Ellington Financial

Ellington Financial LLC (NYSE: EFC)

Third Quarter 2013 Earnings Conference Call

November 6, 2013

Important Notice

Ellington Financial

Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve numerous risks and uncertainties. Our actual results may differ from our beliefs, expectations, estimates, and projections and, consequently, you should not rely on these forward-looking statements as predictions of future events. Forward-looking statements are not historical in nature and can be identified by words such as “believe,” “expect,” “anticipate,” “estimate,” “project,” “plan,” “continue,” “intend,” “should,” “would,” “could,” “goal,” “objective,” “will,” “may,” “seek,” or similar expressions or their negative forms, or by references to strategy, plans, or intentions. Examples of forward-looking statements in this presentation include projections regarding our operating expense ratio, our dividend policy, and home price appreciation, among others.

The Company's results can fluctuate from month to month and from quarter to quarter depending on a variety of factors, some of which are beyond the Company's control and/or are difficult to predict, including, without limitation, changes in interest rates and the market value of the Company's securities, changes in mortgage default rates and prepayment rates, the Company's ability to borrow to finance its assets, changes in government regulations affecting the Company's business, the Company's ability to maintain its exemption from registration under the Investment Company Act of 1940 and other changes in market conditions and economic trends. Furthermore, forward-looking statements are subject to risks and uncertainties, including, among other things, those described under Item 1A of our Annual Report on Form 10-K filed on March 15, 2013 which can be accessed through the Company’s website at www.ellingtonfinancial.com or at the SEC’s website (www.sec.gov). Other risks, uncertainties, and factors that could cause actual results to differ materially from those projected may be described from time to time in reports we file with the SEC, including reports 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 September 30, 2013 unless otherwise indicated. We undertake no duty or obligation to update this presentation to reflect subsequent events or developments.

Third Quarter 2013

Operating Results

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(In thousands, except per share amounts)	Quarter Ended 9/30/2013	Per Share	% of Average Equity	Quarter Ended 6/30/2013	Per Share	% of Average Equity	Nine Months Ended 9/30/2013	Per Share	% of Average Equity
Non-Agency MBS, ABS, loans, and other:									
Interest income	$ 15,500	$ 0.59	2.45%	$ 12,684	$ 0.54	2.18%	$ 40,302	$ 1.71	6.96%
Net realized gain	11,873	0.46	1.88%	5,525	0.23	0.95%	31,552	1.34	5.45%
Change in net unrealized gain (loss)	(5,224)	(0.20)	-0.83%	(8,364)	(0.35)	-1.44%	13,796	0.58	2.38%
Net interest rate hedges [1]	(1,001)	(0.04)	-0.16%	9,087	0.38	1.56%	8,435	0.36	1.45%
Net credit hedges and other	(3,754)	(0.14)	-0.59%	340	0.01	0.06%	(10,494)	(0.45)	-1.81%
Interest expense	(2,264)	(0.09)	-0.36%	(1,616)	(0.07)	-0.28%	(5,055)	(0.21)	-0.87%
Total non-Agency MBS, ABS, loans, and other profit	15,130	0.58	2.39%	17,656	0.74	3.03%	78,536	3.33	13.56%
Agency RMBS:									
Interest income	8,564	0.33	1.35%	7,641	0.32	1.31%	22,467	0.95	3.88%
Net realized loss	(8,185)	(0.32)	-1.29%	(5,863)	(0.25)	-1.01%	(15,183)	(0.64)	-2.62%
Change in net unrealized gain (loss)	10,850	0.42	1.71%	(25,179)	(1.06)	-4.33%	(18,755)	(0.80)	-3.24%
Net interest rate hedges [1]	(7,322)	(0.28)	-1.16%	23,571	1.00	4.05%	17,060	0.72	2.95%
Interest expense	(845)	(0.03)	-0.13%	(788)	(0.03)	-0.14%	(2,411)	(0.10)	-0.42%
Total Agency RMBS profit (loss)	3,062	0.12	0.48%	(618)	(0.02)	-0.12%	3,178	0.13	0.55%
Total non-Agency and Agency MBS, ABS, loans, and other profit	18,192	0.70	2.87%	17,038	0.72	2.91%	81,714	3.46	14.11%
Other interest income (expense), net	5	-	0.00%	1	-	0.00%	(61)	-	-0.01%
Other expenses (excluding incentive fee)	(4,336)	(0.17)	-0.69%	(4,152)	(0.18)	-0.71%	(12,104)	(0.51)	-2.09%
Net increase in equity resulting from operations (before incentive fee)	13,861	0.53	2.18%	12,887	0.54	2.20%	69,549	2.95	12.01%
Incentive fee	(2,038)	(0.08)	-0.32%	(1,182)	(0.05)	-0.20%	(5,275)	(0.22)	-0.91%
Net increase in equity resulting from operations	$ 11,823	$ 0.45	1.86%	$ 11,705	$ 0.49	2.00%	$ 64,274	$ 2.73	11.10%
Less: Net increase in equity resulting from operations attributable to non-controlling interest	96			105			612		
Net increase in shareholders' equity resulting from operations [5]	**$ 11,727**	**$ 0.45**	**1.86%**	**$ 11,600**	**$ 0.49**	**2.00%**	**$ 63,662**	**$ 2.73**	**11.09%**
Weighted average shares and convertible units[2] outstanding	26,026			23,656			23,578		
Average equity (includes non-controlling interest) [3]	$ 632,852			$ 581,552			$ 578,795		
Ending equity (includes non-controlling interest)	$ 629,802			$ 637,858			$ 629,802		
Diluted book value per share	$ 24.19			$ 24.51			$ 24.19		
Weighted average shares and LTIP units outstanding [4]	25,814			23,444			23,366		
Average shareholders' equity (excludes non-controlling interest) [3]	$ 628,197			$ 576,803			$ 574,069		

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

Ellington Financial: Third Quarter Highlights

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Overall Results	■ 3rd quarter net income of \$11.7 million or \$0.45 per share; year-to-date net income of \$63.7 million or \$2.73 per share, equating to a non-annualized return on shareholders' equity of 11.1%
Non-Agency MBS Strategy	■ 3rd quarter non-Agency MBS strategy gross income of \$15.1 million(1) or \$0.58 per share ■ Primary drivers were interest income and net realized gains
Agency RMBS Strategy	■ 3rd quarter Agency RMBS gross income of \$3.1 million(1) or \$0.12 per share ■ Primary drivers were interest income and net unrealized gains
Operating Expenses	■ 3rd quarter core expenses of \$4.3 million–includes base management fees and other operating expenses (excludes incentive fees of \$2.0 million, interest expense of \$3.3 million, and other investment related expenses of \$0.09 million) ■ Core expenses represent 2.7% 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, and interest expense. It excludes other interest income (expense), fees, and other expenses.

Ellington Financial: Highlights Continued

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Portfolios	■ Non-Agency Long Portfolio including long credit default swaps: \$794.9 million with a market yield of 7.23%[1] at the end of the third quarter, as compared to \$796.0 million at the end of the second quarter with a market yield of 6.82%[1] ■ New purchase yields averaged 7.69% in Q3 vs 5.51% in Q2 ■ Agency Long Portfolio: \$983.2 million at the end of the third quarter compared to \$860.7 million at the end of the second quarter
Leverage	■ Debt to equity ratio: 2.14:1 at September 30, 2013 as compared to 2.02:1 at June 30, 2013 ■ Continuing to maintain a higher level of liquidity in light of market volatility and so as to be able to take advantage of buying opportunities
Book Value and Shareholders' Equity	■ September 30, 2013 diluted book value per share of \$24.19, net of \$0.77 second quarter dividend paid in September, as compared to \$24.51 per share at June 30, 2013, representing a decline of 1.3% ■ Total equity as of September 30, 2013 \$629.8 million; \$637.9 million at June 30, 2013
Dividend Yield	■ Our Board of Directors declared a 3rd quarter dividend of \$0.77 per share ■ Equates to annualized dividend yield of 13.4% based on the November 5, 2013 closing price of \$22.95 ■ We continue to expect to recommend to our Board of Directors a quarterly dividend amount of \$0.77 per share[2]

(1) Refer to footnote 5 on page 11 for a discussion of management's market yield estimates. Long credit default swaps are not included in yield calculations.

