

Ellington Financial



Presentation to Debt & Preferred Equity Investors

August 2022

Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve numerous risks and uncertainties. Our actual results may differ from our beliefs, expectations, estimates, and projections and, consequently, you should not rely on these forward-looking statements as predictions of future events. Forward-looking statements are not historical in nature and can be identified by words such as “believe,” “expect,” “anticipate,” “estimate,” “project,” “plan,” “continue,” “intend,” “should,” “would,” “could,” “goal,” “objective,” “will,” “may,” “seek,” or similar expressions or their negative forms, or by references to strategy, plans, or intentions. Examples of forward-looking statements in this presentation include statements regarding our portfolio composition, our ability to obtain financing, our expected dividend payment schedule, our ability to shift capital across different asset classes, our ability to hedge, our ability to grow our proprietary loan origination businesses, 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 investments, 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 maintain its qualification as a real estate investment trust, or “REIT,” and other changes in market conditions and economic trends, including changes resulting from the economic effects related to the novel coronavirus (COVID-19) pandemic, and associated responses to the pandemic. Furthermore, forward-looking statements are subject to risks and uncertainties, including, among other things, those described under Item 1A of our Annual Report on Form 10-K, which can be accessed through 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 June 30, 2022 unless otherwise indicated. We undertake no duty or obligation to update this presentation to reflect subsequent events or developments.

- **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 recent 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. \$63 million invested in EFC by management and directors, along with partners / affiliates of Ellington

\$4.0bn

Diversified Investment
Portfolio

8.8%

Annualized Total Return
Since Inception

\$1.2bn

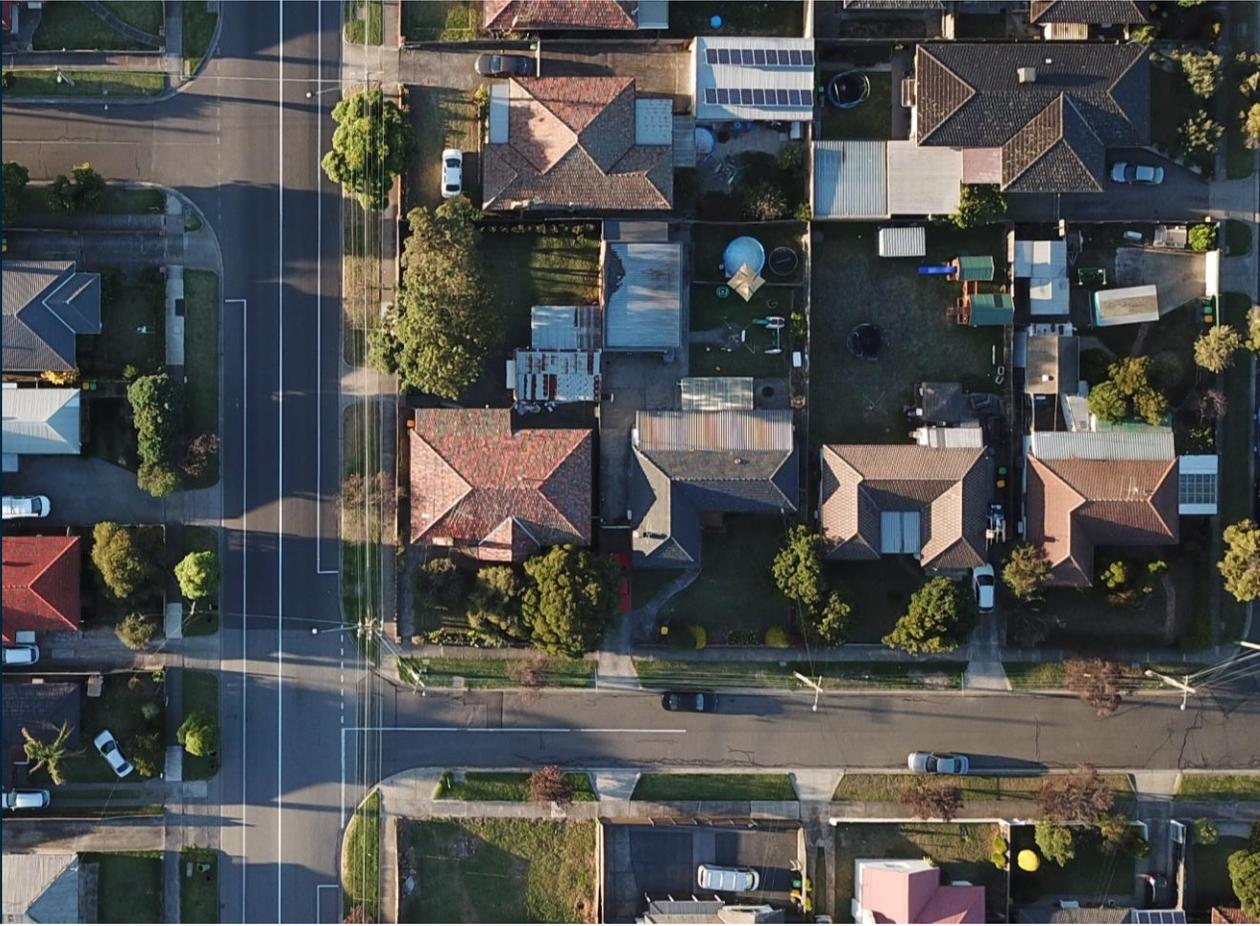
Total Equity

\$1.0bn

Common Equity

The Ellington Platform	5
Ellington Financial Inc. (NYSE: EFC)	16
Supplemental Information	27

The Ellington Platform



Ellington Profile

As of 6/30/2022

Founded:	1994
Employees:	>170
Investment Professionals:	73
Global offices:	3

\$11.5

Billion in
assets under
management as of
6/30/2022⁽¹⁾

12

Employee-partners
own
the firm⁽²⁾

27

Years of average
industry experience
of senior portfolio
managers

6%

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

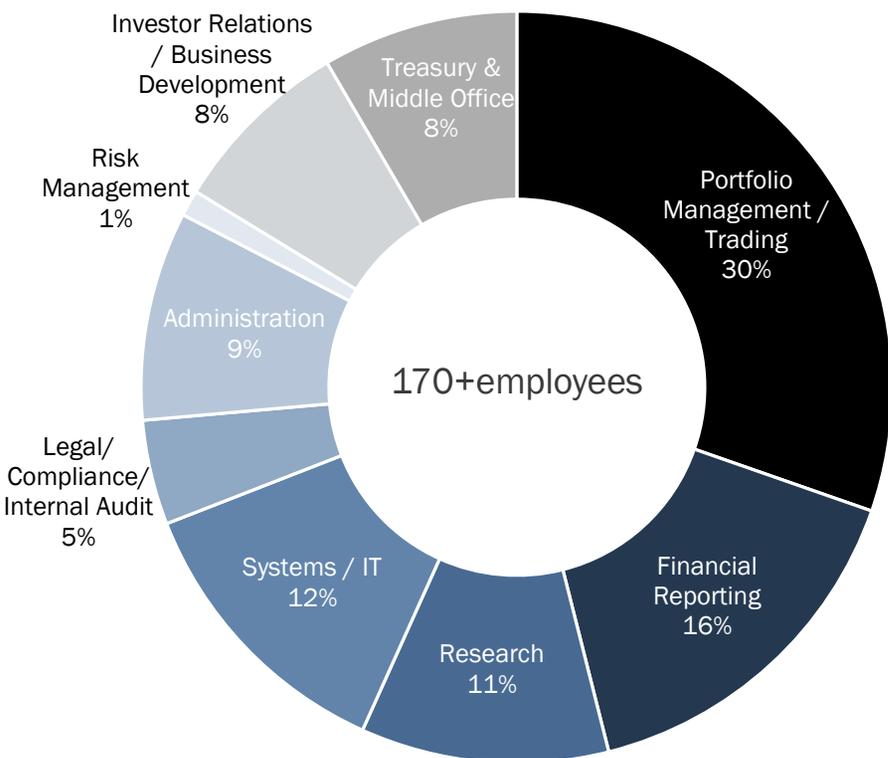
Ellington and its Affiliated Management Companies

- 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

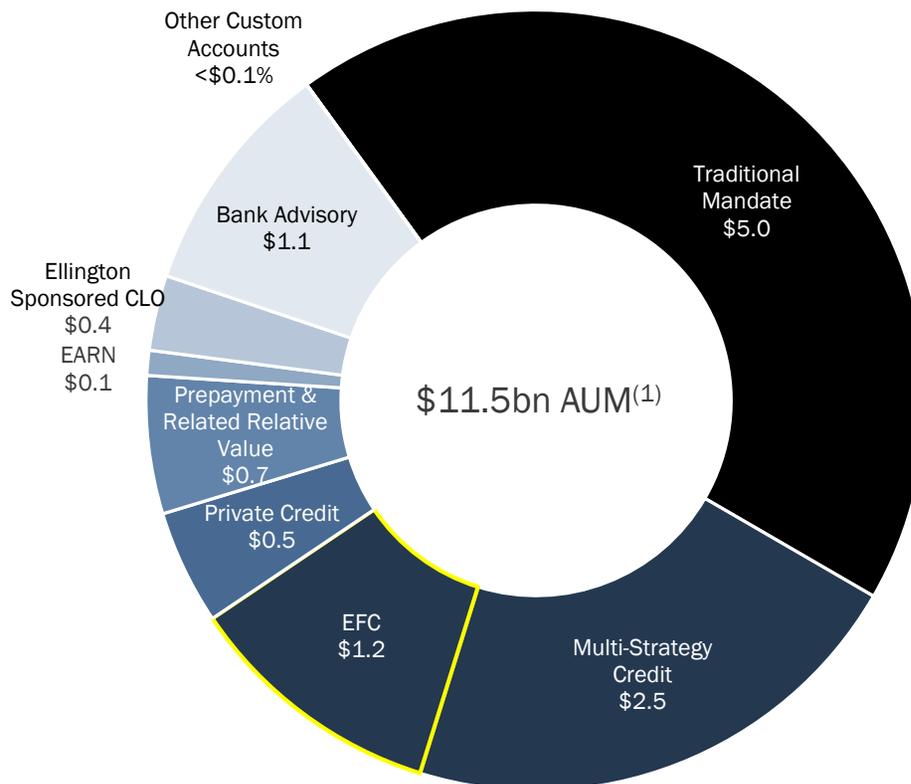
Industry-Leading Research & Trading Expertise

- 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 27 years ago
- Ellington's portfolio managers are among the most experienced in the MBS sector

Headcount by Department



Strategy Breakdown (\$bn)

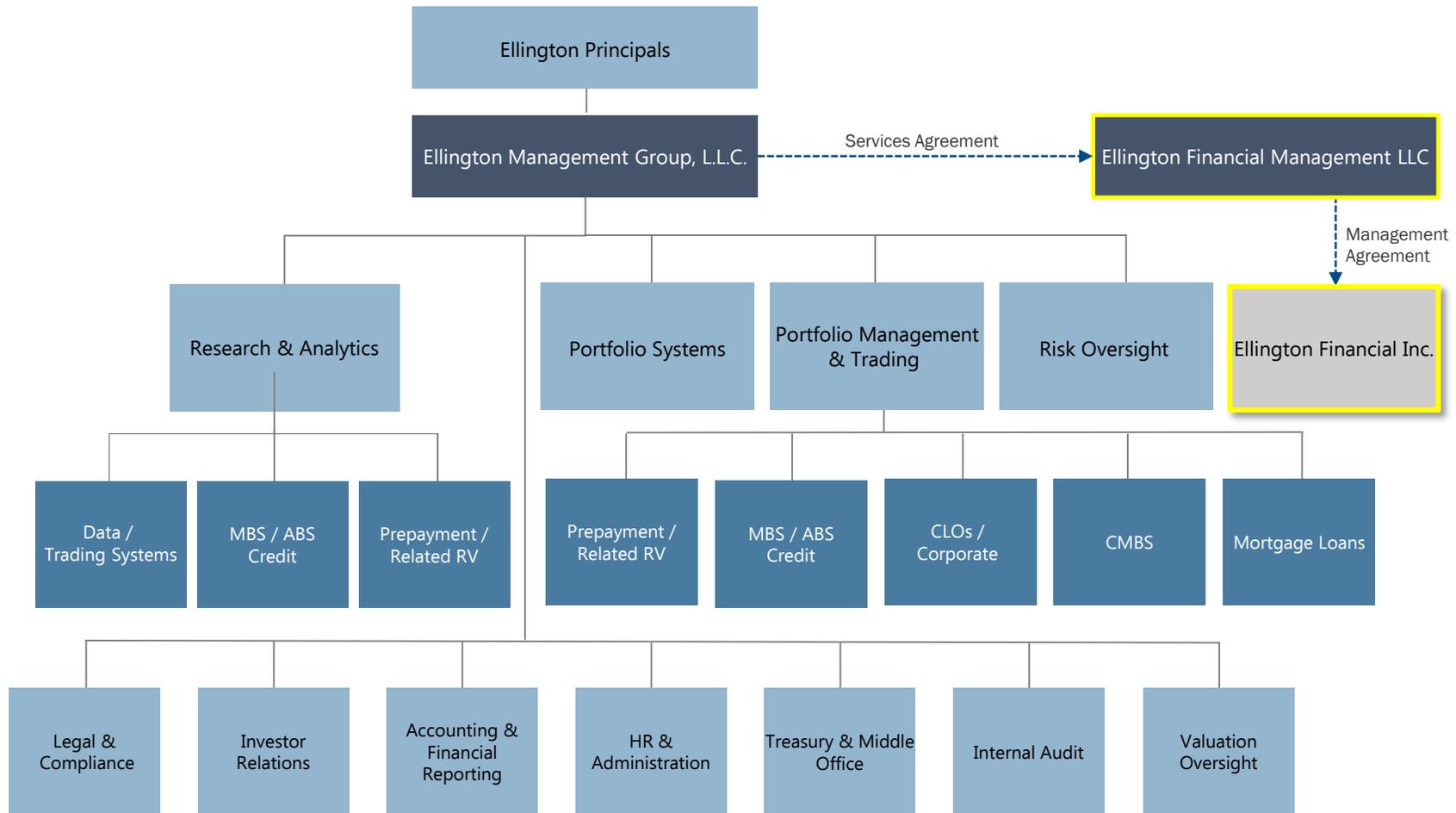


- Ellington manages approximately \$1.3 billion of permanent capital through EFC and EARN as of 6/30/22
 - EFC represents approximately 11% of overall Ellington AUM
- Management owns approximately 6% of EFC's common shares and convertible securities⁽²⁾
- Since 12/31/19, overall Ellington AUM has increased by ~17% and EFC total equity⁽¹⁾ by ~42%

