Ellington Financial

Ellington Financial LLC (NYSE: EFC)

Fourth Quarter 2012 Earnings Conference Call

February 14, 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 14, 2012 and under Item 1A of our Quarterly Report on Form 10-Q filed on May 9, 2012 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 December 31, 2012 unless otherwise indicated. We undertake no duty or obligation to update this presentation to reflect subsequent events or developments.

Fourth Quarter 2012

Operating Results

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(In thousands, except per share amounts)	Quarter Ended 12/31/2012	Per Share	% of Average Shareholders' Equity	Quarter Ended 9/30/2012	Per Share	% of Average Shareholders' Equity	Year Ended 12/31/2012	Per Share	% of Average Shareholders' Equity
Non-Agency MBS and Commercial mortgage loans:									
Interest income	$ 12,013	$ 0.58	2.38%	$ 11,270	$ 0.61	2.54%	$ 42,339	$ 2.32	9.79%
Net realized gain	7,573	0.36	1.50%	8,345	0.45	1.88%	23,276	1.27	5.38%
Change in net unrealized gain (loss)	19,132	0.92	3.79%	23,648	1.27	5.32%	69,420	3.80	16.05%
Net interest rate hedges	(66)	-	(0.01)%	(1,195)	(0.06)	(0.27)%	(3,851)	(0.21)	(0.89)%
Net credit hedges	(4,717)	(0.23)	(0.93)%	(3,499)	(0.19)	(0.79)%	(14,642)	(0.80)	(3.39)%
Interest expense	(1,416)	(0.07)	(0.28)%	(1,357)	(0.07)	(0.31)%	(5,205)	(0.28)	(1.20)%
Total non-Agency MBS and commercial mortgage loans profit	32,519	1.56	6.45%	37,212	2.01	8.37%	111,337	6.10	25.74%
Agency RMBS:									
Interest income	4,557	0.22	0.90%	4,126	0.22	0.93%	21,303	1.16	4.93%
Net realized gain	2,192	0.11	0.43%	4,992	0.27	1.12%	19,162	1.05	4.43%
Change in net unrealized gain (loss)	(3,537)	(0.17)	(0.70)%	3,102	0.17	0.70%	(482)	(0.03)	(0.11)%
Net interest rate hedges (1)	484	0.02	0.10%	(6,617)	(0.36)	(1.49)%	(20,040)	(1.10)	(4.63)%
Interest expense	(533)	(0.03)	(0.11)%	(517)	(0.03)	(0.12)%	(2,282)	(0.12)	(0.53)%
Total Agency RMBS profit	3,163	0.15	0.62%	5,086	0.27	1.14%	17,661	0.96	4.09%
Total non-Agency and Agency MBS and Commercial mortgage loans profit	35,682	1.71	7.07%	42,298	2.28	9.51%	128,998	7.06	29.83%
Other interest income (expense), net	45	-	0.01%	(3)	-	0.00%	19	-	0.00%
Other expenses (excluding incentive fee)	(3,599)	(0.17)	(0.71)%	(3,267)	(0.18)	(0.74)%	(12,726)	(0.70)	(2.94)%
Net increase in shareholders' equity resulting from operations (before incentive fee)	32,128	1.54	6.37%	39,028	2.10	8.77%	116,291	6.36	26.89%
Incentive fee	(7,342)	(0.35)	(1.45)%	(9,491)	(0.51)	(2.14)%	(19,145)	(1.05)	(4.43)%
Net increase in shareholders' equity resulting from operations	$ 24,786	$ 1.19	4.92%	$ 29,537	$ 1.59	6.63%	$ 97,146	$ 5.31	22.46%
Weighted average shares & LTIP units outstanding	20,899			18,553			18,290		
Average shareholders' equity (2)	$ 504,639			$ 444,220			$ 432,452		
Ending shareholders' equity	$ 506,355			$ 498,650			$ 506,355		
Diluted book value per share	$ 24.38			$ 23.88			$ 24.38		

(1) Includes TBAs and U.S. Treasuries.

(2) Average shareholders' equity is calculated using month end values.

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Ellington Financial: Fourth Quarter Highlights

Overall Results	■ 4th quarter net income of \$24.8 million or \$1.19 per share ■ Net income for the year of \$97.1 million or \$5.31 per share, equating to annualized return on equity of 22.5%
Non-Agency MBS Strategy	■ 4th quarter non-Agency MBS strategy gross income of \$32.5 million(1) or \$1.56 per share ■ Income derived from yield on assets, realized gains from trading, and increased asset valuations

Agency RMBS Strategy	■ 4th quarter Agency RMBS gross income of \$3.2 million(1) or \$0.15 per share
	  ■ Income driven by net carry combined with active trading; prepayment-protected pools continue to prepay more slowly than their generic counterparts – average prepayment speed of fixed pools under 10% for the quarter
	  ■ Navigated the agency portfolio through tremendous price and spread volatility caused by QE3

Operating Expenses	■ 4th quarter operating expenses of \$3.6 million(2) ■ 2.8% of average shareholders' equity, annualized
Shareholders' Equity	■ Total shareholders' equity of \$506.4 million as of December 31, 2012

(1) Gross income includes interest income, net realized and change in net unrealized gains (losses), net interest rate hedges, net credit hedges, 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 Portfolio: $576.9 million with a market yield of 7.81%(1) at the end of the fourth quarter, as compared to $530.3 million at the end of the third quarter with a market yield of 9.26%(1) ■ Agency Portfolio: $774.3 million at the end of the fourth quarter compared to $620.2 million at the end of the third quarter
Leverage	■ Debt to equity ratio: 1.79:1 at December 31st as compared to 1.33:1 at September 30th
Book Value	■ December 31, 2012 diluted book value per share of $24.38, net of $0.70 third quarter dividend, as compared to $23.88 per share at September 30, 2012
Dividend Yield	■ Declared 4th quarter dividend of $0.77 per share (an increase of $0.07 per share compared to $0.70 per share paid in prior three quarters) ■ Equates to annualized dividend yield of 12.4% based on February 12, 2013 closing price of $24.83 ■ Also declared special dividend of $0.75 per share for the 2012 fiscal year

(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.

Ellington Financial: Non-Agency MBS Strategy

Overall Market Conditions	■ The Fed's accommodative fiscal policy actions continue to drive investors to higher yielding sectors of the fixed income market, including non-Agency MBS ■ Home prices continue to improve as inventory continues to decline, providing further support to non-Agency RMBS valuations ■ Rising home prices are causing fewer borrowers to be underwater on their mortgages ■ Yields are lower on newer purchases but inefficiencies and trading opportunities remain plentiful
Portfolio Trends	■ Maintained our long bias in the non-Agency MBS portfolio ■ Continued to actively trade portfolio—focus has been to purchase securities where a reduction in defaults going forward can make a big difference; sell securities that have large pipelines of judicial state foreclosures, on which we believe the market underestimates severities even in a good national HPA scenario ■ Kept ABX hedges light and have focused more on on macro-hedges that are likely to provide protection in an economic downturn ■ Reduced holdings in the CMBS portfolio during the 4th quarter to realize net gains amidst strong price appreciation in cash bonds, particularly new issue credit bonds ■ 7.81%[(1)] weighted average market yield on non-Agency MBS portfolio as of December 31, 2012

(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	■ Specter of the Fed potentially relaxing its accommodative fiscal policy stance contributed to recent increase in yields and declines in prices of Agency RMBS ■ On January 30th, 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 ■ Fed purchases of MBS created tremendous price and spread volatility in the quarter. We expect this volatility to continue and to create good opportunities
Portfolio Trends	■ Increased holdings of Agency RMBS by approximately $154 million as of December 31, 2012 relative to September 30, 2012 ■ Increased overall hedges and increased the relative proportion in short TBAs

