Ellington Financial

Keefe, Bruyette & Woods 2012 Mortgage Finance Conference

June 5, 2012

Ellington Financial LLC (NYSE: EFC)

Important Notice

Ellington Financial

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," "will," “project,” “plan,” should," “continue,” “intend,” “should,” “would,” “could,” "may," "expect," “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 in Item 1A of our Quarterly Report on Form 10-Q filed on May 9, 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.

Ellington Financial: Experience, Infrastructure and Performance

Ellington Financial

Ellington Financial LLC ("EFC") is a specialty finance company formed in August 2007 that acquires and manages mortgage-related securities, including non-Agency and Agency RMBS and other mortgage-related assets

Ellington has over 17-year Track Record/ EFC has approximately a 5-year Track Record

The Right Structure to Capture Upside and Protect Against Downside

Extensive Infrastructure: Over 100 Employees and Industry-leading Proprietary Analytics

Compelling Market Opportunity

EFC is Well Positioned to Take Advantage of Market Opportunities and Perform Across Market Cycles

Ellington Financial: Strong Momentum

Ellington Financial

- **Seeks to buy high-yielding non-Agency mortgage assets at a discount; assets produce significant carry-- market yield of approximately 11% (before leverage) as of March 31, 2012**
- **Maintains a leveraged portfolio of Agency RMBS assets**
- **Utilizes interest rate AND credit hedging instruments to insulate portfolio**
- **Utilizes lower leverage relative to its mortgage REIT peers—2.3:1 leverage ratio as of March 31, 2012**
- **Recently announced that it expects to continue to recommend quarterly dividends of $0.70 per share until conditions warrant otherwise[1]**
  - **Board of Directors will consider, at the end of any year, whether to declare a special dividend, taking into account earnings and other factors**
- **EFC life-to-date total return from inception in August 2007 through Q1 2012 is 73%[2]**

(1) 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 Board of Directors.

(2) Life-to-date total return based on $19.17 net book value per share at inception in August 2007 and is calculated assuming the reinvestment of dividends.

Experience Matters

Ellington Financial

Senior management has an average of 24 years of trading and risk management experience in the mortgage market

	Years of Experience[2]	Years at Ellington[2]	
Michael Vranos Co-Chief Investment Officer[1]	29	17	■ Founder and CEO of Ellington ■ Former head of RMBS trading and origination at Kidder Peabody ■ B.A. in Mathematics from Harvard University (magna cum laude, Phi Beta Kappa)
Laurence Penn Chief Executive Officer[1]	28	17	■ Vice Chairman of Ellington, CEO of EFC ■ Former Co-head of CMO origination and trading at Lehman Brothers ■ B.A. in Mathematics from Harvard University (summa cum laude, Phi Beta Kappa)
Mark Tecotzky Co-Chief Investment Officer	25	5	■ Head of Ellington's ABS/RMBS credit investing ■ Former senior mortgage trader at Credit Suisse ■ B.S. from Yale University; received a National Science Foundation fellowship to study at MIT
Robert Kinderman Head Portfolio Manager for RMBS and ABS Credit	13	13	■ Senior portfolio manager for Ellington mortgage credit investing ■ Directs development of analytics to support mortgage credit trading ■ B.A in Mathematics and Economics from Yale University

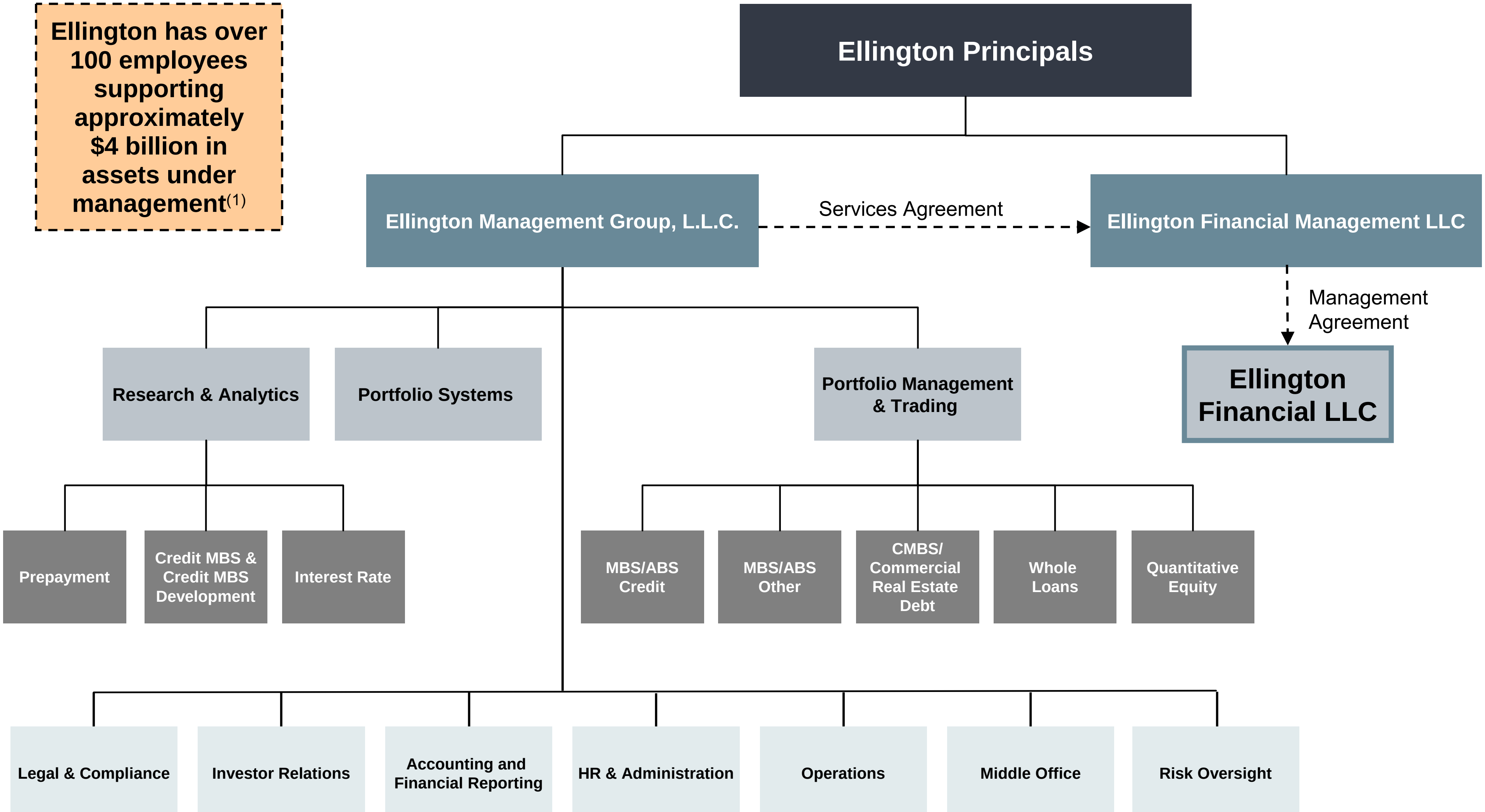
Ellington employs over 100 people; more than 20% are dedicated to research and systems

(1) Holds a seat on the Board of Directors of EFC.
(2) As of May 2012.