	Years of Experience ⁽³⁾	Years at Ellington ⁽³⁾	
Michael Vranos Co-Chief Investment Officer ⁽¹⁾	38	27	<ul style="list-style-type: none"> • Founder and CEO of Ellington • Former head of RMBS trading and origination at Kidder Peabody • B.A. in Mathematics from Harvard University (magna cum laude, Phi Beta Kappa)
Laurence Penn Chief Executive Officer ⁽²⁾	37	27	<ul style="list-style-type: none"> • Vice Chairman of Ellington, CEO of EFC and EARN • Former Co-head of CMO origination and trading at Lehman Brothers • B.A. in Mathematics from Harvard University (summa cum laude, Phi Beta Kappa) • Masters in Mathematics from Cambridge University
Mark Tecotzky Co-Chief Investment Officer	35	15	<ul style="list-style-type: none"> • Vice Chairman, Co-Head of Credit Strategies • Former senior mortgage trader at Credit Suisse • B.S. from Yale University • Received a National Science Foundation fellowship to study at MIT
JR Herlihy Chief Financial Officer	18	10	<ul style="list-style-type: none"> • CFO of EFC and COO of EARN • Managing Director of EMG and former Co-Chief Investment Officer of Ellington Housing Inc. • Formerly Vice President of acquisitions at GTIS Partners LP • B.A. in Economics and History from Dartmouth College (summa cum laude, Phi Beta Kappa)

Ellington employs over 170 people; approximately 25% are dedicated to research and technology

Ellington has over 170 employees supporting approximately \$11.5 billion⁽¹⁾ in assets under management



Sophisticated infrastructure supports rigorous management of credit, interest rate, liquidity, and other risks



Portfolio Construction

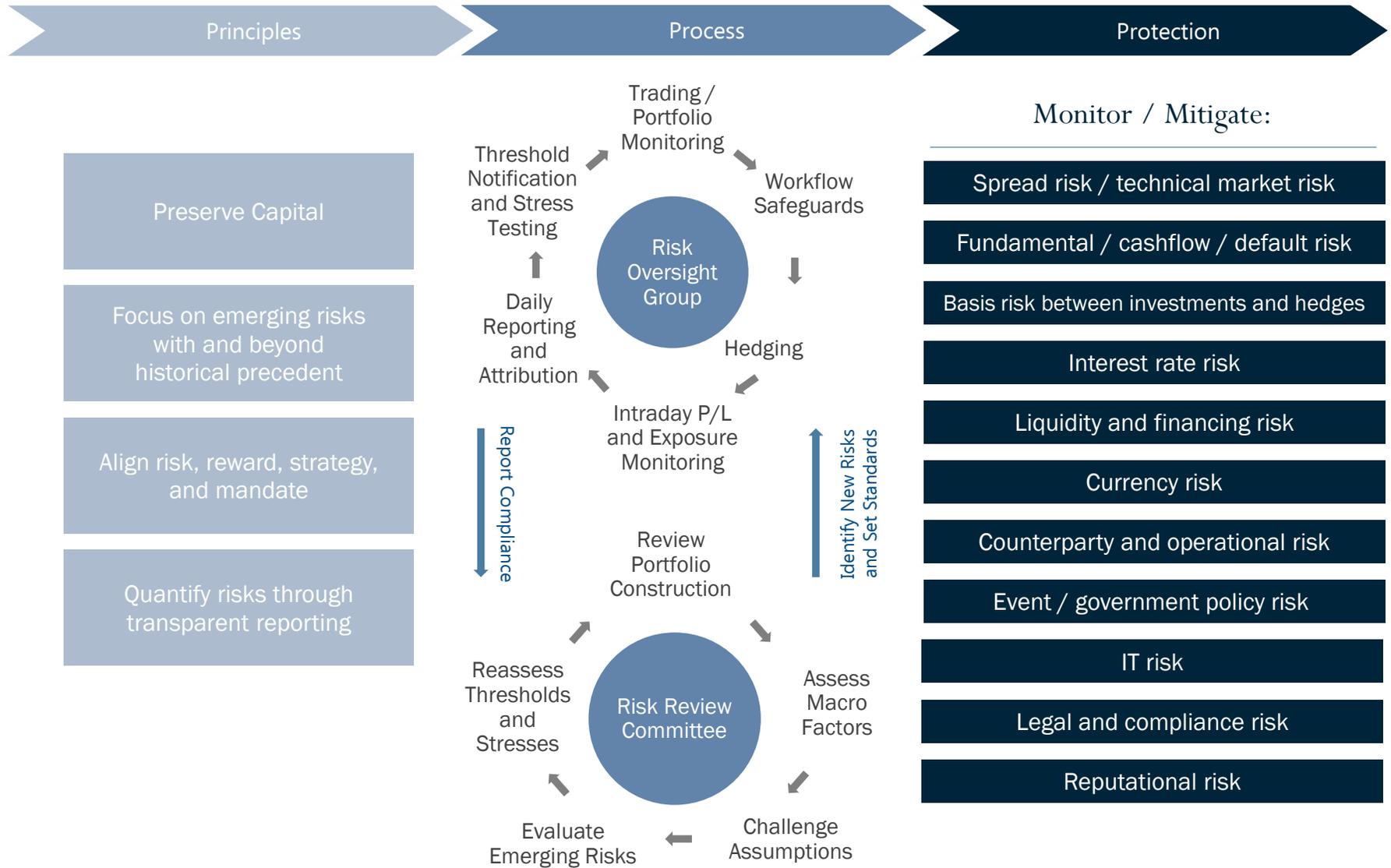
- CEO, Portfolio Management (PM) Committee and Risk Oversight Committee set top-down portfolio and strategy targets / limits
- Sector specialized PMs access niche, high risk-adjusted returning opportunities through deep networks
- Proprietary data sources, pricing models and data analytics utilized to analyze collateral and set purchase / sales price targets

Risk Measurement, Hedging and Trade Execution

- Exposures assessed relative to industry, capital structure, loan terms and other limits as well as across a range of stress tests and scenarios
- PMs determine proper trade hedges, where applicable, with the Risk Oversight Committee and Research
- Senior PMs review larger investments
- Senior PMs / PMs execute the trade

Risk Management and Compliance

- Trade suitability and allocation based on liquidity and maximum drawdown parameters
- Automated allocation systems, overseen by Compliance and Risk Oversight teams
- Middle Office and Operations manage portfolio holdings, settlements and financing; Risk Oversight generates and reviews position- and fund-level risk reports
- Investment theses and structures, including portfolio hedges, continuously reviewed and revised by PMs and Risk Oversight



Compliance Program

- Chief Compliance Officer and dedicated team
- Compliance Committee
- Compliance Manual and Code of Ethics
- Internal culture (“tone at the top”)
- Annual training
- Third-party mock regulatory examinations
- Firm-wide notices and intranet service

Extensive Surveillance Infrastructure

- Oversight integrated with proprietary portfolio management system (automated diagnostics and full data transparency)
- Personal trading and certification system
- Email and Bloomberg message review process
- Other external sources (whistleblower service, etc.)

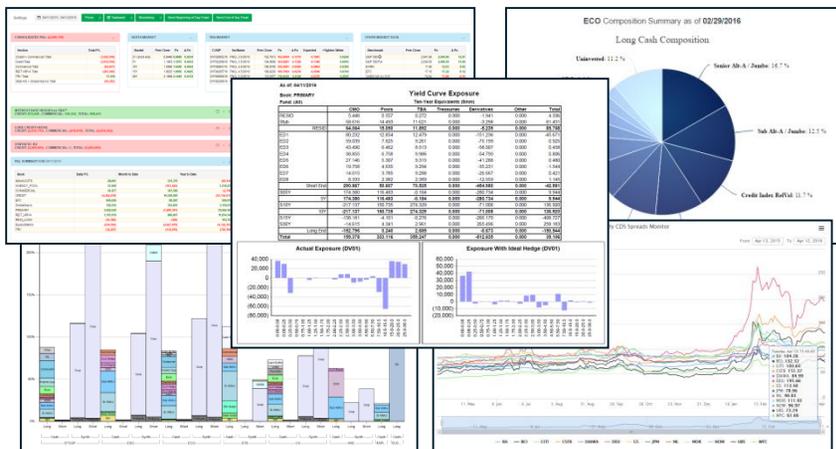
Internal Audit Program

- Head of Internal Audit - oversee CNM LLC
- Sarbanes-Oxley testing oversight
- Review of infrastructure exceeding requirements of Sarbanes-Oxley (“out of scope testing”)
- Intrusion testing
- Disaster recovery plan formulation and testing

- Modeling, research and infrastructure have been at the heart of Ellington's business model since it was founded
 - 25% of Ellington's employees are in research and technology
- Loan-level models provide deep insight into value and risk across a wide range of instruments
 - Rely on analysis of terabytes of data not in public domain

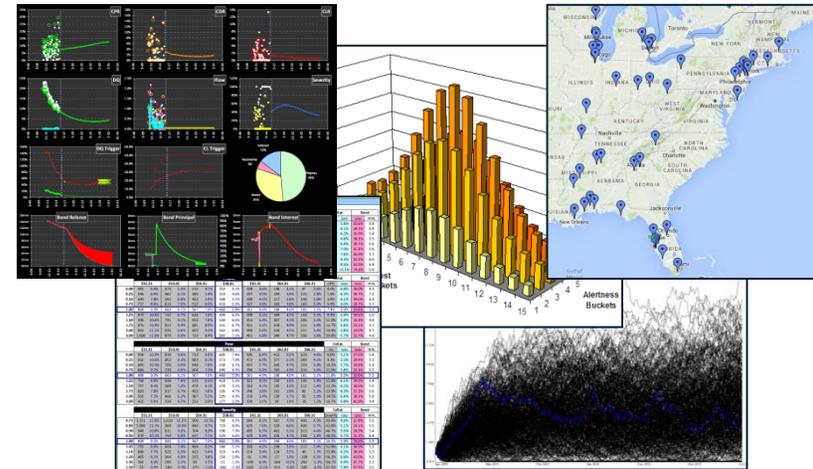
Risk and Portfolio Monitoring

Risk exposure monitoring, automatic refresh of valuations and risk measures, daily reports and intra-day monitors



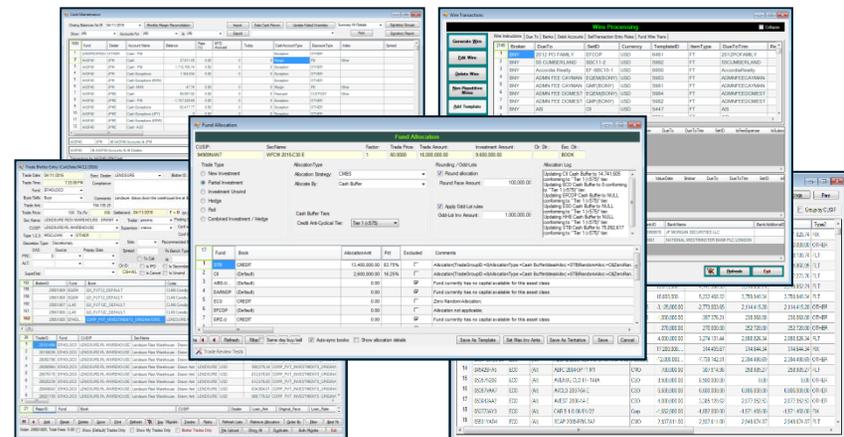
Trading and Research

Borrower behavior models, collateral surveillance, relative valuation monitoring within and among sectors



Operations and Compliance

Automated trade allocation, compliance monitoring, threshold monitoring, trade blotter, cash management, accounting systems



Robust infrastructure provides a constant, dynamic feedback loop between Research, Trading, Portfolio Management, and Oversight disciplines

Operations & Governance

- Automated trade allocation
- Threshold monitoring
- Trade blotter
- Cash management
- Accounting systems
- Compliance monitoring
- Disaster recovery
- Risk management
- Financial reporting

Risk Oversight

- Real-time monitoring capabilities
 - Credit risk scenarios and exposures
 - Historic / future shock scenarios
 - Geographic exposure
 - Natural disaster exposure
 - Tenant credit updates
 - Collateral changes
 - Interest rate scenarios
 - Liquidity
 - Operational, legal, and reputational risks



Data, Research & Trading

- Source, clean, link, aggregate and analyze data to build predictive models:
 - Loan-level analysis
 - Collateral surveillance
 - Relative valuation monitoring within and among sectors
 - Cash flow, credit, interest rate and prepayment models
 - Consumer behavior and financial data
- Automated refresh of valuations
- Real-time position modeling / tracking

Portfolio Management

- System maintains information on tens of thousands of financial instruments across over 40 instrument types
- Full range of fixed income, equities and their derivatives

Ellington is committed to corporate social 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 stockholder performance, and make a positive impact on the environment and society as a whole. Our Manager has a standing ESG Committee to address a variety of issues, including its impact on the environment, increasing the diversity of its workforce, employee engagement, and community involvement.



Environmental

- Our offices are conveniently located near mass transportation.
- We provide financial support and incentives to our employees who use public transit.
- To reduce energy usage, we use Energy Star® certified desktops, monitors and printers; and utilize motion sensor lighting and cooling to reduce energy usage in non-peak hours.
- To reduce waste and promote a cleaner environment, we use green cleaning supplies and kitchen products; recycle electronics, ink cartridges, and packaging; provide recycling containers to employees; and use water coolers to reduce waste.
- We have reduced the number of single use cups and plastic water bottles in our offices.



