Ellington Financial

Ellington Financial LLC (NYSE: EFC)

Third Quarter 2016 Earnings Conference Call

November 4, 2016

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Important Notice

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 11, 2016, 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 September 30, 2016 unless otherwise indicated. We undertake no duty or obligation to update this presentation to reflect subsequent events or developments.

Third Quarter 2016

Operating Results

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(In thousands, except per share amounts)	Quarter Ended September 30, 2016	Per Share	% of Average Equity	Quarter Ended June 30, 2016	Per Share	% of Average Equity	Nine Month Period Ended September 30, 2016	Per Share	% of Average Equity
Credit:									
Interest income and other income	$ 11,822	$ 0.35	1.77%	$ 14,113	$ 0.42	2.05%	$ 39,506	$ 1.18	5.59%
Net realized gain (loss)	1,999	0.06	0.30%	4,884	0.15	0.71%	9,564	0.29	1.35%
Change in net unrealized gain (loss)	7,182	0.22	1.07%	(4,043)	(0.12)	-0.59%	(4,902)	(0.15)	-0.69%
Net interest rate hedges (1)	508	0.02	0.08%	(664)	(0.02)	-0.10%	(2,172)	(0.07)	-0.31%
Net credit hedges and other activities(2)	(16,722)	(0.50)	-2.50%	(3,290)	(0.10)	-0.48%	(40,805)	(1.22)	-5.77%
Interest expense	(1,875)	(0.06)	-0.28%	(2,214)	(0.07)	-0.32%	(5,771)	(0.17)	-0.82%
Other investment related expenses	(1,576)	(0.05)	-0.24%	(1,945)	(0.06)	-0.28%	(5,148)	(0.15)	-0.73%
Total Credit profit (loss)	1,338	0.04	0.20%	6,841	0.20	0.99%	(9,728)	(0.29)	-1.38%
Agency RMBS:									
Interest income	4,659	0.14	0.70%	5,322	0.16	0.78%	17,537	0.52	2.48%
Net realized gain (loss)	763	0.02	0.11%	1,570	0.04	0.23%	3,585	0.11	0.51%
Change in net unrealized gain (loss)	67	—	0.01%	4,611	0.14	0.67%	14,039	0.42	1.99%
Net interest rate hedges and other activities (1)	59	—	0.01%	(6,815)	(0.20)	-0.99%	(23,706)	(0.71)	-3.36%
Interest expense	(1,413)	(0.04)	-0.21%	(1,499)	(0.04)	-0.22%	(4,339)	(0.13)	-0.61%
Total Agency RMBS profit (loss)	4,135	0.12	0.62%	3,189	0.10	0.47%	7,116	0.21	1.01%
Total Credit and Agency RMBS profit (loss)	5,473	0.16	0.82%	10,030	0.30	1.46%	(2,612)	(0.08)	-0.37%
Other interest income (expense), net	(60)	—	-0.01%	41	—	0.01%	(34)	—	0.00%
Other expenses	(4,863)	(0.14)	-0.73%	(5,069)	(0.15)	-0.74%	(14,988)	(0.45)	-2.12%
Net increase (decrease) in equity resulting from operations	$ 550	$ 0.02	0.08%	$ 5,002	$ 0.15	0.73%	$ (17,634)	$ (0.53)	-2.49%
Less: Net increase in equity resulting from operations attributable to non-controlling interests	34			17			65		
Net increase (decrease) in shareholders' equity resulting from operations (6)	**$ 516**	**$ 0.02**	**0.08%**	**$ 4,985**	**$ 0.15**	**0.73%**	**$ (17,699)**	**$ (0.53)**	**-2.57%**
Weighted average shares and convertible units (3) outstanding	33,306			33,502			33,517		
Average equity (includes non-controlling interests) (4)	$ 669,935			$ 687,784			$ 706,583		
Ending equity (includes non-controlling interests)	$ 664,753			$ 679,183			$ 664,753		
Diluted book value per share	$ 19.83			$ 20.31			$ 19.83		
Weighted average shares and LTIP units outstanding (5)	33,094			33,290			33,305		
Average shareholders' equity (excludes non-controlling interests) (4)	$ 659,205			$ 682,466			$ 688,151		

(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.

Ellington Financial: Third Quarter Highlights

Overall Results	■ Net income of $0.5 million, or $0.02 per share ■ Assets generated positive results in both the Credit and Agency strategies during the third quarter ■ Credit hedge losses substantially offset the positive performance of our assets

Credit Strategy	■ Credit strategy gross income of $1.3 million(1), or $0.04 per share
	  ■ Net realized and unrealized gains from securities holdings, including non-Agency RMBS, CMBS, CLOs
	  ■ Net sold non-Agency RMBS but net increased our investments in CMBS, small balance commercial mortgage loans
	  ■ Credit hedges, principally in the form of financial instruments tied to high-yield corporate credit, negatively impacted performance
	    ■ Reduced and repositioned credit hedges as Credit portfolio shifts to loans from securities

Agency RMBS Strategy	■ Agency RMBS strategy gross income of $4.1 million(1), or $0.12 per share
	  ■ Results include net carry and net realized and unrealized gains
	  ■ Both prices and pay-ups increased on specified pools

Operating Expenses	■ Core expenses of $4.9 million–includes base management fees and other operating expenses ■ Expense ratio of 2.9% for the first quarter
Leverage	■ Debt to equity ratio: 1.53:1 as of September 30, 2016

(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: Third Quarter Highlights (continued)

Portfolios	■ Total Long Credit Portfolio: $490[1] million as of September 30, 2016 as compared to $583[1] million as of June 30, 2016 ■ Agency Long Portfolio: $808 million as of September 30, 2016, as compared to $850 million as of June 30, 2016

Book Value and Shareholders' Equity	■ September 30, 2016 diluted book value per share of $19.83, after a $0.50 second quarter dividend paid in September, as compared to $20.31 per share as of June 30, 2016
	    ■ During the third quarter repurchased approximately 127,000 shares at an average price per share of $17.14
	    ■ Since implementation of share repurchase program in August 2015, repurchased approximately 927,000 shares for $15.9 million
	■ Total equity of $664.8 million as of September 30, 2016, as compared to $679.2 million as of June 30, 2016

Dividends and Share Buybacks	■ 3rd quarter dividend of $0.45 per share announced on October 31, 2016 ■ Annualized dividend yield of 11.6% based on the November 2, 2016 closing price of $15.58 ■ We continue to expect to recommend to our Board of Directors a quarterly dividend amount of $0.45 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

Overall Market Conditions	■ During the third quarter, U.S. interest rates trended somewhat higher and many measures of implied volatility reached multi-year lows
	    ■ Large and frequent swings in interest rates that characterized the early part of 2016 were comparatively absent
	■ Bias toward accommodative monetary policy by global central banks contributed to the lower volatility and increased investor appetite for risk-taking
	■ Negative yields persisted throughout the quarter for many high quality sovereign bonds, maintaining the global shortage of high quality, positive-yielding liquid fixed income investments
	    ■ Investor demand for higher yielding investments also helped support many credit sensitive U.S. fixed income sectors, including non-Agency RMBS and high-yield corporate bonds

Portfolio Trends	■ Losses from our credit hedges (principally in the form of financial instruments representing short positions in high-yield corporate debt) depressed our overall results ■ High-yield corporate credit rallied significantly over the course of the quarter, leading to net losses on our credit hedges ■ Net sold non-Agency RMBS mainly in order to redeploy the net proceeds into other targeted Credit assets ■ Non-QM mortgage loans—pace of purchases continues to accelerate and loan performance has been excellent to date; also executed a block sale to a third party of approximately $21 million ■ Consumer loans—completed our first widely syndicated securitization of consumer loans, essentially providing long-term financing on a portion of that portfolio ■ Investment in mortgage originator—increased our investment in a reverse mortgage originator; we believe that competition is low and demographic trends are extremely favorable in this market

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Ellington Financial: Agency Strategy

Overall Market Conditions	

	■ The yield curve continued to flatten over the course of the third quarter, although less dramatically than it had in the second quarter
	  ■ 10-year Treasury yield increased 12 basis points to end the second quarter at 1.59%
	  ■ 2-year U.S. Treasury yield increased 18 basis points to 0.76%
	  ■ 30-year mortgage rate decreased to 3.41% on July 7th, its lowest level since May 2013
	■ Higher yields and favorable liquidity offered by Agency RMBS continued to be in demand from investors despite rising interest rates and increasing prepayment speeds
	■ Prepayment rates reached their highest levels since 2012, and exceeded most sell-side estimates
	  ■ Mortgage Bankers Association Refinance Index, which tracks the volume of mortgage loan refinancing applications, reached a one-year high on July 8, 2016
	■ Higher yields offered by Agency RMBS relative to other high-quality liquid fixed income sectors kept investor demand strong, despite rising interest rates and increasing prepayment speeds
	■ Pay-ups on specified pools increased as prepayment protection became more valuable in light of lower interest rates and increases in prepayment rates

