

Armour Residential REIT, Inc.
Form 10-Q
May 02, 2016

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

FORM 10-Q

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

For the Quarterly Period Ended March 31, 2016

OR

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

For the transition period from _____ to _____

ARMOUR RESIDENTIAL REIT, INC.
(Exact name of registrant as specified in its charter)

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

3001 Ocean Drive, Suite 201, Vero Beach, FL 32963
(Address of principal executive offices)(zip code)

(772) 617-4340
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Edgar Filing: Armour Residential REIT, Inc. - Form 10-Q

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES NO

The number of outstanding shares of the Registrant's common stock as of April 29, 2016 was 36,692,694.

ARMOUR Residential REIT, Inc. and Subsidiaries
TABLE OF CONTENTS

<u>PART I. Financial Information</u>	<u>3</u>
<u>Item 1. Financial Statements</u>	<u>3</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>31</u>
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	<u>50</u>
<u>Item 4. Controls and Procedures</u>	<u>52</u>
<u>PART II. Other Information</u>	<u>53</u>
<u>Item 1. Legal Proceedings</u>	<u>53</u>
<u>Item IA. Risk Factors</u>	<u>53</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>54</u>
<u>Item 3. Defaults Upon Senior Securities</u>	<u>54</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>54</u>
<u>Item 5. Other Information</u>	<u>54</u>
<u>Item 6. Exhibits</u>	<u>54</u>

ARMOUR Residential REIT, Inc. and Subsidiaries
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (in thousands, except per share amounts)
 (Unaudited)

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

	March 31, 2016	December 31, 2015
Assets		
Cash	\$243,294	\$289,925
Cash collateral posted to counterparties	306,104	263,799
Agency Securities, available for sale, at fair value (including pledged securities of \$10,208,822 at March 31, 2016 and \$12,109,868 at December 31, 2015)	10,474,010	12,461,556
Non-Agency Securities, trading, at fair value (including pledged securities of \$269,855 at March 31, 2016 and \$0 at December 31, 2015)	285,696	—
Derivatives, at fair value	1,665	999
Principal payments receivable	—	37
Accrued interest receivable	28,883	34,500
Prepaid and other	4,382	4,461
Total Assets	\$11,344,034	\$13,055,277
Liabilities and Stockholders' Equity		
Liabilities:		
Repurchase agreements	\$9,923,859	\$11,570,481
Payable for unsettled purchases	14,955	—
Derivatives, at fair value	298,685	233,301
Accrued interest payable- repurchase agreements	6,255	7,724
Accounts payable and other accrued expenses	4,645	18,605
Total Liabilities	\$10,248,399	\$11,830,111
Commitments and contingencies (Note 10)		
Stockholders' Equity:		
Preferred stock, \$0.001 par value, 50,000 shares authorized;		
8.250% Series A Cumulative Preferred Stock; 2,181 issued and outstanding (\$54,514 aggregate liquidation preference)	2	2
7.875% Series B Cumulative Preferred Stock; 5,650 issued and outstanding (\$141,250 aggregate liquidation preference)	6	6
Common stock, \$0.001 par value, 125,000 shares authorized, 36,692 and 36,682 shares issued and outstanding at March 31, 2016 and December 31, 2015	37	37
Additional paid-in capital	2,559,582	2,559,361
Accumulated deficit	(1,586,711)	(1,266,938)
Accumulated other comprehensive income (loss)	122,719	(67,302)
Total Stockholders' Equity	\$1,095,635	\$1,225,166
Total Liabilities and Stockholders' Equity	\$11,344,034	\$13,055,277

See notes to condensed consolidated financial statements.

ARMOUR Residential REIT, Inc. and Subsidiaries
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)
(Unaudited)

	For the Quarter Ended	
	March 31, 2016	March 31, 2015
Interest Income:		
Agency Securities, net of amortization of premium	\$78,133	\$99,550
Non-Agency Securities, including discount accretion	327	—
Total Interest Income	\$78,460	\$99,550
Interest expense- repurchase agreements	(19,148)	(14,192)
Net Interest Income	\$59,312	\$85,358
Other Income (Loss):		
Realized gain on sale of Agency Securities (reclassified from Other comprehensive income)	1,891	6,544
Gain on Non-Agency Securities	4,122	—
Subtotal	\$6,013	\$6,544
Realized gain (loss) on derivatives (1)	(246,105)	8,099
Unrealized loss on derivatives	(89,058)	(216,338)
Subtotal	\$(335,163)	\$(208,239)
Total Other Loss	\$(329,150)	\$(201,695)
Expenses:		
Management fee	6,508	6,877
Professional fees	2,173	793
Insurance	171	170
Compensation	518	613
Other	267	679
Total Expenses	\$9,637	\$9,132
Net Loss	\$(279,475)	\$(125,469)
Dividends declared on preferred stock	(3,905)	(3,905)
Net Loss related to common stockholders	\$(283,380)	\$(129,374)
Net loss per share related to common stockholders (Note 13):		
Basic	\$(7.73)	\$(2.96)