Ellington Financial

First Quarter 2017 Earnings Conference Call

May 5, 2017

Important Notice

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Forward-Looking Statements

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

The Company's results can fluctuate from month to month and from quarter to quarter depending on a variety of factors, some of which are beyond the Company's control and/or are difficult to predict, including, without limitation, changes in interest rates and the market value of the Company's securities, changes in mortgage default rates and prepayment rates, the Company's ability to borrow to finance its assets, changes in government regulations affecting the Company's business, the Company's ability to maintain its exclusion from registration under the Investment Company Act of 1940 and other changes in market conditions and economic trends. Furthermore, forward-looking statements are subject to risks and uncertainties, including, among other things, those described under Item 1A of our Annual Report on Form 10-K filed on March 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 March 31, 2017 unless otherwise indicated. We undertake no duty or obligation to update this presentation to reflect subsequent events or developments.

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First Quarter 2017

Operating Results

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(In thousands, except per share amounts)	Quarter Ended March 31, 2017	Per Share	% of Average Equity	Quarter Ended December 31, 2016	Per Share	% of Average Equity
Credit:						
Interest income and other income	$ 13,133	$ 0.40	2.02%	$ 11,902	$ 0.36	1.82%
Net realized gain (loss)	2,259	0.07	0.35%	(3,964)	(0.12)	-0.60%
Change in net unrealized gain (loss)	10,277	0.31	1.58%	(1,354)	(0.04)	-0.21%
Net interest rate hedges (1)	146	—	0.02%	1,801	0.05	0.27%
Net credit hedges and other activities(2)	(3,920)	(0.12)	-0.60%	257	0.01	0.04%
Interest expense	(2,199)	(0.07)	-0.34%	(1,894)	(0.06)	-0.29%
Other investment related expenses	(1,496)	(0.04)	-0.23%	(1,736)	(0.05)	-0.27%
Total Credit profit (loss)	18,200	0.55	2.80%	5,012	0.15	0.76%
Agency RMBS:						
Interest income	8,630	0.26	1.33%	6,485	0.19	0.99%
Net realized gain (loss)	(711)	(0.01)	-0.11%	(1,328)	(0.04)	-0.20%
Change in net unrealized gain (loss)	(2,570)	(0.08)	-0.40%	(17,216)	(0.52)	-2.63%
Net interest rate hedges and other activities (1)	(1,572)	(0.05)	-0.24%	15,480	0.47	2.36%
Interest expense	(1,857)	(0.06)	-0.29%	(1,597)	(0.05)	-0.24%
Total Agency RMBS profit (loss)	1,920	0.06	0.29%	1,824	0.05	0.28%
Total Credit and Agency RMBS profit (loss)	20,120	0.61	3.09%	6,836	0.20	1.04%
Other interest income (expense), net	136	—	0.02%	150	—	0.02%
Other expenses	(4,526)	(0.14)	-0.70%	(5,055)	(0.15)	-0.77%
Net increase in equity resulting from operations	$ 15,730	$ 0.47	2.41%	$ 1,931	$ 0.05	0.29%
Less: Net increase in equity resulting from operations attributable to non-controlling interests	452			239		
Net increase in shareholders' equity resulting from operations (6)	**$ 15,278**	**$ 0.47**	**2.40%**	**$ 1,692**	**$ 0.05**	**0.26%**
Weighted average shares and convertible units (3) outstanding	32,930			33,140		
Average equity (includes non-controlling interests) (4)	$ 649,113			$ 654,979		
Ending equity (includes non-controlling interests)	$ 654,455			$ 644,777		
Diluted book value per share	$ 19.50			$ 19.46		
Weighted average shares and LTIP units outstanding (5)	32,718			32,928		
Average shareholders' equity (excludes non-controlling interests) (4)	$ 637,712			$ 647,832		

(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: First Quarter Highlights

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Overall Results	■ Net income of \$15.3 million, or \$0.47 per share ■ Increased holdings and leverage in both Credit strategy and Agency strategy
Credit Portfolio & Strategy	■ Credit strategy gross income of \$18.2 million(1), or \$0.55 per share ■ Strong performance from both our securities portfolios and our loan portfolios ■ Total Long Credit Portfolio: \$640 million(2) as of March 31, 2017, as compared to \$552 million(2) as of December 31, 2016
Agency RMBS Portfolio & Strategy	■ Agency RMBS strategy gross income of \$1.9 million(1), or \$0.06 per share ■ Solid results driven by very strong carry, and low hedge rebalancing costs thanks to low volatility ■ Results were moderated by general sector yield spread widening, drops in pay-ups, and increases in TBA roll prices ■ Agency Long Portfolio: \$841 million as of March 31, 2017, as compared to \$827 million as of December 31, 2016
Book Value and Shareholders' Equity	■ March 31, 2017 diluted book value per share of \$19.50, after a \$0.45 fourth quarter dividend paid in March, as compared to \$19.46 per share as of December 31, 2016 ■ Total equity of \$654.5 million as of March 31, 2017, as compared to \$644.8 million as of December 31, 2016
Dividends	■ 1st quarter dividend of \$0.45 per share announced on May 1, 2017 ■ Annualized dividend yield of 10.9% based on the May 3, 2017 closing price of \$16.56
Operating Expenses	■ Core expenses of \$4.5 million–includes base management fees and other operating expenses ■ Expense ratio of 2.8% for the first quarter
Leverage	■ Overall debt-to-equity ratio (excluding U.S. Treasury securities): 1.70:1 as of March 31, 2017

(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.

(2) 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 and excludes positions related to certain of our relative value strategies.

Ellington Financial: Credit Strategy

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Overall Market Conditions	■ Low interest rate volatility and low overall market volatility during the first quarter
	  ■ Federal Reserve first signaled, and then announced, a federal funds rate increase, and also signaled a tapering of asset purchases starting later this year
	  ■ Market participants ratcheted back their post-election expectations of economic growth and inflation
	■ Fixed-income credit spreads continued to tighten during the early part of the first quarter, but began widening in early March following intermeeting commentary from several Federal Reserve governors
	  ■ Demand increased for floating-rate fixed income products, including CLOs and leveraged loans, as many market participants positioned themselves for a rising rate environment
	  ■ Non-Agency RMBS spreads remained flat to slightly tighter in March despite the movements in the broader credit markets

Portfolio Trends	■ Increased holdings in our loan and security portfolios during the first quarter
	  ■ Small balance commercial mortgage loans—Recognized net realized gains as a result of several successful resolutions and REO conversions; originated two high-yield "bridge loans"; expect increased opportunities in both distressed and bridge loans, as many commercial mortgage loans reach their maturity but are unable to be refinanced
	  ■ Non-QM mortgage loans—Excellent loan performance; number of states where our origination partner is producing loans for us has increased; actively monitoring the securitization market for a potential issuance later this year
	  ■ U.S. CLOs—Increased our purchase activity; more recent activity has been primarily in 2012 and 2013 vintages
	  ■ Resi NPLs—Added another mixed NPL/RPL pool during the quarter
	  ■ Non-distressed leveraged corporate loans– Seeing excellent value in comparison to most high-yield corporate bonds; considering long-term, non-recourse financing through the CLO securitization market
	  ■ Investments in Mortgage Originators—Increased invested capital in reverse mortgage originator, which should enable originator to significantly expand its footprint
	■ Continued to net sell down our U.S. non-Agency RMBS
	■ Increased activity in corporate credit relative value trading strategy, whereby we seek to identify and capitalize on short-term pricing disparities in the corporate credit markets

