



Ellington Financial Inc. Announces the Income Tax Treatment of its 2020 Distributions

February 1, 2021

OLD GREENWICH, Conn.--(BUSINESS WIRE)--Feb. 1, 2021-- Ellington Financial Inc. (NYSE: EFC) (the "Company") today announced the federal income tax treatment of the distributions deemed paid in 2020 on the Company's common and preferred stock. This information is being provided to assist stockholders with tax reporting requirements related to distributions by the Company.

Stockholders should review their Forms 1099 as well as other 2020 tax statements that they will receive from their brokerage firms or other institutions to ensure that the statements agree with the information provided below. Additionally, stockholders are encouraged to consult with their own professional tax advisors with respect to their individual tax consequences.

Common Stock Distributions

During 2020, the Company paid total distributions of \$1.30000 per share of common stock, of which \$0.50376 will be treated as Qualified REIT Dividends under Section 199A, \$0.21888 will be treated as Qualified Dividends, \$0.04896 will be treated as Capital Gain Distributions, and \$0.52841 will be treated as Return of Capital. The distribution of \$0.10000 per share, declared on December 7, 2020 and paid on January 25, 2021, will be reportable to common stockholders in 2021. The Federal income tax classification of the distributions paid in 2020, as they are expected to be reported on Form 1099-DIV, is set forth in the following table:

Declaration Date	Record Date	Payable Date	Total Distribution Per Share	Box 1a Total Ordinary Dividends	Box 1b Total Qualified Dividends (Included in Box 1a)	Box 2a Total Capital Gain Distributions	Box 3 Return of Capital ¹	Box 5 199A Dividends (Included in Box 1a)
12/06/2019	12/31/2019	01/27/2020	\$0.14000	\$0.07782	\$0.02357	\$0.00527	\$0.05691	\$0.05425
01/08/2020	01/31/2020	02/25/2020	\$0.15000	\$0.08338	\$0.02526	\$0.00565	\$0.06097	\$0.05812
02/07/2020	02/28/2020	03/25/2020	\$0.15000	\$0.08338	\$0.02526	\$0.00565	\$0.06097	\$0.05812
03/06/2020	03/31/2020	04/27/2020	\$0.15000	\$0.08338	\$0.02526	\$0.00565	\$0.06097	\$0.05812
04/07/2020	04/30/2020	05/26/2020	\$0.08000	\$0.04447	\$0.01347	\$0.00301	\$0.03252	\$0.03100
05/07/2020	05/29/2020	06/25/2020	\$0.08000	\$0.04447	\$0.01347	\$0.00301	\$0.03252	\$0.03100
06/05/2020	06/30/2020	07/27/2020	\$0.09000	\$0.05003	\$0.01515	\$0.00339	\$0.03658	\$0.03488
07/08/2020	07/31/2020	08/25/2020	\$0.09000	\$0.05003	\$0.01515	\$0.00339	\$0.03658	\$0.03488
08/07/2020	08/31/2020	09/25/2020	\$0.09000	\$0.05003	\$0.01515	\$0.00339	\$0.03658	\$0.03488
09/08/2020	09/30/2020	10/26/2020	\$0.09000	\$0.05003	\$0.01515	\$0.00339	\$0.03658	\$0.03488
10/07/2020	10/30/2020	11/25/2020	\$0.09000	\$0.05003	\$0.01515	\$0.00339	\$0.03658	\$0.03488
11/02/2020	11/30/2020	12/28/2020	\$0.10000	\$0.05559	\$0.01684	\$0.00377	\$0.04065	\$0.03875

¹ Reported as nondividend distributions on Form 1099

6.750% Series A Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock Distributions

According to the Internal Revenue Code of 1986, as amended, if a Real Estate Investment Trust ("REIT") declares dividends in the last three months of a calendar year, with a record date in that calendar year, but which are payable in the first month of the following calendar year, such dividends are deemed paid for the recipient's tax and Form 1099 reporting purposes on December 31 and not on the payable date, to the extent the REIT has any remaining undistributed earnings and profits (as computed for federal income tax purposes) as of the last day of that calendar year. EFC declared a preferred dividend in December 2019 (the "Fourth Quarter 2019 Dividend") that was paid in January 2020. Since EFC had earnings and profits (as computed for income tax purposes and allocated to preferred shareholders) as of the last day of 2019, the Fourth Quarter 2019 Dividend was deemed to have been paid and taxable to preferred shareholders in 2019.

