, we may temporarily invest the proceeds of stock issuances by reducing our repo borrowings on our existing portfolio or **ARMOUR Residential REIT, Inc. Risk Factors (continued) 15** purchasing US Treasuries or other assets in anticipation of more attractive MBS investment opportunities in the future. Typically, we purchase our MBS for regular settlement, which occurs only once a month. Accordingly, even when we are able to invest the proceeds of stock issuances in MBS at attractive prices, there may be a temporary delay before we begin to earn investment income. We may repurchase our common stock at prices below book value, to the potential disadvantage of selling stockholders. We only repurchase stock by accepting unsolicited offers in open market transactions and only when the market trading price is significantly below our current estimate of ARMOUR' s book value per common share. These depressed market trading prices may be temporary as a result of relatively transient anomalies. Selling stockholders may base their decisions on less sophisticated research and analytical tools than are available to ARMOUR, and therefore be at a potential disadvantage. Significant changes in the number of shares outstanding over time complicate the understanding of periodic per share calculations. GAAP requires that earnings per share amounts be calculated based on the time- weighted average number of shares outstanding during each period. The weighted average shares outstanding used in the denominator of each per share calculation is determined separately for each quarterly and year- to- date period. Therefore, the resulting per share amounts are not additive across periods when the number of shares outstanding is changing significantly. GAAP explicitly recognizes this result (" denominator effect "), even though it is often not material because the number of shares outstanding often remains relatively constant from period to period. ~~ARMOUR Residential REIT, Inc. Risk Factors (continued) 15~~ We regularly report book value per common share, which is calculated as stockholders' equity attributable to common stockholders (net of liquidation preferences on preferred stock) divided by the number of shares outstanding. Changes in book value per common share are partially explained by total comprehensive income or loss per share and common per share dividends declared. The residual difference between the beginning and ending book value per share is attributed to the net accretive or dilutive effect of our capital activities (share issuances and repurchases). Consequently, any denominator effect across time periods relating to total comprehensive income or loss per share will result in an equal offsetting effect in the attributed net accretion or dilution. **ARMOUR Residential REIT, Inc. Risk Factors (continued) 16** The following ~~table~~ **tables** ~~illustrates~~ - **illustrate** these denominator effects for ARMOUR for **2023 and** 2022. **Q12023Q22023Q32023Q42023December 31, 2023 (1) Comprehensive Income (loss) available (related) to common stockholders $ (22, 827) $ 39, 966 $ (182, 163) $ 96, 646 $ (68, 378) Weighted average common shares outstanding36, 917 40, 076 46, 506 49, 185 43, 054 Comprehensive Income (loss) per common share $ (0. 60) $ 1. 00 $ (3. 92) $ 1. 96 $ (1. 59) Beginning Book Value per Common Share $ 28. 90 $ 27. 20 $ 26. 90 $ 21. 73 $ 28. 90 Comprehensive Income (loss) per common share (0. 60) 1. 00 (3. 92) 1. 96 (1. 59) Dividends Declared per common Share (1. 40) (1. 20) (1. 20) (1. 20) (5. 00) Accretive (Dilutive) Effect of Capital Activity0. 30 (0. 10) (0. 05) 0. 05 0. 23 Ending Book Value per Common Share $ 27. 20 $ 26. 90 $ 21. 73 $ 22. 54 $ 22. 54**
Q12022Q22022Q32022Q42022December 31, 2022 (1) Comprehensive Income (loss) available (related) to common stockholders $ (147, 967) $ (96, 237) $ (155, 710) $ 39, 502 $ (360, 412) Weighted average common shares ~~outstanding96~~ - **outstanding19** , **245** ~~226 106, 514 123, 251~~ - **21** ~~145~~ , ~~847 117~~ **303 24** , ~~968~~ **650 29, 169 23, 594** Comprehensive Income (loss) per common share $ (~~1~~ **7** . ~~54~~ **70**) $ (~~0~~ **4** . ~~90~~ **50**) $ (~~1~~ **6** . ~~26~~ **30**) $ ~~0~~ **1** . ~~27~~ **35** $ (~~3~~ **15** . ~~06~~ **28**) Beginning Book Value per Common Share $ ~~10~~ **51** . ~~33~~ **65** $ ~~8~~ **42** . ~~48~~ **40** $ ~~7~~ **36** . 25 $ ~~5~~ **29** . ~~83~~ **15** $ ~~10~~ **51** . ~~33~~ **65** Comprehensive Income (loss) per common share (~~1~~ **7** . ~~54~~ **70**) (~~0~~ **4** . ~~90~~ **50**) (**6. 30)** 1. **35** ~~26) 0. 27~~ (~~3~~ **15** . ~~06~~ **28**) Dividends Declared per common Share (~~0~~ **1** . **50** ~~30) (0. 30) (0. 30) (0. 30~~) (1. ~~20~~ **50) (1. 50) (1. 50) (6. 00**) Accretive (Dilutive) Effect of Capital Activity (0. ~~01~~ **05**) (0. ~~03~~ **15**) 0. ~~14~~ **70** (0. ~~02~~ **10**) (~~0~~ **1** . ~~29~~ **47**) Ending Book Value per Common Share $ ~~8~~ **42** . ~~48~~ **40** $ ~~7~~ **36** . 25 $ ~~5~~ **29** . ~~83~~ **15** $ ~~5~~ **28** . ~~78~~ **90** $ ~~5~~ **28** . ~~78~~ **90** (1) Per shares amounts are not intended to be added across periods under GAAP. In this illustration, comprehensive loss per common share for the year ended December 31, **2023 and December 31,** 2022, is $ **(** 0. ~~37~~ **03) and $ 1. 87** per share **, respectively (** lower **) higher** than the algebraic sum of corresponding amounts for the four individual quarters of the year. Similarly, the **(** dilutive **) accretive** effect of our capital activity is $ **(** 0. ~~37~~ **03) and $ 1. 87** per common share **, respectively (** larger **) smaller** when calculated on an annual basis as compared to the algebraic sum of the individual quarterly calculations. The denominator effect is also present when aggregating days into a month or months into a quarter for purposes of per share calculations. Accordingly, the attributed accretion or dilution we report for a quarter or longer period may not be fully representative of the daily results of our capital activities. ARMOUR **Residential REIT, Inc. Risk Factors (continued) 17 ARMOUR** is externally managed by ACM: ACM may terminate the management agreement for any reason. If ACM ceases to be our investment manager, financial institutions providing any financing arrangements to us may not provide future financing to us. The management agreement allows ACM to terminate its service to ARMOUR for any reason upon 180 days prior written notice. No termination fee shall be due from ACM to ARMOUR following any termination by ACM. Financial institutions that finance our investments may require that ACM continue to act in such capacity. If ACM ceases to be our manager, it may

constitute an event of default and the financial institution providing the arrangement may have acceleration rights with respect to outstanding borrowings and termination rights with respect to our ability to finance our future investments with that institution. If we are unable to obtain financing ~~ARMOUR Residential REIT, Inc. Risk Factors (continued) 16~~ for our accelerated borrowings and for our future investments under such circumstances, it is likely that we would be materially and adversely affected. ACM' s liability is limited under the management agreement and we have agreed to indemnify ACM and its affiliates against certain liabilities. As a result, we could experience poor performance or losses for which ACM would not be liable. The management agreement limits the liability of ACM and any directors and officers of ACM for money damages, except for liability resulting from actual receipt of an improper benefit or profit in money, property or services, or a final judgment based upon a finding of active and deliberate dishonesty by the director or officer that was material to the cause of action adjudicated. Pursuant to the management agreement, ACM will not assume any responsibility other than to render the services called for thereunder and will not be responsible for any action of our Board in following or declining to follow its advice or recommendations. ACM and its affiliates, directors, officers, stockholders, equity holders, employees, representatives and agents and any affiliates thereof, will not be liable to us, our stockholders, any subsidiary of ours, the stockholders of any subsidiary of ours, our Board, any issuer of mortgage securities, any credit- party, any counterparty under any agreement, or any other person for any acts or omissions, errors of judgment or mistakes of law by ACM or its affiliates, directors, officers, stockholders, equity holders, employees, representatives or agents, or any affiliates thereof, under or in connection with the management agreement, except if ACM was grossly negligent, acted with reckless disregard or engaged in willful misconduct or fraud while discharging its duties under the management agreement. We have agreed to indemnify ACM and its affiliates, directors, officers, stockholders, equity holders, employees, representatives and agents and any affiliates thereof, with respect to all expenses, losses, costs, damages, liabilities, demands, charges and claims of any nature, actual or threatened (including reasonable attorneys' fees), arising from or in respect of any acts or omissions, errors of judgment or mistakes of law (or any alleged acts or omissions, errors of judgment or mistakes of law) performed or made while acting in any capacity contemplated under the management agreement or pursuant to any underwriting or similar agreement to which ACM is a party that is related to our activities, unless ACM was grossly negligent, acted with reckless disregard or engaged in willful misconduct or fraud while discharging its duties under the management agreement. As a result, we could experience poor performance or losses for which ACM would not be liable. In addition, our articles of incorporation provide that no director or officer of ours shall be personally liable to us or our stockholders for money damages. Furthermore, our articles of incorporation permit and our by-laws require, us to indemnify, pay or reimburse any present or former director or officer of ours who is made or threatened to be made a party to a proceeding by reason of his or her service to us in such capacity. Officers and directors of ours who are also officers of ACM will therefore benefit from the exculpation and indemnification **ARMOUR Residential REIT, Inc. Risk Factors (continued) 18** provisions of our articles of incorporation and by- laws and accordingly may not be liable to us in such circumstances. There are potential conflicts of interest with current and future investment entities affiliated with ACM. There are potential conflicts of interest in allocating investment opportunities among us and other funds, investment vehicles and ventures **which** ~~managed by ACM.