Ellington Financial: Agency RMBS Strategy

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Overall Market Conditions	■ Yield curve flattened during the quarter ■ 2-year U.S. Treasury yield rose 6 basis points to end the quarter at 1.25% ■ 10-year U.S. Treasury yield fell 5 basis points to end the quarter at 2.39% ■ 30-year mortgage rate declined 18 basis points over the course of the quarter, ending the first quarter at 4.14% ■ Agency RMBS yield spreads widened over the course of the quarter, in response to curve flattening and intermeeting Fed commentary ■ Prepayment rates remained low, with the majority of Agency mortgages no longer economically refinanceable
Portfolio Trends	■ Agency RMBS consisting primarily of specified pools; average pay-ups on our specified pools decreased to 0.66% as of March 31, 2017 from 0.76% as of December 31, 2016 ■ On a quarter-over-quarter basis, the relative proportion of our short TBAs slightly increased and our interest rate swaps slightly decreased ■ TBA roll prices have increased in 2017, largely in response to lower prepayment rates ■ Since quarter end, we have slightly reduced our TBA hedges in favor of additional interest rate swap hedges, both in response to higher TBA roll prices and in response to wider TBA yield spreads ■ Continue to focus our Agency RMBS purchasing activity primarily on specified pools, particularly those with higher coupons

Ellington Financial: Outlook

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Credit	■ Expect to continue to hold a diversified Credit portfolio, primarily consisting of:
	  ■ Loans, including:
	    ■ Small Balance Commercial Mortgage Loans, especially NPLs and bridge loans
	    ■ Non-QM Mortgage Loans
	    ■ European MBS and NPLs (mortgage and consumer)
	    ■ Residential NPLs, especially smaller, off-the-run packages
	    ■ Consumer Loans and ABS, with an emphasis on establishing steady pipelines through flow agreements
	    ■ Non-distressed leveraged corporate loans
	  ■ 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
	    ■ CLOs and distressed debt, as attractive market opportunities arise
	  ■ Other strategic investments, such as direct investments in Mortgage Originators
	■ Expect to continue to opportunistically hedge credit risk, tailored to the evolving risks of our portfolio

Agency RMBS	■ Technological advances in the mortgage origination and servicing industry have tended to have a much greater impact on non-specified pools as compared to specified pools ■ Believe that this trend will continue, driving greater investor interest in specified pools relative to TBAs ■ Focus on purchasing pools with specific prepayment characteristics provides a measure of protection against prepayments

Credit Portfolio

EFC: Long Credit Portfolio

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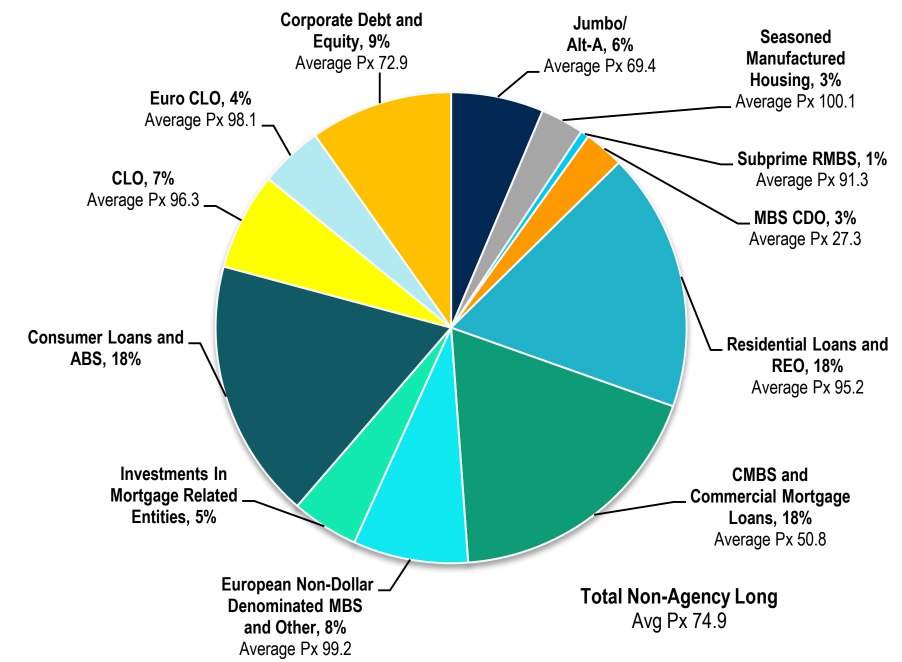
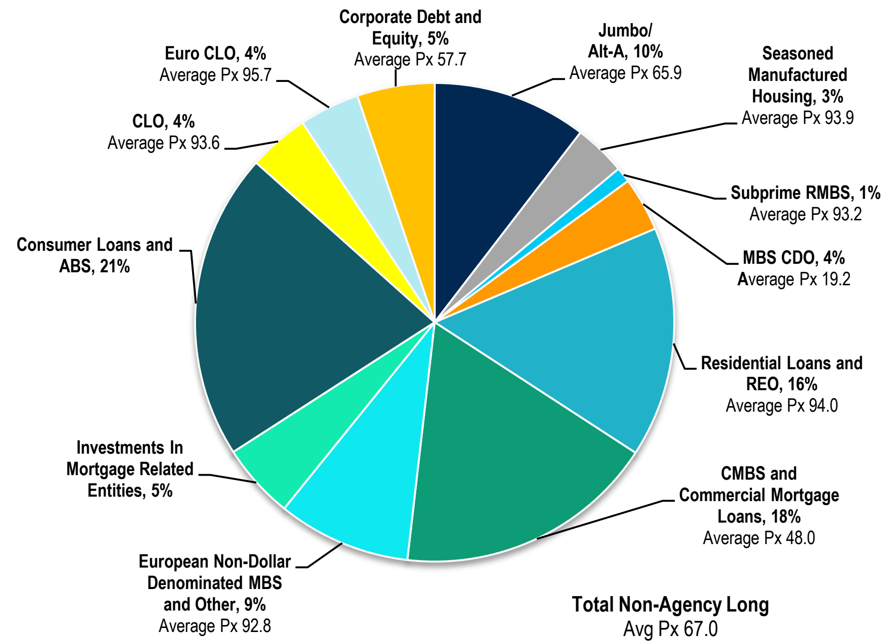
Current Quarter
Long Credit Portfolio 3/31/17: $640MM(1)(2)



Previous Quarter
Long Credit Portfolio 12/31/16: $552MM(1)(2)



- **During the first quarter:**
  - **Continued to sell non-Agency RMBS**
  - **Steady pace of purchases of non-QM residential mortgage loans (included above in “Residential Loans and REO”)**
  - **Increased holdings of CLOs**
  - **Increased holdings of non-distressed leveraged corporate loans (included above in “Corporate Debt and Equity”)**

(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. 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 $5.0 million as of December 31, 2016. The corresponding value of the related total return swaps on distressed corporate debt was $(94) thousand as of December 31, 2016.

