

Ellington Financial LLC
Form 10-Q
May 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 March 31, 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 May 2, 2016 |
|--|----------------------------|
| Common Shares Representing Limited Liability Company Interests, no par value | 32,826,427 |

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ELLINGTON FINANCIAL LLC

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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)

| | March 31, 2016 | December 31, 2015 |
|--|---------------------------|----------------------|
| (In thousands except share amounts) | | |
| | Expressed in U.S. Dollars | |
| ASSETS | | |
| Cash and cash equivalents | \$ 142,082 | \$ 183,909 |
| Restricted cash | 4,485 | 4,857 |
| Investments, financial derivatives, and repurchase agreements: | | |
| Investments, at fair value (Cost – \$1,634,790 and \$1,672,400) | 1,625,585 | 1,661,118 |
| Financial derivatives–assets, at fair value (Net cost – \$182,182 and \$163,943) | 190,798 | 162,905 |
| Repurchase agreements, at fair value (Cost – \$126,867 and \$105,329) | 127,468 | 105,700 |
| Total investments, financial derivatives, and repurchase agreements | 1,943,851 | 1,929,723 |
| Due from brokers | 184,973 | 141,605 |
| Receivable for securities sold and financial derivatives | 606,551 | 705,748 |
| Interest and principal receivable | 18,289 | 20,444 |
| Other assets | 2,664 | 5,269 |
| Total Assets | \$ 2,902,895 | \$ 2,991,555 |
| LIABILITIES | | |
| Investments and financial derivatives: | | |
| Investments sold short, at fair value (Proceeds – \$708,403 and \$731,048) | \$ 712,128 | \$ 728,747 |
| Financial derivatives–liabilities, at fair value (Net proceeds – \$51,443 and \$56,200) | 85,679 | 60,472 |
| Total investments and financial derivatives | 797,807 | 789,219 |
| Reverse repurchase agreements | 1,149,064 | 1,174,189 |
| Due to brokers | 124,940 | 114,797 |
| Payable for securities purchased and financial derivatives | 103,376 | 165,365 |
| Securitized debt (Proceeds – \$23,238 and \$0) | 23,238 | — |
| Accounts payable and accrued expenses | 3,771 | 3,626 |
| Base management fee payable | 2,611 | 2,773 |
| Interest and dividends payable | 2,549 | 1,806 |
| Other liabilities | 617 | 828 |
| Total Liabilities | 2,207,973 | 2,252,603 |
| EQUITY | 694,922 | 738,952 |
| TOTAL LIABILITIES AND EQUITY | \$ 2,902,895 | \$ 2,991,555 |
| Commitments and contingencies (Note 15) | | |
| ANALYSIS OF EQUITY: | | |
| Common shares, no par value, 100,000,000 shares authorized; (32,962,979 and 33,126,012 shares issued and outstanding) | \$ 679,557 | \$ 722,360 |
| Additional paid-in capital – LTIP units | 9,787 | 9,689 |
| Total Shareholders' Equity | 689,344 | 732,049 |
| Non-controlling interests | 5,578 | 6,903 |
| Total Equity | \$ 694,922 | \$ 738,952 |
| PER SHARE INFORMATION: | | |
| Common shares | \$ 20.91 | \$ 22.10 |

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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT MARCH 31, 2016
(UNAUDITED)

| Current Principal (In thousands) | Description | Rate | Maturity | Fair Value Expressed in U.S. Dollars |
|-------------------------------------|---|-------|---------------|--|
| | Long Investments (233.92%) (a) (b) (ac) | | | |
| | Mortgage-Backed Securities (182.86%) | | | |
| | Agency Securities (145.58%) (c) | | | |
| | Fixed Rate Agency Securities (140.53%) | | | |
| | Principal and Interest - Fixed Rate Agency Securities (128.89%) | | | |
| | North America | | | |
| | Mortgage-related—Residential | | | |
| \$133,583 | Federal National Mortgage Association Pools (30 Year) | 4.00% | 8/42 - 4/46 | \$ 144,036 |
| 121,914 | Federal Home Loan Mortgage Corporation Pools (30 Year) | 4.00% | 8/43 - 3/46 | 131,292 |
| 104,184 | Federal National Mortgage Association Pools (30 Year) | 4.50% | 10/41 - 3/46 | 114,527 |
| 89,125 | Federal National Mortgage Association Pools (30 Year) | 3.50% | 10/42 - 4/46 | 94,018 |
| 58,922 | Federal National Mortgage Association Pools (15 Year) | 3.50% | 3/28 - 4/31 | 62,734 |
| 51,384 | Federal National Mortgage Association Pools (30 Year) | 5.00% | 10/35 - 12/44 | 57,224 |
| 40,491 | Federal Home Loan Mortgage Corporation Pools (30 Year) | 4.50% | 9/43 - 3/46 | 44,443 |
| 27,153 | Federal Home Loan Mortgage Corporation Pools (30 Year) | 3.50% | 1/42 - 10/45 | 28,668 |
| 23,126 | Government National Mortgage Association Pools (30 Year) | 4.00% | 6/45 - 3/46 | 24,896 |
| 15,066 | Government National Mortgage Association Pools (30 Year) | 3.50% | 4/45 - 2/46 | 15,956 |
| 14,572 | Government National Mortgage Association Pools (30 Year) | 4.50% | 8/45 - 9/45 | 15,850 |
| 12,782 | Federal National Mortgage Association Pools (15 Year) | 3.00% | 4/30 - 10/30 | 13,416 |
| 10,853 | Federal National Mortgage Association Pools (15 Year) | 4.00% | 6/26 - 12/29 | 11,651 |
| 10,395 | Federal Home Loan Mortgage Corporation Pools (15 Year) | 3.50% | 9/28 - 9/30 | 11,045 |
| 9,395 | Federal Home Loan Mortgage Corporation Pools (Other) | 3.50% | 2/30 - 3/46 | 9,887 |
| 8,222 | Government National Mortgage Association Pools (Other) | 4.56% | 1/65 | 9,219 |
| 7,509 | Federal National Mortgage Association Pools (Other) | 5.00% | 9/43 - 1/44 | 8,400 |
| 6,606 | Government National Mortgage Association Pools (Other) | 4.68% | 11/63 - 9/64 | 7,372 |
| 6,110 | Government National Mortgage Association Pools (Other) | 4.59% | 11/64 | 6,859 |
| 6,028 | Government National Mortgage Association Pools (Other) | 4.61% | 6/64 - 11/64 | 6,749 |
| 5,993 | Federal National Mortgage Association Pools (20 Year) | 4.00% | 11/33 - 12/33 | 6,491 |
| 5,609 | Federal National Mortgage Association Pools (30 Year) | 3.00% | 1/42 - 6/45 | 5,768 |
| 4,688 | Federal National Mortgage Association Pools (30 Year) | 5.50% | 10/39 | 5,278 |
| 4,732 | Government National Mortgage Association Pools (Other) | 4.62% | 12/63 | 5,240 |
| 4,342 | Federal National Mortgage Association Pools (15 Year) | 4.50% | 4/26 | 4,680 |
| 3,754 | Government National Mortgage Association Pools (Other) | 4.50% | 7/61 | 4,103 |
| 3,444 | Government National Mortgage Association Pools (Other) | 4.63% | 10/64 | 3,878 |
| 3,471 | Government National Mortgage Association Pools (Other) | 4.75% | 1/61 | 3,581 |
| 3,356 | Federal Home Loan Mortgage Corporation Pools (15 Year) | 3.00% | 4/30 | 3,517 |
| 3,093 | Government National Mortgage Association Pools (Other) | 4.49% | 11/64 | 3,443 |
| 3,206 | Government National Mortgage Association Pools (Other) | 4.80% | 2/61 | 3,321 |
| 2,889 | Government National Mortgage Association Pools (Other) | 5.49% | 4/60 | 3,070 |
| 2,765 | Federal Home Loan Mortgage Corporation Pools (Other) | 4.50% | 5/44 | 3,041 |
| 2,521 | Federal National Mortgage Association Pools (30 Year) | 6.00% | 9/39 - 2/40 | 2,885 |
| 2,552 | Government National Mortgage Association Pools (Other) | 4.64% | 3/65 | 2,869 |

