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Ellington Financial LLC (NYSE: EFC)

First Quarter Earnings Conference Call

May 8, 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 in other filings that we make with the Securities Exchange Commission (the “SEC”). 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. 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 March 31, 2012 unless otherwise indicated. We undertake no duty or obligation to update this presentation to reflect subsequent events or developments.

First Quarter 2012 Highlights

Operating Results

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(In thousands, except per share amounts)	Quarter Ended 3/31/2012	Per Share	% of Average Shareholders' Equity
Non-Agency MBS and Commercial Mortgage Loans:			
Interest Income	$ 9,565	$ 0.57	2.50%
Net realized gain	6,545	0.39	1.71%
Net change in net unrealized gain	19,430	1.15	5.07%
Net interest rate hedges	138	0.01	0.03%
Net credit derivatives	(5,825)	(0.35)	-1.52%
Interest expense	(1,179)	(0.07)	-0.31%
Total non-Agency MBS and Commercial Mortgage Loans profit	28,674	1.70	7.48%
Agency RMBS:			
Interest Income	6,082	0.36	1.59%
Net realized gain	6,815	0.40	1.78%
Net change in net unrealized loss	(3,925)	(0.23)	-1.02%
Net interest rate hedges	(2,066)	(0.12)	-0.54%
Interest expense	(572)	(0.03)	-0.15%
Total Agency RMBS profit	6,334	0.38	1.66%
Total non-Agency and Agency MBS and Commercial Mortgage Loans profit	35,008	2.08	9.14%
Other interest expense, net	(12)	-	0.00%
Other expenses (excluding incentive fee)	(2,941)	(0.18)	-0.77%
Net increase in shareholders' equity resulting from operations (before incentive fee)	32,055	1.90	8.37%
Incentive fee	-	-	0.00%
Net increase in shareholders' equity resulting from operations	$ 32,055	$ 1.90	8.37%
Weighted average shares & LTIP units outstanding	16,838		
Average shareholders' equity	$ 383,038		
Ending shareholders' equity	$ 396,264		
Diluted book value per share	$ 23.53		

First Quarter 2012 Highlights

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- Net Income of $32.1 million or $1.90 per share — non annualized return on equity: 8.4%
  - Non-Agency MBS contribution: $28.7 million or $1.70 per basic and diluted share
    - Income derived from net carry, realized gains from trading and asset valuations
  - Agency MBS contribution: $6.3 million or $0.38 per basic and diluted share
    - Income derived from net carry and high level of portfolio turnover, generating realized gains
  - Expenses of $2.9 million or 3.1% of average equity, annualized
- Non-Agency portfolio: $425 million with a market yield of 10.92%, assuming flat home price appreciation(1)
- Leverage ratio: 2.33:1 compared to 2:42:1 at year-end
  - Increased number of active repo lenders to 11, up from 9 at year-end
- March 31, 2012 diluted book value per share $23.53 as compared to $22.03 per share at December 31, 2011
- Declared first quarter dividend of $0.70 per share, a 75% increase
  - Annualized dividend yield of approximately 14% at current market stock price (5/7/2012)

(1) Represents management's estimate: see page 11 for other information and assumptions concerning market yields.

First Quarter 2012 Highlights Continued…

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- **Portfolio**
  - **Non-Agency MBS**
    - **2012 Q1 performance benefited from recent portfolio maneuvers, such as:**

      - Rotation throughout 2011 into lower-priced, “higher beta” securities

      - Decision towards the end of 2011 to be less credit-hedged
    - **Market technicals improved substantially from late 2011; $19 billion from Maiden Lane II sales absorbed by the markets smoothly; EFC participated in each Maiden Lane II auction**
    - **Active trading during the quarter to capture many relative value opportunities (approximately 30% turnover)**
    - **Approximately 11% unlevered market yield[(1)] as of March 31, 2012 — even after Q1’s strong performance**
    - **Portfolio currently positioned to take advantage of improving housing technicals in much of the country**

(1) Represents management’s estimate: see page 11 for other information and assumptions concerning market yields.

First Quarter 2012 Highlights Continued…

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Non-Agency RMBS market outlook: 3/31/2012 compared to one year earlier

	March 31, 2012	March 31, 2011
Outlook for home prices	We expect many non-judicial foreclosure states to hit bottom; distressed sales in these areas to taper off; many markets supported by REO-to-rental	We expected significant further declines nationally; market was still facing headwinds from end of 2010 homebuyer's tax credit
Market pricing assumption for 2006/2007 distressed RMBS vintages	Cashflow shortfalls have become obvious; some of the securities with significant modifications and/or reduced servicer advancing have become undervalued	Market was underestimating the effects of servicing behavior and increased foreclosure timelines
Typical 2006/2007 Subprime "Last Cash Flow" price	30 to 40	37 to 47
Typical "pro-rata pay" 2006/2007 Alt-A Hybrid price	40 to 50	52 to 62
Outlook for loss severities	We expect loss severities to decrease on many securities as servicer advances have declined and as many of the "worst" loans have already been liquidated	We expected severities to increase as a result of extended foreclosure timelines
Maiden Lane I, II and III remaining amounts to be sold	$15 billion	$35 billion
EFC non-Agency RMBS portfolio average price	$56.83	$72.18
EFC 2006/2007 vintage RMBS exposure	32%	11%

- **Current market offers higher yields in a better housing market than one year ago**

First Quarter 2012 Highlights Continued…

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- **Agency**
  - **Continued focus on pools with prepayment protection characteristics; realized CPR of only 5.1%**
  - **Many relative value trading opportunities during the quarter — as a result, high portfolio turnover generated trading gains above carry**
  - **High return on equity without taking substantial interest rate risk and while substantially reducing prepayment risk**
    - **TBA hedges reduce net Agency premium percentage from over 6% to under 2%**
    - **<1 year duration for Agency MBS strategy**
  - **Transitioned much of the portfolio out of traditional prepayment-protected pools into lower-priced pools with other prepayment protection characteristics, where market is less defined and there is less “pay-up” risk**
  - **Shifted more to short TBAs over interest rate swaps to hedge risks**

First Quarter 2012 Highlights Continued…

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- **Market Outlook**
  - **Non-Agency MBS yields remain compelling even with prices slightly higher — market fundamentals and market technicals both improved during the quarter**
  - **Outlook for home prices is much brighter in much of the country today than one year ago**
  - **HARP 2.0, large mortgage banking profits and housing policy uncertainty create a backdrop of substantial prepayment risk**
  - **HARP 2.0 – recent data suggests refinancings may pick up in second quarter**
  - **QE 3 seems unlikely, although threat of QE 3 may work to keep rates low**

