

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 8-K**

**CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported): **May 30, 2023 (May 29, 2023)**

**ELLINGTON FINANCIAL INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction  
of incorporation)

**001-34569**

(Commission File Number)

**26-0489289**

(IRS Employer Identification No.)

**53 Forest Avenue  
Old Greenwich, CT 06870**

(Address and zip code of principal executive offices)

Registrant's telephone number, including area code: **(203) 698-1200**

**Not Applicable**

(Former Name or Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

<b>Title of Each Class</b>	<b>Trading Symbol(s)</b>	<b>Name of Each Exchange on Which Registered</b>
Common Stock, \$0.001 par value per share	EFC	The New York Stock Exchange
6.750% Series A Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock	EFC PR A	The New York Stock Exchange
6.250% Series B Fixed-Rate Reset Cumulative Redeemable Preferred Stock	EFC PR B	The New York Stock Exchange
8.625% Series C Fixed-Rate Reset Cumulative Redeemable Preferred Stock	EFC PR C	The New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

**Item 7.01. Regulation FD Disclosure**

On May 29, 2023, Ellington Financial Inc., a Delaware corporation ("EFC"), EF Merger Sub Inc., a Virginia corporation and wholly-owned subsidiary of EFC ("Merger Sub"), Arlington Asset Investment Corp., a Virginia corporation ("Arlington Asset"), and, solely for the limited purposes set forth in the Merger Agreement (as defined below), Ellington Financial Management LLC, a Delaware limited liability company, entered into an Agreement and Plan of Merger (the "Merger Agreement"), pursuant to which, subject to the terms and conditions therein, Arlington Asset will be merged with and into Merger Sub, with Merger Sub remaining as a wholly owned subsidiary of EFC (the "Merger").

On May 30, 2023, EFC and Arlington Asset issued a joint press release announcing the execution of the Merger Agreement. On the same day, EFC made available an investor presentation. A copy of the joint press release is furnished as Exhibit 99.1 and a copy of the investor presentation is furnished as Exhibit 99.2 to this Current Report on Form 8-K and are incorporated herein by reference.

The information in Item 7.01 of this Current Report on Form 8-K (including Exhibit 99.1 and Exhibit 99.2) shall not be deemed to be "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liability of such section, nor shall such information (including Exhibit 99.1 and Exhibit 99.2) be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, regardless of the general incorporation language of such filing, except as shall be expressly set forth by specific reference in such filing

**Item 9.01. Financial Statements and Exhibits**

(d) Exhibits. The following exhibit is being furnished herewith this Current Report on Form 8-K.

<u>Exhibit Number</u>	<u>Description</u>
99.1	<a href="#">Joint Press Release dated May 30, 2023</a>
99.2	<a href="#">Investor Presentation dated May 30, 2023</a>
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

**ADDITIONAL INFORMATION ABOUT THE MERGER**

In connection with the proposed Merger, EFC intends to file a registration statement on Form S-4 with the SEC that will include a proxy statement of Arlington Asset and a prospectus of EFC. This communication is not a substitute for the registration statement, the proxy statement/prospectus or any other documents that will be made available to the shareholders of Arlington Asset. In connection with the proposed Merger, EFC and Arlington Asset also plan to file relevant materials with the SEC. SHAREHOLDERS OF ARLINGTON ASSET ARE URGED TO READ ALL RELEVANT DOCUMENTS FILED WITH THE SEC, INCLUDING THE RELEVANT PROXY STATEMENT/PROSPECTUS, WHEN THEY BECOME AVAILABLE, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED MERGER. A definitive proxy statement/prospectus will be sent to Arlington Asset's shareholders. Investors may obtain a copy of the proxy statement/prospectus (if and when it becomes available) and other relevant documents filed by EFC and Arlington Asset free of charge at the SEC's website, [www.sec.gov](http://www.sec.gov). Copies of the documents filed by EFC with the SEC will be available free of charge on EFC's website at [www.ellingtonfinancial.com](http://www.ellingtonfinancial.com) or by contacting EFC's Investor Relations at (203) 409-3575, as they become available. Copies of the documents filed by Arlington Asset with the SEC will be available free of charge on Arlington Asset's website at [www.arlingtonasset.com](http://www.arlingtonasset.com) or by contacting Arlington Asset's Investor Relations at (703) 373-0200.

**PARTICIPANTS IN SOLICITATION RELATING TO THE MERGER**

EFC and Arlington Asset and their respective directors and executive officers and certain other affiliates of EFC and Arlington Asset may be deemed to be participants in the solicitation of proxies from Arlington Asset shareholders in connection with the proposed Merger.

