Ellington Financial LLC (NYSE: EFC)

Third Quarter Investor Presentation

September 30, 2011

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 "anticipate," "estimate," "will," "should," "may," "expect," "believe," "intend," "seek," "plan" and 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 16, 2011 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 September 30, 2011 unless indicated as being as of a different specific date.

Ellington Financial: Themes of the Quarter

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- **EFC protected shareholders' equity in Q3 2011 and is positioned to take advantage of a very attractive entry point for distressed RMBS.**
  - Q3 Total NAV-based Return: (0.31%), YTD NAV-based Return: 1.94%
- **EFC announced $10mm share repurchase program; management sees value in repurchasing shares at recent levels.[1]**
- **Many non-Agency securities saw a downward re-pricing of 10%-30% over the last several months, creating an extremely attractive investment entry point.**
  - EFC is trading at a discount range of 20%-25% to book value as of 9/30/2011; investors gain exposure to a portfolio of high yielding assets at deep discount to book value, effectively augmenting the intrinsic yield of their investment.
  - In the quarter EFC: (1) added 2005-to-2007 vintage subprime securities and (2) reduced its MBS credit hedges (i.e. ABX indices) after seeing prices decline significantly over the last several months.
- **In purchasing securities, management uses more conservative assumptions than it believes are generally used by most market participants, including that home prices will decline an additional 15% over the next two years. This creates potential for additional upside in actual realized yields should management's assumptions prove overly conservative.**
- **EFC employs very modest leverage on the non-Agency portfolio, protecting investors against counterparty and liquidity risks that are of heightened concern in the current environment.**

(1) Share repurchases are at the Company's discretion, subject to applicable law, share availability, price and the Company's financial performance, among other considerations.

EFC: Non-Agency Long Portfolio

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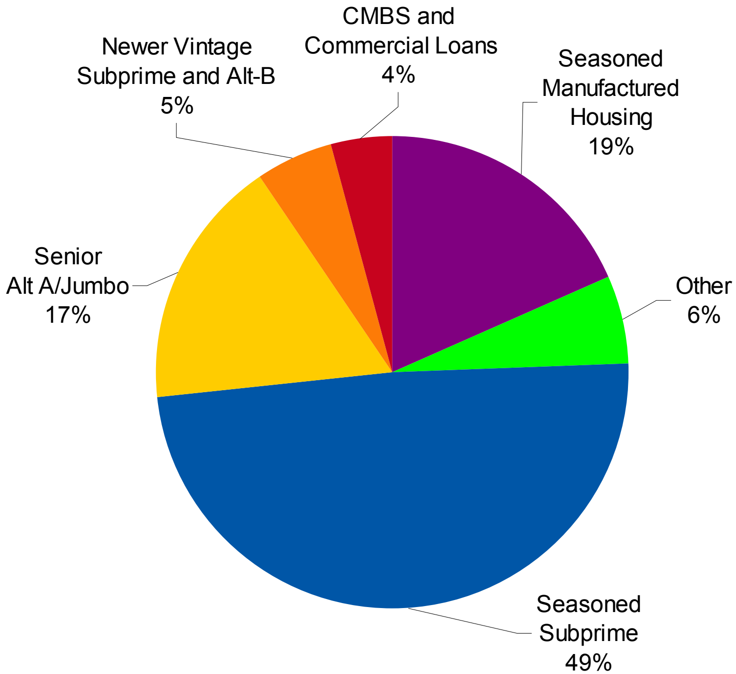
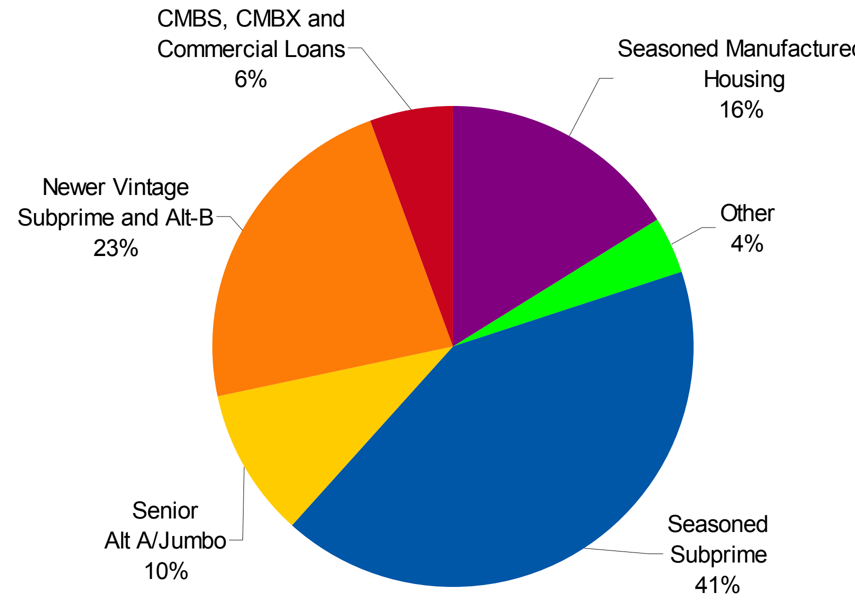
Previous Quarter

Non-Agency Long Portfolio 6/30/11: $386MM[1, 2]



Current Quarter

Non-Agency Long Portfolio 9/30/11: $420MM[1, 2]



- **Non-Agency portfolio is currently concentrated in:**
  - Seasoned securities where underlying borrowers have equity in their homes.
  - Newer vintage securities where borrower performance has improved and recent trends in security-level valuation have created an attractive entry point; 42% of current non-Agency portfolio was purchased after 3/31/2011 - EFC has taken advantage of buying opportunities on deeply discounted securities.
  - 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.

(1) Seasoned subprime refers to subprime for vintages pre-2005. Newer vintage subprime refers to subprime for vintages 2005 – 2007.

(2) 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 $4.1 million at September 30, 2011 and $12.1 million at June 30, 2011. Under GAAP, the net value of credit derivatives included in the non-Agency long portfolio is $(9.7) million at September 30, 2011 and $0.5 million at June 30, 2011.

