Ellington Financial

Ellington Financial LLC (NYSE: EFC)

Second Quarter 2016 Earnings Conference Call

August 5, 2016

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 11, 2016, which can be accessed through the Company’s website at www.ellingtonfinancial.com or at the SEC’s website (www.sec.gov). Other risks, uncertainties, and factors that could cause actual results to differ materially from those projected may be described from time to time in reports we file with the SEC, including reports on Form 10-Q, 10-K and 8-K. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Modeling

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

Example Analyses

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

Projected Yields and Spreads

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

Indices

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

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

Financial Information

All financial information included in this presentation is as of June 30, 2016 unless otherwise indicated. We undertake no duty or obligation to update this presentation to reflect subsequent events or developments.

Second Quarter 2016

Operating Results

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(In thousands, except per share amounts)	Quarter Ended June 30, 2016	Per Share	% of Average Equity	Quarter Ended Mach 31, 2016	Per Share	% of Average Equity	Six Month Period Ended June 30, 2016	Per Share	% of Average Equity
Credit:									
Interest income and other income	$ 14,113	$ 0.42	2.05%	$ 13,571	$ 0.40	1.88%	$ 27,684	$ 0.82	3.83%
Net realized gain (loss)	4,884	0.15	0.71%	2,681	0.08	0.37%	7,565	0.23	1.05%
Change in net unrealized gain (loss)	(4,043)	(0.12)	-0.59%	(8,041)	(0.24)	-1.11%	(12,084)	(0.36)	-1.67%
Net interest rate hedges (1)	(664)	(0.02)	-0.10%	(2,016)	(0.06)	-0.28%	(2,680)	(0.08)	-0.37%
Net credit hedges and other activities(2)	(3,290)	(0.10)	-0.48%	(20,793)	(0.62)	-2.88%	(24,083)	(0.71)	-3.33%
Interest expense	(2,214)	(0.07)	-0.32%	(1,682)	(0.05)	-0.23%	(3,896)	(0.12)	-0.54%
Other investment related expenses	(1,945)	(0.06)	-0.28%	(1,627)	(0.05)	-0.23%	(3,572)	(0.11)	-0.50%
Total Credit profit (loss)	6,841	0.20	0.99%	(17,907)	(0.54)	-2.48%	(11,066)	(0.33)	-1.53%
Agency RMBS:									
Interest income	5,322	0.16	0.78%	7,556	0.22	1.05%	12,878	0.38	1.78%
Net realized gain (loss)	1,570	0.04	0.23%	1,252	0.04	0.17%	2,822	0.08	0.39%
Change in net unrealized gain (loss)	4,611	0.14	0.67%	9,361	0.28	1.30%	13,972	0.42	1.93%
Net interest rate hedges and other activities (1)	(6,815)	(0.20)	-0.99%	(16,950)	(0.50)	-2.35%	(23,765)	(0.70)	-3.29%
Interest expense	(1,499)	(0.04)	-0.22%	(1,427)	(0.04)	-0.20%	(2,926)	(0.09)	-0.40%
Total Agency RMBS profit (loss)	3,189	0.10	0.47%	(208)	—	-0.03%	2,981	0.09	0.41%
Total Credit and Agency RMBS profit (loss)	10,030	0.30	1.46%	(18,115)	(0.54)	-2.51%	(8,085)	(0.24)	-1.12%
Other interest income (expense), net	41	—	0.01%	(15)	—	0.00%	26	—	0.00%
Other expenses	(5,069)	(0.15)	-0.74%	(5,056)	(0.15)	-0.70%	(10,125)	(0.30)	-1.40%
Net increase (decrease) in equity resulting from operations	$ 5,002	$ 0.15	0.73%	$ (23,186)	$ (0.69)	-3.21%	$ (18,184)	$ (0.54)	-2.52%
Less: Net increase in equity resulting from operations attributable to non-controlling interests	17			14			31		
Net increase (decrease) in shareholders' equity resulting from operations (6)	**$ 4,985**	**$ 0.15**	**0.73%**	**$ (23,200)**	**$ (0.69)**	**-3.24%**	**$ (18,215)**	**$ (0.54)**	**-2.60%**
Weighted average shares and convertible units (3) outstanding	33,502			33,746			33,624		
Average equity (includes non-controlling interests) (4)	$ 687,784			$ 722,402			$ 722,468		
Ending equity (includes non-controlling interests)	$ 679,183			$ 694,922			$ 679,183		
Diluted book value per share	$ 20.31			$ 20.63			$ 20.31		
Weighted average shares and LTIP units outstanding (5)	33,290			33,534			33,412		
Average shareholders' equity (excludes non-controlling interests) (4)	$ 682,466			$ 715,845			$ 700,557		

(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: Second Quarter Highlights

Overall Results	■ Net income of $5.0 million, or $0.15 per share ■ Assets performed well in both the Credit and Agency strategies during the second quarter ■ Interest rate hedges and credit hedges partially offset the performance of our assets

Credit Strategy	■ Credit strategy gross income of $6.8 million[(1)], or $0.20 per share
	    ■ Consumer loan, commercial mortgage, and residential mortgage loan strategies, as well as RMBS and CMBS, distressed corporate debt/equity, and investments in private mortgage related entities each contributed positively to results this quarter
	    ■ Credit and interest rate hedges served as a drag on our results
	    ■ Net sold non-Agency RMBS but increased our investments in consumer loans and non-QM residential mortgage loans
	    ■ Credit hedges, principally in the form of short positions in high yield corporate bond indices, negatively impacted performance, although to a lesser degree than in the first quarter

Agency RMBS Strategy	■ Agency RMBS strategy gross income of $3.2 million[(1)], or $0.10 per share
	    ■ Net carry and net realized and unrealized gains were partially offset by net losses from our interest rate hedges and other activities
	    ■ Both prices and pay-ups increased on specified pools

Operating Expenses	■ Core expenses of $5.1 million–includes base management fees and other operating expenses ■ Expense ratio of 3.0% for the first quarter
Leverage	■ Debt to equity ratio: 1.59:1 as of June 30, 2016

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

Ellington Financial: Second Quarter Highlights (continued)

Portfolios	■ Total Long Credit Portfolio: \$583[(1)] million as of June 30, 2016 as compared to \$645[(1)] million as of March 31, 2016 ■ Agency Long Portfolio: \$850 million as of June 30, 2016, as compared to \$937 million as of March 31, 2016

Book Value and Shareholders' Equity	■ June 30, 2016 diluted book value per share of \$20.31, after a \$0.50 first quarter dividend paid in June, as compared to \$20.63 per share as of March 31, 2016
	    ■ During the second quarter and thereafter through August 3, 2016, repurchased approximately 333,000 shares at an average price per share of \$17.21
	    ■ Since implementation of share repurchase program in August 2015, repurchased approximately 822,000 shares for \$14.2 million and average price of \$17.29
	■ Total equity of \$679.2 million as of June 30, 2016, as compared to \$694.9 million as of March 31, 2016

Dividends and Share Buybacks	■ 2nd quarter dividend of \$0.50 per share announced on August 1, 2016 ■ Annualized dividend yield of 11.5% based on the August 3, 2016 closing price of \$17.39 ■ 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) Credit portfolio includes loan equivalent value related to long total return swaps on distressed corporate debt, which is based on the value of the underlying loans.

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

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Ellington Financial: Credit Strategy

Overall Market Conditions	■ Over the first two months of the second quarter, interest rates generally trended slightly higher and volatility declined
	■ In June, as a result of the "Brexit" vote, interest rates sharply reversed course and dropped dramatically
	    ■ Yield spreads initially widened for most credit sensitive assets
	    ■ Widening was short-lived, as major central banks indicated that global central bank monetary policy would be highly accommodative in the face of Brexit-related uncertainty
	■ Sharply lower yields on safe haven securities pushed many global investors to add to their credit-sensitive portfolios
	■ Credit spreads generally ended the quarter tighter than where they had begun the quarter
	    ■ The Markit CDX North American High Yield 5-year Index had a total return of 1.83% for the second quarter, or 7.52% annualized
	    ■ Some credit-sensitive sectors, such as CMBS, experienced some degree of net widening for the quarter

Portfolio Trends	■ Net sold non-Agency RMBS mainly in order to redeploy the net proceeds into other targeted Credit assets, e.g., consumer loans and non-QM residential mortgage loans ■ Net tightening in high-yield corporate bond index spreads led to net losses on credit hedges ■ Consumer Loans—portfolio performed well and has now grown in size to 27% of our total long Credit portfolio, which is approximately as large as our Non-Agency RMBS portfolio ■ Spanish/Portuguese NPL market (consumer and mortgage)—continues to present attractive opportunities; actively pursuing additional opportunities in these and certain other select markets ■ Non-QM mortgage loans—pace of purchases continues to accelerate and loan performance has been excellent to date

Ellington Financial: Agency Strategy

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Overall Market Conditions

- Over the course of the second quarter the yield curve flattened significantly
  - 10-year Treasury yield decreased 30 basis points to end the second quarter at 1.47%
  - 2-year U.S. Treasury yield decreased 14 basis points to 0.58%
  - 30-year mortgage rate decreased to 3.48%, its lowest level since May 2013
- Agency RMBS prices increased and yield spreads relative to interest rate swaps and U.S. Treasury securities were relatively stable
- Pay-ups on specified pools increased as prepayment protection became more valuable in light of lower interest rates and expected increases in prepayment rates

