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ELLINGTON RESIDENTIAL MORTGAGE REIT

Second Quarter 2018 Earnings Conference Call

August 3, 2018

Important Notice

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This presentation contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve numerous risks and uncertainties. Actual results may differ from the Company's beliefs, expectations, estimates, and projections and, consequently, you should not rely on these forward-looking statements as predictions of future events. Forward-looking statements are not historical in nature and can be identified by 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 by references to strategy, plans, or intentions.

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Some statements in this presentation may be derived from proprietary models developed by Ellington Management Group, L.L.C. ("Ellington"). Some examples provided may be based upon the hypothetical performance of such models. Models, however, are inherently imperfect and subject to a number of risks, including that the underlying data used by the models is incorrect, inaccurate, or incomplete, or that the models rely upon assumptions that may prove to be incorrect. The utility of model-based information is highly limited. The information is designed to illustrate Ellington's current view and expectations and is based on a number of assumptions and limitations, including those specified herein. Certain models make use of discretionary settings or parameters which can have a material effect on the output of the model. Ellington exercises discretion as to which settings or parameters to use in different situations, including using different settings or parameters to model different securities. Actual results and events may differ materially from those described by such models.

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Projected yields and spreads discussed herein are based upon Ellington models and rely on a number of assumptions, including as to prepayment, default and interest rates and changes in home prices. Such models are inherently imperfect and there is no assurance that any particular investment will perform as predicted by the models, or that any such investment will be profitable. Projected yields are presented for the purposes of (i) providing insight into the strategy's objectives, (ii) detailing anticipated risk and reward characteristics in order to facilitate comparisons with other investments, (iii) illustrating Ellington's current views and expectations, and (iv) aiding future evaluations of performance. They are not a guarantee of future performance. They are based upon assumptions regarding current and future events and conditions, which may not prove to be accurate. There can be no assurance that the projected yields will be achieved. Investments involve risk of loss.

Financial Information

All financial information included in this presentation is as of June 30, 2018 unless otherwise indicated. We undertake no duty or obligation to update this presentation to reflect subsequent events or developments.

Second Quarter Market Update

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	Quarter Ended										
	6/30/2018	3/31/2018	Q/Q	12/31/2017	Q/Q	9/30/2017	Q/Q	6/30/2017	Q/Q	3/31/2017	Q/Q
UST (%)[1]											
2Y UST	2.53	2.27	+0.26	1.88	+0.38	1.48	+0.40	1.38	+0.10	1.25	+0.13
5Y UST	2.74	2.56	+0.18	2.21	+0.36	1.94	+0.27	1.89	+0.05	1.92	-0.03
10Y UST	2.86	2.74	+0.12	2.41	+0.33	2.33	+0.07	2.30	+0.03	2.39	-0.08
30Y UST	2.99	2.97	+0.02	2.74	+0.23	2.86	-0.12	2.83	+0.03	3.01	-0.17
2Y10Y Spread	0.33	0.47	-0.14	0.52	-0.05	0.85	-0.33	0.92	-0.07	1.13	-0.21
US Dollar Swaps (%)[1]											
2Y SWAP	2.79	2.58	+0.21	2.08	+0.50	1.74	+0.34	1.62	+0.12	1.62	+0.00
5Y SWAP	2.89	2.71	+0.18	2.24	+0.46	2.00	+0.24	1.96	+0.05	2.05	-0.09
10Y SWAP	2.93	2.79	+0.14	2.40	+0.39	2.29	+0.11	2.28	+0.01	2.38	-0.10
LIBOR (%)[1]											
1mo	2.09	1.88	+0.21	1.56	+0.32	1.23	+0.33	1.22	+0.01	0.98	+0.24
3mo	2.34	2.31	+0.02	1.69	+0.62	1.33	+0.36	1.30	+0.03	1.15	+0.15
1mo3mo Spread	0.25	0.43	-0.18	0.13	+0.30	0.10	+0.03	0.08	+0.03	0.17	-0.09
Mortgage Rates (%)[2]											
15Y	4.22	4.09	+0.13	3.64	+0.45	3.42	+0.22	3.43	-0.01	3.57	-0.14
30Y	4.55	4.44	+0.11	3.99	+0.45	3.83	+0.16	3.88	-0.05	4.14	-0.26
FNMA Pass-Thrus[1]											
30Y 3.0	$96.80	$97.55	-$0.75	$100.05	-$2.50	$100.27	-$0.22	$99.83	+$0.44	$99.23	+$0.59
30Y 3.5	$99.45	$100.20	-$0.75	$102.73	-$2.53	$103.05	-$0.31	$102.67	+$0.38	$102.36	+$0.31
30Y 4.5	$104.08	$104.70	-$0.63	$106.42	-$1.72	$107.33	-$0.91	$107.27	+$0.06	$107.30	-$0.03
Libor-based OAS (bps)[3]											
30Y 3.0 OAS	17.7	21.6	-3.9	20.7	+0.9	23.8	-3.1	31.5	-7.7	31.7	-0.2
30Y 3.5 OAS	21.5	23.8	-2.3	17.2	+6.6	20.0	-2.8	29.4	-9.4	28.9	+0.5
30Y 4.5 OAS	31.3	32.7	-1.4	15.4	+17.3	8.6	+6.8	30.5	-21.9	25.9	+4.6
Libor-based ZSpread (bps)[4]											
30Y 3.0 ZSpread	46.9	52.1	-5.2	56.5	-4.4	63.1	-6.6	70.0	-6.9	67.5	+2.5
30Y 3.5 ZSpread	62.7	67.4	-4.7	65.5	+1.9	72.9	-7.4	81.1	-8.2	76.8	+4.3
30Y 4.5 ZSpread	78.1	79.0	-0.9	50.2	+28.8	53.1	-2.9	72.9	-19.8	70.4	+2.5

Second Quarter Highlights

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Overall Results	▪ Net income: $1.8 million or $0.14 per share ▪ Economic return: 1.2% for the quarter ▪ Net Interest Margin: 1.28%; Adjusted Net Interest Margin(2): 1.17%
Core Earnings(1)	▪ Core Earnings: $5.1 million or $0.40 per share ▪ Adjusted Core Earnings(2): $4.6 million or $0.36 per share
Shareholders' Equity & BVPS(3)	▪ Shareholders' equity: $174.2 million ▪ Book value per share: $13.70

Portfolio(3)	▪ Agency RMBS Portfolio: $1.57 billion
	    ▪ Weighted average prepayment speed on fixed-rate specified pools of 8.2% CPR for the quarter
	    ▪ Portfolio turnover of 17%
	▪ Non-Agency RMBS Portfolio: $12.0 million