~~ ACM and its affiliates may in the future form ~~additional funds~~ or sponsor **, which** additional investment vehicles and ventures ~~that~~ **may** have overlapping objectives with us and therefore may compete with us for investment opportunities and ACM resources. ACM has an allocation policy that addresses the manner in which investment opportunities are allocated among the various entities and strategies for which they provide investment management services. However, we cannot assure you that ACM will always allocate every investment opportunity in a manner that is advantageous for us; indeed, we may expect that the allocation of investment opportunities will at times result in our receiving only a portion of, or none of, certain investment opportunities. ~~ARMOUR Residential REIT, Inc. Risk Factors (continued) 17~~ There are potential conflicts of interest with the allocation of investment opportunities by ACM. In allocating investment opportunities among us and any other funds or accounts that may be managed by them, ACM' s personnel are guided by the principles that they will treat all entities fairly and equitably, they will not arbitrarily distinguish among entities and they will not favor one entity over another. In allocating a specific investment opportunity among funds or accounts, ACM will make a determination, exercising its judgment in good faith, as to whether the opportunity is appropriate for each entity. Factors in making such a determination may include an evaluation of each entity' s liquidity, overall investment strategy and objectives, the composition of the existing portfolio, the size or amount of the available opportunity, the characteristics of the securities involved, the liquidity of the markets in which the securities trade, the risks involved, and other factors relating to the entity and the investment opportunity. ACM is not required to provide every opportunity to each entity. If ACM determines that an investment opportunity is appropriate for us, then ACM will allocate that opportunity in a manner that it determines, exercising its judgment in good faith, to be fair and equitable, taking into consideration all allocations taken as a whole. ACM has broad discretion in making that determination, and in amending that determination over time. In the future, ACM may adopt additional conflicts of interest resolution policies and procedures designed to support the equitable allocation and to prevent the preferential allocation of investment opportunities among entities with overlapping investment objectives. Members of our management team have competing duties to other entities, which could result in decisions that are not in the best interests of our stockholders. Our executive officers and the employees of ACM are not required to spend all of their time managing our activities and our investment portfolio. Our executive officers and the employees of ACM currently allocate a substantial majority of their time to ARMOUR. Certain executive officers and the employees of ACM also allocate some of their time to other businesses and activities. None of these individuals is required to devote a specific minimum amount of time to our affairs, and the portion of their time devoted elsewhere could become material. As a result of these overlapping responsibilities, there may be conflicts of interest among and reduced time commitments from our officers and employees of ACM that we will face in making investment decisions on our behalf. Accordingly, we will compete with ACM, and its existing activities, other ventures and possibly other entities in the future for the time and attention of these officers. In the future, we may enter, or ACM may

cause us to enter, into additional transactions with ACM or its affiliates. In particular, we may make loans to ACM or its affiliates or purchase, or ACM may cause us to purchase, **ARMOUR Residential REIT, Inc. Risk Factors (continued) 19** assets from ACM or its affiliates or make co- purchases alongside ACM or its affiliates. These transactions may not be the result of arm' s length negotiations and may involve conflicts between our interests and the interests of ACM and / or its affiliates in obtaining favorable terms and conditions. ACM' s management fees are calculated based on our gross equity raised and not on our performance. Gross equity raised substantially exceeds total ~~shareholders~~ **stockholders** ' equity determined in accordance with GAAP and management fee expenses do not decline with reductions in our total stockholders' equity. As a result, ACM' s annualized contractual management fee rate as of December 31, ~~2022~~ **2023** , equaled 3. ~~23~~ **09** % of stockholders' equity. The management agreement entitles ACM to receive a management fee payable monthly in arrears calculated based on gross equity raised (see Note ~~9~~ **8** and Note ~~15~~ **14** to the consolidated financial statements). The annualized management fee rate is (a) 1. 5 % of gross equity raised up to $ 1. 0 billion plus (b) 0. 75 % of gross equity raised in excess of $ 1. 0 billion. Gross equity raised includes the total amounts of paid in capital relating to both our common and preferred stock, ~~plus~~ **before deduction of** brokerage commissions and other costs of capital raising. Amounts paid to **stockholders** ~~ARMOUR Residential REIT, Inc. Risk Factors (continued) 18 shareholders~~ to repurchase common and preferred stock, before ~~any~~ **deduction of** brokerage commissions and costs, reduce gross equity raised. Dividends specifically designated by the Board as liquidation dividends reduce the amount of gross equity raised. To date the Board has made no such specific designation of any of the dividends paid by the Company. Pursuant to prior versions of the management agreement, gross equity raised was reduced by $ 123, 199 to reflect dividends paid in in excess of taxable income prior to January 1, 2016. Regular dividends (including those treated as a return of capital for tax purposes on or after January 1, 2016) and investment losses do not reduce gross equity raised. Investment gains and net income do not increase gross equity raised. Accordingly, we have experienced and may continue to experience reductions in our total stockholders' equity without a commensurate reduction in management fee expense. At December 31, ~~2022~~ **2023** gross equity raised totaled $ ~~3~~ **4** , ~~787~~ **231** , ~~042~~ **965** resulting in an effective contractual management fee rate, prior to management fees waived, of 0. ~~95~~ **93** % **of that base** . The resulting annualized contractual management fee of $ ~~35~~ **39** , ~~903~~ **240** represents 3. ~~23~~ **09** % of the Company' s total stockholders' equity determined in accordance with GAAP of $ 1, ~~112~~ **271** , ~~372~~ **184** at December 31, ~~2022~~ **2023** . ACM is entitled to receive monthly management fees that are based on gross equity raised regardless of our performance. Accordingly, ARMOUR has paid, and may in the future pay, significant management fees to ACM for a given month in which we experience a total comprehensive loss. ACM' s entitlement to such significant nonperformance- based compensation may not provide sufficient incentive to ACM to devote its time and effort to source and maximize risk adjusted returns on our investment portfolio, which could, in turn, adversely affect our ability to pay dividends to our stockholders and the market price of our stock. Further, the management fee structure gives ACM the incentive to maximize gross equity raised by the issuance of new equity securities or the retention of existing equity, regardless of the effect of these actions on existing stockholders. In other words, the management fee structure will reward ACM primarily based on the size of our equity raised and not on our current common equity capital or financial returns to common stockholders. ACM has voluntarily waived a portion of its contractual management fee. ACM has reduced, and may further reduce, the amount of or discontinue entirely its voluntary fee waiver without our consent. ACM began waiving 40 % of its management fee beginning with the second quarter of 2020. ACM reduced the fee waiver to the rate of $ ~~8, 600 and $~~ 7, 800 for the ~~years~~ - **year** ended December 31, ~~2021~~ **2022** ~~and~~ **. For the year ended** December 31, ~~2022~~ **2023** ~~, respectively.~~ ACM ~~has~~ adjusted the fee waiver rate to $ 1, 650 for the first quarter of 2023 and $ 550 per month thereafter until further notice (see Note 8 to the consolidated financial statements). ACM may prospectively further reduce the amount of or discontinue entirely its voluntary fee waiver at its sole discretion and without requiring our consent. **ARMOUR Residential REIT, Inc. Risk Factors (continued) 20** The termination of the management agreement may be difficult and costly. We may not terminate our management agreement with ACM before December 31, 2029, except for cause or in connection with the liquidation of ARMOUR or certain business combination transactions. For the period from January 1, ~~2023~~ **2024** through December 31, 2029, ARMOUR is obliged to pay contractual management fees totaling approximately $ ~~260~~ **235** , ~~850~~ **440** based on gross equity raised as of ~~February 14~~ **December 31** , 2023, the date of the most recent management contract extension. The term " cause " is limited to those circumstances described in the management agreement with ACM and generally includes a final court determination of material breach of the management agreement, willful misconduct, gross negligence or fraud. Upon a termination by us in connection with the liquidation of ARMOUR or certain business combination transactions the management agreement provides that ARMOUR will pay ACM a termination payment equal to four times the contractual base management fee payable to ACM in the preceding full 12 months, calculated as of the effective date of the termination of the agreement. ACM' s voluntary fee waiver does not reduce the amount of such termination payment. The contractual management fee payable to ACM for ~~ARMOUR Residential REIT, Inc. Risk Factors (continued) 19~~ the 12 months ended December 31, ~~2022~~ **2023** , was $ ~~33~~ **38** , ~~714~~ **121** . The contractually required termination payment would increase the effective cost to us to terminate the management agreement in connection with the liquidation of ARMOUR or certain business combinations and adversely ~~affecting~~ --- **affect** ARMOUR' s attractiveness as a potential business combination target. ARMOUR does not have the contractual right to voluntarily end our relationship with ACM before December 31, 2029, even if we believe ACM' s performance is not satisfactory. Accordingly, we would need to negotiate a mutually agreeable termination settlement in order to internalize new management of ARMOUR or engage a different manager. Such a negotiated termination settlement may be difficult and costly to achieve. The management agreement with ACM will automatically renew for an additional 5- year term unless ARMOUR gives 180- day written notice of non- renewal. The current term of our management agreement with ACM extends through December 31, 2029. This management agreement will automatically renew for an additional five- year term to December 31, 2034 unless ARMOUR gives ACM written notice of non- renewal on or before July 3, 2029. Such non- renewal notice requires either two- thirds of our independent directors or holders of a majority of the common stock outstanding to find that (i) there has

