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Ellington Financial LLC (NYSE: EFC)

Third Quarter Earnings Conference Call

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

Third Quarter 2012

Operating Results

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(In thousands, except per share amounts)		Quarter Ended 9/30/2012		Per Share	% of Average Shareholders' Equity		Nine Months Period Ended 9/30/2012		Per Share	% of Average Shareholders' Equity
Non-Agency MBS and Commercial Mortgage Loans:										
Interest income	$	11,270	$	0.61	2.54%	$	30,326	$	1.74	7.39%
Net realized gain		8,345		0.45	1.88%		15,703		0.90	3.83%
Net change in net unrealized gain		23,648		1.27	5.32%		50,290		2.89	12.26%
Net interest rate hedges		(1,195)		(0.06)	-0.27%		(3,787)		(0.22)	-0.92%
Net credit hedges		(3,499)		(0.19)	-0.79%		(9,925)		(0.57)	-2.42%
Interest expense		(1,357)		(0.07)	-0.31%		(3,789)		(0.22)	-0.92%
Total non-Agency MBS and Commercial Mortgage Loans profit		37,212		2.01	8.37%		78,818		4.52	19.22%
Agency RMBS:										
Interest income		4,126		0.22	0.93%		16,746		0.96	4.08%
Net realized gain		4,992		0.27	1.12%		16,970		0.97	4.14%
Net change in net unrealized gain		3,102		0.17	0.70%		3,055		0.18	0.74%
Net interest rate hedges [1]		(6,617)		(0.36)	-1.49%		(20,524)		(1.18)	-5.00%
Interest expense		(517)		(0.03)	-0.12%		(1,749)		(0.10)	-0.43%
Total Agency RMBS profit		5,086		0.27	1.14%		14,498		0.83	3.53%
Total non-Agency and Agency MBS and Commercial Mortgage Loans profit		42,298		2.28	9.51%		93,316		5.35	22.75%
Other interest expense, net		(3)		-	0.00%		(26)		-	-0.01%
Other expenses (excluding incentive fee)		(3,267)		(0.18)	-0.74%		(9,127)		(0.52)	-2.23%
Net increase in shareholders' equity resulting from operations (before incentive fee)		39,028		2.10	8.77%		84,163		4.83	20.51%
Incentive fee		(9,491)		(0.51)	-2.14%		(11,803)		(0.68)	-2.88%
Net increase in shareholders' equity resulting from operations	$	29,537	$	1.59	6.63%	$	72,360	$	4.15	17.63%
Weighted average shares & LTIP units oustanding		18,553					17,414			
Average shareholders' equity [2]	$	444,220				$	410,197			
Ending shareholders' equity	$	498,650				$	498,650			
Diluted book value per share	$	23.88				$	23.88			

(1) Includes TBAs and U.S. Treasuries

(2) Average shareholders' equity is calculated using month end values

Ellington Financial: Third Quarter Highlights

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Overall Results	3rd quarter net income of $29.5 million or $1.59 per share Nine months net income of $72.4 million or $4.15 per share, equating to annualized return on equity of 23.5%
Non-Agency MBS Strategy	3rd quarter non-Agency MBS income of $37.2 million or $2.01 per share - Income derived from yield on assets, realized gains from trading and increased asset valuations - Increase in weighted average book yield for the third quarter to 10.15% from 8.84% for the second quarter; results primarily from upward adjustment in assumption about future home prices – no impact to net income as all investments are fully marked to market through net income
Agency RMBS Strategy	3rd quarter Agency RMBS income of $5.1 million or $0.27 per share - Income driven by net carry combined with active trading; prepayment-protected pools continue to prepay more slowly than their generic counterparts – average prepayment speed remained relatively flat over quarter at just over 8%
Operating Expenses	3rd quarter operating expenses of $3.3 million 2.9% of average shareholders' equity, annualized

Ellington Financial: Highlights Continued

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Recent Share Offering	■ Completed secondary public offering, which generated net proceeds of approximately $88 million ■ As of September 30, 2012, approximately half of the proceeds were deployed in the non-Agency strategy
Non-Agency Strategy	■ Non-Agency Portfolio: $530.3 million with a market yield of 9.26%[1] at the end of the 3rd quarter, up from $451.9 million at the end of the second quarter ■ Average market price of approximately 61.3 and 57.4 for the 3rd and 2nd quarter, respectively – we see continued upside potential as housing market fundamentals improve
Leverage	■ Debt to equity ratio: 1.33:1 at September 30th as compared to 2.24:1 at June 30th
Book Value	■ September 30, 2012 diluted book value per share of $23.88, net of $0.70 second quarter dividend, as compared to $23.47 per share at June 30, 2012
Dividend Yield	■ Declared 3rd quarter dividend of $0.70 per share ■ Dividend yield—12.8% based on closing price as of November 7, 2012 of $21.82 ■ Management expects to continue to recommend quarterly dividends of $0.70 per share[2] until conditions warrant otherwise

1) Refer to footnote 5 on page 11 for a discussion of management's market yield estimates.

2) We cannot assure you that we will pay any future dividends to our shareholders. The declaration and amount of future dividends remain in the discretion of the Company's Board of Directors.

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Ellington Financial: Non-Agency MBS Strategy

Overall Market Conditions	■ Several straight months of improving home prices; QE 3 supports this trend by lowering mortgage rates ■ QE 3 crowds investors out of Agency RMBS and into higher yielding assets like non-Agency MBS ■ Completion of asset sales from Maiden Lane III portfolio – less supply overhang ■ *Simplified Supervisory Formula Approach* (SSFA) and *Long-Term Refinancing Operation* (LTRO) reduce likelihood of large-scale selling of non-Agency MBS from U.S. and European banks
Portfolio Trends	■ In the third quarter we continued to maintain our long bias in the non-Agency MBS portfolio ■ We had previously rotated into lower-priced, “higher beta” securities (2006/2007 vintage); more recently we have been selectively selling certain of these securities in favor of securities where we see better relative value ■ For example, during the third quarter we invested in several CDOs from the Maiden Lane III portfolio ■ 9.26%[1] weighted average market yield on non-Agency MBS portfolio as of September 30, 2012

1) Refer to footnote 5 on page 11 for a discussion of management’s market yield estimates.

Ellington Financial: Agency Strategy

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Overall Market Conditions	■ QE 3 has reduced yields on Agency RMBS and has heightened prepayment risk by lowering mortgage rates ■ Private investors have been forced to compete with the Fed for assets ■ Record high prices for Agency RMBS magnifies risks associated with prepayment surprises
Portfolio Trends	■ Continued use of short TBA positions to manage duration and prepayment risk ■ Expect further return generation through focus on security selection and active trading ■ Continued focus on pools with prepayment protection characteristics; effective asset selection resulting in realized CPR of 8.2% for the current quarter; second quarter CPR was 8.3% ■ Faster prepay expectations led to lower cost of TBA rolls, which provided additional income for the Company. By maintaining TBA short positions, the Company may benefit from faster overall prepayment expectations

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Ellington Financial: Market Outlook

Robust Demand	■ We expect continued robust demand for non-Agency MBS given the need for yield and the lack of alternatives
Superior Asset Selection	■ With non-Agency MBS prices having rallied across the board, security selection will become an increasingly important driver of portfolio performance ■ Expect a combination of strong carry, price appreciation, and trading profits ■ Securities with lower price transparency continue to be priced inefficiently
Consequences of QE 3	■ Lower Agency RMBS yields as a result of QE 3 may drive many investors to seek other investment alternatives ■ QE 3 reemphasizes importance of focus on Agency RMBS pools with prepayment protection characteristics as well as hedging with TBAs

