

Corporate Governance Guidelines

ARMOUR RESIDENTIAL REIT, INC. Corporate Governance Guidelines of the Board of Directors

The following corporate governance guidelines have been approved by the board of directors of ARMOUR Residential REIT, Inc. (the “Company”) and, along with the charters of the board committees, provide the framework for the governance of the Company. The board of directors may review and revise these corporate governance guidelines and other aspects of the Company's governance as appropriate.

1. Role of Board of Directors and Management. The Company's business is conducted by its external manager (the “Manager”) and the Company's officers, under the direction of the chief executive officer (the “CEO”) and the oversight of the board of directors, to enhance the long-term value of the company for its stockholders. The board of directors is elected by the stockholders to oversee management and to assure that the long-term interests of the stockholders are being served. Both the board of directors and management recognize that the long-term interests of stockholders are advanced by responsibly addressing the concerns of other stakeholders and interested parties.

2. Functions of Board of Directors. The board of directors has at least four regularly-scheduled meetings a year at which it reviews and discusses reports by management on the performance of the Company, its plans and prospects, as well as immediate issues facing the Company. Directors are expected to attend all scheduled meetings of the board of directors and meetings of committees on which they serve. In addition to its general oversight of management, the board of directors also performs a number of specific functions (some through board committees), including:

- a. selecting, evaluating and approving compensation for the CEO, if any (excluding compensation received from the Manager), and overseeing CEO succession planning;
- b. providing counsel and oversight on the selection, evaluation, development and compensation, if any, of other senior executive officers (excluding compensation received from the Manager);
- c. reviewing, approving and monitoring fundamental financial and business strategies and major corporate actions;
- d. assessing major risks facing the Company and reviewing options for their mitigation; and
- e. ensuring processes are in place for maintaining the integrity of the Company; the integrity of the financial statements and the integrity of the Company's compliance with law and ethics.

3. Qualifications. Directors should possess the highest personal and professional ethics, integrity and values, and be committed to representing the long-term interests of the stockholders. They

must also have an inquisitive and objective perspective, practical wisdom and mature judgment. We endeavor to have a board of directors representing diverse experience at policy-making levels in business and education, and in areas that are relevant to the Company's activities.

Directors must be willing to devote sufficient time to carrying out their duties and responsibilities effectively, and should be committed to serve on the board of directors for an extended period of time. Directors are expected to attend a minimum of seventy-five percent (75%) of all meetings of the board of directors and the committees on which they sit. In addition, directors are expected to review, in advance, all meeting materials.

4. Independence of Directors. A majority of the directors will be independent directors under the New York Stock Exchange (“NYSE”) rules.

To be considered independent under the NYSE rules, the board of directors must affirmatively determine that a director does not have any direct or indirect material relationship with the Company that would impair his/her independence. The board of directors has established the following guidelines to assist it in determining director independence in accordance with the NYSE rules:

a. A director will not be independent if, (i) the director is, or has been within the last three years, an employee of the Company, (ii) an immediate family member is, or has been within the last three years, an executive officer of the Company, (iii) the director has received, or has an immediate family member who has received, during any twelve-month period within the last three years, more than \$120,000 in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service); (iv) the director is a current partner or employee of a firm that is the Company's internal or external auditor; (v) the director has an immediate family member who is a current partner of such a firm; (vi) the director has an immediate family member who is a current employee of such a firm and personally works on the Company's audit; (vii) the director or an immediate family member was within the last three years a partner or employee of such a firm and personally worked on the Company's audit within that time; (viii) the director or an immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of the Company's present executive officers at the same time serves or served on that company's Compensation Committee or (ix) the director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payment from, the Company for property or services (excluding contributions by the Company to tax-exempt organizations) in an amount which, in any of the last three years, exceeds the greater of \$1 million, or 2% of such other Company's consolidated gross revenues.

b. For relationships not covered by the guidelines above, the determination of whether the relationship is material or not, and therefore whether the director would be independent or not, shall be made by the directors who satisfy the independence guidelines set forth above.

c. The Company will disclose either on its website or in its annual proxy statement any contributions it makes to any tax-exempt organization in which an independent director serves as

an executive officer if, within the preceding three years, contributions in any single fiscal year exceeded the greater of \$1 million, or 2% of that tax-exempt organization's consolidated gross revenues.

