

Ellington Financial LLC  
Form 10-Q  
May 08, 2015  
Table of Contents

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, 2015

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 1, 2015

Common Shares Representing Limited Liability Company Interests, no par value 33,449,678



Table of Contents

ELLINGTON FINANCIAL LLC

INDEX

Part I. Financial Information

Item 1. Consolidated Financial Statements (unaudited)	<u>3</u>
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	<u>57</u>
Item 3. Quantitative and Qualitative Disclosures about Market Risk	<u>80</u>
Item 4. Controls and Procedures	<u>82</u>

Part II. Other Information

Item 1. Legal Proceedings	<u>83</u>
Item 1A. Risk Factors	<u>83</u>
Item 6. Exhibits	<u>84</u>

---

Table of Contents

## PART 1. FINANCIAL INFORMATION

## Item 1. Consolidated Financial Statements (unaudited)

## ELLINGTON FINANCIAL LLC

## CONSOLIDATED STATEMENT OF ASSETS, LIABILITIES, AND EQUITY

## (UNAUDITED)

	March 31, 2015	December 31, 2014
(In thousands except share amounts)	Expressed in U.S. Dollars	
<b>ASSETS</b>		
Cash and cash equivalents	\$ 156,250	\$ 114,140
Investments, financial derivatives, and repurchase agreements:		
Investments, at fair value (Cost – \$1,902,651 and \$2,122,326)	1,950,943	2,172,082
Financial derivatives—assets, at fair value (Net cost – \$78,599 and \$61,560)	89,844	80,029
Repurchase agreements (Cost – \$45,073 and \$172,001)	44,754	172,001
Total investments, financial derivatives, and repurchase agreements	2,085,541	2,424,112
Due from brokers	112,763	146,965
Receivable for securities sold	1,230,339	1,237,592
Interest and principal receivable	15,635	20,611
Other assets	2,484	1,935
Total Assets	\$3,603,012	\$3,945,355
<b>LIABILITIES</b>		
Investments and financial derivatives:		
Investments sold short, at fair value (Proceeds – \$1,193,569 and \$1,290,091)	\$ 1,195,882	\$ 1,291,370
Financial derivatives—liabilities, at fair value (Net proceeds – \$37,184 and \$33,555)	67,667	66,116
Total investments and financial derivatives	1,263,549	1,357,486
Reverse repurchase agreements	1,396,112	1,669,433
Due to brokers	32,778	22,224
Payable for securities purchased	116,276	98,747
Securitized debt (Proceeds – \$663 and \$749)	669	774
Accounts payable and accrued expenses	3,218	2,798
Base management fee payable	2,953	2,963
Interest and dividends payable	2,020	2,386
Other liabilities	13	—
Total Liabilities	2,817,588	3,156,811
<b>EQUITY</b>	785,424	788,544
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$3,603,012</b>	<b>\$3,945,355</b>
Commitments and contingencies (Note 14)		
<b>ANALYSIS OF EQUITY:</b>		
Common shares, no par value, 100,000,000 shares authorized; (33,449,678 and 33,449,678 shares issued and outstanding)	\$ 770,051	\$ 772,811
Additional paid-in capital – LTIP units	9,440	9,344
Total Shareholders' Equity	779,491	782,155
Non-controlling interests	5,933	6,389
Total Equity	\$ 785,424	\$ 788,544
<b>PER SHARE INFORMATION:</b>		
Common shares	\$23.30	\$23.38

See Notes to Consolidated Financial Statements



Table of Contents

ELLINGTON FINANCIAL LLC

CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS

AT MARCH 31, 2015

(UNAUDITED)

Current Principal (In thousands)	Description	Rate	Maturity	Fair Value Expressed in U.S. Dollars
	Long Investments (248.39%) (a) (z) (ab) (ad)			
	Mortgage-Backed Securities (213.60%)			
	Agency Securities (148.77%) (b)			
	Fixed Rate Agency Securities (143.74%)			
	Principal and Interest—Fixed Rate Agency Securities (139.33%)			
\$35,973	Federal Home Loan Mortgage Corporation Pool	4.00%	1/45	\$ 38,928
24,949	Federal National Mortgage Association Pool	3.50%	10/42	26,355
16,663	Federal National Mortgage Association Pool	4.00%	11/43	18,147
15,071	Federal National Mortgage Association Pool	4.00%	11/43	16,330
13,763	Federal National Mortgage Association Pool	5.00%	8/41	15,341
11,938	Federal Home Loan Mortgage Corporation Pool	4.00%	8/43	13,027
11,615	Federal Home Loan Mortgage Corporation Pool	4.50%	1/44	12,965
11,740	Federal National Mortgage Association Pool	3.50%	3/45	12,347
11,100	Government National Mortgage Association Pool	3.50%	4/45	11,696
9,156	Federal Home Loan Mortgage Corporation Pool	3.50%	11/44	9,654
8,110	Federal National Mortgage Association Pool	4.00%	8/43	8,777
7,802	Federal Home Loan Mortgage Corporation Pool	4.00%	1/45	8,371
6,934	Federal Home Loan Mortgage Corporation Pool	4.00%	10/44	7,493
7,055	Federal Home Loan Mortgage Corporation Pool	3.50%	11/44	7,438
6,804	Federal National Mortgage Association Pool	3.50%	11/42	7,223
6,828	Federal Home Loan Mortgage Corporation Pool	3.50%	11/44	7,198
6,407	Federal Home Loan Mortgage Corporation Pool	4.50%	2/44	7,159
6,466	Federal National Mortgage Association Pool	4.00%	3/45	6,932
6,010	Government National Mortgage Association Pool	4.59%	11/64	6,888
6,395	Federal National Mortgage Association Pool	3.50%	3/28	6,868
5,599	Federal National Mortgage Association Pool	4.50%	10/43	6,142
5,464	Federal National Mortgage Association Pool	4.50%	2/44	6,104
5,138	Government National Mortgage Association Pool	4.56%	1/65	5,895
5,552	Federal National Mortgage Association Pool	4.50%	4/26	5,835
5,107	Federal National Mortgage Association Pool	5.50%	10/39	5,761
5,455	Federal Home Loan Mortgage Corporation Pool	3.00%	1/43	5,596
5,109	Federal National Mortgage Association Pool	4.00%	6/44	5,537
4,953	Federal Home Loan Mortgage Corporation Pool	4.00%	7/44	5,403
4,998	Federal National Mortgage Association Pool	4.00%	8/43	5,401
4,898	Federal Home Loan Mortgage Corporation Pool	4.00%	10/44	5,345
4,691	Federal National Mortgage Association Pool	4.50%	12/44	5,139
4,787	Federal National Mortgage Association Pool	3.50%	12/28	5,131
4,771	Federal Home Loan Mortgage Corporation Pool	4.00%	4/45	5,107
4,395	Federal Home Loan Mortgage Corporation Pool	4.50%	10/43	4,910
4,468	Federal Home Loan Mortgage Corporation Pool	4.00%	8/43	4,837
4,398	Federal Home Loan Mortgage Corporation Pool	4.00%	2/44	4,794
4,180	Government National Mortgage Association Pool	4.68%	9/64	4,781

