

Ellington Financial

**EARN**

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*Ellington Financial LLC (NYSE: EFC)*

*Ellington Residential Mortgage REIT (NYSE: EARN)*

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# Important Notice: Ellington Financial LLC

## 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. Actual results may differ from the Company's beliefs, expectations, estimates, and projections and, consequently, you should not rely on these forward-looking statements as predictions of future events. Forward-looking statements are not historical in nature and can be identified by words such as "believe," "expect," "anticipate," "estimate," "project," "plan," "continue," "intend," "should," "would," "could," "goal," "objective," "will," "may," "seek," or similar expressions or their negative forms, or by references to strategy, plans, or intentions.

The Company's results can fluctuate from month to month and from quarter to quarter depending on a variety of factors, some of which are beyond the Company's control and/or are difficult to predict, including, without limitation, changes in interest rates and the market value of the Company's securities, changes in mortgage default rates and prepayment rates, the Company's ability to borrow to finance its assets, changes in government regulations affecting the Company's business, the Company's ability to maintain its exemption from registration under the Investment Company Act of 1940 and other changes in market conditions and economic trends. Furthermore, forward-looking statements are subject to risks and uncertainties, including, among other things, those described under Item 1A of our Annual Report on Form 10-K filed on March 15, 2013 which can be accessed through the Company's website at [www.ellingtonfinancial.com](http://www.ellingtonfinancial.com) or at the SEC's website ([www.sec.gov](http://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 Forms 10-Q, 10-K and 8-K. The Company undertakes 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.

## Estimated Book Value Per Share

Estimated book value per share is derived from the Company's press release dated September 9, 2013 and is an estimate. This estimate is subject to change upon completion of the Company's year-end valuation procedures relating to its investment positions that will be performed in conjunction with the Company's preparation of its annual financial statements, and any such change could be material. In preparing monthly estimates of its book value per share, the Company employs valuation procedures that are generally less comprehensive than the valuation procedures employed for the Company's quarterly and annual financial statements. Furthermore, the Company's registered independent public accountants do not perform the types of reviews or audits on the Company's monthly estimates of its book value per share that they do for the Company's quarterly or annual financial statements. It is possible that, when the Company completes its more comprehensive valuation procedures, it could determine that its book value per common share as of August 31, 2013 differs materially from the estimate set forth in this presentation. Further, there can be no assurance that the Company's estimated book value per common share as of August 31, 2013, is indicative of what the Company's results are likely to be in future periods.

## 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 information included in this presentation is as of June 30, 2013 unless otherwise indicated. We undertake no duty or obligation to update this presentation to reflect subsequent events or developments.

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# Important Notice: Ellington Residential Mortgage REIT

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**Forward-Looking Statements**

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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 in Exhibit 99.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 which can be accessed through the link to our SEC filings under "For Our Shareholders" on our website ([www.earnreit.com](http://www.earnreit.com)) or at the SEC's website ([www.sec.gov](http://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 Forms 10-Q, 10-K and 8-K. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

**Financial Information**

All financial information included in this presentation is as of June 30, 2013 unless otherwise indicated. We undertake no duty or obligation to update this presentation to reflect subsequent events or developments.

# OVERVIEW

# Introduction

## Ellington Financial LLC (NYSE: EFC)

Ellington Financial LLC (EFC) is a specialty finance company that acquires and manages mortgage-related assets, including residential mortgage-backed securities backed by prime jumbo, Alt-A, manufactured housing and subprime residential mortgage loans, residential mortgage-backed securities for which the principal and interest payments are guaranteed by a U.S. government agency or a U.S. government-sponsored enterprise, mortgage-related derivatives, commercial mortgage-backed securities, commercial mortgage loans and other commercial real estate debt, as well as corporate debt and equity securities and derivatives. Ellington Financial LLC is externally managed and advised by Ellington Financial Management LLC, an affiliate of Ellington Management Group, L.L.C.

### Market Capitalization

**Approx. \$571MM**

### Shareholders' Equity as of June 30, 2013

**\$633.2MM**

### Dividend Yield as of September 27, 2013

**13.7%<sup>1</sup>**

## Ellington Residential Mortgage REIT (NYSE: EARN)

Ellington Residential Mortgage REIT (EARN) is a mortgage real estate investment trust or REIT that specializes in acquiring, investing in and managing residential mortgage- and real estate-related assets, with a primary focus on residential mortgage-backed securities for which the principal and interest payments are guaranteed by a U.S. Government agency or a U.S. Government-sponsored enterprise. EARN is externally managed and advised by Ellington Residential Mortgage Management LLC, an affiliate of Ellington Management Group, L.L.C.

### Market Capitalization

**Approx. \$141MM**

### Shareholders' Equity as of June 30, 2013

**\$169.6MM**

### Dividend Yield as of September 27, 2013

**13.0%<sup>2</sup>**

(1) EFC dividend yield based on September 27, 2013 closing price of \$22.50.  
(2) EARN dividend yield based on September 27, 2013 closing price of \$15.37.

## EARN and EFC Contrasted

	EARN	EFC
Indicative Capital Allocation	85% Agency 15% Non-Agency	15% Agency 85% Non-Agency
Tax Structure	REIT	Publicly Traded Partnership
K-1	No	Yes
Interest Rate Hedges	Yes	Yes
Credit Hedge	No	Opportunistically
Primary Risk Exposure	Prepayment Risk	Credit Risk

# About Ellington

## Management

- Ellington Financial LLC (“EFC”) and Ellington Residential Mortgage REIT (“EARN”) are managed by affiliates of Ellington Management Group, L.L.C. (“Ellington”)

## Proven Infrastructure

- Ellington was founded in 1994 by Michael Vranos and five partners; currently has over 130 employees, giving EFC and EARN access to time-tested infrastructure and industry-leading resources in trading, research, risk management, and operational support
  - Ellington has approximately \$5.6 billion in assets under management

