Ellington Financial

Second Quarter 2018 Earnings Conference Call

August 7, 2018

Important Notice

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Forward-Looking Statements

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

The Company's results can fluctuate from month to month and from quarter to quarter depending on a variety of factors, some of which are beyond the Company's control and/or are difficult to predict, including, without limitation, changes in interest rates and the market value of the Company's securities, changes in mortgage default rates and prepayment rates, the Company's ability to borrow to finance its assets, changes in government regulations affecting the Company's business, the Company's ability to maintain its exclusion from registration under the Investment Company Act of 1940 and other changes in market conditions and economic trends. Furthermore, forward-looking statements are subject to risks and uncertainties, including, among other things, those described under Item 1A of our Annual Report on Form 10-K filed on March 15, 2018, which can be accessed through the Company’s website at www.ellingtonfinancial.com or at the SEC’s website (www.sec.gov). Other risks, uncertainties, and factors that could cause actual results to differ materially from those projected may be described from time to time in reports we file with the SEC, including reports on Form 10-Q, 10-K and 8-K. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Modeling

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

Example Analyses

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

Projected Yields and Spreads

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

Financial Information

All financial information included in this presentation is as of June 30, 2018 unless otherwise indicated. We undertake no duty or obligation to update this presentation to reflect subsequent events or developments.

Second Quarter Market Update

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	Quarter Ended										
	6/30/2018	3/31/2018	Q/Q	12/31/2017	Q/Q	9/30/2017	Q/Q	6/30/2017	Q/Q	3/31/2017	Q/Q
UST (%)[1]											
2Y UST	2.53	2.27	+0.26	1.88	+0.38	1.48	+0.40	1.38	+0.10	1.25	+0.13
5Y UST	2.74	2.56	+0.18	2.21	+0.36	1.94	+0.27	1.89	+0.05	1.92	-0.03
10Y UST	2.86	2.74	+0.12	2.41	+0.33	2.33	+0.07	2.30	+0.03	2.39	-0.08
30Y UST	2.99	2.97	+0.02	2.74	+0.23	2.86	-0.12	2.83	+0.03	3.01	-0.17
2Y10Y Spread	0.33	0.47	-0.14	0.52	-0.05	0.85	-0.33	0.92	-0.07	1.13	-0.21
US Dollar Swaps (%)[1]											
2Y SWAP	2.79	2.58	+0.21	2.08	+0.50	1.74	+0.34	1.62	+0.12	1.62	+0.00
5Y SWAP	2.89	2.71	+0.18	2.24	+0.46	2.00	+0.24	1.96	+0.05	2.05	-0.09
10Y SWAP	2.93	2.79	+0.14	2.40	+0.39	2.29	+0.11	2.28	+0.01	2.38	-0.10
LIBOR (%)[1]											
1mo	2.09	1.88	+0.21	1.56	+0.32	1.23	+0.33	1.22	+0.01	0.98	+0.24
3mo	2.34	2.31	+0.02	1.69	+0.62	1.33	+0.36	1.30	+0.03	1.15	+0.15
1mo3mo Spread	0.25	0.43	-0.18	0.13	+0.30	0.10	+0.03	0.08	+0.03	0.17	-0.09
Mortgage Rates (%)[2]											
15Y	4.22	4.09	+0.13	3.64	+0.45	3.42	+0.22	3.43	-0.01	3.57	-0.14
30Y	4.55	4.44	+0.11	3.99	+0.45	3.83	+0.16	3.88	-0.05	4.14	-0.26
FNMA Pass-Thrus[1]											
30Y 3.0	$96.80	$97.55	-$0.75	$100.05	-$2.50	$100.27	-$0.22	$99.83	+$0.44	$99.23	+$0.59
30Y 3.5	$99.45	$100.20	-$0.75	$102.73	-$2.53	$103.05	-$0.31	$102.67	+$0.38	$102.36	+$0.31
30Y 4.5	$104.08	$104.70	-$0.63	$106.42	-$1.72	$107.33	-$0.91	$107.27	+$0.06	$107.30	-$0.03
Libor-based OAS (bps)[3]											
30Y 3.0 OAS	17.7	21.6	-3.9	20.7	+0.9	23.8	-3.1	31.5	-7.7	31.7	-0.2
30Y 3.5 OAS	21.5	23.8	-2.3	17.2	+6.6	20.0	-2.8	29.4	-9.4	28.9	+0.5
30Y 4.5 OAS	31.3	32.7	-1.4	15.4	+17.3	8.6	+6.8	30.5	-21.9	25.9	+4.6
Libor-based ZSpread (bps)[4]											
30Y 3.0 ZSpread	46.9	52.1	-5.2	56.5	-4.4	63.1	-6.6	70.0	-6.9	67.5	+2.5
30Y 3.5 ZSpread	62.7	67.4	-4.7	65.5	+1.9	72.9	-7.4	81.1	-8.2	76.8	+4.3
30Y 4.5 ZSpread	78.1	79.0	-0.9	50.2	+28.8	53.1	-2.9	72.9	-19.8	70.4	+2.5

Second Quarter Highlights[1]

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Overall Results	■ Net income: $21.2 million or $0.69 per share ■ NAV-based total return: 3.8% for the quarter and 8.2% year-to-date (17.1% annualized) ■ Net investment income of $11.0 million or $0.36 per share ■ Adjusted net investment income [2] of $11.0 million or $0.36 per share
Credit Strategy	■ Credit gross income: $24.9 million[3] or $0.80 per share ■ Long Credit portfolio: $1.12 billion[4][5] — 9% increase from previous quarter
Agency RMBS Strategy	■ Agency gross income: $1.7 million[3] or $0.06 per share ■ Long Agency portfolio: $949 million — 2% increase from previous quarter
Equity & BVPS	■ Total equity: $613 million ■ Diluted book value per share: $19.57 after $0.41 dividend paid in June
Dividends	■ 2nd quarter dividend of $0.41 per share announced on 8/1/2018, payable on 9/17/2018 ■ Annualized dividend yield of 10.0% based on the 8/3/2018 closing price of $16.34

Leverage	■ Overall debt-to-equity[6] ratio: 2.77x
	  ■ Credit: 1.65x
	  ■ Agency: 9.24x

Share Repurchase Program	■ Repurchased 242,161 shares, or 0.8% of outstanding shares, at an average price of $14.98 per share ■ Second quarter share repurchases were accretive to diluted book value by $0.03 per share

Portfolio Summary as of June 30, 2018[1]

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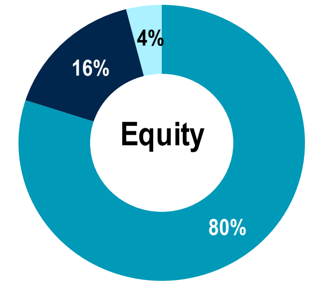
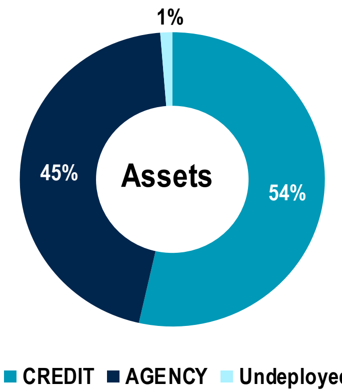
Diversified sources of return to perform across market cycles

Strategy	Allocated Equity		Fair Value ($MM)	Average Price (%)[2][6]	WAVG Life[4][6]	WAVG Mkt Yield[5][6]
CREDIT						
CLO		$	210,935	96.6	4.9	12.3%
Consumer Loans and ABS			196,584	- [3]	0.9	9.3%
Residential Mortgage Loans and REO[7]			193,266	98.2	2.9	6.5%
Non-Dollar MBS, ABS, CLO and Other			172,012	81.3	7.7	8.0%
Non-Agency RMBS			156,834	79.9	5.3	5.4%
CMBS and Commercial Mortgage Loans and REO			156,473	75.3	1.5	12.0%
Investments in Mortgage-Related Entities			30,823	N/A	N/A	N/A
Corporate Debt and Equity			6,178	28.3	0.6	10.0%
Total - Credit	**80%**	**$**	**1,123,105**	**86.5**	**3.7**	**9.1%**
AGENCY						
Fixed-Rate Specified Pools		$	853,120	102.9	7.7	3.6%
Reverse Mortgage Pools			56,371	105.6	4.9	3.1%
IOs			32,898	N/A	3.9	6.8%
Floating-Rate Specified Pools			6,156	103.2	3.5	2.9%
Total - Agency	**16%**	**$**	**948,545**	**103.0**	**7.4**	**3.7%**
Undeployed	**4%**					

Equity and Asset Allocation by Strategy





Debt-to-Equity Ratio by Strategy and Overall:

Credit: 1.65x[8]

Agency: 9.24x[8]

Overall: 2.77x[9]

Consolidated Statement of Operations (Unaudited)