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

Ellington Financial: Non-Agency Strategy

Overall Market Conditions	

Overall Market Conditions	■ Fundamentals of housing remain strong, with home price appreciation and borrower performance continuing to improve each month
	■ Technicals have improved relative to the second quarter, as supply of non-Agency MBS from selling institutions declined
	  ■ GSEs focused on selling their less distressed non-Agency MBS, which are more easily absorbed by the market
	  ■ Less supply from weak European banks and CDOs
	  ■ The Fed's surprise decision to postpone tapering led to further recovery in asset valuations toward the end of the third quarter

Portfolio Trends	■ Maintained our long bias in the non-Agency MBS portfolio
	  ■ Continued focus on non-mortgage hedges that may protect us better in an economic downturn
	■ Heavily traded our portfolio–excluding paydowns, turned over approximately 20% rotating out of higher priced securities and into lower priced securities with greater upside potential
	  ■ Average price of non-Agency RMBS portfolio was \$69.79 as of September 30th compared to \$73.59 as of June 30th
	■ Increased CMBS, commercial mortgage loans, and CLO holdings; CMBS and commercial mortgage loans now represent 6.5% of the non-Agency portfolio, up from 4.1% at the end of the second quarter, CLOs now represent 6.1%, up from 5.2%
	■ 7.23%[1] weighted average market yield on long non-Agency MBS portfolio as of September 30, 2013

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

Ellington Financial: Agency Strategy

Overall Market Conditions	■ Agency RMBS market was extremely volatile during the 3rd quarter ■ The mortgage basis reached its widest level of the year in early July after stronger than expected economic data; it then retraced much of this widening after the September 18th Fed decision not to begin tapering its asset purchases under QE3 ■ TBA prices recovered significantly over the quarter, yet specified pool pay-ups lagged. This lag was a result of: ■ Strong TBA rolls as Fed purchases have been concentrated in TBAs (non-specified pools) ■ Over-supply from 2nd quarter deleveraging activities of REITs and of money managers meeting redemption requests ■ Less bank demand ■ Unrealized losses on available-for-sale assets will be charged against regulatory capital based on new capital rules
Portfolio Trends	■ We upgraded our portfolio with higher coupon specified pools with stronger prepayment protection, as these assets were very attractively priced ■ Average pay-up 22 bps as of September 30th; 41 bps as of June 30th ■ Added to our position in Agency ARMs, a sector that we had not found to be attractive in recent years ■ Heavy supply from REITs allowed us to purchase these bonds at levels which we believe offered excellent relative value ■ We remain active in fixed rate reverse mortgage pools, another sector that has demonstrated strong return characteristics

Ellington Financial: Market Outlook

Non-Agency	■ We anticipate non-Agency supply from selling institutions to continue to slow during the 4th quarter
	■ We expect to continue to opportunistically purchase attractively priced securities in other sectors
	  ■ Alt-A
	  ■ CMBS/CDOs/CLOs
	  ■ Small balance non-performing commercial mortgage loans
	  ■ Non-performing residential mortgage loans
	    ■ Post quarter end, agreed to purchase first portfolio of non-performing loans
	    ■ Possibility of ultimately securitizing these loans
	■ Actively evaluating opportunities to participate in the mortgage origination markets

Agency	■ Post quarter end, specified pools have continued to recover some of the losses sustained over the late spring and early summer ■ Continue to seek to purchase attractively priced specified pools ■ Agency ARMs widened over the quarter—we expect to continue to take advantage of any buying opportunities going forward ■ Reverse mortgage pools are expected to be a near-term area of continued focus ■ Continued uncertainty around the wind down of Fed asset purchase programs should continue to create opportunities ■ Market volatility highlights importance of ability to hedge using a variety of tools, including TBAs

Non-Agency Portfolio

EFC: Non-Agency Long Portfolio

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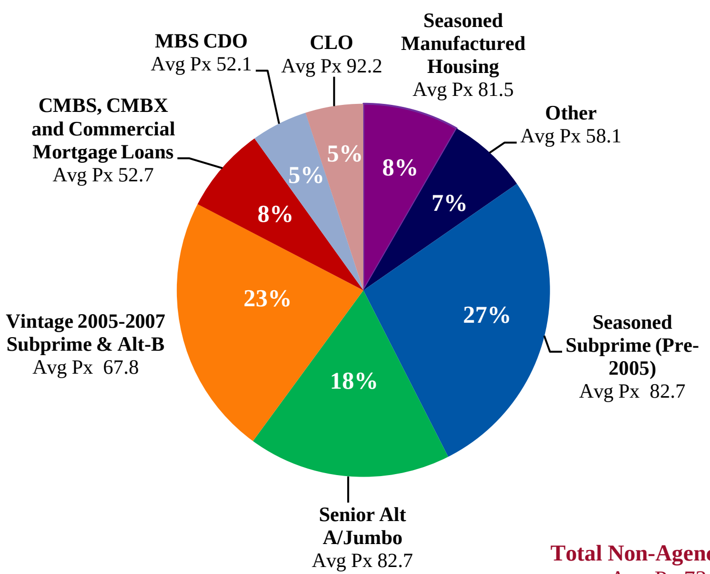
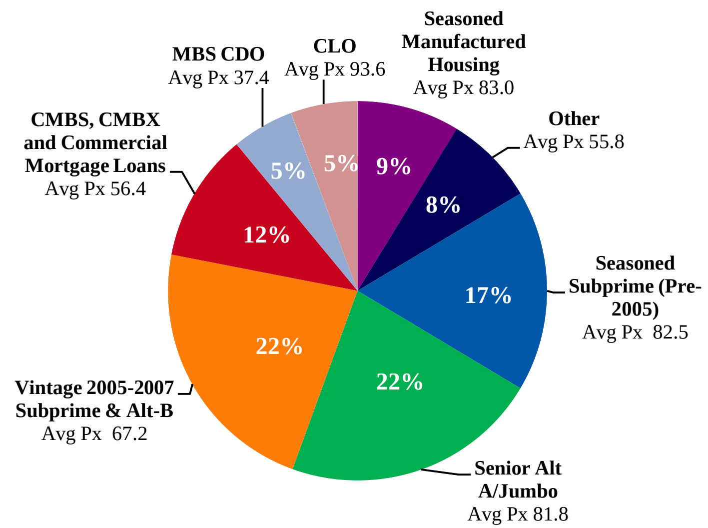
Previous Quarter **Non-Agency Long Portfolio 6/30/13: $796MM(1)(2)**	**Current Quarter** **Non-Agency Long Portfolio 9/30/13: $795MM(1)(2)**



Total Non-Agency Long
Avg Px 73.0



Total Non-Agency Long
Avg Px 69.7

- **During the third quarter we maintained the size of our non-Agency portfolio:**
  - Meaningfully increased our CMBS portfolio
    - Includes non-performing commercial loans valued at $10 million
  - Rotated out of Seasoned Subprime in favor of Alt-A and other attractive sectors
  - Lowered average price of portfolio

(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 $47.3 million of long CMBX positions and $2.1 million of long PrimeX positions at September 30, 2013, and $27.9 million of long CMBX positions and $2.3 million of long PrimeX positions at June 30, 2013. The corresponding net fair value of long credit derivatives is $(19.2) million at September 30, 2013 and $(13.5) million at June 30, 2013.