## Deep Securities Experience

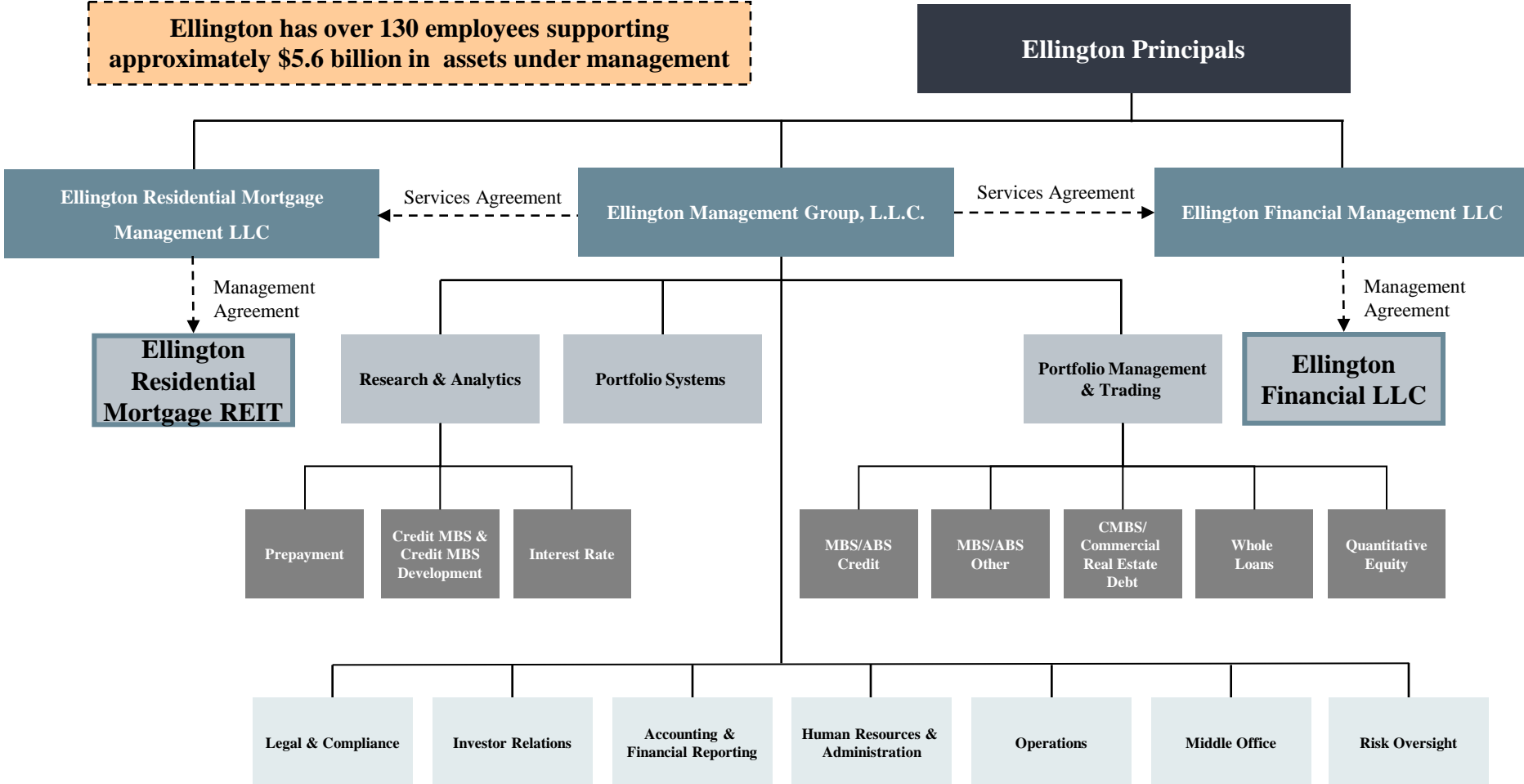
- Ellington’s portfolio managers are among the most experienced in the MBS sector and the firm’s analytics are at the industry’s cutting edge
  - Prior to forming Ellington, five of the founding partners constituted the core of Kidder Peabody’s MBS trading and research group, while one spent ten years at Lehman Brothers where he ran collateralized mortgage (“CMO”) trading
  - Many of the firm’s founding partners have degrees in mathematics or engineering from top universities, including a number of advanced degrees
  - Senior management has an average of 25 years of trading and risk management experience in the mortgage market
  - Ellington employs over 130 people; approximately 20% are dedicated to research and systems

# EFC and EARN Leverage the Broader Ellington Platform: Our Infrastructure Is A Competitive Advantage

**EARN**

Ellington Financial

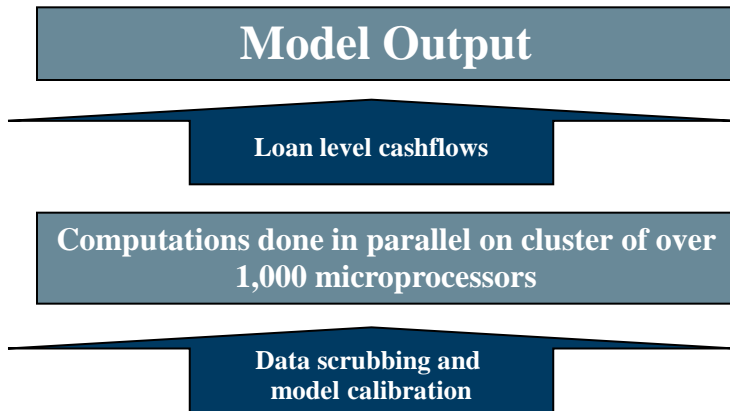
Ellington has over 130 employees supporting approximately \$5.6 billion in assets under management



Sophisticated infrastructure supports rigorous management of credit, interest rate, liquidity, and other risks



# Access to State of the Art Analytics



## Proprietary integrated analytics platform

- Managed by team of 13 dedicated professionals, led by John Geanakoplos, James Tobin Professor of Economics at Yale University
- Process starts with extensive loan level information and builds up to create aggregate forecasts

**Home Price Data**

- Data for approximately 7,000 ZIP codes
  - It’s not enough to know “California” or even “Los Angeles;” trends are identifiable on a more granular level

**Consumer Credit Data**

- Anonymized updated credit scores matched to *each individual mortgage loan*
  - Has borrower defaulted on credit cards, auto loans?
  - Has borrower taken out additional home equity loans?

**Mortgage Data**

- Payment records from many sources, covering over 100 million loans (~34 million outstanding) from all sectors
  - Loan level mortgage data is the core of Ellington’s research and analytics