See Notes to Consolidated Financial Statements

4

---

Table of Contents

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

Current Principal/ Notional Value (In thousands)	Description	Rate	Maturity	Fair Value  Expressed in U.S. Dollars
Principal and Interest-Fixed Rate Agency Securities (139.33%) (continued)				
\$4,426	Federal National Mortgage Association Pool	4.00%	10/44	\$ 4,749
4,230	Federal National Mortgage Association Pool	4.50%	2/44	4,680
4,199	Federal National Mortgage Association Pool	4.00%	1/43	4,517
4,270	Government National Mortgage Association Pool	3.50%	3/45	4,496
4,053	Federal National Mortgage Association Pool	4.50%	3/44	4,491
3,882	Government National Mortgage Association Pool	4.61%	11/64	4,447
3,984	Federal National Mortgage Association Pool	5.00%	10/43	4,445
4,149	Federal National Mortgage Association Pool	3.50%	5/29	4,432
4,166	Government National Mortgage Association Pool	4.75%	1/61	4,432
3,851	Government National Mortgage Association Pool	4.63%	10/64	4,425
4,121	Federal Home Loan Mortgage Corporation Pool	3.50%	6/43	4,342
3,893	Federal National Mortgage Association Pool	4.50%	10/43	4,304
3,793	Federal National Mortgage Association Pool	5.00%	10/43	4,270
3,771	Federal National Mortgage Association Pool	5.00%	11/44	4,206
3,824	Federal National Mortgage Association Pool	4.50%	3/44	4,190
3,797	Federal Home Loan Mortgage Corporation Pool	4.50%	12/43	4,151
3,824	Federal National Mortgage Association Pool	4.00%	1/45	4,132
3,731	Federal National Mortgage Association Pool	4.50%	11/44	4,099
3,648	Federal National Mortgage Association Pool	5.00%	10/43	4,096
3,775	Federal National Mortgage Association Pool	4.00%	11/33	4,095
3,760	Federal Home Loan Mortgage Corporation Pool	4.00%	1/45	4,069
3,675	Federal National Mortgage Association Pool	4.50%	12/44	4,050
3,746	Federal National Mortgage Association Pool	4.00%	6/44	4,030
3,691	Federal National Mortgage Association Pool	4.00%	10/44	3,998
3,522	Federal National Mortgage Association Pool	5.00%	1/44	3,993
3,893	Federal National Mortgage Association Pool	3.00%	1/43	3,990
364,853	Other Federal National Mortgage Association Pools	3.00% - 6.00%	6/26 - 4/45	398,265
199,022	Other Federal Home Loan Mortgage Corporation Pools	3.00% - 6.00%	3/28 - 3/45	215,449
25,902	Other Government National Mortgage Association Pools	4.49% - 5.54%	2/60 - 1/65	28,586
				1,094,284
Interest Only-Fixed Rate Agency Securities (0.90%)				
43,333	Other Federal National Mortgage Association	3.00% - 5.50%	12/20 - 5/43	4,880
15,146	Other Federal Home Loan Mortgage Corporation	3.50% - 5.50%	12/32 - 3/40	1,794
2,142	Other Government National Mortgage Association	4.75%	7/40	397
				7,071
TBA-Fixed Rate Agency Securities (3.51%)				
25,090		3.00%	4/15	25,598



Edgar Filing: Ellington Financial LLC - Form 10-Q

	Federal Home Loan Mortgage Corporation (30 Year)			
1,900	Federal Home Loan Mortgage Corporation (30 Year)	3.50%	4/15	1,992
				27,590
	Total Fixed Rate Agency Securities (Cost \$1,107,405)			1,128,945

See Notes to Consolidated Financial Statements

5

---

Table of Contents

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

Current Principal/ Notional Value (In thousands)	Description	Rate	Maturity	Fair Value  Expressed in U.S. Dollars
Floating Rate Agency Securities (5.03%)				
Principal and Interest–Floating Rate Agency Securities (2.58%)				
\$5,083	Federal Home Loan Mortgage Corporation Pool	4.92%	4/38	\$ 5,421
6,255	Other Federal National Mortgage Association Pools	5.05% - 6.05%	9/35 - 9/37	6,679
4,636	Other Federal Home Loan Mortgage Corporation Pools	2.36% - 5.94%	6/37 - 5/44	4,895
2,994	Other Government National Mortgage Association Pool	2.50%	11/64	3,238
				20,233
Interest Only–Floating Rate Agency Securities (2.45%)				
180,262	Other Government National Mortgage Association	0.41% - 6.57%	11/42 - 10/63	12,921
20,410	Other Federal National Mortgage Association	5.50% - 6.53%	4/35 - 12/41	3,041
20,953	Resecuritization of Government National Mortgage Association (aa)	4.33%	8/60	1,957
7,874	Other Federal Home Loan Mortgage Corporation	5.83% - 6.46%	3/36 - 8/39	1,345
				19,264
Total Floating Rate Agency Securities (Cost \$38,341)				39,497
Total Agency Securities (Cost \$1,145,746)				1,168,442
Private Label Securities (64.83%)				
Principal and Interest–Private Label Securities (63.99%)				
832,108	Various	0% - 9.35%	7/15 - 12/49	502,585
Total Principal and Interest–Private Label Securities (Cost \$473,337)				502,585
Principal Only–Private Label Securities (0.46%)				
5,800	Various	—%	8/30	3,627
Total Principal Only–Private Label Securities (Cost \$2,805)				3,627
Interest Only–Private Label Securities (0.38%)				
72,749	Various	0.50% - 2.00%	6/44 - 2/48	3,017
Total Interest Only–Private Label Securities (Cost \$2,224)				3,017
Other Private Label Securities (0.00%)				
110,755	Various	—%	6/37 - 2/48	—
Total Other Private Label Securities (Cost \$300)				—
Total Private Label Securities (Cost \$478,666)				509,229
Total Mortgage-Backed Securities (Cost \$1,624,412)				1,677,671
Other Asset-Backed Securities and Loans (15.74%)				
144,672	Various	0% - 43.00%	10/15 - 9/68	123,620
Total Other Asset-Backed Securities and Loans (Cost \$127,873)				123,620
Corporate Debt (4.05%)				
34,484	Various	5.50%-15.00%	1/17 - 9/21	31,836

Edgar Filing: Ellington Financial LLC - Form 10-Q

Total Corporate Debt (Cost \$33,293)				31,836
Commercial Mortgage Loans (4.96%) (x)				
55,019	Various	3.00%-10.00%	8/15 - 4/45	38,918
Total Commercial Mortgage Loans (Cost \$38,858)				38,918

See Notes to Consolidated Financial Statements

6

---

Table of Contents

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

Current Principal/ Number of Properties/ Number of Shares (In thousands)	Description	Rate	Maturity	Fair Value
				Expressed in U.S. Dollars
	Residential Mortgage Loans (3.93%)			
\$46,673	Various	—%	2/18 - 4/55	\$ 30,845
	Total Residential Mortgage Loans (Cost \$30,618)			30,845
	Real Estate Owned (1.15%) (y)			
48	Single-Family Houses			7,026
1	Commercial Property			2,044
	Total Real Estate Owned (Cost \$8,646)			9,070
	Private Corporate Equity Investments (2.71%)			
8,171	Non-Exchange Traded Preferred Equity Investment in Commercial Mortgage-Related Private Partnership			8,171
208	Non-Exchange Traded Corporate Equity			5,138
n/a	Non-Controlling Interest in Mortgage-Related Private Partnership			2,753
9,482	Non-Exchange Traded Preferred Equity Investment in Mortgage Originators			4,325
7,478	Non-Exchange Traded Equity Investment in Mortgage Originators			913
	Private Corporate Equity Investments (Cost \$21,274)			21,300
	U.S. Treasury Securities (2.25%)			
\$10,660	U.S. Treasury Note	1.00%	3/18	10,697
6,556	U.S. Treasury Note	1.38%	3/20	6,557
429	U.S. Treasury Note	0.50%	2/17	429
	Total U.S. Treasury Securities (Cost \$17,677)			17,683
	Total Long Investments (Cost \$1,902,651)			\$ 1,950,943

