

EARN

ELLINGTON RESIDENTIAL MORTGAGE REIT

November 3, 2021

# Earnings Conference Call

Q3 2021



## Forward-Looking Statements

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.

The Company's results can fluctuate from month to month and from quarter to quarter depending on a variety of factors, some of which are beyond the Company's control and/or are difficult to predict, including, without limitation, changes in interest rates and the market value of the Company's securities, changes in mortgage default rates and prepayment rates, the Company's ability to borrow to finance its assets, changes in government regulations affecting the Company's business, the Company's ability to maintain its exclusion from registration under the Investment Company Act of 1940 and other changes in market conditions and economic trends including changes resulting from the ongoing spread and economic effects of the novel coronavirus (COVID-19) pandemic and associated responses to the pandemic. Furthermore, forward-looking statements are subject to risks and uncertainties, including, among other things, those described under Item 1A of our Annual Report on Form 10-K filed on March 16, 2021 which can be accessed through the link to our SEC filings under "For Our Shareholders" on our website ([www.earnreit.com](http://www.earnreit.com)) or at the SEC's website ([www.sec.gov](http://www.sec.gov)). Other risks, uncertainties, and factors that could cause actual results to differ materially from those projected may be described from time to time in reports we file with the SEC, including reports on Forms 10-Q, 10-K and 8-K. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

## Modeling

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.

## Projected Yields and Spreads

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 September 30, 2021 unless otherwise indicated. We undertake no duty or obligation to update this presentation to reflect subsequent events or developments.

# Third Quarter Market Update

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ELLINGTON RESIDENTIAL MORTGAGE REIT

Quarter Ended	9/30/2021	Q3/Q2	6/30/2021	Q2/Q1	3/31/2021	Q1/Q4	12/31/2020	Q4/Q3	9/30/2020
<b>UST (%)<sup>(1)</sup></b>									
3M UST	0.03	-0.01	0.04	+0.03	0.02	-0.04	0.06	-0.03	0.09
2Y UST	0.28	+0.03	0.25	+0.09	0.16	+0.04	0.12	-0.01	0.13
5Y UST	0.96	+0.08	0.89	-0.05	0.94	+0.58	0.36	+0.08	0.28
10Y UST	1.49	+0.02	1.47	-0.27	1.74	+0.83	0.91	+0.23	0.68
30Y UST	2.04	-0.04	2.09	-0.32	2.41	+0.77	1.64	+0.19	1.46
3M10Y Spread	1.45	+0.03	1.43	-0.30	1.73	+0.87	0.85	+0.26	0.59
2Y10Y Spread	1.21	-0.01	1.22	-0.36	1.58	+0.79	0.79	+0.23	0.56
<b>US Dollar Swaps (%)<sup>(1)</sup></b>									
2Y SWAP	0.38	+0.05	0.33	+0.04	0.29	+0.09	0.20	-0.02	0.22
5Y SWAP	1.05	+0.09	0.97	-0.09	1.06	+0.63	0.43	+0.08	0.35
10Y SWAP	1.51	+0.06	1.44	-0.34	1.78	+0.86	0.93	+0.22	0.71
<b>LIBOR (%)<sup>(1)</sup></b>									
1M	0.08	-0.02	0.10	-0.01	0.11	-0.03	0.14	-0.00	0.15
3M	0.13	-0.02	0.15	-0.05	0.19	-0.04	0.24	+0.00	0.23
1M3M Spread	0.05	+0.00	0.05	-0.04	0.08	-0.01	0.09	+0.01	0.09
<b>Mortgage Rates (%)<sup>(2)</sup></b>									
15Y	2.45	-0.11	2.56	-0.15	2.71	+0.29	2.42	-0.23	2.65
30Y	3.01	+0.03	2.98	-0.19	3.17	+0.50	2.67	-0.23	2.90
<b>FNMA Pass-Thrus<sup>(1)</sup></b>									
30Y2.5	\$103.22	-\$0.20	\$103.41	+\$0.91	\$102.51	-\$2.95	\$105.45	+\$0.56	\$104.89
30Y3.5	\$105.83	+\$0.56	\$105.27	-\$0.34	\$105.61	-\$0.13	\$105.73	+\$0.25	\$105.48
30Y4.5	\$108.16	+\$0.54	\$107.63	-\$1.24	\$108.87	+\$0.48	\$108.39	+\$0.22	\$108.17
<b>Libor-based OAS (bps)<sup>(3) (4)</sup></b>									
FNMA30Y2.5 OAS	-3.9	-7.4	3.5	+6.1	-2.6	+29.2	-31.8	-29.5	-2.3
FNMA30Y3.5 OAS	-13.5	-31.0	17.5	+12.0	5.5	+6.0	-0.5	-4.4	3.9
FNMA30Y4.5 OAS	-22.3	-27.3	5.0	+29.9	-24.9	-3.1	-21.8	-6.7	-15.1
<b>Libor-based ZSpread (bps)<sup>(3) (5)</sup></b>									
FNMA30Y2.5 ZSpread	53.4	-5.6	59.0	+19.8	39.2	+19.8	19.4	-31.5	50.9
FNMA30Y3.5 ZSpread	29.4	-33.4	62.8	+5.2	57.6	+35.9	21.7	-1.5	23.2
FNMA30Y4.5 ZSpread	1.3	-24.8	26.1	+20.2	5.9	+19.9	-14.0	-5.4	-8.6

<p>Results</p>	<ul style="list-style-type: none"> <li>• Net Income: \$0.9 million or \$0.07 per share</li> <li>• Core Earnings<sup>(1)</sup>: \$4.0 million, or \$0.31 per share</li> <li>• Net Interest Margin<sup>(2)</sup>: 1.88%</li> </ul>
<p>Shareholders' Equity &amp; BVPS<sup>(3)</sup></p>	<ul style="list-style-type: none"> <li>• Shareholders' Equity: \$158.9 million</li> <li>• Book Value Per Share: \$12.28</li> </ul>
<p>Portfolio</p>	<ul style="list-style-type: none"> <li>• Agency RMBS Portfolio: \$1.197 billion<sup>(3)</sup> <ul style="list-style-type: none"> <li>• Weighted average prepayment speed on our fixed-rate specified pools decreased slightly quarter over quarter to 21.9% CPR from 22.8% CPR</li> <li>• Average pay-ups on our fixed-rate specified pools decreased slightly quarter over quarter to 1.44% from 1.55%, as new purchases primarily consisted of lower pay-up pools</li> <li>• Higher-coupon RMBS outperformed lower-coupon RMBS</li> </ul> </li> <li>• Non-Agency RMBS Portfolio: \$9.1 million<sup>(3)</sup></li> </ul>
<p>Leverage<sup>(3)</sup></p>	<ul style="list-style-type: none"> <li>• Debt-to-Equity Ratio: 6.7:1</li> <li>• Net Mortgage Assets-to-Equity Ratio of 6.4:1<sup>(4)</sup></li> <li>• Cash and cash equivalents of \$61.2 million, in addition to other unencumbered assets of \$31.7 million</li> </ul>
<p>Dividends</p>	<ul style="list-style-type: none"> <li>• Declared dividend of \$0.30 per share (paid in October 2021)</li> <li>• Annualized dividend yield of 9.8% based on closing price of \$12.19 on 11/1/2021</li> <li>• Switched to a monthly dividend schedule in October 2021, and declared inaugural monthly dividend of \$0.10 per share</li> </ul>

