Ellington Financial

First Quarter 2018 Earnings Conference Call

May 8, 2018

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 portfolio growth, our ability to obtain financing, and share repurchases, 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 15, 2018, which can be accessed through the Company's website at www.ellingtonfinancial.com or at the SEC's website (www.sec.gov). Other risks, uncertainties, and factors that could cause actual results to differ materially from those projected may be described from time to time in reports we file with the SEC, including reports on Form 10-Q, 10-K and 8-K. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Modeling

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

Example Analyses

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

Projected Yields and Spreads

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

Financial Information

All financial information included in this presentation is as of March 31, 2018 unless otherwise indicated. We undertake no duty or obligation to update this presentation to reflect subsequent events or developments.

First Quarter Highlights[1]

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Overall Results	■ Net income: $21.0 million or $0.67 per share ■ NAV-based total return: 4.3% for the quarter, 18.3% annualized ■ Net investment income of $10.2 million or $0.32 per share
Credit Strategy	■ Credit gross income: $25.3 million[2] or $0.81 per share ■ Long Credit portfolio: $1.03 billion[3][4] – 15% increase from previous quarter
Agency RMBS Strategy	■ Agency gross loss: $(0.3) million[2] or $(0.02) per share ■ Long Agency portfolio: $928 million – 7% increase from previous quarter
Equity & BVPS	■ Total equity: $610 million ■ Diluted book value per share: $19.25 after a $0.41 dividend paid in March
Dividends	■ 1st quarter dividend of $0.41 per share announced on 5/2/2018, payable on 6/15/2018 ■ Annualized dividend yield of 10.8% based on the 5/4/2018 closing price of $15.18

Leverage	■ Overall debt-to-equity[5] ratio: 2.62x
	  ■ Credit: 1.53x
	  ■ Agency: 9.71x

Share Repurchase Program	■ Repurchased 943,897 shares, or 3.0% of outstanding, at an average price of $14.80 per share ■ First quarter share repurchases were accretive to diluted book value by $0.13 per share ■ Repurchased an additional 203,004 shares through 5/3/2018

Market Conditions & Portfolio Trends

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Overall Market Conditions	
Overall Market Conditions	■ Volatility returned to markets in the quarter, with a violent sell off in equities in February, driven in part by concerns over inflation and rising interest rates, and continued volatility into March ■ Short- and long-term rates rose during the quarter, with the yield curve finishing flatter for the 5th straight quarter, and both one-month and three-month LIBOR reached their highest levels in nine years ■ Federal Reserve raised interest rates in March and, as scheduled, increased the tapering of its reinvestments to \$8 billion/month in January and \$12 billion/month in April ■ Yield spreads across many credit products widened in sympathy with the interest rate and equity volatility

Credit Strategy	■ Gross income approximately doubled quarter-over-quarter driven by higher net investment income and realized and unrealized gains
	■ Strong performance from:
	    ■ Loan-related strategies: consumer loans, small-balance commercial mortgage loans, European and U.S. non-performing loans, and investments in mortgage originators
	    ■ Securities strategies: CMBS, non-Agency and European non-conforming RMBS, and CLOs
	■ Added separate financing facilities for European non-performing loan and consumer loan strategies and participated in second Ellington-sponsored CLO, which closed in January

Agency RMBS Strategy	■ Agency RMBS prices dropped, and yield spreads widened, as interest rates rose and volatility increased ■ Realized and unrealized losses in our Agency portfolio were almost completely offset by net interest income and gains on hedges ■ We capitalized on the pricing weakness by adding Agency RMBS at higher yields

2018 Objectives

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1. Continue to grow Credit portfolio and earnings

   - Leverage proprietary pipeline of loans and add securities opportunistically

   - Credit portfolio is nearing desired size

2. Improve and diversify financing sources

   - Emphasize long-term non mark-to-market financing

   - Securitization is important driver of growth: enhances yields and frees up capital to redeploy

3. Supplement earnings with book value accretion via share repurchases while stock price is discounted

4. Shift capital allocation across asset classes as credit and liquidity trends evolve

   - Enabled by our diverse range of strategies

5. Capitalize on investment opportunities that emerge as volatility returns to the market

   - Low volatility theme of 2017 reversing course so far in 2018, with rising bond yields and volatile equity markets

   - Minimize volatility of our book value and earnings through dynamic credit and interest rate hedging

Operating Results

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(In thousands, except per share amounts)	Quarter Ended March 31, 2018	Per Share	% of Average Equity	Quarter Ended December 31, 2017	Per Share	% of Average Equity
Credit:						
Interest income and other income	$ 20,545	$ 0.65	3.34%	$ 16,706	$ 0.51	2.67%
Net realized gain (loss)	4,961	0.16	0.81%	594	0.02	0.09%
Change in net unrealized gain (loss)	7,680	0.24	1.25%	6,387	0.20	1.02%
Net interest rate hedges (1)	179	0.01	0.03%	(234)	(0.01)	-0.04%
Net credit hedges and other activities(2)	1,195	0.04	0.19%	(2,630)	(0.08)	-0.42%
Interest expense(3)	(6,647)	(0.21)	-1.08%	(4,232)	(0.13)	-0.68%
Other investment related expenses	(2,619)	(0.08)	-0.43%	(3,896)	(0.12)	-0.62%
Total Credit profit (loss)	25,294	0.81	4.11%	12,695	0.39	2.02%
Agency RMBS:						
Interest income	6,693	0.21	1.09%	6,246	0.19	1.00%
Net realized gain (loss)	(1,187)	(0.04)	-0.19%	(723)	(0.02)	-0.12%
Change in net unrealized gain (loss)	(12,591)	(0.40)	-2.05%	(5,648)	(0.17)	-0.90%
Net interest rate hedges and other activities (1)	10,239	0.32	1.66%	2,844	0.09	0.45%
Interest expense	(3,471)	(0.11)	-0.56%	(2,777)	(0.09)	-0.44%
Total Agency RMBS profit (loss)	(317)	(0.02)	-0.05%	(58)	0.00	-0.01%
Total Credit and Agency RMBS profit (loss)	24,977	0.79	4.06%	12,637	0.39	2.01%
Other interest income (expense), net	399	0.01	0.06%	377	0.01	0.06%
Other expenses	(4,052)	(0.13)	-0.66%	(4,816)	(0.15)	-0.77%
Net increase in equity resulting from operations	$ 21,324	$ 0.67	3.46%	$ 8,198	$ 0.25	1.30%
Less: Net increase in equity resulting from operations attributable to non-controlling interests	285			754		
Net increase in shareholders' equity resulting from operations (4)	**$ 21,039**	**$ 0.67**	**3.52%**	**$ 7,444**	**$ 0.23**	**1.22%**
Diluted book value per share	$ 19.25			$ 18.85		

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Portfolio

Portfolio Summary as of March 31, 2018[1]

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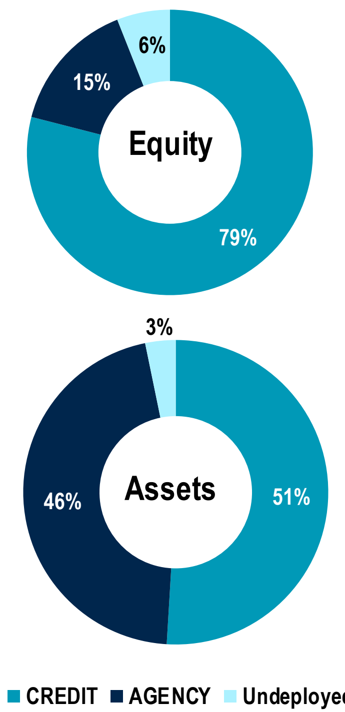
Diversified sources of return to perform through market cycles

