Ellington Financial

First Quarter 2020 Earnings Conference Call

May 8, 2020

Important Notice

Ellington Financial

Forward-Looking Statements

This presentation 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. Our actual results may differ from our 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 presentation include statements regarding our portfolio composition, our ability to obtain financing, our expected dividend payment schedule, our potential share repurchases, our ability to shift capital across different asset classes, our ability to hedge, and our ability to maintain our earnings, among others.

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 novel coronavirus (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 our Annual Report on Form 10-K filed on March 13, 2020, 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 may be described from time to time in reports we file with the SEC, including reports on Form 10-Q, 10-K and 8-K. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Modeling

Some statements in this presentation may be derived from proprietary models developed by Ellington Management Group, L.L.C. (“Ellington”). Some examples provided may be based upon the hypothetical performance of such models. Models, however, are inherently imperfect and subject to a number of risks, including that the underlying data used by the models is incorrect, inaccurate, or incomplete, or that the models rely upon assumptions that may prove to be incorrect. The utility of model-based information is highly limited. The information is designed to illustrate Ellington’s current view and expectations and is based on a number of assumptions and limitations, including those specified herein. Certain models make use of discretionary settings or parameters which can have a material effect on the output of the model. Ellington exercises discretion as to which settings or parameters to use in different situations, including using different settings or parameters to model different securities. Actual results and events may differ materially from those described by such models.

Example Analyses

The example analyses included herein are for illustrative purposes only and are intended to illustrate Ellington’s analytic approach. They are not and should not be considered a recommendation to purchase or sell any security or a projection of the Company’s future results or performance. The example analyses are only as of the date specified and do not reflect changes since that time.

Projected Yields and Spreads

Projected yields and spreads discussed herein are based upon Ellington models and rely on a number of assumptions, including as to prepayment, default and interest rates and changes in home prices. Such models are inherently imperfect and there is no assurance that any particular investment will perform as predicted by the models, or that any such investment will be profitable. Projected yields are presented for the purposes of (i) providing insight into the strategy’s objectives, (ii) detailing anticipated risk and reward characteristics in order to facilitate comparisons with other investments, (iii) illustrating Ellington’s current views and expectations, and (iv) aiding future evaluations of performance. They are not a guarantee of future performance. They are based upon assumptions regarding current and future events and conditions, which may not prove to be accurate. There can be no assurance that the projected yields will be achieved. Investments involve risk of loss.

Financial Information

All financial information included in this presentation is as of March 31, 2020 unless otherwise indicated. We undertake no duty or obligation to update this presentation to reflect subsequent events or developments.

First Quarter Market Update

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Quarter Ended:	3/31/2020	12/31/2019	Q/Q	9/30/2019	Q/Q	6/30/2019	Q/Q	3/31/2019	Q/Q	12/31/2018	Q/Q
UST (%)[1]											
3M UST	0.06	1.54	-1.48	1.81	-0.26	2.09	-0.28	2.38	-0.29	2.35	+0.03
2Y UST	0.25	1.57	-1.32	1.62	-0.05	1.75	-0.13	2.26	-0.51	2.49	-0.23
5Y UST	0.38	1.69	-1.31	1.54	+0.15	1.77	-0.22	2.23	-0.47	2.51	-0.28
10Y UST	0.67	1.92	-1.25	1.66	+0.25	2.01	-0.34	2.41	-0.40	2.68	-0.28
30Y UST	1.32	2.39	-1.07	2.11	+0.28	2.53	-0.42	2.81	-0.29	3.01	-0.20
3M10Y Spread	0.61	0.37	+0.23	-0.14	+0.52	-0.08	-0.06	0.02	-0.11	0.33	-0.31
2Y10Y Spread	0.42	0.35	+0.08	0.04	+0.31	0.25	-0.21	0.15	+0.11	0.20	-0.05
US Dollar Swaps (%)[1]											
2Y SWAP	0.49	1.70	-1.21	1.63	+0.07	1.81	-0.17	2.38	-0.58	2.66	-0.27
5Y SWAP	0.52	1.73	-1.21	1.50	+0.23	1.77	-0.26	2.29	-0.52	2.57	-0.28
10Y SWAP	0.72	1.90	-1.18	1.56	+0.33	1.96	-0.40	2.41	-0.44	2.71	-0.30
LIBOR (%)[1]											
1M	0.99	1.76	-0.77	2.02	-0.25	2.40	-0.38	2.49	-0.10	2.50	-0.01
3M	1.45	1.91	-0.46	2.09	-0.18	2.32	-0.23	2.60	-0.28	2.81	-0.21
1M3M Spread	0.46	0.15	+0.31	0.07	+0.08	-0.08	+0.15	0.11	-0.18	0.30	-0.19
Mortgage Rates (%)[2]											
15Y	3.05	3.37	-0.32	3.43	-0.06	3.42	+0.01	3.78	-0.36	4.25	-0.47
30Y	3.50	3.74	-0.24	3.64	+0.10	3.73	-0.09	4.06	-0.33	4.55	-0.49
FNMA Pass-Thrus[1]											
30Y 3.5	$105.80	$102.86	+2.94	$102.64	+0.22	$102.20	+0.44	$101.39	+$0.81	$99.83	+$1.56
30Y 4.0	$106.77	$104.02	+2.75	$103.80	+0.22	$103.33	+0.47	$102.86	+$0.47	$101.83	+$1.03
30Y 4.5	$107.64	$105.30	+2.34	$105.33	-0.03	$104.48	+0.84	$104.17	+$0.31	$103.45	+$0.72
Libor-based OAS (bps)[3]											
FNMA 30Y 3.5 OAS	10.9	36.4	-25.50	53.0	-16.60	41.2	+11.80	27.3	13.9	29.4	-2.1
FNMA 30Y 4.0 OAS	27.4	46.7	-19.30	60.5	-13.80	51.3	+9.20	31.1	20.2	30.4	0.7
FNMA 30Y 4.5 OAS	58.4	63.6	-5.20	70.5	-6.90	71.0	-0.50	46.9	24.1	50.1	-3.2
Libor-based ZSpread (bps)[4]											
FNMA 30Y 3.5 ZSpread	32.5	84.0	-51.50	101.8	-17.80	87.0	+14.80	76.4	10.6	74.1	2.3
FNMA 30Y 4.0 ZSpread	37.7	84.9	-47.20	97.6	-12.70	88.1	+9.50	75.2	12.9	87.8	-12.6
FNMA 30Y 4.5 ZSpread	64.3	91.8	-27.50	97.1	-5.30	99.0	-1.90	79.5	19.5	98.8	-19.3

First Quarter Highlights(1)

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Market Volatility Related to the COVID-19 Pandemic	▪ In March, the spread of COVID-19 resulted in extreme volatility and widespread market dislocations, including significant price declines and yield spread widening across virtually all fixed income asset classes ▪ Forced selling by many market participants further exacerbated the declines in asset prices ▪ EFC's risk management principles enabled it to avoid forced assets sales and meet all margin calls, as well as avoid the need for expensive or highly dilutive capital raises ▪ EFC strategically reduced leverage and enhanced liquidity through orderly sales of Agency assets
Overall Results	▪ Net loss: \$(129.4) million or \$(3.04) per common share ▪ Economic return[2] for the quarter: (16)% ▪ Core Earnings[3] of \$19.8 million or \$0.46 per share
Credit Strategy	▪ Credit gross loss: \$(106.7) million[4] or \$(2.47) per share ▪ Long credit portfolio: \$1.46 billion[5][6], essentially unchanged from previous quarter
Agency RMBS Strategy	▪ Agency gross loss: \$(16.2) million[4] or \$(0.38) per share ▪ Long Agency portfolio: \$1.02 billion, a 48% decrease from previous quarter
Equity & BVPS	▪ Total equity: \$809.5 million ▪ Book value per common share: \$15.06 after total dividends declared of \$0.45 for the quarter
Dividends	▪ Annualized dividend yield of 10% based on the 5/6/2020 closing price of \$9.58, and dividend of \$0.08 per common share declared on 4/7/2020
Leverage Below Sector Average	▪ Debt-to-equity ratio: 3.5x[7], and 3.1x adjusted for unsettled purchases and sales ▪ Recourse debt-to-equity ratio: 2.5x[8], and 2.1x adjusted for unsettled purchases and sales ▪ Includes \$86 million of unsecured notes rated A ▪ Cash and cash equivalents of \$136.7 million, in addition to other unencumbered assets of \$279.2 million
Strong Alignment of Interests	▪ Management and directors own approximately 8% of EFC[9]

First Quarter Highlights (continued)

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Common Stock Offerings	▪ In January, issued 5.29 million shares of common stock, for net proceeds of $95.3 million[(1)]
Share Repurchase Program	▪ Repurchased 288,172 shares during the quarter, or approximately 0.7%, at an average price of $10.53

Portfolio Summary as of March 31, 2020[1]

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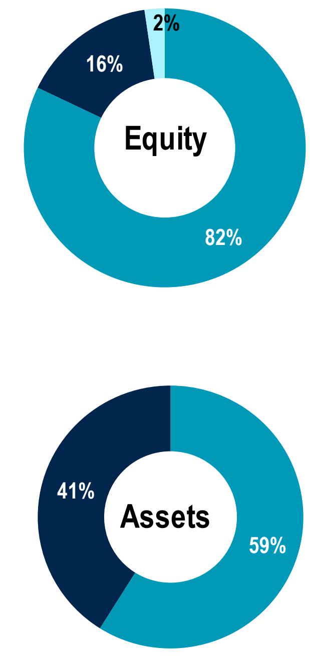
Diversified sources of return to perform over market cycles

Strategy	Allocated Equity		Fair Value ($ in $1,000s)	Average Price (%)[2][6]	WAVG Life[4][6]	WAVG Mkt Yield[5][6]
CREDIT						
CMBS and Commercial Mortgage Loans and REO[8][9]		$	418,926	76.0	2.5	10.6%
Residential Mortgage Loans and REO[7][8]			401,865	93.1	2.5	8.9%
Consumer Loans and ABS			252,385	-[3]	0.9	11.3%
CLO[10]			170,905	73.8	4.6	11.5%
Non-Agency RMBS			118,793	73.5	4.5	7.7%
Non-Dollar MBS, ABS, CLO and Other[10][11]			47,726	75.0	5.7	9.6%
Investments in Loan Origination Entities			39,436	N/A	N/A	N/A
Corporate Debt and Equity and Corporate Loans			7,406	32.6	2.5	19.2%
Total - Credit	**82%**	**$**	**1,457,442**	**80.8**	**2.8**	**10.1%**
AGENCY						
Fixed-Rate Specified Pools		$	834,002	107.6	3.8	1.7%
Reverse Mortgage Pools			130,601	107.0	6.1	2.1%
IOs			42,344	N/A	3.5	14.8%
Floating-Rate Specified Pools			9,054	104.6	1.5	0.5%
Total - Agency	**16%**	**$**	**1,016,001**	**107.5**	**4.1**	**2.2%**
Undeployed	**2%**					

Equity and Asset Allocation by Strategy



Debt-to-Equity Ratio by Strategy and Overall:

Credit:	**2.3x[12]**	
Agency:	**10.2x[12]**	
Overall:	**3.5x[13]**	***3.1x, net of unsettled purchases/sales***
Overall Recourse:	**2.5x[14]**	***2.1x, net of unsettled purchases/sales***

Condensed Consolidated Statement of Operations (Unaudited)

