Ellington Financial

Ellington Financial LLC (NYSE: EFC)

Third Quarter 2014 Earnings Conference Call

November 6, 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 September 30, 2014 unless otherwise indicated. We undertake no duty or obligation to update this presentation to reflect subsequent events or developments.

Third Quarter 2014

Operating Results

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	Quarter Ended September 30, 2014	Per Share	% of Average Equity	Quarter Ended June 30, 2014	Per Share	% of Average Equity	Nine Months Ended September 30, 2014	Per Share	% of Average Equity
(In thousands, except per share amounts)									
Non-Agency MBS, mortgage loans, ABS, and other:									
Interest income	$ 14,691	$ 0.52	2.18 %	$ 12,970	$ 0.50	2.05 %	$ 41,177	$ 1.54	6.36 %
Net realized gain	6,116	0.22	0.91 %	12,906	0.50	2.05 %	43,277	1.61	6.68 %
Change in net unrealized gain (loss)	(6,523)	(0.23)	(0.97)%	2,417	0.09	0.38 %	(15,636)	(0.59)	(2.42)%
Net interest rate hedges[(1)]	826	0.03	0.12 %	(2,418)	(0.09)	(0.38)%	(4,019)	(0.15)	(0.62)%
Net credit hedges and other activities[(2)]	2,732	0.09	0.40 %	(3,573)	(0.14)	(0.57)%	233	0.01	0.04 %
Interest expense	(1,473)	(0.05)	(0.22)%	(1,478)	(0.06)	(0.23)%	(4,598)	(0.17)	(0.71)%
Other investment related expenses	(465)	(0.02)	(0.07)%	(489)	(0.02)	(0.08)%	(1,117)	(0.04)	(0.17)%
Total non-Agency MBS, mortgage loans, ABS, and other profit	15,904	0.56	2.35 %	20,335	0.78	3.22 %	59,317	2.21	9.16 %
Agency RMBS:									
Interest income	7,804	0.28	1.16 %	8,009	0.31	1.27 %	23,760	0.89	3.66 %
Net realized gain (loss)	572	0.02	0.08 %	2,005	0.08	0.32 %	(2,479)	(0.09)	(0.38)%
Change in net unrealized gain (loss)	(3,277)	(0.12)	(0.49)%	14,031	0.54	2.22 %	23,204	0.87	3.58 %
Net interest rate hedges[(1)]	(499)	(0.02)	(0.07)%	(18,055)	(0.70)	(2.86)%	(28,997)	(1.09)	(4.48)%
Interest expense	(798)	(0.03)	(0.12)%	(776)	(0.03)	(0.12)%	(2,350)	(0.09)	(0.36)%
Total Agency RMBS profit	3,802	0.13	0.56 %	5,214	0.20	0.83 %	13,138	0.49	2.02 %
Total non-Agency and Agency MBS, mortgage loans, ABS, and other profit	19,706	0.69	2.91 %	25,549	0.98	4.05 %	72,455	2.70	11.18 %
Other interest income (expense), net	—	—	— %	(3)	—	— %	(7)	—	— %
Other expenses (excluding incentive fee)	(5,159)	(0.18)	(0.76)%	(4,342)	(0.17)	(0.69)%	(13,859)	(0.52)	(2.14)%
Net increase in equity resulting from operations (before incentive fee)	14,547	0.51	2.15 %	21,204	0.81	3.36 %	58,589	2.18	9.04 %
Incentive fee	(1,400)	(0.05)	(0.21)%	—	—	— %	(1,400)	(0.05)	(0.22)%
Net increase in equity resulting from operations	$ 13,147	$ 0.46	1.94 %	$ 21,204	$ 0.81	3.36 %	$ 57,189	$ 2.13	8.82 %
Less: Net increase in equity resulting from operations attributable to non-controlling interests	199			257			659		
Net increase in shareholders' equity resulting from operations[(6)]	**$ 12,948**	**$ 0.46**	**1.94 %**	**$ 20,947**	**$ 0.81**	**3.36 %**	**$ 56,530**	**$ 2.13**	**8.82 %**
Weighted average shares and convertible units[(3)] outstanding	28,066			26,065			26,737		
Average equity (includes non-controlling interests)[(4)]	$ 674,628			$ 630,443			$ 647,631		
Weighted average shares and LTIP units outstanding[(5)]	27,854			25,853			26,525		
Average shareholders' equity (excludes non-controlling interests)[(4)]	$ 667,630			$ 623,433			$ 640,923		
Ending equity (includes non-controlling interests)	$ 812,107			$ 631,123			$ 812,107		
Diluted book value per share	$ 23.79			$ 24.14			$ 23.79		

(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.

Ellington Financial: Third Quarter Highlights

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Overall Results	• 3rd quarter net income of \$12.9 million, or \$0.46 per share; 2nd quarter net income of \$20.9 million, or \$0.81 per share
Non-Agency Strategy	• 3rd quarter non-Agency strategy gross income of \$15.9 million(1), or \$0.56 per share • Primary drivers were interest income, net gains on interest rate hedges, credit hedges and other activities, partially offset by net realized and change in net unrealized gains (losses) on investments, and interest expense
Agency RMBS Strategy	• 3rd quarter Agency RMBS strategy gross income of \$3.8 million(1), or \$0.13 per share • Primary drivers were interest income, partially offset by and net realized and change in net unrealized gains (losses) on investments, net losses on interest rate hedges, and interest expense
Operating Expenses	• 3rd quarter core expenses of \$5.2 million–includes base management fees and other operating expenses; Core expenses represent 3.0% of average equity, annualized • Normalized expense ratio following offering should range from 2.5% - 2.6%
Leverage	• Debt to equity ratio: 1.44:1 excluding U.S. Treasury securities at September 30, 2014 as compared to 1.89:1 at June 30, 2014

(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: Third Quarter Highlights (continued)

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Portfolios	• Non-Agency Long Portfolio including long credit default swaps: $732.0 million with a market yield of 7.84%(1) at the end of the third quarter, as compared to $670.1 million at the end of the second quarter with a market yield of 7.01%(1) • Agency Long Portfolio: $1,064.2 million at the end of the third quarter compared to $961.8 million at the end of the second quarter
Book Value and Shareholders' Equity	• Completed follow-on common share offering, raising net new capital of $188.2 million • September 30, 2014 diluted book value per share of $23.79, net of $0.77 second quarter dividend paid in September, as compared to $24.14 per share as of June 30, 2014 • Total equity of $812.1 million as of September 30, 2014, compared to $631.1 million as of June 30, 2014

Dividend Yield	• 3rd quarter dividend of $0.77 per share announced on November 4th, unchanged from prior quarter's dividend
	    • Annualized dividend yield of 13.8% based on the November 4, 2014 closing price of $22.30
	    • Eighth 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 until conditions warrant otherwise(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 at the discretion of the Company's Board of Directors.