## Summary of Financial Results

	Quarter Ended 9/30/2021	Quarter Ended 6/30/2021
<i>(in thousands except per share amounts)</i>		
Interest Income	\$ 5,463	\$ 9,875
Interest Expense	(552)	(661)
<b>Total Net Interest Income</b>	<b>\$ 4,911</b>	<b>\$ 9,214</b>
Total Other Gain (Loss) <sup>(1)</sup>	(668)	(501)
Total Expenses	(1,442)	(1,533)
Add back: Non-recurring expenses	-	58
Add back: Catch-up Premium Amortization Adjustment <sup>(2)</sup>	1,213	(2,636)
<b>Core Earnings<sup>(3)</sup></b>	<b>\$ 4,014</b>	<b>\$ 4,602</b>
<b>Per Share<sup>(4)</sup></b>	<b>\$ 0.31</b>	<b>\$ 0.37</b>
Net Realized and Unrealized Gain (Loss):		
RMBS	\$ (2,641)	\$ (10,117)
Long TBAs Held for Investment	10	4,176
Interest Rate Hedges and Other Activities, Net	690	(5,776)
<b>Total Net Realized and Unrealized Gain (Loss)</b>	<b>\$ (1,941)</b>	<b>\$ (11,717)</b>
Deduct : Non-recurring expenses	-	(58)
Deduct: Catch-up Premium Amortization Adjustment <sup>(2)</sup>	(1,213)	2,636
<b>Net Income (Loss)</b>	<b>\$ 860</b>	<b>\$ (4,537)</b>
<b>Per Share<sup>(4)</sup></b>	<b>\$ 0.07</b>	<b>\$ (0.36)</b>
Weighted Average Yield <sup>(5)</sup>	2.30%	2.44%
Cost of Funds	<u>-0.42%</u>	<u>-0.40%</u>
Net Interest Margin <sup>(6)</sup>	1.88%	2.04%
Average Pay-Ups	1.44%	1.55%
<b>Shareholders' Equity</b>	<b>\$ 158,900</b>	<b>\$ 161,852</b>
<b>Book Value Per Share<sup>(4)</sup></b>	<b>\$ 12.28</b>	<b>\$ 12.53</b>



# Consolidated Balance Sheet (Unaudited)



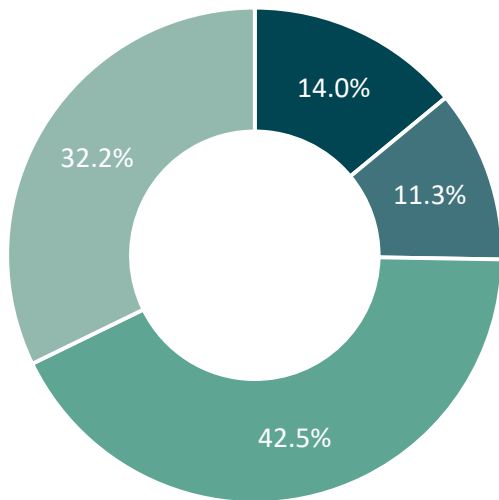
<i>(in thousands except share amounts and per share amounts)</i>	September 30, 2021		June 30, 2021	
<b>Assets</b>				
Cash and cash equivalents	\$	61,169	\$	58,683
Mortgage-backed securities, at fair value		1,218,306		1,210,620
Other investments, at fair value		309		306
Due from brokers		58,296		69,000
Financial derivative-assets, at fair value		7,310		3,750
Reverse repurchase agreements		9,975		33,572
Receivable for securities sold		7,022		778
Interest receivable		3,786		3,786
Other assets		502		550
<b>Total Assets</b>	<b>\$</b>	<b>1,366,675</b>	<b>\$</b>	<b>1,381,045</b>
<b>Liabilities and Shareholders' Equity</b>				
<b>Liabilities</b>				
Repurchase agreements	\$	1,062,197	\$	1,135,497
Payable for securities purchased		125,853		51,885
Due to brokers		577		222
Financial derivatives-liabilities, at fair value		3,090		4,318
U.S. Treasury securities sold short, at fair value		9,974		21,017
Dividend Payable		3,881		3,876
Accrued expenses		1,207		1,332
Management fee payable to affiliate		598		609
Interest payable		398		437
<b>Total Liabilities</b>	<b>\$</b>	<b>1,207,775</b>	<b>\$</b>	<b>1,219,193</b>
<b>Shareholders' Equity</b>				
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; (12,935,358 and 12,918,542 shares issued and outstanding, respectively)		129		129
Additional paid-in-capital		236,869		236,800
Accumulated deficit		(78,098)		(75,077)
<b>Total Shareholders' Equity</b>		<b>158,900</b>		<b>161,852</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$</b>	<b>1,366,675</b>	<b>\$</b>	<b>1,381,045</b>
<b>Supplemental Per Share Information</b>				
Book Value Per Share	\$	12.28	\$	12.53