been unsatisfactory performance by ACM that is materially detrimental to ARMOUR or (ii) that the compensation to ACM is unfair, in which case ACM may endeavor to renegotiate such compensation on terms agreeable to two- thirds of the independent directors. The **term of the management agreement and automatic renewals thereof may limit ARMOUR' s ability to cancel or modify the agreement to address changing circumstances. The** management agreement was not negotiated on an arm' s- length basis and the terms, including fees payable, may not be as favorable to us as if they were negotiated with an unaffiliated third- party. The management agreement that we entered into with ACM was negotiated between related parties, and we did not have the benefit of arm' s- length negotiations of the type normally conducted with an unaffiliated third- party. The terms of the management agreement, including fees payable, may not reflect the terms that we may have received if it were negotiated with an unrelated third- party. In addition, we may choose not to enforce, or to enforce less vigorously, our rights under the management agreement because of our desire to maintain our ongoing relationship with ACM. We and equity analysts consider Distributable Earnings as a measure of ARMOUR' s investment performance: Distributable Earnings is a non- GAAP measure which excludes gains and losses, and therefore is an imperfect measure of our overall financial performance. Distributable Earnings is not a standardized metric. **ARMOUR Residential REIT, Inc. Risk Factors (continued) 21** We consider Distributable Earnings as a measure of our investment performance and discuss our periodic financial results in terms of Distributable Earnings in our press releases and conference calls with equity analysts. We believe that Distributable Earnings is useful to investors because it is related to the amount of dividends we may distribute. Distributable Earnings is a non- GAAP measure defined as net interest income plus TBA Drop Income adjusted for the net coupon effect of interest rate swaps minus net operating expenses. Distributable Earnings differs, potentially significantly, from net interest income and from total comprehensive loss (which includes realized gains and losses and market value adjustments). ~~ARMOUR Residential REIT, Inc. Risk Factors (continued) 20~~ The following table illustrates the relationship between Distributable Earnings and net interest income and total comprehensive income for the year ended December 31, **2023 and December 31,** 2022. December **31, 2023December** 31, 2022Net Interest Income $ **27, 109 $** 107, ~~638~~ **664** TBA Drop ~~Income24~~ **Income6 , 088 24** , 661 Net interest income on **derivatives219** ~~interest rate swaps and futures contracts53~~ , ~~093~~ **710 53, 067** Total Expenses after fees waived (**43, 551) (** 37, 833) Distributable Earnings $ **209, 356 $** 147, 559 Total Comprehensive Loss **$ (56, 396)** $ (348, 430) Items Excluded From Distributable Earnings: Loss on MBS $ **78, 018 $** 1, 107, 465 Loss on U. S. Treasury ~~Securities152~~ **Securities43 , 098 152** , 777 **(Gain)** ~~Loss~~ **loss** on TBA Securities, less TBA Drop ~~Income162~~ --- **Income (17, 918) 162** , 313 Amortization of prior unrealized net ~~gains90~~ **gains170 , 364 90** , 928 Unrealized gain on interest rate swaps (**41, 195) (** 922, 066) Futures contracts **loss (** ~~gains~~ - **gain) 33, 385** (95, 428) Add back excluded net losses $ **265, 752 $** 495, 989 Distributable Earnings **$ 209, 356** $ 147, 559 Distributable Earnings is based on the historical cost basis of our Agency Securities and interest rate swaps, while we report substantially all of our assets and liabilities at current fair values. As a result, Distributable Earnings may include amounts that were recognized and reported elsewhere in our consolidated financial statements previously. For example, the net coupon effect of interest rate swaps is the primary driver of market value adjustments on these positions that were recognized in total comprehensive loss and total stockholders' equity in prior periods. Distributable Earnings is an incomplete measure of the Company' s financial performance. Distributable Earnings should be considered as supplementary to, and not as a substitute for, the Company' s net interest income and total comprehensive income (loss) computed in accordance with GAAP as a measure of the Company' s financial performance. Other mortgage REITs report Distributable Earnings or similar measures that are calculated on a different basis than the basis we use. For example, other calculations may exclude some or all prepayment effects and / or more or less hedging activities. Because Distributable Earnings is not a standardized metric, it may not be directly comparable across various reporting companies. ~~Considering~~ **ARMOUR Residential REIT, Inc. Risk Factors (continued) 22** Distributable Earnings may not provide sufficient incentive to ACM to maximize risk adjusted returns on our investment portfolio. Because Distributable Earnings excludes gains and losses in portfolio value, using it as a measure of investment performance may encourage ACM to make portfolio decisions on our behalf that have the effect of accelerating the realization of losses and delaying the realization of gains. For example, in declining interest rate environments, we may replace interest rate swaps that have declined in value with new swaps requiring a lower fixed coupon payment while retaining in portfolio appreciated mortgage securities. Conversely, in rising interest ~~ARMOUR Residential REIT, Inc. Risk Factors (continued) 21~~ rate environments, we may replace mortgage securities that have declined in value with new, higher coupon securities while retaining interest rate swaps that have increased in value. Our affiliate BUCKLER is our largest financing counterparty and placement agent under our ATM program: A material portion of our aggregate repurchase financing is facilitated through BUCKLER. At December 31, ~~2022~~ **2023** , BUCKLER provided approximately $ ~~3~~ **4** , ~~247~~ **667** , ~~474~~ **483** , or ~~50~~ **48** . ~~2~~ **4** % of ARMOUR' s repurchase financing. BUCKLER is subject to various broker- dealer regulations. BUCKLER' s failure to comply with these regulations ~~,~~ **and** facilitate attractive repurchase financing and its ability to conduct business with third parties could adversely affect ARMOUR' s funding costs, " haircuts " and / or counterparty exposure. We **cannot guarantee that BUCKLER will be able to provide repurchase financing on more attractive terms in the future. We** hold a 10. 8 % equity ownership interest in BUCKLER and additionally, provided ~~it~~ **BUCKLER** with ~~an aggregate of~~ $ **200** ~~105. 0~~ million in **additional** ~~an unsecured subordinated loan which qualifies as~~ regulatory capital. 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. To facilitate this, ~~a subsidiary of~~ ARMOUR ~~has made a $ 105. 0 million subordinated loan to BUCKLER, which qualifies as regulatory capital, and~~ holds a 10. 8 % equity ownership interest in BUCKLER **and has committed to provide on demand a subordinated loan to BUCKLER in an amount up to $ 200 million. The commitment extends through March 20, 2026, and is collateralized by Agency and / or U. S. Treasury Securities owned by ARMOUR and pledged to BUCKLER. The commitment is treated by BUCKLER currently as capital for regulatory purposes and BUCKLER may pledge the securities to secure its own borrowings** (see Note 14 to the consolidated financial statements) ~~. We cannot guarantee that~~

~~BUCKLER will be able to provide repurchase financing on more attractive terms in the future~~. BUCKLER relies primarily on bilateral and triparty repurchase agreement funding through the FICC. BUCKLER' s ability to access bilateral and triparty repo funding and to raise funds through the General Collateral Finance Repo service offered by the FICC, requires that it continuously meet the regulatory and membership requirements of FINRA and the FICC, which may change over time. If BUCKLER fails to meet these requirements and is unable to access such funding, we would be required to find alternative funding, which we may be unable to do, and our funding costs, " haircuts " and / or counterparty exposure could increase, and our liquidity could be adversely impacted. ARMOUR continues to maintain active repurchase financing arrangements with numerous other counterparties with the intention of reducing our risk of relying primarily on BUCKLER. At December 31, ~~2022~~ **2023**, we had repurchase borrowings from ~~16~~ **14** different counterparties including BUCKLER. However, there can be no assurance as to the availability, terms, or cost of additional repurchase financing that might be available from other counterparties if we needed to replace BUCKLER' s financing capacity, particularly on short notice or during times of market distress. **ARMOUR Residential REIT, Inc. Risk Factors (continued) 23** BUCKLER is the primary placement agent for ARMOUR' s common share ATM Programs. BUCKLER has acted as placement agent for ~~72~~ **71** % of the shares of common stock that ARMOUR has issued through its ATM programs in ~~2022~~ **2023**. BUCKLER' s commission rate for these placements has been lower than the commission rates of other placement agents involved in our ATM program. Placement commissions represent a significant contribution to BUCKLER profitability. If BUCKLER became unable to participate in our ATM program, our placement costs would increase. If we reduce the volume of ATM placements with BUCKLER, its profitability ~~would~~ **may** be adversely affected. BUCKLER may pursue business opportunities with third parties. So long as ~~our subordinated loan is outstanding~~ **we are providing BUCKLER with additional regulatory capital**, our independent directors must approve, in their sole discretion, any third- party business engaged by BUCKLER. However, we cannot guarantee that BUCKLER' s pursuit of business with third parties will not incur losses for us or that BUCKLER will be able to continue to provide us with attractive repurchase financing. ~~ARMOUR Residential REIT, Inc. Risk Factors (continued) 22~~ There are **potential** conflicts of interest in our relationship with ACM and its affiliates, including BUCKLER, which could result in decisions that are not in the best interests of our stockholders. We are subject to conflicts of interest arising out of our relationship with ACM and its affiliates, including BUCKLER. Entities affiliated with Mr. Ulm and Mr. Zimmer are the general partners of ACM and each of Mr. Ulm, Mr. Zimmer, Mr. Staton and Mr. Bell is a limited partner in ACM. ACM and our executive officers control BUCKLER. The management agreement with ACM may create a conflict of interest and the terms, including fees payable to ACM, may not be as favorable to us as if they had been negotiated with an unaffiliated third- party. In addition, we may choose not to enforce, or to enforce less vigorously, our rights under the management agreement because of our desire to maintain our ongoing relationship with ACM. ACM maintains a contractual and fiduciary relationship with us. The management agreement with ACM does not prevent ACM and its affiliates from engaging in additional management or investment opportunities some of which will compete with us. ACM and its affiliates may engage in additional management or investment opportunities that have overlapping objectives with ours and may thus face conflicts in the allocation of investment opportunities to these other investments. Such allocation is at the discretion of ACM and there is no guarantee that this allocation would be made in the best interest of our stockholders. We are not entitled to receive preferential treatment as compared with the treatment given by ACM or its affiliates to any investment company, fund or advisory account other than any fund or advisory account which contains only funds invested by ACM (and not of any of its clients or customers) or its officers and directors. Additionally, the ability of ACM and its respective officers and employees to engage in other business activities may reduce the time spent and resources used managing our activities. ACM owns 75. 