Ellington Financial

Ellington Financial LLC (NYSE: EFC)

Third Quarter 2015 Earnings Conference Call

November 6, 2015

Important Notice

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Forward-Looking Statements

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

The Company's results can fluctuate from month to month and from quarter to quarter depending on a variety of factors, some of which are beyond the Company's control and/or are difficult to predict, including, without limitation, changes in interest rates and the market value of the Company's securities, changes in mortgage default rates and prepayment rates, the Company's ability to borrow to finance its assets, changes in government regulations affecting the Company's business, the Company's ability to maintain its exclusion from registration under the Investment Company Act of 1940 and other changes in market conditions and economic trends. Furthermore, forward-looking statements are subject to risks and uncertainties, including, among other things, those described under Item 1A of our Annual Report on Form 10-K filed on March 13, 2015, which can be accessed through the Company’s website at www.ellingtonfinancial.com or at the SEC’s website (www.sec.gov). Other risks, uncertainties, and factors that could cause actual results to differ materially from those projected may be described from time to time in reports we file with the SEC, including reports on Form 10-Q, 10-K and 8-K. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Modeling

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

Example Analyses

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

Projected Yields and Spreads

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

Indices

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

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

Financial Information

All financial information included in this presentation is as of September 30, 2015 unless otherwise indicated. We undertake no duty or obligation to update this presentation to reflect subsequent events or developments.

Third Quarter 2015

Operating Results

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(In thousands, except per share amounts)	Quarter Ended 9/30/2015	Per Share	% of Average Equity	Quarter Ended 6/30/2015[1]	Per Share	% of Average Equity	Nine Month Period Ended 9/30/2015	Per Share	% of Average Equity
Credit:									
Non-Agency MBS, mortgage loans, ABS, and other:									
Interest income and other investment income	$ 16,553	$ 0.48	2.15%	$ 17,797	$ 0.52	2.27%	$ 51,996	$ 1.53	6.67%
Net realized gain	12,119	0.35	1.58%	11,208	0.33	1.43%	34,202	1.00	4.39%
Change in net unrealized gain (loss)	(19,060)	(0.56)	-2.48%	(9,000)	(0.26)	-1.15%	(34,237)	(1.00)	-4.39%
Net interest rate hedges [2]	(2,853)	(0.08)	-0.37%	900	0.03	0.12%	(5,790)	(0.17)	-0.74%
Net credit hedges and other activities[3]	6,804	0.20	0.88%	(1,507)	(0.05)	-0.19%	7,948	0.23	1.02%
Interest expense	(1,453)	(0.04)	-0.19%	(1,586)	(0.05)	-0.20%	(4,805)	(0.14)	-0.62%
Other investment related expenses	(1,473)	(0.04)	-0.19%	(1,163)	(0.03)	-0.15%	(3,456)	(0.10)	-0.44%
Total non-Agency MBS, mortgage loans, ABS, and other profit	10,637	0.31	1.38%	16,649	0.49	2.13%	45,858	1.35	5.89%
Agency RMBS:									
Interest income	10,086	0.30	1.31%	8,204	0.24	1.05%	27,298	0.80	3.50%
Net realized gain	900	0.03	0.12%	476	0.01	0.06%	7,861	0.23	1.01%
Change in net unrealized gain (loss)	4,848	0.14	0.63%	(13,750)	(0.40)	-1.75%	(3,622)	(0.11)	-0.46%
Net interest rate hedges and other activities [2]	(16,339)	(0.48)	-2.12%	7,707	0.23	0.98%	(22,365)	(0.66)	-2.87%
Interest expense	(1,272)	(0.04)	-0.17%	(1,069)	(0.03)	-0.14%	(3,360)	(0.10)	-0.43%
Total Agency RMBS profit (loss)	(1,777)	(0.05)	-0.23%	1,568	0.05	0.20%	5,812	0.16	0.75%
Total non-Agency and Agency MBS, mortgage loans, ABS, and other profit	8,860	0.26	1.15%	18,217	0.54	2.33%	51,670	1.51	6.64%
Other interest income (expense), net	4	—	0.00%	8	—	0.00%	(13)	—	0.00%
Other expenses	(4,937)	(0.14)	-0.64%	(5,002)	(0.15)	-0.64%	(15,090)	(0.44)	-1.94%
Net increase in equity resulting from operations	$ 3,927	$ 0.12	0.51%	$ 13,223	$ 0.39	1.69%	$ 36,567	$ 1.07	4.70%
Less: Net increase in equity resulting from operations attributable to non-controlling interests	31			71			258		
Net increase in shareholders' equity resulting from operations [7]	**$ 3,896**	**$ 0.12**	**0.51%**	**$ 13,152**	**$ 0.39**	**1.69%**	**$ 36,309**	**$ 1.07**	**4.70%**
Weighted average shares and convertible units [4] outstanding	34,080			34,091			34,087		
Average equity (includes non-controlling interests) [5]	$ 769,780			$ 782,691			$ 778,999		
Ending equity (includes non-controlling interests)	$ 758,341			$ 777,082			$ 758,341		
Diluted book value per share	$ 22.22			$ 22.75			$ 22.22		
Weighted average shares and LTIP units outstanding [6]	33,868			33,879			33,875		
Average shareholders' equity (excludes non-controlling interests) [5]	$ 763,446			$ 776,485			$ 772,839		

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

Ellington Financial: Third Quarter Highlights

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Overall Results	■ Net income of $3.9 million, or $0.12 per share
Credit Strategy	■ Credit strategy (previously referred to as “Non-Agency strategy”) gross income of $10.6 million(1), or $0.31 per share ■ Interest income and other income, and net contributions from net credit hedges and other activities, partially offset by net realized and unrealized losses, interest expense and other investment related expenses ■ Diverse portfolio of assets performed well despite quarter marked by significant spread widening across most fixed-income sectors ■ Credit hedges countered some of the impact of widening asset yield spreads
Agency RMBS Strategy	■ Agency RMBS strategy gross loss of $1.8 million(1), or $(0.05) per share ■ Interest income and net realized and unrealized gains more than offset by net interest rate hedges and other activities and interest expense ■ Agency RMBS spreads widened substantially relative to U.S. Treasuries and interest rate swaps
Operating Expenses	■ Core expenses of $4.9 million–includes base management fees and other operating expenses ■ Core expenses represent 2.6% of average equity, annualized
Leverage	■ Debt to equity ratio: 1.81:1 as of September 30, 2015

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

Ellington Financial: Third Quarter Highlights (continued)

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Portfolios	■ Total Long Credit Portfolio: $655[(1)] million as of September 30, 2015 as compared to $753[(1)] million as of June 30, 2015 ■ Agency Long Portfolio: $1,221 million as of September 30, 2015, as compared to $1,124 million as of June 30, 2015
Book Value and Shareholders' Equity	■ September 30, 2015 diluted book value per share of $22.22, after a $0.65 second quarter dividend paid in September, as compared to $22.75 per share as of June 30, 2015 ■ Repurchased 34,507 shares at an average price of $18.03, or approximately 80% of book value ■ Total equity of $758.3 million as of September 30, 2015, as compared to $777.1 million as of June 30, 2015
Dividends and Share Buybacks	■ 3rd quarter dividend of $0.50 per share announced on November 5, 2015 ■ In conjunction with revised dividend and depressed price-to-book ratio, announced plans to augment share repurchases with additional opportunistic and programmatic (10b5-1) repurchases ■ Annualized dividend yield of 11.1% based on the November 4, 2015 closing price of $18.07 ■ We continue to expect to recommend to our Board of Directors a quarterly dividend amount of $0.50 per share[(2)] until conditions warrant otherwise

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

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

Ellington Financial: Credit Strategy

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Overall Market Conditions

- During the third quarter:
  - Weakness in China and other global macroeconomic factors led to sharp decline in interest rates and significant credit spread widening, negatively affecting most sectors of the fixed income market
  - Non-Agency RMBS spreads held up well relative to other sectors
  - CMBS new issue securities underperformed legacy CMBS securities; strong supply added to widening pressure on credit spreads
  - U.S. legacy CLOs held up much better than new issue CLOs, as older deals de-leverage and reduce risk, their price volatility decreases; new issue CLOs remain subject to aggressive selling by banks
  - European "risk asset" prices also came under pressure—lack of liquidity exhibited in second quarter continued in the third quarter
  - Residential NPL market remained crowded and highly competitive
  - Many segments of the distressed corporate debt market experienced ongoing significant weakness

Portfolio Trends

- Non-Agency RMBS — we continued to be net sellers during the third quarter
- Small Balance Commercial Loans — continuing to see good transaction flow
- European Assets — active in RMBS, CMBS, and CLO sectors
  - Spanish NPL market (consumer and mortgage) — expect ongoing opportunity
- U.S. NPLs — selectively making investments as attractive opportunities arise
- Consumer ABS and Loans — fastest growing segment of Credit portfolio
- Distressed Corporate Debt — taking measured approach by investing primarily in middle market senior corporate debt
- Non-QM — made our first mortgage purchases under flow agreements

Ellington Financial: Agency Strategy

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Overall Market Conditions	

- Interest rates fell and the yield curve flattened during the third quarter
  - Swap rates decreased at both ends of the curve; 2-year and 10-year swap rates dropped 0.16% and 0.46%, respectively
    - 10-year swap spread to U.S Treasury securities became negative for the first time since 2010
  - U.S. 10-year Treasury yield declined 0.31% to 2.04%
- 30-year mortgage rate declined 0.23% to 3.85%
- Global volatility led to significant spread widening across most sectors of the fixed income market, especially in September
  - Agency RMBS yield spreads ("mortgage basis") widened in sympathy
    - With swap spreads narrowing considerably, the mortgage basis widened even more relative to swaps than to U.S. Treasuries
- Refinancing activity remains low given the absolute level of mortgage rates
- TBA roll prices weakened and pay-ups on specified pools increased

Portfolio Trends

- We turned over approximately 19% of the portfolio as measured by sales, excluding principal pay-downs
- Specified pools performed well relative to their generic pool counterparts
  - Inherent prepayment protection increased their attractiveness in light of falling rates
  - Average market pay-up of 0.91% as of September 30th compared to 0.75% as of June 30th
- More attractive entry points created as a result of increase in Agency RMBS spreads
- Slightly increased holdings of reverse mortgages as yield spreads widened during the quarter for this sub-sector as well

