

Ellington Financial

Investor Presentation
May 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, our potential inclusion on stock indices, 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 or at the SEC's website (www.sec.gov). Other risks, uncertainties, and factors that could cause actual results to differ materially from those projected may be described from time to time in reports we file with the SEC, including reports on Form 10-Q, 10-K and 8-K. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Modeling

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

Example Analyses

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

Projected Yields and Spreads

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

Financial Information

All financial information included in this presentation is as of March 31, 2019 unless otherwise indicated. We undertake no duty or obligation to update this presentation to reflect subsequent events or developments.

Ellington Profile

As of 3/31/2019

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

\$8.1

Billion in
assets under
management as of
3/31/2019⁽¹⁾

16

Employee-partners
own the firm⁽²⁾

26

Years of average
industry
experience of
senior portfolio
managers

12%

Management's
ownership of EFC,
representing
strong alignment⁽³⁾

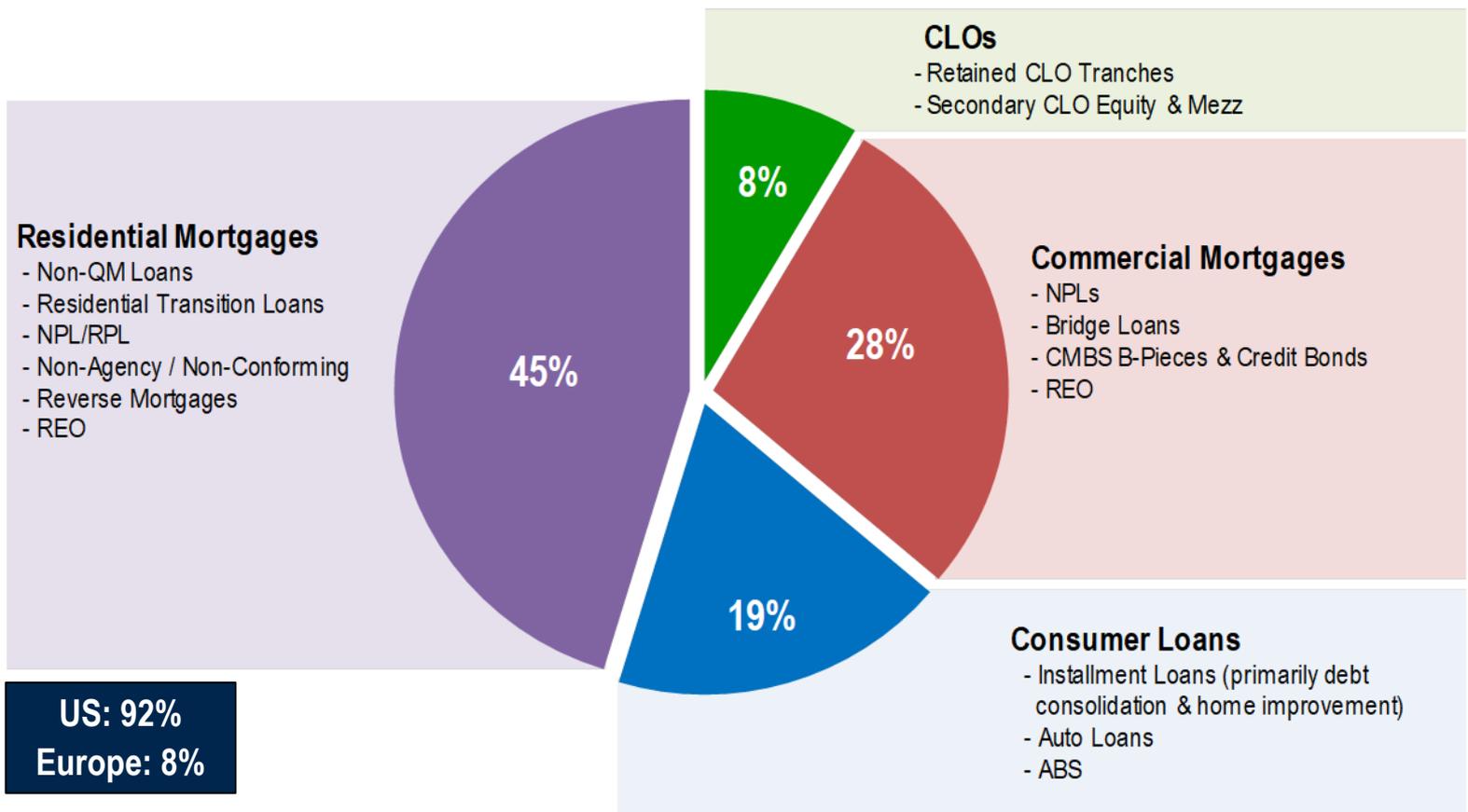
Ellington and its Affiliated Management Companies

- Our external manager Ellington Financial Management LLC is part of the Ellington family of SEC-registered investment advisors⁽⁴⁾. Ellington 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 22% of employees dedicated to research and infrastructure development
- Structured credit trading experience and analytical skills developed since the firm's founding 24 years ago
- Ellington's portfolio managers are among the most experienced in the MBS sector and the firm's analytics have been developed over its 24-year history