**Macroeconomic Data**

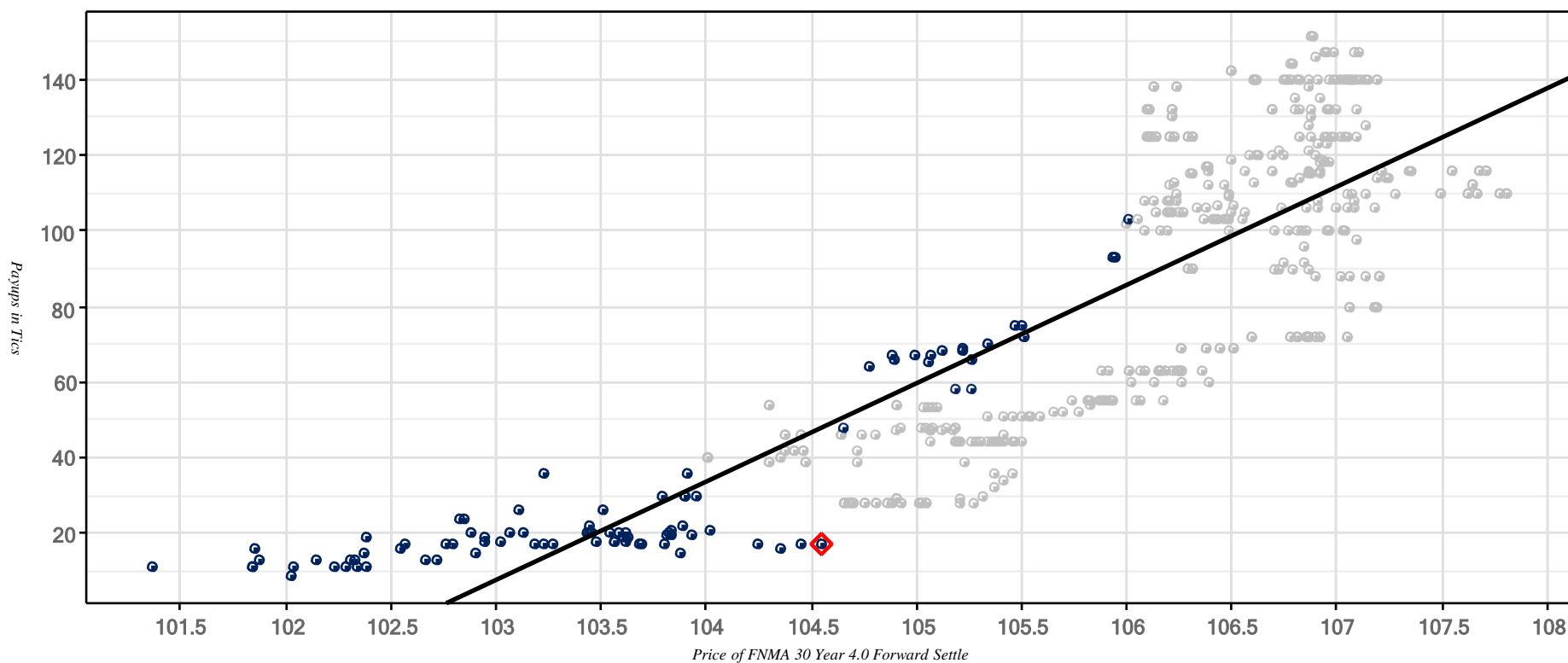
- Constant flow of data
  - Housing starts, home sales, unemployment, income

## Benefits of agent-based approach

- Understand and model each agent’s incentives naturally
  - How does the world look to each borrower, and what are his/her incentives?
  - What incentives do servicers face to modify loans, or stop advance payments on delinquent loans?

# **MARKET COMMENTARY**

# Pool Payups May Outperform in the Coming Months



## Payup Protection Available at Historically Cheap Prices

- Underperformance in specified pool payups significantly hurt the performance of many agency REITs in Q1 and Q2
- Payups for most types of pools are floored out at 0
- Fed dominance of the mortgage market has been a catalyst of payup underperformance
- We expect payups to begin to outperform once the Fed starts to taper

Source: Barclays

Note: Regression analysis going back to January 1, 2012

# Price and Payup Changes in September

- Payups that had decreased substantially between early May and early July have been very slow to recover

Cpn	Spec	5/3/2013		9/6/2013		9/25/2013	
		Level	Level	Chg	Level	Chg	
3.5	TBA	106.15	98.58	-242	101.74	101	
	LLB	45	4	-41	7	3	
	MLB	38	3	-36	4	2	
	HLB	27	1	-26	2	1	
	MHA 90-95	20	0	-20	0	0	
	MHA 100-105	36	1	-35	1	0	
	CQ	30	-35	-65	-25	10	
	CR	18	-48	-66	-37	11	
4.0	TBA	106.80	102.26	-145	104.66	77	
	LLB	114	12	-102	22	10	
	MLB	104	8	-96	16	8	
	HLB	76	5	-72	11	7	
	MHA 90-95	74	2	-70	4	2	
	MHA 100-105	98	7	-89	9	2	
	CQ	111	-20	-131	-9	11	
	CR	100	-35	-135	-24	11	
4.5	TBA	107.59	105.02	-82	106.71	54	
	LLB	128	33	-95	44	11	
	MLB	110	25	-85	38	13	
	HLB	74	15	-59	26	11	
	CQ CR	135	8	-127	24	16	
		120	0	-120	17	17	
10yr Tsy		1.80	2.99	119	2.66	-33	

Source: J.P. Morgan

Note: Levels and changes for specified pools and changes for TBAs are shown in tics (1/32 of a point)