Ellington Financial: Market Outlook

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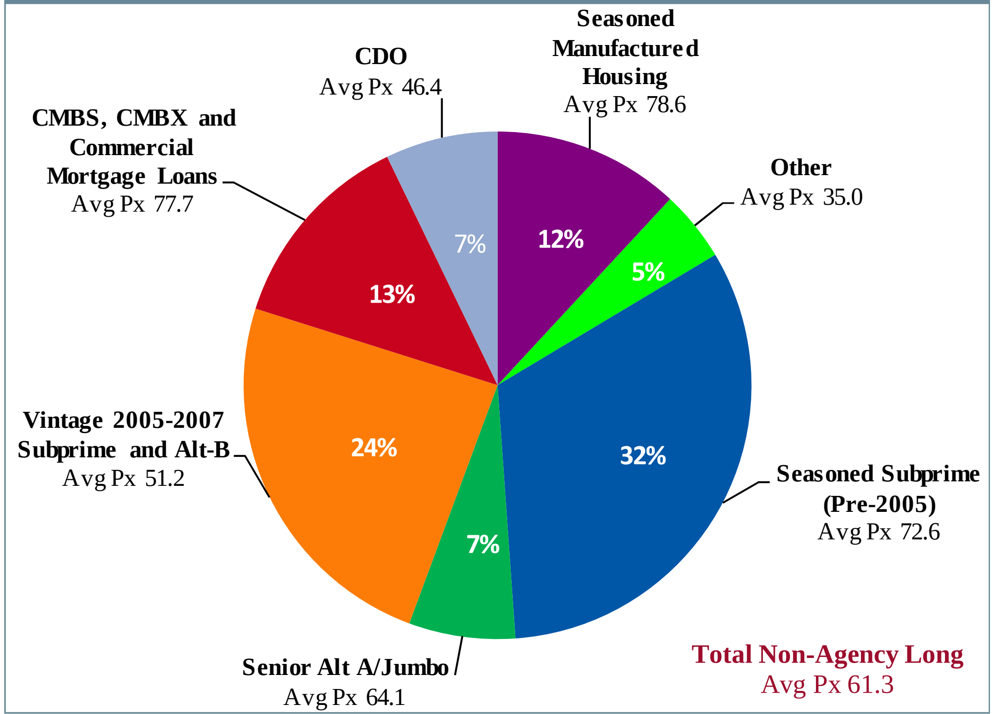
Non-Agency	■ With non-Agency MBS prices having experienced a year-long rally and price increases occurring across the board, security selection remains an increasingly important driver of portfolio performance
	    ■ Securities with lower price transparency continue to be priced inefficiently
	■ Expectation 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
	■ 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 resulting in realized CPR of 9.7% for the current quarter; third quarter CPR was 8.2% ■ Increased interest rate volatility highlights importance of ability to hedge with TBAs ■ Uncertainy around the timing of the end of QE3 should create opportunities

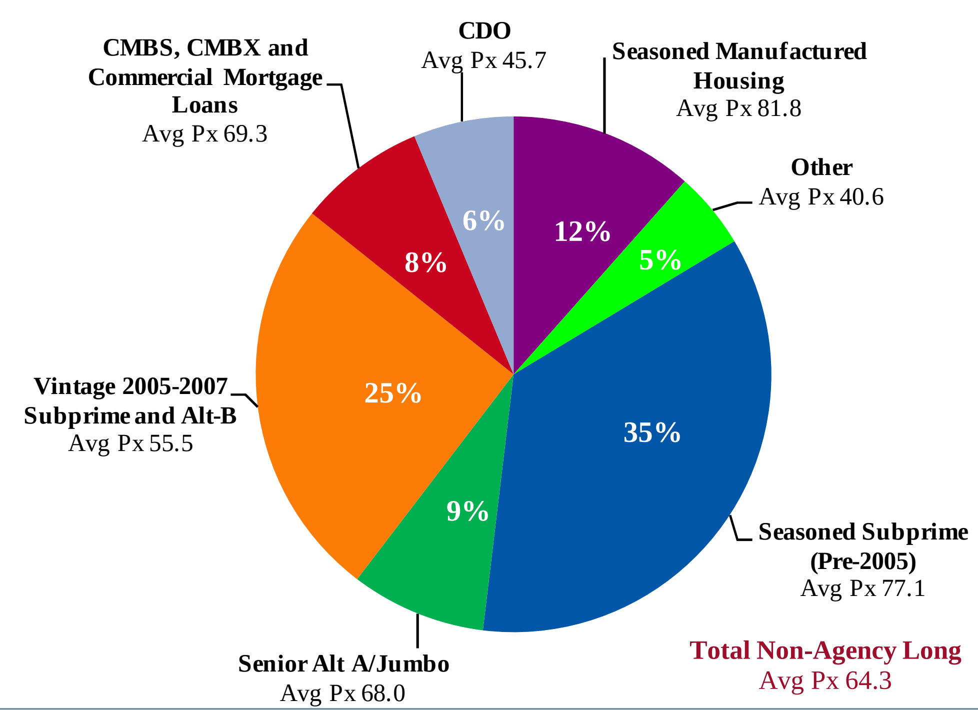
Non-Agency Portfolio

EFC: Non-Agency Long Portfolio

Previous Quarter
Non-Agency Long Portfolio 9/30/12: $530MM(1)(2)



Current Quarter
Non-Agency Long Portfolio 12/31/12: $577MM(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
  - Deeply discounted securities with potential upside in an improving housing market
  - Securities that maintain attractive yields when subjected to moderate home price stresses
- **During the fourth quarter non-Agency MBS portfolio increased**
  - Substantial rally has increased opportunity for sector rotation as we view some sectors as having underperformed and others as having overperformed

(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 $17.3 million of long CMBX positions and $2.4 million of long Primex positions at December 31, 2012, and $16.1 million of long CMBX positions and $2.4 million of long Primex positions at September 30, 2012. The corresponding net fair value of net long credit derivatives is $(12.7) million at December 31, 2012 and $(13.3) million at September 30, 2012.

(2) Average price excludes interest-only, principal-only, and other similar securities and long credit derivatives at December 31, 2012 and September 30, 2012.

EFC: Non-Agency Long Portfolio as of December 31, 2012

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- **EFC non-Agency MBS strategy is the main driver of earnings**
- **Non-Agency long portfolio value: $577 million[(1)] as of 12/31/2012 (which includes $557 million of long non-Agency MBS and loans and $20 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	$204.9	77.1%	5.9	9.3%	6.68%	7.53%
Vintage 2005-2007 Subprime and Alt-B	146.2	55.5	5.3	13.3	6.04	7.38
Seasoned Manufactured Housing	66.7	81.8	6.3	6.8	7.99[(7)]	7.99
Senior Alt-A/Jumbo	48.9	68.0	4.7	12.7	6.19	7.46
CMBS and Commercial Mortgage Loans	46.2	69.3	7.6	N/A	8.28[(7)]	8.28
CDO	36.2	45.7	3.0	N/A	6.74	9.84
Other	27.8	40.6	7.3	11.9	8.23	9.46
Total	**$576.9**	**64.3%**	**5.6**	**10.6%**	**6.78%**	**7.81%**

(1) For 12/31/2012, fair value includes $17.3 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, 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, and other similar securities.