Ellington Financial: Market Outlook

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Credit	■ We expect to continue to expand our diversified Credit portfolio, with an emphasis on the following: ■ European MBS, CLOs, and NPLs (mortgage and consumer) ■ U.S. CLOs, especially legacy debt and equity ■ CMBS, especially "B-pieces" where the new issue market provides opportunities to "manufacture" risk efficiently ■ Small Balance Commercial Loans, especially distressed loans ■ Residential NPLs, especially smaller, off-the-run packages ■ Consumer ABS and Loans, including flow agreements ■ Mortgage Originators, including non-QM flow agreements ■ Distressed Corporate Debt, where we continue to take a measured approach pending potential dislocations ■ Opportunistic investments in legacy non-Agency RMBS, to the extent attractive opportunities arise as a result of widening credit spreads
Agency	■ Market volatility remains a significant risk, and our ability to hedge using a variety of tools, including TBAs, continues to be important ■ In the aftermath of the significant third quarter yield spread widening, and with prepayments remaining relatively muted despite continued low levels of mortgage rates, we believe that Agency RMBS currently offer very attractive net interest margins and overall relative value

Credit Portfolio

EFC: Long Credit Portfolio

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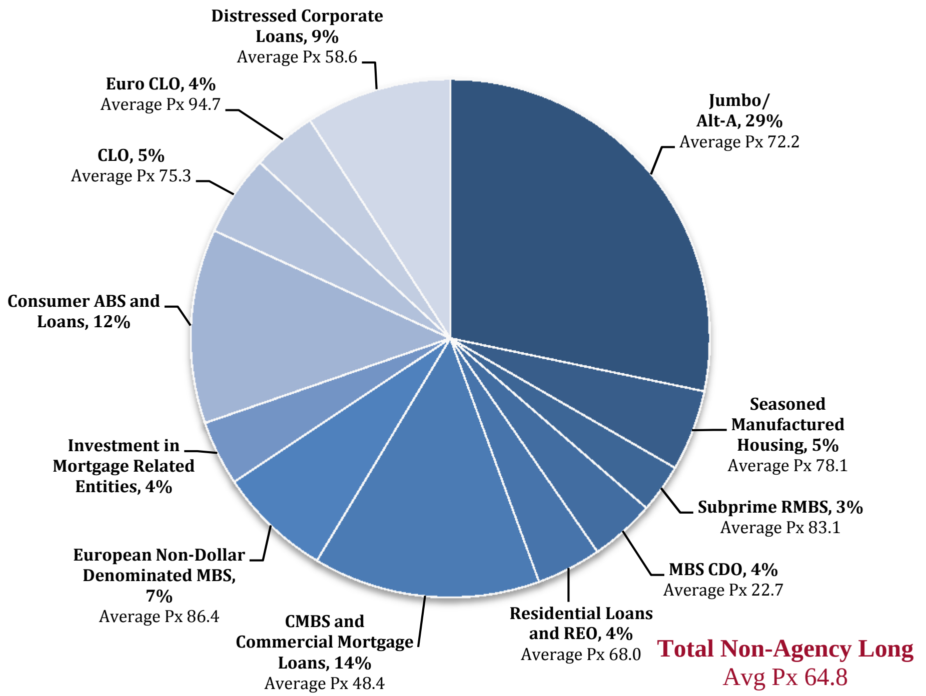
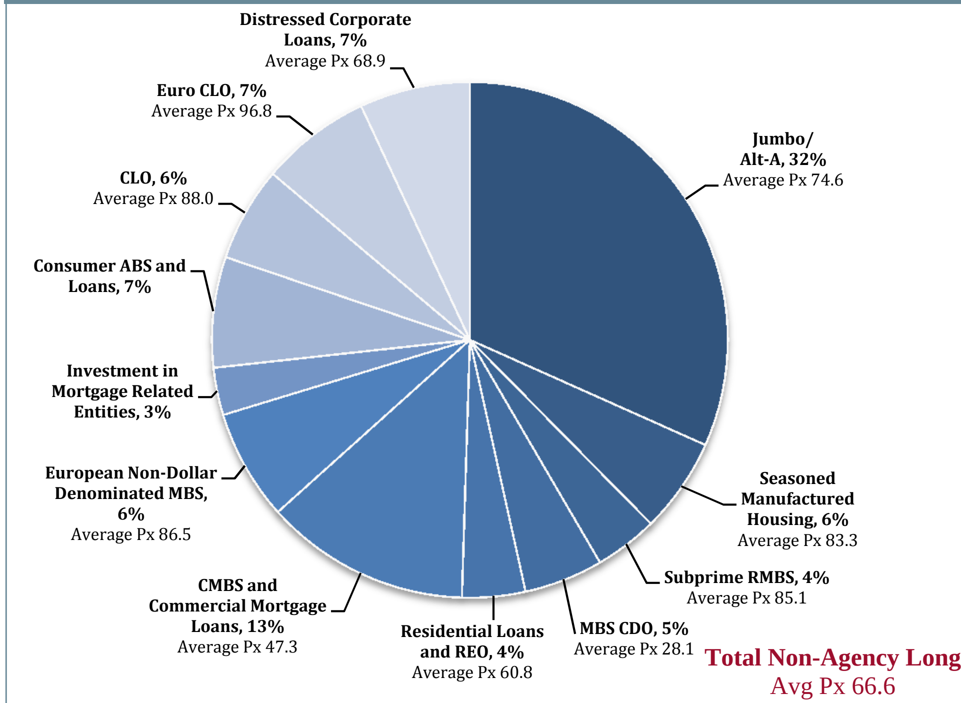
Current Quarter
Long Credit Portfolio 9/30/15: $655MM(1)(2)



Previous Quarter
Long Credit Portfolio 6/30/15: $753MM(1)(2)



- **During the third quarter:**
  - Opportunistically sold legacy non-Agency RMBS and partially re-deployed capital into our other Credit investments
  - Continued to increase investments in consumer loans
  - Continued to increase investments in distressed small balance commercial mortgage loans

(1) This information does not include interest rate swaps, TBA positions, corporate CDS, common stock and equity swaps, or other hedge positions. Credit portfolio includes loan equivalent value related to long total return swaps on distressed corporate debt, which is based on the value of the underlying loans. The loan equivalent value of long total return swaps included in the long credit portfolio was $37.1 million as of September 30, 2015 and $32.5 million as of June 30, 2015. The corresponding value of the related total return swaps on distressed corporate debt was $(2.9) million as of September 30, 2015 and $(1.7) million as of June 30, 2015.

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

EFC: Long Credit Portfolio (continued)

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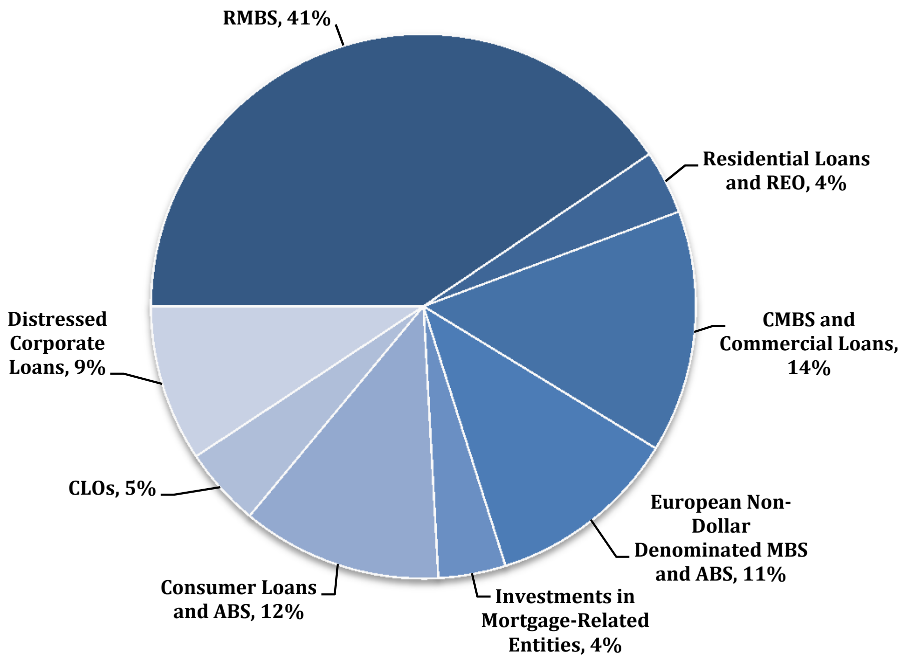
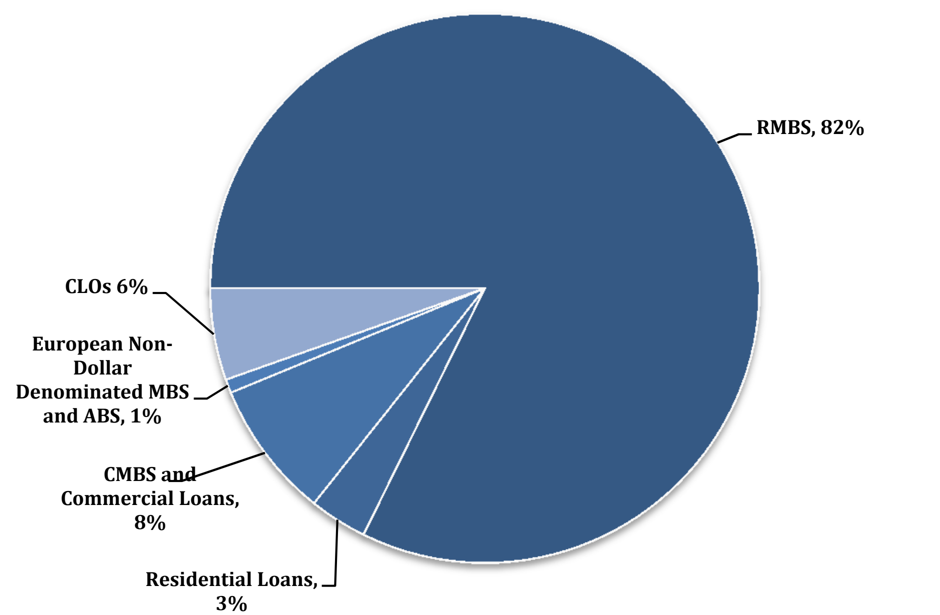
Holdings Overview
Long Credit Portfolio 9/30/15: $655MM(1)



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



- As the above charts demonstrate, we have continued to diversify our sources of return in our Credit portfolio since the end of 2013
- We are increasing our capital allocation to other sectors where we believe our analytical expertise, research and systems provide an edge that will allow us to generate attractive loss-adjusted returns

(1) This information does not include interest rate swaps, TBA positions, corporate CDS, common stock and equity swaps, or other hedge positions. As of September 30, 2015, credit portfolio includes loan equivalent value in the amount of $37.1 million related to long total return swaps on distressed corporate debt. The corresponding value of the related total return swaps on distressed corporate debt was $(2.9) million.

