Ellington Financial

Ellington Financial LLC (NYSE: EFC)

Fourth Quarter 2015 Earnings Conference Call

February 17, 2016

Important Notice

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Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve numerous risks and uncertainties. Our actual results may differ from our beliefs, expectations, estimates, and projections and, consequently, you should not rely on these forward-looking statements as predictions of future events. Forward-looking statements are not historical in nature and can be identified by words such as “believe,” “expect,” “anticipate,” “estimate,” “project,” “plan,” “continue,” “intend,” “should,” “would,” “could,” “goal,” “objective,” “will,” “may,” “seek,” or similar expressions or their negative forms, or by references to strategy, plans, or intentions. Examples of forward-looking statements in this presentation include projections regarding our operating expense ratio, our dividend policy, and home price appreciation, among others.

The Company's results can fluctuate from month to month and from quarter to quarter depending on a variety of factors, some of which are beyond the Company's control and/or are difficult to predict, including, without limitation, changes in interest rates and the market value of the Company's securities, changes in mortgage default rates and prepayment rates, the Company's ability to borrow to finance its assets, changes in government regulations affecting the Company's business, the Company's ability to maintain its exclusion from registration under the Investment Company Act of 1940 and other changes in market conditions and economic trends. Furthermore, forward-looking statements are subject to risks and uncertainties, including, among other things, those described under Item 1A of our Annual Report on Form 10-K filed on March 13, 2015, 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.

Indices

Various indices are included in this presentation material to show the general trend in applicable markets in the periods indicated and are not intended to imply that the Company or its strategy is similar to any index in composition or element of risk.

The 2006-2 AAA ABX index, an index widely used and cited by investors and market participants tracking the subprime non-Agency RMBS market, is composed of 20 credit default swaps referencing mortgage-backed securities, originally rated AAA by Standard & Poor’s, Inc., or Standard & Poor’s, and Aaa by Moody’s Investors Service, Inc., or Moody’s, issued during the first six months of 2006 and backed by subprime mortgage loans originated in late 2005 and early 2006.

Financial Information

All financial information included in this presentation is as of December 31, 2015 unless otherwise indicated. We undertake no duty or obligation to update this presentation to reflect subsequent events or developments.

Fourth Quarter 2015

Operating Results

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(In thousands, except per share amounts)	Quarter Ended December 31, 2015	Per Share	% of Average Equity	Quarter Ended September 30, 2015	Per Share	% of Average Equity	Year Ended December 31, 2015	Per Share	% of Average Equity
Credit:									
Interest income and other income	$ 15,459	$ 0.45	2.07%	$ 16,553	$ 0.48	2.15%	$ 67,455	$ 1.98	8.76%
Net realized gain (loss)	1,223	0.04	0.16%	12,119	0.35	1.58%	35,425	1.04	4.60%
Change in net unrealized gain (loss)	(10,257)	(0.30)	-1.37%	(19,060)	(0.56)	-2.48%	(44,494)	(1.31)	-5.78%
Net interest rate hedges (1)	891	0.02	0.12%	(2,853)	(0.08)	-0.37%	(4,899)	(0.14)	-0.64%
Net credit hedges and other activities (2)	2,723	0.08	0.36%	6,804	0.20	0.88%	10,671	0.31	1.38%
Interest expense	(1,459)	(0.04)	-0.20%	(1,453)	(0.04)	-0.19%	(6,264)	(0.18)	-0.81%
Other investment related expenses	(1,774)	(0.05)	-0.24%	(1,473)	(0.04)	-0.19%	(5,230)	(0.15)	-0.68%
Total Credit profit (loss)	6,806	0.20	0.90%	10,637	0.31	1.38%	52,664	1.55	6.83%
Agency RMBS:									
Interest income	7,974	0.23	1.07%	10,086	0.30	1.31%	35,272	1.03	4.58%
Net realized gain (loss)	1,579	0.05	0.21%	900	0.03	0.12%	9,440	0.28	1.23%
Change in net unrealized gain (loss)	(12,710)	(0.37)	-1.70%	4,848	0.14	0.63%	(16,332)	(0.48)	-2.12%
Net interest rate hedges and other activities (1)	5,199	0.15	0.70%	(16,339)	(0.48)	-2.12%	(17,166)	(0.50)	-2.23%
Interest expense	(1,391)	(0.04)	-0.19%	(1,272)	(0.04)	-0.17%	(4,751)	(0.14)	-0.62%
Total Agency RMBS profit (loss)	651	0.02	0.09%	(1,777)	(0.05)	-0.23%	6,463	0.19	0.84%
Total Credit and Agency RMBS profit (loss)	7,457	0.22	0.99%	8,860	0.26	1.15%	59,127	1.74	7.67%
Other interest income (expense), net	10	—	0.00%	4	—	0.00%	(3)	—	0.00%
Other expenses	(5,605)	(0.17)	-0.75%	(4,937)	(0.14)	-0.64%	(20,695)	(0.61)	-2.69%
Net increase in equity resulting from operations	$ 1,862	$ 0.05	0.24%	$ 3,927	$ 0.12	0.51%	$ 38,429	$ 1.13	4.98%
Less: Net increase in equity resulting from operations attributable to non-controlling interests	82			31			340		
Net increase in shareholders' equity resulting from operations (6)	**$ 1,780**	**$ 0.05**	**0.24%**	**$ 3,896**	**$ 0.12**	**0.51%**	**$ 38,089**	**$ 1.13**	**4.98%**
Weighted average shares and convertible units (3) outstanding	34,001			34,080			34,066		
Average equity (includes non-controlling interests) (4)	$ 746,091			$ 769,780			$ 770,462		
Ending equity (includes non-controlling interests)	$ 738,952			$ 758,341			$ 738,952		
Diluted book value per share	$ 21.80			$ 22.22			$ 21.80		
Weighted average shares and LTIP units outstanding (5)	33,789			33,868			33,854		
Average shareholders' equity (excludes non-controlling interests) (4)	$ 739,635			$ 763,446			$ 764,219		

(1) Includes TBAs and U.S. Treasuries, if applicable.
(2) Includes equity and other relative value trading strategies and related hedges.
(3) Convertible units include Operating Partnership units attributable to non-controlling interests and LTIP units.
(4) Average equity and average shareholders' equity are calculated using month end values.
(5) Excludes Operating Partnership units attributable to non-controlling interests.
(6) Per share information is calculated using weighted average shares and LTIP units outstanding. Percentage of average equity is calculated using average shareholders' equity, which excludes non-controlling interests.

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Ellington Financial: Fourth Quarter Highlights

Overall Results	■ Net income of $1.8 million, or $0.05 per share ■ In light of continued and anticipated significant market volatility, net sold Agency RMBS, thereby reducing leverage and increasing cash holdings in order to be more defensively positioned

Credit Strategy	■ Credit strategy gross income of $6.8 million(1), or $0.20 per share
	  ■ Interest income and other income, and net contributions from net interest rate hedges and net credit hedges and other activities, partially offset by net realized and unrealized losses, interest expense and other investment related expenses
	  ■ Quarter marked by significant yield spread widening across fixed-income sectors, which weighed on valuations
	  ■ Generated net realized gains by selectively selling bonds in a variety of credit-sensitive sectors
	  ■ Continued to increase loan portfolio, including consumer and distressed small balance commercial mortgage)

Agency RMBS Strategy	■ Agency RMBS strategy gross income of $0.7 million(1), or $0.02 per share
	  ■ Interest income and net interest rate hedges and other activities partially offset by net realized and unrealized losses and interest expense
	  ■ Agency RMBS spreads continued to widen relative to U.S. Treasury Securities and interest rate swaps

Operating Expenses	■ Core expenses of $5.6 million–includes base management fees and other operating expenses ■ Full year expense ratio, 2.7%
Leverage	■ Debt to equity ratio: 1.59:1 as of December 31, 2015

(1) Gross income includes interest income, other income, net realized and change in net unrealized gains (losses), net interest rate hedges, net credit hedges and other activities, interest expense, and other investment related expenses, if applicable. It excludes other interest income (expense), management fees, and other expenses.

Ellington Financial: Fourth Quarter Highlights (continued)

Portfolios	■ Total Long Credit Portfolio: $639[1] million as of December 31, 2015 as compared to $655[1] million as of September 30, 2015 ■ Agency Long Portfolio: $963 million as of December 31, 2015, as compared to $1,221 million as of September 30, 2015
Book Value and Shareholders' Equity	■ December 31, 2015 diluted book value per share of $21.80, after a $0.50 third quarter dividend paid in December, as compared to $22.22 per share as of September 30, 2015 ■ Repurchased 291,106 shares at an average price per share of $17.23 ■ Total equity of $739.0 million as of December 31, 2015, as compared to $758.3 million as of September 30, 2015
Dividends and Share Buybacks	■ 4th quarter dividend of $0.50 per share announced on February 9, 2016 ■ Expect to continue share repurchase activity as stock price relative to book value remains depressed ■ Annualized dividend yield of 12.2% based on the February 16, 2016 closing price of $16.35 ■ We continue to expect to recommend to our Board of Directors a quarterly dividend amount of $0.50 per share[2] until conditions warrant otherwise

(1) Credit portfolio includes loan equivalent value related to long total return swaps on distressed corporate debt, which is based on the value of the underlying loans.

(2) We cannot assure you that we will pay any future dividends to our shareholders. The declaration and amount of future dividends remain at the discretion of the Company's Board of Directors.

Ellington Financial: Credit Strategy

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Overall Market Conditions

- During the fourth quarter:
  - Given ongoing concerns over the health of the Chinese economy and the decline in commodity prices, global volatility continued and led to significant credit spread widening; additionally, the increase in its target interest rate by the Federal Reserve put upward pressure on interest rates
  - Non-Agency RMBS not immune to spread widening, but was somewhat less impacted than other sectors
  - CMBS impacted by substantial widening pressure—lower rated securities affected more than higher rated securities
  - U.S. legacy CLOs continued to hold up much better than new issue CLOs, as older deals de-leverage and reduce risk, their price volatility decreases; new issue CLOs remain subject to aggressive selling by banks
  - Market for large pools of residential NPLs remained highly concentrated and competitive
  - Distressed debt market experienced broad declines across sectors—not limited to oil and gas; metals, mining, retail and telecom among those that were also impacted.

