

Ellington Financial

Second Quarter 2020  
Earnings Conference Call  
August 7, 2020



## 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, and under Part II, Item 1A of the Company's Quarterly Report on Form 10-Q, as amended, for the three-month period ended March 31, 2020 which can be accessed through the Company's website at [www.ellingtonfinancial.com](http://www.ellingtonfinancial.com) or at the SEC's website ([www.sec.gov](http://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 June 30, 2020 unless otherwise indicated. We undertake no duty or obligation to update this presentation to reflect subsequent events or developments.

# Second Quarter Market Update

Quarter Ended:	6/30/2020	3/31/2020	Q/Q	12/31/2019	Q/Q	9/30/2019	Q/Q	6/30/2019	Q/Q	3/31/2019	Q/Q
<u>UST (%)<sup>(1)</sup></u>											
3M UST	0.13	0.06	+0.07	1.54	-1.48	1.81	-0.26	2.09	-0.28	2.38	-0.29
2Y UST	0.15	0.25	-0.10	1.57	-1.32	1.62	-0.05	1.75	-0.13	2.26	-0.51
5Y UST	0.29	0.38	-0.09	1.69	-1.31	1.54	+0.15	1.77	-0.22	2.23	-0.47
10Y UST	0.66	0.67	-0.01	1.92	-1.25	1.66	+0.25	2.01	-0.34	2.41	-0.40
30Y UST	1.41	1.32	+0.09	2.39	-1.07	2.11	+0.28	2.53	-0.42	2.81	-0.29
3M10Y Spread	0.53	0.61	-0.08	0.37	+0.23	-0.14	+0.52	-0.08	-0.06	0.02	-0.11
2Y10Y Spread	0.51	0.42	+0.08	0.35	+0.08	0.04	+0.31	0.25	-0.21	0.15	+0.11
<u>US Dollar Swaps (%)<sup>(1)</sup></u>											
2Y SWAP	0.22	0.49	-0.26	1.70	-1.21	1.63	+0.07	1.81	-0.17	2.38	-0.58
5Y SWAP	0.33	0.52	-0.20	1.73	-1.21	1.50	+0.23	1.77	-0.26	2.29	-0.52
10Y SWAP	0.64	0.72	-0.08	1.90	-1.18	1.56	+0.33	1.96	-0.40	2.41	-0.44
<u>LIBOR (%)<sup>(1)</sup></u>											
1M	0.16	0.99	-0.83	1.76	-0.77	2.02	-0.25	2.40	-0.38	2.49	-0.10
3M	0.30	1.45	-1.15	1.91	-0.46	2.09	-0.18	2.32	-0.23	2.60	-0.28
1M3M Spread	0.14	0.46	-0.32	0.15	+0.31	0.07	+0.08	-0.08	+0.15	0.11	-0.18
<u>Mortgage Rates (%)<sup>(2)</sup></u>											
15Y	2.81	3.05	-0.24	3.37	-0.32	3.43	-0.06	3.42	+0.01	3.78	-0.36
30Y	3.13	3.50	-0.37	3.74	-0.24	3.64	+0.10	3.73	-0.09	4.06	-0.33
<u>FNMA Pass-Thrus<sup>(1)</sup></u>											
30Y 3.5	\$105.17	\$105.80	-\$0.63	\$102.86	+\$2.94	\$102.64	+\$0.22	\$102.20	+\$0.44	\$101.39	+\$0.81
30Y 4.0	\$105.95	\$106.77	-\$0.81	\$104.02	+\$2.75	\$103.80	+\$0.22	\$103.33	+\$0.47	\$102.86	+\$0.47
30Y 4.5	\$107.45	\$107.64	-\$0.19	\$105.30	+\$2.34	\$105.33	-\$0.03	\$104.48	+\$0.84	\$104.17	+\$0.31
<u>Libor-based OAS (bps)<sup>(3)</sup></u>											
FNMA 30Y 3.5 OAS	43.1	10.9	+32.2	36.4	-25.5	53.0	-16.6	41.2	+11.8	27.3	13.9
FNMA 30Y 4.0 OAS	65.6	27.4	+38.2	46.7	-19.3	60.5	-13.8	51.3	+9.2	31.1	20.2
FNMA 30Y 4.5 OAS	79.3	58.4	+20.9	63.6	-5.2	70.5	-6.9	71.0	-0.5	46.9	24.1
<u>Libor-based ZSpread (bps)<sup>(4)</sup></u>											
FNMA 30Y 3.5 ZSpread	64.9	32.5	+32.4	84.0	-51.5	101.8	-17.8	87.0	+14.8	76.4	10.6
FNMA 30Y 4.0 ZSpread	80.6	37.7	+42.9	84.9	-47.2	97.6	-12.7	88.1	+9.5	75.2	12.9
FNMA 30Y 4.5 ZSpread	87.8	64.3	+23.5	91.8	-27.5	97.1	-5.3	99.0	-1.9	79.5	19.5

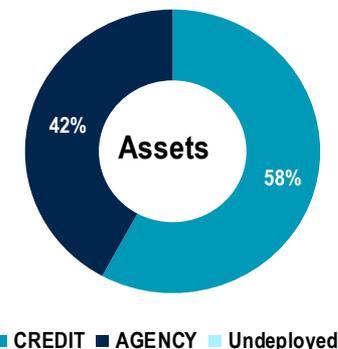
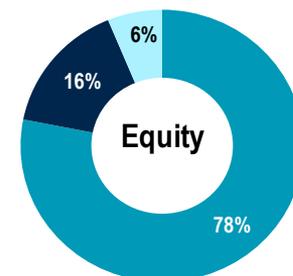
<b>Market Volatility Related to the COVID-19 Pandemic</b>	<ul style="list-style-type: none"> <li>▪ Our risk and liquidity management enabled us to avoid distressed asset sales during the market turmoil of March and early April, and so we were well positioned to benefit from the rebound in many credit-sensitive fixed income sectors that occurred in the second quarter</li> <li>▪ During March and April, we strategically reduced leverage and enhanced liquidity through orderly sales of Agency assets</li> <li>▪ In May and June, with the markets stabilized, we fully resumed investment activity in our credit and Agency portfolios</li> </ul>
<b>Overall Results</b>	<ul style="list-style-type: none"> <li>▪ Net income: \$37.3 million or \$0.85 per common share</li> <li>▪ Economic return<sup>(2)</sup> for the quarter: 5.7% or 24.9% annualized</li> <li>▪ Core Earnings<sup>(3)</sup> of \$17.1 million or \$0.39 per share</li> </ul>
<b>Credit Strategy</b>	<ul style="list-style-type: none"> <li>▪ Credit gross income: \$33.7 million<sup>(4)</sup> or \$0.76 per share</li> <li>▪ Long credit portfolio: \$1.26 billion<sup>(5)(6)</sup>, a 14% decrease from previous quarter</li> </ul>
<b>Agency RMBS Strategy</b>	<ul style="list-style-type: none"> <li>▪ Agency gross income: \$14.9 million<sup>(4)</sup> or \$0.33 per share</li> <li>▪ Long Agency portfolio: \$913.2 million, a 10% decrease from previous quarter</li> </ul>
<b>Equity &amp; BVPS</b>	<ul style="list-style-type: none"> <li>▪ Total equity: \$837.7 million</li> <li>▪ Book value per common share: \$15.67 after total dividends declared of \$0.25 for the quarter</li> </ul>
<b>Dividends</b>	<ul style="list-style-type: none"> <li>▪ Recently increased monthly dividend by 12.5%, to \$0.09 per common share</li> <li>▪ Annualized dividend yield of 8.9% based on the 8/5/2020 closing price of \$12.17, and dividend of \$0.09 per common share declared on 7/8/2020</li> </ul>
<b>Leverage Below Sector Average</b>	<ul style="list-style-type: none"> <li>▪ Debt-to-equity ratio: 2.7x<sup>(7)</sup></li> <li>▪ Recourse debt-to-equity ratio: 1.5x<sup>(8)</sup></li> <li>▪ Includes \$86 million of unsecured notes rated “A”<sup>(9)</sup></li> <li>▪ Cash and cash equivalents of \$146.5 million, in addition to other unencumbered assets of \$311.8 million</li> </ul>
<b>Strong Alignment of Interests</b>	<ul style="list-style-type: none"> <li>▪ Management and directors own approximately 8% of EFC<sup>(10)</sup></li> </ul>

# Portfolio Summary as of June 30, 2020<sup>(1)</sup>

## Diversified sources of return to perform over market cycles

Strategy	Allocated Equity	Fair Value (\$ in \$1,000s)	Average Price (%) <sup>(2)(6)</sup>	WAVG Life <sup>(4)(6)</sup>	WAVG Mkt Yield <sup>(5)(6)</sup>
<b>CREDIT</b>					
CMBS and Commercial Mortgage Loans and REO <sup>(8)(9)</sup>		\$ 415,079	77.0	2.5	10.2%
Consumer Loans and ABS		216,289	- <sup>(3)</sup>	0.9	11.6%
Residential Mortgage Loans and REO <sup>(7)(8)</sup>		211,473	91.3	2.4	9.9%
CLO <sup>(10)</sup>		156,158	72.2	4.1	11.1%
Non-Agency RMBS		154,928	70.5	5.2	6.2%
Non-Dollar MBS, ABS, CLO and Other <sup>(10)(11)</sup>		49,726	68.2	5.5	7.5%
Investments in Loan Origination Entities		44,277	N/A	N/A	N/A
Corporate Debt and Equity and Corporate Loans		9,237	39.0	2.1	19.2%
<b>Total - Credit</b>	<b>78%</b>	<b>\$ 1,257,167</b>	<b>79.4</b>	<b>2.8</b>	<b>10.0%</b>
<b>AGENCY</b>					
Fixed-Rate Specified Pools		\$ 724,756	108.9	3.8	1.4%
Reverse Mortgage Pools		131,535	110.5	5.9	1.3%
IOs		49,007	N/A	3.9	8.8%
Floating-Rate Specified Pools		7,899	104.2	2.9	1.4%
<b>Total - Agency</b>	<b>16%</b>	<b>\$ 913,197</b>	<b>109.1</b>	<b>4.1</b>	<b>1.8%</b>
<b>Undeployed</b>	<b>6%</b>				

### Equity and Asset Allocation by Strategy



### Debt-to-Equity Ratio by Strategy and Overall:

Credit:	2.2x <sup>(12)</sup>	
Agency:	6.5x <sup>(12)</sup>	
Overall:	2.7x <sup>(13)</sup>	2.7x, net of unsettled purchases/sales
Overall Recourse:	1.5x <sup>(14)</sup>	1.5x, net of unsettled purchases/sales