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

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

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- **EFC non-Agency strategy is the main driver of earnings**
- **Non-Agency long portfolio value: $795 million(1) as of 9/30/13 (which includes $746 million of long non-Agency MBS and loans and $49 million of bond equivalent value of long credit derivatives):**

MBS Sector	Fair Value (millions)	Average Price (2)	Weighted Average Life (3)	Historical 1-Year CPR (4)	Est. Yield at Market Price at HPA Downside (5)(6)	Est. Yield at Market Price at Ellington HPA Forecast (5)(6)
Seasoned Subprime	$136.1	82.5%	5.4	10.6%	5.48%	6.70%
Vintage 2005-2007 Subprime and Alt-B	175.8	67.2	6.9	12.1	5.71	6.56
Seasoned Manufactured Housing	68.4	83.0	6.8	6.8	6.93(7)	6.93
Senior Alt-A/Jumbo	171.6	81.8	5.9	14.2	5.71	6.36
CMBS and Commercial Mortgage Loans	95.5	56.4	8.9	N/A	12.01(7)	12.01
MBS CDO	41.2	37.4	2.3	N/A	3.96	8.91
CLO	45.3	93.6	3.2	N/A	8.67(7)	8.67
Other	61.0	55.8	7.9	14.7	6.14	7.61
Total	**$794.9**	**69.7%**	**6.1**	**12.0%**	**5.51%**	**7.23%**

(1) As of September 30, 2013, fair value includes $47.3 million of bond equivalent value of long CMBX positions and $2.1 million of bond equivalent value of long PrimeX positions. The above table does not include these positions in averages or totals other than Fair Value.

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

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

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

(5) Estimated yields at market prices are management's estimates derived from Ellington's proprietary models based on prices and market environment as of 9/30/13 and include the effects of future estimated losses. The above analysis should not be considered a recommendation to purchase or sell any security or class of securities. Average sector yields include interest only, principal only, equity tranches and other similar securities, and excludes securities for which yields were unavailable. Results are based on forward-looking models, which are inherently imperfect, and incorporate various simplifying assumptions. Therefore, the table above is for illustrative purposes only and the actual performance of our portfolio may differ from the data presented above, and such differences might be significant and adverse.

(6) "HPA Downside" means all home prices decline a total of 15% over the next two years relative to our baseline HPA projections but are in-line with our baseline HPA projections thereafter, and the default rate on all collateral increases 50% beyond the impact of the 15% decline in home prices on default rates. As of September 30, 2013, our baseline projections call for home prices to rise approximately 5.1% per year nationally over the next four years, with some variation over time and material variation across localities.

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

EFC: Credit Hedging and Other Portfolio

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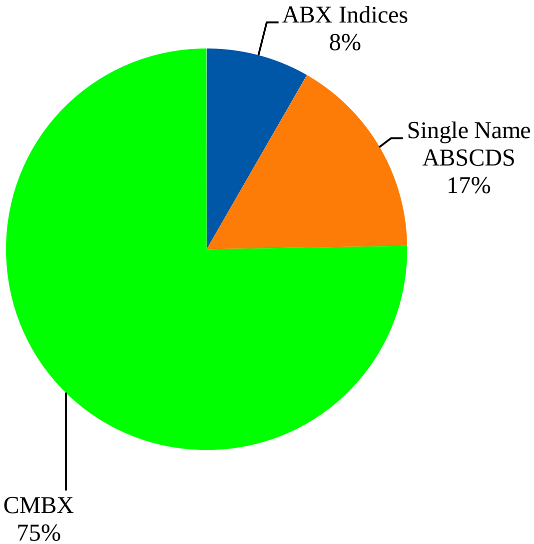
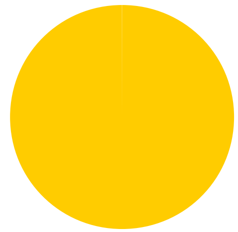
Previous Quarter
Credit Hedging & Other Portfolio 6/30/13: $183MM(1)

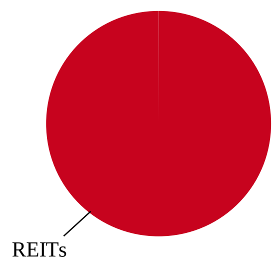
CDS on MBS: $65.0mm



Corporate CDS: $110.5mm

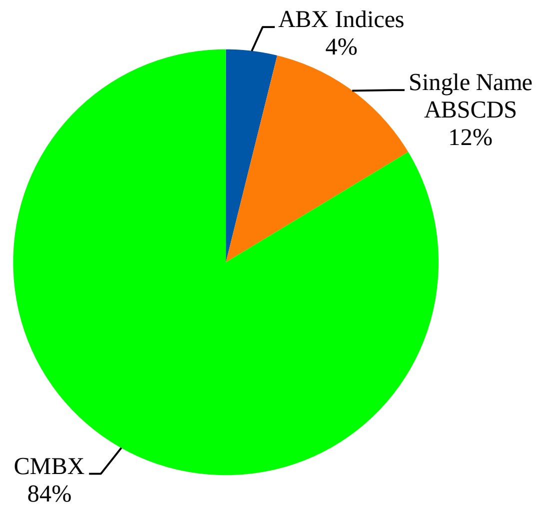


Equities: $7.3mm
Net Short

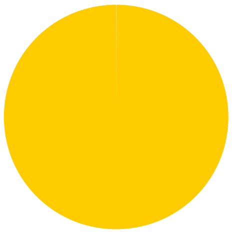


Current Quarter
Credit Hedging & Other Portfolio 9/30/13: $251MM(1)

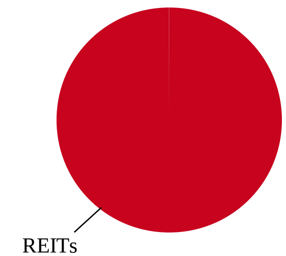
CDS on MBS: $83.7mm



Corporate CDS: $192.2mm



Equities: $25.2mm
Net Long



- **During the third quarter:**
  - Increased CMBX short positions—principally related to increase in long positions in other CMBX tranches
  - We continue to focus on non-mortgage hedges that may protect us better in an economic downturn, e.g., short positions on CDX indices
  - From time to time, we establish long and/or short positions in publicly-traded mortgage-related corporate entities

(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 $275.9 million at September 30, 2013 and $175.5 million at June 30, 2013. The corresponding net fair value of short CDS on MBS and short Corporate CDS is $16.7 million at September 30, 2013 and $26.0 million at June 30, 2013. For equities, the amounts above represent notional value defined as the number of underlying shares multiplied by price per share at September 30, 2013 and June 30, 2013. The net long equities notional value of $25.2 million as of September 30, 2012 represents a gross short notional value of $9.4 million offset by a gross long notional value of $34.6 million. The net short equities notional value of $7.3 million as of June 30, 2013 represents a gross short notional value of $18.0 million offset by a gross long notional value of $10.7 million. The net fair value of common stock held long and short as of June 30, 2013 was $(3.1) million. There was no common stock held at September 30, 2013. The net fair value of the equity swaps evidencing the equity positions was $(7.0) thousand as of September 30, 2013 and $8.0 thousand as of June 30, 2013.