Non-Agency Portfolio

EFC: Non-Agency Long Portfolio

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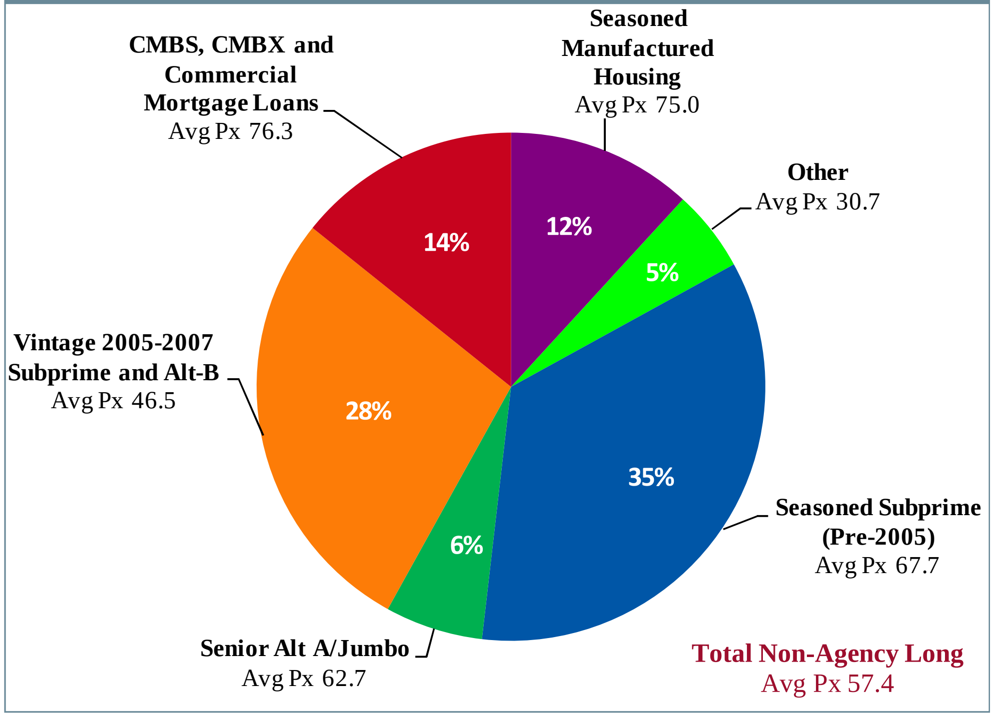
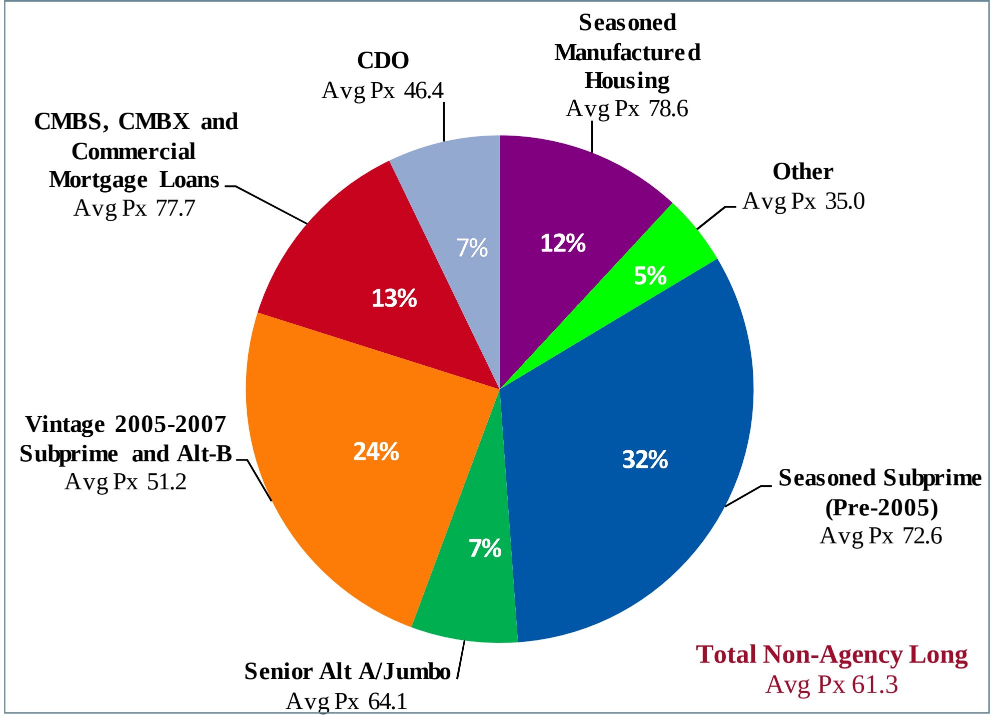
Previous Quarter

Non-Agency Long Portfolio 6/30/12: $452MM(1)(2)



Current Quarter

Non-Agency Long Portfolio 9/30/12: $530MM(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 third quarter, the market value of EFC's combined non-Agency RMBS/CMBS portfolio increased**
  - Also purchased attractively priced CDOs (assets including predominately RMBS, but CMBS also) that were part of the Maiden Lane III 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 $16.1 million of long CMBX positions and $2.4 million of long Primex positions at September 30, 2012, and $31.4 million of long CMBX positions and $2.4 million of long Primex positions at June 30, 2012. The corresponding net fair value of net long credit derivatives is $(13.3) million at September 30, 2012 and $(17.6) million at June 30, 2012.

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

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

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- **EFC non-Agency MBS strategy is the main driver of earnings**
- **Non-Agency long portfolio value: $530MM[1] as of 9/30/2012 (which includes $511.8 million of long non-Agency MBS and loans and $18.5 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%[5,6]	Est. Yield at Market Price at Ellington HPA Forecast[5,6]
Seasoned Subprime	$172.1	72.6%	5.7	8.4%	7.92%	9.15%
Vintage 2005-2007 Subprime and Alt-B	128.4	51.2	5.0	12.6	6.32	9.67
Seasoned Manufactured Housing	63.1	78.6	6.2	6.0	8.64 [7]	8.64
Senior Alt-A/Jumbo	36.1	64.1	4.6	10.6	6.73	9.21
CMBS and Commercial Mortgage Loans	68.7	77.7	8.9	N/A	7.87 [7]	7.87
CDO	38.0	46.4	3.4	N/A	7.03	10.28
Other	23.9	35.0	7.4	11.3	8.91	11.20
Total	**$530.3**	**61.3%**	**5.8**	**9.7%**	**7.45%**	**9.26%**

1) For 9/30/2012, fair value includes $16.1mm 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 "projected" 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 9/30/12 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 and other similar securities ,and excludes 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) "HPA down 15%" means all home prices decline a total of 15% over the next two years, and remain unchanged thereafter. "Ellington HPA Forecast" means that home prices change as predicted by Ellington's proprietary housing price model; as of 9/30//2012, this model was forecasting a flat-to-improving housing market for most regions of the country.

