Ellington Financial

Ellington Financial LLC (NYSE: EFC)

First Quarter 2013 Earnings Conference Call

May 7, 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.

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

First Quarter 2013

Operating Results

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(In thousands, except per share amounts)	Quarter Ended 3/31/2013	Per Share	% of Average Equity	Quarter Ended 12/31/2012	Per Share	% of Average Equity
Non-Agency MBS, Other ABS, and Commercial mortgage loans:						
Interest income	$ 12,118	$ 0.58	2.32%	$ 12,013	$ 0.58	2.38%
Net realized gain	14,153	0.67	2.71%	7,573	0.36	1.50%
Change in net unrealized gain (loss)	27,384	1.30	5.24%	19,132	0.92	3.79%
Net interest rate hedges (1)	348	0.02	0.07%	(66)	-	(0.01)%
Net credit hedges and other derivatives	(7,079)	(0.34)	(1.36)%	(4,717)	(0.23)	(0.93)%
Interest expense	(1,175)	(0.06)	(0.23)%	(1,416)	(0.07)	(0.28)%
Total non-Agency MBS, Other ABS, and Commercial mortgage loans profit	45,749	2.17	8.75%	32,519	1.56	6.45%
Agency RMBS:						
Interest income	6,262	0.30	1.20%	4,557	0.22	0.90%
Net realized gain (loss)	(1,135)	(0.05)	(0.22)%	2,192	0.11	0.43%
Change in net unrealized gain (loss)	(4,425)	(0.21)	(0.85)%	(3,537)	(0.17)	(0.70)%
Net interest rate hedges (1)	811	0.04	0.16%	484	0.02	0.10%
Interest expense	(779)	(0.04)	(0.15)%	(533)	(0.03)	(0.11)%
Total Agency RMBS profit	734	0.04	0.14%	3,163	0.15	0.62%
Total non-Agency and Agency MBS, Other ABS, and Commercial mortgage loans profit	46,483	2.21	8.89%	35,682	1.71	7.07%
Other interest income (expense), net	(67)	-	(0.01)%	45	-	0.01%
Other expenses (excluding incentive fee)	(3,615)	(0.17)	(0.69)%	(3,599)	(0.17)	(0.71)%
Net increase in equity resulting from operations (before incentive fee)	42,801	2.04	8.19%	32,128	1.54	6.37%
Incentive fee	(2,055)	(0.10)	(0.39)%	(7,342)	(0.35)	(1.45)%
Net increase in equity resulting from operations	$ 40,746	$ 1.94	7.80%	$ 24,786	$ 1.19	4.92%
Less: Net increase in equity resulting from operations attributable to non-controlling interest	411			-		
Net increase in shareholders' equity resulting from operations (5)	**$ 40,335**	**$ 1.94**	**7.80%**	**$ 24,786**	**$ 1.19**	**4.92%**
Weighted average shares and convertible units outstanding (2)	20,997			20,899		
Average equity (includes non-controlling interest) (3)	$ 522,200			$ 504,639		
Ending equity (includes non-controlling interest)	$ 520,602			$ 506,355		
Diluted book value per share	$ 24.78			$ 24.38		
Weighted average shares and LTIP units outstanding (4)	20,785			20,899		
Average shareholders' equity (excludes non-controlling interest) (3)	$ 517,426			$ 504,639		

(1) Includes TBAs and U.S. Treasuries, if applicable.
(2) Convertible units include LTIP units and Operating Partnership units owned by the to 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: First Quarter Highlights

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Overall Results	■ 1^{st} quarter net income of $40.3 million or $1.94 per share – non-annualized return on shareholders' equity of 7.8%
Non-Agency MBS Strategy	■ 1^{st} quarter non-Agency MBS strategy gross income of $45.7 million(1) or $2.17 per share ■ Income derived from yield on assets, realized gains from trading, and increased asset valuations
Agency RMBS Strategy	■ 1^{st} quarter Agency RMBS gross income of $0.7 million(1) or $0.04 per share ■ Income consisted primarily of interest income and net gains on interest rate hedges partially offset by net unrealized losses on long Agency RMBS
Operating Expenses	■ 1^{st} quarter operating expenses of $3.6 million(2) ■ 2.8% of average equity, annualized

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

(2) Excludes incentive fees.

Ellington Financial: Highlights Continued

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Portfolios	■ Non-Agency Long Portfolio: $610.8 million with a market yield of 6.77%(1) at the end of the first quarter, as compared to $576.9 million at the end of the fourth quarter with a market yield of 7.81%(1) ■ Agency Portfolio: $861.0 million at the end of the first quarter compared to $774.3 million at the end of the fourth quarter
Leverage	■ Debt to equity ratio: 1.86:1 at March 31st as compared to 1.79:1 at December 31st ■ Average cost of funds 80 bps for the first quarter as compared to 99 bps in the fourth quarter
Book Value	■ March 31, 2013 diluted book value per share of $24.78, net of $0.77 fourth quarter and $0.75 special dividends for 2012, as compared to $24.38 per share at December 31, 2012 ■ Shareholders' equity as of March 31, 2013 $515.8 million; $506.4 million at December 31, 2012
Dividend Yield	■ Declared 1st quarter dividend of $0.77 per share ■ Equates to annualized dividend yield of 11.9% based on May 3, 2013 closing price of $25.90

(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	■ Housing market statistics continued to support the notion that a sustained recovery has taken hold 　■ Home prices continue to improve as distressed inventory continues to decline ■ Fed activities also continue to foster favorable environment for non-Agency MBS ■ Rising home prices are lifting more borrowers above water on their homes—this may entice more creditworthy borrowers to refinance, thereby providing additional potential upside for RMBS trading at a discount to par ■ Yields have steadily declined over the past year ■ Lack of robust new issue market has further concentrated demand for non-Agency RMBS into a shrinking legacy market ■ Other growing ABS sectors (CMBS and CLOs) present opportunities
Portfolio Trends	■ Maintained our long bias in the non-Agency MBS portfolio 　■ ABX hedges have been kept light 　■ More focus on non-mortgage hedges that may protect us better in an economic downturn ■ Continued to actively trade portfolio—recent focus has been on purchasing securities where a reduction in defaults going forward can make a big difference, and on selling securities that have large pipelines of judicial state foreclosures, where we believe the market underestimates loss severities even under a good national HPA scenario ■ Despite decline in CMBS holdings, continued expectation of investment opportunities in that sector ■ 6.77%[(1)] weighted average market yield on long non-Agency MBS portfolio as of March 31, 2013 ■ Purchased $11.6 million in CLOs, including debt and equity tranches, to take advantage of opportunities in that growing market

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

Ellington Financial: Agency Strategy

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Overall Market Conditions	■ Similar to 4th quarter of 2012, the ongoing uncertainty around the timing and method of the Fed's withdrawal of quantitative easing contributed to continued volatility in prices of Agency RMBS ■ On March 20th and May 1st, however, the Fed reiterated its intention to continue its purchases of U.S. Treasuries and Agency RMBS, and other fiscal policy accommodative actions in order to foster a stronger economic recovery ■ We expect volatility to continue and to create good opportunities
Portfolio Trends	■ Increased holdings of Agency RMBS by approximately $87 million as of March 31, 2013 relative to December 31, 2012 ■ Increased investments in Agency pass-throughs backed by reverse mortgages to $64 million ■ Increased overall hedges and increased the relative proportion in interest rate swaps

Ellington Financial: Market Outlook

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Non-Agency	■ Rise in non-Agency MBS prices will likely moderate given the substantial rally that has taken place over the last year
	  ■ Securities with lower price transparency continue to be priced inefficiently, thereby creating trading opportunities
	■ Expectation of continued opportunities in the very active new issue CMBS market
	■ Opportunistically purchase attractively priced securities in other sectors:
	  ■ CDOs/CLOs
	  ■ Non-performing commercial mortgage loans
	  ■ Actively evaluating opportunities to participate in the recovering mortgage origination/securitization markets