Agency Portfolio

EFC: Agency Long Portfolio

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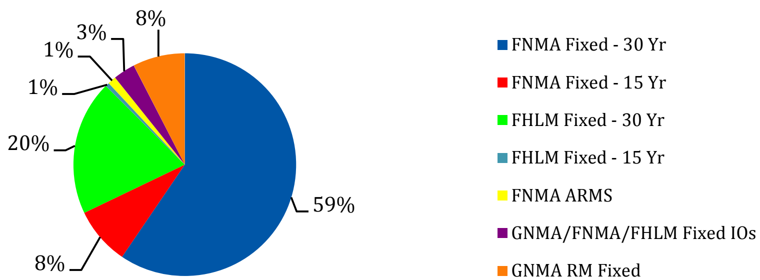
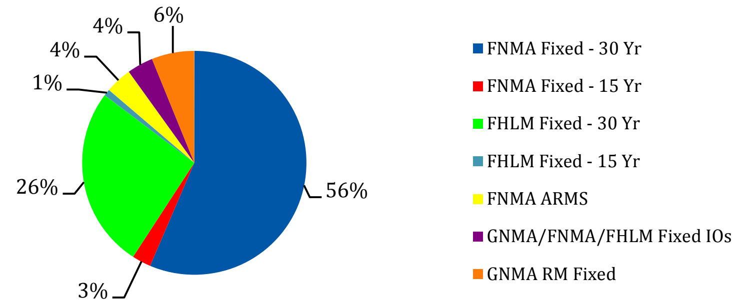
Previous Quarter
Agency Long Portfolio 6/30/13: $861MM(1)



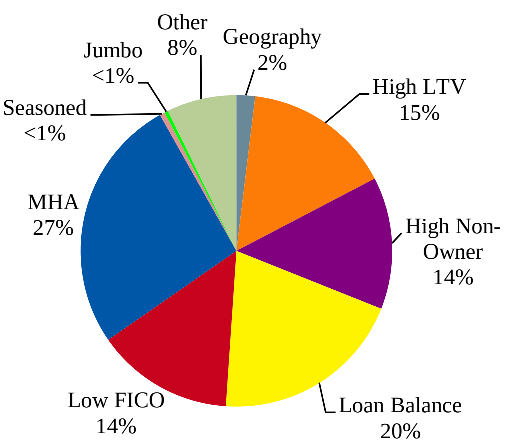
Weighted Average Coupon 3.97%(7)

Current Quarter
Agency Long Portfolio 9/30/13: $983MM(1)



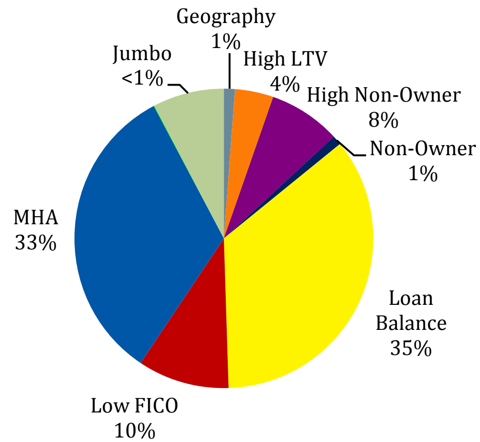
Weighted Average Coupon 3.98%(7)

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



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

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



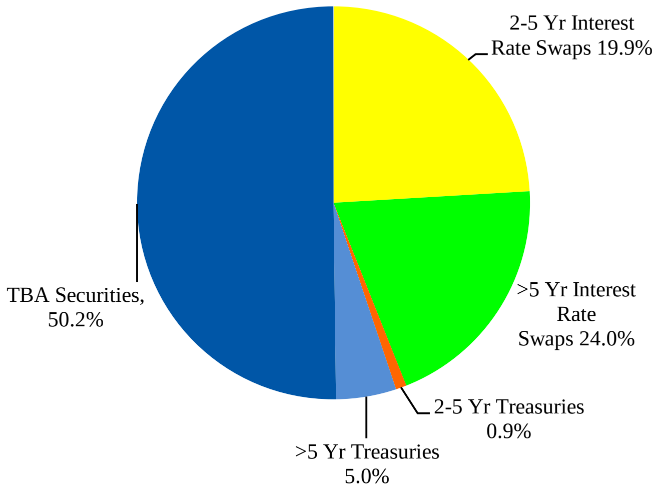
Characteristic(4)	Fair Value(2)(5)	3-Month Historical CPR(3)
Geography	$10.2	0.0
High LTV	35.1	13.9
High Non-Owner Occupied	66.0	8.8
Non-Owner	10.4	0.7
Low Loan Bal	299.2	8.9
Low FICO	83.7	9.8
MHA(6)	277.8	2.0
Jumbo	0.6	92.7
Other	65.1	9.3
Totals	**$848.1**	**6.9**

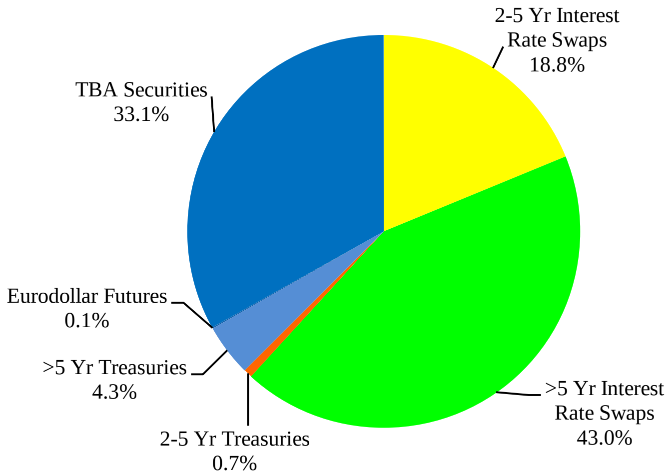
(1) Does not include long TBA positions. Agency long portfolio includes $946.1 million of long Agency securities at September 30, 2013 and $833.3 million of long Agency securities at June 30, 2013. Additionally, the long Agency portfolio includes $37.0 million of interest only securities at September 30, 2013 and $27.4 million of interest only securities at June 30, 2013.
(2) Excludes reverse mortgage pool securities with a value of $60.5 million at September 30, 2013 and $65.1 million at June 30, 2013.
(3) Excludes Agency fixed rate RMBS without any prepayment history with a total value of $84.5 million at September 30, 2013 and $48.8 million at June 30, 2013
(4) Classification methodology may change over time as market practices change.
(5) Fair values are shown in millions.
(6) "MHA" indicates those pools where underlying borrowers have participated in the Making Homes Affordable program.
(7) Represents weighted average net pass-through rate. Excludes interest only securities.

