

Armour Residential REIT, Inc.
Form FWP
May 14, 2010

Issuer Free Writing Prospectus
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ARMOUR RESIDENTIAL REIT, Inc.
Company Update
May 10, 2010

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 the ARMOUR 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 forwardlooking statements ARMOUR assumes no obligation to update the information looking statements. 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.

ARMOUR Residential REIT, Inc. - Investment & Business Strategy

ARMOUR Residential REIT, Inc. (ARMOUR) invests solely in Agency Mortgage Securities.

Only with a shareholder vote may ARMOUR REIT change its Agency only investment asset class.

ARMOUR s business strategy has been fully implemented.

1) Invest in a low duration very diverse set of Agency Mortgage Securities.

ARMOUR REIT owns 127 separate securities (cusips).

2) Target a weighted average gross asset duration of 2.5 or less.

3) Target a balance sheet duration of 1.5 or less.

Balance Sheet Duration achieved by the use of swaps and Eurodollar futures.

4) Hold 40% of unlevered equity in cash.

Liquidity defends against the unexpected.

ARMOUR s business strategy is transparent.

ARMOUR s portfolio and liability details are released on the ARMOUR website twice a 1) quarter.

Asset details and REPO counter-parties are identified.

2) Amortization is expensed as it occurs.

There is no yield smoothing.

3) Hedge portfolio is marked-to-market and the change in value is realized for GAAP.

ARMOUR is one of only two Agency REITs with a non-executive, Independent Board Chairman.

ARMOUR Portfolio and Balance Sheet Highlights and Dividend and Earnings Update (May 7, 2010 Data)

Portfolio and Balance Sheet Highlights

ARMOUR was 100% invested as of January 26, 2010.

ARMOUR has an Agency mortgage portfolio valued at \$188.69 million⁽¹⁾.

Gross asset duration is currently estimated at 1.74.

Net balance sheet duration is currently estimated at 0.89.

REPO borrowings total \$179.73 million.

Debt to equity ratio⁽²⁾ = 8.39x.

Eurodollar Futures to replicate swaps total \$60.0 million (35.1% of non-true ARMS).

Cash on hand & short term principal & interest receivables: \$10.83 million.

Dividend and Earnings Update

ARMOUR paid a \$0.40 per share dividend for Q1 2010 on April 29, 2010.

The \$0.40 dividend represents estimated REIT Taxable Earnings for Q1 2010.

The REIT Taxable Earnings represents an annualized return on equity of 17.2% based on an estimated 3/31/2010 book value per share of \$9.30.

(1) Based on third party pricing.

(2) Based on 3/31/2010 book value of \$21,417,723 (or \$9.30 per share).

ARMOUR REIT Current Portfolio and Liability Information (May 7, 2010)

(1) ARMOUR REIT Portfolio Composition

(2) ARMOUR REIT Portfolio Constant Prepayment History

(3) ARMOUR REIT Interest Rate Hedges and REPO Composition

ARMOUR REIT Agency Only Portfolio Composition

| Agency Asset Class | Current Value | Percentage of Total Portfolio |
|---|-----------------------|----------------------------------|
| ARMS (0-18 Months to Reset) ⁽¹⁾ | \$ 17,610,494 | 9.3% |
| Hybrids (19 Months and Longer to Reset) ⁽²⁾ | \$ 117,724,055 | 62.4% |
| Seasoned 15 & 20 Year Pass-Throughs ⁽³⁾ | \$ 17,975,945 | 9.5% |
| Low Loan Balance 15 Year Pass-Throughs ⁽⁴⁾ | \$ 35,382,612 | 18.8% |
| Total | \$ 188,693,107 | 100.0% |

(1) Weighted Average Months to Reset = 6.

(2) Weighted Average Months to Reset = 51.

(3) Longest Final Maturity of December 2025.