# Portfolio Summary

(in thousands)	September 30, 2021					June 30, 2021				
	Current Principal	Fair Value	Average Price <sup>(1)</sup>	Cost	Average Cost <sup>(1)</sup>	Current Principal	Fair Value	Average Price <sup>(1)</sup>	Cost	Average Cost <sup>(1)</sup>
<b>Agency RMBS<sup>(2)</sup></b>										
15-year fixed rate mortgages	\$ 142,607	\$ 150,316	\$ 105.41	\$ 148,435	\$104.09	\$ 140,139	\$ 148,054	\$ 105.65	\$ 145,804	\$104.04
20-year fixed rate mortgages	37,387	38,515	103.02	38,925	104.11	38,496	39,610	102.89	40,062	104.07
30-year fixed rate mortgages	898,524	955,012	106.29	940,203	104.64	872,706	933,252	106.94	914,966	104.84
ARMs	11,692	12,212	104.45	12,253	104.80	13,388	14,042	104.88	14,027	104.77
Reverse mortgages	38,657	41,339	106.94	41,274	106.77	49,698	53,714	108.08	52,956	106.56
<b>Total Agency RMBS</b>	<b>1,128,867</b>	<b>1,197,394</b>	<b>106.07</b>	<b>1,181,090</b>	<b>104.63</b>	<b>1,114,427</b>	<b>1,188,672</b>	<b>106.66</b>	<b>1,167,815</b>	<b>104.79</b>
Non-Agency RMBS	10,874	9,138	84.04	7,288	67.02	11,069	9,304	84.05	7,344	66.35
<b>Total RMBS<sup>(2)</sup></b>	<b>1,139,741</b>	<b>1,206,532</b>	<b>105.86</b>	<b>1,188,378</b>	<b>104.27</b>	<b>1,125,496</b>	<b>1,197,976</b>	<b>106.44</b>	<b>1,175,159</b>	<b>104.41</b>
Agency Interest Only RMBS	n/a	11,774	n/a	14,255	n/a	n/a	12,644	n/a	15,393	n/a
<b>Total mortgage-backed securities</b>		<b>\$ 1,218,306</b>		<b>\$ 1,202,633</b>			<b>\$ 1,210,620</b>		<b>\$ 1,190,552</b>	

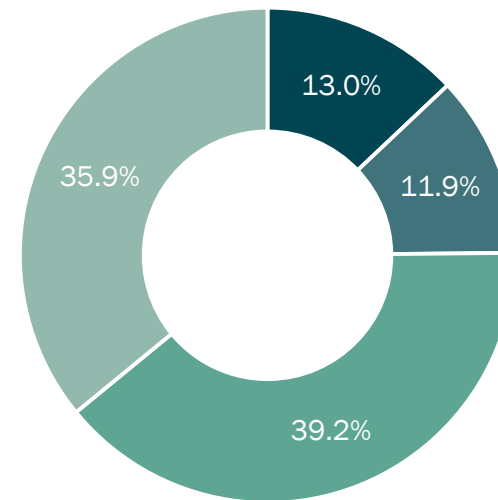
- Agency RMBS holdings increased slightly to \$1.197 billion as of September 30, 2021, as compared to \$1.189 billion as of June 30, 2021
- Agency RMBS portfolio turnover was 23% for the quarter
- Non-Agency RMBS portfolio declined slightly to \$9.1 million from \$9.3 million in the previous quarter

Short \$401.4MM 10-yr equivalents<sup>(1)</sup>  
 As of 9/30/2021



- 2-to-5 Yr Treasuries and Treasury Futures
- 2-to-5 Yr Interest Rate Swaps
- >5 Yr Interest Rate Swaps
- >5 Yr Treasuries and Treasury Futures

Short \$410.3MM 10-yr equivalents<sup>(1)</sup>  
 As of 6/30/2021



We hedge along the entire yield curve to manage interest rate risk and protect book value

Shorting “generic” pools (or TBAs) allows EARN to significantly reduce interest rate risk and basis risk in its Agency portfolio

At quarter end, our net position in TBAs was again long on a 10-year equivalent basis (though it was still net short on a notional basis)

We also hedge interest rate risk with swaps, U.S. Treasury securities, futures, and swaptions

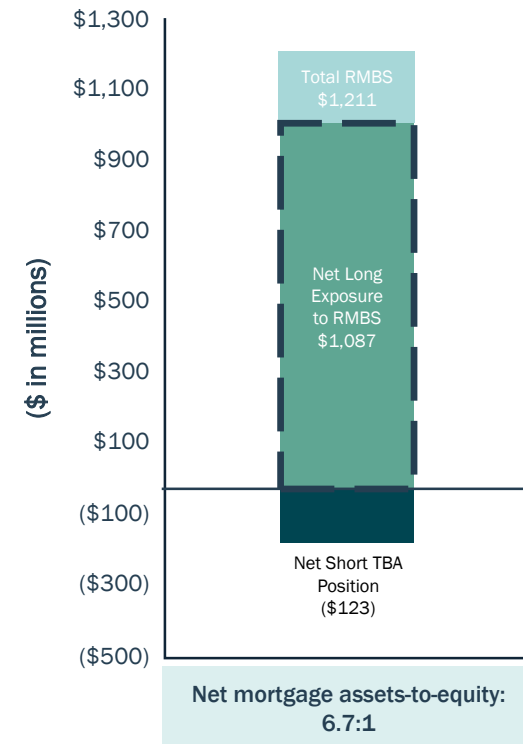


## Net RMBS Exposure Based on Fair Value<sup>(1)</sup>

As of 9/30/2021



As of 6/30/2021



- EARN often carries significantly lower net effective mortgage exposure than our “headline” leverage suggests, due to our net short TBA position
- Our net mortgage assets-to-equity<sup>(2)</sup> ratio decreased quarter over quarter, driven by a larger net short TBA position

- Use of TBA short positions as hedges helps drive outperformance in especially volatile quarters, such as the first and second quarters of 2020. 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 correspondingly larger portion of our specified pool portfolio

