

**ANWORTH MORTGAGE ASSET CORPORATION**  
**CORPORATE GOVERNANCE GUIDELINES**

Originally approved by the Board of Directors of Anworth Mortgage Asset Corporation on January 14, 2004 and as amended on January 27, 2014.

The Board of Directors of Anworth Mortgage Asset Corporation (the Company) has adopted these Corporate Governance Guidelines pursuant to NYSE Rule 303A. We have also adopted previously a Corporate Code of Conduct and charters for our Audit Committee, Nominating and Corporate Governance Committee and Compensation Committee, all of which are relevant to our corporate governance policies and guidelines. We have also adopted disclosure controls and procedures which are an integral part of our corporate governance. These guidelines may be amended or supplemented from time to time by our Board of Directors (the "Board").

**1. Composition of the Board of Directors**

Our Bylaws provide that the Board shall consist of no less than three (3) members, with the exact number of members determined from time to time by a majority of the Board. The number of directors on the Board is currently set at six (6). Each of our directors stands for re-election at each annual meeting of shareholders.

**2. Qualification Standards**

*Independent Directors*

A majority of the current members of the Board are independent of the Company's management. An independent director is one who:

- has no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company);

Material relationships can include commercial, banking, consulting, legal, accounting, charitable and family relationships with the Company and its affiliates, including any of Anworth's subsidiaries. Substantial charitable contributions by the Company or the affiliated Anworth entities, or consulting contracts with an organization with which a Director is affiliated will be considered in determining a Director's independence.

- is not affiliated, directly or indirectly, with any person or entity, responsible for directing or performing the day-to-day business affairs of the Company, whether by ownership of, ownership interest in, employment by, any material business or professional relationship with, or service as an officer or director of the Company;

For purposes of these guidelines, the term affiliate of any person means (i) any person that directly or indirectly controls or is controlled by or is under common control with that person, (ii) any

person that is an officer of, partner in or trustee of, or serves in a similar capacity of that person, and (iii) any person that, directly or indirectly, is the beneficial owner of five percent or more of any class of equity securities of that person or of which that person is directly or indirectly the owner of five percent or more of any class of equity securities.

- has not been employed by the Company or any of its subsidiaries or affiliates within the previous three years;
- has not been employed by or affiliated with a present or former auditor of the Company (or of an affiliate) within the previous three years;
- has not been employed by another company for which an executive officer of the Company serves on the compensation committee thereof within the previous three years; and
- in addition, a director will not be deemed independent if he or she is a member of the immediate family of any person who would not qualify as independent under the foregoing standards.

The Board shall undertake an annual review of the independence of all non-employee directors and shall make an affirmative determination that each independent director has no material relationship with the Company. In advance of the meeting at which this review occurs, the Board shall be provided with sufficient information regarding each non-employee director's relationships with the Company to enable it to evaluate the director's independence.

The Nominating and Corporate Governance Committee makes recommendations to the Board concerning candidates for membership as directors, considering such factors as background (including business, management, and educational experience), skills, expertise, accessibility, diversity and availability to serve effectively on the Board. This Committee also makes recommendations to the Board regarding the nomination of incumbent directors for re-election to the Board. The Board then approves a slate of directors to be nominated for election at annual meetings of shareholders.

#### *Director Tenure*

The Company has no maximum time or age limitation for service on the Board.

### **3. Board Meetings and Responsibilities of Board Members**

The Board expects that it will hold at least four regular meetings a year. In addition to the regularly scheduled meetings, additional meetings may be held upon appropriate notice at any time to address other matters as necessary. Required corporate actions may also be taken by unanimous written consent of the directors, as necessary and appropriate from time to time. It is the policy of the Board to encourage attendance by all directors at all Board meetings and at all committee meetings of which they are members and at the annual meeting of shareholders.

Directors shall receive written materials that are important to their understanding of the Company's business and the items on the agenda for any given Board meeting, in sufficient time to prepare for meetings. Directors are expected to be familiar with these materials so that they may participate in meetings in a productive fashion.

#### **4. Board Leadership Structure**

Our board has determined that it is in the best interests of our company and its stockholders that the positions of Chairman of the Board and Chief Executive Officer are combined. Our board believes this provides the necessary responsiveness called for in a highly competitive sector and allows our company to be more adaptive and responsive to changing market conditions. As our Chief Executive Officer is the individual with primary responsibility for managing our company's day-to-day operations, he is best positioned to chair regular board meetings as we discuss key business and strategic issues. Our board believes that it has in place sound counter-balancing measures to ensure that our company maintains high standards of corporate governance and proper oversight. These counter-balancing measures include: our board consisting of a majority of independent directors; each of our board's standing committees including the Audit, Compensation and Nominating and Corporate Governance Committees being comprised of and chaired solely by non-employee directors; review of the performance of the Chief Executive Officer and Anworth Management, LLC (the "Manager") remaining within the purview of the Compensation Committee; the independent directors meeting in executive sessions without the presence of management; and the independent directors meeting with and having access to both our internal and external auditors and attorneys. In addition, our board, through its independent directors, has adopted the position of a lead independent director to strengthen the independence and roles of the independent directors. The duties of the lead independent director are detailed in the following paragraph.