EFC: Agency Interest Rate Hedging Portfolio

Ellington Financial

Previous Quarter **Agency Interest Rate Hedging Portfolio 6/30/13:** **Short $518 MM 10-year equivalents**	**Current Quarter** **Agency Interest Rate Hedging Portfolio 9/30/13:** **Short $565 MM 10-year equivalents**





- **Agency interest rate hedges are shown in normalized units of risk, with each group of positions measured in "10-year equivalents."**
- **During the third quarter:**
  - Rotated a larger percentage of the portfolio hedge out of TBAs and into interest rate swaps as the TBA-swap basis moved to yearly wides during the 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	6/30/2013	9/30/2013
Long Agency RMBS	$861	$983
Net Short TBA Positions	(458)	(400)
Net Long Exposure to Agency RMBS	**$403**	**$583**

- **Shorting "generic" pools (or TBAs) allows EFC to significantly reduce interest rate risk and basis risk in its Agency portfolio; interest rate risk is also hedged with swaps, U.S. Treasury Securities, etc.**
- **For those Agency pools hedged with comparable TBAs, the biggest risk is a drop in "pay-ups," which portfolio-wide average only 0.22% of the value of our fixed rate Agency pool portfolio as of September 30, 2013 as compared to 0.41% as of June 30, 2013**

Estimated Change in Fair Value as of 9/30/13 for Agency Pools, Agency IOs, and Related Hedges if Interest Rates Move:

(In thousands)	Down 50 BPS	Up 50 BPS
Agency ARM Pools	$432	($482)
Agency Fixed Rate Pools and IOs	22,660	(26,733)
TBAs	(6,951)	9,166
Interest Rate Swaps	(15,401)	14,657
U.S. Treasury Securities	(1,239)	1,191
Eurodollar Futures	(20)	20
Repo and Reverse Repo Agreements	(560)	716
Totals	**($1,079)**	**($1,465)**

Note: The above table reflects a parallel shift in interest rates based on the market environment as of September 30, 2013. The preceding analysis does not include sensitivities to changes in interest rates for our derivatives on corporate securities (whether debt or equity related), or other categories of instruments for which we believe that the effect of a change in interest rates is not material to the value of the overall portfolio and/or cannot be accurately estimated. Results are based on forward-looking models, which are inherently imperfect, and incorporate various simplifying assumptions. Therefore, the table above is for illustrative purposes only and actual changes in interest rates would likely cause changes in the actual value of our portfolio that would differ from those presented above, and such differences might be significant and adverse.

Borrowings

EFC: Repo Borrowings as of September 30, 2013

Ellington Financial

($ In Millions)	Repo Borrowings			
Remaining Days to Maturity	Non-Agency	Agency	Total	% of Total Borrowings
30 Days or Less	$109.6	$367.2	$476.8	35.4%
31-60 Days	119.9	246.7	366.6	27.3
61-90 Days	105.7	84.7	190.4	14.1
91-120 Days	0.0	7.4	7.4	0.6
121-150 Days	6.8	60.4	67.2	5.0
151-180 Days	110.0	126.8	236.8	17.6
Total Borrowings	**$452.0**	**$893.2**	**$1,345.2**	**100.0%**
Weighted Average Remaining Days to Maturity	79	57	65	

- **As of September 30, 2013:**
  - EFC had borrowings outstanding with 13 counterparties, an increase from 12 as of June 30th
  - Borrowings from the largest counterparty represented 20% of total outstanding borrowings
  - EFC had repo borrowings with a remaining weighted average maturity of 65 days; maturities are staggered to mitigate liquidity risk
    - Non-Agency borrowings weighted average maturity declined by 8 days compared to June 30, 2013
    - Agency borrowings increased by 7 days compared to June 30, 2013

Note: Included in the above table, using the original maturity dates, are any reverse repos the Company may expect to terminate early in the case of an unsettled sale transaction at September 30, 2013. Not included are any reverse repos that the Company may have entered into prior to September 30, 2013, for which delivery of the borrowed funds is not scheduled until after September 30, 2013. Remaining maturity for a reverse repo is based on the contractual maturity date in effect as of September 30, 2013. Some reverse repos have floating interest rates, which may reset before maturity.

EFC: Average Cost of Borrowings

Ellington Financial

($ In thousands)	As of September 30, 2013	For the Quarter Ended September 30, 2013	
Collateral for Borrowing	Outstanding Borrowings[1]	Average Borrowings for the Quarter Ended[1]	Average Cost of Funds[1]
Non-Agency RMBS, CMBS, and Other	$452,008	$447,218	2.00%
Agency RMBS	893,215	830,748	0.40
Total	**$1,345,223**	**$1,277,966**	**0.96%**

- **Debt-to-equity ratio[(2)(3)] of 2.14:1 as of September 30, 2013 compared to 2.02:1 as of June 30, 2013**
- **Borrowing rates and haircuts for non-Agency MBS and Agency RMBS relatively stable compared to second quarter**
  - **Smaller banks beginning to express interest in providing repo for Agency RMBS, particularly as larger banks affected by revised leverage ratio rules may shift emphasis to more profitable non-Agency MBS repo**

(1) Excludes securitized debt valued at $1.0 million as of September 30, 2013.
(2) Includes securitized debt valued at $1.0 million and $1.2 million as of September 30, 2013 and June 30, 2013, respectively.
(3) Debt to equity ratio based on outstanding borrowings at end of period/total equity.

Supplemental Information

EFC: Gross Profit and Loss

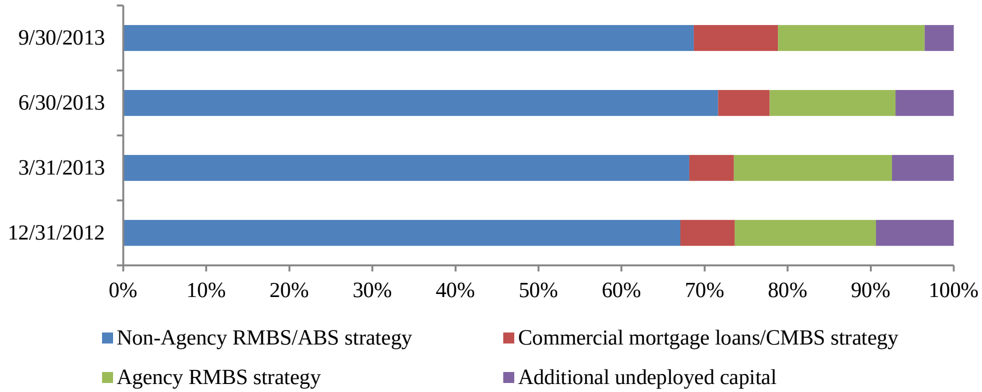
Ellington Financial

	Nine Months Ended September 30, 2013		Years Ended 2012		2011		2010		2009		2008	
($ In thousands)	$	%	$	%	$	%	$	%	$	%	$	%
Long: Non-Agency	80,595	13.92	129,830	30.02	1,505	0.39	70,840	21.87	101,748	36.33	(64,565)	(26.20)
Credit Hedge and Other: Non-Agency	(10,494)	(1.81)	(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	8,435	1.45	(3,851)	(0.89)	(8,171)	(2.12)	(12,150)	(3.75)	(1,407)	(0.50)	(3,446)	(1.40)
Long: Agency	(13,882)	(2.40)	37,701	8.72	63,558	16.47	21,552	6.65	22,171	7.92	4,763	1.93
Interest Rate Hedge: Agency	17,060	2.95	(20,040)	(4.63)	(54,173)	(14.04)	(14,524)	(4.48)	(8,351)	(2.98)	(6,414)	(2.60)
Gross Profit	**81,714**	**14.11**	**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

Capital Usage Across Entire Portfolio[1]