(7) 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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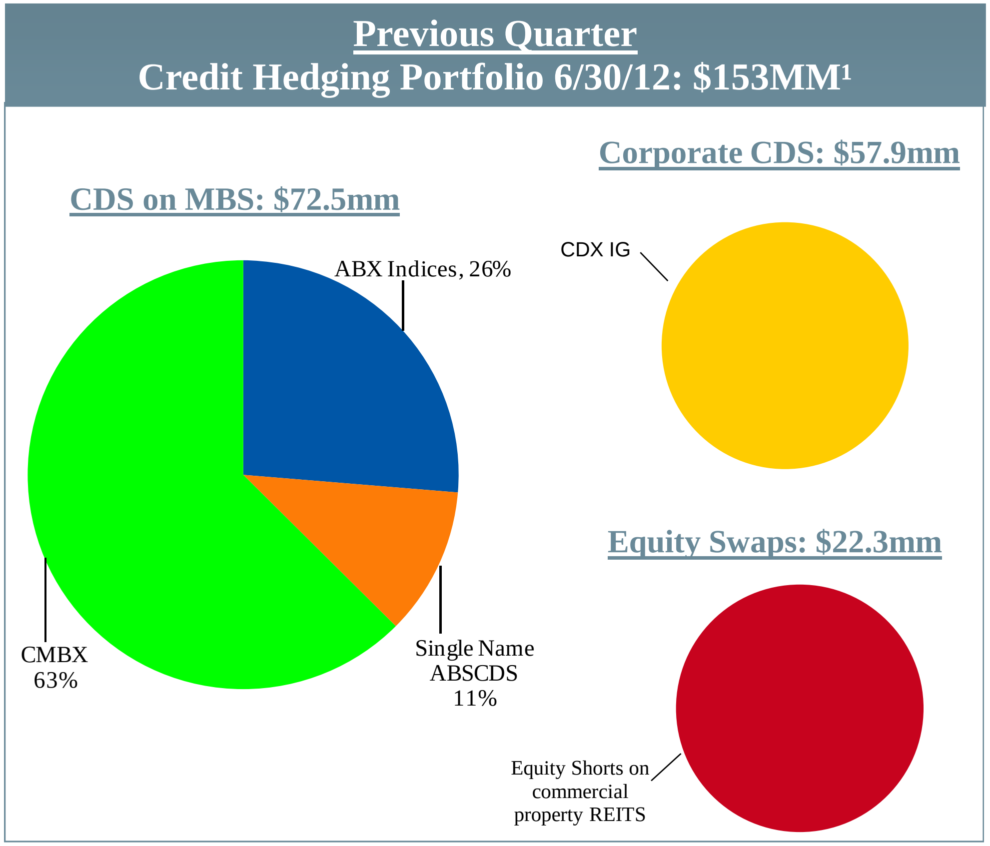

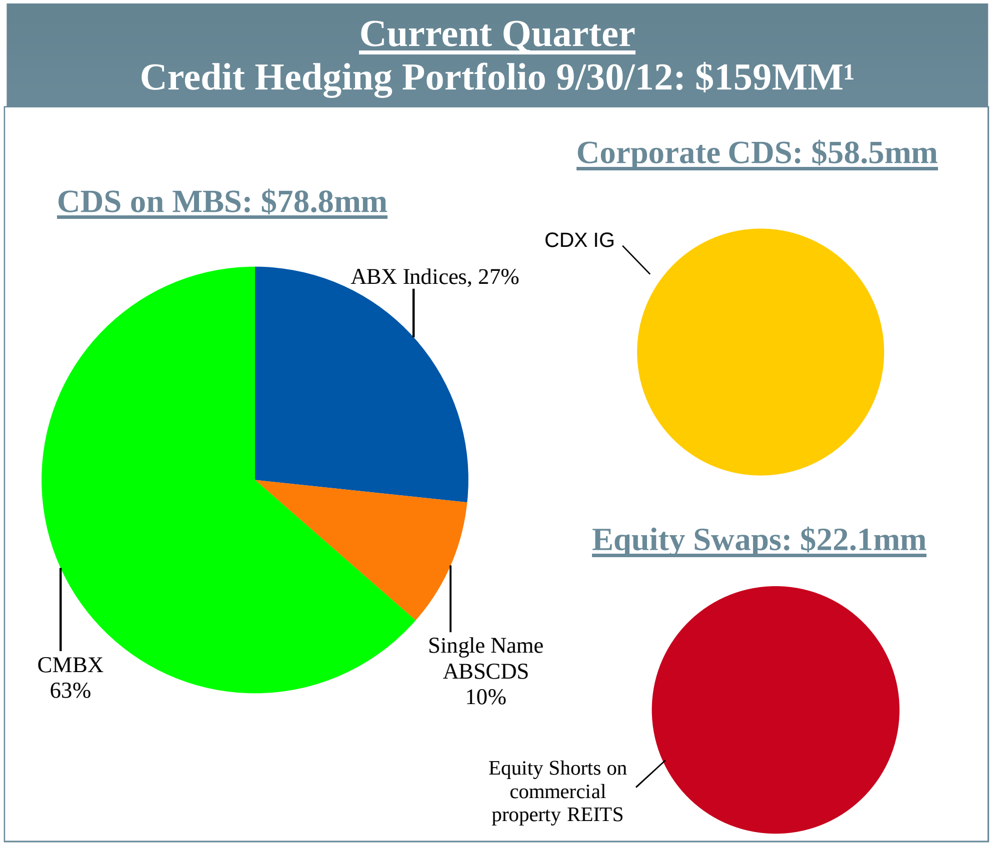

- **During the third quarter:**
  - ABX hedges maintained at relatively low level
  - CMBX hedges maintained in light of increased size of CMBS allocation in long portfolio
  - The Company continued to augment its credit hedges with short positions on corporate CDS indices and total return swaps on commercial property REITs
  - 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 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 $137.3 million at September 30, 2012 and $130.4 million at June 30, 2012. The corresponding net fair value of net short CDS on MBS and short Corporate CDS is $53.9 million at September 30, 2012 and $69.1 million at June 30, 2012. For equity swaps, the amounts above represent notional value, based on the number of underlying shares multiplied by price per share at September 30, 2012 and June 30, 2012. The fair value of equity swaps is $0.3 million as of September 30, 2012 and $(0.3) million as of June 30, 2012.

Agency Portfolio

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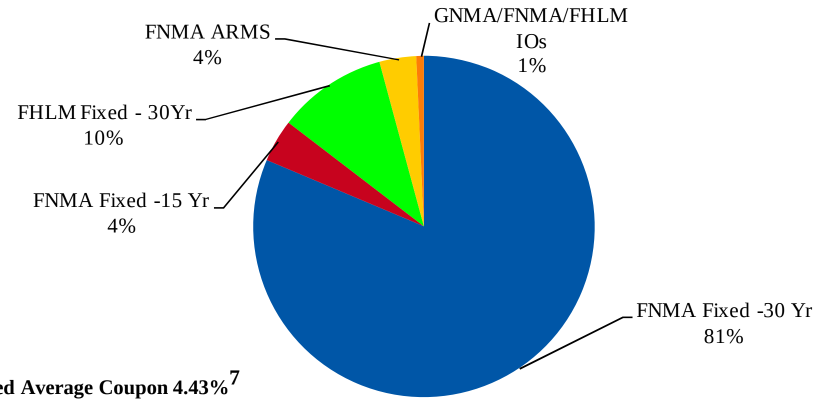
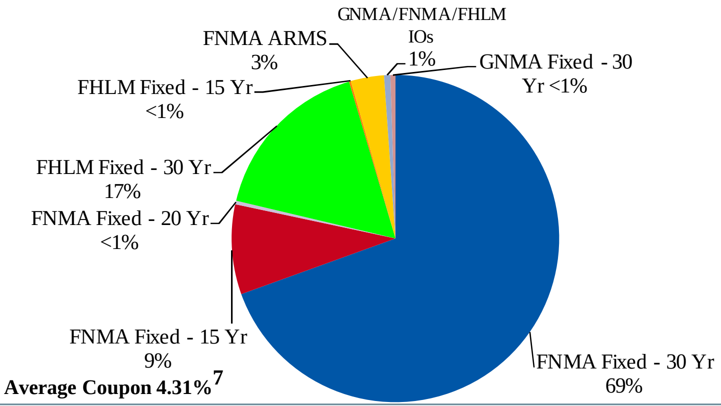
EFC: Agency Long Portfolio

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



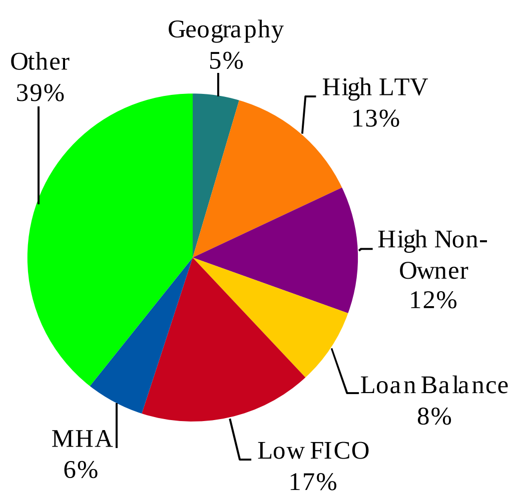
Weighted Average Coupon 4.43%[7]

