



# ARMOUR

## RESIDENTIAL REIT

ARMOUR RESIDENTIAL REIT, Inc.

Company Update

April 20, 2016

## 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.**



## Commentary

Based on ARMOUR's interest in acquiring JAVELIN Mortgage Investment Corp., ARMOUR elected not to publish the Monthly Company Update during February and March 2016. ARMOUR's acquisition of JAVELIN was completed on April 6, 2016. With today's Monthly Company Update, ARMOUR resumes its custom of publishing Monthly Company Updates. Future editions and the timing of the Updates may take on a different form as ARMOUR continues to evaluate the best way to deliver useful information to our shareholders, equity analysts and credit officers.

# ARMOUR Monthly Metrics

| Report Date <sup>(1)</sup>                | 1/26/2016       | 4/20/2016       |         |      |      |      |
|---|-----------------|-----------------|---------|------|------|------|
| Common Stock Price                        | \$18.51         | \$21.87         |         |      |      |      |
| Estimated Book Value Range <sup>(2)</sup> | \$26.62-\$26.94 | \$24.84-\$25.16 |         |      |      |      |
| Common Shares Outstanding                 | 36,760,555      | 36,748,987      |         |      |      |      |
| Preferred A Shares Outstanding            | 2,180,572       | 2,180,572       |         |      |      |      |
| Preferred B Shares Outstanding            | 5,650,000       | 5,650,000       |         |      |      |      |
| Asset Balance Sheet Duration              | 4.34            | 3.64            | Q1 2014 | 3.20 | 1.37 | 1.82 |
| Hedge Balance Sheet Duration              | -4.46           | -3.09           | Q2 2014 | 2.85 | 1.40 | 1.46 |
| Net Balance Sheet Duration                | -0.12           | 0.56            | Q3 2014 | 2.68 | 1.25 | 1.43 |
| Leverage <sup>(3)</sup>                   | 8.2             | 9.0             | Q4 2014 | 2.71 | 1.44 | 1.27 |
| Rates DV01                                | -150,000        | 622,400         | Q1 2015 | 2.72 | 1.52 | 1.20 |
| Spread DV01                               | 6,262,000       | 5,461,000       | Q2 2015 | 2.61 | 1.24 | 1.36 |
| FNCL 3.5 Price                            | 104.03          | 104.78          | Q3 2015 | 2.56 | 1.12 | 1.44 |
| FNCL 3.0 Price                            | 103.72          | 104.41          | Q4 2015 | 2.70 | 1.13 | 1.58 |
| 10 Yr Treasury Yield                      | 2.05%           | 1.77%           |         |      |      |      |
| 5 Year OIS Swap Rate                      | 1.14%           | 0.89%           |         |      |      |      |
| 10 Year OIS Swap Rate                     | 1.62%           | 1.29%           |         |      |      |      |

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

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

(3) Leverage does not include TBA dollar rolls or forward settling transactions. Leverage is based on the most recent 10Q/10K at the time of the 1/26/16 report and is based on current equity for the 4/19/16 report.

# ARMOUR Capitalization, Dividend Policy, Transparency and Manager

## Capitalization

- 36,748,987 shares of common stock outstanding (NYSE: “ARR”).<sup>(1)</sup>
- 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 \$918.7million.
- 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 REIT income.

## Transparency and Governance

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

## ARMOUR REIT Manager

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

(1) Share count data is as of 4/19/2016 close.

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



Information as of 4/19/2016.

# ARMOUR Balance Sheet Targets

## Assets

ARMOUR invests in mortgage securities. Current equity allocation is:

- 80% of equity in Agency securities.
- 20% of equity in Non-Agency securities.

## Duration

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

- 3.64 gross asset duration.
- -3.09 hedge duration.
- 0.56 net balance sheet duration.

## Hedging

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

- \$6.7 billion in hedges (swaps).
- 58.7% of assets hedged (49.6% with current paying swaps).
- 67.0% of repurchase agreements hedged (56.6% with current paying swaps).

## Liquidity

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

- \$449.8 million in total liquidity.
  - \$199.7 million in true cash.
  - \$114.3 million in unlevered securities.
  - \$135.8 million in short term Agency P&I.