Strategy	Allocated Equity		Fair Value ($MM)	Average Price (%)[2][6]	WAVG Life[4][6]	WAVG Mkt Yield[5][6]
CREDIT						
CLO		$	226,403	96.7	4.5	10.7%
Non-Dollar MBS, ABS, CLO and Other			170,645	82.4	7.8	8.3%
Non-Agency RMBS			169,184	80.3	5.5	5.0%
CMBS and Commercial Mortgage Loans and REO			151,035	78.1	1.4	12.8%
Consumer Loans and ABS			148,418	-[3]	0.9	9.3%
Residential Mortgage Loans and REO[7]			127,876	96.5	3.0	6.4%
Investments in Mortgage-Related Entities			30,215	N/A	N/A	N/A
Corporate Debt and Equity			8,223	34.1	1.1	9.7%
Total - Credit	**79%**	**$**	**1,031,999**	**86.1**	**3.9**	**9.0%**
AGENCY						
Fixed-Rate Specified Pools		$	830,689	103.3	7.8	3.5%
Reverse Mortgage Pools			57,825	106.7	5.7	3.2%
IOs			32,450	N/A	3.8	6.4%
Floating-Rate Specified Pools			7,270	103.3	3.8	2.9%
Total - Agency	**15%**	**$**	**928,234**	**103.5**	**7.5**	**3.5%**
Undeployed	**6%**					

Equity and Asset Allocation by Strategy



Debt-to-Equity Ratio by Strategy and Overall:

Credit: 1.53x[8]

Agency: 9.71x[8]

Overall: 2.62x[9]

Interest Rate Sensitivity Analysis[1]

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(In thousands)	Estimated Change in Fair Value					
	50 Basis Point Decline in Interest Rates			50 Basis Point Increase in Interest Rates		
	Market Value		% of Total Equity	Market Value		% of Total Equity
Agency RMBS - ARM Pools	$	41	0.01%	$	(47)	-0.01%
Agency RMBS - Fixed Pools and IOs		15,705	2.57%		(20,413)	-3.34%
TBAs		(5,673)	-0.93%		7,631	1.25%
Non-Agency RMBS, CMBS, Other ABS, and Mortgage Loans		3,831	0.63%		(3,799)	-0.62%
Interest Rate Swaps		(5,489)	-0.90%		5,249	0.86%
U.S. Treasury Securities		(2,250)	-0.37%		2,155	0.35%
U.S. Treasury Futures		(3,270)	-0.53%		3,166	0.52%
Mortgage-Related Derivatives		18	0.00%		(15)	0.00%
Corporate Securities and Derivatives on Corporate Securities		(287)	-0.05%		291	0.05%
Repurchase Agreements and Reverse Repurchase Agreements		(2,489)	-0.41%		2,459	0.40%
Total	$	137	0.02%	$	(3,323)	-0.54%

- **Diversified fixed income portfolio has duration of less than 0.6**

Long Credit Portfolio – Holdings Overview

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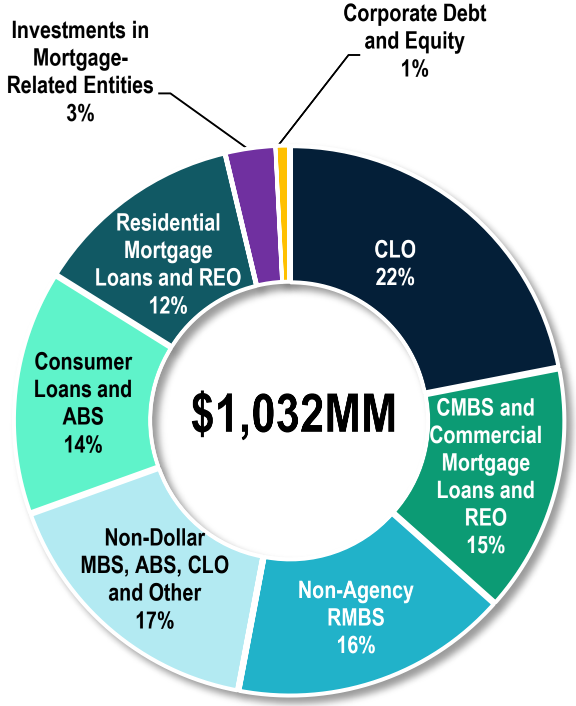
3/31/18(1)(2)



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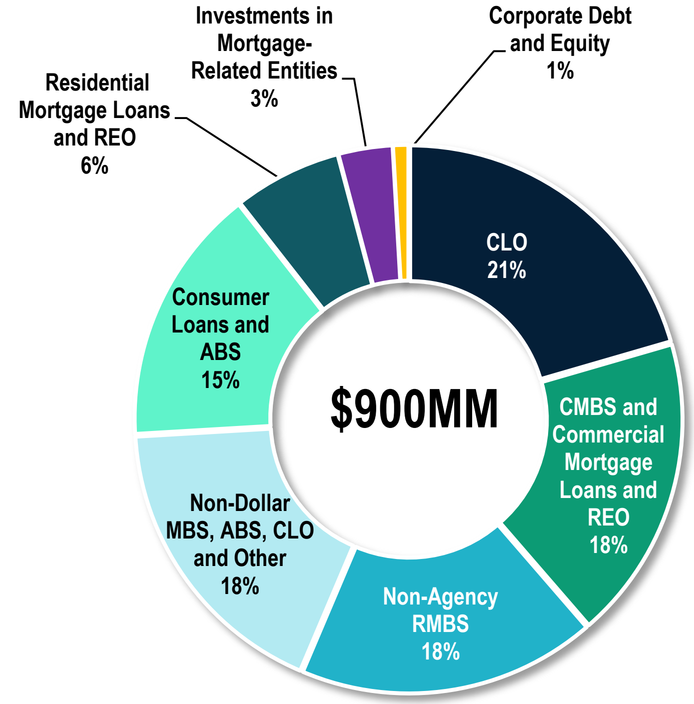

- **Increased the size of the Credit portfolio by 15% quarter over quarter**
- **In the current environment of heightened competition for assets, we believe that we have been diligent in seeking high-quality, high-yielding assets without compromising our acquisition standards**

Credit: Significantly Diversified Sources of Return Over Time

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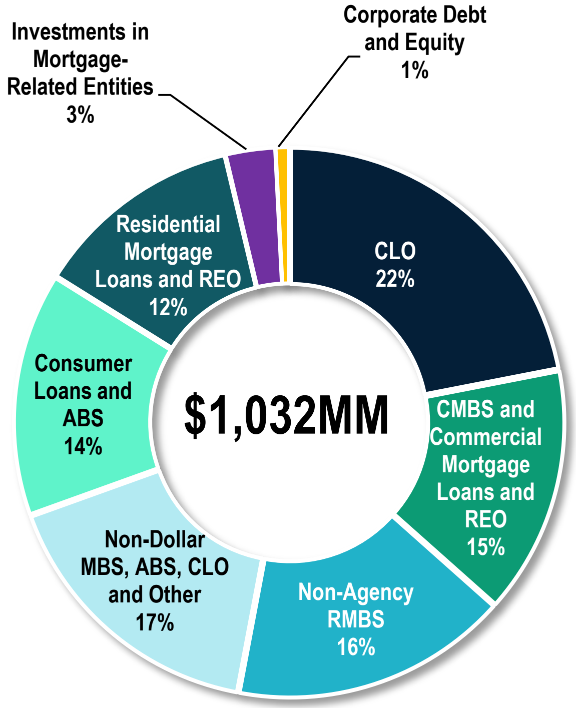