(2) Average price excludes interest only, principal only, equity tranches and other similar investments, and REO at March 31, 2017 and December 31, 2016.

EFC: Long Credit Portfolio
(Continued)

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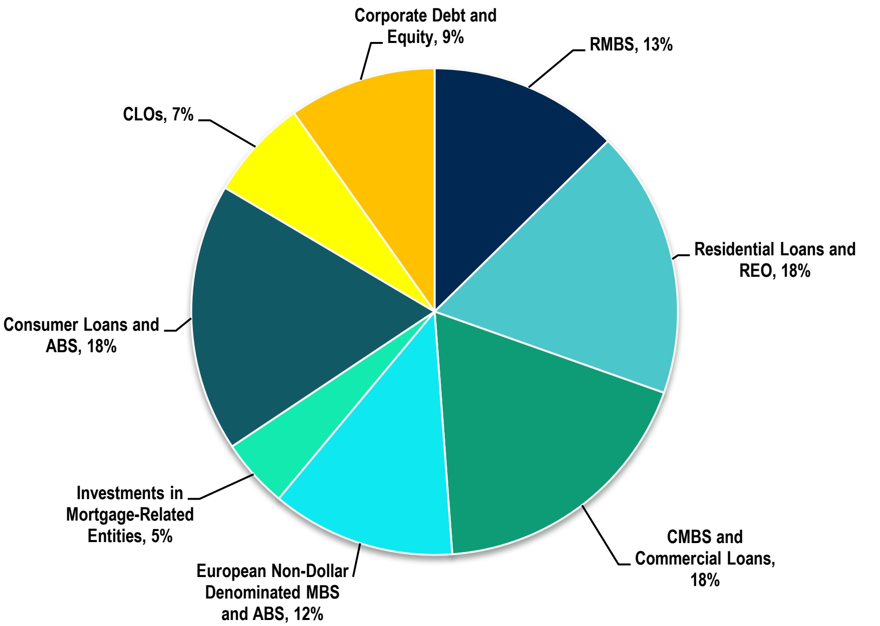
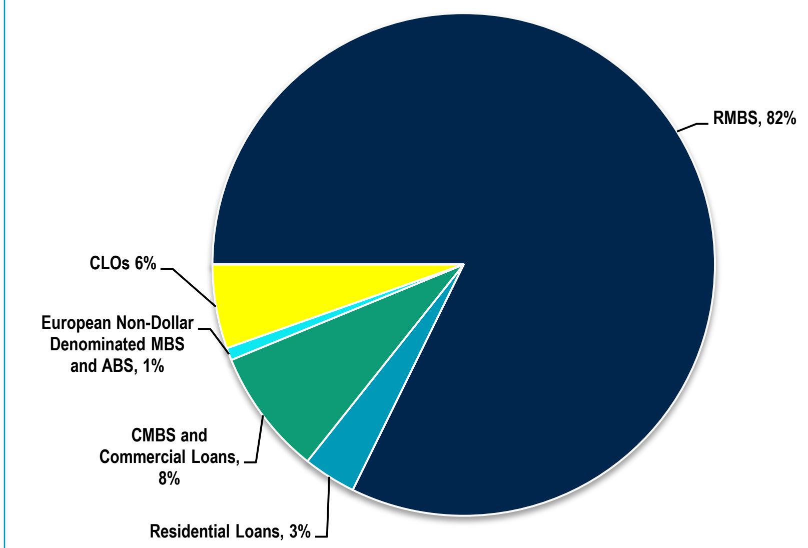
Holdings Overview
Long Credit Portfolio 3/31/17: $640MM(1)



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, CMBS, CLOs and distressed debt portfolios as market conditions change**

(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.

EFC: Long Credit Portfolio as of March 31, 2017

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- **Credit strategy is the main driver of earnings**
- **Long Credit securities and loan portfolio value: $587.4 million—excludes REO and equity investments in mortgage related entities**

Credit Sector	Fair Value[1] (millions)	Average Price [2]	Weighted Average Life [3]	Est. Yield at Market Price at Ellington HPA Forecast [4]
Non-Agency RMBS	$80.9	54.3%	5.5	7.38%
Residential Loans	112.6	95.2	4.8	6.90
CMBS and Commercial Mortgage Loans	93.8	50.8	8.6	13.77
European Non-Dollar Denominated MBS and Other	50.6	99.2	4.1	13.56
CLO	70.6	97.1	3.8	9.44
Consumer Loans and ABS	114.3	N/A	1.0	10.70
Corporate Debt	58.3	72.9	3.1	10.83
Other	6.3	100.0	1.3	16.08
Total	**$587.4**	**74.9**	**4.4**	**10.24**

(1) Excludes positions related to certain of our relative value strategies
(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) Weighted average life assumes "projected" cashflows using Ellington's proprietary models. Excludes interest only, principal only, equity tranches.
(4) Estimated yields at market prices are management's estimates derived from Ellington's proprietary models based on prices and market environment as of 3/31/2017 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.

EFC: Credit Hedging Portfolio(1)(2)

