Ellington Financial

EARN

ELLINGTON RESIDENTIAL MORTGAGE REIT

JMP Financial Services & Real Estate Conference

September 30, 2014

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. Our actual results may differ from our beliefs, expectations, estimates, and projections and, consequently, you should not rely on these forward-looking statements as predictions of future events. Forward-looking statements are not historical in nature and can be identified by words such as "believe," "expect," "anticipate," "estimate," "project," "plan," "continue," "intend," "should," "would," "could," "goal," "objective," "will," "may," "seek," or similar expressions or their negative forms, or by references to strategy, plans, or intentions. Examples of forward-looking statements in this presentation include projections regarding our operating expense ratio, our dividend policy, and home price appreciation, among others.

The Company's results can fluctuate from month to month and from quarter to quarter depending on a variety of factors, some of which are beyond the Company's control and/or are difficult to predict, including, without limitation, changes in interest rates and the market value of the Company's securities, changes in mortgage default rates and prepayment rates, the Company's ability to borrow to finance its assets, changes in government regulations affecting the Company's business, the Company's ability to maintain its exemption from registration under the Investment Company Act of 1940 and other changes in market conditions and economic trends. Furthermore, forward-looking statements are subject to risks and uncertainties, including, among other things, those described under Item 1A of our Annual Report on Form 10-K filed on March 14, 2014 which can be accessed through the Company's website at www.ellingtonfinancial.com or at the SEC's website (www.sec.gov). Other risks, uncertainties, and factors that could cause actual results to differ materially from those projected may be described from time to time in reports we file with the SEC, including reports on Form 10-Q, 10-K and 8-K. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Modeling

Some statements in this presentation may be derived from proprietary models developed by Ellington Management Group, L.L.C. ("Ellington"). Some examples provided may be based upon the hypothetical performance of such models. Models, however, are inherently imperfect and subject to a number of risks, including that the underlying data used by the models is incorrect, inaccurate, or incomplete, or that the models rely upon assumptions that may prove to be incorrect. The utility of model-based information is highly limited. The information is designed to illustrate Ellington's current view and expectations and is based on a number of assumptions and limitations, including those specified herein. Certain models make use of discretionary settings or parameters which can have a material effect on the output of the model. Ellington exercises discretion as to which settings or parameters to use in different situations, including using different settings or parameters to model different securities. Actual results and events may differ materially from those described by such models.

Example Analyses

The example analyses included herein are for illustrative purposes only and are intended to illustrate Ellington's analytic approach. They are not and should not be considered a recommendation to purchase or sell any security or a projection of the Company's future results or performance. The example analyses are only as of the date specified and do not reflect changes since that time.

Projected Yields and Spreads

Projected yields and spreads discussed herein are based upon Ellington models and rely on a number of assumptions, including as to prepayment, default and interest rates and changes in home prices. Such models are inherently imperfect and there is no assurance that any particular investment will perform as predicted by the models, or that any such investment will be profitable. Projected yields are presented for the purposes of (i) providing insight into the strategy's objectives, (ii) detailing anticipated risk and reward characteristics in order to facilitate comparisons with other investments, (iii) illustrating Ellington's current views and expectations, and (iv) aiding future evaluations of performance. They are not a guarantee of future performance. They are based upon assumptions regarding current and future events and conditions, which may not prove to be accurate. There can be no assurance that the projected yields will be achieved. Investments involve risk of loss.

Financial Information

All financial information included in this presentation is as of June 30, 2014 unless otherwise indicated. We undertake no duty or obligation to update this presentation to reflect subsequent events or developments.

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EFC and EARN Advantages

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Experienced Management	■ Affiliates of Ellington Management Group, L.L.C. (“Ellington”) manage Ellington Financial LLC (NYSE: EFC) and Ellington Residential Mortgage REIT (NYSE: EARN)
	  ■ Founded in 1994 by Michael Vranos and five partners
	  ■ $5.6 billion in AUM as of August 31, 2014, primarily invested in mortgage- and real estate-related securities
	  ■ Senior management has an average of 25 years of trading and risk management experience in the mortgage market

Mortgage Modeling Expertise	■ Industry-leading resources and focus on research and systems
	  ■ Sophisticated proprietary models for prepayment and credit analysis
	  ■ Approximately 18% of employees dedicated to research and systems

