



# ARMOUR

## RESIDENTIAL REIT

ARMOUR RESIDENTIAL REIT, Inc.

Company Update

3/14/2017

## 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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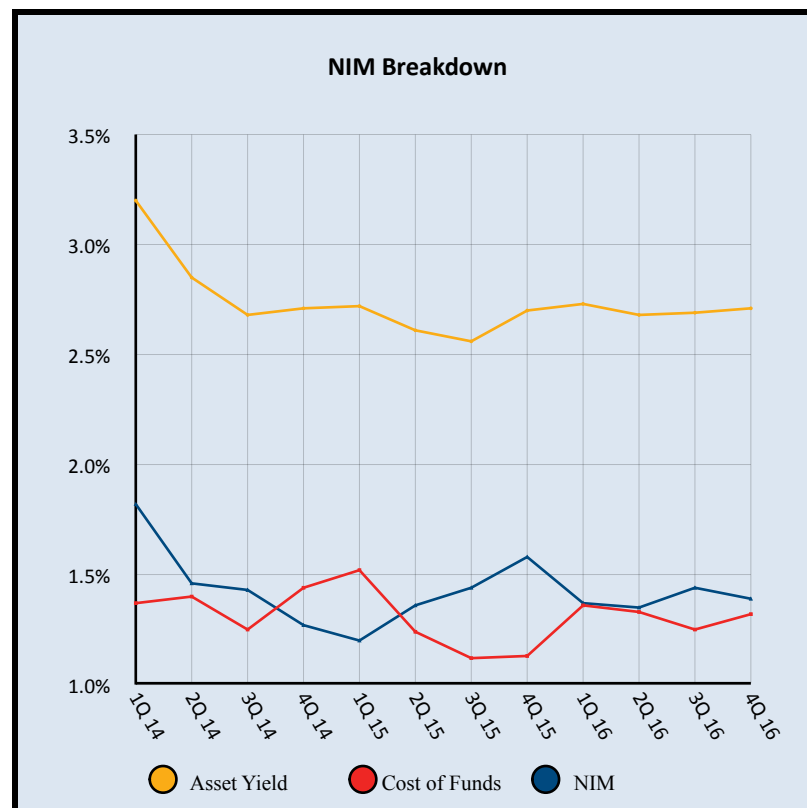
Actual realized yields, durations and net durations described herein will depend on a number of factors that cannot be predicted with certainty. Estimated yields do not reflect any of the costs of operation of ARMOUR.

**THE INFORMATION PRESENTED HEREIN IS UNAUDITED AND UNREVIEWED.**

# ARMOUR Key Metrics

ARMOUR invests in and manages a leveraged portfolio of mortgage-backed securities and mortgage-related assets.

Market Date	12/31/16	1/31/17	2/28/17
<b>Common Stock Price</b>	\$21.69	\$21.02	\$22.49
<b>Estimated Book Value</b>	\$24.39	\$24.59	\$25.02
<b>Common Shares Outstanding<sup>(1)</sup></b>	36,767,060	36,755,523	36,755,523
<b>Preferred A Shares Outstanding</b>	2,180,572	2,180,572	2,180,572
<b>Preferred B Shares Outstanding</b>	5,650,000	5,650,000	5,650,000
<b>Asset Balance Sheet Duration</b>	3.90	4.00	3.74
<b>Hedge Balance Sheet Duration</b>	(2.67)	(2.78)	(2.95)
<b>Net Balance Sheet Duration</b>	1.24	1.23	0.79
<b>Leverage<sup>(2)</sup></b>	6.2	6.3	6.0
<b>Rates DV01</b>	\$1,201,000	\$1,142,000	\$677,000
<b>Spread DV01</b>	\$4,795,000	\$4,798,000	\$4,314,000
<b>FNCL 3.5 Price</b>	102.45	102.13	102.31
<b>FNCL 3.0 Price</b>	102.61	102.56	102.67
<b>10 Yr Treasury Yield</b>	2.45%	2.45%	2.39%
<b>5 Year OIS Swap Rate</b>	1.61%	1.61%	1.67%
<b>10 Year OIS Swap Rate</b>	1.96%	1.97%	1.97%



(1) Share count data includes dilutive common stock equivalents.

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

# ARMOUR Capitalization, Dividend Policy, Transparency and Manager

## Capitalization

- Total Capitalization of \$1,115.4 million composed of:
  - Estimated book value of common stock of \$919.6 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

- 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>(1)</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) Due to the prepayment lockout feature of our Agency multifamily securities, premium is amortized using a level yield methodology

# ARMOUR Balance Sheet Metrics

## Equity Allocation

ARMOUR invests in mortgage securities. Current allocation of equity in repo is:

- 53.4% in Agency securities.
- 46.6% in Non-Agency securities.

## Duration

0.79 net balance sheet duration.

- 3.74 gross asset duration.
- (2.95) hedge duration.

## Hedging

\$4.2 billion in hedges (interest rate swaps).

- 57.1% of Agency fixed rate assets hedged.
- 72.9% of Agency fixed rate asset repurchase agreements hedged.

