

Ellington Financial LLC  
Form 10-Q  
August 09, 2016  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2016

OR  
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number 001-34569

Ellington Financial LLC

(Exact Name of Registrant as Specified in Its Charter)

Delaware

26-0489289

(State or Other Jurisdiction of Incorporation or Organization) (I.R.S. Employer Identification No.)

53 Forest Avenue, Old Greenwich, Connecticut 06870

(Address of Principal Executive Office) (Zip Code)

(203) 698-1200

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer  Accelerated Filer

Non-Accelerated Filer  Smaller Reporting Company   
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at July 29, 2016
Common Shares Representing Limited Liability Company Interests, no par value	32,647,733



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## PART 1. FINANCIAL INFORMATION

## Item 1. Consolidated Financial Statements (unaudited)

## ELLINGTON FINANCIAL LLC

## CONSOLIDATED STATEMENT OF ASSETS, LIABILITIES, AND EQUITY

## (UNAUDITED)

	June 30, 2016	December 31, 2015
(In thousands except share amounts)		
	Expressed in U.S. Dollars	
<b>ASSETS</b>		
Cash and cash equivalents	\$ 140,358	\$ 183,909
Restricted cash	3,905	4,857
Investments, financial derivatives, and repurchase agreements:		
Investments, at fair value (Cost – \$1,590,345 and \$1,672,400)	1,582,165	1,661,118
Financial derivatives–assets, at fair value (Net cost – \$149,985 and \$163,943)	152,628	162,905
Repurchase agreements, at fair value (Cost – \$116,985 and \$105,329)	116,003	105,700
Total investments, financial derivatives, and repurchase agreements	1,850,796	1,929,723
Due from brokers	199,125	141,605
Receivable for securities sold and financial derivatives	536,936	705,748
Interest and principal receivable	19,085	20,444
Other assets	2,886	5,269
Total Assets	\$ 2,753,091	\$ 2,991,555
<b>LIABILITIES</b>		
Investments and financial derivatives:		
Investments sold short, at fair value (Proceeds – \$613,756 and \$731,048)	\$ 616,337	\$ 728,747
Financial derivatives–liabilities, at fair value (Net proceeds – \$43,032 and \$56,200)	74,098	60,472
Total investments and financial derivatives	690,435	789,219
Reverse repurchase agreements	1,070,105	1,174,189
Due to brokers	94,715	114,797
Payable for securities purchased and financial derivatives	197,164	165,365
Securitized debt (Proceeds – \$13,034 and \$0)	13,034	—
Accounts payable and accrued expenses	3,055	3,626
Base management fee payable	2,553	2,773
Interest and dividends payable	2,523	1,806
Other liabilities	324	828
Total Liabilities	2,073,908	2,252,603
<b>EQUITY</b>	679,183	738,952
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 2,753,091</b>	<b>\$ 2,991,555</b>
Commitments and contingencies (Note 15)		
<b>ANALYSIS OF EQUITY:</b>		
Common shares, no par value, 100,000,000 shares authorized; (32,743,356 and 33,126,012 shares issued and outstanding)	\$ 664,109	\$ 722,360
Additional paid-in capital – LTIP units	9,886	9,689
Total Shareholders' Equity	673,995	732,049
Non-controlling interests	5,188	6,903
Total Equity	\$ 679,183	\$ 738,952
<b>PER SHARE INFORMATION:</b>		
Common shares	\$ 20.58	\$ 22.10



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ELLINGTON FINANCIAL LLC  
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS  
AT JUNE 30, 2016  
(UNAUDITED)

Current Principal (In thousands)	Description	Rate	Maturity	Fair Value Expressed in U.S. Dollars
	Long Investments (232.95%) (a) (b) (y)			
	Mortgage-Backed Securities (182.22%)			
	Agency Securities (148.90%) (c)			
	Fixed Rate Agency Securities (144.08%)			
	Principal and Interest - Fixed Rate Agency Securities (119.52%)			
	North America			
	Mortgage-related—Residential			
\$140,941	Federal National Mortgage Association Pools (30 Year)	4.00%	8/42 - 4/46	\$ 152,702
122,292	Federal Home Loan Mortgage Corporation Pools (30 Year)	4.00%	8/43 - 5/46	132,469
88,182	Federal National Mortgage Association Pools (30 Year)	4.50%	10/41 - 3/46	97,387
63,182	Federal National Mortgage Association Pools (30 Year)	3.50%	3/43 - 5/46	67,319
54,356	Federal National Mortgage Association Pools (15 Year)	3.50%	3/28 - 4/31	58,139
49,365	Federal National Mortgage Association Pools (30 Year)	5.00%	10/35 - 12/44	55,213
38,545	Federal Home Loan Mortgage Corporation Pools (30 Year)	4.50%	9/43 - 3/46	42,508
26,408	Federal Home Loan Mortgage Corporation Pools (30 Year)	3.50%	1/42 - 10/45	28,201
12,367	Federal National Mortgage Association Pools (15 Year)	3.00%	4/30 - 10/30	13,035
11,317	Federal National Mortgage Association Pools (15 Year)	4.00%	6/26 - 5/31	12,225
10,023	Federal Home Loan Mortgage Corporation Pools (15 Year)	3.50%	9/28 - 9/30	10,700
9,113	Government National Mortgage Association Pools (30 Year)	4.50%	8/45 - 9/45	10,023
9,331	Federal Home Loan Mortgage Corporation Pools (Other)	3.50%	2/30 - 3/46	9,882
8,293	Government National Mortgage Association Pools (Other)	4.56%	1/65	9,411
7,299	Federal National Mortgage Association Pools (Other)	5.00%	9/43 - 1/44	8,204
6,654	Government National Mortgage Association Pools (Other)	4.68%	11/63 - 9/64	7,518
6,181	Government National Mortgage Association Pools (Other)	4.59%	11/64	7,022
6,090	Government National Mortgage Association Pools (Other)	4.61%	6/64 - 11/64	6,904
5,667	Government National Mortgage Association Pools (30 Year)	4.00%	6/45 - 3/46	6,144
5,536	Government National Mortgage Association Pools (30 Year)	3.50%	2/46	5,913
5,500	Federal National Mortgage Association Pools (30 Year)	3.00%	1/42 - 6/45	5,722
4,408	Government National Mortgage Association Pools (Other)	4.62%	12/63	4,956
4,130	Federal National Mortgage Association Pools (30 Year)	5.50%	10/39	4,642
3,927	Federal National Mortgage Association Pools (15 Year)	4.50%	4/26	4,227
3,786	Government National Mortgage Association Pools (Other)	4.50%	7/61	4,145
3,340	Government National Mortgage Association Pools (Other)	4.63%	10/64	3,804
3,117	Government National Mortgage Association Pools (Other)	4.49%	11/64	3,511
3,205	Federal Home Loan Mortgage Corporation Pools (15 Year)	3.00%	4/30	3,374
3,141	Government National Mortgage Association Pools (Other)	4.75%	1/61	3,238
3,125	Government National Mortgage Association Pools (Other)	4.80%	2/61	3,228
2,752	Federal Home Loan Mortgage Corporation Pools (Other)	4.50%	5/44	3,040
2,828	Government National Mortgage Association Pools (Other)	5.49%	4/60	3,009
2,499	Government National Mortgage Association Pools (Other)	4.64%	3/65	2,851
2,639	Federal Home Loan Mortgage Corporation Pools (Other)	3.00%	6/28	2,774
2,362	Federal National Mortgage Association Pools (30 Year)	6.00%	9/39 - 2/40	2,710

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ELLINGTON FINANCIAL LLC  
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS  
AT JUNE 30, 2016 (CONTINUED)  
(UNAUDITED)

Current Value	Principal/Notional Description	Rate	Maturity	Fair Value
(In thousands) (continued)				Expressed in U.S. Dollars
\$2,405	Federal National Mortgage Association Pools (20 Year)	4.00%	12/33	\$ 2,612
2,105	Government National Mortgage Association Pools (Other)	5.54%	2/60	2,223
2,048	Government National Mortgage Association Pools (Other)	5.51%	2/60	2,193
1,932	Federal Home Loan Mortgage Corporation Pools (15 Year)	4.00%	2/29	2,085
1,765	Federal Home Loan Mortgage Corporation Pools (30 Year)	3.00%	7/43 - 10/45	1,834
1,494	Federal Home Loan Mortgage Corporation Pools (30 Year)	6.00%	4/39 - 5/40	1,708
1,264	Federal Home Loan Mortgage Corporation Pools (20 Year)	4.50%	12/33	1,395
694	Federal Home Loan Mortgage Corporation Pools (30 Year)	5.00%	7/44	769
634	Federal Home Loan Mortgage Corporation Pools (30 Year)	5.50%	8/33	709
101	Federal National Mortgage Association Pools (Other)	4.00%	6/37	106
				811,784
Interest Only - Fixed Rate Agency Securities (0.76%)				
North America				
Mortgage-related—Residential				
7,427	Government National Mortgage Association	5.50%	11/43	1,199
9,235	Federal National Mortgage Association	5.00%	1/38 - 5/40	899
5,548	Federal Home Loan Mortgage Corporation	3.50%	12/32	790
6,866	Federal National Mortgage Association	4.50%	12/20 - 5/43	584
3,929	Federal Home Loan Mortgage Corporation	5.00%	3/40	313
3,559	Federal National Mortgage Association	3.00%	9/41	289
1,249	Government National Mortgage Association	6.00%	6/38	274
1,694	Government National Mortgage Association	4.75%	7/40	237
1,417	Federal National Mortgage Association	5.50%	10/40	175
3,011	Government National Mortgage Association	5.00%	5/37	158
1,175	Federal National Mortgage Association	4.00%	5/39	156
937	Federal Home Loan Mortgage Corporation	5.50%	1/39	85
				5,159
TBA - Fixed Rate Agency Securities (23.80%)				
North America				
Mortgage-related—Residential				
60,330	Government National Mortgage Association (30 Year)	4.00%	7/16 - 8/16	64,754
47,238	Federal National Mortgage Association (30 Year)	3.00%	7/16	49,013
30,000	Federal Home Loan Mortgage Corporation (30 Year)	3.50%	7/16	31,629
14,460	Federal National Mortgage Association (15 Year)	3.00%	7/16	15,160
990	Government National Mortgage Association (30 Year)	4.50%	7/16	1,063
				161,619
Total Fixed Rate Agency Securities (Cost \$964,068)				978,562



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CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS  
AT JUNE 30, 2016 (CONTINUED)  
(UNAUDITED)

Current Value (In thousands)	Principal/Notional Description	Rate	Maturity	Fair Value Expressed in U.S. Dollars
	Floating Rate Agency Securities (4.82%)			
	Principal and Interest - Floating Rate Agency Securities (2.56%)			
	North America			
	Mortgage-related—Residential			
\$8,646	Federal National Mortgage Association Pools	2.43% - 6.04%	11/34 - 5/45	\$ 9,112
5,638	Federal Home Loan Mortgage Corporation Pools	2.61% - 5.94%	6/37 - 5/44	5,968
2,199	Government National Mortgage Association Pools	2.80%	11/64	2,345
				17,425
	Interest Only - Floating Rate Agency Securities (2.26%)			
	North America			
	Mortgage-related—Residential			
193,766	Government National Mortgage Association	0.43% - 6.30%	11/42 - 10/63	10,634
16,238	Federal National Mortgage Association	5.50% - 7.10%	6/33 - 12/41	2,264
18,185	Resecuritization of Government National Mortgage Association (d)	4.05%	8/60	1,358
5,809	Federal Home Loan Mortgage Corporation	5.56% - 6.19%	3/36 - 8/39	1,091
				15,347
	Total Floating Rate Agency Securities (Cost \$31,735)			32,772
	Total Agency Securities (Cost \$995,803)			1,011,334
	Private Label Securities (33.32%)			
	Principal and Interest - Private Label Securities (32.20%)			
	North America (25.28%)			
	Mortgage-related—Residential			
291,703	Various	0.00% - 9.35%	5/19 - 9/46	147,500
	Mortgage-related—Commercial			
95,731	Various	3.00% - 4.56%	7/45 - 3/49	24,169
	Total North America (Cost \$168,411)			171,669
	Europe (6.92%)			
	Mortgage-related—Residential			
60,455	Various	0.00% - 5.34%	6/25 - 3/50	39,092
	Mortgage-related—Commercial			
7,999	Various	0.00% - 11.00%	6/17 - 6/19	7,933
	Total Europe (Cost \$56,943)			47,025
	Total Principal and Interest - Private Label Securities (Cost \$225,354)			218,694
	Principal Only - Private Label Securities (0.54%)			
	North America			
	Mortgage-related—Residential			
5,510	Various	—%	8/30	3,649
	Total Principal Only - Private Label Securities (Cost \$2,885)			3,649

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ELLINGTON FINANCIAL LLC  
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS  
AT JUNE 30, 2016 (CONTINUED)  
(UNAUDITED)

Current Value	Principal/Notional Description	Rate	Maturity	Fair Value
(In thousands)				Expressed in U.S. Dollars
	Interest Only - Private Label Securities (0.58%)			
	North America			
	Mortgage-related—Residential			
\$38,118	Various	0.50% - 2.00%	6/44 - 9/47	\$ 1,101
	Mortgage-related—Commercial			
49,918	Various	1.25% - 1.60%	10/47 - 3/49	2,840
	Total Interest Only - Private Label Securities (Cost \$3,382)			
	Other Private Label Securities (0.00%)			
	North America			
	Mortgage-related—Residential			
95,607	Various	—%	6/37	—
	Mortgage-related—Commercial			
—	Various	—%	7/45 - 3/49	—
	Total Other Private Label Securities (Cost \$259)			
	Total Private Label Securities (Cost \$231,880)			
	Total Mortgage-Backed Securities (Cost \$1,227,683)			
	Collateralized Loan Obligations (4.87%)			
	North America (2.25%)			
63,133	Various	0.00% - 9.15%	5/17 - 1/24	15,312
	Total North America (Cost \$20,626)			
	Europe (2.62%)			
26,886	Various	0.00% - 9.37%	1/22 - 3/25	17,797
	Total Europe (Cost \$18,668)			
				33,109

Total Collateralized				
Loan Obligations				
(Cost \$39,294)				
Consumer Loans and				
Asset-backed				
Securities backed by				
Consumer Loans				
(22.73%) (e)				
North America				
(22.37%)				
Consumer (f)				
150,751	Various	5.44% - 59.39%	7/16 - 6/21	151,937
Total North America				151,937
(Cost \$153,581)				
Europe (0.36%)				
Consumer				
1,141	Various	—%	8/24	2,458
Total Europe (Cost				2,458
\$1,611)				
Total Consumer				
Loans and				
Asset-backed				
Securities backed by				154,395
Consumer Loans				
(Cost \$155,192)				

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CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS  
AT JUNE 30, 2016 (CONTINUED)  
(UNAUDITED)

Current Principal/Number of Description	Rate	Maturity	Fair Value
Properties (In thousands)			Expressed in U.S. Dollars
Corporate Debt (5.45%)			
North America (4.21%)			
Basic Materials			
\$5,720 Various	11.75%	1/19	\$ 977
Consumer			
10,695 Various	0.00% - 7.25%	6/18 - 11/22	8,164
Energy			
17,906 Various	0.00% - 10.75%	9/18 - 9/21	6,741
Financial			
54 Various	10.25%	8/23	51
Mortgage-related—Residential			
14,179 Various	0.00% - 15.00%	12/17 - 10/19	10,343
Technology			
2,200 Various	5.13%	3/20	2,312
Total North America (Cost \$38,635)			28,588
Europe (1.24%)			
Communications			
7,454 Various	14.00%	10/18	7,888
Consumer			
17,422 Various	—%	12/16	498
Total Europe (Cost \$8,199)			8,386
Total Corporate Debt (Cost \$46,834)			36,974
Mortgage Loans (14.15%) (e)			
North America			
Mortgage-related—Commercial (g)			
58,082 Various	2.73% - 11.00%	8/16 - 7/45	49,466
Mortgage-related—Residential (i)			
50,228 Various	0.00% - 12.63%	4/22 - 2/56	46,649
Total Mortgage Loans (Cost \$96,285)			96,115
Real Estate Owned (0.61%) (e) (h)			
North America			
Real estate-related			
14 Single-Family Houses			2,321
1 Commercial Property			1,841

