

Ellington Financial LLC  
Form 10-Q  
August 09, 2016  
Table of Contents

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

FORM 10-Q

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

For the quarterly period ended June 30, 2016

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-34569

Ellington Financial LLC

(Exact Name of Registrant as Specified in Its Charter)

Delaware

26-0489289

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

53 Forest Avenue, Old Greenwich, Connecticut 06870

(Address of Principal Executive Office) (Zip Code)

(203) 698-1200

(Registrant's Telephone Number, Including Area Code)

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

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

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

Large Accelerated Filer  Accelerated Filer

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

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

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

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



Table of Contents

ELLINGTON FINANCIAL LLC

INDEX

Part I. Financial Information

<u>Item 1. Consolidated Financial Statements (unaudited)</u>	<u>3</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>73</u>
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	<u>103</u>
<u>Item 4. Controls and Procedures</u>	<u>104</u>

Part II. Other Information

<u>Item 1. Legal Proceedings</u>	<u>104</u>
<u>Item 1A. Risk Factors</u>	<u>104</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>105</u>
<u>Item 6. Exhibits</u>	<u>105</u>

---

Table of Contents

## PART 1. FINANCIAL INFORMATION

## Item 1. Consolidated Financial Statements (unaudited)

## ELLINGTON FINANCIAL LLC

## CONSOLIDATED STATEMENT OF ASSETS, LIABILITIES, AND EQUITY

## (UNAUDITED)

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



Table of Contents

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

Current Principal (In thousands)	Description	Rate	Maturity	Fair Value Expressed in U.S. Dollars
	Long Investments (232.95%) (a) (b) (y)			
	Mortgage-Backed Securities (182.22%)			
	Agency Securities (148.90%) (c)			
	Fixed Rate Agency Securities (144.08%)			
	Principal and Interest - Fixed Rate Agency Securities (119.52%)			
	North America			
	Mortgage-related—Residential			
\$ 140,941	Federal National Mortgage Association Pools (30 Year)	4.00%	8/42 - 4/46	\$ 152,702
122,292	Federal Home Loan Mortgage Corporation Pools (30 Year)	4.00%	8/43 - 5/46	132,469
88,182	Federal National Mortgage Association Pools (30 Year)	4.50%	10/41 - 3/46	97,387
63,182	Federal National Mortgage Association Pools (30 Year)	3.50%	3/43 - 5/46	67,319
54,356	Federal National Mortgage Association Pools (15 Year)	3.50%	3/28 - 4/31	58,139
49,365	Federal National Mortgage Association Pools (30 Year)	5.00%	10/35 - 12/44	55,213
38,545	Federal Home Loan Mortgage Corporation Pools (30 Year)	4.50%	9/43 - 3/46	42,508
26,408		3.50%		28,201

Edgar Filing: Ellington Financial LLC - Form 10-Q

	Federal Home Loan Mortgage Corporation Pools (30 Year)		1/42 - 10/45	
12,367	Federal National Mortgage Association Pools (15 Year)	3.00%	4/30 - 10/30	13,035
11,317	Federal National Mortgage Association Pools (15 Year)	4.00%	6/26 - 5/31	12,225
10,023	Federal Home Loan Mortgage Corporation Pools (15 Year)	3.50%	9/28 - 9/30	10,700
9,113	Government National Mortgage Association Pools (30 Year)			

	Nine Months ended December 31, 2003	Year -on- year Change (%)	Nine Months ended December 31, 2002	Year -on- year Change (%)	Year ended March 31, 2003	Year -on- year Change (%)	U.S. dollars December 31, 2003
<b>Total Revenues :</b>	520,927	105	497,897	104	683,645	104	4,863
Direct Financing Leases	84,368	90	93,359	104	122,928	101	788
Operating Leases	108,817	119	91,754	102	127,608	106	1,016
Interest on Loans and Investment Securities	87,437	92	95,436	109	131,590	108	816
Brokerage Commissions and Net Gains on Investment Securities	14,164	153	9,282	79	10,857	59	132
Life Insurance Premiums and Related Investment Income	93,633	93	100,153	87	138,511	91	874
Residential Condominium Sales	68,864	133	51,724	128	71,165	123	643
Interest Income on	523	128	410	33	526	38	5