See Notes to Consolidated Financial Statements

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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT MARCH 31, 2016 (CONTINUED)
(UNAUDITED)

| Current Value | Principal/Notional Description | Rate | Maturity | Fair Value |
|--|--|-------|--------------|---------------------------|
| (In thousands) (continued) | | | | Expressed in U.S. Dollars |
| \$2,715 | Federal Home Loan Mortgage Corporation Pools (Other) | 3.00% | 6/28 | \$ 2,844 |
| 2,334 | Government National Mortgage Association Pools (Other) | 5.54% | 2/60 | 2,458 |
| 2,169 | Government National Mortgage Association Pools (Other) | 5.51% | 2/60 | 2,316 |
| 1,961 | Federal Home Loan Mortgage Corporation Pools (15 Year) | 4.00% | 2/29 | 2,115 |
| 1,774 | Federal Home Loan Mortgage Corporation Pools (30 Year) | 3.00% | 7/43 - 10/45 | 1,822 |
| 1,501 | Federal Home Loan Mortgage Corporation Pools (30 Year) | 6.00% | 4/39 - 5/40 | 1,704 |
| 1,277 | Federal Home Loan Mortgage Corporation Pools (20 Year) | 4.50% | 12/33 | 1,402 |
| 696 | Federal Home Loan Mortgage Corporation Pools (30 Year) | 5.00% | 7/44 | 765 |
| 681 | Federal Home Loan Mortgage Corporation Pools (30 Year) | 5.50% | 8/33 | 763 |
| 110 | Federal National Mortgage Association Pools (Other) | 4.00% | 6/37 | 115 |
| | | | | 895,711 |
| Interest Only - Fixed Rate Agency Securities (0.86%) | | | | |
| North America | | | | |
| Mortgage-related—Residential | | | | |
| 8,051 | Government National Mortgage Association | 5.50% | 11/43 | 1,340 |
| 10,311 | Federal National Mortgage Association | 5.00% | 1/38 - 5/40 | 1,085 |
| 5,775 | Federal Home Loan Mortgage Corporation | 3.50% | 12/32 | 767 |
| 7,844 | Federal National Mortgage Association | 4.50% | 12/20 - 5/43 | 717 |
| 4,389 | Federal Home Loan Mortgage Corporation | 5.00% | 3/40 | 409 |
| 3,766 | Federal National Mortgage Association | 3.00% | 9/41 | 341 |
| 1,360 | Government National Mortgage Association | 6.00% | 6/38 | 301 |
| 1,861 | Government National Mortgage Association | 4.75% | 7/40 | 290 |
| 3,426 | Government National Mortgage Association | 5.00% | 5/37 | 214 |
| 1,539 | Federal National Mortgage Association | 5.50% | 10/40 | 198 |
| 1,260 | Federal National Mortgage Association | 4.00% | 5/39 | 179 |
| 1,028 | Federal Home Loan Mortgage Corporation | 5.50% | 1/39 | 101 |
| | | | | 5,942 |
| TBA - Fixed Rate Agency Securities (10.78%) | | | | |
| North America | | | | |
| Mortgage-related—Residential | | | | |
| 30,000 | Federal Home Loan Mortgage Corporation (30 Year) | 3.50% | 4/16 | 31,420 |
| 24,650 | Government National Mortgage Association (30 Year) | 4.00% | 4/16 | 26,359 |
| 14,395 | Federal Home Loan Mortgage Corporation (30 Year) | 3.00% | 4/16 | 14,746 |
| 2,200 | Government National Mortgage Association (30 Year) | 4.50% | 4/16 | 2,361 |
| | | | | 74,886 |
| Total Fixed Rate Agency Securities (Cost \$966,759) | | | | 976,539 |

See Notes to Consolidated Financial Statements

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ELLINGTON FINANCIAL LLC
 CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
 AT MARCH 31, 2016 (CONTINUED)
 (UNAUDITED)

| Current Value (In thousands) | Principal/Notional Description | Rate | Maturity | Fair Value Expressed in U.S. Dollars |
|---------------------------------|--|----------------|---------------|---|
| | Floating Rate Agency Securities (5.05%) | | | |
| | Principal and Interest - Floating Rate Agency Securities (2.70%) | | | |
| | North America | | | |
| | Mortgage-related—Residential | | | |
| \$9,391 | Federal National Mortgage Association Pools | 2.05% - 6.04% | 11/34 - 5/45 | \$ 9,876 |
| 6,096 | Federal Home Loan Mortgage Corporation Pools | 2.61% - 5.94% | 6/37 - 5/44 | 6,440 |
| 2,287 | Government National Mortgage Association Pools | 2.78% | 11/64 | 2,421 |
| | | | | 18,737 |
| | Interest Only - Floating Rate Agency Securities (2.35%) | | | |
| | North America | | | |
| | Mortgage-related—Residential | | | |
| 195,788 | Government National Mortgage Association | 0.40% - 6.32% | 11/42 - 10/63 | 11,269 |
| 17,511 | Federal National Mortgage Association | 5.50% - 7.12% | 6/33 - 12/41 | 2,511 |
| 19,155 | Resecuritization of Government National Mortgage Association (d) | 4.06% | 8/60 | 1,467 |
| 6,183 | Federal Home Loan Mortgage Corporation | 5.56% - 6.19% | 3/36 - 8/39 | 1,117 |
| | | | | 16,364 |
| | Total Floating Rate Agency Securities (Cost \$34,311) | | | 35,101 |
| | Total Agency Securities (Cost \$1,001,070) | | | 1,011,640 |
| | Private Label Securities (37.28%) | | | |
| | Principal and Interest - Private Label Securities (36.18%) | | | |
| | North America (29.06%) | | | |
| | Mortgage-related—Residential | | | |
| 336,129 | Various | 0.00% - 9.35% | 5/19 - 9/46 | 177,669 |
| | Mortgage-related—Commercial | | | |
| 95,731 | Various | 3.00% - 4.40% | 7/45 - 3/49 | 24,259 |
| | Total North America (Cost \$198,343) | | | 201,928 |
| | Europe (7.12%) | | | |
| | Mortgage-related—Residential | | | |
| 56,929 | Various | 0.00% - 5.34% | 6/25 - 3/50 | 41,298 |
| | Mortgage-related—Commercial | | | |
| 8,205 | Various | 0.00% - 11.00% | 6/17 - 6/19 | 8,195 |
| | Total Europe (Cost \$56,399) | | | 49,493 |
| | Total Principal and Interest - Private Label Securities (Cost \$254,742) | | | 251,421 |
| | Principal Only - Private Label Securities (0.53%) | | | |
| | North America | | | |
| | Mortgage-related—Residential | | | |
| 5,668 | Various | —% | 8/30 | 3,699 |
| | Total Principal Only - Private Label Securities (Cost \$2,967) | | | 3,699 |

See Notes to Consolidated Financial Statements

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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT MARCH 31, 2016 (CONTINUED)
(UNAUDITED)

| Current Value | Principal/Notional Description | Rate | Maturity | Fair Value |
|----------------|---|---------------|--------------|---------------------------|
| (In thousands) | | | | Expressed in U.S. Dollars |
| | Interest Only - Private Label Securities (0.57%) | | | |
| | North America | | | |
| | Mortgage-related—Residential | | | |
| \$38,978 | Various | 0.50% - 2.00% | 6/44 - 9/47 | \$ 1,049 |
| | Mortgage-related—Commercial | | | |
| 49,918 | Various | 1.25% - 1.57% | 10/47 - 3/49 | 2,896 |
| | Total Interest Only - Private Label Securities (Cost \$3,465) | | | |
| | Other Private Label Securities (0.00%) | | | |
| | North America | | | |
| | Mortgage-related—Residential | | | |
| 97,421 | Various | —% | 6/37 | — |
| | Mortgage-related—Commercial | | | |
| — | Various | —% | 7/45 - 3/49 | — |
| | Total Other Private Label Securities (Cost \$264) | | | |
| | Total Private Label Securities (Cost \$261,438) | | | |
| | Total Mortgage-Backed Securities (Cost \$1,262,508) | | | |
| | Collateralized Loan Obligations (4.95%) | | | |
| | North America (2.40%) | | | |
| 62,932 | Various | 0.00% - 9.15% | 5/16 - 1/24 | 16,685 |
| | Total North America (Cost \$22,318) | | | |
| | Europe (2.55%) | | | |
| 27,578 | Various | 0.00% - 9.37% | 1/22 - 3/25 | 17,730 |
| | Total Europe (Cost \$18,427) | | | |
| | 34,415 | | | |