Portfolio Trends

- Non-Agency RMBS—we continued to be net sellers during the fourth quarter, although pace of sales declined
- Small Balance Commercial Mortgage Loans—continuing to see strong transaction flow
- European Assets—active in RMBS, CMBS, and CLO sectors
  - Spanish/Portuguese NPL market (consumer and mortgage)—expect ongoing opportunity
- Consumer Loans and ABS—fastest growing segment of Credit portfolio; extended existing flow agreements and entered into a new flow agreement with another originator
- Distressed Corporate Debt—continued to focus on senior secured leveraged loans and opportunistically entered into short positions on energy related companies
- Non-QM loans—pace of purchases increasing
- Invested in a fourth mortgage originator, principally in the form of secured debt
- Increased core credit hedges

Ellington Financial: Agency Strategy

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Overall Market Conditions

- Interest rates rose, especially at the shorter end of the yield curve and yield curve continued to flatten during the fourth quarter
  - 2-year swap rate increased 43 basis points while 10-year swap rates increased only 18 basis points
    - 10-year swap spread to U.S Treasury securities became even more negative than it had been in the third quarter
  - U.S. 10-year Treasury yield increased 23 basis points to 2.27%
- 30-year mortgage rate increased 15 basis points to 4.01%
- Agency RMBS yield spreads ("mortgage basis") continued to widen in sympathy with most sectors of the fixed-income market
    - With swap spreads narrowing considerably, the mortgage basis widened even more relative to swaps than to U.S. Treasury securities
- Pay-ups on specified pools decreased

Portfolio Trends

- We turned over approximately 43% of the portfolio as measured by sales, excluding principal pay-downs and reduced portfolio as a defensive measure
  - Expect to redeploy capital as more attractive entry points arise, especially with respect to our other targeted assets
  - Generated net realized gains
  - Average market pay-up of 0.64% as of December 31st compared to 0.91% as of September 30th
- Increased holdings of reverse mortgages as yield spreads widened significantly during the quarter for this sub-sector as well

Ellington Financial: Market Outlook

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Credit	■ We expect to continue to expand our diversified Credit portfolio, which now include: ■ Non-Agency RMBS, with continued focus on legacy securities, opportunistically buying and selling as yield spreads fluctuate ■ CMBS, especially "B-pieces" where the new issue market provides opportunities to "manufacture" risk efficiently ■ Consumer Loans and ABS, with an emphasis on establishing a steady pipeline through flow agreements ■ U.S. CLOs, especially legacy debt and equity, although as prices have dropped, more recent vintage CLOs have increased in attractiveness ■ non-QM Mortgage Loans ■ Residential NPLs, especially smaller, off-the-run packages ■ Small Balance Commercial Mortgage Loans, especially distressed loans ■ European MBS, CLOs, and NPLs (mortgage and consumer) ■ Direct Investments in Mortgage Originators ■ Distressed Corporate Debt, where we continue to take a measured approach
Agency	■ Interest rate volatility remains a significant risk, and our ability to hedge using a variety of tools, including TBAs, continues to be important ■ In the aftermath of the significant recent yield spread widening, and with prepayments remaining relatively muted despite continued low levels of mortgage rates, we believe that Agency RMBS currently offer very attractive net interest margins and overall relative value

Credit Portfolio

EFC: Long Credit Portfolio

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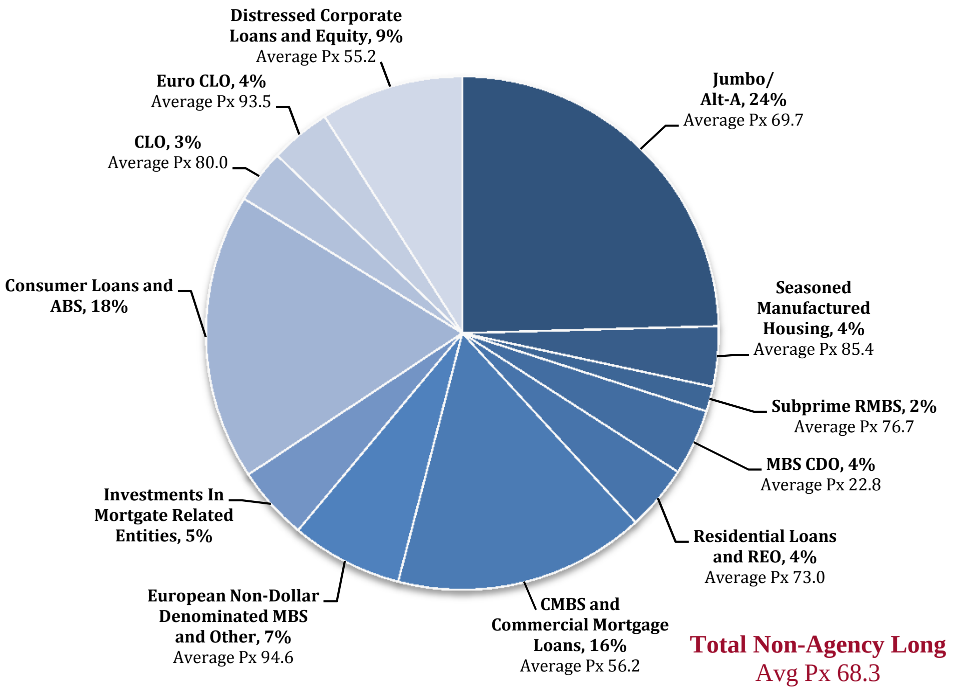
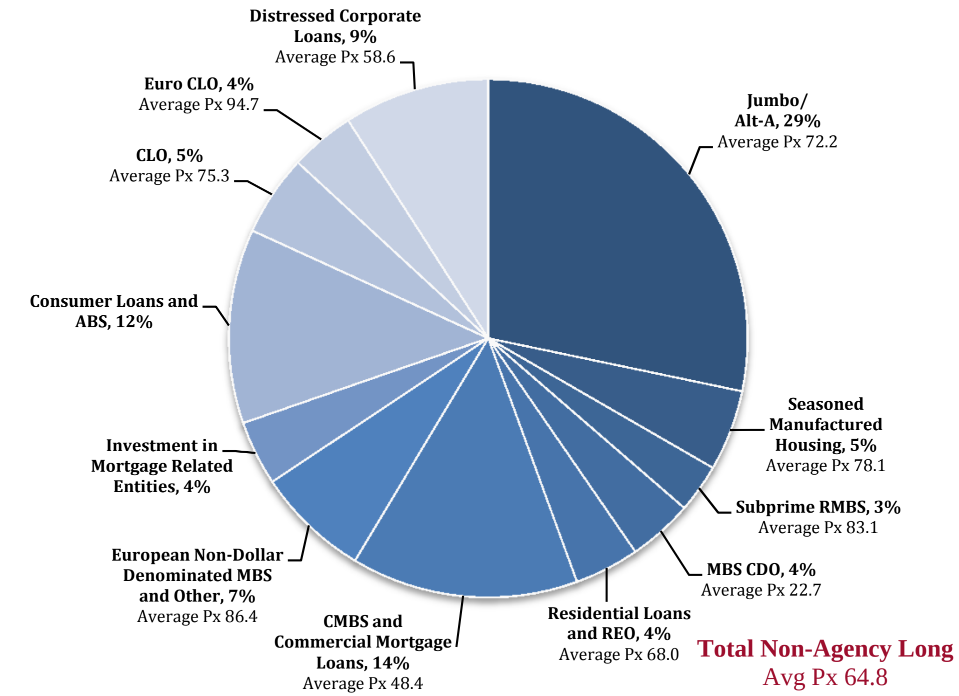
Current Quarter
Long Credit Portfolio 12/31/15: $639MM(1)(2)



Total Non-Agency Long
Avg Px 68.3

Previous Quarter
Long Credit Portfolio 9/30/15: $655MM(1)(2)



Total Non-Agency Long
Avg Px 64.8

- **During the fourth quarter:**
  - Continued to sell non-Agency RMBS, although at a reduced pace compared to prior quarters
  - Consumer loans remained fastest growing segment of Credit portfolio
  - Continued to have good transaction flow in distressed small balance commercial mortgage loans
  - Increased pace of purchases of non-QM residential mortgage loans (included above in “Residential Loans and REO”)

(1) This information does not include interest rate swaps, TBA positions, corporate CDS, common stock and equity swaps, or other hedge positions. Credit portfolio includes loan equivalent value related to long total return swaps on distressed corporate debt, which is based on the value of the underlying loans. The loan equivalent value of long total return swaps included in the long credit portfolio was $38.2 million as of December 31, 2015 and $37.1 million as of September 30, 2015. The corresponding value of the related total return swaps on distressed corporate debt was $(4.6) million as of December 31, 2015 and $(2.9) million as of September 30, 2015.

(2) Average price excludes interest only, principal only, equity tranches and other similar investments, and REO at December 31, 2015 and September 30, 2015.

EFC: Long Credit Portfolio (continued)

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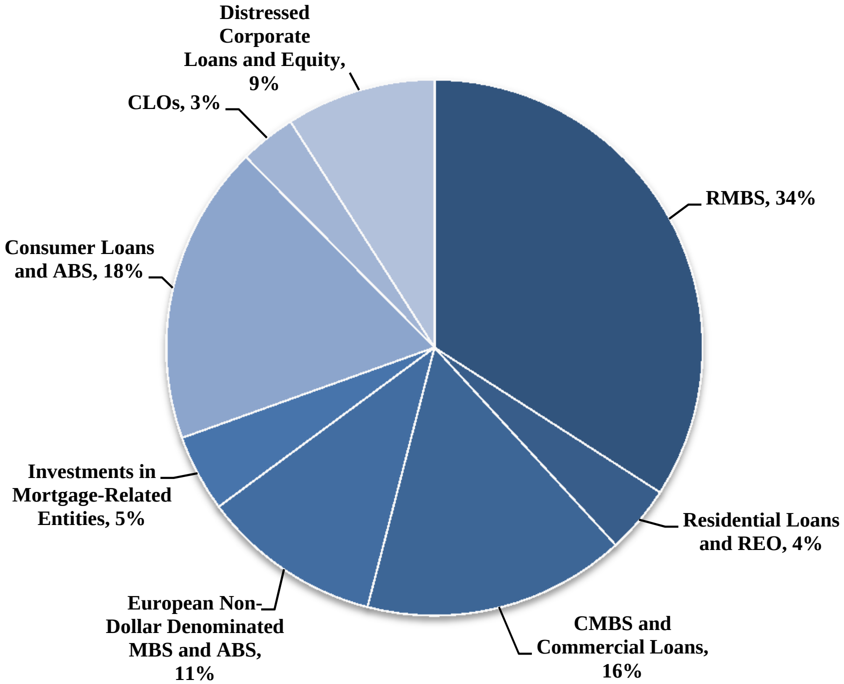
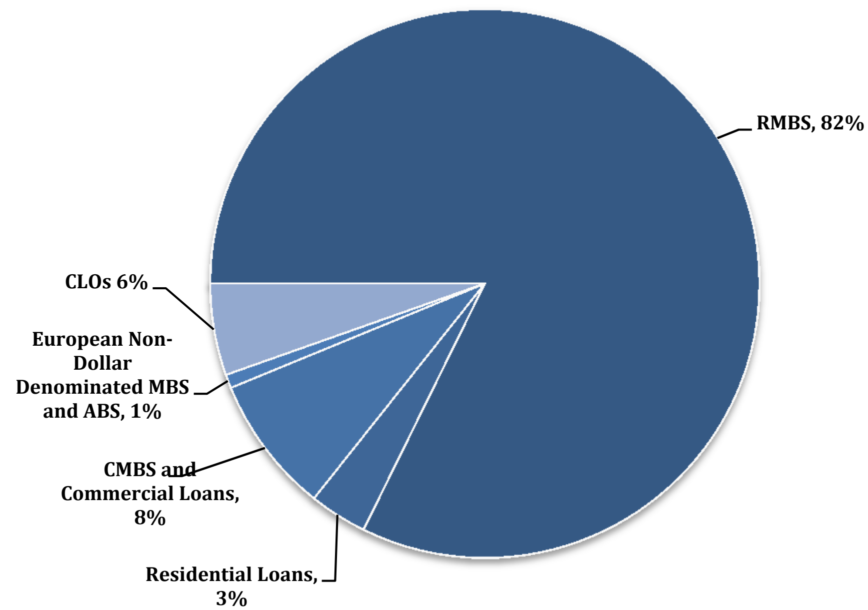
Holdings Overview
Long Credit Portfolio 12/31/15: $639MM(1)