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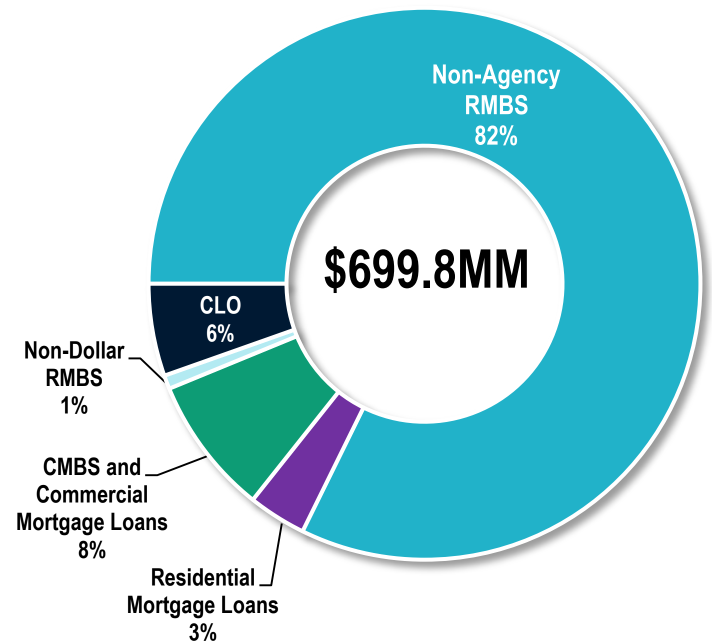
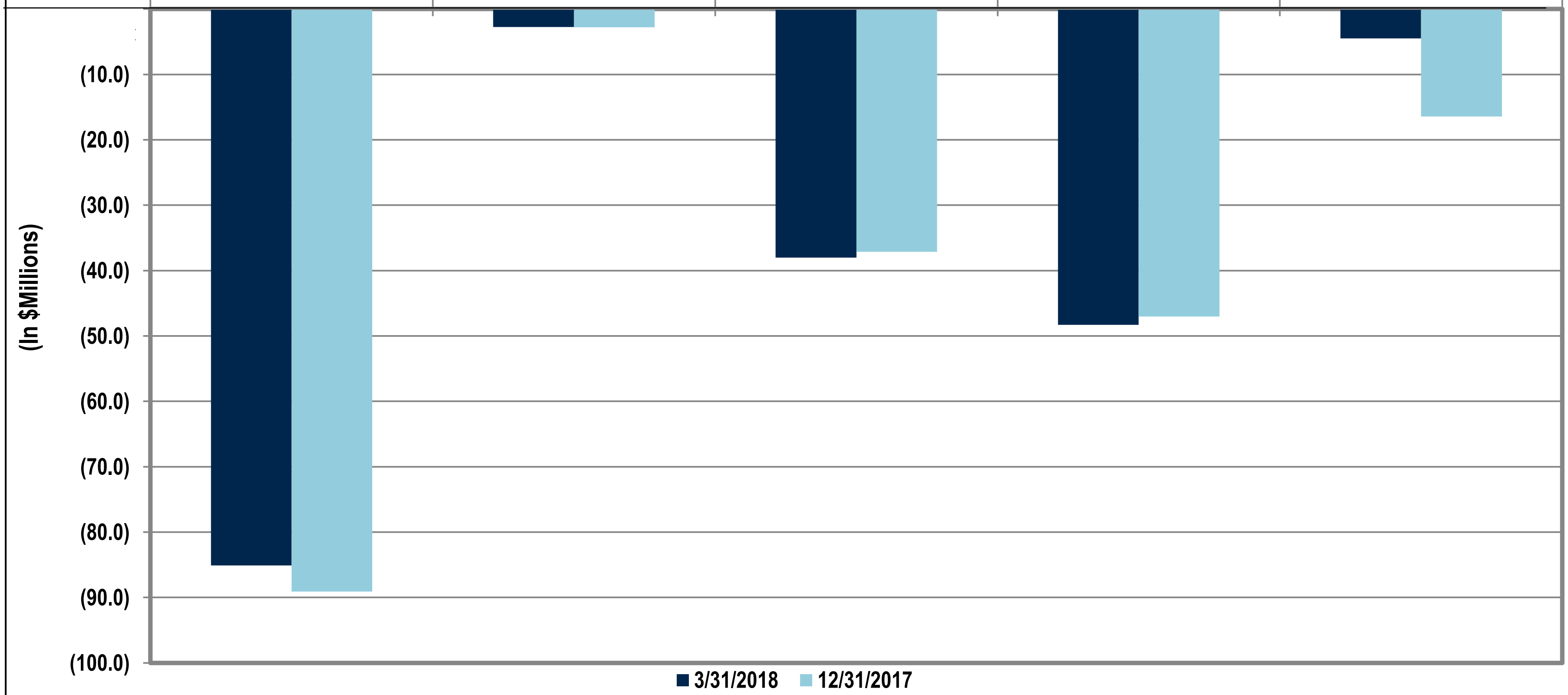


- We have significantly diversified our sources of return in the Credit strategy since the end of 2013
- Flexible approach to allocate capital to the sectors where we see the best relative value as market conditions change
- We believe our analytical expertise, research and systems provide an edge that will generate attractive loss-adjusted returns over market cycles

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]



Agency Long Portfolio

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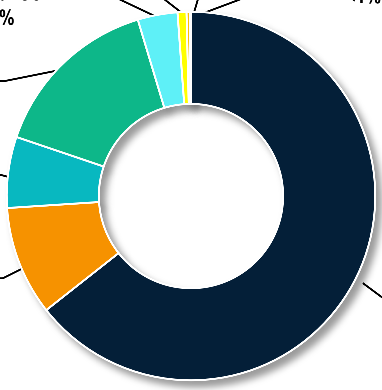
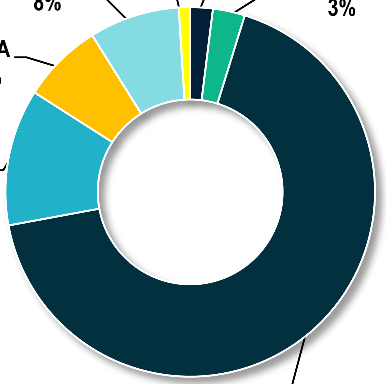
Agency Long Portfolio: $928.2MM[1]
As of 3/31/18



Weighted Average Coupon: 3.97%[6]

Collateral Characteristics and Historical 3-month CPR
Average for the Quarter Ended 3/31/18[2]



Characteristic[3]	Fair Value[2][4]	3-Month Historical CPR[3]
Geography	$15.4	0.1
Non-Owner	21.8	27.1
Low Loan Bal	523.5	8.7
Low FICO	93.0	7.9
MHA[5]	54.9	6.9
Other	61.5	7.2
Jumbo	7.7	0.6
Totals	$777.8	8.4

- Target specified pools with higher coupons and prepayment protection

Agency Interest Rate Hedging Portfolio[1]

