Ellington Financial

Ellington Financial LLC (NYSE: EFC)

First Quarter 2014 Earnings Conference Call

May 8, 2014

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 14, 2014 which can be accessed through the Company's website at www.ellingtonfinancial.com or at the SEC's website (www.sec.gov). Other risks, uncertainties, and factors that could cause actual results to differ materially from those projected may be described from time to time in reports we file with the SEC, including reports on Form 10-Q, 10-K and 8-K. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Modeling

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

Example Analyses

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

Projected Yields and Spreads

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

Indices

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

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

Financial Information

All financial information included in this presentation is as of March 31, 2014 unless otherwise indicated. We undertake no duty or obligation to update this presentation to reflect subsequent events or developments.

First Quarter 2014

Operating Results

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(In thousands, except per share amounts)	Quarter Ended 3/31/2014	Per Share	(%) of Average Equity	Quarter Ended 12/31/2013	Per Share	(%) of Average Equity
Non-Agency MBS, mortgage loans, ABS, and other:	`					
Interest income	$ 13,516	0.52	2.15%	$ 14,404	0.55	2.28%
Net realized gain	24,255	0.93	3.85%	14,792	0.57	2.34%
Change in net unrealized gain (loss)	(11,530)	(0.44)	-1.83%	1,908	0.07	0.30%
Net interest rate hedges (1)	(2,427)	(0.09)	-0.39%	1,384	0.05	0.22%
Net credit hedges and other activities(2)	1,074	0.04	0.17%	(9,939)	(0.38)	-1.58%
Interest expense	(1,647)	(0.06)	-0.26%	(2,047)	(0.08)	-0.32%
Other investment related expenses	(163)	(0.01)	-0.03%	(24)	—	0.00%
Total non-Agency MBS, mortgage loans, ABS, and other profit	23,078	0.89	3.66%	20,478	0.78	3.24%
Agency RMBS:						
Interest income	7,947	0.30	1.26%	8,550	0.33	1.35%
Net realized loss	(5,056)	(0.19)	-0.80%	(5,654)	(0.22)	-0.90%
Change in net unrealized gain (loss)	12,450	0.48	1.98%	(2,145)	(0.08)	-0.34%
Net interest rate hedges (1)	(10,443)	(0.40)	-1.66%	2,050	0.08	0.32%
Interest expense	(776)	(0.03)	-0.12%	(911)	(0.03)	-0.14%
Total Agency RMBS profit	4,122	0.16	0.66%	1,890	0.08	0.29%
Total non-Agency and Agency MBS, mortgage loans, ABS, and other profit	27,200	1.05	4.32%	22,368	0.86	3.53%
Other interest income (expense), net	(4)	—	0.00%	(3)	—	0.00%
Other expenses (excluding incentive fee)	(4,358)	(0.17)	-0.69%	(4,186)	(0.16)	-0.66%
Net increase in equity resulting from operations (before incentive fee)	22,838	0.88	3.63%	18,179	0.70	2.87%
Incentive fee	—	—	—%	(3,091)	(0.12)	-0.49%
Net increase in equity resulting from operations	$ 22,838	$ 0.88	3.63%	$ 15,088	$ 0.58	2.38%
Less: Net increase in equity resulting from operations attributable to non-controlling interests	203			226		
Net increase in shareholders' equity resulting from operations (6)	**$ 22,635**	**$ 0.88**	**3.63%**	**$ 14,862**	**$ 0.58**	**2.38%**
Weighted average shares and convertible units(3) outstanding	26,059			26,040		
Average equity (includes non-controlling interests) (4)	$ 629,306			$ 630,063		
Ending equity (includes non-controlling interests)	$ 630,076			$ 626,049		
Diluted book value per share	$ 24.10			$ 23.99		
Weighted average shares and LTIP units outstanding (5)	25,847			25,828		
Average shareholders' equity (excludes non-controlling interests) (4)	$ 623,021			$ 624,570		

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

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Ellington Financial: First Quarter Highlights

Overall Results	■ 1st quarter net income of $22.6 million, or $0.88 per share, equating to a 1st quarter non-annualized return on average shareholders' equity of 3.6%; fourth quarter net income of $14.9 million, or $0.58 per share
Non-Agency Strategy	■ 1st quarter non-Agency strategy gross income of $23.1 million(1), or $0.89 per share ■ Primary drivers were interest income, net realized and change in net unrealized gains (losses) on investments, and net gains from credit hedges and other activities, partially offset by losses on interest rate hedges and interest expense
Agency RMBS Strategy	■ 1st quarter Agency RMBS strategy gross income of $4.1 million(1), or $0.16 per share ■ Primary drivers were interest income and net realized and change in net unrealized gains (losses) on investments, partially offset by net losses on interest rate hedges, and interest expense
Operating Expenses	■ 1st quarter core expenses of $4.4 million–includes base management fees and other operating expenses. Core expenses represent 2.8% of average equity, annualized
Leverage	■ Debt to equity ratio: 1.87:1 at March 31, 2014 as compared to 1.98:1 at December 31, 2013 ■ Decrease in borrowings primarily related to smaller non-Agency portfolio

(1) Gross income includes interest 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), fees, and other expenses.

Ellington Financial: First Quarter Highlights (continued)

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Portfolios	■ Non-Agency Long Portfolio including long credit default swaps: $660.5 million with a market yield of 7.21%(1) at the end of the first quarter, as compared to $736.7 million at the end of the fourth quarter with a market yield of 7.29%(1) ■ Agency Long Portfolio: $927.7 million at the end of the first quarter compared to $933.5 million at the end of the fourth quarter
Book Value and Shareholders' Equity	■ March 31, 2014 diluted book value per share of $24.10, net of $0.77 fourth quarter dividend paid in March, as compared to $23.99 per share at December 31, 2013, representing a increase of 0.5% ■ Total equity of $630.1 million as of March 31, 2014, as compared to $626.0 million at December 31, 2013

Dividend Yield	■ 1st quarter dividend of $0.77 per share announced on May 6th, unchanged from prior quarter's dividend
	  ■ Annualized dividend yield of 12.6% based on the May 7, 2014 closing price of $24.39
	  ■ Sixth consecutive regular dividend at this level
	  ■ 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 12 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 RMBS rallied in the first quarter, benefiting from the market perception of less uncertainty around future actions of the Federal Reserve with respect to its asset purchase program ▪ Investor appetite for fixed income assets, especially higher yielding assets, has increased; bond funds experienced net inflows in the first quarter of 2014, in contrast to the outflows of the latter half of 2013 ▪ New issuance volume of CMBS in first quarter similar to that of the first quarter of 2013; our expectation is that issuance will increase as the year progresses

Portfolio Trends	▪ Very actively traded the portfolio, monetizing net realized gains
	    ▪ Turned over 34% of the portfolio
	    ▪ Reinvestment opportunities in smaller more seasoned RMBS
	    ▪ Maintain "dry powder" for future investment opportunities
	▪ Increased investments in European non-dollar-denominated RMBS
	    ▪ Holdings totaled $26.1 million as of March 31, 2014
	▪ No additional NPLs pools purchased during the quarter
	▪ Continued to be active in CMBS, distressed commercial mortgage loans, and CLOs
	    ▪ Doubled holdings of distressed small balance commercial loans relative to year-end 2013
	    ▪ CLOs now comprise over 7% of non-Agency portfolio

