

Ellington Financial

Third Quarter 2019  
Earnings Conference Call  
November 7, 2019



## 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 growth and 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. 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 14, 2019, 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 September 30, 2019 unless otherwise indicated. We undertake no duty or obligation to update this presentation to reflect subsequent events or developments.

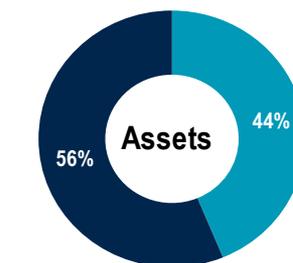
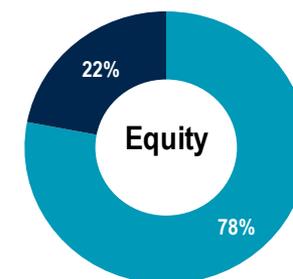
Quarter Ended:	9/30/2019	6/30/2019	Q/Q	3/31/2019	Q/Q	12/31/2018	Q/Q	9/30/2018	Q/Q	6/30/2018	Q/Q
<u>UST (%)<sup>(1)</sup></u>											
3M UST	1.81	2.09	-0.28	2.38	-0.29	2.35	+0.03	2.20	+0.16	1.91	+0.28
2Y UST	1.62	1.75	-0.13	2.26	-0.51	2.49	-0.23	2.82	-0.33	2.53	+0.29
5Y UST	1.54	1.77	-0.22	2.23	-0.47	2.51	-0.28	2.95	-0.44	2.74	+0.21
10Y UST	1.66	2.01	-0.34	2.41	-0.40	2.68	-0.28	3.06	-0.38	2.86	+0.20
30Y UST	2.11	2.53	-0.42	2.81	-0.29	3.01	-0.20	3.21	-0.19	2.99	+0.22
3M10Y Spread	-0.14	-0.08	-0.06	0.02	-0.11	0.33	-0.31	0.86	-0.54	0.95	-0.08
2Y10Y Spread	0.04	0.25	-0.21	0.15	+0.11	0.20	-0.05	0.24	-0.04	0.33	-0.09
<u>US Dollar Swaps (%)<sup>(1)</sup></u>											
2Y SWAP	1.63	1.81	-0.17	2.38	-0.58	2.66	-0.27	2.99	-0.33	2.79	+0.20
5Y SWAP	1.50	1.77	-0.26	2.29	-0.52	2.57	-0.28	3.07	-0.50	2.89	+0.18
10Y SWAP	1.56	1.96	-0.40	2.41	-0.44	2.71	-0.30	3.12	-0.41	2.93	+0.19
<u>LIBOR (%)<sup>(1)</sup></u>											
1M	2.02	2.40	-0.38	2.49	-0.10	2.50	-0.01	2.26	+0.24	2.09	+0.17
3M	2.09	2.32	-0.23	2.60	-0.28	2.81	-0.21	2.40	+0.41	2.34	+0.06
1M3M Spread	0.07	-0.08	+0.15	0.11	-0.18	0.30	-0.19	0.14	+0.16	0.25	-0.11
<u>Mortgage Rates (%)<sup>(2)</sup></u>											
15Y	3.43	3.42	+0.01	3.78	-0.36	4.25	-0.47	4.39	-0.14	4.22	+0.17
30Y	3.64	3.73	-0.09	4.06	-0.33	4.55	-0.49	4.72	-0.17	4.55	+0.17
<u>FNMA Pass-Thrus<sup>(1)</sup></u>											
30Y 3.5	\$102.64	\$102.20	+0.44	\$101.39	+\$0.81	\$99.83	+\$1.56	\$98.39	+\$1.44	\$99.45	-\$1.06
30Y 4.0	\$103.80	\$103.33	+0.47	\$102.86	+\$0.47	\$101.83	+\$1.03	\$100.95	+\$0.88	\$101.92	-\$0.97
30Y 4.5	\$105.33	\$104.48	+0.84	\$104.17	+\$0.31	\$103.45	+\$0.72	\$103.14	+\$0.31	\$104.08	-\$0.94
<u>Libor-based OAS (bps)<sup>(3)</sup></u>											
FNMA 30Y 3.5 OAS	53	41.2	+11.80	27.3	13.9	29.4	-2.1	22.0	7.4	21.5	0.5
FNMA 30Y 4.0 OAS	60.5	51.3	+9.20	31.1	20.2	30.4	0.7	28.2	2.2	26.9	1.3
FNMA 30Y 4.5 OAS	70.5	71.0	-0.50	46.9	24.1	50.1	-3.2	34.3	15.8	31.3	3.0
<u>Libor-based ZSpread (bps)<sup>(4)</sup></u>											
FNMA 30Y 3.5 ZSpread	101.8	87.0	+14.80	76.4	10.6	74.1	2.3	58.3	15.8	62.7	-4.4
FNMA 30Y 4.0 ZSpread	97.6	88.1	+9.50	75.2	12.9	87.8	-12.6	73.1	14.7	75.8	-2.7
FNMA 30Y 4.5 ZSpread	97.1	99.0	-1.90	79.5	19.5	98.8	-19.3	81.0	17.8	78.1	2.9

<b>Overall Results</b>	<ul style="list-style-type: none"> <li>▪ Net income: \$17.3 million or \$0.53 per share</li> <li>▪ Economic return<sup>(2)</sup> for the quarter:             <ul style="list-style-type: none"> <li>▪ 1.7% or 7.1% annualized</li> <li>▪ 2.7% or 11.4% annualized, excluding dilution from follow-on offering</li> </ul> </li> <li>▪ Core Earnings<sup>(3)</sup> of \$15.4 million or \$0.47 per share</li> </ul>
<b>Credit Strategy</b>	<ul style="list-style-type: none"> <li>▪ Credit gross income: \$18.6 million<sup>(4)</sup> or \$0.55 per share</li> <li>▪ Long credit portfolio: \$1.22 billion<sup>(5)(6)</sup>, a 13.9% increase from previous quarter</li> </ul>
<b>Agency RMBS Strategy</b>	<ul style="list-style-type: none"> <li>▪ Agency gross income: \$4.1 million<sup>(4)</sup> or \$0.12 per share</li> <li>▪ Long Agency portfolio: \$1.57 billion, a 16.9% increase from previous quarter</li> </ul>
<b>Equity &amp; BVPS</b>	<ul style="list-style-type: none"> <li>▪ Total equity: \$669.0 million</li> <li>▪ Book value per share: \$18.81 after total dividends declared of \$0.42 for the quarter</li> </ul>
<b>Dividends</b>	<ul style="list-style-type: none"> <li>▪ Most recent monthly dividend: \$0.14 per share, declared on 10/7/2019, payable on 11/25/2019</li> <li>▪ Annualized dividend yield of 9.2% based on the 11/5/2019 closing price of \$18.23</li> </ul>
<b>Leverage Below Sector Average</b>	<ul style="list-style-type: none"> <li>▪ Debt-to-equity ratio: 4.0x<sup>(7)</sup></li> <li>▪ Recourse debt-to-equity ratio: 2.9x<sup>(8)</sup></li> </ul>
<b>Strong Alignment of Interests</b>	<ul style="list-style-type: none"> <li>▪ Management and directors own approximately \$70.5 million, or 11%, of EFC<sup>(9)</sup></li> </ul>
<b>Follow-On Offering</b>	<ul style="list-style-type: none"> <li>▪ Issued 4.025 million shares of common stock in July for net proceeds of \$69.8 million<sup>(10)</sup></li> </ul>

## 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>					
Residential Mortgage Loans and REO <sup>(7)(8)(10)</sup>		\$ 366,789	100.8	3.0	6.2%
CMBS and Commercial Mortgage Loans and REO <sup>(8)(9)</sup>		361,894	82.2	1.8	11.1%
Consumer Loans and ABS		193,293	- <sup>(3)</sup>	0.8	9.2%
Non-Agency RMBS		109,594	65.3	4.4	6.2%
CLO <sup>(11)</sup>		70,762	86.0	5.7	19.6%
Non-Dollar MBS, ABS, CLO and Other <sup>(11)(12)</sup>		54,354	69.8	5.7	8.1%
Investments in Loan Origination Entities		37,715	N/A	N/A	N/A
Corporate Debt and Equity and Corporate Loans		23,178	61.1	1.6	16.3%
<b>Total - Credit</b>	<b>78%</b>	<b>\$ 1,217,579</b>	<b>84.5</b>	<b>2.6</b>	<b>9.3%</b>
<b>AGENCY</b>					
Fixed-Rate Specified Pools		\$ 1,382,313	105.5	5.3	2.6%
Reverse Mortgage Pools		134,466	108.9	6.8	2.4%
IOs		37,048	N/A	3.5	8.4%
Floating-Rate Specified Pools		11,180	103.7	2.6	1.9%
<b>Total - Agency</b>	<b>22%</b>	<b>\$ 1,565,007</b>	<b>105.8</b>	<b>5.4</b>	<b>2.7%</b>
<b>Undeployed</b>	<b>0%</b>				