4 % of the equity of BUCKLER. BUCKLER may offer repurchase agreement financing to us at rates and terms that may be less advantageous to us than if they had been negotiated with third parties. General risks common to ARMOUR and our peer mortgage REITs: We operate in a highly competitive market for investment opportunities and related financing and competition may limit our ability and financing to acquire desirable investments in our target assets ~~,~~ **or** obtain necessary financing and could also affect the pricing of these assets and cost of funds. We operate in a highly competitive market for investment opportunities and borrowing facilities. Our profitability depends, in large part, on our ability to acquire our target assets at attractive prices and finance them economically. In acquiring and financing our target assets, we will compete with a variety of institutional investors, including other REITs, specialty finance companies, public and private funds, government entities, commercial and investment banks, commercial finance and insurance companies and other financial institutions. Several of our competitors are substantially larger and have considerably greater financial, technical, marketing and other **ARMOUR Residential REIT, Inc. Risk Factors (continued) 24** resources than we do. Several other REITs may have investment objectives that overlap with ours, which may create additional competition for investment opportunities and financing. Some competitors may have a lower cost of funds and access to funding sources that may not be available to us, such as funding from the U. S. or foreign governments. Many of our competitors are not subject to the operating constraints associated with REIT tax compliance or maintenance of an exemption from the 1940 Act. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, competition for investments in our target assets may lead to the price of such assets increasing, which may further limit our ability to generate desired returns. We cannot provide assurance that the competitive pressures we face will not have a material adverse effect on our business, financial condition and results of operations. Also, as a result of this competition, desirable investments in our target assets may be limited in the future and we may not be able to take advantage of attractive investment opportunities from time to time, as we can provide no assurance that we will be able to identify, finance and make investments that are consistent with our investment objectives. ~~ARMOUR Residential REIT, Inc. Risk Factors (continued) 23~~ Our ability to buy or sell our securities and arrange our repurchase financing may be severely limited or not profitable and we may be required to post additional collateral in connection with our financing. We buy and sell our securities and arrange our repurchase financing in

privately negotiated transactions with banks, brokers, dealers, or principal counter parties such as originators, the GSEs and other investors. Without the benefit of a securities exchange, there may be times when the supply of or demand for the MBS we wish to buy or sell is severely limited. The bid- ask spread between the prices at which we can purchase and sell MBS may also become temporarily wide relative to historical levels. This could exacerbate our losses or limit our opportunities to profit during times of market stress or dislocation. It may also reduce the amount of repurchase financing that our lenders are willing to provide. We attempt to mitigate this risk by concentrating our investments in MBS that have more widespread trading interest resulting in deeper and more liquid trading. All of our repurchase financing has daily collateral maintenance requirements, and a substantial portion of our MBS ~~are~~ **is** pledged as collateral. These collateral requirements are monitored by our counterparties and we may be required to post additional collateral when the value of our posted collateral declines. We attempt to mitigate this risk by moderating the amount of our financial leverage, monitoring collateral maintenance requirements, timely calling for collateral (or a return of collateral) from our counterparties, and maintaining reserve liquidity in the form of cash or unpledged Agency Securities that are widely acceptable as collateral. By concentrating our investments in more liquid Agency Securities, we also seek to be able to quickly sell positions and reduce our financial leverage if necessary. The daily collateral maintenance required for our repurchase financing and our hedging derivatives generally move in opposite directions as market interest rates change. However, because market yields on our Agency Securities are not perfectly correlated with interest rate swap market yields, it is likely that our daily requirements to post collateral to our counterparties will not equal the collateral our counterparties are required to post to us. In times of higher market volatility, those differences can become more significant. Exchange- traded swaps and futures have higher initial margin requirements than bilateral swap agreements. Historically, we have primarily used bilateral interest rate swaps that were privately negotiated with counterparties. Under the Dodd- Frank Act, certain swaps are required to clear through a registered clearing facility and traded on a designated exchange or swap execution facility. As more swap transactions are being executed through clearing facilities, our ability to enter into new bilateral swaps is waning. We have begun using exchange- traded futures contracts and cleared swaps in place of bilateral swaps. While these contracts are more liquid than bilateral swaps, they also may require substantially higher initial margin deposits. For example, longer tenor **ARMOUR Residential REIT, Inc. Risk Factors (continued) 25** cleared swaps may require initial margin deposits currently as high as 4. ~~5~~ **7** % of the notional swap amount. Higher initial margin requirements will increase our need for liquidity. We may change our target assets, financing and investment ~~strategy~~ **strategies** and ~~other~~ operational policies without stockholder consent, which may adversely affect the market price of our common stock and our ability to make distributions to stockholders. **We** ~~Within our overall investment guidelines, we~~ may change our target assets financing strategy and investment ~~guidelines~~ **strategies** at any time without the consent of our stockholders, which could result in our making investments that are different from, and possibly riskier than, the investments described in this Annual Report on Form 10- K. Our Board also determines our ~~other~~ operational policies and may amend or revise such policies, including our policies with respect to our REIT qualification, acquisitions, dispositions, operations, indebtedness and distributions, or approve transactions that deviate from these policies, without a vote of, or notice to, our stockholders. A change in our targeted investments, financing strategy, investment ~~guidelines~~ **strategies** and ~~other~~ operational policies may increase our exposure to interest rate risk, default risk and real estate market ~~ARMOUR Residential REIT, Inc. Risk Factors (continued) 24~~ fluctuations, all of which could adversely affect the market price of our stock and our ability to make distributions to our stockholders. There are significant restrictions on ownership of our common stock. In order for us to maintain our qualification as a REIT under the Code, not more than 50 % in value of the issued and outstanding shares of our capital stock may be owned, actually or constructively, by five or fewer individuals (as defined in the Code to include certain entities) at any time during the last half of each taxable year (other than our first year as a REIT). This test is known as the " 5 / 50 test. " Attribution rules in the Code apply to determine if any individual actually or constructively owns our capital stock for purposes of this requirement, including, without limitation, a rule that deems, in certain cases, a certain holder of a warrant or option to purchase stock as owning the shares underlying such warrant or option and a rule that treats shares owned (or treated as owned, including shares underlying warrants) by entities in which an individual has a direct or indirect interest as if they were owned by such individual. Additionally, at least 100 persons must beneficially own our capital stock during at least 335 days of each taxable year (other than our first year as a REIT). While we believe that we meet the 5 / 50 test, no assurance can be given that we will continue to meet this test. Our charter prohibits beneficial or constructive ownership by any person of more than 9. 8 % in value or in number of shares, whichever is more restrictive, of the outstanding shares of our common stock or all classes of our capital stock. Additionally, our charter prohibits beneficial or constructive ownership of our stock that would otherwise result in our failure to qualify as a REIT. In each case, such prohibition includes a prohibition on owning warrants or options to purchase stock if ownership of the underlying stock would cause the holder or beneficial owner to exceed the prohibited thresholds. The ownership rules in our charter are complex and may cause the outstanding stock owned by a group of related individuals or entities to be deemed to be owned by one individual or entity. As a result, these ownership rules could cause an individual or entity to unintentionally own shares beneficially or constructively in excess of our ownership limits. Any attempt to own or transfer shares of our common or preferred stock, in excess of our ownership limits without the consent of our board of directors shall be void, and will result in the shares being transferred to a charitable trust. These provisions may inhibit market activity and the resulting opportunity for our stockholders to receive a premium for their shares that might otherwise exist if any person were to attempt to assemble a block of shares of our stock in excess of the number of shares permitted under our charter and which may be in the best interests of our stockholders. We may grant waivers from the 9. 8 % charter restriction for holders where, based on representations, covenants and agreements received from certain equity holders, we determine that such waivers would not jeopardize our status as a REIT. If we fail to comply with the REIT tax requirements, we must dispose of a portion of our assets within 30 days after the end of the calendar quarter in order to avoid losing our REIT status and suffering adverse tax **ARMOUR Residential REIT, Inc. Risk Factors (continued) 26** consequences. If we fail to qualify as a REIT, we will be subject to federal income tax as a

