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Ellington Financial LLC (NYSE: EFC)

Second Quarter Earnings Conference Call

August 7, 2012

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 access 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 June 30, 2012 unless otherwise indicated. We undertake no duty or obligation to update this presentation to reflect subsequent events or developments.

Second Quarter 2012

Operating Results

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(In thousands, except per share amounts)	Quarter Ended 6/30/2012	Per Share	% of Average Shareholders' Equity	Six Months Period Ended 6/30/2012	Per Share	% of Average Shareholders' Equity
Non-Agency MBS and Commercial Mortgage Loans:						
Interest income	$ 9,491	$ 0.56	2.40%	$ 19,056	$ 1.13	4.90%
Net realized gain	813	0.05	0.21%	7,358	0.44	1.89%
Net change in net unrealized gain	7,210	0.43	1.82%	26,640	1.58	6.85%
Net interest rate hedges	(2,726)	(0.16)	-0.69%	(2,588)	(0.15)	-0.67%
Net credit hedges	(603)	(0.04)	-0.15%	(6,428)	(0.39)	-1.65%
Interest expense	(1,253)	(0.07)	-0.32%	(2,432)	(0.14)	-0.63%
Total non-Agency MBS and Commercial Mortgage Loans profit	12,932	0.77	3.27%	41,606	2.47	10.69%
Agency RMBS:						
Interest income	6,538	0.39	1.65%	12,620	0.75	3.25%
Net realized gain	5,163	0.31	1.30%	11,978	0.71	3.08%
Net change in net unrealized gain (loss)	3,878	0.23	0.98%	(47)	0.00	-0.01%
Net interest rate hedges	(11,841)	(0.71)	-2.99%	(13,907)	(0.83)	-3.58%
Interest expense	(660)	(0.04)	-0.17%	(1,232)	(0.07)	-0.32%
Total Agency RMBS profit	3,078	0.18	0.77%	9,412	0.56	2.42%
Total non-Agency and Agency MBS and Commercial Mortgage Loans profit	16,010	0.95	4.04%	51,018	3.03	13.11%
Other interest expense, net	(11)	0.00	0.00%	(23)	0.00	-0.01%
Other expenses (excluding incentive fee)	(2,919)	(0.17)	-0.74%	(5,860)	(0.35)	-1.51%
Net increase in shareholders' equity resulting from operations (before incentive fee)	13,080	0.78	3.30%	45,135	2.68	11.59%
Incentive fee	(2,312)	(0.14)	-0.58%	(2,312)	(0.14)	-0.59%
Net increase in shareholders' equity resulting from operations	$ 10,768	$ 0.64	2.72%	$ 42,823	$ 2.54	11.00%
Weighted average shares & LTIP units oustanding	16,838			16,838		
Average shareholders' equity	$ 396,118			$ 388,623		
Ending shareholders' equity	$ 395,275					
Diluted book value per share	$ 23.47					

Second Quarter 2012 Highlights

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- **Second quarter net income of $10.8 million or $0.64 per share:**
  - **Six months net income of $42.8 million, equating to annualized return on equity of 22.0%**
  - **Second quarter non-Agency MBS contributions: $12.9 million or $0.77 per share**
    - **Income derived from yield on assets, realized gains from trading and asset valuations**
  - **Agency MBS contributions: $3.1 million or $0.18 per share**
    - **Income driven by net carry combined with active trading; prepayment-protected pools continue to prepay more slowly than their generic counterparts**
  - **Second quarter operating expenses of $2.9 million(1)**
    - **3.0% of average shareholders' equity, annualized**
- **Non-Agency portfolio: $452 million with a market yield of 10.6%, assuming flat home price appreciation(2)**
  - **Average price $57 – upside potential as fundamentals of housing market improve**
- **Leverage ratio(3): 2.24:1 at June 30th compared to 2:33:1 at March 31st**
- **June 30, 2012 diluted book value per share $23.47, net of $0.70 first quarter dividend as compared to $23.53 per share at March 31, 2012**
- **Declared second quarter dividend of $0.70 per share**
  - **Management expects to continue to recommend a dividend of $0.70 per quarter until conditions warrant otherwise**

(1) Excludes interest and incentive fee expense.
(2) Represents management's estimate: see page 10 for other information and assumptions concerning market yields.
(3) Includes securitized debt valued at $1.4 million.

Second Quarter 2012 Highlights Continued

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- **Non-Agency MBS Strategy**
  - **Non-Agency MBS market supported by:**
    - **Increasing evidence suggesting home prices have hit bottom; many markets finally seeing increases**
    - **Fewer mortgage delinquencies**
    - **Less supply in the market following the completion of the sales from the Federal Reserve's Maiden Lane II portfolio**
    - **Declining U.S. Treasury rates have increased investor appetite for higher yielding securities such as MBS**
    - **Release of *Simplified Supervisory Formula Approach* (SSFA) by U.S. bank regulators – when finalized, this capital regulation will result in lower capital charges for banks holding non-Agency RMBS**
  - **EFC portfolio benefitted from:**
    - **Rotation throughout 2011 into lower-priced, "higher beta" securities (2006/2007 vintage)**
    - **Continued trend of reducing credit hedges**
    - **Sales during the quarter of higher priced bonds with less potential for additional future upside; proceeds reinvested in attractively priced CMBS and RMBS**
  - **Approximately 10.6% unlevered market yield[1] as of June 30, 2012**
  - **Portfolio currently positioned to take advantage of improving housing fundamentals**

(1) Represents management's estimate: see page 10 for other information and assumptions concerning market yields.

Second Quarter 2012 Highlights Continued

- **Agency MBS Strategy**
  - **Continued focus on pools with prepayment protection characteristics; effective asset selection resulting in realized CPR of only 8.3%**
  - **Continued relative value trading opportunities during the quarter**
  - **Pay-ups continue to rise for prepayment protected Agency pools**
  - **Faster speeds on HARP 2.0 eligible collateral demonstrated heightened policy risk of Agency prepayments**
  - **TBA hedges reduced risk**
  - **Prepayment speeds increased during the quarter due to lower mortgage rates and the success of HARP 2.0**
    - **The Company benefitted from an expanding differential in prepayment expectations between specified pools and generic pools underlying TBAs**
  - **Faster prepay expectations led to lower cost of TBA rolls and subsequently more positive income for the Company. By having TBA shorts, the Company is able to benefit from faster overall prepayment expectations**
  - **Strategy generated high return on equity without taking substantial interest rate risk while also substantially reducing prepayment risk**

Second Quarter 2012 Highlights Continued

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- **Market Outlook**
  - **We expect robust demand for non-Agency MBS given the need for yield and the lack of alternatives**
  - **Capital deficiency in the non-Agency mortgage market is gradually getting filled as insurance companies and parts of the banking industry shift towards determining capital charges without reference to current ratings**
  - **Non-Agency MBS market shows signs of improving fundamentals as the outlook for housing improves, and shows signs of improving technicals as capital treatment has become favorable for insurance companies and banks and there are currently no large visible sellers**
  - **Combination of low mortgage rates and HARP 2.0 incentives should keep Agency prepay risk elevated and argues for a core TBA short**

