Ellington Financial

Ellington Financial LLC (NYSE: EFC)

Fourth Quarter 2013 Earnings Conference Call

February 13, 2014

Important Notice

Ellington Financial

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 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 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 December 31, 2013 unless otherwise indicated. We undertake no duty or obligation to update this presentation to reflect subsequent events or developments.

Fourth Quarter 2013

Operating Results

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(In thousands, except per share amounts)	Quarter Ended 12/31/2013	Per Share	% of Average Equity	Quarter Ended 9/30/2013	Per Share	% of Average Equity	Year Ended 12/31/2013	Per Share	% of Average Equity
Non-Agency MBS, mortgage loans, ABS, and other:	`								
Interest income	$ 14,404	0.55	2.28%	$ 15,500	0.59	2.45%	$ 54,705	2.26	9.25%
Net realized gain	14,792	0.57	2.34%	11,873	0.46	1.88%	46,344	1.92	7.84%
Change in net unrealized gain (loss)	1,908	0.07	0.30%	(5,224)	(0.20)	-0.83%	15,704	0.65	2.66%
Net interest rate hedges (1)	3,088	0.12	0.49%	(1,001)	(0.04)	-0.16%	11,523	0.47	1.95%
Net credit hedges and other	(11,681)	(0.45)	-1.85%	(3,754)	(0.14)	-0.59%	(22,173)	(0.92)	-3.75%
Interest expense	(2,047)	(0.08)	-0.32%	(2,264)	(0.09)	-0.36%	(7,102)	(0.29)	-1.20%
Foreign currency gain (loss)	38	—	0.01%	—	—	—%	38	—	0.01%
Total non-Agency MBS, mortgage loans, ABS, and other profit	20,502	0.78	3.25%	15,130	0.58	2.39%	99,039	4.09	16.76%
Agency RMBS:									
Interest income	8,550	0.33	1.35%	8,564	0.33	1.35%	31,017	1.28	5.25%
Net realized loss	(5,654)	(0.22)	-0.90%	(8,185)	(0.32)	-1.29%	(20,837)	(0.86)	-3.54%
Change in net unrealized gain (loss)	(2,145)	(0.08)	-0.34%	10,850	0.42	1.71%	(20,902)	(0.86)	-3.54%
Net interest rate hedges (1)	2,050	0.08	0.32%	(7,322)	(0.28)	-1.16%	19,110	0.79	3.23%
Interest expense	(911)	(0.03)	-0.14%	(845)	(0.03)	-0.13%	(3,322)	(0.14)	-0.56%
Total Agency RMBS profit	1,890	0.08	0.29%	3,062	0.12	0.48%	5,066	0.21	0.84%
Total non-Agency and Agency MBS, mortgage loans, ABS, and other profit	22,392	0.86	3.54%	18,192	0.70	2.87%	104,105	4.30	17.60%
Other interest income (expense), net	(3)	—	0.00%	5	—	0.00%	(64)	—	-0.01%
Other expenses (excluding incentive fee)	(4,210)	(0.16)	-0.67%	(4,336)	(0.17)	-0.69%	(16,313)	(0.67)	-2.76%
Net increase in equity resulting from operations (before incentive fee)	18,179	0.70	2.87%	13,861	0.53	2.18%	87,728	3.63	14.83%
Incentive fee	(3,091)	(0.12)	-0.49%	(2,038)	(0.08)	-0.32%	(8,366)	(0.35)	-1.42%
Net increase in equity resulting from operations	$ 15,088	$ 0.58	2.38%	$ 11,823	$ 0.45	1.86%	$ 79,362	$ 3.28	13.41%
Less: Net increase in equity resulting from operations attributable to non-controlling interests	226			96			838		
Net increase in shareholders' equity resulting from operations (5)	**$ 14,862**	**$ 0.58**	**2.38%**	**$ 11,727**	**$ 0.45**	**1.86%**	**$ 78,524**	**$ 3.28**	**13.41%**
Weighted average shares and convertible units(2) outstanding	26,040			26,026			24,198		
Average equity (includes non-controlling interests) (3)	$ 630,063			$ 632,852			$ 590,783		
Ending equity (includes non-controlling interests)	$ 626,049			$ 629,802			$ 626,049		
Diluted book value per share	$ 23.99			$ 24.19			$ 23.99		
Weighted average shares and LTIP units outstanding (4)	25,828			25,814			23,986		
Average shareholders' equity (excludes non-controlling interests) (3)	$ 624,570			$ 628,197			$ 585,677		

(1) Includes TBAs and U.S. Treasuries, if applicable.
(2) Convertible units include LTIP units and Operating Partnership units attributable to non-controlling interests.
(3) Average equity and average shareholders' equity is calculated using month end values.
(4) Excludes Operating Partnership units attributable to non-controlling interests.
(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 interests.

Ellington Financial: Fourth Quarter Highlights

Overall Results	4th quarter net income of $14.9 million or $0.58 per share; full year net income of $78.5 million or $3.28 per share, equating to a full year return on average shareholders' equity of 13.4%
Non-Agency Strategy	4th quarter non-Agency strategy gross income of $20.5 million[1] or $0.78 per share – Primary drivers were interest income and net realized and unrealized gains partially offset by net losses on credit hedges
Agency RMBS Strategy	4th quarter Agency RMBS strategy gross income of $1.9 million[1] or $0.08 per share – Primary drivers were interest income and net gains on interest rate hedges partially offset by net realized and unrealized losses on Agency RMBS
Operating Expenses	4th quarter core expenses of $4.2 million–includes base management fees and other operating expenses. Core expenses represent 2.7% of average equity, annualized
Leverage	Debt to equity ratio: 1.98:1 at December 31, 2013 as compared to 2.14:1 at September 30, 2013 – Decrease in borrowings primarily related to investment sales, the proceeds of which had not yet been fully reinvested at quarter end

(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.

Ellington Financial: Fourth Quarter Highlights (continued)

Portfolios	■ Non-Agency Long Portfolio including long credit default swaps: $736.7 million with a market yield of 7.29%(1) at the end of the fourth quarter, as compared to $794.9 million at the end of the third quarter with a market yield of 7.23%(1) ■ New purchase yields averaged 7.99% in Q4 versus 7.69% in Q3 ■ Underlying cashflows on held securities improved, thereby improving book yields and interest income ■ Agency Long Portfolio: $933.5 million at the end of the fourth quarter compared to $983.2 million at the end of the third quarter
Book Value and Shareholders' Equity	■ December 31, 2013 diluted book value per share of $23.99, net of $0.77 third quarter dividend paid in December, as compared to $24.19 per share at September 30, 2013, representing a decline of 0.8% ■ Year over year decline in book value of 1.6%—modest when compared to overall mREIT sector ■ Total equity as of December 31, 2013 $626.0 million; $629.8 million at September 30, 2013
Dividend Yield	■ 4th quarter dividend of $0.77 per share announced on February 11th ■ Total 2013 dividends represent approximately 101% of net income ■ Annualized dividend yield of 12.7% based on the February 12, 2014 closing price of $24.32 ■ 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. Long credit default swaps are not included in yield calculations.

(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.