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(In thousands, except per share data)	Three Month Period Ended June 30, 2018	Three Month Period Ended March 31, 2018	Six-Month Period Ended June 30, 2018
Investment income			
Interest income	$ 31,941	$ 28,092	$ 60,033
Other income	1,094	716	1,811
Total investment income	33,035	28,808	61,844
Expenses			
Base management fee to affiliate (Net of fee rebates of $252, $275 and $527, respectively)	2,021	1,978	4,000
Incentive fee	291	-	291
Interest expense	13,383	11,562	24,946
Other investment related expenses:			
Servicing and other	3,771	2,952	6,723
Other operating expenses	2,578	2,074	4,650
Total expenses	22,044	18,566	40,610
Net investment income	10,991	10,242	21,234
Net realized gain (loss) on:			
Investments	(388)	12,584	12,196
Financial derivatives, excluding currency hedges	(3,632)	902	(2,730)
Financial derivatives—currency hedges	3,787	(2,204)	1,584
Foreign currency transactions	(1,110)	1,769	658
	(1,343)	13,051	11,708
Change in net unrealized gain (loss) on:			
Investments	7,457	(6,851)	605
Other secured borrowings	414	784	1,198
Financial derivatives, excluding currency hedges	6,553	3,197	9,749
Financial derivatives—currency hedges	76	800	877
Foreign currency translation	(1,964)	101	(1,863)
	12,536	(1,969)	10,566
Net realized and change in net unrealized gain (loss) on investments and financial derivatives, and other secured borrowings	11,193	11,082	22,274
Net increase in equity resulting from operations	$ 22,184	$ 21,324	$ 43,508
Less: Increase in equity resulting from operations attributable to non-controlling interests	991	285	1,276
Net increase in shareholders' equity resulting from operations	$ 21,193	$ 21,039	$ 42,232
Net increase in shareholders' equity resulting from operations per share:			
Basic and diluted	$ 0.69	$ 0.67	$ 1.36
Weighted average shares and LTIP units outstanding	30,695	31,322	31,007
Weighted average shares and convertible units outstanding	30,907	31,534	31,219

Operating Results by Strategy

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(In thousands, except per share amounts)	Quarter Ended June 30, 2018	Per Share	% of Average Equity	Quarter Ended March 31, 2018	Per Share	% of Average Equity	Six-Month Period Ended June 30, 2018	Per Share	% of Average Equity
Credit:									
Interest income and other income	$ 23,053	$ 0.75	3.75%	$ 20,545	$ 0.65	3.34%	$ 43,598	$ 1.40	7.09%
Net realized gain (loss)	105	0.00	0.01%	4,961	0.16	0.81%	5,066	0.16	0.82%
Change in net unrealized gain (loss)	11,046	0.36	1.80%	7,680	0.24	1.25%	18,726	0.60	3.05%
Net interest rate hedges [1]	29	0.00	0.00%	179	0.01	0.03%	208	0.01	0.03%
Net credit hedges and other activities[2]	1,659	0.05	0.27%	1,195	0.04	0.19%	2,854	0.09	0.46%
Interest expense[3]	(7,680)	(0.25)	-1.25%	(6,647)	(0.21)	-1.08%	(14,327)	(0.46)	-2.33%
Other investment related expenses	(3,288)	(0.11)	-0.53%	(2,619)	(0.08)	-0.43%	(5,907)	(0.19)	-0.96%
Total Credit profit (loss)	24,924	0.80	4.05%	25,294	0.81	4.11%	50,218	1.61	8.16%
Agency RMBS:									
Interest income	8,345	0.27	1.36%	6,693	0.21	1.09%	15,038	0.48	2.45%
Net realized gain (loss)	(1,509)	(0.05)	-0.25%	(1,187)	(0.04)	-0.19%	(2,696)	(0.09)	-0.44%
Change in net unrealized gain (loss)	(4,151)	(0.14)	-0.67%	(12,591)	(0.40)	-2.05%	(16,742)	(0.54)	-2.72%
Net interest rate hedges and other activities [1]	3,406	0.12	0.56%	10,239	0.32	1.66%	13,645	0.44	2.22%
Interest expense	(4,439)	(0.14)	-0.73%	(3,471)	(0.11)	-0.56%	(7,910)	(0.25)	-1.29%
Total Agency RMBS profit (loss)	1,652	0.06	0.27%	(317)	(0.02)	-0.05%	1,335	0.04	0.22%
Total Credit and Agency RMBS profit (loss)	26,576	0.86	4.32%	24,977	0.79	4.06%	51,553	1.65	8.38%
Other interest income (expense), net	497	0.02	0.09%	399	0.01	0.06%	896	0.03	0.15%
Other expenses	(4,598)	(0.15)	-0.75%	(4,052)	(0.13)	-0.66%	(8,650)	(0.28)	-1.41%
Net increase in equity resulting from operations	$ 22,184	$ 0.72	3.61%	$ 21,324	$ 0.67	3.46%	$ 43,508	$ 1.39	7.07%
controlling interests	991			285			1,276		
Net increase in shareholders' equity resulting from operations [4]	**$ 21,193**	**$ 0.69**	**3.53%**	**$ 21,039**	**$ 0.67**	**3.52%**	**$ 42,232**	**$ 1.36**	**7.05%**
Diluted book value per share	$ 19.57			$ 19.25			$ 18.85		

Long Credit Portfolio

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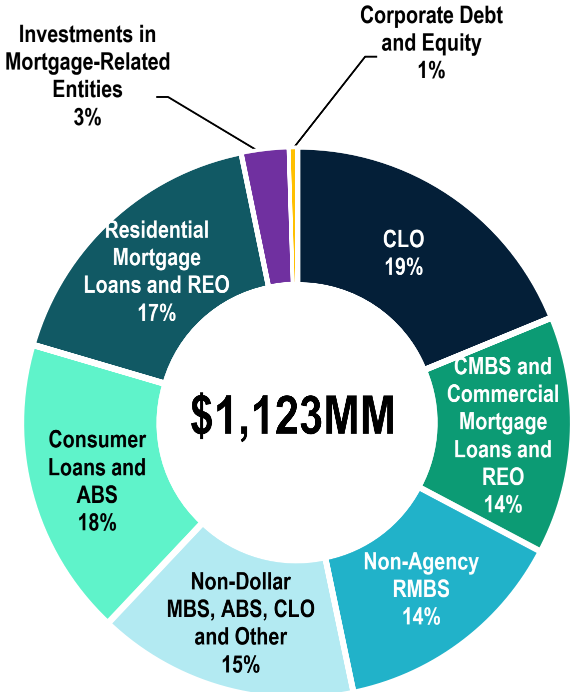
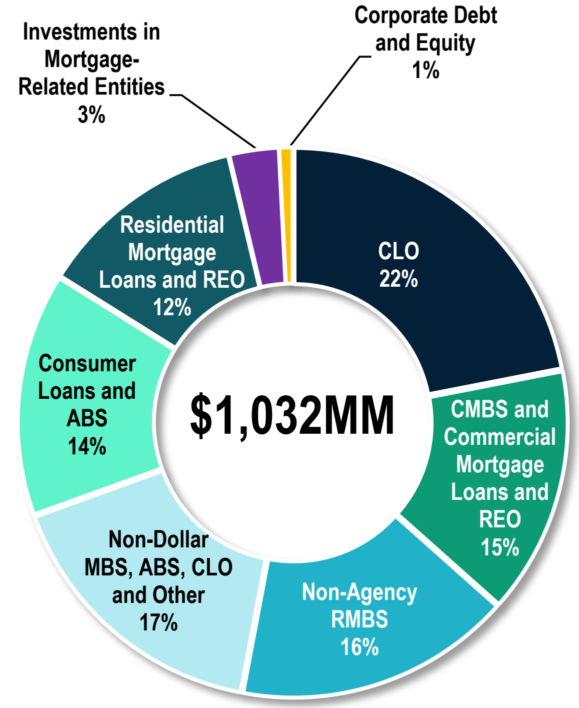
6/30/2018(1)(2)



3/31/2018(1)(2)



- Increased the size of the long credit portfolio by 9% quarter over quarter
- In the current environment of heightened competition for assets, we believe that we have been diligent in seeking high-quality, high-yielding assets without compromising our acquisition standards