Active Trading	■ Active trading is a fundamental component of many of our strategies ■ With dealer balance sheets and appetite for risk-taking curtailed, we can act as a liquidity provider to the market to augment returns in both non-Agency and Agency strategies ■ Active trading helps us get more accurate price discovery, gauge the true depth of the market, and improve our portfolio
Book Value Preservation	■ Portfolios are constructed to be interest rate-neutral and dynamically hedged in order to protect against volatility ■ Only seek to take risk when we believe our modeling expertise and experience give us an advantage ■ Outperformed peers with respect to book value stability in 2013

EFC: Overview

Portfolio	■ Specialty finance company that acquires and manages mortgage-related and other target assets ■ 80 to 85% of capital is allocated to non-Agency and diversified structured credit assets, remaining 15 to 20% allocated to Agency securities
Market Cap	■ $743 million as of September 29, 2014
Flexible Structure	■ Publicly traded partnership (PTP) structure allows us to utilize both interest rate and credit hedging instruments to insulate the portfolio ■ Enables us to capture upside and protect against downside
Lower Leverage	■ Lower leverage relative to mortgage REIT peers – 1.89:1 debt to equity ratio as of June 30, 2014
Attractive Current Dividend Yield	■ Dividend yield—13.9% based on September 29, 2014 closing price of $22.23 ■ $0.77 dividend per share for Q2 2014, the seventh consecutive quarter at this level
Strong Returns on Book Value	■ August 31, 2014 diluted book value per share of $23.62 ■ Life-to-date total return from inception in August 2007 through August 31, 2014 is 140%(1)
Aligned Interest	■ Management owns over 10% of EFC as of September 30, 2014; interests are aligned with shareholders(2)

(1) 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.
(2) Management ownership includes shares held and LTIP units by principals of EMG and their family trusts, and operating partnership units attributable to non-controlling interests.

EFC: Compelling Long-Term Performance

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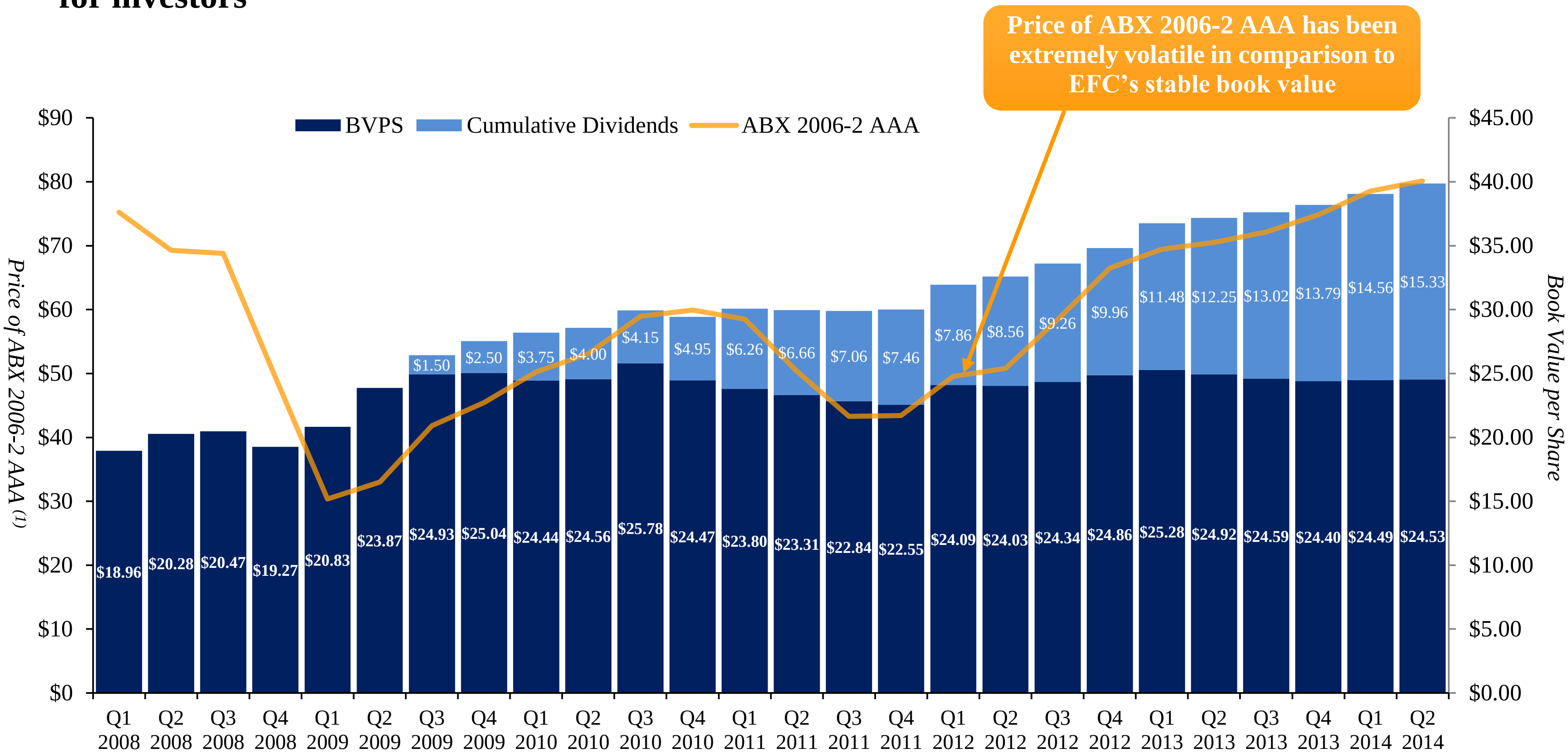
- **EFC has successfully preserved book value through market cycles, while producing strong results for investors**