Notes

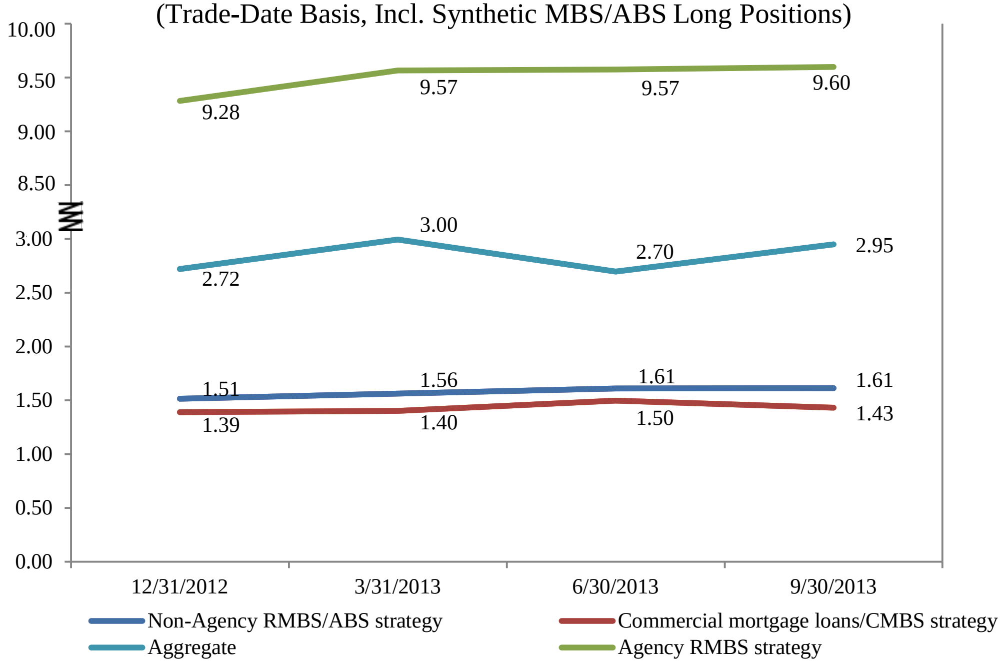
(1) Capital usage based on pro forma calculation of leverage generally applicable to long positions in target asset classes

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

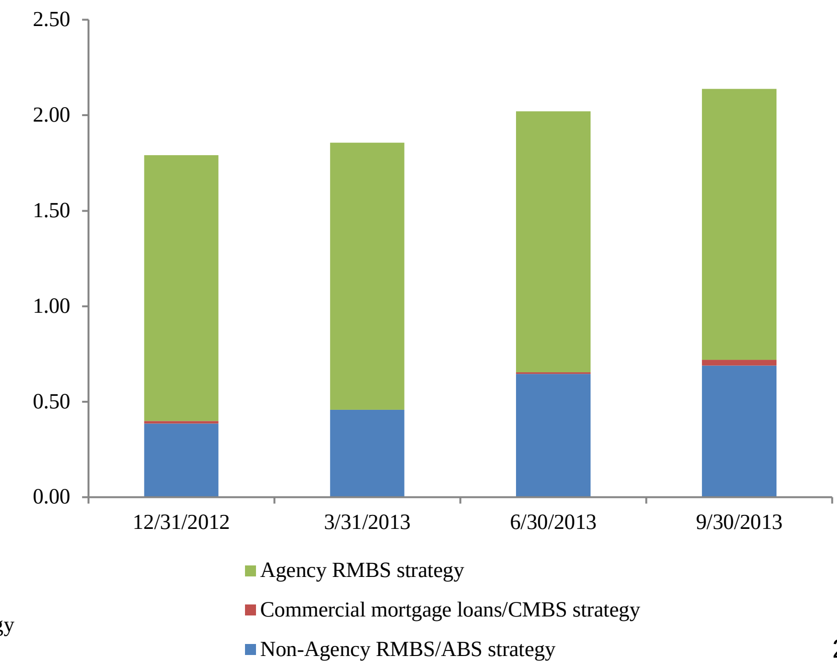
- long cash bond holdings of MBS/ABS (such as CMOs, CDOs, Agency pools)
- long holdings of commercial mortgage loans notes and unsecuritized mortgage loans
- bond equivalent amount of synthetic long holdings of MBS/ABS (in the form of single name and index ABS CDS)
- long TBA positions held for investment,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

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

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

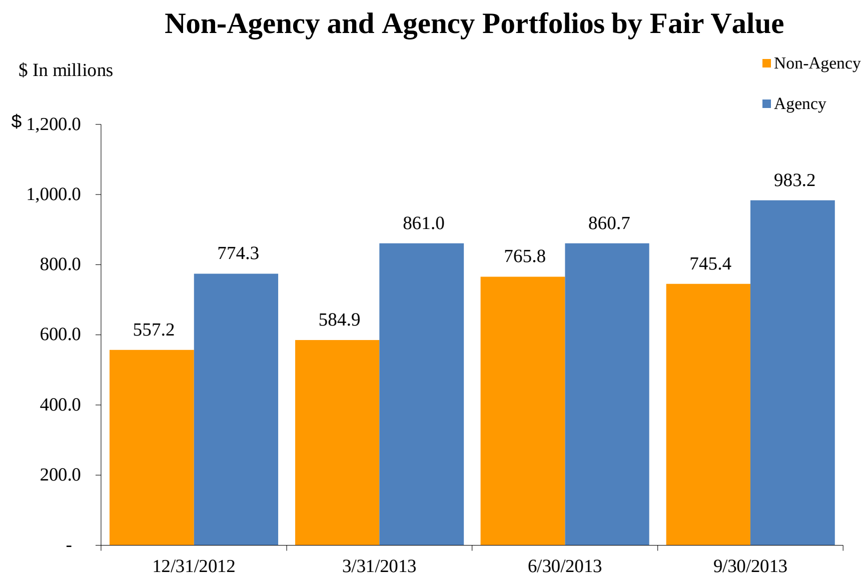


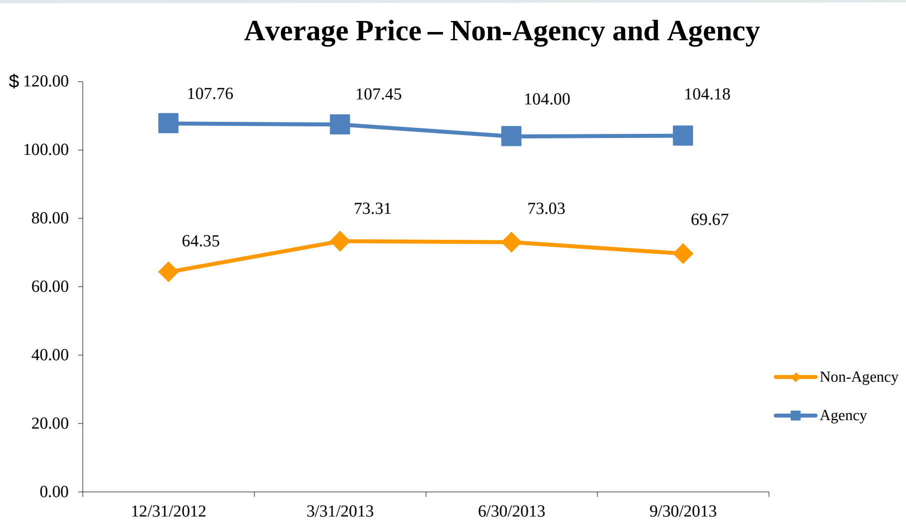
Debt Per Total Capital[3]



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

Ellington Financial





Note: Excludes interest only, principal only, equity tranches and other similar securities. Also excludes credit default swaps.