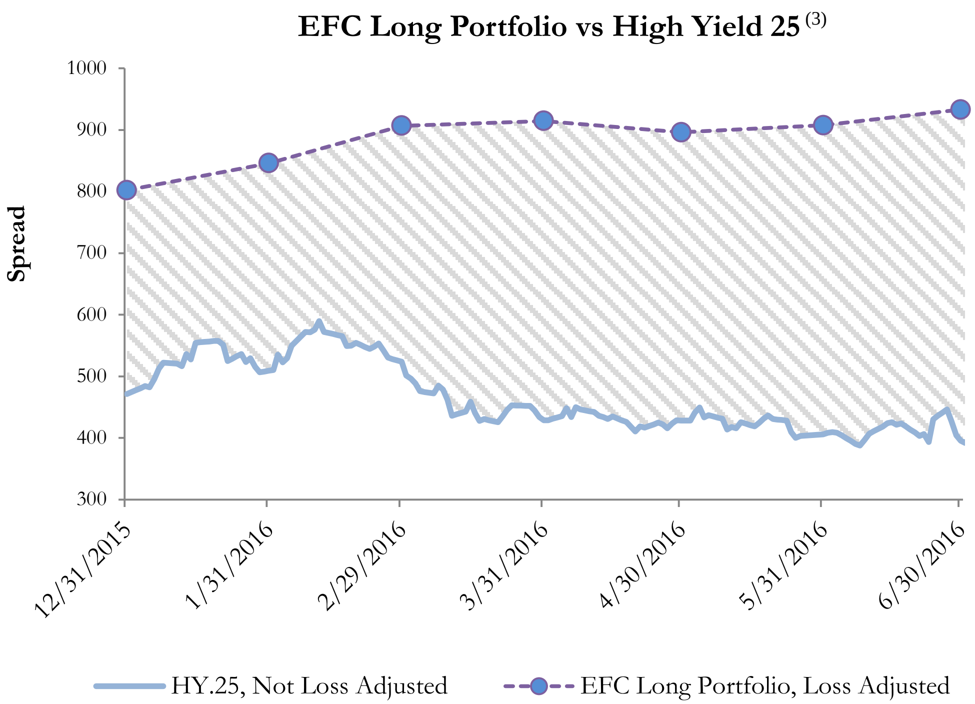
Portfolio Trends

- Agency RMBS principally comprised of specified pools; average pay-ups on our specified pools increased to 1.05% as of June 30, 2016 from 0.88% as of March 31, 2016
  - Performance of specified pools meaningfully augmented our results
  - The 10-year interest rate swap spread to U.S. Treasury securities reversed its tightening trend of the last several quarters, and interest rate swaps positively impacted our results for the quarter
- TBAs underperformed specified pools during the quarter, and because we hold a net short position in TBAs, this underperformance benefited our results
- We turned over approximately 17% of the portfolio as measured by sales, excluding principal pay-downs
- Decreased size of specified pool portfolio; increased long TBA positions in certain coupons; overall Agency RMBS proportion of capital usage remained roughly the same

Ellington Financial: Outlook

Credit	■ We expect to continue to hold a diversified Credit portfolio, primarily consisting of: ■ Consumer Loans and ABS, with an emphasis on establishing a steady pipeline through flow agreements ■ Small Balance Commercial Mortgage Loans, especially distressed loans ■ Non-QM Mortgage Loans ■ European MBS and NPLs (mortgage and consumer) ■ Residential NPLs, especially smaller, off-the-run packages ■ 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 ■ Direct Investments in Mortgage Originators ■ In order to focus on growth in our loan portfolio, we have reduced our positions in certain other strategies, such as distressed debt ■ We expect to maintain a disciplined hedging strategy on our credit portfolio
Agency	■ Believe there remains a heightened risk of substantial interest rate and prepayment volatility in the near term, thus reinforcing the importance of our ability to hedge our Agency RMBS portfolio using a variety of tools, including TBAs ■ Focus on purchasing pools with specific prepayment characteristics provides a measure of protection against prepayments

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



(1) Long securities portfolio includes investments in non-Agency RMBS, CMBS, ABS, CLOs, bank loans, and similar credit sensitive securities, but excludes unsecuritized mortgage and consumer loans, and Agency RMBS.
(2) HY CDX spreads are not loss-adjusted, while spreads on EFC long securities portfolio are loss-adjusted. The difference between long and short spreads would be wider if CDX spreads were loss-adjusted.
(3) Estimated yields at market prices are management's estimates derived from Ellington's proprietary models based on prices and market environment as of 6/30/2016 and include the effects of future estimated losses. The above analysis should not be considered a recommendation to purchase or sell any security or class of securities. Results are based on forward-looking models, which are inherently imperfect, and incorporate various simplifying assumptions. Therefore, the information above is for illustrative purposes only and the actual performance of our portfolio may differ from the data presented above, and such differences might be significant and adverse.

Credit Portfolio

EFC: Long Credit Portfolio

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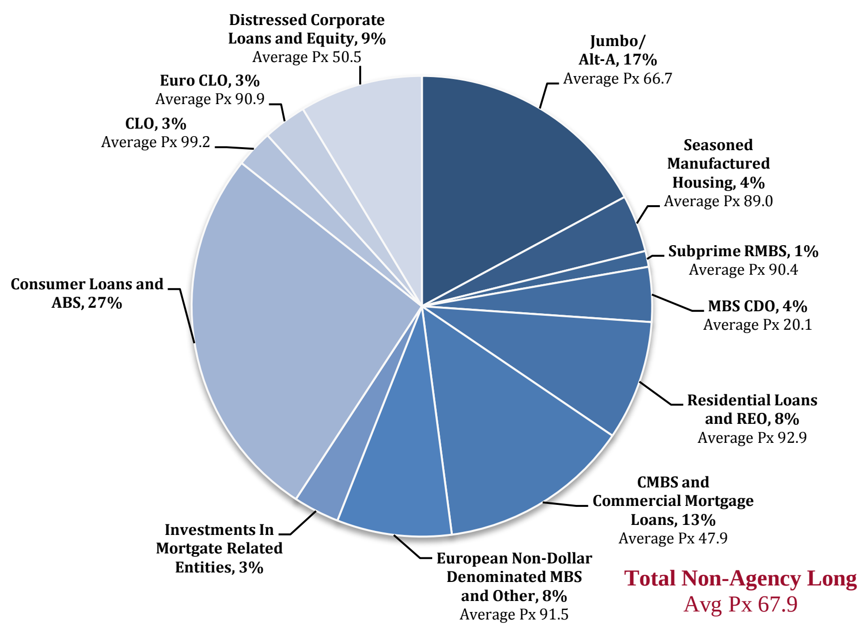
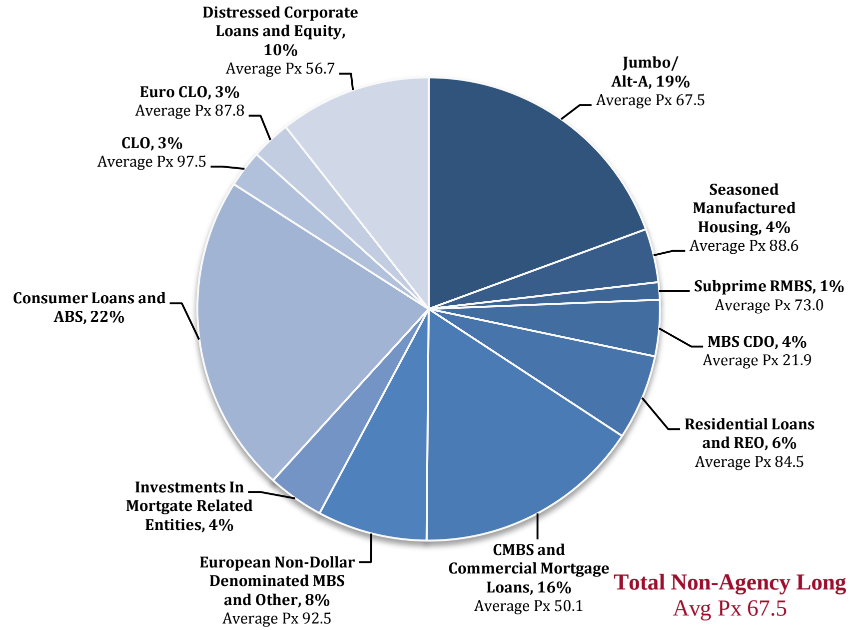
Current Quarter
Long Credit Portfolio 6/30/16: $583MM(1)(2)



Previous Quarter
Long Credit Portfolio 3/31/16: $645MM(1)(2)



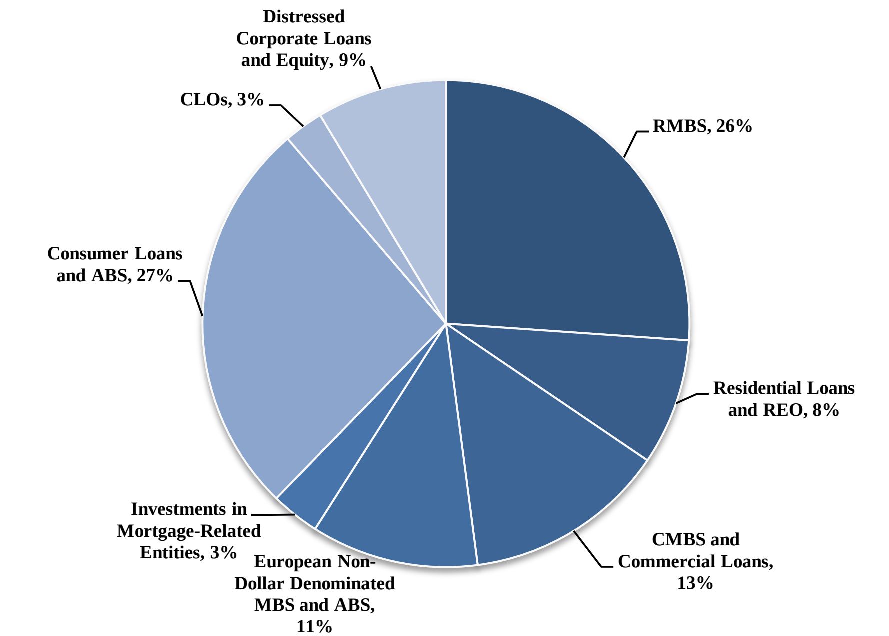
- **During the second quarter:**
  - Continued to sell non-Agency RMBS, although at a reduced pace compared to prior quarters
  - Consumer loans remained fastest growing segment of Credit portfolio
  - Increased pace of purchases of non-QM residential mortgage loans (included above in "Residential Loans and REO")
  - Resolved certain small balance commercial loans/REO