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Non-Agency Portfolio

EFC: Non-Agency Long Portfolio

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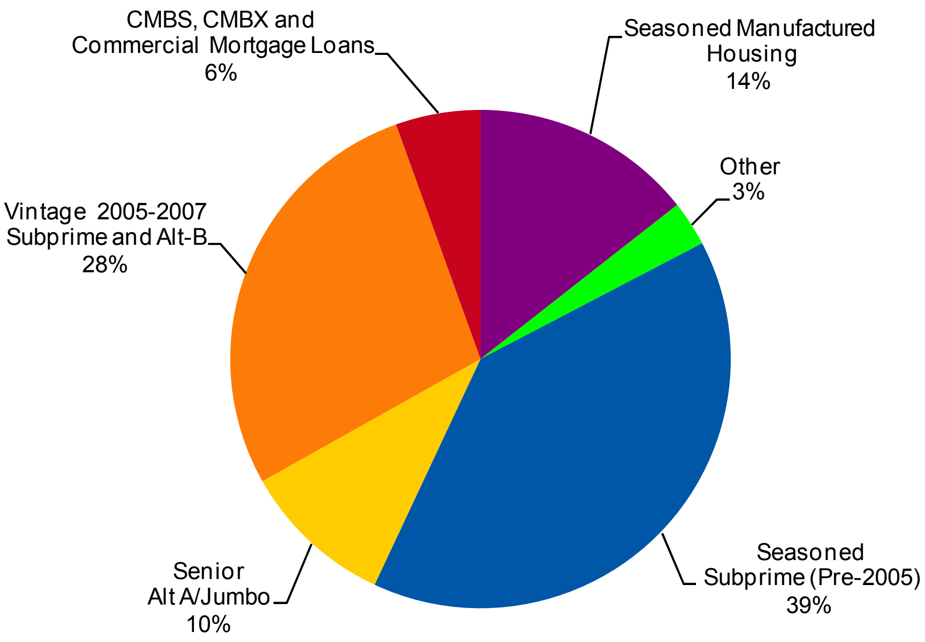
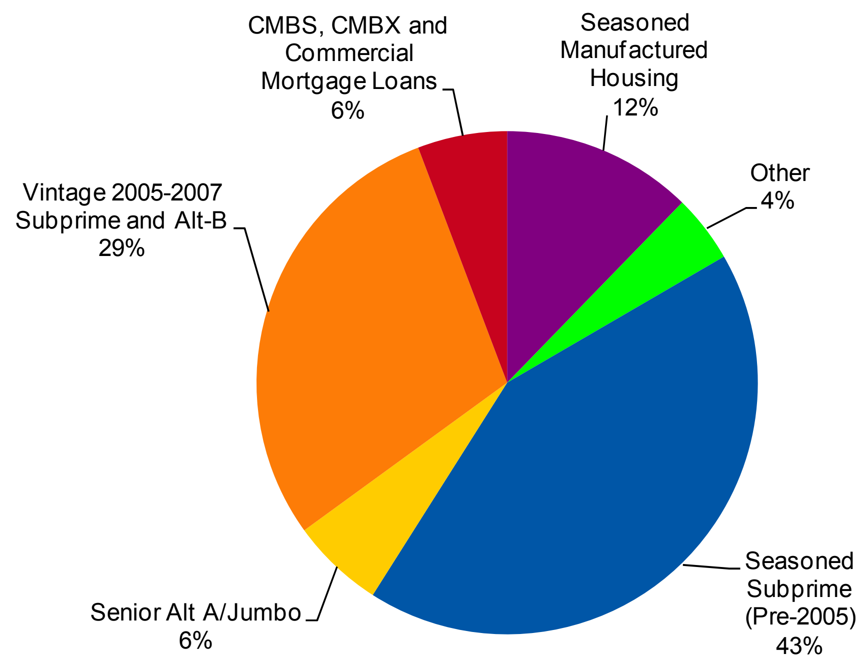
Previous Quarter
Non-Agency Long Portfolio 12/31/11: $451MM[1]



Current Quarter
Non-Agency Long Portfolio 3/31/12: $433MM[1]



- **Non-Agency portfolio is currently concentrated in:**
  - Seasoned securities where underlying borrowers have equity in their homes.
  - 2005-2007 vintages where borrower performance has improved
  - Securities that EFC believes will perform across a wide range of scenarios, including scenarios where home prices decline an additional 15%, as well as more severe recessionary scenarios
- **Over the past year, EFC has taken advantage of buying opportunities on deeply discounted securities**
- **While we executed a high volume of trading during the quarter, the portfolio mix remained roughly the same**

(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 and other hedge positions. The bond equivalent value of credit derivatives included in the non-Agency long portfolio is $8.3 million at March 31, 2012 and $13.1 million at December 31, 2011. Under GAAP, the net value of long credit derivatives is $(11.5) million at March 31, 2012 and $(9.5) million at December 31, 2011.

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

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- **EFC non-Agency MBS strategy is the main driver of EFC's earnings**
- **Non-Agency Long Portfolio Value: $433MM[1] as of 3/31/2012 (which includes $424.9 million of long non-Agency MBS and loans and $8.3 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 ↓ 15%[5]	Est. Yield at Market Price at HPA Flat[5]
Seasoned Subprime	$183.6	67.7%	6.4 years	8.0%	9.83%	10.74%
Vintage 2005-2007 Subprime and Alt-B	126.7	46.3	4.3	13.6	8.79	11.75
Seasoned Manufactured Housing	53.1	73.6	6.0	6.7	9.73[6]	9.73
Senior Alt-A/Jumbo	26.0	62.3	5.1	10.5	8.89	10.64
CMBS and Commercial Mortgage Loans	16.7	75.8	6.0	N/A	9.72[6]	9.72
Other	18.8	31.0	7.4	12.3	9.60	11.95
Totals	**$424.9**	**57.4%**	**5.7 years**	**9.9%**	**9.44%**	**10.92%**

(1) For 3/31/2012, fair value includes $8.3mm of bond equivalent value of long CMBX positions. The above table does not include these positions in averages and 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 3/31/12 and include the effects of future estimated losses. The above analysis should not be considered a recommendation to purchase or sell any security or class of securities. Average sector yields include interest-only 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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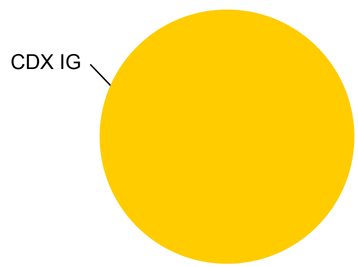
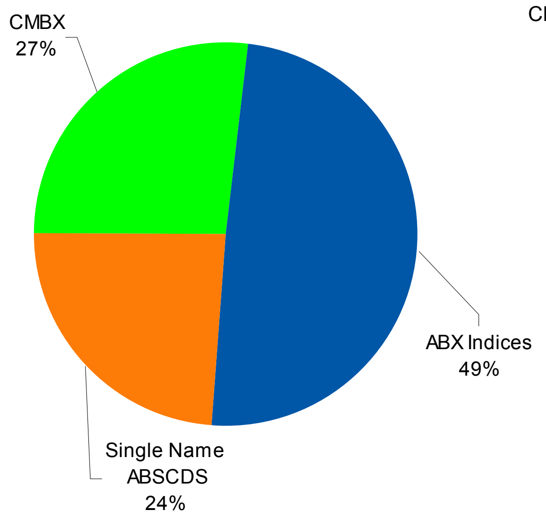
Previous Quarter
Credit Hedging Portfolio 12/31/11: $182MM[1]

