

Ellington Financial

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ELLINGTON RESIDENTIAL MORTGAGE REIT

JMP Financial Services & Real Estate Conference
September 21, 2015

Important Notice: Ellington Financial LLC

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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 exclusion 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 13, 2015 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.

Financial Information

All financial information included in this presentation is as of June 30, 2015 unless otherwise indicated. We undertake no duty or obligation to update this presentation to reflect subsequent events or developments. All financial information included in this presentation as of August 31, 2015 is estimated unless otherwise indicated.

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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
 - \$6.1 billion in AUM as of July 31, 2015, 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 20% 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 credit 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 generally 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

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 credit assets, remaining 15 to 20% allocated to Agency securities

Shareholder's Equity

- \$777 million as of June 30, 2015
- Diluted book value per share of \$22.27 as of August 31, 2015
- In August 2015, EFC instituted a share repurchase program for approximately 5% of the outstanding shares, and began repurchasing shares under the program

Flexible Structure

- Publicly traded partnership (PTP) structure provides us flexibility in using both interest rate and credit hedging instruments to insulate the portfolio
- Enables us to capture upside and protect against downside
- Allows for a broader investment mandate relative to REITs

Lower Leverage

- Lower leverage relative to mortgage REIT peers – 1.75:1 debt to equity ratio as of June 30, 2015

Attractive Current Dividend Yield

- Dividend yield—14.4% based on September 17, 2015 closing price of \$18.08
 - \$0.65 dividend per share for Q2 2015

Strong Returns on Book Value

- Life-to-date diluted net-asset-value based total return from inception in August 2007 through August 31, 2015 is approximately 162%, or 12.7% on an annualized basis⁽¹⁾

Aligned Interest

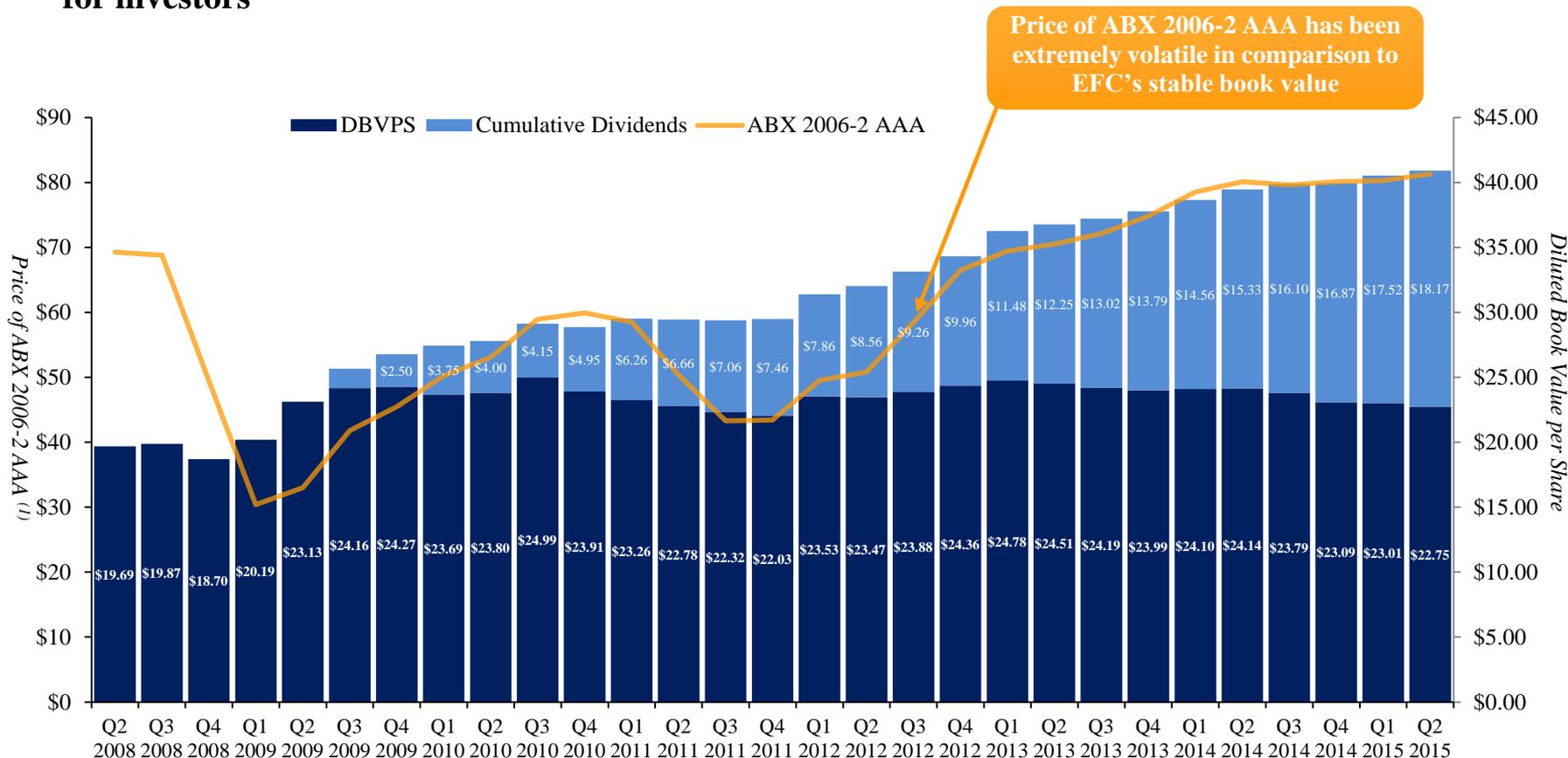
- Management owns over 10% of EFC; interests are aligned with shareholders⁽²⁾