#### **5. Lead Independent Director**

Our independent directors appoint a lead independent director to strengthen the independence and role of the independent directors. The duties of the lead independent director are to:

- preside at board meetings in the absence of the Chairman of the Board, or upon designation by a majority of directors;
- preside at executive sessions or other meetings of the independent directors;
- recommend the retention of consultants, legal, financial or other professional advisors who are to report directly to our board;
- consult with the Chairman of the Board as to agenda items for board and committee meetings; and
- coordinate with committee chairs in the development and recommendations relative to board and committee meeting agendas.

The independent directors have decided to rotate the position of lead independent director among the independent directors each calendar year.

## **6. Our Board's Role in Risk Oversight**

Enterprise risk oversight consists of understanding the amount of risk, on a broad level, that our company is willing to accept in pursuit of stockholder value; understanding and assessing the existing risk management processes in place; understanding and assessing our company's strategies and operational initiatives in connection with overall risk tolerance; and being apprised of the most significant risks and whether management is responding to such risks prudently. The person within our company who is primarily responsible for enterprise risk oversight is our Chief Executive Officer, who reports directly to our board. Our board is involved in risk oversight through its regular meetings with management to review operations and strategies, risk profiles, updates on changes in our industry, economic conditions and laws and regulations, review of financial performance and key performance metrics as well as open communication with management and both our internal and external auditors and attorneys. Additionally, our board's role in risk oversight is enhanced through the activities and responsibilities of the committees of our board – the Audit Committee (responsible for overseeing financial risks), the Compensation Committee (responsible for overseeing risks associated with our equity plan arrangements and the performance of the Manager), and the Nominating and Corporate Governance Committee (responsible for overseeing risks associated with director independence and conflicts of interest). The descriptions of these committees are detailed below and further details of the responsibilities of each committee may be found in our committee charters which are contained in the "Governance Documents" section of our website.

## **7. Committees of the Board**

The Board currently has three standing committees, each of which operates pursuant to a written charter:

- Audit Committee
- Compensation Committee
- Nominating and Corporate Governance Committee

The Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee shall be composed entirely of independent directors.

The Nominating and Corporate Governance Committee shall recommend to the Board the assignment of directors to committees, including the designation of committee chairs. In making and acting upon such recommendations, the Board shall consider the rotation of committee membership and chairmanship at appropriate intervals.

The Audit Committee currently meets at least four (4) times annually while the other committees meet as needed. The committee chairmen determine the frequency of meetings. The Board shall confirm annually the independence of each member of the Audit Committee and determine whether at least one member qualifies as a financial expert as defined under applicable SEC rules.

## **8. Access to Management and Independent Advisors**

Independent directors are encouraged to keep themselves informed with respect to the Company's affairs between Board meetings through direct individual contacts with members of the senior management of the Company and its subsidiaries and affiliates. In addition, the independent directors may retain advisors on special matters, as necessary and appropriate.

## **9. Disclosure Controls and Procedures**

We have established and fully documented our disclosure controls and procedures. Under our disclosure controls and procedures, we have established a Disclosure Committee, which consists of executive officers of Anworth Management, LLC (the "Manager"), who are in charge of key operations of the Company. The Committee reviews the Company's quarterly and annual report filings with the SEC (the Form 10-Q and Form 10-K) in connection with the information certification process. The financial statements and the business activity descriptions in the reports (the Form 10-Q and Form 10-K) are thoroughly reviewed and revised as appropriate.

## **10. Director Compensation**

The Board, with the recommendation of the Compensation Committee, is responsible for determining appropriate compensation for the independent directors, as well as compensation for serving on Board committees and serving as Chair of a committee, and reviewing these compensation policies periodically as appropriate. Our management directors are not separately compensated for serving on the Board or on Board committees. All directors are reimbursed for expenses related to their attendance at Board and committee meetings.

## **11. Director Orientation and Continuing Education**

The Company encourages directors to participate in orientation and continuing education programs that will enhance their knowledge and experience on corporate governance matters and will pay reasonable tuition and attendance costs of such programs on a pre-approved basis.

## **12. CEO Succession Plan**

The Board maintains a succession plan for the Chief Executive Officer ("CEO"). The Plan sets out policies and procedures for the appointment of a temporary successor CEO in the event of either an unplanned short-term or long-term absence of our CEO. The Plan also contains procedures for the appointment of a new permanent CEO in the event of a permanent unplanned departure of our CEO, which includes appointment of a Transition and Search Committee to plan and carry out a transition from an interim CEO to a new permanent CEO. The Nominating and Corporate Governance Committee will monitor issues associated with the CEO succession planning and periodically review the Plan and report to the Board of Directors on succession planning matters at least annually.