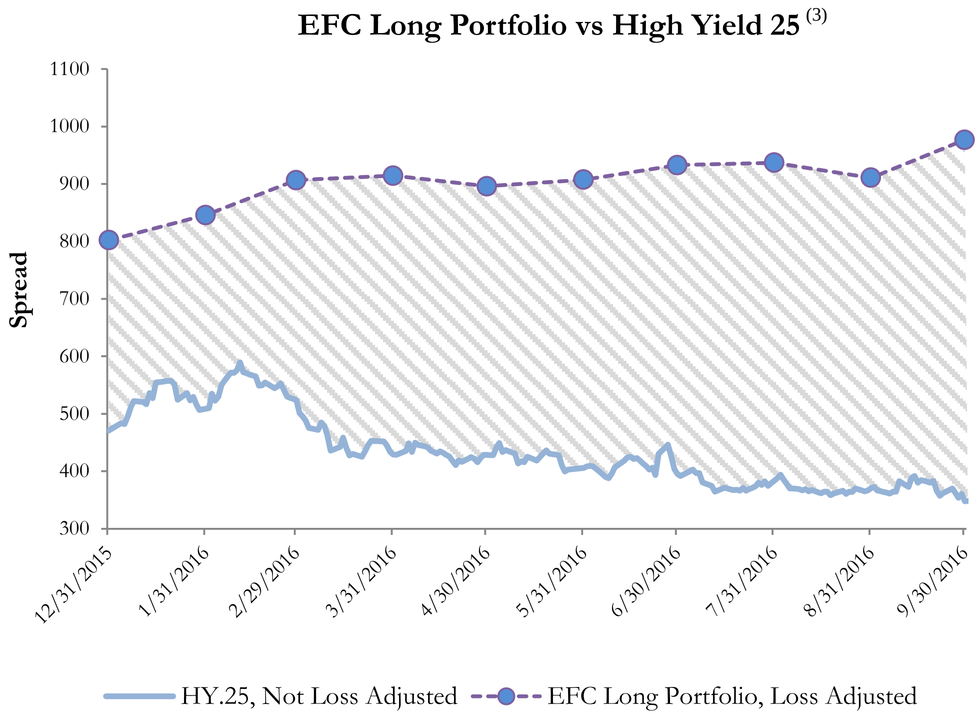
Portfolio Trends	■ Agency RMBS principally comprised of specified pools; average pay-ups on our specified pools increased to 1.12% as of September 30, 2016 from 1.05% as of June 30, 2016
	  ■ Performance of specified pools meaningfully augmented our results
	■ TBAs underperformed specified pools during the quarter, and because we hold a net short position in TBAs, this underperformance benefited our results
	  ■ Increased short TBA position during the quarter
	■ Decreased size of specified pool portfolio; overall Agency RMBS proportion of capital usage remained roughly the same

Ellington Financial: Outlook

Credit	- We expect to continue to hold a diversified Credit portfolio, primarily consisting of:
	  - Loans, including:
	    - Consumer Loans and ABS, with an emphasis on establishing a steady pipeline through flow agreements
	    - Small Balance Commercial Mortgage Loans, especially distressed loans
	    - Non-QM Mortgage Loans
	    - European MBS and NPLs (mortgage and consumer)
	    - Residential NPLs, especially smaller, off-the-run packages
	  - Securities, including
	    - 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
	  - Other strategic investments, such as direct investments in Mortgage Originators
	- In order to focus on growth in our loan portfolio, we have reduced our positions in certain other strategies, such as distressed debt and CLOs
	- We expect to continue to opportunistically hedge credit risk, tailored to the evolving risks of our portfolio

Agency	- To the extent that prepayment rates remain elevated, we believe that the underperformance of generic pools relative to specified pools will persist, thus reinforcing the importance of our ability to hedge our Agency RMBS portfolio using a variety of tools, including TBAs - Focus on purchasing pools with specific prepayment characteristics provides a measure of protection against prepayments

EFC Credit: Long Securities Portfolio[1] vs High Yield Series 25[2]



(1) Long securities portfolio includes investments in non-Agency RMBS, CMBS, ABS, CLOs, bank loans, and similar credit sensitive securities, but excludes unsecuritized mortgage and consumer loans, and Agency RMBS.

(2) HY CDX spreads are not loss-adjusted, while spreads on EFC long securities portfolio are loss-adjusted. The difference between long and short spreads would be wider if CDX spreads were loss-adjusted.

(3) Estimated yields at market prices are management's estimates derived from Ellington's proprietary models based on prices and market environment as of 9/30/2016 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 information 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.

Credit Portfolio

EFC: Long Credit Portfolio

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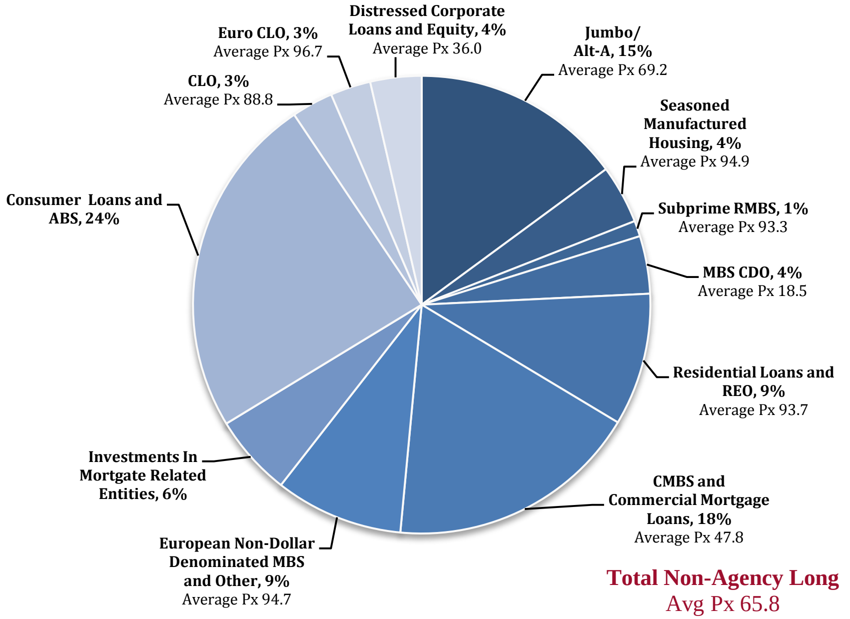
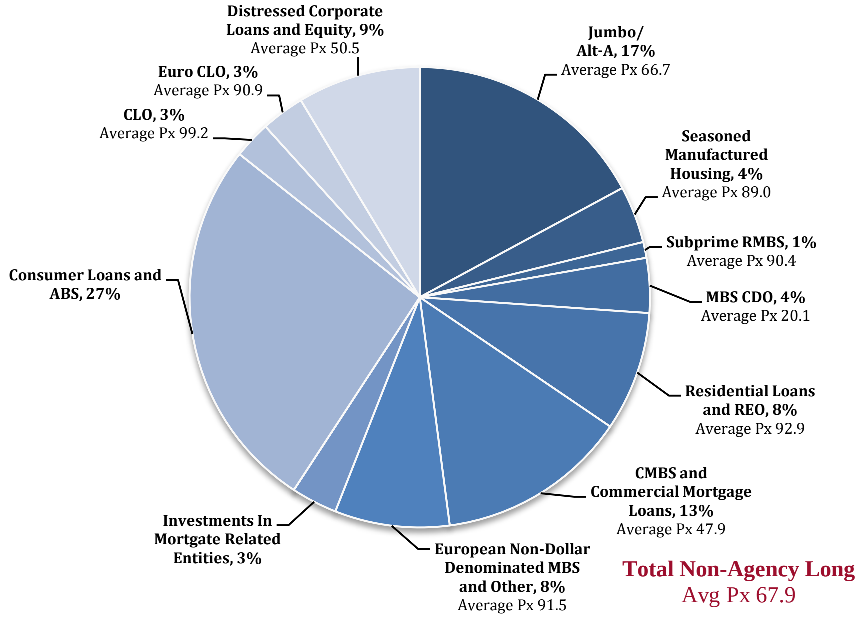
Current Quarter
Long Credit Portfolio 9/30/16: $490MM(1)(2)



Previous Quarter
Long Credit Portfolio 6/30/16: $583MM(1)(2)



- **During the third quarter:**
  - Continued to sell non-Agency RMBS
  - Decline in size of consumer loan portfolio related to securitization; treated as sale for accounting purposes
  - 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 $11.3 million as of September 30, 2016 and $25.7 million as of June 30, 2016. The corresponding value of the related total return swaps on distressed corporate debt was $(1.0) million as of September 30, 2016 and $(0.2) million as of June 30, 2016.

(2) Average price excludes interest only, principal only, equity tranches and other similar investments, and REO at September 30, 2016 and June 30, 2016.

