Ellington Financial

Fourth Quarter 2017 Earnings Conference Call

February 14, 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 our ability to cover our dividend, 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 16, 2017, 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 December 31, 2017 unless otherwise indicated. We undertake no duty or obligation to update this presentation to reflect subsequent events or developments.

Fourth Quarter Highlights[1]

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Overall Results	■ Net income: $7.4 million or $0.23 per share ■ NAV-based total return: 1.6% for the quarter, 6.6% annualized ■ Continued to grow Credit portfolio
Credit Strategy	■ Credit gross income: $12.7 million[2] or $0.39 per share ■ Long Credit portfolio: $1.025 billion[3] – 38% increase from previous quarter
Agency RMBS Strategy	■ Agency gross loss: $(0.06) million[2] or $0.00 per share ■ Long Agency portfolio: $871.8 million – 7% increase from previous quarter
Equity & BVPS	■ Total equity: $621.0 million ■ Diluted book value per share: $18.85 after a $0.41 dividend paid in December
Dividends	■ 4th quarter dividend of $0.41 per share announced on 2/6/2018, payable on 3/15/2018 ■ Annualized dividend yield of 11.1% based on the 2/12/2018 closing price of $14.77

Leverage	■ Overall debt-to-equity[4] ratio: 2.38x
	    ■ Credit: 1.40x
	    ■ Agency: 9.11x

Share Repurchase Program	■ Repurchased 656,239 shares during the quarter, or approximately 2.1% of our outstanding shares, at an average price of $15.01 per share ■ Fourth quarter share repurchases were accretive to diluted book value by $0.08 per share ■ Acquired an additional 1.5% of our outstanding shares through 2/12/2018

Market Conditions & Portfolio Trends

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Overall Market Conditions	■ Short-term interest rates rose steadily over the quarter while long-term rates trended only slightly higher, and the yield curve continued to flatten ■ Federal Reserve initiated its tapering of reinvestments in October and raised interest rates in December ■ Yield spreads across most credit products remained close to the tightest points of their trailing three-year ranges ■ Although yields on current coupon 30-year Agency RMBS held firm, many shorter-duration RMBS underperformed longer-duration RMBS ■ The Tax Cuts and Jobs Act was enacted in December, resulting in significant changes to the U.S. tax code

Credit Strategy	■ Interest income was primary driver of earnings
	■ Strong performance from:
	    ■ Loan-related strategies: non-QM loans, small-balance commercial mortgage loans, investments in mortgage originators, U.S. residential nonperforming loans, and U.S. consumer loans
	    ■ Securities strategies: CMBS and U.K. non-conforming RMBS
	■ Completed first non-QM securitization during the fourth quarter and participated in second Ellington-sponsored CLO that priced in December and closed in January

Agency RMBS Strategy	■ Our higher-coupon pools and 15-year pools underperformed longer-duration RMBS ■ Much of this unfavorable price action has reversed since year-end ■ Unrealized losses on long holdings roughly offset by net interest income and gains on hedges

Objectives

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- Focus on growing the Credit portfolio and improving earnings
  - Leverage our proprietary pipeline of loans and make opportunistic allocations to securities to build a diverse group of high-yielding assets
  - Improve and diversify our financing sources
    - Emphasize long-term non mark-to-market financing
    - Securitization is an important driver of this growth, as it enhances yields and frees up capital to redeploy
  - Project that our Credit portfolio will reach desired size during the middle part of this year
- Low volatility theme of 2017 reversing course so far in 2018, with rising bond yields and recent sell-off in equity markets
  - Minimize the volatility of our book value and earnings through dynamic credit and interest rate hedging
- Take advantage of our discounted stock price to supplement earnings with book value accretion via share repurchases
- Generate powerful and consistent earnings stream for shareholders

Operating Results

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(In thousands, except per share amounts)		Quarter Ended December 31, 2017		Per Share	% of Average Equity		Quarter Ended September 30, 2017		Per Share	% of Average Equity
Credit:										
Interest income and other income	$	16,706	$	0.51	2.67%	$	14,877	$	0.45	2.35%
Net realized gain (loss)		594		0.02	0.09%		2,732		0.08	0.43%
Change in net unrealized gain (loss)		6,387		0.20	1.02%		(2,800)		(0.09)	-0.44%
Net interest rate hedges [1]		(234)		(0.01)	-0.04%		(325)		(0.01)	-0.05%
Net credit hedges and other activities [2]		(2,630)		(0.08)	-0.42%		(760)		(0.02)	-0.12%
Interest expense [3]		(4,232)		(0.13)	-0.68%		(3,967)		(0.12)	-0.63%
Other investment related expenses		(3,896)		(0.12)	-0.62%		(1,809)		(0.05)	-0.29%
Total Credit profit (loss)		12,695		0.39	2.02%		7,948		0.24	1.25%
Agency RMBS:										
Interest income		6,246		0.19	1.00%		5,917		0.18	0.94%
Net realized gain (loss)		(723)		(0.02)	-0.12%		(173)		(0.01)	-0.03%
Change in net unrealized gain (loss)		(5,648)		(0.17)	-0.90%		1,453		0.04	0.23%
Net interest rate hedges and other activities [1]		2,844		0.09	0.45%		(1,831)		(0.05)	-0.29%
Interest expense		(2,777)		(0.09)	-0.44%		(2,571)		(0.08)	-0.41%
Total Agency RMBS profit (loss)		(58)		0.00	-0.01%		2,795		0.08	0.44%
Total Credit and Agency RMBS profit (loss)		12,637		0.39	2.01%		10,743		0.32	1.69%
Other interest income (expense), net		377		0.01	0.06%		352		0.01	0.06%
Other expenses		(4,816)		(0.15)	-0.77%		(4,500)		(0.14)	-0.71%
Net increase in equity resulting from operations	$	8,198	$	0.25	1.30%	$	6,595	$	0.19	1.04%
Less: Net increase in equity resulting from operations attributable to non-controlling interests		754					400			
Net increase in shareholders' equity resulting from operations [4]	**$**	**7,444**	**$**	**0.23**	**1.22%**	**$**	**6,195**	**$**	**0.19**	**1.00%**
Diluted book value per share	$	18.85				$	18.96			

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Portfolio

Portfolio Summary as of December 31, 2017[1]

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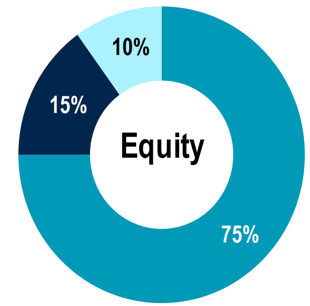
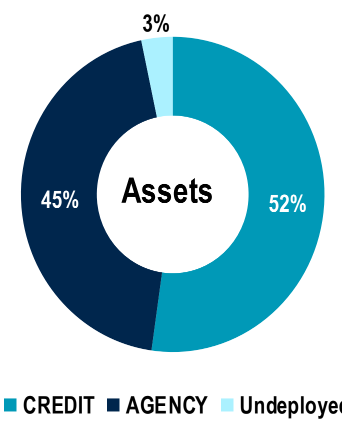
Diversified sources of return to perform through market cycles