See Notes to Consolidated Financial Statements

7

Table of Contents

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

Current Principal Description (In thousands)	Rate	Maturity	Fair Value Expressed in U.S. Dollars
Repurchase Agreements (5.70%) (a) (c) (ab) (ad) \$10,325			
Deutsche Bank Securities Collateralized by Par Value \$9,054 Sovereign Government Bond, Coupon 2.75%, Maturity Date 4/19	(0.22)%	4/15	\$ 10,324
8,338	(0.30)%	4/15	8,338
Deutsche Bank Securities Collateralized by Par Value \$8,055 Sovereign Government Bond, Coupon 0.50%, Maturity Date 11/19			
7,446	(1.50)%	4/15	7,446
Bank of America Collateralized by Par Value \$7,400 U.S. Treasury Note, Coupon 2.00%, Maturity Date 2/25			
5,050	0.24%	4/15	5,050
Bank of America Collateralized by Par Value \$5,000 U.S. Treasury Note, Coupon 1.25%, Maturity Date 10/18			
3,995	0.25%	4/15	3,995
Bank of America Collateralized by Par Value \$4,000 U.S. Treasury Note, Coupon 1.38%, Maturity Date 3/20			
3,312	0.25%	4/15	3,312
Bank of America Collateralized by Par Value \$3,200 U.S. Treasury Note, Coupon 2.25%, Maturity Date 11/24			
2,253	0.15%	4/15	2,253
Bank of America Collateralized by Par Value \$2,000 U.S. Treasury Bond, Coupon 3.13%, Maturity Date 8/44			
2,046	0.35%	4/15	2,046
Barclays Capital Inc. Collateralized by Par Value \$1,929 Sovereign Government Bond, Coupon 4.00%, Maturity Date 9/16			
1,990	0.05%	4/15	1,990
Bank of America Collateralized by Par Value \$2,000 U.S. Treasury Bond, Coupon 1.25%, Maturity Date 1/20			
Total Repurchase Agreements (Cost \$45,073)			\$ 44,754

See Notes to Consolidated Financial Statements

Table of Contents

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

Current Principal	Description	Rate	Maturity	Fair Value Expressed in U.S. Dollars
(In thousands)				
Investments Sold Short (-152.26%) (a) (ab) (ad)				
TBA-Fixed Rate Agency Securities Sold Short (-147.03%) (d)				
\$ (184,782	) Federal National Mortgage Association (30 year)	3.50%	4/15	\$ (194,115 )
(129,638	) Federal National Mortgage Association (30 year)	4.00%	4/15	(138,621 )
(93,880	) Federal National Mortgage Association (15 year)	3.50%	4/15	(99,615 )
(85,300	) Federal Home Loan Mortgage Corporation (30 year)	4.00%	5/15	(90,978 )
(81,500	) Federal National Mortgage Association (30 year)	3.50%	5/15	(85,413 )
(68,760	) Federal National Mortgage Association (30 year)	4.50%	4/15	(75,016 )
(62,600	) Federal National Mortgage Association (30 year)	5.00%	5/15	(69,503 )
(50,600	) Federal National Mortgage Association (15 year)	3.00%	4/15	(53,051 )
(42,600	) Federal National Mortgage Association (30 year)	4.50%	5/15	(46,354 )
(36,747	) Federal Home Loan Mortgage Corporation (30 year)	4.00%	4/15	(39,256 )
(32,442	) Federal National Mortgage Association (30 year)	3.00%	4/15	(33,171 )
(30,100	) Federal Home Loan Mortgage Corporation (30 year)	4.50%	5/15	(32,753 )
(28,400	) Federal National Mortgage Association (30 year)	4.00%	5/15	(30,320 )
(27,500	) Federal National Mortgage Association (15 year)	3.50%	5/15	(29,141 )
(22,800	) Federal National Mortgage Association (30 year)	4.50%	6/15	(24,766 )
(23,050	) Federal National Mortgage Association (15 year)	2.50%	4/15	(23,677 )
(16,880	) Federal Home Loan Mortgage Corporation (15 year)	3.50%	4/15	(17,927 )
(15,810	) Federal Home Loan Mortgage Corporation (15 year)	3.00%	4/15	(16,556 )
(11,481	) Federal Home Loan Mortgage Corporation (30 year)	4.50%	4/15	(12,507 )
(11,170	) Federal National Mortgage Association (15 year)	4.00%	4/15	(11,805 )
(8,800	) Federal Home Loan Mortgage Corporation (30 year)	5.00%	5/15	(9,752 )
(7,900	) Federal Home Loan Mortgage Corporation (30 year)	5.00%	4/15	(8,762 )
(6,860	) Federal National Mortgage Association (30 year)	5.50%	4/15	(7,727 )
(2,280	) Federal National Mortgage Association (30 year)	5.00%	4/15	(2,535 )
(1,300	) Federal Home Loan Mortgage Corporation (30 year)	5.50%	4/15	(1,458 )
Total TBA-Fixed Rate Agency Securities Sold Short (Proceeds -\$1,150,419)				(1,154,779 )
Government Debt Sold Short (-5.23%)				
(19,039	) European Sovereign Bond	0.50% - 4.00%	9/16 - 11/19	(20,183 )
(17,600	) U.S. Treasury Note	1.25% - 2.25%	10/18 - 2/25	(17,751 )
(2,936	) U.S. Treasury Bond	2.50% - 3.13%	8/44 - 2/45	(3,169 )

Edgar Filing: Ellington Financial LLC - Form 10-Q

Total Government Debt Sold Short (Proceeds -\$43,150)	(41,103 )
Total Investments Sold Short (Proceeds -\$1,193,569)	\$ (1,195,882 )

See Notes to Consolidated Financial Statements

9

---

Table of Contents

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

	Primary Risk Exposure	Notional Value	Range of Expiration Dates	Fair Value
(In thousands)				Expressed in U.S. Dollars
Financial Derivatives—Assets (11.44%) (a) (ab) (ad)				
Swaps (11.00%) (ac)				
Long Swaps:				
Credit Default Swaps on Corporate Bond Indices (Net cost \$51,271) (e)	Credit	\$328,851	12/17 - 6/20	\$ 50,536
Interest Rate Swaps (Cost \$620) (f)	Interest Rates	1,270,424	7/16 - 3/45	21,688
Credit Default Swaps on Asset-Backed Indices (Proceeds -\$270) (e)	Credit	4,079	12/37-5/63	88
Total Return Swaps (i)	Equity Market	62,021	11/16	1
Total Return Swaps (j)	Credit	13,129	3/16 - 4/16	118
Short Swaps:				
Credit Default Swaps on Asset-Backed Securities (g)	Credit	(16,986 )	9/34 - 5/36	10,809
Credit Default Swaps on Asset-Backed Indices (g)	Credit	(72,380 )	5/46 - 10/57	2,573
Interest Rate Swaps (h)	Interest Rates	(237,823 )	3/18 - 2/45	599
Total Return Swaps (i)	Equity Market	(89,620 )	3/17	—
Total Swaps (Net cost \$75,571)				86,412
Futures (0.13%)				
Long Futures:				
U.S. Treasury Note Futures (l)	Interest Rates	168,200	6/15	993
Eurodollar Futures (k)	Interest Rates	39,000	12/15 - 6/17	23
Total Futures				1,016
Options (0.30%)				
Purchased Options:				
Options on Credit Default Swaps on Corporate Bond Indices (o)	Credit	156,950	4/15	21
Payer Swaptions (q)	Interest Rates	45,000	2/18 - 3/18	2,212
Options on U.S. Treasury Futures (t)	Interest Rates	7,200	5/15	77
Options on Eurodollar Futures (u)	Interest Rates	130,000	5/15	6
Total Options (Cost \$2,928)				2,316
Warrants (0.01%)				
Warrants (n)	Equity Market	1,554		100
Total Warrants (Cost \$100)				100
Total Financial Derivatives—Assets (Net cost \$78,599)				\$ 89,844