EFC: Long Credit Portfolio (continued)

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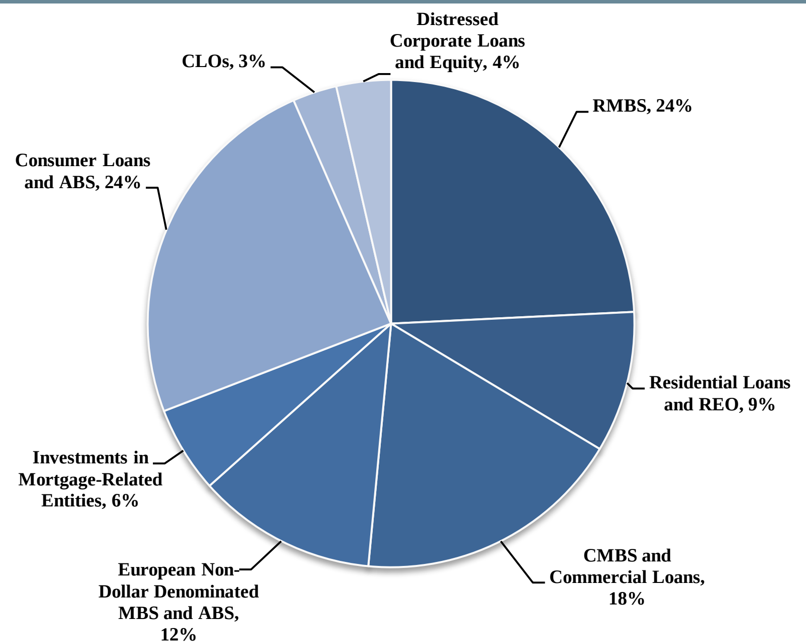
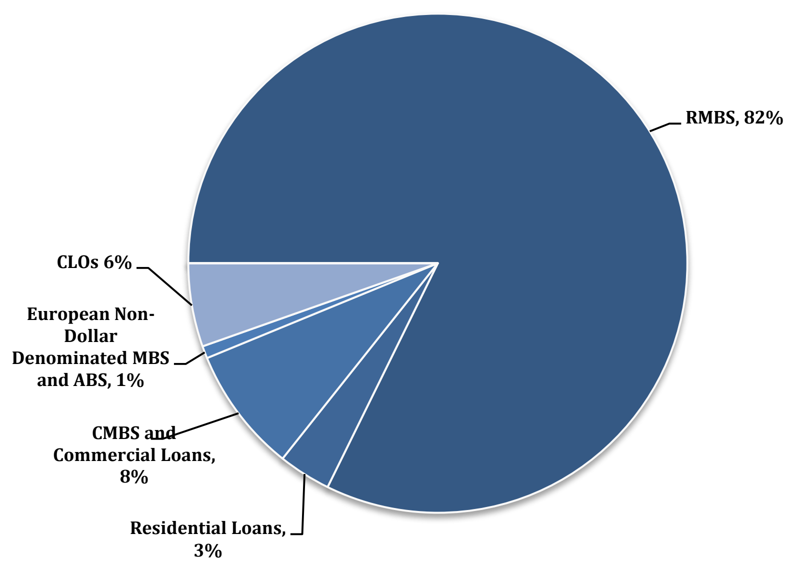
Holdings Overview
Long Credit Portfolio 9/30/16: $490MM(1)



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



- As the above charts demonstrate, we have significantly altered and diversified our sources of return in our Credit portfolio since the end of 2013
- We continue to allocate capital in 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 the size of non-Agency RMBS 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 September 30, 2016, credit portfolio includes loan equivalent value in the amount of $11.3 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 $(1.0) million.

EFC: Long Credit Portfolio as of September 30, 2016

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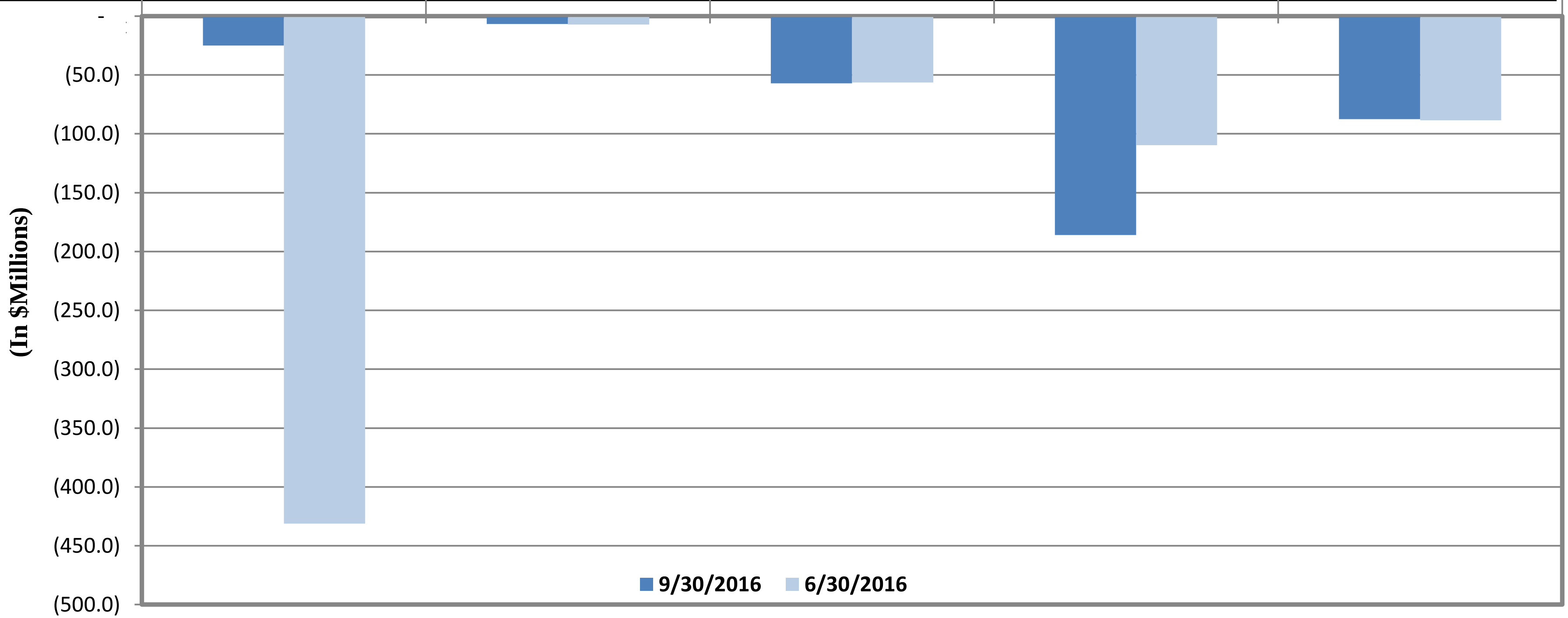
- Credit strategy is the main driver of earnings
- Long Credit securities and loan portfolio value: $468.8 million—excludes REO and equity investments in mortgage related entities

Credit Sector	Fair Value (millions)	Average Price [1]	Weighted Average Life [2]	Est. Yield at Market Price at Ellington HPA Forecast [3]
Non-Agency RMBS	$118.8	49.6%	5.1	6.19%
Residential Loans	44.1	93.7	18.4	6.85
CMBS and Commercial Mortgage Loans	86.0	47.8	3.6	14.63
European Non-Dollar Denominated MBS and Other	44.4	94.7	5.7	11.89
CLO	28.4	92.7	3.7	12.00
Consumer Loans and ABS	119.1	N/A	1.1	10.62
Distressed Corporate Loans	17.8	36.0	3.0	11.55
Other	10.2	71.8	3.2	16.93
Total	**$468.8**	**65.8**	**4.9**	**10.34**

(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) Estimated yields at market prices are management's estimates derived from Ellington's proprietary models based on prices and market environment as of 9/30/2016 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 Bonds/Corporate Bond ETFs/Equities	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.

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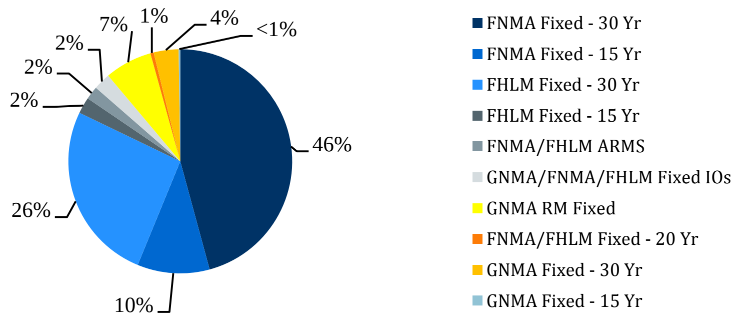
Agency Portfolio

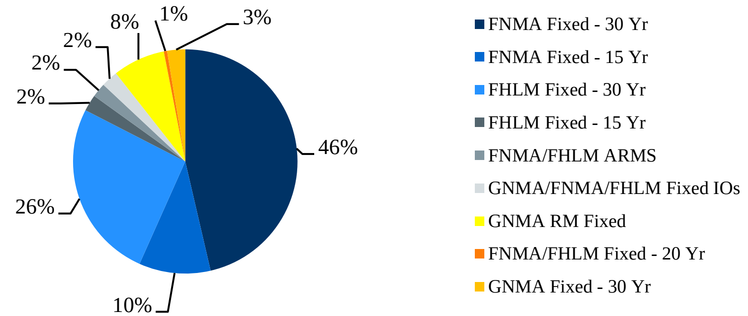
EFC: Agency Long Portfolio

Current Quarter
Agency Long Portfolio 9/30/16: $808MM(1)



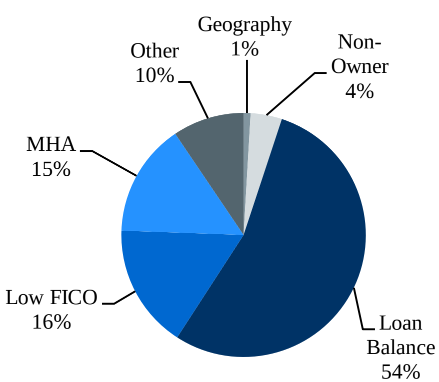
Weighted Average Coupon: 4.09%(6)