EFC: September 30, 2011 Portfolio – Non-Agency

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- **EFC non-Agency MBS strategy is the main driver of EFC's earnings.**
- **Non-Agency Long Portfolio Value: $420MM[1] as of 9/30/2011:**

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	$174.6	69.5%	6.0 years	8.3%	9.97%	10.67%
Newer Vintage Subprime and Alt-B	95.7	46.8	4.8	14.2	10.29	12.89
Seasoned Manufactured Housing	67.9	75.7	5.9	5.8	9.74	9.74
Senior Alt-A/Jumbo	42.2	60.3	4.8	13.7	9.99	12.15
CMBS and Commercial Mortgage Loans	19.3	66.1	7.1	N/A	13.78	13.78
Other	15.8	26.5	6.3	12.4	14.48	16.73
Totals	**$415.5**	**59.1%**	**5.6 years**	**10.0%**	**10.34%**	**11.56%**

(1) Fair value includes $4.1mm of bond equivalent value of a long CMBX position. Table does not include this CMBX position in averages and totals.
(2) Average Price excludes Interest-Only securities. All averages in this table are weighted averages using fair value as weights, except for Average Price which uses principal balance.
(3) Weighted Average Life assumes "base case" cashflows using Ellington proprietary models. Excludes Interest-Only securities.
(4) Source for historical 1-Year CPR is Intex. Excludes Interest-Only 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 9/30/11, and include the effects of future estimated losses. Yields for Manufactured Housing securities and CMBS and Commercial loans are held constant for this analysis as management believes these underlying properties are less directly affected by changes in national home prices. Future yields and actual performance for all securities may differ materially. 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.

EFC: Credit Hedging Portfolio

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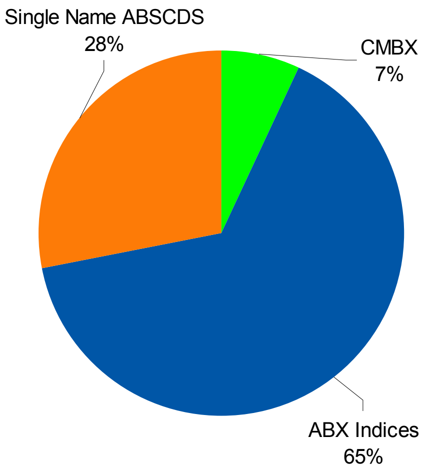
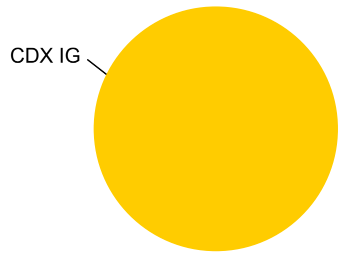
Previous Quarter
Credit Hedging Portfolio 6/30/11: $88MM[1]

CDS on MBS: $67.6mm

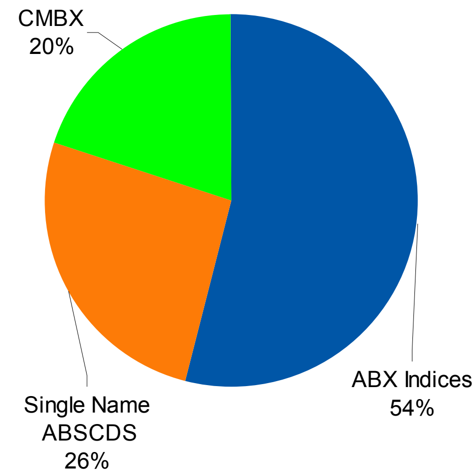


Corporate CDS: $19.9mm

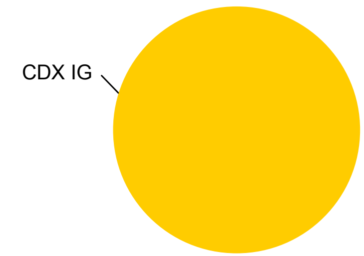


Current Quarter
Credit Hedging Portfolio 9/30/11: $90MM[1]

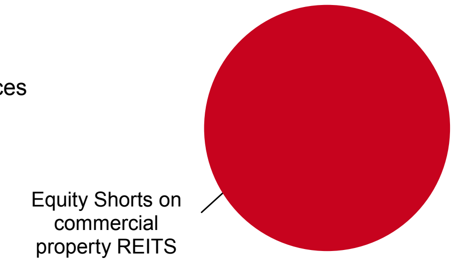
CDS on MBS: $55.6mm



Corporate CDS: $19.6mm



Equity Swaps: $14.6mm



- **…While its 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 positions in investment grade corporate CDS.

(1) Credit Hedging portfolio includes synthetic credit positions, based on their respective bond equivalent values in the case of CDS. See footnote 2 on p.3 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 $75.2 million at September 30, 2011 and $87.5 million at June 30, 2011. Under GAAP, the total net value of CDS on MBS and Corporate CDS is $95.0 million at September 30, 2011 and $119.5 million at June 30, 2011. For equity swaps, $14.6 million represents notional fair value, based on the number of underlying shares multiplied by price per share at September 30, 2011. The fair value of equity swaps as of September 30, 2011 is $0.8 million.

EFC: Credit Hedging Portfolio Cont.

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- **Non-Agency Short Portfolio Value: $90MM[1] as of 9/30/2011.**
  - Historically, our long portfolio has been more concentrated in seasoned RMBS, and our short portfolio has been more concentrated in newer vintage RMBS.
    - Seasoned RMBS are generally less sensitive, dollar for dollar, to home price shocks than are newer vintage RMBS.
- **EFC has varied its credit and home price risk hedges successfully over time, both as to size and as to composition.[2]**
  - During the credit crisis of 2007-2008, we hedged credit and home price risk substantially, and as a result we protected book value.
  - In 2009, we entered the year significantly less hedged than we had been previously, allowing us to capture over 40% in upside during the year.
  - Throughout most of 2010 and most of the first three quarters of 2011, we were more hedged against credit and home price risk than we had been for most of 2009.
- **Through the first three quarters of 2011, our net credit hedge profits fully offset our net realized and unrealized losses on our non-Agency long portfolio.**
- **Following the recent sharp drops in market prices for the non-Agency assets we seek to acquire, at 9/30/2011 we were less hedged than we had been for most of 2010 and for most of the first three quarters of 2011.**

(1) Credit Hedging portfolio includes synthetic credit positions, based on their respective bond equivalent values in the case of CDS. See footnote 2 on p.3 for a description of bond equivalent value of CDS.
(2) Overall portfolio home price risk is measured by estimating fair value changes on each long and short non-Agency position (including CDS) in a scenario that assumes (i) home prices fall 30% over two years from current levels, and are flat thereafter, and (ii) projected default rates increase by 50% from current levels. Historical levels of credit / home price risk hedges have varied over time.