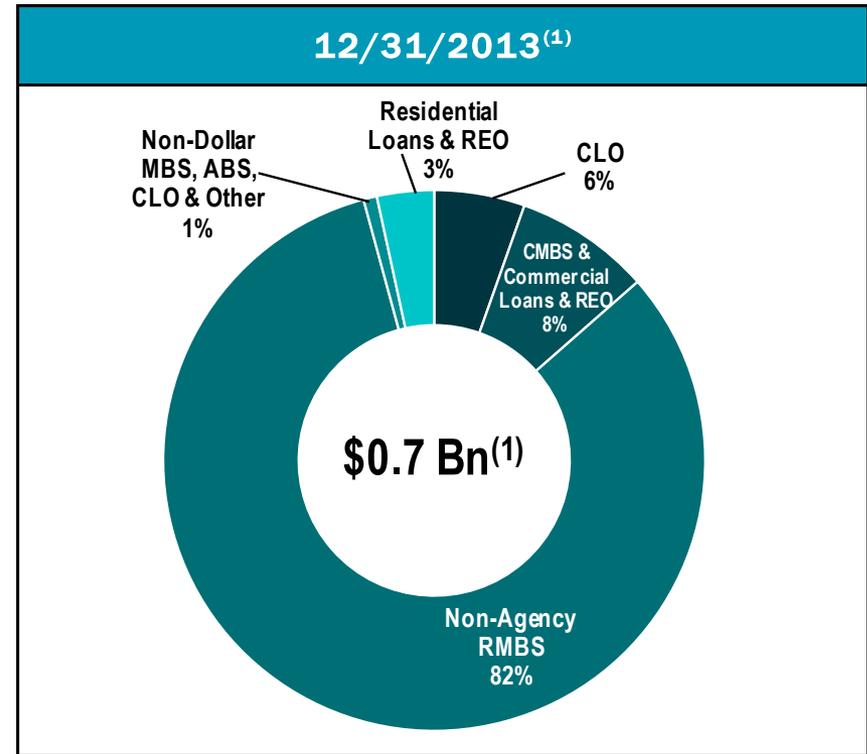
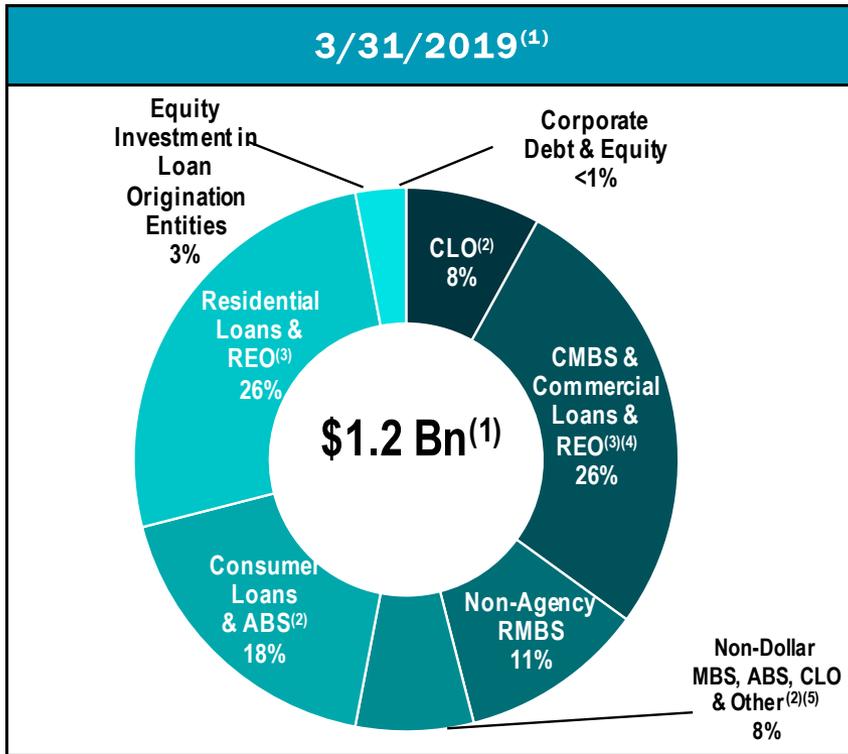
<p>Diversified Portfolio</p>	<ul style="list-style-type: none"> ■ Diversified portfolio of residential mortgage, commercial mortgage, consumer loan, and CLO investments <ul style="list-style-type: none"> ○ Ability to shift capital allocation across asset classes as credit and liquidity trends evolve⁽¹⁾ ○ Largest credit strategy accounts for approximately 15% of invested risk capital⁽²⁾ ○ Growing proprietary portfolio of high-yielding, short-duration loans ■ Target capital allocation⁽²⁾: 75-85% credit assets, 15-25% Agency securities
<p>Excellent Performance</p>	<ul style="list-style-type: none"> ■ Annualized total return⁽³⁾ of 11.7% in 2019 through March, and 10.1% inception-to-date ■ Stock price total return of 17% in 2018, and 22% YTD as of 5/28/2019, though stock still trades at small discount to book value
<p>Stable Book Value</p>	<ul style="list-style-type: none"> ■ Lowest standard deviation of quarterly economic returns among peer group since Q1 2011⁽⁴⁾ ■ Dynamic interest-rate and credit hedging designed to reduce volatility of book value and earnings ■ Report estimated book value per share monthly; latest is \$18.90 as of 4/30/2019
<p>Below Sector - Average Leverage</p>	<ul style="list-style-type: none"> ■ Overall debt-to-equity ratio: 3.39x⁽⁵⁾ ■ Recourse debt-to-equity ratio: 2.63x⁽⁶⁾
<p>Attractive Dividend Yield</p>	<ul style="list-style-type: none"> ■ Dividend yield of 9.4% based on the 5/28/2019 closing price of \$17.92 ■ Recently shifted to monthly dividend
<p>Share Repurchases</p>	<ul style="list-style-type: none"> ■ In 2018, repurchased 1.55 million shares, or 4.9% of outstanding, which was accretive to BVPS by \$0.21
<p>Aligned Interests</p>	<ul style="list-style-type: none"> ■ Management owned more than 12% of EFC as of 3/31/2019⁽⁷⁾
<p>REIT Conversion</p>	<ul style="list-style-type: none"> ■ Recently converted to corporation and will elect to be taxed as a REIT for tax year 2019 ■ Simplified tax reporting expected to improve liquidity and expand investor base, including possible index inclusion, while company maintains core investment and hedging strategies



- Our flexible approach allocates capital to the sectors where we see the best relative value as market conditions change⁽¹⁾
- 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⁽²⁾⁽³⁾

Significantly Diversified Sources of Return in Credit Portfolio



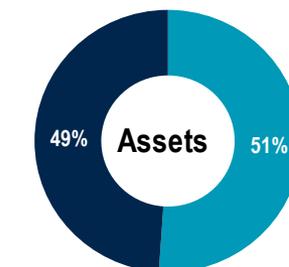
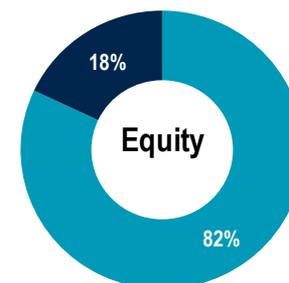
- We have significantly diversified and grown our sources of return in the Credit strategy since the end of 2013
- Portfolio growth largely driven by our proprietary portfolio of high-yielding, short-duration loans
- Flexible approach to allocate capital to the sectors where we see the best relative value as market conditions change⁽⁶⁾
- We believe our analytical expertise, research and systems provide an edge that will generate attractive loss-adjusted returns over market cycles

Portfolio Summary as of March 31, 2019⁽¹⁾

Diversified sources of return to perform across market cycles

Strategy	Allocated Equity	Fair Value (\$K)	Average Price (%) ⁽²⁾⁽⁶⁾	WAVG Life ⁽⁴⁾⁽⁶⁾	WAVG Mkt Yield ⁽⁵⁾⁽⁶⁾
CREDIT					
CMBS and Commercial Mortgage Loans and REO ⁽⁸⁾⁽⁹⁾		\$ 307,942	79.9	1.7	10.7%
Residential Mortgage Loans and REO ⁽⁷⁾⁽⁸⁾		307,298	99.1	3.0	6.1%
Consumer Loans and ABS		218,027	- ⁽³⁾	0.8	8.6%
Non-Agency RMBS		130,372	69.7	4.3	6.0%
CLO ⁽¹⁰⁾		98,497	89.5	5.8	17.4%
Non-Dollar MBS, ABS, CLO and Other ⁽¹⁰⁾⁽¹¹⁾		94,481	73.5	7.9	8.2%
Investments in Loan Origination Entities		34,849	N/A	N/A	N/A
Corporate Debt and Equity		3,866	18.7	1.1	19.4%
Total - Credit	82%	\$ 1,195,332	84.3	3.0	9.0%
AGENCY					
Fixed-Rate Specified Pools		\$ 1,019,982	104.1	6.6	3.3%
Reverse Mortgage Pools		89,345	107.3	6.0	3.0%
IOs		25,428	N/A	3.6	6.6%
Floating-Rate Specified Pools		9,460	103.0	3.2	2.7%
Total - Agency	18%	\$ 1,144,215	104.4	6.5	3.3%
Undeployed	0%				

