



ARMOUR

RESIDENTIAL REIT

ARMOUR RESIDENTIAL REIT, Inc.

Company Update

August 11, 2015

PLEASE READ: Important Regulatory and Yield Estimate Risk Disclosures

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.



Monthly Commentary

Since our last monthly update, there have been no material changes to the portfolio or the hedge book.

On June 18, 2015 the Company announced a reverse stock split of ARMOUR's outstanding shares of common stock at a ratio of one-for-eight. The reverse stock split was effective as of 5:00 p.m. Eastern Time on July 31, 2015.

ARMOUR Monthly Metrics

Report Date ⁽¹⁾	May 8 2015	June 19 2015	July 13 2015	August 11 2015				
Common Stock Price	\$24.24	\$23.36	\$23.12	\$22.10				
Estimated Book Value Range	\$33.16 - \$33.24	\$31.80-\$31.88	\$31.24 - \$31.32	\$31.25-\$31.33 ⁽³⁾	Quarter	Asset Yield	Cost of Funds	Net Interest Margin
Common Shares Outstanding	43,908,328	43,772,953	43,783,895	43,771,987	Q1 2014	3.20	1.37	1.82
Preferred A Shares Outstanding	2,180,572	2,180,572	2,180,572	2,180,572	Q2 2014	2.85	1.40	1.46
Preferred B Shares Outstanding	5,650,000	5,650,000	5,650,000	5,650,000	Q3 2014	2.68	1.25	1.43
Asset Balance Sheet Duration	4.37	4.60	4.76	4.58	Q4 2014	2.71	1.44	1.27
Hedge Balance Sheet Duration	-3.69	-3.97	-3.96	-3.95	Q1 2015	2.72	1.52	1.20
Net Balance Sheet Duration	0.68	0.63	0.81	0.63	Q2 2015	2.61	1.24	1.36
Leverage ⁽²⁾	8.2	8.1	8.0	7.9				
Rates DV01	1,100,000	973,000	1,220,000	971,000				
Spread DV01	8,547,000	8,217,000	8,170,000	8,254,000				
FNCL 3.5 Price	104.39	103.20	102.73	103.78				
FNCL 3.0 Price	104.36	103.70	103.36	103.69				
10 Yr Treasury Yield	2.18%	2.34%	2.40%	2.16%				

(1) Some of the data may be based on information preceding the date of the report (i.e., closing prices).

(2) Leverage does not include TBA dollar rolls and is based on the most recent audited financial statements available in the 10Q/10K at the time of the report.

(3) A portion of \$0.33 dividend payable has been subtracted from the book value range based on accrual throughout the month.

ARMOUR Capitalization, Dividend Policy, Transparency and Manager

Capitalization

- 43,771,987 shares of common stock outstanding (NYSE: “ARR”).⁽¹⁾
- 2,180,572 shares of Series A Preferred Stock outstanding (NYSE: “ARR PrA”).
- 5,650,000 shares of Series B Preferred Stock outstanding (NYSE: “ARR PrB”).
- Estimated book value of common stock of \$1.4 billion.
- Preferred stock par value of \$195.8 million

Common Stock Dividend Policy

- ARMOUR pays common stock dividends monthly.
- Dividends are announced based on estimates of core and taxable REIT income.

Transparency and Governance

- Portfolio and liability details are updated monthly at www.armourreit.com.
- Premium amortization is expensed monthly as it occurs. No yield smoothing.⁽²⁾
- Hedge positions are marked-to-market daily (GAAP/Tax differences).
- Non-Executive Board Chairman and separate Lead Independent Director.

ARMOUR REIT Manager and Fee Structure

- ARMOUR REIT is externally managed by ARMOUR Capital Management LP.
- Accretive fee structure: effective fee percentage declines as equity increases.

(1) Share count data is as of 8/11/2015 close.

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



Information as of 8/7/2015.

ARMOUR Balance Sheet Targets

Assets

ARMOUR invests in Agency mortgage securities.

Duration

Net balance sheet weighted average duration target of 1.5 or less.

- 4.58 gross asset duration.
- -3.95 hedge duration.
- 0.63 net balance sheet duration.

Hedging

Hedge a minimum of 40% of assets and funding rate risk.

