REIT Conversion Overview
Ellington Financial LLC

January 23, 2019

Important Notice

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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 projections regarding our portfolio composition, and the timing and benefits of our potential REIT conversion, 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 and other changes in market conditions and economic trends. 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 15, 2018, 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.

Financial Information

All financial information included in this presentation is as of September 30, 2018 unless otherwise indicated. We undertake no duty or obligation to update this presentation to reflect subsequent events or developments.

Summary Benefits of REIT Conversion

1. **Expand** investor base and **Improve** liquidity
2. **Simplify** tax reporting: Form 1099 instead of Schedule K-1
3. **Benefit** from 20% REIT tax deduction for domestic investors
4. **Maintain** core investment and hedging strategies

1 Expand investor base and Improve liquidity

- REIT conversion would significantly expand the universe of potential shareholders of EFC, including possible inclusion in many indices
- Expanding our investor base should improve the liquidity of our shares over time
- REIT structure should allow for improved efficiency and broader options when accessing capital markets, specifically allowing for issuance of convertible notes and preferred stock
- As a hybrid mortgage REIT, our tax structure would conform to that of our peer set, simplifying investor analysis and comparability

2 Simplify tax reporting: Form 1099 instead of Schedule K-1

- Following the effective date of conversion, investors would receive Form 1099 for distributions received
- The REIT conversion would be a tax-free event for shareholders
- Historically, because of our publicly traded partnership structure, we have reported taxable income via Schedule K-1. K-1s can be complicated and are typically distributed later in the year than 1099s. We believe that the K-1 has limited our investor base and liquidity
- Most likely possible conversion dates:

Effective Date	Announcement Date	Tax Year 2019 1099 for holders during period:	Tax Year 2019 K-1 for holders during period:
1/1/2019	on/before 3/15/2019	1/1/2019 – 12/31/2019	None
4/1/2019	on/before 6/14/2019	4/1/2019 – 12/31/2019	1/1/2019 – 3/31/2019

3 Benefit from 20% REIT tax deduction for domestic investors

- As a REIT, our ordinary dividends would qualify for the 20% pass-through deduction for U.S. individuals
  - The 20% REIT deduction would provide an annual after-federal-tax benefit of $0.121/share to a high net worth REIT shareholder, at our current quarterly dividend rate of $0.41/share ($1.64 per year)[1]
- Should “level the playing field” when competing with our peer set for investment dollars

Summary Benefits of REIT Conversion

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4 Maintain core investment and hedging strategies

- Core investment and hedging strategies should not change materially
  - The majority of our core investment strategies are already REIT-compliant
  - Through taxable REIT subsidiaries, we intend to continue to invest in our highest-conviction non-REIT-compliant strategies, including Ellington-sponsored CLOs and consumer loans
  - We believe that we can comfortably satisfy the REIT tests while still maintaining our current levels of interest rate, credit and currency hedging, which are designed to reduce book value volatility
- No material change to projected earnings: we're seeing similar returns-on-equity on our REIT-compliant strategies compared to the non-REIT-compliant strategies that we're shrinking
  - Expect increased allocation to high-yielding CMBS, non-QM, and residential bridge loans
- No material change to effective tax rate projected for tax year 2019