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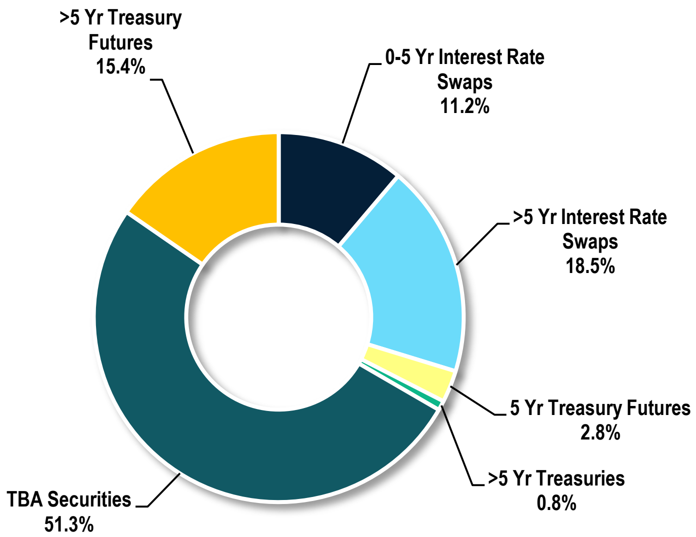
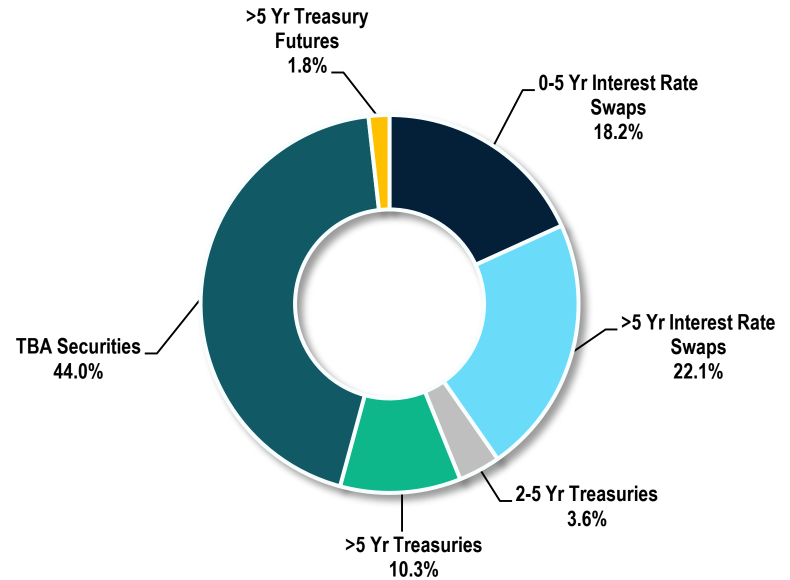
We deploy a dynamic and adaptive hedging strategy to preserve book value

As of 3/31/18:
Short $412MM 10-year equivalents



As of 12/31/17:
Short $333MM 10-year equivalents



- Shorting "generic" pools (or TBAs) allows EFC to significantly reduce interest rate risk and basis risk in its Agency portfolio
  - We also hedge interest rate risk with swaps, U.S. Treasury securities, and other instruments
- For those Agency pools hedged with comparable TBAs, the biggest risk is a drop in "pay-ups"
  - Average market pay-up was 0.61% of the value of our fixed rate Agency pool portfolio as of 3/31/18, down from 0.74% as of 12/31/17
- We hedge along the entire yield curve to protect against volatility, defend book value and more thoroughly control interest rate risk

Agency Interest Rate Hedging Portfolio (continued)

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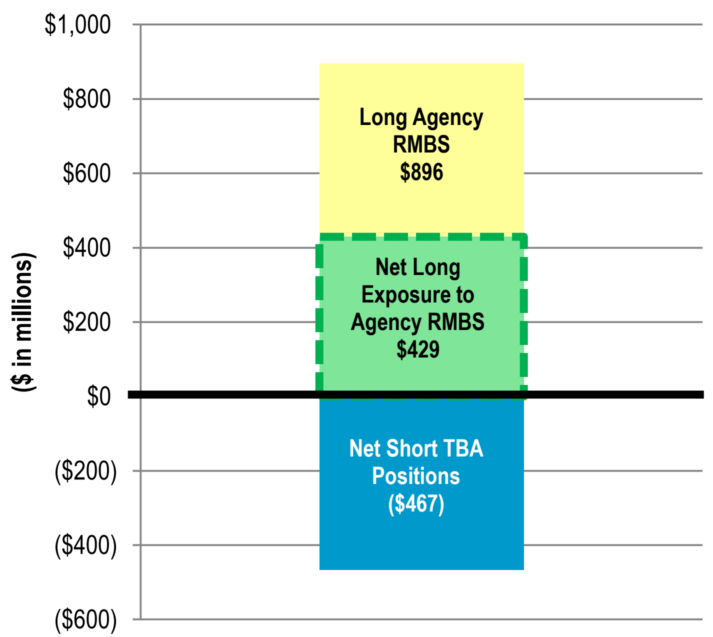
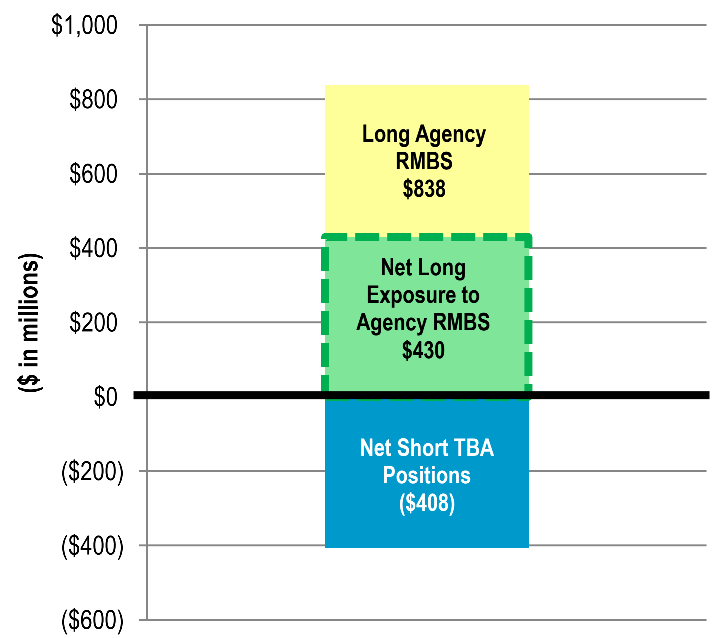
Exposure to Agency Pools Based on Net Fair Value

As of 3/31/2018



As of 12/31/2017



- **Our net long mortgage exposure was effectively unchanged quarter over quarter**
  - **Deducting the amount of the TBA short from our long Agency pool portfolio, our net exposure to pools was ~$429 million, resulting in a 4.8:1 net Agency pool assets-to-equity[(1)] ratio**
- **Use of TBA short positions as hedges helps drive outperformance in volatile quarters**
  - **When interest rates spike, TBA short positions not only extend with specified pool assets, but they tend to extend more than specified pool assets, which dynamically and automatically hedges a large portion of our specified pool portfolio**

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Borrowings

Borrowings and Leverage[1]