Ellington Financial: Agency Strategy

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Overall Market Conditions	■ Agency RMBS rallied in the first quarter, recovering much of their losses from the fourth quarter 2013 ■ The Federal Reserve continues to taper its monthly bond purchases on a steady and measured pace, and it is expected that by late 2014 the Federal Reserve's net monthly purchases of Agency RMBS will come to an end ■ The reduction in asset purchases by the Federal Reserve, coupled with the potential for an increase in new mortgage production in response to the recent drop in interest rates, is likely to cause the market dominance of the Federal Reserve to wane in the coming months ■ New mortgage origination and refinancing activity remains low given level of mortgage rates
Portfolio Trends	■ Average pay-up of 0.32% as of March 31st, as compared to 0.22% as of December 31st ■ Continued focused on higher coupon specified fixed pools, as pay-ups are still low by recent historical standards ■ Remain active in fixed rate reverse mortgage pools, where we continue to see excellent relative value ■ Interest only securities have performed extremely well, as prepayments have remained subdued despite the drop in interest rates; we have become more selective in this sector as a result

Ellington Financial: Market Outlook

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Non-Agency	■ As spreads have tightened, careful asset selection has become increasingly important
	  ■ Opportunities in certain more seasoned sectors
	■ Asset diversification continues to be important mitigant to declining universe of legacy MBS
	  ■ European MBS/ABS
	  ■ CMBS “B-pieces”
	  ■ Distressed commercial mortgage loans
	  ■ Residential NPLs
	  ■ CLOs
	■ While market activity of NPLs was modest in the first quarter, it has already increased in the second quarter

Agency	■ Reduced presence of the Federal Reserve likely to create future opportunities for private capital to fill the void ■ Market volatility remains a significant risk—ability to hedge using a variety of tools, including TBAs, continues to remains important

Non-Agency Portfolio

EFC: Non-Agency Long Portfolio

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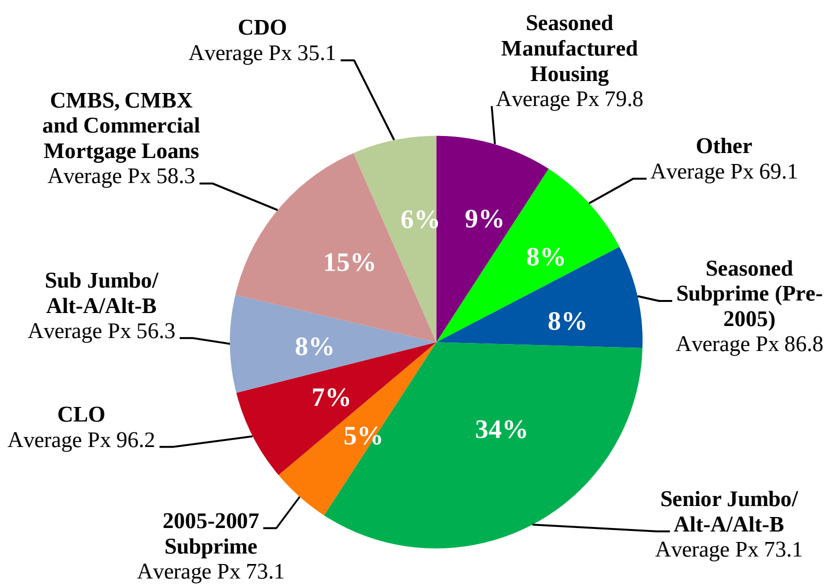
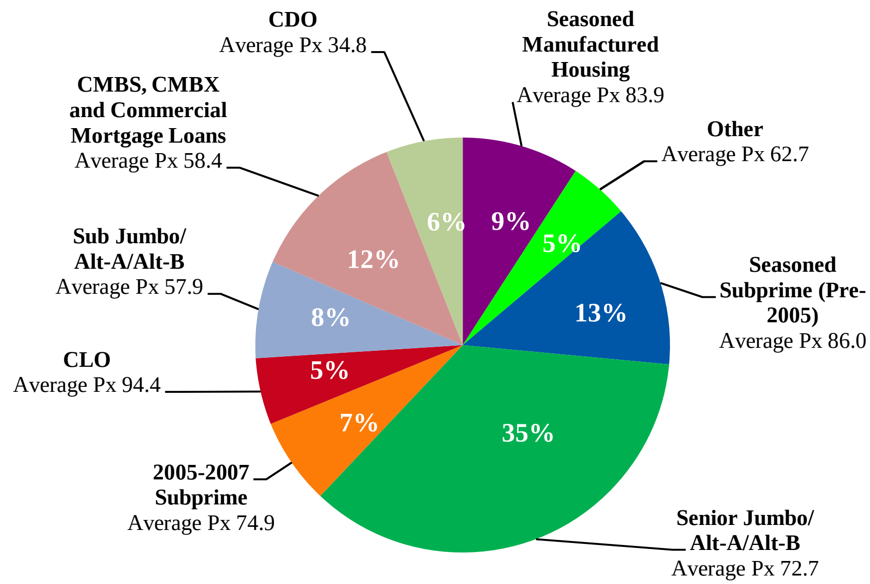
Current Quarter
Non-Agency Long Portfolio 3/31/14: $661MM(1)(2)



Total Non-Agency Long
Avg Px 66.7

Previous Quarter
Non-Agency Long Portfolio 12/31/13: $737MM(1)(2) (3)



Total Non-Agency Long
Avg Px 68.0

- **During the first quarter:**
  - Increased investments in certain sectors
    - Distressed small balance commercial loans
    - European non-dollar denominated RMBS, including senior and mezzanine tranches
    - CLOs
    - B-pieces of CMBS
  - Decreased size of overall portfolio—monetizing gains

(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 $20.7 million of long CMBX positions and $2.0 million of long PrimeX positions at March 31, 2014, and $34.8 million of long CMBX positions and $2.1 million of long PrimeX positions at December 31, 2013. The corresponding net fair value of long credit derivatives is $(7.0) million at March 31, 2014 and $(11.8) million at December 31, 2013.
(2) Average price excludes interest only, principal only, equity tranches and other similar securities, and long credit derivatives at March 31, 2014 and December 31, 2013.
(3) Prior period presentation has been conformed to current period presentation.

EFC: Non-Agency Long Portfolio as of March 31, 2014

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- **EFC non-Agency strategy is the main driver of earnings**
- **Non-Agency long portfolio value: $660.5 million(1) as of 3/31/14 (which includes $637.8 million of long non-Agency securities and loans and $22.7 million of bond equivalent value of long credit derivatives):**

Non-Agency 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	$53.3	86.8%	4.7	10.0%	5.83%	6.64%
2005-2007 Subprime	31.0	73.1	7.6	9.1	5.39	6.56
Sub Jumbo/Alt-A/Alt-B	50.5	56.3	8.4	13.4	5.75	8.66
Senior Jumbo/Alt-A/Alt-B	222.6	73.1	6.1	12.5	5.89	6.50
Seasoned Manufactured Housing	60.4	79.8	6.0	7.3	6.49(7)	6.49
CLO	47.5	96.2	2.7	N/A	6.83(7)	6.83
CMBS and Commercial Mortgage Loans	97.4	58.3	9.1	N/A	11.10(7)	11.10
CDO	43.4	35.1	2.0	N/A	5.51	9.15
Other	54.4	69.1	9.1	8.4	5.47	5.52
Total	**$660.5**	**66.7%**	**6.2**	**11.3%**	**4.91%**	**7.21%**

(1) As of March 31, 2014, fair value includes $20.7 million of bond equivalent value of long CMBX positions and $2.0 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 Solutions, Inc. (“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 3/31/14 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 exclude 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 March 31, 2014, 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 assets in these sectors are held constant for this analysis as management believes they are less directly affected by changes in national home prices.