Leverage(3)	▪ Debt-to-equity ratio: 8.8:1 ▪ Net mortgage assets-to-equity ratio of 7.4:1(4)
Dividend	▪ Declared second quarter dividend of $0.37 per share (paid in July 2018) ▪ Annualized dividend yield of 13.4% based on closing price of $11.07 on August 1, 2018
Share Repurchase Program	▪ Repurchased 115,800 shares during the quarter, or approximately 1%, at an average price of $11.01

Relative Yield Spreads

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	24 Mo Tights	◆ As of July 9, 2018	24 Mo Wides
Securitized Products			
US Agency MBS TOAS	-13	23	27
US Agency MBS TZV	51	72	87
US Non-Agency RMBS	95	100	375
CRT OTR M1	37	78	193
CRT OTR LCF	177	206	534
US CMBS AAA	75	87	115
US CMBS BBB-	310	320	630
Agency CMBS (10yr)	43	56	85
US CLO 2.0 AAA	92	108	160
US CLO 2.0 BBB	245	295	485
UK Prime	21	35	100
UK NC Snr	60	74	185
ES RMBS AAA	35	52	85
EUR CLO 2.0 AAA	71	80	130
US Corporate Credit			
US IG Corp A OAS	69	97	117
US IG Corp BBB OAS	112	151	194
US HY Corp BB STW	217	277	407
US HY Corp B STW	347	412	606
US HY Corp CCC STW	732	771	1159

Source: Morgan Stanley

- **Performance was mixed for the second quarter across the various credit-sensitive sectors**
- **Investment grade and high yield corporate credit spreads tightened during April but then widened in May and June, and finished the quarter approximately flat**
- **Option-adjusted Agency RMBS spreads remain near their 24-month widest levels**

Summary of Financial Results

($ in thousands except per share amounts and percentages)	QE 6/30/2018		QE 3/31/2018	
Interest Income	$ 14,081		$ 13,426	
Interest Expense	(7,668)		(7,248)	
Total Net Interest Income	$ 6,413		$ 6,178	
Total Other Gain (Loss) [1]	$ 131		$ (379)	
Total Expenses	$ 1,427		$ 1,517	
as % of average equity, annualized [2]	*3.22%*		*3.26%*	
Core Earnings [3]	**$ 5,117**	**$ 0.40 / sh**	**$ 4,282**	**$ 0.32 / sh**
Less: Catch-up Premium Amortization Adjustment	480		$ (150)	
Adjusted Core Earnings [4]	**$ 4,637**	**$ 0.36 / sh**	**$ 4,432**	**$ 0.34 / sh**
Net Realized and Unrealized Gain (Loss)				
RMBS	$ (10,172)		$ (29,181)	
Interest Rate Hedges	6,841		20,946	
Total Net Realized and Unrealized Gain (Loss)	$ (3,331)		$ (8,235)	
Net Income (Loss)	**$ 1,786**	**$ 0.14 / sh**	**$ (3,953)**	**$ (0.30) / sh**
Adjusted Weighted Average Yield [5]	3.15%		3.02%	
Cost of Funds	-1.98%		-1.93%	
Adjusted Net Interest Margin [4]	1.17%		1.09%	
Shareholders' Equity	**$ 174,169**	**$ 13.70 / sh**	**$ 178,312**	**$ 13.90 / sh**

Portfolio Summary

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(In thousands)	June 30, 2018 Current Principal	Fair Value	Average Price[1]	Cost	Average Cost[1]	March 31, 2018 Current Principal	Fair Value	Average Price[1]	Cost	Average Cost[1]
Agency RMBS[2]										
15-year fixed rate mortgages	$ 147,080	$ 148,499	$ 100.96	$ 153,512	$ 104.37	$ 151,969	$ 154,850	$ 101.90	$ 158,690	$ 104.42
20-year fixed rate mortgages	8,143	8,421	103.41	8,767	107.66	8,432	8,773	104.04	9,078	107.66
30-year fixed rate mortgages	1,263,388	1,294,483	102.46	1,329,912	105.27	1,304,988	1,341,220	102.78	1,375,171	105.38
ARMs	20,124	20,730	103.01	21,521	106.94	22,613	23,382	103.40	24,010	106.18
Reverse mortgages	71,781	76,831	107.04	78,603	109.50	69,813	75,382	107.98	76,536	109.63
Total Agency RMBS	1,510,516	1,548,964	102.55	1,592,315	105.42	1,557,815	1,603,607	102.94	1,643,485	105.50
Non-Agency RMBS	14,839	12,024	81.03	10,278	69.26	15,258	12,442	81.54	10,503	68.84
Total RMBS[2]	1,525,355	1,560,988	102.34	1,602,593	105.06	1,573,073	1,616,049	102.73	1,653,988	105.14
Agency Interest Only RMBS	n/a	19,115	n/a	18,583	n/a	n/a	14,526	n/a	14,264	n/a
Total mortgage-backed securities		1,580,103		1,621,176			1,630,575		1,668,252	
U.S. Treasury securities sold short	(16,300)	(16,195)	99.36	(15,999)	98.15	(44,350)	(44,377)	100.06	(44,002)	99.22
Reverse repurchase agreements	21,373	21,373	100.00	21,373	100.00	44,617	44,617	100.00	44,617	100.00
Total		**$1,585,281**		**$1,626,550**			**$1,630,815**		**$1,668,867**	

Dynamic Hedging Strategy

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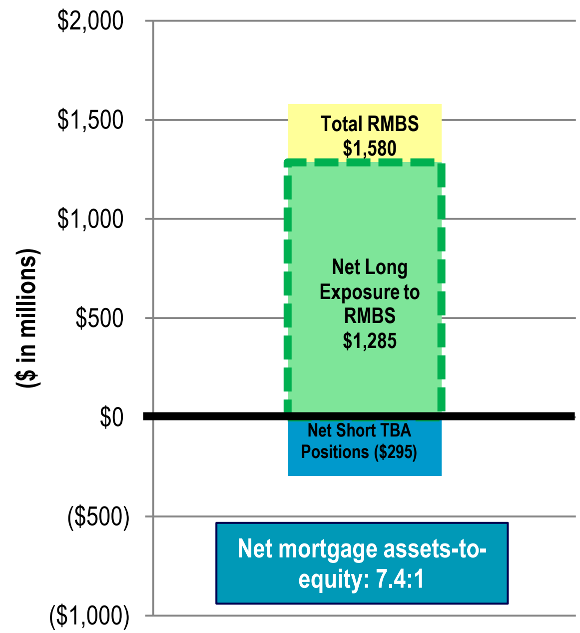
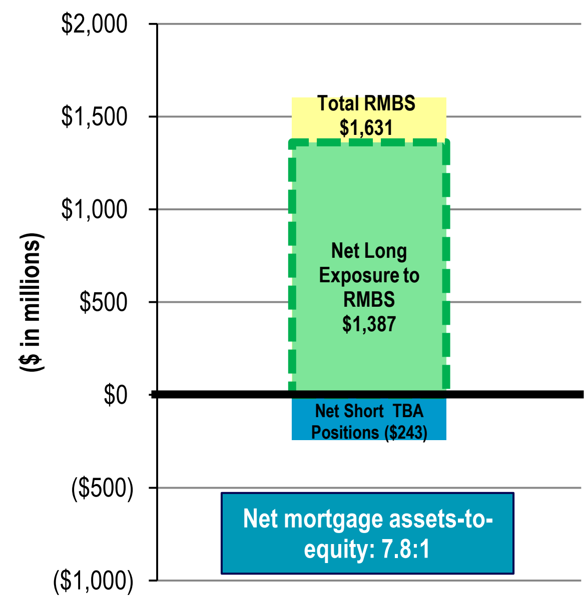
Exposure to RMBS Based on Fair Value of TBA Portfolio[1]