Ellington Financial: Non-Agency Strategy

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Overall Market Conditions	■ Non-Agency MBS rallied during the quarter—pace of rally slowed in November and December as the market anticipated a decision by the Fed to taper its monthly asset purchases under QE3 ■ The Dutch financial services firm ING sold a $5.1 billion portfolio of U.S. RMBS, as it sought to benefit from the continued improvement in the U.S. housing market ■ In December, the Federal Reserve announced a modest $10 billion reduction in its $85 billion of monthly asset purchases, effective January 2014. Another $10 billion reduction, effective in February, was announced in January

Portfolio Trends	■ Very actively traded portfolio, replacing assets sold over the quarter with other more attractive assets
	  ■ Turned over 25% of the portfolio
	  ■ Participated in the ING sale
	■ Continued to be active in CMBS, distressed commercial mortgage loans, and CLOs
	  ■ Distressed commercial mortgage loans represent a growing asset class
	■ Purchased a pool of approximately 200 non-performing residential loans from HUD's Distressed Asset Stabilization Program
	  ■ Cost $24 million on UPB of $36.2 million
	■ Purchased first European non-dollar-denominated RMBS—expectation of continued activity in this sector
	■ Increased short positions in CDS on corporate bond indices—corporate credit outpaced structured products in the fourth quarter

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

Ellington Financial: Agency Strategy

Overall Market Conditions	

Overall Market Conditions	▪ Though Agency RMBS continued to rally in response to the "no taper" announcement early in the quarter, the uncertainty regarding the Fed's impending taper weighed on both the absolute prices of Agency RMBS as well as their spread to interest rates for the majority of the quarter
	  ▪ The Agency RMBS market finally received clarity in mid-December with the Fed's initial announcement of the taper which began in January 2014
	  ▪ Even with the Fed's reduction of purchases, the Fed is still a significant source of support for the market, as gross Agency RMBS issuance has declined over 40% since May
	▪ Mortgage Bankers Association REFI index hit multi-year lows in December

Portfolio Trends	▪ Continued to take advantage of the depressed pay-ups and purchased higher coupon pools, specifically rotating into specified pools with traditionally stronger prepayment protection characteristics such as low loan balances
	  ▪ Average pay-up of 0.22% as of December 31st, unchanged from September 30th
	  ▪ Remain active in fixed rate reverse mortgage pools, another sector that has demonstrated strong return characteristics

Ellington Financial: Market Outlook

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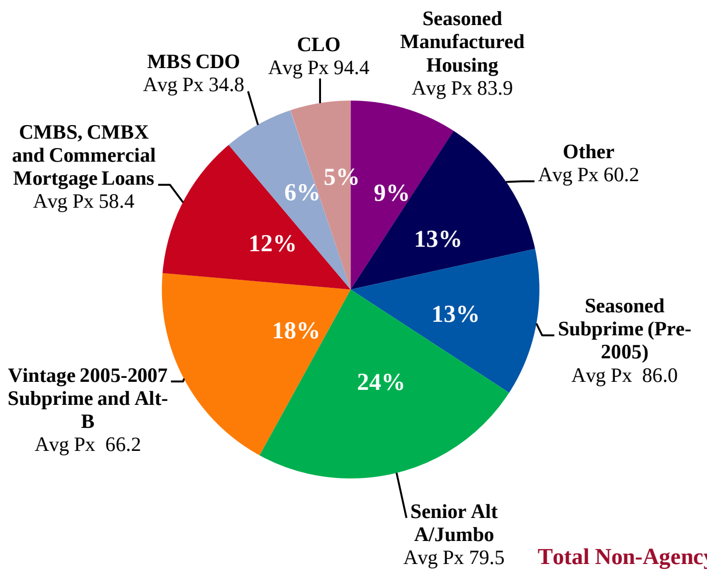
Non-Agency	■ Active management through trading will play a significant role in profit generation ■ As Wall Street balance sheets and risk-taking appetites decline as a result of Basel III and Dodd Frank, we expect continued trading opportunities ■ Asset diversification expected to be important to augment declining universe of CUSIPs ■ CMBS “b-pieces” ■ Distressed commercial mortgage loans ■ Residential NPLs ■ CLOs ■ European MBS/ABS ■ European banks’ asset sales of distressed European MBS expected to increase in 2014 ■ Continued to increase exposure in January ■ Currently own both Euro-denominated and GBP-denominated securities
Agency	■ We expect to continue to increase our exposure to higher coupon pools while prepayment protection is still available at depressed levels ■ Continued expectation of market volatility as Fed reduces its dominance in the market—ability to hedge using a variety of tools, including TBAs, remains ever important

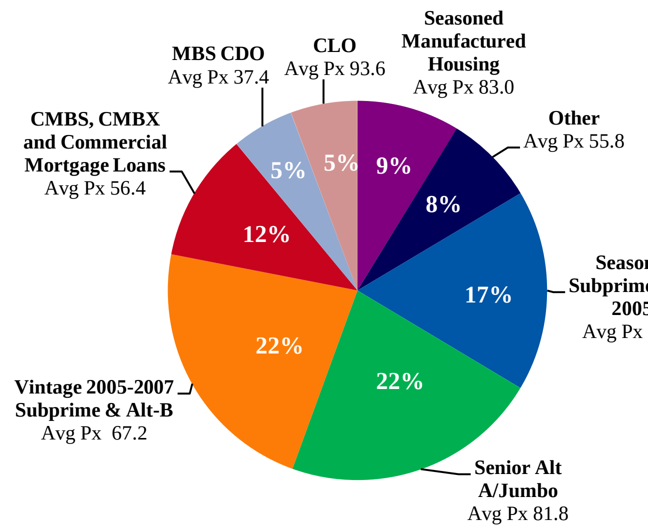
Non-Agency Portfolio

EFC: Non-Agency Long Portfolio

Current Quarter Non-Agency Long Portfolio 12/31/13: $737MM(1)(2)	Previous Quarter Non-Agency Long Portfolio 9/30/13: $795MM(1)(2)



Total Non-Agency Long
Avg Px 68.1



Total Non-Agency Long
Avg Px 69.7

- **During the fourth quarter:**
  - Proceeds from assets turned over not yet fully reinvested as of year-end, thereby resulting in a slightly smaller portfolio
    - Portfolio turnover: 25%
  - Increased exposure to other sectors of MBS including distressed commercial mortgage loans, residential NPLs, Euro-denominated RMBS, and “b-pieces” of CMBS

(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 $34.8 million of long CMBX positions and $2.1 million of long PrimeX positions at December 31, 2013, and $47.3 million of long CMBX positions and $2.1 million of long PrimeX positions at September 30, 2013. The corresponding net fair value of long credit derivatives is $(11.8) million at December 31, 2013 and $(19.2) million at September 30, 2013.