regular corporation and may face substantial tax liability. Qualification as a REIT involves the satisfaction of numerous requirements (some on an annual or quarterly basis) established under highly technical and complex provisions of the Code for which only a limited number of judicial or administrative interpretations exist. We believe we currently satisfy all the requirements of a REIT. However, the determination that we satisfy all REIT requirements requires an analysis of various factual matters and circumstances that may not be totally within our control. We have not requested and do not intend to request a ruling from the IRS that we qualify as a REIT. Accordingly, we are not certain we will be able to qualify and remain qualified as a REIT for federal income tax purposes. Even a technical or inadvertent mistake could jeopardize our REIT status. Furthermore, the U. S. Congress or the IRS might change tax laws or regulations and the courts might issue new rulings, in each case potentially having retroactive effect, which could make it more difficult or impossible for us to qualify as a REIT. If we fail to qualify as a REIT in any tax year, then: ~~ARMOUR Residential REIT, Inc. Risk Factors (continued) 25~~ • we would be taxed as a regular domestic corporation, which, among other things, means that we would be unable to deduct distributions to stockholders in computing taxable income and would be subject to federal income tax on our net income at regular corporate rates; • any resulting tax liability could be substantial and would reduce the amount of cash available for distribution to stockholders and could force us to liquidate assets at inopportune times, causing lower income or higher losses than would result if these assets were not liquidated; and • unless we were entitled to relief under applicable statutory provisions, we would be disqualified from treatment as a REIT for the subsequent four taxable years following the year during which we lost our qualification and thus, our cash available for distribution to our stockholders would be reduced for each of the years during which we do not qualify as a REIT. If we remain qualified as a REIT, we may face other tax liabilities that reduce our cash flow. If we remain qualified for taxation as a REIT, we may be subject to certain federal, state and local taxes on our income and assets, including taxes on any undistributed income, taxes on income from some activities conducted as a result of a foreclosure, excise taxes, state or local income, property and transfer taxes, such as mortgage recording taxes, and other taxes. In addition, in order to meet the REIT qualification requirements, prevent the recognition of certain types of non- cash income, or to avert the imposition of a 100 % tax that applies to certain gains derived by a REIT from dealer property or inventory, we may hold some of our assets through a taxable REIT subsidiary (" TRS") or other subsidiary corporations that will be subject to corporate level income tax at regular rates. In addition, if we lend money to a TRS, the TRS may be unable to deduct all or a portion of the interest paid to us, which could result in an even higher corporate level tax liability. Any of these taxes would decrease cash available for distribution to our stockholders. Complying with REIT requirements may cause us to forgo otherwise attractive opportunities. To qualify as a REIT for federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts that we distribute to our stockholders and the ownership of our stock. We may be required to make distributions to stockholders at disadvantageous times or when we do not have funds readily available for distribution, and may be unable to pursue investments that would be otherwise advantageous to us in order to satisfy the source- of- income or asset- diversification requirements for qualifying as a REIT. In addition, in certain cases, the modification of a debt instrument or, potentially, an increase in the value of a debt instrument that we acquired at a significant discount, could result in the conversion of the instrument from a qualifying real estate asset to a wholly or partially non- qualifying asset that must be contributed to a TRS or disposed of in order for us to qualify or maintain our **ARMOUR Residential REIT, Inc. Risk Factors (continued) 27** qualification as a REIT. Thus, compliance with the REIT requirements may hinder our ability to make and, in certain cases, to maintain ownership of, certain attractive investments. Complying with REIT requirements may force us to liquidate otherwise attractive investments. To qualify as a REIT, we must ensure that at the end of each calendar quarter, at least 75 % of our gross income each year is derived from certain real estate related sources, at least 75 % of the value of our assets consists of cash, cash items, government securities and qualified REIT real estate assets, including certain mortgage loans and certain kinds of MBS. The remainder of our investment in securities (other than government securities, TRSs and qualified real estate assets) generally cannot include more than 10 % of the outstanding voting securities of any one issuer or more than 10 % of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5 % of the value of our assets (other than government securities, TRSs and qualified real estate assets) can consist of the securities of any one issuer, and no more than 20 % of the value of our total securities can be represented by securities of one or more TRSs. If we fail to comply with these requirements at the end of any calendar quarter, we must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification and suffering adverse tax ~~ARMOUR Residential REIT, Inc. Risk Factors (continued) 26~~ consequences. As a result, we may be required to liquidate from our investment portfolio otherwise attractive investments. For example, in certain cases, the modification of a debt instrument or, potentially, an increase in the value of a debt instrument that we acquired at a significant discount, could result in the conversion of the instrument from a qualifying real estate asset to a wholly or partially non- qualifying asset that must be liquidated in order for us to qualify or maintain our qualification as a REIT. These actions could have the effect of reducing our income and amounts available for distribution to our stockholders. The failure of assets subject to repurchase agreements to qualify as real estate assets could adversely affect our ability to qualify as a REIT. In order to finance some of our assets that we hold or acquire, we may enter into repurchase agreements, including with persons who sell us those assets. Under a repurchase agreement, we will nominally sell certain of our assets to a counterparty and simultaneously enter into an agreement to repurchase those sold assets. Although the tax treatment of repurchase transactions is unclear, we take the position that we are treated for U. S. federal income tax purposes as the owner of those assets that are the subject of any such repurchase agreement notwithstanding that we may transfer record ownership of those assets to the counterparty during the term of any such agreement. Because we enter into repurchase agreements the tax treatment of which is unclear, the IRS could assert, particularly in respect of our repurchase agreements with persons who sell us the assets that we wish to finance by way of repurchase agreements, that we did not own those assets during the term of the repurchase agreements, in which case we could fail to satisfy the 75 % asset test necessary to qualify as a REIT. Our capital loss

carry forward for tax purposes may expire before we can fully use it to offset otherwise taxable income or gains. For U. S. federal income tax purposes, we previously have incurred net capital losses. Such net capital losses may be carried forward for five taxable years and generally used to offset undistributed taxable net capital gains realized during the carry forward period. Net capital losses realized totaling $ (~~136, 388), $ (~~ 13, 819), $ (15, 605), ~~and~~ $ (732, 478 **), and $ (496, 265**) will be available to offset future capital gains realized in ~~2023,~~ 2024, 2026 ~~and~~ **,** 2027 **and 2028** respectively. Any capital loss carry forward that we have not used to offset undistributed otherwise taxable net capital gains will expire after the end of such five- year period, and will no longer be available to us. Capital loss carry forwards totaling $ ~~921~~ **(1** , ~~172~~ **057, 560)** expired unused in ~~2022~~ **2023** and prior years because we did not generate enough taxable net capital gains during that period relative to our level of distributions. Our current practice of declaring dividends based on non- GAAP Distributable Earnings increases the likelihood that net capital gains realized will be treated as distributed in the year realized. In the absence of offsetting net capital loss carry forward amounts, we will be required to make timely distributions of future net capital gains realized, or alternatively, pay U. S. federal income tax on such realized net capital gains not distributed. Distributions to tax- exempt investors may be classified as unrelated business taxable income. Neither ordinary nor capital gain distributions with respect to our common stock nor gain from the sale of common stock should generally constitute unrelated business taxable income to a tax- exempt investor. However, there are certain exceptions to this rule, including: (i) part of the income and gain recognized by certain qualified employee pension trusts with respect to our common stock may be treated as unrelated business taxable income if we become a " pension held " REIT and such qualified employee pension trust owns more than 10 % of our common stock; (ii) part of the income and gain recognized by a tax- exempt investor with respect to our common stock would constitute unrelated business taxable income if the investor incurs debt in order to acquire the common stock; (iii) part or all of the income or gain recognized with respect to our common stock by social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts and qualified group legal services plans which are exempt