Information about the directors and executive officers of Arlington Asset is available in its Form 10-K, which was filed with the SEC on March 31, 2023, and its Form 10-K/A, which was filed with the SEC on May 1, 2023. Information about the directors and executive officers of EFC is available in the proxy statement for its 2023 annual meeting of shareholders, which was filed with the SEC on April 6, 2023. Other information regarding the participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in the proxy statement/prospectus and other relevant materials filed with the SEC regarding the proposed Merger when they become available. Shareholders of Arlington Asset should read the proxy statement/prospectus carefully when it becomes available before making any voting or investment decisions. Investors may obtain free copies of these documents from EFC or Arlington Asset using the sources indicated above.

## **NO OFFER OR SOLICITATION**

This communication and the information contained herein does not constitute an offer to sell or the solicitation of an offer to buy or sell any securities or a solicitation of a proxy or of any vote or approval, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offering of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended. This communication may be deemed to be solicitation material in respect of the proposed Merger.

## **Forward-Looking Statements**

This communication contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. 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. Such forward-looking statements may include or relate to statements about the proposed Merger, including its financial and operational impact; the benefits of the proposed Merger; the pro forma market capitalization of the combined company; the scale, market presence, market capitalization, leverage, liquidity or earnings of the combined company; anticipated synergies and operating expense efficiencies from the proposed Merger; investment opportunities, deployment of capital and returns of the combined company; future dividend payments; future growth; access to capital markets; price/tangible book value multiple; the timing of future events; and other statements of management's beliefs, intentions or goals. These statements are based on EFC's and Arlington Asset's current expectations and beliefs and are subject to a number of trends and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. EFC and Arlington Asset can give no assurance that their expectations will be attained. Factors that could cause actual results to differ materially from EFC's or Arlington Asset's expectations include, but are not limited to, the risk that the proposed Merger will not be consummated within the expected time period or at all; the occurrence of any event, change or other circumstance that could give rise to the termination of the Merger Agreement; the failure to satisfy the conditions to the consummation of the proposed Merger, including the approval of the shareholders of Arlington Asset; risks related to the disruption of management's attention from ongoing business operations due to the proposed Merger; the effect of the announcement of the proposed merger on the operating results and businesses generally of EFC and Arlington Asset; the outcome of any legal proceedings relating to the proposed Merger; the ability to successfully integrate the businesses following the proposed Merger; changes in interest rates or the market value of EFC's or Arlington Asset's investments; market volatility; changes in mortgage default rates and prepayment rates; the availability and terms of financing; changes in government regulations affecting the business of EFC or Arlington Asset; the ability of EFC and Arlington Asset to maintain their exclusion from registration under the Investment Company Act of 1940; the ability of EFC and Arlington Asset to maintain their qualification as a REIT; changes in market conditions and economic trends, such as changes to fiscal or monetary policy, heightened inflation, slower growth or recession, and currency fluctuations; and other factors, including those set forth in the section entitled "Risk Factors" in EFC's most recent Annual Report on Form 10-K and Arlington Asset's most recent Annual Report on Form 10-K, as amended, and EFC's and Arlington Asset's Quarterly Reports on Form 10-Q filed with the SEC, and other reports filed by EFC and Arlington Asset with the SEC, copies of which are available on the SEC's website, [www.sec.gov](http://www.sec.gov). Forward-looking statements are not guarantees of performance or results and speak only as of the date such statements are made. Except as required by law, neither EFC nor Arlington Asset undertakes any obligation to update or revise any forward-looking statement in this communication, whether to reflect new information, future events, changes in assumptions or circumstances or otherwise.



**ELLINGTON FINANCIAL AND ARLINGTON ASSET INVESTMENT CORP. ANNOUNCE DEFINITIVE MERGER AGREEMENT**

—Transaction Provides Increased Scale and Enhanced Access to Capital Markets—

—Aligned Platforms and Capital Expected to Drive Earnings Accretion and Sustained Long-Term Growth—

OLD GREENWICH, Conn., May 30, 2023—**Ellington Financial Inc. (NYSE: EFC) ("Ellington Financial")**, a real estate investment trust investing in a diverse array of financial assets including residential and commercial mortgage loans, and **Arlington Asset Investment Corp. (NYSE: AAIC) ("Arlington")**, a real estate investment trust that invests primarily in mortgage-related and other assets, announced today that they have entered into a definitive merger agreement pursuant to which Ellington Financial will acquire Arlington. Upon completion of the acquisition, Ellington Financial is expected to have a pro forma equity capital base of over \$1.5 billion.