- \$12.7 billion in hedges (swaps).
- 81.1% of assets hedged (40.2% with current paying swaps).
- 100.8% of repurchase agreements hedged (50.0% with current paying swaps).

Liquidity

Hold 40% of unlevered equity in cash between prepayment periods.

- \$912.5 million in total liquidity.
 - \$362.3 million in true cash.
 - \$351.7 million in unlevered securities.
 - \$198.5 million in short term Agency P&I.

Leverage

Long term debt to equity target of 8x - 9x.

- \$12.6 billion in net REPO borrowings.
- 7.9x Q2 2015 shareholders' equity (not including TBA dollar rolls).

ARMOUR Portfolio Strategy and Investment Methodology

Management has a focused and disciplined approach to evaluating assets for inclusion in the ARMOUR portfolio. ARMOUR employs a strong bias toward a ‘buy and hold’ strategy rather than a ‘trading’ strategy. ARMOUR will strategically sell assets when it believes market conditions warrant.

➤ **Diversify Broadly**

- Diversification limits idiosyncratic pool risk.
- Over 1300 cusips.

➤ **Highly Liquid Assets**

- Purchase those Agency securities that are highly liquid (easily traded and priced).
- ARMOUR purchases “pass-through” securities.
- No collateralized mortgage obligations (“CMOs”).

➤ **Diversified Sources**

- Source assets through a mix of direct purchases from:
 - Originators.
 - Dealer inventories.
 - Institutional investors.

➤ **Loan Analysis – Inelasticity vs. Elasticity**

- Credit work on non-credit assets.
- Original and current loan balance.
- Year of origination.
- Originating company, third-party originators.
- Loan seasoning.
- Principal amortization schedule.
- Original loan-to-value ratio.
- Geography.
- 77.4% of our 15yr MBS are between 85K – 175K loan balances.

➤ **Pool Analysis**

- Prepayment history.
- Prepayment expectations.
- Premium over par.
- “Hedgability.”
- Liquidity.

ARMOUR Portfolio and Derivatives Overview

Agency Asset Class	% of Total ARR Portfolio	Current Value (millions)	Weighted Average Purchase Price	Weighted Average Current Market Price	Weighted Average Net/Gross Coupon	Estimated Effective Duration Using Current Values
ARMs & Hybrids	0.8%	\$ 128.7	104.5%	104.9%	2.64/3.25	1.13
Agency Multifamily Ballooning in 120 Months or Less	15.9%	\$ 2,484.3	102.3%	102.2%	3.04/4.11	7.60
Fixed Rates Maturing in 120 Months or Less	0.3%	\$ 48.0	104.4%	106.2%	4.06/4.44	2.78
Fixed Rates Maturing Between 121 and 180 Months	34.4%	\$ 5,357.6	104.7%	105.2%	3.34/3.83	3.78
Fixed Rates Maturing Between 181 and 240 Months	29.0%	\$ 4,525.7	106.0%	106.0%	3.64/4.16	3.66
Fixed Rates Maturing Between 241 and 360 Months	8.9%	\$ 1,394.6	106.2%	106.4%	3.91/4.39	4.87
FNCL 3.5 TBA	10.6%	\$ 1,652.7	103.0%	103.3%	3.50/4.01	4.68
Total or Weighted Average	100.0%	\$ 15,591.6	104.6%	104.9%	3.45/4.04	4.52

	Duration Contribution to Balance Sheet ⁽¹⁾		Amount (millions)	Total Hedge % (Current Paying)	Total Hedge % (All Hedges)
Agency Assets	4.58	Assets	\$ 15,591.6	40.2%	81.1%
Interest Rate Swaps	-3.95	Net Repo Balance	\$ 12,552.5	50.0%	100.8%
Net Balance Sheet Duration	0.63				

Duration estimates are derived from third-party software. Actual realized yields, durations and net durations described herein will depend on a number of factors that cannot be predicted with certainty. If rates decline, the value of our derivatives will typically decline. Inversely, if rates increase, the value of our derivatives will typically increase.

(1) The duration contribution to the balance sheet is based on effective duration and market value.

Information as of 8/7/2015. Portfolio value is based on independent third-party pricing. Portfolio information includes all forward settling trades. Some totals may not foot due to rounding.

