



ARMOUR RESIDENTIAL REIT, Inc.
Company Update
April 10, 2012

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 Capitalization, Dividend Policy, Transparency and Manager

Market Capitalization

- 177,635,830 shares of common stock outstanding (NYSE: "ARR").
- Market capitalization of \$ 1.22 billion.
- Additional paid-in capital estimate: \$1.24 billion.

Dividend Policy and Taxable REIT Income

- ARMOUR pays dividends monthly, announced for the quarter in advance.
- Dividends are based on estimates of future taxable REIT income.
- The Q2 2012 monthly dividend rate is \$0.10 per month.

<u>Q2 2012</u>	<u>April</u>	<u>May</u>	<u>June</u>
Record Date	16th	15th	15th
Payment Date	27th	30th	28th

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.
- Hedge positions are marked-to-market daily (GAAP/TAX differences).
- Non-Executive Board Chairman.

ARMOUR REIT Manager and Fee Structure

- ARMOUR REIT is externally managed by ARMOUR Residential Management LLC.
- Accretive fee structure: effective fee percentage declines as equity increases.
 - Gross equity raised up to \$1.0 billion, 1.5% (per annum) of gross equity.
 - Gross equity raised in excess of \$1.0 billion, 0.75% (per annum) of gross equity.



ARMOUR Balance Sheet Targets

Assets

ARMOUR invests in Agency mortgage securities (FNMA, FHLMC & GNMA).

Duration

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

- 2.76 gross asset duration.
- 0.63 net balance sheet duration after the effect of derivatives.

Hedging

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

- \$5.57 billion in derivatives.
- 49.6% of REPO borrowings hedged.

Liquidity

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

- \$643.4 million in total liquidity (52.1% of additional paid-in capital).
 - \$206.8 million in true cash (16.7% of additional paid-in capital).
 - \$236.3 million in unlevered securities (19.1% of additional paid-in capital).
 - \$200.2 million in short term Agency P&I (16.2% of additional paid-in capital).

Leverage

Debt to equity target of 9.0x vs. additional paid-in capital ("APIC").

- \$11.23 billion in net REPO borrowings or 9.09x APIC.



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 'buy and hold' strategy rather than a 'trading' strategy.

➤ **Low Duration Agency Securities**

- Target a portfolio of low duration assets to reduce gross interest rate exposure.

➤ **Diversify Broadly**

- Diversification limits idiosyncratic pool risk.
- 983 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
 - Bid lists

➤ **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.

➤ **Pool Analysis**

- NO TBA pools – Only specified pools.
- Prepayment history.
- Prepayment expectations.
- Premium over par.
- "Hedgability."
- Liquidity.



