Ellington Financial

Ellington Financial LLC (NYSE: EFC)

Second Quarter 2013 Earnings Conference Call

August 6, 2013

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 exemption 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, 2013 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 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 purpose 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, 2013 unless otherwise indicated. We undertake no duty or obligation to update this presentation to reflect subsequent events or developments.

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Second Quarter 2013

Operating Results

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(In thousands, except per share amounts)		Quarter Ended 6/30/2013	Per Share	% of Average Equity		Six Months Ended 6/30/2013	Per Share	% of Average Equity
Non-Agency MBS, Other ABS, and Commercial mortgage loans:								
Interest income	$	12,684	$ 0.54	2.18%	$	24,802	$ 1.11	4.46%
Net realized gain		5,525	0.23	0.95%		19,680	0.88	3.54%
Change in net unrealized gain (loss)		(8,364)	(0.35)	-1.44%		19,020	0.85	3.42%
Net interest rate hedges (1)		9,087	0.38	1.56%		9,435	0.42	1.70%
Net credit hedges and other		340	0.01	0.06%		(6,739)	(0.30)	-1.21%
Interest expense		(1,616)	(0.07)	-0.28%		(2,791)	(0.12)	-0.50%
Total non-Agency MBS, Other ABS, and Commercial mortgage loans profit		17,656	0.74	3.03%		63,407	2.84	11.41%
Agency RMBS:								
Interest income		7,641	0.32	1.31%		13,903	0.62	2.50%
Net realized loss		(5,863)	(0.25)	-1.01%		(6,998)	(0.31)	-1.26%
Change in net unrealized gain (loss)		(25,179)	(1.06)	-4.33%		(29,604)	(1.33)	-5.32%
Net interest rate hedges (1)		23,571	1.00	4.05%		24,379	1.09	4.38%
Interest expense		(788)	(0.03)	-0.14%		(1,566)	(0.07)	-0.28%
Total Agency RMBS profit (loss)		(618)	(0.02)	-0.12%		114	-	0.02%
Total non-Agency and Agency MBS, Other ABS, and Commercial mortgage loans profit		17,038	0.72	2.91%		63,521	2.84	11.43%
Other interest income (expense), net		1	-	0.00%		(66)	-	-0.01%
Other expenses (excluding incentive fee)		(4,152)	(0.18)	-0.71%		(7,767)	(0.35)	-1.40%
Net increase in equity resulting from operations (before incentive fee)		12,887	0.54	2.20%		55,688	2.49	10.02%
Incentive fee		(1,182)	(0.05)	-0.20%		(3,237)	(0.14)	-0.58%
Net increase in equity resulting from operations	$	11,705	$ 0.49	2.00%	$	52,451	$ 2.35	9.44%
Less: Net increase in equity resulting from operations attributable to non-controlling interest		105				516		
Net increase in shareholders' equity resulting from operations (5)	**$**	**11,600**	**$ 0.49**	**2.00%**	**$**	**51,935**	**$ 2.35**	**9.42%**
Weighted average shares and convertible units outstanding (2)		23,656				22,334		
Average equity (includes non-controlling interest) (3)	$	581,552			$	556,343		
Ending equity (includes non-controlling interest)	$	637,858			$	637,858		
Diluted book value per share	$	24.51			$	24.51		
Weighted average shares and LTIP units outstanding (4)		23,444				22,122		
Average shareholders' equity (excludes non-controlling interest) (3)	$	576,803			$	551,581		

(1) Includes TBAs and U.S. Treasuries, if applicable.
(2) Convertible units include LTIP units and Operating Partnership units owned by the non-controlling interest.
(3) Average equity and average shareholders' equity is calculated using month end values.
(4) Excludes Operating Partnership units attributable to non-controlling interest.
(5) Per share information calculated using weighted average shares and LTIP units outstanding. Percentage of average equity calculated using average shareholders' equity which excludes non-controlling interest.

Ellington Financial: Second Quarter Highlights

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Overall Results	■ 2nd quarter net income of $11.6 million or $0.49 per share; Six months net income of $51.9 million or $2.35 per share, equating to a non-annualized return on shareholders' equity of 9.4%
Non-Agency MBS Strategy	■ 2nd quarter non-Agency MBS strategy gross income of $17.7 million(1) or $0.74 per share ■ Income derived from yield on assets, realized gains from trading, and income from interest rate hedges, partially offset by valuation declines in long portfolio
Agency RMBS Strategy	■ 2nd quarter Agency RMBS gross loss of $(0.6) million(1) or $(0.02) per share ■ Loss driven by asset valuation declines and net realized losses in long portfolio; the loss was significantly reduced by income from interest rate hedges
Operating Expenses	■ 2nd quarter core expenses of $4.1 million--includes base management fees and other operating expenses (excludes incentive fees of $1.2 million, interest expense of $2.6 million, and other investment related expenses of $0.3 million) ■ Other operating expenses represent 2.8% of average equity, annualized. We project a 2.7% operating expense ratio going forward given our recent capital raise

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

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Ellington Financial: Highlights Continued

Portfolios	■ Non-Agency Long Portfolio: $796.0 million with a market yield of 6.82%(1) at the end of the second quarter, as compared to $610.8 million at the end of the first quarter with a market yield of 6.77%(1) ■ Agency Long Portfolio: $860.7 million at the end of the second quarter compared to $861.0 million at the end of the first quarter
Leverage	■ Debt to equity ratio: 2.02:1 at June 30th as compared to 1.86:1 at March 31st ■ Toward quarter end, we increased liquidity in light of market volatility and so as to be able to take advantage of buying opportunities

Book Value and Shareholders' Equity	■ June 30, 2013 diluted book value per share of $24.51, net of $0.77 first quarter dividend paid in June, as compared to $24.78 per share at March 31, 2013, representing a decline of 1.1%
	■ Shareholders' equity as of June 30, 2013 $633.2 million; $515.8 million at March 31, 2013
	  ■ We completed a follow-on share offering in May, resulting in net proceeds to the Company of $125.3 million
	  ■ Offering was slightly accretive to diluted book value

Dividend Yield	■ Our Board of Directors declared a 2nd quarter dividend of $0.77 per share
	  ■ Equates to annualized dividend yield of 13.7% based on the August 2, 2013 NYSE closing price of $22.50
	  ■ We continue to expect to recommend to our Board of Directors a quarterly dividend amount of $0.77 per share(2)

(1) Refer to footnote 5 on page 11 for a discussion of management's market yield estimates.

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

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Ellington Financial: Non-Agency MBS Strategy

Overall Market Conditions	
Overall Market Conditions	■ Fundamentals of housing remain strong but the combination of rapid HPA in the last year and 100 basis point increase in mortgage rates means that the actual monthly payments are up by +30% in the last 18 months in some areas ■ Ongoing positive momentum continued to fuel non-Agency prices through the first half of quarter ■ Technicals weakened and roiled fixed income markets in the last half of the quarter due to indications that the Federal Reserve might begin to taper its accommodative monetary policies ■ Sale of a $9 billion portfolio of non-Agency RMBS by a large British bank in late May also impacted market for non-Agency RMBS during the quarter ■ Combination of uncertainty around future Federal Reserve actions and large portfolio sale by British bank served to put downward pressure on non-Agency MBS prices in the latter part of the quarter

Portfolio Trends	■ On a cost basis, we increased non-Agency portfolio by $189 million to $707.8 million(1)
	■ Maintained our long bias in the non-Agency MBS portfolio
	    ■ Continued focus on non-mortgage hedges that may protect us better in an economic downturn
	    ■ Interest rate hedges blunted most of the impact of the surge in interest rates during the quarter
	■ Continued to actively trade portfolio—recent volatility creates additional attractive buying opportunities
	■ Increased CMBS and CLO holdings; continued expectations of investment opportunities in each of these sectors, although new CMBS issuance may decline in light of the increase in interest rates
	■ 6.82%(2) weighted average market yield on long non-Agency MBS portfolio as of June 30, 2013

(1) Excludes cost basis of long derivatives for which the bond equivalent value is included on page 10 as described in footnote 1.