EFC: Agency Long Portfolio

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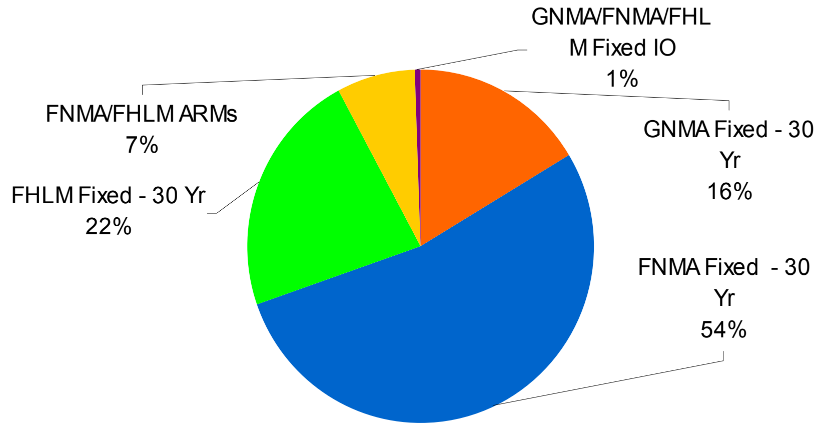
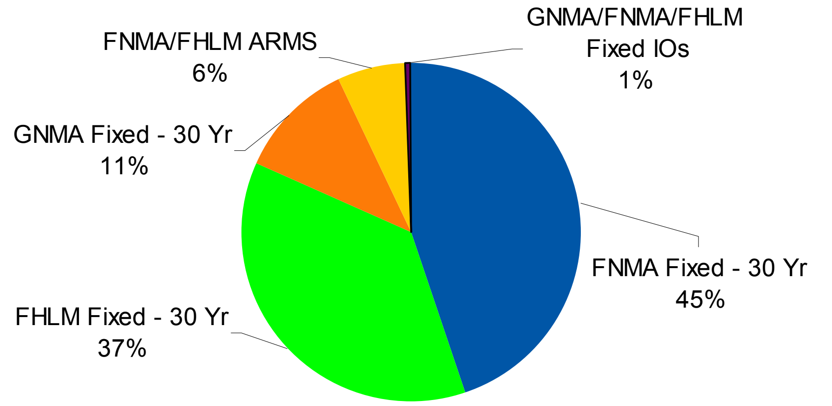
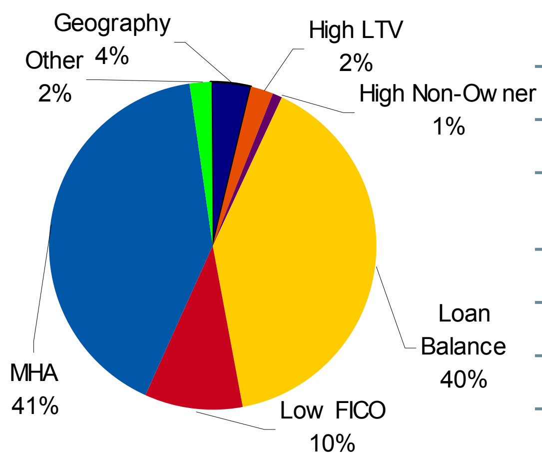
Previous Quarter
Agency Long Portfolio 6/30/11: $785MM[1]



Current Quarter
Agency Long Portfolio 9/30/11: $834MM[1]

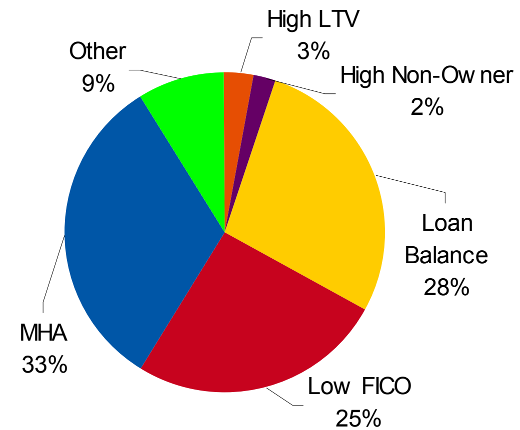


Collateral Characteristics and Historical 3-month CPR
Agency Fixed Rate Pool Portfolio 6/30/11: $724MM[2]



Characteristic	Fair Value[3]	3-Month Historical CPR
Geography	$28.5	5.4
High LTV	14.8	10.7
High Non-Owner	9.7	0.2
Low Loan Bal	287.3	4.1
Low FICO	69.5	0.1
MHA[4]	297.6	2.6
Other	16.9	0.3
Totals	$724.3	3.2

Collateral Characteristics and Historical 3-month CPR
Agency Fixed Rate Pool Portfolio 9/30/11: $776MM[2]



Characteristic	Fair Value[3]	3-Month Historical CPR
High LTV	$24.5	0.1
High Non-Owner	17.5	2.0
Low Loan Bal	214.9	4.6
Low FICO	197.1	2.4
MHA[4]	253.5	2.6
Other	68.2	0.7
Totals	$775.7	2.9