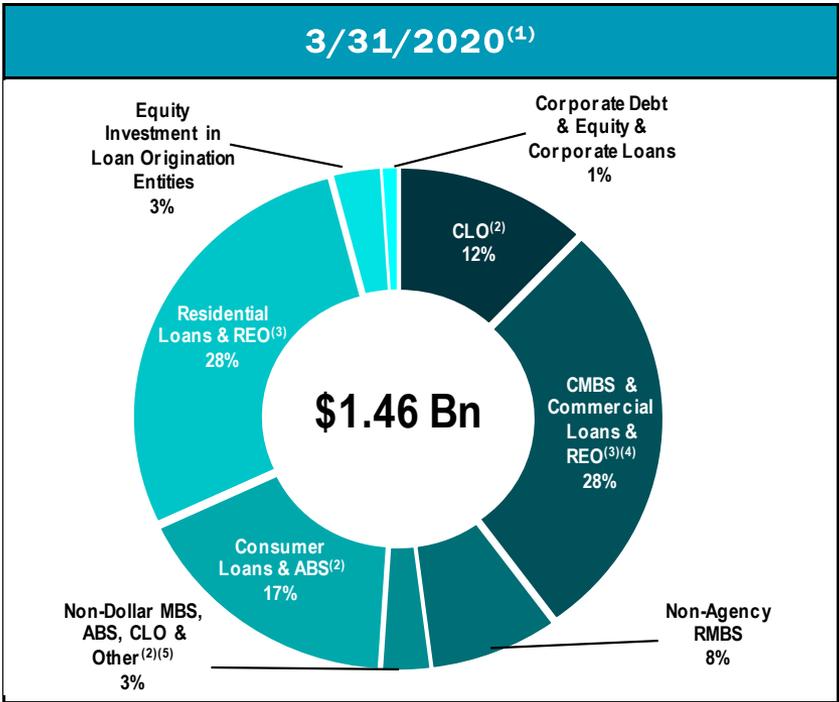
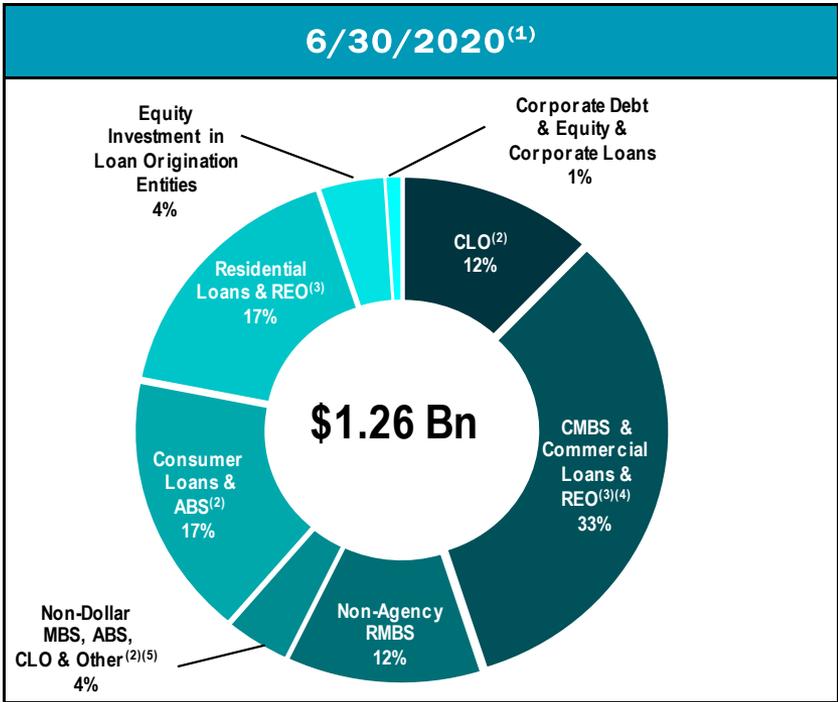
# Condensed Consolidated Statement of Operations (Unaudited)

Ellington Financial

	Three-Month Period Ended		Six-Month
	June 30, 2020	March 31, 2020	Period Ended June 30, 2020
<i>(In thousands, except per share data)</i>			
<b>Net Interest Income</b>			
Interest income	\$ 39,281	\$ 52,108	\$ 91,389
Interest expense	(14,686)	(22,090)	(36,776)
Total net interest income	24,595	30,018	54,613
<b>Other Income (Loss)</b>			
Realized gains (losses) on securities and loans, net	(16,040)	12,260	(3,780)
Realized gains (losses) on financial derivatives, net	(11,676)	(12,406)	(24,082)
Realized gains (losses) on real estate owned, net	(211)	350	139
Unrealized gains (losses) on securities and loans, net	44,112	(133,738)	(89,626)
Unrealized gains (losses) on financial derivatives, net	8,173	(9,984)	(1,811)
Unrealized gains (losses) on real estate owned, net	(228)	(357)	(584)
Other, net	(435)	1,679	1,243
Total other income (loss)	23,695	(142,196)	(118,501)
<b>EXPENSES</b>			
Base management fee to affiliate (Net of fee rebates of \$145, \$507 and \$652, respectively)	2,906	2,443	5,349
Incentive fee to affiliate	-	-	-
Investment related expenses:			
Servicing expense	2,493	2,531	5,024
Debt issuance costs related to Other secured borrowings, at fair value	2,075	-	2,075
Other	707	1,423	2,130
Professional fees	1,333	1,277	2,610
Compensation expense	941	788	1,728
Other expenses	1,497	1,752	3,250
Total expenses	11,952	10,214	22,166
<b>Net Income (Loss) before Income Tax Expense (Benefit) and Earnings from Investments in Unconsolidated Entities</b>	36,338	(122,392)	(86,054)
Income tax expense (benefit)	1,542	(547)	995
Earnings (losses) from investments in unconsolidated entities	5,643	(6,497)	(854)
<b>Net Income (Loss)</b>	40,439	(128,342)	(87,903)
<b>Net Income (Loss) Attributable to Non-Controlling Interests</b>	1,220	(885)	335
<b>Dividends on Preferred Stock</b>	1,941	1,941	3,882
<b>Net Income (Loss) Attributable to Common Stockholders</b>	\$ 37,278	\$ (129,398)	\$ (92,120)
<b>Net Income (Loss) per Common Share:</b>			
Basic and diluted	\$ 0.85	\$ (3.04)	\$ (2.13)
<b>Weighted average shares of common stock outstanding</b>	43,780	42,598	43,189
<b>Weighted average shares of common stock and convertible units outstanding</b>	44,389	43,284	43,836

# Operating Results by Strategy

(In thousands, except per share amounts)	Three-Month Period Ended June 30, 2020		Three-Month Period Ended March 31, 2020 <sup>(1)</sup>		Six-Month Period Ended June 30, 2020	
		Per Share		Per Share <sup>(1)</sup>		Per Share
<b>Credit</b>						
Interest income and other income <sup>(2)</sup>	\$ 36,573	\$ 0.82	\$ 41,841	\$ 0.97	\$ 78,414	\$ 1.79
Realized gain (loss), net	(20,276)	(0.46)	10,447	0.24	(9,829)	(0.23)
Unrealized gain (loss), net	34,271	0.78	(146,665)	(3.39)	(112,394)	(2.56)
Interest rate hedges, net <sup>(3)</sup>	71	-	(8,007)	(0.18)	(7,936)	(0.18)
Credit hedges and other activities, net <sup>(4)</sup>	(5,197)	(0.12)	19,215	0.44	14,018	0.32
Interest expense <sup>(5)</sup>	(12,114)	(0.27)	(13,227)	(0.31)	(25,341)	(0.58)
Other investment related expenses	(5,275)	(0.12)	(3,954)	(0.09)	(9,229)	(0.21)
Earnings (losses) from investments in unconsolidated entities	5,643	0.13	(6,497)	(0.15)	(854)	(0.02)
<b>Total Credit profit (loss)</b>	<b>33,696</b>	<b>0.76</b>	<b>(106,847)</b>	<b>(2.47)</b>	<b>(73,151)</b>	<b>(1.67)</b>
<b>Agency RMBS:</b>						
Interest income	3,385	0.08	12,067	0.28	15,452	0.35
Realized gain (loss), net	4,059	0.09	6,408	0.15	10,467	0.24
Unrealized gain (loss), net	9,753	0.22	12,282	0.28	22,035	0.50
Interest rate hedges and other activities, net <sup>(3)</sup>	178	-	(38,399)	(0.90)	(38,221)	(0.87)
Interest expense <sup>(5)</sup>	(2,499)	(0.06)	(8,420)	(0.19)	(10,919)	(0.25)
<b>Total Agency RMBS profit (loss)</b>	<b>14,876</b>	<b>0.33</b>	<b>(16,062)</b>	<b>(0.38)</b>	<b>(1,186)</b>	<b>(0.03)</b>
<b>Total Credit and Agency RMBS profit (loss)</b>	<b>48,572</b>	<b>1.09</b>	<b>(122,909)</b>	<b>(2.85)</b>	<b>(74,337)</b>	<b>(1.70)</b>
Other interest income (expense), net	86	-	280	0.01	366	0.01
Income tax (expense) benefit	(1,542)	(0.03)	547	0.01	(995)	(0.02)
Other expenses	(6,677)	(0.15)	(6,260)	(0.14)	(12,937)	(0.30)
<b>Net income (loss) (before incentive fee)</b>	<b>40,439</b>	<b>0.91</b>	<b>(128,342)</b>	<b>(2.97)</b>	<b>(87,903)</b>	<b>(2.01)</b>
Incentive fee	-	-	-	-	-	-
Less: Dividends on preferred stock	\$ 40,439	\$ 0.91	\$ (128,342)	\$ (2.97)	\$ (87,903)	\$ (2.01)
Less: Net income (loss) attributable to non-participating non-controlling interests	1,941	0.04	1,941	0.04	3,882	0.08
Less: Net income (loss) attributable to non-participating non-controlling interests	701	0.02	1,197	0.03	1,898	0.04
<b>Net income (loss) attributable to common stockholders and participating non-controlling interests</b>	<b>37,797</b>	<b>0.85</b>	<b>(131,480)</b>	<b>(3.04)</b>	<b>(93,683)</b>	<b>(2.13)</b>
Less: Net income (loss) attributable to participating non-controlling interests	519		(2,082)		(1,563)	
<b>Net income (loss) attributable to common stockholders</b>	<b>37,278</b>	<b>\$ 0.85</b>	<b>\$ (129,398)</b>	<b>\$ (3.04)</b>	<b>\$ (92,120)</b>	<b>\$ (2.13)</b>
Weighted average shares of common stock and convertible units outstanding <sup>(6)</sup>	44,389		43,284		43,836	
Weighted average shares of common stock outstanding	43,780		42,598		43,189	