(2) Refer to footnote 5 on page 11 for a discussion of management's market yield estimates.

Ellington Financial: Agency Strategy

Overall Market Conditions	■ Agency RMBS dramatically underperformed both U.S. Treasuries and interest rate swaps
	■ Specified pools with prepayment protection charactersitics particularly hard hit–as interest rate rise, prepayment protection has less value
	  ■ Lower coupon specified pools impacted the most
	  ■ We believe that the market is now underestimating the value of prepayment protection for many specified pool sectors
	■ Yield curve steepened dramatically
	  ■ Hedging only the short-end of the yield curve would have been ineffective
	■ As interest rates rose, there was large scale selling of Agency RMBS by investors who needed to reduce leverage and overall risk; should interest rates continue to rise, we would expect these selling pressures to resume
	■ By the end of the quarter there was much less prepayment risk in the market; therefore current asset yields can now be estimated with much greater confidence
	■ Recent declines in prices and pay-ups has made many specified pool sectors more attractive

Portfolio Trends	■ TBA short positions and disciplined use of longer-dated interest rate swaps helped significantly to counter the impact of the increase in interest rates ■ Volatility and aggressive selling of MBS has created many pools with excellent call protection and very small pay-ups to TBAs ■ Many MBS now trade at a discounted dollar price where value resides in extension protection and faster turnover speeds

Ellington Financial: Market Outlook

Non-Agency	■ Widening in non-Agency MBS yield spreads has created attractive investment opportunities
	■ We expect to continue to opportunistically purchase attractively priced securities in other sectors
	    ■ CMBS/CDOs/CLOs
	    ■ Small balance non-performing commercial mortgage loans
	■ Actively evaluating opportunities to participate in the recovering mortgage origination/securitization markets
	    ■ Hired Steven Abreu, a respected veteran in mortgage banking business, to actively seek mortgage originators to evaluate for purchase; and ultimately, to run the business for EFC

Agency	■ Traditional prepayment protected pools have become more attractively priced as a result of the increased level of market volatility—we expect to continue to take advantage of these buying opportunities ■ Market has much less aggregate prepayment risk and much less pay-up risk than pervious quarters as pay-ups are greatly reduced ■ Expect continued return enhancement through focus on security selection and active trading ■ Increased interest rate volatility highlights importance of ability to hedge ■ Continued uncertainty around the wind-down of Fed asset purchase programs should continue to create opportunities

Non-Agency Portfolio

EFC: Non-Agency Long Portfolio

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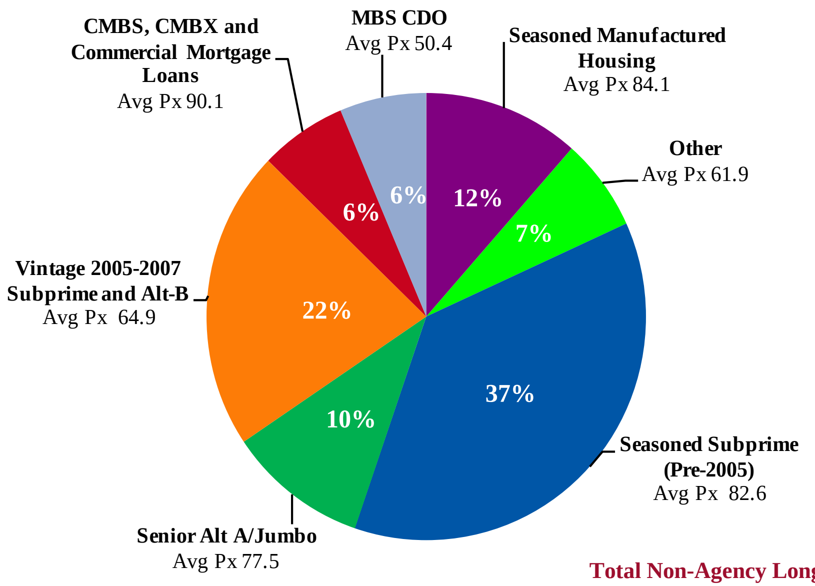
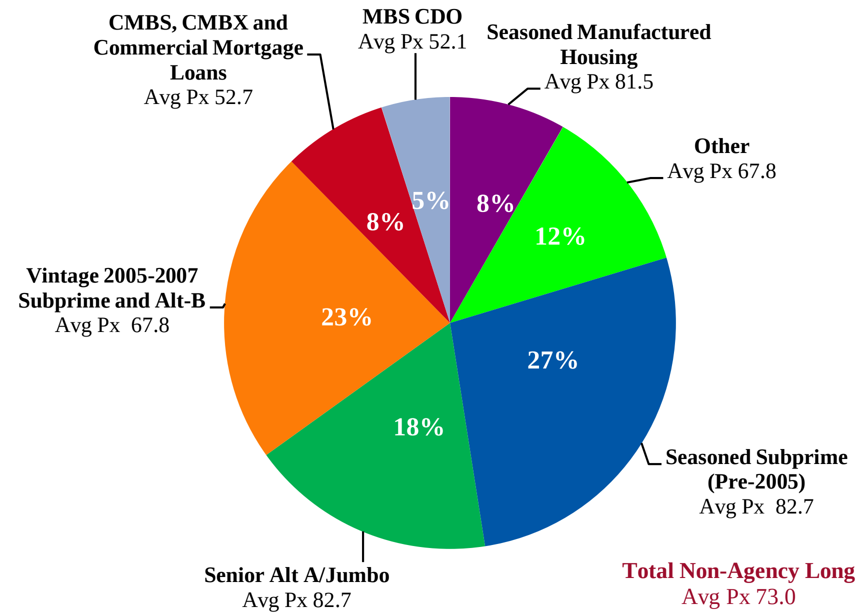
Previous Quarter
Non-Agency Long Portfolio 3/31/13: $611MM(1)(2)



Total Non-Agency Long
Avg Px 73.3

Current Quarter
Non-Agency Long Portfolio 6/30/13: $796MM(1)(2)



Total Non-Agency Long
Avg Px 73.0

- **Non-Agency portfolio is currently concentrated in**
  - Seasoned securities where underlying borrowers have equity in their homes and where borrower performance has improved
  - Securities that maintain attractive yields when subjected to moderate home price stresses
- **During the second quarter non-Agency portfolio increased**
  - Deployment of net offering proceeds
  - Continued to opportunistically purchase CLOs, including debt and equity tranches
  - Becoming increasingly active in small balance non-performing commercial whole loans

(1) Non-Agency portfolio includes PrimeX and CMBX, based on their respective bond equivalent values. Bond equivalent values for CDS represent 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 ("points up front"). This information does not include interest rate swaps, TBA positions, common stock and equity swaps, or other hedge positions. The bond equivalent value of credit derivatives in the non-Agency long portfolio include $27.9 million of long CMBX positions and $2.3 million of long Primex positions at June 30, 2013, and $23.5 million of long CMBX positions and $2.4 million of long Primex positions at March 31, 2013. The corresponding net fair value of net long credit derivatives is $(13.5) million at June 30, 2013 and $(14.1) million at March 31, 2013.

(2) Average price excludes interest-only, principal-only, equity tranches, and other similar securities and long credit derivatives at June 30, 2013 and March 31, 2013.