## Liquidity

\$589.7 million in total liquidity.

- \$223.7 million in true cash.
- \$366.0 million in unlevered securities.

## Leverage

6.0x estimated shareholder's equity.

- \$6.7 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.
- 47.6% 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	0.9%	\$ 80.9	104.7%	103.8%	2.60/3.21	1.30
Agency Multifamily Ballooning in 120 Months or Less	17.2%	\$ 1,468.7	102.1%	102.9%	3.18/4.34	6.23
Fixed Rates Maturing Between 0 and 120 Months	1.5%	\$ 126.7	104.8%	104.6%	3.97/4.35	2.86
Fixed Rates Maturing Between 121 and 180 Months	28.1%	\$ 2,405.2	105.5%	105.1%	3.65/4.12	3.76
Fixed Rates Maturing Between 181 and 240 Months	3.1%	\$ 262.3	108.8%	107.3%	4.33/4.88	3.91
Fixed Rates Maturing Between 241 and 300 Months	1.4%	\$ 120.2	107.0%	105.1%	3.87/4.50	4.42
Fixed Rates Maturing Between 301 and 360 Months	22.4%	\$ 1,915.0	105.4%	105.0%	3.93/4.42	4.61
Interest-Only	0.3%	\$ 29.6	18.9%	18.9%	4.86/5.38	(4.64)
<b>Total or Weighted Average</b>	<b>74.9%</b>	<b>\$ 6,408.6</b>	<b>104.4%</b>	<b>104.2%</b>	<b>3.66/4.30</b>	<b>4.51</b>

Total TBA 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
15Y TBA	12.6%	\$ 1,078.7	102.4%	102.7%	N/A	3.70
<b>Total or Weighted Average</b>	<b>12.6%</b>	<b>\$ 1,078.7</b>	<b>102.4%</b>	<b>102.7%</b>	<b>N/A</b>	<b>3.70</b>

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 Non-Agency Assets	1.1%	\$ 96.5	76.5%	82.2%	5.35/4.73	0.45
New Issue Prime Fixed	0.2%	\$ 19.2	94.1%	95.3%	3.70/3.98	5.04
Credit Risk Transfer	9.8%	\$ 836.4	98.3%	107.6%	5.28/4.20	(1.39)
NPL/RPLs	1.4%	\$ 116.6	99.5%	100.3%	3.80/4.18	1.01
<b>Total or Weighted Average</b>	<b>12.5%</b>	<b>\$ 1,068.7</b>	<b>96.4%</b>	<b>104.3%</b>	<b>5.10/4.24</b>	<b>(0.85)</b>

<b>Total or Weighted Average Portfolio</b>	<b>100.0%</b>	<b>\$ 8,556.0</b>	<b>101.8%</b>	<b>102.7%</b>	<b>3.75/4.19</b>	<b>3.74</b>
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Information as of 2/28/2017. 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 Hedge Portfolio

Derivative Type	Remaining Term	Weighted Average Remaining Term (Months)	Notional Amount (millions)	Weighted Average Rate
Interest Rate Swap	0-12 Months	5	\$ 200.0	0.54
Interest Rate Swap	13-24 Months	15	\$ 50.0	0.92
Interest Rate Swap	25-36 Months	33	\$ 550.0	1.21
Interest Rate Swap	37-48 Months	—	\$ —	—
Interest Rate Swap	49-60 Months	—	\$ —	—
Interest Rate Swap	61-72 Months	72	\$ 1,125.0	2.10
Interest Rate Swap	73-84 Months	79	\$ 1,050.0	1.84
Interest Rate Swap	85-96 Months	—	\$ —	—
Interest Rate Swap	97-108 Months	—	\$ —	—
Interest Rate Swap	109-120 Months	117	\$ 1,250.0	1.95
Interest Rate Swap	121-132 Months	—	\$ —	—
<b>Total or Weighted Average</b>		<b>78</b>	<b>\$ 4,225.0</b>	<b>1.79</b>

Information as of 2/28/2017. Some totals may not foot due to rounding.