EFC: Yields and Net Interest Margin

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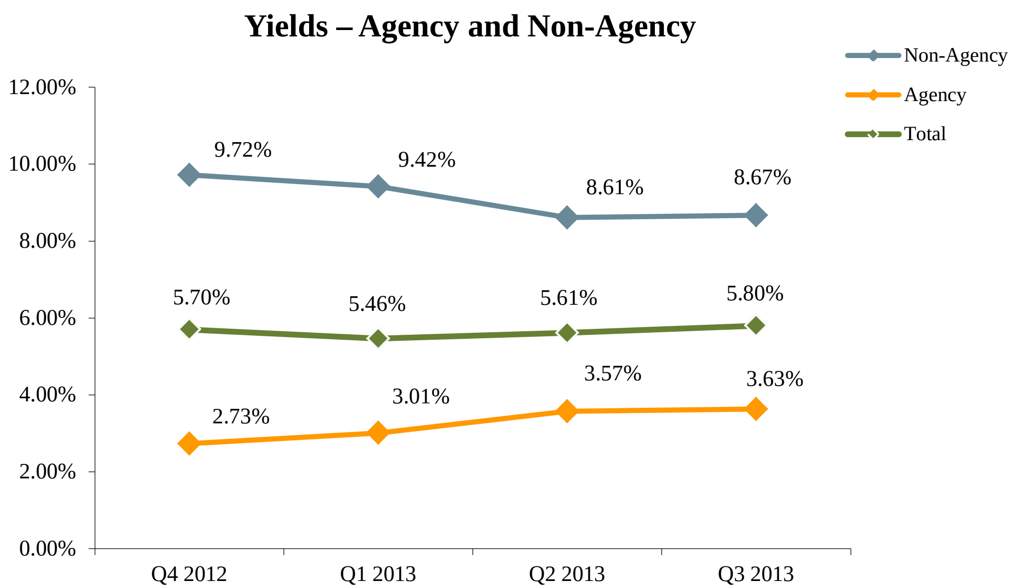
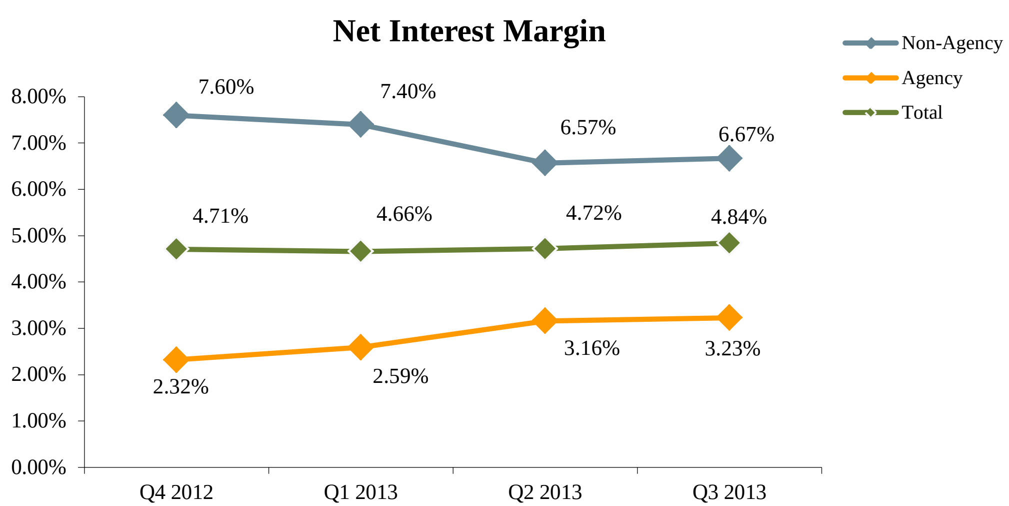
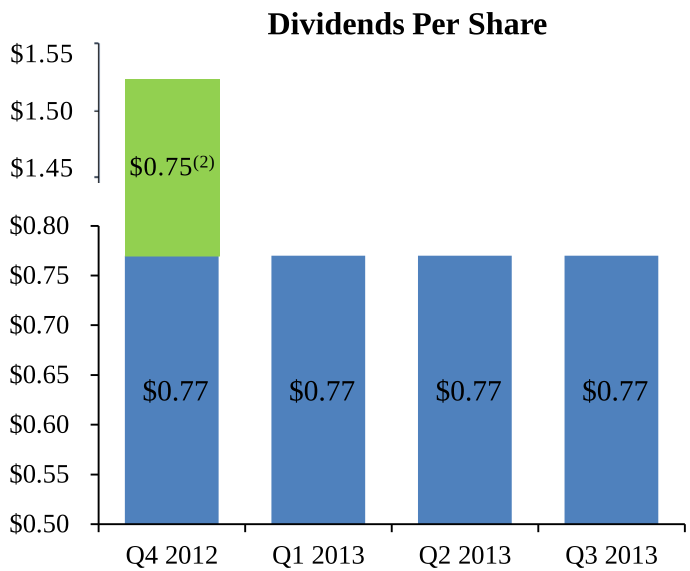


Note: Yields are based on amortized cost, not fair value.



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

EFC: Dividends and Expense Ratio

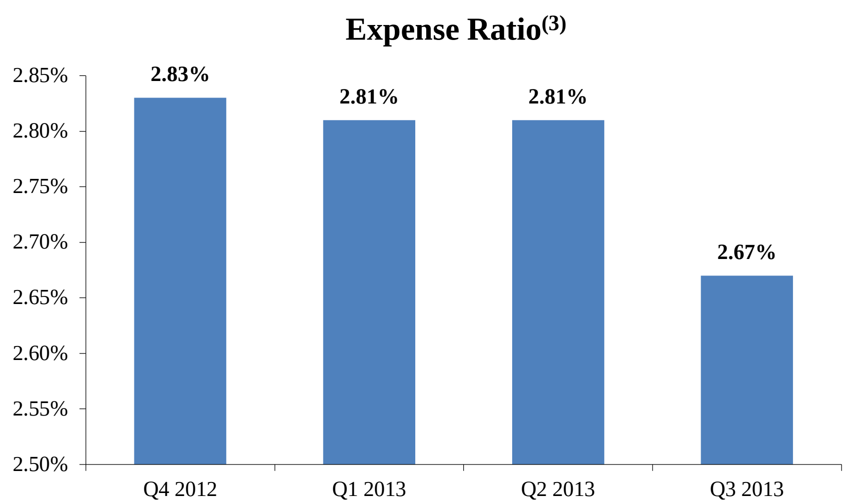


Dividend Yield as of November 05, 2013
13.4%(1)

(1) Based on NYSE closing price as of 11/05/2013.

(2) Special dividend.