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(In thousands, except per share data)		Three-Month Period Ended March 31, 2020		December 31, 2019
Net Interest Income				
Interest income	$	52,108	$	45,353
Interest expense		(22,090)		(21,205)
Total net interest income		30,018		24,148
Other Income (Loss)				
Realized gains (losses) on securities and loans, net		12,260		(9,326)
Realized gains (losses) on financial derivatives, net		(12,406)		938
Realized gains (losses) on real estate owned, net		350		1,122
Unrealized gains (losses) on securities and loans, net		(133,738)		3,084
Unrealized gains (losses) on financial derivatives, net		(9,984)		3,799
Unrealized gains (losses) on real estate owned, net		(357)		(744)
Other, net		1,679		1,001
Total other income (loss)		(142,196)		(126)
EXPENSES				
Base management fee to affiliate (Net of fee rebates of $507 and $509, respectively)		2,443		2,663
Incentive fee to affiliate		-		116
Investment related expenses:				
Servicing expense		2,531		2,055
Debt issuance costs related to Other secured borrowings, at fair value		-		1,865
Other		1,423		1,941
Professional fees		1,277		1,021
Compensation expense		788		962
Other expenses		1,752		1,160
Total expenses		10,214		11,783
Net Income (Loss) before Income Tax Expense (Benefit) and Earnings from Investments in Unconsolidated Entities		(122,392)		12,239
Income tax expense (benefit)		(547)		1,180
Earnings (losses) from investments in unconsolidated entities		(6,497)		3,262
Net Income (Loss)		(128,342)		14,321
Net Income (Loss) Attributable to Non-Controlling Interests		(885)		1,733
Dividends on Preferred Stock		1,941		1,466
Net Income (Loss) Attributable to Common Stockholders	$	(129,398)	$	11,122
Net Income (Loss) per Common Share:				
Basic and diluted	$	(3.04)	$	0.31
Weighted average shares of common stock outstanding		42,598		35,866
Weighted average shares of common stock and convertible units outstanding		43,284		36,594

Operating Results by Strategy

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(In thousands, except per share amounts)	Three-Month Period Ended March 31, 2020	Per Share	Three-Month Period Ended December 31, 2019	Per Share
Credit:				
Interest income and other income[(1)]	$ 41,841	$ 0.97	$ 35,505	$ 0.97
Realized gain (loss), net	10,447	0.24	(9,618)	(0.26)
Unrealized gain (loss), net	(146,665)	(3.39)	1,223	0.03
Interest rate hedges, net[(2)]	(7,586)	(0.18)	1,679	0.05
Credit hedges and other activities, net[(3)]	19,215	0.44	(3,751)	(0.10)
Interest expense[(4)]	(13,479)	(0.31)	(12,533)	(0.34)
Other investment related expenses	(3,954)	(0.09)	(5,861)	(0.16)
Earnings (losses) from investments in unconsolidated entities	(6,497)	(0.15)	3,262	0.09
Total Credit profit (loss)	(106,678)	(2.47)	9,906	0.28
Agency RMBS:				
Interest income	12,067	0.28	10,573	0.29
Realized gain (loss), net	6,408	0.15	928	0.03
Unrealized gain (loss), net	12,282	0.28	988	0.03
Interest rate hedges and other activities, net[(2)]	(38,820)	(0.90)	7,214	0.20
Interest expense	(8,168)	(0.19)	(8,495)	(0.23)
Total Agency RMBS profit (loss)	(16,231)	(0.38)	11,208	0.32
Total Credit and Agency RMBS profit (loss)	(122,909)	(2.85)	21,114	0.60
Other interest income (expense), net	279	0.01	309	0.01
Income tax (expense) benefit	547	0.01	(1,180)	(0.03)
Other expenses	(6,260)	(0.14)	(5,806)	(0.16)
Net income (loss) (before incentive fee)	(128,343)	(2.97)	14,437	0.42
Incentive fee	-	-	(116)	(0.0)
Net Income (loss)	$ (128,343)	$ (2.97)	$ 14,321	$ 0.42
Less: Net income (loss) attributable to non-controlling interests	(886)		1,733	
Less: Dividends on preferred stock	1,941		1,466	
Net income (loss) attributable to common stockholders[(5)]	**$ (129,398)**	**$ (3.04)**	**$ 11,122**	**$ 0.31**
Weighted average shares of common stock and convertible units outstanding[(6)]	43,284		36,594	
Weighted average shares of common stock outstanding[(7)]	42,598		35,866	

Long Credit Portfolio

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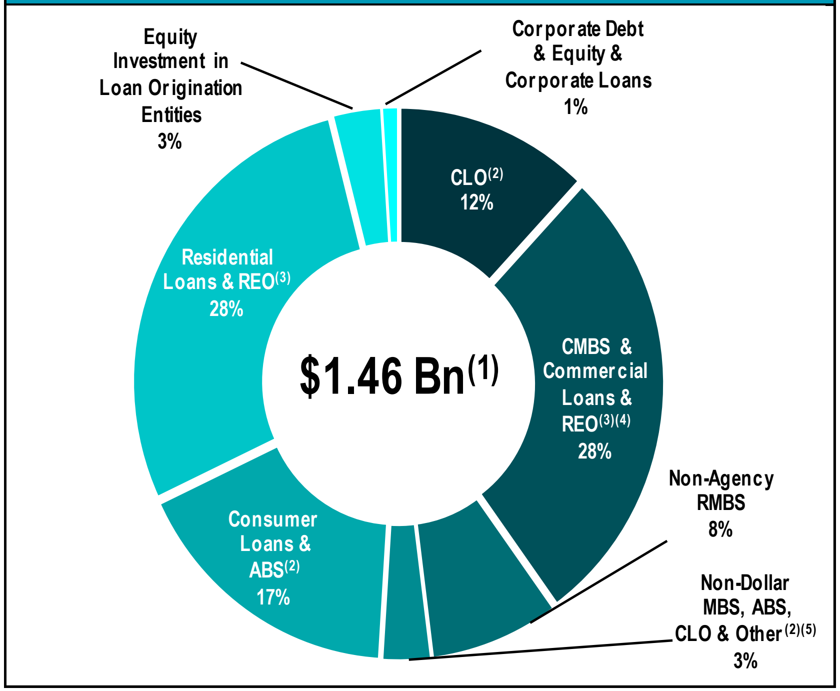
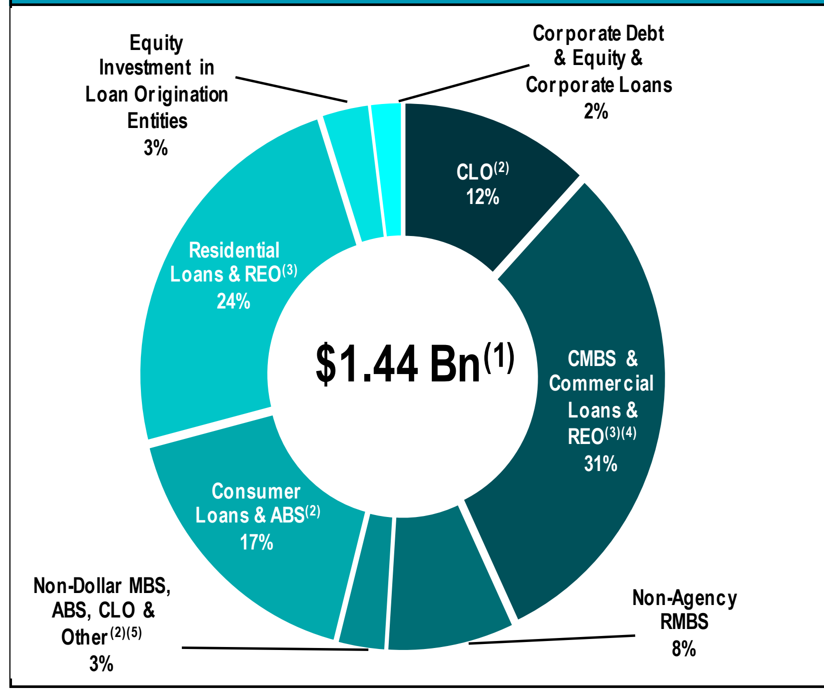
3/31/2020[1]



12/31/2019[1]

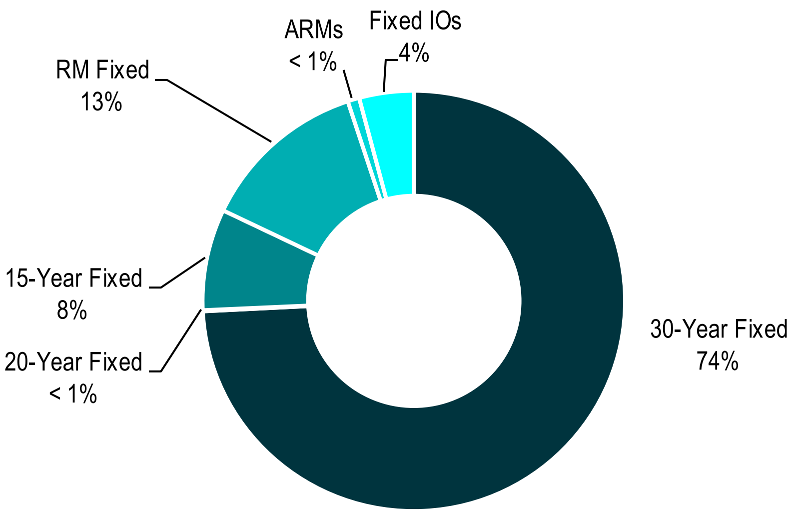


- Total size of long credit portfolio was essentially unchanged, primarily reflecting net new purchases during January and February that were roughly offset by asset paydowns, asset payoffs, and net reductions in valuations related to the market dislocations in March
- Residential Loans & REO grew, primarily from our non-QM loan purchases in January and February
- CMBS & Commercial Loans & REO investments shrank, primarily from asset payoffs

† These charts exclude non-retained tranches of the Company's consolidated non-QM securitization trusts

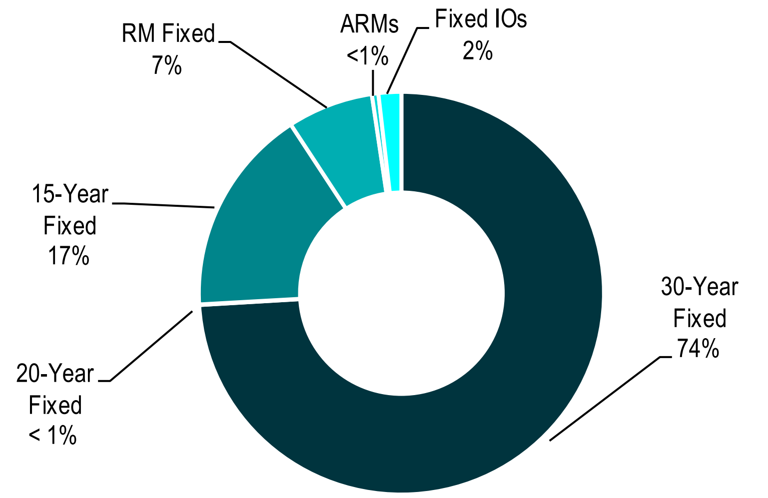
Long Agency Portfolio

Agency Long Portfolio
As of 3/31/2020: $1.02BN(1)



Category	Fair Value(1)	Wtd. Avg. Coupon(2)
30-Year Fixed	$ 754.0	4.17
20-Year Fixed	0.8	4.67
15-Year Fixed	79.2	3.55
RM Fixed	130.6	4.23
Subtotal - Fixed	**964.7**	**4.13**
ARMs	9.1	
Fixed IOs	42.3	
Total	**$ 1,016.0**	

Agency Long Portfolio
As of 12/31/2019: $1.94BN(1)



Category	Fair Value(1)	Wtd. Avg. Coupon(2)
30-Year Fixed	$ 1,434.6	4.20
20-Year Fixed	0.9	4.62
15-Year Fixed	323.4	3.05
RM Fixed	132.8	4.43
Subtotal - Fixed	**1,891.8**	**4.02**
ARMs	10.0	
Fixed IOs	35.3	
Total	**$ 1,937.0**	

- **We strategically reduced the size of our Agency portfolio by 48% quarter over quarter in a measured, opportunistic, and orderly fashion, in order to lower our leverage and enhance our liquidity position, in light of the market volatility and systemic liquidity stresses caused by the COVID-19 pandemic**