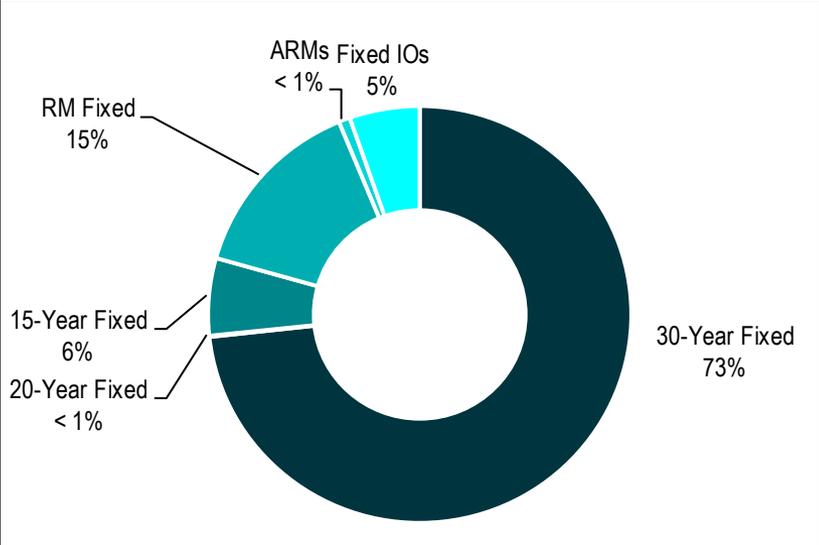


- Total size of long credit portfolio decreased approximately 14% quarter over quarter, mainly due to the completion of our non-QM securitization in June; otherwise, sales and principal repayments roughly offset purchases and net realized and unrealized gains.
- Residential Loans & REO decreased in connection with the non-QM securitization
- CMBS & Commercial Loans & REO, and Non-Agency RMBS, both grew quarter over quarter

† Excludes non-retained tranches of the Company's consolidated non-QM securitization trusts

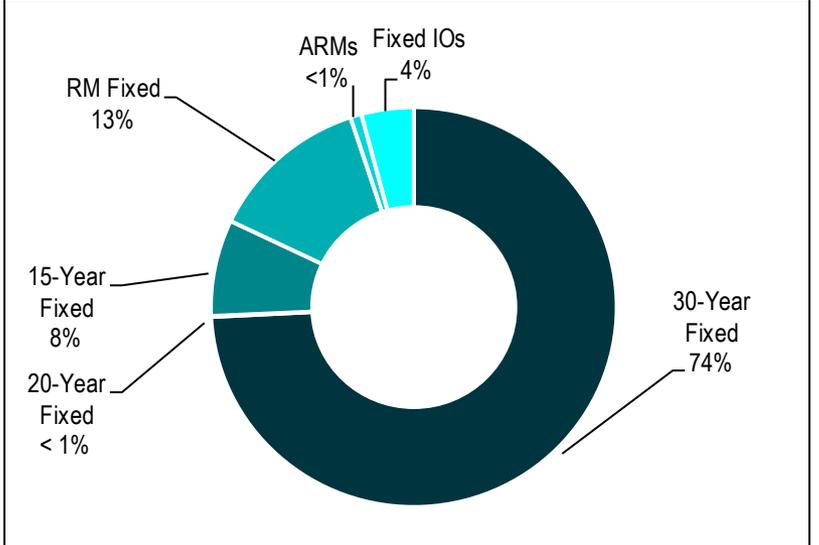
# Long Agency Portfolio

**Agency Long Portfolio**  
As of 6/30/2020: \$913MM<sup>(1)</sup>



Category	Fair Value <sup>(1)</sup>	Wtd. Avg. Coupon <sup>(2)</sup>
30-Year Fixed	\$ 669.2	4.23
20-Year Fixed	0.8	4.70
15-Year Fixed	54.8	3.55
RM Fixed	131.5	4.23
<b>Subtotal - Fixed</b>	<b>856.4</b>	<b>4.18</b>
ARMs	7.9	
Fixed IOs	49.0	
<b>Total</b>	<b>\$ 913.2</b>	

**Agency Long Portfolio**  
As of 3/31/2020: \$1.02BN<sup>(1)</sup>



Category	Fair Value <sup>(1)</sup>	Wtd. Avg. Coupon <sup>(2)</sup>
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
<b>Subtotal - Fixed</b>	<b>964.7</b>	<b>4.13</b>
ARMs	9.1	
Fixed IOs	42.3	
<b>Total</b>	<b>\$ 1,016.0</b>	

■ Our Agency portfolio decreased by 10% quarter over quarter, as sales in April and principal repayments during the quarter exceeded new purchases in May and June

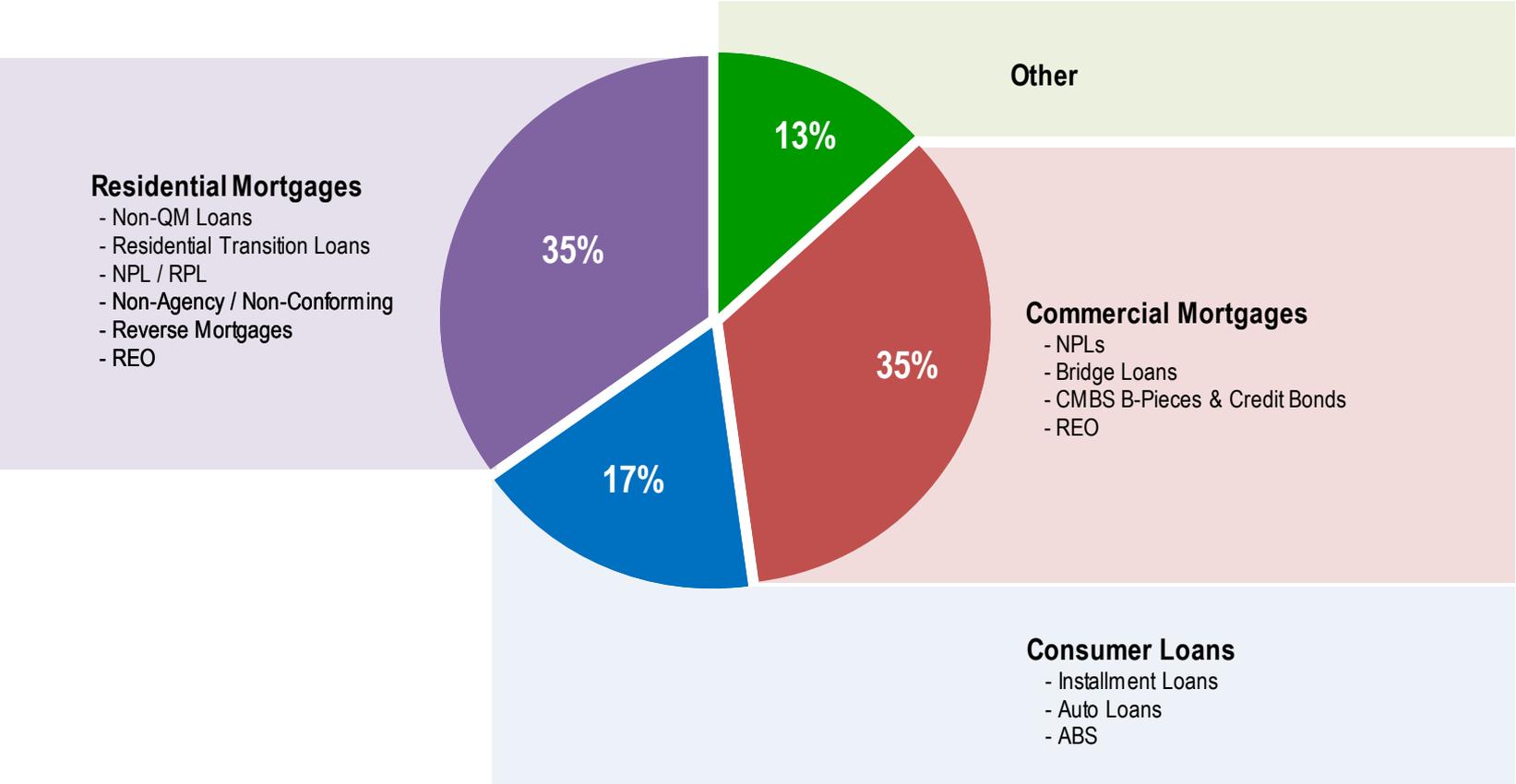
(\$ in thousands)

Collateral Type	As of 6/30/2020		Three-Month Period Ended 6/30/2020	
	Outstanding Borrowings	Weighted Average Borrowing Rate	Average Borrowings	Average Cost of Funds
Credit <sup>(1)</sup>	\$1,341,712	3.12%	\$1,377,059	3.23%
Agency RMBS	\$851,614	0.40%	\$907,444	1.02%
<b>Subtotal</b>	<b>\$2,193,326</b>	<b>2.06%</b>	<b>\$2,284,503</b>	<b>2.35%</b>
U.S. Treasury Securities	-	-	\$37	0.00%
<b>Subtotal</b>	<b>\$2,193,326</b>	<b>2.06%</b>	<b>\$2,284,540</b>	<b>2.35%</b>
Senior Notes, at par	\$86,000	5.80%	\$86,000	5.80%
<b>Total</b>	<b>\$2,279,326</b>	<b>2.20%</b>	<b>\$2,370,540</b>	<b>2.48%</b>

## Recourse and Non-Recourse Leverage Summary<sup>(2)</sup>

As of 6/30/2020

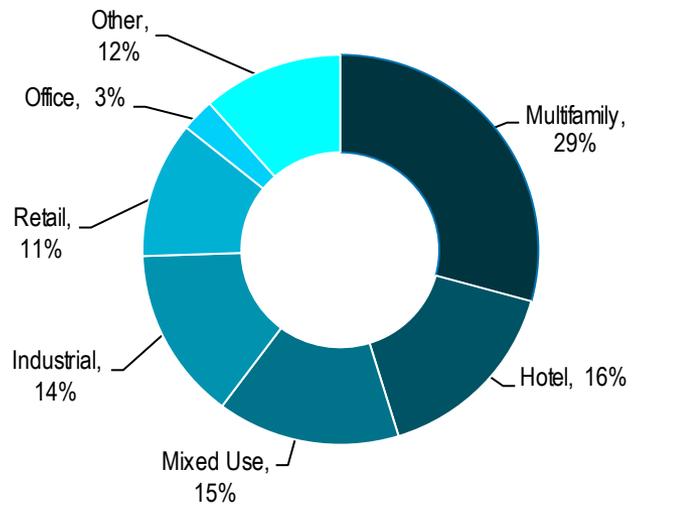
Recourse Borrowings	\$1,280,014	<b>Recourse Debt-to-Equity Ratio<sup>(3)</sup></b>	<b>1.5:1</b>
Non-Recourse Borrowings	\$999,312	<i>Net of unsettled purchases/sales</i>	1.5:1
<b>Total Borrowings</b>	<b>\$2,279,326</b>	<b>Total Debt-to-Equity Ratio<sup>(4)</sup></b>	<b>2.7:1</b>
Total Equity	\$837,679	<i>Net of unsettled purchases/sales</i>	2.7:1