(4) Source for historical 1-Year CPR is Intex. Excludes interest-only, principal-only, 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 12/31/12 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, 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 12/31/2012, 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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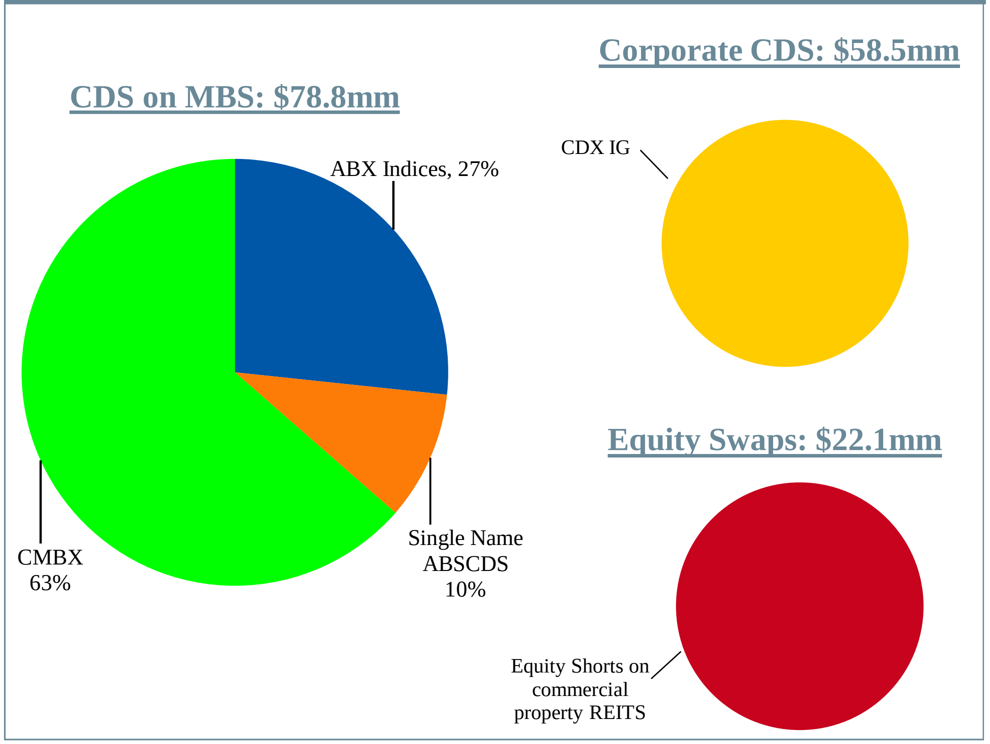
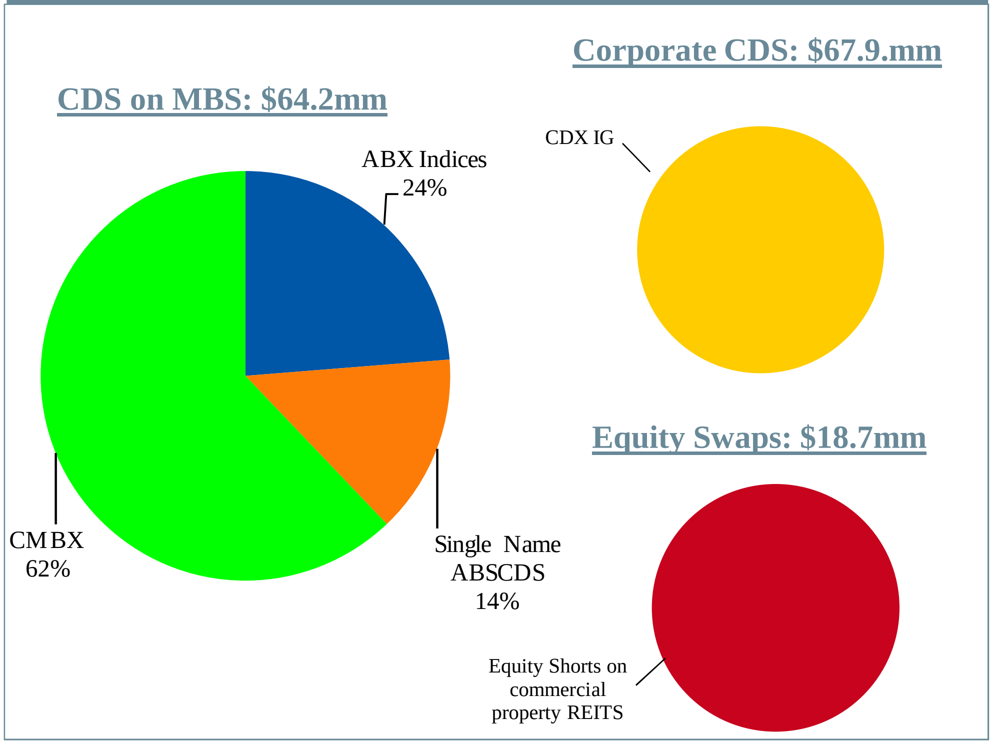
Previous Quarter Credit Hedging Portfolio 9/30/12: $159MM(1)	Current Quarter Credit Hedging Portfolio 12/31/12: $151MM(1)





- **During the fourth quarter:**
  - ABX hedges were reduced further relative to the third quarter
  - Increased focus on hedges that may provide better protection in the event of an economic downturn, e.g., short position on CDX indices and total return swaps on commercial property 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 $132.1 million at December 31, 2012 and $137.3 million at September 30, 2012. The corresponding net fair value of short CDS on MBS and short Corporate CDS is $47.2 million at December 31, 2012 and $53.9 million at September 30, 2012. For equity swaps, the amounts above represent notional value, based on the number of underlying shares multiplied by price per share at December 31, 2012 and September 30, 2012. The fair value of equity swaps is $(0.1) million as of December 31, 2012 and $0.3 million as of September 30, 2012.

Agency Portfolio

EFC: Agency Long Portfolio

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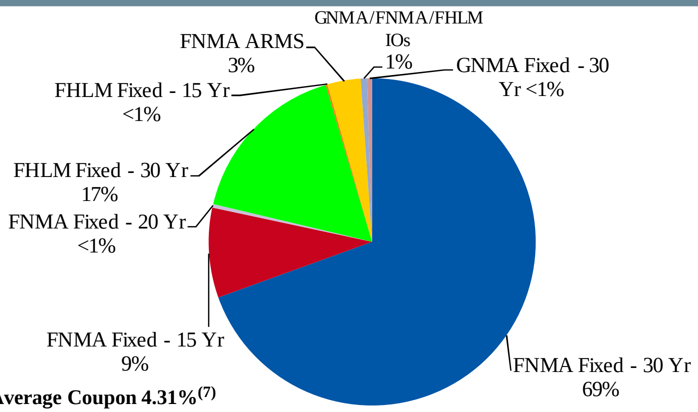
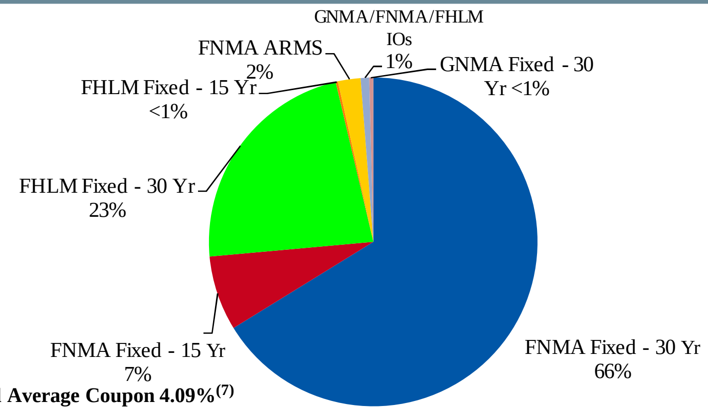
Previous Quarter
Agency Long Portfolio 9/30/12: $620MM[1]



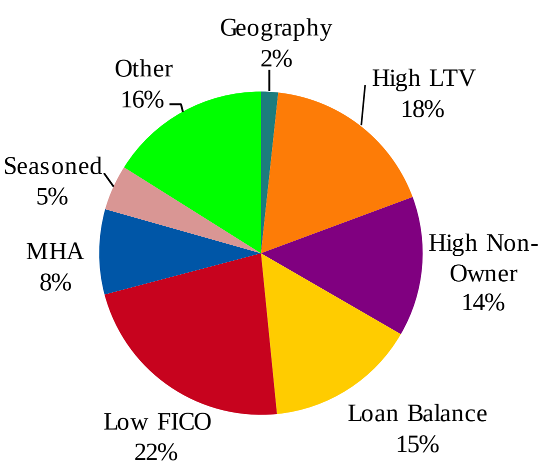
Weighted Average Coupon 4.31%[7]