Holdings Overview
Long Credit Portfolio 12/31/13: $700MM(1)



- As the above charts demonstrate, we have significantly diversified our sources of return in our Credit portfolio since the end of 2013
- We are increasing our capital allocation to other sectors where we believe our analytical expertise, research and systems provide an edge that will allow us to generate attractive loss-adjusted returns
- We expect to opportunistically vary size of non-Agency RMBS, CLO, and CMBS portfolios as market conditions change

(1) This information does not include interest rate swaps, TBA positions, corporate CDS, common stock and equity swaps, or other hedge positions. As of December 31, 2015, credit portfolio includes loan equivalent value in the amount of $38.2 million related to long total return swaps on distressed corporate debt. The corresponding value of the related total return swaps on distressed corporate debt was $(4.6) million.

EFC: Long Credit Portfolio as of December 31, 2015

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- **Credit strategy is the main driver of earnings**
- **Long Credit securities and loan portfolio value: $618.0 million—excludes REO and equity investments in mortgage related entities**

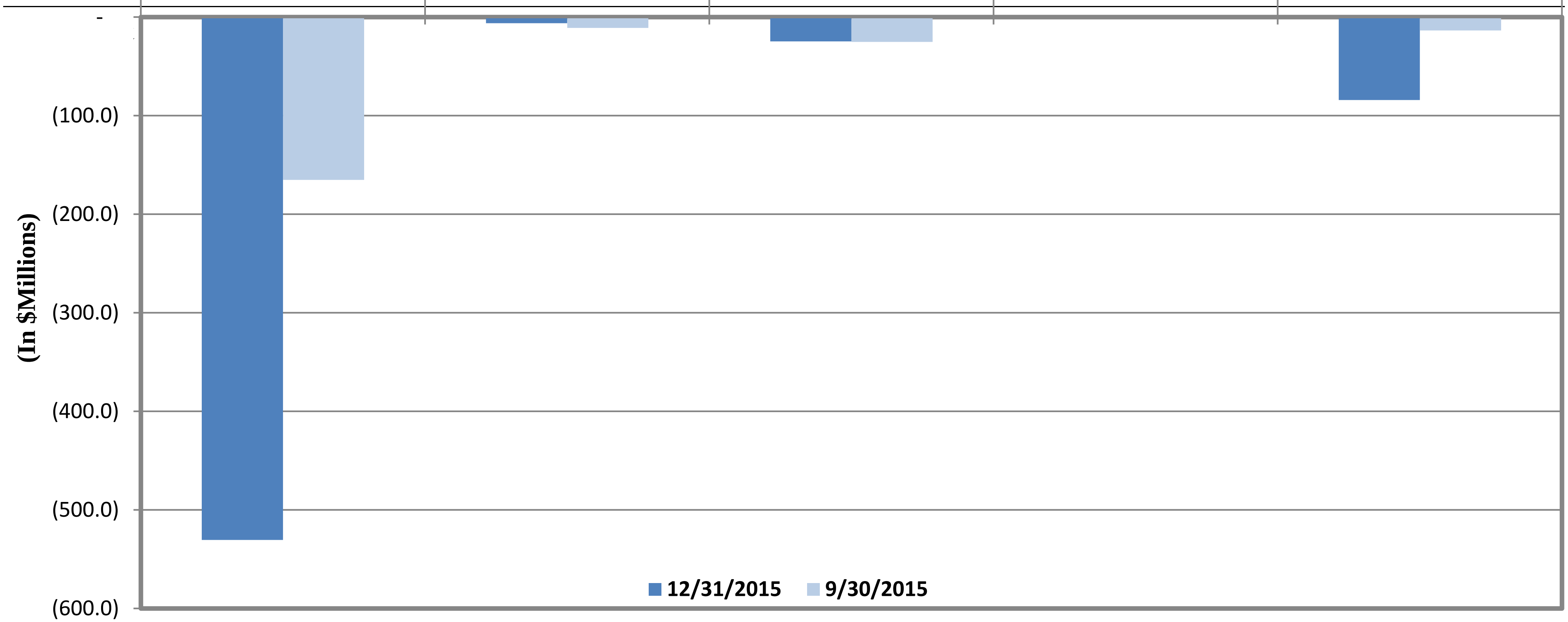
Credit Sector	Fair Value (millions)	Average Price (1)	Weighted Average Life (2)	Historical 1-Year CPR (3)	Est. Yield at Market Price at Ellington HPA Forecast (4)
Jumbo/Alt-A	$156.9	69.7%	5.8	12.6%	6.56%
Seasoned Manufactured Housing	24.2	85.4	4.8	6.3	7.28
Subprime	10.0	76.7	3.6	10.0	10.42
MBS CDO	26.6	22.8	1.2	N/A	5.92
Residential Loans	22.1	73.0	11.1	N/A	6.59
CMBS and Commercial Mortgage Loans	92.7	56.2	3.2	N/A	13.98
European Non-Dollar Denominated MBS and Other	45.0	94.6	6.5	6.3	11.28
CLO	46.0	87.1	3.4	N/A	10.53
Consumer Loans and ABS	115.4	N/A	1.1	N/A	10.70
Distressed Corporate Loans	57.7	55.2	3.5	N/A	15.91
Other	21.4	95.7	3.0	N/A	15.43
Total	**$618.0**	**68.3**	**4.0**	**11.3**	**10.32**

(1) 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.
(2) Weighted average life assumes "projected" cashflows using Ellington's proprietary models. Excludes interest only, principal only, equity tranches .
(3) Source for historical 1-Year CPR is Intex Solutions, Inc. ("Intex"). Excludes interest only, principal only, equity tranches and other similar securities, CMBS and commercial mortgage loans, and any investments where Intex CPR not available.
(4) Estimated yields at market prices are management's estimates derived from Ellington's proprietary models based on prices and market environment as of 12/31/15 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 above is for illustrative purposes only and the actual performance of our portfolio may differ from the data presented above, and such differences might be significant and adverse.

EFC: Credit Hedging Portfolio(1)(2)

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



(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 those presented in the Company's Schedule of Investments.

(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.

Agency Portfolio

EFC: Agency Long Portfolio

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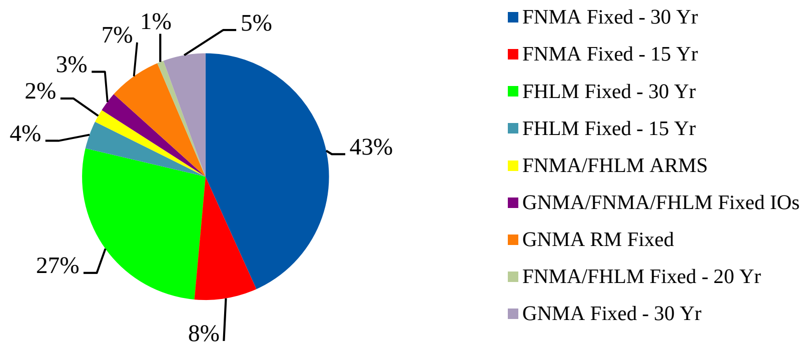
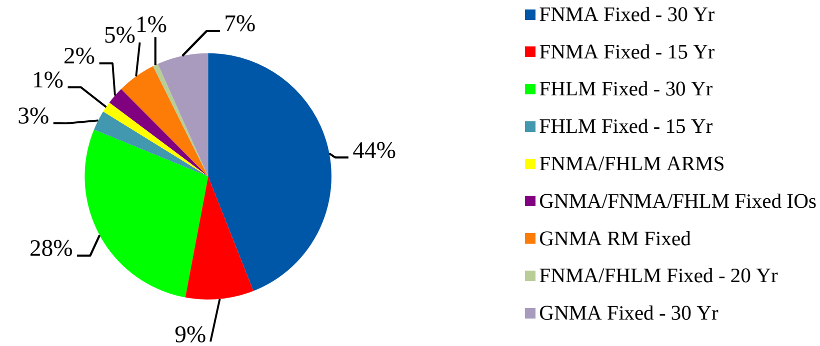
Current Quarter
Agency Long Portfolio 12/31/15: $963MM(1)



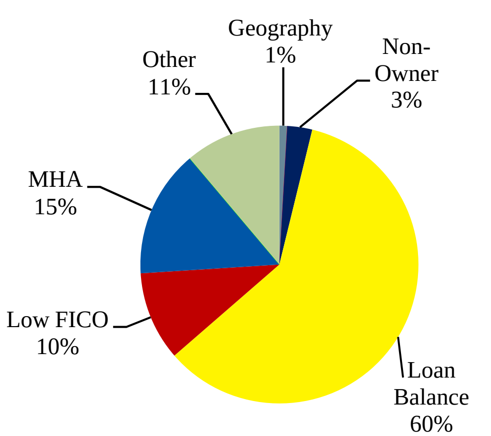
Weighted Average Coupon: 4.10%(7)

Previous Quarter
Agency Long Portfolio 9/30/15: $1,221MM(1)