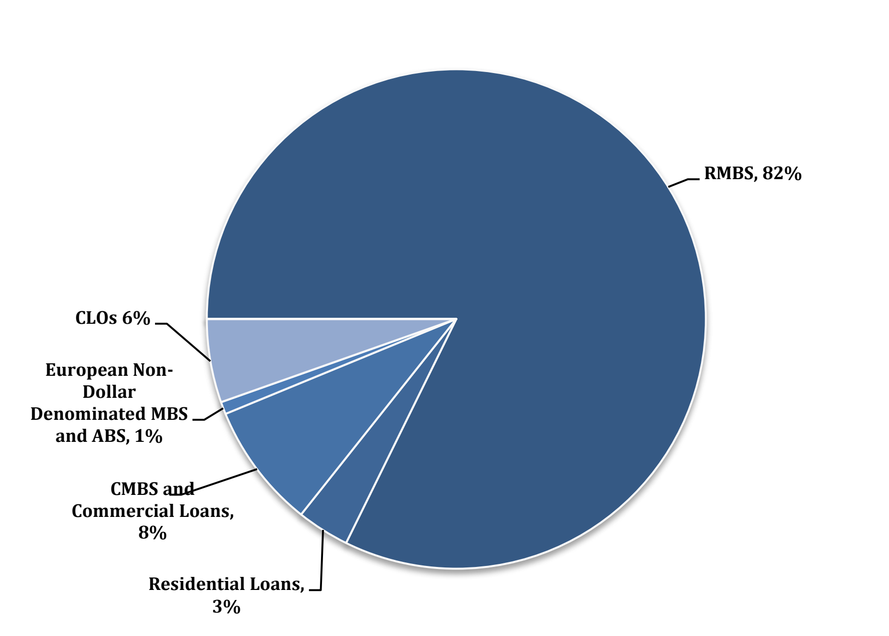
(1) This information does not include interest rate swaps, TBA positions, corporate CDS, common stock and equity swaps, or other hedge positions. Credit portfolio includes loan equivalent value related to long total return swaps on distressed corporate debt, which is based on the value of the underlying loans. The loan equivalent value of long total return swaps included in the long credit portfolio was $25.7 million as of June 30, 2016 and $44.6 million as of March 31, 2016. The corresponding value of the related total return swaps on distressed corporate debt was $(0.2) million as of June 30, 2016 and $0.4 million as of March 31, 2016.

(2) Average price excludes interest only, principal only, equity tranches and other similar investments, and REO at June 30, 2016 and March 31, 2016.

EFC: Long Credit Portfolio (continued)

Holdings Overview Long Credit Portfolio 6/30/16: $583MM(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 size of non-Agency RMBS and CMBS portfolios as market conditions change

(1) This information does not include interest rate swaps, TBA positions, corporate CDS, common stock and equity swaps, or other hedge positions. As of June 30, 2016, credit portfolio includes loan equivalent value in the amount of $25.7 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 $(0.2) million.

EFC: Long Credit Portfolio as of June 30, 2016

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- Credit strategy is the main driver of earnings
- Long Credit securities and loan portfolio value: $570.7 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	$99.9	66.7%	6.3	13.2%	6.25%
Seasoned Manufactured Housing	23.4	89.0	4.9	5.0	7.07
Subprime	6.5	90.4	4.1	9.3	7.88
MBS CDO	22.4	20.1	1.6	N/A	6.43
Residential Loans	46.7	92.9	17.6	N/A	6.71
CMBS and Commercial Mortgage Loans	76.5	47.9	4.1	N/A	15.21
European Non-Dollar Denominated MBS and Other	47.0	91.5	6.0	8.6	12.62
CLO	33.1	94.8	3.6	N/A	11.75
Consumer Loans and ABS	154.4	N/A	1.1	N/A	10.34
Distressed Corporate Loans	50.4	50.5	3.6	N/A	11.63
Other	10.4	72.9	3.5	N/A	16.33
Total	**$570.7**	**67.9**	**4.8**	**11.5**	**10.33**

(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.

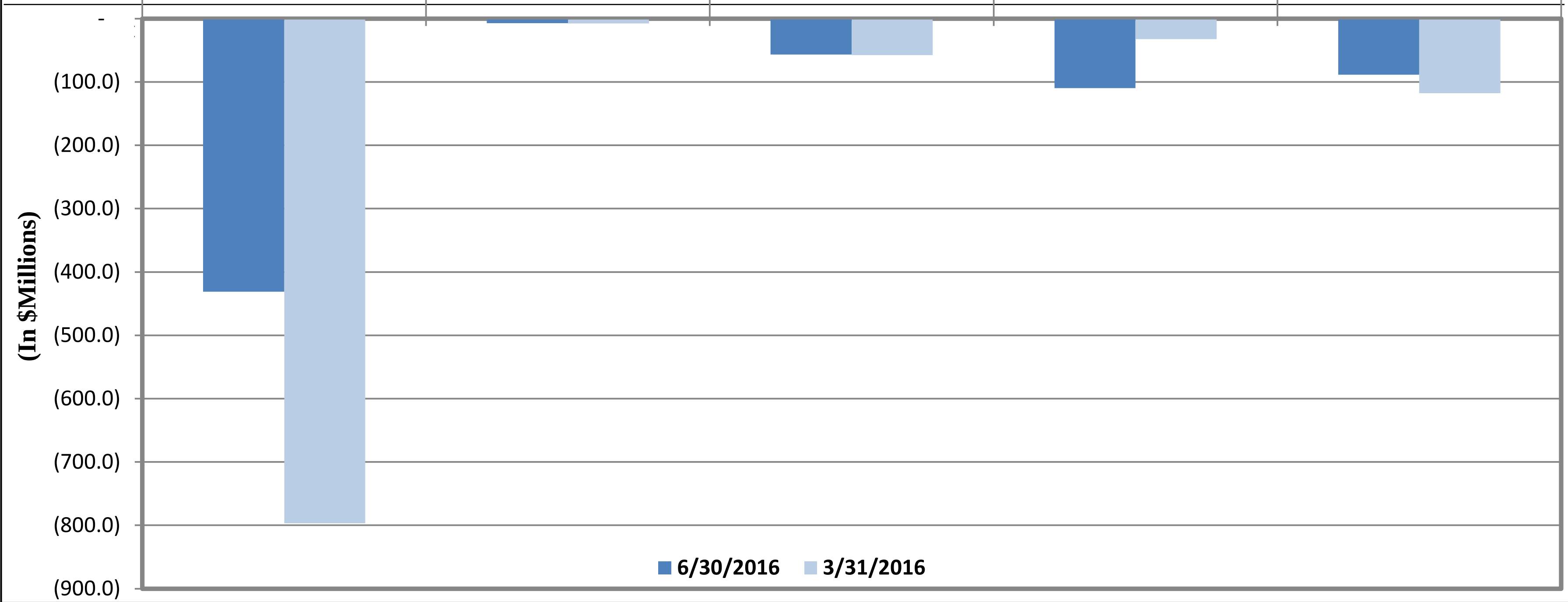
(2) Weighted average life assumes "projected" cashflows using Ellington's proprietary models. Excludes interest only, principal only, equity tranches .

(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 6/30/2016 and include the effects of future estimated losses. The above analysis should not be considered a recommendation to purchase or sell any security or class of securities. Results are based on forward-looking models, which are inherently imperfect, and incorporate various simplifying assumptions. Therefore, the table above is for illustrative purposes only and the actual performance of our portfolio may differ from the data presented above, and such differences might be significant and adverse.

EFC: Credit Hedging Portfolio(1)(2)

Instrument Category	Corporate CDS Indices / Tranches / Options / Single Names	Single Name ABS CDS and ABX Indices	European Sovereign Debt	Corporate 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.

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Agency Portfolio

EFC: Agency Long Portfolio

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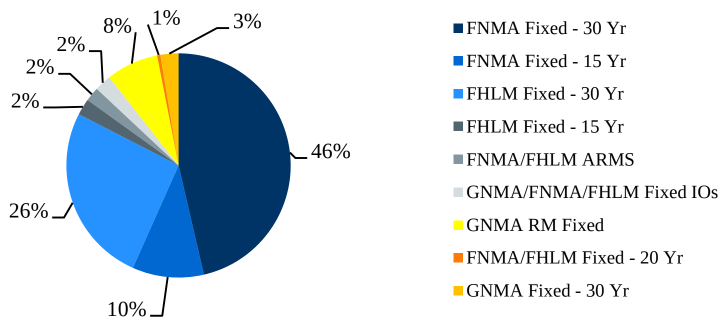
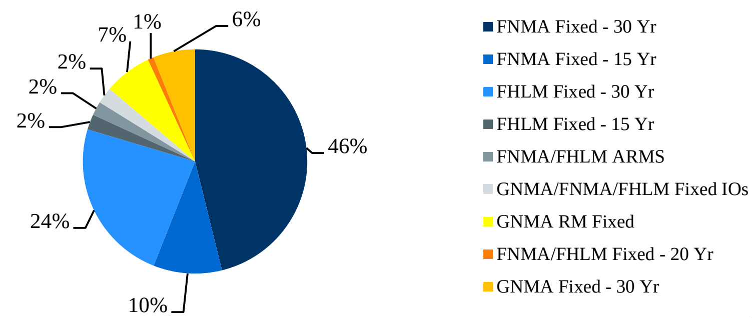
Current Quarter
Agency Long Portfolio 6/30/16: $850MM(1)