As of 6/30/2018



As of 3/31/2018



- Carry lower net effective mortgage exposure than our "headline" leverage would suggest
  - Our net mortgage assets-to-equity[2] ratio was 7.4:1 versus our debt-to-equity ratio of 8.8:1 as of June 30, 2018
- Use of TBA short positions as hedges:
  - Helps drive outperformance in especially volatile quarters
  - When interest rates spike, TBA short positions not only extend with specified pool assets, but they tend to extend more than specified pool assets, which dynamically and automatically hedges a large portion of our specified pool portfolio

Agency Interest Rate Hedging Portfolio

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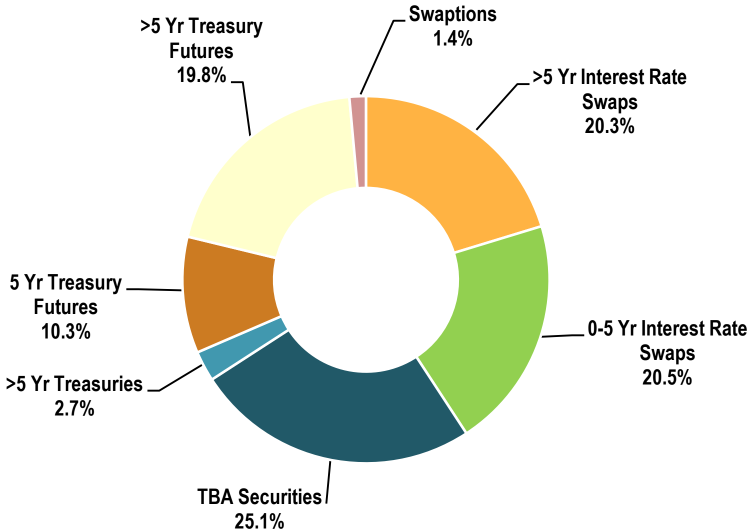
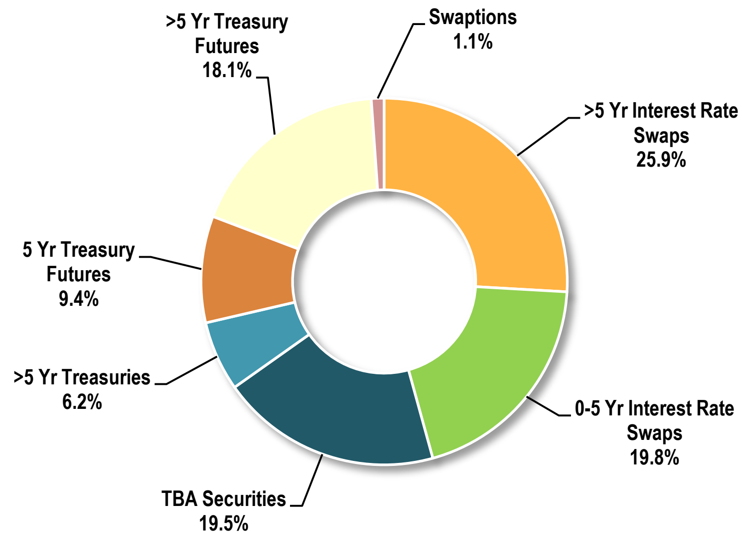
As of 6/30/2018
Short $690.1MM 10-year equivalents[1]

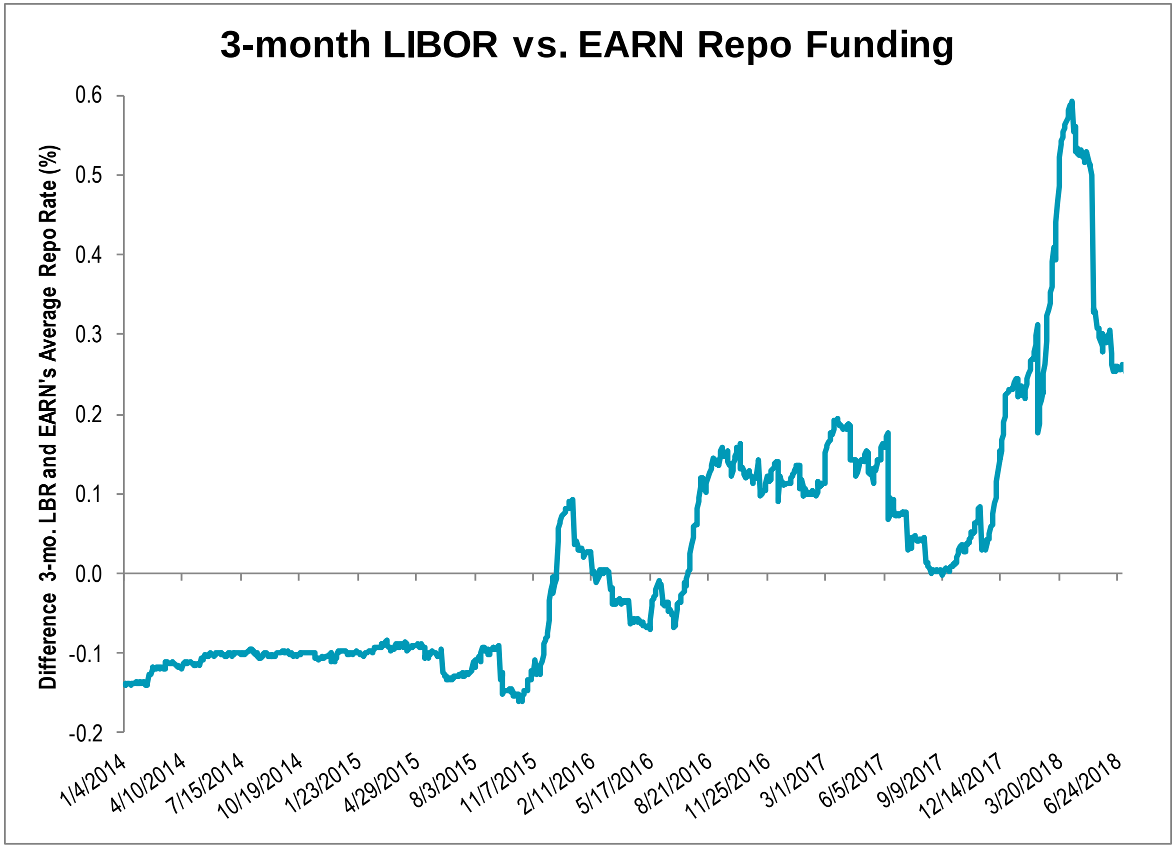


As of 3/31/2018
Short $759.5MM 10-year equivalents[1]