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



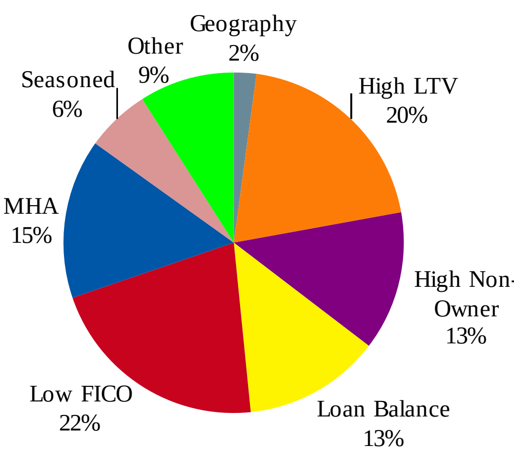
Weighted Average Coupon 4.09%[7]

Collateral Characteristics and Historical 3-month CPR
Agency Fixed Rate Pool Portfolio 9/30/12: $596MM[(2)]



Characteristic[4]	Fair Value[(2)(5)]	3-Month Historical CPR[(3)]
Geography	$10.2	19.1
High LTV	104.5	9.0
High Non-Owner Occupied	83.1	8.6
Low Loan Bal	89.3	7.1
Low FICO	133.1	2.3
MHA[5]	50.4	7.9
Seasoned	26.9	36.7
Other	98.4	6.3
Totals	$595.9	8.2

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[5]	113.2	1.1
Seasoned	45.4	35.9
Other	67.5	17.9
Totals	747.5	9.7

(1) Does not include long TBA positions. Agency long portfolio includes $767.6 million of long Agency securities at December 31, 2012 and $616.3 million at September 30, 2012. Additionally, the long Agency portfolio includes $6.6 million of interest-only securities at December 31, 2012 and $3.8 million at September 30, 2012.
(2) Excludes interest-only securities with a value of $6.6 million at December 31, 2012 and $3.8 million at September 30, 2012 and reverse mortgage pool security with a value of $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 $14.2 million at December 31, 2012 and $49.5 million at September 30, 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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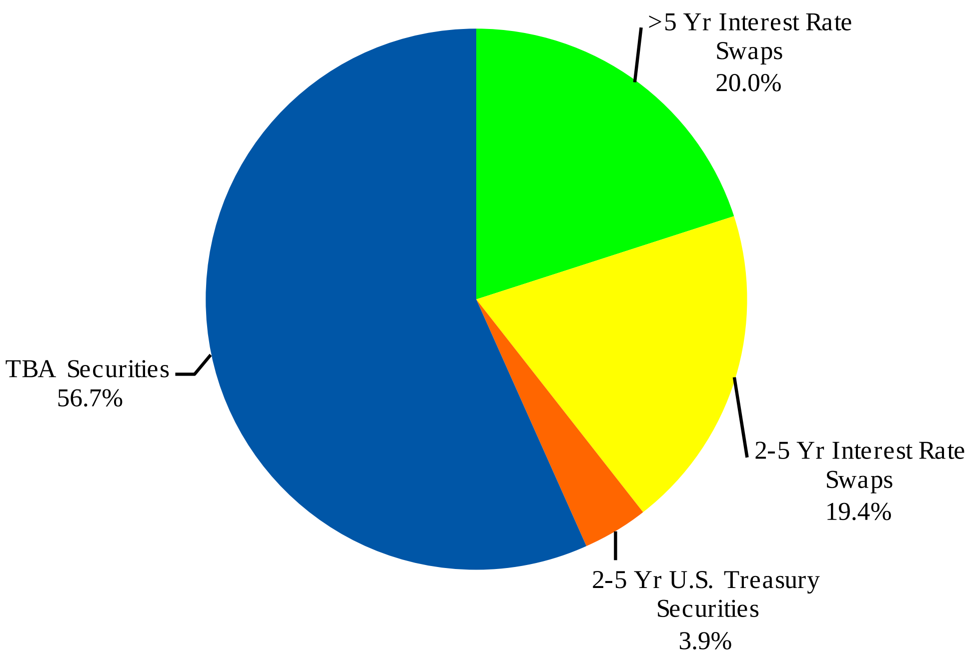
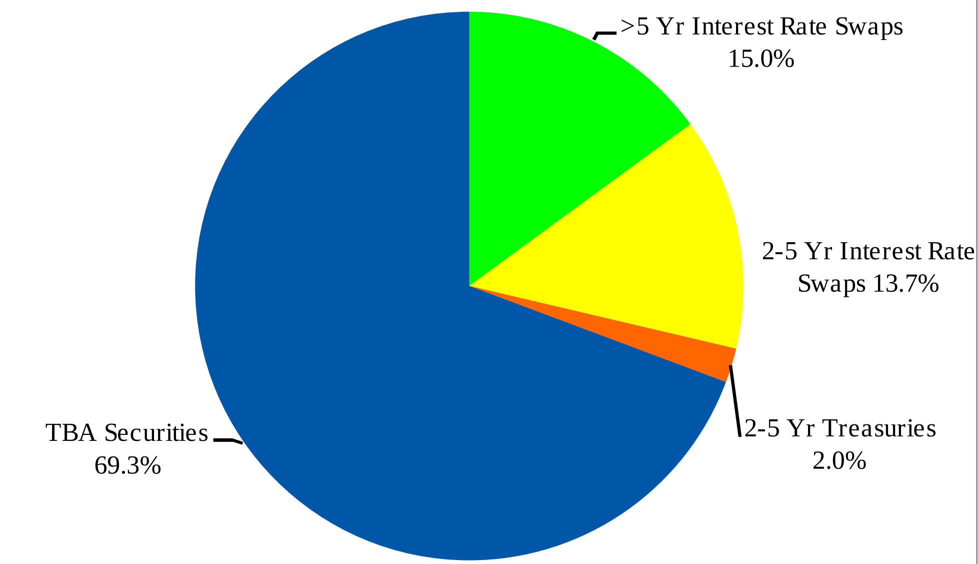
Previous Quarter **Agency Interest Rate Hedging Portfolio 9/30/12:** **Short $138MM 10-year equivalents**	**Current Quarter** **Agency Interest Rate Hedging Portfolio 12/31/12:** **Short $249MM 10-year equivalents**





- **Agency interest rate hedges are shown in normalized units of risk, with each group of positions measured in "10-year equivalents."**
- **During the fourth quarter:**
  - Hedges were increased as portfolio size and duration increased
  - Increased relative proportion of TBA hedges due to increased volatility in Agency RMBS
    - TBAs effective in protecting against prepayment risk and price volatility

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

EFC: Agency Interest Rate Hedging Portfolio Continued

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

(In millions)

Agency-related Portfolio	**9/30/2012**	**12/31/2012**
Long Agency RMBS	$620	$774
Net Short TBA Positions	(409)	(565)
Net Long Exposure to Agency RMBS	**$211**	**$209**

- **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 0.59% of the value of our fixed rate Agency pool portfolio as of 12/31/2012**

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

(In thousands)	**Down 50 BPS**	**Up 50 BPS**
Agency ARM Pools	$33	($40)
Agency Fixed Rate Pools and IO's	9,806	(13,172)
TBAs	(5,529)	9,962
Interest Rate Swaps	(3,259)	3,150
U.S. Treasury Securities	(228)	224
Repo and Reverse Repo Agreements	(347)	402
Totals	**$476**	**$526**

Note: The above table reflects a parallel shift in interest rates based on the market environment as of December 31, 2012. The preceding analysis does not include sensitivities to changes in interest rates for our derivatives on corporate securities (whether debt or equity-related), or other categories of instruments for which we believe that the effect of a change in interest rates is not material to the value of the overall portfolio and/or cannot be accurately estimated. Results are based on forward-looking models, which are inherently imperfect, and incorporate various simplifying assumptions. Therefore, the table above is for illustrative purposes only and actual changes in interest rates would likely cause changes in the actual value of our portfolio that would differ from those presented above, and such differences might be significant and adverse.