Total Real Estate Owned (Cost \$4,225)	4,162
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ELLINGTON FINANCIAL LLC  
 CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS  
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 (UNAUDITED)

Current Principal/Number of Shares (In thousands)	Description	Rate	Maturity	Fair Value
				Expressed in U.S. Dollars
	Private Corporate Equity Investments (2.86%) North America (2.86%)			
	Consumer			
\$1,663	Non-Exchange Traded Corporate Equity Diversified			\$ 6,675
200	Non-Exchange Traded Corporate Equity Mortgage-related—Commercial			3,650
n/a	Non-Controlling Interest in Mortgage-Related Private Partnership			2,972
	Mortgage-related—Residential			
12,545	Non-Exchange Traded Preferred Equity Investment in Mortgage Originators			4,700
7,478	Non-Exchange Traded Equity Investment in Mortgage Originators			853
	Technology			
99	Non-Exchange Traded Corporate Equity			568
	Total North America (Cost \$20,460)			19,418
	Europe (0.00%)			
	Consumer			
139	Non-Exchange Traded Corporate Equity			—
	Total Europe (Cost \$0)			—
	Total Private Corporate Equity Investments (Cost \$20,460)			19,418
	U.S. Treasury Securities (0.06%)			
	North America			
	Government			
371	U.S. Treasury Note	1.13% - 1.25%	3/21 - 6/21	374
	Total U.S. Treasury Securities (Cost \$372)			374
	Total Long Investments (Cost \$1,590,345)			\$ 1,582,165

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ELLINGTON FINANCIAL LLC  
 CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS  
 AT JUNE 30, 2016 (CONTINUED)  
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Current Balance (In thousands)	Description	Rate	Maturity	Fair Value Expressed in U.S. Dollars
	Repurchase Agreements (17.08%) (a) (b) (j)			
\$19,363	Bank of America Securities Collateralized by Par Value \$19,030 U.S. Treasury Note, Coupon 1.38%, Maturity Date 5/21	0.45%	7/16	\$ 19,363
15,537	Deutsche Bank Securities Collateralized by Par Value \$15,280 Sovereign Government Bond, Coupon 0.25%, Maturity Date 4/18	(0.50)%	7/16	15,537
13,618	JP Morgan Securities Collateralized by Par Value \$13,164 Sovereign Government Bond, Coupon 0.25%, Maturity Date 11/20	(0.54)%	7/16	13,618
9,292	JP Morgan Securities Collateralized by Par Value \$8,697 Sovereign Government Bond, Coupon 1.15%, Maturity Date 7/20	(0.63)%	7/16	9,292
9,025	JP Morgan Securities Collateralized by Par Value \$8,697 Sovereign Government Bond, Coupon 0.65%, Maturity Date 11/20	(0.47)%	7/16	9,025
7,954	JP Morgan Securities Collateralized by Par Value \$7,210 Sovereign Government Bond, Coupon 2.75%, Maturity Date 4/19	(0.47)%	7/16	7,954
5,075	Bank of America Securities Collateralized by Par Value \$5,000 U.S. Treasury Note, Coupon 1.25%, Maturity Date 10/18	0.45%	7/16	5,075
4,140	Bank of America Securities Collateralized by Par Value \$4,000 U.S. Treasury Note, Coupon 1.63%, Maturity Date 6/20	0.45%	7/16	4,140
4,090	Bank of America Securities Collateralized by Par Value \$4,000 U.S. Treasury Note, Coupon 1.50%, Maturity Date 5/20	0.45%	7/16	4,090
3,684	Bank of America Securities Collateralized by Par Value \$3,621 U.S. Treasury Note, Coupon 1.38%, Maturity Date 4/21	0.45%	7/16	3,684
3,498	Bank of America Securities	0.45%	7/16	3,498

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Collateralized by Par Value \$3,400  
U.S. Treasury Note, Coupon 1.63%,  
Maturity Date 11/20

See Notes to Consolidated Financial Statements

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ELLINGTON FINANCIAL LLC  
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS  
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(UNAUDITED)

Current (In thousands) (continued)	Description	Rate	Maturity	Fair Value Expressed in U.S. Dollars
\$3,416	Bank of America Securities Collateralized by Par Value \$3,200 U.S. Treasury Note, Coupon 2.25%, Maturity Date 11/24	0.45%	7/16	\$ 3,416
2,107	Bank of America Securities Collateralized by Par Value \$2,000 U.S. Treasury Note, Coupon 2.00%, Maturity Date 7/22	0.45%	7/16	2,107
2,037	Bank of America Securities Collateralized by Par Value \$2,000 U.S. Treasury Note, Coupon 1.25%, Maturity Date 1/20	0.45%	7/16	2,037
1,788	Barclays Capital Inc. Collateralized by Par Value \$1,738 Sovereign Government Bond, Coupon 4.00%, Maturity Date 9/16	0.40%	7/16	1,788
1,781	RBC Capital Markets LLC Collateralized by Par Value \$2,248 Exchange Traded Corporate Debt, Coupon 4.50%, Maturity Date 4/22	(2.25)%	7/16	1,781
1,285	Bank of America Securities Collateralized by Par Value \$1,280 U.S. Treasury Note, Coupon 1.13%, Maturity Date 6/21	0.45%	7/16	1,285
1,158	RBC Capital Markets LLC Collateralized by Par Value \$1,350 Exchange Traded Corporate Debt 3.55%, Maturity Date 3/22	(0.40)%	7/16	1,158
1,037	RBC Capital Markets LLC Collateralized by Par Value \$1,080 Exchange Traded Corporate Debt, Coupon 7.75%, Maturity Date 6/21	(2.00)%	7/16	1,037
940	Barclays Capital Inc. Collateralized by Par Value \$1,049 Exchange Traded Corporate Debt, Coupon 4.50%, Maturity Date 4/22	(4.75)%	7/16	940
913	JP Morgan Securities Collateralized by Par Value \$1,049 Exchange Traded Corporate Debt, Coupon 4.50%, Maturity Date 4/22	(5.38)%	7/16	913
904	RBC Capital Markets LLC	0.05%	7/16	904

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Collateralized by Par Value \$820  
Exchange Traded Corporate Debt, Coupon 3.90%,  
Maturity Date 5/21

See Notes to Consolidated Financial Statements

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ELLINGTON FINANCIAL LLC  
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS  
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(UNAUDITED)

Current (In thousands) (continued)	Description	Rate	Maturity	Fair Value Expressed in U.S. Dollars
\$637	CS First Boston Collateralized by Par Value \$572 Exchange Traded Corporate Debt, Coupon 3.90%, Maturity Date 5/21	—%	7/16	\$ 637
570	CS First Boston Collateralized by Par Value \$540 Exchange Traded Corporate Debt, Coupon 6.25%, Maturity Date 10/22	(3.50)%	7/16	570
557	Barclays Capital Inc. Collateralized by Par Value \$540 Exchange Traded Corporate Debt, Coupon 7.75%, Maturity Date 6/21	(2.50)%	7/16	557
542	RBC Capital Markets LLC Collateralized by Par Value \$550 Exchange Traded Corporate Debt, Coupon 6.25%, Maturity Date 10/22	(3.25)%	7/16	542
428	JP Morgan Securities Collateralized by Par Value \$417 U.S. Treasury Note, Coupon 1.38%, Maturity Date 3/20	0.65%	7/16	428
363	Bank of America Securities Collateralized by Par Value \$360 U.S. Treasury Note, Coupon 1.13%, Maturity Date 2/21	0.45%	7/16	363
264	RBC Capital Markets LLC Collateralized by Par Value \$285 Exchange Traded Corporate Debt, Coupon 5.13%, Maturity Date 6/22	(0.25)%	7/16	264
	Total Repurchase Agreements (Cost \$116,985)			\$ 116,003
	Investments Sold Short (-90.75%) (a) (b)			
	TBA - Fixed Rate Agency Securities Sold Short (-71.87%) (k)			
	North America			
	Mortgage-related—Residential			
\$ (69,000 )	Federal Home Loan Mortgage Corporation (30 year)	4.00%	8/16	\$ (73,808 )
			7/16	
(51,350 )	Federal National Mortgage Association (15 year)	3.50%	-	(54,379 )
			8/16	
			7/16	
(47,430 )	Federal National Mortgage Association (30 year)	4.50%	-	(51,763 )
			8/16	
(43,082 )	Federal National Mortgage Association (30 year)	3.50%	7/16	(45,450 )

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(37,620 )	Federal National Mortgage Association (30 year)	5.00%	8/16	(41,776 )
(36,155 )	Federal Home Loan Mortgage Corporation (30 year)	3.00%	7/16	(37,471 )
(33,000 )	Federal National Mortgage Association (30 year)	4.00%	8/16	(35,355 )
(25,528 )	Federal National Mortgage Association (30 year)	4.00%	7/16	(27,372 )
(20,951 )	Federal Home Loan Mortgage Corporation (30 year)	4.50%	8/16	(22,843 )
			7/16	
(19,680 )	Government National Mortgage Association (30 year)	4.50%	-	(21,658 )
			8/16	
(19,770 )	Government National Mortgage Association (30 year)	3.50%	7/16	(20,994 )

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ELLINGTON FINANCIAL LLC  
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS  
AT JUNE 30, 2016 (CONTINUED)  
(UNAUDITED)

Current Principal/Number of Shares	Description	Rate	Maturity	Fair Value
(In thousands) (continued)				Expressed in U.S. Dollars
\$(13,510)	Federal Home Loan Mortgage Corporation (15 year)	3.00%	7/16	\$ (14,175 )
(11,170 )	Federal National Mortgage Association (15 year)	4.00%	7/16	(11,593 )
(9,617 )	Federal Home Loan Mortgage Corporation (30 year)	4.00%	7/16	(10,295 )
(8,790 )	Federal Home Loan Mortgage Corporation (15 year)	3.50%	7/16	(9,314 )
(6,860 )	Federal National Mortgage Association (30 year)	5.50%	7/16	(7,712 )
(2,100 )	Government National Mortgage Association (30 year)	3.00%	7/16	(2,193 )
	Total TBA - Fixed Rate Agency Securities Sold Short (Proceeds -\$486,569)			(488,151 )
	Government Debt Sold Short (-12.86%)			
	North America (-4.54%)			
	Government			
(30,028 )	U.S. Treasury Note	1.13% - 2.25%	10/18 - 11/24	(30,856 )
	Total North America (Proceeds -\$30,101)			(30,856 )
	Europe (-8.32%)			
	Government			
(54,785 )	European Sovereign Bonds	0.25% - 4.00%	9/16 - 11/20	(56,470 )
	Total Europe (Proceeds -\$57,455)			(56,470 )
	Total Government Debt Sold Short (Proceeds -\$87,556)			(87,326 )
	Common Stock Sold Short (-4.55%)			
	North America			
	Energy			
(170 )	Exchange Traded Equity			(2,070 )
	Financial			
(612 )	Publicly Traded Real Estate Investment Trusts			(5,987 )
(270 )	Exchange Traded Equity			(22,856 )
	Total Common Stock Sold Short (Proceeds -\$30,015)			(30,913 )
	Corporate Debt Sold Short (-1.47%)			
	North America			
	Basic Materials			
(2,700 )	Various	3.55%	3/22	(2,386 )
	Consumer			
(1,375 )	Various	5.13% - 6.25%	6/22 - 10/22	(1,399 )
	Energy			
(5,187 )	Various	4.50% - 7.75%	6/21 - 4/22	(4,621 )
	Industrial			
(1,392 )	Various	3.90%	5/21	(1,541 )
	Total Corporate Debt Sold Short (Proceeds -\$9,616)			(9,947 )
	Total Investments Sold Short (Proceeds -\$613,756)			\$ (616,337 )

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ELLINGTON FINANCIAL LLC  
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS  
AT JUNE 30, 2016 (CONTINUED)  
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	Primary Risk Exposure	Notional Value	Range of Expiration Dates	Fair Value
(In thousands)				Expressed in U.S.Dollars
Financial Derivatives—Assets (22.47%) (a) (b)				
Swaps (22.22%) (z)				
Long Swaps:				
Credit Default Swaps on Corporate Bond Indices (l)				
CDX.NA.HY 25 35-100	Credit	\$ 399,212	12/20	\$ 73,594
Other	Credit	297,148	6/18 - 6/21	27,293
Total Credit Default Swaps on Corporate Bond Indices				100,887
Credit Default Swaps on Asset-Backed Indices (l)	Credit	1,340	12/37	51
Interest Rate Swaps (m)	Interest Rates	524,260	12/16 - 6/46	13,931
North America				
Total Return Swaps (q)				
Communications	Credit	6,733	2/17 - 4/17	89
Consumer	Credit	3,465	2/17 - 3/17	199
Industrial	Credit	3,710	2/17 - 3/17	357
Utilities	Credit	2,330	2/17	179
Total Total Return Swaps				824
Credit Default Swaps on Corporate Bonds (l)				
Communications	Credit	1,300	6/21	71
Consumer	Credit	1,535	6/21	34
Industrial	Credit	1,463	12/20 - 6/21	17
Total Credit Default Swaps on Corporate Bonds				122
Short Swaps:				
Credit Default Swaps on Asset-Backed Indices (n)	Credit	(140,273 )	5/46 - 5/63	24,565
Credit Default Swaps on Corporate Bond Indices (n)	Credit	(63,527 )	12/17 - 6/21	4,024
North America				
Credit Default Swaps on Asset-Backed Securities (n)				
Mortgage-related—Residential	Credit	(8,213 )	5/35 - 12/35	6,068
Credit Default Swaps on Corporate Bonds (n)				
Energy	Credit	(7,290 )	6/17 - 6/21	461
Total Credit Default Swaps on Corporate Bonds				461
Total Swaps (Net cost \$149,884)				150,933
Futures (0.00%)				
Long Futures:				
U.S. Treasury Note Futures (s)	Interest Rates	2,000	9/16	2
Eurodollar Futures (r)	Interest Rates	11,000	6/17	4
Short Futures:				
U.S. Treasury Note Futures (s)	Interest Rates	(100 )	9/16	—
U.S. Treasury Bond Futures (s)	Interest Rates	(100 )	9/16	2

Total Futures

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ELLINGTON FINANCIAL LLC  
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS  
AT JUNE 30, 2016 (CONTINUED)  
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	Primary Risk Exposure	Notional Value	Range of Expiration Dates	Fair Value	
(In thousands)					Expressed in U.S.Dollars
Options (0.00%)					
Purchased Options:					
Interest Rate Caps (u)	Interest Rates	\$ 23,200	3/18	\$ 1	
Total Options (Cost \$1)				1	
Forwards (0.23%)					
Short Forwards:					
Currency Forwards (x)	Currency	(74,782 )	9/16	1,578	
Total Forwards				1,578	
Warrants (0.02%)					
North America					
Warrants (t)					
Mortgage-related—Residential	Equity Market	1,554		100	
Total Warrants (Cost \$100)				100	
Mortgage Loan Purchase Commitments (0.00%)					
North America					
Mortgage Loan Purchase Commitments (w)					
Mortgage-related—residential	Interest Rates	2,330	7/16	8	
Total Mortgage Loan Purchase Commitments				8	
Total Financial Derivatives—Assets (Net cost \$149,985)				\$ 152,628	
Financial Derivatives—Liabilities (-10.91%) (a) (b)					
Swaps (-10.82%) (z)					
Long Swaps:					
Credit Default Swaps on Asset-Backed Indices (l)	Credit	31,413	1/47 - 9/58	\$ (5,868 )	
Interest Rate Swaps (m)	Interest Rates	3,564	10/16 - 7/46	(2 )	
North America					
Credit Default Swaps on Corporate Bonds (l)					
Basic Materials	Credit	2,700	6/21	(492 )	
Energy	Credit	5,447	6/21	(1,387 )	
Total Credit Default Swaps on Corporate Bonds				(1,879 )	
Total Return Swaps					
Basic Materials (q)	Credit	6,638	2/17 - 3/17	(320 )	
Communications (q)	Credit	2,295	2/17	(260 )	
Consumer (q)	Credit	2,104	2/17	(434 )	
Financial (q)	Credit	2,086	2/17	(2 )	
Total Total Return Swaps				(1,016 )	
Europe					
Credit Default Swaps on Corporate Bonds (l)					