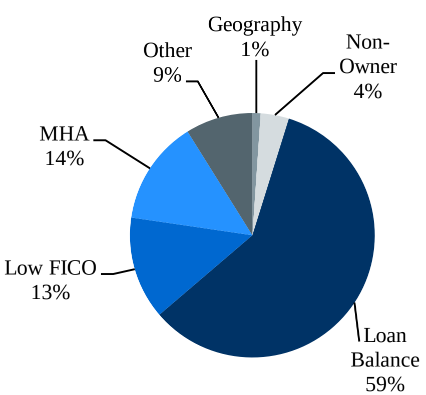
Weighted Average Coupon: 4.05%(6)

Previous Quarter
Agency Long Portfolio 3/31/16: $937MM(1)



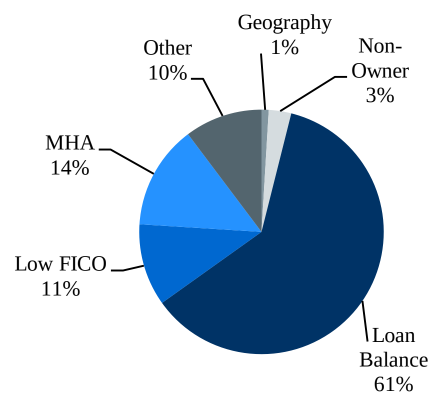
Weighted Average Coupon: 4.04%(6)

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



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

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

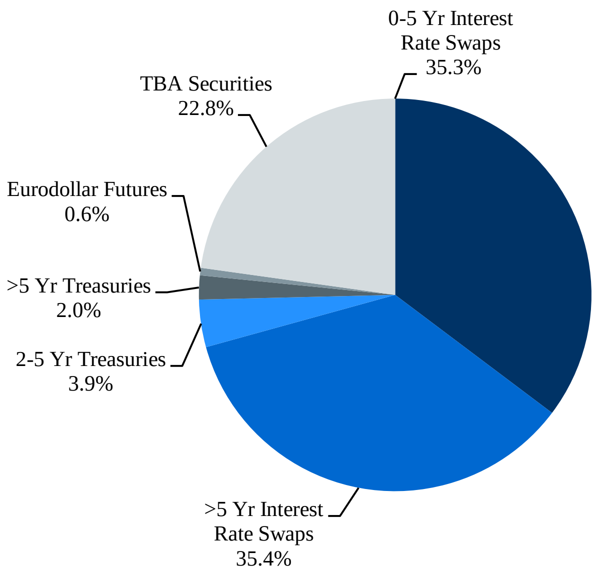


Characteristic(3)	Fair Value(2)(4)	3-Month Historical CPR(3)
Geography	$7.9	14.8
Non-Owner	24.7	5.5
Low Loan Bal	507.9	7.6
Low FICO	90.2	14.6
MHA(5)	114.0	10.0
Other	85.2	9.2
Totals	$829.9	8.9

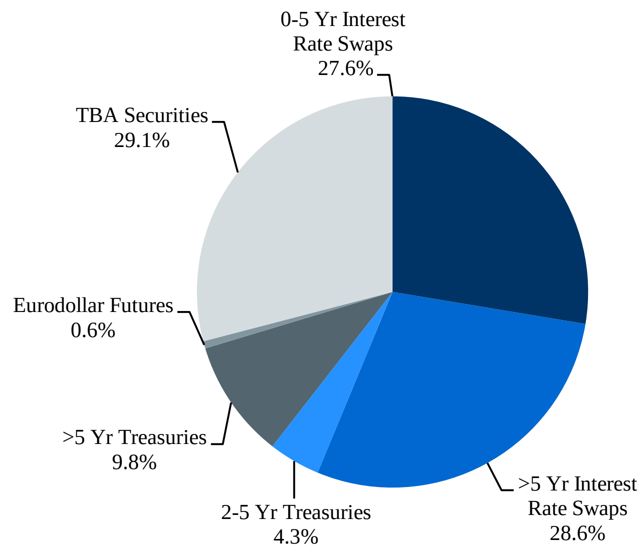
(1) Does not include long TBA positions with a notional value of $153.0 million and a fair value of $161.6 million as of June 30, 2016 and a notional value of $71.2 million and a fair value of $74.9 million as of March 31, 2016. Agency long portfolio includes $829.2 million of long Agency securities at June 30, 2016 and $914.4 million of long Agency securities at March 31, 2016. Additionally, the long Agency portfolio includes $20.5 million of interest only securities at June 30, 2016 and $22.3 million of interest only securities at March 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

Current Quarter
Agency Interest Rate Hedging Portfolio 6/30/16: Short $210 MM 10-year equivalents



Previous Quarter
Agency Interest Rate Hedging Portfolio 3/31/16: Short $292 MM 10-year equivalents



- Agency interest rate hedges are shown in normalized units of risk, with each group of positions measured in "10-year equivalents"
- Size of hedging portfolio declined as asset portfolio decreased in duration
  - Decreased net short TBAs relative to 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)

Ellington Financial

Calculation of Exposure to Agency Pools Based on Fair Value:

(In millions)

Agency-related Portfolio	**6/30/2016**	**3/31/2016**
Long Agency RMBS	$829	$914
Net Short TBAs	(375)	(369)
Net Long Exposure to Agency RMBS	**$454**	**$545**

- Shorting "generic" pools (or TBAs) allows EFC to significantly reduce interest rate risk and basis risk in its Agency portfolio; interest rate risk is also hedged with swaps, U.S. Treasury securities, and other instruments
- For those Agency pools hedged with comparable TBAs, the biggest risk is a drop in "pay-ups"; average market pay-up was 1.05% of the value of our fixed rate Agency pool portfolio as of June 30, 2016, up from 0.88% as of March 31, 2016

Estimated Change in Fair Value as of 6/30/16 for Agency Pools, Agency IOs, and Related Hedges if Interest Rates Move:

(In thousands)	**Down 50 BPS**	**Up 50 BPS**
Agency RMS - ARM Pools	$61	($81)
Agency RMBS - Fixed Pools and IO	7,594	(12,143)
TBAs	(999)	3,409
Interest Rate Swaps	(6,985)	6,687
U.S. Treasury Securities	(576)	561
Eurodollar and U.S. Treasury Futures	(59)	59
Repurchase and Reverse Repurchase Agreements	(431)	431
Total	**($1,395)**	**($1,077)**

Note: The above table reflects a parallel shift in interest rates based on the market environment as of June 30, 2016. The preceding analysis does not include sensitivities to changes in interest rates for categories of instruments for which we believe that the effect of a change in interest rates is not material to the value of the overall portfolio and/or cannot be accurately estimated. Results are based on forward-looking models, which are inherently imperfect, and incorporate various simplifying assumptions. Therefore, the table above is for illustrative purposes only and actual changes in interest rates would likely cause changes in the actual value of our portfolio that would differ from those presented above, and such differences might be significant and adverse.

Borrowings

EFC: Repo Borrowings as of June 30, 2016

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($ in thousands)	Repo Borrowings				
Remaining Days to Maturity	**Credit**	**Agency**	**U.S. Treasury**	**Total**	**% of Total Borrowings**
30 Days or Less	$19,109	$361,738	$143	$380,990	35.6%
31-60 Days	18,186	254,400	—	272,586	25.5%
61-90 Days	72,843	199,636	—	272,479	25.5%
91-120 Days	4,518	—	—	4,518	0.4%
121-150 Days	9,669	—	—	9,669	0.9%
151-180 Days	12,021	—	—	12,021	1.1%
181-360 Days	85,671	—	—	85,671	8.0%
> 360 Days	32,171	—	—	32,171	3.0%
Total Borrowings	**254,188**	**815,774**	**143**	**1,070,105**	**100.0%**
Weighted Average Remaining Days to Maturity	204	39	1	78	

- As of June 30, 2016:
  - Repo borrowings outstanding were with 20 counterparties
  - Repo borrowings had a remaining weighted average maturity of 78 days; maturities are staggered to mitigate liquidity risk
  - EFC had securitized debt outstanding in the amount of $13.0 million (not included above), collateralized by certain small balance commercial loans and REO. This debt amortizes until its maturity in March 2018.

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

EFC: Average Cost of Borrowings

Ellington Financial

($ In thousands)	As of June 30, 2016	For the Quarter Ended June 30, 2016	
Collateral for Borrowing	Outstanding Borrowings	Average Borrowings for the Quarter Ended	Average Cost of Funds
Credit	$267,222	$283,775	3.14%
Agency RMBS	815,774	850,986	0.71%
Total excluding U.S. Treasury Securities	1,082,996	1,134,761	1.32%
U.S. Treasury Securities	143	9,280	0.28%
Total	**1,083,139**	**$1,144,041**	**1.31%**
Leverage Ratio[1]	1.59:1		
Leverage Ratio Excluding U.S. Treasury Securities[1]	1.59:1		

- Leverage ratio was 1.59:1 as of June 30, 2016, as compared to 1.69:1 as of March 31, 2016
- As of June 30, 2016, weighted average borrowing rates were 2.78% for Credit borrowings and 0.70% for Agency repo
  - Increasing portion of Credit borrowings related to loans, which generally carry higher borrowing rates
  - Also included in the average cost of funds for our Credit portfolio was 0.22% (annualized) of amortization expenses during the second quarter related to certain financing facility set-up costs

(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 $1.070 billion and securitized debt in the amount of $13.0 million as of June 30, 2016.