- Shorting “generic” pools (or TBAs) allows EARN to significantly reduce interest rate risk and basis risk in its Agency portfolio
- We also hedge interest rate risk with swaps, U.S. Treasury securities, futures, and swaptions
- We hedge along the entire yield curve to protect against volatility, defend book value and more thoroughly control interest rate risk

Spread Differential: 3-mo. LIBOR vs. Repo Funding Rate[1]



- The spread between the Agency repo funding rate and 3-month LIBOR has widened significantly since the end of 2017, though the difference began to narrow during the second quarter
- EARN's cost of funds should benefit from the spread differential between our repo rate and 3-month LIBOR as the floating/receiving leg of our swaps reset higher
  - This funding advantage is only available to the leveraged investor
  - Only a small portion of the Agency investor base uses leverage: notably, mREITs and hedge funds
  - Funding advantage is supportive of Core Earnings

Lower Premium Prepayment Risk

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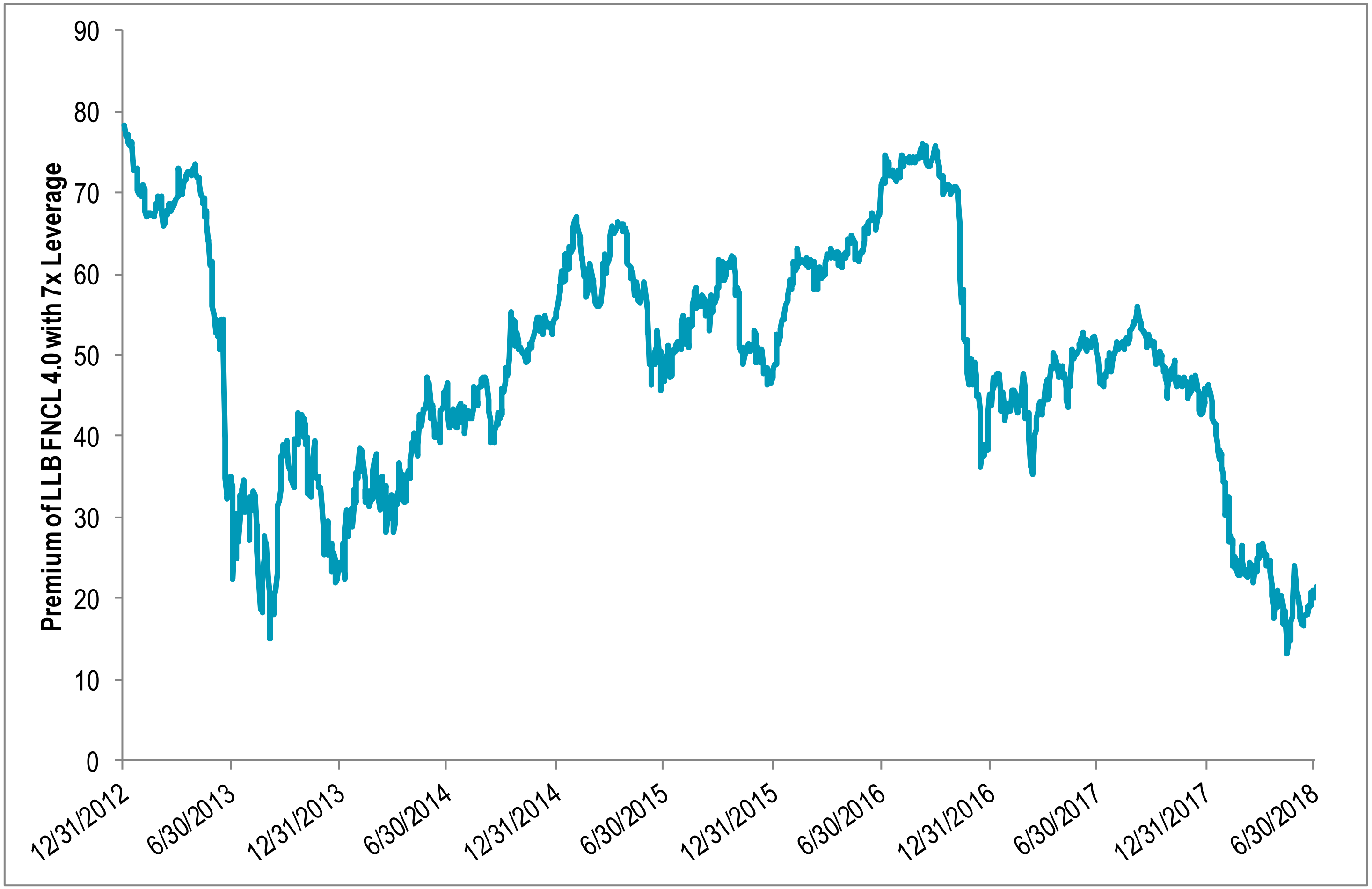

- With lower Agency RMBS dollar prices and smaller specified pool payups, Agency mREIT net interest margins have become less dependent on slow prepayment speeds
- Par-priced mortgages have a more stable yield profile as a function of prepayment speeds

EARN: 2018 Objectives

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1. Take advantage of relative value trading opportunities that we believe will emerge as a diminishing Fed footprint leads to more pricing dislocations

2. Dial up and down our MBS exposure aggressively in response to market opportunities

3. Supplement earnings with book value accretion via share repurchases when stock price is deeply discounted

4. Capitalize on investment opportunities that emerge as volatility returns to the market

   - 2018 has been marked by rising bond yields and a flattening yield curve

   - Our hedging strategy and the high liquidity of our current portfolio enable us to take advantage of investment opportunities