Ellington Financial: Non-Agency Strategy

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Overall Market Conditions	• Non-Agency RMBS exhibited resilience during the third quarter, particularly relative to high yield credit • Investor appetite for fixed income assets, especially higher-yielding assets, remains strong • Active new issuance in CMBS market contributed to increased market volatility in that sector during the quarter • Increased sales volume in residential non-performing loan sector ("NPLs")—HUD and Freddie Mac represented approximately one-third of 3Q's record post-crisis volume; meanwhile, NPL prices have risen • Continued bank selling of legacy European MBS assets

Portfolio Trends	• Non-Agency RMBS
	  • Continued to find attractive opportunities to buy and sell legacy assets
	  • Purchases in the third quarter focused on discount Alt-A hybrid senior positions and seasoned mezzanine bonds
	• Continued to be active in a variety of structured products markets
	  • CLOs - Acquiring legacy CLOs at attractive prices, as dealers and investors sell their legacy inventory to make room for CLO 2.0 issuance and avoid capital charges resulting from Dodd-Frank
	  • CMBS -Remain active purchasers of CMBS "B-pieces"
	  • European RMBS and ABS
	• Strategically expanded and made our first investments in several adjacent sectors
	  • Bought a minority stake in a reverse mortgage originator
	  • Consumer ABS and loans
	  • European CLOs
	  • Distressed Corporate Debt (following quarter end)

Ellington Financial: Agency Strategy

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Overall Market Conditions	• As expected, in October, the Federal Reserve ended its net monthly purchases of Agency RMBS and U.S. Treasury securities, though the Fed will continue to reinvest principal payments from its existing holdings into additional Agency RMBS and U.S. Treasury securities • 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 continue to wane in the coming months • New mortgage origination and refinancing activity remained relatively low given the level of mortgage rates • While RMBS prices declined slightly during the third quarter, the reduction in Fed purchases of TBAs helped specified pools outperform their TBA counterparts • Interest rate curve flattened during the third quarter
Portfolio Trends	• Average pay-up of 0.63% as of September 30, 2014, compared to 0.51% as of June 30, 2014 • Continued focus on higher coupon specified fixed pools, as pay-ups for many specified pool sectors remain well below their previous highs • Yield spreads on reverse mortgage pools remained tight during the third quarter • Interest only securities have also continued to perform well; prepayment speeds have increased but remain subdued relative to the drop in interest rates

Ellington Financial: Market Outlook

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Non-Agency	• As spreads remain tight, careful asset selection continues to be important
	  • Opportunities in certain more seasoned sectors and smaller transaction sizes
	• We continue to focus on asset diversification
	  • European MBS and ABS- Opportunities may arise from pressure on European banks to shed assets, and from the European Central Bank's recently announced asset purchase program
	  • CLOs (U.S. and Europe)
	  • CMBS "B-pieces" - New issue market provides opportunities to "manufacture" risk
	  • Distressed small balance commercial mortgage loans
	  • Residential NPLs
	  • Consumer ABS and loans
	  • Mortgage Originators - Several more strategic investments in the pipeline
	  • Distressed Corporate Debt - opportunistic now, but positioning for future dislocation

Agency	• Reduced presence of the Federal Reserve likely to create future opportunities for us and other private investors • Market volatility remains a significant risk—ability to hedge using a variety of tools, including TBAs, continues to be important

Non-Agency Portfolio

EFC: Non-Agency Long Portfolio

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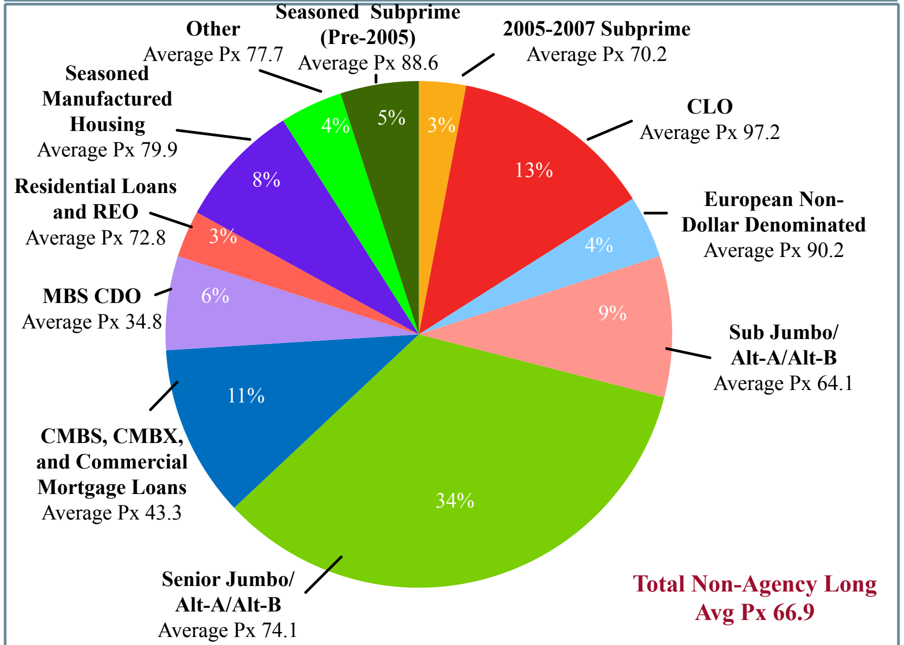
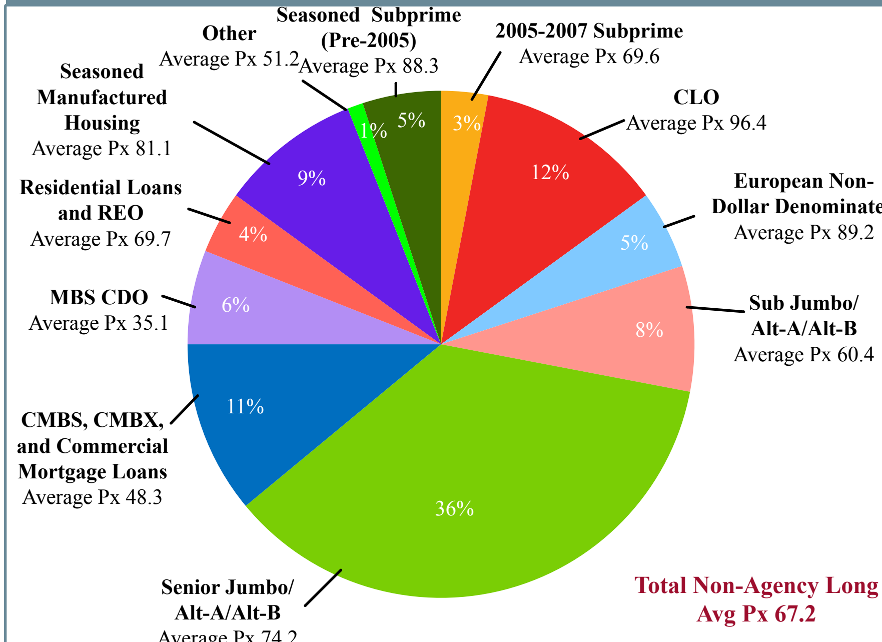
Current Quarter

Non-Agency Long Portfolio 9/30/14: $732MM(1)(2)(4)



Previous Quarter

Non-Agency Long Portfolio 6/30/14: $670MM(1)(2)(3)



During the third quarter:

- Overall size of the portfolio increased as we deployed the proceeds of the September capital raise
- Continued to expand into other asset classes
    a. At September 30, 2014, "Other" includes ABS investments, preferred investments in mortgage originator and private commercial real-estate partnership

(1) Non-Agency portfolio includes net long 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, corporate CDS, common stock and equity swaps, or other hedge positions. The bond equivalent value of credit derivatives in the non-Agency long portfolio include $10.5 million of long CMBX positions and $1.8 million of long PrimeX positions at September 30, 2014, and $10.5 million of long CMBX positions and $1.9 million of long PrimeX positions at June 30, 2014. The corresponding net fair value of long PrimeX and CMBX is $(4.3) million at September 30, 2014 and June 30, 2014.
(2) Average price excludes interest only, principal only, equity tranches and other similar securities, and net long credit derivatives at September 30, 2014 and June 30, 2014.
(3) Prior period presentation has been conformed to current period presentation.
(4) Excludes long U.S. Treasury securities with a total value of $545.3 million. The Company did not have long investments in U.S. Treasury securities as of June 30, 2014.