EFC: Long Credit Portfolio as of September 30, 2015

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- **Credit strategy is the main driver of earnings**
- **Long Credit securities and loan portfolio value: $632.6 million — excludes REO and equity investments in mortgage related entities**

Credit Sector	Fair Value (millions)	Average Price (1)	Weighted Average Life (2)	Historical 1-Year CPR (3)	Est. Yield at Market Price at Ellington HPA Forecast (4)
Jumbo/Alt-A	$186.1	72.2%	6.3	12.5%	6.62%
Seasoned Manufactured Housing	31.5	78.1	5.9	6.5	7.07
Subprime	21.7	83.1	3.7	9.7	8.36
MBS CDO	26.7	22.7	1.6	N/A	7.30
Residential Loans	17.7	68.0	4.8	N/A	6.55
CMBS and Commercial Mortgage Loans	86.8	48.4	4.7	N/A	13.80
European Non-Dollar Denominated MBS	48.3	86.4	6.7	6.61	13.31
CLO	56.8	88.0	3.5	N/A	8.97
Consumer ABS and Loans	77.7	N/A	0.9	N/A	10.76
Distressed Corporate Loans	60.9	58.6	4.0	N/A	18.07
Other	18.4	80.3	2.7	N/A	13.81
Total	**$632.6**	**64.8%**	**4.5**	**11.2%**	**10.26%**

(1) Average price excludes interest only, principal only, equity tranches and other similar securities and non-exchange traded corporate equity. All averages in this table are weighted averages using fair value, except for average price which uses current principal balance.
(2) Weighted average life assumes "projected" cashflows using Ellington's proprietary models. Excludes interest only, principal only, equity tranches .
(3) Source for historical 1-Year CPR is Intex Solutions, Inc. ("Intex"). Excludes interest only, principal only, equity tranches and other similar securities, CMBS and commercial mortgage loans, and any investments where Intex CPR not available.
(4) Estimated yields at market prices are management's estimates derived from Ellington's proprietary models based on prices and market environment as of 9/30/15 and include the effects of future estimated losses.

The above analysis should not be considered a recommendation to purchase or sell any security or class of securities. Results are based on forward-looking models, which are inherently imperfect, and incorporate various simplifying assumptions. Therefore, the table above is for illustrative purposes only and the actual performance of our portfolio may differ from the data presented above, and such differences might be significant and adverse.

EFC: Credit Hedging Portfolio[(1)(2)]

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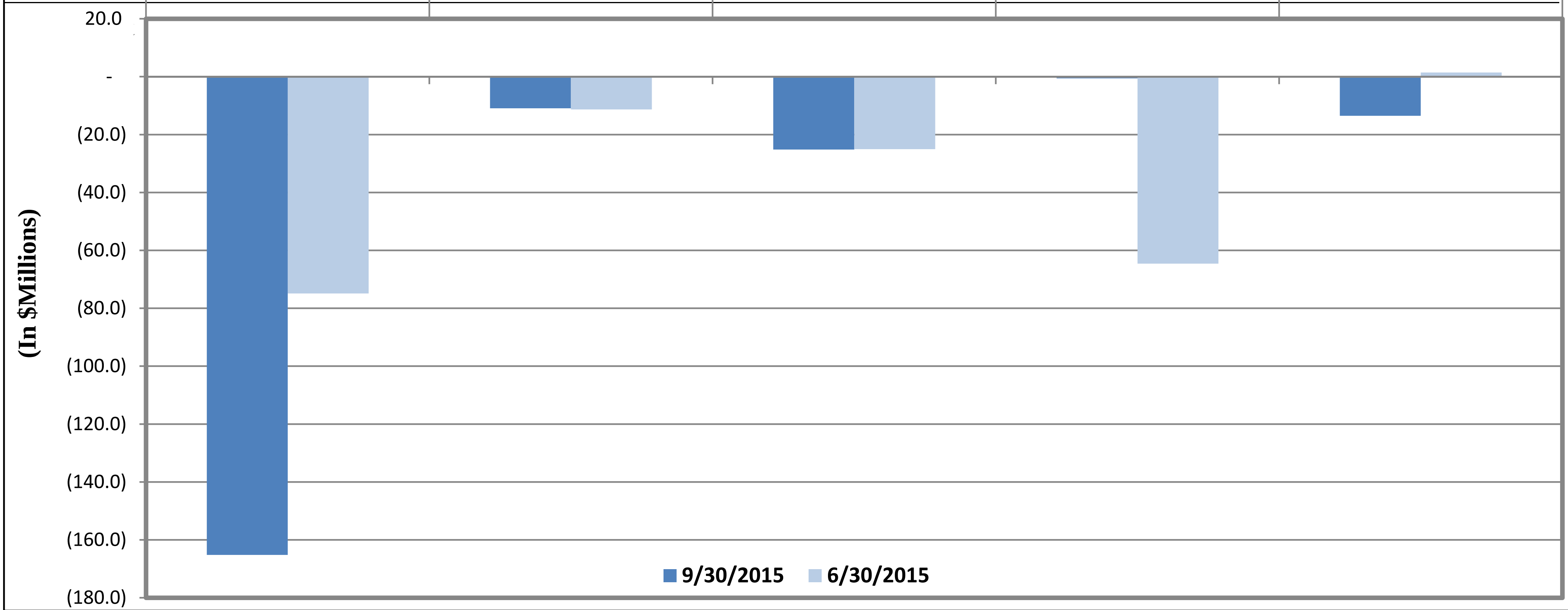
Instrument Category	Corporate CDS Indices / Tranches / Options / Single Names	Single Name ABS CDS and ABX Indices	European Sovereign Debt	Corporate Bond Index ETFs/Equity	CMBX
Units	HY CDX OTR Bond Equivalent Value[(3)(4)]	Bond Equivalent Value[(4)]	Market Value	Market Value	Bond Equivalent Value[(4)]



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

(2) There can be no assurance that instruments in the Credit Hedging Portfolio will be effective portfolio hedges.

(3) Corporate derivatives displayed in HY CDX OTR Equivalents represent the net, on-the-run notional equivalents of Markit CDX North American High Yield Index (the "HY Index") of those derivatives converted to equivalents based on techniques used by the Company for estimating the price relationships between them and the HY Index. These include estimations of the relationships between different credits and even different sectors (such as the US high yield, European high yield, and US investment grade debt markets). The Company's estimations of price relationships between instruments may change over time. Actual price relationships experienced may differ from those previously estimated.

(4) Bond Equivalent Value represents the investment amount of a corresponding position in the reference obligation or index constituents, calculated assuming a price equal to the difference between (i) par and (ii) the tear up price. Corporate CDS Indices, Tranches, Options and Single Names are converted to HY CDX OTR Equivalents prior to being displayed as Bond Equivalent Values.

Agency Portfolio

EFC: Agency Long Portfolio

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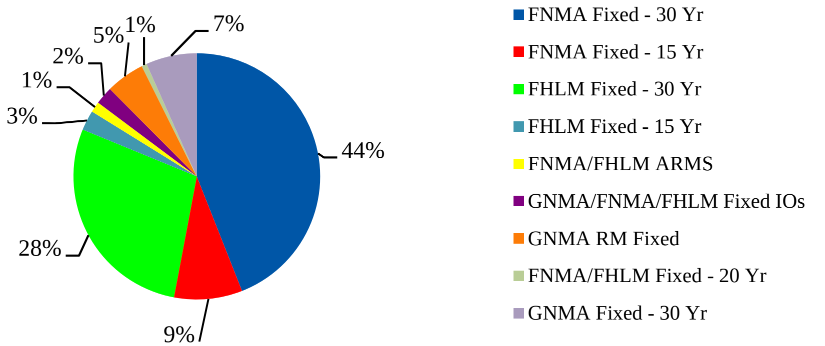
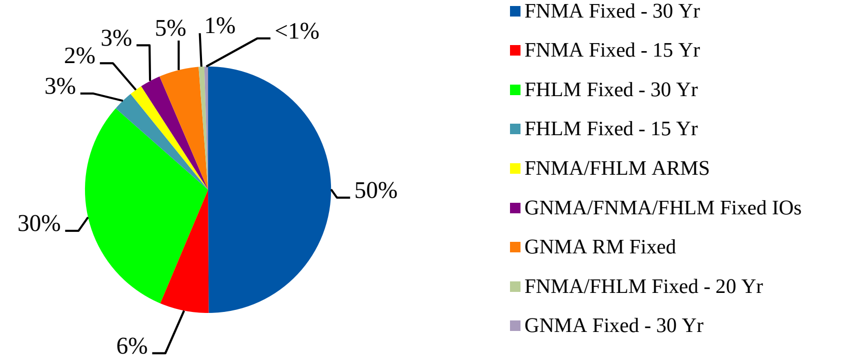
Current Quarter
Agency Long Portfolio 9/30/15: $1,221MM(1)



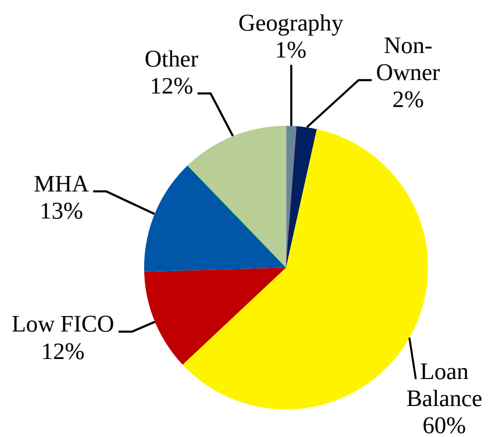
Weighted Average Coupon: 4.07%(7)

Previous Quarter
Agency Long Portfolio 6/30/15: $1,124MM(1)