Summary of Borrowings

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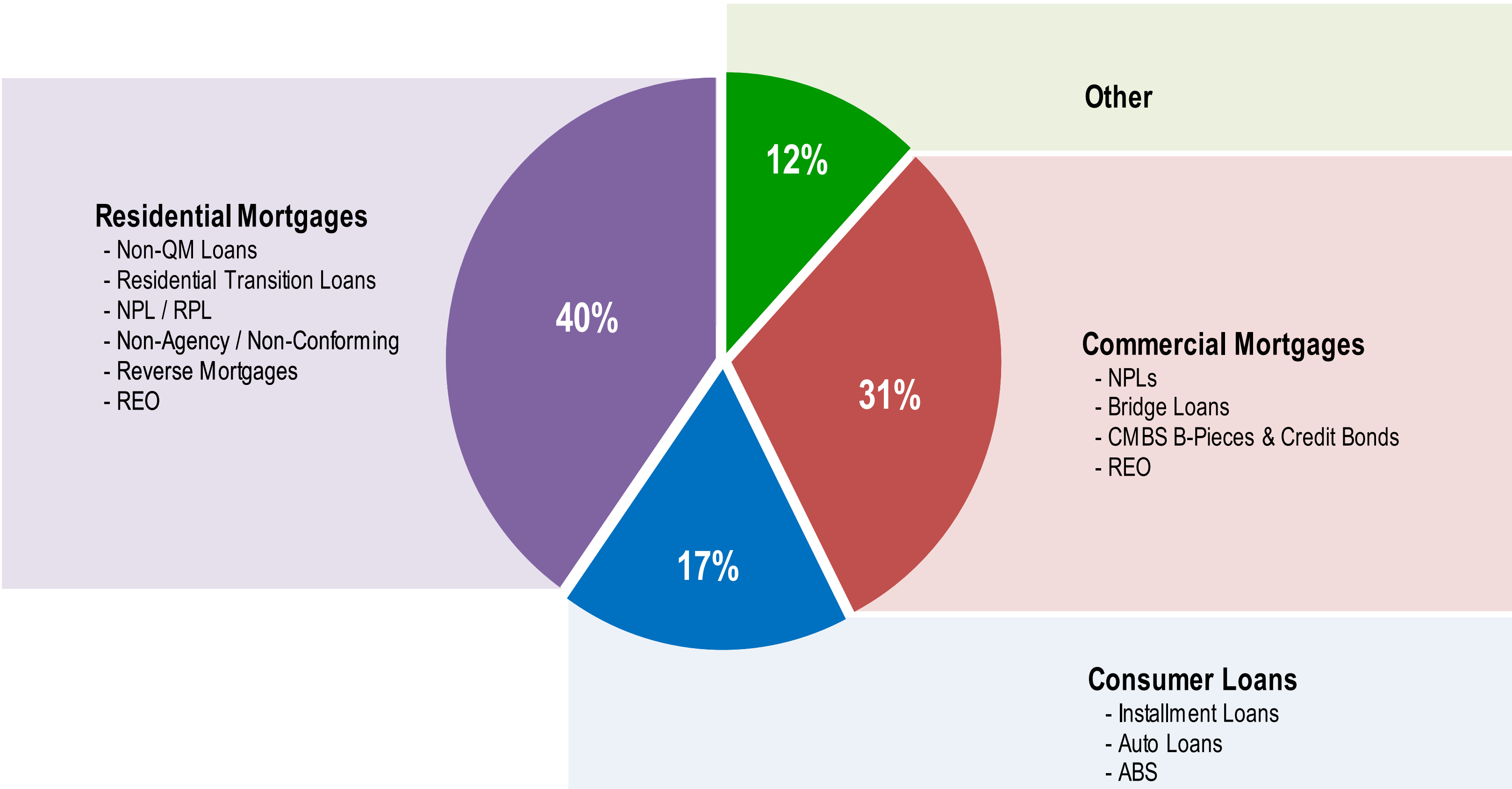
($ in thousands)

	As of 3/31/2020		Three-Month Period Ended 3/31/2020	
Collateral Type	Outstanding Borrowings	Weighted Average Borrowing Rate	Average Borrowings	Average Cost of Funds
Credit[1]	$1,473,064	3.08%	$1,428,921	3.44%
Agency RMBS	$1,287,030	1.64%	$1,747,434	1.88%
Subtotal	**$2,760,094**	**2.41%**	**$3,176,355**	**2.58%**
U.S. Treasury Securities	$1,654	-0.15%	$1,481	1.00%
Subtotal	**$2,761,748**	**2.41%**	**$3,177,836**	**2.58%**
Senior Notes, at par	$86,000	5.80%	$86,000	5.80%
Total	**$2,847,748**	**2.51%**	**$3,263,836**	**3.62%**

Recourse and Non-Recourse Leverage Summary[2] As of 3/31/2020			
Recourse Borrowings	$1,987,764	**Recourse Debt-to-Equity Ratio[3]**	**2.5:1**
Non-Recourse Borrowings	$859,984	*Net of unsettled purchases/sales*	*2.1:1*
Total Borrowings	**$2,847,748**	**Total Debt-to-Equity Ratio**	**3.5:1**
Total Equity	$809,481	*Net of unsettled purchases/sales*	*3.1:1*

Diversified Credit Portfolio



- **Our flexible approach allocates capital to the sectors where we see the best relative value as market conditions change[1]**
- **We believe that our analytical expertise, research and systems provide an edge that will generate attractive risk-adjusted returns over market cycles**

Note: Percentages shown reflect share of total fair market value of credit portfolio[2][3]

Stable Economic Return

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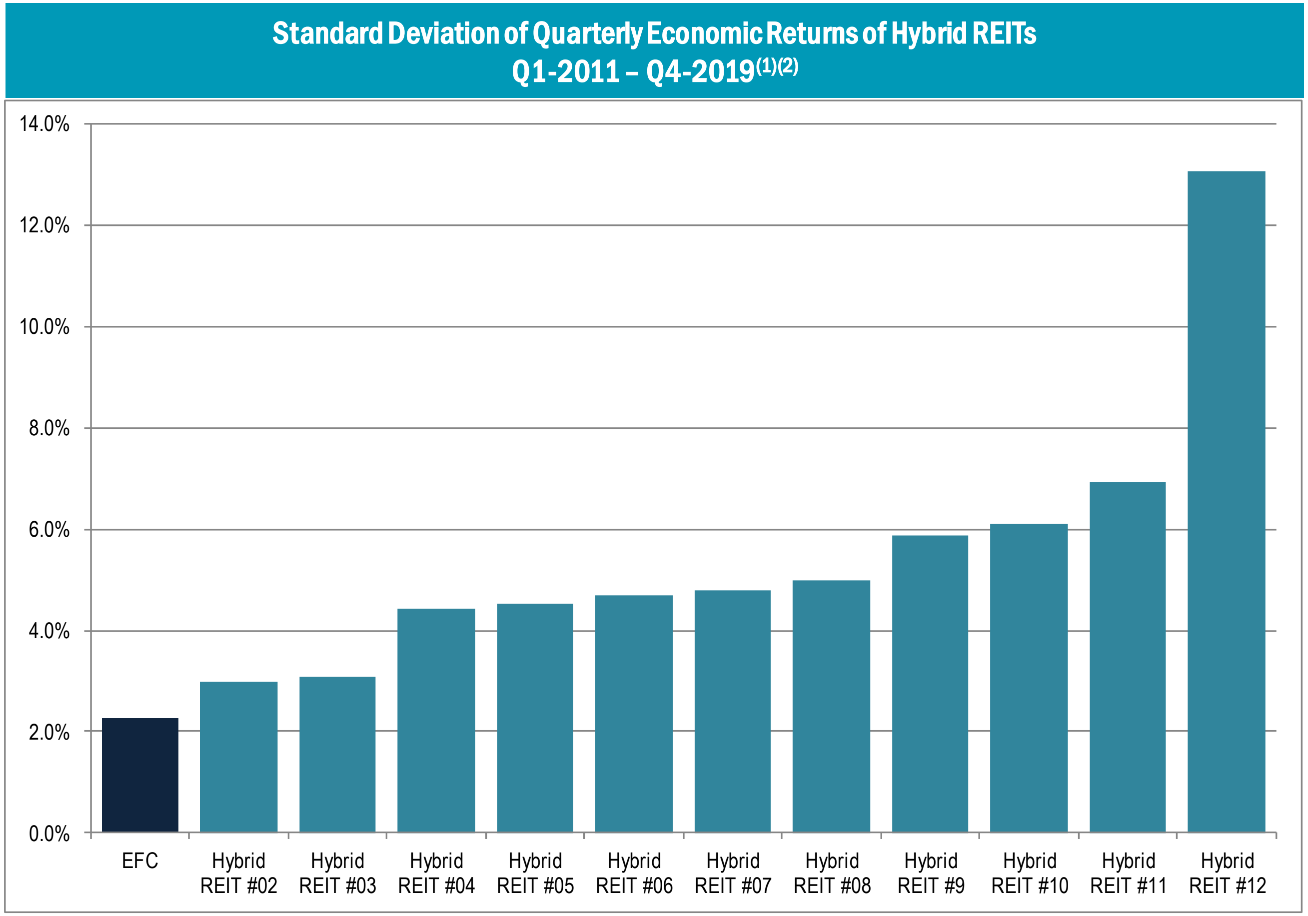

Standard Deviation of Quarterly Economic Returns of Hybrid REITs Q1-2011 – Q4-2019	
EFC	2.2%
Hybrid REIT #02	3.0%
Hybrid REIT #03	3.1%
Hybrid REIT #04	4.4%
Hybrid REIT #05	4.5%
Hybrid REIT #06	4.7%
Hybrid REIT #07	4.8%
Hybrid REIT #08	5.0%
Hybrid REIT #09	5.9%
Hybrid REIT #10	6.1%
Hybrid REIT #11	6.9%
Hybrid REIT #12	13.1%

- **The standard deviation of EFC's quarterly economic return is lower than the Hybrid REIT peer group**
- **Thanks to EFC's dynamic hedging strategies, diversification and active portfolio management, EFC's quarterly economic returns have been significantly more consistent than the peer group**

Interest Rate Sensitivity Analysis[1]

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($ in thousands)	Estimated Change in Fair Value			
	50 Basis Point Decline in Interest Rates		50 Basis Point Increase in Interest Rates	
	Δ Fair Value	% of Total Equity	Δ Fair Value	% of Total Equity
Agency RMBS - ARM Pools	$ 598	0.07%	$ (401)	-0.05%
Agency RMBS - Fixed Pools and IOs	9,427	1.17%	(10,097)	-1.25%
TBAs	(2,853)	-0.35%	2,647	0.33%
Non-Agency RMBS, CMBS, Other ABS, and Mortgage Loans	5,801	0.72%	(5,227)	-0.65%
Interest Rate Swaps	(4,996)	-0.62%	4,734	0.59%
U.S. Treasury Securities	102	0.01%	(81)	-0.01%
Eurodollar and Treasury Futures	(3,906)	-0.48%	3,840	0.47%
Mortgage-Related Derivatives	-	-	1	-
Corporate Securities and Derivatives on Corporate Securities	(98)	-0.01%	91	0.01%
Repurchase Agreements, Reverse Repurchase Agreements, and Senior Notes Outstanding	(1,581)	-0.20%	2,173	0.27%
Total	**$ 2,494**	**0.31%**	**$ (2,320)**	**-0.29%**
Less: Estimated Change in Fair Value attributable to Preferred Stock	($2,390)		$2,330	
Estimated Change in Fair Value attributable to Common Stock	**$ 104**		**$ 10**	
As % of Common Equity	**0.01%**		**0.00%**	

- **EFC's dynamic interest rate hedging, along with the short duration of many of its loan portfolios, reduces its exposure to fluctuations in interest rates**
- **Diversified fixed income portfolio, after taking into account hedges, borrowings, and the interest rate sensitivity of preferred stock outstanding, results in an effective duration to the common stock of less than one year**

Commitment to ESG

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Ellington is committed to corporate responsibility. We recognize the importance of environmental, social and governance ("ESG") factors, and believe that the implementation of ESG policies will benefit our employees, support long-term shareholder performance, and make a positive impact on the environment and society as a whole.