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($ In thousands)	As of March 31, 2018			For the Quarter Ended March 31, 2018	
Strategy	Outstanding Borrowings	Weighted Average Borrowing Rate	Debt-to-Equity Ratio[2]	Average Borrowings for the Quarter Ended	Average Cost of Funds
Credit, Secured Recourse	$478,290	3.48%		$424,329	3.43%
Credit, Secured Non-Recourse	176,325	3.44%		168,677	3.87%
Credit, Unsecured Senior Notes	86,000	5.55%		86,000	5.55%
Subtotal – Credit	**740,615**	**3.71%**	**1.53x**	**679,006**	**3.81%**
Agency	859,780	1.81%	9.71x	840,274	1.68%
Total	**$1,600,395**	**2.69%**	**2.62x**	**$1,519,280**	**2.63%**

- **Excluding repo related to U.S. Treasury securities and our corporate credit relative value trading strategy, average Credit strategy borrowing rate for the quarter was 3.85%, as compared to 3.92% for the quarter ended December 31, 2017.**

Repo Borrowings[(1)]

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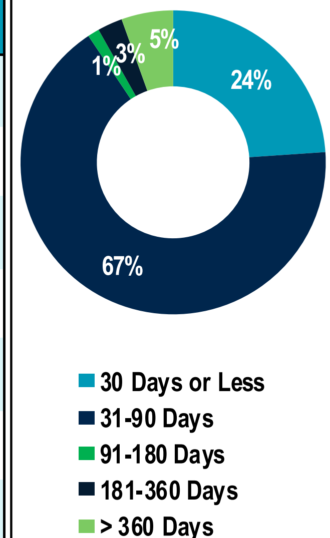
($ in thousands)	Repo Borrowings as of March 31, 2018				
Remaining Days to Maturity	Credit	Agency	U.S. Treasury	Total	% of Total Borrowings
30 Days or Less	$39,740	$276,496	$2,203	$318,439	23.9%
31-90 Days	304,519	583,284	—	887,803	66.7%
91-180 Days	16,524	—	—	16,524	1.2%
181-360 Days	35,162	—	—	35,162	2.6%
> 360 Days	73,015	—	—	73,015	5.5%
Total Borrowings	$468,960	$859,780	$2,203	$1,330,943	100.0%
Weighted Average Remaining Days to Maturity	**229**	**43**	**2**	**108**	

Borrowings by Days to Maturity



- **Repo borrowings with 24 counterparties, largest representing approximately 16% of total**
- **Weighted average remaining days to maturity of 108 days**
- **Maturities are staggered to mitigate liquidity risk**

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Supplemental Information

Gross Profit and Loss[1]

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Resilient profit generation through market cycles

	Quarter Ended March 31,		Years Ended																			
	2018		2017		2016		2015		2014		2013		2012		2011		2010		2009		2008	
($ In thousands)	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%
Long: Credit	23,920	3.89	61,136	9.58	36,203	5.29	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	1,195	0.19	(11,997)	(1.88)	(40,548)	(5.92)	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	179	0.03	(851)	(0.13)	(371)	(0.05)	(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	(10,556)	(1.71)	10,246	1.60	17,166	2.51	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	10,239	1.66	(5,218)	(0.82)	(8,226)	(1.20)	(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)	**24,977**	**4.06**	**53,316**	**8.35**	**4,224**	**0.63**	**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**

Stable Economic Return

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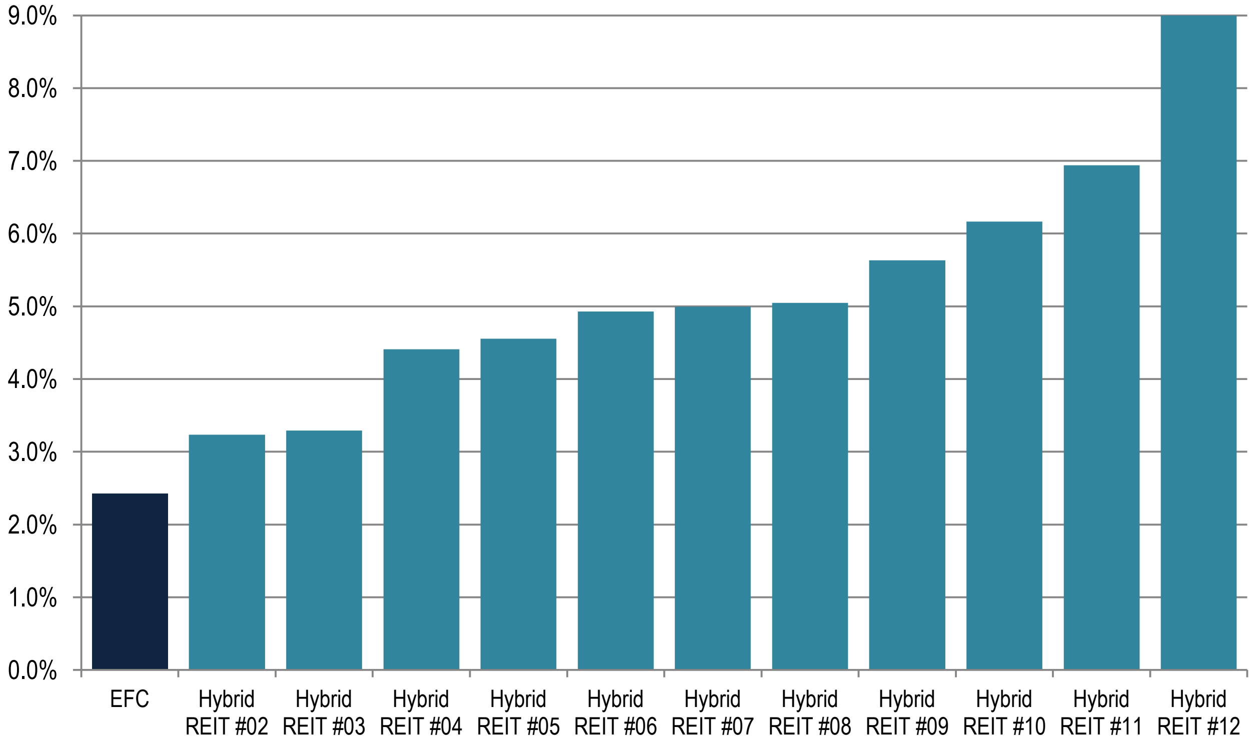
Standard Deviation of Quarterly Economic Returns of Hybrid REITs Q1-2011 – Q4 -2017[(1)(2)]



Standard Deviation of Quarterly Economic Returns of Hybrid REITs Q1-2011 – Q4-2017

Company	Standard Deviation
EFC	2.4%
Hybrid REIT #02	3.2%
Hybrid REIT #03	3.3%
Hybrid REIT #04	4.4%
Hybrid REIT #05	4.6%
Hybrid REIT #06	4.9%
Hybrid REIT #07	5.0%
Hybrid REIT #08	5.0%
Hybrid REIT #09	5.6%
Hybrid REIT #10	6.2%
Hybrid REIT #11	6.9%
Hybrid REIT #12	14.1%

- **The standard deviation of EFC's quarterly economic return is lower than the Hybrid REIT peer group**