Long Agency Portfolio

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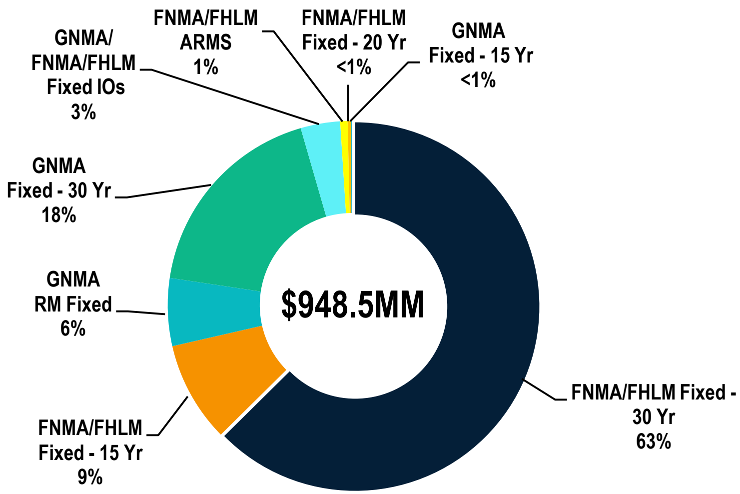
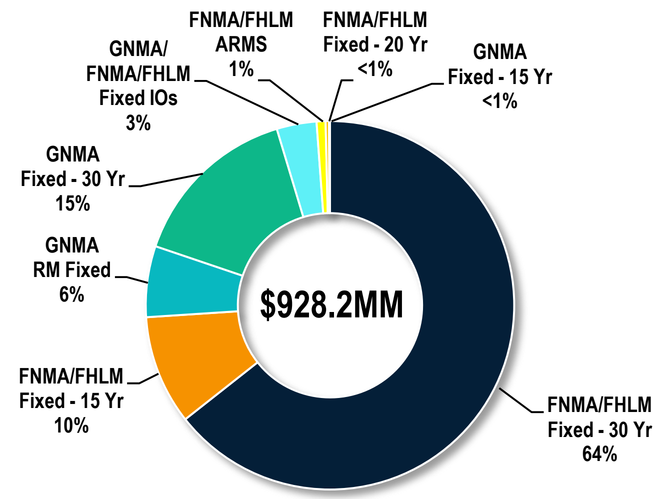
6/30/2018[1]



Weighted Average Coupon: 4.08%[2]

3/31/2018[1]



Weighted Average Coupon: 3.97%[2]

- Long Agency RMBS portfolio increased approximately 2% quarter over quarter
- Target specified pools with higher coupons and prepayment protection

Borrowings and Leverage[1]

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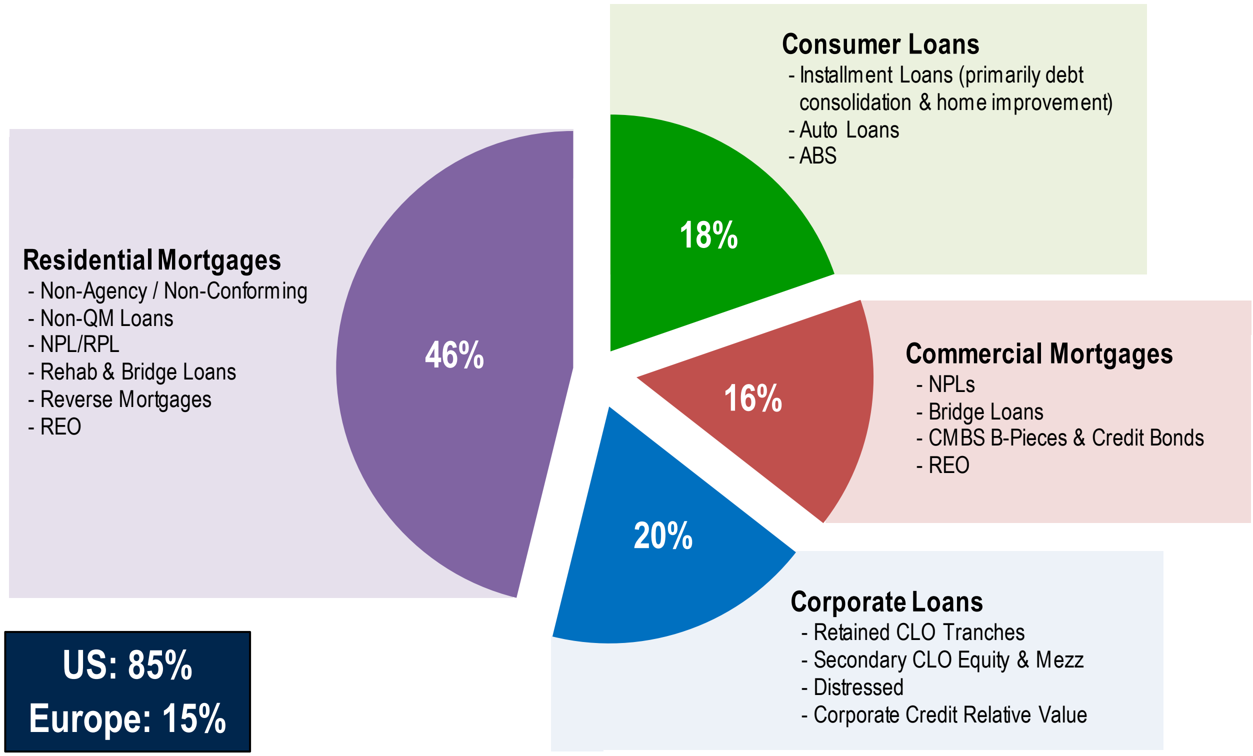
($ In thousands)	As of June 30, 2018			For the Quarter Ended June 30, 2018	
Strategy	Outstanding Borrowings	Weighted Average Borrowing Rate	Debt-to-Equity Ratio[2]	Average Borrowings for the Quarter Ended	Average Cost of Funds
Credit, Secured Recourse	$538,775	3.70%		$509,552	3.79%
Credit, Secured Non-Recourse	185,740	3.61%		152,425	3.99%
Credit, Unsecured Senior Notes	86,000	5.55%		86,000	5.55%
Subtotal – Credit	**810,515**	**3.88%**	**1.65x**	**747,977**	**4.03%**
Agency	891,082	2.12%	9.24x	891,285	2.00%
Total	**$1,701,597**	**2.96%**	**2.77x**	**$1,639,262**	**2.93%**

- **Excluding repo related to U.S. Treasury securities and our corporate credit relative value trading strategy, average Credit strategy borrowing rate for the quarter was 4.09%, as compared to 3.85% for the quarter ended March 31, 2018**

Diversified Credit Portfolio



- **Percentages shown reflect share of total fair market value of credit portfolio[1]**
- **Our flexible approach allocates capital to the sectors where we see the best relative value as market conditions change**
- **We believe our analytical expertise, research and systems provide an edge that will generate attractive loss-adjusted returns over market cycles**

2018 Objectives

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1. Continue to grow Credit portfolio and earnings

   - Leverage proprietary pipeline of loans and add securities opportunistically

   - Credit portfolio is nearing desired size

2. Continue to improve and diversify financing sources

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

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

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

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

   - Enabled by our diverse range of strategies

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

   - 2018 has been marked by rising bond yields and a flattening yield curve

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

Stable Economic Return

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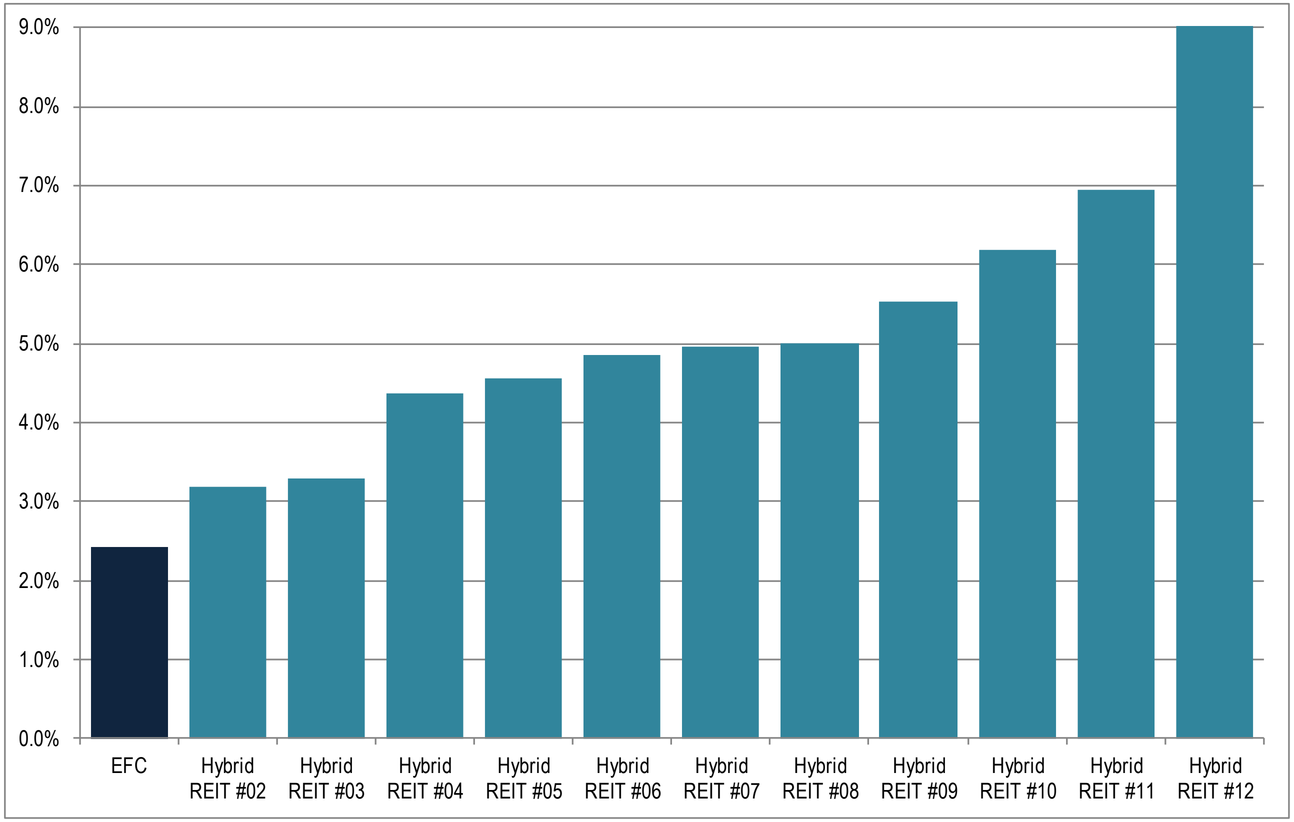
Standard Deviation of Quarterly Economic Returns of Hybrid REITs Q1-2011 – Q1 -2018(1)(2)



