



## ARMOUR RESIDENTIAL REIT, Inc. Company Update

11/15/18

*ARMOUR seeks to create shareholder value through thoughtful investment and risk management that produces current yield and superior risk adjusted returns over the long term. Our focus on residential real estate finance supports home ownership for a broad and diverse spectrum of Americans by bringing private capital into the mortgage markets.*

## PLEASE READ: Important Regulatory and Yield Estimate Risk Disclosures

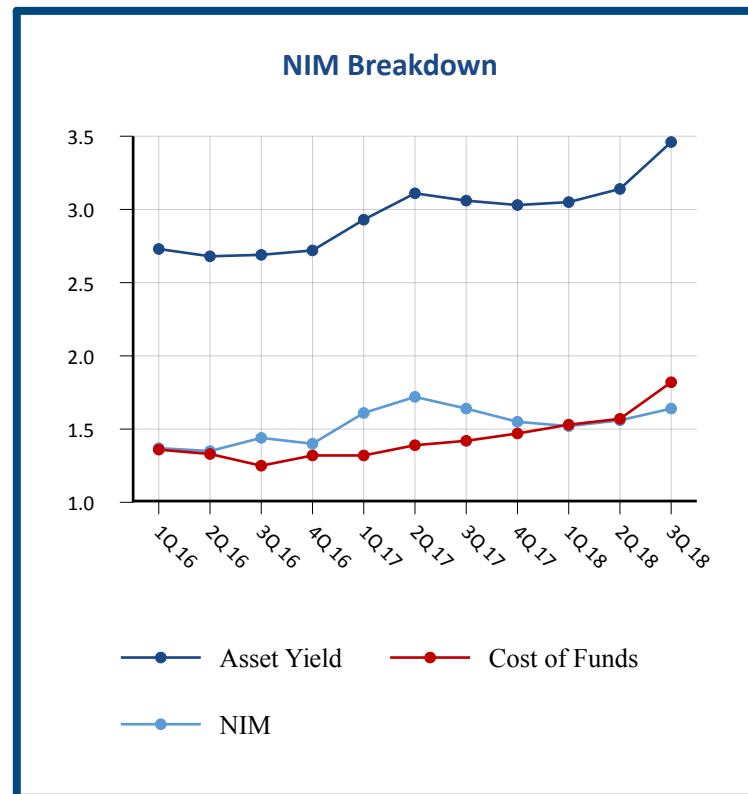
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- Certain statements made in this presentation regarding ARMOUR Residential REIT, Inc. (“ARMOUR” or the “Company”), and any other statements regarding ARMOUR’s future expectations, beliefs, goals or prospects constitute forward-looking statements made within the meaning of Section 21E of the Securities Exchange Act of 1934. Any statements that are not statements of historical fact (including statements containing the words “believes,” “plans,” “anticipates,” “expects,” “estimates” and similar expressions) should also be considered forward-looking statements. Forward-looking statements include but are not limited to statements regarding the projections for ARMOUR’s business and plans for future growth and operational improvements. A number of important factors could cause actual results or events to differ materially from those indicated by such forward-looking statements. ARMOUR assumes no obligation to update the information in this communication, except as otherwise required by law. Readers are cautioned not to place undue reliance on these forward- looking statements, which speak only as of the date hereof.
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- Actual realized yields, durations and net durations described herein will depend on a number of factors that cannot be predicted with certainty. Estimated yields do not reflect any of the costs of operation of ARMOUR.
- **THE INFORMATION PRESENTED HEREIN IS UNAUDITED AND UNREVIEWED.**



ARMOUR invests in and manages a leveraged portfolio of mortgage-related assets and U.S. government securities.