◆ As of September 30, 2021<sup>(1)</sup>

## Securitized Products

US Agency MBS TOAS

US Agency MBS TZV

US Agency FN 3 OAS

US Agency G2 3 OAS

US Spec HLB 3

Non-QM AAA

Legacy Resi

CRT OTR M1

Subprime Auto BBB

US CLO 2.0 AAA

US CLO 2.0 BBB

EUR CLO 2.0 AAA

US CMBS AAA

US CMBS BBB

## US Corporate Credit

US IG Corp A OAS

US IG Corp BBB OAS

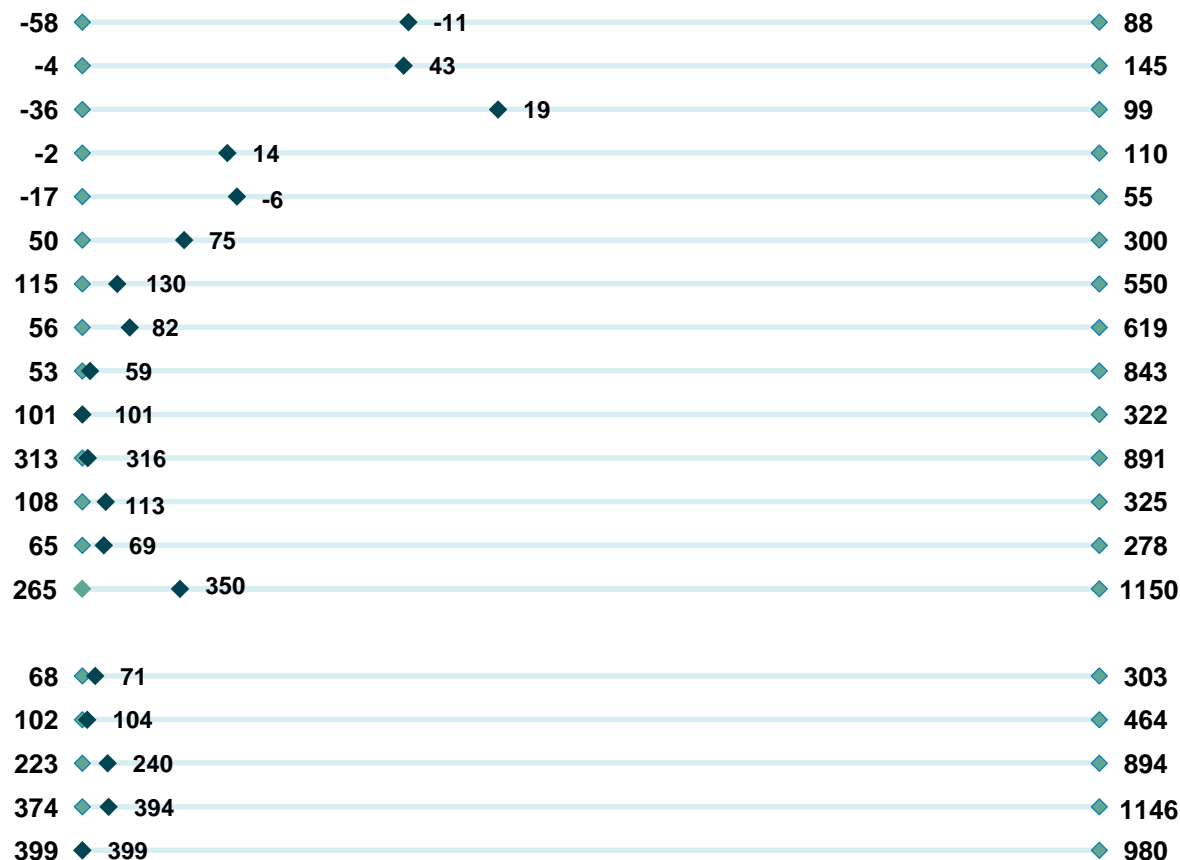
US HY Corp BB STW

US HY Corp B STW

Lev Loans

24 Mo Tights

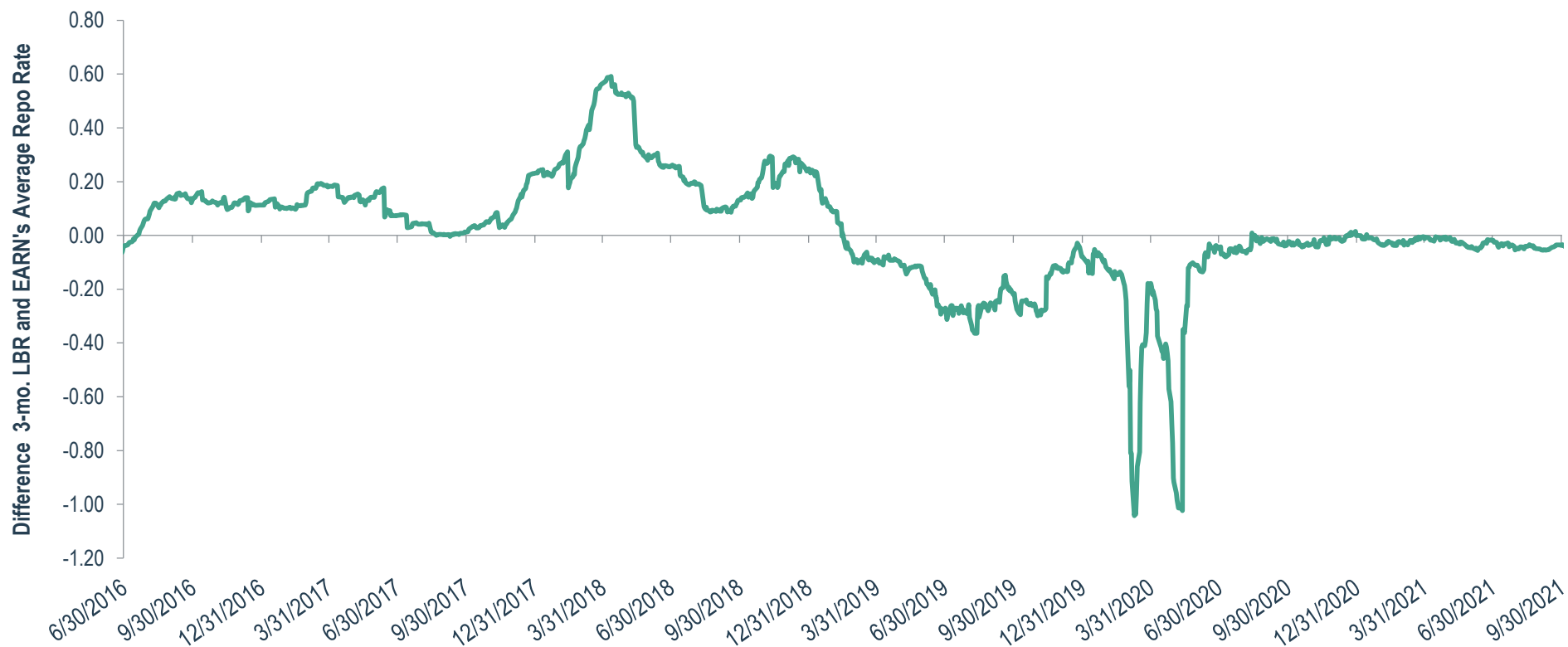
24 Mo Wides



Source: Morgan Stanley

- Yield spreads on many fixed-income assets were relatively unchanged quarter-over-quarter
- During the third quarter, yield spreads on US Agency MBS TOAS, US Agency MBS TZV, U.S CMBS BBB, and US HY Corp B STW widened modestly while yield spreads on US Agency FN 3 OAS, US Agency G2 3 OAS, Subprime Auto BBB, and Legacy Resi tightened

## 3-month LIBOR Minus Earn Repo Funding Rate



- Because we receive 3-month LIBOR on our interest rate swaps, when 3-month LIBOR is lower than our repo funding costs, our hedging costs are higher and our net interest margin is reduced
- The relationship between 3-month LIBOR and our agency repo funding rate was highly volatile during the market turmoil of early 2020, but has since stabilized and narrowed

Ellington is committed to corporate social responsibility. We recognize the importance of environmental, social and governance (“ESG”) factors, and believe that the implementation of ESG policies will benefit our employees, support long-term shareholder performance, and make a positive impact on the environment and society as a whole. Our Manager has a standing ESG Committee to address a variety of issues, including its impact on the environment, increasing the diversity of its workforce, employee engagement, and community involvement.