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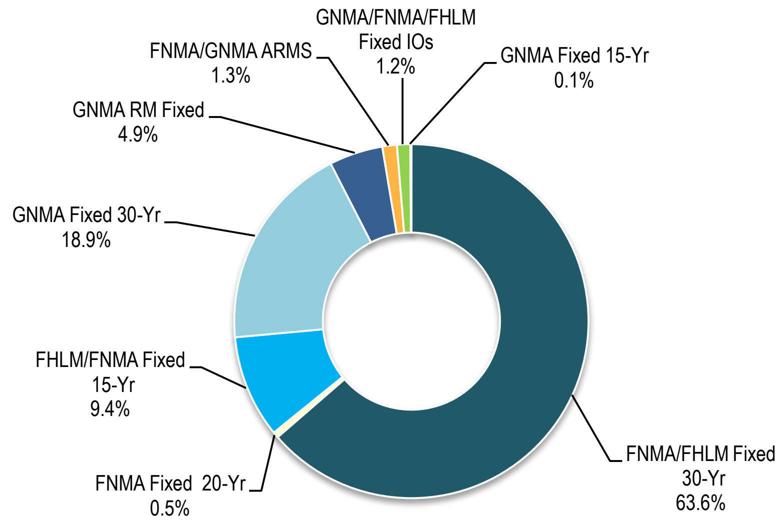
Supplemental Slides

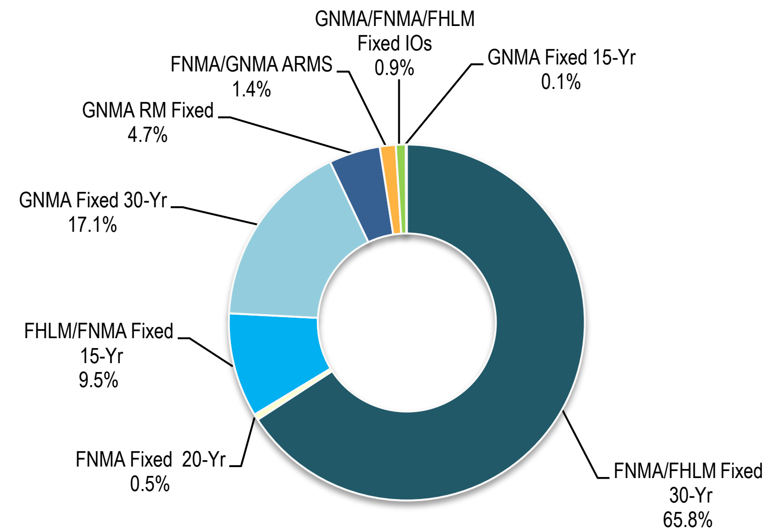
Agency Portfolio Summary

Agency Long Portfolio
As of 6/30/18: $1.57BN(1)



Fixed Portfolio[2]		
Category	Fair Value[1][3]	Weighted Average Coupon[4]
FNMA Fixed - 30-Yr	$703.1	3.96
FNMA Fixed - 20-Yr	8.4	4.00
FNMA Fixed - 15-Yr	91.0	3.36
FHLM Fixed - 30-Yr	294.6	4.12
FHLM Fixed - 15-Yr	56.1	3.49
GNMA Fixed - 30-Yr	296.8	4.05
GNMA Fixed - 15-Yr	1.4	3.53
GNMA RM Fixed	76.8	4.54
Total	**$1,528.2**	**3.98**

Agency Long Portfolio
As of 3/31/18: $1.62BN(1)



Fixed Portfolio[2]		
Category	Fair Value[1][3]	Weighted Average Coupon[4]
FNMA Fixed - 30-Yr	$757.5	3.90
FNMA Fixed - 20-Yr	8.8	4.00
FNMA Fixed - 15-Yr	93.9	3.35
FHLM Fixed - 30-Yr	307.3	4.00
FHLM Fixed - 15-Yr	59.4	3.50
GNMA Fixed - 30-Yr	276.4	3.92
GNMA Fixed - 15-Yr	1.5	3.51
GNMA RM Fixed	75.4	4.52
Total	**$1,580.2**	**3.91**

CPR Breakout of Agency Fixed Long Portfolio

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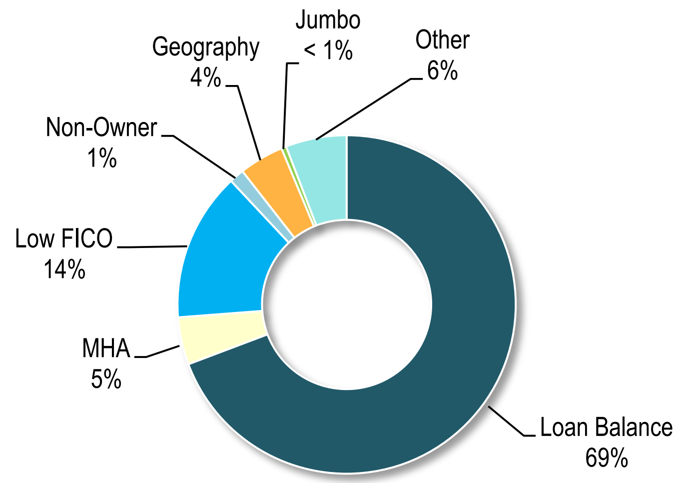
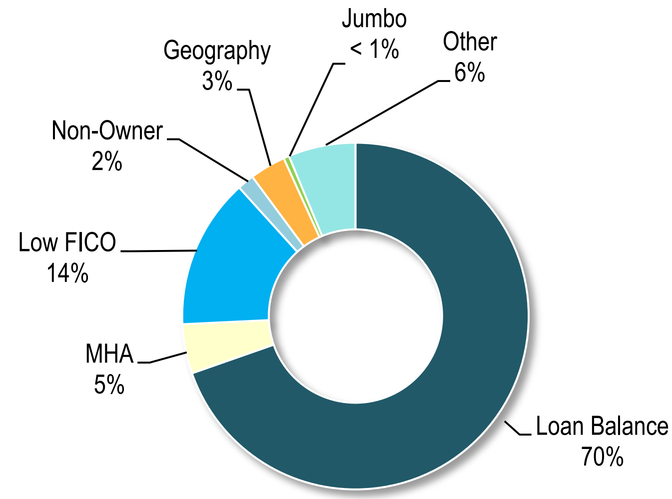
Agency Fixed Long Portfolio
Collateral Characteristics and Historical 3-month CPR: Average for the Quarter Ended June 30, 2018[1]



Fixed Portfolio		
Characteristic[2]	Fair Value[1][3]	3-Month CPR %
Loan Balance	$1,030.8	8.8
MHA[4]	$67.0	10.1
Low FICO	$211.9	5.6
Non-Owner	$20.9	10.4
Geography	$63.4	6.1
Jumbo	$6.9	28.4
Other	$86.7	5.1
Total	**$1,487.6**	**8.2**