Supplemental Information

EFC: Gross Profit and Loss

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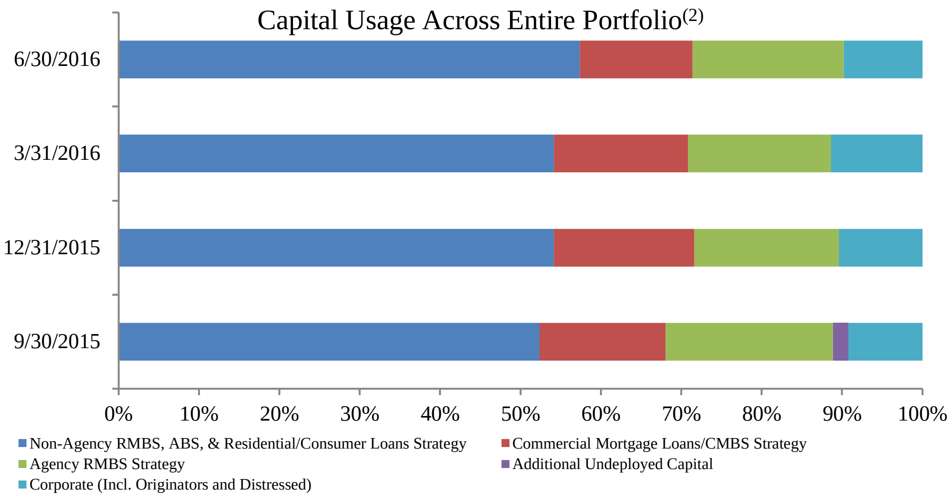
	Six Months Ended June 30, 2016		Years Ended															
	2016		2015		2014		2013		2012		2011		2010		2009		2008	
($ In thousands)	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%
Long: Credit	15,697	2.17	46,892	6.09	77,636	11.38	109,536	18.53	129,830	30.02	1,505	0.39	70,840	21.87	101,748	36.33	(64,565)	(26.20)
Credit Hedge and Other	(24,083)	(3.33)	10,671	1.38	(1,197)	(0.17)	(19,286)	(3.26)	(14,642)	(3.39)	19,895	5.16	(7,958)	(2.46)	10,133	3.62	78,373	31.81
Interest Rate Hedge: Credit	(2,680)	(0.37)	(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	26,746	3.70	23,629	3.07	61,126	8.97	(14,044)	(2.39)	37,701	8.72	63,558	16.47	21,552	6.65	22,171	7.92	4,763	1.93
Interest Rate Hedge and Other: Agency	(23,765)	(3.29)	(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)	**(8,085)**	**(1.12)**	**59,127**	**7.67**	**80,452**	**11.80**	**103,990**	**17.58**	**128,998**	**29.83**	**22,614**	**5.86**	**57,760**	**17.83**	**124,294**	**44.39**	**8,711**	**3.54**

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

EFC: Capital and Leverage[1]



Notes

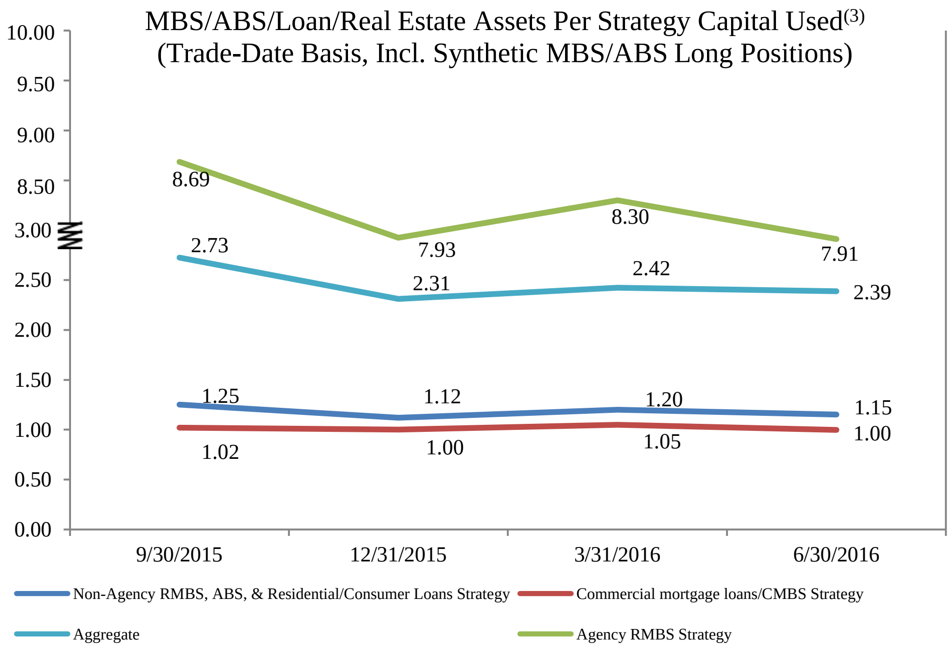
(1) Excludes U.S. Treasury securities

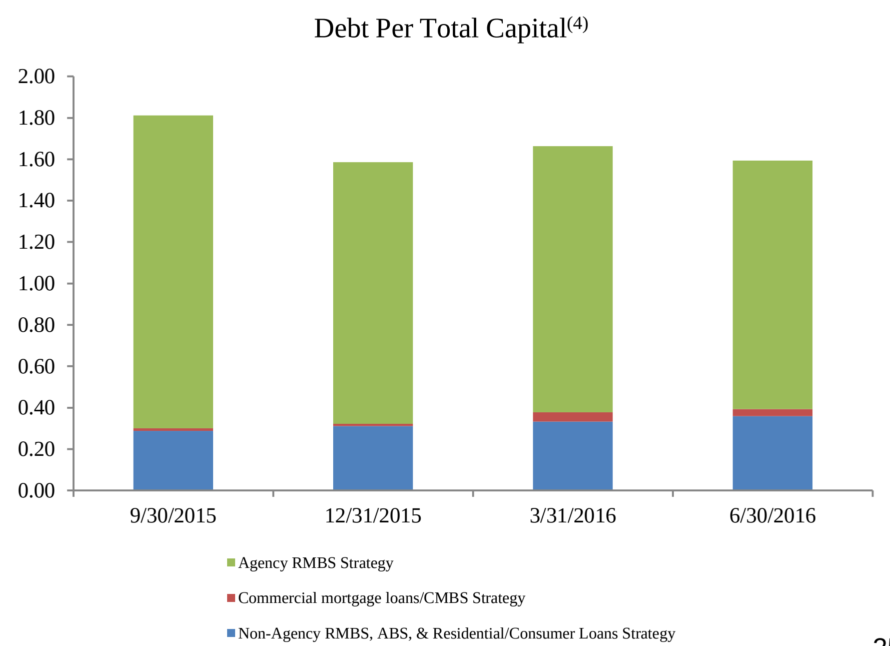
(2) Capital usage based on pro forma calculation of leverage generally applicable to long positions in target asset classes.

(3) Assets per strategy capital 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

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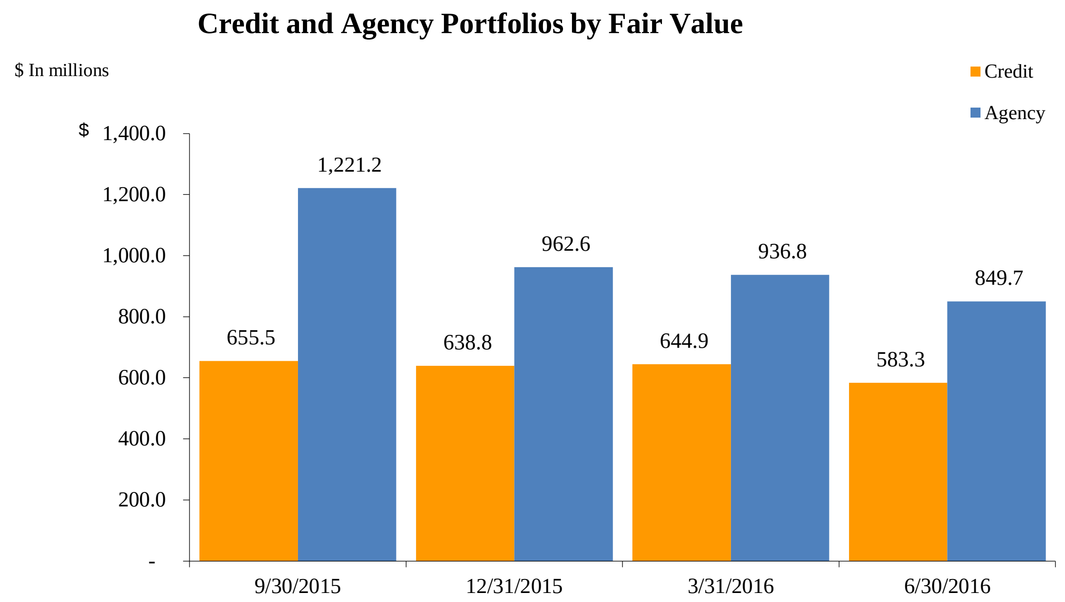

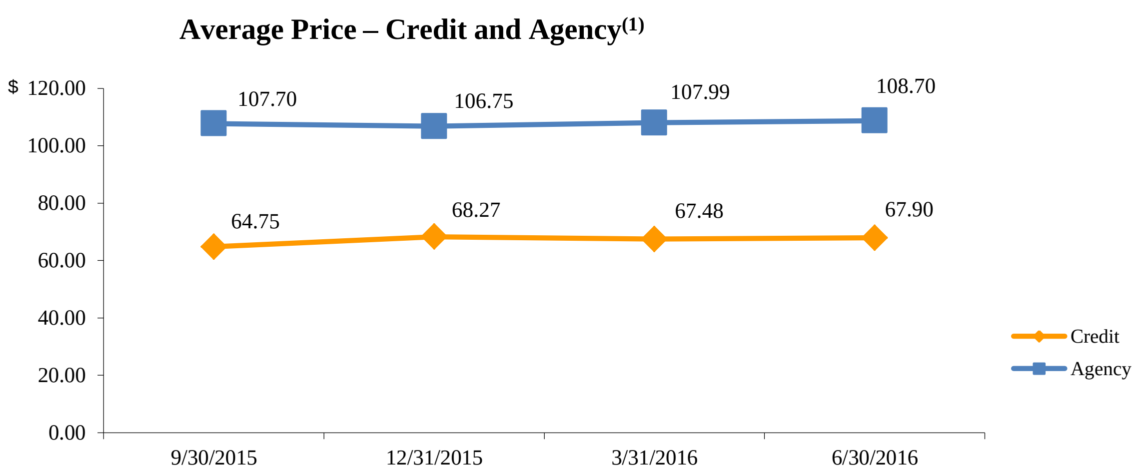

(1) Excludes interest only, principal only, equity tranches and other similar investments and REO