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

EFC: Non-Agency Long Portfolio as of December 31, 2013

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- **EFC non-Agency strategy is the main driver of earnings**
- **Non-Agency long portfolio value: $737 million[(1)] as of 12/31/13 (which includes $700 million of long non-Agency MBS and loans and $37 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	$93.1	86.0%	5.0	10.1%	5.50%	6.58%
Vintage 2005-2007 Subprime and Alt-B	135.4	66.2	7.2	11.5	5.91	6.71
Seasoned Manufactured Housing	67.5	83.9	6.7	7.0	6.64[(7)]	6.64
Senior Alt-A/Jumbo	175.5	79.5	5.8	14.2	5.78	6.35
CMBS, CMBX, and Commercial Mortgage Loans	91.7	58.4	9.5	N/A	12.22[(7)]	12.22
MBS CDO	44.2	34.8	2.2	N/A	4.44	8.66
CLO	38.1	94.4	3.0	N/A	7.24[(7)]	7.24
Other	91.2	60.2	8.1	14.0	6.17	7.91
Total	**$736.7**	**68.1%**	**6.1**	**11.8%**	**5.61%**	**7.29%**

(1) As of December 31, 2013, fair value includes $34.8 million of bond equivalent value of long CMBX positions and $2.1 million of bond equivalent value of long PrimeX positions. The above table does not include these positions in averages or totals other than Fair Value.

(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 12/31/13 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% beyond the impact of the 15% decline in home prices on default rates. As of December 31, 2013, our baseline projections call for home prices to rise approximately 5.1% 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.

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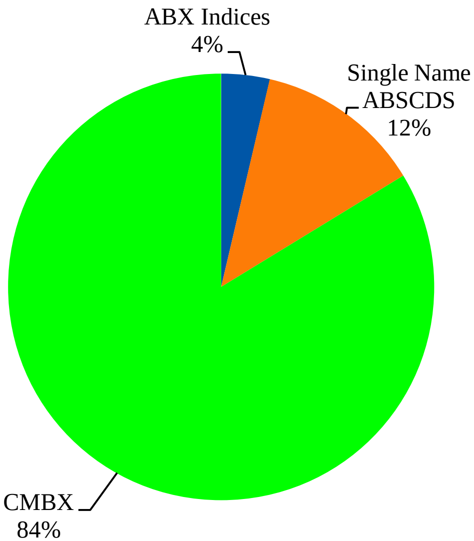
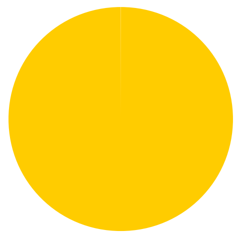
EFC: Credit Hedging and Other Portfolio

Current Quarter
Credit Hedging & Other Portfolio 12/31/13: $245MM(1)

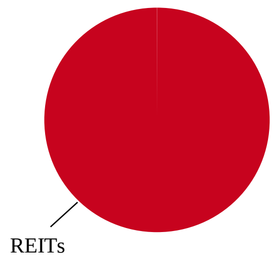
CDS on MBS: $80.3mm



Corporate CDS: $198.9mm

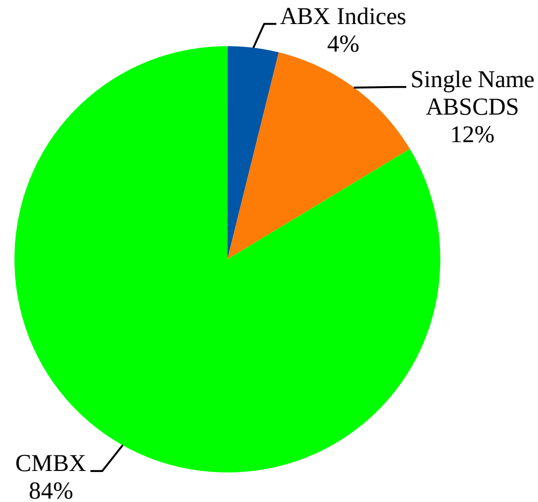


Equities: $34.3mm
Net Long

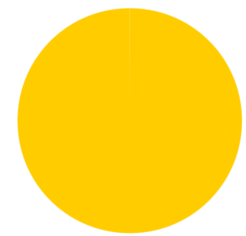


Previous Quarter
Credit Hedging & Other Portfolio 9/30/13: $251MM(1)

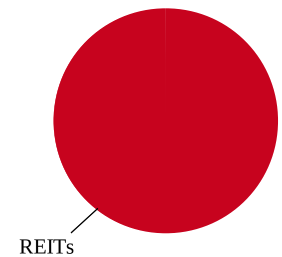
CDS on MBS: $83.7mm



Corporate CDS: $192.2mm



Equities: $25.2mm
Net Long



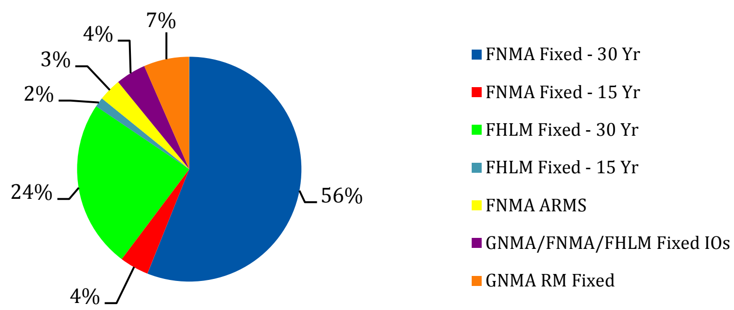
- **During the fourth quarter:**
  - Maintained our short positions in CDS on MBS while increasing our long exposure to equities
  - From time to time, we establish long and/or short positions in publicly traded mortgage-related corporate entities
    - Increased our net long exposure to equities over the quarter

(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 $279.2 million as of December 31, 2013 and $275.9 million as of September 30, 2013. The corresponding net fair value of short CDS on MBS and short Corporate CDS is $(2.7) million as of December 31, 2013 and $ 16.7 million as of September 30, 2013. For equities, the amounts above represent notional value defined as the number of underlying shares multiplied by price per share as of December 31, 2013 and September 30, 2013. The net long equities notional value of $34.3 million as of December 31, 2013 represents a gross short notional value of $16.8 million offset by a gross long notional value of $51.0 million. The net short equities notional value of $25.2 million as of September 30, 2013 represents a gross short notional value of $9.4 million offset by a gross long notional value of $34.6 million. The net fair value of common stock held long and short as of December 31, 2013 was $(6.4) million. There was no common stock held as of September 30, 2013. The net fair value of the equity swaps evidencing the equity positions was $(63) thousand as of December 31, 2013 and $(7) thousand as of September 30, 2013.

Agency Portfolio

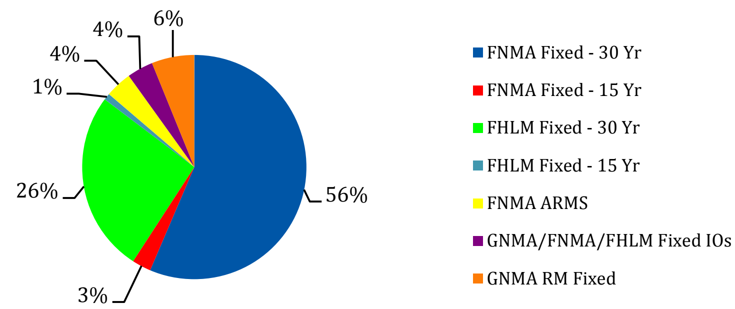
EFC: Agency Long Portfolio

Current Quarter
Agency Long Portfolio 12/31/13: $933MM[1]