ARMOUR Portfolio Composition

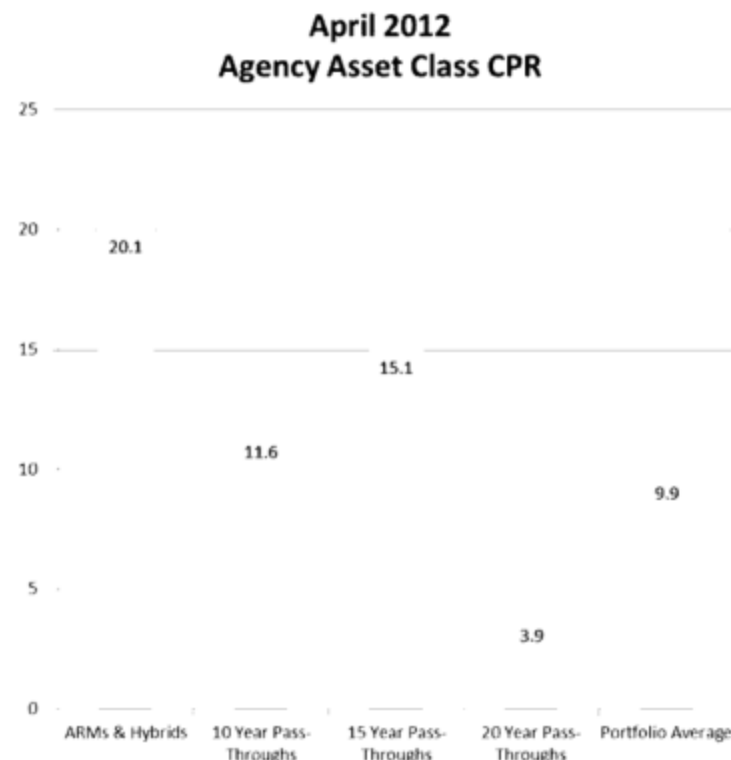
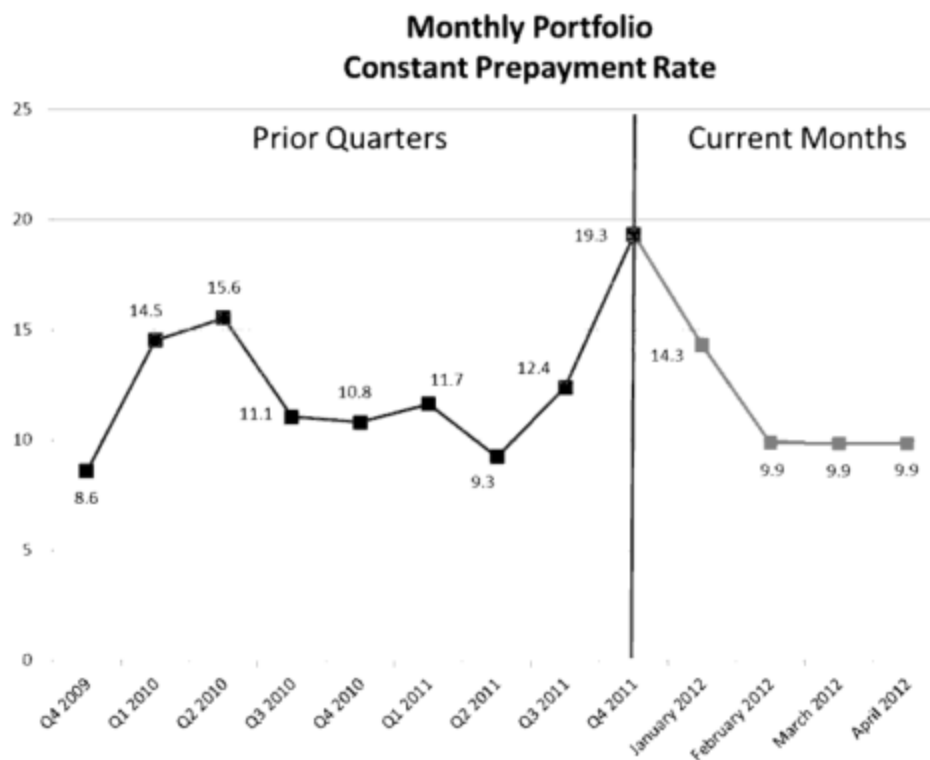
ARM & Hybrid Securities Months to Reset	Current Value (millions)	Percentage of ARM & Hybrid Securities	Weighted Average Net/Gross Coupon	Weighted Average Months to Reset
0-18	\$ 85.2	3.3%	4.15/4.65	12
19-36	\$ 263.8	10.2%	4.29/4.75	31
37-48	\$ 327.3	12.7%	3.49/3.96	41
49-60	\$ 220.8	8.5%	3.84/4.25	54
61-84	\$ 847.8	32.8%	3.51/3.95	70
85-120	\$ 842.3	32.6%	3.76/4.19	109
Total	\$ 2,587.3	100.0%	3.72/4.16	72

Fixed Rate Securities	Current Value (millions)	Percentage of Fixed Rate Securities	Weighted Average Net/Gross Coupon
Fixed Rates Maturing in 120 Months or Less	\$ 40.5	0.4%	3.63/3.99
Fixed Rates Maturing Between 121 and 180 Months	\$ 2,521.2	26.7%	3.62/3.98
Fixed Rates Maturing Between 181 and 240 Months	\$ 6,895.1	72.9%	3.65/4.09
Total	\$ 9,456.8	100.0%	3.64/4.06

Information as of 4/9/2012. 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 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 Portfolio and Derivatives Duration Detail

Agency Asset Class	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	\$ 2,587.3	104.0%	105.4%	3.72/4.16	-0.50
Fixed Rates Maturing in 120 Months or Less	\$ 40.5	102.7%	105.5%	3.63/3.99	2.26
Fixed Rates Maturing Between 121 and 180 Months	\$ 2,521.2	104.5%	105.6%	3.62/3.98	2.54
Fixed Rates Maturing Between 181 and 240 Months	\$ 6,895.1	104.9%	105.8%	3.65/4.09	4.06
Total or Weighted Average	\$ 12,044.0	104.6%	105.7%	3.66/4.08	2.76

Estimated Balance Sheet Duration	Amount (millions)	Duration Effect on Balance Sheet
Agency Assets	\$ 12,044.0	2.76
Derivatives ⁽¹⁾	\$ 5,571.0	-3.96
Net Balance Sheet Duration		0.63

(1) Derivatives consist of interest rate swaps and Eurodollar futures.