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ELLINGTON FINANCIAL LLC  
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS  
AT JUNE 30, 2016 (CONTINUED)  
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	Primary Risk Exposure	Notional Value	Range of Expiration Dates	Fair Value	
(In thousands)					Expressed in U.S.Dollars
Short Swaps:					
Interest Rate Swaps (o)	Interest Rates	\$ (949,730 )	9/16 - 7/46	\$ (22,856 )	
Credit Default Swaps on Corporate Bond Indices (n)	Credit	(985,654 )	12/16 - 6/21	(39,797 )	
North America					
Credit Default Swaps on Asset-Backed Securities (n)					
Mortgage-related—Residential	Credit	(3,159 )	10/34 - 3/35	(234 )	
Credit Default Swaps on Corporate Bonds (n)					
Basic Materials	Credit	(2,990 )	6/17	(1 )	
Communications	Credit	(1,300 )	6/21	(71 )	
Consumer	Credit	(14,580 )	6/18 - 6/21	(1,509 )	
Technology	Credit	(2,200 )	3/20	(256 )	
Total Credit Default Swaps on Corporate Bonds				(1,837 )	
Total Return Swaps (p)					
Financial	Equity Market	(78,839 )	2/17 - 10/19	(2 )	
Total Swaps (Net proceeds -\$42,107)				(73,497 )	
Futures (-0.05%)					
Short Futures:					
U.S. Treasury Note Futures (s)	Interest Rates	(1,400 )	9/16	(5 )	
Eurodollar Futures (r)	Interest Rates	(266,000 )	9/16 - 9/17	(353 )	
Total Futures				(358 )	
Options (-0.04%)					
Purchased Options:					
Written Options:					
Put Options on Credit Default Swaps on Corporate Bond Indices (v)	Credit	(155,500 )	7/16 - 9/16	(243 )	
Total Options (Proceeds -\$925)				(243 )	
Total Financial Derivatives—Liabilities (Net proceeds -\$43,032)				\$ (74,098 )	

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ELLINGTON FINANCIAL LLC  
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS  
AT JUNE 30, 2016 (CONCLUDED)  
(UNAUDITED)

- (a) See Note 2 and Note 3 in Notes to Consolidated Financial Statements.
- (b) Classification percentages are based on Total Equity.  
At June 30, 2016, the Company's long investments guaranteed by the Federal National Mortgage Association, the  
(c) Federal Home Loan Mortgage Corporation, and the Government National Mortgage Association, represented 82.73%, 41.42%, and 24.75% of equity, respectively.
- (d) Private trust 100% backed by interest in Government National Mortgage Association collateralized mortgage obligation certificates.
- (e) Loans and real estate owned are beneficially owned by the Company through participation certificates in the various trusts that hold such investments.  
Includes investments in participation certificates related to loans held in a trust owned by a related party of  
(f) Ellington Financial Management LLC. Through its participation certificates, the Company has beneficial interests in the cash flows of the underlying loans held by the trust. At June 30, 2016 loans held in the related party trust for which the Company has beneficial interests in the residual cash flows, totaled \$6.0 million.
- (g) Includes non-performing commercial loans in the amount of \$23.7 million whereby principal and/or interest is past due and a maturity date is not applicable.
- (h) Number of properties not shown in thousands, represents actual number of properties owned.
- (i) As of June 30, 2016, the Company had residential mortgage loans that were in the process of foreclosure with a fair value of \$4.3 million.
- (j) In general, securities received pursuant to repurchase agreements were delivered to counterparties in short sale transactions.  
At June 30, 2016, the Company's short investments guaranteed by the Federal National Mortgage Association, the  
(k) Federal Home Loan Mortgage Corporation, and the Government National Mortgage Association, represented 40.55%, 24.72%, and 6.60% of equity, respectively.
- (l) For long credit default swaps, the Company sold protection.
- (m) For long interest rate swap contracts, the Company pays a floating rate and receives a fixed rate.
- (n) For short credit default swaps, the Company purchased protection.
- (o) For short interest rate swap contracts, the Company pays a fixed rate and receives a floating rate.
- (p) Notional value represents number of underlying shares times the closing price of the underlying security.
- (q) Notional value represents outstanding principal balance on underlying corporate debt.
- (r) Every \$1,000,000 in notional value represents one contract.
- (s) Notional value represents the total face amount of U.S. Treasury securities underlying all contracts held; as of June 30, 2016, 16 long contracts and 16 short contracts were held.
- (t) Notional value represents number of warrants.
- (u) Notional value represents the amount on which interest payments are calculated to the extent the market interest rate exceeds the rate cap on the contract.
- (v) Represents the option on the part of a counterparty to enter into a credit default swap on a corporate bond index whereby the Company would receive a fixed rate and pay credit protection payments.
- (w) Notional value represents principal balance of mortgage loan purchase commitments. Actual loan purchases are contingent upon successful loan closings in accordance with agreed-upon parameters.
- (x) Notional value represents U.S. Dollars to be received by the Company at the maturity of the forward contract.
- (y) The table below shows the Company's long investment ratings from Moody's, Standard and Poor's, or Fitch, as well as the Company's long investments that were unrated but guaranteed by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, or the Government National Mortgage Association. Ratings tend to be a lagging credit indicator; as a result, the credit quality of the Company's long investment

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holdings may be lower than the credit quality implied based on the ratings listed below. In situations where an investment has a split rating, the lowest provided rating is used. The ratings descriptions include ratings qualified with a "+," "-", "1," "2," or "3."

Rating Description	Percent of Equity
Unrated but Agency-Guaranteed	148.90 %
Aaa/AAA/AAA	0.06 %
A/A/A	0.09 %
Baa/BBB/BBB	1.79 %
Ba/BB/BB or below	27.95 %
Unrated	54.16 %

(z) The following table shows the Company's swap assets and liabilities by dealer as a percentage of Total Equity:

Dealer/Parent Company	Asset/Liability	Percent of Equity
Affiliates of Bank of America	Financial derivatives—asset	7.25 %
Affiliates of JP Morgan	Financial derivatives—asset	5.57 %
Affiliates of JP Morgan	Financial derivatives—liability	(7.42)%

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ELLINGTON FINANCIAL LLC  
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS  
AT DECEMBER 31, 2015  
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Current Principal (In thousands)	Description	Rate	Maturity	Fair Value Expressed in U.S. Dollars
	Long Investments (224.79%) (a) (b) (ac)			
	Mortgage-Backed Securities (182.64%)			
	Agency Securities (143.52%) (c)			
	Fixed Rate Agency Securities (138.57%)			
	Principal and Interest—Fixed Rate Agency Securities (124.31%)			
	North America			
	Mortgage-related—Residential			
\$160,391	Federal Home Loan Mortgage Corporation Pools (30 Year)	4.00%	9/42 - 8/45	\$ 170,500
128,637	Federal National Mortgage Association Pools (30 Year)	4.00%	8/42 - 10/45	136,894
110,746	Federal National Mortgage Association Pools (30 Year)	4.50%	10/41 - 10/45	120,785
72,425	Federal National Mortgage Association Pools (30 Year)	3.50%	10/42 - 10/45	74,959
54,658	Federal National Mortgage Association Pools (30 Year)	5.00%	10/35 - 12/44	60,473
45,792	Federal National Mortgage Association Pools (15 Year)	3.50%	3/28 - 10/30	48,211
42,655	Federal Home Loan Mortgage Corporation Pools (30 Year)	4.50%	9/43 - 10/45	46,365
31,481	Government National Mortgage Association Pools (30 Year)	4.00%	6/45 - 10/45	33,620
29,417	Federal Home Loan Mortgage Corporation Pools (30 Year)	3.50%	1/42 - 10/45	30,458
21,705	Federal Home Loan Mortgage Corporation Pools (15 Year)	3.50%	9/28 - 9/30	22,848
15,056	Government National Mortgage Association Pools (30 Year)	4.50%	8/45 - 9/45	16,328
13,060	Federal National Mortgage Association Pools (15 Year)	3.00%	4/30 - 10/30	13,500
11,558	Federal National Mortgage Association Pools (15 Year)	4.00%	6/26 - 12/29	12,284
8,154	Government National Mortgage Association Pools (Other)	4.56%	1/65	8,850
7,799	Federal National Mortgage Association Pools (Other)	5.00%	9/43 - 1/44	8,680
8,221	Federal Home Loan Mortgage Corporation Pools (Other)	3.50%	2/30 - 6/43	8,508
6,705	Government National Mortgage Association Pools (Other)	4.68%	11/63 - 9/64	7,280
6,196	Government National Mortgage Association Pools (Other)	4.61%	6/64 - 11/64	6,734
6,041	Government National Mortgage Association Pools (Other)	4.59%	11/64	6,565
6,114	Federal National Mortgage Association Pools (20 Year)	4.00%	11/33 - 12/33	6,558
6,256	Federal National Mortgage Association Pools (30 Year)	3.00%	1/43 - 2/43	6,266
5,859	Federal Home Loan Mortgage Corporation Pools (15 Year)	3.00%	3/28 - 4/30	6,054
4,888	Government National Mortgage Association Pools (Other)	4.62%	12/63	5,285
4,713	Federal National Mortgage Association Pools (30 Year)	5.50%	10/39	5,248
4,564	Federal National Mortgage Association Pools (15 Year)	4.50%	4/26	4,914
3,764	Government National Mortgage Association Pools (Other)	4.50%	7/61	4,057
3,748	Government National Mortgage Association Pools (Other)	4.75%	1/61	3,877
3,406	Government National Mortgage Association Pools (Other)	4.63%	10/64	3,704
3,402	Government National Mortgage Association Pools (30 Year)	3.50%	4/45	3,551
3,376	Government National Mortgage Association Pools (Other)	4.80%	2/61	3,504
3,129	Government National Mortgage Association Pools (Other)	4.49%	11/64	3,376
2,966	Government National Mortgage Association Pools (Other)	5.49%	4/60	3,151
2,780	Federal Home Loan Mortgage Corporation Pools (Other)	4.50%	5/44	3,031
2,680	Government National Mortgage Association Pools (Other)	4.64%	3/65	2,924
2,788	Federal Home Loan Mortgage Corporation Pools (Other)	3.00%	6/28	2,880



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2,533	Federal National Mortgage Association Pools (30 Year)	6.00%	9/39 - 2/40	2,866
2,469	Government National Mortgage Association Pools (Other)	5.54%	2/60	2,598

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ELLINGTON FINANCIAL LLC  
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS  
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Current Value (In thousands) (continued)	Principal/Notional Description	Rate	Maturity	Fair Value  Expressed in U.S. Dollars
\$2,326	Government National Mortgage Association Pools (Other)	5.51%	2/60	\$ 2,479
1,988	Federal Home Loan Mortgage Corporation Pools (15 Year)	4.00%	2/29	2,121
1,608	Federal Home Loan Mortgage Corporation Pools (30 Year)	6.00%	4/39 - 5/40	1,807
1,352	Federal Home Loan Mortgage Corporation Pools (20 Year)	4.50%	12/33	1,471
1,139	Federal Home Loan Mortgage Corporation Pools (30 Year)	3.00%	7/43	1,140
879	Federal Home Loan Mortgage Corporation Pools (30 Year)	5.00%	7/44	964
689	Federal Home Loan Mortgage Corporation Pools (30 Year)	5.50%	8/33	764
126	Federal National Mortgage Association Pools (Other)	4.00%	6/37	130
				918,562
Interest Only—Fixed Rate Agency Securities (1.00%)				
North America				
Mortgage-related—Residential				
8,681	Government National Mortgage Association	5.50%	11/43	1,603
11,249	Federal National Mortgage Association	5.00%	1/36 - 5/40	1,425
8,889	Federal National Mortgage Association	4.50%	12/20 - 5/43	963
5,977	Federal Home Loan Mortgage Corporation	3.50%	12/32	869
4,884	Federal Home Loan Mortgage Corporation	5.00%	3/40	519
3,909	Federal National Mortgage Association	3.00%	9/41	421
2,019	Government National Mortgage Association	4.75%	7/40	378
1,544	Government National Mortgage Association	6.00%	6/38	330
3,782	Government National Mortgage Association	5.00%	5/37	311
1,651	Federal National Mortgage Association	5.50%	10/40	239
1,346	Federal National Mortgage Association	4.00%	5/39	219
1,109	Federal Home Loan Mortgage Corporation	5.50%	1/39	126
				7,403
TBA—Fixed Rate Agency Securities (13.26%)				
North America				
Mortgage-related—Residential				
40,262	Federal National Mortgage Association (30 Year)	4.00%	1/16	42,607
26,600	Federal Home Loan Mortgage Corporation (30 Year)	3.50%	1/16	27,394
15,040	Federal Home Loan Mortgage Corporation (30 Year)	3.00%	1/16	15,022
9,800	Federal National Mortgage Association (15 Year)	2.50%	1/16	9,879
2,200	Government National Mortgage Association (30 Year)	4.50%	1/16	2,364
700	Government National Mortgage Association (30 Year)	4.00%	1/16	743
				98,009
Total Fixed Rate Agency Securities (Cost \$1,023,479)				1,023,974
Floating Rate Agency Securities (4.95%)				

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CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS  
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Current Principal /Notional Value (In thousands)	Description	Rate	Maturity	Fair Value
				Expressed in U.S. Dollars
	Principal and Interest—Floating Rate Agency Securities (2.58%)			
	North America			
	Mortgage-related—Residential			
\$9,490	Federal National Mortgage Association Pools	2.05% - 6.04%	9/35 - 5/45	\$ 9,990
6,287	Federal Home Loan Mortgage Corporation Pools	2.61% - 5.94%	6/37 - 5/44	6,625
2,349	Government National Mortgage Association Pools	2.55%	11/64	2,476
				19,091
	Interest Only—Floating Rate Agency Securities (2.37%)			
	North America			
	Mortgage-related—Residential			
203,125	Government National Mortgage Association	0.43% - 6.35%	11/42 - 10/63	12,186
18,517	Federal National Mortgage Association	5.50% - 7.13%	6/33 - 12/41	2,718
20,272	Resecuritization of Government National Mortgage Association (d)	4.31%	8/60	1,486
6,446	Federal Home Loan Mortgage Corporation	5.67% - 6.30%	3/36 - 8/39	1,125
				17,515
	Total Floating Rate Agency Securities (Cost \$36,192)			36,606
	Total Agency Securities (Cost \$1,059,671)			1,060,580
	Private Label Securities (39.12%)			
	Principal and Interest—Private Label Securities (38.20%)			
	North America (32.11%)			
	Mortgage-related—Residential			
380,261	Various	0.00% - 9.35%	5/19 - 9/46	212,869
	Mortgage-related—Commercial			
84,045	Various	3.00% - 4.40%	7/45 - 2/48	24,456
	Total North America (Cost \$229,780)			237,325
	Europe (6.09%)			
	Mortgage-related—Residential			
50,851	Various	0.00% - 5.32%	6/25 - 3/50	37,164
	Mortgage-related—Commercial			
7,821	Various	0.00% - 11.00%	6/17 - 6/19	7,812
	Total Europe (Cost \$50,695)			44,976
	Total Principal and Interest—Private Label Securities (Cost \$280,475)			282,301
	Principal Only—Private Label Securities (0.51%)			
	North America			
	Mortgage-related—Residential			
5,800	Various	—%	8/30	3,749
	Total Principal Only—Private Label Securities (Cost \$3,024)			3,749

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 AT DECEMBER 31, 2015 (CONTINUED)  
 (UNAUDITED)

Current Principal /Notional Description Value (In thousands)	Rate	Maturity	Fair Value
Interest Only-Private Label Securities (0.41%)			Expressed in U.S. Dollars
North America			
Mortgage-related—Residential			
\$41,097 Various	0.50% - 2.00%	6/44 - 9/47	\$ 1,135
Mortgage-related—Commercial			
27,254 Various	1.43% - 1.57%	10/47 - 2/48	1,877
Total Interest Only-Private Label Securities (Cost \$2,110)			3,012
Other Private Label Securities (0.00%)			
North America			
Mortgage-related—Residential			
100,882 Various	—%	6/37	—
Mortgage-related—Commercial			
— Various	—%	7/45 - 2/48	—
Total Other Private Label Securities (Cost \$273)			—
Total Private Label Securities (Cost \$285,882)			289,062
Total Mortgage-Backed Securities (Cost \$1,345,553)			1,349,642
Collateralized Loan Obligations (6.22%)			
North America (2.86%)			
67,640 Various	0.00% - 9.15%	5/16 - 9/68	21,120
Total North America (Cost \$26,341)			21,120
Europe (3.36%)			
35,472 Various	0.00% - 4.43%	1/22 - 12/56	24,854
Total Europe (Cost \$26,235)			24,854