Borrowings

EFC: Repo Borrowings as of December 31, 2012

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($ In Millions)	Repo Borrowings			
Remaining Days to Maturity	Non-Agency	Agency	Total	% of Total Borrowings
30 Days or Less	$27.5	$273.7	$301.2	33.3%
31-60 Days	60.0	200.9	260.9	28.8
61-90 Days	8.6	230.3	238.9	26.4
121-150 Days	12.0	-	12.0	1.3
151-180 Days	92.7	-	92.7	10.2
Total Borrowings	**$200.8**	**$704.9**	**$905.7**	**100.0%**
Weighted Average Remaining Days to Maturity	112	42	57	

- **As of December 31, 2012:**
  - EFC had borrowings outstanding with 10 counterparties. Borrowings from the largest counterparty represented 35% of total outstanding borrowings
  - EFC had repo borrowings with a remaining weighted average maturity of 57 days; maturities are staggered to mitigate liquidity risk
    - Non-Agency borrowings weighted average maturity extended by 35 days compared to September 2012
    - Agency borrowings reduced by 20 days compared to September 2012 as longer dated repos come closer to maturity

Note: Included in the above table, using the original maturity dates, are any reverse repos the Company may expect to terminate early in the case of an unsettled sale transaction at December 31, 2012. Not included are any reverse repos that the Company may have entered into prior to December 31, 2012, for which delivery of the borrowed funds is not scheduled until after December 31, 2012. Remaining maturity for a reverse repo is based on the contractual maturity date in effect as of December 31, 2012. Some reverse repos have floating interest rates, which may reset before maturity.

EFC: Average Cost of Borrowings

Ellington Financial

($ In thousands)	As of December 31, 2012	For the Quarter Ended December 31, 2012	
Collateral for Borrowing	Outstanding Borrowings[1]	Average Borrowings for the Quarter Ended[1]	Average Cost of Funds[1]
Non-Agency RMBS, CMBS and Other	$200,820	$263,867	2.12%
Agency RMBS	704,898	513,307	0.41
Total	**$905,718**	**$777,174**	**0.99%**

- **Debt-to-equity ratio[2] of 1.79:1 as of December 31, 2012 compared to 1.33:1 as of September 30, 2012**

(1) Excludes securitized debt valued at $1.3 million as of December 31, 2012.
(2) Includes securitized debt valued at $1.3 million as of December 31, 2012 and $1.4 million as of September 30, 2012.

Supplemental Information

EFC: Gross Profit and Loss

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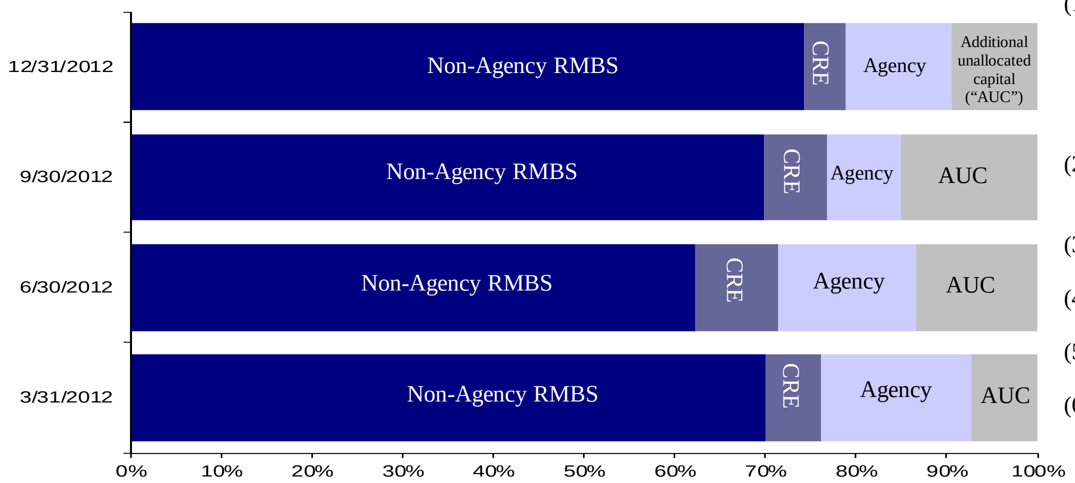
- **In times of MBS market distress, the use of hedging instruments has been effective in insulating long non-Agency portfolio from credit risk**
  - **Historically, non-Agency hedges have contributed gains to the overall portfolio**

	Years Ended									
	2012		2011		2010		2009		2008	
($ In thousands)	$	%	$	%	$	%	$	%	$	%
Long: Non-Agency	129,830	30.02	1,505	0.39	70,840	21.87	101,748	36.33	(64,565)	(26.20)
Credit Hedge: Non-Agency	(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	(3,851)	(0.89)	(8,171)	(2.12)	(12,150)	(3.75)	(1,407)	(0.50)	(3,446)	(1.40)
Long: Agency	37,701	8.72	63,558	16.47	21,552	6.65	22,171	7.92	4,763	1.93
Interest Rate Hedge: Agency	(20,040)	(4.63)	(54,173)	(14.04)	(14,524)	(4.48)	(8,351)	(2.98)	(6,414)	(2.60)
Gross Profit	**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) 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.

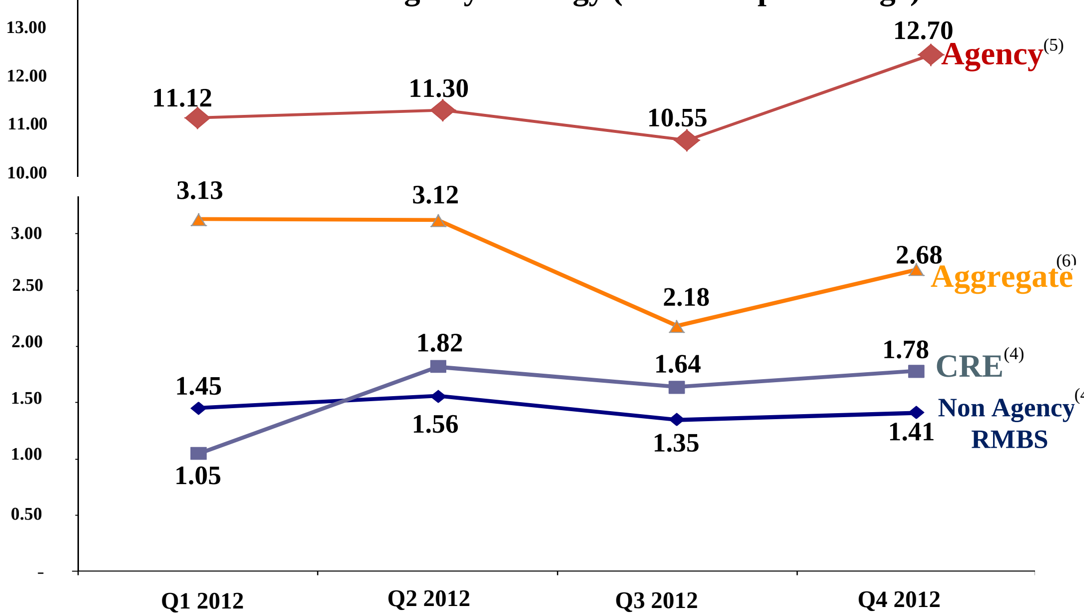
(3) Ratio of (i) strategy total repo liabilities and securitized debt associated with settled MBS and Commercial Mortgage Loans, to (ii) strategy capital usage.