Environmental

- Our office is conveniently located near mass transportation.
- We provide financial support and incentives to our employees who use public transit.
- To reduce energy usage, we use Energy Star® certified desktops, monitors and printers; and utilize motion sensor lighting and cooling to reduce energy usage in non-peak hours.
- To reduce waste and promote a cleaner environment, we use green cleaning supplies and kitchen products; recycle electronics, ink cartridges, and packaging; provide recycling containers to employees; and use water coolers to reduce waste.

Social

- We are a provider of capital to the U.S. housing market, facilitating home ownership and stability within communities. Our portfolio includes non-QM loans, many of which are made to creditworthy borrowers who cannot provide traditional documentation for income, such as borrowers who are self-employed.
- Ellington and senior members of management sponsor numerous charitable causes. We also support employee charitable contributions with matching gift programs.
- Our employees have access to robust health and wellness programs. Ellington also supports various events that support health and wellness.
- We provide opportunities for personal growth with training and education support, including reimbursement for continuing education. We also provide mentorship programs, and internship opportunities.
- We are committed to enhancing gender, racial, and ethnic diversity throughout our organization.
- We are in compliance with applicable employment codes and guidelines, including ADA, Equal Opportunity Employment, Non-Discrimination, Anti-Harassment and Non-Retaliation codes.

Governance

- Our Manager has a Responsible Investment policy which requires portfolio managers for applicable strategies to certify periodically that they have considered relevant ESG factors.
- We operate under a Code of Business Conduct and Ethics.
- EFC has a separate independent Chairman, and the majority of Board members are independent.
- We hold annual elections of Directors.
- We are committed to significant disclosure and transparency, including an established monthly book value disclosure and dividend policy.
- We foster regular employee engagement, and have an established Whistleblower policy.
- Robust process for shareholder engagement.
- Strong alignment through 8% co-investment(1)

Ellington Financial

Supplemental Slides

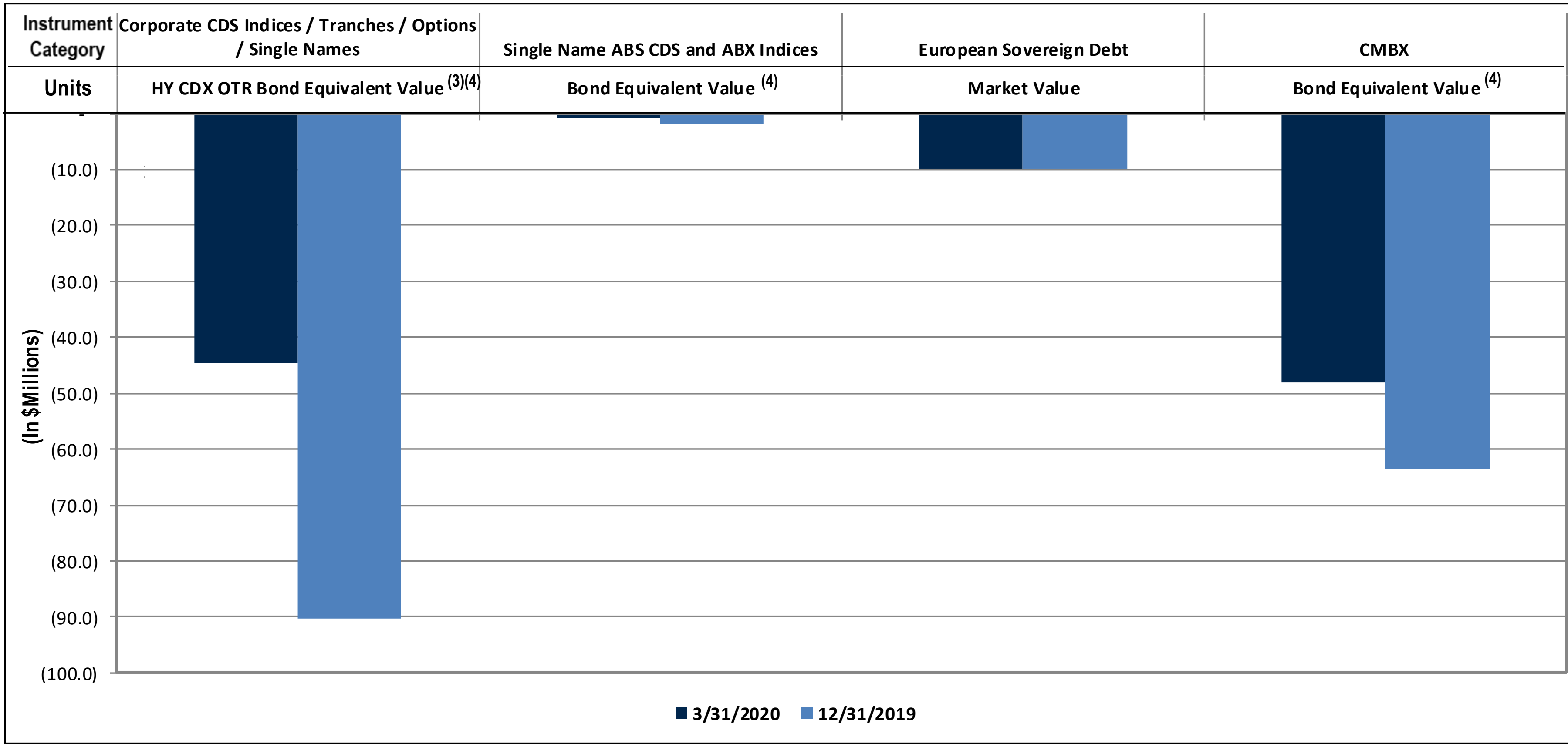
Derivatives Summary as of March 31, 2020[1]

Ellington Financial

($ in thousands)	Long Notional	Short Notional	Net Notional	Fair Value
Mortgage-Related Derivatives:				
CDS on MBS and MBS Indices	$ 997	$ (64,527)	$ (63,530)	$ 14,467
Total Net Mortgage-Related Derivatives				14,467
Corporate-Related Derivatives:				
CDS on Corporate Bonds and Corporate Bond Indices	73,027	(140,344)	(67,317)	2,950
Total Return Swaps on Corporate Bond Indices and Corporate Debt[2]	4,714	-	4,714	(802)
Put Options on CDS on Corporate Bond Indices[3]	19,503	-	19,503	2,658
Warrants	1,546	-	1,546	126
Total Net Corporate-Related Derivatives				4,932
Interest Rate-Related Derivatives:				
TBAs	28,400	(457,872)	(429,472)	(5,840)
Interest Rate Swaps	434,364	(696,360)	(261,996)	(23,694)
U.S. Treasury Futures[4]	1,900	(172,100)	(170,200)	(5,969)
Eurodollar Futures[5]	-	(7,000)	(7,000)	(43)
Total Interest Rate-Related Derivatives				(35,546)
Other Derivatives:				
Foreign Currency Forwards[6]	-	(29,602)	(29,602)	127
Total Net Other Derivatives				127
Net Total				$ (16,020)

Credit Hedging Portfolio(1)(2)

Ellington Financial



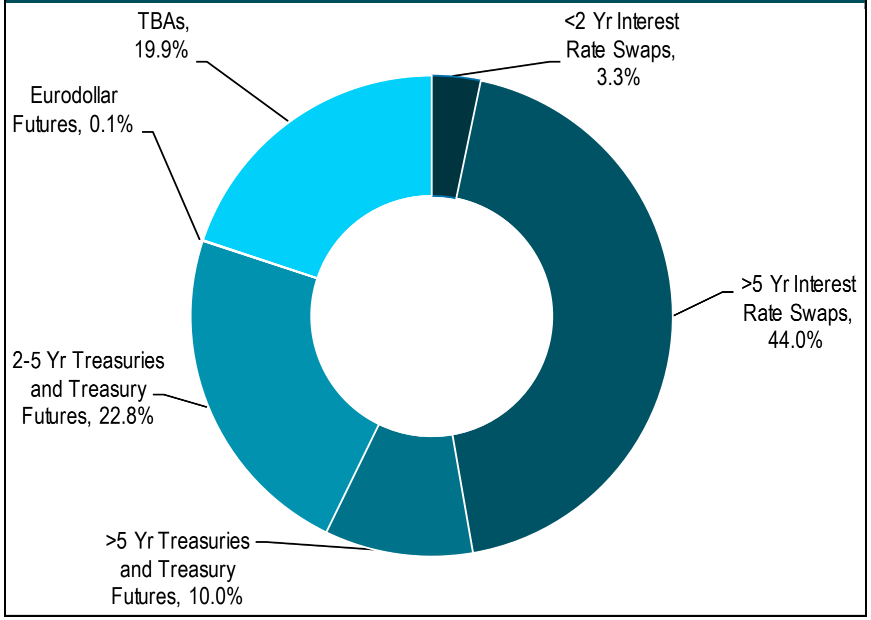
- EFC's dynamic credit hedging strategy seeks to reduce book value volatility

Agency Interest Rate Hedging Portfolio(1)

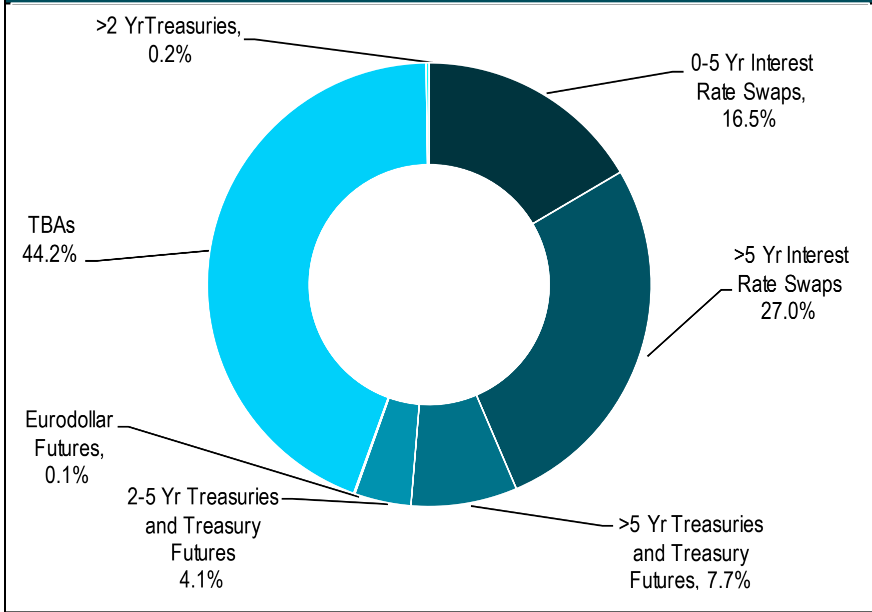
Ellington Financial

We deploy a dynamic and adaptive hedging strategy to preserve book value

As of 3/31/2020
Short $243.5MM 10-yr equivalents(1)



As of 12/31/2019
Short $441.9MM 10-yr equivalents(1)