Total Collateralized Loan Obligations (Cost \$52,576)					45,974
Consumer Loans and Asset-backed Securities backed by Consumer Loans (15.61%) (e)					
North America (15.22%)					
Consumer (f)					
109,763	Various	5.50% - 49.00%	1/16 - 12/20		112,471
Total North America (Cost \$112,840)					112,471
Europe (0.39%)					
Consumer					
2,163	Various	—%	8/24		2,905
Total Europe (Cost \$2,784)					2,905
Total Consumer Loans and Asset-backed Securities backed by Consumer Loans (Cost \$115,624)					115,376

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ELLINGTON FINANCIAL LLC  
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS  
AT DECEMBER 31, 2015 (CONTINUED)  
(UNAUDITED)

Current Principal/Number of Description	Rate	Maturity	Fair Value
Properties (In thousands)			Expressed in U.S. Dollars
Corporate Debt (3.66%)			
North America (2.50%)			
Basic Materials			
\$5,720 Various	11.75%	1/19	\$ 889
Consumer			
3,985 Various	0.00% - 10.00%	5/20 - 7/20	1,282
Energy			
14,193 Various	6.50% - 12.25%	9/18 - 2/20	2,459
Financial			
54 Various	10.25%	8/23	52
Mortgage-related—Residential			
14,250 Various	15.00%-20.00%	12/17 - 10/19	13,770
Total North America (Cost \$25,815)			18,452
Europe (1.16%)			
Communications			
7,885 Various	14.00%	10/18	8,083
Consumer			
16,443 Various	—%	12/16	493
Total Europe (Cost \$8,971)			8,576
Total Corporate Debt (Cost \$34,786)			27,028
Mortgage Loans (11.97%) (e)			
North America			
Mortgage-related—Commercial (g)			
77,556 Various	2.54% - 12.00%	4/16 - 7/45	66,399
Mortgage-related—Residential (i)			
30,267 Various	1.00% - 13.50%	7/21 - 9/55	22,089
Total Mortgage Loans (Cost \$89,009)			88,488
Real Estate Owned (1.70%) (e) (h)			
North America			
Real estate-related			
28 Single-Family Houses			4,090
2 Commercial Property			8,432
Total Real Estate Owned (Cost \$12,254)			12,522



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ELLINGTON FINANCIAL LLC  
 CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS  
 AT DECEMBER 31, 2015 (CONTINUED)  
 (UNAUDITED)

Current Principal/Number Description Shares	Rate	Maturity	Fair Value
(In thousands)			Expressed in U.S. Dollars
Private Corporate Equity Investments (2.99%) North America (2.99%)			
Consumer			
<del>1,502</del> Exchange Traded Corporate Equity Diversified			\$ 3,032
<del>1,600</del> Non-Exchange Traded Corporate Equity Mortgage-related—Commercial			2,389
<del>8,171</del> Non-Exchange Traded Preferred Equity Investment in Commercial Mortgage-Related Private Partnership			7,687
<del>7,409</del> Non-Controlling Interest in Mortgage-Related Private Partnership Mortgage-related—Residential			2,871
<del>9,482</del> Exchange Traded Preferred Equity Investment in Mortgage Originators			4,325
<del>7,409</del> Exchange Traded Equity Investment in Mortgage Originators Technology			1,043
<del>99</del> Non-Exchange Traded Corporate Equity			741
Total North America (Cost \$22,598)			22,088
Europe (0.00%)			
Consumer			
<del>1,502</del> Non-Exchange Traded Corporate Equity			—
Total Europe (Cost \$0)			—
Private Corporate Equity Investments (Cost \$22,598)			22,088
Total Long Investments (Cost \$1,672,400)			\$ 1,661,118

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ELLINGTON FINANCIAL LLC  
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS  
AT DECEMBER 31, 2015 (CONTINUED)  
(UNAUDITED)

Current Balance (In thousands)	Description	Rate	Maturity	Fair Value Expressed in U.S. Dollars
	Repurchase Agreements (14.30%) (a) (b) (j)			
\$19,472	Bank of America Securities Collateralized by Par Value \$19,570 U.S. Treasury Note, Coupon 1.63%, Maturity Date 11/20	(0.25)%	1/16	\$ 19,472
15,296	Barclays Capital Inc. Collateralized by Par Value \$14,941 Sovereign Government Bond, Coupon 0.25%, Maturity Date 4/18	(0.48)%	1/16	15,295
14,756	Bank of America Securities Collateralized by Par Value \$15,000 U.S. Treasury Note, Coupon 2.00%, Maturity Date 2/25	0.35%	1/16	14,756
13,200	Deutsche Bank Securities Collateralized by Par Value \$13,200 U.S. Treasury Note, Coupon 2.25%, Maturity Date 11/25	(1.00)%	1/16	13,200
8,240	Bank of America Securities Collateralized by Par Value \$8,250 U.S. Treasury Note, Coupon 1.75%, Maturity Date 12/20	0.40%	1/16	8,240
7,905	Barclays Capital Inc. Collateralized by Par Value \$7,050 Sovereign Government Bond, Coupon 2.75%, Maturity Date 4/19	(0.48)%	1/16	7,905
5,000	Bank of America Securities Collateralized by Par Value \$5,000 U.S. Treasury Note, Coupon 1.25%, Maturity Date 10/18	0.30%	1/16	5,000
3,980	Bank of America Securities Collateralized by Par Value \$4,000 U.S. Treasury Note, Coupon 1.63%, Maturity Date 6/20	0.40%	1/16	3,980
3,965	Bank of America Securities Collateralized by Par Value \$4,000 U.S. Treasury Note, Coupon 1.50%, Maturity Date 5/20	0.40%	1/16	3,965
3,960	Bank of America Securities Collateralized by Par Value \$4,000 U.S. Treasury Note, Coupon 1.38%, Maturity Date 3/20	0.40%	1/16	3,960

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ELLINGTON FINANCIAL LLC  
 CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS  
 AT DECEMBER 31, 2015 (CONTINUED)  
 (UNAUDITED)

Current (In thousands) (continued)	Description	Rate	Maturity	Fair Value Expressed in U.S. Dollars
\$3,204	Bank of America Securities Collateralized by Par Value \$3,200 U.S. Treasury Note, Coupon 2.25%, Maturity Date 11/24	0.40%	1/16	\$ 3,204
2,008	Bank of America Securities Collateralized by Par Value \$2,000 U.S. Treasury Note, Coupon 2.00%, Maturity Date 7/22	0.35%	1/16	2,008
1,985	RBC Capital Markets LLC Collateralized by Par Value \$1,916 Sovereign Government Bond, Coupon 4.00%, Maturity Date 9/16	0.38%	1/16	1,985
1,978	Bank of America Securities Collateralized by Par Value \$2,000 U.S. Treasury Note, Coupon 1.25%, Maturity Date 1/20	0.25%	1/16	1,977
417	CS First Boston Collateralized by Par Value \$560 Exchange Traded Corporate Debt, Coupon 10.00%, Maturity Date 6/20	(3.25)%	1/16	417
336	RBC Capital Markets LLC Collateralized by Par Value \$560 Exchange Traded Corporate Debt, Coupon 11.00%, Maturity Date 3/20	(0.75)%	1/16	336
Total Repurchase Agreements (Cost \$105,329)				\$ 105,700

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ELLINGTON FINANCIAL LLC  
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS  
AT DECEMBER 31, 2015 (CONTINUED)  
(UNAUDITED)

Current Principal/Number of Shares	Description	Rate	Maturity	Fair Value
(In thousands)				Expressed in U.S. Dollars
Investments Sold Short (-98.62%) (a) (b)				
TBA-Fixed Rate Agency Securities Sold Short (-82.93%) (k)				
North America				
Government				
\$(110,327)	Federal Home Loan Mortgage Corporation (30 year)	4.00%	1/16	\$ (116,593 )
(79,210 )	Federal National Mortgage Association (30 year)	4.50%	1/16	(85,553 )
(69,760 )	Federal National Mortgage Association (15 year)	3.50%	1/16	(73,054 )
(51,970 )	Federal National Mortgage Association (30 year)	5.00%	1/16	(57,214 )
(48,200 )	Federal National Mortgage Association (30 year)	4.00%	2/16	(50,911 )
(43,842 )	Federal National Mortgage Association (30 year)	3.50%	1/16	(45,233 )
(37,140 )	Federal National Mortgage Association (15 year)	3.00%	1/16	(38,264 )
(21,881 )	Federal Home Loan Mortgage Corporation (30 year)	4.50%	1/16	(23,577 )
(23,600 )	Federal National Mortgage Association (30 year)	3.00%	2/16	(23,555 )
(17,600 )	Federal National Mortgage Association (30 year)	3.50%	2/16	(18,120 )
(16,510 )	Federal Home Loan Mortgage Corporation (15 year)	3.00%	1/16	(17,018 )
(13,980 )	Federal Home Loan Mortgage Corporation (15 year)	3.50%	1/16	(14,618 )
(13,742 )	Federal National Mortgage Association (30 year)	3.00%	1/16	(13,743 )
(11,170 )	Federal National Mortgage Association (15 year)	4.00%	1/16	(11,629 )
(10,150 )	Government National Mortgage Association (30 year)	4.00%	1/16	(10,782 )
(6,860 )	Federal National Mortgage Association (30 year)	5.50%	1/16	(7,646 )
(5,050 )	Government National Mortgage Association (30 year)	3.50%	1/16	(5,267 )
Total TBA-Fixed Rate Agency Securities Sold Short (Proceeds -\$612,749)				(612,777 )
Government Debt Sold Short (-15.43%)				
North America (-12.11%)				
Government				
(90,120 )	U.S. Treasury Note	1.25% - 2.25%	10/18 - 8/25	(89,489 )
Total North America (Proceeds -\$89,735)				(89,489 )
Europe (-3.32%)				
Government				
(23,907 )	European Sovereign Bond	0.25% - 4.00%	9/16 - 4/19	(24,562 )
Total Europe (Proceeds -\$26,010)				(24,562 )
Total Government Debt Sold Short (Proceeds -\$115,745)				(114,051 )
Corporate Debt Sold Short (-0.06%)				
North America				
Energy				
(1,120 )	Various	10.00% - 11.00%	3/20 - 6/20	(448 )
Total Corporate Debt Sold Short (Proceeds -\$676)				(448 )
Common Stock Sold Short (-0.20%)				
North America				
Energy				

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(306 ) Exchange Traded Equity	(1,471 )
Total Common Stock Sold Short (Proceeds -\$1,878)	(1,471 )
Total Investments Sold Short (Proceeds -\$731,048)	\$ (728,747 )

See Notes to Consolidated Financial Statements

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ELLINGTON FINANCIAL LLC  
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS  
AT DECEMBER 31, 2015 (CONTINUED)  
(UNAUDITED)

	Primary Risk Exposure	Notional Value	Range of Expiration Dates	Fair Value  Expressed in U.S. Dollars
(In thousands)				
Financial Derivatives—Assets (22.05%) (a) (b)				
Swaps (21.58%) (ad)				
Long Swaps:				
Credit Default Swaps on Corporate Bond Indices (l)	Credit			
CDX.NA.HY 25 35-100		\$442,140	12/20	\$ 81,758
ITRX EUR XOVER 24 5Y 35-100		229,954	12/20	46,716
Other		121,730	6/18 - 6/20	7,278
Total Credit Default Swaps on Corporate Bond Indices				135,752
Interest Rate Swaps (m)	Interest Rates	545,232	12/16 - 12/45	7,254
Credit Default Swaps on Asset-Backed Indices (l)	Credit	1,468	12/37	56
North America				
Total Return Swaps				
Communications (q)	Credit	3,836	3/16 - 12/16	49
Consumer (q)	Credit	4,880	3/16 - 1/17	31
Energy (q)	Credit	729	10/16	5
Total Total Return Swaps				85
Short Swaps:				
Credit Default Swaps on Asset-Backed Indices (n)	Credit	(95,589 )	5/46 - 5/63	5,354
Credit Default Swaps on Corporate Bond Indices (n)	Credit	(15,208 )	12/17 - 12/19	1,891
Interest Rate Swaps (o)	Interest Rates	(608,365 )	12/16 - 12/45	2,689
North America				
Credit Default Swaps on Asset-Backed Securities (n)				
Mortgage-related—residential	Credit	(8,967 )	9/34 - 12/35	6,332
Credit Default Swaps on Corporate Bonds (n)				
Consumer	Credit	(590 )	12/19	10
Total Swaps (Net cost \$161,193)				159,423
Futures (0.01%)				
Long Futures:				
U.S. Treasury Note Futures (s)	Interest Rates	6,300	3/16	2
Eurodollar Futures (r)	Interest Rates	23,000	6/17	17
Short Futures:				
Eurodollar Futures (r)	Interest Rates	(90,000 )	12/16	13
Total Futures				32
Options (0.29%)				



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Purchased Options:

Put Options on Credit Default Swaps on Corporate Bond Indices (v)	Credit	138,000	3/16	2,050
Call Options on U.S. Treasury Futures (t)	Interest Rates	3,900	2/16	51
Put Options on U.S. Treasury Futures (t)	Interest Rates	3,900	2/16	61
Total Options (Cost \$2,600)				2,162
Forwards (0.15%)				
Short Forwards				
Currency Forwards (ab)	Currency	(95,326 )	3/16	1,138
Total Forwards				1,138

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ELLINGTON FINANCIAL LLC  
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS  
AT DECEMBER 31, 2015 (CONTINUED)  
(UNAUDITED)

	Primary Risk Exposure	Notional Value	Range of Expiration Dates	Fair Value	
(In thousands)					Expressed in U.S. Dollars
Warrants (0.02%)					
North America					
Warrants (u)					
Mortgage-related—residential	Equity Market	\$ 1,555		\$ 150	
Total Warrants (Cost \$150)				150	
Total Financial Derivatives—Assets (Net cost \$163,943)				\$ 162,905	
Financial Derivatives—Liabilities (-8.18%) (a) (b)					
Swaps (-7.87%) (ad)					
Long Swaps:					
Credit Default Swaps on Asset-Backed Indices (l)	Credit	4,458	10/52 - 5/63	\$ (365)	)
Interest Rate Swaps (m)	Interest Rates	129,975	10/16 - 12/45	(278)	)
North America					
Total Return Swaps					
Basic Materials (q)	Credit	6,477	3/16	(822)	)
Communications (q)	Credit	11,009	3/16 - 8/16	(2,581)	)
Consumer (q)	Credit	4,983	6/16 - 8/16	(143)	)
Diversified (q)	Credit	2,765	3/16	(171)	)
Energy (q)	Credit	4,076	4/16 - 8/16	(812)	)
Energy (p)	Equity Market	35	7/17	—	)
Financial (q)	Credit	2,646	9/16	(10)	)
Financial (p)	Equity Market	21,635	11/16	—	)
Industrial (q)	Credit	1,000	3/16	(39)	)
Technology (q)	Credit	2,650	1/17	(84)	)
Total Total Return Swaps				(4,662)	)
Short Swaps:					
Interest Rate Swaps (o)	Interest Rates	(518,235 )	1/16 - 1/46	(4,656)	)
Credit Default Swaps on Corporate Bond Indices (n)	Credit	(1,001,913 )	12/16 - 12/20	(47,298)	)
North America					
Credit Default Swaps on Asset-Backed Securities (n)					
Mortgage-related—residential	Credit	(3,209 )	10/34 - 3/35	(221)	)
Credit Default Swaps on Corporate Bonds (n)					
Consumer	Credit	(8,780 )	9/19 - 12/20	(584)	)
Financial	Credit	(4,000 )	3/20	(99)	)
Total Credit Default Swaps on Corporate Bonds				(683)	)
Total Return Swaps					
Energy (p)	Equity Market	(58 )	7/17	—	)
Financial (p)	Equity Market	(4,048 )	3/17	—	)
Total Total Return Swaps				—	)
Total Swaps (Net proceeds -\$53,679)				(58,163)	)

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ELLINGTON FINANCIAL LLC  
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS  
AT DECEMBER 31, 2015 (CONTINUED)  
(UNAUDITED)