Strategy	Allocated Equity		Fair Value ($MM)	Average Price (%)[2][6]	WAVG Life[4][6]	WAVG Mkt Yield[5][6]
CREDIT						
CLO		$	184,569	96.7	4.4	10.5%
Residential Mortgage Loans and REO			183,063	100.5	2.1	6.9%
CMBS, Commercial Mortgage Loans and REO			163,131	68.3	2.5	13.0%
Non-Agency RMBS			159,744	81.4	5.8	4.9%
Non Dollar-Denominated MBS, CLO and ABS			159,019	82.4	6.4	8.9%
Consumer Loans and ABS			138,202	-[3]	0.9	9.8%
Debt and Equity Investment in Mortgage-Related Entities			29,017	N/A	N/A	16.1%
Corporate Debt and Equity			8,202	34.2	3.2	9.8%
Total - Credit	**75%**	**$**	**1,024,947**	**84.8**	**3.6**	**9.1%**
AGENCY						
Fixed-Rate Specified Pools		$	768,751	105.2	7.5	3.1%
Reverse Mortgage Pools			60,866	108.4	5.8	2.9%
IOs			34,150	N/A	3.6	6.3%
Floating-Rate Specified Pools			8,067	103.9	3.8	2.5%
Total - Agency	**15%**	**$**	**871,834**	**105.4**	**7.2**	**3.2%**
Undeployed	**10%**					

Equity and Asset Allocation by Strategy





Debt-to-Equity Ratio by Strategy and Overall:

Credit: 1.40x[7]

Agency: 9.11x[7]

Overall: 2.38x[8]

Fourth Quarter Portfolio Updates by Strategy

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Strategy	Fourth Quarter Developments
Diversified Credit	
Residential Mortgage Loans & REO	▪ Closed our inaugural non-QM securitization ▪ Continue to acquire non-QM mortgage loans; optimistic that market conditions will support a 2nd securitization this year ▪ Continue to see interesting opportunities in the non-performing loan space despite a slowdown in overall volumes
Consumer Loans & ABS	▪ Strong performance; net added to portfolio ▪ Improved financing terms on consumer loan financing facility
Non Dollar-Denominated MBS, CLO, & ABS	▪ Strong performance ▪ Added to European non-performing loan, CLO and non-conforming RMBS portfolios
CMBS, Commercial Mortgage Loans & REO	▪ Strong performance; net buyer of CMBS during the quarter ▪ Seven new originations and two resolutions in small-balance commercial mortgage strategy ▪ Improved financing terms on small balance commercial loan financing facility
CLO	▪ Participated in second CLO securitization that priced in December and closed in January with even stronger execution than first CLO ▪ Positive performance, net added to portfolio
Non-Agency RMBS	▪ Net added to portfolio ▪ Strategy had a modest loss primarily due to credit hedges
Mortgage-Related Entities	▪ Strong performance driven by Longbridge Financial, our reverse mortgage originator joint venture
Corporate Credit Relative Value(1)	▪ Positive performance driven by trading/turnover of the portfolio
Agency RMBS	
Prepayment & Related Relative Value	▪ Our higher coupon pools and 15-year pools underperformed longer-duration RMBS ▪ Much of this unfavorable price action has reversed since year-end ▪ Unrealized losses on long holdings roughly offset by net interest income and gains on hedges

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	$	52	0.01%	$	(53)	-0.01%
Agency RMBS - Fixed Pools and IOs		12,021	1.94%		(17,316)	-2.79%
TBAs		(4,539)	-0.73%		7,011	1.13%
Non-Agency RMBS, CMBS, Other ABS, and Mortgage Loans		3,827	0.62%		(3,697)	-0.60%
Interest Rate Swaps		(5,950)	-0.96%		5,673	0.91%
U.S. Treasury Securities		(1,729)	-0.28%		1,658	0.27%
U.S. Treasury Futures		(263)	-0.04%		254	0.04%
Mortgage-Related Derivatives		18	0.00%		(15)	0.00%
Corporate Securities and Derivatives on Corporate Securities		(654)	-0.11%		665	0.11%
Repurchase Agreements and Reverse Repurchase Agreements		(2,409)	-0.39%		2,357	0.38%
Total	$	374	0.06%	$	(3,463)	-0.56%

- **Diversified fixed income portfolio has duration of less than 0.7**

Long Credit Portfolio – Holdings Overview

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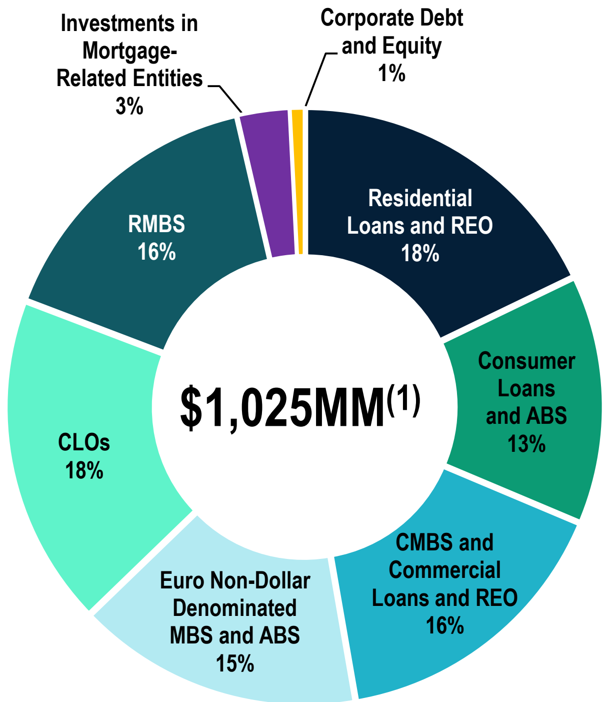
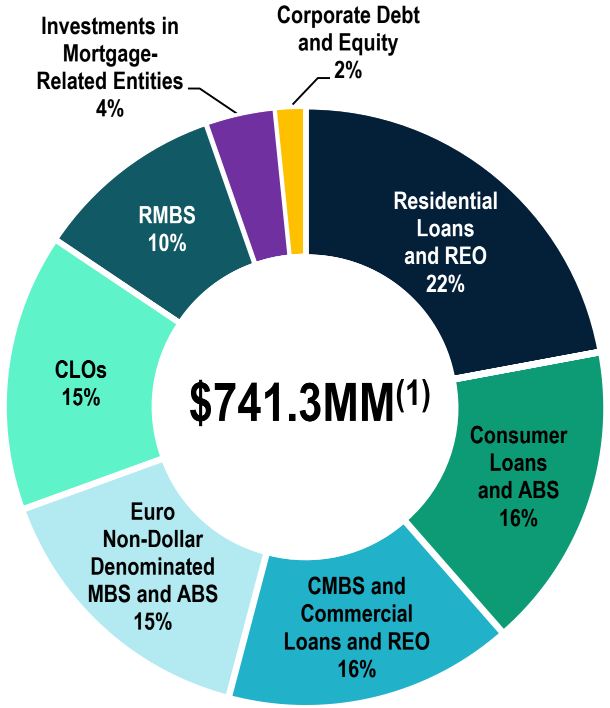
12/31/17