ARMOUR Hedge Portfolio

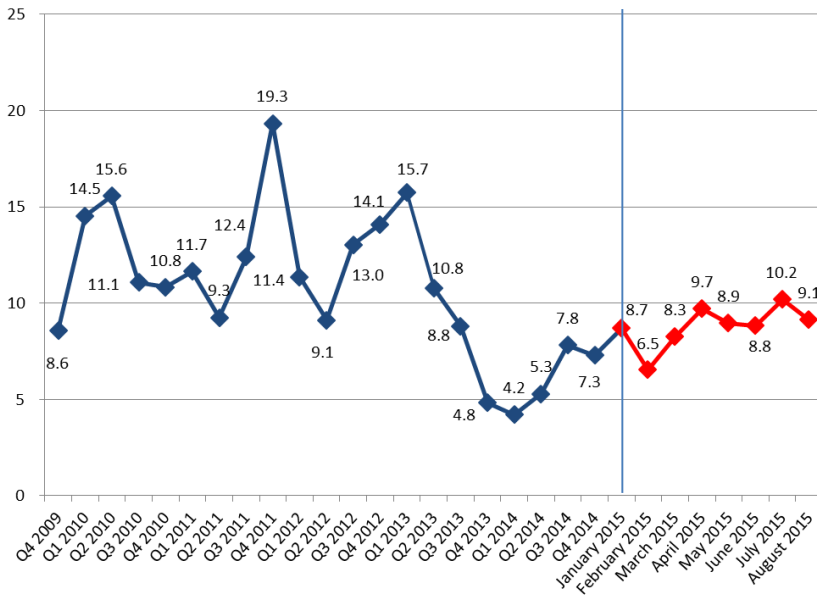
Derivative Type	Remaining Term	Weighted Average Remaining Term (Months)	Notional Amount (millions)	Weighted Average Rate
Interest Rate Swap	0-12 Months	7	\$ 2,700.0	1.16
Interest Rate Swap	13-24 Months	15	\$ 700.0	1.09
Interest Rate Swap	25-36 Months	28	\$ 500.0	0.88
Interest Rate Swap	37-48 Months	0	\$ -	0.00
Interest Rate Swap	49-60 Months	0	\$ -	0.00
Interest Rate Swap	61-72 Months	0	\$ -	0.00
Interest Rate Swap	73-84 Months	0	\$ -	0.00
Interest Rate Swap	85-96 Months	91	\$ 1,375.0	2.11
Interest Rate Swap	97-108 Months	0	\$ -	0.00
Interest Rate Swap	109-120 Months	113	\$ 1,000.0	2.66
Interest Rate Swap	121-132 Months	0	\$ -	0.00
Interest Rate Swap	132-144 Months	0	\$ -	0.00
Total or Weighted Average		45	\$ 6,275.0	1.58

Forward Starting	Weighted Average Months to Start	Weighted Average Underlying Term (Months)	Notional Amount (millions)	Weighted Average Rate
Interest Rate Swap	9	24	\$ 400.0	1.29
Interest Rate Swap	3	49	\$ 2,350.0	1.47
Interest Rate Swap	8	72	\$ 1,025.0	2.05
Interest Rate Swap	10	84	\$ 250.0	2.28
Interest Rate Swap	8	120	\$ 2,350.0	2.29
Total or Weighted Average	6	79	\$ 6,375.0	1.89