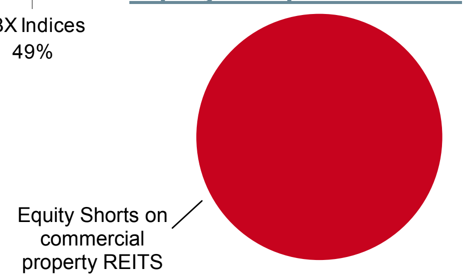
Corporate CDS: $105.5mm



CDS on MBS: $55.6mm

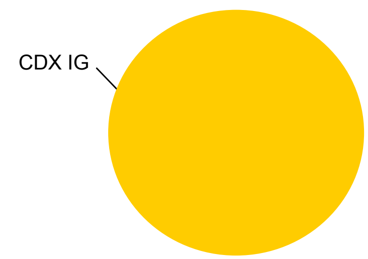


Equity Swaps: $20.6mm

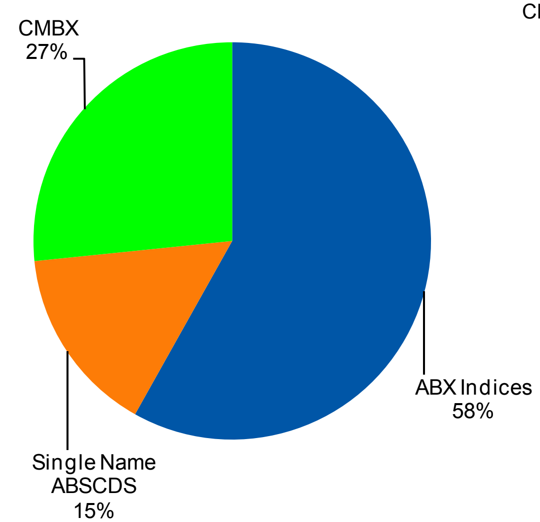


Current Quarter
Credit Hedging Portfolio 3/31/12: $161MM[1]

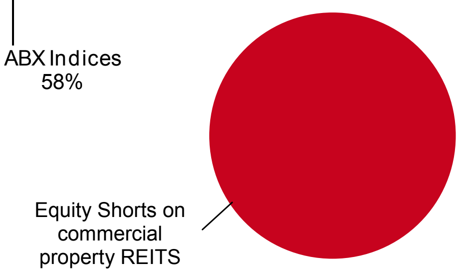
Corporate CDS: $78.6mm



CDS on MBS: $59.7mm



Equity Swaps: $22.4mm



- **EFC's credit hedges are concentrated in:**
  - ABX indices where underlying securities are backed by non-performing borrowers and higher delinquencies
  - Other single-name CDS on mortgage-backed securities where underlying performance is and is expected to continue to be poor, generating sizeable losses at the security level (or gains on a short position)
  - Short equity positions in certain publicly traded commercial property REITs and short credit positions in investment grade corporate bonds using CDS
- **Receipt of credit-event payments and opportunistic pair-offs continue to shrink the single-name ABSCDS short 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 10 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 $138.3 million at March 31, 2012 and $161.1 million at December 31, 2011. Under GAAP, the total net value of short CDS on MBS and short Corporate CDS is $92.5 million at March 31, 2012 and $102.8 million at December 31, 2011. For equity swaps, the amounts above represent notional value, based on the number of underlying shares multiplied by price per share at March 31, 2012 and December 31, 2011. The fair value of equity swaps as of March 31, 2012 is $(0.2) million and $(0.3) million as of December 31, 2011.

Agency Portfolio

EFC: Agency Long Portfolio

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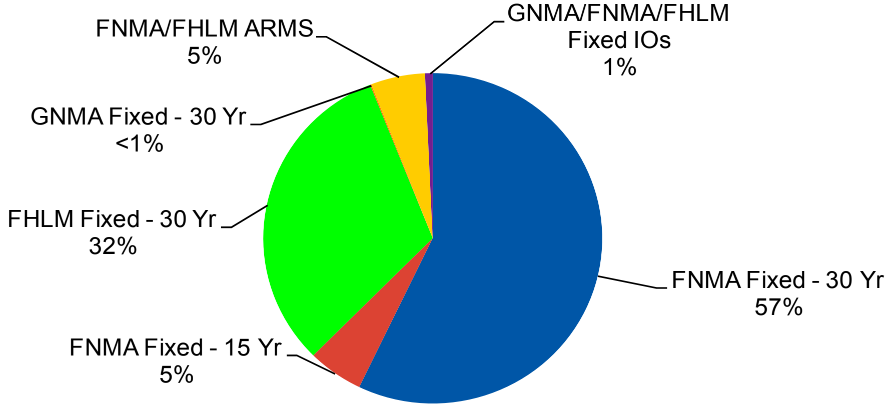
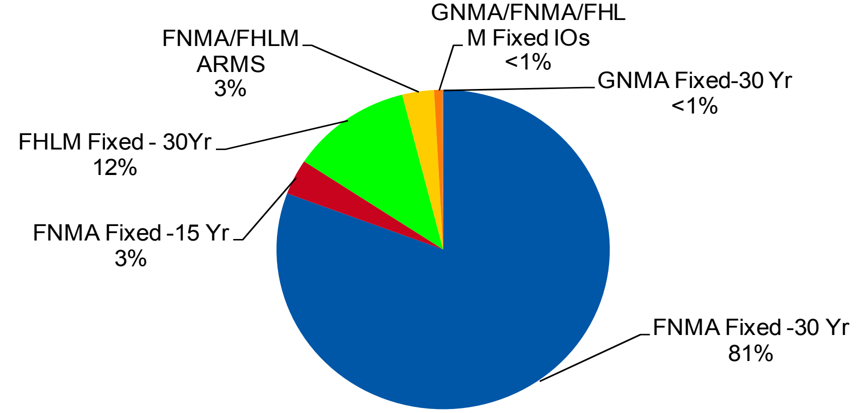
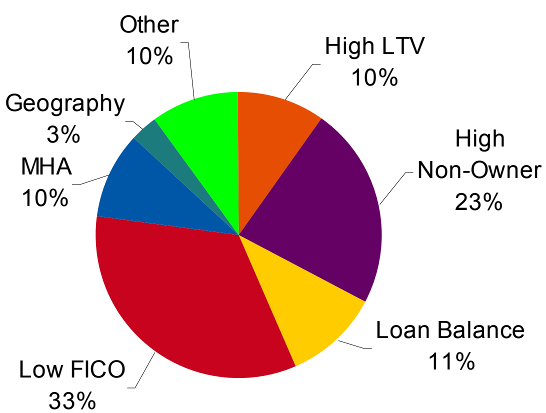
Previous Quarter
Agency Long Portfolio 12/31/11: $732MM[1]



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

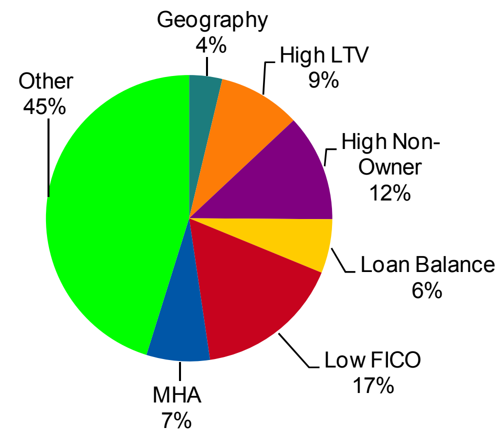


Collateral Characteristics and Historical 3-month CPR
Agency Fixed Rate Pool Portfolio 12/31/11: $689MM[2]



Characteristic[3]	Fair Value[4]	3-Month Historical CPR
Geography	$20.6	0.2
High LTV	68.7	8.3
High Non-Owner Occupied	157.6	3.7
Low Loan Bal	73.0	7.6
Low FICO	231.5	3.2
MHA[5]	68.8	2.6
Other	68.8	8.0
Totals	$689.0	4.6

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	5.2
Totals	$753.4	5.1

(1) Does not include TBA long positions. Agency long portfolio includes $777.4 million of Agency long securities at 3/31/2012 and $727.0 million at 12/31/2011. Additionally, the Agency long portfolio includes $6.0 million of interest-only securities at 3/31/2012 and $5.3 million at 12/31/2011.
(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.