EFC Leverages the Broader Ellington Platform: Our Infrastructure Is A Competitive Advantage

Ellington Financial

Ellington has over 100 employees supporting approximately $4 billion in assets under management[(1)]



Sophisticated infrastructure supports rigorous management of credit, interest rate, liquidity, and other risks

(1) As of 3/31/2012.

Why Ellington Financial: The Right Structure

Ellington Financial

	EFC's Publicly-traded Partnership ("PTP") structure	REIT structure
Investment strategy	■ **Flexibility to protect against the downside** – We were hedged in 2008 and in 2011 ■ **Opportunity to capture the upside** – PTP structure allows us to fundamentally and quickly re-orient the portfolio	■ **Generally buy and hold strategies** ■ **"Long-only" investment strategy** – REITs have limited ability to hedge and typically do NOT hedge credit risk
Accounting and tax	■ **Investor-friendly: mark-to-market GAAP and tax accounting creates transparency** – Full portfolio MTM with third-party valuation input on the vast majority of assets – Management decisions based upon maximum risk-adjusted return and not accounting impact	■ **GAAP income, mark-to-market income, and taxable income are typically all different from one another** – Unrealized gains and losses placed in OCI instead of net income – Taxable income often significantly exceeds GAAP income
Dividends	■ **Target steady and sustainable dividends**	■ **Must pay out 90% of taxable income to maintain REIT status**

EFC: Book Value

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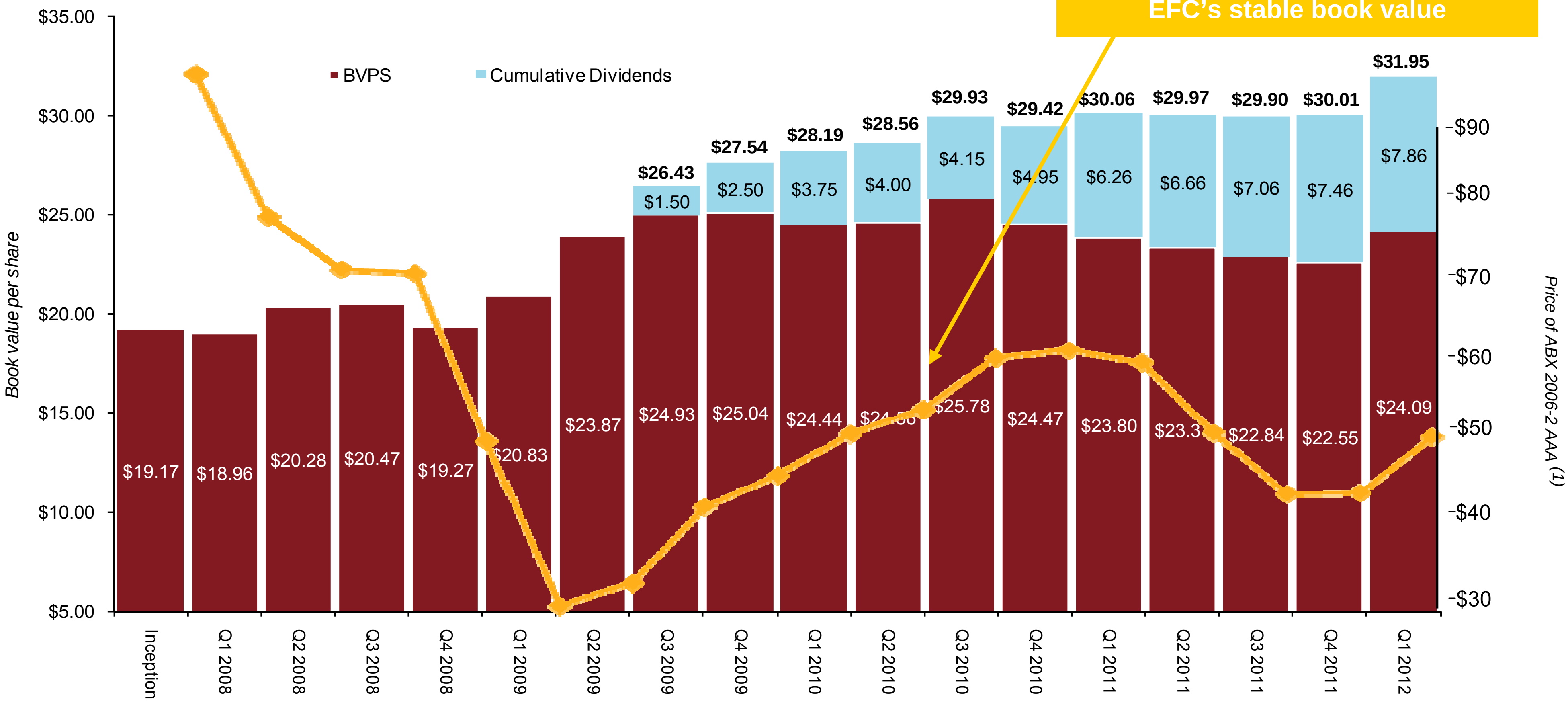
- **EFC has successfully preserved book value through market cycles, while producing strong results for investors.**



- **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.

Non-Agency RMBS Market-Year to Year Comparison

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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**

Market Outlook

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- **Non-Agency MBS yields remain compelling – market fundamentals and market technicals have both improved**
- **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 substantial backdrop of prepayment risk**
  - **Recent data suggests refinancings may pick up**
- **QE 3 seems unlikely, although threat of QE 3 may work to keep rates low**