# APPENDIX

# Ellington Financial: Overview

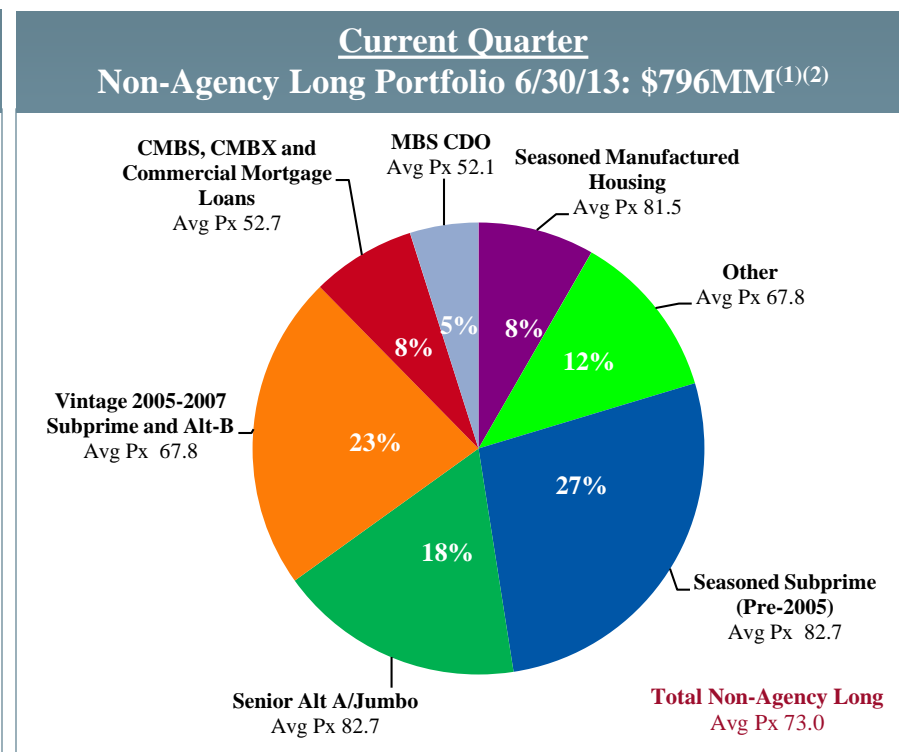
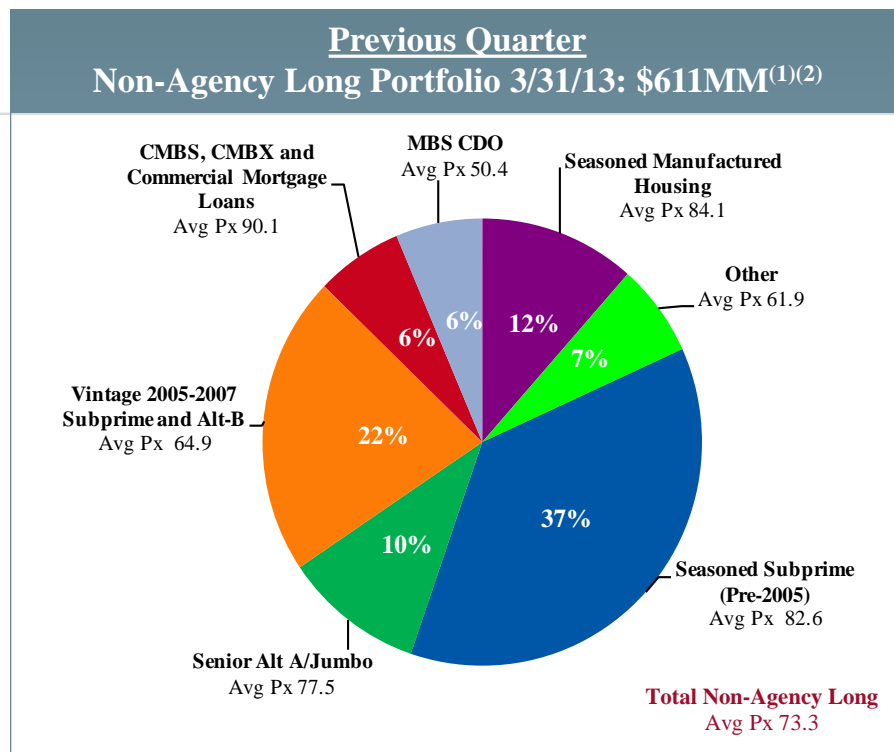
<b>High-Yielding Non-Agency Strategy</b>	<ul style="list-style-type: none"> <li>■ Seeks to buy high-yielding non-Agency mortgage assets at a discount; assets produce significant carry</li> </ul>
<b>Strong Risk-Adjusted Agency RMBS Returns</b>	<ul style="list-style-type: none"> <li>■ Leveraged Agency RMBS strategy has also generated strong returns</li> </ul>
<b>Active Trading</b>	<ul style="list-style-type: none"> <li>■ Active trading style augments returns in both non-Agency and Agency strategies</li> </ul>
<b>Interest Rate AND Credit Hedging Ability</b>	<ul style="list-style-type: none"> <li>■ Utilizes interest rate AND credit hedging instruments to insulate portfolio</li> </ul>
<b>Lower Leverage</b>	<ul style="list-style-type: none"> <li>■ Utilizes lower leverage relative to its mortgage REIT peers – 2.02:1 debt to equity ratio as of June 30, 2013</li> </ul>
<b>Attractive Dividend Yield</b>	<ul style="list-style-type: none"> <li>■ Dividend yield—13.7% based on closing price as of September 27, 2013 of \$22.50             <ul style="list-style-type: none"> <li>■ Management expects to continue to recommend quarterly dividends of \$0.77 per share<sup>(1)</sup> until conditions warrant otherwise</li> <li>■ Board of Directors will consider, at the end of any year, whether to declare a special dividend, taking into account earnings and other factors</li> </ul> </li> </ul>
<b>Strong Returns</b>	<ul style="list-style-type: none"> <li>■ Life-to-date total return from inception in August 2007 through August 31, 2013 is an estimated 115%<sup>(2)</sup></li> </ul>
<b>Aligned Interests</b>	<ul style="list-style-type: none"> <li>■ Management owns over 13% of EFC; interests are aligned with shareholders<sup>(3)</sup></li> </ul>

(1) We cannot assure you that we will pay any future dividends to our shareholders. The declaration and amount of future dividends remains at the discretion of the Board of Directors.

(2) Life-to-date total return based on \$19.17 net book value per share at inception in August 2007 and is calculated assuming the reinvestment of dividends.

(3) Management ownership includes shares held by principals of EMG and family trusts, and operating partnership units attributable to non-controlling interest.

# Ellington Financial: Non-Agency Long Portfolio



■ **Non-Agency portfolio is currently concentrated in**

- Seasoned securities where underlying borrowers have equity in their homes and where borrower performance has improved
- Securities that maintain attractive yields when subjected to moderate home price stresses

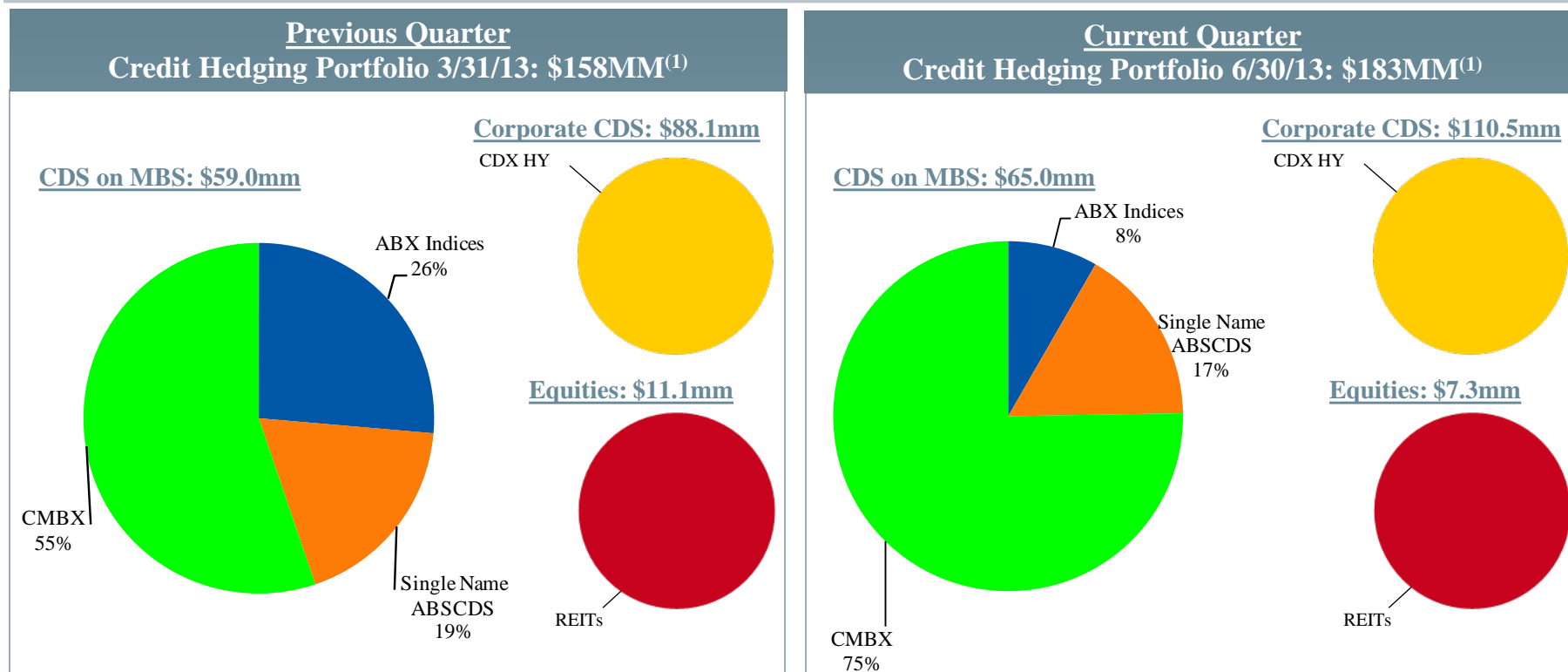
■ **During the second quarter non-Agency portfolio increased**

- Deployment of net offering proceeds
- Continued to opportunistically purchase CLOs, including debt and equity tranches
- Becoming increasingly active in small balance non-performing commercial whole loans

(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 \$27.9 million of long CMBX positions and \$2.3 million of long Primex positions at June 30, 2013, and \$23.5 million of long CMBX positions and \$2.4 million of long Primex positions at March 31, 2013. The corresponding net fair value of net long credit derivatives is \$(13.5) million at June 30, 2013 and \$(14.1) million at March 31, 2013.