- **EFC life-to-date net-asset-value-based total return from inception in August 2007 through August 2014 is approximately 140%**

(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 August 31, 2014 book value per share is 139.68%. Dividends were paid in the quarter following the period related to such performance.

EFC: Long Portfolio as of June 30, 2014

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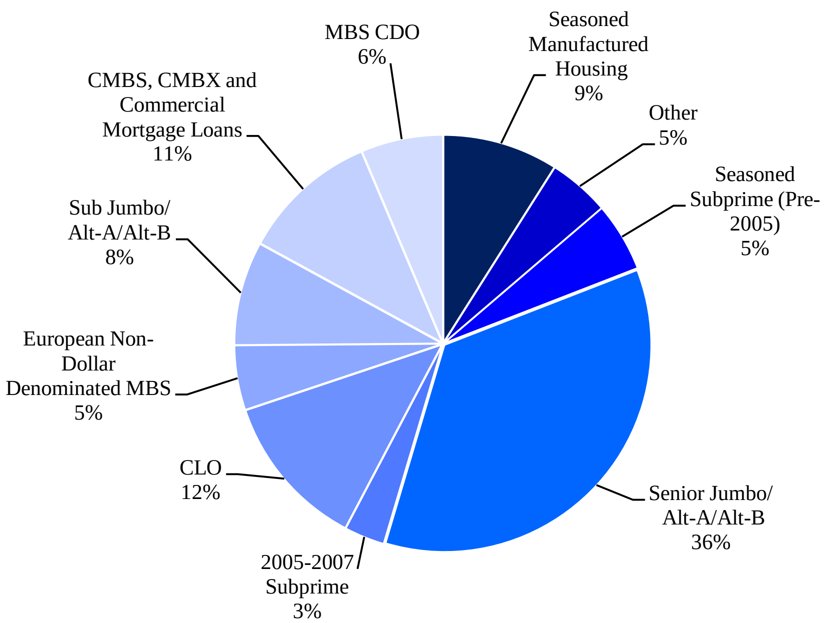
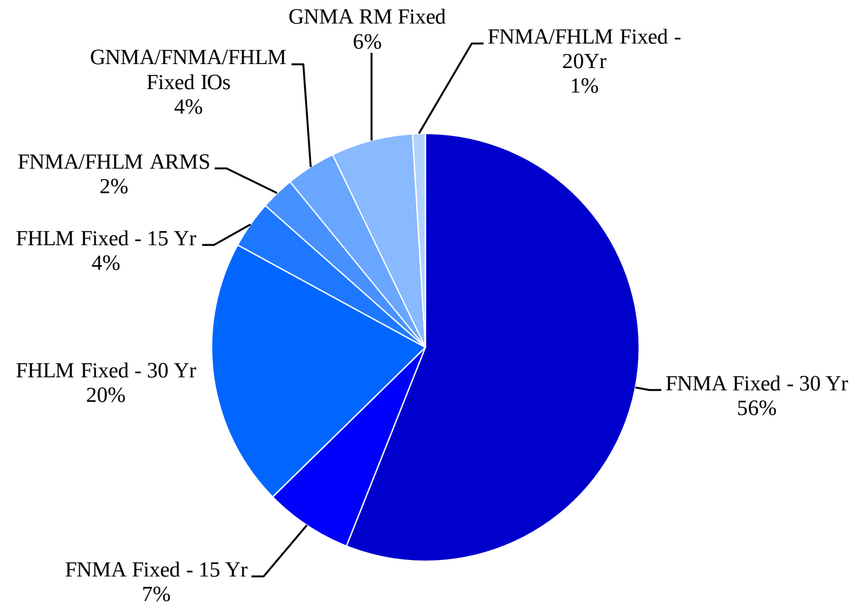
Non-Agency Long Portfolio