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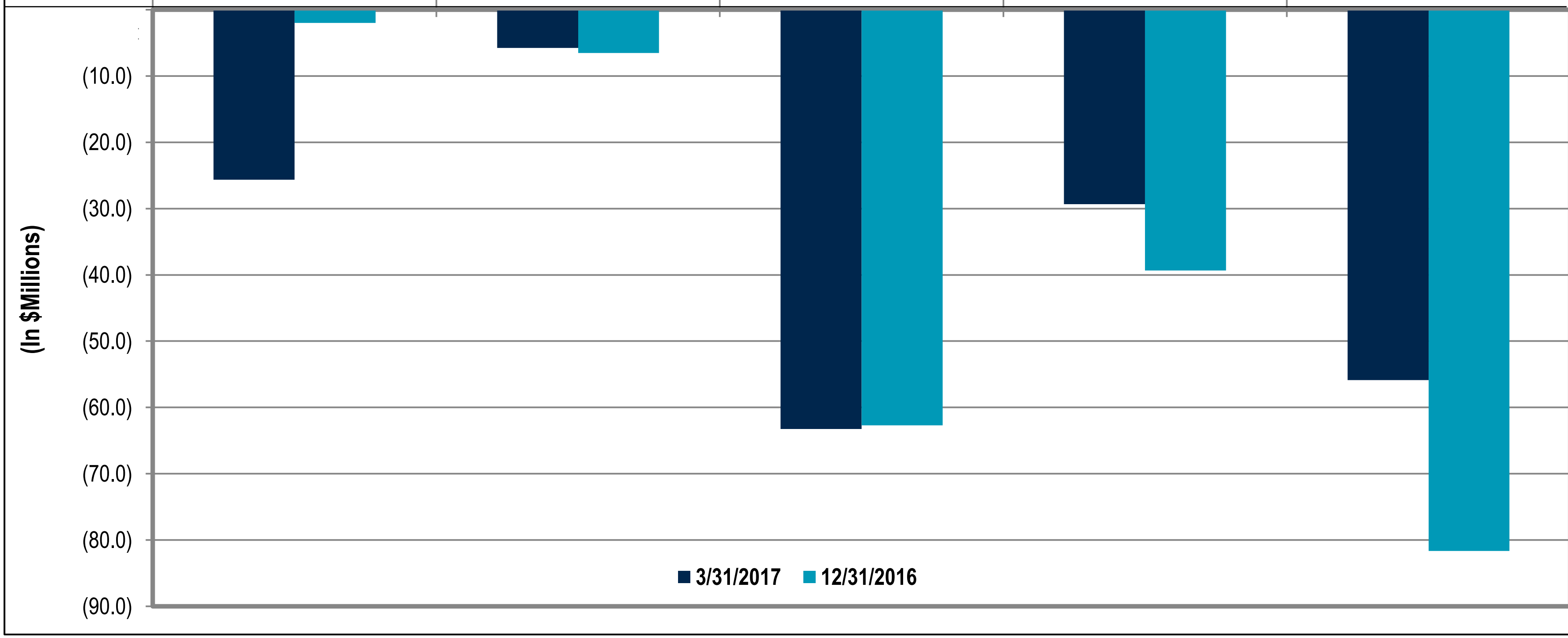
Instrument Category	Corporate CDS Indices / Tranches / Options / Single Names	Single Name ABS CDS and ABX Indices	European Sovereign Debt	Corporate Bonds/Corporate Bond ETFs/Equities	CMBX
Units	HY CDX OTR Bond Equivalent Value(3)(4)	Bond Equivalent Value(4)	Market Value	Market Value	Bond Equivalent Value(4)



(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

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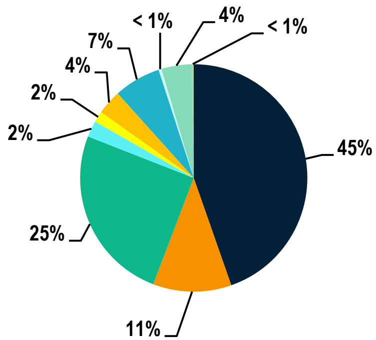
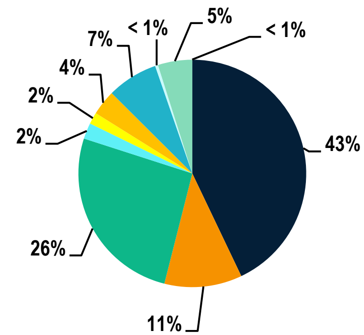
Current Quarter
Agency Long Portfolio 3/31/17: $841MM(1)



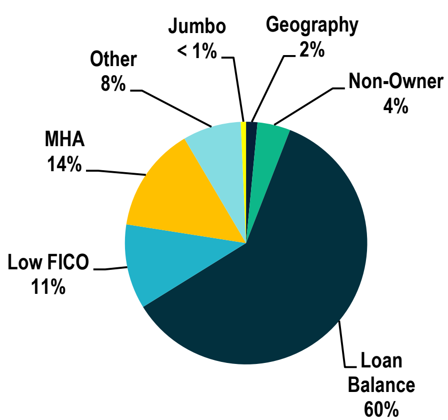
Weighted Average Coupon: 4.00%(6)

Previous Quarter
Agency Long Portfolio 12/31/16: $827MM(1)



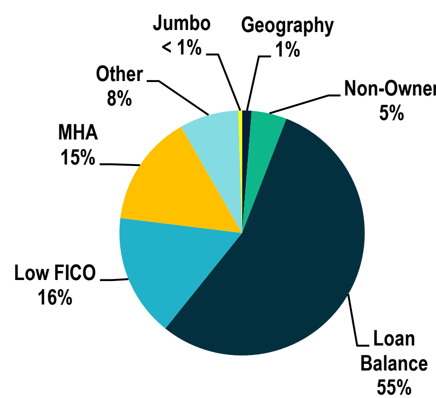
Weighted Average Coupon: 4.01%(6)

Collateral Characteristics and Historical 3-month CPR
For the Quarter Ended March 31, 2017(2)



Characteristic(3)	Fair Value(2)(4)	3-Month Historical CPR(3)
Geography	$10.7	0.3
Non-Owner	31.2	16.6
Low Loan Bal	426.7	8.8
Low FICO	80.0	14.3
MHA(5)	99.4	10.0
Other	55.2	17.0
Jumbo	4.9	10.4
Totals	$708.1	10.5

Collateral Characteristics and Historical 3-month CPR
For the Quarter Ended December 31, 2016(2)



Characteristic(3)	Fair Value(2)(4)	3-Month Historical CPR(3)
Geography	$8.8	0.2
Non-Owner	32.4	18.0
Low Loan Bal	384.6	12.6
Low FICO	113.4	12.4
MHA(5)	103.4	11.2
Other	54.8	20.2
Jumbo	3.3	44.7
Totals	$700.7	15.1

(1) Does not include long TBA positions with a notional value of $244.0 million and a fair value of $253.1 million as of March 31, 2017 and a notional value of $67.7 million and a fair value of $70.5 million as of December 31, 2016. Agency long portfolio includes $811.9 million of long Agency securities at March 31, 2017 and $797.8 million of long Agency securities at December 31, 2016. Additionally, the long Agency portfolio includes $29.4 million of interest only securities at March 31, 2017 and $29.6 million of interest only securities at December 31, 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