Standard Deviation of Quarterly Economic Returns of Hybrid REITs Q1-2011 – Q1-2018

Company	Standard Deviation
EFC	2.4%
Hybrid REIT #02	3.2%
Hybrid REIT #03	3.3%
Hybrid REIT #04	4.4%
Hybrid REIT #05	4.6%
Hybrid REIT #06	4.8%
Hybrid REIT #07	5.0%
Hybrid REIT #08	5.0%
Hybrid REIT #09	5.5%
Hybrid REIT #10	6.2%
Hybrid REIT #11	6.9%
Hybrid REIT #12	14.0%

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

Interest Rate Sensitivity Analysis[1]

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(In thousands)	Estimated Change in Fair Value					
	50 Basis Point Decline in Interest Rates			50 Basis Point Increase in Interest Rates		
	Market Value		% of Total Equity	Market Value		% of Total Equity
Agency RMBS - ARM Pools	$	30	0.00%	$	(38)	-0.01%
Agency RMBS - Fixed Pools and IOs		16,890	2.75%		(21,674)	-3.53%
TBAs		(8,003)	-1.30%		9,000	1.47%
Non-Agency RMBS, CMBS, Other ABS, and Mortgage Loans		4,582	0.75%		(4,642)	-0.76%
Interest Rate Swaps		(5,776)	-0.94%		5,539	0.90%
U.S. Treasury Securities		(2,369)	-0.38%		2,281	0.37%
U.S. Treasury Futures		(3,230)	-0.53%		3,127	0.51%
Mortgage-Related Derivatives		18	0.00%		(15)	0.00%
Corporate Securities and Derivatives on Corporate Securities		(235)	-0.04%		256	0.04%
Repurchase Agreements and Reverse Repurchase Agreements		(2,697)	-0.44%		2,685	0.44%
Total	**$**	**(790)**	**-0.13%**	**$**	**(3,481)**	**-0.57%**

- **Diversified fixed income portfolio has effective duration of less than one year**

Supplemental Slides

Credit Hedging Portfolio[1][2]

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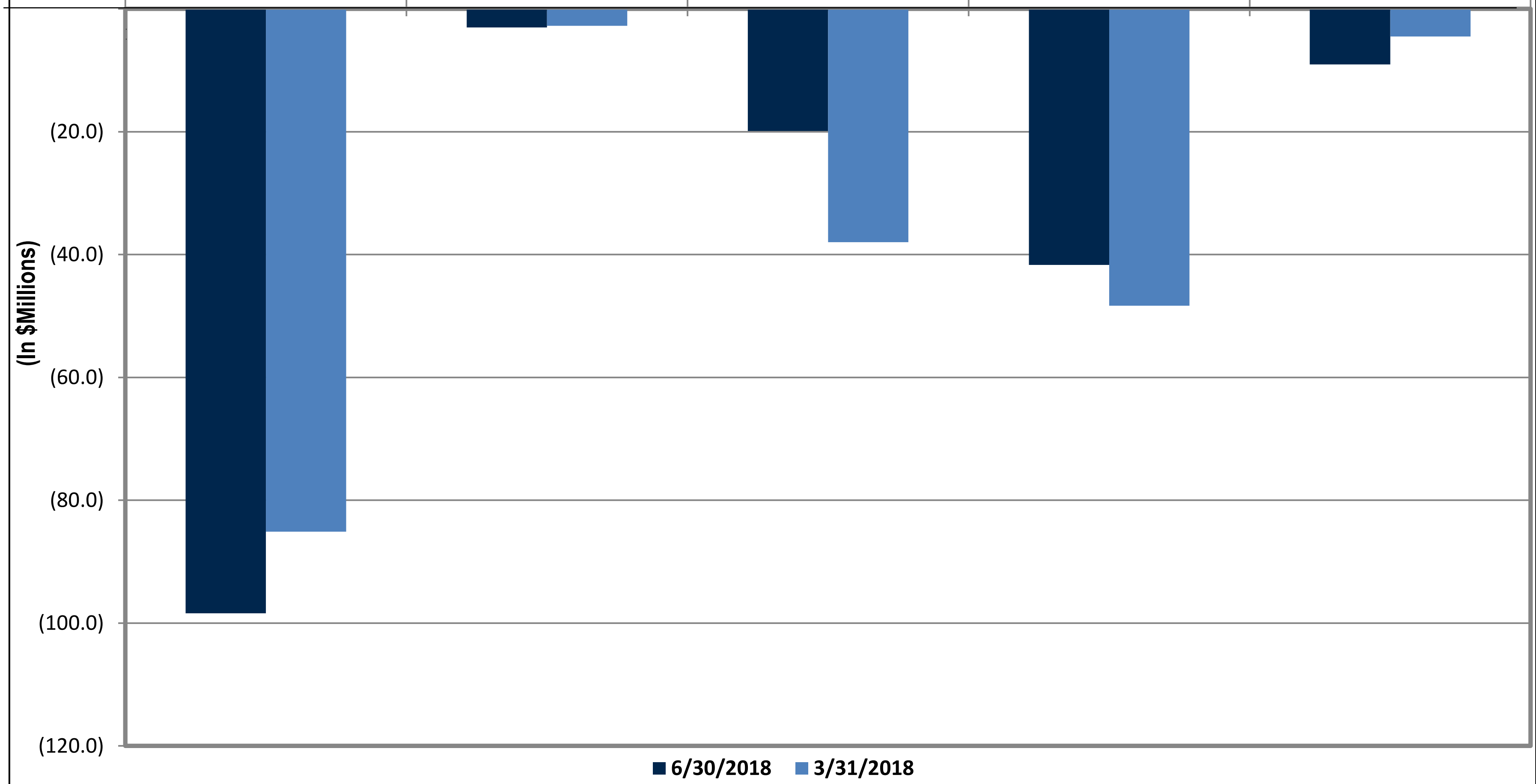
Instrument Category	Corporate CDS Indices / Tranches / Options / Single Names	Single Name ABS CDS and ABX Indices	European Sovereign Debt	Corporate Bonds/Corporate Bond ETFs/Equities	CMBX
Units	HY CDX OTR Bond Equivalent Value [3][4]	Bond Equivalent Value [4]	Market Value	Market Value	Bond Equivalent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



Agency Interest Rate Hedging Portfolio[1]

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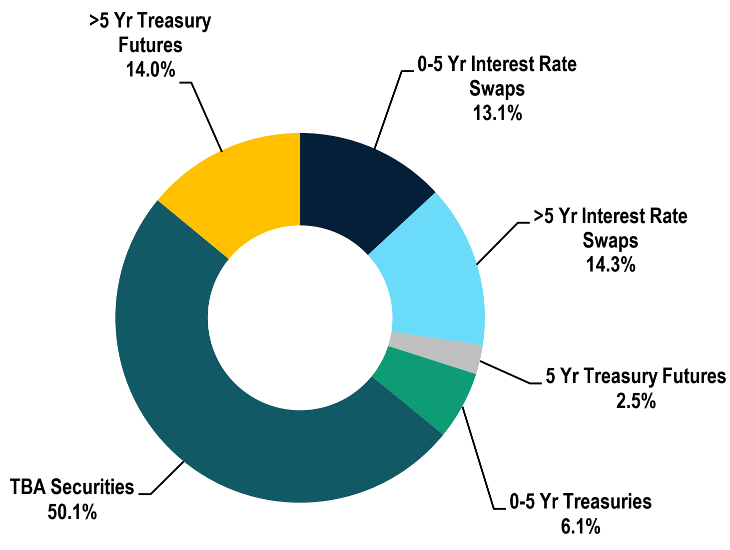
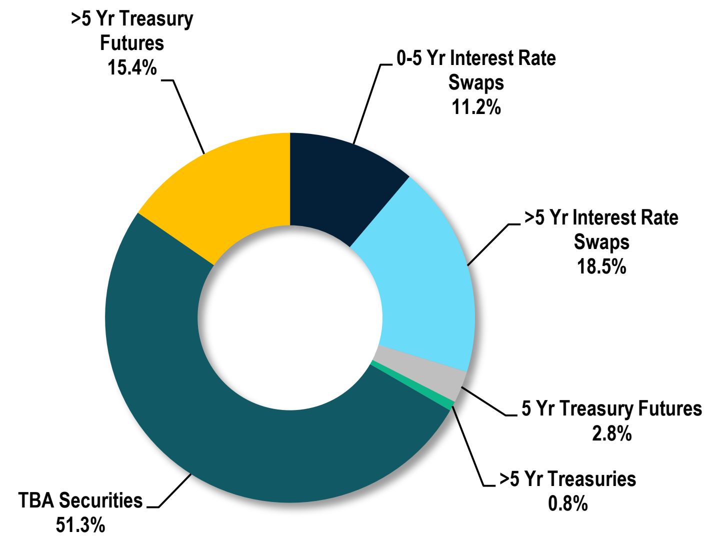
We deploy a dynamic and adaptive hedging strategy to preserve book value