EFC: Non-Agency Long Portfolio as of September 30, 2014

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- Non-Agency strategy is the main driver of earnings
- Non-Agency long portfolio value: $732.0 million[1] as of 9/30/2014 (which includes $719.7 million of long non-Agency securities and loans and $12.3 million of bond equivalent value of net 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	33.0	88.6%	4.7	7.5%	5.52%	6.34%
2005-2007 Subprime	21.0	70.2	7.7	7.9	5.69	6.89
Sub Jumbo/Alt-A/Alt-B	69.2	64.1	8.6	11.9	4.78	7.38
Senior Jumbo/Alt-A/Alt-B	249.0	74.1	5.9	10.5	5.85	6.46
Seasoned Manufactured Housing	58.2	79.9	5.9	7.4	6.86 [7]	6.86
CLO	92.5	97.2	2.4	N/A	5.92	6.81
CMBS and Commercial Mortgage Loans	82.4	43.3	9.3	N/A	15.34 [7]	15.34
European Non-Dollar Denominated MBS	31.8	90.2	20.7	4.7	5.42 [7]	5.42
MBS CDO	40.7	34.8	1.8	N/A	5.68	9.54
Other	54.2	75.5	12.1	35.3	6.75 [7]	6.75
Total	**$732.0**	**66.9%**	**6.9**	**10.3%**	**5.45%**	**7.84%**

(1) As of September 30, 2014, fair value includes $10.5 million of bond equivalent value of net long CMBX positions and $1.8 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 including real estate. 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 including real estate.

(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 September 30, 2014 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 credit derivatives and 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 September 30, 2014, our baseline projections call for home prices to rise approximately 3.5% 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 U.S. home prices.

EFC: Credit Hedging

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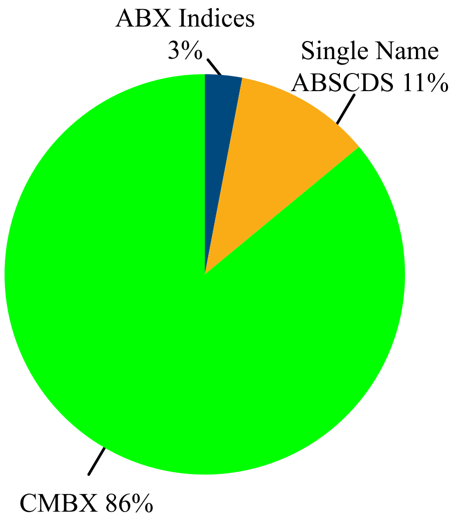
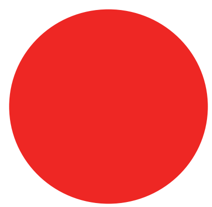
Current Quarter
Credit Hedging & Other Portfolio 9/30/2014: $269MM(1)

CDS on MBS: $89.6mm



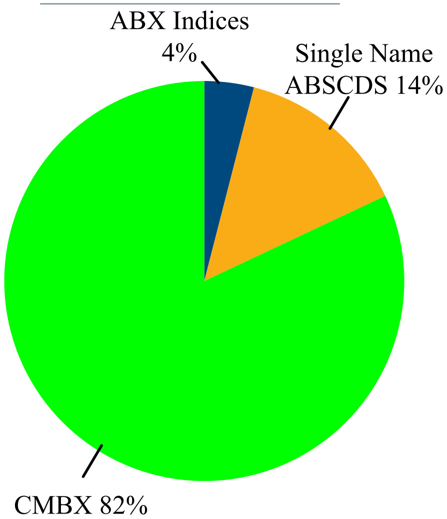
Corporate CDS: $169.7mm

Short Equity: $10.1mm



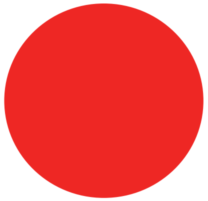
Previous Quarter
Credit Hedging & Other Portfolio 6/30/14: $236MM(1)(2)

CDS on MBS: $67.4mm



Corporate CDS: $158.4mm

Short Equity: $10.3mm



- During the third quarter:
  - Slightly increased Corporate CDS hedges—as corporate credit spreads widened, we reduced some positions while rotating others
  - 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 $259.3 million as of September 30, 2014 and $225.8 million as of June 30, 2014. The corresponding net fair value of short CDS on MBS and short Corporate CDS is $(8.0) million as of September 30, 2014 and $(9.2) million as of June 30, 2014. For short equity, the amounts above represent notional value of equity swaps, defined as the number of underlying shares multiplied by the price per share as of September 30, 2014 and June 30, 2014. The net fair value of the short equity was $29 thousand and ($39) thousand as of September 30, 2014 and June 30, 2014, respectively.

(2) Prior period presentation has been conformed to current period presentation.

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Agency Portfolio

EFC: Agency Long Portfolio

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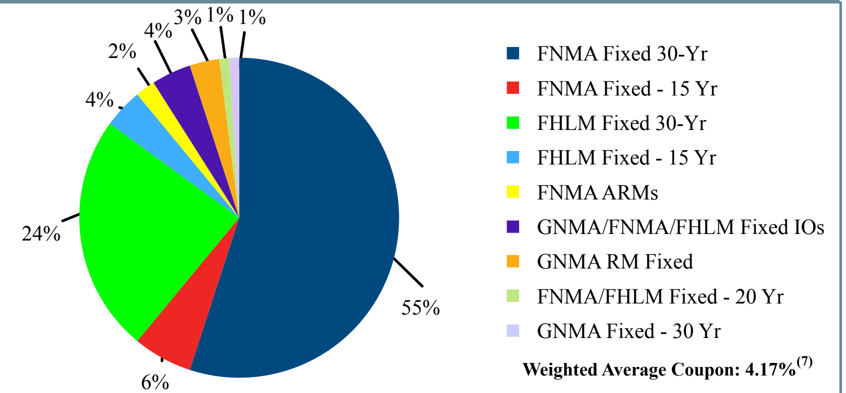
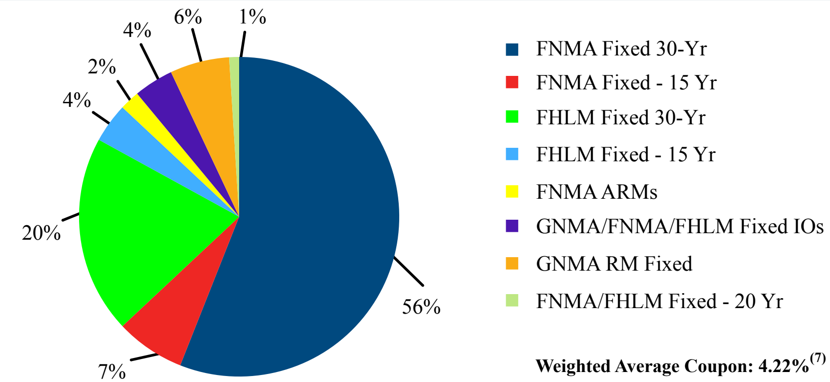
Current Quarter
Agency Long Portfolio 9/30/2014: $1,064MM(1)



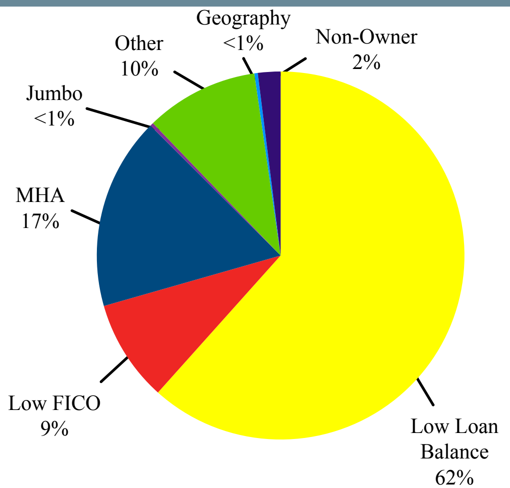
Weighted Average Coupon: 4.17%(7)