Expected Effect of Conversion on Investment Strategies

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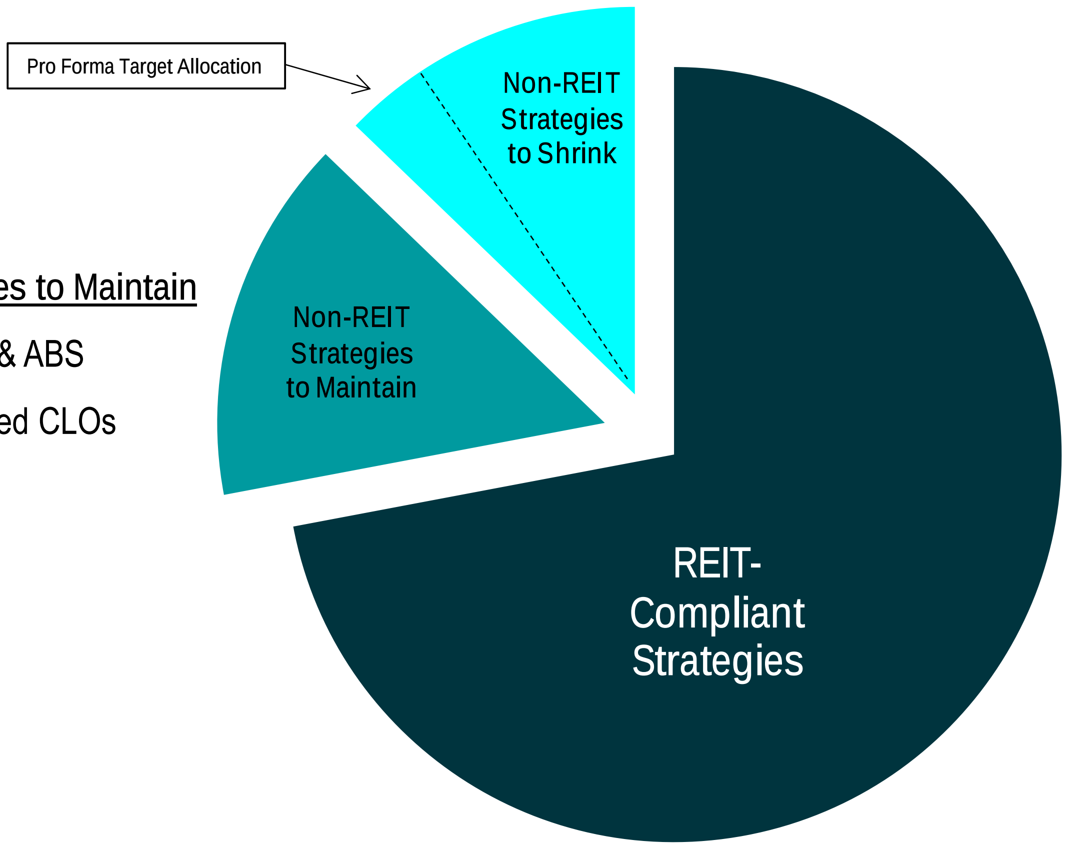
<u>Non-REIT Strategies to Shrink</u>

- Secondary CLO Equity/Notes
- UK Non-Conforming RMBS

<u>Non-REIT Strategies to Maintain</u>

- Consumer Loans & ABS
- Ellington-Sponsored CLOs
- European NPLs



<u>REIT-Compliant Strategies</u>

- Residential Mortgage Loans
- Commercial Mortgage Loans
- CMBS
- Agency RMBS
- US Non-Agency RMBS

Note: Chart based on fair market value by strategy as of 9/30/2018

Conversion Process Update

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Conversion Step / Consideration	Status
Public announcement of expectation to convert to REIT	Announced on earnings call of 11/8/2018
Moving certain non-REIT compliant assets into TRSs	Completed as of 12/31/2018
Changes to internal organizational structure	Completed as of 12/31/2018
Portfolio rotation, including shrinking certain non-REIT compliant strategies and adding more Agency investments	In process
Exchange a portion or all of our public unsecured notes for private notes issued by TRSs	Exchange offer launched 1/9/2019
Announce effective date of REIT conversion(1)	TBD – expecting 1/1/2019 or 4/1/2019
Conversion from LLC to corporation for state law purposes(1)	TBD – important for inclusion in certain stock indices
Expected total conversion costs (professional fees)	~ 7¢ per share, of which ~ 3¢ per share already incurred through year-end 2018

Investment Highlights of EFC

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- ✓ 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
  - Flexibility to capitalize on investment opportunities that emerge during times of volatility
- ✓ Dynamic interest-rate and credit hedging designed to reduce volatility of book value and earnings
- ✓ Growing proprietary portfolio of high-yield, short-duration loans
- ✓ 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 manager alignment: management owns approximately 12% of EFC

About Ellington

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Ellington Profile

As of 9/30/2018

Founded:	1994
Employees:	>150
Investment Professionals:	65
Global offices:	3

$7.5
Billion in assets under management as of 9/30/2018(1)

16
Employee-partners own the firm(2)

18
Years of average industry experience of senior portfolio managers

12%
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 and its affiliates manage Ellington Financial LLC (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 25% of employees dedicated to research and infrastructure development
- Structured credit trading experience and analytical skills developed since the firm's founding 24 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 24-year history

Endnotes

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Slide 5 – Summary Benefits of REIT Conversion

(1) Assumes marginal federal tax rate of 37%, and further assumes that the taxable income is all ordinary income, and in the case of the publicly-traded partnership, that the taxable income equals the dividend.

Slide 8 – Conversion Process Update

(1) Assumes final decision is made to convert to REIT.

Slide 10 – About Ellington

(1) $7.5 billion in assets under management includes approximately $1.0 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) Management ownership includes shares and LTIP units held by principals of EMG and family trusts, and operating partnership units attributable to non-controlling interests.
(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.

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