9/30/17



- **Increased the size of the Credit portfolio by 38% 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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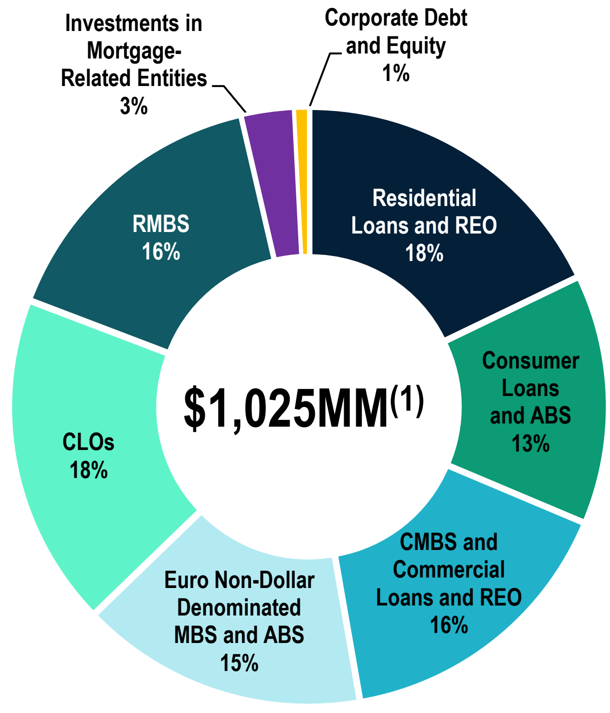
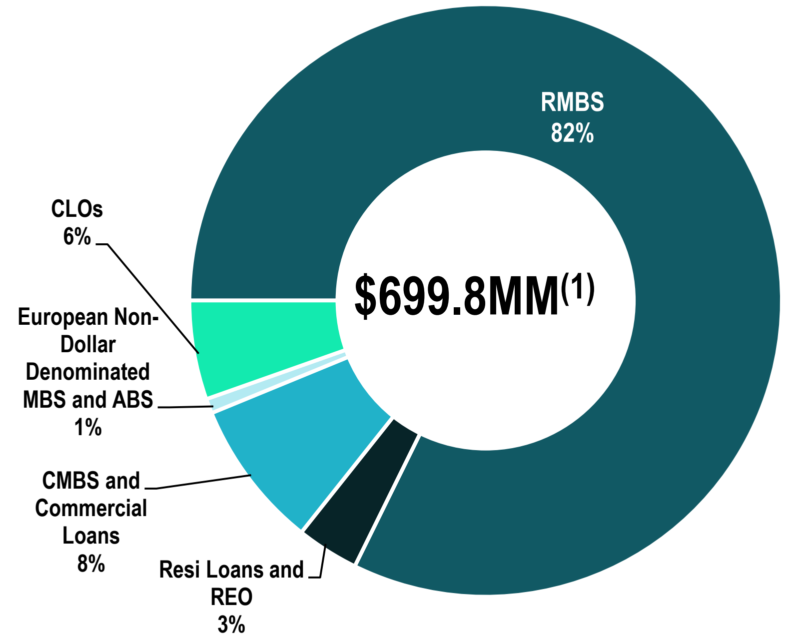
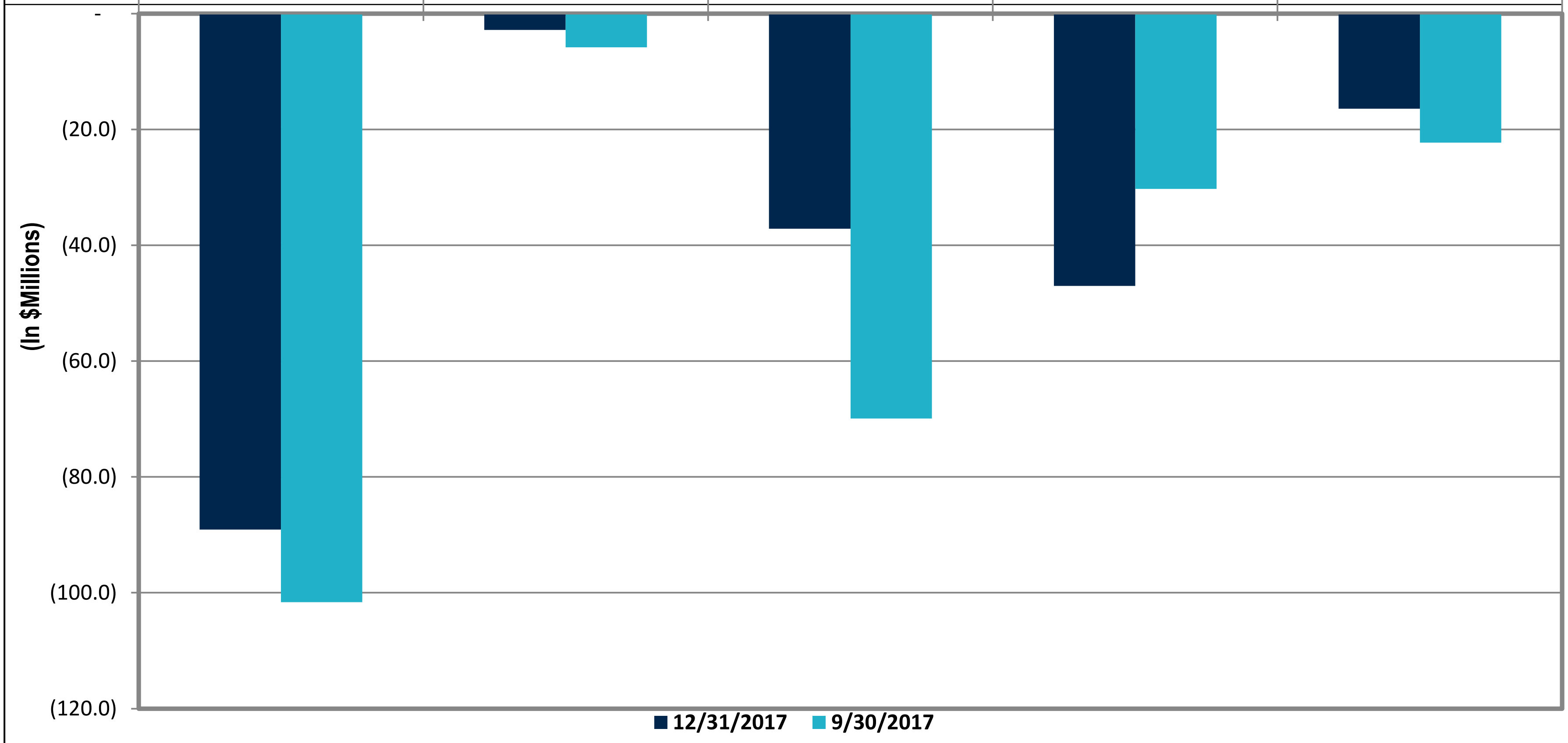
12/31/17	12/31/13
	

- 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

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]