Non-Agency Portfolio

EFC: Non-Agency Long Portfolio

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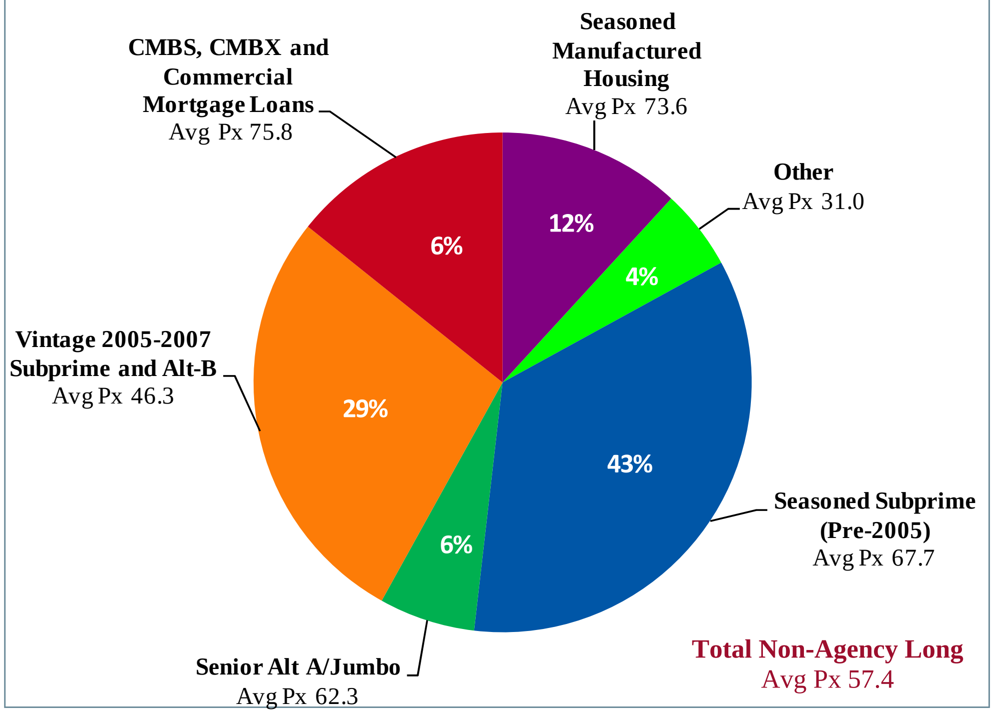
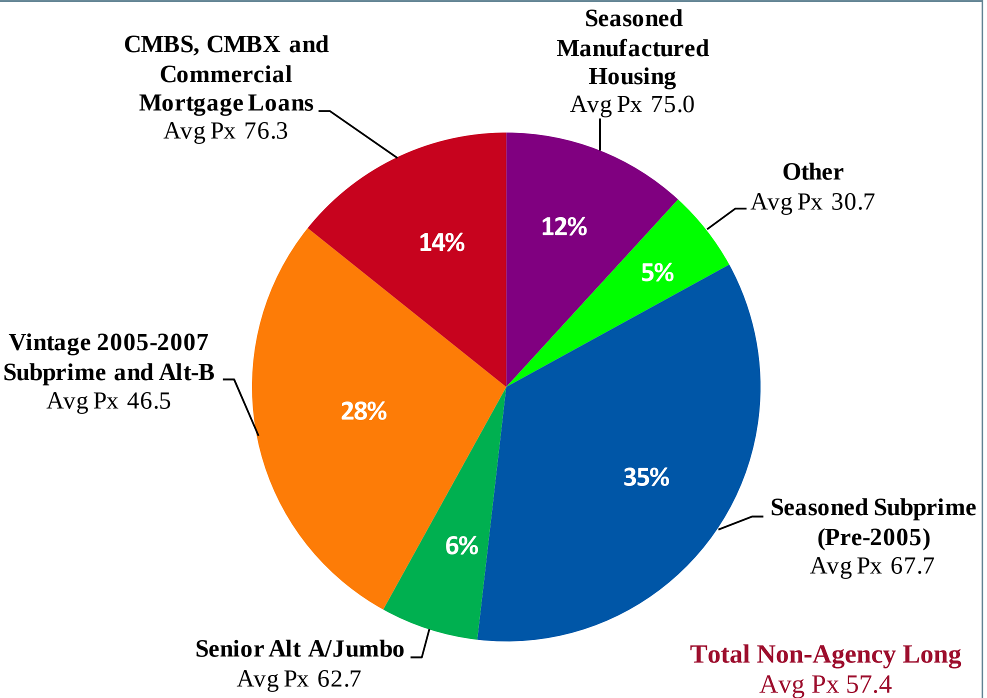
Previous Quarter
Non-Agency Long Portfolio 3/31/12: $433MM(1)(2)



Current Quarter
Non-Agency Long Portfolio 6/30/12: $452MM(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 to an improving housing market
  - Securities that maintain attractive yields when subjected to moderate home price stresses
- **During the second quarter, EFC increased the market value of its combined non-Agency RMBS/CMBS portfolio**

(1) Non-Agency portfolio includes PrimeX, CMBX and other synthetic credit positions, 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 $31.4 million of long CMBX positions and $2.4 million of long Primex positions at June 30, 2012, and $8.3 million of long CMBX positions at March 31, 2012. The corresponding net fair value of net long credit derivatives is $(17.6) million at June 30, 2012 and $(11.5) million at March 31, 2012.

(2) Average price excludes interest-only securities and long credit derivatives at June 30, 2012 and March 31, 2012.

EFC: Non-Agency Long Portfolio as of June 30, 2012

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- **EFC non-Agency MBS strategy is the main driver of earnings**
- **Non-Agency long portfolio value: $452MM[1] as of 6/30/2012 (which includes $418.1 million of long non-Agency MBS and loans and $33.8 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]	Est. Yield at Market Price at HPA Flat[5]
Seasoned Subprime	$157.3	67.7%	6.4 years	8.2%	9.53%	10.49%
Vintage 2005-2007 Subprime and Alt-B	125.2	46.5	4.5	13.6	8.91	11.69
Seasoned Manufactured Housing	53.4	75.0	5.8	6.5	9.74[6]	9.74
Senior Alt-A/Jumbo	28.1	62.7	4.6	11.5	8.47	10.41
CMBS and Commercial Mortgage Loans	64.4	76.3	6.4	N/A	7.69[6]	7.69
Other	23.5	30.7	8.6	11.0	9.73	11.69
Total	**$451.9**	**57.4%**	**5.7 years**	**10.1%**	**9.17%**	**10.59%**

(1) For 6/30/2012, fair value includes $31.4mm of bond equivalent value of long CMBX positions and $2.4mm 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 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 "base case" cashflows using Ellington proprietary models. Excludes interest-only and other similar securities.
(4) Source for historical 1-Year CPR is Intex. Excludes interest-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 6/30/12 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 securities and exclude 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) 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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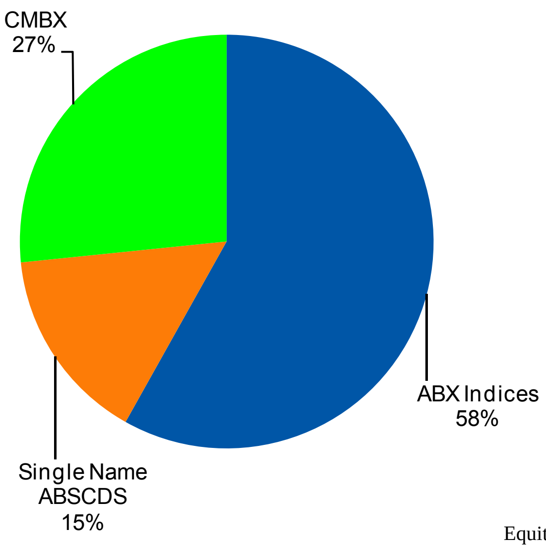
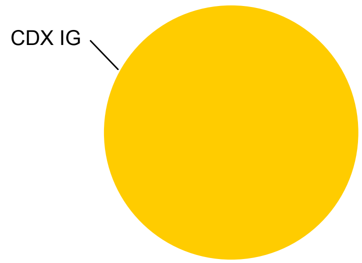
Previous Quarter
Credit Hedging Portfolio 3/31/12: $161MM[1]