EFC: Non-Agency Long Portfolio as of June 30, 2013

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- **EFC non-Agency MBS strategy is the main driver of earnings**
- **Non-Agency long portfolio value: $796 million[1] as of 6/30/2013 (which includes $766 million of long non-Agency MBS and loans and $30 million of bond equivalent value of long credit derivatives):**

MBS Sector	Fair Value (millions)	Average Price [2]	Weighted Average Life [3]	Historical 1-Year CPR [4]	Est. Yield at Market Price at HPA Downside [5][6]	Est. Yield at Market Price at Ellington HPA Forecast [5][6]
Seasoned Subprime	$216.2	82.7%	5.4	10.2%	4.81%	6.11%
Vintage 2005-2007 Subprime and Alt-B	179.7	67.8	7.0	12.4	5.2	6.23
Seasoned Manufactured Housing	66.3	81.5	6.7	7.0	7.64[7]	7.64
Senior Alt-A/Jumbo	139.8	82.7	5.9	13.1	5.55	6.17
CMBS and Commercial Mortgage Loans	59.4	52.7	9.6	N/A	13.68[7]	13.68
MBS CDO	39.0	52.1	2.7	N/A	1.78	7.63
Other	95.6	67.8	7.5	14.4	6.28	8.40
Total	**$796.0**	**73.0%**	**6.2**	**11.5%**	**4.81%**	**6.82%**

(1) For 6/30/2013, fair value includes $27.9 million of bond equivalent value of long CMBX positions and $2.3 million of bond equivalent value of long PrimeX positions. The above table does not include these positions in averages or totals.

(2) Average price excludes interest-only, principal-only, equity tranches, and other similar securities. All averages in this table are weighted averages using fair value, except for average price which uses current principal balance.

(3) Weighted average life assumes "projected" cashflows using Ellington's proprietary models. Excludes interest-only, principal-only, equity tranches, and other similar securities.

(4) Source for historical 1-Year CPR is Intex. Excludes interest-only, principal-only, equity tranches, and other similar securities, CMBS and commercial mortgage loans, and any securities where Intex CPR not available.

(5) Estimated yields at market prices are management's estimates derived from Ellington's proprietary models based on prices and market environment as of 6/30/13 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. Average sector yields include interest-only, principal-only, equity tranches, and other similar securities, and excludes securities for which yields were unavailable. 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) "HPA Downside" means all home prices decline a total of 15% over the next two years relative to our baseline HPA projections but are in-line with our baseline HPA projections thereafter, and the default rate on all collateral increases 50%. As of June 30, 2013, our baseline projections call for home prices to rise approximately 4.7% per year nationally over the next four years, with some variation over time and material variation across localities.

(7) Yields for manufactured housing securities, CMBS, and commercial mortgage loans are held constant for this analysis as management believes these underlying properties are less directly affected by changes in national home prices.

EFC: Credit Hedging and Other Portfolio

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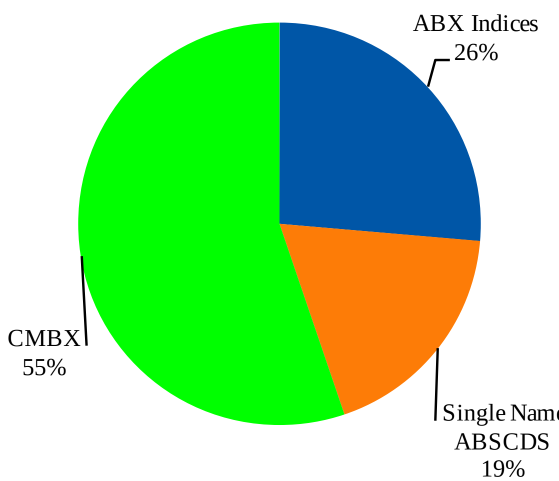
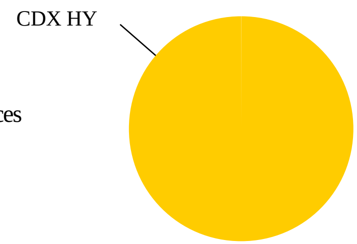
Previous Quarter
Credit Hedging Portfolio 3/31/13: $158MM(1)

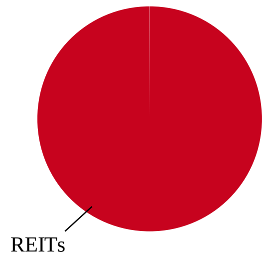
CDS on MBS: $59.0mm



Corporate CDS: $88.1mm

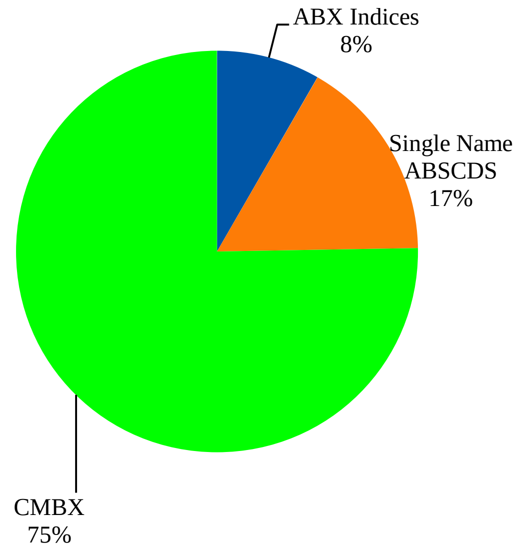


Equities: $11.1mm



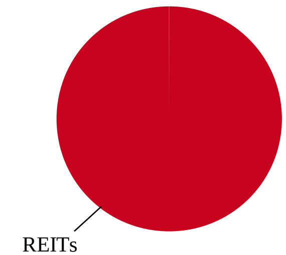
Current Quarter
Credit Hedging Portfolio 6/30/13: $183MM(1)

CDS on MBS: $65.0mm



Corporate CDS: $110.5mm

Equities: $7.3mm



- **During the second quarter:**
  - Continuing to reduce ABX indices—they have become less effective for hedging purposes—rather, we are focusing on non-mortgage hedges that may protect us better in an economic downturn, e.g., short position on CDX indices and total return swaps

(1) Credit hedging portfolio includes synthetic credit positions based on their respective bond equivalent values in the case of CDS. See footnote 1 on page 10 for a description of bond equivalent value of CDS. This information does not include interest rate swaps, TBA positions, or other hedge positions. The total bond equivalent value of CDS on MBS and Corporate CDS is $175.5 million at June 30, 2013 and $147.1 million at March 31, 2013. The corresponding net fair value of short CDS on MBS and short Corporate CDS is $26.0 million at June 30, 2013 and $33.0 million at March 31, 2013. For equities, the amounts above represent notional value defined as the number of underlying shares multiplied by price per share at June 30, 2013 and March 31, 2013. The net short notional value of $7.3 million as of June 30, 2013 represents a gross short notional value of $18.0 million offset by a gross long notional value of $10.7 million. The net short notional value of $11.1 million as of March 31, 2012 represents a gross short notional value of $13.6 million offset by a gross long notional value of $2.4 million. The net fair value of common stock held long and short as of June 30, 2013 was $(3.1) million. No common stock was held as of March 31, 2013. The net fair value of equity swaps was $8.0 thousand as of June 30, 2013 and $0.03 million as of March 31, 2013.