| | | | | |
|----------------------|---------|----------------|-------------|---------|
| Total Collateralized | | | | |
| Loan Obligations | | | | |
| (Cost \$40,745) | | | | |
| Consumer Loans and | | | | |
| Asset-backed | | | | |
| Securities backed by | | | | |
| Consumer Loans | | | | |
| (20.70%) (e) | | | | |
| North America | | | | |
| (20.29%) | | | | |
| Consumer (f) | | | | |
| 139,286 | Various | 5.50% - 49.00% | 4/16 - 3/21 | 141,012 |
| Total North America | | | | 141,012 |
| (Cost \$141,696) | | | | |
| Europe (0.41%) | | | | |
| Consumer | | | | |
| 1,814 | Various | —% | 8/24 | 2,842 |
| Total Europe (Cost | | | | 2,842 |
| \$2,300) | | | | |
| Total Consumer | | | | |
| Loans and | | | | |
| Asset-backed | | | | 143,854 |
| Securities backed by | | | | |
| Consumer Loans | | | | |
| (Cost \$143,996) | | | | |

See Notes to Consolidated Financial Statements

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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT MARCH 31, 2016 (CONTINUED)
(UNAUDITED)

| Current Principal/Number of Description | Rate | Maturity | Fair Value |
|--|----------------|---------------|------------------------------|
| Properties (In thousands) | | | Expressed in U.S. Dollars |
| Corporate Debt (3.53%) | | | |
| North America (2.32%) | | | |
| Basic Materials | | | |
| \$5,720 Various | 11.75% | 1/19 | \$ 766 |
| Communications | | | |
| 1,390 Various | 8.50% | 4/20 | 1,433 |
| Consumer | | | |
| 4,025 Various | 5.50% - 10.00% | 5/20 - 7/20 | 1,160 |
| Energy | | | |
| 14,194 Various | 0.00% - 10.75% | 9/18 - 2/20 | 2,198 |
| Financial | | | |
| 54 Various | 10.25% | 8/23 | 51 |
| Mortgage-related—Residential | | | |
| 14,250 Various | 0.00% - 15.00% | 12/17 - 10/19 | 10,350 |
| Technology | | | |
| 190 Various | 10.75% | 9/16 | 188 |
| Total North America (Cost \$27,597) | | | 16,146 |
| Europe (1.21%) | | | |
| Communications | | | |
| 7,670 Various | 14.00% | 10/18 | 7,900 |
| Consumer | | | |
| 17,318 Various | —% | 12/16 | 506 |
| Total Europe (Cost \$8,688) | | | 8,406 |
| Total Corporate Debt (Cost \$36,285) | | | 24,552 |
| Mortgage Loans (13.23%) (e) | | | |
| North America | | | |
| Mortgage-related—Commercial (g) | | | |
| 65,035 Various | 2.54% - 12.00% | 5/16 - 7/45 | 56,365 |
| Mortgage-related—Residential (i) | | | |
| 42,119 Various | 2.00% - 13.50% | 7/21 - 2/56 | 35,580 |
| Total Mortgage Loans (Cost \$91,298) | | | 91,945 |
| Real Estate Owned (3.14%) (e) (h) | | | |
| North America | | | |
| Real estate-related | | | |

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| | | |
|----|-------------------------|--------|
| 18 | Single-Family Houses | 2,779 |
| 5 | Commercial Property | 19,064 |
| | Total Real Estate Owned | 21,843 |
| | (Cost \$20,156) | |

See Notes to Consolidated Financial Statements

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ELLINGTON FINANCIAL LLC
 CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
 AT MARCH 31, 2016 (CONTINUED)
 (UNAUDITED)

| Current Principal/Number of Shares (In thousands) | Description | Rate | Maturity | Fair Value |
|---|---|-------|----------|------------------------------|
| | | | | Expressed in U.S. Dollars |
| | Private Corporate Equity Investments (3.54%) | | | |
| | North America (3.54%) | | | |
| | Consumer | | | |
| 1,657 | Non-Exchange Traded Corporate Equity Diversified | | | \$ 5,916 |
| 179 | Non-Exchange Traded Corporate Equity Mortgage-related—Commercial | | | 3,028 |
| 8,171 | Non-Exchange Traded Preferred Equity Investment in Commercial Mortgage-Related Private Partnership | | | 7,517 |
| n/a | Non-Controlling Interest in Mortgage-Related Private Partnership Mortgage-related—Residential | | | 2,918 |
| 9,482 | Non-Exchange Traded Preferred Equity Investment in Mortgage Originators | | | 3,700 |
| 7,478 | Non-Exchange Traded Equity Investment in Mortgage Originators Technology | | | 853 |
| 99 | Non-Exchange Traded Corporate Equity | | | 667 |
| | Total North America (Cost \$26,337) | | | 24,599 |
| | Europe (0.00%) | | | |
| | Consumer | | | |
| 125 | Non-Exchange Traded Corporate Equity | | | — |
| | Total Europe (Cost \$0) | | | — |
| | Total Private Corporate Equity Investments (Cost \$26,337) | | | 24,599 |
| | U.S. Treasury Securities (1.97%) | | | |
| | North America | | | |
| | Government | | | |
| \$12,033 | U.S. Treasury Bond | 2.50% | 2/46 | 11,738 |
| 1,942 | U.S. Treasury Note | 1.13% | 2/21 | 1,934 |
| | Total U.S. Treasury Securities (Cost \$13,465) | | | 13,672 |
| | Total Long Investments (Cost \$1,634,790) | | | \$ 1,625,585 |

See Notes to Consolidated Financial Statements

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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT MARCH 31, 2016 (CONTINUED)
(UNAUDITED)

| Current Balance (In thousands) | Description | Rate | Maturity | Fair Value Expressed in U.S. Dollars |
|-----------------------------------|--|---------|----------|--|
| | Repurchase Agreements (18.34%) (a) (b) (j) | | | |
| \$16,085 | Barclays Capital Inc. Collateralized by Par Value \$15,673 Sovereign Government Bond, Coupon 0.25%, Maturity Date 4/18 | (0.60)% | 4/16 | \$ 16,085 |
| 15,244 | Bank of America Securities Collateralized by Par Value \$15,000 U.S. Treasury Note, Coupon 2.00%, Maturity Date 2/25 | 0.40% | 4/16 | 15,244 |
| 13,850 | Merrill Lynch International Collateralized by Par Value \$13,503 Sovereign Government Bond, Coupon 0.25%, Maturity Date 11/20 | (0.56)% | 4/16 | 13,850 |
| 9,456 | Barclays Capital Inc. Collateralized by Par Value \$8,920 Sovereign Government Bond, Coupon 1.15%, Maturity Date 7/20 | (0.95)% | 4/16 | 9,456 |
| 9,147 | Deutsche Bank Securities Collateralized by Par Value \$8,920 Sovereign Government Bond, Coupon 0.65%, Maturity Date 11/20 | (0.50)% | 4/16 | 9,147 |
| 8,329 | Barclays Capital Inc. Collateralized by Par Value \$7,396 Sovereign Government Bond, Coupon 2.75%, Maturity Date 4/19 | (0.60)% | 4/16 | 8,329 |
| 7,829 | Bank of America Securities Collateralized by Par Value \$8,030 U.S. Treasury Bond, Coupon 2.50%, Maturity Date 2/46 | 0.15% | 4/16 | 7,829 |
| 5,461 | Bank of America Securities Collateralized by Par Value \$5,238 U.S. Treasury Note, Coupon 2.25%, Maturity Date 11/25 | 0.40% | 4/16 | 5,461 |
| 5,063 | Bank of America Securities Collateralized by Par Value \$5,000 U.S. Treasury Note, Coupon 1.25%, Maturity Date 10/18 | 0.40% | 4/16 | 5,063 |
| 4,456 | Bank of America Securities Collateralized by Par Value \$4,524 U.S. Treasury Note, Coupon 1.63%, Maturity Date 2/26 | (0.25)% | 4/16 | 4,456 |
| 4,070 | Bank of America Securities | 0.40% | 4/16 | 4,070 |