### Equity and Asset Allocation by Strategy



■ CREDIT ■ AGENCY ■ Undeployed

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

Credit: 2.3x<sup>(13)</sup>

Agency: 10.1x<sup>(13)</sup>

Overall: 4.0x<sup>(14)</sup>

Overall Recourse: 2.9x<sup>(15)</sup>

# Condensed Consolidated Statement of Operations (Unaudited)

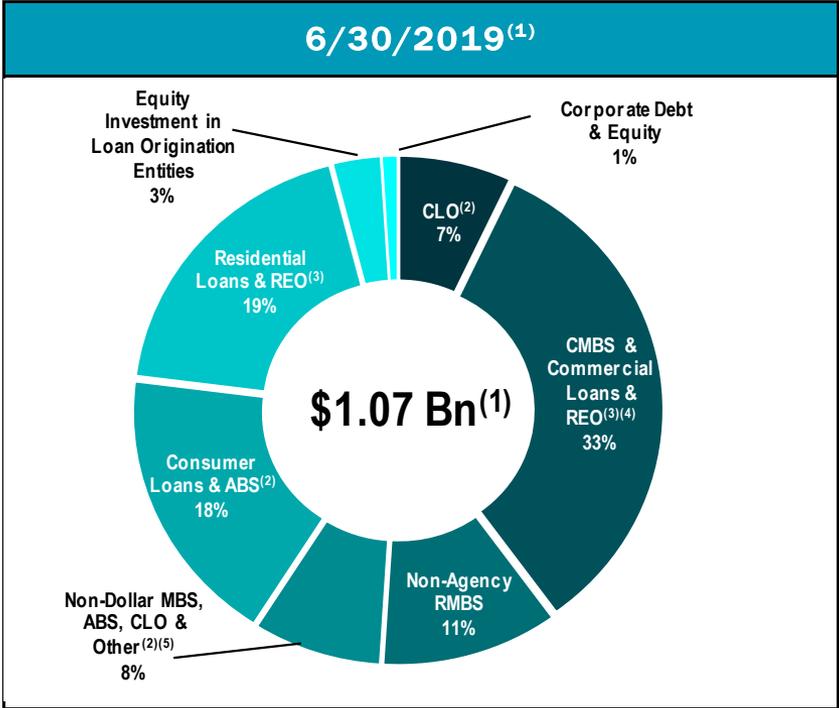
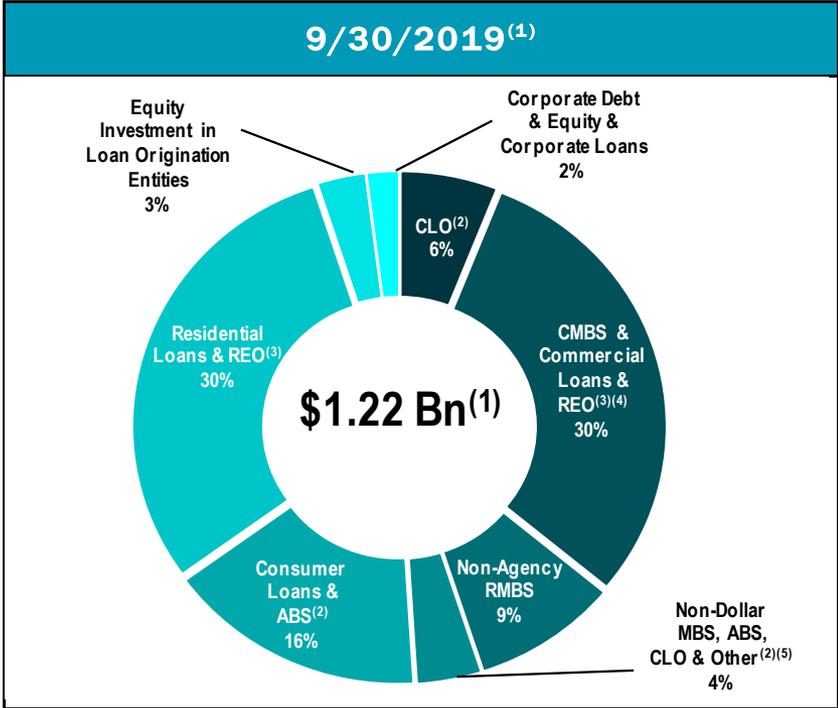
Ellington Financial

	Three-Month Period Ended		Nine-Month
	September 30, 2019	June 30, 2019	Period Ended September 30, 2019
<i>(In thousands, except per share data)</i>			
<b>Net Interest Income</b>			
Interest income	\$ 39,985	\$ 38,547	\$ 114,548
Interest expense	(19,954)	(19,702)	(57,275)
Total net interest income	20,031	18,845	57,273
<b>Other Income (Loss)</b>			
Realized gains (losses) on securities and loans, net	3,368	(1,505)	(3,460)
Realized gains (losses) on financial derivatives, net	(9,360)	(10,920)	(31,850)
Realized gains (losses) on real estate owned, net	1,165	98	1,205
Unrealized gains (losses) on securities and loans, net	6,519	18,487	51,395
Unrealized gains (losses) on financial derivatives, net	1,473	(4,921)	(9,136)
Unrealized gains (losses) on real estate owned, net	(22)	(266)	(535)
Other, net	539	1,808	4,349
Total other income (loss)	3,682	2,781	11,968
<b>EXPENSES</b>			
Base management fee to affiliate (Net of fee rebates of \$503, \$508, and \$1,458, respectively)	1,942	1,661	5,324
Investment related expenses:			
Servicing expense	1,940	2,244	6,578
Debt issuance costs related to Other secured borrowings, at fair value	-	1,671	1,671
Other	1,347	1,238	3,668
Professional fees	698	1,178	3,832
Compensation expense	712	903	2,687
Other expenses	1,156	1,053	3,194
Total expenses	7,795	9,948	26,954
<b>Net Income (Loss) before Income Tax Expense and Earnings from Investments in Unconsolidated Entities</b>	15,918	11,678	42,287
Income tax expense (benefit)	2	376	378
Earnings from investments in unconsolidated entities	2,796	2,354	6,947
<b>Net Income (Loss)</b>	18,712	13,656	48,856
<b>Net Income (Loss) Attributable to Non-Controlling Interests</b>	1,419	1,012	3,511
<b>Net Income (Loss) Attributable to Common Stockholders</b>	\$ 17,293	\$ 12,644	\$ 45,345
<b>Net Income (Loss) per Common Share:</b>			
Basic and diluted	\$ 0.53	\$ 0.43	\$ 1.47
<b>Weighted average shares outstanding</b>	32,836	29,746	30,788
<b>Weighted average shares and convertible units outstanding</b>	33,571	30,479	31,522

# Operating Results by Strategy

(In thousands, except per share amounts)	Three-Month Period Ended September 30, 2019			Three-Month Period Ended June 30, 2019			Nine-Month Period Ended September 30, 2019		
	Per Share	% of Average Equity		Per Share	% of Average Equity		Per Share	% of Average Equity	
Credit									
Interest income and other income <sup>(1)</sup>	\$ 31,194	\$ 0.93	4.81%	\$ 30,418	\$ 1.00	5.13%	\$ 91,021	\$ 2.89	14.78%
Realized gain (loss), net	1,961	0.06	0.30%	(1,026)	(0.03)	-0.17%	(3,364)	(0.11)	-0.55%
Unrealized gain (loss), net	(1,080)	(0.03)	-0.17%	3,387	0.11	0.57%	14,020	0.44	2.28%
Interest rate hedges, net <sup>(2)</sup>	(549)	(0.02)	-0.08%	(1,653)	(0.05)	-0.28%	(3,024)	(0.10)	-0.49%
Credit hedges and other activities, net <sup>(3)</sup>	(1,021)	(0.03)	-0.16%	(273)	(0.01)	-0.05%	(7,850)	(0.25)	-1.27%
Interest expense <sup>(4)</sup>	(11,365)	(0.34)	-1.75%	(11,792)	(0.39)	-1.99%	(34,403)	(1.09)	-5.59%
Other investment related expenses	(3,287)	(0.10)	-0.51%	(5,154)	(0.17)	-0.87%	(11,917)	(0.38)	-1.94%
Earnings from investments in unconsolidated entities	2,796	0.08	0.43%	2,353	0.08	0.40%	6,946	0.22	1.13%
<b>Total Credit profit (loss)</b>	<b>18,649</b>	<b>0.55</b>	<b>2.87%</b>	<b>16,260</b>	<b>0.54</b>	<b>2.74%</b>	<b>51,429</b>	<b>1.62</b>	<b>8.35%</b>
Agency RMBS:									
Interest income	9,736	0.29	1.50%	9,501	0.31	1.60%	26,799	0.85	4.35%
Realized gain (loss), net	3,815	0.11	0.59%	307	0.01	0.05%	3,155	0.10	0.51%
Unrealized gain (loss), net	7,361	0.22	1.13%	14,848	0.49	2.51%	36,436	1.16	5.92%
Interest rate hedges and other activities, net <sup>(2)</sup>	(8,452)	(0.25)	-1.30%	(14,587)	(0.48)	-2.46%	(32,523)	(1.03)	-5.28%
Interest expense	(8,351)	(0.25)	-1.29%	(7,876)	(0.26)	-1.33%	(22,208)	(0.71)	-3.61%
<b>Total Agency RMBS profit (loss)</b>	<b>4,109</b>	<b>0.12</b>	<b>0.63%</b>	<b>2,193</b>	<b>0.07</b>	<b>0.37%</b>	<b>11,659</b>	<b>0.37</b>	<b>1.89%</b>
<b>Total Credit and Agency RMBS profit (loss)</b>	<b>22,758</b>	<b>0.67</b>	<b>3.50%</b>	<b>18,453</b>	<b>0.61</b>	<b>3.11%</b>	<b>63,088</b>	<b>1.99</b>	<b>10.24%</b>
Other interest income (expense), net	464	0.01	0.07%	373	0.01	0.06%	1,183	0.04	0.19%
Income tax (expense) benefit	(2)	0.00	0.00%	(376)	(0.01)	(0.00)	(378)	(0.01)	-0.06%
Other expenses	(4,508)	(0.13)	-0.69%	(4,794)	(0.16)	-0.81%	(15,037)	(0.48)	-2.44%
<b>Net income (loss) (before incentive fee)</b>	<b>18,712</b>	<b>0.55</b>	<b>2.88%</b>	<b>13,656</b>	<b>0.45</b>	<b>2.30%</b>	<b>48,856</b>	<b>1.54</b>	<b>7.93%</b>
Incentive fee	-	-	-	-	-	-	-	-	-
<b>Net Income (loss)</b>	<b>\$ 18,712</b>	<b>\$ 0.55</b>	<b>2.88%</b>	<b>\$ 13,656</b>	<b>\$ 0.45</b>	<b>2.30%</b>	<b>\$ 48,856</b>	<b>\$ 1.54</b>	<b>7.93%</b>
Less: Net income (loss) attributable to non-controlling interests	1,419			1,012			3,511		
<b>Net income (loss) attributable to common stockholders<sup>(5)</sup></b>	<b>\$ 17,293</b>	<b>\$ 0.53</b>	<b>2.81%</b>	<b>\$ 12,644</b>	<b>\$ 0.43</b>	<b>2.25%</b>	<b>\$ 45,345</b>	<b>\$ 1.47</b>	<b>7.76%</b>
Weighted average shares and convertible units <sup>(6)</sup> outstanding	33,571			30,479			31,522		
Average equity (includes non-controlling interests) <sup>(7)</sup>	\$ 649,098			\$ 592,544			\$ 615,784		
Weighted average shares outstanding <sup>(8)</sup>	32,836			29,746			30,788		
Average stockholders' equity (excludes non-controlling interests) <sup>(7)</sup>	\$ 615,775			\$ 562,093			\$ 584,076		