Market Date	08/31/18	09/30/18	10/31/18
Common Stock Price	\$23.52	\$22.45	\$21.78
Estimated Book Value	\$23.48	\$23.49	\$22.20
Common Shares Outstanding	42,076,717	42,335,525	42,335,525
Preferred A Shares Outstanding	2,180,572	2,180,572	2,180,572
Preferred B Shares Outstanding	6,369,269	6,369,269	6,369,269
Net Balance Sheet Duration	(0.11)	0.44	0.46
Leverage <sup>(1)</sup>	6.2	6.0	6.4
Rates DV01	(\$102,000)	\$419,000	\$429,000
Spread DV01	\$4,691,000	\$4,976,000	\$4,974,000
FNCL 4.0 Price	101.84	100.95	100.03
FNCI 4.0 Price	102.34	102.03	101.63
10 Year Treasury Yield	2.86%	3.06%	3.14%
5 Year OIS Swap Rate	2.54%	2.74%	2.78%
10 Year OIS Swap Rate	2.57%	2.78%	2.85%



(1) Leverage does not include TBA dollar rolls or forward settling transactions.



## 1 Capitalization

- Total capitalization of \$1,153.6 million composed of:
  - Estimated book value of common stock of \$939.8 million.
  - Preferred stock par value of \$213.7 million.

## 2 Common Stock Dividend Policy

- ARMOUR pays common stock dividends monthly.
- Dividends are typically announced on a monthly basis.
- Since inception, ARR has paid out \$1.4 billion in dividends through October 2018. <sup>(1)</sup>

## 3 Shareholder Alignment

- \$250 million in share repurchases between May 2013 and December 2015.
- \$123 million additional "return of capital" to shareholders between 2013 and 2015.
- Senior management made open market purchases of \$2.5 million of stock during the period 2016-18.

## 4 Transparency and Governance

- Updated portfolio and liability details can be found at [www.armourreit.com](http://www.armourreit.com).
- Agency premium amortization is expensed monthly as it occurs. <sup>(2)</sup>
- Hedge positions are marked-to-market daily (GAAP/Tax differences).
- Non-Executive Board Chairman and separate Lead Independent Director.

## 5 ARMOUR REIT Manager

- ARMOUR REIT is externally managed by ARMOUR Capital Management LP.

(1) Includes both common and preferred stock dividends.

(2) Due to the prepayment lockout feature of our Agency multifamily securities, premium is amortized using a level yield methodology.



## 1 Equity Allocation

- ARMOUR invests in mortgage-related assets and U.S. government securities. Allocation of equity in repo is:
  - 68.6% in Agency securities.
  - 31.4% in Credit Risk and Non-Agency securities.

## 2 Duration

- 0.46 net balance sheet duration.

## 3 Hedging

- \$7.4 billion in interest rate swaps.
  - 90.7% of Agency fixed rate and TBA assets hedged.
  - 109.2% of Agency fixed rate asset repurchase agreements hedged.

## 4 Liquidity

- \$577.2 million in total liquidity.
  - \$198.9 million in cash.
  - \$378.3 million in unlevered securities.

## 5 Leverage

- 6.4x estimated shareholder's equity.<sup>(1)</sup>
  - \$7.3 billion in net REPO borrowings.

(1) Leverage does not include TBA dollar rolls or forward settling transactions.