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Collateralized by Par Value \$4,000
U.S. Treasury Note, Coupon 1.63%,
Maturity Date 6/20

See Notes to Consolidated Financial Statements

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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT MARCH 31, 2016 (CONTINUED)
(UNAUDITED)

| Current Balance (In thousands) (continued) | Description | Rate | Maturity | Fair Value Expressed in U.S. Dollars |
|---|---|---------|----------|--|
| \$4,055 | Bank of America Securities Collateralized by Par Value \$4,000 U.S. Treasury Note, Coupon 1.50%, Maturity Date 5/20 | 0.40% | 4/16 | \$ 4,055 |
| 4,050 | Bank of America Securities Collateralized by Par Value \$4,000 U.S. Treasury Note, Coupon 1.38%, Maturity Date 3/20 | 0.40% | 4/16 | 4,050 |
| 3,804 | Bank of America Securities Collateralized by Par Value \$3,776 U.S. Treasury Note, Coupon 1.38%, Maturity Date 1/21 | 0.20% | 4/16 | 3,804 |
| 3,464 | Bank of America Securities Collateralized by Par Value \$3,400 U.S. Treasury Note, Coupon 1.63%, Maturity Date 11/20 | 0.40% | 4/16 | 3,464 |
| 3,340 | Bank of America Securities Collateralized by Par Value \$3,200 U.S. Treasury Note, Coupon 2.25%, Maturity Date 11/24 | 0.40% | 4/16 | 3,340 |
| 2,055 | Bank of America Securities Collateralized by Par Value \$2,000 U.S. Treasury Note, Coupon 2.00%, Maturity Date 7/22 | 0.40% | 4/16 | 2,055 |
| 2,008 | Bank of America Securities Collateralized by Par Value \$2,000 U.S. Treasury Note, Coupon 1.25%, Maturity Date 1/20 | 0.40% | 4/16 | 2,008 |
| 1,932 | Bank of America Securities Collateralized by Par Value \$1,942 U.S. Treasury Note, Coupon 1.13%, Maturity Date 2/21 | (0.05)% | 4/16 | 1,932 |
| 1,931 | Deutsche Bank Securities Collateralized by Par Value \$1,868 Sovereign Government Bond, Coupon 4.00% Maturity Date 9/16 | 0.44% | 4/16 | 1,931 |
| 654 | RBC Capital Markets LLC Collateralized by Par Value \$571 Exchange-Traded Corporate Debt, Coupon 3.90%, Maturity Date 8/21 | 0.05% | 4/16 | 654 |
| 623 | CS First Boston | —% | 4/16 | 623 |

Collateralized by Par Value \$572
Exchange-Traded Corporate Debt, Coupon 0.88%,
Maturity Date 5/21

See Notes to Consolidated Financial Statements

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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT MARCH 31, 2016 (CONTINUED)
(UNAUDITED)

| Current Balance | Description | Rate | Maturity | Fair Value |
|-----------------|---|---------|----------|---------------------------|
| (In thousands) | | | | Expressed in U.S. Dollars |
| \$562 | RBC Capital Markets LLC Collateralized by Par Value \$571 Exchange-Traded Corporate Debt, Coupon 0.13%, Maturity Date 6/22 | (0.25)% | 4/16 | \$ 562 |
| | Total Repurchase Agreements (Cost \$126,867) | | | \$ 127,468 |
| | Investments Sold Short (-102.48%) (a) (b) | | | |
| | TBA - Fixed Rate Agency Securities Sold Short (-82.18%) (k) | | | |
| | North America | | | |
| | Mortgage-related—Residential | | | |
| 946,000 | Federal National Mortgage Association (30 year) | 4.50% | 4/16 | 102,940 |
| 75,017 | Federal Home Loan Mortgage Corporation (30 year) | 4.00% | 4/16 | 82,109 |
| 77,400 | Federal National Mortgage Association (15 year) | 3.50% | 4/16 | 75,408 |
| 54,218 | Federal National Mortgage Association (30 year) | 4.00% | 4/16 | 57,935 |
| 56,620 | Federal National Mortgage Association (30 year) | 5.00% | 4/16 | 56,002 |
| 42,962 | Federal National Mortgage Association (30 year) | 3.00% | 4/16 | 44,071 |
| 40,400 | Government National Mortgage Association (30 year) | 3.50% | 4/16 | 43,763 |
| 25,042 | Federal National Mortgage Association (30 year) | 3.50% | 4/16 | 26,256 |
| 25,951 | Federal Home Loan Mortgage Corporation (30 year) | 4.50% | 4/16 | 22,761 |
| 15,600 | Federal National Mortgage Association (15 year) | 2.50% | 4/16 | 17,042 |
| 15,510 | Federal Home Loan Mortgage Corporation (15 year) | 3.00% | 4/16 | 14,126 |
| 11,770 | Federal National Mortgage Association (15 year) | 4.00% | 4/16 | 11,637 |
| 87,200 | Federal Home Loan Mortgage Corporation (15 year) | 3.50% | 4/16 | 9,279 |
| 6,860 | Federal National Mortgage Association (30 year) | 5.50% | 4/16 | 7,692 |
| 4,500 | Federal National Mortgage Association (15 year) | 3.00% | 4/16 | 42 |
| | Total TBA - Fixed Rate Agency Securities Sold Short (Proceeds -\$569,273) | | | 571,063 |

See Notes to Consolidated Financial Statements

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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT MARCH 31, 2016 (CONTINUED)
(UNAUDITED)

| Current Principal/Number of Shares | Description | Rate | Maturity | Fair Value | |
|---------------------------------------|--|---------------|--------------|------------------------------|---|
| (In thousands) | | | | Expressed in U.S. Dollars | |
| | Government Debt Sold Short (-18.68%) | | | | |
| | North America (-10.37%) | | | | |
| | Government | | | | |
| \$(59,007) | U.S. Treasury Note | 1.13% - 2.25% | 10/18 - 2/26 | \$ (60,053 |) |
| (12,320) | U.S. Treasury Bond | 2.50% | 2/46 | (12,018 |) |
| | Total North America (Proceeds -\$70,785) | | | (72,071 |) |
| | Europe (-8.31%) | | | | |
| | Government | | | | |
| (56,281) | European Sovereign Bonds | 0.25% - 4.00% | 9/16 - 11/20 | (57,727 |) |
| | Total Europe (Proceeds -\$57,510) | | | (57,727 |) |
| | Total Government Debt Sold Short (Proceeds -\$128,295) | | | (129,798 |) |
| | Common Stock Sold Short (-1.19%) | | | | |
| | North America | | | | |
| | Energy | | | | |
| (386) | Exchange Traded Equity | | | (3,799 |) |
| | Financial | | | | |
| (300) | Publicly Traded Real Estate Investment Trusts | | | (4,439 |) |
| | Total Common Stock Sold Short (Proceeds -\$7,827) | | | (8,238 |) |
| | Corporate Debt Sold Short (-0.43%) | | | | |
| | North America | | | | |
| | Basic Materials | | | | |
| (571) | Various | 3.55% | 3/22 | (397 |) |
| | Consumer | | | | |
| (1,998) | Various | 5.13% - 5.88% | 8/21 - 6/22 | (2,005 |) |
| | Industrial | | | | |
| (572) | Various | 3.90% | 5/21 | (627 |) |
| | Total Corporate Debt Sold Short (Proceeds -\$3,008) | | | (3,029 |) |
| | Total Investments Sold Short (Proceeds -\$708,403) | | | \$ (712,128 |) |