EFC: Shadow Inventory

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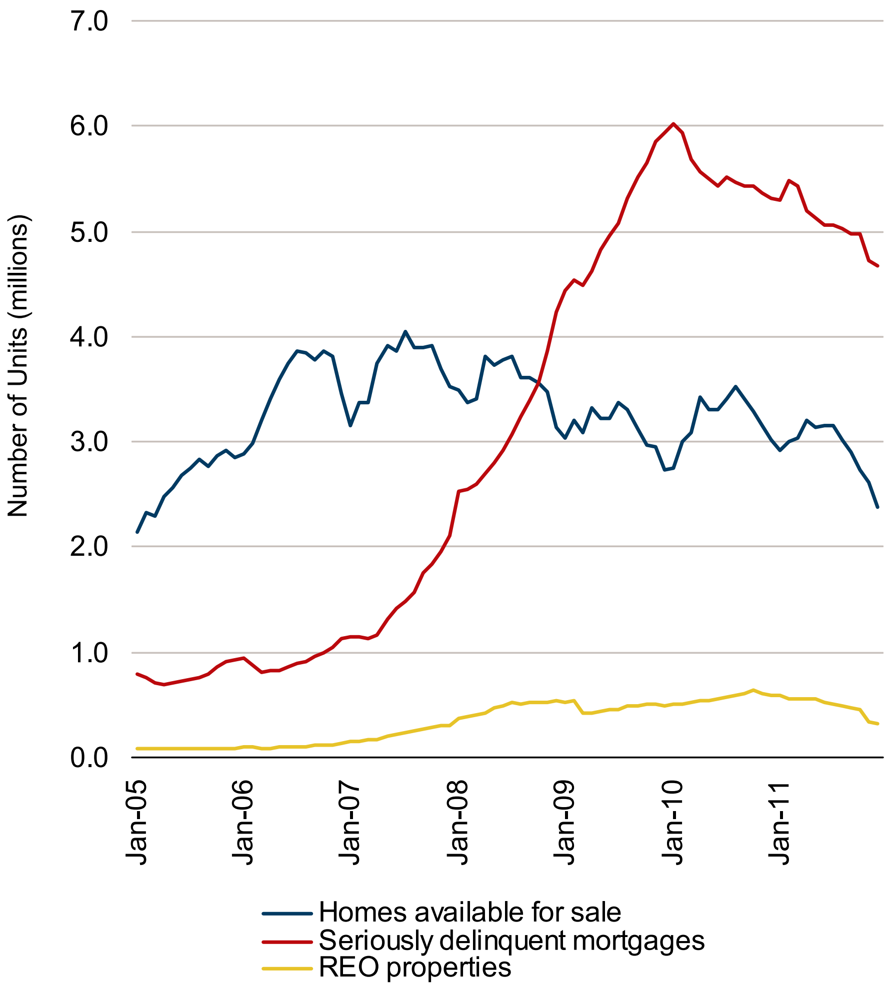
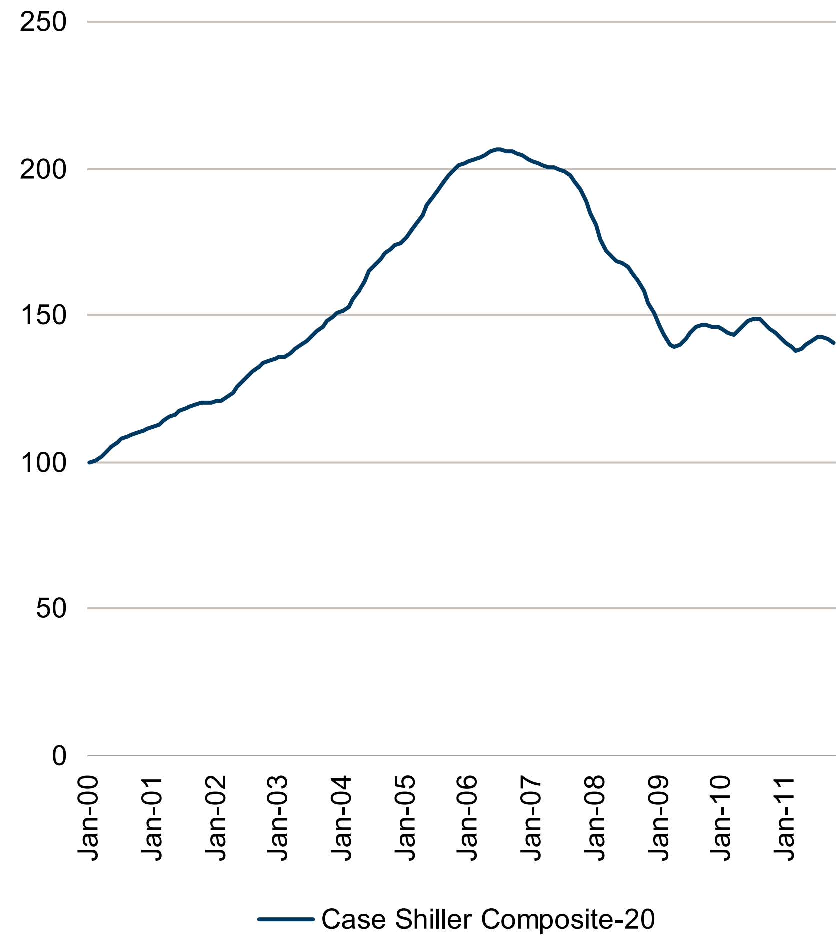
Shadow Inventory Weighs On the Market



Home Prices Have Been Range-Bound Since 2009, But The Outlook Remains Uncertain



Source: Standard & Poor's / Case-Shiller, Lender Processing Services, National Association of Realtors, and Ellington.

EFC: Non-Agency Long Portfolio

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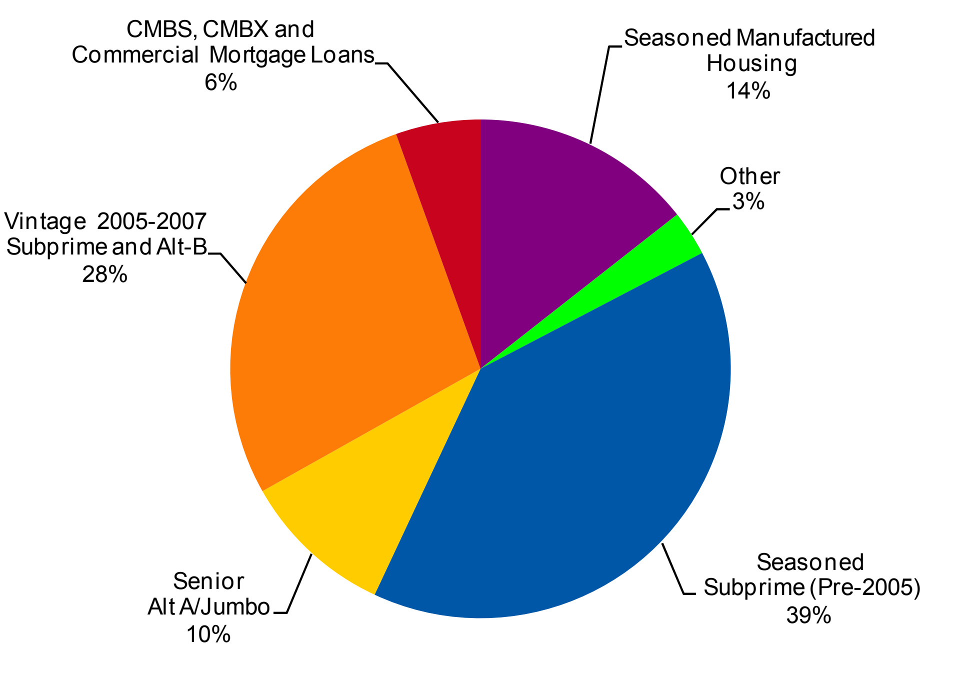
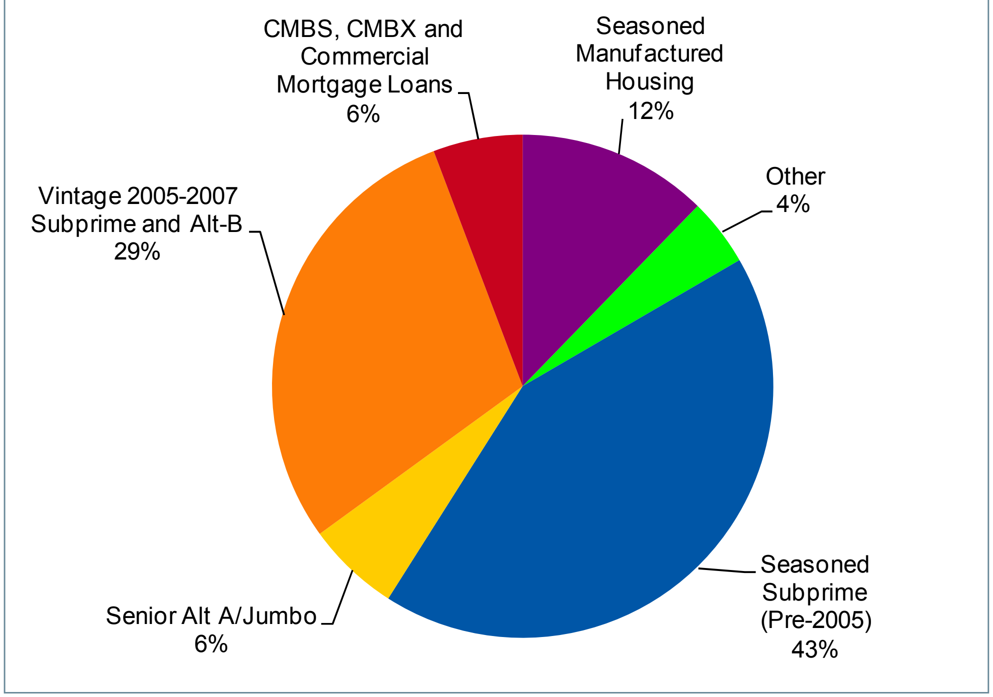
Previous Quarter
Non-Agency Long Portfolio 12/31/11: $451MM[1]