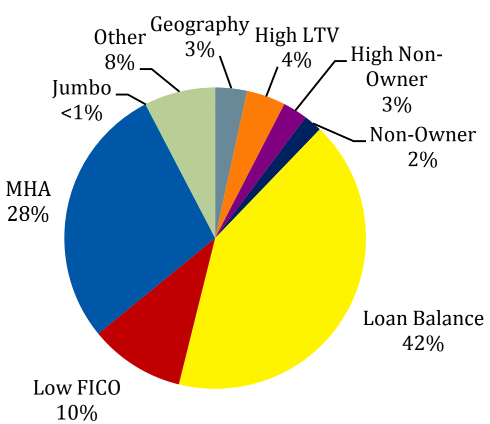
Weighted Average Coupon 4.06%[7]

Previous Quarter
Agency Long Portfolio 9/30/13: $983MM[1]



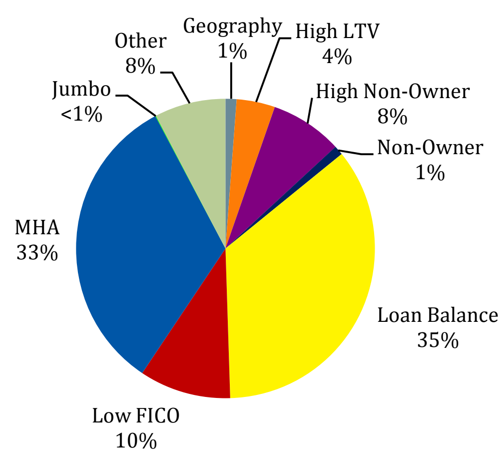
Weighted Average Coupon 3.98%[7]

Collateral Characteristics and Historical 3-month CPR
Agency Fixed Rate Pool Portfolio 12/31/13: $801MM[2]



Characteristic[4]	Fair Value[2][5]	3-Month Historical CPR[3]
Geography	$27.3	1.0
High LTV	33.4	14.1
High Non-Owner Occupied	21.2	3.5
Non-Owner	15.8	5.9
Low Loan Bal	333.9	3.8
Low FICO	81.7	16.6
MHA[6]	226.6	1.8
Jumbo	0.3	93.2
Other	60.9	3.9
Totals	**$801.1**	**5.1**

Collateral Characteristics and Historical 3-month CPR
Agency Fixed Rate Pool Portfolio 9/30/13: $848MM[2]



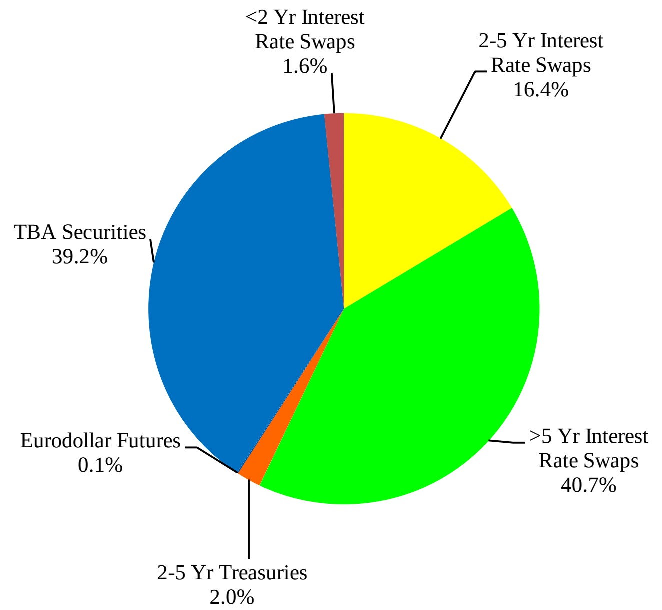
Characteristic[4]	Fair Value[2][5]	3-Month Historical CPR[3]
Geography	$10.2	0.0
High LTV	35.1	13.9
High Non-Owner Occupied	66.0	8.8
Non-Owner	10.4	0.7
Low Loan Bal	299.2	8.9
Low FICO	83.7	9.8
MHA[6]	277.8	2.0
Jumbo	0.6	92.7
Other	65.1	9.3
Totals	**$848.1**	**6.9**

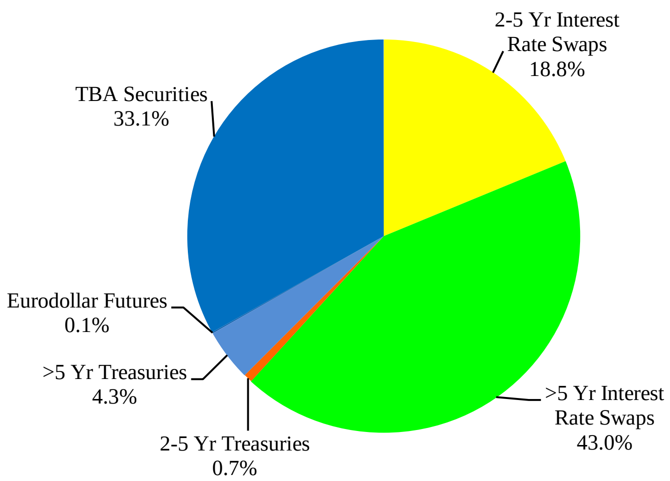
(1) Does not include long TBA positions. Agency long portfolio includes $893.0 million of long Agency securities at December 31, 2013 and $946.1 million of long Agency securities at September 30, 2013. Additionally, the long Agency portfolio includes $40.5 million of interest only securities at December 31, 2013 and $37.0 million of interest only securities at September 30, 2013.
(2) Excludes reverse mortgage pool securities with a value of $61.3 million at December 31, 2013 and $60.5 million at September 30, 2013.
(3) Excludes Agency fixed rate RMBS without any prepayment history with a total value of $42.5 million at December 31, 2013 and $84.5 million at September 30, 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

Ellington Financial

Current Quarter **Agency Interest Rate Hedging Portfolio 12/31/13:** **Short $541 MM 10-year equivalents**	**Previous Quarter** **Agency Interest Rate Hedging Portfolio 9/30/13:** **Short $565 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 fourth quarter:**
  - Hedges resized based on size of long portfolio
  - Increased portion of portfolio hedged with TBAs

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

EFC: Agency Interest Rate Hedging Portfolio (continued)

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

(In millions)

Agency-related Portfolio	**12/31/2013**	**9/30/2013**
Long Agency RMBS	$933	$983
Net Short TBAs	(377)	(400)
Net Long Exposure to Agency RMBS	**$556**	**$583**

- **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 0.22% of the value of our fixed rate Agency pool portfolio as of December 31, 2013**

Estimated Change in Fair Value as of 12/31/13 for Agency Pools, Agency IOs, and Related Hedges if Interest Rates Move:

(In thousands)	**Down 50 BPS**	**Up 50 BPS**
Agency ARM Pools	$232	($290)
Agency Fixed Rate Pools and IOs	21,906	(25,444)
TBAs	(16,154)	18,977
Non-Agency RMBS, CMBS, Mortgage Loans, and Other ABS	8,570	(8,429)
Interest Rate Swaps	(19,579)	18,726
Interest Rate Swaptions	33	(6)
U.S. Treasury Securities	(463)	451
Eurodollar and U.S. Treasury Futures	5,519	(5,519)
Mortgage-Related Derivatives	(399)	670
Corporate Securities and Derivatives on Corporate Securities	2,621	(3,636)
Repurchase and Reverse Repurchase Agreements	(615)	720
Total	**$1,671**	**($3,780)**