## Environmental

- Our office is conveniently located near mass transportation.
- We provide financial support and incentives to our employees who use public transit.
- To reduce energy usage, we use Energy Star® certified desktops, monitors and printers; and utilize motion sensor lighting and cooling to reduce energy usage in non-peak hours.
- To reduce waste and promote a cleaner environment, we use green cleaning supplies and kitchen products; recycle electronics, ink cartridges, and packaging; provide recycling containers to employees; and use water coolers to reduce waste.



## Social

- We invest in home mortgage loans, which support homeownership and stability within communities.
- Ellington and senior members of management sponsor numerous charitable causes, including several devoted to diversity and children in need. We also support employee charitable contributions with matching gift programs.
- Our employees have access to robust health and wellness programs. Ellington also supports various events that support health and wellness.
- We provide opportunities for personal growth with training and education support, including reimbursement for continuing education. We also provide mentorship programs, and internship opportunities.
- We are committed to enhancing gender, racial, and ethnic diversity throughout our organization, as stated in our Manager’s Diversity and Inclusion Policy.
- We are in compliance with applicable employment codes and guidelines, including ADA, Equal Opportunity Employment, Non-Discrimination, Anti-Harassment and Non-Retaliation codes.



## Governance

- Our Manager has a Responsible Investment policy incorporating ESG factors into its investment processes for applicable strategies.
- We operate under a Code of Business Conduct and Ethics.
- EARN has a separate independent Chairman, and the majority of Board members are independent.
- We hold annual elections of Directors.
- We are committed to significant disclosure and transparency, including an established quarterly book value disclosure and dividend policy.
- We foster regular employee engagement, and have an established Whistleblower policy.
- Robust process for shareholder engagement.

- 1 Capitalize on investment opportunities driven by market volatility and uncertainty, including around Fed tapering
- 2 Rely on disciplined interest rate hedging and liquidity management to manage future volatility and protect book value
- 3 Dial up and down our MBS exposure opportunistically in response to market conditions
- 4 Rotate portfolio to take advantage of relative value discrepancies between Agency RMBS, and capitalize on lower borrowing costs, in order to drive Net Interest Margin and Core Earnings
- 5 Changes in the prepayment landscape should favor our core strengths of prepayment modeling, asset selection, and dynamic interest rate hedging, while also providing meaningful trading opportunities
- 6 Vary capital allocations to non-Agency RMBS as market opportunities change over time



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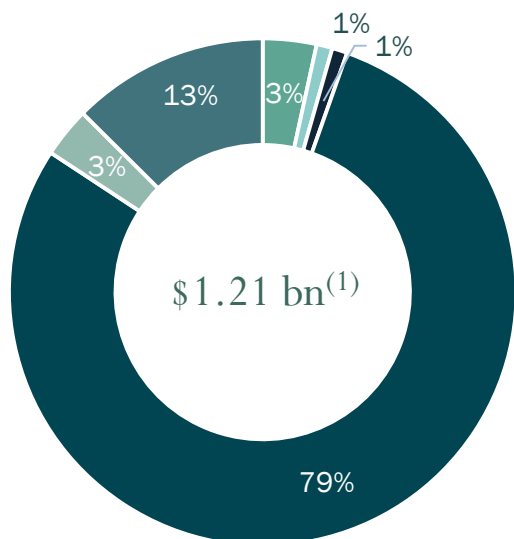
ELLINGTON RESIDENTIAL MORTGAGE REIT

# Supplemental Slides

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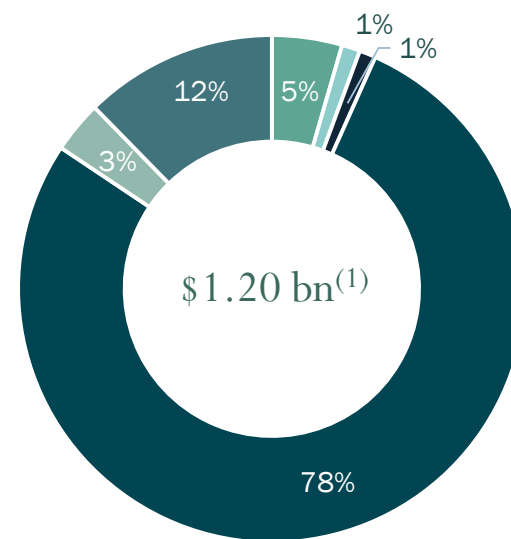






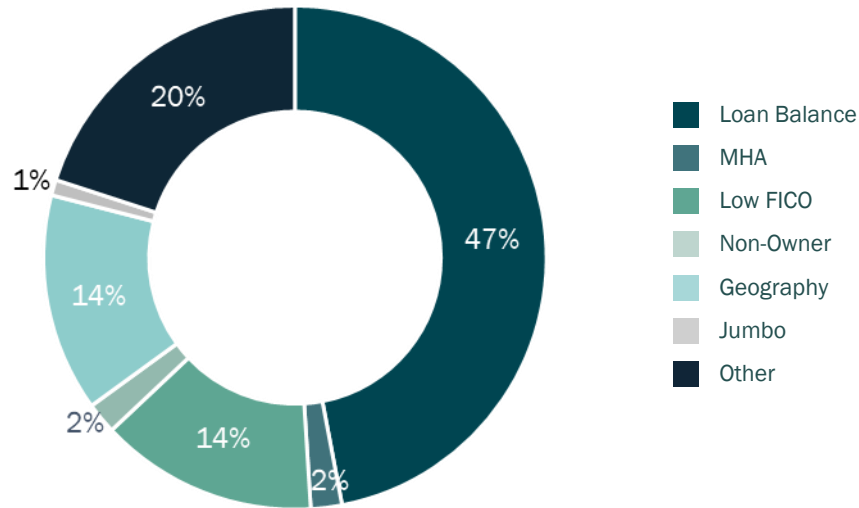
As of 9/30/2021

Category	Fair Value <sup>(1)(2)</sup>	Wtd. Avg. Coupon <sup>(3)</sup>
30-Year Fixed	\$955.0	3.27
20-Year Fixed	38.5	2.34
15-Year Fixed	150.3	2.79
RM Fixed	41.3	3.32
<b>Subtotal - Fixed</b>	<b>1,185.1</b>	<b>3.18</b>
ARMs	12.2	
Fixed IOs	11.8	
<b>Total</b>	<b>\$1,209.1</b>	