Total Return Since Inception

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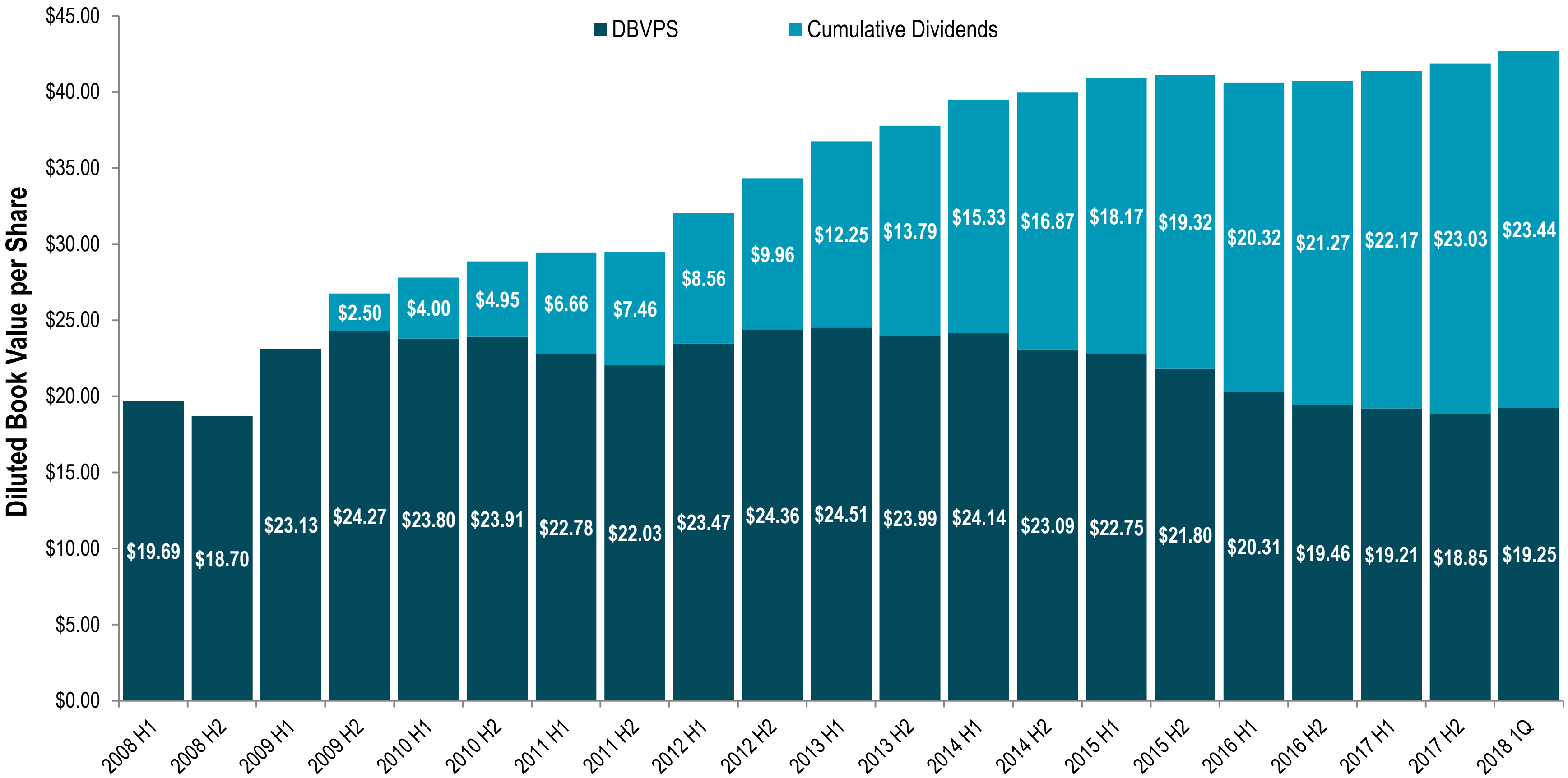
EFC has successfully preserved book value through market cycles, while producing strong results for investors

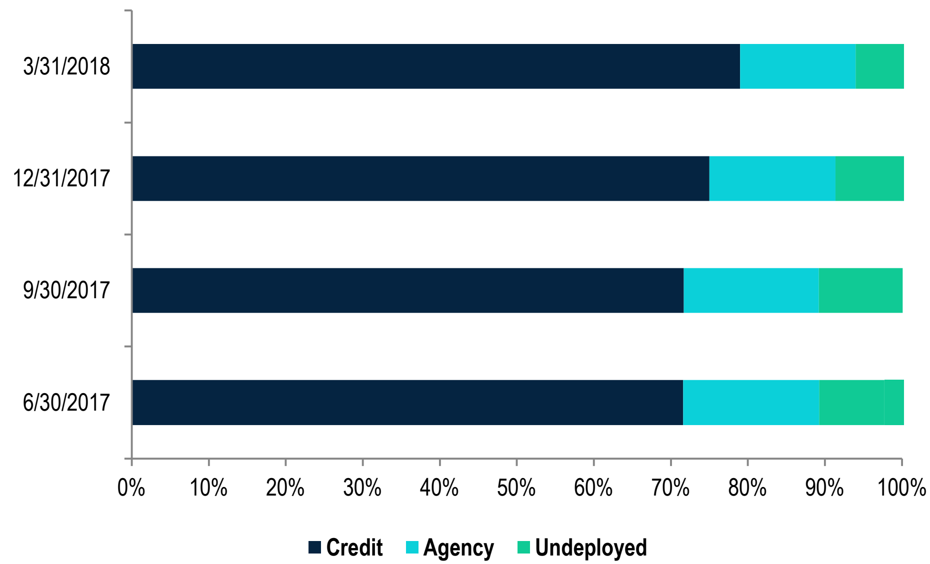
- **EFC life-to-date diluted net asset value-based total return from inception in August 2007 through Q1 2018 is approximately 185%, or 10.4% annualized[(1)]**



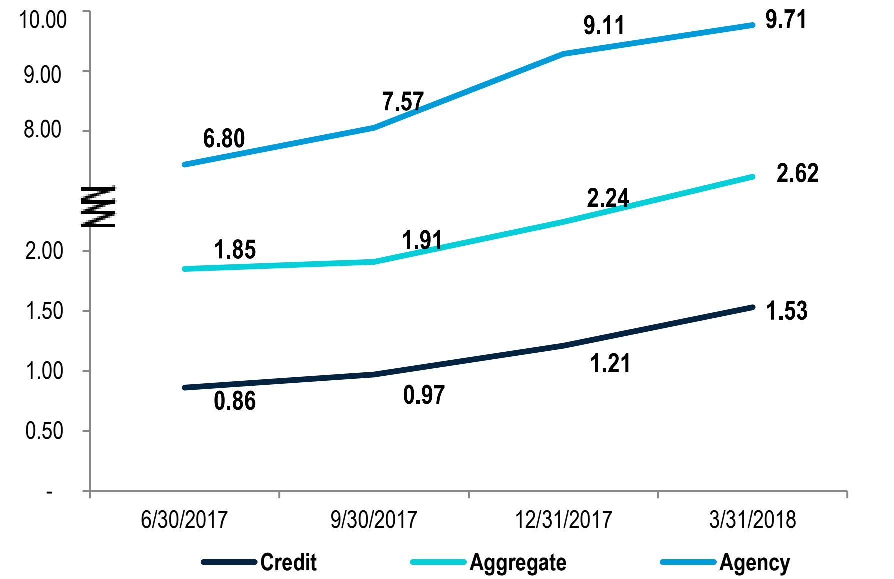
Capital, Leverage & Portfolio Composition