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

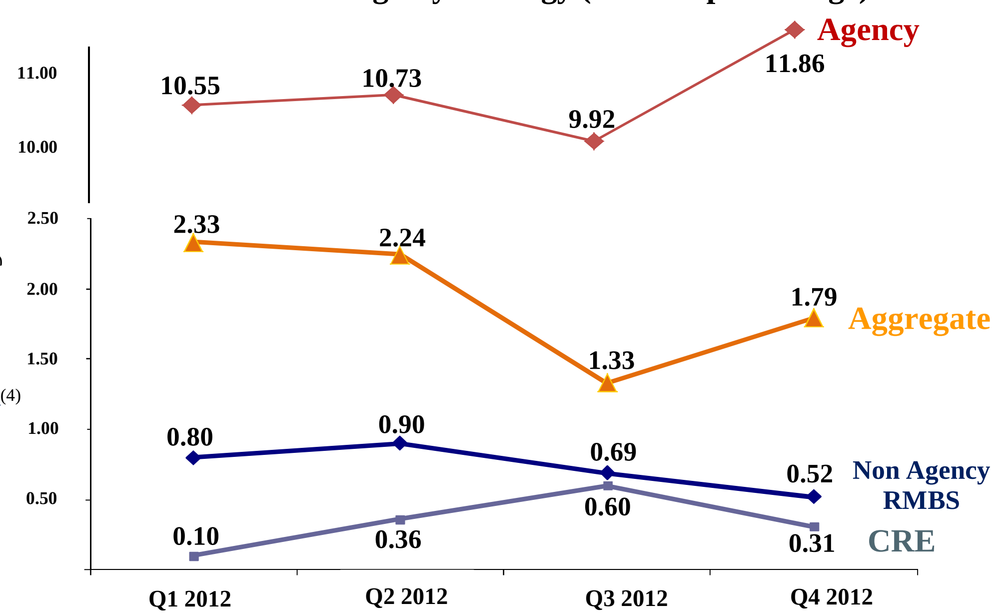
(5) Includes market value of settled long investments, but excludes unencumbered Agency pools, U.S. Treasuries, and cash equivalents.

(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

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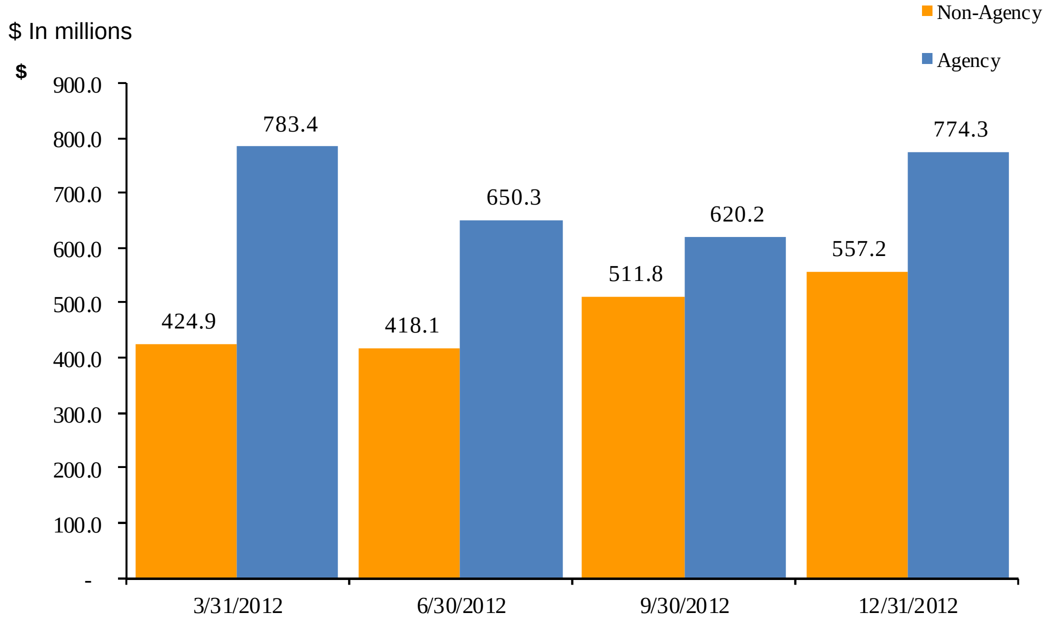
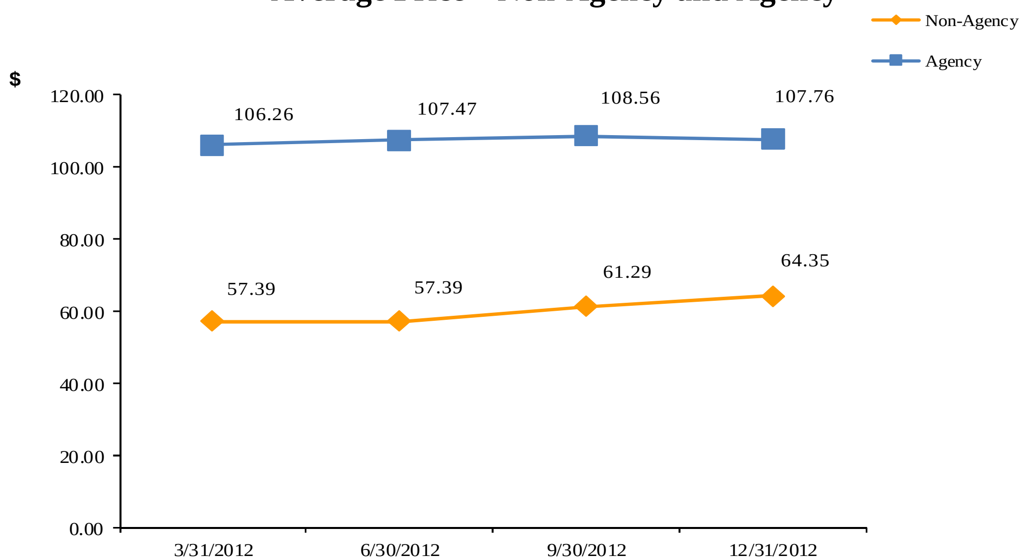
Non-Agency and Agency Portfolios by Fair Value