Under the terms of the merger agreement, (i) each share of Arlington common stock will be converted into 0.3619 shares<sup>1</sup> of Ellington Financial common stock, or approximately 11.7 million shares of Ellington Financial common stock in the aggregate, and (ii) Arlington common stockholders will also receive \$3 million in cash in the aggregate (or \$0.09 per share) to be contributed by Ellington Financial's external manager. The respective closing stock prices for Ellington Financial and Arlington on May 26, 2023 imply an offer price of \$4.77 per Arlington share, representing a 73% premium to Arlington's share price on May 26, 2023, and a 15% discount to diluted tangible book value per share<sup>2</sup> as of March 31, 2023. Upon the closing of the acquisition, Ellington Financial stockholders are expected to own approximately 85% of the combined company's stock, while Arlington stockholders are expected to own approximately 15% of the combined company's stock. In addition, Ellington Financial will assume Arlington's outstanding preferred equity, senior unsecured notes and trust preferred securities.

Based on the closing price of Ellington Financial's common stock on May 26, 2023, the estimated pro forma market capitalization of the combined company would exceed \$1.0 billion. The combined company will operate under the name "Ellington Financial Inc." and its shares will continue to trade on the NYSE under the existing ticker symbol "EFC". Ellington Financial Management LLC, an affiliate of Ellington Management Group, L.L.C., will continue to manage the combined company.

"We are extremely excited about the opportunity to add a significant portfolio of assets – particularly low-coupon mortgage servicing rights – that align very well with our expertise and existing management platform," stated Laurence Penn, Ellington Financial's Chief Executive Officer. "We believe that the benefits of this acquisition include greater operating efficiencies, a larger market capitalization, and attractive long-term unsecured debt and preferred equity capital. Upon closing, we believe that we will be positioned well to drive accretive earnings growth and provide strategic and financial benefits to our stockholders."

"We are thrilled to combine AAIC with the Ellington Financial team to make a combined company that we believe will be positioned to take advantage of opportunities into the future," said J. Rock Tonkel, Jr., Arlington's Chief Executive Officer. "This transaction combines two complementary portfolios, and we look forward to working closely with the Ellington Financial team to complete the acquisition and deliver value for our stockholders."

**Anticipated Benefits to Ellington Financial and Arlington Stockholders from the Acquisition:**

- i. **Capital to Fund Growth Going Forward:** Increased scale and liquidity to further capitalize on opportunistic investment environment.
- ii. **Strategically Compelling:** Arlington's investment portfolio aligns well with Ellington Financial's portfolio, and its relatively low leverage should provide meaningful opportunity to enhance returns by deploying additional capital in EFC's targeted assets classes.
- iii. **Accretive to Earnings and Long-Term Growth:** Anticipated to be accretive to Ellington Financial's earnings in 2023 and accretive to Ellington Financial's book value within one year of closing, with enhanced long-term growth potential.
- iv. **Increases in Operational Efficiency:** Anticipated increase in operating expense efficiencies as a result of fixed expenses spread over a larger equity base.
- v. **Desirable Target Capital Structure:** Arlington's capital structure includes unsecured debt and preferred equity with attractive costs of capital.
- vi. **Increased Market Capitalization and Liquidity:** Estimated pro forma market capitalization of approximately \$1 billion (based on the closing price of EFC common stock on May 26, 2023) expected to enhance liquidity of EFC common stock and provide more efficient access to capital markets.

<sup>1</sup> Subject to possible reduction based on an asset performance provision.

<sup>2</sup> After giving effect to the vesting of equity awards as a result of the transaction.

Additional information on the transaction and the anticipated effects on Ellington Financial can be found in Ellington Financial's investor deck relating to the acquisition posted on Ellington Financial's website. The investor deck is also being furnished by Ellington Financial in a Current Report on Form 8-K being filed by Ellington Financial with the Securities and Exchange Commission (the "SEC") on the date hereof.

#### **Management, Governance and Corporate Headquarters**

Upon completion of the acquisition, Ellington Financial's Chief Executive Officer and President, Laurence Penn, will continue to lead the combined company, and Ellington Financial executives Michael Vranos, Mark Tecotzky, and JR Herlihy will remain in their current roles. The combined company will remain headquartered in Old Greenwich, Connecticut. The Board of the combined company is expected to expand to six directors through the addition of one Arlington-designated director.

#### **Timing and Approvals**

The transaction has been unanimously approved by the Boards of Directors of Ellington Financial and Arlington. The transaction is expected to close in the fourth quarter of 2023, subject to the approval by Arlington's stockholders and other customary closing conditions.

#### **Advisors**

Keefe, Bruyette & Woods, *A Stifel Company* is acting as exclusive financial advisor and Vinson & Elkins is acting as legal advisor to Ellington Financial. Wells Fargo Securities is acting as exclusive financial advisor and Hunton Andrews Kurth LLP is acting as legal advisor to Arlington.