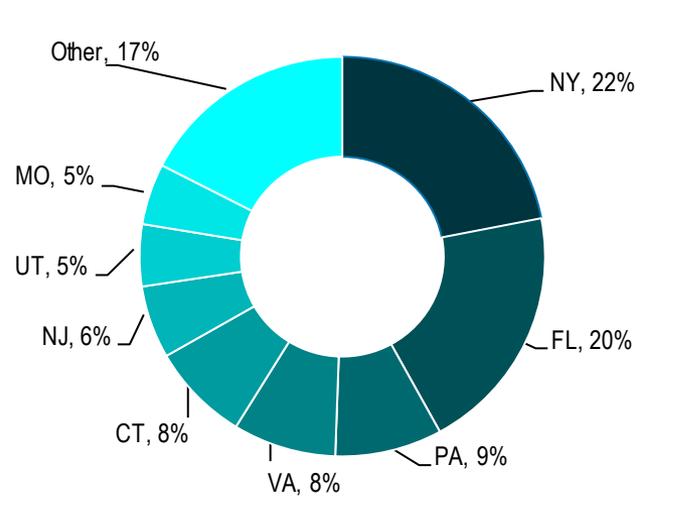
- Our flexible approach allocates capital to the sectors where we see the best relative value as market conditions change<sup>(1)</sup>
- We believe that our analytical expertise, research and systems provide an edge that will generate attractive risk-adjusted returns over market cycles

Note: Percentages shown reflect share of total fair market value of credit portfolio<sup>(2)(3)</sup>

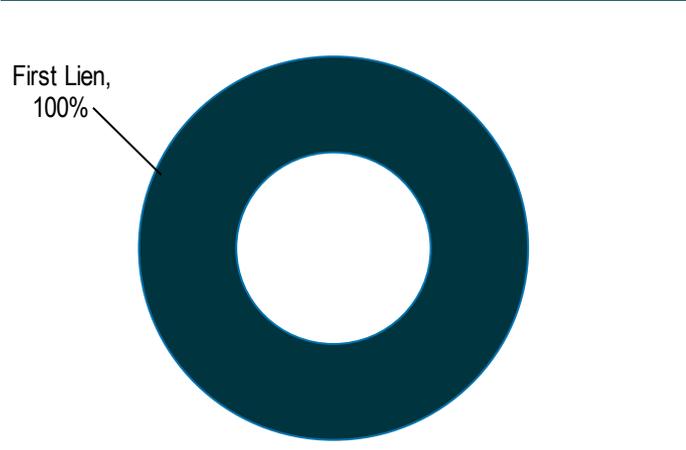
### Property Type



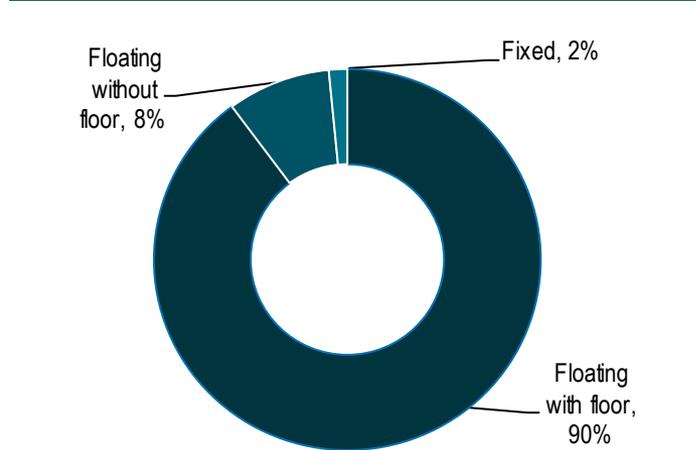
### Geography



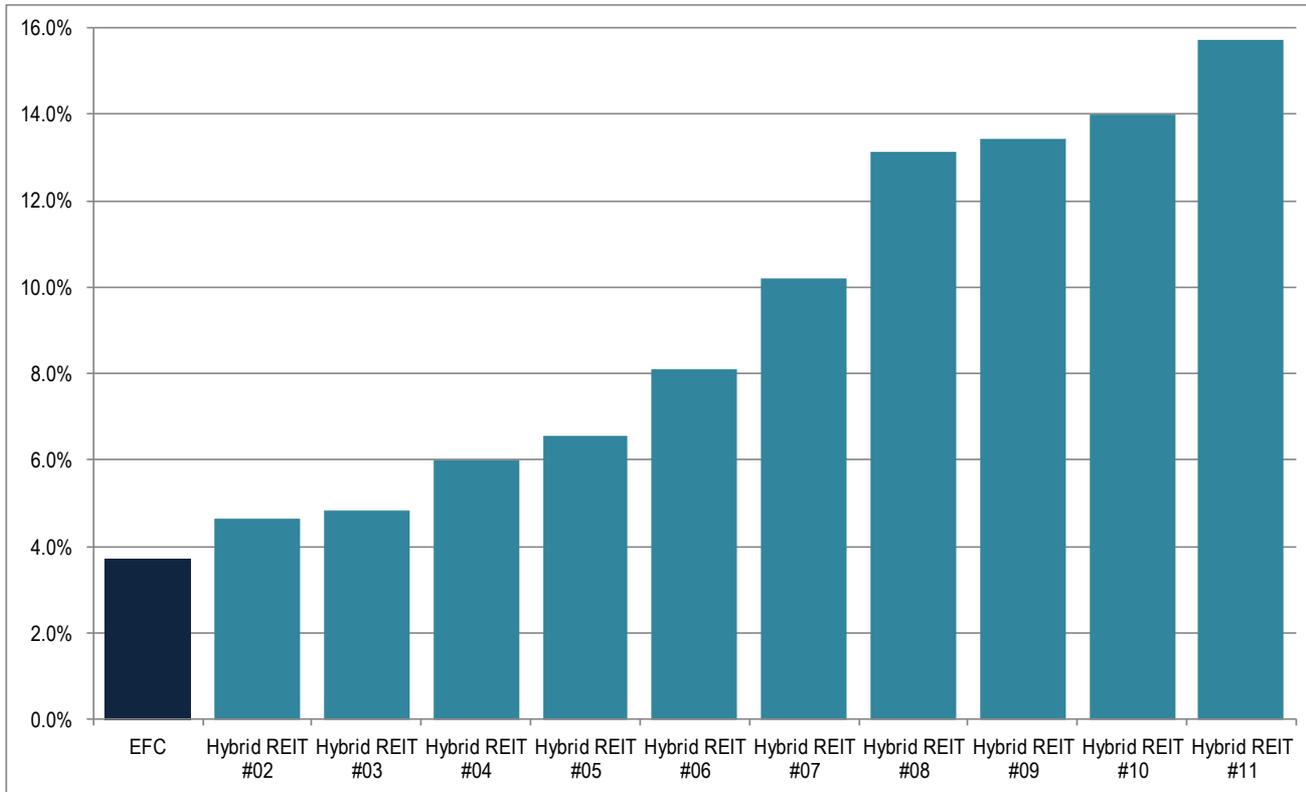
### Seniority



### Interest Rate Type



**Standard Deviation of Quarterly Economic Returns of Hybrid REITs  
Q1-2011 – Q1-2020<sup>(1)(2)</sup>**



**Standard Deviation of Quarterly Economic Returns of Hybrid REITs  
Q1-2011 – Q1-2020**

EFC	3.7%
Hybrid REIT #02	4.7%
Hybrid REIT #03	4.8%
Hybrid REIT #04	6.0%
Hybrid REIT #05	6.6%
Hybrid REIT #06	8.1%
Hybrid REIT #07	10.2%
Hybrid REIT #08	13.1%
Hybrid REIT #09	13.4%
Hybrid REIT #10	14.0%
Hybrid REIT #11	15.7%

- 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

(\$ 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	\$ 689	0.08%	\$ (401)	-0.05%
Agency RMBS - Fixed Pools and IOs	7,660	0.91%	(8,649)	-1.03%
TBAs	(917)	-0.11%	130	0.02%
Non-Agency RMBS, CMBS, Other ABS, and Mortgage Loans	5,617	0.67%	(4,893)	-0.58%
Interest Rate Swaps	(4,071)	-0.49%	3,830	0.46%
U.S. Treasury Securities	(199)	-0.02%	190	0.02%
Eurodollar and Treasury Futures	(3,782)	-0.44%	3,717	0.44%
Mortgage-Related Derivatives	-	-	1	-
Corporate Securities and Derivatives on Corporate Securities	(5)	0.00%	6	0.00%
Repurchase Agreements, Reverse Repurchase Agreements, and Senior Notes Outstanding	(1,085)	-0.13%	2,012	0.24%
<b>Total</b>	<b>\$ 3,907</b>	<b>0.47%</b>	<b>\$ (4,057)</b>	<b>-0.48%</b>
Less: Estimated Change in Fair Value attributable to Preferred Stock	(\$1,563)		\$1,741	
<b>Estimated Change in Fair Value attributable to Common Stock</b>	<b>\$ 2,344</b>		<b>\$ (2,316)</b>	
<b>As % of Common Equity</b>	<b>0.32%</b>		<b>-0.32%</b>	

- 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

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.