EFC: Agency Interest Rate Hedging Portfolio

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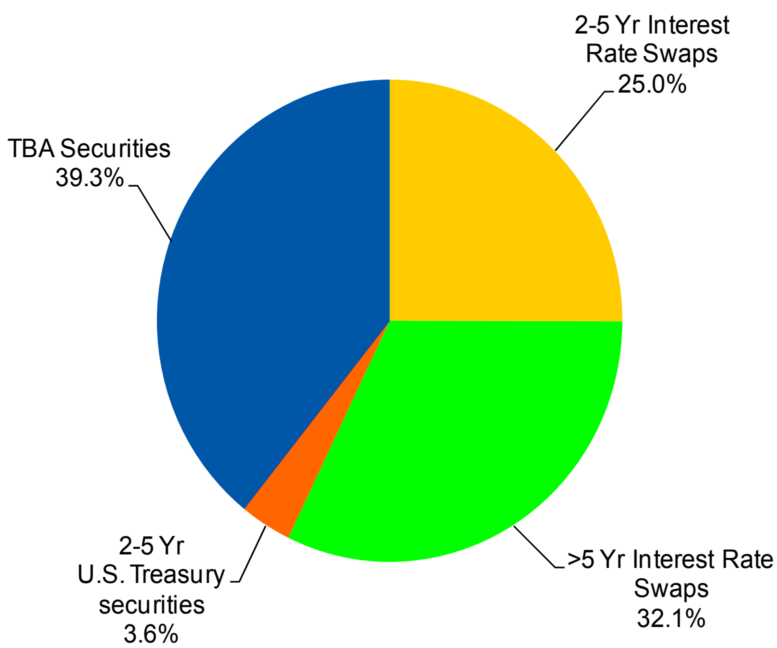
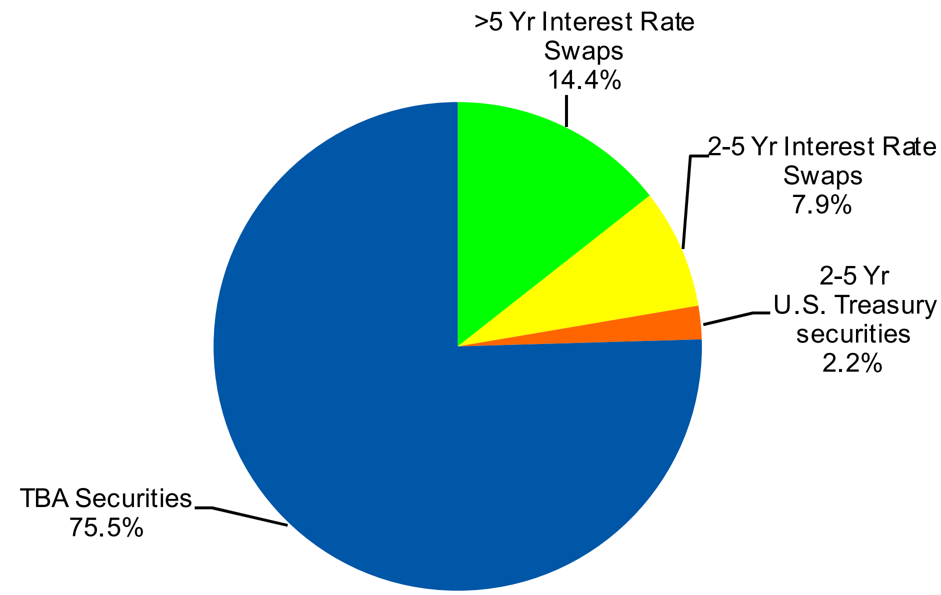
Previous Quarter
Agency Interest Rate Hedging Portfolio 12/31/11: Short $207MM 10-year equivalents[1]



Current Quarter
Agency Interest Rate Hedging Portfolio 3/31/12: Short $281MM 10-year equivalents



- **Agency interest rate hedges are shown in normalized units of risk, with each group of positions measured in “10-year equivalents.”**
  - Majority of interest rate hedges have historically been TBA securities and/or interest rate swaps.
  - In addition to TBAs and interest rate swaps, EFC has used a combination of U.S. Treasury securities and Eurodollar futures to mitigate interest rate risk.

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 12/31/2011 exclude a long U.S Treasury security with fair value of $10.1 million, which is a long $10.0 million U.S. Treasury security on a 10-year equivalent basis.

EFC: Agency Interest Rate Hedging Portfolio Continued…

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

($ In millions)

Agency-related Portfolio	12/31/11	3/31/12
Long Agency RMBS	$732	$783
Net Short TBA Positions	(415)	(549)
Net Long Exposure to Agency RMBS	$317	$234

- **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 0.36% of the value of our fixed rate Agency pool portfolio as of 3/31/2012.**

Estimated Change in Fair Value as of 3/31/12 for Agency Pools, Agency IOs and Related Hedges if Interest Rates Move:

($ In thousands)	Down 50 BPS	Up 50 BPS
Agency ARM Pools	$ 58	$ (99)
Agency Fixed Rate Pools and IOs	10,391	(14,815)
TBAs	(7,274)	11,232
Interest Rate Swaps	(2,785)	2,696
U.S. Treasury Securities	(275)	268
Repo Agreements and Reverse Repo Agreements	(228)	327
TOTALS	$ (113)	$ (391)

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

Borrowings

EFC: Repo Borrowings as of March 31, 2012

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($ In millions)	Repo Borrowings			
Remaining Days to Maturity	**Non-Agency**	**Agency**	**Total**	**% of Total Borrowings**
30 Days or Less	$81.3	$438.9	$520.2	56.5%
31-60 Days	51.1	105.2	156.3	17.0
61-90 Days	33.4	65.7	99.1	10.7
91-120 Days	–	87.3	87.3	9.5
151-180 Days	58.5	–	58.5	6.3
Total Borrowings	**$224.3**	**$697.1**	**$921.4**	**100.0%**
Wtd. Avg. Remaining Days to Maturity	**70**	**34**	**43**	**n/a**

- **As of 3/31/2012, EFC had borrowings outstanding with 11 counterparties (an increase of 2 since 12/31/2011); borrowings from the largest counterparty represented 21% of total outstanding borrowings**

- **As of 3/31/2012, EFC had repo borrowings with a remaining weighted average maturity of 43 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 March 31, 2012. Not included are any reverse repos that the Company may have entered into prior to March 31, 2012, for which we will not take delivery of the borrowed funds until after March 31, 2012. Remaining maturity for a reverse repo is based on the contractual maturity date in effect as of March 31, 2012. Some reverse repos have floating interest rates, which may reset before maturity.