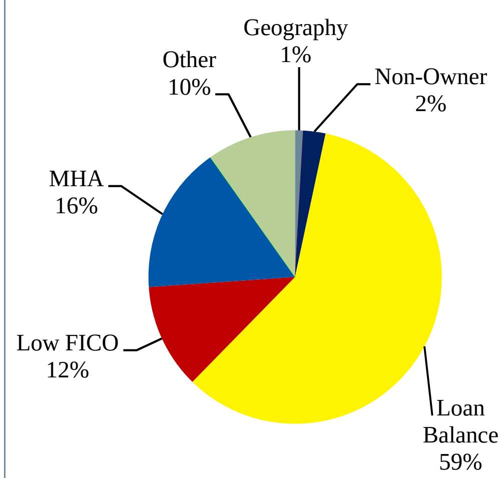
Weighted Average Coupon: 4.10%(7)

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



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

Collateral Characteristics and Historical 3-month CPR
Agency Fixed Rate Pool Portfolio 6/30/15: $1,017MM(2)



Characteristic(4)	Fair Value(2)(5)	3-Month Historical CPR(3)
Geography	$8.9	0.3
Non-Owner	25.0	0.3
Low Loan Bal	599.9	6.3
Low FICO	117.6	9.8
MHA(6)	165.7	5.9
Other	99.6	9.6
Totals	**$1,016.7**	**6.8**

(1) Does not include long TBA positions with a notional value of $53.9 million and a fair value of $55.1 million as of September 30, 2015 and a notional value of $25.1 million and a fair value of $24.9 million as of June 30, 2015. Agency long portfolio includes $1,192.8 million of long Agency securities at September 30, 2015 and $1,094.1 million of long Agency securities at June 30, 2015. Additionally, the long Agency portfolio includes $28.4 million of interest only securities at September 30, 2015 and $30.4 million of interest only securities at June 30, 2015.
(2) Excludes reverse mortgage pools with a value of $62.0 million at September 30, 2015 and $58.6 million at June 30, 2015.
(3) Excludes Agency fixed rate RMBS without any prepayment history with a total value of $96.6 million at September 30, 2015 and $43.6 million at June 30, 2015.
(4) Classification methodology may change over time as market practices change.
(5) Fair values are shown in millions.
(6) "MHA" indicates those pools where underlying borrowers have participated in the Making Homes Affordable program.
(7) Represents weighted average net pass-through rate. Excludes interest only securities.

EFC: Agency Interest Rate Hedging Portfolio

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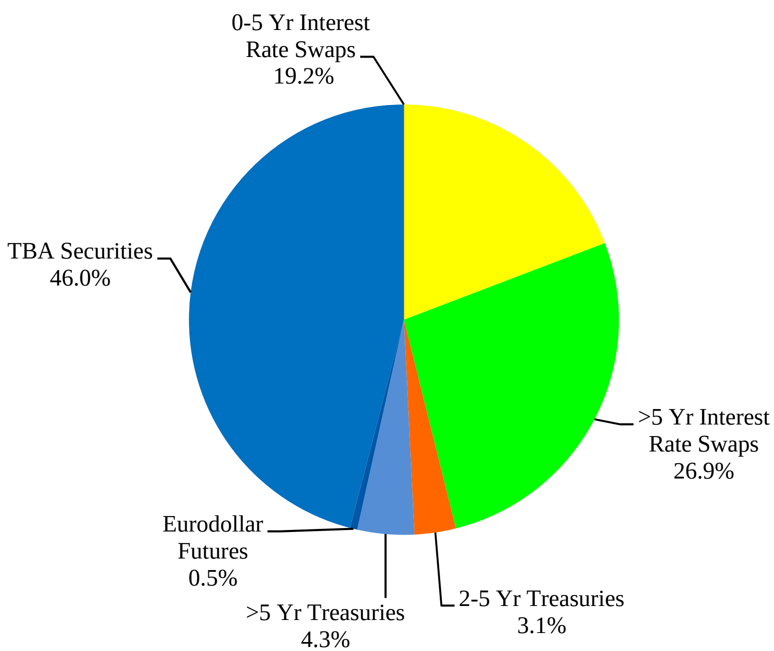
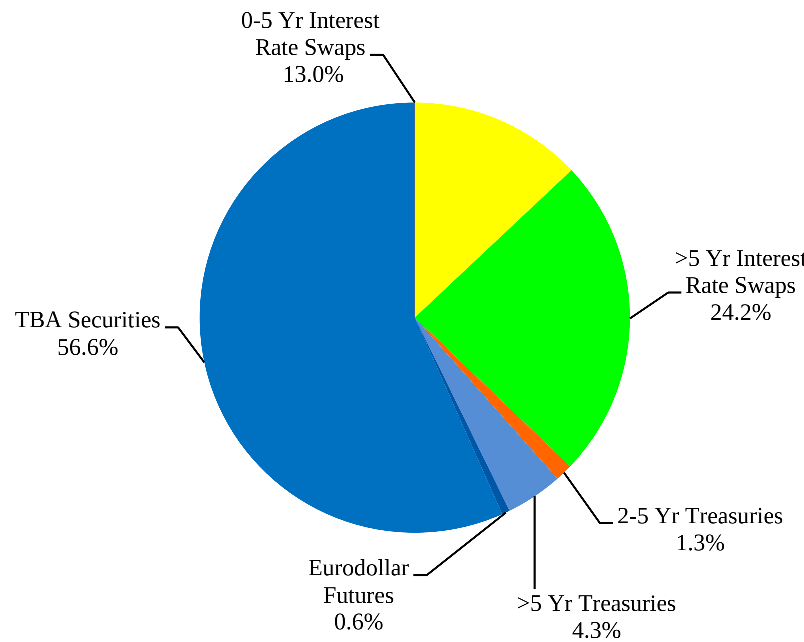
Current Quarter
Agency Interest Rate Hedging Portfolio 9/30/15:
Short $486 MM 10-year equivalents



Previous Quarter
Agency Interest Rate Hedging Portfolio 6/30/15:
Short $547 MM 10-year equivalents



- **Agency interest rate hedges are shown in normalized units of risk, with each group of positions measured in "10-year equivalents"**
- **Decreased net short TBAs and increased interest rate swaps**

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

EFC: Agency Interest Rate Hedging Portfolio (continued)

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

(In millions)

Agency-related Portfolio	**9/30/2015**	**6/30/2015**
Long Agency RMBS	$1,221	$1,124
Net Short TBAs	(685)	(654)
Net Long Exposure to Agency RMBS	**$536**	**$470**

- **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 0.91% of the value of our fixed rate Agency pool portfolio as of September 30, 2015, up from 0.75% as of June 30, 2015**

Estimated Change in Fair Value as of 9/30/15 for Agency Pools, Agency IOs, and Related Hedges if Interest Rates Move:

(In thousands)	**Down 50 BPS**	**Up 50 BPS**
Agency RMS - ARM Pools	$121	($142)
Agency RMBS - Fixed Pools and IO	18,750	(25,603)
TBAs	(7,701)	12,120
Interest Rate Swaps	(10,190)	9,700
U.S. Treasury Securities	(1,620)	1,561
Eurodollar and U.S. Treasury Futures	(119)	119
Repurchase and Reverse Repurchase Agreements	(764)	808
Total	**($1,523)**	**($1,437)**

Note: The above table reflects a parallel shift in interest rates based on the market environment as of September 30, 2015. The preceding analysis does not include sensitivities to changes in interest rates for categories of instruments for which we believe that the effect of a change in interest rates is not material to the value of the overall portfolio and/or cannot be accurately estimated. Results are based on forward-looking models, which are inherently imperfect, and incorporate various simplifying assumptions. Therefore, the table above is for illustrative purposes only and actual changes in interest rates would likely cause changes in the actual value of our portfolio that would differ from those presented above, and such differences might be significant and adverse.

Borrowings

EFC: Repo Borrowings as of September 30, 2015

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($ in thousands)	Repo Borrowings			
Remaining Days to Maturity	**Non-Agency**	**Agency**	**Total**	**% of Total Borrowings**
30 Days or Less	$23,119	$389,834	$412,953	30.1%
31-60 Days	25,571	272,247	297,818	21.7%
61-90 Days	21,250	290,038	311,288	22.7%
91-120 Days	33,860	191,974	225,834	16.4%
121-150 Days	4,106	—	4,106	0.3%
151-180 Days	20,723	1,746	22,469	1.6%
181-360 Days	98,326	—	98,326	7.2%
Total Borrowings	**$226,955**	**$1,145,839**	**$1,372,794**	**100.0%**
Weighted Average Remaining Days to Maturity	194	52	76	

- **As of September 30, 2015:**
  - EFC had borrowings outstanding with 19 counterparties
  - EFC had repo borrowings with a remaining weighted average maturity of 76 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 September 30, 2015 for settlement following September 30, 2015 even though the company may expect to terminate such reverse repos early. Not included are any reverse repos that the Company may have entered into prior to September 30, 2015, for which delivery of the borrowed funds is not scheduled until after September 30, 2015. Remaining maturity for a reverse repo is based on the contractual maturity date in effect as of September 30, 2015. Some reverse repos have floating interest rates, which may reset before maturity.

EFC: Average Cost of Borrowings

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($ In thousands)	As of September 30, 2015	For the Quarter Ended September 30, 2015	
Collateral for Borrowing	Outstanding Borrowings[1]	Average Borrowings for the Quarter Ended[1]	Average Cost of Funds[1]
Non-Agency RMBS, CMBS, and Other	$226,955	$255,340	2.26%
Agency RMBS	1,145,839	1,107,020	0.46%
Total excluding U.S. Treasury Securities	1,372,794	1,362,360	0.79%
U.S. Treasury Securities	—	16,461	(0.18)%
Total	**$1,372,794**	**$1,378,821**	**0.78%**
Leverage Ratio[2]	1.81:1		

- Leverage ratio(2) was 1.81:1 as of September 30, 2015, as compared to 1.75:1 as of June 30, 2015
- As of September 30, 2015, weighted average borrowing rates were 2.28% for non-Agency repo and 0.48% for Agency repo

(1) Borrowed amounts exclude $0.5 million in securitized debt as of September 30, 2015, representing long term financing for the related asset.
(2) The debt-to-equity ratio does not account for liabilities other than debt financings. The Company's debt financings consist solely of reverse repos and a securitized debt financing in the amount of $0.5 million as of September 30, 2015.