## Leverage

Debt to equity target of 8x - 9x.

- \$10.1 billion in net REPO borrowings.
- 9.0x estimated shareholder's equity as of 4/19/16

# 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.

## Non-Agency Structure Analysis

- Seniority, subordination model.
- Model completeness and accuracy.
- Litigation and policy risks.

## Agency & Non-Agency Class Analysis

- Prepayment history.
- Prepayment expectations.
- Premium/discount.
- Liquidity.

## Agency & Non-Agency Loan Analysis

- Original and current loan balance.
- Year of origination.
- Originating company, third-party originators.
- Loan seasoning.
- Principal amortization schedule.
- Original loan-to-value ratio.
- Geography.
- 89.1% of our 15yr MBS are between 85k – 175k loan balances.

## Agency Pool Analysis

- Only “pass-through” securities. No CMO’s.
- Prepayment history and expectations.
- Premium over par.
- Hedgability.
- Liquidity.
- Diversify broadly to limit idiosyncratic pool risk.

# ARMOUR Agency & Non-Agency Portfolio

| Total Agency Securities                             | Percent of Portfolio | Current Value (millions) | Weighted Average Purchase Price | Weighted Average Current Market Price | Weighted Average Net/Gross | Estimated Effective Duration Using Current Values |
|---|----------------------|--------------------------|---------------------------------|---------------------------------------|----------------------------|---|
| ARMs & Hybrids                                      | 0.84%                | \$ 96.0                  | 104.7%                          | 104.1%                                | 2.52/3.09                  | 0.98  |
| Agency Multifamily Ballooning in 120 Months or Less | 14.61%               | \$ 1,677.1               | 102.7%                          | 106.4%                                | 3.19/4.33                  | 6.93  |
| Fixed Rates Maturing Between 0 and 120 Months       | 2.02%                | \$ 231.8                 | 104.8%                          | 106.1%                                | 3.82/4.20                  | 2.27  |
| Fixed Rates Maturing Between 121 and 180 Months     | 31.25%               | \$ 3,588.6               | 104.7%                          | 106.2%                                | 3.35/3.86                  | 3.27  |
| Fixed Rates Maturing Between 181 and 240 Months     | 25.55%               | \$ 2,934.5               | 106.5%                          | 107.0%                                | 3.79/4.27                  | 2.57  |
| Fixed Rates Maturing Between 241 and 300 Months     | 0.15%                | \$ 17.7                  | 109.0%                          | 109.3%                                | 4.50/4.88                  | 2.76  |
| Fixed Rates Maturing Between 301 and 360 Months     | 10.58%               | \$ 1,214.8               | 106.0%                          | 107.0%                                | 3.87/4.36                  | 3.80  |
| TBA   | 8.90%                | \$ 1,022.5               | 102.3%                          | 102.2%                                | 3.00/3.77                  | 3.49  |
| <b>Total or Weighted Average</b>                    | <b>93.9%</b>         | <b>\$ 10,782.8</b>       | <b>104.8%</b>                   | <b>106.1%</b>                         | <b>3.48/4.09</b>           | <b>3.69</b>                                       |

| Total Non-Agency Securities      | Percent of Portfolio | Current Value (millions) | Weighted Average Purchase Price | Weighted Average Current Market Price | Weighted Average Net/Gross | Estimated Effective Duration Using Current Values |
|----------------------------------|----------------------|--------------------------|---------------------------------|---------------------------------------|----------------------------|---|
| Legacy Prime Fixed               | 0.20%                | \$ 22.7                  | 81.5%                           | 81.4%                                 | 6.03/5.34                  | 0.00  |
| Legacy Prime Hybrid              | 0.12%                | \$ 13.6                  | 87.1%                           | 87.3%                                 | 2.47/2.90                  | 0.53  |
| Legacy Alt-A Fixed               | 0.59%                | \$ 68.0                  | 79.8%                           | 79.8%                                 | 5.86/5.14                  | 0.00  |
| Legacy Alt-A Hybrid              | 0.06%                | \$ 6.4                   | 81.0%                           | 81.3%                                 | 2.79/3.06                  | 0.00  |
| New Issue Prime Fixed            | 0.10%                | \$ 11.2                  | 97.1%                           | 97.1%                                 | 3.67/3.95                  | 5.00  |
| Credit Risk Transfer             | 4.10%                | \$ 471.1                 | 96.7%                           | 98.9%                                 | 4.92/4.03                  | 0.00  |
| NPL/RPLs                         | 0.93%                | \$ 107.3                 | 99.0%                           | 99.2%                                 | 3.74/4.67                  | 0.32  |
| <b>Total or Weighted Average</b> | <b>6.1%</b>          | <b>\$ 700.3</b>          | <b>94.6%</b>                    | <b>96.1%</b>                          | <b>4.78/4.24</b>           | <b>0.14</b>                                       |