Average Price – Non-Agency and Agency



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

EFC: Yields and Net Interest Margin

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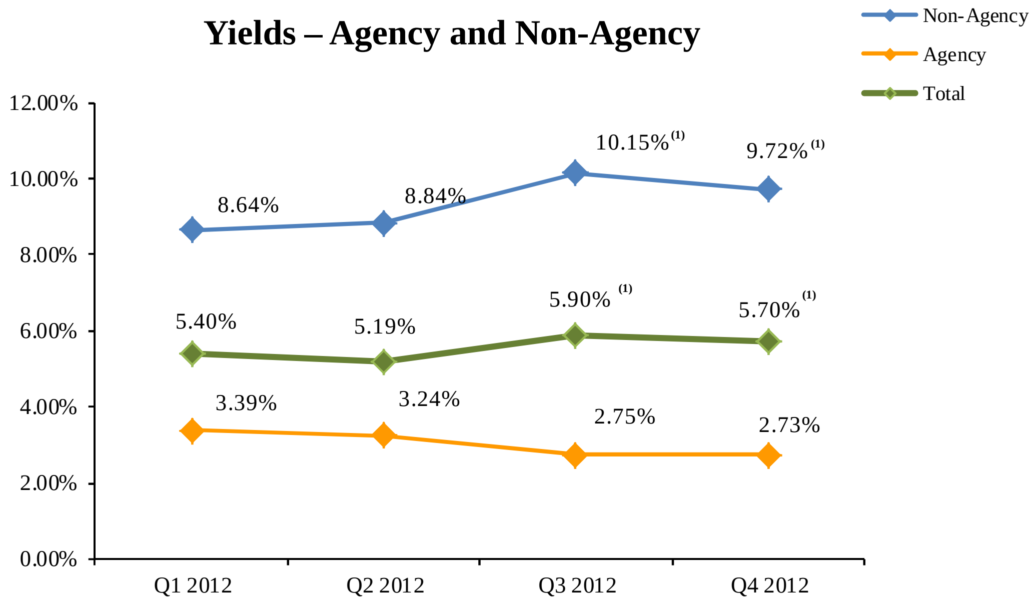
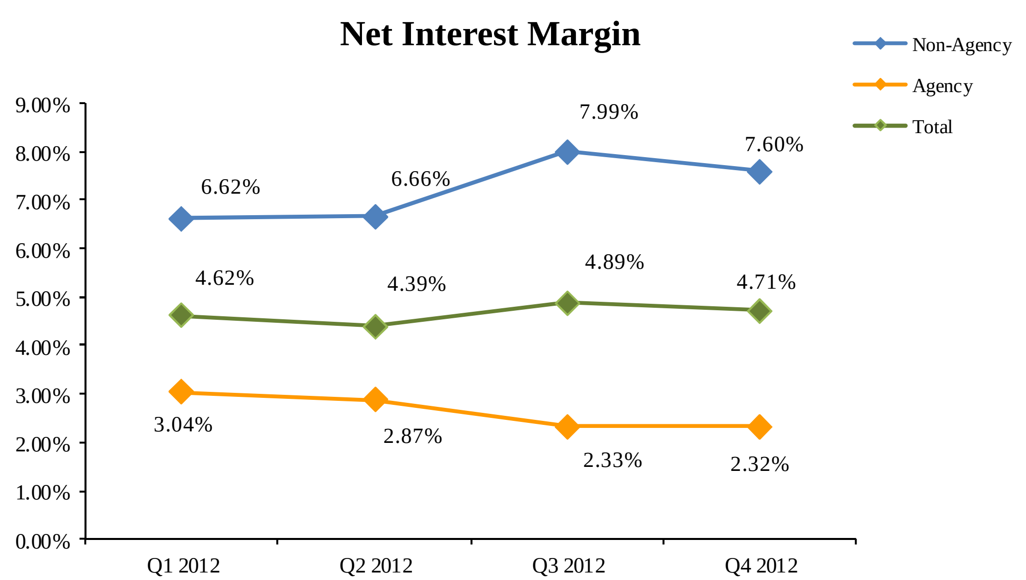


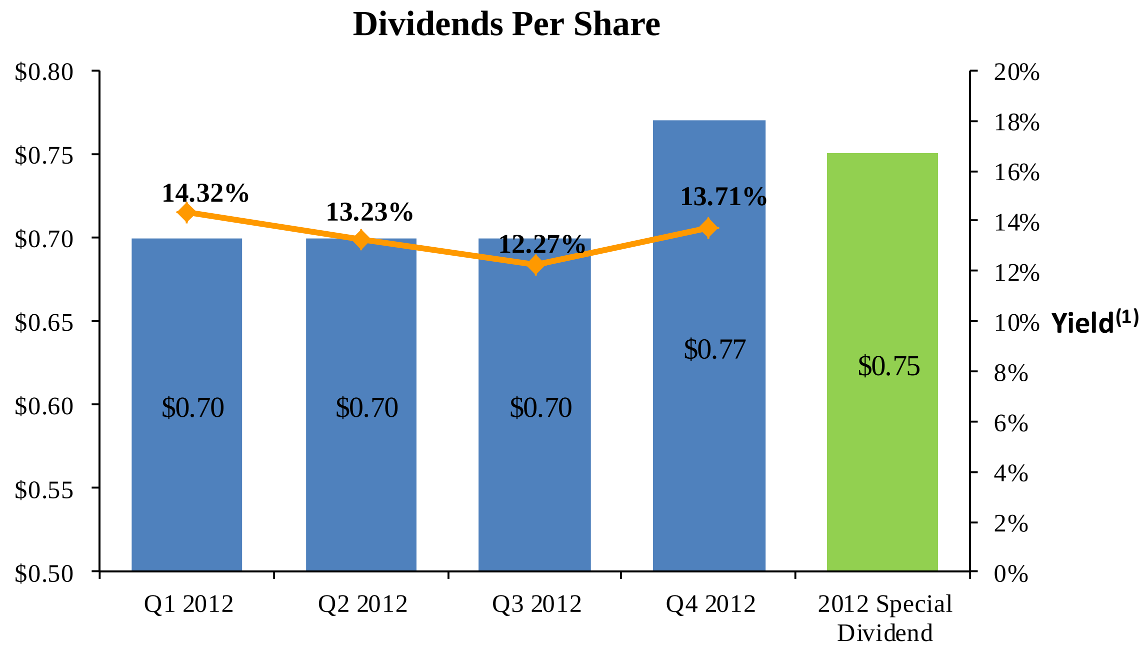
Note: Yields are based on amortized cost, not fair value.

(1) For the quarter ended September 30, 2012 and December 31, 2012, yields were positively impacted by an upward adjustment to forward-looking housing price assumptions, which are used in the determination of yields.

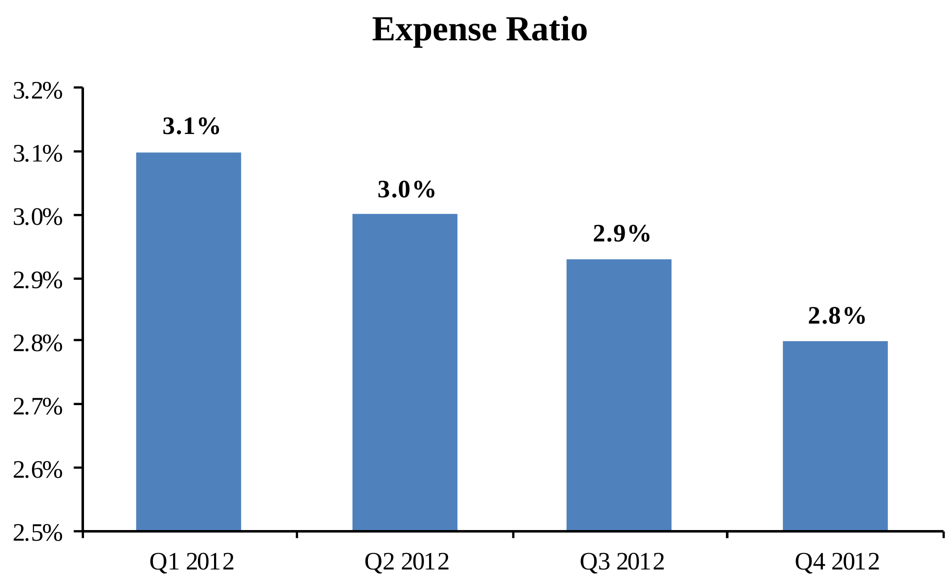


Note: Net interest margin figures are based on amortized cost, not fair value, and exclude hedging related expenses.

EFC: Dividends and Expense Ratio



(1) Based on NYSE closing price as of period end date.