#### **ADDITIONAL INFORMATION ABOUT THE MERGER**

In connection with the proposed merger, Ellington Financial intends to file a registration statement on Form S-4 with the SEC that will include a proxy statement of Arlington and a prospectus of Ellington Financial. This communication is not a substitute for the registration statement, the proxy statement/prospectus or any other documents that will be made available to the stockholders of Arlington. In connection with the proposed merger, Ellington Financial and Arlington also plan to file relevant materials with the SEC. STOCKHOLDERS OF ARLINGTON ARE URGED TO READ ALL RELEVANT DOCUMENTS FILED WITH THE SEC, INCLUDING THE RELEVANT PROXY STATEMENT/PROSPECTUS, WHEN THEY BECOME AVAILABLE, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED MERGER. A definitive proxy statement/prospectus will be sent to Arlington's stockholders. Investors may obtain a copy of the proxy statement/prospectus (if and when it becomes available) and other relevant documents filed by Ellington Financial and Arlington free of charge at the SEC's website, [www.sec.gov](http://www.sec.gov). Copies of the documents filed by Ellington Financial with the SEC will be available free of charge on Ellington Financial's website at <http://www.ellingtonfinancial.com> or by contacting Ellington Financial's Investor Relations at (203) 409-3575, as they become available. Copies of the documents filed by Arlington with the SEC will be available free of charge on Arlington's website at [www.arlingtonasset.com](http://www.arlingtonasset.com) or by contacting Arlington's Investor Relations at (703) 373-0200.

#### **PARTICIPANTS IN SOLICITATION RELATING TO THE MERGER**

Ellington Financial and Arlington and their respective directors and executive officers and certain other affiliates of Ellington Financial and Arlington may be deemed to be participants in the solicitation of proxies from Arlington stockholders in connection with the proposed merger.

Information about the directors and executive officers of Arlington is available in its Form 10-K/A, which was filed with the SEC on May 1, 2023. Information about the directors and executive officers of Ellington Financial is available in the proxy statement for its 2023 annual meeting of stockholders, which was filed with the SEC on April 6, 2023. Other information regarding the participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in the proxy statement/prospectus and other relevant materials filed with the SEC regarding the proposed merger when they become available. Stockholders of Arlington should read the proxy statement/prospectus carefully when it becomes available before making any voting or investment decisions. Investors may obtain free copies of these documents from Ellington Financial or Arlington using the sources indicated above.

#### **NO OFFER OR SOLICITATION**

This communication and the information contained herein does not constitute an offer to sell or the solicitation of an offer to buy or sell any securities or a solicitation of a proxy or of any vote or approval, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offering of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended. This communication may be deemed to be solicitation material in respect of the proposed merger.

## FORWARD-LOOKING STATEMENTS

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### About Ellington Financial

Ellington Financial invests in a diverse array of financial assets, including residential and commercial mortgage loans, reverse mortgage loans, residential and commercial mortgage-backed securities, consumer loans and asset-backed securities backed by consumer loans, collateralized loan obligations, non-mortgage and mortgage-related derivatives, debt and equity investments in loan origination companies, and other strategic investments. Ellington Financial is externally managed and advised by Ellington Financial Management LLC, an affiliate of Ellington Management Group, LLC.

### About Arlington Asset Investment Corp.

Arlington Asset Investment Corp. (NYSE: AAIC) currently invests primarily in mortgage related assets and has elected to be taxed as a REIT. The Company is headquartered in the Washington, D.C. metropolitan area.

### Contact

#### Ellington Financial Inc.

Investor Relations  
(203) 409-3575  
[info@ellingtonfinancial.com](mailto:info@ellingtonfinancial.com)

#### Arlington Asset Investment Corp.

Investor Relations and Media:  
Rich Konzmann  
(703) 373-0200  
[ir@arlingtonasset.com](mailto:ir@arlingtonasset.com)



Ellington Financial Inc. to Acquire  
Arlington Asset Investment Corp.  
May 30, 2023

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**ADDITIONAL INFORMATION ABOUT THE MERGER**

In connection with the proposed merger, Ellington Financial Inc. ("EFC") intends to file a registration statement on Form S-4 with the SEC that will include a proxy statement of Arlington Asset Investment Corp. ("AAIC") and a prospectus of EFC. This communication is not a substitute for the registration statement, the proxy statement/prospectus or any other documents that will be made available to the stockholders of AAIC. In connection with the proposed merger, EFC and AAIC also plan to file relevant materials with the SEC. STOCKHOLDERS OF AAIC ARE URGED TO READ ALL RELEVANT DOCUMENTS FILED WITH THE SEC, INCLUDING THE RELEVANT PROXY STATEMENT/PROSPECTUS, WHEN THEY BECOME AVAILABLE, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED MERGER. A definitive proxy statement/prospectus will be sent to AAIC's stockholders. Investors may obtain a copy of the proxy statement/prospectus (if and when it becomes available) and other relevant documents filed by EFC and AAIC free of charge at the SEC's website, [www.sec.gov](http://www.sec.gov). Copies of the documents filed by EFC with the SEC will be available free of charge on EFC's website at <http://www.ellingtonfinancial.com> or by contacting EFC's Investor Relations at (203) 409-3575, as they become available. Copies of the documents filed by AAIC with the SEC will be available free of charge on AAIC's website at [www.arlingtonasset.com](http://www.arlingtonasset.com) or by contacting AAIC's Investor Relations at (703) 373-0200.