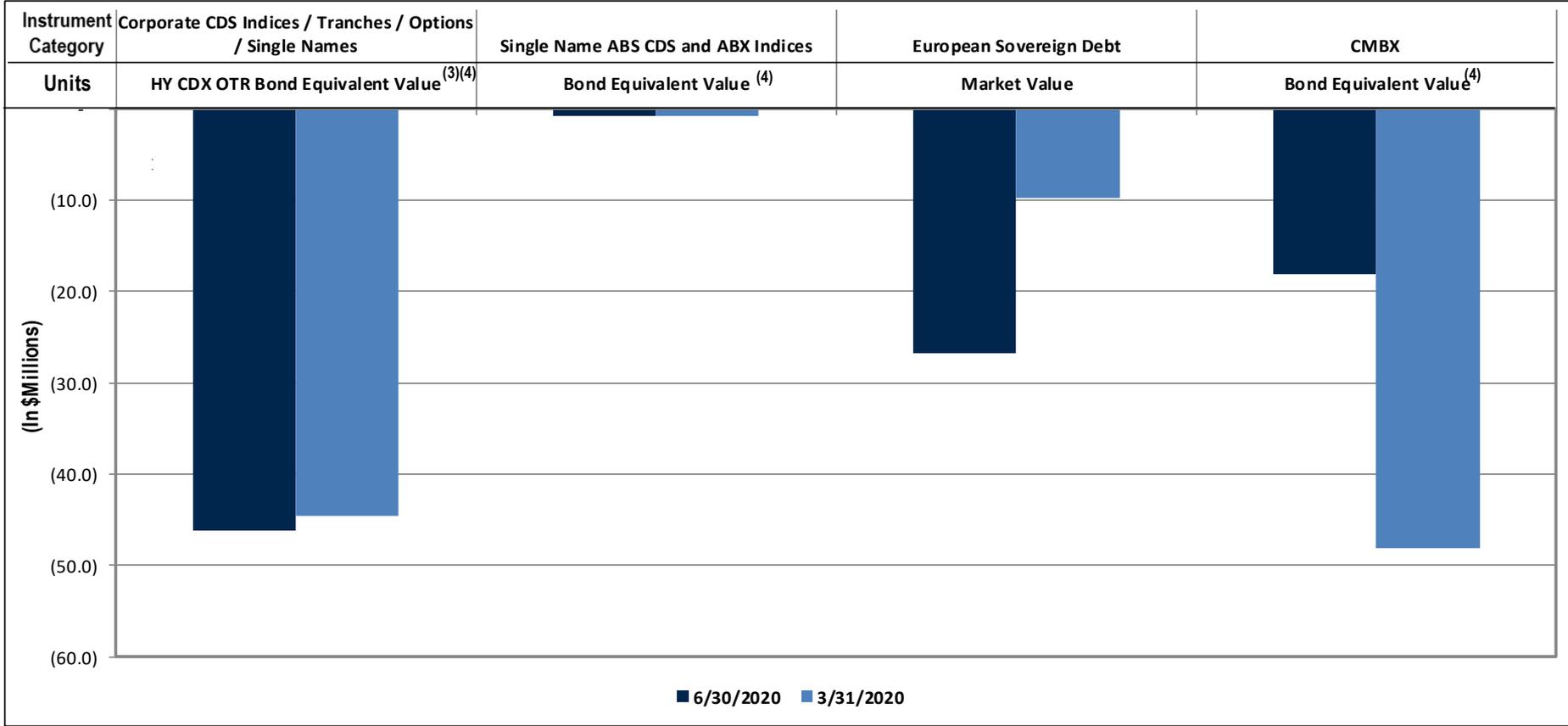
## Governance

- 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<sup>(1)</sup>

# Supplemental Slides



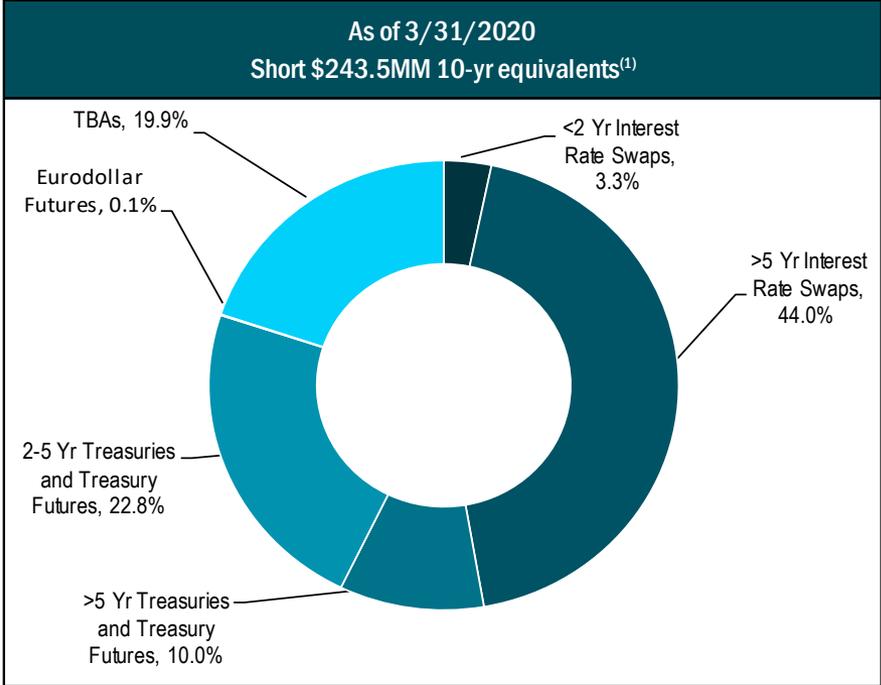
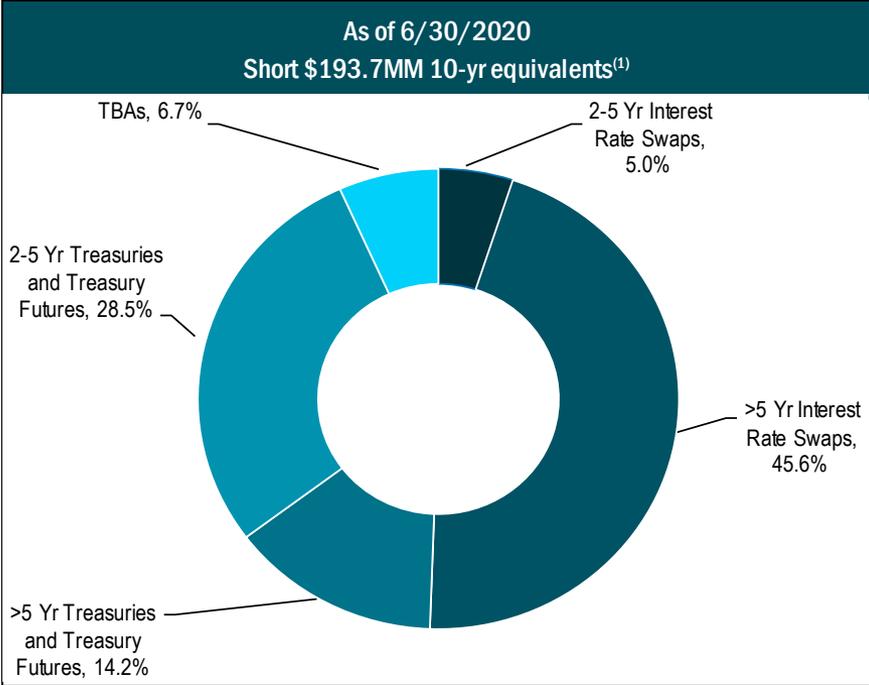
(\$ in thousands)	Long Notional	Short Notional	Net Notional	Fair Value
Mortgage-Related Derivatives:				
CDS on MBS and MBS Indices	\$ 969	\$ (27,859)	\$ (26,890)	\$ 7,991
<b>Total Net Mortgage-Related Derivatives</b>				<b>7,991</b>
Corporate-Related Derivatives:				
CDS on Corporate Bonds and Corporate Bond Indices	68,760	(160,123)	(91,363)	133
Total Return Swaps on Corporate Bond Indices and Corporate Debt <sup>(2)</sup>	4,726	-	4,726	365
Options	-	-	-	-
Warrants <sup>(3)</sup>	1,546	-	1,546	31
<b>Total Net Corporate-Related Derivatives</b>				<b>529</b>
Interest Rate-Related Derivatives:				
TBAs	132,000	(428,592)	(296,592)	1,608
Interest Rate Swaps	422,425	(537,459)	(115,034)	(17,605)
U.S. Treasury Futures <sup>(4)</sup>	1,900	(167,100)	(165,200)	(382)
<b>Total Interest Rate-Related Derivatives</b>				<b>(16,379)</b>
Other Derivatives:				
Foreign Currency Forwards <sup>(5)</sup>	-	(22,710)	(22,710)	182
<b>Total Net Other Derivatives</b>				<b>182</b>
<b>Net Total</b>				<b>\$ (7,677)</b>



■ EFC’s dynamic credit hedging strategy seeks to reduce book value volatility

# Agency Interest Rate Hedging Portfolio<sup>(1)</sup>

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

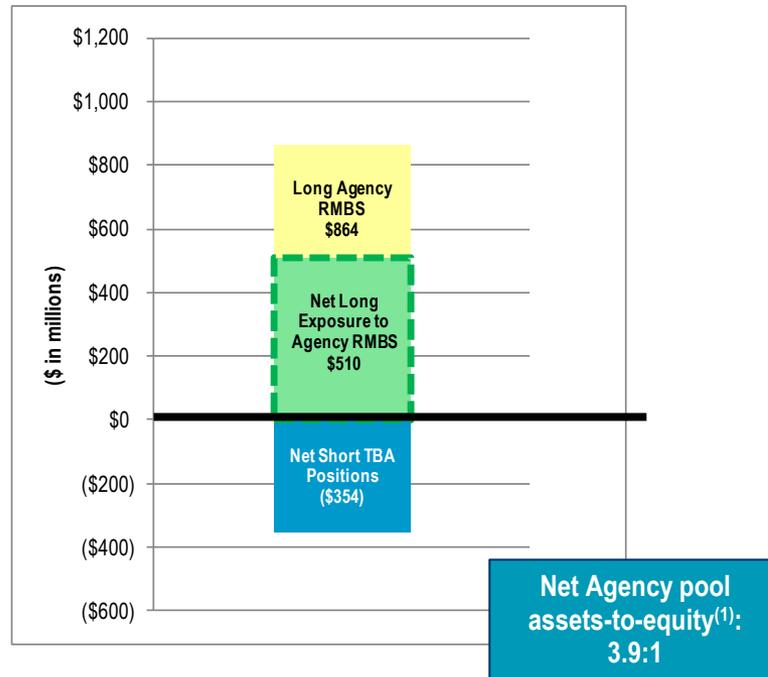


- **Shorting “generic” pools (or TBAs) allows EFC to significantly reduce interest rate risk and basis risk in its Agency portfolio**
  - We also hedge interest rate risk with swaps, U.S. Treasury securities, and other instruments
- **For those Agency pools hedged with comparable TBAs, the biggest risk is a drop in “pay-ups”**
  - Average pay-ups on our specified pools were 3.30% as of 6/30/2020, up from 1.47% as of 3/31/2020, which generated significant net realized and unrealized gains on our portfolio
- 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 net short TBA position declined primarily because we covered TBA short positions in connection with sales of Agency RMBS, and because we increased the amount of long TBAs held for investment.