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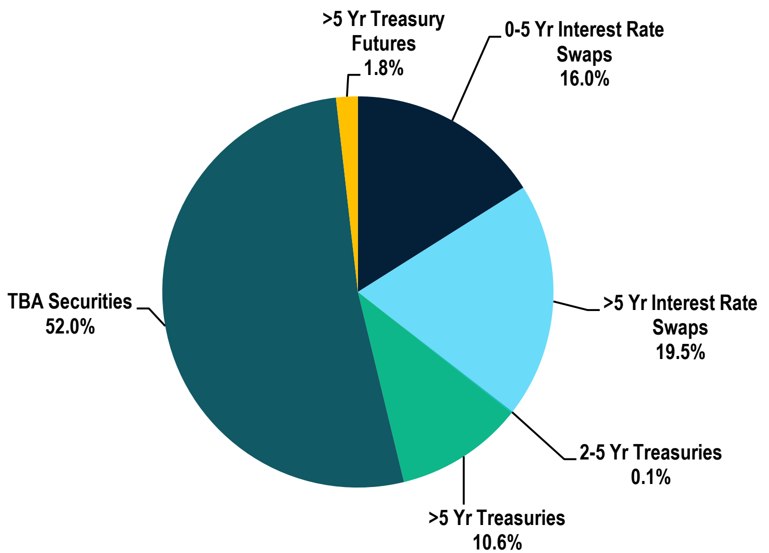
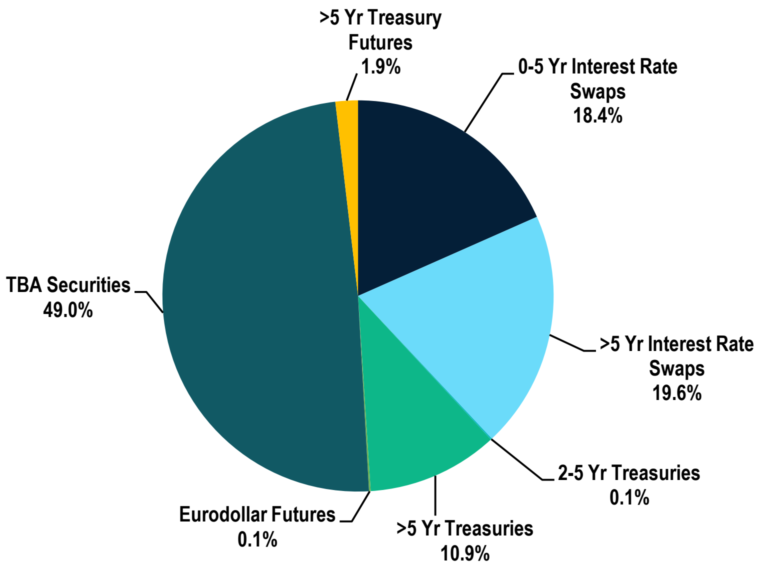
Current Quarter
Agency Interest Rate Hedging Portfolio 3/31/17:
Short $328MM 10-year equivalents



Previous Quarter
Agency Interest Rate Hedging Portfolio 12/31/16:
Short $331MM 10-year equivalents



- Agency interest rate hedges are shown in normalized units of risk, with each group of positions measured in “10-year equivalents”
- Slightly 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	3/31/2017	12/31/2016
Long Agency RMBS	$812	$798
Net Short TBAs	(448)	(390)
Net Long Exposure to Agency RMBS	**$364**	**$408**

- **Shorting "generic" pools (or TBAs) allows EFC to significantly reduce interest rate risk and basis risk in its Agency portfolio; interest rate risk is also hedged with swaps, U.S. Treasury securities, and other instruments**
- **For those Agency pools hedged with comparable TBAs, the biggest risk is a drop in "pay-ups"; average market pay-up was 0.66% of the value of our fixed rate Agency pool portfolio as of March 31, 2017, down from 0.76% as of December 31, 2016**

Estimated Change in Fair Value as of 3/31/17 for Agency Pools, Agency IOs, and Related Hedges if Interest Rates Move:

	Down 50 BPS		Up 50 BPS	
(In thousands)	**Market Value**	**% of Total Equity**	**Market Value**	**% of Total Equity**
Agency RMS - ARM Pools	$61	0.0%	($77)	0.0%
Agency RMBS - Fixed Pools and IO	13,115	2.0%	(17,153)	-2.6%
TBAs	(6,252)	-1.0%	8,588	1.3%
Interest Rate Swaps	(5,176)	-0.8%	4,954	0.8%
U.S. Treasury Securities	(1,567)	-0.2%	1,493	0.2%
U.S. Treasury Futures	(260)	0.0%	252	0.0%
Repurchase and Reverse Repurchase Agreements	(498)	-0.1%	497	0.1%
Total	**($577)**	**-0.09%**	**($1,446)**	**-0.22%**

Note: The above table reflects a parallel shift in interest rates based on the market environment as of March 31, 2017. 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.

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Borrowings

EFC: Repo Borrowings as of March 31, 2017

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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	$82,992	$384,009	$36,492	$503,493	46.3%
31-60 Days	18,374	169,346	—	187,720	17.3%
61-90 Days	61,625	134,491	—	196,116	18.0%
91-120 Days	1,235	1,752	—	2,987	0.3%
121-150 Days	—	83,680	—	83,680	7.7%
151-180 Days	14,794	19,742	—	34,536	3.2%
181-360 Days	77,739	—	—	77,739	7.2%
Total Borrowings	**256,759**	**793,020**	**36,492**	**1,086,271**	**100.0%**
Weighted Average Remaining Days to Maturity	106	46	3	59	

- **As of March 31, 2017:**
  - **Repo borrowings outstanding were with 19 counterparties**
  - **Repo borrowings had a weighted average remaining days to maturity of 59 days; maturities are staggered to mitigate liquidity risk**

Note: Included in the above table, using the original maturity dates, are any reverse repos involving underlying investments the Company sold prior to March 31, 2017 for settlement following March 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 March 31, 2017, for which delivery of the borrowed funds is not scheduled until after March 31, 2017. Remaining maturity for a reverse repo is based on the contractual maturity date in effect as of March 31, 2017. Some reverse repos have floating interest rates, which may reset before maturity.

EFC: Average Cost of Borrowings

Ellington Financial

($ In thousands)	As of March 31, 2017	For the Quarter Ended March 31, 2017	
Collateral for Borrowing	Outstanding Borrowings	Average Borrowings for the Quarter Ended	Average Cost of Funds
Credit	$318,561	$292,369	3.05%
Agency RMBS	793,020	792,810	0.95%
Total excluding U.S. Treasury Securities	1,111,581	1,085,179	1.52%
U.S. Treasury Securities	36,492	37,848	0.58%
Total	**1,148,073**	**$1,123,027**	**1.48%**
Leverage Ratio[1]	1.75:1		
Leverage Ratio Excluding U.S. Treasury Securities[1]	1.70:1		

- **As of quarter end, weighted average borrowing rates were 2.73% for overall Credit strategy borrowings and 0.97% for Agency repo**
- **Credit strategy borrowings include corporate bond repo related to corporate credit relative value trading strategy, which generally has much lower cost of funds than other Credit-related borrowings.**
  - **Excluding repo related to corporate credit relative value trading strategy, average Credit strategy borrowing rate for the quarter was 3.47%, as compared to 3.44% for the quarter ended December 31, 2016**

(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 $1,086.3 million and other secured borrowings in the amount of $61.8 million as of March 31, 2017.

