

**ELLINGTON FINANCIAL INC.  
CHARTER OF THE COMPENSATION COMMITTEE  
OF THE BOARD OF DIRECTORS  
ADOPTED AS OF OCTOBER 31, 2019**

The following shall constitute the Charter (the “Charter”) of the Compensation Committee of the Board of Directors (the “Board”) of Ellington Financial Inc. (the “Company”).

**I. ORGANIZATION**

There shall be constituted a standing committee of the Board to be known as the Compensation Committee (the “Committee”).

**II. COMPOSITION AND SELECTION**

The Committee shall be comprised of three or more directors. It is intended that each member of the Committee satisfy the requirements of a “non-employee director” for purposes of Section 16 of the Securities Exchange Act of 1934, as amended.

In addition, the Board shall affirmatively determine that each member of the Committee meets the independence standards of the New York Stock Exchange (the “NYSE”) as then in effect. In affirmatively determining the independence of any director who will serve on the Committee, the Board must consider all factors specifically relevant to determining whether a director has a relationship with the Company that is material to that director’s ability to be independent from management in connection with the duties of a member of the Committee, including, but not limited to:

- the source of compensation of such director, including any consulting, advisory or other compensatory fee paid by the Company to such director; and
- whether such director is affiliated with the Company, any subsidiary of the Company or any affiliate of any subsidiary of the Company.

The members of the Committee shall be appointed by the Board annually on the recommendation of the Nominating and Corporate Governance Committee and may be removed only by the majority of independent directors of the full Board. The members of the Committee shall serve until their successors are duly elected and qualified. The Board shall designate the Committee Chairman.

The duties and responsibilities of Committee members contained herein shall be in addition to those duties otherwise required for members of the Board.

**III. STATEMENT OF PURPOSE**

The Committee is appointed by the Board to assist the Board in discharging its responsibilities relating to (i) compensation of the Company's directors and officers, (ii) review, approval and administration of compensation plans and programs and other benefit plans, including the 2017 Equity Incentive Plan, for directors and officers of the Company, the Company's external manager and its affiliates and their respective officers and employees who perform services for the Company, and consultants and other third parties who perform services for the Company (collectively, the "Plans"), and (iii) compensation of Ellington Financial Management, LLC, the Company's external manager (the "Manager"). The Committee has overall responsibility for evaluating and recommending changes to the director and officer compensation plans, policies and programs of the Company and approving and recommending to the Board for its approval awards under the Plans and amendments to the Plans.

#### **IV. COMMITTEE AUTHORITY AND RESPONSIBILITIES**

The Committee shall have full access to any relevant records of the Company and shall have the sole authority to retain consultants to advise the Committee and shall have sole authority to approve such consultants' fees and other retention terms.

The Committee may form and delegate authority to subcommittees comprised entirely of independent directors or its chair when appropriate. Among its specific duties and responsibilities, the Committee shall:

1. Review the Company's overall director and officer compensation philosophy, structure, policies and programs;
2. Make recommendations to the Board with respect to the Plans and any other incentive-compensation plans and equity-based plans with respect to the management agreement by and between the Company and the Manager (the "Management Agreement");
3. Review and approve any employment, severance or termination agreement with any executive officer of the Company who is paid by the Company, review perquisites or other personal benefits of such executive officers, and recommend any changes to the Board;
4. Review the fees payable to the Manager under the Management Agreement;
5. Make recommendations to the Board regarding the compensation of the Company's officers and of the officers and employees of the Manager and its affiliates who perform services for the Company and administer the issuance of any incentive stock awards to the Manager, the Company's officers and the officers and employees of the Manager and its affiliates who perform services for the Company;
6. Annually review the compensation of directors for service on the Board and its committees and recommend changes in compensation to the Board;

7. Oversee the Company's submissions to shareholders on executive compensation matters, including advisory votes on executive compensation and the frequency of such votes, incentive and other executive compensation plans and amendments to such plans (to the extent required under NYSE listing standards);
8. Review and discuss with the Company's management the Compensation Discussion and Analysis ("CD&A") to be included in the Company's annual proxy statement and determine whether to recommend to the Board that the CD&A be included in the proxy statement;
9. Issue the Committee Report for inclusion in the Company's proxy statement that complies with the rules and regulations of the Securities and Exchange Commission ("SEC");
10. Oversee the evaluation of risk associated with the Company's total compensation strategy and compensation programs;
11. Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval, and annually review the Committee's performance based upon, among other things, an assessment of the Committee's fulfillment of its obligations pursuant to this Charter. The Committee's findings shall be reported to the Board, and such review shall seek to identify specific areas, if any, in need of improvement or strengthening; and
12. When required by rules of a national securities exchange or the SEC, prepare any annual or other compensation report as may be required of the Committee by any applicable rules and regulations and submit it to the Board for inclusion in the Company's proxy statement or other treatment as may be required.

The Committee may, in its sole discretion, retain or obtain the advice of a compensation consultant, independent legal counsel, accounting or other adviser. The Committee shall be directly responsible for the appointment, compensation and oversight of the work of any such consultant, counsel, accountant or other adviser so retained by the Committee. The Company must provide for appropriate funding, as determined by the Committee, for payment of reasonable compensation to a consultant, counsel, accountant or other adviser retained by the Committee. The Committee may select a consultant, counsel, accountant or other adviser to the Committee only after taking into consideration all factors relevant to that entity's or person's independence from management, including the following:

- the provision of other services to the Company by the entity or person that employs the consultant, counsel, accountant or other adviser;
- the amount of fees received from the Company by the entity or person that employs the consultant, counsel, accountant or other adviser, as a percentage of

the total revenue of the entity or person that employs the consultant, counsel, accountant or other adviser;

- the policies and procedures of the entity or person that employs the consultant, counsel, accountant or other adviser that are designed to prevent conflicts of interest;
- any business or personal relationship of the consultant, counsel, accountant or other adviser with a member of the Committee;
- any stock of the Company owned by the consultant, counsel, accountant or other adviser; and
- any business or personal relationship of the consultant, counsel, accountant or other adviser or the entity or person employing the consultant, counsel, accountant or adviser with an executive officer of the Company.

The Committee is required to conduct the above independence assessment with respect to any compensation consultant, legal counsel, accounting or other adviser that provides advice to the Committee, other than (i) in-house legal counsel and (ii) any compensation consultant, legal counsel, accounting or other adviser whose role is limited to the following activities:

- consulting on any broad-based plan that does not discriminate in scope, terms or operation in favor of executive officers or directors of the Company and that is available generally to all salaried employees; or
- providing information that either is not customized for a particular company or that is customized based on parameters that are not developed by the compensation consultant and about which the compensation consultant does not provide advice.

## **V. MEETINGS AND PROCEDURES OF THE COMMITTEE**

The Committee shall meet as often as it deems necessary or appropriate in its judgment to carry out its duties and responsibilities and report its findings to the Board, but in no event less than once a year. The chair or a majority of the members of the Committee may call meetings of the Committee. The Committee will be governed by the same rules regarding meetings, action without meetings, notice, waiver of notice, and quorum and voting requirements as applicable to the Board. The Committee may adopt its own rules of procedure not inconsistent with (i) any provision of this Charter; (ii) any provision in the Company's Second Amended and Restated Operating Agreement, dated July 1, 2009, as amended (the "Operating Agreement"); or (iii) any applicable federal or state law.

## **VI. CONSISTENCY WITH COMPANY'S OPERATING AGREEMENT**

To the extent that any provision or section of this Charter may be inconsistent with any article, provision or section of the Operating Agreement, the Operating Agreement shall fully control.