

ANWORTH MORTGAGE ASSET CORPORATION

Compensation Committee Charter

Originally approved by the Board of Directors of Anworth Mortgage Asset Corporation on June 11, 2002 and as amended on May 22, 2013.

The Board of Directors (the “Board”) of Anworth Mortgage Asset Corporation (the “Corporation”) has established a standing committee to be known as the Compensation Committee (the “Committee”).

Purpose

The purpose of the Committee is to consider matters relating to compensation and perquisites of the executive officers, directors and consultants of the Corporation and to make recommendations under the Corporation’s 2004 Equity Compensation Plan and 2007 Dividend Equivalent Rights Plan. The Committee shall report to the Board on a regular basis and in any event not less than once a year.

Composition

The Committee shall be composed of such number of directors as may be appointed by the Board. The Committee shall be composed entirely of directors who meet the independence requirements of the New York Stock Exchange (“NYSE”), and no Committee member shall be an employee of the Corporation. One of the members so appointed shall be designated by the Board as the Chairperson of the Committee. Members of the Committee may be removed by the Board for any reason and at any time.

Independence

No member of the Committee can qualify as “independent” unless the Board affirmatively determines that such director has no material relationship with the Corporation (directly or as a partner, member, stockholder or officer of an entity that has a relationship with the Corporation).

In addition, as required by the rules of the NYSE, in affirmatively determining whether a director is an “Independent Director” for purposes of participation on the Committee, the Board shall consider all factors specifically relevant to determining whether a director has a relationship to the Corporation that is material to the director’s ability to be independent from the Corporation’s management in connection with the duties of a member of the Committee, including, but not limited to, the following:

- The source of the director’s compensation, including any consulting, advisory or other compensation fees, including consideration of whether a source of the director’s compensation (directly from the Corporation or from any other person or entity) would impair the director’s ability to make independent judgments about the Corporation’s executive compensation.

- Any affiliate relationships between the director and the Corporation, including consideration of whether an affiliate relationship places the director under the direct or indirect control of the Corporation or its senior management, and would impair the director's ability to make independent judgments about the Corporation's executive compensation.

Meetings

The Committee may hold regular meetings on such days as it shall determine. Other meetings of the Committee shall be held at the request of the Chairperson of the Committee or any two other Committee members. Minutes shall be regularly kept of Committee proceedings by a person appointed by the Committee to do so.

Scope of Activities

To the full extent permitted by applicable law, the Committee shall:

- Review and approve corporate goals and objectives relevant to the compensation of the Chief Executive Officer of the Corporation (the "Chief Executive Officer"); evaluate the performance of the Chief Executive Officer in light of those goals and objectives; and determine and approve the compensation level of the Chief Executive Officer based on such evaluation¹;
- Make recommendations to the Board with respect to non-Chief Executive Officer compensation, incentive compensation and equity-based plans that are subject to Board approval¹;
- Review and make recommendations to the Board with respect to compensation for independent directors;
- Review and approve fringe benefits and perquisites of directors and amendments to any related benefit plans or programs;
- Administer and make recommendations with respect to options, DERs and restricted stock (including price, terms and amounts) to be granted by the Board under the Corporation's equity incentive plans with respect to the 2004 Equity Compensation Plan and 2007 Dividend Equivalent Rights Plan;
- Evaluate the performance of Anworth Management, LLC (our "Manager");
- Review the compensation and fees payable to our Manager under the management agreement with the Manager;
- Review and approve all compensation related documents and disclosure required to be filed with regulatory organizations, including the

¹ Effective December 31, 2011, the Corporation became an externally-managed REIT and does not pay any compensation to any of its officers other than equity-based compensation.

“Compensation Committee Report” included in the Corporation’s annual proxy statement on Schedule 14A, as required by Item 407(e)(5) of Regulation S-K under the Securities Act of 1933, as amended (the “Securities Act”); and

- Retain and approve the compensation of any compensation consultants, outside legal counsel and other compensation advisers (“Consultants”) and assess a Consultant’s independence before selecting and receiving advice from a Consultant.

Attendance

Such corporate officers and other service providers of the Corporation, as the Committee may regularly or from time-to-time designate, shall attend the meetings.

Delegation and Outside Assistance

The Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee of the Committee. The Committee is authorized to engage or employ such outside professional or other services as in its discretion may be required to fulfill its responsibilities.

Consultants

The Committee shall have the authority, in its sole discretion, to select, retain and obtain the advice of any Consultants as necessary to assist with the execution of its duties and responsibilities as set forth in this charter. The Committee shall be directly responsible for the appointment, compensation and oversight of the work of any Consultants retained by the Committee. The Committee shall have access to appropriate funding from the Corporation, as determined by the Committee in its capacity as a committee of the Board, for the payment of reasonable compensation to a Consultant retained by the Committee.

Effective July 1, 2013, in connection with selecting, soliciting or receiving advice from a Consultant to the Committee (other than in-house legal counsel), the Committee must take into consideration the following factors:

- The provision of other services to the Corporation by the person that employs the Consultant;
- The amount of fees paid by Corporation to the person that employs the Consultant, as a percentage of the total revenue of the person that employs the Consultant;
- The policies and procedures of the person that employs the Consultant that are designed to prevent conflicts of interest;

- Any business, professional or personal relationship of the Consultant with any member of the Committee;
- Ownership by the Consultant of any stock of the Corporation; and
- Any business, professional or personal relationship of the Consultant or the person employing the Consultant with any executive officer of the Corporation.

The Committee is not required to assess the independence of a Consultant that acts in a role limited to consulting on any broad-based plan that does not discriminate in scope, terms or operation in favor of executive officers or directors and that is generally available to all salaried employees, or providing information that is not customized for the Corporation or that is customized based on parameters that are not developed by such Consultant, and about which such Consultant does not provide advice.

The Committee shall evaluate whether any Consultant retained or to be retained by it has any conflict of interest in accordance with Item 407(e)(3)(iv) of Regulation S-K under the Securities Act.

A Consultant retained by the Committee shall not perform other services for the Corporation unless such services are pre-approved by the Committee and the Committee is updated regularly as to the services being provided by such Consultant.

The Committee shall not be required to implement or act consistently with the advice or recommendations of any Consultant to the Committee, and the Committee shall exercise its own judgment in the fulfillment of its duties.

Procedures

The Committee may adopt rules for its meetings and activities. In the absence of any such rules, Committee actions shall be governed by the Corporation's Bylaws and applicable law. In all cases, a quorum of the Committee shall be a majority of the persons then serving as members of the Committee.

Annual Performance Evaluation of the Committee

The Committee shall conduct an annual review and evaluation of its performance based upon, among other things, an assessment of the Committee's fulfillment of its obligations pursuant to this charter, and shall report its findings to the Board. The review shall seek to identify specific areas, if any, in need of improvement or strengthening. As part of this review, the Committee shall consider what qualifications would be desirable for Committee members and shall report its findings to the Board. The Committee shall also review at least annually the adequacy of this charter and recommend changes or modifications for the Board's consideration, as appropriate.