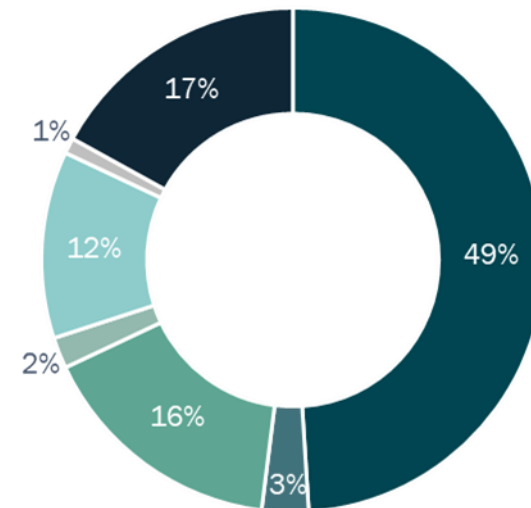
As of 6/30/2021

Category	Fair Value <sup>(1)(2)</sup>	Wtd. Avg. Coupon <sup>(3)</sup>
30-Year Fixed	\$933.3	3.45
20-Year Fixed	39.6	2.34
15-Year Fixed	148.1	2.83
RM Fixed	53.7	3.53
<b>Subtotal - Fixed</b>	<b>1,174.7</b>	<b>3.34</b>
ARMs	14.0	
Fixed IOs	12.6	
<b>Total</b>	<b>\$1,201.3</b>	



Average for Quarter Ended 9/30/2021<sup>(1)</sup>

Collateral Characteristics and Historical 3-Mo CPR

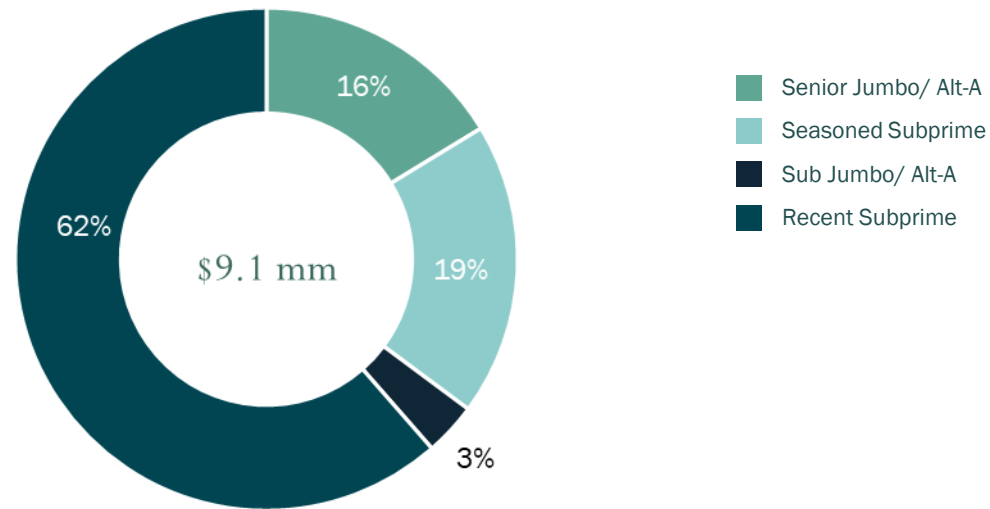


Average for Quarter Ended 6/30/2021<sup>(1)</sup>

Collateral Characteristics and Historical 3-Mo CPR

Characteristic <sup>(2)</sup>	Fair Value <sup>(1)(3)</sup>	3-Month CPR % <sup>(5)</sup>
Loan Balance	\$532.9	21.0
MHA <sup>(4)</sup>	26.5	20.5
Low FICO	153.2	37.6
Non-Owner	19.4	10.2
Geography	162.7	10.9
Jumbo	12.0	23.9
Other	220.8	21.0
<b>Total</b>	<b>\$1,127.5</b>	<b>21.9</b>

Characteristic <sup>(2)</sup>	Fair Value <sup>(1)(3)</sup>	3-Month CPR % <sup>(5)</sup>
Loan Balance	\$534.0	21.8
MHA <sup>(4)</sup>	28.9	25.7
Low FICO	177.5	28.6
Non-Owner	20.0	14.2
Geography	128.1	15.1
Jumbo	11.9	53.5
Other	185.9	22.8
<b>Total</b>	<b>\$1,086.4</b>	<b>22.8</b>



Total Non-Agency Avg Mkt Px: 84.0

- Non-Agency RMBS holdings decreased to \$9.1 million from \$9.3 million in the previous quarter
- We expect to continue to vary our allocation to non-Agency RMBS as market opportunities change over time

September 30, 2021				June 30, 2021		
Remaining Days to Maturity	Borrowings Outstanding	Weighted Average		Borrowings Outstanding	Weighted Average	
		Interest Rate	Remaining Days to Maturity		Interest Rate	Remaining Days to Maturity
<i>(in thousands)</i>				<i>(in thousands)</i>		
30 days or less	\$ 218,078	0.13%	13	\$ 234,227	0.15%	19
31-60 days	38,435	0.21%	41	323,704	0.16%	45
61-90 days	4,755	0.59%	68	70,788	0.20%	76
91-120 days	42,920	0.17%	105	31,572	0.18%	106
121-150 days	201,816	0.20%	135	25,247	0.14%	134
151-180 days	117,314	0.18%	164	-	-	-
181-360 days	438,879	0.17%	261	449,959	0.19%	270
Total	\$ 1,062,197	0.17%	161	\$ 1,135,497	0.17%	134

- Outstanding borrowings were with 15 counterparties as of September 30, 2021
- Continued to take advantage of favorable terms on longer-dated repo; our average remaining maturity increased further, to 161 days
- As of September 30, 2021 the weighted average interest rate on our repo borrowings was unchanged at 0.17% quarter-over-quarter as short-term interest rates remained low