Supplemental Information

EFC: Gross Profit and Loss

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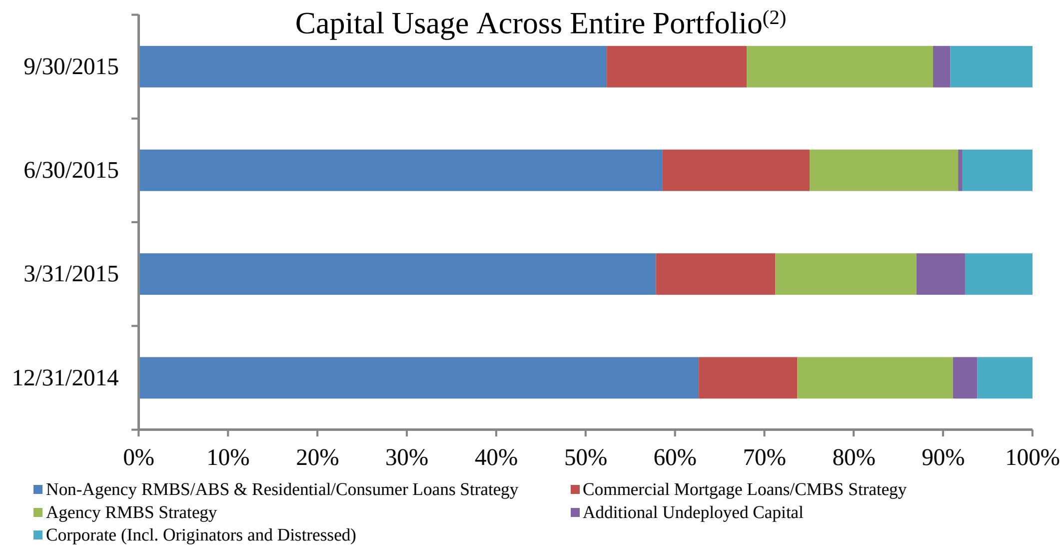
	Nine Months Ended September 30, 2015		Years Ended														
	2015		2014		2013		2012		2011		2010		2009		2008	
($ In thousands)	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%
Long: Credit	43,700	5.61	77,636	11.38	109,536	18.53	129,830	30.02	1,505	0.39	70,840	21.87	101,748	36.33	(64,565)	(26.20)
Credit Hedge and Other	7,948	1.02	(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	(5,790)	(0.74)	(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	28,177	3.62	61,126	8.97	(14,044)	(2.39)	37,701	8.72	63,558	16.47	21,552	6.65	22,171	7.92	4,763	1.93
Interest Rate Hedge: Agency	(22,365)	(2.87)	(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	**51,670**	**6.64**	**80,452**	**11.80**	**103,990**	**17.58**	**128,998**	**29.83**	**22,614**	**5.86**	**57,760**	**17.83**	**124,294**	**44.39**	**8,711**	**3.54**

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

EFC: Capital and Leverage[1]



Notes

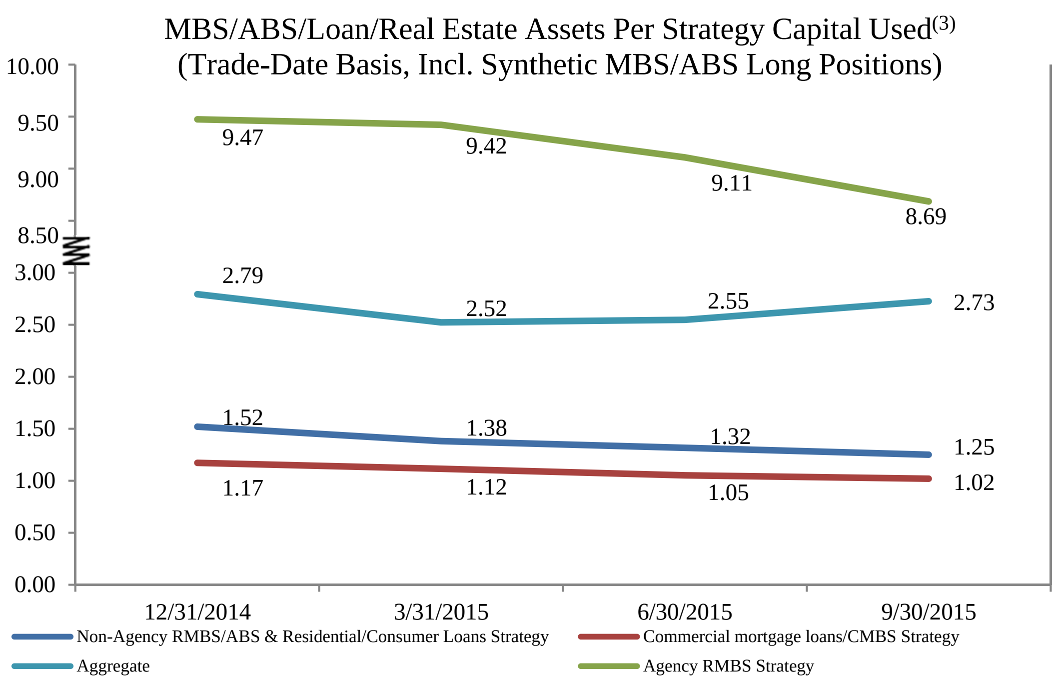
(1) Excludes U.S. Treasury securities

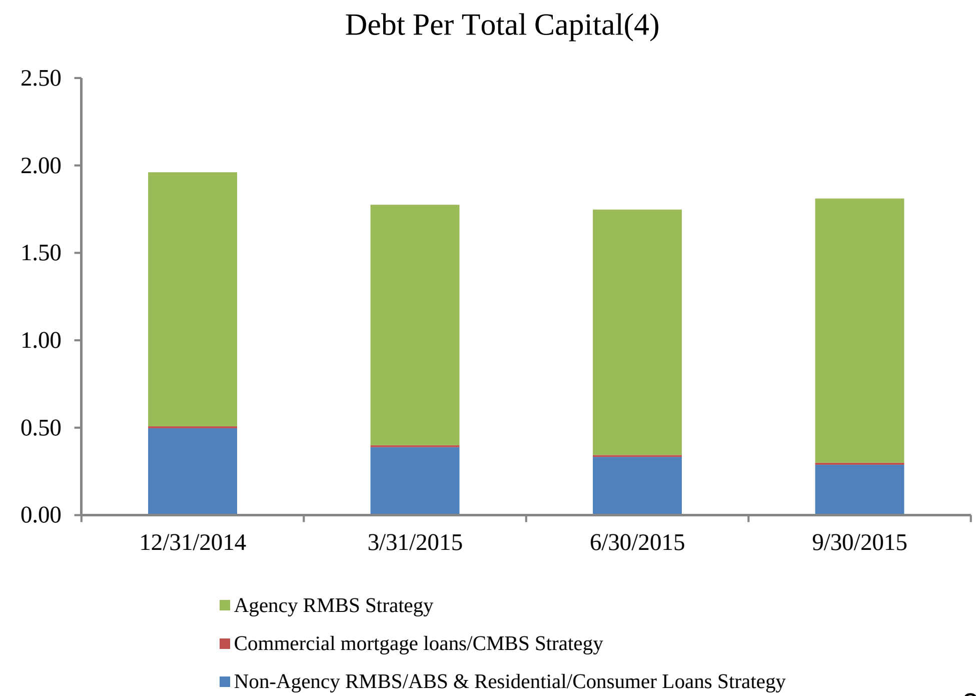
(2) Capital usage based on pro forma calculation of leverage generally applicable to long positions in target asset classes.

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

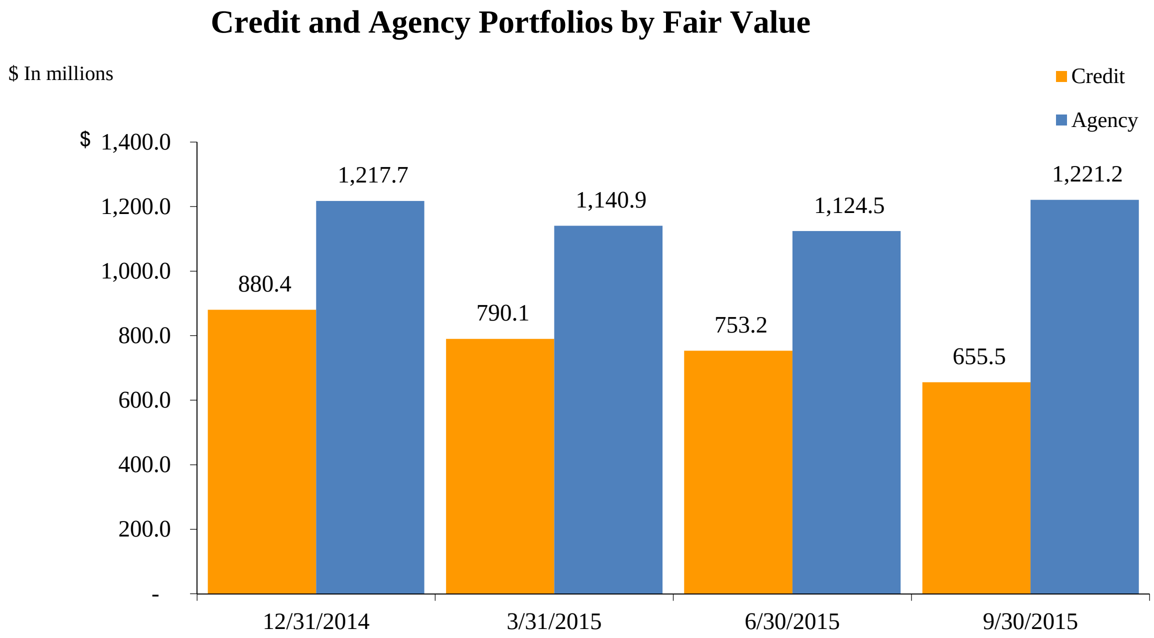
- long cash bond holdings of MBS/ABS (such as CMOs, CDOs, CLOs Agency pools)
- long holdings of unsecuritized residential and commercial mortgage loans, consumer and corporate loans
- bond equivalent amount of synthetic long holdings of MBS/ABS (in the form of single name and index ABS CDS)
- long TBA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