Social

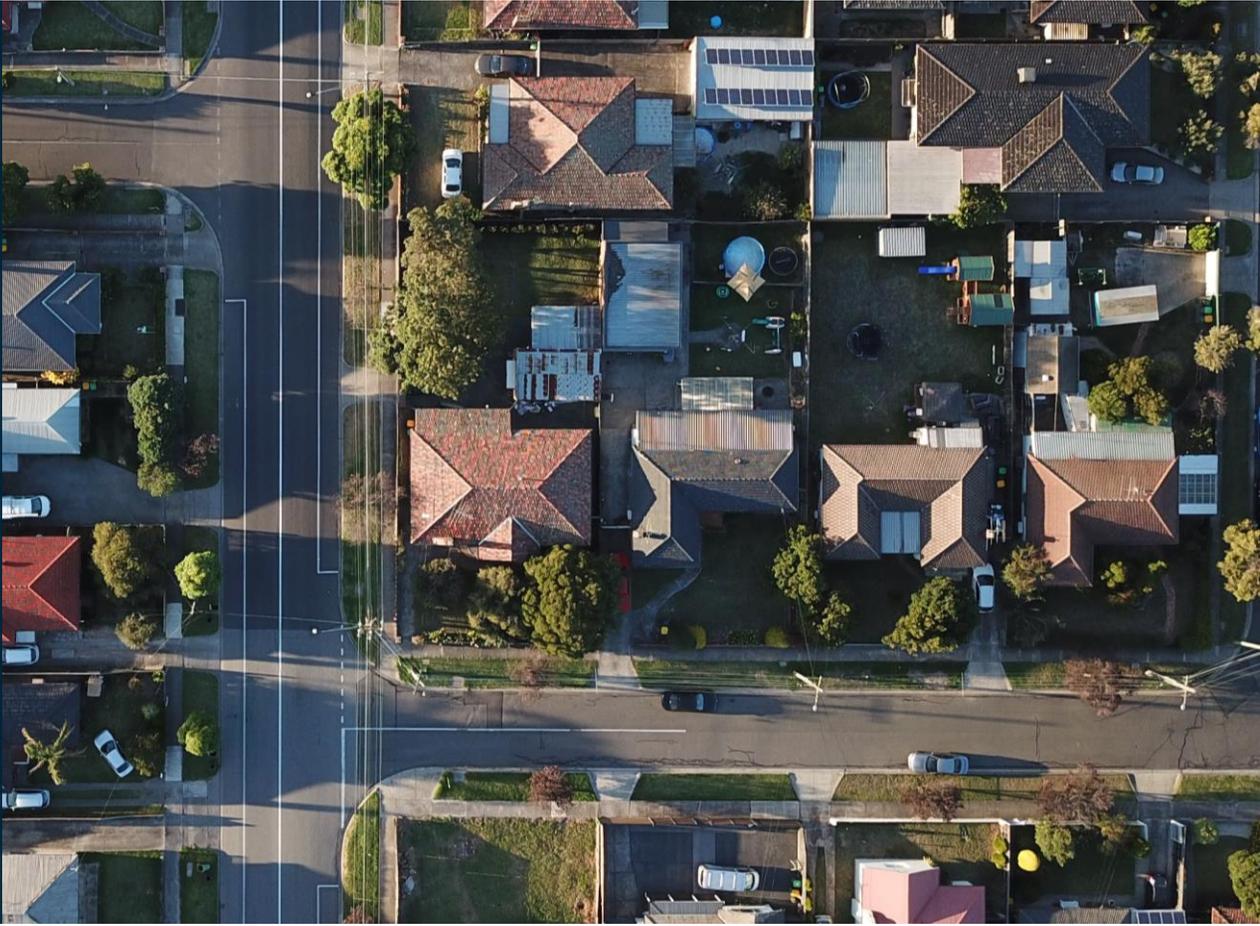
- We invest in home mortgage loans, which support homeownership and stability within communities.
- Ellington and senior members of management sponsor numerous charitable causes, including several devoted to diversity and children in need. We also support employee charitable contributions through matching gift programs, hosting food drives, and other community events.
- 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, including facilitating a lunch & learn series, and reimbursing professional continuing education. We also support professional development through mentorship programs and affinity groups, such as a women’s networking group.
- We are committed to enhancing gender, racial, and ethnic diversity throughout our organization, as stated in our Manager’s Diversity and Inclusion Policy. We have engaged a women-owned recruiting firm focused exclusively on women and minority recruiting on college campuses.
- We are in compliance with applicable employment codes and guidelines, including ADA, Equal Opportunity Employment, Non-Discrimination, Anti-Harassment and Non-Retaliation codes.



Governance

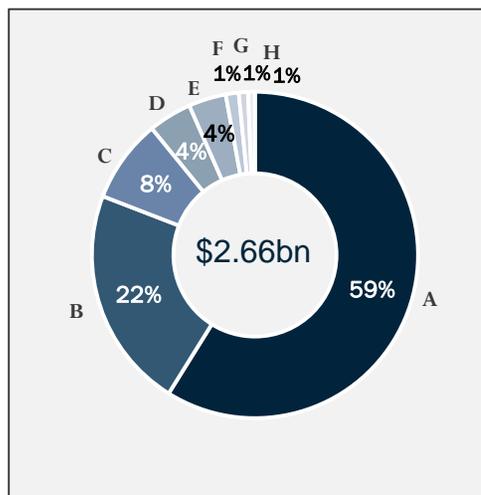
- Our Manager has a Responsible Investment policy incorporating ESG factors into its investment processes for applicable strategies.
- We operate under a Code of Business Conduct and Ethics.
- EFC has a separate independent Chairman, and the majority of Board members are independent.
- We hold annual elections of Directors.
- We are committed to significant disclosure and transparency, including an established monthly book value disclosure and dividend policy.
- We have an established Whistleblower policy to encourage transparency and accountability.
- Robust process for stockholder engagement.
- Strong alignment through 6% co-investment⁽¹⁾

Ellington Financial Inc.
(NYSE: EFC)



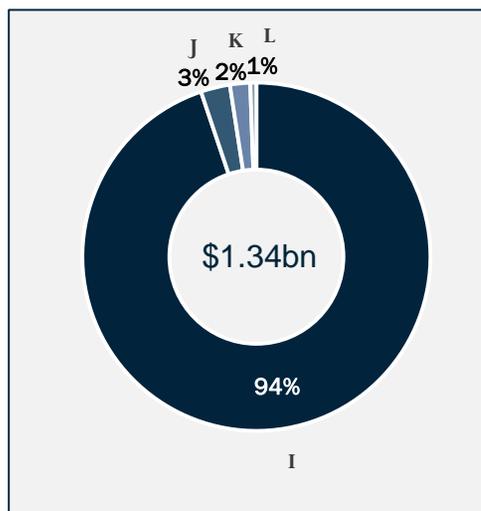
Diversified, proprietary portfolio of high-yielding, short-duration loans, and opportunistic securities

Long Credit Portfolio⁽²⁾



Category	Allocated Equity ⁽⁴⁾	Fair Value (\$000s)	Average Price (%) ⁽⁵⁾⁽⁹⁾	WAVG Life ⁽⁷⁾⁽⁹⁾	WAVG Mkt Yield ⁽⁸⁾⁽⁹⁾
A Residential Mortgage Loans and REO ⁽¹⁰⁾⁽¹¹⁾		\$ 1,555,535	95.2	2.6	6.5%
B CMBS and Commercial Mortgage Loans and REO ⁽¹¹⁾⁽¹²⁾		590,779	94.2	1.6	9.4%
C Non-Agency RMBS		221,725	80.0	6.6	8.6%
D Debt and Equity Investments in Loan Origination Entities		115,415	N/A	N/A	N/A
E Consumer Loans and ABS ⁽¹³⁾		99,922	-(6)	1.1	13.4%
F CLO ⁽¹³⁾		34,478	56.1	3.1	22.6%
G Non-Dollar MBS, ABS, CLO and Other ⁽¹³⁾⁽¹⁴⁾		24,444	68.5	1.4	8.6%
H Corporate Debt and Equity and Corporate Loans		18,336	42.6	2.3	14.5%
Total - Credit	87%	\$ 2,660,634	91.9	2.7	7.9%

Long Agency Portfolio⁽³⁾



Category	Allocated Equity ⁽⁴⁾	Fair Value (\$000s)	Average Price (%) ⁽⁵⁾⁽⁹⁾	WAVG Life ⁽⁷⁾⁽⁹⁾	WAVG Mkt Yield ⁽⁸⁾⁽⁹⁾
I Fixed-Rate Specified Pools		\$1,267,183	94.3	8.1	3.8%
J Reverse Mortgage Pools		35,933	102.3	4.5	4.1%
K IOs		24,773	N/A	5.4	9.5%
L Floating-Rate Specified Pools		7,489	100.2	5.2	3.9%
Total - Agency	13%	\$1,335,378	94.6	7.9	3.9%

Debt-to-Equity Ratio by Strategy and Overall

Credit	3.0x ⁽¹⁵⁾
Agency	8.6x ⁽¹⁵⁾
Overall	3.8x ⁽¹⁶⁾
Overall Recourse	2.6x ⁽¹⁷⁾

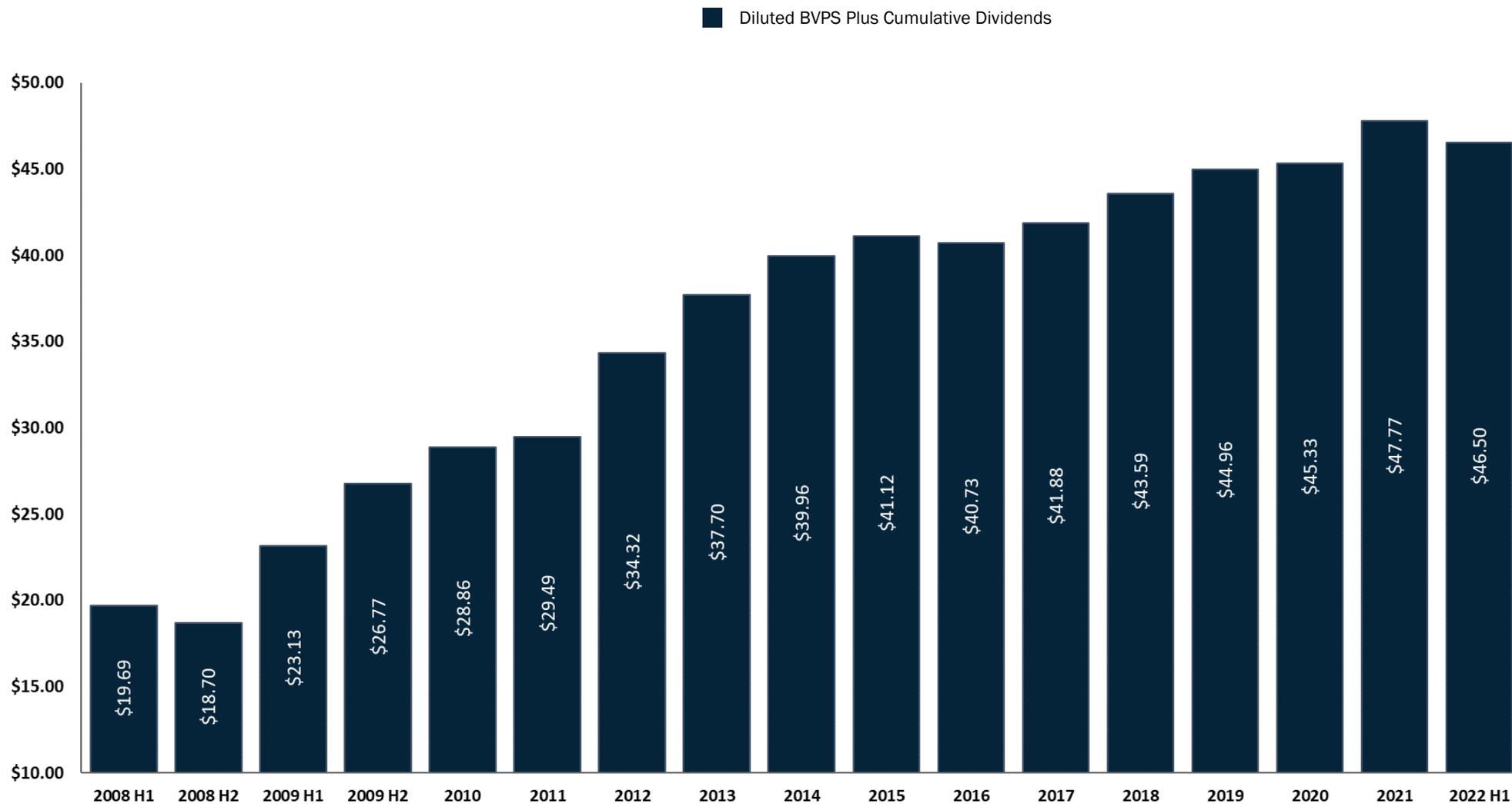
Ellington Financial's vertically integrated, proprietary loan origination businesses are designed to:

- Lock in a steady flow of high-quality loan originations
- Leverage Ellington's core strengths of data analysis and modeling to help shape the underwriting criteria of the loans
- Generate highly attractive ROE profiles
- Represent significant potential upside to book value
- Fill lending void left by banks facing strict post-global financial crisis regulations