See Notes to Consolidated Financial Statements

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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT MARCH 31, 2016 (CONTINUED)
(UNAUDITED)

| | Primary Risk Exposure | Notional Value | Range of Expiration Dates | Fair Value |
|--|-----------------------|----------------|---------------------------|--------------------------|
| (In thousands) | | | | Expressed in U.S.Dollars |
| Financial Derivatives—Assets (27.46%) (a) (b) | | | | |
| Swaps (27.40%) (ad) | | | | |
| Long Swaps: | | | | |
| Credit Default Swaps on Corporate Bond Indices (l) | | | | |
| CDX.NA.HY 25 35-100 | Credit | \$ 495,250 | 12/20 | \$ 95,620 |
| ITRX EUR XOVER 24 5Y 35-100 | Credit | 189,351 | 12/20 | 36,859 |
| Other | Credit | 121,840 | 6/18 - 6/20 | 7,305 |
| Total Credit Default Swaps on Corporate Bond Indices | | | | 139,784 |
| Credit Default Swaps on Asset-Backed Indices (l) | Credit | 1,415 | 12/37 | 54 |
| Interest Rate Swaps (m) | Interest Rates | 495,980 | 10/16 - 4/46 | 17,321 |
| North America | | | | |
| Total Return Swaps (q) | | | | |
| Basic Materials | Credit | 184 | 3/17 | 11 |
| Communications | Credit | 10,662 | 2/17 | 171 |
| Consumer | Credit | 8,648 | 2/17 - 3/17 | 276 |
| Energy | Credit | 2,308 | 2/17 | 7 |
| Financial | Credit | 938 | 2/17 | 57 |
| Industrial | Credit | 3,710 | 2/17 - 3/17 | 283 |
| Technology | Credit | 3,160 | 2/17 - 3/17 | 239 |
| Utilities | Credit | 2,330 | 2/17 | 30 |
| Total Total Return Swaps | | | | 1,074 |
| Credit Default Swaps on Corporate Bonds (l) | | | | |
| Consumer | Credit | 571 | 6/21 | 90 |
| Industrial | Credit | 643 | 12/20 | 8 |
| Total Credit Default Swaps on Corporate Bonds | | | | 98 |
| Short Swaps: | | | | |
| Credit Default Swaps on Asset-Backed Indices (n) | Credit | (146,886 |) 5/46 - 5/63 | 21,257 |
| Credit Default Swaps on Corporate Bond Indices (n) | Credit | (23,307 |) 12/17 - 12/19 | 4,564 |
| North America | | | | |
| Credit Default Swaps on Asset-Backed Securities (n) | | | | |
| Mortgage-related—Residential | Credit | (8,638 |) 5/35 - 12/35 | 6,227 |
| Credit Default Swaps on Corporate Bonds (n) | | | | |
| Communications | Credit | (1,390 |) 6/20 | 5 |
| Consumer | Credit | (590 |) 12/19 | 11 |
| Total Credit Default Swaps on Corporate Bonds | | | | 16 |
| Total Swaps (Net cost \$181,742) | | | | 190,395 |
| Futures (0.00%) | | | | |

Long Futures:

| | | | | |
|--------------------------------|----------------|--------|------|---|
| U.S. Treasury Note Futures (t) | Interest Rates | 16,800 | 6/16 | 2 |
|--------------------------------|----------------|--------|------|---|

See Notes to Consolidated Financial Statements

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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT MARCH 31, 2016 (CONTINUED)
(UNAUDITED)

| | Primary Risk Exposure | Notional Value | Range of Expiration Dates | Fair Value |
|---|-----------------------|----------------|---------------------------|--------------------------|
| (In thousands) | | | | Expressed in U.S.Dollars |
| Short Futures: | | | | |
| Eurodollar Futures (s) | Interest Rates | \$ (91,000) | 6/16 | \$ 68 |
| Total Futures | | | | |
| Options (0.04%) | | | | |
| Purchased Options: | | | | |
| Payer Swaption (w) | Interest Rates | 17,000 | 5/16 | 77 |
| Interest Rate Caps (v) | Interest Rates | 23,200 | 3/18 | 1 |
| Written Options: | | | | |
| Payer Swaption (x) | Interest Rates | (32,000) | 4/16 | 174 |
| Total Options (Cost \$340) | | | | 252 |
| Warrants (0.01%) | | | | |
| North America | | | | |
| Warrants (u) | | | | |
| Mortgage-related—Residential | Equity Market | 1,554 | | 100 |
| Total Warrants (Cost \$100) | | | | 100 |
| Mortgage Loan Purchase Commitments (0.01%) | | | | |
| North America | | | | |
| Mortgage Loan Purchase Commitments (aa) | | | | |
| Mortgage-related—residential | Interest Rates | 13,570 | 4/16 - 5/16 | 43 |
| Total Mortgage Loan Purchase Commitments | | | | 43 |
| Total Financial Derivatives—Assets (Net cost \$182,182) | | | | \$ 190,798 |
| Financial Derivatives—Liabilities (-12.33%) (a) (b) | | | | |
| Swaps (-11.05%) (ad) | | | | |
| Long Swaps: | | | | |
| Credit Default Swaps on Asset-Backed Indices (l) | Credit | 7,543 | 10/52 - 5/63 | \$ (1,330) |
| Interest Rate Swaps (m) | Interest Rates | 1,200 | 3/21 - 3/26 | (23) |
| North America | | | | |
| Credit Default Swaps on Corporate Bonds (l) | | | | |
| Basic Materials | Credit | 571 | 6/21 | (202) |
| Consumer | Credit | 1,427 | 6/21 | (2) |
| Total Credit Default Swaps on Corporate Bonds | | | | (204) |
| Total Return Swaps | | | | |
| Basic Materials (q) | Credit | 6,463 | 2/17 - 3/17 | (343) |
| Communications (q) | Credit | 5,925 | 2/17 | (104) |
| Consumer (q) | Credit | 3,847 | 2/17 | (24) |
| Diversified (q) | Credit | 2,758 | 2/17 | (153) |

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| | | | | | |
|--------------------------|---------------|--------|-------|------|---|
| Financial (q) | Credit | 2,086 | 2/17 | (50 |) |
| Financial (p) | Equity Market | 21,277 | 11/16 | — |) |
| Total Total Return Swaps | | | | (674 |) |

See Notes to Consolidated Financial Statements

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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT MARCH 31, 2016 (CONTINUED)
(UNAUDITED)

| | 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 | \$ (899,859) | 9/16 - 12/45 | \$ (18,462) | |
| Credit Default Swaps on Corporate Bond Indices (n) | Credit | (1,292,314) | 12/16 - 12/20 | (55,176) | |
| Total Return Swaps (r) | Credit | (13,062) | 6/16 | (129) | |
| North America | | | | | |
| Credit Default Swaps on Asset-Backed Securities (n) | | | | | |
| Mortgage-related—Residential | Credit | (3,175) | 10/34 - 3/35 | (220) | |
| Credit Default Swaps on Corporate Bonds (n) | | | | | |
| Consumer | Credit | (7,680) | 9/19 - 12/20 | (528) | |
| Financial | Credit | (4,000) | 3/20 | (44) | |
| Total Credit Default Swaps on Corporate Bonds | | | | (572) | |
| Total Return Swaps (p) | | | | | |
| Financial | Equity Market | (31,491) | 2/17 - 2/18 | (1) | |
| Total Swaps (Net proceeds -\$49,471) | | | | (76,791) | |
| Futures (-0.05%) | | | | | |
| Long Futures: | | | | | |
| Eurodollar Futures (s) | Interest Rates | 22,000 | 6/17 | (2) | |
| Short Futures: | | | | | |
| U.S. Treasury Note Futures (t) | Interest Rates | (9,100) | 6/16 | (72) | |
| Eurodollar Futures (s) | Interest Rates | (275,000) | 9/16 - 9/17 | (303) | |
| Total Futures | | | | (377) | |
| Options (-0.95%) | | | | | |
| Purchased Options: | | | | | |
| Payer Swaption (w) | Interest Rates | 145,000 | 4/16 | (173) | |
| Written Options: | | | | | |
| Put Options on Credit Default Swaps on Corporate Bond Indices (y) | Credit | (211,000) | 4/16 | (6,338) | |
| Call Options on Credit Default Swaps on Corporate Bond Indices (z) | Credit | (51,000) | 4/16 | (6) | |
| Payer Swaption (x) | Interest Rates | (17,100) | 5/16 | (72) | |
| Total Options (Proceeds -\$1,972) | | | | (6,589) | |
| Forwards (-0.28%) | | | | | |
| Short Forwards: | | | | | |
| Currency Forwards (ab) | Currency | (83,820) | 6/16 | (1,922) | |
| Total Forwards | | | | (1,922) | |

| | |
|---|--------------|
| Total Financial Derivatives–Liabilities (Net proceeds -\$51,443) | \$ (85,679) |
|---|--------------|