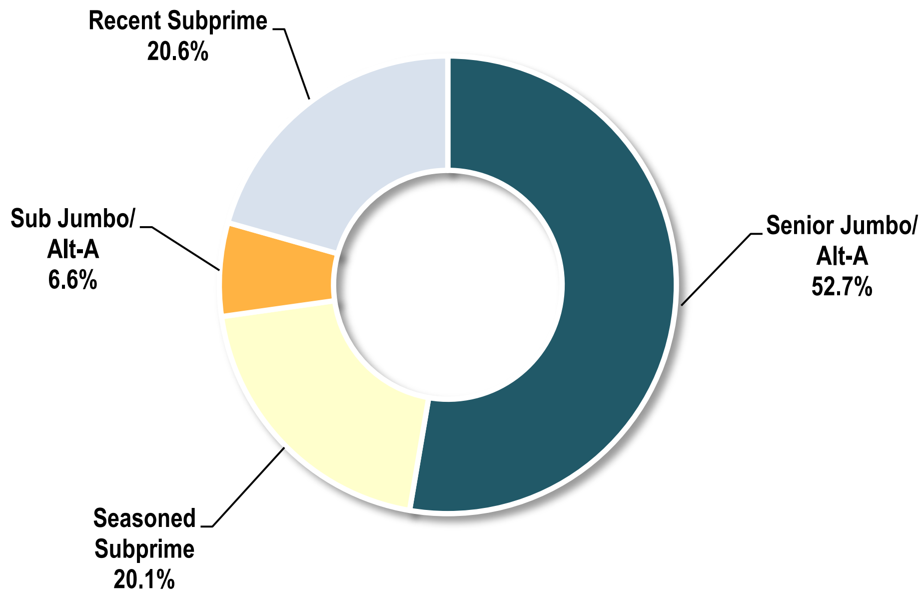
Agency Fixed Long Portfolio
Collateral Characteristics and Historical 3-month CPR: Average for the Quarter Ended March 31, 2018[1][5]



Fixed Portfolio		
Characteristic[2]	Fair Value[1][3]	3-Month CPR %
Loan Balance	$1,068.0	6.3
MHA[4]	$70.3	13.2
Low FICO	$215.7	7.8
Non-Owner	$24.0	10.3
Geography	$51.5	8.3
Jumbo	$7.7	42.7
Other	$96.8	3.7
Total	**$1,534.0**	**7.0**

Non-Agency Portfolio

Non-Agency Portfolio
6/30/18: $12.0 MM



Total Non-Agency
Avg Mkt Px 81.0

- **Continue to maintain a small but high-yielding portfolio of non-Agency RMBS**
- **May increase allocation to sector should more attractive entry points arise**

Repo Borrowings[(1)]

	June 30, 2018			March 31, 2018		
		Weighted Average			Weighted Average	
Remaining Days to Maturity	Borrowings Outstanding	Interest Rate	Remaining Days to Maturity	Borrowings Outstanding	Interest Rate	Remaining Days to Maturity
	(In thousands)			*(In thousands)*		
30 days or less	$ 481,649	2.00%	16	$ 468,222	1.67%	16
31-60 days	732,797	2.10%	45	818,835	1.76%	45
61-90 days	322,770	2.18%	76	302,262	1.90%	75
Total	**$ 1,537,216**	**2.09%**	**42**	**$ 1,589,319**	**1.76%**	**42**

- **Outstanding borrowings are with 16 counterparties as of June 30, 2018**
- **Cost of repo increased as LIBOR increased**
- **Availability from both existing and new lending counterparties remains strong**

Interest Rate Sensitivity Analysis[1]

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(In thousands)	Estimated Change in Fair Value					
	50 Basis Point Decline in Interest Rates			50 Basis Point Increase in Interest Rates		
	Market Value		% of Total Equity	Market Value		% of Total Equity
Agency RMBS - ARM Pools	$	197	0.11%	$	(213)	-0.12%
Agency RMBS - Fixed Pools and IOs		26,767	15.37%		(34,693)	-19.92%
TBAs		(6,746)	-3.87%		8,077	4.63%
Non-Agency RMBS		288	0.17%		(283)	-0.16%
Interest Rate Swaps		(12,271)	-7.05%		11,843	6.80%
Swaptions		(432)	-0.25%		424	0.24%
U.S. Treasury Securities		(817)	-0.47%		763	0.44%
U.S. Treasury Futures		(9,011)	-5.17%		8,742	5.02%
Repurchase and Reverse Repurchase Agreements		(919)	-0.53%		919	0.53%
Total	**$**	**(2,944)**	**-1.69%**	**$**	**(4,421)**	**-2.54%**

Interest Rate Hedging as of June 30, 2018

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Fixed Payer Interest Rate Swap					
Maturity	Notional Amount	Fair Value	Weighted Average Pay Rate	Weighted Average Receive Rate	Weighted Average Years to Maturity
	(In thousands)				
2020-2022	$ 287,880	$ 7,799	1.83 %	2.35 %	2.83
2023-2025	176,088	3,871	2.35 %	2.35 %	5.33
Thereafter	91,188	5,096	2.14 %	2.35 %	10.81
Total	**$ 555,156**	**$ 16,766**	**2.05 %**	**2.35 %**	**4.93**

TBA Securities				
(In thousands)	Notional Amount [1]	Cost Basis [2]	Market Value [3]	Net Carrying Value [4]
Total TBAs, Net	$ (292,429)	$ (293,872)	$ (294,845)	$ (973)

Futures			
(In thousands)	Notional Amount	Fair Value	Remaining Months to Expiration
U.S. Treasury Futures	$ (296,100)	$ 2,177	2.84
Total	$ (296,100)	$ 2,177	2.84

	Option		Underlying Swap		
(In thousands)	Fair Value	Months to Expiration	Notional Amount	Term (Years)	Fixed Rate
Fixed Payer	$ 470	1.0	$ 10,000	10	2.40%

Consolidated Statement of Operations

(Unaudited)

E A R N
ELLINGTON RESIDENTIAL MORTGAGE REIT

	Three Month Period Ended		Six Month Period Ended
	June 30, 2018	March 31, 2018	June 30, 2018
(In thousands except share amounts)			
INTEREST INCOME (EXPENSE)			
Interest income	$ 14,081	$ 13,426	$ 27,506
Interest expense	(7,668)	(7,248)	(14,915)
Total net interest income	6,413	6,178	12,591
EXPENSES			
Management fees to affiliate	656	671	1,327
Professional fees	217	234	452
Compensation expense	187	189	375
Insurance expense	74	74	148
Other operating expenses	293	349	641
Total expenses	1,427	1,517	2,943
OTHER INCOME (LOSS)			
Net realized gains (losses) on securities	(7,114)	1,927	(5,188)
Net realized gains (losses) on financial derivatives	(3,702)	15,955	12,253
Change in net unrealized gains (losses) on securities	(3,218)	(27,061)	(30,279)
Change in net unrealized gains (losses) on financial derivatives	10,834	565	11,399
Total other income (loss)	(3,200)	(8,614)	(11,815)
NET INCOME (LOSS)	$ 1,786	$ (3,953)	$ (2,167)
NET INCOME (LOSS) PER COMMON SHARE			
Basic and Diluted	$ 0.14	$ (0.30)	$ (0.17)
WEIGHTED AVERAGE SHARES OUTSTANDING	12,715,277	13,224,214	12,968,340
CASH DIVIDENDS PER SHARE:			
Dividends declared	$ 0.37	$ 0.37	$ 0.74