(4) Maximum Original Loan Balance of \$85,000.

| Agency Type | Current Value | Percentage of Total Portfolio |
|--------------------|-----------------------|----------------------------------|
| Fannie Mae | \$ 102,749,459 | 54.5% |
| Freddie Mac | \$ 72,202,049 | 38.3% |
| Ginnie Mae | \$ 13,741,599 | 7.3% |
| Total | \$ 188,693,107 | 100.0% |

ARMOUR REIT Agency Only Portfolio Asset Class Detail

| Agency Asset Class | Weighted Average Purchase Price | Weighted Average Current Market Price | Weighted Average Coupon May 2010 | Estimated Effective Duration Using Current Values |
|--|---------------------------------|---------------------------------------|----------------------------------|---|
| ARMS | 103.7% | 103.9% | 4.13 | 0.34 |
| Hybrids | 103.8% | 104.6% | 4.44 | 1.60 |
| Seasoned 15 & 20 Year Pass-Throughs | 103.9% | 105.7% | 4.71 | 1.93 |
| Low Loan Balance 15 Year Pass-Throughs | 105.4% | 105.6% | 4.58 | 2.78 |
| Totals | 104.1% | 104.8% | 4.46 | 1.74 |

NOTE: Duration estimates are derived from functions available from Bloomberg Finance L.P. ARMOUR uses estimates for GNMA collateral. Actual realized yields, durations and net durations described herein will depend on a number of factors that cannot be predicted with certainty. Market prices for our securities are obtained from independent third party sources.

| Estimated Balance Sheet Duration | Amount | Estimated Duration | Duration Effect on Balance Sheet |
|---|----------------|--------------------|----------------------------------|
| Agency Assets | \$ 188,693,107 | 1.74 | 1.74 |
| Eurodollar Futures | \$ 60,000,000 | 2.67 | -2.67 |
| Estimated Balance Sheet Duration | | | 0.89 |

NOTE: As rates go down the value of our Eurodollar Futures (which are 'shorts') will typically decline. Inversely, as rates go up, the value of the Eurodollar Futures will typically increase.

ARMOUR REIT Portfolio Constant Prepayment Rates (CPR)

| Portfolio Prepayment Information (1) | | Asset Class Prepayment Detail (1) | |
|--------------------------------------|---|---|--|
| Month | Weighted Average Annualized Constant Prepayment Rate | Agency Asset Class | Weighted Average May 2010 Constant Prepayment Rate |
| December 2009 | 8.6 | True ARMs (0-18 Months to Reset) | 27.8 |
| January 2010 | 12.9 | Hybrids (19 Months and Longer to Reset) | 16.1 |
| February 2010 | 10.0 | Seasoned 15 & 20 Year Pass-Throughs | 17.5 |
| March 2010 | 20.7 | Low Loan Balance 15 Year Pass-Throughs | 8.9 |
| April 2010 | 18.8 | | |
| May 2010 | 16.0 | | |

NOTE: ARMOUR expenses amortization as it occurs.

(1) 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.

ARMOUR REIT Eurodollar Futures Positions**ARMOUR REIT REPO**

| Eurodollar Futures to Replicate Swaps (Maturity Dates) | Notional Amount | Weighted Average Rate | Duration | Longest Maturity in Months (as of 5/7/10) |
|---|------------------------|------------------------------|-----------------|--|
| March 2012 | \$ 20,000,000 | 1.181% | 1.75 | 24 |
| March 2013 | \$ 21,000,000 | 1.809% | 2.70 | 34 |
| March 2014 | \$ 19,000,000 | 2.439% | 3.60 | 46 |
| Total or Weighted Average | \$ 60,000,000 | 1.799% | 2.67 | 33.8 |

| REPO Counter-Party | Principal Borrowed | Percentage of REPO Positions with ARMOUR | Weighted Average Rate | Haircut | Longest Maturity in Days |
|----------------------------------|---------------------------|---|------------------------------|----------------|---------------------------------|
| MF Global | \$ 75,833,000 | 42.2% | 0.280% | 5% | 46 |
| Goldman Sachs | \$ 46,430,000 | 25.8% | 0.254% | 5% | 21 |
| South Street Securities | \$ 29,358,994 | 16.3% | 0.300% | 5% | 35 |
| Nomura | \$ 28,112,000 | 15.6% | 0.270% | 5% | 19 |
| Total or Weighted Average | \$ 179,733,994 | 100.0% | 0.275% | 5.00% | 34 |

ARMOUR currently has nine signed Master Repurchase Agreements, As equity capital grows, ARMOUR will increase the number of REPO counter-parties.