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

Ellington Financial

- **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

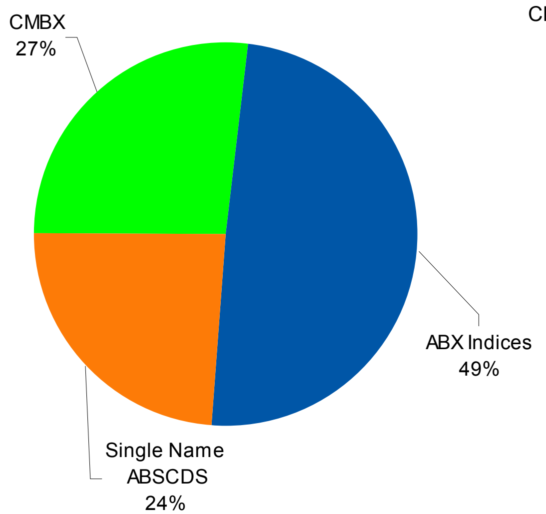
Ellington Financial

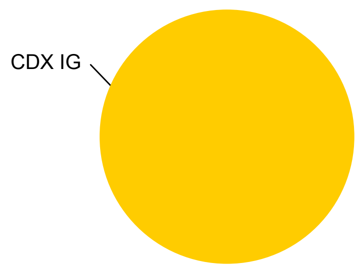
Previous Quarter Credit Hedging Portfolio 12/31/11: $182MM[1]	Current Quarter Credit Hedging Portfolio 3/31/12: $161MM[1]

Previous Quarter – Credit Hedging Portfolio 12/31/11: $182MM[1]

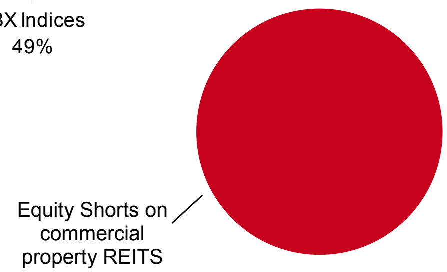
Corporate CDS: $105.5mm

CDS on MBS: $55.6mm





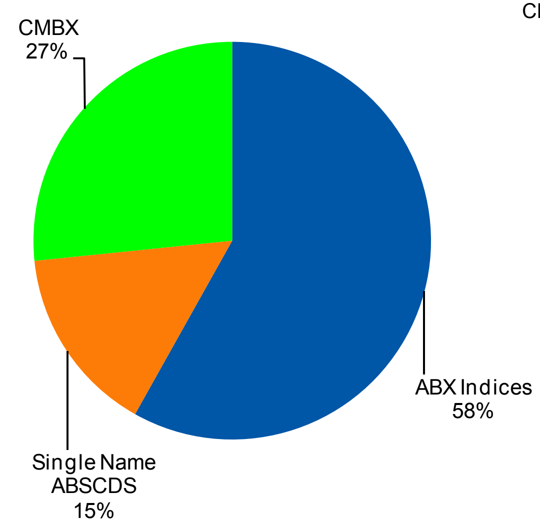
Equity Swaps: $20.6mm



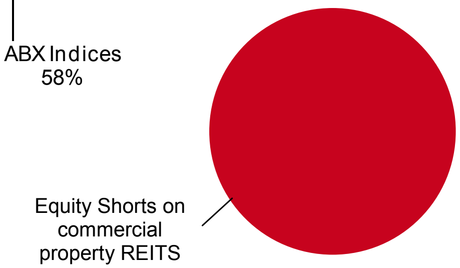
Current Quarter – Credit Hedging Portfolio 3/31/12: $161MM[1]

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.