**PARTICIPANTS IN SOLICITATION RELATING TO THE MERGER**

EFC and AAIC and their respective directors and executive officers and certain other affiliates of EFC and AAIC may be deemed to be participants in the solicitation of proxies from AAIC stockholders in connection with the proposed merger.

Information about the directors and executive officers of AAIC is available in its Form 10-K/A, which was filed with the SEC on May 1, 2023. Information about the directors and executive officers of EFC is available in the proxy statement for its 2023 annual meeting of stockholders, which was filed with the SEC on April 6, 2023. Other information regarding the participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in the proxy statement/prospectus and other relevant materials filed with the SEC regarding the proposed merger when they become available. Stockholders of AAIC should read the proxy statement/prospectus carefully when it becomes available before making any voting or investment decisions. Investors may obtain free copies of these documents from EFC or AAIC using the sources indicated above.

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**FORWARD-LOOKING STATEMENTS**

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Factors that could cause actual results to differ materially from EFC's and AAIC's expectations include, but are not limited to, the risk that the proposed merger will not be consummated within the expected time period or at all; the occurrence of any event, change or other circumstance that could give rise to the termination of the merger agreement; the failure to satisfy the conditions to the consummation of the proposed merger, including the approval of the stockholders of AAIC; risks related to the disruption of management's attention from ongoing business operations due to the proposed merger; the effect of the announcement of the proposed merger on the operating results and businesses generally of EFC and AAIC; the outcome of any legal proceedings relating to the proposed merger; the ability to successfully integrate the businesses following the proposed merger; changes in interest rates or the market value of EFC's or AAIC's investments; market volatility; changes in mortgage default rates and prepayment rates; the availability and terms of financing; changes in government regulations affecting the business of EFC or AAIC; the ability of EFC and AAIC to maintain their exclusion from registration under the Investment Company Act of 1940; the ability of EFC and AAIC to maintain their qualification as a REIT; changes in market conditions and economic trends, such as changes to fiscal or monetary policy, heightened inflation, slower growth or recession, and currency fluctuations; and other factors, including those set forth in the section entitled "Risk Factors" in EFC's most recent Annual Report on Form 10-K and AAIC's most recent Annual Report on Form 10-K, as amended, and EFC's and AAIC's Quarterly Reports on Form 10-Q filed with the SEC, and other reports filed by EFC and AAIC with the SEC, copies of which are available on the SEC's website, [www.sec.gov](http://www.sec.gov). Forward-looking statements are not guarantees of performance or results and speak only as of the date such statements are made. Except as required by law, neither EFC nor AAIC undertakes any obligation to update or revise any forward-looking statement in this communication, whether to reflect new information, future events, changes in assumptions or circumstances or otherwise.

Transaction Summary	<ul style="list-style-type: none"> <li>Ellington Financial Inc. (NYSE:EFC) has entered into an agreement to acquire Arlington Asset Investment Corp. (NYSE: AAIC) by issuing new common shares of EFC to AAIC's stockholders using an exchange ratio of 0.3619<sup>(1)</sup></li> <li>AAIC stockholders would also receive additional cash consideration from EFC's external manager, Ellington Financial Management LLC</li> </ul>
Merger Consideration <sup>(2)</sup>	<ul style="list-style-type: none"> <li>Exchange ratio would result in 11.7 million new EFC common shares issued to AAIC stockholders; using EFC's 5/26/2023 closing price of \$12.92, this implies total expected stock consideration of \$151 million<sup>(2)</sup></li> <li>Additional \$3.0 million of cash consideration from EFC's external manager would result in total expected consideration of \$154 million<sup>(2)</sup>, or \$4.77 per AAIC share: <ul style="list-style-type: none"> <li>\$4.68<sup>(2)</sup> in stock</li> <li>\$0.09 in cash</li> </ul> </li> <li>Based upon AAIC's reported 3/31/2023 aggregate book value, and after giving effect to the vesting of equity awards as a result of the transaction, AAIC would have a diluted 3/31/2023 book value per share of \$5.62<sup>(3)</sup></li> <li>In its 2023 Q1 earnings release, EFC announced a book value per common share of \$15.10 as of 3/31/2023</li> <li>Using EFC's 3/31/2023 book value per common share instead of market price per common share, total expected consideration for AAIC stockholders would be \$5.46 per share in stock and \$0.09 per share in cash, for total expected consideration of \$5.55 per share</li> </ul>
Pro Forma Ownership	<ul style="list-style-type: none"> <li>EFC: ~85%</li> <li>AAIC: ~15%</li> </ul>
External Manager	<ul style="list-style-type: none"> <li>EFC's external manager Ellington Financial Management LLC would continue to serve as the external manager of the pro-forma combined entity, following closing</li> </ul>
Governance	<ul style="list-style-type: none"> <li>EFC's board of directors would be expanded to include one additional member designated by AAIC</li> </ul>
Required Approvals	<ul style="list-style-type: none"> <li>Transaction is subject to AAIC stockholder approval and customary closing conditions</li> </ul>
Expected Closing	<ul style="list-style-type: none"> <li>Target closing in fourth quarter 2023</li> </ul>

