



## ARMOUR RESIDENTIAL REIT, Inc. Company Update

03/14/2018

*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

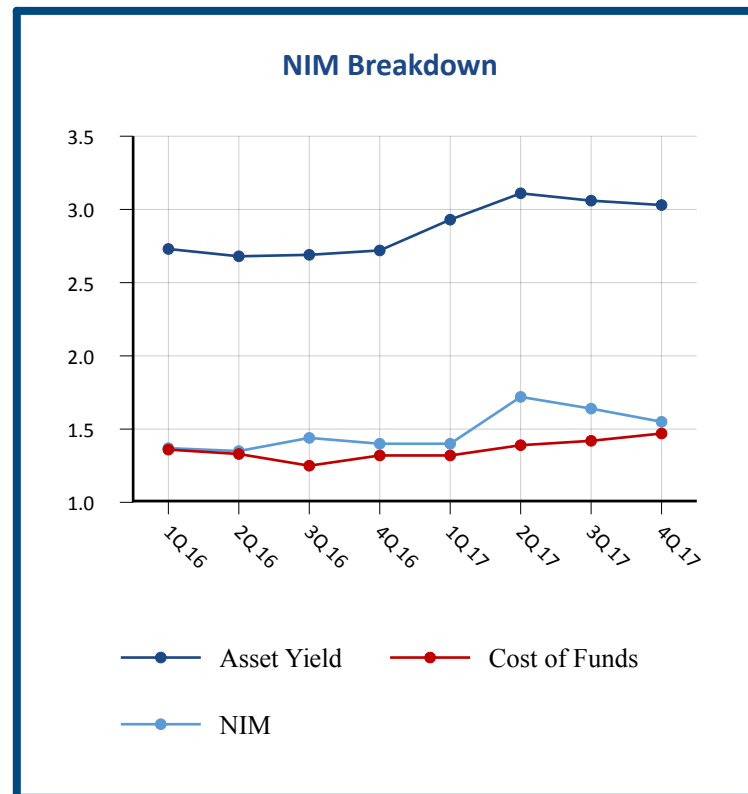
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- Certain statements made in this presentation regarding ARMOUR Residential REIT, Inc. (“ARMOUR” or the “Company”), and any other statements regarding ARMOUR’s future expectations, beliefs, goals or prospects constitute forward-looking statements made 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	12/31/17	1/31/18	2/28/18
Common Stock Price	\$25.72	\$23.41	\$21.42
Estimated Book Value	\$26.62	\$25.84	\$24.83
Common Shares Outstanding	41,877,404	41,877,404	41,877,404
Preferred A Shares Outstanding	2,180,572	2,180,572	2,180,572
Preferred B Shares Outstanding	6,262,395	6,369,269	6,369,269
Asset Balance Sheet Duration	3.51	3.89	4.10
Hedge Balance Sheet Duration	(2.71)	(3.05)	(3.50)
Net Balance Sheet Duration	0.80	0.84	0.60
Leverage <sup>(1)</sup>	5.7	5.8	5.8
Rates DV01	\$813,000	\$888,000	\$574,000
Spread DV01	\$5,346,000	\$5,633,000	\$5,168,000
FNCL 3.5 Price	102.75	101.06	99.86
FNCL 3.0 Price	101.91	100.52	99.61
10 Year Treasury Yield	2.41%	2.71%	2.86%
5 Year OIS Swap Rate	1.96%	2.28%	2.38%
10 Year OIS Swap Rate	2.07%	2.38%	2.49%



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



## 1 Capitalization

- Total capitalization of \$1,253.6 million composed of:
  - Estimated book value of common stock of \$1,039.8 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 \$1.3 billion in dividends through February 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 \$2.4 million of stock in 2016/17/18.

## 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:
  - 60.7% in Agency securities.
  - 39.1% in Credit Risk and Non-Agency securities.
  - 0.1% in US Treasuries.

## 2 Duration

- 0.60 net balance sheet duration.
  - 4.10 gross asset duration.
  - (3.50) hedge duration.

## 3 Hedging

- \$6.8 billion in interest rate swaps.
  - 82.1% of Agency fixed rate and TBA assets hedged.
  - 106.1% of Agency fixed rate asset repurchase agreements hedged.