Equity and Asset Allocation by Strategy

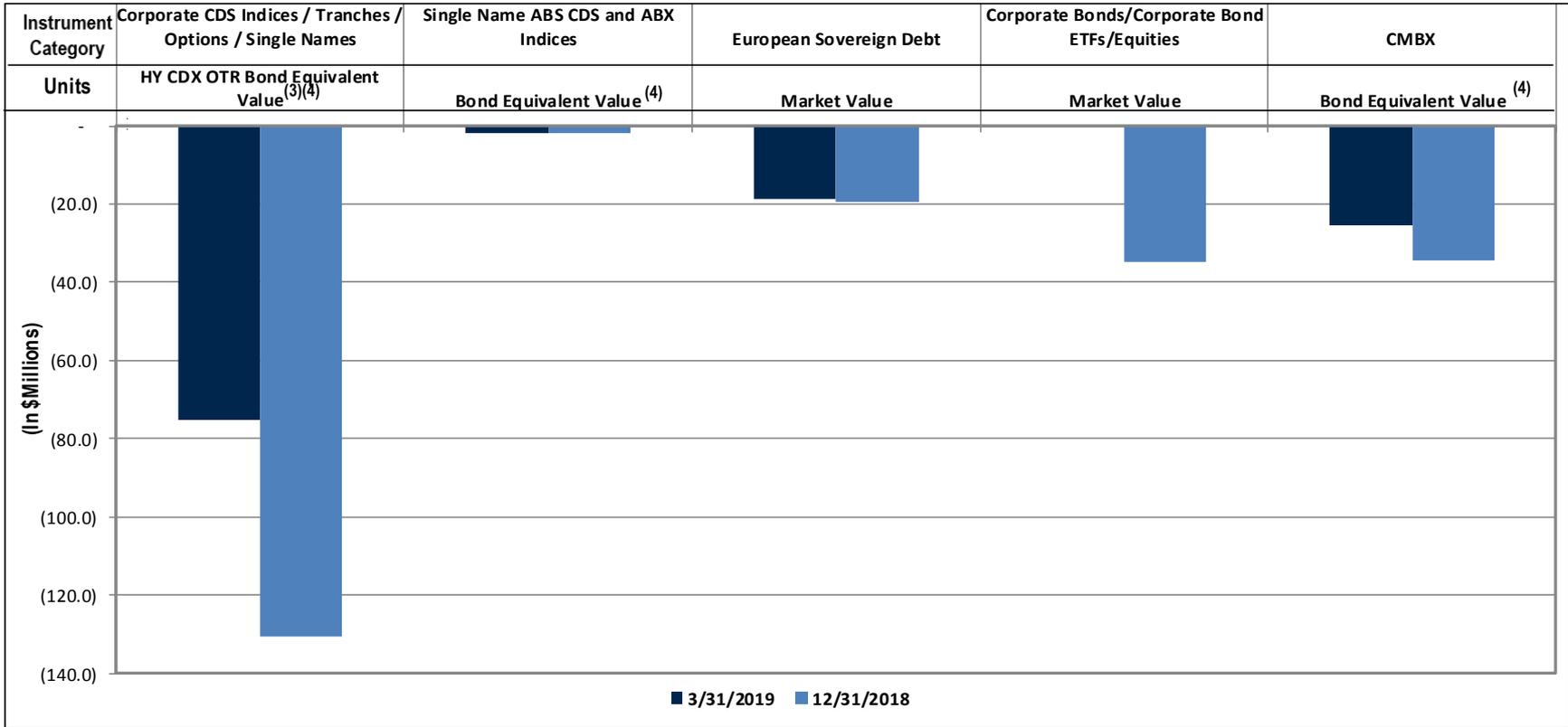


■ CREDIT ■ AGENCY ■ Undeployed

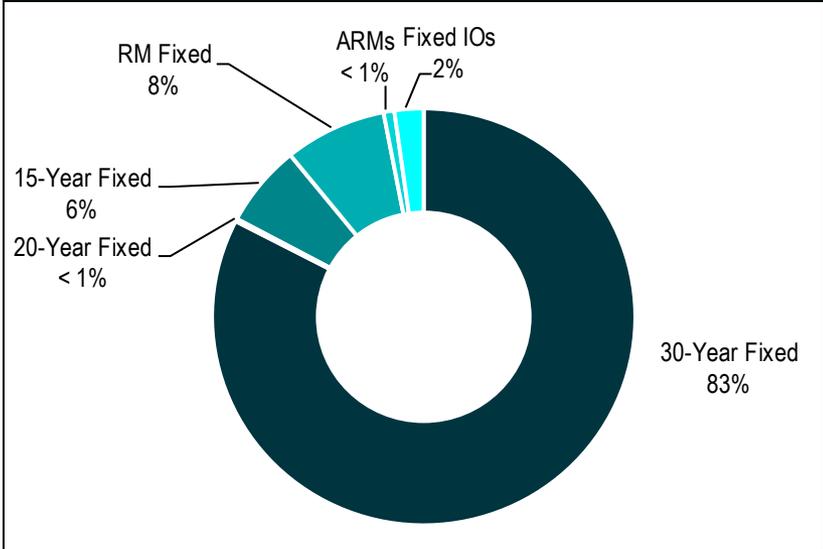
Debt-to-Equity Ratio by Strategy and Overall:

Credit:	2.19x ⁽¹²⁾
Agency:	8.77x ⁽¹²⁾
Overall:	3.39x ⁽¹³⁾

Credit Hedging Portfolio⁽¹⁾⁽²⁾

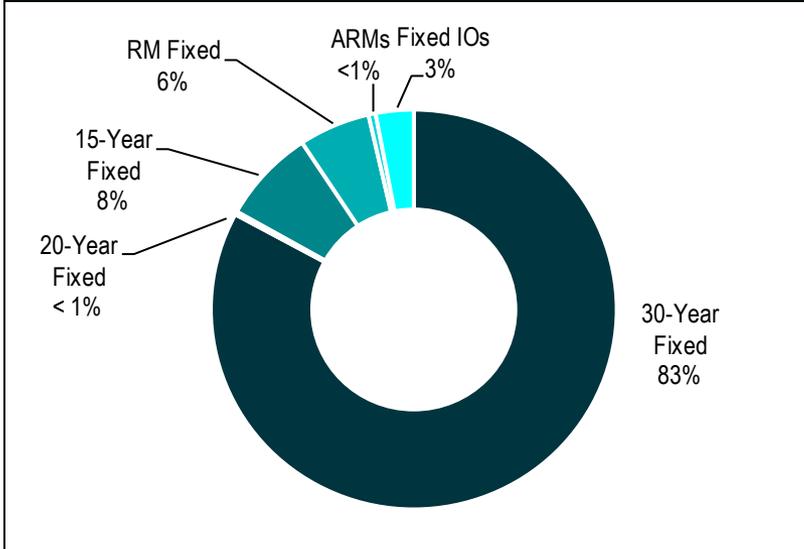


Agency Long Portfolio
As of 3/31/2019: \$1.14BN⁽¹⁾



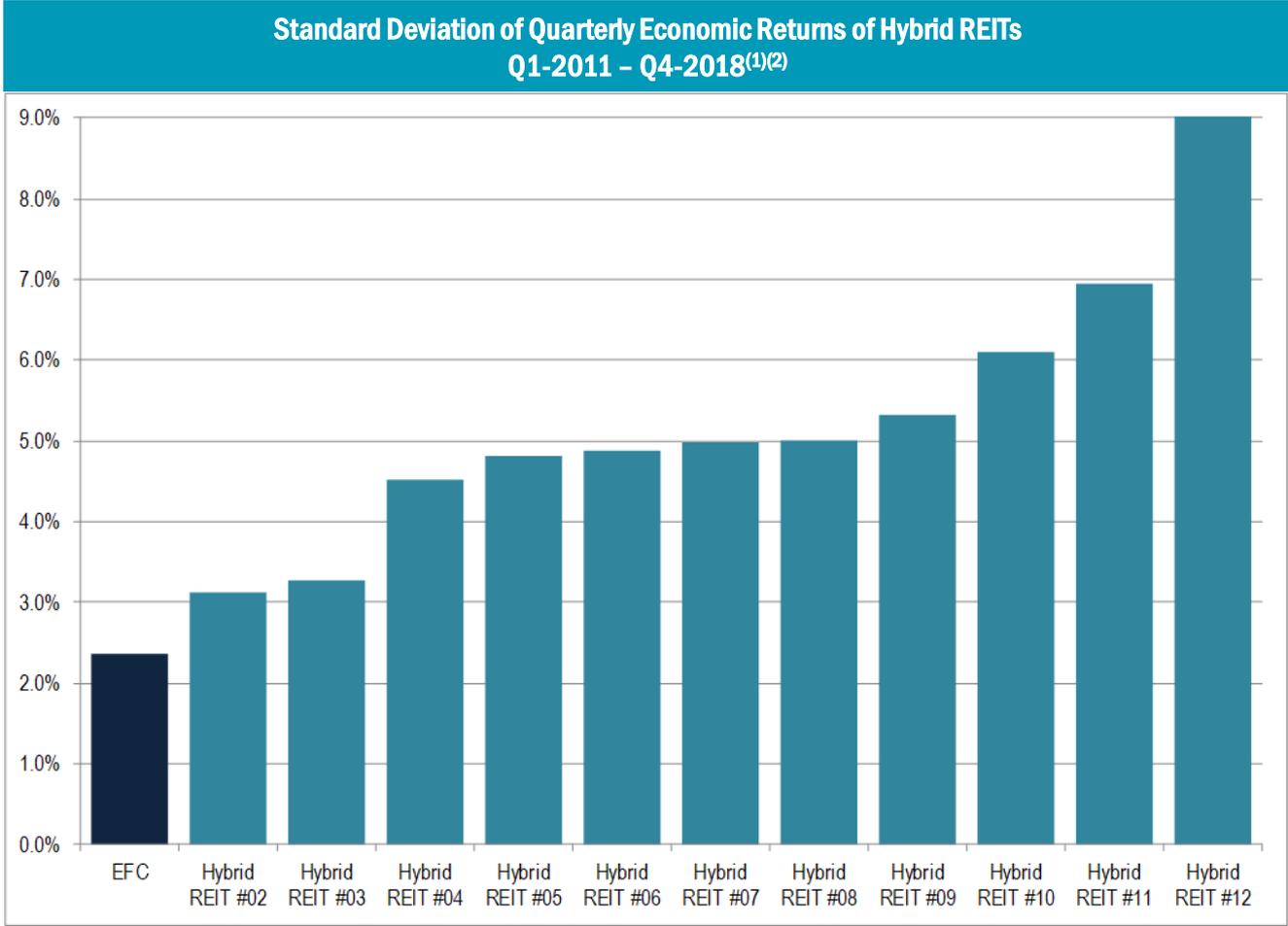
Category	Fair Value ⁽¹⁾	Wtd. Avg. Coupon ⁽²⁾
30-Year Fixed	\$ 945.0	4.20
20-Year Fixed	2.4	4.20
15-Year Fixed	72.6	3.48
RM Fixed	89.3	4.40
Subtotal - Fixed	1,109.4	4.17
ARMs	9.5	
Fixed IOs	25.4	
Total	\$ 1,144.2	

Agency Long Portfolio
As of 12/31/2018: \$975MM⁽¹⁾



Category	Fair Value ⁽¹⁾	Wtd. Avg. Coupon ⁽²⁾
30-Year Fixed	\$ 808.5	4.21
20-Year Fixed	2.5	4.20
15-Year Fixed	73.9	3.48
RM Fixed	55.5	4.58
Subtotal - Fixed	940.3	4.17
ARMs	5.5	
Fixed IOs	29.5	
Total	\$ 975.4	

Stable Economic Return



**Standard Deviation of
Quarterly Economic
Returns of Hybrid REITs
Q1-2011 – Q4-2018**

Company	Standard Deviation
EFC	2.4%
Hybrid REIT #02	3.1%
Hybrid REIT #03	3.3%
Hybrid REIT #04	4.5%
Hybrid REIT #05	4.8%
Hybrid REIT #06	4.9%
Hybrid REIT #07	5.0%
Hybrid REIT #08	5.0%
Hybrid REIT #09	5.3%
Hybrid REIT #10	6.1%
Hybrid REIT #11	6.9%
Hybrid REIT #12	13.7%

■ 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	\$ 131	0.02%	\$ (159)	-0.03%
Agency RMBS - Fixed Pools and IOs	13,933	2.35%	(21,089)	-3.56%
TBAs	(6,162)	-1.04%	9,280	1.57%
Non-Agency RMBS, CMBS, Other ABS, and Mortgage Loans	4,607	0.78%	(4,607)	-0.78%
Interest Rate Swaps	(6,495)	-1.09%	6,216	1.05%
U.S. Treasury Securities	315	0.05%	(306)	-0.05%
Futures	(4,961)	-0.84%	4,810	0.81%
Mortgage-Related Derivatives	9	-	(7)	-
Corporate Securities and Derivatives on Corporate Securities	(106)	-0.02%	100	0.02%
Repurchase Agreements and Reverse Repurchase Agreements	(2,575)	-0.43%	2,585	0.43%
Total	\$ (1,304)	-0.22%	\$ (3,177)	-0.54%

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

Resilient profit generation through market cycles

(\$ In thousands)	Three-Month Period Ended March 31		Years Ended									
	2019		2018		2017		2016		2015		2014	
Long: Credit	\$ 23,898	4.0%	\$ 61,201	10.0%	\$ 61,136	9.6%	\$ 36,203	5.3%	\$ 46,892	6.1%	\$ 77,636	11.4%
Credit Hedge and Other	(6,556)	-1.1%	8,020	1.3%	(11,997)	-1.9%	(40,548)	-5.9%	10,671	1.4%	(1,197)	-0.2%
Interest Rate Hedge: Credit	(822)	-0.1%	115	0.0%	(851)	-0.1%	(371)	-0.1%	(4,899)	-0.6%	(9,479)	-1.4%
Long: Agency	14,841	2.5%	(5,979)	-1.0%	10,246	1.6%	17,166	2.5%	23,629	3.1%	61,126	9.0%
Interest Rate Hedge and Other: Agency	(9,484)	-1.6%	3,144	0.5%	(5,218)	-0.8%	(8,226)	-1.2%	(17,166)	-2.2%	(47,634)	-7.0%
Gross Profit (Loss)	\$ 21,877	3.7%	\$ 66,501	10.9%	\$ 53,316	8.4%	\$ 4,224	0.6%	\$ 59,127	7.7%	\$ 80,452	11.8%