Previous Quarter
Agency Long Portfolio 6/30/14: $962MM(1)



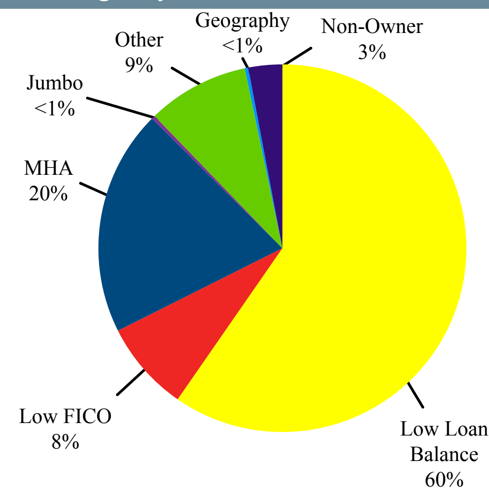
Weighted Average Coupon: 4.22%(7)

Collateral Characteristics and Historical 3-month CPR
Agency Fixed Rate Pool Portfolio 9/30/2014: $975MM(2)



Characteristic(4)	Fair Value(2)(5)	3-Month Historical CPR(3)
Geography	**$0.0**	—
Non-Owner	**20.5**	**5.2**
Low Loan Bal	**603.9**	**5.7**
Low FICO	**84.9**	**17.9**
MHA(6)	**168.8**	**5.6**
Jumbo	**0.3**	**21.3**
Other	**96.2**	**16.3**
Totals	**$974.6**	**7.6**

Collateral Characteristics and Historical 3-month CPR
Agency Fixed Rate Pool Portfolio 6/30/14: $842MM(2)



Characteristic(4)	Fair Value(2)(5)	3-Month Historical CPR(3)
Geography	**$1.1**	—
Non-Owner	**21.1**	**7.7**
Low Loan Bal	**508.5**	**4.0**
Low FICO	**66.4**	**9.6**
MHA(6)	**170.6**	**1.8**
Jumbo	**0.3**	—
Other	**73.5**	**9.8**
Totals	**$841.5**	**4.6**

(1) Does not include long TBA positions. Agency long portfolio includes $1,025.6 million of long Agency securities at September 30, 2014 and $925.6 million of long Agency securities at June 30, 2014. Additionally, the long Agency portfolio includes $38.6 million of interest only securities at September 30, 2014 and $36.2 million of interest only securities at June 30, 2014.
(2) Excludes reverse mortgage pool securities with a value of $32.6 million at September 30, 2014 and $59.5 million at June 30, 2014.
(3) Excludes Agency fixed rate RMBS without any prepayment history with a total value of $165.7 million at September 30, 2014 and $70.9 million at June 30, 2014.
(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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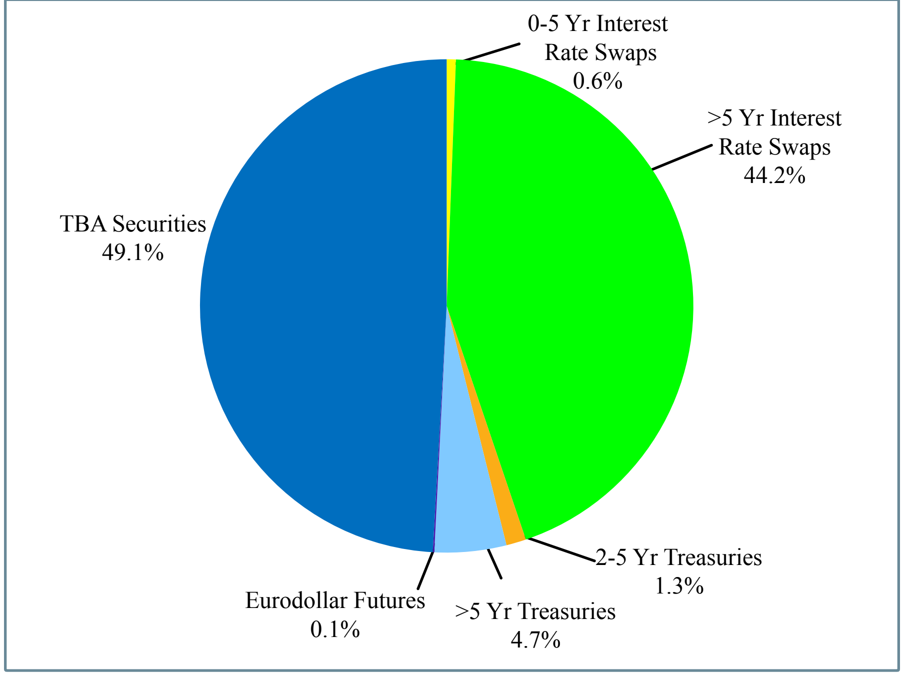
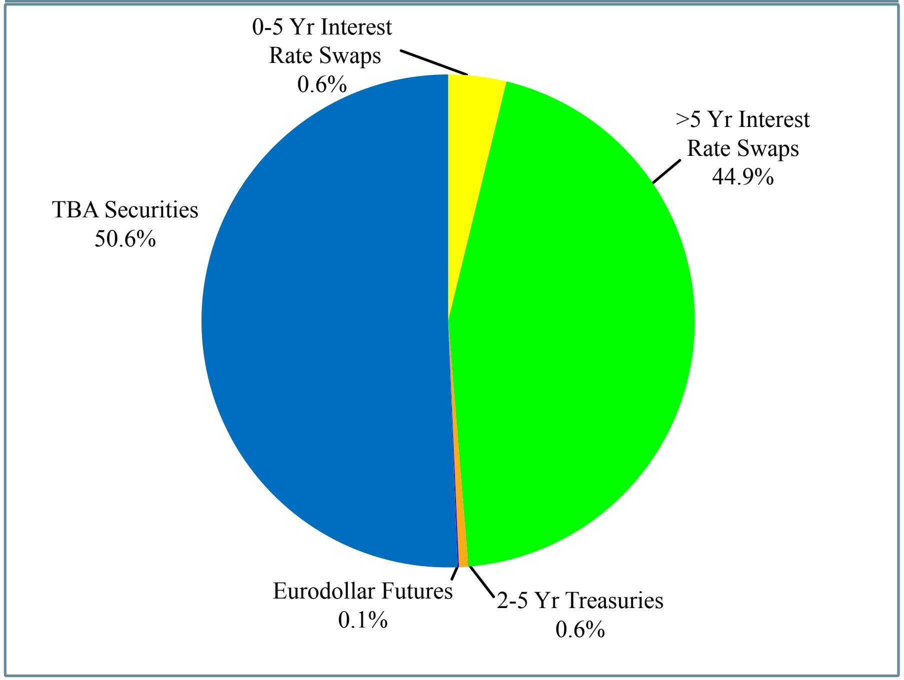
Current Quarter
Agency Interest Rate Hedging Portfolio 9/30/2014: Short $471 MM 10-year equivalents



Previous Quarter
Agency Interest Rate Hedging Portfolio 6/30/14: Short $391 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."**
- **Proportion of hedges in short TBA positions, as opposed to interest rate swaps, was relatively constant quarter over quarter**

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)

Ellington Financial

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

(In millions) Agency-related Portfolio	9/30/2014	6/30/2014
Long Agency RMBS	$1,064	$962
Net Short TBAs	(582)	(546)
Net Long Exposure to Agency RMBS	**$482**	**$416**

- 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 0.63% of the value of our fixed rate Agency pool portfolio as of September 30, 2014, up from 0.51% as of June 30, 2014