As of 6/30/2018:
Short $448MM 10-year equivalents



As of 3/31/2018:
Short $412MM 10-year equivalents



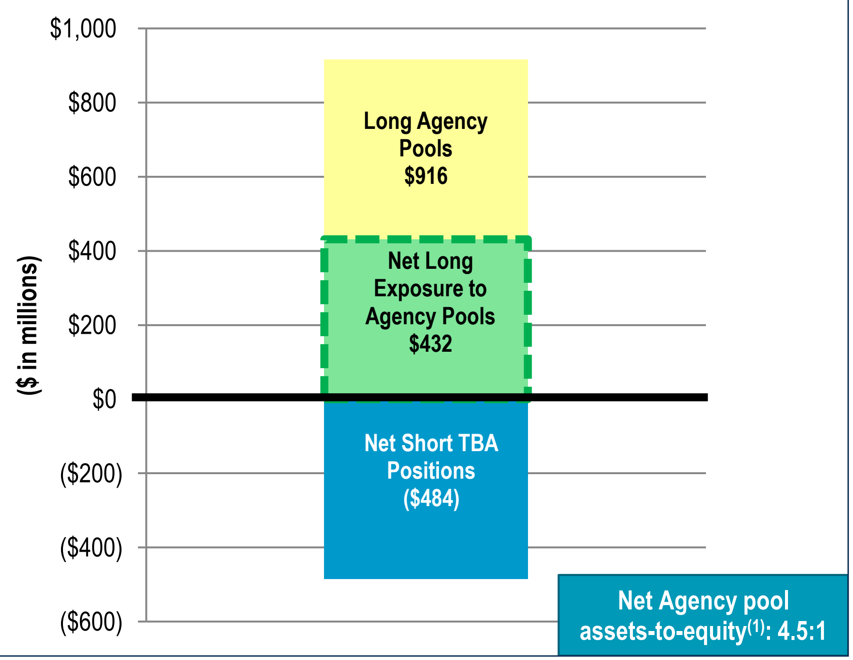
- Shorting “generic” pools (or TBAs) allows EFC to significantly reduce interest rate risk and basis risk in its Agency portfolio
  - We also hedge interest rate risk with swaps, U.S. Treasury securities, and other instruments
- For those Agency pools hedged with comparable TBAs, the biggest risk is a drop in “pay-ups”
  - Average pay-ups on our specified pools were 0.61% as of both 6/30/2018 and 3/31/2018
- We hedge along the entire yield curve to protect against volatility, defend book value and more thoroughly control interest rate risk

Agency Interest Rate Hedging Portfolio (continued)

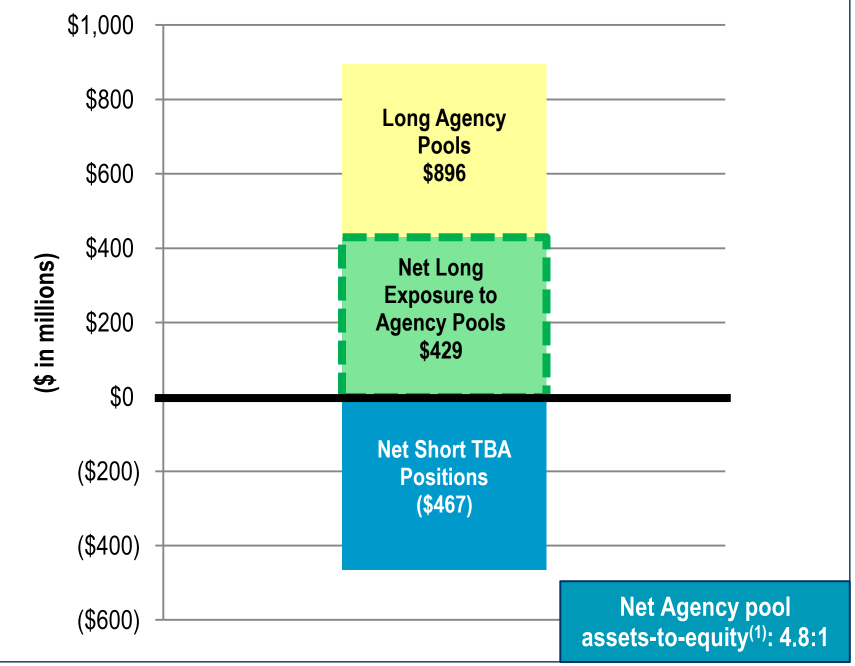
Ellington Financial

Exposure to Agency Pools Based on Net Fair Value

As of 6/30/2018



As of 3/31/2018

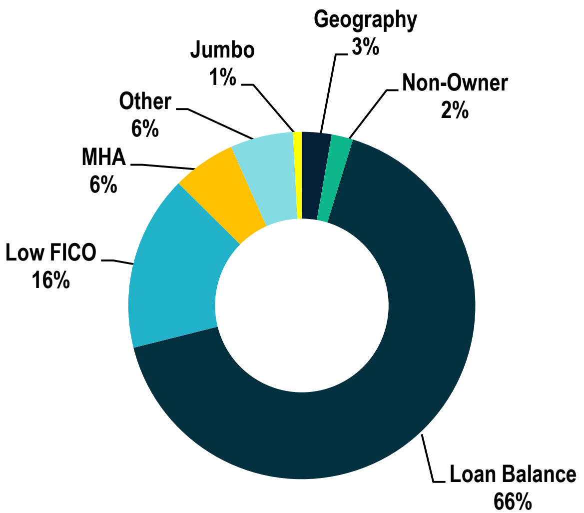


- Our net long mortgage exposure was effectively unchanged quarter over quarter
  - Deducting the amount of the TBA short from our long Agency pool portfolio, our net exposure to pools was ~$432 million, resulting in a 4.5:1 net Agency pool assets-to-equity[1] ratio
- Use of TBA short positions as hedges helps drive outperformance in volatile quarters
  - When interest rates spike, TBA short positions not only extend with specified pool assets, but they tend to extend more than specified pool assets, which dynamically and automatically hedges a large portion of our specified pool portfolio

CPR Breakout of Agency Fixed Long Portfolio

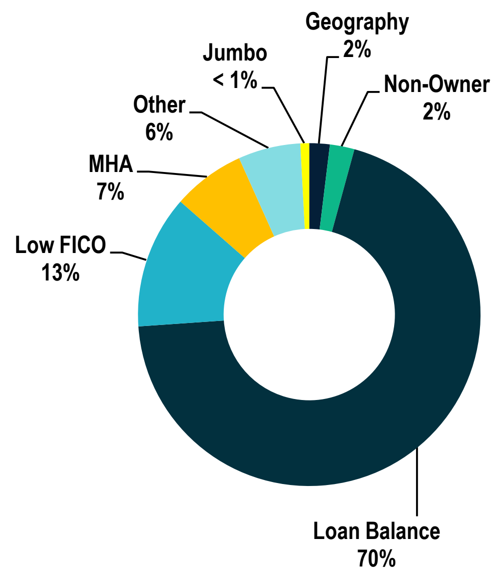
Ellington Financial

Collateral Characteristics and Historical 3-month CPR
Average for the Quarter Ended 6/30/2018 (1)



Characteristic(2)	Fair Value(1)(3)	3-Month Historical CPR(2)
Geography	$23.3	3.4
Non-Owner	16.9	9.8
Low Loan Bal	559.5	9.2
Low FICO	137.8	5.0
MHA(4)	49.7	8.7
Other	49.5	9.0
Jumbo	6.9	0.7
Totals	$843.6	8.3

Collateral Characteristics and Historical 3-month CPR
Average for the Quarter Ended 3/31/2018(1)(5)



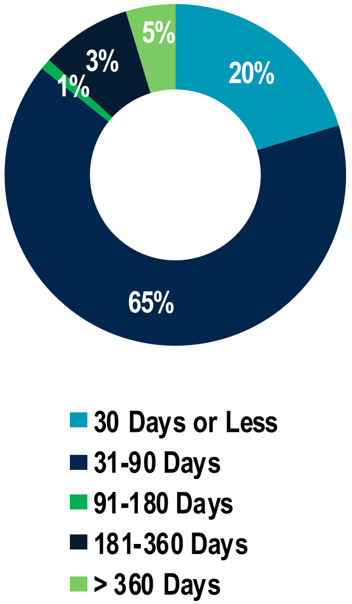
Characteristic(2)	Fair Value(1)(3)	3-Month Historical CPR(2)
Geography	$14.8	0.1
Non-Owner	17.9	7.0
Low Loan Bal	535.9	8.4
Low FICO	96.6	5.6
MHA(4)	52.6	5.7
Other	45.3	9.6
Jumbo	6.4	0.1
Totals	$769.5	7.7