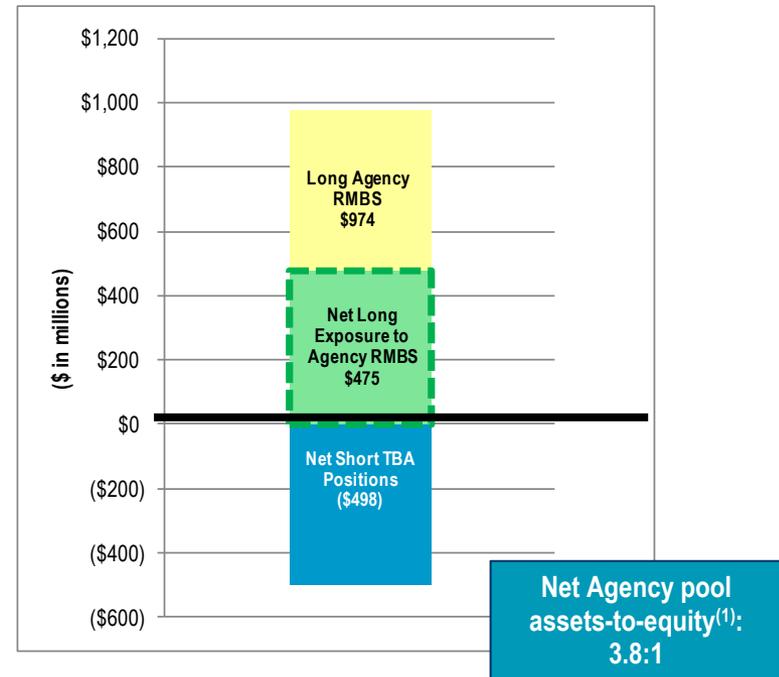
# Agency Interest Rate Hedging Portfolio (continued)

## Exposure to Agency Pools Based on Net Fair Value

As of 6/30/2020



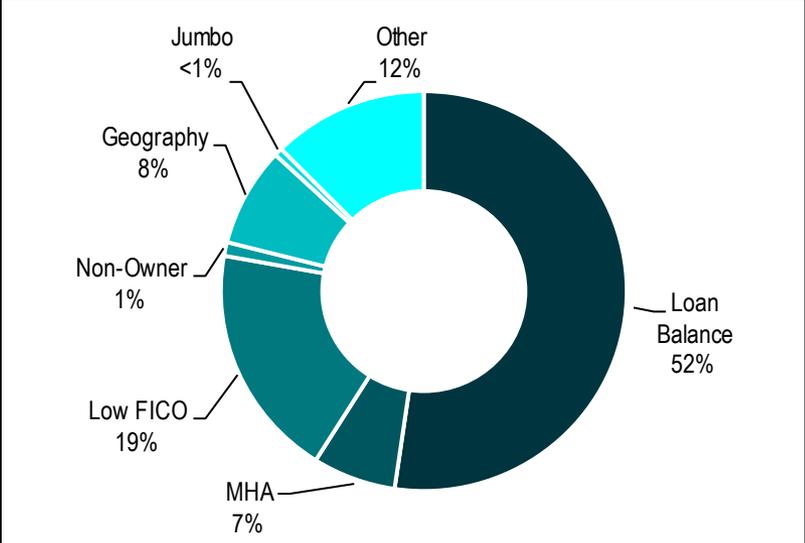
As of 3/31/2020



- EFC often carries significantly lower net effective mortgage exposure than our “headline” agency leverage suggests
  - Our net long exposure to Agency RMBS slightly increased to \$510mm from \$475mm, quarter over quarter, primarily due to a lower net short TBA position
- 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

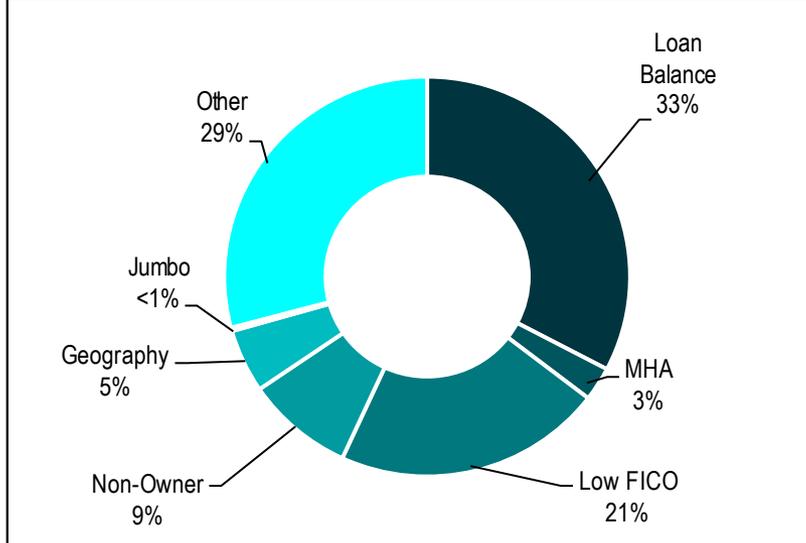
# CPR Breakout of Agency Fixed Long Portfolio

**Agency Fixed Long Portfolio**  
**Collateral Characteristics and Historical 3-Mo CPR:**  
**Average for Quarter Ended 6/30/2020<sup>(1)</sup>**



Characteristic <sup>(2)</sup>	Fair Value <sup>(1)(3)</sup>	3-Month CPR %
Loan Balance	\$ 360.4	16.4
MHA <sup>(4)</sup>	45.7	11.4
Low FICO	130.2	31.8
Non-Owner	7.6	23.4
Geography	55.1	26.4
Jumbo	4.5	24.0
Other	85.5	23.5
<b>Total</b>	<b>\$ 689.0</b>	<b>21.1</b>

**Agency Fixed Long Portfolio**  
**Collateral Characteristics and Historical 3-Mo CPR:**  
**Average for Quarter Ended 3/31/2020<sup>(1)</sup>**

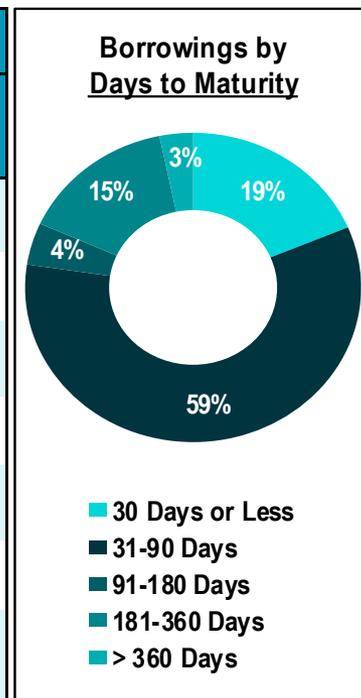


Characteristic <sup>(2)</sup>	Fair Value <sup>(1)(3)</sup>	3-Month CPR %
Loan Balance	\$ 555.3	14.1
MHA <sup>(4)</sup>	46.6	10.8
Low FICO	364.7	33.7
Non-Owner	146.3	11.7
Geography	87.0	12.1
Jumbo	4.9	3.4
Other	495.0	20.4
<b>Total</b>	<b>\$ 1,699.8</b>	<b>20.1</b>

(\$ in thousands)

**Repo Borrowings as of June 30, 2020**

Remaining Days to Maturity	Credit	Agency	U.S. Treasury	Total	% of Total Borrowings
30 Days or Less	\$47,042	\$194,313	—	\$241,355	18.7%
31-90 Days	193,090	567,251	—	760,341	58.8%
91-180 Days	31,994	24,841	—	56,835	4.3%
181-360 Days	129,106	65,209	—	194,315	15.0%
> 360 Days	41,703	—	—	41,703	3.2%
<b>Total Borrowings</b>	<b>\$442,935</b>	<b>\$851,614</b>	<b>—</b>	<b>\$1,294,549</b>	<b>100.0%</b>
<b>Weighted Average Remaining Days to Maturity</b>	<b>188</b>	<b>70</b>	<b>—</b>	<b>110</b>	



- Repo borrowings with 25 counterparties, with the largest representing approximately 15% of total repo borrowings
- Weighted average remaining days to maturity of 110 days
- Maturities are staggered to mitigate liquidity risk
- We made substantial progress extending and improving our sources of financing and leverage in the second quarter. In addition to completing our non-QM securitization, we also obtained term financing for numerous loan assets that we had previously held unfinanced, and we extended the terms of several of our credit facilities.

## Resilient profit generation over market cycles

(\$ In thousands)	Six-Month Period Ended June 30		Years Ended											
	2020		2019		2018		2017		2016		2015		2014	
Long: Credit	\$ (79,233)	-10.6%	\$ 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	14,018	1.9%	(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	(7,936)	-1.1%	(1,345)	-0.2%	115	0.0%	(851)	-0.1%	(371)	-0.1%	(4,899)	-0.6%	(9,479)	-1.4%
Long: Agency	37,035	5.0%	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	(38,221)	-5.1%	(25,309)	-4.0%	3,144	0.5%	(5,218)	-0.8%	(8,226)	-1.2%	(17,166)	-2.2%	(47,634)	-7.0%
<b>Gross Profit (Loss)</b>	<b>\$ (74,337)</b>	<b>-9.9%</b>	<b>\$ 84,203</b>	<b>13.2%</b>	<b>\$ 66,501</b>	<b>10.9%</b>	<b>\$ 53,316</b>	<b>8.4%</b>	<b>\$ 4,224</b>	<b>0.6%</b>	<b>\$ 59,127</b>	<b>7.7%</b>	<b>\$ 80,452</b>	<b>11.8%</b>

(\$ 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%
<b>Gross Profit (Loss)</b>	<b>\$ 103,990</b>	<b>17.6%</b>	<b>\$ 128,998</b>	<b>29.8%</b>	<b>\$ 22,614</b>	<b>5.9%</b>	<b>\$ 57,760</b>	<b>17.8%</b>	<b>\$ 124,294</b>	<b>44.4%</b>	<b>\$ 8,711</b>	<b>3.5%</b>