	Primary Risk Exposure	Notional Value	Range of Expiration Dates	Fair Value	Expressed in U.S. Dollars
(In thousands)					
Futures (-0.07%)					
Long Futures:					
U.S. Treasury Note Futures (s)	Interest Rates	\$37,700	3/16	\$ (235	)
Short Futures:					
Eurodollar Futures (r)	Interest Rates	(306,000)	3/16 - 9/17	(293	)
Total Futures				(528	)
Options (-0.24%)					
Purchased Options:					
Straddle Swaption (y)	Interest Rates	8,400	11/18	(31	)
Written Options:					
Call Options on Credit Default Swaps on Corporate Bond Indices (w)	Credit	(273,100)	1/16 - 2/16	(884	)
Put Options on Credit Default Swaps on Corporate Bond Indices (x)	Credit	(171,750)	2/16 - 3/16	(720	)
Straddle Swaption (y)	Interest Rates	(13,100 )	1/16 - 6/16	(125	)
Total Options (Proceeds -\$2,521)				(1,760	)
Forwards (0.00%)					
Long Forwards:					
Currency Forwards (aa)	Currency	2,734	3/16	(13	)
Total Forwards				(13	)
Mortgage Loan Purchase Commitments (0.00%)					
North America					
Mortgage Loan Purchase Commitments (z)					
Mortgage-related—residential	Interest Rates	7,713	1/16 - 2/16	(8	)
Total Mortgage Loan Purchase Commitments				(8	)
Total Financial Derivatives—Liabilities				\$ (60,472	)
(Net proceeds -\$56,200)					

See Notes to Consolidated Financial Statements

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ELLINGTON FINANCIAL LLC  
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS  
AT DECEMBER 31, 2015 (CONCLUDED)  
(UNAUDITED)

- (a) See Note 2 and Note 3 in Notes to Consolidated Financial Statements.
- (b) Classification percentages are based on Total Equity.  
At December 31, 2015, the Company's long investments guaranteed by the Federal National Mortgage Association, (c) the Federal Home Loan Mortgage Corporation, and the Government National Mortgage Association, represented 77.17%, 47.44%, and 18.91% of equity, respectively.
- (d) Private trust 100% backed by interest in Government National Mortgage Association collateralized mortgage obligation certificates.
- (e) Loans and real estate owned are beneficially owned by the Company through participation certificates in the various trusts that hold such investments.  
Includes investments in participation certificates related to loans held in a trust owned by a related party of Ellington Financial Management LLC. Through its participation certificates, the Company has beneficial interests (f) in the cash flows of the underlying loans held by the trust. At December 31, 2015 loans held in the related party trust for which the Company has beneficial interests in the residual cash flows, totaled \$3.8 million.
- (g) Includes non-performing commercial loans in the amount of \$22.6 million whereby principal and/or interest is past due and a maturity date is not applicable.
- (h) Number of properties not shown in thousands, represents actual number of properties owned.
- (i) As of December 31, 2015, the Company had residential mortgage loans that were in the process of foreclosure with a fair value of \$5.9 million.
- (j) In general, securities received pursuant to repurchase agreements were delivered to counterparties in short sale transactions.  
At December 31, 2015, the Company's short investments guaranteed by the Federal National Mortgage (k) Association, the Federal Home Loan Mortgage Corporation, and the Government National Mortgage Association, represented 57.51%, 23.25%, and 2.17% of equity, respectively.
- (l) For long credit default swaps, the Company sold protection.
- (m) For long interest rate swap contracts, the Company pays a floating rate and receives a fixed rate.
- (n) For short credit default swaps, the Company purchased protection.
- (o) For short interest rate swap contracts, the Company pays a fixed rate and receives a floating rate.
- (p) Notional value represents number of underlying shares times the closing price of the underlying security.
- (q) Notional value represents outstanding principal balance on underlying corporate debt.
- (r) Every \$1,000,000 in notional value represents one contract.
- (s) Notional value represents the total face amount of U.S. Treasury Notes underlying all contracts held; as of December 31, 2015, 343 long futures contracts were held.
- (t) Represents the option on the part of the Company to enter into a futures contract with a counterparty; as of December 31, 2015, 39 put options and 39 call options contracts were held.
- (u) Notional value represents number of warrants.
- (v) Represents the option on the part of the Company to enter into a credit default swap on a corporate bond index whereby the Company would pay a fixed rate and receive credit protection payments.
- (w) Represents the option on the part of a counterparty to enter into a credit default swap on a corporate bond index whereby the Company would pay a fixed rate and receive credit protection payments.
- (x) Represents the option on the part of a counterparty to enter into a credit default swap on a corporate bond index whereby the Company would receive a fixed rate and pay credit protection payments.
- (y) Represents the combination of a written payer swaption and a written receiver swaption on the same underlying swap.
- (z)

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Notional value represents principal balance of mortgage loan purchase commitments. Actual loan purchases are contingent upon successful loan closings in accordance with agreed-upon parameters.

(aa) Notional value represents U.S. Dollars to be paid by the Company at the maturity of the forward contract.

(ab) Notional value represents U.S. Dollars to be received by the Company at the maturity of the forward contract.

The table below shows the ratings on the Company's long investments from Moody's, Standard and Poor's, or Fitch, as well as the Company's long investments that were unrated but guaranteed by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, or the Government National Mortgage

(ac) Association. Ratings tend to be a lagging credit indicator; as a result, the credit quality of the Company's long investment holdings may be lower than the credit quality implied based on the ratings listed below. In situations where an investment has a split rating, the lowest provided rating is used. The ratings descriptions include ratings qualified with a "+," "-", "1," "2," or "3."

Rating Description	Percent of Equity
Unrated but Agency-Guaranteed	143.52%
A/A/A	0.32 %
Baa/BBB/BBB	1.07 %
Ba/BB/BB or below	34.89 %
Unrated	44.99 %

(ad) The following table shows the Company's swap assets and liabilities by dealer as a percentage of Total Equity:

Dealer/Parent Company	Asset/Liability	Percent of Equity
Affiliates of Bank of America	Financial derivatives—asset	6.01 %
Affiliates of JP Morgan	Financial derivatives—liability	(6.32)%

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ELLINGTON FINANCIAL LLC  
CONSOLIDATED STATEMENT OF OPERATIONS  
(UNAUDITED)

	Three Month Period Ended June 30, 2016	Three Month Period Ended June 30, 2015	Six Month Period Ended June 30, 2016	Six Month Period Ended June 30, 2015
(In thousands except per share amounts)				
	Expressed in U.S. Dollars			
<b>INVESTMENT INCOME</b>				
Interest income	\$18,990	\$25,739	\$39,417	\$52,252
Other income	1,024	1,023	2,692	1,316
Total investment income	20,014	26,762	42,109	53,568
<b>EXPENSES</b>				
Base management fee	2,553	2,920	5,164	5,872
Interest expense	4,234	2,867	7,702	5,853
Other investment related expenses	2,191	1,163	3,938	2,365
Professional fees	834	631	1,690	1,347
Administration fees	312	346	653	685
Compensation expense	612	312	1,132	679
Insurance expense	150	143	307	320
Directors' fees and expenses	73	59	138	133
Share-based LTIP expense	99	98	199	196
Other expenses	435	493	843	921
Total expenses	11,493	9,032	21,766	18,371
<b>NET INVESTMENT INCOME</b>	<b>8,521</b>	<b>17,730</b>	<b>20,343</b>	<b>35,197</b>
<b>NET REALIZED AND CHANGE IN NET UNREALIZED GAIN (LOSS) ON INVESTMENTS, FINANCIAL DERIVATIVES, AND FOREIGN CURRENCY TRANSACTIONS/TRANSLATION</b>				
Net realized gain (loss) on:				
Investments	1,226	14,045	(748)	23,779
Financial derivatives, excluding currency forwards	(2,231)	(9,693)	(12,285)	(15,527)
Financial derivatives—currency forwards	(972)	(4,320)	(1,305)	1,476
Foreign currency transactions	(354)	729	66	1,462
	(2,331)	761	(14,272)	11,190
Change in net unrealized gain (loss) on:				
Investments	3,386	(19,875)	(1,016)	(19,182)
Financial derivatives, excluding currency forwards	(5,773)	10,944	(24,611)	8,300
Financial derivatives—currency forwards	3,500	1,704	454	239
Foreign currency translation	(2,301)	1,959	918	(3,104)
	(1,188)	(5,268)	(24,255)	(13,747)
<b>NET REALIZED AND CHANGE IN NET UNREALIZED GAIN (LOSS) ON INVESTMENTS, FINANCIAL DERIVATIVES, AND FOREIGN CURRENCY TRANSACTIONS/TRANSLATION</b>	<b>(3,519)</b>	<b>(4,507)</b>	<b>(38,527)</b>	<b>(2,557)</b>
<b>NET INCREASE (DECREASE) IN EQUITY RESULTING FROM OPERATIONS</b>	<b>5,002</b>	<b>13,223</b>	<b>(18,184)</b>	<b>32,640</b>
	17	71	31	227

LESS: NET INCREASE IN EQUITY RESULTING FROM  
OPERATIONS ATTRIBUTABLE TO NON-CONTROLLING  
INTERESTS

NET INCREASE (DECREASE) IN SHAREHOLDERS' EQUITY RESULTING FROM OPERATIONS	\$4,985	\$13,152	\$(18,215)	\$32,413
NET INCREASE (DECREASE) IN SHAREHOLDERS' EQUITY RESULTING FROM OPERATIONS PER SHARE:				
Basic and Diluted	\$0.15	\$0.39	\$(0.54 )	\$0.96

See Notes to Consolidated Financial Statements

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ELLINGTON FINANCIAL LLC  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
(UNAUDITED)

	Six Month Period Ended June 30, 2016			Six Month Period Ended June 30, 2015		
	Shareholders' Equity	Non-controlling Interest	Total Equity	Shareholders' Equity	Non-controlling Interest	Total Equity
(In thousands)						
BEGINNING EQUITY (12/31/2015 and 12/31/2014, respectively)	\$732,049	\$ 6,903	\$738,952	\$782,155	\$ 6,389	\$788,544
CHANGE IN EQUITY RESULTING FROM OPERATIONS						
Net investment income			20,343			35,197
Net realized gain (loss) on investments, financial derivatives, and foreign currency transactions			(14,272 )			11,190
Change in net unrealized gain (loss) on investments, financial derivatives, and foreign currency translation			(24,255 )			(13,747 )
Net increase (decrease) in equity resulting from operations	(18,215 )	31	(18,184 )	32,413	227	32,640
CHANGE IN EQUITY RESULTING FROM TRANSACTIONS						
Contributions from non-controlling interests		684	684		1,430	1,430
Dividends <sup>(1)</sup>	(33,404 )	(212 )	(33,616 )	(44,044 )	(274 )	(44,318 )
Distributions to non-controlling interests		(2,228 )	(2,228 )		(1,410 )	(1,410 )
Adjustment to non-controlling interest	(9 )	9	—	—	—	—
Shares repurchased	(6,624 )		(6,624 )	—		—
Share-based LTIP awards	198	1	199	195	1	196
Net increase (decrease) in equity from transactions	(39,839 )	(1,746 )	(41,585 )	(43,849 )	(253 )	(44,102 )
Net increase (decrease) in equity	(58,054 )	(1,715 )	(59,769 )	(11,436 )	(26 )	(11,462 )
ENDING EQUITY (6/30/2016 and 6/30/2015, respectively)	\$673,995	\$ 5,188	\$679,183	\$770,719	\$ 6,363	\$777,082

(1) For the six month periods ended June 30, 2016 and 2015, dividends totaling \$1.00 and \$1.30, respectively, per common share and convertible unit outstanding, were declared and paid.

See Notes to Consolidated Financial Statements

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ELLINGTON FINANCIAL LLC  
CONSOLIDATED STATEMENT OF CASH FLOWS  
(UNAUDITED)

	Six Month Period Ended June 30, 2016      2015 Expressed in U.S. Dollars	
(In thousands)		
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:		
NET INCREASE (DECREASE) IN EQUITY RESULTING FROM OPERATIONS	\$(18,184)	\$ 32,640
Cash flows provided by (used in) operating activities:		
Reconciliation of the net increase (decrease) in equity resulting from operations to net cash provided by (used in) operating activities:		
Net realized (gain) loss on investments, financial derivatives, and foreign currency transactions	14,322	(11,150 )
Change in net unrealized (gain) loss on investments and financial derivatives, and foreign currency translation	24,894	12,653
Amortization of premiums and accretion of discounts (net)	10,333	3,715
Purchase of investments	(1,299,234)	(1,886,733)
Proceeds from disposition of investments	1,264,889	2,037,393
Proceeds from principal payments of investments	120,017	151,590
Proceeds from investments sold short	773,556	1,502,793
Repurchase of investments sold short	(905,408)	(1,610,784)
Payments on financial derivatives <sup>(1)</sup>	(168,054)	(201,600 )
Proceeds from financial derivatives <sup>(1)</sup>	155,132	163,764
Share-based LTIP expense	199	196
(Increase) decrease in assets:		
Repurchase agreements	(10,303 )	118,213
Receivable for securities sold and financial derivatives	168,812	39,979
Due from brokers	(57,520 )	24,710
Interest and principal receivable	1,359	8,515
Restricted cash	952	—
Other assets	2,383	(1,396 )
Increase (decrease) in liabilities:		
Due to brokers	(20,082 )	14,449
Payable for securities purchased and financial derivatives	31,799	(35,547 )
Accounts payable and accrued expenses	(571 )	(105 )
Other liabilities	(504 )	13
Interest and dividends payable	717	(93 )
Base management fee payable	(220 )	(44 )
Net cash provided by (used in) operating activities	89,284	363,171

See Notes to Consolidated Financial Statements

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ELLINGTON FINANCIAL LLC  
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)  
(UNAUDITED)

	Six Month Period Ended June 30,	
	2016	2015
	Expressed in U.S. Dollars	
(In thousands)		
Cash flows provided by (used in) financing activities:		
Contributions from non-controlling interests	\$684	\$1,430
Shares repurchased	(6,624	) —
Offering costs paid	—	(30 )
Dividends paid	(33,616	) (44,318 )
Distributions to non-controlling interests	(2,228	) (1,410 )
Proceeds from issuance of securitized debt	23,238	—
Principal payments on securitized debt	(10,205	) (102 )
Borrowings under reverse repurchase agreements	3,220,229	5,388,655
Repayments of reverse repurchase agreements	(3,324,313	) (5,697,680 )
Net cash provided by (used in) financing activities	(132,835	) (353,455 )
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(43,551	) 9,716
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	183,909	114,140
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$140,358	\$123,856
Supplemental disclosure of cash flow information:		
Interest paid	\$7,442	\$6,119
Share-based LTIP awards (non-cash)	\$199	\$196
Aggregate TBA trade activity (buys + sells) (non-cash)	\$11,246,156	\$17,246,523
(1) Conformed to current period presentation.		

See Notes to Consolidated Financial Statements

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ELLINGTON FINANCIAL LLC  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2016  
(UNAUDITED)

1. Organization and Investment Objective

Ellington Financial LLC was formed as a Delaware limited liability company on July 9, 2007 and commenced operations on August 17, 2007. Ellington Financial Operating Partnership LLC (the "Operating Partnership"), a 99.4% owned consolidated subsidiary of Ellington Financial LLC, was formed as a Delaware limited liability company on December 14, 2012 and commenced operations on January 1, 2013. All of the Company's operations and business activities are conducted through the Operating Partnership. Ellington Financial LLC, the Operating Partnership, and their consolidated subsidiaries are hereafter collectively referred to as the "Company." All intercompany accounts are eliminated in consolidation.

The Company is a specialty finance company that primarily acquires and manages mortgage-related assets, including residential mortgage-backed securities, or "RMBS," residential mortgage loans, commercial mortgage-backed securities, or "CMBS," commercial mortgage loans and other commercial real estate debt, real property, and mortgage-related derivatives. The Company also invests in corporate debt and equity securities, collateralized loan obligations, or "CLOs," consumer loans and asset-backed securities, or "ABS," backed by consumer and commercial assets, non-mortgage-related derivatives and other financial assets, including private debt and equity investments in mortgage-related entities.