Previous Quarter
Agency Long Portfolio 6/30/16: $850MM(1)



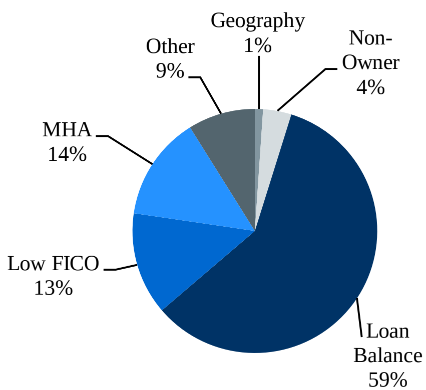
Weighted Average Coupon: 4.10%(6)

Collateral Characteristics and Historical 3-month CPR
For the Quarter Ended September 30, 2016(2)



Characteristic(3)	Fair Value(2)(4)	3-Month Historical CPR(3)
Geography	$6.6	5.4
Non-Owner	29.5	9.3
Low Loan Bal	384.5	10.1
Low FICO	116.8	15.3
MHA(5)	106.5	13.6
Other	67.2	19.9
Totals	$711.1	12.2

Collateral Characteristics and Historical 3-month CPR
For the Quarter Ended June 30, 2016(2)

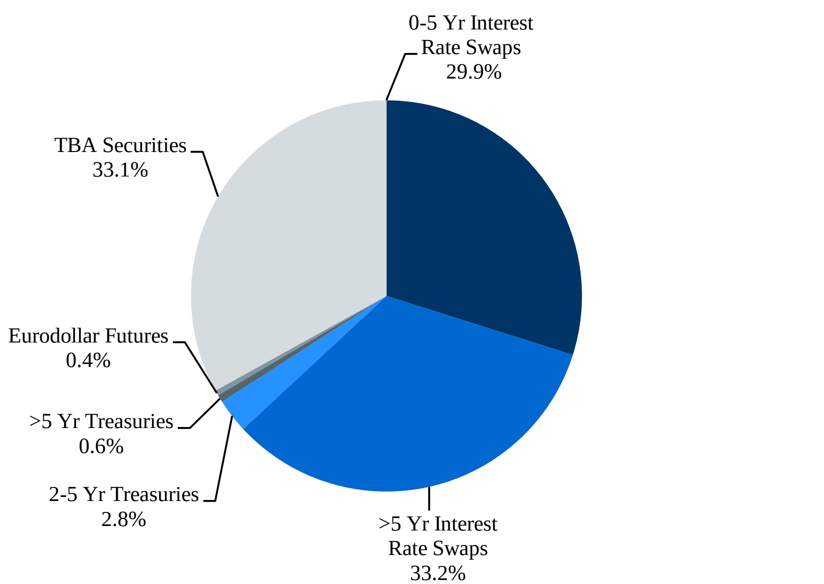


Characteristic(3)	Fair Value(2)(4)	3-Month Historical CPR(3)
Geography	$8.5	0.3
Non-Owner	29.6	6.1
Low Loan Bal	466.5	10.5
Low FICO	107.5	10.9
MHA(5)	109.3	7.2
Other	70.3	14.8
Totals	$791.7	10.3

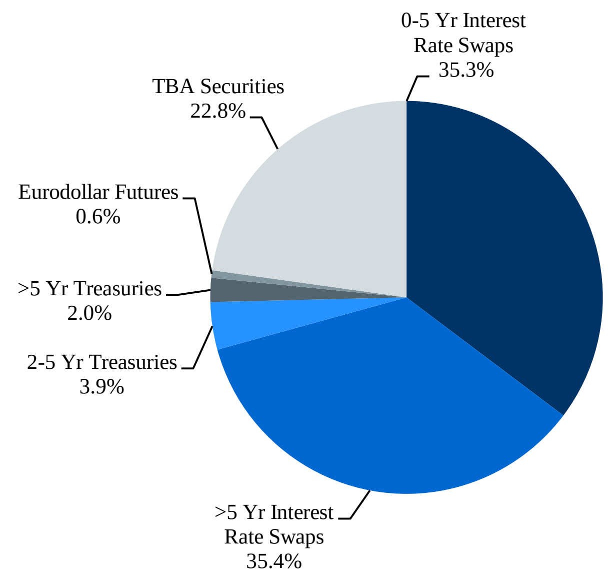
(1) Does not include long TBA positions with a notional value of $160.5 million and a fair value of $170.2 million as of September 30, 2016 and a notional value of $153.0 million and a fair value of $161.6 million as of June 30, 2016. Agency long portfolio includes $788.0 million of long Agency securities at September 30, 2016 and $829.2 million of long Agency securities at June 30, 2016. Additionally, the long Agency portfolio includes $19.8 million of interest only securities at September 30, 2016 and $20.5 million of interest only securities at June 30, 2016.
(2) Excludes reverse mortgage pools.
(3) Classification methodology may change over time as market practices change.
(4) Fair values are shown in millions.
(5) "MHA" indicates those pools where underlying borrowers have participated in the Making Homes Affordable program.
(6) Represents weighted average net pass-through rate. Excludes interest only securities.

EFC: Agency Interest Rate Hedging Portfolio

Current Quarter
Agency Interest Rate Hedging Portfolio 9/30/16:
Short $201 MM 10-year equivalents



Previous Quarter
Agency Interest Rate Hedging Portfolio 6/30/16:
Short $210 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 duration
  - Increased net short TBAs relative to interest rate swaps and U.S. Treasury securities

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 Pools Based on Fair Value:

(In millions)

Agency-related Portfolio	**9/30/2016**	**6/30/2016**
Long Agency RMBS	$788	$829
Net Short TBAs	(393)	(375)
Net Long Exposure to Agency RMBS	**$395**	**$454**

- 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 1.12% of the value of our fixed rate Agency pool portfolio as of September 30, 2016, up from 1.05% as of June 30, 2016

Estimated Change in Fair Value as of 9/30/16 for Agency Pools, Agency IOs, and Related Hedges if Interest Rates Move:

(In thousands)	**Down 50 BPS**	**Up 50 BPS**
Agency RMS - ARM Pools	$60	($79)
Agency RMBS - Fixed Pools and IO	7,019	(11,875)
TBAs	(1,555)	4,470
Interest Rate Swaps	(5,885)	5,618
U.S. Treasury Securities	(316)	309
Eurodollar and U.S. Treasury Futures	(40)	40
Repurchase and Reverse Repurchase Agreements	(364)	364
Total	**($1,081)**	**($1,153)**

Note: The above table reflects a parallel shift in interest rates based on the market environment as of September 30, 2016. 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 September 30, 2016

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($ in thousands)	Repo Borrowings				
Remaining Days to Maturity	**Credit**	**Agency**	**U.S. Treasury**	**Total**	**% of Total Borrowings**
30 Days or Less	$30,386	$448,489	$15,751	$494,626	50.3%
31-60 Days	38,541	197,704	—	236,245	24.0%
61-90 Days	22,240	85,050	—	107,290	10.9%
91-120 Days	20,301	14,709	—	35,010	3.6%
121-150 Days	1,406	—	—	1,406	0.1%
151-180 Days	10,119	24,186	—	34,305	3.5%
181-360 Days	11,723	—	—	11,723	1.2%
> 360 Days	63,209	—	—	63,209	6.4%
Total Borrowings	**197,925**	**770,138**	**15,751**	**983,814**	**100.0%**
Weighted Average Remaining Days to Maturity	177	35	3	63	

- As of September 30, 2016:
  - Repo borrowings outstanding were with 20 counterparties
  - Repo borrowings had a weighted average remaining days to maturity of 63 days; maturities are staggered to mitigate liquidity risk
  - EFC had securitized debt outstanding in the amount of $30.8 million (not included above), collateralized by certain small balance commercial loans and REO. This debt amortizes until its maturity in September 2018.

Note: Included in the above table, using the original maturity dates, are any reverse repos involving underlying investments the Company sold prior to September 30, 2016 for settlement following September 30, 2016 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 September 30, 2016, for which delivery of the borrowed funds is not scheduled until after September 30, 2016. Remaining maturity for a reverse repo is based on the contractual maturity date in effect as of September 30, 2016. Some reverse repos have floating interest rates, which may reset before maturity.

EFC: Average Cost of Borrowings

($ In thousands)	As of September 30, 2016	For the Quarter Ended September 30, 2016	
Collateral for Borrowing	Outstanding Borrowings	Average Borrowings for the Quarter Ended	Average Cost of Funds
Credit	$228,696	$247,108	3.02%
Agency RMBS	770,138	781,539	0.72%
Total excluding U.S. Treasury Securities	998,834	1,028,647	1.27%
U.S. Treasury Securities	15,751	15,974	0.38%
Total	**1,014,585**	**$1,044,621**	**1.26%**
Leverage Ratio[1]	1.53:1		
Leverage Ratio Excluding U.S. Treasury Securities[1]	1.50:1		

- Leverage ratio was 1.53:1 as of September 30, 2016, as compared to 1.59:1 as of June 30, 2016
- As of September 30, 2016, weighted average borrowing rates were 2.85% for Credit borrowings and 0.72% for Agency repo
  - Increasing portion of Credit borrowings related to loans, which generally carry higher borrowing rates

(1) The debt-to-equity ratio does not account for liabilities other than debt financings. The Company's debt financings consist of reverse repos in the amount of $983.8 million and securitized debt in the amount of $30.8 million as of September 30, 2016.

