

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-Q**

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

For the quarterly period ended **June 30, 2024**

**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 Inc.**

(Exact Name of Registrant as Specified in Its Charter)

**Delaware**

(State or Other Jurisdiction of Incorporation or Organization)

**26-0489289**

(I.R.S. Employer Identification No.)

**53 Forest Avenue**

**Old Greenwich, Connecticut, 06870**

(Address of Principal Executive Offices) (Zip Code)

**(203) 698-1200**

(Registrant's Telephone Number, Including Area Code)

**Securities registered pursuant to Section 12(b) of the Act:**

<b>Title of Each Class</b>	<b>Trading Symbol(s)</b>	<b>Name of Each Exchange on Which Registered</b>
Common Stock, \$0.001 par value per share	EFC	The New York Stock Exchange
6.750% Series A Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock	EFC PR A	The New York Stock Exchange
6.250% Series B Fixed-Rate Reset Cumulative Redeemable Preferred Stock	EFC PR B	The New York Stock Exchange
8.625% Series C Fixed-Rate Reset Cumulative Redeemable Preferred Stock	EFC PR C	The New York Stock Exchange
7.000% Series D Cumulative Perpetual Redeemable Preferred Stock	EFC PRD	The New York Stock Exchange
8.250% Series E Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock	EFC PRE	The New York Stock Exchange

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 every Interactive Data File required to be submitted 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 such files). Yes  No

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

Large Accelerated Filer	<input checked="" type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-Accelerated Filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
		Emerging Growth Company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Number of shares of the Registrant's common stock outstanding as of August 2, 2024: 86,930,047

ELLINGTON FINANCIAL INC.  
INDEX

**Part I. Financial Information**

Item 1. Condensed Consolidated Financial Statements (unaudited)	<a href="#">3</a>
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	<a href="#">90</a>
Item 3. Quantitative and Qualitative Disclosures about Market Risk	<a href="#">137</a>
Item 4. Controls and Procedures	<a href="#">140</a>

**Part II. Other Information**

Item 1. Legal Proceedings	<a href="#">141</a>
Item 1A. Risk Factors	<a href="#">141</a>
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	<a href="#">141</a>
Item 6. Exhibits	<a href="#">142</a>
Signatures	<a href="#">143</a>

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**PART I—FINANCIAL INFORMATION**

**Item 1. Condensed Consolidated Financial Statements (Unaudited)**

**ELLINGTON FINANCIAL INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(UNAUDITED)**

	<b>June 30, 2024</b>		<b>December 31, 2023</b>	
<i>(In thousands, except share amounts)</i>	<i>Expressed in U.S. Dollars</i>			
<b>Assets</b>				
Cash and cash equivalents <sup>(1)</sup>	\$	198,513	\$	228,927
Restricted cash <sup>(1)</sup>		6,098		1,618
Securities, at fair value <sup>(1)(2)</sup>		1,127,684		1,518,377
Loans, at fair value <sup>(1)(2)</sup>		12,846,106		12,306,636
Loan commitments, at fair value		5,623		2,584
Forward MSR-related investments, at fair value <sup>(1)</sup>		158,031		163,336
Mortgage servicing rights, at fair value		29,538		29,580
Investments in unconsolidated entities, at fair value <sup>(1)</sup>		163,182		116,414
Real estate owned <sup>(1)(2)</sup>		25,248		22,085
Financial derivatives—assets, at fair value		162,165		143,996
Reverse repurchase agreements		85,671		173,145
Due from brokers		22,036		51,884
Investment related receivables <sup>(1)</sup>		195,557		480,249
Other assets <sup>(1)</sup>		67,201		77,099
<b>Total Assets</b>	\$	15,092,653	\$	15,315,930
<b>Liabilities</b>				
Securities sold short, at fair value	\$	51,858	\$	154,303
Repurchase agreements <sup>(1)</sup>		2,301,976		2,967,437
Financial derivatives—liabilities, at fair value		44,064		61,776
Due to brokers		74,946		62,442
Investment related payables		38,977		37,403
Other secured borrowings <sup>(1)</sup>		217,225		245,827
Other secured borrowings, at fair value <sup>(1)</sup>		1,585,838		1,424,668
HMBS-related obligations, at fair value		8,832,058		8,423,235
Unsecured borrowings, at fair value		269,069		272,765
Base management fee payable to affiliate		5,811		5,660
Dividends payable		15,158		11,528
Interest payable <sup>(1)</sup>		17,174		22,933
Accrued expenses and other liabilities <sup>(1)</sup>		64,640		90,341
<b>Total Liabilities</b>		13,518,794		13,780,318
Commitments and contingencies (Note 24)				
<b>Equity</b>				
Preferred stock, par value \$0.001 per share, 100,000,000 shares authorized; 14,757,222 and 14,757,222 shares issued and outstanding, and \$368,931 and \$368,931 aggregate liquidation preference, respectively		355,551		355,551
Common stock, par value \$0.001 per share, 300,000,000 and 200,000,000 shares authorized, respectively; 85,041,913 and 83,000,488 shares issued and outstanding, respectively		85		83
Additional paid-in-capital		1,541,002		1,514,797
Retained earnings (accumulated deficit)		(343,853)		(353,360)
<b>Total Stockholders' Equity</b>		1,552,785		1,517,071
Non-controlling interests <sup>(1)</sup>		21,074		18,541
<b>Total Equity</b>		1,573,859		1,535,612
<b>Total Liabilities and Equity</b>	\$	15,092,653	\$	15,315,930

(1) Ellington Financial Inc.'s Consolidated Balance Sheets include assets and liabilities of variable interest entities it has consolidated. See Note 12 for additional details on Ellington Financial Inc.'s consolidated variable interest entities.

(2) Includes assets pledged as collateral to counterparties. See Note 14 for additional details on the Company's borrowings and related collateral.

See Notes to Condensed Consolidated Financial Statements

**ELLINGTON FINANCIAL INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**

	Three-Month Period Ended		Six-Month Period Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
<i>(In thousands, except per share amounts)</i>				
<b>Net Interest Income</b>				
Interest income	\$ 100,470	\$ 88,092	\$ 201,990	\$ 175,266
Interest expense	(66,874)	(63,433)	(137,338)	(123,050)
Total net interest income	33,596	24,659	64,652	52,216
<b>Other Income (Loss)</b>				
Realized gains (losses) on securities and loans, net	(22,968)	(17,388)	(40,176)	(54,155)
Realized gains (losses) on financial derivatives, net	6,313	29,780	9,791	4,333
Realized gains (losses) on real estate owned, net	(1,877)	(1,245)	(3,249)	(1,301)
Unrealized gains (losses) on securities and loans, net	40,271	(11,383)	45,844	87,874
Unrealized gains (losses) on financial derivatives, net	7,902	8,340	38,267	11,103
Unrealized gains (losses) on real estate owned, net	882	1,174	203	1,178
Unrealized gains (losses) on other secured borrowings, at fair value, net	(1,516)	12,152	(14,040)	(17,528)
Unrealized gains (losses) on unsecured borrowings, at fair value	1,868	—	3,696	6,510
Net change from HECM reverse mortgage loans, at fair value	146,706	32,120	352,202	195,241
Net change related to HMBS obligations, at fair value	(127,672)	(24,576)	(305,654)	(156,110)
Other, net	7,652	5,689	15,161	9,193
Total other income (loss)	57,561	34,663	102,045	86,338
<b>Expenses</b>				
Base management fee to affiliate (Net of fee rebates of \$78, \$111, \$164, and \$283, respectively) <sup>(1)</sup>	5,811	4,913	11,541	9,869
Investment related expenses:				
Servicing expense	5,782	4,968	11,470	9,775
Debt issuance costs related to Other secured borrowings, at fair value	—	—	3,113	—
Other	5,305	4,422	9,740	8,291
Professional fees	2,438	6,351	5,407	9,907
Compensation and benefits	16,353	15,537	30,996	30,586
Other expenses	7,296	6,441	14,373	12,106
Total expenses	42,985	42,632	86,640	80,534
<b>Net Income (Loss) before Income Tax Expense (Benefit) and Earnings (Losses) from Investments in Unconsolidated Entities</b>	48,172	16,690	80,057	58,020
Income tax expense (benefit)	142	83	202	104
Earnings (losses) from investments in unconsolidated entities	12,042	(5,868)	14,268	(2,424)
<b>Net Income (Loss)</b>	60,072	10,739	94,123	55,492
Net income (loss) attributable to non-controlling interests	900	1,861	1,382	2,581
Dividends on preferred stock	6,825	5,980	13,479	11,097
<b>Net Income (Loss) Attributable to Common Stockholders</b>	\$ 52,347	\$ 2,898	\$ 79,262	\$ 41,814
<b>Net Income (Loss) per Share of Common Stock:</b>				
Basic and Diluted	\$ 0.62	\$ 0.04	\$ 0.94	\$ 0.62

(1) See Note 16 for further details on management fee rebates.

See Notes to Condensed Consolidated Financial Statements

**ELLINGTON FINANCIAL INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**(UNAUDITED)**

	Preferred Stock	Common Stock		Additional Paid-in Capital	Retained Earnings/(Accumulated Deficit)	Total Stockholders' Equity	Non- controlling Interest	Total Equity
		Shares	Par Value					
<i>(In thousands, except share amounts)</i>								
<i>Expressed in U.S. Dollars</i>								
<b>BALANCE, December 31, 2023</b>	\$ 355,551	83,000,488	\$ 83	\$1,514,797	\$ (353,360)	\$ 1,517,071	\$ 18,541	\$ 1,535,612
Net income (loss)					33,569	33,569	482	34,051
Net proceeds from the issuance of common stock <sup>(1)</sup>		2,103,725	2	26,854		26,856		26,856
Contributions from non-controlling interests							2,084	2,084
Common dividends <sup>(2)</sup>					(36,589)	(36,589)	(347)	(36,936)
Preferred dividends <sup>(3)</sup>					(6,654)	(6,654)		(6,654)
Distributions to non-controlling interests							(1,589)	(1,589)
Adjustment to non-controlling interests				(524)		(524)	524	—
Repurchase of shares of common stock		(47,565)	—	(524)		(524)		(524)
Share-based long term incentive plan unit awards				254		254	2	256
<b>BALANCE, March 31, 2024</b>	\$ 355,551	85,056,648	\$ 85	\$1,540,857	\$ (363,034)	\$ 1,533,459	\$ 19,697	\$ 1,553,156
Net income (loss)					59,172	59,172	900	60,072
Net proceeds from the issuance of common stock <sup>(1)</sup>		—	—	—		—		—
Contributions from non-controlling interests							7,133	7,133
Common dividends <sup>(2)</sup>					(33,166)	(33,166)	(326)	(33,492)
Preferred dividends <sup>(3)</sup>					(6,825)	(6,825)		(6,825)
Distributions to non-controlling interests							(6,334)	(6,334)
Adjustment to non-controlling interests				(1)		(1)	1	—
Repurchase of shares of common stock		(14,735)	—	(161)		(161)		(161)
Share-based long term incentive plan unit awards				307		307	3	310
<b>BALANCE, June 30, 2024</b>	\$ 355,551	85,041,913	\$ 85	\$1,541,002	\$ (343,853)	\$ 1,552,785	\$ 21,074	\$ 1,573,859

See Notes to Condensed Consolidated Financial Statements

**ELLINGTON FINANCIAL INC.**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)**  
**(UNAUDITED)**

	Preferred Stock	Common Stock		Additional Paid-in Capital	Retained Earnings/(Accumulated Deficit)	Total Stockholders' Equity	Non-controlling Interest	Total Equity
		Shares	Par Value					
<b>BALANCE, December 31, 2022</b>	\$ 227,432	63,812,215	\$ 64	\$1,259,352	\$ (290,881)	\$ 1,195,967	\$ 24,919	\$ 1,220,886
Net income (loss)					44,033	44,033	720	44,753
Net proceeds from the issuance of common stock <sup>(1)</sup>		4,433,861	4	60,461		60,465		60,465
Net proceeds from the issuance of preferred stock <sup>(1)</sup>	96,488					96,488		96,488
Contributions from non-controlling interests							757	757
Common dividends <sup>(2)</sup>					(30,297)	(30,297)	(367)	(30,664)
Preferred dividends <sup>(3)</sup>					(5,117)	(5,117)		(5,117)
Distributions to non-controlling interests							(1,065)	(1,065)
Adjustment to non-controlling interests				37		37	(37)	—
Repurchase of shares of common stock		(1,061,000)	(1)	(12,071)		(12,072)		(12,072)
Share-based long term incentive plan unit awards				328		328	4	332
<b>BALANCE, March 31, 2023</b>	<u>323,920</u>	<u>67,185,076</u>	<u>67</u>	<u>1,308,107</u>	<u>(282,262)</u>	<u>1,349,832</u>	<u>24,931</u>	<u>1,374,763</u>
Net income (loss)					8,878	8,878	1,861	10,739
Contributions from non-controlling interests							842	842
Common dividends <sup>(2)</sup>					(30,223)	(30,223)	(367)	(30,590)
Preferred dividends <sup>(3)</sup>					(5,980)	(5,980)		(5,980)
Distributions to non-controlling interests							(5,172)	(5,172)
Repurchase of shares of common stock		(23,336)	—	(280)		(280)	—	(280)
Share-based long term incentive plan unit awards		—	—	331		331	4	335
<b>BALANCE, June 30, 2023</b>	<u>\$ 323,920</u>	<u>67,161,740</u>	<u>\$ 67</u>	<u>\$1,308,158</u>	<u>\$ (309,587)</u>	<u>\$ 1,322,558</u>	<u>\$ 22,099</u>	<u>\$ 1,344,657</u>

(1) Net of discounts and commissions and offering costs.

(2) For the three-month periods ended June 30, 2024 and 2023, dividends totaling \$0.39 and \$0.45, respectively, per share of common stock and convertible unit outstanding were declared. For the six-month periods ended June 30, 2024 and 2023, dividends totaling \$0.82 and \$0.90, respectively, per share of common stock and convertible unit outstanding were declared.

(3) For the three-month periods ended June 30, 2024 and 2023, dividends totaling \$2.50614 and \$1.35156, respectively, per share of preferred stock were declared. For the six-month periods ended June 30, 2024 and 2023, dividends totaling \$4.81083 and \$2.66719, respectively, per share of preferred stock were declared.

See Notes to Condensed Consolidated Financial Statements

**ELLINGTON FINANCIAL INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

<i>(In thousands)</i>	<b>Six-Month Period Ended</b>	
	<b>June 30, 2024</b>	<b>June 30, 2023</b>
	<i>Expressed in U.S. Dollars</i>	
<b>Cash Flows from Operating Activities:</b>		
Net cash provided by (used in) operating activities	\$ (148,056)	\$ (92,010)
<b>Cash Flows from Investing Activities:</b>		
Purchase of securities	(505,138)	(1,243,577)
Purchase and origination of loans	(1,790,386)	(1,452,192)
Receipt of distributions on Forward MSR-related investments	15,491	—
Capital improvements of real estate owned	—	(29)
Proceeds from disposition of securities	938,798	1,130,556
Proceeds from disposition of loans	173,729	17,984
Contributions to investments in unconsolidated entities	(53,968)	(44,555)
Distributions from investments in unconsolidated entities	154,831	87,804
Proceeds from disposition of real estate owned	20,739	19,109
Proceeds from FHA insurance claims and other receivables on HECM loans	24,540	64,727
Proceeds from principal payments of securities	85,211	87,527
Proceeds from principal payments of loans	1,346,362	1,198,081
Proceeds from securities sold short	62,791	171,429
Repurchase of securities sold short	(164,178)	(219,746)
Payments on financial derivatives	(117,798)	(157,895)
Proceeds from financial derivatives	128,609	145,458
Increase in cash resulting from consolidation of securitization trust, net	6,790	—
Payments made on reverse repurchase agreements	(13,936,362)	(18,857,421)
Proceeds from reverse repurchase agreements	14,023,105	18,901,283
Due from brokers, net	28,624	3,891
Due to brokers, net	27,471	12,299
Net cash provided by (used in) investing activities	469,261	(135,267)
<b>Cash Flows from Financing Activities:</b>		
Net proceeds from the issuance of common stock <sup>(1)</sup>	26,903	60,611
Net proceeds from the issuance of preferred stock <sup>(1)</sup>	—	96,850
Offering costs paid	(505)	(501)
Repurchase of common stock	(685)	(12,352)
Dividends paid	(80,277)	(70,411)
Contributions from non-controlling interests	8,798	1,829
Distributions to non-controlling interests	(7,923)	(6,237)
Proceeds from issuance of Other secured borrowings	784,870	859,817
Principal payments on Other secured borrowings	(813,472)	(962,585)
Borrowings under repurchase agreements	30,566,951	20,231,187
Repayments of repurchase agreements	(30,928,401)	(20,141,555)
Proceeds from issuance of Other secured borrowings, at fair value, net	18,271	—
Proceeds from issuance of HMBS	650,724	728,139
Principal payments on HMBS related obligations, at fair value	(560,014)	(587,784)
Due from brokers, net	515	5,255
Due to brokers, net	(12,894)	(658)
Net cash provided by (used in) financing activities	\$ (347,139)	201,605

See Notes to Condensed Consolidated Financial Statements

**ELLINGTON FINANCIAL INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONCLUDED)**  
**(UNAUDITED)**

<i>(In thousands)</i>	<b>Six-Month Period Ended</b>	
	<b>June 30, 2024</b>	<b>June 30, 2023</b>
	<i>Expressed in U.S. Dollars</i>	
<b>Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash</b>	(25,934)	(25,672)
<b>Cash, Cash Equivalents, and Restricted Cash, Beginning of Period</b>	230,545	221,869
<b>Cash, Cash Equivalents, and Restricted Cash, End of Period</b>	<u>\$ 204,611</u>	<u>\$ 196,197</u>
<b>Reconciliation of cash, cash equivalents, and restricted cash</b>		
Cash and cash equivalents, beginning of period	\$ 228,927	\$ 217,053
Restricted cash, beginning of period	1,618	4,816
Cash and cash equivalents and restricted cash, beginning of period	230,545	221,869
Cash and cash equivalents, end of period	198,513	194,595
Restricted cash, end of period	6,098	1,602
Cash and cash equivalents and restricted cash, end of period	204,611	196,197
<b>Supplemental disclosure of cash flow information:</b>		
Interest paid	\$ 143,097	\$ 126,492
Income tax paid (refunded)	260	(470)
Dividends payable	15,158	14,183
Transfers from mortgage loans to real estate owned (non-cash)	26,948	10,190
Transfers from mortgage loans to other sales and claims receivable (non-cash)	26,031	61,904
Transfers from mortgage loans to investments in unconsolidated entities (non-cash)	122,836	28,425
Transfers from corporate loans to investments in unconsolidated entities (non-cash)	—	665
Transfers from securities to corporate loans (non-cash)	500	—
Transfers from securities to residential mortgage loans (non-cash)	60	—
Contributions to investments in unconsolidated entities (non-cash)	(10,527)	(7,957)
Purchase of investments (non-cash)	(16,488)	(25,580)
Purchase of loans, net (non-cash)	—	(69,610)
Loans acquired in consolidation of securitization trust, net (non-cash)	(52,368)	—
Proceeds from the disposition of loans (non-cash)	189,921	174,181
Proceeds from principal payments of investments (non-cash)	69,559	85,704
Principal payments on Other secured borrowings, at fair value (non-cash)	(74,196)	(85,704)
Proceeds received from Other secured borrowings, at fair value (non-cash)	144,218	—
Other secured borrowings, at fair value assumed in consolidation of securitization trust (non-cash)	58,195	—
Proceeds from issuance of Other secured borrowings, net (non-cash)	—	69,610
Repayments of repurchase agreements (non-cash)	(304,011)	(141,453)

(1) Net of discounts and commissions.

See Notes to Condensed Consolidated Financial Statements



**ELLINGTON FINANCIAL INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2024**  
**(UNAUDITED)**

**1. Organization and Investment Objective**

Ellington Financial Inc. commenced operations on August 17, 2007 and is a Delaware corporation. Ellington Financial Operating Partnership LLC (the "Operating Partnership"), a 99.2% owned consolidated subsidiary of Ellington Financial Inc., was formed as a Delaware limited liability company on December 14, 2012 and commenced operations on January 1, 2013. All of Ellington Financial Inc.'s operations and business activities are conducted through the Operating Partnership. Ellington Financial Inc., the Operating Partnership, and their consolidated subsidiaries are hereafter collectively referred to as the "Company." All intercompany accounts are eliminated in consolidation.

The Company conducts its operations to qualify and be taxed as a real estate investment trust, or "REIT," under the Internal Revenue Code of 1986, as amended (the "Code"), and has elected to be taxed as a corporation effective January 1, 2019. In anticipation of the Company's intended election to be taxed as a REIT under the Code beginning with its 2019 taxable year (the "REIT Election"), the Company implemented an internal restructuring as of December 31, 2018. As part of this restructuring, the Company moved certain of its non-REIT-qualifying investments and financial derivatives to taxable REIT subsidiaries or, "TRSs," and disposed of certain of its investments in non-REIT-qualifying investments and financial derivatives.

Ellington Financial Management LLC (the "Manager") is an SEC-registered investment adviser that serves as the Manager to the Company pursuant to the terms of its Seventh Amended and Restated Management Agreement (the "Management Agreement"), which was approved by Ellington Financial Inc.'s Board of Directors (the "Board of Directors") effective March 13, 2018. The Manager is an affiliate of Ellington Management Group, L.L.C. ("Ellington"), 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 Board of Directors.

On October 3, 2022, the Company completed the acquisition of a controlling interest in Longbridge Financial, LLC ("Longbridge"), a reverse mortgage loan originator and servicer (the "Longbridge Transaction"). As a result of the Longbridge Transaction, the Company consolidates Longbridge's financial results. Additionally, on December 14, 2023, Arlington Asset Investment Corp., a Virginia corporation ("Arlington"), merged with and into EF Merger Sub Inc., a direct wholly-owned subsidiary of the Company, pursuant to the agreement and plan of merger (the "Arlington Merger Agreement") which was entered into on May 29, 2023 (the "Arlington Merger").

The Company has two reportable segments, the Investment Portfolio Segment and the Longbridge Segment. The Investment Portfolio Segment is focused on investing in a diverse array of financial assets, including residential and commercial mortgage loans; residential mortgage-backed securities, or "RMBS"; commercial mortgage-backed securities, or "CMBS"; investments referencing a portfolio of mortgage servicing rights on forward mortgage loans, or "Forward MSR-related investments"; consumer loans and asset-backed securities, or "ABS," including ABS backed by consumer loans; collateralized loan obligations, or "CLOs"; non-mortgage- and mortgage-related derivatives; debt and equity investments in loan origination companies; and other strategic investments. The Longbridge Segment is focused on the origination and servicing of reverse mortgage loans. Longbridge acquires reverse mortgage loans both through its origination activities and through secondary market purchases. Historically, the majority of loans acquired by Longbridge have been home equity conversion mortgage loans, or "HECMs," which are insured by the Federal Housing Administration, or "FHA." Such loans are generally eligible for securitization into HECM-backed MBS, or "HMBS," which are guaranteed by the Government National Mortgage Association, or "GNMA." Longbridge is an approved issuer of HMBS, and it transfers HECM loans into HMBS, which it then sells in the secondary market while retaining the servicing rights on the underlying HECM loans. Longbridge also originates and purchases non-FHA-insured reverse mortgage loans originated under guidelines established by private lenders, which the Company refers to as "Proprietary reverse mortgage loans." Proprietary reverse mortgage loans typically carry loan balances or credit lines that exceed FHA limits or have other characteristics that make them ineligible for FHA insurance.

## 2. Significant Accounting Policies

(A) *Basis of Presentation*: The Company's unaudited condensed consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America, or "U.S. GAAP," and Regulation S-X. The condensed consolidated financial statements include the accounts of the Company, the Operating Partnership, its subsidiaries, and variable interest entities, or "VIEs," for which the Company is deemed to be the primary beneficiary. 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 and those differences could be material. In management's opinion, all material adjustments considered necessary for a fair statement of the Company's 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 the condensed consolidated financial statements and notes thereto should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

(B) *Valuation*: The Company applies ASC 820-10, *Fair Value Measurement* ("ASC 820") to its holdings of financial instruments. ASC 820 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 and exchange-traded derivatives;
- 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 RMBS, for which the principal and interest payments are guaranteed by a U.S. government agency or a U.S. government-sponsored entity, or "Agency RMBS," U.S. Treasury securities and sovereign debt, certain non-Agency RMBS, CMBS, CLOs, corporate debt, and actively traded derivatives such as interest rate swaps, foreign currency forwards, and other over-the-counter derivatives; and
- 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 certain RMBS, CMBS, CLOs, ABS, credit default swaps, or "CDS," on individual ABS, 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, reverse mortgage loans, private corporate debt and equity investments, loan commitments, loan purchase commitments, mortgage servicing rights, or "MSRs," Forward MSR-related investments, other secured borrowings, at fair value, HMBS-related obligations, at fair value, and Unsecured borrowings, at fair value.

For certain financial instruments, the various inputs that management uses to measure fair value may fall into different levels of the fair value hierarchy. For each such financial instrument, the determination of which category within the fair value hierarchy is appropriate 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 given to inputs that are observable and reflect quoted prices (unadjusted) for identical assets or liabilities in active markets (Level 1), and the lowest priority given 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 financial instruments. The market approach uses third-party valuations and information obtained from market transactions involving identical or similar financial instruments. 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. The leveling of each financial instrument is reassessed at the end of each period. 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 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," forward settling to-be-announced mortgage-backed-securities, or "TBAs," CLOs, and 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, management may adjust the valuations it receives (e.g., downward adjustments for odd lots), and 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 financial 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. Given their relatively high level of price transparency, Agency RMBS pass-throughs are typically classified as Level 2. Non-Agency RMBS, CMBS, Agency interest only and inverse interest only RMBS, CLOs, and corporate bonds are generally classified as either Level 2 or Level 3 based on analysis of available market data and/or third-party valuations. The Company's investments in distressed corporate debt can be in the form of loans as well as total return swaps on loans. These investments, as well as related non-listed equity investments, are generally designated as Level 3 assets. Valuations for total return swaps are typically based on prices of the underlying loans received from third-party pricing services. Private equity investments are generally classified as Level 3. 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 mortgage loans, reverse mortgage loans, commercial mortgage loans, and consumer loans, management determines fair value by taking into account both external pricing data, which includes third-party valuations, and internal pricing models. Management has obtained third-party valuations on the majority of these loans and expects to continue to solicit third-party valuations in the future. In determining fair value for non-performing mortgage loans, management evaluates third-party valuations, if applicable, as well as management's estimates of the value of the underlying real estate, using information including general economic data, broker price opinions, or "BPOs," recent sales, property appraisals, and bids. In determining fair value for performing mortgage loans and consumer loans, management evaluates third-party valuations, if applicable, as well as discounted cash flows of the loans based on market assumptions. Cash flow assumptions typically include projected default and prepayment rates and loss severities, and may include adjustments based on appraisals and BPOs, and in the case of HECM reverse mortgage loans, projected future tail draws. Many adjustable-rate reverse mortgage loans provide the borrower with a line of credit that can be drawn over time, and a "tail draw" is a principal addition that results when a borrower takes such a draw, which may be securitized. Mortgage and consumer loans are classified as Level 3.

The Company has elected the fair value option, or "FVO," for its HMBS-related obligations. It determines fair value by taking into account both external pricing data, which includes third-party valuations, and internal pricing models. The estimated fair value of HMBS-related obligations also includes the consideration that would be required by a market participant to transfer the HECM loan net of the related servicing, including exposure resulting from shortfalls in FHA insurance proceeds. HMBS-related obligations, at fair value are classified as Level 3.

The Company has elected the FVO for its MSRs and Forward MSR-related investments. It determines fair value by taking into account both external pricing data, which includes third-party valuations, and internal pricing models. MSRs and Forward MSR-related investments are classified as Level 3.

The Company has securitized certain mortgage loans, including residential mortgage loans that are not deemed "qualified mortgage," or "QM," loans under the rules of the Consumer Financial Protection Bureau, or "non-QM loans," and proprietary reverse mortgage loans. The Company's securitized loans, which include non-QM loans, certain European residential mortgage loans, and reverse mortgage loans, are held as part of a collateralized financing entity, or "CFE." A CFE is a VIE that holds financial assets, issues beneficial interests in those assets, and has no more than nominal equity, and for which the issued beneficial interests have contractual recourse only to the related assets of the CFE. ASC 810, *Consolidation* ("ASC 810") allows the Company to elect to measure both the financial assets and financial liabilities of the CFE using the more observable of the fair value of the financial assets and the fair value of the financial liabilities of the CFE. The Company has elected the FVO for initial and subsequent recognition of the debt issued by its consolidated securitization trusts and has determined that each consolidated securitization trust meets the definition of a CFE; see Note 13 "*Securitization Transactions, —Consolidated Residential Mortgage Loan Securitizations, —Residential Mortgage Loan Securitizations—European Residential Mortgage Loans, and —Proprietary Reverse Mortgage Loan Securitizations*" for further discussion on the Company's consolidated

securitization trusts. The Company has determined the inputs to the fair value measurement of the financial liabilities of each of its CFEs to be more observable than those of the financial assets and, as a result, has used the fair value of the financial liabilities of each of the CFEs to measure the fair value of the financial assets of each of the CFEs. The fair value of the debt issued by each CFE is typically valued using both external pricing data, which includes third-party valuations, and internal pricing models. The securitized loans, which are assets of the consolidated CFEs, are included in Loans, at fair value, on the Company's Condensed Consolidated Balance Sheet. The debt issued by the consolidated CFEs is included in Other secured borrowings, at fair value, on the Company's Condensed Consolidated Balance Sheet. Unrealized gains (losses) from changes in fair value of Other secured borrowings, at fair value, are included in Unrealized gains (losses) on other secured borrowings, at fair value, net, on the Company's Condensed Consolidated Statement of Operations. The securitized loans and the debt issued by the Company's CFEs are both classified as Level 3.

The Company has elected the FVO for its loan commitments related to reverse mortgage loans, and uses market pricing for instruments with similar characteristics in determining fair value. The valuation process incorporates various inputs, such as an estimate of the fair value of the servicing rights expected to be recorded upon sale of a loan to a third party, estimated cost to originate the loan, and the expected pull-through rate. The Company's loan commitments are classified as Level 3.

The Company has elected the FVO for loan purchase commitments related to certain residential mortgage loans, and uses the agreed-upon loan purchase price with adjustments made for interest rate and credit spread movements in determining fair value. The Company's loan purchase commitments are classified as Level 3.

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 or indices, market-standard pricing sources are used to obtain valuations; these financial derivatives are generally classified as Level 2. 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 classified as Level 2. Financial derivatives with less price transparency, such as CDS on individual ABS, are generally valued based on internal models, and are classified as Level 3. 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 financial derivatives, the Company also considers the creditworthiness of both the Company and its counterparties, along with collateral provisions contained in each financial derivative agreement.

Investments in private operating entities, such as loan originators, are valued based on available metrics, such as relevant market multiples and comparable company valuations, company specific-financial data including actual and projected results, and independent third party valuation estimates. These investments are classified as Level 3.

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

The Company's valuation process, including the application of validation criteria, is directed by the Manager's Valuation Committee (the "Valuation Committee"), and overseen by the Company's audit 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 financial instruments. 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) Accounting for Securities:* Purchases and sales of investments in securities are generally recorded on trade date, and realized and unrealized gains and losses are calculated based on identified cost. Investments in securities are recorded in accordance with ASC 320, *Investments—Debt and Equity Securities* ("ASC 320") or ASC 325-40, *Beneficial Interests in Securitized Financial Assets* ("ASC 325-40"). The Company generally classifies its securities as available-for-sale. The Company has chosen to elect the FVO pursuant to ASC 825, *Financial Instruments* ("ASC 825") for its investments in securities. Electing the FVO allows the Company to record changes in fair value in the Condensed Consolidated Statement of Operations, as a component of Unrealized gains (losses) on securities and loans, net, which, in management's view, more appropriately reflects the results of operations for a particular reporting period as all investment activities will be recorded in a similar manner.

Many of the Company's investments in securities, such as MBS and CLOs, are issued by entities that are deemed to be VIEs. For the majority of such investments, the Company has determined it is not the primary beneficiary of such VIEs and therefore has not consolidated such VIEs. The Company's maximum risk of loss in these unconsolidated VIEs is generally limited to the fair value of the Company's investment in the VIE.

The Company evaluates its investments in interest only securities to determine whether they meet the requirements for classification as financial derivatives under ASC 815, *Derivatives and Hedging* ("ASC 815"). For interest only securities, where the holder is entitled only to a portion of the interest payments made on the mortgages underlying certain MBS, and inverse interest only securities, which are interest only securities whose coupon has an inverse relationship to its benchmark rate, such as SOFR, the Company has determined that such investments do not meet the requirements for treatment as financial derivatives and are classified as securities.

The Company applies the principles of ASU 2016-13, *Financial Instruments—Credit Losses* ("ASU 2016-13") and evaluates the cost basis of its investments in securities on at least a quarterly basis, under ASC 326-30, *Financial Instruments—Credit Losses: Available-for-Sale Debt Securities* ("ASC 326-30"). When the fair value of a security is less than its amortized cost basis as of the balance sheet date, the security's cost basis is considered impaired. The Company must evaluate the decline in the fair value of the impaired security and determine whether such decline resulted from a credit loss or non-credit related factors. In its assessment of whether a credit loss exists, the Company compares the present value of estimated future cash flows of the impaired security with the amortized cost basis of such security. The estimated future cash flows reflect those that a "market participant" would use and typically include assumptions related to fluctuations in interest rates, prepayment speeds, default rates, collateral performance, and the timing and amount of projected credit losses, as well as incorporating observations of current market developments and events. Cash flows are discounted at an interest rate equal to the current yield used to accrete interest income. If the present value of estimated future cash flows is less than the amortized cost basis of the security, an expected credit loss exists and is included in Unrealized gains (losses) on securities and loans, net, on the Condensed Consolidated Statement of Operations. If it is determined as of the financial reporting date that all or a portion of a security's cost basis is not collectible, then the Company will recognize a realized loss to the extent of the adjustment to the security's cost basis. This adjustment to the amortized cost basis of the security is reflected in Net realized gains (losses) on securities and loans, net, on the Condensed Consolidated Statement of Operations.

*(D) Accounting for Loans:* The Company's loan portfolio primarily consists of residential mortgage, commercial mortgage, consumer, and reverse mortgage loans. The Company's loans are accounted for under ASC 310-10, *Receivables*, and are classified as held-for-investment when the Company has the intent and ability to hold such loans for the foreseeable future or to maturity/payoff. When the Company has the intent to sell loans, such loans will be classified as held-for-sale. Mortgage loans held-for-sale are accounted for under ASC 948-310, *Financial services—mortgage banking*. Transfers between held-for-investment and held-for-sale occur once the Company's intent to sell the loans changes. The Company may aggregate its loans into pools based on common risk characteristics at purchase. The Company has chosen to elect the FVO pursuant to ASC 825 for its loan portfolios. Loans are recorded at fair value on the Condensed Consolidated Balance Sheet and changes in fair value are recorded in earnings on the Condensed Consolidated Statement of Operations. Changes in fair value on residential mortgage, commercial mortgage, consumer, corporate loans, and propriety reverse mortgage loans are included as a component of Unrealized gains (losses) on securities and loans, net. Changes in fair value on HECM reverse mortgage loans held-for-investment is included as a component of Net change from HECM reverse mortgage loans, at fair value, on the Condensed Consolidated Statement of Operations. The Company generates income from fees on certain loans, generally reverse mortgage and commercial mortgage loans, that it originates and holds for investment, including origination, servicing, and exit fees. Such fee income is recorded when earned and included in Other, net on the Condensed Consolidated Statement of Operations.

For residential and commercial mortgage loans, the Company generally accrues interest payments. Such loans are typically moved to non-accrual status if the loan becomes 90 days or more delinquent. Although reverse mortgage loans do not require monthly principal and interest payments, the terms of such loans require the borrower to occupy the property and to stay current on payment of property taxes and homeowners insurance. In the event that the borrower no longer occupies the property due to death or other circumstances or becomes delinquent on their tax or insurance payments, the loan will be classified as inactive. The Company does not accrue interest payments on its consumer loans; interest payments are recorded upon receipt. Once consumer loans are more than 120 days past due, the Company will generally charge off such loans. The Company evaluates its charged-off loans and determines collectibility, if any, on such loans.

The Company evaluates the collectibility of both interest and principal on each of its loan investments and whether the cost basis of the loan is impaired. A loan's cost basis is impaired when, based on current information and market developments, it is probable that the Company will be unable to collect all amounts due according to the existing contractual terms. When a loan's cost basis is impaired, the Company does not record an allowance for loan loss as it elected the FVO on all of its loan investments.

Consistent with the Company's application of the principles of ASU 2016-13, in its assessment of whether a credit loss exists, the Company compares the present value of the amount expected to be collected on the impaired loan with the amortized cost basis of such loan. If the present value of the amount expected to be collected on the impaired loan is less than the amortized cost basis of such loan, an expected credit loss exists and is included in Unrealized gains (losses) on securities and loans, net, on the Condensed Consolidated Statement of Operations. If it is determined as of the financial reporting date that all or a portion of a loan's cost basis is not collectible, then the Company will recognize a realized loss to the extent of the adjustment to the loan's cost basis. This adjustment to the amortized cost basis of the loan is reflected in Realized gains (losses) on securities and loans, net, on the Condensed Consolidated Statement of Operations.

*(E) Interest Income:* The Company generally amortizes premiums and accretes discounts on its debt securities. Coupon interest income on fixed-income investments is generally accrued based on the outstanding principal balance or notional value and the current coupon rate.

For debt securities that are deemed to be of high credit quality at the time of purchase (generally Agency RMBS, exclusive of interest only securities), premiums and discounts are amortized/accreted into interest income over the life of such securities using the effective interest method. For such 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, or "Catch-up Amortization Adjustment," is made to amortization to reflect the cumulative impact of the change in effective yield.

For debt securities (generally non-Agency RMBS, CMBS, ABS, CLOs, and interest only securities) 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 estimating future expected cash flows, management uses 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, GDP growth rates, and unemployment rates). These assumptions are re-evaluated not less than quarterly. Changes in projected cash flows may result in prospective changes in the yield/interest income recognized on such securities based on the updated expected future cash flows.

For each loan (including residential, commercial, and proprietary reverse mortgage loans and consumer loans) 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, based on current information and market developments, the Company re-assesses the collectibility of interest and principal, and generally designates a loan as in non-accrual status either when any payments have become 90 or more days past due, or when, in the 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 in non-accrual status, as long as principal is still expected to be collectible 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 collectible 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).

Interest income on HECM reverse mortgage loans held-for-investment is recognized based on the stated rate of the loan. Such interest income is included on the Condensed Consolidated Statement of Operations as a component of Net change from HECM reverse mortgage loans, at fair value.

For Forward MSR-related investments, the Company recognizes interest income based on the effective interest method. For purposes of estimating future expected cash flows, management uses various assumptions about the mortgage loans underlying the MSRs, including but not limited to the timing and amount of prepayments. These assumptions are re-evaluated not less than quarterly. Changes in projected cash flows may result in prospective changes in the yield/interest income recognized on such investments based on the updated expected future cash flows. Interest income on Forward MSR-related investments is included on the Condensed Consolidated Statement of Operations as a component of Interest Income.

Certain of the Company's debt securities and loans, at the date of acquisition, have experienced or are expected to experience more-than-insignificant deterioration in credit quality since origination. Consistent with the Company's application of the principles of ASU 2016-13, if at the date of acquisition for a particular asset the Company projects a significant difference between contractual cash flows and expected cash flows, it establishes an initial estimate for credit losses as an upward adjustment to the acquisition cost of the asset for the purpose of calculating interest income using the effective yield method.

In estimating future cash flows on the Company's debt securities, there are a number of assumptions that are 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.

(F) *Mortgage Servicing Rights*: MSRs represent contractual rights to perform specific administrative functions for the underlying loans including specified mortgage servicing activities, which include collecting loan payments, remitting principal and interest payments, managing escrow accounts for mortgage-related expenses such as taxes and insurance, and various other administrative tasks required to adequately service the mortgage loan portfolio. MSRs are created when the Company sells originated or purchased reverse mortgage loans but retains the servicing rights; MSRs can also be acquired in the secondary market. The Company has elected the FVO for its MSRs in accordance with ASC 860-50, *Transfers and Servicing—Servicing assets and liabilities* ("ASC 860-50"). Under this methodology, the Company fair values its MSRs on a recurring basis with changes in fair value recorded through earnings on the Condensed Consolidated Statement of Operations in Other, net. The Company accrues a base servicing fee for each serviced loan, typically based on the remaining outstanding principal balance of the loan and a fixed annual percentage fee, which is included in Other, net on the Condensed Consolidated Statement of Operations. Costs of servicing and ancillary fees are recognized as incurred or earned, and are included in Servicing expense on the Condensed Consolidated Statement of Operations.

(G) *Loan Commitments*: The Company's loan commitments relate to certain reverse mortgage loans extended to borrowers. The Company has elected the FVO for its loan commitments which are included in Loan commitments, at fair value on the Condensed Consolidated Balance Sheet. Changes in the fair value of the Company's loan commitments are included in Other, net on the Condensed Consolidated Statement of Operations.

(H) *Loan Purchase Commitments*: The Company's loan purchase commitments relate to commitments to purchase certain residential mortgage loans originated by third parties. The Company has elected the FVO for certain of its loan purchase commitments which are included in Other Assets on the Condensed Consolidated Balance Sheet. Changes in the fair value of such loan purchase commitments are included in Other, net on the Condensed Consolidated Statement of Operations.

(I) *Investments in unconsolidated entities*: The Company has made and may in the future make non-controlling equity investments in various entities, such as loan originators. Such investments are generally in the form of preferred and/or common equity, or membership interests. In certain cases, the Company can exercise significant influence over the entity (e.g. by having representation on the entity's board of directors) but the requirements for consolidation under ASC 810 are not met; in such cases the Company is required to account for such equity investments under ASC 323-10, *Investments—Equity Method and Joint Ventures* ("ASC 323-10"). The Company has chosen to elect the FVO pursuant to ASC 825 for its investments in unconsolidated entities, which, in management's view, more appropriately reflects the results of operations for a particular reporting period, as all investment activities will be recorded in a similar manner. The period change in fair value of the Company's investments in unconsolidated entities is recorded on the Condensed Consolidated Statement of Operations in Earnings (losses) from investments in unconsolidated entities.

(J) *Real Estate Owned "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's initial cost basis in REO is equal to the fair value of the real estate associated with the foreclosed mortgage loan, less expected costs to sell. REO valuations are reflected at the lower of cost or fair value. The fair value of such REO is typically based on management's estimates which generally use information including general economic data, BPOs, recent sales, property appraisals, and bids, and takes into account the expected costs to sell the property. REO recorded at fair value on a non-recurring basis are classified as Level 3.

(K) *Securities Sold Short*: The Company may purchase or engage in short sales of U.S. Treasury securities and sovereign debt to mitigate the potential impact of changes in interest rates and/or foreign exchange rates on the performance of its portfolio. When the Company sells securities short, it typically satisfies its security delivery settlement obligation by borrowing or purchasing the security sold short from the same or a different counterparty. When borrowing a security sold short from a counterparty, the Company generally is required to deliver cash or securities to such counterparty as collateral for the Company's obligation to return the borrowed security. The Company has chosen to elect the FVO pursuant to ASC 825 for its securities sold short. Electing the FVO allows the Company to record changes in fair value in the Condensed Consolidated Statement of Operations, which, in management's view, more appropriately reflects the results of operations for a particular reporting period as all securities activities will be recorded in a similar manner. As such, securities sold short are recorded at fair value on the Condensed Consolidated Balance Sheet and the period change in fair value is recorded in current period earnings on the Condensed Consolidated Statement of Operations as a component of Unrealized gains (losses) on securities and loans, net. 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 original sale price. Such realized gain or loss is recorded on the Company's Condensed Consolidated Statement of Operations in Realized gains (losses) on securities and loans, net.

*(L) Financial Derivatives:* The Company enters into various types of financial derivatives subject to its investment guidelines, which include restrictions associated with maintaining qualification as a REIT. The Company's financial derivatives are predominantly subject to bilateral master trade agreements or clearing in accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the "Dodd-Frank Act." The Company may be required to deliver or receive cash or securities as collateral upon entering into derivative transactions. In addition, changes in the 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 included in Due to brokers, on the Condensed Consolidated Balance Sheet. Conversely, cash collateral posted by the Company is included in Due from brokers, on the Condensed Consolidated Balance Sheet. The types of derivatives primarily utilized by the Company are swaps, TBAs, 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 and total return swaps is 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. The Company also enters into interest rate swaps whereby the Company pays one floating rate and receives a different floating rate, or "basis swaps."

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 "reference asset" (usually a bond, loan, or an index or 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 reference asset (or underlying asset, in the case of a reference asset that is an index or basket) 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 reference asset (or underlying asset, in the case of a reference asset that is an index or basket) 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 obligor of the reference asset (or underlying obligor, in the case of a reference asset that is an index). The Company typically writes (sells) protection to take a "long" position with respect to the underlying reference assets, or purchases (buys) protection to take a "short" position with respect to the 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 on the Condensed Consolidated Statement of Operations. 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 Condensed Consolidated Balance Sheet and are recorded as a realized gain or loss on the termination date.

*TBA Securities:* The Company transacts in the forward settling TBA market. A TBA position is a forward contract for the purchase ("long position") or sale ("short position") of Agency RMBS at a predetermined price, face amount, issuer, coupon, and maturity on an agreed-upon future delivery date. For each TBA contract and delivery month, a uniform settlement date for all market participants is determined by the Securities Industry and Financial Markets Association. The specific Agency RMBS to be delivered into the contract at the settlement date are not known at the time of the transaction. The Company usually does not take delivery of TBAs, but rather enters into offsetting transactions and settles the associated receivable and payable balances with its counterparties. The Company uses TBAs to mitigate interest rate risk, usually by taking short positions. The Company also invests in TBAs as a means of acquiring additional exposure to Agency RMBS, or for speculative purposes, including holding long positions.



TBAs are accounted for by the Company as financial derivatives. The difference between the forward contract price and the market value of the TBA position as of the reporting date is included in Unrealized gains (losses) on financial derivatives, net, on the Condensed Consolidated Statement of Operations.

*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 and foreign currency 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.

Financial derivative assets are included in Financial derivatives—assets, at fair value, on the Condensed Consolidated Balance Sheet. Financial derivative liabilities are included in Financial derivatives—liabilities, at fair value, on the Condensed Consolidated Balance Sheet. The Company has chosen to elect the FVO pursuant to ASC 825 for its financial derivatives. Electing the FVO allows the Company to record changes in fair value in the Condensed Consolidated Statement of Operations, which, in management's view, more appropriately reflects the results of operations for a particular reporting period as all securities activities will be recorded in a similar manner. Changes in unrealized gains and losses on financial derivatives are included in Unrealized gains (losses) on financial derivatives, net, on the Condensed Consolidated Statement of Operations. Realized gains and losses on financial derivatives are included in Realized gains (losses) on financial derivatives, net, on the Condensed Consolidated Statement of Operations.

*(M) Intangible Assets:* In connection with the Longbridge Transaction, the Company acquired intangible assets including internally developed software of Longbridge, trademarks, customer relationships, and non-compete agreements for various Longbridge employees. Intangible assets are amortized over their expected useful lives on a straight-line basis. See Note 11 for additional details on the Company's intangible assets.

*(N) 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 interest bearing overnight accounts 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.

*(O) Repurchase Agreements:* The Company enters into 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 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 repurchase agreement, on the amount borrowed over the term of the repurchase agreement. 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. When the Company enters into a 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 repurchase agreement. Repurchase agreements are carried at their contractual amounts, which approximate fair value as the debt is short-term in nature.

*(P) Reverse Repurchase Agreements:* The Company enters into reverse repurchase agreement transactions whereby it purchases securities under agreements to resell at an agreed-upon price and date. In general, securities received pursuant to reverse repurchase agreements are delivered to counterparties of short sale transactions. 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. Assets held pursuant to reverse repurchase agreements are reflected as assets on the Condensed Consolidated Balance Sheet. Reverse repurchase agreements are carried at their contractual amounts, which approximates fair value due to their short-term 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.

*(Q) Transfers of Financial Assets:* The Company enters into transactions whereby it transfers financial assets to third parties. Upon such a transfer of financial assets, the Company will sometimes retain or acquire interests in the related assets. The Company evaluates transferred assets pursuant to ASC 860-10, *Transfers of Financial Assets*, or "ASC 860-10," which requires that a determination be made as to whether a transferor has surrendered control over transferred financial assets. That determination must consider the transferor's continuing involvement in the transferred financial asset, including all arrangements or agreements made contemporaneously with, or in contemplation of, the transfer, even if they were not entered into at the time of the transfer. When a transfer of financial assets does not qualify as a sale, ASC 860-10 requires the transfer to be accounted for as a secured borrowing with a pledge of collateral. ASC 860-10 is a standard that requires the Company to exercise significant judgment in determining whether a transaction should be recorded as a "sale" or a "financing."

*(R) Variable Interest Entities:* VIEs are entities in which: (i) the equity investors do not have the characteristics of a controlling financial interest, or (ii) there is insufficient equity to permit the entity to finance its activities without additional subordinated financial support from other parties. Consolidation of a VIE is required by the entity that is deemed to be the primary beneficiary of the VIE. The Company evaluates all of its interests in VIEs for consolidation under ASC 810. The primary beneficiary is generally the party with both (i) the power to direct the activities of the VIE that most significantly impact its economic performance, and (ii) the obligation to absorb losses and the right to receive benefits from the VIE which could be potentially significant to the VIE.

When the Company has an interest in an entity that has been determined to be a VIE, the Company assesses whether it is deemed to be the primary beneficiary of the VIE. The Company will only consolidate a VIE for which it has concluded it is the primary beneficiary. To assess whether the Company has the power to direct the activities of a VIE that most significantly impact the VIE's economic performance, the Company considers all facts and circumstances, including its role in establishing the VIE and its ongoing rights and responsibilities. This assessment includes (i) identifying the activities that most significantly impact the VIE's economic performance; and (ii) identifying which party, if any, has power over those activities. To assess whether the Company has the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE, it considers all of its economic interests, including debt and/or equity investments, as well as other arrangements deemed to be variable interests in the VIE. These assessments to determine whether the Company is the primary beneficiary require significant judgment. In instances where the Company and its related parties have interests in a VIE, the Company considers whether there is a single party in the related party group that meets the criteria to be deemed the primary beneficiary. If one party within the related party group meets such criteria, that reporting entity would be deemed to be the primary beneficiary of the VIE and no further analysis is needed. If no party within the related party group on its own meets the criteria to be deemed the primary beneficiary, but the related party group as a whole meets such criteria, the determination of the primary beneficiary within the related party group requires significant judgment. The Company performs analysis, which is based upon qualitative as well as quantitative factors, such as the relationship of the VIE to each of the members of the related party group, as well as the significance of the VIE's activities to those members, with the objective of determining which party is most closely associated with the VIE.

The Company performs ongoing reassessments of (i) whether any entities previously evaluated have become VIEs, based on certain events, and therefore subject to assessment to determine whether consolidation is appropriate, and (ii) whether changes in the facts and circumstances regarding the Company's involvement with a VIE causes its consolidation conclusion regarding the VIE to change. See Note 12, Note 13, and Note 16 for further information on the Company's investments in VIEs.

The Company's maximum amount at risk is generally limited to the Company's investment in the VIE. The Company is generally not contractually required to provide and has not provided any form of financial support to the VIEs.

The Company holds beneficial interests in certain securitization trusts that are considered VIEs. The beneficial interests in these securitization trusts are represented by certificates issued by the trusts. The securitization trusts have been structured as pass-through entities that receive principal and interest payments on the underlying collateral and distribute those payments to the certificate holders, which include both third-party investors and the Company. The certificates held by the Company typically include some or all of the most subordinated tranches. The assets held by the trusts are restricted in that they can only be used to fulfill the obligations of the related trust. In certain cases, the design and structure of the securitization trust is such that the Company effectively retains control of the assets as well as the activities that most significantly impact the economic performance of the trust. In such cases, the Company is determined to be the primary beneficiary, and the Company consolidates the trust and all intercompany transactions are eliminated in consolidation. In cases where the Company does not effectively retain control of the assets of, or have the power to direct the activities that most significantly impact the economic performance of, the related trust, it does not consolidate the trust. See Note 13 for further discussion of the Company's securitization trusts.

*(S) Offering Costs/Underwriters' Discount:* Offering costs and underwriters' discount are generally charged against stockholders' equity upon the completion of a capital raise. Offering costs typically include legal, accounting, and other fees associated with the cost of raising capital.

*(T) Debt Issuance Costs:* Debt issuance costs associated with debt for which the Company has elected the FVO are expensed at the issuance of the debt, and are included in Investment related expenses—Other on the Condensed Consolidated Statement of Operations. Costs associated with the issuance of debt for which the Company has not elected the FVO are deferred and amortized over the life of the debt, which approximates the effective interest rate method, and are included in Interest expense on the Condensed Consolidated Statement of Operations. Deferred debt issuance costs are presented on the Condensed Consolidated Balance Sheet as a direct deduction from the related debt liability, unless such deferred debt issuance costs are associated with borrowing facilities that are expected to have a future benefit, such as giving the Company the ability to access additional borrowings over the contractual term of the debt, in which case such deferred debt issuance costs are included in Other assets on the Condensed Consolidated Balance Sheet. Debt issuance costs include legal and accounting fees, purchasers' or underwriters' discount, as well as other fees associated with the cost of the issuance of the related debt.

*(U) Expenses:* Expenses are recognized as incurred on the Condensed Consolidated Statement of Operations.

*(V) Leases:* The Company accounts for its leases under ASU 842, *Leases*, "ASC 842," using a right-of-use, or "ROU," model, which recognizes that, at the date of commencement, a lessee has a financial obligation to make lease payments to the lessor for the right to use the underlying asset during the lease term. For each lease with a term greater than one year the Company recognizes a ROU asset as well as a lease liability, which is included in Other assets and Accrued expenses and other liabilities, respectively, on the Condensed Consolidated Balance Sheet.

Operating lease liabilities and their corresponding ROU assets are recorded based on the present value of lease payments over the expected remaining lease term. The interest rate implicit in lease contracts is typically not readily determinable, and as a result, the Company utilizes an incremental borrowing rate, which reflects the fixed rate at which the Company could borrow on a collateralized basis the amount of the lease payments for a similar term. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

*(W) Investment Related Expenses:* Investment related expenses consist of expenses directly related to specific financial instruments. Such expenses generally include dividend expense on common stock sold short, servicing fees and corporate and escrow advances on mortgage and consumer loans, loan origination fees, and various other expenses and fees related directly to the Company's financial instruments. The Company has elected the FVO for its investments, and as a result all investment related expenses are expensed as incurred and included in Investment related expenses on the Condensed Consolidated Statement of Operations.

*(X) Investment Related Receivables:* Investment related receivables on the Company's Condensed Consolidated Balance Sheet includes receivables for securities sold and interest and principal receivable on securities and loans.

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

*(Z) Non-controlling interests:* Non-controlling interests include interests in the Operating Partnership represented by units convertible into shares of the Company's common stock ("Convertible Non-controlling Interests"). Convertible Non-controlling Interests include both the OP LTIP Units and those common units ("OP Units") of the Operating Partnership not held by the Company (collectively, the "Convertible Non-controlling Interest Units"). Non-controlling interests also include the interests of joint venture partners in certain of the Company's consolidated subsidiaries. The joint venture partners' interests are not convertible into shares of the Company's common stock. The Company adjusts the Convertible Non-controlling Interests to align their carrying value with their share of total outstanding Operating Partnership units, including both the OP Units held by the Company and the Convertible Non-controlling Interests. Any such adjustments are reflected in Adjustment to non-controlling interests, on the Condensed Consolidated Statement of Changes in Equity. Non-controlling interests also include a minority ownership stake of Longbridge by employees of Longbridge. See Note 18 for further discussion of non-controlling interests.

*(AA) Dividends:* Dividends payable on shares of common stock and Convertible Non-controlling Interest Units are recorded on the declaration date.

*(AB) Shares Repurchased:* Shares of common stock that are repurchased by the Company subsequent to issuance are immediately retired upon settlement and decrease the total number of shares of common stock issued and outstanding. The cost of such repurchases is charged against Additional paid-in-capital on the Company's Condensed Consolidated Balance Sheet.

*(AC) Earnings Per Share ("EPS"):* Basic EPS is computed using the two class method by dividing net income (loss) after adjusting for the impact of Convertible Non-controlling Interests which are participating securities, by the weighted average number of shares of common stock outstanding calculated including Convertible Non-controlling Interests. Because the Company's Convertible Non-controlling Interests are participating securities, they are included in the calculation of both basic and diluted EPS.

*(AD) Foreign Currency:* The functional currency of the Company is U.S. dollars. Assets and liabilities denominated in foreign currencies are remeasured 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 Other, net, on the Condensed Consolidated Statement of Operations.

The Company's reporting currency is U.S. Dollars. If the Company has investments in unconsolidated entities that have a functional currency other than U.S. Dollars, the fair value is translated to U.S. dollars using the current exchange rate at the valuation date. The cumulative translation adjustment, if any, associated with the Company's investments in unconsolidated entities is recorded in accumulated other comprehensive income (loss), a component of consolidated stockholders' equity.

*(AE) Income Taxes:* The Company has elected to be taxed as a REIT under Sections 856 through 860 of the Code. As a REIT, the Company is generally not subject to federal and state income tax to the extent it distributes its taxable income to its stockholders within the prescribed timeframes. To qualify as a REIT, the Company must meet a number of organizational and operational requirements, including distributing at least 90% of its annual taxable income to stockholders. Even if the Company qualifies as a REIT, it may be subject to certain federal, state, local, and foreign taxes on its income and property. If the Company fails to qualify as a REIT, and does not qualify for certain statutory relief provisions, it will be subject to U.S. federal, state, and local income taxes and may be precluded from qualifying as a REIT for the four taxable years following the year in which the Company fails to qualify as a REIT.

As a REIT, if the Company fails to distribute in any calendar year (subject to specific timing rules for deficiency dividends) at least the sum of (i) 85% of its ordinary income for such year, (ii) 95% of its capital gain net income for such year, and (iii) any undistributed taxable income from the prior year, the Company would be subject to a non-deductible 4% federal excise tax on the excess of such required distribution over the sum of (i) the amounts actually distributed and (ii) the amounts of income retained and on which the Company has paid corporate income tax.

The Company elected to treat certain domestic and foreign subsidiaries as TRSs, and may elect to treat other current or future subsidiaries as TRSs. In general, a TRS may hold assets and engage in any real estate or non-real estate-related activities that the Company cannot hold or engage in directly. A domestic TRS may, but is not required to, declare dividends to the Company; such dividends will be included in the Company's taxable income/(loss) and may necessitate a distribution to the Company's stockholders. Conversely, if the Company retains earnings at the level of a domestic TRS, such earnings will increase the book equity of the consolidated entity. A domestic TRS is subject to U.S. federal, state, and local corporate income taxes. The Company has elected and may elect in the future to treat certain of its foreign corporate subsidiaries as TRSs and, accordingly, taxable income generated by these TRSs may not be subject to U.S. federal, state, and local corporate income

taxation, but generally will be included in the Company's income on a current basis as Subpart F income, whether or not distributed. The Company's foreign subsidiaries may be subject to income taxes in their relevant foreign jurisdictions. The Company's financial results are generally not expected to reflect provisions for current or deferred income taxes, except for any activities conducted through one or more TRSs that are subject to corporate income taxation.