from federal income taxation under the Code may be treated as unrelated business taxable income; and (iv) to the extent that we are (or a part of us, or a disregarded subsidiary of ours, is) a " taxable mortgage pool, " (or if we hold residual interests in a REMIC), a portion of the distributions paid to a tax- exempt stockholder that is allocable to excess inclusion income may be treated as unrelated business taxable income. The " taxable mortgage pool " rules may increase the taxes that we or our stockholders may incur and may limit the manner in which we effect future securitizations. Securitizations could result in the creation of taxable mortgage pools for federal income tax purposes. As a REIT, so long as we own 100 % of the equity interests in a taxable mortgage pool, we generally would not be adversely affected by the characterization of the securitization as a taxable mortgage pool. Certain categories of stockholders, however, such as foreign stockholders eligible for treaty or other benefits, stockholders with net operating losses and certain tax- exempt stockholders that are subject to unrelated business income tax, could be subject to increased taxes on a portion of their distribution income from us that is attributable to the taxable mortgage pool. In addition, to the extent that our stock is owned by tax- exempt " disqualified organizations, " such as certain government- related entities and charitable remainder trusts that are not subject to tax on unrelated business income, we may incur a corporate level tax on a portion of our income from the taxable mortgage pool. In that case, we will reduce the amount of our distributions to any disqualified organization whose stock ownership gave rise to the tax. Moreover, we would be precluded from selling equity interests in these securitizations to outside investors or selling any debt securities issued in connection with these securitizations that might be considered to be equity interests for tax purposes. These limitations may prevent us from using certain techniques to maximize our returns from securitization transactions. Liquidation of assets may jeopardize our REIT qualification or create additional tax liability for us. To qualify as a REIT, we must comply with requirements regarding the composition of our assets and our sources of income. If we are compelled to liquidate our investments to repay obligations to our lenders, we may be unable to comply with these requirements, ultimately jeopardizing our qualification as a REIT, or we may be subject to a 100 % tax on any resultant gain if we sell assets that are treated as dealer property or inventory. **Risks related to rights to take action against directors and officers under Maryland law The rights of our stockholders to take action against our directors and officers are limited under Maryland law. Accordingly, this could limit the recourse of a stockholder in the event the Company or ACM take actions which the stockholder considers to be not in their best interests.** Provisions of Maryland law and other provisions of our organizational documents may limit the ability of a third- party to acquire control of the company. Certain provisions of the MGCL may have the effect of delaying, deferring or preventing a transaction or a change in control of the company that might involve a premium price for holders of our common stock or otherwise be in their best interests. Additionally, our charter and bylaws contain other provisions that may delay or prevent a change of control of the company. If we have a class of equity securities registered under the Exchange Act and meet certain other requirements, Title 3, Subtitle 8 of the MGCL permits us without stockholder approval and regardless of what is currently provided in our charter or bylaws, to elect to be subject to statutory provisions that may have the effect of delaying, deferring or preventing a transaction or a change in control of the company that might involve a premium price for holders of our common stock or otherwise be in their best interest. Pursuant to Title 3, Subtitle 8 of the MGCL, once we meet the applicable requirements, our charter provides that our Board will have the exclusive power to fill vacancies on our Board. As a result, unless all of the directorships are vacant, our stockholders will not be able to fill vacancies with nominees of their own choosing. We may elect to opt into additional provisions of Title 3, Subtitle 8 of the MGCL without stockholder approval at any time that we have a class of equity securities registered under the Exchange Act and satisfy certain other requirements. Rapid changes in the values of our target assets may make it more difficult for us to maintain our qualification as a REIT or our exemption from the 1940 Act. If the market value or income potential of our MBS declines as a result of increased interest rates, prepayment rates, general market conditions, government actions or other factors, we may need to increase certain types of our assets and income or liquidate our non- qualifying assets to

maintain our REIT qualifications or our exemption from the 1940 Act. If the decline in real estate asset values or income occurs quickly, this may be especially difficult to accomplish. We may have to make decisions that we otherwise would not make absent the REIT and the 1940 Act considerations. Maintenance of our exclusion from the 1940 Act will impose limits on our business. There can be no assurance that the laws and regulations governing the 1940 Act status of REITs, including guidance and interpretations from the SEC staff regarding the Section 3 (c) (5) (C) exclusion, will not change in a manner that adversely affects our operations or business. For example, such changes might require us to employ less leverage in financing certain of our mortgage related investments and we may be precluded from acquiring certain types of higher yielding securities. The net effect of these factors would be to lower our net interest income. If we fail to qualify for an exclusion from registration as an investment company or an exclusion from the definition of an investment company, our ability to use leverage would be substantially reduced. Our business will be materially and adversely affected if we fail to qualify for an exclusion from regulation under the 1940 Act. We conduct our business so as not to become regulated as an investment company under the 1940 Act. If we were to fall within the definition of investment company, we would be unable to conduct our business as described in this Annual Report on Form 10- K. Section 3 (a) (1) (A) of the 1940 Act defines an investment company as any issuer that is or holds itself out as being engaged primarily in the business of investing, reinvesting or trading in securities. Section 3 (a) (1) (C) of the 1940 Act also defines an investment company as any issuer that is engaged or proposes to engage in the business of investing, reinvesting, owning, holding or trading in securities and owns or proposes to acquire investment securities having a value exceeding 40 % of the value of the issuer' s total assets (exclusive of U. S. Government securities and cash items) on an unconsolidated basis. Excluded from the term " investment securities, " among other things, in Section 3 (a) (1) (C) of the 1940 Act, as defined above, are U. S. Government securities and securities issued by majority- owned subsidiaries that are not themselves investment **ARMOUR Residential REIT, Inc. Risk Factors (continued) 30** companies and are not relying on the exclusion from the definition of investment company set forth in Section 3 (c) (1) or Section 3 (c) (7) of the 1940 Act. We rely on the exclusion from the definition of " investment company " provided by Section 3 (c) (5) (C) of the 1940 Act. To qualify for the exclusion, we make investments so that at least 55 % of the assets we own consist of " qualifying assets " and so that at least 80 % of the assets we own consist of qualifying assets and other real estate related assets. We generally expect that our investments in our target assets will be treated as either qualifying assets or real estate related assets under Section 3 (c) (5) (C) of the 1940 Act in a manner consistent with SEC staff no- action letters. Qualifying assets for this purpose include mortgage loans and other assets, such as whole pool Agency Securities that are considered the functional equivalent of mortgage loans for purposes of the 1940 Act. The SEC staff has not issued guidance with respect to whole pool Credit Risk and Non- Agency Securities. Accordingly, based on our own judgment and analysis of the SEC' s pronouncements with respect to agency whole pool certificates, we may also treat Credit Risk and Non- Agency Securities issued with respect to an underlying pool of mortgage loans in which we hold all the certificates issued by the pool as qualifying assets. We invest at least 55 % of our assets in whole pool Agency Securities ~~and Credit Risk and Non- Agency Securities~~ that constitute qualifying assets in accordance with SEC staff guidance and at least 80 % of our assets in qualifying assets plus other real estate related assets. Other real estate related assets would consist primarily of Agency Securities ~~and Credit Risk and Non- Agency Securities~~ that are not whole pools, such as CMOs and CMBS. As a result of the foregoing restrictions, we are limited in our ability to make or dispose of certain investments. To the extent that the SEC staff publishes new or different guidance with respect to these matters, we may be required to adjust our strategy ~~ARMOUR Residential REIT, Inc. Risk Factors (continued) 29~~ accordingly. These restrictions could also result in our holding assets we might wish to sell or selling assets we might wish to hold. Although we monitor our portfolio for compliance with the Section 3 (c) (5) (C) exclusion periodically and prior to each acquisition and disposition, there can be no assurance that we will be able to maintain this exclusion. To the extent that we elect in the future to conduct our operations through majority- owned subsidiaries, such business will be conducted in such a manner as to ensure that we do not meet the definition of investment company under either Section 3 (a) (1) (A) or Section 3 (a) (1) (C) of the 1940 Act, because less than 40 % of the value of our total assets on an unconsolidated basis would consist of investment securities. We intend to monitor our portfolio periodically to ensure compliance with the 40 % test. In such case, we would be a holding company which conducts business exclusively through majority- owned subsidiaries and we would be engaged in the non- investment company business of our subsidiaries. Loss of the 1940 Act exclusion would adversely affect us, the market price of shares of our stock and our ability to distribute dividends. As described above, we conduct our operations so as not to become required to register as an investment company under the 1940 Act based on current laws, regulations and guidance. Although we monitor our portfolio, we may not be able to maintain this exclusion under the 1940 Act. If we were to fail to