Note: The above table reflects a parallel shift in interest rates based on the market environment as of December 31, 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 December 31, 2013

($ in thousands)	Repo Borrowings			
Remaining Days to Maturity	Non-Agency	Agency	Total	% of Total Borrowings
30 Days or Less	$32,115	$337,746	$369,861	29.9%
31-60 Days	175,219	226,987	402,206	32.5%
61-90 Days	85,210	234,951	320,161	25.9%
91-120 Days	4,460	3,773	8,233	0.7%
121-150 Days	-	38,856	38,856	3.1%
151-180 Days	96,849	-	96,849	7.9%
Total Borrowings	**$393,853**	**$842,313**	**$1,236,166**	**100.0%**
Weighted Average Remaining Days to Maturity	81	45	56	

- **As of December 31, 2013:**
  - EFC had borrowings outstanding with 14 counterparties
  - Borrowings from the largest counterparty represented 21% of total outstanding borrowings
  - EFC had repo borrowings with a remaining weighted average maturity of 56 days; maturities are staggered to mitigate liquidity risk

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 December 31, 2013. Not included are any reverse repos that the Company may have entered into prior to December 31, 2013, for which delivery of the borrowed funds is not scheduled until after December 31, 2013. Remaining maturity for a reverse repo is based on the contractual maturity date in effect as of December 31, 2013. Some reverse repos have floating interest rates, which may reset before maturity.

EFC: Average Cost of Borrowings

Ellington Financial

($ In thousands)	As of December 31, 2013	For the Quarter Ended December 31, 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	$393,853	$404,924	2.00%
Agency RMBS	842,313	896,454	0.40
Total	**$1,236,166**	**$1,301,378**	**0.90%**

- **Debt-to-equity ratio[2] of 1.98:1 as of December 31, 2013 compared to 2.14:1 as of September 30, 2013**
- **Borrowings under reverse repos decreased slightly as compared to September 30, 2013**
  - **Decrease in borrowings primarily related to investment sales, the proceeds of which were not yet fully reinvested at quarter end**

(1) Borrowed amounts exclude $1.0 million in securitized debt as of both December 31, 2013 and September 30, 2013, representing long term financing for the related asset.
(2) The debt-to-equity ratio does not account for liabilities other than debt financings. The Company's debt financings consist solely of reverse repurchase agreements ("reverse repos") and a securitized debt financing in the amount of $1.0 million as of both December 31, 2013 and September 30, 2013.

Supplemental Information

EFC: Gross Profit and Loss

Ellington Financial

	Years Ended											
	2013		2012		2011		2010		2009		2008	
($ In thousands)	$	%	$	%	$	%	$	%	$	%	$	%
Long: Non-Agency	109,689	18.56	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	(22,173)	(3.75)	(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	11,523	1.95	(3,851)	(0.89)	(8,171)	(2.12)	(12,150)	(3.75)	(1,407)	(0.50)	(3,446)	(1.40)
Long: Agency	(14,044)	(2.39)	37,701	8.72	63,558	16.47	21,552	6.65	22,171	7.92	4,763	1.93
Interest Rate Hedge: Agency	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	**104,105**	**17.6**	**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 equity for the period.

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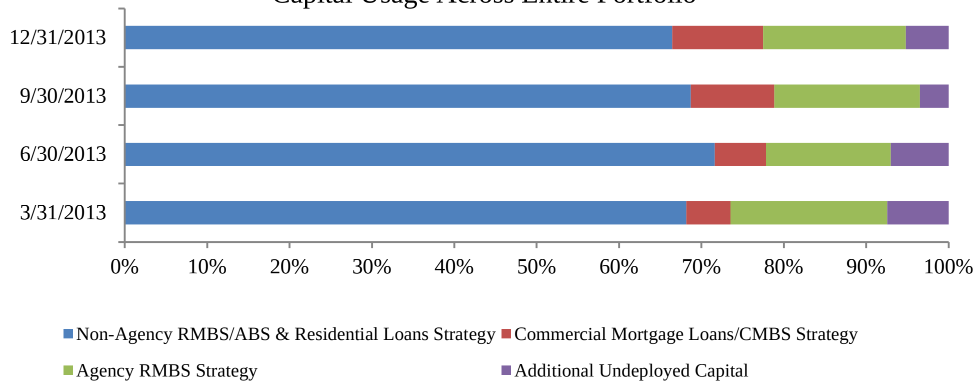
EFC: Capital and Leverage

Capital Usage Across Entire Portfolio[1]



Notes

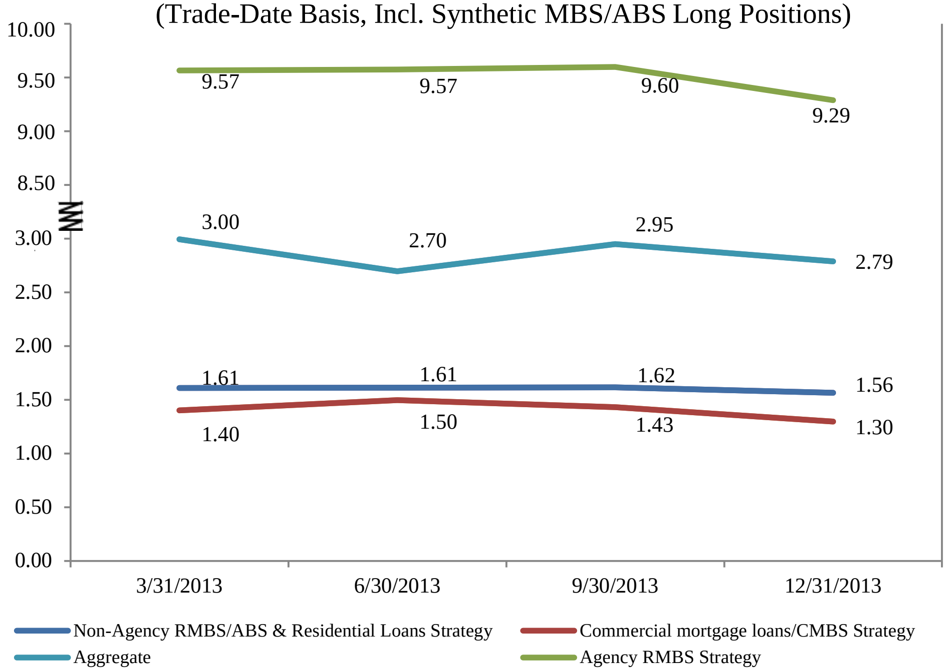
(1) Capital usage based on pro forma calculation of leverage generally applicable to long positions in target asset classes