# Long Credit Portfolio

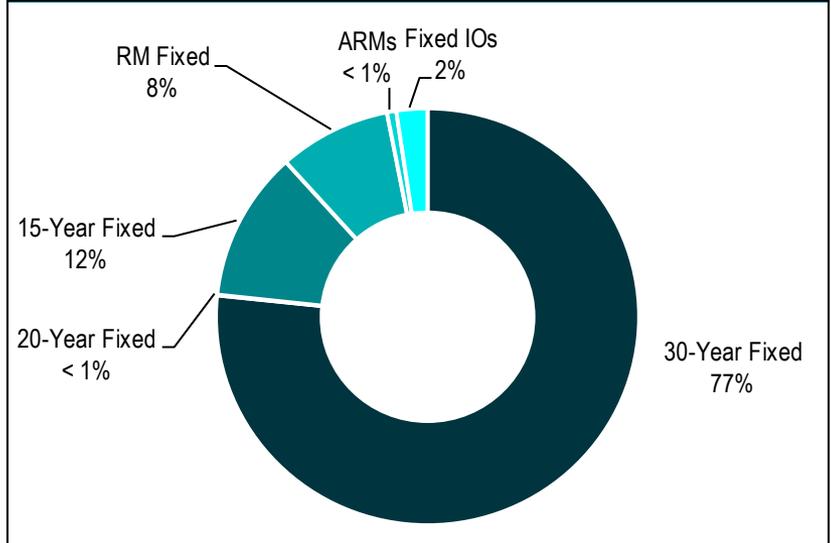


- Long credit portfolio grew 13.9% quarter over quarter as we deployed the equity from the follow-on offering
- Growth primarily occurred in Residential Loans & REO, reflecting flow from our non-QM and residential transition loan pipelines

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

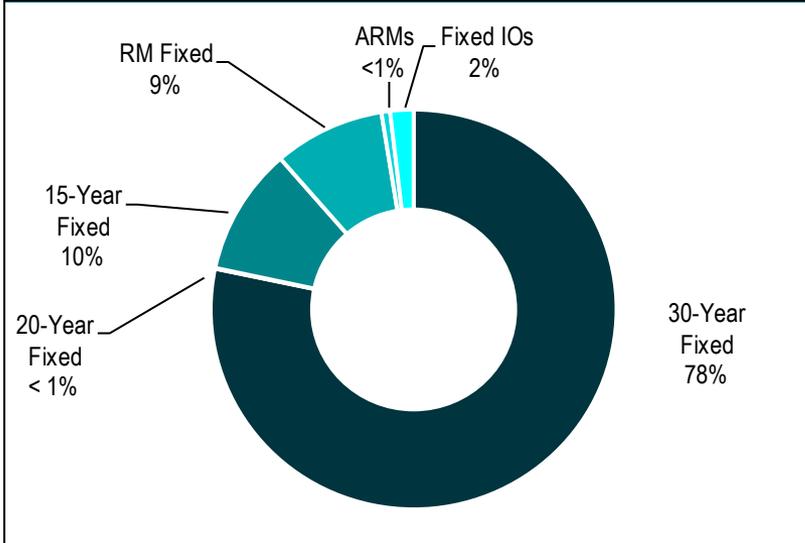
# Long Agency Portfolio

**Agency Long Portfolio**  
As of 9/30/2019: \$1.57BN<sup>(1)</sup>



Category	Fair Value <sup>(1)</sup>	Wtd. Avg. Coupon <sup>(2)</sup>
30-Year Fixed	\$ 1,199.4	4.24
20-Year Fixed	0.9	4.54
15-Year Fixed	182.0	3.09
RM Fixed	134.5	4.45
<b>Subtotal - Fixed</b>	<b>1,516.9</b>	<b>4.11</b>
ARMs	11.2	
Fixed IOs	37.0	
<b>Total</b>	<b>\$ 1,565.0</b>	

**Agency Long Portfolio**  
As of 6/30/2019: \$1.34BN<sup>(1)</sup>



Category	Fair Value <sup>(1)</sup>	Wtd. Avg. Coupon <sup>(2)</sup>
30-Year Fixed	\$ 1,048.0	4.12
20-Year Fixed	0.9	4.50
15-Year Fixed	137.4	3.28
RM Fixed	118.5	4.46
<b>Subtotal - Fixed</b>	<b>1,304.8</b>	<b>4.06</b>
ARMs	9.2	
Fixed IOs	24.9	
<b>Total</b>	<b>\$ 1,338.9</b>	

■ Portfolio increased 16.9% quarter over quarter as we deployed the equity from the follow-on offering

# Summary of Borrowings

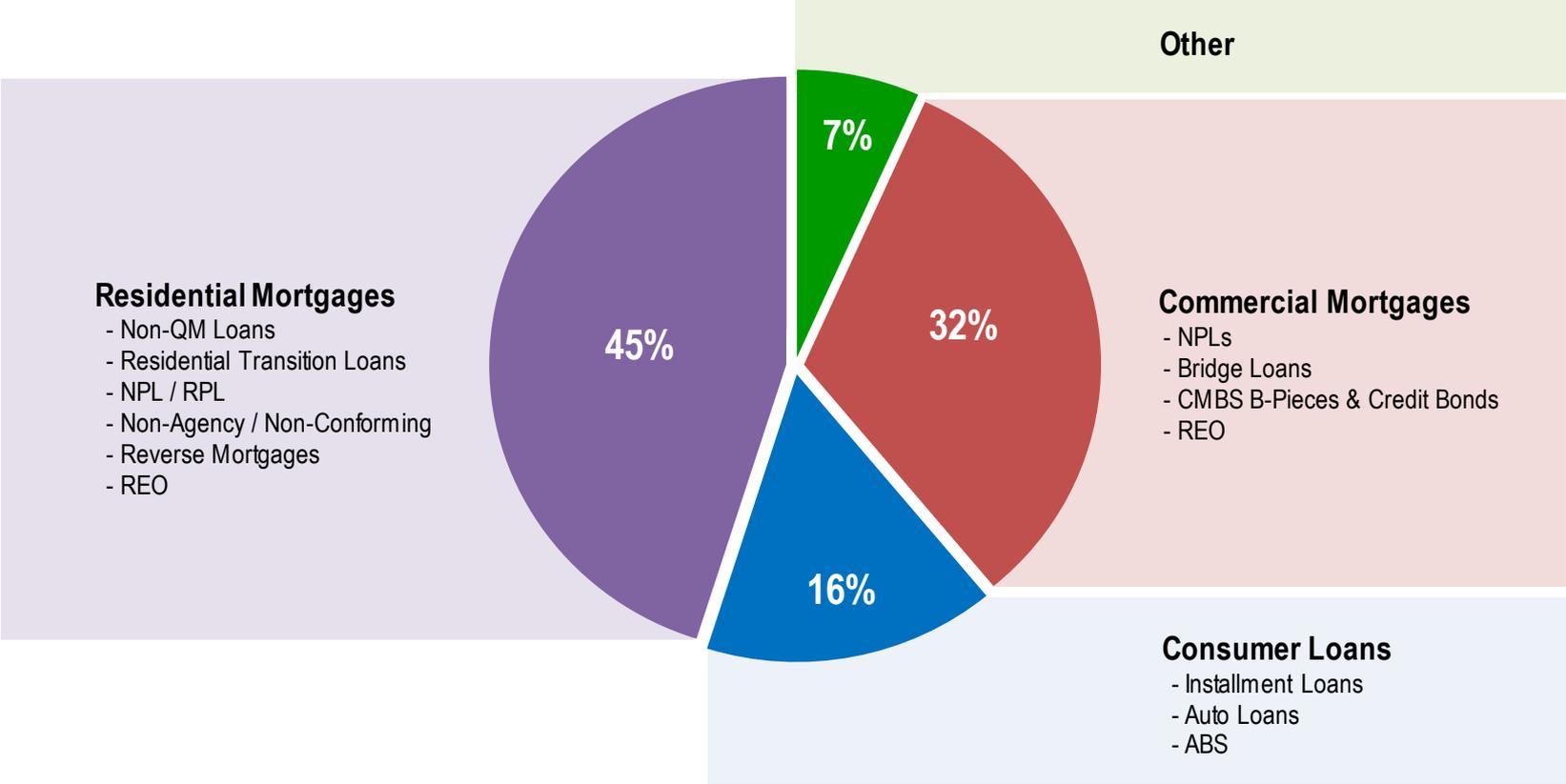
(\$ in thousands)