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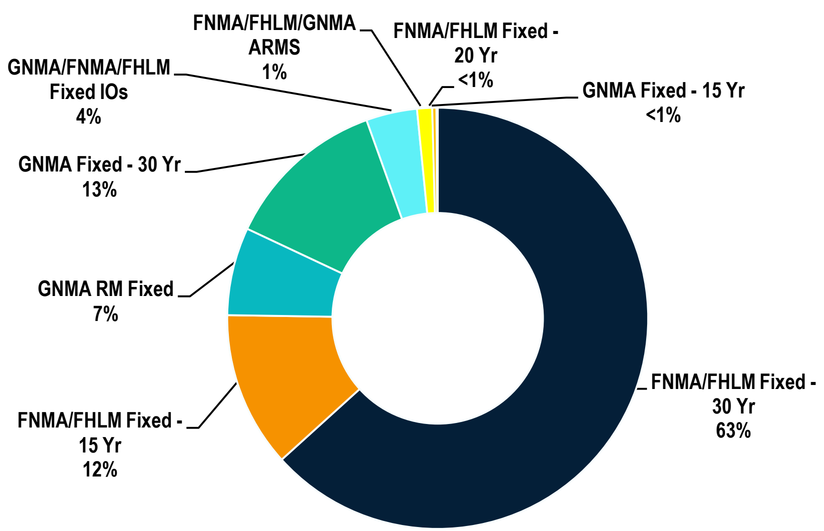
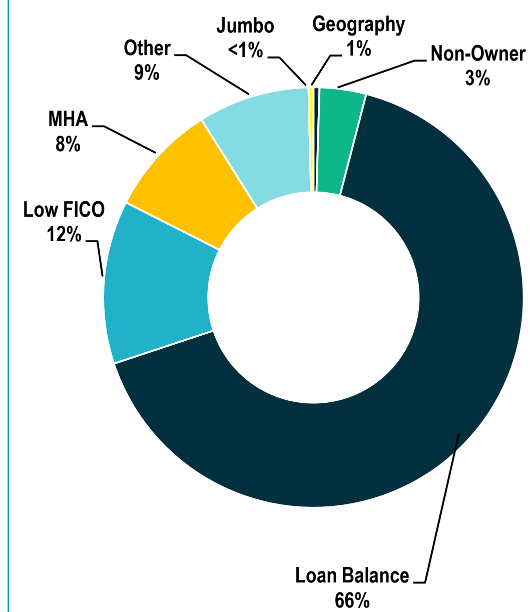
Agency Long Portfolio: $871.8MM[(1)]
As of 12/31/17



Weighted Average Coupon: 3.97%[(6)]

Collateral Characteristics and Historical 3-month CPR
For the Quarter Ended 12/31/17[(2)]



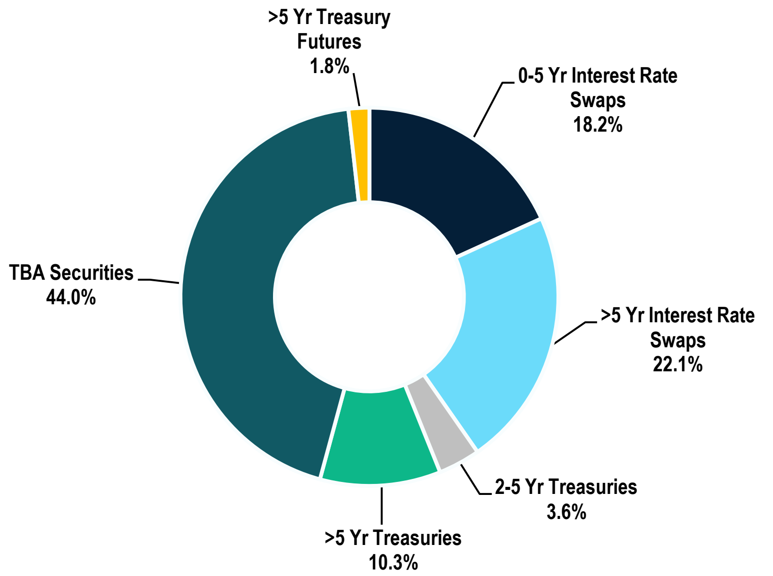
Characteristic[(3)]	Fair Value[(2)(4)]	3-Month Historical CPR[(3)]
Geography	$10.4	6.6
Non-Owner	23.5	12.9
Low Loan Bal	478.5	11.5
Low FICO	86.0	9.9
MHA[(5)]	58.0	14.6
Other	61.9	10.0
Jumbo	2.7	1.3
Totals	$721.0	11.2

- Target specified pools with higher coupons and prepayment protection

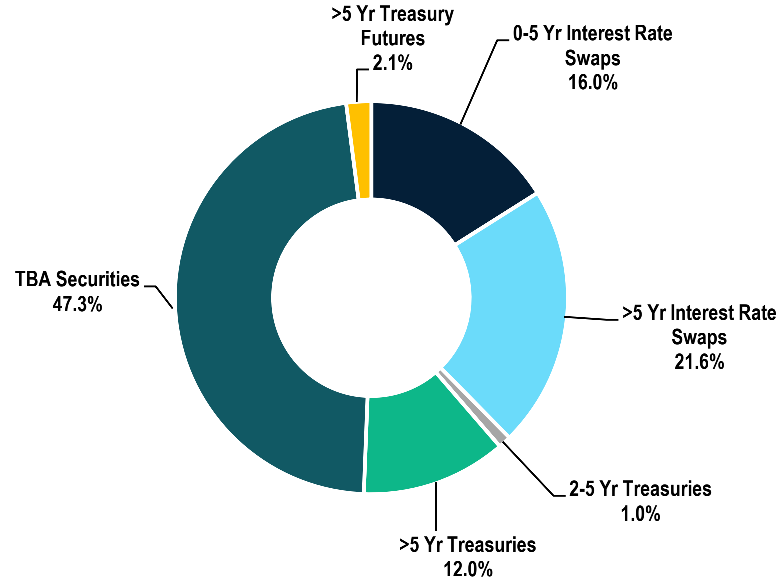
Agency Interest Rate Hedging Portfolio(1)

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

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



As of 9/30/17:
Short $289MM 10-year equivalents



- Shorting “generic” pools (or TBAs) allows us to significantly reduce interest rate risk and basis risk in our 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 0.74% of the value of our fixed rate Agency pool portfolio as of 12/31/17, down from 0.81% as of 9/30/17
- We hedge along the yield curve to protect against volatility, defend book value and minimize interest rate risk

Agency Interest Rate Hedging Portfolio (continued)