# ARMOUR Portfolio & Hedge Positioning

Securities	% of Portfolio	Current Value (millions)	Weighted Average Book Price	Weighted Average Market Price	Weighted Average Net/Gross Coupon	Estimated Effective Duration
Agency ARMs & Hybrids	0.6%	\$51.7	104.8%	103.3%	3.32/3.95	0.91
Agency Multifamily Ballooning in 120 Months or Less	18.6%	\$1,672.1	101.2%	97.8%	3.26/4.44	6.03
Agency Fixed Rates Maturing Between 0 and 180 Months	2.2%	\$198.7	103.1%	102.0%	4.02/4.52	3.82
Agency Fixed Rates Maturing Between 181 and 240 Months	0.0%	\$3.6	107.9%	101.8%	4.25/5.19	4.15
Agency Fixed Rates Maturing Between 241 and 360 Months	55.3%	\$4,980.0	104.1%	101.0%	4.15/4.65	4.88
Agency Interest-Only	0.3%	\$22.6	18.7%	20.3%	4.83/5.34	-1.34
US Treasuries	1.1%	\$98.2	98.3%	98.2%	N/A / N/A	0.70
<b>Agency &amp; US Treasury Portfolio</b>	<b>78.1%</b>	<b>\$7,026.9</b>	<b>103.0%</b>	<b>100.0%</b>	<b>3.86/4.53</b>	<b>5.01</b>
Agency 30Y TBA	12.6%	\$1,131.8	103.0%	102.9%	4.68/ N/A	3.30
<b>TBA Portfolio</b>	<b>12.6%</b>	<b>\$1,131.8</b>	<b>103.0%</b>	<b>102.9%</b>	<b>4.68/ N/A</b>	<b>3.30</b>
Legacy Non-Agency Assets	0.8%	\$74.8	75.4%	83.3%	5.51/4.67	4.72
New Issue Prime Fixed Non-Agency	0.2%	\$17.2	94.6%	95.8%	3.65/3.97	6.73
Credit Risk Transfer	8.3%	\$748.7	98.8%	112.7%	6.70/4.06	-0.86
<b>Credit Risk &amp; Non-Agency Portfolio</b>	<b>9.3%</b>	<b>\$840.7</b>	<b>96.7%</b>	<b>109.8%</b>	<b>6.53/4.11</b>	<b>-0.20</b>
<b>Total Portfolio</b>	<b>100.0%</b>	<b>\$8,999.4</b>	<b>101.6%</b>	<b>100.3%</b>	<b>4.22/4.57</b>	<b>4.31</b>

## Interest Rate Swaps

Remaining Term (Months)	0-12	13-24	25-36	37-48	49-60	61-72	73-84	85-96	97-108	109-120	121-132	Total
Weighted Average Remaining Term	—	17	27	—	52	63	75	89	97	113	122	<b>64</b>
Notional Amount (millions)	\$0	\$1,225	\$1,000	\$0	\$1,025	\$1,100	\$525	\$50	\$1,200	\$925	\$300	<b>\$7,350</b>
Weighted Average Rate	—	1.36	2.06	—	2.11	1.75	2.24	1.95	1.95	2.45	2.87	<b>1.98</b>

Information as of 10/31/2018. Portfolio value is based on independent third-party pricing. Information includes estimates of the effect of forward settling trades. Some totals may not foot due to rounding.



# ARMOUR Repo Composition

	Repo Counter-Party	Principal Borrowed (millions)	Percentage of Repo Positions with ARMOUR	Weighted Average Original Term in Days	Weighted Average Remaining Term in Days	Longest Remaining Term in Days
1	BUCKLER Securities LLC <sup>(1)</sup>	\$3,451.7	47.0%	40	16	61
2	ING Financial Markets LLC	\$335.5	4.6%	31	23	26
3	Wells Fargo Securities	\$299.1	4.1%	31	24	26
4	ABN AMRO Bank N.V.	\$297.5	4.1%	45	13	19
5	FHLB - Cincinnati	\$265.5	3.6%	1	1	1
6	ICBC Financial Services LLC	\$261.1	3.6%	33	17	54
7	Mitsubishi UFJ Securities (USA), Inc.	\$235.7	3.2%	30	21	21
8	RBC Capital Markets	\$233.2	3.2%	32	14	14
9	UBS Securities LLC	\$231.8	3.2%	31	15	26
10	Mirae Asset Securities (USA) Inc.	\$197.6	2.7%	33	13	13
11	Natixis Financial Products LLC	\$193.3	2.6%	30	11	16
12	The Bank of Nova Scotia	\$189.8	2.6%	41	12	19
13	Citigroup Global Markets Inc.	\$178.8	2.4%	30	20	30
14	Daiwa Securities America Inc.	\$153.2	2.1%	51	16	21
15	J.P. Morgan Securities LLC	\$143.9	2.0%	33	13	14
16	South Street Securities LLC	\$123.4	1.7%	63	47	47
17	Royal Bank of Canada	\$97.0	1.3%	31	15	29
18	Societe Generale	\$80.3	1.1%	31	19	29
19	Wells Fargo Bank, N.A.	\$74.6	1.0%	31	14	19
20	MUF Securities EMEA	\$73.7	1.0%	28	3	16
21	Merrill Lynch, Pierce, Fenner & Smith Inc.	\$67.6	0.9%	33	15	26
22	The Bank of New York Mellon	\$57.5	0.8%	31	14	27
23	Citibank, N.A.	\$42.8	0.6%	31	5	5
24	Bank of Montreal	\$33.7	0.5%	29	15	16
25	BNP Paribas Securities Corp.	\$23.0	0.3%	30	21	23
	<b>Total or Weighted Average Repo Positions</b>	<b>\$7,341.5</b>	<b>100.0%</b>	<b>36</b>	<b>16</b>	