Edgar Filing: Ellington Financial LLC - Form 10-Q

Deposits							
Other							
Operating							
Revenues	63,121	113	55,779	129	80,460	126	589
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
<b>Total</b>							
<b>Expenses :</b>	449,906	102	442,275	104	645,562	110	4,200
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Interest							
Expense	46,759	86	54,259	76	71,990	80	436
Depreciation							
Operating							
Leases	62,585	107	58,597	103	80,565	105	584
Life							
Insurance							
Costs	83,135	91	91,216	85	125,684	90	776
Costs of							
Residential							
Condominium							
Sales	62,136	143	43,308	127	60,769	123	580
Other							
Operating							
Expenses	34,528	122	28,263	135	41,359	140	322
Selling,							
General and							
Administrative							
Expenses	117,021	111	105,099	116	144,271	114	1,094
Provision							
for Doubtful							
Receivables							
and							
Probable							
Loan Losses	34,682	93	37,388	117	54,706	107	324
Write-downs							
of							
Long-Lived							
Assets	4,202	29	14,665	1058	50,682	1866	39
Write-downs							
of Securities	3,987	50	7,916	61	14,325	73	37
Foreign							
Currency							
Transaction							
Loss, Net	871	56	1,564		1,211		8
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
<b>Operating</b>							
<b>Income</b>	71,021	128	55,622	104	38,083	52	663
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Equity in							
Net Income							
of Affiliates	14,630	258	5,674	16211	6,203		137
Gain (Loss)							
on Sales of							
Affiliates	(532)		2	4	2,002	1682	(5)
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
<b>Income</b>	85,119	139	61,298	114	46,288	63	795
<b>before</b>							
<b>Extraordinary</b>							
<b>Gain,</b>							
<b>Cumulative</b>							
<b>Effect of a</b>							
<b>Change in</b>							



**Accounting  
Principle  
and Income  
Taxes**

Provision for Income Taxes	39,470	141	28,023	114	21,196	64	369
----------------------------------	--------	-----	--------	-----	--------	----	-----

**Income  
before  
Extraordinary  
Gain and  
Cumulative  
Effect of a  
Change in  
Accounting  
Principle**

	45,649	137	33,275	114	25,092	63	426
--	--------	-----	--------	-----	--------	----	-----

Extraordinary Gain, Net of Applicable Tax Effect	243				3,214		2
Cumulative Effect of a Change in Accounting Principle, Net of Applicable Tax Effect			1,937	1456	1,937	1456	

<b>Net Income</b>	<b>45,892</b>	<b>130</b>	<b>35,212</b>	<b>120</b>	<b>30,243</b>	<b>75</b>	<b>428</b>
-------------------	---------------	------------	---------------	------------	---------------	-----------	------------

- Note:**
1. Comprehensive Income under FASB Statement No.130 ( Reporting Comprehensive Income ) was gain of JPY 48,501 million (US\$453 million) for the nine months ended December 31, 2003, gain of JPY 5,044 million for the nine months ended December 31, 2002 and gain of JPY 3,936 million for the year ended March 31, 2003.
  2. The Company recognized an Extraordinary Gain, Net of Applicable Tax Effect in the nine months ended December 31, 2003 and in the previous fiscal year due to the excess of the proportionate fair value of the net assets over the purchase price of the affiliate paid by the Company ( Negative Goodwill )
  3. On April 1, 2002, as a result of the adoption of FASB Statement No. 141 ( Business Combinations ), the Company and its subsidiaries recorded a transition gain arising from the write-off of Negative Goodwill of JPY1,937 million as of March 31, 2002 as the Cumulative Effect of a Change in Accounting Principle, Net of Applicable Tax Effect.

**Table of Contents**

**Condensed Consolidated Statements of Income**  
(For the Three Months Ended December 31, 2003 and 2002)  
(Unaudited)

(millions of JPY, millions of US\$)

