

**ARLINGTON ASSET INVESTMENT CORP.
STATEMENT OF BUSINESS PRINCIPLES**

Dated as of October 24, 2016

Dear Arlington Officers and Employees:

We believe that it is critically important that, as an officer or employee of Arlington Asset Investment Corp. (“Arlington”), you understand that Arlington places great importance on compliance with all laws and regulations applicable to our businesses. Arlington believes that such compliance not only has a positive effect on Arlington’s business; it is integral to the long-term success of Arlington and to Arlington’s mission of maximizing the value of our company to its shareholders.

It is important that you understand the basic principles by which Arlington conducts its business. Our business principles require that Arlington, its employees, officers and directors comply with all applicable laws and regulations, treat each other fairly and with respect, adhere to the highest ethical standards, and act as responsible members of the communities where we operate.

The Employee Handbook, among other items, includes Arlington’s policies on Investor Relations, Equal Opportunity, Sexual Harassment, Business Ethics, Confidential and Proprietary Information, Substance Abuse and other important matters. These materials, including these Principles, have been provided to help you understand and abide by the law and by Arlington’s business principles in the performance of your job.

In addition to setting forth Arlington’s broad business principles, this Statement of Business Principles also highlights several laws of which all Arlington employees must be aware of when conducting business activities. These are in addition to the information covered in the Employee Handbook and in any other policies and procedures you have received, or may in the future receive, from the Company (collectively, the “Policies and Procedures”). **It is the responsibility of every Arlington officer or employee to read and understand all of these materials and to comply with the provisions. We take these matters seriously and expect everyone to take them seriously.**

We also expect you to seek advice when necessary. Remember that it is always better to ask first so problems can be avoided later. If you have questions about the laws, regulations or policies governing your activities on behalf of Arlington, talk to your supervisor. If you suspect any activity to be in violation of the law or company policy, please follow the reporting procedures in the following Statement of Business Principles.

Sincerely,

/s/ Eric F. Billings

Eric F. Billings
Executive Chairman

STATEMENT OF BUSINESS PRINCIPLES

I. GENERAL

This Statement of Business Principles (“Principles”) applies to Arlington Asset Investment Corp. (“Arlington”) and to the officers, directors and employees of Arlington. These Principles also apply to Arlington’s agents, representatives and consultants when they are conducting business on behalf of Arlington. These Principles do not cover every issue that may arise, but set out basic principles to guide all employees, officers and directors of Arlington. All employees, officers and directors must conduct themselves accordingly and seek to avoid even the appearance of improper behavior.

If a law conflicts with these Principles, you must comply with the law; however, if a local custom or policy conflicts with these Principles, you must comply with these Principles. If you have any questions about these conflicts, you should ask your supervisor how to handle the situation.

Anyone who violates these Principles will be acting outside the scope of his or her employment and will be subject to disciplinary action. If you are in a situation that you believe may violate or lead to a violation of the law or of these Principles or, if you believe that a violation of the law or of these Principles has occurred you should report the matter immediately. Section VII of these Principles contains information on how to report these matters.

Compliance with Laws, Rules and Regulations

Obedying the law, both in letter and in spirit, is the foundation on which Arlington’s ethical standards are built. You are expected to respect and obey the laws and regulations of the municipalities, states and countries in which Arlington operates, and will act in such a manner that the full disclosure of all facts related to any activity will reflect favorably upon Arlington. Although you are not expected to know the details of these laws, it is important to know enough to determine when to seek advice from supervisors or other appropriate personnel.

Public Disclosure

Arlington’s policy is to communicate effectively in our public communications and provide full and accurate information to our shareholders and regulators. All Arlington executive officers, including principal executive officers and senior financial officers, and other Arlington employees involved in Arlington’s public disclosure process, shall endeavor to promote and produce full, fair, accurate, timely and understandable disclosure in Arlington’s public communications, including filings with the U.S. Securities and Exchange Commission. All employees, officers and directors involved in the disclosure process are responsible for acting in furtherance of this policy.

Conflicts of Interest and Related Party Transactions

A “conflict of interest” exists when a person’s private interest interferes, or appears to interfere, with the interests of Arlington. A conflict situation can arise when you take actions, have interests or receive a benefit from a third party that may make it difficult for you to perform your work objectively and effectively. Conflicts of interest also may arise if you or a member of your family receives improper personal benefits as a result of your position with Arlington.