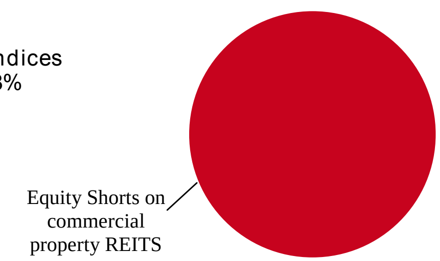
CDS on MBS: $59.7mm



Corporate CDS: $78.6mm

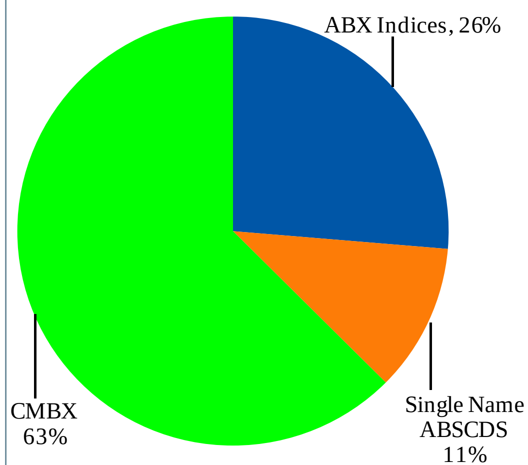


Equity Swaps: $22.4mm

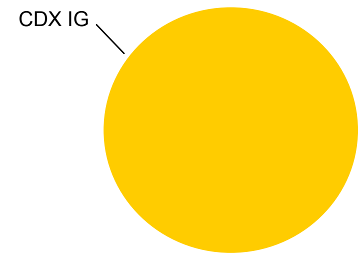


Current Quarter
Credit Hedging Portfolio 6/30/12: $153MM[1]

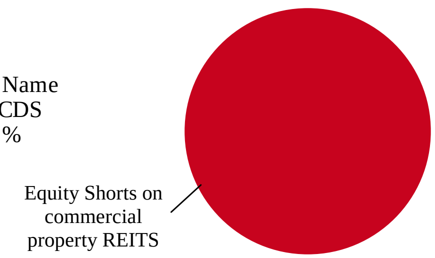
CDS on MBS: $72.5mm



Corporate CDS: $57.9mm



Equity Swaps: $22.3mm



- **During the second quarter:**
  - ABX hedges were substantially reduced
  - CMBX hedges were added in order to hedge CMBS long positions added in the second quarter
  - Corporate CDS protection was reduced after increasing substantially in value
  - Receipt of credit-event payments and opportunistic pair-offs continue to shrink the short single-name ABSCDS portfolio

(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 9 for a description of bond equivalent value of CDS. This information does not include interest rate swaps, TBA positions and other hedge positions. The total bond equivalent value of CDS on MBS and Corporate CDS is $130.4 million at June 30, 2012 and $138.3 million at March 31, 2012. The corresponding net fair value of net short CDS on MBS and short Corporate CDS is $51.4 million at June 30, 2012 and $73.1 million at March 31, 2012. For equity swaps, the amounts above represent notional value, based on the number of underlying shares multiplied by price per share at June 30, 2012 and March 31, 2012. The fair value of equity swaps as of June 30, 2012 is $(0.3) million and $(0.2) million as of March 31, 2012.

Agency Portfolio

EFC: Agency Long Portfolio

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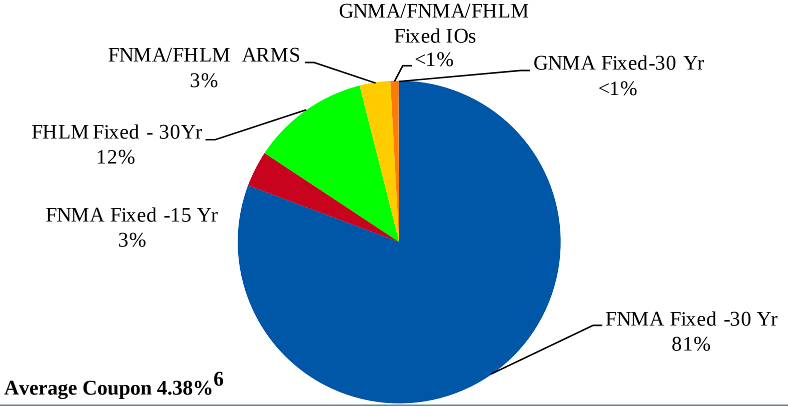
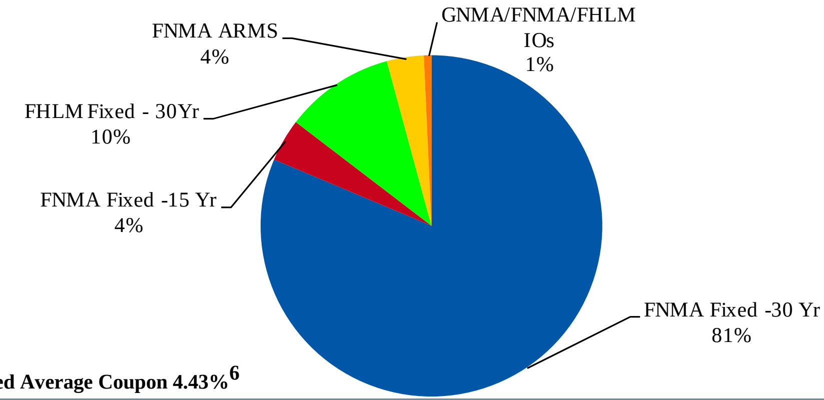
Previous Quarter
Agency Long Portfolio 3/31/12: $783MM[1]



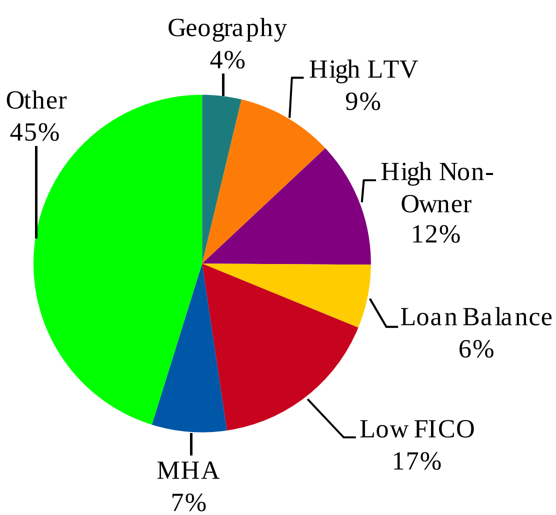
Weighted Average Coupon 4.38%[6]

Current Quarter
Agency Long Portfolio 6/30/12: $650MM[1]



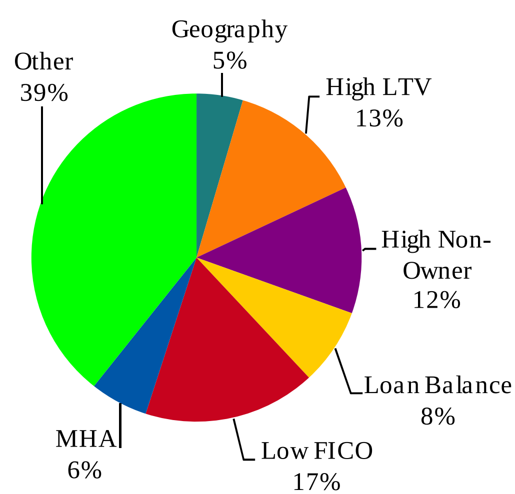
Weighted Average Coupon 4.43%[6]

Collateral Characteristics and Historical 3-month CPR
Agency Fixed Rate Pool Portfolio 3/31/12: $753MM[2]



Characteristic[3]	Fair Value[4]	3-Month Historical CPR
Geography	$28.2	3.8
High LTV	69.9	8.5
High Non-Owner Occupied	91.1	4.4
Low Loan Bal	45.9	7.8
Low FICO	124.0	4.2
MHA[5]	53.9	1.5
Other	340.4	5.5
Totals	$753.4	5.1