	Three Months ended December 31, 2003	Year -on- year Change (%)	Three Months ended December 31, 2002	Year -on- year Change (%)	U.S. dollars December 31, 2003
<b>Total Revenues :</b>	175,056	107	163,169	110	1,634
Direct Financing Leases	27,503	92	29,880	95	257
Operating Leases	36,576	119	30,675	97	341
Interest on Loans and Investment Securities	27,860	89	31,395	101	260
Brokerage Commissions and Net Gains on Investment Securities	6,595	487	1,355	41	62
Life Insurance Premiums and Related Investment Income	28,480	101	28,321	95	266
Residential Condominium Sales	26,329	120	21,982	296	246
Interest Income on Deposits	260	265	98	40	2
Other Operating Revenues	21,453	110	19,463	148	200
<b>Total Expenses :</b>	150,764	106	142,182	108	1,407
Interest Expense	14,894	85	17,555	81	139
Depreciation Operating Leases	21,016	106	19,744	102	196
Life Insurance Costs	24,892	93	26,792	96	232
Costs of Residential Condominium Sales	24,463	139	17,596	272	228
Other Operating Expenses	12,782	126	10,114	152	119
Selling, General and Administrative Expenses	39,551	112	35,270	109	370
Provision for Doubtful Receivables and Probable Loan Losses	10,839	87	12,421	106	101
Write-downs of Long-Lived Assets					
Write-downs of Securities	1,930	89	2,174	37	18
Foreign Currency Transaction Loss, Net	397	77	516	832	4
<b>Operating Income</b>	24,292	116	20,987	132	227
Equity in Net Income of Affiliates	2,707	117	2,315	448	25
Gain (Loss) on Sales of Affiliates	(136)				(1)
<b>Income before Extraordinary Gain, Cumulative Effect of a Change in Accounting Principle and Income Taxes</b>	26,863	115	23,302	142	251
Provision for Income Taxes	12,390	114	10,853	151	116
<b>Income before Extraordinary Gain and Cumulative Effect of a Change in Accounting Principle</b>	14,473	116	12,449	134	135
Extraordinary Gain, Net of Applicable Tax Effect					
Cumulative Effect of a Change in Accounting Principle, Net of Applicable Tax Effect					

Edgar Filing: Ellington Financial LLC - Form 10-Q

<b>Net Income</b>	<u>14,473</u>	<u>116</u>	<u>12,449</u>	<u>134</u>	<u>135</u>
-------------------	---------------	------------	---------------	------------	------------

- 7 -

---

**Table of Contents**

**Condensed Consolidated Balance Sheets**  
(As of December 31, 2003 and March 31, 2003)  
(Unaudited)

	(millions of JPY, millions of US\$)		
	December 31, 2003	March 31, 2003	U.S. dollars December 31, 2003
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets</b>			
Cash and Cash Equivalents	159,482	204,677	1,489
Restricted Cash	28,706	18,671	268
Time Deposits	570	1,184	5
Investment in Direct Financing Leases	1,545,853	1,572,308	14,430
Installment Loans	2,224,670	2,288,039	20,766
Allowance for Doubtful Receivables on Direct Financing Leases and Probable Loan Losses	(130,851)	(133,146)	(1,221)
Investment in Operating Leases	496,570	529,044	4,635
Investment in Securities	544,021	677,435	5,078
Other Operating Assets	99,731	101,481	931
Investment in Affiliates	157,534	144,974	1,470
Other Receivables	145,573	146,650	1,359
Advances	131,209	119,645	1,225
Prepaid Expenses	44,492	41,494	415
Office Facilities	74,044	77,043	691
Other Assets	150,428	141,568	1,404
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total</b>	<b>5,672,032</b>	<b>5,931,067</b>	<b>52,945</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Liabilities and Shareholders Equity</b>			
Short-Term Debt	939,862	1,120,434	8,773
Deposits	287,200	262,467	2,681
Trade Notes, Accounts Payable and Other Liabilities	265,180	252,453	2,475
Accrued Expenses	81,009	82,012	757
Policy Liabilities	600,281	608,553	5,603
Current and Deferred Income Taxes	157,354	163,711	1,469
Deposits from Lessees	74,614	79,366	696
Long-Term Debt	2,714,764	2,856,613	25,341
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Liabilities</b>	<b>5,120,264</b>	<b>5,425,609</b>	<b>47,795</b>
	<u>          </u>	<u>          </u>	<u>          </u>
Common Stock	52,067	52,067	486
Additional Paid-in Capital	70,002	70,002	653
Retained Earnings:			
Legal Reserve	2,220	2,220	21
Retained Earnings	472,962	429,163	4,415
Accumulated Other Comprehensive Loss	(37,138)	(39,747)	(347)
Treasury Stock, at cost	(8,345)	(8,247)	(78)
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Shareholders Equity</b>	<b>551,768</b>	<b>505,458</b>	<b>5,150</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total</b>	<b>5,672,032</b>	<b>5,931,067</b>	<b>52,945</b>
	<u>          </u>	<u>          </u>	<u>          </u>