EFC: Credit Hedging and Other Portfolio

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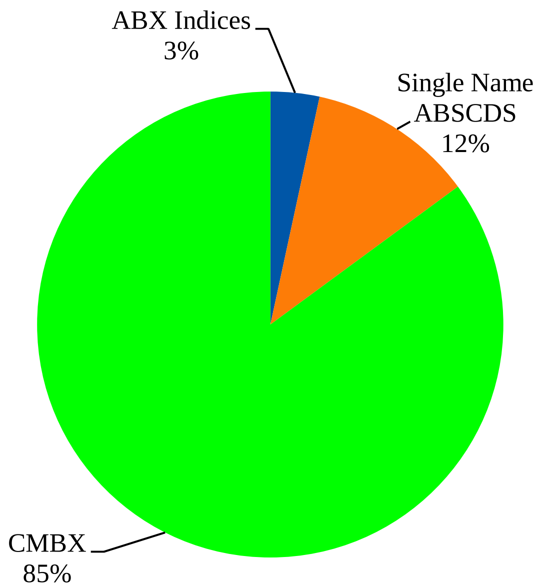
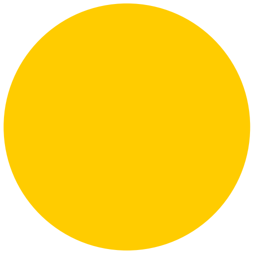
Current Quarter
Credit Hedging & Other Portfolio 3/31/14: $237MM(1)

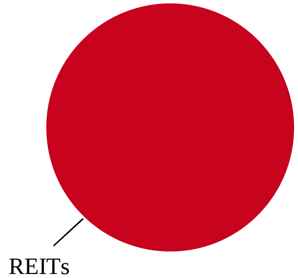
CDS on MBS: $86.0mm



Corporate CDS: $139.4mm

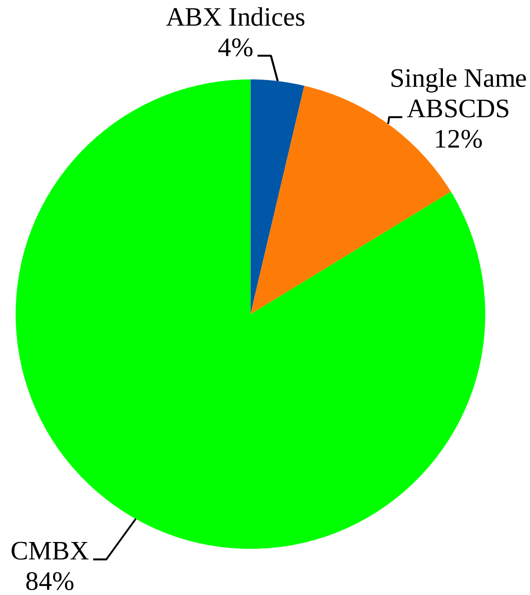


Equities: $11.6mm
Net Long

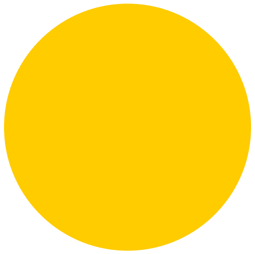


Previous Quarter
Credit Hedging & Other Portfolio 12/31/13: $245MM(1)

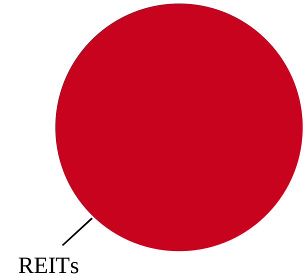
CDS on MBS: $80.3mm



Corporate CDS: $198.9mm



Equities: $34.3mm
Net Long



- **During the first quarter:**
  - Reduced Corporate CDS hedges as size of non-Agency portfolio declined quarter over quarter
  - Increased net short CMBX positions—these serve as credit hedges and relative value trading positions

(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 11 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 $225.4 million as of March 31, 2014 and $279.2 million as of December 31, 2013. The corresponding net fair value of short CDS on MBS and short Corporate CDS is $5.1 million as of March 31, 2014 and $(2.7) million as of December 31, 2013. For equities, the amounts above represent notional value, defined as the number of underlying shares multiplied by price per share, as of March 31, 2014 and December 31, 2013. The net long equities notional value of $11.6 million as of March 31, 2014 represents a gross long notional value of $30.7 million offset by a gross short notional value of $19.1 million. The net long equities notional value of $34.3 million as of December 31, 2013 represents a gross long notional value of $51.0 million offset by a gross short notional value of $16.8 million. The net fair value of common stock held short as of March 31, 2014 was $6.9 million. The net fair value of common stock held short as of December 31, 2013 was $(6.4) million. The net fair value of the equity swaps evidencing the equity positions was $(16) thousand as of March 31, 2014 and $(63) thousand as of December 31, 2013.

Agency Portfolio

EFC: Agency Long Portfolio

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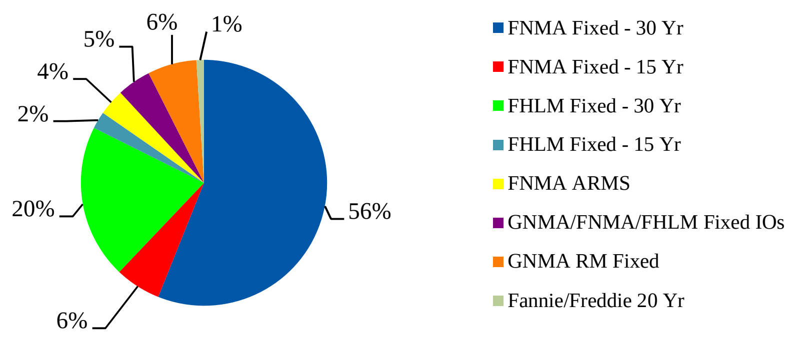
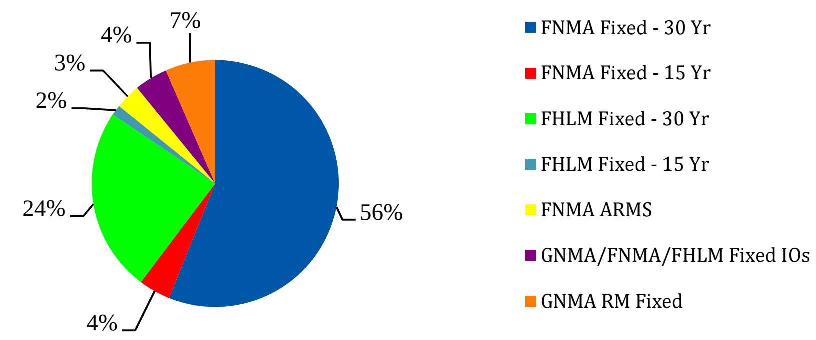
Current Quarter
Agency Long Portfolio 3/31/14: $928MM[1]



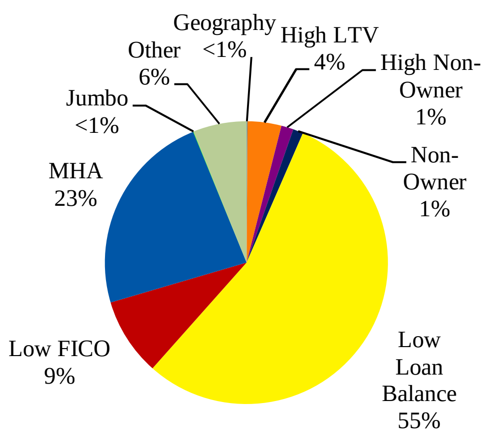
Weighted Average Coupon: 4.20%[7]