(1) Does not include TBA long positions. Agency Long Portfolio includes $828.3mm of Agency long securities and $5.4mm of Interest-only securities.
(2) Excludes non-fixed rate Agency RMBS, interest-only securities and securities without any prepayment history.
(3) Fair values are shown $ in millions.
(4) "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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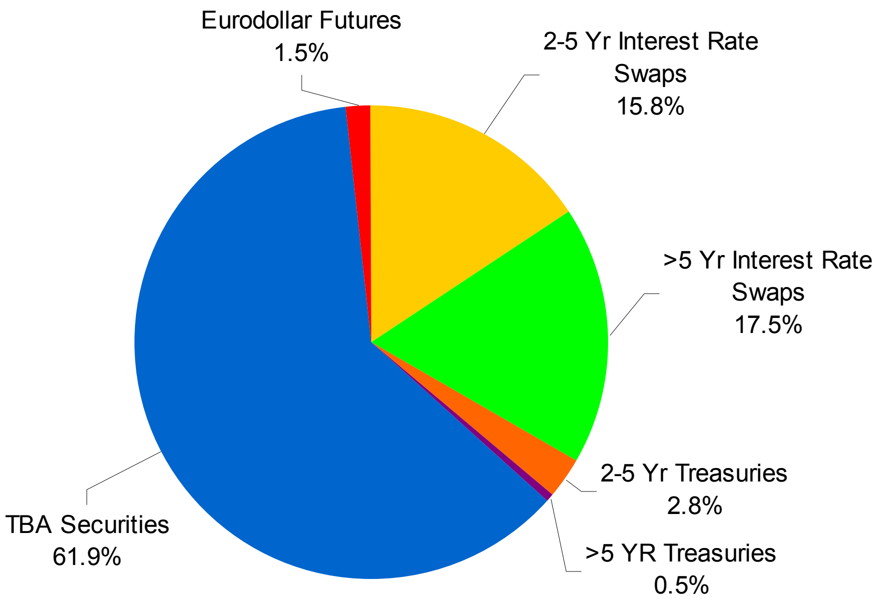
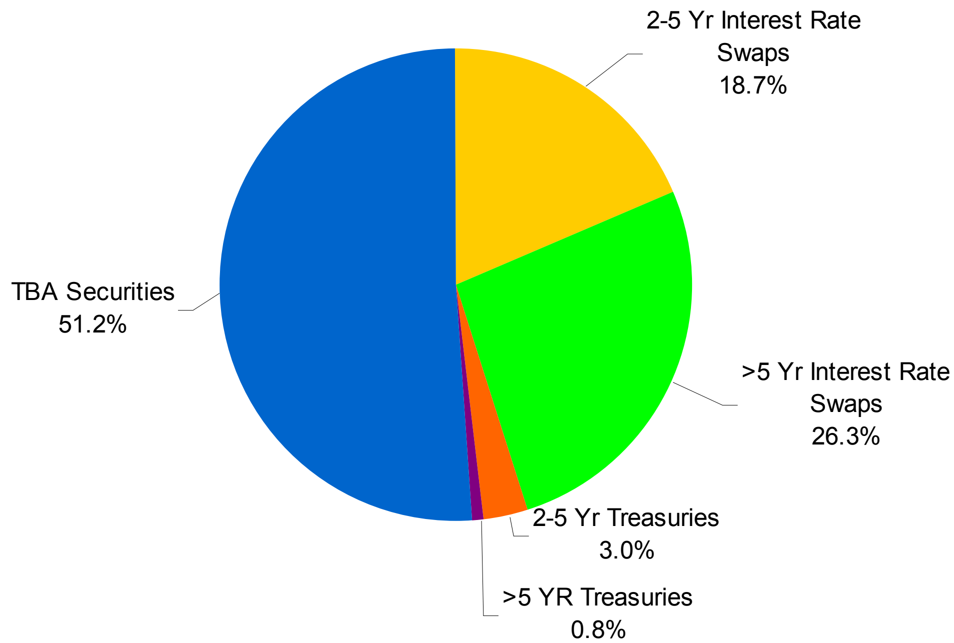
Previous Quarter
Agency Interest Rate Hedging Portfolio 6/30/11: $405MM 10-year equivalents



Current Quarter
Agency Interest Rate Hedging Portfolio 9/30/11: $255MM 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.
  - In addition to TBAs, EFC has used a combination of interest rate swaps, treasuries and Eurodollar futures to mitigate interest risk.

Note: “10-year equivalents” for a group of positions represent the amount of 10-year Treasuries that would experience a similar change in market value under a standard parallel move in interest rates.

EFC: Agency Interest Rate Hedging Portfolio Cont.

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

(In millions)

Agency-related Portfolio	6/30/11	9/30/11
Long Agency RMBS	$785	$834
Net Short TBA Positions	(475)	(492)
Net Long Exposure to Agency RMBS	$310	$342

- **Shorting "Generic" whole pools (or TBAs), allows EFC to significantly reduce interest rate risk and basis risk in its Agency portfolio; remaining interest rate risk is hedged with swaps, treasuries, etc.**
- **For those Agency pools hedged with comparable TBAs, the biggest risk is a drop in "pay-ups", which portfolio-wide average only 0.53% of the value of our fixed rate Agency pool portfolio as of 9/30/2011.**

Estimated Change in Fair Value as of 9/30/11 for Agency Pools, Agency IOs and Related Hedges if Interest Rates Move:

(In thousands)	Down 50 BPS	Up 50 BPS
Agency ARM Pools	$ 119	$ (180)
Agency Fixed Rate Pools and IO	9,884	(13,610)
TBAs	(4,649)	7,147
Interest Rate Swaps	(5,277)	5,099
Treasury Securities	(450)	437
Repo Agreements and Reverse Repo Agreements	(220)	320
TOTALS	$ (593)	$ (787)

Note: As of 09/30/11. Table reflects a parallel shift in the interest rates. Based on the market environment as of September 30, 2011. 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.