- Target specified pools with higher coupons and prepayment protection

Repo Borrowings[1]

($ in thousands)	Repo Borrowings as of June 30, 2018				
Remaining Days to Maturity	**Credit**	**Agency**	**U.S. Treasury**	**Total**	**% of Total Borrowings**
30 Days or Less	$25,011	$261,209	$2,639	$288,859	20.3%
31-90 Days	300,292	629,300	—	929,592	65.4%
91-180 Days	13,952	573	—	14,525	1.0%
181-360 Days	121,971	—	—	121,971	8.6%
> 360 Days	66,559	—	—	66,559	4.7%
Total Borrowings	$527,785	$891,082	$2,639	$1,421,506	100.0%
Weighted Average Remaining Days to Maturity	**205**	**44**	**2**	**104**	

Borrowings by Days to Maturity



- **Repo borrowings with 24 counterparties, largest representing approximately 17% of total**
- **Weighted average remaining days to maturity of 104 days**
- **Maturities are staggered to mitigate liquidity risk**

Gross Profit and Loss[1]

Ellington Financial

Resilient profit generation through market cycles

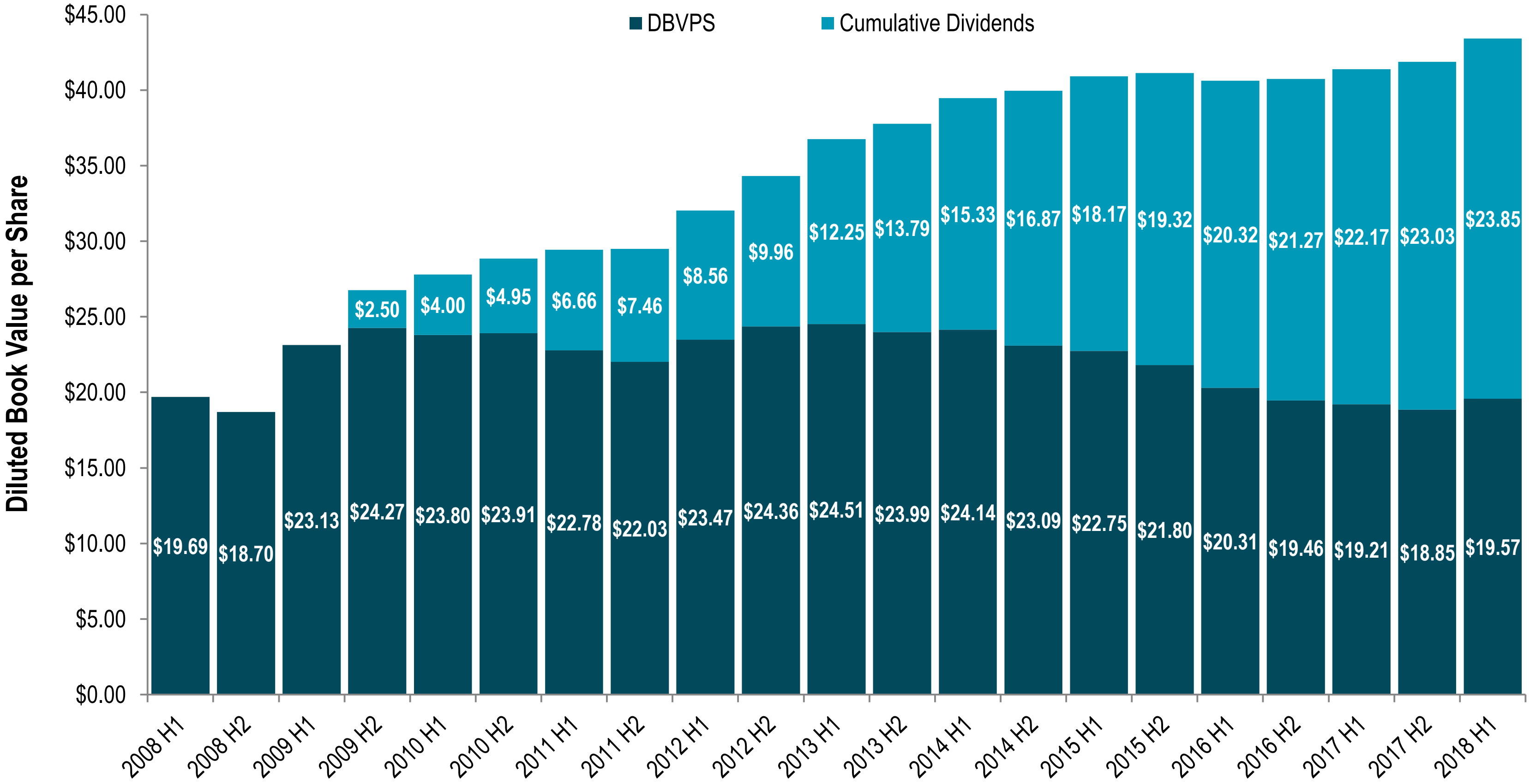
($ In thousands)	Six-Month Period Ended June 30,		Years Ended																			
	2018		2017		2016		2015		2014		2013		2012		2011		2010		2009		2008	
Long: Credit	$47,156	7.7%	$61,136	9.6%	$36,203	5.3%	$46,892	6.1%	$77,636	11.4%	$109,536	18.5%	$129,830	30.0%	$1,505	0.4%	$70,840	21.9%	$101,748	36.3%	$(64,565)	-26.2%
Credit Hedge and Other	2,854	0.5%	(11,997)	-1.9%	(40,548)	-5.9%	10,671	1.4%	(1,197)	-0.2%	(19,286)	-3.3%	(14,642)	-3.4%	19,895	5.2%	(7,958)	-2.5%	10,133	3.6%	78,373	31.8%
Interest Rate Hedge: Credit	208	0.0%	(851)	-0.1%	(371)	-0.1%	(4,899)	-0.6%	(9,479)	-1.4%	8,674	1.5%	(3,851)	-0.9%	(8,171)	-2.1%	(12,150)	-3.8%	(1,407)	-0.5%	(3,446)	-1.4%
Long: Agency	(12,310)	-2.0%	10,246	1.6%	17,166	2.5%	23,629	3.1%	61,126	9.0%	(14,044)	-2.4%	37,701	8.7%	63,558	16.5%	21,552	6.7%	22,171	7.9%	4,763	1.9%
Interest Rate Hedge and Other: Agency	$13,645	2.2%	$(5,218)	-0.8%	$(8,226)	-1.2%	$(17,166)	-2.2%	$(47,634)	-7.0%	$19,110	3.2%	$(20,040)	-4.6%	$(54,173)	-14.0%	$(14,524)	-4.5%	$(8,351)	-3.0%	$(6,414)	-2.6%
Gross Profit (Loss)	**$51,553**	**8.4%**	**$53,316**	**8.4%**	**$4,224**	**0.6%**	**$59,127**	**7.7%**	**$80,452**	**11.8%**	**$103,990**	**17.6%**	**$128,998**	**29.8%**	**$22,614**	**5.9%**	**$57,760**	**17.8%**	**$124,294**	**44.4%**	**$8,711**	**3.5%**

Total Return Since Inception

Ellington Financial

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

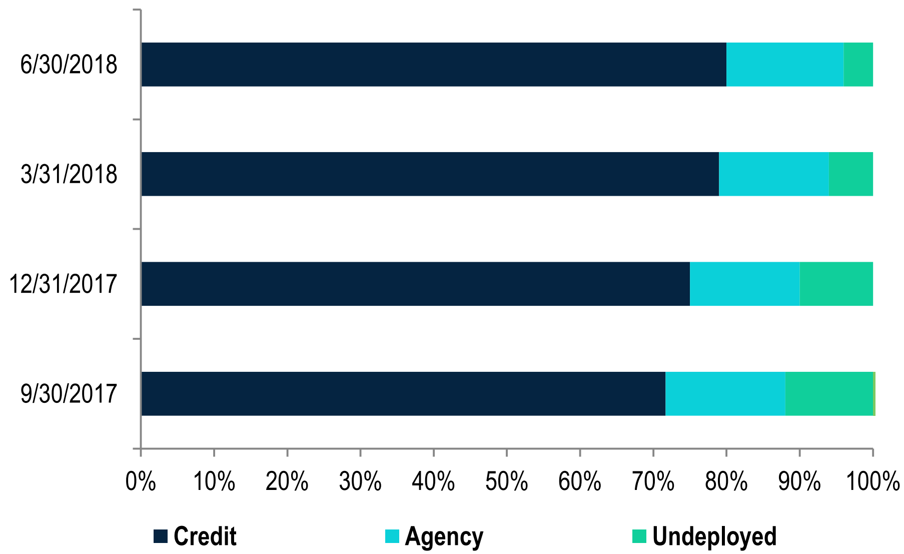
- **EFC life-to-date diluted net asset value-based total return from inception in August 2007 through Q2 2018 is approximately 196%, or 10.5% annualized[(1)]**