$670 Million(1)



Agency RMBS Long Portfolio

$962 Million(2)



(1) Non-Agency portfolio includes net long PrimeX and CMBX, based on their respective bond equivalent values. Bond equivalent values for CDS represent the investment amount of a corresponding position in the reference obligation or index constituents, calculated assuming a price equal to the difference between (i) par and (ii) the tear up price ("points up front"). This information does not include interest rate swaps, TBA positions, corporate CDS, common stock and equity swaps, or other hedge positions. The bond equivalent value of credit derivatives in the non-Agency long portfolio include $10.5 million of long CMBX positions and $1.9 million of long PrimeX positions at June 30, 2014. The corresponding net fair value of net long PrimeX and CMBX is $(3.8) million at June 30, 2014.

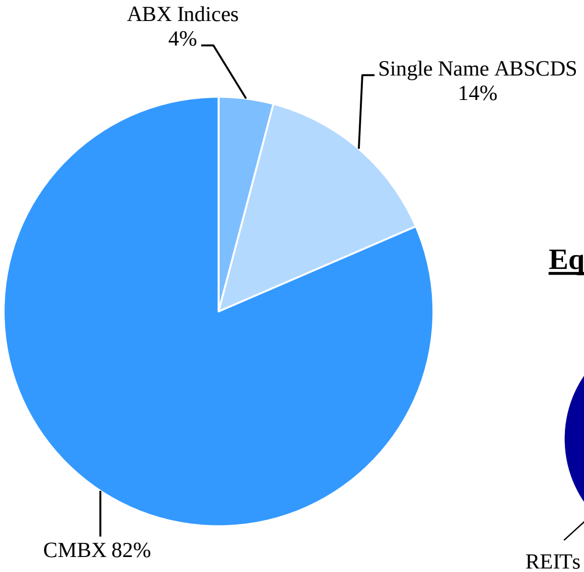
(2) Does not include long TBA positions. Agency long portfolio includes $925.6 million of long Agency securities at June 30, 2014. Additionally, the long Agency portfolio includes $36.2 million of interest only securities at June 30, 2014.

EFC: Hedging Portfolio as of June 30, 2014

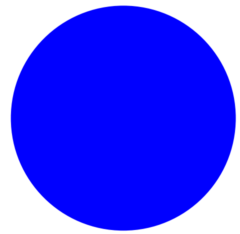
Non-Agency Credit Hedging & Other Portfolio

$234 Million(1)