(1) Life-to-date total return based on \$18.61 diluted book value per share at inception in August 2007 and is calculated assuming the reinvestment of dividends at diluted book value per share and assumes all convertible units were converted into common shares at their issuance dates.

(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

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



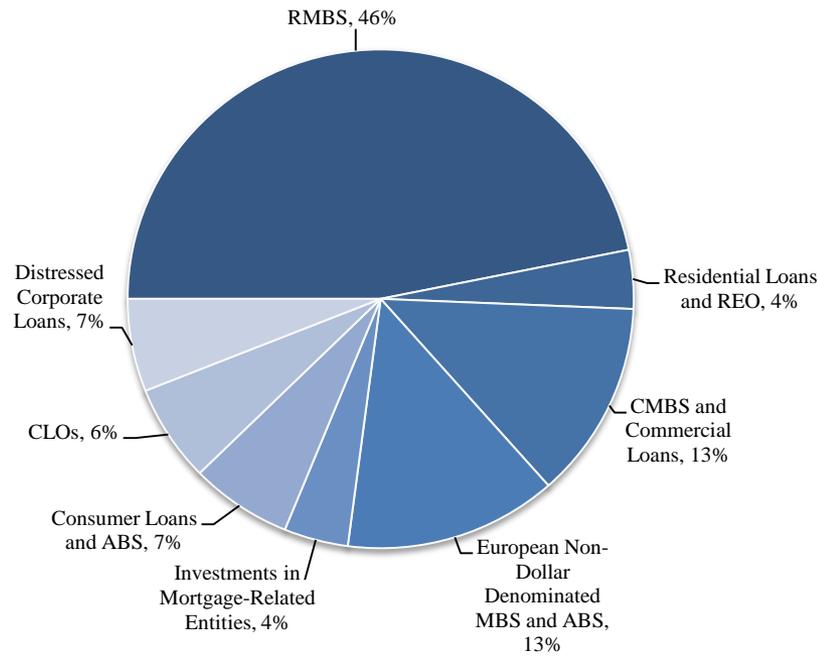
- EFC life-to-date diluted net-asset-value-based total return from inception in August 2007 through August 31, 2015 is approximately 162%, or 12.7% annualized