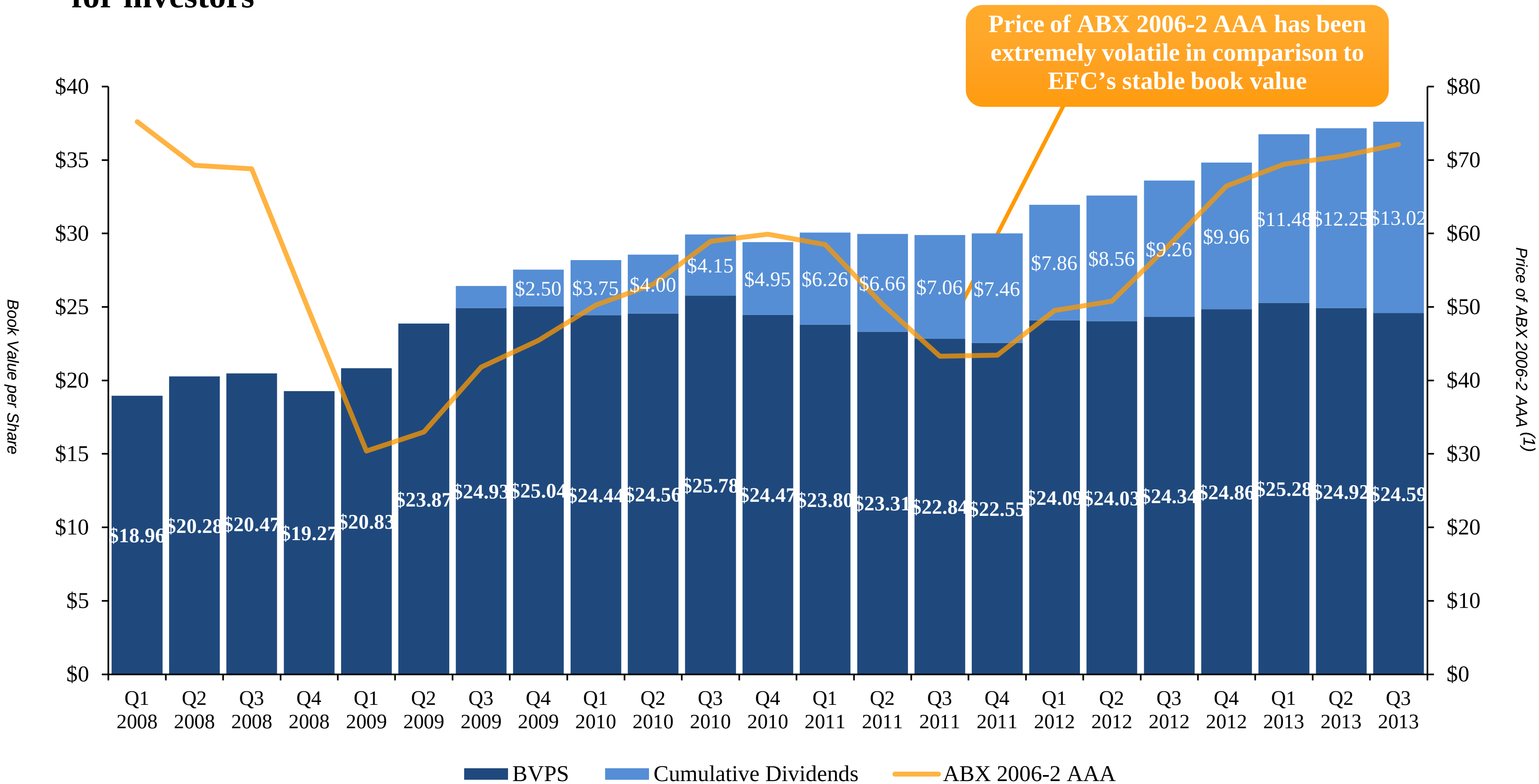
(3) Expense ratios annualized.



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 Q3 2013 is approximately 117%**

(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, 2013 book value per share is 116.69%. 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 September 30, 2013	Three Month Period Ended June 30, 2013	Nine Month Period Ended September 30, 2013
Investment income			
Interest income	$ 24,069	$ 20,335	$ 62,786
Expenses			
Base management fee	2,378	2,405	6,751
Incentive fee	2,038	1,182	5,275
Interest expense	3,277	2,582	8,001
Other investment related expenses	85	327	412
Other operating expenses	1,885	1,671	5,203
Total expenses	9,663	8,167	25,642
Net investment income	14,406	12,168	37,144
Net realized gain (loss) on:			
Investments	10,731	10,598	35,326
Financial derivatives	(6,442)	(4,927)	(12,774)
	4,289	5,671	22,552
Change in net unrealized gain (loss) on:			
Investments	(4,867)	(27,971)	(10,000)
Financial derivatives	(2,005)	21,837	14,578
	(6,872)	(6,134)	4,578
Net realized and unrealized gain (loss) on investments and financial derivatives	(2,583)	(463)	27,130
Net increase in equity resulting from operations	$ 11,823	$ 11,705	$ 64,274
Less: Net increase in equity resulting from operations attributable to non-controlling interest	96	105	612
Net increase in shareholders' equity resulting from operations	$ 11,727	$ 11,600	$ 63,662
Net increase in shareholders' equity resulting from operations per share:			
Basic and diluted	$ 0.45	$ 0.49	$ 2.73
Weighted average shares and LTIP units outstanding	25,814	23,444	23,566
Weighted average shares and convertible units outstanding	26,026	23,656	23,578

Balance Sheet

(Unaudited)

Ellington Financial

ELLINGTON FINANCIAL LLC
CONSOLIDATED STATEMENT OF ASSETS, LIABILITIES AND EQUITY

(In thousands, except share amounts)	As of September 30, 2013	June 30, 2013	December 31, 2012[(1)]
ASSETS			
Cash and cash equivalents	$ 186,737	$ 201,795	$ 59,084
Investments, financial derivatives and repurchase agreements:			
Investments at fair value (Cost - $1,806,749, $1,675,134, and $1,328,153)	1,851,751	1,710,422	1,375,116
Financial derivatives - assets at fair value (Net cost - $43,199, $47,291, and $65,860)	43,567	46,977	48,504
Repurchase agreements (Cost - $40,994, $41,188, and $13,650)	40,994	41,188	13,650
Total Investments, financial derivatives and repurchase agreements	1,936,312	1,798,587	1,437,270
Due from brokers	65,159	48,294	22,744
Receivable for securities sold	926,638	672,035	626,919
Interest and principal receivable	6,691	6,571	5,719
Other assets	1,165	1,125	379
Total assets	$ 3,122,702	$ 2,728,407	$ 2,152,115
LIABILITIES			
Investments and financial derivatives:			
Investments sold short at fair value (Proceeds - $850,801, $614,208, and $621,048)	$ 860,128	$ 608,922	$ 622,301
Financial derivatives - liabilities at fair value (Net proceeds - $28,271, $16,042, and $13,171)	33,457	18,543	15,212
Total investments and financial derivatives	893,585	627,465	637,513
Reverse repurchase agreements	1,345,223	1,287,992	905,718
Due to brokers	13,740	30,345	30,954
Payable for securities purchased	230,650	136,084	57,333
Securitized debt (Proceeds - $1,050, $1,150, and $1,311)	1,038	1,168	1,335
Accounts payable and accrued expenses	2,241	1,917	1,995
Base management fee payable	2,378	2,405	1,934
Incentive fee payable	2,038	1,182	7,343
Other payables	507	311	903
Interest and dividends payable	1,500	1,680	732
Total liabilities	2,492,900	2,090,549	1,645,760
EQUITY	629,802	637,858	506,355
TOTAL LIABILITIES AND EQUITY	$ 3,122,702	$ 2,728,407	$ 2,152,115
ANALYSIS OF SHAREHOLDERS' EQUITY:			
Common shares, no par value, 100,000,000 shares authorized; (25,418,937, 25,412,011, and 20,370,469 shares issued and outstanding)	$ 616,104	$ 624,096	$ 497,373
Additional paid-in capital - LTIP units	9,069	9,066	8,982
Total Shareholders' Equity	$ 625,173	$ 633,162	$ 506,355
Non-controlling interest	4,629	4,696	-
Total Equity	$ 629,802	$ 637,858	$ 506,355
PER SHARE INFORMATION:			
Common shares, no par value	$ 24.59	$ 24.92	$ 24.86
DILUTED PER SHARE INFORMATION:			
Common shares and convertible units, no par value	$ 24.19	$ 24.51	$ 24.38

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

About Ellington

- **EFC is managed by Ellington Financial Management LLC, an affiliate of Ellington Management Group, L.L.C. ("EMG")**
- **EMG was founded in 1994 by Michael Vranos and five partners; currently has over 130 employees, giving EFC access to time-tested infrastructure and proprietary resources in trading, research, risk management, and operational support**
  - EMG has approximately $5.6 billion in assets under management
- **EMG's portfolio managers are among the most experienced in the MBS sector and the firm's analytics have been developed over an 18-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 the non-controlling interest.

Ellington Financial

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