Collateral Characteristics and Historical 3-month CPR
Agency Fixed Rate Pool Portfolio 6/30/12: $623MM[2]



Characteristic[3]	Fair Value[4]	3-Month Historical CPR
Geography	$28.4	0.7
High LTV	83.8	8.3
High Non-Owner Occupied	77.6	7.0
Low Loan Bal	47.1	2.3
Low FICO	105.8	7.9
MHA[5]	35.6	5.9
Other	244.7	11.2
Totals	$623.0	8.3

(1) Does not include long TBA positions. Agency long portfolio includes $645.7 million of long Agency securities at 6/30/2012 and $777.4 million at 3/31/2012. Additionally, the long Agency portfolio includes $4.7 million of interest-only securities at 6/30/2012 and $6.0 million at 3/31/2012.
(2) Excludes non-fixed rate Agency RMBS, interest-only securities and securities without any prepayment history.
(3) Classification methodology may change over time as market practices change.
(4) Fair values are shown in millions.
(5) "MHA" indicates those pools where underlying borrowers have participated in the Making Homes Affordable program.
(6) Represents weighted average net pass-through rate. Excludes interest-only securities.

EFC: Agency Interest Rate Hedging Portfolio

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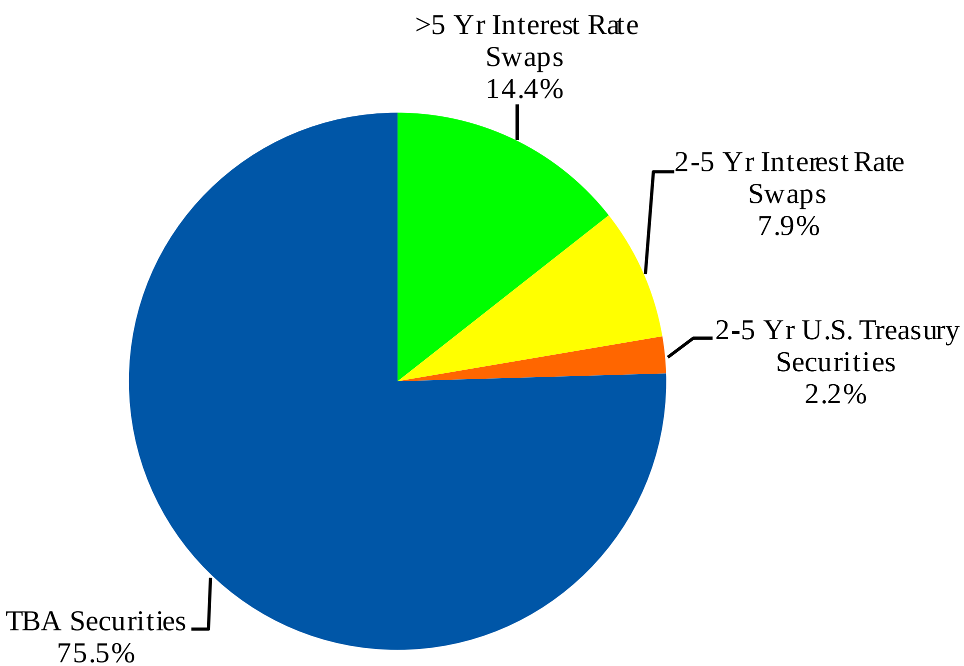
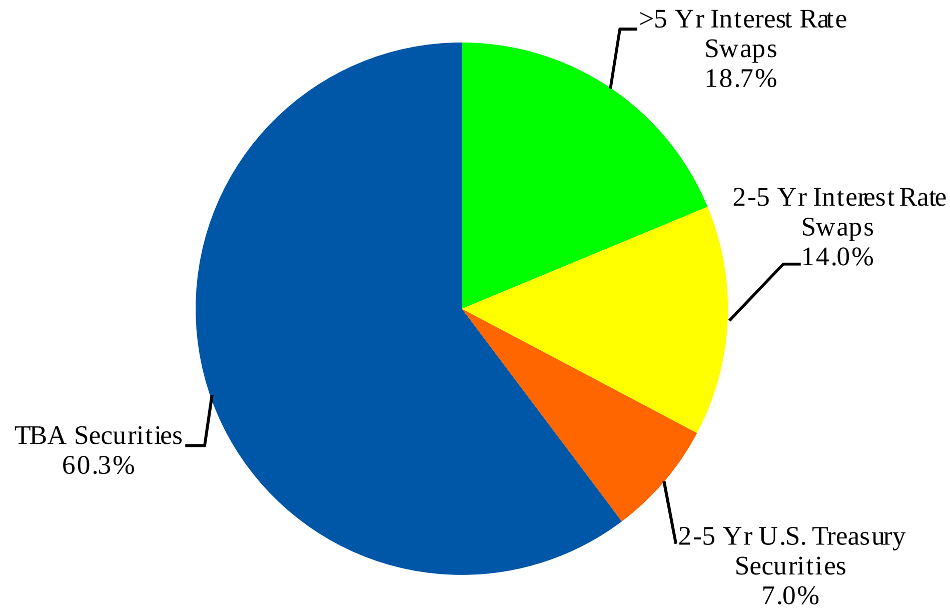
Previous Quarter **Agency Interest Rate Hedging Portfolio 3/31/12:** **Short $281MM 10-year equivalents**	**Current Quarter** **Agency Interest Rate Hedging Portfolio 6/30/12:** **Short $208MM 10-year equivalents[1]**





- **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:**
  - Hedges were reduced as portfolio size was reduced
  - More hedges moved into swaps and out of TBA
  - Much of the systemic prepayment risk is reduced by premium-priced mortgage short positions

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.

(1) Totals for 6/30/2012 exclude a long 10-year U.S. Treasury position with a fair value of $5.0 million.

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EFC: Agency Interest Rate Hedging Portfolio Continued

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

(In millions)

Agency-related Portfolio	**3/31/2012**	**6/30/2012**
Long Agency RMBS	$783	$650
Net Short TBA Positions	(549)	(400)
Net Long Exposure to Agency RMBS	**$234**	**$250**

- **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 0.42% of the value of our fixed rate Agency pool portfolio as of 6/30/2012.**

Estimated Change in Fair Value as of 6/30/12 for Agency Pools, Agency IOs and Related Hedges if Interest Rates Move:

(In thousands)	**Down 50 BPS**	**Up 50 BPS**
Agency ARM Pools	$34	($70)
Agency Fixed Rate Pools and IO's	8,182	(10,985)
TBAs	(4,580)	6,867
Interest Rate Swaps	(3,163)	3,055
U.S. Treasury Securities	(438)	435
Repo and Reverse Repo Agreements	(222)	278
Totals	**($187)**	**($420)**

Note: The above table reflects a parallel shift in interest rates based on the market environment as of June 30, 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

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EFC: Repo Borrowings as of June 30, 2012

($ In Millions)	Repo Borrowings			
Remaining Days to Maturity	Non-Agency	Agency	Total	% of Total Borrowings
30 Days or Less	$60.5	$419.1	$479.6	54.3%
31-60 Days	75.5	69.1	144.6	16.4
61-90 Days	30.6	156.6	187.2	21.2
151-180 Days	71.9	0	71.9	8.1
Total Borrowings	**$238.5**	**$644.8**	**$883.3**	**100.0%**
Weighted Average Remaining Days to Maturity	81	31	45	N/A

- **As of 6/30/2012, EFC had borrowings outstanding with 11 counterparties; borrowings from the largest counterparty represented 22% of total outstanding borrowings**
- **As of 6/30/2012, EFC had repo borrowings with a remaining weighted average maturity of 45 days; maturities are staggered to mitigate liquidity risk**

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 June 30, 2012. Not included are any reverse repos that the Company may have entered into prior to June 30, 2012, for which delivery of the borrowed funds is not scheduled until after June 30, 2012. Remaining maturity for a reverse repo is based on the contractual maturity date in effect as of June 30, 2012. Some reverse repos have floating interest rates, which may reset before maturity.