The Company follows the authoritative guidance on accounting for and disclosure of uncertainty on tax positions, 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 or litigation processes, based on the technical merits of the position. For uncertain tax positions, the tax benefit to be recognized is measured as the largest amount of benefit that is more than 50% likely to be realized upon ultimate settlement. The Company did not have any unrecognized tax benefits resulting from tax positions related to the current period or its open tax years (2020, 2021, 2022, and 2023). In the normal course of business, the Company may be subject to examination by federal, state, local, and foreign jurisdictions, where applicable, for the current period and its open tax years. 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 the authoritative guidance may be subject to review and adjustment at a later date based on changing tax laws, regulations, and interpretations thereof. The Company recognizes interest and penalties, if any, related to uncertain tax positions, as income tax expense included in Income tax expense (benefit) on the Condensed Consolidated Statement of Operations.

*(AF) Business Combinations:* In accordance with ASC 805, *Business Combinations* ("ASC 805"), the Company applies the acquisition method to transactions in which it obtains control over one or more other businesses. Assets acquired and liabilities assumed are measured at fair value as of the acquisition date. Goodwill is recognized if the consideration transferred exceeds the fair value of the net assets acquired. Alternatively, a bargain purchase gain is recognized if the fair value of the net assets acquired exceeds the consideration transferred.

*(AG) Recent Accounting Pronouncements:* In December 2023, the FASB issued ASU 2023-09, *Improvements to Income Tax Disclosures* ("ASU 2023-09") which requires disaggregated information about a reporting entities effective tax rate reconciliation as well as information on income taxes paid. ASU 2023-09 is effective for annual periods beginning after December 15, 2024, with early adoption permitted. ASU 2023-09 will be applied on a prospective basis with the option to apply ASU 2023-09 retrospectively. ASU 2023-09 is not expected to have a material impact on the Company's consolidated financial statements.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting—Improvements to Reportable Segment Disclosures* ("ASU 2023-07") which requires incremental disclosures related to an entity's reportable segments, including identifying significant segment expense categories and any multiple measures of segment profit or loss used by the CODM. Additionally, ASU 2023-07 provides further guidance on interim reporting, disclosures required by entities with a single reportable segment, and recasting of previously reported segment information. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods in fiscal years beginning after December 15, 2024, with early adoption permitted. ASU 2023-07 will be applied on a retrospective basis unless it is impracticable to do so. ASU 2023-07 is not expected to have a material impact on the Company's consolidated financial statements.

### 3. Valuation

The tables below reflect the value of the Company's Level 1, Level 2, and Level 3 financial instruments that are measured at fair value on a recurring basis as of June 30, 2024 and December 31, 2023:

#### June 30, 2024:

Description	Level 1	Level 2	Level 3	Total
	<i>(In thousands)</i>			
<b>Assets:</b>				
<b>Securities, at fair value:</b>				
Agency RMBS	\$ —	\$ 450,218	\$ 7,482	\$ 457,700
Non-Agency RMBS	—	83,324	84,811	168,135
CMBS	—	24,597	18,245	42,842
CLOs	—	46,962	35,697	82,659
Asset-backed securities, backed by consumer loans	—	—	68,924	68,924
Other ABS	—	—	31,196	31,196
Corporate debt securities	—	—	15,066	15,066
Corporate equity securities	5,950	—	10,162	16,112
U.S. Treasury securities	—	245,050	—	245,050
<b>Loans, at fair value:</b>				
Residential mortgage loans	—	—	3,101,615	3,101,615
Commercial mortgage loans	—	—	266,220	266,220
Consumer loans	—	—	949	949
Corporate loans	—	—	4,933	4,933
Reverse mortgage loans	—	—	9,472,389	9,472,389
Forward MSR-related investments, at fair value	—	—	158,031	158,031
MSRs, at fair value	—	—	29,538	29,538
Loan commitments, at fair value	—	—	5,623	5,623
Loan purchase commitments, at fair value	—	—	275	275
Investment in unconsolidated entities, at fair value	—	—	163,182	163,182
<b>Financial derivatives—assets, at fair value:</b>				
Credit default swaps on asset-backed securities	—	—	8	8
Credit default swaps on asset-backed indices	—	2,136	—	2,136
Credit default swaps on corporate bonds	—	70	—	70
Credit default swaps on corporate bond indices	—	6,387	—	6,387
Interest rate swaps	—	151,492	—	151,492
Total return swaps	—	—	3	3
TBAs	—	1,598	—	1,598
Warrants	—	53	—	53
Futures	222	—	—	222
Forwards	—	196	—	196
<b>Total assets</b>	<b>\$ 6,172</b>	<b>\$ 1,012,083</b>	<b>\$ 13,474,349</b>	<b>\$ 14,492,604</b>

Description	Level 1	Level 2	Level 3	Total
<i>(continued)</i>			<i>(In thousands)</i>	
<b>Liabilities:</b>				
<b>Securities sold short, at fair value:</b>				
Government debt	\$ —	\$ (51,858)	\$ —	\$ (51,858)
<b>Financial derivatives—liabilities, at fair value:</b>				
Credit default swaps on asset-backed indices	—	(32)	—	(32)
Credit default swaps on corporate bonds	—	(227)	—	(227)
Credit default swaps on corporate bond indices	—	(16,722)	—	(16,722)
Interest rate swaps	—	(21,413)	—	(21,413)
TBAs	—	(810)	—	(810)
Futures	(4,860)	—	—	(4,860)
Forwards	—	—	—	—
Servicing liability, at fair value	—	—	(232)	(232)
Other secured borrowings, at fair value	—	—	(1,585,838)	(1,585,838)
HMBS-related obligations, at fair value	—	—	(8,832,058)	(8,832,058)
Unsecured borrowings, at fair value	—	—	(269,069)	(269,069)
<b>Total liabilities</b>	<b>\$ (4,860)</b>	<b>\$ (91,062)</b>	<b>\$ (10,687,197)</b>	<b>\$ (10,783,119)</b>

**December 31, 2023:**

Description	Level 1	Level 2	Level 3	Total
			<i>(In thousands)</i>	
<b>Assets:</b>				
<b>Securities, at fair value:</b>				
Agency RMBS	\$ —	\$ 847,712	\$ 5,512	\$ 853,224
Non-Agency RMBS	—	150,349	155,240	305,589
CMBS	—	31,289	14,143	45,432
CLOs	—	17,539	20,439	37,978
Asset-backed securities, backed by consumer loans	—	—	74,226	74,226
Other ABS	—	—	7,696	7,696
Corporate debt securities	—	—	8,041	8,041
Corporate equity securities	8,834	—	12,294	21,128
U.S. Treasury securities	—	165,063	—	165,063
<b>Loans, at fair value:</b>				
Residential mortgage loans	—	—	3,093,912	3,093,912
Commercial mortgage loans	—	—	266,595	266,595
Consumer loans	—	—	1,759	1,759
Corporate loans	—	—	5,819	5,819
Reverse mortgage loans	—	—	8,938,551	8,938,551
Forward MSR-related investments, at fair value	—	—	163,336	163,336
MSRs, at fair value	—	—	29,580	29,580
Servicing asset, at fair value	—	—	1,327	1,327
Loan commitments, at fair value	—	—	2,584	2,584
Investment in unconsolidated entities, at fair value	—	—	116,414	116,414

Description	Level 1	Level 2	Level 3	Total
<i>(continued)</i>			<i>(In thousands)</i>	
<b>Financial derivatives—assets, at fair value:</b>				
Credit default swaps on asset-backed securities	\$ —	\$ —	\$ 8	\$ 8
Credit default swaps on asset-backed indices	—	3,318	—	3,318
Credit default swaps on corporate bonds	—	25	—	25
Credit default swaps on corporate bond indices	—	7,259	—	7,259
Interest rate swaps	—	129,239	—	129,239
Total return swaps	—	—	6	6
TBAs	—	2,182	—	2,182
Warrants	—	1,702	—	1,702
Futures	245	—	—	245
Forwards	—	12	—	12
<b>Total assets</b>	<u>\$ 9,079</u>	<u>\$ 1,355,689</u>	<u>\$ 12,917,482</u>	<u>\$ 14,282,250</u>
<b>Liabilities:</b>				
<b>Securities sold short, at fair value:</b>				
Government debt	\$ —	\$ (154,303)	\$ —	\$ (154,303)
<b>Financial derivatives—liabilities, at fair value:</b>				
Credit default swaps on asset-backed indices	—	(32)	—	(32)
Credit default swaps on corporate bonds	—	(225)	—	(225)
Credit default swaps on corporate bond indices	—	(15,894)	—	(15,894)
Interest rate swaps	—	(31,745)	—	(31,745)
TBAs	—	(5,820)	—	(5,820)
Futures	(7,990)	—	—	(7,990)
Forwards	—	(70)	—	(70)
<b>Other secured borrowings, at fair value</b>	—	—	(1,424,668)	(1,424,668)
<b>HMBS-related obligations, at fair value</b>	—	—	(8,423,235)	(8,423,235)
<b>Unsecured borrowings, at fair value</b>	—	—	(272,765)	(272,765)
<b>Total liabilities</b>	<u>\$ (7,990)</u>	<u>\$ (208,089)</u>	<u>\$ (10,120,668)</u>	<u>\$ (10,336,747)</u>



The tables below include roll-forwards of the Company's financial instruments for the three- and six-month periods ended June 30, 2024 and 2023 (including the change in fair value), for financial instruments classified by the Company within Level 3 of the valuation hierarchy.

### Three-Month Period Ended June 30, 2024

<i>(In thousands)</i>	Beginning Balance as of March 31, 2024	Accreted Discounts / (Amortized Premiums)	Net Realized Gain/ (Loss)	Change in Net Unrealized Gain/(Loss)	Purchases/Payments <sup>(1)</sup>	Sales/ Issuances <sup>(2)</sup>	Transfers Into Level 3	Transfers Out of Level 3	Ending Balance as of June 30, 2024
<b>Assets:</b>									
<b>Securities, at fair value:</b>									
Agency RMBS	\$ 6,722	\$ (232)	\$ (33)	\$ (182)	\$ —	\$ —	\$ 1,302	\$ (95)	\$ 7,482
Non-Agency RMBS	100,777	(540)	(8,650)	15,412	16,898	(35,002)	998	(5,082)	84,811
CMBS	14,695	203	—	(1,300)	4,069	—	578	—	18,245
CLOs	23,377	(866)	(3,882)	1,477	61,855	(43,057)	2,500	(5,707)	35,697
Asset-backed securities backed by consumer loans	71,545	(1,755)	(913)	(481)	7,808	(7,280)	—	—	68,924
Other ABS	14,689	(214)	—	2,003	15,401	(683)	—	—	31,196
Corporate debt securities	12,929	—	(511)	50	4,252	(1,654)	—	—	15,066
Corporate equity securities	10,428	—	(189)	(50)	164	(191)	—	—	10,162
<b>Loans, at fair value:</b>									
Residential mortgage loans	3,160,176	(1,572)	(2,970)	14,691	679,169	(747,879)	—	—	3,101,615
Commercial mortgage loans	294,100	—	(43)	2,928	109,453	(140,218)	—	—	266,220
Consumer loans	1,289	(112)	53	(17)	31	(295)	—	—	949
Corporate loans	6,219	—	—	—	143	(1,429)	—	—	4,933
Reverse mortgage loans <sup>(3)</sup>	9,182,448	—	—	152,146	421,712	(283,917)	—	—	9,472,389
Forward MSR-related investments, at fair value	160,009	3,646	—	1,330	—	(6,954)	—	—	158,031
MSRs, at fair value <sup>(3)</sup>	29,889	—	—	(351)	—	—	—	—	29,538
Servicing asset, at fair value	324	—	—	(324)	—	—	—	—	—
Loan commitments, at fair value	3,917	—	—	1,706	—	—	—	—	5,623
Loan purchase commitments, at fair value	—	—	—	275	—	—	—	—	275
Investments in unconsolidated entities, at fair value	125,366	—	6,776	5,266	153,072	(127,298)	—	—	163,182
<b>Financial derivatives—assets, at fair value:</b>									
Credit default swaps on asset-backed securities	8	—	(1)	—	1	—	—	—	8
Total return swaps	6	—	17	(3)	—	(17)	—	—	3
<b>Total assets, at fair value</b>	<b>\$ 13,218,913</b>	<b>\$ (1,442)</b>	<b>\$ (10,346)</b>	<b>\$ 194,576</b>	<b>\$ 1,474,028</b>	<b>\$ (1,395,874)</b>	<b>\$ 5,378</b>	<b>\$ (10,884)</b>	<b>\$ 13,474,349</b>
<b>Liabilities:</b>									
Servicing liability, at fair value	\$ —	\$ —	\$ —	\$ (232)	\$ —	\$ —	\$ —	\$ —	\$ (232)
Other secured borrowings, at fair value	(1,569,149)	10	—	(1,516)	43,012	(58,195)	—	—	(1,585,838)
Unsecured borrowings, at fair value	(270,936)	—	—	1,867	—	—	—	—	(269,069)
HMBS-related obligations, at fair value	(8,619,463)	—	—	(127,671)	273,098	(358,022)	—	—	(8,832,058)
<b>Total liabilities, at fair value</b>	<b>\$ (10,459,548)</b>	<b>\$ 10</b>	<b>\$ —</b>	<b>\$ (127,552)</b>	<b>\$ 316,110</b>	<b>\$ (416,217)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (10,687,197)</b>

(1) For Investments in unconsolidated entities, at fair value, amount represents contributions to investments in unconsolidated entities.

(2) For Investments in unconsolidated entities, at fair value, amount represents distributions from investments in unconsolidated entities.

(3) Change in net unrealized gain (loss) represents the net change in fair value which can include interest income and realized and unrealized gains and losses.

All amounts of net realized and change in net unrealized gain (loss) in the table above are reflected in the accompanying Condensed Consolidated Statement of Operations. The table above incorporates changes in net unrealized gain (loss) for both Level 3 financial instruments held by the Company at June 30, 2024, as well as Level 3 financial instruments disposed of by the Company during the three-month period ended June 30, 2024. The following table details the change in net unrealized gain (loss) for Level 3 financial instruments still held by the Company at June 30, 2024.

<i>(In thousands)</i>	<b>Three-Month Period Ended June 30, 2024</b>
Securities, at fair value	\$ (3,622)
Loans, at fair value	169,607
Forward MSR-related investments	1,330
MSRs	(351)
Servicing asset (liability)	(556)
Loan commitments	1,706
Loan purchase commitments	275
Investments in unconsolidated entities	2,949
Financial derivatives-assets	(2)
Other secured borrowings, at fair value	(1,516)
Unsecured borrowings, at fair value	1,867
HMBS-related obligations, at fair value	(127,671)

At June 30, 2024, the Company transferred \$10.9 million of assets from Level 3 to Level 2 and \$5.4 million from Level 2 to Level 3. Transfers between these hierarchy levels were based on the availability of sufficient observable inputs to meet Level 2 versus Level 3 criteria. The leveling of each financial instrument is reassessed at the end of each period, and is based on pricing information received from third-party pricing sources.

**Three-Month Period Ended June 30, 2023**

<i>(In thousands)</i>	Beginning Balance as of March 31, 2023	Accreted Discounts / (Amortized Premiums)	Net Realized Gain/ (Loss)	Change in Net Unrealized Gain/(Loss)	Purchases/Payments <sup>(1)</sup>	Sales/Issuances <sup>(2)</sup>	Transfers Into Level 3	Transfers Out of Level 3	Ending Balance as of June 30, 2023
<b>Assets:</b>									
<b>Securities, at fair value:</b>									
Agency RMBS	\$ 6,193	\$ (322)	\$ (176)	\$ 3	\$ 195	\$ —	\$ 959	\$ (1,497)	\$ 5,355
Non-Agency RMBS	156,277	(85)	1,035	(3,873)	1,134	(8,742)	29,517	(6,654)	168,609
CMBS	11,767	54	—	(1,083)	2,126	—	2,016	(2,572)	12,308
CLOs	28,674	(229)	354	(954)	2,751	(10,863)	—	—	19,733
Asset-backed securities backed by consumer loans	72,200	(991)	(6,787)	4,209	17,553	(9,045)	—	—	77,139
Corporate debt securities	8,347	—	(832)	469	8,359	(6,710)	—	—	9,633
Corporate equity securities	11,102	—	(4)	422	1,062	(1,846)	—	—	10,736
<b>Loans, at fair value:</b>									
Residential mortgage loans	3,024,744	(2,571)	(2,938)	(15,200)	359,090	(369,442)	—	—	2,993,683
Commercial mortgage loans	374,233	—	—	4,254	27,225	(57,352)	—	—	348,360
Consumer loans	3,969	(230)	(292)	210	151	(749)	—	—	3,059
Corporate loans	4,920	—	454	9	2,481	(1,332)	—	—	6,532
Reverse mortgage loans <sup>(3)</sup>	8,404,701	—	—	39,393	424,893	(397,926)	—	—	8,471,061
MSRs, at fair value <sup>(3)</sup>	8,100	—	—	(627)	—	—	—	—	7,473
Servicing asset, at fair value	299	—	—	1,005	—	—	—	—	1,304
Loan commitments, at fair value	3,299	—	—	501	—	—	—	—	3,800
Investments in unconsolidated entities, at fair value	118,747	—	(1,245)	(4,623)	50,816	(45,275)	—	—	118,420
<b>Financial derivatives— assets, at fair value:</b>									
Credit default swaps on asset-backed securities	76	—	—	—	—	—	—	—	76
<b>Total assets, at fair value</b>	<b>\$ 12,237,648</b>	<b>\$ (4,374)</b>	<b>\$ (10,431)</b>	<b>\$ 24,115</b>	<b>\$ 897,836</b>	<b>\$ (909,282)</b>	<b>\$ 32,492</b>	<b>\$ (10,723)</b>	<b>\$ 12,257,281</b>
<b>Liabilities:</b>									
Other secured borrowings, at fair value	\$ (1,534,592)	\$ (261)	\$ —	\$ 12,152	\$ 50,333	\$ —	\$ —	\$ —	\$ (1,472,368)
Unsecured borrowings, at fair value	(185,325)	—	—	—	—	—	—	—	(185,325)
HMBS-related obligations, at fair value	(7,975,916)	—	—	(24,577)	340,499	(395,294)	—	—	(8,055,288)
<b>Total liabilities, at fair value</b>	<b>\$ (9,695,833)</b>	<b>\$ (261)</b>	<b>\$ —</b>	<b>\$ (12,425)</b>	<b>\$ 390,832</b>	<b>\$ (395,294)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (9,712,981)</b>

(1) For Investments in unconsolidated entities, at fair value, amount represents contributions to investments in unconsolidated entities.

(2) For Investments in unconsolidated entities, at fair value, amount represents distributions from investments in unconsolidated entities.

(3) Change in net unrealized gain (loss) represents the net change in fair value which can include interest income and realized and unrealized gains and losses.

All amounts of net realized and change in net unrealized gain (loss) in the table above are reflected in the accompanying Condensed Consolidated Statement of Operations. The table above incorporates changes in net unrealized gain (loss) for both Level 3 financial instruments held by the Company at June 30, 2023, as well as Level 3 financial instruments disposed of by the Company during the three-month period ended June 30, 2023. The following table details the change in net unrealized gain (loss) for Level 3 financial instruments still held by the Company at June 30, 2023.

<i>(In thousands)</i>	<b>Three-Month Period Ended June 30, 2023</b>
Securities, at fair value	\$ (6,600)
Loans, at fair value	28,198
MSRs	(627)
Servicing asset	1,005
Loan commitments	501
Investments in unconsolidated entities	(6,713)
Other secured borrowings, at fair value	12,152
HMBS-related obligations, at fair value	(24,577)

At June 30, 2023, the Company transferred \$10.7 million of assets from Level 3 to Level 2 and \$32.5 million of assets from Level 2 to Level 3. Transfers between these hierarchy levels were based on the availability of sufficient observable inputs to meet Level 2 versus Level 3 criteria. The leveling of each financial instrument is reassessed at the end of each period, and is based on pricing information received from third-party pricing sources.

**Six-Month Period Ended June 30, 2024**

<i>(In thousands)</i>	Beginning Balance as of December 31, 2023	Accreted Discounts / (Amortized Premiums)	Net Realized Gain/ (Loss)	Change in Net Unrealized Gain/(Loss)	Purchases/Payments <sup>(1)</sup>	Sales/ Issuances <sup>(2)</sup>	Transfers Into Level 3	Transfers Out of Level 3	Ending Balance as of June 30, 2024
<b>Assets:</b>									
<b>Securities, at fair value:</b>									
Agency RMBS	\$ 5,512	\$ (441)	\$ (32)	\$ (320)	\$ 315	\$ (131)	\$ 2,673	\$ (94)	\$ 7,482
Non-Agency RMBS	155,240	(1,502)	(3,874)	20,616	20,755	(101,831)	2,320	(6,913)	84,811
CMBS	14,143	390	136	(643)	4,405	(1,097)	911	—	18,245
CLOs	20,439	(982)	(3,616)	1,222	64,498	(45,497)	5,340	(5,707)	35,697
Asset-backed securities backed by consumer loans	74,226	(3,824)	(2,266)	80	16,099	(15,391)	—	—	68,924
Other ABS	7,696	154	—	1,646	22,394	(694)	—	—	31,196
Corporate debt securities	8,041	—	(477)	680	9,409	(2,587)	—	—	15,066
Corporate equity securities	12,294	—	549	(507)	164	(2,338)	—	—	10,162
<b>Loans, at fair value:</b>									
Residential mortgage loans	3,093,912	(1,824)	(5,465)	20,776	1,195,243	(1,201,027)	—	—	3,101,615
Commercial mortgage loans	266,595	—	(44)	1,818	215,409	(217,558)	—	—	266,220
Consumer loans	1,759	(234)	26	3	140	(745)	—	—	949
Corporate loans	5,819	—	—	(101)	729	(1,514)	—	—	4,933
Reverse mortgage loans <sup>(3)</sup>	8,938,551	—	—	351,452	738,763	(556,377)	—	—	9,472,389
Forward MSR-related investments, at fair value	163,336	7,243	—	2,943	—	(15,491)	—	—	158,031
MSRs, at fair value <sup>(3)</sup>	29,580	—	—	(42)	—	—	—	—	29,538
Servicing asset, at fair value	1,327	—	—	(1,327)	—	—	—	—	—
Loan commitments, at fair value	2,584	—	—	3,039	—	—	—	—	5,623
Loan purchase commitments, at fair value	—	—	—	275	—	—	—	—	275
Investments in unconsolidated entities, at fair value	116,414	—	7,948	6,320	187,331	(154,831)	—	—	163,182
<b>Financial derivatives— assets, at fair value:</b>									
Credit default swaps on asset-backed securities	8	—	(1)	—	1	—	—	—	8
Total return swaps	6	—	37	(3)	—	(37)	—	—	3
<b>Total assets, at fair value</b>	<b>\$ 12,917,482</b>	<b>\$ (1,020)</b>	<b>\$ (7,079)</b>	<b>\$ 407,927</b>	<b>\$ 2,475,655</b>	<b>\$ (2,317,146)</b>	<b>\$ 11,244</b>	<b>\$ (12,714)</b>	<b>\$ 13,474,349</b>
<b>Liabilities:</b>									
Servicing liability, at fair value	\$ —	\$ —	\$ —	\$ (232)	\$ —	\$ —	\$ —	\$ —	\$ (232)
Other secured borrowings, at fair value	(1,424,668)	(642)	—	(14,040)	74,196	(220,684)	—	—	(1,585,838)
Unsecured borrowings, at fair value	(272,765)	—	—	3,696	—	—	—	—	(269,069)
HMBS-related obligations, at fair value	(8,423,235)	—	—	(305,654)	547,555	(650,724)	—	—	(8,832,058)
<b>Total liabilities, at fair value</b>	<b>\$ (10,120,668)</b>	<b>\$ (642)</b>	<b>\$ —</b>	<b>\$ (316,230)</b>	<b>\$ 621,751</b>	<b>\$ (871,408)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (10,687,197)</b>

(1) For Investments in unconsolidated entities, at fair value, amount represents contributions to investments in unconsolidated entities.

(2) For Investments in unconsolidated entities, at fair value, amount represents distributions from investments in unconsolidated entities.

(3) Change in net unrealized gain (loss) represents the net change in fair value which can include interest income and realized and unrealized gains and losses.

All amounts of net realized and change in net unrealized gain (loss) in the table above are reflected in the accompanying Condensed Consolidated Statement of Operations. The table above incorporates changes in net unrealized gain (loss) for both Level 3 financial instruments held by the Company at June 30, 2024, as well as Level 3 financial instruments disposed of by the Company during the six-month period ended June 30, 2024. The following table details the change in net unrealized gain (loss) for Level 3 financial instruments still held by the Company at June 30, 2024.

<i>(In thousands)</i>	<b>Six-Month Period Ended June 30, 2024</b>
Securities, at fair value	\$ 1,063
Loans, at fair value	373,679
Forward MSR-related investments	2,943
MSRs	(42)
Servicing asset (liability)	(1,559)
Loan purchase commitments	275
Loan commitments	3,039
Investments in unconsolidated entities	3,419
Financial derivatives-assets	(3)
Other secured borrowings, at fair value	(14,040)
Unsecured borrowings, at fair value	3,696
HMBS-related obligations, at fair value	(305,654)

At June 30, 2024, the Company transferred \$12.7 million of assets from Level 3 to Level 2 and \$11.2 million from Level 2 to Level 3. Transfers between these hierarchy levels were based on the availability of sufficient observable inputs to meet Level 2 versus Level 3 criteria. The leveling of each financial instrument is reassessed at the end of each period, and is based on pricing information received from third-party pricing sources.

**Six-Month Period Ended June 30, 2023**

<i>(In thousands)</i>	Beginning Balance as of December 31, 2022	Accreted Discounts / (Amortized Premiums)	Net Realized Gain/ (Loss)	Change in Net Unrealized Gain/(Loss)	Purchases/Payments <sup>(1)</sup>	Sales/Issuances <sup>(2)</sup>	Transfers Into Level 3	Transfers Out of Level 3	Ending Balance as of June 30, 2023
<b>Assets:</b>									
<b>Securities, at fair value:</b>									
Agency RMBS	\$ 7,027	\$ (641)	\$ (464)	\$ 421	\$ 336	\$ (964)	\$ 1,136	\$ (1,496)	\$ 5,355
Non-Agency RMBS	132,502	101	1,926	(7,917)	28,889	(31,391)	51,229	(6,730)	168,609
CMBS	12,649	103	—	(2,488)	2,127	—	2,742	(2,825)	12,308
CLOs	24,598	(64)	239	(2,232)	728	(6,874)	3,338	—	19,733
Asset-backed securities backed by consumer loans	73,644	(2,318)	(6,709)	2,137	29,693	(19,308)	—	—	77,139
Corporate debt securities	7,533	—	(1,089)	740	11,253	(8,804)	—	—	9,633
Corporate equity securities	11,111	—	(3)	381	1,094	(1,847)	—	—	10,736
<b>Loans, at fair value:</b>									
Residential mortgage loans	3,115,518	(4,232)	(8,526)	38,444	679,302	(826,823)	—	—	2,993,683
Commercial mortgage loans	404,324	—	(1)	4,594	63,445	(124,002)	—	—	348,360
Consumer loans	4,843	(476)	(196)	(44)	451	(1,519)	—	—	3,059
Corporate loans	4,086	—	354	10	3,417	(1,335)	—	—	6,532
Reverse mortgage loans <sup>(3)</sup>	8,097,237	—	(4)	210,961	845,371	(682,504)	—	—	8,471,061
MSRs, at fair value <sup>(3)</sup>	8,108	—	—	(635)	—	—	—	—	7,473
Servicing asset, at fair value	999	—	—	305	—	—	—	—	1,304
Loan commitments, at fair value	3,060	—	—	740	—	—	—	—	3,800
Investments in unconsolidated entities, at fair value	127,046	—	227	(2,651)	81,602	(87,804)	—	—	118,420
<b>Financial derivatives— assets, at fair value:</b>									
Credit default swaps on asset-backed securities	76	—	1	—	—	(1)	—	—	76
<b>Total assets, at fair value</b>	<b>\$ 12,034,361</b>	<b>\$ (7,527)</b>	<b>\$ (14,245)</b>	<b>\$ 242,766</b>	<b>\$ 1,747,708</b>	<b>\$ (1,793,176)</b>	<b>\$ 58,445</b>	<b>\$ (11,051)</b>	<b>\$ 12,257,281</b>
<b>Liabilities:</b>									
<b>Other secured borrowings, at fair value</b>	<b>\$ (1,539,881)</b>	<b>\$ (664)</b>	<b>\$ —</b>	<b>\$ (17,527)</b>	<b>\$ 85,704</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (1,472,368)</b>
<b>Unsecured borrowings, at fair value</b>	<b>(191,835)</b>	<b>—</b>	<b>—</b>	<b>6,510</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(185,325)</b>
<b>HMBS-related obligations, at fair value</b>	<b>(7,787,155)</b>	<b>—</b>	<b>—</b>	<b>(156,111)</b>	<b>616,117</b>	<b>(728,139)</b>	<b>—</b>	<b>—</b>	<b>(8,055,288)</b>
<b>Total liabilities, at fair value</b>	<b>\$ (9,518,871)</b>	<b>\$ (664)</b>	<b>\$ —</b>	<b>\$ (167,128)</b>	<b>\$ 701,821</b>	<b>\$ (728,139)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (9,712,981)</b>

(1) For Investments in unconsolidated entities, at fair value, amount represents contributions to investments in unconsolidated entities.

(2) For Investments in unconsolidated entities, at fair value, amount represents distributions from investments in unconsolidated entities.

(3) Change in net unrealized gain (loss) represents the net change in fair value which can include interest income and realized and unrealized gains and losses.

All amounts of net realized and change in net unrealized gain (loss) in the table above are reflected in the accompanying Condensed Consolidated Statement of Operations. The table above incorporates changes in net unrealized gain (loss) for both Level 3 financial instruments held by the Company at June 30, 2023, as well as Level 3 financial instruments disposed of by the Company during the six-month period ended June 30, 2023. The following table details the change in net unrealized gain (loss) for Level 3 financial instruments still held by the Company at June 30, 2023.

<i>(In thousands)</i>	<b>Six-Month Period Ended June 30, 2023</b>	
Securities, at fair value	\$	(11,999)
Loans, at fair value		42,663
MSRs, at fair value		(635)
Servicing asset, at fair value		305
Loan commitments, at fair value		740
Investments in unconsolidated entities, at fair value		(8,793)
Other secured borrowings, at fair value		(17,527)
Unsecured borrowings, at fair value		6,510
HMBS-related obligations, at fair value		(156,111)

At June 30, 2023, the Company transferred \$11.1 million of assets from Level 3 to Level 2 and \$58.4 million from Level 2 to Level 3. Transfers between these hierarchy levels were based on the availability of sufficient observable inputs to meet Level 2 versus Level 3 criteria. The leveling of each financial instrument is reassessed at the end of each period, and is based on pricing information received from third-party pricing sources.

The following table summarizes the estimated fair value of all other financial instruments not measured at fair value on a recurring basis as of June 30, 2024 and December 31, 2023:

<i>(In thousands)</i>	<b>June 30, 2024</b>		<b>December 31, 2023</b>	
	<b>Fair Value</b>	<b>Carrying Value</b>	<b>Fair Value</b>	<b>Carrying Value</b>
<b>Other financial instruments</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 198,513	\$ 198,513	\$ 228,927	\$ 228,927
Restricted cash	6,098	6,098	1,618	1,618
Due from brokers	22,036	22,036	51,884	51,884
Reverse repurchase agreements	85,671	85,671	173,145	173,145
<b>Liabilities:</b>				
Repurchase agreements	2,301,976	2,301,976	2,967,437	2,967,437
Other secured borrowings	217,225	217,225	245,827	245,827
Due to brokers	74,946	74,946	62,442	62,442

Cash and cash equivalents generally includes cash held in interest bearing overnight accounts, for which fair value equals the carrying value, and investments which are liquid in nature, such as investments in money market accounts or U.S. Treasury Bills, for which fair value equals the carrying value; such assets are considered Level 1. Restricted cash includes cash held in a segregated account for which fair value equals the carrying value; such assets are considered Level 1. Due from brokers and Due to brokers include collateral transferred to or received from counterparties, along with receivables and payables for open and/or closed derivative positions. These receivables and payables are short term in nature and any collateral transferred consists primarily of cash; fair value of these items is approximated by carrying value and such items are considered Level 1. The Company's reverse repurchase agreements, repurchase agreements, and other secured borrowings are carried at cost, which approximates fair value due to their short term nature. Reverse repurchase agreements, repurchase agreements, and other secured borrowings are classified as Level 2 based on the adequacy of the collateral and their short term nature.



The following table identify the significant unobservable inputs that affect the valuation of the Company's Level 3 assets and liabilities as of June 30, 2024:

**June 30, 2024:**

Description	Fair Value <i>(In thousands)</i>	Valuation Technique	Unobservable Input	Range		Weighted Average
				Min	Max	
Non-Agency RMBS	\$ 37,298	Market Quotes	Non Binding Third-Party Valuation	\$ 0.85	\$ 124.93	\$ 70.54
	47,513	Discounted Cash Flows				
	84,811		Yield	0.0 %	99.9 %	11.6 %
			Projected Collateral Prepayments	0.0 %	100.0 %	44.1 %
			Projected Collateral Losses	0.0 %	62.6 %	13.9 %
			Projected Collateral Recoveries	0.0 %	43.8 %	11.1 %
Non-Agency CMBS	15,238	Market Quotes	Non Binding Third-Party Valuation	\$ 5.31	\$ 96.91	\$ 54.94
	3,007	Discounted Cash Flows				
	18,245		Yield	7.7 %	23.4 %	13.3 %
			Projected Collateral Losses	0.0 %	80.0 %	4.8 %
			Projected Collateral Recoveries	20.0 %	100.0 %	94.2 %
CLOs	23,149	Market Quotes	Non Binding Third-Party Valuation	\$ 13.51	\$ 100.00	\$ 67.25
	12,548	Discounted Cash Flows				
	35,697		Yield	10.8 %	220.3 %	19.1 %
Agency interest only RMBS	2,281	Market Quotes	Non Binding Third-Party Valuation	\$ 2.66	\$ 19.34	\$ 11.66
	5,201	Option Adjusted Spread ("OAS")				
	7,482		LIBOR OAS <sup>(1)</sup>	53	3,287	431
			Projected Collateral Prepayments	15.6 %	100.0 %	55.1 %
ABS	22,669	Market Quotes		\$ 4.58	\$ 84.50	\$ 68.51
	77,451	Discounted Cash Flows				
	100,120		Yield	8.9 %	28.0 %	12.9 %
			Projected Collateral Prepayments	0.0 %	82.9 %	18.1 %
			Projected Collateral Losses	0.0 %	34.8 %	19.2 %
Corporate debt and equity	25,228	Discounted Cash Flows	Yield	0.0 %	47.1 %	14.4 %
Performing and re-performing residential mortgage loans	1,442,025	Discounted Cash Flows	Yield	0.4 %	75.2 %	9.1 %
Securitized residential mortgage loans <sup>(2)(3)</sup>	1,423,657	Market Quotes	Non Binding Third-Party Valuation	\$ 24.97	\$ 100.65	\$ 87.95
	122,345	Discounted Cash Flows				
	1,546,002		Yield	2.5 %	14.9 %	5.0 %
Non-performing residential mortgage loans	113,588	Discounted Cash Flows	Yield	3.7 %	47.3 %	17.9 %
			Recovery Amount	14.7 %	140.3 %	103.7 %
			Months to Resolution	7.1	138.4	21.2
Performing commercial mortgage loans	216,740	Discounted Cash Flows	Yield	9.7 %	12.9 %	11.4 %
Non-performing commercial mortgage loans	49,480	Discounted Cash Flows	Yield	— %	20.3 %	15.0 %
			Recovery Amount	60.2 %	103.2 %	90.3 %
			Months to Resolution	3.1	8.0	6.5

Description	Fair Value	Valuation Technique	Unobservable Input	Range		Weighted Average
				Min	Max	
<i>(continued)</i>	<i>(In thousands)</i>					
Consumer loans	949	Discounted Cash Flows	Yield	8.8 %	15.5 %	11.6 %
			Projected Collateral Prepayments	— %	13.8 %	5.5 %
			Projected Collateral Losses	0.3 %	71.2 %	20.1 %
Corporate loans	4,933	Discounted Cash Flows	Yield	6.9 %	28.5 %	13.4 %
Reverse Mortgage Loans—HECM	9,011,953	Discounted Cash Flows	Yield	2.2 %	6.9 %	4.6 %
			Conditional Prepayment Rate	1.7 %	42.9 %	7.4 %
Reverse Mortgage Loans—HECM buyouts	14,957	Discounted Cash Flows	Yield	7.7 %	14.1 %	11.0 %
			Months to Resolution	1.0	60.0	27.0
Reverse Mortgage Loans—Unsecuritized Proprietary	264,406	Discounted Cash Flows	Yield	7.5 %	9.0 %	8.4 %
			Conditional Prepayment Rate	12.2 %	51.3 %	15.0 %
Reverse Mortgage Loans—Securitized Proprietary	181,073	Market Quotes	Non Binding Third-Party Valuation	\$ 88.00	\$ 105.00	\$ 103.70
			Yield	6.9 %	10.2 %	7.1 %
Forward MSR-related investments	158,031	Discounted Cash Flows	Yield	9.8 %	9.8 %	9.8 %
			Conditional Prepayment Rate	6.2 %	6.2 %	6.2 %
MSRs	29,538	Discounted Cash Flows	Yield	17.4 %	17.4 %	17.4 %
			Conditional Prepayment Rate	11.7 %	54.0 %	14.2 %
Servicing Liability	(232)	Discounted Cash Flows	Yield	15.0 %	15.0 %	15.0 %
Loan Purchase Commitments	275	Transaction Price	Yield	7.6 %	7.8 %	7.7 %
Loan Commitments	5,623	Discounted Cash Flows	Pull-through rate	61.7 %	100.0 %	71.6 %
			Cost to originate	3.3 %	7.8 %	5.2 %
Investment in unconsolidated entities—Loan origination entities	33,589	Enterprise Value	Equity Price-to-Book <sup>(4)</sup>	1.2x	1.5x	1.3x
Investment in unconsolidated entities—Other	129,593	Enterprise Value	Net Asset Value	n/a	n/a	n/a
	<u>163,182</u>					
Total return swaps	3	Discounted Cash Flows	Yield	0.0 %	0.0 %	0.0 %
Credit default swaps on asset-backed securities	8	Net Discounted Cash Flows	Projected Collateral Prepayments	22.9 %	22.9 %	22.9 %
			Projected Collateral Losses	8.6 %	8.6 %	8.6 %
			Projected Collateral Recoveries	12.3 %	12.3 %	12.3 %
Other secured borrowings, at fair value <sup>(2)</sup>	(1,585,838)	Market Quotes	Non Binding Third-Party Valuation	\$ 50.00	\$ 100.65	\$ 88.20
			Yield	5.9%	9.9%	6.6%
			Projected Collateral Prepayments	9.5%	100.0%	96.3%
HMBS-related obligations, at fair value	(8,832,058)	Discounted Cash Flows	Yield	2.1%	6.8%	4.5%
			Conditional Prepayment Rate	6.6%	42.9%	7.4%
Unsecured borrowings, at fair value	(269,069)	Market Quotes	Non Binding Third-Party Valuation	\$ 73.88	\$ 97.40	\$ 90.54

(1) Shown in basis points.

(2) Securitized residential mortgage loans, Reverse Mortgage Loans—Securitized Proprietary, and Other secured borrowings, at fair value, represent financial assets and liabilities of the Company's CFEs as discussed in Note 2.

(3) Includes \$47.5 million of non-performing securitized residential mortgage loans.

- (4) Represents an estimation of where market participants might value an enterprise on a price-to-book basis. For the range minimum, the range maximum, and the weighted average price-to-book ratio, excludes investments in unconsolidated entities with a total fair value of \$2.9 million. Including such investments the weighted average price-to-book ratio was 1.6x.

Third-party non-binding valuations are validated by comparing such valuations to internally generated prices based on the Company's or third-party models and, when available, 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 ("LIBOR 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 (which are calculated by using an assumed spread over projected SOFR 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 mortgage 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.

#### 4. Investment in Securities

The Company's securities portfolio primarily consists of Agency RMBS, non-Agency RMBS, CMBS, CLOs, ABS backed by consumer loans, and corporate debt and equity. The following tables detail the Company's investment in securities as of June 30, 2024 and December 31, 2023.

##### June 30, 2024:

(\$ in thousands)	Current Principal	Unamortized Premium (Discount)	Amortized Cost	Gross Unrealized		Fair Value	Weighted Average		
				Gains	Losses		Coupon <sup>(1)(2)</sup>	Yield	Life (Years)
Long:									
Agency RMBS:									
15-year fixed-rate mortgages	\$ 30,438	\$ 162	\$ 30,600	\$ —	\$ (2,144)	\$ 28,456	2.76 %	2.60 %	3.01
30-year fixed-rate mortgages	415,601	(2,224)	413,377	823	(28,971)	385,229	4.17 %	4.04 %	7.03
Reverse mortgages	32,256	3,361	35,617	261	(2,025)	33,853	6.15 %	3.56 %	4.77
Interest only securities	n/a	n/a	9,880	946	(664)	10,162	1.27 %	11.99 %	5.75
Non-Agency RMBS	206,214	(77,068)	129,146	12,452	(8,447)	133,151	6.05 %	9.36 %	5.08
CMBS	82,455	(30,250)	52,205	1,151	(13,062)	40,294	4.12 %	10.16 %	4.83
Non-Agency interest only securities	n/a	n/a	32,026	6,350	(844)	37,532	0.16 %	13.48 %	7.75
CLOs	n/a	n/a	88,334	1,914	(7,589)	82,659	2.91 %	12.05 %	5.89
ABS	230,253	(200,939)	29,314	1,943	(61)	31,196	2.91 %	18.54 %	3.34
ABS backed by consumer loans	152,082	(73,313)	78,769	1,381	(11,226)	68,924	12.00 %	10.24 %	1.59
Corporate debt	44,540	(30,443)	14,097	1,461	(492)	15,066	— %	— %	2.02
Corporate equity	n/a	n/a	21,441	1,318	(6,647)	16,112	n/a	n/a	n/a
U.S. Treasury securities	244,883	2,080	246,963	220	(2,133)	245,050	4.34 %	4.08 %	7.24
Total Long	1,438,722	(408,634)	1,181,769	30,220	(84,305)	1,127,684	4.98 %	6.60 %	6.01
Short:									
U.S. Treasury securities	(27,400)	261	(27,139)	1,062	—	(26,077)	2.64 %	2.98 %	2.84
European sovereign bonds	(26,405)	(1,326)	(27,731)	1,950	—	(25,781)	0.01 %	0.15 %	0.69
Total Short	(53,805)	(1,065)	(54,870)	3,012	—	(51,858)	1.35 %	1.55 %	1.77
Total	\$ 1,384,917	\$ (409,699)	\$ 1,126,899	\$ 33,232	\$ (84,305)	\$ 1,075,826	4.84 %	6.37 %	5.82

- (1) Weighted average coupon represents the weighted average coupons of the securities, rather than, in the case of collateralized securities, the coupon rates or loan rates on the underlying collateral.
- (2) Total long, total short, and total weighted average coupon exclude interest only securities, CLOs, and corporate equity.
- (3) Expected average lives of MBS are generally shorter than stated contractual maturities. Average lives are affected by the contractual maturities of the underlying mortgages, scheduled periodic payments of principal, and unscheduled prepayments of principal.

**December 31, 2023:**

(\$ in thousands)	Current Principal	Unamortized Premium (Discount)	Amortized Cost	Gross Unrealized		Fair Value	Weighted Average			
				Gains	Losses		Coupon <sup>(1)(2)</sup>	Yield	Life (Years)	
<b>Long:</b>										
Agency RMBS:										
15-year fixed-rate mortgages	\$ 57,987	\$ 252	\$ 58,239	\$ 22	\$ (4,225)	\$ 54,036	2.58 %	2.42 %	3.48	
20-year fixed-rate mortgages	2,368	114	2,482	—	(404)	2,078	2.29 %	1.48 %	6.25	
30-year fixed-rate mortgages	783,123	(6,744)	776,379	4,313	(38,595)	742,097	4.04 %	4.04 %	6.61	
Adjustable rate mortgages	5,252	568	5,820	—	(690)	5,130	3.81 %	2.09 %	4.42	
Reverse mortgages	36,196	3,928	40,124	34	(2,987)	37,171	5.37 %	3.55 %	4.76	
Interest only securities	n/a	n/a	11,891	1,320	(499)	12,712	1.08 %	13.18 %	5.36	
Non-Agency RMBS	427,431	(139,654)	287,777	11,369	(29,672)	269,474	5.07 %	8.96 %	4.73	
CMBS	74,591	(20,389)	54,202	349	(11,780)	42,771	4.87 %	8.93 %	4.72	
Non-Agency interest only securities	n/a	n/a	35,214	6,212	(2,650)	38,776	0.17 %	14.57 %	7.46	
CLOs	n/a	n/a	44,939	1,873	(8,834)	37,978	2.27 %	11.81 %	4.46	
ABS	16,416	(8,956)	7,460	256	(20)	7,696	7.16 %	13.85 %	2.49	
ABS backed by consumer loans	151,310	(67,159)	84,151	1,577	(11,502)	74,226	12.00 %	11.38 %	1.50	
Corporate debt	30,944	(23,191)	7,753	579	(291)	8,041	— %	— %	1.93	
Corporate equity	n/a	n/a	23,066	1,851	(3,789)	21,128	n/a	n/a	n/a	
U.S. Treasury securities	212,433	(49,289)	163,144	2,415	(496)	165,063	4.25 %	4.01 %	7.43	
<b>Total Long</b>	<b>1,798,051</b>	<b>(310,520)</b>	<b>1,602,641</b>	<b>32,170</b>	<b>(116,434)</b>	<b>1,518,377</b>	<b>4.95 %</b>	<b>5.99 %</b>	<b>5.80</b>	
<b>Short:</b>										
U.S. Treasury securities	(130,121)	533	(129,588)	2,094	(619)	(128,113)	3.47 %	3.61 %	1.88	
European sovereign bonds	(27,159)	(557)	(27,716)	1,526	—	(26,190)	0.01 %	0.15 %	1.20	
<b>Total Short</b>	<b>(157,280)</b>	<b>(24)</b>	<b>(157,304)</b>	<b>3,620</b>	<b>(619)</b>	<b>(154,303)</b>	<b>2.87 %</b>	<b>3.00 %</b>	<b>1.77</b>	
<b>Total</b>	<b>\$ 1,640,771</b>	<b>\$ (310,544)</b>	<b>\$ 1,445,337</b>	<b>\$ 35,790</b>	<b>\$ (117,053)</b>	<b>\$ 1,364,074</b>	<b>4.78 %</b>	<b>5.71 %</b>	<b>5.42</b>	

(1) Weighted average coupon represents the weighted average coupons of the securities, rather than, in the case of collateralized securities, the coupon rates or loan rates on the underlying collateral.

(2) Total long, total short, and total weighted average coupon excludes interest only securities, CLOs, and corporate equity.

(3) Expected average lives of MBS are generally shorter than stated contractual maturities. Average lives are affected by the contractual maturities of the underlying mortgages, scheduled periodic payments of principal, and unscheduled prepayments of principal.

The following tables detail weighted average life of the Company's Agency RMBS as of June 30, 2024 and December 31, 2023.

**June 30, 2024:**

(\$ in thousands)

Estimated Weighted Average Life <sup>(1)</sup>	Agency RMBS			Agency Interest Only Securities		
	Fair Value	Amortized Cost	Weighted Average Coupon <sup>(2)</sup>	Fair Value	Amortized Cost	Weighted Average Coupon <sup>(2)</sup>
Less than three years	\$ 41,219	\$ 41,689	5.08 %	\$ 986	\$ 1,122	0.80 %
Greater than three years and less than seven years	159,805	167,299	5.29 %	5,774	5,650	1.46 %
Greater than seven years and less than eleven years	246,514	270,606	3.45 %	3,142	2,822	1.68 %
Greater than eleven years	—	—	— %	260	286	0.68 %
<b>Total</b>	<b>\$ 447,538</b>	<b>\$ 479,594</b>	<b>4.21 %</b>	<b>\$ 10,162</b>	<b>\$ 9,880</b>	<b>1.27 %</b>

(1) Expected average lives of RMBS are generally shorter than stated contractual maturities. Average lives are affected by the contractual maturities of the underlying mortgages, scheduled periodic payments of principal, and unscheduled prepayments of principal.

(2) Weighted average coupon represents the weighted average coupons of the securities, rather than the coupon rates or loan rates on the underlying collateral.

**December 31, 2023:**

(\$ in thousands)

Estimated Weighted Average Life <sup>(1)</sup>	Agency RMBS			Agency Interest Only Securities		
	Fair Value	Amortized Cost	Weighted Average Coupon <sup>(2)</sup>	Fair Value	Amortized Cost	Weighted Average Coupon <sup>(2)</sup>
Less than three years	\$ 89,649	\$ 89,955	5.39 %	\$ 1,541	\$ 1,546	0.57 %
Greater than three years and less than seven years	346,074	360,574	4.49 %	8,227	7,601	1.77 %
Greater than seven years and less than eleven years	404,789	432,515	3.30 %	2,676	2,448	1.84 %
Greater than eleven years	—	—	— %	268	296	0.68 %
<b>Total</b>	<b>\$ 840,512</b>	<b>\$ 883,044</b>	<b>3.99 %</b>	<b>\$ 12,712</b>	<b>\$ 11,891</b>	<b>1.08 %</b>

(1) Expected average lives of RMBS are generally shorter than stated contractual maturities. Average lives are affected by the contractual maturities of the underlying mortgages, scheduled periodic payments of principal, and unscheduled prepayments of principal.

(2) Weighted average coupon represents the weighted average coupons of the securities, rather than the coupon rates or loan rates on the underlying collateral.

The following tables detail weighted average life of the Company's long non-Agency RMBS, CMBS, and CLOs and other securities as of June 30, 2024 and December 31, 2023.

**June 30, 2024:**

(\$ in thousands)

Estimated Weighted Average Life <sup>(1)</sup>	Non-Agency RMBS and CMBS			Non-Agency IOs			CLOs and Other Securities <sup>(2)</sup>		
	Fair Value	Amortized Cost	Weighted Average Coupon <sup>(3)</sup>	Fair Value	Amortized Cost	Weighted Average Coupon <sup>(3)</sup>	Fair Value	Amortized Cost	Weighted Average Coupon <sup>(3)</sup>
Less than three years	\$ 65,054	\$ 66,591	4.97 %	\$ 3,755	\$ 3,765	0.12 %	\$ 98,311	\$ 109,950	5.76 %
Greater than three years and less than seven years	62,157	57,730	7.16 %	9,235	9,741	0.16 %	183,317	184,759	3.96 %
Greater than seven years and less than eleven years	39,211	49,480	4.50 %	24,220	18,274	0.16 %	161,267	162,768	3.72 %
Greater than eleven years	7,023	7,550	7.09 %	322	246	1.24 %	—	—	— %
<b>Total</b>	<b>\$ 173,445</b>	<b>\$ 181,351</b>	<b>5.50 %</b>	<b>\$ 37,532</b>	<b>\$ 32,026</b>	<b>0.16 %</b>	<b>\$ 442,895</b>	<b>\$ 457,477</b>	<b>4.61 %</b>

(1) Expected average lives of MBS are generally shorter than stated contractual maturities. Average lives are affected by the contractual maturities of the underlying mortgages, scheduled periodic payments of principal, and unscheduled prepayments of principal.

(2) Other Securities includes ABS, corporate debt, and U.S. Treasury securities.

(3) Weighted average coupon represents the weighted average coupons of the securities, rather than the coupon rates or loan rates on the underlying collateral.

**December 31, 2023:**

(\$ in thousands)

Estimated Weighted Average Life <sup>(1)</sup>	Non-Agency RMBS and CMBS			Non-Agency IOs			CLOs and Other Securities <sup>(2)</sup>		
	Fair Value	Amortized Cost	Weighted Average Coupon <sup>(3)</sup>	Fair Value	Amortized Cost	Weighted Average Coupon <sup>(3)</sup>	Fair Value	Amortized Cost	Weighted Average Coupon <sup>(3)</sup>
Less than three years	\$ 116,076	\$ 117,707	4.41 %	\$ 3,885	\$ 4,535	0.10 %	\$ 99,770	\$ 114,709	6.02 %
Greater than three years and less than seven years	131,314	135,591	7.05 %	11,014	11,343	0.28 %	106,529	107,727	5.13 %
Greater than seven years and less than eleven years	58,741	74,401	5.04 %	23,555	19,072	0.15 %	86,705	85,011	4.12 %
Greater than eleven years	6,114	14,280	0.38 %	322	264	1.25 %	—	—	— %
<b>Total</b>	<b>\$ 312,245</b>	<b>\$ 341,979</b>	<b>5.04 %</b>	<b>\$ 38,776</b>	<b>\$ 35,214</b>	<b>0.17 %</b>	<b>\$ 293,004</b>	<b>\$ 307,447</b>	<b>5.40 %</b>

(1) Expected average lives of MBS are generally shorter than stated contractual maturities. Average lives are affected by the contractual maturities of the underlying mortgages, scheduled periodic payments of principal, and unscheduled prepayments of principal.

(2) Other Securities includes ABS backed by consumer loans, corporate debt, and U.S. Treasury securities.

(3) Weighted average coupon represents the weighted average coupons of the securities, rather than the coupon rates or loan rates on the underlying collateral.

The following table details the components of interest income by security type for the three- and six-month periods ended June 30, 2024 and 2023:

Security Type	Three-Month Period Ended					
	June 30, 2024			June 30, 2023		
	Coupon Interest	Net Amortization	Interest Income	Coupon Interest	Net Amortization	Interest Income
Agency RMBS	\$ 6,731	\$ 128	\$ 6,859	\$ 9,503	\$ (1,687)	\$ 7,816
Non-Agency RMBS and CMBS	6,118	(557)	5,561	7,387	(202)	7,185
CLOs	3,728	(1,104)	2,624	880	(206)	674
Other securities <sup>(1)</sup>	7,780	(3,077)	4,703	5,640	(1,021)	4,619
<b>Total</b>	<b>\$ 24,357</b>	<b>\$ (4,610)</b>	<b>\$ 19,747</b>	<b>\$ 23,410</b>	<b>\$ (3,116)</b>	<b>\$ 20,294</b>

(1) Other securities includes ABS, corporate debt securities, and U.S. Treasury securities.

Security Type	Six-Month Period Ended					
	June 30, 2024			June 30, 2023		
	Coupon Interest	Net Amortization	Interest Income	Coupon Interest	Net Amortization	Interest Income
Agency RMBS	\$ 15,797	\$ (1,870)	\$ 13,927	\$ 18,852	\$ (3,916)	\$ 14,936
Non-Agency RMBS and CMBS	14,805	(1,407)	13,398	13,818	(41)	13,777
CLOs	5,614	(1,480)	4,134	1,833	(18)	1,815
Other securities <sup>(1)</sup>	14,904	(5,735)	9,169	11,483	(2,395)	9,088
<b>Total</b>	<b>\$ 51,120</b>	<b>\$ (10,492)</b>	<b>\$ 40,628</b>	<b>\$ 45,986</b>	<b>\$ (6,370)</b>	<b>\$ 39,616</b>

(1) Other securities includes ABS, corporate debt securities, and U.S. Treasury securities.

For the three-month periods ended June 30, 2024 and 2023 the Catch-Up Amortization Adjustment was \$0.7 million and \$(0.5) million, respectively. For the six-month periods ended June 30, 2024 and 2023 the Catch-Up Amortization Adjustment was \$(0.6) million and \$(1.0) million, respectively.

The following tables present proceeds from sales and the resulting realized gains and (losses) of the Company's securities for the three- and six-month periods ended June 30, 2024 and 2023.

Security Type	Three-Month Period Ended June 30, 2024				Three-Month Period Ended June 30, 2023			
	Proceeds <sup>(1)</sup>	Gross Realized Gains	Gross Realized Losses <sup>(2)</sup>	Net Realized Gain (Loss)	Proceeds <sup>(1)</sup>	Gross Realized Gains	Gross Realized Losses <sup>(2)</sup>	Net Realized Gain (Loss)
Agency RMBS	\$ 181,602	\$ 90	\$ (14,251)	\$ (14,161)	\$ 182,522	\$ 65	\$ (14,517)	\$ (14,452)
Non-Agency RMBS and CMBS	105,021	1,783	(6,712)	(4,929)	14,042	1,345	(50)	1,295
CLOs	42,843	98	(1)	97	—	354	—	354
Other securities <sup>(3)</sup>	93,649	264	(1,337)	(1,073)	436,139	1,843	(1,777)	66
<b>Total</b>	<b>\$ 423,115</b>	<b>\$ 2,235</b>	<b>\$ (22,301)</b>	<b>\$ (20,066)</b>	<b>\$ 632,703</b>	<b>\$ 3,607</b>	<b>\$ (16,344)</b>	<b>\$ (12,737)</b>

- (1) Includes proceeds on sales of securities not yet settled as of period end.  
(2) Excludes realized losses of \$(1.1) million and \$(2.7) million for the three-month periods ended June 30, 2024 and 2023, respectively, related to adjustments to the cost basis of certain securities for which the Company has determined all or a portion of such securities cost basis to be uncollectible.  
(3) Other securities includes ABS backed by consumer loans, corporate debt and equity, exchange-traded equity, and U.S. Treasury securities.

(In thousands)

Security Type	Six-Month Period Ended June 30, 2024				Six-Month Period Ended June 30, 2023			
	Proceeds <sup>(1)</sup>	Gross Realized Gains	Gross Realized Losses <sup>(2)</sup>	Net Realized Gain (Loss)	Proceeds <sup>(1)</sup>	Gross Realized Gains	Gross Realized Losses <sup>(2)</sup>	Net Realized Gain (Loss)
Agency RMBS	\$ 418,204	\$ 1,154	\$ (27,469)	\$ (26,315)	\$ 388,026	\$ 852	\$ (40,844)	\$ (39,992)
Non-Agency RMBS and CMBS	217,814	8,560	(7,540)	1,020	41,230	2,429	(65)	2,364
CLOs	45,155	486	(123)	363	—	442	—	442
Other securities <sup>(3)</sup>	148,919	1,626	(1,793)	(167)	710,195	2,163	(3,526)	(1,363)
<b>Total</b>	<b>\$ 830,092</b>	<b>\$ 11,826</b>	<b>\$ (36,925)</b>	<b>\$ (25,099)</b>	<b>\$ 1,139,451</b>	<b>\$ 5,886</b>	<b>\$ (44,435)</b>	<b>\$ (38,549)</b>

- (1) Includes proceeds on sales of securities not yet settled as of period end.  
(2) Excludes realized losses of \$(10.8) million and \$(8.4) million for the six-month period ended June 30, 2024 and 2023, respectively, related to adjustments to the cost basis of certain securities for which the Company has determined all or a portion of such securities cost basis to be uncollectible.  
(3) Other securities includes ABS, corporate debt and equity, exchange-traded equity, and U.S. Treasury securities.