EFC: Strong Results and Preservation of Book Value

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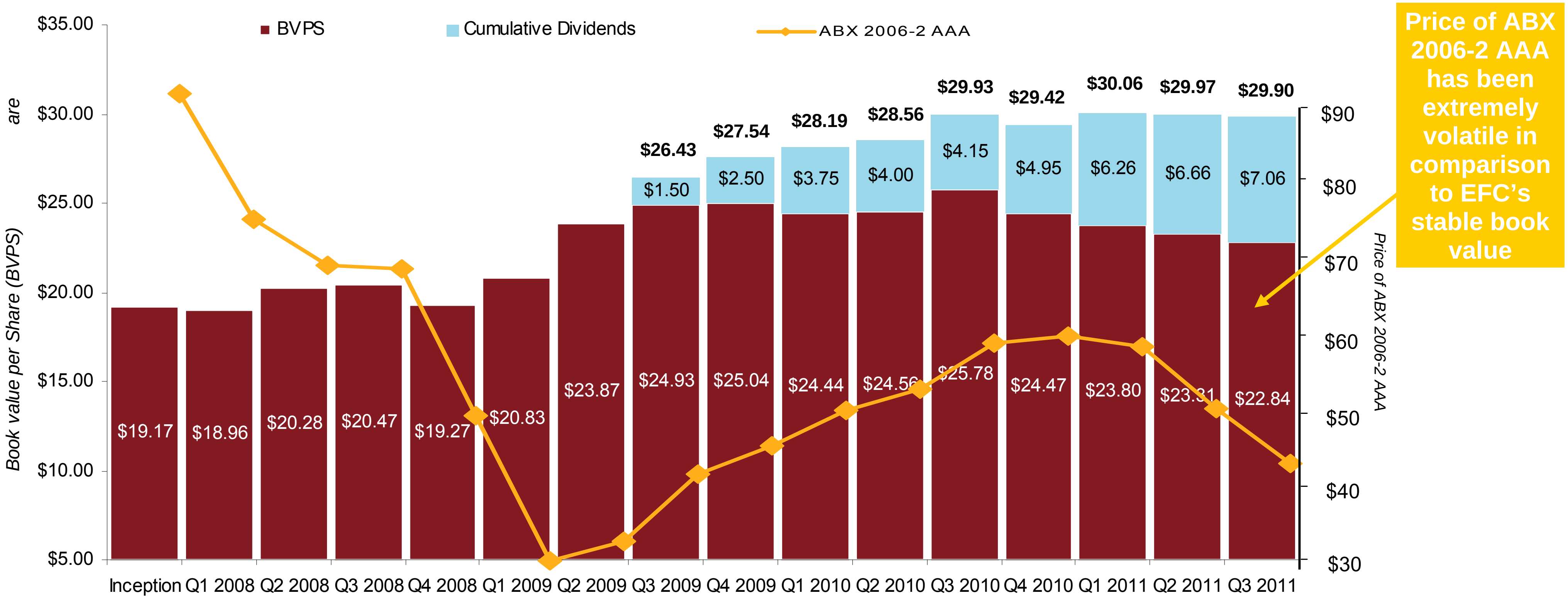
- **Ellington Financial has successfully preserved book value through market cycles, while producing strong results for investors.**



- **EFC life-to-date net-asset-value-based total return from inception in August 2007 through Q3 2011 is over 58%.**

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 9/30/2011 Book Value Per Share is 58.23%. Dividends were paid in the quarter following the period related to such performance.

EFC: Repo Borrowings

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- **As of 9/30/11, EFC had repo borrowings with a remaining weighted average maturity of 44 days; maturities are staggered to mitigate liquidity risk.**

(In Millions)

Repo Borrowings			
Remaining Days to Maturity	Non-Agency	Agency	% of Total Borrowings
30 Days or Less	$32.0	$397.3	48.5%
31-60 Days	90.9	149.4	27.2
61-90 Days	57.8	40.9	11.2
91-120 Days	9.9	83.8	10.6
151-180 Days	17.9	-	2.0
181-360 Days	4.3	-	0.5
Totals	**$212.8**	**$671.4**	**100.0%**

- **At 9/30/11, EFC has repo agreements with 12 counterparties, borrowings outstanding with 9 counterparties, with the largest counterparty representing 21% of total outstanding borrowings.**

Note: Included in the above table, using the original maturity dates, are any reverse repurchase agreements that the Company may expect to terminate early in the case of an unsettled sale transaction at September 30, 2011. Not included are any repurchase agreements that the Company may have entered into prior to September 30, 2011, for which we will not take delivery of the borrowed funds until after September 30, 2011. Remaining maturity for a reverse repurchase agreement is based on the contractual maturity date in effect as of September 30, 2011. Some reverse repurchase agreements have floating interest rates, which may reset before maturity.

EFC: Gross Profit and Loss: Last Four Quarters

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- Profit/Loss over time has shown that:
  - Non-Agency strategy has been primary driver of earnings in most quarters.
  - In times of RMBS market distress, the use of hedging instruments has been effective in insulating long non-Agency portfolio from credit risk and interest rate risk.
    - Historically, non-Agency hedges have <u>contributed</u> gains to the overall portfolio.

(In Thousands)	Q3 2011		Q2 2011		Q1 2011		Q4 2010	
	$	%	$	%	$	%	$	%
Long: Non-Agency	(3,434)	-0.90	(5,983)	-1.53	12,680	3.17	9,593	2.52
Hedge: Non-Agency	6,215	1.63	5,113	1.32	832	0.21	4,419	1.16
Long: Agency	24,937	6.56	26,100	6.70	2,508	0.63	2,014	0.53
Hedge: Agency	(25,871)	-6.80	(23,554)	-6.05	(1,156)	-0.29	1,756	0.47
Gross Profit/Loss	1,847	0.49	1,676	0.44	14,864	3.72	17,782	4.68

Note: Gross Profit/Loss excludes expenses. Figures in "%" columns are non-annualized profit and loss as a percentage of average shareholders' equity for the quarter.