Credit Crisis

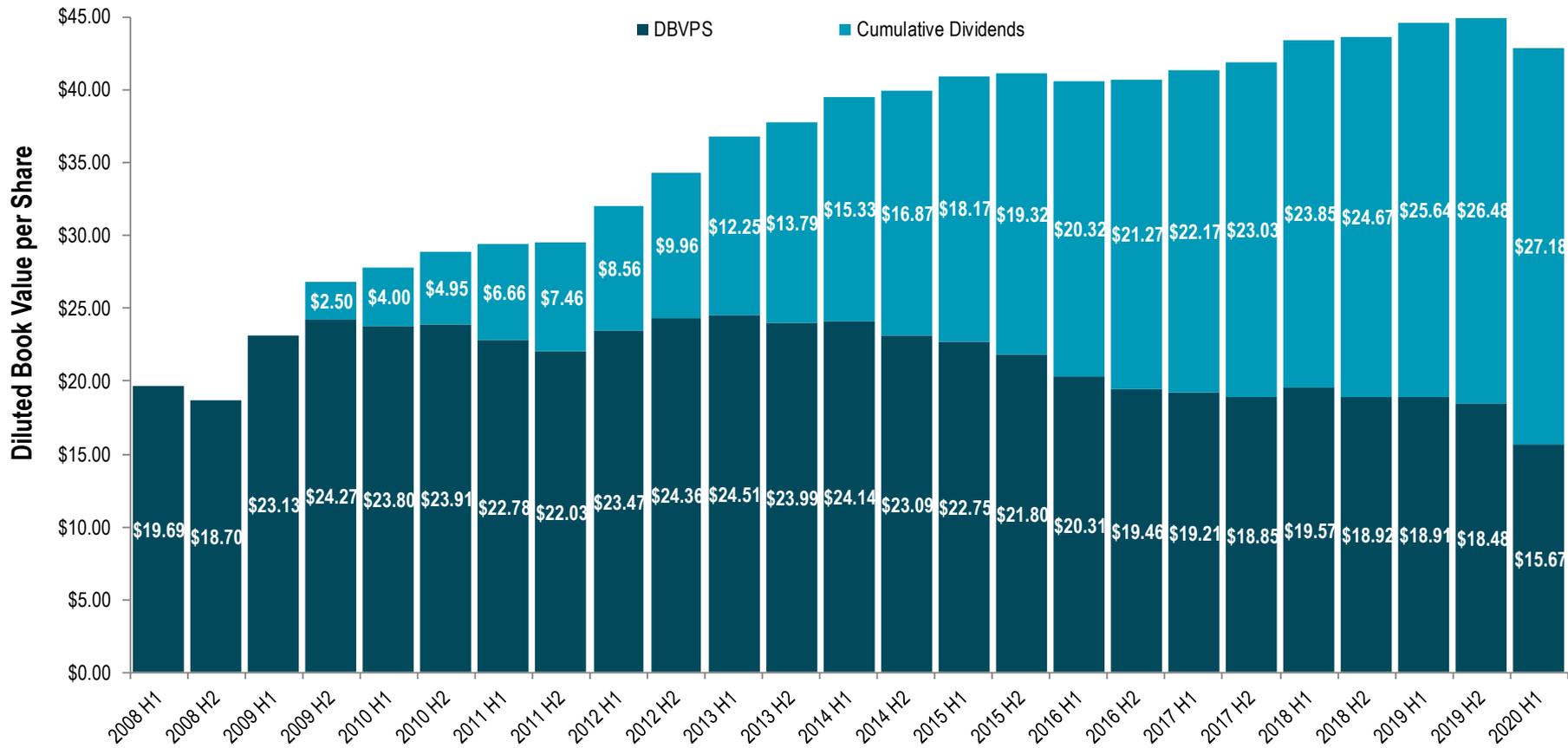
Taper Tantrum

Note: Percentages of average equity during period

# Total Return Since Inception

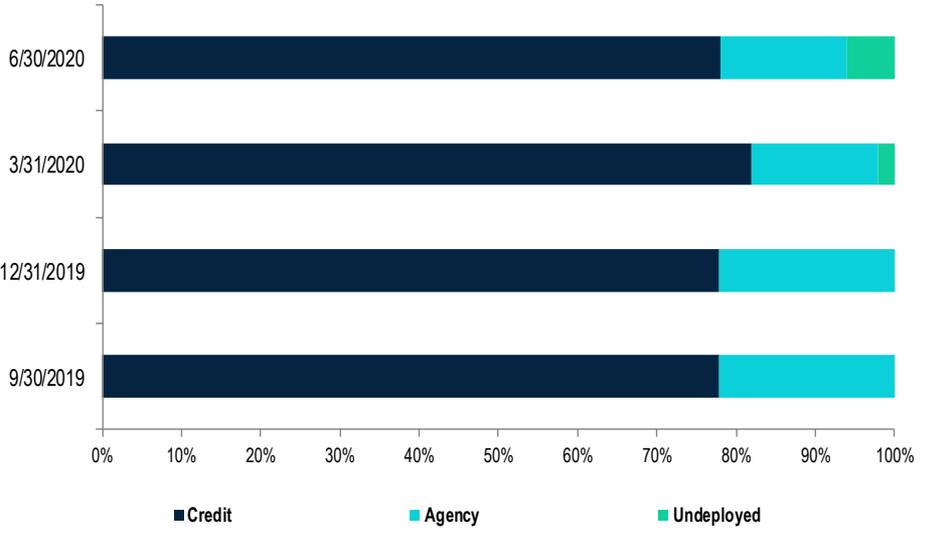
**EFC has successfully preserved book value over market cycles, while producing strong results for investors**

- EFC life-to-date diluted net asset value-based total return from inception in August 2007 through Q2 2020 is approximately 184%, or 8.4% annualized<sup>(1)</sup>

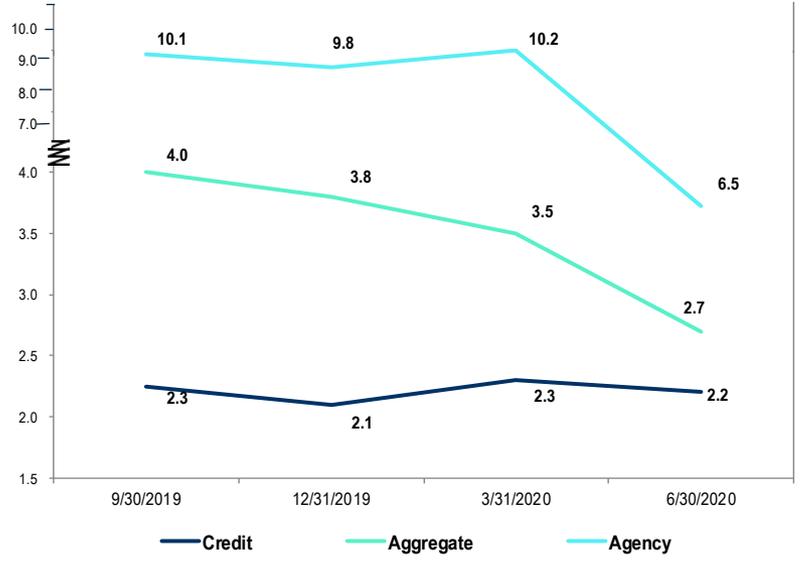


# Capital, Leverage & Portfolio Composition

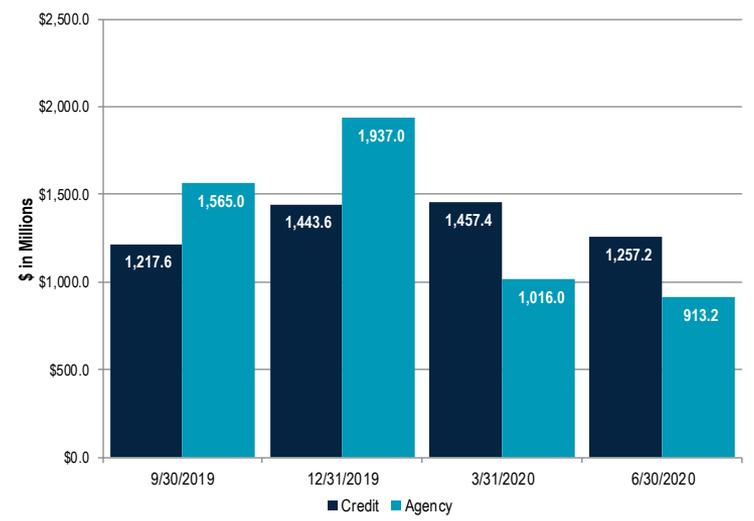
## Capital Usage Across Entire Portfolio<sup>(1)</sup>



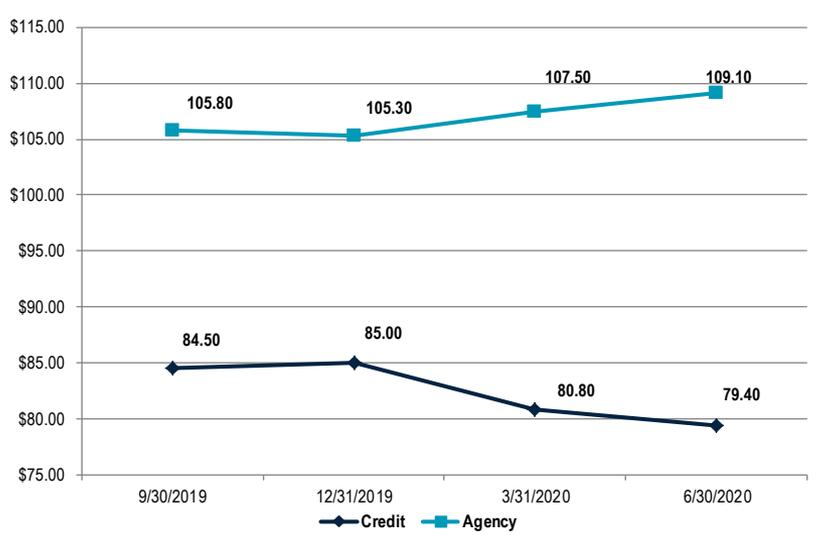
## Leverage by Strategy (Debt-to-Equity)<sup>(1)</sup>



## Credit and Agency Portfolios by Fair Value<sup>(3)</sup>



## Average Price – Credit and Agency<sup>(2)(3)</sup>



# Condensed Consolidated Balance Sheet (Unaudited)

<i>(In thousands, except share amounts)</i>	<b>June 30, 2020</b>	<b>March 31, 2020</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 146,531	\$ 136,740
Restricted cash	175	175
Securities, at fair value	1,396,008	1,481,395
Loans, at fair value	1,416,851	1,443,589
Investments in unconsolidated entities, at fair value	72,553	65,397
Real estate owned	24,044	25,054
Financial derivatives - assets, at fair value	27,186	31,752
Reverse repurchase agreements	31,427	13,239
Due from brokers	56,702	166,516
Investment related receivables	62,098	408,332
Other assets	3,276	5,453
<b>Total assets</b>	<b>\$ 3,236,851</b>	<b>\$ 3,777,642</b>
<b>LIABILITIES</b>		
Securities sold short, at fair value	31,471	13,291
Repurchase agreements	1,294,549	2,034,225
Financial derivatives - liabilities, at fair value	34,863	47,772
Due to brokers	11,266	17,138
Investment related payables	23,750	19,170
Other secured borrowings	156,089	177,855
Other secured borrowings, at fair value	742,688	549,668
Senior notes, net	85,429	85,363
Base management fee payable to affiliate	2,906	2,443
Incentive fee payable to affiliate	-	-
Dividend payable	5,293	7,952
Interest payable	3,138	5,283
Accrued expenses and other liabilities	7,730	8,001
<b>Total liabilities</b>	<b>\$ 2,399,172</b>	<b>\$ 2,968,161</b>
<b>EQUITY</b>		
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 43,779,924 shares issued and outstanding, respectively	44	44
Additional paid-in capital	916,186	916,006
Retained earnings (accumulated deficit)	(226,368)	(252,701)
<b>Total Stockholders' Equity</b>	<b>\$ 800,896</b>	<b>\$ 774,383</b>
Non-controlling interests	36,783	35,098
<b>Total Equity</b>	<b>\$ 837,679</b>	<b>\$ 809,481</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 3,236,851</b>	<b>\$ 3,777,642</b>
<b>PER SHARE INFORMATION:</b>		
Common stock <sup>(1)</sup>	\$ 15.67	\$ 15.06