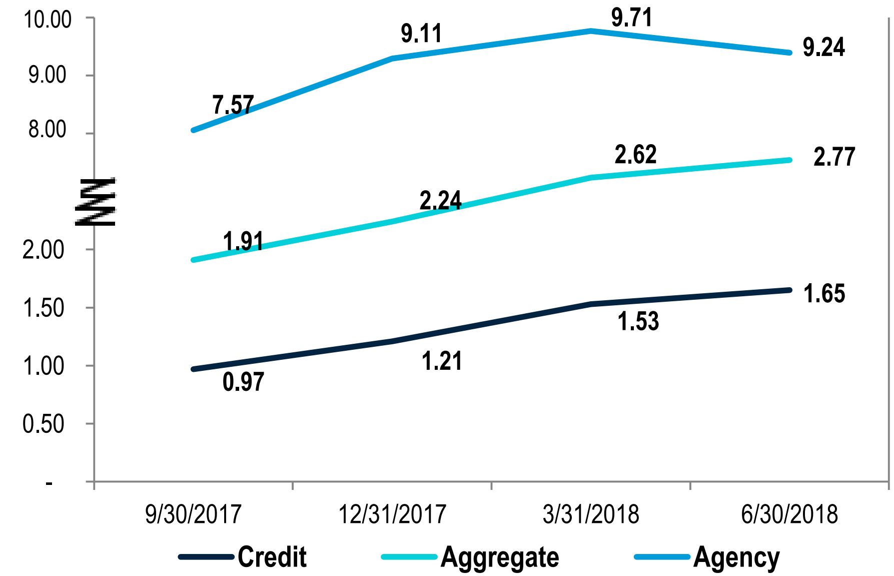
Capital, Leverage & Portfolio Composition

Ellington Financial

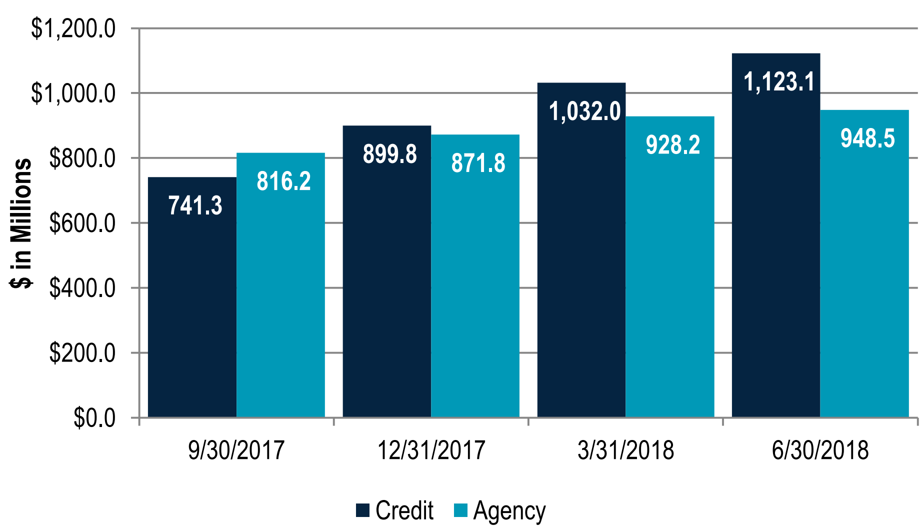
Capital Usage Across Entire Portfolio[1]



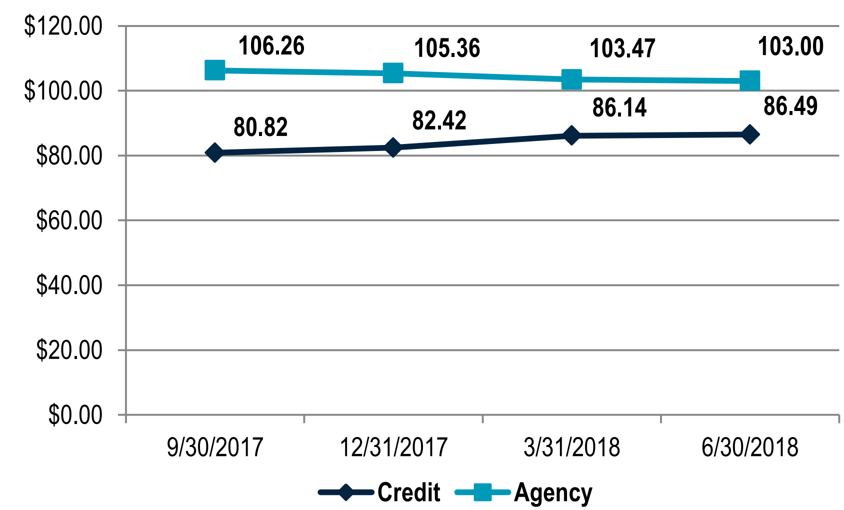
Leverage by Strategy (Debt-to-Equity)[1]



Credit and Agency Portfolios by Fair Value[3]



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



Consolidated Statement of Assets, Liabilities and Equity

(Unaudited)

Ellington Financial

(In thousands, except share amounts)	As of June 30, 2018	As of March 31, 2018	As of December 31, 2017[1]
ASSETS			
Cash and cash equivalents	$ 22,071	$ 25,715	$ 47,233
Restricted Cash	425	425	425
Investments, financial derivatives, and repurchase agreements:			
Investments, at fair value (Cost – $2,631,409, $2,347,459 and $2,071,754)	2,625,471	2,343,738	2,071,707
Financial derivatives–assets, at fair value (Net cost – $24,510, $25,391 and $31,474)	30,669	30,038	28,165
Repurchase agreements (Cost – $214,346, $132,730 and $155,109)	214,411	132,538	155,949
Total Investments, financial derivatives, and repurchase agreements	2,870,551	2,506,314	2,255,821
Due from brokers	84,196	95,549	140,404
Receivable for securities sold and financial derivatives	637,965	522,126	476,000
Interest and principal receivable	32,469	32,488	29,688
Other assets	24,399	13,729	43,770
Total assets	$ 3,672,076	$ 3,196,346	$ 2,993,341
LIABILITIES			
Investments and financial derivatives:			
Investments sold short, at fair value (Proceeds – $880,825, $687,783 and $640,202)	$ 882,146	$ 691,962	$ 642,240
Financial derivatives–liabilities, at fair value (Net proceeds – $18,294, $22,202 and $27,463)	25,675	34,925	36,273
Total investments and financial derivatives	907,821	726,887	678,513
Reverse repurchase agreements	1,421,506	1,330,943	1,209,315
Due to brokers	3,250	21,054	1,721
Payable for securities purchased and financial derivatives	431,024	225,519	202,703
Other secured borrowings (Proceeds – $95,630, $71,880 and $57,909)	95,630	71,880	57,909
Other secured borrowings, at fair value (Proceeds – $102,298, $114,559 and $125,105)	101,100	113,775	125,105
Senior notes, net	84,902	84,837	84,771
Accounts payable and accrued expenses	4,105	3,876	3,885
Base management fee payable to affiliate	2,021	1,978	2,113
Incentive fee payable	291	-	-
Interest and dividends payable	6,791	5,168	5,904
Other liabilities	360	479	441
Total liabilities	3,058,801	2,586,396	2,372,380
EQUITY	613,275	609,950	620,961
TOTAL LIABILITIES AND EQUITY	$ 3,672,076	$ 3,196,346	$ 2,993,341
ANALYSIS OF EQUITY:			
Common shares, no par value, 100,000,000 shares authorized;			
(30,149,880, 30,392,041 and 31,335,938 shares issued and outstanding)	$ 589,000	$ 584,005	$ 589,722
Additional paid-in capital–LTIP units	10,567	10,469	10,377
Total Shareholders' Equity	$ 599,567	$ 594,474	$ 600,099
Non-controlling interests	13,708	15,476	20,862
Total Equity	$ 613,275	$ 609,950	$ 620,961
PER SHARE INFORMATION:			
Common shares, no par value	$ 19.89	$ 19.56	$ 19.15
DILUTED PER SHARE INFORMATION:			
Common shares and convertible units, no par value[2]	$ 19.57	$ 19.25	$ 18.85

About Ellington

Ellington Financial

Ellington Profile

As of 6/30/2018

Founded:	1994
Employees:	>150
Investment Professionals:	65
Global offices:	3

$7.4
Billion in assets under management as of 6/30/2018[1]

16
Employee-partners own the firm[2]

18
Years of average industry experience of senior portfolio managers

12%
Management's ownership of EFC, representing strong alignment[3]

Ellington and its Affiliated Management Companies

- Our external manager Ellington Financial Management LLC is part of the Ellington family of SEC-registered investment advisors[4]. Ellington and its affiliates manage Ellington Financial LLC (EFC), Ellington Residential Mortgage REIT (EARN), multi-investor hedge funds, separately managed accounts, and opportunistic private funds
- Time-tested infrastructure and proprietary resources in trading, research, risk management, and operational support
- Founding partners each have advanced academic training in mathematics and engineering, including among them several Ph.D.'s and Master's degrees

Industry-Leading Research & Trading Expertise

- Sophisticated proprietary models for prepayment and credit analysis
- Approximately 25% of employees dedicated to research and infrastructure development
- Structured credit trading experience and analytical skills developed since the firm's founding 23 years ago
- Ellington's portfolio managers are among the most experienced in the MBS sector and the firm's analytics have been developed over its 23-year history

Endnotes

Ellington Financial

Slide 3 – Second Quarter Market Update

(1) Source: Bloomberg
(2) Source: Mortgage Bankers Association via Bloomberg
(3) LIBOR-based OAS measures the additional yield spread over LIBOR that an asset provides at its current market price after taking into account any interest rate options embedded in the asset.
(4) The LIBOR-based Zero-volatility spread (Z-spread) measures the additional yield spread over LIBOR that the projected cash flows of an asset provide at the current market price of the asset.