Ellington Financial

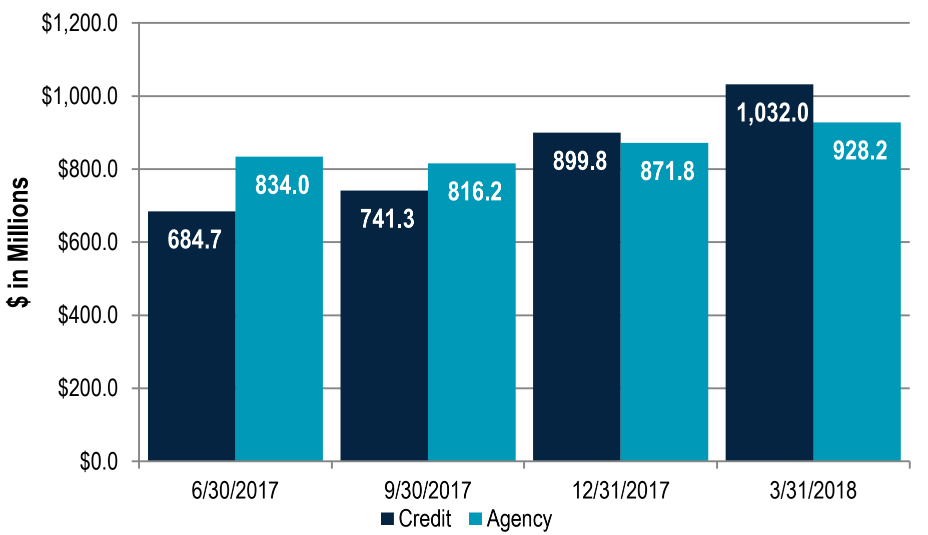
Capital Usage Across Entire Portfolio[1]



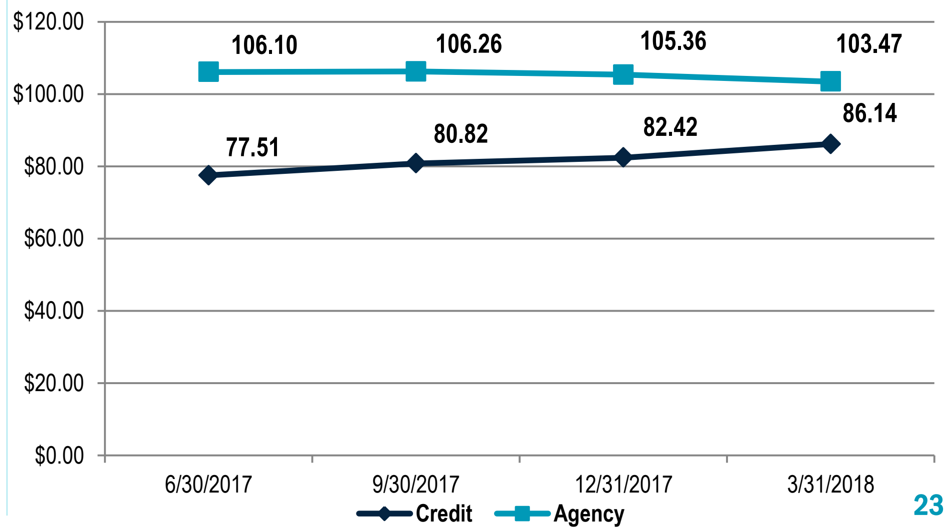
Leverage by Strategy (Debt-to-Equity)[1]



Credit and Agency Portfolios by Fair Value[3]



Average Price – Credit and Agency[2][3]



Income Statement
(Unaudited)

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ELLINGTON FINANCIAL LLC
CONSOLIDATED STATEMENT OF OPERATIONS

	Three Month Period Ended	
(In thousands, except per share data)	March 31, 2018	December 31, 2017
Investment income		
Interest income	$ 28,092	$ 23,810
Other income	716	1,288
Total investment income	28,808	25,098
Expenses		
Base management fee to affiliate (Net of fee rebates of $275 and $160, respectively)	1,978	2,113
Interest expense	11,562	9,326
Other investment related expenses:		
Servicing and other	2,952	2,588
Issuance costs related to Other secured borrowings, at fair value	-	1,679
Other operating expenses	2,074	2,333
Total expenses	18,566	18,039
Net investment income	10,242	7,059
Net realized gain (loss) on:		
Investments	12,584	1,552
Financial derivatives, excluding currency hedges	902	(5,930)
Financial derivatives—currency hedges	(2,204)	937
Foreign currency transactions	1,769	(2,390)
	13,051	(5,831)
Change in net unrealized gain (loss) on:		
Investments	(6,851)	537
Other secured borrowings	784	-
Financial derivatives, excluding currency hedges	3,197	4,507
Financial derivatives—currency hedges	800	(1,688)
Foreign currency translation	101	3,614
	(1,969)	6,970
Net realized and change in net unrealized gain (loss) on investments and financial derivatives, and other secured borrowings	11,082	1,139
Net increase in equity resulting from operations	$ 21,324	$ 8,198
Less: Increase in equity resulting from operations attributable to non-controlling interests	285	754
Net increase in shareholders' equity resulting from operations	$ 21,039	$ 7,444
Net increase in shareholders' equity resulting from operations per share:		
Basic and diluted	$ 0.67	$ 0.23
Weighted average shares and LTIP units outstanding	31,322	32,271
Weighted average shares and convertible units outstanding	31,534	32,483

Balance Sheet
(Unaudited)

Ellington Financial

ELLINGTON FINANCIAL LLC
CONSOLIDATED STATEMENT OF ASSETS, LIABILITIES AND EQUITY

(In thousands, except share amounts)	As of March 31, 2018	As of December 31, 2017[(1)]
ASSETS		
Cash and cash equivalents	$ 25,715	$ 47,233
Restricted Cash	425	425
Investments, financial derivatives, and repurchase agreements:		
Investments, at fair value (Cost – $2,347,459 and $2,071,754)	2,343,738	2,071,707
Financial derivatives–assets, at fair value (Net cost – $25,391 and $31,474)	30,038	28,165
Repurchase agreements (Cost – $132,730 and $155,109)	132,538	155,949
Total Investments, financial derivatives, and repurchase agreements	2,506,314	2,255,821
Due from brokers	95,549	140,404
Receivable for securities sold and financial derivatives	522,126	476,000
Interest and principal receivable	32,488	29,688
Other assets	13,729	43,770
Total assets	$ 3,196,346	$ 2,993,341
LIABILITIES		
Investments and financial derivatives:		
Investments sold short, at fair value (Proceeds – $687,783 and $640,202)	$ 691,962	$ 642,240
Financial derivatives–liabilities, at fair value (Net proceeds – $22,202 and $27,463)	34,925	36,273
Total investments and financial derivatives	726,887	678,513
Reverse repurchase agreements	1,330,943	1,209,315
Due to brokers	21,054	1,721
Payable for securities purchased and financial derivatives	225,519	202,703
Other secured borrowings (Proceeds – $71,880 and $57,909)	71,880	57,909
Other secured borrowings, at fair value (Proceeds – $114,559 and $125,105)	113,775	125,105
Senior notes, net	84,837	84,771
Accounts payable and accrued expenses	3,876	3,885
Base management fee payable to affiliate	1,978	2,113
Interest and dividends payable	5,168	5,904
Other liabilities	479	441
Total liabilities	2,586,396	2,372,380
EQUITY	609,950	620,961
TOTAL LIABILITIES AND EQUITY	$ 3,196,346	$ 2,993,341
ANALYSIS OF EQUITY:		
Common shares, no par value, 100,000,000 shares authorized;		
(30,392,041 and 31,335,938 shares issued and outstanding)	$ 584,005	$ 589,722
Additional paid-in capital–LTIP units	10,469	10,377
Total Shareholders' Equity	$ 594,474	$ 600,099
Non-controlling interests	15,476	20,862
Total Equity	$ 609,950	$ 620,961
PER SHARE INFORMATION:		
Common shares, no par value	$ 19.56	$ 19.15
DILUTED PER SHARE INFORMATION:		
Common shares and convertible units, no par value[(2)]	$ 19.25	$ 18.85