The following tables present the fair value and gross unrealized losses of our long securities, excluding those where there are expected credit losses as of the balance sheet date in relation to such securities' cost basis, by length of time that such securities have been in an unrealized loss position at June 30, 2024 and December 31, 2023.

**June 30, 2024:**

(In thousands)

Security Type	Less than 12 Months		Greater than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Agency RMBS	\$ 78,561	\$ (1,169)	\$ 262,276	\$ (31,839)	\$ 340,837	\$ (33,008)
Non-Agency RMBS and CMBS	23,031	(1,658)	5,530	(1,641)	28,561	(3,299)
CLOs	29,313	(1,164)	2,995	(1,142)	32,308	(2,306)
Other securities <sup>(1)</sup>	220,957	(7,339)	1,258	(1,456)	222,215	(8,795)
<b>Total</b>	<b>\$ 351,862</b>	<b>\$ (11,330)</b>	<b>\$ 272,059</b>	<b>\$ (36,078)</b>	<b>\$ 623,921</b>	<b>\$ (47,408)</b>

- (1) Other securities includes ABS and corporate debt and equity securities.

**December 31, 2023:**

(In thousands)

Security Type	Less than 12 Months		Greater than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Agency RMBS	\$ 125,112	\$ (730)	\$ 426,834	\$ (45,854)	\$ 551,946	\$ (46,584)
Non-Agency RMBS and CMBS	10,301	(200)	14,195	(882)	24,496	(1,082)
CLOs	7,152	(69)	5	—	7,157	(69)
Other securities <sup>(1)</sup>	15,930	(2,276)	10,958	(2,029)	26,888	(4,305)
<b>Total</b>	<b>\$ 158,495</b>	<b>\$ (3,275)</b>	<b>\$ 451,992</b>	<b>\$ (48,765)</b>	<b>\$ 610,487</b>	<b>\$ (52,040)</b>

- (1) Other securities includes ABS and corporate debt and equity securities.

As described in Note 2, the Company evaluates the cost basis of its securities for impairment on at least a quarterly basis. As of June 30, 2024 and December 31, 2023, the Company had expected future credit losses, which it tracks for purposes of calculating interest income, of \$23.4 million and \$32.6 million, respectively, related to adverse changes in estimated future cash flows on its securities. Certain of the Company's securities, at the date of acquisition, have experienced or are expected to experience more-than-insignificant deterioration in credit quality since origination and the Company has established an initial estimate for credit losses on such securities; as of December 31, 2023, the estimated credit losses on such securities was \$1.1 million; no such securities were held at June 30, 2024.

The Company has determined for certain securities that a portion of such securities' cost basis is not collectible. For the three-month periods ended June 30, 2024 and 2023, the Company recognized realized losses on these securities of \$(1.1) million and \$(2.7) million, respectively. For the six-month periods ended June 30, 2024 and 2023, the Company



recognized realized losses on these securities of \$(10.8) million and \$(8.4) million, respectively. Such losses are reflected in Net realized gains (losses) on securities and loans, net, on the Condensed Consolidated Statement of Operations.

## 5. Investment in Loans

The Company invests in various types of loans, such as residential mortgage, commercial mortgage, consumer, corporate, and reverse mortgage loans. As discussed in Note 2, the Company has elected the FVO for its investments in loans. The following table is a summary of the Company's investments in loans as of June 30, 2024 and December 31, 2023:

(In thousands)

Loan Type	June 30, 2024		December 31, 2023	
	Unpaid Principal Balance	Fair Value	Unpaid Principal Balance	Fair Value
Residential mortgage loans	\$ 3,301,036	\$ 3,101,615	\$ 3,305,757	\$ 3,093,912
Commercial mortgage loans	277,254	266,220	281,531	266,595
Consumer loans	1,124	949	2,081	1,759
Corporate loans	5,773	4,933	6,379	5,819
Reverse mortgage loans	9,015,645	9,472,389	8,568,271	8,938,551
<b>Total</b>	<b>\$ 12,600,832</b>	<b>\$ 12,846,106</b>	<b>\$ 12,164,019</b>	<b>\$ 12,306,636</b>

The Company is subject to credit risk in connection with its investments in loans. The two primary components of credit risk are default risk, which is the risk that a borrower fails to make scheduled principal and interest payments, and severity risk, which is the risk of loss upon a borrower default on a mortgage loan or other secured or unsecured loan. Severity risk includes the risk of loss of value of the property or other asset, if any, securing the loan, as well as the risk of loss associated with taking over the property or other asset, if any, including foreclosure costs. Credit risk in the loan portfolio can be amplified by exogenous shocks impacting our borrowers such as man-made or natural disasters, such as the COVID-19 pandemic.

The following table provides details, by loan type, for residential and commercial mortgage and consumer loans that are 90 days or more past due as of June 30, 2024 and December 31, 2023:

(In thousands)

	June 30, 2024		December 31, 2023	
	Unpaid Principal Balance	Fair Value	Unpaid Principal Balance	Fair Value
<b>90 days or more past due—non-accrual status</b>				
Residential mortgage loans	\$ 216,799	\$ 205,277	\$ 127,685	\$ 120,087
Commercial mortgage loans	60,236	49,479	47,736	33,314
Consumer loans	56	36	94	66

### Residential Mortgage Loans

The tables below detail certain information regarding the Company's residential mortgage loans as of June 30, 2024 and December 31, 2023.

#### June 30, 2024:

(In thousands)

	Unpaid Principal Balance	Premium (Discount)	Amortized Cost	Gross Unrealized		Fair Value	Weighted Average		
				Gains	Losses		Coupon	Yield	Life (Years)
Residential mortgage loans, held-for-investment <sup>(2)</sup>	\$ 3,301,036	\$ 30,646	\$ 3,331,682	\$ 4,886	\$ (234,953)	\$ 3,101,615	7.46 %	7.00 %	4.49

(1) Average lives of loans are generally shorter than stated contractual maturities. Average lives are affected by scheduled periodic payments of principal and unscheduled prepayments of principal.

(2) Includes \$1.494 billion of non-QM loans that have been securitized and are held in consolidated securitization trusts. Such loans had \$(211.0) million of gross unrealized losses. See Residential Mortgage Loan Securitizations in Note 13 for additional information.

**December 31, 2023:**

(\$ in thousands)	Unpaid Principal Balance	Premium (Discount)	Amortized Cost	Gross Unrealized		Fair Value	Weighted Average		
				Gains	Losses		Coupon	Yield	Life (Years)
Residential mortgage loans, held-for-investment <sup>(2)</sup>	\$ 3,305,757	\$ 37,831	\$ 3,343,588	\$ 5,554	\$ (255,230)	\$ 3,093,912	7.17 %	6.77 %	4.17

- (1) Average lives of loans are generally shorter than stated contractual maturities. Average lives are affected by scheduled periodic payments of principal and unscheduled prepayments of principal.  
(2) Includes \$1.555 billion of non-QM loans that have been securitized and are held in consolidated securitization trusts. Such loans had \$(228.0) million of gross unrealized losses. See Residential Mortgage Loan Securitizations in Note 13 for additional information.

The table below summarizes the geographic distribution of the real estate collateral underlying the Company's residential mortgage loans as a percentage of total outstanding unpaid principal balance as of June 30, 2024 and December 31, 2023:

Property Location	June 30, 2024	December 31, 2023
North America:		
United States:		
California	31.3 %	32.2 %
Florida	21.6 %	21.4 %
Texas	8.8 %	9.5 %
Utah	2.9 %	3.2 %
Pennsylvania	2.7 %	2.7 %
Arizona	2.7 %	2.7 %
Georgia	2.5 %	2.6 %
New Jersey	2.2 %	2.1 %
North Carolina	2.1 %	2.2 %
Washington	2.0 %	1.8 %
Illinois	1.9 %	1.8 %
Colorado	1.6 %	1.5 %
Nevada	1.4 %	1.5 %
New York	1.4 %	1.2 %
Massachusetts	1.4 %	1.5 %
Tennessee	1.3 %	1.5 %
Oregon	1.3 %	1.2 %
Other	9.2 %	9.4 %
	98.3 %	100.0 %
Europe:		
United Kingdom	1.7 %	— %
	100.0 %	100.0 %

The following table presents information on the Company's residential mortgage loans by re-performing or non-performing status, as of June 30, 2024 and December 31, 2023.

(\$ in thousands)	June 30, 2024		December 31, 2023	
	Unpaid Principal Balance	Fair Value	Unpaid Principal Balance	Fair Value
Re-performing	\$ 53,193	\$ 52,906	\$ 4,252	\$ 3,7
Non-performing	173,310	161,137	127,085	119,5

As described in Note 2, the Company evaluates the cost basis of its residential mortgage loans for impairment on at least a quarterly basis. As of June 30, 2024 and December 31, 2023, the Company had expected future credit losses related to adverse changes in estimated future cash flows, which it tracks for purposes of calculating interest income, of \$20.0 million and \$17.2 million, respectively, related to its residential mortgage loans.

As of June 30, 2024 and December 31, 2023, the Company had residential mortgage loans that were in the process of foreclosure with a fair value of \$121.7 million and \$85.6 million, respectively.

### Commercial Mortgage Loans

The tables below detail certain information regarding the Company's commercial mortgage loans as of June 30, 2024 and December 31, 2023:

#### June 30, 2024:

(\$ in thousands)	Unpaid Principal Balance	Premium (Discount)	Amortized Cost	Gross Unrealized		Fair Value	Weighted Average		
				Gains	Losses		Coupon	Yield <sup>(1)</sup>	Life (Years)
Commercial mortgage loans, held-for-investment	\$ 277,254	\$ (8,788)	\$ 268,466	\$ 4,913	\$ (7,159)	\$ 266,220	11.03 %	11.40 %	1.04

(1) Excludes non-performing commercial mortgage loans, in non-accrual status, with a fair value of \$49.5 million.

(2) Average lives of loans are generally shorter than stated contractual maturities. Average lives are affected by scheduled periodic payments of principal and unscheduled prepayments of principal.

#### December 31, 2023:

(\$ in thousands)	Unpaid Principal Balance	Premium (Discount)	Amortized Cost	Gross Unrealized		Fair Value	Weighted Average		
				Gains	Losses		Coupon	Yield <sup>(1)</sup>	Life (Years)
Commercial mortgage loans, held-for-investment	\$ 281,531	\$ (13,648)	\$ 267,883	\$ —	\$ (1,288)	\$ 266,595	11.44 %	11.45 %	0.79

(1) Excludes non-performing commercial mortgage loans, in non-accrual status, with a fair value of \$33.3 million.

(2) Average lives of loans are generally shorter than stated contractual maturities. Average lives are affected by scheduled periodic payments of principal and unscheduled prepayments of principal.

The table below summarizes the geographic distribution of the real estate collateral underlying the Company's commercial mortgage loans as a percentage of total outstanding unpaid principal balance as of June 30, 2024 and December 31, 2023:

Property Location by U.S. State	June 30, 2024	December 31, 2023
Illinois	20.5 %	18.6 %
Florida	16.5 %	13.9 %
Texas	9.5 %	15.6 %
New York	7.1 %	8.9 %
Connecticut	6.7 %	3.2 %
Georgia	6.4 %	5.3 %
Ohio	5.6 %	5.5 %
Michigan	4.5 %	4.5 %
Pennsylvania	4.4 %	— %
Colorado	4.2 %	— %
Arizona	3.1 %	7.5 %
North Carolina	2.8 %	2.7 %
Alabama	2.4 %	2.3 %
Louisiana	2.3 %	2.2 %
New Jersey	2.2 %	3.8 %
Indiana	1.0 %	— %
Oklahoma	— %	6.0 %
Other	0.8 %	— %
	100.0 %	100.0 %

As of June 30, 2024, the Company had four non-performing commercial mortgage loans with an unpaid principal balance and fair value of \$60.2 million and \$49.5 million, respectively. As of December 31, 2023, the Company had three non-

performing commercial mortgage loans with an unpaid principal balance and fair value of \$47.7 million and \$33.3 million, respectively.

As described in Note 2, the Company evaluates the cost basis of its commercial mortgage loans for impairment on at least a quarterly basis. As of June 30, 2024 and December 31, 2023, the expected future credit losses, which the Company tracks for purposes of calculating interest income, of \$7.2 million and \$1.3 million, related to adverse changes in estimated future cash flows on its commercial mortgage loans.

As of December 31, 2023, the Company had two commercial mortgage loans in the process of foreclosure; such loans had an unpaid principal balance and fair value of \$25.9 million and \$25.1 million, respectively. The Company did not have any commercial mortgage loans in the process of foreclosure as of June 30, 2024.

#### Consumer Loans

The tables below detail certain information regarding the Company's consumer loans as of June 30, 2024 and December 31, 2023:

#### June 30, 2024:

(\$ in thousands)	Unpaid Principal Balance	Premium (Discount)	Amortized Cost	Gross Unrealized			Weighted Average	
				Gains	Losses	Fair Value	Life (Years) <sup>(1)</sup>	Delinquency (Days)
Consumer loans, held-for-investment	\$ 1,124	\$ 24	\$ 1,148	\$ 109	\$ (308)	\$ 949	0.77	16

(1) Average lives of loans are generally shorter than stated contractual maturities. Average lives are affected by scheduled periodic payments of principal and unscheduled prepayments of principal.

#### December 31, 2023:

(\$ in thousands)	Unpaid Principal Balance	Premium (Discount)	Amortized Cost	Gross Unrealized			Weighted Average	
				Gains	Losses	Fair Value	Life (Years) <sup>(1)</sup>	Delinquency (Days)
Consumer loans, held-for-investment	\$ 2,081	\$ (120)	\$ 1,961	\$ 127	\$ (329)	\$ 1,759	0.75	18

(1) Average lives of loans are generally shorter than stated contractual maturities. Average lives are affected by scheduled periodic payments of principal and unscheduled prepayments of principal.

The table below provides details on the delinquency status as a percentage of total unpaid principal balance of the Company's consumer loans, which the Company uses as an indicator of credit quality, as of June 30, 2024 and December 31, 2023.

Days Past Due	June 30, 2024	December 31, 2023
Current	83.9 %	81.0 %
30-59 Days	7.9 %	7.9 %
60-89 Days	3.2 %	6.6 %
90-119 Days	4.1 %	4.0 %
>120 Days	0.9 %	0.5 %
	<u>100.0 %</u>	<u>100.0 %</u>

During the three-month periods ended June 30, 2024 and 2023, the Company charged off \$17 thousand and \$0.1 million, respectively, of unpaid principal balance of consumer loans that were greater than 120 days delinquent. During the six-month periods ended June 30, 2024 and 2023, the Company charged off \$0.1 million and \$0.3 million, respectively, of unpaid principal balance of consumer loans that were greater than 120 days delinquent. As of June 30, 2024 and December 31, 2023, the Company held charged-off consumer loans with an aggregate fair value of \$22 thousand and \$35 thousand, respectively, for which the Company has determined that it is probable the servicer will be able to collect principal and interest.

As described in Note 2, the Company evaluates the cost basis of its consumer loans for impairment on at least a quarterly basis. As of both June 30, 2024 and December 31, 2023, the Company had expected future credit losses, which it tracks for purposes of calculating interest income, of \$0.3 million, on its consumer loans. The Company has determined for certain of its consumer loans that a portion of such loans' cost basis is not collectible. For the three-month period ended June 30, 2023, the Company recognized realized losses on these loans of \$(0.1) million; no such losses were recognized for the three-month period

ended June 30, 2024. For the six-month periods ended June 30, 2024 and 2023, the Company recognized realized losses on these loans of \$(0.1) million and \$(0.4) million, respectively.

#### Corporate Loans

The tables below detail certain information regarding the Company's corporate loans as of June 30, 2024 and December 31, 2023:

#### June 30, 2024:

(\$ in thousands)	Unpaid Principal Balance	Premium (Discount)	Amortized Cost	Gross Unrealized		Fair Value	Weighted Average	
				Gains	Losses		Rate	Remaining Term (Years)
Corporate loans, held-for-investment <sup>(1)</sup>	\$ 5,773	\$ (179)	\$ 5,594	\$ —	\$ (661)	\$ 4,933	10.57 %	0.90

(1) See Note 24 for further details on the Company's unfunded commitments related to certain of its corporate loans.

#### December 31, 2023:

(\$ in thousands)	Unpaid Principal Balance	Fair Value	Weighted Average	
			Rate	Remaining Term (Years)
Corporate loans, held-for-investment <sup>(1)</sup>	\$ 6,379	\$ 5,819	10.13 %	1.52

(1) See Note 24 for further details on the Company's unfunded commitments related to certain of its corporate loans.

As described in Note 2, the Company evaluates the cost basis of its corporate loans for impairment on at least a quarterly basis. As of June 30, 2024 and December 31, 2023, the Company had expected future credit losses, which it tracks for purposes of calculating interest income, of \$0.7 million and \$0.6 million, respectively.

#### Reverse Mortgage Loans

The table below details certain information regarding the Company's reverse mortgage loans as of June 30, 2024 and December 31, 2023.

#### June 30, 2024:

(\$ in thousands)	Unpaid Principal Balance	Fair Value	Weighted Average	
			Coupon	Life (Years)
Reverse mortgage loans, held-for-investment				
HECM loans				
HECM loans collateralizing HMBS	\$ 8,495,445	\$ 8,923,242	6.94 %	4.99
Unsecuritized HECM loans <sup>(1)</sup>	103,033	103,668	7.19 %	6.47
Proprietary reverse mortgage loans				
Securitized proprietary reverse mortgage loans	171,465	181,073	10.38 %	9.27
Unsecuritized proprietary reverse mortgage loans	127,856	137,282	10.67 %	17.02
Total reverse mortgage loans, held-for-investment	8,897,799	9,345,265	7.07 %	5.26
Reverse mortgage loans, held-for-sale				
Unsecuritized proprietary reverse mortgage loans	117,846	127,124	10.58 %	17.02
Total reverse mortgage loans	\$ 9,015,645	\$ 9,472,389	7.11 %	5.42

(1) Includes unpoolable HECM loans with an unpaid principal balance of \$25.2 million.

**December 31, 2023:**

(\$ in thousands)	Unpaid Principal Balance	Fair Value	Weighted Average	
			Coupon	Life (Years)
<b>Reverse mortgage loans, held-for-investment</b>				
HECM loans collateralizing HMBS	\$ 8,166,222	\$ 8,506,423	6.82 %	5.10
Unsecuritized HECM loans <sup>(1)</sup>	103,063	102,553	7.15 %	6.12
Total reverse mortgage loans, held-for-investment	8,269,285	8,608,976	6.83 %	5.11
Reverse mortgage loans, held-for-sale	298,986	329,575	10.67 %	16.78
Total reverse mortgage loans	\$ 8,568,271	\$ 8,938,551	6.96 %	5.54

(1) Includes unpoolable HECM loans with an unpaid principal balance of \$28.0 million.

During the three- and six-month periods ended June 30, 2024, the Company transferred proprietary reverse mortgage loans held-for-sale with an unpaid principal balance of \$87.7 million and \$298.2 million, respectively, to held-for-investment.

Unpoolable HECM loans can include unsecuritized inactive HECM loans as well as HECM loans that have reached 98% of their respective maximum claim amount, or the "MCA," and repurchased from the HMBS pool, or "HECM Buyout Loans." The MCA is equal to the lesser of a home's appraised value at the point in time that the conditional commitment is issued or the maximum loan limit that can be insured by FHA. Unpoolable HECM loans are not eligible for securitization into HMBS.

HECM loans where the borrower is deceased, no longer occupies the property, or is delinquent on tax and/or insurance payments, are categorized as "inactive." Active HECM loans that have reached 98% of the MCA and have been repurchased from the HMBS pool, or "ABOs," are subsequently assigned to the U.S. Department of Housing and Urban Development, or "HUD," which then reimburses the Company for the outstanding debt on the repurchased loan, up to the MCA. For inactive HECM Buyout Loans, or "NABOs," following resolution of the loan the Company files a claim with HUD for any recoverable remaining principal and advance balances. The timing and amount of the Company obligations with respect to MCA repurchases is uncertain as repurchase is dependent largely on circumstances outside of the Company's control, including the amount and timing of future draws and the status of the loan.

The following table provides details on the Company's unpoolable HECM loans as of June 30, 2024 and December 31, 2023:

(\$ in thousands)	June 30, 2024		December 31, 2023	
	Unpaid Principal Balance	Fair Value	Unpaid Principal Balance	Fair Value
<b>Unpoolable HECM Loan Type</b>				
ABOs	\$ 6,505	\$ 5,079	\$ 8,508	\$ 6,897
NABOs	14,383	9,878	14,562	10,167
Other HECM loans <sup>(1)</sup>	4,282	4,309	4,883	4,908
Total unpoolable HECM loans	\$ 25,170	\$ 19,266	\$ 27,953	\$ 21,972

(1) Includes HECM tail loans where the borrower is not in compliance with the terms of the underlying loan.

In March 2023, the Company entered into various agreements including a Master Loan Purchase and Servicing Agreement (the "MLPS Agreement") with a third party (the "MLPS Counterparty"), whereby it agreed to purchase and service HECM Buyout Loans with an unpaid principal balance of \$80.1 million that had been previously repurchased from various HMBS pools by a third party HMBS issuer, and simultaneously finance such loans with the MLPS Counterparty. As of June 30, 2024 and December 31, 2023, the Company held HECM Buyout Loans purchased under the MLPS Agreement with a fair value of \$7.2 million and \$8.9 million, respectively, which are included in Loans, at fair value on the Condensed Consolidated Balance Sheet.

As of June 30, 2024, the Company had \$315.7 million in unpaid principal balance of inactive reverse mortgage loans, of which \$299.6 million related to HECM loans and the remainder related to proprietary reverse mortgage loans. As of December 31, 2023, the Company had \$290.4 million in unpaid principal balance of inactive reverse mortgage loans, of which \$280.6 million related to HECM loans and the remainder related to proprietary reverse mortgage loans.

The table below summarizes the geographic distribution of the real estate collateral underlying the Company's reverse mortgage loans as a percentage of total outstanding unpaid principal balance, as of June 30, 2024 and December 31, 2023.

Property Location by U.S. State	June 30, 2024	December 31, 2023
California	28.8 %	28.7 %
Florida	8.8 %	8.8 %
Colorado	7.2 %	7.1 %
Arizona	6.3 %	6.3 %
Washington	5.4 %	5.3 %
Utah	5.1 %	5.0 %
Texas	4.9 %	4.8 %
Oregon	2.9 %	3.0 %
Idaho	2.7 %	2.7 %
Massachusetts	2.3 %	2.4 %
New York	2.3 %	2.2 %
Nevada	2.1 %	2.1 %
North Carolina	2.1 %	2.1 %
Georgia	1.6 %	1.6 %
Virginia	1.5 %	1.6 %
South Carolina	1.4 %	1.4 %
Ohio	1.4 %	1.5 %
Tennessee	1.4 %	1.3 %
New Jersey	1.2 %	1.3 %
Maryland	1.1 %	1.1 %
Pennsylvania	1.1 %	1.1 %
Other	8.4 %	8.6 %
	100.0 %	100.0 %

## 6. Mortgage Servicing Rights

Certain of the reverse mortgage loans originated by the Company, through Longbridge, are ineligible for inclusion in HMBS, and are not guaranteed by the FHA ("Proprietary reverse mortgage loans"). Longbridge is party to a Sale and Servicing Agreement (the "Sale and Servicing Agreement") with a third party (the "Proprietary Loan Purchaser") whereby Longbridge originated reverse mortgage loans based on specific proprietary criteria and committed to sell such loans to the Proprietary Loan Purchaser. Upon the sale of such loans to the Proprietary Loan Purchaser, Longbridge retained the rights and obligations of servicing such loans and an MSR asset was recorded.

Additionally, on July 1, 2023, Longbridge assumed the role as servicer for various private label securitization trusts collateralized by either proprietary reverse mortgage loans or HECM buyout loans. Longbridge was appointed servicer through the bankruptcy proceedings of the previous servicer, and Longbridge assumed the rights and obligations of servicing such loans. Such MSR's related to underlying reverse mortgage loans with an aggregate unpaid principal balance of \$2.1 billion on July 1, 2023.

As of June 30, 2024, the Company's Reverse MSR's related to underlying reverse mortgage loans with an aggregate unpaid principal balance of \$2.7 billion, and the fair value of such Reverse MSR's was \$29.5 million. As of December 31, 2023, the Company's Reverse MSR's related to underlying reverse mortgage loans with an aggregate unpaid principal balance of \$2.8 billion, and the fair value of such Reverse MSR's was \$29.6 million.

The fair value of the Company's MSR's is driven by the net cash flows associated with servicing activities, which include contractually specified servicing fees, late fees, and other ancillary servicing revenue. For the three-month periods ended June 30, 2024 and 2023, the Company recognized a gain (loss) related to its Reverse MSR's of \$(0.4) million and \$(0.6) million, respectively. For the six-month periods ended June 30, 2024 and 2023, the Company recognized a gain (loss) related to its Reverse MSR's of \$(42) thousand and \$(0.6) million, respectively. Gain (loss) related to Reverse MSR's is included in Other (net) on the Condensed Consolidated Statement of Operations.

## 7. Forward MSR-related Investments

The Company does not hold the requisite licenses to purchase or hold MSRs on forward mortgage loans, or "Forward MSRs," directly. The Company, through certain of its subsidiaries acquired through the Arlington Merger, is party to various agreements (the "Forward MSR Agreements") with a licensed, government-sponsored enterprise ("GSE") approved residential mortgage loan servicer (the "Forward MSR Master Servicer") that enable the Company to participate in the economic returns of a portfolio of Forward MSRs (the "Forward MSR-related investments"). Under the Forward MSR Agreements, MSRs are purchased by the Forward MSR Master Servicer (the "Underlying Forward MSRs") with funding obtained through financing transactions with the Company. Under the terms of the Forward MSR Agreements, for an MSR acquired by the Forward MSR Master Servicer, the Company: (i) purchases the excess servicing spread from the Forward MSR Master Servicer, which entitles the Company to monthly distributions of the servicing fees collected by the Forward MSR Master Servicer in excess of 12.5 basis points per annum (the "Excess Servicing Spread"), and (ii) enters into an agreement with the parent of the Forward MSR Master Servicer (the "Base MSR Counterparty") that references the Underlying Forward MSRs (the "Base MSR Agreement").

Pursuant to the Base MSR Agreement, the Company is entitled to receive an amount generally equivalent to the excess of servicing proceeds (which may include servicing fee revenue, income generated on escrow balances, and reimbursements for previously made servicing advances) over the sum of the Excess Servicing Spread and the actual costs of servicing (including amounts paid for servicing advances, master and subservicing fees, and other costs and expenses). To the extent that servicing proceeds are less than the sum of servicing costs and the Excess Servicing Spread (which would typically result from high levels of servicing advances), the Company is obligated to pay the equivalent of such deficit to the Base MSR Counterparty.

Upon a sale of any of the Underlying Forward MSRs, the Forward MSR Agreements also entitle the Company to distributions of the corresponding sale proceeds.

Under certain circumstances, the Company can direct the Forward MSR Master Servicer to finance all or some of the Underlying Forward MSRs, alongside other similar MSRs that the Forward MSR Master Servicer oversees on behalf of third parties unrelated to the Company. Proceeds from such financing are distributed to the Company and must be repaid by the Company upon repayment of corresponding financing by the Forward MSR Master Servicer. As of both June 30, 2024 and December 31, 2023, the fair value of the Forward MSR-related investments takes into account the MSR Master Servicer's \$13.5 million of outstanding borrowings for the benefit of the Company, which were secured by the Underlying Forward MSRs.

The Company has elected the FVO for its investments under the Forward MSR Agreements which are reflected in Forward MSR-related investments, at fair value, on the Condensed Consolidated Balance Sheet and the period change in fair value is recorded in current period earnings on the Condensed Consolidated Statement of Operations as a component of Other, net.

As of June 30, 2024 and December 31, 2023, the fair value of the Company's investments in Forward MSR-related investments was \$158.0 million and \$163.3 million, respectively. The following table presents activity related to Company's investments in Forward MSR-related investments for the three- and six-month-periods ended June 30, 2024. The Company did not hold Forward MSR-related investments during the six-month period ended June 30, 2023.

<i>(In thousands)</i>	<b>Three-Month Period Ended June 30, 2024</b>	<b>Six-Month Period Ended June 30, 2024</b>
Forward MSR-related investments, at fair value, beginning balance	\$ 160,009	\$ 163,336
Capital investments	—	—
Distributions	(6,954)	(15,491)
Accretion of interest income	3,646	7,243
Change in unrealized gain (loss)	1,330	2,943
Forward MSR-related investments, at fair value, ending balance	<u>\$ 158,031</u>	<u>\$ 158,031</u>



## 8. Investments in Unconsolidated Entities

The Company has various equity investments in entities where it has the ability to exert significant influence over such entity, but does not control such entity. In these cases the criteria for consolidation have not been met and the Company is required to account for such investments under ASC 323-10; the Company has elected the FVO for its investments in unconsolidated entities. As of June 30, 2024 and December 31, 2023, the Company's investments in unconsolidated entities had an aggregate fair value of \$163.2 million and \$116.4 million, respectively, which is included on the Condensed Consolidated Balance Sheet in Investments in unconsolidated entities, at fair value. Certain of the entities that the Company accounts for under ASC 323-10 are deemed to be VIEs, and the maximum amount at risk is generally limited to the Company's investment in the VIE. As of June 30, 2024 and December 31, 2023, the fair value of the Company's investments in unconsolidated entities that have been deemed to be VIEs was \$138.6 million and \$87.8 million, respectively.

For the three-month periods ended June 30, 2024 and 2023, the Company recognized Earnings (losses) from investments in unconsolidated entities of \$12.0 million and \$(5.9) million, respectively and for the six-month periods ended June 30, 2024 and 2023, the Company recognized Earnings (losses) from investments in unconsolidated entities of \$14.3 million and \$(2.4) million, respectively. Gains (losses) recognized from the Company's investments in unconsolidated entities are included in Earnings (losses) from investments in unconsolidated entities, on its Condensed Consolidated Statement of Operations.

The following table provides details about the Company's investments in unconsolidated entities as of June 30, 2024 and December 31, 2023:

Investment in Unconsolidated Entity	Form of Investment	Percentage Ownership of Unconsolidated Entity	
		June 30, 2024	December 31, 2023
<b>Loan Originators:</b>			
LendSure Mortgage Corp. <sup>(1)(2)</sup>	Common shares	63.7%	49.9%
Other <sup>(1)</sup>	Various	45.0%–50.0%	45.0%–50.0%
<b>Co-investments with Ellington affiliate(s)<sup>(1)</sup>:</b>			
Elizon DB 2015-1 LLC <sup>(3)(4)</sup>	Membership Interest	34.0%	30.4%
Elizon NM CRE 2020-1 LLC <sup>(3)(5)</sup>	Membership Interest	19.9%	11.5%
Elizon CH CRE 2021-1 LLC <sup>(3)(6)</sup>	Membership Interest	40.8%	29.2%
<b>Equity investments in securitization-related vehicles, including risk retention vehicles<sup>(7)</sup></b>			
	Membership Interest	24.6%–84.5%	24.6%–84.5%
<b>Other:</b>			
Jepson Holdings Limited <sup>(1)(3)</sup>	Membership Interest	4.2%	7.9%
Other <sup>(1)(3)(8)</sup>	Various	6.1%–79.0%	6.1%–79.0%

(1) See Note 16 for additional details on the Company's related party transactions.

(2) As of June 30, 2024, includes both voting and non-voting equity interests held by the Company; its non-voting stake in the entity was 13.8%. As of December 31, 2023, excludes investment in equity interests convertible into non-voting common shares; including such interests the Company's additional non-voting stake in the entity was 13.8%. See Note 16 Related Party Transactions—*Transactions Involving Certain Loan Originators* for additional information.

(3) The Company has evaluated this entity and determined that it meets the definition of a VIE. The Company evaluated its interest in the VIE and determined that the Company does not have the power to direct the activities of the VIE and does not have control of the underlying assets, where applicable. As a result, the Company determined that it is not the primary beneficiary of this VIE and therefore has not consolidated the VIE.

(4) As discussed in Note 16 Related Party Transactions—*Participation in Multi-Borrower Financing Facilities*, the Company and the Affiliated Entities (as defined in Note 16) each consolidate their segregated silos of the Joint Entity (as defined in Note 16). The Company's effective percentage ownership before the effects of consolidation of both its and the Affiliated Entities' respective segregated silos of the Joint Entity, was 55.5% and 60.0% as of June 30, 2024 and December 31, 2023, respectively.

(5) As discussed in Note 16 Related Party Transactions—*Participation in Multi-Borrower Financing Facilities*, the Company and the Affiliated Entities (as defined in Note 16) each consolidate their segregated silos of the Joint Entity (as defined in Note 16). The Company's effective percentage ownership before the effects of consolidation of both its and the Affiliated Entities' respective segregated silos of the Joint Entity, was 70.4% and 74.1% as of June 30, 2024 and December 31, 2023, respectively.

(6) As discussed in Note 16 Related Party Transactions—*Participation in Multi-Borrower Financing Facilities*, the Company and the Affiliated Entities (as defined in Note 16) each consolidate their segregated silos of the Joint Entity (as defined in Note 16). The Company's effective percentage ownership before the effects of consolidation of both its and the Affiliated Entities' respective segregated silos of the Joint Entity, was 53.1% and 52.1% as of June 30, 2024 and December 31, 2023, respectively.

(7) Includes interests in Consumer Risk Retention Vehicles, as defined in Note 13—*Participation in Multi-Seller Consumer Loan Securitizations*, and Participated Risk Retention Vehicle and Residential Loan JV, as defined in Note 13—*Residential Mortgage Loan Securitizations*. The Company has evaluated these entities and determined that they do not meet the definition of a VIE. The Company evaluated its interest in the entity under the voting interest model outlined in ASC 810, and has determined that the Company does not control these entities. As a result, the Company has not consolidated the entity. See Note 13 for additional details on the Company's securitization transactions.

(8) Includes interest in warehouse facilities; see Note 16—*Participation in CLO Transactions*, for additional details.

## 9. Real Estate Owned

As discussed in Note 2, the Company obtains possession of REO as a result of foreclosures on the associated mortgage loans. The following tables detail activity in the Company's carrying value of REO for the three- and six-month periods ended June 30, 2024 and 2023:

	<b>Three-Month Period Ended</b>			
	<b>June 30, 2024</b>		<b>June 30, 2023</b>	
	<b>Number of Properties</b>	<b>Carrying Value</b>	<b>Number of Properties</b>	<b>Carrying Value</b>
	<i>(In thousands)</i>		<i>(In thousands)</i>	
Beginning Balance (March 31, 2024 and 2023, respectively)	82	\$ 19,999	98	\$ 26,717
Transfers from mortgage loans	47	13,891	34	8,494
Capital expenditures and other adjustments to cost		174		492
Adjustments to record at the lower of cost or fair value		592		(38)
Dispositions	(24)	(9,408)	(54)	(14,589)
Ending Balance (June 30, 2024 and 2023, respectively)	<u>105</u>	<u>\$ 25,248</u>	<u>78</u>	<u>\$ 21,076</u>

  

	<b>Six-Month Period Ended</b>			
	<b>June 30, 2024</b>		<b>June 30, 2023</b>	
	<b>Number of Properties</b>	<b>Carrying Value</b>	<b>Number of Properties</b>	<b>Carrying Value</b>
	<i>(In thousands)</i>		<i>(In thousands)</i>	
Beginning Balance (December 31, 2023 and 2022, respectively)	81	\$ 22,085	97	\$ 28,403
Transfers from mortgage loans	83	25,444	46	11,634
Capital expenditures and other adjustments to cost		374		672
Adjustments to record at the lower of cost or fair value		(1,731)		(107)
Dispositions	(59)	(20,924)	(65)	(19,526)
Ending Balance (June 30, 2024 and 2023, respectively)	<u>105</u>	<u>\$ 25,248</u>	<u>78</u>	<u>\$ 21,076</u>

During the three-month period ended June 30, 2024, the Company sold 24 REO properties, realizing a net gain (loss) of approximately \$(1.9) million. During the three-month period ended June 30, 2023, the Company sold 54 REO properties, realizing a net gain (loss) of approximately \$(1.2) million. During the six-month period ended June 30, 2024, the Company sold 59 REO properties, realizing a net gain (loss) of approximately \$(3.2) million. During the six-month period ended June 30, 2023, the Company sold 65 REO properties, realizing a net gain (loss) of approximately \$(1.3) million. Such realized gains (losses) are included in Realized gains (losses) on real estate owned, net, on the Company's Condensed Consolidated Statement of Operations. As of both June 30, 2024 and December 31, 2023, all of the Company's REO had been obtained as a result of obtaining physical possession through foreclosure. Of the Company's total REO holdings, \$8.6 million and \$16.8 million, were measured at fair value on a non-recurring basis as of June 30, 2024 and December 31, 2023, respectively.

## 10. Financial Derivatives

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company manages certain risks associated with its investments and borrowings, including interest rate, credit, liquidity, and foreign exchange rate risk primarily by managing the amount, sources, and duration of its investments and borrowings, and through the use of derivative financial instruments. The Company's derivative financial instruments are used to manage differences in the amount, timing, and duration of its known or expected cash receipts and its known or expected cash payments principally related to its investments and borrowings.

The following table details the fair value of the Company's holdings of financial derivatives as of June 30, 2024 and December 31, 2023:

<i>(In thousands)</i>	<u>June 30, 2024</u>	<u>December 31, 2023</u>
<b>Financial derivatives—assets, at fair value:</b>		
TBA securities purchase contracts	\$ 101	\$ 2,182
TBA securities sale contracts	1,497	—
Fixed payer interest rate swaps	136,126	101,881
Fixed receiver interest rate swaps	15,366	27,358
Credit default swaps on asset-backed securities	8	8
Credit default swaps on asset-backed indices	2,136	3,318
Credit default swaps on corporate bonds	70	25
Credit default swaps on corporate bond indices	6,387	7,259
Total return swaps	3	6
Futures	222	245
Forwards	196	12
Warrants	53	1,702
<b>Total financial derivatives—assets, at fair value</b>	<u>162,165</u>	<u>143,996</u>
<b>Financial derivatives—liabilities, at fair value:</b>		
TBA securities purchase contracts	(655)	—
TBA securities sale contracts	(155)	(5,820)
Fixed payer interest rate swaps	(4,492)	(17,944)
Fixed receiver interest rate swaps	(16,921)	(13,801)
Credit default swaps on asset-backed indices	(32)	(32)
Credit default swaps on corporate bonds	(227)	(225)
Credit default swaps on corporate bond indices	(16,722)	(15,894)
Futures	(4,860)	(7,990)
Forwards	—	(70)
<b>Total financial derivatives—liabilities, at fair value</b>	<u>(44,064)</u>	<u>(61,776)</u>
<b>Total</b>	<u>\$ 118,101</u>	<u>\$ 82,220</u>

**Interest Rate Swaps**

The following tables provide information about the Company's fixed payer interest rate swaps as of June 30, 2024 and December 31, 2023:

**June 30, 2024:**

Maturity	Notional Amount	Fair Value	Weighted Average		Remaining Years to Maturity
			Pay Rate	Receive Rate	
	<i>(In thousands)</i>				
2024	\$ 436,983	\$ 5,464	4.11 %	5.34 %	0.33
2025	414,561	8,305	3.69	5.34	1.16
2026	252,467	2,258	4.33	5.34	2.05
2027	228,250	9,940	2.92	5.33	2.93
2028	586,973	19,371	3.54	5.33	4.03
2029	328,214	8,559	3.63	5.33	4.72
2030	240,079	4,078	3.77	5.34	6.12
2031	169,293	26,335	1.69	5.33	6.95
2032	181,867	16,236	2.80	5.33	8.06
2033	407,506	22,019	3.33	5.33	8.90
2034	261,080	1,651	3.88	5.34	9.84
2035	500	157	0.78	5.33	11.31
2036	1,102	297	1.19	5.33	11.64
2037	45,000	6,169	2.81	5.33	13.16
2038	32,500	116	4.01	5.34	14.17
2039	17,592	153	3.90	5.34	14.69
2040	500	194	0.90	5.33	16.32
2050	500	241	0.98	5.33	26.32
2053	1,600	127	3.32	5.34	29.50
2054	2,200	(36)	3.82	5.34	29.79
<b>Total</b>	<b>\$ 3,608,767</b>	<b>\$ 131,634</b>	<b>3.54 %</b>	<b>5.33 %</b>	<b>4.85</b>

December 31, 2023:

Maturity	Notional Amount	Fair Value	Weighted Average		Remaining Years to Maturity
			Pay Rate	Receive Rate	
	<i>(In thousands)</i>				
2024	\$ 629,547	\$ 9,097	3.18 %	5.41 %	0.61
2025	412,701	6,304	3.69	5.06	1.66
2026	189,287	(573)	4.13	5.39	2.66
2027	174,841	8,970	4.04	5.04	3.35
2028	650,990	7,516	3.48	5.38	4.54
2029	53,011	4,378	2.19	5.38	5.32
2030	150,817	1,122	3.50	5.39	6.59
2031	157,766	24,131	1.51	5.38	7.46
2032	181,867	11,069	2.80	5.38	8.56
2033	437,619	6,960	3.40	5.38	9.42
2035	500	132	0.78	5.33	11.81
2036	1,102	280	1.19	5.38	12.13
2037	45,000	3,780	2.81	5.38	13.66
2038	32,500	(1,727)	4.01	5.39	14.67
2040	500	165	0.90	5.33	16.82
2049	5,729	845	2.63	5.38	25.02
2050	500	207	0.98	5.33	26.82
2052	5,000	1,281	2.07	5.38	28.27
<b>Total</b>	<b>\$ 3,129,277</b>	<b>\$ 83,937</b>	<b>3.34 %</b>	<b>5.33 %</b>	<b>4.68</b>

The following tables provide information about the Company's fixed receiver interest rate swaps as of June 30, 2024 and December 31, 2023:

**June 30, 2024:**

Maturity	Notional Amount	Fair Value	Weighted Average		Remaining Years to Maturity
			Pay Rate	Receive Rate	
	<i>(In thousands)</i>				
2024	\$ 52,236	\$ (803)	5.44 %	3.56 %	0.34
2025	143,183	(660)	5.33	4.87	0.73
2026	543,794	(1,273)	5.34	4.69	1.74
2027	59,110	(1,226)	5.34	3.84	2.92
2028	459,063	2,493	5.34	4.42	4.11
2029	597,040	5,654	5.34	4.34	4.81
2030	156,262	(9)	5.34	4.11	6.21
2031	42,500	(882)	5.34	3.75	6.59
2033	235,963	(413)	5.34	4.00	9.39
2034	132,687	(400)	5.34	3.94	9.77
2035	500	(161)	5.33	0.74	11.31
2038	36,300	(1,919)	5.34	3.54	14.48
2039	20,377	(421)	5.34	3.79	14.70
2040	500	(201)	5.33	0.84	16.32
2050	500	(253)	5.33	0.90	26.32
2053	13,795	(1,097)	5.34	3.33	29.49
2054	600	16	5.34	3.87	29.88
Total	\$ 2,494,410	\$ (1,555)	5.34 %	4.33 %	4.83

**December 31, 2023:**

Maturity	Notional Amount	Fair Value	Weighted Average		Remaining Years to Maturity
			Pay Rate	Receive Rate	
	<i>(In thousands)</i>				
2024	\$ 427,234	\$ (578)	5.40 %	5.17 %	0.24
2025	143,183	67	5.38	4.87	1.23
2026	461,658	(8,399)	5.39	3.58	2.28
2027	36,591	30	5.39	3.68	3.90
2028	464,799	13,357	5.39	4.33	4.64
2030	67,000	1,737	5.39	3.97	6.77
2033	198,265	7,701	5.39	3.96	9.88
2035	500	(137)	5.38	0.74	11.81
2038	36,300	131	5.39	3.54	14.98
2040	500	(173)	5.38	0.84	16.82
2050	500	(220)	5.38	0.90	26.82
2053	22,800	41	5.39	3.33	29.99
Total	\$ 1,859,330	\$ 13,557	5.39 %	4.28 %	3.93

### Credit Default Swaps

The following table provides information about the Company's credit default swaps as of June 30, 2024 and December 31, 2023:

Type <sup>(1)</sup>	As of					
	June 30, 2024			December 31, 2023		
	Notional	Fair Value	Weighted Average Remaining Term (Years)	Notional	Fair Value	Weighted Average Remaining Term (Years)
<i>(\$ in thousands)</i>						
<b>Asset:</b>						
<b>Long:</b>						
Credit default swaps on asset-backed indices	\$ 219	\$ 12	13.50	\$ 230	\$ 12	13.99
Credit default swaps on corporate bonds	2,000	70	1.47	2,000	25	1.97
Credit default swaps on corporate bond indices	99,000	6,387	3.98	149,000	7,259	4.47
<b>Short:</b>						
Credit default swaps on asset-backed securities	(46)	8	11.24	(45)	8	11.74
Credit default swaps on asset-backed indices	(41,990)	2,124	34.63	(42,101)	3,306	35.11
<b>Liability:</b>						
<b>Long:</b>						
Credit default swaps on asset-backed indices	60	(32)	24.72	60	(32)	25.22
<b>Short:</b>						
Credit default swaps on corporate bonds	(13,000)	(227)	2.97	(13,000)	(225)	3.47
Credit default swaps on corporate bond indices	(527,617)	(16,722)	4.79	(537,299)	(15,894)	4.84
	<u>\$ (481,374)</u>	<u>\$ (8,380)</u>	<u>7.52</u>	<u>\$ (441,155)</u>	<u>\$ (5,541)</u>	<u>7.81</u>

(1) Long notional represents contracts where the Company has written protection and short notional represents contracts where the Company has purchased protection.

### Futures

The following table provides information about the Company's long and short positions in futures as of June 30, 2024 and December 31, 2023:

Description	As of					
	June 30, 2024			December 31, 2023		
	Notional Amount	Fair Value	Remaining Months to Expiration	Notional Amount	Fair Value	Remaining Months to Expiration
	<i>(In thousands)</i>			<i>(In thousands)</i>		
<b>Assets:</b>						
<b>Long Contracts:</b>						
U.S. Treasury futures	\$ 1,900	\$ 91	3.07	\$ 1,900	\$ 245	2.63
<b>Short Contracts:</b>						
U.S. Treasury futures	(40,000)	131	3.07	—	—	—
<b>Liabilities:</b>						
<b>Short Contracts:</b>						
U.S. Treasury futures	(364,600)	(4,860)	3.07	(313,100)	(7,990)	2.21
Total, net	<u>\$ (402,700)</u>	<u>\$ (4,638)</u>	<u>3.07</u>	<u>\$ (311,200)</u>	<u>\$ (7,745)</u>	<u>2.21</u>

### Warrants

The following table provides information about the Company's warrants contracts to purchase shares as of June 30, 2024 and December 31, 2023:

Description	June 30, 2024			December 31, 2023		
	Number of Shares Underlying Warrant	Fair Value	Remaining Years to Expiration	Number of Shares Underlying Warrant	Fair Value	Remaining Years to Expiration
	<i>(In thousands)</i>			<i>(In thousands)</i>		
Warrants	102	\$ 53	n/a	202	\$ 1,702	5.66

### TBAs

The Company transacts in the forward settling TBA market. Pursuant to these TBA transactions, the Company agrees to purchase or sell, for future delivery, Agency RMBS with certain principal and interest terms and certain types of underlying collateral, but the particular Agency RMBS to be delivered is not identified until shortly before the TBA settlement date. TBAs are generally liquid, have quoted market prices, and represent the most actively traded class of MBS. The Company uses TBAs to mitigate interest rate risk, usually by taking short positions. The Company also invests in TBAs as a means of acquiring additional exposure to Agency RMBS, or for investment purposes, including holding long positions.

The Company does not usually take delivery of TBAs; rather, it 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.

As of June 30, 2024 and December 31, 2023, the Company had outstanding TBA purchase and sale contracts as follows:

TBA Securities	June 30, 2024				December 31, 2023			
	Notional Amount <sup>(1)</sup>	Cost Basis <sup>(2)</sup>	Market Value <sup>(3)</sup>	Net Carrying Value <sup>(4)</sup>	Notional Amount <sup>(1)</sup>	Cost Basis <sup>(2)</sup>	Market Value <sup>(3)</sup>	Net Carrying Value <sup>(4)</sup>
<i>(In thousands)</i>								
Purchase contracts:								
Assets	\$ 36,232	\$ 35,431	\$ 35,532	\$ 101	\$ 375,154	\$ 362,129	\$ 364,311	\$ 2,182
Liabilities	123,424	117,777	117,122	(655)	—	—	—	—
	159,656	153,208	152,654	(554)	375,154	362,129	364,311	2,182
Sale contracts:								
Assets	(286,350)	(278,779)	(277,282)	1,497	—	—	—	—
Liabilities	(13,600)	(10,504)	(10,659)	(155)	(433,098)	(392,730)	(398,550)	(5,820)
	(299,950)	(289,283)	(287,941)	1,342	(433,098)	(392,730)	(398,550)	(5,820)
Total TBA securities, net	\$ (140,294)	\$ (136,075)	\$ (135,287)	\$ 788	\$ (57,944)	\$ (30,601)	\$ (34,239)	\$ (3,638)

(1) Notional amount represents the principal balance of the underlying Agency RMBS.

(2) Cost basis represents the forward price to be paid (received) for the underlying Agency RMBS.

(3) Market value represents the current market value of the underlying Agency RMBS (on a forward delivery basis) as of period end.

(4) Net carrying value represents the difference between the market value of the TBA contract as of period end and the cost basis, and is reported in Financial derivatives-assets, at fair value and Financial derivatives-liabilities, at fair value on the Condensed Consolidated Balance Sheet.



Gains and losses on the Company's derivative contracts for the three- and six-month periods ended June 30, 2024 and 2023 are summarized in the tables below:

<b>Three-Month Period Ended June 30, 2024</b>							
<b>Derivative Type</b>	<b>Primary Risk Exposure</b>	<b>Net Realized Gains (Losses) on Periodic Settlements of Interest Rate Swaps</b>	<b>Net Realized Gains (Losses) on Financial Derivatives Other Than Periodic Settlements of Interest Rate Swaps</b>	<b>Net Realized Gains (Losses) on Financial Derivatives</b>	<b>Change in Net Unrealized Gains (Losses) on Accrued Periodic Settlements of Interest Rate Swaps</b>	<b>Change in Net Unrealized Gains (Losses) on Financial Derivatives Other Than on Accrued Periodic Settlements of Interest Rate Swaps</b>	<b>Change in Net Unrealized Gains (Losses) on Financial Derivatives</b>
<i>(In thousands)</i>							
Interest rate swaps	Interest Rate	\$ 10,751	\$ (12,875)	\$ (2,124)	\$ (479)	\$ 9,854	\$ 9,375
Credit default swaps on asset-backed indices	Credit		(232)	(232)		189	189
Credit default swaps on corporate bond indices	Credit		(1,683)	(1,683)		1,833	1,833
Credit default swaps on corporate bonds	Credit		(8)	(8)		(19)	(19)
Total return swaps	Equity Market/Credit		17	17		(3)	(3)
TBAs	Interest Rate		3,113	3,113		477	477
Futures	Interest Rate		6,909	6,909		(3,810)	(3,810)
Forwards	Currency		322	322		(140)	(140)
Warrants	Credit		—	—		—	—
<b>Total</b>		<b>\$ 10,751</b>	<b>\$ (4,438)</b>	<b>\$ 6,313</b>	<b>\$ (479)</b>	<b>\$ 8,381</b>	<b>\$ 7,902</b>

<b>Three-Month Period Ended June 30, 2023</b>							
<b>Derivative Type</b>	<b>Primary Risk Exposure</b>	<b>Net Realized Gains (Losses) on Periodic Settlements of Interest Rate Swaps</b>	<b>Net Realized Gains (Losses) on Financial Derivatives Other Than Periodic Settlements of Interest Rate Swaps</b>	<b>Net Realized Gains (Losses) on Financial Derivatives</b>	<b>Change in Net Unrealized Gains (Losses) on Accrued Periodic Settlements of Interest Rate Swaps</b>	<b>Change in Net Unrealized Gains (Losses) on Financial Derivatives Other Than on Accrued Periodic Settlements of Interest Rate Swaps<sup>(1)</sup></b>	<b>Change in Net Unrealized Gains (Losses) on Financial Derivatives<sup>(1)</sup></b>
<i>(In thousands)</i>							
Interest rate swaps	Interest Rate	\$ 9,236	\$ 21,942	\$ 31,178	\$ 3,314	\$ (7,296)	\$ (3,982)
Credit default swaps on asset-backed indices	Credit		34	34		(226)	(226)
Credit default swaps on corporate bond indices	Credit		(742)	(742)		(1,173)	(1,173)
Credit default swaps on corporate bonds	Credit		(42)	(42)		(5)	(5)
TBAs	Interest Rate		(20)	(20)		6,457	6,457
Futures	Interest Rate		(132)	(132)		6,776	6,776
Forwards	Currency		(496)	(496)		346	346
Warrants	Equity Market/Credit		—	—		149	149
<b>Total</b>		<b>\$ 9,236</b>	<b>\$ 20,544</b>	<b>\$ 29,780</b>	<b>\$ 3,314</b>	<b>\$ 5,028</b>	<b>\$ 8,342</b>

(1) Includes foreign currency remeasurement on financial derivatives in the amount of \$2 thousand for the three-month period ended June 30, 2023, which is included on the Condensed Consolidated Statement of Operations in Other, net.

		Six-Month Period Ended June 30, 2024					
Derivative Type	Primary Risk Exposure	Net Realized Gains (Losses) on Periodic Settlements of Interest Rate Swaps	Net Realized Gains (Losses) on Financial Derivatives Other Than Periodic Settlements of Interest Rate Swaps	Net Realized Gains (Losses) on Financial Derivatives	Change in Net Unrealized Gains (Losses) on Accrued Periodic Settlements of Interest Rate Swaps	Change in Net Unrealized Gains (Losses) on Financial Derivatives Other Than on Accrued Periodic Settlements of Interest Rate Swaps	Change in Net Unrealized Gains (Losses) on Financial Derivatives
<i>(In thousands)</i>							
Interest rate swaps	Interest Rate	\$ 26,189	\$ (21,528)	\$ 4,661	\$ (4,906)	\$ 33,745	\$ 28,839
Credit default swaps on asset-backed indices	Credit		(432)	(432)		(1,182)	(1,182)
Credit default swaps on corporate bond indices	Credit		(6,250)	(6,250)		3,509	3,509
Credit default swaps on corporate bonds	Credit		(15)	(15)		42	42
Total return swaps	Equity Market/Credit		37	37		(3)	(3)
TBAs	Interest Rate		3,929	3,929		4,426	4,426
Futures	Interest Rate		7,344	7,344		3,107	3,107
Forwards	Currency		432	432		255	255
Warrants	Credit		86	86		(726)	(726)
<b>Total</b>		<b>\$ 26,189</b>	<b>\$ (16,398)</b>	<b>\$ 9,791</b>	<b>\$ (4,906)</b>	<b>\$ 43,173</b>	<b>\$ 38,267</b>

		Six-Month Period Ended June 30, 2023					
Derivative Type	Primary Risk Exposure	Net Realized Gains (Losses) on Periodic Settlements of Interest Rate Swaps	Net Realized Gains (Losses) on Financial Derivatives Other Than Periodic Settlements of Interest Rate Swaps	Net Realized Gains (Losses) on Financial Derivatives	Change in Net Unrealized Gains (Losses) on Accrued Periodic Settlements of Interest Rate Swaps	Change in Net Unrealized Gains (Losses) on Financial Derivatives Other Than on Accrued Periodic Settlements of Interest Rate Swaps <sup>(1)</sup>	Change in Net Unrealized Gains (Losses) on Financial Derivatives <sup>(1)</sup>
<i>(In thousands)</i>							
Interest rate swaps	Interest Rate	\$ 15,027	\$ (9,133)	\$ 5,894	\$ 6,765	\$ 5,878	\$ 12,643
Credit default swaps on asset-backed securities	Credit		1	1		—	—
Credit default swaps on asset-backed indices	Credit		(241)	(241)		1,932	1,932
Credit default swaps on corporate bond indices	Credit		(2,089)	(2,089)		(965)	(965)
Credit default swaps on corporate bonds	Credit		(83)	(83)		(24)	(24)
TBAs	Interest Rate		4,272	4,272		(3,621)	(3,621)
Futures	Interest Rate		(3,065)	(3,065)		1,113	1,113
Forwards	Currency		(356)	(356)		(37)	(37)
Warrants	Equity Market/Credit		—	—		68	68
<b>Total</b>		<b>\$ 15,027</b>	<b>\$ (10,694)</b>	<b>\$ 4,333</b>	<b>\$ 6,765</b>	<b>\$ 4,344</b>	<b>\$ 11,109</b>

(1) Includes foreign currency remeasurement on financial derivatives in the amount of \$6 thousand for the six-month period ended June 30, 2023, which is included on the Condensed Consolidated Statement of Operations in Other, net.

The table below details the average notional values of the Company's financial derivatives, using absolute value of month end notional values, for the six-month period ended June 30, 2024 and the year ended December 31, 2023:

Derivative Type	Six-Month Period Ended June 30, 2024	Year Ended December 31, 2023
<i>(In thousands)</i>		
Interest rate swaps	\$ 5,642,765	\$ 4,309,0
Credit default swaps	783,205	497,8
TBAs	486,793	603,2
Futures	336,786	246,6
Forwards	23,363	15,5
Total return swaps	1,181	8
Warrants	145	1,9

From time to time the Company enters into credit derivative contracts for which the Company sells credit protection ("written credit derivatives"). As of June 30, 2024 and December 31, 2023, all of the Company's open written credit derivatives were credit default swaps on either mortgage/asset-backed indices (ABX and CMBX indices) or corporate bond indices (CDX), collectively referred to as credit indices, or on individual corporate bonds, for which the Company receives periodic payments at fixed rates from credit protection buyers, and is obligated to make payments to the credit protection buyer upon the occurrence of a "credit event" with respect to underlying reference assets.

Written credit derivatives held by the Company at June 30, 2024 and December 31, 2023 are summarized below:

Credit Derivatives	June 30, 2024	December 31, 2023
<i>(In thousands)</i>		
Fair Value of Written Credit Derivatives, Net	\$ 6,437	\$ 7,264
Notional Value of Written Credit Derivatives <sup>(1)</sup>	101,279	151,290

(1) The notional value is the maximum amount that a seller of credit protection would be obligated to pay, and a buyer of credit protection would receive, upon occurrence of a "credit event." Movements in the value of credit default swap transactions may require the Company or the counterparty to post or receive collateral. Amounts due or owed under credit derivative contracts with an International Swaps and Derivatives Association, or "ISDA," counterparty may be offset against amounts due or owed on other credit derivative contracts with the same ISDA counterparty. As a result, the notional value of written credit derivatives involving a particular underlying reference asset or index has been reduced (but not below zero) by the notional value of any contracts where the Company has purchased credit protection on the same reference asset or index with the same ISDA counterparty.

