



ARMOUR

RESIDENTIAL REIT

ARMOUR RESIDENTIAL REIT, Inc.

Company Update

May 20th, 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.

This material is for information purposes only and does not constitute an offer to sell, a solicitation of an offer to buy, or a recommendation for any securities or financial instruments. The statements, information and estimates contained herein are based on information that the presenter believes to be reliable as of today's date, but cannot be represented that such statements, information or estimates are complete or accurate.

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 Monthly Metrics

Report Date ⁽¹⁾	4/20/2016	5/18/2016				
Common Stock Price	\$21.87	\$19.16				
Estimated Book Value ⁽²⁾	\$25.00	\$25.45				
Common Shares Outstanding	36,748,987	36,759,245	Quarter	Asset Yield	Cost of Funds	Net Interest Margin
Preferred A Shares Outstanding	2,180,572	2,180,572	Q1 2014	3.20	1.37	1.82
Preferred B Shares Outstanding	5,650,000	5,650,000	Q2 2014	2.85	1.40	1.46
Asset Balance Sheet Duration	3.64	3.81	Q3 2014	2.68	1.25	1.43
Hedge Balance Sheet Duration	-3.09	-2.86	Q4 2014	2.71	1.44	1.27
Net Balance Sheet Duration	0.56	0.96	Q1 2015	2.72	1.52	1.20
Leverage ⁽³⁾	9.0	7.7	Q2 2015	2.61	1.24	1.36
Rates DV01	622,400	1,045,000	Q3 2015	2.56	1.12	1.44
Spread DV01	5,461,000	5,593,000	Q4 2015	2.70	1.13	1.58
FNCL 3.5 Price	104.78	104.44	Q1 2016	2.73	1.36	1.37
FNCL 3.0 Price	104.41	104.22				
10 Yr Treasury Yield	1.77%	1.86%				
5 Year OIS Swap Rate	0.89%	1.01%				
10 Year OIS Swap Rate	1.29%	1.35%				

(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 *estimated* book value 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 5/17/16 report.

ARMOUR Capitalization, Dividend Policy, Transparency and Manager

Capitalization

- 36,759,245 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 \$935.6 million.
- Preferred stock par value of \$195.8 million

Common Stock Dividend Policy

- ARMOUR pays common stock dividends monthly.
- Dividends are typically announced on a monthly basis.

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

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

(1) Share count data is as of 5/18/2016 close.

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



Information as of 5/18/2016.

ARMOUR Balance Sheet Metrics

Assets

ARMOUR invests in mortgage securities. Current equity allocation is:

- 45.2% of equity in Agency securities (unlevered securities and repo haircuts).
- 17.3% of equity in Non-Agency securities (unlevered securities and repo haircuts).
- 37.5% of equity in cash, receivables and hedges.

Duration

0.96 net balance sheet duration.

- 3.81 gross asset duration.
- -2.86 hedge duration.

Hedging

\$6.0 billion in hedges (interest rate swaps).

- 59.0% of long fixed rate assets hedged (55.6% with current paying swaps).
- 75.9% of long fixed rate asset repurchase agreements hedged (71.5% with current paying swaps).

Liquidity

\$509.9 million in total liquidity.

- \$287.1 million in true cash.
- \$97.2 million in unlevered securities.
- \$125.7 million in short term Agency P&I.

Leverage

7.7x estimated shareholder's equity.

- \$8.7 billion in net REPO borrowings.

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.
- 87.6% of our 15yr MBS are between 85k – 175k loan balances.

Agency Pool Analysis

- Prepayment history and expectations.
- Premium over par.
- Hedgability.
- Liquidity.
- Diversify broadly to limit idiosyncratic pool risk.

ARMOUR Agency & Non-Agency Portfolio

Total Agency Securities	% of 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%	\$ 94.4	104.7%	103.7%	2.51/3.08	0.91
Agency Multifamily Ballooning in 120 Months or Less	15.0%	\$ 1,665.7	102.6%	105.9%	3.18/4.33	6.86
Fixed Rates Maturing Between 0 and 120 Months	2.1%	\$ 236.4	104.8%	105.9%	3.81/4.19	2.30
Fixed Rates Maturing Between 121 and 180 Months	26.4%	\$ 2,933.9	104.7%	106.0%	3.36/3.86	3.32
Fixed Rates Maturing Between 181 and 240 Months	20.0%	\$ 2,219.9	106.5%	107.1%	3.87/4.35	2.71
Fixed Rates Maturing Between 241 and 300 Months	0.2%	\$ 17.6	109.0%	109.1%	4.50/4.88	2.92
Fixed Rates Maturing Between 301 and 360 Months	12.5%	\$ 1,385.4	105.8%	106.5%	3.82/4.32	3.89
TBA	16.0%	\$ 1,781.9	102.3%	101.8%	3.00/3.78	4.60
Total or Weighted Average	93.0%	\$ 10,335.2	104.5%	105.5%	3.45/4.09	4.01