Ellington Financial Management LLC ("EFM" or the "Manager") is an SEC-registered investment adviser and a registered commodity pool operator that serves as the Manager to the Company pursuant to the terms of its sixth amended and restated management agreement (the "Management Agreement"). EFM is an affiliate of Ellington Management Group, L.L.C., an investment management firm that is registered as both an investment adviser and a commodity pool operator. In accordance with the terms of the Management Agreement, the Manager implements the investment strategy and manages the business and operations on a day-to-day basis for the Company and performs certain services for the Company, subject to oversight by the Company's Board of Directors ("Board of Directors").

2. Significant Accounting Policies

(A) Basis of Presentation: The Company's unaudited interim consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America, or "U.S. GAAP," for investment companies, ASC 946, Financial Services—Investment Companies ("ASC 946"). The Company has determined that it meets the definition of an investment company under ASC 946. ASC 946 requires, among other things, that investments be reported at fair value in the financial statements. Additionally under ASC 946 the Company generally will not consolidate its interest in any company other than in its subsidiaries that qualify as investment companies under ASC 946. The consolidated financial statements include the accounts of the Company, the Operating Partnership, and its subsidiaries. All intercompany balances and transactions have been eliminated. The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In management's opinion, all material adjustments, considered necessary for a fair presentation of the Company's interim consolidated financial statements have been included and are only of a normal recurring nature. Interim results are not necessarily indicative of the results that may be expected for the entire fiscal year. The information included in this Quarterly Report on Form 10-Q should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

(B) Valuation: The Company applies ASC 820-10, Fair Value Measurement and Disclosures ("ASC 820-10"), to its holdings of financial instruments. ASC 820-10 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the observability of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1—inputs to the valuation methodology are observable and reflect quoted prices (unadjusted) for identical assets or liabilities in active markets. Currently, the types of financial instruments the Company generally includes in this

category are listed equities, exchange-traded derivatives, and cash equivalents;

Level 2—inputs to the valuation methodology other than quoted prices included in Level 1 are observable for the asset or liability, either directly or indirectly. Currently, the types of financial instruments that the Company generally includes in this category are Agency RMBS, non-Agency mortgage-backed securities determined to have sufficiently observable market data, U.S. Treasury securities and certain sovereign debt, commonly traded derivatives, such as interest rate swaps and foreign currency forwards, and certain other over-the-counter derivatives; and

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Level 3—inputs to the valuation methodology are unobservable and significant to the fair value measurement. The types of financial instruments that the Company generally includes in this category are RMBS, CMBS, ABS, credit default swaps, or "CDS," on individual ABS, distressed corporate debt, and total return swaps on distressed corporate debt, in each case where there is less price transparency. Also included in this category are residential and commercial mortgage loans, consumer loans, non-listed equities, and private corporate debt and equity investments.

For certain financial instruments, the various inputs that management uses to measure fair value for such financial instrument may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for such financial instrument is based on the lowest level of input that is significant to the fair value measurement. ASC 820 prioritizes the various inputs that management uses to measure fair value with the highest priority to inputs that are observable and reflect quoted prices (unadjusted) for identical assets or liabilities in active markets (Level 1) and the lowest priority to inputs that are unobservable and significant to the fair value measurement (Level 3). The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument. The Company may use valuation techniques consistent with the market and income approaches to measure the fair value of its assets and liabilities. The market approach uses third-party valuations and information obtained from market transactions involving identical or similar assets or liabilities. The income approach uses projections of the future economic benefit of an instrument to determine its fair value, such as in the discounted cash flow methodology. The inputs or methodology used for valuing financial instruments are not necessarily an indication of the risk associated with investing in these financial instruments. Transfers between levels of the fair value hierarchy are assumed to occur at the end of the reporting period.

Summary Valuation Techniques

For financial instruments that are traded in an "active market," the best measure of fair value is the quoted market price. However, many of the Company's financial instruments are not traded in an active market. Therefore, management generally uses third-party valuations when available. If third-party valuations are not available, management uses other valuation techniques, such as the discounted cash flow methodology. The following are summary descriptions, for various categories of financial instruments, of the valuation methodologies management uses in determining fair value of the Company's financial instruments in such categories. Management utilizes such methodologies to assign a good faith fair value (the estimated price that, in an orderly transaction at the valuation date, would be received to sell an asset, or paid to transfer a liability, as the case may be) to each such financial instrument. For mortgage-backed securities, or "MBS," including To Be Announced MBS, or "TBAs," CLOs, and distressed and non-distressed corporate debt and equity, management seeks to obtain at least one third-party valuation, and often obtains multiple valuations when available. Management has been able to obtain third-party valuations on the vast majority of these instruments and expects to continue to solicit third-party valuations in the future. Management generally values each financial instrument at the average of third-party valuations received and not rejected as described below. Third-party valuations are not binding, and while management generally does not adjust the valuations it receives, management may challenge or reject a valuation when, based on its validation criteria, management determines that such valuation is unreasonable or erroneous. Furthermore, based on its validation criteria, management may determine that the average of the third-party valuations received for a given instrument does not result in what management believes to be the fair value of such instrument, and in such circumstances management may override this average with its own good faith valuation. The validation criteria may take into account output from management's own models, recent trading activity in the same or similar instruments, and valuations received from third parties. The use of proprietary models requires the use of a significant amount of judgment and the application of various assumptions including, but not limited to, assumptions concerning future prepayment rates and default rates. Valuations for fixed rate MBS pass-throughs issued by a U.S. government agency or government-sponsored enterprise are typically based on observable pay-up data (pay-ups are price premiums for specified categories of fixed rate pools relative to their TBA counterparts) or models that use observable market data, such as interest rates and historical prepayment speeds, and are validated against third-party valuations. Given their relatively high level of price transparency, Agency RMBS pass-throughs are typically designated as Level 2 assets, although Agency interest only and inverse interest only RMBS are currently designated as Level 3 assets since they

generally have less price transparency. Non-Agency MBS and CLOs are generally classified as either Level 2 or Level 3 based on analysis of available market data such as recent trades and executable bids. The Company's investments in distressed corporate debt are in the form of loans as well as total return swaps on loans. Valuations are typically based on prices of the underlying loans received from widely used third-party pricing services. These investments as well as related non-listed equity investments are generally designated as Level 3 assets. Furthermore, the methodology used by the third-party valuation providers is reviewed at least annually by management, so as to ascertain whether such providers are utilizing observable market data to determine the valuations that they provide.

For residential and commercial mortgage loans, consumer loans, and real estate owned properties, or "REO," management determines fair value by taking into account both external pricing data, when available, and internal pricing



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models. Non-performing mortgage loans and REO are typically valued based on management's estimates of the value of the underlying real estate, using various information including general economic data, broker price opinions, or "BPOs," recent sales, property appraisals, and bids. Performing mortgage loans and consumer loans are typically valued using discounted cash flows based on market assumptions and non-QM residential mortgage loans are valued using matrix pricing. Cash flow assumptions typically include projected default and prepayment rates and loss severities, and may include adjustments based on appraisals and BPOs. Mortgage and consumer loans and REO properties are classified as Level 3 assets.

For financial derivatives with greater price transparency, such as CDS on asset-backed indices, CDS on corporate indices, certain options on the foregoing, and total return swaps on publicly-traded equities, market-standard pricing sources are used to obtain valuations; these financial derivatives are generally designated as Level 2 instruments. Interest rate swaps, swaptions, and foreign currency forwards are typically valued based on internal models that use observable market data, including applicable interest rates and foreign currency rates in effect as of the measurement date; the model-generated valuations are then typically compared to counterparty valuations for reasonableness. These financial derivatives are also generally designated as Level 2 instruments. Financial derivatives with less price transparency, such as CDS on individual ABS, are generally valued based on internal models, and are typically designated as Level 3 instruments. In the case of CDS on individual ABS, the valuation process typically starts with an estimation of the value of the underlying ABS. In valuing its derivatives, the Company also considers the creditworthiness of both the Company and its counterparties, along with collateral provisions contained in each derivative agreement.

Investments in private operating entities, such as mortgage originators, are valued based on available metrics, such as relevant market multiples and comparable company valuations, and company specific-financial data including actual and projected results. These investments are designated as Level 3 assets.

The Company's repurchase agreements are carried at fair value based on their contractual amounts as the debt is short-term in nature. The Company's reverse repurchase agreements are carried at cost, which approximates fair value. Repurchase and reverse repurchase agreements are classified as Level 2 assets and liabilities based on the adequacy of the collateral and their short term nature.

The Company's valuation process, including the application of validation criteria, is overseen by the Manager's Valuation Committee ("Valuation Committee"). The Valuation Committee includes senior level executives from various departments within the Manager, and each quarter, the Valuation Committee reviews and approves the valuations of the Company's investments. The valuation process also includes a monthly review by the Company's third-party administrator. The goal of this review is to replicate various aspects of the Company's valuation process based on the Company's documented procedures.

Because of the inherent uncertainty of valuation, the estimated fair value of the Company's financial instruments may differ significantly from the values that would have been used had a ready market for the financial instruments existed, and the differences could be material to the Company's consolidated financial statements.

(C) Purchase and Sales of Investments and Investment Income: Purchases and sales of investments are generally recorded on trade date, and realized and unrealized gains and losses are calculated based on identified cost. The Company amortizes premiums and accretes discounts on its debt investments. Coupon interest income on fixed income investments is generally accrued based on the outstanding principal balance or notional amount and the current coupon interest rate.

For Agency RMBS and debt securities that are deemed to be of high credit quality at the time of purchase, premiums and discounts are amortized into interest income over the life of such securities using the effective interest method. For securities whose cash flows vary depending on prepayments, an effective yield retroactive to the time of purchase is periodically recomputed based on actual prepayments and changes in projected prepayment activity, and a catch-up adjustment is made to amortization to reflect the cumulative impact of the change in effective yield.

For debt securities (including non-Agency MBS) that are deemed not to be of high credit quality at the time of purchase, interest income is recognized based on the effective interest method. For purposes of determining the effective interest rate, management estimates the future expected cash flows of its investment holdings based on assumptions including, but not limited to, assumptions for future prepayment rates, default rates, and loss severities

(each of which may in turn incorporate various macro-economic assumptions, such as future housing prices). These assumptions are re-evaluated not less than quarterly. Principal write-offs are generally treated as realized losses. Changes in projected cash flows, as applied to the current amortized cost of the security, may result in a prospective change in the yield/interest income recognized on such securities.

For each loan purchased with the expectation that both interest and principal will be paid in full, the Company generally amortizes or accretes any premium or discount over the life of the loan utilizing the effective interest method. However, on at least a quarterly basis based on current information and events, the Company re-assesses the collectability of interest and principal, and designates a loan as impaired either when any payments have become 90 or more days past due, or when, in the

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opinion of management, it is probable that the Company will be unable to collect either interest or principal in full. Once a loan is designated as impaired, as long as principal is still expected to be collectable in full, interest payments are recorded as interest income only when received (i.e., under the cash basis method); accruals of interest income are only resumed when the loan becomes contractually current and performance is demonstrated to be resumed. However, if principal is not expected to be collectable in full, the cost recovery method is used (i.e., no interest income is recognized, and all payments received—whether contractually interest or principal—are applied to cost).

For each loan purchased with evidence of credit deterioration since origination and the expectation that either principal or interest will not be paid in full, interest income is generally recognized using the effective interest method for as long as the cash flows can be reasonably estimated. Here, instead of amortizing the purchase discount (i.e., the excess of the unpaid principal balance over the purchase price) over the life of the loan, the Company effectively amortizes the accretable yield (i.e., the excess of the Company's estimate of the total cash flows to be collected over the life of the loan over the purchase price). Not less than quarterly, the Company updates its estimate of the cash flows expected to be collected over the life of the loan, and revised yields are prospectively applied. To the extent that cash flows cannot be reasonably estimated, these loans are generally accounted for under the cost recovery method. For certain groups of consumer loans that the Company considers as having sufficiently homogeneous characteristics, the Company aggregates such loans into pools, and accounts for each such pool as a single asset. The pool is then treated analogously to a debt security deemed not to be of high credit quality, in that (i) the aggregate premium or discount for the pool is amortized or accreted into interest income based on the pool's effective interest rate; (ii) the effective interest rate is determined based on the net expected cash flows of the pool, taking into account estimates of prepayments, defaults, and loss severities; and (iii) estimates are updated not less than quarterly and revised yields are prospectively applied.

In estimating future cash flows on the Company's debt investments, there are a number of assumptions that will be subject to significant uncertainties and contingencies, including, in the case of MBS, assumptions relating to prepayment rates, default rates, loan loss severities, and loan repurchases. These estimates require the use of a significant amount of judgment.

The Company receives dividend income on certain of its equity investments and rental income on certain of its REO properties. These items of income are included on the Consolidated Statement of Operations under the heading, "Other income."

(D) Cash and Cash Equivalents: Cash and cash equivalents include cash and short term investments with original maturities of three months or less at the date of acquisition. Cash and cash equivalents typically include amounts held in an interest bearing overnight account and amounts held in money market funds, and these balances generally exceed insured limits. The Company holds its cash at institutions that it believes to be highly creditworthy. Restricted cash represents cash that the Company can use only for specific purposes. See Note 13 for further discussion of restricted cash balances.

(E) Financial Derivatives: The Company enters into various types of financial derivatives. The Company's financial derivatives are predominantly subject to bilateral collateral arrangements or clearing in accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. The Company may be required to deliver or receive cash or securities as collateral upon entering into derivative transactions. In addition, changes in the relative value of derivative transactions may require the Company or the counterparty to post or receive additional collateral. In the case of cleared derivatives, the clearinghouse becomes the Company's counterparty and a futures commission merchant acts as an intermediary between the Company and the clearinghouse with respect to all facets of the related transaction, including the posting and receipt of required collateral. Cash collateral received by the Company is reflected on the Consolidated Statement of Assets, Liabilities, and Equity as "Due to Brokers." Conversely, cash collateral posted by the Company is reflected as "Due from Brokers" on the Consolidated Statement of Assets, Liabilities, and Equity. The major types of derivatives utilized by the Company are swaps, futures, options, and forwards.

Swaps: The Company may enter into various types of swaps, including interest rate swaps, credit default swaps, and total return swaps. The primary risk associated with the Company's interest rate swap activity is interest rate risk. The primary risk associated with the Company's credit default swaps is credit risk and the primary risks associated with the

Company's total return swap activity are equity market risk and credit risk.

The Company is subject to interest rate risk exposure in the normal course of pursuing its investment objectives. Primarily to help mitigate interest rate risk, the Company enters into interest rate swaps. Interest rate swaps are contractual agreements whereby one party pays a floating interest rate on a notional principal amount and receives a fixed rate payment on the same notional principal, or vice versa, for a fixed period of time. Interest rate swaps change in value with movements in interest rates.

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The Company enters into credit default swaps. A credit default swap is a contract under which one party agrees to compensate another party for the financial loss associated with the occurrence of a "credit event" in relation to a "reference amount" or notional value of a credit obligation (usually a bond, loan, or a basket of bonds or loans). The definition of a credit event may vary from contract to contract. A credit event may occur (i) when the underlying reference asset(s) fails to make scheduled principal or interest payments to its holders, (ii) with respect to credit default swaps referencing mortgage/asset-backed securities and indices, when the underlying reference obligation is downgraded below a certain rating level, or (iii) with respect to credit default swaps referencing corporate entities and indices, upon the bankruptcy of the underlying reference obligor. The Company typically writes (sells) protection to take a "long" position or purchases (buys) protection to take a "short" position with respect to underlying reference assets or to hedge exposure to other investment holdings.

The Company enters into total return swaps in order to take a "long" or "short" position with respect to an underlying reference asset. The Company is subject to market price volatility of the underlying reference asset. A total return swap involves commitments to pay interest in exchange for a market-linked return based on a notional value. To the extent that the total return of the corporate debt, security, group of securities or index underlying the transaction exceeds or falls short of the offsetting interest obligation, the Company will receive a payment from or make a payment to the counterparty.

Swaps change in value with movements in interest rates, credit quality, or total return of the reference securities. During the term of swap contracts, changes in value are recognized as unrealized gains or losses. When a contract is terminated, the Company realizes a gain or loss equal to the difference between the proceeds from (or cost of) the closing transaction and the Company's basis in the contract, if any. Periodic payments or receipts required by swap agreements are recorded as unrealized gains or losses when accrued and realized gains or losses when received or paid. Upfront payments paid and/or received by the Company to open swap contracts are recorded as an asset and/or liability on the Consolidated Statement of Assets, Liabilities, and Equity and are recorded as a realized gain or loss on the termination date.