# 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.	\$ 546.5	8.2%	36	14	29
2 ICBC Financial Services LLC	\$ 546.4	8.2%	30	17	29
3 The Bank of Nova Scotia	\$ 540.0	8.1%	28	14	28
4 ABN AMRO Bank N.V.	\$ 485.1	7.3%	56	25	56
5 Daiwa Securities America Inc.	\$ 405.3	6.1%	28	5	8
6 Goldman, Sachs & Co.	\$ 383.4	5.8%	28	16	17
7 J.P. Morgan Securities LLC	\$ 356.2	5.4%	28	17	17
8 Citibank, N.A.	\$ 326.6	4.9%	41	35	89
9 Merrill Lynch, Pierce, Fenner & Smith Inc.	\$ 304.4	4.6%	28	8	14
10 RBC Capital Markets	\$ 265.8	4.0%	34	22	23
11 Natixis Financial Products LLC	\$ 249.2	3.7%	29	21	24
12 FHLB - Cincinnati	\$ 238.1	3.6%	1	1	1
13 E D & F Man Capital Markets Inc.	\$ 231.7	3.5%	28	7	9
14 Guggenheim Securities, LLC	\$ 222.6	3.3%	46	20	24
15 Citigroup Global Markets Inc.	\$ 204.0	3.1%	42	17	31
16 Morgan Stanley & Co. LLC	\$ 190.5	2.9%	31	15	29
17 Nomura Securities International, Inc.	\$ 178.6	2.7%	90	49	49
18 KGS-Alpha Capital Markets, L.P.	\$ 161.5	2.4%	28	15	17
19 Mizuho Securities USA Inc.	\$ 145.6	2.2%	30	21	23
20 South Street Securities LLC	\$ 127.6	1.9%	28	7	7
21 Wells Fargo Bank, N.A.	\$ 126.2	1.9%	28	24	28
22 Royal Bank of Canada	\$ 124.2	1.9%	90	50	91
23 Wells Fargo Securities	\$ 98.7	1.5%	28	6	6
24 Societe Generale	\$ 64.0	1.0%	28	23	23
25 ING Financial Markets LLC	\$ 47.6	0.7%	30	10	10
26 BNP Paribas Securities Corp.	\$ 35.6	0.5%	31	16	24
27 UBS Securities LLC	\$ 30.0	0.5%	1,098	55	55
28 Barclays Capital Inc.	\$ 16.7	0.3%	28	17	17
<b>Total or Weighted Average</b>	<b>\$ 6,652.0</b>	<b>100%</b>	<b>39</b>	<b>17</b>	

<b>Weighted Average Repo Rate</b>	<b>1.01%</b>
<b>Weighted Average Haircut</b>	<b>7.49%</b>

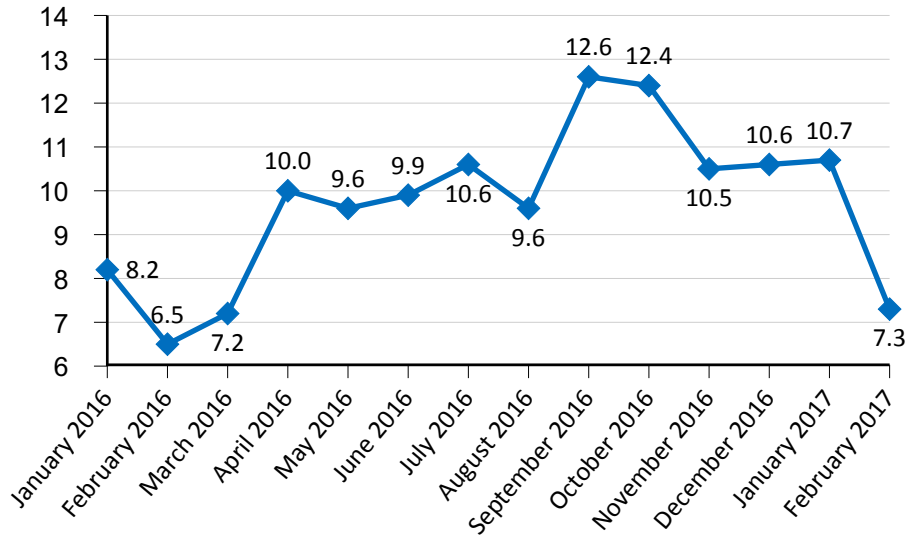
<b>Debt to Shareholders' Equity Ratio</b>	<b>6.0</b>
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(1) ARMOUR has 42 lending counterparties.

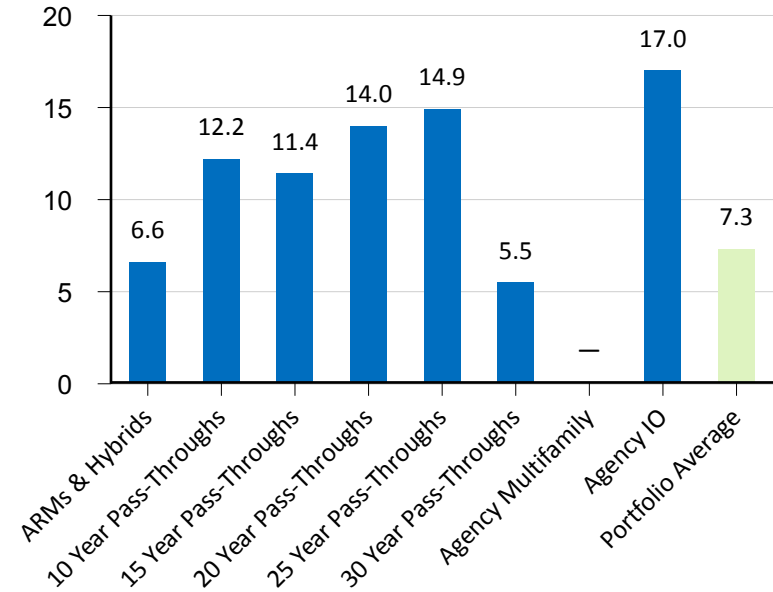
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# ARMOUR Portfolio Constant Prepayment Rates ("CPR")

Monthly Portfolio CPR



February 2017 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

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