Estimated Change in Fair Value as of 9/30/2014 for Agency Pools, Agency IOs, and Related Hedges if Interest Rates Move:

(In thousands)	Down 50 BPS	Up 50 BPS
Agency RMBS - ARM Pools	$162	($200)
Agency RMBS - Fixed Pools and IO	17,408	(23,953)
TBAs	(8,195)	11,815
Interest Rate Swaps	(9,490)	8,936
U.S. Treasury Securities	(1,283)	1,156
Eurodollar and U.S. Treasury Futures	(10)	10
Repurchase Agreements and Reverse Repurchase Agreements	(337)	508
Total	**($1,745)**	**($1,728)**

Note: The above table reflects a parallel shift in interest rates based on the market environment as of September 30, 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 September 30, 2014

Ellington Financial

($ in thousands)	Repo Borrowings				
Remaining Days to Maturity	**Non-Agency**	**Agency**	**U.S. Treasury Securities**	**Total**	**% of Total Borrowings**
30 Days or Less	$44,675	$340,677	$224,425	$609,777	43.7%
31-60 Days	71,956	259,797	—	331,753	23.8%
61-90 Days	24,359	260,306	—	284,665	20.4%
91-120 Days	988	35,350	—	36,338	2.6%
121-150 Days	2,409	4,644	—	7,053	0.5%
151-180 Days	63,396	3,738	—	67,134	4.8%
> 360 Days	58,412	—	—	58,412	4.2%
Total Borrowings	**$266,195**	**$904,512**	**$224,425**	**$1,395,132**	**100%**
Weighted Average Remaining Days to Maturity	222	46	1	72	

- As of September 30, 2014:
  - EFC had borrowings outstanding with 17 counterparties
  - Excluding U.S. Treasury securities, EFC had repo borrowings with a remaining weighted average maturity of 86 days; maturities are staggered to mitigate liquidity risk

Note: Included in the above table, using the original maturity dates, are any reverse repos involving underlying investments the Company sold prior to September 30, 2014 for settlement following September 30, 2014 even though the company may expect to terminate such reverse repos early. Not included are any reverse repos that the Company may have entered into prior to September 30, 2014, for which delivery of the borrowed funds is not scheduled until after September 30, 2014. Remaining maturity for a reverse repo is based on the contractual maturity date in effect as of September 30, 2014. Some reverse repos have floating interest rates, which may reset before maturity.

EFC: Average Cost of Borrowings

Ellington Financial

($ In thousands)	As of September 30, 2014	For the Quarter Ended September 30, 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	$266,195	$306,160	1.91%
Agency RMBS	904,512	888,975	0.36%
Total excluding U.S. Treasury Securities	**1,170,707**	**1,195,135**	**0.75%**
U.S. Treasury Securities	224,425	19,418	(0.54)%
Total	**$1,395,132**	**$1,214,553**	**0.73%**
Leverage Ratio[2]	1.72:1		
Leverage Ratio Excluding U.S. Treasury Securities[2]	1.44:1		

- Leverage ratio of 1.44:1 as of September 30, 2014 compared to 1.89:1 as of June 30, 2014.
- Borrowing costs have declined slightly for both non-Agency and Agency Repo
  - As of September 30, 2014, weighted average borrowing rate was 1.91% for non-Agency repo and 0.36% for Agency repo

(1) Borrowed amounts exclude $0.9 million and $0.9 million in securitized debt as of September 30, 2014 and June 30, 2014, respectively, 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 $0.9 million as of both September 30, 2014 and June 30, 2014.

Supplemental Information

EFC: Gross Profit and Loss

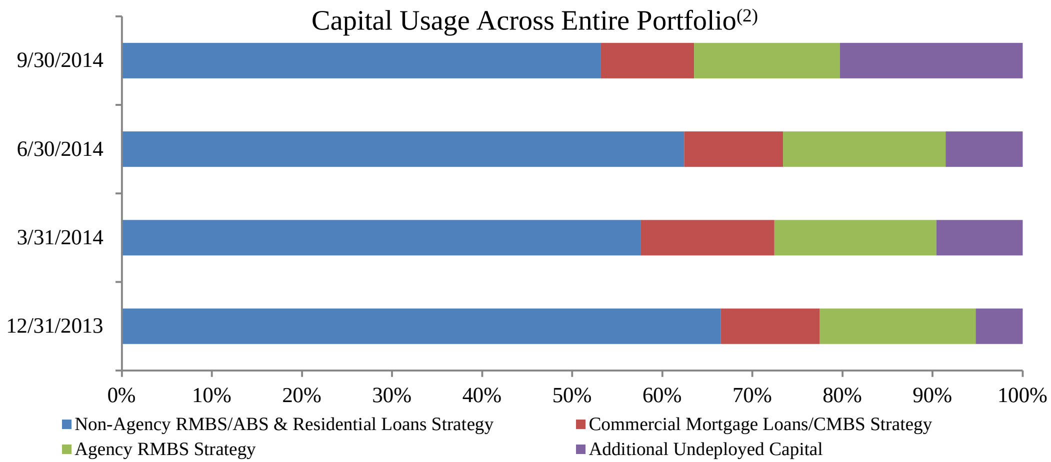
Ellington Financial

	Nine Months Ended September 30, 2014		Years Ended											
	2014		2013		2012		2011		2010		2009		2008	
($ In thousands)	$	%	$	%	$	%	$	%	$	%	$	%	$	%
Long: Non-Agency	63,103	9.74	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	233	0.04	(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	(4,019)	(0.62)	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	42,135	6.50	(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	(28,997)	(4.48)	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	**72,455**	**11.18**	**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[1]