Weighted Average Repo Rate 2.42%

Weighted Average Haircut 5.53%

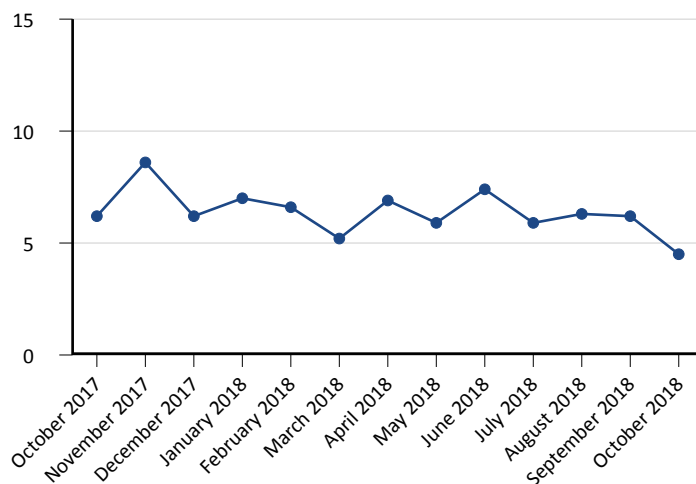
(1) Affiliated with ARMOUR.

Information as of 10/31/2018. Some totals may not foot due to rounding.

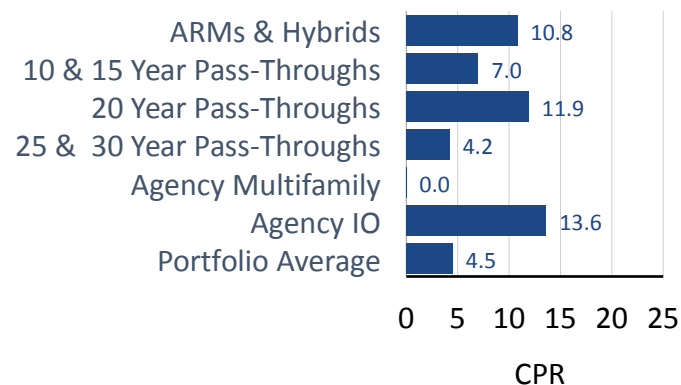


# ARMOUR Portfolio Constant Prepayment Rates ("CPR")

Trailing Twelve Month Portfolio CPR



October 2018 Agency Asset CPR



	17-Oct	17-Nov	17-Dec	18-Jan	18-Feb	18-Mar	18-Apr	18-May	18-Jun	18-Jul	18-Aug	18-Sep	18-Oct
<b>CPR</b>	6.2	8.6	6.2	7.0	6.6	5.2	6.9	5.9	7.4	5.9	6.3	6.2	4.5

Constant Prepayment Rate ("CPR") is the annualized equivalent of single monthly mortality ("SMM"). CPR attempts to predict the percentage of principal that will prepay over the next twelve months based on historical principal pay downs.

CPR is reported on the 4th business day of the month for the previous month's prepayment activity.







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