	December 31, 2003	March 31, 2003	U.S. dollars December 31, 2003
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Note: Accumulated Other Comprehensive Loss</b>			
Net unrealized gains on investment in securities	15,568	1,917	145
Minimum pension liability adjustments	(3,857)	(4,182)	(36)
Foreign currency translation adjustments	(44,434)	(29,919)	(415)
Net unrealized losses on derivative instruments	(4,415)	(7,563)	(41)

Edgar Filing: Ellington Financial LLC - Form 10-Q

**Table of Contents**

**Segment Information**

(For the Nine Months Ended December 31, 2003 and 2002, and the Year Ended March 31, 2003)  
(Unaudited)

(millions of JPY)

	Nine months ended December 31, 2003			Nine months ended December 31, 2002			Year ended March 31, 2003		
	Revenues	Income (Loss) before Income Taxes*1	Operating Assets	Revenues	Income (Loss) before Income Taxes*1	Operating Assets	Revenues	Income (Loss) before Income Taxes*1	Operating Assets
<b>Operations in Japan</b>									
Corporate Finance	95,348	33,511	1,878,794	95,691	36,062	1,963,548	125,560	44,158	1,893,422
Equipment Operating Leases	53,344	5,528	141,932	49,866	4,572	145,234	67,655	4,402	144,397
Real Estate-Related Finance	38,671	13,531	901,501	36,955	12,664	908,821	51,589	19,572	931,513
Real Estate	102,589	8,051	283,227	75,619	(4,466)	307,599	104,454	(39,441)	303,838
Life Insurance	92,541	4,341	533,708	100,153	2,949	578,744	138,511	4,791	579,805
Other	51,243	5,081	412,459	42,159	10,155	398,435	61,238	8,452	387,978
Sub-Total	433,736	70,043	4,151,621	400,443	61,936	4,302,381	549,007	41,934	4,240,953
<b>Overseas Operations</b>									
The Americas	33,565	6,035	517,134	40,287	(590)	691,100	57,909	1,332	618,148
Asia and Oceania	39,502	16,385	419,775	41,381	5,859	454,123	55,425	9,765	437,874
Europe	8,460	(1,445)	57,298	9,593	(722)	78,376	13,311	(736)	75,207
Sub-Total	81,527	20,975	994,207	91,261	4,547	1,223,599	126,645	10,361	1,131,229
<b>Segment Total</b>	<b>515,263</b>	<b>91,018</b>	<b>5,145,828</b>	<b>491,704</b>	<b>66,483</b>	<b>5,525,980</b>	<b>675,652</b>	<b>52,295</b>	<b>5,372,182</b>
<b>Difference between Segment Totals and Consolidated Amounts</b>	<b>5,664</b>	<b>(5,899)</b>	<b>(234,983)</b>	<b>6,193</b>	<b>(5,185)</b>	<b>(224,179)</b>	<b>7,993</b>	<b>(6,007)</b>	<b>(203,875)</b>
<b>Consolidated Amounts</b>	<b>520,927</b>	<b>85,119</b>	<b>4,910,845</b>	<b>497,897</b>	<b>61,298</b>	<b>5,301,801</b>	<b>683,645</b>	<b>46,288</b>	<b>5,168,307</b>

(millions of US\$)

**U.S. dollars December 31, 2003**

	Revenues	Income (Loss) before Income Taxes*1	Operating Assets
<b>Operations in Japan</b>			
Corporate Finance	890	313	17,538
Equipment Operating Leases	498	52	1,325
Real Estate-Related Finance	361	126	8,415

Edgar Filing: Ellington Financial LLC - Form 10-Q

Real Estate	958	75	2,644
Life Insurance	864	41	4,982
Other	478	47	3,849
	<u>          </u>	<u>          </u>	<u>          </u>
Sub-Total	4,049	654	38,753
<b>Overseas Operations</b>			
The Americas	313	56	4,827
Asia and Oceania	369	153	3,918
Europe	79	(13)	535
	<u>          </u>	<u>          </u>	<u>          </u>
Sub-Total	761	196	9,280
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Segment Total</b>	<u>4,810</u>	<u>850</u>	<u>48,033</u>
<b>Difference between Segment Totals and Consolidated Amounts</b>			
	53	(55)	(2,193)
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Consolidated Amounts</b>	<u>4,863</u>	<u>795</u>	<u>45,840</u>

**\*Note 1:** Income (Loss) before Income Taxes represents Income before Extraordinary Gain, Cumulative Effect of a Change in Accounting Principle and Income Taxes.