Current Quarter
Agency Long Portfolio 9/30/12: $620MM[1]



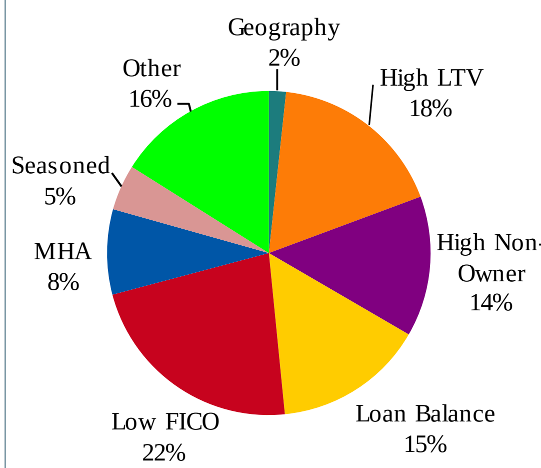
Weighted Average Coupon 4.31%[7]

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



Characteristic[4]	Fair Value[2,5]	3-Month Historical CPR[3]
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

Collateral Characteristics and Historical 3-month CPR
Agency Fixed Rate Pool Portfolio 9/30/12: $596MM[2]



Characteristic[4]	Fair Value[2,5]	3-Month Historical CPR[3]
Geography	$10.2	19.1
High LTV	104.5	9.0
High Non-Owner Occupied	83.1	8.6
Low Loan Bal	89.3	7.1
Low FICO	133.1	2.3
MHA[5]	50.4	7.9
Seasoned	26.9	36.7
Other	98.4	6.3
Totals	$595.9	8.2

1) Does not include long TBA positions. Agency long portfolio includes $616.3 million of long Agency securities at September 30, 2012 and $645.7 million at June 30, 2012. Additionally, the long Agency portfolio includes $3.8 million of interest-only securities at September 30, 2012 and $4.7 million at June 30, 2012.
2) Excludes interest only securities with a value of $3.8 million at September 30, 2012 and $4.7 million at June 30, 2012
3) Excludes interest only securities and Agency fixed rate RMBS without any prepayment history with a total value of $49.5 million at September 30, 2012 and $7.0 million at June 30, 2012.
4) Classification methodology may change over time as market practices change.
5) Fair values are shown in millions.
6) "MHA" indicates those pools where underlying borrowers have participated in the Making Homes Affordable program.
7) Represents weighted average net pass-through rate. Excludes interest-only securities.

EFC: Agency Interest Rate Hedging Portfolio

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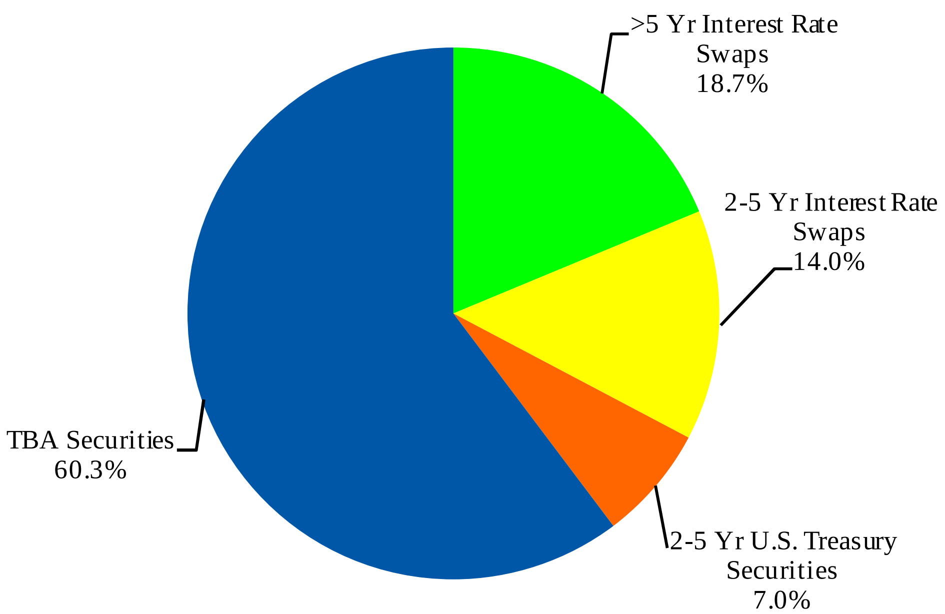
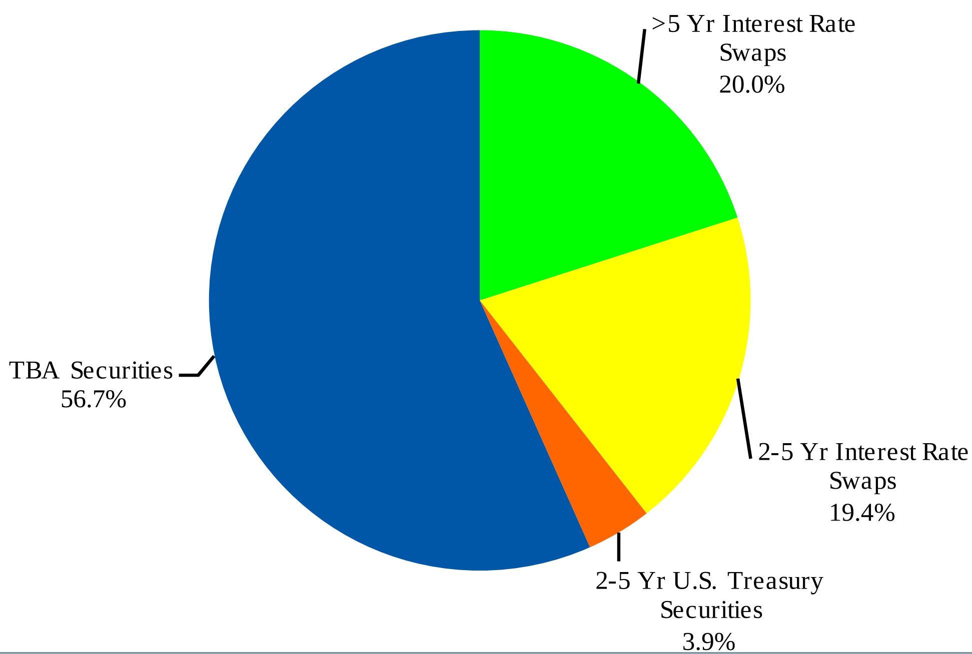
Previous Quarter
Agency Interest Rate Hedging Portfolio 6/30/12: Short $208MM 10-year equivalents[1]



Current Quarter
Agency Interest Rate Hedging Portfolio 9/30/12: Short $138MM 10-year equivalents



- **Agency interest rate hedges are shown in normalized units of risk, with each group of positions measured in "10-year equivalents."**
- **During the third quarter:**
  - Hedges were reduced as portfolio size and duration declined
  - Maintained majority of interest rate hedges in TBA short positions
  - Much of the systemic prepayment risk is reduced by premium-priced mortgage short positions (TBAs)

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 June 30, 2012 exclude a long 10-year U.S. Treasury position with a fair value of $5.0 million.