Ellington Financial



Notes

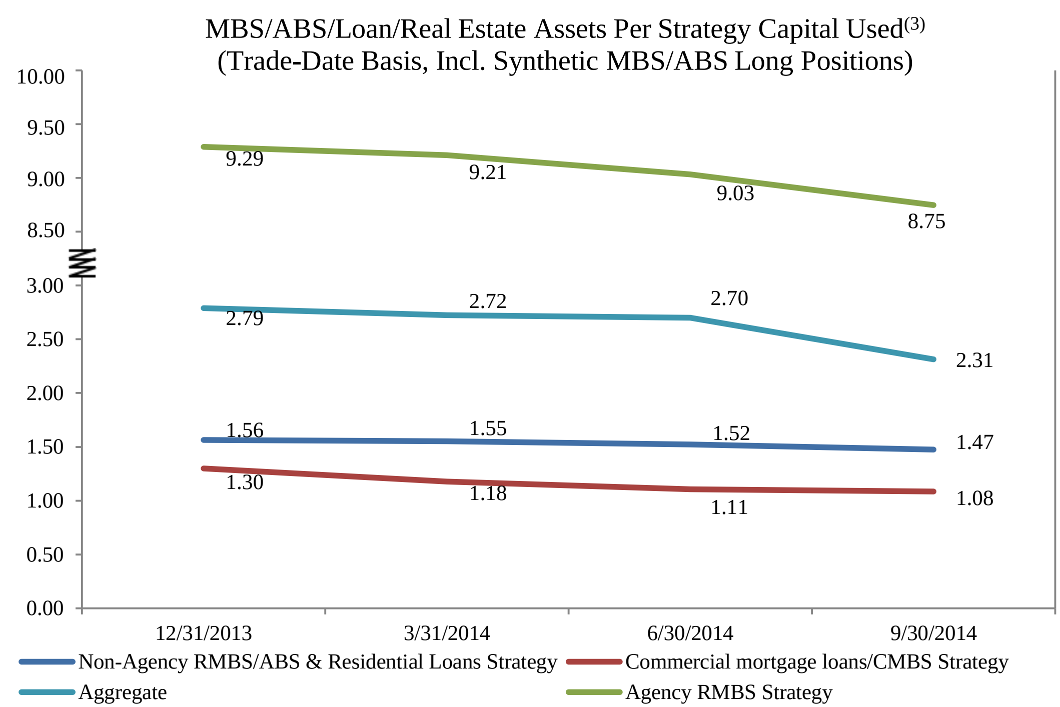
(1) Excludes U.S. Treasury securities

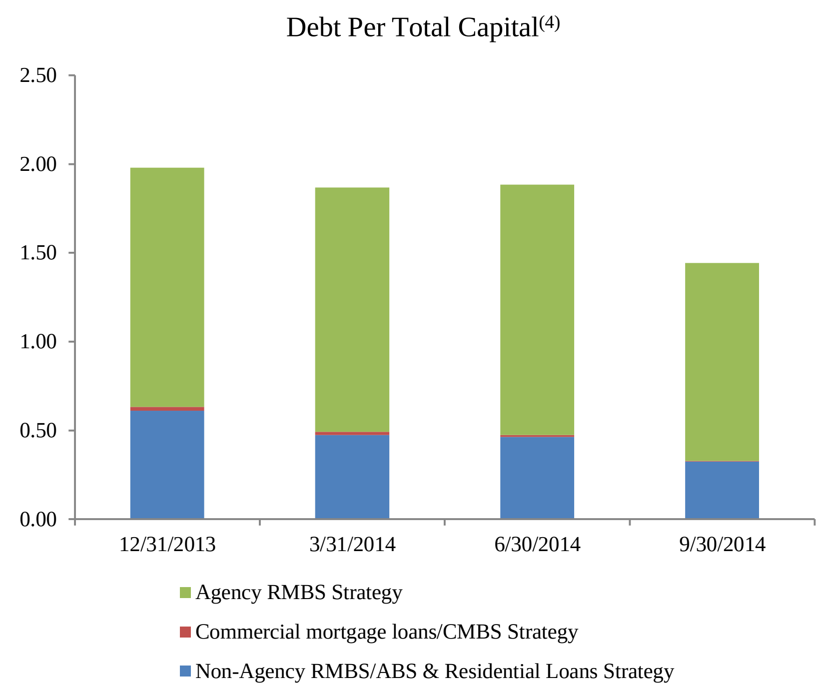
(2) Capital usage based on pro forma calculation of leverage generally applicable to long positions in target asset classes

(3) 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

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

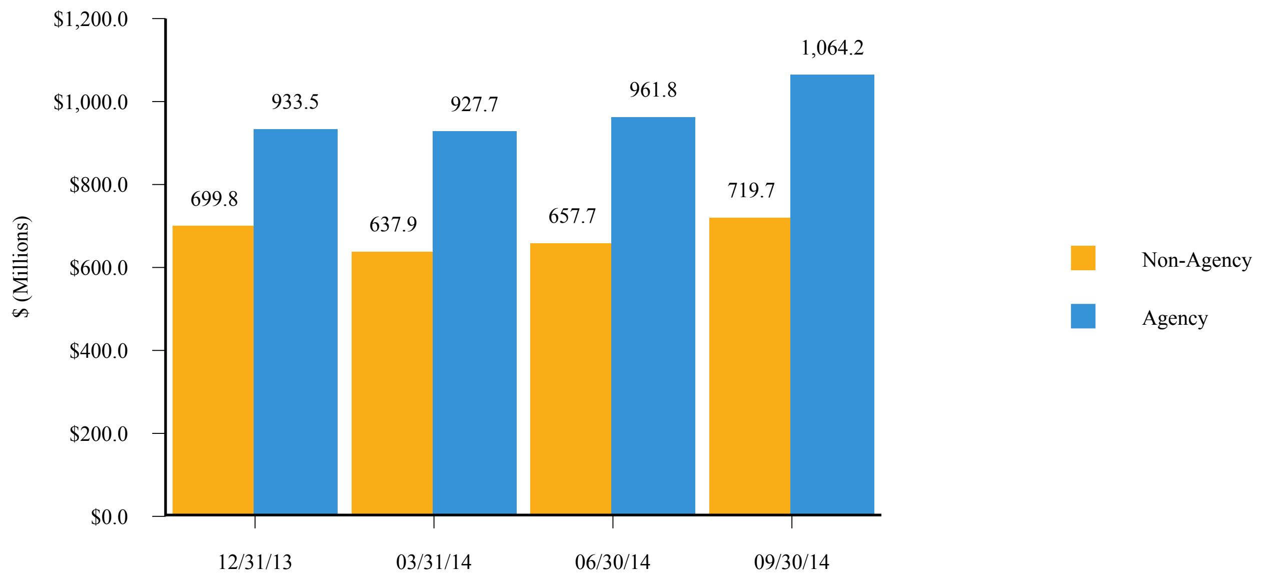




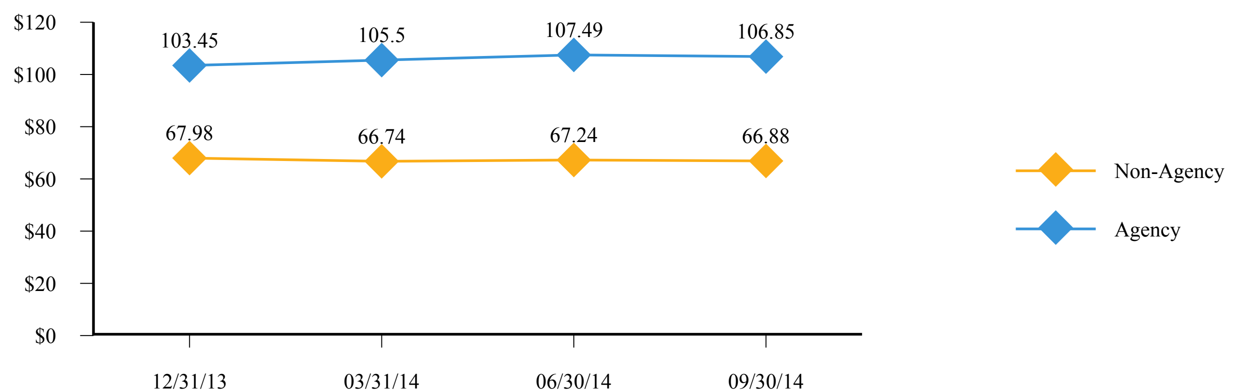
EFC: Non-Agency and Agency Fair Values and Average Prices

Ellington Financial

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



Average Price – Non-Agency and Agency[2]