## 4 Liquidity

- \$653.3 million in total liquidity.
  - \$300.9 million in cash.
  - \$352.4 million in unlevered securities.

## 5 Leverage

- 5.8x estimated shareholder's equity.<sup>(1)</sup>
  - 7.2 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
ARMs & Hybrids	0.7%	\$62.5	104.8%	103.5%	3.07/3.68	1.14
Agency Multifamily Ballooning in 120 Months or Less	18.7%	\$1,762.5	101.9%	100.0%	3.15/4.36	5.97
Fixed Rates Maturing Between 0 and 180 Months	15.0%	\$1,410.6	105.1%	102.9%	3.81/4.28	3.88
Fixed Rates Maturing Between 181 and 240 Months	0.3%	\$27.3	108.9%	104.9%	4.42/5.02	4.25
Fixed Rates Maturing Between 241 and 360 Months	33.5%	\$3,157.1	105.0%	102.0%	3.85/4.35	5.34
Agency Interest-Only	0.3%	\$25.9	18.4%	20.2%	4.85/5.37	-2.24
US Treasuries	1.0%	\$98.7	99.5%	98.7%	2.38/2.38	4.60
<b>Agency &amp; US Treasury Portfolio</b>	<b>69.4%</b>	<b>\$6,544.6</b>	<b>103.8%</b>	<b>101.3%</b>	<b>3.63/4.31</b>	<b>5.11</b>
15Y TBA	8.1%	\$761.3	101.9%	101.5%	N/A	4.10
30Y TBA	12.2%	\$1,149.8	104.9%	104.5%	N/A	3.54
<b>TBA Portfolio</b>	<b>20.3%</b>	<b>\$1,911.1</b>	<b>103.7%</b>	<b>103.3%</b>	<b>N/A</b>	<b>3.76</b>
Legacy Non-Agency Assets	0.9%	\$85.0	76.0%	85.6%	5.45/4.68	3.64
New Issue Prime Fixed	0.2%	\$18.2	94.5%	96.9%	3.69/3.97	5.41
Credit Risk Transfer	9.2%	\$871.2	98.6%	114.7%	6.12/4.06	-2.01
<b>Non-Agency Portfolio</b>	<b>10.3%</b>	<b>\$974.4</b>	<b>96.6%</b>	<b>111.8%</b>	<b>6.02/4.11</b>	<b>-1.38</b>
<b>Total Portfolio</b>	<b>100.0%</b>	<b>\$9,430.1</b>	<b>102.1%</b>	<b>101.7%</b>	<b>3.97/4.35</b>	<b>4.17</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	Total
Weighted Average Remaining Term (Months)	3	21	33	—	60	67	80	—	105	119	<b>67</b>
Notional Amount (millions)	\$50	\$550	\$1,675	\$0	\$775	\$1,050	\$825	\$0	\$1,250	\$625	<b>\$6,800</b>
Weighted Average Rate	0.92	1.21	1.83	—	2.10	1.84	2.07	—	1.95	2.33	<b>1.90</b>

Information as of 02/28/2018. 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