5. Size of Board of Directors and Selection Process. One class of directors is elected each year by the stockholders at the annual meeting of stockholders. Stockholders may propose nominees for consideration by the Nominating and Corporate Governance Committee by submitting the names and supporting information to the Company. The board of directors proposes a slate of nominees to the stockholders for election to the board of directors. The board of directors also determines the number of directors on the board of directors. Between annual stockholder meetings, the board of directors may appoint directors to serve until the stockholders vote on the election of such directors at the next annual meeting.

6. Board of Directors Committees/Independence. The board of directors has established the following committees to assist the board of directors in discharging its responsibilities: (i) Audit; (ii) Compensation; and (iii) Nominating and Corporate Governance. The current charters of these committees, setting forth each committee's responsibilities, are published on the Company's website. The committee chairs report the highlights of their meetings to the full board of directors following each meeting of the respective committees. The committees occasionally hold meetings in conjunction with the full board of directors. The Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee will each be comprised solely of independent directors in accordance with the rules of the NYSE.

7. Executive Sessions. The independent directors shall meet periodically without management present. The lead independent director or another independent director must preside over each executive session, although the same director is not required to preside at all executive sessions.

8. Self-Evaluation and Review of Corporate Governance Documents. The board of directors and each of the committees will perform an annual self-evaluation and annually review their respective charters and related corporate governance documents, including these Corporate Governance Guidelines.

9. Ethics and Conflicts of Interest. The board of directors expects the Company's directors, as well as officers and other personnel, to act ethically at all times and to acknowledge their adherence to the Company's Code of Business Conduct and Ethics, Whistleblower Policy, and Insider Trading Policy, copies of which can be found on the Company's website.

10. Compensation of Board of Directors and Committees. The Compensation Committee shall have the responsibility for reviewing and recommending to the board of directors compensation and benefits for the Company's independent directors. In developing their recommendations, the Compensation Committee should strive to set a mix of cash and equity-based compensation in amounts which fairly compensate the directors for their expected time commitments and responsibilities in serving on the board of directors and any committees and which aligns the directors interests with the long-term interests of stockholders.

11. Succession Plan. The board of directors shall approve and maintain a succession plan for the CEO and key senior executives in consultation with the Company's management.

12. Compensation Review of Senior Management. Unless handled by the board of directors pursuant to its oversight responsibilities, the Compensation Committee shall review and approve the corporate goals and objectives with respect to the Company's compensation, if any (excluding compensation received from the Manager), for the CEO, consistent with the Company's strategic plan. The Compensation Committee shall evaluate the CEO's performance in light of these established goals and objectives and based upon these evaluations, shall determine and approve the CEO's compensation by the Company, if any (excluding compensation received from the Manager). The Compensation Committee shall also review and oversee management's evaluation process and compensation structure for the Company's other executive officers (as determined by the board of directors), in consultation with the CEO. The Compensation Committee shall oversee management's evaluation of, and decisions concerning, the performance of the Company's other senior executive officers and shall approve the compensation by the Company, if any (excluding compensation received from the Manager), for such senior executive officers.

The Compensation Committee shall not be responsible for reviewing, evaluating or approving the performance evaluations of, or compensation and distributions that the Manager pays to, its employees and equity holders, respectively, including for those individuals who also may serve as officers or directors of the Company.

13. Access to Senior Management. Independent directors shall have the right to contact senior managers of the Company directly. To facilitate such contact, independent directors are encouraged to schedule visits to the Company and/or virtual meetings with management.

14. Access to Independent Advisors. The board of directors and its committees shall have the right at any time to retain independent outside financial, legal or other advisors.

15. Director Orientation and Continuing Education. The Company shall familiarize new directors regarding the Company's business, strategic plans, significant financial, accounting and risk management issues, compliance programs, conflicts policies, Code of Business Conduct and Ethics, Whistleblower Policy, Insider Trading Policy, Corporate Governance Guidelines, and internal and external auditors. Each director is encouraged to participate in continuing educational programs in order to maintain the necessary level of expertise to perform his or her responsibilities as a director.