qualify for this exclusion in the future, we could be required to restructure our activities or the activities of our subsidiaries, if any, including effecting sales of assets in a manner that, or at a time when we would not otherwise choose, which could negatively affect the value of our stock, the sustainability of our business model and our ability to make distributions. The sale could occur during adverse market conditions and we could be forced to accept a price below that which we believe is appropriate. There can be no assurance that the laws and regulations governing the 1940 Act status of REITs, including guidance and interpretations from the SEC and its staff regarding the Section 3 (c) (5) (C) exclusion, will not change in a manner that adversely affects our operations or business. The SEC or its staff may issue new interpretations of the Section 3 (c) (5) (C) exclusion causing us to change the way we conduct our business, including changes that may adversely affect our ability to achieve our investment objective. We may be required at times to adopt less efficient methods of financing certain of our mortgage related investments and we may be precluded from **ARMOUR Residential REIT, Inc** ~~acquiring certain types of higher yielding securities~~ . **Risk** ~~The net effect of these factors~~ **Factors (continued) 31** ~~would be to lower our net interest income. If we fail to qualify for an exclusion from registration as an investment company or an exclusion from the definition of an investment company, our ability to use leverage would be substantially reduced. Our business will be materially and adversely affected if we fail to qualify for an exclusion from regulation under the 1940 Act.~~ Failure to maintain an exemption from being registered as a CPO could subject us to additional

regulation and compliance requirements and may result in fines and other penalties which could materially adversely affect our business and financial condition. Under rules adopted under the Dodd- Frank Act, any investment fund that trades in swaps may be considered a " commodity pool, " which would cause its directors to be regulated as CPOs. The CFTC staff has issued a no-action letter (CFTC Staff Letter 12- 44) to provide exemptive relief to mortgage REITs. We have submitted our claim and our directors do not intend to register as CPOs. To comply with CFTC Staff Letter 12- 44, we are restricted to operating within certain parameters. For example, the exemptive relief limits our ability to enter into interest rate hedging transactions such that the initial margin and premiums for such hedges will not exceed five percent of the fair market value of our total assets. Furthermore, while the exemptive relief eliminates the CPO requirement, we still operate a commodity pool and are therefore subject to ~~ARMOUR Residential REIT, Inc. Risk Factors (continued) 30~~ other CFTC requirements. Such other requirements may include having our interest rate swap contracts cleared through recognized clearing organizations or having to post higher initial margins on uncleared swaps. The CFTC has substantial enforcement power with respect to violations of the laws over which it has jurisdiction, including their anti- fraud and anti- manipulation provisions. Among other things, the CFTC may suspend or revoke the registration of a person who fails to comply, prohibit such a person from trading or doing business with registered entities, impose civil money penalties, require restitution and seek fines or imprisonment for criminal violations. Additionally, a private right of action exists against those who violate the laws over which the CFTC has jurisdiction or who willfully aid, abet, counsel, induce or procure a violation of those laws. In the event we fail to maintain exemptive relief with the CFTC on this matter and our directors fail to comply with the regulatory requirements of these new rules, we may be subject to significant fines, penalties and other civil or governmental actions or proceedings, any of which could have a materially adverse effect on our business, financial condition and results of operations. We depend on ACM for our key personnel. The loss of those key personnel could severely and detrimentally affect our operations. As an externally managed company, we depend on the diligence, experience and skill of ACM personnel for the selection, acquisition, structuring, hedging and monitoring of our MBS and associated borrowings. We depend on the efforts and expertise of our operating officers to manage our day- to-day operations and strategic business direction. If any of our key personnel were to leave the Company, locating individuals with specialized industry knowledge and skills similar to that of our key personnel may not be possible or could take months. Because we have no employees, the loss of ACM could harm our business, financial condition, cash flow and results of operations. We have a contract with AVM to administer clearing and settlement services for our securities and derivative transactions. We have also entered into a second contract with AVM to assist us with financing transaction services such as repurchase financings and managing the margin arrangement between us and our lenders for each of our repurchase agreements. We use the services of AVM for these aspects of our business so our executive officers can focus on our daily operations and strategic direction. Further, as our business expands, reliance on AVM to provide us with timely, effective services will increase. In the future, as we expand our staff, we may absorb internally some or all of the services provided by AVM. Until we elect to move those services in- house, **ARMOUR Residential REIT, Inc. Risk Factors (continued) 32** we continue to use AVM or other third- parties that provide similar services. If we are unable to maintain a relationship with AVM or are unable to establish a successful relationship with other third- parties providing similar services at comparable pricing, we may have to reduce or delay our operations and / or increase our expenditures and undertake the repurchase agreement and trading and administrative activities on our own, which could have a material adverse effect on our business operations and financial condition. However, we believe that the breadth and scope of ACM' s experience will enable it to fill any needs created by discontinuing a relationship with AVM. We have very broad investment ~~guidelines~~ **strategies** , and our Board will not approve each investment and financing decision made by ACM. We are authorized to invest in MBS backed by fixed rate, hybrid adjustable rate and adjustable rate home loans as well as unsecured notes and bonds issued by GSEs, U. S. Treasuries and money market instruments, subject to certain income tests we must satisfy for our qualification as a REIT. ACM is authorized to invest and obtain financing on our behalf within these ~~guidelines~~ **strategies** . Our Board periodically reviews our investment ~~guidelines~~ **strategies** and our investment portfolio but does not, and is not required to, review all our investments on an individual basis or in advance. In conducting periodic reviews, our Board relies primarily on information provided to it by ACM. Furthermore, ACM may use complex strategies and transactions that may be costly, difficult, or impossible to unwind if our Board determines that they are not consistent with our investment ~~guidelines~~ **strategies** . In addition, because ACM has a certain amount of discretion in investment, financing and hedging decisions, ACM' s decisions could ~~ARMOUR Residential REIT, Inc. Risk Factors (continued) 31~~ result in investment returns that are substantially below expectations or that result in losses, which would materially and adversely affect our business, financial condition, and results of operations. We are highly dependent on information and communications systems. System failures, security breaches or cyber- attacks of networks or systems could significantly disrupt our business and negatively affect the market price of our common stock and our ability to distribute dividends. Our business is highly dependent on communications and information systems that allow us to monitor, value, buy, sell, finance, and hedge our investments. These systems are primarily operated by third- parties and, as a result, we have limited ability to ensure their continued operation. In the event of systems failure or interruption, we will have limited ability to affect the timing and success of systems restoration. Any failure or interruption of our systems could cause delays or other problems in our securities trading activities, including Agency Securities trading activities, which could have a material adverse effect on our operating results and negatively affect the market price of our stock and our ability to make distributions to our stockholders. We rely on sophisticated information technology systems, networks, and infrastructure in managing our day- to- day operations. Despite cyber- security measures already in place, which we monitor on a regular basis, our information technology systems, networks, and infrastructure may be vulnerable to deliberate attacks or unintentional events that could interrupt or interfere with their functionality or the confidentiality of our information. Our inability to effectively utilize our information technology systems, networks, and infrastructure, and protect our information could adversely affect our business. 