Slide 4 – Second Quarter Highlights

(1) Holdings, leverage and book value amounts are as of June 30, 2018.
(2) Adjusted net investment income for the quarter ended June 30, 2018 is equal to net investment income of $11.0 million, plus incentive fees accrued of $0.3 million, which reduced net investment income, less the quarterly adjustment to premium amortization triggered by changes in actual and projected prepayments on our Agency RMBS (accompanied by a corresponding offsetting adjustment to realized and unrealized gains and losses) of $0.3 million, which increased interest income. We believe that adjusted net investment income provides information useful to investors because it is one of the metrics that we use to assess our performance and to evaluate the effective net yield provided by our portfolio. However, because adjusted net investment income is an incomplete measure of our financial results and differs from net investment income computed in accordance with GAAP, it should be considered as supplementary to, and not as a substitute for, net investment income computed in accordance with GAAP.
(3) 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.
(4) This information does not include interest rate swaps, TBA positions, corporate CDS, equity swaps, positions related to certain of our relative value strategies, or other hedge positions.
(5) For our consolidated non-QM securitization trust, only retained tranches are included (i.e., excludes tranches sold to third parties).
(6) In determining the debt-to-equity ratio for an individual strategy, equity usage for such strategy is based on an internal calculation that reflects the actual amount of capital posted to counterparties in connection with such strategy's positions (whether in the form of haircut, initial margin, prime brokerage requirements, or otherwise) plus additional capital allocated to support such strategy's positions, net of adjustments for readily financeable assets and securities that may be sold to increase liquidity on short notice. The Company refers to the excess of its total equity over the total risk capital of its strategies as its "risk capital buffer". If the debt-to-equity ratios for individual strategies were computed solely based on the actual amount of capital posted to counterparties, such ratios would typically be higher. The debt-to-equity ratio does not account for liabilities other than debt financings.

Slide 5 – Portfolio Summary as of June 30, 2018

(1) See endnote (4) on slide 4.
(2) Average price excludes interest only, principal only, equity tranches and other similar securities and non-exchange traded corporate equity. All averages in this table are weighted averages using fair value, except for average price which uses current principal balance.
(3) Average price of consumer loans and ABS is proprietary.
(4) Weighted average life assumes "projected" cashflows using Ellington's proprietary models. Excludes interest only, principal only, equity tranches.
(5) Estimated yields at market prices are management's estimates derived from Ellington's proprietary models based on prices and market environment as of June 30, 2018 and include the effects of future estimated losses. The above analysis should not be considered a recommendation to purchase or sell any security or class of securities. Results are based on forward-looking models, which are inherently imperfect, and incorporate various simplifying assumptions. Therefore, the table above is for illustrative purposes only and the actual performance of our portfolio may differ from the data presented above, and such differences might be significant and adverse.
(6) REO and equity investments in mortgage related entities are excluded from total average calculations.
(7) See endnote (5) on slide 4.
(8) See endnote (6) on slide 4.
(9) Overall debt-to-equity ratio is computed by dividing EFC's total debt by EFC's total equity. The debt-to-equity ratio does not account for liabilities other than debt financings.

Endnotes

Ellington Financial

Slide 7 – Operating Results by Strategy

(1) Includes TBAs and U.S. Treasury securities, if applicable.
(2) Includes equity and other relative value trading strategies and related hedges.
(3) Includes interest expense on our Senior Notes.
(4) Per share information is calculated using weighted average shares and LTIP units outstanding. Percentage of average equity is calculated using average shareholders' equity, which excludes non-controlling interests.

Slide 8 – Long Credit Portfolio

(1) See endnote (4) on slide 4.
(2) See endnote (5) on slide 4.

Slide 9 – Long Agency Portfolio

(1) Does not include long TBA positions with a notional value of $306.8 million and a fair value of $317.0 million as of June 30, 2018 and a notional value of $187.9 million and a fair value of $193.3 million as of March 31, 2018. Agency long portfolio includes $915.6 million of long Agency securities and $32.9 million of interest only securities as of June 30, 2018 and $895.8 million of long Agency securities and $34.5 million of interest only securities as of March 31, 2018.
(2) Represents weighted average net pass-through rate. Excludes interest only securities.

Slide 10 – Borrowings and Leverage

(1) Amounts exclude repo on U.S. Treasury securities.
(2) See endnote (6) on slide 4. 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 $1,421.5 million, other secured borrowings in the amount of $196.7 million, and senior notes with a par amount of $86.0 million as of June 30, 2018.

Slide 11 – Diversified Credit Portfolio

(1) See endnotes (4) and (5) on slide 4.

Slide 13 – Stable Economic Return

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

Endnotes

Ellington Financial

Slide 14 – Interest Rate Sensitivity Analysis

(1) The table reflects the estimated effects on the value of our portfolio, both overall and by category, of hypothetical, immediate, 50 basis point downward and upward parallel shifts in interest rates, based on the market environment as of June 30, 2018. The preceding analysis does not include sensitivities to changes in interest rates for instruments which we believe that the effect of a change in interest rates is not material to the value of the overall portfolio and/or cannot be accurately estimated. In particular, this analysis excludes certain corporate securities and derivatives on corporate securities, and reflects only sensitivity to U.S. interest rates. Results are based on forward-looking models, which are inherently imperfect, and incorporate various simplifying assumptions. Therefore, the table is for illustrative purposes only and actual changes in interest rates would likely cause changes in the actual value of our portfolio that would differ from those presented, and such differences might be significant and adverse.

Slide 16 – Credit Hedging Portfolio

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

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

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

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

Slide 17 – Agency Interest Rate Hedging Portfolio

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

Slide 18 – Agency Interest Rate Hedging Portfolio (continued)

(1) We define our net Agency pool assets-to-equity ratio as the net aggregate market value of our Agency pools of $916 million and our long and short TBA positions of $(484) million, divided by the equity allocated to our Agency strategy of $96 million. See endnote (6) on slide 4.

Slide 19 – CPR Breakout of Agency Fixed Long Portfolio

(1) Does not include long TBA positions, reverse mortgage pools, or fixed rate IOs.

(2) Classification methodology may change over time as market practices change.

(3) Fair value shown in millions.

(4) "MHA" indicates those pools where underlying borrowers have participated in the Making Homes Affordable program.

(5) Conformed to current period presentation

Slide 20 – Repo Borrowings

(1) Included in the above table, using the original maturity dates, are any reverse repos involving underlying investments the Company sold prior to June 30, 2018 for settlement following June 30, 2018 even though the company may expect to terminate such reverse repos early. Not included are any reverse repos that the Company may have entered into prior to June 30, 2018, for which delivery of the borrowed funds is not scheduled until after June 30, 2018. Remaining maturity for a reverse repo is based on the contractual maturity date in effect as of June 30, 2018. Some reverse repos have floating interest rates, which may reset before maturity.

Endnotes

Slide 21 – Gross Profit and Loss

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

Slide 22 – Total Return Since Inception

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

Slide 23 – Capital, Leverage & Portfolio Composition

(1) Excludes U.S. Treasury securities. See endnote (6) on slide 4.
(2) Excludes interest only, principal only, equity tranches and other similar investments and REO.
(3) See endnotes (4) and (5) on slide 4.

Slide 24 – Balance Sheet

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

Slide 25 – About Ellington

(1) $7.4 billion in assets under management includes approximately $1.0 billion in Ellington-managed CLOs. For these purposes, the Ellington-managed CLO figure represents the aggregate outstanding balance of CLO notes and market value of CLO equity, excluding any notes and equity held by other Ellington-managed funds and accounts.
(2) Does not include partners formerly employed by Ellington who may have residual capital balances but who no longer have voting rights in the partnership.
(3) Management ownership includes shares and LTIP units held by principals of EMG and family trusts, and operating partnership units attributable to non-controlling interests.
(4) Registration with the SEC does not imply that the firm or any of its principals or employees possess a particular level of skill or training in the investment advisory or any other business.

Ellington Financial

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