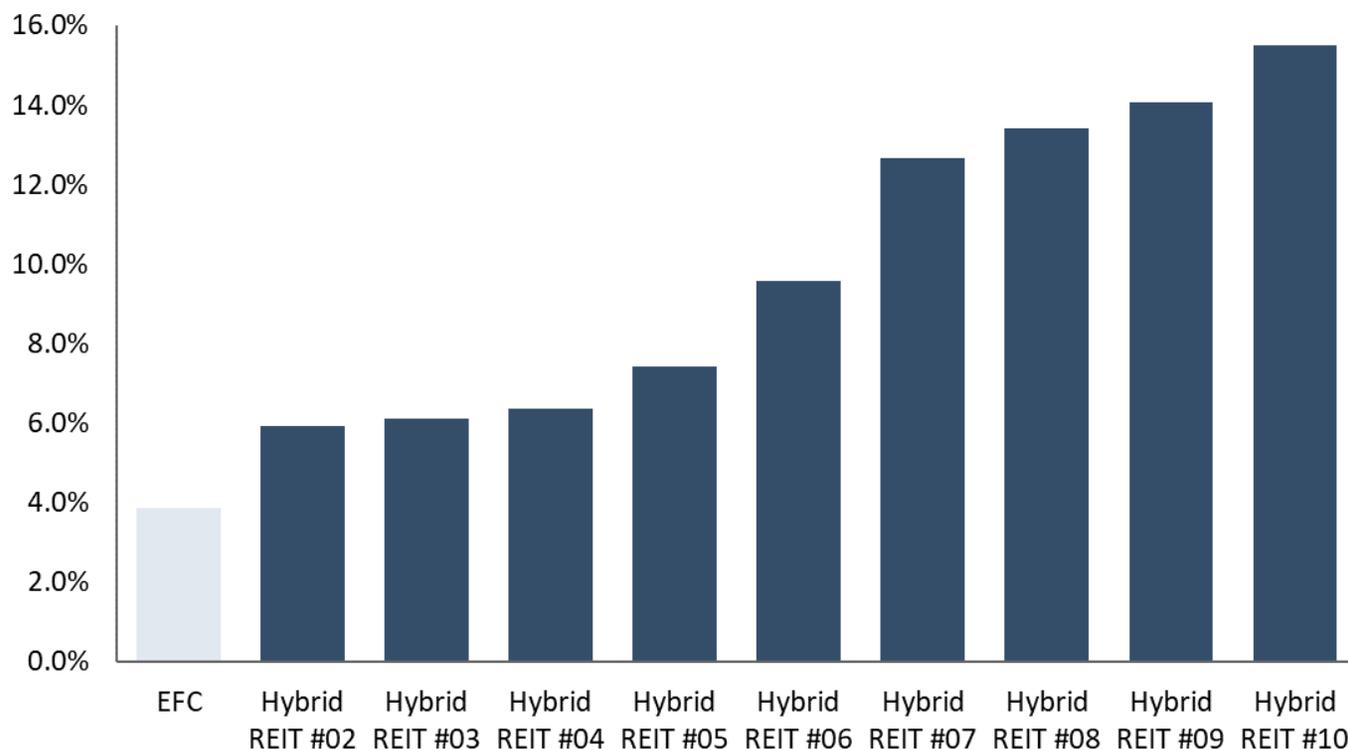
	1	2	3	4	5	
	Non-QM Loans ⁽¹⁾	Small Balance Commercial Loans ⁽²⁾	Residential Transition Loans	Consumer Loans	Reverse Mortgage Loans	
Strategic Originator Investment(s)	√	√	√	√	√	
Joint Ventures and/or Flow Agreements	√	√	√	√	-	
In-House Origination Team	-	√	√	-	-	
						Total
Loans Acquired During Quarter (\$mm)	\$547.9	\$114.2	\$348.5	\$17.2	-	\$1,027.8
Total Loan Fair Value at Quarter-End (\$mm)	\$883.5	\$743.6	\$656.9	\$85.6	-	\$2,369.6

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

- EFC life-to-date diluted net asset value-based total return from inception in August 2007 through Q2 2022 is approximately 250%, or 8.8% annualized⁽¹⁾



Standard Deviation of Quarterly Economic Returns of Hybrid REITs, Q1-2011 – Q2-2022⁽¹⁾⁽²⁾



Company	Standard Deviation
EFC	3.9%
Hybrid REIT #02	5.9%
Hybrid REIT #03	6.1%
Hybrid REIT #04	6.3%
Hybrid REIT #05	7.4%
Hybrid REIT #06	9.6%
Hybrid REIT #07	12.7%
Hybrid REIT #08	13.4%
Hybrid REIT #09	14.1%
Hybrid REIT #10	15.5%

- EFC has produced the most consistent quarterly returns among its peer group with significantly lower earnings volatility, thanks to EFC's dynamic hedging strategies, diversification and active portfolio management

Resilient Profit Generation Over Market Cycles⁽¹⁾

(\$ in thousands)	Six-Month Period Ended June 30		Years Ended				
	2022	2021	2020	2019	2018	2017	2016
Long: Credit	(56,411) -4.4%	\$188,562 18.1%	\$53,736 6.2%	\$73,919 11.1%	\$61,201 10.0%	\$61,136 9.6%	\$36,203 5.3%
Credit Hedge and Other	6,686 0.5%	(1,887) -0.2%	8,027 0.9%	(11,237) -1.7%	8,020 1.3%	(11,997) -1.9%	(40,548) -5.9%
Interest Rate Hedge: Credit	17,354 1.3%	4,738 0.5%	(7,938) -0.9%	(1,345) -0.2%	115 0.0%	(851) -0.1%	(371) -0.1%
Long: Agency	(134,825) -10.4%	(17,885) -1.7%	45,957 5.3%	48,175 7.2%	(5,979) -1.0%	10,246 1.6%	17,166 2.5%
Interest Rate Hedge and Other: Agency	102,387 7.9%	17,031 1.6%	(33,672) -3.9%	(25,309) -3.8%	3,144 0.5%	(5,218) -0.8%	(8,226) -1.2%
Gross Profit (Loss)	\$(64,809) -5.0%	\$190,559 18.3%	\$66,110 7.6%	\$84,203 12.7%	\$66,501 10.9%	\$53,316 8.4%	\$4,224 0.6%

COVID
Pandemic

(\$ in thousands)	Years Ended							
	2015	2014	2013	2012	2011	2010	2009	2008
Long: Credit	\$46,892 6.1%	\$77,636 11.4%	\$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	10,671 1.4%	(1,197) -0.2%	(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	(4,899) -0.6%	(9,479) -1.4%	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	23,629 3.1%	61,126 9.0%	(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	(17,166) -2.2%	(47,634) -7.0%	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)	\$59,127 7.7%	\$80,452 11.8%	\$103,990 17.6%	\$128,998 29.8%	\$22,614 5.9%	\$57,760 17.8%	\$124,294 44.4%	\$8,711 3.5%

Taper Tantrum

Credit
Crisis

Note: Percentages of average total equity during the period.

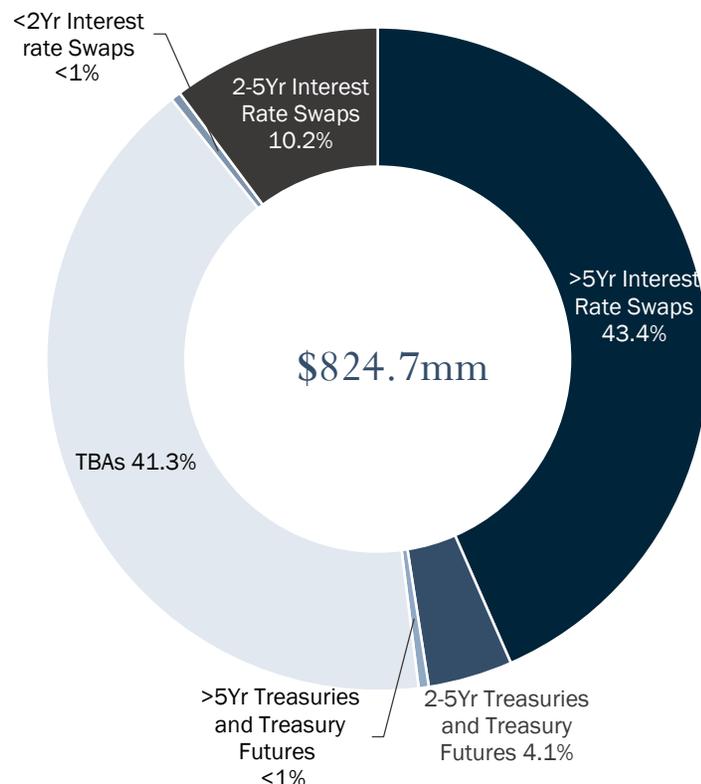
Estimated Change in Fair Value

(\$ in thousands)	50 Basis Point Decline in Interest Rates		50 Basis Point Increase in Interest Rates	
	Δ Fair Value	% of Total Equity	Δ Fair Value	% of Total Equity
Agency RMBS – Fixed Pools and IOs excluding TBAs	\$ 35,600	2.89%	\$ (37,394)	-3.03%
Long TBAs	1,582	0.13%	(1,798)	-0.15%
Short TBAs	(15,616)	-1.27%	16,302	1.32%
Agency RMBS-ARM Pools	302	0.02%	(322)	-0.03%
Non-Agency RMBS, CMBS, Other ABS, and Mortgage Loans	12,042	0.98%	(14,430)	-1.17%
Interest Rate Swaps	(25,685)	-2.08%	24,751	2.01%
U.S. Treasury Securities	(2,633)	-0.21%	2,559	0.21%
Eurodollar and Treasury Futures	(200)	-0.02%	222	0.02%
Corporate Securities and Other	2	0.00%	(2)	0.00%
Repurchase Agreements, Reverse Repurchase Agreements, and Senior Notes Outstanding	(5,430)	-0.44%	5,703	0.46%
Total	\$ (36)	0.00%	\$ (4,409)	-0.36%
Less: Estimated Change in Fair Value attributable to Preferred Stock	(3,038)		3,123	
Estimated Change in Fair Value attributable to Common Stock	\$ (3,074)		\$ (1,286)	
As % of Common Equity	-0.31%		-0.13%	

- EFC's dynamic interest rate hedging, along with the short duration of many of our loan portfolios, reduces our exposure to fluctuations in interest rates
- Diversified fixed income portfolio, after taking into account hedges, borrowings, and the interest rate sensitivity of preferred stock outstanding, results in an effective duration to the common stock of less than one year

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

Agency Interest Rate Hedging Portfolio 6/30/22:
Short \$824.7mm 10-yr Equivalents⁽¹⁾



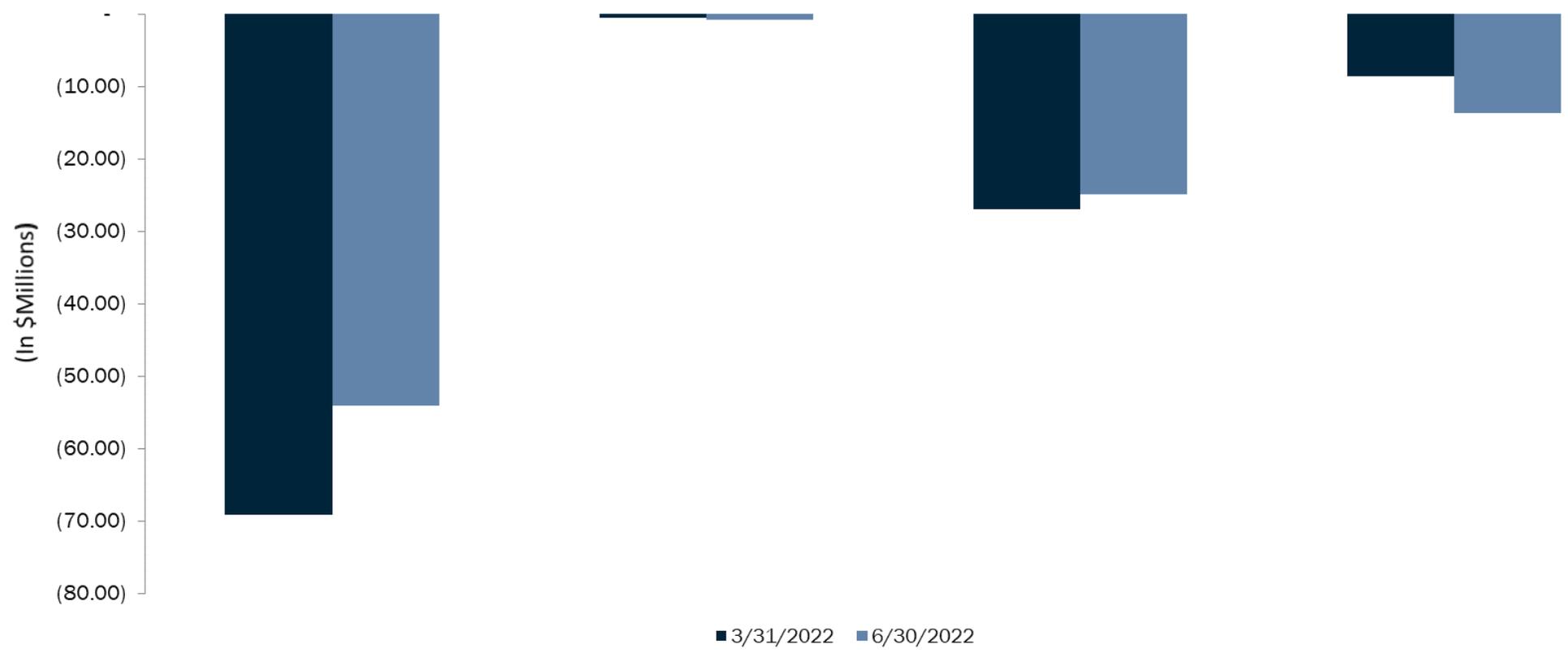
Net Agency Pool Exposure Based on Fair Value⁽²⁾



- We hedge along the entire yield curve to protect against volatility, defend book value and more thoroughly control interest rate risk
- EFC often carries significantly lower net effective mortgage exposure than our “headline” Agency leverage suggests
- 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
- We also hedge interest rate risk with swaps, U.S. Treasury securities, and other instruments