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	**6/30/2012**	**9/30/2012**
Long Agency RMBS	$650	$620
Net Short TBA Positions	(400)	(409)
Net Long Exposure to Agency RMBS	**$250**	**$211**

- **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 0.65% of the value of our fixed rate Agency pool portfolio as of 9/30/2012**

Estimated Change in Fair Value as of 9/30/12 for Agency Pools, Agency IOs and Related Hedges if Interest Rates Move:

(In thousands)	**Down 50 BPS**	**Up 50 BPS**
Agency ARM Pools	$24	($36)
Agency Fixed Rate Pools and IO's	4,956	(8,389)
TBAs	(2,145)	4,938
Interest Rate Swaps	(2,506)	2,424
U.S. Treasury Securities	(246)	241
Repo and Reverse Repo Agreements	(275)	348
Totals	**($192)**	**($474)**

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

EFC: Repo Borrowings as of September 30, 2012

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($ In Millions)	Repo Borrowings			
Remaining Days to Maturity	Non-Agency	Agency	Total	% of Total Borrowings
30 Days or Less	$67.6	$71.3	$138.9	21.0%
31-60 Days	105.2	86.6	191.8	29.0
61-90 Days	11.9	180.6	192.5	29.1
91-120 Days	-	63.4	63.4	9.6
151-180 Days	74.3	-	74.3	11.3
Total Borrowings	**$259.0**	**$401.9**	**$660.9**	**100.0%**
Weighted Average Remaining Days to Maturity	77	62	68	

- **As of September 30, 2012:**
  - **EFC had borrowings outstanding with 11 counterparties; borrowings from the largest counterparty represented 23% of total outstanding borrowings**
  - **EFC had repo borrowings with a remaining weighted average maturity of 68 days; maturities are staggered to mitigate liquidity risk**
  - **Relative to June 30th, average maturity of repo on Agency RMBS was extended to lock in borrowing costs over upcoming year-end**

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 September 30, 2012. Not included are any reverse repos that the Company may have entered into prior to September 30, 2012, for which delivery of the borrowed funds is not scheduled until after September 30, 2012. Remaining maturity for a reverse repo is based on the contractual maturity date in effect as of September 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 September 30, 2012 ($ In thousands) Collateral for Borrowing	Outstanding Borrowings [1]	Average Borrowings for the Quarter Ended [1]	Average Cost of Funds [1]
Non-Agency RMBS, CMBS and Other	$259,048	$247,859	2.16%
Agency RMBS	401,885	489,511	0.42
Total	**$660,933**	**$737,370**	**1.01%**

- **Debt-to-equity ratio of 1.33:1 as of September 30, 2012[2]**

1) Excludes securitized debt valued at $1.4 million as of September 30, 2012.
2) Includes securitized debt valued at $1.4 million as of September 30, 2012.

Supplemental Information

EFC: Gross Profit and Loss

Ellington Financial

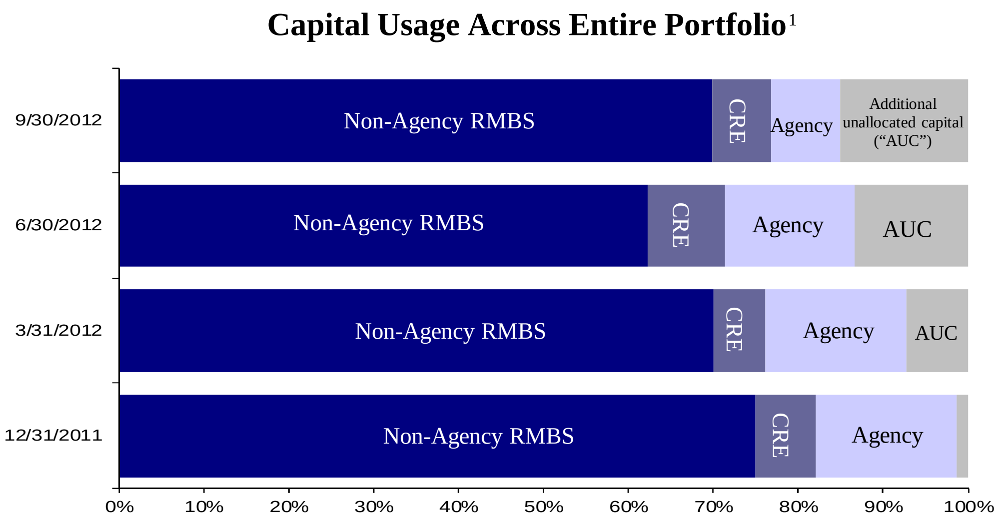
- In times of MBS market distress, the use of hedging instruments has been effective in insulating long non-Agency portfolio from credit risk
  - Historically, non-Agency hedges have contributed gains to the overall portfolio

	Nine Months Ended September 30, 2012		Years Ended							
			2011		2010		2009		2008	
($ In Thousands)	$	%	$	%	$	%	$	%	$	%
Long: Non-Agency	92,530	22.56	1,505	0.39	70,840	21.87	101,748	36.33	(64,565)	-26.20
Credit Hedge: Non-Agency	(9,925)	-2.42	19,895	5.16	(7,958)	-2.46	10,133	3.62	78,373	31.81
Interest Rate Hedge: Non-Agency	(3,787)	-0.92	(8,171)	-2.12	(12,150)	-3.75	(1,407)	-0.50	(3,446)	-1.40
Long: Agency	35,022	8.53	63,558	16.47	21,552	6.65	22,171	7.92	4,763	1.93
Interest Rate Hedge: Agency	(20,524)	-5.00	(54,173)	-14.04	(14,524)	-4.48	(8,351)	-2.98	(6,414)	-2.60
Gross Profit	**93,316**	**22.75**	**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.