A credit default swap on a credit index or a corporate bond typically terminates at the stated maturity date in the case of corporate indices or bonds, or, in the case of ABX and CMBX indices, the date that all of the reference assets underlying the index are paid off in full, retired, or otherwise cease to exist. Implied credit spreads may be used to determine the market value of such contracts and are reflective of the cost of buying/selling credit protection. Higher spreads would indicate a greater likelihood that a seller will be obligated to perform (*i.e.*, make protection payments) under the contract. In situations where the credit quality of the underlying reference assets has deteriorated, the percentage of notional values that would be paid up front to enter into a new such contract ("points up front") is frequently used as an indication of credit risk. Credit protection sellers entering the market in such situations would expect to be paid points up front corresponding to the approximate fair value of the contract. As of June 30, 2024, the implied credit spread on the Company's outstanding written credit derivative ranged between 259 and 314 basis points as compared to a range of between 51 and 438 basis points as of December 31, 2023. Total net up-front payments (paid) or received relating to written credit derivatives outstanding as of June 30, 2024 and December 31, 2023 was \$(0.9) million and \$(1.6) million, respectively.

## 11. Other Assets

The following table provides additional details of the Company's assets included in Other assets on the Condensed Consolidated Balance Sheet at June 30, 2024 and December 31, 2023.

<b>Other Assets</b>	<b>June 30, 2024</b>		<b>December 31, 2023</b>	
<i>(In thousands)</i>				
Receivables and claims related to reverse mortgage loans repurchased from HMBS <sup>(1)</sup>	\$	36,086	\$	48,468
Prepaid expenses and deferred offering costs		12,109		11,602
Leases—right of use assets <sup>(2)</sup>		5,540		3,279
Accounts receivable		4,959		3,755
Prepaid scheduled draws on reverse mortgage loans and amounts due from sub-servicer		3,038		2,800
Intangible assets		2,422		2,673
Property and equipment <sup>(3)</sup>		1,479		1,110
Certificates of deposit, security deposits, and escrow cash		753		1,043
Loan purchase commitments, at fair value <sup>(4)</sup>		275		—
Servicing asset, at fair value <sup>(5)</sup>		—		1,327
Other		540		1,042
	\$	<u>67,201</u>	\$	<u>77,099</u>

(1) Represents receivables from third-parties and claims to HUD related to loans repurchased from HMBS. See Note 13, Issuance of HMBS for discussion on the maximum claim amount related to reverse mortgage loans in HMBS.

(2) See Note 24 for additional details on the Company's leases and ROU assets.

(3) Net of accumulated depreciation.

(4) See Note 24 for details on loan purchase commitments.

(5) See Note 13 for details on the Servicing asset (liability).

In connection with the Longbridge Transaction, the Company identified and recognized various intangible assets. The following table details the Company's intangible assets as of June 30, 2024 and December 31, 2023.

	<b>June 30, 2024</b>				<b>December 31, 2023</b>			
	<b>Gross Carrying Value</b>	<b>Accumulated Amortization</b>	<b>Net Carrying Value</b>	<b>Useful Life</b>	<b>Gross Carrying Value</b>	<b>Accumulated Amortization</b>	<b>Net Carrying Value</b>	<b>Useful Life</b>
	<i>(In thousands)</i>			<i>(In months)</i>	<i>(In thousands)</i>			<i>(In months)</i>
<b>Intangible Asset:</b>								
Internally developed software	\$ 1,400	\$ (817)	\$ 583	36	\$ 1,400	\$ (583)	\$ 817	36
Trademarks/trade names	1,200	—	1,200	Indefinite	1,200	—	1,200	Indefinite
Customer relationships	700	(61)	639	240	700	(44)	656	240
<b>Total identified intangible assets</b>	<u>\$ 3,300</u>	<u>\$ (878)</u>	<u>\$ 2,422</u>		<u>\$ 3,300</u>	<u>\$ (627)</u>	<u>\$ 2,673</u>	

The following table summarizes changes in the net carrying value of the Company's intangible assets for the three- and six-month periods ended June 30, 2024 and 2023.

	Three-Month Period Ended June 30, 2024				
	Internally Developed Software	Trademarks/Trade Names	Customer Relationships	Total	
<i>(In thousands)</i>					
Net carrying value of intangible assets—Beginning Balance (March 31, 2024)	\$ 700	\$ 1,200	\$ 648	\$ 2,548	
Accumulated Amortization	(117)	—	(9)	(126)	
Net carrying value of intangible assets—Ending Balance (June 30, 2024)	\$ 583	\$ 1,200	\$ 639	\$ 2,422	
	Three-Month Period Ended June 30, 2023				
	Internally Developed Software	Trademarks/Trade Names	Customer Relationships	Total	
<i>(In thousands)</i>					
Net carrying value of intangible assets—Beginning Balance (March 31, 2023)	\$ 1,167	\$ 1,200	\$ 682	\$ 3,049	
Accumulated Amortization	(117)	—	(8)	(125)	
Net carrying value of intangible assets—Ending Balance (June 30, 2023)	\$ 1,050	\$ 1,200	\$ 674	\$ 2,924	
	Six-Month Period Ended June 30, 2024				
	Internally Developed Software	Trademarks/Trade Names	Customer Relationships	Total	
<i>(In thousands)</i>					
Net carrying value of intangible assets—Beginning Balance (December 31, 2023)	\$ 817	\$ 1,200	\$ 656	\$ 2,673	
Accumulated Amortization	(234)	—	(17)	(251)	
Net carrying value of intangible assets—Ending Balance (June 30, 2024)	\$ 583	\$ 1,200	\$ 639	\$ 2,422	
	Six-Month Period Ended June 30, 2023				
	Internally Developed Software	Trademarks/Trade Names	Customer Relationships	Non-Compete Agreements	Total
<i>(In thousands)</i>					
Net carrying value of intangible assets—Beginning Balance (December 31, 2022)	\$ 1,284	\$ 1,200	\$ 691	\$ 100	\$ 3,275
Accumulated Amortization	(234)	—	(17)	(100)	(351)
Net carrying value of intangible assets—Ending Balance (June 30, 2023)	\$ 1,050	\$ 1,200	\$ 674	\$ —	\$ 2,924

The following table summarizes the Company's estimated future amortization expense on its intangible assets.

	June 30, 2024
<i>(In thousands)</i>	
2024	\$ 251
2025	385
2026	35
2027	35
2028	35
Thereafter	481
Total	\$ 1,222

## 12. Consolidated VIEs

As discussed in Note 2, the Company has interests in entities that it has determined to be VIEs. The following table summarizes the assets and liabilities of the Company's consolidated VIEs that are included on the Company's Condensed Consolidated Balance Sheet as of June 30, 2024 and December 31, 2023. See Note 13 and Note 16 for additional information on the Company's consolidated VIEs.

(In thousands)

	June 30, 2024	December 31, 2023
<b>Assets</b>		
Cash and cash equivalents	\$ 6,889	\$ 178
Restricted cash	4,489	—
Securities, at fair value	68,923	74,226
Loans, at fair value	3,536,752	3,342,478
Forward MSR-related investments, at fair value	78,473	82,273
Investments in unconsolidated entities, at fair value	96,694	63,701
Real estate owned	19,885	16,100
Investment related receivables	25,838	19,929
Other assets	352	469
<b>Total Assets</b>	<b>\$ 3,838,295</b>	<b>\$ 3,599,354</b>
<b>Liabilities</b>		
Repurchase agreements	\$ 1,264,606	\$ 1,244,401
Other secured borrowings	29,458	25,787
Other secured borrowings, at fair value	1,585,838	1,424,668
Interest payable	2,852	1,879
Accrued expenses and other liabilities	1,226	451
<b>Total Liabilities</b>	<b>2,883,980</b>	<b>2,697,186</b>
<b>Total Stockholders' Equity</b>	<b>947,611</b>	<b>897,303</b>
Non-controlling interests	6,704	4,865
<b>Total Equity</b>	<b>954,315</b>	<b>902,168</b>
<b>Total Liabilities and Equity</b>	<b>\$ 3,838,295</b>	<b>\$ 3,599,354</b>

## 13. Securitization Transactions

### Participation in CLO Transactions

An affiliate of Ellington sponsored four CLO securitization transactions (the "Ellington-sponsored CLO Securitizations"), collateralized by corporate loans and managed by an affiliate of Ellington (the "CLO Manager"). Ellington, the Company, several other affiliates of Ellington, and in certain cases, third parties, participated in the Ellington-sponsored CLO Securitizations (collectively, the "CLO Co-Participants").

Pursuant to each Ellington-sponsored CLO Securitization, a newly formed securitization trust (each a "CLO Issuer") issued various classes of notes, which were in turn sold to unrelated third parties and the applicable CLO Co-Participants.

The CLO Issuers are each deemed to be a VIE. The Company evaluates its interests in the CLO Issuers under ASC 810, and while the Company retains credit risk in each of the securitization trusts through its beneficial ownership of a portion of the subordinated interests of each of the securitization trusts, which are the first to absorb credit losses on the securitized assets, the Company does not retain control of these assets or the power to direct the activities of the CLO Issuers that most significantly impact the CLO Issuers' economic performance. As a result, the Company determined that it is not the primary beneficiary of the CLO Issuers, and therefore the Company has not consolidated the CLO Issuers. The Company's maximum amount at risk is limited to the Company's investment in each of the CLO Issuers. As of June 30, 2024 and December 31, 2023, the fair value of the Company's investment in the notes issued by the CLO Issuers was \$2.8 million and \$5.1 million, respectively.

See Note 16 for further details on the Company's participation in CLO transactions.

### Residential Mortgage Loan Securitizations—Non-QM loans

The Company has participated in securitizations of non-QM loans (each, a "non-QM securitization"). In each case, the applicable sponsor of such securitization (the "Sponsor") transferred a pool of non-QM loans (each, a "Collateral Pool") to a

wholly-owned subsidiary of such Sponsor (each, a "Depositor"), and on the closing date such Collateral Pool was deposited into a newly created securitization trust (such trusts collectively, the "Issuing Entities"). Pursuant to the securitizations, the Issuing Entities issued various classes of mortgage pass-through certificates (the "Certificates") which are backed by the cash flows from the underlying non-QM loans.

For the non-QM securitizations in which the Company participated between November 2017 and July 2022, the Sponsor and the Depositor are wholly-owned subsidiaries of the Company. The Company has subsequently participated in non-QM securitizations with other entities managed by Ellington (each a "Non-QM Co-Participant"), and in such cases the Sponsor and the Depositor are not subsidiaries of the Company.

Under the Dodd-Frank Act, sponsors of securitizations are generally required to retain at least 5% of the economic interest in the credit risk of the securitized assets (the "Risk Retention Rules"). In order to comply with the Risk Retention Rules, in each non-QM securitization for which the applicable Sponsor was a wholly-owned subsidiary of the Company, the Company purchased and intends to hold, at a minimum, the requisite amount of the most subordinated classes of Certificates and the excess cash flow certificates. The applicable Sponsor also purchased the Certificates entitled to excess servicing fees in each securitization, while the remaining classes of Certificates were purchased by unrelated parties. In the non-QM securitizations for which the Sponsor was not a wholly-owned subsidiary of the Company, the Company and the applicable Non-QM Co-Participants have membership interests in an entity formed for such purpose (the "Participated Risk Retention Vehicle") which purchased, and intends to hold, the requisite amount of each class of Certificate for each applicable non-QM securitization. The Participated Risk Retention Vehicle also purchased the Certificates entitled to excess servicing fees of such Issuing Entities. The remaining Certificates were purchased by the Company, the Non-QM Co-Participants, and/or various unrelated parties.

Notwithstanding that the Certificates carry final scheduled distribution dates in November 2059 or later, the applicable Depositor may, at its sole option, purchase all of the outstanding Certificates (an "Optional Redemption") following the earlier of (1) the applicable anniversary of the closing date (typically two or three years) of the respective securitization or (2) the date on which the aggregate unpaid principal balance of the applicable Collateral Pool has declined below 30% of the aggregate unpaid principal balance of the applicable Collateral Pool as of the date as of which such loans were originally transferred to the applicable Issuing Entity. The purchase price that the Depositor is required to pay in connection with an Optional Redemption is equal to the sum of the unpaid principal balance of each class of Certificates as of the redemption date and any accrued and unpaid interest thereon. These Optional Redemption rights are held by the applicable Depositor and are deemed to give such Depositor effective control over the loans. In cases where the Depositor was a wholly-owned subsidiary of the Company, the transfers of non-QM loans to each of the Issuing Entities do not qualify as sales under ASC 860-10, and the Company continues to reflect the loans on its Condensed Consolidated Balance Sheet in Loans, at fair value. In cases where the Depositor was not wholly-owned or consolidated by the Company, the transfers of non-QM loans to the Issuing Entities did qualify as sales in accordance with ASC 860-10.

In the event that certain breaches of representations or warranties are discovered with respect to any underlying non-QM loans, the Company could be required to repurchase or replace such loans.

Each Sponsor also serves as the servicing administrator of its respective securitization, for which it is entitled to receive a monthly fee equal to one-twelfth of the product of (a) 0.03% and (b) the unpaid principal balance of the underlying non-QM loans as of the first day of the related due period. Each Sponsor in its role as servicing administrator provides direction and consent for certain loss mitigation activities to the third-party servicer of the underlying non-QM loans. In certain circumstances, the servicing administrator will be required to reimburse the servicer for principal and interest advances and servicing advances made by the servicer.

#### *Consolidated Residential Mortgage Loan Securitizations*

For non-QM securitizations in which the Company owned 100% of the interests in both the Sponsor and Depositor ("Consolidated Residential Mortgage Loan Securitizations"), the Company is deemed to be the primary beneficiary of the Issuing Entities, which are VIEs, and has consolidated the Issuing Entities ("Consolidated Issuing Entities") given the Company's retained interests in each of the securitizations, together with the Optional Redemption rights held by the wholly-owned Depositor and the Company's ability to direct the third-party servicer regarding certain loss mitigation activities. Interest income from these loans and the expenses related to the servicing of these loans are included in Interest income and Investment related expenses—Servicing expense, respectively, on the Condensed Consolidated Statement of Operations.

Each of the Consolidated Issuing Entities meet the definition of a CFE as defined in Note 2, and as a result the assets of each of the Issuing Entities have been valued using the fair value of the liabilities of the respective Issuing Entity, as such liabilities have been assessed to be more observable than such assets.

The debt of the Consolidated Issuing Entities is included in Other secured borrowings, at fair value, on the Condensed Consolidated Balance Sheet and is shown net of the Certificates held by the Company.

The following table details the Company's outstanding consolidated residential mortgage loan securitizations:

Issuing Entity	Closing Date	Principal Balance of Loans Transferred to the Depositor		Total Face Amount of Certificates Issued <sup>(1)</sup>
		<i>(In thousands)</i>		
Ellington Financial Mortgage Trust 2019-2	11/19	\$	267,255	\$ 267,255
Ellington Financial Mortgage Trust 2020-1	6/20		259,273	259,273
Ellington Financial Mortgage Trust 2020-2	10/20		219,732	219,732
Ellington Financial Mortgage Trust 2021-1	2/21		251,771	251,771
Ellington Financial Mortgage Trust 2021-2	6/21		331,777	331,777
Ellington Financial Mortgage Trust 2021-3	10/21		257,645	257,645
Ellington Financial Mortgage Trust 2022-1	1/22		417,188	417,188
Ellington Financial Mortgage Trust 2022-2	4/22		425,651	425,651
Ellington Financial Mortgage Trust 2022-3	7/22		345,652	345,652

(1) The Sponsor purchased various classes of Certificates issued by each Issuing Entity in order to comply with the Risk Retention Rules.

The following table details the assets and liabilities of the Consolidated Issuing Entities included in the Company's Condensed Consolidated Balance Sheet as of June 30, 2024 and December 31, 2023:

<i>(In thousands)</i>	June 30, 2024		December 31, 2023	
<b>Assets:</b>				
Loans, at fair value	\$	1,493,634	\$	1,555,371
Investment related receivables		9,207		1,884
<b>Liabilities:</b>				
Other secured borrowings, at fair value		1,369,246		1,424,668

#### Non-Consolidated Residential Mortgage Loan Securitizations

As described above, the Company has also participated in non-QM securitizations with various Non-QM Co-Participants. For the non-QM securitization which closed in December 2022, the Company and the Non-QM Co-Participant each sold loans to a jointly held entity (the "Residential Loan JV") which then transferred the loans to the respective series of the applicable Sponsor, which is wholly-owned by the Residential Loan JV, for further transfer to the applicable Depositor. For the non-QM securitizations that closed after December 2022, the Company and the Non-QM Co-Participants each sold loans directly to the respective series of the applicable Sponsor, for further transfer to the applicable Depositor. The sales by the Company in each instance were accounted for as sales in accordance with ASC 860-10.

The following table provides details on outstanding non-consolidated residential mortgage loan securitizations in which the Company has participated:

Issuing Entity	Closing Date	Principal Balance of Loans Sold By the Company		Principal Balance of Loans Sold By the Non-QM Co-Participants		Total Face Amount of Certificates Issued
		<i>(In thousands)</i>				
EFMT 2024-INV1	4/24	\$	194,497	\$	105,955	\$ 300,452
EFMT 2023-1	2/23		176,218		154,149	330,367
EFMT 2022-4	12/22		309,998		55,264	365,262

In order to comply with the Risk Retention Rules, the Participated Risk Retention Vehicle purchased a percentage of each of the classes of Certificates issued by the respective Issuing Entities. The aggregate fair value of the Company's ownership interests in the Residential Loan JV, and respective series of both the Participated Risk Retention Vehicle and Sponsor, was \$16.5 million and \$8.7 million as of June 30, 2024 and December 31, 2023, respectively. Such interests are included on the Condensed Consolidated Balance Sheet in Investments in unconsolidated entities, at fair value. The Company and the non-QM Co-Participants also directly purchased, certain of the Certificates issued by the non-consolidated Issuing Entities; the Company



subsequently sold various of these Certificates. As of June 30, 2024 and December 31, 2023, the fair value of the Company's investment in such Certificates was \$14.4 million and \$33.0 million, respectively, and is included on the Condensed Consolidated Balance Sheet in Securities, at fair value.

The Company has evaluated its interests in the Residential Loan JV, the Participated Risk Retention Vehicle, and the Sponsor, which are each VIEs. Because the Company does not control the assets of such entities nor does it have the power to direct the activities that most significantly impact such entities' economic performance, the Company determined that the Company is not the primary beneficiary of these VIEs, and therefore the Company has not consolidated these VIEs.

#### **Residential Mortgage Loan Securitizations—European Residential Mortgage Loans**

The Company holds an interest in a European RMBS issued by an unaffiliated European securitization trust (the "European RMBS Issuer"). The European RMBS Issuer issued various tranches of notes (the "European Debt Tranches") collateralized by a pool of European residential mortgage loans (the "European Mortgage Loan Securitization"). As of June 30, 2024, as the holder of a majority interest in the most subordinate European Debt Tranche, the Company may, at its sole option, purchase all of the outstanding European Debt Tranches (the "Optional Redemption").

At June 30, 2024, the Company re-evaluated its interest in the European RMBS Issuer, which is a VIE. As of such date, because the Company has the power to direct the activities that most significantly impact such entities' economic performance, the Company determined that the Company is the current primary beneficiary of this VIE, and therefore the Company has consolidated the European RMBS Issuer. Prior to June 30, 2024, the Company determined that it was not the primary beneficiary of this VIE, and did not consolidate the European RMBS Issuer. As of December 31, 2023, the fair value of the Company's investment in the most subordinate European Debt Tranche was \$0.1 million and is included in Securities, at fair value on the Condensed Consolidated Balance Sheet.

The following table details the assets and liabilities of the European RMBS Issuer included in the Company's Condensed Consolidated Balance Sheet as of June 30, 2024:

<i>(In thousands)</i>	<b>June 30, 2024</b>
<b>Assets:</b>	
Cash and cash equivalents	\$ 6,790
Loans, at fair value	52,368
Investment related receivables	669
<b>Liabilities:</b>	
Other secured borrowings, at fair value	58,195
Investment related payables	1,572

#### **Participation in Multi-Seller Consumer Loan Securitizations**

The Company has participated in various securitizations whereby the Company, together with certain other entities managed by Ellington (the "Consumer Co-Participants"), sold consumer loans to newly formed securitization trusts (each a "Consumer Securitization Issuer"). The sales were accounted for as sales in accordance with ASC 860-10. The following table provides additional details for each such securitization.

<b>Securitization Closing</b>	<b>UPB of Loans Sold to Consumer Securitization Issuer</b>	<b>% Contributed by the Company</b>	<b>Principal Amount of Notes Issued<sup>(1)</sup></b>	<b>% Ownership of Consumer Risk Retention Vehicle</b>
	<i>(In thousands)</i>		<i>(In thousands)</i>	
November 2020	\$ 205,088	56.3 %	\$ 193,650	56.3 %
March 2022 <sup>(2)</sup>	193,450	24.7 %	400,000	24.6 %

(1) Total principal amount of notes issued by the Consumer Securitization Issuer pursuant to the securitization.

(2) UPB of loans sold to the Consumer Securitization Issuer represent the UPB of consumer loans sold by the Company and the Consumer Co-Participants. Such amount excludes \$227.6 million of UPB of consumer loans sold to the Consumer Securitization Issuer by a third-party.

As shown in the above table, pursuant to each of the securitizations, the respective Consumer Securitization Issuer issued senior and subordinated notes. Trust certificates representing beneficial ownership of each of the Consumer Securitization Issuers were also issued. In connection with each transaction, through a jointly owned newly formed entity (each a "Consumer Risk Retention Vehicle"), the Company and the Consumer Co-Participants acquired certain of the subordinated notes as well as the trust certificates in the respective Consumer Securitization Issuer. As of June 30, 2024 and December 31, 2023, the Company's total interest in the Consumer Risk Retention Vehicles, for which the Company has elected the FVO, was

\$0.8 million and \$2.4 million, respectively. The fair value of the Consumer Risk Retention Vehicles is included on the Condensed Consolidated Balance Sheet in Investments in unconsolidated entities, at fair value.

The notes and trust certificates issued by each of the Consumer Securitization Issuers are backed by the cash flows from the underlying consumer loans. If there are breaches of representations and warranties with respect to any underlying consumer loans, the Company could, under certain circumstances, be required to repurchase or replace such loans. Absent such breaches, the Company has no obligation to repurchase or replace any underlying consumer loans that become delinquent or otherwise default. In addition, another affiliate of Ellington acts as the administrator for these securitizations and is paid a monthly fee for its services.

The Consumer Securitization Issuers are each deemed to be a VIE. The Company has evaluated its interest in each of the Consumer Securitization Issuers under ASC 810, and while the Company retains credit risk in each of the securitization trusts through its beneficial ownership of most of the subordinated interests of each of the securitization trusts, which are the first to absorb credit losses on the securitized assets, neither the Company nor the Consumer Risk Retention Vehicles retain control of these assets or the power to direct the activities of the Consumer Securitization Issuers that most significantly impact the Consumer Securitization Issuers' economic performance. As a result, the Company determined that neither the Company nor the Consumer Risk Retention Vehicles are the primary beneficiary of the respective Consumer Securitization Issuer, and therefore the Company has not consolidated the Consumer Securitization Issuers. Additionally, the Company evaluated its interest in each of the Consumer Risk Retention Vehicles, which do not meet the criteria to be deemed a VIE, under the voting interest model provided by ASC 810 and determined the Company does not control the Consumer Risk Retention Vehicles. As a result, the Company has not consolidated the Consumer Risk Retention Vehicles.

#### ***Proprietary Reverse Mortgage Loan Securitizations***

In March 2024, the Company, through a wholly owned subsidiary (the "RM Sponsor"), sponsored a \$208.1 million securitization transaction (the Reverse Mortgage Securitization) collateralized by a pool of proprietary reverse mortgage loans (the "RM Collateral Pool"). The RM Sponsor transferred such RM Collateral Pool, with an unpaid principal balance of \$171.4 million, to a wholly-owned subsidiary (the "RM Depositor"), and on the securitization closing date such RM Collateral Pool was deposited into a newly created securitization trust (the "RM Issuing Entity"). Pursuant to the Reverse Mortgage Securitization, the RM Issuing Entity issued various classes of asset-backed notes (the "RM Notes") which are backed by the cash flows from the underlying proprietary reverse mortgage loans.

The two most senior classes of RM Notes were purchased by unrelated parties, while the Company retained the remaining classes of RM Notes. The Company intends to hold, at a minimum, the amount of RM Notes it is required to hold under the Risk Retention Rules.

The Company is deemed to be the primary beneficiary of the RM Issuing Entity, which is a VIE. The RM Issuing Entity meets the definition of a CFE and as a result, the assets of the RM Issuing Entity have been valued using the fair value of the liabilities of the RM Issuing Entity, as such liabilities have been assessed to be more observable than such assets.

The debt of the RM Issuing Entity is included in Other secured borrowings, at fair value, on the Condensed Consolidated Balance Sheet and is shown net of the RM Notes held by the Company.

The following table details the assets and liabilities of the RM Issuing Entity included in the Company's Condensed Consolidated Balance Sheet as of June 30, 2024:

	<b>June 30, 2024</b>
	<i>(In thousands)</i>
<b>Assets:</b>	
Restricted cash	\$ 4,489
Loans, at fair value	181,073
<b>Liabilities:</b>	
Other secured borrowings, at fair value	158,397

#### ***Issuance of HMBS***

Longbridge is approved as a Title II, non-supervised direct endorsement mortgagee with HUD. Longbridge is also an approved issuer of HMBS whereby it pools HECM loans and issues HMBS securities which are sold to third-parties with only the servicing rights retained. As discussed in Note 5, HMBS are structured whereby the HMBS issuer is required to repurchase loans whenever the outstanding principal balance of such loan reaches 98% of the MCA. In accordance with ASC 860-10, the transfer of the loans to the HMBS securitization vehicle does not qualify as a sale as the Company has not surrendered control over transferred financial assets. As a result, the transfer of the loans is accounted for as secured borrowings for which the

Company has elected the FVO. Such secured borrowings are included in HMBS-related obligations, at fair value. The majority of the related collateral is included as a component of Loans, at fair value, on the Condensed Consolidated Balance Sheet. The Company recognizes interest expense on such HMBS-related obligations based on the stated coupon rate of the respective HMBS. Interest expense and changes in fair value are recorded in net change related to HMBS obligations, at fair value on the Condensed Consolidated Statement of Operations. During the three-month periods ended June 30, 2024 and 2023, the Company pooled HECM loans with an unpaid principal balance of \$334.7 million and \$379.8 million, respectively, into HMBS. During the six-month periods ended June 30, 2024 and 2023, the Company pooled HECM loans with an unpaid principal balance of \$609.0 million and \$693.3 million, respectively, into HMBS. As of June 30, 2024, the Company was servicing 1,043 pools of HMBS with an unpaid principal balance of \$8.5 billion. As of December 31, 2023, the Company was servicing 974 pools of HMBS with an unpaid principal balance of \$8.2 billion.

The Company has entered into a Collaboration and Transfer Agreement, or the "HECM CT Agreement" with a third party. Pursuant to the HECM CT Agreement, the Company purchased HECM loans and the associated MSR from the third party and securitized such loans into HMBS. While the Company is the legal owner and servicer of the HMBS, under the HECM CT Agreement, the third party receives a portion of the cash flows generated from the HMBS. The Company retains a base participation fee, along with the right to premiums on subsequent HECM tail securitizations. Additionally, in the event Company is required to repurchase a loan from the HMBS pool, there is a put option repurchase guarantee from the third-party whereby they are required to repurchase such HECM loans from the Company. The Company recognizes the amount due to/from the third party under the HECM CT Agreement as an asset or a liability (the "Servicing Asset" or "Servicing Liability") which is included in Other Assets or Accrued expenses and other liabilities on the Condensed Consolidated Balance Sheet. The Company has elected the FVO on its Servicing Asset/Liability and changes in value are included in Other Income (Loss). As of June 30, 2024 and December 31, 2023, the Company has a Servicing Asset/(Liability) related to the HECM CT Agreement of \$(0.2) million and \$1.3 million, respectively, which is included in Accrued expenses and other liabilities and Other Assets, respectively, on the Condensed Consolidated Balance Sheet.

During the three-month periods ended June 30, 2024 and 2023, the Company repurchased HECM loans from HMBS pools, largely consisting of loans subject to 98% of the MCA requirement, with an unpaid principal balance of \$108.6 million and \$206.8 million, respectively. Of these repurchases during the three-month periods ended June 30, 2024 and 2023, \$102.6 million and \$202.6 million, respectively, were subsequently transferred to a third party in accordance with the HECM CT Agreement. During the six-month periods ended June 30, 2024 and 2023, the Company repurchased HECM loans from HMBS pools, largely consisting of loans subject to 98% of the MCA requirement, with an unpaid principal balance of \$256.5 million and \$366.1 million, respectively. Of these repurchases during the six-month periods ended June 30, 2024 and 2023, \$238.6 million and \$360.1 million, respectively, were subsequently transferred to a third party in accordance with the HECM CT Agreement.

## 14. Borrowings

### Secured Borrowings

The Company's secured borrowings consist of repurchase agreements, Other secured borrowings, Other secured borrowings, at fair value, and HMBS-related obligations, at fair value. As of June 30, 2024 and December 31, 2023, the Company's total secured borrowings were \$12.9 billion and \$13.1 billion, respectively.

#### *Repurchase Agreements*

The Company enters into repurchase agreements. A repurchase agreement involves the sale of an asset to a counterparty together with a simultaneous agreement to repurchase the transferred asset or similar asset from such counterparty at a future date. The Company accounts for its repurchase agreements as collateralized borrowings, with the transferred assets effectively serving as collateral for the related borrowing. The Company's repurchase agreements typically range in term from 30 to 364 days, although the Company also has repurchase agreements that provide for longer or shorter terms. The principal economic terms of each repurchase agreement—such as loan amount, interest rate, and maturity date—are typically negotiated on a transaction-by-transaction basis. Other terms and conditions, such as those relating to events of default, are typically governed under the Company's master repurchase agreements. Absent an event of default, the Company maintains beneficial ownership of the transferred securities during the term of the repurchase agreement and receives the related principal and interest payments. Interest rates on these borrowings are generally fixed based on prevailing rates corresponding to the terms of the borrowings, and for most repurchase agreements, interest is generally paid at the termination of the repurchase agreement, at which time the Company may enter into a new repurchase agreement at prevailing market rates with the same counterparty, repay that counterparty and possibly negotiate financing terms with a different counterparty, or choose to no longer finance the related asset. Some repurchase agreements provide for periodic payments of interest, such as monthly payments. In response to a decline in the fair value of the transferred securities, whether as a result of changes in market conditions, security paydowns, or other factors, repurchase agreement counterparties will typically make a margin call, whereby the Company will be required

to post additional securities and/or cash as collateral with the counterparty in order to re-establish the agreed-upon collateralization requirements. In the event of increases in fair value of the transferred securities, the Company can generally require the counterparty to post collateral with it in the form of cash or securities. The Company is generally permitted to sell or re-pledge any securities posted by the counterparty as collateral; however, upon termination of the repurchase agreement, or other circumstance in which the counterparty is no longer required to post such margin, the Company must return to the counterparty the same security that had been posted.

At any given time, the Company seeks to have its outstanding borrowings under repurchase agreements with several different counterparties in order to reduce the exposure to any single counterparty. The Company had outstanding borrowings under repurchase agreements with 23 and 26 counterparties as of June 30, 2024 and December 31, 2023, respectively.

As of June 30, 2024, remaining days to maturity on the Company's open repurchase agreements ranged from 1 day to 644 days. Interest rates on the Company's open repurchase agreements ranged from 4.57% to 8.86% as of June 30, 2024. As of December 31, 2023, remaining days to maturity on the Company's open repurchase agreements ranged from 2 days to 513 days. Interest rates on the Company's open repurchase agreements ranged from 4.81% to 8.68% as of December 31, 2023.

The following table details the Company's outstanding borrowings under repurchase agreements for Agency RMBS, credit assets (which can include non-Agency RMBS, CMBS, CLOs, consumer loans, corporate debt, residential mortgage loans, and commercial mortgage loans and REO), reverse mortgage loans, and U.S. Treasury securities by remaining maturity as of June 30, 2024 and December 31, 2023:

Remaining Maturity	June 30, 2024			December 31, 2023		
	Outstanding Borrowings	Interest Rate	Remaining Days to Maturity	Outstanding Borrowings	Interest Rate	Remaining Days to Maturity
	<i>(In thousands)</i>			<i>(In thousands)</i>		
<b>Agency RMBS:</b>						
30 Days or Less	\$ 308,855	5.46 %	17	\$ 1,076,710	5.55 %	17
31-60 Days	71,692	5.51 %	45	15,786	5.81 %	49
61-90 Days	883	6.11 %	73	914	6.16 %	72
151-180 Days	1,979	6.15 %	162	1,931	6.23 %	159
Total Agency RMBS	383,409	5.48 %	23	1,095,341	5.55 %	18
<b>Credit Assets:</b>						
30 Days or Less	15,360	6.96 %	18	124,617	6.80 %	22
31-60 Days	134,122	6.75 %	45	136,434	7.03 %	41
61-90 Days	107,561	6.64 %	75	82,992	6.85 %	74
91-120 Days	1,063,288	7.41 %	99	290,215	7.36 %	116
121-150 Days	970	6.58 %	141	—	— %	—
151-180 Days	15,187	6.69 %	162	5,980	6.68 %	161
181-364 Days	99,631	8.35 %	278	867,983	7.61 %	268
> 364 Days	103,967	7.93 %	482	58,631	8.61 %	513
Total Credit Assets	1,540,086	7.38 %	130	1,566,852	7.44 %	199
<b>Reverse Mortgage Loans:</b>						
31-60 Days	26,901	8.86 %	37	—	— %	—
91-120 Days	104,967	8.59 %	95	—	— %	—
121-150 Days	—	— %	—	—	— %	—
181-364 Days	—	— %	—	150,228	7.97 %	282
Total Reverse Mortgage Loans	131,868	8.65 %	84	150,228	7.97 %	282
<b>U.S. Treasury Securities:</b>						
30 Days or Less	246,613	5.46 %	1	155,016	5.51 %	2
Total U.S. Treasury Securities	246,613	5.46 %	1	155,016	5.51 %	2
<b>Total</b>	<b>\$ 2,301,976</b>	<b>6.93 %</b>	<b>95</b>	<b>\$ 2,967,437</b>	<b>6.67 %</b>	<b>126</b>

Repurchase agreements involving underlying investments that the Company sold prior to period end, for settlement following period end, are shown using their contractual maturity dates even though such repurchase agreements may be expected to be terminated early upon settlement of the sale of the underlying investment.

As of June 30, 2024 and December 31, 2023, the fair value of investments transferred as collateral under outstanding borrowings under repurchase agreements was \$2.9 billion and \$3.7 billion, respectively. Collateral transferred under outstanding borrowings under repurchase agreements as of June 30, 2024 and December 31, 2023, include investments in the amount of \$32.8 million and \$346.6 million, respectively, that were sold prior to period end but for which such sale had not yet settled. As of December 31, 2023, such amount included \$341.1 million of Agency RMBS that had been acquired as a result of the Arlington merger and then subsequently sold but for which such sale transaction had not yet settled. In addition, as of June 30, 2024 and December 31, 2023, the Company posted (received) net cash collateral of \$1.6 million and \$(11.2) million, respectively, to its counterparties. In addition, as of June 30, 2024 additional securities with a fair value of \$0.1 million were posted by the Company as a result of margin calls from various counterparties.

Amount at risk represents the excess, if any, for each counterparty of the fair value of collateral held by such counterparty over the amounts outstanding under repurchase agreements. The following table provides details by counterparty for such counterparties for which the amounts at risk relating to our repurchase agreements was greater than 10% of total equity as of June 30, 2024 and December 31, 2023.

**June 30, 2024:**

Counterparty	Amount at Risk	Weighted Average Remaining Days to Maturity	Percentage of Equity
	<i>(In thousands)</i>		
Nomura Holdings Inc.	\$ 212,043	97	13.5 %

**December 31, 2023:**

Counterparty	Amount at Risk	Weighted Average Remaining Days to Maturity	Percentage of Equity
	<i>(In thousands)</i>		
Nomura Holdings Inc.	\$ 216,886	246	14.2 %

*Other Secured Borrowings*

The Company has entered into an agreement to finance a portfolio of ABS backed by consumer loans through a recourse secured borrowing facility. The facility includes a revolving borrowing period ending in September 2024 (or earlier following a trigger event), whereby the Company can vary its borrowings based on the size of its portfolio, subject to certain maximum limits. Following the revolving borrowing period, the facility amortizes, with a final termination date in September 2026. The facility accrues interest on a floating rate basis. As of June 30, 2024 and December 31, 2023, the Company had outstanding borrowings under this facility in the amount of \$29.5 million and \$25.8 million, respectively, which is included under the caption Other secured borrowings, on the Company's Condensed Consolidated Balance Sheet. The effective interest rate on this facility, was 9.76% and 9.83% as of June 30, 2024 and December 31, 2023, respectively. As of June 30, 2024 and December 31, 2023, the fair value of ABS backed by consumer loans collateralizing this borrowing was \$68.6 million and \$69.8 million, respectively. There are a number of covenants, including several financial covenants, associated with this borrowing; as of both June 30, 2024 and December 31, 2023, the Company was in compliance with all of its covenants.

The Company has completed securitization transactions, as discussed in Note 13, whereby it financed portfolios of non-QM loans. As of June 30, 2024 and December 31, 2023, the fair value of the Company's outstanding liabilities associated with the Company's Consolidated Residential Mortgage Loan Securitizations was \$1.37 billion and \$1.42 billion, respectively, representing the fair value of the securitization trust certificates held by third parties as of such date, and is included on the Company's Condensed Consolidated Balance Sheet in Other secured borrowings, at fair value. The weighted average coupon of the certificates held by third parties was 3.04% and 3.03% as of June 30, 2024 and December 31, 2023, respectively. As of June 30, 2024 and December 31, 2023, the fair value of non-QM loans held in the Consolidated Residential Mortgage Loan Securitization trusts was \$1.5 billion and \$1.6 billion, respectively.

The Company has completed a securitization transaction, as discussed in Note 13, whereby it financed a portfolio of reverse mortgage loans. As of June 30, 2024, the fair value of the Company's outstanding liabilities associated with the Company's Reverse Mortgage Securitizations was \$158.4 million, representing the fair value of the securitization trust certificates held by third parties as of such date, and is included on the Company's Condensed Consolidated Balance Sheet in Other secured borrowings, at fair value. The weighted average coupon of the certificates held by third parties was 4.50%.

Collateral held in the RM Issuing Entity as of June 30, 2024 includes the fair value of reverse mortgage loans of \$181.1 million and \$4.5 million of cash held in a securitization reserve fund.

As discussed in Note 13, the Company has determined that it is the primary beneficiary of the European RMBS Issuer at June 30, 2024, resulting in consolidation. As of June 30, 2024, the fair value of the outstanding liabilities of the European RMBS Issuer was \$58.2 million, representing the fair value of the European Debt Tranches held by third parties as of such date, and is included on the Company's Condensed Consolidated Balance Sheet in Other secured borrowings, at fair value. The weighted average coupon of the European Debt Tranches held by third parties was 6.92%. Collateral held in the European RMBS Issuer as of June 30, 2024 includes the fair value of residential mortgage loans of \$52.4 million and \$6.8 million of cash.

The Company has various warehouse lines of credit which it uses to finance its portfolio of reverse mortgage loans prior to them being sold or pooled into HMBS. There are a number of covenants, including several financial covenants, associated with these lines of credit; as of June 30, 2024 and December 31, 2023, the Company was in compliance with all of these covenants. As of June 30, 2024 and December 31, 2023, the Company had outstanding borrowings under these financing lines of \$144.6 million and \$160.1 million, respectively, which is included on the Company's Condensed Consolidated Balance Sheet in Other secured borrowings. The following table provides details for each of the warehouse lines of credit.

Maturity	June 30, 2024			December 31, 2023			
	Outstanding Borrowings	Fair Value of Underlying Collateral	Effective Interest Rate	Outstanding Borrowings	Fair Value of Underlying Collateral	Effective Interest Rate	
	<i>(In thousands)</i>			<i>(In thousands)</i>			
Facility A	July 2024	\$ 88,538	\$ 99,464	8.60 %	\$ 83,393	\$ 99,340	8.95 %
Facility B	April 2025	56,088	60,930	8.03 %	76,717	88,251	8.21 %
		<u>\$ 144,626</u>	<u>\$ 160,394</u>	<u>8.38 %</u>	<u>\$ 160,110</u>	<u>\$ 187,591</u>	<u>8.60 %</u>

The Company entered into an agreement to finance a portfolio of HECM tail draws prior to being sold or pooled into HMBS. This facility matures in August 2024, and accrues interest on a floating-rate basis. As of June 30, 2024 and December 31, 2023, the Company's outstanding borrowings under this facility was \$18.3 million and \$18.7 million, respectively, which are included on the Company's Condensed Consolidated Balance Sheet in Other secured borrowings. The effective interest rate was 9.00% as of both June 30, 2024 and December 31, 2023. As of June 30, 2024 and December 31, 2023, the fair value of HECM tail draws collateralizing this borrowing was \$29.5 million and \$29.2 million, respectively, which are included in Loans, at fair value on the Condensed Consolidated Balance Sheet. There are a number of covenants, including several financial covenants, associated with this borrowing; as of both June 30, 2024 and December 31, 2023, the Company was in compliance with all of its covenants.

The Company entered into a line of credit agreement to finance its portfolio of HMBS-related MSRs. This facility matures in January 2025 and accrues interest on a floating-rate basis. As of June 30, 2024 and December 31, 2023, the Company's outstanding borrowings under this facility were \$14.3 million and \$26.6 million, respectively, which are included on the Company's Condensed Consolidated Balance Sheet in Other secured borrowings. The effective interest rate was 10.44% and 10.46% as of June 30, 2024 and December 31, 2023, respectively. As of June 30, 2024 and December 31, 2023, the fair value of MSRs collateralizing this borrowing was \$94.6 million and \$88.4 million, respectively. There are a number of covenants, including several financial covenants, associated with this borrowing; as of both June 30, 2024 and December 31, 2023, the Company was in compliance with all of its covenants.

As discussed in Note 5, the Company is a party to various agreements with the MLPS Counterparty, which provide for the financing of certain HECM Buyout Loans. This facility was executed in March 2023 with a three-year term and accrues interest on a floating-rate basis. As of June 30, 2024 and December 31, 2023, the Company's outstanding borrowings under this facility were \$10.5 million and \$14.7 million, which are included on the Company's Condensed Consolidated Balance Sheet in Other secured borrowings. The effective interest rate was 7.57% and 7.59% as of June 30, 2024 and December 31, 2023, respectively. As of June 30, 2024 and December 31, 2023, the fair value of HECM Buyout Loans collateralizing this borrowing was \$10.7 million and \$14.9 million, respectively. There are a number of covenants, including several financial covenants, associated with this borrowing; as of June 30, 2024 and December 31, 2023, the Company was in compliance with all of its covenants.

#### *HMBS-related Obligations*

As discussed in Note 13, the Company issues pools of HMBS which are accounted for as secured borrowings. As of June 30, 2024 and December 31, 2023, the Company had HMBS-related obligations, at fair value of \$8.8 billion and \$8.4 billion, respectively. As of June 30, 2024 and December 31, 2023, such HMBS-related obligations are secured by

\$8.9 billion and \$8.5 billion, respectively, of HECM loans, REO, and HMBS-related claims or other receivables. The weighted average interest rate on the Company's HMBS-related obligations was 6.58% and 6.46% as of June 30, 2024 and December 31, 2023, respectively.

## **Unsecured Borrowings**

### *Senior Notes*

The Company has issued \$210.0 million in aggregate principal amount of unsecured long-term debt, which is structured as a joint and several co-issuance by certain of the Company's consolidated subsidiaries and fully guaranteed by the Company (the "5.875% Senior Notes"). The 5.875% Senior Notes bear interest at a rate of 5.875%, subject to adjustment based on changes, if any, in the ratings of the 5.875% Senior Notes. Interest on the 5.875% Senior Notes is payable semi-annually in arrears. The 5.875% Senior Notes mature on April 1, 2027. Prior to April 1, 2026, the Company may redeem the 5.875% Senior Notes, at its option, in whole or in part, at a premium as detailed in the indenture dated March 31, 2022. On or after April 1, 2026, the Company may redeem all or a part of the 5.875% Senior Notes at a redemption price of 100%, plus accrued and unpaid interest.

Upon the completion of the Arlington Merger, the Company assumed Arlington's liabilities including various unsecured debt. The Company assumed \$34.9 million Arlington's 6.75% Senior Notes, which bear interest at a rate of 6.75% and are due March 15, 2025 (the "6.75% Senior Notes"). Interest on the 6.75% Senior Notes is payable quarterly in arrears. The Company may redeem the 6.75% Senior Notes, at its option, in whole or in part, at a redemption price equal to 100% of the outstanding principal amount of the 6.75% Senior Notes being redeemed plus accrued and unpaid interest to, but excluding, the date of redemption. The 6.75% Senior Notes are obligations of a certain subsidiary of the Company and are fully guaranteed by the Company.

The Company also assumed \$37.8 million of Arlington's 6.00% Senior Notes, which bear interest at a rate of 6.00% and are due August 1, 2026 (the "6.00% Senior Notes"). Interest on the 6.00% Senior Notes is payable quarterly in arrears. The Company may redeem the 6.00% Senior Notes, at its option, in whole or in part, at a redemption price equal to 100% of the outstanding principal amount of the 6.00% Senior Notes being redeemed plus accrued and unpaid interest to the date of redemption. The 6.00% Senior Notes are obligations of a certain subsidiary of the Company and are fully guaranteed by the Company.

The Company has elected the FVO for the 5.875% Senior Notes, 6.75% Senior Notes, and 6.00% Senior Notes (collectively the "Senior Notes"), which are included in Unsecured borrowings, at fair value on the Condensed Consolidated Balance Sheet. Change in unrealized gains and losses on the Company's Senior Notes are included in Unrealized gains (losses) on Unsecured borrowings, at fair value, on the Condensed Consolidated Statement of Operations.

There are a number of covenants, including several financial covenants, associated with the Senior Notes; as of both June 30, 2024 and December 31, 2023, the Company was in compliance with all of its covenants for its outstanding Senior Notes. The Senior Notes are unsecured and are effectively subordinated to secured indebtedness of the Company, to the extent of the value of the collateral securing such indebtedness.

### *Subordinated Notes*

The Company also assumed \$15.0 million of Arlington's unregistered junior subordinated unsecured debt securities (the "Trust Preferred Debt"). The Trust Preferred Debt includes \$10.0 million, which bears interest at a rate of three-month term SOFR plus 3.26%, payable quarterly in arrears, and which matures on October 7, 2033; and \$5.0 million, which bears interest at a rate of three-month term SOFR plus 2.51%, payable quarterly in arrears, and which matures on July 7, 2035. The Trust Preferred Debt may be redeemed in whole or in part at any time and from time to time at the Company's option, at a redemption price equal to the principal amount plus accrued and unpaid interest. The Company has elected the FVO for the Trust Preferred Debt, which is included in Unsecured borrowings, at fair value on the Condensed Consolidated Balance Sheet, and change in unrealized gains and losses on the Company's Trust Preferred Debt are included in Unrealized gains (losses) on Unsecured borrowings, at fair value, on the Condensed Consolidated Statement of Operations. The Trust Preferred Debt is an obligation of a certain subsidiary of the Company and is fully guaranteed by the Company.

## Schedule of Principal Repayments

The following table details the Company's principal repayment schedule, over the next 5 years, for outstanding borrowings as of June 30, 2024:

Year	Repurchase Agreements <sup>(1)</sup>	Other Secured Borrowings <sup>(2)</sup>	HMBS-related Obligations <sup>(3)</sup>	Unsecured Borrowings <sup>(1)</sup>	Total
<i>(In thousands)</i>					
Next Twelve Months	\$ 2,254,969	\$ 417,119	\$ 1,200,450	\$ 34,931	\$ 3,907,469
Year 2	47,007	254,170	991,074	—	1,292,251
Year 3	—	215,412	928,810	247,750	1,391,972
Year 4	—	183,417	866,802	—	1,050,219
Year 5	—	147,529	942,216	—	1,089,745
Total	\$ 2,301,976	\$ 1,217,647	\$ 4,929,352	\$ 282,681	\$ 8,731,656

(1) Reflects the Company's contractual principal repayment dates.

(2) Includes \$846.8 million, \$113.6 million, and \$40.0 million of expected principal repayments related to the Company's consolidated non-QM, reverse mortgage loan, and European Mortgage Loan securitizations, respectively, which are projected based upon the underlying assets' expected repayments and may be prior to the stated contractual maturities.

(3) Represents expected principal repayments projected based upon the expected repayments of the underlying HECM loans, which may be prior to the stated contractual maturities of the related HMBS.

## 15. Income Taxes

The Company has elected to be taxed as a REIT under the Code. A REIT is generally not subject to U.S. federal, state, and local income tax on the portion of its income that is distributed to its owners if it distributes at least 90% of its REIT taxable income within the prescribed time frames, determined without regard to the deduction for dividends paid and excluding any net capital gains. The Company intends to operate in a manner which will allow it to continue to meet the requirements for qualification as a REIT. Accordingly, Ellington Financial Inc. does not believe that it will be subject to U.S. federal, state, and local income tax on the portion of its net taxable income that is distributed to its stockholders as long as certain asset, income, and share ownership tests are met.

Cash dividends declared by the Company that do not exceed its current or accumulated earnings and profits will be considered ordinary income to stockholders for income tax purposes unless all or a portion of a dividend is designated by the Company as a capital gain dividend. Distributions in excess of the Company's current and accumulated earnings and profits will be characterized as return of capital or capital gains.

The Company accounts for income taxes in accordance with ASC 740, *Income Taxes*, or "ASC 740." Deferred income taxes reflect the net tax effects of temporary differences that may exist between the carrying amounts of assets and liabilities under U.S. GAAP and the carrying amounts used for income tax purposes. For each of the three-month periods ended June 30, 2024 and 2023, the Company recorded income tax expense (benefit) of \$0.1 million. For the six-month periods ended June 30, 2024 and 2023, the Company recorded income tax expense (benefit) of \$0.2 million and \$0.1 million, respectively. The Company evaluates its deferred tax assets for recoverability using a consistent approach which considers the relative impact of negative and positive evidence, including historical profitability and projections of future taxable income. Based upon the available evidence at June 30, 2024, the Company determined that it was more likely than not that the deferred tax assets of its TRS would not be utilized in future periods; a valuation allowance of \$65.9 million was recorded to fully reserve against these deferred tax assets.

## 16. Related Party Transactions

The Company is party to the Management Agreement (which may be amended from time to time), pursuant to which the Manager manages the assets, operations, and affairs of the Company, in consideration of which the Company pays the Manager management and incentive fees. The descriptions of the Base Management Fees and Incentive Fees are detailed below.

### Base Management Fees

The Operating Partnership pays the Manager 1.50% per annum of total equity of the Operating Partnership calculated in accordance with U.S. GAAP as of the end of each fiscal quarter (before deductions for base management fees and incentive fees payable with respect to such fiscal quarter), provided that total equity is adjusted to exclude one-time events pursuant to changes in U.S. GAAP, as well as non-cash charges after discussion between the Manager and the Company's independent directors, and approval by a majority of the Company's independent directors in the case of non-cash charges.



Pursuant to the Management Agreement, if the Company invests at issuance in the equity of any collateralized debt obligation that is managed, structured, or originated by Ellington or one of its affiliates, or if the Company invests in any other investment fund or other investment for which Ellington or one of its affiliates receives management, origination, or structuring fees, then, unless agreed otherwise by a majority of the Company's independent directors, the base management and incentive fees payable by the Company to its Manager will be reduced by an amount equal to the applicable portion (as described in the Management Agreement) of any such management, origination, or structuring fees.

For the three-month period ended June 30, 2024, the total base management fee incurred was \$5.8 million, consisting of \$5.9 million of total gross base management fee incurred, less \$0.1 million of management fee rebates. For the three-month period ended June 30, 2023, the total base management fee incurred was \$4.9 million, consisting of \$5.0 million of total gross base management fee incurred, less \$0.1 million of management fee rebates. For the six-month period ended June 30, 2024, the total base management fee incurred was \$11.5 million, consisting of \$11.7 million of total gross base management fee incurred, less \$0.2 million of management fee rebates. For the six-month period ended June 30, 2023, the total base management fee incurred was \$9.9 million, consisting of \$10.2 million of total gross base management fee incurred, less \$0.3 million of management fee rebates. See "*—Participation in CLO Transactions*" below for details on management fee rebates.

### ***Incentive Fees***

The Manager is entitled to receive a quarterly incentive fee equal to the positive excess, if any, of (i) the product of (A) 25% and (B) the excess of (1) Adjusted Net Income (described below) for the Incentive Calculation Period (which means such fiscal quarter and the immediately preceding three fiscal quarters) over (2) the sum of the Hurdle Amounts (described below) for the Incentive Calculation Period, over (ii) the sum of the incentive fees already paid or payable for each fiscal quarter in the Incentive Calculation Period preceding such fiscal quarter.

For purposes of calculating the incentive fee, "Adjusted Net Income" for the Incentive Calculation Period means the net increase in equity from operations of the Operating Partnership, after all base management fees but before any incentive fees for such period, and excluding any non-cash equity compensation expenses for such period, as reduced by any Loss Carryforward (as described below) as of the end of the fiscal quarter preceding the Incentive Calculation Period.

For purposes of calculating the incentive fee, the "Loss Carryforward" as of the end of any fiscal quarter is calculated by determining the excess, if any, of (1) the Loss Carryforward as of the end of the immediately preceding fiscal quarter over (2) the Company's net increase in equity from operations (expressed as a positive number) or net decrease in equity from operations (expressed as a negative number) of the Operating Partnership for such fiscal quarter. As of December 31, 2023, there was a Loss Carryforward of \$22.1 million; there was no Loss Carryforward as of June 30, 2024.

For purposes of calculating the incentive fee, the "Hurdle Amount" means, with respect to any fiscal quarter, the product of (i) one-fourth of the greater of (A) 9% and (B) 3% plus the 10-year U.S. Treasury rate for such fiscal quarter, (ii) the sum of (A) the weighted average gross proceeds per share of all common stock and OP Unit issuances since inception of the Company and up to the end of such fiscal quarter, with each issuance weighted by both the number of shares of common stock and OP Units issued in such issuance and the number of days that such issued shares of common stock and OP Units were outstanding during such fiscal quarter, using a first-in first-out basis of accounting (*i.e.* attributing any share of common stock and OP Unit repurchases to the earliest issuances first) and (B) the result obtained by dividing (I) retained earnings attributable to shares of common stock and OP Units at the beginning of such fiscal quarter by (II) the average number of shares of common stock and OP Units outstanding for each day during such fiscal quarter, and (iii) the sum of (x) the average number of shares of common stock and long term incentive plan units of the Company outstanding for each day during such fiscal quarter, and (y) the average number of Convertible Non-controlling Interests outstanding for each day during such fiscal quarter. For purposes of determining the Hurdle Amount, issuances of common stock, and Convertible Non-controlling Interests (a) as equity incentive awards, (b) to the Manager as part of its base management fee or incentive fee and (c) to the Manager or any of its affiliates in privately negotiated transactions, are excluded from the calculation. The payment of the incentive fee will be in a combination of shares of common stock and cash, provided that at least 10% of any quarterly payment will be made in shares of common stock.

The Company did not accrue an incentive fee for either of the three- or six-month periods ended June 30, 2024 or 2023, since on a rolling four quarter basis, the Company's income did not exceed the prescribed hurdle amount.

### ***Termination Fees***

The Management Agreement requires the Company to pay a termination fee to the Manager in the event of (1) the Company's termination or non-renewal of the Management Agreement without cause or (2) the Company's termination of the Management Agreement based on unsatisfactory performance by the Manager that is materially detrimental to the Company or (3) the Manager's termination of the Management Agreement upon a default by the Company in the performance of any material term of the Management Agreement. Such termination fee will be equal to the amount of three times the sum of (i) the

average annual quarterly base management fee amounts paid or payable with respect to the two 12-month periods ending on the last day of the latest fiscal quarter completed on or prior to the date of the notice of termination or non-renewal and (ii) the average annual quarterly incentive fee amounts paid or payable with respect to the two 12-month periods ending on the last day of the latest fiscal quarter completed on or prior to the date of the notice of termination or non-renewal.

### ***Expense Reimbursement***

Under the terms of the Management Agreement the Company is required to reimburse the Manager for operating expenses related to the Company that are incurred by the Manager, including expenses relating to legal, accounting, due diligence, other services, and all other costs and expenses. The Company's reimbursement obligation is not subject to any dollar limitation. Expenses will be reimbursed in cash within 60 days following delivery of the expense statement by the Manager; provided, however, that such reimbursement may be offset by the Manager against amounts due to the Company from the Manager. The Company will not reimburse the Manager for the salaries and other compensation of the Manager's personnel except that the Company will be responsible for expenses incurred by the Manager in employing certain dedicated or partially dedicated personnel as further described below.

The Company reimburses the Manager for the allocable share of the compensation, including, without limitation, wages, salaries, and employee benefits paid or reimbursed, as approved by the Compensation Committee of the Board of Directors to certain dedicated or partially dedicated personnel who spend all or a portion of their time managing the Company's affairs, based upon the percentage of time devoted by such personnel to the Company's affairs. In their capacities as officers or personnel of the Manager or its affiliates, such personnel will devote such portion of their time to the Company's affairs as is necessary to enable the Company to operate its business.

For the six-month periods ended June 30, 2024 and 2023, the Company reimbursed the Manager \$14.5 million and \$9.0 million, respectively, for previously incurred operating expenses. As of June 30, 2024 and December 31, 2023, the outstanding payable to the Manager for operating expenses was \$4.9 million and \$5.2 million, respectively, which are included in Accrued expenses and other liabilities on the Condensed Consolidated Balance Sheet.

### ***Transactions Involving Investments in Unconsolidated Entities—Certain Loan Originators***

As of June 30, 2024 and December 31, 2023, the loan originators in which the Company holds equity investments represent related parties. Transactions that have been entered into with these related party loan originators are summarized below.

The Company is a party to a mortgage loan purchase and sale flow agreement, with a mortgage loan originator (the "Related-Party MLPA") in which the Company holds a non-controlling equity investment, whereby the Company purchases residential mortgage loans that satisfy certain specified criteria. The Company has also provided a \$5.0 million line of credit to the mortgage originator. Under the terms of this line of credit, the Company has agreed to make advances to the mortgage originator solely for the purpose of funding specifically identified residential mortgage loans designated for sale to the Company. To the extent the advances are drawn by the mortgage originator, it must pay interest, at a rate of 15% per annum, on the outstanding balance of each advance from the date the advance is made until such advance is repaid in full. The mortgage originator is required to repay advances in full no later than two business days following the date that the Company purchases the related residential mortgage loans from the mortgage originator. As of both June 30, 2024 and December 31, 2023, there were no advances outstanding. The Company has also entered into agreements whereby it guarantees the performance of such mortgage originator under third-party master repurchase agreements. See Note 24, Commitments and Contingencies, for further information on the Company's guarantees of the third-party borrowing arrangements and certain loan purchase commitments under the Related-Party MLPA. Additionally, as of December 31, 2023, the Company held warrants to purchase 8.28 million shares with a fair value of \$10.3 million, which were included in Investments in unconsolidated entities on the Condensed Consolidated Balance Sheet. In March 2024, the Company exercised such warrants in exchange for Class B Common Stock of the mortgage loan originator. As of June 30, 2024 and December 31, 2023, the fair value of the Company's investment in this mortgage loan originator was \$21.5 million and \$23.8 million, respectively.