(2) Average price excludes interest-only, principal-only, equity tranches, and other similar securities and long credit derivatives at June 30, 2013 and March 31, 2013.

# Ellington Financial: Credit Hedging and Other Portfolio



■ **During the second quarter:**

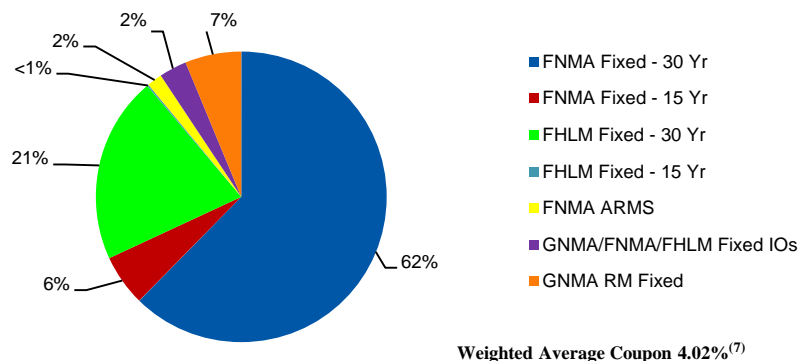
- Continuing to reduce ABX indices—they have become less effective for hedging purposes—rather, we are focusing on non-mortgage hedges that may protect us better in an economic downturn, e.g., short position on CDX indices and total return swaps

(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 \$175.5 million at June 30, 2013 and \$147.1 million at March 31, 2013. The corresponding net fair value of short CDS on MBS and short Corporate CDS is \$26.0 million at June 30, 2013 and \$33.0 million at March 31, 2013. For equities, the amounts above represent notional value defined as the number of underlying shares multiplied by price per share at June 30, 2013 and March 31, 2013. The net short 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 short notional value of \$11.1 million as of March 31, 2013 represents a gross short notional value of \$13.6 million offset by a gross long notional value of \$2.4 million. The net fair value of common stock held long and short as of June 30, 2013 was \$(3.1) million. No common stock was held as of March 31, 2013. The net fair value of equity swaps was \$8.0 thousand as of June 30, 2013 and \$0.03 million as of March 31, 2013.

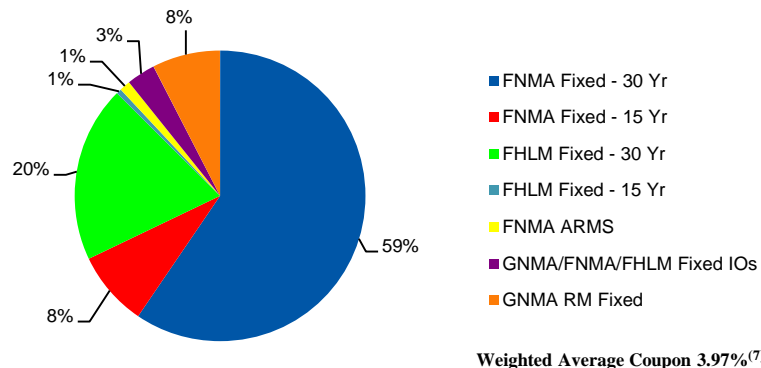


# Ellington Financial: Agency Long Portfolio

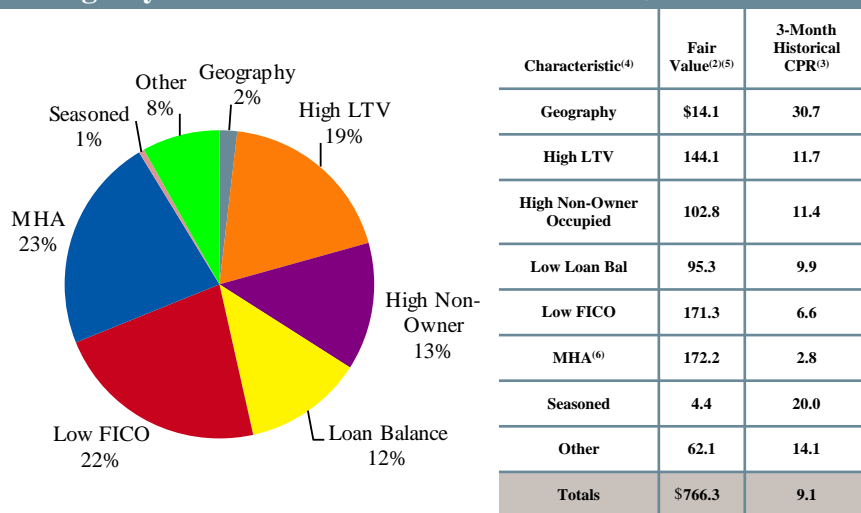
**Previous Quarter**  
Agency Long Portfolio 3/31/13: \$861MM<sup>(1)</sup>



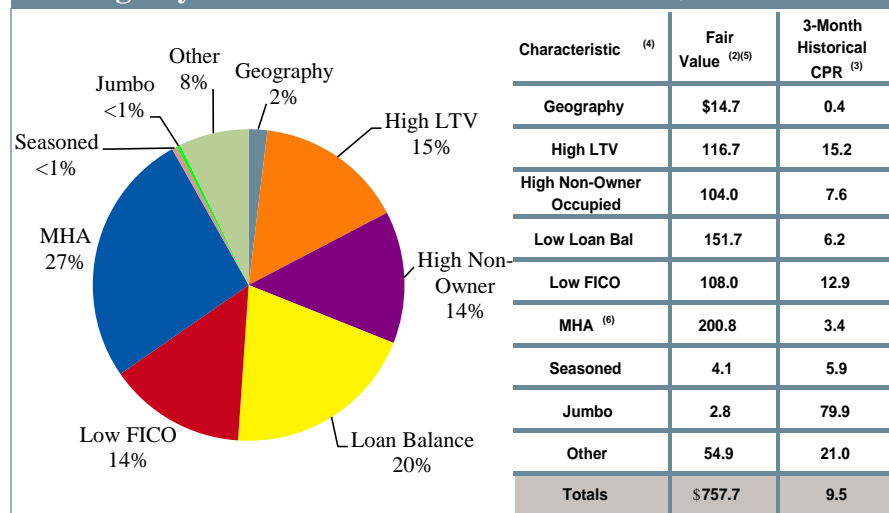
**Current Quarter**  
Agency Long Portfolio 6/30/13: \$861MM<sup>(1)</sup>