Supplemental Information

EFC: Gross Profit and Loss

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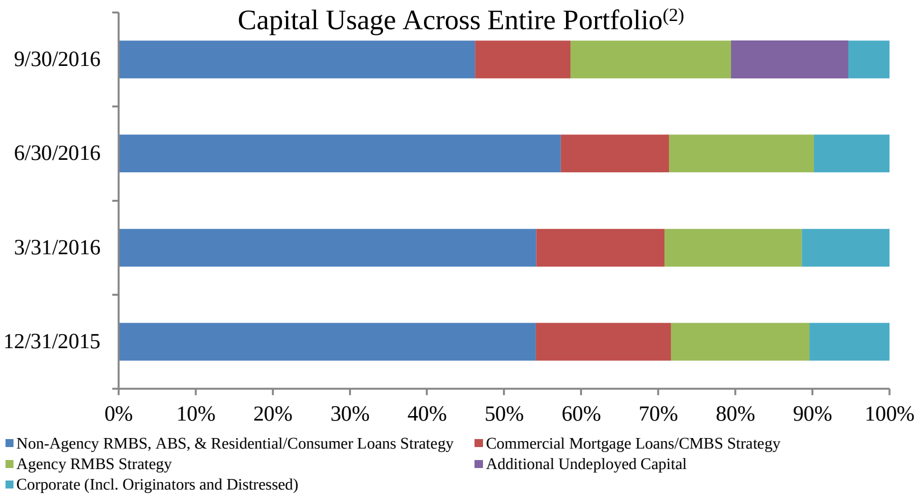
	Nine Months Ended September 30,		Years Ended															
	2016		2015		2014		2013		2012		2011		2010		2009		2008	
($ In thousands)	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%
Long: Credit	33,249	4.70	46,892	6.09	77,636	11.38	109,536	18.53	129,830	30.02	1,505	0.39	70,840	21.87	101,748	36.33	(64,565)	(26.20)
Credit Hedge and Other	(40,805)	(5.77)	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	(2,172)	(0.31)	(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	30,822	4.37	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 and Other: Agency	(23,706)	(3.36)	(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 (Loss)	**(2,612)**	**(0.37)**	**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]



Notes

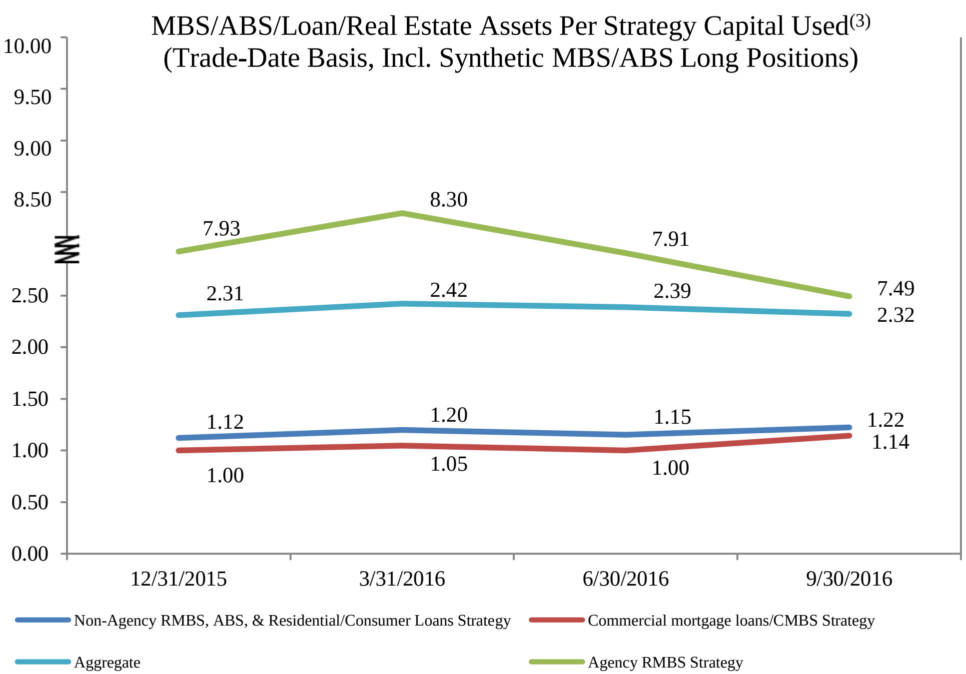
(1) Excludes U.S. Treasury securities

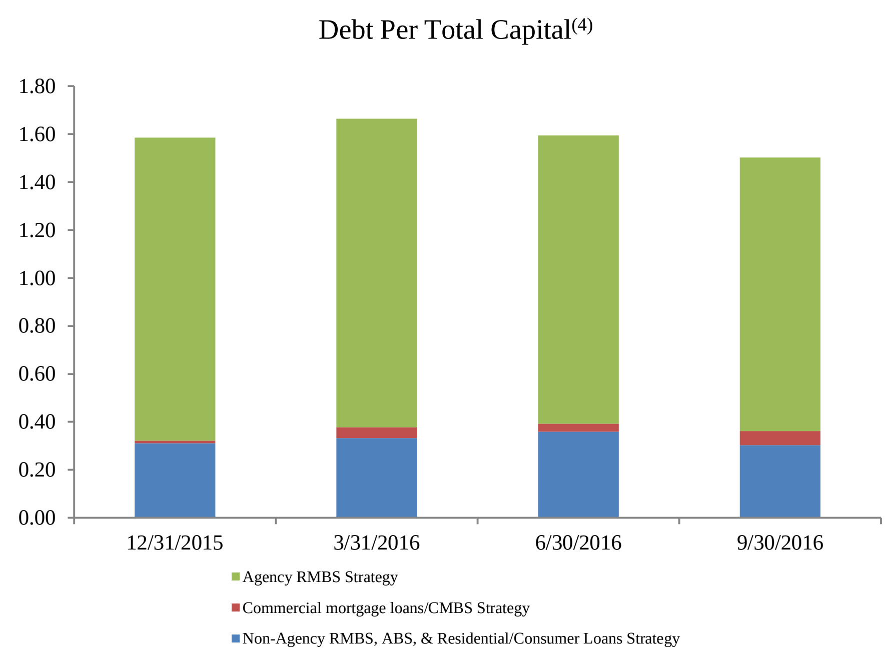
(2) Capital usage based on pro forma calculation of leverage generally applicable to long positions in target asset classes.

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

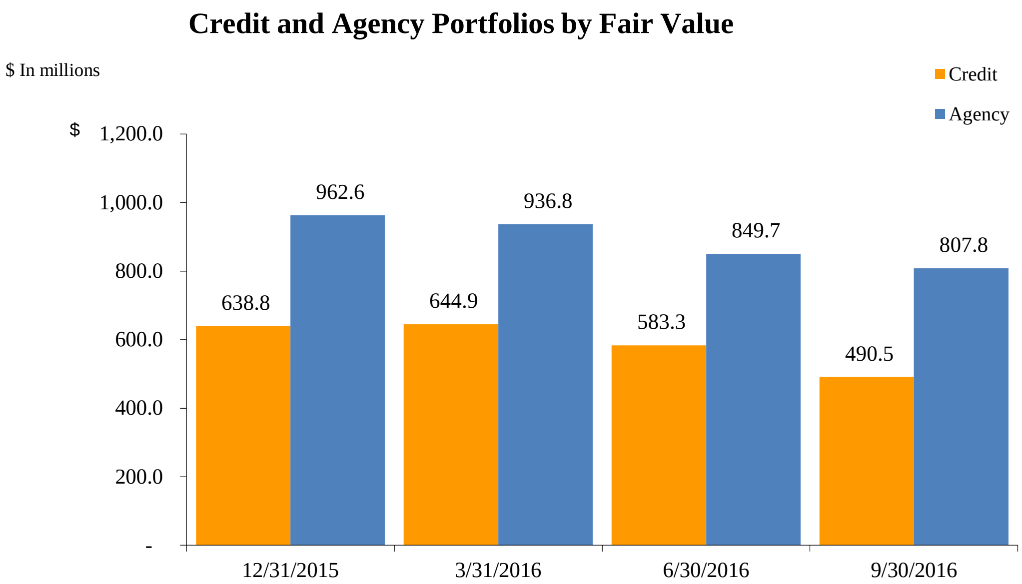
- long cash bond holdings of MBS/ABS (such as CMOs, CDOs, CLOs Agency pools)
- long holdings of unsecuritized residential and commercial mortgage loans, consumer and corporate loans
- bond equivalent amount of synthetic long holdings of MBS/ABS (in the form of single name and index ABS CDS)
- long TBA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