See Notes to Consolidated Financial Statements

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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
AT MARCH 31, 2016 (CONTINUED)
(UNAUDITED)

- (a) See Note 2 and Note 3 in Notes to Consolidated Financial Statements.
- (b) Classification percentages are based on Total Equity.
At March 31, 2016, the Company's long investments guaranteed by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, and the Government National Mortgage Association, represented 78.59%, 42.93%, and 24.06% of equity, respectively.
- (c) Private trust 100% backed by interest in Government National Mortgage Association collateralized mortgage obligation certificates.
- (d) 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 in the cash flows of the underlying loans held by the trust. At March 31, 2016 loans held in the related party trust for which the Company has beneficial interests in the residual cash flows, totaled \$4.1 million.
- (e) Includes non-performing commercial loans in the amount of \$22.7 million whereby principal and/or interest is past due and a maturity date is not applicable.
- (f) Number of properties not shown in thousands, represents actual number of properties owned.
- (g) As of March 31, 2016, the Company had residential mortgage loans that were in the process of foreclosure with a fair value of \$5.7 million.
- (h) In general, securities received pursuant to repurchase agreements were delivered to counterparties in short sale transactions.
At March 31, 2016, the Company's short investments guaranteed by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, and the Government National Mortgage Association, represented 57.42%, 18.46%, and 6.30% of equity, respectively.
- (i) For long credit default swaps, the Company sold protection.
- (j) For long interest rate swap contracts, the Company pays a floating rate and receives a fixed rate.
- (k) For short credit default swaps, the Company purchased protection.
- (l) For short interest rate swap contracts, the Company pays a fixed rate and receives a floating rate.
- (m) Notional value represents number of underlying shares times the closing price of the underlying security.
- (n) Notional value represents outstanding principal balance on underlying corporate debt.
- (o) Notional value represents notional of underlying reference index times the closing price of the underlying reference index.
- (p) Every \$1,000,000 in notional value represents one contract.
- (q) Notional value represents the total face amount of U.S. Treasury Notes underlying all contracts held; as of March 31, 2016, 84 long contracts and 91 short contracts were held.
- (r) Notional value represents number of warrants.
- (s) 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.
- (t) Represents the option on the part of the Company to enter into an interest rate swap whereby the Company would pay a fixed rate and receive a floating rate.
- (u) Represents the option on the part of a counterparty to enter into an interest rate swap with the Company whereby the Company would receive a fixed rate and pay a floating rate.
- (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.
- (z)

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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.

(aa) 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.

(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 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.

(ac) 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 | 145.58 % |
| Aaa/AAA/AAA | 1.97 % |
| A/A/A | 0.32 % |
| Baa/BBB/BBB | 0.88 % |
| Ba/BB/BB or below | 30.77 % |
| Unrated | 54.40 % |

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ELLINGTON FINANCIAL LLC
 CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
 AT MARCH 31, 2016 (CONCLUDED)
 (UNAUDITED)

(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 | 8.40 % |
| Affiliates of JP Morgan | Financial derivatives—asset | 6.32 % |
| Affiliates of Goldman Sachs | Financial derivatives—asset | 5.21 % |
| Affiliates of JP Morgan | Financial derivatives—liability | (8.85)% |

See Notes to Consolidated Financial Statements

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

| 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
AT DECEMBER 31, 2015 (CONTINUED)
(UNAUDITED)

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

| 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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ELLINGTON FINANCIAL LLC
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
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 (In thousands) | Rate Maturity | Fair Value Expressed in U.S. Dollars |
|--|---------------|--|
| Private Corporate Equity Investments (2.99%) North America (2.99%) | | |
| Consumer | | |
| 1,502 Exchange Traded Corporate Equity Diversified | | \$ 3,032 |
| 1,600 Non-Exchange Traded Corporate Equity Mortgage-related—Commercial | | 2,389 |
| 8,171 Non-Exchange Traded Preferred Equity Investment in Commercial Mortgage-Related Private Partnership | | 7,687 |
| 7,409 Non-Controlling Interest in Mortgage-Related Private Partnership Mortgage-related—Residential | | 2,871 |
| 9,482 Exchange Traded Preferred Equity Investment in Mortgage Originators | | 4,325 |
| 7,409 Exchange Traded Equity Investment in Mortgage Originators Technology | | 1,043 |
| 99 Non-Exchange Traded Corporate Equity | | 741 |
| Total North America (Cost \$22,598) | | 22,088 |
| Europe (0.00%) | | |
| Consumer | | |
| 1,502 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 |

See Notes to Consolidated Financial Statements

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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 |

See Notes to Consolidated Financial Statements

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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) |

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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) | | | | |
| CDX.NA.HY 25 35-100 | Credit | \$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) | | | | |
| Credit Default Swaps on Asset-Backed Indices (l) | Interest Rates | 545,232 | 12/16 - 12/45 | 7,254 |
| North America | Credit | 1,468 | 12/37 | 56 |
| 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) | | | | |
| North America | Interest Rates | (608,365) | 12/16 - 12/45 | 2,689 |
| 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) | | | | | |

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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 March 31, 2016 | Three Month Period Ended March 31, 2015 |
|---|--|--|
| (In thousands except per share amounts) | | |
| | | Expressed in U.S. Dollars |
| INVESTMENT INCOME | | |
| Interest income | \$20,427 | \$26,513 |
| Other income | 1,668 | 293 |
| Total investment income | 22,095 | 26,806 |
| EXPENSES | | |
| Base management fee | 2,611 | 2,952 |
| Interest expense | 3,468 | 2,986 |
| Other investment related expenses | 1,749 | 1,202 |
| Professional fees | 856 | 716 |
| Administration fees | 340 | 339 |
| Compensation expense | 520 | 367 |
| Insurance expense | 156 | 177 |
| Directors' fees and expenses | 65 | 74 |
| Share-based LTIP expense | 100 | 98 |
| Other expenses | 408 | 428 |
| Total expenses | 10,273 | 9,339 |
| NET INVESTMENT INCOME | 11,822 | 17,467 |
| NET REALIZED AND CHANGE IN NET UNREALIZED GAIN (LOSS) ON INVESTMENTS, FINANCIAL DERIVATIVES, AND FOREIGN CURRENCY TRANSACTIONS/TRANSLATION | | |
| Net realized gain (loss) on: | | |
| Investments | (1,974) | 9,734 |
| Financial derivatives, excluding currency forwards | (10,054) | (5,834) |
| Financial derivatives—currency forwards | (332) | 5,796 |
| Foreign currency transactions | 420 | 733 |
| | (11,940) | 10,429 |
| Change in net unrealized gain (loss) on: | | |
| Investments | (4,402) | 693 |
| Financial derivatives, excluding currency forwards | (18,838) | (2,644) |
| Financial derivatives—currency forwards | (3,047) | (1,465) |
| Foreign currency translation | 3,219 | (5,063) |
| | (23,068) | (8,479) |
| NET REALIZED AND CHANGE IN NET UNREALIZED GAIN (LOSS) ON INVESTMENTS, FINANCIAL DERIVATIVES, AND FOREIGN CURRENCY TRANSACTIONS/TRANSLATION | (35,008) | 1,950 |
| NET INCREASE (DECREASE) IN EQUITY RESULTING FROM OPERATIONS | (23,186) | 19,417 |
| | 14 | 156 |

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

| | | |
|--|------------|----------|
| NET INCREASE (DECREASE) IN SHAREHOLDERS' EQUITY RESULTING FROM OPERATIONS | \$(23,200) | \$19,261 |
|--|------------|----------|

NET INCREASE (DECREASE) IN SHAREHOLDERS' EQUITY RESULTING FROM
OPERATIONS PER SHARE:

| | | |
|-------------------|---------|----------|
| Basic and Diluted | \$(0.69 |) \$0.57 |
|-------------------|---------|----------|