1) Pursuant to the Merger Agreement, the exchange ratio could be adjusted downward to 0.3557x based on an asset performance provision.

2) Figures reflect EFC's closing share price of \$12.92 as of May 26, 2023.

3) The fully diluted book value of \$5.62 per share of AAIC common stock reflects 4.280 million additional shares of AAIC common stock not included in AAIC's reported book value as of March 31, 2023, consisting of (i) outstanding shares of unvested AAIC common stock and (ii) outstanding unvested performance share units convertible into shares of AAIC common stock, in each case that will vest and be issued in connection with the completion of the merger.

**Meaningful Increase to Scale**

- ✓ Estimated pro forma market capitalization of >\$1 billion<sup>1)</sup>
- ✓ Well positioned with increased scale and liquidity to further capitalize on opportunistic investment environment post-transaction
- ✓ Anticipated synergies include improved operating efficiency through G&A expense savings

**Unique Opportunity to Redeploy Capital**

- ✓ AAIC's relatively low leverage should provide meaningful opportunity for the pro forma combined entity to enhance returns by deploying excess capital in EFC's targeted asset classes

**Synergistic New Business**

- ✓ Conventional MSR portfolio, with in-place servicing structure, would kick-start EFC's entry into complementary new business, at scale

**Financially Compelling Transaction**

- ✓ Transaction is estimated to be accretive to earnings for EFC stockholders
- ✓ Transaction is estimated to be accretive to EFC's book value per share within one year of closing

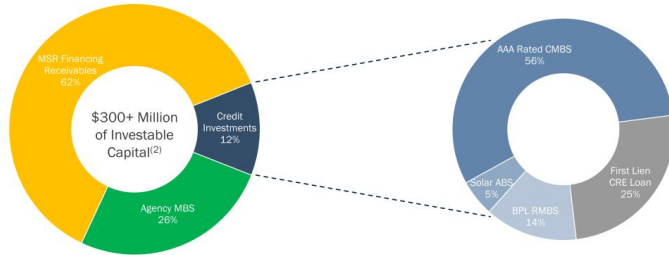
**Desirable Target Capital Structure**

- ✓ Pro forma entity should benefit from AAIC's capital structure, which includes:
  - ✓ \$86.5 million of current unsecured debt at attractive borrowing costs
  - ✓ \$32.8 million of current perpetual preferred stock with attractive cost of capital

1) Based on EFC's closing share price of \$12.92 as of May 26, 2023.

Summary Statistics \$(mm)		Investment Portfolio Highlights
Company	Internally Managed Mortgage REIT	Vast majority of Investable Capital <sup>(2)</sup> is allocated to MSRs and highly liquid assets
Headquarters	McLean, VA	
Market Capitalization <sup>(1)</sup>	\$78.0	Attractive MSR portfolio backed by low coupon GSE loans (3.13% WAC)
Total Assets	\$808.0	
Corporate Debt	\$86.5	Significant untapped asset-level financing available for MSR portfolio
Preferred Equity	\$32.8	
Common Equity	\$181.7	
Reported Book Value per Share	\$6.47	

Invested Capital Allocation



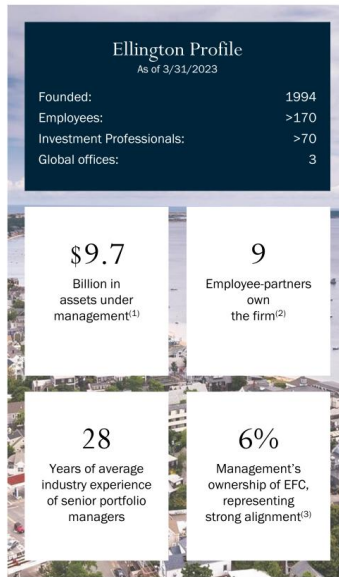
Note: Financial data as of March 31, 2023.  
 1) Pricing as of May 26, 2023.  
 2) Investable capital reflects the aggregate of stockholders' equity capital and long-term unsecured debt.