Collateral Type	As of 9/30/2019		Three-Month Period Ended 9/30/2019	
	Outstanding Borrowings	Weighted Average Borrowing Rate	Average Borrowings	Average Cost of Funds
Credit <sup>(1)</sup>	\$1,085,993	3.75%	\$1,028,341	3.91%
Agency RMBS	\$1,500,210	2.31%	\$1,320,588	2.51%
<b>Subtotal</b>	<b>\$2,586,203</b>	<b>2.91%</b>	<b>\$2,348,929</b>	<b>3.12%</b>
U.S. Treasury Securities	\$0	0.00%	\$15	0.98%
<b>Subtotal</b>	<b>\$2,586,203</b>	<b>2.91%</b>	<b>\$2,348,944</b>	<b>3.12%</b>
Senior Notes, at par	\$86,000	5.81%	\$86,000	5.81%
<b>Total</b>	<b>\$2,672,203</b>	<b>3.01%</b>	<b>\$2,434,944</b>	<b>3.22%</b>

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

As of 9/30/2019

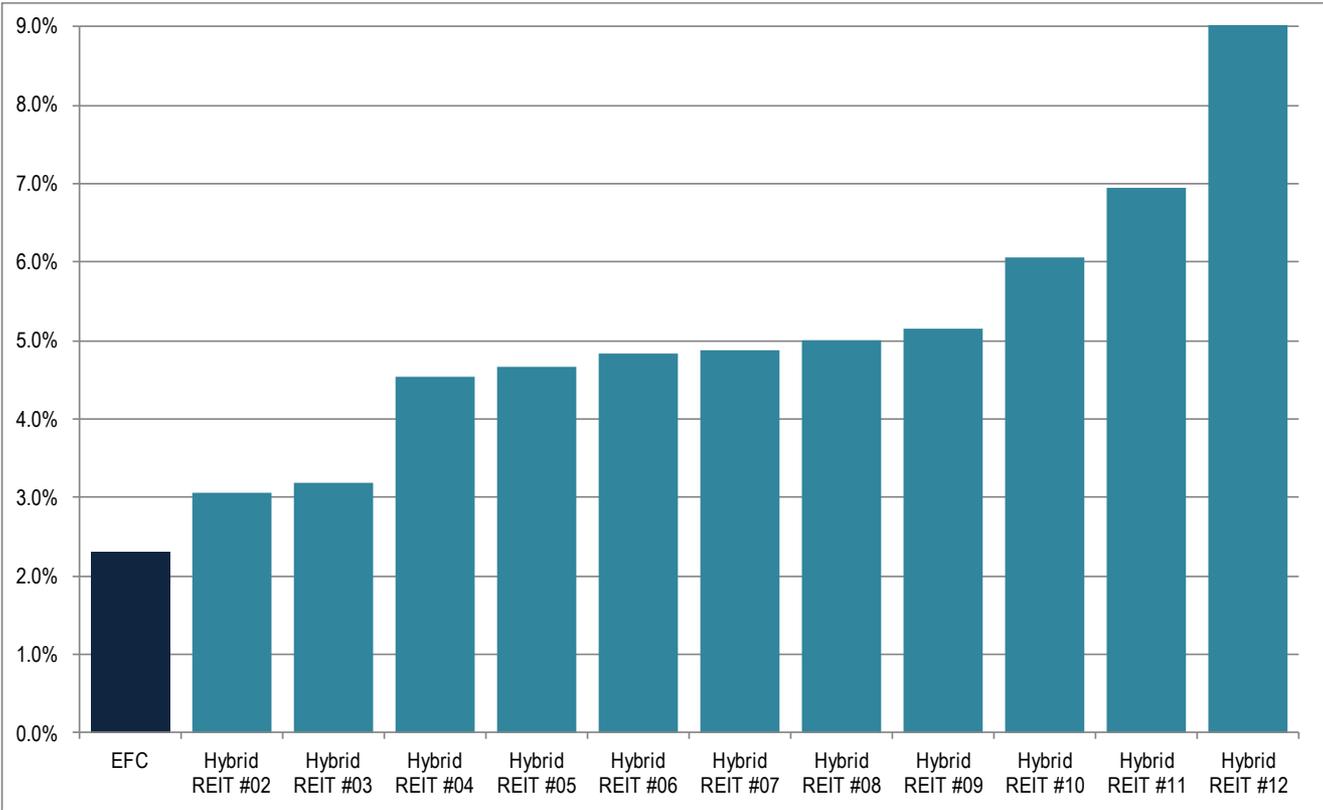
Recourse Borrowings	\$1,946,283	<b>Recourse Debt-to-Equity Ratio<sup>(3)</sup></b>	<b>2.9:1</b>
Non-Recourse Borrowings	\$725,919		
<b>Total Borrowings</b>	<b>\$2,672,202</b>	<b>Total Debt-to-Equity Ratio</b>	<b>4.0:1</b>
Total Equity	\$668,967	<i>Excluding U.S. Treasury Securities</i>	<i>4.0:1</i>



- Our flexible approach allocates capital to the sectors where we see the best relative value as market conditions change<sup>(1)</sup>
- We believe 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>

**Standard Deviation of Quarterly Economic Returns of Hybrid REITs  
Q1-2011 – Q2-2019<sup>(1)(2)</sup>**



**Standard Deviation of Quarterly Economic Returns of Hybrid REITs  
Q1-2011 – Q2-2019**

Company	Standard Deviation
EFC	2.3%
Hybrid REIT #02	3.1%
Hybrid REIT #03	3.2%
Hybrid REIT #04	4.5%
Hybrid REIT #05	4.7%
Hybrid REIT #06	4.8%
Hybrid REIT #07	4.9%
Hybrid REIT #08	5.0%
Hybrid REIT #09	5.2%
Hybrid REIT #10	6.1%
Hybrid REIT #11	6.9%
Hybrid REIT #12	13.3%

■ The standard deviation of EFC’s quarterly economic return is lower than the Hybrid REIT peer group

(\$ in thousands)	Estimated Change in Fair Value			
	50 Basis Point Decline in Interest Rates		50 Basis Point Increase in Interest Rates	
	Market Value	% of Total Equity	Market Value	% of Total Equity
Agency RMBS - ARM Pools	\$ 225	0.03%	\$ (214)	-0.03%
Agency RMBS - Fixed Pools and IOs	15,600	2.33%	(18,526)	-2.77%
TBAs	(4,893)	-0.73%	7,157	1.07%
Non-Agency RMBS, CMBS, Other ABS, and Mortgage Loans	4,252	0.64%	(4,078)	-0.61%
Interest Rate Swaps	(10,794)	-1.61%	10,327	1.54%
U.S. Treasury Securities	(708)	-0.11%	682	0.10%
Futures	(825)	-0.12%	798	0.12%
Mortgage-Related Derivatives	9	-	(8)	-
Corporate Securities and Derivatives on Corporate Securities	(3)	-	3	-
Repurchase Agreements, Reverse Repurchase Agreements, and Senior Notes	(2,265)	-0.34%	2,270	0.34%
<b>Total</b>	<b>\$ 598</b>	<b>0.09%</b>	<b>\$ (1,589)</b>	<b>-0.24%</b>

- Diversified fixed income portfolio has effective duration of less than one year

# Supplemental Slides



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; recycle electronics, ink cartridges, and packaging; provide recycling containers to employees; and use water coolers to reduce waste.