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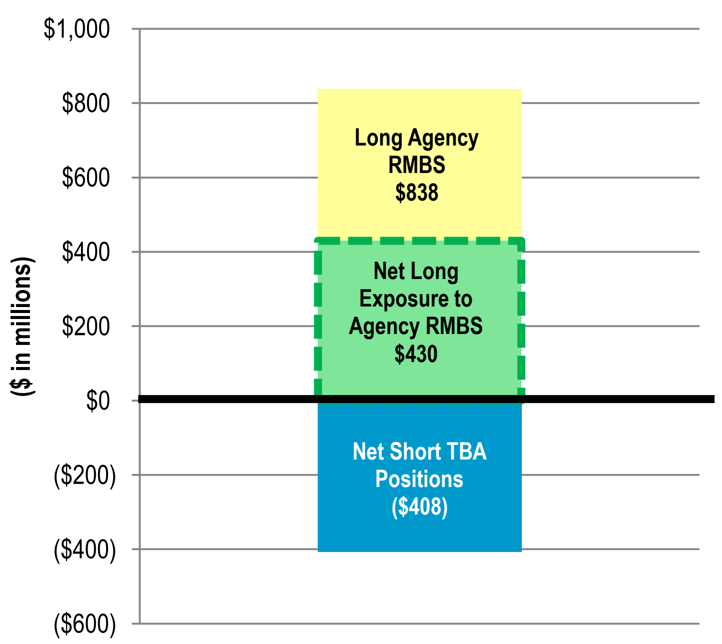
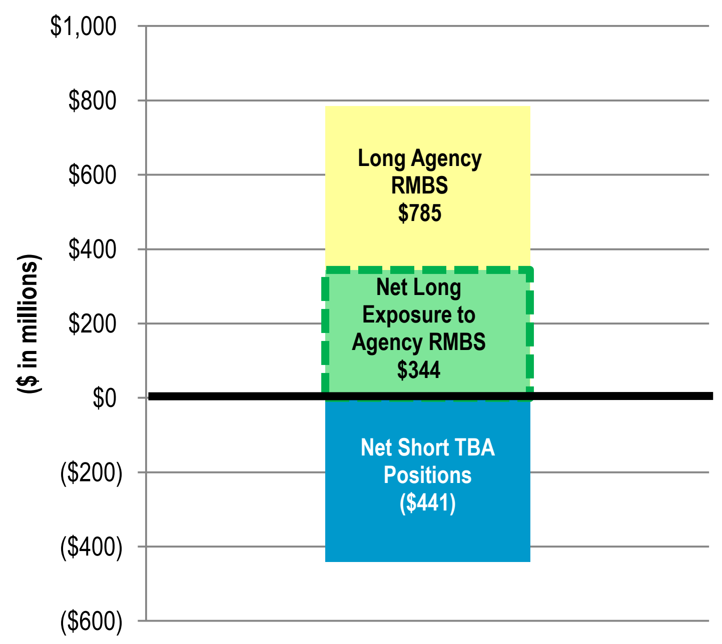
Exposure to Agency Pools Based on Fair Value

As of 12/31/2017



As of 9/30/2017



- We slightly increased our net long mortgage exposure quarter over quarter
  - Deducting the amount of the TBA short from our long Agency pool portfolio, our net exposure to pools is ~$430 million, which is a 4.7:1 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 December 31, 2017			For the Quarter Ended December 31, 2017	
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	$379,394	3.00%		$265,711	2.70%
Credit, Secured Non-Recourse	183,014	3.35%		153,986	4.65%
Credit, Unsecured Senior Notes	86,000	5.55%		86,000	5.55%
Subtotal – Credit	**648,408**	**3.44%**	**1.40x**	**505,697**	**3.78%**
Agency	829,624	1.51%	9.11x	774,368	1.42%
Total	**$1,478,032**	**2.36%**	**2.38x**	**$1,280,065**	**2.35%**

- **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 3.92%, as compared to 3.93% for the quarter ended September 30, 2017.**

Repo Borrowings[1]

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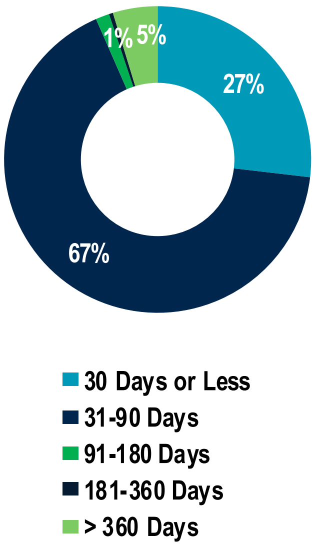
($ in thousands) Repo Borrowings as of December 31, 2017					
Remaining Days to Maturity	Credit	Agency	U.S. Treasury	Total	% of Total Borrowings
30 Days or Less	$37,433	$287,014	$297	$324,744	26.9%
31-90 Days	263,076	542,008	—	805,084	66.6%
91-180 Days	16,851	602	—	17,453	1.4%
181-360 Days	5,090	—	—	5,090	0.4%
> 360 Days	56,944	—	—	56,944	4.7%
Total Borrowings	$379,394	$829,624	$297	$1,209,315	100.0%
Weighted Average Remaining Days to Maturity	**219**	**44**	**2**	**99**	

Borrowings by Days to Maturity



- **Repo borrowings with 23 counterparties, largest representing approximately 19% of total**
- **Weighted average remaining days to maturity of 99 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

	Year Ended December 31,		Years Ended																	
	2017		2016		2015		2014		2013		2012		2011		2010		2009		2008	
($ In thousands)	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%
Long: Credit	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	(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	(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	10,246	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	(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)	**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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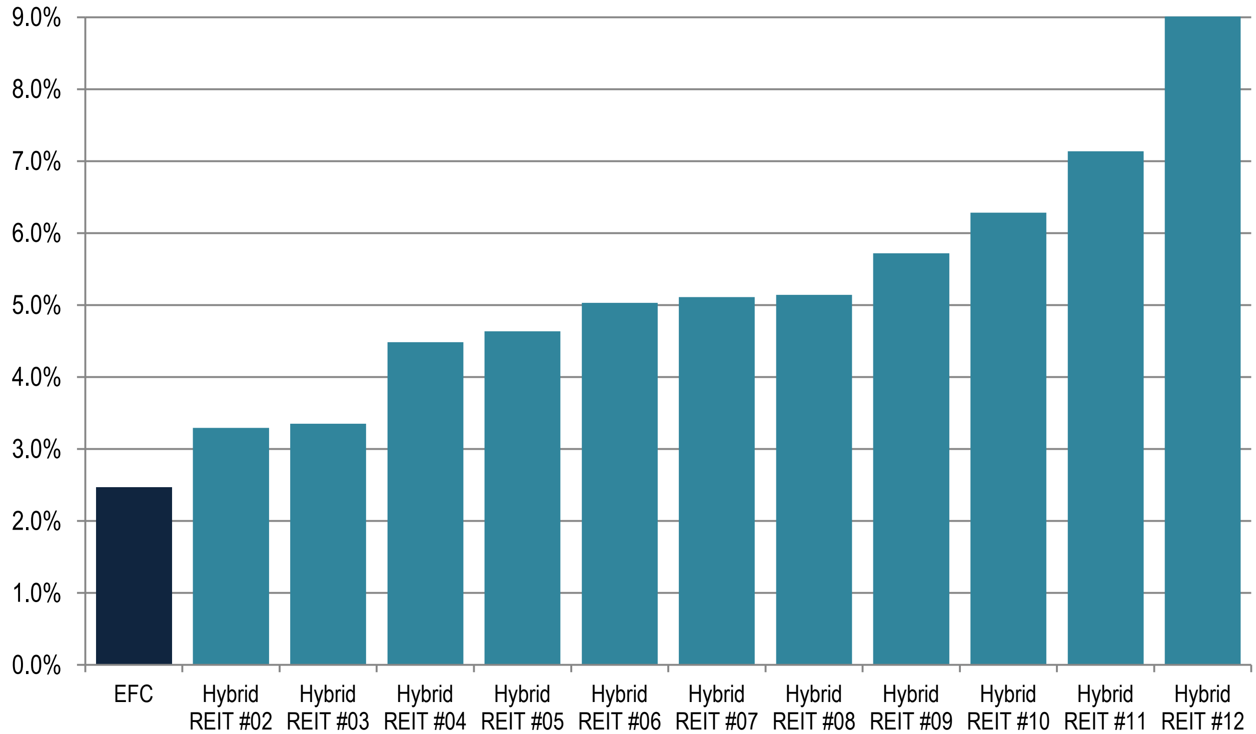
Standard Deviation of Quarterly Economic Returns of Hybrid REITs Q1-2011 – Q3 -2017[(1)(2)]