Credit Hedging Portfolio⁽¹⁾⁽²⁾

Instrument Category	Corporate CDS Indices/ Tranches/ Options/ Single Names	Single Name ABS CDS and ABX Indices	European Sovereign Debt	CMBX
Units	HY CDX OTR Bond Equivalent Value ⁽³⁾⁽⁴⁾	Bond Equivalent Value ⁽⁴⁾	Market Value	Bond Equivalent Value ⁽⁴⁾



- EFC's dynamic credit hedging strategy seeks to reduce book value volatility

Collateral Type	As of 6/30/2022		Three-Month Period Ended 6/30/22	
	Outstanding Borrowings	Weighted Average Borrowing Rate	Average Borrowings	Average Cost of Funds
Credit ⁽¹⁾	\$2,995,234	3.07%	\$ 2,713,209	2.80%
Agency RMBS	1,339,362	0.87%	1,401,617	0.57%
Borrowings — Credit and Agency RMBS	\$ 4,334,596	2.39%	\$ 4,114,826	2.04%
U.S. Treasury Securities	24,263	1.58%	18,595	0.87%
Borrowings — including U.S. Treasury Securities	\$ 4,358,859	2.38%	\$ 4,133,421	2.03%
Senior Notes, at par	296,000	5.85%	296,000	5.85%
Total Borrowings	\$ 4,654,859	2.61%	\$ 4,429,421	2.29%

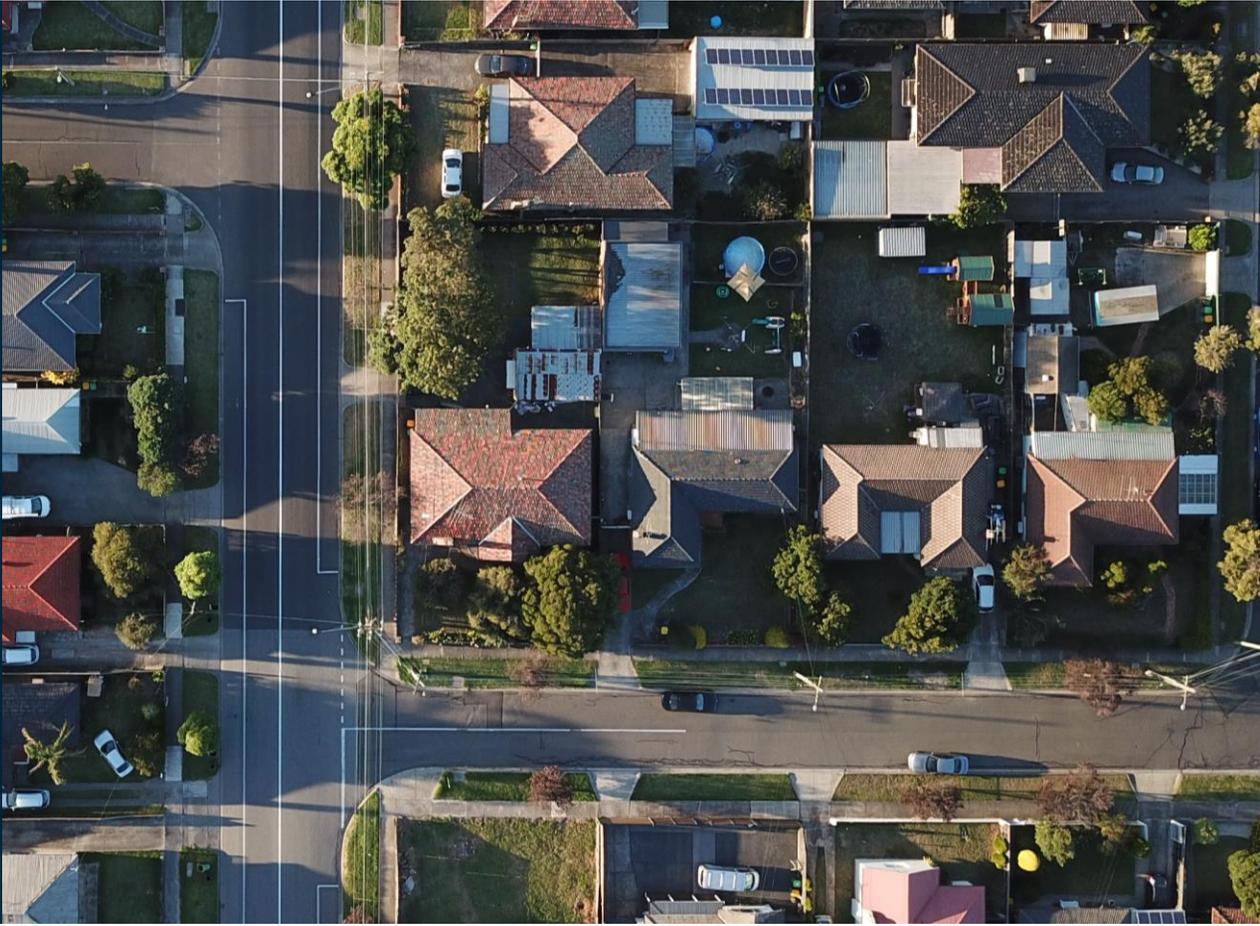
Recourse and Non-Recourse Leverage Summary⁽²⁾

As of 6/30/2022

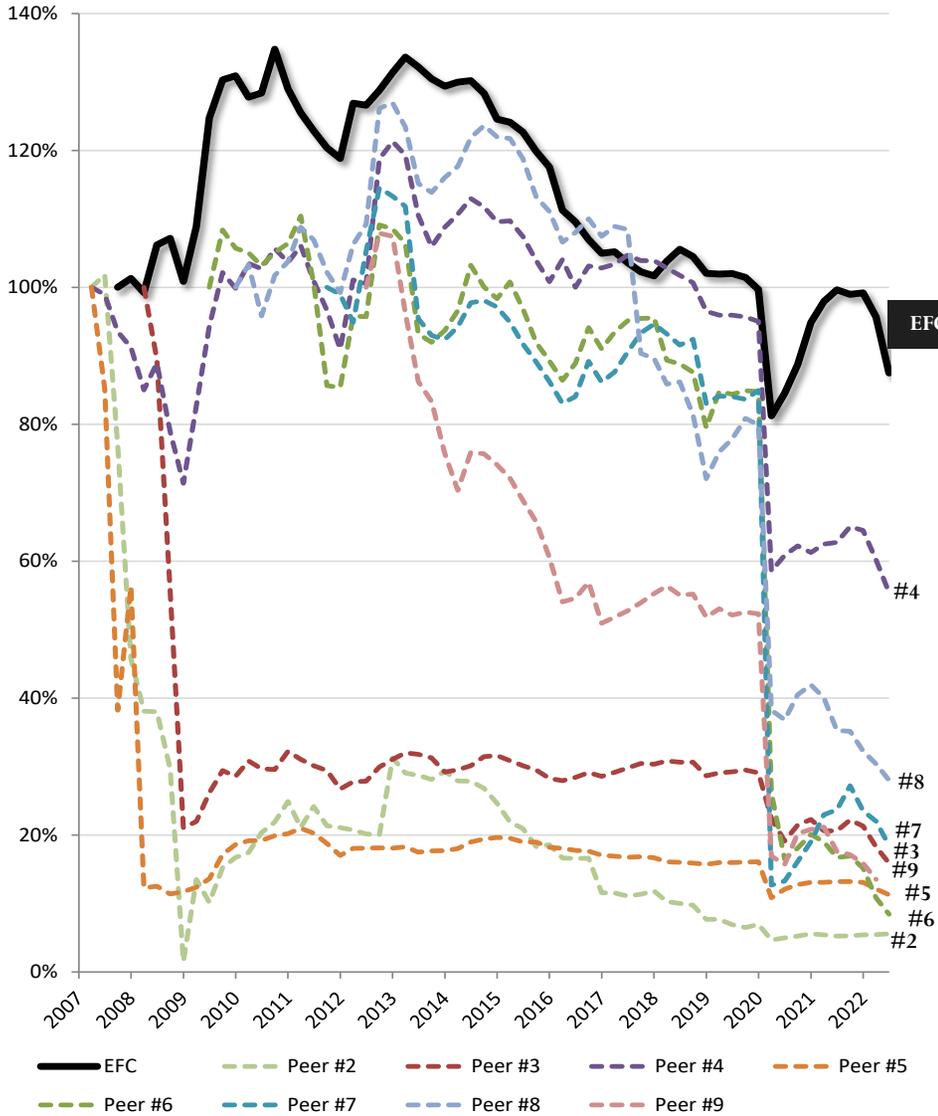
Recourse Borrowings	\$ 3,206,677	Recourse Debt-to-Equity Ratio ⁽³⁾	2.6:1
Non-Recourse Borrowings	\$ <u>1,448,182</u>	<i>Net of Unsettled Purchases/Sales</i>	2.6:1
Total Borrowings	\$ 4,654,859	Total Debt-to-Equity Ratio ⁽⁴⁾	3.8:1
Total Equity	\$ 1,234,455	<i>Net of Unsettled Purchases/Sales</i>	3.7:1

Asset Type	Fair Value (\$000s) ⁽¹⁾
Residential Mortgage Loans and REO	\$ 331,323
Debt and Equity Investments in Loan Origination Entities	115,415
Commercial Mortgage Loans and REO	79,998
Consumer Loans and ABS	21,837
Structured Products - Credit (CLOs, CMBS, Non-Agency RMBS)	21,573
Other	21,102
Total	\$ 591,248