**Note 2:** Quarterly comparison of segment information is presented in the accompanying Key Quarterly Financial Data located on page 12.

Edgar Filing: Ellington Financial LLC - Form 10-Q

**Table of Contents**

**Key Quarterly Financial Data (Unaudited)**

(millions of JPY)

Balance Sheet Data	Fiscal 2003				Fiscal 2004		
	Q1 (02/4-6)	Q2 (02/7-9)	Q3 (02/10-12)	Q4 (03/1-3)	Q1 (03/4-6)	Q2 (03/7-9)	Q3 (03/10-12)
1) Investment in Direct Financing Leases	1,646,932	1,669,623	1,634,494	1,572,308	1,582,153	1,542,172	1,545,853
Japan	1,283,552	1,305,846	1,278,175	1,237,141	1,242,600	1,237,347	1,255,453
Overseas	363,380	363,777	356,319	335,167	339,553	304,825	290,400
2) Installment Loans	2,327,354	2,326,189	2,374,664	2,288,039	2,302,005	2,224,486	2,224,670
Japan	1,898,108	1,932,184	1,986,182	1,954,640	1,969,694	1,922,105	1,943,624
Overseas	429,246	394,005	388,482	333,399	332,311	302,381	281,046
3) Investment in Operating Leases	451,012	460,103	454,468	529,044	523,413	487,613	496,570
Japan	327,391	339,403	340,997	369,489	358,596	333,527	346,064
Overseas	123,621	120,700	113,471	159,555	164,817	154,086	150,506
4) Investment in Securities	759,406	717,500	695,319	677,435	697,926	589,918	544,021
Japan	565,409	520,005	505,995	497,829	528,184	440,598	394,784
Overseas	193,997	197,495	189,324	179,606	169,742	149,320	149,237
5) Other Operating Assets	143,064	129,311	142,856	101,481	96,479	92,897	99,731
Japan	132,217	118,558	132,847	91,851	87,217	84,695	92,183
Overseas	10,847	10,753	10,009	9,630	9,262	8,202	7,548
<b>Total Operating Assets</b>	<b>5,327,768</b>	<b>5,302,726</b>	<b>5,301,801</b>	<b>5,168,307</b>	<b>5,201,976</b>	<b>4,937,086</b>	<b>4,910,845</b>
Allowance for Doubtful Receivables on Direct Financing Leases and Probable Loan Losses	(150,264)	(136,961)	(136,833)	(133,146)	(134,740)	(130,015)	(130,851)
Allowance/Investment in Direct Financing Leases and Installment Loans	3.8%	3.4%	3.4%	3.4%	3.5%	3.5%	3.5%
<b>Total Assets</b>	<b>6,091,100</b>	<b>6,050,290</b>	<b>6,025,781</b>	<b>5,931,067</b>	<b>5,923,307</b>	<b>5,684,598</b>	<b>5,672,032</b>
Short-Term Debt, Long-Term Debt and Deposits	4,489,605	4,425,331	4,393,599	4,239,514	4,232,175	3,977,021	3,941,826
Policy Liabilities	600,144	601,815	598,832	608,553	604,830	607,591	600,281
<b>Total Liabilities</b>	<b>5,592,427</b>	<b>5,550,564</b>	<b>5,519,176</b>	<b>5,425,609</b>	<b>5,396,760</b>	<b>5,143,520</b>	<b>5,120,264</b>
<b>Shareholders Equity</b>	<b>498,673</b>	<b>499,726</b>	<b>506,605</b>	<b>505,458</b>	<b>526,547</b>	<b>541,078</b>	<b>551,768</b>
<b>Total Liabilities &amp; Shareholders Equity</b>	<b>6,091,100</b>	<b>6,050,290</b>	<b>6,025,781</b>	<b>5,931,067</b>	<b>5,923,307</b>	<b>5,684,598</b>	<b>5,672,032</b>
<b>New Business Volumes</b>	<b>Q1 (02/4-6)</b>	<b>Q2 (02/7-9)</b>	<b>Q3 (02/10-12)</b>	<b>Q4 (03/1-3)</b>	<b>Q1 (03/4-6)</b>	<b>Q2 (03/7-9)</b>	<b>Q3 (03/10-12)</b>
Direct Financing Leases: New receivables added	237,779	325,817	213,620	223,680	212,175	186,370	215,975