EFC: Agency Long Portfolio

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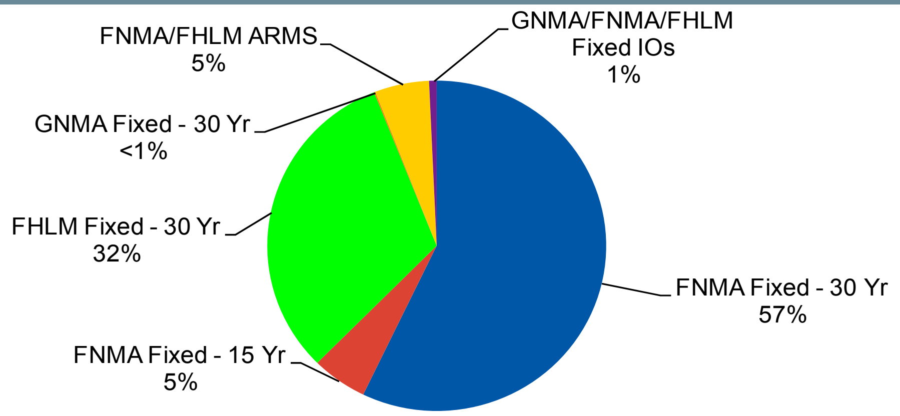
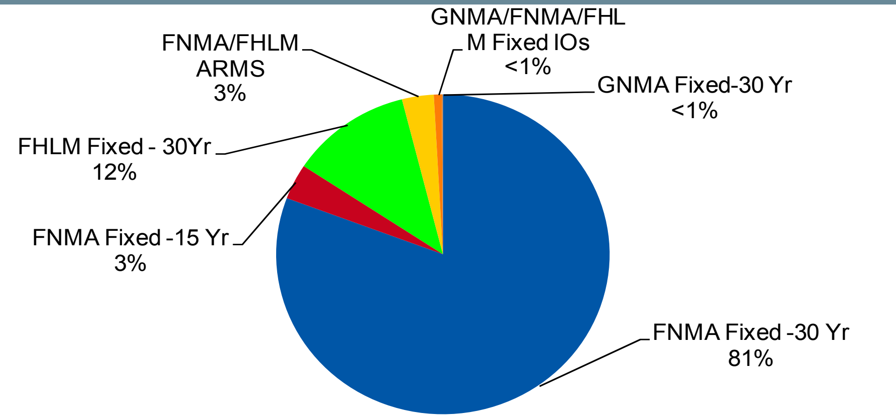
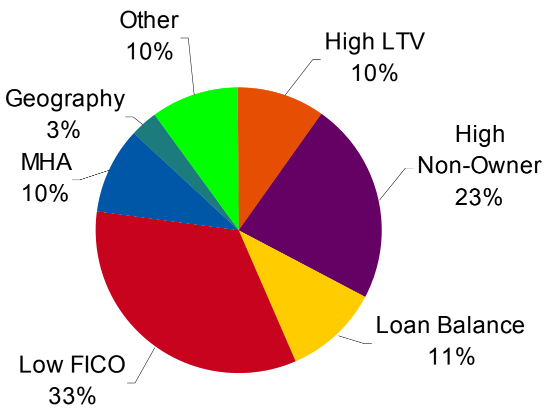
Previous Quarter
Agency Long Portfolio 12/31/11: $732MM[1]



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

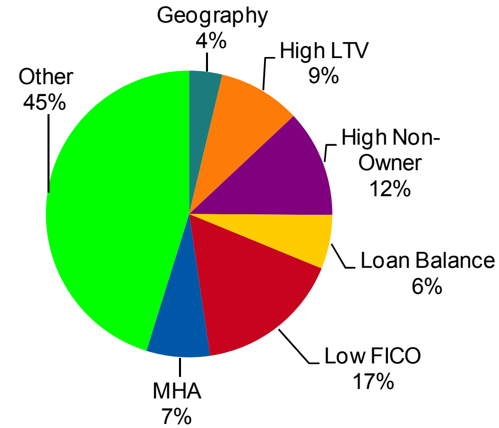


Collateral Characteristics and Historical 3-month CPR
Agency Fixed Rate Pool Portfolio 12/31/11: $689MM[2]



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]

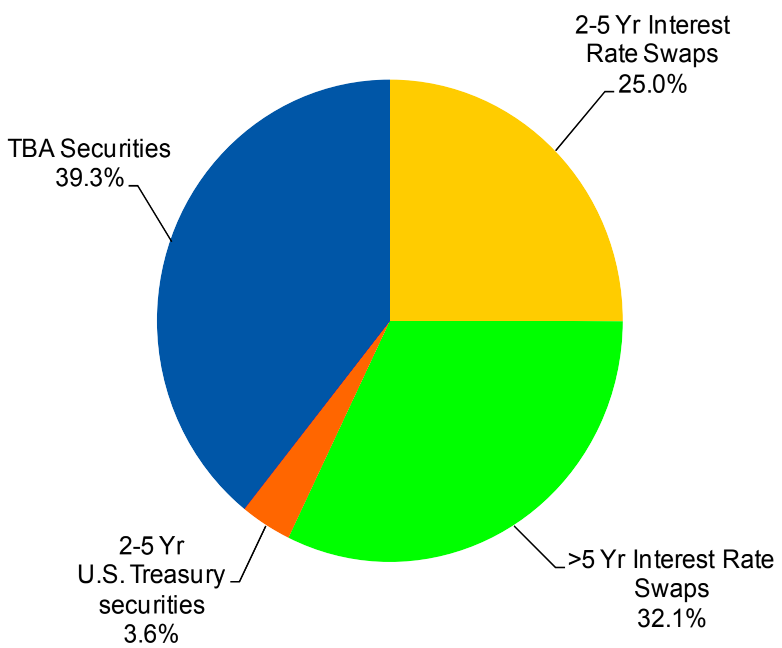
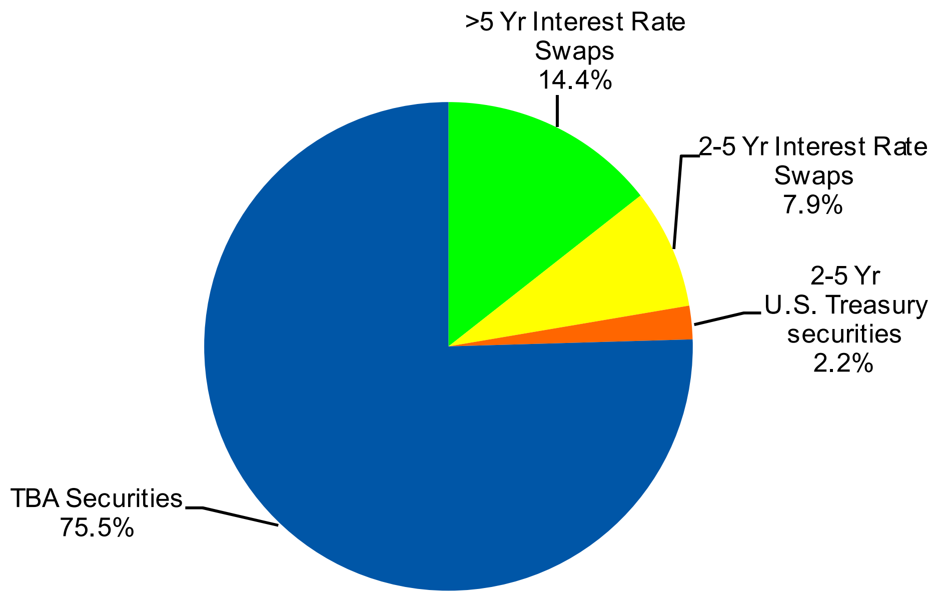


Characteristic[3]	Fair Value[4]	3-Month Historical CPR
Geography	$28.2	3.8
High LTV	69.9	8.5
High Non-Owner Occupied	91.1	4.4
Low Loan Bal	45.9	7.8
Low FICO	124.0	4.2
MHA[5]	53.9	1.5
Other	340.4	5.2
Totals	$753.4	5.1