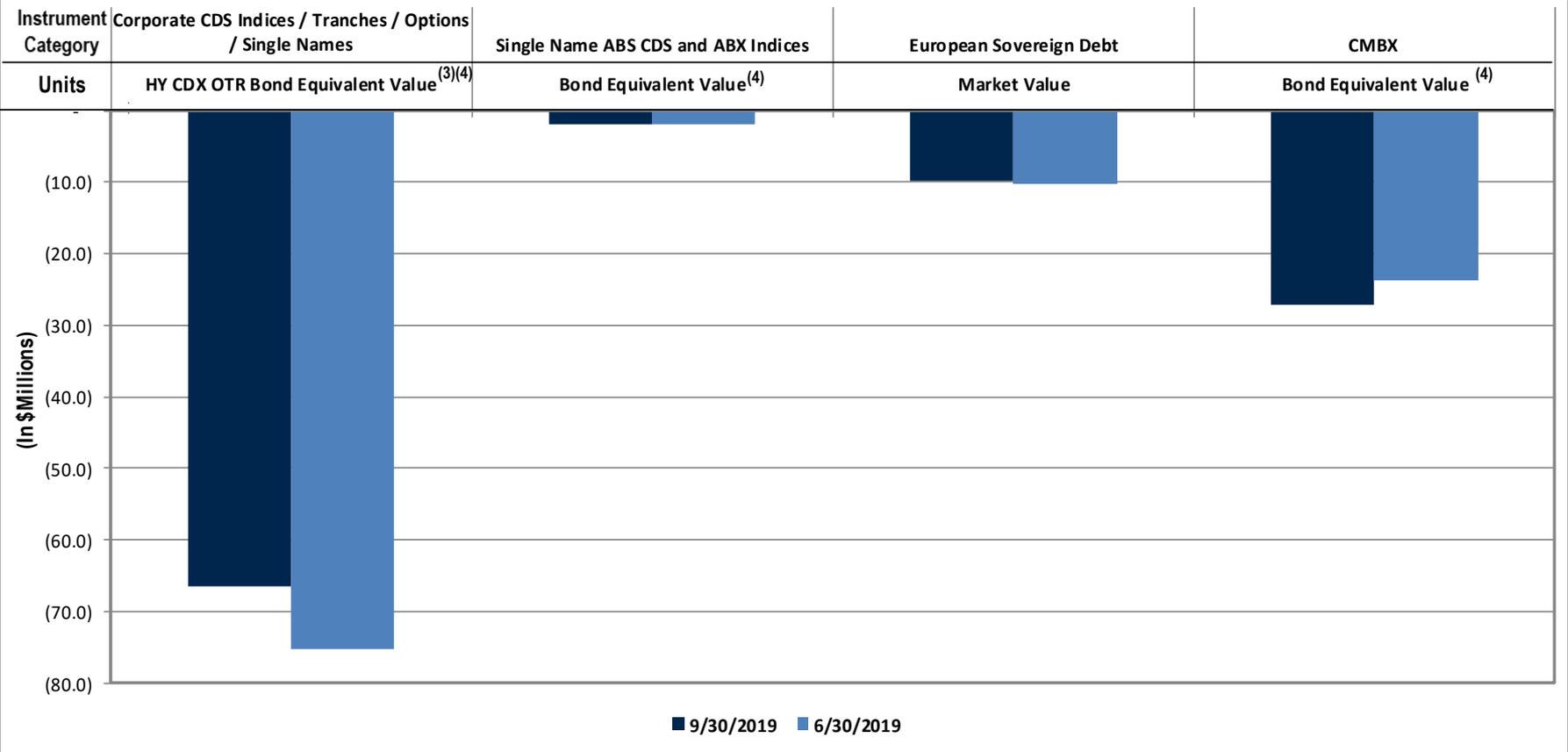
## Social

- Our largest investment is in home mortgage loans, which support homeownership and stability within communities.
- 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, education support, 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

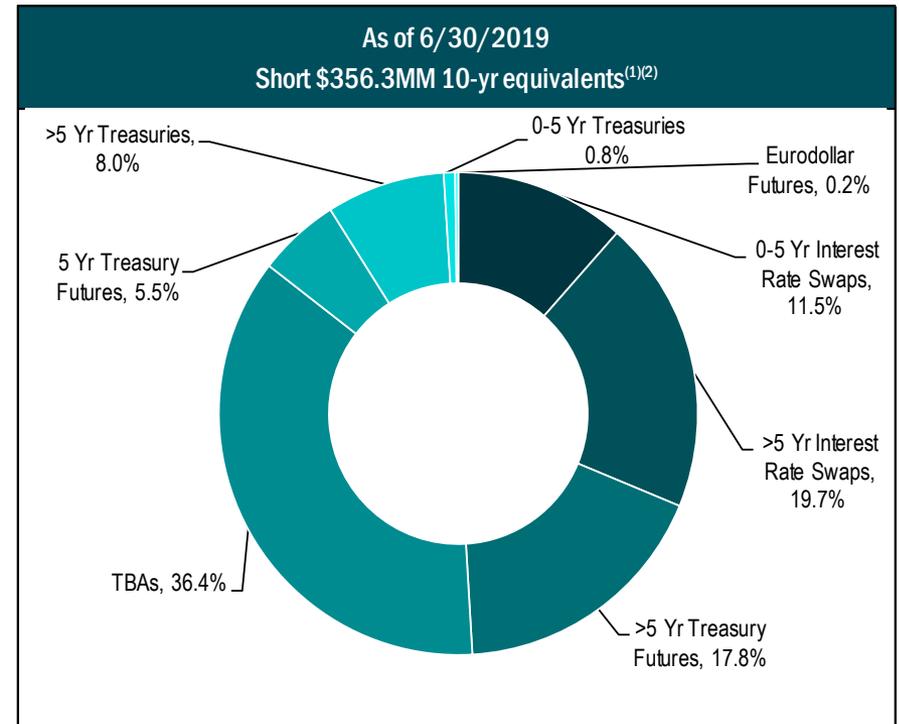
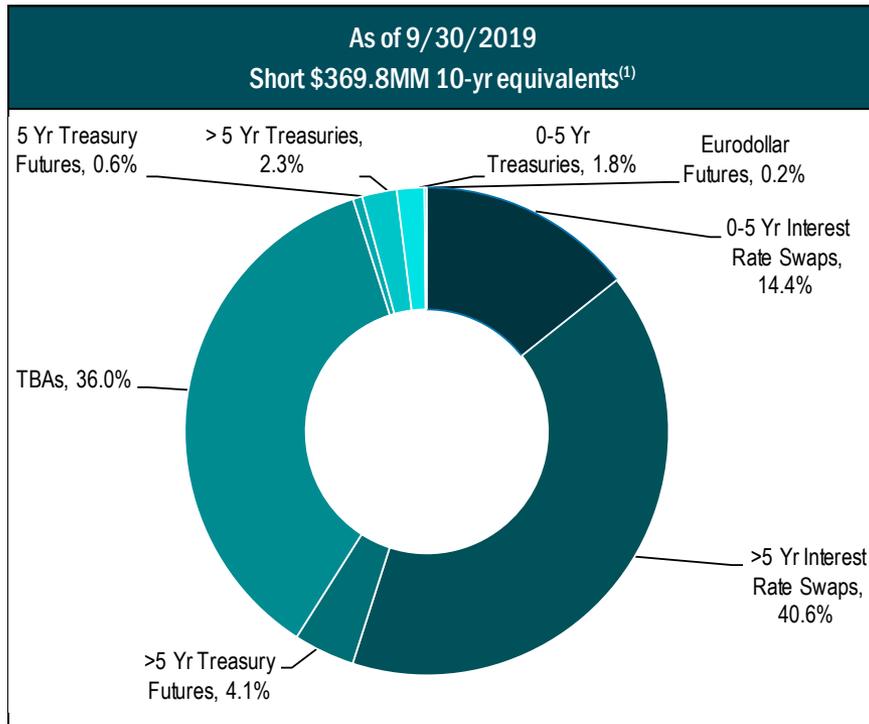
- Our Manager has a Responsible Investment policy which requires portfolio managers for applicable strategies to certify periodically that they have considered relevant ESG factors.
- We operate under a Code of Business Conduct and Ethics.
- EFC has a separate independent Chairman, and the majority of 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 11% co-investment<sup>(1)</sup>

(\$ in thousands)	Long Notional	Short Notional	Net Notional	Fair Value
Mortgage-Related Derivatives:				
CDS on MBS and MBS Indices	\$ 1,090	\$ (33,210)	\$ (32,120)	\$ 3,030
<b>Total Net Mortgage-Related Derivatives</b>	1,090	(33,210)	(32,120)	3,030
Corporate-Related Derivatives:				
CDS on Corporate Bonds and Corporate Bond Indices	133,287	(230,105)	(96,818)	(6,270)
Total Return Swaps on Corporate Bond Indices and Corporate Debt <sup>(2)</sup>	6,154	(38,210)	(32,056)	(686)
<b>Total Net Corporate-Related Derivatives</b>	139,441	(268,315)	(128,874)	(6,956)
Interest Rate-Related Derivatives:				
T BAs	28,789	(865,786)	(836,997)	(762)
Interest Rate Swaps	132,273	(583,914)	(451,641)	(8,675)
U.S. Treasury Futures <sup>(3)</sup>	-	(20,900)	(20,900)	285
Eurodollar Futures <sup>(4)</sup>	-	(21,000)	(21,000)	(67)
<b>Total Interest Rate-Related Derivatives</b>				(9,219)
Other Derivatives:				
Foreign Currency Forwards <sup>(5)</sup>	-	(10,952)	(10,952)	114
Foreign Currency Futures <sup>(6)</sup>	-	(12,128)	(12,128)	199
<b>Total Net Other Derivatives</b>				313
<b>Net Total</b>				<b>\$ (12,832)</b>