The Company, through a related party of Ellington, or the "Loan Purchaser," is a party to a consumer loan purchase and sale flow agreement with a consumer loan originator in which the Company holds an investment in common and preferred stock, whereby the Loan Purchaser purchases consumer loans that satisfy certain specified criteria. The Company has investments in participation certificates related to consumer loans titled in the name of the Loan Purchaser. Through its participation certificates, the Company has beneficial interests in the loan cash flows, net of servicing-related fees and expenses. The total fair value of the Company's participation certificates was \$68.9 million and \$74.2 million as of June 30, 2024 and December 31, 2023, respectively, which is included in Securities, at fair value on the Condensed Consolidated Balance Sheet. Additionally, in December 2022, the Company extended a two-year revolving line of credit to the consumer loan originator; see table below for additional details. An employee of Ellington has a less-than-10% equity interest in, and serves on the board of,

this consumer loan originator. Another employee of Ellington, who serves as an officer of the Company, also serves on the board, as the Company's representative.

In November 2023, the Company entered into various agreements with a residential mortgage loan originator (the "RTL Originator") in which it holds a non-controlling equity investment. Under the terms of such agreements, the Company has the option to purchase additional non-controlling equity interests at certain valuation thresholds. The Company also entered into a Commitment Letter Agreement (the "RTL Commitment Agreement") whereby it committed to purchase eligible loans originated by the RTL Originator; see Note 24, Commitments and Contingencies, for further information on the Company's commitment under the RTL Commitment Agreement. The RTL Originator has been determined to be a VIE. The Company has evaluated the RTL Originator and determined that the Company is not the primary beneficiary of the RTL Originator. As of both June 30, 2024 and December 31, 2023, the fair value of the Company's investment in the RTL Originator was \$0.6 million, which is included on the Condensed Consolidated Balance Sheet in Investments in unconsolidated entities, at fair value.

#### **Transactions Involving Investments in Unconsolidated Entities—Certain Loan Origination-Related Entities**

The following table provides details of financing that the Company has provided, in the form of secured promissory notes, to certain loan origination-related entities in which the Company also holds equity investments:

Effective Date of Promissory Note	Maturity Date of Promissory Note	Maximum Borrowing <i>(In thousands)</i>	Interest Rate as of		Outstanding Borrowings as of		Fair Value <sup>(1)</sup> as of	
			June 30, 2024	December 31, 2023	June 30, 2024	December 31, 2023	June 30, 2024	December 31, 2023
May 2021 <sup>(2)</sup>	December 31, 2025	\$ 6,000	12.0%	9.0%	\$ 1,000	\$ 2,335	\$ 1,000	\$ 2,335
February 2022	January 31, 2025	750	7.0%	7.0%	625	575	625	575
December 2022	December 16, 2024	3,500	15.0%	15.0%	1,644	1,644	1,233	1,233

- (1) Classified as a Corporate loan and is included in Loans, at fair value on the Condensed Consolidated Balance Sheet.  
(2) Convertible into non-voting equity interests, at the option of the borrower, at any time prior to maturity.

#### **Consumer, Residential, and Commercial Loan Transactions with Affiliates**

The Company purchased certain of its consumer loans through an affiliate, or the "Purchasing Entity," under various purchase agreements. The Company's beneficial interests in the consumer loans purchased through the Purchasing Entity are evidenced by participation certificates issued by trusts that hold legal title to the loans. These trusts are owned by a related party of Ellington and were established to hold such loans. Through its participation certificates, the Company participates in the cash flows of the underlying loans held by each trust. The total amount of consumer loans underlying the Company's participation certificates and held in the related party trusts was \$0.9 million and \$1.6 million as of June 30, 2024 and December 31, 2023, respectively.

The Company has beneficial interests in residential mortgage loans and REO held in a trust owned by a related party of Ellington. Through these beneficial interests, the Company participates in the cash flows of the underlying loans held by such trust. The total amount of residential mortgage loans and REO underlying the Company's beneficial interests and held in the related party trust was \$1.6 billion as of both June 30, 2024 and December 31, 2023.

The Company is a co-investor in certain commercial mortgage loans and REO with other investors, including various unrelated third parties and various affiliates of Ellington. Each co-investor in a particular loan has an interest in the limited liability company that owns such loan or REO. As of June 30, 2024 and December 31, 2023, the aggregate fair value of the Company's investments in the jointly owned limited liability companies was approximately \$96.7 million and \$63.7 million, respectively. Such investments are included in Investments in unconsolidated entities, on the Condensed Consolidated Balance Sheet.

The consumer, residential mortgage, and certain commercial mortgage loans that are the subject of the foregoing loan transactions are held in trusts, each of which the Company has determined to be a VIE. The Company has evaluated each of these VIEs and determined that the Company has the power to direct the activities of each VIE that most significantly impact such VIE's economic performance and the Company has the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. As a result the Company has determined it is the primary beneficiary of each of these VIEs and has consolidated each VIE.

### ***Equity Investment in Unconsolidated Entity***

The Company is a co-investor, together with other affiliates of Ellington, in Jepson Holdings Limited ("Jepson"), the parent of an entity (the "Jepson Risk Retention Vehicle") that has sponsored various European mortgage loan securitizations. The Jepson Risk Retention Vehicle is expected to hold certain of the notes it issues for each securitization it completes in order to comply with European risk retention rules. As of June 30, 2024 and December 31, 2023, the Company's equity investment in Jepson Holdings Limited had a fair value of \$0.2 million and \$0.6 million, respectively. See Note 8 for additional details on this equity investment.

### ***Participation in Multi-Borrower Financing Facilities***

The Company is a co-participant with certain other entities managed by Ellington or its affiliates (the "Affiliated Entities") in various entities (each, a "Joint Entity"), which were formed in order to facilitate the financing of commercial mortgage loans, residential mortgage loans, and REO (collectively, the "Mortgage Loan and REO Assets"), through repurchase agreements. Each Joint Entity has a master repurchase agreement with a particular financing counterparty.

In connection with the financing of the Mortgage Loan and REO Assets under repurchase agreements, each of the Company and the Affiliated Entities transferred certain of their respective Mortgage Loan and REO Assets to one of the Joint Entities in exchange for its pro rata share of the financing proceeds that the respective Joint Entity received from the financing counterparty. While the Company's Mortgage Loan and REO Assets were transferred to the Joint Entity, the Company's Mortgage Loan and REO Assets and the related debt were not derecognized for financial reporting purposes, in accordance with ASC 860-10, because the Company continued to retain the risks and rewards of ownership of its Mortgage Loan and REO Assets. As of June 30, 2024 and December 31, 2023, the Joint Entities had aggregate outstanding issued debt under the repurchase agreements in the amount of \$682.4 million and \$560.5 million, respectively. The Company's segregated silo of this debt as of June 30, 2024 and December 31, 2023, was \$153.2 million and \$165.9 million, respectively, and is included under the caption Repurchase agreements on the Company's Condensed Consolidated Balance Sheet. To the extent that there is a default under the repurchase agreements, all of the assets of each respective Joint Entity, including those beneficially owned by any non-defaulting owners of such Joint Entity, could be used to satisfy the outstanding obligations under such repurchase agreement. As of both June 30, 2024 and December 31, 2023, no party to any of the repurchase agreements was in default.

Each of the Joint Entities has been determined to be a VIE. The Company has evaluated each of these VIEs and determined that it continued to retain the risks and rewards of ownership of certain of the Mortgage Loan and REO Assets, where such Mortgage Loan and REO Assets and the related debt are segregated for the Company and each of the Affiliated Entities. On account of the segregation of certain of each co-participant's assets and liabilities within each of the Joint Entities, as well as the retention by each co-participant of control over its segregated Mortgage Loan and REO Assets within the Joint Entities, the Company has determined that it is the primary beneficiary of, and has consolidated its segregated silo of assets and liabilities within, each of the Joint Entities. See Note 12 and Note 14 for additional information.

### ***Participation in CLO Transactions***

As discussed in Note 13, the Company participated in a number of CLO securitization transactions, all managed by the CLO Manager.

The CLO Manager is entitled to receive management and incentive fees in accordance with the respective management agreements between the CLO Manager and the respective CLO Issuers. In accordance with the Management Agreement, the Manager rebates to the Company the portion of the management fees payable by each CLO Issuer to the CLO Manager that are allocable to the Company's participating interest in the unsecured subordinated notes issued by such CLO Issuer. For each of the three-month periods ended June 30, 2024 and 2023, the amount of such management fee rebates was \$0.1 million. For the six-month periods ended June 30, 2024 and 2023, the amount of such management fee rebates was \$0.2 million and \$0.3 million, respectively.

In addition, from time to time, the Company along with various other affiliates of Ellington, and in certain cases various third parties, advance funds in the form of loans ("Initial Funding Loans") to securitization vehicles to enable them to establish warehouse facilities for the purpose of acquiring the assets to be securitized. Pursuant to the terms of the warehouse facilities and the Initial Funding Loans, the applicable securitization trust is required, at the closing of each respective CLO securitization, first to repay the warehouse facility, then to repay the Initial Funding Loans, and then to distribute interest earned, net of any necessary reserves and/or interest expense, and the aggregate realized or unrealized gains, if any, on assets purchased into the warehouse facility. In the event that such CLO securitization fails to close, the assets held by the respective securitization vehicle would, subject to a cure period, be liquidated. As of June 30, 2024 and December 31, 2023, the Company's investment in such warehouse facilities was \$33 thousand and \$0.2 million, respectively, which are included on the Condensed Consolidated Balance Sheet in Investments in unconsolidated entities.

During the three-month period ended June 30, 2023, the Company purchased \$0.7 million, and during the six-month periods ended June 30, 2024 and 2023, the Company purchased \$1.2 million and \$0.7 million, respectively, of various underperforming corporate debt and equity securities from certain of the Ellington-sponsored CLO Securitizations. No such purchases were made during the three-month period ended June 30, 2024. Such purchases are effected at market prices determined through the procedures set forth in the indentures of the respective Ellington-sponsored CLO Securitizations.

### Investment in Affiliate

In May 2024, the Company executed various agreements with Ellington Real Estate Income Trust, Inc., an affiliate of the Company also managed by Ellington (the "Affiliated REIT"), whereby the Company, Ellington, and various unrelated third-parties (collectively, the "Affiliated REIT Founding Investors") committed to invest in the common stock of the Affiliated REIT. As of June 30, 2024, the Company has not funded any of its commitment. The directors of the Affiliated REIT are currently: Michael Vranos, the Company's Co-Chief Investment Officer; Laurence Penn, the Company's Chief Executive Officer and President and a member of our Board of Directors; and Mark Tecotzky, the Company's Co-Chief Investment Officer. See Note 23 for details of the Company's commitment to the Affiliated REIT.

### 17. Long-Term Incentive Plan Units

OP LTIP Units issued under the Company's incentive plans are generally exercisable by the holder at any time after vesting. Each OP LTIP Unit is convertible into an OP Unit on a one-for-one basis. Subject to certain conditions, the OP Units are redeemable by the holder for an equivalent number of shares of common stock of the Company or for the cash value of such shares of common stock, at the Company's election. Costs associated with the OP LTIP Units issued under the Company's incentive plans are measured as of the grant date and expensed ratably over the vesting period. Total expense associated with OP LTIP Units issued under the Company's incentive plans is presented in Compensation and benefits, on the Statement of Operations. Total expense associated with OP LTIP Units issued under the Company's incentive plans for each of the three-month periods ended June 30, 2024 and 2023 was \$0.3 million and for the six-month periods ended June 30, 2024 and 2023 was \$0.6 million and \$0.7 million, respectively.

The below table details unvested OP LTIP Units as of June 30, 2024:

Grant Recipient	Number of OP LTIP Units Granted	Grant Date	Vesting Date <sup>(1)</sup>
Directors:	30,628	December 14, 2023	September 13, 2024
Dedicated or partially dedicated personnel:	14,708	December 15, 2022	December 15, 2024
	22,135	December 14, 2023	December 14, 2024
	17,538	December 14, 2023	December 14, 2025
	39,740	March 19, 2024	December 31, 2025
Total unvested OP LTIP Units at June 30, 2024	124,749		

(1) Date at which such OP LTIP Units will vest and become non-forfeitable.

The following tables summarize issuance and exercise activity of OP LTIP Units for the three- and six-month periods ended June 30, 2024 and 2023:

	Three-Month Period Ended					
	June 30, 2024			June 30, 2023		
	Manager	Director/ Employee	Total	Manager	Director/ Employee	Total
OP LTIP Units Outstanding (March 31, 2024 and 2023, respectively)	365,518	423,177	788,695	365,518	404,055	769,573
Granted	—	—	—	—	—	—
OP LTIP Units Outstanding (June 30, 2024 and 2023, respectively)	365,518	423,177	788,695	365,518	404,055	769,573
OP LTIP Units Unvested and Outstanding (June 30, 2024 and 2023, respectively)	—	124,749	124,749	—	113,615	113,615
OP LTIP Units Vested and Outstanding (June 30, 2024 and 2023, respectively)	365,518	298,428	663,946	365,518	290,440	655,958

	Six-Month Period Ended					
	June 30, 2024			June 30, 2023		
	Manager	Director/ Employee	Total	Manager	Director/ Employee	Total
OP LTIP Units Outstanding (December 31, 2023 and 2022, respectively)	365,518	383,437	748,955	365,518	404,055	769,573
Granted	—	39,740	39,740	—	—	—
OP LTIP Units Outstanding (June 30, 2024 and 2023, respectively)	365,518	423,177	788,695	365,518	404,055	769,573
OP LTIP Units Unvested and Outstanding (June 30, 2024 and 2023, respectively)	—	124,749	124,749	—	113,615	113,615
OP LTIP Units Vested and Outstanding (June 30, 2024 and 2023, respectively)	365,518	298,428	663,946	365,518	290,440	655,958

There were an aggregate of 1,399,440 and 1,439,180 shares of common stock of the Company underlying awards, including OP LTIP Units, available for future issuance under the Company's 2017 Equity Incentive Plan as of June 30, 2024 and December 31, 2023, respectively.

## 18. Non-controlling Interests

### *Operating Partnership*

Non-controlling interests include the Convertible Non-controlling Interests in the Operating Partnership owned by an affiliate of our Manager, our directors, and certain current and former Ellington employees and their related parties in the form of OP LTIP Units. Income allocated to Convertible Non-controlling Interests is based on the non-controlling interest owners' ownership percentage of the Operating Partnership during the period, calculated using a daily weighted average of all shares of common stock of the Company and Convertible Non-controlling Interests outstanding during the period. Holders of Convertible Non-controlling Interests are entitled to receive the same distributions that holders of shares of common stock of the Company receive. Convertible Non-controlling Interests are non-voting with respect to matters as to which holders of common stock of the Company are entitled to vote.

As of June 30, 2024, the Convertible Non-controlling Interests consisted of the outstanding 788,695 OP LTIP Units and 46,360 OP Units, and represented an interest of approximately 0.8% in the Operating Partnership. As of December 31, 2023, the Convertible Non-controlling Interests consisted of the outstanding 748,955 OP LTIP Units and 46,360 OP Units, and represented an interest of approximately 0.7% in the Operating Partnership. As of June 30, 2024 and December 31, 2023, non-controlling interests related to all outstanding Convertible Non-controlling Interests was \$11.8 million and \$11.1 million, respectively.

### *Joint Venture Interests*

Non-controlling interests also include the interests of joint venture partners in various consolidated subsidiaries of the Company. These subsidiaries hold the Company's investments in certain commercial mortgage loans and REO. The joint venture partners participate in the income, expense, gains and losses of such subsidiaries as set forth in the related operating agreements of the subsidiaries. The joint venture partners make capital contributions to the subsidiaries as new approved investments are purchased by the subsidiaries, and are generally entitled to distributions when investments are sold or otherwise disposed of. As of June 30, 2024 and December 31, 2023, the joint venture partners' interests in subsidiaries of the Company were \$6.7 million and \$4.9 million, respectively.

The joint venture partners' interests are not convertible into shares of common stock of the Company or OP Units, nor are the joint venture partners entitled to receive distributions that holders of shares of common stock of the Company receive.

### *Non-Controlling Interests in Longbridge*

As of both June 30, 2024 and December 31, 2023, the Company owned 99.6% of Longbridge; the remainder relates to units held by various executives at Longbridge (the "Longbridge Executive Unit Holders") and stock options issued to various Longbridge employees (collectively, the "Longbridge Minority Holders"). Units held by the Longbridge Executive Unit Holders and exercised stock options participate in the income, expense, gains and losses of Longbridge but do not participate in the income, expense, gains and losses of the Operating Partnership. The Longbridge Minority Holders' interests are not convertible into shares of common stock of the Company or OP Units, nor are the Longbridge Minority Holders' entitled to receive distributions that holders of shares of common stock of the Company receive. Total expense associated with such options is presented under Compensation and benefits on the Statement of Operations. As of June 30, 2024 and December 31, 2023, the Longbridge Minority Holders' interests in Longbridge were \$2.5 million and \$2.4 million, respectively.

## 19. Equity

### *Preferred Stock*

The Company has authorized 100,000,000 shares of preferred stock, \$0.001 par value per share. As of both June 30, 2024 and December 31, 2023, the total amount of cumulative preferred dividends in arrears was \$4.0 million.

As of both June 30, 2024 and December 31, 2023, there were 4,600,000 shares of 6.750% Series A Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, \$0.001 par value per share ("Series A Preferred Stock") outstanding.

As of both June 30, 2024 and December 31, 2023, there were 4,820,421 shares of 6.250% Series B Fixed-Rate Reset Cumulative Redeemable Preferred Stock, \$0.001 par value per share ("Series B Preferred Stock") outstanding.

As of June 30, 2024 and December 31, 2023, there were 4,000,000 shares of 8.625% Series C Fixed-Rate Reset Cumulative Redeemable Preferred Stock, \$0.001 par value per share ("Series C Preferred Stock") outstanding. The 4,000,000 shares of Series C Preferred Stock were issued during the six-month period ended June 30, 2023 and provided \$96.5 million of net proceeds after \$3.5 million of commissions and offering costs.

As of June 30, 2024 and December 31, 2023, there were 379,668 shares of 7.00% Series D Cumulative Perpetual Redeemable Preferred Stock, \$0.01 par value per share ("Series D Preferred Stock") outstanding and 957,133 shares of 8.250% Series E Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, \$0.01 par value per share ("Series E Preferred Stock") outstanding.

On January 20, 2022, the Company commenced an "at-the-market" offering for our Series A Preferred Stock and Series B Preferred Stock, or the "Preferred ATM Program," by entering into equity distribution agreements with sales agents under which it is authorized to offer and sell up to \$100.0 million of Series A Preferred Stock and/or Series B Preferred Stock from time to time. The Company did not issue any shares of preferred stock under the Preferred ATM Program during either of the three- or six-month periods ended June 30, 2024 or 2023. As of June 30, 2024, the Company had remaining authorization under the Preferred ATM Program of \$99.5 million.

The Company's Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock, Series D Preferred Stock, and Series E Preferred Stock (collectively the "Series Preferred Stock") rank senior to its common stock and Convertible Non-controlling Interests. Each Series Preferred Stock ranks on a parity with all other Series Preferred Stock with respect to the payment of dividends and the distribution of assets upon a voluntary or involuntary liquidation, dissolution, or winding up of the Company.

### *Series A*

The Company's Series A Preferred Stock has no stated maturity and is not subject to any sinking fund or mandatory redemption. The Series A Preferred Stock is not redeemable by the Company prior to October 30, 2024, except under circumstances where it is necessary to allow the Company to maintain its qualification as a REIT for U.S. federal income tax purposes and except in certain instances upon the occurrence of a change of control. Holders of the Company's Series A Preferred Stock generally do not have any voting rights.

Holders of the Series A Preferred Stock are entitled to receive cumulative cash dividends (i) from and including the original issue date to, but excluding, October 30, 2024, at a fixed rate equal to 6.750% per annum of the \$25.00 per share liquidation preference and (ii) from and including October 30, 2024, at a floating rate equal to three-month LIBOR plus a spread of 5.196% per annum of the \$25.00 per share liquidation preference. Dividends are payable quarterly in arrears on or about the 30th day of each January, April, July, and October.

### *Series B*

The Company's Series B Preferred Stock has no stated maturity and is not subject to any sinking fund or mandatory redemption. The Series B Preferred Stock is not redeemable by the Company prior to January 30, 2027, except under circumstances where it is necessary to allow the Company to maintain its qualification as a REIT for U.S. federal income tax purposes and except in certain instances upon the occurrence of a change of control. Holders of the Company's Series B Preferred Stock generally do not have any voting rights.

Holders of the Series B Preferred Stock are entitled to receive cumulative cash dividends from and including the original issue date to, but excluding, January 30, 2027 (the "Series B First Reset Date"), at a fixed rate equal to 6.250% per annum of the \$25.00 per share liquidation preference. The applicable fixed rate resets on the First Reset Date and again on the fifth anniversary of the preceding reset date (each a "Series B Reset Date"), at a rate equal to the five-year treasury rate as measured three business days prior to the Series B Reset Date plus 4.99% per annum of the \$25.00 per share liquidation preference. Dividends are payable quarterly in arrears on or about the 30th day of each January, April, July, and October.

### *Series C*

The Company's Series C Preferred Stock has no stated maturity and is not subject to any sinking fund or mandatory redemption. The Series C Preferred Stock is not redeemable by the Company prior to April 30, 2028, except under circumstances where it is necessary to allow the Company to maintain its qualification as a REIT for U.S. federal income tax purposes and except in certain instances upon the occurrence of a change of control. Holders of the Company's Series C Preferred Stock generally do not have any voting rights.

Holders of the Series C Preferred Stock are entitled to receive cumulative cash dividends from and including the original issue date to, but excluding, April 30, 2028 (the "Series C First Reset Date"), at a fixed rate equal to 8.625% per annum of the \$25.00 per share liquidation preference. The applicable fixed rate resets on the First Reset Date and again on the fifth anniversary of the preceding reset date (each a "Series C Reset Date"), at a rate equal to the five-year treasury rate as measured three business days prior to the Series C Reset Date plus 5.13% per annum of the \$25.00 per share liquidation preference. Dividends are payable quarterly in arrears on or about the 30th day of each January, April, July, and October.

### *Series D*

The Company's Series D Preferred Stock has no stated maturity and is not subject to any sinking fund. The Series D Preferred Stock is redeemable by the Company at its discretion upon not less than 30 nor more than 60 days' notice. Holders of the Company's Series D Preferred Stock generally do not have any voting rights.

Holders of the Series D Preferred Stock are entitled to receive cumulative cash dividends from and including, September 30, 2023, at a fixed rate equal to 7.000% per annum of the \$25.00 per share liquidation preference. Dividends are payable quarterly in arrears on or about the 30th day of each March, June, September, and December.

### *Series E*

The Company's Series E Preferred Stock has no stated maturity and is not subject to any sinking fund or mandatory redemption. The Series E Preferred Stock is not redeemable by the Company prior to March 30, 2024, except under circumstances where it is necessary to allow the Company to maintain its qualification as a REIT for U.S. federal income tax purposes and except in certain instances upon the occurrence of a change of control. Holders of the Company's Series E Preferred Stock generally do not have any voting rights.

Holders of the Series E Preferred Stock are entitled to receive cumulative cash dividends (i) from and including September 30, 2023 to but not including March 30, 2024, at a fixed rate equal to 8.250% per annum of the \$25.00 per share liquidation preference and (ii) from and including March 30, 2024, at a floating rate equal to three-month LIBOR plus a spread of 5.664% per annum of the \$25.00 per share liquidation preference. Dividends are payable quarterly in arrears on or about the 30th day of each March, June, September, and December.

### *Common Stock*

The Company has authorized 300,000,000 and 200,000,000 shares of common stock, \$0.001 par value per share as of June 30, 2024 and December 31, 2023, respectively. The Board of Directors may authorize the issuance of additional shares, subject to the approval of the holders of at least a majority of the shares of common stock then outstanding. As of June 30, 2024 and December 31, 2023, there were 85,041,913 and 83,000,488 shares of common stock outstanding, respectively.

The Company previously commenced an "at-the-market" offering program for shares of its common stock, or the "Common ATM Program," by entering into equity distribution agreements with sales agents under which the Company is authorized to offer and sell up to \$225.0 million of common stock from time to time. During the six-month period ended June 30, 2024, the Company issued 2,103,725 shares of common stock under the Common ATM Program which provided \$26.9 million of net proceeds after \$0.3 million of agent commissions and offering costs. During the six-month period ended June 30, 2023, the Company issued 4,433,861 shares of common stock under the Common ATM Program which provided \$60.5 million of net proceeds after \$0.9 million of agent commissions and offering costs. The Company did not issue any shares of common stock under the Common ATM Program during either of the three-month periods ended June 30, 2024 or 2023.



The following table summarizes issuance, repurchase, and other activity with respect to the Company's common stock for the three- and six-month periods ended June 30, 2024, and 2023:

	Three-Month Period Ended		Six-Month Period Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Shares of Common Stock Outstanding (as of 3/31/2024, 3/31/2023, 12/31/2023, and 12/31/2022, respectively)	85,056,648	67,185,076	83,000,488	63,812,215
Share Activity:				
Shares of common stock issued	—	—	2,103,725	4,433,861
Shares of common stock repurchased	(14,735)	(23,336)	(62,300)	(1,084,336)
Shares of Common Stock Outstanding (as of 6/30/24, 6/30/23, 6/30/24, and 6/30/23, respectively)	85,041,913	67,161,740	85,041,913	67,161,740

If all Convertible Non-controlling Interests that have been previously issued were to become fully vested and exchanged for shares of common stock as of June 30, 2024 and December 31, 2023, the Company's issued and outstanding shares of common stock would increase to 85,876,968 and 83,795,803 shares, respectively.

In March 2023, the Board of Directors approved the adoption of a share repurchase program under which the Company is authorized to repurchase up to \$50 million of the Company's common stock (the "2023 Repurchase Plan"), which extended the Company's ability to repurchase common stock beyond the 1.55 million shares authorized under the previous plan. The 2023 Repurchase Plan is open-ended in duration and allow the Company to make repurchases from time to time on the open market or in negotiated transactions, including under Rule 10b5-1 plans. Repurchases under the 2023 Repurchase Plan are at the Company's discretion, subject to applicable law, share availability, price and financial performance, among other considerations. During the three-month period ended June 30, 2024, the Company repurchased 14,735 shares at an average price per share of \$10.95 and a total cost of \$0.2 million. During the three-month period ended June 30, 2023, the Company repurchased 23,336 shares at an average price per share of \$12.00 and a total cost of \$0.3 million. During the six-month period ended June 30, 2024, the Company repurchased 62,300 shares at an average price per share of \$11.00 and a total cost of \$0.7 million. During the six-month period ended June 30, 2023, the Company repurchased 1,084,336 shares at an average price per share of \$11.39 and a total cost of \$12.4 million. As of June 30, 2024, the Company has authorization to repurchase an additional \$45.1 million of the Company's common stock under the 2023 Repurchase Plan.

## 20. Earnings Per Share

The components of the computation of basic and diluted EPS are as follows:

<i>(In thousands except share amounts)</i>	Three-Month Period Ended		Six-Month Period Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Net income (loss) attributable to common stockholders	\$ 52,347	\$ 2,898	\$ 79,262	\$ 41,814
Add: Net income (loss) attributable to Convertible Non-controlling Interests <sup>(1)</sup>	514	35	769	511
Net income (loss) attributable to common stockholders and Convertible Non-controlling Interests	52,861	2,933	80,031	42,325
<b>Dividends declared:</b>				
Common stockholders	(33,166)	(30,223)	(69,755)	(60,520)
Convertible Non-controlling Interests	(326)	(367)	(673)	(734)
Total dividends declared to common stockholders and Convertible Non-controlling Interests	(33,492)	(30,590)	(70,428)	(61,254)
<b>Undistributed (Distributed in excess of) earnings:</b>				
Common stockholders	19,181	(27,325)	9,507	(18,706)
Convertible Non-controlling Interests	188	(332)	96	(223)
Total undistributed (distributed in excess of) earnings attributable to common stockholders and Convertible Non-controlling Interests	\$ 19,369	\$ (27,657)	\$ 9,603	\$ (18,929)
Weighted average shares outstanding (basic and diluted):				
Weighted average shares of common stock outstanding	85,044,666	67,162,253	84,756,106	66,918,505
Weighted average Convertible Non-controlling Interest Units outstanding	835,055	815,933	818,024	815,933
Weighted average shares of common stock and Convertible Non-controlling Interest Units outstanding	85,879,721	67,978,186	85,574,130	67,734,438
<b>Basic earnings per share of common stock and Convertible Non-controlling Interest Unit:</b>				
Distributed	\$ 0.39	\$ 0.45	\$ 0.82	\$ 0.90
Undistributed (Distributed in excess of)	0.23	(0.41)	0.12	(0.28)
	\$ 0.62	\$ 0.04	\$ 0.94	\$ 0.62
<b>Diluted earnings per share of common stock and Convertible Non-controlling Interest Unit:</b>				
Distributed	\$ 0.39	\$ 0.45	\$ 0.82	\$ 0.90
Undistributed (Distributed in excess of)	0.23	(0.41)	0.12	(0.28)
	\$ 0.62	\$ 0.04	\$ 0.94	\$ 0.62

(1) For the three-month periods ended June 30, 2024 and 2023, excludes net income (loss) of \$0.4 million and \$1.8 million, respectively, attributable to joint venture partners and Longbridge, as applicable, which have non-participating interests as described in Note 18. For the six-month periods ended June 30, 2024 and 2023, excludes net income (loss) of \$0.6 million and \$2.1 million, respectively, attributable to joint venture partners and Longbridge, as applicable, which have non-participating interests as described in Note 18.

## 21. Restricted Cash

Restricted cash represents cash that the Company can use only for specific purposes. As of June 30, 2024, the Company had \$6.1 million of restricted cash including cash balances that are restricted under a warehouse line of credit agreement and cash held in a securitization reserve fund. As of December 31, 2023, the Company had \$1.6 million of restricted cash including cash balances that are restricted under a warehouse line of credit agreement.

## 22. Offsetting of Assets and Liabilities

The Company generally records financial instruments at fair value as described in Note 2. Financial instruments are generally recorded on a gross basis on the Condensed Consolidated Balance Sheet. In connection with the vast majority of its derivative, reverse repurchase and repurchase agreements, and the related trading agreements, the Company and its counterparties are required to pledge collateral. Cash or other collateral is exchanged as required with each of the Company's counterparties in connection with open derivative positions, and reverse repurchase and repurchase agreements.

The Company has not entered into master netting agreements with any of its counterparties. Certain of the Company's reverse repurchase and repurchase agreements and financial derivative transactions are governed by underlying agreements that generally provide a right of net settlement, as well as a right of offset in the event of default or in the event of a bankruptcy of either party to the transaction.

The following tables present information about certain assets and liabilities representing financial instruments as of June 30, 2024 and December 31, 2023.

#### June 30, 2024:

Description	Amount of Assets (Liabilities) Presented in the Condensed Consolidated Balance Sheet <sup>(1)</sup>	Financial Instruments Available for Offset	Financial Instruments Transferred or Pledged as Collateral <sup>(2)(3)</sup>	Cash Collateral (Received) Pledged <sup>(2)(3)</sup>	Net Amount
<i>(In thousands)</i>					
<b>Assets</b>					
Financial derivatives—assets	\$ 162,165	\$ (39,020)	\$ —	\$ (71,447)	\$ 51,698
Reverse repurchase agreements	85,671	(61,989)	(23,682)	—	—
<b>Liabilities</b>					
Financial derivatives—liabilities	(44,064)	39,020	—	351	(4,693)
Repurchase agreements	(2,301,976)	61,989	2,238,350	1,637	—

- (1) In the Company's Condensed Consolidated Balance Sheet, all balances associated with repurchase agreements, reverse repurchase agreements, and financial derivatives are presented on a gross basis.
- (2) For the purpose of this presentation, for each row the total amount of financial instruments transferred or pledged and cash collateral (received) or pledged may not exceed the applicable gross amount of assets or (liabilities) as presented here. Therefore, the Company has reduced the amount of financial instruments transferred or pledged as collateral related to the Company's repurchase agreements and cash collateral pledged on the Company's financial derivative liabilities. Total financial instruments transferred or pledged as collateral on the Company's repurchase agreements as of June 30, 2024 was \$2.9 billion. As of June 30, 2024, total cash collateral on financial derivative assets and liabilities excludes excess net cash collateral pledged (received) of \$1.5 million and \$(0.2) million, respectively.
- (3) When collateral is pledged to or pledged by a counterparty, it is often pledged or posted with respect to all positions with such counterparty, and in such cases such collateral cannot be specifically identified as relating to a particular asset or liability. As a result, in preparing the above tables, the Company has made assumptions in allocating pledged or posted collateral among the various rows.

#### December 31, 2023:

Description	Amount of Assets (Liabilities) Presented in the Condensed Consolidated Balance Sheet <sup>(1)</sup>	Financial Instruments Available for Offset	Financial Instruments Transferred or Pledged as Collateral <sup>(2)(3)</sup>	Cash Collateral (Received) Pledged <sup>(2)(3)</sup>	Net Amount
<i>(In thousands)</i>					
<b>Assets</b>					
Financial derivatives—assets	\$ 143,996	\$ (50,301)	\$ —	\$ (38,812)	\$ 54,883
Reverse repurchase agreements	173,145	(155,719)	(17,426)	—	—
<b>Liabilities</b>					
Financial derivatives—liabilities	(61,776)	50,301	—	3,822	(7,653)
Repurchase agreements	(2,967,437)	155,719	2,822,912	(11,194)	—

- (1) In the Company's Condensed Consolidated Balance Sheet, all balances associated with repurchase agreements, reverse repurchase agreements, and financial derivatives are presented on a gross basis.
- (2) For the purpose of this presentation, for each row the total amount of financial instruments transferred or pledged and cash collateral (received) or pledged may not exceed the applicable gross amount of assets or (liabilities) as presented here. Therefore, the Company has reduced the amount of financial instruments transferred or pledged as collateral related to the Company's repurchase agreements and cash collateral pledged on the Company's financial derivative liabilities. Total financial instruments transferred or pledged as collateral on the Company's repurchase agreements as of December 31, 2023 was \$3.7 billion. As of December 31, 2023, total cash collateral on financial derivative assets and liabilities excludes excess net cash collateral pledged of \$(13.9) million and \$12.1 million, respectively.
- (3) When collateral is pledged to or pledged by a counterparty, it is often pledged or posted with respect to all positions with such counterparty, and in such cases such collateral cannot be specifically identified as relating to a particular asset or liability. As a result, in preparing the above tables, the Company has made assumptions in allocating pledged or posted collateral among the various rows.

### 23. Counterparty Risk

The Company is exposed to concentrations of counterparty risk. It seeks to mitigate such risk by diversifying its exposure among various counterparties, when appropriate. The following table summarizes the Company's exposure to counterparty risk as of June 30, 2024 and December 31, 2023.

#### June 30, 2024:

	<b>Amount of Exposure</b>	<b>Number of Counterparties with Exposure</b>	<b>Maximum Percentage of Exposure to a Single Counterparty<sup>(1)</sup></b>
	<i>(In thousands)</i>		
Cash and cash equivalents	\$ 198,513	9	33.6 %
Collateral on repurchase agreements held by dealers <sup>(2)</sup>	2,888,475	24	26.1 %
Due from brokers	22,036	18	53.0 %
Receivable for securities sold <sup>(3)</sup>	34,202	9	51.0 %

(1) Each counterparty is a financial institution that the Company believes to be creditworthy as of June 30, 2024.

(2) Includes securities, loans, and REO as well as cash posted as collateral for repurchase agreements.

(3) Included in Investment related receivables on the Condensed Consolidated Balance Sheet.

#### December 31, 2023:

	<b>Amount of Exposure</b>	<b>Number of Counterparties with Exposure</b>	<b>Maximum Percentage of Exposure to a Single Counterparty</b>
	<i>(In thousands)</i>		
Cash and cash equivalents	\$ 228,927	11	28.8 %
Collateral on repurchase agreements held by dealers <sup>(1)</sup>	3,672,278	28	18.6 %
Due from brokers	51,884	21	58.5 %
Receivable for securities sold <sup>(2)</sup>	345,429	9	54.3 %

(1) Includes securities, loans, and REO as well as cash posted as collateral for repurchase agreements.

(2) Included in Investment related receivables on the Condensed Consolidated Balance Sheet.

### 24. Commitments and Contingencies

The Company provides current directors and officers with a limited indemnification against liabilities arising in connection with the performance of their duties to the Company.

In the normal course of business the Company may also enter into contracts that contain a variety of representations, warranties, and general indemnifications. The Company's maximum exposure under these arrangements, including future claims that may be made against the Company that have not yet occurred, is unknown. The Company has not incurred any costs to defend lawsuits or settle claims related to these indemnification agreements. As of both June 30, 2024 and December 31, 2023, the Company has no liabilities recorded for these agreements.

The Company's maximum risk of loss from credit events on its securities (excluding Agency securities, which are guaranteed by the issuing government agency or government-sponsored enterprise), loans, and investments in unconsolidated entities is limited to the amount paid for such investment.

#### *Commitments and Contingencies Related to Investments in Residential Mortgage Loans*

In connection with certain of the Company's investments in residential mortgage loans, the Company has unfunded commitments in the amount of \$295.9 million and \$288.0 million as of June 30, 2024 and December 31, 2023, respectively.

#### *Loan Purchase Commitments*

The Company is party to mortgage loan purchase and sale flow agreements with various loan originators, or "MLPAs." The Company had commitments, subject to completion of satisfactory due diligence and other terms of the respective MLPA, to purchase residential mortgage loans with a principal balance of \$236.3 million. As of June 30, 2024, the fair value of the Company's purchase loan commitments was \$0.3 million, which is included in Other Assets on the Condensed Consolidated Balance Sheet.

#### *Commitments and Contingencies Related to Investments in Loan Originators*

In connection with certain of its investments in mortgage and consumer loan originators, the Company has outstanding commitments and contingencies as described below.

As described above in —Loan Purchase Commitments, the Company has entered into various MLPAs, including the Related-Party MLPA, as described in Note 16, under which it commits to purchase non-QM loans from a certain mortgage loan originator. As of June 30, 2024, the Company had commitments, subject to the terms of the Related-Party MLPA, to purchase non-QM loans with a principal balance of \$32.5 million. As of June 30, 2024, the fair value of such purchase loan commitments was \$0.1 million, which is included in Other Assets on the Condensed Consolidated Balance Sheet. The Company has also entered into agreements whereby it guarantees the performance of this mortgage loan originator under master repurchase agreements. The Company's maximum guarantees were capped at \$15.0 million as of both June 30, 2024 and December 31, 2023 and there were no such borrowings outstanding as of either date. The Company's obligations under these arrangements are deemed to be guarantees under ASC 460-10. The Company has elected the FVO for its guarantees, which are included in Accrued expenses and other liabilities on the Condensed Consolidated Balance Sheet. As of June 30, 2024 and December 31, 2023, the estimated fair value of such guarantee was insignificant.

As described in Note 16, the Company entered into various secured promissory notes with certain loan originators in which it also holds an equity interest. As of June 30, 2024 and December 31, 2023, the Company had unfunded commitments related to such secured promissory notes of \$5.1 million and \$5.5 million, respectively.

#### *Commitments and Contingencies Related to Investments in Unconsolidated Entities*

The Company has entered into agreements whereby it guarantees the performance of a securitization-related risk retention vehicle, in which it has an equity investment, under a promissory note. The Company's maximum guarantees were capped at \$15.5 million. As of December 31, 2023, the amount of the promissory note outstanding, for which the Company provided a guarantee, was \$1.0 million; no such amounts were outstanding as of June 30, 2024.

As discussed in Note 16, under the terms of the RTL Commitment Agreement, the Company committed to purchase at least \$500 million of eligible loans originated by the RTL Originator. As of June 30, 2024 and December 31, 2023, the Company has unfunded commitments under the RTL Commitment Agreement of \$404.1 million and \$475.4 million, respectively.

#### *Commitments and Contingencies Related to Corporate Loans*

The Company has investments in certain corporate loans whereby the borrowers can request additional funds under the respective agreements. As of June 30, 2024 and December 31, 2023, the Company had unfunded commitments related to such investments in the amount of \$2.8 million and \$3.0 million, respectively.

The Company has extended a line of credit whereby the borrower can draw funds up to \$1.0 million. As of both June 30, 2024 and December 31, 2023, the Company had unfunded commitments related to such line of credit in the amount of \$0.9 million.

#### *Commitments to Affiliate*

As discussed in Note 16, the Company has committed to invest in the common shares of the Affiliated REIT. As of June 30, 2024, the Company had not yet made an initial investment and its remaining commitment to fund capital calls was \$25.0 million.

#### *Commitments to Extend Credit*

The Company enters into loan commitment arrangements with borrowers who have applied for reverse mortgage loans that have not yet closed. As of June 30, 2024 and December 31, 2023, the fair value of such commitments was \$5.6 million and \$2.6 million, respectively, which is reflected in Loan commitments on the Condensed Consolidated Balance Sheet.

The Company is required to fund further borrower advances for loans where the borrower has not fully drawn down all of the reverse mortgage loan proceeds available to them. As of June 30, 2024 and December 31, 2023, the Company had unfunded commitments related to such reverse mortgage loans of \$2.1 billion and \$1.9 billion, respectively. Additionally, the Company has the obligation to advance various other reverse mortgage loan-related amounts such as the borrowers' property taxes and, in the case of HECM reverse mortgage loans, monthly insurance premiums to FHA.

#### *Mandatory Repurchase Obligations*

As detailed in Note 13, the Company is required to purchase from HMBS pools any HECM loan that has reached 98% of the MCA. For active loans, the Company subsequently assigns such loan to HUD, which then reimburses the Company up to the MCA. For inactive loans, following resolution of the loan, the Company files a claim with HUD for any recoverable remaining principal and advance balances.

### Lease Commitments

Longbridge, a consolidated subsidiary of the Company, leases office space and office equipment, under various operating lease arrangements, which expire on various dates through January 2035. Additionally, as a result of the Arlington Merger, the Company assumed the remaining lease for Arlington's principal office space which expires in October 2024. As discussed in Note 2, the Company makes various assumptions and estimates in recognizing the operating lease ROU assets and corresponding lease liabilities, including the expected lease term, incremental borrowing rate, and identifying lease and non-lease components. Total expense under all operating leases amounted to \$0.4 million and \$0.3 million for the three-month periods ended June 30, 2024 and 2023, respectively and to \$0.8 million and \$0.6 million for the six-month periods ended June 30, 2024 and 2023, respectively. Such expense is included in Other expenses on the Condensed Consolidated Statement of Operations.

The following table provides details of the Company's outstanding leases as of June 30, 2024 and December 31, 2023.

<i>(\$ in thousands)</i>	<b>June 30, 2024</b>	<b>December 31, 2023</b>
ROU assets	\$ 5,540	\$ 3,279
Lease liabilities	5,959	3,524
Weighted average remaining term (in years)	7.5	5.1
Weighted average discount rate	8.83 %	7.31 %

The following table details contractual future minimum lease payments as of June 30, 2024.

	<b>Minimum Payments</b>
	<i>(In thousands)</i>
Year ended December 31, 2024	\$ 541
Year ended December 31, 2025	1,240
Year ended December 31, 2026	1,237
Year ended December 31, 2027	1,140
Year ended December 31, 2028	929
Thereafter	3,467
<b>Total</b>	<b>8,554</b>
Less: implied interest payments	(2,595)
<b>Lease Liability</b>	<b>\$ 5,959</b>

## 25. Segment Reporting

On October 3, 2022, the Company completed the acquisition of a controlling interest in Longbridge, a reverse mortgage loan originator and servicer. As a result of the Longbridge Transaction, the Company determined that it has two reportable segments, the Investment Portfolio Segment and the Longbridge Segment, for each of which the chief operating decision maker receives and reviews separate financial information. As discussed in Note 1, the Investment Portfolio Segment includes a diverse array of the Company's financial assets, as well as associated financing, hedging, and various allocable expenses. The Longbridge Segment is focused on the origination and servicing of, and investments in, reverse mortgage loans, including associated financial assets, financing, hedging, and allocated expenses.

Income and expense items that are not directly allocated to either segment are included in Corporate/Other as reconciling items to our consolidated financial statements. These unallocated items include: (i) all income and expense items related to the Company's Unsecured borrowings, at fair value and preferred stock outstanding, including any hedges related thereto; (ii) management and incentive fees; (iii) income tax expense (benefit); (iv) certain compensation and benefits expenses, professional fees, administrative and custody fees, non-cash equity compensation; and (v) interest income (expense) on cash margin.

The following tables present the Company's results of operations by reportable segment for the three-month periods ended June 30, 2024, and 2023, and various reconciling items to the Company's results of operations overall.

	Three-Month Period Ended June 30, 2024			
	Investment Portfolio Segment	Longbridge Segment	Corporate/ Other	Total
<i>(In thousands)</i>				
Interest income	\$ 88,790	\$ 9,765	\$ 1,915	\$ 100,470
Interest expense	(53,628)	(8,615)	(4,631)	(66,874)
Total other income (loss)	27,584	29,868	109	57,561
Total expenses	(5,312)	(26,809)	(10,864)	(42,985)
<b>Net Income (Loss) before Income Tax Expense (Benefit) and Earnings (Losses) from Investments in Unconsolidated Entities</b>	<b>57,434</b>	<b>4,209</b>	<b>(13,471)</b>	<b>48,172</b>
Income tax expense (benefit)	—	—	142	142
Earnings (losses) from investments in unconsolidated entities	12,042	—	—	12,042
<b>Net Income (Loss)</b>	<b>69,476</b>	<b>4,209</b>	<b>(13,613)</b>	<b>60,072</b>
Net income (loss) attributable to non-controlling interests	382	—	518	900
Dividends on preferred stock	—	—	6,825	6,825
<b>Net Income (Loss) Attributable to Common Stockholders</b>	<b>\$ 69,094</b>	<b>\$ 4,209</b>	<b>\$ (20,956)</b>	<b>\$ 52,347</b>
<b>Non-cash items:</b>				
Amortization and depreciation expense	\$ —	\$ 572	\$ —	\$ 572

	Three-Month Period Ended June 30, 2023			
	Investment Portfolio Segment	Longbridge Segment	Corporate/ Other	Total
<i>(In thousands)</i>				
Interest income	\$ 83,118	\$ 3,779	\$ 1,195	\$ 88,092
Interest expense	(54,207)	(6,117)	(3,109)	(63,433)
Total other income (loss)	13,352	30,630	(9,319)	34,663
Total expenses	(3,865)	(25,816)	(12,951)	(42,632)
<b>Net Income (Loss) before Income Tax Expense (Benefit) and Earnings (Losses) from Investments in Unconsolidated Entities</b>	<b>38,398</b>	<b>2,476</b>	<b>(24,184)</b>	<b>16,690</b>
Income tax expense (benefit)	—	—	83	83
Earnings (losses) from investments in unconsolidated entities	(5,868)	—	—	(5,868)
<b>Net Income (Loss)</b>	<b>32,530</b>	<b>2,476</b>	<b>(24,267)</b>	<b>10,739</b>
Net income (loss) attributable to non-controlling interests	1,847	(25)	39	1,861
Dividends on preferred stock	—	—	5,980	5,980
<b>Net Income (Loss) Attributable to Common Stockholders</b>	<b>\$ 30,683</b>	<b>\$ 2,501</b>	<b>\$ (30,286)</b>	<b>\$ 2,898</b>
<b>Non-cash items:</b>				
Amortization and depreciation expense	\$ —	\$ 352	\$ —	\$ 352

**Six-Month Period Ended June 30, 2024**

<i>(In thousands)</i>	<b>Investment Portfolio Segment</b>	<b>Longbridge Segment</b>	<b>Corporate/ Other</b>	<b>Total</b>
Interest income	\$ 180,193	\$ 18,006	\$ 3,791	\$ 201,990
Interest expense	(110,939)	(17,172)	(9,227)	(137,338)
Total other income (loss)	37,610	68,036	(3,601)	102,045
Total expenses	(8,455)	(55,907)	(22,278)	(86,640)
<b>Net Income (Loss) before Income Tax Expense (Benefit) and Earnings (Losses) from Investments in Unconsolidated Entities</b>	<b>98,409</b>	<b>12,963</b>	<b>(31,315)</b>	<b>80,057</b>
Income tax expense (benefit)	—	—	202	202
Earnings (losses) from investments in unconsolidated entities	14,268	—	—	14,268
<b>Net Income (Loss)</b>	<b>112,677</b>	<b>12,963</b>	<b>(31,517)</b>	<b>94,123</b>
Net income (loss) attributable to non-controlling interests	567	38	777	1,382
Dividends on preferred stock	—	—	13,479	13,479
<b>Net Income (Loss) Attributable to Common Stockholders</b>	<b>\$ 112,110</b>	<b>\$ 12,925</b>	<b>\$ (45,773)</b>	<b>\$ 79,262</b>
<b>Non-cash items:</b>				
Amortization and depreciation expense	\$ —	\$ 842	\$ —	\$ 842

**Six-Month Period Ended June 30, 2023**

<i>(In thousands)</i>	<b>Investment Portfolio Segment</b>	<b>Longbridge Segment</b>	<b>Corporate/ Other</b>	<b>Total</b>
Interest income	\$ 165,487	\$ 6,672	\$ 3,107	\$ 175,266
Interest expense	(106,343)	(10,463)	(6,244)	(123,050)
Total other income (loss)	24,281	64,028	(1,971)	86,338
Total expenses	(7,369)	(51,263)	(21,902)	(80,534)
<b>Net Income (Loss) before Income Tax Expense (Benefit) and Earnings (Losses) from Investments in Unconsolidated Entities</b>	<b>76,056</b>	<b>8,974</b>	<b>(27,010)</b>	<b>58,020</b>
Income tax expense (benefit)	—	—	104	104
Earnings (losses) from investments in unconsolidated entities	(2,424)	—	—	(2,424)
<b>Net Income (Loss)</b>	<b>73,632</b>	<b>8,974</b>	<b>(27,114)</b>	<b>55,492</b>
Net income (loss) attributable to non-controlling interests	2,085	(23)	519	2,581
Dividends on preferred stock	—	—	11,097	11,097
<b>Net Income (Loss) Attributable to Common Stockholders</b>	<b>\$ 71,547</b>	<b>\$ 8,997</b>	<b>\$ (38,730)</b>	<b>\$ 41,814</b>
<b>Non-cash items</b>				
Amortization and depreciation expense	\$ —	\$ 710	\$ —	\$ 710

The following tables present our balance sheet by reportable segment as of June 30, 2024 and December 31, 2023 which reconciles to the Company's financial position overall.

**June 30, 2024**

<i>(In thousands)</i>	<b>Investment Portfolio Segment</b>	<b>Longbridge Segment</b>	<b>Corporate/ Other</b>	<b>Total</b>
<b>Total Assets</b>	<b>\$ 5,274,312</b>	<b>\$ 9,632,117</b>	<b>\$ 186,224</b>	<b>\$ 15,092,653</b>
<b>Total Liabilities</b>	<b>3,758,688</b>	<b>9,380,275</b>	<b>379,831</b>	<b>13,518,794</b>
<b>Total Equity</b>	<b>1,515,624</b>	<b>251,842</b>	<b>(193,607)</b>	<b>1,573,859</b>



**December 31, 2023**

<i>(In thousands)</i>	<b>Investment Portfolio Segment</b>	<b>Longbridge Segment</b>	<b>Corporate/ Other</b>	<b>Total</b>
<b>Total Assets</b>	\$ 5,978,988	\$ 9,092,840	\$ 244,102	\$ 15,315,930
<b>Total Liabilities</b>	4,555,212	8,872,153	352,953	13,780,318
<b>Total Equity</b>	1,423,776	220,687	(108,851)	1,535,612

**26. Subsequent Events**

On July 8, 2024, the Board of Directors approved a dividend in the amount of \$0.13 per share of common stock payable on August 26, 2024 to stockholders of record as of July 31, 2024.

On August 7, 2024, the Board of Directors approved a dividend in the amount of \$0.13 per share of common stock payable on September 25, 2024 to stockholders of record as of August 30, 2024.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

*Except where the context suggests otherwise, references in this Quarterly Report on Form 10-Q to "EFC," "we," "us," and "our" refer to Ellington Financial Inc. and its consolidated subsidiaries, including Ellington Financial Operating Partnership LLC, our operating partnership subsidiary, which we refer to as our "Operating Partnership." References in this Quarterly Report on Form 10-Q to (1) "common shares" refer to shares of our common stock, \$0.001 par value per share and (2) "common shareholders" refer to holders of shares of our common stock. We conduct all of our operations and business activities through our Operating Partnership. Our "Manager" refers to Ellington Financial Management LLC, our external manager; "Ellington" refers to Ellington Management Group, L.L.C. and its affiliated investment advisory firms, including our Manager; and "Manager Group" refers collectively to officers and directors of EFC, and partners and affiliates of Ellington (including families and family trusts of the foregoing). In certain instances, references to our Manager and services to be provided to us by our Manager may also include services provided by Ellington and its other affiliates from time to time.*

### Special Note Regarding Forward-Looking Statements

When used in this Quarterly Report on Form 10-Q, in future filings with the Securities and Exchange Commission, or the "SEC," or in press releases or other written or oral communications, statements which are not historical in nature, including those containing words such as "believe," "expect," "anticipate," "estimate," "project," "plan," "continue," "intend," "should," "would," "could," "goal," "objective," "will," "may," "seek," or similar expressions or their negative forms or references to strategy, plans or intentions, are intended to identify "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, or the "Securities Act," and Section 21E of the Securities Exchange Act of 1934, as amended, or the "Exchange Act," and, as such, may involve known and unknown risks, uncertainties, and assumptions.

Forward-looking statements are based on our beliefs, assumptions, and expectations of our future operations, business strategies, performance, financial condition, liquidity and prospects, taking into account information currently available to us. These beliefs, assumptions, and expectations are subject to risks and uncertainties and can change as a result of many possible events or factors, not all of which are known to us. If a change occurs, our business, financial condition, liquidity, results of operations and strategies may vary materially from those expressed or implied in our forward-looking statements. The following factors are examples of those that could cause actual results to vary from our forward-looking statements: changes in interest rates and the market value of our securities or our investments; market volatility; changes in the prepayment rates on the mortgage loans underlying the securities owned by us for which the principal and interest payments are guaranteed by a U.S. government agency or a U.S. government-sponsored entity; increased rates of default and/or decreased recovery rates on our assets; our ability to borrow to finance our assets and the available terms for such borrowings; changes in government regulations affecting our business; our ability to maintain our exclusion from registration under the Investment Company Act of 1940, as amended, or the "Investment Company Act"; our ability to maintain our qualification as a real estate investment trust, or "REIT"; and risks associated with investing in real estate assets, including changes in business conditions and the general economy such as changes to fiscal or monetary policy, heightened inflation, slower growth or recession, and currency fluctuations. These and other risks, uncertainties and factors, including the risk factors described under Item 1A of our Quarterly Report on Form 10-Q for the three-month period ended March 31, 2024, as well as our Annual Report on Form 10-K for the year ended December 31, 2023, could cause our actual results to differ materially from those projected or implied in any forward-looking statements we make. All forward-looking statements speak only as of the date on which they are made. New risks and uncertainties arise over time, and it is not possible to predict those events or how they may affect us. Except as required by law, we are not obligated to, and do not intend to, update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

### Executive Summary

Our primary objective is to generate attractive, risk-adjusted total returns for our stockholders. We seek to attain this objective by utilizing an opportunistic strategy to make investments, without restriction as to ratings, structure, or position in the capital structure, that we believe compensate us appropriately for the risks associated with them rather than targeting a specific yield. At any particular point in time, depending on how we perceive the market's pricing of risk both generally and across sectors, we may favor higher-risk assets or we may favor lower-risk assets, or a combination of the two, in the interests of portfolio diversification or other considerations.

We conduct all of our operations and business activities through the Operating Partnership. As of June 30, 2024, we had an ownership interest of approximately 99.2% in the Operating Partnership. The remaining ownership interest of approximately 0.8% in the Operating Partnership represents the interests in the Operating Partnership that are owned by an affiliate of our Manager, our current and certain former directors, and certain current and former Ellington employees and their related parties, and is reflected in our financial statements as a non-controlling interest. We are externally managed and advised by our Manager, an affiliate of Ellington. Ellington is a registered investment adviser with a 29-year history of investing in the Agency and credit markets.

We have elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, or "the Code." Provided that we maintain our qualification as a REIT, we generally will not be subject to U.S. federal, state, and local income tax on our REIT taxable income that is currently distributed to our stockholders. Any taxes paid by a domestic taxable REIT subsidiary, or "TRS," will reduce the cash available for distribution to our stockholders. REITs are subject to a number of organizational and operational requirements, including a requirement that they currently distribute at least 90% of their annual REIT taxable income excluding net capital gains.

On October 3, 2022, we completed the acquisition of a controlling interest in Longbridge Financial, LLC ("Longbridge"), a reverse mortgage loan originator and servicer (the "Longbridge Transaction"). As a result of the Longbridge Transaction, we consolidate Longbridge's financial results. On December 14, 2023, we completed a merger between Arlington Asset Investment Corp., a Virginia corporation ("Arlington"), and our subsidiary EF Merger Sub Inc., a Virginia corporation (such transaction, the "Arlington Merger").

In our investment portfolio, we invest in a diverse array of financial assets, including residential mortgage-backed securities, or "RMBS," including RMBS for which the principal and interest payments are guaranteed by a U.S. government agency or a U.S. government-sponsored entity, or "Agency RMBS"; residential and commercial mortgage loans; commercial mortgage-backed securities, or "CMBS"; consumer loans and asset-backed securities, or "ABS," including ABS backed by consumer loans; investments referencing mortgage servicing rights on traditional forward mortgage loans, or "Forward MSR-related investments"; collateralized loan obligations, or "CLOs"; non-mortgage- and mortgage-related derivatives; equity investments in loan origination companies; and other strategic investments. We refer to the portion of our investment portfolio excluding Agency RMBS as our credit portfolio.

Longbridge originates and services reverse mortgage loans, including both home equity conversion mortgage loans ("HECM loans") which are insured by the Federal Housing Administration ("FHA"), as well as non-FHA-insured reverse mortgage loans, which we refer to as "proprietary reverse mortgage loans." HECM loans are generally eligible for securitization into HECM-backed MBS ("HMBS"), which are guaranteed by the Government National Mortgage Association ("GNMA").

The strategies that we employ are intended to capitalize on opportunities in the current market environment. Subject to maintaining our qualification as a REIT and our exclusion from registration as an investment company under the Investment Company Act, we intend to adjust our strategies to changing market conditions by shifting our asset allocations across various asset classes as credit and liquidity trends evolve over time. We believe that this flexibility, combined with Ellington's experience, will help us generate more consistent returns on our capital throughout changing market cycles. Additionally, subject to maintaining our qualification as a REIT, we opportunistically hedge our credit risk, interest rate risk, yield spread risk, and foreign currency risk; however, at any point in time we may choose not to hedge all or a portion of these risks, and we will generally not hedge those risks that we believe are appropriate for us to take at such time, or that we believe would be impractical or prohibitively expensive to hedge. For more information on our targeted assets, see "—Our Targeted Asset Classes" below.

**Our Targeted Asset Classes**

Our targeted asset classes currently include investments in the U.S. and Europe (as applicable) in the categories listed below. Subject to maintaining our qualification as a REIT, we expect to continue to invest in these targeted asset classes. Also, we expect to continue to hold certain of our targeted assets through one or more TRSs. As a result, a portion of the income from such assets will be subject to U.S. federal and certain state corporate income taxes, as applicable.