See Notes to Consolidated Financial Statements

10

---

Table of Contents

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

	Primary Risk Exposure	Notional Value	Range of Expiration Dates	Fair Value	
(In thousands)					Expressed in U.S. Dollars
Financial Derivatives—Liabilities (-8.62%) (a) (ab) (ad)					
Swaps (-8.19%) (ac)					
Long Swaps:					
Credit Default Swaps on Asset-Backed Indices (Proceeds - \$6,874) (e)	Credit	\$30,225	3/49 - 10/52	\$ (5,729	)
Interest Rate Swaps (f)	Interest Rates	56,902	3/20 - 4/45	(191	)
Credit Default Swaps on Corporate Bond Indices (Proceeds - \$2,478) (e)	Credit	8,400	12/19	(2,301	)
Credit Default Swaps on Corporate Bonds (Proceeds - \$526) (e)	Credit	1,980	6/19 - 12/19	(771	)
Total Return Swaps (i)	Equity Market	4,093	6/15 - 11/16	(18	)
Total Return Swaps (j)	Credit	14,326	3/16 - 4/16	(307	)
Short Swaps:					
Interest Rate Swaps (h)	Interest Rates	(1,580,221)	4/15 - 3/45	(25,134	)
Credit Default Swaps on Corporate Bond Indices (g)	Credit	(284,968 )	12/16-6/20	(28,976	)
Credit Default Swaps on Asset-Backed Securities (g)	Credit	(3,000 )	3/35	(239	)
Credit Default Swaps on Asset Backed Indices (g)	Credit	(16,725 )	5/63	(241	)
Credit Default Swaps on Corporate Bonds (g)	Credit	(9,970 )	9/19 - 3/20	(368	)
Total Swaps (Net proceeds -\$34,113)				(64,275	)
Futures (-0.05%)					
Long Futures:					
Equity Index Futures (m)	Credit	9,067	6/15	\$ (8	)
Short Futures:					
Eurodollar Futures (k)	Interest Rates	(645,000 )	6/15-9/17	(417	)
Total Futures				(425	)
Options (-0.29%)					
Written Options:					
Options on Credit Default Swaps on Corporate Bond Indices (p)	Credit	(218,500 )	4/15 - 6/15	(431	)
Payer Swaption (r)	Credit	(158,500 )	2/18 - 3/18	(1,751	)
Straddle Swaption (s)	Credit	(4,600 )	4/15	(68	)
Total Options (Proceeds -\$3,071)				(2,250	)
Forwards (-0.09%)					
Long Forwards:					
Currency Forwards (v)	Currency	4,033	6/15	(4	)
Short Forwards:					
Currency Forwards (w)	Currency	(54,342 )	6/15	(713	)
Total Forwards				(717	)
Total Financial Derivatives—Liabilities (Net proceeds -\$37,184)				\$ (67,667	)

See Notes to Consolidated Financial Statements

11

---

Table of Contents

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

- (a) See Note 2 and Note 3 in Notes to Consolidated Financial Statements.  
At March 31, 2015, the Company's long investments guaranteed by the Federal National Mortgage Association, the  
(b) Federal Home Loan Mortgage Corporation, and the Government National Mortgage Association, represented 83.65%, 53.13%, and 11.99% of equity, respectively.  
(c) In general, securities received pursuant to repurchase agreements were delivered to counterparties in short sale transactions.  
(d) At March 31, 2015, the Company's short investments guaranteed by the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation represented 117.75% and 29.28% of equity, respectively.  
(e) For long credit default swaps, the Company sold protection.  
(f) For long interest rate swap contracts, a floating rate is being paid and a fixed rate is being received.  
(g) For short credit default swaps, the Company purchased protection.  
(h) For short interest rate swap contracts, a fixed rate is being paid and a floating rate is being received.  
(i) Notional value represents number of underlying shares times the closing price of the underlying security.  
(j) Notional value represents outstanding principal balance on underlying corporate debt.  
(k) Every \$1,000,000 in notional value represents one contract.  
(l) Notional value represents the total face amount of U.S. Treasury Notes underlying all contracts held; as of March 31, 2015, 1,191 contracts were held.  
(m) Notional value represents the number of contracts held times 50 times the Index price at March 31, 2015; as of March 31, 2015, 88 contracts were held.  
(n) Notional amount represents number of warrants.  
(o) 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.  
(p) 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.  
(q) 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.  
(r) 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.  
(s) Represents the combination of a written payer swaption and a written receiver swaption on the same underlying swap.  
(t) Represents the option on the part of the Company to enter into a futures contract with a counterparty; as of March 31, 2015, 72 contracts were held.  
(u) Represents the option on the part of the Company to enter into a futures contract with a counterparty. Every \$1,000,000 in notional value represents one contract.  
(v) Notional amount represents U.S. Dollars to be paid by the Company at the maturity of the forward contract.  
(w) Notional amount represents U.S. Dollars to be received by the Company at the maturity of the forward contract.  
(x) Includes non-performing commercial loans in the amount of \$15.0 million whereby principal and/or interest is past due and a maturity date is not applicable.  
(y) Number of properties not shown in thousands, represents actual number of properties owned.  
(z) 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 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

Edgar Filing: Ellington Financial LLC - Form 10-Q

qualified with a "+," "-", "1," "2," or "3."

Rating Description	Percent of Equity	
Unrated but Agency-Guaranteed	148.77	%
A/A/A	0.34	%
Baa/BBB/BBB	3.04	%
Ba/BB/BB or below	64.24	%
Unrated	32.00	%

(aa) Private trust 100% backed by interest in Government National Mortgage Association collateralized mortgage obligation certificates.

(ab) Classification percentages are based on Total Equity.

(ac) 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	5.08	%
Affiliates of JP Morgan	Financial derivatives—liability	(5.34	)%

See Notes to Consolidated Financial Statements

12

---

Table of Contents

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

(ad) The following table details the breakout by geographical region of long investments, investments sold short, repurchase agreements, financial derivatives—assets, and financial derivatives—liabilities.

Region	Current Principal/Notional Value/ Number of Shares	Cost/(Proceeds)	Fair Value	Percent of Equity	
Long Investments: (In thousands, Expressed in U.S. Dollars)					
North America	2,606,164	\$1,823,880	\$1,881,365	239.53	%
Europe	56,061	57,497	48,278	6.15	%
North America (Private Corporate Equity Investments)	n/a	21,274	21,300	2.71	%
Total		\$1,902,651	\$1,950,943	248.39	%
Investments Sold Short:					
North America (TBAs and Government Debt)	(1,103,716	) \$(1,170,994	) \$(1,175,699	) (149.69	)%
Europe (Government Debt)	(19,039	) (22,575	) (20,183	) (2.57	)%
Total	\$(1,122,755	) \$(1,193,569	) \$(1,195,882	) (152.26	)%
Repurchase Agreements:					
North America	24,046	\$24,046	\$24,046	3.06	%
Europe	20,709	21,027	20,708	2.64	%
Total	44,755	\$45,073	\$44,754	5.70	%
Financial Derivatives—Assets:					
North America	1,650,257	\$45,179	\$58,131	7.40	%
Europe	159,342	33,420	31,713	4.04	%
Total	1,809,599	\$78,599	\$89,844	11.44	%
Financial Derivatives—Liabilities:					
North America	(2,731,689	) \$(26,330	) \$(55,961	) (7.13	)%
Europe	(115,111	) (10,854	) (11,706	) (1.49	)%
Total	(2,846,800	) \$(37,184	) \$(67,667	) (8.62	)%

See Notes to Consolidated Financial Statements

Table of Contents

ELLINGTON FINANCIAL LLC

CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS

AT DECEMBER 31, 2014

(UNAUDITED)