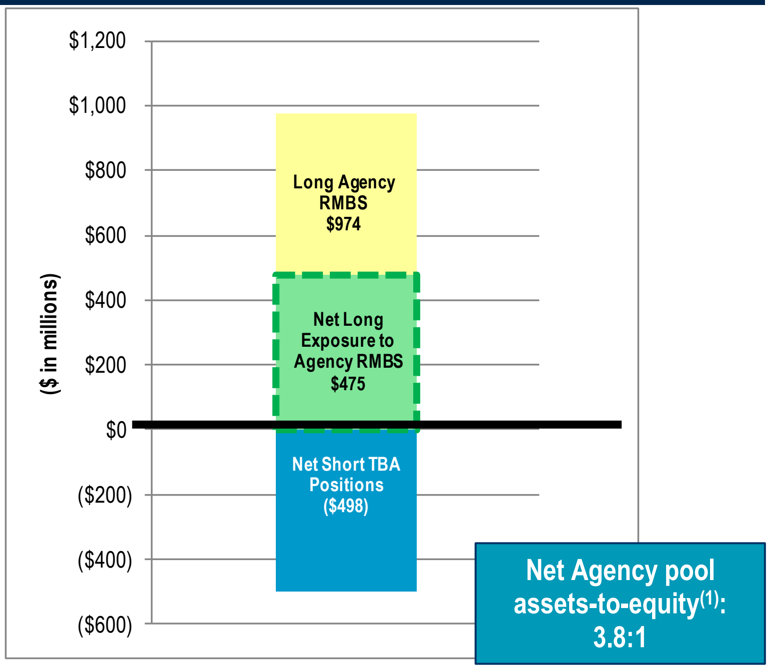


- Shorting "generic" pools (or TBAs) allows EFC to significantly reduce interest rate risk and basis risk in its Agency portfolio
  - We also hedge interest rate risk with swaps, U.S. Treasury securities, and other instruments
- For those Agency pools hedged with comparable TBAs, the biggest risk is a drop in "pay-ups"
  - Average pay-ups on our specified pools were 1.47% as of 3/31/2020, slightly up from 1.36% as of 12/31/2019, because we sold a disproportionate share of low-pay-up specified pools during the quarter
- We hedge along the entire yield curve to protect against volatility, defend book value and more thoroughly control interest rate risk
- The size of the short TBA position declined primarily because we covered TBA short positions in connection with sales of Agency RMBS

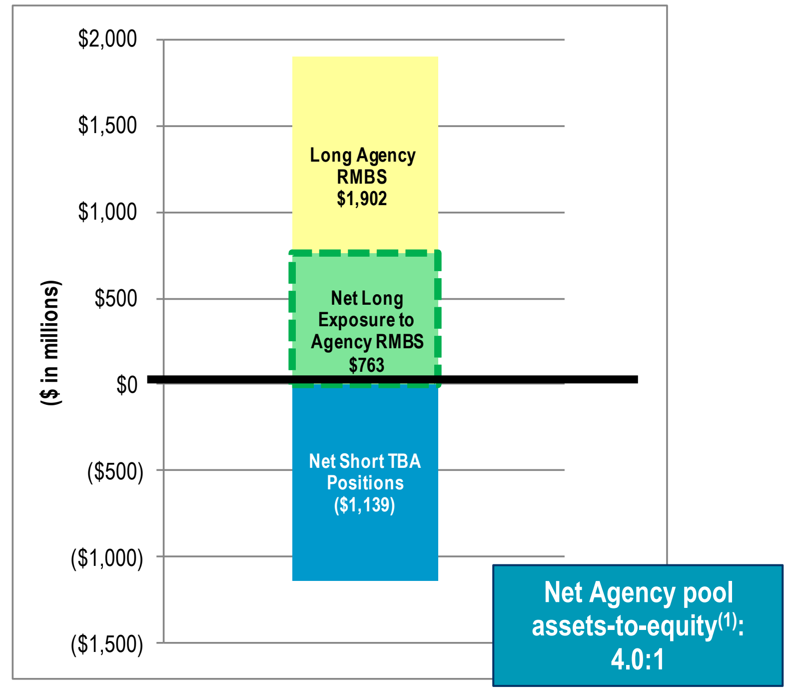
Agency Interest Rate Hedging Portfolio (continued)

Exposure to Agency Pools Based on Net Fair Value

As of 3/31/2020



As of 12/31/2019

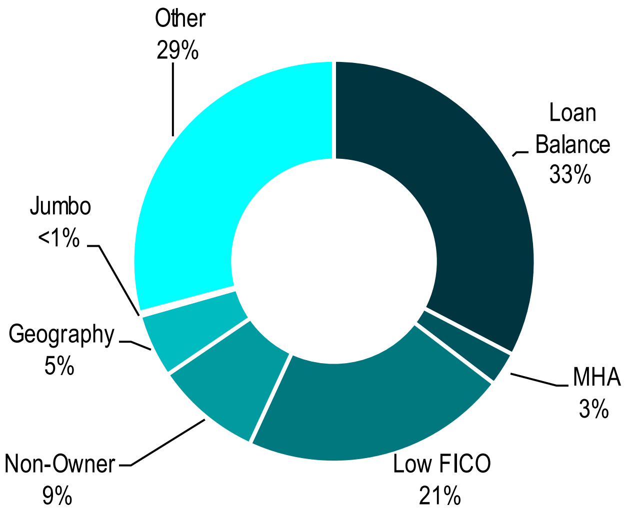


- **Our net long mortgage exposure was lower quarter over quarter**
  - **Deducting the amount of the TBA short from our long Agency pool portfolio, our net exposure to pools was ~$475 million, resulting in a 3.8:1 net Agency pool assets-to-equity[1] ratio as of 3/31/2020, which was slightly down from 4.0:1 as of 12/31/2019**
- **Use of TBA short positions as hedges helps drive outperformance in volatile quarters**
  - **When interest rates spike, TBA short positions not only extend with specified pool assets, but they tend to extend more than specified pool assets, which dynamically and automatically hedges a correspondingly larger portion of our specified pool portfolio**

CPR Breakout of Agency Fixed Long Portfolio

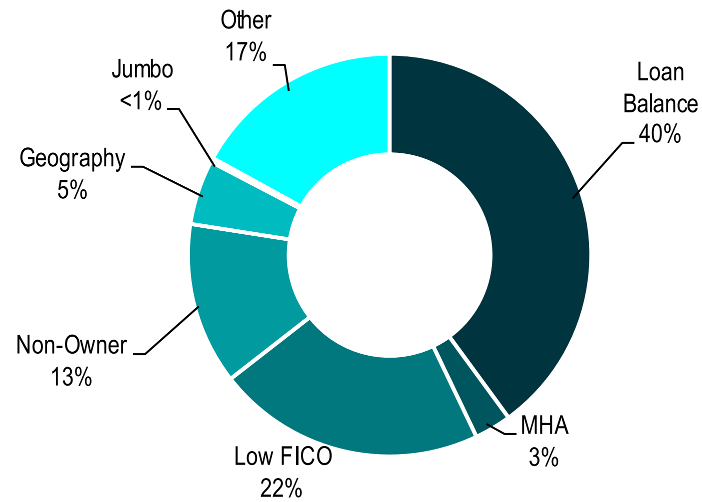
Ellington Financial

Agency Fixed Long Portfolio
Collateral Characteristics and Historical 3-Mo CPR: Average for Quarter Ended 3/31/2020[1]



Characteristic[2]	Fair Value[1][3]	3-Month CPR %
Loan Balance	$ 555.3	14.1
MHA[4]	46.6	10.8
Low FICO	364.7	33.7
Non-Owner	146.3	11.7
Geography	87.0	12.1
Jumbo	4.9	3.4
Other	495.0	20.4
Total	**$ 1,699.8**	**20.1**

Agency Fixed Long Portfolio
Collateral Characteristics and Historical 3-Mo CPR: Average for Quarter Ended 12/31/2019[1]

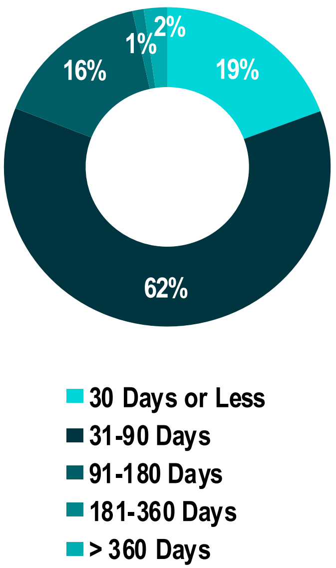


Characteristic[2]	Fair Value[1][3]	3-Month CPR %
Loan Balance	$ 586.3	16.0
MHA[4]	43.4	10.5
Low FICO	316.2	31.2
Non-Owner	191.0	16.8
Geography	76.1	7.4
Jumbo	4.9	4.3
Other	249.4	21.2
Total	**$ 1,467.2**	**19.9**

Repo Borrowings[1]

($ in thousands)	Repo Borrowings as of March 31, 2020				
Remaining Days to Maturity	**Credit**	**Agency**	**U.S. Treasury**	**Total**	**% of Total Borrowings**
30 Days or Less	$37,567	$353,826	$1,654	$393,047	19.3%
31-90 Days	321,625	932,842	—	1,254,467	61.7%
91-180 Days	316,574	362	—	316,936	15.6%
181-360 Days	22,725	—	—	22,725	1.1%
> 360 Days	47,050	—	—	47,050	2.3%
Total Borrowings	$745,541	$1,287,030	$1,654	$2,034,225	100.0%
Weighted Average Remaining Days to Maturity	**147**	**42**	**1**	**80**	

Borrowings by Days to Maturity



- **Repo borrowings with 28 counterparties, with the largest representing approximately 23% of the total**
- **Weighted average remaining days to maturity of 80 days**
- **Maturities are staggered to mitigate liquidity risk**
- **As a result of widening yield spreads on Agency RMBS and significant market volatility during March 2020, we received margin calls under our financing arrangements that were higher than typical historical levels. We satisfied all of these margin calls.**

Gross Profit and Loss[1]

Ellington Financial

Resilient profit generation over market cycles

($ In thousands)	Three-Month Period Ended March 31		Years Ended											
	2020		2019		2018		2017		2016		2015		2014	
Long: Credit	$ (118,307)	-15.1%	$ 73,919	11.6%	$ 61,201	10.0%	$ 61,136	9.6%	$ 36,203	5.3%	$ 46,892	6.1%	$ 77,636	11.4%
Credit Hedge and Other	19,215	2.5%	(11,237)	-1.8%	8,020	1.3%	(11,997)	-1.9%	(40,548)	-5.9%	10,671	1.4%	(1,197)	-0.2%
Interest Rate Hedge: Credit	(7,586)	-1.0%	(1,345)	-0.2%	115	0.0%	(851)	-0.1%	(371)	-0.1%	(4,899)	-0.6%	(9,479)	-1.4%
Long: Agency	22,589	2.9%	48,175	7.5%	(5,979)	-1.0%	10,246	1.6%	17,166	2.5%	23,629	3.1%	61,126	9.0%
Interest Rate Hedge and Other: Agency	(38,820)	-5.0%	(25,309)	-4.0%	3,144	0.5%	(5,218)	-0.8%	(8,226)	-1.2%	(17,166)	-2.2%	(47,634)	-7.0%
Gross Profit (Loss)	**$ (122,909)**	**-15.7%**	**$ 84,203**	**13.2%**	**$ 66,501**	**10.9%**	**$ 53,316**	**8.4%**	**$ 4,224**	**0.6%**	**$ 59,127**	**7.7%**	**$ 80,452**	**11.8%**

($ In thousands)	Years Ended											
	2013		2012		2011		2010		2009		2008	
Long: Credit	$ 109,536	18.5%	$ 129,830	30.0%	$ 1,505	0.4%	$ 70,840	21.9%	$101,748	36.3%	$ (64,565)	-26.2%
Credit Hedge and Other	(19,286)	-3.3%	(14,642)	-3.4%	19,895	5.2%	(7,958)	-2.5%	10,133	3.6%	78,373	31.8%
Interest Rate Hedge: Credit	8,674	1.5%	(3,851)	-0.9%	(8,171)	-2.1%	(12,150)	-3.8%	(1,407)	-0.5%	(3,446)	-1.4%
Long: Agency	(14,044)	-2.4%	37,701	8.7%	63,558	16.5%	21,552	6.7%	22,171	7.9%	4,763	1.9%
Interest Rate Hedge and Other: Agency	19,110	3.2%	(20,040)	-4.6%	(54,173)	-14.0%	(14,524)	-4.5%	(8,351)	-3.0%	(6,414)	-2.6%
Gross Profit (Loss)	**$ 103,990**	**17.6%**	**$ 128,998**	**29.8%**	**$ 22,614**	**5.9%**	**$ 57,760**	**17.8%**	**$124,294**	**44.4%**	**$ 8,711**	**3.5%**