**Collateral Characteristics and Historical 3-month CPR**  
Agency Fixed Rate Pool Portfolio 3/31/13: \$766MM<sup>(2)</sup>

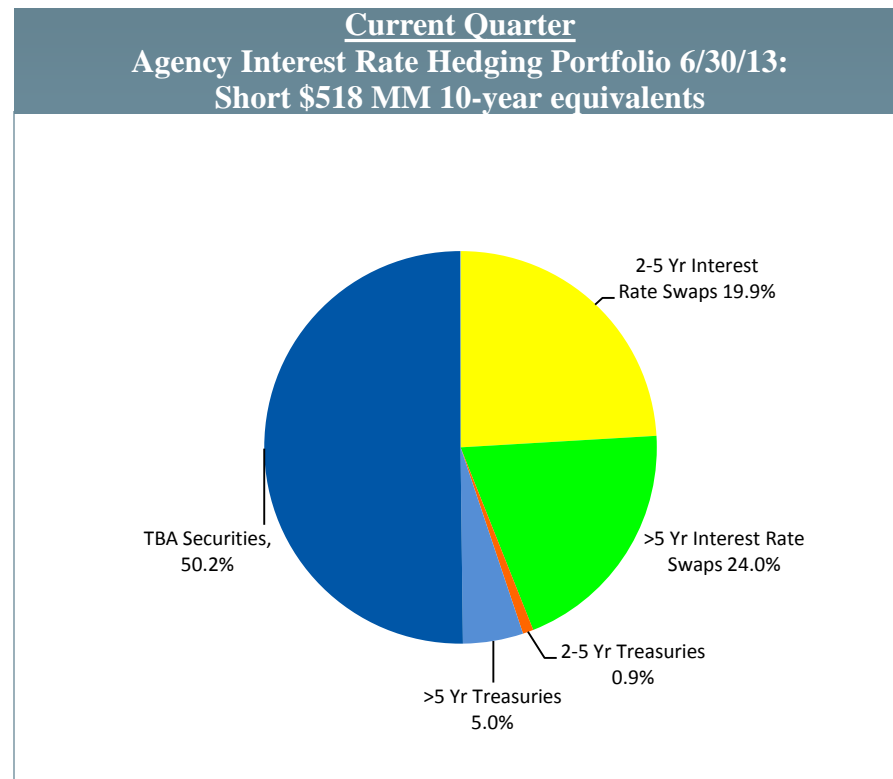
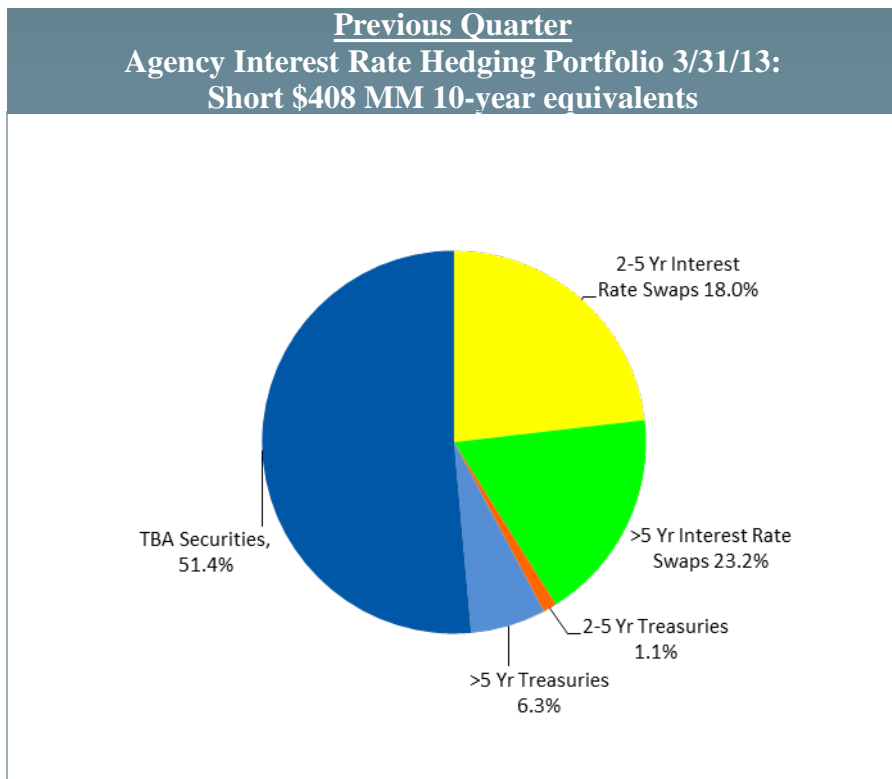


**Collateral Characteristics and Historical 3-month CPR**  
Agency Fixed Rate Pool Portfolio 6/30/13: \$758MM<sup>(2)</sup>



(1) Does not include long TBA positions. Agency long portfolio includes \$833.3 million of long Agency securities at June 30, 2013 and \$844.8 million at March 31, 2013. Additionally, the long Agency portfolio includes \$27.4 million of interest-only securities at June 30, 2013 and \$16.2 million at March 31, 2013.  
 (2) Excludes interest-only securities with a value of \$27.4 million at June 30, 2013 and \$16.2 million at March 31, 2013 and reverse mortgage pool securities with a value of \$65.1 million at June 30, 2013 and \$64.0 million at March 31, 2013.  
 (3) Excludes interest-only securities and Agency fixed rate RMBS without any prepayment history with a total value of \$48.8 million at June 30, 2013 and \$53.5 million at March 31, 2013.  
 (4) Classification methodology may change over time as market practices change.  
 (5) Fair values are shown in millions.  
 (6) "MHA" indicates those pools where underlying borrowers have participated in the Making Homes Affordable program.  
 (7) Represents weighted average net pass-through rate. Excludes interest-only securities.

# Ellington Financial: Agency Interest Rate Hedging Portfolio



- Agency interest rate hedges are shown in normalized units of risk, with each group of positions measured in “10-year equivalents.”
- During the second quarter:
  - As interest rates rose, duration of short TBAs increased, thereby increasing our hedged position on the basis of 10-year equivalents

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.