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

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

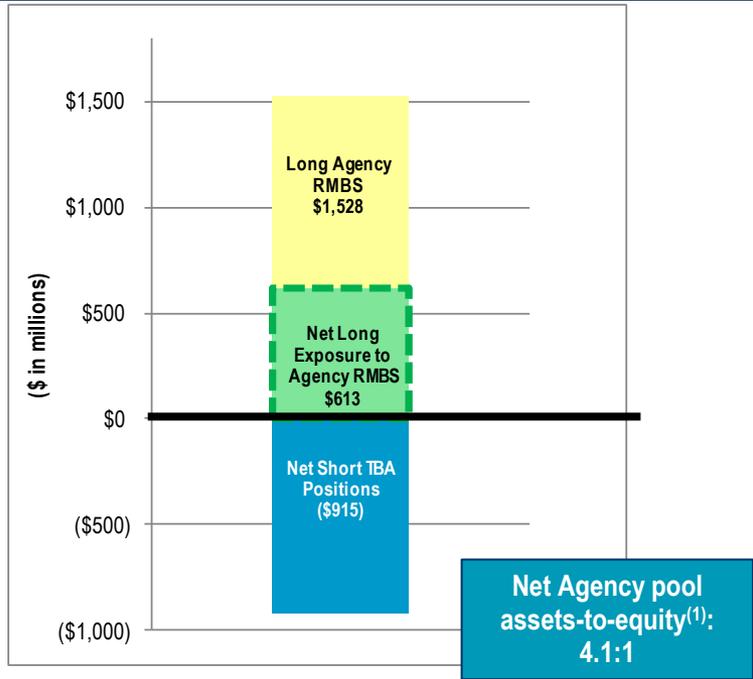


- Shorting “generic” pools (or TBAs) allows EFC to significantly reduce interest rate risk and basis risk in its Agency portfolio
  - We also hedge interest rate risk with swaps, U.S. Treasury securities, and other instruments
- For those Agency pools hedged with comparable TBAs, the biggest risk is a drop in “pay-ups”
  - Average pay-ups on our specified pools were 1.43% as of 9/30/2019, up from 1.37% as of 6/30/2019
- We hedge along the entire yield curve to protect against volatility, defend book value and more thoroughly control interest rate risk

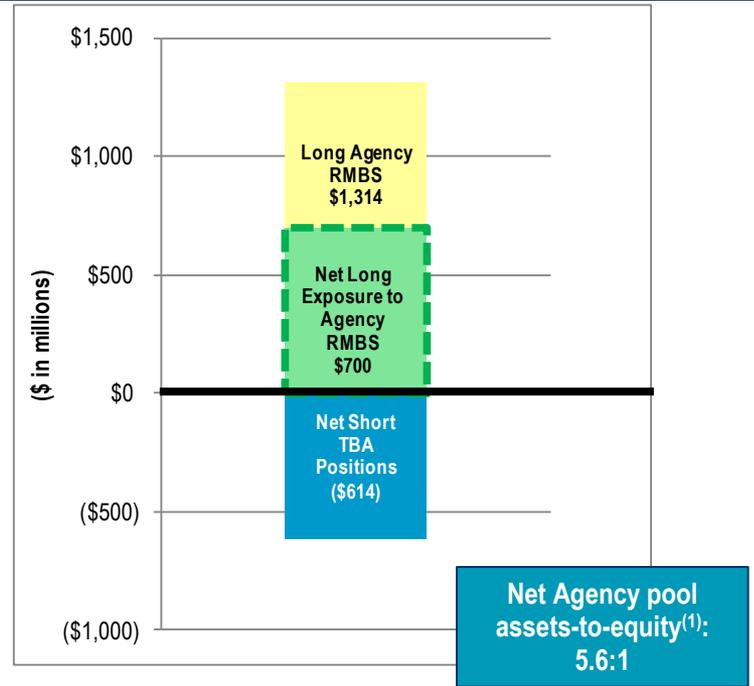
# Agency Interest Rate Hedging Portfolio (continued)

## Exposure to Agency Pools Based on Net Fair Value

**As of 9/30/2019**



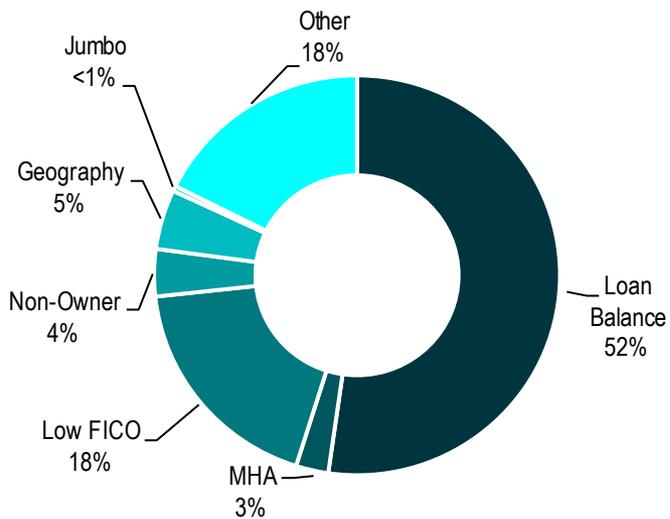
**As of 6/30/2019**



- 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 ~\$613 million, resulting in a 4.1:1 net Agency pool assets-to-equity<sup>(1)</sup> ratio as of 9/30/2019, which was down from 5.6:1 as of 6/30/2019
- 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

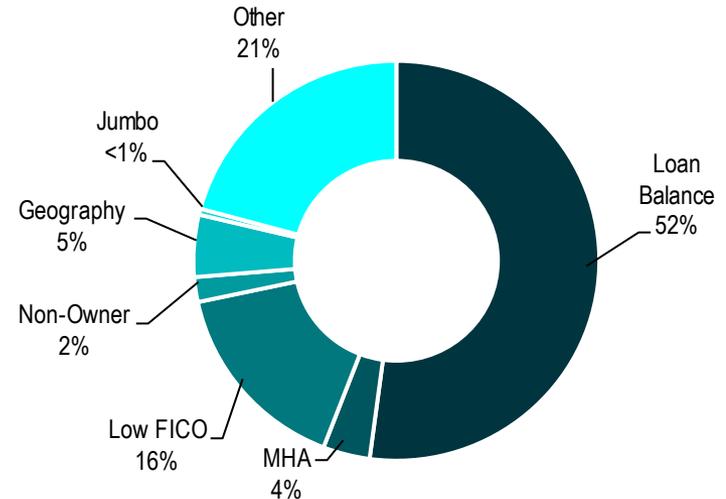
# CPR Breakout of Agency Fixed Long Portfolio

**Agency Fixed Long Portfolio**  
**Collateral Characteristics and Historical 3-Mo CPR:**  
**Average for Quarter Ended 9/30/2019<sup>(1)</sup>**



Characteristic <sup>(2)</sup>	Fair Value <sup>(1)(3)</sup>	3-Month CPR %
Loan Balance	\$ 632.5	13.8
MHA <sup>(4)</sup>	31.4	17.6
Low FICO	223.1	22.5
Non-Owner	46.2	3.6
Geography	58.4	15.3
Jumbo	5.0	35.0
Other	213.5	13.0
<b>Total</b>	<b>\$ 1,210.0</b>	<b>15.7</b>

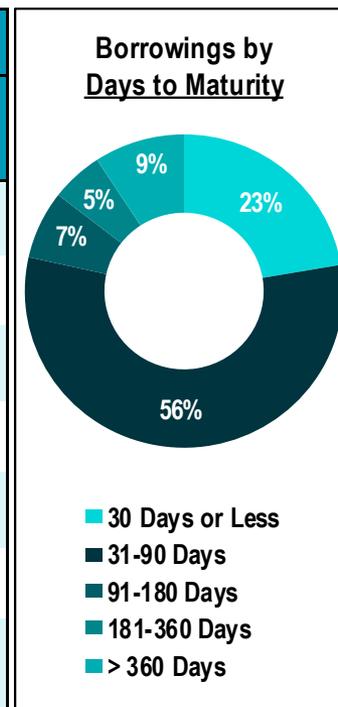
**Agency Fixed Long Portfolio**  
**Collateral Characteristics and Historical 3-Mo CPR:**  
**Average for Quarter Ended 6/30/2019<sup>(1)</sup>**



Characteristic <sup>(2)</sup>	Fair Value <sup>(1)(3)</sup>	3-Month CPR %
Loan Balance	\$ 597.9	10.8
MHA <sup>(4)</sup>	42.9	19.6
Low FICO	181.8	19.6
Non-Owner	23.1	11.6
Geography	57.6	4.9
Jumbo	5.5	42.2
Other	238.7	12.4
<b>Total</b>	<b>\$ 1,147.4</b>	<b>12.8</b>

(\$ in thousands)

Repo Borrowings as of September 30, 2019					
Remaining Days to Maturity	Credit	Agency	U.S. Treasury	Total	% of Total Borrowings
30 Days or Less	\$8,077	\$450,874	—	\$458,951	22.3%
31-90 Days	119,999	1,034,730	—	1,154,729	56.2%
91-180 Days	130,087	14,606	—	144,693	7.0%
181-360 Days	108,752	—	—	108,752	5.3%
> 360 Days	189,297	—	—	189,297	9.2%
Total Borrowings	\$556,212	\$1,500,210	—	\$2,056,422	100.0%
<b>Weighted Average Remaining Days to Maturity</b>	<b>320</b>	<b>46</b>	<b>0</b>	<b>120</b>	



- Repo borrowings with 26 counterparties, with largest representing approximately 16% of total
- Weighted average remaining days to maturity of 120 days
- Maturities are staggered to mitigate liquidity risk

## Resilient profit generation over market cycles

(\$ In thousands)	Nine-Month Period Ended September 30		Years Ended									
	2019		2018		2017		2016		2015		2014	
Long: Credit	\$ 62,303	10.1%	\$ 61,201	10.0%	\$ 61,136	9.6%	\$ 36,203	5.3%	\$ 46,892	6.1%	\$ 77,636	11.4%
Credit Hedge and Other	(7,850)	-1.3%	8,020	1.3%	(11,997)	-1.9%	(40,548)	-5.9%	10,671	1.4%	(1,197)	-0.2%
Interest Rate Hedge: Credit	(3,024)	-0.5%	115	0.0%	(851)	-0.1%	(371)	-0.1%	(4,899)	-0.6%	(9,479)	-1.4%
Long: Agency	44,182	7.2%	(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	(32,523)	-5.3%	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>\$ 63,088</b>	<b>10.3%</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>