Income Statement

(Unaudited)

Ellington Financial

ELLINGTON FINANCIAL LLC
CONSOLIDATED STATEMENT OF OPERATIONS
(UNAUDITED)

(In thousands, except per share data)	Three Month Period Ended December 31, 2012	Three Month Period Ended September 30, 2012	Year Ended December 31, 2012
Investment income			
Interest income	$ 16,653	$ 15,426	$ 63,857
Expenses			
Base management fee	1,933	1,913	6,835
Incentive fee	7,342	9,491	19,145
Interest expense	2,039	1,936	7,799
Other operating expenses	1,666	1,354	5,891
Total expenses	12,980	14,694	39,670
Net investment income	3,673	732	24,187
Net realized gain (loss) on:			
Investments	10,007	8,130	23,550
Swaps	(3,109)	(3,172)	(34,746)
Futures	(19)	(15)	(51)
	6,879	4,943	(11,247)
Change in net unrealized gain (loss) on:			
Investments	15,833	26,526	70,789
Swaps	(1,615)	(2,631)	13,499
Futures	16	(33)	(82)
	14,234	23,862	84,206
Net realized and unrealized gain on investments and financial derivatives	21,113	28,805	72,959
Net increase in shareholders' equity resulting from operations	$ 24,786	$ 29,537	$ 97,146
Net increase in shareholders' equity resulting from operations per share:			
Basic and diluted	$ 1.19	$ 1.59	$ 5.31

Balance Sheet

(Unaudited)

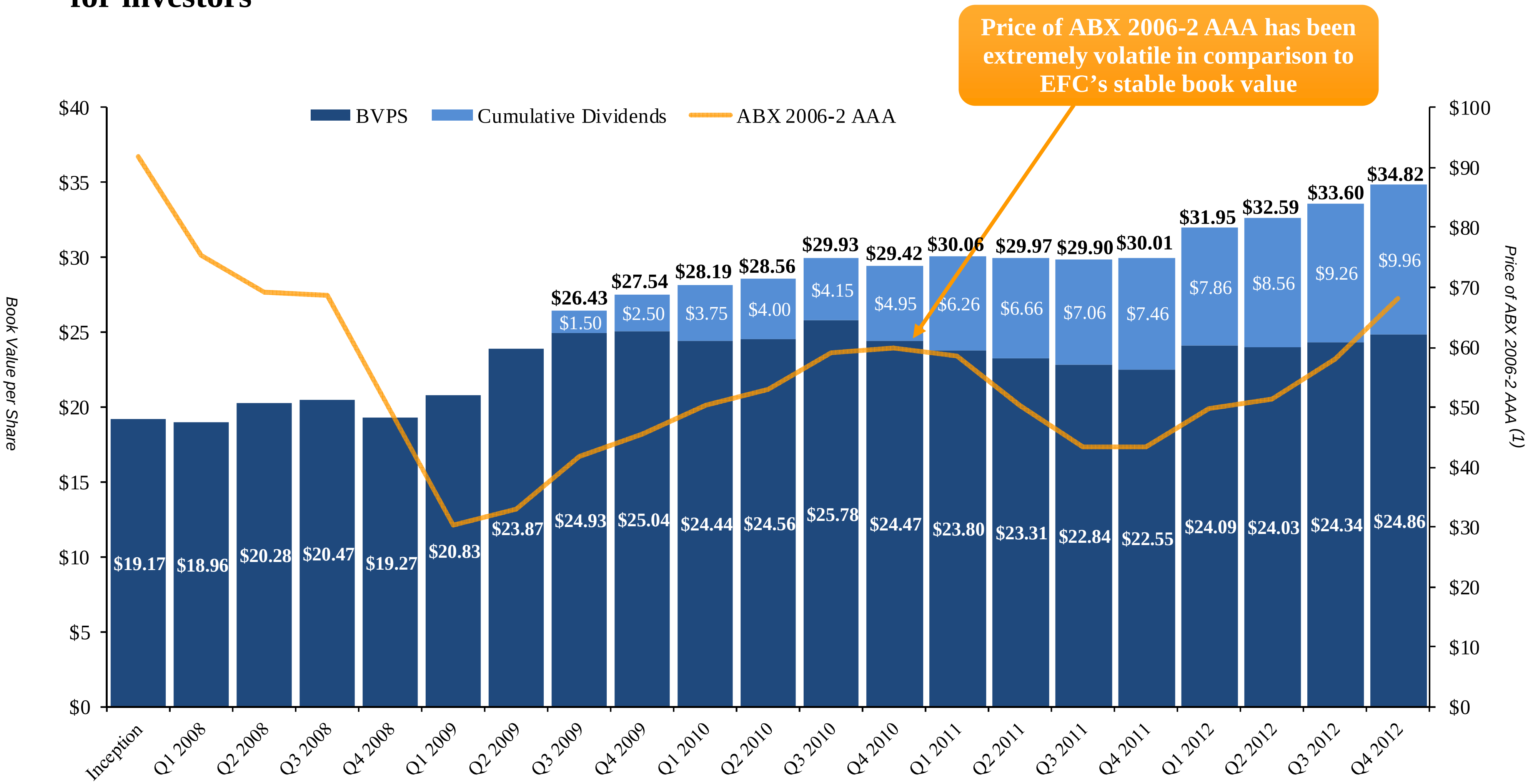
ELLINGTON FINANCIAL LLC
CONSOLIDATED STATEMENT OF ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY
(UNAUDITED)

(In thousands, except share amounts)	As of December 31, 2012	September 30, 2012	December 31, 2011
ASSETS			(1)
Cash and cash equivalents	$ 59,084	$ 69,223	$ 62,737
Investments, financial derivatives and repurchase agreements:			
Investments at fair value (Cost - $1,328,153, $1,133,991 and $1,234,203)	1,375,116	1,165,644	1,212,483
Financial derivatives - assets at fair value (Net Cost - $65,860, $75,677 and $118,281)	48,504	59,342	102,871
Repurchase agreements (Cost - $13,650, $13,780 and $15,750)	13,650	13,780	15,750
Total Investments, financial derivatives and repurchase agreements	1,437,270	1,238,766	1,331,104
Deposits with dealers held as collateral	22,744	25,194	34,163
Receivable for securities sold	626,919	524,533	533,708
Interest and principal receivable	5,719	6,587	6,127
Other assets	379	497	216
Total assets	$ 2,152,115	$ 1,864,800	$ 1,968,055
LIABILITIES			
Investments and financial derivatives:			
Investments sold short at fair value (Proceeds - $621,048, $455,057 and $459,013)	$ 622,301	$ 456,824	$ 462,394
Financial derivatives - liabilities at fair value (Net Proceeds - $13,171, $18,701 and $9,636)	15,212	20,165	27,040
Total investments and financial derivatives	637,513	476,989	489,434
Reverse repurchase agreements	905,718	660,933	896,210
Due to brokers on margin accounts	30,954	34,564	79,735
Payable for securities purchased	57,333	178,453	127,517
Securitized debt (Proceeds - $1,311, $1,409 and $0)	1,335	1,439	-
Accounts payable and accrued expenses	1,995	1,627	1,845
Base management fee payable	1,934	1,913	1,396
Incentive fee payable	7,343	9,491	-
Other payables	903	-	-
Interest and dividends payable	732	741	1,002
Total liabilities	1,645,760	1,366,150	1,597,139
SHAREHOLDERS' EQUITY	506,355	498,650	370,916
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 2,152,115	$ 1,864,800	$ 1,968,055
ANALYSIS OF SHAREHOLDERS' EQUITY:			
Common shares, no par value, 100,000,000 shares authorized; (20,370,469, 20,483,696, and 16,447,651 shares issued and outstanding)	$ 497,373	$ 489,692	$ 362,047
Additional paid-in capital - LTIP units	8,992	8,958	8,869
Total Shareholders' Equity	$ 506,355	$ 498,650	$ 370,916
PER SHARE INFORMATION:			
Common shares, no par value	$ 24.86	$ 24.34	$ 22.55
DILUTED PER SHARE INFORMATION:			
Common shares and LTIPs, no par value	$ 24.38	$ 23.88	$ 22.03

(1) Derived from audited financial statements as of December 31, 2011.

EFC: Book Value

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



- **EFC life-to-date net-asset-value-based total return from inception in August 2007 through Q4 2012 is approximately 94%**

(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 12/31/2012 book value per share is 94.2%. 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 approximately 16% of EFC; interests are aligned with shareholders**

Note: Management ownership includes shares held by principals of EMG and family trusts, and LTIPs.

Ellington Financial

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