Edgar Filing: Ellington Financial LLC - Form 10-Q

Japan	172,957	274,881	149,193	161,755	158,176	139,969	172,006
Overseas	64,822	50,936	64,427	61,925	53,999	46,401	43,969
Direct Financing Leases: New equipment							
acquisitions	210,819	297,122	187,555	200,352	188,194	166,734	192,336
Japan	151,062	251,883	128,093	144,525	138,479	121,963	151,787
Overseas	59,757	45,239	59,462	55,827	49,715	44,771	40,549
Installment Loans: New loans added							
Japan	341,138	334,070	295,622	297,340	270,959	258,464	293,556
Overseas	273,867	300,963	261,815	264,242	225,042	223,315	247,284
Overseas	67,271	33,107	33,807	33,098	45,917	35,149	46,272
Operating Leases: New equipment							
acquisitions	20,870	40,656	27,513	84,528	40,810	33,722	44,102
Japan	14,128	33,517	20,667	74,688	29,880	20,354	38,392
Overseas	6,742	7,139	6,846	9,840	10,930	13,368	5,710
Investment in Securities: New securities							
added	48,907	46,321	25,894	110,172	57,370	12,107	19,980
Japan	38,346	44,804	23,520	107,807	53,835	11,020	6,051
Overseas	10,561	1,517	2,374	2,365	3,535	1,087	13,929
Other Operating Assets: New assets added							
Japan	20,768	29,791	28,197	37,980	28,655	48,363	28,416
Overseas	15,475	29,403	23,504	30,948	28,655	48,301	28,416
Overseas	5,293	388	4,693	7,032		62	

- 10 -

**Table of Contents**

(millions of JPY)

Income Statement Data	Fiscal 2003				Fiscal 2004		
	Q1 (02/4-6)	Q2 (02/7-9)	Q3 (02/10-12)	Q4 (03/1-3)	Q1 (03/4-6)	Q2 (03/7-9)	Q3 (03/10-12)
<b>Revenues</b>							
1) Direct Financing Leases	30,742	32,737	29,880	29,569	28,516	28,349	27,503
Japan	21,987	24,854	22,503	22,099	21,906	21,865	21,462
Overseas	8,755	7,883	7,377	7,470	6,610	6,484	6,041
2) Operating Leases	30,534	30,545	30,675	35,854	37,878	34,363	36,576
Japan	22,012	21,808	21,321	22,511	28,064	23,789	26,717
Overseas	8,522	8,737	9,354	13,343	9,814	10,574	9,859
3) Interest on Loans and Investment Securities	30,757	33,284	31,395	36,154	28,314	31,263	27,860
Interest on loans	26,203	29,323	27,634	32,450	25,729	29,001	25,820
Japan	19,795	22,089	21,506	25,678	21,082	23,958	21,706
Overseas	6,408	7,234	6,128	6,772	4,647	5,043	4,114
Interest on investment securities	4,554	3,961	3,761	3,704	2,585	2,262	2,040
Japan	319	162	180	205	173	295	165
Overseas	4,235	3,799	3,581	3,499	2,412	1,967	1,875
4) Brokerage Commissions and Net Gains on Investment Securities	5,127	2,800	1,355	1,575	3,246	4,323	6,595
Brokerage commissions	774	569	536	521	691	1,167	1,006
Net gains on investment securities	4,353	2,231	819	1,054	2,555	3,156	5,589
5) Life Insurance Premiums and Related Investment Income	32,946	38,886	28,321	38,358	30,590	34,563	28,480
Life insurance premiums	28,745	34,503	25,184	34,531	27,524	31,114	24,231
Related investment income	4,201	4,383	3,137	3,827	3,066	3,449	4,249
6) Residential Condominium Sales	11,666	18,076	21,982	19,441	23,176	19,359	26,329
Japan	11,666	18,076	21,982	19,441	23,176	19,359	26,329
Overseas							
7) Interest Income on Deposits	177	135	98	116	161	102	260
8) Other Operating Revenues	19,008	17,308	19,463	24,681	19,036	22,632	21,453
Japan	17,015	14,867	16,243	22,420	16,952	19,698	18,811
Overseas	1,993	2,441	3,220	2,261	2,084	2,934	2,642
<b>Total Revenues</b>	<b>160,957</b>	<b>173,771</b>	<b>163,169</b>	<b>185,748</b>	<b>170,917</b>	<b>174,954</b>	<b>175,056</b>
<b>Expenses</b>							
1) Interest Expense	18,974	17,730	17,555	17,731	16,258	15,607	14,894
2) Depreciation Operating Leases	19,429	19,424	19,744	21,968	20,697	20,872	21,016
3) Life Insurance Costs	29,649	34,775	26,792	34,468	29,326	28,917	24,892
4) Costs of Residential Condominium Sales	9,985	15,727	17,596	17,461	20,372	17,301	24,463
5) Other Operating Expenses	8,379	9,770	10,114	13,096	10,217	11,529	12,782
6) Selling, General and Administrative Expenses	34,163	35,666	35,270	39,172	37,489	39,981	39,551
7) Provision for Doubtful Receivables and Probable Loan Losses	12,803	12,164	12,421	17,318	11,968	11,875	10,839
8) Write-downs of Long-Lived Assets		14,665		36,017		4,202	
9) Write-downs of Securities	2,166	3,576	2,174	6,409	1,506	551	1,930
10) Foreign Currency Transaction (Gain) Loss, Net	710	338	516	(353)	548	(74)	397