# Ellington Financial: Gross Profit and Loss

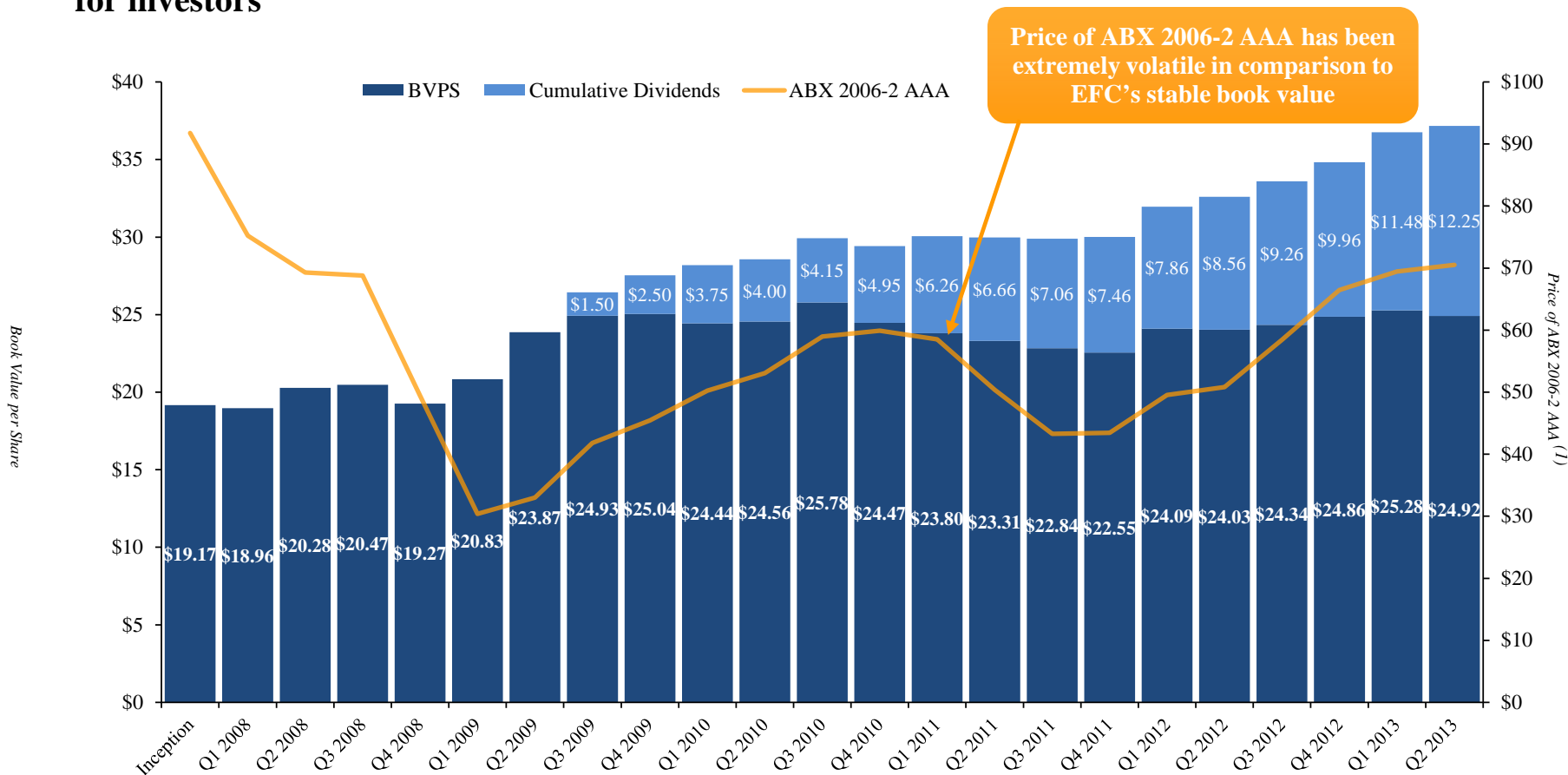
- In times of MBS market distress, the use of hedging instruments has been effective in insulating long non-Agency portfolio from credit risk

	Six Months Ended		Years Ended									
	June 30, 2013		2012		2011		2010		2009		2008	
(\$ In thousands)	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
Long: Non-Agency	60,711	10.92	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	(6,739)	(1.21)	(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	9,435	1.70	(3,851)	(0.89)	(8,171)	(2.12)	(12,150)	(3.75)	(1,407)	(0.50)	(3,446)	(1.40)
Long: Agency	(24,265)	(4.36)	37,701	8.72	63,558	16.47	21,552	6.65	22,171	7.92	4,763	1.93
Interest Rate Hedge: Agency	24,379	4.38	(20,040)	(4.63)	(54,173)	(14.04)	(14,524)	(4.48)	(8,351)	(2.98)	(6,414)	(2.60)
<b>Gross Profit</b>	<b>63,521</b>	<b>11.43</b>	<b>128,998</b>	<b>29.83</b>	<b>22,614</b>	<b>5.86</b>	<b>57,760</b>	<b>17.83</b>	<b>124,294</b>	<b>44.39</b>	<b>8,711</b>	<b>3.54</b>

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

# Ellington Financial: 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 August 2013 is approximately 115%
- EFC estimated diluted book value as of August 31, 2103 is \$24.03
- EFC year-to-date net-asset-value-based total return through August 2013 is 10.80%

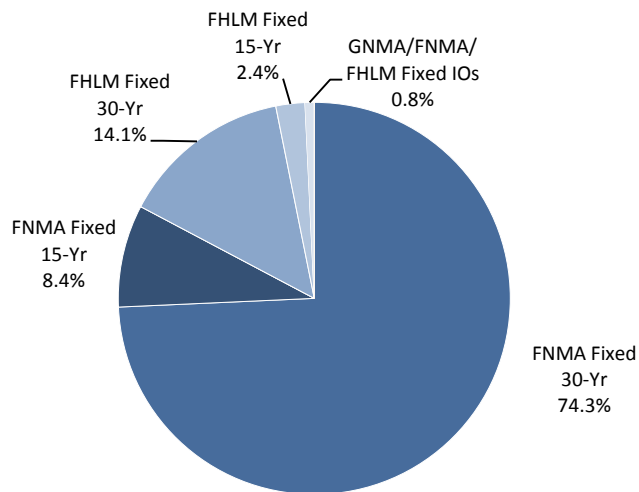
(1) Source: Bloomberg, Markit  
 Note: Total return is based on \$19.17 net book value per share at inception in August 2007 and is calculated assuming the reinvestment of dividends. Total return from inception using the estimated August 31, 2013 book value per share is 115.20%. Dividends were paid in the quarter following the period related to such performance.