EFC: Average Cost of Borrowings

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For the Quarter Ended June 30, 2012 (In thousands)			
Collateral for Borrowing	Outstanding Borrowings[(1)]	Average Borrowings for the Quarter Ended[(1)]	Average Cost of Funds
Non-Agency RMBS, CMBS and Other	$238,469	$227,071	2.18%
Agency RMBS	644,853	716,492	0.37
Total	**$883,322**	**$943,563**	**0.80%**

- **Leverage ratio of 2.24:1 as of June 30, 2012[(2)]**

(1) Excludes securitized debt valued at $1.4 million.
(2) Includes securitized debt valued at $1.4 million.

Supplemental Information

EFC: Gross Profit and Loss

Ellington Financial

- **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**

	Six Months Ended June 30, 2012		Years Ended 2011		2010		2009		2008	
($ In Thousands)	$	%	$	%	$	%	$	%	$	%
Long: Non-Agency	50,622	13.01	1,505	0.39	70,840	21.87	101,748	36.33	(64,565)	-26.20
Credit Hedge: Non-Agency	(6,428)	-1.65	19,895	5.16	(7,958)	-2.46	10,133	3.62	78,373	31.81
Interest Rate Hedge: Non-Agency	(2,588)	-0.67	(8,171)	-2.12	(12,150)	-3.75	(1,407)	-0.50	(3,446)	-1.40
Long: Agency	23,319	6.00	63,558	16.47	21,552	6.65	22,171	7.92	4,763	1.93
Interest Rate Hedge: Agency	(13,907)	-3.58	(54,173)	-14.04	(14,524)	-4.48	(8,351)	-2.98	(6,414)	-2.60
Gross Profit	**51,018**	**13.11**	**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

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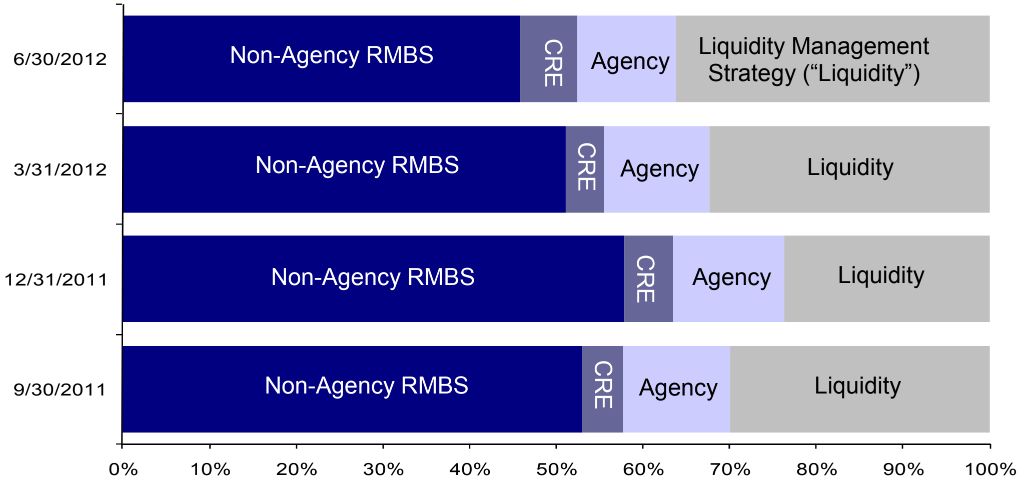
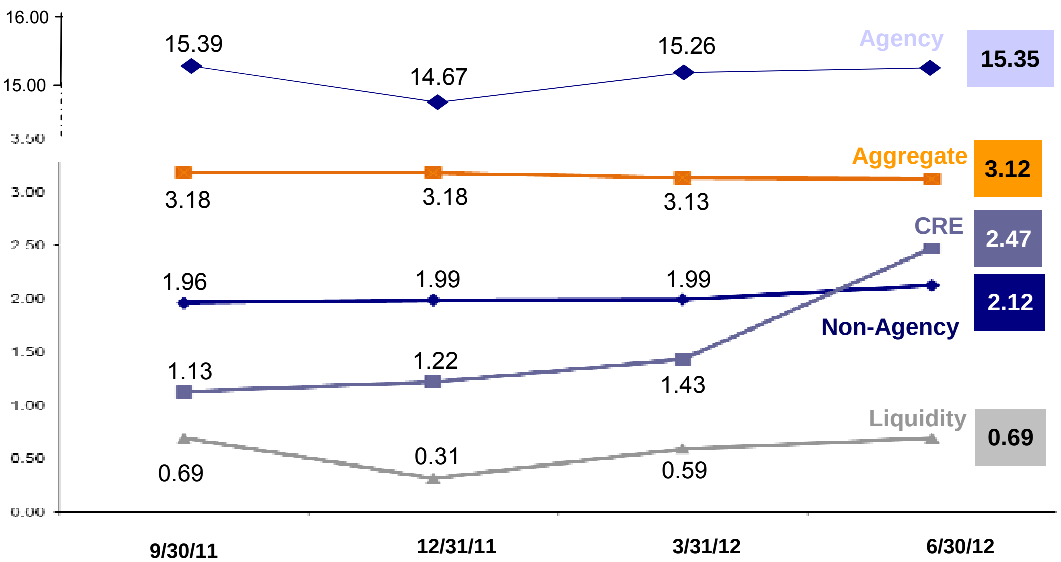
Capital Usage Across Entire Portfolio



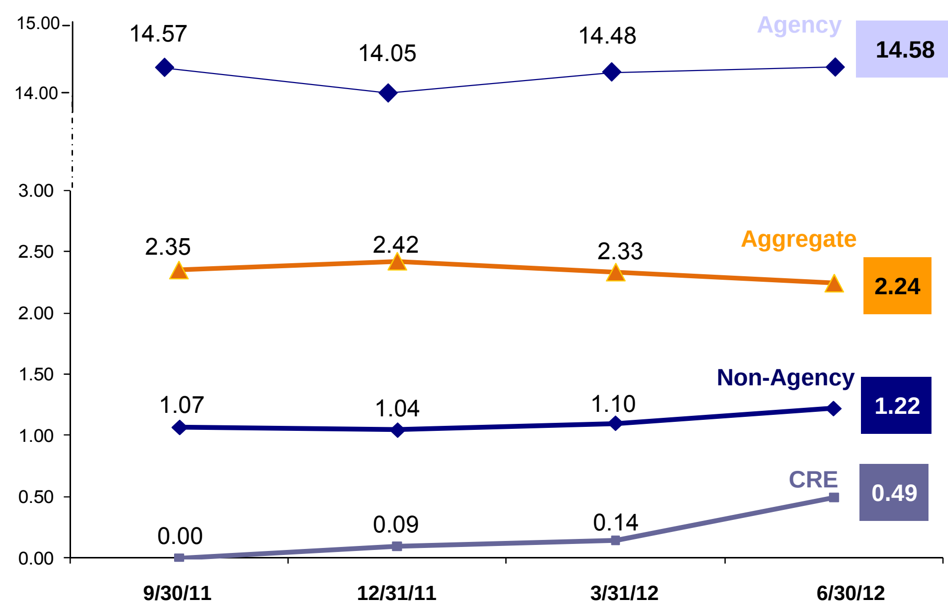
Note to Capital Usage Across Entire Portfolio table: Includes settled investment amounts net of repo borrowings and securitized debt, initial margin of hedges and synthetic long positions, and other assets and liabilities associated with each category. "Agency" strategy includes capital usage associated with leveraged investments in agency pools, as well investments in agency IOs and associated interest rate hedges. "Liquidity management strategy" includes capital usage associated with non-leveraged investments in agency pools, unencumbered cash and other miscellaneous assets and liabilities. A substantial portion of the capital used by the Liquidity Management Strategy includes capital set aside for the Company's leveraged strategies, to enable the Company to better withstand adverse changes in market conditions and financing availability. Thus even when the Company considers itself to be "fully invested," there is still significant capital used by the Liquidity Management Strategy. "CRE" refers to CMBS, CMBX and Commercial Mortgage Loans.