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

EFC: Yields and Net Interest Margin

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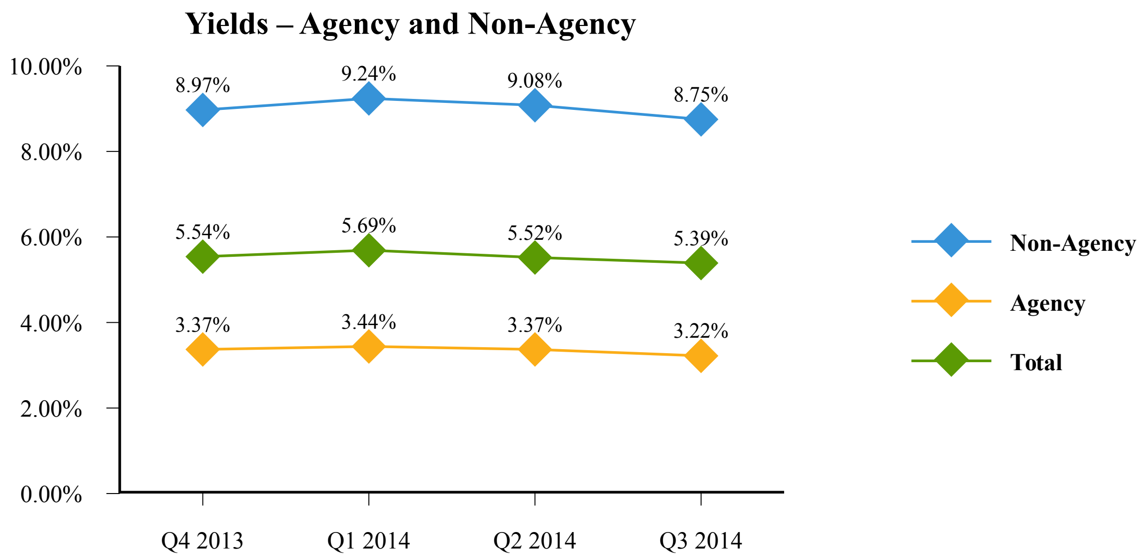
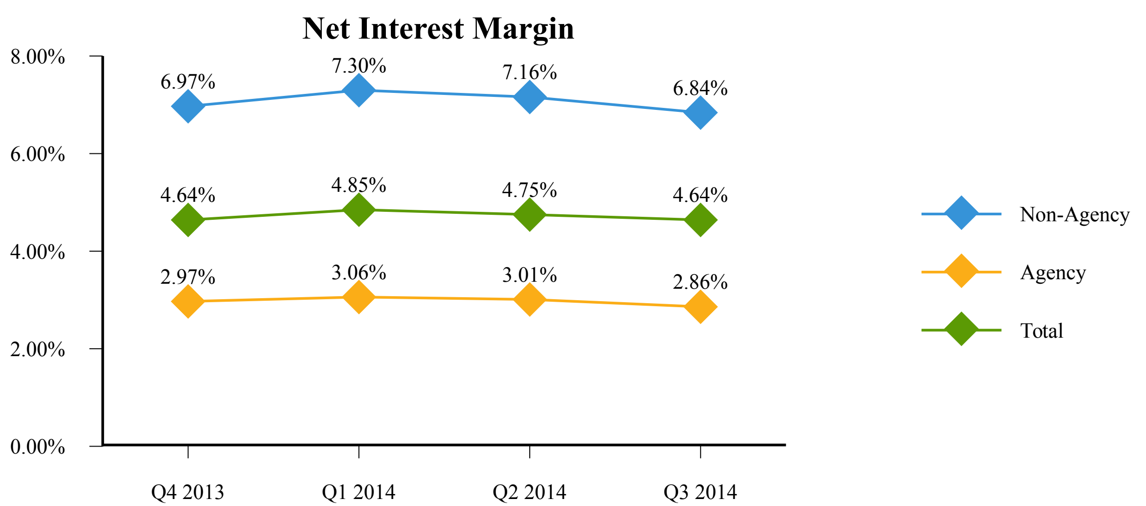


Note: Yields are based on amortized cost, not fair value.



Note: Net interest margin figures are based on amortized cost, not fair value, and exclude hedging related expenses. It also excludes the impact of U.S. Treasuries held long.

EFC: Dividends and Expense Ratio

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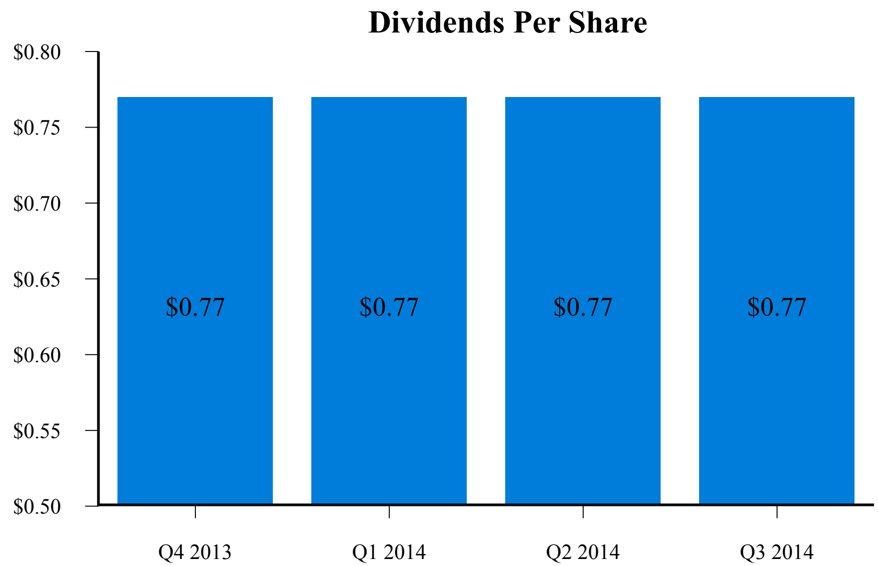
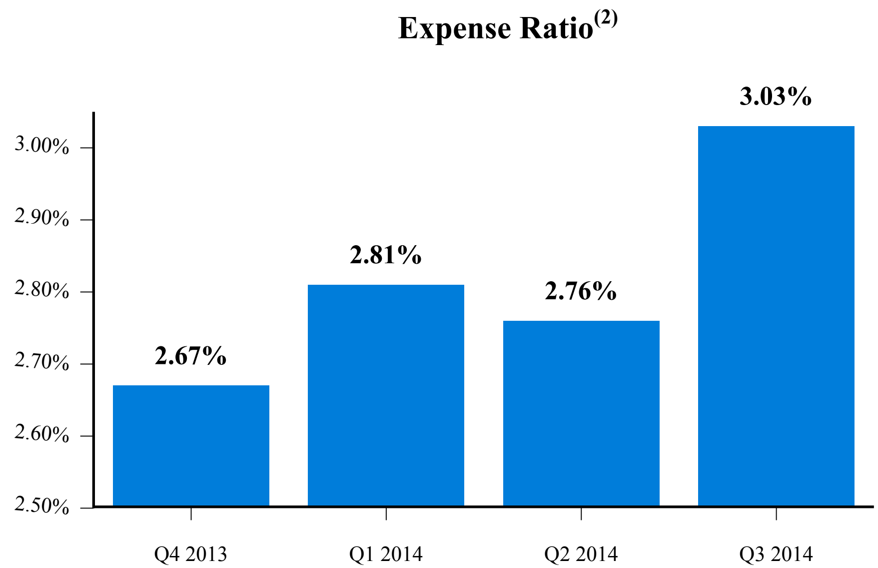


Dividend Yield as of November 4, 2014
13.8%(1)



(1) Based on NYSE closing price as of 11/04/2014.