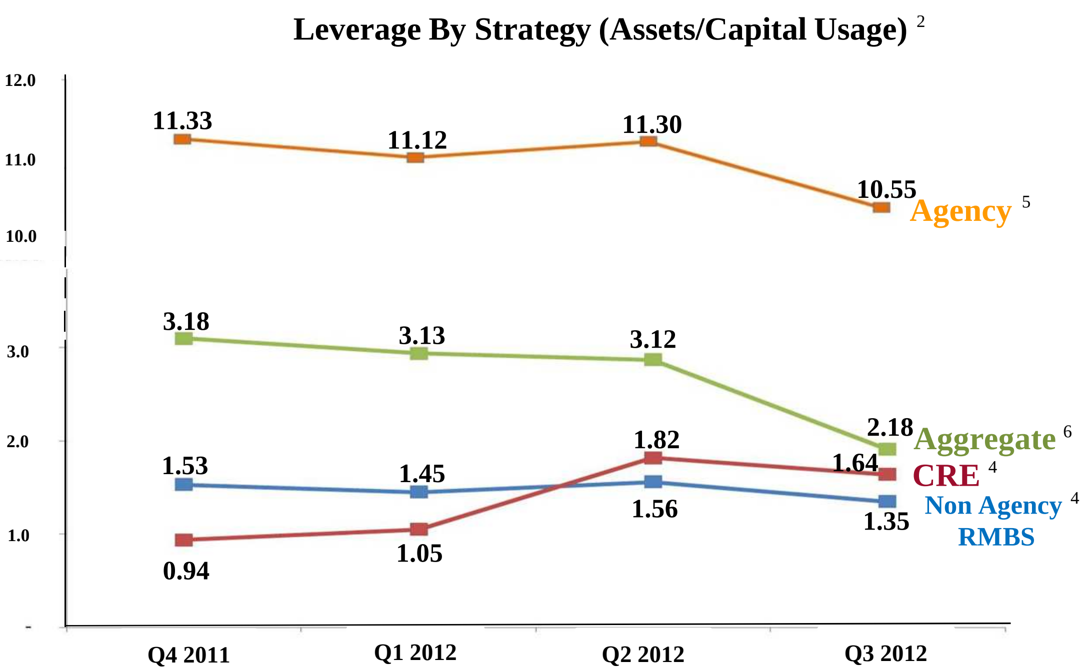
EFC: Capital and Leverage

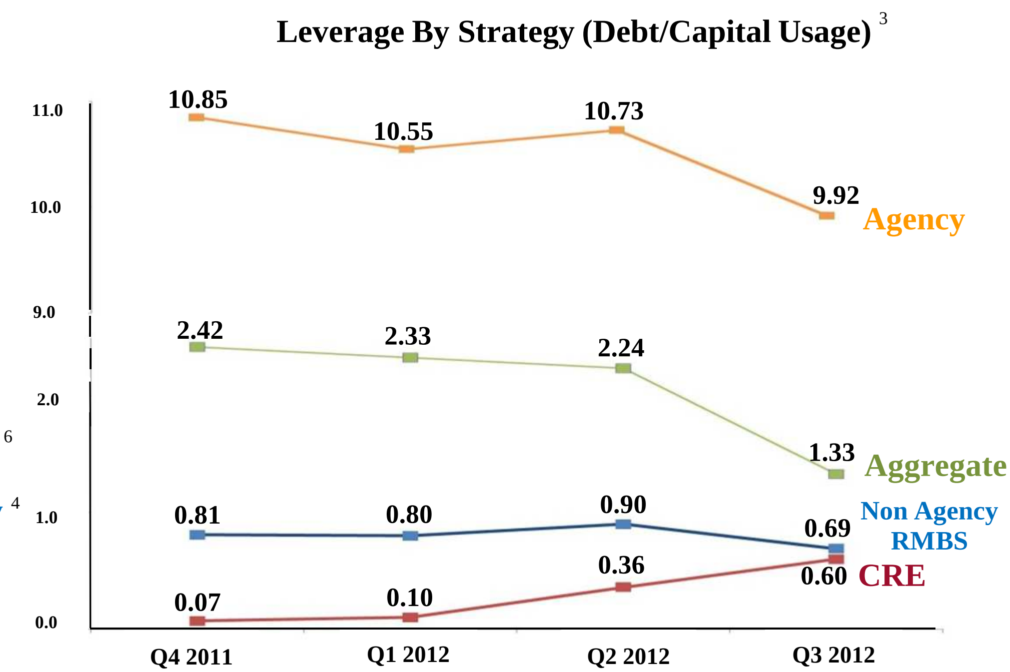
Ellington Financial



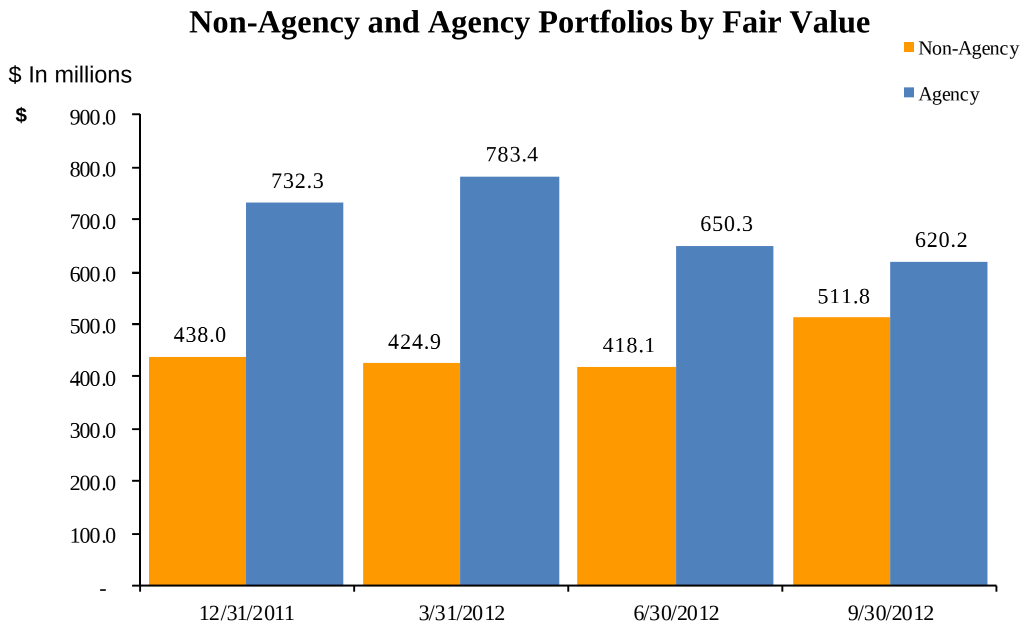
Notes

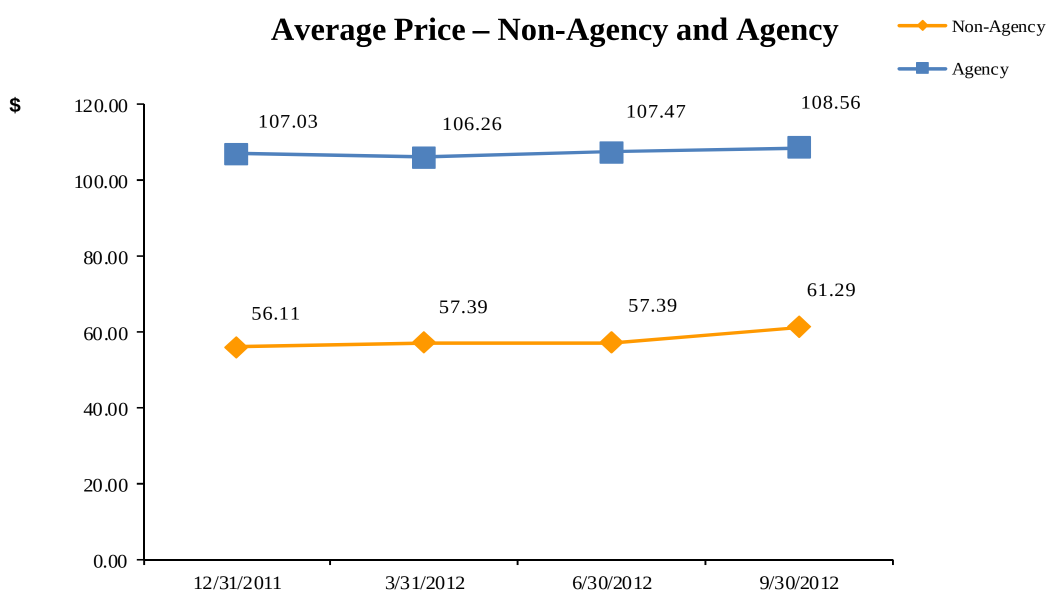
1) Each strategy's capital includes settled investment amounts net of repo borrowings and securitized debt, initial margin of hedges and synthetic long positions, and other assets and liabilities associated with each strategy. Capital also includes a portion of cash and unencumbered Agency RMBS which the Company holds for liquidity management purposes. "Additional unallocated capital" represents additional capital not associated with any particular strategy. "CRE" refers to CMBS, CMBX and Commercial Mortgage Loans.
2) Ratio of (i) strategy total fair value of settled MBS and Commercial Mortgage Loans and bond equivalent value 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.
3) Ratio of (i) strategy total repo liabilities and securitized debt associated with settled MBS and Commercial Mortgage Loans, to (ii) strategy capital usage.
4) Includes market value of settled long investments and bond equivalent value of synthetic long positions.
5) Includes market value of settled long investments, but excludes unencumbered Agency pools, U.S. Treasuries, and cash equivalents.
6) Aggregate leverage ratio has been adjusted to include unencumbered Agency pools as allocated assets, which are excluded from the strategy-specific leverage ratios.