Agency Portfolio

EFC: Agency Long Portfolio

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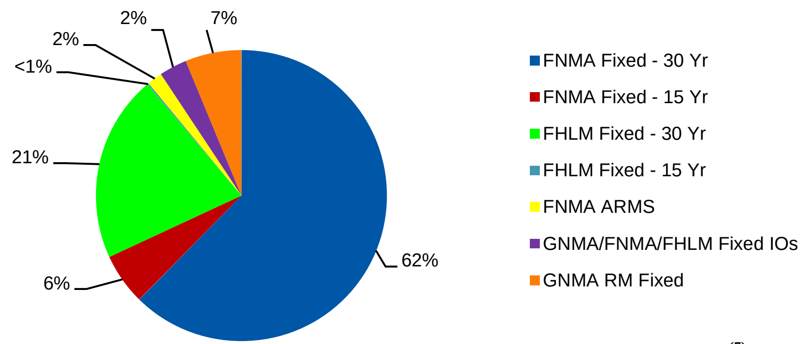
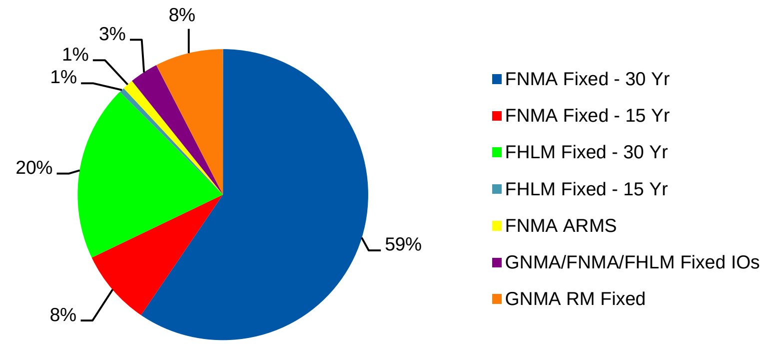
Previous Quarter
Agency Long Portfolio 3/31/13: $861MM(1)



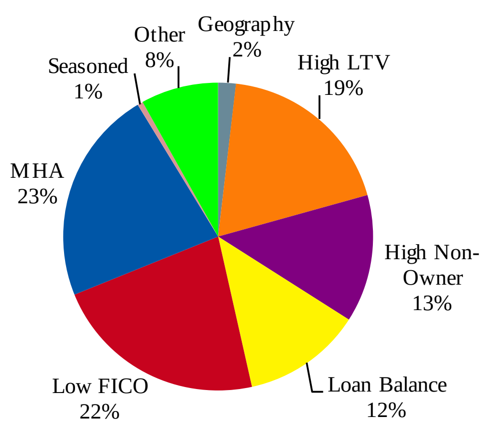
Weighted Average Coupon 4.02%(7)

Current Quarter
Agency Long Portfolio 6/30/13: $861MM(1)



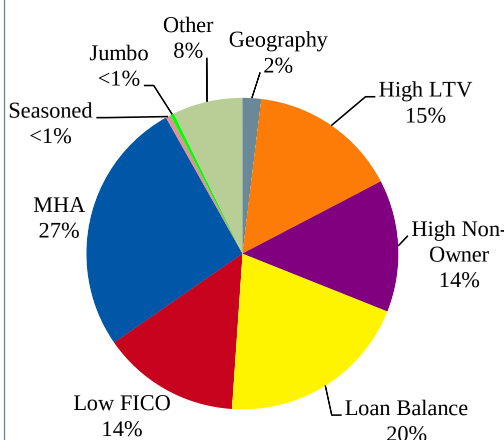
Weighted Average Coupon 3.97%(7)

Collateral Characteristics and Historical 3-month CPR
Agency Fixed Rate Pool Portfolio 3/31/13: $766MM(2)



Characteristic(4)	Fair Value(2)(5)	3-Month Historical CPR(3)
Geography	$14.1	30.7
High LTV	144.1	11.7
High Non-Owner Occupied	102.8	11.4
Low Loan Bal	95.3	9.9
Low FICO	171.3	6.6
MHA(6)	172.2	2.8
Seasoned	4.4	20.0
Other	62.1	14.1
Totals	766.3	9.1

Collateral Characteristics and Historical 3-month CPR
Agency Fixed Rate Pool Portfolio 6/30/13: $758MM(2)



Characteristic (4)	Fair Value (2)(5)	3-Month Historical CPR (3)
Geography	$14.7	0.4
High LTV	116.7	15.2
High Non-Owner Occupied	104.0	7.6
Low Loan Bal	151.7	6.2
Low FICO	108.0	12.9
MHA (6)	200.8	3.4
Seasoned	4.1	5.9
Jumbo	2.8	79.9
Other	54.9	21.0
Totals	757.7	9.5

(1) Does not include long TBA positions. Agency long portfolio includes $833.3 million of long Agency securities at June 30, 2013 and $844.8 million at March 31, 2013. Additionally, the long Agency portfolio includes $27.4 million of interest-only securities at June 30, 2013 and $16.2 million at March 31, 2013.
(2) Excludes interest-only securities with a value of $27.4 million at June 30, 2013 and $16.2 million at March 31, 2013 and reverse mortgage pool securities with a value of $65.1 million at June 30, 2013 and $64.0 million at March 31, 2013.
(3) Excludes interest-only securities and Agency fixed rate RMBS without any prepayment history with a total value of $48.8 million at June 30, 2013 and $53.5 million at March 31, 2013.
(4) Classification methodology may change over time as market practices change.
(5) Fair values are shown in millions.
(6) "MHA" indicates those pools where underlying borrowers have participated in the Making Homes Affordable program.
(7) Represents weighted average net pass-through rate. Excludes interest-only securities.

EFC: Agency Interest Rate Hedging Portfolio

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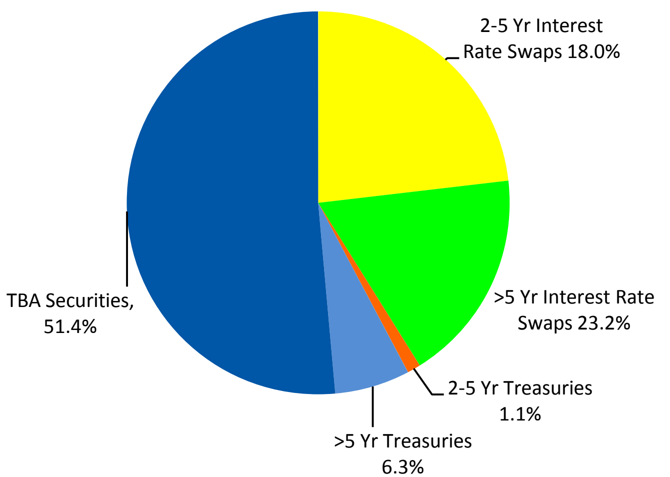
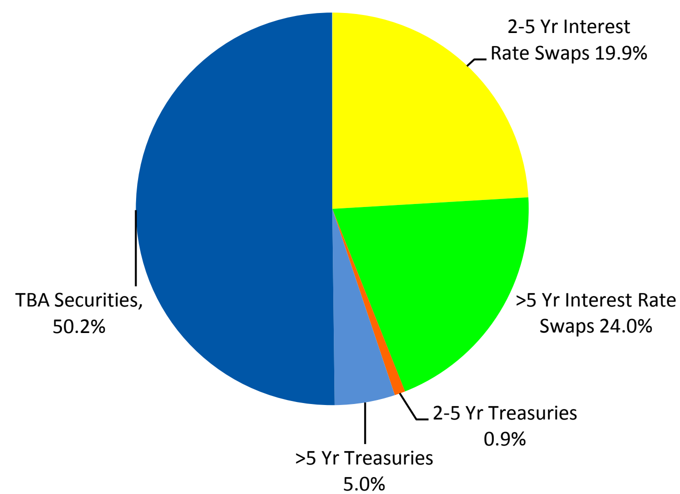
Agency Interest Rate Hedging Portfolio 3/31/13:
Short $408 MM 10-year equivalents