Agency	■ Expect continued return generation through focus on security selection and active trading ■ Continued focus on pools with prepayment protection characteristics; effective asset selection resulted in realized CPR of 9.1% for the first quarter; fourth quarter of 2012 CPR was 9.7% ■ Increased interest rate volatility highlights importance of ability to hedge with TBAs ■ Continued uncertainty around the wind-down of Fed asset purchase program should continue to create opportunities

Non-Agency Portfolio

EFC: Non-Agency Long Portfolio

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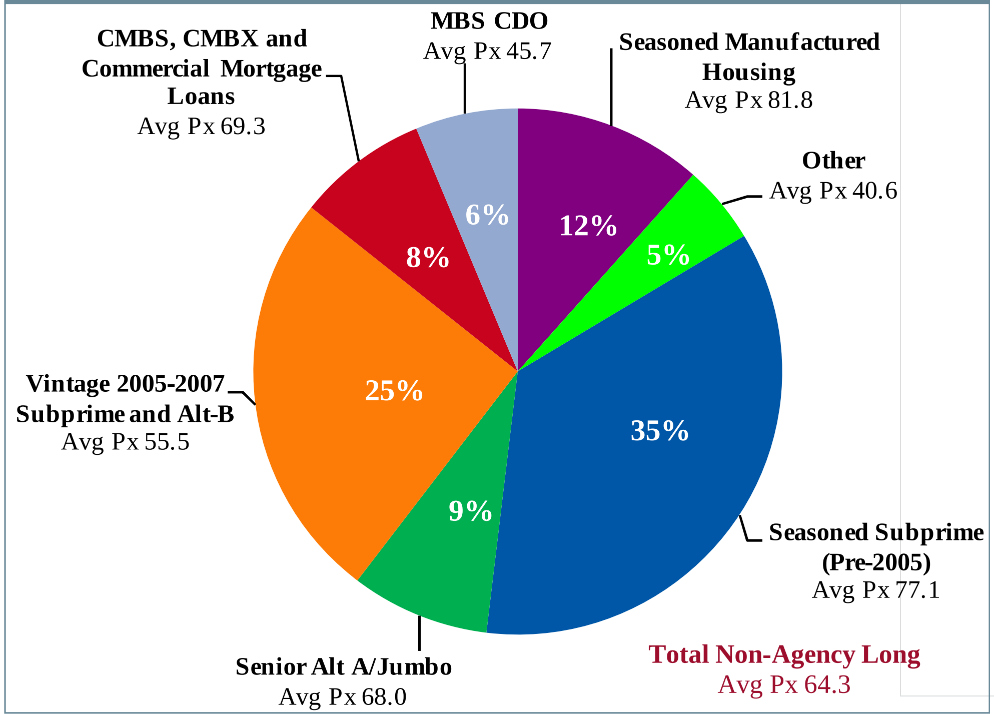
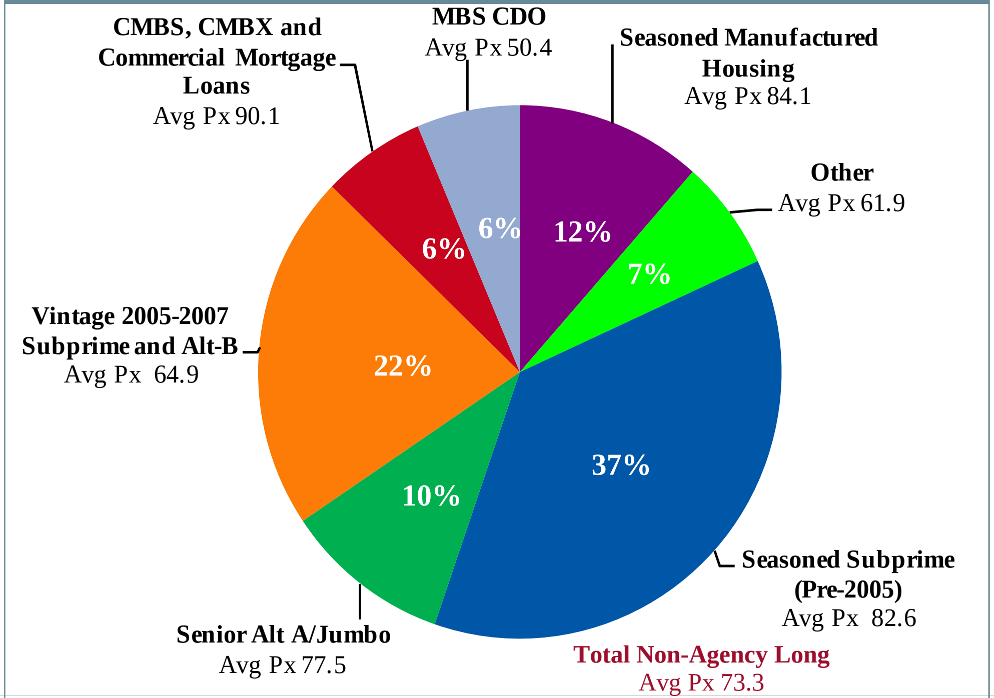
Previous Quarter
Non-Agency Long Portfolio 12/31/12: $577MM(1)(2)



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



- **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 first quarter non-Agency portfolio increased**
  - Prices continued to increase; substantial rally has increased opportunity for sector rotation as we view some sectors as having underperformed and others as having overperformed
  - Opportunistically purchased $11.6 million in CLOs, including debt and equity tranches

(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, equity swaps, or other hedge positions. The bond equivalent value of credit derivatives in the non-Agency long portfolio include $23.5 million of long CMBX positions and $2.4 million of long Primex positions at March 31, 2013, and $17.3 million of long CMBX positions and $2.4 million of long Primex positions at December 31, 2012. The corresponding net fair value of net long credit derivatives is $(14.1) million at March 31, 2013 and $(12.7) million at December 31, 2012.

(2) Average price excludes interest-only, principal-only, equity tranches, and other similar securities and long credit derivatives at March 31, 2013 and December 31, 2012.

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

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- **EFC non-Agency MBS strategy is the main driver of earnings**
- **Non-Agency long portfolio value: $611 million[(1)] as of 3/31/2013 (which includes $585 million of long non-Agency MBS and loans and $26 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 Down 15% [(5)(6)]	Est. Yield at Market Price at Ellington HPA Forecast [(5)(6)]
Seasoned Subprime	$226.6	82.6%	5.7	9.9%	5.51%	6.42%
Vintage 2005-2007 Subprime and Alt-B	132.5	64.9	5.0	13.5	4.67	6.78
Seasoned Manufactured Housing	70.1	84.1	6.6	6.9	6.87[(7)]	6.87
Senior Alt-A/Jumbo	62.9	77.5	4.8	13.1	4.58	6.26
CMBS and Commercial Mortgage Loans	39.0	90.1	9	N/A	10.78[(7)]	10.78
MBS CDO	38.9	50.4	2.8	N/A	4.45	7.40
Other	40.8	61.9	7.5	11.8	7.11	8.13
Total	**$610.8**	**73.3%**	**5.5**	**10.9%**	**5.40%**	**6.77%**

(1) For 3/31/2013, fair value includes $23.5 million of bond equivalent value of long CMBX positions and $2.4 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 principal balance.
(3) Weighted average life assumes "projected" cashflows using Ellington 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 proprietary models based on prices and market environment as of 3/31/13 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 down 15%" means all home prices decline a total of 15% over the next two years, and remain unchanged thereafter. "Ellington HPA Forecast" means that home prices change as predicted by Ellington's proprietary housing price model; as of 3/31/2013, this model was forecasting a flat-to-improving housing market for most regions of the country.
(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 Portfolio