Leverage By Strategy (Assets/Capital Usage)



Note: Ratio of (i) strategy total fair value of settled MBS and Commercial Mortgage Loans and bond equivalent amount of settled synthetic long MBS/ABS positions, to (ii) strategy capital usage. See footnote 1 on page 9 for a description of bond equivalent value for CDS.

Leverage By Strategy (Debt/Capital Usage)



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

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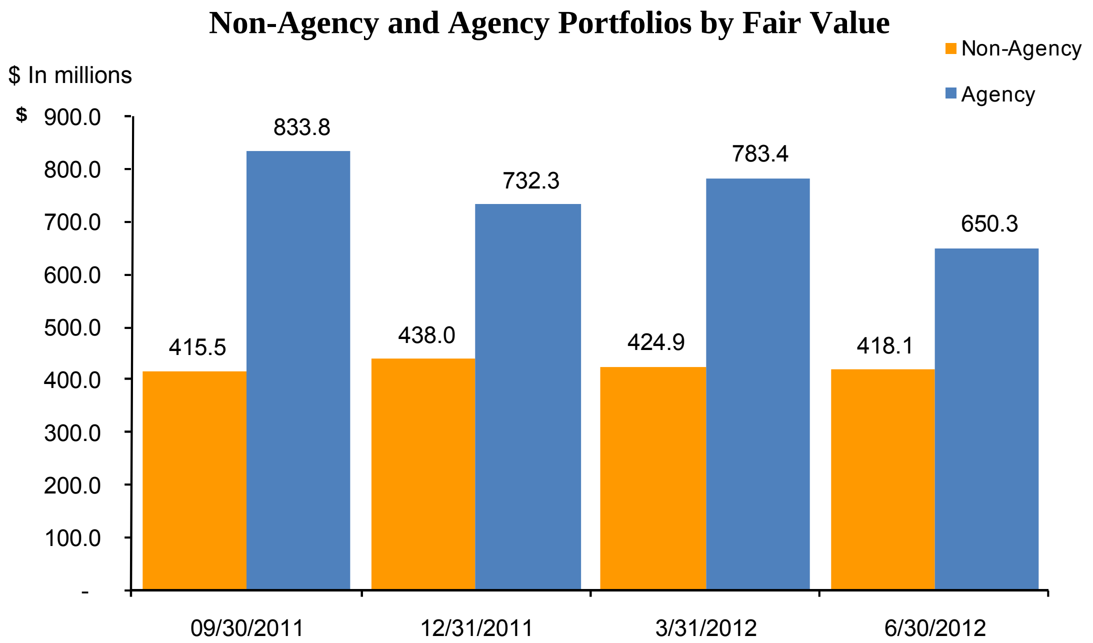
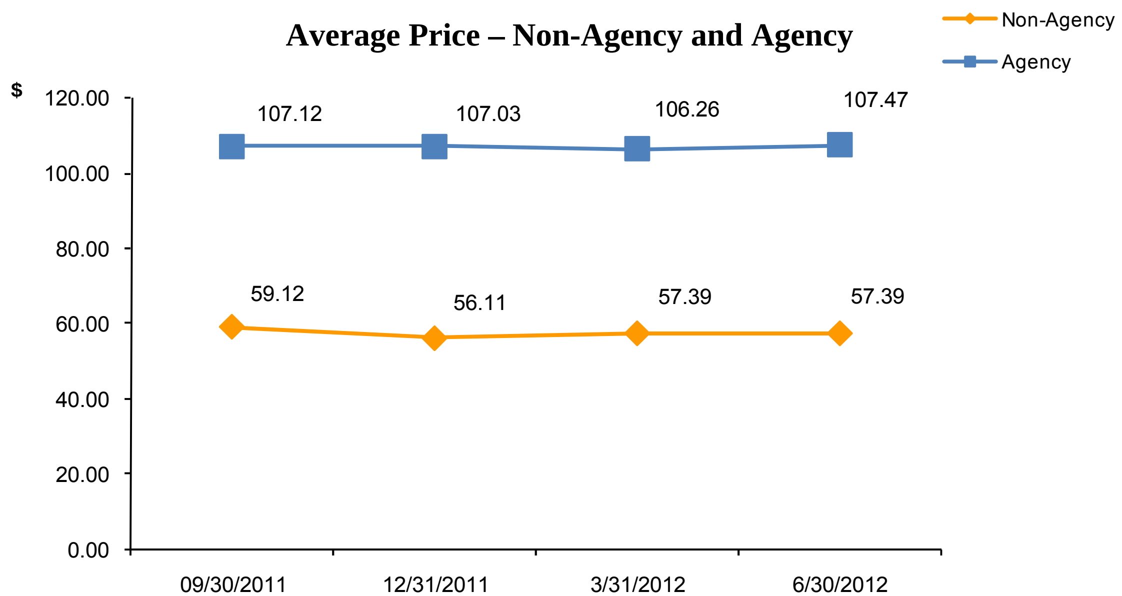
EFC: Non-Agency and Agency Fair Values and Average Prices





Note: Excludes interest-only and other similar securities.

EFC: Yields and Net Interest Margin

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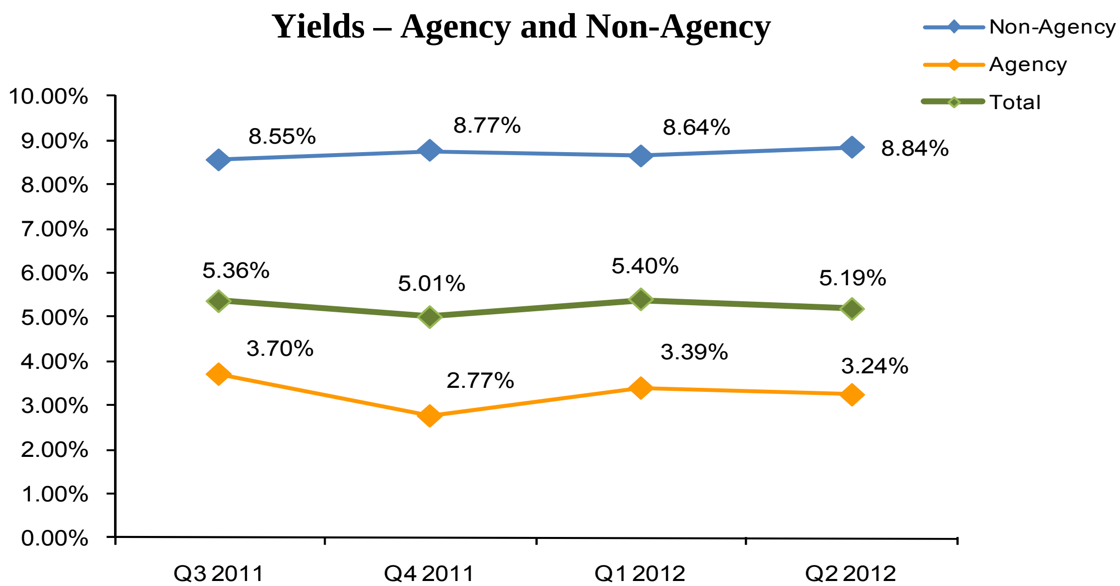
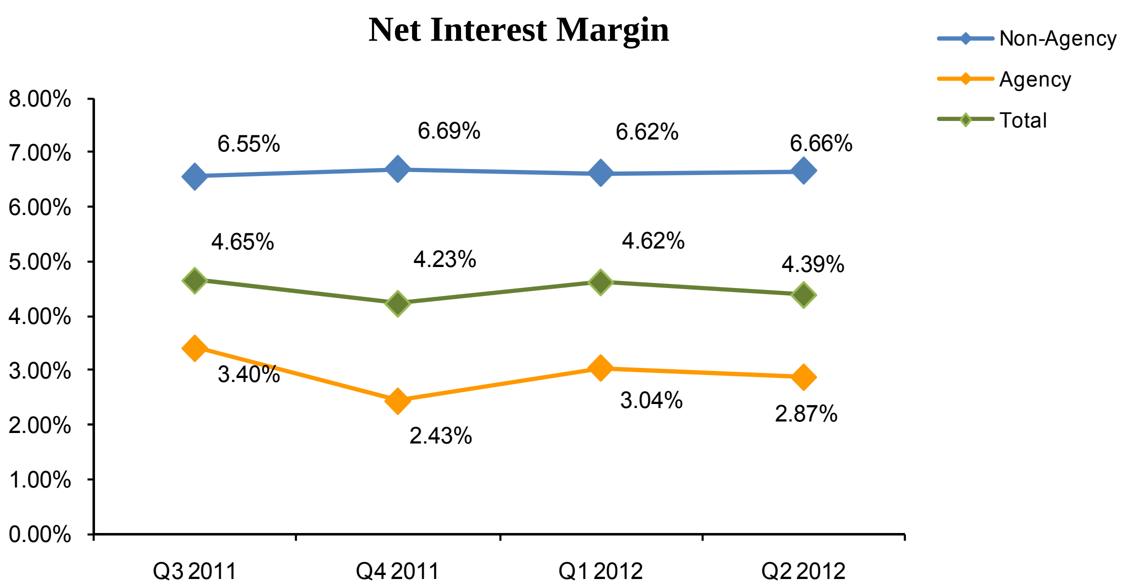