EFC: Yields and Net Interest Margin

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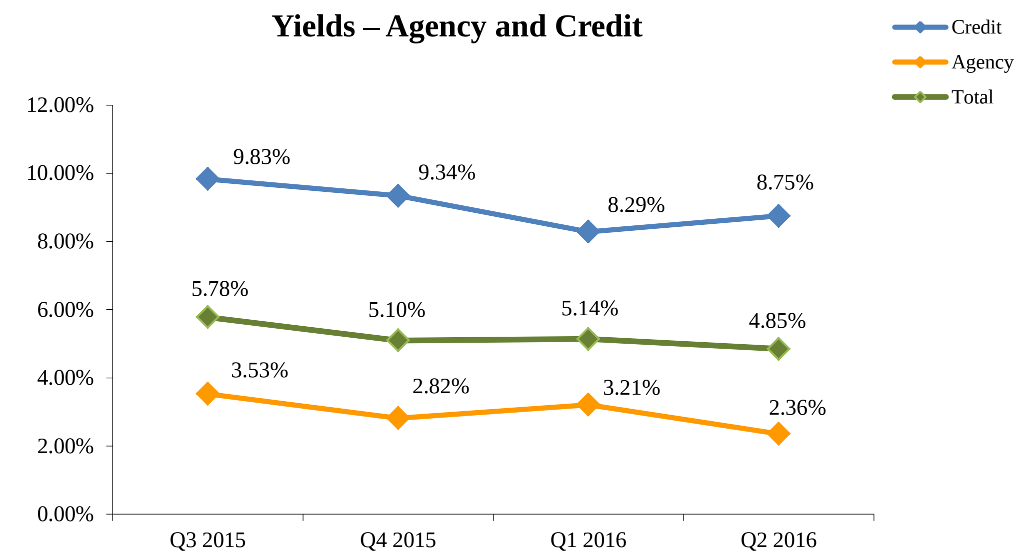
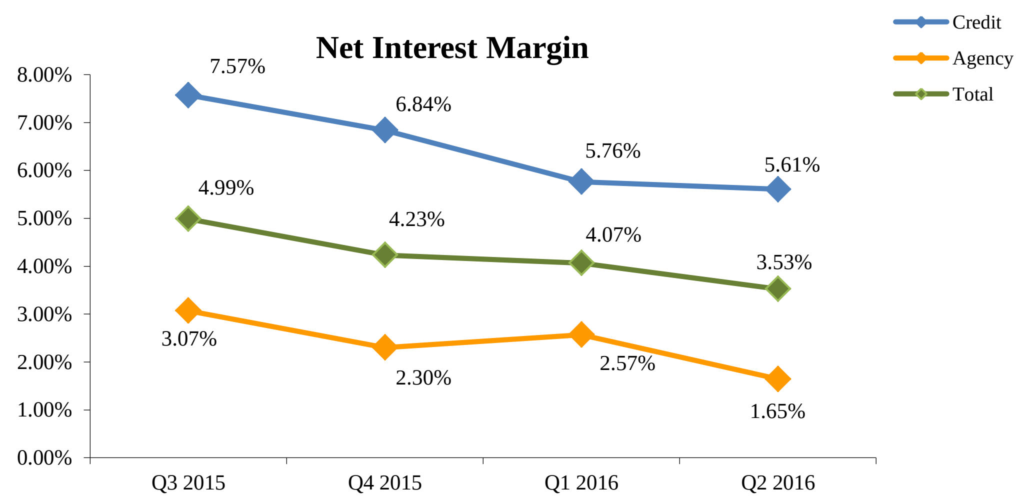


Note: Yields are based on amortized cost, not fair value. Excludes long credit swaps.



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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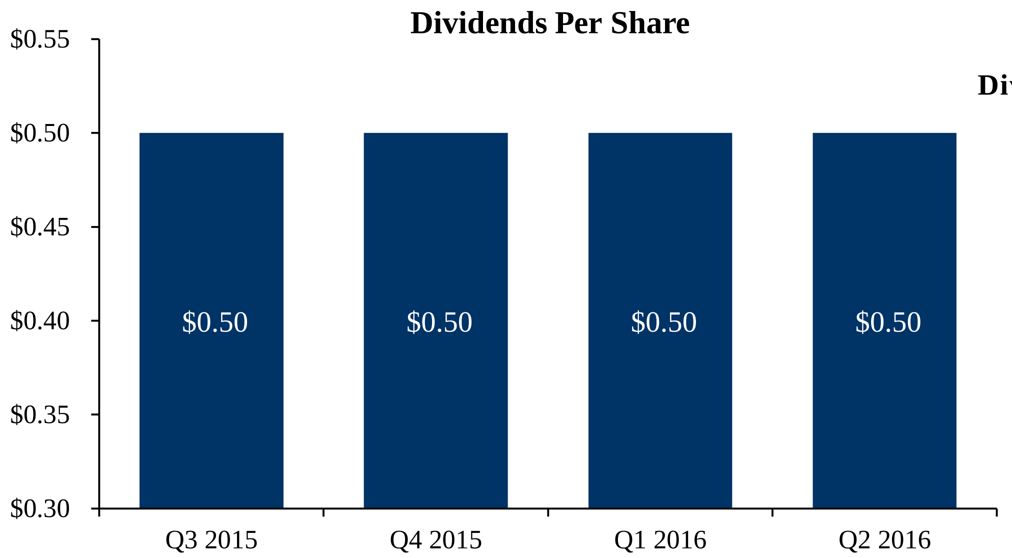
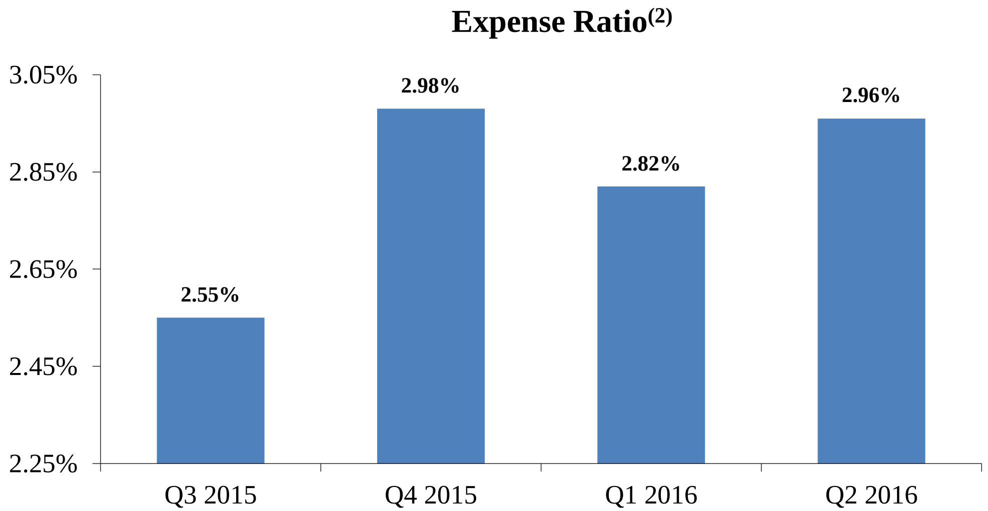


Dividend Yield as of August 3, 2016
11.5%(1)



(1) Based on NYSE closing price as of 8/3/2016.
(2) Expense ratios annualized.

EFC: Diluted Book Value

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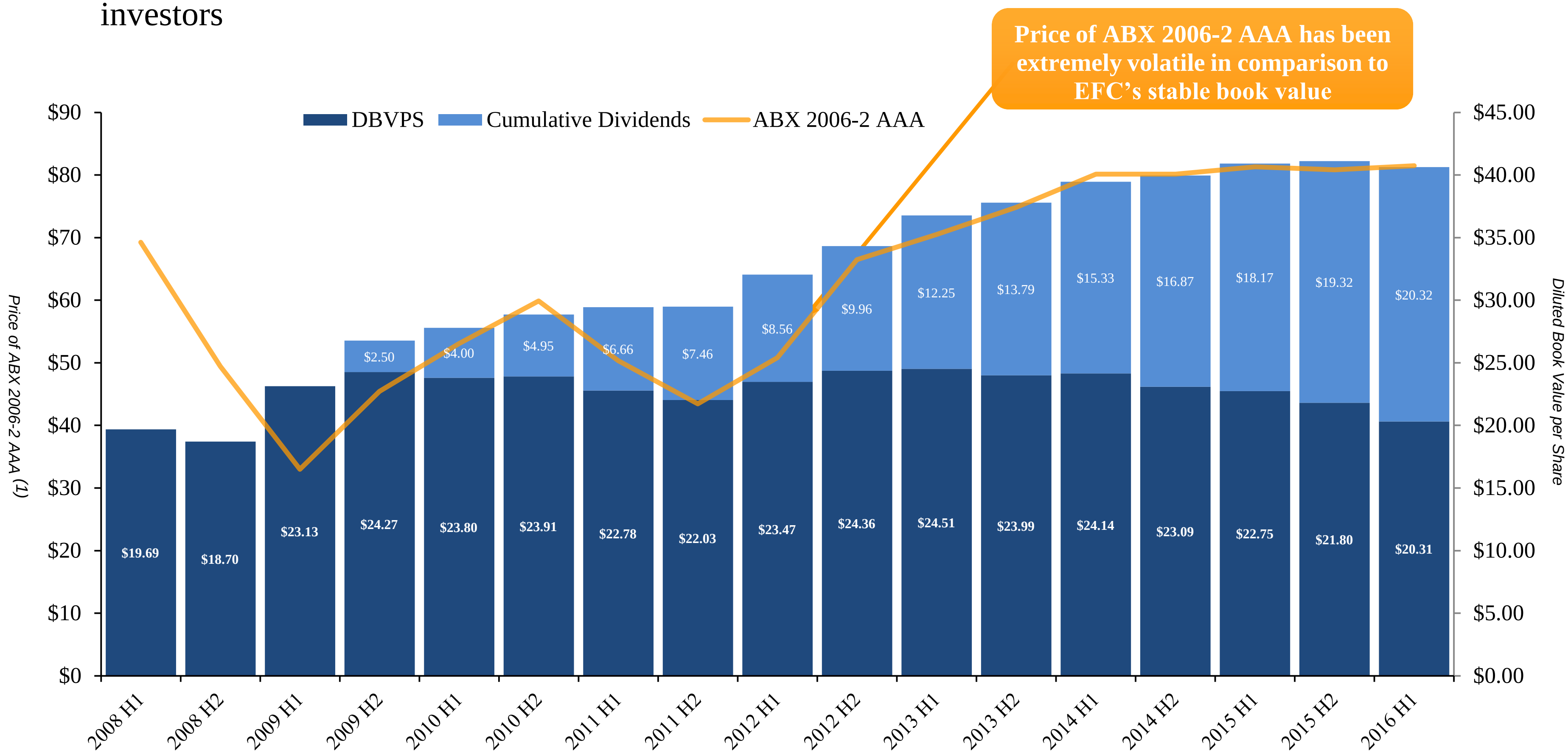
- EFC has successfully preserved book value through market cycles, while producing strong results for investors