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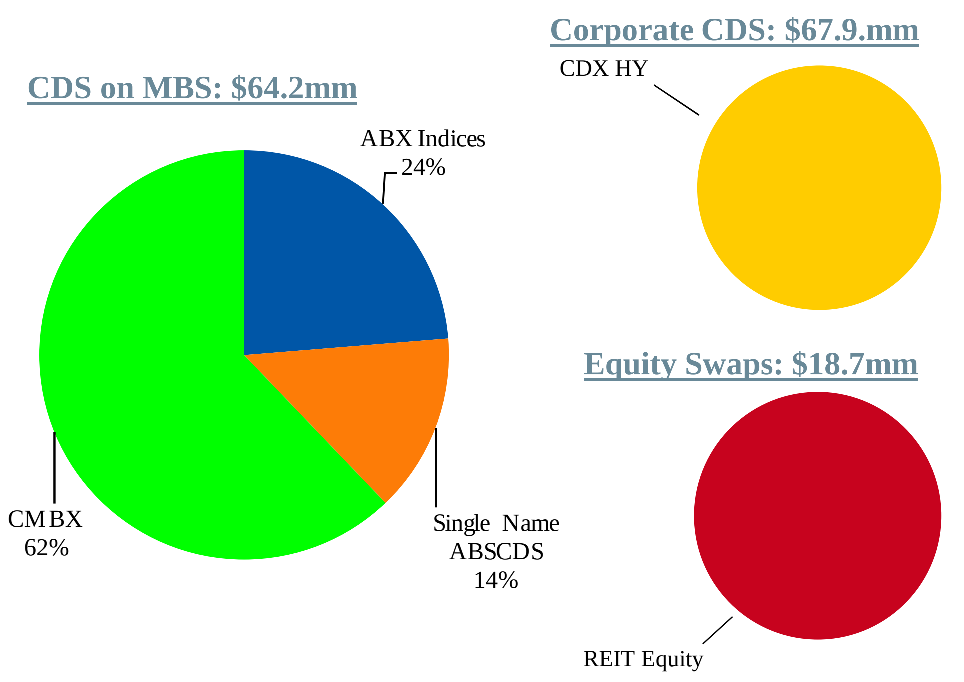
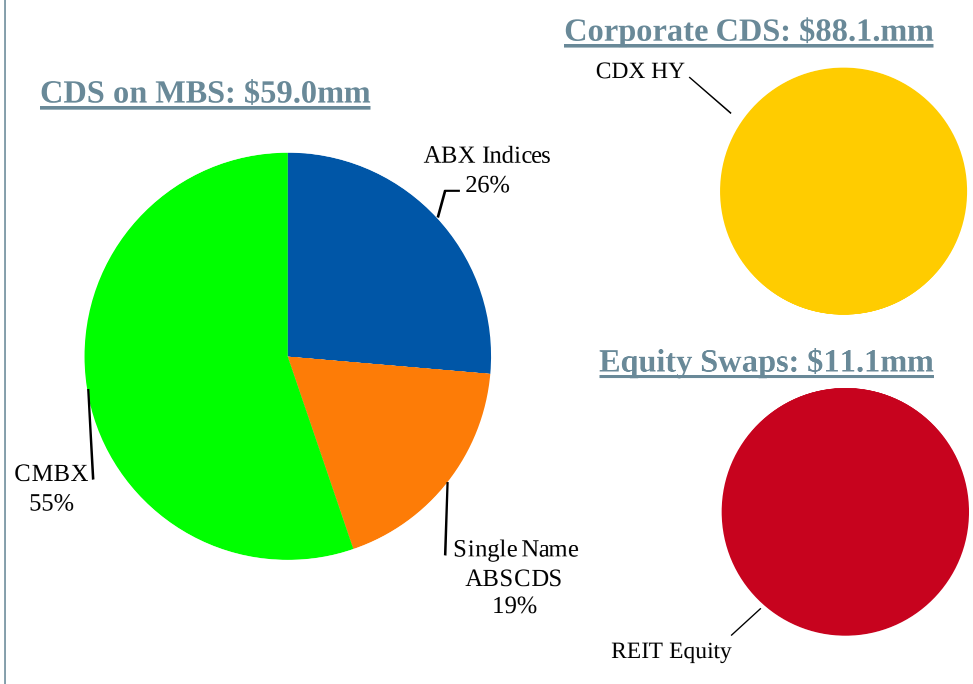
Previous Quarter
Credit Hedging Portfolio 12/31/12: $151MM(1)



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



- **During the first quarter:**
  - Mortgage-related hedges were reduced further relative to the fourth quarter
  - More focus on non-mortgage hedges that may protect us better in an economic downturn, e.g., short position on CDX indices and total return swaps on REITs

(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 $147.1 million at March 31, 2013 and $132.1 million at December 31, 2012. The corresponding net fair value of short CDS on MBS and short Corporate CDS is $33.0 million at March 31, 2013 and $47.2 million at December 31, 2012. For equity swaps, the amounts above represent notional value, based on the number of underlying shares multiplied by price per share at March 31, 2013 and December 31, 2012. The net short notional value of $11.1 million as of March 31, 2012 represents a gross short notional value of $13.6 millionoffset by a gross long notional value of $2.4 million. The fair value of equity swaps is $0.03 million as of March 31, 2013 and $(0.1) million as of December 31, 2012.

Agency Portfolio

EFC: Agency Long Portfolio

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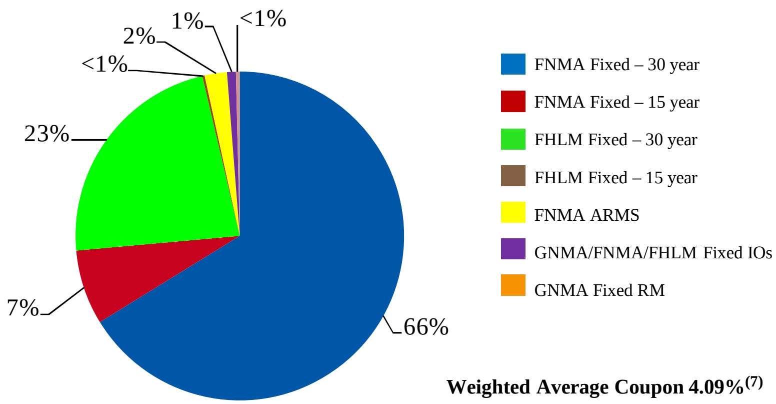
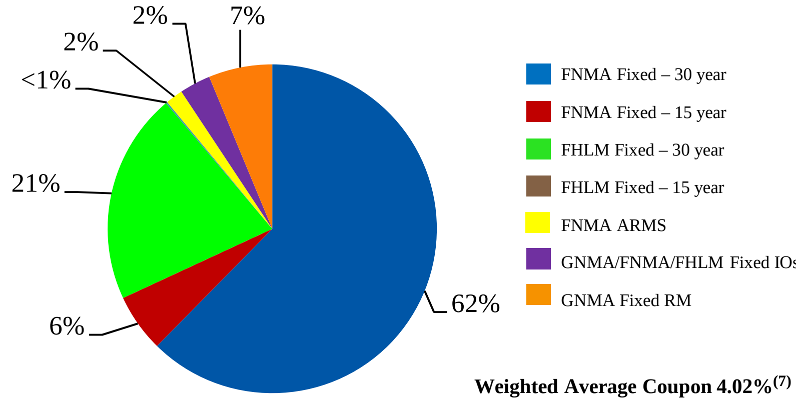
Previous Quarter
Agency Long Portfolio 12/31/12: $774MM[1]