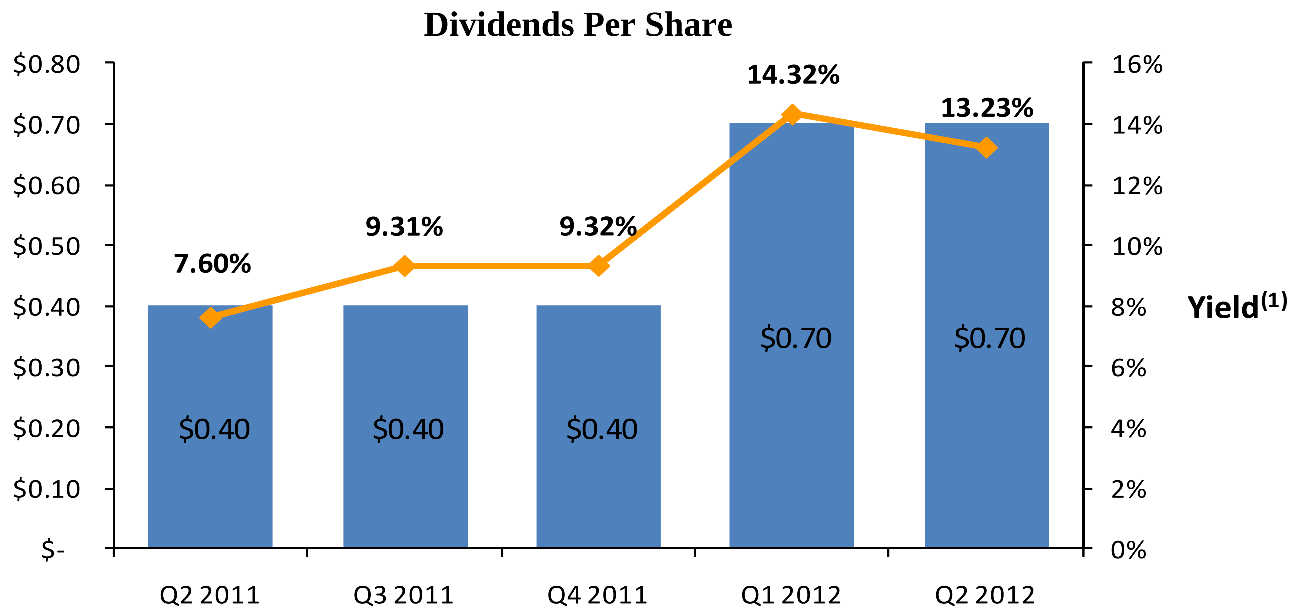
Note: Yields are based on amortized cost, not fair value.



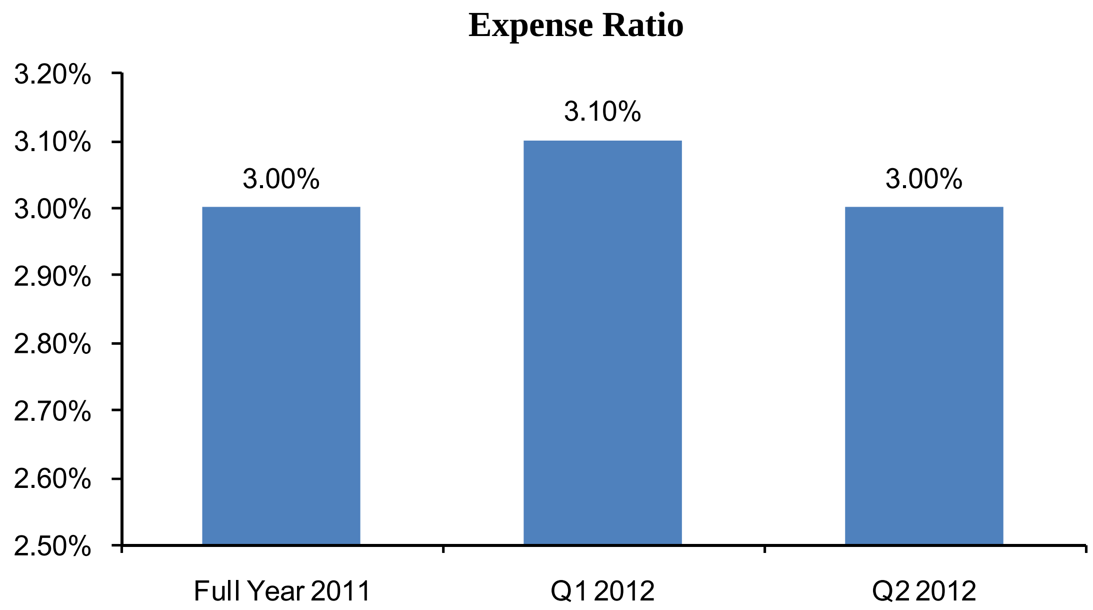
Note: Net interest margin figures are based on amortized cost, not fair value, and exclude hedging related expenses.