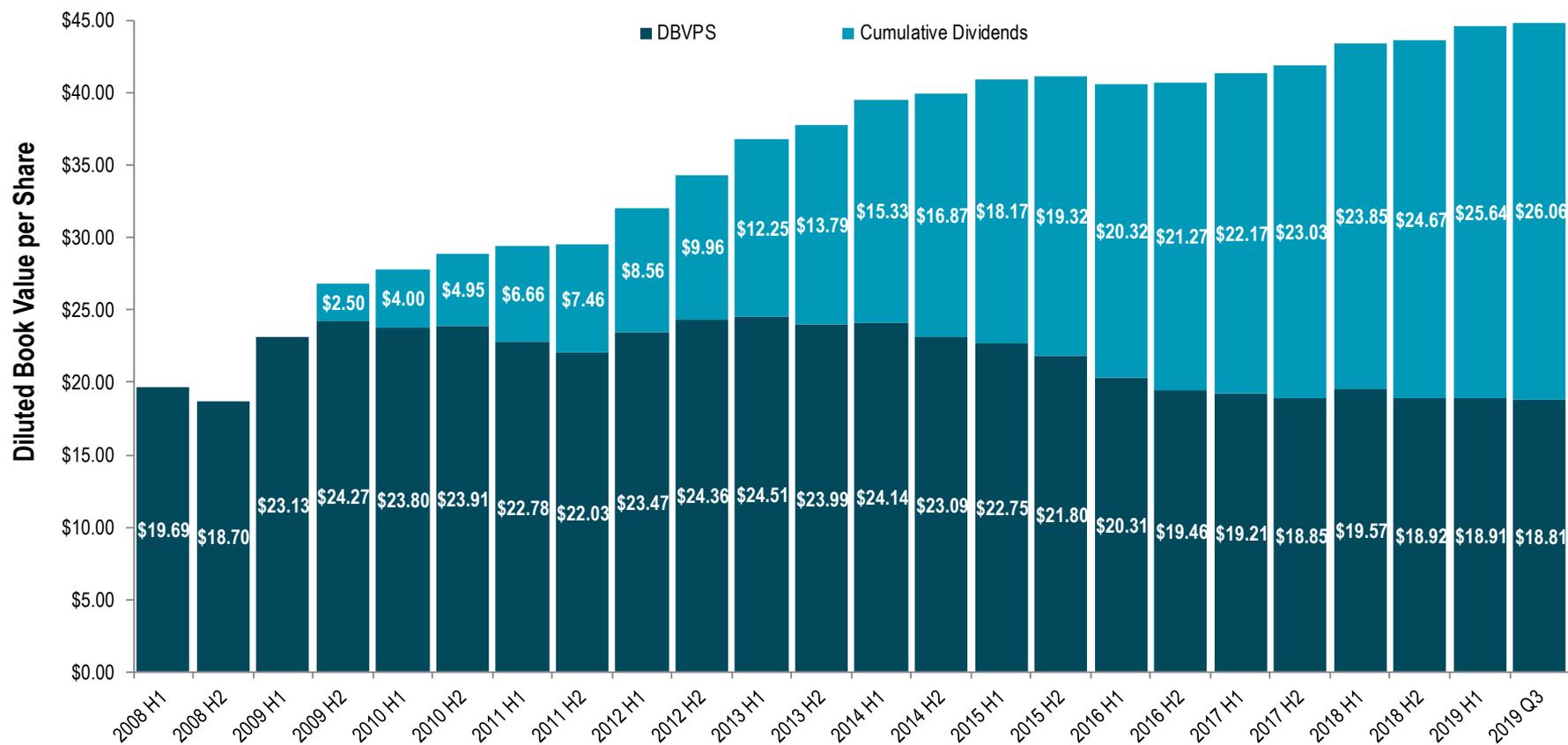
  

(\$ In thousands)	Years Ended											
	2013		2012		2011		2010		2009		2008	
Long: Credit	\$ 109,536	18.5%	\$ 129,830	30.0%	\$ 1,505	0.4%	\$ 70,840	21.9%	\$ 101,748	36.3%	\$ (64,565)	-26.2%
Credit Hedge and Other	(19,286)	-3.3%	(14,642)	-3.4%	19,895	5.2%	(7,958)	-2.5%	10,133	3.6%	78,373	31.8%
Interest 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>

Note: Percentages of average equity during period

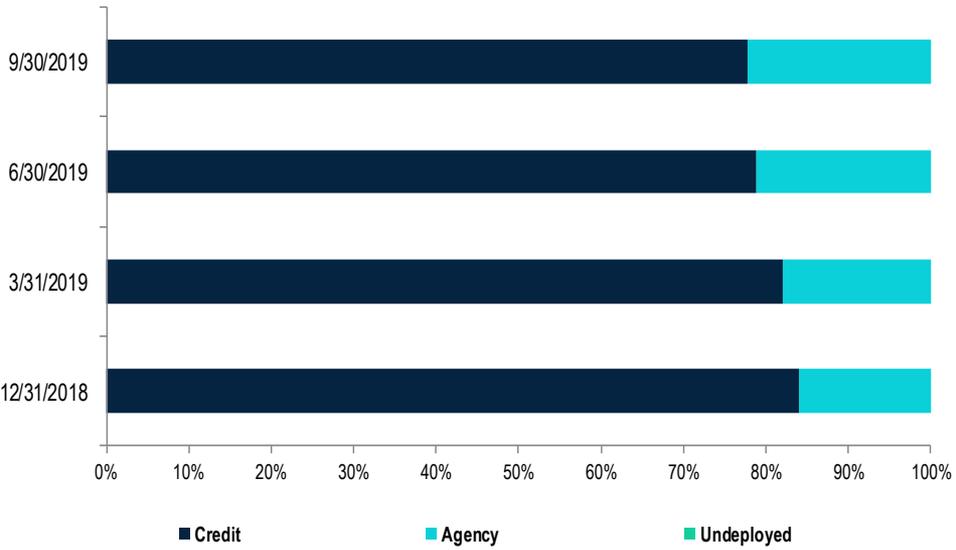
EFC has successfully preserved book value over market cycles, while producing strong results for investors

- EFC life-to-date diluted net asset value-based total return from inception in August 2007 through Q3 2019 is approximately 219%, or 10.0% annualized<sup>(1)</sup>

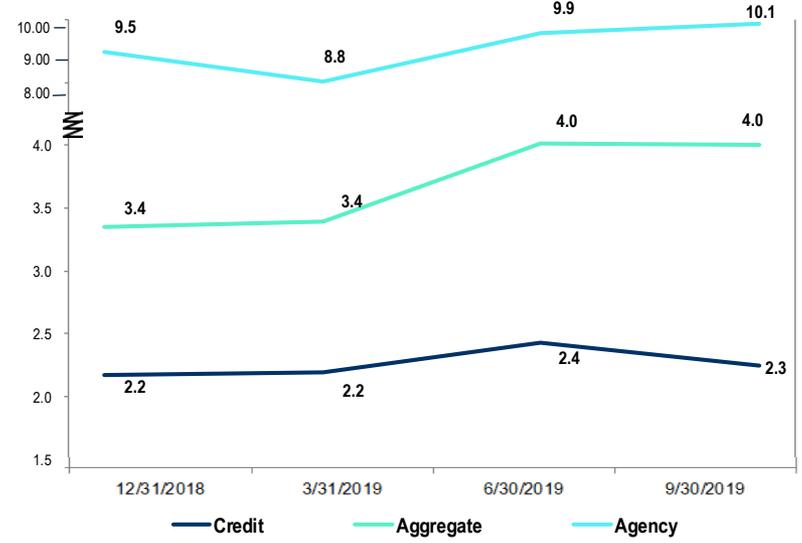


# Capital, Leverage & Portfolio Composition

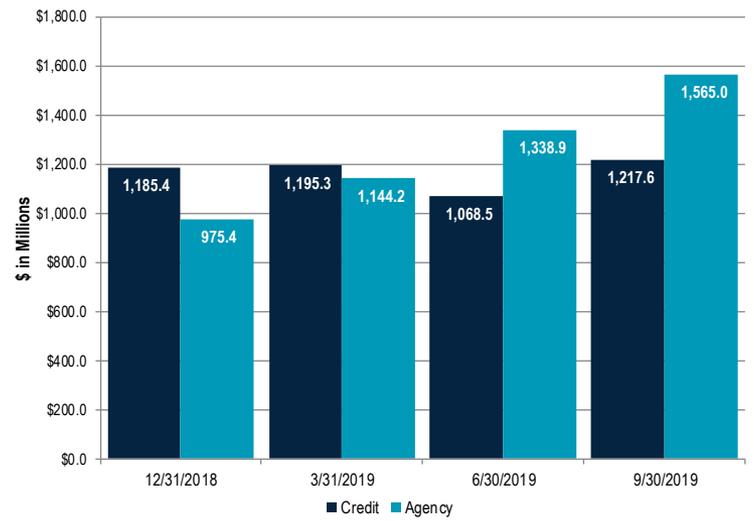
## Capital Usage Across Entire Portfolio<sup>(1)</sup>