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. **ARMOUR Residential REIT, Inc. Risk Factors (continued) 33** We are subject to financial reporting and other requirements for which our accounting, internal audit and other management systems and resources may not be adequately prepared. We are subject to reporting and other obligations under the Securities Act and the Exchange Act, including the requirements of Section 404 of the Sarbanes- Oxley Act. These reporting and other obligations may place significant demands on our management, administrative, operational, internal audit and accounting resources and cause us to incur significant expenses. We may need to upgrade our systems or create new systems; implement additional financial and management controls, reporting systems and procedures; expand or outsource our internal audit function; and hire additional accounting, internal audit and finance staff. If we are unable to accomplish these objectives in a timely and effective fashion, our ability to comply with the financial reporting requirements and other rules that apply to reporting companies could be impaired. Any failure to maintain effective internal controls could have a material adverse effect on our business, operating results and stock price. We have not established a minimum dividend payment level and there are no guarantees of our ability to pay dividends in the future. We expect to continue to make regular cash distributions to our stockholders in amounts such that all or substantially all our taxable income in each year, subject to certain adjustments, is distributed. This, along with other factors, should enable us to qualify for the tax benefits accorded to a REIT under the Code. However, we ~~ARMOUR Residential REIT, Inc. Risk Factors (continued) 32~~ have not established a minimum dividend payment level and our ability to pay dividends may be adversely affected by the risk factors described in this report. Future distributions are made at the discretion of our Board and will depend on our earnings, our financial condition, maintenance of our REIT status, restrictions on making distributions under the MGCL and such other factors as our Board may deem relevant from time to time. There are no guarantees of our ability to pay dividends in the future. In addition, some of our distributions may include a return of capital. We have returned, and may continue to return, capital to stockholders by paying dividends in excess of our comprehensive income and / or repurchasing shares, which may adversely affect our business. Our Board of Directors considers Distributable Earnings when determining the level of dividends on our common stock. Distributable Earnings tends to be more stable over time and this practice is designed to increase the stability of our common stock dividend from month to month. However, Distributable Earnings excludes gains and losses in portfolio value that are reflected in total comprehensive income (loss) computed in accordance with GAAP. These differences cause us to distribute common stock dividends that differ from our total economic return. Since 2010, ARMOUR has distributed common stock dividends totaling approximately $ 1, ~~776~~ **993** , ~~886~~ **110** while incurring cumulative total comprehensive (loss) attributable to common stockholders of $ (~~984~~ **1** , ~~207~~ **052, 585**). Such losses include approximately $ (622, 300) in 2013 and $ (539, 942) in the first quarter of 2020 and $ (399, 914) in the first three quarters of 2022. Dividends paid in excess of comprehensive income and common and preferred stock share repurchases will reduce our capital base and our ability to invest in MBS without increasing financial leverage. Reducing our capital base will increase our expense ratio and could potentially reduce the availability of our repurchase financing and interest rate swap hedges. We will be more likely to consider future returns of capital to stockholders when the market trading price for our common stock represents a significant discount to our book value. We may use proceeds from equity and debt offerings and other financings to fund distributions, which will decrease the amount of capital available for purchasing our target assets. There are no restrictions in our charter or in any agreement to which we are a party that prohibits us from using the proceeds of any offering of our equity or debt or other financings to fund distributions to stockholders. In the event that we elect to fund any distribution to our stockholders from sources other than our earnings, the **ARMOUR Residential REIT, Inc. Risk Factors (continued) 34** amount of capital available to us to purchase our target assets would decrease, which could have an adverse effect on our overall financial results and performance. Our return of capital distributions may increase capital gains. Differences in accounting methods for tax and financial reporting purposes have periodically resulted in ARMOUR reporting taxable income that is less than our comprehensive income for the same period. ARMOUR has also reported taxable losses for periods in which it reported comprehensive income. In order to maintain our REIT status, we are generally required to make timely distributions at least equal to 90 % of our current taxable income. We have made and may continue to make distributions in excess of the amounts required to maintain our REIT status. Such distributions represent a return of capital for tax purposes and thus will generally not be immediately taxable. Such return of capital distributions will generally reduce stockholders' tax basis in their shares and potentially increase the taxable gain, if any, recognized by such stockholders upon disposition of their shares. In addition, if stockholders hold our shares as a capital asset, to the extent return of capital distributions exceed their adjusted tax basis in their shares, such stockholders would be required to include those distributions in income as long- term capital gain (or short- term capital gain if their shares have been held for one year or less). ~~ARMOUR Residential REIT, Inc. Risk Factors (continued) 33~~ The performance of our common stock correlates to the performance of our REIT investments, which may be speculative and aggressive compared to other types of investments. The investments we make in accordance with our investment objectives may result in a greater amount of risk as compared to alternative investment options, including relatively higher risk of volatility or loss of principal. Our investments may be speculative and aggressive, and therefore an investment in our common stock may not be suitable for someone with lower risk tolerance. One of the factors that investors may consider in deciding whether to buy or sell shares of our common stock is our distribution rate as a percentage of the trading price of our common stock relative to market interest rates. If the market price of our common stock is based primarily on the earnings and return that we derive from our investments and income with respect to our investments and our related

distributions to stockholders, and not from the market value of the investments themselves, then interest rate fluctuations and capital market conditions are likely to affect adversely the market price of our common stock. For instance, if market rates rise without an increase in our distribution rate, the market price of our common stock could decrease as potential investors may require a higher distribution yield on our common stock or seek other securities paying higher distributions or interest. In addition, rising interest rates would result in increased interest expense on our variable rate debt, thereby reducing cash flow and our ability to service our indebtedness and pay distributions. Any future offerings of debt securities and / or preferred stock, which would rank senior to our common stock upon our liquidation, and future offerings of equity securities, which would dilute our existing stockholders and may be senior to our common stock for the purposes of dividend and liquidation distributions, may adversely affect the market price of our common stock. In the future, we may raise capital through the issuance of debt, preferred equity or common equity securities. Upon liquidation, holders of our debt securities and preferred stock, if any, and lenders with respect to other borrowings will be entitled to our available assets prior to the holders of our common stock. Additional equity offerings may dilute the holdings of our existing stockholders or reduce the market price of our common stock, or both. Additional series of preferred stock, if issued, could have a preference on liquidation distributions or a preference on dividend payments that could limit our ability to pay dividends to the holders of our common stock. Sales of substantial amounts of our common stock (including shares of our common stock issued pursuant to our 2009 Stock Incentive Plan, as amended), or the perception that these sales could occur, could have a material adverse effect on the price of our common stock. Because our decision to issue debt or equity securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or **ARMOUR Residential REIT, Inc. Risk Factors (continued) 35** estimate the amount, timing, or nature of our future offerings. Thus, holders of our common stock bear the risk of our future offerings reducing the market price of our common stock and diluting the value of their stock holdings in us. Our common stock may become the target of a " short squeeze. " The securities of several companies have increasingly experienced significant and extreme volatility in share price due to short sellers of common stock and buy- and- hold decisions of longer investors, resulting in what is sometimes described as a " short squeeze. " Short squeezes have caused extreme volatility in those companies and in the market and have led to the price per share of those companies to trade at a significantly inflated rate that is disconnected from the underlying value of the company. Sharp rises in a company' s stock price may force traders in a short position to buy the shares to avoid even greater losses. Many investors who have purchased shares in those companies at an inflated rate face the risk of losing a significant portion of their original investment as the price per share has declined steadily as interest in those shares have abated. We may be a target of a short squeeze, and investors may lose a significant portion or all of their investment if they purchase our shares at a rate that is significantly disconnected from our underlying value. ~~ARMOUR Residential REIT, Inc. Risk Factors (continued) 34~~ Our common stock has experienced and may continue to experience price fluctuations, which could cause you to lose a significant portion of your investment and interfere with our efforts to grow our business. Stock markets are subject to significant price fluctuations that may be unrelated to the operating performance of particular companies, and accordingly the market price of our common stock may frequently and meaningfully change. In addition, the market price of our common stock has fluctuated and may continue to fluctuate substantially due to a variety of other factors. Possible exogenous incidents and trends may also impact the capital markets generally and our common stock prices specifically. For example, the ongoing war between Russia and Ukraine and resulting economic sanctions imposed by many countries on Russia **, as well as the recent outbreak of hostilities in the Middle East,** have led to disruption, instability and volatility in the U. S. and global markets and industries and are expected to have a negative impact on the U. S. and broader global economies. The timing of your purchase and sale of our common stock relative to fluctuations in its trading price may result in you losing a significant portion of your investment. If securities or industry analysts fail to continue publishing research about our business, if they change their recommendations adversely or if our results of operations do not meet their expectations, our share price and trading volume could decline. The trading market for our common stock will be influenced by the research and reports that industry or securities analysts publish about us or our business. If one or more of these analysts cease coverage of the Company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline. In addition, it is likely that in some future period our operating results will be below the expectations of securities analysts or investors. If one or more of the analysts who cover us downgrade our stock, or if our results of operations do not meet their expectations, our stock price could decline. ~~ARMOUR Residential REIT, Inc. 35~~