Current Principal (In thousands)	Description	Rate	Maturity	Fair Value Expressed in U.S. Dollars
	Long Investments (275.46%) (a) (v) (x) (z)			
	Mortgage-Backed Securities (241.27%)			
	Agency Securities (163.60%) (b)			
	Fixed Rate Agency Securities (158.20%)			
	Principal and Interest - Fixed Rate Agency Securities (147.82%)			
\$25,298	Federal National Mortgage Association Pool	3.50%	10/42	\$ 26,448
16,987	Federal Home Loan Mortgage Corporation Pool	4.00%	10/44	18,242
16,831	Federal National Mortgage Association Pool	4.00%	11/43	18,129
15,372	Federal National Mortgage Association Pool	4.00%	11/43	16,540
14,026	Federal National Mortgage Association Pool	5.00%	8/41	15,542
11,953	Federal Home Loan Mortgage Corporation Pool	4.50%	1/44	13,171
12,043	Federal Home Loan Mortgage Corporation Pool	4.00%	8/43	12,971
10,661	Federal National Mortgage Association Pool	5.00%	3/41	11,902
11,098	Federal Home Loan Mortgage Corporation Pool	4.00%	9/44	11,855
9,186	Federal National Mortgage Association Pool	3.50%	11/29	9,749
9,317	Federal Home Loan Mortgage Corporation Pool	3.50%	11/44	9,721
8,999	Federal Home Loan Mortgage Corporation Pool	4.00%	7/43	9,639
8,269	Federal National Mortgage Association Pool	4.00%	8/43	8,859
7,982	Federal National Mortgage Association Pool	3.50%	12/29	8,467
7,951	Federal Home Loan Mortgage Corporation Pool	3.50%	11/44	8,319
7,051	Federal Home Loan Mortgage Corporation Pool	4.00%	10/44	7,572
7,232	Federal Home Loan Mortgage Corporation Pool	3.50%	11/44	7,549
6,983	Federal Home Loan Mortgage Corporation Pool	4.00%	11/44	7,514
6,999	Federal Home Loan Mortgage Corporation Pool	3.50%	11/44	7,305
6,933	Federal National Mortgage Association Pool	3.50%	11/42	7,274
6,436	Federal Home Loan Mortgage Corporation Pool	4.50%	2/44	7,094
6,564	Federal National Mortgage Association Pool	3.50%	3/28	6,979
6,148	Federal National Mortgage Association Pool	5.00%	3/44	6,863
5,945	Government National Mortgage Association Pool	4.59%	11/64	6,695
6,046	Federal Home Loan Mortgage Corporation Pool	4.00%	9/44	6,459
5,782	Federal National Mortgage Association Pool	4.50%	10/43	6,296
5,916	Federal National Mortgage Association Pool	4.50%	4/26	6,232
5,526	Federal National Mortgage Association Pool	4.50%	2/44	6,108
5,557	Federal Home Loan Mortgage Corporation Pool	4.00%	11/44	5,973
5,220	Federal National Mortgage Association Pool	5.00%	3/44	5,839
5,431	Federal National Mortgage Association Pool	4.00%	8/43	5,822
5,410	Federal National Mortgage Association Pool	4.00%	5/44	5,819
5,708	Federal Home Loan Mortgage Corporation Pool	3.00%	1/43	5,788
5,402	Federal Home Loan Mortgage Corporation Pool	4.00%	8/43	5,786
5,131	Federal National Mortgage Association Pool	5.50%	10/39	5,741

See Notes to Consolidated Financial Statements





Table of Contents

ELLINGTON FINANCIAL LLC

CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS

AT DECEMBER 31, 2014 (CONTINUED)

(UNAUDITED)

Current Principal (In thousands)	Description	Rate	Maturity	Fair Value Expressed in U.S. Dollars
Principal and Interest - Fixed Rate Agency Securities (147.82%) (continued)				
\$5,407	Federal National Mortgage Association Pool	3.50%	11/44	\$ 5,668
5,130	Federal National Mortgage Association Pool	4.00%	6/44	5,502
5,414	Federal National Mortgage Association Pool	3.00%	4/43	5,489
5,058	Federal Home Loan Mortgage Corporation Pool	4.00%	7/44	5,450
4,897	Federal National Mortgage Association Pool	4.50%	12/43	5,402
5,036	Federal National Mortgage Association Pool	3.50%	11/29	5,353
4,942	Federal National Mortgage Association Pool	4.00%	5/44	5,322
4,922	Federal Home Loan Mortgage Corporation Pool	4.00%	10/44	5,304
4,981	Federal National Mortgage Association Pool	3.50%	12/28	5,290
4,662	Federal National Mortgage Association Pool	4.50%	1/44	5,146
4,708	Federal National Mortgage Association Pool	4.50%	12/44	5,120
4,585	Federal National Mortgage Association Pool	3.50%	12/29	4,864
4,413	Federal Home Loan Mortgage Corporation Pool	4.50%	10/43	4,861
4,487	Federal Home Loan Mortgage Corporation Pool	4.00%	2/44	4,835
4,491	Federal Home Loan Mortgage Corporation Pool	4.00%	8/43	4,810
4,468	Federal National Mortgage Association Pool	4.00%	1/43	4,783
4,443	Federal National Mortgage Association Pool	4.00%	10/44	4,750
4,358	Federal Home Loan Mortgage Corporation Pool	4.00%	11/44	4,689
4,246	Federal National Mortgage Association Pool	4.50%	2/44	4,666
4,131	Government National Mortgage Association Pool	4.68%	9/64	4,647
4,108	Federal National Mortgage Association Pool	4.50%	10/43	4,499
4,072	Federal National Mortgage Association Pool	4.50%	3/44	4,475
4,211	Federal National Mortgage Association Pool	3.50%	5/29	4,467
4,181	Government National Mortgage Association Pool	4.75%	1/61	4,457
4,000	Federal National Mortgage Association Pool	5.00%	10/43	4,444
3,838	Government National Mortgage Association Pool	4.61%	11/64	4,322
3,962	Federal National Mortgage Association Pool	4.50%	11/43	4,308
4,141	Federal Home Loan Mortgage Corporation Pool	3.50%	6/43	4,298
3,809	Government National Mortgage Association Pool	4.63%	10/64	4,295
3,943	Federal Home Loan Mortgage Corporation Pool	4.50%	12/43	4,294
3,997	Federal National Mortgage Association Pool	4.00%	6/44	4,289
3,809	Federal National Mortgage Association Pool	5.00%	10/43	4,259
3,784	Federal National Mortgage Association Pool	5.00%	11/44	4,195
3,896	Federal National Mortgage Association Pool	4.00%	10/44	4,193
3,843	Federal National Mortgage Association Pool	4.50%	3/44	4,190
3,884	Federal National Mortgage Association Pool	4.00%	11/43	4,180
3,922	Federal National Mortgage Association Pool	3.50%	11/29	4,170
3,807	Federal National Mortgage Association Pool	4.00%	11/33	4,123
3,656	Federal National Mortgage Association Pool	5.00%	1/44	4,121
3,816	Federal National Mortgage Association Pool	4.00%	4/42	4,098
3,683	Federal National Mortgage Association Pool	5.00%	11/43	4,086

See Notes to Consolidated Financial Statements  
15

---

Table of Contents

ELLINGTON FINANCIAL LLC  
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS  
AT DECEMBER 31, 2014 (CONTINUED)  
(UNAUDITED)