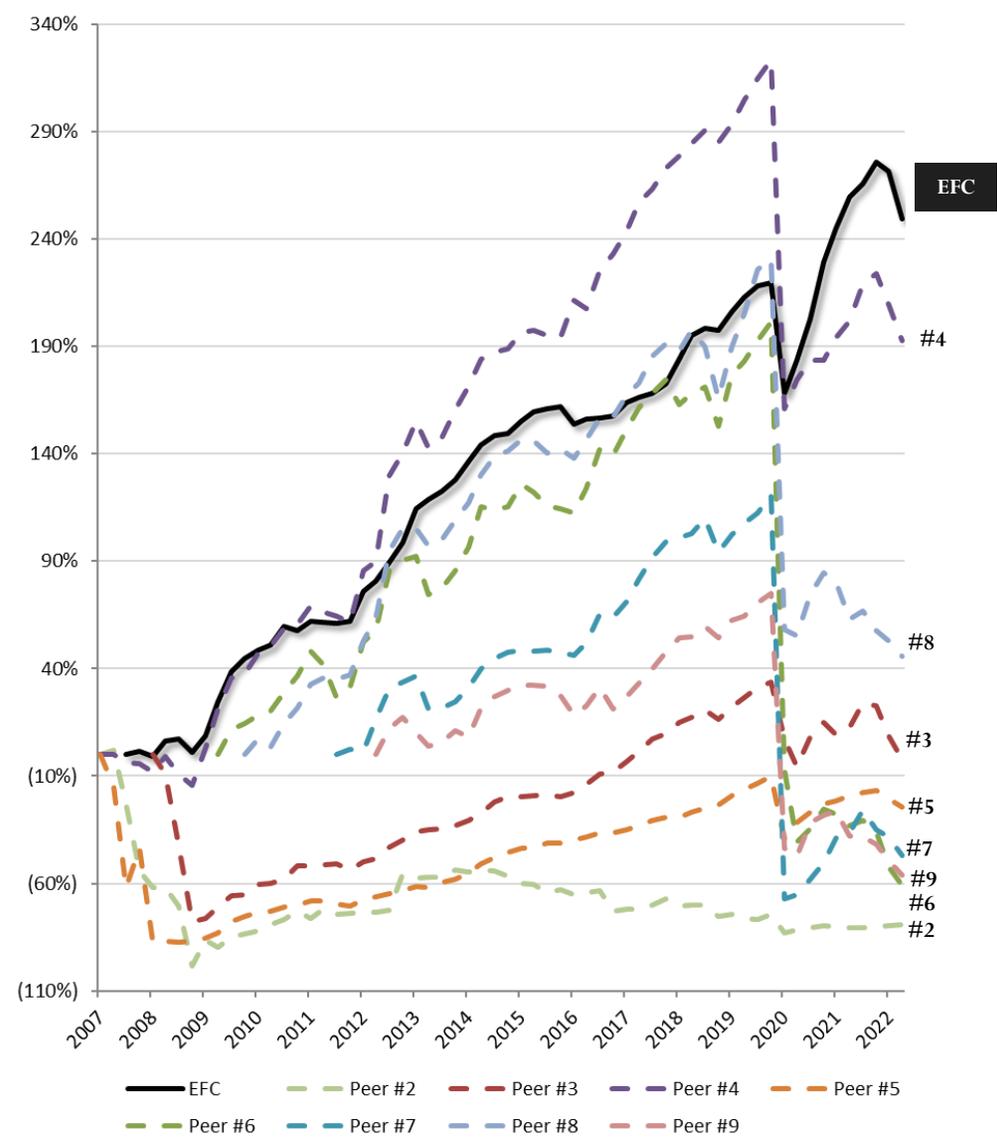
Supplemental
Information



Percentage of Book Value per Share Since Inception⁽¹⁾

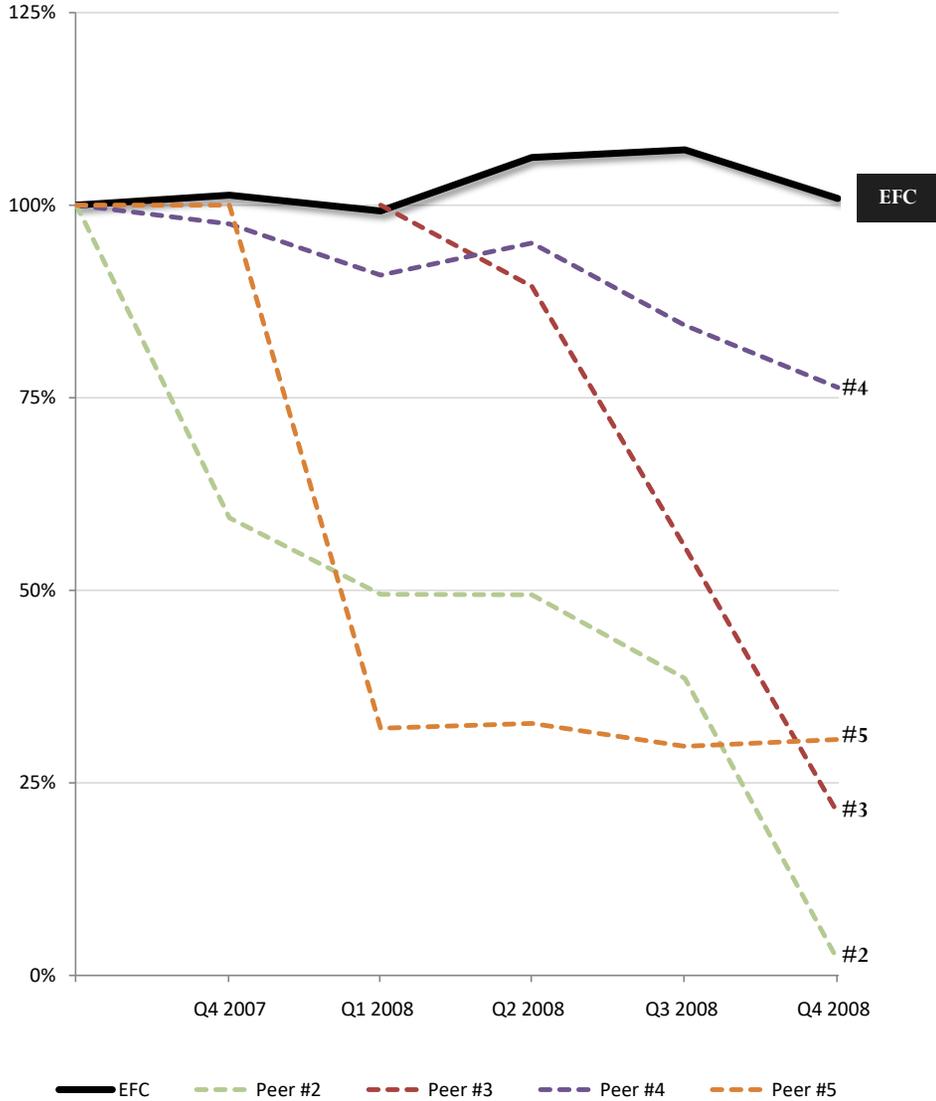


Cumulative Total Economic Return Since Inception⁽¹⁾

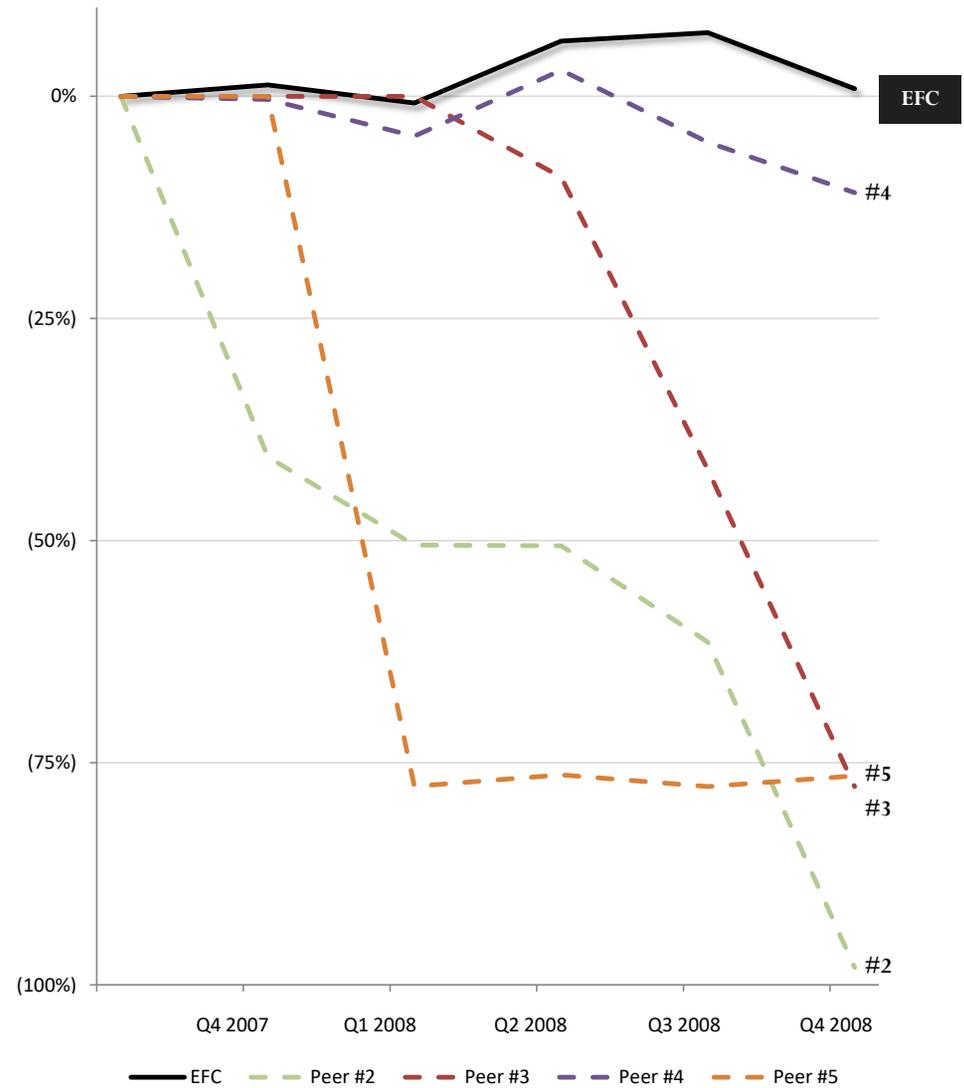


Note: EFC peers are other hybrid mortgage REITs. Above charts have been normalized for stock splits.

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

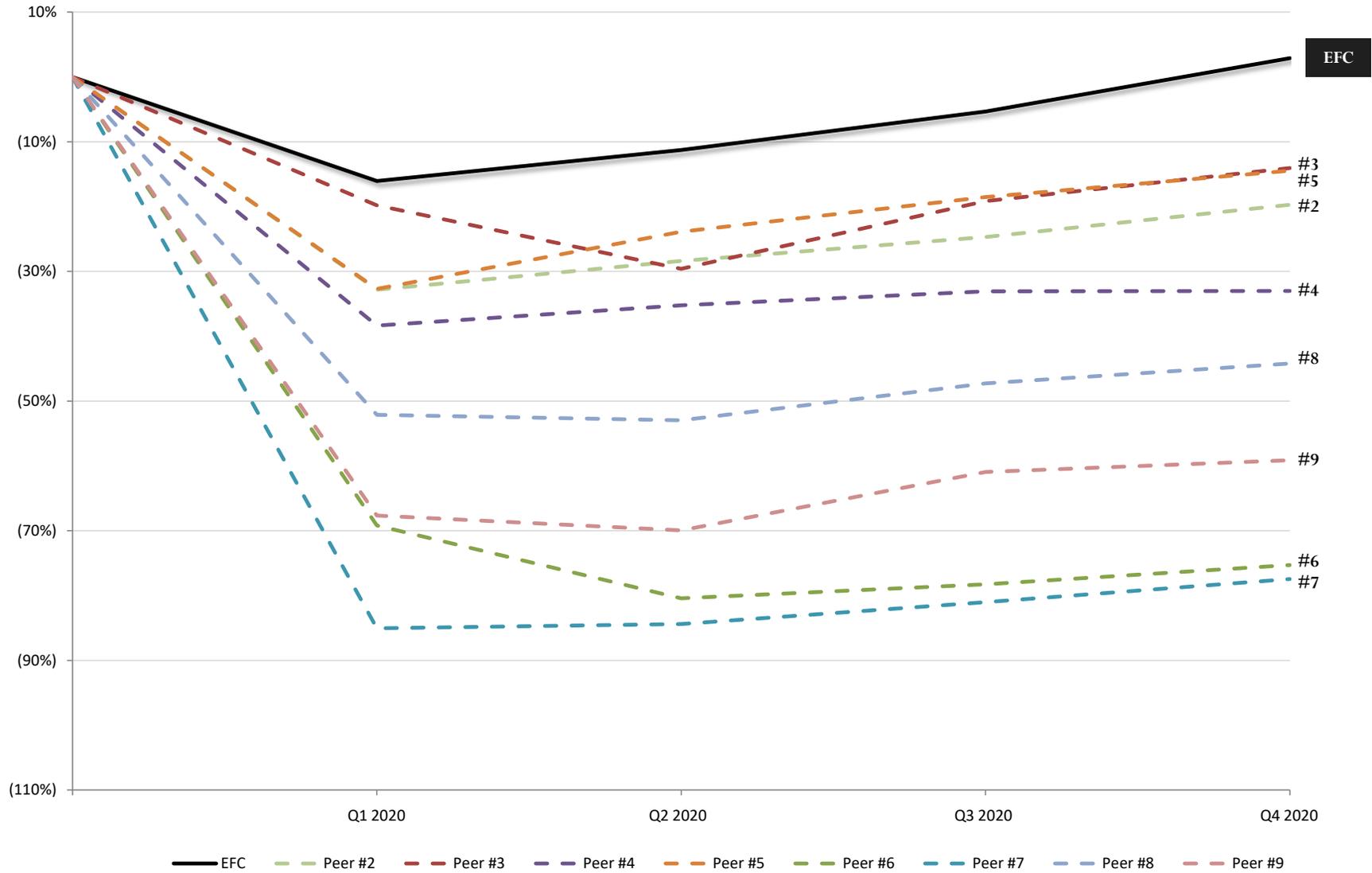


Cumulative Total Economic Return 9/30/07-12/31/08



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

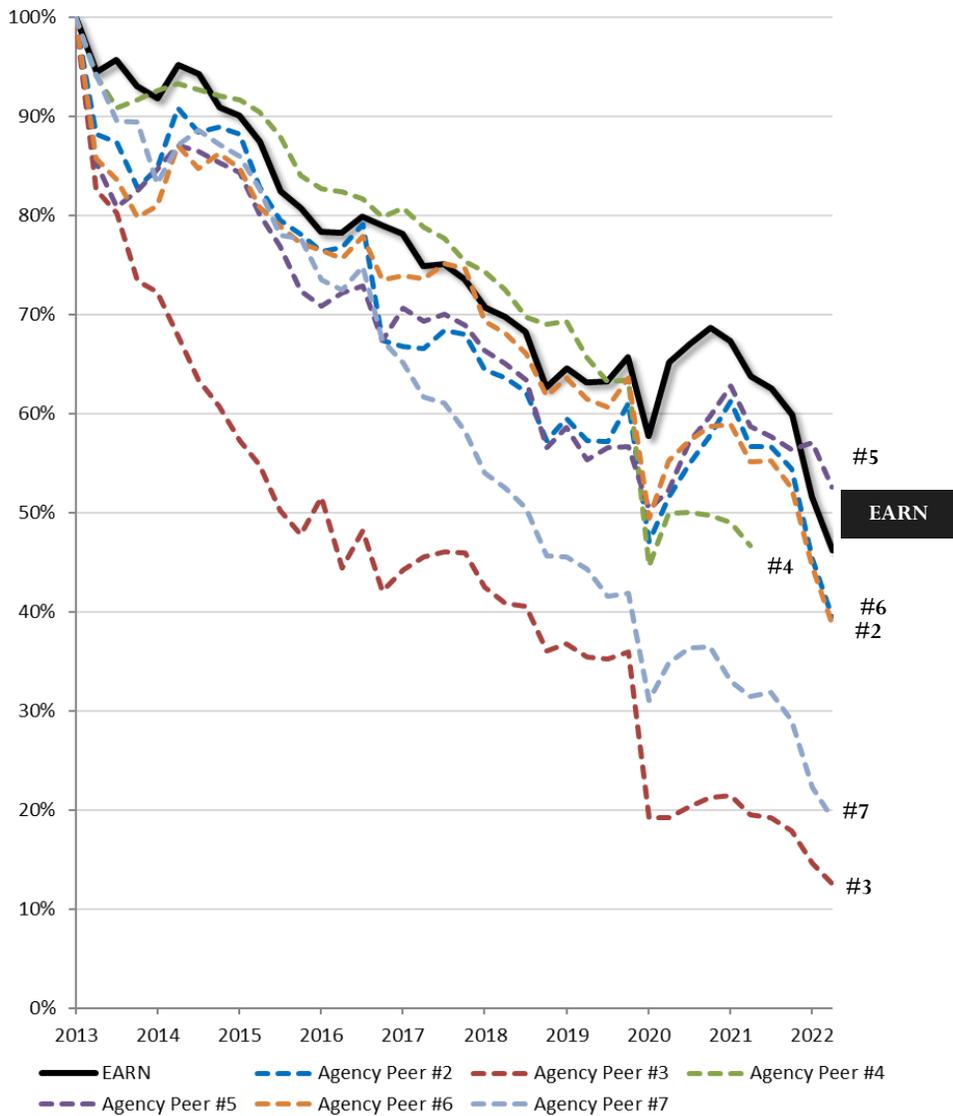
Hybrid REITs' 2020 Cumulative Total Economic Return