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

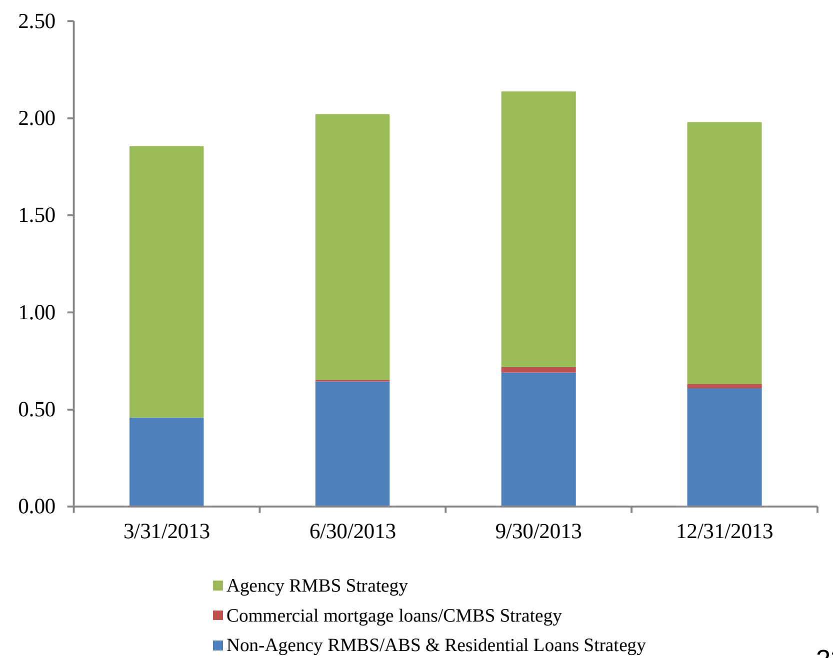
- long cash bond holdings of MBS/ABS (such as CMOs, CDOs, Agency pools)
- long holdings of unsecuritized residential mortgage loans
- long holdings of unsecuritized commercial mortgage loans and B-notes
- bond equivalent amount of synthetic long holdings of MBS/ABS (in the form of single name and index 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

MBS/ABS/Loan/Real Estate Assets Per Strategy Capital Used[2]
(Trade-Date Basis, Incl. Synthetic MBS/ABS Long Positions)



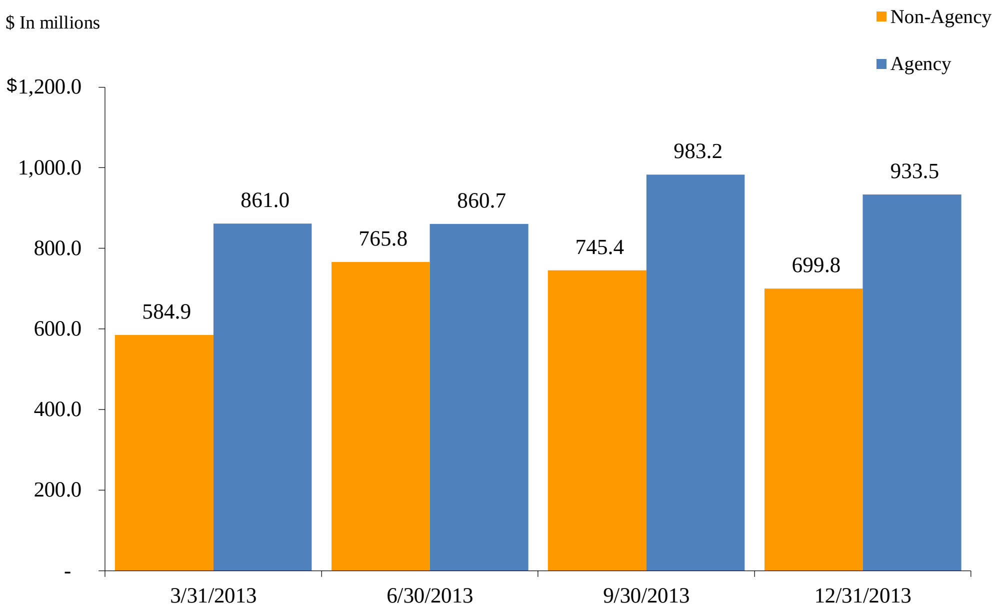
Debt Per Total Capital[3]



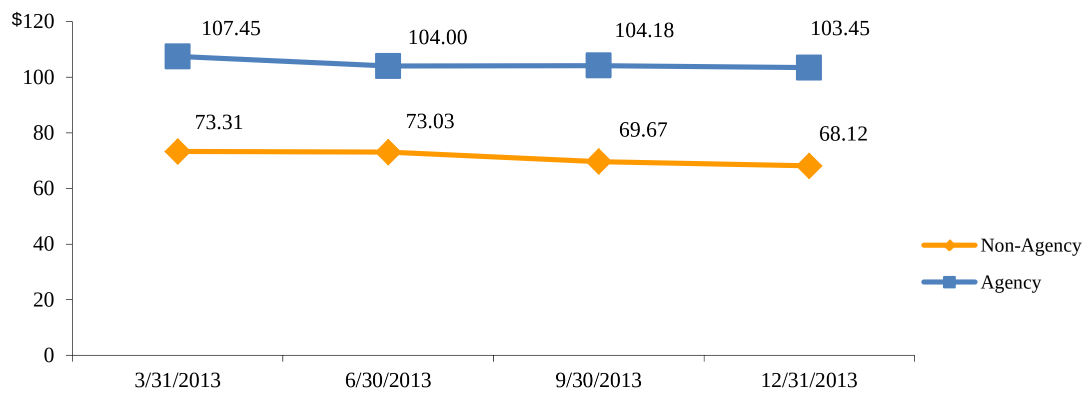
EFC: Non-Agency and Agency Fair Values and Average Prices

Ellington Financial

Non-Agency and Agency Portfolios by Fair Value[(1)]

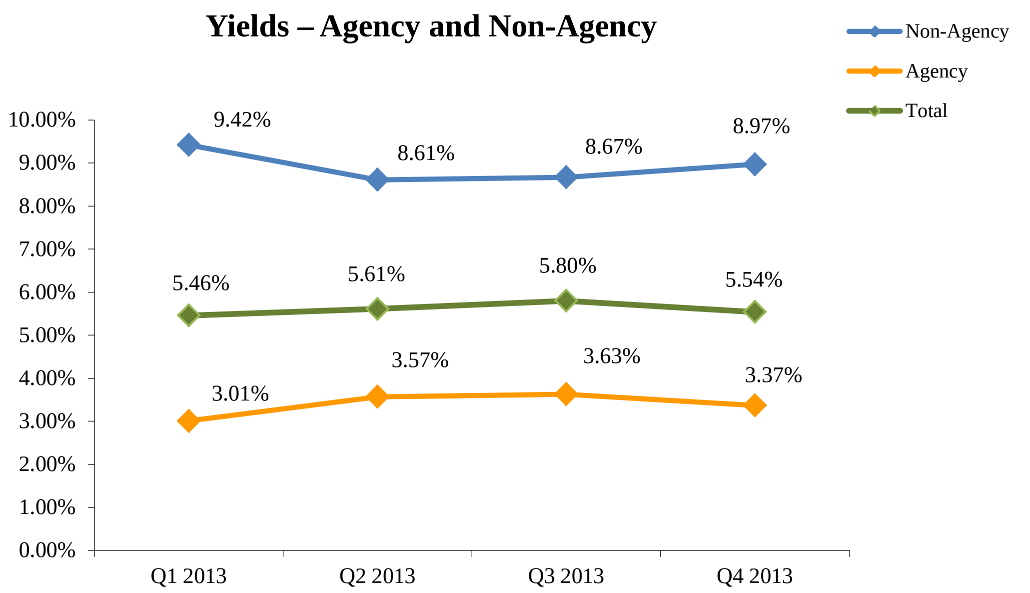


Average Price – Non-Agency and Agency[(1)]