- EFC life-to-date diluted net-asset-value-based total return from inception in August 2007 through Q2 2016 is approximately 156%, or 11.2% 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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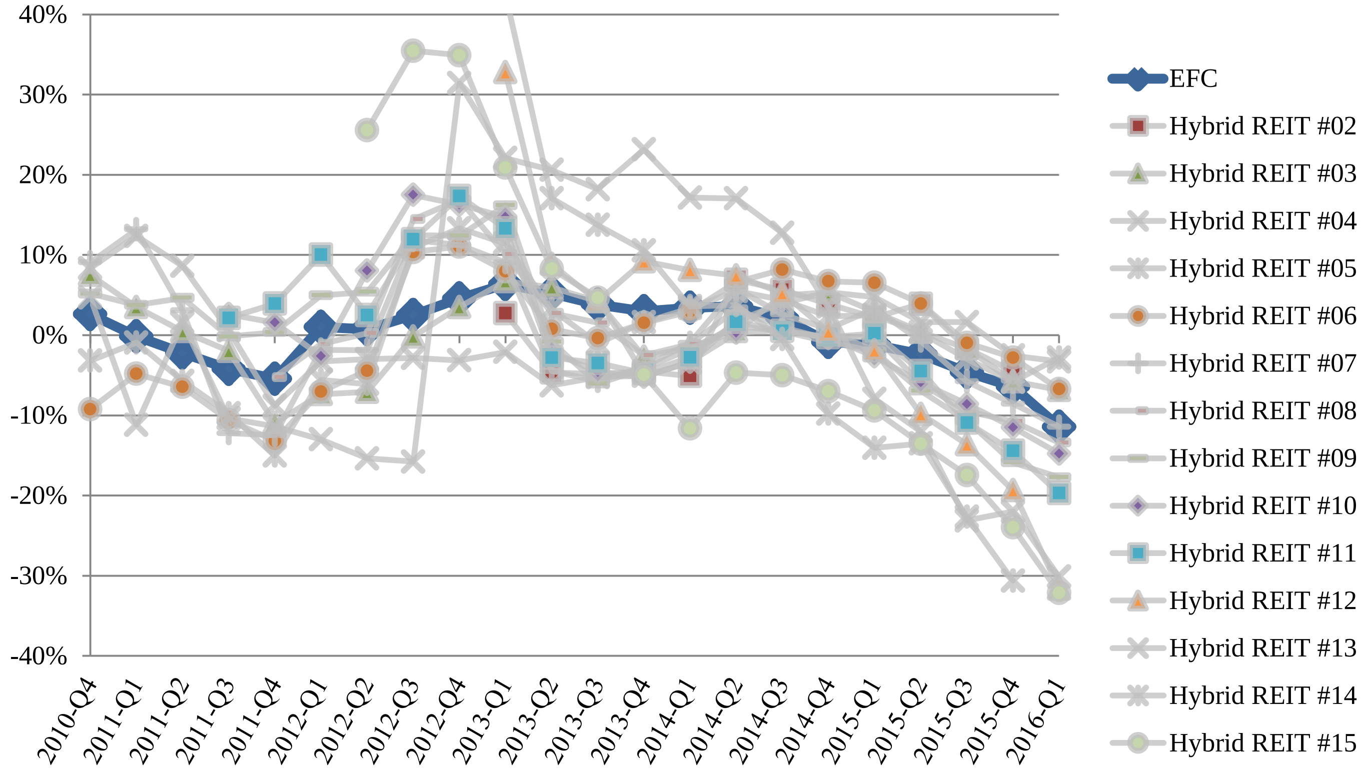
Normalized Book Value per Share of Hybrid mREITs
Q1 2011 - Q1 2016(1)(2)



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

Company	Standard Deviation
EFC	4.32%
Hybrid REIT #02	4.44%
Hybrid REIT #03	5.06%
Hybrid REIT #04	5.28%
Hybrid REIT #05	6.74%
Hybrid REIT #06	7.00%
Hybrid REIT #07	7.64%
Hybrid REIT #08	7.73%
Hybrid REIT #09	8.20%
Hybrid REIT #10	8.58%
Hybrid REIT #11	8.99%
Hybrid REIT #12	15.35%
Hybrid REIT #13	17.45%
Hybrid REIT #14	19.04%
Hybrid REIT #15	19.52%

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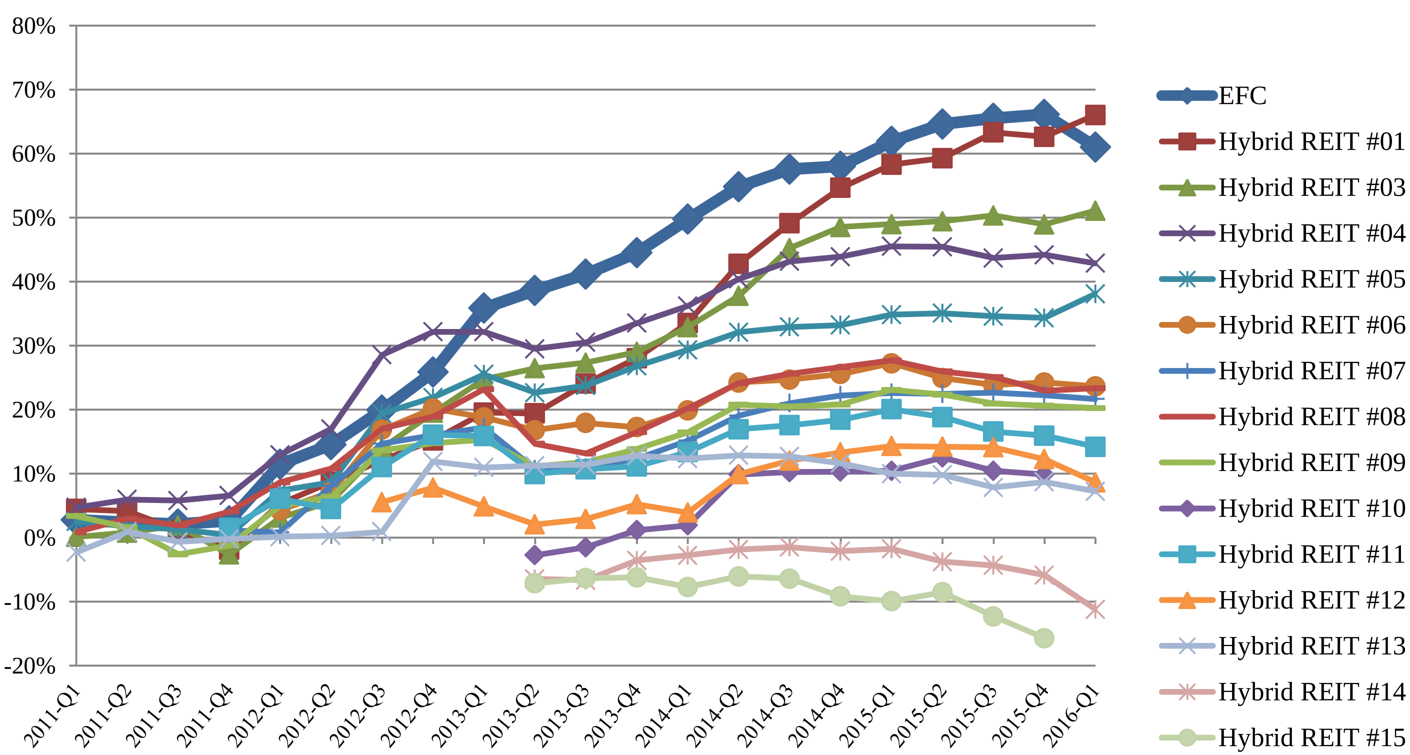
Normalized Cumulative Compounded Quarterly Economic Returns of Hybrid mREITs Q1 2011 – Q1 2016[(1)(2)(3)]



Sharpe Ratio of Quarterly Economic Returns Q1 2011 – Q1 2016

Company	Sharpe Ratio
Hybrid REIT #01	1.94
EFC	1.80
Hybrid REIT #03	1.56
Hybrid REIT #04	1.34
Hybrid REIT #05	1.20
Hybrid REIT #06	0.96
Hybrid REIT #07	0.83
Hybrid REIT #08	0.76
Hybrid REIT #09	0.65
Hybrid REIT #10	0.65
Hybrid REIT #11	0.54
Hybrid REIT #12	0.40
Hybrid REIT #13	0.17
Hybrid REIT #14	-0.76
Hybrid REIT #15	-1.14

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

(1) Source: Bloomberg, JMP
(2) Normalized quarterly economic return for a company represents its quarterly economic return divided by the ratio between its volatility of quarterly economic returns over the entire period and the volatility of EFC's quarterly economic returns over the entire period.
(3) Risk free rate is assumed to equal 0% for all periods.