Total Non-Agency Securities	% of Portfolio	Current Value (millions)	Weighted Average Purchase Price	Weighted Average Current Market Price	Weighted Average Net/Gross Coupon	Estimated Effective Duration Using Current Values
Legacy Prime Fixed	0.2%	\$ 22.4	82.1%	81.3%	6.03/5.33	0.00
Legacy Prime Hybrid	0.1%	\$ 13.3	89.1%	87.3%	2.48/2.90	0.45
Legacy Alt-A Fixed	0.6%	\$ 67.2	80.2%	79.6%	5.86/5.12	0.00
Legacy Alt-A Hybrid	0.1%	\$ 6.2	81.6%	81.3%	2.83/3.11	0.00
New Issue Prime Fixed	0.1%	\$ 11.2	97.5%	97.1%	3.66/3.95	5.09
Credit Risk Transfer	5.0%	\$ 557.2	97.4%	100.4%	4.95/4.05	0.00
NPL/RPLs	0.9%	\$ 105.3	99.1%	99.2%	3.75/4.65	0.70
Total or Weighted Average	7.0%	\$ 782.8	95.4%	97.5%	4.82/4.23	0.17

Information as of 5/18/2016. 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 Contribution to Balance Sheet ⁽¹⁾
Agency Assets	3.81
Non-Agency Assets	0.01
Interest Rate Swaps	-2.86
Net Balance Sheet	0.96

Repo	Amount (millions)	Current Hedge % (Current Paying)	Total Hedge % (All Hedges)
Long Fixed Rate Assets	\$ 10,252.0	55.6%	59.0%
Long Fixed Rate Asset Repo Balance	\$ 7,962.8	71.5%	75.9%

(1) The duration contribution to the balance sheet is based on effective duration and market value. Information and pricing as of 5/18/16. Some totals may not foot due to rounding.

ARMOUR Hedge Portfolio

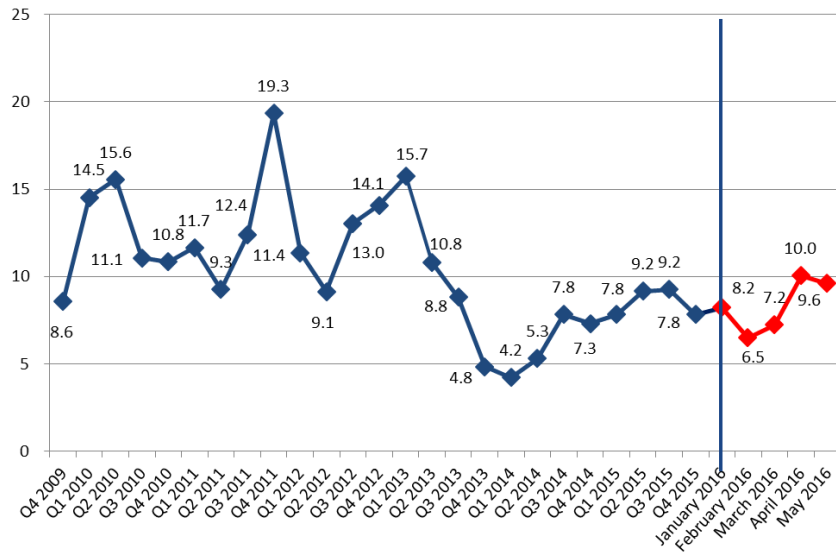
Current Pay	Remaining Term	Weighted Average Remaining Term (Months)	Notional Amount (millions)	Weighted Average Rate
Interest Rate Swap	0-12 Months	0	\$ -	0.00
Interest Rate Swap	13-24 Months	17	\$ 700.0	0.78
Interest Rate Swap	25-36 Months	24	\$ 50.0	0.92
Interest Rate Swap	37-48 Months	42	\$ 2,410.0	1.48
Interest Rate Swap	49-60 Months	0	\$ -	0.00
Interest Rate Swap	61-72 Months	68	\$ 275.0	2.04
Interest Rate Swap	73-84 Months	81	\$ 1,375.0	2.11
Interest Rate Swap	85-96 Months	86	\$ 85.0	2.02
Interest Rate Swap	97-108 Months	0	\$ -	0.00
Interest Rate Swap	109-120 Months	118	\$ 800.0	2.25
Total or Weighted Average		61	\$ 5,695.0	1.68

Forward Starting	Weighted Average Months to Start	Weighted Average Underlying Term (Months)	Notional Amount (millions)	Weighted Average Rate
Interest Rate Swap	1	120	\$ 250.0	2.50
Interest Rate Swap	2	60	\$ 100.0	1.95
Total or Weighted Average		1	\$ 350.0	2.34