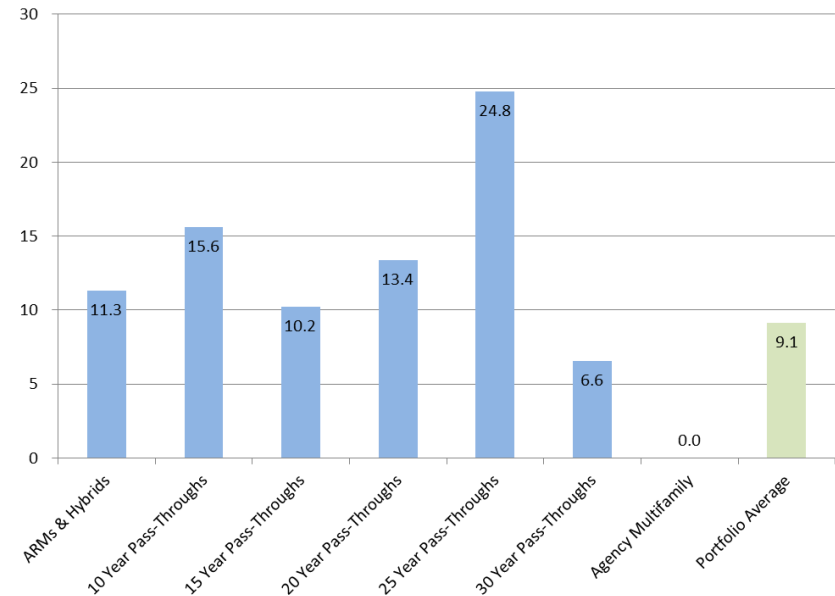
Information as of 8/7/2015. Some totals may not foot due to rounding.

ARMOUR Portfolio Constant Prepayment Rates (“CPR”)

Monthly Portfolio Constant Prepayment Rate



August 2015 Agency Asset CPR



ARMOUR expenses premium amortization monthly as it occurs.

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.

ARMOUR REPO Composition

REPO Counter-Party ⁽¹⁾	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 ICBC Financial Services LLC	\$ 959.9	7.6%	70	21	53
2 BNP Paribas Securities Corp.	\$ 927.1	7.3%	124	43	83
3 Mitsubishi UFJ Securities (USA), Inc.	\$ 921.0	7.2%	70	21	48
4 Morgan Stanley & Co. LLC	\$ 907.1	7.1%	59	14	28
5 Wells Fargo Securities	\$ 863.3	6.8%	32	17	32
6 Merrill Lynch, Pierce, Fenner & Smith Inc.	\$ 826.1	6.5%	66	16	34
7 J.P. Morgan Securities LLC	\$ 800.7	6.3%	56	18	42
8 Citibank, N.A.	\$ 700.0	5.5%	366	156	220
9 The Bank of Nova Scotia	\$ 528.1	4.2%	74	20	32
10 E D & F Man Capital Markets Inc.	\$ 492.6	3.9%	88	37	48
11 ABN AMRO Bank N.V.	\$ 463.2	3.6%	113	63	126
12 Royal Bank of Canada	\$ 394.4	3.1%	64	34	54
13 Societe Generale	\$ 377.3	3.0%	82	22	42
14 Daiwa Securities America Inc.	\$ 374.6	2.9%	67	30	34
15 The Bank of New York Mellon	\$ 350.0	2.8%	364	50	54
16 ING Financial Markets LLC	\$ 338.4	2.7%	31	21	32
17 UBS Securities LLC	\$ 295.1	2.3%	53	10	10
18 Nomura Securities International, Inc.	\$ 283.7	2.2%	57	13	24
19 Mizuho Securities USA Inc.	\$ 273.6	2.2%	92	41	41
20 KGS-Alpha Capital Markets, L.P.	\$ 254.9	2.0%	62	39	40
21 Natixis Financial Products LLC	\$ 252.3	2.0%	50	31	38
22 South Street Securities LLC	\$ 230.5	1.8%	63	17	17
23 CRT Capital Group LLC	\$ 204.4	1.6%	90	17	17
24 Barclays Capital Inc.	\$ 195.8	1.5%	91	37	41
25 Citigroup Global Markets Inc.	\$ 195.4	1.5%	59	14	17
26 Deutsche Bank Securities Inc.	\$ 131.7	1.0%	39	23	32
27 Guggenheim Securities, LLC	\$ 131.2	1.0%	33	10	10
28 Pierpont Securities LLC	\$ 41.4	0.3%	62	10	10
Total or Weighted Average	\$ 12,713.7	100.0%	94	33	

Weighted Average Repo Rate	0.40%
Weighted Average Haircut	4.82%

August Paydowns	(161.2)
Net REPO after Paydowns	12,552.5
Debt to Q2 2015 Shareholders' Equity Ratio	7.9

(1) ARMOUR has signed MRAs with 37 counterparties.

\$273 mm of unsettled bonds are not reflected in the net repo numbers

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