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Supplemental Information

EFC: Gross Profit and Loss

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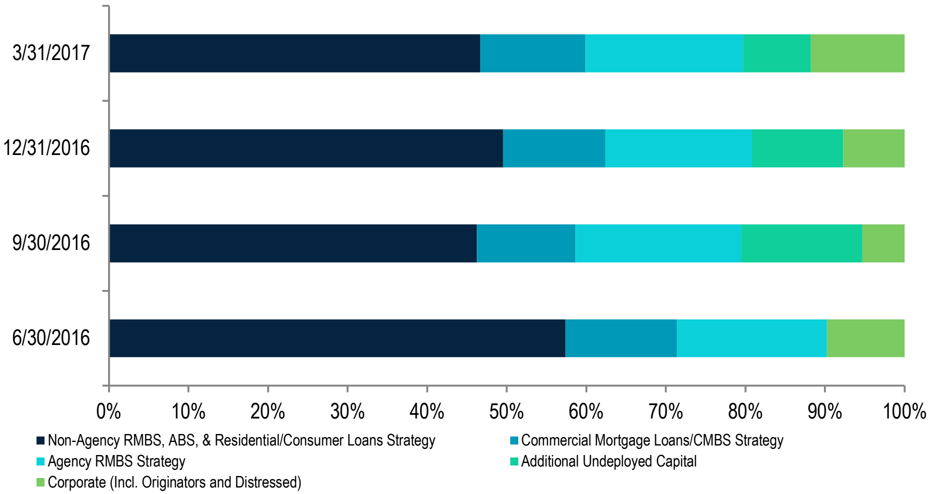
	Three Months Ended March 31,		Years Ended																	
	2017		2016		2015		2014		2013		2012		2011		2010		2009		2008	
($ In thousands)	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%
Long: Credit	21,974	3.38	36,203	5.29	46,892	6.09	77,636	11.38	109,536	18.53	129,830	30.02	1,505	0.39	70,840	21.87	101,748	36.33	(64,565)	(26.20)
Credit Hedge and Other	(3,920)	(0.60)	(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	146	0.02	(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	3,492	0.53	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	(1,572)	(0.24)	(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)	**20,120**	**3.09**	**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**

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]

Ellington Financial

Capital Usage Across Entire Portfolio[2]



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.

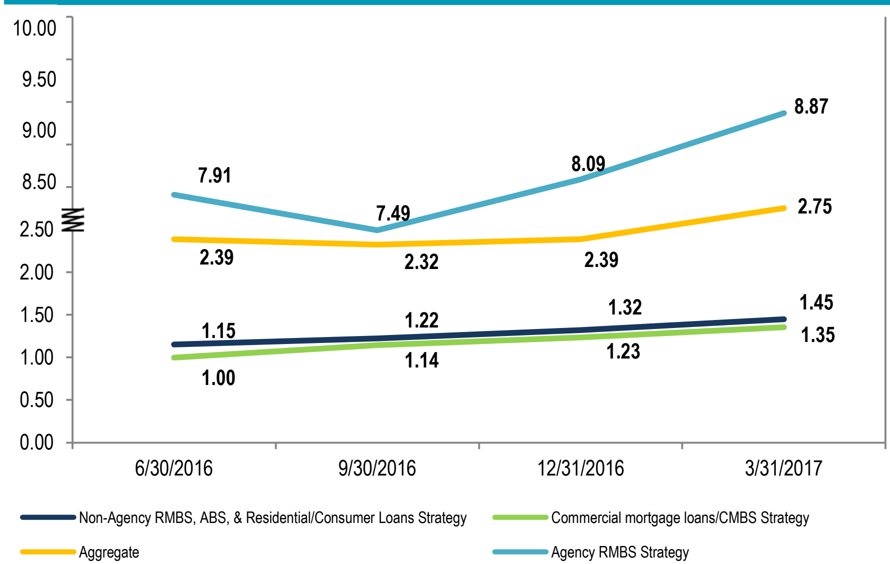
(3) Assets per strategy capital used includes in the numerator holdings on a trade date basis of:

- 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;
- And other long investment holdings.

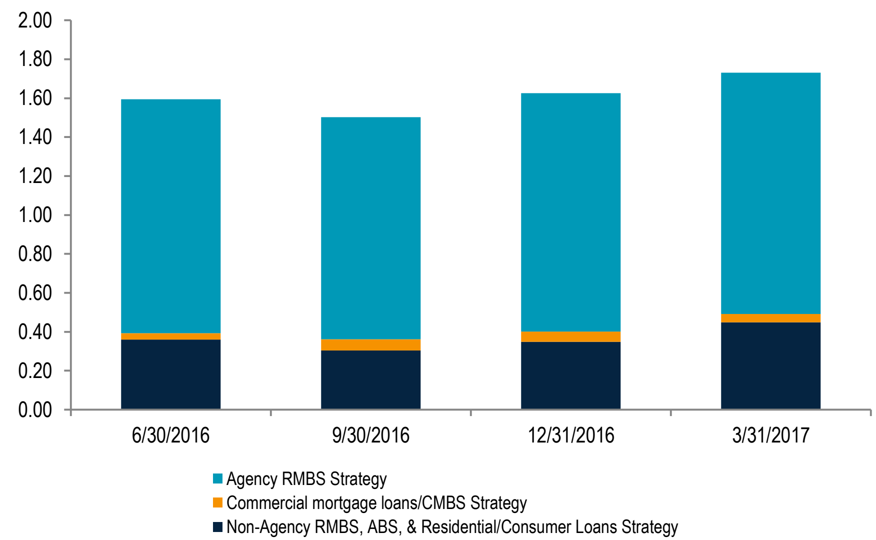
(4) Debt per total capital includes in the numerator repo borrowings and securitized debt.

MBS/ABS/Loan/Real Estate Assets Per Strategy Capital Used[3]

(Trade-Date Basis, Incl. Synthetic MBS/ABS Long Positions)



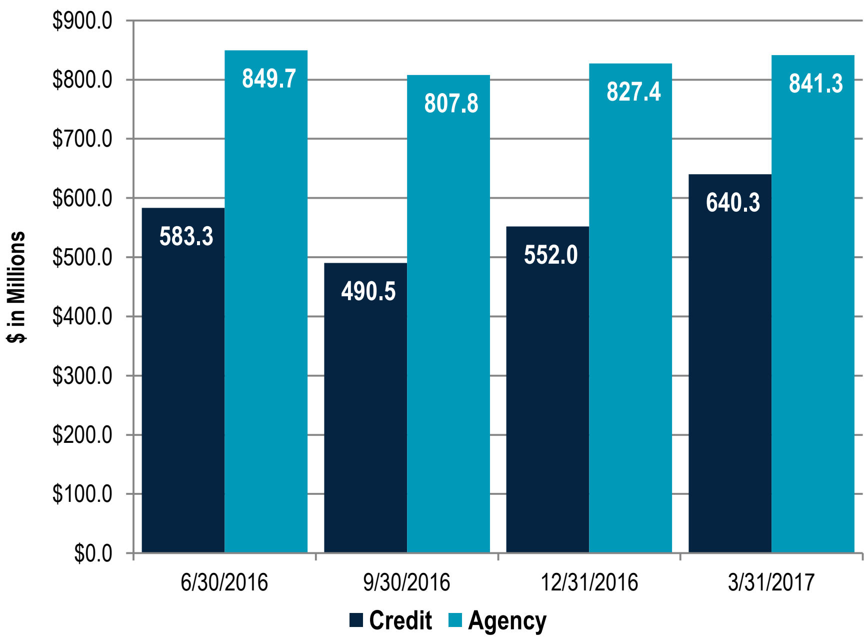
Debt Per Total Capital[4]