Consolidated Balance Sheet
(Unaudited)

EARN
ELLINGTON RESIDENTIAL MORTGAGE REIT

(In thousands except share amounts)	As of June 30, 2018	As of March 31, 2018	As of December 31, 2017 (1)
ASSETS			
Cash and cash equivalents	$ 41,402	$ 46,025	$ 56,117
Mortgage-backed securities, at fair value	1,580,103	1,630,575	1,685,998
Due from brokers	26,946	32,061	26,754
Financial derivatives-assets, at fair value	20,095	13,528	8,792
Reverse repurchase agreements	21,373	44,617	81,461
Receivable for securities sold	51,614	73,560	21,606
Interest receivable	5,988	5,645	5,784
Other assets	748	523	575
Total Assets	$ 1,748,269	$ 1,846,534	$ 1,887,087
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Repurchase agreements	$ 1,537,216	$ 1,589,319	$ 1,597,206
Payable for securities purchased	1,387	17,612	3,830
Due to brokers	7,312	1,025	489
Financial derivatives-liabilities, at fair value	1,655	5,876	1,863
U.S. Treasury securities sold short, at fair value	16,195	44,377	81,289
Dividend payable	4,703	4,746	4,936
Accrued expenses	849	911	728
Management fee payable to affiliate	656	671	725
Interest payable	4,127	3,685	3,318
Total Liabilities	$ 1,574,100	$ 1,668,222	$ 1,694,384
SHAREHOLDERS' EQUITY			
Preferred shares, par value $0.01 per share, 100,000,000 shares authorized; (0 shares issued and outstanding, respectively)	-	-	-
Common shares, par value $0.01 per share, 500,000,000 shares authorized; (12,712,050, 12,827,850 and 13,340,217 shares issued and outstanding, respectively)	127	128	134
Additional paid-in-capital	233,152	234,376	240,062
Accumulated deficit	(59,110)	(56,192)	(47,493)
Total Shareholders' Equity	174,169	178,312	192,703
Total Liabilities and Shareholders' Equity	$ 1,748,269	$ 1,846,534	$ 1,887,087
Per Share Information			
Common shares, par value $0.01 per share	$ 13.70	$ 13.90	$ 14.45

Reconciliation of Core Earnings to Net Income (Loss)[1]

EARN
ELLINGTON RESIDENTIAL MORTGAGE REIT

(In thousands except share amounts)	Three-Month Period Ended June 30, 2018	Three-Month Period Ended March 31, 2018
Net Income (Loss)	$ 1,786	$ (3,953)
Less:		
Net realized gains (losses) on securities	(7,114)	1,927
Net realized gains (losses) on financial derivatives, excluding periodic payments[2]	(2,361)	14,823
Change in net unrealized gains (losses) on securities	(3,218)	(27,061)
Change in net unrealized gains and (losses) on financial derivatives, excluding accrued periodic payments[3]	9,362	2,076
Subtotal	(3,331)	(8,235)
Core Earnings	$ 5,117	$ 4,282
Catch-up Premium Amortization Adjustment	480	(150)
Adjusted Core Earnings	4,637	4,432
Weighted Average Shares Outstanding	12,715,277	13,224,214
Core Earnings Per Share	$ 0.40	$ 0.32
Adjusted Core Earnings Per Share	$ 0.36	$ 0.34

About Ellington

EARN
ELLINGTON RESIDENTIAL MORTGAGE REIT

Ellington Profile

As of 6/30/2018

Founded:	1994
Employees:	>150
Investment Professionals:	65
Global offices:	3

$7.4 Billion in assets under management as of 6/30/2018[1]

16 Employee-partners own the firm[2]

18 Years of average industry experience of senior portfolio managers

23% Ownership of EARN by Blackstone Tactical Opportunity Funds

Ellington and its Affiliated Management Companies

- Our external manager Ellington Residential Mortgage Management LLC is part of the Ellington family of SEC-registered investment advisors[3]. Ellington and its affiliates manage Ellington Residential Mortgage REIT (EARN), Ellington Financial LLC (EFC), multi-investor hedge funds, separately managed accounts, and opportunistic private funds
- Time-tested infrastructure and proprietary resources in trading, research, risk management, and operational support
- Founding partners each have advanced academic training in mathematics and engineering, including among them several Ph.D.'s and Master's degrees

Industry-Leading Research & Trading Expertise

- Sophisticated proprietary models for prepayment and credit analysis
- Approximately 25% of employees dedicated to research and infrastructure development
- Structured credit trading experience and analytical skills developed since the firm's founding 23 years ago
- Ellington's portfolio managers are among the most experienced in the MBS sector and the firm's analytics have been developed over its 23-year history

Endnotes

EARN
ELLINGTON RESIDENTIAL MORTGAGE REIT

Slide 3 – Second Quarter Market Update
(1) Source: Bloomberg
(2) Source: Mortgage Bankers Association via Bloomberg
(3) Libor-based 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.
(4) The Libor-based Zero-volatility spread (Z-spread) is the constant spread over Libor that makes the price of a security equal to the present value of its cash flows when added to the yield at each point on the spot rate Treasury curve where cash flows are received.

Slide 4 – Second Quarter Highlights
(1) Core Earnings and Adjusted Core Earnings are non-GAAP financial measures. See slide 22 for a reconciliation of Core Earnings to Net Income (Loss).
(2) Adjusted Core Earnings and Adjusted Net Interest Margin represent Core Earnings and Net Interest Margin, respectively, in each case excluding the effect of the Catch-Up Premium Amortization on interest income.
(3) As of June 30, 2018.
(4) We define our net mortgage assets-to-equity ratio as the net aggregate market value of our mortgage-backed securities (including the underlying market values of our long and short TBA positions) divided by total shareholders' equity. As of June 30, 2018 the market value of our mortgage-backed securities and our net short TBA position was $1.580 billion and $(294.8) million, respectively, and total shareholders' equity was $174.2 million.

Slide 6 – Summary of Financial Results
(1) Total Other Gain (Loss) represents net realized and unrealized gains (losses) on periodic settlements of interest rate swaps.
(2) Average equity is calculated using month end values.
(3) Core Earnings is a non-GAAP financial measure. See slide 22 for a reconciliation of Core Earnings to Net Income (Loss).
(4) Adjusted Core Earnings and Adjusted Net Interest Margin represent Core Earnings and Net Interest Margin, respectively, in each case excluding the effect of the Catch-Up Premium Amortization on interest income.
(5) Adjusted Weighted Average Yield represents the weighted average yield on our portfolio, excluding the impact of the Catch-up Premium Amortization Adjustment.