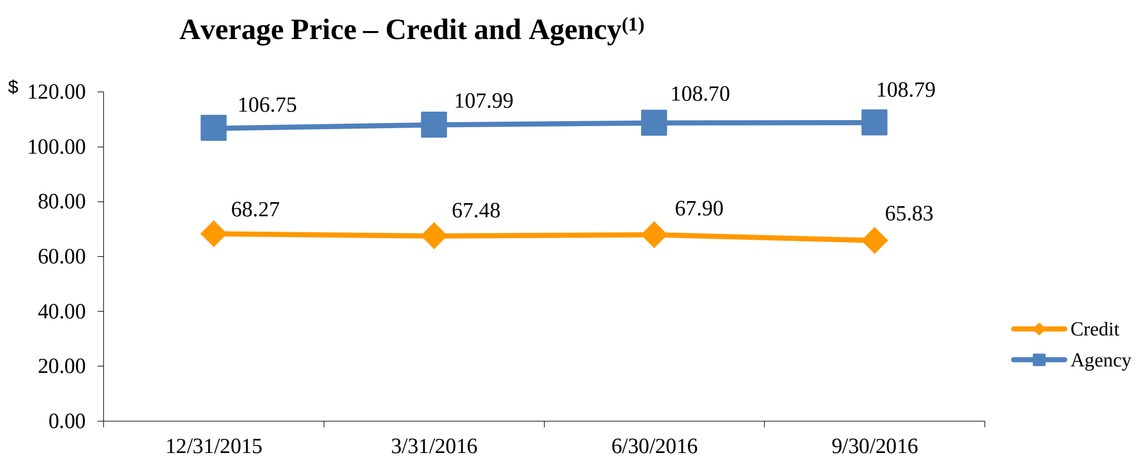
(4) Debt per total capital includes in the numerator repo borrowings and securitized debt





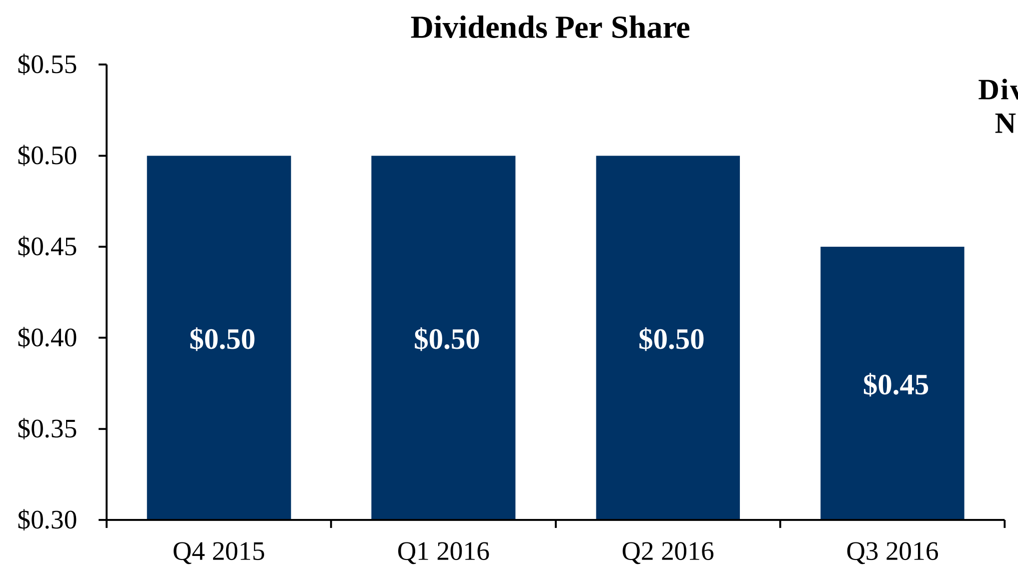
EFC: Credit and Agency Fair Values and Average Prices



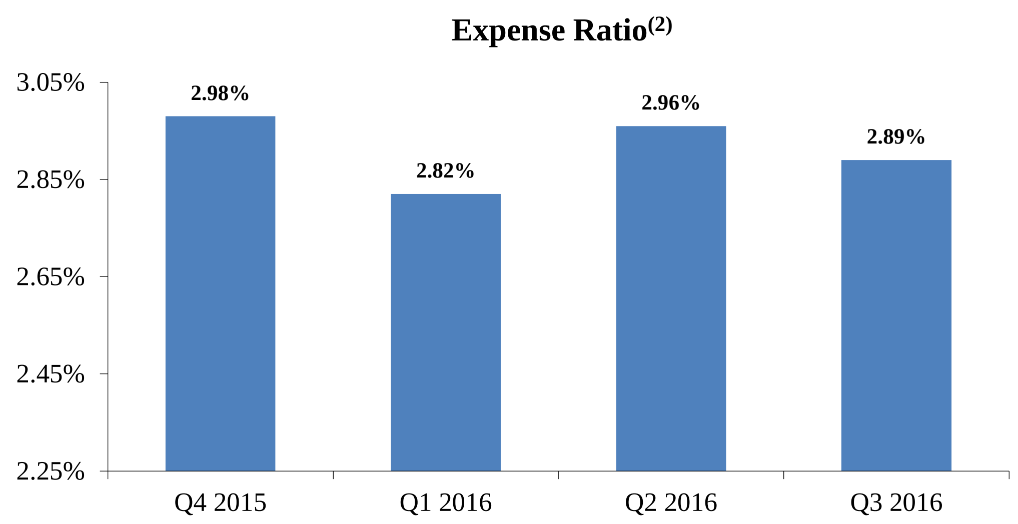


(1) Excludes interest only, principal only, equity tranches and other similar investments and REO

EFC: Dividends and Expense Ratio



Dividend Yield as of November 2, 2016
11.6%[(1)]



(1) Based on NYSE closing price as of 11/2/2016.
(2) Expense ratios annualized.

EFC: Diluted Book Value

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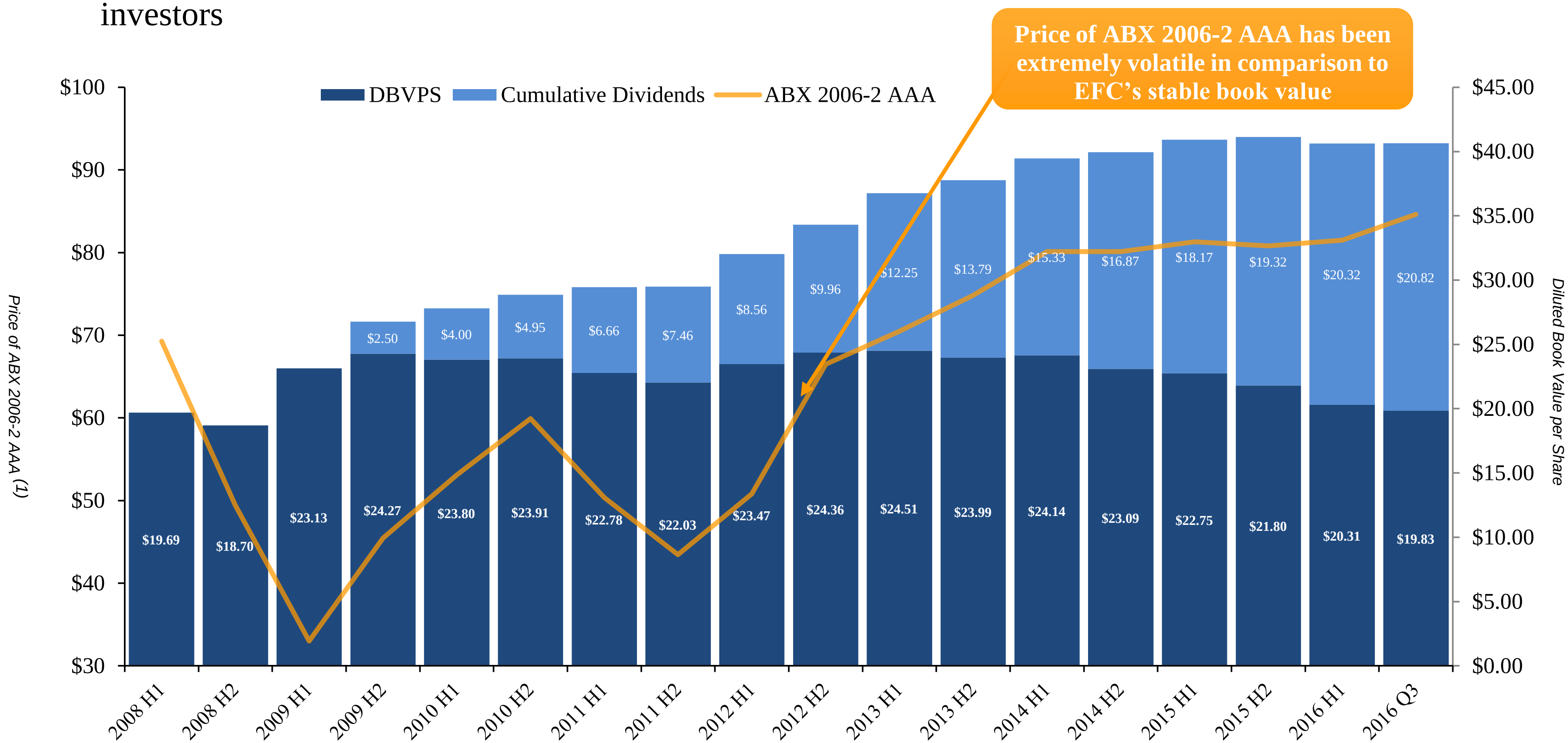
- EFC has successfully preserved book value through market cycles, while producing strong results for investors