Standard Deviation of Quarterly Economic Returns of Hybrid REITs Q1-2011 – Q3-2017

Company	Standard Deviation
EFC	2.47%
Hybrid REIT #02	3.29%
Hybrid REIT #03	3.35%
Hybrid REIT #04	4.49%
Hybrid REIT #05	4.63%
Hybrid REIT #06	5.03%
Hybrid REIT #07	5.11%
Hybrid REIT #08	5.14%
Hybrid REIT #09	5.72%
Hybrid REIT #10	6.28%
Hybrid REIT #11	7.14%
Hybrid REIT #12	14.27%

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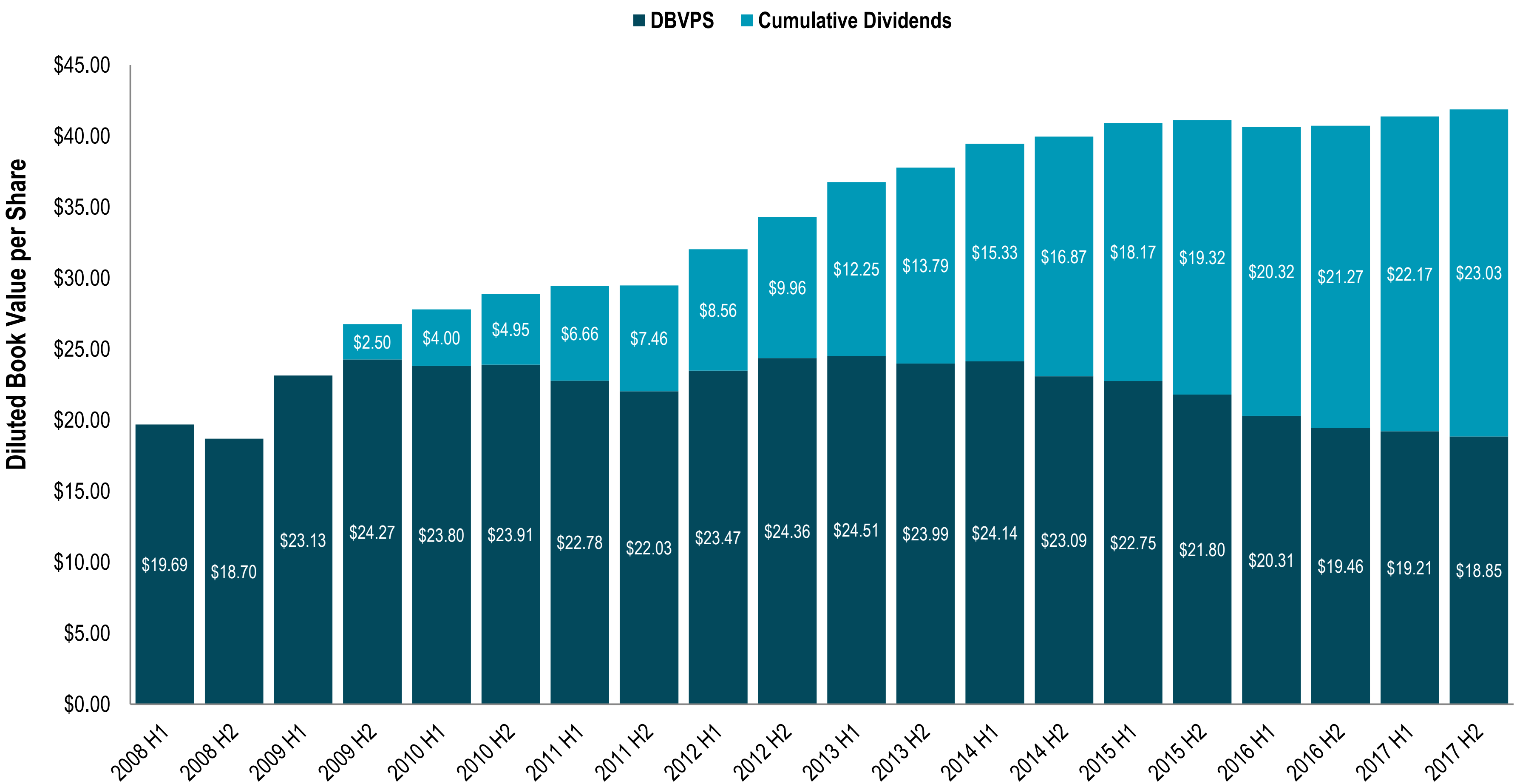
EFC has successfully preserved book value through market cycles, while producing strong results for investors

- **EFC life-to-date diluted net asset value-based total return from inception in August 2007 through Q4 2017 is approximately 173%, or 10.2% annualized[(1)]**



