

Ellington Financial Inc. Announces the Income Tax Treatment of 2019 Distributions on its Series A Preferred Stock

OLD GREENWICH, Conn., Jan. 30, 2020 - Ellington Financial Inc. (NYSE: EFC) (the "Company") today announced the federal income tax treatment of the distributions on the Company's 6.750% Series A Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock (the "preferred shares") deemed paid in 2019. This information is being provided to assist shareholders with tax reporting requirements related to distributions on preferred shares by the Company.

Shareholders should review their Forms 1099 as well as other 2019 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, preferred shareholders are encouraged to consult with their own professional tax advisors with respect to their individual tax consequences.

According to the Internal Revenue Code of 1986 ("the Code"), 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 year, such dividends are considered 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 dividend") that is payable 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 dividend is considered to have been paid and taxable to preferred shareholders in 2019.

On December 13, 2019, the Company declared a cash distribution of \$0.45938 per share on its preferred stock. The distribution is payable on January 30, 2020, and will be reportable to our preferred shareholders as 2019 dividend income. For federal income tax purposes, of the total distribution of \$0.45938 per share, \$0.43004 will be treated as Qualified REIT Dividends under Section 199A, \$0.00083 will be treated as Qualified Dividends, and \$0.02851 will be treated as Capital Gain Distributions. The Federal income tax classification of this distribution, as it is 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 Distribution	Box 5 199A Dividends (Included in Box 1a)
12/13/2019	12/31/2019	01/30/2020	\$0.45938	\$0.43087	\$0.00083	\$0.02851	\$0.43004

No portion of this distribution 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. Actual results may differ from the Company's 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 preferred 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. Due to known and unknown risks, including the risk that the assumptions on which the forward-looking statements are based prove to be inaccurate, actual results may differ materially from expectations or projections. No assurance can be given that the offering discussed above will be completed on the

terms described or at all, or that the net proceeds of the offering will be used as indicated. Completion of the offering on the terms described, and the application of the net proceeds of the offering, are subject to numerous possible events, factors and uncertainties, including, among other things, those described under Item 1A of the Company's Annual Report on Form 10-K filed on March 14, 2019, 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.

Investors:

Ellington Financial Inc.
Investor Relations
(203) 409-3775
info@ellington.com

or

Media:

Amanda Klein or Kevin FitzGerald
Gasthalter & Co.
for Ellington Financial
(212) 257-4170
Ellington@gasthalter.com