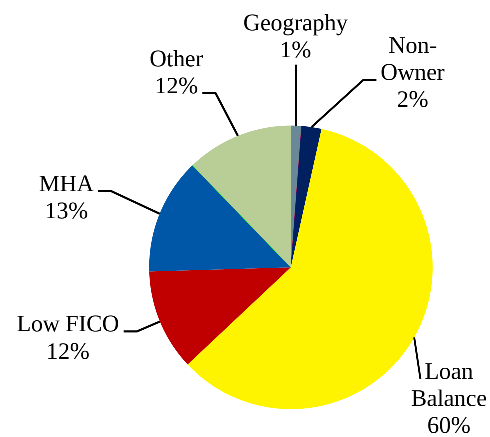
Weighted Average Coupon: 4.07%(7)

Collateral Characteristics and Historical 3-month CPR
Agency Fixed Rate Pool Portfolio 12/31/15: $854MM(2)



Characteristic(4)	Fair Value(2)(5)	3-Month Historical CPR(3)
Geography	$7.8	0.3
Non-Owner	24.7	4.3
Low Loan Bal	511.0	6.8
Low FICO	88.6	12.3
MHA(6)	126.9	7.1
Other	95.2	12.8
Totals	$854.2	7.9

Collateral Characteristics and Historical 3-month CPR
Agency Fixed Rate Pool Portfolio 9/30/15: $1,114MM(2)



Characteristic(4)	Fair Value(2)(5)	3-Month Historical CPR(3)
Geography	$13.3	5.9
Non-Owner	25.3	9.5
Low Loan Bal	662.8	7.8
Low FICO	128.7	7.0
MHA(6)	147.5	6.3
Other	136.0	9.6
Totals	$1,113.6	7.7

(1) Does not include long TBA positions with a notional value of $94.6 million and a fair value of $98.0 million as of December 31, 2015 and a notional value of $53.9 million and a fair value of $55.1 million as of September 30, 2015. Agency long portfolio includes $937.7 million of long Agency securities at December 31, 2015 and $1,192.8 million of long Agency securities at September 30, 2015. Additionally, the long Agency portfolio includes $24.9 million of interest only securities at December 31, 2015 and $28.4 million of interest only securities at September 30, 2015.

(2) Excludes reverse mortgage pools with a value of $66.9 million at December 31, 2015 and $62.0 million at September 30, 2015.

(3) Excludes Agency fixed rate RMBS without any prepayment history with a total value of $45.1 million at December 31, 2015 and $96.6 million at September 30, 2015.

(4) Classification methodology may change over time as market practices change.

(5) Fair values are shown in millions.

(6) “MHA” indicates those pools where underlying borrowers have participated in the Making Homes Affordable program.

(7) Represents weighted average net pass-through rate. Excludes interest only securities.

EFC: Agency Interest Rate Hedging Portfolio

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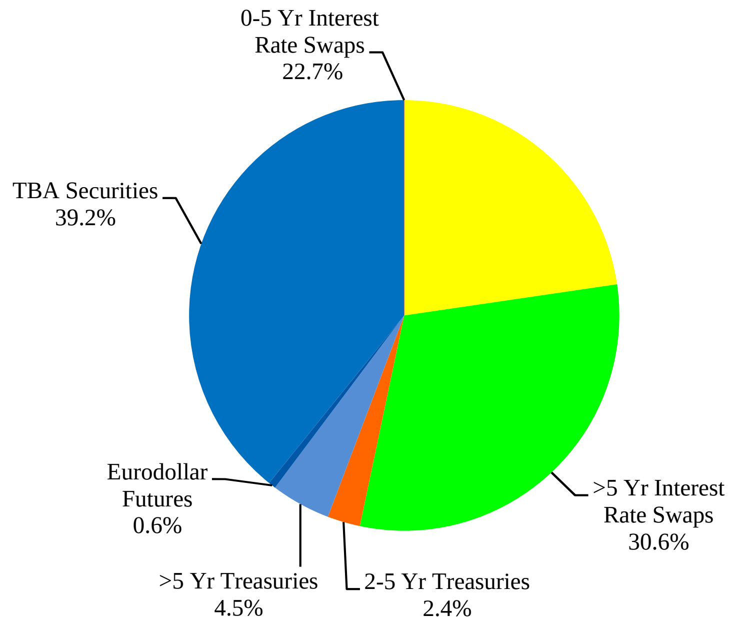
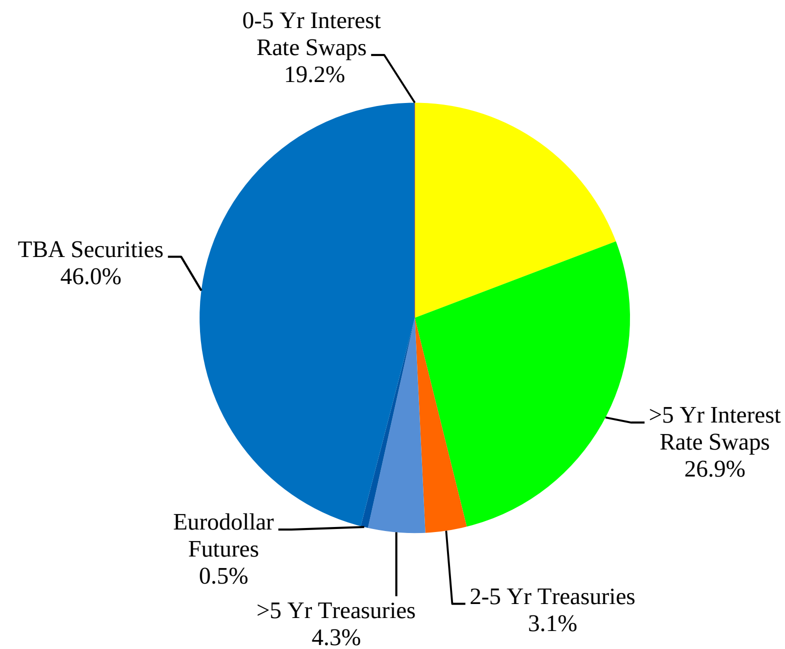
Current Quarter
Agency Interest Rate Hedging Portfolio 12/31/15: Short $405 MM 10-year equivalents



Previous Quarter
Agency Interest Rate Hedging Portfolio 9/30/15: Short $486 MM 10-year equivalents



- **Agency interest rate hedges are shown in normalized units of risk, with each group of positions measured in "10-year equivalents"**
- **Size of hedging portfolio declined as asset portfolio decreased in size**
  - **Decreased net short TBAs relative to interest rate swaps**

Note: "10-year equivalents" for a group of positions represent the amount of 10-year U.S. Treasury securities that would experience a similar change in market value under a standard parallel move in interest rates.

EFC: Agency Interest Rate Hedging Portfolio (continued)

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Calculation of Exposure to Agency RMBS Based on Fair Value of TBA Portfolio:

(In millions)

Agency-related Portfolio	**12/31/2015**	**9/30/2015**
Long Agency RMBS	$963	$1,221
Net Short TBAs	(420)	(685)
Net Long Exposure to Agency RMBS	**$543**	**$536**

- **Shorting "generic" pools (or TBAs) allows EFC to significantly reduce interest rate risk and basis risk in its Agency portfolio; interest rate risk is also hedged 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 market pay-up was 0.64% of the value of our fixed rate Agency pool portfolio as of December 31, 2015, down from 0.91% as of September 30, 2015**

Estimated Change in Fair Value as of 12/31/15 for Agency Pools, Agency IOs, and Related Hedges if Interest Rates Move:

(In thousands)	**Down 50 BPS**	**Up 50 BPS**
Agency RMS - ARM Pools	$113	($136)
Agency RMBS - Fixed Pools and IO	16,190	(20,564)
TBAs	(5,725)	8,228
Interest Rate Swaps	(9,732)	9,245
U.S. Treasury Securities	(1,257)	1,211
Eurodollar and U.S. Treasury Futures	(99)	99
Repurchase and Reverse Repurchase Agreements	(720)	723
Total	**($1,230)**	**($1,194)**

Note: The above table reflects a parallel shift in interest rates based on the market environment as of December 31, 2015. The preceding analysis does not include sensitivities to changes in interest rates for categories of instruments for 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. Results are based on forward-looking models, which are inherently imperfect, and incorporate various simplifying assumptions. Therefore, the table above 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 above, and such differences might be significant and adverse.

Borrowings

EFC: Repo Borrowings as of December 31, 2015

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($ in thousands)	Repo Borrowings			
Remaining Maturity	**Credit**	**Agency**	**Total**	**% of Total Borrowings**
30 Days or Less	$14,674	$295,277	$309,951	26.4%
31-60 Days	26,419	203,144	229,563	19.6%
61-90 Days	82,292	239,431	321,723	27.4%
91-120 Days	—	193,962	193,962	16.5%
151-180 Days	24,193	1,506	25,699	2.2%
181-360 Days	23,877	—	23,877	2.0%
> 360 Days	69,414	—	69,414	5.9%
Total Borrowings	**240,869**	**933,320**	**1,174,189**	**100.0%**
Weighted Average Remaining Days to Maturity	271	56	100	

- **As of December 31, 2015:**
  - EFC had borrowings outstanding with 18 counterparties
  - EFC had repo borrowings with a remaining weighted average maturity of 100 days; maturities are staggered to mitigate liquidity risk

Note: Included in the above table, using the original maturity dates, are any reverse repos involving underlying investments the Company sold prior to December 31, 2015 for settlement following December 31, 2015 even though the company may expect to terminate such reverse repos early. Not included are any reverse repos that the Company may have entered into prior to December 31, 2015, for which delivery of the borrowed funds is not scheduled until after December 31, 2015. Remaining maturity for a reverse repo is based on the contractual maturity date in effect as of December 31, 2015. Some reverse repos have floating interest rates, which may reset before maturity.

EFC: Average Cost of Borrowings

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($ In thousands)	As of December 31, 2015	For the Quarter Ended December 31, 2015	
Collateral for Borrowing	Outstanding Borrowings	Average Borrowings for the Quarter Ended	Average Cost of Funds
Credit	$240,869	$231,259	2.50%
Agency RMBS	933,320	1,077,612	0.51%
Total excluding U.S. Treasury Securities	1,174,189	1,308,871	0.86%
U.S. Treasury Securities	—	26,489	0.11%
Total	**1,174,189**	**$1,335,360**	**0.85%**
Leverage Ratio(1)	1.59:1		

- Leverage ratio was 1.59:1 as of December 31, 2015, as compared to 1.81:1 as of September 30, 2015
  - Net sold Agency RMBS in order to increase cash, reduce leverage and be more defensively positioned
- As of December 31, 2015, weighted average borrowing rates were 2.47% for Credit repo and 0.58% for Agency repo
  - Increasing portion of Credit borrowings related to loans, which generally carry higher borrowing rate

(1) The debt-to-equity ratio does not account for liabilities other than debt financings. The Company's debt financings consist solely of reverse repos as of December 31, 2015.