Information as of 4/19/2016. 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 Balance Sheet Hedge Metrics

| Total                    | Duration<br>Contribution to<br>Balance Sheet |
|--------------------------|--|
| Agency Assets            | 3.63   |
| Non-Agency Legacy Assets | 0.01   |
| Interest Rate Swaps      | -3.09  |
| <b>Net Balance Sheet</b> | <b>0.56</b>                                  |

| Repo                       | Amount<br>(millions) | Current Hedge %<br>(Current Paying) | Total Hedge %<br>(All Hedges) |
|----------------------------|----------------------|-------------------------------------|-------------------------------|
| Agency & Non-Agency Assets | \$ 11,483.2          | 49.6%                               | 58.7%                         |
| REPO Balance               | \$ 10,066.8          | 56.6%                               | 67.0%                         |

(1) The duration contribution to the balance sheet is based on effective duration and market value. Information and pricing as of 4/19/16. Some totals may not foot due to rounding.

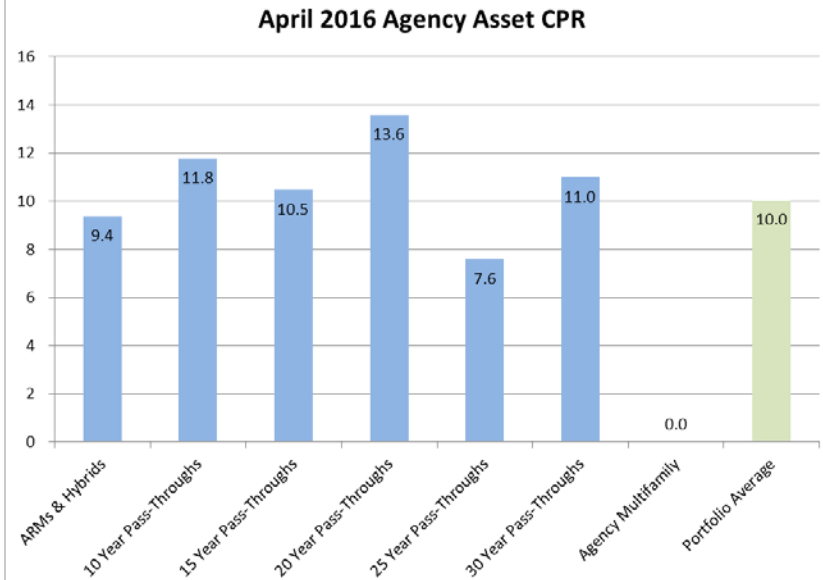
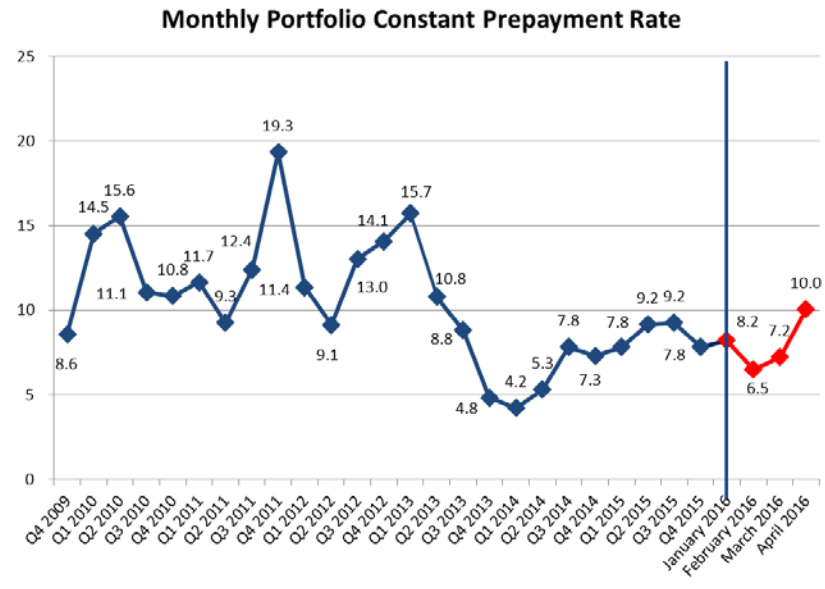
# ARMOUR Hedge Portfolio