EFC: Additional Metrics…

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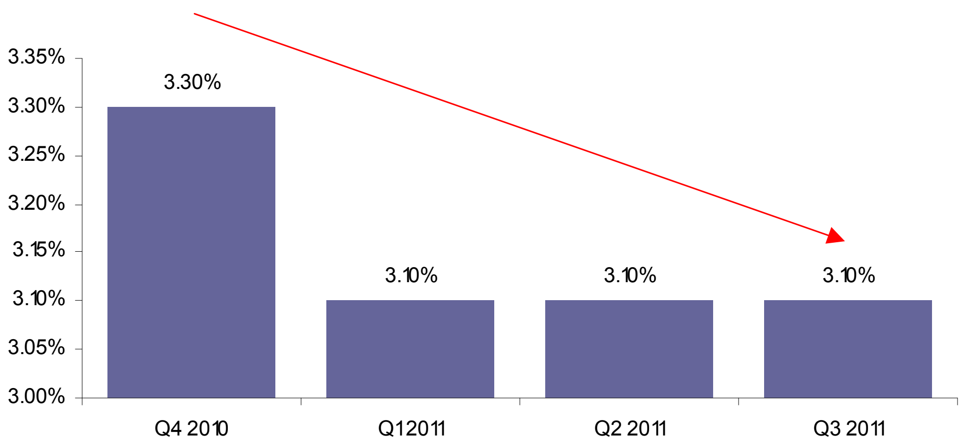
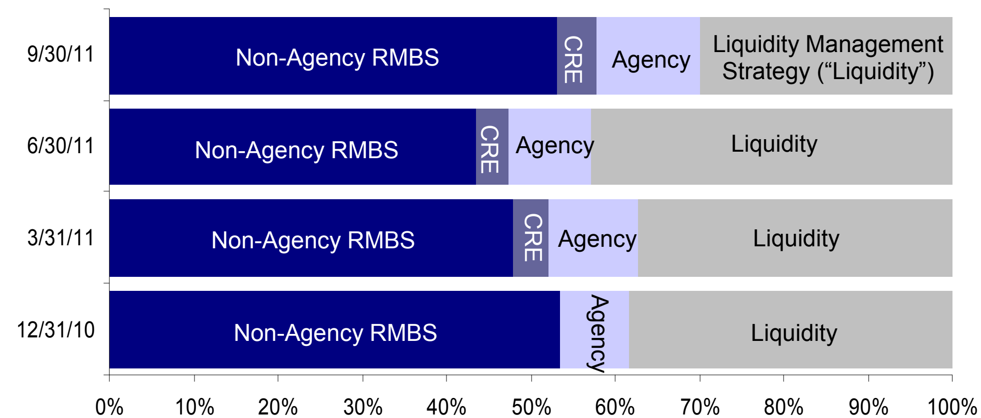
Expense Ratio

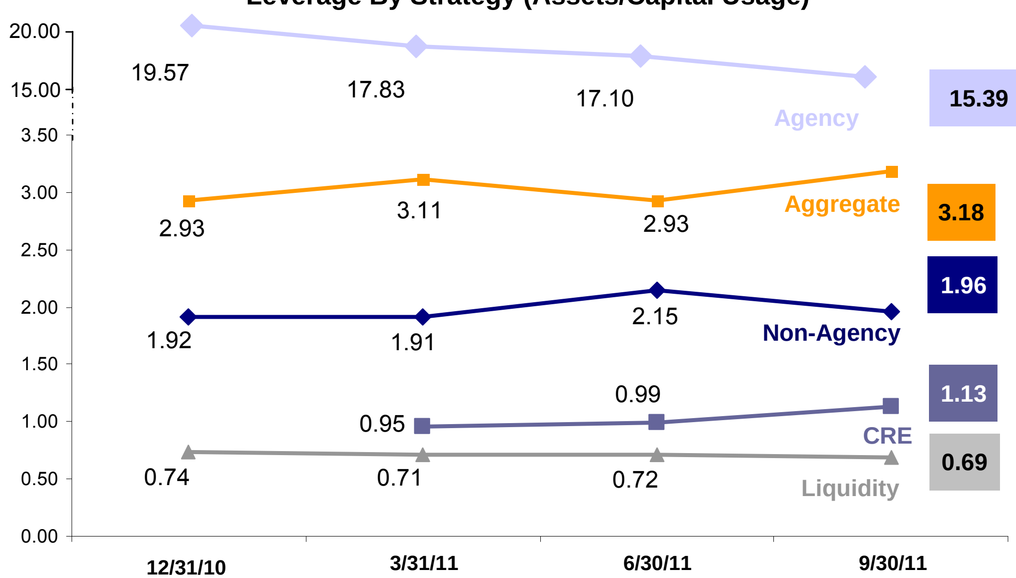


Capital Usage Across Entire Portfolio



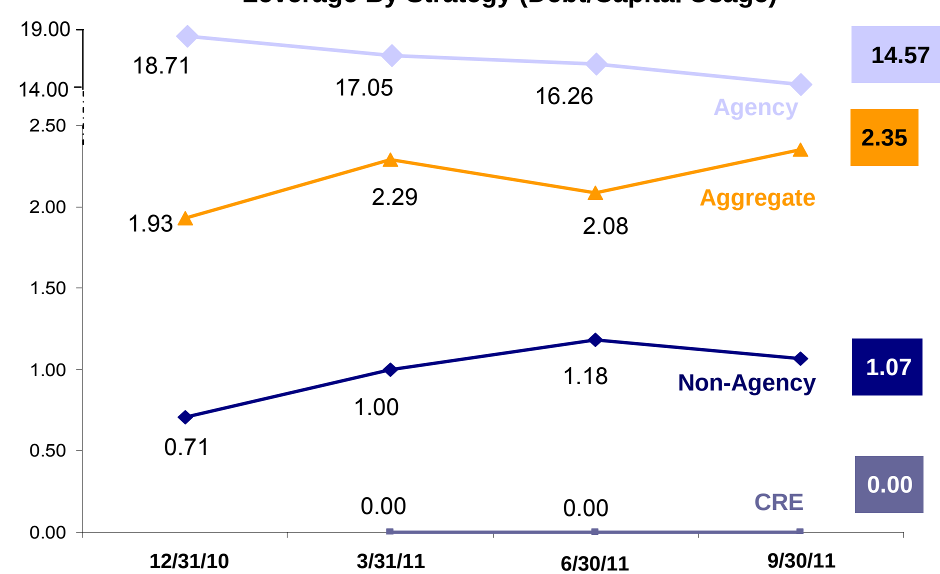
Note to Capital Usage Across Entire Portfolio table: Includes settled investment amounts net of repo borrowings, initial margin of hedges and synthetic long positions, and other assets and liabilities associated with each category. “Agency“ strategy includes capital usage associated with leveraged investments 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 Mortgage Loans and bond equivalent amount of settled synthetic long MBS/ABS positions, to (ii) strategy capital usage. See footnote 2 on page 3 for a description of bond equivalent value for CDS.

Leverage By Strategy (Debt/Capital Usage)



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

EFC: Additional Metrics…Cont.