(1) Source: Bloomberg, Markit

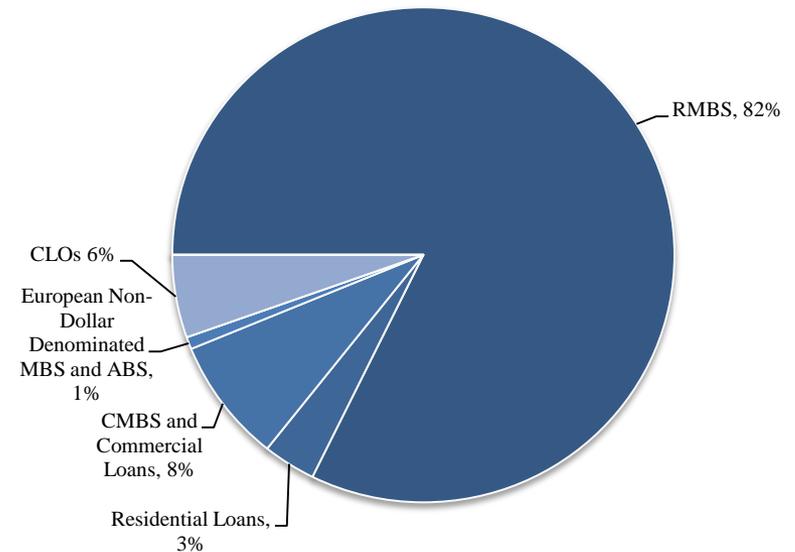
Note: Total return is based on \$18.61 diluted book value per share at inception in August 2007 and is calculated assuming the reinvestment of dividends at diluted book value per share and assumes all convertible units were converted into common shares at their issuance dates. Dividends were paid in the quarter following the period related to such performance.

EFC: Credit Long Portfolio

Credit Long Portfolio 6/30/2015
\$753 Million⁽¹⁾



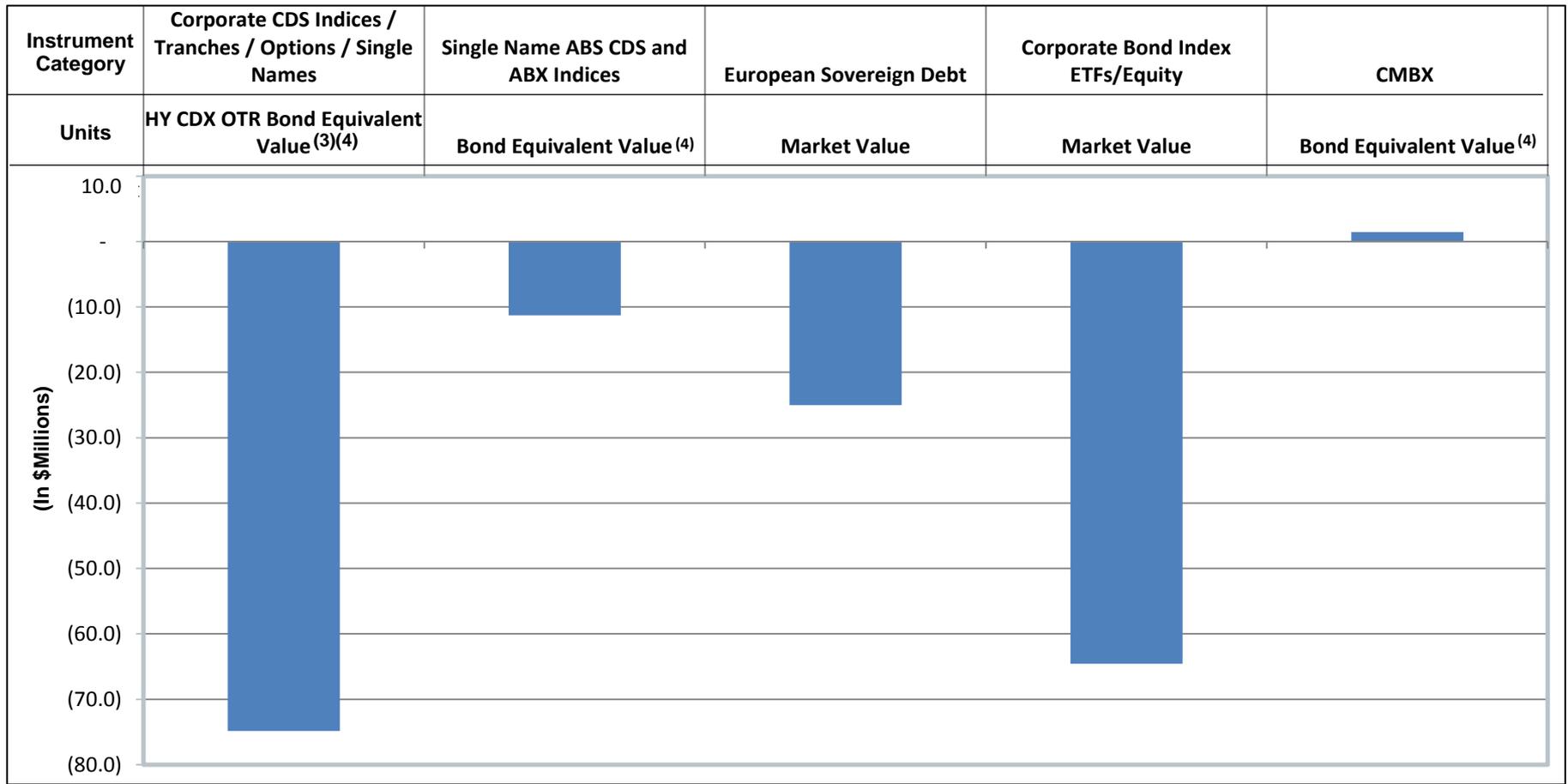
Credit Long Portfolio 12/31/2013
\$700 Million