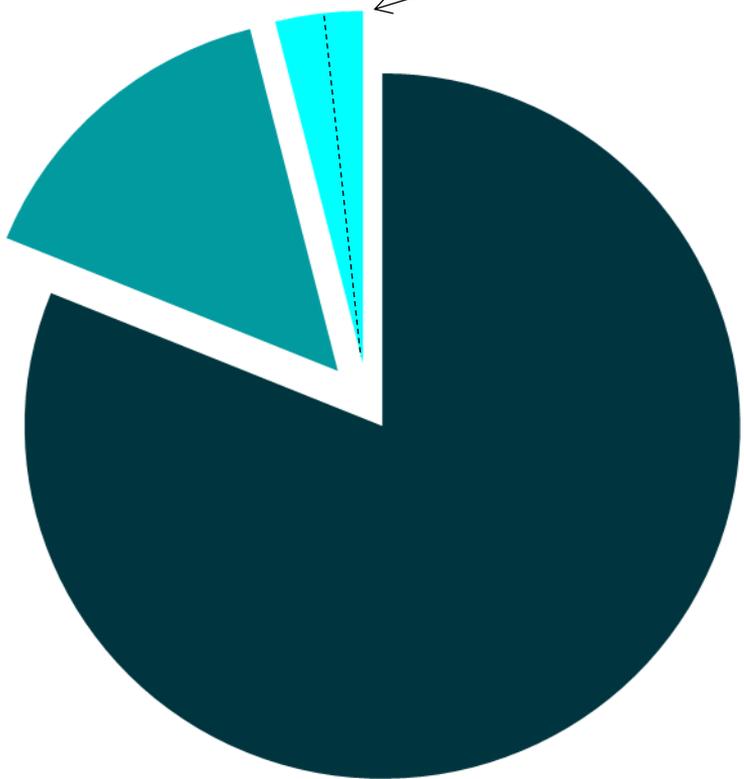
(\$ In thousands)	Years Ended											
	2013		2012		2011		2010		2009		2008	
Long: Credit	\$ 109,536	18.5%	\$ 129,830	30.0%	\$ 1,505	0.4%	\$ 70,840	21.9%	\$ 101,748	36.3%	\$ (64,565)	-26.2%
Credit Hedge and Other	(19,286)	-3.3%	(14,642)	-3.4%	19,895	5.2%	(7,958)	-2.5%	10,133	3.6%	78,373	31.8%
Interest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

Note: Percentages of average equity during period

Non-REIT Strategies to Shrink

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

Pro Forma Target Allocation



Non-REIT Strategies to Maintain

- Consumer Loans & ABS
- Ellington-Sponsored CLOs
- European NPLs
- Equity Investments in Loan-Origination Entities

REIT-Qualifying Strategies

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

Note: Chart based on fair market value by strategy as of 3/31/2019

Supplemental Slides



(\$ in thousands)

Collateral Type	As of 3/31/2019		Three-Month Period Ended 3/31/2019	
	Outstanding Borrowings	Average Borrowing Rate	Average Borrowings	Average Cost of Funds
Credit ⁽¹⁾	\$978,683	4.18%	\$966,679	4.25%
Agency RMBS	941,266	2.71%	893,987	2.74%
Subtotal	\$1,919,949	3.46%	\$1,860,666	3.52%
U.S. Treasury Securities	29,507	2.54%	9,835	2.43%
Subtotal	\$1,949,455	3.45%	\$1,870,501	3.52%
Senior Notes, at par	86,000	5.80%	86,000	5.69%
Total	\$2,035,455	3.55%	\$1,956,501	3.50%

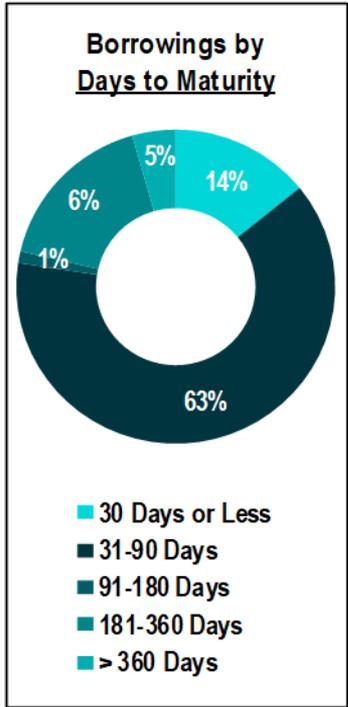
Recourse and Non-Recourse Leverage Summary⁽²⁾

As of 3/31/2019

Recourse Borrowings	\$1,546,896	Recourse Debt-to-Equity Ratio⁽³⁾	2.63:1
Non-Recourse Borrowings	\$488,559		
Total Borrowings	\$2,035,455	Total Debt-to-Equity Ratio	3.44:1
Total Equity	\$592,434	<i>Excluding U.S. Treasury Securities</i>	3.39:1

Repo Borrowings⁽¹⁾

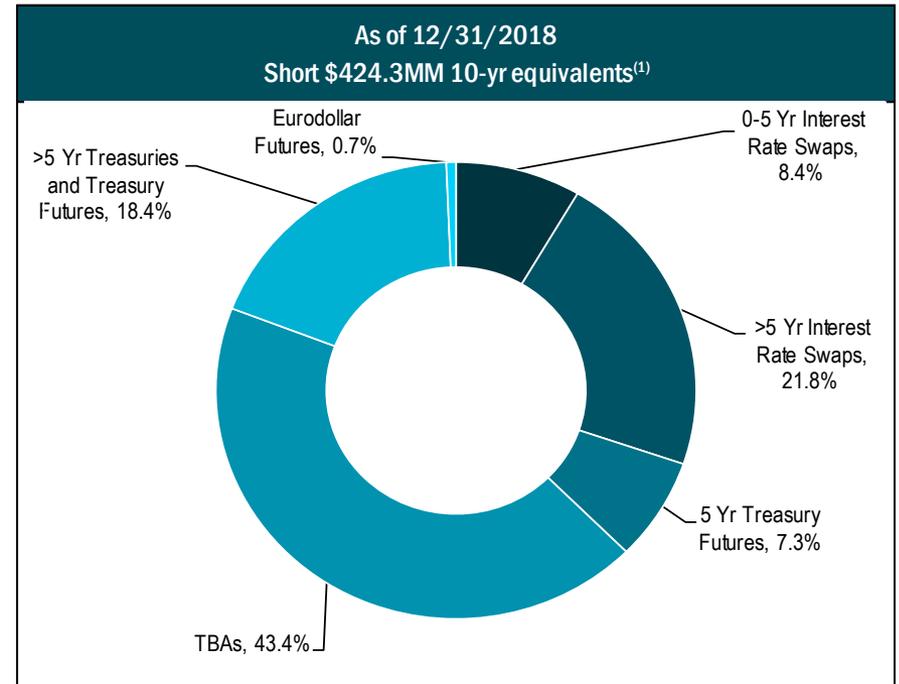
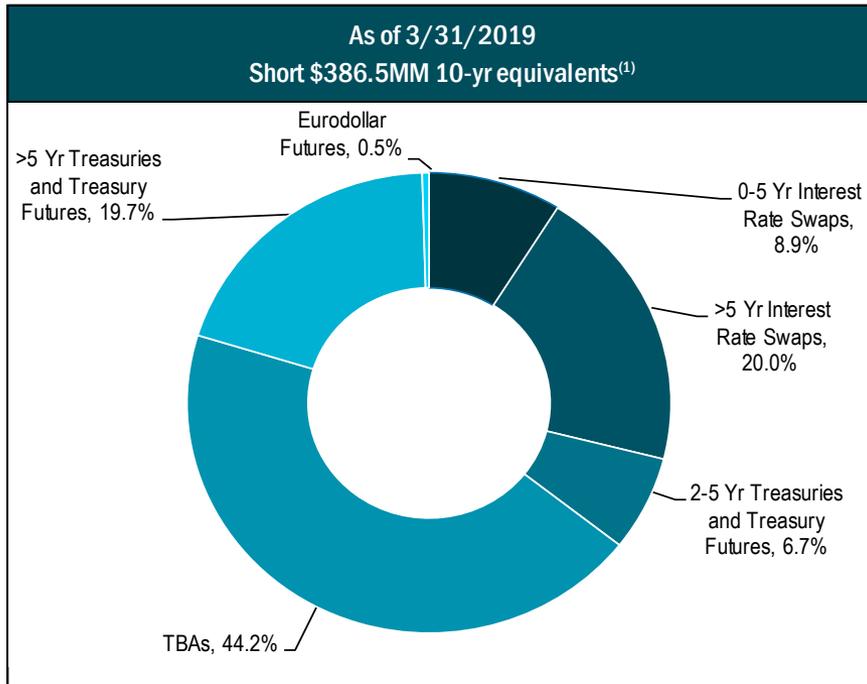
Repo Borrowings as of March 31, 2019					
(\$ in thousands)					
Remaining Days to Maturity	Credit	Agency	U.S. Treasury	Total	% of Total Borrowings
30 Days or Less	\$9,330	\$180,657	\$29,507	\$219,494	14.2%
31-90 Days	227,146	752,206	—	979,352	63.2%
91-180 Days	10,170	8,403	—	18,573	1.2%
181-360 Days	264,458	—	—	264,458	17.0%
> 360 Days	68,139	—	—	68,139	4.4%
Total Borrowings	\$579,243	\$941,266	\$29,507	\$1,550,016	100.0%
Weighted Average Remaining Days to Maturity	236	53	1	121	