It is almost always a conflict of interest for you to work simultaneously for a competitor, customer or supplier. You are not allowed to work for a competitor as a consultant or board member. You are, however, permitted to direct your personal investments as you see fit, including in limited circumstances, maintaining accounts and obtaining services from a competitor, customer or supplier, subject to our policies on insider trading.

Conflicts of interest are prohibited as a matter of Arlington policy, except under guidelines approved by the board of directors of Arlington as the case may require. Conflicts of interest may not always be clear-cut, so if you have a question, you should consult with higher levels of management or Arlington’s outside legal counsel. If you become aware of a conflict or potential conflict, you should bring it to the attention of a supervisor, and consult the procedures described in Section VII of these Principles.

Confidentiality and Insider Trading

Employees and officers must maintain the confidentiality of confidential information entrusted to them by Arlington or its customers, except when disclosure is authorized by Arlington’s outside legal counsel, or required by laws or regulations. Confidential information includes all non-public information that might be of use to competitors, or harmful to Arlington or its customers, if disclosed. From time to time, Arlington receives confidential information from other companies; you must treat that confidential information with the same care that you treat Arlington’s confidential information. The obligation to preserve confidential information continues even after employment ends.

If you have access to confidential information, you are not permitted to use or share that information for stock trading purposes or for any other purpose except the conduct of our business. All non-public information about Arlington should be considered confidential information. To use non-public information for personal financial benefit or to “tip” others who might make an investment decision on the basis of this information is not only unethical but also illegal. These Principles, as they regard insider trading, complement the Insider Trading Policy and all other Policies & Procedures. If you have any questions, please consult Arlington’s outside legal counsel.

Corporate Opportunities

You are prohibited from taking for yourself opportunities that are discovered through the use of Arlington property, information or position without the consent of the board of

directors of Arlington as the case may require. You may not use Arlington property, information, or position for improper personal gain, and you may not compete with Arlington directly or indirectly. You owe a duty to Arlington to advance its legitimate interests when the opportunity to do so arises.

Competition and Fair Dealing

We seek to outperform our competition fairly and honestly. We seek competitive advantages through superior performance, never through unethical or illegal business practices. Stealing proprietary information, possessing trade secret information that was obtained without the owner's consent, or inducing such disclosures by past or present employees of other companies is prohibited. You should endeavor to respect the rights of and deal fairly with Arlington's customers, suppliers, competitors and employees. Employees should not take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other intentional unfair-dealing practices.

The purpose of business entertainment and gifts in a commercial setting is to create good will and sound working relationships, not to gain unfair advantage with customers. No gift or entertainment should ever be offered, given, provided or accepted by any Arlington employee, officer or director, or any of their family members unless it: (1) is not a cash gift; (2) conforms with all Policies & Procedures; (3) is not excessive in value under the Policies & Procedures; (4) cannot be construed as a bribe or payoff; and (5) does not violate any laws, regulations or the Policies & Procedures. Employees must discuss with their supervisor any gifts or proposed gifts that they are not certain are appropriate and follow all Policies & Procedures.

Discrimination and Harassment

The diversity of Arlington's employees is a tremendous asset. We are firmly committed to providing equal opportunity in all aspects of employment and will not tolerate any illegal discrimination or harassment of any kind. Examples include derogatory comments based on racial or ethnic characteristics and unwelcome sexual advances. These Principles, as they regard discrimination and harassment, complement the discrimination and harassment policies described in the Arlington Employee Handbook.

Health and Safety

Arlington strives to provide you with a safe and healthful work environment. You have a responsibility for maintaining a safe and healthy workplace for everyone by following safety and health rules and practices and reporting accidents, injuries and unsafe equipment, practices or conditions.

Violence and threatening behavior are not permitted. You should report to work in condition to perform your duties, free from the influence of illegal drugs or alcohol. The use of illegal drugs in the workplace will not be tolerated.

Record-Keeping

Arlington requires honest and accurate recording and reporting of information in order to make responsible business decisions. For example, only the true and actual number of hours worked should be reported.

Many of you regularly use business expense accounts, which must be documented and recorded accurately. If you are not sure whether a certain expense is legitimate, ask your supervisor or Arlington's controller.

All of Arlington's books, records, accounts and financial statements must be maintained in reasonable detail, must appropriately reflect Arlington's transactions and must conform both to applicable legal requirements and to Arlington's internal accounting controls.