# Condensed Consolidated Statement of Operations (Unaudited)

	Three-Month Period Ended		Six-Month
	June 30, 2020	March 31, 2020	Period Ended June 30, 2020
<i>(In thousands, except per share data)</i>			
<b>Net Interest Income</b>			
Interest income	\$ 39,281	\$ 52,108	\$ 91,389
Interest expense	(14,686)	(22,090)	(36,776)
Total net interest income	24,595	30,018	54,613
<b>Other Income (Loss)</b>			
Realized gains (losses) on securities and loans, net	(16,040)	12,260	(3,780)
Realized gains (losses) on financial derivatives, net	(11,676)	(12,406)	(24,082)
Realized gains (losses) on real estate owned, net	(211)	350	139
Unrealized gains (losses) on securities and loans, net	44,112	(133,738)	(89,626)
Unrealized gains (losses) on financial derivatives, net	8,173	(9,984)	(1,811)
Unrealized gains (losses) on real estate owned, net	(228)	(357)	(584)
Other, net	(435)	1,679	1,243
Total other income (loss)	23,695	(142,196)	(118,501)
<b>EXPENSES</b>			
Base management fee to affiliate (Net of fee rebates of \$145, \$507 and \$652, respectively)	2,906	2,443	5,349
Incentive fee to affiliate	-	-	-
Investment related expenses:			
Servicing expense	2,493	2,531	5,024
Debt issuance costs related to Other secured borrowings, at fair value	2,075	-	2,075
Other	707	1,423	2,130
Professional fees	1,333	1,277	2,610
Compensation expense	941	788	1,728
Other expenses	1,497	1,752	3,250
Total expenses	11,952	10,214	22,166
<b>Net Income (Loss) before Income Tax Expense (Benefit) and Earnings from Investments in Unconsolidated Entities</b>	36,338	(122,392)	(86,054)
Income tax expense (benefit)	1,542	(547)	995
Earnings (losses) from investments in unconsolidated entities	5,643	(6,497)	(854)
<b>Net Income (Loss)</b>	40,439	(128,342)	(87,903)
<b>Net Income (Loss) Attributable to Non-Controlling Interests</b>	1,220	(885)	335
<b>Dividends on Preferred Stock</b>	1,941	1,941	3,882
<b>Net Income (Loss) Attributable to Common Stockholders</b>	\$ 37,278	\$ (129,398)	\$ (92,120)
<b>Net Income (Loss) per Common Share:</b>			
Basic and diluted	\$ 0.85	\$ (3.04)	\$ (2.13)
<b>Weighted average shares of common stock outstanding</b>	43,780	42,598	43,189
<b>Weighted average shares of common stock and convertible units outstanding</b>	44,389	43,284	43,836

# Reconciliation of Net Income (Loss) to Core Earnings<sup>(1)</sup>

(In thousands, except per share amounts)

	Three-Month Period Ended		Six-Month
	June 30, 2020	March 31, 2020	Period Ended June 30, 2020
<b>Net income (loss)</b>	\$ 40,439	\$ (128,342)	\$ (87,903)
Income tax expense (benefit)	1,542	(547)	995
<b>Net income (loss) before income tax expense</b>	<b>41,981</b>	<b>(128,889)</b>	<b>(86,908)</b>
Adjustments:			
Realized (gains) losses on securities and loans, net	16,040	(12,260)	3,780
Realized (gains) losses on financial derivatives, net	11,676	12,406	24,082
Realized (gains) losses on real estate owned, net	211	(350)	(139)
Unrealized (gains) losses on securities and loans, net	(44,112)	133,738	89,626
Unrealized (gains) losses on financial derivatives, net	(8,173)	9,984	1,811
Unrealized (gains) losses on real estate owned, net	228	357	584
Other realized and unrealized (gains) losses, net <sup>(2)</sup>	1,302	330	1,632
Net realized gains (losses) on periodic settlements of interest rate swaps	(892)	143	(750)
Net unrealized gains (losses) on accrued periodic settlements of interest rate swaps	136	(111)	25
Incentive fee to affiliate	-	-	-
Non-cash equity compensation expense	182	164	346
Negative (positive) component of interest income represented by Catch-up Premium Amortization Adjustment	3,648	1,112	4,759
Debt issuance costs related to Other secured borrowings, at fair value	2,075	-	2,075
(Earnings) losses from investments in unconsolidated entities <sup>(3)</sup>	(4,227)	6,633	2,408
<b>Total Core Earnings</b>	<b>\$20,075</b>	<b>\$23,257</b>	<b>\$43,331</b>
Dividends on preferred stock	1,941	1,941	3,882
Core Earnings attributable to non-controlling interests	1,012	1,524	2,534
<b>Core Earnings Attributable to Common Stockholders</b>	<b>\$17,122</b>	<b>\$19,792</b>	<b>\$36,915</b>
<b>Core Earnings Attributable to Common Stockholders, per share</b>	<b>\$ 0.39</b>	<b>\$ 0.46</b>	<b>\$ 0.85</b>

## Ellington Profile

As of 6/30/2020

<b>Founded:</b>	<b>1994</b>
<b>Employees:</b>	<b>&gt;150</b>
<b>Investment Professionals:</b>	<b>61</b>
<b>Global offices:</b>	<b>3</b>

**\$10.6**

Billion in  
assets under  
management as of  
6/30/2020<sup>(1)</sup>

**14**

Employee-partners  
own the firm<sup>(2)</sup>

**22**

Years of average  
industry  
experience of  
senior portfolio  
managers

**8%**

Management's  
ownership of EFC,  
representing  
strong alignment<sup>(3)</sup>

## Ellington and its Affiliated Management Companies

- Our external manager Ellington Financial Management LLC is part of the Ellington family of SEC-registered investment advisors<sup>(4)</sup>. 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 24% 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

- ✓ **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<sup>(1)</sup>
  - **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<sup>(2)</sup>

## Slide 3 – Second 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 – Second Quarter Highlights

- (1) Holdings, leverage, equity and book value amounts are as of June 30, 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 \$1.996 billion as of June 30, 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 1.6:1 as of June 30, 2020.
- (9) Rated by Egan-Jones Rating Company. A rating is not a recommendation to buy, sell or hold securities. Ratings may be subject to revision or withdrawal at any time by the assigning rating organization. Each rating should be evaluated independently of any other rating.
- (10) 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 – Portfolio Summary as of June 30, 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 June 30, 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.

**Slide 7 – Operating Results by Strategy**

- (1) Conformed to current period presentation.
- (2) Other income primarily consists of rental income on real estate owned and loan origination fees.
- (3) Includes U.S. Treasury securities, if applicable.
- (4) Other activities include certain equity and other trading strategies and related hedges, and net realized and unrealized gains (losses) on foreign currency.
- (5) Includes allocable portion of interest expense on the Company's Senior Notes.
- (6) Convertible units include Operating Partnership units attributable to non-controlling interests.

**Slide 8 – 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 \$1.996 billion as of June 30, 2020 and \$1.998 billion as of March 31, 2020.
- (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 9– Long Agency Portfolio**

- (1) Agency long portfolio includes \$864.2 million of long Agency securities and \$49.0 million of interest only securities as of June 30, 2020 and \$973.8 million of long Agency securities and \$42.3 million of interest only securities as of March 31, 2020.
- (2) Represents weighted average net pass-through rate. Excludes interest only securities.

**Slide 10 – 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.
- (4) See endnote (7) on slide 4.

**Slide 11 – 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 12- Small Balance Commercial Mortgage Loan Portfolio – Detail**

- (1) Percentages are of unpaid principal balance.
- (2) Includes our allocable portion of certain small-balance commercial loans, based on our ownership percentage, held in entities in which we and certain affiliates of Ellington have equity interests. Our equity investments in such entities are included in Investments in unconsolidated entities, at fair value on the Condensed Consolidated Balance Sheet.

**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 June 30, 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.

## 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 June 30, 2020, derivative assets and derivative liabilities were \$27.2 million and \$(34.9) million, respectively, for a net fair value of \$(7.7) million, as reflected in "Net Total".
- (2) Notional value represents the face amount of the underlying asset.
- (3) Notional value represents the maximum number of shares available to be purchased upon exercise.
- (4) Notional value represents the total face amount of U.S. Treasury securities underlying all contracts held. As of June 30, 2020 a total of 19 long and 1,444 short U.S. Treasury futures contracts were held.
- (5) Short notional value represents U.S. Dollars to be received 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 \$864 million and our long and short TBA positions of \$(354) million, divided by the equity allocated to our Agency strategy of \$131 million, as of June 30, 2020. As of March 31, 2020, our net Agency pool assets-to-equity ratio was 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. 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 June 30, 2020 for settlement following June 30, 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 June 30, 2020, for which delivery of the borrowed funds is not scheduled until after June 30, 2020. Remaining maturity for a repo is based on the contractual maturity date in effect as of June 30, 2020. Some repos have floating interest rates, which may reset before maturity.

**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) 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 June 30, 2020 and March 31, 2020, 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) \$10.6 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

**Investors:**

Investor Relations

Ellington Financial LLC

(203) 409-3575

[Info@ellingtonfinancial.com](mailto:Info@ellingtonfinancial.com)

**Media:**

Amanda Klein or Kevin FitzGerald

Gasthalter & Co.

for Ellington Financial LLC

(212) 257-4170

[Ellington@gasthalter.com](mailto:Ellington@gasthalter.com)

**Ellington Financial LLC**

53 Forest Ave

Old Greenwich, CT 06870

[www.ellingtonfinancial.com](http://www.ellingtonfinancial.com)