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



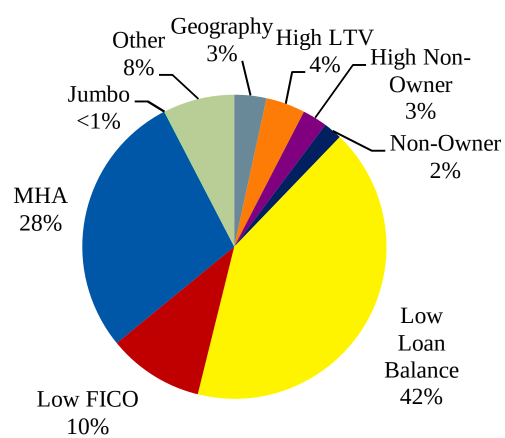
Weighted Average Coupon: 4.06%[7]

Collateral Characteristics and Historical 3-month CPR
Agency Fixed Rate Pool Portfolio 3/31/14: $795MM[2]



Characteristic[4]	Fair Value[2][5]	3-Month Historical CPR[3]
Geography	$1.1	0.0
High LTV	30.4	3.0
High Non-Owner Occupied	11.2	16.1
Non-Owner	9.3	0.5
Low Loan Bal	437.1	2.8
Low FICO	70.8	2.9
MHA[6]	185.9	2.6
Jumbo	0.3	4.0
Other	48.4	5.9
Totals	$794.5	3.1

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

(1) Does not include long TBA positions. Agency long portfolio includes $886.3 million of long Agency securities at March 31, 2014 and $893.0 million of long Agency securities at December 31, 2013. Additionally, the long Agency portfolio includes $41.4 million of interest only securities at March 31, 2014 and $40.5 million of interest only securities at December 31, 2013.
(2) Excludes reverse mortgage pool securities with a value of $59.8 million at March 31, 2014 and $61.3 million at December 31, 2013.
(3) Excludes Agency fixed rate RMBS without any prepayment history with a total value of $46.0 million at March 31, 2014 and $42.5 million at December 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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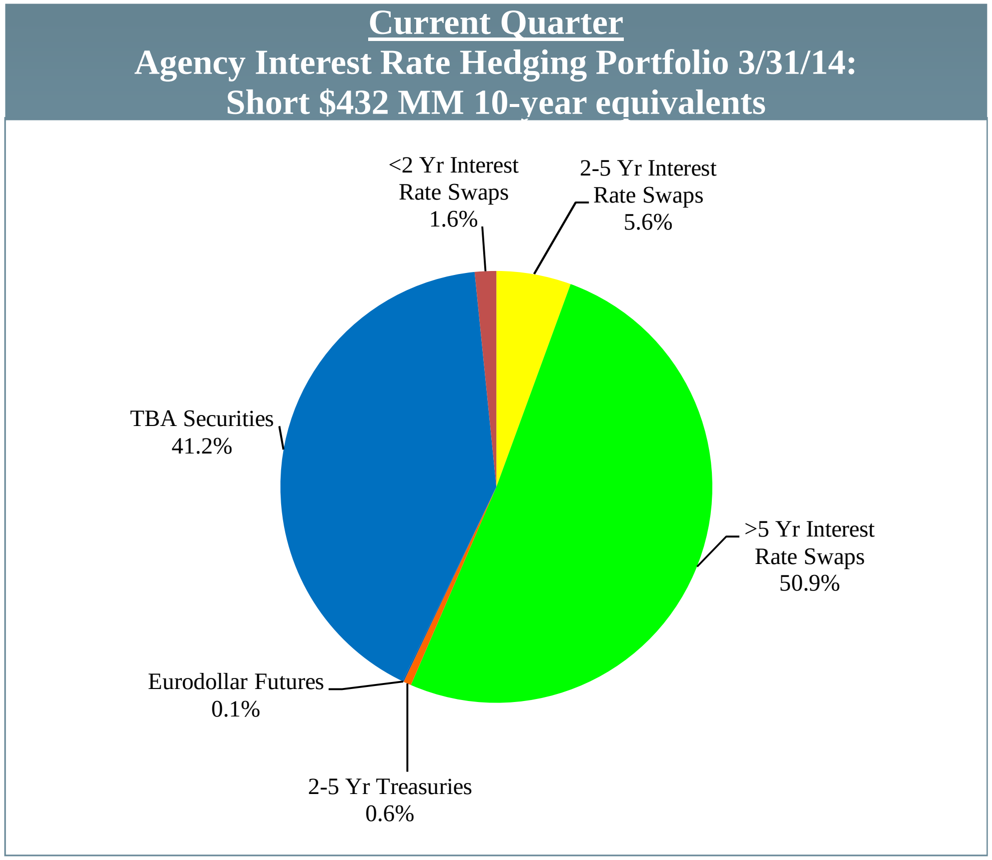

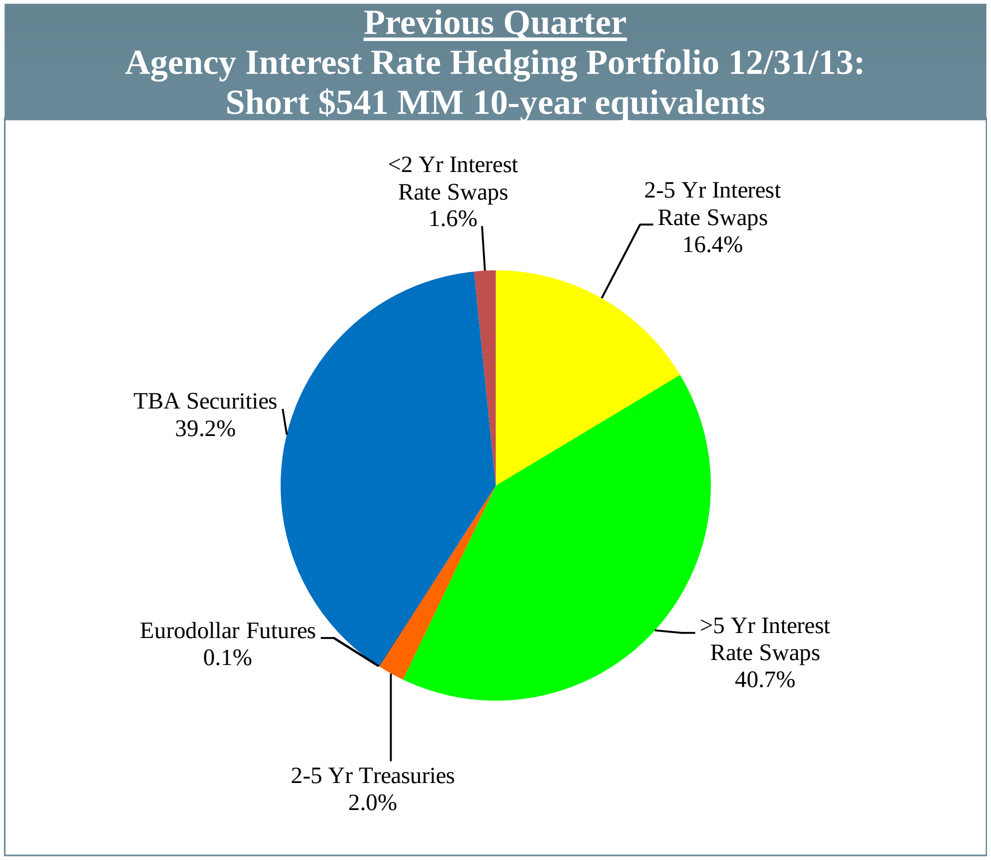

- **Agency interest rate hedges are shown in normalized units of risk, with each group of positions measured in "10-year equivalents."**
- **During the first quarter:**
  - **Extended term of short interest rate swaps**
  - **Maintained TBA hedge position at approximately 40%**