See Notes to Consolidated Financial Statements

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

| | Three Month Period Ended March 31, 2016 | | | Three Month Period Ended March 31, 2015 | | |
|--|--|-----------------------------|-----------------|--|-----------------------------|-----------------|
| | Shareholders' Equity | Non-controlling Interest | Total Equity | Shareholders' Equity | Non-controlling Interest | Total Equity |
| (In thousands) | Expressed in U.S. Dollars | | | | | |
| 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 | | | 11,822 | | | 17,467 |
| Net realized gain (loss) on investments, financial derivatives, and foreign currency transactions | | | (11,940) | | | 10,429 |
| Change in net unrealized gain (loss) on investments, financial derivatives, and foreign currency translation | | | (23,068) | | | (8,479) |
| Net increase (decrease) in equity resulting from operations | (23,200) | 14 | (23,186) | 19,261 | 156 | 19,417 |
| CHANGE IN EQUITY RESULTING FROM TRANSACTIONS | | | | | | |
| Contributions from non-controlling interests | | 684 | 684 | | 500 | 500 |
| Dividends ⁽¹⁾ | (16,766) | (106) | (16,872) | (22,022) | (137) | (22,159) |
| Distributions to non-controlling interests | | (1,922) | (1,922) | | (976) | (976) |
| Adjustment to non-controlling interest | (4) | 4 | — | — | — | — |
| Shares repurchased | (2,834) | | (2,834) | — | | — |
| Share-based LTIP awards | 99 | 1 | 100 | 97 | 1 | 98 |
| Net increase (decrease) in equity from transactions | (19,505) | (1,339) | (20,844) | (21,925) | (612) | (22,537) |
| Net increase (decrease) in equity | (42,705) | (1,325) | (44,030) | (2,664) | (456) | (3,120) |
| ENDING EQUITY (3/31/2016 and 3/31/2015, respectively) | \$689,344 | \$ 5,578 | \$694,922 | \$779,491 | \$ 5,933 | \$785,424 |

(1) For the three month periods ended March 31, 2016 and 2015, dividends totaling \$0.50 and \$0.65, respectively, per common share and convertible unit outstanding, were declared and paid.

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ELLINGTON FINANCIAL LLC
CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

| | Three Month Period Ended | |
|---|------------------------------|-------------|
| | March 31, 2016 | 2015 |
| (In thousands) | Expressed in U.S. Dollars | |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS: | | |
| NET INCREASE (DECREASE) IN EQUITY RESULTING FROM OPERATIONS | \$(23,186) | \$ 19,417 |
| 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 | 12,195 | (10,658) |
| Change in net unrealized (gain) loss on investments and financial derivatives, and foreign currency translation | 24,261 | 7,625 |
| Amortization of premiums and accretion of discounts (net) | 3,720 | 3,499 |
| Purchase of investments | (739,404) | (1,055,646) |
| Proceeds from disposition of investments | 722,698 | 1,220,580 |
| Proceeds from principal payments of investments | 56,376 | 69,620 |
| Proceeds from investments sold short | 697,389 | 1,395,115 |
| Repurchase of investments sold short | (727,652) | (1,499,316) |
| Payments made to open financial derivatives | (42,702) | (59,067) |
| Proceeds received to close financial derivatives | 48,939 | 73,336 |
| Proceeds received to open financial derivatives | 10,998 | 23,555 |
| Payments made to close financial derivatives | (50,590) | (51,273) |
| Share-based LTIP expense | 100 | 98 |
| (Increase) decrease in assets: | | |
| Repurchase agreements | (21,768) | 127,247 |
| Receivable for securities sold and financial derivatives | 99,197 | 7,253 |
| Due from brokers | (43,368) | 34,202 |
| Interest and principal receivable | 2,155 | 4,976 |
| Restricted cash | 372 | — |
| Other assets | 2,605 | (549) |
| Increase (decrease) in liabilities: | | |
| Due to brokers | 10,143 | 10,554 |
| Payable for securities purchased and financial derivatives | (61,989) | 17,529 |
| Accounts payable and accrued expenses | 145 | 420 |
| Other liabilities | (211) | 13 |
| Interest and dividends payable | 743 | (366) |
| Base management fee payable | (162) | (10) |
| Net cash provided by (used in) operating activities | (18,996) | 338,154 |

See Notes to Consolidated Financial Statements

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

| | Three Month Period | |
|---|---------------------------|--------------|
| | Ended | |
| | March 31, | |
| | 2016 | 2015 |
| (In thousands) | Expressed in U.S. Dollars | |
| Cash flows provided by (used in) financing activities: | | |
| Contributions from non-controlling interests | \$684 | \$500 |
| Shares repurchased | (2,834 |) — |
| Dividends paid | (16,872 |) (22,159) |
| Distributions to non-controlling interests | (1,922 |) (976) |
| Proceeds from issuance of securitized debt | 23,238 | — |
| Principal payments on securitized debt | — | (88) |
| Borrowings under reverse repurchase agreements ⁽¹⁾ | 1,820,060 | 2,161,793 |
| Repayments of reverse repurchase agreements ⁽¹⁾ | (1,845,185) | (2,435,114) |
| Net cash provided by (used in) financing activities | (22,831) | (296,044) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (41,827) | 42,110 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 183,909 | 114,140 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$142,082 | \$156,250 |
| Supplemental disclosure of cash flow information: | | |
| Interest paid | \$3,047 | \$3,239 |
| Share-based LTIP awards (non-cash) | \$100 | \$98 |
| Aggregate TBA trade activity (buys + sells) (non-cash) | \$5,120,727 | \$8,544,037 |

(1) Conformed to current period presentation.

See Notes to Consolidated Financial Statements

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ELLINGTON FINANCIAL LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 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 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. There are no repurchase and reverse repurchase agreements reported on a net basis in the Company's consolidated financial statements.

(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.

(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 the Company may sell (buy) securities for delivery (receipt) in an earlier month and simultaneously contract to repurchase

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(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 on our mortgage and consumer loans, corporate and escrow advances on loans within our loan portfolios, 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 intends 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 beginning with the tax year ending December 31, 2015.

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 March 31, 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 | \$— | \$989,334 | \$22,306 | \$1,011,640 |
| U.S. Treasury securities | — | 13,672 | — | 13,672 |
| Private label residential mortgage-backed securities | — | 110,333 | 113,382 | 223,715 |
| Private label commercial mortgage-backed securities | — | — | 35,350 | 35,350 |
| Commercial mortgage loans | — | — | 56,365 | 56,365 |
| Residential mortgage loans | — | — | 35,580 | 35,580 |
| Collateralized loan obligations | — | — | 34,415 | 34,415 |
| Consumer loans and asset-backed securities backed by consumer loans | — | — | 143,854 | 143,854 |
| Corporate debt | — | — | 24,552 | 24,552 |
| Real estate owned | — | — | 21,843 | 21,843 |
| Private corporate equity investments | — | — | 24,599 | 24,599 |
| Total investments, at fair value | — | 1,113,339 | 512,246 | 1,625,585 |
| Financial derivatives—assets, at fair value- | | | | |
| Credit default swaps on asset-backed securities | — | — | 6,227 | 6,227 |
| Credit default swaps on corporate bond indices | — | 144,348 | — | 144,348 |
| Credit default swaps on corporate bonds | — | 114 | — | 114 |
| Credit default swaps on asset-backed indices | — | 21,311 | — | 21,311 |
| Interest rate swaps | — | 17,321 | — | 17,321 |
| Total return swaps | — | — | 1,074 | 1,074 |
| Options | — | 252 | — | 252 |
| Futures | 8 | — | — | 8 |
| Warrants | — | — | 100 | 100 |
| Mortgage loan purchase commitments | — | 43 | — | 43 |
| Total financial derivatives—assets, at fair value | 8 | 183,389 | 7,401 | 190,798 |
| Repurchase agreements | — | 127,468 | — | 127,468 |
| Total investments and financial derivatives—assets, at fair value and repurchase agreements | \$8 | \$1,424,196 | \$519,647 | \$1,943,851 |
| Liabilities: | | | | |
| Investments sold short, at fair value- | | | | |
| Agency residential mortgage-backed securities | \$— | \$(571,063) | \$— | \$(571,063) |
| Government debt | — | (129,798) | — | (129,798) |
| Corporate debt | — | — | (3,029) | (3,029) |
| Common stock | (8,238) | — | — | (8,238) |
| Total investments sold short, at fair value | (8,238) | (700,861) | (3,029) | (712,128) |
| Financial derivatives—liabilities, at fair value- | | | | |
| Credit default swaps on corporate bond indices | — | (55,176) | — | (55,176) |
| Credit default swaps on corporate bonds | — | (776) | — | (776) |
| Credit default swaps on asset-backed indices | — | (1,330) | — | (1,330) |
| Credit default swaps on asset-backed securities | — | — | (220) | (220) |