Anticipated Benefits to EFC Stockholders	Anticipated Benefits to AAIC Common Stockholders
<p><input checked="" type="checkbox"/> Increased scale and expanded market presence should enhance EFC's ability to take advantage of the attractive investment environment</p>	<p><input checked="" type="checkbox"/> Merger consideration represents a significant premium to AAIC current and recent historical stock price, with the opportunity to benefit further from EFC's future performance</p>
<p><input checked="" type="checkbox"/> Transaction is estimated to be earnings accretive in 2023 and accretive to book value within one year of closing</p>	<p><input checked="" type="checkbox"/> Opportunity to receive regular dividend payments after closing (EFC's current monthly dividend rate is \$0.15 per share)</p>
<p><input checked="" type="checkbox"/> Relatively low leverage target portfolio would provide valuable flexibility to benefit from target portfolio's current yields and/or accretive redeployment of capital into new investments at attractive estimated risk-adjusted returns</p>	<p><input checked="" type="checkbox"/> Potential for greater common share liquidity and higher P/TBV multiple</p>
<p><input checked="" type="checkbox"/> Increased operating expense efficiencies as a result of fixed expenses spread over a larger equity base</p>	<p><input checked="" type="checkbox"/> EFC's external manager provides access to extensive expertise and resources across its targeted asset classes. EFC has a proven track record of strong performance maintained by high quality risk management and conservative leverage</p>

- Hybrid mortgage REIT with diversified investment portfolio and income stream: residential and commercial mortgage, consumer /corporate loans, as well as multiple proprietary loan origination businesses; ability to shift capital allocation across various asset classes
- Reduced volatility of book value and more consistent economic returns relative to peers: dynamic hedging strategies, diversification, risk and liquidity management, and active portfolio management
- Strong history of navigating severe market disruptions: maintained book value stability and generated profits through the 2008 financial crisis, the 2013 taper tantrum, and the turbulence caused by the COVID-19 pandemic
- Diversified sources of financing: long-term, non-mark-to-market financing facilities and securitizations
- Demonstrated discipline accessing capital markets: common stock, preferred stock, and unsecured debt
- Attractive NAIC-1 rating: senior unsecured notes and preferred stock, rated "A" and "A-" respectively
- Strong alignment of interests: approx. \$59 million invested in EFC by management and directors, along with partners / affiliates of Ellington



Note: EFC balance sheet data and total return are as of 3/31/2023, and therefore prior to closing.



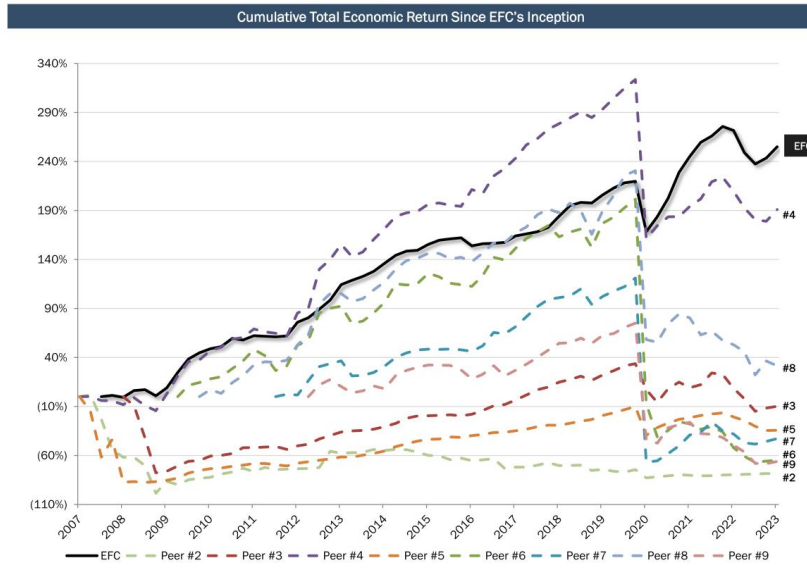
### Ellington and its Affiliated Management Companies

- External manager 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 creating value through trading, research, risk management, and operational support

### Industry-Leading Research & Trading Expertise

- Sophisticated proprietary models for prepayment and credit analysis
- Approximately 25% of employees dedicated to research and technology
- Structured credit trading experience and analytical skills developed since the firm's founding 28 years ago
- Ellington's portfolio managers are among the most experienced in the MBS sector