Supplemental Information

EFC: Gross Profit and Loss

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	Years Ended															
	2015		2014		2013		2012		2011		2010		2009		2008	
($ In thousands)	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%
Long: Credit	46,892	6.09	77,636	11.38	109,536	18.53	129,830	30.02	1,505	0.39	70,840	21.87	101,748	36.33	(64,565)	(26.20)
Credit Hedge and Other	10,671	1.38	(1,197)	(0.17)	(19,286)	(3.26)	(14,642)	(3.39)	19,895	5.16	(7,958)	(2.46)	10,133	3.62	78,373	31.81
Interest Rate Hedge: Credit	(4,899)	(0.64)	(9,479)	(1.39)	8,674	1.47	(3,851)	(0.89)	(8,171)	(2.12)	(12,150)	(3.75)	(1,407)	(0.50)	(3,446)	(1.40)
Long: Agency	23,629	3.07	61,126	8.97	(14,044)	(2.39)	37,701	8.72	63,558	16.47	21,552	6.65	22,171	7.92	4,763	1.93
Interest Rate Hedge: Agency	(17,166)	(2.23)	(47,634)	(6.99)	19,110	3.23	(20,040)	(4.63)	(54,173)	(14.04)	(14,524)	(4.48)	(8,351)	(2.98)	(6,414)	(2.60)
Gross Profit	**59,127**	**7.67**	**80,452**	**11.80**	**103,990**	**17.58**	**128,998**	**29.83**	**22,614**	**5.86**	**57,760**	**17.83**	**124,294**	**44.39**	**8,711**	**3.54**

Note: 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.

EFC: Capital and Leverage(1)

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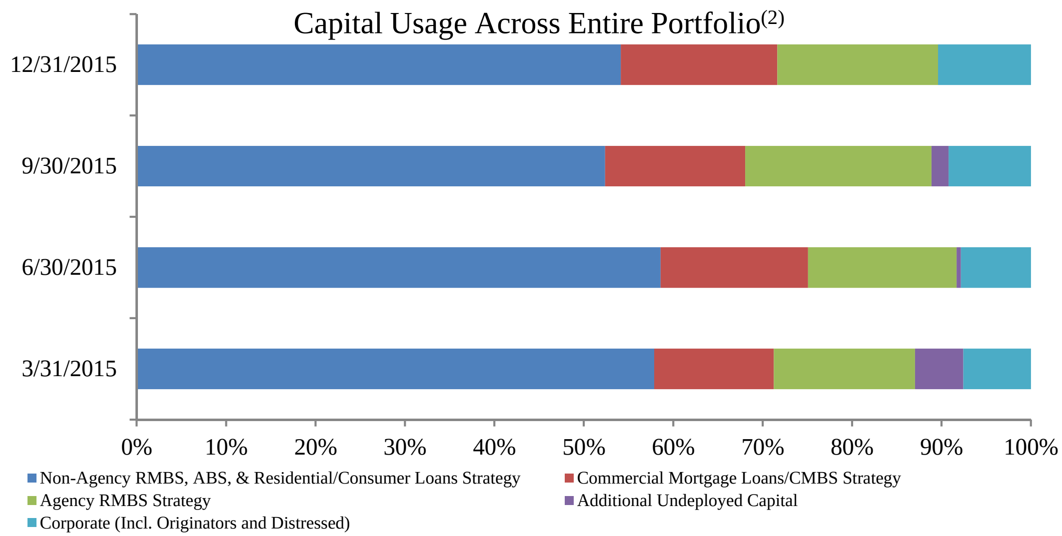


Notes

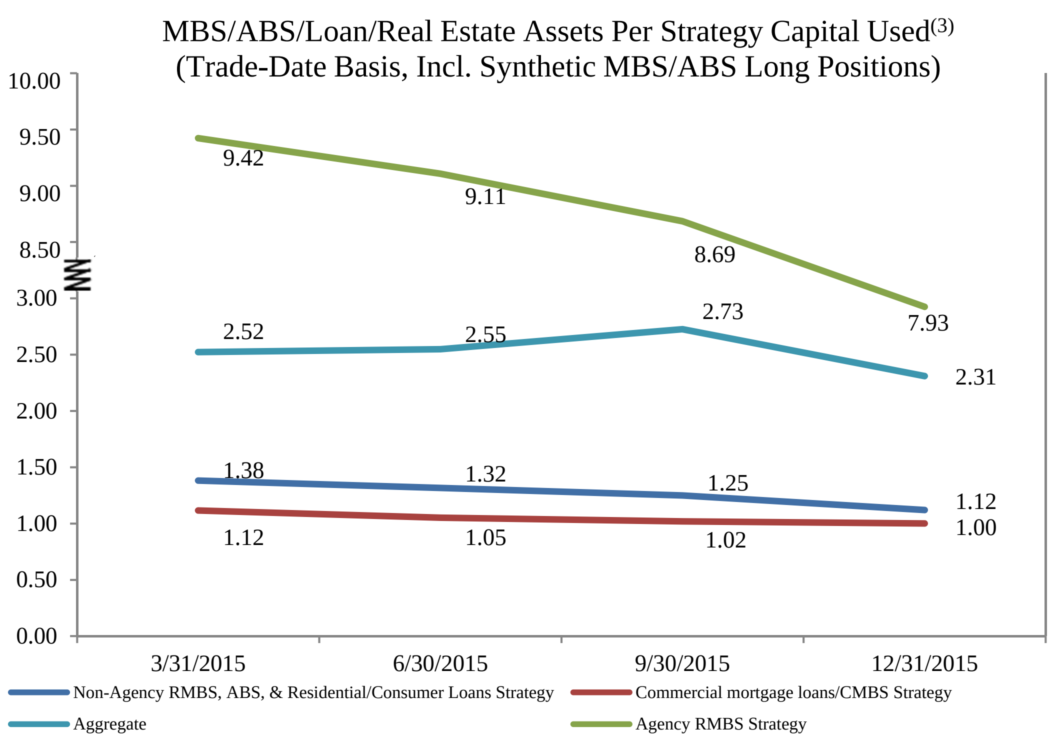
(1) Excludes U.S. Treasury securities

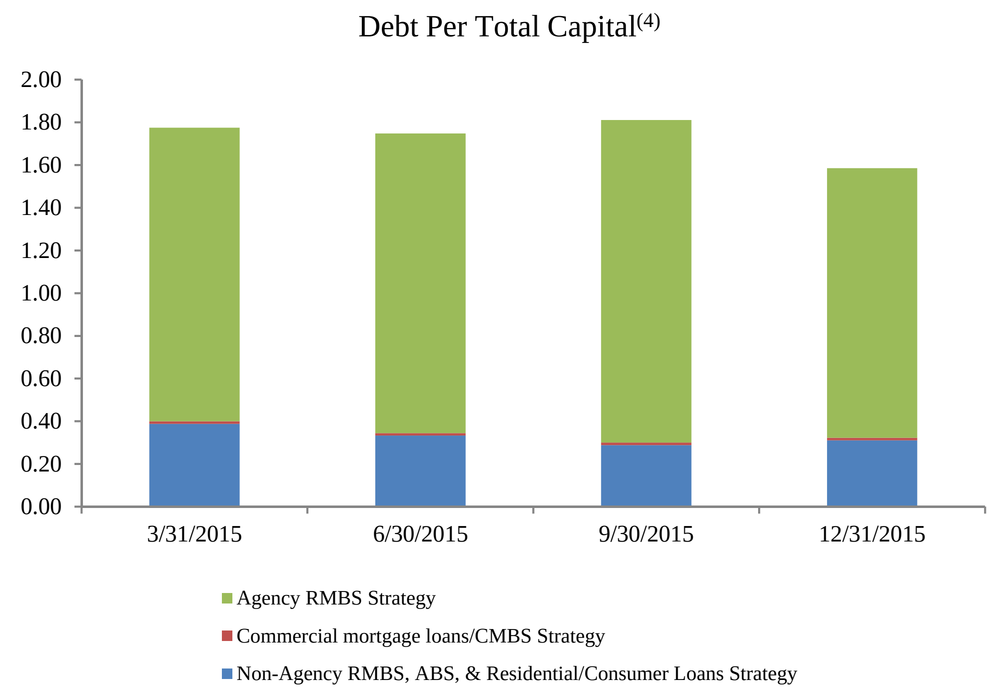
(2) Capital usage based on pro forma calculation of leverage generally applicable to long positions in target asset classes.

(3) Assets per strategy capital includes in the numerator holdings on a trade date basis of:

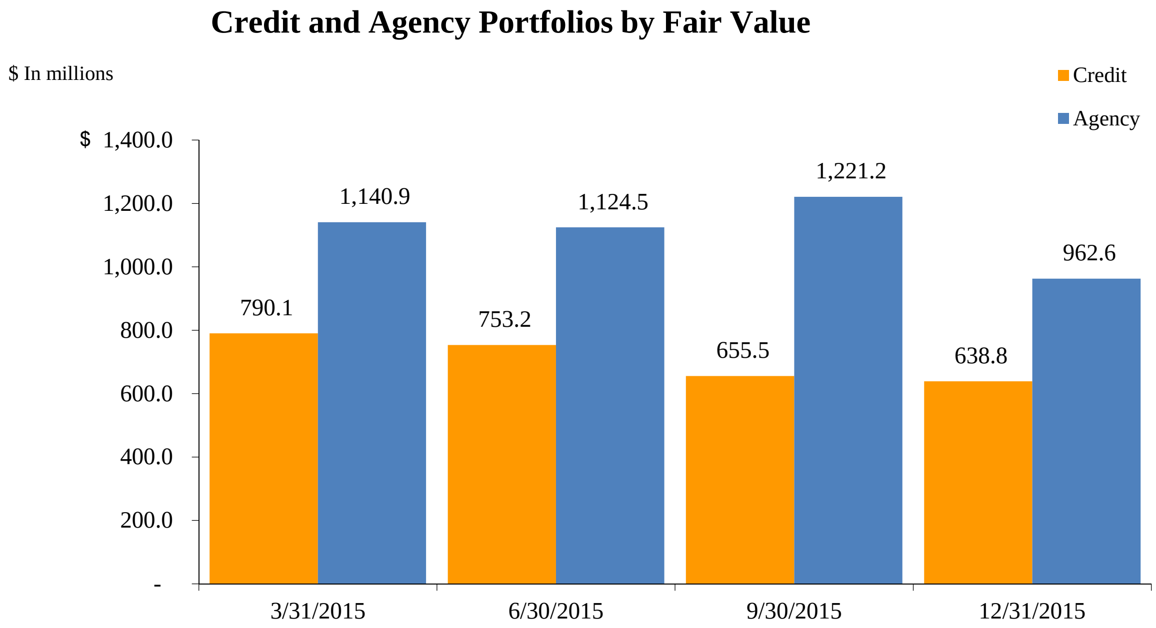
- long cash bond holdings of MBS/ABS (such as CMOs, CDOs, CLOs Agency pools)
- long holdings of unsecuritized residential and commercial mortgage loans, consumer and corporate loans
- bond equivalent amount of synthetic long holdings of MBS/ABS (in the form of single name and index ABS CDS)
- long TBA positions held for investment, rather than hedging purposes
- other long investment holdings