# Ellington Residential: Overview

<b>Strong Risk-Adjusted Agency RMBS Returns</b>	<ul style="list-style-type: none"> <li>■ Primary focus on Agency RMBS</li> <li>■ Leveraged Agency RMBS strategy seeks to generate strong returns</li> </ul>
<b>High-Yielding Non-Agency Strategy</b>	<ul style="list-style-type: none"> <li>■ Seeks to buy high-yielding non-Agency mortgage assets at a discount; assets produce significant carry</li> </ul>
<b>Shareholders' Equity</b>	<ul style="list-style-type: none"> <li>■ Shareholders' equity of \$169.6 million as of June 30, 2013</li> <li>■ Completed initial public offering and concurrent private placement, increasing shareholders' equity by \$148.5 million</li> </ul>
<b>Portfolio</b>	<ul style="list-style-type: none"> <li>■ Agency RMBS Portfolio: \$1.3 billion             <ul style="list-style-type: none"> <li>■ 100% Fixed Rate</li> </ul> </li> <li>■ Non-Agency RMBS Portfolio: \$38.8 million</li> </ul>
<b>Leverage</b>	<ul style="list-style-type: none"> <li>■ Debt to equity ratio: 7.2:1</li> <li>■ Average cost of funds 0.38% for the quarter or 1.19% including interest rate swaps</li> </ul>
<b>Dividend</b>	<ul style="list-style-type: none"> <li>■ Declared third quarter dividend of \$0.50 per share (payable October 2013), representing an annualized dividend yield of 13.0% based on September 27, 2013 closing price of \$15.37</li> </ul>

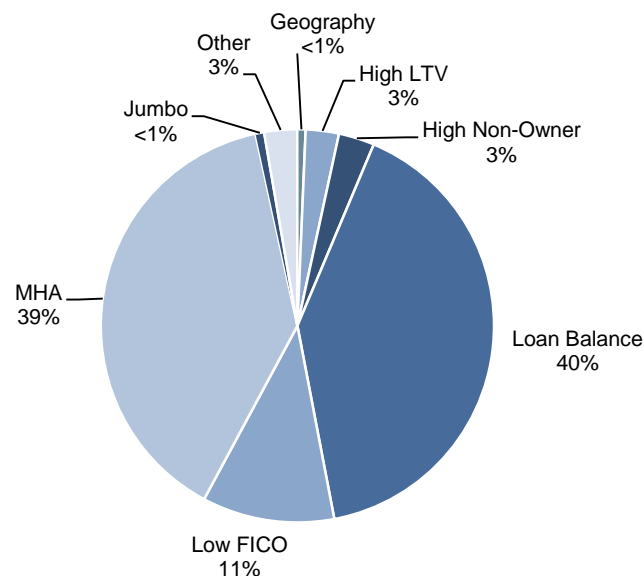
# Ellington Residential: Agency Long Portfolio

## Agency Long Portfolio As of 6/30/13: \$1.3BN<sup>(1)</sup>



Category	Fair Value <sup>(1)</sup>	Weighted Average Coupon
FNMA Fixed - 30-Yr	\$975.2	3.56
FNMA Fixed - 15-Yr	110.9	3.02
FHLM Fixed - 30-Yr	185.3	3.36
FHLM Fixed - 15-Yr	31.4	3.00
GNMA/FNMA/FHLM Fixed IOs	9.9	3.63
<b>Total</b>	<b>\$1312.7</b>	<b>3.48</b>

## Collateral Characteristics and Historical 3-month CPR Agency Fixed Rate Pool Portfolio 6/30/13: \$1.3BN<sup>(2)</sup>



Characteristic <sup>(4)</sup>	Fair Value <sup>(2)(5)</sup>	3-Month CPR % <sup>(3)</sup>
Geography	\$8.7	16.9
High LTV	35.5	5.4
High Non-Owner	38.5	0.3
Loan Balance	529.6	1.8
Low FICO	141.6	2.8
MHA <sup>(6)</sup>	504.3	0.5
Jumbo	9.3	0.7
Other	35.3	6.5
<b>Total</b>	<b>\$1302.8</b>	<b>1.7</b>

(1) Does not include long TBA positions. Agency long portfolio includes \$1.3 billion of long Agency securities at June 30, 2013. Additionally, the long Agency portfolio includes \$9.9 million of interest only securities at June 30, 2013.

(2) Excludes interest only securities with a value of \$9.9 million at June 30, 2013.

(3) Excludes interest only securities and Agency fixed rate RMBS without any prepayment history with a total value of \$213.8 million at June 30, 2013.

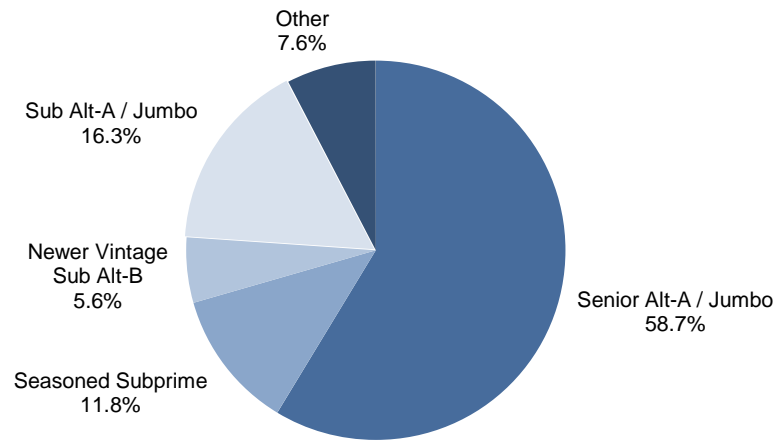
(4) Classification methodology may change over time as market practices change.

(5) Fair values are shown in millions.

(6) "MHA" indicates those pools where underlying borrowers have participated in the Making Homes Affordable program.

# Ellington Residential: Non-Agency Long Portfolio

Current Quarter  
Non-Agency Long Portfolio 6/30/13: \$38.8MM



Total Non-Agency Long  
Avg Px 62.2

- Average book yield on portfolio during second quarter: 7.75%
- Non-Agency yields also increased during the quarter

# Ellington Residential: Interest Rate Hedging Portfolio

Interest Rate Swaps					
June 30, 2013					
Maturity	Notional Amount	Fair Value	Weighted Average Pay Rate	Weighted Average Receive Rate	Weighted Average Years to Maturity
(In thousands)					
2017	\$ 40,000	\$ 181	1.05%	0.27%	3.95
2018	183,000	4,117	1.03%	0.27%	4.89
2020	271,900	8,711	1.61%	0.27%	6.90
2023	204,000	10,192	2.10%	0.27%	9.89
2043	82,000	2,995	3.25%	0.26%	29.94
<b>Total</b>	<b>\$ 780,900</b>	<b>\$ 26,196</b>	<b>1.74%</b>	<b>0.27%</b>	<b>9.48</b>

TBA Securities				
	Notional Amount <sup>(1)</sup>	Cost Basis <sup>(2)</sup>	Market Value <sup>(3)</sup>	Net Carrying Value <sup>(4)</sup>
<b>Total TBA and forward settling securities, net</b>	<b>\$ (345,814)</b>	<b>\$ (358,657)</b>	<b>\$ (356,567)</b>	<b>\$ 2,090</b>

(1) Notional amount represents the principal balance of the underlying Agency MBS.

(2) Cost basis represents the forward price to be paid for the underlying Agency MBS.

(3) Market value represents the current market value of the underlying Agency MBS (on a forward delivery basis) as of June 30, 2013.

(4) Net carrying value represents the difference between the market value of the TBA contract as of June 30, 2013 and the cost basis and is reported in the Derivative assets, at fair value and Derivative liabilities, at fair value on the Consolidated Balance Sheet.



Ellington Financial

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