Current Principal/Notional Value (In thousands)	Description	Rate	Maturity	Fair Value Expressed in U.S. Dollars
Principal and Interest - Fixed Rate Agency Securities (147.82%) (continued)				
\$3,661	Federal National Mortgage Association Pool	5.00%	10/43	\$ 4,085
3,744	Federal National Mortgage Association Pool	4.50%	11/44	4,079
3,692	Federal National Mortgage Association Pool	4.50%	12/44	4,045
3,706	Federal National Mortgage Association Pool	4.00%	10/44	3,989
3,921	Federal National Mortgage Association Pool	3.00%	1/43	3,978
3,597	Federal National Mortgage Association Pool	5.00%	10/43	3,973
360,009	Other Federal National Mortgage Association Pools	3.00% -6.00%	6/26 - 1/45	389,510
187,073	Other Federal Home Loan Mortgage Corporation Pools	3.00% -6.00%	3/28 - 1/45	200,541
26,938	Other Government National Mortgage Association Pools	4.49% -5.54%	2/60 - 11/64	29,466
				1,165,642
Interest Only - Fixed Rate Agency Securities (1.20%)				
56,737	Other Federal National Mortgage Association	3.00% - 5.50%	12/20 - 6/43	6,971
16,165	Other Federal Home Loan Mortgage Corporation	3.50% - 5.50%	12/32 - 3/40	2,009
2,142	Other Government National Mortgage Association	4.75%	7/40	461
				9,441
TBA - Fixed Rate Agency Securities (9.18%)				
44,478	Federal National Mortgage Association (30 Year)	3.00%	1/15	45,015
27,120	Federal Home Loan Mortgage Corporation (30 Year)	3.00%	1/15	27,395
				72,410
				1,247,493
Total Fixed Rate Agency Securities (Cost \$1,230,414)				
Floating Rate Agency Securities (5.40%)				
Principal and Interest - Floating Rate Agency Securities (2.62%)				
5,084	Federal Home Loan Mortgage Corporation Pool	4.92%	4/38	5,406
6,265	Other Federal National Mortgage Association Pools	5.04% - 6.05%	9/35 - 9/37	6,692
4,653	Other Federal Home Loan Mortgage Corporation Pools	2.36% - 5.94%	6/37 - 5/44	4,876
3,404	Other Government National Mortgage Association Pool	2.47%	11/64	3,673
				20,647
Interest Only - Floating Rate Agency Securities (2.78%)				
183,794	Other Government National Mortgage Association	0.40% - 6.58%	11/42 - 10/63	13,591
28,251	Other Federal National Mortgage Association	5.50% - 6.58%	4/35 - 7/43	4,508
21,145	Resecuritization of Government National Mortgage Association (w)	4.34%	8/60	1,973
13,048	Other Federal Home Loan Mortgage Corporation	5.84% - 6.47%	3/36 - 8/39	1,872
				21,944
				42,591
Total Floating Rate Agency Securities (Cost \$41,787)				

Total Agency Securities (Cost \$1,272,201)

1,290,084

See Notes to Consolidated Financial Statements

16

---

Table of Contents

ELLINGTON FINANCIAL LLC  
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS  
AT DECEMBER 31, 2014 (CONTINUED)  
(UNAUDITED)

Current Principal/ Notional Value/ Number of Properties/ Number of Shares	Description	Rate	Maturity	Fair Value
(In thousands)				Expressed in U.S. Dollars
Private Label Securities (77.67%)				
Principal and Interest - Private Label Securities (76.95%)				
\$963,038	Various	0% - 12.25%	7/15 - 1/61	\$ 606,757
Total Principal and Interest - Private Label Securities (Cost \$571,834)				606,757
Principal Only - Private Label Securities (0.41%)				
5,800	Various	—%	8/30	3,248
Total Principal Only - Private Label Securities (Cost \$2,737)				3,248
Interest Only - Private Label Securities (0.31%)				
65,223	Various	0.50% - 2.00%	6/44 - 12/47	2,423
Total Interest Only - Private Label Securities (Cost \$1,602)				2,423
Other Private Label Securities (0.00%)				
111,629	Various	—%	6/37 - 10/47	—
Total Other Private Label Securities (Cost \$302)				—
Total Private Label Securities (Cost \$576,475)				612,428
Total Mortgage-Backed Securities (Cost \$1,848,676)				1,902,512
Other Asset-Backed Securities and Loans (18.55%)				
169,458	Various	0% - 49.00%	6/15 - 9/68	146,288
Total Other Asset-Backed Securities and Loans (Cost \$149,386)				146,288
Corporate Debt (5.41%)				
46,006	Various	5.25%-15.00%	6/16 - 9/21	42,708
Total Corporate Debt (Cost \$43,585)				42,708
Commercial Mortgage Loans (3.59%) (t)				
32,519	Various	0% - 10.00%	1/15 - 11/17	28,309
Total Commercial Mortgage Loans (Cost \$28,266)				28,309
Residential Mortgage Loans (3.49%)				
44,336	Various	—%	2/18 - 10/54	27,482
Total Residential Mortgage Loans (Cost \$27,398)				27,482
Real Estate Owned (1.10%) (u)				
50	Single-Family Houses			6,591
1	Commercial Property			2,044
Total Real Estate Owned (Cost \$8,748)				8,635
Private Corporate Equity Investments (1.84%)				
6,241	Non-Exchange Traded Preferred Equity Investment in Commercial Mortgage-Related Private Partnership			6,241

Edgar Filing: Ellington Financial LLC - Form 10-Q

88	Non-Exchange Traded Corporate Equity	2,860
n/a	Non-Controlling Interest in Mortgage-Related Private Partnership	2,673
7,657	Non-Exchange Traded Preferred Equity Investment in Mortgage Originators	2,500
728	Non-Exchange Traded Equity Investment in Mortgage Originators	238
	Private Corporate Equity Investments (Cost \$14,717)	14,512

See Notes to Consolidated Financial Statements

17

---

Table of Contents

ELLINGTON FINANCIAL LLC  
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS  
AT DECEMBER 31, 2014 (CONTINUED)  
(UNAUDITED)

Current Principal Description (In thousands)	Rate	Maturity	Fair Value Expressed in U.S. Dollars
U.S. Treasury Securities (0.21%) \$1,560 U.S. Treasury Bond	3.00%	11/44	\$ 1,636
U.S. Treasury Securities (Cost \$1,550)			1,636
Total Long Investments (Cost \$2,122,326)			\$ 2,172,082
Repurchase Agreements (21.81%) (a) (c) (x) (z) \$122,256 Deutsche Bank Securities	(0.22)%	1/15	\$ 122,256
Collateralized by Par Value \$122,870 U.S. Treasury Note, Coupon 1.50%, Maturity Date 11/19			
13,090 Barclays Capital Inc.	(0.10)%	1/15	13,090
Collateralized by Par Value \$11,508 Sovereign Government Bond, Coupon 2.75%, Maturity Date 4/19			
9,712 Barclays Capital Inc.	(0.10)%	1/15	9,712
Collateralized by Par Value \$8,390 Sovereign Government Bond, Coupon 3.75%, Maturity Date 10/18			
7,465 Bank of America	(0.22)%	1/15	7,465
Collateralized by Par Value \$7,410 U.S. Treasury Note, Coupon 2.25%, Maturity Date 11/24			
6,888 Barclays Capital Inc.	0.15%	1/15	6,888
Collateralized by Par Value \$6,393 Sovereign Government Bond, Coupon 4.00%, Maturity Date 9/16			
4,975 Pierpont Securities LLC	(0.10)%	1/15	4,975
Collateralized by Par Value \$5,000, U.S. Treasury Note, Coupon 1.25%, Maturity Date 10/18			
3,379 Bank of America	(0.25)%	1/15	3,379
Collateralized by Par Value \$3,354 U.S. Treasury Note, Coupon 2.25%, Maturity Date 11/24			
2,173 Pierpont Securities LLC	(0.30)%	1/15	2,173
Collateralized by Par Value \$2,000 U.S. Treasury Bond, Coupon 3.13%, Maturity Date 8/44			
2,063 Deutsche Bank Securities	(0.10)%	1/15	2,063
Collateralized by Par Value \$1,827 Sovereign Government Bond, Coupon 2.75%, Maturity Date 4/19			

Total Repurchase Agreements (Cost \$172,001)

\$172,001

See Notes to Consolidated Financial Statements

18

---



Table of Contents

ELLINGTON FINANCIAL LLC  
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS  
AT DECEMBER 31, 2014 (CONTINUED)  
(UNAUDITED)