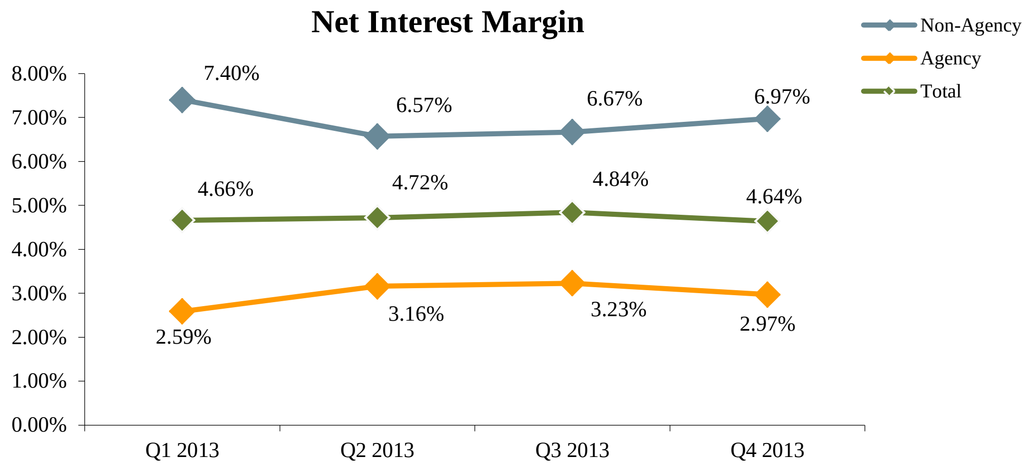


(1) Excludes interest only, principal only, equity tranches and other similar securities. Also excludes credit default swaps.

EFC: Yields and Net Interest Margin

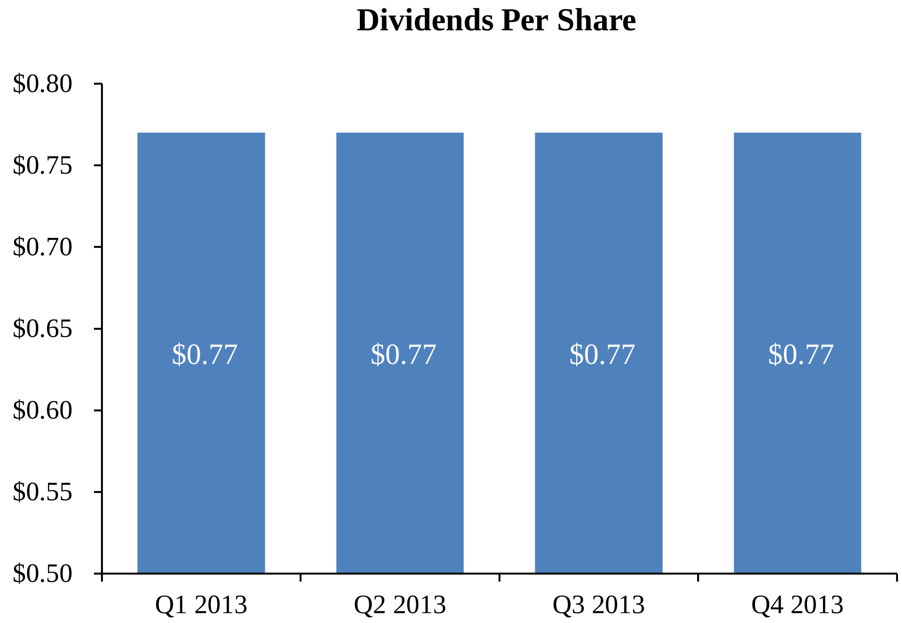


Note: Yields are based on amortized cost, not fair value.



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

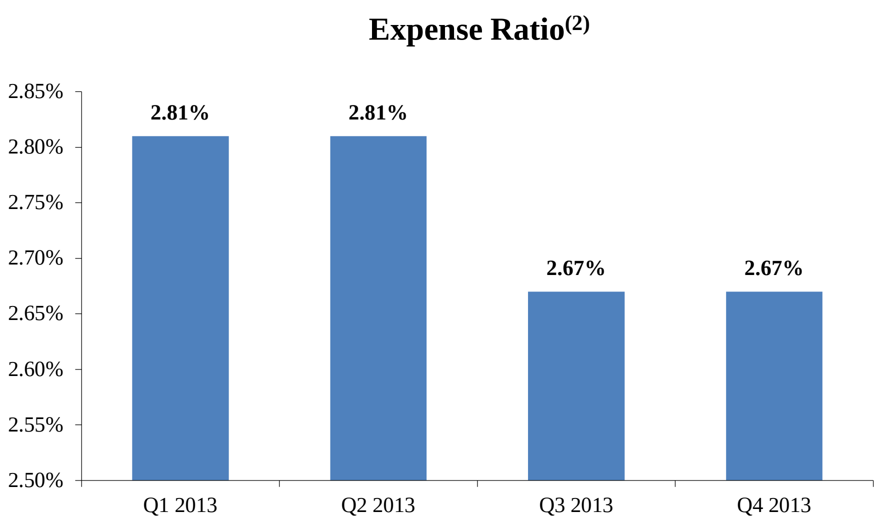
EFC: Dividends and Expense Ratio



Dividend Yield as of February 12, 2014
12.7%(1)