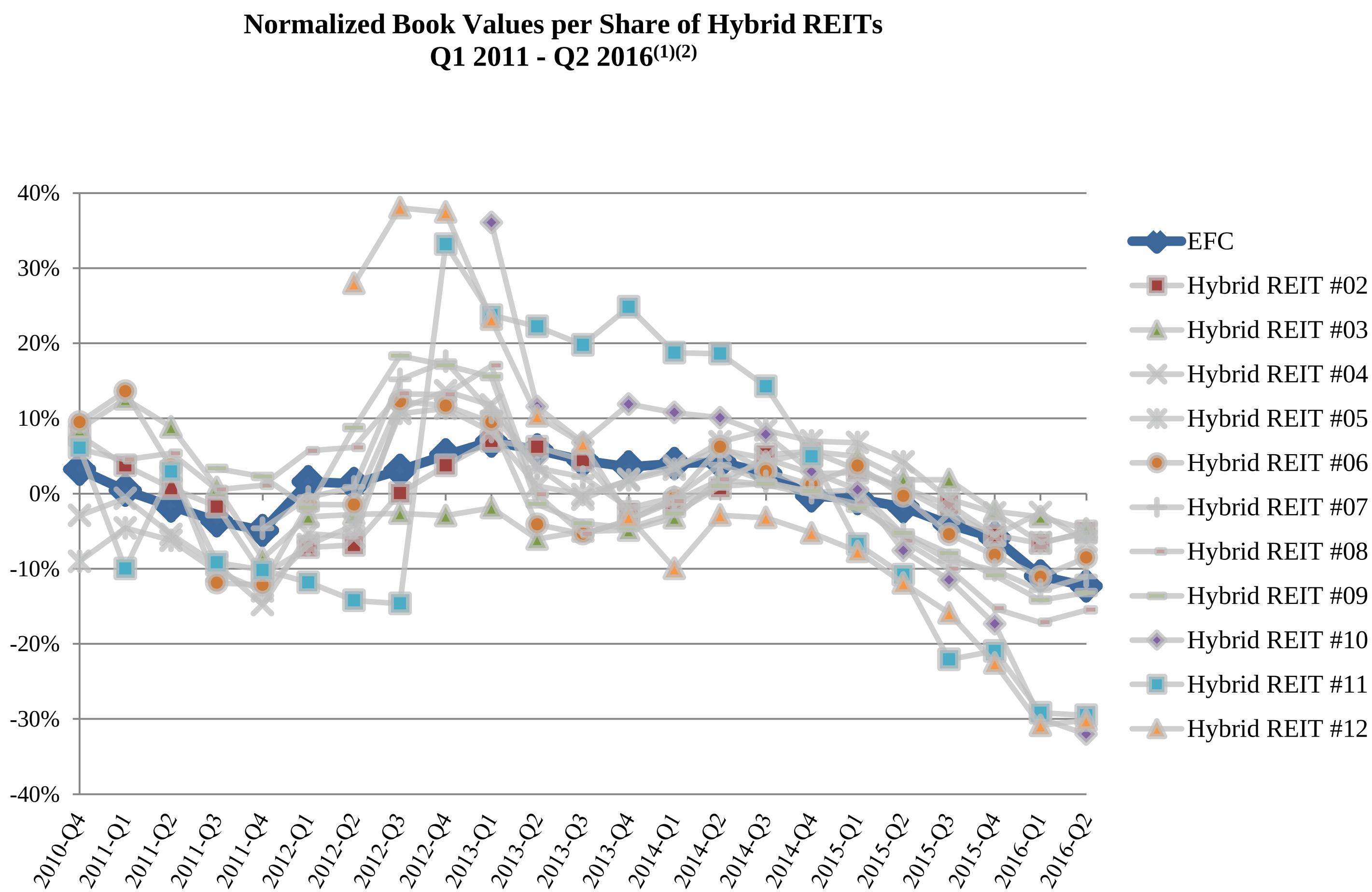


- EFC life-to-date diluted net-asset-value-based total return from inception in August 2007 through Q3 2016 is approximately 156%, or 10.9% annualized

(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



Standard Deviation of Normalized Book Value Per Share Q1 2011 – Q2 2016

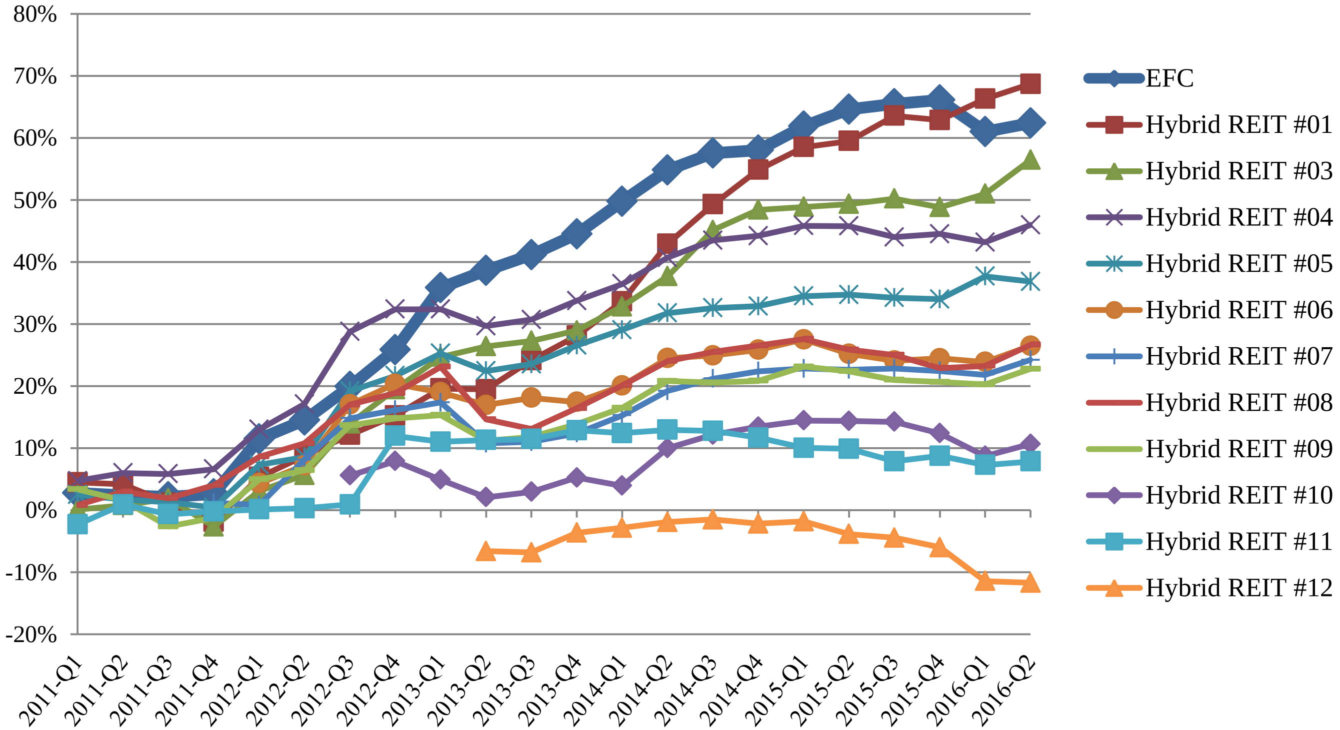
Company	Standard Deviation
EFC	4.99%
Hybrid REIT #02	5.07%
Hybrid REIT #03	5.27%
Hybrid REIT #04	6.74%
Hybrid REIT #05	6.95%
Hybrid REIT #06	7.72%
Hybrid REIT #07	8.01%
Hybrid REIT #08	8.73%
Hybrid REIT #09	8.95%
Hybrid REIT #10	17.57%
Hybrid REIT #11	18.41%
Hybrid REIT #12	20.72%

- 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

Normalized Cumulative Compounded
Quarterly Economic Returns of Hybrid mREITs
Q1 2011 – Q2 2016(1)(2)(3)



Sharpe Ratio of
Quarterly Economic Returns
Q1 2011 – Q1 2016

Company	Sharpe Ratio
Hybrid REIT #01	1.94
EFC	1.78
Hybrid REIT #03	1.64
Hybrid REIT #04	1.38
Hybrid REIT #05	1.13
Hybrid REIT #06	1.03
Hybrid REIT #07	0.89
Hybrid REIT #08	0.84
Hybrid REIT #09	0.71
Hybrid REIT #10	0.47
Hybrid REIT #11	0.18
Hybrid REIT #1	-0.75