Current Principal/ Number of Shares (In thousands)	Description	Rate	Maturity	Fair Value  Expressed in U.S. Dollars
Investments Sold Short (-163.77%) (a) (x) (z)				
TBA - Fixed Rate Agency Securities Sold Short (-153.39%) (d)				
\$ (213,928 )	Federal National Mortgage Association (30 year)	4.00%	1/15	\$ (228,376 )
(205,082 )	Federal National Mortgage Association (30 year)	3.50%	1/15	(213,870 )
(146,580 )	Federal National Mortgage Association (15 year)	3.50%	1/15	(154,837 )
(123,117 )	Federal Home Loan Mortgage Corporation (30 year)	4.00%	1/15	(131,254 )
(92,080 )	Federal National Mortgage Association (30 year)	4.50%	1/15	(99,968 )
(54,100 )	Federal National Mortgage Association (30 year)	5.00%	2/15	(59,698 )
(48,150 )	Federal National Mortgage Association (30 year)	5.00%	1/15	(53,193 )
(48,800 )	Federal National Mortgage Association (30 year)	4.50%	2/15	(52,889 )
(38,360 )	Federal National Mortgage Association (15 year)	3.00%	1/15	(39,870 )
(36,081 )	Federal Home Loan Mortgage Corporation (30 year)	4.50%	1/15	(39,111 )
(26,400 )	Federal Home Loan Mortgage Corporation (30 year)	4.00%	2/15	(28,071 )
(21,840 )	Federal National Mortgage Association (30 year)	4.00%	2/15	(23,255 )
(20,300 )	Federal Home Loan Mortgage Corporation (15 year)	3.50%	1/15	(21,429 )
(15,850 )	Federal National Mortgage Association (15 year)	2.50%	1/15	(16,140 )
(14,020 )	Federal Home Loan Mortgage Corporation (30 year)	3.50%	1/15	(14,579 )
(7,900 )	Federal National Mortgage Association (15 year)	4.00%	2/15	(8,365 )
(6,860 )	Federal National Mortgage Association (30 year)	5.50%	1/15	(7,673 )
(6,000 )	Federal Home Loan Mortgage Corporation (30 year)	5.00%	1/15	(6,622 )
(4,100 )	Federal Home Loan Mortgage Corporation (15 year)	3.00%	1/15	(4,256 )
(3,270 )	Other Federal National Mortgage Association (15 year)	4.00%	1/15	(3,465 )
(1,300 )	Other Federal Home Loan Mortgage Corporation (30 year)	5.50%	1/15	(1,453 )
(1,100 )	Other Federal Home Loan Mortgage Corporation (15 year)	4.00%	1/15	(1,165 )
Total TBA - Fixed Rate Agency Securities Sold Short (Proceeds -\$1,205,876)				(1,209,539 )
Government Debt Sold Short (-7.02%)				
(28,118 )	European Sovereign Bonds	2.75% - 4.00%	9/16- 4/19	(30,606 )
(22,485 )	U.S. Treasury Note	1.25% - 2.25%	10/18 - 11/24	(22,560 )
(2,000 )	U.S. Treasury Bond	3.13%	8/44	(2,149 )
Total Government Debt Sold Short (Proceeds -\$56,610)				(55,315 )
Common Stock Sold Short (-3.36%)				
(2,986 )	Publicly Traded Real Estate Investment Trusts			(26,516 )
Total Common Stock Sold Short (Proceeds -\$27,605)				(26,516 )
Total Investments Sold Short (Proceeds -\$1,290,091)				\$ (1,291,370 )

See Notes to Consolidated Financial Statements

19

---

Table of Contents

ELLINGTON FINANCIAL LLC  
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS  
AT DECEMBER 31, 2014 (CONTINUED)  
(UNAUDITED)

	Primary Risk Exposure	Notional Value	Range of Expiration Dates	Fair Value
(In thousands)				Expressed in U.S.Dollars
Financial Derivatives—Assets (10.15%) (a) (x) (z)				
Swaps (9.87%)				
Long Swaps:				
Credit Default Swaps on Corporate Bond Indices (Cost - \$37,428) (e)	Credit	\$ 311,983	12/17 - 12/19	\$ 35,865
Credit Default Swaps on Asset-Backed Indices (Proceeds -\$249) (e)	Credit	3,734	12/37 - 5/63	61
Interest Rate Swaps (f)	Interest Rates	1,017,067	7/16 - 12/44	23,243
Total Return Swaps (i)	Equity Market	875	6/15	8
Short Swaps:				
Credit Default Swaps on Asset-Backed Securities (g)	Credit	(17,691	) 9/34 - 5/36	11,387
Credit Default Swaps on Asset-Backed Indices (g)	Credit	(50,981	) 5/46 - 10/52	1,820
Interest Rate Swaps (h)	Interest Rates	(627,931	) 10/16 - 12/44	5,411
Total Swaps (Net cost \$59,299)				77,795
Futures (0.03%)				
Long Futures:				
U.S. Treasury Note Futures (k)	Interest Rates	109,300	3/15	162
Eurodollar Futures (j)	Interest Rates	11,000	6/17	7
Short Futures:				
Eurodollar Futures (j)	Interest Rates	(520,000	) 9/15 - 9/17	92
Total Futures				261
Options (0.13%)				
Purchased Options:				
Options on Credit Default Swaps on Corporate Bond Indices (m)	Credit	364,400	1/15 - 3/15	625
Payer Swaption (o)	Interest Rates	822,800	1/15 - 6/15	344
Options on U.S. Treasury Futures (q)	Interest Rates	11,000	2/15 - 3/15	20
Total Options (Cost \$2,161)				989
Forwards (0.11%)				
Short Forwards:				
Currency Forwards (s)	Currency	(35,849	) 3/15	884
Total Forwards				884
Warrants (0.01%)				
Warrants (l)	Equity Market	1,554		100
Total Warrants (Cost \$100)				100
Total Financial Derivatives—Assets (Net cost \$61,560)				\$ 80,029

See Notes to Consolidated Financial Statements

20

---

Table of Contents

ELLINGTON FINANCIAL LLC  
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS  
AT DECEMBER 31, 2014 (CONTINUED)  
(UNAUDITED)

	Primary Risk Exposure	Notional Value	Range of Expiration Dates	Fair Value	
(In thousands)					Expressed in U.S.Dollars
Financial Derivatives—Liabilities (-8.39%) (a) (x) (z)					
Swaps (-8.32%) (y)					
Long Swaps:					
Credit Default Swaps on Asset-Backed Indices (Proceeds - \$5,160) (e)	Credit	\$ 17,113	3/49 - 10/52	\$ (4,248	)
Credit Default Swaps on Corporate Bond Indices (Proceeds - \$1,200) (e)	Credit	3,756	12/17	(1,231	)
Credit Default Swaps on Corporate Bonds (Proceeds - \$1,951) (e)	Credit	4,428	6/19 - 12/19	(2,706	)
Interest Rate Swaps (f)	Interest Rates	230,410	10/16 - 12/44	(678	)
Total Return Swaps (i)	Equity Market	72,075	1/15 - 11/16	(21	)
Short Swaps:					
Interest Rate Swaps (h)	Interest Rates	(1,024,716	) 3/15 - 11/44	(28,727	)
Credit Default Swaps on Asset-Backed Indices (g)	Credit	(20,050	) 5/63	(162	)
Credit Default Swaps on Corporate Bond Indices (g)	Credit	(352,945	) 12/16 - 12/19	(27,357	)
Credit Default Swaps on Asset-Backed Securities (g)	Credit	(3,000	) 3/35	(239	)
Credit Default Swaps on Corporate Bonds (g)	Credit	(5,970	) 9/19 - 12/19	(247	)
Total Swaps (Net proceeds -\$33,400)				(65,616	)
Futures (-0.01%)					
Long Futures:					
U.S. Treasury Note Futures (k)	Interest Rates	50,600	3/15	(13	)
Short Futures:					
Eurodollar Futures (j)	Interest Rates	(179,000	) 3/15 - 6/15	(68	)
Total Futures				(81	)
Options (-0.04%)					
Purchased Options:					
Payer Swaption (o)	Interest Rates	260,000	3/15	(137	)
Written Options:					
Options on Credit Default Swaps on Corporate Bond Indices (n)	Credit	(25,900	) 3/18	(146	)
Payer Swaption (p)	Interest Rates	(10,200	) 1/15	—	
Total Options (Proceeds -\$155)				(283	)
Forwards (-0.02%)					
Long Forwards:					
Currency Forwards (r)	Currency	9,518	3/15	(136	)

Edgar Filing: Ellington Financial LLC - Form 10-Q

Short Forwards:

Currency Forwards (s)	Currency	(117	) 3/15	—	
Total Forwards				(136	)
Total Financial Derivatives–Liabilities (Net proceeds -\$33,555)				\$ (66,116	)

See Notes to Consolidated Financial Statements

21

---

Table of Contents

ELLINGTON FINANCIAL LLC  
 CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS  
 AT DECEMBER 31, 2014 (CONTINUED)  
 (UNAUDITED)

- (a) See Note 2 and Note 3 in Notes to Consolidated Financial Statements.  
 At December 31, 2014, the Company's long investments guaranteed by the Federal National Mortgage Association, (b) the Federal Home Loan Mortgage Corporation, and the Government National Mortgage Association, represented 100.30%, 53.97%, and 9.33% of equity, respectively.
- (c) In general, securities received pursuant to repurchase agreements were delivered to counterparties in short sale transactions.
- (d) At December 31, 2014, the Company's short investments guaranteed by the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation, represented 121.95% and 31.44% of equity, respectively.
- (e) For long credit default swaps, the Company sold protection.
- (f) For long interest rate swap contracts, a floating rate is being paid and a fixed rate is being received.
- (g) For short credit default swaps, the Company purchased protection.
- (h) For short interest rate swap contracts, a fixed rate is being paid and a floating rate is being received.
- (i) Notional value represents number of underlying shares times the closing price of the underlying security.
- (j) Every \$1,000,000 in notional value represents one contract.
- (k) Notional value represents the total face amount of U.S. Treasury Notes underlying all contracts held; as of December 31, 2014, 1,346 contracts were held.
- (l) Notional amount represents number of warrants.
- (m) 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.
- (n) 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.
- (o) 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.
- (p) 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.
- (q) Represents the option on the part of the Company to enter into a futures contract with a counterparty; as of December 31, 2014, 110 contracts were held.
- (r) Notional amount represents U.S. Dollars to be paid by the Company at the maturity of the forward contract.
- (s) Notional amount represents U.S. Dollars to be received by the Company at the maturity of the forward contract.
- (t) Includes non-performing commercial loans in the amount of \$11.3 million whereby principal and/or interest is past due and a maturity date is not applicable.
- (u) Number of properties not shown in thousands, represents actual number of properties owned.  
 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.
- (v) 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	163.60	%
A/A/A	0.98	%
Baa/BBB/BBB	5.62	%
Ba/BB/BB or below	80.65	%
Unrated	24.61	%

Edgar Filing: Ellington Financial LLC - Form 10-Q

(w) Private trust 100% backed by interest in Government National Mortgage Association collateralized mortgage obligation certificates.

(x) Classification percentages are based on Total Equity.

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

Dealer/Parent Company	Percent of Equity	
Affiliates of JP Morgan	(5.18	)%

See Notes to Consolidated Financial Statements

22

---



Table of Contents

ELLINGTON FINANCIAL LLC  
 CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS  
 AT DECEMBER 31, 2014 (CONCLUDED)  
 (UNAUDITED)

(z) The following table details the breakout by geographical region of long investments, investments sold short, repurchase agreements, financial derivatives—assets, and financial derivatives—liabilities.

Region	Current Principal/ Notional Value/Number of Properties/Number of Shares	Cost/(Proceeds)	Fair Value	Percent of Equity	
Long Investments: (In thousands, Expressed in U.S. Dollars)					
North America	2,863,057	\$ 2,038,249	\$ 2,092,959	264.46	%
Europe	69,724	69,360	64,611	9.16	%
North America (Private Corporate Equity Investments)	n/a	14,717	14,512	1.84	%
Total		\$ 2,122,326	\$ 2,172,082	275.46	%
Investments Sold Short:					
North America (TBAs and Government Debt)	(1,159,703	) \$(1,230,478	) \$(1,234,248	) (156.53	)%
Europe (Government Debt)	(28,118	) (32,008	) (30,606	) (3.88	)%
North America (Common Stock)	(2,986	) (27,605	) (26,516	) (3.36	)%
Total		\$ (1,290,091	) \$(1,291,370	) (163.77	)%
Repurchase Agreements:					
North America	140,248	\$ 140,248	\$ 140,248	17.78	%
Europe	31,753	31,753	31,753	4.03	%
Total	172,001	\$ 172,001	\$ 172,001	21.81	%
Financial Derivatives—Assets:					
North America	1,401,261	\$ 61,560	\$ 80,029	10.15	%
Europe	—	—	—	—	%
Total	1,401,261	\$ 61,560	\$ 80,029	10.15	%
Financial Derivatives—Liabilities:					
North America	(936,799	) \$(30,598	) \$(63,084	) (8.00	)%
Europe	(37,199	) (2,957	) (3,032	) (0.39	)%
Total	(973,998	) \$(33,555	) \$(66,116	) (8.39	)%

See Notes to Consolidated Financial Statements

23

Table of Contents

ELLINGTON FINANCIAL LLC  
CONSOLIDATED STATEMENT OF OPERATIONS  
(UNAUDITED)

(In thousands except per share amounts)	Three Month Period Ended March 31, 2015	Three Month Period Ended March 31, 2014 <sup>(1)</sup>	
	Expressed in U.S. Dollars		
<b>INVESTMENT INCOME</b>			
Interest income	\$26,513	\$21,496	
Other investment income	293	—	
Total investment income	26,806	21,496	
<b>EXPENSES</b>			
Base management fee	2,952	2,364	
Interest expense	2,986	2,627	
Other investment related expenses	1,202	430	
Compensation expense	367	327	
Custody and other fees	428	408	
Professional fees	716	641	
Administration fees	339	293	
Insurance expense	177	189	
Directors' fees and expenses	74	73	
Share-based LTIP expense	98	63	
Total expenses	9,339	7,415	
<b>NET INVESTMENT INCOME</b>	<b>17,467</b>	<b>14,081</b>	
<b>NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, FINANCIAL DERIVATIVES, AND FOREIGN CURRENCY TRANSACTIONS/TRANSLATION</b>			
Net realized gain (loss) on:			
Investments	9,734	9,843	
Financial derivatives, excluding currency forwards	(5,834)	) 1,700	
Financial derivatives—currency forwards	5,796	(482	)
Foreign currency transactions	733	347	
	10,429	11,408	
Change in net unrealized gain (loss) on:			
Investments	693	(147	)
Financial derivatives, excluding currency forwards	(2,644	) (2,602	)
Financial derivatives—currency forwards	(1,465	) 163	
Foreign currency translation	(5,063	) (65	)
	(8,479	) (2,651	)
<b>NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, FINANCIAL DERIVATIVES, AND FOREIGN CURRENCY TRANSACTIONS/TRANSLATION</b>	<b>1,950</b>	<b>8,757</b>	
<b>NET INCREASE IN EQUITY RESULTING FROM OPERATIONS</b>	<b>19,417</b>	<b>22,838</b>	
<b>LESS: NET INCREASE IN EQUITY RESULTING FROM OPERATIONS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS</b>	<b>156</b>	<b>203</b>	
<b>NET INCREASE IN SHAREHOLDERS' EQUITY RESULTING FROM OPERATIONS</b>	<b>\$ 19,261</b>	<b>\$ 22,635</b>	

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

Basic and Diluted	\$0.57	\$0.88
(1) Conformed to current period presentation.		

See Notes to Consolidated Financial Statements

24

---

Table of Contents

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

	Three Month Period Ended March 31, 2015			Three Month Period Ended March 31, 2014		
	Shareholders' Equity	Non-controlling Interest	Total Equity	Shareholders' Equity	Non-controlling Interest	Total Equity
(In thousands)						
BEGINNING EQUITY (12/31/2014 and 12/31/2013, respectively)	\$782,155	\$ 6,389	\$788,544	\$620,401	\$ 5,648	\$626,049
CHANGE IN EQUITY RESULTING FROM OPERATIONS						
Net investment income			17,467			14,081
Net realized gain (loss) on investments, financial derivatives, and foreign currency transactions			10,429			11,408