During calendar year 2020, the Company paid total distributions of \$1.725005 per share, of which \$0.45938 represented the Fourth Quarter 2019 Dividend and was reported to shareholders for tax year 2019, \$0.82785 will be treated as Qualified REIT Dividends under Section 199A for tax year 2020, \$0.35757 will be treated as Qualified Dividends for tax year 2020, and \$0.08022 will be treated as Capital Gain Distributions for tax year 2020. The Federal income tax classification of the distributions deemed to have been paid in 2020, as they are expected to be reported on Form 1099-DIV, is set forth in the following table:

Declaration Date	Record Date	Payable Date	Total Distribution Per Share	Box 1a	Box 1b	Box 5	
				Total Ordinary Dividends	Total Qualified Dividends (Included in Box 1a)	Box 2a Capital Gain Dividends (Included in Box 1a)	Total 199A
04/07/2020	04/17/2020	04/30/2020	\$0.421875	\$0.39514	\$0.11919	\$0.02674	\$0.27595
07/08/2020	07/20/2020	07/30/2020	\$0.421875	\$0.39514	\$0.11919	\$0.02674	\$0.27595
10/07/2020	10/19/2020	10/30/2020	\$0.421875	\$0.39514	\$0.11919	\$0.02674	\$0.27595

No portion of the Company's 2020 distributions is expected to consist of unrelated business taxable income (UBTI), which is subject to special tax reporting for certain tax exempt investors, or is expected to consist of excess inclusion income.

Cautionary Statement Regarding Forward-Looking Statements

This press release contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve numerous risks and uncertainties. The Company's actual results may differ from its beliefs, expectations, estimates, and projections and, consequently, you should not rely on these forward-looking statements as predictions of future events. Forward-looking statements are not historical in nature and can be identified by words such as "believe," "expect," "anticipate," "estimate," "project," "plan," "continue," "intend," "should," "would," "could," "goal," "objective," "will," "may," "seek," or similar expressions or their negative forms, or by references to strategy, plans, or intentions. Examples of forward-looking statements in this press release include, without limitation, statements regarding the expected tax treatment of the Company's dividends. The Company's results can fluctuate from month to month and from quarter to quarter depending on a variety of factors, some of which are beyond the Company's control and/or are difficult to predict, including, without limitation, changes in interest rates and the market value of the Company's securities, changes in mortgage default rates and prepayment rates, the Company's ability to borrow to finance its assets, changes in government regulations affecting the Company's business, the Company's ability to maintain its exclusion from registration under the Investment Company Act of 1940, the Company's ability to qualify and maintain its qualification as a real estate investment trust, or "REIT," and other changes in market conditions and economic trends, including changes resulting from the economic effects related to the COVID-19 pandemic, and associated responses to the pandemic. Furthermore, forward-looking statements are subject to risks and uncertainties, including, among other things, those described under Item 1A of the Company's Annual Report on Form 10-K filed on March 13, 2020 and Part II, Item 1A of the Company's Quarterly Report on Form 10-Q filed on May 21, 2020, as amended, which can be accessed through the Company's website at www.ellingtonfinancial.com or at the SEC's website (www.sec.gov). Other risks, uncertainties, and factors that could cause actual results to differ materially from those projected or implied may be described from time to time in reports that the Company files with the SEC, including reports on Forms 10-Q, 10-K and 8-K. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

About Ellington Financial Inc.

Ellington Financial Inc. invests in a diverse array of financial assets, including residential and commercial mortgage loans, residential and commercial mortgage-backed securities, consumer loans and asset-backed securities backed by consumer loans, collateralized loan obligations, non-mortgage and mortgage-related derivatives, equity investments in loan origination companies, and other strategic investments. Ellington Financial is externally managed and advised by Ellington Financial Management LLC, an affiliate of Ellington Management Group, L.L.C.

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Investors:

Ellington Financial Inc.

Investor Relations

(203) 409-3575

info@ellingtonfinancial.com

or

Media:

Amanda Klein or Kevin FitzGerald

Gasthalter & Co.

for Ellington Financial

(212) 257-4170

Ellington@gasthalter.com

Source: Ellington Financial Inc.