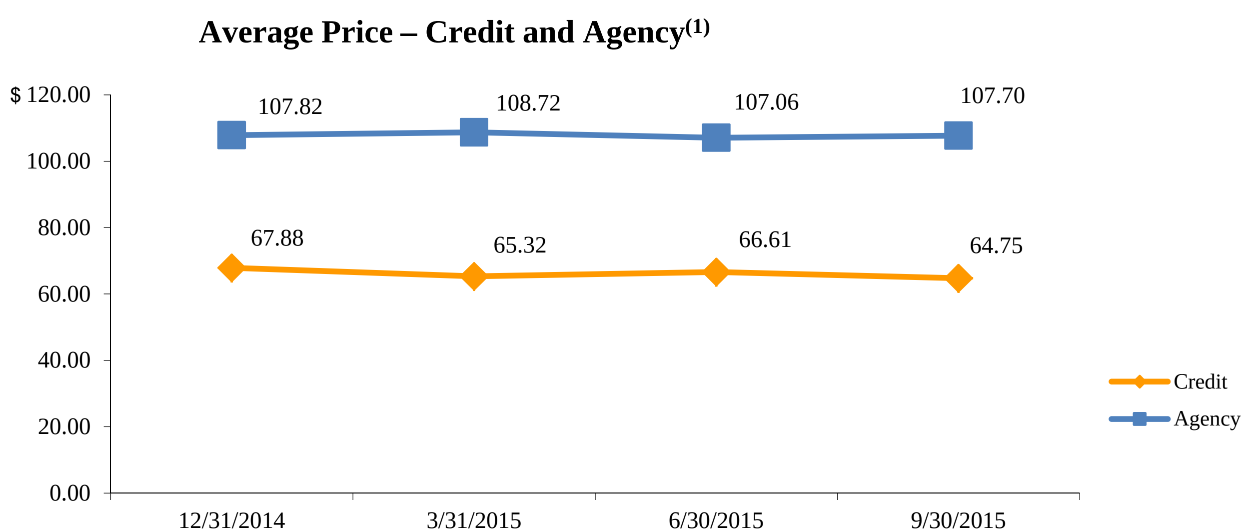
(4) Debt per total capital includes in the numerator repo borrowings and securitized debt





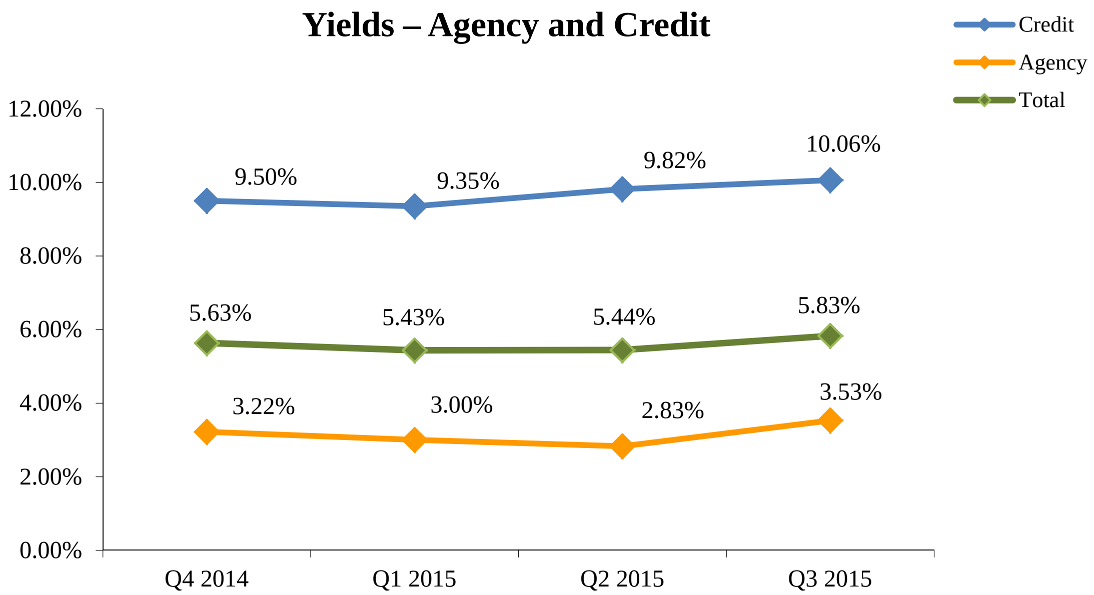
EFC: Credit and Agency Fair Values and Average Prices



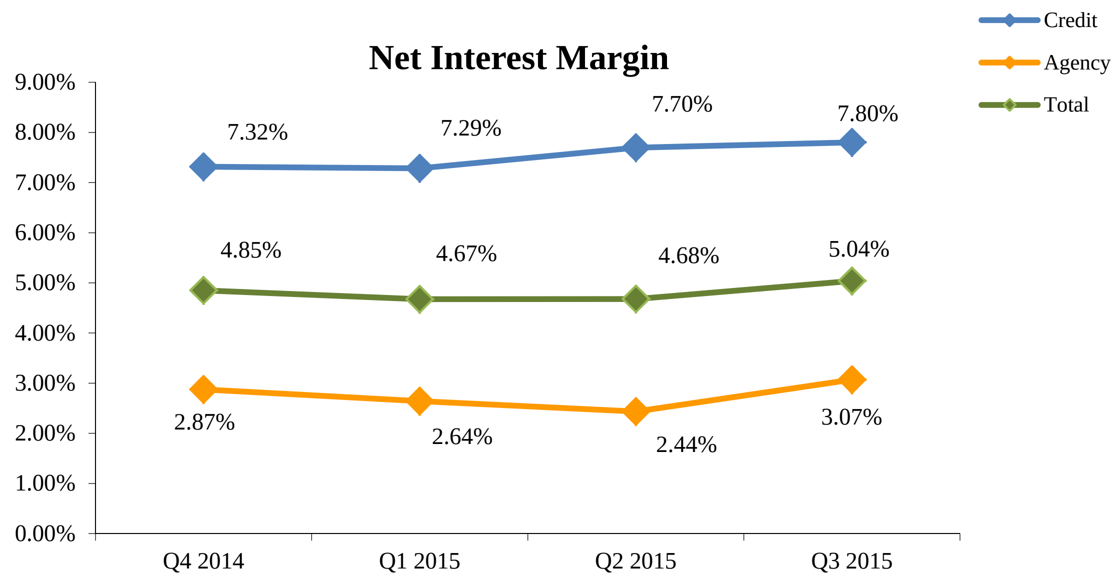


(1) Excludes interest only, principal only, equity tranches and other similar investments and REO

EFC: Yields and Net Interest Margin



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



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

EFC: Dividends and Expense Ratio

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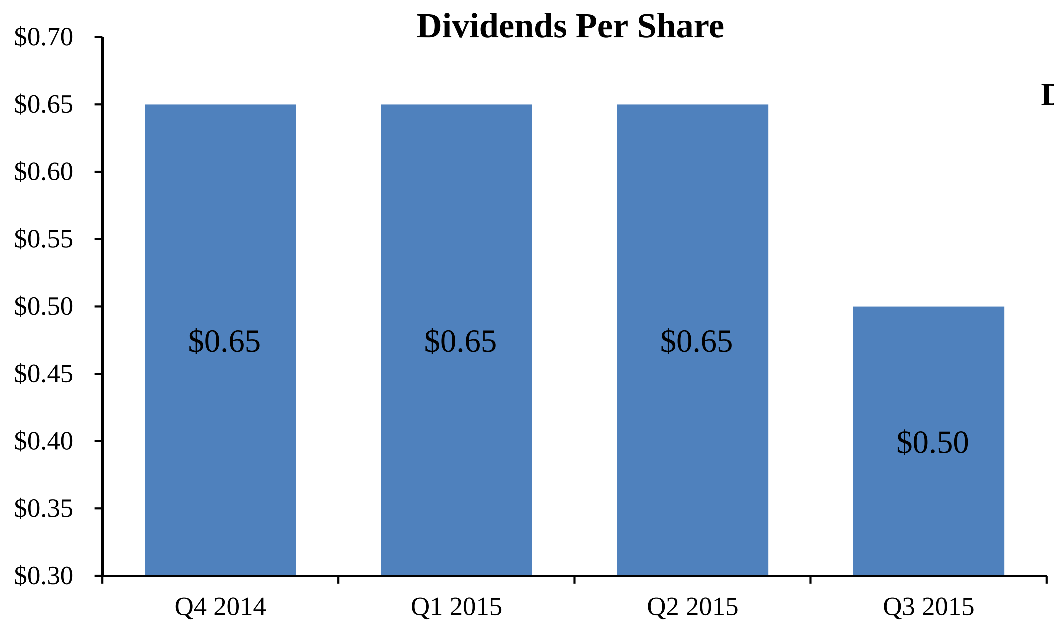
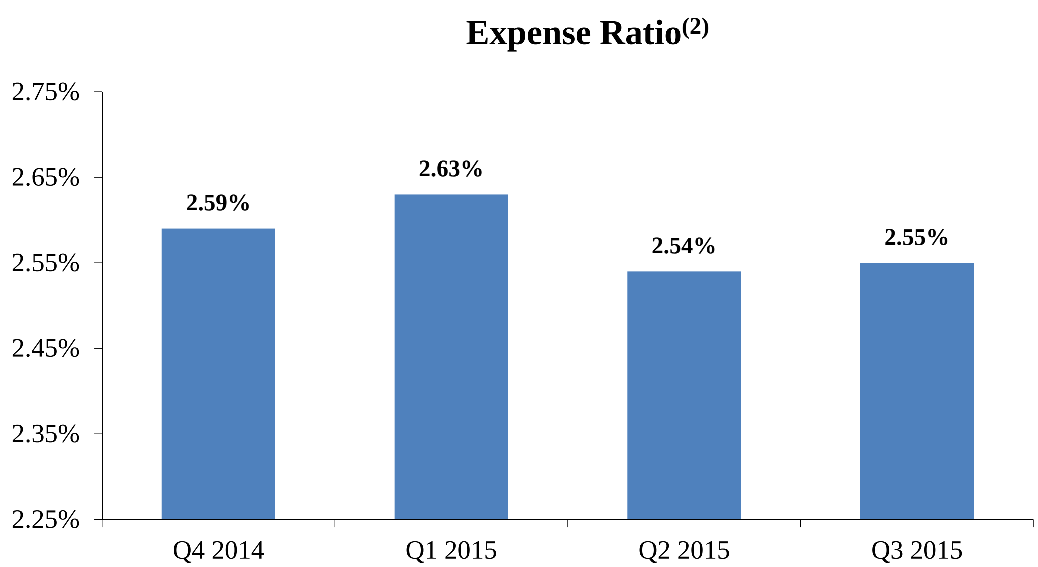


Dividend Yield as of November 4, 2015
11.1% (1)



(1) Based on NYSE closing price as of 11/4/2015.