- Repo borrowings with 24 counterparties, largest representing approximately 17% of total
- Weighted average remaining days to maturity of 121 days
- Maturities are staggered to mitigate liquidity risk

Agency Interest Rate Hedging Portfolio⁽¹⁾

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

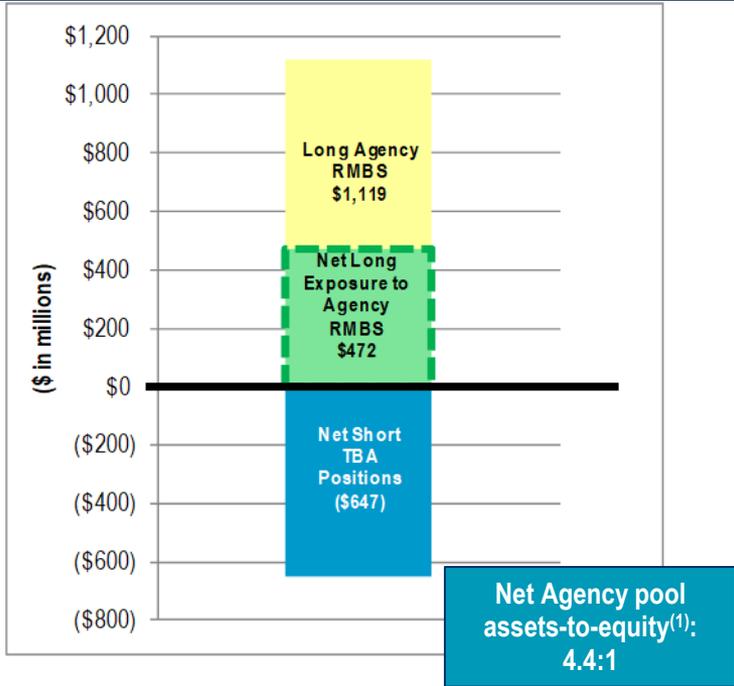


- Shorting “generic” pools (or TBAs) allows EFC to significantly reduce interest rate risk and basis risk in its Agency portfolio
 - We also hedge interest rate risk with swaps, U.S. Treasury securities, and other instruments
- For those Agency pools hedged with comparable TBAs, the biggest risk is a drop in “pay-ups”
 - Average pay-ups on our specified pools were 0.94% as of 3/31/2019, slightly up from 0.64% as of 12/31/2018
- We hedge along the entire yield curve to protect against volatility, defend book value and more thoroughly control interest rate risk

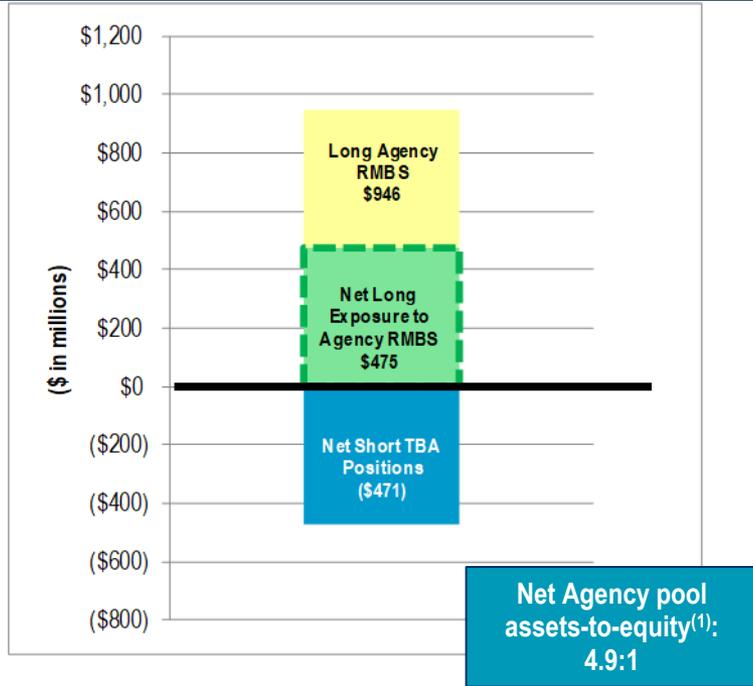
Agency Interest Rate Hedging Portfolio (continued)