Taper Tantrum

Credit Crisis

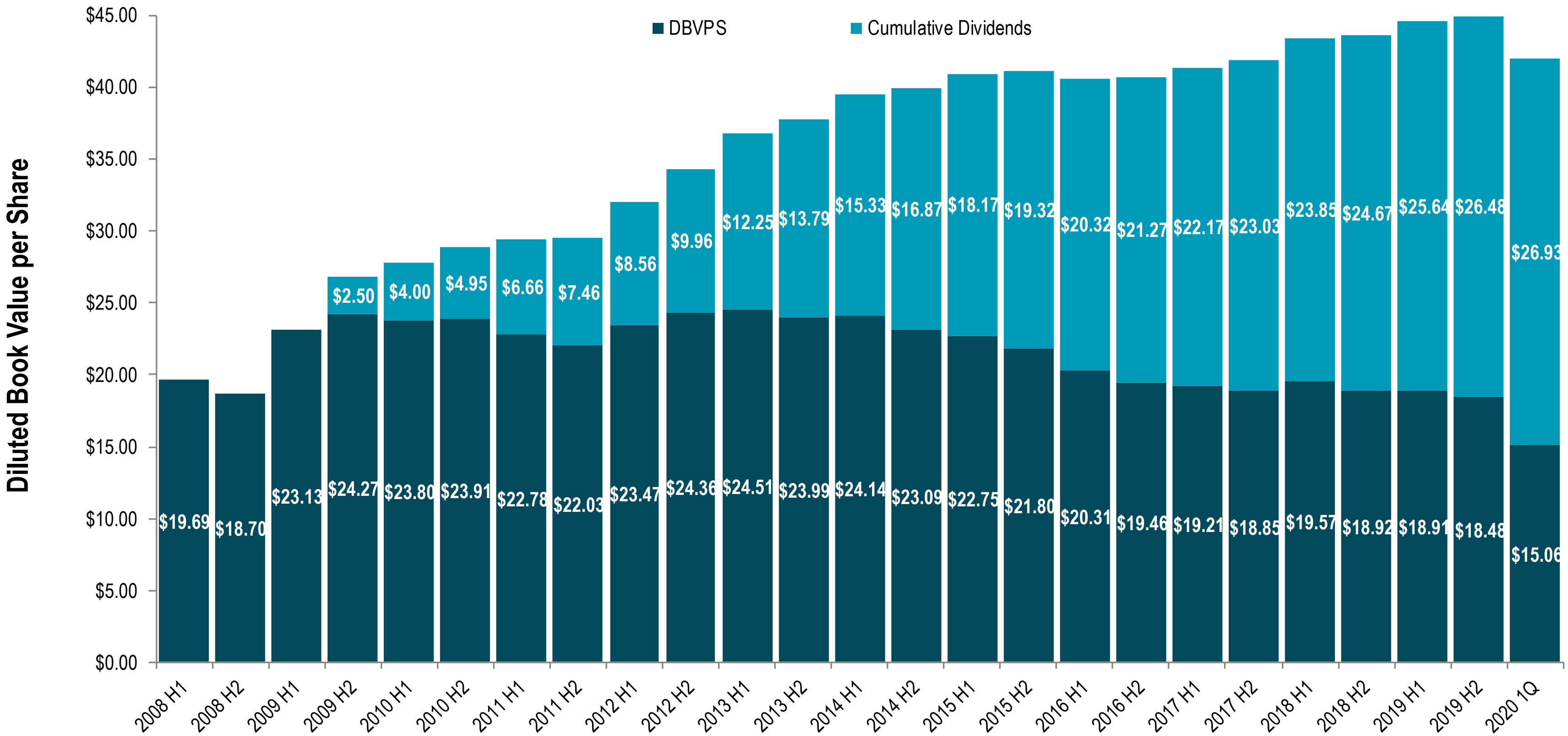
Note: Percentages of average equity during period

Total Return Since Inception

Ellington Financial

EFC has successfully preserved book value over market cycles, while producing strong results for investors

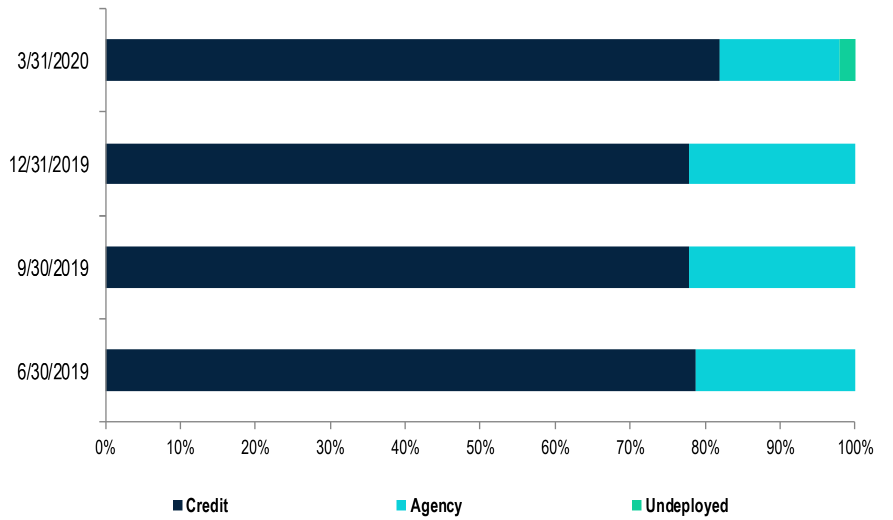
- **EFC life-to-date diluted net asset value-based total return from inception in August 2007 through Q1 2020 is approximately 168%, or 8.1% annualized[(1)]**



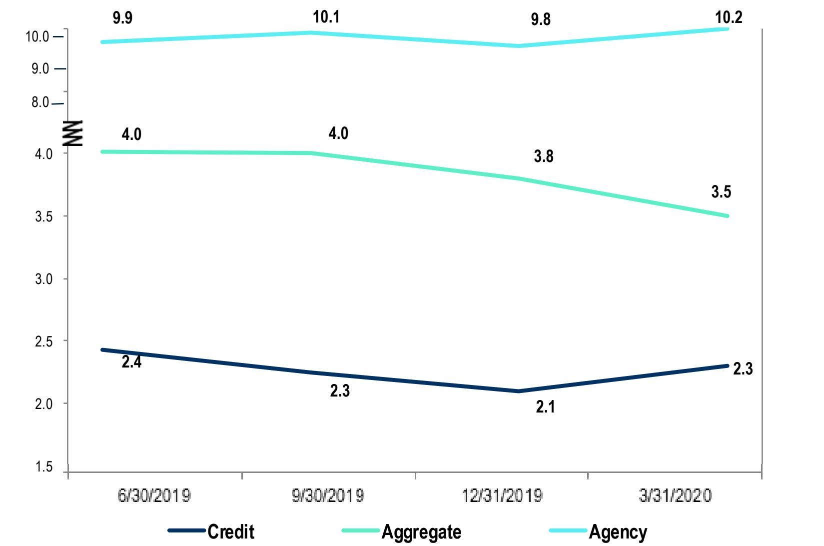
Capital, Leverage & Portfolio Composition

Ellington Financial

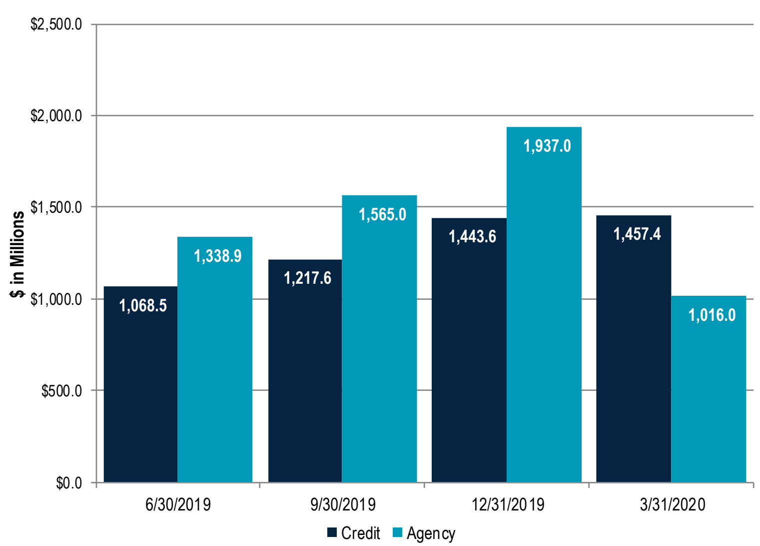
Capital Usage Across Entire Portfolio[1]



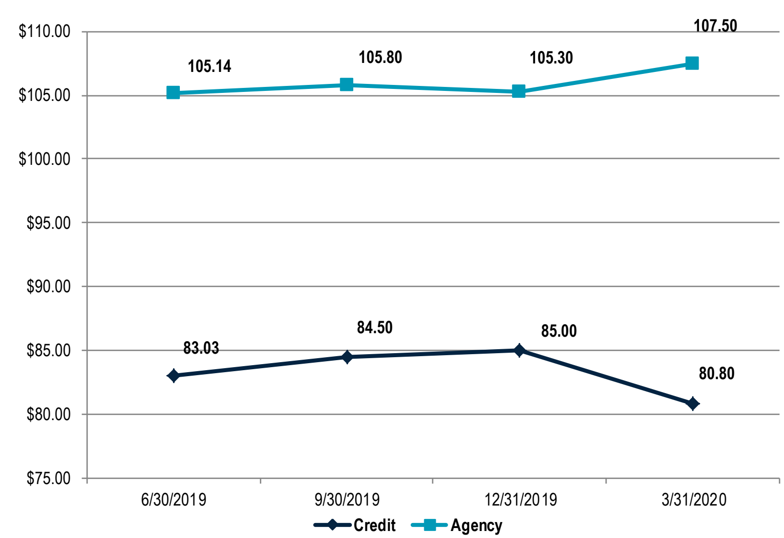
Leverage by Strategy (Debt-to-Equity)[1]



Credit and Agency Portfolios by Fair Value[3]



Average Price – Credit and Agency[2][3]



Condensed Consolidated Balance Sheet (Unaudited)

Ellington Financial

(In thousands, except share amounts)	March 31, 2020	December 31, 2019[1]
ASSETS		
Cash and cash equivalents	$ 136,740	$ 72,302
Restricted cash	175	175
Securities, at fair value	1,481,395	2,449,941
Loans, at fair value	1,443,589	1,412,426
Investments in unconsolidated entities, at fair value	65,397	71,850
Real estate owned	25,054	30,584
Financial derivatives - assets, at fair value	31,752	16,788
Reverse repurchase agreements	13,239	73,639
Due from brokers	166,516	79,829
Investment related receivables	408,332	123,120
Other assets	5,453	7,563
Total assets	$ 3,777,642	$ 4,338,217
LIABILITIES		
Securities sold short, at fair value	13,291	73,409
Repurchase agreements	2,034,225	2,445,300
Financial derivatives - liabilities, at fair value	47,772	27,621
Due to brokers	17,138	2,197
Investment related payables	19,170	66,133
Other secured borrowings	177,855	150,334
Other secured borrowings, at fair value	549,668	594,396
Senior notes, net	85,363	85,298
Base management fee payable to affiliate	2,443	2,663
Incentive fee payable to affiliate	-	116
Dividend payable	7,952	6,978
Interest payable	5,283	7,320
Accrued expenses and other liabilities	8,001	7,753
Total liabilities	$ 2,968,161	$ 3,469,518
EQUITY		
Preferred stock, par value $0.001 per share, 100,000,000 shares authorized; 6.750% Series A Fixed-to-Floating Rate Cumulative Redeemable; 4,600,000 shares issued and outstanding, respectively ($115,000 liquidation preference)	$ 111,034	$ 111,034
Common stock, par value $0.001 per share, 100,000,000 shares authorized; 43,779,924 and 38,647,943 shares issued and outstanding, respectively	44	39
Additional paid-in capital	916,006	821,747
Retained earnings (accumulated deficit)	(252,701)	(103,555)
Total Stockholders' Equity	$ 774,383	$ 829,265
Non-controlling interests	35,098	39,434
Total Equity	$ 809,481	$ 868,699
TOTAL LIABILITIES AND EQUITY	$ 3,777,642	$ 4,338,217
PER SHARE INFORMATION:		
Common stock[2]	$ 15.06	$ 18.48