**Futures Contracts:** A futures contract is an exchange-traded agreement to buy or sell an asset for a set price on a future date. The Company enters into Eurodollar and/or U.S. Treasury security futures contracts to hedge its interest rate risk. The Company may also enter into various other futures contracts, including equity index futures. Initial margin deposits are made upon entering into futures contracts and can generally be either in the form of cash or securities. During the period the futures contract is open, changes in the value of the contract are recognized as unrealized gains or losses by marking-to-market to reflect the current market value of the contract. Variation margin payments are made or received periodically, depending upon whether unrealized losses or gains are incurred. When the contract is closed, the Company records a realized gain or loss equal to the difference between the proceeds of the closing transaction and the Company's basis in the contract.

**Options:** The Company may purchase or write put or call options contracts or enter into swaptions. The Company enters into options contracts typically to help mitigate overall market, credit, or interest rate risk depending on the type of options contract. However, the Company also enters into options contracts from time to time for speculative purposes. When the Company purchases an options contract, the option asset is initially recorded at an amount equal to the premium paid, if any, and is subsequently marked-to-market. Premiums paid for purchasing options contracts that expire unexercised are recognized on the expiration date as realized losses. If an options contract is exercised, the premium paid is subtracted from the proceeds of the sale or added to the cost of the purchase to determine whether the Company has realized a gain or loss on the related transaction. When the Company writes an options contract, the option liability is initially recorded at an amount equal to the premium received, if any, and is subsequently marked-to-market. Premiums received for writing options contracts that expire unexercised are recognized on the expiration date as realized gains. If an options contract is exercised, the premium received is subtracted from the cost of the purchase or added to the proceeds of the sale to determine whether the Company has realized a gain or loss on the related investment transaction. When the Company enters into a closing transaction, the Company will realize a gain or loss depending upon whether the amount from the closing transaction is greater or less than the premiums paid or received. The Company may also enter into options contracts that contain forward-settling premiums. In this case, no money is exchanged upfront. Instead the agreed-upon premium is paid by the buyer upon expiration of the option,

regardless of whether or not the option is exercised.

**Forward Currency Contracts:** A forward currency contract is an agreement between two parties to purchase or sell a specific quantity of currency with the delivery and settlement at a specific future date and exchange rate. During the period the forward currency contract is open, changes in the value of the contract are recognized as unrealized gains or losses. When the contract is settled, the Company records a realized gain or loss equal to the difference between the proceeds of the closing transaction and the Company's basis in the contract.

**Commitments to Purchase Residential Mortgage Loans:** The Company enters into forward purchase commitments under flow agreements, whereby the Company commits to purchasing the loans based on pre-defined underwriting guidelines and at stated interest rates. Actual loan purchases are contingent upon successful loan closings. These commitments to purchase mortgage loans are classified as derivatives on the Company's Consolidated Statement of Assets, Liabilities, and Equity and

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are, therefore, recorded as assets or liabilities measured at fair value. Until the purchase commitment expires or the underlying loan closes, changes in the estimated fair value of such commitments are recognized as unrealized gains or losses in the Consolidated Statement of Operations.

Financial derivatives disclosed on the Consolidated Condensed Schedule of Investments include: credit default swaps on asset-backed securities, credit default swaps on asset-backed indices, credit default swaps on corporate bond indices, credit default swaps on corporate bonds, interest rate swaps, total return swaps, futures contracts, foreign currency forwards, options contracts, warrants, and mortgage loan purchase commitments.

Financial derivative assets are included in Financial derivatives—assets, at fair value on the Consolidated Statement of Assets, Liabilities, and Equity. Financial derivative liabilities are included in Financial derivatives—liabilities, at fair value on the Consolidated Statement of Assets, Liabilities, and Equity. In addition, financial derivative contracts are summarized by type on the Consolidated Condensed Schedule of Investments.

(F) Investments Sold Short: When the Company sells securities short, it typically satisfies its security delivery settlement obligation by obtaining the security sold short from the same or a different counterparty. The Company generally is required to deliver cash or securities as collateral to the counterparty for the Company's obligation to return the borrowed security. The amount by which the market value of the obligation falls short of or exceeds the proceeds from the short sale is treated as an unrealized gain or loss, respectively. A realized gain or loss will be recognized upon the termination of a short sale if the market price is less or greater than the proceeds originally received.

(G) Reverse Repurchase Agreements: The Company enters into reverse repurchase agreements with third-party broker-dealers whereby it sells securities under agreements to be repurchased at an agreed-upon price and date. The Company accounts for reverse repurchase agreements as collateralized borrowings, with the initial sale price representing the amount borrowed, and with the future repurchase price consisting of the amount borrowed plus interest, at the implied interest rate of the reverse repurchase agreement, on the amount borrowed over the term of the reverse repurchase agreement. The interest rate on a reverse repurchase agreement is based on competitive rates (or competitive market spreads, in the case of agreements with floating interest rates) at the time such agreement is entered into. When the Company enters into a reverse repurchase agreement, the lender establishes and maintains an account containing cash and/or securities having a value not less than the repurchase price, including accrued interest, of the reverse repurchase agreement. Reverse repurchase agreements are carried at their contractual amounts, which approximate fair value as the debt is short-term in nature.

(H) Repurchase Agreements: The Company enters into repurchase agreement transactions with third-party broker-dealers whereby it purchases securities under agreements to resell at an agreed-upon price and date. In general, securities received pursuant to repurchase agreements are delivered to counterparties of short sale transactions. The interest rate on a repurchase agreement is based on competitive rates (or competitive market spreads, in the case of agreements with floating interest rates) at the time such agreement is entered into. Assets held pursuant to repurchase agreements are reflected as assets on the Consolidated Statement of Assets, Liabilities, and Equity. Repurchase agreements are carried at fair value based on their contractual amounts as the debt is short-term in nature.

Repurchase and reverse repurchase agreements that are conducted with the same counterparty may be reported on a net basis if they meet the requirements of ASC 210-20, Balance Sheet Offsetting.

(I) Securitized Debt: The Company entered into a securitization transaction in March 2016 to finance certain of its commercial mortgage loans and REO which was accounted for as a collateralized borrowing. The assets contributed to the securitization were not derecognized but rather, the liability issued by the securitization was recorded to reflect the financing of the securitized assets. Debt issuance costs associated with the securitized debt are amortized over the life of the securitized debt and included in interest expense.

(J) When-Issued/Delayed Delivery Securities: The Company may purchase or sell securities on a when-issued or delayed delivery basis. Securities purchased or sold on a when-issued basis are traded for delivery beyond the normal settlement date at a stated price or yield, and no income accrues to the purchaser prior to settlement. Purchasing or selling securities on a when-issued or delayed delivery basis involves the risk that the market price or yield at the time of settlement may be lower or higher than the agreed-upon price or yield, in which case a realized loss may be incurred.

The Company transacts in the forward settling TBA market. The Company typically does not take delivery of TBAs, but rather settles the associated receivable and payable with its trading counterparties on a net basis. Transactions with the same counterparty for the same TBA that result in a reduction of the position are treated as extinguished. The market value of the securities that the Company is required to purchase pursuant to a TBA transaction may decline below the agreed-upon purchase price. Conversely, the market value of the securities that the Company is required to sell pursuant to a TBA transaction may increase above the agreed upon sale price. As part of its TBA activities, the Company may "roll" its TBA positions, whereby



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the Company may sell (buy) securities for delivery (receipt) in an earlier month and simultaneously contract to repurchase (sell) similar, but not identical, securities at an agreed-upon price on a fixed date in a later month (with the later-month price typically lower than the earlier-month price). The Company accounts for its TBA transactions (including those related to TBA rolls) as purchases and sales.

(K) REO: When the Company obtains possession of real property in connection with a foreclosure or similar action, the Company de-recognizes the associated mortgage loan according to ASU 2014-04, Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure ("ASU 2014-04"). Under the provisions of ASU 2014-04, the Company is deemed to have received physical possession of real estate property collateralizing a mortgage loan when it obtains legal title to the property upon completion of a foreclosure or when the borrower conveys all interest in the property to it through a deed in lieu of foreclosure or similar legal agreement. The Company holds all REO at fair value.

(L) Investments in Operating Entities: The Company has made and may in the future make non-controlling investments in operating entities such as mortgage originators. Investments in such operating entities may be in the form of preferred and/or common equity, debt, or some other form of investment. The Company carries its investments in such entities at fair value. The impact of these investments and their results of operations are immaterial to the Company's financial condition and results of operations. In such cases the Company has applied the equity method of accounting to such equity investments and has elected to fair value such investments under the fair value option within ASC 825.

(M) Offering Costs/Underwriters' Discount: Offering costs and underwriters' discount are charged against shareholders' equity. Offering costs typically include legal, accounting, printing, and other fees associated with the cost of raising capital.

(N) Expenses: Expenses are recognized as incurred on the Consolidated Statement of Operations.

(O) Other Investment Related Expenses: Other investment related expenses consist of expenses directly related to specific financial instruments. Such expenses generally include dividend expense on common stock sold short, servicing fees and corporate and escrow advances on mortgage and consumer loans, and various other expenses and fees related directly to the Company's financial instruments. Other investment related expenses are generally recognized as incurred on the Consolidated Statement of Operations; dividend expense on common stock sold short is recognized on the ex-dividend date.

(P) LTIP Units: Long term incentive plan units ("LTIP units") have been issued to the Company's dedicated or partially dedicated personnel and independent directors as well as the Manager. Costs associated with LTIP units issued to dedicated or partially dedicated personnel, or to independent directors, are measured as of the grant date based on the closing stock price on the New York Stock Exchange and are amortized over the vesting period in accordance with ASC 718-10, Compensation—Stock Compensation. The vesting periods for LTIP units issued under the Ellington Incentive Plan for Individuals (the "Individual LTIP") are typically one year for independent directors, and are typically one year to two years for dedicated or partially dedicated personnel.

(Q) Non-controlling interests: Non-controlling interests include the interest in the Operating Partnership owned by an affiliate of the Manager and certain related parties and consist of units convertible into the Company's common shares. Non-controlling interests also include the interests of joint venture partners in certain of our consolidated subsidiaries. The joint venture partners' interests do not consist of units convertible into the Company's common shares. The Company adjusts the non-controlling interests owned by an affiliate of the Manager and certain related parties to align their carrying value with the share of total outstanding operating partnership units ("OP Units") issued by the Operating Partnership to the non-controlling interest. Any such adjustments are reflected in "Adjustment to non-controlling interest" on the Consolidated Statement of Changes in Equity. See Note 9 for further discussion of non-controlling interests.

(R) Dividends: Dividends payable by the Company are recorded on the ex-dividend date. Dividends are typically declared and paid on a quarterly basis in arrears.

(S) Shares Repurchased: Common shares that are repurchased by the Company subsequent to issuance are immediately retired upon settlement and decrease the total number of shares outstanding and issued.

(T) Earnings Per Share ("EPS"): Basic EPS is computed using the two class method by dividing net increase (decrease) in shareholders' equity resulting from operations after adjusting for the impact of LTIP units which are participating securities, by the weighted average number of common shares outstanding calculated including LTIP units. Because the Company's LTIP units are participating securities, they are included in the calculation of basic and diluted EPS. OP Units relating to a non-controlling interest are also participating securities and, accordingly, are included in the calculation of both basic and diluted EPS.

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(U) Foreign Currency: Assets and liabilities denominated in foreign currencies are translated into U.S. dollars at current exchange rates at the following dates: (i) assets, liabilities, and unrealized gains/losses—at the valuation date; and (ii) income, expenses, and realized gains/losses—at the accrual/transaction date. The Company isolates the portion of realized and change in unrealized gain (loss) resulting from changes in foreign currency exchange rates on investments and financial derivatives from the fluctuations arising from changes in fair value of investments and financial derivatives held. Changes in realized and change in unrealized gain (loss) due to foreign currency are included in Foreign currency transactions and Foreign currency translation, respectively, on the Consolidated Statement of Operations.

(V) Income Taxes: The Company has been and continues to expect to be treated as a partnership for U.S. federal income tax purposes. Certain of the Company's subsidiaries are not consolidated for U.S. federal income tax purposes, but are also treated as partnerships. In general, partnerships are not subject to entity-level tax on their income, but the income of a partnership is taxable to its owners on a flow-through basis. In addition, certain subsidiaries of the Company have elected to be treated as corporations for U.S. federal income tax purposes, and one intends to elect to be taxed as a real estate investment trust, or "REIT", beginning with the tax year ending December 31, 2015. Upon this entity's filing of its 2015 tax return in the fall of 2016, it will formally make the election to be taxed as a REIT. The Company follows the provisions of ASC 740-10, Income Taxes ("ASC 740-10"), which requires management to determine whether a tax position of the Company is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals, based on the technical merits of the position. The Company did not have any additions to unrecognized tax benefits resulting from tax positions related either to the current period or to 2015, 2014, 2013, or 2012 (its open tax years), and no reductions resulting from tax positions of prior years or due to settlements, and thus had no unrecognized tax benefits or reductions since inception. The Company does not expect any change in unrecognized tax benefits within the next fiscal year. There were no amounts accrued for tax penalties or interest as of or during the periods presented in these consolidated financial statements. The Company may take positions with respect to certain tax issues which depend on legal interpretation of facts or applicable tax regulations. Should the relevant tax regulators successfully challenge any of such positions, the Company might be found to have a tax liability that has not been recorded in the accompanying consolidated financial statements. Also, management's conclusions regarding ASC 740-10 may be subject to review and adjustment at a later date based on factors including, but not limited to, further implementation guidance from the Financial Accounting Standards Board, or "FASB," and ongoing analyses of tax laws, regulations and interpretations thereof.

(W) Recent Accounting Pronouncements: In August 2014, the FASB issued ASU 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern ("ASU 2014-15"). ASU 2014-15 requires management to perform interim and annual assessments of an entity's ability to continue as a going concern and to provide disclosure if events or conditions arise that would place substantial doubt on the entity's ability to continue as a going concern. ASU 2014-15 is effective for the annual period ending after December 15, 2016, and subsequent interim and annual periods with early adoption permitted. The adoption of ASU 2014-15 is not expected to have a material impact on the Company's consolidated financial statements.

In February 2015, the FASB issued ASU 2015-02, Amendments to the Consolidation Analysis ("ASU 2015-02"). This amends ASC 810, Consolidation (ASC "810"), to improve targeted areas of consolidation guidance by simplifying the requirements of consolidation and placing more emphasis on risk of loss when determining a controlling financial interest. ASU 2015-02 is effective for annual and interim periods beginning after December 15, 2015, with early adoption permitted. The adoption of ASU 2015-02 did not have a material impact on the Company's consolidated financial statements.