About Ellington

Ellington Financial

- 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 $6.7 billion in assets under management as of March 31, 2018
- EMG's portfolio managers are among the most experienced in the MBS sector and the firm's analytics have been developed over a 23-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 11%[1] of EFC; interests are aligned with shareholders

Endnotes

Ellington Financial

Slide 3 – First Quarter Highlights

(1) Holdings, leverage and book value amounts are as of March 31, 2018.
(2) 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.
(3) This information does not include interest rate swaps, TBA positions, corporate CDS, equity swaps, positions related to certain of our relative value strategies, or other hedge positions.
(4) For our consolidated non-QM securitization trust, only retained tranches are included (i.e., excludes tranches sold to third parties).
(5) In determining the debt-to-equity ratio for an individual strategy, equity usage for such strategy is based on an internal calculation that reflects the actual amount of capital posted to counterparties in connection with such strategy's positions (whether in the form of haircut, initial margin, prime brokerage requirements, or otherwise) plus additional capital allocated to support such strategy's positions, net of adjustments for readily financeable assets and securities that may be sold to increase liquidity on short notice. The Company refers to the excess of its total equity over the total risk capital of its strategies as its "risk capital buffer". If the debt-to-equity ratios for individual strategies were computed solely based on the actual amount of capital posted to counterparties, such ratios would typically be higher. The debt-to-equity ratio does not account for liabilities other than debt financings.

Slide 6 – Operating Results

(1) Includes TBAs and U.S. Treasury securities, if applicable.
(2) Includes equity and other relative value trading strategies and related hedges.
(3) Includes interest expense on our Senior Notes.
(4) 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.

Slide 8 – Portfolio Summary as of March 31, 2018

(1) See endnote (3) on slide 3.
(2) Average price excludes interest only, principal only, equity tranches and other similar securities and non-exchange traded corporate equity. All averages in this table are weighted averages using fair value, except for average price which uses current principal balance.
(3) Average price of consumer loans and ABS is proprietary.
(4) Weighted average life assumes "projected" cashflows using Ellington's proprietary models. Excludes interest only, principal only, equity tranches.
(5) Estimated yields at market prices are management's estimates derived from Ellington's proprietary models based on prices and market environment as of March 31, 2018 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.
(6) REO and equity investments in mortgage related entities are excluded from total average calculations.
(7) See endnote (4) on slide 3.
(8) See endnote (5) on slide 3.
(9) Overall debt-to-equity ratio is computed by dividing EFC's total debt by EFC's total equity. The debt-to-equity ratio does not account for liabilities other than debt financings.

Slide 9 – Interest Rate Sensitivity Analysis

(1) The table reflects the estimated effects on the value of our portfolio, both overall and by category, of hypothetical, immediate, 50 basis point downward and upward parallel shifts in interest rates, based on the market environment as of March 31, 2018. The preceding analysis does not include sensitivities to changes in interest rates for instruments which we believe that the effect of a change in interest rates is not material to the value of the overall portfolio and/or cannot be accurately estimated. In particular, this analysis excludes certain corporate securities and derivatives on corporate securities, and reflects only sensitivity to U.S. interest rates. Results are based on forward-looking models, which are inherently imperfect, and incorporate various simplifying assumptions. Therefore, the table is for illustrative purposes only and actual changes in interest rates would likely cause changes in the actual value of our portfolio that would differ from those presented, and such differences might be significant and adverse.

Endnotes

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Slide 10 – Long Credit Portfolio – Holdings Overview
(1) See endnote (3) on slide 3.
(2) See endnote (4) on slide 3.
(3) Conformed to current period presentation.

Slide 11 – Credit: Significantly Diversified Sources of Return Over Time
(1) See endnote (3) on slide 3.
(2) See endnote (4) on slide 3.

Slide 12 – Credit Hedging Portfolio
(1) The Credit Hedging Portfolio excludes both legs of certain relative value trades which we believe do not affect the overall hedging position of the portfolio. Consequently, the amounts shown here may differ materially (i) from those that would be shown were all positions in the included instruments displayed and (ii) from 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.

Slide 13 – Agency Long Portfolio
(1) Does not include long TBA positions with a notional value of $187.9 million and a fair value of $193.3 million. Agency long portfolio includes $895.8 million of long Agency securities and $34.5 million of interest only securities.
(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.

Slide 14 – Agency Interest Rate Hedging Portfolio
(1) Agency interest rate hedges are shown in normalized units of risk, with each group of positions measured in "10-year equivalents; "10-year equivalents" for a group of positions represent the amount of 10-year U.S. Treasury securities that would experience a similar change in market value under a standard parallel move in interest rates.

Slide 15 – Agency Interest Rate Hedging Portfolio (continued)
(1) We define our net Agency pool assets-to-equity ratio as the net aggregate market value of our Agency pools of $896 million and our long and short TBA positions of $(467) million, divided by the equity allocated to our Agency strategy of $89 million. See endnote (4) on slide 3.

Endnotes

Ellington Financial

Slide 17 – Borrowings and Leverage

(1) Amounts exclude repo on U.S. Treasury securities.
(2) See endnote (5) on slide 3. 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 $1,330.9 million, other secured borrowings in the amount of $185.7 million, and senior notes with a par amount of $86.0 million as of March 31, 2018.

Slide 18 – Repo Borrowings

(1) Included in the above table, using the original maturity dates, are any reverse repos involving underlying investments the Company sold prior to March 31, 2018 for settlement following March 31, 2018 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 March 31, 2018, for which delivery of the borrowed funds is not scheduled until after March 31, 2018. Remaining maturity for a reverse repo is based on the contractual maturity date in effect as of March 31, 2018. Some reverse repos have floating interest rates, which may reset before maturity.

Slide 20 – Gross Profit and Loss

(1) Gross profit excludes expenses other than interest expense and other investment related expenses. Figures in "%" columns are as a percentage of average equity for the period.

Slide 21 – Stable Economic Return

(1) Source: Company filings.
(2) Economic return is computed by adding back dividends to ending book value per share, and comparing that amount to book value per share as of the beginning of the quarter.

Slide 22 – Total Return Since Inception

(1) Total return is based on $18.61 net diluted book value per share at inception in August 2007 and is calculated assuming the reinvestment of dividends at diluted book value per share and assumes all convertible units were converted into common shares at their issuance dates. Dividends were paid in the quarter following the period related to such performance.

Slide 23 – Capital, Leverage & Portfolio Composition

(1) Excludes U.S. Treasury securities. See endnote (5) on slide 3.
(2) Excludes interest only, principal only, equity tranches and other similar investments and REO.
(3) See endnote (4) on slide 3.

Slide 25 – Balance Sheet

(1) Derived from audited financial statements as of December 31, 2017.
(2) Based on total equity excluding non-controlling interests not represented by instruments convertible into common shares.

Slide 26 – About Ellington

(1) 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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