Business records and communications often become public, therefore you should avoid exaggeration, derogatory remarks, guesswork, or inappropriate characterizations of people (including co-workers) and companies that can be misunderstood. This applies equally to e-mail, internal memos and formal reports. Records should always be retained or destroyed according to Arlington's record retention policies. In accordance with those policies, in the event of litigation or governmental investigation, it is essential to follow the advice of your supervisor or Arlington's outside legal counsel. Improper destruction of records can be illegal and result in both civil and criminal penalties. Whenever litigation or an investigation is pending or threatened, every potentially relevant document must be preserved unless destruction has been approved by your supervisor or Arlington's outside legal counsel.

Protection and Proper Use of Arlington's Assets

You should endeavor to protect Arlington's assets and ensure their efficient use. Theft, carelessness, and waste have a direct impact on Arlington's profitability. Any suspected incident of fraud or theft should be immediately reported for investigation to your supervisor or Arlington's outside legal counsel according to the procedures set forth in Section VII. All Arlington assets should be used for legitimate business purposes. Arlington equipment should not be used for non-Arlington business, though incidental personal use may be permitted.

Your obligation to protect Arlington's assets includes protecting its proprietary information. Proprietary information includes intellectual property such as trade secrets, patents, trademarks, and copyrights, as well as business, marketing and service plans, designs, databases, records, salary information and any unpublished financial data and reports. Unauthorized use or distribution of this information would violate Arlington policy. It could also be illegal and result in civil or even criminal penalties.

Payments to Government Personnel

The U.S. Foreign Corrupt Practices Act (“FCPA”) prohibits giving anything of value, directly or indirectly, to officials of foreign governments or foreign political candidates in order to obtain or retain business. It is strictly prohibited to make illegal payments to government officials of any country. We set forth further guidance on FCPA issues below.

In addition, the U.S. government has a number of laws and regulations regarding business gratuities which may be accepted by U.S. government personnel. The promise, offer or delivery to an official or employee of the U.S. government of a gift, favor or other gratuity in violation of these rules would not only violate Arlington policy but could also be a criminal offense. State and local governments, as well as foreign governments, may have similar rules. Arlington’s outside legal counsel can provide guidance to you in this area.

Responsible Business Citizenship

We seek to act as responsible citizens in the communities where we do business. As a responsible citizen, you should aspire to promote these Principles to the business community at large. With your participation, Arlington can continue to be a market leader in the arena of ethical business conduct and practices.

II. INTERNAL ACCOUNTING CONTROLS

In addition to these general Business Principles, certain policies Arlington has adopted deserve further discussion and attention. Internal accounting controls have been established to manage the company’s financial transactions. Arlington established these controls to satisfy internal needs and to assure compliance with generally accepted accounting principles, the guidelines of the Financial Accounting Standards Board, and the requirements of applicable laws and regulations. Because of its far-reaching provisions, one of these laws, the United States Foreign Corrupt Practices Act, deserves further explanation.

Foreign Corrupt Practices Act

The FCPA became U.S. federal law in 1977. It applies to U.S. individuals, companies and businesses, including their controlled international subsidiaries. Despite the reference to foreign practices, the FCPA’s accounting and record keeping provisions apply to domestic and international operations of publicly-traded U.S. companies.

The FCPA has two basic parts: 1) the anti-bribery provisions and 2) accounting and recordkeeping requirements. The anti-bribery section prohibits payment of a bribe to a non-U.S. official or non-U.S. political party, party official or candidate for political office. The FCPA defines a bribe as anything of value given or offered to a non-U.S.

official for the purpose of influencing an act or decision to obtain, retain or direct business. Anything of value can include things other than cash. These rules originally were intended to prevent the creation of unreported slush funds or illegal payments to non-U.S. officials. But the government also uses them to challenge a wide range of recordkeeping practices unrelated to illegal payments or non-U.S. operations. While the FCPA's accounting provisions basically restate generally accepted accounting principles, it is important to understand that strict accuracy in documentation and reporting is required. These provisions can be interpreted to include relatively small sums from petty cash funds. Any director, officer, employee or agent of Arlington, who is convicted of violating the FCPA is subject to substantial fines and/or imprisonment. If convicted, Arlington may also be subject to substantial fines.

Internal Control Guidelines

Arlington has established systems, controls and records for authorizing, executing, and recording transactions involving assets and liabilities. The following is a summary of some of the more significant internal policies and controls:

Circumvention

No officer, employee or other person acting on behalf of Arlington shall engage in any activity that circumvents the company's systems of internal controls. Unrecorded or "off the books" funds or assets should not be maintained unless permitted by applicable law or regulation.

Illegal Payments

No officer, employee or other person acting on behalf of Arlington will in any way offer, make or cause to be offered an illegal payment, contribution or gift of any kind.