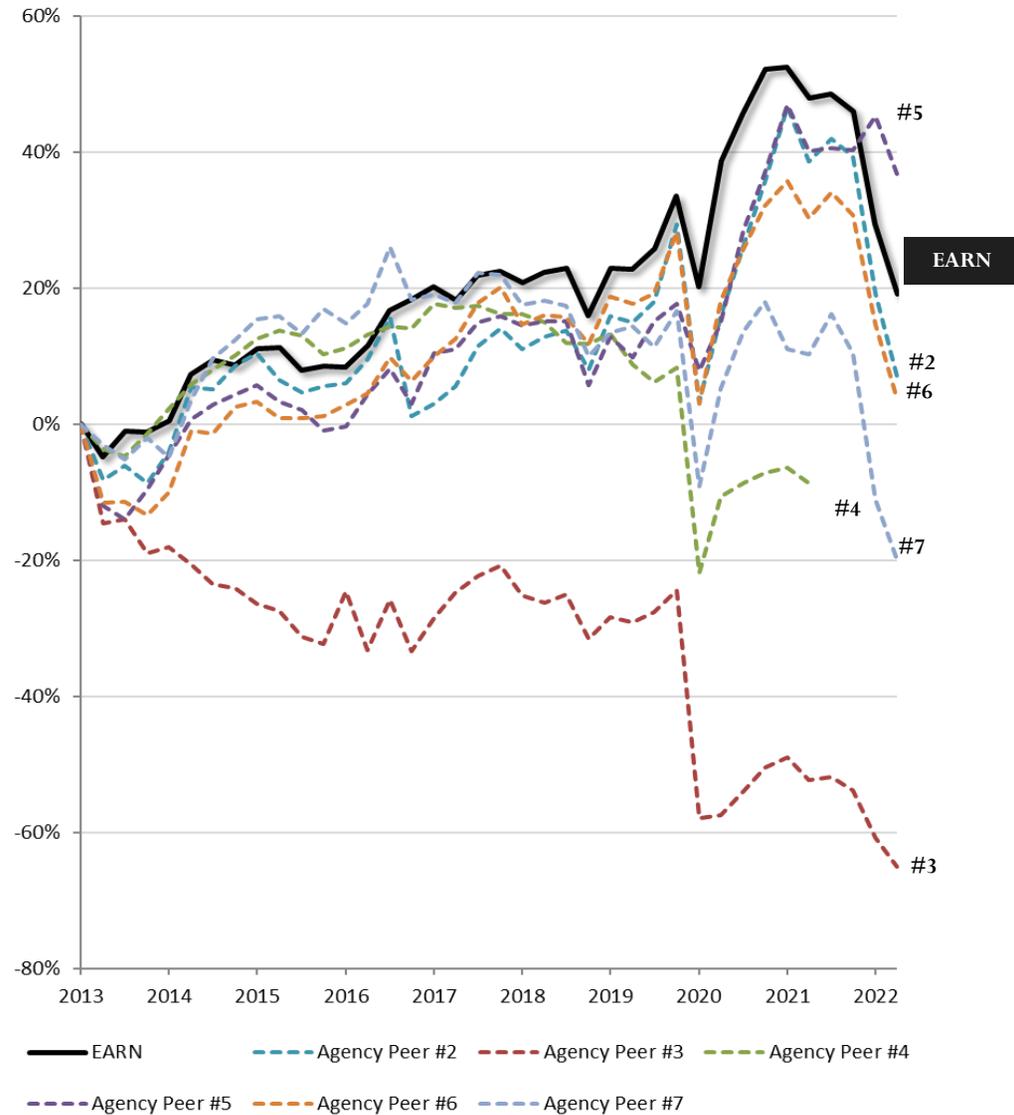
Note: EFC peers are other hybrid mortgage REITs. Above charts have been normalized for stock splits.

The Ellington platform also has deep expertise in managing Agency assets, as demonstrated by the performance of Ellington Residential Mortgage REIT (NYSE: EARN)

Percentage of 3/31/2013 Book Value per Share

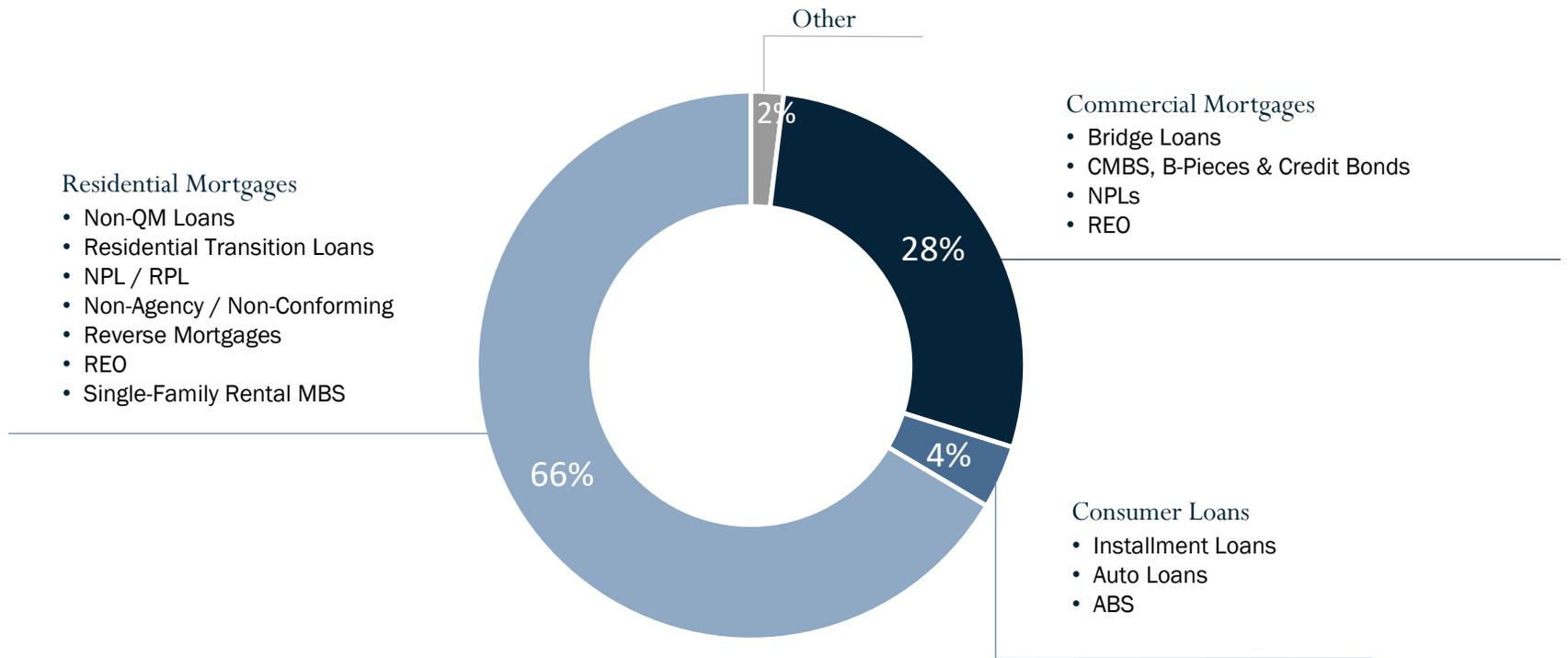


Cumulative Total Economic Return Since 3/31/2013



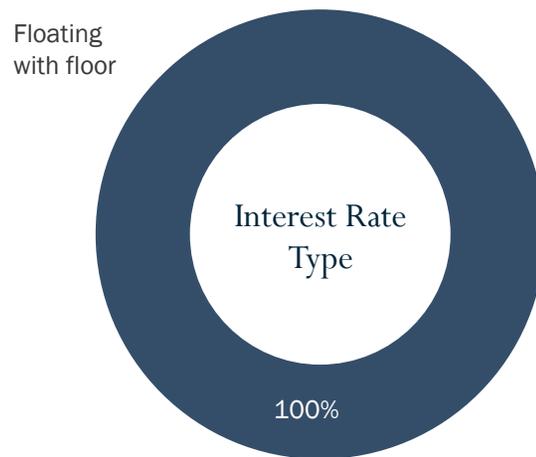
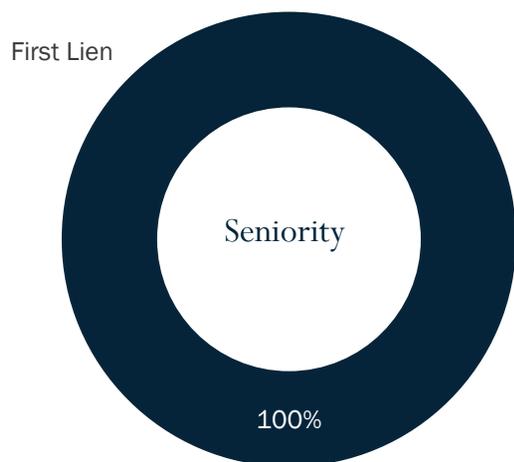
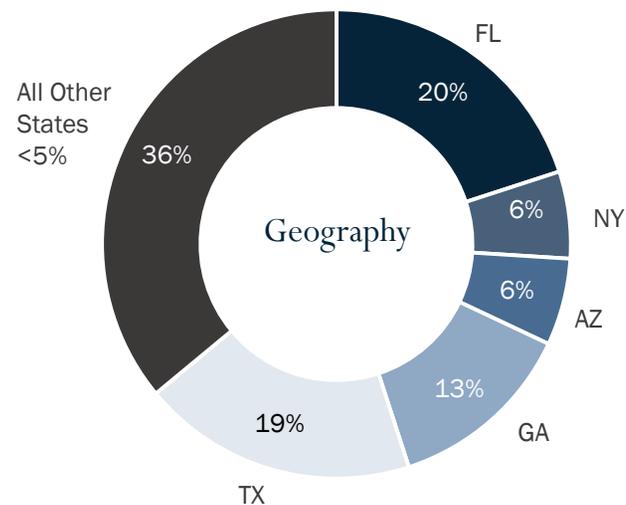
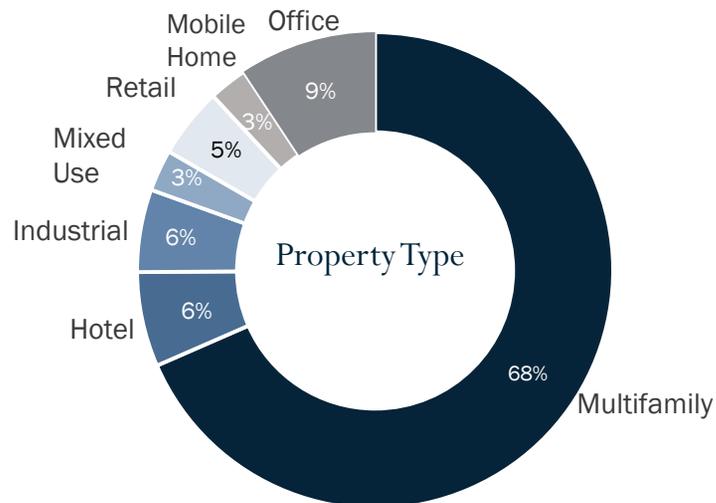
Note: EARN peers are other agency RMBS mortgage REITs. Above charts have been normalized for stock splits.

Diversified sources of return to perform over market cycles



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

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



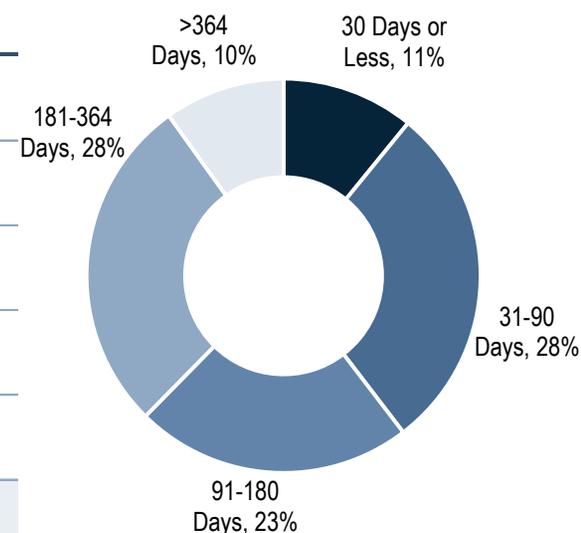
- Small balance commercial mortgage loan portfolio is well diversified geographically and across property types, with a tactical focus on multi-family
- All investments are first liens
- All investments are floating rate loans that benefit from interest rate floors

Repo Borrowings⁽¹⁾

(\$ in thousands)

Repo Borrowings as of June 30, 2022					
Remaining Days to Maturity	Credit	Agency	U.S. Treasury	Total	% of Total Borrowings
30 Days or Less	\$ 7,379	\$ 277,526	\$ 24,263	\$ 309,168	10.8%
31-90 Days	166,349	653,296	-	819,645	28.6%
91-180 Days	378,580	289,833	-	668,413	23.3%
181-364 Days	675,426	118,707	-	794,133	27.7%
>364 Days	273,863	-	-	273,863	9.6%
Total Borrowings	\$1,501,597	\$1,339,362	\$ 24,263	\$ 2,865,222	100.0%
Weighted Average Remaining Days to Maturity	200	75	1	140	

Borrowings by Days to Maturity



- Repo borrowings with 23 counterparties, with the largest representing approximately 25% of total repo borrowings
- Weighted average remaining days to maturity of 140 days, an increase of 11 days from March 31, 2022
- Maturities are staggered to mitigate liquidity risk

Condensed Consolidated Statement of Operations (Unaudited)