Slide 7 – Portfolio Summary
(1) Represents the dollar amount (not shown in thousands) per $100 of current principal of the price or cost for the security.
(2) Excludes Agency IOs.

Slide 8 – Dynamic Hedging Strategy
(1) Net short TBA positions represents the current market value of the underlying Agency RMBS (on a forward delivery basis) as of June 30, 2018 and March 31, 2018 . The net carrying value of the TBA positions as of June 30, 2018 on the Consolidated Balance Sheet was $(1.0) million. The net carrying value of the TBA positions as of March 31, 2018 on the Consolidated Balance Sheet was $(2.3) million.
(2) We define our net mortgage assets-to-equity ratio as the net aggregate market value of our mortgage-backed securities (including the underlying market values of our long and short TBA positions) divided by total shareholders' equity. As of June 30, 2018 the market value of our mortgage-backed securities and our net short TBA position was $1.580 billion and $(294.8) million, respectively, and total shareholders' equity was $174.2 million.

Slide 9 – Agency Interest Rate Hedging Portfolio
(1) "10-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.

Slide 10 – Spread Differential: 3-mo. LIBOR vs. Repo Funding Rate

(1) Chart compares LIBOR on each day to the average rate of EARN's repo financing outstanding on that day. Because repo financing may be entered into for an extended term at a rate fixed at the beginning of the term, the average outstanding repo rate on a given day may reflect rates set in a rate environment weeks or months before that day. The average rate on outstanding repo financing on a day may differ materially from the rate available to establish repo financing on that day.

Slide 14 – Agency Portfolio Summary

(1) Does not include long TBA positions with a notional value of $149.5 million and a market value of $153.7 million as of June 30, 2018. Does not include long TBA positions with a notional value of $139.7 million and a market value of $142.9 million as of March 31, 2018.
(2) Fair value shown in millions. Excludes fixed rate IOs.
(3) Fair value shown in millions.
(4) Represents weighted average net pass-through rate.

Slide 15 – CPR Breakout of Agency Fixed Long Portfolio

(1) Does not include long TBA positions, reverse mortgage pools, or fixed rate IOs.
(2) Classification methodology may change over time as market practices change.
(3) Fair value shown in millions.
(4) "MHA" indicates those pools where underlying borrowers have participated in the Making Homes Affordable program.
(5) Conformed to current period presentation

Slide 17 – Repo Borrowings

(1) As of June 30, 2018 and March 31, 2018, the Company had no outstanding borrowings other than under repurchase agreements.

Slide 18 – Interest Rate Sensitivity Analysis

(1) Based on the market environment as of June 30, 2018. Results are based on forward-looking models, which are inherently imperfect, and incorporate various simplifying assumptions. Therefore, the table above is for illustrative purposes only and actual changes in interest rates would likely cause changes in the actual value of our portfolio that would differ from those presented above, and such differences might be significant and adverse.

Slide 19 - Interest Rate Hedging as of June 30, 2018

(1) Notional amount represents the principal balance of the underlying Agency RMBS.
(2) Cost basis represents the forward price to be paid 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 June 30, 2018.
(4) Net carrying value represents the difference between the market value of the TBA contract as of June 30, 2018 and the cost basis, and is included in Financial derivatives-assets, at fair value and Financial derivatives-liabilities, at fair value on the Consolidated Balance Sheet.

Slide 21 – Balance Sheet

(1) Derived from audited financial statements as of December 31, 2017.

Endnotes

Slide 22 – Reconciliation of Core Earnings to Net Income (Loss)

(1) Core Earnings consists of net income (loss), excluding realized and change in net unrealized gains and (losses) on securities and financial derivatives, and, if applicable, items of income or loss that are of a non-recurring nature. Core Earnings includes net realized and change in net unrealized gains (losses) associated with payments and accruals of periodic payments on interest rate swaps. Adjusted Core Earnings represents Core Earnings excluding the effect of the Catch-up Premium Amortization Adjustment on interest income. The Catch-up Premium Amortization Adjustment is a quarterly adjustment to premium amortization 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 assumptions about cashflows and prepayments, and can vary significantly from quarter to quarter. Core Earnings and Adjusted Core Earnings are supplemental non-GAAP financial measures. We believe that Core Earnings and Adjusted Core Earnings provide information useful to investors because they are metrics that we use to assess our performance and to evaluate the effective net yield provided by the portfolio. Moreover, one of our objectives is to generate income from the net interest margin on the portfolio, and Core Earnings and Adjusted Core Earnings are used to help measure the extent to which this objective is being achieved. However, because Core Earnings and Adjusted Core Earnings are incomplete measures of our financial results and differ from net income (loss) computed in accordance with GAAP, they should be considered as supplementary to, and not as substitutes for, net income (loss) computed in accordance with GAAP. The table above reconciles, for the three month periods ended June 30, 2018 and March 31, 2018, our Core Earnings and Adjusted Core Earnings on a consolidated basis to the line on our Consolidated Statement of Operations entitled Net Income (Loss), which we believe is the most directly comparable GAAP measure on our Consolidated Statement of Operations to Core Earnings and Adjusted Core Earnings.

(2) For the three month period ended June 30, 2018, represents Net realized gains (losses) on financial derivatives of \$(3.7) million less Net realized gains (losses) on periodic settlements of interest rate swaps of \$(1.3) million. For the three month period ended March 31, 2018, represents Net realized gains (losses) on financial derivatives of \$16.0 million less Net realized gains (losses) on periodic settlements of interest rate swaps of \$1.1 million.

(3) For the three month period ended June 30, 2018, represents Change in net unrealized gains (losses) on financial derivatives of \$10.8 million less Change in net unrealized gains (losses) on accrued periodic settlements of interest rate swaps of \$1.5 million. For the three month period ended March 31, 2018, represents Change in net unrealized gains (losses) on financial derivatives of \$0.6 million less Change in net unrealized gains (losses) on accrued periodic settlements of interest rate swaps of \$(1.5) million.

Slide 23 – About Ellington

(1) \$7.4 billion in assets under management includes approximately \$1.0 billion in Ellington-managed CLOs. For these purposes, the Ellington-managed CLO figure represents the aggregate outstanding balance of CLO notes and market value of CLO equity, excluding any notes and equity held by other Ellington-managed funds and accounts.

(2) Does not include partners formerly employed by Ellington who may have residual capital balances but who no longer have voting rights in the partnership.

(3) Registration with the SEC does not imply that the firm or any of its principals or employees possess a particular level of skill or training in the investment advisory or any other business.

EARN

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