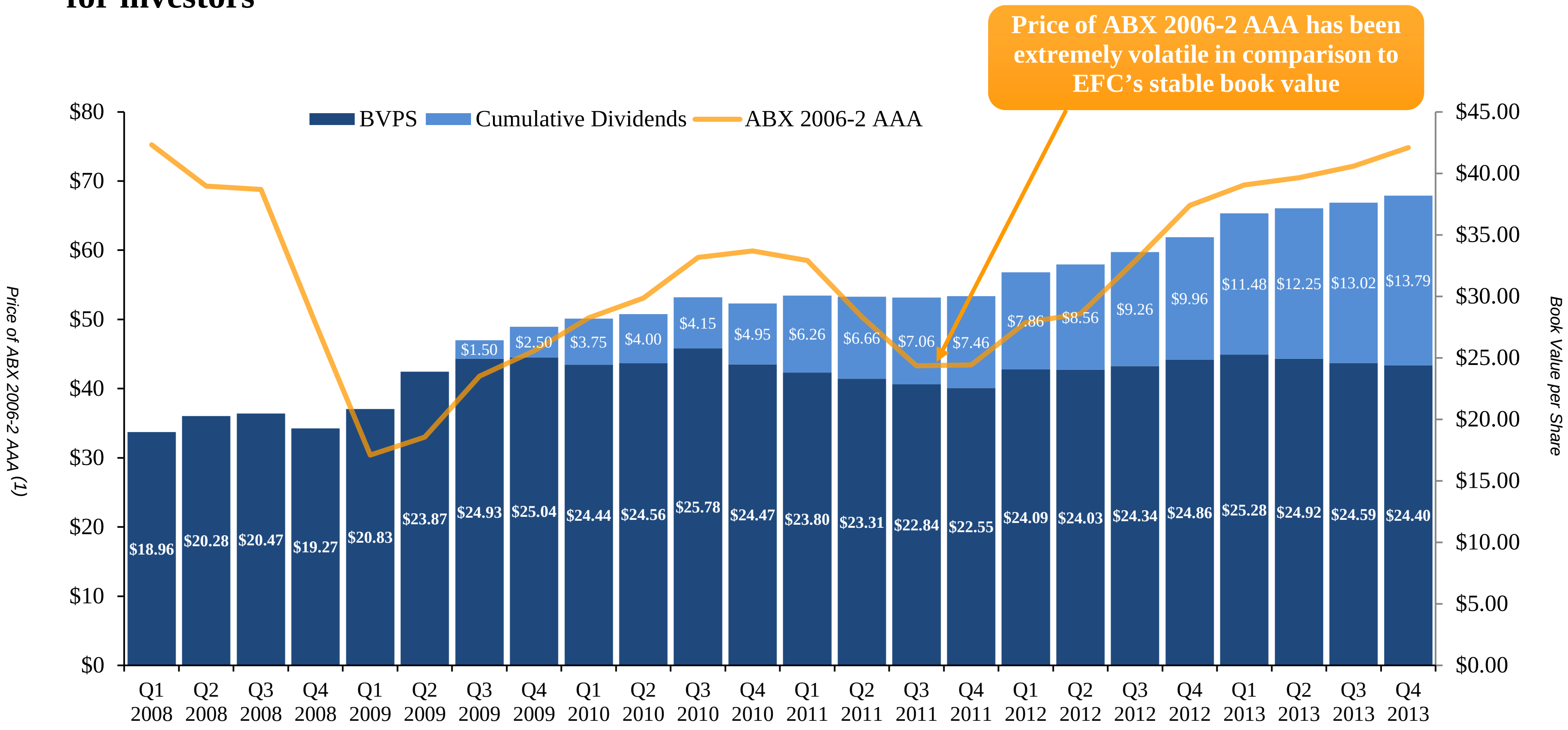
(1) Based on NYSE closing price as of 02/12/2014.

(2) Expense ratios annualized.



EFC: Book Value

- **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 Q4 2013 is approximately 122%**

(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 December 31, 2013 book value per share is 121.78%. 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 December 31, 2013	Three Month Period Ended September 30, 2013	Year Ended December 31, 2013
Investment income			
Interest income	$ 22,954	$ 24,069	$ 85,740
Expenses			
Base management fee	2,365	2,378	9,115
Incentive fee	3,091	2,038	8,366
Interest expense	3,024	3,277	11,025
Other investment related expenses	84	85	496
Other operating expenses	1,878	1,885	7,083
Total expenses	10,442	9,663	36,085
Net investment income	12,512	14,406	49,655
Net realized gain (loss) on:			
Investments	4,159	10,731	39,485
Financial derivatives	(8,705)	(6,442)	(21,479)
Foreign currency transactions	(4)	-	(4)
	(4,550)	4,289	18,002
Change in net unrealized gain (loss) on:			
Investments	8,180	(4,867)	(1,819)
Financial derivatives	(1,096)	(2,005)	13,482
Foreign currency translation	42	-	42
	7,126	(6,872)	11,705
Net realized and unrealized gain (loss) on investments and financial derivatives	2,576	(2,583)	29,707
Net increase in equity resulting from operations	$ 15,088	$ 11,823	$ 79,362
Less: Increase in equity resulting from operations attributable to non-controlling interest	226	96	838
Net increase in shareholders' equity resulting from operations	$ 14,862	$ 11,727	$ 78,524
Net increase in shareholders' equity resulting from operations per share:			
Basic and diluted	$ 0.58	$ 0.45	$ 3.28
Weighted average shares and LTIP units outstanding	25,828	25,814	23,986
Weighted average shares and convertible units outstanding	26,040	26,026	24,198

Balance Sheet

(Unaudited)

Ellington Financial

ELLINGTON FINANCIAL LLC
CONSOLIDATED STATEMENT OF ASSETS, LIABILITIES AND EQUITY

(In thousands, except share amounts)	As of December 31, 2013	As of September 30, 2013	As of December 31, 2012[(1)]
ASSETS			
Cash and cash equivalents	$ 183,489	$ 186,737	$ 59,084
Investments, financial derivatives and repurchase agreements:			
Investments at fair value (Cost - $1,688,257, $1,806,749, and $1,328,153)	1,730,130	1,851,751	1,375,116
Financial derivatives - assets at fair value (Net cost - $50,533, $43,199, and $65,860)	59,664	43,567	48,504
Repurchase agreements (Cost - $27,943, $40,994, and $13,650)	27,962	40,994	13,650
Total Investments, financial derivatives and repurchase agreements	1,817,756	1,936,312	1,437,270
Due from brokers	82,571	65,159	22,744
Receivable for securities sold	883,005	926,638	626,919
Interest and principal receivable	6,831	6,691	5,719
Other assets	1,546	1,165	379
Total assets	$ 2,975,198	$ 3,122,702	$ 2,152,115
LIABILITIES			
Investments and financial derivatives:			
Investments sold short at fair value (Proceeds - $847,602, $850,801, and $621,048)	$ 845,614	$ 860,128	$ 622,301
Financial derivatives - liabilities at fair value (Net proceeds - $29,746, $28,271, and $13,171)	44,791	33,457	15,212
Total investments and financial derivatives	890,405	893,585	637,513
Reverse repurchase agreements	1,236,166	1,345,223	905,718
Due to brokers	19,762	13,740	30,954
Payable for securities purchased	193,047	230,650	57,333
Securitized debt (Proceeds - $980, $1,050, and $1,311)	983	1,038	1,335
Accounts payable and accrued expenses	1,810	2,241	1,995
Base management fee payable	2,364	2,378	1,934
Incentive fee payable	3,091	2,038	7,343
Other payables	—	507	903
Interest and dividends payable	1,521	1,500	732
Total liabilities	2,349,149	2,492,900	1,645,760
EQUITY	626,049	629,802	506,355
TOTAL LIABILITIES AND EQUITY	$ 2,975,198	$ 3,122,702	$ 2,152,115
ANALYSIS OF SHAREHOLDERS' EQUITY:			
Common shares, no par value, 100,000,000 shares authorized; (25,428,186, 25,418,937, and 20,370,469 shares issued and outstanding)	$ 611,282	$ 616,104	$ 497,373
Additional paid-in capital - LTIP units	9,119	9,069	8,982
Total Shareholders' Equity	$ 620,401	$ 625,173	$ 506,355
Non-controlling interests	5,648	4,629	—
Total Equity	$ 626,049	$ 629,802	$ 506,355
PER SHARE INFORMATION:			
Common shares, no par value	$24.40	$ 24.59	$24.86
DILUTED PER SHARE INFORMATION:			
Common shares and convertible units, no par value	$23.99	$ 24.19	$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 proprietary resources in trading, research, risk management, and operational support**
  - EMG has approximately \$5.6 billion in assets under management as of December 31, 2013
- **EMG's portfolio managers are among the most experienced in the MBS sector and the firm’s analytics have been developed over a 19-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 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 interests.

Ellington Financial

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