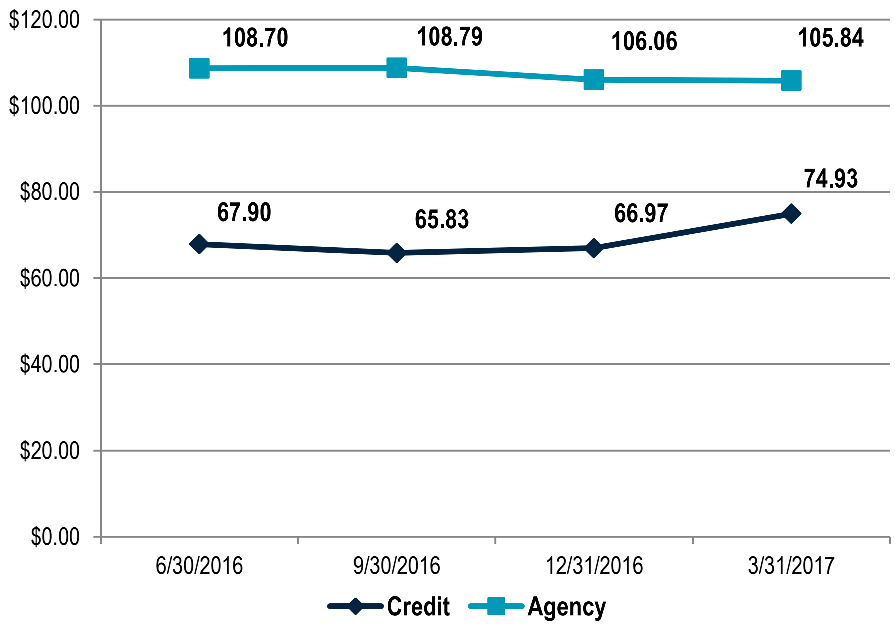
EFC: Credit and Agency Fair Values and Average Prices

Ellington Financial

Credit and Agency Portfolios by Fair Value



Average Price – Credit and Agency(1)



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

EFC: Dividends and Expense Ratio

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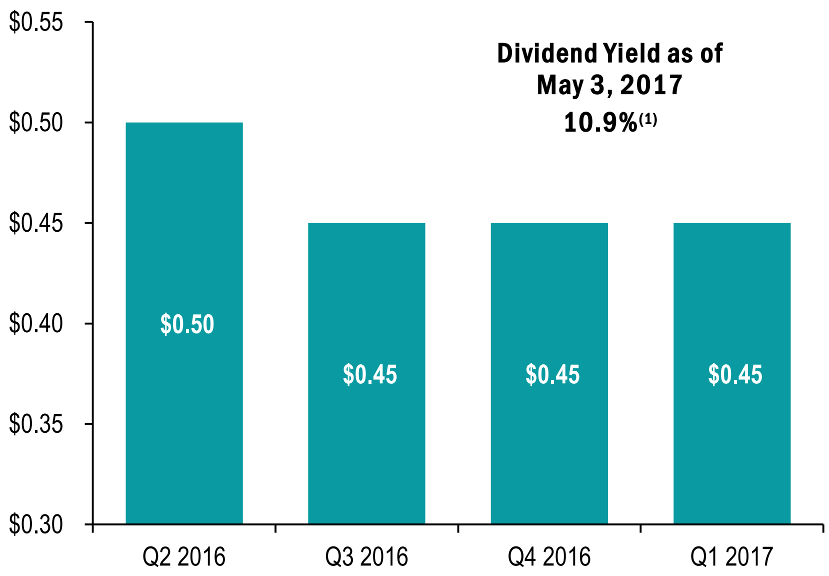
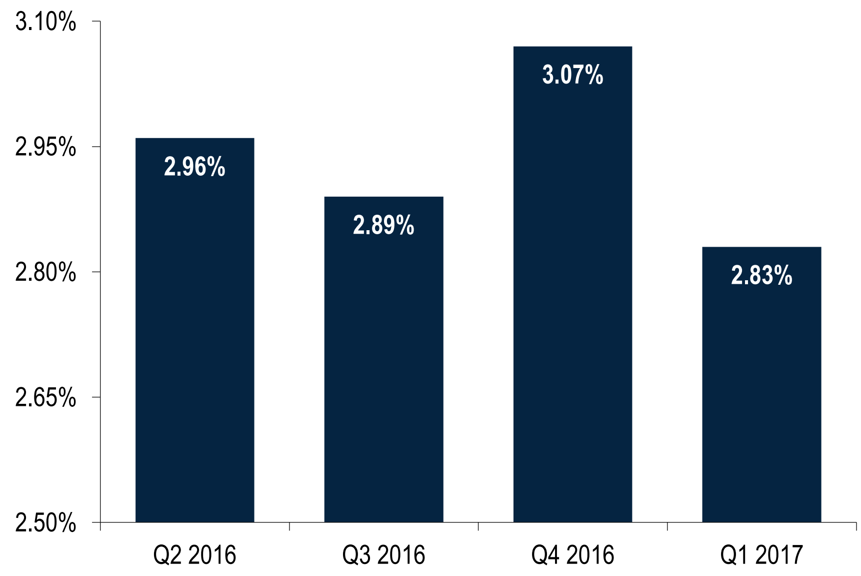
Dividends Per Share



Expense Ratio(2)