	Six-Month Period Ended		Year Ended	
<i>(In thousands, except per share amounts)</i>	June 30, 2022		December 31, 2021 ⁽¹⁾	
Net Interest Income				
Interest income	\$	113,796	\$	175,505
Interest expense		(40,041)		(44,030)
Total net interest income	\$	73,755	\$	131,475
Other Income (Loss)				
Realized gains (losses) on securities and loans, net		(18,025)		5,017
Realized gains (losses) on financial derivatives, net		70,114		11,502
Realized gains (losses) on real estate owned, net		491		1,711
Unrealized gains (losses) on securities and loans, net		(326,503)		(30,802)
Unrealized gains (losses) on financial derivatives, net		47,823		10,355
Unrealized gains (losses) on real estate owned, net		(252)		(1,259)
Unrealized gains (losses) on other secured borrowings, at fair value, net		122,899		15,844
Unrealized gains (losses) on Senior Notes, at fair value		7,350		-
Other, net		1,054		7,194
Total other income (loss)		(95,049)		19,562
Expenses				
Base management fee to affiliate (Net of fee rebates of \$1,261 and \$2,593, respectively)		8,256		13,422
Incentive fee to affiliate		-		15,658
Investment related expenses:				
Servicing expense		2,484		4,422
Debt issuance costs related to Other secured borrowings, at fair value		4,350		5,290
Debt issuance costs related to Senior notes, at fair value		3,615		-
Other		4,055		8,832
Professional fees		2,357		5,416
Compensation expense		3,820		5,743
Other expenses		3,732		6,658
Total expenses		32,669		65,441
Net Income (Loss) before Income Tax Expense (Benefit) and Earnings from Investments in Unconsolidated Entities		(53,963)		85,596
Income tax expense (benefit)		(14,785)		3,144
Earnings (losses) from investments in unconsolidated entities		(28,771)		58,104
Net Income (Loss)	\$	(67,949)	\$	140,556
Net Income (Loss) Attributable to Non-Controlling Interests		(811)		7,093
Dividends on Preferred Stock		7,645		8,117
Net Income (Loss) Attributable to Common Stockholders	\$	(74,783)	\$	125,346
Net Income (Loss) per Common Share				
Basic and Diluted	\$	(1.27)	\$	2.58
Weighted average shares of common stock outstanding		58,828		48,535
Weighted average shares of common stock and convertible units outstanding		59,576		49,215

Condensed Consolidated Balance Sheet (Unaudited)

(in thousands, except share and per share amounts)

	June 30, 2022	December 31, 2021 ⁽¹⁾
Assets		
Cash and cash equivalents	\$ 224,451	\$ 92,661
Restricted cash	-	175
Securities, at fair value	1,757,513	2,087,360
Loans, at fair value	3,490,820	2,415,321
Investments in unconsolidated entities, at fair value	192,269	195,643
Real estate owned	20,866	24,681
Financial derivatives – assets, at fair value	81,183	18,894
Reverse repurchase agreements	179,394	123,250
Due from brokers	93,939	93,549
Investment related receivables	132,161	122,175
Other assets	6,281	3,710
Total Assets	\$ 6,178,877	\$ 5,177,419
Liabilities		
Securities sold short, at fair value	176,155	120,525
Repurchase agreements	2,865,222	2,469,763
Financial derivatives – liabilities, at fair value	20,442	12,298
Due to brokers	31,124	2,233
Investment related payables	34,381	39,048
Other secured borrowings	45,455	96,622
Other secured borrowings, at fair value	1,448,182	984,168
Senior notes, net	85,956	85,802
Senior notes, at fair value	202,650	-
Base management fee payable to affiliate	3,990	3,115
Incentive fee payable to affiliate	-	3,246
Dividend payable	11,657	10,375
Interest payable	10,263	4,570
Accrued expenses and other liabilities	8,945	22,098
Total Liabilities	\$ 4,944,422	\$ 3,853,863
Equity		
Preferred stock, par value \$0.001 per share, 100,000,000 shares authorized; (9,420,421 and 9,400,000 shares issues and outstanding, and \$235,511 and \$235,000 aggregate liquidation preference, respectively)	\$ 227,432	\$ 226,939
Common stock, par value \$0.001 per share, 100,000,000 shares authorized; (59,957,169 and 57,458,169 shares issued and outstanding, respectively)	60	58
Additional paid-in-capital	1,205,916	1,161,603
Retained earnings (accumulated deficit)	(225,259)	(97,279)
Total Stockholders' Equity	\$ 1,208,149	\$ 1,291,321
Non-controlling interests	26,306	32,235
Total Equity	\$ 1,234,455	\$ 1,323,556
Total Liabilities and Equity	\$ 6,178,877	\$ 5,177,419
Supplemental Per Share Information:		
Book Value Per Common Share ⁽²⁾	\$ 16.22	\$ 18.39

Reconciliation of Net Income (Loss) to Adjusted Distributable Earnings⁽¹⁾

	Six-Month Period Ended		Year Ended	
<i>(in thousands, except per share amounts)</i>	June 30, 2022		December 31, 2021 ⁽²⁾	
Net Income (Loss)	\$	(67,949)	\$	140,556
Income tax expense (benefit)		(14,785)		3,144
Net income (loss) before income tax expense	\$	(82,734)	\$	143,700
Adjustments:				
Realized (gains) losses on securities and loans, net		18,025		(5,017)
Realized (gains) losses on financial derivatives, net		(70,114)		(11,502)
Realized (gains) losses on real estate owned, net		(491)		(1,711)
Unrealized (gains) losses on securities and loans, net		326,503		30,802
Unrealized (gains) losses on financial derivatives, net		(47,823)		(10,355)
Unrealized (gains) losses on real estate owned, net		252		1,259
Unrealized (gains) losses on other secured borrowings, at fair value, net		(122,899)		(15,844)
Unrealized (gains) losses on senior notes, at fair value		(7,350)		-
Other realized and unrealized (gains) losses, net ⁽³⁾		1,214		1,216
Net realized gains (losses) on periodic settlements of interest rate swaps		(2,201)		(2,277)
Net unrealized gains (losses) on accrued periodic settlements of interest rate swaps		1,397		(763)
Incentive fee to affiliate		-		15,658
Non-cash equity compensation expense		650		971
Negative (positive) component of interest income represented by				
Catch-up Premium Amortization Adjustment		(1,497)		(1,260)
Non-capitalized transaction costs and other expense adjustments		9,224		7,184
(Earnings) losses from investments in unconsolidated entities		28,771		(58,104)
Adjusted Distributable Earnings from investments in unconsolidated entities ⁽⁴⁾		5,657		9,698
Total Adjusted Distributable Earnings	\$	56,584	\$	103,655
Dividends on preferred stock		7,645		8,117
Adjusted Distributable Earnings attributable to non-controlling interests		838		6,621
Adjusted Distributable Earnings Attributable to Common Stockholders	\$	48,101	\$	88,917
Adjusted Distributable Earnings Attributable to Common Stockholders, per share	\$	0.82	\$	1.83



Diversified investment portfolio across residential mortgage, commercial mortgage, consumer loan, and corporate loan sectors



Proprietary portfolio of high-yielding, short-duration loans



Dynamic interest-rate and credit hedging designed to reduce volatility of book value and earnings



Strategic debt and equity investments in multiple loan originators



Diversified sources of financing, including long term non mark-to-market financing facilities and securitizations



Strong alignment with 6% co-investment⁽¹⁾

Slide 6 – About Ellington Management Group

- (1) \$11.5 billion in assets under management includes approximately \$1.1 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 June 30, 2022.
- (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 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 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.

Slide 7 – Ellington Management Group

- (1) \$11.5 billion in assets under management includes approximately \$1.1 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 June 30, 2022.
- (2) 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).

Slide 8 – Access to Experienced Management

- (1) Holds a seat on the Board of Trustees of EARN.
- (2) Holds a seat on the Board of Directors/Trustees of EFC and EARN.
- (3) As of June 30, 2022.

Slide 9 – Our Infrastructure Is A Competitive Advantage

- (1) \$11.5 billion in assets under management includes approximately \$1.1 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 June 30, 2022.

Slide 15 – Commitment to ESG

- (1) 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).

Slide 17 – Portfolio Summary as of June 30, 2022

- (1) Includes REO at the lower of cost or fair value. Excludes hedges and other derivative positions.
- (2) Includes REO at the lower of cost or fair value. Excludes hedges and other derivative positions. 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 \$4.102 billion as of June 30, 2022.
- (3) Agency long portfolio includes \$1.311 billion of long Agency securities and \$24.8 million of interest only securities as of June 30, 2022.
- (4) Of deployed capital, 87% allocated to credit and 13% to agency.
- (5) 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.
- (6) Average price of consumer loans and ABS is proprietary.
- (7) Weighted average life assumes "projected" cashflows using Ellington's proprietary models. Excludes interest only, principal only, equity tranches.
- (8) Estimated yields at market prices are management's estimates derived from Ellington's proprietary models based on prices and market environment as of June 30, 2022 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.
- (9) REO and equity investments in loan origination entities are excluded from total average calculations.
- (10) For our consolidated non-QM securitization trusts, excludes tranches that were sold to third parties, but that are consolidated for GAAP purposes.
- (11) REO is not considered a financial instrument and as a result is included at the lower of cost or fair value.
- (12) Includes equity investments in unconsolidated entities holding small balance commercial mortgage loans and REO. Including our allocable portion of the fair value of small-balance commercial loans and REO of the equity investments in unconsolidated entities, our total CMBS and Commercial Mortgage Loans and REO was \$792.0 million.
- (13) Includes equity investments in securitization-related vehicles.
- (14) Includes an equity investment in an unconsolidated entity holding European RMBS.
- (15) 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.
- (16) 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
- (17) 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 2.8:1 as of June 30, 2022.

Slide 18 – Proprietary Loan Origination Businesses

- (1) For our consolidated non-QM securitization trusts, excludes loans in consolidated non-QM securitization trusts that were sold to third parties
- (2) Includes our allocable portion of the fair value of certain small-balance commercial loans, based on our ownership percentage, held in entities in which we and certain affiliates of Ellington have equity interests. Our equity investments in such entities are included in Investments in unconsolidated entities, at fair value on the Condensed Consolidated Balance Sheet.

Slide 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 – 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 21 – Resilient Profit Generation Over Market Cycles

- (1) Gross profit excludes expenses other than interest expense and other investment related expenses. Figures in “%” columns are as a percentage of average total equity for the period which includes common and preferred equity as well as non-controlling interests.

Slide 22 – Interest Rate Sensitivity Analysis

- (1) The table reflects the estimated effects on the value of our portfolio, both overall and by category, of hypothetical, immediate, 50 basis point downward and upward parallel shifts in interest rates, based on the market environment as of June 30, 2022. 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 23 – 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) We define our net Agency pool assets-to-equity ratio as the net aggregate market value of our Agency pools of \$1.311 billion and our long and short TBA positions of \$(520) million, divided by the equity allocated to our Agency strategy of \$155 million, as of June 30, 2022. 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 24 – 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 from those that would be shown were all positions in the included instruments displayed.
- (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 25 – Diversified Sources of Financing

- (1) Includes Other secured borrowings and Other secured borrowings, at fair value.
- (2) All of our non-recourse borrowings are secured by collateral. In the event of default under a non-recourse borrowing, the lender has a claim against the collateral but not any of the Operating Partnership's other assets. In the event of default under a recourse borrowing, the lender's claim is not limited to the collateral (if any).
- (3) 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 2.8:1 as of June 30, 2022.
- (4) 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.

Slide 26– EFC Portfolio – Schedule of Unencumbered Assets as of June 30, 2022

- (1) Includes REO at the lower of cost or fair value. Excludes hedges and other derivative positions.

Slide 32 – Diversified Credit Portfolio

- (1) Subject to 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 33 – Small Balance Commercial Mortgage Loan Portfolio - Detail

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

Slide 34 – Repo Borrowings

- (1) Included in the table, using the original maturity dates, are any repos involving underlying investments we sold prior to June 30, 2022 for settlement following June 30, 2022 even though we may expect to terminate such repos early. Not included are any repos that we may have entered into prior to June 30, 2022, for which delivery of the borrowed funds is not scheduled until after June 30, 2022. Remaining maturity for a repo is based on the contractual maturity date in effect as of June 30, 2022. Some repos have floating interest rates, which may reset before maturity.

Slide 35 – Condensed Consolidated Statement of Operations (Unaudited)

- (1) Conformed to current period presentation.

Slide 36 – Condensed Consolidated Balance Sheet (Unaudited)

- (1) Derived from audited financial statements as of December 31, 2021.
- (2) Based on total stockholders' equity less the aggregate liquidation preference of our preferred stock outstanding.

Slide 37 - Reconciliation of Net Income (Loss) to Adjusted Distributable Earnings

- (1) Beginning with the financial results for the quarter ended June 30, 2022, the supplemental non-GAAP financial measure that we previously referred to as "Core Earnings," we now refer to as "Adjusted Distributable Earnings." We calculate Adjusted Distributable Earnings (formerly referred to as 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, senior notes, 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) provision for income taxes; (vi) certain non-capitalized transaction costs; and (vii) 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 Adjusted Distributable 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. Adjusted Distributable Earnings is a supplemental non-GAAP financial measure. We believe that the presentation of Adjusted Distributable Earnings provides information useful to investors, because: (i) we believe that it is a useful indicator of both current and projected long-term financial performance, in that it excludes the impact of certain current-period earnings components that we believe are less useful in forecasting long-term performance and dividend-paying ability; (ii) we use it to evaluate the effective net yield provided by our portfolio, after the effects of financial leverage; and (iii) we believe that presenting Adjusted Distributable Earnings assists investors in measuring and evaluating our operating performance, and comparing our operating performance to that of our residential mortgage REIT peers. Please note, however, that: (I) our calculation of Adjusted Distributable Earnings may differ from the calculation of similarly titled non-GAAP financial measures by our peers, with the result that these non-GAAP financial measures might not be directly comparable; and (II) Adjusted Distributable Earnings excludes certain items, such as most realized and unrealized gains and losses, that may impact the amount of cash that is actually available for distribution. In addition, because Adjusted Distributable 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 supplementary to, and not as a substitute for, net income (loss) computed in accordance with U.S. GAAP. Furthermore, Adjusted Distributable Earnings is different from REIT taxable income. As a result, the determination of whether we have met the requirement to distribute at least 90% of our annual REIT taxable income (subject to certain adjustments) to our stockholders, in order to maintain our qualification as a REIT, is not based on whether we distributed 90% of our Adjusted Distributable Earnings. The table above reconciles, for the six-month period ended June 30, 2022 and the year ended December 31, 2021, our Adjusted Distributable Earnings to the line on the Consolidated Statement of Operations entitled Net Income (Loss), which we believe is the most directly comparable U.S. GAAP measure.
- (2) 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) Adjustment represents, for certain investments in unconsolidated entities, the net realized and unrealized gains and losses of the underlying investments of such entities.

Slide 38 – Investment Highlights of EFC

- (1) 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).

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