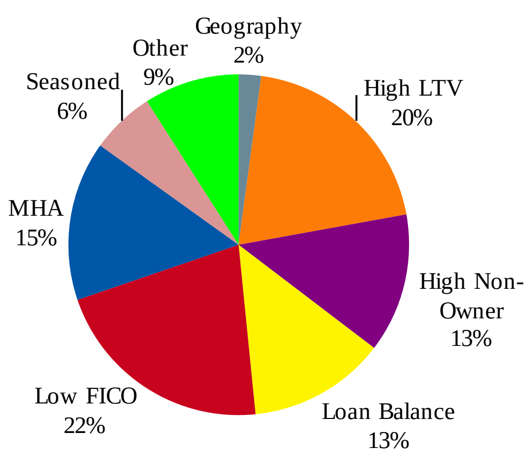
Weighted Average Coupon 4.09%[7]

Current Quarter
Agency Long Portfolio 3/31/13: $861MM[1]



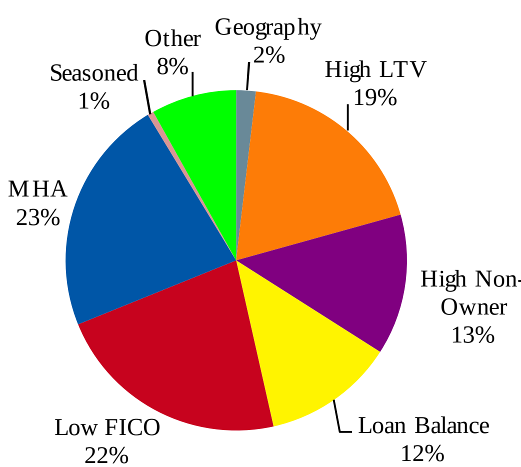
Weighted Average Coupon 4.02%[7]

Collateral Characteristics and Historical 3-month CPR
Agency Fixed Rate Pool Portfolio 12/31/12: $747MM[2]



Characteristic[4]	Fair Value[2][5]	3-Month Historical CPR[3]
Geography	$15.9	14.5
High LTV	149.6	8.8
High Non-Owner Occupied	98.8	9.3
Low Loan Bal	97.5	6.3
Low FICO	159.6	7.8
MHA[6]	113.2	1.1
Seasoned	45.4	35.9
Other	67.5	17.9
Totals	747.5	9.7

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

(1) Does not include long TBA positions. Agency long portfolio includes $844.8 million of long Agency securities at March 31, 2013 and $767.6 million at December 31, 2012. Additionally, the long Agency portfolio includes $16.2 million of interest-only securities at March 31, 2013 and $6.6 million at December 31, 2012.
(2) Excludes interest-only securities with a value of $16.2 million at March 31, 2013 and $6.6 million at December 31, 2012 and reverse mortgage pool securities with a value of $64.0 million at March 31, 2013 and $3.0 million at December 31, 2012.
(3) Excludes interest-only securities and Agency fixed rate RMBS without any prepayment history with a total value of $53.5 million at March 31, 2013 and $14.2 million at December 31, 2012.
(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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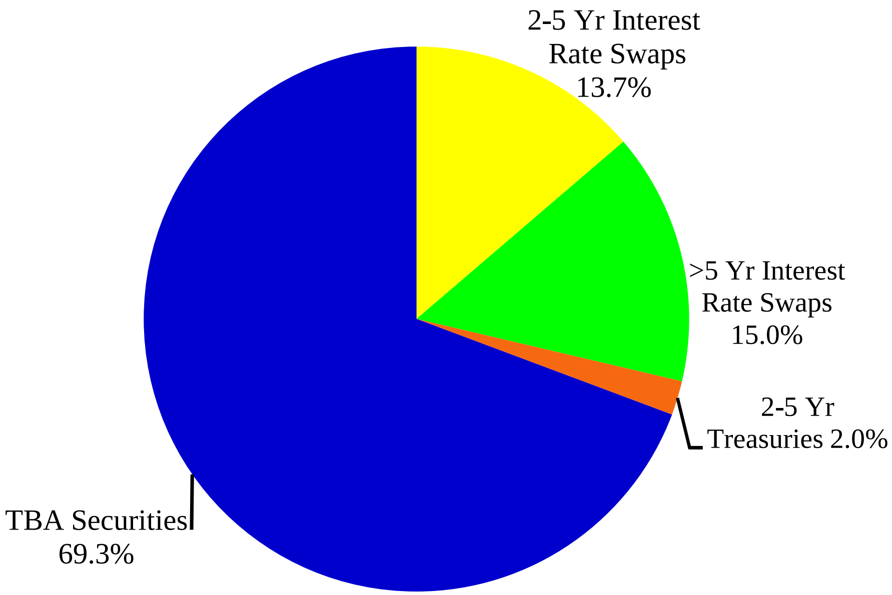
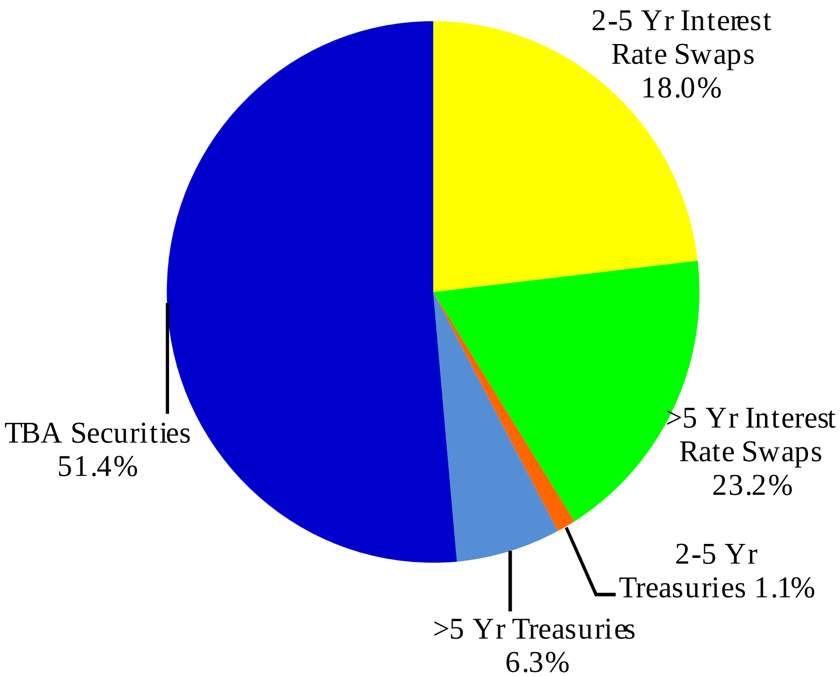
Previous Quarter
Agency Interest Rate Hedging Portfolio 12/31/12:
Short $249MM 10-year equivalents



Current Quarter
Agency Interest Rate Hedging Portfolio 3/31/13:
Short $408 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 first quarter:**
  - Hedges were increased as portfolio size and duration increased
  - Increased proportion of interest rate swap hedges relative to 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.