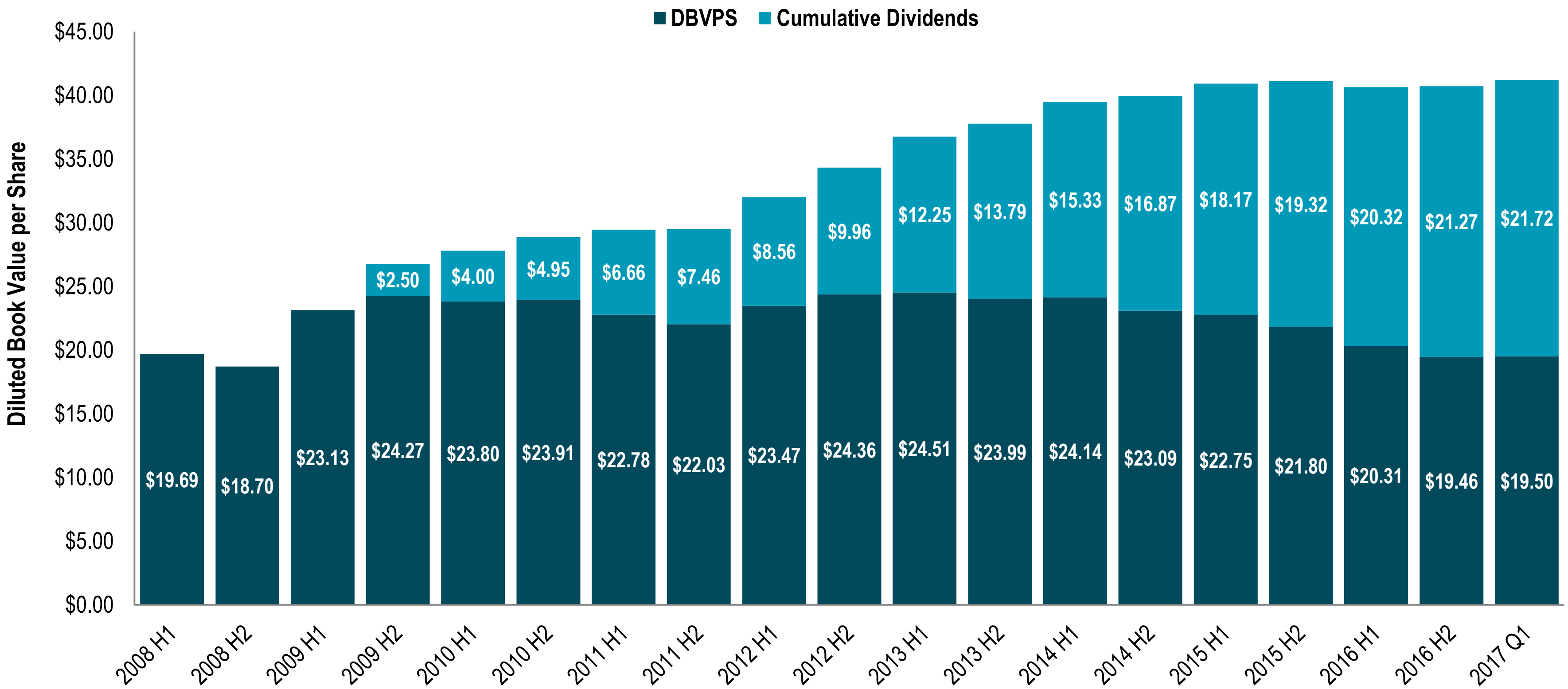


(1) Based on NYSE closing price as of 05/03/2017.
(2) Expense ratios annualized.

EFC: Diluted Book Value

Ellington Financial

- 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 2017 is approximately 164%, or 10.6% annualized



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.

Income Statement

(Unaudited)

Ellington Financial

ELLINGTON FINANCIAL LLC
CONSOLIDATED STATEMENT OF OPERATIONS

	Three Month Period Ended	
(In thousands, except per share data)	March 31, 2017	December 31, 2016
Investment income		
Interest income	$ 22,886	$ 18,265
Other income	939	2,342
Total investment income	23,825	20,607
Expenses		
Base management fee	2,410	2,416
Interest expense	6,003	4,461
Other investment related expenses	1,521	2,062
Other operating expenses	2,116	2,640
Total expenses	12,050	11,579
Net investment income	11,775	9,028
Net realized gain (loss) on:		
Investments	594	3,127
Financial derivatives, excluding currency forwards	(1,581)	(5,143)
Financial derivatives—currency forwards	(822)	3,873
Foreign currency transactions	978	(4,099)
	(831)	(2,242)
Change in net unrealized gain (loss) on:		
Investments	5,758	(14,396)
Financial derivatives, excluding currency forwards	(1,157)	9,185
Financial derivatives—currency forwards	330	(178)
Foreign currency translation	(145)	535
	4,786	(4,854)
Net realized and change in net unrealized gain (loss) on investments and financial derivatives	3,955	(7,096)
Net increase in equity resulting from operations	$ 15,730	$ 1,932
Less: Increase in equity resulting from operations attributable to non-controlling interests	452	240
Net increase in shareholders' equity resulting from operations	$ 15,278	$ 1,692
Net increase in shareholders' equity resulting from operations per share:		
Basic and diluted	$ 0.47	$ 0.05
Weighted average shares and LTIP units outstanding	32,718	32,928
Weighted average shares and convertible units outstanding	32,930	33,140

Balance Sheet
(Unaudited)

Ellington Financial

ELLINGTON FINANCIAL LLC
CONSOLIDATED STATEMENT OF ASSETS, LIABILITIES AND EQUITY

(In thousands, except share amounts)	As of March 31, 2017		As of December 31, 2016[1]	
ASSETS				
Cash and cash equivalents	$	104,219	$	123,274
Restricted Cash		655		655
Investments, financial derivatives, and repurchase agreements:				
Investments, at fair value (Cost – $1,876,105 and $1,525,710)		1,864,213		1,505,026
Financial derivatives–assets, at fair value (Net cost – $37,658 and $40,724)		29,907		35,595
Repurchase agreements (Cost – $294,468 and $185,205)		293,802		184,819
Total Investments, financial derivatives, and repurchase agreements		2,187,922		1,725,440
Due from brokers		57,873		93,651
Receivable for securities sold and financial derivatives		550,241		445,112
Interest and principal receivable		25,071		21,704
Other assets		5,264		3,359
Total assets	$	2,931,245	$	2,413,195
LIABILITIES				
Investments and financial derivatives:				
Investments sold short, at fair value (Proceeds – $782,395 and $589,429)	$	780,320	$	584,896
Financial derivatives–liabilities, at fair value (Net proceeds – $16,024 and $12,012)		20,938		18,687
Total investments and financial derivatives		801,258		603,583
Reverse repurchase agreements		1,086,271		1,033,581
Due to brokers		5,512		12,780
Payable for securities purchased and financial derivatives		310,535		85,168
Other secured borrowings (Proceeds – $61,802 and $24,086)		61,802		24,086
Accounts payable and accrued expenses		3,729		3,327
Base management fee payable		2,410		2,416
Interest and dividends payable		4,137		3,460
Other liabilities		1,136		17
Total liabilities		2,276,790		1,768,418
EQUITY		654,455		644,777
TOTAL LIABILITIES AND EQUITY	$	2,931,245	$	2,413,195
ANALYSIS OF EQUITY:				
Common shares, no par value, 100,000,000 shares authorized;				
(32,164,215 and 32,294,703 shares issued and outstanding)	$	626,116	$	627,620
Additional paid-in capital–LTIP units		10,135		10,041
Total Shareholders' Equity	$	636,251	$	637,661
Non-controlling interests		18,204		7,116
Total Equity	$	654,455	$	644,777
PER SHARE INFORMATION:				
Common shares, no par value	$	19.78	$	19.75
DILUTED PER SHARE INFORMATION:				
Common shares and convertible units, no par value[2]	$	19.50	$	19.46

(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.

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 $6.1 billion in assets under management as of March 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 22-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% 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.

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