- As the above charts demonstrate, we have continued to diversify our sources of return in our credit portfolio since the end of 2013
- We are increasing our capital allocation to other sectors where we believe our analytical expertise, research and systems provide an edge that will allow us to generate attractive loss-adjusted returns

(1) This information does not include interest rate swaps, TBA positions, corporate CDS, common stock and equity swaps, or other hedge positions. As of June 30, 2015, the non-Agency portfolio includes loan equivalent value in the amount of \$32.5 million related to long total return swaps on distressed corporate debt, which is based on the value of the underlying loans. The corresponding value of the related total return swaps on distressed corporate debt was \$(1.7) million.

EFC: Credit Hedging Portfolio as of June 30, 2015⁽¹⁾⁽²⁾



(1) The Credit Hedging Portfolio excludes both legs of certain relative value trades which we believe do not affect the overall hedging position of the portfolio. Consequently, the amounts shown here may differ materially (i) from those that would be shown were all positions in the included instruments displayed and (ii) from those presented in the Company's Schedule of Investments.

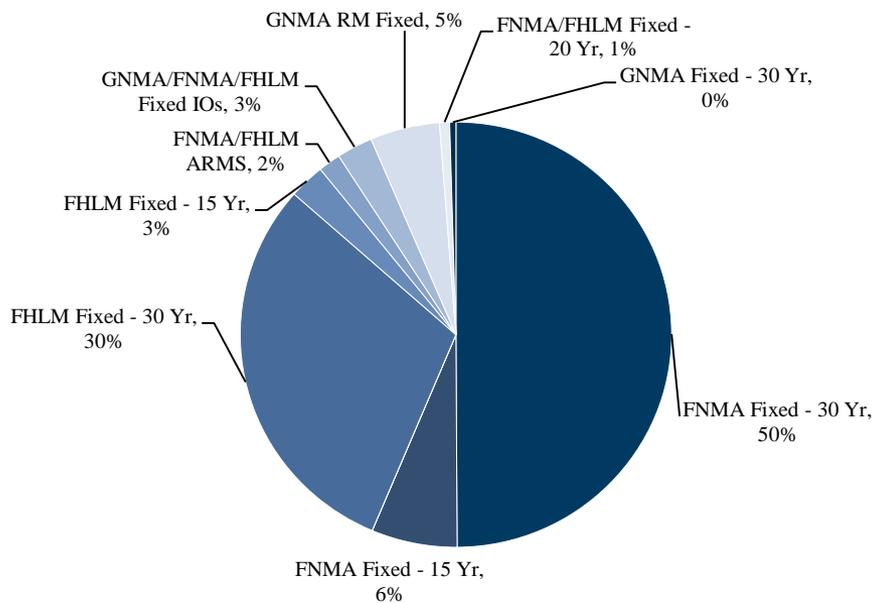
(2) There can be no assurance that instruments in the Credit Hedging Portfolio will be effective portfolio hedges.

(3) Corporate derivatives displayed in HY CDX OTR Equivalents represent the net, on-the-run notional equivalents of Markit CDX North American High Yield Index (the "HY Index") of those derivatives converted to equivalents based on techniques used by the Company for estimating the price relationships between them and the HY Index. These include estimations of the relationships between different credits and even different sectors (such as the US high yield, European high yield, and US investment grade debt markets). The Company's estimations of price relationships between instruments may change over time. Actual price relationships experienced may differ from those previously estimated.