Cash Disbursements

Arlington policy prohibits cash disbursements except for nominal amounts drawn from established and properly recorded petty cash accounts. All checks will be drawn only to the ultimate payee. No checks will be made payable to cash or bearer. Exceptions can be made to this policy but only with the prior written approval of Arlington's Chief Executive Officer and Chief Financial Officer.

Consultants

In order to prevent payments that violate FCPA from being made through consultants, the hiring of any consultant must be reviewed by Arlington's Chief Financial Officer and, where the proposed consultant does not have a preexisting relationship with Arlington,

due diligence shall be conducted to determine, among other things, that the proposed consultant is not a government official.

Reporting and Review Procedure

If you have reason to believe that a transaction is illegal, you must report this transaction to Arlington's Chief Financial Officer or outside legal counsel according to the procedures set forth in Section VII. If, after an initial inquiry, Arlington's outside legal counsel believes a review of the transaction is necessary, he shall request such a review by the audit committee of the board of directors of Arlington. When a review is requested, the chairman of the audit committee will inform management and those involved in the transaction that a review is being conducted. If appropriate, the audit committee may direct management not to proceed with the transaction under review until the issue has been resolved. At each regularly scheduled meeting of the board of directors of Arlington, the Corporate Secretary or Arlington's outside legal counsel shall advise the board of any report of illegal activity that they concluded did not require a review and the reason for such conclusion.

III. ANTITRUST

Antitrust laws are designed to preserve and foster fair and honest competition within the free enterprise system. To accomplish this goal, the language of these laws is deliberately broad, prohibiting such activities as unfair methods of competition and agreements in restraint of trade. Such language gives enforcement agencies the right to examine many different business activities to judge their effect on competition.

Price Fixing

Agreements among competitors on the price at which they will sell their products or services are called "price-fixing." Price-fixing may exist even if there is no agreement on a specific price to be charged. Any agreement between or among competitors with the purpose of increasing or affecting the price of a product or service will violate the antitrust laws.

Price fixing might include agreements among competitors on price ranges, pricing formulas, stock and other commission rates, the size of price spreads, discounting policies, or account fees. Thus, representatives of competing firms should, at all times, avoid discussing actual prices charged or to be charged for products and services.

Bid-Rigging

"Bid-rigging" is an area closely related to price-fixing and is also per se illegal. The objective of bid-rigging is to eliminate or reduce price competition, or to assure that, over time, each competing bidder receives a "fair share" of total business awarded on the basis of sealed bids. Bid-rigging includes the designation by competitors of one company to win a bid with the understanding that the remaining companies will submit higher bids.

An agreement among competitors not to bid on a particular project also constitutes bid-rigging.

Customer Allocations

Another per se illegal violation concerns any agreement to divide or allocate customers among competing entities. These are illegal, whether based upon specific customers or classes of customers. No discussions should occur with competing entities concerning allocating current customers.

Geographic/Product Market Allocations

Agreements among competitors to divide or allocate business on the basis of U.S. geographic or product markets are per se unlawful. Discussions with competitors concerning plans to expand into or withdraw from certain geographic or product markets should be avoided.

Group Boycotts

A group boycott exists when a group of competitors agrees to take some form of joint action to exclude someone from the market, such as by agreeing to refuse to deal with another competitor, or with a supplier or customer. Group boycotts are per se illegal, and no discussion about forming a boycott should take place.

This is by no means an exhaustive list of areas where antitrust laws apply. If you have any questions about a specific business activity, consult with Arlington's Chief Financial Officer or outside legal counsel.

IV. POLITICAL PARTICIPATION

Arlington believes that participation in the political process is one of every individual's most basic rights. But federal and state laws in the United States and many other countries distinguish between individual and corporate participation. For example, U.S. federal law and the laws of many states prohibit corporate contributions to political candidates or officeholders.

Personal Political Participation

Arlington encourages you to participate in the political process as you desire. You may make personal political contributions or communicate personal beliefs to elected officials. Within the limits of company policy regarding leaves of absence, employees may run for political office. It is important, however, to distinguish between personal and corporate political activities. Unless you are specifically requested by Arlington to represent it before legislative or other government bodies, be sure you clearly label any personal communication with legislators as your own beliefs. If you are contacted by

legislators or regulators regarding Arlington's position on public issues, you should refer them to Arlington's Chief Financial Officer or outside legal counsel.