(2) Expense ratios annualized.

EFC: Diluted Book Value

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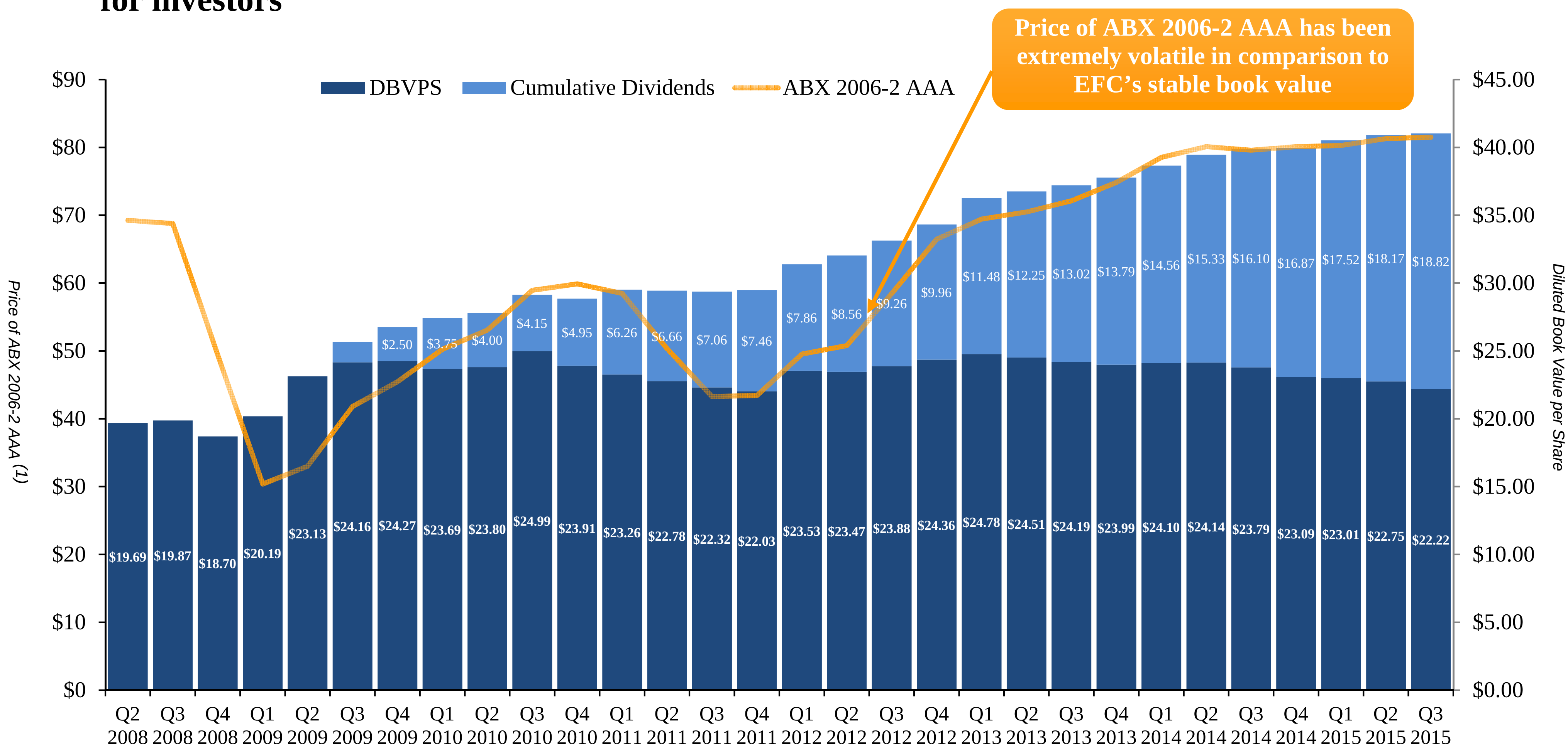
- **EFC has successfully preserved book value through market cycles, while producing strong results for investors**



- **EFC life-to-date diluted net-asset-value-based total return from inception in August 2007 through Q3 2015 is approximately 161%, or 12.5% annualized**

(1) Source: Bloomberg, Markit

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

EFC: Stable Book Value Per Share Relative to Peer Group

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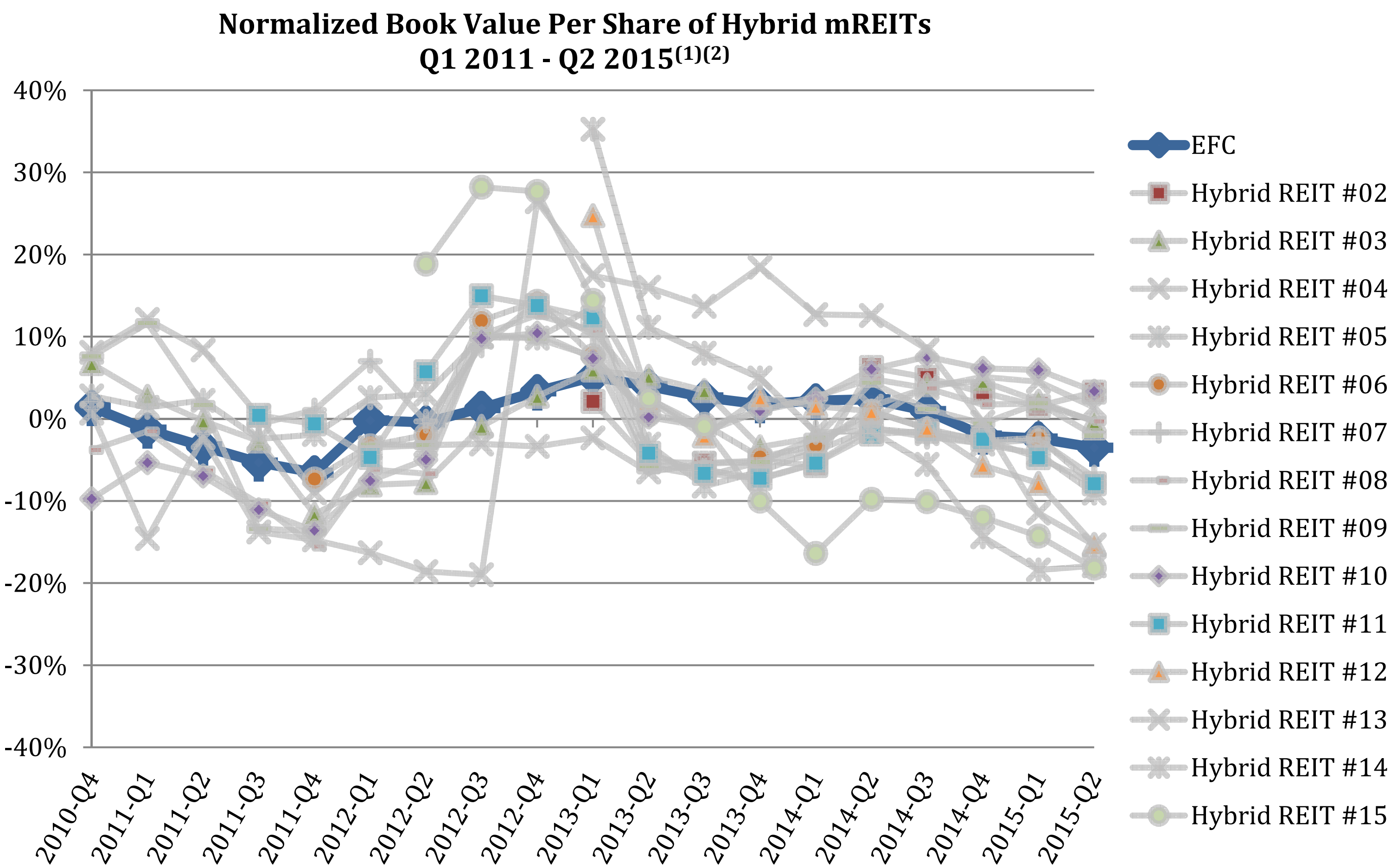

Standard Deviation of Normalized Book Value Per Share Q1 2011 – Q2 2015

Company	Standard Deviation
EFC	3.12%
Hybrid REIT #02	4.55%
Hybrid REIT #03	4.93%
Hybrid REIT #04	5.57%
Hybrid REIT #05	5.92%
Hybrid REIT #06	6.26%
Hybrid REIT #07	6.40%
Hybrid REIT #08	6.99%
Hybrid REIT #09	7.21%
Hybrid REIT #10	7.28%
Hybrid REIT #11	7.34%
Hybrid REIT #12	9.80%
Hybrid REIT #13	14.77%
Hybrid REIT #14	15.35%
Hybrid REIT #15	16.11%