Current Quarter
Agency Interest Rate Hedging Portfolio 6/30/13:
Short $518 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."**
- **During the second quarter:**
  - As interest rates rose, duration of short TBAs increased, thereby increasing our hedged position on the basis of 10-year equivalents

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

EFC: Agency Interest Rate Hedging Portfolio Continued

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

(In millions)

Agency-related Portfolio	3/31/2013	6/30/2013
Long Agency RMBS	$861	$861
Net Short TBA Positions	(517)	(481)
Net Long Exposure to Agency RMBS	**$344**	**$380**

- **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, etc.**
- **For those Agency pools hedged with comparable TBAs, the biggest risk is a drop in “pay-ups,” which portfolio-wide average only 0.41% of the value of our fixed rate Agency pool portfolio as of June 30, 2013 as compared to 0.58% as of March 31, 2013**

Estimated Change in Fair Value as of 6/30/13 for Agency Pools, Agency IOs, and Related Hedges if Interest Rates Move:

(In thousands)	Down 50 BPS	Up 50 BPS
Agency ARM Pools	$28	($42)
Agency Fixed Rate Pools and IO's	21,232	(24,674)
TBAs	(9,709)	12,121
Interest Rate Swaps	(9,718)	9,410
U.S. Treasury Securities	(1,296)	1,245
Repo and Reverse Repo Agreements	(499)	606
Totals	**$38**	**($1,334)**

Note: The above table reflects a parallel shift in interest rates based on the market environment as of June 30, 2013. The preceding analysis does not include sensitivities to changes in interest rates for our derivatives on corporate securities (whether debt or equity-related), or other 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, 2013

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($ In Millions)	Repo Borrowings			
Remaining Days to Maturity	**Non-Agency**	**Agency**	**Total**	**% of Total Borrowings**
30 Days or Less	$57.2	$263.9	$321.1	24.9%
31-60 Days	106.3	287.4	393.7	30.6
61-90 Days	137.1	256.1	393.2	30.5
91-120 Days	3.3	50.9	54.2	4.3
121-150 Days	18.0	8.3	26.3	2.0
151-180 Days	93.7	5.8	99.5	7.7
Total Borrowings	**$415.6**	**$872.4**	**$1,288.0**	**100.0%**
Weighted Average Remaining Days to Maturity	87	50	62	

- **As of June 30, 2013:**
  - EFC had borrowings outstanding with 12 counterparties. Borrowings from the largest counterparty represented 21% of total outstanding borrowings
  - EFC had repo borrowings with a remaining weighted average maturity of 62 days; maturities are staggered to mitigate liquidity risk
    - Non-Agency borrowings weighted average maturity declined by 3 days compared to March 31, 2013
    - Agency borrowings declined by 27 days compared to March 31, 2013

Note: Included in the above table, using the original maturity dates, are any reverse repos the Company may expect to terminate early in the case of an unsettled sale transaction at June 30, 2013. Not included are any reverse repos that the Company may have entered into prior to June 30, 2013, for which delivery of the borrowed funds is not scheduled until after June 30, 2013. Remaining maturity for a reverse repo is based on the contractual maturity date in effect as of June 30, 2013. 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, 2013	For the Quarter Ended June 30, 2013	
Collateral for Borrowing	Outstanding Borrowings[1]	Average Borrowings for the Quarter Ended[1]	Average Cost of Funds[1]
Non-Agency RMBS, CMBS, and Other	$415,545	$315,851	2.04%
Agency RMBS	872,447	770,252	0.41
Total	**$1,287,992**	**$1,086,103**	**0.89%**

- **Debt-to-equity ratio[(2)(3)] of 2.02:1 as of June 30, 2013 compared to 1.86:1 as of March 31, 2013**
- **Borrowing rates for non-Agency MBS and Agency RMBS relatively stable compared to first quarter**

(1) Excludes securitized debt valued at $1.2 million as of June 30, 2013.
(2) Includes securitized debt valued at $1.2 million as of June 30, 2013 and March 31, 2013 .
(3) Debt to equity ratio based on outstanding borrowings at end of period / total equity

Supplemental Information

EFC: Gross Profit and Loss

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- **In times of MBS market distress, the use of hedging instruments has been effective in insulating long non-Agency portfolio from credit risk**

	Six Months Ended		Years Ended									
	June 30, 2013		2012		2011		2010		2009		2008	
($ In thousands)	$	%	$	%	$	%	$	%	$	%	$	%
Long: Non-Agency	60,711	10.92	129,830	30.02	1,505	0.39	70,840	21.87	101,748	36.33	(64,565)	(26.20)
Credit Hedge and Other: Non-Agency	(6,739)	(1.21)	(14,642)	(3.39)	19,895	5.16	(7,958)	(2.46)	10,133	3.62	78,373	31.81
Interest Rate Hedge: Non-Agency	9,435	1.70	(3,851)	(0.89)	(8,171)	(2.12)	(12,150)	(3.75)	(1,407)	(0.50)	(3,446)	(1.40)
Long: Agency	(24,265)	(4.36)	37,701	8.72	63,558	16.47	21,552	6.65	22,171	7.92	4,763	1.93
Interest Rate Hedge: Agency	24,379	4.38	(20,040)	(4.63)	(54,173)	(14.04)	(14,524)	(4.48)	(8,351)	(2.98)	(6,414)	(2.60)
Gross Profit	**63,521**	**11.43**	**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. Figures in "%" columns are as a percentage of average shareholders' equity for the period.

EFC: Capital and Leverage

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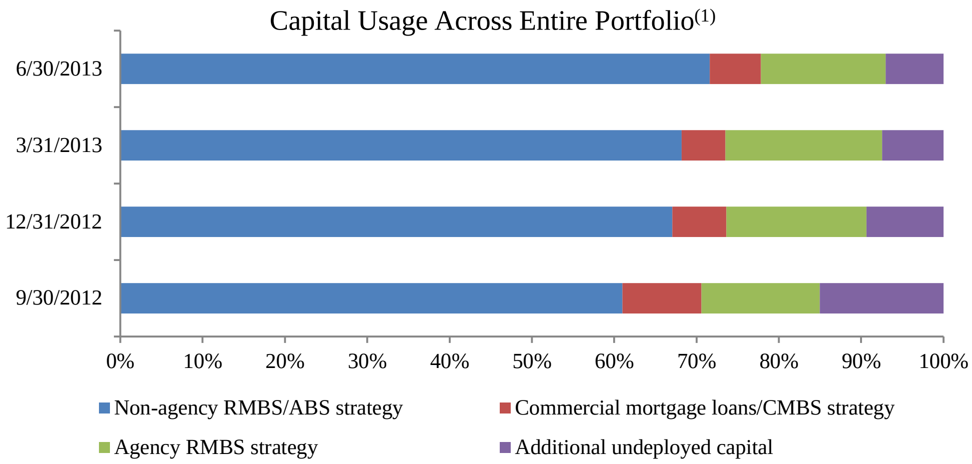