(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

Ellington Financial

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: Capital and Leverage

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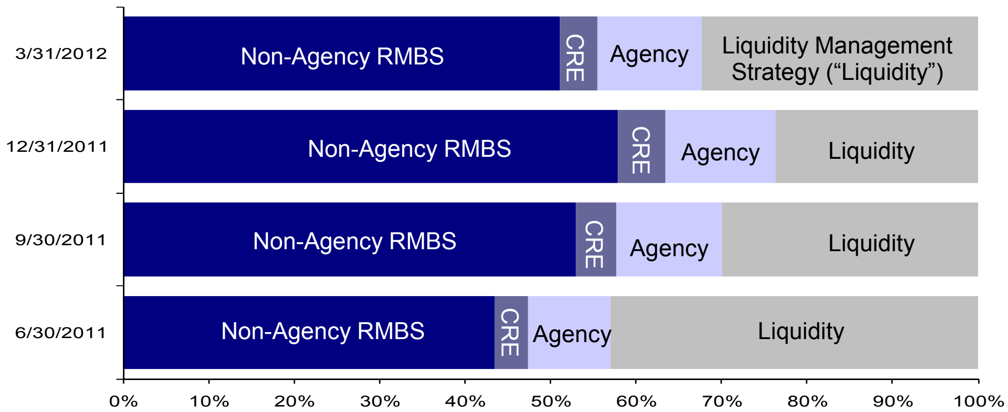
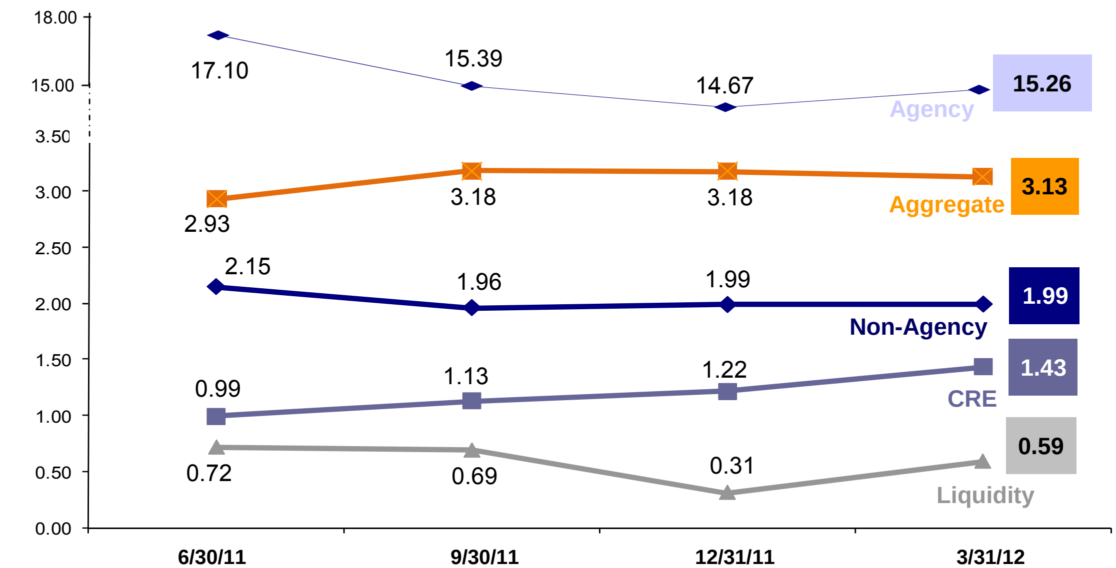
Capital Usage Across Entire Portfolio



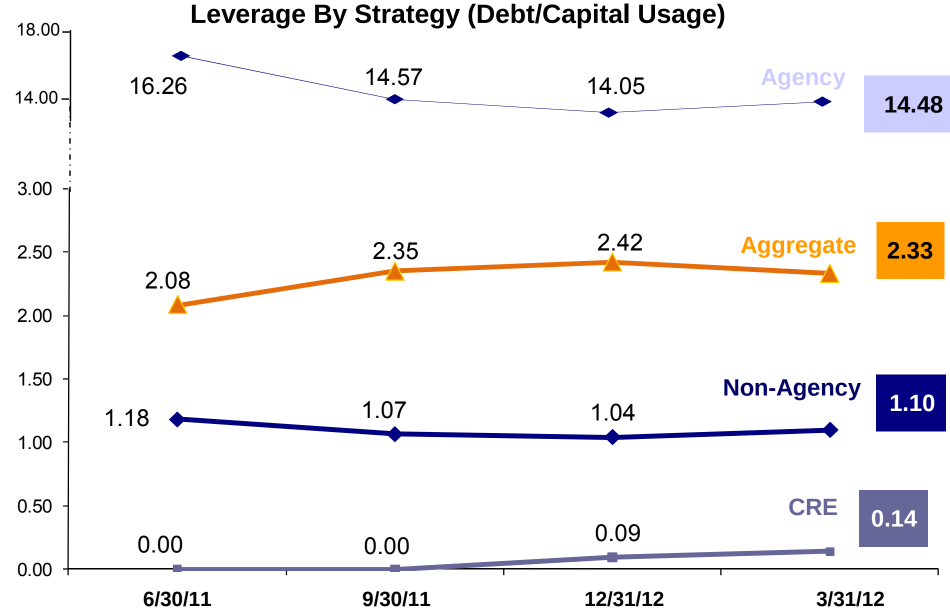
Note to Capital Usage Across Entire Portfolio table: Includes settled investment amounts net of repo borrowings and securitized debt, initial margin of hedges and synthetic long positions, and other assets and liabilities associated with each category. “Agency“ strategy includes capital usage associated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

Leverage By Strategy (Assets/Capital Usage)



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

Why Invest in Ellington Financial?

Ellington Financial

- ***Proven track record and experienced management***:
  EFC effectively protects against downside *and* captures upside

- ***Flexible structure and high current yield assets***:
  PTP structure allows for strategic hedging, assets produce attractive ROEs

- ***Compelling RMBS market opportunity***:
  Market inefficiencies create buying opportunities, liquidity and financing is readily available

- ***Sophisticated, proprietary analytics and infrastructure***:
  Database of 30mm loans and research team led by John Geanakoplos, James Tobin Professor of Economics at Yale University

- ***Significant management investment and strong alignment of interests***:
  Management owns approximately 20% of the Company