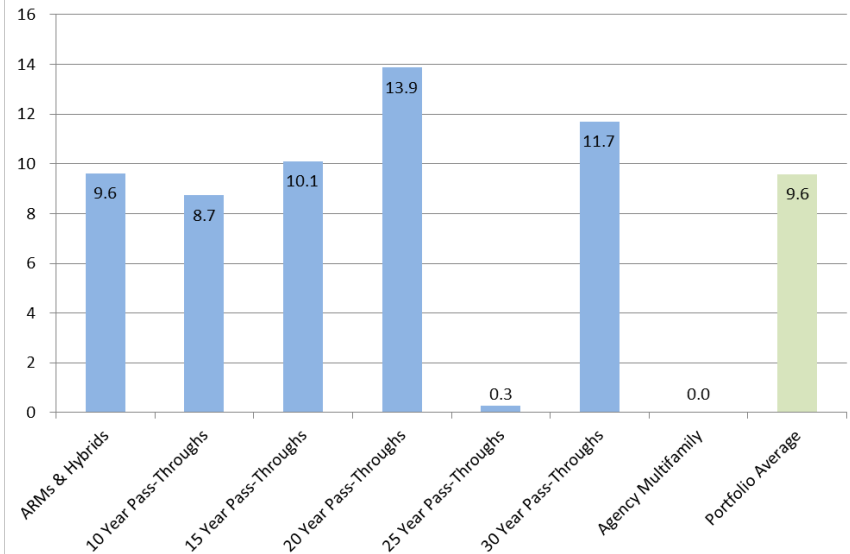
Information as of 5/18/2016. Some totals may not foot due to rounding.

ARMOUR Portfolio Constant Prepayment Rates (“CPR”)

Monthly Portfolio Constant Prepayment Rate



May 2016 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 Mitsubishi UFJ Securities (USA), Inc.	\$ 705.0	8.1%	55	31	58
2 Morgan Stanley & Co. LLC	\$ 639.9	7.3%	52	37	84
3 ICBC Financial Services LLC	\$ 533.4	6.1%	47	28	61
4 Wells Fargo Securities	\$ 509.5	5.8%	30	28	30
5 E D & F Man Capital Markets Inc.	\$ 479.7	5.5%	56	36	58
6 The Bank of New York Mellon	\$ 450.0	5.2%	229	91	128
7 ING Financial Markets LLC	\$ 427.0	4.9%	32	17	21
8 Daiwa Securities America Inc.	\$ 396.1	4.5%	60	53	56
9 The Bank of Nova Scotia	\$ 387.2	4.4%	50	38	61
10 Societe Generale	\$ 330.2	3.8%	48	38	57
11 ABN AMRO Bank N.V.	\$ 301.6	3.5%	39	11	13
12 Citibank, N.A. (2)	\$ 300.0	3.4%	366	173	182
13 Merrill Lynch, Pierce, Fenner & Smith Inc.	\$ 296.9	3.4%	30	17	61
14 J.P. Morgan Securities LLC	\$ 279.2	3.2%	90	83	90
15 KGS-Alpha Capital Markets, L.P.	\$ 271.8	3.1%	59	45	55
16 BNP Paribas Securities Corp.	\$ 266.9	3.1%	53	23	26
17 Citigroup Global Markets Inc.	\$ 260.1	3.0%	47	16	40
18 FHLB - Cincinnati	\$ 256.0	2.9%	1	1	1
19 Nomura Securities International, Inc.	\$ 236.0	2.7%	51	19	26
20 South Street Securities LLC	\$ 234.6	2.7%	29	9	9
21 Mizuho Securities USA Inc.	\$ 212.7	2.4%	48	23	82
22 RBC Capital Markets	\$ 210.3	2.4%	62	50	54
23 Natixis Financial Products LLC	\$ 190.1	2.2%	75	36	56
24 Guggenheim Securities, LLC	\$ 129.3	1.5%	62	61	61
25 Wells Fargo Bank, N.A.	\$ 102.7	1.2%	29	13	26
26 Federal Home Loan Bank of Des Moines	\$ 100.0	1.1%	366	200	200
27 Royal Bank of Canada	\$ 70.3	0.8%	92	41	76
28 Credit Suisse Securities (USA) LLC	\$ 44.8	0.5%	50	13	33
29 Deutsche Bank Securities Inc.	\$ 32.8	0.4%	61	55	55
30 UBS Securities LLC	\$ 30.0	0.3%	1098	341	341
31 Barclays Capital Inc.	\$ 28.4	0.3%	91	64	64
Total or Weighted Average	\$ 8,712.4	100.0%	76	42	

Weighted Average Repo Rate	0.77%
Weighted Average Haircut	6.54%

Debt to Shareholders' Equity Ratio	7.7
---	------------

(1) ARMOUR has 38 lending counterparties.

Information as of 5/18/2016.
Some totals may not foot due to rounding.





ARMOUR RESIDENTIAL REIT

www.armourreit.com

ARMOUR Residential REIT, Inc.

3001 Ocean Drive

Suite 201

Vero Beach, FL 32963

772-617-4340