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

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

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

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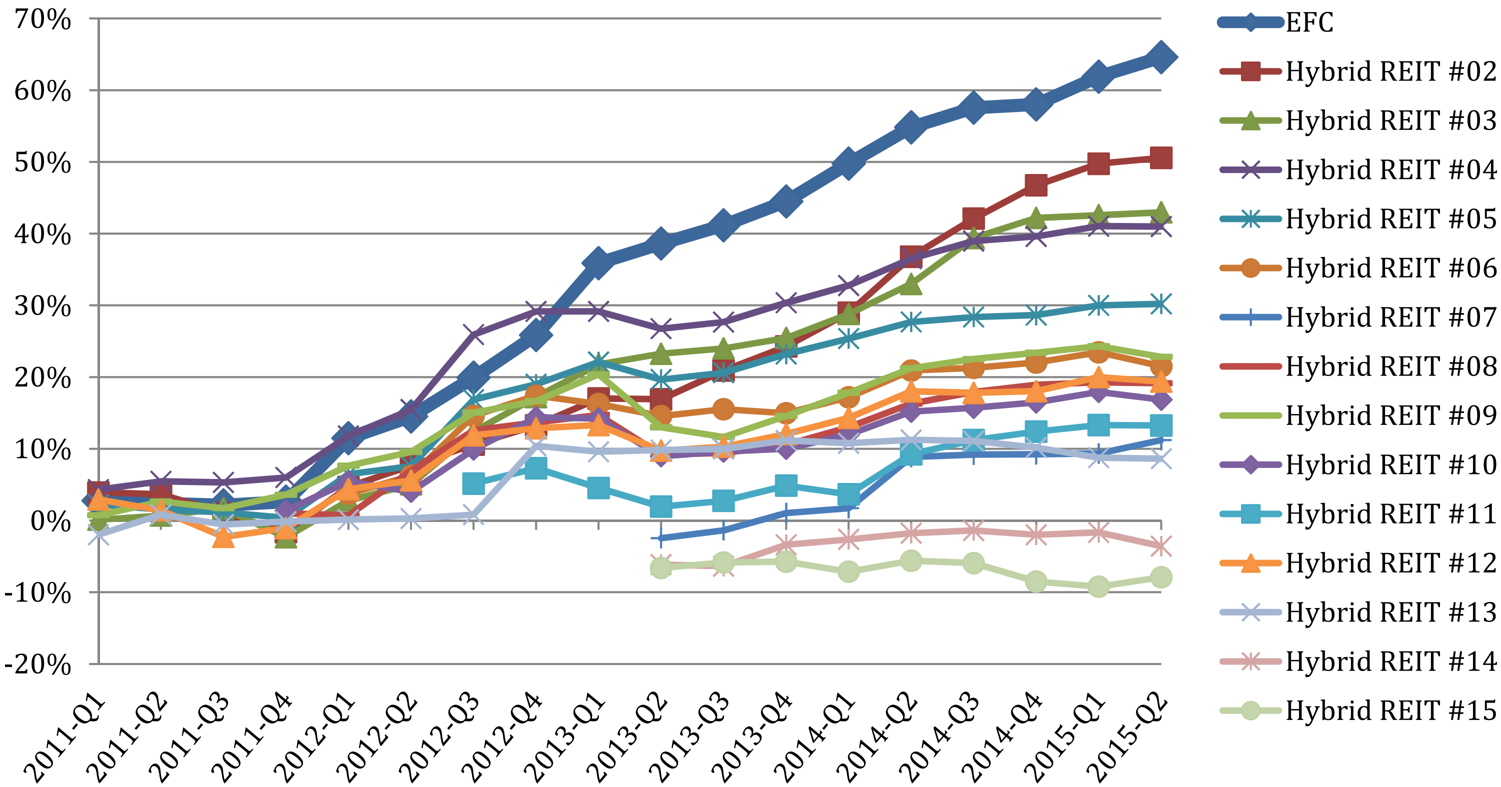
Normalized Cumulative Compounded Quarterly Economic Returns of Hybrid mREITs Q1 2011 - Q2 2015[(1)(2)(3)]



Sharpe Ratio of Quarterly Economic Returns Q1 2011 – Q2 2015

Company	Sharpe Ratio
EFC	2.42
Hybrid REIT #02	1.99
Hybrid REIT #03	1.72
Hybrid REIT #04	1.67
Hybrid REIT #05	1.26
Hybrid REIT #06	1.19
Hybrid REIT #07	0.99
Hybrid REIT #08	0.98
Hybrid REIT #09	0.96
Hybrid REIT #10	0.86
Hybrid REIT #11	0.86
Hybrid REIT #12	0.81
Hybrid REIT #13	0.29
Hybrid REIT #14	-0.37
Hybrid REIT #15	-0.76

- **Quarterly Economic Return is computed by adding back dividends to ending book value per share, and comparing that amount to book value per share as of the beginning of the quarter**
- **EFC has the highest Sharpe Ratio (annualized compounded economic return divided by annualized volatility of economic return)**

(1) Source: Bloomberg, JMP

(2) Normalized quarterly economic return for a company represents its quarterly economic return divided by the ratio between its volatility of quarterly economic returns over the entire period and the volatility of EFC's quarterly economic returns over the entire period.

(3) Risk free rate is assumed to equal 0% for all periods.

Income Statement

(Unaudited)

Ellington Financial

ELLINGTON FINANCIAL LLC
CONSOLIDATED STATEMENT OF OPERATIONS

(In thousands, except per share data)	Three Month Period Ended September 30, 2015	Three Month Period Ended June 30, 2015	Nine Month Period Ended September 30, 2015
Investment income			
Interest income	$ 26,440	$ 25,739	$ 78,692
Other income	565	1,023	1,881
Total Investment Income	27,005	26,762	80,573
Expenses			
Base management fee	2,849	2,920	8,720
Interest expense	3,073	2,867	8,926
Other investment related expenses	1,473	1,163	3,838
Other operating expenses	2,087	2,082	6,369
Total expenses	9,482	9,032	27,853
Net investment income	17,523	17,730	52,720
Net realized gain (loss) on:			
Investments	8,477	14,045	32,255
Financial derivatives, excluding currency forwards	1,943	(9,693)	(13,583)
Financial derivatives—currency forwards	415	(4,320)	1,890
Foreign currency transactions	(2,555)	729	(1,092)
	8,280	761	19,470
Change in net unrealized gain (loss) on:			
Investments	(20,772)	(19,875)	(39,954)
Financial derivatives, excluding currency forwards	(3,354)	10,944	4,946
Financial derivatives—currency forwards	(153)	1,704	87
Foreign currency translation	2,403	1,959	(701)
	(21,876)	(5,268)	(35,622)
Net realized and unrealized gain (loss) on investments and financial derivatives	(13,596)	(4,507)	(16,152)
Net increase in equity resulting from operations	$ 3,927	$ 13,223	$ 36,568
Less: Increase in equity resulting from operations attributable to non-controlling interests	31	71	259
Net increase in shareholders' equity resulting from operations	$3,896	$13,152	$36,309
Net increase in shareholders' equity resulting from operations per share:			
Basic and diluted	$ 0.12	$ 0.39	$ 1.07
Weighted average shares and LTIP units outstanding	33,868	33,879	33,875
Weighted average shares and convertible units outstanding	34,080	34,091	34,087

Balance Sheet

(Unaudited)

Ellington Financial

ELLINGTON FINANCIAL LLC
CONSOLIDATED STATEMENT OF ASSETS, LIABILITIES AND EQUITY

(In thousands, except share amounts)	As of September 30, 2015	As of June 30, 2015[1]	As of December 31, 2014[2]
ASSETS			
Cash and cash equivalents	$ 139,395	$ 123,856	$ 114,140
Restricted Cash	5,580	730	-
Investments, financial derivatives and repurchase agreements:			
Investments, at fair value (Cost - $1,883,248, $1,844,920, and $2,122,326)	1,894,679	1,870,251	2,172,082
Financial derivatives - assets at fair value (Net cost - $60,525, $87,291, and $61,560)	73,994	91,665	80,029
Repurchase agreements (Cost - $110,060, $53,799, and $172,001)	109,591	53,788	172,001
Total Investments, financial derivatives, and repurchase agreements	2,078,264	2,015,704	2,424,112
Due from brokers	163,066	122,255	146,965
Receivable for securities sold and financial derivatives	909,106	1,197,613	1,237,592
Interest and principal receivable	25,794	12,096	20,611
Other assets	2,727	2,614	1,935
Total assets	$ 3,323,932	$ 3,474,868	$ 3,945,355
LIABILITIES			
Investments and financial derivatives:			
Investments sold short at fair value (Proceeds - $985,360, $1,185,455, and $1,290,091)	$ 987,755	$ 1,183,384	$ 1,291,370
Financial derivatives - liabilities at fair value (Net proceeds - $48,316, $35,500, and $33,555)	70,925	45,565	66,116
Total investments and financial derivatives	1,058,680	1,228,949	1,357,486
Reverse repurchase agreements	1,372,794	1,360,408	1,669,433
Due to brokers	2,831	36,673	22,224
Payable for securities purchased and financial derivatives	121,645	63,200	98,747
Securitized debt (Proceeds - $499, $649, and $749)	503	655	774
Accounts payable and accrued expenses	2,807	2,676	2,798
Base management fee payable	2,849	2,919	2,963
Interest and dividends payable	2,185	2,293	2,386
Other liabilities	1,297	13	-
Total liabilities	2,565,591	2,697,786	3,156,811
EQUITY	758,341	777,082	788,544
TOTAL LIABILITIES AND EQUITY	$ 3,323,932	$ 3,474,868	$ 3,945,355
ANALYSIS OF EQUITY:			
Common shares, no par value, 100,000,000 shares authorized;			
(33,417,118, 33,449,678, and 33,449,678 shares issued and outstanding)	$ 742,494	$ 761,181	$ 772,811
Additional paid-in capital - LTIP units	9,591	9,538	9,344
Total Shareholders' Equity	$ 752,085	$ 770,719	$ 782,155
Non-controlling interests	6,256	6,363	6,389
Total Equity	$ 758,341	$ 777,082	$ 788,544
PER SHARE INFORMATION:			
Common shares, no par value	$ 22.51	$ 23.04	$ 23.38
DILUTED PER SHARE INFORMATION:			
Common shares and convertible units, no par value[3]	$ 22.22	$ 22.75	$ 23.09

(1) Conformed to current period presentation.

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

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

About Ellington

- **EFC is managed by Ellington Financial Management LLC, an affiliate of Ellington Management Group, L.L.C. (“EMG”)**

- **EMG was founded in 1994 by Michael Vranos and five partners; currently has over 160 employees, giving EFC access to time-tested infrastructure and proprietary resources in trading, research, risk management, and operational support**
  - EMG has approximately $6.1 billion in assets under management as of September 30, 2015

- **EMG's portfolio managers are among the most experienced in the MBS sector and the firm’s analytics have been developed over a 20-year history**
  - Prior to forming EMG, five of the founding partners constituted the core of Kidder Peabody’s MBS trading and research group, while one spent ten years at Lehman Brothers where he ran collateralized mortgage obligation (“CMO”) trading
  - The founding partners each have advanced academic training in mathematics and engineering, including among them several Ph.D.’s and Master’s degrees

- **Management owns over 10% of EFC; interests are aligned with shareholders**

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

Ellington Financial

Investor Contact:
Lindsay Tragler, Investor Relations or
Lisa Mumford, Chief Financial Officer
Ellington Financial LLC
(203) 409-3575

Media Contact:
Steve Bruce or Taylor Ingraham
ASC Advisors, for
Ellington Financial LLC
(203) 992-1230

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