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EFC: Agency Interest Rate Hedging Portfolio Continued

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

(In millions)

Agency-related Portfolio	**12/31/2012**	**3/31/2013**
Long Agency RMBS	$774	$861
Net Short TBA Positions	(565)	(517)
Net Long Exposure to Agency RMBS	**$209**	**$344**

- **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 0.58% of the value of our fixed rate Agency pool portfolio as of 3/31/2013**

Estimated Change in Fair Value as of 03/31/13 for Agency Pools, Agency IOs, and Related Hedges if Interest Rates Move:

(In thousands)	**Down 50 BPS**	**Up 50 BPS**
Agency ARM Pools	$56	($41)
Agency Fixed Rate Pools and IO's	17,543	(21,081)
TBAs	(7,544)	11,473
Interest Rate Swaps	(7,725)	7,477
U.S. Treasury Securities	(1,410)	1,352
Repo and Reverse Repo Agreements	(700)	796
Totals	**$220**	**($24)**

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

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($ In Millions)	Repo Borrowings			
Remaining Days to Maturity	**Non-Agency**	**Agency**	**Total**	**% of Total Borrowings**
30 Days or Less	$57.8	$183.8	$241.6	25.0%
31-60 Days	70.3	248.7	319.0	33.1
61-90 Days	23.2	26.2	49.4	5.1
121-150 Days	0.0	109.2	109.2	11.3
151-180 Days	86.2	159.9	246.1	25.5
Total Borrowings	**$237.5**	**$727.8**	**$965.3**	**100.0%**
Weighted Average Remaining Days to Maturity	90	77	81	

- **As of March 31, 2013:**
  - EFC had borrowings outstanding with 12 counterparties. Borrowings from the largest counterparty represented 30% of total outstanding borrowings
  - EFC had repo borrowings with a remaining weighted average maturity of 81 days; maturities are staggered to mitigate liquidity risk
    - Non-Agency borrowings weighted average maturity declined by 22 days compared to December 2012
    - Agency borrowings increased by 35 days compared to December 2012

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, 2013. Not included are any reverse repos that the Company may have entered into prior to March 31, 2013, for which delivery of the borrowed funds is not scheduled until after March 31, 2013. Remaining maturity for a reverse repo is based on the contractual maturity date in effect as of March 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 March 31, 2013	For the Quarter Ended March 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	$237,511	$233,725	2.02%
Agency RMBS	727,761	745,987	0.42
Total	**$965,272**	**$979,712**	**0.80%**

- **Debt-to-equity ratio(2)(3) of 1.86:1 as of March 31, 2013 compared to 1.79:1 as of December 31, 2012**

(1) Excludes securitized debt valued at $1.2 million as of March 31, 2013.
(2) Includes securitized debt valued at $1.2 million as of March 31, 2013 and $1.3 million as of December 31, 2012.
(3) Debt to equity ratio based on outstanding borrowings at end of period / total equity

Supplemental Information

EFC: Gross Profit and Loss

Ellington Financial

- **In times of MBS market distress, the use of hedging instruments has been effective in insulating long non-Agency portfolio from credit risk**
  - **Historically, non-Agency hedges have contributed gains to the overall portfolio**

	Qtr Ended March 31, 2013		Years Ended									
	2013		2012		2011		2010		2009		2008	
($ In thousands)	$	%	$	%	$	%	$	%	$	%	$	%
Long: Non-Agency	52,480	10.04	129,830	30.02	1,505	0.39	70,840	21.87	101,748	36.33	(64,565)	(26.20)
Credit Hedge: Non-Agency	(7,079)	(1.36)	(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	348	0.07	(3,851)	(0.89)	(8,171)	(2.12)	(12,150)	(3.75)	(1,407)	(0.50)	(3,446)	(1.40)
Long: Agency	(77)	(0.02)	37,701	8.72	63,558	16.47	21,552	6.65	22,171	7.92	4,763	1.93
Interest Rate Hedge: Agency	811	0.16	(20,040)	(4.63)	(54,173)	(14.04)	(14,524)	(4.48)	(8,351)	(2.98)	(6,414)	(2.60)
Gross Profit	**46,483**	**8.89**	**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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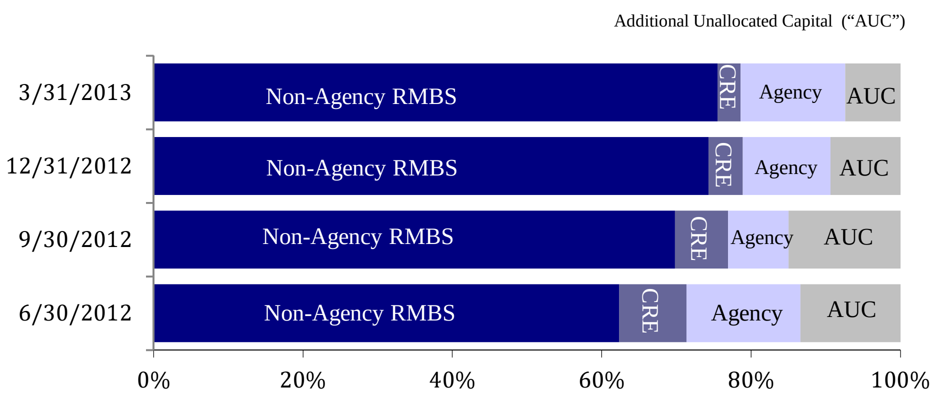
Capital Usage Across Entire Portfolio[1]



Notes

(1) Each strategy's capital includes settled investment amounts net of repo borrowings and securitized debt, initial margin of hedges and synthetic long positions, and other assets and liabilities associated with each strategy. Capital also includes a portion of cash and unencumbered Agency RMBS which the Company holds for liquidity management purposes. "Additional unallocated capital" represents additional capital not associated with any particular strategy. "CRE" refers to CMBS, CMBX and Commercial Mortgage Loans.

(2) Ratio of (i) strategy total fair value of settled MBS and Commercial Mortgage Loans and bond equivalent value of settled synthetic long MBS/ABS positions, to (ii) strategy capital usage. See footnote 1 on page 10 for a description of bond equivalent value.

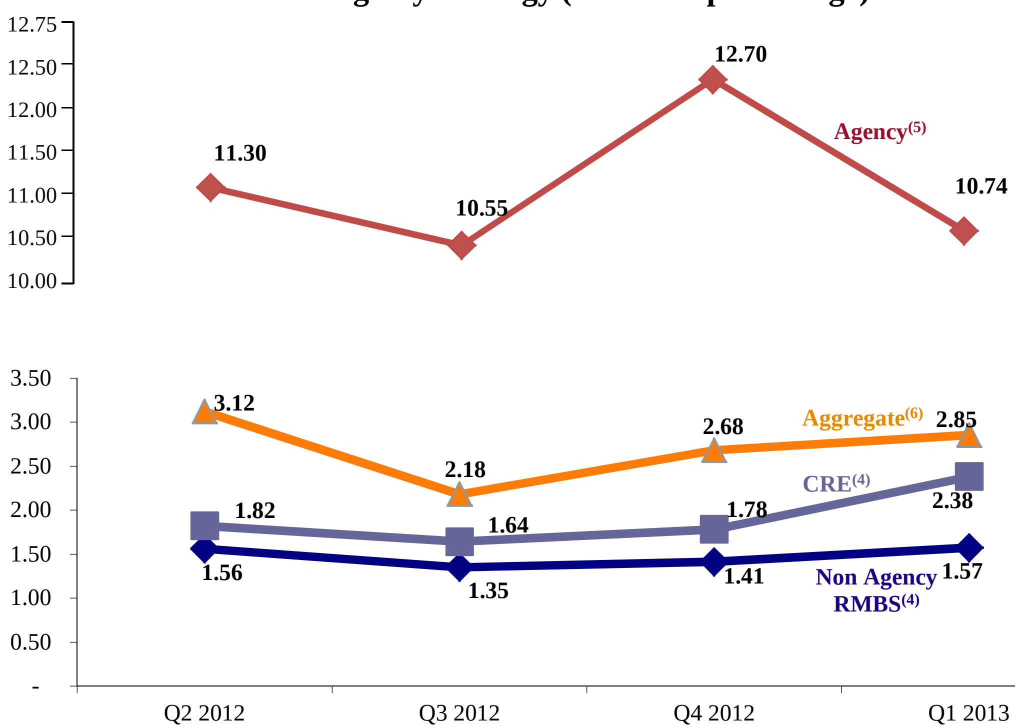
(3) Ratio of (i) strategy total repo liabilities and securitized debt associated with settled MBS and Commercial Mortgage Loans, to (ii) strategy capital usage.