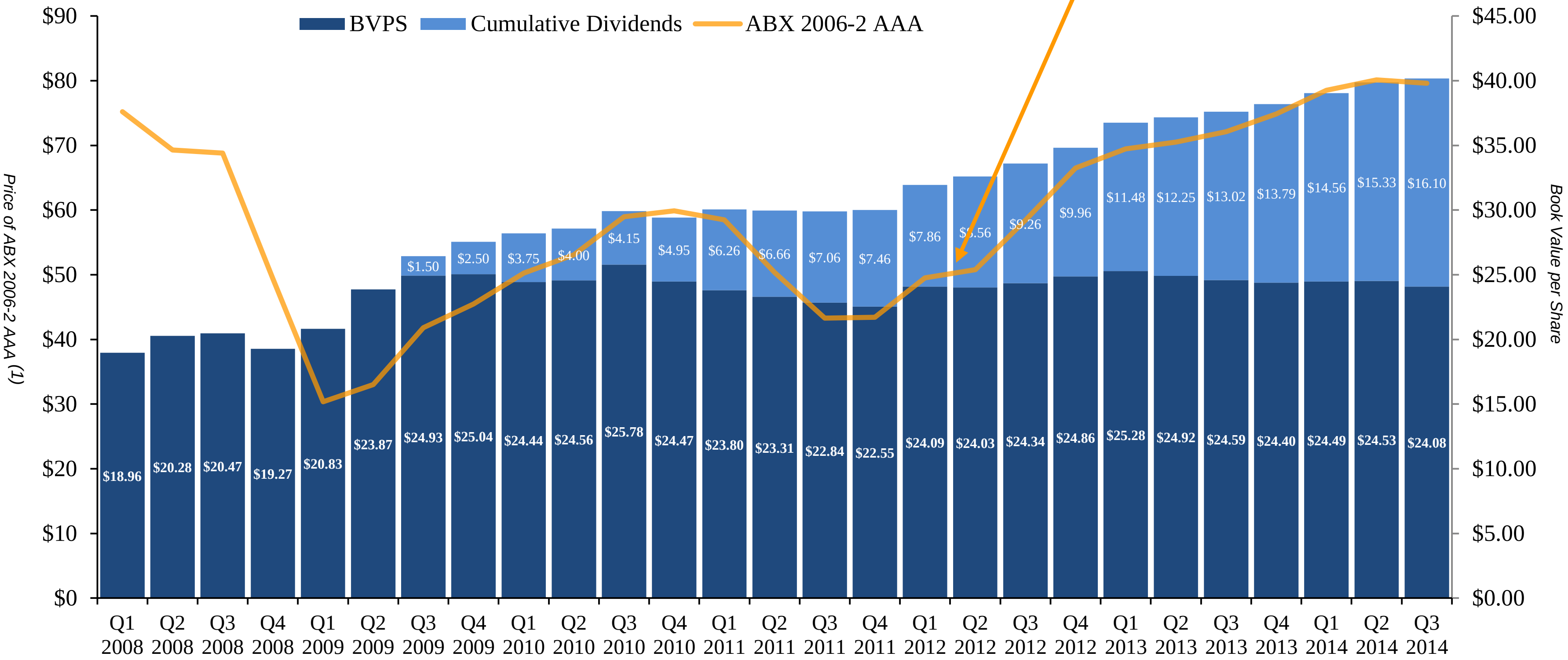
(2) Expense ratios annualized.

EFC: Book Value

Ellington Financial

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

Price of ABX 2006-2 AAA has been extremely volatile in comparison to EFC's stable book value



- EFC life-to-date net-asset-value-based total return from inception in August 2007 through Q3 2014 is approximately 141%

(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 September 30, 2014 book value per share is 140.51%. Dividends were paid in the quarter following the period related to such performance.

Income Statement

Ellington Financial

ELLINGTON FINANCIAL LLC
CONSOLIDATED STATEMENT OF OPERATIONS
(UNAUDITED)

(In thousands, except per share amounts)	Three Month Period Ended September 30, 2014	Three Month Period Ended June 30, 2014	Nine Month Period Ended September 30, 2014
Investment income			
Interest income	$ 22,521	$ 20,996	$ 65,014
Expenses			
Base management fee	3,056	2,368	7,789
Incentive fee	1,400	—	1,400
Interest expense	2,179	2,416	7,222
Other investment related expenses	1,184	1,232	2,846
Other operating expenses	2,103	1,974	6,070
Total expenses	9,922	7,990	25,327
Net investment income	12,599	13,006	39,687
Net realized gain (loss) on:			
Investments	2,449	4,596	16,887
Financial derivatives	(9,477)	(817)	(9,075)
Foreign currency transactions	(1,455)	(95)	(1,202)
	(8,483)	3,684	6,610
Change in net unrealized gain (loss) on:			
Investments	(2,560)	9,803	7,096
Financial derivatives	12,056	(5,771)	3,845
Foreign currency translation	(465)	482	(48)
	9,031	4,514	10,893
Net realized and change in unrealized gain (loss) on investments and financial derivatives	548	8,198	17,503
Net increase in equity resulting from operations	13,147	21,204	57,190
Less: Increase in equity resulting from operations attributable to non-controlling interests	199	257	660
Net increase in shareholders' equity resulting from operations	$ 12,948	$ 20,947	$ 56,530
Net increase in shareholders' equity resulting from operations per share:			
Basic and diluted	$ 0.46	$ 0.81	$ 2.13
Weighted average shares and LTIP units outstanding	27,854	25,853	26,525
Weighted average shares and convertible units outstanding	28,066	26,065	26,737

Balance Sheet
(Unaudited)

Ellington Financial

ELLINGTON FINANCIAL LLC
CONSOLIDATED STATEMENT OF ASSETS, LIABILITIES, AND EQUITY

(In thousands, except share amounts)	As of September 30, 2014	June 30, 2014	December 31, 2013[1]
ASSETS			
Cash and cash equivalents	$ 129,124	$ 145,032	$ 183,489
Investments, financial derivatives, and repurchase agreements:			
Investments, at fair value (Cost – $2,391,276, $1,693,248, and $1,688,257)	2,440,828	1,753,832	1,730,130
Financial derivatives–assets, at fair value (Net cost – $45,074, $54,200, and $50,533)	56,366	59,470	59,664
Repurchase agreements (Cost – $47,192, $30,537, and $27,943)	47,039	30,537	27,962
Total Investments, financial derivatives, and repurchase agreements	2,544,233	1,843,839	1,817,756
Due from brokers	141,497	109,863	82,571
Receivable for securities sold	1,246,205	813,166	883,005
Interest and principal receivable	10,953	7,618	6,831
Other assets	2,525	1,709	1,546
Total assets	$ 4,074,537	$ 2,921,227	$ 2,975,198
LIABILITIES			
Investments and financial derivatives:			
Investments sold short, at fair value (Proceeds – $1,223,043, $846,217, and $847,602)	$ 1,221,894	$ 852,846	$ 845,614
Financial derivatives–liabilities, at fair value (Net proceeds – $33,950, $28,981, and $29,746)	47,331	48,378	44,791
Total investments and financial derivatives	1,269,225	901,224	890,405
Reverse repurchase agreements	1,395,132	1,188,831	1,236,166
Due to brokers	12,010	27,479	19,762
Payable for securities purchased	576,455	164,792	193,047
Securitized debt (Proceeds – $849, $906, and $980)	870	925	983
Accounts payable and accrued expenses	2,144	2,209	1,810
Base management fee payable	3,056	2,368	2,364
Incentive fee payable	1,400	—	3,091
Interest and dividends payable	2,138	2,276	1,521
Total liabilities	3,262,430	2,290,104	2,349,149
EQUITY	812,107	631,123	626,049
TOTAL LIABILITIES AND EQUITY	$ 4,074,537	$ 2,921,227	$ 2,975,198
ANALYSIS OF EQUITY:			
Common shares, no par value, 100,000,000 shares authorized;			
(33,443,572, 25,441,750, and 25,428,186 shares issued and outstanding)	$ 796,108	$ 614,862	$ 611,282
Additional paid-in capital–LTIP units	9,269	9,245	9,119
Total Shareholders' Equity	805,377	624,107	620,401
Non-controlling interests	6,730	7,016	5,648
Total Equity	$ 812,107	$ 631,123	$ 626,049
PER SHARE INFORMATION:			
Common shares, no par value	$ 24.08	$ 24.53	$ 24.40
DILUTED PER SHARE INFORMATION:			
Common shares and convertible units, no par value [2]	$ 23.79	$ 24.14	$ 23.99

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

(2) Based on total equity excluding non-controlling interests not represented by instruments convertible into common shares.

About Ellington

Ellington Financial

- **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 140 employees, giving EFC access to time-tested infrastructure and proprietary resources in trading, research, risk management, and operational support**
  - EMG has approximately $5.9 billion in assets under management as of September 30, 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 10% of EFC; interests are aligned with shareholders**

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

Ellington Financial

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