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.

Portfolio information as of 4/9/2012. Derivative information as of 4/10/2012. 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 Derivatives Detail

Derivative Type ⁽¹⁾	Remaining Term	Weighted Average Remaining Term (Months)	Notional Amount (millions)	Weighted Average Rate
Interest Rate Swap	0-12 Months	8	\$ 20.0	0.53
Interest Rate Swap	13-24 Months	22	\$ 290.0	1.09
Interest Rate Swap	25-36 Months	35	\$ 305.0	1.59
Interest Rate Swap	37-48 Months	45	\$ 2,325.0	0.94
Interest Rate Swap	49-60 Months	55	\$ 2,500.0	1.19
Eurodollar Futures	0-42 Months	23	\$ 131.0	1.82
Total or Weighted Average		47	\$ 5,571.0	1.12
		Amount (millions)	% Hedged	
Non-ARM Assets		\$11,958.9	46.6%	
Net Repo Balance		\$11,226.6	49.6%	

(1) Derivatives consist of interest rate swaps and Eurodollar futures.

Active swap counterparties include:

Citibank, N.A., Deutsche Bank AG, JP Morgan Chase, N.A., Nomura Global Financial Products Inc., UBS AG, and Wells Fargo Bank, N.A.

Information as of 4/10/2012.



ARMOUR REPO Composition

REPO Counter-Party ⁽¹⁾	Principal Borrowed (millions)	Percentage of REPO Positions with ARMOUR	Weighted Average Maturity in Days	Longest Maturity in Days	
1 Merrill Lynch, Pierce, Fenner & Smith Inc.	\$ 807.4	7.1%	13	23	
2 Mitsubishi UFJ Securities (USA), Inc.	\$ 733.5	6.4%	5	15	
3 Deutsche Bank Securities Inc.	\$ 669.0	5.9%	21	37	
4 J.P. Morgan Securities LLC	\$ 655.8	5.8%	13	28	
5 Wells Fargo Bank, N.A.	\$ 633.4	5.6%	11	23	
6 ICBC Financial Services LLC	\$ 616.8	5.4%	13	24	
7 RBS Securities Inc.	\$ 597.1	5.2%	10	23	
8 Goldman, Sachs & Co.	\$ 522.0	4.6%	15	28	
9 Gleacher & Company Securities, Inc.	\$ 515.9	4.5%	17	30	
10 BNP Paribas Securities Corp.	\$ 511.1	4.5%	2	3	
11 South Street Securities LLC	\$ 490.3	4.3%	19	30	
12 Barclays Capital Inc.	\$ 476.9	4.2%	19	30	
13 Pierpont Securities LLC	\$ 463.0	4.1%	27	36	
14 Citigroup Global Markets Inc.	\$ 422.5	3.7%	17	30	
15 CRT Capital Group LLC	\$ 399.3	3.5%	18	30	
16 UBS Securities LLC	\$ 397.4	3.5%	11	18	
17 The Bank of Nova Scotia	\$ 389.2	3.4%	26	36	
18 Cantor Fitzgerald & Co. Inc.	\$ 364.5	3.2%	18	23	
19 ING Financial Markets LLC	\$ 356.5	3.1%	21	30	
20 Credit Suisse Securities (USA) LLC	\$ 315.8	2.8%	7	8	
21 Daiwa Securities America Inc.	\$ 283.5	2.5%	5	7	
22 Guggenheim Securities, LLC	\$ 254.8	2.2%	29	42	
23 Mizuho Securities USA Inc.	\$ 214.4	1.9%	2	3	
24 Nomura Securities International, Inc.	\$ 206.9	1.8%	24	30	
25 Jefferies & Company, Inc.	\$ 49.7	0.4%	11	11	
26 The Pringeridge Group LLC	\$ 36.9	0.3%	1	1	
Total or Weighted Average	\$ 11,383.5	100.0%	15		
					Weighted Average Haircut 4.80%
					Weighted Average Repo Rate 0.35%
					March Paydowns \$ (157.0)
					Total REPO after Paydowns \$ 11,226.6
					Debt to Equity⁽²⁾ Ratio after Paydowns 9.09
					(1) ARMOUR has signed MRA's with 31 counterparties.
					(2) Equity is defined as additional paid-in capital.
					Information as of 4/9/2012.
					Some totals may not foot due to rounding.





ARMOUR

RESIDENTIAL REIT

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