Exposure to Agency Pools Based on Net Fair Value

As of 3/31/2019



As of 12/31/2018

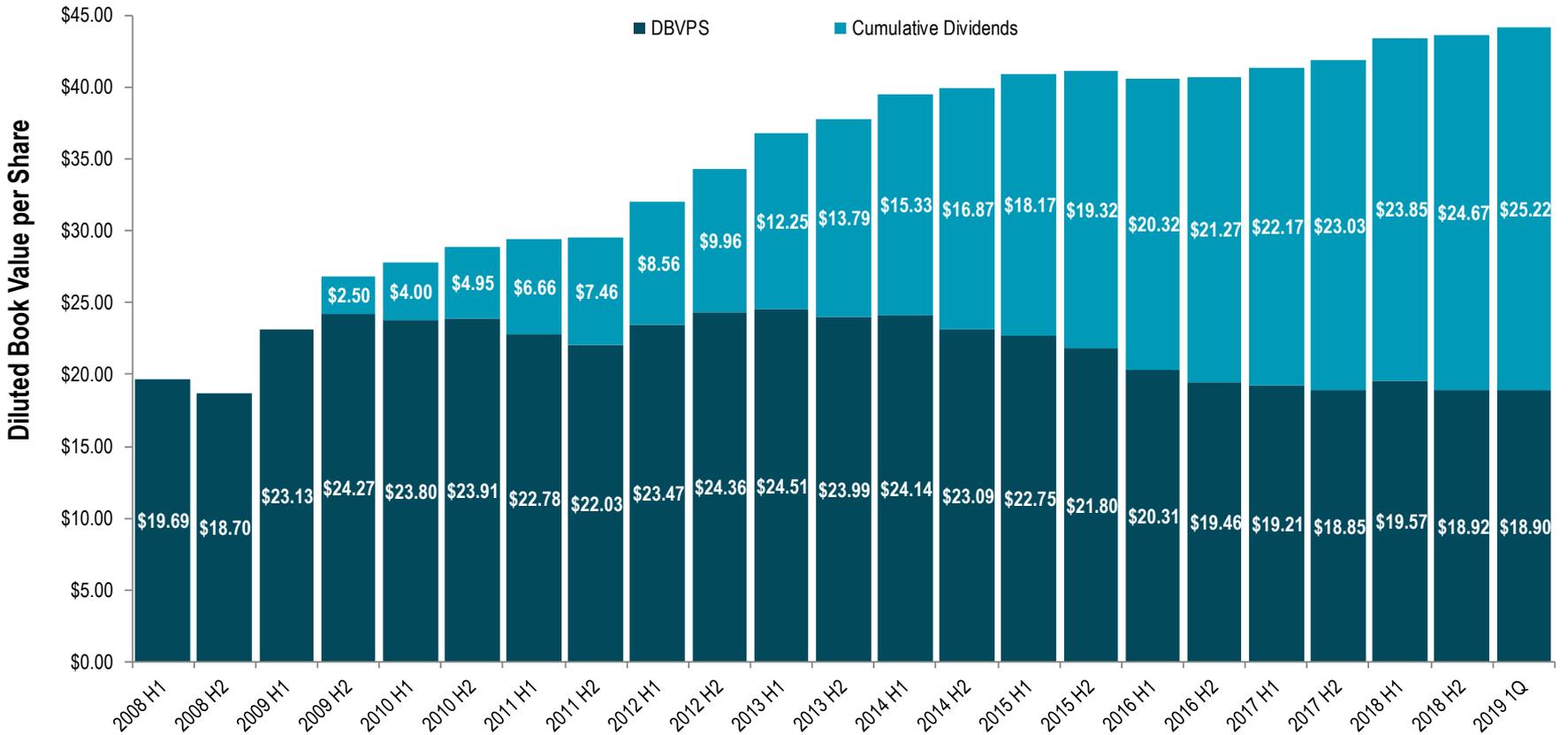


- Our net long mortgage exposure was effectively unchanged quarter over quarter
 - Deducting the amount of the TBA short from our long Agency pool portfolio, our net exposure to pools was ~\$472 million, resulting in a 4.4:1 net Agency pool assets-to-equity⁽¹⁾ ratio
- Use of TBA short positions as hedges 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

Total Return Since Inception

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

- EFC life-to-date diluted net asset value-based total return from inception in August 2007 through Q1 2019 is approximately 207%, or 10.1% annualized⁽¹⁾



(In thousands, except per share amounts)	Three-Month Period Ended March 31, 2019	Per Share	% of Average Equity
Credit			
Interest income and other income ⁽¹⁾	\$ 29,409	\$ 0.97	4.95%
Realized gain (loss), net	(4,299)	(0.14)	-0.72%
Unrealized gain (loss), net	11,713	0.38	1.97%
Interest rate hedges, net ⁽²⁾	(822)	(0.03)	-0.14%
Credit hedges and other activities, net ⁽³⁾	(6,556)	(0.22)	-1.10%
Interest expense ⁽⁴⁾	(11,246)	(0.37)	-1.89%
Other investment related expenses	(3,476)	(0.11)	-0.59%
Earnings from investments in unconsolidated entities	1,797	0.06	0.30%
Total Credit profit (loss)	16,520	0.54	2.78%
Agency RMBS:			
Interest income	7,562	0.25	1.27%
Realized gain (loss), net	(967)	(0.03)	-0.16%
Unrealized gain (loss), net	14,227	0.47	2.39%
Interest rate hedges and other activities, net ⁽²⁾	(9,484)	(0.31)	-1.59%
Interest expense	(5,981)	(0.20)	-1.01%
Total Agency RMBS profit (loss)	5,357	0.18	0.90%
Total Credit and Agency RMBS profit (loss)	21,877	0.72	3.68%
Other interest income (expense), net	346	0.01	0.06%
Other expenses	(5,735)	(0.19)	-0.97%
Net income (loss) (before incentive fee)	16,488	0.54	2.77%
Incentive fee	-	-	-
Net Income (loss)	\$ 16,488	\$ 0.54	2.77%
Less: Net income (loss) attributable to non-controlling interests	1,080		
Net income (loss) attributable to common stockholders⁽⁵⁾	\$ 15,408	\$ 0.52	2.73%
Weighted average shares and convertible units ⁽⁶⁾ outstanding	30,481		
Average equity (includes non-controlling interests) ⁽⁷⁾	\$ 594,206		
Weighted average shares outstanding ⁽⁸⁾	29,748		
Average stockholders' equity (excludes non-controlling interests) ⁽⁷⁾	\$ 563,492		

(In thousands, except per share data)

Net Interest Income	
Interest income	\$ 36,016
Interest expense	(17,618)
Total net interest income	18,398
Other Income (Loss)	
Realized gains (losses) on securities and loans, net	(5,322)
Realized gains (losses) on financial derivatives, net	(11,570)
Realized gains (losses) on real estate owned, net	(58)
Unrealized gains (losses) on securities and loans, net	26,388
Unrealized gains (losses) on financial derivatives, net	(5,689)
Unrealized gains (losses) on real estate owned, net	(247)
Other, net	2,002
Total other income (loss)	<u>5,504</u>
EXPENSES	
Base management fee to affiliate (Net of fee rebates of \$447)	1,722
Investment related expenses:	
Servicing expenses	2,393
Other	1,083
Professional fees	1,956
Compensation expense	1,072
Other expenses	985
Total expenses	9,211
Net Income (Loss) before Earnings from equity method investments	14,691
Earnings from investments in unconsolidated entities	1,797
Net Income (Loss)	<u>16,488</u>
Net Income (Loss) Attributable to Non-Controlling Interests	1,080
Net Income (Loss) Attributable to Common Stockholders	<u>\$ 15,408</u>
Net Income (Loss) per Common Share:	
Basic and diluted	\$ 0.52
Weighted average shares outstanding	29,748
Weighted average shares and convertible units outstanding	30,481
Expense Ratio ⁽¹⁾	3.09%

Condensed Consolidated Balance Sheet, as of 3/31/2019 (unaudited)

(In thousands, except share amounts)

ASSETS

Cash and cash equivalents	\$	55,876
Restricted cash		175
Securities, at fair value		1,529,485
Loans, at fair value		1,014,990
Investments in unconsolidated entities, at fair value		58,152
Real estate owned		31,003
Financial derivatives - assets, at fair value		15,356
Reverse repurchase agreements		25,381
Due from brokers		58,145
Investment related receivables		78,223
Other assets		3,779
Total assets	\$	2,870,565

LIABILITIES

Securities sold short, at fair value	\$	26,212
Repurchase agreements		1,550,016
Financial derivatives - liabilities, at fair value		26,904
Due to brokers		4,820
Investment related payables		168,211
Other secured borrowings		117,315
Other secured borrowings, at fair value		282,124
Senior notes, net		85,100
Accounts payable and accrued expenses		6,167
Base management fee payable to affiliate		1,722
Dividend payable		4,267
Interest payable		4,995
Other liabilities		278
Total liabilities		2,278,131