EFC: Average Cost of Borrowings

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($ In thousands)

As of March 31, 2012	For the Quarter Ended March 31, 2012		
Collateral for Borrowing	Outstanding Borrowings[1]	Average Borrowings for the Quarter Ended[1]	Average Cost of Funds
Non-Agency RMBS and CMBS	$224,280	$231,496	2.02%
Agency RMBS	697,126	657,354	0.35
Totals	**$921,406**	**$888,850**	**0.78%**

- **Leverage ratio of 2.33:1 as of March 31, 2012[2]**

(1) Excludes securitized debt valued at $1.5 million.
(2) Includes securitized debt valued at $1.5 million.

Supplemental Information

EFC: Gross Profit and Loss

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- **In times of RMBS 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**

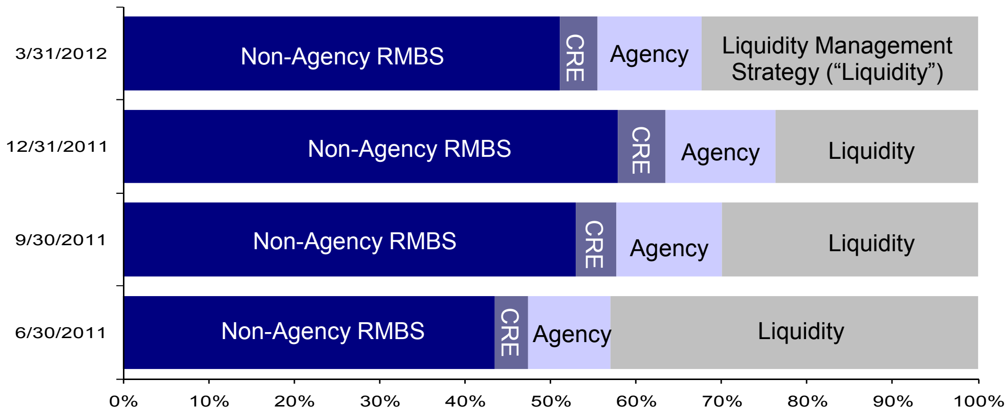
	Qtr Ended March 31, 2012		Years Ended							
	2012		2011		2010		2009		2008	
($ In thousands)	$	%	$	%	$	%	$	%	$	%
Long: Non-Agency	34,361	8.97	1,505	0.39	70,840	21.87	101,748	36.33	(64,565)	(26.20)
Credit Hedge: Non-Agency	(5,825)	(1.52)	19,895	5.16	(7,958)	(2.46)	10,133	3.62	78,373	31.81
Interest Rate Hedge: Non-Agency	138	0.03	(8,171)	(2.12)	(12,150)	(3.75)	(1,407)	(0.50)	(3,446)	(1.40)
Long: Agency	8,400	2.20	63,558	16.47	21,552	6.65	22,171	7.92	4,763	1.93
Interest Rate Hedge: Agency	(2,066)	(0.54)	(54,173)	(14.04)	(14,524)	(4.48)	(8,351)	(2.98)	(6,414)	2.60
Gross Profit	35,008	9.14	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

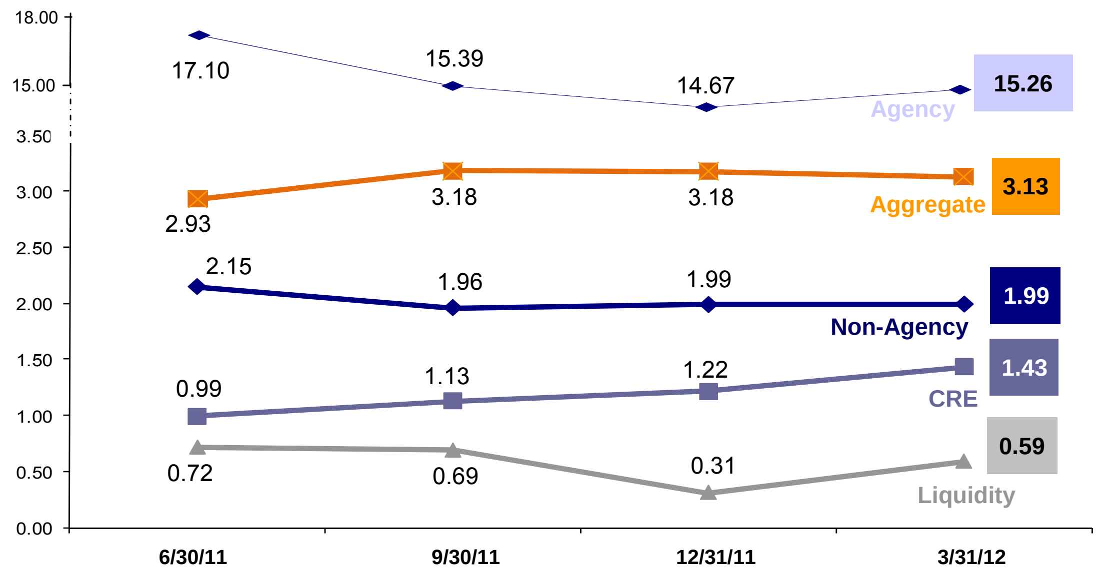
Ellington Financial

Capital Usage Across Entire Portfolio



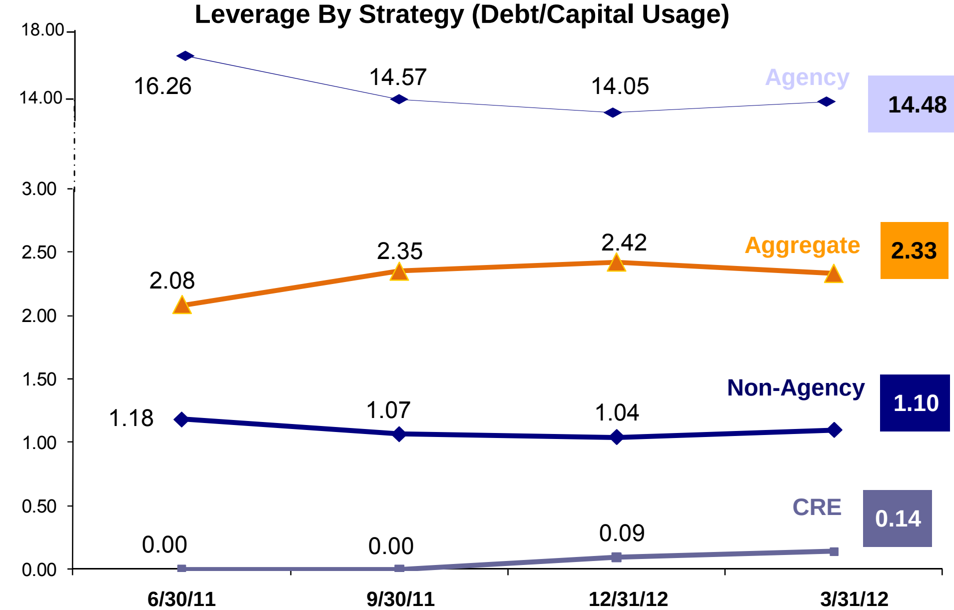
Note to Capital Usage Across Entire Portfolio table: Includes settled investment amounts net of repo borrowings and securitized debt, initial margin of hedges and synthetic long positions, and other assets and liabilities associated with each category. "Agency" strategy includes capital usage associated 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 10 for a description of bond equivalent value for CDS.