Condensed Consolidated Statement of Operations (Unaudited)

Ellington Financial

(In thousands, except per share data)	Three-Month Period Ended March 31, 2020	Three-Month Period Ended December 31, 2019
Net Interest Income		
Interest income	$ 52,108	$ 45,353
Interest expense	(22,090)	(21,205)
Total net interest income	30,018	24,148
Other Income (Loss)		
Realized gains (losses) on securities and loans, net	12,260	(9,326)
Realized gains (losses) on financial derivatives, net	(12,406)	938
Realized gains (losses) on real estate owned, net	350	1,122
Unrealized gains (losses) on securities and loans, net	(133,738)	3,084
Unrealized gains (losses) on financial derivatives, net	(9,984)	3,799
Unrealized gains (losses) on real estate owned, net	(357)	(744)
Other, net	1,679	1,001
Total other income (loss)	(142,196)	(126)
EXPENSES		
Base management fee to affiliate (Net of fee rebates of $507 and $509, respectively)	2,443	2,663
Incentive fee to affiliate	-	116
Investment related expenses:		
Servicing expense	2,531	2,055
Debt issuance costs related to Other secured borrowings, at fair value	-	1,865
Other	1,423	1,941
Professional fees	1,277	1,021
Compensation expense	788	962
Other expenses	1,752	1,160
Total expenses	10,214	11,783
Net Income (Loss) before Income Tax Expense (Benefit) and Earnings from Investments in Unconsolidated Entities	(122,392)	12,239
Income tax expense (benefit)	(547)	1,180
Earnings (losses) from investments in unconsolidated entities	(6,497)	3,262
Net Income (Loss)	(128,342)	14,321
Net Income (Loss) Attributable to Non-Controlling Interests	(885)	1,733
Dividends on Preferred Stock	1,941	1,466
Net Income (Loss) Attributable to Common Stockholders	$ (129,398)	$ 11,122
Net Income (Loss) per Common Share:		
Basic and diluted	$ (3.04)	$ 0.31
Weighted average shares of common stock outstanding	42,598	35,866
Weighted average shares of common stock and convertible units outstanding	43,284	36,594

Reconciliation of Net Income (Loss) to Core Earnings(1)

Ellington Financial

(In thousands, except per share amounts)	Three-Month Period Ended March 31, 2020	Three-Month Period Ended December 31, 2019
Net income (loss)	$ (128,342)	$14,321
Income tax expense (benefit)	(547)	1,180
Net income (loss) before income tax expense	(128,889)	15,501
Adjustments:		
Realized (gains) losses on securities and loans, net	(12,260)	9,326
Realized (gains) losses on financial derivatives, net	12,406	(938)
Realized (gains) losses on real estate owned, net	(350)	(1,122)
Unrealized (gains) losses on securities and loans, net	133,738	(3,084)
Unrealized (gains) losses on financial derivatives, net	9,984	(3,799)
Unrealized (gains) losses on real estate owned, net	357	744
Other realized and unrealized (gains) losses, net (2)	330	159
Net realized gains (losses) on periodic settlements of interest rate swaps	143	843
Net unrealized gains (losses) on accrued periodic settlements of interest rate swaps	(111)	(705)
Incentive fee to affiliate	-	116
Non-cash equity compensation expense	164	129
Negative (positive) component of interest income represented by Catch-up Premium Amortization Adjustment	1,112	1,749
Debt issuance costs related to Other secured borrowings, at fair value	-	1,865
(Earnings) losses from investments in unconsolidated entities (3)	6,633	(2,070)
Total Core Earnings	$23,257	$18,714
Dividends on preferred stock	1,941	1,466
Core Earnings attributable to non-controlling interests	1,524	1,439
Core Earnings Attributable to Common Stockholders	$19,792	$15,809
Core Earnings Attributable to Common Stockholders, per share	$ 0.46	$ 0.44

About Ellington Management Group

Ellington Profile

As of 3/31/2020

Founded:	1994
Employees:	>150
Investment Professionals:	70
Global offices:	3

$9.7
Billion in assets under management as of 3/31/2020[1]

14
Employee-partners own the firm[2]

21
Years of average industry experience of senior portfolio managers

8%
Management's ownership of EFC, representing strong alignment[3]

Ellington and its Affiliated Management Companies

- Our external manager Ellington Financial Management LLC is part of the Ellington family of SEC-registered investment advisors[4]. Ellington Management Group and its affiliates manage Ellington Financial Inc. (EFC), Ellington Residential Mortgage REIT (EARN), multi-investor hedge funds, separately managed accounts, and opportunistic private funds
- Time-tested infrastructure and proprietary resources in trading, research, risk management, and operational support
- Founding partners each have advanced academic training in mathematics and engineering, including among them several Ph.D.'s and Master's degrees

Industry-Leading Research & Trading Expertise

- Sophisticated proprietary models for prepayment and credit analysis
- Approximately 23% of employees dedicated to research and technology
- Structured credit trading experience and analytical skills developed since the firm's founding 25 years ago
- Ellington's portfolio managers are among the most experienced in the MBS sector and the firm's analytics have been developed over its 25-year history

Investment Highlights of EFC

Ellington Financial

- ☑ **Diversified** investment portfolio across residential mortgage, commercial mortgage, consumer loan, and corporate loan sectors
  - **Diverse** range of strategies designed to generate a high-quality earnings stream
  - **Ability** to shift capital allocation across asset classes as credit and liquidity trends evolve[(1)]
  - **Flexibility** to capitalize on investment opportunities that emerge during times of volatility
- ☑ **Proprietary** portfolio of high-yielding, short-duration loans
- ☑ **Dynamic** interest-rate and credit hedging designed to reduce volatility of book value and earnings
- ☑ **Supplement** earnings with book value accretion via share repurchases when stock price is deeply discounted
- ☑ **Diversified** sources of financing, including long term non mark-to-market financing facilities and securitizations
- ☑ **Strong** alignment with 8% co-investment[(2)]

Slide 3 – First Quarter Market Update

(1) Source: Bloomberg
(2) Source: Mortgage Bankers Association via Bloomberg
(3) LIBOR-based OAS measures the additional yield spread over LIBOR that an asset provides at its current market price after taking into account any interest rate options embedded in the asset.
(4) LIBOR-based Zero-volatility spread (Z-spread) measures the additional yield spread over LIBOR that the projected cash flows of an asset provide at the current market price of the asset.

Slide 4 – First Quarter Highlights

(1) Holdings, leverage, equity and book value amounts are as of March 31, 2020.
(2) Economic return is based on book value per share.
(3) Core Earnings is a non-GAAP financial measure. See slide 28 for a reconciliation of Core Earnings to Net Income (Loss).
(4) Gross income (loss) includes interest income and other income, net realized and change in net unrealized gains (losses), net interest rate hedges, net credit hedges and other activities, interest expense, and other investment related expenses, and earnings (losses) from investments in unconsolidated entities, if applicable. It excludes other interest income (expense), management fees, income tax (expense) and other expenses.
(5) Includes REO at the lower of cost or fair value. Excludes hedges and other derivative positions.
(6) For our consolidated non-QM securitization trusts, excludes tranches that were sold to third parties, but that are consolidated for GAAP purposes. Including such tranches, the Company's total long credit portfolio was $1.998 billion as of March 31, 2020.
(7) Overall debt-to-equity ratio is computed by dividing EFC's total debt by EFC's total equity. The debt-to-equity ratio does not account for liabilities other than debt financings. Excludes repo borrowings on U.S. Treasury securities.
(8) Excludes repo borrowings on U.S. Treasury securities and borrowings at certain unconsolidated entities that are recourse to us. Including such borrowings, our debt-to-equity ratio based on total recourse borrowings is 2.5:1 as of March 31, 2020.
(9) Management and directors' ownership includes common shares, operating partnership units, and LTIP units held by officers and directors of EFC, and partners and affiliates of Ellington (including families and family trusts of the foregoing). Based on share price.

Slide 5 – First Quarter Highlights (continued)

(1) Net of underwriters' discount and offering costs.

Slide 6 – Portfolio Summary as of March 31, 2020

(1) See endnote (5) on slide 4.
(2) Average price excludes interest only, principal only, equity tranches and other similar securities and non-exchange traded corporate equity. All averages in this table are weighted averages using fair value, except for average price which uses current principal balance.
(3) Average price of consumer loans and ABS is proprietary.
(4) Weighted average life assumes "projected" cashflows using Ellington's proprietary models. Excludes interest only, principal only, equity tranches.
(5) Estimated yields at market prices are management's estimates derived from Ellington's proprietary models based on prices and market environment as of March 31, 2020 and include the effects of future estimated losses. The above analysis should not be considered a recommendation to purchase or sell any security or class of securities. Results are based on forward-looking models, which are inherently imperfect, and incorporate various simplifying assumptions. Therefore, the table is for illustrative purposes only and the actual performance of our portfolio may differ from the data presented, and such differences might be significant and adverse.
(6) REO and equity investments in loan origination entities are excluded from total average calculations.
(7) For our consolidated non-QM securitization trusts, excludes tranches that were sold to third parties, but that are consolidated for GAAP purposes.
(8) REO is not considered a financial instrument and as a result is included at the lower of cost or fair value.
(9) Includes equity investments in unconsolidated entities holding small balance commercial mortgage loans and REO.
(10) Includes equity investments in securitization-related vehicles.
(11) Includes an equity investment in an unconsolidated entity holding European RMBS.
(12) Excludes repo borrowings on U.S. Treasury securities and borrowings at certain unconsolidated entities that are recourse to us. In determining the debt-to-equity ratio for an individual strategy, equity usage for such strategy is based on an internal calculation that reflects the actual amount of capital posted to counterparties in connection with such strategy's positions (whether in the form of haircut, initial margin, prime brokerage requirements, or otherwise) plus additional capital allocated to support such strategy's positions, net of adjustments for readily financeable assets and securities that may be sold to increase liquidity on short notice. The Company refers to the excess of its total equity over the total risk capital of its strategies as its "risk capital buffer". If the debt-to-equity ratios for individual strategies were computed solely based on the actual amount of capital posted to counterparties, such ratios would typically be higher. The debt-to-equity ratio does not account for liabilities other than debt financings.
(13) See endnote (7) on slide 4.
(14) See endnote (8) on slide 4.

Endnotes

Ellington Financial

Slide 8 – Operating Results by Strategy

(1) Other income primarily consists of rental income on real estate owned and loan origination fees.
(2) Includes U.S. Treasury securities, if applicable.
(3) Other activities include certain equity and other trading strategies and related hedges, and net realized and unrealized gains (losses) on foreign currency.
(4) Includes interest expense on the Company's Senior Notes.
(5) Per share information is calculated using weighted average common shares outstanding.
(6) Convertible units include Operating Partnership units attributable to non-controlling interests.
(7) Excludes Operating Partnership units attributable to non-controlling interests.