## **13. Performance Reviews**

The Board is responsible for electing the officers of the Company, including the CEO. The performance of the CEO and the Manager will be reviewed annually based on objective

criteria, such as performance of the business, accomplishment of long-term strategic objectives and development of management.

#### **14. Annual Performance Evaluation of the Board**

The Board shall conduct an annual review and evaluation of its performance based upon, among other things, an assessment of: (a) the Board's composition and independence; (b) the Board's access to and review of information from management, and the quality of such information; (c) the Board's responsiveness to shareholder concerns; (d) the Board's maintenance and implementation of these guidelines; and (e) the general effectiveness of the Board and its committees. The review shall seek to identify specific areas, if any, in need of improvement or strengthening.

#### **15. Other Board Memberships**

Without specific approval from the Board, no director may serve on more than three (3) public company boards (including the Company's Board and excluding open- and closed-end investment company boards). In calculating service on a public company board, service on a board of a parent and its substantially-owned subsidiary counts as service on a single board. The Nominating and Corporate Governance Committee and the Board will take into account the nature of and time involved in a director's service on other boards in evaluating the suitability of individual directors and making its recommendations to the Company's shareholders. Service on boards and committees of other organizations should be consistent with the Company's conflicts of interest policies.

#### **16. Stock Ownership Guidelines for Directors and Executive Officers**

##### *Stock Ownership Guidelines for Directors*

Directors are required to hold shares or phantom shares of Anworth stock with a minimum cost basis equal to three (3) times the amount of the annual retainer paid to directors. These guidelines must be achieved within three (3) years of joining the Board or, in the case of directors serving at the time these guidelines were adopted, within three (3) years of the original date of the adoption of these guidelines, which was May 24, 2007.

##### *Stock Ownership Guidelines for Executive Officers*

The Chief Executive Officer is required to hold shares of Anworth stock with a minimum value of \$1,000,000. The Chief Investment Officer is required to hold shares of Anworth stock with a minimum value of \$500,000. Other executive officers who are Section 16 "insiders" are required to hold shares of Anworth stock with a minimum value of \$100,000. These guidelines must be met within three (3) years of becoming a Section 16 "insider" or within three (3) years following adoption of these guidelines, whichever is later.

##### *Counting Shares Owned*

For purposes of the foregoing ownership guidelines, shares owned outright by a director or executive officer (or his or her immediate family members residing in the same household), shares held in trust for the benefit of a director or executive officer (or his or her immediate

family members residing in the same household) and restricted shares granted to a director or executive officer under one of the Company's employee benefit plans, may all be counted towards reaching the minimum amounts. Deferred stock units do not, however, count towards satisfaction of these guidelines. Compliance with these guidelines may be waived by the Nominating and Corporate Governance Committee for directors joining the Board from government, academia or similar vocations, and for directors and executive officers if compliance would create severe hardship or prevent compliance with a court order.

Shares that count towards satisfaction of these guidelines include:

- Common Shares, Preferred Shares and Phantom Shares owned outright by a director or executive officer or his or her immediate family members residing in the same household;
- Common Shares, Preferred Shares and Phantom Shares held in trust for the benefit of a director or executive officer or his or her family; and
- Restricted shares granted under the Company's employee plans.

#### *Exceptions*

These guidelines may be waived, at the discretion of the Nominating and Corporate Governance Committee, for directors joining the Board from government, academia or similar professions. These guidelines may also be waived for executives or directors, at the discretion of the Nominating and Corporate Governance Committee, if compliance would create severe hardship or prevent an executive or director from complying with a court order, as in the case of a divorce settlement. It is expected that these instances would be rare.

## **17. Code of Conduct**

Our board has established the Anworth Mortgage Asset Corporation Code of Ethics and Business Conduct, or the Code of Conduct, which qualifies as a "code of ethics" as defined by Item 406 of Regulation S-K of the Exchange Act. Among other matters, the Code of Conduct is designed to deter wrongdoing and to promote:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- full, fair, accurate, timely and understandable disclosure in our SEC reports and other public communications;
- compliance with applicable governmental laws, rules and regulations;
- prompt internal reporting of violations of the Code of Conduct to appropriate persons identified in the Code of Conduct; and
- accountability for adherence to the Code of Conduct.

Waivers to the Code of Conduct may be granted only by our Board. In the event that our Board grants any waivers of the elements listed above to any of the directors of our Company and any officers or employees of the Manager, or if any amendment is made to any provision of

the Code of Conduct, we will make the required filing with the SEC and announce the waiver or amendment on the “Governance Documents” section of our website, both within four business days.

**18. Submission of Letter of Resignation Upon a Job Change**

The Board requires the submission of a letter of resignation from directors upon a job change, which letter may be accepted or rejected by the Board in its discretion.