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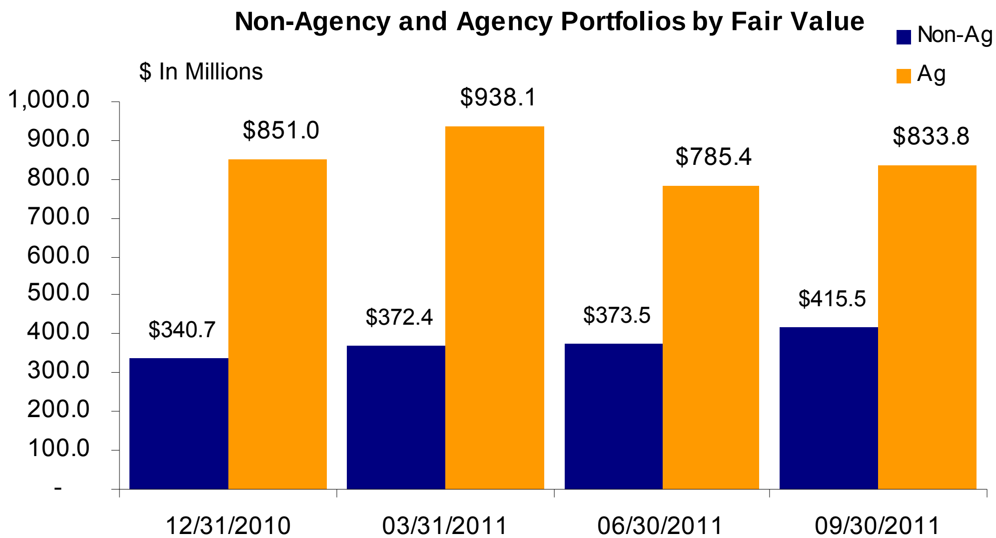
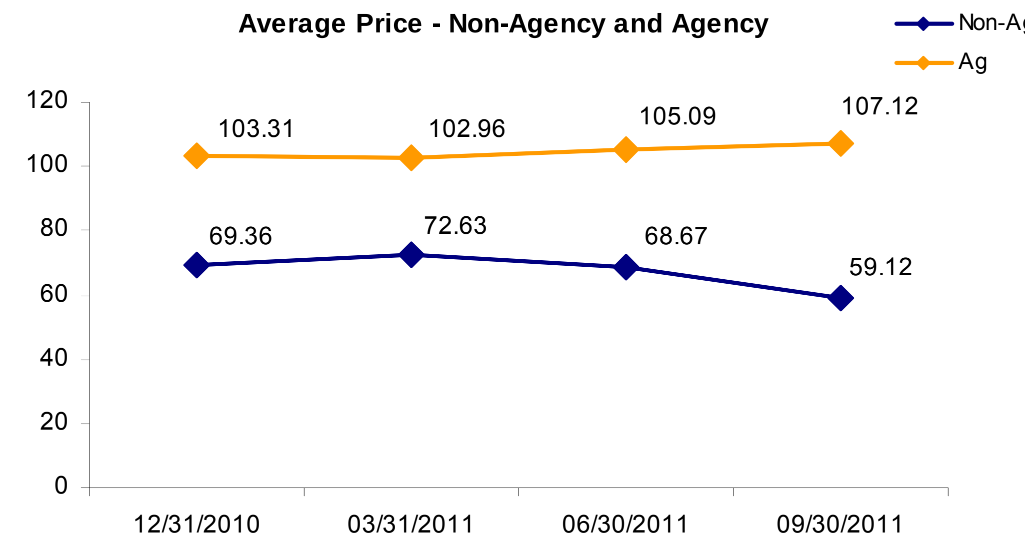
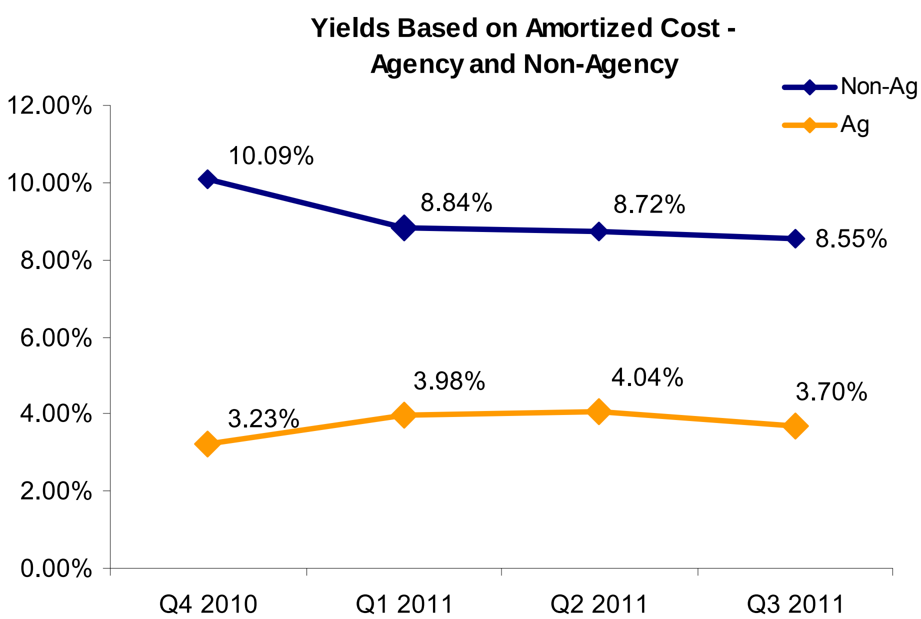
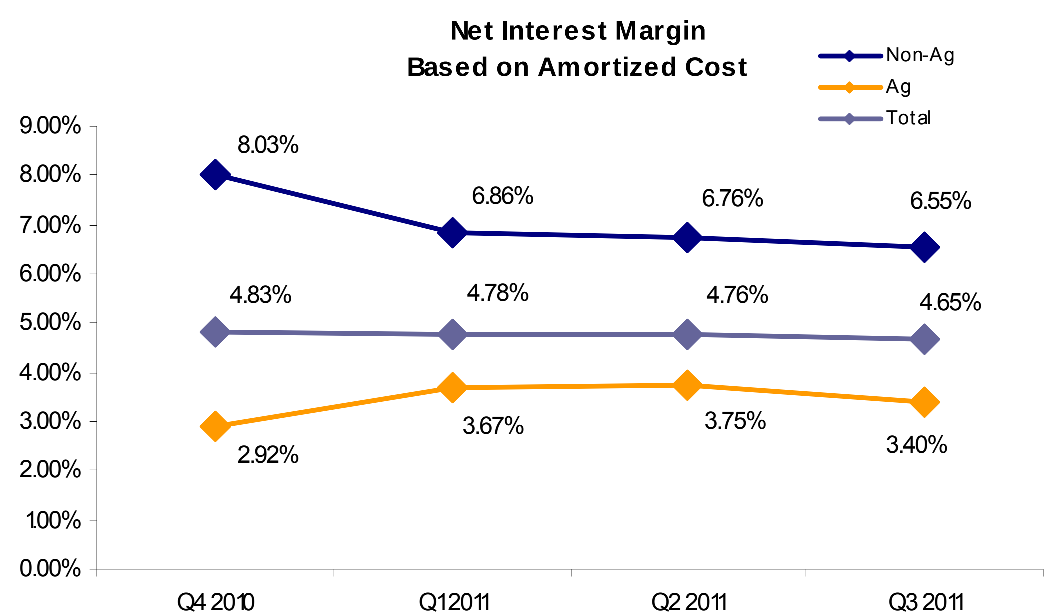






Note: Yields are based on amortized cost, not fair value.