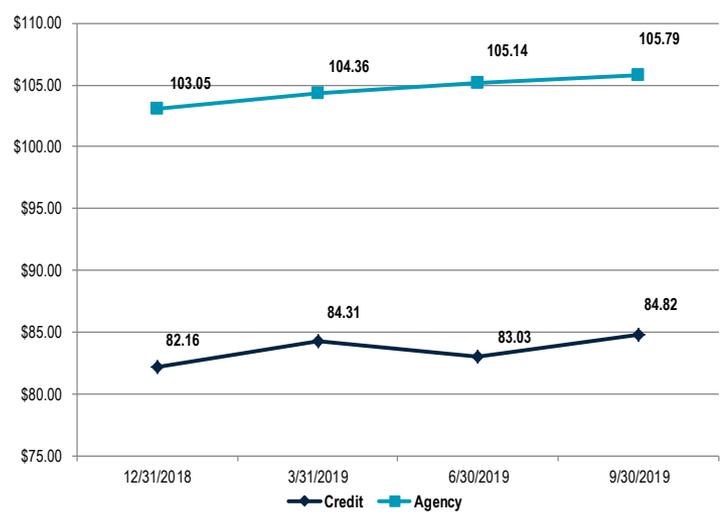
## Leverage by Strategy (Debt-to-Equity)<sup>(1)</sup>



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



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



# Condensed Consolidated Balance Sheet (Unaudited)

	September 30, 2019	June 30, 2019
<i>(In thousands, except share amounts)</i>		
<b>ASSETS</b>		
Cash and cash equivalents	\$ 33,251	\$ 42,671
Restricted cash	175	175
Securities, at fair value	1,875,929	1,668,677
Loans, at fair value	1,225,843	1,091,523
Investments in unconsolidated entities, at fair value	70,435	69,676
Real estate owned	44,423	47,621
Financial derivatives - assets, at fair value	12,740	11,150
Reverse repurchase agreements	36,473	49,641
Due from brokers	66,162	65,083
Investment related receivables	258,608	77,882
Other assets	3,319	3,495
<b>Total assets</b>	<b>\$ 3,627,358</b>	<b>\$ 3,127,594</b>
<b>LIABILITIES</b>		
Securities sold short, at fair value	36,909	49,583
Repurchase agreements	2,056,422	1,715,506
Financial derivatives - liabilities, at fair value	25,572	27,805
Due to brokers	5,978	9,951
Investment related payables	200,745	49,516
Other secured borrowings	91,151	101,925
Other secured borrowings, at fair value	438,629	475,816
Senior notes, net	85,232	85,166
Accounts payable and accrued expenses	4,579	6,281
Base management fee payable to affiliate	1,942	1,661
Dividend payable	4,833	4,267
Interest payable	6,135	6,741
Other liabilities	264	262
<b>Total liabilities</b>	<b>\$ 2,958,391</b>	<b>\$ 2,534,480</b>
<b>EQUITY</b>		
Common stock, par value \$0.001 per share, 100,000,000 shares authorized; 33,774,386 and 29,745,776 shares issued and outstanding, respectively	\$ 34	\$ 30
Additional paid-in capital	734,628	664,764
Retained earnings (accumulated deficit)	(99,216)	(102,324)
Total Stockholders' Equity	\$ 635,446	\$ 562,470
Non-controlling interests	33,521	30,644
Total Equity	\$ 668,967	\$ 593,114
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 3,627,358</b>	<b>\$ 3,127,594</b>
<b>PER SHARE INFORMATION:</b>		
Common stock	\$ 18.81	\$ 18.91

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

	Three-Month Period Ended	
	September 30, 2019	June 30, 2019 <sup>(2)</sup>
<i>(In thousands, except per share amounts)</i>		
<b>Net income (loss)</b>	\$18,712	\$13,656
Income tax expense (benefit)	2	376
<b>Net income (loss) before income tax expense</b>	18,714	14,032
<b>Adjustments:</b>		
Realized (gains) losses on securities and loans, net	(3,368)	1,505
Realized (gains) losses on financial derivatives, net	9,360	10,920
Realized (gains) losses on real estate owned, net	(1,165)	(98)
Unrealized (gains) losses on securities and loans, net	(6,519)	(18,487)
Unrealized (gains) losses on financial derivatives, net	(1,473)	4,921
Unrealized (gains) losses on real estate owned, net	22	266
Other realized and unrealized (gains) losses, net <sup>(3)</sup>	1,112	(55)
Net realized gains (losses) on periodic settlements of interest rate swaps	82	52
Net unrealized gains (losses) on accrued periodic settlements of interest rate swaps	171	45
Non-cash equity compensation expense	116	114
Catch-up Premium Amortization Adjustment	1,508	896
Debt issuance costs related to Other secured borrowings, at fair value	-	1,671
Miscellaneous non-recurring expenses <sup>(4)</sup>	16	241
(Earnings) losses from investments in unconsolidated entities <sup>(5)</sup>	(1,823)	(1,304)
<b>Total Core Earnings</b>	\$16,753	\$14,719
Core Earnings attributable to non-controlling interests	1,316	1,099
<b>Core Earnings Attributable to Common Stockholders</b>	\$15,437	\$13,620
<b>Core Earnings Attributable to Common Stockholders, per share</b>	\$0.47	\$0.46

## Ellington Profile

As of 9/30/2019

Founded:	1994
Employees:	>150
Investment Professionals:	>60
Global offices:	3

**\$8.4**

Billion in  
assets under  
management as of  
9/30/2019<sup>(1)</sup>

**14**

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

**26**

Years of average  
industry  
experience of  
senior portfolio  
managers

**11%**

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 20% of employees dedicated to research and technology
- 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

- ✓ 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
- ✓ Dynamic interest-rate and credit hedging designed to reduce volatility of book value and earnings
- ✓ Growing proprietary portfolio of high-yielding, 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 alignment with 11% co-investment<sup>(2)</sup>

## Slide 3 – Third 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 – Third Quarter Highlights

- (1) Holdings, leverage and book value amounts are as of September 30, 2019.
- (2) Economic return is based on book value per share.
- (3) Core Earnings is a non-GAAP financial measure. See slide 26 for a reconciliation of Core Earnings to Net Income (Loss).
- (4) Gross income 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 from investments in unconsolidated entities, if applicable. It excludes other interest income (expense), management fees, 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 \$1.652 billion as of September 30, 2019.
- (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 3.0:1 as of September 30, 2019.
- (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.
- (10) Net of underwriters' discount and offering costs.

## Slide 5 – Portfolio Summary as of September 30, 2019

- (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 September 30, 2019 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 an unconsolidated entity holding residential mortgage loans.
- (11) Includes equity investments in securitization-related vehicles.
- (12) Includes an equity investment in an unconsolidated entity holding European RMBS.
- (13) 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.
- (14) See endnote (7) on slide 4.
- (15) See endnote (8) on slide 4.

## Slide 7 – 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) Includes equity and other relative value 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. Percentage of average equity is calculated using average stockholders’ equity, which excludes non-controlling interests.
- (6) Convertible units include Operating Partnership units attributable to non-controlling interests.
- (7) Average equity and average stockholders’ equity are calculated using month end values.
- (8) Excludes 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 \$1.652 billion as of September 30, 2019 and \$1.539 billion as of June 30, 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. Includes an equity investment in an unconsolidated entity holding residential mortgage loans.
- (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 \$1,528.0 million of long Agency securities and \$37.0 million of interest only securities as of September 30, 2019 and \$1,314.0 million of long Agency securities and \$24.9 million of interest only securities as of June 30, 2019.
- (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 our 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 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 – 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 13 – 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 September 30, 2019. 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 16 – 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 September 30, 2019, derivative assets and derivative liabilities were \$12.7 million and \$(25.6) million, respectively, for a net fair value of \$(12.8) million, as reflected in "Net Total".
- (2) Notional value represents the face amount of the underlying asset.
- (3) Notional value represents the total face amount of U.S. Treasury securities underlying all contracts held. As of September 30, 2019 a total of 209 short U.S. Treasury futures contracts were held.
- (4) Every \$1,000,000 in notional value represents one contract.
- (5) 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.
- (6) Notional value represents the total face amount of currency futures underlying all contracts held. As of September 30, 2019 a total of 89 short foreign currency futures contracts were held.

## Slide 17 – 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 16.
- (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 18 – 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.
- (2) Conformed to current period presentation.

## Slide 19 – 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 \$1.53 billion and our long and short TBA positions of \$(915) million, divided by the equity allocated to our Agency strategy of \$148 million, as of September 30, 2019. As of June 30, 2019, our net Agency pool assets-to-equity ratio was the net aggregate market value of our Agency pools of \$1.31 billion and our long and short TBA positions of \$(614) 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 20 – 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 21 – Repo Borrowings

- (1) Included in the table, using the original maturity dates, are any repos involving underlying investments we sold prior to September 30, 2019 for settlement following September 30, 2019 even though the company may expect to terminate such repos early. Not included are any repos that we may have entered into prior to September 30, 2019, for which delivery of the borrowed funds is not scheduled until after September 30, 2019. Remaining maturity for a repo is based on the contractual maturity date in effect as of September 30, 2019. Some repos have floating interest rates, which may reset before maturity.

## Slide 22 – 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 23 – 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 24 – 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 – 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 provides U.S. GAAP measures of net income (loss) and details with respect to reconciling the aforementioned line items to Core Earnings for the three-month periods ended September 30, 2019 and June 30, 2019.
- (2) Conformed to current period presentation.
- (3) 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.
- (4) Miscellaneous non-recurring expenses consist mostly of professional fees related to our conversion to a corporation and intended election to be taxed as a REIT.
- (5) Adjustment represents, for certain investments in unconsolidated entities, the net realized and unrealized gains and losses of the underlying investments of such entities.

**Slide 27 – About Ellington Management Group**

- (1) \$8.4 billion in assets under management includes approximately \$1.5 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 28 – 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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