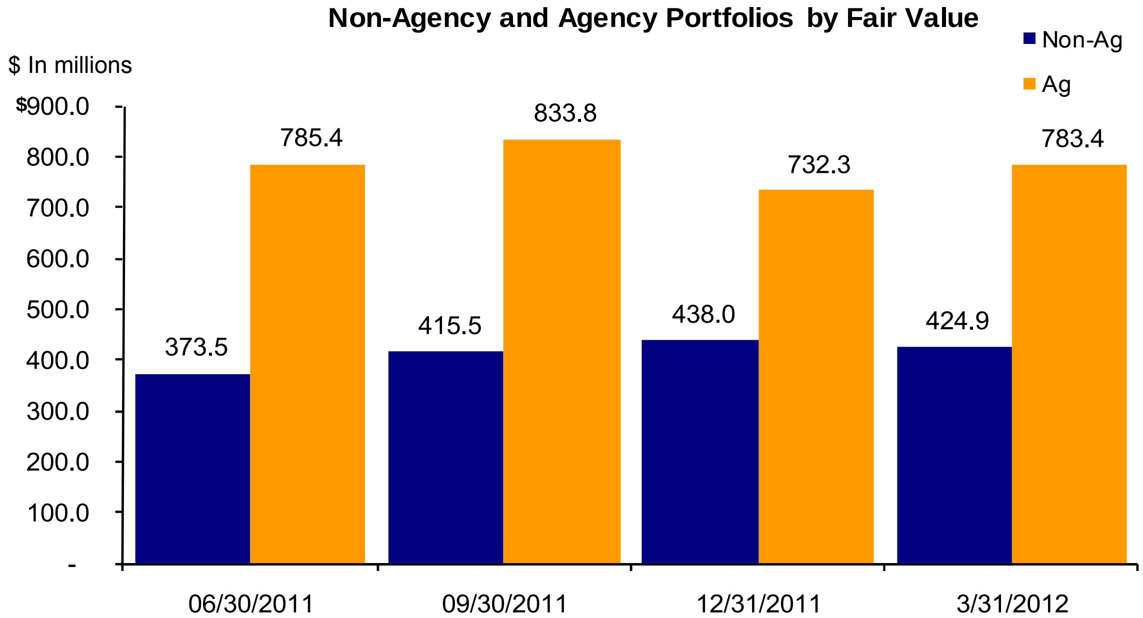
Leverage By Strategy (Debt/Capital Usage)

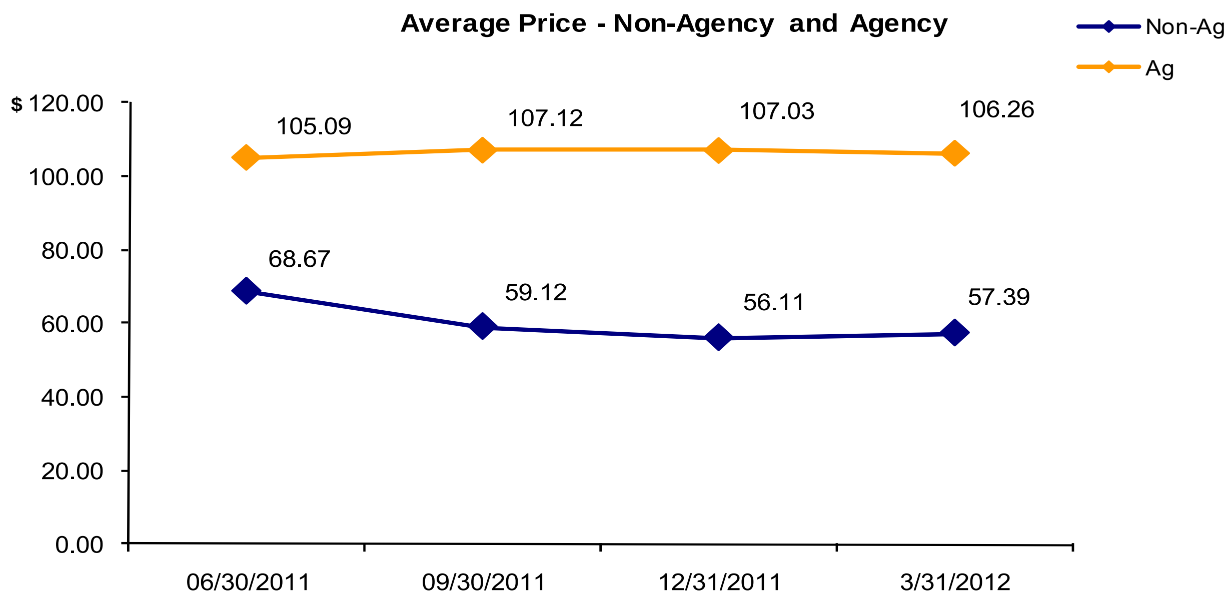


Note: Ratio of (i) strategy total repo liabilities and securitized debt associated with settled MBS and Commercial Mortgage Loans, to (ii) strategy capital usage.