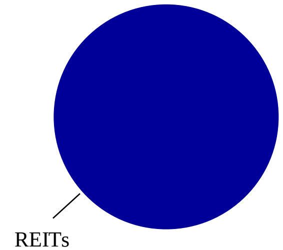
CDS on MBS: $67.4mm



Corporate CDS: $158.4mm

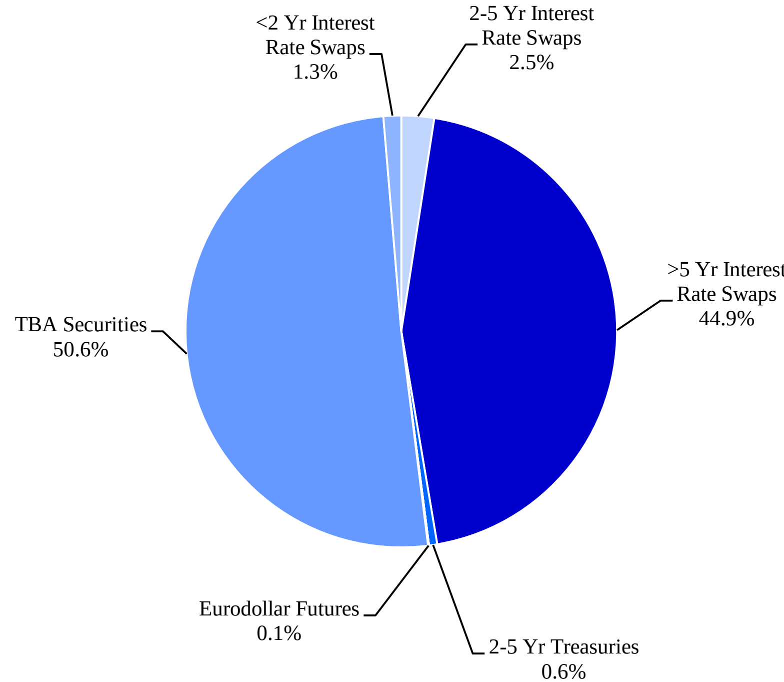


Equities: $7.7mm
Net Short



Agency Interest Rate Hedging Portfolio

Short $391 Million 10-Year Equivalents(2)



(1) Credit hedging portfolio includes synthetic credit positions based on their respective bond equivalent values in the case 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 $225.8 million as of June 30, 2014. The corresponding net fair value of short CDS on MBS and short Corporate CDS is $(9.2) million as of June 30, 2014. For equities, the amounts above represent notional value, defined as the number of underlying shares multiplied by price per share, as of June 30, 2014. The net short equities notional value of $7.7 million as of June 30, 2014 represents a gross long notional value of $31.5 million offset by a gross short notional value of $39.2 million. The net fair value of common stock held short as of June 30, 2014 was $25.7 million. The net fair value of the equity swaps evidencing the equity positions was $(18) thousand as of June 30, 2014.

(2) "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: Diversification Has Widened Our Scope

We've strategically expanded into adjacent areas where we can leverage our expertise and analytical capabilities to broaden our sources of return

- European RMBS, CMBS, and ABS
- CMBS and Other CRE Debt
- CLOs (Focus on Legacy Product)
- Strategic Investments in Mortgage Originators
- Distressed Small Balance Commercial Mortgage Loans
- Consumer ABS and Loans
- Non-Performing Residential Mortgage Loans
- Non-QM Opportunities