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	**3/31/2014**	**12/31/2013**
Long Agency RMBS	$928	$933
Net Short TBAs	(435)	(377)
Net Long Exposure to Agency RMBS	**$493**	**$556**

- **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 0.32% of the value of our fixed rate Agency pool portfolio as of March 31, 2014**

Estimated Change in Fair Value as of 3/31/14 for Agency Pools, Agency IOs, and Related Hedges if Interest Rates Move:

(In thousands)	**Down 50 BPS**	**Up 50 BPS**
Agency RMBS - ARM Pools	$216	($270)
Agency RMBS - Fixed Pools and IO	16,692	(21,796)
TBAs	(6,428)	8,926
Interest Rate Swaps	(11,139)	10,484
Treasury Securities	(110)	108
Eurodollar and Treasury Futures	(15)	15
Repurchase Agreements and Reverse Repurchase Agreements	(408)	589
Total	**($1,192)**	**($1,944)**

Note: The above table reflects a parallel shift in interest rates based on the market environment as of March 31, 2014. The preceding analysis does not include sensitivities to changes in interest rates for categories of instruments for which we believe that the effect of a change in interest rates is not material to the value of the overall portfolio and/or cannot be accurately estimated. Results are based on forward-looking models, which are inherently imperfect, and incorporate various simplifying assumptions. Therefore, the table above is for illustrative purposes only and actual changes in interest rates would likely cause changes in the actual value of our portfolio that would differ from those presented above, and such differences might be significant and adverse.

Borrowings

EFC: Repo Borrowings as of March 31, 2014

Ellington Financial

($ in thousands)	Repo Borrowings			
Remaining Days to Maturity	**Non-Agency**	**Agency**	**Total**	**% of Total Borrowings**
30 Days or Less	$59,351	$279,860	$339,211	28.8%
31-60 Days	100,501	253,413	353,914	30.1%
61-90 Days	67,724	263,788	331,512	28.2%
91-120 Days	—	21,484	21,484	1.8%
121-150 Days	1,056	7,608	8,664	0.8%
151-180 Days	79,989	41,133	121,122	10.3%
Total Borrowings	**$308,621**	**$867,286**	**$1,175,907**	**100.0%**
Weighted Average Remaining Days to Maturity	82	51	59	

- **As of March 31, 2014:**
  - EFC had borrowings outstanding with 14 counterparties
  - Borrowings from the largest counterparty represented 18% of total outstanding borrowings
  - EFC had repo borrowings with a remaining weighted average maturity of 59 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 March 31, 2014. Not included are any reverse repos that the Company may have entered into prior to March 31, 2014, for which delivery of the borrowed funds is not scheduled until after March 31, 2014. Remaining maturity for a reverse repo is based on the contractual maturity date in effect as of March 31, 2014. Some reverse repos have floating interest rates, which may reset before maturity.

EFC: Average Cost of Borrowings

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($ In thousands)	As of March 31, 2014	For the Quarter Ended March 31, 2014	
Collateral for Borrowing	Outstanding Borrowings[1]	Average Borrowings for the Quarter Ended[1]	Average Cost of Funds[1]
Non-Agency RMBS, CMBS, and Other	$308,621	$343,308	1.94%
Agency RMBS	867,286	824,216	0.38%
Total	**$1,175,907**	**$1,167,524**	**0.84%**

- **Debt-to-equity ratio[(2)] of 1.87:1 as of March 31, 2014 compared to 1.98:1 as of December 31, 2013**
- **Borrowings under reverse repos decreased slightly as compared to December 31, 2013**
  - **Decrease in borrowings primarily related to smaller size of non-Agency portfolio**
  - **Borrowing costs have declined slightly as a result of tighter spreads on non-Agency repo**

(1) Borrowed amounts exclude $1.0 million in securitized debt as of both March 31, 2014 and December 31, 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 March 31, 2014 and December 31, 2013.

Supplemental Information

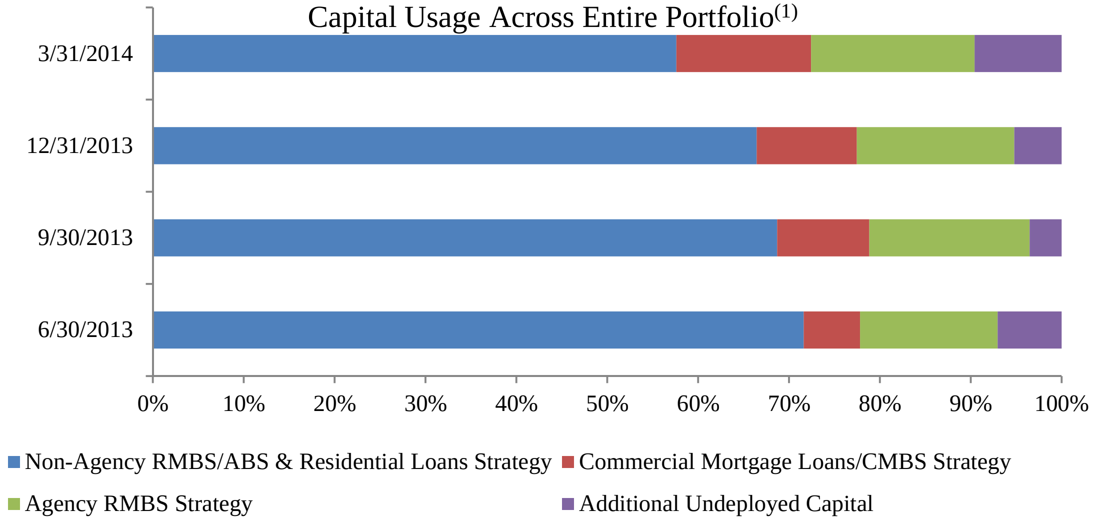
EFC: Gross Profit and Loss

Ellington Financial

	Quarter Ended March 31,		Years Ended											
	2014		2013		2012		2011		2010		2009		2008	
($ In thousands)	$	%	$	%	$	%	$	%	$	%	$	%	$	%
Long: Non-Agency	24,431	3.88	109,536	18.53	129,830	30.02	1,505	0.39	70,840	21.87	101,748	36.33	(64,565)	(26.20)
Credit Hedge and Other: Non-Agency	1,074	0.17	(19,286)	(3.26)	(14,642)	(3.39)	19,895	5.16	(7,958)	(2.46)	10,133	3.62	78,373	31.81
Interest Rate Hedge: Non-Agency	(2,427)	(0.39)	8,674	1.47	(3,851)	(0.89)	(8,171)	(2.12)	(12,150)	(3.75)	(1,407)	(0.50)	(3,446)	(1.40)
Long: Agency	14,565	2.32	(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	(10,443)	(1.66)	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	**27,200**	**4.32**	**103,990**	**17.58**	**128,998**	**29.83**	**22,614**	**5.86**	**57,760**	**17.83**	**124,294**	**44.39**	**8,711**	**3.54**