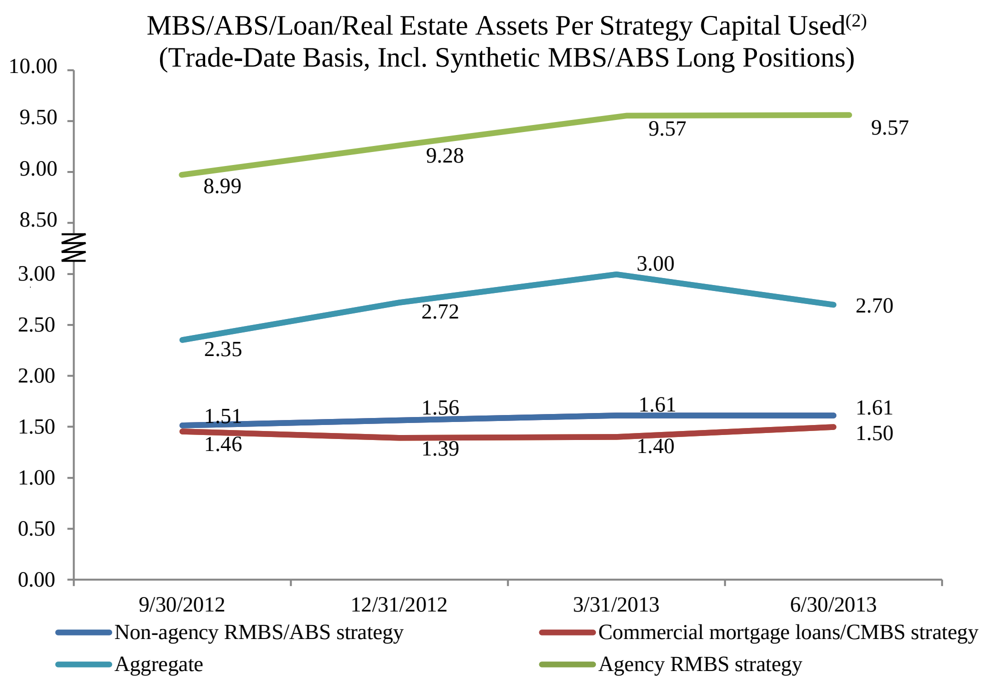
Notes

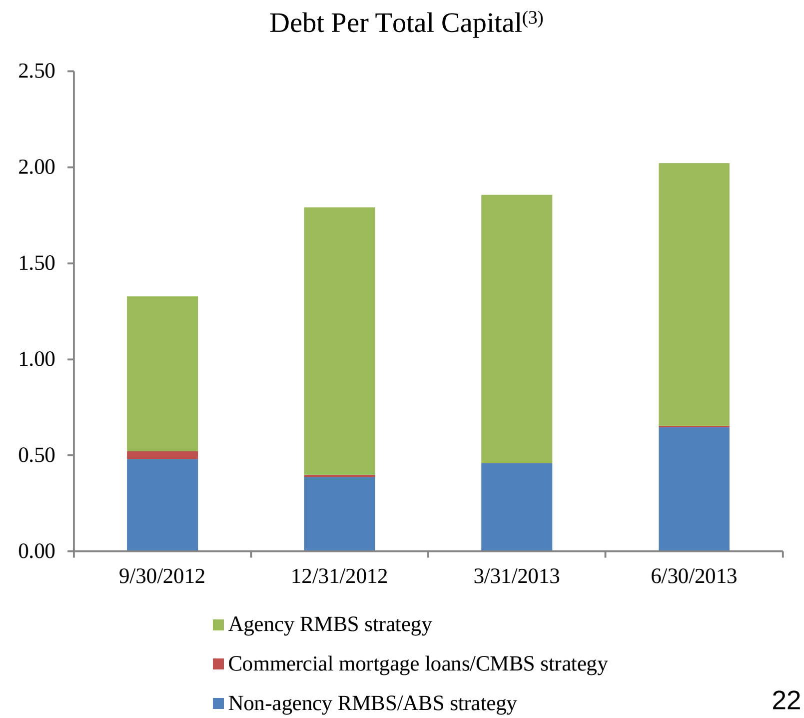
(1) Capital usage based on pro forma calculation of leverage generally applicable to long positions in target asset classes.

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

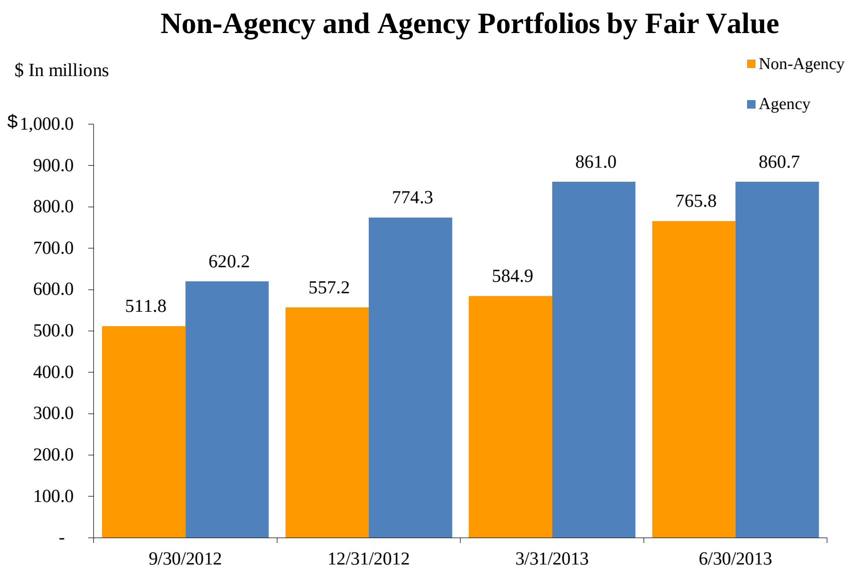
- long cash bond holdings of MBS/ABS (such as CMOs, CDOs, agency pools)
- long holdings of commercial mortgage loans notes and unsecuritized mortgage loans
- bond equivalent amount of synthetic long holdings of MBS/ABS (in the form of single name and index ABS CDS)
- long TBA positions held for investment,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

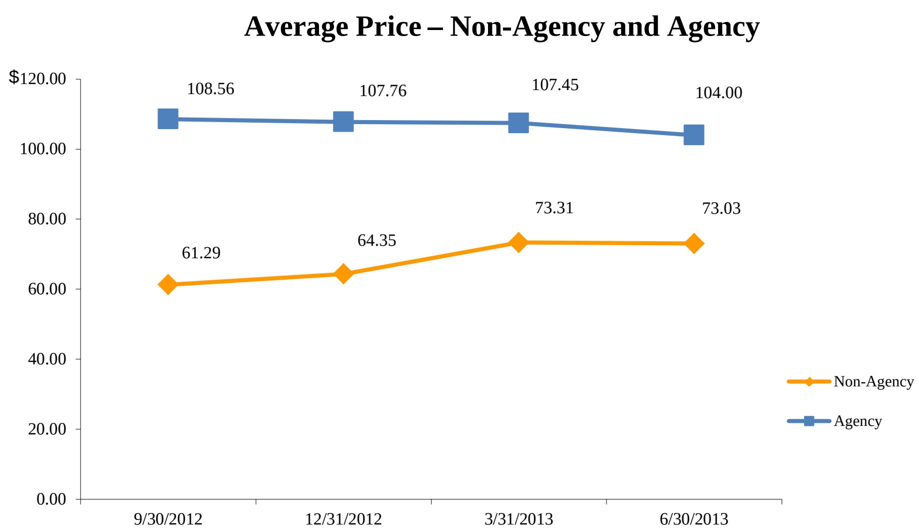
(3) Debt per total capital includes in the numerator repo borrowings and securitized debt