Capital, Leverage & Portfolio Composition

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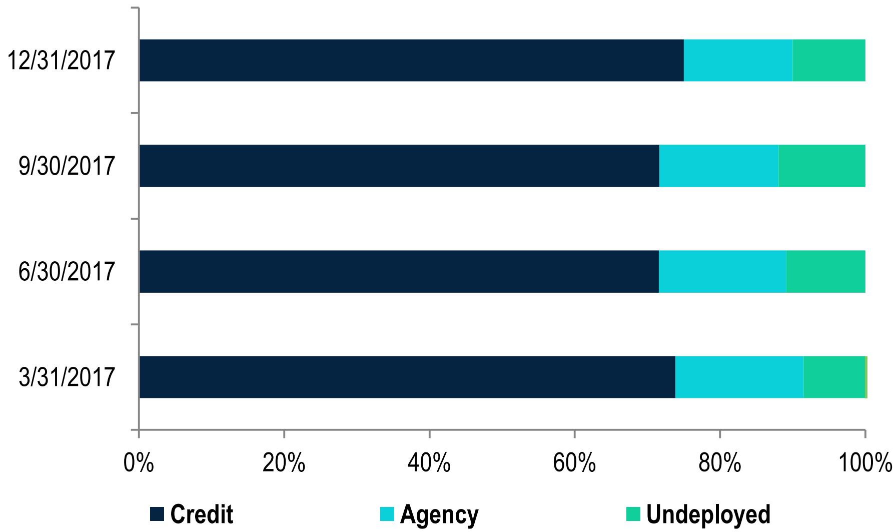
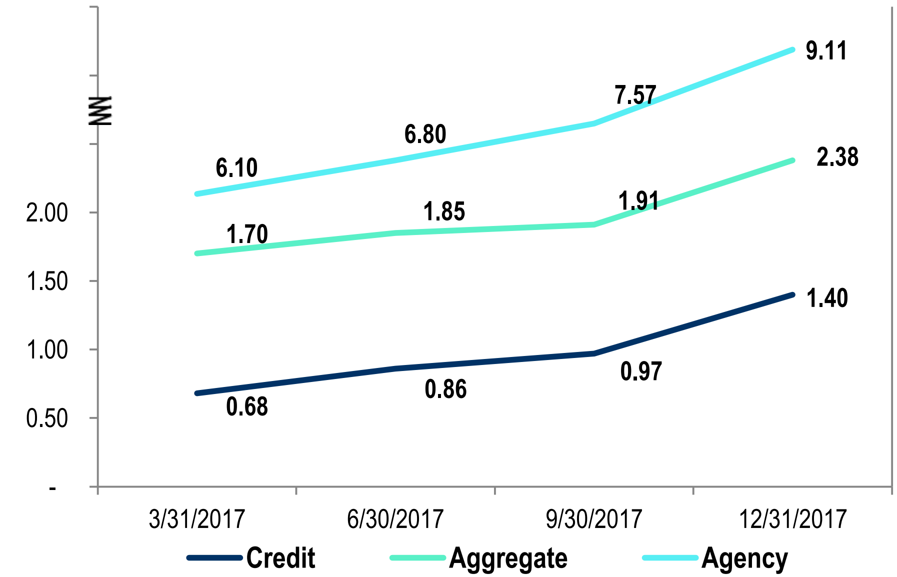
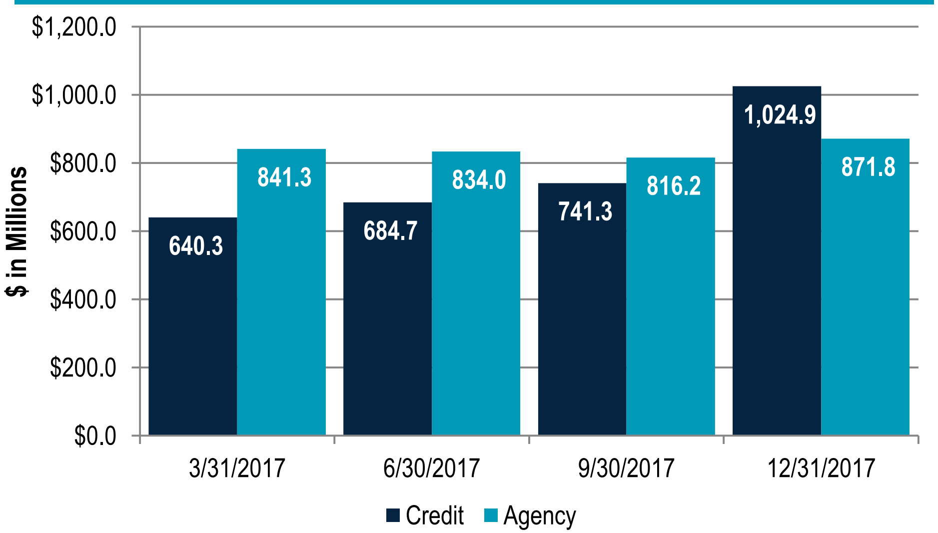
Capital Usage Across Entire Portfolio[1]



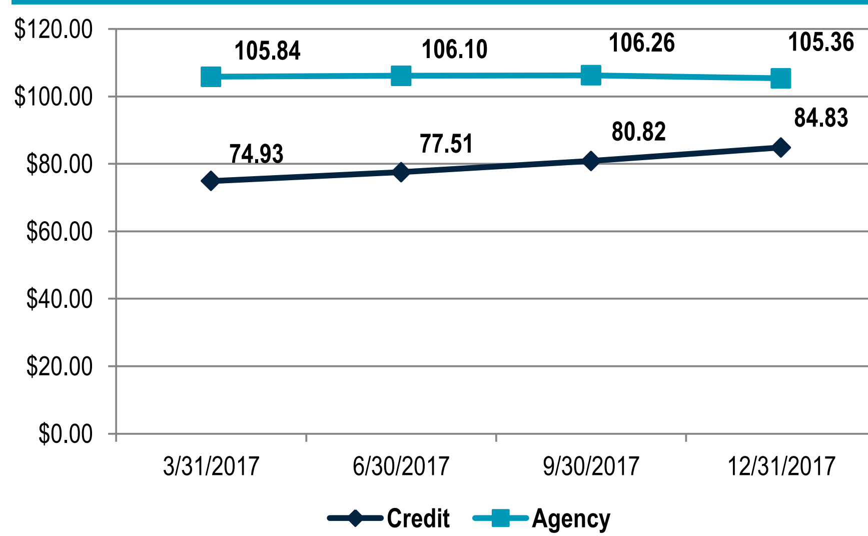
Leverage by Strategy (Debt-to-Equity)[1]



Credit and Agency Portfolios by Fair Value



Average Price – Credit and Agency[2]



Income Statement
(Unaudited)

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ELLINGTON FINANCIAL LLC
CONSOLIDATED STATEMENT OF OPERATIONS

(In thousands, except per share data)	Three Month Period Ended December 31, 2017	Three Month Period Ended September 30, 2017	Year Ended December 31, 2017
Investment income			
Interest income	$ 23,810	$ 21,145	$ 89,629
Other income	1,288	1,232	4,331
Total investment income	25,098	22,377	93,960
Expenses			
Base management fee to affiliate (Net of fee rebates of $160, $172, and $332, respectively)	2,113	2,161	9,056
Interest expense	9,326	8,166	31,120
Other investment related expenses:			-
Servicing and other	2,588	1,908	8,075
Issuance costs related to Other secured borrowings, at fair value	1,679	-	1,679
Other operating expenses	2,333	2,240	8,862
Total expenses	18,039	14,475	58,792
Net investment income	7,059	7,902	35,168
Net realized gain (loss) on:			
Investments	1,552	1,087	3,924
Financial derivatives, excluding currency hedges	(5,930)	(595)	(12,153)
Financial derivatives—currency hedges	937	(4,013)	(6,420)
Foreign currency transactions	(2,390)	4,726	3,845
	(5,831)	1,205	(10,804)
Change in net unrealized gain (loss) on:			
Investments	537	(1,750)	7,374
Financial derivatives, excluding currency hedges	4,507	(305)	426
Financial derivatives—currency hedges	(1,688)	2,026	(526)
Foreign currency translation	3,614	(2,483)	4,326
	6,970	(2,512)	11,600
Net realized and change in net unrealized gain (loss) on investments and financial derivatives	1,139	(1,307)	796
Net increase in equity resulting from operations	$ 8,198	$ 6,595	$ 35,964
Less: Increase in equity resulting from operations attributable to non-controlling interests	754	400	1,983
Net increase in shareholders' equity resulting from operations	$ 7,444	$ 6,195	$ 33,981
Net increase in shareholders' equity resulting from operations per share:			
Basic and diluted	$ 0.23	$ 0.19	$ 1.04
Weighted average shares and LTIP units outstanding	32,271	32,567	32,535
Weighted average shares and convertible units outstanding	32,483	32,779	32,747