| Current Pay                      | Remaining Term | Weighted Average Remaining Term (Months) | Notional Amount (millions) | Weighted Average Rate |
|----------------------------------|----------------|--|----------------------------|-----------------------|
| Interest Rate Swap               | 0-12 Months    | 0  | \$ -                       | 0.00                  |
| Interest Rate Swap               | 13-24 Months   | 19                                       | \$ 700.0                   | 0.78                  |
| Interest Rate Swap               | 25-36 Months   | 26                                       | \$ 50.0                    | 0.92                  |
| Interest Rate Swap               | 37-48 Months   | 44                                       | \$ 2,410.0                 | 1.48                  |
| Interest Rate Swap               | 49-60 Months   | 0  | \$ -                       | 0.00                  |
| Interest Rate Swap               | 61-72 Months   | 69                                       | \$ 275.0                   | 2.04                  |
| Interest Rate Swap               | 73-84 Months   | 82                                       | \$ 1,375.0                 | 2.11                  |
| Interest Rate Swap               | 85-96 Months   | 87                                       | \$ 85.0                    | 2.02                  |
| Interest Rate Swap               | 97-108 Months  | 0  | \$ -                       | 0.00                  |
| Interest Rate Swap               | 109-120 Months | 119                                      | \$ 800.0                   | 2.25                  |
| <b>Total or Weighted Average</b> |                | <b>62</b>                                | <b>\$ 5,695.0</b>          | <b>1.68</b>           |

| Forward Starting                 | Weighted Average Months to Start | Weighted Average Underlying Term (Months) | Notional Amount (millions) | Weighted Average Rate |
|----------------------------------|----------------------------------|---|----------------------------|-----------------------|
| Interest Rate Swap               | 1                                | 45  | \$ 700.0                   | 1.63                  |
| Interest Rate Swap               | 2                                | 120                                       | \$ 250.0                   | 2.50                  |
| Interest Rate Swap               | 3                                | 60  | \$ 100.0                   | 1.95                  |
| <b>Total or Weighted Average</b> |                                  | <b>1</b>                                  | <b>\$ 1,050.0</b>          | <b>1.87</b>           |

Information as of 4/19/2016. Some totals may not foot due to rounding.