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

Ellington Financial

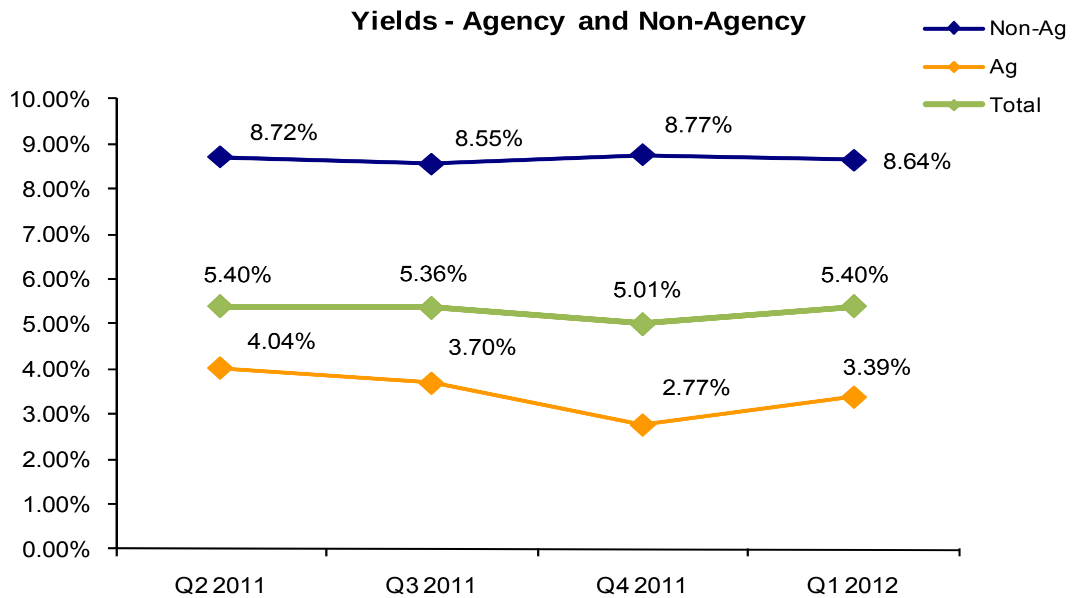




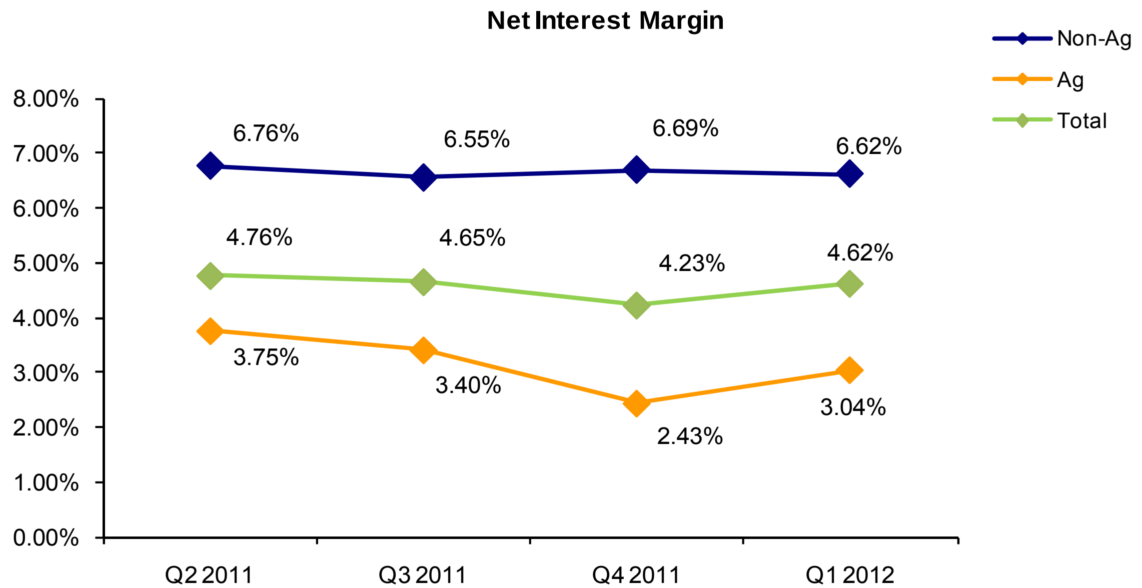
Note: Excludes interest-only and other similar securities.

EFC: Yields and Net Interest Margin

Ellington Financial



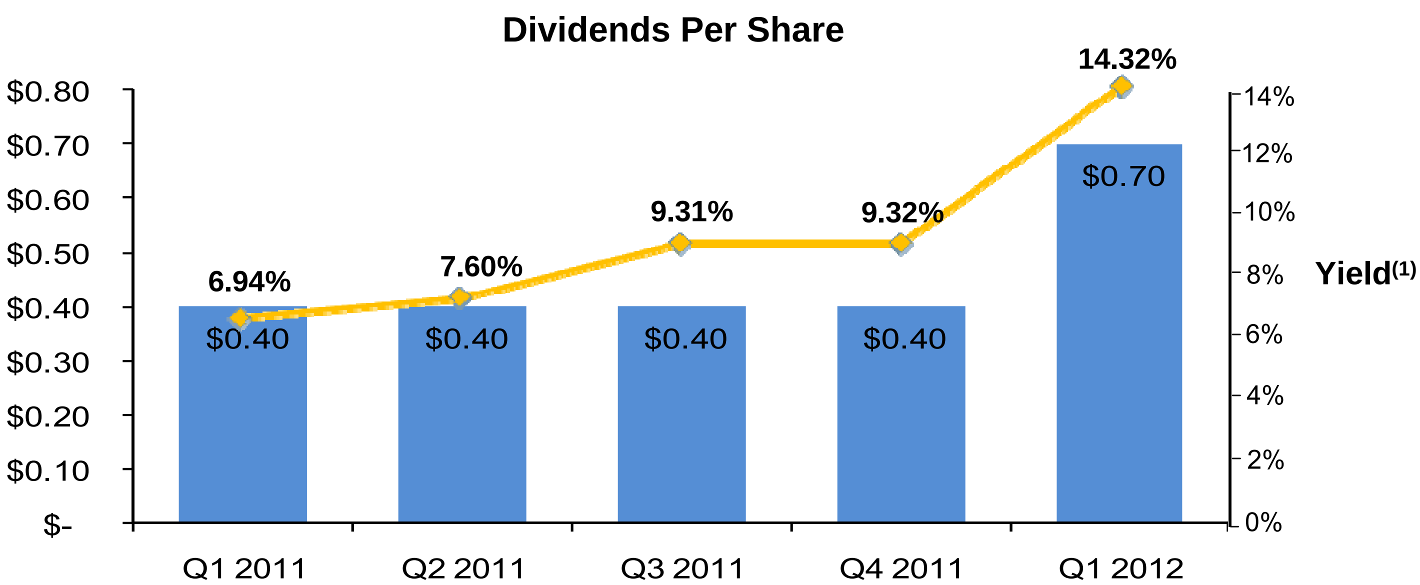
Note: Yields are based on amortized cost, not fair value.



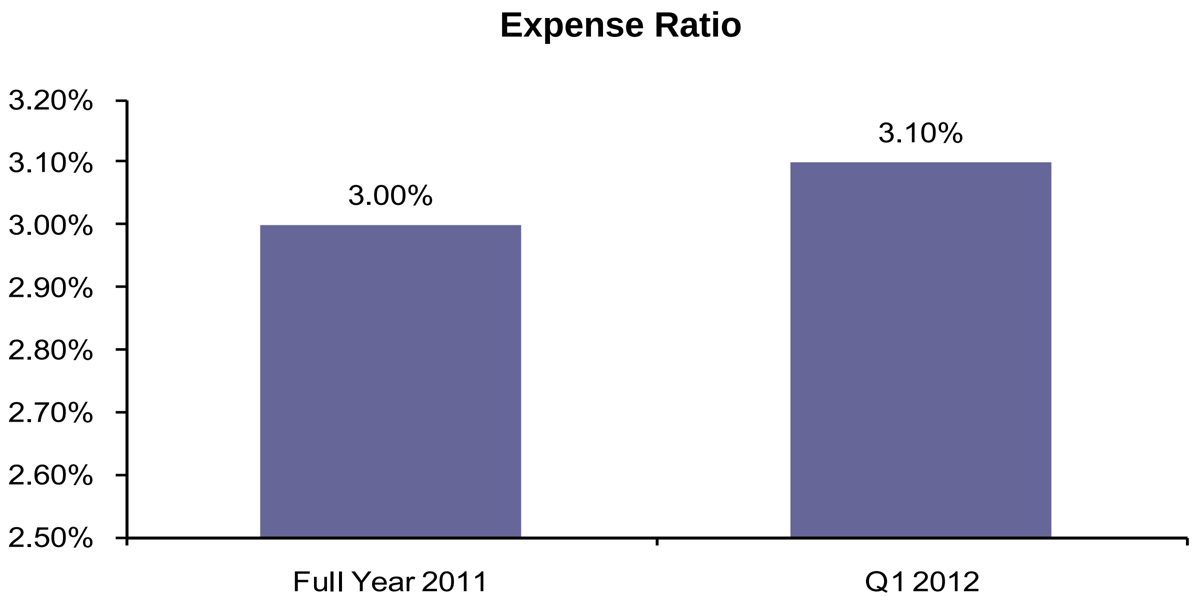
Note: Net interest margin figures are based on amortized cost, not fair value, and exclude hedging related expenses.