Slide 9 – Long Credit Portfolio

(1) See endnote (5) on slide 4. For our consolidated non-QM securitization trusts, excludes tranches that were sold to third parties, but that are consolidated for GAAP purposes. Including such tranches, the Company’s total long credit portfolio was $1.998 billion as of March 31, 2020 and $2.028 billion as of December 31, 2019.
(2) Includes equity investments in securitization-related vehicles.
(3) REO is not considered a financial instrument and as a result is included at the lower of cost or fair value.
(4) Includes equity investments in unconsolidated entities holding small balance commercial mortgage loans and REO.
(5) Includes an equity investment in an unconsolidated entity holding European RMBS.

Slide 10 – Long Agency Portfolio

(1) Agency long portfolio includes $973.8 million of long Agency securities and $42.3 million of interest only securities as of March 31, 2020 and $1,901.7 million of long Agency securities and $35.3 million of interest only securities as of December 31, 2019.
(2) Represents weighted average net pass-through rate. Excludes interest only securities.

Slide 11 – Summary of Borrowings

(1) Includes Other secured borrowings and Other secured borrowings, at fair value.
(2) All of our non-recourse borrowings are secured by collateral. In the event of default under a non-recourse borrowing, the lender has a claim against the collateral but not any of the Operating Partnership’s other assets. In the event of default under a recourse borrowing, the lender's claim is not limited to the collateral (if any).
(3) See endnote (8) on slide 4.

Slide 12 – Diversified Credit Portfolio

(1) Subject to qualifying and maintaining our qualification as a REIT.
(2) Excludes hedges and other derivative positions
(3) For our consolidated non-QM securitization trusts, only retained tranches are included (i.e., excludes tranches sold to third parties).

Slide 13 – Stable Economic Return

(1) Source: Company filings.
(2) Economic return is computed by adding back dividends to ending book value per share, and comparing that amount to book value per share as of the beginning of the quarter.

Slide 14 – Interest Rate Sensitivity Analysis

(1) The table reflects the estimated effects on the value of our portfolio, both overall and by category, of hypothetical, immediate, 50 basis point downward and upward parallel shifts in interest rates, based on the market environment as of March 31, 2020. The preceding analysis does not include sensitivities to changes in interest rates for instruments which we believe that the effect of a change in interest rates is not material to the value of the overall portfolio and/or cannot be accurately estimated. In particular, this analysis excludes certain corporate securities and derivatives on corporate securities, and reflects only sensitivity to U.S. interest rates. Results are based on forward-looking models, which are inherently imperfect, and incorporate various simplifying assumptions. Therefore, the table is for illustrative purposes only and actual changes in interest rates would likely cause changes in the actual value of our portfolio that would differ from those presented, and such differences might be significant and adverse.

Endnotes

Ellington Financial

Slide 15 – Commitment to ESG

(1) See endnote (9) on slide 4.

Slide 17 – Derivatives Summary

(1) In the table, fair value of certain derivative transactions are shown on a net basis. The accompanying financial statements separate derivative transactions as either assets or liabilities. As of March 31, 2020, derivative assets and derivative liabilities were $31.8 million and $(47.8) million, respectively, for a net fair value of $(16.0) million, as reflected in "Net Total".
(2) Notional value represents the face amount of the underlying asset.
(3) Represents the option on the part of a counterparty to enter into a credit default swap on a corporate bond index whereby we would receive a fixed rate and pay credit protection payments.
(4) Notional value represents the total face amount of U.S. Treasury securities underlying all contracts held. As of March 31, 2020 a total of 19 long and 1,494 short U.S. Treasury futures contracts were held.
(5) Every $1,000,000 in notional value represents one contract.
(6) Short notional value represents U.S. Dollars to be received by us at the maturity of the forward contract. Long notional value represents U.S. Dollars to be paid by us at the maturity of the forward contract.

Slide 18 – Credit Hedging Portfolio

(1) The Credit Hedging Portfolio excludes both legs of certain relative value trades which we believe do not affect the overall hedging position of the portfolio. Consequently, the amounts shown here may differ materially (i) from those that would be shown were all positions in the included instruments displayed and (ii) from that presented on the Derivatives Summary shown on slide 17.
(2) There can be no assurance that instruments in the Credit Hedging Portfolio will be effective portfolio hedges.
(3) Corporate derivatives displayed in HY CDX OTR Equivalents represent the net, on-the-run notional equivalents of Markit CDX North American High Yield Index (the “HY Index”) of those derivatives converted to equivalents based on techniques used by the Company for estimating the price relationships between them and the HY Index. These include estimations of the relationships between different credits and even different sectors (such as the US high yield, European high yield, and US investment grade debt markets). The Company's estimations of price relationships between instruments may change over time. Actual price relationships experienced may differ from those previously estimated.
(4) Bond Equivalent Value represents the investment amount of a corresponding position in the reference obligation or index constituents, calculated assuming a price equal to the difference between (i) par and (ii) the tear up price. Corporate CDS Indices, Tranches, Options and Single Names are converted to HY CDX OTR Equivalents prior to being displayed as Bond Equivalent Values.

Slide 19 – Agency Interest Rate Hedging Portfolio

(1) Agency interest rate hedges are shown in normalized units of risk, with each group of positions measured in “10-year equivalents; “10-year equivalents” for a group of positions represent the amount of 10-year U.S. Treasury securities that would be expected to experience a similar change in market value under a standard parallel move in interest rates.

Slide 20 – Agency Interest Rate Hedging Portfolio (continued)

(1) We define our net Agency pool assets-to-equity ratio as the net aggregate market value of our Agency pools of $974 million and our long and short TBA positions of $(498) million, divided by the equity allocated to our Agency strategy of $126 million, as of March 31, 2020. As of December 31, 2019, our net Agency pool assets-to-equity ratio was the net aggregate market value of our Agency pools of $1.90 billion and our long and short TBA positions of $(1.14) billion, divided by the equity allocated to our Agency strategy of $191 million. In determining the debt-to-equity ratio for an individual strategy, equity usage for such strategy is based on an internal calculation that reflects the actual amount of capital posted to counterparties in connection with such strategy’s positions (whether in the form of haircut, initial margin, prime brokerage requirements, or otherwise) plus additional capital allocated to support such strategy’s positions, net of adjustments for readily financeable assets and securities that may be sold to increase liquidity on short notice. The Company refers to the excess of its total equity over the total risk capital of its strategies as its “risk capital buffer”. If the debt-to-equity ratios for individual strategies were computed solely based on the actual amount of capital posted to counterparties, such ratios would typically be higher. The debt-to-equity ratio does not account for liabilities other than debt financings.

Slide 21 – CPR Breakout of Agency Fixed Long Portfolio

(1) Does not include long TBA positions, reverse mortgage pools, or fixed rate IOs.
(2) Classification methodology may change over time as market practices change.
(3) Fair value shown in millions.
(4) “MHA” indicates those pools where underlying borrowers have participated in the Making Homes Affordable program.

Slide 22 – Repo Borrowings

(1) Included in the table, using the original maturity dates, are any repos involving underlying investments we sold prior to March 31, 2020 for settlement following March 31, 2020 even though the company may expect to terminate such repos early. Not included are any repos that we may have entered into prior to March 31, 2020, for which delivery of the borrowed funds is not scheduled until after March 31, 2020. Remaining maturity for a repo is based on the contractual maturity date in effect as of March 31, 2020. Some repos have floating interest rates, which may reset before maturity.

Endnotes

Ellington Financial

Slide 23 – Gross Profit and Loss

(1) Gross profit excludes expenses other than interest expense and other investment related expenses. Figures in "%" columns are as a percentage of average equity for the period.

Slide 24 – Total Return Since Inception

(1) Total return is based on $18.61 net diluted book value per share at inception in August 2007 and is calculated assuming the reinvestment of dividends at diluted book value per share and assumes all convertible units were converted into common shares at their issuance dates.

Slide 25 – Capital, Leverage & Portfolio Composition

(1) Excludes U.S. Treasury securities. In determining the debt-to-equity ratio for an individual strategy, equity usage for such strategy is based on an internal calculation that reflects the actual amount of capital posted to counterparties in connection with such strategy's positions (whether in the form of haircut, initial margin, prime brokerage requirements, or otherwise) plus additional capital allocated to support such strategy's positions, net of adjustments for readily financeable assets and securities that may be sold to increase liquidity on short notice. The Company refers to the excess of its total equity over the total risk capital of its strategies as its "risk capital buffer". If the debt-to-equity ratios for individual strategies were computed solely based on the actual amount of capital posted to counterparties, such ratios would typically be higher. The debt-to-equity ratio does not account for liabilities other than debt financings.

(2) Excludes interest only, principal only, equity tranches and other similar investments and REO.

(3) See endnote (5) on slide 4. Excludes tranches of our non-QM securitization trusts, that were sold to third parties, but that are consolidated for GAAP purposes.

Slide 26 – Condensed Consolidated Balance Sheet

(1) Derived from audited financial statements as of December 31, 2019.

(2) Based on total stockholders' equity less the aggregate liquidation preference of our preferred stock outstanding.

Slide 28 – Reconciliation of Net Income (Loss) to Core Earnings

(1) We calculate Core Earnings as U.S. GAAP net income (loss) as adjusted for: (i) realized and unrealized gain (loss) on securities and loans, REO, financial derivatives (excluding periodic settlements on interest rate swaps), other secured borrowings, at fair value, and foreign currency transactions; (ii) incentive fee to affiliate; (iii) Catch-up Premium Amortization Adjustment (as defined below); (iv) non-cash equity compensation expense; (v) miscellaneous non-recurring expenses; (vi) provision for income taxes and (vii) certain other income or loss items that are of a non-recurring nature. For certain investments in unconsolidated entities, we include the relevant components of net operating income in Core Earnings. The Catch-up Premium Amortization Adjustment is a quarterly adjustment to premium amortization triggered by changes in actual and projected prepayments on our agency RMBS (accompanied by a corresponding offsetting adjustment to realized and unrealized gains and losses). The adjustment is calculated as of the beginning of each quarter based on our then-current assumptions about cashflows and prepayments, and can vary significantly from quarter to quarter. Core Earnings is a supplemental non-GAAP financial measure. We believe that the presentation of Core Earnings provides a consistent measure of operating performance by excluding the impact of gains and losses and other adjustments listed above from operating results. We believe that Core Earnings provides information useful to investors because it is a metric that we use to assess our performance and to evaluate the effective net yield provided by the portfolio. In addition, we believe that presenting Core Earnings enables our investors to measure, evaluate, and compare our operating performance to that of our peers. However, because Core Earnings is an incomplete measure of our financial results and differs from net income (loss) computed in accordance with U.S. GAAP, it should be considered as supplementary to, and not as a substitute for, net income (loss) computed in accordance with U.S. GAAP. The table above reconciles, for the three-month periods ended March 31, 2020 and December 31, 2019, Core Earnings to the line on the Consolidated Statement of Operations entitled Net Income (Loss), which we believe is the most directly comparable U.S. GAAP measure.

(2) Includes realized and unrealized gains (losses) on foreign currency and unrealized gain (loss) on other secured borrowings, at fair value included in Other, net, on the Condensed Consolidated Statement of Operations.

(3) Adjustment represents, for certain investments in unconsolidated entities, the net realized and unrealized gains and losses of the underlying investments of such entities.

Slide 29 – About Ellington Management Group

(1) $9.7 billion in assets under management includes approximately $1.4 billion in Ellington-managed CLOs. For these purposes, the Ellington-managed CLO figure represents the aggregate outstanding balance of CLO notes and market value of CLO equity, excluding any notes and equity held by other Ellington-managed funds and accounts.

(2) Does not include partners formerly employed by Ellington who may have residual capital balances but who no longer have voting rights in the partnership.

(3) See endnote (9) on slide 4.

(4) Registration with the SEC does not imply that the firm or any of its principals or employees possess a particular level of skill or training in the investment advisory or any other business.

Slide 30 – Investment Highlights of EFC

(1) Subject to qualifying and maintaining our qualification as a REIT.

(2) See endnote (9) on slide 4.

Ellington Financial

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