EARN: Overview

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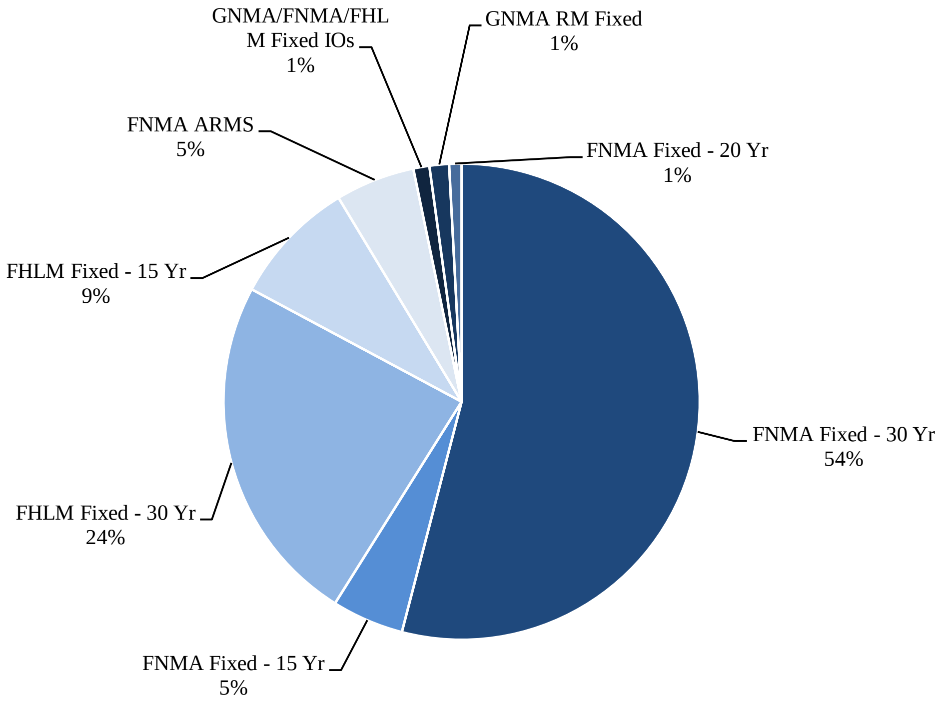
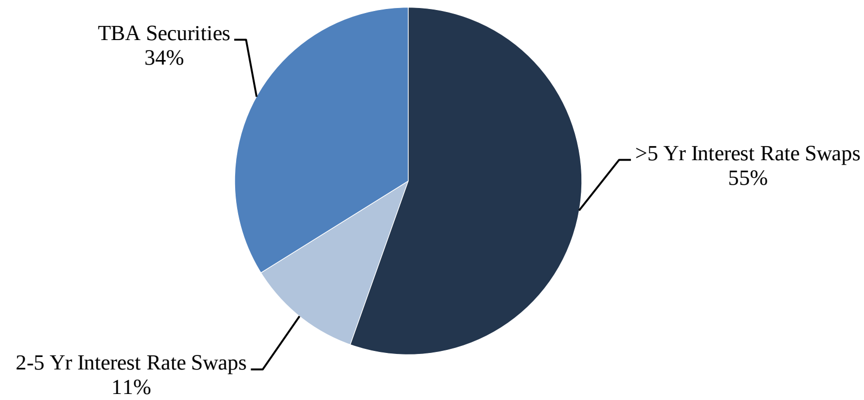
Portfolio	■ Mortgage REIT that specializes in acquiring and managing residential mortgage- and real estate-related assets, with a primary focus on Agency RMBS ■ 80 to 85% of capital is allocated to Agency securities, remaining 15 to 20% in non-Agency assets
Market Cap	■ $151 million as of September 29, 2014
Moderate Leverage	■ 7.5:1 debt to equity ratio as of June 30, 2014
Attractive Current Dividend Yield	■ Dividend yield—13.3% based on September 29, 2014 closing price of $16.49 ■ $0.55 dividend per share declared for Q3 2014, the third consecutive quarter at this level following a 10% increase in Q1 2014
Strong Returns on Book Value	■ 6.6% economic return on book value from March 31, 2013 (pre-IPO) through June 30, 2014 ■ Average economic return on book value for Agency REIT peers was negative during the same period
Strategic Partner	■ Initially formed through a strategic venture with Blackstone, which owns approximately 28% of EARN

EARN: Portfolio Summary as of June 30, 2014

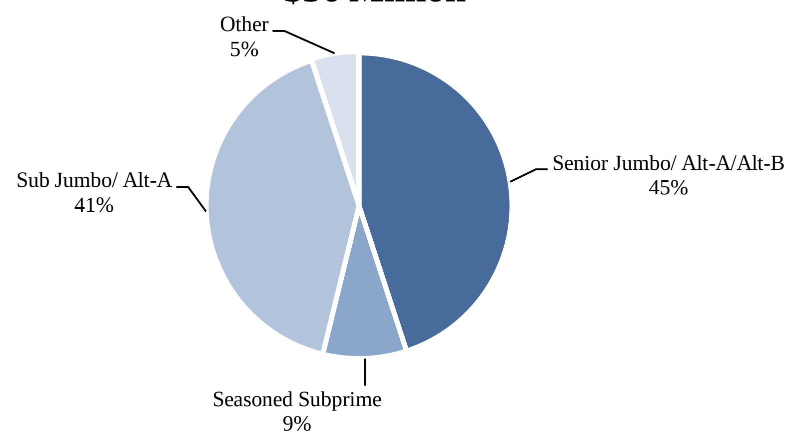
Agency RMBS Long Portfolio
$1.31 Billion(1)



Agency Interest Rate Hedging Portfolio
Short $648 Million 10-Year Equivalents(2)



Non-Agency RMBS Long Portfolio
$36 Million



(1) Does not include long TBA positions.
(2) “10-year equivalents” for a group of positions represent the amount of 10-year U.S. Treasury securities that would experience a similar change in market value under a standard parallel move in interest rates.

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