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

EFC: Capital and Leverage



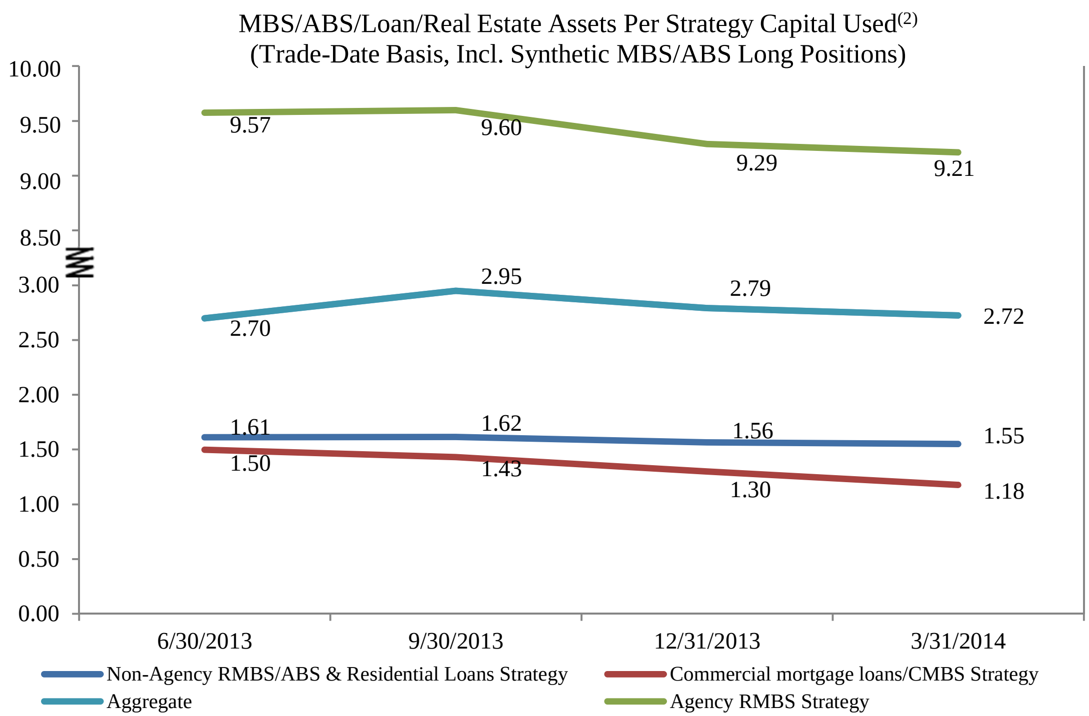
Notes

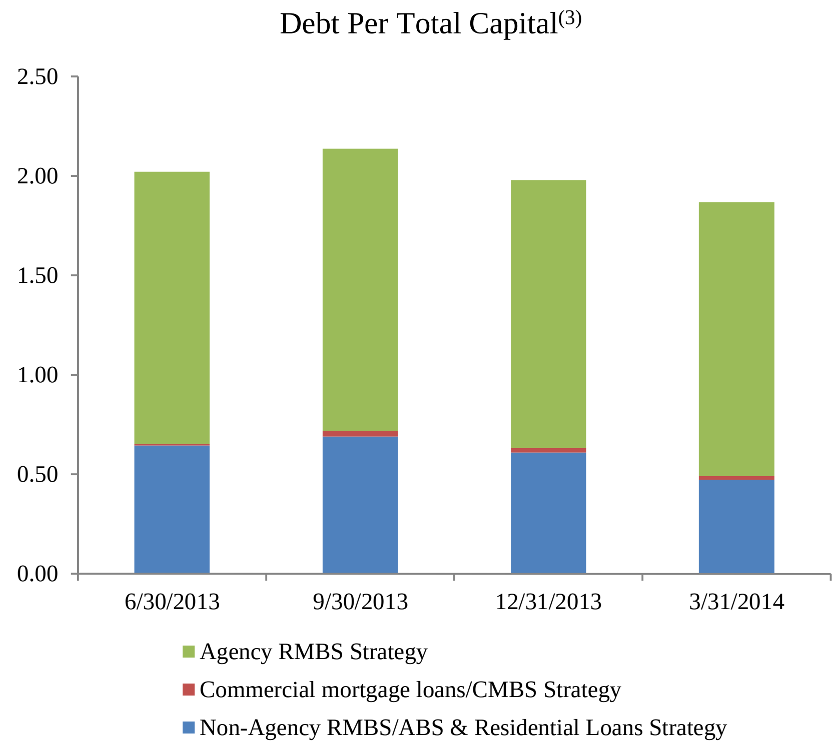
(1) Capital usage based on pro forma calculation of leverage generally applicable to long positions in target asset classes

(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





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

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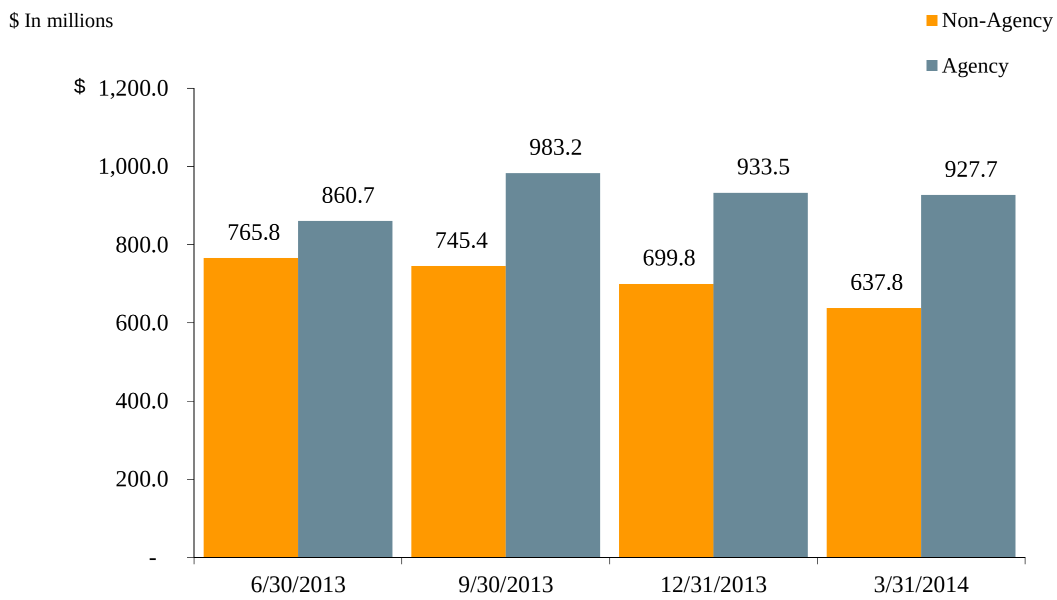
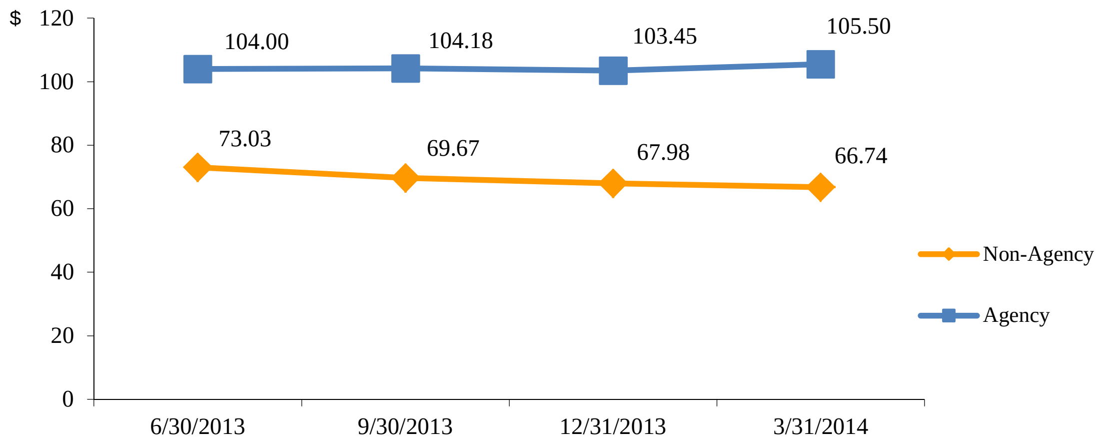
Non-Agency and Agency Portfolios by Fair Value(1)