EFC: Dividends and Expense Ratio

Ellington Financial



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



Income Statement

(Unaudited)

(In thousands, except per share amounts)	Three Months Ended March 31, 2012	Three Months Ended December 31, 2011
Investment income		
Interest income	$ 15,733	$ 15,442
Expenses		
Base management fee	1,492	1,396
Incentive fee	-	-
Interest expense	1,832	1,874
Other operating expenses	1,449	1,126
Total expenses	4,773	4,396
Net investment income	10,960	11,046
Net realized gain (loss) on:		
Investments	8,147	11,739
Swaps	(19,928)	(571)
Futures	(8)	1
	(11,789)	11,169
Change in net unrealized gain (loss) on:		
Investments	18,130	(16,766)
Swaps	14,817	(3,760)
Futures	(63)	12
	32,884	(20,514)
Net realized and unrealized gain (loss) on investments and financial derivatives	21,095	(9,345)
Net increase in shareholders' equity resulting from operations	$ 32,055	$ 1,701
Net increase in shareholders' equity resulting from operations per share:		
Basic and diluted	$ 1.90	$ 0.10

Balance Sheet
(Unaudited)

Ellington Financial

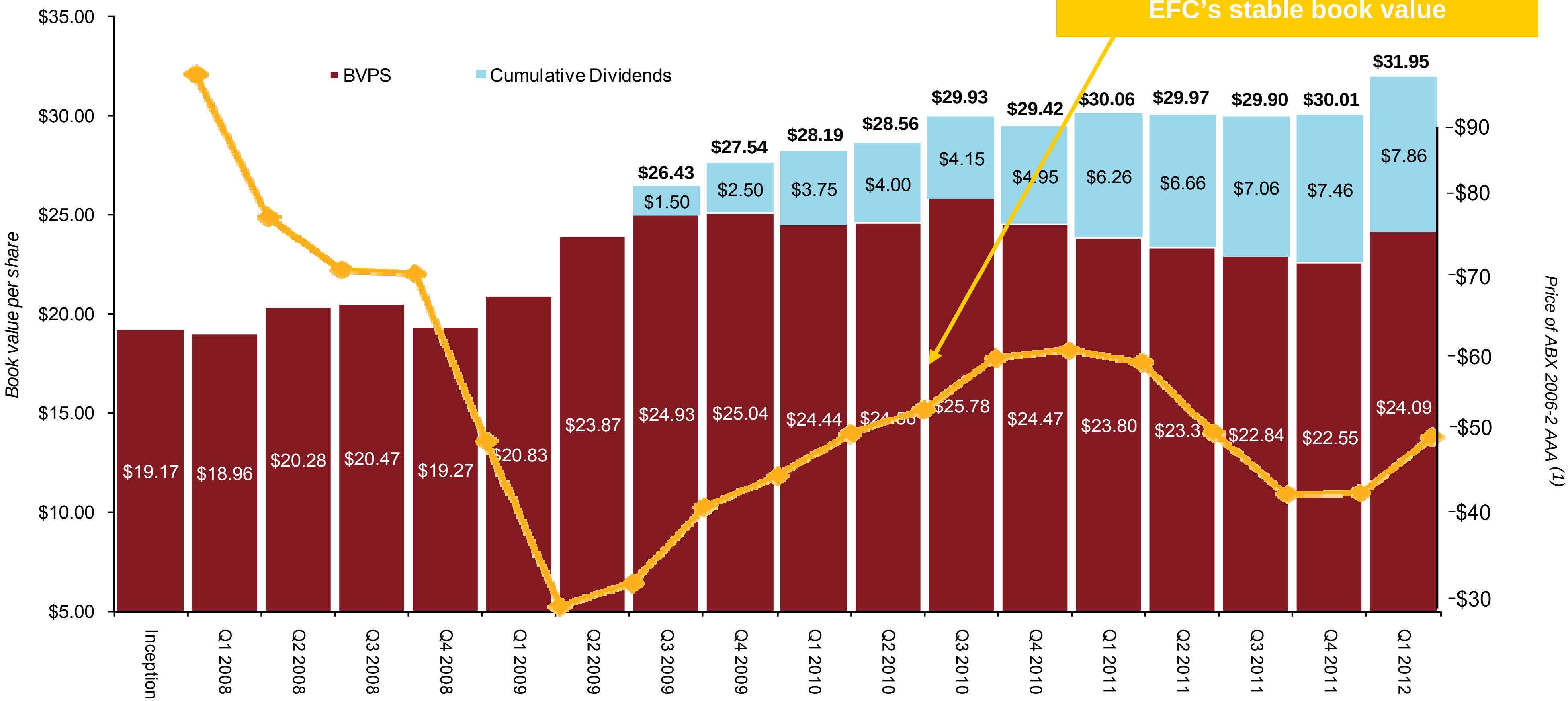
(In thousands, except share amounts)	As of March 31, 2012	As of December 31, 2011[1]
ASSETS		
Cash and cash equivalents	$ 51,546	$ 62,737
Investments, financial derivatives and repurchase agreements:		
Investments at fair value (Cost - $1,232,162 and $1,234,203)	1,225,584	1,212,483
Financial derivatives - assets at fair value (Cost - $105,906 and $118,281)	94,056	102,871
Repurchase agreements (Cost - $13,650 and $15,750)	13,650	15,750
Total Investments, financial derivatives and repurchase agreements	1,333,290	1,331,104
Deposits with dealers held as collateral	32,362	34,163
Receivable for securities sold	642,218	533,708
Interest and principal receivable	6,138	6,127
Other assets	1,024	216
Total assets	$ 2,066,578	$ 1,968,055
LIABILITIES		
Investments and financial derivatives:		
Investments sold short at fair value (Proceeds - $579,447 and $459,013)	$ 579,852	$ 462,394
Financial derivatives - liabilities at fair value (Proceeds - $21,088 and $9,636)	27,298	27,040
Total investments and financial derivatives	607,150	489,434
Reverse repurchase agreements	921,406	896,210
Due to brokers on margin accounts	65,497	79,735
Payable for securities purchased	70,688	127,517
Securitized debt (Proceeds - $1,495 and $0)	1,485	-
Accounts payable and accrued expenses	1,500	1,845
Accrued base management fee	1,492	1,396
Interest and dividends payable	1,096	1,002
Total liabilities	1,670,314	1,597,139
SHAREHOLDERS' EQUITY	396,264	370,916
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 2,066,578	$ 1,968,055
ANALYSIS OF SHAREHOLDERS' EQUITY:		
Common shares, no par value, 100,000,000 shares authorized;		
(16,447,651 and 16,447,651 shares issued and outstanding)	$ 387,367	$ 362,047
Additional paid-in capital - LTIP units	8,897	8,869
Total Shareholders' Equity	$ 396,264	$ 370,916
PER SHARE INFORMATION:		
Common shares, no par value	$ 24.09	$ 22.55
DILUTED PER SHARE INFORMATION:		
Common shares and LTIPs, no par value	$ 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 73%.**

(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 3/31/2012 book value per share is 72.76%. 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, and 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 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 LLC (NYSE: EFC)

First Quarter Earnings Conference Call
May 8, 2012

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