# Interest Rate Sensitivity Analysis<sup>(1)</sup>

(\$ 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	\$ 203	0.13%	\$ (170)	-0.11%
Agency RMBS – Fixed Pools and IOs	15,235	9.59%	(22,020)	-13.86%
Long TBAs	5,049	3.18%	(7,023)	-4.42%
Short TBAs	(2,702)	-1.70%	4,421	2.78%
Non-Agency RMBS	183	0.12%	(144)	-0.09%
Interest Rate Swaps	(9,941)	-6.26%	9,506	5.98%
U.S. Treasury Securities	(96)	-0.06%	95	0.06%
U.S. Treasury Futures	(8,387)	-5.28%	8,142	5.12%
Repurchase and Reverse Repurchase Agreements	(814)	-0.51%	2,335	1.47%
<b>Total</b>	<b>\$ (1,270)</b>	<b>-0.80%</b>	<b>\$ (4,858)</b>	<b>-3.06%</b>

(In thousands)

Maturity		Notional Amount		Fair Value	Weighted Average Pay Rate	Weighted Average Receive Rate	Weighted Average Years to Maturity
2021-2022	\$	5,000	\$	5	0.05%	0.09%	1.05
2023-2025		231,306		46	0.45%	0.12%	2.39
2026-2028		110,076		1,135	1.12%	0.12%	6.79
2029-2050		77,761		1,572	1.40%	0.13%	12.35
Total	\$	424,143	\$	2,758	0.80%	0.12%	5.34

Fixed Receiver Interest Rate

Maturity		Notional Amount		Fair Value	Weighted Average Pay Rate	Weighted Average Receive Rate	Weighted Average Years to Maturity
2022	\$	(5,000)	\$	(2)	0.08%	0.06%	1.05
2023		(13,200)		672	0.13%	1.87%	1.56
2026		(19,790)		(122)	0.12%	0.86%	4.76
2040		(500)		(55)	0.09%	0.84%	19.07
Total	\$	(38,490)	\$	493	0.12%	1.10%	3.37

TBA Securities

Coupon		Notional Amount <sup>(1)</sup>		Cost Basis <sup>(2)</sup>	Market Value <sup>(3)</sup>		Net Carrying Value <sup>(4)</sup>
1.5	\$	8,000	\$	8,120	\$	8,075	\$ (45)
2		150,010		151,956		150,699	(1,257)
2.5		34,591		35,673		35,419	(254)
3		(35,968)		(37,679)		(37,646)	34
3.5		(148,870)		(157,188)		(157,246)	(58)
4		(123,624)		(132,241)		(132,405)	(164)
4.5		(67,474)		(73,046)		(73,080)	(34)
5		10,100		10,947		11,005	58
Total TBAs net	\$	(173,235)	\$	(193,458)	\$	(195,179)	\$ (1,720)

Futures

Maturity		Notional Amount		Fair Value	Remaining Months to Expiration
2yr	\$	(5,400)	\$	3	3.07
5yr		(95,100)		609	3.07
10yr		(153,500)		2,183	2.73
30yr		3,300		(105)	2.73
Total	\$	(250,700)	\$	2,690	2.87



# Consolidated Statement of Operations (Unaudited)



Three-Month Period Ended

<i>(in thousands except share amounts and per share amounts)</i>	September 30, 2021	June 30, 2021
<b>Interest Income (Expense)</b>		
Interest income	\$ 5,463	\$ 9,875
Interest expense	(552)	(661)
<b>Total net interest income</b>	<b>\$ 4,911</b>	<b>\$ 9,214</b>
<b>Expenses</b>		
Management fees to affiliate	598	609
Professional fees	223	275
Compensation expense	203	212
Insurance expense	99	95
Other operating expenses	319	342
<b>Total expenses</b>	<b>\$ 1,442</b>	<b>\$ 1,533</b>
<b>Other Income (Loss)</b>		
Net realized gains (losses) on securities	1,425	852
Net realized gains (losses) on financial derivatives	(3,042)	2,222
Change in net unrealized gains (losses) on securities	(4,283)	(11,071)
Change in net unrealized gains (losses) on financial derivatives	3,291	(4,221)
Total other income (loss)	(2,609)	(12,218)
<b>Net Income (Loss)</b>	<b>\$ 860</b>	<b>\$ (4,537)</b>
<b>Net Income (Loss) per Common Share:</b>		
<b>Basic and Diluted</b>	<b>\$ 0.07</b>	<b>\$ (0.36)</b>
Weighted Average Shares Outstanding	12,921,649	12,432,004
Cash Dividends Declared per Share	\$ 0.30	\$ 0.30

# Consolidated Balance Sheet (Unaudited)



(in thousands except share amounts and per share amounts)

September 30, 2021

June 30, 2021

	September 30, 2021		June 30, 2021	
<b>Assets</b>				
Cash and cash equivalents	\$	61,169	\$	58,683
Mortgage-backed securities, at fair value		1,218,306		1,210,620
Other investments, at fair value		309		306
Due from brokers		58,296		69,000
Financial derivative-assets, at fair value		7,310		3,750
Reverse repurchase agreements		9,975		33,572
Receivable for securities sold		7,022		778
Interest receivable		3,786		3,786
Other assets		502		550
<b>Total Assets</b>	<b>\$</b>	<b>1,366,675</b>	<b>\$</b>	<b>1,381,045</b>
<b>Liabilities and Shareholders' Equity</b>				
<b>Liabilities</b>				
Repurchase agreements	\$	1,062,197	\$	1,135,497
Payable for securities purchased		125,853		51,885
Due to brokers		577		222
Financial derivatives-liabilities, at fair value		3,090		4,318
U.S. Treasury securities sold short, at fair value		9,974		21,017
Dividend Payable		3,881		3,876
Accrued expenses		1,207		1,332
Management fee payable to affiliate		598		609
Interest payable		398		437
<b>Total Liabilities</b>	<b>\$</b>	<b>1,207,775</b>	<b>\$</b>	<b>1,219,193</b>
<b>Shareholders' Equity</b>				
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; (12,935,358 and 12,918,542 shares issued and outstanding, respectively)		129		129
Additional paid-in-capital		236,869		236,800
Accumulated deficit		(78,098)		(75,077)
<b>Total Shareholders' Equity</b>		<b>158,900</b>		<b>161,852</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$</b>	<b>1,366,675</b>	<b>\$</b>	<b>1,381,045</b>
<b>Supplemental Per Share Information</b>				
Book Value Per Share	\$	12.28	\$	12.53