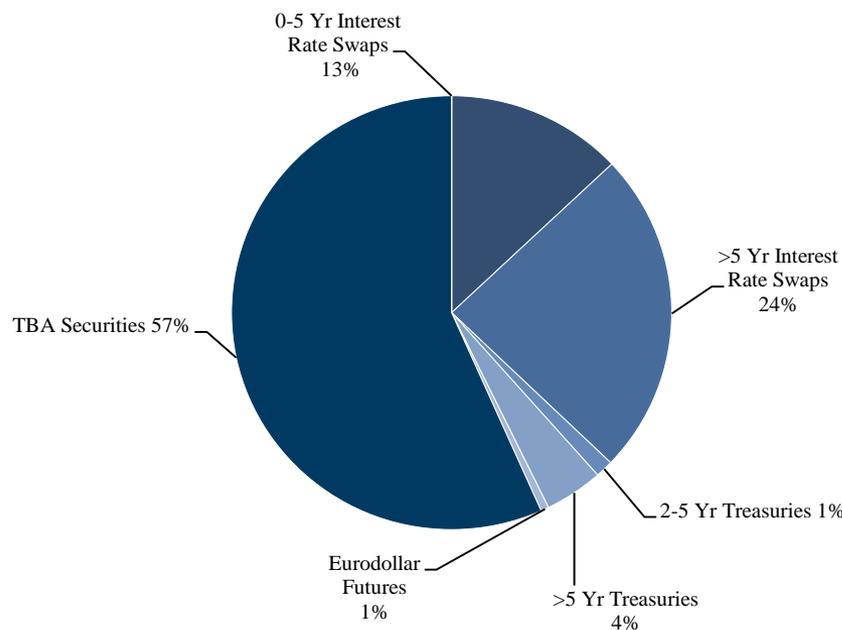
(4) Bond Equivalent Value represents the investment amount of a corresponding position in the reference obligation or index constituents, calculated assuming a price equal to the difference between (i) par and (ii) the tear up price. Corporate CDS Indices, Tranches, Options and Single Names are converted to HY CDX OTR Equivalents prior to being displayed as Bond Equivalent Values.

EFC: Agency Portfolio as of June 30, 2015

Agency RMBS Long Portfolio \$1,124 Million⁽¹⁾



Agency Interest Rate Hedging Portfolio Short \$547 Million 10-Year Equivalents⁽²⁾



(1) Does not include long TBA positions with a notional value of \$25.1 million and a fair value of \$24.9 million as of June 30, 2015. Agency long portfolio includes \$1,094.1 million of long Agency securities at June 30, 2015. Additionally, the long Agency portfolio includes \$30.4 million of interest only securities at June 30, 2015.
 (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

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

**European RMBS, CMBS,
ABS and CLOs**

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**

Distressed Corporate Debt

Non-QM Mortgage Loans

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
- Vast majority of Agency securities are specified pools with prepayment protection characteristics
- Average specified pool pay-up of 0.81% as of June 30, 2015
- We differentiate ourselves from our mortgage REIT peers in our significant use of TBA short positions to hedge interest rate risk

Shareholder's Equity

- \$157 million as of June 30, 2015
- Book value per share of \$17.18 as of June 30, 2015
- EARN has a \$10 million share repurchase program in place
 - In August 2015, we began repurchasing shares under the program

Moderate Leverage

- 8.0:1 debt to equity ratio as of June 30, 2015
- 100% of our debt is in the form of repo on Agency pools
 - As of June 30, 2015, average repo borrowing carried a rate of 0.41% and a remaining term of 90 days

EARN: Overview (Continued)

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Net Interest Margin

- For the quarter ended June 30, 2015:
 - Average yield on RMBS assets was 3.05% excluding “catch-up premium amortization adjustment”, and was 2.92% including the amortization adjustment
 - Average cost of funds including interest rate swaps and U.S. Treasuries was 1.09%
 - Resulted in Net Interest Margin of 1.96% excluding the amortization adjustment, and 1.83% including the adjustment

Core Earnings

- Core earnings was \$0.57 per share for the quarter ended June 30, 2015

Attractive Current Dividend Yield

- Dividend yield—13.7% based on September 17, 2015 closing price of \$13.18
 - \$0.45 dividend per share declared for Q3 2015