Corporate Participation

It is against Arlington's policy to use company funds or other assets to make political contributions to or expenditures on behalf of political candidates, officeholders or public officials. Prohibited expenditures may include minor spending such as providing meals, beverages or entertainment to officeholders or public officials. U.S. federal law and Arlington policy also state that no one will be reimbursed for personal political contributions. Personal compensation will not be altered in any way under any circumstances to reflect such contributions. In some cases, narrow exceptions to Arlington's corporate policy may be granted, if permitted by applicable law, to allow: (i) employees to make occasional, isolated and incidental use of corporate facilities or equipment for individual volunteer activities in connection with an election and (ii) expenditures to be made in connection with events sponsored, hosted, subsidized or promoted by Arlington. You must contact Arlington's Chief Financial Officer or outside legal counsel before doing anything you think is covered by these exceptions.

V. INTERNATIONAL TRADE RESTRICTIONS AND BOYCOTTS

The ability of U.S. companies and their non-U.S. affiliates to trade in the world market is restricted by regulations issued by the U.S. federal government. For example, U.S. companies are prohibited from participating in economic boycotts directed against friendly countries and trade with certain countries is restricted or prohibited. Compliance with boycott requests or failure to promptly report the receipt of boycott requests can subject the company to severe penalties.

Antiboycott Laws

The antiboycott laws are intended to prevent U.S. companies and their non-U.S. affiliates from supporting a boycott imposed by one non-U.S. country against another country that is friendly to the United States. Although the current laws were passed primarily to respond to the boycott of Israel by several Middle Eastern nations, other boycotts are also covered.

These laws prohibit Arlington, its employees, officers or directors in their capacity as such from refusing to do business with anyone based upon race, religion, gender or national origin and from providing information about these matters to customers or potential customers. They also prohibit the providing of information about relationships that Arlington may have with a boycotted country.

Under the regulations, requests to participate in a boycott must be reported promptly to the U.S. federal government. If any document contains language that you believe may be boycott-related, immediately contact Arlington's Chief Financial Officer or outside legal counsel before completing the transaction.

VI. WAIVERS

Any waiver of these Principles for executive officers or directors of Arlington may be made only by the board of directors of Arlington, and will be promptly disclosed to shareholders as required by law or stock exchange regulation.

VII. REPORTING ANY ILLEGAL OR UNETHICAL BEHAVIOR

You are encouraged to talk to supervisors about circumstances which you believe violate the laws or these Principles or when in doubt about the best course of action in a particular situation. Arlington prohibits retaliation for reports of misconduct by others made in good faith by employees. Retaliation is illegal and could result in civil or even criminal penalties. You are expected to cooperate in internal investigations of misconduct.

Reporting

In the case where it may not be appropriate to discuss a circumstance that you believe violates the law or these Principles with your supervisor, or where you do not feel comfortable approaching your supervisor, you should report the matter to the Human Resources Department, or to Arlington's outside legal counsel. If you wish to make a complaint or report a matter anonymously, you may do so by calling the Arlington Reporting Hotline at 1-800-401-8004.

If the matter you are concerned about involves allegations of financial, accounting or auditing misconduct or impropriety, you may contact the Audit Committee of the Board of Directors of Arlington through Arlington's outside legal counsel or anonymously through the Arlington Reporting Hotline at 1-800-401-8004. Concerns of this nature will be forwarded directly to the committee.

We must all work to ensure prompt and consistent action against violations of the law or of this Statement of Business Principles. However, in some situations it is difficult to know right from wrong. Since we cannot anticipate every situation that will arise, it is important that we have a method to approach a new question or problem. These are the steps to keep in mind:

- Make sure you have all the facts. In order to reach the right solutions, we must be as fully informed as possible.
- Ask yourself: What specifically am I being asked to do? Does it seem unethical or improper? This will enable you to focus on the specific question you are faced with, and the alternatives you have. Use your judgment and common sense; if something seems unethical or improper, it probably is.

- Clarify your responsibility and role. In most situations, there is shared responsibility. Are your colleagues informed? It may help to get others involved and discuss the problem.
- Discuss the problem with your supervisor. This is the basic guidance for all situations. In many cases, your supervisor will be more knowledgeable about the question, and will appreciate being brought into the decision-making process. Remember that it is your supervisor's responsibility to help solve problems.
- You may report ethical violations in confidence and without fear of retaliation. If your situation requires that your identity be kept secret, your anonymity will be protected. Again, Arlington does not permit retaliation of any kind against employees or officers for good faith reports of ethical or legal violations.
- Always ask first, act later: If you are unsure of what to do in any situation, seek guidance before you act.

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