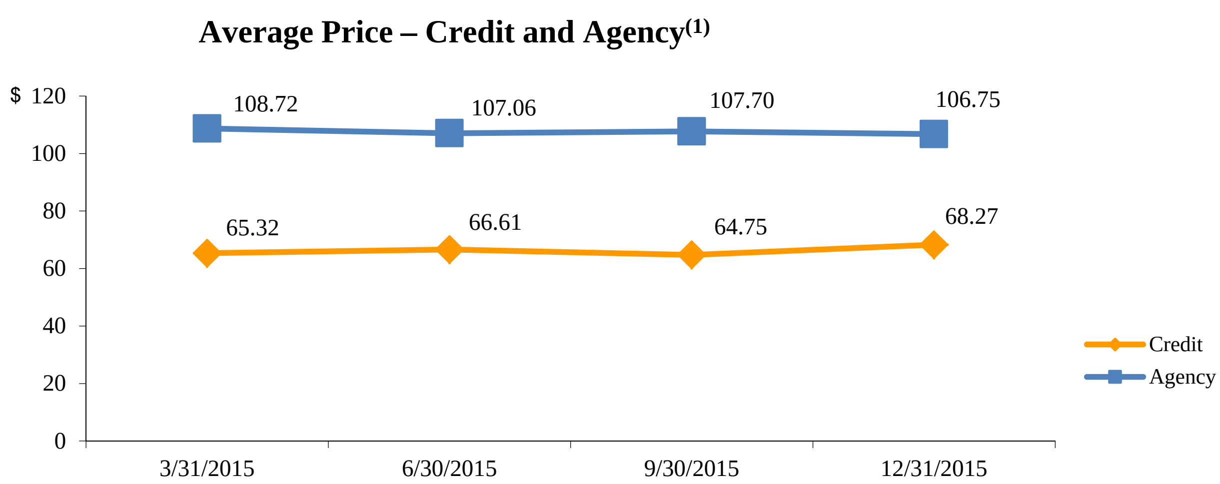
(4) Debt per total capital includes in the numerator repo borrowings and securitized debt





EFC: Credit and Agency Fair Values and Average Prices





(1) Excludes interest only, principal only, equity tranches and other similar investments and REO

EFC: Yields and Net Interest Margin

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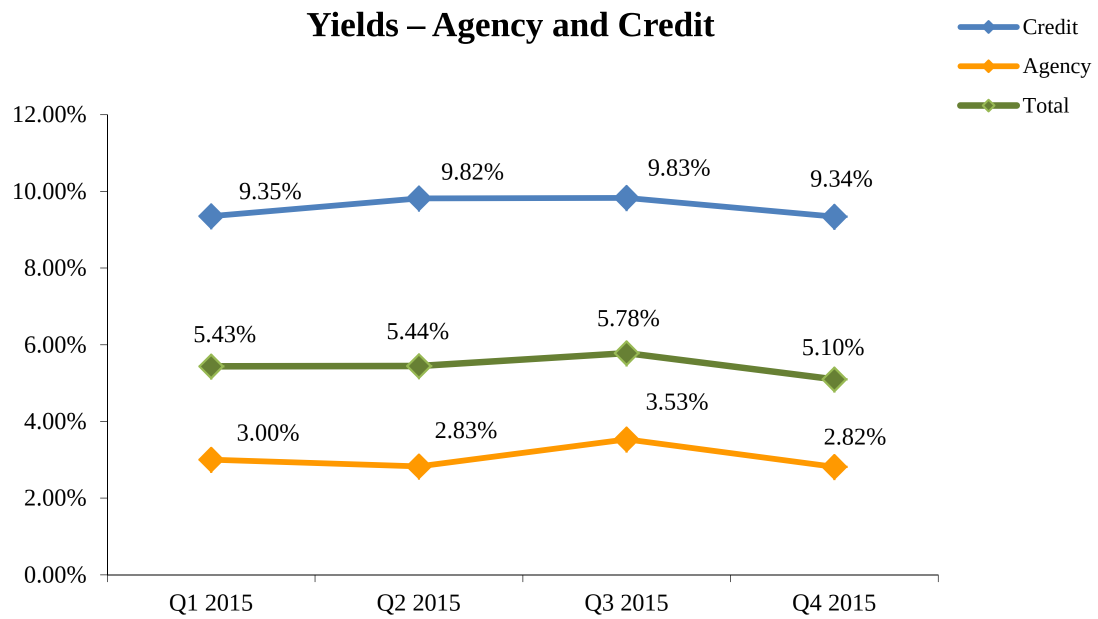
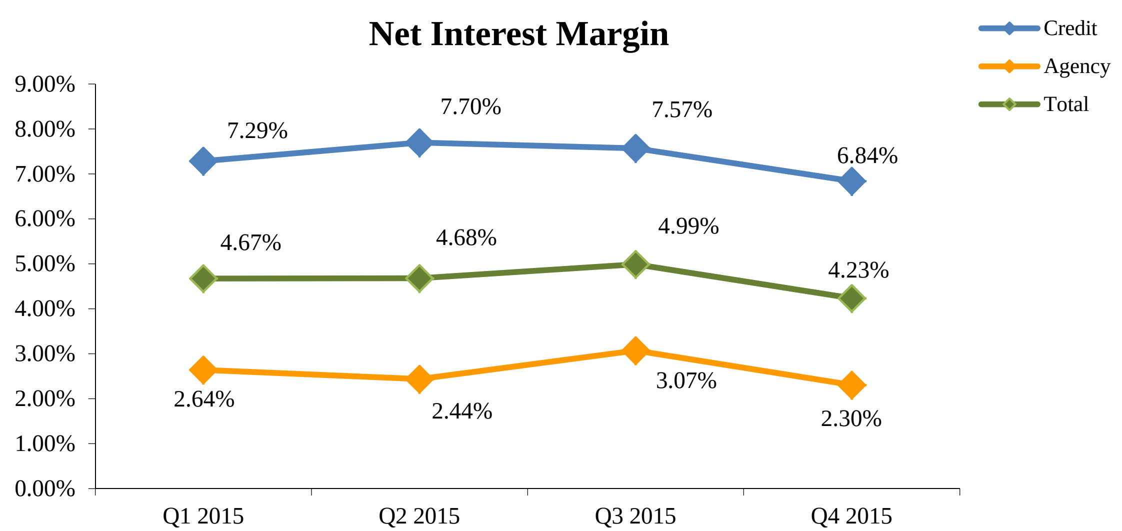


Note: Yields are based on amortized cost, not fair value. Excludes long credit swaps.



Note: Net interest margin figures are based on amortized cost, not fair value, and exclude long credit swaps and hedging related expenses.

EFC: Dividends and Expense Ratio

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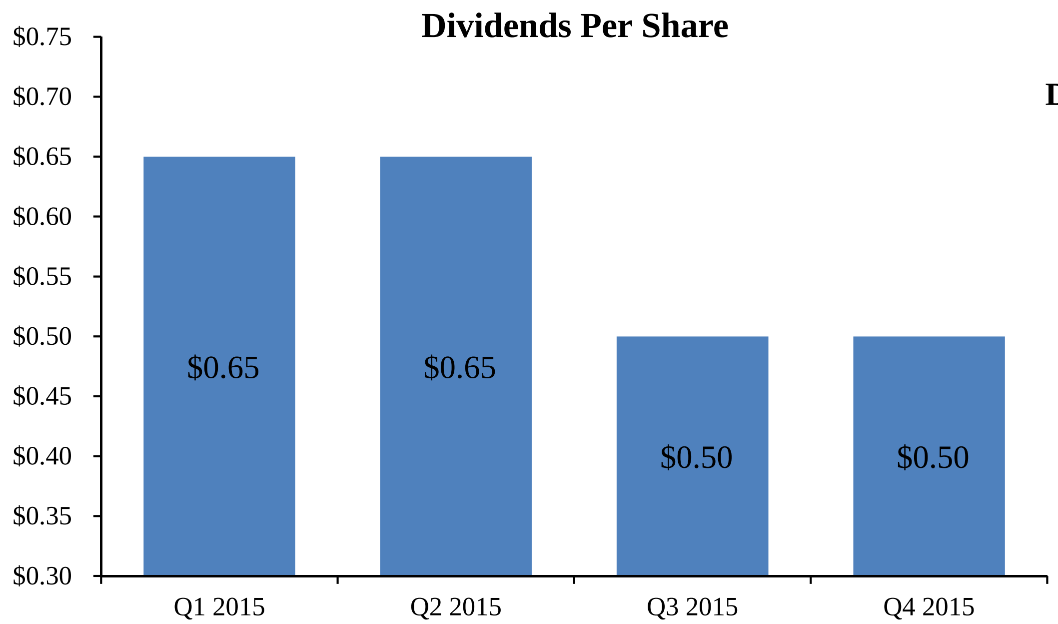
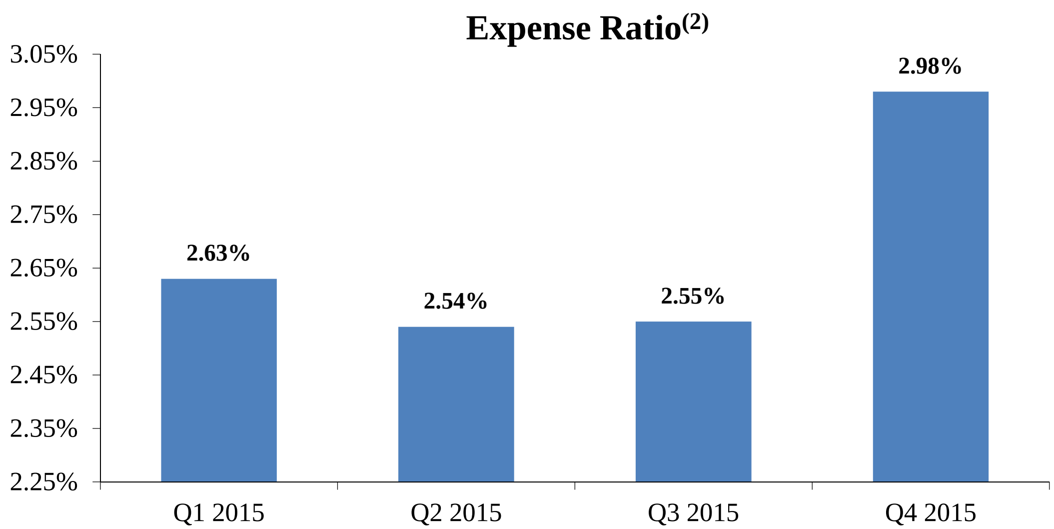


Dividend Yield as of February 12, 2016

12.2%[1]



(1) Based on NYSE closing price as of 2/12/2016.