Edgar Filing: Ellington Financial LLC - Form 10-Q

<b>Total Expenses</b>	136,258	163,835	142,182	203,287	148,381	150,761	150,764
Operating Income (Loss)	24,699	9,936	20,987	(17,539)	22,536	24,193	24,292
Equity in Net Income of Affiliates	1,623	1,736	2,315	529	3,384	8,539	2,707
Gain (Loss) on Sales of Affiliates		2		2,000		(396)	(136)
Income (Loss) before Extraordinary Gain, Cumulative Effect of a Change in Accounting Principle and Income Taxes	26,322	11,674	23,302	(15,010)	25,920	32,336	26,863
Provision (Benefit) for Income Taxes	11,374	5,796	10,853	(6,827)	11,822	15,258	12,390
Income (Loss) before Extraordinary Gain and Cumulative Effect of a Change in Accounting Principle	14,948	5,878	12,449	(8,183)	14,098	17,078	14,473
Extraordinary Gain, Net of Applicable Tax Effect				3,214		243	
Cumulative Effect of a Change in Accounting Principle, Net of Applicable Tax Effect	1,937						
<b>Net Income (Loss)</b>	<b>16,885</b>	<b>5,878</b>	<b>12,449</b>	<b>(4,969)</b>	<b>14,098</b>	<b>17,321</b>	<b>14,473</b>

<b>Key Ratios, Per Share Data, and Employees</b>	<b>Q1 (02/4-6)</b>	<b>Q2 (02/7-9)</b>	<b>Q3 (02/10-12)</b>	<b>Q4 (03/1-3)</b>	<b>Q1 (03/4-6)</b>	<b>Q2 (03/7-9)</b>	<b>Q3 (03/10-12)</b>
Return on Equity (ROE)*	13.5%	4.7%	9.9%	(3.9%)	10.9%	13.0%	10.6%
Return on Assets (ROA)*	1.09%	0.39%	0.82%	(0.33%)	0.95%	1.19%	1.02%
Shareholders' Equity Ratio	8.2%	8.3%	8.4%	8.5%	8.9%	9.5%	9.7%
Debt-to-Equity Ratio (times)	9.0	8.9	8.7	8.4	8.0	7.4	7.1
Shareholders' Equity Per Share (yen)	5,961.30	5,973.44	6,053.07	6,039.43	6,291.50	6,465.22	6,594.86
Basic EPS (yen)	201.85	70.27	148.76	(59.38)	168.45	206.96	172.94
Diluted EPS (yen)	189.95	66.32	140.18	(59.38)	158.71	194.94	162.91
Number of Employees	11,820	11,859	11,977	11,833	11,621	11,723	12,698

\*annualized

**Table of Contents**

(millions of JPY)