Supplemental Information

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

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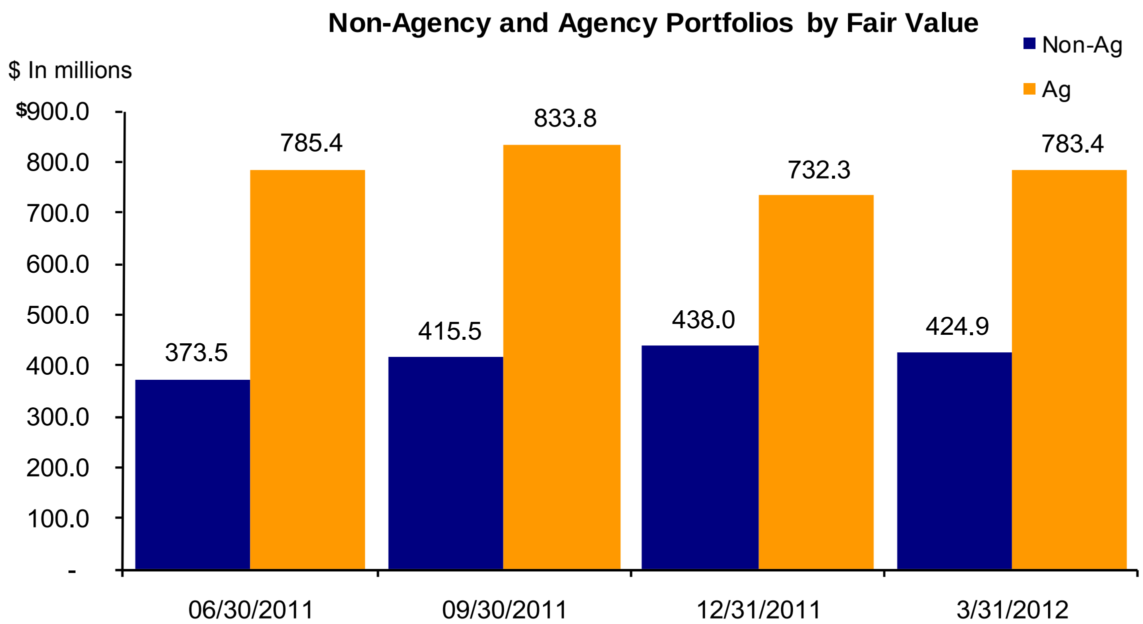

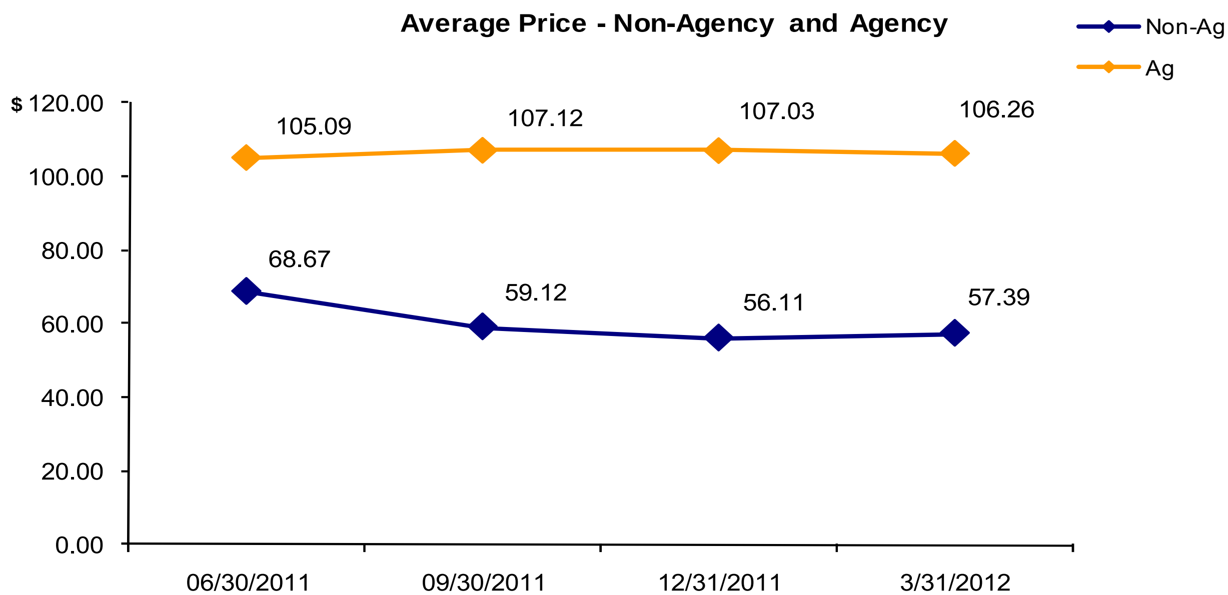

Note: Excludes interest-only and other similar securities.

EFC: Yields and Net Interest Margin

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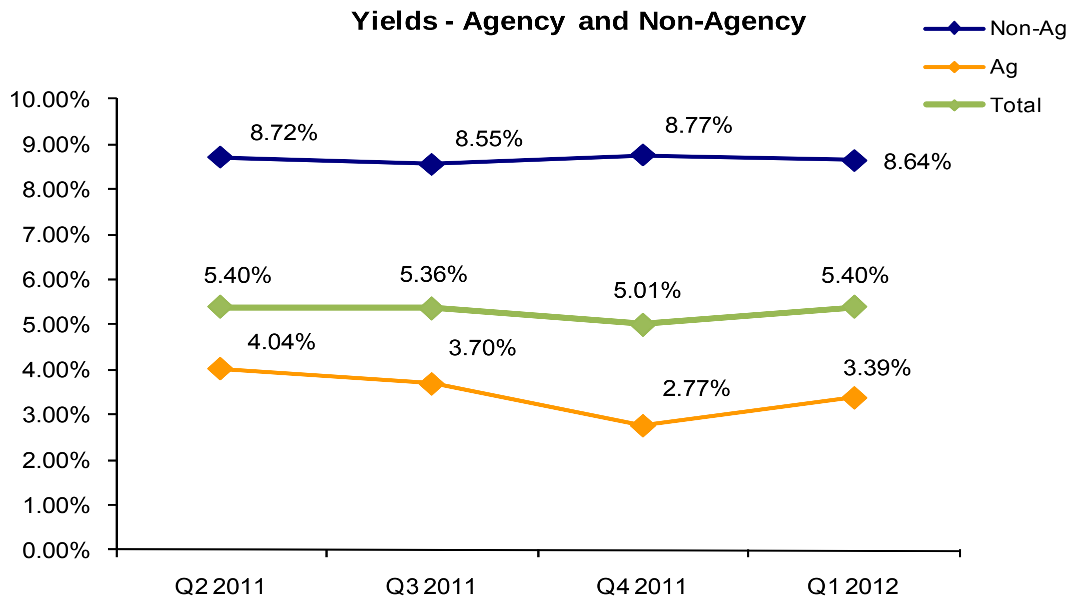
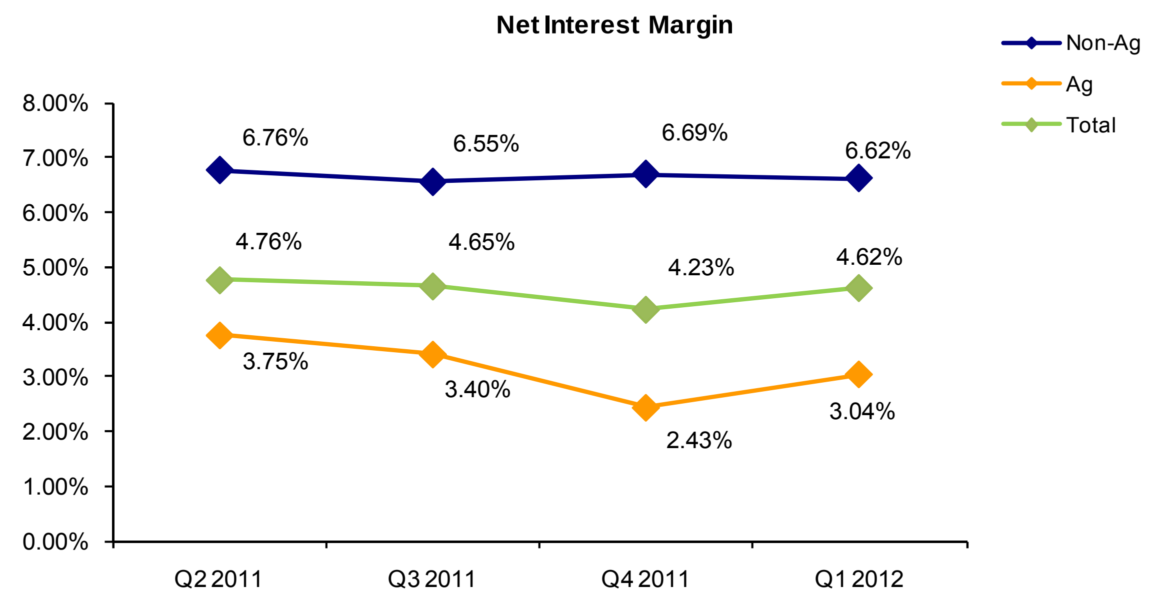