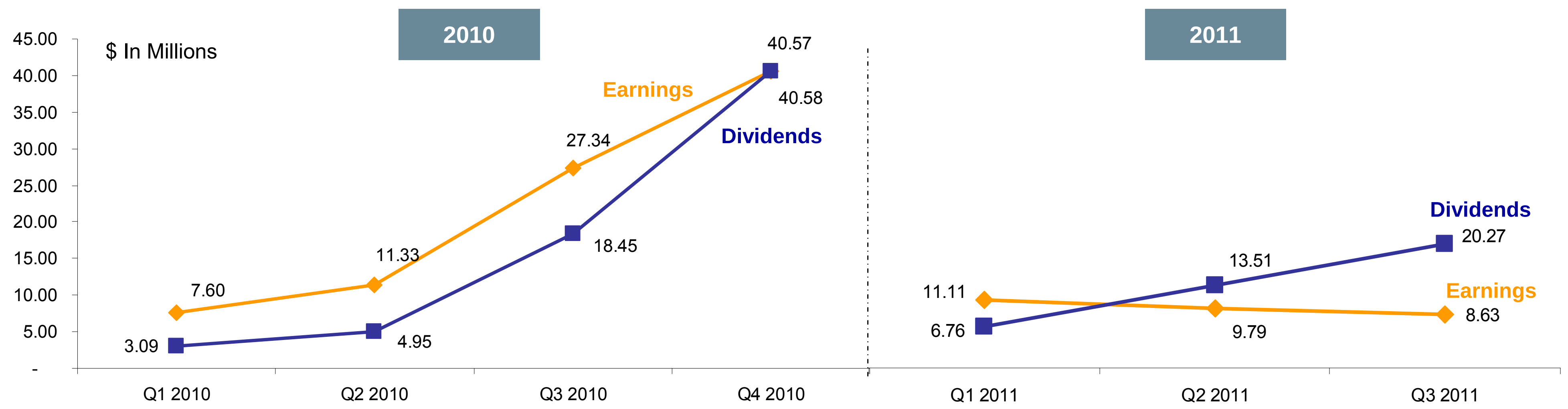


Note: Net Interest Margin figures are based on amortized cost, not fair value.

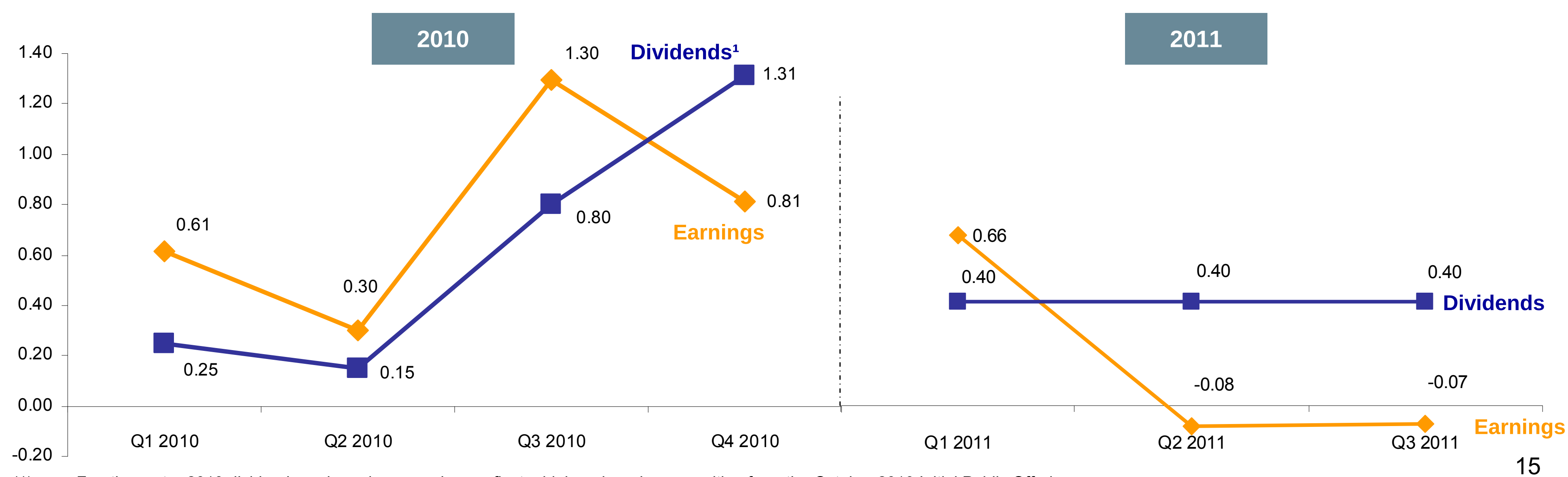
EFC: 2011 Portfolio Earnings and Dividends

Ellington Financial

Annual Cumulative Earnings and Dividends ($ In Millions)



Quarterly Earnings and Dividends Per Share



(1) Fourth quarter 2010 dividends and earnings per share reflect a higher share base resulting from the October 2010 Initial Public Offering.

About Ellington

- **Ellington Financial LLC is managed by Ellington Financial Management LLC, an affiliate of Ellington Management Group LLC ("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 over $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 <u>owns over 20%</u> of Ellington Financial; interests are aligned with shareholders.**

Note: Management ownership includes shares held by family trusts and LTIPS.

Ellington Financial LLC (NYSE: EFC)

Third Quarter Investor Presentation

September 30, 2011

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