- 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
- The Sharpe Ratio is defined as 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 September 30, 2016	Three Month Period Ended June 30, 2016	Nine Month Period Ended September 30, 2016
Investment income			
Interest income	$ 16,662	$ 18,990	$ 56,078
Other income	807	1,024	3,500
Total investment income	17,469	20,014	59,578
Expenses			
Base management fee	2,485	2,553	7,649
Interest expense	4,143	4,234	11,845
Other investment related expenses	2,068	2,191	6,007
Other operating expenses	2,379	2,515	7,339
Total expenses	11,075	11,493	32,840
Net investment income	6,394	8,521	26,738
Net realized gain (loss) on:			
Investments	349	1,226	(398)
Financial derivatives, excluding currency forwards	(23,330)	(2,231)	(35,615)
Financial derivatives—currency forwards	1,525	(972)	221
Foreign currency transactions	(1,564)	(354)	(1,499)
	(23,020)	(2,331)	(37,291)
Change in net unrealized gain (loss) on:			
Investments	7,379	3,386	6,363
Financial derivatives, excluding currency forwards	9,462	(5,773)	(15,149)
Financial derivatives—currency forwards	(1,855)	3,500	(1,402)
Foreign currency translation	2,190	(2,301)	3,108
	17,176	(1,188)	(7,080)
Net realized and change in net unrealized gain (loss) on investments and financial derivatives	(5,844)	(3,519)	(44,371)
Net increase (decrease) in equity resulting from operations	$ 550	$ 5,002	$ (17,633)
Less: Increase in equity resulting from operations attributable to non-controlling interests	34	17	66
Net increase (decrease) in shareholders' equity resulting from operations	$ 516	$ 4,985	$ (17,699)
Net increase (decrease) in shareholders' equity resulting from operations per share:			
Basic and diluted	$ 0.02	$ 0.15	$ (0.53)
Weighted average shares and LTIP units outstanding	33,094	33,290	33,305
Weighted average shares and convertible units outstanding	33,306	33,502	33,517

Balance Sheet

(Unaudited)

Ellington Financial

ELLINGTON FINANCIAL LLC
CONSOLIDATED STATEMENT OF ASSETS, LIABILITIES AND EQUITY

(In thousands, except share amounts)	As of September 30, 2016	June 30, 2016	December 31, 2015[1]
ASSETS			
Cash and cash equivalents	$ 179,618	$ 140,358	$ 183,909
Restricted Cash	5,610	3,905	4,857
Investments, financial derivatives, and repurchase agreements:			
Investments, at fair value (Cost – $1,501,092, $1,590,345 and $1,672,400)	1,499,715	1,582,165	1,661,118
Financial derivatives–assets, at fair value (Net cost – $63,635, $149,985 and $163,943)	64,817	152,628	162,905
Repurchase agreements (Cost – $164,669, $116,985 and $105,329)	165,048	116,003	105,700
Total Investments, financial derivatives, and repurchase agreements	1,729,580	1,850,796	1,929,723
Due from brokers	126,255	199,125	141,605
Receivable for securities sold and financial derivatives	563,462	536,936	705,748
Interest and principal receivable	17,377	19,085	20,444
Other assets	29,907	2,886	5,269
Total assets	$ 2,651,809	$ 2,753,091	$ 2,991,555
LIABILITIES			
Investments and financial derivatives:			
Investments sold short, at fair value (Proceeds – $677,286, $613,756 and $731,048)	$ 679,021	$ 616,337	$ 728,747
Financial derivatives–liabilities, at fair value (Net proceeds – $17,751, $43,032 and $56,200)	39,816	74,098	60,472
Total investments and financial derivatives	718,837	690,435	789,219
Reverse repurchase agreements	983,814	1,070,105	1,174,189
Due to brokers	15,600	94,715	114,797
Payable for securities purchased and financial derivatives	229,212	197,164	165,365
Securitized debt (Proceeds – $30,771, $13,034 and $0)	30,771	13,034	-
Accounts payable and accrued expenses	2,896	3,055	3,626
Base management fee payable	2,485	2,553	2,773
Interest and dividends payable	3,278	2,523	1,806
Other liabilities	163	324	828
Total liabilities	1,987,056	2,073,908	2,252,603
EQUITY	664,753	679,183	738,952
TOTAL LIABILITIES AND EQUITY	$ 2,651,809	$ 2,753,091	$ 2,991,555
ANALYSIS OF EQUITY:			
Common shares, no par value, 100,000,000 shares authorized;			
(32,619,060, 32,743,356 and 33,126,012 shares issued and outstanding)	$ 645,961	$ 664,109	$ 722,360
Additional paid-in capital–LTIP units	9,942	9,886	9,689
Total Shareholders' Equity	$ 655,903	$ 673,995	$ 732,049
Non-controlling interests	8,850	5,188	6,903
Total Equity	$ 664,753	$ 679,183	$ 738,952
PER SHARE INFORMATION:			
Common shares, no par value	$ 20.11	$ 20.58	$ 22.10
DILUTED PER SHARE INFORMATION:			
Common shares and convertible units, no par value[2]	$ 19.83	$ 20.31	$ 21.80

(1) Derived from audited financial statements as of December 31, 2015.

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

About Ellington

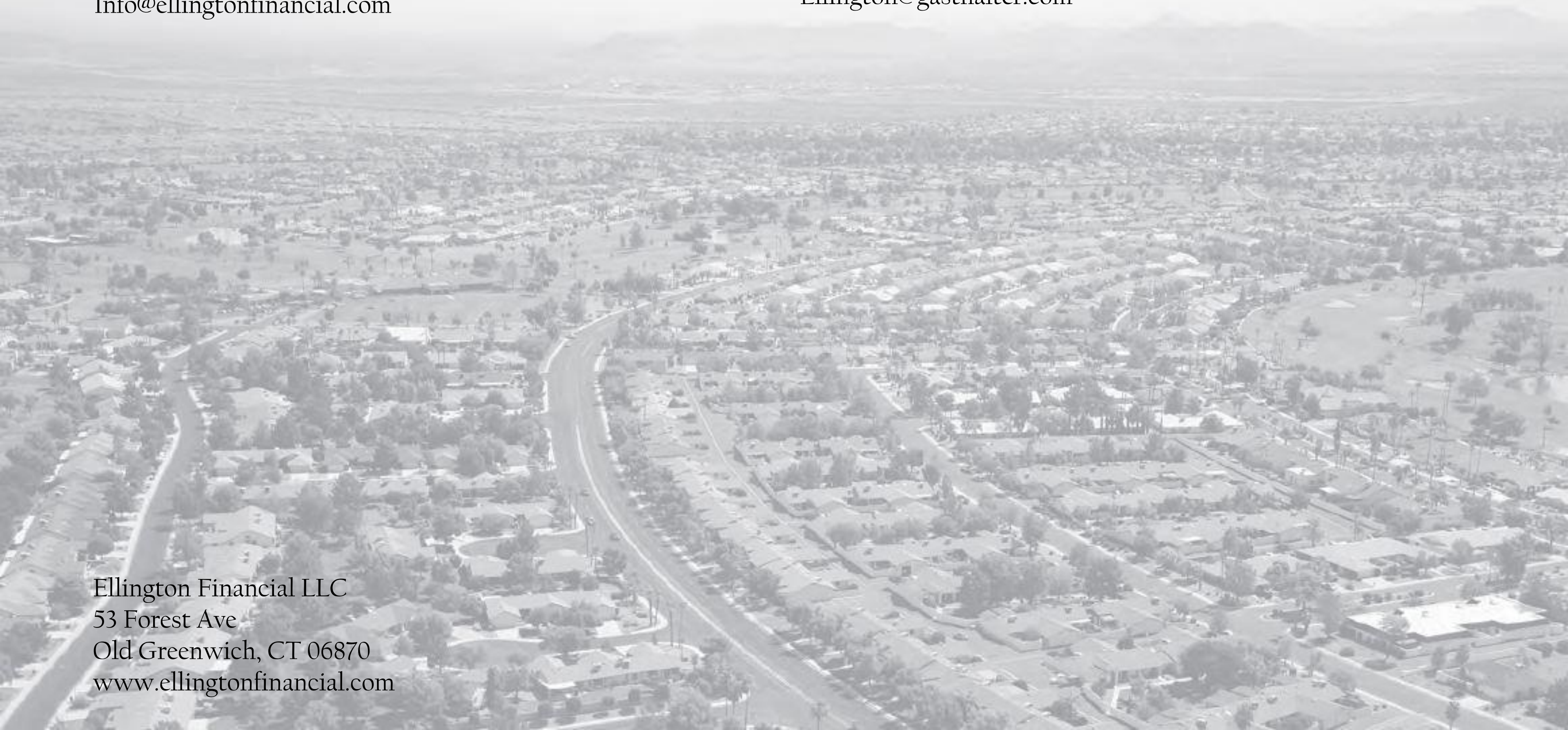
- EFC is managed by Ellington Financial Management LLC, an affiliate of Ellington Management Group, L.L.C. ("EMG")
- EMG was founded in 1994 by Michael Vranos and five partners; currently has over 170 employees, giving EFC access to time-tested infrastructure and proprietary resources in trading, research, risk management, and operational support
  - EMG has approximately $5.9 billion in assets under management as of September 30, 2016
- 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

Investor Contact:
Maria Cozine, Vice President of Investor Relations or
Lisa Mumford, Chief Financial Officer
Ellington Financial LLC
(203) 409-3575
Info@ellingtonfinancial.com

Media Contact:
Amanda Klein or Kevin Fitzgerald
Gasthalter & Co.
for Ellington Financial LLC
(212) 257-4170
Ellington@gasthalter.com



Ellington Financial LLC
53 Forest Ave
Old Greenwich, CT 06870
www.ellingtonfinancial.com