EQUITY

Common stock, par value \$0.001 per share, 100,000,000 shares authorized;		
29,745,776 shares issued and outstanding		30
Additional paid-in capital		664,654
Retained earnings (accumulated deficit)		(102,475)
Total Stockholders' Equity		562,209
Non-controlling interests		30,225
Total Equity		592,434
TOTAL LIABILITIES AND EQUITY	\$	2,870,565

PER SHARE INFORMATION:

Common stock	\$	18.90
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Reconciliation of Net Income (Loss) to Core Earnings, Q1 2019⁽¹⁾

(In thousands, except per share amounts)

Net income (loss)	\$16,488
Adjustments:	
Realized (gains) losses on securities and loans, net	5,322
Realized (gains) losses on financial derivatives, net ⁽²⁾	12,289
Realized (gains) losses on real estate owned, net	58
Unrealized (gains) losses on securities and loans, net	(26,388)
Unrealized (gains) losses on financial derivatives, net ⁽³⁾	5,414
Unrealized (gains) losses on real estate owned, net	247
Other realized and unrealized (gains) losses, net ⁽⁴⁾	(386)
Non-cash equity compensation expense	116
Catch-up Premium Amortization Adjustment	507
Miscellaneous non-recurring expenses ⁽⁵⁾	1,075
(Earnings) losses from investments in unconsolidated entities ⁽⁶⁾	(364)
Total Core Earnings	\$14,378
Core Earnings attributable to non-controlling interests	1,029
Core Earnings Attributable to Common Stockholders	\$13,349
Core Earnings Attributable to Common Stockholders, per share	\$0.45
GAAP Net Income (Loss) Per Share of Common Stock	\$0.52

- ✓ Diversified investment portfolio across residential mortgage, commercial mortgage, consumer loan, and corporate loan sectors
 - Diverse range of strategies designed to generate a high-quality earnings stream
 - Ability to shift capital allocation across asset classes as credit and liquidity trends evolve⁽¹⁾
 - Flexibility to capitalize on investment opportunities that emerge during times of volatility
- ✓ 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 manager alignment: management owns more than 12% of EFC

Slide 3 – Ellington Management Group – Overview

- (1) \$8.1 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) Management ownership includes shares held by principals of Ellington and family trusts, and operating partnership units attributable to non-controlling interests.
- (4) Registration with the SEC does not imply that the firm or any of its principals or employees possess a particular level of skill or training in the investment advisory or any other business.

Slide 4 – Ellington Financial – Overview

- (1) Subject to qualifying and maintaining our qualification as a REIT.
- (2) Equity usage for a 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.
- (3) See endnote (1) on slide 19.
- (4) See endnotes (1) and (2) on slide 10.
- (5) 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.
- (6) In the event of default under a recourse borrowing, the lender's claim is not limited to the collateral (if any).
- (7) Management ownership includes shares held by principals of Ellington and family trusts, and operating partnership units attributable to non-controlling interests.

Slide 5 – 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 6 – Significantly Diversified Sources of Return in Credit Portfolio

- (1) See endnotes (2) and (3) on slide 5.
- (2) Includes equity investment in securitization-related vehicles.
- (3) REO is not considered a financial instrument and as a result is included at the lower of cost or fair value.
- (4) Includes equity investments in a limited liability companies holding small balance commercial mortgage loans and REO.
- (5) Includes European RMBS secured by non-performing loans and REO, and an investment in an unconsolidated entity holding European RMBS.
- (6) Subject to qualifying and maintaining our qualification as a REIT.

Slide 7 – Portfolio Summary as of March 31, 2019

- (1) See endnote (2) on slide 5.
- (2) Average price excludes interest only, principal only, equity tranches and other similar securities and non-exchange traded corporate equity. All averages in this table are weighted averages using fair value, except for average price which uses current principal balance.
- (3) Average price of consumer loans and ABS is proprietary.
- (4) Weighted average life assumes “projected” cashflows using Ellington’s proprietary models. Excludes interest only, principal only, equity tranches.
- (5) Estimated yields at market prices are management’s estimates derived from Ellington’s proprietary models based on prices and market environment as of March 31, 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) See endnote (3) on slide 5.
- (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 a limited liability companies holding small balance commercial mortgage loans and REO.
- (10) Includes equity investment in securitization-related vehicles.
- (11) Includes European RMBS secured by non-performing loans and REO, and an investment in an unconsolidated entity holding European RMBS.
- (12) In determining the debt-to-equity ratio for an individual strategy, equity usage for such strategy is based on an internal calculation that reflects the actual amount of capital posted to counterparties in connection with such strategy’s positions (whether in the form of haircut, initial margin, prime brokerage requirements, or otherwise) plus additional capital allocated to support such strategy’s positions, net of adjustments for readily financeable assets and securities that may be sold to increase liquidity on short notice. The Company refers to the excess of its total equity over the total risk capital of its strategies as its “risk capital buffer”. If the debt-to-equity ratios for individual strategies were computed solely based on the actual amount of capital posted to counterparties, such ratios would typically be higher. The debt-to-equity ratio does not account for liabilities other than debt financings
- (13) See endnote (5) on slide 4.

Slide 8 – 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 in the financial statements.
- (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 9 – Agency Portfolio

- (1) Agency long portfolio includes \$1,118.8 million of long Agency securities and \$25.4 million of interest only securities as of March 31, 2019 and \$945.8 million of long Agency securities and \$29.5 million of interest only securities as of December 31, 2018.
- (2) Represents weighted average net pass-through rate. Excludes interest only securities.

Slide 10 – 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 11 – Interest Rate Sensitivity Analysis

- (1) The table reflects the estimated effects on the value of our portfolio, both overall and by category, of hypothetical, immediate, 50 basis point downward and upward parallel shifts in interest rates, based on the market environment as of March 31, 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 12 – 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 15 – 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) Includes borrowings at certain unconsolidated entities that are recourse to us.

Slide 16 – Repo Borrowings

- (1) Included in the table, using the original maturity dates, are any repos involving underlying investments we sold prior to March 31, 2019 for settlement following March 31, 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 March 31, 2019, for which delivery of the borrowed funds is not scheduled until after March 31, 2019. Remaining maturity for a repo is based on the contractual maturity date in effect as of March 31, 2019. Some repos have floating interest rates, which may reset before maturity.

Slide 17 – Agency Interest Rate Hedging Portfolio

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

Slide 18 – 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 \$1.12 billion and our long and short TBA positions of \$(647) million, divided by the equity allocated to our Agency strategy of \$107 million. See endnote (12) on Slide 7.

Slide 19 – 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 20 – 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 21 – Condensed Consolidated Statement of Operations (unaudited)

- (1) Expense ratio is defined as our annualized base management fee and other operating expenses, but excluding interest expense, other investment related expenses, incentive fees, and REIT conversion costs, as a percentage of average equity.

Slide 23 – 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 investments, REO, financial derivatives (excluding net accrued periodic (payments) receipts 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 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 period ended March 31, 2019.
- (2) Adjustment excludes net realized gain (losses) on accrued periodic settlements of interest rate swaps of \$0.7 million for the three-month period ended March 31, 2019.
- (3) Adjustment excludes net unrealized gains (losses) on accrued periodic settlements of interest rate swaps of (\$0.3) million for the three-month period ended March 31, 2019.
- (4) 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.
- (5) 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.
- (6) Adjustment represents, for certain investments in unconsolidated entities, the net realized and unrealized gains and losses of the underlying investments of such entities.

Slide 24 – Investment Highlights of EFC

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



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