# ARMOUR Portfolio Constant Prepayment Rates (“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 <sup>(1)</sup>             | 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 Mitsubishi UFJ Securities (USA), Inc.       | \$ 1,045.5                    | 10.4%                                    | 52                                     | 27                                      | 59                             |
| 2 Wells Fargo Securities                      | \$ 722.9                      | 7.2%                                     | 30                                     | 26                                      | 29                             |
| 3 The Bank of Nova Scotia                     | \$ 699.2                      | 6.9%                                     | 64                                     | 20                                      | 29                             |
| 4 ICBC Financial Services LLC                 | \$ 624.2                      | 6.2%                                     | 45                                     | 32                                      | 59                             |
| 5 Morgan Stanley & Co. LLC                    | \$ 609.4                      | 6.1%                                     | 47                                     | 37                                      | 48                             |
| 6 E D & F Man Capital Markets Inc.            | \$ 533.8                      | 5.3%                                     | 44                                     | 29                                      | 52                             |
| 7 Daiwa Securities America Inc.               | \$ 511.3                      | 5.1%                                     | 53                                     | 22                                      | 29                             |
| 8 ING Financial Markets LLC                   | \$ 433.1                      | 4.3%                                     | 30                                     | 13                                      | 20                             |
| 9 J.P. Morgan Securities LLC                  | \$ 428.5                      | 4.3%                                     | 59                                     | 24                                      | 37                             |
| 10 KGS-Alpha Capital Markets, L.P.            | \$ 402.8                      | 4.0%                                     | 41                                     | 34                                      | 56                             |
| 11 Societe Generale                           | \$ 392.4                      | 3.9%                                     | 31                                     | 20                                      | 27                             |
| 12 ABN AMRO Bank N.V.                         | \$ 321.9                      | 3.2%                                     | 45                                     | 18                                      | 35                             |
| 13 Royal Bank of Canada                       | \$ 309.7                      | 3.1%                                     | 39                                     | 21                                      | 83                             |
| 14 Merrill Lynch, Pierce, Fenner & Smith Inc. | \$ 306.3                      | 3.0%                                     | 32                                     | 15                                      | 38                             |
| 15 Citibank, N.A. (2)                         | \$ 300.0                      | 3.0%                                     | 366                                    | 202                                     | 211                            |
| 16 Federal Home Loan Bank of Cincinnati       | \$ 299.9                      | 3.0%                                     | 1                                      | 1                                       | 1                              |
| 17 BNP Paribas Securities Corp.               | \$ 279.9                      | 2.8%                                     | 59                                     | 51                                      | 52                             |
| 18 Citigroup Global Markets Inc.              | \$ 259.0                      | 2.6%                                     | 58                                     | 40                                      | 69                             |
| 19 The Bank of New York Mellon                | \$ 250.0                      | 2.5%                                     | 364                                    | 157                                     | 157                            |
| 20 South Street Securities LLC                | \$ 248.6                      | 2.5%                                     | 31                                     | 9                                       | 9                              |
| 21 Mizuho Securities USA Inc.                 | \$ 231.7                      | 2.3%                                     | 30                                     | 27                                      | 31                             |
| 22 Nomura Securities International, Inc.      | \$ 206.8                      | 2.1%                                     | 60                                     | 47                                      | 55                             |
| 23 Natixis Financial Products LLC             | \$ 197.8                      | 2.0%                                     | 74                                     | 32                                      | 45                             |
| 24 Guggenheim Securities, LLC                 | \$ 169.2                      | 1.7%                                     | 55                                     | 28                                      | 28                             |
| 25 Federal Home Loan Bank of Des Moines       | \$ 100.0                      | 1.0%                                     | 366                                    | 229                                     | 229                            |
| 26 Wells Fargo Bank, N.A.                     | \$ 58.3                       | 0.6%                                     | 30                                     | 12                                      | 23                             |
| 27 UBS Securities LLC                         | \$ 50.0                       | 0.5%                                     | 927                                    | 224                                     | 370                            |
| 28 Deutsche Bank Securities Inc.              | \$ 35.6                       | 0.4%                                     | 29                                     | 23                                      | 23                             |
| 29 Credit Suisse Securities (USA) LLC         | \$ 32.6                       | 0.3%                                     | 84                                     | 25                                      | 62                             |
| 30 Barclays Capital Inc.                      | \$ 6.7                        | 0.1%                                     | 90                                     | 20                                      | 20                             |
| <b>Total or Weighted Average</b>              | <b>\$ 10,066.8</b>            | <b>100.0%</b>                            | <b>70</b>                              | <b>37</b>                               |                                |

**Weighted Average Repo Rate** 0.74%

**Weighted Average Haircut** 5.97%

(1) ARMOUR has 38 lending counterparties.

Information as of 4/19/2016.  
Some totals may not foot due to rounding.





# ARMOUR RESIDENTIAL REIT

[www.armourreit.com](http://www.armourreit.com)

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