Note: Yields are based on amortized cost, not fair value.



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

EFC: Dividends and Expense Ratio

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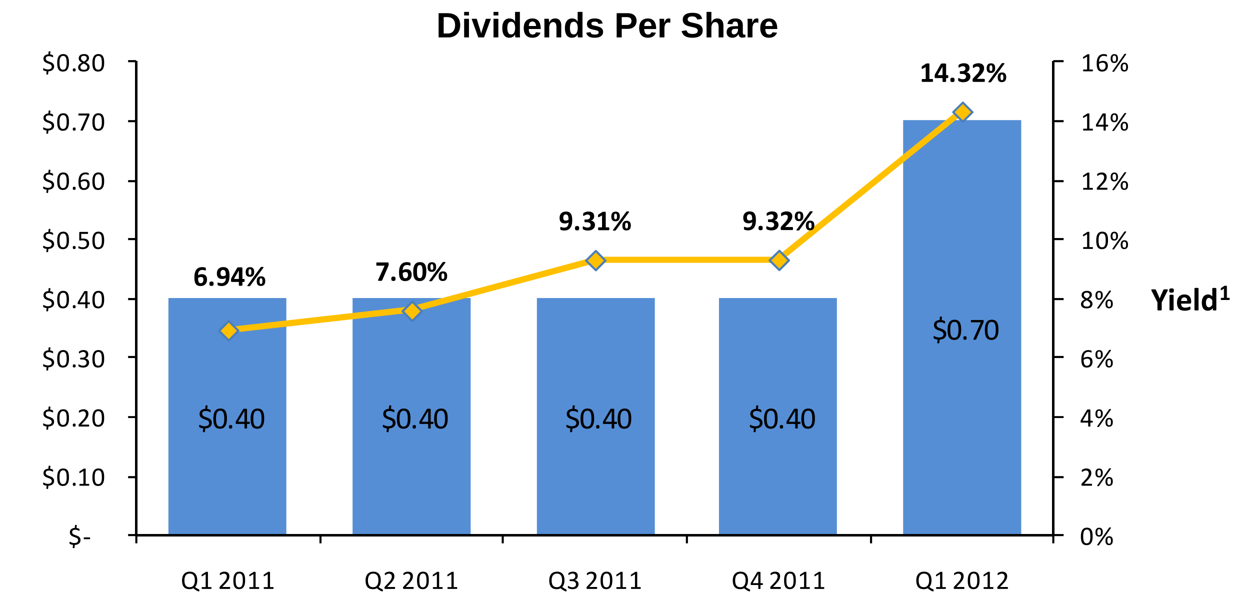
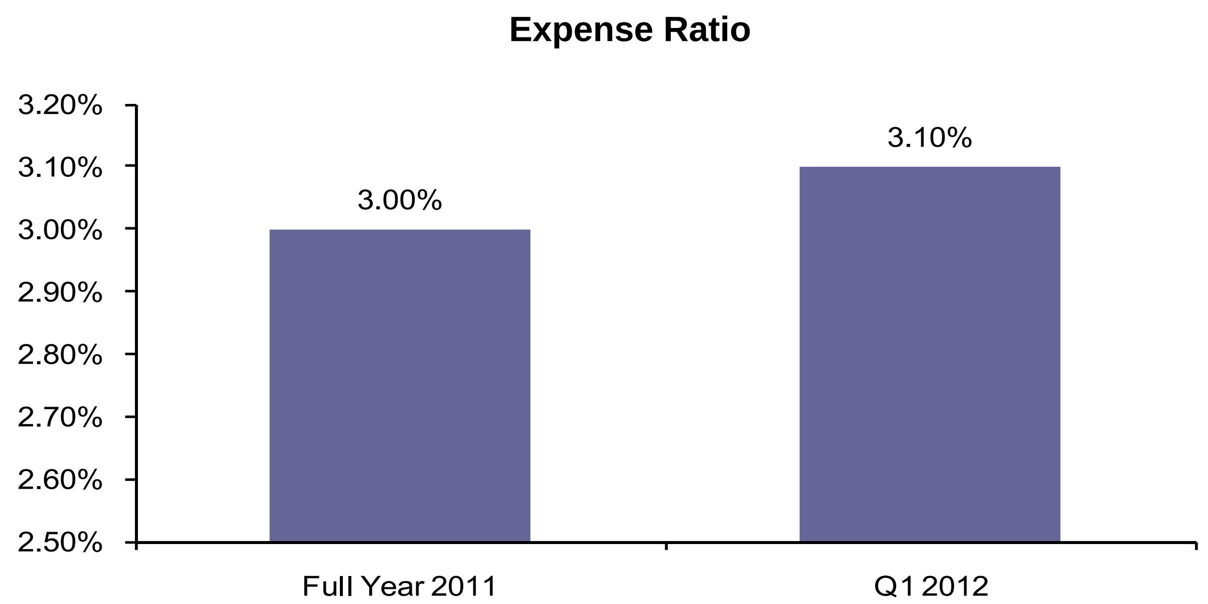


(1) Based on NYSE closing price as of period end date.



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Keefe, Bruyette & Woods 2012 Mortgage Finance Conference

June 5, 2012

Ellington Financial LLC (NYSE: EFC)