Segment Information	Fiscal 2003				Fiscal 2004		
	Q1 (02/4-6)	Q2 (02/7-9)	Q3 (02/10-12)	Q4 (03/1-3)	Q1 (03/4-6)	Q2 (03/7-9)	Q3 (03/10-12)
<b>Operations in Japan</b>							
Corporate Finance	31,465	33,079	31,147	29,869	30,993	33,269	31,086
Equipment							
Operating Leases	16,233	16,734	16,899	17,789	16,980	17,717	18,647
Real Estate-Related							
Finance	13,995	11,708	11,252	14,634	10,937	13,011	14,723
Real Estate	18,983	26,331	30,305	28,835	37,239	29,921	35,429
Life Insurance	32,946	38,886	28,321	38,358	30,590	33,973	27,978
Other	12,773	14,386	15,000	19,079	16,231	16,398	18,614
Sub-Total	126,395	141,124	132,924	148,564	142,970	144,289	146,477
<b>Overseas Operations</b>							
The Americas	14,739	12,536	13,012	17,622	11,313	11,916	10,336
Asia and Oceania	13,741	13,838	13,802	14,044	12,857	13,814	12,831
Europe	3,091	2,742	3,760	3,718	2,606	2,721	3,133
Sub-Total	31,571	29,116	30,574	35,384	26,776	28,451	26,300
<b>Total Segment Revenues</b>	<b>157,966</b>	<b>170,240</b>	<b>163,498</b>	<b>183,948</b>	<b>169,746</b>	<b>172,740</b>	<b>172,777</b>
<b>Operations in Japan</b>							
Corporate Finance	10,411	14,089	11,562	8,096	9,345	12,574	11,592
Equipment							
Operating Leases	1,271	1,708	1,593	(170)	1,520	1,936	2,072
Real Estate-Related							
Finance	6,106	3,804	2,754	6,908	3,018	6,101	4,412
Real Estate	2,735	(11,542)	4,341	(34,975)	8,160	(1,831)	1,722
Life Insurance	1,282	1,694	(27)	1,842	(392)	2,899	1,834
Other	2,554	4,372	3,229	(1,703)	1,177	1,651	2,253
Sub-Total	24,359	14,125	23,452	(20,002)	22,828	23,330	23,885
<b>Overseas Operations</b>							
The Americas	1,229	(2,256)	437	1,922	2,131	1,781	2,123
Asia and Oceania	1,673	2,641	1,545	3,906	4,204	9,735	2,446
Europe	(545)	(65)	(112)	(14)	(258)	(1,641)	454
Sub-Total	2,357	320	1,870	5,814	6,077	9,875	5,023
<b>Total Segment Profits (Income Loss) before Income Taxes</b>	<b>26,716</b>	<b>14,445</b>	<b>25,322</b>	<b>(14,188)</b>	<b>28,905</b>	<b>33,205</b>	<b>28,908</b>
<b>Operations in Japan</b>							
Corporate Finance	2,008,152	1,981,237	1,963,548	1,893,422	1,910,425	1,845,251	1,878,794
Equipment							
Operating Leases	141,905	142,964	145,234	144,397	142,189	140,987	141,932
Sub-Total	906,193	908,115	908,821	931,513	932,999	879,964	901,501

Edgar Filing: Ellington Financial LLC - Form 10-Q

<b>Real Estate-Related Finance</b>							
Real Estate	293,189	289,919	307,599	303,838	295,663	275,967	283,227
Life Insurance	497,593	570,983	578,744	579,805	592,987	570,013	533,708
Other	389,605	372,273	398,435	387,978	395,184	406,076	412,459
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Sub-Total	4,236,637	4,265,491	4,302,381	4,240,953	4,269,447	4,118,258	4,151,621
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Overseas Operations</b>							
The Americas	695,351	713,300	691,100	618,148	604,167	541,036	517,134
Asia and Oceania	467,456	431,966	454,123	437,874	461,345	434,584	419,775
Europe	98,200	86,024	78,376	75,207	70,657	64,524	57,298
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Sub-Total	1,261,007	1,231,290	1,223,599	1,131,229	1,136,169	1,040,144	994,207
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Segment Assets</b>	<u>5,497,644</u>	<u>5,496,781</u>	<u>5,525,980</u>	<u>5,372,182</u>	<u>5,405,616</u>	<u>5,158,402</u>	<u>5,145,828</u>

- 12 -