<b>Asset Class</b>	<b>Principal Assets</b>
Agency RMBS	<ul style="list-style-type: none"> <li>• Whole pool pass-through certificates;</li> <li>• Partial pool pass-through certificates;</li> <li>• Agency collateralized mortgage obligations, or "CMOs," including interest only securities, or "IOs," principal only securities, or "POs," inverse interest only securities, or "IIOs"; and</li> </ul>
CMBS and Commercial Mortgage Loans	<ul style="list-style-type: none"> <li>• CMBS;</li> <li>• CLOs backed by commercial mortgage loans, or "CRE CLOs"; and</li> <li>• Commercial mortgage loans and other commercial real estate debt.</li> </ul>
Consumer Loans and ABS	<ul style="list-style-type: none"> <li>• Consumer loans;</li> <li>• ABS backed by consumer loans;</li> <li>• ABS backed by Small Business Administration, or "SBA," loans, including IOs backed by SBA loans; and</li> <li>• Retained tranches from securitizations to which we have contributed assets.</li> </ul>
Corporate CLOs	<ul style="list-style-type: none"> <li>• Corporate CLO debt and equity tranches; and</li> <li>• Investments in CLO loan accumulation facilities.</li> </ul>
Mortgage-Related Derivatives	<ul style="list-style-type: none"> <li>• To-Be-Announced mortgage pass-through certificates, or "TBAs";</li> <li>• Credit default swaps, or "CDS," on individual RMBS, on the ABX, CMBX and PrimeX indices and on other mortgage-related indices; and</li> <li>• Other mortgage-related derivatives.</li> </ul>
Non-Agency RMBS	<ul style="list-style-type: none"> <li>• RMBS backed by prime jumbo, Alt-A, non-QM, manufactured housing, and subprime mortgages;</li> <li>• RMBS backed by fixed rate mortgages, Adjustable rate mortgages, or "ARMs," Option-ARMs, and Hybrid ARMs;</li> <li>• RMBS backed by mortgages on single-family-rental properties;</li> <li>• RMBS backed by first-lien and second-lien mortgages;</li> <li>• RMBS backed by performing and non-performing mortgages;</li> <li>• Investment grade and non-investment grade securities;</li> <li>• Senior and subordinated securities;</li> <li>• IOs, POs, IIOs, and inverse floaters;</li> <li>• Collateralized debt obligations, or "CDOs";</li> <li>• RMBS backed by European residential mortgages, or "European RMBS";</li> <li>• Retained tranches from securitizations in which we have participated; and</li> <li>• Credit risk transfer securities, or "CRTs."</li> </ul>
Residential Mortgage Loans	<ul style="list-style-type: none"> <li>• Non-QM loans;</li> <li>• Residential "transition loans," such as residential bridge loans and residential "fix-and-flip" loans;</li> <li>• Residential non-performing mortgage loans, or "NPLs";</li> <li>• Re-performing loans, or "RPLs," which generally are loans that were modified and/or formerly NPLs where the borrower has resumed making payments in some form or amount;</li> <li>• Retained tranches from securitizations to which we have contributed assets;</li> <li>• Reverse mortgage loans; and</li> <li>• Closed-end second liens and home equity lines of credit, or "HELOCs";</li> </ul>

**Asset Class***(continued)***Principal Assets**

Strategic Investments in Loan Originators	<ul style="list-style-type: none"> <li>• Strategic equity and/or debt investments in loan originators and mortgage-related entities;</li> <li>• Mortgage servicing rights, or "MSRs" and MSR-related investments;</li> <li>• Real estate, including commercial and residential real property;</li> <li>• Strategic equity and/or debt investments in entities related to our business;</li> <li>• Corporate debt and equity securities and corporate loans;</li> <li>• Closed-end second liens and home equity lines of credit, or "HELOCs";</li> <li>• Other non-mortgage-related derivatives; and</li> <li>• Confirmation of originator fee certificates.</li> </ul>
Other	

**Agency RMBS**

Our Agency RMBS assets consist primarily of whole pool (and to a lesser extent, partial pool) pass-through certificates, the principal and interest of which are guaranteed by a federally chartered corporation, such as the Federal National Mortgage Association, or "Fannie Mae," the Federal Home Loan Mortgage Corporation, or "Freddie Mac," or the Government National Mortgage Association, within the U.S. Department of Housing and Urban Development, or "Ginnie Mae," and which are backed by ARMs, Hybrid ARMs, or fixed-rate mortgages. In addition to investing in pass-through certificates which are backed by traditional mortgages, we have also invested in Agency RMBS backed by reverse mortgages. Reverse mortgages are mortgage loans for which neither principal nor interest is due until the borrower dies, the home is sold, or other trigger events occur. Mortgage pass-through certificates are securities representing undivided interests in pools of mortgage loans secured by real property where payments of both interest and principal, plus prepaid principal, on the securities are made monthly to holders of the security, in effect "passing through" monthly payments made by the individual borrowers on the mortgage loans that underlie the securities, net of fees paid to the issuer/guarantor and servicers of the securities. Whole pool pass-through certificates are mortgage pass-through certificates that represent the entire ownership of (as opposed to merely a partial undivided interest in) a pool of mortgage loans.

Our Agency RMBS assets are typically concentrated in specified pools. Specified pools are fixed-rate Agency pools consisting of mortgages with special characteristics, such as mortgages with low loan balances, mortgages backed by investor properties, mortgages originated through the government-sponsored "Making Homes Affordable" refinancing programs, and mortgages with various other characteristics. Our Agency strategy also includes RMBS that are backed by ARMs or Hybrid ARMs and reverse mortgages, and CMOs, including IOs, POs, and IIOs.

**CLOs**

CLOs are a form of asset-backed security typically collateralized by syndicated corporate loans or commercial mortgage loans. Our CLO holdings may include both debt and equity interests. Some of our CLOs include retained tranches from CLO securitizations for which we participated in the accumulation of the underlying assets.

**CMBS**

We acquire CMBS, which are securities collateralized by mortgage loans on commercial properties. The majority of CMBS issued are fixed rate securities backed by fixed rate loans made to multiple borrowers on a variety of property types, though single-borrower CMBS and floating rate CMBS have also been issued.

The majority of CMBS utilize senior/subordinate structures, similar to those found in non-Agency RMBS. Subordination levels vary so as to provide for one or more AAA credit ratings on the most senior classes, with less senior securities rated investment grade and non-investment grade, including a first loss component which is typically unrated. This first loss component is commonly referred to as the "B-piece," which is the most subordinated (and therefore highest yielding and riskiest) tranche of a CMBS securitization. We acquire investment grade, non-investment grade, and non-rated CMBS. Our target assets also include single-asset single-borrower CMBS, or "SASB CMBS." SASB CMBS can be collateralized by single properties or by a portfolio of properties.

**Commercial Mortgage Loans and Other Commercial Real Estate Debt**

We directly originate and participate in the origination of commercial mortgage "bridge" loans, which are loans secured by liens on commercial properties, and which have shorter terms and higher interest rates than more traditional commercial mortgage loans. Bridge loans are often secured by properties in transition, where the borrower is in the process of either re-developing or stabilizing operations at the property.

We also acquire seasoned commercial mortgage bridge loans, as well as longer-term commercial mortgage loans. Some of the seasoned commercial mortgage loans that we acquire may be non-performing, underperforming, or otherwise distressed; these loans are typically acquired at a discount both to their unpaid principal balances and to the value of the underlying real estate.

Our commercial mortgage loans may be fixed or floating rate and will generally have maturities ranging from one to ten years. We typically originate and acquire first-lien loans but may also originate and acquire subordinated loans. As of June 30, 2024, all of our commercial mortgage loans were first-lien loans. Commercial real estate debt typically limits the borrower's right to freely prepay for a period of time through provisions such as prepayment fees, lockout, yield maintenance, or defeasance provisions.

Within both our loan origination and acquisition strategies, we often focus on smaller balance loans and/or loan packages that are less-competitively-bid. These loans typically have balances that are less than \$30 million, and are secured by real estate and, in some cases, a personal guarantee from the borrower.

#### ***Consumer Loans and ABS***

We acquire U.S. consumer whole loans and ABS, including ABS backed by U.S. consumer loans. Our U.S. consumer loan portfolio consists of unsecured loans and secured auto loans. We are currently purchasing newly originated consumer loans under flow agreements with certain originators, as well as seasoned consumer loans in the secondary market, and we continue to evaluate new opportunities.

#### ***MSRs and MSR-Related Investments***

An MSR represents the right to service one or more mortgage loans in exchange for a specified revenue stream, typically a portion of the interest payments due on such mortgage loans together with certain other ancillary revenue. While the owner of an MSR is ultimately responsible for servicing the underlying loans in accordance with applicable regulations, the actual loan servicing functions are often subcontracted out to third-party licensed subservicers. The mortgages underlying MSRs can either be traditional "forward" mortgage loans ("Forward MSRs") or reverse mortgage loans ("Reverse MSRs").

The revenue stream associated with an MSR is often bifurcated into two components: a "base servicing fee," representing the actual or approximate cost of performing the loan servicing functions; and the remaining revenue, or "excess servicing spread." We have in the past acquired, and, may in the future acquire, excess servicing spread from mortgage loan servicers.

As a result of the Arlington Merger, the Company, through certain of its subsidiaries, is party to various agreements that enable the Company to participate in the economic returns of a portfolio of forward MSRs. The mortgage loans underlying such Forward MSR-related investments consist solely of residential mortgage loans guaranteed by Fannie Mae or Freddie Mac.

#### ***Non-Agency RMBS***

We acquire non-Agency RMBS backed by prime jumbo, Alt-A, non-QM, manufactured housing, subprime residential, and single-family-rental mortgage loans. The loans backing our non-Agency RMBS can be performing or non-performing. Our non-Agency RMBS holdings can include investment-grade and non-investment grade classes, including non-rated classes.

Non-Agency RMBS are generally debt obligations issued by private originators of, or investors in, residential mortgage loans. Non-Agency RMBS generally are issued as CMOs and are backed by pools of whole mortgage loans or by mortgage pass-through certificates. Non-Agency RMBS generally are securitized in senior/subordinated structures, or in excess spread/over-collateralization structures. In senior/subordinated structures, the subordinated tranches generally absorb all losses on the underlying mortgage loans before any losses are borne by the senior tranches. In excess spread/over-collateralization structures, losses are first absorbed by any existing over-collateralization, then borne by subordinated tranches and excess spread, which represents the difference between the interest payments received on the mortgage loans backing the RMBS and the interest due on the RMBS debt tranches, and finally by senior tranches and any remaining excess spread. We also have acquired, and may acquire in the future, both Agency-issued and non-Agency-issued CRTs, which have credit risks similar to those of subordinated RMBS tranches, as well as non-QM RMBS, including retained tranches from non-QM RMBS securitizations in which we have participated.

We also have acquired, and may acquire in the future, European RMBS, including retained tranches from European RMBS securitizations in which we have participated.

### ***Residential Mortgage Loans***

Our residential mortgage loans include newly originated non-QM loans, residential transition loans, as well as legacy residential NPLs and RPLs. A non-QM loan is not necessarily high-risk, or subprime, but is instead a loan that does not conform to the complex Qualified Mortgage, or "QM," rules of the Consumer Financial Protection Bureau. For example, many non-QM loans are made to creditworthy borrowers who cannot provide traditional documentation for income, such as borrowers who are self-employed. There is also demand from certain creditworthy borrowers for loans above the QM 43% debt-to-income ratio limit that still meet all ability-to-repay standards. We hold equity investments in various non-QM originators, and to date we have purchased the majority of our non-QM loans from these originators, although we could potentially purchase a greater share of non-QM loans from other sources in the future.

The residential transition loans that we originate or purchase include: (i) "fix and flip" loans, which are made to real estate investors for the purpose of acquiring residential homes, making value-add improvements to such homes, and reselling the newly rehabilitated homes for a potential profit, and (ii) loans made to real estate investors for a "business purpose," such as purchasing a rental investment property, financing or refinancing a fully rehabilitated home awaiting sale, or securing short-term financing pending qualification for longer-term lower-rate financing. Our residential transition loans are secured by non-owner occupied properties, and are typically structured as fixed-rate, interest-only loans with terms to maturity between 6 and 24 months. Our underwriting guidelines focus on both the "as is" and "as repaired" property values, borrower experience as a real estate investor, and asset verification.

We are also active in the market for residential NPLs and RPLs. The market for large residential NPL and RPL pools has remained highly concentrated, with the great majority having traded to only a handful of large players who typically securitize the residential NPLs and RPLs that they purchase. As a result, we have continued to focus our acquisitions on less-competitively-bid, and more attractively-priced mixed legacy pools sourced from motivated sellers.

### ***Reverse Mortgage Loans and Reverse MSR***

Reverse mortgage loans are residential mortgage loans for which neither principal nor interest is due until the borrower dies, the home is sold, or other trigger events occur. Reverse mortgage loans can have either fixed interest rates or adjustable interest rates. In the case of most fixed-rate reverse mortgage loans, the borrower must draw the loan proceeds up front in one lump sum, while many adjustable-rate mortgage loans provide the borrower with a line of credit that can be drawn over time.

As a result of the Longbridge Transaction, we consolidate Longbridge, which acquires reverse mortgage loans both through its origination activities and through secondary market purchases. Historically, the majority of loans acquired by Longbridge have been home equity conversion mortgage loans, or "HECMs," which are insured by FHA and eligible for inclusion in GNMA-guaranteed HECM-backed MBS, or "HMBS." Longbridge is an approved issuer of HMBS, and it pools and securitizes the majority of its HECM loans into HMBS, which it then sells in the secondary market while retaining the servicing rights on the underlying HECM loans. In addition, Longbridge opportunistically acquires, in the secondary market, HECM loans that have been mandatorily repurchased from HMBS pools ("HECM Buyout Loans") by other HECM servicers upon the outstanding principal balance of such loans reaching or exceeding 98% of their respective maximum claim amount. Depending on their status, HECM Buyout Loans are either eligible to be assigned to HUD in connection with an FHA insurance claim ("assignable buyout loans," or "ABOs"), or ineligible to be assigned to HUD ("non-assignable buyout loans," or "NABOs").

Longbridge also originates and purchases proprietary reverse mortgage loans, which typically carry loan balances or credit lines that exceed FHA limits or have other characteristics that make them ineligible for FHA insurance.

The majority of Longbridge's existing MSRs relate to HECM loans that Longbridge pooled and securitized into HMBS and then sold into the secondary market with servicing rights retained. In accordance with U.S. GAAP, so long as Longbridge retains such mortgage servicing rights and the obligations relating thereto, such HECM loans do not meet the requirement for sale accounting in accordance with US GAAP and remain on Longbridge's balance sheet. The sold HMBS securities are accounted for as secured borrowings. In addition, Longbridge opportunistically acquires, in the secondary market or otherwise, MSRs associated with either proprietary reverse mortgage loans, HECMs or HECM buyout loans.

### ***Strategic Equity Investments in Loan Originators***

We have made, and in the future may make additional, equity investments in loan originators and other related entities; historically, our investments have generally represented non-controlling interests, although we are not restricted from holding controlling interests in such entities. We have also acquired debt investments and/or warrants in certain of these loan originators. We have also entered into various other arrangements, such as entering into flow agreements or providing guarantees or financing lines, with certain of the loan originators in which we have invested.

### ***TBAs and Other Mortgage-Related Derivatives***

In addition to investing in specified pools of Agency RMBS, we utilize TBA transactions, whereby we agree to purchase or sell, for future delivery, Agency RMBS with certain principal and interest terms and certain types of underlying collateral, but the particular Agency RMBS to be delivered is not identified until shortly before the TBA settlement date. TBAs are liquid, have quoted market prices, and represent the most actively traded class of mortgage-backed securities, or "MBS." TBA trading is based on the assumption that mortgage pools that are eligible to be delivered at TBA settlement are fungible and thus the specific mortgage pools to be delivered do not need to be explicitly identified at the time a trade is initiated.

We generally engage in TBA transactions for purposes of managing certain risks associated with our investment strategies. Other than with respect to TBA transactions entered into by our TRSs, most of our TBA transactions are treated for tax purposes as hedging transactions used to hedge indebtedness incurred to acquire or carry real estate assets, or "qualifying liability hedges." The principal risks that we use TBAs to mitigate are interest rate and yield spread risks. For example, we may hedge the interest rate and/or yield spread risk inherent in our long Agency RMBS by taking short positions in TBAs that are similar in character. Alternatively, we may opportunistically engage in TBA transactions because we find them attractive in their own right, from a relative value perspective or otherwise. For accounting purposes, in accordance with generally accepted accounting principles in the United States of America, or "U.S. GAAP," we classify TBA transactions as derivatives.

We also take long and short positions in various other mortgage-related derivative instruments, including mortgage-related credit default swaps. A credit default swap is a credit derivative contract in which one party (the protection buyer) pays an ongoing periodic premium (and often an upfront payment as well) to another party (the protection seller) in return for compensation for default (or similar credit event) by a reference entity. In this case, the reference entity can be an individual MBS or an index of several MBS, such as an ABX, PrimeX, or CMBX index. Payments from the protection seller to the protection buyer typically occur if a credit event takes place. A credit event can be triggered by, among other things, the reference entity's failure to pay its principal obligations or a severe ratings downgrade of the reference entity.

### ***Other Investment Assets***

Our other investment assets include real estate, including residential and commercial real property, strategic equity and/or debt investments in entities related to our business, corporate debt and equity securities, corporate loans, which can include litigation finance loans, and other non-mortgage-related derivatives. We do not typically purchase real property directly; rather, our real estate ownership usually results from foreclosure activity with respect to our acquired residential and commercial loans.

### ***Hedging Instruments***

#### *Interest Rate Hedging*

We opportunistically hedge our interest rate risk by using various hedging strategies, subject to maintaining our qualification as a REIT. The interest rate hedging instruments that we use and may use in the future include, without limitation:

- TBAs;
- interest rate swaps (including floating-to-fixed, fixed-to-floating, floating-to-floating, or more complex swaps such as floating-to-inverse floating, callable or non-callable);
- CMOs;
- U.S. Treasury securities;
- swaptions, caps, floors, and other derivatives on interest rates;
- futures and forward contracts; and
- options on any of the foregoing.

Because fluctuations in short-term interest rates may expose us to fluctuations in the spread between the interest we earn on certain of our investments and the interest we pay on certain of our borrowings, we may seek to manage such exposure by entering into short positions in interest rate swaps. An interest rate swap is an agreement to exchange interest rate cash flows, calculated on a notional principal amount, at specified payment dates during the life of the agreement. Typically, one party pays a fixed interest rate and receives a floating interest rate and the other party pays a floating interest rate and receives a fixed interest rate. Each party's payment obligation is computed using a different interest rate. In an interest rate swap, the notional principal is generally not exchanged. We generally enter into these transactions to offset the potential adverse effects of rising interest rates on short-term repurchase agreements. Our repurchase agreements generally have maturities of up to 364 days and carry interest rates that are determined by reference to a benchmark rate such as the Secured Overnight Financing Rate, or "SOFR." As each then-existing fixed-rate repurchase agreement, or "repo," borrowing matures, it will generally be replaced with a new fixed-rate repo borrowing based on market interest rates established at that future date.



In the case of interest rate swaps, most of our agreements are structured such that we receive payments based on a variable interest rate and make payments based on a fixed interest rate. The variable interest rate on which payments are received is generally calculated based on various reset mechanisms for a benchmark rate such as SOFR. To the extent that the benchmark rates used to calculate the payments we receive on our interest rate swaps continue to be highly correlated with our repo borrowing costs, our interest rate swap contracts should help to reduce the variability of our overall repo borrowing costs, thus reducing risk to the extent we hold fixed-rate assets that are financed with repo borrowings.

#### *Credit Risk Hedging*

We enter into credit-hedging positions in order to protect against adverse credit events with respect to our credit investments, subject to maintaining our qualification as a REIT. Our credit hedging portfolio can vary significantly from period to period, and can encompass a wide variety of financial instruments, including corporate debt or equity-related instruments, RMBS- or CMBS-related instruments, or instruments involving other markets. Our hedging instruments can include both "single-name" instruments (i.e., instruments referencing one underlying entity or security) and hedging instruments referencing indices.

Currently, our credit hedges consist primarily of financial instruments tied to corporate credit, such as CDS on corporate bond indices, short positions in and CDS on corporate bonds; and positions involving exchange traded funds, or "ETFs," of corporate bonds. Our credit hedges also currently include CDS tied to individual MBS or an index of several MBS, such as CDS on CMBS indices, or "CMBX."

#### *Foreign Currency Hedging*

To the extent that we hold instruments denominated in currencies other than U.S. dollars, we may enter into transactions to offset the potential adverse effects of changes in currency exchange rates, subject to maintaining our qualification as a REIT. In particular, we may use currency forward contracts and other currency-related derivatives to mitigate this risk.

### **Trends and Recent Market Developments**

#### *Market Overview*

- The U.S. Federal Reserve, or the "Federal Reserve," maintained its target range for the federal funds rate of 5.25%–5.50% at both its April/May and June 2024 meetings. In its June press release, the Federal Reserve observed that "there has been some further progress toward the Committee's 2 percent inflation objective," but also noted that it "does not expect it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably toward 2 percent." The Summary of Economic Projections released by the Federal Reserve in June implied just one interest rate cut by the end of 2024, as compared to three cuts in the previously released projections in March.

In addition, as announced in May and implemented in June, the Federal Reserve slowed the pace of decline of its securities holdings by reducing the monthly reinvestment cap on U.S. Treasury securities from \$60 billion to \$25 billion (meaning the Federal Reserve will reinvest principal payments that exceed \$25 billion per month, rather than \$60 billion per month), while maintaining the monthly cap of \$35 billion on Agency RMBS.

- After rising in the prior quarter, interest rates continued to increase in April, with the yield on the 2-year U.S. Treasury increasing by 42 basis points and the 10-year U.S. Treasury up 48 basis points on the month. Interest rates then declined for much of May and June, but finished up slightly overall for the quarter—the yield on the 2-year U.S. Treasury increased by 13 basis points quarter over quarter to 4.75%, while the yield on the 10-year U.S. Treasury increased by 20 basis points to 4.40%. Meanwhile, interest rate volatility, as measured by the MOVE index, increased in mid-April before declining over the remainder of the second quarter.
- Secured Overnight Financing Rates, or "SOFR" rates, rose modestly in the second quarter with one-month SOFR increasing by 1 basis point to 5.34% and three-month SOFR rising by 3 basis points to 5.32%. SOFR rates drive many of our financing costs.
- Mortgage rates moved in sympathy with long-term interest rates during the second quarter. The Freddie Mac survey 30-year mortgage rate increased from 6.79% at the end of March to 7.22% on May 2<sup>nd</sup>, before declining to 6.86% at June 27<sup>th</sup>. The Mortgage Bankers Association's Refinance Index increased by 20% over the course of the quarter, but remained at depressed levels on an historical basis, with current mortgage rates still much higher than the rates on the vast majority of outstanding Agency mortgages. Similarly, overall prepayment speeds remained low, with Fannie Mae 30-year RMBS registering CPRs of 6.0 in April, 6.6 in May, and 6.0 in June.

After rising 5.5% in 2023, the S&P CoreLogic Case-Shiller US National Home Price NSA Index increased by another 4.1% year-to-date through May 2024. Meanwhile, after decreasing by 6.5% in 2023, the National Association of

Realtors Housing Affordability Index declined by an additional 8.9% year-to-date through May 2024, as high mortgage rates and elevated home prices continued to stress housing affordability.

- U.S. real GDP increased at an estimated annualized rate of 2.8% in the second quarter of 2024, as compared to 1.4% in the prior quarter. Meanwhile, the unemployment rate increased during the quarter, registering 3.9% in April, 4.0% in May, and 4.1% in June.
- After increasing in the first quarter, inflation reversed course and moderately declined in the second quarter. The 12-month percentage change in the Consumer Price Index for All Urban Consumers ("CPI-U"), not seasonally adjusted, registered 3.4% in April, 3.3% in May, and 3.0% in June 2024. This compared to 12-month percentage changes of 3.1% in January, 3.2% in February, and 3.5% in March 2024.
- For the second quarter, the Bloomberg U.S. MBS Index posted a positive return of 0.07% but a negative excess return (on a duration-adjusted basis) of (0.09%) relative to the Bloomberg U.S. Treasury Index, driven by underperformance of the mortgage basis in April. Meanwhile, the Bloomberg U.S. Corporate Bond Index generated a negative return of (0.09%) and a negative excess return of (0.04%), while the Bloomberg U.S. Corporate High Yield Bond Index generated a positive return of 1.11% and an excess return of 0.38%, for the quarter.
- Corporate credit spreads widened during the second quarter, with spreads on the Markit CDX North America Investment Grade and High Yield Indices increasing by 2 and 14 basis points quarter over quarter, respectively. Additionally, according to PitchBook/LCD, default rates on U.S. leveraged loans declined further, with the twelve-month trailing default rate on the Morningstar LSTA Leveraged Loan Index decreasing to 0.92% at quarter end, as compared to 1.14% at March 31st, and well below the 10-year historical average of 1.76%. After rising for six consecutive quarters, Morningstar LSTA US Leveraged Loan Index prices fell slightly in the second quarter to \$96.50 at June 30th, compared to \$96.70 at the end of the first quarter.
- U.S. CLO issuance activity remained elevated during the second quarter. According to PitchBook/LCD, the U.S. CLO market saw \$53 billion of new CLO issuance in the second quarter, which was the second highest quarter of CLO issuance dating back to 2011, and up from \$49 billion in the first quarter.
- In the second quarter, the NASDAQ rose by 8.3% and the S&P 500 increased by 3.9%, with both indices setting record highs during the quarter. The Dow Jones Industrial Average, on the other hand, fell by 1.7% quarter over quarter, despite also reaching a record high intra-quarter. The VIX volatility index spiked in mid-April before reversing course and ending the quarter modestly lower overall. Meanwhile, London's FTSE 100 index increased by 2.7% and the MSCI World global equity index rose by 2.2%, quarter over quarter.

## Portfolio Overview and Outlook—Investment Portfolio

### Investment Portfolio—Credit<sup>(1)</sup>

The following tables summarize the long investments in our credit portfolio as of June 30, 2024 and March 31, 2024.

(\$ in thousands)	June 30, 2024		March 31, 2024	
	Fair Value	% of Total	Fair Value	% of Total
<b>Dollar Denominated:</b>				
CLOs <sup>(2)</sup>	\$ 75,719	1.8 %	\$ 59,243	1.4 %
CMBS	42,842	1.0 %	22,393	0.5 %
Commercial Mortgage Loans and REO <sup>(3)(4)</sup>	362,914	8.8 %	366,320	8.7 %
Consumer Loans and ABS backed by Consumer Loans <sup>(2)</sup>	85,802	2.1 %	83,194	2.0 %
Corporate Debt and Equity and Corporate Loans	32,100	0.8 %	31,140	0.8 %
Debt and Equity Investments in Loan Origination Entities <sup>(6)</sup>	37,381	0.9 %	35,967	0.9 %
Forward MSR-related investments	158,031	3.8 %	160,009	3.8 %
Home Equity Line of Credit and Closed-End Second Lien Loans	62,737	1.5 %	—	— %
Non-Agency RMBS	143,690	3.5 %	210,132	5.0 %
Non-QM Loans and Retained Non-QM RMBS <sup>(7)</sup>	1,802,847	43.5 %	1,989,390	47.3 %
Other loans and ABS <sup>(5)</sup>	23,533	0.6 %	19,674	0.5 %
Residential Transition Loans and Other Residential Mortgage Loans and REO <sup>(3)</sup>	1,234,796	29.8 %	1,199,246	28.5 %
<b>Non-Dollar Denominated:</b>				
CLOs <sup>(2)</sup>	6,973	0.2 %	5,496	0.1 %
Corporate Debt and Equity	219	— %	185	— %
RMBS <sup>(8)</sup>	18,138	0.4 %	20,423	0.5 %
Other Residential Mortgage Loans	52,368	1.3 %	—	— %
<b>Total Long Credit Portfolio</b>	<b>\$ 4,140,090</b>	<b>100.0 %</b>	<b>\$ 4,202,812</b>	<b>100.0 %</b>
Less: Non-retained Tranches of Consolidated Securitization Trusts	1,414,389		1,407,035	
<b>Total Long Credit Portfolio excluding Non-retained Tranches of Consolidated Securitization Trusts</b>	<b>\$ 2,725,701</b>		<b>\$ 2,795,777</b>	

(1) This information does not include U.S. Treasury securities, interest rate swaps, TBA positions, or other hedge positions.

(2) Includes equity investments in securitization-related vehicles.

(3) REO is not considered a financial instrument and, as a result, is included at the lower of cost or fair value, as discussed in Note 2 of the notes to condensed consolidated financial statements.

(4) Includes investments in unconsolidated entities holding commercial mortgage loans and REO.

(5) Includes equity investment in an unconsolidated entity which held certain other loans for securitization.

(6) Includes corporate loans to certain loan origination entities in which we hold an equity investment.

(7) Retained non-QM RMBS represents RMBS issued by non-consolidated Ellington-sponsored non-QM loan securitization trusts, and interests in entities holding such RMBS.

(8) Includes an investment in an unconsolidated entity holding European RMBS.

Our total long credit portfolio, excluding non-retained tranches of consolidated securitization trusts, decreased to \$2.73 billion as of June 30, 2024, from \$2.80 billion as of March 31, 2024. The decline was driven by the cumulative impact of a non-QM loan securitization completed during the second quarter and net sales of non-Agency and retained non-QM RMBS, and non-QM loans, which more than offset net purchases of commercial mortgage bridge loans, HELOCs, closed-end second lien loans, NPL/RPL pools, CMBS, and CLOs.

Strong net interest income and net gains from non-QM loans, retained non-QM RMBS, non-Agency RMBS, and commercial mortgage loans drove the positive results in the credit strategy in the second quarter. We also benefited from mark-to-market gains on our equity investments in the loan originators LendSure and American Heritage Lending, which reflected strong performance at those originators driven by increased origination volumes and strong gain-on-sale margins. With interest rates slightly higher quarter over quarter, we also had net gains on our interest rate hedges. Offsetting a portion of all these gains was a modest net loss in NPL/RPL pools.

In our residential mortgage loan portfolio, after excluding the impacts of the purchase of one non-performing loan portfolio and the consolidation of another loan portfolio, our percentage of delinquent loans increased only slightly quarter over quarter. In our commercial mortgage loan portfolio (including loans accounted for as equity method investments) the delinquency percentage ticked down sequentially. Both of these mortgage loan portfolios continue to experience low levels of realized credit losses and strong overall credit performance, though we are monitoring developments closely and diligently working out a handful of non-performing commercial mortgage assets.

The net interest margin on our credit portfolio decreased quarter over quarter, to 2.76% from 2.86%. We continued to benefit from positive carry on our interest rate swap hedges, where we overall receive a higher floating rate and pay a lower fixed rate.

*Supplemental Credit Portfolio Information:*

The following tables provide supplemental information to, and should be read in conjunction with, the notes to our financial statements. See Note 5—*Investments in Loans*, Note 7—*Forward MSR-related Investments*, and Note 8—*Investments in Unconsolidated Entities*, to the Notes to Condensed Consolidated Financial Statements included in Item 1 of this Quarterly Report on Form 10-Q.

The table below details certain information regarding our investments in commercial mortgage loans as of June 30, 2024:

(\$ in thousands)	Unpaid Principal Balance	Premium (Discount)	Amortized Cost	Gross Unrealized		Fair Value	Weighted Average		
				Gains	Losses		Coupon	Yield <sup>(1)</sup>	Life (Years)
Commercial mortgage loans <sup>(3)(4)</sup>	\$ 562,106	\$ (12,874)	\$ 549,232	\$ 4,919	\$ (7,482)	\$ 546,669	11.36 %	11.18 %	1.10

(1) Excludes commercial mortgage loans in non-accrual status, with a fair value of \$53.6 million.

(2) Expected average lives of loans are generally shorter than stated contractual maturities. Average lives are affected by scheduled periodic payments of principal and unscheduled prepayments of principal.

(3) Includes our allocable portion of commercial mortgage loans, based on our ownership percentage, held in variable interest entities. Our equity investments in such variable interest entities are included in Investments in unconsolidated entities, at fair value on the Condensed Consolidated Balance Sheet.

(4) As of June 30, 2024 all of our commercial mortgage loans were first-lien mortgages, the vast majority of which have floating rates, most of which benefit from interest rate floors.

The table<sup>(1)(2)</sup> below summarizes our interests in commercial mortgage loans by payment status of the loan as of June 30, 2024:

(In thousands)	June 30, 2024	
	Unpaid Principal Balance	Fair Value
Performing	\$ 495,155	\$ 493,065
Non-performing	66,951	53,604
Total	\$ 562,106	\$ 546,669

(1) Includes our allocable portion of commercial mortgage loans, based on our ownership percentage, held in variable interest entities. Our equity investments in such variable interest entities are included in Investments in unconsolidated entities, at fair value on the Condensed Consolidated Balance Sheet.

(2) As discussed in Note 2 and Note 5 of the Notes to Condensed Consolidated Financial Statements, commercial loans that are 90 days or more delinquent are considered non-performing.

Additionally, as of June 30, 2024, an unconsolidated variable interest entity, in which we co-invest with other Ellington affiliates, held a commercial multi-family REO property; our allocable portion of such REO was approximately \$31.2 million.

The table below summarizes our interests in commercial mortgage loans by property type of the underlying real estate collateral, as a percentage of total outstanding unpaid principal balance, as of June 30, 2024:

Property Type <sup>(1)</sup>	June 30, 2024
Multifamily	66.2 %
Hotel	8.3 %
Industrial	6.2 %
Commercial Mixed Use	4.0 %
Healthcare	3.9 %
Retail	3.7 %
Mobile Home Community	3.4 %
Office	3.1 %
Self Storage	1.2 %
	100.0 %

(1) Includes our allocable portion of commercial mortgage loans, based on our ownership percentage, held in variable interest entities. Our equity investments in such variable interest entities are included in Investments in unconsolidated entities, at fair value on the Condensed Consolidated Balance Sheet.

The table below summarizes our interests in commercial mortgage loans by geographic location of the underlying real estate collateral, as a percentage of total outstanding unpaid principal balance, as of June 30, 2024:

Property Location by U.S. State <sup>(1)</sup>	June 30, 2024
Florida	20.8 %
Illinois	12.1 %
New York	11.8 %
Texas	10.3 %
New Jersey	6.2 %
Michigan	5.4 %
Connecticut	5.1 %
All other states <5%	28.3 %
	100.0 %

(1) Includes our allocable portion of commercial mortgage loans, based on our ownership percentage, held in variable interest entities. Our equity investments in such variable interest entities are included in Investments in unconsolidated entities, at fair value on the Condensed Consolidated Balance Sheet.

The table below summarizes our interests in residential mortgage loans by loan type, and REO resulting from the foreclosure of residential mortgage loans, as of June 30, 2024:

Loan Type	Unpaid Principal Balance	Fair Value
	<i>(In thousands)</i>	
North America—United States:		
Non-QM loans	\$ 1,964,286	\$ 1,771,940
Residential transition loans	1,165,778	1,159,689
HELOCs and closed-end second lien loans	60,366	62,737
Other residential mortgage loans	55,465	54,881
Europe—United Kingdom:		
Other residential mortgage loans	55,141	52,368
Total residential mortgage loans	\$ 3,301,036	\$ 3,101,615
Residential REO <sup>(1)</sup>		20,226
Total residential mortgage loans and residential REO <sup>(1)</sup>		\$ 3,121,841

(1) REO is not considered a financial instrument and, as a result, is included at the lower of cost or fair value, as discussed in Note 2 of the notes to condensed consolidated financial statements.

The table below details (in thousands) the underlying reference amounts and components of our Forward MSR-related investments as of June 30, 2024:

Fair Value of Underlying MSR	Financing	Advances Receivable	Cash and Other Net Receivables	Fair Value of Forward MSR-related Investments
\$ 157,505	\$ (13,500)	\$ 4,172	\$ 9,854	\$ 158,031

The table below provides additional details on the MSRs underlying our Forward MSR-related investments as of June 30, 2024:

Holder of Mortgage Loan	Unpaid Principal Balance	Fair Value	Weighted Average				Market Yield	Multiple
			Rate	Servicing Fee	Loan Age (Months)	Projected CPR		
<i>(In thousands)</i>								
Federal National Mortgage Association	\$ 11,215,717	\$ 145,188	3.09 %	0.25 %	43	6.21 %	9.83 %	5.17
Federal Home Loan Mortgage Corporation	909,844	12,317	3.71 %	0.25 %	39	6.22 %	9.87 %	5.41
<b>Total</b>	<b>\$ 12,125,561</b>	<b>\$ 157,505</b>	<b>3.14 %</b>	<b>0.25 %</b>	<b>43</b>	<b>6.21 %</b>	<b>9.83 %</b>	<b>5.19</b>

As discussed in Note 16 of the notes to our condensed consolidated financial statements, we have investments in participation certificates related to consumer loans, collateralized by automobile loans, titled in the name of a related party of Ellington. Through these participation certificates, we have beneficial interests in the loan cash flows, which are net of servicing-related fees and expenses including a deferred performance-based fee to the loan originator, in which we have a non-controlling equity interest. The total fair value of these participation certificates, which is included in Securities, at fair value on the Condensed Consolidated Balance Sheet, was \$68.9 million as of June 30, 2024. The table below provides additional information about the automobile loans underlying these participation certificates, which comprise our investments in ABS backed by consumer loans, as of June 30, 2024:

<i>(\$ in thousands)</i>	Unpaid Principal Balance	Premium (Discount)	Amortized Cost	Fair Value	Weighted Average	
					Life (Years)	Delinquency (Days)
Automobile loans underlying ABS backed by consumer loans <sup>(1)(2)</sup>	\$ 80,161	\$ (3,392)	\$ 76,769	\$ 67,683	1.58	10.96

(1) Fair value excludes accrued deferred performance-based fees to loan originator of \$0.1 million.

(2) Excludes charged-off consumer loans with an aggregate unpaid principal balance and fair value of \$71.8 million and \$1.4 million, respectively, for which the Company has determined that it is probable the servicer will be able to collect principal and interest. See Note 5 of the Notes to Condensed Consolidated Financial Statements for additional details on charged-off consumer loans.

The following table provides additional details about our investments in unconsolidated entities as of June 30, 2024:

<b>Investment in Unconsolidated Entity</b>	<b>Description</b>	<b>Fair Value</b>
<b>Loan Originators:</b>	<b>Entity Type</b>	<i>(In thousands)</i>
LendSure Mortgage Corp.	Residential Mortgage Loan Originator	\$ 21,471
Other	Residential Mortgage Loan, Commercial Mortgage Loan, and Consumer Loan Originators	11,575
		33,046
<b>Other Unconsolidated Entities:</b>	<b>Underlying Product Type</b>	
Co-investments with Ellington affiliate(s)	Commercial Mortgage Loans and REO	96,694
Equity investments in securitization-related risk retention vehicles	Consumer Loans and European RMBS	1,024
Equity investments in securitization-related risk retention vehicles	Residential Mortgage Loan	16,493
Other	Various	15,925
		130,136
		<b>\$ 163,182</b>

#### Investment Portfolio—Agency RMBS

<i>(\$ in thousands)</i>	<b>June 30, 2024</b>		<b>March 31, 2024</b>	
	<b>Fair Value</b>	<b>% of Long Agency Portfolio</b>	<b>Fair Value</b>	<b>% of Long Agency Portfolio</b>
<b>Long Agency RMBS:</b>				
Fixed Rate	\$ 413,685	90.4 %	\$ 609,806	92.0 %
Floating Rate	—	— %	5,043	0.8 %
Reverse Mortgages	33,853	7.4 %	36,912	5.6 %
IOs	10,162	2.2 %	10,811	1.6 %
<b>Total Long Agency RMBS</b>	<b>\$ 457,700</b>	<b>100.0 %</b>	<b>\$ 662,572</b>	<b>100.0 %</b>

Our total long Agency RMBS portfolio decreased by 31% quarter over quarter to \$457.7 million, driven primarily by net sales.

In April, interest rates and volatility increased over renewed concerns about inflation and a more hawkish Federal Reserve, which pushed Agency RMBS yield spreads wider. In May and June, however, interest rates and volatility generally declined, and Agency RMBS yield spreads reversed most of their April widening. Overall for the second quarter, the U.S. Agency MBS Index generated a negative excess return of (0.09)%. Nevertheless, our Agency RMBS strategy generated positive results for the quarter, as net gains on interest rate hedges and net interest income exceeded net losses on Agency RMBS.

During the quarter, we continued to hedge interest rate risk through the use of interest rate swaps and short positions in U.S. Treasury securities and futures. We ended the quarter with a net short TBA position on a notional basis but a net long TBA position as measured by 10-year equivalents. Ten-year equivalents for a group of positions represent the amount of 10-year U.S. Treasury securities that would be expected to experience a similar change in market value under a standard parallel move in interest rates.

During the quarter, our Agency RMBS asset yields and our borrowing costs both declined, and we received a larger benefit from positive carry on our interest rate swap hedges, where we overall receive a higher floating rate and pay a lower fixed rate. As a result, the net interest margin on our Agency RMBS, excluding the Catch-up Amortization Adjustment, increased to 1.99% from 1.50% quarter over quarter.

As of June 30, 2024 and March 31, 2024, the weighted average net pass-through rate on our fixed-rate specified pools was 4.1% and 3.9%, respectively. Portfolio turnover for our Agency strategy, as measured by sales and excluding paydowns, was 32.4% for the three-month period ended June 30, 2024.

We expect to continue to target specified pools that, taking into account their particular composition and based on our prepayment projections, should:

- (1) generate attractive yields relative to other Agency RMBS and U.S. Treasury securities,

(2) have less prepayment sensitivity to government policy shocks, and/or (3) create opportunities for trading gains once the market recognizes their value, which for newer pools may come only after several months, when actual prepayment experience can be observed. We believe that our research team, proprietary prepayment models, and extensive databases remain essential tools in our implementation of this strategy.

The following table summarizes the prepayment rates for our portfolio of fixed-rate specified pools (excluding those backed by reverse mortgages) for the three-month periods ended June 30, 2024, March 31, 2024, December 31, 2023, September 30, 2023, and June 30, 2023.

	<b>Three-Month Period Ended</b>				
	<b>June 30, 2024</b>	<b>March 31, 2024</b>	<b>December 31, 2023</b>	<b>September 30, 2023</b>	<b>June 30, 2023</b>
Three-Month Constant Prepayment Rates <sup>(1)</sup>	8.5	5.2	5.7	7.0	6.2

(1) Excludes Agency fixed-rate RMBS without any prepayment history.



The following table provides details about the composition of our portfolio of fixed-rate specified pools (excluding those backed by reverse mortgages) as of June 30, 2024 and March 31, 2024:

Coupon (%)	June 30, 2024			March 31, 2024		
	Current Principal	Fair Value	Weighted Average Loan Age (Months)	Current Principal	Fair Value	Weighted Average Loan Age (Months)
	<i>(In thousands)</i>			<i>(In thousands)</i>		
<b>Fixed-rate Agency RMBS:</b>						
15-year fixed-rate mortgages:						
1.50–1.99	\$ —	\$ —	—	\$ 7,237	\$ 6,297	41
2.00–2.49	8,279	7,361	40	9,557	8,516	38
2.50–2.99	7,337	6,973	63	20,898	19,320	44
3.00–3.49	6,619	6,246	79	6,987	6,598	75
3.50–3.99	8,031	7,706	89	9,886	9,526	89
4.00–4.49	—	—	—	1,341	1,314	106
4.50–4.99	172	170	159	200	198	156
Total 15-year fixed-rate mortgages	30,438	28,456	67	56,106	51,769	56
20-year fixed-rate mortgages:						
2.00–2.49	—	—	—	2,055	1,739	40
4.50–4.99	—	—	—	269	264	124
Total 20-year fixed-rate mortgages	—	—	—	2,324	2,003	50
30-year fixed-rate mortgages:						
2.00–2.49	21,175	16,790	34	22,133	17,698	31
2.50–2.99	24,639	20,252	38	76,307	63,689	37
3.00–3.49	77,513	67,411	49	98,863	86,643	47
3.50–3.99	58,554	52,702	63	100,520	91,323	60
4.00–4.49	74,465	69,579	79	76,166	71,866	76
4.50–4.99	8,783	8,393	49	41,703	40,380	70
5.00–5.49	61,787	60,334	33	76,434	75,226	31
5.50–5.99	12,146	12,044	22	28,092	28,089	20
6.00–6.49	40,989	41,343	16	42,738	43,361	16
6.50–6.99	35,550	36,381	13	36,859	37,759	10
Total 30-year fixed-rate mortgages	415,601	385,229	46	599,815	556,034	45
<b>Total fixed-rate Agency RMBS</b>	<b>\$ 446,039</b>	<b>\$ 413,685</b>	<b>47</b>	<b>\$ 658,245</b>	<b>\$ 609,806</b>	<b>46</b>

### Portfolio Overview and Outlook—Longbridge

As discussed in Note 13 of the Notes to the Condensed Consolidated Financial Statements, when Longbridge pools HECM loans into HMBS, such transfers do not qualify as sales under U.S. GAAP, and as a result, such transactions are treated as secured borrowings on our Condensed Consolidated Balance Sheet. The pooled HECM loans are included in Loans, at fair value, and the related liabilities are reflected as HMBS-related obligations, at fair value. After pooling the HECM loans into HMBS, Longbridge retains the mortgage servicing rights associated with such HMBS, which we refer to as the "HMBS MSR Equivalent." Additionally, Longbridge typically retains the MSR associated with the proprietary reverse mortgage loans that it originates and has acquired MSRs on reverse mortgage loans in the secondary market (collectively, "Reverse MSRs"). We refer to the HMBS MSR Equivalent and Reverse MSRs collectively as our "Reverse MSR-related Net Assets." We have also securitized some of the proprietary reverse mortgage loans originated by Longbridge, and we have retained certain securitization tranches in compliance with credit risk retention rules.

The following table summarizes loan-related assets<sup>(1)</sup> in the Longbridge segment as of June 30, 2024 and March 31, 2024:

<i>(In thousands)</i>	<b>June 30, 2024</b>		<b>March 31, 2024</b>	
HMBS assets <sup>(2)</sup>	\$	8,926,658	\$	8,713,835
Less: HMBS liabilities		(8,832,058)		(8,619,463)
HMBS MSR Equivalent		94,600		94,372
Unsecuritized HECM loans <sup>(3)</sup>		103,668		111,617
Proprietary reverse mortgage loans <sup>(4)</sup>		449,968		365,372
Reverse MSRs		29,538		29,889
Unsecuritized REO		1,375		2,228
Total		679,149		603,478
Less: Non-retained tranches of consolidated securitization trust		158,397		162,482
Total, excluding non-retained tranches of consolidated securitization trust	\$	520,752	\$	440,996

(1) This information does not include financial derivatives or loan commitments.

(2) Includes HECM loans, REO, and claims or other receivables.

(3) As of June 30, 2024, includes \$5.1 million of active HECM Buyout Loans, \$9.9 million of inactive HECM Buyout Loans, and \$4.3 million of other inactive HECM loans. As of March 31, 2024, includes \$9.3 million of active HECM Buyout Loans, \$9.4 million of inactive HECM Buyout Loans, and \$4.5 million of other inactive HECM loans.

(4) As of June 30, 2024, includes \$181.1 million of securitized proprietary reverse mortgage loans and \$4.5 million of cash held in a securitization reserve fund. As of March 31, 2024, includes \$184.9 million of securitized proprietary reverse mortgage loans and \$4.7 million of cash held in a securitization reserve fund.

Our Longbridge segment generated positive income for the second quarter, driven by net interest income and net gains on proprietary reverse mortgage loans, along with positive results from servicing. In HECM originations, higher volumes were mostly offset by a decline in gain-on-sale margins, driven by wider yield spreads on newly originated HMBS. In servicing, tighter yield spreads on more seasoned HMBS led to improved execution on tail securitizations, which contributed to the positive results from servicing.

Our Longbridge portfolio, excluding non-retained tranches of a consolidated securitization trust, increased by 18% sequentially to \$520.8 million as of June 30, 2024, driven primarily by proprietary reverse mortgage loan originations.

#### *Supplemental Longbridge Information:*

The following table summarizes origination volumes by channel for the three-month periods ended June 30, 2024 and March 31, 2024:

<i>(\$ In thousands)</i>	<b>Three-Month Period Ended</b>					
	<b>June 30, 2024</b>			<b>March 31, 2024</b>		
	Units	New Loan Origination Volume <sup>(1)</sup>	% of New Loan Origination Volume	Units	New Loan Origination Volume <sup>(1)</sup>	% of New Loan Origination Volume
Retail	408	\$ 60,601	20 %	381	\$ 51,639	25 %
Wholesale and correspondent	1,298	243,937	80 %	983	153,246	75 %
Total	1,706	\$ 304,538	100 %	1,364	\$ 204,885	100 %

(1) Represents initial borrowed amounts on reverse mortgage loans.

#### *Corporate/Other*

In addition to expenses not allocated to either the investment portfolio or Longbridge segments, our results for the quarter also reflect a net gain, driven by the increase in interest rates, on our senior notes. This gain was partially offset by a net loss, also driven by the increase in interest rates, on the fixed receiver interest rate swaps that we use to hedge the fixed payments on both our unsecured long-term debt and our preferred equity.

#### *Financing—Overall*

We have various financing arrangements in place as of June 30, 2024, including both secured and unsecured borrowings. We use repos, secured lines of credit, and various other secured borrowings to finance our portfolios, each of which we account for as collateralized borrowings. We have also obtained, through the securitization markets, term financing for certain of our non-QM loans, certain of our proprietary reverse mortgage loans, and certain of our consumer loans. Additionally, as an issuer of HMBS, we account for HMBS-related obligations as secured borrowings. Finally, as of June 30, 2024, we had \$297.7

million of outstanding Unsecured borrowings including: (i) senior notes of \$210.0 million, maturing in April 2027 and bearing an interest rate of 5.875%; (ii) senior notes of \$34.9 million, maturing in March 2025 and bearing an interest rate of 6.75%; and (iii) senior notes of \$37.8 million, maturing in August 2026 and bearing an interest rate of 6.00% (collectively, the "Senior Notes") as well as \$15.0 million of unregistered junior subordinated unsecured debt securities (the "Trust Preferred Debt"). The indentures governing the outstanding Senior Notes contain a number of covenants, including several financial covenants. See Note 14 of the Notes to the Condensed Consolidated Financial Statements for additional details on our Unsecured borrowings.

As of June 30, 2024, outstanding borrowings under repos and Total other secured borrowings (which include Other secured borrowings and Other secured borrowings, at fair value, as presented on our Condensed Consolidated Balance Sheet) were \$4.1 billion, of which approximately 9.3%, or \$383.4 million, related to our Agency RMBS holdings. The remaining outstanding borrowings related to our credit portfolio and Longbridge. Additionally, we had \$8.8 billion of HMBS-related obligations.

The following table details our borrowings outstanding and debt-to-equity ratios as of June 30, 2024 and March 31, 2024:

(\$ in thousands)	As of	
	June 30, 2024	March 31, 2024
<b>Recourse<sup>(1)</sup> borrowings:</b>		
Repurchase agreements	\$ 2,301,976	\$ 2,517,747
Other secured borrowings	217,225	180,918
Unsecured borrowings, at par	297,681	297,681
<b>Total recourse borrowings</b>	<b>\$ 2,816,882</b>	<b>\$ 2,996,346</b>
Debt-to-equity ratio based on total recourse borrowings <sup>(1)</sup>	1.8:1	1.9:1
Debt-to-equity ratio based on total recourse borrowings excluding U.S. Treasury securities	1.6:1	1.8:1
Debt-to-equity ratio based on total recourse borrowings excluding U.S. Treasury securities, adjusted for unsettled purchases and sales <sup>(2)</sup>	1.6:1	1.8:1
<b>Non-Recourse<sup>(3)</sup> Borrowings:</b>		
Other Secured Borrowings, at fair value <sup>(4)</sup>	1,585,838	1,569,149
HMBS-related obligations, at fair value	8,832,058	8,619,463
<b>Total non-recourse borrowings</b>	<b>10,417,896</b>	<b>10,188,612</b>
<b>Total Recourse and Non-Recourse Borrowings</b>	<b>\$ 13,234,778</b>	<b>\$ 13,184,958</b>
Debt-to-equity ratio based on total recourse and non-recourse borrowings	8.4:1	8.5:1
Debt-to-equity ratio based on total recourse and non-recourse borrowings excluding U.S. Treasury securities	8.3:1	8.3:1
Debt-to-equity ratio based on total recourse and non-recourse borrowings excluding U.S. Treasury securities, adjusted for unsettled purchases and sales <sup>(2)</sup>	8.2:1	8.3:1

(1) As of June 30, 2024 and March 31, 2024, excludes borrowings at certain unconsolidated entities that are recourse to us. Including such borrowings, our debt-to-equity ratio based on total recourse borrowings was 1.9:1 and 2.0:1 as of June 30, 2024 and March 31, 2024, respectively.

(2) For unsettled purchases and sales, assumes associated borrowings are subject to haircuts of 5.4% and 5.2% as of June 30, 2024 and March 31, 2024, respectively.

(3) All of our non-recourse borrowings are secured by collateral. In the event of default under a non-recourse borrowing, the lender has a claim against the collateral but not any of the Operating Partnership's other assets. In the event of default under a recourse borrowing, the lender's claim is not limited to the collateral (if any).

(4) Relates to our non-QM, European residential mortgage, and reverse mortgage loan securitizations, where we have elected the fair value option on the related debt.

Our recourse debt-to-equity ratio, excluding U.S. Treasury securities and adjusted for unsettled purchases and sales, decreased to 1.6:1 as of June 30, 2024 as compared to 1.8:1 as of March 31, 2024. The decline was primarily driven by the completion of a non-QM securitization in the second quarter, a decline in borrowings on our smaller Agency RMBS portfolio, and an increase in shareholders' equity. Our overall debt-to-equity ratio based on total recourse and non-recourse borrowings excluding U.S. Treasury securities, adjusted for unsettled purchases and sales, also decreased during the quarter, to 8.2:1 as of June 30, 2024, as compared to 8.3:1 as of March 31, 2024.

Our debt-to-equity ratio does not account for liabilities other than debt financings and does not include debt associated with securitization transactions accounted for as sales.

Our secured financing costs include interest expense related to our repo borrowings and Total other secured borrowings (which include Other secured borrowings and Other secured borrowings, at fair value, as presented on our Condensed

Consolidated Balance Sheet but exclude HMBS-related obligations). For the three-month period ended June 30, 2024, the average cost of funds on our secured financings decreased slightly to 5.73%, as compared to 5.78% for the three-month period ended March 31, 2024. Our unsecured financing costs consist of interest expense related to our Unsecured borrowings. For the three-month periods ended June 30, 2024 and March 31, 2024, the average borrowing rate on our unsecured financings was 6.15% and 6.14%, respectively. The period-over-period increase was driven by higher interest rates on our floating rate Unsecured borrowings. Our average cost of funds, including both secured and unsecured financings, decreased to 5.76% from 5.80% over the same period.

### Critical Accounting Estimates

Our consolidated financial statements include the accounts of Ellington Financial Inc., its Operating Partnership, its subsidiaries, including Longbridge, and variable interest entities, or "VIEs," for which we are deemed to be the primary beneficiary. All intercompany balances and transactions have been eliminated.

The preparation of our consolidated financial statements in accordance with U.S. GAAP require us 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. Our critical accounting estimates are those which require assumptions to be made about matters that are highly uncertain. Actual results could differ from those estimates and such differences could have a material impact on our financial condition and/or results of operations. We believe that all of the decisions and assessments upon which our consolidated financial statements are based were reasonable at the time made based upon information available to us at that time. We rely on the experience of our Manager and Ellington and analysis of historical and current market data in order to arrive at what we believe to be reasonable estimates. See Note 2 of the notes to our condensed consolidated financial statements for a complete discussion of our significant accounting policies. We have identified our most critical accounting estimates to be the following:

**Valuation:** We have elected the fair value option for the vast majority of our assets and liabilities for which such election is permitted, as provided for under ASC 825, *Financial Instruments* ("ASC 825"). For financial instruments that are traded in an "active market," the best measure of fair value is the quoted market price. However, many of our 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.

Summary descriptions, for various categories of financial instruments, of the valuation methodologies management uses in determining fair value of our financial instruments are detailed in Note 2 of the notes to our condensed consolidated financial statements. 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. See the notes to our condensed consolidated financial statements for more information on valuation techniques used by management in the valuation of our assets and liabilities.

Because of the inherent uncertainty of valuation, the estimated fair value of our 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 our consolidated financial statements.

The determination of estimated fair value of those of our financial instruments that are not traded in an active market requires the use of both macroeconomic and microeconomic assumptions and/or inputs, which are generally based on current market and economic conditions. Changes in market and/or economic conditions could have a significant adverse effect on the estimated fair value of our financial instruments. Changes to assumptions, including assumed market yields, may significantly impact the estimated fair value of our investments. Our valuations are sensitive to changes in interest rate; see the interest rate sensitivity analysis included in Item 3. Quantitative and Qualitative Disclosures about Market Risk in this Quarterly Report on Form 10-Q for further information.

**VIEs:** We evaluate each of our investments and other contractual arrangements to determine whether our interest constitutes a variable interest in a VIE, and if so whether we are the primary beneficiary of such VIE. In making these determinations we use both qualitative and quantitative analyses involving a significant amount of judgment, taking into consideration factors such as which interests in the VIE create or absorb variability, the contractual terms related to such interests, other transactions or agreements with the entity, key decision makers and their impact on the VIE's economic performance, and related party relationships.

**Purchases and Sales of Investments and Investment Income:** Purchase and sales transactions are generally recorded on trade date. Realized and unrealized gains and losses are calculated based on identified cost.

For securities, residential and commercial mortgage loans, consumer loans, and corporate loans, we generally amortize premiums and accrete discounts using the effective interest method. For certain of our securities, for purposes of estimating future expected cash flows, management uses assumptions including, but not limited to, assumptions for future prepayment rates, default rates, and loss severities (each of which may in turn incorporate various macroeconomic assumptions, such as future housing prices, GDP growth rates, and unemployment rates). In estimating future cash flows on certain of our loans, there are a number of assumptions that are subject to significant uncertainties and contingencies, including assumptions relating to prepayment rates, default rates, loan loss severities, and loan repurchases. These estimates require the use of a significant amount of judgment. Any resulting changes in effective yield are recognized prospectively based on the current amortized cost of the investment as adjusted for credit impairment, if any.

The effective yield on our debt securities that are deemed to be of high credit quality (including Agency RMBS, exclusive of interest only securities) can be significantly impacted by our estimate of future prepayments. Future prepayment rates are difficult to predict. We estimate prepayment rates over the remaining life of our securities using models that generally incorporate the forward yield curve, current mortgage rates, mortgage rates on the outstanding loans, age and size of the outstanding loans, and other factors. We compare estimated prepayments to actual prepayments on a quarterly basis, and effective yields are recalculated retroactive to the time of purchase. When differences arise between our previously calculated effective yields and our current calculated effective yields, a catch-up adjustment, or "Catch-up Amortization Adjustment," is made to interest income to reflect the cumulative impact of the changes in effective yields. For the three-month periods ended June 30, 2024, and 2023, we recognized a Catch-Up Amortization Adjustment of \$0.7 million and \$(0.5) million, respectively. For the six-month periods ended June 30, 2024, and 2023, we recognized a Catch-Up Amortization Adjustment of \$(0.6) million, and \$(1.0) million, respectively. The Catch-up Amortization Adjustment is reflected as an increase (decrease) to Interest income on the Condensed Consolidated Statement of Operations.