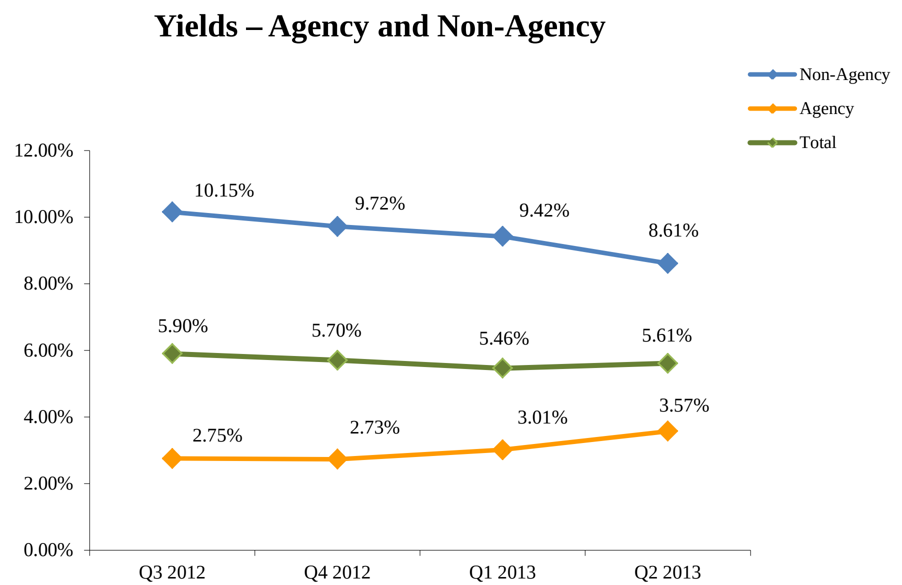
EFC: Non-Agency and Agency Fair Values and Average Prices



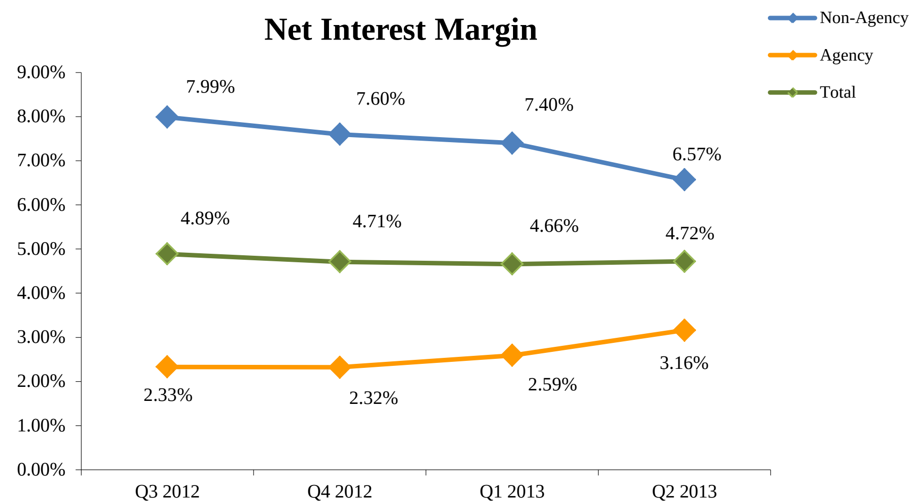


Note: Excludes interest-only, principal-only, equity tranches, and other similar securities.

EFC: Yields and Net Interest Margin

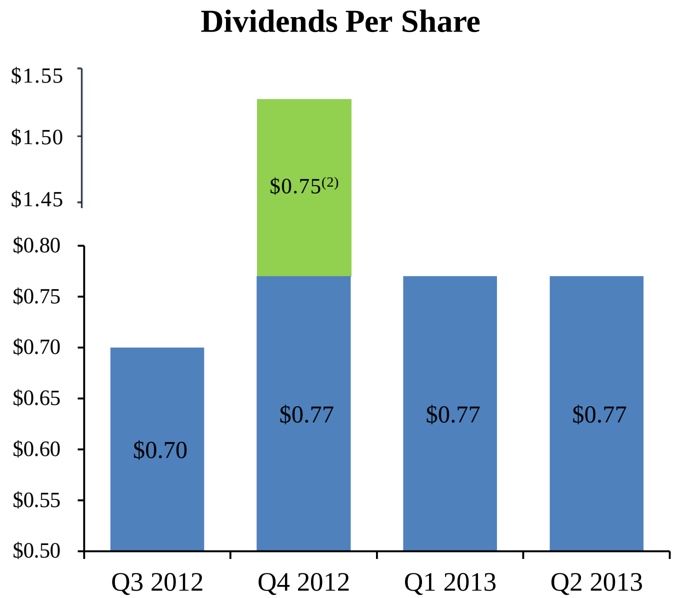


Note: Yields are based on amortized cost, not fair value.



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

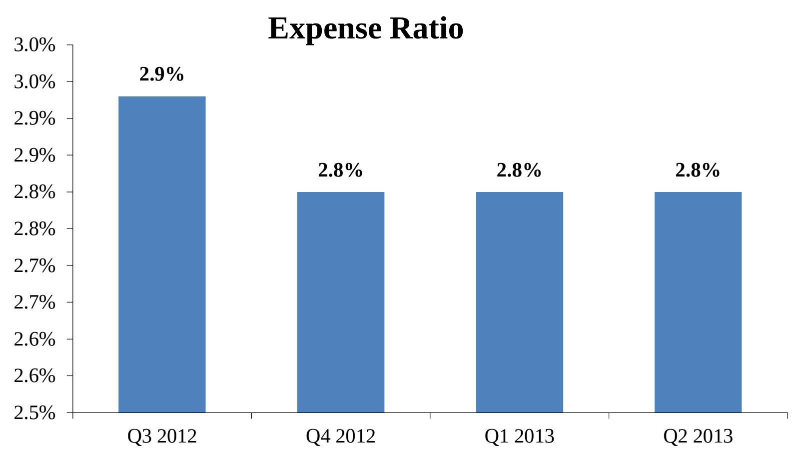
EFC: Dividends and Expense Ratio



Dividend Yield as of June 30, 2013
13.5%(1)

(1) Based on NYSE closing price as of 6/28/2013.

(2) Special dividend.