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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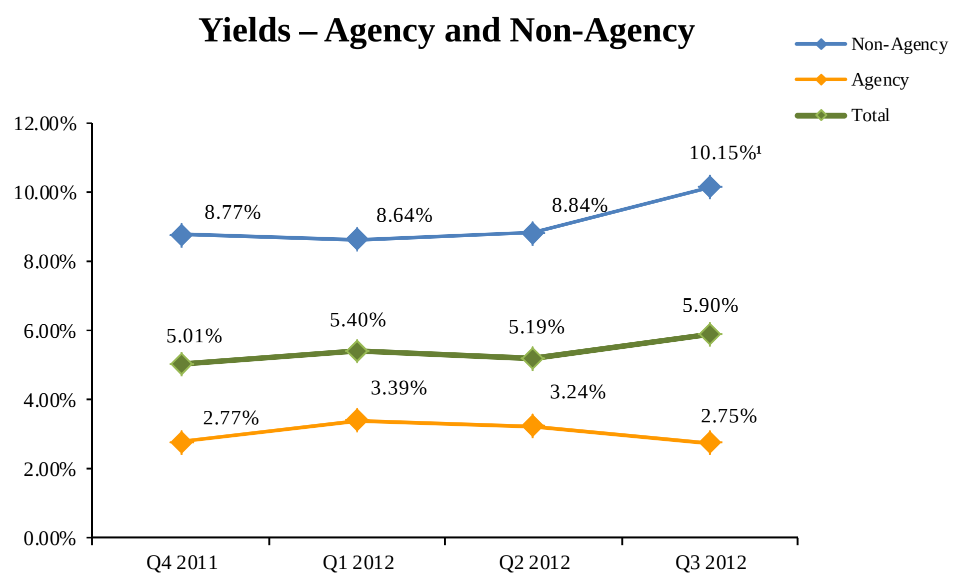
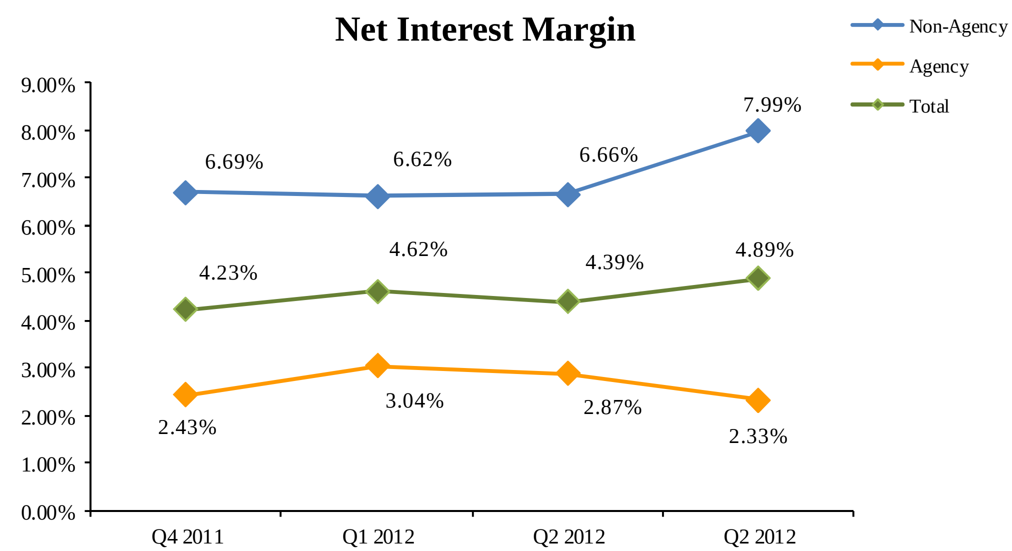


Note: Yields are based on amortized cost, not fair value.

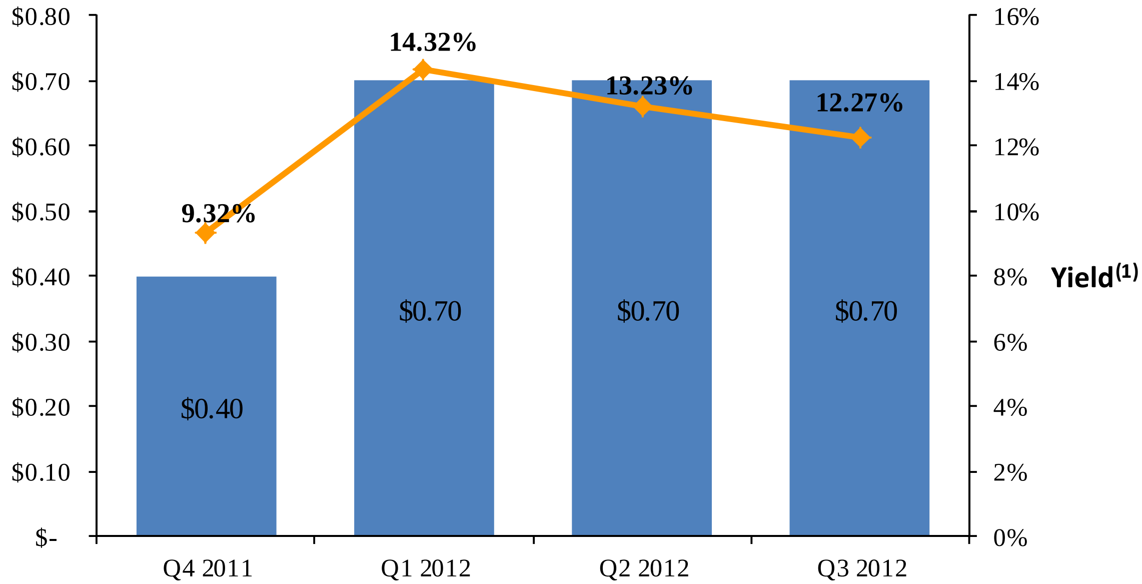
1) For the quarter ended September 30, 2012, yields were positively impacted by an upward adjustment to forward-looking housing price assumptions, which are used in the determination of yields.



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

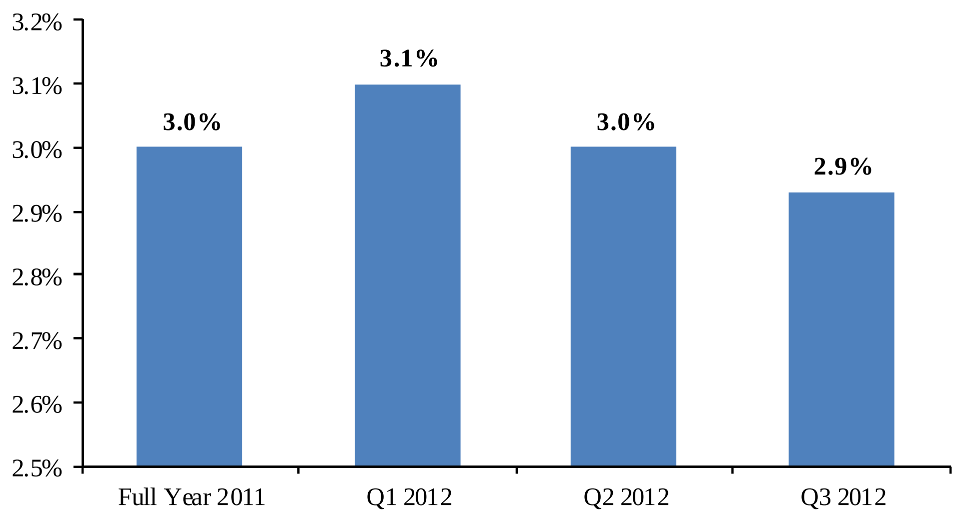
EFC: Dividends and Expense Ratio

Dividends Per Share



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

Expense Ratio



Income Statement

(Unaudited)

Ellington Financial

ELLINGTON FINANCIAL LLC
CONSOLIDATED STATEMENT OF OPERATIONS
(UNAUDITED)