See the notes to our condensed consolidated financial statements for more information on the assumptions and methods that we use to amortize purchase premiums and accrete purchase discounts.

***Income Taxes:*** We have elected to be taxed as a REIT for U.S. federal income tax purposes, and are generally are not subject to corporate-level federal and state income tax on net income we distribute to our stockholders within the prescribed timeframes. We have elected to treat certain domestic and foreign subsidiaries as TRSs. Our financial results are generally not expected to reflect provisions for current or deferred income taxes, except for any activities conducted through one or more TRSs that are subject to corporate income taxation. Establishing a provision for income tax expense requires judgement and interpretation of the application of various federal, state, local, and foreign jurisdiction's tax laws. We 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 such positions, we might be found to have a tax liability that has not been recorded in the accompanying consolidated financial statements. Also, management's conclusions regarding the authoritative guidance may be subject to review and adjustment at a later date based on changing tax laws, regulations, and interpretations thereof. See Note 2 and Note 15 to our condensed consolidated financial statements for additional details on income taxes.

#### **Recent Accounting Pronouncements**

Refer to Note 2 to our condensed consolidated financial statements for a description of relevant recent accounting pronouncements, if any.

## Financial Condition

The following table summarizes the fair value of our consolidated portfolio of investments<sup>(1)</sup> as of June 30, 2024 and December 31, 2023.

<i>(In thousands)</i>	<b>June 30, 2024</b>	<b>December 31, 2023</b>
<b>Long:</b>		
Investment Portfolio:		
Credit:		
Dollar Denominated:		
CLO <sup>(2)</sup>	\$ 75,719	\$ 33,920
CMBS	42,842	45,432
Commercial Mortgage Loans and REO <sup>(3)(4)</sup>	362,914	330,296
Consumer Loans and ABS backed by Consumer Loans <sup>(2)</sup>	85,802	83,130
Other loans and ABS <sup>(5)</sup>	23,533	10,314
Corporate Debt and Equity and Corporate Loans	32,100	29,720
Debt and Equity Investments in Loan Origination Entities <sup>(6)</sup>	37,381	38,528
Non-Agency RMBS	143,690	253,522
Non-QM Loans and Retained Non-QM RMBS <sup>(7)</sup>	1,802,847	2,037,914
Residential Transition Loans and Other Residential Mortgage Loans and REO <sup>(3)</sup>	1,234,796	1,113,816
Home Equity Line of Credit and Closed-End Second Lien Loans	62,737	—
Forward MSR-related Investments	158,031	163,336
Non-Dollar Denominated:		
CLO <sup>(2)</sup>	6,973	4,234
Corporate Debt and Equity	219	189
RMBS <sup>(8)</sup>	18,138	19,674
Other Residential Mortgage Loans	52,368	—
Agency:		
Fixed-Rate Specified Pools	413,685	798,211
Floating-Rate Specified Pools	—	5,130
IOs	10,162	12,712
Reverse Mortgage Pools	33,853	37,171
Government Debt	245,049	165,063
Longbridge:		
Reverse Mortgage Loans	9,472,389	8,938,551
Reverse MSRs	29,538	29,580
REO <sup>(3)</sup>	5,022	5,985
<b>Total Long</b>	<b>\$ 14,349,788</b>	<b>\$ 14,156,428</b>
<b>Short:</b>		
Investment Portfolio:		
Government Debt:		
Dollar Denominated	(26,077)	(128,113)
Non-Dollar Denominated	(25,781)	(26,190)
<b>Total Short</b>	<b>\$ (51,858)</b>	<b>\$ (154,303)</b>

(1) For more detailed information about the investments in our portfolio, please see the notes to the condensed consolidated financial statements.

(2) Includes equity investments in securitization-related vehicles.

(3) REO is not eligible to elect the fair value option as described in Note 2 of the notes to the condensed consolidated financial statements and, as a result, is included at the lower of cost or fair value.

(4) Includes investments in unconsolidated entities holding commercial mortgage loans and REO.

(5) Includes equity investment in an unconsolidated entity which purchases certain other loans for eventual securitization.

(6) Includes corporate loans to certain loan origination entities in which we hold an equity investment.

(7) Retained non-QM RMBS represents RMBS issued by non-consolidated Ellington-sponsored non-QM loan securitization trusts, and interest in entities holding such RMBS.

(8) Includes an equity investment in an unconsolidated entity holding European RMBS.

The following table summarizes our financial derivatives portfolio<sup>(1)(2)</sup> as of June 30, 2024.

(In thousands)	Notional			Net Fair Value
	Long	Short	Net	
<b>Mortgage-Related Derivatives:</b>				
CDS on MBS and MBS Indices	\$ 279	\$ (42,036)	\$ (41,757)	\$ 2,112
<b>Total Net Mortgage-Related Derivatives</b>				<b>2,112</b>
<b>Corporate-Related Derivatives:</b>				
CDS on Corporate Bonds and Corporate Bond Indices	101,000	(540,617)	(439,617)	(10,492)
Total Return Swaps on Corporate Bond Indices and Corporate Debt <sup>(3)</sup>	903	—	903	3
Warrants <sup>(3)</sup>	102	—	102	53
<b>Total Net Corporate-Related Derivatives</b>				<b>(10,436)</b>
<b>Interest Rate-Related Derivatives:</b>				
TBAs	159,656	(299,950)	140,294	788
Interest Rate Swaps	2,494,410	(3,608,767)	(1,114,357)	130,079
U.S. Treasury Futures <sup>(4)</sup>	1,900	(404,600)	(402,700)	(4,638)
<b>Total Interest Rate-Related Derivatives</b>				<b>126,229</b>
<b>Other Derivatives:</b>				
Foreign Currency Forwards <sup>(5)</sup>	—	(23,474)	(23,474)	196
<b>Total Net Other Derivatives</b>				<b>196</b>
<b>Net Total</b>				<b>\$ 118,101</b>

- (1) For more detailed information about the financial derivatives in our portfolio, please refer to Note 10 of the notes to the condensed consolidated financial statements.
- (2) In the table above, fair value of certain derivative transactions are shown on a net basis. The accompanying financial statements separate derivative transactions as either assets or liabilities. As of June 30, 2024, derivative assets and derivative liabilities were \$162.2 million and \$(44.1) million, respectively, for a net fair value of \$118.1 million, as reflected in "Net Total" above.
- (3) Notional represents the maximum number of shares available to be purchased upon exercise.
- (4) Notional value represents the total face amount of U.S. Treasury securities underlying all contracts held. As of June 30, 2024, a total of 19 long and 3,797 short U.S. Treasury futures contracts were held.
- (5) Short notional value represents U.S. Dollars to be received by us at the maturity of the forward contract.

The following table summarizes our financial derivatives portfolio<sup>(1)(2)</sup> as of December 31, 2023.

(In thousands)	Notional			Net Fair Value
	Long	Short	Net	
<b>Mortgage-Related Derivatives:</b>				
CDS on MBS and MBS Indices	\$ 290	\$ (42,146)	\$ (41,856)	\$ 3,294
<b>Total Net Mortgage-Related Derivatives</b>				<b>3,294</b>
<b>Corporate-Related Derivatives:</b>				
CDS on Corporate Bonds and Corporate Bond Indices	151,000	(550,299)	(399,299)	(8,835)
Total Return Swaps on Corporate Bond Indices and Corporate Debt <sup>(3)</sup>	1,389	—	1,389	6
Warrants <sup>(3)</sup>	202	—	202	1,702
<b>Total Net Corporate-Related Derivatives</b>				<b>(7,127)</b>
<b>Interest Rate-Related Derivatives:</b>				
TBAs	375,154	(433,098)	(57,944)	(3,638)
Interest Rate Swaps	1,859,330	(3,129,277)	(1,269,947)	97,494
U.S. Treasury Futures <sup>(4)</sup>	1,900	(313,100)	(311,200)	(7,745)
<b>Total Interest Rate-Related Derivatives</b>				<b>86,111</b>
<b>Other Derivatives:</b>				
Foreign Currency Forwards <sup>(5)</sup>	—	(23,016)	(23,016)	(58)
<b>Total Net Other Derivatives</b>				<b>(58)</b>
<b>Net Total</b>				<b>\$ 82,220</b>

- (1) For more detailed information about the financial derivatives in our portfolio, please refer to Note 10 of the notes to the condensed consolidated financial statements.

- (2) In the table above, fair value of certain derivative transactions are shown on a net basis. The accompanying financial statements separate derivative transactions as either assets or liabilities. As of December 31, 2023, derivative assets and derivative liabilities were \$144.0 million and \$(61.8) million, respectively, for a net fair value of \$82.2 million, as reflected in "Net Total" above.
- (3) Notional represents the maximum number of shares available to be purchased upon exercise.
- (4) Notional value represents the total face amount of U.S. Treasury securities underlying all contracts held. As of December 31, 2023, a total of 19 long and 2,882 short U.S. Treasury futures contracts were held.
- (5) Short notional value represents U.S. Dollars to be received by us at the maturity of the forward contract.

As of June 30, 2024, our Condensed Consolidated Balance Sheet reflected total assets of \$15.1 billion and total liabilities of \$13.5 billion. As of December 31, 2023, our Condensed Consolidated Balance Sheet reflected total assets of \$15.3 billion and total liabilities of \$13.8 billion. Our investments in securities, loans, MSRs, Forward MSR-related investments, unconsolidated entities, loan commitments, financial derivatives, and real estate owned included in total assets were \$14.5 billion and \$14.3 billion as of June 30, 2024 and December 31, 2023, respectively. Our investments in securities sold short and financial derivatives included in total liabilities were \$95.9 million and \$216.1 million as of June 30, 2024 and December 31, 2023, respectively. As of both June 30, 2024 and December 31, 2023, investments in securities sold short consisted principally of short positions in U.S. Treasury securities and sovereign bonds. We primarily use short positions in U.S. Treasury securities and sovereign bonds to hedge the risk of rising interest rates and foreign currency risk.

Typically, we hold a net short position in TBAs. The amounts of net short TBAs, as well as of other hedging instruments, may fluctuate according to the size of our investment portfolio as well as according to how we view market dynamics as favoring the use of one hedging instrument or another. As of June 30, 2024 and December 31, 2023, we had a net short notional TBA position of \$140.3 million and \$57.9 million, respectively.

For a more detailed discussion of our investment portfolio, see "*Trends and Recent Market Developments—Portfolio Overview and Outlook*" above.

We use mortgage-related credit derivatives primarily to hedge credit risk in certain credit strategies, although we have also taken net long positions in certain CDS on RMBS and CMBS indices. Our CDS on individual RMBS represent "single-name" positions whereby we have synthetically purchased credit protection on specific non-Agency RMBS bonds. As there is no longer an active market for CDS on individual RMBS or CDS on RMBS indices, our portfolios in these sectors continues to run off. We also use CDS on corporate bond indices, options thereon, and various other instruments as a means to hedge credit risk. As market conditions change, especially as the pricing of various credit hedging instruments changes in relation to our outlook on future credit performance, we continuously re-evaluate both the extent to which we hedge credit risk and the particular mix of instruments that we use to hedge credit risk.

We may hold long and/or short positions in corporate bonds or equities. Our long and short positions in corporate bonds or equities may serve as outright investments or portfolio hedges.

We use a variety of instruments to hedge interest rate risk in our portfolio, including non-derivative instruments such as U.S. Treasury securities and sovereign debt instruments, and derivative instruments such as interest rate swaps, TBAs, Eurodollar and U.S. Treasury futures, and options on the foregoing. The mix of instruments that we use to hedge interest rate risk may change materially from one period to the next. We have also entered into foreign currency forward and futures contracts in order to hedge risks associated with foreign currency fluctuations.

We have entered into repos to finance many of our assets. We account for our repos as collateralized borrowings. As of June 30, 2024 indebtedness outstanding on our repos was approximately \$2.3 billion. As of June 30, 2024, our assets financed with repos consisted of Agency RMBS of \$406.1 million, credit portfolio assets of \$2.1 billion, reverse mortgage loans of \$171.4 million, and U.S. Treasury securities of \$245.0 million. As of June 30, 2024, outstanding indebtedness under repos was \$383.4 million for Agency RMBS, \$1.5 billion for credit portfolio assets, \$131.9 million of reverse mortgage loans, and \$246.6 million for U.S. Treasury securities. As of December 31, 2023 indebtedness outstanding on our repos was approximately \$3.0 billion. As of December 31, 2023, our assets financed with repos consisted of Agency RMBS of \$1.2 billion, credit portfolio assets of \$2.1 billion, reverse mortgage loans of \$203.7 million, and U.S. Treasury securities of \$154.6 million. As of December 31, 2023, outstanding indebtedness under repos was \$1.1 billion for Agency RMBS, \$1.6 billion for credit portfolio assets, \$150.2 million on reverse mortgage loans, and \$155.0 million for U.S. Treasury securities.

In addition to our repos, as of June 30, 2024 we had Total other secured borrowings of \$1.8 billion, collateralized by \$2.0 billion of non-QM loans, European residential mortgage loans, ABS backed by consumer loans, reverse mortgage loans, and Reverse MSRs. This compares to Total other secured borrowings of \$1.7 billion as of December 31, 2023, used to finance \$1.9 billion of non-QM loans, ABS backed by consumer loans, reverse mortgage loans, and Reverse MSRs. Additionally, as of June 30, 2024, we had HMBS-related obligations of \$8.8 billion collateralized by \$8.9 billion of HMBS assets, and as of December 31, 2023, we had HMBS-related obligations of \$8.4 billion collateralized by \$8.5 billion of HMBS assets, which



include HECM loans as well as REO and claims and other receivables. In addition to our secured borrowings, as of both June 30, 2024 and December 31, 2023, we had \$297.7 million of Unsecured borrowings outstanding.

As of June 30, 2024 and December 31, 2023, our debt-to-equity ratio was 8.4:1 and 8.7:1, respectively. Our recourse debt-to-equity ratio was 1.8:1 as of June 30, 2024 as compared to 2.3:1 as of December 31, 2023. See the discussion in "—Liquidity and Capital Resources" below for further information on our borrowings.

## Equity

As of June 30, 2024, our equity increased by \$38.2 million to \$1.574 billion from \$1.536 billion as of December 31, 2023. The increase principally consisted of net income of \$94.1 million; net proceeds from the issuance of shares of common stock of \$26.9 million, after commissions and offering costs; and contributions from our non-controlling interests of \$9.2 million. These increases were partially offset by common and preferred dividends of \$83.9 million, distributions to non-controlling interests of \$7.9 million, and repurchases of common stock of \$0.7 million. Stockholders' equity, which excludes the non-controlling interests related to the minority interest in the Operating Partnership as well as the minority interests of our joint venture partners, was \$1.553 billion as of June 30, 2024. As of June 30, 2024, our book value per share of common stock, calculated using Total Stockholders' Equity less the aggregate liquidation preference of outstanding preferred stock, was \$13.92.

## Results of Operations

### Results of Operations for the Three-Month Periods Ended June 30, 2024 and 2023

The following tables summarizes our results of operations by segment (as applicable) for the three-month periods ended June 30, 2024 and 2023:

	Three-Month Period Ended June 30, 2024			
	Investment Portfolio	Longbridge	Corporate/ Other	Total
<i>(In thousands except per share amounts)</i>				
<b>Interest Income (Expense)</b>				
Interest income	\$ 88,790	\$ 9,765	\$ 1,915	\$ 100,470
Interest expense	(53,628)	(8,615)	(4,631)	(66,874)
Net interest income	35,162	1,150	(2,716)	33,596
<b>Other Income (Loss)</b>				
Realized and unrealized gains (losses) on securities and loans, net	14,481	2,822	—	17,303
Realized and unrealized gains (losses) on financial derivatives, net	12,487	3,487	(1,759)	14,215
Realized and unrealized gains (losses) on real estate owned, net	(995)	—	—	(995)
Unrealized gains (losses) on other secured borrowings, at fair value, net	(976)	(540)	—	(1,516)
Unrealized gains (losses) on unsecured borrowings, at fair value	—	—	1,868	1,868
Net change from HECM reverse mortgage loans, at fair value	—	146,706	—	146,706
Net change related to HMBS obligations, at fair value	—	(127,672)	—	(127,672)
Other, net	2,587	5,065	—	7,652
Total other income (loss)	27,584	29,868	109	57,561
<b>Expenses</b>				
Base management fee to affiliate, net of fee rebates <sup>(1)</sup>	—	—	5,811	5,811
Other investment related expenses	3,306	7,781	—	11,087
Other operating expenses	2,006	19,028	5,053	26,087
Total expenses	5,312	26,809	10,864	42,985
<b>Net Income (Loss) before Income Tax Expense (Benefit) and Earnings (Losses) from Investments in Unconsolidated Entities</b>	57,434	4,209	(13,471)	48,172
Income tax expense (benefit)	—	—	142	142
Earnings (losses) from investments in unconsolidated entities	12,042	—	—	12,042
<b>Net Income (Loss)</b>	69,476	4,209	(13,613)	60,072
Net income (loss) attributable to non-controlling interests	382	—	518	900
Dividends on preferred stock	—	—	6,825	6,825
<b>Net Income (Loss) Attributable to Common Stockholders</b>	\$ 69,094	\$ 4,209	\$ (20,956)	\$ 52,347
<b>Net Income (Loss) Per Common Share</b>	\$ 0.81	\$ 0.05	\$ (0.24)	\$ 0.62

(1) See Note 16 of the notes to the condensed consolidated financial statements for further details on management fee rebates.

**Three-Month Period Ended June 30, 2023**

<i>(In thousands except per share amounts)</i>	<b>Investment Portfolio</b>	<b>Longbridge</b>	<b>Corporate/ Other</b>	<b>Total</b>
<b>Interest Income (Expense)</b>				
Interest income	\$ 83,118	\$ 3,779	\$ 1,195	\$ 88,092
Interest expense	(54,207)	(6,117)	(3,109)	(63,433)
Net interest income	28,911	(2,338)	(1,914)	24,659
<b>Other Income (Loss)</b>				
Realized and unrealized gains (losses) on securities and loans, net	(32,887)	4,116	—	(28,771)
Realized and unrealized gains (losses) on financial derivatives, net	32,490	14,949	(9,319)	38,120
Realized and unrealized gains (losses) on real estate owned, net	(71)	—	—	(71)
Unrealized gains (losses) on other secured borrowings, at fair value, net	12,152	—	—	12,152
Unrealized gains (losses) on unsecured borrowings, at fair value	—	—	—	—
Net change from HECM reverse mortgage loans, at fair value	—	32,120	—	32,120
Net change related to HMBS obligations, at fair value	—	(24,576)	—	(24,576)
Other, net	1,668	4,021	—	5,689
Total other income (loss)	13,352	30,630	(9,319)	34,663
<b>Expenses</b>				
Base management fee to affiliate, net of fee rebates <sup>(1)</sup>	—	—	4,913	4,913
Other investment related expenses	1,830	7,560	—	9,390
Other operating expenses	2,035	18,256	8,038	28,329
Total expenses	3,865	25,816	12,951	42,632
<b>Net Income (Loss) before Income Tax Expense (Benefit) and Earnings (Losses) from Investments in Unconsolidated Entities</b>	<b>38,398</b>	<b>2,476</b>	<b>(24,184)</b>	<b>16,690</b>
Income tax expense (benefit)	—	—	83	83
Earnings (losses) from investments in unconsolidated entities	(5,868)	—	—	(5,868)
<b>Net Income (Loss)</b>	<b>32,530</b>	<b>2,476</b>	<b>(24,267)</b>	<b>10,739</b>
Net income (loss) attributable to non-controlling interests	1,847	(25)	39	1,861
Dividends on preferred stock	—	—	5,980	5,980
<b>Net Income (Loss) Attributable to Common Stockholders</b>	<b>\$ 30,683</b>	<b>\$ 2,501</b>	<b>\$ (30,286)</b>	<b>\$ 2,898</b>
<b>Net Income (Loss) Per Common Share</b>	<b>\$ 0.45</b>	<b>\$ 0.04</b>	<b>\$ (0.45)</b>	<b>\$ 0.04</b>

(1) See Note 16 of the notes to the condensed consolidated financial statements for further details on management fee rebates.

**Net Income (Loss) Attributable to Common Stockholders**

For the three-month period ended June 30, 2024 we had net income (loss) attributable to common stockholders of \$52.3 million, compared to \$2.9 million for the three-month period ended June 30, 2023. The increase in our results of operations was primarily due to increases in total other income and net interest income, along with earnings from investments in unconsolidated entities in the current period, as compared to losses from investments in unconsolidated entities in the prior period.

**Interest Income**

Interest income was \$100.5 million for the three-month period ended June 30, 2024, as compared to \$88.1 million for the three-month period ended June 30, 2023. Interest income includes coupon payments received and accrued on our holdings, the net accretion and amortization of purchase discounts and premiums on various holdings, and interest on our cash balances, including those balances held by our counterparties as collateral.

*Investment Portfolio*

Interest income from our investment portfolio segment for the three-month period ended June 30, 2024 increased to \$88.8 million, as compared to \$83.1 million for the three-month period ended June 30, 2023.

The following table details our interest income, average holdings of yield-bearing assets, and weighted average yield based on amortized cost for the three-month period ended June 30, 2024 and 2023:

<i>(In thousands)</i>	Credit <sup>(1)</sup>			Agency <sup>(1)</sup>			Total <sup>(1)</sup>		
	Interest Income	Average Holdings	Yield	Interest Income	Average Holdings	Yield	Interest Income	Average Holdings	Yield
Three-month period ended June 30, 2024	\$ 78,359	\$ 4,179,110	7.50 %	\$ 6,859	\$ 598,210	4.59 %	\$ 85,218	\$ 4,777,320	7.14 %
Three-month period ended June 30, 2023	\$ 71,769	\$ 4,121,428	6.97 %	\$ 7,816	\$ 940,301	3.32 %	\$ 79,585	\$ 5,061,729	6.29 %

(1) Amounts exclude interest income on cash and cash equivalents (including when posted as margin) and long positions in U.S. Treasury securities.

For the three-month period ended June 30, 2024, interest income from our credit portfolio was \$78.4 million, as compared to \$71.8 million for the three-month period ended June 30, 2023. This period-over-period increase was due to higher average asset yields and the slightly larger size of the credit portfolio for the three-month period ended June 30, 2024.

For the three-month period ended June 30, 2024, interest income from our Agency RMBS was \$6.9 million, as compared to \$7.8 million for the three-month period ended June 30, 2023. This period-over-period decrease was due to the smaller size of the Agency portfolio partially offset by higher average asset yields for the three-month period ended June 30, 2024.

Some of the variability in our interest income and portfolio yields is due to the Catch-up Amortization Adjustment. For the three-month period ended June 30, 2024, we had a positive Catch-up Amortization Adjustment of \$0.7 million, which increased our interest income. Comparatively, for the three-month period ended June 30, 2023, we had a negative Catch-up Amortization Adjustment of \$(0.5) million, which decreased our interest income. Excluding the Catch-up Amortization Adjustment, the weighted average yield of our Agency portfolio and our total portfolio was 4.10% and 7.07%, respectively, for the three-month period ended June 30, 2024. Excluding the Catch-up Amortization Adjustment, the weighted average yield of our Agency portfolio and our total portfolio was 3.53% and 6.33%, respectively, for the three-month period ended June 30, 2023.

In addition, we had \$2.4 million and \$2.9 million of interest income related to long U.S. Treasury securities and repo on short U.S. Treasury securities for the three-month periods ended June 30, 2024 and 2023, respectively, which we generally use to adjust our exposure to changes in interest rates.

#### *Longbridge*

For the three-month periods ended June 30, 2024 and 2023, interest income from the Longbridge segment was \$9.8 million and \$3.8 million, respectively. The increase was primarily related to a larger average holdings of proprietary reverse mortgage loans period over period.

#### *Corporate/Other*

For the three-month periods ended June 30, 2024 and 2023, interest income not allocated to either the investment portfolio segment or Longbridge segment was \$1.9 million and \$1.2 million, respectively.

### **Interest Expense**

Interest expense primarily includes interest on funds borrowed under repos and Total other secured borrowings, interest on our unsecured borrowings, coupon interest on securities sold short, the related net accretion and amortization of purchase discounts and premiums on those short holdings, and interest on our counterparties' cash collateral held by us. For the three-month periods ended June 30, 2024 and 2023, we had total interest expense of \$66.9 million and \$63.4 million, respectively.

#### *Investment Portfolio*

Total interest expense in our investment portfolio segment decreased to \$53.6 million for the three-month period ended June 30, 2024, as compared to \$54.2 million for the three-month period ended June 30, 2023. The decrease in interest expense was primarily the result of a decline in average secured borrowings on our credit and Agency RMBS assets, partially offset by an increase in financing rates.

The table below summarizes the components of interest expense in our Investment Portfolio for the three-month periods ended June 30, 2024 and 2023.

	Three-Month Period Ended	
	June 30, 2024	June 30, 2023
<i>(In thousands)</i>		
Repos and Total Other Secured Borrowings	\$ 52,822	\$ 53,299
Securities Sold Short <sup>(1)</sup>	781	844
Other	25	64
Total	\$ 53,628	\$ 54,207

(1) Amount includes the related net accretion and amortization of purchase discounts and premiums.

The following table summarizes our aggregate secured borrowings, including repos and Total other secured borrowings, for the three-month periods ended June 30, 2024 and 2023.

Collateral for Secured Borrowing	Three-Month Period Ended					
	June 30, 2024			June 30, 2023		
<i>(In thousands)</i>	Average Borrowings	Interest Expense	Average Cost of Funds	Average Borrowings	Interest Expense	Average Cost of Funds
Credit	\$ 3,157,487	\$ 43,603	5.55 %	\$ 3,302,509	\$ 41,841	5.08 %
Agency RMBS	448,933	6,207	5.56 %	743,290	9,645	5.20 %
Subtotal <sup>(1)</sup>	3,606,420	49,810	5.55 %	4,045,799	51,486	5.10 %
U.S. Treasury Securities	219,145	3,012	5.53 %	141,459	1,813	5.14 %
Total	\$ 3,825,565	\$ 52,822	5.55 %	\$ 4,187,258	\$ 53,299	5.11 %

(1) Excludes U.S. Treasury securities.

Among other instruments, we use interest rate swaps to hedge against the risk of rising interest rates. If we were to include as a component of our cost of funds the actual and accrued periodic payments on our interest rate swaps used to hedge our assets, our total average cost of funds would decrease to 4.41% and 3.71% for the three-month periods ended June 30, 2024 and 2023, respectively. Excluding the Catch-up Amortization Adjustment, our net interest margin, defined as the average yield on our portfolio of yield-bearing targeted assets less the average cost of funds on our secured borrowings (including actual and accrued periodic payments on interest rate swaps as described above), was 2.66% and 2.62% for the three-month periods ended June 30, 2024 and 2023, respectively. These metrics do not include costs associated with any unsecured debt or costs associated with other instruments that we use to hedge interest rate risk, such as TBAs and futures.

#### Longbridge

Interest expense in the Longbridge segment primarily relates to Other secured borrowings and repurchase agreements. For the three-month periods ended June 30, 2024 and 2023, interest expense related to the Longbridge segment was \$8.6 million and \$6.1 million, respectively. The increase in interest expense in the current period was primarily due to an increase in the average size of borrowings on the Longbridge portfolio. For the three-month period ended June 30, 2024, our average borrowings related to the Longbridge portfolio were \$475.0 million, and our average cost of funds was 7.17%. This compares to average borrowings of \$318.8 million and an average cost of funds of 7.70% for the three-month period ended June 30, 2023.

#### Corporate/Other

Certain items of interest expense are not allocated to either the investment portfolio segment or Longbridge segment, such as interest expense on our Unsecured borrowings and certain cash collateral held by us. Total interest expense not allocated to either the investment portfolio or Longbridge segments increased to \$4.6 million as compared \$3.1 million for the three-month periods ended June 30, 2024 and 2023, respectively. This increase was due to interest expense on unsecured borrowings assumed by us from Arlington as a result of the Arlington Merger.

The table below summarizes the components of interest expense not included in either segment for the three-month periods ended June 30, 2024 and 2023.

<i>(In thousands)</i>	Three-Month Period Ended	
	June 30, 2024	June 30, 2023
Unsecured borrowings	\$ 4,556	\$ 3,085
Other <sup>(1)</sup>	75	24
Total	\$ 4,631	\$ 3,109

(1) Amount includes the related net accretion and amortization of purchase discounts and premiums.

### Base Management Fees

#### *Corporate/Other*

For the three-month period ended June 30, 2024, the gross base management fee, which is based on total equity at the end of each quarter, was \$5.9 million, and our Manager credited us with rebates on our base management fee of \$0.1 million, resulting in a net base management fee of \$5.8 million. For the three-month period ended June 30, 2023, the gross base management fee, which is based on total equity at the end of each quarter, was \$5.0 million, and our Manager credited us with rebates on our base management fee of \$0.1 million, resulting in a net base management fee of \$4.9 million. For each period, the base management fee rebates related to those of our CLO investments for which Ellington or one of its affiliates earned CLO management fees. The increase in the net base management fee period over period was primarily due to a larger capital base at the end of the second quarter of 2024, as compared to 2023.

### Incentive Fees

#### *Corporate/Other*

In addition to the base management fee, our Manager is also entitled to a quarterly incentive fee if our performance (as measured by adjusted net income, as defined in the management agreement) over the relevant rolling four quarter calculation period (including any opening loss carryforward) exceeds a defined return hurdle for the period. No incentive fee was incurred for either of the three-month periods ended June 30, 2024 and 2023, since for each quarter during these periods, our income did not exceed the prescribed hurdle amount on a rolling four quarter basis. Because our operating results can vary materially from one period to another, incentive fee expense can be highly variable.

### Other Investment Related Expenses

Other investment related expenses consist of servicing fees on our mortgage and consumer loans, as well as various other expenses and fees directly related to our financial assets and certain financial liabilities carried at fair value. For the three-month periods ended June 30, 2024 and 2023, other investment related expenses were \$11.1 million and \$9.4 million, respectively.

#### *Investment Portfolio*

For the three-month periods ended June 30, 2024 and 2023, Other investment related expenses in our investment portfolio segment were \$3.3 million and \$1.8 million, respectively. The increase in other investment related expenses was primarily due to an increase in servicing expense on a larger residential mortgage loan portfolio, and various loan origination expenses related to our residential mortgage loan portfolio.

#### *Longbridge*

Other investment related expenses related to the Longbridge segment primarily consist of servicing expense related to reverse mortgage loans and various loan origination expenses. For the three-month periods ended June 30, 2024 and 2023, Other investment related expenses were \$7.8 million and \$7.6 million, respectively. The increase in Other investment related expenses related to the Longbridge segment was primarily due to an increase in servicing expense related to reverse mortgage loans and various loan origination expenses.

### Other Operating Expenses

Other operating expenses consist of professional fees, compensation and benefit expenses related to our dedicated or partially dedicated personnel, and various other operating expenses necessary to run our business. Other operating expenses exclude management and incentive fees, interest expense, and other investment related expenses. Other operating expenses were \$26.1 million for the three-month period ended June 30, 2024 as compared to \$28.3 million for the three-month period ended June 30, 2023.

### *Investment Portfolio*

Other operating expenses for our investment portfolio segment were \$2.0 million for each of the three-month periods ended June 30, 2024 and 2023.

### *Longbridge*

For the three-month periods ended June 30, 2024 and 2023, other operating expenses related to the Longbridge segment were \$19.0 million and \$18.3 million, respectively. These expenses primarily consist of compensation and benefits expense, and consist to a lesser extent of various overhead costs including rent expense, licensing fees, expenses related to office equipment, and amortization of intangible assets. The period-over-period increase was primarily due to an increase in compensation and benefits expense and depreciation expense, which were partially offset by a decrease in professional fees.

### *Corporate/Other*

For the three-month periods ended June 30, 2024 and 2023, other operating expenses not allocated to either the investment portfolio segment or the Longbridge segment were \$5.1 million and \$8.0 million, respectively. The period-over-period decrease in other operating expenses was primarily due to a decrease in professional fees.

## **Other Income (Loss)**

Other income (loss) consists of net realized and unrealized gains (losses) on securities and residential mortgage, commercial mortgage, consumer, and corporate loans, financial derivatives, and real estate owned, unrealized gains (losses) on other secured borrowings, at fair value and Unsecured borrowings, at fair value, net change from HECM reverse mortgage loans, at fair value, and net change related to HMBS obligations, at fair value. Other, net, another component of Other income (loss), includes rental income and income related to loan originations, as well as loan commitments, MSRs and Forward MSR-related investments, realized gains (losses) on foreign currency transactions, and unrealized gains (losses) on foreign currency remeasurement.

### *Investment Portfolio*

For the three-month period ended June 30, 2024, other income (loss) was \$27.6 million, consisting primarily of net realized and unrealized gains of \$14.5 million on our securities and loans, \$12.5 million on our financial derivatives, and \$2.6 million of Other, net. These gains were partially offset by net unrealized losses of \$(1.0) million on real estate owned, net and \$(1.0) million on our Other secured borrowings, at fair value. Net realized and unrealized gains of \$14.5 million on our securities and loans were primarily on non-QM loans, commercial mortgage loans, and non-Agency RMBS. These gains were partially offset by net realized and unrealized losses on non-Agency CMBS and Agency RMBS. Net realized and unrealized gains of \$12.5 million on our financial derivatives were primarily related to net realized and unrealized gains, driven by higher interest rates, on our interest rate swaps, and to a lesser extent, our TBAs and our short positions in U.S. Treasury futures. Other, net of \$2.6 million consisted primarily of various origination and loan income, rental income, and income and net realized and unrealized gains on our Forward MSR-related investment. We recognized net unrealized losses of \$(1.0) million on our Other secured borrowings, at fair value for the three-month period ended June 30, 2024, related to borrowings on our securitized non-QM loans. These securitized non-QM loans had net unrealized gains of \$6.0 million, which are included in Unrealized gains (losses) on securities and loans, net.

For the three-month period ended June 30, 2023, other income (loss) was \$13.4 million, consisting primarily of net realized and unrealized gains on our financial derivatives of \$32.5 million and net unrealized gains of \$12.2 million on our Other secured borrowings, at fair value, partially offset by net realized and unrealized losses on our securities and loans of \$(32.9) million. Net realized and unrealized gains of \$32.5 million on our financial derivatives were primarily related to net gains on interest rate swaps, short positions in TBAs, and futures, driven by higher interest rates. We recognized net unrealized gains of \$12.2 million on our Other secured borrowings, at fair value for the three-month period ended June 30, 2023, related to borrowings on our securitized non-QM loans. These securitized non-QM loans had net unrealized losses of \$(10.5) million, which are included in Unrealized gains (losses) on securities and loans, net. The gains on our financial derivatives and Other secured borrowings, at fair value, were partially offset by net realized and unrealized losses of \$(32.9) million on our securities and loans, which primarily related to our non-QM loans and Agency RMBS. Such losses were partially offset by net realized and unrealized gains on our commercial mortgage loans.

### *Longbridge*

For the three-month period ended June 30, 2024, other income (loss) from the Longbridge segment was \$29.9 million, consisting primarily of gains from Net change from HECM reverse mortgage loans, at fair value of \$146.7 million, other income of \$5.1 million, net realized and unrealized gains of \$3.5 million on financial derivatives and \$2.8 million on securities and loans. These gains were partially offset by Net change related to HMBS obligations, at fair value of \$(127.7) million and net unrealized losses of \$(0.5) million on Other Secured borrowings, at fair value. Gains from Net change from HECM reverse

mortgage loans at fair value of \$146.7 million primarily consisted of interest income on HECM loans of \$144.9 million, net realized and unrealized gains on HECM loans of \$8.5 million, and net realized and unrealized losses on the HMBS MSR Equivalent of \$(6.7) million. The net realized and unrealized gains on the HECM loans were primarily driven by tighter yield spreads on seasoned HECM loans quarter over quarter. The losses on HMBS MSR Equivalent were driven by higher interest rates and runoff during the quarter. Other income, included in Other, net of \$5.1 million, is primarily related to servicing fees of \$2.0 million, origination fees of \$2.2 million, and a net gain of \$1.7 million on loan commitments, which is partially offset by net realized and unrealized losses on MSR of \$(0.4) million. Losses from Net change related to HMBS obligations, at fair value of \$(127.7) million primarily consisted of interest expense on the HMBS obligations of \$(136.4) million and net unrealized gains on the HMBS obligations of \$8.8 million, which partially offset the interest income on HECM loans and net realized and unrealized gains on HECM loans.

For the three-month period ended June 30, 2023, other income (loss) from the Longbridge segment was \$30.6 million, consisting primarily of gains from Net change from HECM reverse mortgage loans, at fair value of \$32.1 million and realized and unrealized gains on financial derivatives and loans of \$14.0 million and \$4.1 million, respectively. Such gains were partially offset by Net change related to HMBS obligations, at fair value of \$(24.6) million.

#### *Corporate/Other*

For the three-month period ended June 30, 2024, other income (loss) was \$0.1 million, consisting primarily of a net gain on our Unsecured borrowings, at fair value, driven by the increase in interest rates. This gain was mostly offset by net losses on the fixed receiver interest rate swaps that we use to hedge the fixed payments on both our unsecured long-term debt and our preferred equity, also driven by the increase in interest rates. For the three-month period ended June 30, 2023, other income (loss) was \$(9.3) million, consisting of net realized and unrealized losses on interest rate swaps related to our outstanding unsecured borrowings and preferred stock.

### **Income Tax Expense (Benefit)**

#### *Corporate/Other*

Income tax expense (benefit) was \$0.1 million for each of the three-month periods ended June 30, 2024 and 2023, respectively.

### **Earnings (Losses) from Investments in Unconsolidated Entities**

#### *Investment Portfolio*

We have elected the fair value option for our equity investments in unconsolidated entities. Earnings (losses) from investments in unconsolidated entities was \$12.0 million for the three-month period ended June 30, 2024, as compared to \$(5.9) million for the three-month period ended June 30, 2023. For the three-month period ended June 30, 2024, Earnings (losses) from investments in unconsolidated entities of \$12.0 million primarily consisted of realized and unrealized gains on investments in loan originators and investments in entities holding commercial mortgage loans and REO, in which we co-invest with other Ellington affiliates, partially offset by unrealized losses on investments in unconsolidated entities related to risk retention related vehicles related to non-QM securitizations. Losses from investments in unconsolidated entities of \$(5.9) million for the three-month period ended June 30, 2023, primarily related to unrealized losses on investments in the risk retention vehicles holding tranches of non-consolidated Ellington-sponsored non-QM securitizations in which we have participated, and investments in entities holding commercial mortgage loans and REO, in which we co-invest with other Ellington affiliates. Such losses were partially offset by net realized and unrealized gains from investments in loan originators.

## Results of Operations for the Six-Month Periods Ended June 30, 2024 and 2023

The following tables summarizes our results of operations by segment (as applicable) for the six-month periods ended June 30, 2024 and 2023:

	Six-Month Period Ended June 30, 2024			
	Investment Portfolio	Longbridge	Corporate/ Other	Total
<i>(In thousands except per share amounts)</i>				
<b>Interest Income (Expense)</b>				
Interest income	\$ 180,193	\$ 18,006	\$ 3,791	\$ 201,990
Interest expense	(110,939)	(17,172)	(9,227)	(137,338)
Net interest income	69,254	834	(5,436)	64,652
<b>Other Income (Loss)</b>				
Realized and unrealized gains (losses) on securities and loans, net	12,289	(6,621)	—	5,668
Realized and unrealized gains (losses) on financial derivatives, net	36,748	18,607	(7,297)	48,058
Realized and unrealized gains (losses) on real estate owned, net	(3,046)	—	—	(3,046)
Unrealized gains (losses) on other secured borrowings, at fair value, net	(13,714)	(326)	—	(14,040)
Unrealized gains (losses) on unsecured borrowings, at fair value	—	—	3,696	3,696
Net change from HECM reverse mortgage loans, at fair value	—	352,202	—	352,202
Net change related to HMBS obligations, at fair value	—	(305,654)	—	(305,654)
Other, net	5,333	9,828	—	15,161
Total other income (loss)	37,610	68,036	(3,601)	102,045
<b>Expenses</b>				
Base management fee to affiliate, net of fee rebates <sup>(1)</sup>	—	—	11,541	11,541
Other investment related expenses	6,279	18,044	—	24,323
Other operating expenses	2,176	37,863	10,737	50,776
Total expenses	8,455	55,907	22,278	86,640
<b>Net Income (Loss) before Income Tax Expense (Benefit) and Earnings (Losses) from Investments in Unconsolidated Entities</b>	98,409	12,963	(31,315)	80,057
Income tax expense (benefit)	—	—	202	202
Earnings (losses) from investments in unconsolidated entities	14,268	—	—	14,268
<b>Net Income (Loss)</b>	112,677	12,963	(31,517)	94,123
Net income (loss) attributable to non-controlling interests	567	38	777	1,382
Dividends on preferred stock	—	—	13,479	13,479
<b>Net Income (Loss) Attributable to Common Stockholders</b>	\$ 112,110	\$ 12,925	\$ (45,773)	\$ 79,262
<b>Net Income (Loss) Per Common Share</b>	\$ 1.32	\$ 0.15	\$ (0.53)	\$ 0.94

(1) See Note 16 of the notes to the condensed consolidated financial statements for further details on management fee rebates.



**Six-Month Period Ended June 30, 2023**
*(In thousands except per share amounts)*

	<b>Investment Portfolio</b>	<b>Longbridge</b>	<b>Corporate/Other</b>	<b>Total</b>
<b>Interest Income (Expense)</b>				
Interest income	\$ 165,487	\$ 6,672	\$ 3,107	\$ 175,266
Interest expense	(106,343)	(10,463)	(6,244)	(123,050)
Net interest income	59,144	(3,791)	(3,137)	52,216
<b>Other Income (Loss)</b>				
Realized and unrealized gains (losses) on securities and loans, net	24,051	9,668	—	33,719
Realized and unrealized gains (losses) on financial derivatives, net	14,558	9,359	(8,481)	15,436
Realized and unrealized gains (losses) on real estate owned, net	(123)	—	—	(123)
Unrealized gains (losses) on other secured borrowings, at fair value, net	(17,528)	—	—	(17,528)
Unrealized gains (losses) on Unsecured borrowings, at fair value	—	—	6,510	6,510
Net change from HECM reverse mortgage loans, at fair value	—	195,241	—	195,241
Net change related to HMBS obligations, at fair value	—	(156,110)	—	(156,110)
Other, net	3,323	5,870	—	9,193
Total other income (loss)	24,281	64,028	(1,971)	86,338
<b>Expenses</b>				
Base management fee to affiliate, net of fee rebates <sup>(1)</sup>	—	—	9,869	9,869
Other investment related expenses	4,449	13,617	—	18,066
Other operating expenses	2,920	37,646	12,033	52,599
Total expenses	7,369	51,263	21,902	80,534
<b>Net Income (Loss) before Income Tax Expense (Benefit) and Earnings (Losses) from Investments in Unconsolidated Entities</b>				
	76,056	8,974	(27,010)	58,020
Income tax expense (benefit)	—	—	104	104
Earnings (losses) from investments in unconsolidated entities	(2,424)	—	—	(2,424)
<b>Net Income (Loss)</b>	<b>73,632</b>	<b>8,974</b>	<b>(27,114)</b>	<b>55,492</b>
Net income (loss) attributable to non-controlling interests	2,085	(23)	519	2,581
Dividends on preferred stock	—	—	11,097	11,097
<b>Net Income (Loss) Attributable to Common Stockholders</b>	<b>\$ 71,547</b>	<b>\$ 8,997</b>	<b>\$ (38,730)</b>	<b>\$ 41,814</b>
<b>Net Income (Loss) Per Common Share</b>	<b>\$ 1.06</b>	<b>\$ 0.13</b>	<b>\$ (0.57)</b>	<b>\$ 0.62</b>

(1) See Note 16 of the notes to the condensed consolidated financial statements for further details on management fee rebates.

**Net Income (Loss) Attributable to Common Stockholders**

For the six-month period ended June 30, 2024 we had net income (loss) attributable to common stockholders of \$79.3 million, compared to \$41.8 million for the six-month period ended June 30, 2023. The increase in our results of operations was primarily due to increases in total other income and net interest income, along with earnings from investments in unconsolidated entities in the current period, as compared to losses from investments in unconsolidated entities in the prior period.

**Interest Income**

Interest income was \$202.0 million for the six-month period ended June 30, 2024, as compared to \$175.3 million for the six-month period ended June 30, 2023. Interest income includes coupon payments received and accrued on our holdings, the net accretion and amortization of purchase discounts and premiums on various holdings, and interest on our cash balances, including those balances held by our counterparties as collateral.

*Investment Portfolio*

Interest income from our investment portfolio segment for the six-month period ended June 30, 2024 increased to \$180.2 million, as compared to \$165.5 million for the six-month period ended June 30, 2023.

The following table details our interest income, average holdings of yield-bearing assets, and weighted average yield based on amortized cost for the six-month period ended June 30, 2024 and 2023:

<i>(In thousands)</i>	<b>Credit<sup>(1)</sup></b>			<b>Agency<sup>(1)</sup></b>			<b>Total<sup>(1)</sup></b>		
	<b>Interest Income</b>	<b>Average Holdings</b>	<b>Yield</b>	<b>Interest Income</b>	<b>Average Holdings</b>	<b>Yield</b>	<b>Interest Income</b>	<b>Average Holdings</b>	<b>Yield</b>
Six-month period ended June 30, 2024	\$ 158,942	\$ 4,239,302	7.50 %	\$ 13,927	\$ 689,575	4.04 %	\$ 172,869	\$ 4,928,877	7.01 %
Six-month period ended June 30, 2023	\$ 143,524	\$ 4,205,818	6.83 %	\$ 14,936	\$ 963,310	3.10 %	\$ 158,460	\$ 5,169,128	6.13 %

(1) Amounts exclude interest income on cash and cash equivalents (including when posted as margin) and long positions in U.S. Treasury securities.

For the six-month period ended June 30, 2024, interest income from our credit portfolio was \$158.9 million, as compared to \$143.5 million for the six-month period ended June 30, 2023. This period-over-period increase was due to higher average asset yields and the slightly larger size of the credit portfolio for the six-month period ended June 30, 2024.

For the six-month periods ended June 30, 2024 and 2023, interest income from our Agency RMBS was \$13.9 million and \$14.9 million, respectively. This period-over-period decrease was due to the smaller size of the Agency portfolio partially offset by higher average asset yields for the six-month period ended June 30, 2024.

Some of the variability in our interest income and portfolio yields is due to the Catch-up Amortization Adjustment. For the six-month periods ended June 30, 2024 and 2023, we had a negative Catch-up Amortization Adjustment of \$(0.6) million and \$(1.0) million, respectively, which decreased our interest income. Excluding the Catch-up Amortization Adjustment, the weighted average yield of our Agency portfolio and our total portfolio was 4.21% and 7.04%, respectively, for the six-month period ended June 30, 2024. Excluding the Catch-up Amortization Adjustment, the weighted average yield of our Agency portfolio and our total portfolio was 3.30% and 6.17%, respectively, for the six-month period ended June 30, 2023.

In addition, we had \$5.6 million and \$6.0 million of interest income related to long U.S. Treasury securities and repo on short U.S. Treasury securities for the six-month periods ended June 30, 2024 and 2023, respectively, which we generally use to adjust our exposure to changes in interest rates.

#### *Longbridge*

For the six-month periods ended June 30, 2024 and 2023, interest income from the Longbridge segment was \$18.0 million and \$6.7 million, respectively. The increase was primarily related to a larger average portfolio of proprietary reverse mortgage loans period over period.

#### *Corporate/Other*

For the six-month periods ended June 30, 2024 and 2023, interest income not allocated to either the investment portfolio segment or Longbridge segment was \$3.8 million and \$3.1 million, respectively.

### **Interest Expense**

Interest expense primarily includes interest on funds borrowed under repos and Total other secured borrowings, interest on our unsecured borrowings, coupon interest on securities sold short, the related net accretion and amortization of purchase discounts and premiums on those short holdings, and interest on our counterparties' cash collateral held by us. For the six-month periods ended June 30, 2024 and 2023, we had total interest expense of \$137.3 million and \$123.1 million, respectively.

#### *Investment Portfolio*

Total interest expense in our investment portfolio segment increased to \$110.9 million for the six-month period ended June 30, 2024, as compared to \$106.3 million for the six-month period ended June 30, 2023. The increase in interest expense was primarily the result of an increase in financing rates as well as a larger portfolio of U.S. Treasury securities primarily used to hedge interest rate risk. Such increases were partially offset by a decline in average secured borrowings on our credit and Agency RMBS assets.

The table below summarizes the components of interest expense in our Investment Portfolio for the six-month periods ended June 30, 2024 and 2023.

	Six-Month Period Ended	
	June 30, 2024	June 30, 2023
<i>(In thousands)</i>		
Repos and Total Other Secured Borrowings	\$ 108,862	\$ 104,321
Securities Sold Short <sup>(1)</sup>	2,034	1,958
Other	43	64
Total	\$ 110,939	\$ 106,343

(1) Amount includes the related net accretion and amortization of purchase discounts and premiums.

The following table summarizes our aggregate secured borrowings, including repos and Total other secured borrowings, for the six-month periods ended June 30, 2024 and 2023.

Collateral for Secured Borrowing	Six-Month Period Ended					
	June 30, 2024			June 30, 2023		
	Average Borrowings	Interest Expense	Average Cost of Funds	Average Borrowings	Interest Expense	Average Cost of Funds
<i>(In thousands)</i>						
Credit	\$ 3,166,018	\$ 86,790	5.51 %	\$ 3,323,390	\$ 82,420	5.00 %
Agency RMBS	576,022	15,971	5.58 %	774,462	18,497	4.82 %
Subtotal <sup>(1)</sup>	3,742,040	102,761	5.52 %	4,097,852	100,917	4.97 %
U.S. Treasury Securities	222,247	6,101	5.52 %	140,017	3,404	4.90 %
Total	\$ 3,964,287	\$ 108,862	5.52 %	\$ 4,237,869	\$ 104,321	4.96 %

(1) Excludes U.S. Treasury securities.

Among other instruments, we use interest rate swaps to hedge against the risk of rising interest rates. If we were to include as a component of our cost of funds the actual and accrued periodic payments on our interest rate swaps used to hedge our assets, our total average cost of funds would decrease to 4.35% and 3.74% for the six-month periods ended June 30, 2024 and 2023, respectively. Excluding the Catch-up Amortization Adjustment, our net interest margin, defined as the average yield on our portfolio of yield-bearing targeted assets less the average cost of funds on our secured borrowings (including actual and accrued periodic payments on interest rate swaps as described above), was 2.68% and 2.43% for the six-month periods ended June 30, 2024 and 2023, respectively. These metrics do not include costs associated with any unsecured debt or costs associated with other instruments that we use to hedge interest rate risk, such as TBAs and futures.

#### Longbridge

Interest expense in the Longbridge segment primarily relates to Other secured borrowings and repurchase agreements. For the six-month periods ended June 30, 2024 and 2023, interest expense related to the Longbridge segment was \$17.2 million and \$10.5 million, respectively. The increase in interest expense in the current period was primarily due to an increase in the average size of borrowings on the Longbridge portfolio and an increase in financing costs. For the six-month period ended June 30, 2024, our average borrowings related to the Longbridge portfolio were \$421.5 million, and our average cost of funds was 8.17%. This compares to average borrowings of \$271.5 million and an average cost of funds of 7.77% for the six-month period ended June 30, 2023.

#### Corporate/Other

Certain items of interest expense are not allocated to either the investment portfolio segment or Longbridge segment, such as interest expense on our Unsecured borrowings and certain cash collateral held by us. Total interest expense not allocated to either the investment portfolio or Longbridge segments was \$9.2 million and \$6.2 million for the six-month periods ended June 30, 2024 and 2023, respectively.

The table below summarizes the components of interest expense not included in either segment for the six-month periods ended June 30, 2024 and 2023.

<i>(In thousands)</i>	<b>Six-Month Period Ended</b>	
	<b>June 30, 2024</b>	<b>June 30, 2023</b>
Unsecured borrowings	\$ 9,098	\$ 6,169
Other <sup>(1)</sup>	129	75
Total	\$ 9,227	\$ 6,244

(1) Amount includes the related net accretion and amortization of purchase discounts and premiums.

### **Base Management Fees**

#### *Corporate/Other*

For the six-month period ended June 30, 2024, the gross base management fee, which is based on total equity at the end of each quarter, was \$11.7 million, and our Manager credited us with rebates on our base management fee of \$0.2 million, resulting in a net base management fee of \$11.5 million. For the six-month period ended June 30, 2023, the gross base management fee, which is based on total equity at the end of each quarter, was \$10.2 million, and our Manager credited us with rebates on our base management fee of \$0.3 million, resulting in a net base management fee of \$9.9 million. For each period, the base management fee rebates related to those of our CLO investments for which Ellington or one of its affiliates earned CLO management fees. The increase in the net base management fee period over period was primarily due to a larger capital base at the end of the first and second quarters of 2024, as compared to 2023.

### **Incentive Fees**

#### *Corporate/Other*

In addition to the base management fee, our Manager is also entitled to a quarterly incentive fee if our performance (as measured by adjusted net income, as defined in the management agreement) over the relevant rolling four quarter calculation period (including any opening loss carryforward) exceeds a defined return hurdle for the period. No incentive fee was incurred for either of the six-month periods ended June 30, 2024 and 2023, since for each quarter during these periods, our income did not exceed the prescribed hurdle amount on a rolling four quarter basis. Because our operating results can vary materially from one period to another, incentive fee expense can be highly variable.

### **Other Investment Related Expenses**

Other investment related expenses consist of servicing fees on our mortgage and consumer loans, as well as various other expenses and fees directly related to our financial assets and certain financial liabilities carried at fair value. For the six-month periods ended June 30, 2024 and 2023, other investment related expenses were \$24.3 million and \$18.1 million, respectively.

#### *Investment Portfolio*

For the six-month periods ended June 30, 2024 and 2023, Other investment related expenses in our investment portfolio segment were \$6.3 million and \$4.4 million, respectively. The increase in other investment related expenses was primarily due to an increase in servicing expense on our residential mortgage loan portfolio, and various loan origination expenses related to our residential mortgage loan portfolio.

#### *Longbridge*

Other investment related expenses related to the Longbridge segment primarily consist of servicing expense related to reverse mortgage loans and various loan origination expenses. For the six-month periods ended June 30, 2024 and 2023, Other investment related expenses were \$18.0 million and \$13.6 million, respectively. The increase in Other investment related expenses related to the Longbridge segment was primarily due to debt issuance costs related to the securitization of proprietary reverse mortgage loans in March 2024, as well as an increase in servicing expense.

### **Other Operating Expenses**

Other operating expenses consist of professional fees, compensation and benefit expenses related to our dedicated or partially dedicated personnel, and various other operating expenses necessary to run our business. Other operating expenses exclude management and incentive fees, interest expense, and other investment related expenses. Other operating expenses were \$50.8 million for the six-month period ended June 30, 2024 as compared to \$52.6 million for the six-month period ended June 30, 2023.

### *Investment Portfolio*

Other operating expenses for our investment portfolio segment were \$2.2 million and \$2.9 million for the six-month periods ended June 30, 2024 and 2023, respectively. The decrease in other operating expenses for the six-month period ended June 30, 2024 was primarily due to a decrease in compensation and benefits expense.

### *Longbridge*

For the six-month periods ended June 30, 2024 and 2023, other operating expenses related to the Longbridge segment were \$37.9 million and \$37.6 million, respectively. These expenses primarily consist of compensation and benefits expense, and consist to a lesser extent of various overhead costs including rent expense, licensing fees, expenses related to office equipment, and amortization of intangible assets. The period-over-period increase was primarily due to an increase in technology expenses and compensation and benefits expense, which were partially offset by a decline in professional fees.

### *Corporate/Other*

For the six-month periods ended June 30, 2024 and 2023, other operating expenses not allocated to either the investment portfolio segment or the Longbridge segment were \$10.7 million and \$12.0 million, respectively. The period-over-period decline in other operating expenses was primarily due to lower professional fees, which were partially offset by higher compensation and benefits expense.

### **Other Income (Loss)**

Other income (loss) consists of net realized and unrealized gains (losses) on securities and residential mortgage, commercial mortgage, consumer, and corporate loans, financial derivatives, and real estate owned, unrealized gains (losses) on other secured borrowings, at fair value and Unsecured borrowings, at fair value, net change from HECM reverse mortgage loans, at fair value, and net change related to HMBS obligations, at fair value. Other, net, another component of Other income (loss), includes rental income and income related to loan originations, as well as loan commitments, MSRs and Forward MSR-related investments, realized gains (losses) on foreign currency transactions, and unrealized gains (losses) on foreign currency remeasurement.

### *Investment Portfolio*

For the six-month period ended June 30, 2024, other income (loss) was \$37.6 million, consisting primarily of net realized and unrealized gains of \$36.7 million on our financial derivatives, \$12.3 million on our securities and loans, and \$5.3 million of Other, net. These gains were partially offset by net unrealized losses of \$(13.7) million on our Other secured borrowings, at fair value, and net realized and unrealized losses of and \$(3.0) million on real estate owned, net. Net realized and unrealized gains of \$36.7 million on our financial derivatives were primarily related to net realized and unrealized gains, driven by higher interest rates, on our interest rate swaps, and to a lesser extent, our TBAs and U.S. Treasury futures. Net realized and unrealized gains of \$12.3 million on our securities and loans were primarily on non-QM loans, commercial mortgage loans, and non-Agency RMBS. These gains were partially offset by net realized and unrealized losses on Agency RMBS and residential transition loans. Other, net of \$5.3 million consisted primarily of various origination and loan income, rental income, and income and net realized and unrealized gains on our Forward MSR-related investment. We recognized net unrealized losses of \$(13.7) million on our Other secured borrowings, at fair value for the three-month period ended June 30, 2024, related to borrowings on our securitized non-QM loans. These securitized non-QM loans had net unrealized gains of \$16.9 million, which are included in Unrealized gains (losses) on securities and loans, net.

For the six-month period ended June 30, 2023, other income (loss) was \$24.3 million, consisting primarily of \$24.1 million of net realized and unrealized gains on our securities and loans, and net realized and unrealized gains of \$14.6 million on our financial derivatives, partially offset by \$(17.5) million of net unrealized losses on our Other secured borrowings, at fair value. Net realized and unrealized gains of \$24.1 million on our securities and loans were primarily on non-QM loans, commercial mortgage loans, and Agency RMBS. These gains were partially offset by net realized and unrealized losses on non-Agency RMBS and CMBS, ABS backed by consumer loans, CLOs, and short positions in U.S. Treasury securities and sovereign bonds. Net realized and unrealized gains of \$14.6 million on our financial derivatives were primarily related to net realized and unrealized gains on interest rate swaps, TBAs, and futures, which were driven by higher interest rates. Such gains were partially offset by net realized and unrealized losses on credit hedges. We recognized net unrealized losses of \$(17.8) million on our Other secured borrowings, at fair value for the six-month period ended June 30, 2023, related to borrowings on our securitized non-QM loans. These securitized non-QM loans had net unrealized gains of \$29.6 million, which are included in Unrealized gains (losses) on securities and loans, net.