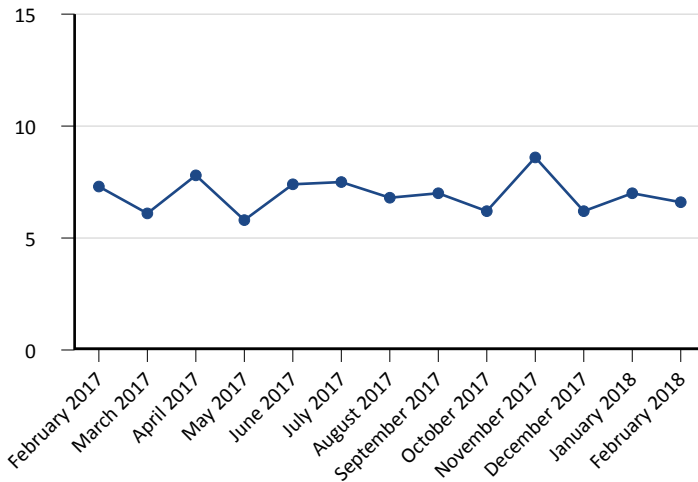
	Repo Counter-Party	Principal Borrowed (millions)	Percentage of Repo Positions with ARMOUR	Weighted Average Original Term in Days	Weighted Average Remaining Term in Days	Longest Remaining Term in Days
1	BUCKLER Securities LLC <sup>(1)</sup>	\$3,381.9	46.8%	62	12	29
2	ABN AMRO Bank N.V.	\$372.2	5.2%	49	12	16
3	FHLB - Cincinnati	\$310.8	4.3%	1	1	1
4	RBC Capital Markets	\$305.1	4.2%	90	14	16
5	ING Financial Markets LLC	\$296.9	4.1%	28	2	2
6	Natixis Financial Products LLC	\$277.0	3.8%	85	14	15
7	The Bank of Nova Scotia	\$266.5	3.7%	30	26	33
8	Mitsubishi UFJ Securities (USA), Inc.	\$256.7	3.6%	30	23	23
9	Wells Fargo Securities	\$246.7	3.4%	30	14	14
10	Merrill Lynch, Pierce, Fenner & Smith Inc.	\$198.3	2.7%	74	10	20
11	Citigroup Global Markets Inc.	\$165.2	2.3%	31	25	33
12	Royal Bank of Canada	\$111.2	1.5%	28	15	28
13	J.P. Morgan Securities LLC	\$98.7	1.4%	28	17	23
14	Barclays Capital Inc.	\$97.2	1.3%	28	13	22
15	Mirae Asset Securities (USA) Inc.	\$85.5	1.2%	90	13	13
16	KGS-Alpha Capital Markets, L.P.	\$76.3	1.1%	28	16	16
17	Daiwa Securities America Inc.	\$76.0	1.1%	22	13	14
18	Societe Generale	\$74.4	1.0%	28	13	22
19	Wells Fargo Bank, N.A.	\$73.2	1.0%	30	17	22
20	E D & F Man Capital Markets Inc.	\$72.2	1.0%	90	14	14
21	BNP Paribas Securities Corp.	\$53.7	0.7%	30	20	23
22	Citibank, N.A.	\$51.2	0.7%	30	28	28
23	ICBC Financial Services LLC	\$47.5	0.7%	30	28	28
24	MUF Securities EMEA	\$45.0	0.6%	28	14	22
25	Nomura Securities International, Inc.	\$44.9	0.6%	30	14	14
26	Morgan Stanley & Co. LLC	\$43.3	0.6%	31	19	23
27	UBS Securities LLC	\$42.4	0.6%	28	15	20
28	The Bank of New York Mellon	\$40.7	0.6%	28	8	8
29	South Street Securities LLC	\$11.5	0.2%	28	26	26
	<b>Total or Weighted Average Repo Positions</b>	<b>\$7,222.2</b>	<b>100.0%</b>	<b>51</b>	<b>13</b>	
	Weighted Average Repo Rate	1.71%				
	Weighted Average Haircut	6.06%				

(1) Affiliated with ARMOUR.

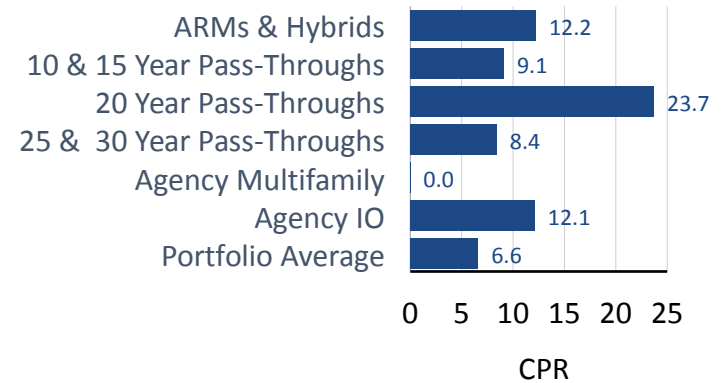
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Trailing Twelve Month Portfolio CPR



March 2018 Agency Asset CPR



	17-Feb	17-Mar	17-Apr	17-May	17-Jun	17-Jul	17-Aug	17-Sep	17-Oct	17-Nov	17-Dec	18-Jan	18-Feb
<b>CPR</b>	7.3	6.1	7.8	5.8	7.4	7.5	6.8	7.0	6.2	8.6	6.2	7.0	6.6

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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