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| Description (continued) | Level 1 (In thousands) | Level 2 | Level 3 | Total |
|--|---------------------------|-------------|-----------|-------------|
| Interest rate swaps | \$— | \$(18,485) | \$— | \$(18,485) |
| Total return swaps | — | (129) | (675) | (804) |
| Options | — | (6,589) | — | (6,589) |
| Futures | (377) | — | — | (377) |
| Forwards | — | (1,922) | — | (1,922) |
| Total financial derivatives—liabilities, at fair value | (377) | (84,407) | (895) | (85,679) |
| Guarantees ⁽¹⁾ | — | — | (616) | (616) |
| Total investments sold short, financial derivatives—liabilities, securitized debt, and guarantees, at fair value | \$(8,615) | \$(785,268) | \$(4,540) | \$(798,423) |

(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 three month period ended March 31, 2016.

The following table identifies the significant unobservable inputs that affect the valuation of the Company's Level 3 assets and liabilities as of March 31, 2016:

| Description | Fair Value (In thousands) | Valuation Technique | Unobservable Input | Range Min | Max | Weighted Average |
|---|---------------------------------|--------------------------|---|--------------|-----------|---------------------|
| Private label residential mortgage-backed securities | \$ 75,404 | Market Quotes | Non Binding Third-Party Valuation | \$ 1.88 | \$ 153.12 | \$ 66.93 |
| Collateralized loan obligations | 25,830 | Market Quotes | Non Binding Third-Party Valuation | 27.00 | 101.50 | 83.73 |
| Corporate debt and non-exchange traded corporate equity | 20,784 | Market Quotes | Non Binding Third-Party Valuation | 2.83 | 200.00 | 70.37 |
| Private label commercial mortgage-backed securities | 16,161 | Market Quotes | Non Binding Third-Party Valuation | 5.05 | 67.29 | 32.16 |
| Agency interest only residential mortgage-backed securities | 18,628 | Market Quotes | Non Binding Third-Party Valuation | 2.77 | 24.75 | 10.61 |
| Total return swaps | 399 | Market Quotes | Non Binding Third-Party Valuation (1) | 16.31 | 100.38 | 94.29 |
| Private label residential mortgage-backed securities | 37,978 | Discounted Cash Flows | Yield | 4.4 | % 13.0 | % 11.6 % |
| | | | Projected Collateral Prepayments | 4.9 | % 75.6 | % 36.9 % |
| | | | Projected Collateral Losses | 4.4 | % 25.6 | % 12.9 % |
| | | | Projected Collateral Recoveries | 0.0 | % 12.1 | % 5.6 % |
| | | | Projected Collateral Scheduled Amortization | 7.9 | % 88.8 | % 44.6 % |
| | | | | | | 100.0 % |
| Private label commercial mortgage-backed securities | 19,189 | Discounted Cash Flows | Yield | 11.6 | % 32.8 | % 21.2 % |
| | | | Projected Collateral Losses | 0.6 | % 2.4 | % 1.2 % |

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|-----------------------------|--------|-----------------------|---|------|---|------|---|-------|---|
| | | | Projected Collateral Recoveries | 2.1 | % | 11.1 | % | 5.4 | % |
| | | | Projected Collateral Scheduled Amortization | 87.9 | % | 97.3 | % | 93.4 | % |
| | | | | | | | | 100.0 | % |
| Corporate debt and warrants | 10,450 | Discounted Cash Flows | Yield | 0.0 | % | 15.3 | % | 14.8 | % |

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| (continued) Description | Fair Value (In thousands) | Valuation Technique | Unobservable Input | Range MinMax | Weighted Average |
|--|---------------------------------|------------------------------|---|---------------------|---------------------|
| Collateralized loan obligations | \$ 8,585 | Discounted Cash Flows | Yield | 10.5 6.5 | 18.8 |
| | | | Projected Collateral Prepayments | 30.9 7.6 | 51.0 |
| | | | Projected Collateral Losses | 4 10.2 | 71 |
| | | | Projected Collateral Recoveries | 5 16.5 | 54 |
| | | | Projected Collateral Scheduled Amortization | 26.4 3.6 | 36.5 |
| | | | | | 100.0 |
| Consumer loans and asset-backed securities backed by consumer loans | 143,854 | Discounted Cash Flows | Yield | 0 25.0 | 10.3 |
| | | | Projected Collateral Prepayments | 0 42.1 | 31.6 |
| | | | Projected Collateral Losses | 0 33.8 | 76 |
| | | | Projected Collateral Scheduled Amortization | 56.1 0.7 | 60.8 |
| | | | | | 100.0 |
| | | | | | 100.0 |
| Performing commercial mortgage loans | 30,189 | Discounted Cash Flows | Yield | 10.4 7.6 | 11.7 |
| Non-performing commercial mortgage loans and commercial real estate owned | 24,707 | Discounted Cash Flows | Yield | 10.2 8.3 | 15.5 |
| | | | Months to Resolution | 3.0 39.8 | 18.7 |
| Performing residential mortgage loans | 28,877 | Discounted Cash Flows | Yield | 4 11.1 | 66 |
| Non-performing residential mortgage loans and residential real estate owned | 9,482 | Discounted Cash Flows | Yield | 5 11.4 | 87 |
| | | | Months to Resolution | 3.4 120.2 | 24.8 |
| Credit default swaps on asset-backed securities | 6,007 | Net Discounted Cash Flows | Projected Collateral Prepayments | 27.2 0.3 | 33.4 |
| | | | Projected Collateral Losses | 15.7 4.8 | 28.0 |
| | | | Projected Collateral Recoveries | 4 15.0 | 10.6 |
| | | | Projected Collateral Scheduled Amortization | 23.1 2.0 | 28.0 |
| | | | | | 100.0 |
| | | | | | 100.0 |
| Non-exchange traded equity investments in commercial mortgage-related private partnerships | 10,435 | Discounted Cash Flows | Yield | 15.0 6.5 | 15.9 |

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| | | | | | | |
|---|--------|--------------------------------|---|-----------------|------------------|-------|
| Agency interest only residential mortgage-backed securities | 3,678 | Option Adjusted Spread ("OAS") | Expected Holding Period (Months) | 11.5 | 24.5 | 20.8 |
| | | | LIBOR OAS ⁽²⁾ | 4411,807 | 701 | |
| | | | Projected Collateral Prepayments | 20.3 | 100.0 | 64.1 |
| | | | Projected Collateral Scheduled Amortization | 0 | 79.7 | 35.9 |
| | | | | | | 100.0 |
| Non-exchange traded preferred and common equity investment in mortgage-related entities | 2,053 | Enterprise Value | Equity Multiple ⁽³⁾ | 1.9x | 1.9x | 1.9x |
| Commercial mortgage loans and REO | 20,533 | Recent Transactions | Contract Price | 44.25 | 0.08 | 64.25 |
| 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 | (616) |) Cash Flows | Expected Cash Flows ⁽⁴⁾ | 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 ⁽²⁾ | — | (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 ⁽¹⁾ | — | — | (828) | (828) |
| Total investments sold short, financial derivatives—liabilities, securitized debt, 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.

(2) Conformed to current period presentation.

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 | % |
| | | | | | | 100.0 | % |
| 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 | % |
| | | | | | | 100.0 | % |
| 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 | % |
| | | | | 2.3 | % | | |

Projected Collateral
Recoveries