### *Longbridge*

For the six-month period ended June 30, 2024, other income (loss) from the Longbridge segment was \$68.0 million, consisting primarily of gains from Net change from HECM reverse mortgage loans, at fair value of \$352.2 million, net gains of

\$18.6 million on financial derivatives, and other income of \$9.8 million. These gains were partially offset by Net change related to HMBS obligations, at fair value of \$(305.7) million and net unrealized losses of \$(6.6) million on securities and loans. Gains from Net change from HECM reverse mortgage loans at fair value of \$352.2 million primarily consisted of interest income on HECM loans of \$283.5 million and net realized and unrealized gains on HECM loans \$74.6 million, which is partially offset by net realized and unrealized losses on the HMBS MSR Equivalent of \$(6.0) million. The net realized and unrealized gains on the HECM loans were primarily driven by tighter yield spreads of seasoned HECM loans. Losses on HMBS MSR Equivalent were primarily driven by portfolio runoff and higher interest rates. Other income, included in Other, net of \$9.8 million, is primarily related to servicing fees of \$4.1 million, origination fees of \$4.2 million, and a net gain on loan commitments \$3.0 million. Losses from Net change related to HMBS obligations, at fair value of \$(305.7) million primarily consisted of interest expense on the HMBS obligations of \$(266.9) million and net unrealized losses on the HMBS obligations of \$(38.7) million, which partially offset the interest income and net realized and unrealized gains on HECM loans.

For the six-month period ended June 30, 2023, other income (loss) from the Longbridge segment was \$64.0 million, consisting primarily of gains from Net change from HECM reverse mortgage loans, at fair value of \$195.2 million and net realized and unrealized gains of \$9.7 million on loans and \$9.4 million on financial derivatives. These gains were partially offset by Net change related to HMBS obligations, at fair value of \$(156.1) million.

#### *Corporate/Other*

For the six-month period ended June 30, 2024, other income (loss) was \$(3.6) million, consisting primarily of a net loss on the fixed receiver interest rate swaps that we use to hedge the fixed payments on both our unsecured long-term debt and our preferred equity, driven by the increase in interest rates. This loss was partially offset by a net gain on our Unsecured borrowings, at fair value, also driven by the increase in interest rates. For the six-month period ended June 30, 2023, other income (loss) was \$(2.0) million, consisting of net realized and unrealized losses of \$(8.5) million on interest rate swaps related to our outstanding unsecured borrowings and preferred stock, partially offset by unrealized gains on our Unsecured borrowings, at fair value of \$6.5 million.

#### **Income Tax Expense (Benefit)**

##### *Corporate/Other*

Income tax expense (benefit) was \$0.2 million for the six-month period ended June 30, 2024, as compared to \$0.1 million for the six-month period ended June 30, 2023.

#### **Earnings (Losses) from Investments in Unconsolidated Entities**

##### *Investment Portfolio*

We have elected the fair value option for our equity investments in unconsolidated entities. Earnings (losses) from investments in unconsolidated entities was \$14.3 million for the six-month period ended June 30, 2024, as compared to \$(2.4) million for the six-month period ended June 30, 2023. For the six-month period ended June 30, 2024, Earnings (losses) from investments in unconsolidated entities of \$14.3 million primarily consisted of realized and unrealized gains on investments in loan originators and on investments in entities holding commercial mortgage loans and REO, in which we co-invest with other Ellington affiliates, partially offset by unrealized losses on investments in unconsolidated entities related to risk retention related vehicles related to non-QM securitizations.

Earnings (losses) from investments in unconsolidated entities of \$(2.4) million for the six-month period ended June 30, 2023 primarily includes unrealized losses on investments in loan originators, partially offset by unrealized gains on investments in risk retention vehicles holding tranches of non-consolidated Ellington-sponsored non-QM securitizations in which we have participated.

#### **Adjusted Distributable Earnings**

We calculate Adjusted Distributable Earnings as U.S. GAAP net income (loss) as adjusted for: (i) realized and unrealized gain (loss) on securities and loans, REO, mortgage servicing rights, financial derivatives (excluding periodic settlements on interest rate swaps), any borrowings carried at fair value, and foreign currency transactions; (ii) incentive fee to affiliate; (iii) Catch-up Amortization Adjustment (as defined below); (iv) non-cash equity compensation expense; (v) provision for income taxes; (vi) certain non-capitalized transaction costs; and (vii) other income or loss items that are of a non-recurring nature. For certain investments in unconsolidated entities, we include the relevant components of net operating income in Adjusted Distributable Earnings. The Catch-up Amortization Adjustment is a quarterly adjustment to premium amortization or discount accretion triggered by changes in actual and projected prepayments on our Agency RMBS (accompanied by a corresponding offsetting adjustment to realized and unrealized gains and losses). The adjustment is calculated as of the beginning of each quarter based on our then-current assumptions about cashflows and prepayments, and can vary significantly from quarter to quarter. Non-capitalized transaction costs include expenses, generally professional fees, incurred in connection with the

acquisition of an investment or issuance of long-term debt. For the contribution to Adjusted Distributable Earnings from Longbridge, we adjust Longbridge's contribution to our net income in a similar manner, but we include in Adjusted Distributable Earnings certain realized and unrealized gains (losses) from Longbridge's origination business ("gain-on-sale income").

Adjusted Distributable Earnings is a supplemental non-GAAP financial measure. We believe that the presentation of Adjusted Distributable Earnings provides information useful to investors, because: (i) we believe that it is a useful indicator of both current and projected long-term financial performance, in that it excludes the impact of certain current-period earnings components that we believe are less useful in forecasting long-term performance and dividend-paying ability; (ii) we use it to evaluate the effective net yield provided by our investment portfolio, after the effects of financial leverage and by Longbridge, to reflect the earnings from its reverse mortgage origination and servicing operations; and (iii) we believe that presenting Adjusted Distributable Earnings assists investors in measuring and evaluating our operating performance, and comparing our operating performance to that of our residential mortgage REIT and mortgage originator peers. Please note, however, that: (I) our calculation of Adjusted Distributable Earnings may differ from the calculation of similarly titled non-GAAP financial measures by our peers, with the result that these non-GAAP financial measures might not be directly comparable; and (II) Adjusted Distributable Earnings excludes certain items that may impact the amount of cash that is actually available for distribution.

In addition, because Adjusted Distributable Earnings is an incomplete measure of our financial results and differs from net income (loss) computed in accordance with U.S. GAAP, it should be considered supplementary to, and not as a substitute for, net income (loss) computed in accordance with U.S. GAAP.

Furthermore, Adjusted Distributable Earnings is different from REIT taxable income. As a result, the determination of whether we have met the requirement to distribute at least 90% of our annual REIT taxable income (subject to certain adjustments) to our stockholders, in order to maintain our qualification as a REIT, is not based on whether we distributed 90% of our Adjusted Distributable Earnings.

In setting our dividends, our Board of Directors considers our earnings, liquidity, financial condition, REIT distribution requirements, and financial covenants, along with other factors that the Board of Directors may deem relevant from time to time.

The following tables reconcile, for the three- and six-month periods ended June 30, 2024 and 2023 our Adjusted Distributable Earnings by strategy to the line on our Condensed Consolidated Statement of Operations entitled Net Income (Loss), which we believe is the most directly comparable U.S. GAAP measure:

<i>(In thousands, except per share amounts)</i>	Three-Month Period Ended June 30, 2024				Three-Month Period Ended June 30, 2023			
	Investment Portfolio	Longbridge	Corporate/Other	Total	Investment Portfolio	Longbridge	Corporate/Other	Total
<b>Net Income (Loss)</b>	\$ 69,476	\$ 4,209	\$ (13,613)	\$ 60,072	\$ 32,530	\$ 2,476	\$ (24,267)	\$ 10,739
Income tax expense (benefit)	—	—	142	142	—	—	83	83
Net income (loss) before income tax expense (benefit)	69,476	4,209	(13,471)	60,214	32,530	2,476	(24,184)	10,822
Adjustments:								
Realized (gains) losses, net <sup>(1)</sup>	34,875	—	1,059	35,934	(547)	—	(1,743)	(2,290)
Unrealized (gains) losses, net <sup>(2)</sup>	(50,663)	1,441	(2,679)	(51,901)	2,695	—	8,261	10,956
Unrealized (gains) losses on MSRs, net of hedge (gains) losses <sup>(3)</sup>	—	(394)	—	(394)	—	(1,888)	—	(1,888)
Negative (positive) component of interest income represented by Catch-up Amortization Adjustment	(720)	—	—	(720)	483	—	—	483
Non-capitalized transaction costs and other expense adjustments <sup>(4)</sup>	1,081	181	321	1,583	1,053	566	3,723	5,342
(Earnings) losses from investments in unconsolidated entities	(12,042)	—	—	(12,042)	5,868	—	—	5,868
Adjusted distributable earnings from investments in unconsolidated entities <sup>(5)</sup>	3,272	—	—	3,272	2,848	—	—	2,848
Total Adjusted Distributable Earnings	\$ 45,279	\$ 5,437	\$ (14,770)	\$ 35,946	\$ 44,930	\$ 1,154	\$ (13,943)	\$ 32,141
Dividends on preferred stock	—	—	6,825	6,825	—	—	5,980	5,980
Adjusted Distributable Earnings attributable to non-controlling interests	486	23	278	787	138	5	301	472
<b>Adjusted Distributable Earnings Attributable to Common Stockholders</b>	<b>\$ 44,793</b>	<b>\$ 5,414</b>	<b>\$ (21,873)</b>	<b>\$ 28,334</b>	<b>\$ 44,792</b>	<b>\$ 1,149</b>	<b>\$ (20,224)</b>	<b>\$ 25,717</b>
<b>Adjusted Distributable Earnings Attributable to Common Stockholders, per share</b>	<b>\$ 0.53</b>	<b>\$ 0.06</b>	<b>\$ (0.26)</b>	<b>\$ 0.33</b>	<b>\$ 0.67</b>	<b>\$ 0.02</b>	<b>\$ (0.30)</b>	<b>\$ 0.18</b>

- (1) Includes realized (gains) losses on securities and loans, REO, financial derivatives (excluding periodic settlements on interest rate swaps and foreign currency transactions which are components of Other Income (Loss) on the Condensed Consolidated Statement of Operations.
- (2) Includes unrealized (gains) losses on securities and loans, REO, financial derivatives (excluding periodic settlements on interest rate swaps), borrowings carried at fair value, and foreign currency translations which are components of Other Income (Loss) on the Condensed Consolidated Statement of Operations.
- (3) Represents net change in fair value of HMBS MSR Equivalent and mortgage servicing rights related to proprietary mortgage loans attributable to changes in market conditions and model assumptions. This adjustment also includes net (gains) losses on certain hedging instruments, which are components of realized and/or unrealized gains (losses) on financial derivatives, net on the Condensed Consolidated Statement of Operations.
- (4) For the three-month period ended June 30, 2024, includes \$1.1 million of non-capitalized transaction costs, \$0.3 million of non-cash equity compensation expense, and \$0.2 million of various other expenses. For the three-month period ended June 30, 2023, includes \$3.6 million of expenses related to the pending mergers of Arlington Asset Investment Corp. and Great Ajax Corp., \$0.9 million of non-capitalized transaction costs, \$0.4 million of non-cash equity compensation expense, and \$0.4 million of various other expenses.
- (5) Includes net interest income and operating expenses for certain investments in unconsolidated entities.



(In thousands, except per share amounts)	Six-Month Period Ended June 30, 2024				Six-Month Period Ended June 30, 2023			
	Investment Portfolio	Longbridge	Corporate/Other	Total	Investment Portfolio	Longbridge	Corporate/Other	Total
<b>Net Income (Loss)</b>	\$ 112,677	\$ 12,963	\$ (31,517)	\$ 94,123	\$ 73,632	\$ 8,974	\$ (27,114)	\$ 55,4
Income tax expense (benefit)	—	—	202	202	—	—	104	1
Net income (loss) before income tax expense (benefit)	112,677	12,963	(31,315)	94,325	73,632	8,974	(27,010)	55,5
Adjustments:								
Realized (gains) losses, net <sup>(1)</sup>	64,127	—	2,679	66,806	65,195	—	(1,743)	63,4
Unrealized (gains) losses, net <sup>(2)</sup>	(76,607)	1,890	(2,784)	(77,501)	(61,327)	—	(1,417)	(62,7
Unrealized (gains) losses on MSRs, net of hedge (gains) losses <sup>(3)</sup>	—	(14,337)	—	(14,337)	—	(6,113)	—	(6,1
Negative (positive) component of interest income represented by Catch-up Amortization Adjustment	577	—	—	577	965	—	—	9
Non-capitalized transaction costs and other expense adjustments <sup>(4)</sup>	2,004	4,248	822	7,074	1,510	2,625	3,818	7,9
(Earnings) losses from investments in unconsolidated entities	(14,268)	—	—	(14,268)	2,424	—	—	2,4
Adjusted distributable earnings from investments in unconsolidated entities <sup>(5)</sup>	4,088	—	—	4,088	6,600	—	—	6,6
Total Adjusted Distributable Earnings	\$ 92,598	\$ 4,764	\$ (30,598)	\$ 66,764	\$ 88,999	\$ 5,486	\$ (26,352)	\$ 68,1
Dividends on preferred stock	—	—	13,479	13,479	—	—	11,097	11,0
Adjusted Distributable Earnings attributable to non-controlling interests	702	20	503	1,225	367	24	619	1,0
<b>Adjusted Distributable Earnings Attributable to Common Stockholders</b>	<b>\$ 91,896</b>	<b>\$ 4,744</b>	<b>\$ (44,580)</b>	<b>\$ 52,060</b>	<b>\$ 88,632</b>	<b>\$ 5,462</b>	<b>\$ (38,068)</b>	<b>\$ 56,0</b>
<b>Adjusted Distributable Earnings Attributable to Common Stockholders, per share</b>	<b>\$ 1.08</b>	<b>\$ 0.06</b>	<b>\$ (0.53)</b>	<b>\$ 0.61</b>	<b>\$ 1.32</b>	<b>\$ 0.08</b>	<b>\$ (0.56)</b>	<b>\$ 0.</b>

- (1) Includes realized (gains) losses on securities and loans, REO, financial derivatives (excluding periodic settlements on interest rate swaps and foreign currency transactions which are components of Other Income (Loss) on the Condensed Consolidated Statement of Operations.
- (2) Includes unrealized (gains) losses on securities and loans, REO, financial derivatives (excluding periodic settlements on interest rate swaps), borrowings carried at fair value, and foreign currency transactions which are components of Other Income (Loss) on the Condensed Consolidated Statement of Operations.
- (3) Represents net change in fair value of HMBS MSR Equivalent and mortgage servicing rights related to proprietary mortgage loans attributable to changes in market conditions and model assumptions. This adjustment also includes net (gains) losses on certain hedging instruments, which are components of realized and/or unrealized gains (losses) on financial derivatives, net on the Condensed Consolidated Statement of Operations.
- (4) For the six-month period ended June 30, 2024, includes \$3.1 million of debt issuance costs related to the securitization of reverse mortgage loans, \$2.0 million of non-capitalized transaction costs, \$0.6 million of merger and other business transition-related expenses, \$0.6 million of non-cash equity compensation expense, and \$0.8 million of various other expenses. For the six-month period ended June 30, 2023, includes \$3.6 million of expenses related to the pending mergers of Arlington Asset Investment Corp. and Great Ajax Corp., \$1.6 million of non-capitalized transaction costs, \$1.1 million of professional fees related to the acquisition and integration of Longbridge, \$0.7 million of non-cash equity compensation expense, and \$0.8 million of various other expenses.
- (5) Includes net interest income and operating expenses for certain investments in unconsolidated entities.

## Liquidity and Capital Resources

Liquidity refers to our ability to generate and obtain adequate amounts of cash to meet our requirements, including repaying our borrowings, funding and maintaining positions in our targeted assets, making distributions in the form of dividends, and other general business needs. Our short-term (the 12 months following period end) and long-term (beyond 12 months from period end) liquidity requirements include acquisition costs for assets we acquire, payment of our base management fee and incentive fee, compliance with margin requirements under our repos, reverse repos, and financial derivative contracts, repayment of repo borrowings and other secured borrowings to the extent we are unable or unwilling to extend such borrowings, payment of our general operating expenses, payment of interest payments on our unsecured borrowings, and payment of our dividends. Our capital resources primarily include cash on hand, cash flow from our investments (including principal and interest payments received on our investments and proceeds from the sale of investments), borrowings under repos and other secured borrowings, and proceeds from equity and debt offerings. We expect that these sources of funds will be sufficient to meet our short-term and long-term liquidity needs.

We held cash and cash equivalents of approximately \$198.5 million and \$228.9 million as of June 30, 2024 and December 31, 2023, respectively.

The following summarizes our borrowings under repos by remaining maturity:

<i>(In thousands)</i>	<b>June 30, 2024</b>		<b>December 31, 2023</b>	
	<b>Outstanding Borrowings</b>	<b>% of Total</b>	<b>Outstanding Borrowings</b>	<b>% of Total</b>
<b>Remaining Days to Maturity</b>				
30 Days or Less	\$ 570,828	24.8 %	\$ 1,356,343	45.7 %
31 - 60 Days	232,715	10.1 %	152,220	5.1 %
61 - 90 Days	108,444	4.7 %	83,906	2.8 %
91 - 120 Days	1,168,255	50.8 %	290,215	9.8 %
121 - 150 Days	970	— %	—	— %
151 - 180 Days	17,166	0.8 %	7,911	0.3 %
181 - 364 Days	99,631	4.3 %	1,018,211	34.3 %
> 364 Days	103,967	4.5 %	58,631	2.0 %
	<u>\$ 2,301,976</u>	<u>100.0 %</u>	<u>\$ 2,967,437</u>	<u>100.0 %</u>

Repos involving underlying investments that were sold prior to period end for settlement following period end, are shown using their contractual maturity dates even though such repos may be expected to be terminated early upon settlement of the sale of the underlying investment.

The amounts borrowed under our repo agreements are generally subject to the application of "haircuts." A haircut is the percentage discount that a repo lender applies to the market value of an asset serving as collateral for a repo borrowing, for the purpose of determining whether such repo borrowing is adequately collateralized. As of June 30, 2024, the weighted average contractual haircut applicable to the assets that serve as collateral for our outstanding repo borrowings was 26.0% with respect to credit portfolio assets, 18.6% with respect to reverse mortgage loans, 5.4% with respect to Agency RMBS assets, and 20.4% overall. As of December 31, 2023, the weighted average contractual haircuts were 26.7% with respect to credit portfolio assets, 21.5% with respect to reverse mortgage loans, 5.1% with respect to Agency RMBS assets, and 18.3% overall.

We expect to continue to borrow funds in the form of repos as well as other similar types of financings. The terms of our repo borrowings are predominantly governed by master repurchase agreements, which generally conform to the terms in the standard master repurchase agreement as published by the Securities Industry and Financial Markets Association as to repayment and margin requirements. In addition, each lender may require that we include supplemental terms and conditions to the standard master repurchase agreement. Typical supplemental terms and conditions include the addition of or changes to provisions relating to margin calls, net asset value requirements, cross default provisions, certain key person events, changes in corporate structure, and requirements that all controversies related to the repurchase agreement be litigated in a particular jurisdiction. These provisions may differ for each of our repo lenders.

As of June 30, 2024 and December 31, 2023, we had \$2.3 billion and \$3.0 billion of borrowings outstanding under our repos, respectively. As of June 30, 2024, the remaining terms on our repos ranged from 1 day to 644 days, with a weighted average remaining term of 95 days. Our repo borrowings were with a total of 23 counterparties as of June 30, 2024. As of June 30, 2024, our repos had interest rates ranging from 4.57% to 8.86%, with a weighted average borrowing rate of 6.93%. As of December 31, 2023, the remaining terms on our repos ranged from 2 days to 513 days, with a weighted average remaining term of 126 days. Our repo borrowings were with a total of 26 counterparties as of December 31, 2023. As of December 31, 2023, our repos had interest rates ranging from 4.81% to 8.68%, with a weighted average borrowing rate of 6.67%. Investments transferred as collateral under repos had an aggregate fair value of \$2.9 billion and \$3.7 billion, as of June 30, 2024 and December 31, 2023, respectively. It is expected that amounts due upon maturity of our repos will be funded primarily through the roll/re-initiation of repos and, if we are unable or unwilling to roll/re-initiate our repos, through free cash and proceeds from the sale of securities.

The following table details total outstanding borrowings, average outstanding borrowings, and the maximum outstanding borrowings at any month end for each quarter under repos for the past twelve quarters:

Quarter Ended	Borrowings Outstanding at Quarter End	Average Borrowings Outstanding <i>(In thousands)</i>	Maximum Borrowings Outstanding at Any Month End
June 30, 2024	\$ 2,301,976	\$ 2,290,348	\$ 2,371,482
March 31, 2024	2,517,747	2,550,390	2,648,371
December 31, 2023	2,967,437	2,640,625	2,967,437
September 30, 2023	2,573,043	2,605,359	2,707,121
June 30, 2023	2,557,864	2,402,711	2,557,864
March 31, 2023 <sup>(1)</sup>	2,285,898	2,464,050	2,641,488
December 31, 2022	2,609,685	2,859,085	2,915,610
September 30, 2022	2,895,019	2,877,500	2,912,264
June 30, 2022	2,865,222	2,590,120	2,865,222
March 31, 2022	2,717,638	2,533,978	2,717,638
December 31, 2021	2,469,763	2,187,363	2,469,763
September 30, 2021	2,105,836	1,958,411	2,175,918

(1) During this quarter, our borrowings decreased as the size of our investment portfolio decreased driven primarily by our participation in a non-QM securitization in February 2023.

In addition to our borrowings under repos, we have entered into various other types of transactions to finance certain of our investments, including non-QM loans, European residential mortgage loans, and REO, commercial mortgage loans, consumer loans and ABS backed by consumer loans, reverse mortgage loans, and Reverse MSRs; such transactions are accounted for as secured borrowings. As of June 30, 2024 and December 31, 2023, we had outstanding borrowings related to such transactions in the amount of \$1.8 billion and \$1.7 billion, respectively, which is reflected under the captions "Other secured borrowings" and "Other secured borrowings, at fair value" on the Condensed Consolidated Balance Sheet. As of June 30, 2024 and December 31, 2023, the fair value of assets collateralizing our Total other secured borrowings was \$2.0 billion and \$1.9 billion, respectively. Additionally, as of June 30, 2024, as an HMBS issuer, we had HMBS-related obligations of \$8.8 billion collateralized by \$8.9 billion of HMBS assets and as of December 31, 2023, we had HMBS-related obligations of \$8.4 billion collateralized by \$8.5 billion of HMBS assets; HMBS assets include HECM loans as well as REO and claims and other receivables. See Note 14 in the notes to our condensed consolidated financial statements for further information on our other secured borrowings and HMBS-related obligations.

As of both June 30, 2024 and December 31, 2023, we had \$297.7 million of outstanding unsecured borrowings. As of both June 30, 2024 and December 31, 2023, our outstanding unsecured borrowings were comprised of \$210.0 million of 5.875% Senior Notes due April 2027, \$34.9 million of 6.75% Senior Notes due March 2025, \$37.8 million of 6.00% Senior Notes due August 2026, and \$15.0 million of unregistered junior subordinated unsecured debt securities, the "Trust Preferred Debt." The Trust Preferred Debt includes \$10.0 million which accrues and requires the payment of interest quarterly at three-month term SOFR plus 3.26% and which matures on October 7, 2033, and \$5.0 million which accrues and requires the payment of interest quarterly at three-month term SOFR plus 2.51% and which matures on July 7, 2035. See Note 14 in the notes to our condensed consolidated financial statements for further detail on our unsecured borrowings.

As of June 30, 2024, we had an aggregate amount at risk under our repos with 23 counterparties of approximately \$588.1 million, and as of December 31, 2023, we had an aggregate amount at risk under our repos with 27 counterparties of approximately \$705.4 million. Amounts at risk represent the excess, if any, for each counterparty of the fair value of collateral held by such counterparty over the amounts outstanding under repos. If the amounts outstanding under repos with a particular counterparty are greater than the collateral held by the counterparty, there is no amount at risk for the particular counterparty. Amount at risk as of June 30, 2024 and December 31, 2023, does not include approximately \$1.1 million and \$(0.6) million, respectively, of net accrued interest receivable (payable), which is defined as accrued interest on securities held as collateral less interest payable on cash borrowed.

Our derivatives are predominantly subject to bilateral master trade agreements or clearing in accordance with the Dodd-Frank Act. We may be required to deliver or receive cash or securities as collateral upon entering into derivative transactions. Changes in the relative value of derivative transactions may require us or the counterparty to post or receive additional collateral. Entering into derivative contracts involves market risk in excess of amounts recorded on our balance sheet. In the case of cleared derivatives, the clearinghouse becomes our counterparty and the future commission merchant acts as an intermediary between us and the clearinghouse with respect to all facets of the related transaction, including the posting and receipt of required collateral.

As of June 30, 2024, we had an aggregate amount at risk under our derivative contracts, excluding TBAs, with eight counterparties of approximately \$50.3 million. We also had \$44.8 million of initial margin for cleared over-the-counter, or "OTC," derivatives posted to central clearinghouses as of that date. As of December 31, 2023, we had an aggregate amount at risk under our derivatives contracts, excluding TBAs, with nine counterparties of approximately \$65.6 million. We also had \$56.9 million of initial margin for cleared OTC derivatives posted to central clearinghouses as of that date. Amounts at risk under our derivatives contracts represent the excess, if any, for each counterparty of the fair value of our derivative contracts plus our collateral held directly by the counterparty less the counterparty's collateral held by us. If a particular counterparty's collateral held by us is greater than the aggregate fair value of the financial derivatives plus our collateral held directly by the counterparty, there is no amount at risk for the particular counterparty.

We purchase and sell TBAs and Agency pass-through certificates on a when-issued or delayed delivery basis. The delayed delivery for these securities means that these transactions are more prone to market fluctuations between the trade date and the ultimate settlement date, and therefore are more vulnerable, especially in the absence of margining arrangements with respect to these transactions, to increasing amounts at risk with the applicable counterparties. As of June 30, 2024, in connection with our forward settling TBA and Agency pass-through certificates, we had an aggregate amount at risk with seven counterparties of approximately \$3.3 million. As of December 31, 2023, in connection with our forward settling TBA and Agency pass-through certificates, we had an aggregate amount at risk with eight counterparties of approximately \$12.9 million. Amounts at risk in connection with our forward settling TBA and Agency pass-through certificates represent the excess, if any, for each counterparty of the net fair value of the forward settling transactions plus our collateral held directly by the counterparty less the counterparty's collateral held by us. If a particular counterparty's collateral held by us is greater than the aggregate fair value of the forward settling transactions plus our collateral held directly by the counterparty, there is no amount at risk for the particular counterparty.

We have commenced an "at-the-market" offering for shares of our common stock, or the "Common ATM Program," by entering into equity distribution agreements with sales agents under which we were authorized, in January 2023, to offer and sell up to \$225.0 million of common stock from time to time. For the six-month period ended June 30, 2024, we issued 2,103,725 shares of common stock under the Common ATM Program, which provided \$26.9 million of net proceeds after approximately \$0.2 million of commissions and \$47 thousand of offering costs. For the six-month period ended June 30, 2023, we issued 4,433,861 shares of common stock under the Common ATM Program, which provided \$60.5 million of net proceeds after approximately \$0.6 million of commissions and \$0.2 million of offering costs. The Company did not issue any shares of common stock under the Common ATM Program during the three-month periods ended June 30, 2024 or 2023. As of June 30, 2024, we had remaining authorization under the Common ATM Program to issue \$94.9 million of common stock.

On January 20, 2022, we commenced an "at-the-market" offering for our Series A Preferred Stock and Series B Preferred Stock, or the "Preferred ATM Program," by entering into equity distribution agreements with third party sales agents under which we are authorized to offer and sell up to \$100.0 million of 6.750% Series A Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, \$0.001 par value per share ("Series A Preferred Stock") and/or 6.250% Series B Fixed-Rate Reset Cumulative Redeemable Preferred Stock, \$0.001 par value per share ("Series B Preferred Stock") from time to time. As of June 30, 2024, we had remaining authorization under the Preferred ATM Program to issue \$99.5 million of common stock. We did not issue any preferred stock under the Preferred ATM Program during the three- or six-month month periods ended June 30, 2024.

On February 6, 2023, we issued 4,000,000 shares of Series C Fixed-Rate Reset Cumulative Redeemable Preferred Stock, \$0.001 par value per share ("Series C Preferred Stock"), for proceeds of \$96.5 million, net of underwriting discounts and commissions and offering costs of \$3.5 million. Holders of the Series C Preferred Stock are entitled to receive cumulative cash dividends from and including the original issue date to, but excluding, April 30, 2028 (the "First Reset Date"), at a fixed rate equal to 8.625% per annum of the \$25.00 per share liquidation preference. The applicable fixed rate resets on the First Reset Date and again on the fifth anniversary of the preceding reset date (each a "Reset Date"), at a rate equal to the five-year treasury rate as measured three business days prior to the Reset Date plus 5.13% per annum of the \$25.00 per share liquidation preference. Dividends are payable quarterly in arrears on or about the 30th day of each January, April, July, and October.

In accordance with the terms of the Arlington Merger Agreement, on the closing date of the Arlington Merger, each outstanding share of Arlington's Class A common stock, par value \$0.01 per share (other than shares held by us, EF Merger Sub Inc. or any of our wholly-owned subsidiaries, EF Merger Sub Inc. or Arlington) was automatically converted into the right to receive 0.3619 newly issued shares of common stock. In connection with the transactions completed pursuant to the Arlington Merger Agreement, 11,040,704 shares of our common stock were issued. In addition, in accordance with the terms of the Arlington Merger Agreement (i) each of the 379,668 outstanding shares of Arlington's 7.00% Series B Cumulative Perpetual Redeemable Preferred Stock, \$0.01 par value per share, was automatically converted into the right to receive one newly issued share of our 7.000% Series D Preferred Stock, \$0.001 par value per share ("Series D Preferred Stock"); and (ii) each of the 957,133 outstanding shares of Arlington's 8.250% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, \$0.01 par value per share, was automatically converted into the right to receive one newly issued share of our 8.250% Series E Preferred Stock, \$0.001 par value per share ("Series E Preferred Stock").

On March 21, 2023, our Board of Directors approved the adoption of a share repurchase program under which we are authorized to repurchase up to \$50 million of common stock, or the "2023 Common Share Repurchase Program." The 2023 Common Share Repurchase Program extends our ability to repurchase beyond the share repurchase program adopted in 2018 under which we were authorized to repurchase up to 1.55 million shares of common stock, or the "2018 Common Share Repurchase Program." The 2023 Common Share Repurchase Program, which is open-ended in duration, allows us to make repurchases from time to time on the open market or in negotiated transactions, including under 10b5-1 plans. Repurchases are at our discretion, subject to applicable law, share availability, price and our financial performance, among other considerations. In addition to making discretionary repurchases, we from time to time use 10b5-1 plans to increase the number of trading days available to implement these repurchases. During the three-month period ended June 30, 2024, the Company repurchased 14,735 shares at an average price per share of \$10.95 and a total cost of \$0.2 million. During the three-month period ended June 30, 2023, the Company repurchased 23,336 shares at an average price per share of \$12.00 and a total cost of \$0.3 million. During the six-month period ended June 30, 2024, we repurchased 62,300 shares of common stock at an average price per share of \$11.00 and a total cost of \$0.7 million. During the six-month period ended June 30, 2023, the Company repurchased 1,084,336 shares at an average price per share of \$11.39 and a total cost of \$12.4 million. As of June 30, 2024, we have authorization to repurchase an additional \$45.1 million of common stock under the 2023 Common Share Repurchase Program.

On February 21, 2022, our Board of Directors approved the adoption of a share repurchase program under which we are authorized to repurchase up to \$30.0 million of Series A Preferred Stock and Series B Preferred Stock, or the "Preferred Share Repurchase Program." The Preferred Share Repurchase Program, which is open-ended in duration, allows us to make repurchases from time to time on the open market or in negotiated transactions, including under 10b5-1 plans. Repurchases are at our discretion, subject to applicable law, share availability, price and our financial performance, among other considerations. We have not yet repurchased any shares of preferred stock under the Preferred Share Repurchase Program.

We may declare dividends based on, among other things, our earnings, our financial condition, the REIT qualification requirements of the Internal Revenue Code of 1986, as amended, our working capital needs and new opportunities. The declaration of dividends to our stockholders and the amount of such dividends are at the discretion of our Board of Directors.

The following table sets forth the dividend distributions authorized by the Board of Directors payable to common stockholders and holders of Convertible Non-controlling Interest Units (as defined in Note 2 of the condensed consolidated financial statements) for the three-month periods ended June 30, 2024 and 2023:

<b>Declaration Date</b>	<b>Dividend Per Share</b>	<b>Dividend Amount</b>	<b>Record Date</b>	<b>Payment Date</b>
<b>2024:</b>				
June 10, 2024	\$ 0.13	11,164	June 28, 2024	July 25, 2024
May 7, 2024	0.13	11,164	May 31, 2024	June 25, 2024
April 8, 2024	0.13	11,164	April 30, 2024	May 28, 2024
March 7, 2024	0.13	11,166	March 29, 2024	April 25, 2024
February 7, 2024	0.15	12,885	February 29, 2024	March 25, 2024
January 8, 2024	0.15	12,885	January 31, 2024	February 26, 2024
<b>2023:</b>				
June 7, 2023	0.15	10,197	June 30, 2023	July 25, 2023
May 8, 2023	0.15	10,197	May 31, 2023	June 26, 2023
April 10, 2023	0.15	10,197	April 28, 2023	May 25, 2023
March 7, 2023	0.15	10,200	March 31, 2023	April 25, 2023
February 7, 2023	0.15	10,359	February 28, 2023	March 27, 2023
January 9, 2023	0.15	10,105	January 31, 2023	February 27, 2023

On July 8, 2024, the Board of Directors approved a dividend in the amount of \$0.13 per share of common stock payable on August 26, 2024 to stockholders of record as of July 31, 2024. On August 7, 2024, the Board of Directors approved a dividend in the amount of \$0.13 per share of common stock payable on September 25, 2024 to stockholders of record as of August 30, 2024.

The following table sets forth the dividend distributions authorized by the Board of Directors during the three-month periods ended June 30, 2024 and 2023 and payable to holders of our preferred stock:

Declaration Date	Dividend Per Share	Dividend Amount	Record Date	Payment Date
		<i>(In thousands)</i>		
<b>Series A Preferred Stock:</b>				
<b>2024:</b>				
June 10, 2024	\$ 0.4218750	\$ 1,941	June 28, 2024	July 30, 2024
March 7, 2024	0.4218750	1,941	March 29, 2024	April 30, 2024
<b>2023:</b>				
June 7, 2023	0.4218750	1,941	June 30, 2023	July 31, 2023
March 7, 2023	0.4218750	1,941	March 31, 2023	May 1, 2023
<b>Series B Preferred Stock:</b>				
<b>2024:</b>				
June 10, 2024	0.3906250	1,883	June 28, 2024	July 30, 2024
March 7, 2024	0.3906250	1,883	March 29, 2024	April 30, 2024
<b>2023:</b>				
June 7, 2023	0.3906250	1,883	June 30, 2023	July 31, 2023
March 7, 2023	0.3906250	1,883	March 31, 2023	May 1, 2023
<b>Series C Preferred Stock:</b>				
<b>2024:</b>				
June 10, 2024	0.5390625	2,156	June 28, 2024	July 30, 2024
March 7, 2024	0.5390625	2,156	March 29, 2024	April 30, 2024
<b>2023:</b>				
June 7, 2023	0.5390625	2,156	June 30, 2023	July 31, 2023
March 7, 2023	0.5031300	2,013	March 31, 2023	May 1, 2023
<b>Series D Preferred Stock:</b>				
<b>2024:</b>				
June 10, 2024	0.4375000	166	June 20, 2024	July 1, 2024
March 7, 2024	0.4375000	166	March 20, 2024	April 1, 2024
<b>Series E Preferred Stock:</b>				
<b>2024:</b>				
June 10, 2024	0.7170790	686	June 20, 2024	July 1, 2024
March 7, 2024	0.5156250	494	March 20, 2024	April 1, 2024

At those times when cash flows from the Company's operating activities are insufficient to fund its dividend payments, the Company funds such dividend payments through cash flows from its investing and/or financing activities, and in some cases from additional cash on hand. The following paragraphs summarize the Company's cash flows for the six-month periods ended June 30, 2024 and 2023.

For the six-month period ended June 30, 2024, our operating activities used net cash in the amount of \$148.1 million and our investing activities provided net cash in the amount of \$469.3 million. Our repo activity used to finance many of our investments (including repayments of amounts borrowed under our repos) used net cash of \$373.8 million. We received \$803.1 million in proceeds from the issuance of Total other secured borrowings, and we used \$813.5 million for principal payments on our Total other secured borrowings. Thus our operating and investing activities, when combined with our repo financings and Other secured borrowings (net of repayments), used net cash of \$63.0 million during the six-month period ended June 30, 2024. We received proceeds from HMBS-related obligations of \$650.7 million and used \$560.0 million for principal payments on HMBS-related obligations. We received proceeds from the issuance of common and preferred stock, net of underwriters' discounts and commissions, agent commissions, and offering costs paid, of \$26.4 million and contributions from non-controlling interests of \$8.8 million. We used \$80.3 million to pay dividends, \$7.9 million for distributions to non-controlling interests (our joint venture partners), and \$0.7 million to repurchase common stock. As a result there was an decrease in our cash holdings of \$25.9 million, from \$230.5 million as of December 31, 2023 to \$204.6 million as of June 30, 2024.

For the six-month period ended June 30, 2023, our operating activities used net cash in the amount of \$92.0 million and our investing activities used net cash in the amount of \$135.3 million. Our repo activity used to finance many of our investments (including repayments of amounts borrowed under our repos) provided net cash of \$94.2 million. We received \$859.8 million in proceeds from the issuance of Total other secured borrowings. We used \$962.6 million for principal payments on our Total other secured borrowings. Thus our operating and investing activities, when combined with our repo financings and Other secured borrowings (net of repayments), used net cash of \$235.8 million during the six-month period ended June 30, 2023. We received proceeds from HMBS-related obligations of \$728.1 million and used \$587.8 million for principal payments on HMBS-related obligations. We received proceeds from the issuance of common and preferred stock, net of underwriters' discounts and commissions, agent commissions, and offering costs paid, of \$157.0 million and contributions from non-controlling interests of \$1.8 million. We used \$70.4 million to pay dividends, \$6.2 million for distributions to non-controlling interests (our joint venture partners), and \$12.4 million to repurchase common stock. As a result there was a decrease in our cash holdings of \$25.7 million, from \$221.9 million as of December 31, 2022 to \$196.2 million as of June 30, 2023.

Based on our current portfolio, amount of free cash on hand, debt-to-equity ratio, and current and anticipated availability of credit, we believe that our capital resources will be sufficient to enable us to meet anticipated short-term and long-term liquidity requirements. However, the unexpected inability to finance our Agency RMBS portfolio would create a serious short-term strain on our liquidity and would require us to liquidate much of that portfolio, which in turn would require us to restructure our portfolio to maintain our exclusion from registration as an investment company under the Investment Company Act and to maintain our qualification as a REIT. Steep declines in the values of our credit assets financed using repos, or in the values of our derivative contracts, would result in margin calls that would significantly reduce our free cash position. Furthermore, a substantial increase in prepayment rates on our assets financed by repos could cause a temporary liquidity shortfall, because we are generally required to post margin on such assets in proportion to the amount of the announced principal paydowns before the actual receipt of the cash from such principal paydowns. If our cash resources are at any time insufficient to satisfy our liquidity requirements, we may have to sell assets or issue additional debt or equity securities.

Although we may from time to time enter into financing arrangements that limit our leverage, our investment guidelines do not limit the amount of leverage that we may use, and we believe that the appropriate leverage for the particular assets we hold depends on the credit quality and risk of those assets, as well as the general availability and terms of stable and reliable financing for those assets.

### **Contractual Obligations and Commitments**

We are a party to a management agreement with our Manager. Pursuant to that agreement, our Manager is entitled to receive a base management fee, an incentive fee, reimbursement of certain expenses and, in certain circumstances, a termination fee. Such fees and expenses do not have fixed and determinable payments. For a description of the management agreement provisions, see Note 16 to our condensed consolidated financial statements.

We have numerous contractual obligations and commitments related to our outstanding borrowings (see Note 14 of the notes to our condensed consolidated financial statements) and related to our financial derivatives (see Note 10 of the notes to our condensed consolidated financial statements).

See Note 24 of the notes to our condensed consolidated financial statements for further detail on our other contractual obligations and commitments.

### **Off-Balance Sheet Arrangements**

As of June 30, 2024, we did not have any material relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. Further, we have not guaranteed any obligations of unconsolidated entities nor do we have any commitment to provide funding to any such entities that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or resources that would be material to an investor in our securities. As such, we are not materially exposed to any market, credit, liquidity, or financing risk that could arise if we had engaged in such relationships.

Longbridge has a fiduciary responsibility related to escrow balances held in trust for borrowers' draws and other custodial funds due to servicing customers; as of June 30, 2024 the amount held in such accounts was \$82.4 million. These funds, which do not represent assets or liabilities of the Company are maintained in segregated accounts at Longbridge, and accordingly, are not reflected on the Condensed Consolidated Balance Sheet.



At June 30, 2024 we have not entered into any repurchase agreements for which delivery of the borrowed funds is not scheduled until after period end.

## **Inflation**

Virtually all of our assets and liabilities are interest rate sensitive in nature. As a result, interest rates and other factors generally influence our performance more than does inflation, although inflation rates often have a meaningful influence over the direction of interest rates, including influencing the Federal Reserve's monetary policy. In any event, our activities and balance sheet are measured with reference to historical cost and/or fair market value without considering inflation.

In addition, elevated, long-term inflation could adversely impact the performance of our investment portfolio, or the prices of our investments, or both. For example, if higher inflation is not matched by an increase in wages, inflation could cause the real income of the borrowers on our residential and consumer loans to decline. In addition, in the case of borrowers on our commercial mortgage loans, net cash flow could decline if rents and/or expense reimbursements do not increase in kind with higher inflation.

## **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

The primary components of our market risk at June 30, 2024 are related to credit risk, prepayment risk, and interest rate risk. We seek to actively manage these and other risks and to acquire and hold assets that we believe justify bearing those risks, and to maintain capital levels consistent with those risks.

### ***Credit Risk***

We are subject to credit risk in connection with many of our assets, especially non-Agency RMBS, CMBS, residential and commercial mortgage loans, proprietary reverse mortgage loans, corporate debt investments including CLOs and investments in securitization warehouses, and consumer loans.

Credit losses on real estate loans can occur for many reasons, including, but not limited to, poor origination practices, fraud, faulty appraisals, documentation errors, poor underwriting, legal errors, poor servicing practices, weak economic conditions, decline in the value of homes, businesses or commercial properties, special hazards, earthquakes and other natural events, such as the COVID-19 pandemic, or an outbreak of another highly infectious or contagious disease, over-leveraging of the borrower on a property, reduction in market rents and occupancy rates and poor property management services, changes in legal protections for lenders, reduction in personal income, job loss, and personal events such as divorce or health problems. Property values are subject to volatility and may be affected adversely by a number of factors, including, but not limited to, national, regional, and local economic conditions (which may be adversely affected by industry slowdowns and other factors), local real estate conditions (such as an oversupply of housing), changes or continued weakness in specific industry segments, construction quality, age and design, demographic factors, and retroactive changes to building or similar codes.

The ability of borrowers to repay consumer loans may be adversely affected by numerous borrower-specific factors, including unemployment, divorce, major medical expenses or personal bankruptcy. General factors, including an economic downturn, high energy costs or acts of God or terrorism, pandemics such as the COVID-19 pandemic or another highly infectious or contagious disease, may also affect the financial stability of borrowers and impair their ability or willingness to repay their loans. Whenever any of our consumer loans defaults, we are at risk of loss to the extent of any deficiency between the liquidation value of the collateral, if any, securing the loan, and the principal and accrued interest of the loan. Many of our consumer loans are unsecured, or are secured by collateral (such as an automobile) that depreciates rapidly; as a result, these loans may be at greater risk of loss than residential real estate loans.

Our corporate investments, especially our lower-rated or unrated CLO investments, corporate equity, and our investments in loan originators, have significant risk of loss, and our efforts to protect these investments may involve substantial costs and may not be successful. We also will be subject to significant uncertainty as to when and in what manner and for what value the corporate debt in which we directly or indirectly invest will eventually be satisfied (e.g., through liquidation of the obligor's assets, an exchange offer or plan of reorganization involving the debt securities or a payment of some amount in satisfaction of the obligation). In addition, these investments could involve loans to companies that are more likely to experience bankruptcy or similar financial distress, such as companies that are thinly capitalized, employ a high degree of financial leverage, are in highly competitive or risky businesses, are in a start-up phase, or are experiencing losses.

Similarly, we are exposed to the risk of potential credit losses on the other assets in our credit portfolio. For many of our investments, the two primary components of credit risk are default risk and severity risk.

### *Default Risk*

Default risk is the risk that a borrower fails to make scheduled principal and interest payments on a mortgage loan or other debt obligation. We may attempt to mitigate our default risk by, among other things, opportunistically entering into credit default swaps and total return swaps. These instruments can reference various MBS indices, corporate bond indices, or corporate entities. We often rely on third-party servicers to mitigate our default risk, but such third-party servicers may have little or no economic incentive to mitigate loan default rates.

### *Severity Risk*

Severity risk is the risk of loss upon a borrower default on a mortgage loan or other secured or unsecured debt obligation. Severity risk includes the risk of loss of value of the property or other asset, if any, securing the mortgage loan or debt obligation, as well as the risk of loss associated with taking over the property or other asset, if any, including foreclosure costs. We often rely on third-party servicers to mitigate our severity risk, but such third-party servicers may have little or no economic incentive to mitigate loan loss severities. In the case of mortgage loans, such mitigation efforts may include loan modification programs and prompt foreclosure and property liquidation following a default. Many of our consumer loans are unsecured, or are secured by collateral (such as an automobile) that depreciates rapidly; as a result, these loans may be at greater risk of loss than residential real estate loans. Pursuing any remaining deficiency following a default on a consumer loan is often difficult or impractical, especially when the borrower has a low credit score, making further substantial collection efforts unwarranted. In addition, repossessing personal property securing a consumer loan can present additional challenges, including locating and taking physical possession of the collateral. We rely on servicers who service these consumer loans, to, among other things, collect principal and interest payments on the loans and perform loss mitigation services, and these servicers may not perform in a manner that promotes our interests. In the case of corporate debt, if a company declares bankruptcy, the bankruptcy process has a number of significant inherent risks. Many events in a bankruptcy proceeding are the product of contested matters and adversarial proceedings and are beyond the control of the creditors. A bankruptcy filing by a company whose debt we have purchased may adversely and permanently affect such company. If the proceeding results in liquidation, the liquidation value of the company may have deteriorated significantly from what we believed to be the case at the time of our initial investment. The duration of a bankruptcy proceeding is also difficult to predict, and our return on investment can be adversely affected by delays until a plan of reorganization or liquidation ultimately becomes effective. A bankruptcy court may also re-characterize our debt investment as equity, and subordinate all or a portion of our claim to that of other creditors. This could occur even if our investment had initially been structured as senior debt.

### *Prepayment Risk*

Prepayment risk is the risk of change, whether an increase or a decrease, in the rate at which principal is returned in respect of fixed-income assets in our portfolio, including both through voluntary prepayments and through liquidations due to defaults and foreclosures. Most significantly, our portfolio is exposed to the risk of changes in prepayment rates of mortgage loans, including the mortgage loans underlying our RMBS, Reverse MSRs and Forward MSR-related investments; and changes in prepayment rates of certain of our consumer loan, residential mortgage loan, and CLO holdings. This rate of prepayment is affected by a variety of factors, including the prevailing level of interest rates as well as economic, demographic, tax, social, legal, and other factors. Mortgage prepayment rates can be highly sensitive to changes in interest rates, but they are also affected by housing turnover, which can be driven by factors other than interest rates, including worker mobility and home price appreciation. Changes in prepayment rates will have varying effects on the different types of securities in our portfolio, and we attempt to take these effects into account in making asset management decisions. Increases in prepayment rates may cause us to experience both realized and unrealized losses on our interest only securities and inverse interest only securities, as these securities are extremely sensitive to prepayment rates. Conversely, decreases in prepayment rates on our loans and securities with below-market interest rates may cause the duration of such investments to extend, which may cause us to experience unrealized losses on such investments. Prepayment rates, besides being subject to interest rates and borrower behavior, are also substantially affected by government policy and regulation. For example, prepayment rates are generally lower in states with substantially higher mortgage recording taxes.

### *Interest Rate Risk*

Interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations, and other factors beyond our control. We are subject to interest rate risk in connection with most of our assets and liabilities. For some securities in our portfolio, the coupon interest rates on, and therefore also the values of, such securities are highly sensitive to interest rate movements, such as inverse floating rate RMBS, which benefit from falling interest rates. Whenever one of our repo borrowings matures, it will generally be replaced with a new repo borrowing based on market interest rates prevailing at such time. Subject to maintaining our qualification as a REIT and our exclusion from registration under the Investment Company Act, we opportunistically hedge our interest rate risk by entering into interest rate swaps, TBAs, U.S. Treasury securities, Eurodollar futures, U.S. Treasury futures, and other

instruments. In general, such hedging instruments are used to mitigate the interest rate risk arising from the mismatch between the duration of our financed assets and the duration of the liabilities used to finance such assets.

The following sensitivity analysis table shows the estimated impact on the value of our portfolio segregated by certain identified categories as of June 30, 2024, assuming a static portfolio and immediate and parallel shifts in interest rates from current levels as indicated below.

<i>(In thousands)</i>	Estimated Change for a Decrease in Interest Rates by				Estimated Change for an Increase in Interest Rates by			
	50 Basis Points		100 Basis Points		50 Basis Points		100 Basis Points	
	Market Value	% of Total Equity	Market Value	% of Total Equity	Market Value	% of Total Equity	Market Value	% of Total Equity
Agency RMBS	\$ 10,370	0.66 %	\$ 20,025	1.27 %	\$ (11,087)	(0.70)%	\$ (22,888)	(1.46)%
Long TBAs	3,376	0.21 %	6,347	0.4 %	(3,781)	(0.24)%	(7,968)	(0.51)%
Short TBAs	(5,830)	(0.37)%	(10,756)	(0.68)%	6,734	0.43 %	14,372	0.91 %
Non-Agency RMBS, CMBS, ABS, Loans, and MSRs	25,558	1.62 %	47,164	3 %	(29,510)	(1.88)%	(62,973)	(4.00)%
U.S. Treasury Securities and Interest Rate Swaps, Options, and Futures	(24,807)	(1.57)%	(50,431)	(3.2)%	23,990	1.52 %	47,165	3.00 %
Corporate Securities and Other	873	0.06 %	1,747	0.11 %	(873)	(0.05)%	(1,747)	(0.11)%
Repurchase Agreements, Reverse Repurchase Agreements, and Unsecured Borrowings	(2,929)	(0.19)%	(5,890)	(0.38)%	2,895	0.18 %	5,757	0.37 %
Total	<u>\$ 6,611</u>	<u>0.42 %</u>	<u>\$ 8,206</u>	<u>0.52 %</u>	<u>\$ (11,632)</u>	<u>(0.74)%</u>	<u>\$ (28,282)</u>	<u>(1.80)%</u>

The preceding analysis does not show sensitivity to changes in interest rates for instruments for which we believe that the effect of a change in interest rates is not material to the value of the overall portfolio and/or cannot be accurately estimated. In particular, this analysis excludes certain of our holdings of corporate securities and derivatives on corporate securities, and reflects only sensitivity to U.S. interest rates.

Our analysis of interest rate risk is derived from Ellington's proprietary models as well as third-party information and analytics. Many assumptions have been made in connection with the calculations set forth in the table above and, as such, there can be no assurance that assumed events will occur or that other events will not occur that would affect the outcomes. For example, for each hypothetical immediate shift in interest rates, assumptions have been made as to many important factors that can significantly and/or adversely affect the fair value of the instruments in our portfolio, including the response of mortgage prepayment rates, the shape of the yield curve, and market volatilities of interest rates. Furthermore, the fair value of each of the instruments comprising our portfolio is impacted by many other factors, each of which may or may not be correlated, or may only be loosely correlated, with interest rates. Depending on the nature of the instrument, these additional factors may include credit spreads, yield spreads, option-adjusted spreads, real estate prices, collateral adequacy, borrower creditworthiness, inflation, unemployment, general macroeconomic conditions, and other factors. For each instrument, our analysis makes many simplifying assumptions as to the response of these additional factors to shifts in interest rates, including that many if not most such factors are unaffected by such shifts.

The above analysis utilizes assumptions and estimates based on management's judgment and experience, and relies on financial models, which are inherently imperfect; in fact, different models can produce different results for the same instruments. While the table above reflects the estimated impacts of immediate parallel interest rate increases and decreases on specific categories of instruments in our portfolio, we actively trade many of the instruments in our portfolio, and therefore our current or future portfolios may have risks that differ significantly from those of our June 30, 2024 portfolio estimated above. Moreover, the impact of changing interest rates on fair value can change significantly when interest rates change by a greater amount than the hypothetical shifts assumed above.

For all of the foregoing reasons and others, the table above is for illustrative purposes only and actual changes in interest rates would likely cause changes in the actual fair value of our portfolio that would differ from those presented above, and such differences might be significant and/or adverse. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Special Note Regarding Forward-Looking Statements."

### ***Liquidity Risk***

To fund our assets we may use a variety of debt alternatives in addition to equity capital that present us with liquidity risks. Certain of our assets are long-term fixed-rate assets, and we believe that liquidity risk arises from these assets with shorter-term variable rate borrowings. We seek to manage these risks, including by maintaining a prudent level of leverage, implementing interest rate hedges, maintaining sources of long-term financing, monitoring our liquidity position on a daily basis, monitoring the ongoing financial stability and future business plans of our financing counterparties, and maintaining a reasonable cushion of cash and unpledged real estate securities and loans in our portfolio in order to meet future margin calls.

We pledge assets, including mortgage loans or real estate securities, as collateral to secure most of our financing arrangements. However, should the value of our collateral or the value of our derivative instruments suddenly decrease, or margin requirements increase, we may be required to post additional collateral for certain of these arrangements, causing an adverse change in our liquidity position. Furthermore, there is no assurance that we will always be able to renew (or roll) our short-term funding liabilities at their scheduled maturities, which could materially harm our liquidity position and result in substantial losses. In addition, in some cases our counterparties have the option to increase our haircuts (margin requirements) on the assets we pledge against our funding liabilities, thereby reducing the amount that can be borrowed against an asset even if they agree to renew or roll our funding liabilities. Significantly higher haircuts would require us to post additional collateral and could reduce our ability to leverage our portfolio or may even force us to sell assets, especially if correlated with asset price declines or faster prepayment rates on our assets.

Additionally, as a REIT, we are required to distribute a significant portion of our taxable income annually, which constrains our ability to accumulate operating cash flow and therefore may require us to utilize debt or equity capital to finance our business and, therefore, we are exposed to risks related to the equity capital markets, and our related ability to raise capital through the issuance of our common stock, preferred stock or other equity instruments. We seek to mitigate these risks by monitoring the equity capital markets to inform our decisions on the amount, timing, and terms of capital we raise.

## **Item 4. Controls and Procedures**

### **Disclosure Controls and Procedures**

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management as appropriate to allow timely decisions regarding required disclosures. An evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of June 30, 2024. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2024.

### **Changes in Internal Control Over Financial Reporting**

There have been no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II—OTHER INFORMATION

### Item 1. Legal Proceedings

Neither we, nor our subsidiaries, nor Ellington nor its affiliates (including our Manager) are currently subject to any legal proceedings that we or our Manager consider material to us. Nevertheless, we, our subsidiaries, and Ellington and its affiliates operate in highly regulated markets that currently are under regulatory scrutiny, and over the years, Ellington and its affiliates have received, and we expect in the future that we and they may receive, inquiries and requests for documents and information from various federal, state and foreign regulators.

We and Ellington cannot provide any assurance that, whether the result of regulatory inquiries or otherwise, neither we nor Ellington nor its affiliates will become subject to investigations, enforcement actions, fines, penalties or the assertion of private litigation claims or that, if any such events were to occur, they would not materially adversely affect us. For a discussion of these and other related risks, see "Part I, Item 1A. Risk Factors—We, Ellington, or its affiliates may be subject to regulatory inquiries and proceedings, or other legal proceedings" of our Annual Report on Form 10-K for the year ended December 31, 2023.

### Item 1A. Risk Factors

For information regarding factors that could affect our results of operations, financial condition, and liquidity, see the risk factors discussed under "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2023 filed with the SEC on March 1, 2024 (the "Form 10-K") as well as Item 1A of Part II of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2024 filed with the SEC on May 10, 2024. See also "Special Note Regarding Forward-Looking Statements," included in Part I, Item 2 of this Quarterly Report on Form 10-Q.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

#### *Issuer Purchases of Equity Securities*

	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid Per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Approximate Number of Shares that May Yet be Purchased Under the Plans or Programs<sup>(1)</sup></u>
April 1, 2024–April 30, 2024	14,735	\$ 10.95	14,735	3,734,837
May 1, 2024–May 31, 2024	—	—	—	3,734,837
June 1, 2024–June 30, 2024	—	—	—	3,734,837
Total	<u>14,735</u>	<u>\$ 10.95</u>	<u>14,735</u>	<u>3,734,837</u>

(1) Calculated based on the closing price as reported by the New York Stock Exchange on June 30, 2024 of \$12.08.

On March 21, 2023, our Board of Directors approved the adoption of a share repurchase program under which we are authorized to repurchase up to \$50 million of common stock, or the "Common Share Repurchase Program." The Common Share Repurchase Program extends our authorization to repurchase beyond the share repurchase program that had been previously adopted. The Common Share Repurchase Program, which is open-ended in duration, allows us to make repurchases from time to time on the open market or in negotiated transactions, including under 10b5-1 plans. Repurchases are at our discretion, subject to applicable law, share availability, price and our financial performance, among other considerations.

**Item 6. Exhibits**

<b>Exhibit</b>	<b>Description</b>
3.1**	<a href="#"><u>Certificate of Amendment to Certificate of Incorporation of Ellington Financial Inc. (incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed on May 20, 2024).</u></a>
31.1	<a href="#"><u>Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes – Oxley Act of 2002</u></a>
31.2	<a href="#"><u>Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes – Oxley Act of 2002</u></a>
32.1*	<a href="#"><u>Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes – Oxley Act of 2002</u></a>
32.2*	<a href="#"><u>Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes – Oxley Act of 2002</u></a>
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

\* Furnished herewith. These certifications are not deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

\*\* Previously filed.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: August 9, 2024

ELLINGTON FINANCIAL INC.  
By: /s/ LAURENCE PENN  
Laurence Penn  
Chief Executive Officer  
(Principal Executive Officer)

Date: August 9, 2024

ELLINGTON FINANCIAL INC.  
By: /s/ JR HERLIHY  
JR Herlihy  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002**

I, Laurence Penn, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Ellington Financial Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2024

/s/ Laurence Penn

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Laurence Penn  
Chief Executive Officer  
(Principal Executive Officer)



**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002**

I, JR Herlihy, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Ellington Financial Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2024

/s/ JR Herlihy

JR Herlihy

Chief Financial Officer

(Principal Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Ellington Financial Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Laurence Penn, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2024

/s/ Laurence Penn

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Laurence Penn  
Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Ellington Financial Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, JR Herlihy, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2024

/s/ JR Herlihy

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JR Herlihy  
Chief Financial Officer  
(Principal Financial and Accounting Officer)