Average Price – Non-Agency and Agency(1)



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

EFC: Yields and Net Interest Margin

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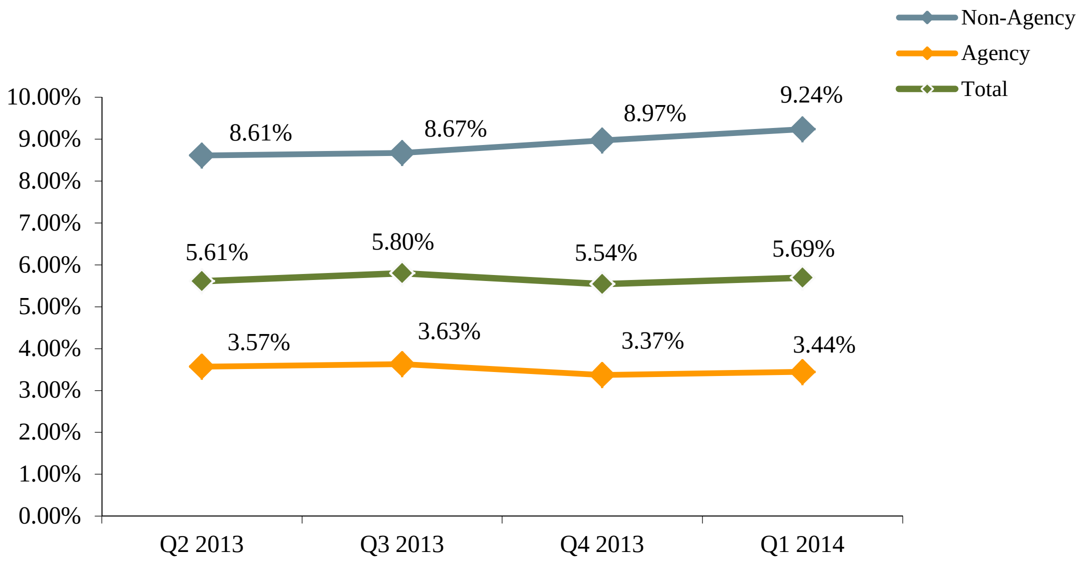
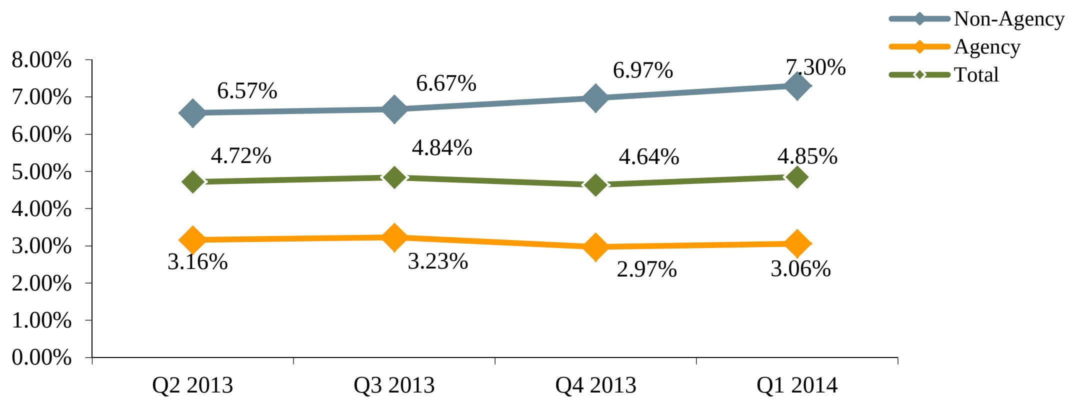
Yields – Agency and Non-Agency



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

Net Interest Margin



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

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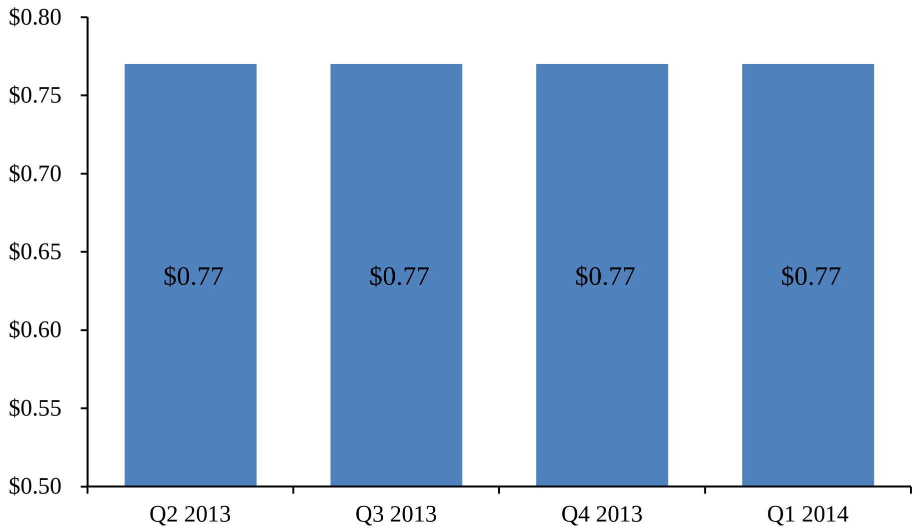
EFC: Dividends and Expense Ratio

Dividends Per Share



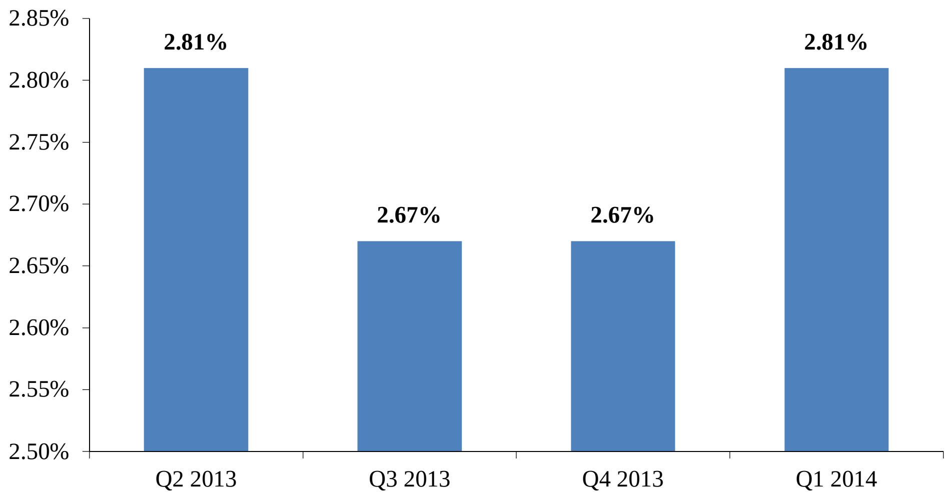
Dividend Yield as of May 7, 2014

12.6%[1]

(1) Based on NYSE closing price as of 05/07/2014.

(2) Expense ratios annualized.