In thousands, except per share data	Three Month Period Ended September 30, 2012	Three Month Period Ended June 30, 2012	Nine Month Period Ended September 30, 2012
Investment income			
Interest income	$ 15,426	$ 16,045	$ 47,203
Expenses			
Base management fee	1,913	1,497	4,901
Incentive fee	9,491	2,312	11,802
Interest expense	1,936	1,992	5,760
Other operating expenses	1,354	1,422	4,226
Total expenses	14,694	7,223	26,689
Net investment income	732	8,822	20,514
Net realized gain (loss) on:			
Investments	8,130	(2,734)	13,543
Swaps	(3,172)	(8,537)	(31,637)
Futures	(15)	(9)	(32)
	4,943	(11,280)	(18,126)
Change in net unrealized gain (loss) on:			
Investments	26,526	10,300	54,957
Swaps	(2,631)	2,928	15,114
Futures	(33)	(2)	(99)
	23,862	13,226	69,972
Net realized and unrealized gain on investments and financial derivatives	28,805	1,946	51,846
Net increase in shareholders' equity resulting from operations	$ 29,537	$ 10,768	$ 72,360
Net increase in shareholders' equity resulting from operations per share:			
Basic and diluted	$ 1.59	$ 0.64	$ 4.15

Balance Sheet

(Unaudited)

Ellington Financial

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

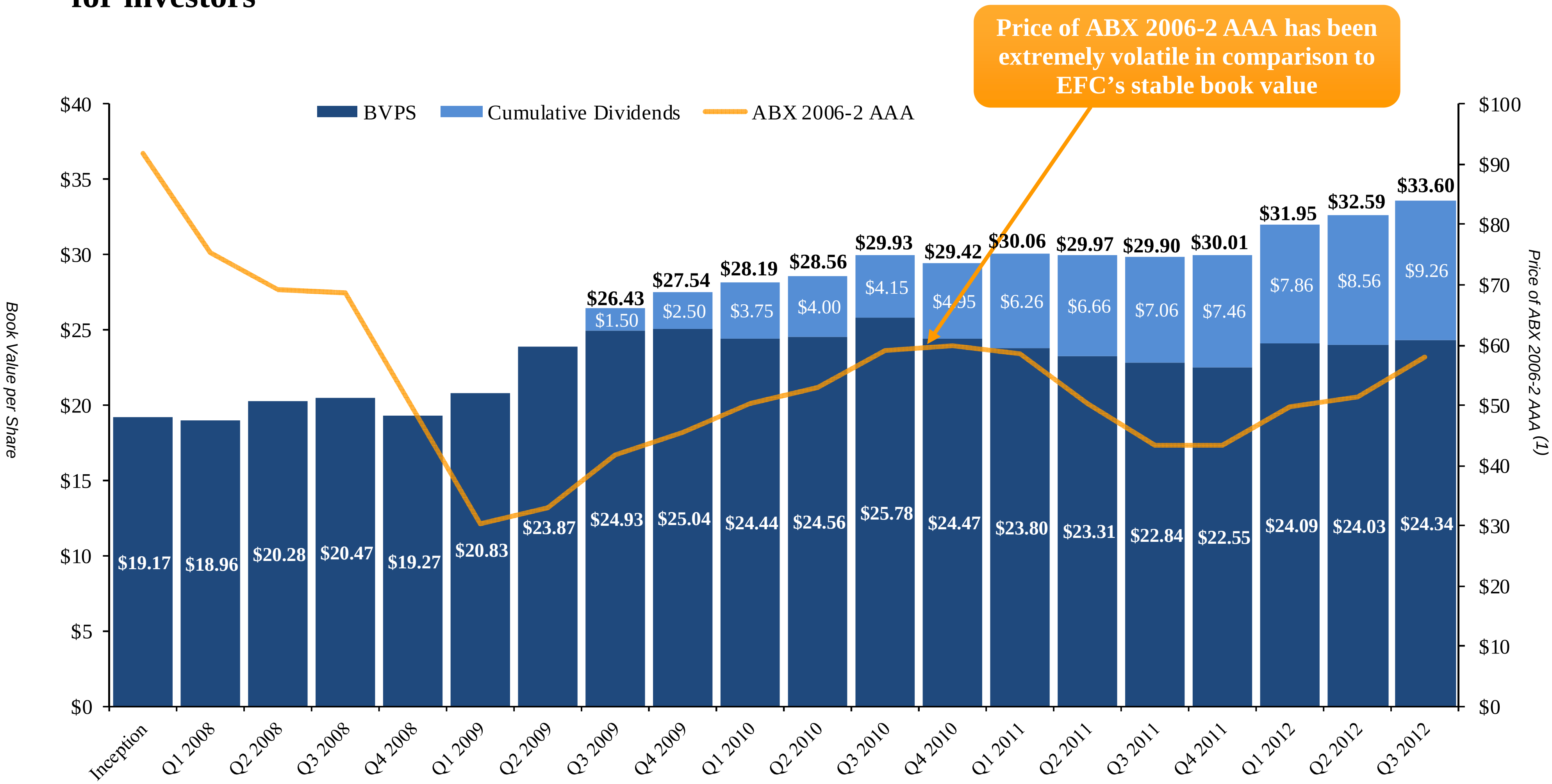
	As of		
(In thousands, except share amounts)	September 30, 2012	June 30, 2012	December 31, 2011(1)
ASSETS			
Cash and cash equivalents	$ 69,223	$ 48,120	$ 62,737
Investments, financial derivatives and repurchase agreements:			
Investments at fair value (Cost - $1,133,991, $1,126,541 and $1,234,203)	1,165,644	1,131,242	1,212,483
Financial derivatives - assets at fair value (Cost - $75,677, $82,791 and $118,281)	59,342	74,304	102,871
Repurchase agreements (Cost - $13,780, $36,748 and $15,750)	13,780	36,748	15,750
Total Investments, financial derivatives and repurchase agreements	1,238,766	1,242,294	1,331,104
Deposits with dealers held as collateral	25,194	29,360	34,163
Receivable for securities sold	524,533	611,866	533,708
Interest and principal receivable	6,587	7,129	6,127
Other assets	497	821	216
Total assets	$ 1,864,800	$ 1,939,590	$ 1,968,055
LIABILITIES			
Investments and financial derivatives:			
Investments sold short at fair value (Proceeds - $455,057, $493,130 and $459,013)	$ 456,824	$ 494,524	$ 462,394
Financial derivatives - liabilities at fair value (Proceeds - $18,701, $22,033 and $9,636)	20,165	28,680	27,040
Total investments and financial derivatives	476,989	523,204	489,434
Reverse repurchase agreements	660,933	883,322	896,210
Due to brokers on margin accounts	34,564	46,385	79,735
Payable for securities purchased	178,453	83,300	127,517
Securitized debt (Proceeds - $1,409, $1,436 and $0)	1,439	1,415	-
Accounts payable and accrued expenses	1,627	2,102	1,845
Base management fee payable	1,913	1,497	1,396
Incentive fee payable	9,491	2,312	-
Interest and dividends payable	741	778	1,002
Total liabilities	1,366,150	1,544,315	1,597,139
SHAREHOLDERS' EQUITY	498,650	395,275	370,916
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,864,800	$ 1,939,590	$ 1,968,055
ANALYSIS OF SHAREHOLDERS' EQUITY:			
Common shares, no par value, 100,000,000 shares authorized;			
(20,483,696, 16,447,651 and 16,447,651 shares issued and outstanding)	$ 489,692	$ 386,349	$ 362,047
Additional paid-in capital - LTIP units	8,958	8,926	8,869
Total Shareholders' Equity	$ 498,650	$ 395,275	$ 370,916
PER SHARE INFORMATION:			
Common shares, no par value	$ 24.34	$ 24.03	$ 22.55
DILUTED PER SHARE INFORMATION:			
Common shares and LTIPs, no par value	$ 23.88	$ 23.47	$ 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 Q3 2012 is approximately 85%

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 9/30/2012 book value per share is 84.9%. Dividends were paid in the quarter following the period related to such performance.

Ellington Financial

About Ellington

- **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 $4.6 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 16% of EFC; interests are aligned with shareholders**

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

Ellington Financial

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