(4) Includes market value of settled long investments and bond equivalent value of synthetic long positions.

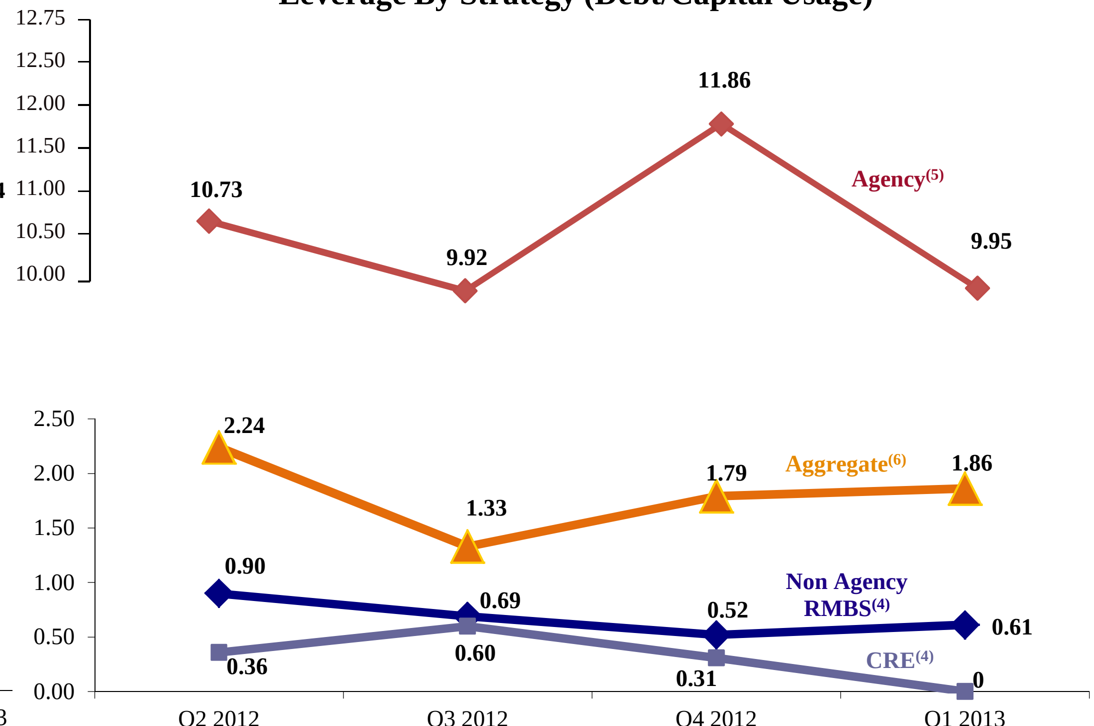
(5) Includes market value of settled long investments, but excludes unencumbered Agency pools, U.S. Treasuries, and cash equivalents.

(6) Aggregate leverage ratio has been adjusted to include unencumbered Agency pools as allocated assets, which are excluded from the strategy-specific leverage ratios.

Leverage By Strategy (Assets/Capital Usage)[2]

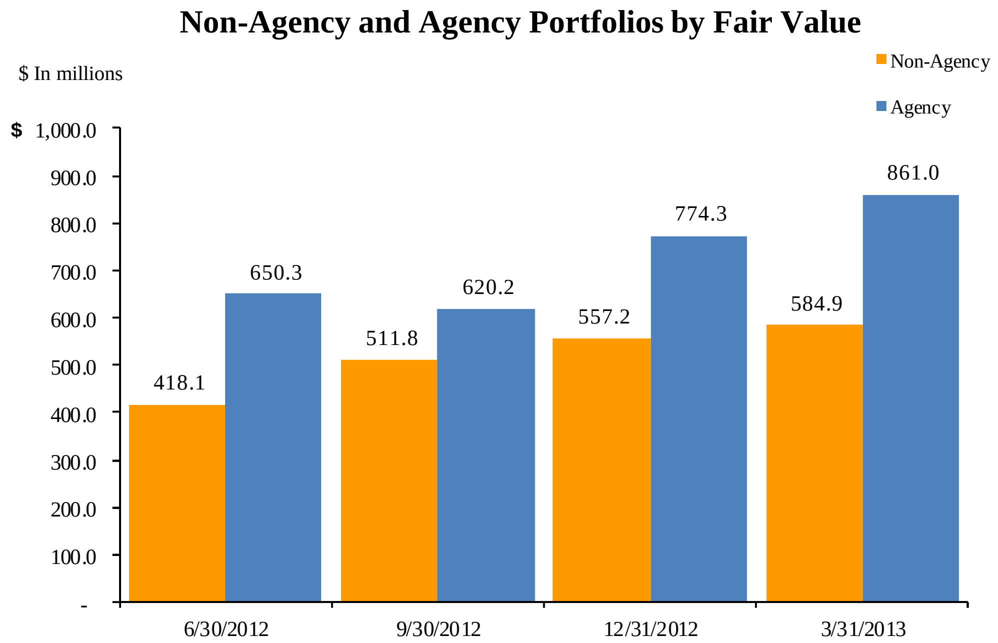


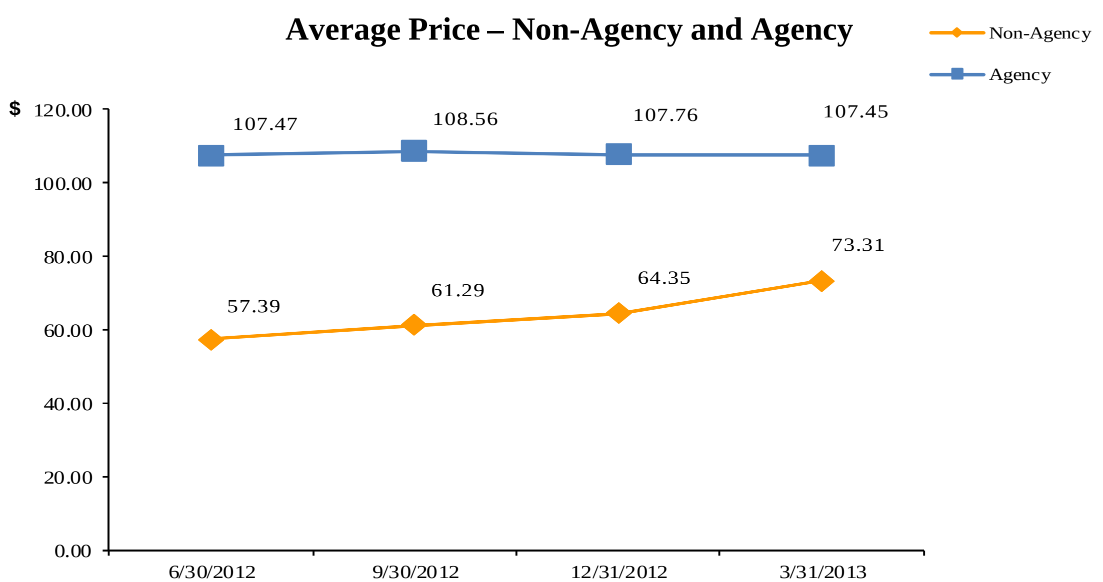
Leverage By Strategy (Debt/Capital Usage)[3]