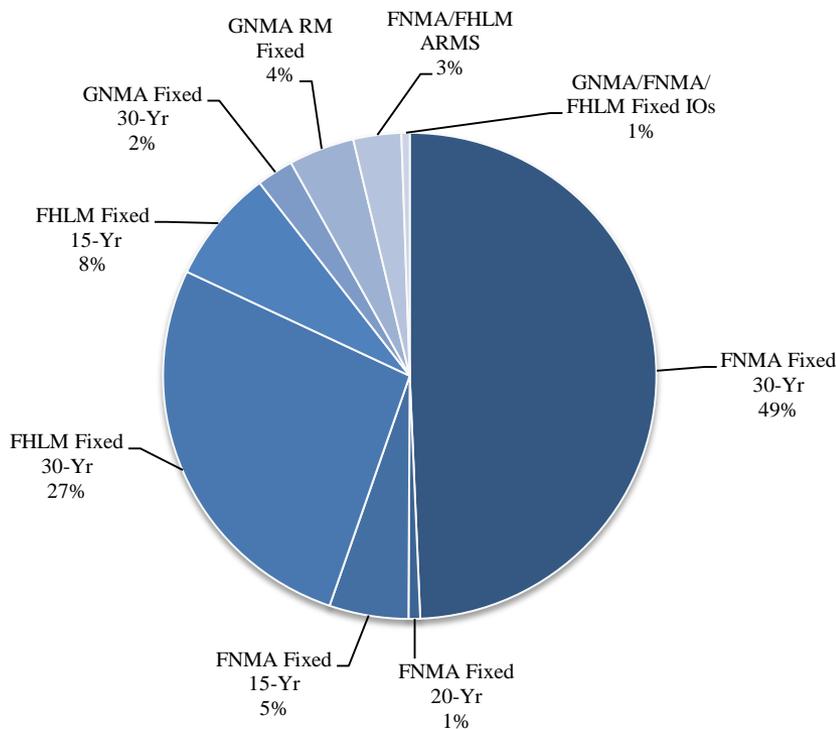
Strong Returns on Book Value

- 10.0% economic return on book value from March 31, 2013 (pre-IPO) through June 30, 2015

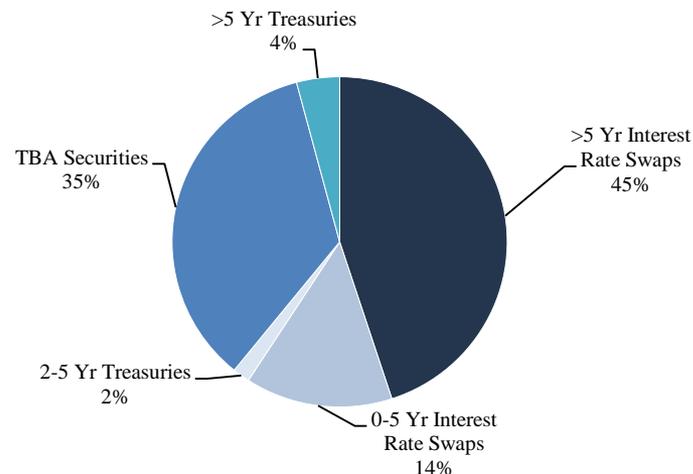
Strategic Partner

- Initially formed through a strategic venture with Blackstone, which owns approximately 28% of EARN

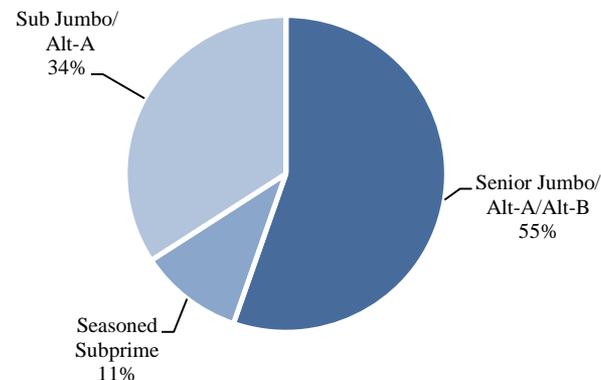
Agency RMBS Long Portfolio \$1.30 Billion⁽¹⁾



Agency Interest Rate Hedging Portfolio Short \$637 Million 10-Year Equivalents⁽²⁾



Non-Agency RMBS Long Portfolio \$30 Million



(1) Does not include long TBA positions with a notional value of \$41.5 million and a fair value of \$41.5 million as of June 30, 2015.

(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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