(2) Expense ratios annualized.

EFC: Diluted Book Value

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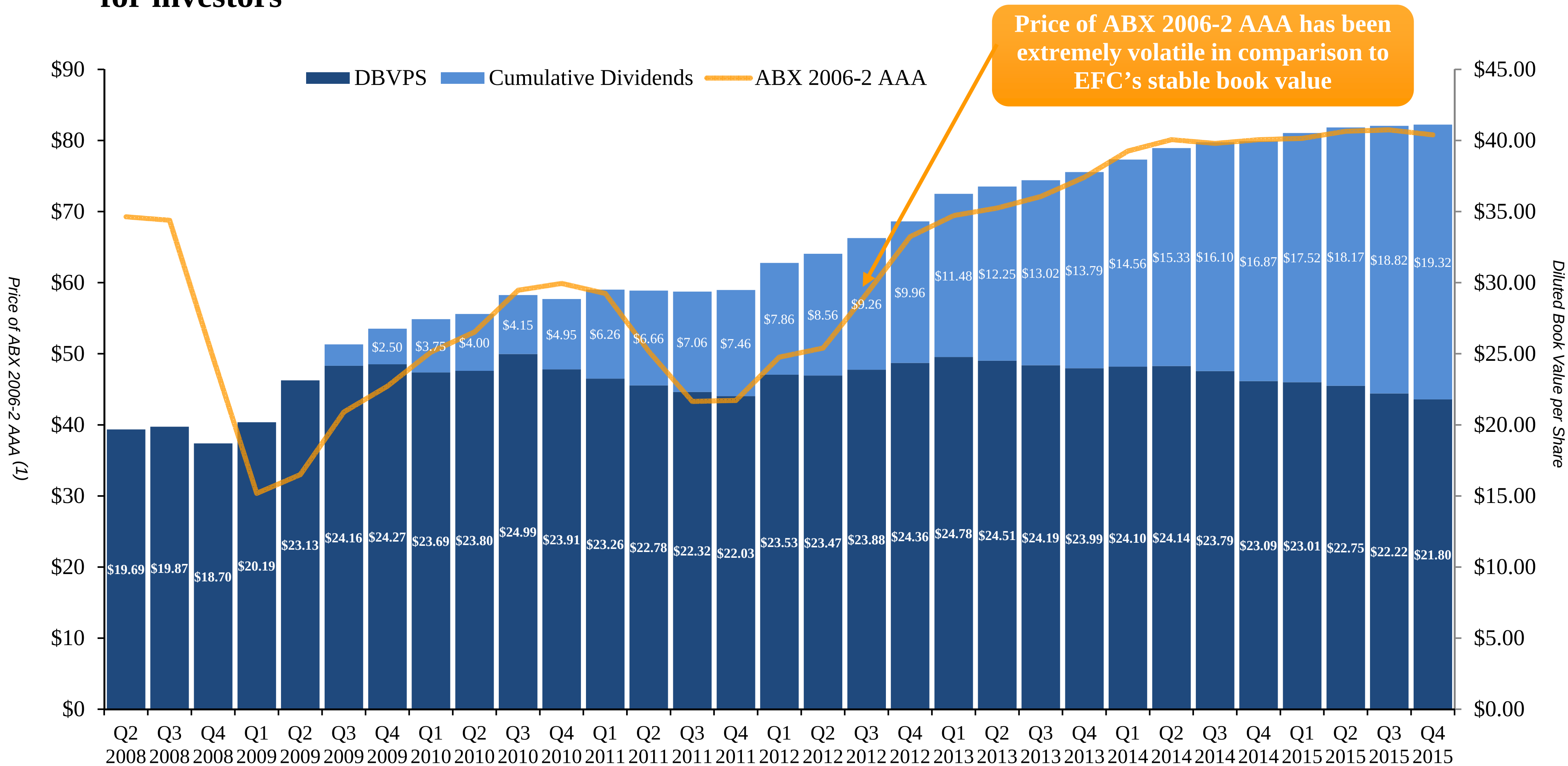
- **EFC has successfully preserved book value through market cycles, while producing strong results for investors**



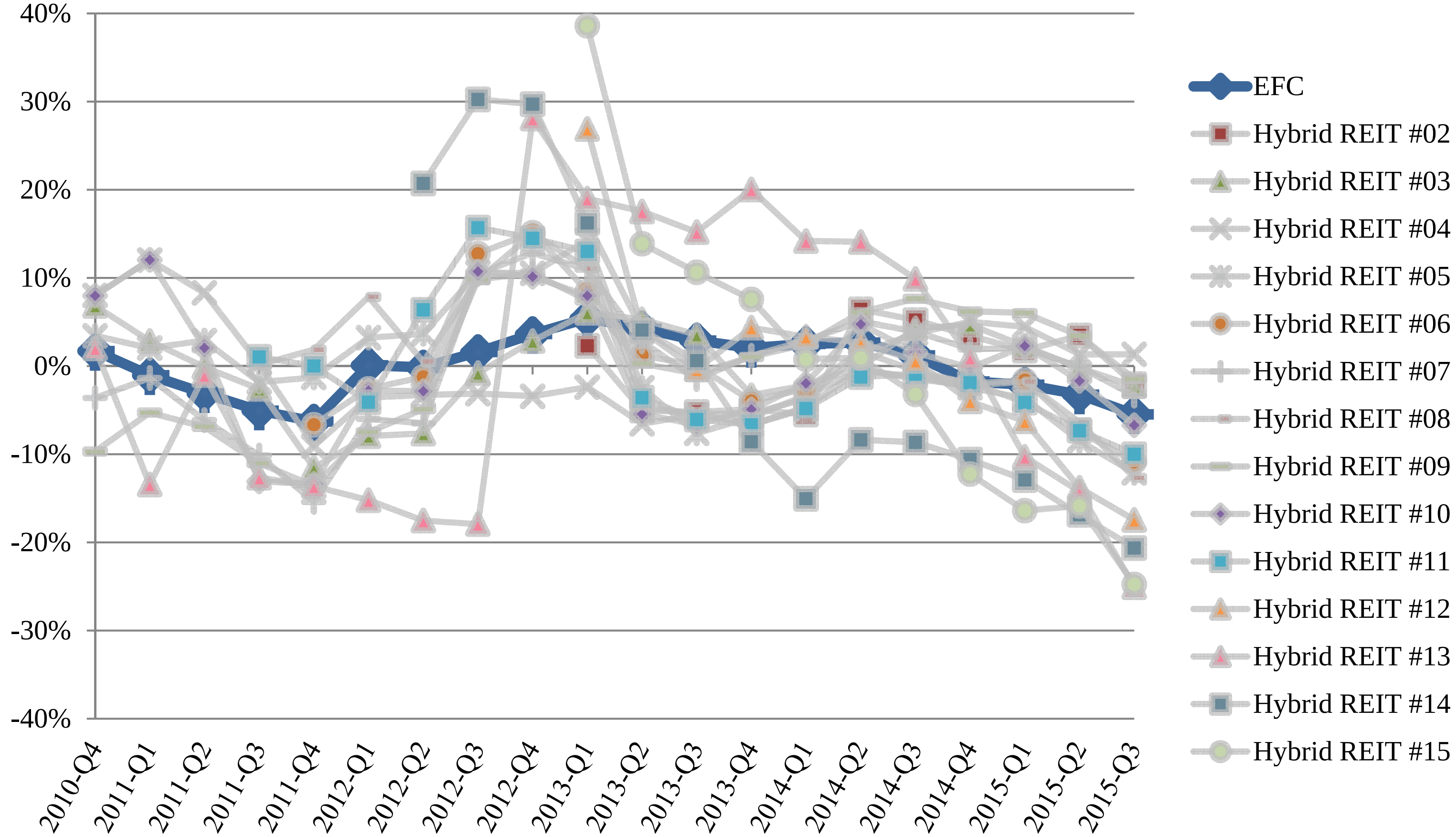
- **EFC life-to-date diluted net-asset-value-based total return from inception in August 2007 through Q4 2015 is approximately 162%, or 12.2% annualized**

(1) Source: Bloomberg, Markit

Note: 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. Dividends were paid in the quarter following the period related to such performance.

EFC: Stable Book Value Per Share Relative to Peer Group

Normalized Book Value Per Share of Hybrid mREITs
Q1 2011 – Q3 2015(1)(2)



Standard Deviation of Normalized Book Value Per Share Q1 2011 – Q3 2015

Company	Standard Deviation
EFC	3.30%
Hybrid REIT #02	4.39%
Hybrid REIT #03	4.84%
Hybrid REIT #04	5.44%
Hybrid REIT #05	6.44%
Hybrid REIT #06	6.72%
Hybrid REIT #07	6.87%
Hybrid REIT #08	7.01%
Hybrid REIT #09	7.11%
Hybrid REIT #10	7.21%
Hybrid REIT #11	7.58%
Hybrid REIT #12	10.99%
Hybrid REIT #13	15.68%
Hybrid REIT #14	16.78%
Hybrid REIT #15	16.92%

- **EFC has the lowest standard deviation of book value per share over the period**

(1) Source: Bloomberg, JMP
(2) Normalized book value per share for a company represents its book value per share divided by its average book value per share over the entire period.