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

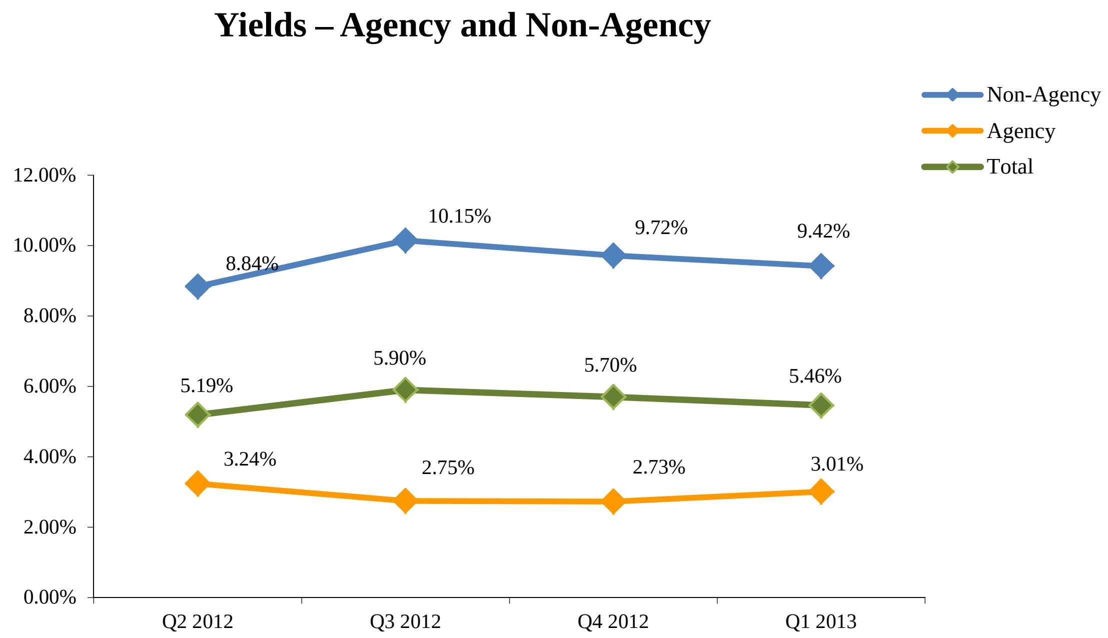
Ellington Financial

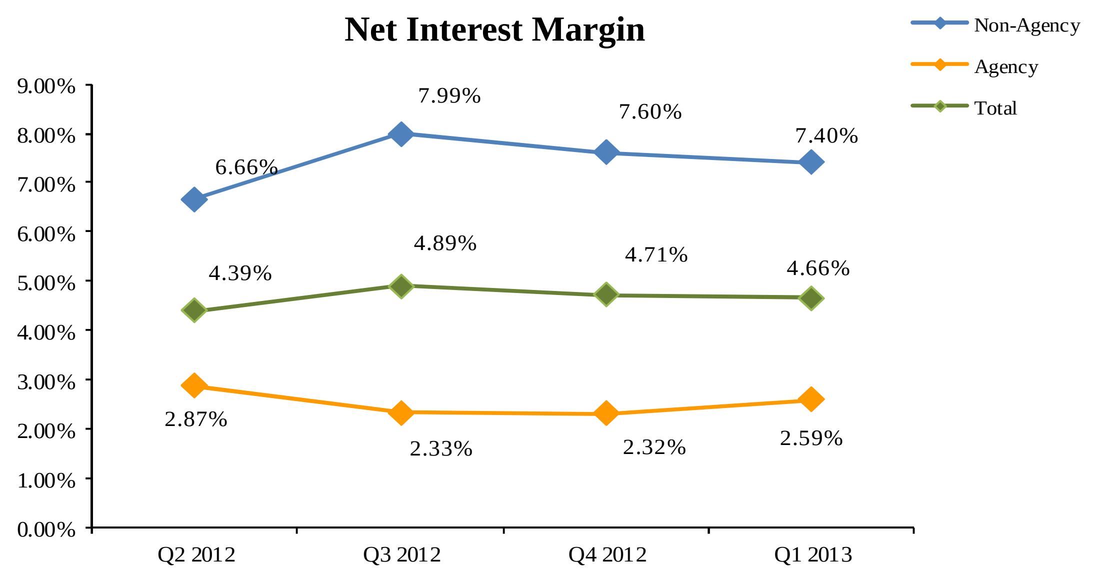




Note: Excludes interest-only, principal-only, equity tranches, and other similar securities.

EFC: Yields and Net Interest Margin



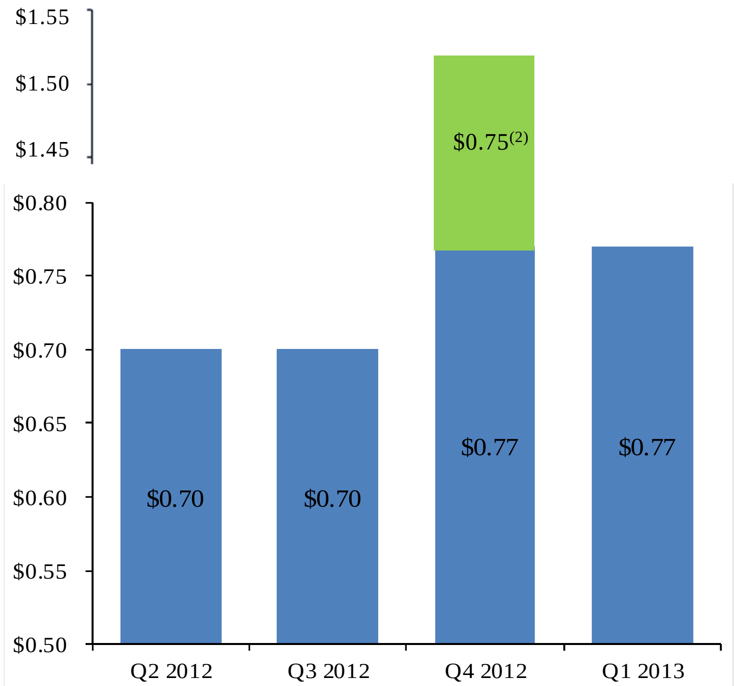


Note: Net interest margin figures are based on amortized cost, not fair value, and exclude hedging related expenses.

EFC: Dividends and Expense Ratio

Ellington Financial

Dividends Per Share

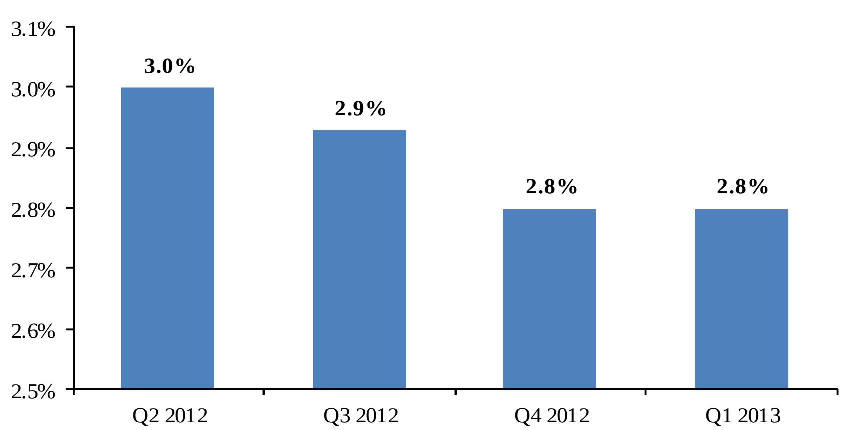


Dividend Yield as of March 31, 2013 12.4%(1)

(1) Based on NYSE closing price as of 3/31/2013.

(2) Special dividend.