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## 3. Valuation

The table below reflects the value of the Company's Level 1, Level 2, and Level 3 financial instruments at June 30, 2016:

Description	Level 1	Level 2	Level 3	Total
Assets:	(In thousands)			
Cash equivalents	\$50,000	\$—	\$—	\$50,000
Investments, at fair value-				
Agency residential mortgage-backed securities	\$—	\$990,828	\$20,506	\$1,011,334
U.S. Treasury securities	—	374	—	374
Private label residential mortgage-backed securities	—	78,831	112,511	191,342
Private label commercial mortgage-backed securities	—	—	34,942	34,942
Commercial mortgage loans	—	—	49,466	49,466
Residential mortgage loans	—	—	46,649	46,649
Collateralized loan obligations	—	—	33,109	33,109
Consumer loans and asset-backed securities backed by consumer loans	—	—	154,395	154,395
Corporate debt	—	—	36,974	36,974
Real estate owned	—	—	4,162	4,162
Private corporate equity investments	—	—	19,418	19,418
Total investments, at fair value	—	1,070,033	512,132	1,582,165
Financial derivatives—assets, at fair value-				
Credit default swaps on asset-backed securities	—	—	6,068	6,068
Credit default swaps on corporate bond indices	—	104,911	—	104,911
Credit default swaps on corporate bonds	—	583	—	583
Credit default swaps on asset-backed indices	—	24,616	—	24,616
Interest rate swaps	—	13,931	—	13,931
Total return swaps	—	—	824	824
Options	—	1	—	1
Forwards	—	1,578	—	1,578
Futures	8	—	—	8
Warrants	—	—	100	100
Mortgage loan purchase commitments	—	8	—	8
Total financial derivatives—assets, at fair value	8	145,628	6,992	152,628
Repurchase agreements	—	116,003	—	116,003
Total investments and financial derivatives—assets, at fair value and repurchase agreements	\$8	\$1,331,664	\$519,124	\$1,850,796
Liabilities:				
Investments sold short, at fair value-				
Agency residential mortgage-backed securities	\$—	\$(488,151)	\$—	\$(488,151)
Government debt	—	(87,326)	—	(87,326)
Corporate debt	—	—	(9,947)	(9,947)
Common stock	(30,913)	—	—	(30,913)
Total investments sold short, at fair value	(30,913)	(575,477)	(9,947)	(616,337)
Financial derivatives—liabilities, at fair value-				
Credit default swaps on corporate bond indices	—	(39,797)	—	(39,797)
Credit default swaps on corporate bonds	—	(3,722)	—	(3,722)
Credit default swaps on asset-backed indices	—	(5,868)	—	(5,868)
Credit default swaps on asset-backed securities	—	—	(234)	(234)



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Description (continued)	Level 1 (In thousands)	Level 2	Level 3	Total
Interest rate swaps	\$—	\$(22,858 )	\$—	\$(22,858 )
Total return swaps	—	(2 )	(1,016 )	(1,018 )
Options	—	(243 )	—	(243 )
Futures	(358 )	—	—	(358 )
Total financial derivatives—liabilities, at fair value	(358 )	(72,490 )	(1,250 )	(74,098 )
Guarantees <sup>(1)</sup>	—	—	(312 )	(312 )
Total investments sold short, financial derivatives—liabilities, and guarantees, at fair value	\$(31,271)	\$(647,967)	\$(11,509)	\$(690,747)

(1)Included in Other liabilities on the Consolidated Statement of Assets, Liabilities, and Equity.

There were no transfers of financial instruments between Level 1 and Level 2 during the six month period ended June 30, 2016.

The following table identifies the significant unobservable inputs that affect the valuation of the Company's Level 3 assets and liabilities as of June 30, 2016:

Description	Fair Value (In thousands)	Valuation Technique	Unobservable Input	Range		Weighted Average
				Min	Max	
Private label residential mortgage-backed securities	\$ 74,172	Market Quotes	Non Binding Third-Party Valuation	\$2.03	\$181.56	\$69.18
Collateralized loan obligations	28,262	Market Quotes	Non Binding Third-Party Valuation	23.00	101.75	80.78
Corporate debt and non-exchange traded corporate equity	27,576	Market Quotes	Non Binding Third-Party Valuation	2.86	112.64	78.18
Private label commercial mortgage-backed securities	16,454	Market Quotes	Non Binding Third-Party Valuation	5.32	69.06	35.30
Agency interest only residential mortgage-backed securities	16,993	Market Quotes	Non Binding Third-Party Valuation	2.72	23.01	9.83
Total return swaps	(192 )	Market Quotes	Non Binding Third-Party Valuation (1)	13.61	98.00	90.45
Private label residential mortgage-backed securities	38,339	Discounted Cash Flows	Yield	3.1	% 14.6	% 10.9
			Projected Collateral Prepayments	0.0	% 74.7	% 12.3
			Projected Collateral Losses	1.3	% 48.7	% 34.9
			Projected Collateral Recoveries	0.0	% 53.1	% 35.9
			Projected Collateral Scheduled Amortization	0.0	% 85.6	% 16.9
						100.0
Private label commercial mortgage-backed securities	18,488	Discounted Cash Flows	Yield	11.6	% 32.8	% 22.9
			Projected Collateral Losses	0.8	% 3.6	% 1.8
				4.4	% 15.0	% 7.3

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			Projected Collateral Recoveries						
			Projected Collateral Scheduled Amortization	83.1	%	94.8	%	90.9	%
								100.0	%
Corporate debt and warrants	10,444	Discounted Cash Flows	Yield	0.0	%	16.9	%	16.3	%

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(continued) Description	Fair Value (In thousands)	Valuation Technique	Unobservable Input	Range MinMax	Weighted Average		
Collateralized loan obligations	\$ 4,847	Discounted Cash Flows	Yield	<del>10.1</del> 12.3	17.1		
			Projected Collateral Prepayments	<del>41.0</del> 62.2	55.5		
			Projected Collateral Losses	26	12.1 65		
			Projected Collateral Recoveries	14	65 40		
			Projected Collateral Scheduled Amortization	<del>30.0</del> 51.4	34.0		
							100.0
Consumer loans and asset-backed securities backed by consumer loans	154,395	Discounted Cash Flows	Yield	90	25.0 10.3		
			Projected Collateral Prepayments	00	45.6 39.1		
			Projected Collateral Losses	09	96.9 79		
			Projected Collateral Scheduled Amortization	00	83.9 53.0		
							100.0
Performing commercial mortgage loans	25,795	Discounted Cash Flows	Yield	<del>10.4</del> 17.9	11.8		
Non-performing commercial mortgage loans	23,671	Discounted Cash Flows	Yield	<del>10.2</del> 18.4	14.2		
			Months to Resolution	6.0	39.0 20.8		
Performing residential mortgage loans	41,324	Discounted Cash Flows	Yield	50	13.1 65		
Non-performing residential mortgage loans and residential real estate owned	7,646	Discounted Cash Flows	Yield	57	60.6 10.4		
			Months to Resolution	1.9	112.9 25.9		
Credit default swaps on asset-backed securities	5,834	Net Discounted Cash Flows	Projected Collateral Prepayments	<del>27.4</del> 10.2	34.0		
			Projected Collateral Losses	<del>17.7</del> 33.2	26.6		
			Projected Collateral Recoveries	11	14.1 10.8		
			Projected Collateral Scheduled Amortization	<del>23.4</del> 22.2	28.6		
							100.0
Non-exchange traded equity investments in commercial mortgage-related private partnerships	2,972	Discounted Cash Flows	Yield	<del>16.5</del> 16.5	16.5		



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Agency interest only residential mortgage-backed securities	3,513	Option Adjusted Spread ("OAS")	Expected Holding Period (Months)	8.7 8.7 8.7
			LIBOR OAS <sup>(2)</sup>	1181,818 468
			Projected Collateral Prepayments	<del>20.4</del> <del>10.0</del> <del>69.6</del>
			Projected Collateral Scheduled Amortization	<del>0</del> <del>79.6</del> <del>30.4</del>
				100.0
Non-exchange traded preferred and common equity investment in mortgage-related entities	3,053	Enterprise Value	Equity Multiple <sup>(3)</sup>	2.3x 2.3x 2.3x
Commercial real estate owned	1,841	Recent Transactions	Contract Price	96.77 96.77 96.77
Non-exchange traded preferred and common equity investment in mortgage-related entities	2,500	Recent Transactions	Transaction Price	N/A/N/A N/A
Guarantees	(312)	) Cash Flows	Expected Cash Flows <sup>(4)</sup>	N/A/N/A N/A

(1) Represents valuations on underlying assets.

(2) Shown in basis points.

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(3) Represent an estimation of where market participants might value an enterprise.

(4) Represents transactions with a remaining term of less than one year.

Third-party non-binding valuations are validated by comparing such valuations to internally generated prices based on the Company's models and to recent trading activity in the same or similar instruments.

For those instruments valued using discounted and net discounted cash flows, collateral prepayments, losses, recoveries, and scheduled amortization are projected over the remaining life of the collateral and expressed as a percentage of the collateral's current principal balance. Averages are weighted based on the fair value of the related instrument. In the case of credit default swaps on asset-backed securities, averages are weighted based on each instrument's bond equivalent value. Bond equivalent value represents the investment amount of a corresponding position in the reference obligation, calculated as the difference between the outstanding principal balance of the underlying reference obligation and the fair value, inclusive of accrued interest, of the derivative contract. For those assets valued using the LIBOR Option Adjusted Spread ("OAS") valuation methodology, cash flows are projected using the Company's models over multiple interest rate scenarios, and these projected cash flows are then discounted using the LIBOR rates implied by each interest rate scenario. The LIBOR OAS of an asset is then computed as the unique constant yield spread that, when added to all LIBOR rates in each interest rate scenario generated by the model, will equate (a) the expected present value of the projected asset cash flows over all model scenarios to (b) the actual current market price of the asset. LIBOR OAS is therefore model-dependent. Generally speaking, LIBOR OAS measures the additional yield spread over LIBOR that an asset provides at its current market price after taking into account any interest rate options embedded in the asset. The Company considers the expected timeline to resolution in the determination of fair value for its non-performing commercial and residential loans.

Material changes in any of the inputs above in isolation could result in a significant change to reported fair value measurements. Additionally, fair value measurements are impacted by the interrelationships of these inputs. For example, for instruments subject to prepayments and credit losses, such as non-Agency RMBS and consumer loans and ABS backed by consumer loans, a higher expectation of collateral prepayments will generally be accompanied by a lower expectation of collateral losses. Conversely, higher losses will generally be accompanied by lower prepayments. Because the Company's credit default swaps on asset-backed security holdings represent credit default swap contracts whereby the Company has purchased credit protection, such credit default swaps on asset-backed securities generally have the directionally opposite sensitivity to prepayments, losses, and recoveries as compared to the Company's long securities holdings. Prepayments do not represent a significant input for the Company's commercial mortgage-backed securities and commercial mortgage loans. Losses and recoveries do not represent a significant input for the Company's Agency RMBS interest only securities, given the guarantee of the issuing government agency or government-sponsored enterprise.

The table below reflects the value of the Company's Level 1, Level 2, and Level 3 financial instruments at December 31, 2015:

Description	Level 1	Level 2	Level 3	Total
Assets:	(In thousands)			
Cash equivalents	\$ 160,000	\$—	\$—	\$ 160,000
Investments, at fair value-				
Agency residential mortgage-backed securities	\$—	\$ 1,035,662	\$ 24,918	\$ 1,060,580
Private label residential mortgage-backed securities	—	138,482	116,435	254,917
Private label commercial mortgage-backed securities	—	—	34,145	34,145
Commercial mortgage loans	—	—	66,399	66,399
Residential mortgage loans	—	—	22,089	22,089
Collateralized loan obligations	—	—	45,974	45,974
Consumer loans and asset-backed securities backed by consumer loans	—	—	115,376	115,376
Corporate debt	—	—	27,028	27,028
Real estate owned	—	—	12,522	12,522
Private corporate equity investments	—	—	22,088	22,088
Total investments, at fair value	—	1,174,144	486,974	1,661,118



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Description (continued)	Level 1 (In thousands)	Level 2	Level 3	Total
Financial derivatives—assets, at fair value-				
Credit default swaps on asset-backed securities	\$—	\$—	\$6,332	\$6,332
Credit default swaps on corporate bond indices	—	137,643	—	137,643
Credit default swaps on corporate bonds	—	10	—	10
Credit default swaps on asset-backed indices	—	5,410	—	5,410
Interest rate swaps	—	9,943	—	9,943
Total return swaps	—	—	85	85
Options	112	2,050	—	2,162
Futures	32	—	—	32
Forwards	—	1,138	—	1,138
Warrants	—	—	150	150
Total financial derivatives—assets, at fair value	144	156,194	6,567	162,905
Repurchase agreements	—	105,700	—	105,700
Total investments and financial derivatives—assets, at fair value and repurchase agreements	\$144	\$1,436,038	\$493,541	\$1,929,723
Liabilities:				
Investments sold short, at fair value-				
Agency residential mortgage-backed securities	\$—	\$(612,777 )	\$—	\$(612,777 )
Government debt	—	(114,051 )	—	(114,051 )
Corporate debt	—	—	(448 )	(448 )
Common stock	(1,471 )	—	—	(1,471 )
Total investments sold short, at fair value	(1,471 )	(726,828 )	(448 )	(728,747 )
Financial derivatives—liabilities, at fair value-				
Credit default swaps on corporate bond indices	—	(47,298 )	—	(47,298 )
Credit default swaps on corporate bonds	—	(683 )	—	(683 )
Credit default swaps on asset-backed indices	—	(365 )	—	(365 )
Credit default swaps on asset-backed securities	—	—	(221 )	(221 )
Interest rate swaps	—	(4,934 )	—	(4,934 )
Total return swaps	—	—	(4,662 )	(4,662 )
Options	—	(1,760 )	—	(1,760 )
Futures	(528 )	—	—	(528 )
Forwards	—	(13 )	—	(13 )
Mortgage loan purchase commitments	—	(8 )	—	(8 )
Total financial derivatives—liabilities, at fair value	(528 )	(55,061 )	(4,883 )	(60,472 )
Guarantees <sup>(1)</sup>	—	—	(828 )	(828 )
Total investments sold short, financial derivatives—liabilities, and guarantees, at fair value	\$(1,999)	\$(781,889 )	\$(6,159 )	\$(790,047 )

(1) Included in Other liabilities on the Consolidated Statement of Assets, Liabilities, and Equity.

There were no transfers of financial instruments between Level 1 and Level 2 during the year ended December 31, 2015.

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The following table identifies the significant unobservable inputs that affect the valuation of the Company's Level 3 assets and liabilities as of December 31, 2015:

Description	Fair Value (In thousands)	Valuation Technique	Unobservable Input	Range Min	Max	Weighted Average	
Private label residential mortgage-backed securities	\$ 89,549	Market Quotes	Non Binding Third-Party Valuation	\$ 1.81	\$ 151.86	\$ 68.47	
Collateralized loan obligations	41,978	Market Quotes	Non Binding Third-Party Valuation	13.00	102.00	84.84	
Corporate debt and non-exchange traded corporate equity	18,972	Market Quotes	Non Binding Third-Party Valuation	3.00	200.00	77.85	
Private label commercial mortgage-backed securities	20,365	Market Quotes	Non Binding Third-Party Valuation	6.07	73.20	41.28	
Agency interest only residential mortgage-backed securities	21,067	Market Quotes	Non Binding Third-Party Valuation	2.97	22.41	11.08	
Total return swaps	(4,577)	) Market Quotes	Non Binding Third-Party Valuation (1)	36.38	99.88	56.38	
Private label residential mortgage-backed securities	26,886	Discounted Cash Flows	Yield	3.4	% 27.1	% 19.9	%
			Projected Collateral Prepayments	5.4	% 74.6	% 46.3	%
			Projected Collateral Losses	2.9	% 24.5	% 11.4	%
			Projected Collateral Recoveries	0.3	% 13.0	% 8.0	%
			Projected Collateral Scheduled Amortization	8.6	% 88.6	% 34.3	%
Private label commercial mortgage-backed securities	13,780	Discounted Cash Flows	Yield	19.2	% 25.0	% 22.1	%
			Projected Collateral Losses	0.7	% 2.3	% 1.6	%
			Projected Collateral Recoveries	1.5	% 14.3	% 8.4	%
			Projected Collateral Scheduled Amortization	83.4	% 97.6	% 90.0	%
Corporate debt and warrants	13,920	Discounted Cash Flows	Yield	15.0	% 20.0	% 16.2	%
Collateralized loan obligations	3,996	Discounted Cash Flows	Yield	8.3	% 20.6	% 13.5	%
			Projected Collateral Prepayments	31.9	% 52.3	% 41.1	%
			Projected Collateral Losses	2.6	% 17.3	% 12.9	%

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			Projected Collateral Recoveries	2.3	%	15.5	%	10.1	%
			Projected Collateral Scheduled Amortization	33.3	%	51.5	%	35.9	%
								100.0	%
Consumer loans and asset-backed securities backed by consumer loans <sup>(2)</sup>	115,376	Discounted Cash Flows	Yield	9.0	%	15.0	%	10.4	%
			Projected Collateral Prepayments	0.0	%	40.9	%	30.9	%
			Projected Collateral Losses	1.0	%	33.8	%	7.3	%
			Projected Collateral Scheduled Amortization	57.3	%	80.8	%	61.8	%
								100.0	%
Performing commercial mortgage loans	43,847	Discounted Cash Flows	Yield	9.8	%	17.6	%	11.9	%

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(continued) Description	Fair Value (In thousands)	Valuation Technique	Unobservable Input	Range MinMax	Weighted Average
Non-performing commercial mortgage loans and commercial real estate owned	\$ 30,984	Discounted Cash Flows	Yield	<del>10.2</del> 9.4	<del>13.7</del>