Balance Sheet
(Unaudited)

Ellington Financial

ELLINGTON FINANCIAL LLC
CONSOLIDATED STATEMENT OF ASSETS, LIABILITIES AND EQUITY

(In thousands, except share amounts)	As of December 31, 2017	September 30, 2017	December 31, 2016[1]
ASSETS			
Cash and cash equivalents	$ 47,233	$ 111,423	$ 123,274
Restricted Cash	425	425	655
Investments, financial derivatives, and repurchase agreements:			
Investments, at fair value (Cost – $2,071,754, $1,758,854, and $1,525,710)	2,071,707	1,756,432	1,505,026
Financial derivatives–assets, at fair value (Net cost – $31,474, $41,041, and $40,724)	28,165	29,896	35,595
Repurchase agreements (Cost – $155,109, $194,265, and $185,205)	155,949	193,070	184,819
Total Investments, financial derivatives, and repurchase agreements	2,255,821	1,979,398	1,725,440
Due from brokers	140,404	108,173	93,651
Receivable for securities sold and financial derivatives	476,000	499,053	445,112
Interest and principal receivable	29,688	25,006	21,704
Other assets	43,770	3,169	3,359
Total assets	$ 2,993,341	$ 2,726,647	$ 2,413,195
LIABILITIES			
Investments and financial derivatives:			
Investments sold short, at fair value (Proceeds – $640,202, $672,506, and $589,429)	$ 642,240	$ 675,650	$ 584,896
Financial derivatives–liabilities, at fair value (Net proceeds – $27,463, $28,507, and $12,012)	36,273	32,278	18,687
Total investments and financial derivatives	678,513	707,928	603,583
Reverse repurchase agreements	1,209,315	1,029,810	1,033,581
Due to brokers	1,721	3,613	12,780
Payable for securities purchased and financial derivatives	202,703	169,717	85,168
Other secured borrowings (Proceeds – $57,909, $89,646, and $24,086)	57,909	89,646	24,086
Other secured borrowings, at fair value (Proceeds – $125,105, $0, and $0)	125,105	-	-
Senior notes, net	84,771	84,752	-
Accounts payable and accrued expenses	3,885	4,230	3,327
Base management fee payable to affiliate	2,113	2,161	2,416
Interest and dividends payable	5,904	4,868	3,460
Other liabilities	441	198	17
Total liabilities	2,372,380	2,096,923	1,768,418
EQUITY	620,961	629,724	644,777
TOTAL LIABILITIES AND EQUITY	$ 2,993,341	$ 2,726,647	$ 2,413,195
ANALYSIS OF EQUITY:			
Common shares, no par value, 100,000,000 shares authorized;			
(31,335,938, 31,992,177, and 32,294,703 shares issued and outstanding)	$ 589,722	$ 605,357	$ 627,620
Additional paid-in capital–LTIP units	10,377	10,278	10,041
Total Shareholders' Equity	$ 600,099	$ 615,635	$ 637,661
Non-controlling interests	20,862	14,089	7,116
Total Equity	$ 620,961	$ 629,724	$ 644,777
PER SHARE INFORMATION:			
Common shares, no par value	$ 19.15	$ 19.24	$ 19.75
DILUTED PER SHARE INFORMATION:			
Common shares and convertible units, no par value[2]	$ 18.85	$ 18.96	$ 19.46

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 $6.6 billion in assets under management as of December 31, 2017
- 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 – Fourth Quarter Highlights

(1) Holdings, leverage and book value amounts are as of December 31, 2017.
(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) 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 December 31, 2017

(1) 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.
(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 12/31/2017 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) 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 – Fourth Quarter Portfolio Updates by Strategy

(1) In our corporate credit relative value trading strategy, we seek to identify and capitalize on short-term pricing disparities in the corporate credit markets. As a subset of this strategy, we often engage in "basis trading," where we hold long or short positions in the bonds of a corporate issuer and simultaneously hold offsetting positions in credit default swaps referencing the same corporate issuer. In the overall strategy, we typically use reverse repurchase agreements to finance the long corporate bond positions that we hold.

Endnotes

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Slide 10 – 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 December 31, 2017. The preceding analysis does not include sensitivities to changes in interest rates for instruments which we believe that the effect of a change in interest rates is not material to the value of the overall portfolio and/or cannot be accurately estimated. In particular, this analysis excludes certain corporate securities and derivatives on corporate securities, and reflects only sensitivity to U.S. interest rates. Results are based on forward-looking models, which are inherently imperfect, and incorporate various simplifying assumptions. Therefore, the table is for illustrative purposes only and actual changes in interest rates would likely cause changes in the actual value of our portfolio that would differ from those presented, and such differences might be significant and adverse.

Slide 11 – Long Credit Portfolio – Holdings Overview

(1) This information does not include interest rate swaps, TBA positions, corporate CDS, common stock and equity swaps, positions related to certain of our relative value strategies, or other hedge positions.

Slide 12 – Credit: Significantly Diversified Sources of Return Over Time

(1) This information does not include interest rate swaps, TBA positions, corporate CDS, common stock and equity swaps, positions related to certain of our relative value strategies, or other hedge positions.

Slide 13 – 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 14 – Agency Long Portfolio

(1) Does not include long TBA positions with a notional value of $118.8 million and a fair value of $123.7 million. Agency long portfolio includes $837.7 million of long Agency securities and $34.2 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 15 – 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.

Endnotes

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Slide 16 – Agency Interest Rate Hedging Portfolio (continued)
(1) We define our net Agency pool assets-to-equity ratio as the difference in aggregate market value between our Agency pools owned of $838 million and our net short TBA positions of $(430) million, divided by the equity allocated to our Agency strategy of $91 million. See endnote (4) on slide 3.

Slide 18 – Borrowings and Leverage
(1) Amounts exclude repo on U.S. Treasury securities.
(2) See endnote (4) 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 $1,209.3 million, other secured borrowings in the amount of $183.0 million, and senior notes with a par amount of $86.0 million as of December 31, 2017.

Slide 19 – 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 December 31, 2017 for settlement following December 31, 2017 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, 2017, for which delivery of the borrowed funds is not scheduled until after December 31, 2017. Remaining maturity for a reverse repo is based on the contractual maturity date in effect as of December 31, 2017. Some reverse repos have floating interest rates, which may reset before maturity.

Slide 21 – 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 22 – 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 23 – 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 24 – Capital, Leverage & Portfolio Composition
(1) Excludes U.S. Treasury securities. See endnote (4) on slide 3.
(2) Excludes interest only, principal only, equity tranches and other similar investments and REO.

Slide 26 – Balance Sheet
(1) Derived from audited financial statements as of December 31, 2016.
(2) Based on total equity excluding non-controlling interests not represented by instruments convertible into common shares.

Slide 27 – 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.

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