Expense Ratio



Income Statement

(Unaudited)

ELLINGTON FINANCIAL LLC
CONSOLIDATED STATEMENT OF OPERATIONS
(UNAUDITED)

(In thousands, except per share data)	Three Month Period Ended March 31, 2013	Three Month Period Ended December 31, 2012
Investment income		
Interest income	$ 18,382	$ 16,653
Expenses		
Base management fee	1,967	1,933
Incentive fee	2,055	7,342
Interest expense	2,142	2,039
Other operating expenses	1,649	1,666
Total expenses	7,813	12,980
Net investment income	10,569	3,673
Net realized gain (loss) on:		
Investments	13,997	10,007
Swaps	(1,383)	(3,109)
Futures	(22)	(19)
	12,592	6,879
Change in net unrealized gain (loss) on:		
Investments	22,839	15,833
Swaps	(5,276)	(1,615)
Futures	22	16
	17,585	14,234
Net realized and unrealized gain on investments and financial derivatives	30,177	21,113
Net increase in equity resulting from operations	$ 40,746	$ 24,786
Less: Net increase in equity resulting from operations attributable to non-controlling interest	411	-
Net increase in shareholders' equity resulting from operations	$ 40,335	$ 24,786
Net increase in shareholders' equity resulting from operations per share:		
Basic and diluted	$ 1.94	$ 1.19

Balance Sheet

(Unaudited)

Ellington Financial

ELLINGTON FINANCIAL LLC
CONSOLIDATED STATEMENT OF ASSETS, LIABILITIES AND EQUITY
(UNAUDITED)

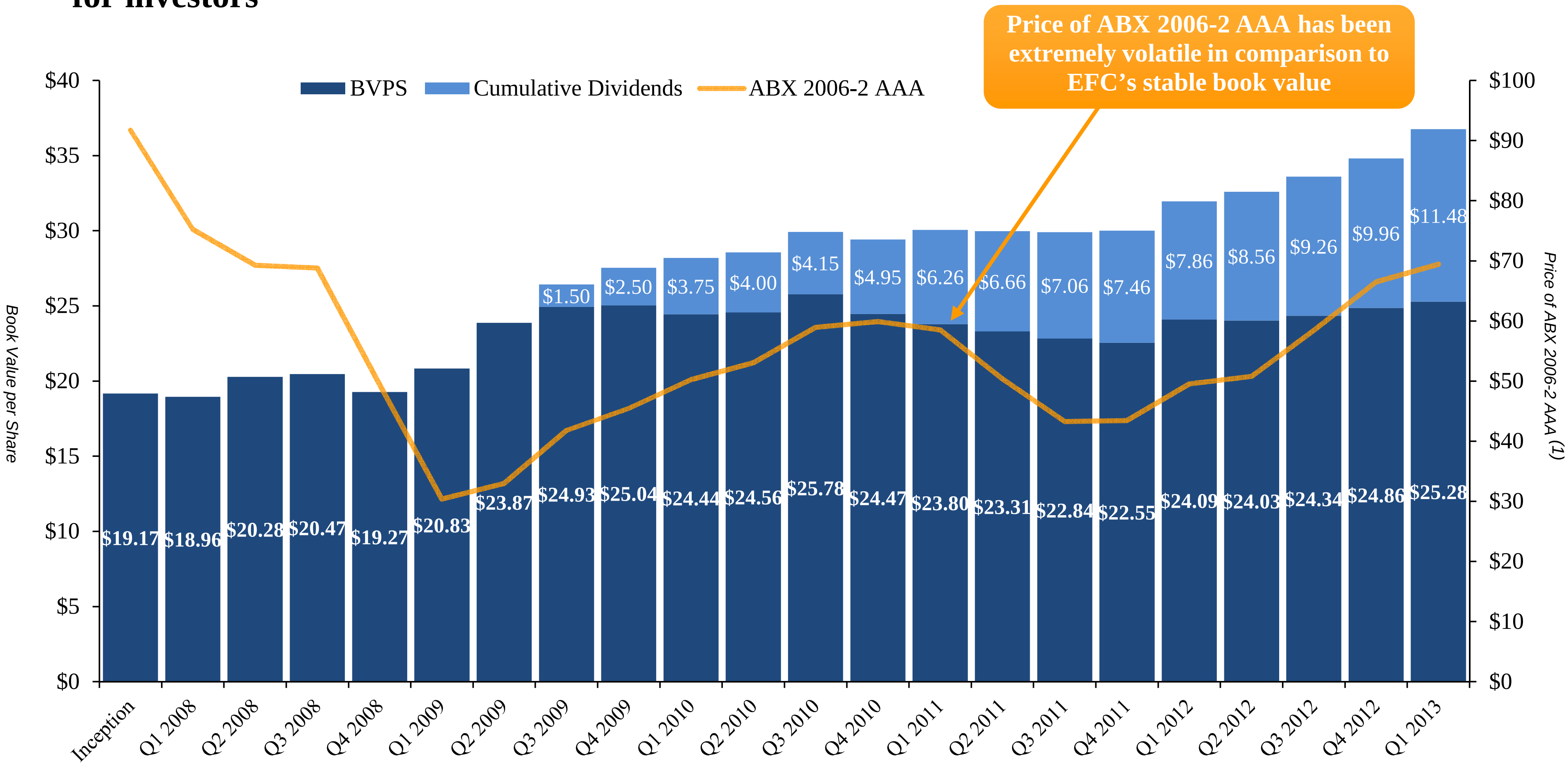
(In thousands, except share amounts)	As of March 31, 2013	As of December 31, 2012 [1]
ASSETS		
Cash and cash equivalents	$ 64,753	$ 59,084
Investments, financial derivatives and repurchase agreements:		
Investments at fair value (Cost - $1,465,788 and $1,328,153)	1,535,924	1,375,116
Financial derivatives - assets at fair value (Cost - $56,769 and $65,860)	36,250	48,504
Repurchase agreements (Cost - $42,614 and $13,650)	42,614	13,650
Total Investments, financial derivatives and repurchase agreements	1,614,788	1,437,270
Deposits with dealers held as collateral	21,977	22,744
Receivable for securities sold	609,239	626,919
Interest and principal receivable	5,507	5,719
Other assets	410	379
Total assets	$ 2,316,674	$ 2,152,115
LIABILITIES		
Investments and financial derivatives:		
Investments sold short at fair value (Proceeds - $648,101 and $621,048)	$ 649,756	$ 622,301
Financial derivatives - liabilities at fair value (Proceeds - $14,358 and $13,171)	18,490	15,212
Total investments and financial derivatives	668,246	637,513
Reverse repurchase agreements	965,272	905,718
Due to brokers on margin accounts	21,599	30,954
Payable for securities purchased	132,750	57,333
Securitized debt (Proceeds - $1,250 and $1,311)	1,205	1,335
Accounts payable and accrued expenses	1,929	1,995
Base management fee payable	1,967	1,934
Incentive fee payable	2,055	7,343
Other payables	-	903
Interest and dividends payable	1,049	732
Total liabilities	1,796,072	1,645,760
EQUITY	520,602	506,355
TOTAL LIABILITIES AND EQUITY	$ 2,316,674	$ 2,152,115
ANALYSIS OF SHAREHOLDERS' EQUITY:		
Common shares, no par value, 100,000,000 shares authorized; (20,403,723 and 20,370,469 shares issued and outstanding)	$ 506,825	$ 497,373
Additional paid-in capital - LTIP units	9,023	8,992
Total Shareholders' Equity	$ 515,848	$ 506,355
Non-controlling interest	4,754	-
Total Equity	$ 520,602	$ 506,355
PER SHARE INFORMATION:		
Common shares, no par value	$ 25.28	$ 24.86
DILUTED PER SHARE INFORMATION:		
Common shares and convertible units, no par value	$ 24.78	$ 24.38

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

EFC: Book Value

Ellington Financial

- **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 2013 is approximately 110%**

(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 3/31/2013 book value per share is 109.51%. Dividends were paid in the quarter following the period related to such performance.

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 100 employees, giving EFC access to time-tested infrastructure and industry-leading resources in trading, research, risk management, and operational support**
  - EMG has over $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 16% 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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