EFC: Sharpe Ratio of Quarterly Economic Returns Relative to Peer Group

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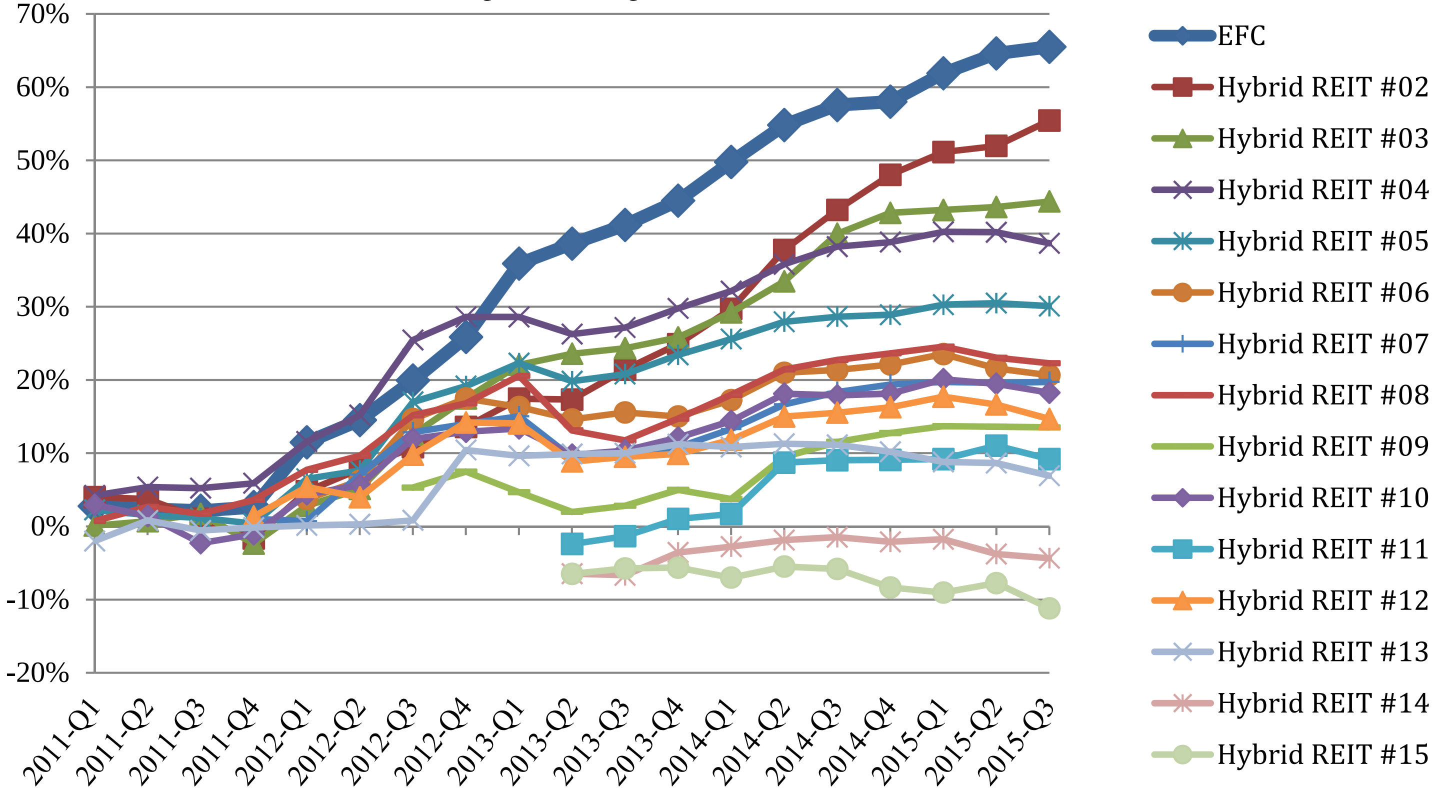
Normalized Cumulative Compounded Quarterly Economic Returns of Hybrid mREITs Q1 2011 – Q3 2015(1)(2)(3)



Sharpe Ratio of Quarterly Economic Returns Q1 2011 – Q3 2015

Company	Sharpe Ratio
EFC	2.32
Hybrid REIT #02	2.05
Hybrid REIT #03	1.68
Hybrid REIT #04	1.50
Hybrid REIT #05	1.18
Hybrid REIT #06	1.06
Hybrid REIT #07	0.95
Hybrid REIT #08	0.89
Hybrid REIT #09	0.81
Hybrid REIT #10	0.72
Hybrid REIT #11	0.73
Hybrid REIT #12	0.70
Hybrid REIT #13	0.20
Hybrid REIT #14	-0.40
Hybrid REIT #15	-0.97

- **Quarterly 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**
- **EFC has the highest Sharpe Ratio (annualized compounded economic return divided by annualized volatility of economic return)**

(1) Source: Bloomberg, JMP
(2) Normalized quarterly economic return for a company represents its quarterly economic return divided by the ratio between its volatility of quarterly economic returns over the entire period and the volatility of EFC's quarterly economic returns over the entire period.
(3) Risk free rate is assumed to equal 0% for all periods.

Income Statement

(Unaudited)

Ellington Financial

ELLINGTON FINANCIAL LLC
CONSOLIDATED STATEMENT OF OPERATIONS

(In thousands, except per share data)	Three Month Period Ended December 31, 2015	Three Month Period Ended September 30, 2015	Year Ended December 31, 2015
Investment income			
Interest income	$ 23,091	$ 26,440	$ 101,783
Other income	932	565	2,813
Total investment income	24,023	27,005	104,596
Expenses			
Base management fee	2,772	2,849	11,493
Interest expense	3,186	3,073	12,112
Other investment related expenses	1,774	1,473	5,612
Other operating expenses	2,835	2,087	9,203
Total expenses	10,567	9,482	38,420
Net investment income	13,456	17,523	66,176
Net realized gain (loss) on:			
Investments	2,129	8,477	34,384
Financial derivatives, excluding currency forwards	(1,512)	1,943	(15,096)
Financial derivatives—currency forwards	2,847	415	4,738
Foreign currency transactions	(1,981)	(2,555)	(3,073)
	1,483	8,280	20,953
Change in net unrealized gain (loss) on:			
Investments	(16,914)	(20,772)	(56,869)
Financial derivatives, excluding currency forwards	4,552	(3,354)	9,498
Financial derivatives—currency forwards	291	(153)	377
Foreign currency translation	(1,006)	2,403	(1,706)
	(13,077)	(21,876)	(48,700)
Net realized and change in net unrealized gain (loss) on investments and financial derivatives	(11,594)	(13,596)	(27,747)
Net increase in equity resulting from operations	$ 1,862	$ 3,927	$ 38,429
Less: Increase in equity resulting from operations attributable to non-controlling interests	82	31	340
Net increase in shareholders' equity resulting from operations	$1,780	$3,896	$38,089
Net increase in shareholders' equity resulting from operations per share:			
Basic and diluted	$ 0.05	$ 0.12	$ 1.13
Weighted average shares and LTIP units outstanding	33,789	33,868	33,854
Weighted average shares and convertible units outstanding	34,001	34,080	34,066

Balance Sheet

(Unaudited)

Ellington Financial

ELLINGTON FINANCIAL LLC
CONSOLIDATED STATEMENT OF ASSETS, LIABILITIES AND EQUITY

(In thousands, except share amounts)	As of December 31, 2015	As of September 30, 2015	As of December 31, 2014 [1]
ASSETS			
Cash and cash equivalents	$ 183,909	$ 139,395	$ 114,140
Restricted cash	4,857	5,580	-
Investments, financial derivatives, and repurchase agreements:			
Investments, at fair value (Cost – $1,672,400, $1,883,248 and $2,122,326)	1,661,118	1,894,679	2,172,082
Financial derivatives–assets, at fair value (Net cost – $163,943, $60,525, and $61,560)	162,905	73,994	80,029
Repurchase agreements (Cost – $105,329, $110,060, and $172,001)	105,700	109,591	172,001
Total Investments, financial derivatives, and repurchase agreements	1,929,723	2,078,264	2,424,112
Due from brokers	141,605	163,066	146,965
Receivable for securities sold and financial derivatives	705,748	909,106	1,237,592
Interest and principal receivable	20,444	25,794	20,611
Other assets	5,269	2,727	1,935
Total assets	$ 2,991,555	$ 3,323,932	$ 3,945,355
LIABILITIES			
Investments and financial derivatives:			
Investments sold short, at fair value (Proceeds – $731,048, $985,360, and $1,290,091)	$ 728,747	$ 987,755	$ 1,291,370
Financial derivatives–liabilities, at fair value (Net proceeds – $56,200, $48,316, and $33,555)	60,472	70,925	66,116
Total investments and financial derivatives	789,219	1,058,680	1,357,486
Reverse repurchase agreements	1,174,189	1,372,794	1,669,433
Due to brokers	114,797	2,831	22,224
Payable for securities purchased and financial derivatives	165,365	121,645	98,747
Securitized debt (Proceeds – $0, $499, and $749)	-	503	774
Accounts payable and accrued expenses	3,626	2,807	2,798
Base management fee payable	2,773	2,849	2,963
Interest and dividends payable	1,806	2,185	2,386
Other liabilities	828	1,297	-
Total liabilities	2,252,603	2,565,591	3,156,811
EQUITY	738,952	758,341	788,544
TOTAL LIABILITIES AND EQUITY	$ 2,991,555	$ 3,323,932	$ 3,945,355
ANALYSIS OF EQUITY:			
Common shares, no par value, 100,000,000 shares authorized;			
(33,126,012, 33,417,118, and 33,449,678 shares issued and outstanding)	$ 722,360	$ 742,494	$ 772,811
Additional paid-in capital–LTIP units	9,689	9,591	9,344
Total Shareholders' Equity	$ 732,049	$ 752,085	$ 782,155
Non-controlling interests	6,903	6,256	6,389
Total Equity	$ 738,952	$ 758,341	$ 788,544
PER SHARE INFORMATION:			
Common shares, no par value	$ 22.10	$ 22.51	$ 23.38
DILUTED PER SHARE INFORMATION:			
Common shares and convertible units, no par value [2]	$ 21.80	$ 22.22	$ 23.09

(1) Derived from audited financial statements as of December 31, 2014.

(2) Based on total equity excluding non-controlling interests not represented by instruments convertible into common shares.

About Ellington

- **EFC is managed by Ellington Financial Management LLC, an affiliate of Ellington Management Group, L.L.C. (“EMG”)**
- **EMG was founded in 1994 by Michael Vranos and five partners; currently has over 160 employees, giving EFC access to time-tested infrastructure and proprietary resources in trading, research, risk management, and operational support**
  - EMG has approximately $6.1 billion in assets under management as of December 31, 2015
- **EMG's portfolio managers are among the most experienced in the MBS sector and the firm’s analytics have been developed over a 21-year history**
  - Prior to forming EMG, five of the founding partners constituted the core of Kidder Peabody’s MBS trading and research group, while one spent ten years at Lehman Brothers where he ran collateralized mortgage obligation (“CMO”) trading
  - The founding partners each have advanced academic training in mathematics and engineering, including among them several Ph.D.’s and Master’s degrees
- **Management owns over 10.5% of EFC; interests are aligned with shareholders**

Note: Management ownership includes shares and LTIP units held by principals of EMG and family trusts, and operating partnership units attributable to non-controlling interests.

Ellington Financial

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