Expense Ratio[2]



EFC: Book Value

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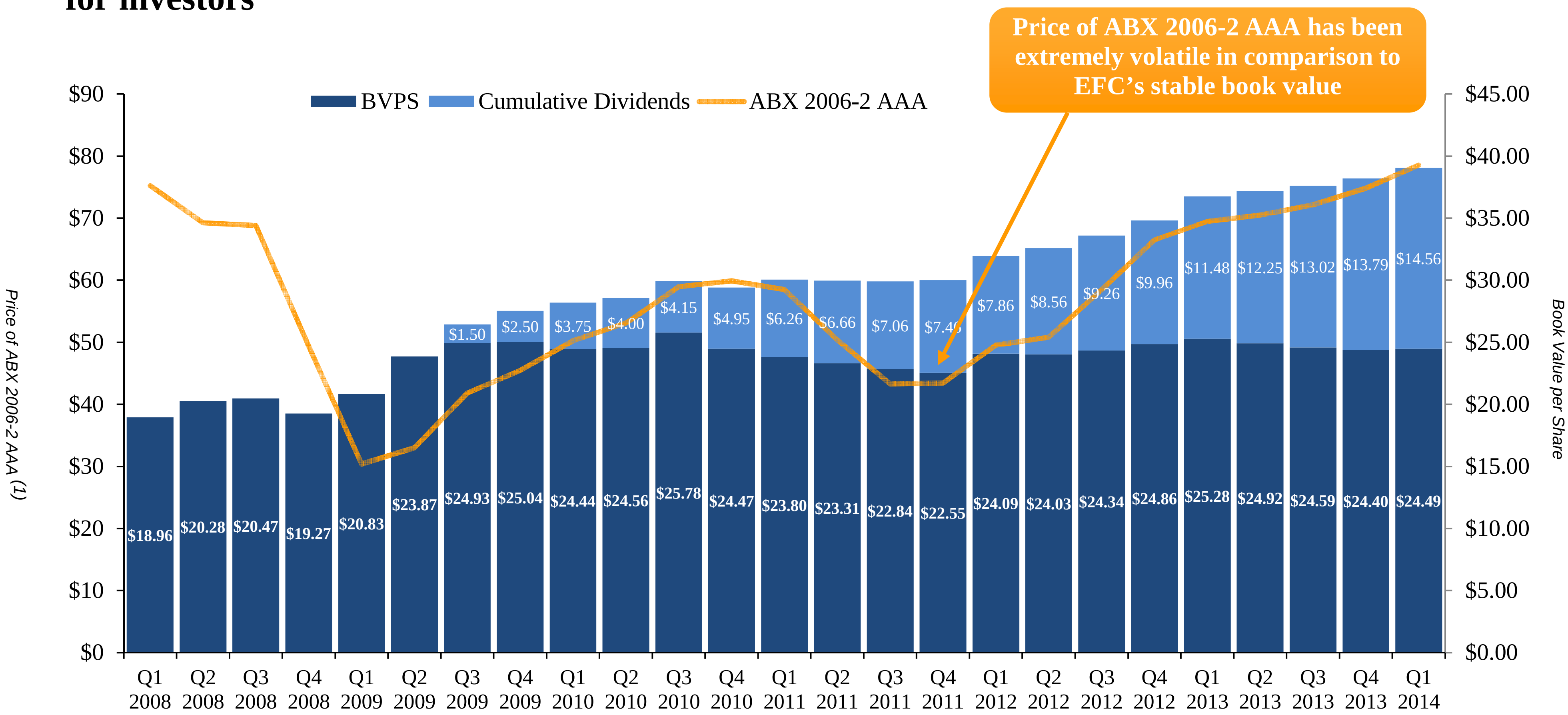
- **EFC has successfully preserved book value through market cycles, while producing strong results for investors**



- **EFC life-to-date net-asset-value-based total return from inception in August 2007 through Q1 2014 is approximately 130%**

(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 March 31, 2014 book value per share is 129.67%. 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 March 31, 2014	Three Month Period Ended December 31, 2013
Investment income		
Interest income	$ 21,496	$ 22,954
Expenses		
Base management fee	2,364	2,365
Incentive fee	-	3,091
Interest expense	2,627	3,024
Other investment related expenses	430	84
Other operating expenses	1,994	1,878
Total expenses	7,415	10,442
Net investment income	14,081	12,512
Net realized gain (loss) on:		
Investments	9,843	4,159
Financial derivatives	1,218	(8,705)
Foreign currency transactions	347	(4)
	11,408	(4,550)
Change in net unrealized gain (loss) on:		
Investments	(147)	8,180
Financial derivatives	(2,439)	(1,096)
Foreign currency translation	(65)	42
	(2,651)	7,126
Net realized and unrealized gain (loss) on investments and financial derivatives	8,757	2,576
Net increase in equity resulting from operations	22,838	15,088
Less: Increase in equity resulting from operations attributable to non-controlling interests	203	226
Net increase in shareholders' equity resulting from operations	$ 22,635	$ 14,862
Net increase in shareholders' equity resulting from operations per share:		
Basic and diluted	$ 0.88	$ 0.58
Weighted average shares and LTIP units outstanding	25,847	25,828
Weighted average shares and convertible units outstanding	26,059	26,040

Balance Sheet

(Unaudited)

Ellington Financial

ELLINGTON FINANCIAL LLC
CONSOLIDATED STATEMENT OF ASSETS, LIABILITIES AND EQUITY

(In thousands, except share amounts)	As of March 31, 2014	As of December 31, 2013 (1)
ASSETS		
Cash and cash equivalents	$ 170,362	$ 183,489
Investments, financial derivatives and repurchase agreements:		
Investments at fair value (Cost - $1,713,189 and $1,688,257)	1,756,011	1,730,130
Financial derivatives - assets at fair value (Net cost - $55,230 and $50,533)	57,560	59,664
Repurchase agreements (Cost - $29,872 and $27,943)	29,875	27,962
Total Investments, financial derivatives and repurchase agreements	1,843,446	1,817,756
Due from brokers	68,863	82,571
Receivable for securities sold	832,841	883,005
Interest and principal receivable	6,800	6,831
Other assets	1,693	1,546
Total assets	$ 2,924,005	$ 2,975,198
LIABILITIES		
Investments and financial derivatives:		
Investments sold short at fair value (Proceeds - $819,652 and $847,602)	$ 818,765	$ 845,614
Financial derivatives - liabilities at fair value (Net proceeds - $18,821 and $29,746)	29,504	44,791
Total investments and financial derivatives	848,269	890,405
Reverse repurchase agreements	1,175,907	1,236,166
Due to brokers	30,860	19,762
Payable for securities purchased	231,809	193,047
Securitized debt (Proceeds - $963 and $980)	983	983
Accounts payable and accrued expenses	2,281	1,810
Base management fee payable	2,364	2,364
Incentive fee payable	—	3,091
Interest and dividends payable	1,456	1,521
Total liabilities	2,293,929	2,349,149
EQUITY	630,076	626,049
TOTAL LIABILITIES AND EQUITY	$ 2,924,005	$ 2,975,198
ANALYSIS OF SHAREHOLDERS' EQUITY:		
Common shares, no par value, 100,000,000 shares authorized; (25,441,750 and 25,428,186 shares issued and outstanding)	$ 613,822	$ 611,282
Additional paid-in capital - LTIP units	9,181	9,119
Total Shareholders' Equity	$ 623,003	$ 620,401
Non-controlling interests	7,073	5,648
Total Equity	$ 630,076	$ 626,049
PER SHARE INFORMATION:		
Common shares, no par value	$24.49	$24.40
DILUTED PER SHARE INFORMATION:		
Common shares and convertible units, no par value	$24.10	$23.99

(1) Derived from audited financial statements as of December 31, 2013.

Ellington Financial

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 $5.7 billion in assets under management as of March 31, 2014
- **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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