Income Statement

(Unaudited)

Ellington Financial

ELLINGTON FINANCIAL LLC
CONSOLIDATED STATEMENT OF OPERATIONS

(In thousands, except per share data)	Three Month Period Ended June 30, 2016	Three Month Period Ended March 31, 2016	Six Month Period Ended June 30, 2016
Investment income			
Interest income	$ 18,990	$ 20,427	$ 39,417
Other income	1,024	1,668	2,692
Total investment income	20,014	22,095	42,109
Expenses			
Base management fee	2,553	2,611	5,164
Interest expense	4,234	3,468	7,702
Other investment related expenses	2,191	1,749	3,938
Other operating expenses	2,515	2,445	4,962
Total expenses	11,493	10,273	21,766
Net investment income	8,521	11,822	20,343
Net realized gain (loss) on:			
Investments	1,226	(1,974)	(748)
Financial derivatives, excluding currency forwards	(2,231)	(10,054)	(12,285)
Financial derivatives—currency forwards	(972)	(332)	(1,305)
Foreign currency transactions	(354)	420	66
	(2,331)	(11,940)	(14,272)
Change in net unrealized gain (loss) on:			
Investments	3,386	(4,402)	(1,016)
Financial derivatives, excluding currency forwards	(5,773)	(18,838)	(24,611)
Financial derivatives—currency forwards	3,500	(3,047)	454
Foreign currency translation	(2,301)	3,219	918
	(1,188)	(23,068)	(24,255)
Net realized and change in net unrealized gain (loss) on investments and financial derivatives	(3,519)	(35,008)	(38,527)
Net increase in equity resulting from operations	$ 5,002	$ (23,186)	$ (18,184)
Less: Increase in equity resulting from operations attributable to non-controlling interests	17	14	31
Net increase (decrease) in shareholders' equity resulting from operations	$4,985	($23,200)	($18,215)
Net increase (decrease) in shareholders' equity resulting from operations per share:			
Basic and diluted	$ 0.15	$ (0.69)	$ (0.54)
Weighted average shares and LTIP units outstanding	33,290	33,534	33,412
Weighted average shares and convertible units outstanding	33,502	33,746	33,624

Balance Sheet

(Unaudited)

ELLINGTON FINANCIAL LLC
CONSOLIDATED STATEMENT OF ASSETS, LIABILITIES AND EQUITY

(In thousands, except share amounts)	As of June 30, 2016	As of March 31, 2016	As of December 31, 2015[1]
ASSETS			
Cash and cash equivalents	$ 140,358	$ 142,082	$ 183,909
Restricted Cash	3,905	4,485	4,857
Investments, financial derivatives, and repurchase agreements:			
Investments, at fair value (Cost – $1,590,345, $1,634,790 and $1,672,400)	1,582,165	1,625,585	1,661,118
Financial derivatives–assets, at fair value (Net cost – $149,985, $182,182 and $163,943)	152,628	190,798	162,905
Repurchase agreements (Cost – $116,985, $126,867 and $105,329)	116,003	127,468	105,700
Total Investments, financial derivatives, and repurchase agreements	1,850,796	1,943,851	1,929,723
Due from brokers	199,125	184,973	141,605
Receivable for securities sold and financial derivatives	536,936	606,551	705,748
Interest and principal receivable	19,085	18,289	20,444
Other assets	2,886	2,664	5,269
Total assets	$ 2,753,091	$ 2,902,895	$ 2,991,555
LIABILITIES			
Investments and financial derivatives:			
Investments sold short, at fair value (Proceeds – $613,756, $708,403 and $731,048)	$ 616,337	$ 712,128	$ 728,747
Financial derivatives–liabilities, at fair value (Net proceeds – $43,032, $51,443 and $56,200)	74,098	85,679	60,472
Total investments and financial derivatives	690,435	797,807	789,219
Reverse repurchase agreements	1,070,105	1,149,064	1,174,189
Due to brokers	94,715	124,940	114,797
Payable for securities purchased and financial derivatives	197,164	103,376	165,365
Securitized debt (Proceeds – $13,034, $23,238 and $0)	13,034	23,238	-
Accounts payable and accrued expenses	3,055	3,771	3,626
Base management fee payable	2,553	2,611	2,773
Interest and dividends payable	2,523	2,549	1,806
Other liabilities	324	617	828
Total liabilities	2,073,908	2,207,973	2,252,603
EQUITY	679,183	694,922	738,952
TOTAL LIABILITIES AND EQUITY	$ 2,753,091	$ 2,902,895	$ 2,991,555
ANALYSIS OF EQUITY:			
Common shares, no par value, 100,000,000 shares authorized;			
(32,743,356, 32,962,979 and 33,126,012 shares issued and outstanding)	$ 664,109	$ 679,557	$ 722,360
Additional paid-in capital–LTIP units	9,886	9,787	9,689
Total Shareholders' Equity	$ 673,995	$ 689,344	$ 732,049
Non-controlling interests	5,188	5,578	6,903
Total Equity	$ 679,183	$ 694,922	$ 738,952
PER SHARE INFORMATION:			
Common shares, no par value	$ 20.58	$ 20.91	$ 22.10
DILUTED PER SHARE INFORMATION:			
Common shares and convertible units, no par value[2]	$ 20.31	$ 20.63	$ 21.80

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

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

About Ellington

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

- EMG was founded in 1994 by Michael Vranos and five partners; currently has over 160 employees, giving EFC access to time-tested infrastructure and proprietary resources in trading, research, risk management, and operational support
  - EMG has approximately $5.9 billion in assets under management as of June 30, 2016

- EMG's portfolio managers are among the most experienced in the MBS sector and the firm's analytics have been developed over a 21-year history
  - Prior to forming EMG, five of the founding partners constituted the core of Kidder Peabody's MBS trading and research group, while one spent ten years at Lehman Brothers where he ran collateralized mortgage obligation ("CMO") trading
  - The founding partners each have advanced academic training in mathematics and engineering, including among them several Ph.D.'s and Master's degrees

- Management owns over 10.5% of EFC; interests are aligned with shareholders

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

Ellington Financial

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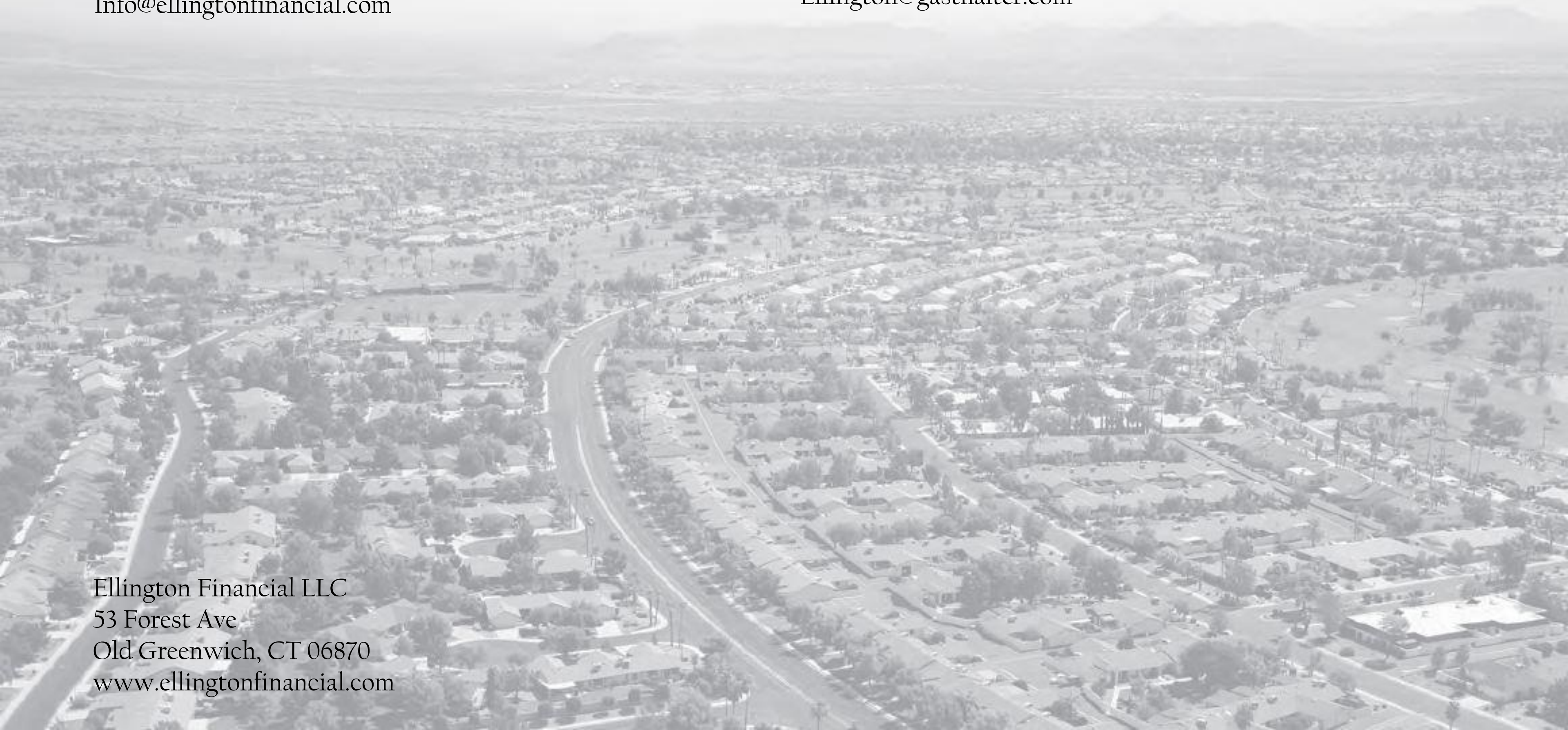

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