EFC: Dividends and Expense Ratio

Ellington Financial



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



Income Statement

(Unaudited)

Ellington Financial

ELLINGTON FINANCIAL LLC
CONSOLIDATED STATEMENT OF OPERATIONS
(UNAUDITED)

	Three Month Period Ended		Six Month Period Ended
(In thousands, except per share amounts)	June 30, 2012	March 31, 2012	June 30, 2012
Investment income			
Interest income	$ 16,045	$ 15,733	$ 31,777
Expenses			
Base management fee	1,497	1,492	2,988
Incentive fee	2,312	-	2,312
Interest expense	1,992	1,832	3,824
Other operating expenses	1,422	1,449	2,871
Total expenses	7,223	4,773	11,995
Net investment income	8,822	10,960	19,782
Net realized gain (loss) on:			
Investments	(2,734)	8,147	5,413
Swaps	(8,537)	(19,928)	(28,464)
Futures	(9)	(8)	(17)
	(11,280)	(11,789)	(23,068)
Change in net unrealized gain (loss) on:			
Investments	10,300	18,130	28,430
Swaps	2,928	14,817	17,745
Futures	(2)	(63)	(66)
	13,226	32,884	46,109
Net realized and unrealized gain on investments and financial derivatives	1,946	21,095	23,041
Net increase in shareholders' equity resulting from operations	$ 10,768	$ 32,055	$ 42,823
Net increase in shareholders' equity resulting from operations per share:			
Basic and diluted	$ 0.64	$ 1.90	$ 2.54

Balance Sheet

(Unaudited)

Ellington Financial

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

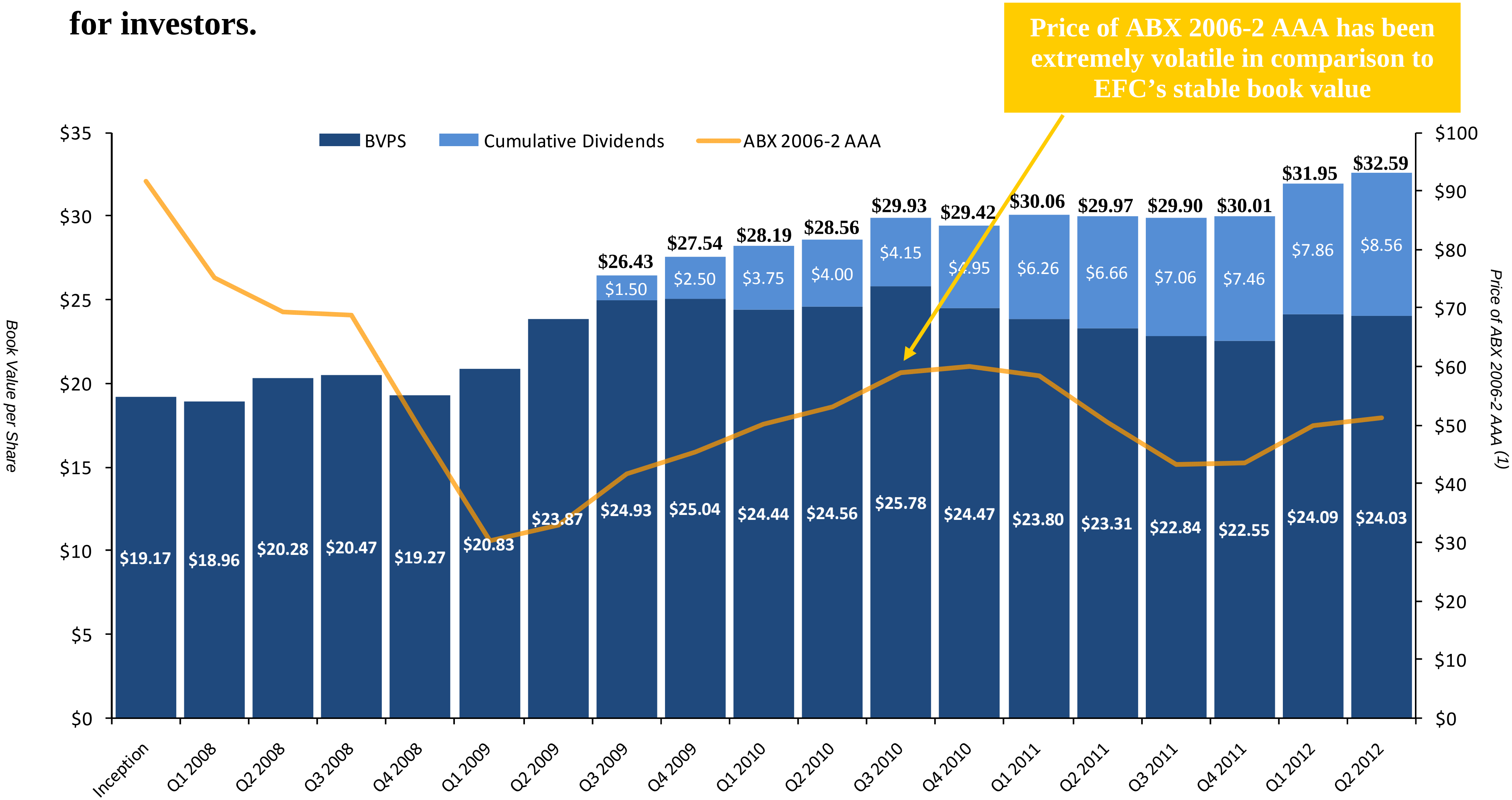
(In thousands, except share amounts)	As of June 30, 2012	As of March 31, 2012	As of December 31, 2011(1)
ASSETS			
Cash and cash equivalents	$ 48,120	$ 51,546	$ 62,737
Investments, financial derivatives and repurchase agreements:			
Investments at fair value (Cost - $1,126,541, $1,232,162 and $1,234,203)	1,131,242	1,225,584	1,212,483
Financial derivatives - assets at fair value (Cost - $82,791, $105,906 and $118,281)	74,304	94,056	102,871
Repurchase agreements (Cost - $36,748, $13,650 and $15,750)	36,748	13,650	15,750
Total Investments, financial derivatives and repurchase agreements	1,242,294	1,333,290	1,331,104
Deposits with dealers held as collateral	29,360	32,362	34,163
Receivable for securities sold	611,866	642,218	533,708
Interest and principal receivable	7,129	6,138	6,127
Other assets	821	1,024	216
Total assets	$ 1,939,590	$ 2,066,578	$ 1,968,055
LIABILITIES			
Investments and financial derivatives:			
Investments sold short at fair value (Proceeds - $493,130, $579,447 and $459,013)	$ 494,524	$ 579,852	$ 462,394
Financial derivatives - liabilities at fair value (Proceeds - $22,033, $21,088 and $9,636)	28,680	27,298	27,040
Total investments and financial derivatives	523,204	607,150	489,434
Reverse repurchase agreements	883,322	921,406	896,210
Due to brokers on margin accounts	46,385	65,497	79,735
Payable for securities purchased	83,300	70,688	127,517
Securitized debt (Proceeds - $1,436, $1,495 and $0)	1,415	1,485	-
Accounts payable and accrued expenses	2,102	1,500	1,845
Base management fee payable	1,497	1,492	1,396
Incentive fee payable	2,312	-	-
Interest and dividends payable	778	1,096	1,002
Total liabilities	1,544,315	1,670,314	1,597,139
SHAREHOLDERS' EQUITY	395,275	396,264	370,916
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,939,590	$ 2,066,578	$ 1,968,055
ANALYSIS OF SHAREHOLDERS' EQUITY:			
Common shares, no par value, 100,000,000 shares authorized;			
(16,447,651, 16,447,651 and 16,447,651 shares issued and outstanding)	$ 386,349	$ 387,367	$ 362,047
Additional paid-in capital - LTIP units	8,926	8,897	8,869
Total Shareholders' Equity	$ 395,275	$ 396,264	$ 370,916
PER SHARE INFORMATION:			
Common shares, no par value	$ 24.03	$ 24.09	$ 22.55
DILUTED PER SHARE INFORMATION:			
Common shares and LTIPs, no par value	$ 23.47	$ 23.53	$ 22.03

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

EFC: Book Value

Ellington Financial

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



- **EFC life-to-date net-asset-value-based total return from inception in August 2007 through Q1 2012 is approximately 77%**

(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 6/30/2012 book value per share is 77.4%. Dividends were paid in the quarter following the period related to such performance.

About Ellington

Ellington Financial

- **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 approximately $4.2 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 over 20% of EFC; interests are aligned with shareholders**

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

Ellington Financial

Ellington Financial LLC (NYSE: EFC)

Second Quarter Earnings Conference Call
August 7, 2012

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