## Reconciliation of Core Earnings to Net Income (Loss)<sup>(1)</sup>

	Three-Month Period Ended	
<i>(in thousands except share amounts and per share amounts)</i>	September 30, 2021	June 30, 2021
Net Income (Loss)	\$ 860	\$ (4,537)
Adjustments:		
Net realized (gains) losses on securities	(1,425)	(852)
Change in net unrealized (gains) losses on securities	4,283	11,071
Net realized (gains) losses on financial derivatives	3,042	(2,222)
Change in net unrealized (gains) losses on financial derivatives	(3,291)	4,221
Net realized gains (losses) on periodic settlements of interest rate swaps	(791)	(255)
Change in net unrealized gains (losses) on accrued periodic settlements of interest rate swaps	123	(246)
Non-recurring expenses	-	58
Negative (positive) component of interest income represented by Catch-up Premium Amortization Adjustment	1,213	(2,636)
Subtotal	3,154	9,139
Core Earnings	\$ 4,014	\$ 4,602
Weighted Average Shares Outstanding	12,921,649	12,432,004
Core Earnings Per Share	\$ 0.31	\$ 0.37

## Ellington Profile

As of 9/30/2021

Founded:	1994
Employees:	>160
Investment Professionals:	71
Global offices:	3

\$12.6

Billion in assets under management as of 9/30/2021<sup>(1)</sup>

14

Employee-partners own the firm<sup>(2)</sup>

26

Years of average industry experience of senior portfolio managers

25%

Employees dedicated to research and information technology

## 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<sup>(3)</sup>. Ellington Management Group and its affiliates manage Ellington Residential Mortgage REIT (EARN), Ellington Financial Inc. (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 information technology
- Structured credit trading experience and analytical skills developed since the firm's founding 26 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 26-year history

## Slide 3 – Third Quarter Market Update

- (1) Source: Bloomberg
- (2) Source: Mortgage Bankers Association via Bloomberg
- (3) Source: J.P. Morgan Markets
- (4) LIBOR-based Option Adjusted Spread 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.
- (5) LIBOR-based Zero-volatility spread (Z-spread) measures the additional yield spread over LIBOR that the projected cash flows of an asset provide at the current market price of the asset.

## Slide 4 – Third Quarter Highlights

- (1) Core Earnings is a non-GAAP financial measure. See slide 23, endnote 1 for an explanation regarding the calculation of Core Earnings and the Catch-up Premium Amortization Adjustment.
- (2) Net interest margin excludes the effect of the Catch-up Premium Amortization Adjustment.
- (3) As of September 30, 2021.
- (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 September 30, 2021 the market value of our mortgage-backed securities and our net short TBA position was \$1.22 billion and \$(195.2) million, respectively, and total shareholders' equity was \$158.9 million.

## Slide 5 – Summary of Financial Results

- (1) Total Other Gain (Loss) represents net realized and unrealized gains (losses) on periodic settlements of interest rate swaps.
- (2) See slide 23, endnote 1 for definition of Catch-up Premium Amortization Adjustment.
- (3) Core Earnings is a non-GAAP financial measure. See slide 23 for a reconciliation of Core Earnings to Net Income (Loss).
- (4) Shareholders' Equity per share is calculated using shares outstanding at the end of the period. All other per share amounts are calculated using the weighted average shares outstanding for the quarter.
- (5) Weighted Average Yield excludes the effect of the Catch-up Premium Amortization Adjustment.
- (6) Net interest margin excludes the effect 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 – 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 9 – 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 September 30, 2021 and June 30, 2021. The net carrying value of the TBA positions as of September 30, 2021 and June 30, 2021 on the Consolidated Balance Sheet was \$(1.72) million and \$1.62 million, respectively.
- (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.

## Slide 10 – Relative Yield Spreads

- (1) As of date is as set forth below:
  - 8/27/2021 for US CMBS AAA, US CMBS BBB;
  - 9/22/2021 for Non-QM AAA;
  - 9/23/2021 for US Spec HLB 3;
  - 9/24/2021 for US Agency MBS TOAS, US Agency FN 3 OAS, US Agency G2 3 OAS, Legacy Resi, CRT OTR M1, Subprime Auto BBB, US IG Corp A OAS, US IG Corp BBB OAS, US HY Corp BB STW, US HY Corp B STW, Lev Loans;
  - 9/27/2021 for US CLO 2.0 AAA, US CLO 2.0 BBB, EUR CLO 2.0 AAA;
  - 9/30/2021 for US Agency MBS TZV

## Slide 11 – 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 15 – Agency Portfolio Summary

- (1) Does not include long TBA positions with a notional value of \$237.7 million and a market value of \$241.8 million as of September 30, 2021. Does not include long TBA positions with a notional value of \$290.1 million and a market value of \$294.9 million as of June 30, 2021.
- (2) Fair value shown in millions.
- (3) Represents weighted average net pass-through rate.

## Slide 16 – 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) Excludes recent purchases of fixed rate Agency pools with no prepayment history.

## Slide 18 – Repo Borrowings

- (1) As of September 30, 2021 and June 30, 2021, the Company had no outstanding borrowings other than under repurchase agreements.

## Slide 19 – Interest Rate Sensitivity Analysis

- (1) Based on the market environment as of September 30, 2021. 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 20 – Financial Derivatives as of September 30, 2021

- (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 September 30, 2021.
- (4) Net carrying value represents the difference between the market value of the TBA contract as of September 30, 2021 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 23 – 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 excluding, if applicable, any non-recurring items of income or loss. Core Earnings also excludes 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-current assumptions about cashflows and prepayments, and can vary significantly from quarter to quarter. Core Earnings includes net realized and change in net unrealized gains (losses) associated with periodic settlements on interest rate swaps. Core Earnings is a supplemental non-GAAP financial measure. We believe that Core Earnings provides information useful to investors because it is a metric 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 is used to help measure the extent to which this objective is being achieved. In addition, we believe that presenting Core Earnings enables our investors to measure, evaluate and compare our operating performance to that of our peer companies. However, because Core Earnings is an incomplete measure of our financial results and differs from net income (loss) computed in accordance with GAAP, it should be considered as supplementary to, and not as a substitute for, net income (loss) computed in accordance with GAAP. The table above reconciles, for the three-month periods ended September 30, 2021 and June 30, 2021, our Core Earnings to the line on our Consolidated Statement of Operations entitled Net Income (Loss), which we believe is the most directly comparable GAAP measure.

### Slide 24 – About Ellington Management Group

- (1) \$12.6 billion in assets under management includes approximately \$1.3 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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