EFC: Book Value

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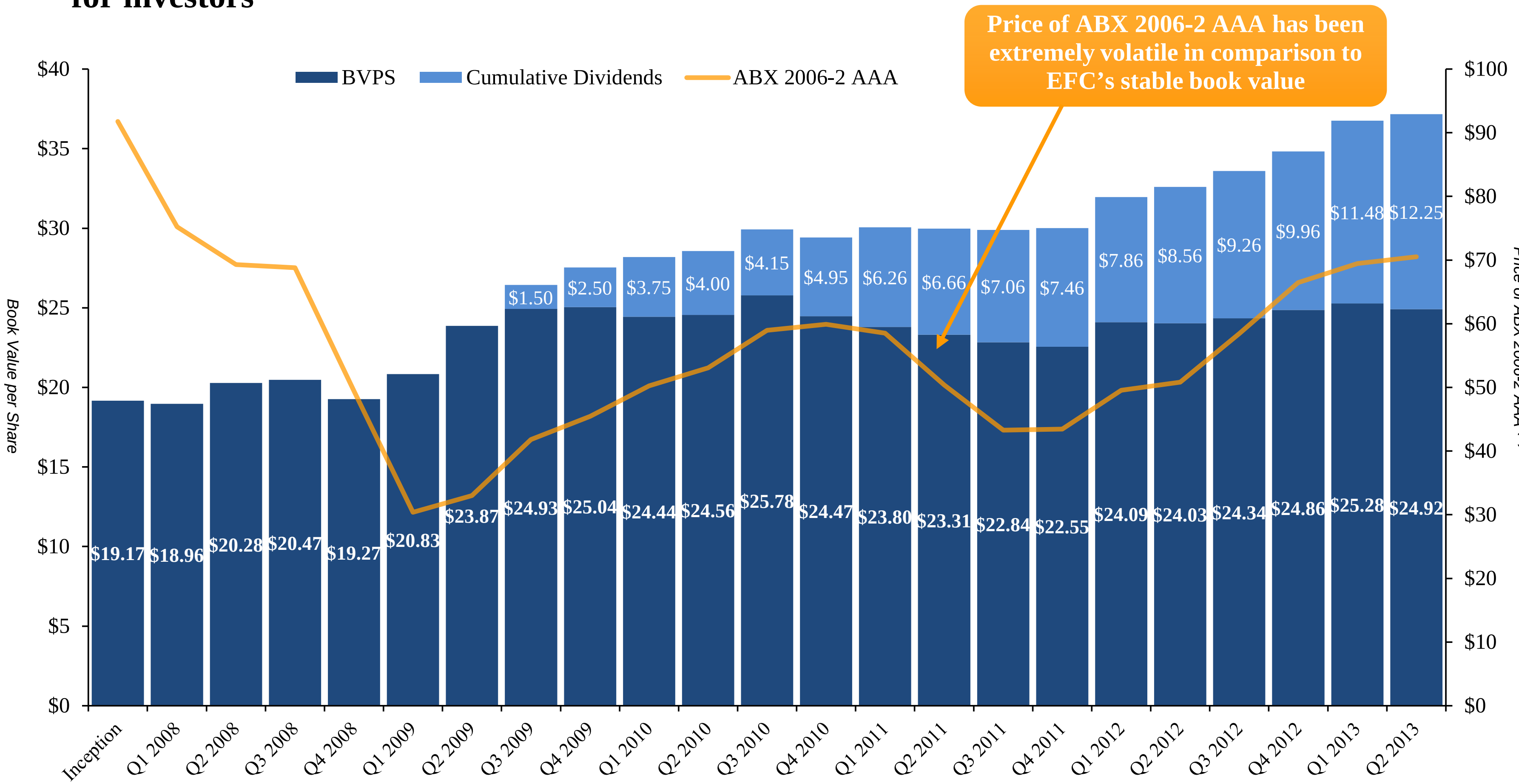
- **EFC has successfully preserved book value through market cycles, while producing strong results for investors**



- **EFC life-to-date net-asset-value-based total return from inception in August 2007 through Q2 2013 is approximately 113%**

(1) Source: Bloomberg, Markit

Note: Total return is based on $19.17 net book value per share at inception in August 2007 and is calculated assuming the reinvestment of dividends. Total return from inception using the 6/30/2013 book value per share is 112.81%. Dividends were paid in the quarter following the period related to such performance.

Income Statement

(Unaudited)

Ellington Financial

ELLINGTON FINANCIAL LLC
CONSOLIDATED STATEMENT OF OPERATIONS

(In thousands, except per share data)	Three Month Period Ended June 30, 2013	Three Month Period Ended March 31, 2013	Six Month Period Ended June 30, 2013
Investment income			
Interest income	$ 20,335	$ 18,382	$ 38,717
Expenses			
Base management fee	2,405	1,967	4,373
Incentive fee	1,182	2,055	3,237
Interest expense	2,582	2,142	4,724
Other investment related expenses	327	-	327
Other operating expenses	1,671	1,649	3,319
Total expenses	8,167	7,813	15,980
Net investment income	12,168	10,569	22,737
Net realized gain (loss) on:			
Investments	10,598	13,997	24,596
Swaps	(4,152)	(1,383)	(5,535)
Futures	(775)	(22)	(797)
	5,671	12,592	18,264
Change in net unrealized gain (loss) on:			
Investments	(27,971)	22,839	(5,132)
Swaps	21,866	(5,276)	16,589
Futures	(29)	22	(7)
	(6,134)	17,585	11,450
Net realized and unrealized gain (loss) on investments and financial derivatives	(463)	30,177	29,714
Net increase in equity resulting from operations	$ 11,705	$ 40,746	$ 52,451
Less: Net increase in equity resulting from operations attributable to non-controlling interest	105	411	516
Net increase in shareholders' equity resulting from operations	$ 11,600	$ 40,335	$ 51,935
Net increase in shareholders' equity resulting from operations per share:			
Basic and diluted	$ 0.49	$ 1.94	$ 2.35
Weighted average shares and LTIP units outstanding	23,444	20,785	22,122
Weighted average shares and convertible units outstanding	23,656	20,997	22,334

Balance Sheet

(Unaudited)

Ellington Financial

ELLINGTON FINANCIAL LLC
CONSOLIDATED STATEMENT OF ASSETS, LIABILITIES AND EQUITY

(In thousands, except share amounts)	As of June 30, 2013	March 31, 2013	December 31, 2012[1]
ASSETS			
Cash and cash equivalents	$ 201,795	$ 64,753	$ 59,084
Investments, financial derivatives and repurchase agreements:			
Investments at fair value (Cost - $1,675,134, $1,465,788, and $1,328,153)	1,710,422	1,535,924	1,375,116
Financial derivatives - assets at fair value (Net cost - $47,291, $56,769, and $65,860)	46,977	36,250	48,504
Repurchase agreements (Cost - $41,188, $42,614, and $13,650)	41,188	42,614	13,650
Total Investments, financial derivatives and repurchase agreements	1,798,587	1,614,788	1,437,270
Due from brokers	48,294	21,977	22,744
Receivable for securities sold	672,035	609,239	626,919
Interest and principal receivable	6,571	5,507	5,719
Other assets	1,125	410	379
Total assets	$ 2,728,407	$ 2,316,674	$ 2,152,115
LIABILITIES			
Investments and financial derivatives:			
Investments sold short at fair value (Proceeds - $614,208, $648,101, and $621,048)	$ 608,922	$ 649,756	$ 622,301
Financial derivatives - liabilities at fair value (Net proceeds - $16,042, $14,358, and $13,171)	18,543	18,490	15,212
Total investments and financial derivatives	627,465	668,246	637,513
Reverse repurchase agreements	1,287,992	965,272	905,718
Due to brokers	30,345	21,599	30,954
Payable for securities purchased	136,084	132,750	57,333
Securitized debt (Proceeds - $1,150, $1,250, and $1,311)	1,168	1,205	1,335
Accounts payable and accrued expenses	1,917	1,929	1,995
Base management fee payable	2,405	1,967	1,934
Incentive fee payable	1,182	2,055	7,343
Other payables	311	-	903
Interest and dividends payable	1,680	1,049	732
Total liabilities	2,090,549	1,796,072	1,645,760
EQUITY	637,858	520,602	506,355
TOTAL LIABILITIES AND EQUITY	$ 2,728,407	$ 2,316,674	$ 2,152,115
ANALYSIS OF SHAREHOLDERS' EQUITY:			
Common shares, no par value, 100,000,000 shares authorized; (25,412,011, 20,403,723, and 20,370,469 shares issued and outstanding)	$ 624,096	$ 506,825	$ 497,373
Additional paid-in capital - LTIP units	9,066	9,023	8,982
Total Shareholders' Equity	$ 633,162	$ 515,848	$ 506,355
Non-controlling interest	4,696	4,754	-
Total Equity	$ 637,858	$ 520,602	$ 506,355
PER SHARE INFORMATION:			
Common shares, no par value	$ 24.92	$ 25.28	$ 24.86
DILUTED PER SHARE INFORMATION:			
Common shares and convertible units, no par value	$ 24.51	$ 24.78	$ 24.38

(1) Derived from audited financial statements as of December 31, 2012.

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 130 employees, giving EFC access to time-tested infrastructure and industry-leading resources in trading, research, risk management, and operational support**
  - EMG has approximately $5.5 billion in assets under management

- **EMG's portfolio managers are among the most experienced in the MBS sector and the firm’s analytics are at the industry’s cutting edge**
  - 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 13% of EFC; interests are aligned with shareholders**

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

Ellington Financial

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