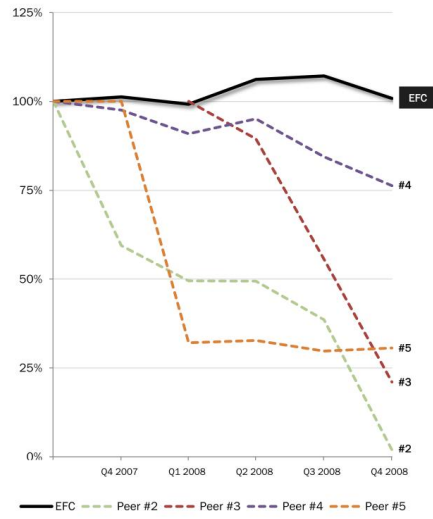
1) \$9.7 billion in assets under management includes approximately \$1.0 billion in Ellington-managed CLOs. For these purposes, the Ellington-managed CLO figure represents the aggregate outstanding balance of CLO notes and market value of CLO equity, excluding any notes and equity held by other Ellington-managed funds and accounts. Assets under management includes information as of March 31, 2023.  
 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 and directors' ownership includes common shares, operating partnership units, and LTP units held by officers and directors of EFC, and partners and affiliates of Ellington (including families and family trusts of the foregoing). Based on book value per share.  
 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.



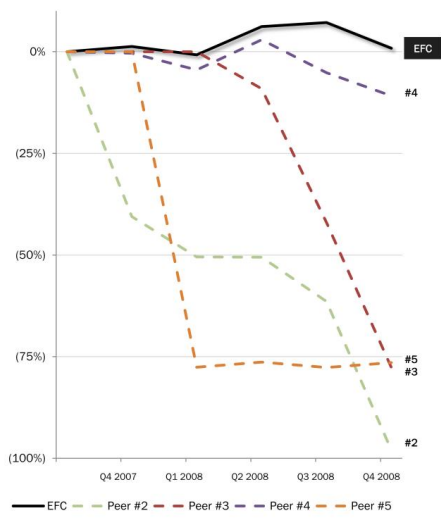
Note: EFC peers are other hybrid mortgage REITs. Above charts have been normalized for stock splits. Reflects data reported from EFC's inception through March 31, 2023.



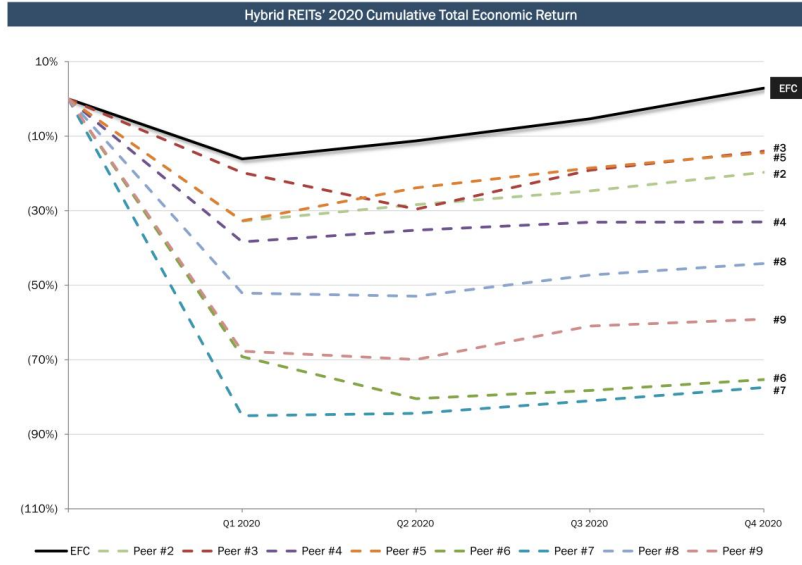
Percentage of 9/30/07 Book Value per Share, 9/30/07-12/31/08



Cumulative Total Economic Return, 9/30/07-12/31/08



Note: EFC peers are other hybrid mortgage REITs. Above charts have been normalized for stock splits.



Note: EFC peers are other hybrid mortgage REITs. Above charts have been normalized for stock splits.

The following defines certain terms used in this presentation:

- "ABS" refers to asset-backed securities
- "Agency MBS" refers to mortgage-backed securities for which the principal and interest payments are guaranteed by a U.S. government agency, such as the Government National Mortgage Association, or a U.S. government-sponsored entity, such as the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation
- "BPL" refers to residential business purpose loans, which are mortgage loans made to professional real estate investors secured by first lien positions in non-owner occupied residential real estate
- "CMBS" refers to commercial mortgage-backed securities
- "CRE Loan" refers to commercial real estate loan
- "MBS" refers to mortgage-backed securities
- "MSR" refers to mortgage servicing rights
- "P/TBV" refers to price to tangible book value
- "RMBS" refers to residential mortgage-backed securities



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