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ELLINGTON RESIDENTIAL MORTGAGE REIT

First Quarter 2018 Earnings Conference Call

May 4, 2018

Important Notice

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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. 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 14, 2018 which can be accessed through the link to our SEC filings under "For Our Shareholders" on our website (www.earnreit.com) or at the SEC's website (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 March 31, 2018 unless otherwise indicated. We undertake no duty or obligation to update this presentation to reflect subsequent events or developments.

First Quarter Highlights

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Overall Results	■ Net loss: $(4.0) million or $(0.30) per share ■ Economic return: (1.2)% for the quarter ■ Significantly outperformed Agency mREIT peer group average[1] of (4.8%) in a challenging quarter ■ Net Interest Margin: 1.06%; Adjusted Net Interest Margin[2]: 1.09%
Core Earnings[2]	■ Core Earnings: $4.3 million or $0.32 per share ■ Adjusted Core Earnings[3]: $4.4 million or $0.34 per share
Shareholders' Equity & BVPS[4]	■ Shareholders' equity: $178.3 million ■ Book value per share: $13.90
Portfolio[4]	■ Agency RMBS Portfolio: $1.62 billion ■ Weighted average prepayment speed on fixed-rate specified pools of 8.0% CPR for the quarter ■ Non-Agency RMBS Portfolio: $12.4 million
Leverage[4]	■ Debt-to-equity ratio: 8.9:1 ■ Net mortgage assets-to-equity ratio of 7.8:1[5]
Dividend	■ Declared first quarter dividend of $0.37 per share (paid in April 2018) ■ Annualized dividend yield of 13.1% based on closing price of $11.30 on May 2, 2018
Share Repurchase Program	■ Repurchased 512,367 shares during the quarter, or approximately 3.8%, at an average price of $11.21

Market Conditions & Portfolio Trends

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Market Conditions	■ Volatility returned to the markets in the quarter, with a violent sell off in equities in February, driven in part by concerns over inflation and rising interest rates, and continued volatility into March ■ Short- and long-term interest rates rose during the quarter, with the yield curve finishing flatter for 5th straight quarter, and both one-month and three-month LIBOR reached their highest levels in nine years ■ Federal Reserve raised interest rates in March and, as scheduled, increased the amount of the tapering of its reinvestments to $8 billion/month in January and $12 billion/month in April ■ Agency RMBS prices pressured by the higher interest rates, while yield spreads widened due to increased volatility and smaller Fed footprint in the market ■ Yield spreads across many credit products widened in sympathy with the interest rate and equity volatility ■ Strong TBA dollar rolls and muted prepayments caused TBAs to outperform specified pools

Portfolio Trends	■ Agency Portfolio: 99% of investment portfolio
	    ■ Capitalized on the widening in Agency RMBS yield spreads by covering a portion of the TBA short positions, as well as by increasing our long TBA portfolio
	    ■ Turnover of 15% for the portfolio, which was slightly higher than prior quarter
	    ■ Average specified pool pay-up of 0.59% at 3/31/2018, down from 0.68% at 12/31/2017
	■ Non-Agency Portfolio: 1% of investment portfolio
	    ■ Strategy was profitable for the quarter, driven by strong carry and net realized and unrealized gains
	    ■ Investment portfolio size decreased to $12.4 million from $18.0 million

Relative Spreads

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Securitized Products	24 Mo Tights	As of April 25 2018	24 Mo Wides
US Agency MBS TOAS	-13	25	26
US Agency MBS TZV	51	69	89
US Non-Agency RMBS	103	100	375
CRT OTR M1	37	68	194
CRT OTR LCF	177	183	534
US CMBS AAA	75	82	130
US CMBS BBB-	310	325	630
Agency CMBS (10yr)	43	51	85
US CLO 2.0 AAA	92	101	161
US CLO 2.0 BBB	245	275	540
UK Prime	21	24	100
UK NC Snr	60	65	185
ES RMBS AAA	35	38	120
EUR CLO 2.0 AAA	71	78	150
US Corporate Credit			
US IG Corp A OAS	69	88	127
US IG Corp BBB OAS	112	135	209
US HY Corp BB STW	217	255	474
US HY Corp B STW	347	382	705
US HY Corp CCC STW	732	762	1292

Source: Morgan Stanley

- **During the quarter, yield spreads across many credit products widened in sympathy with the interest rate and equity market volatility**
- **Corporate credit spreads widened**
- **Option-adjusted Agency RMBS spreads are near their 24-month wides**

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

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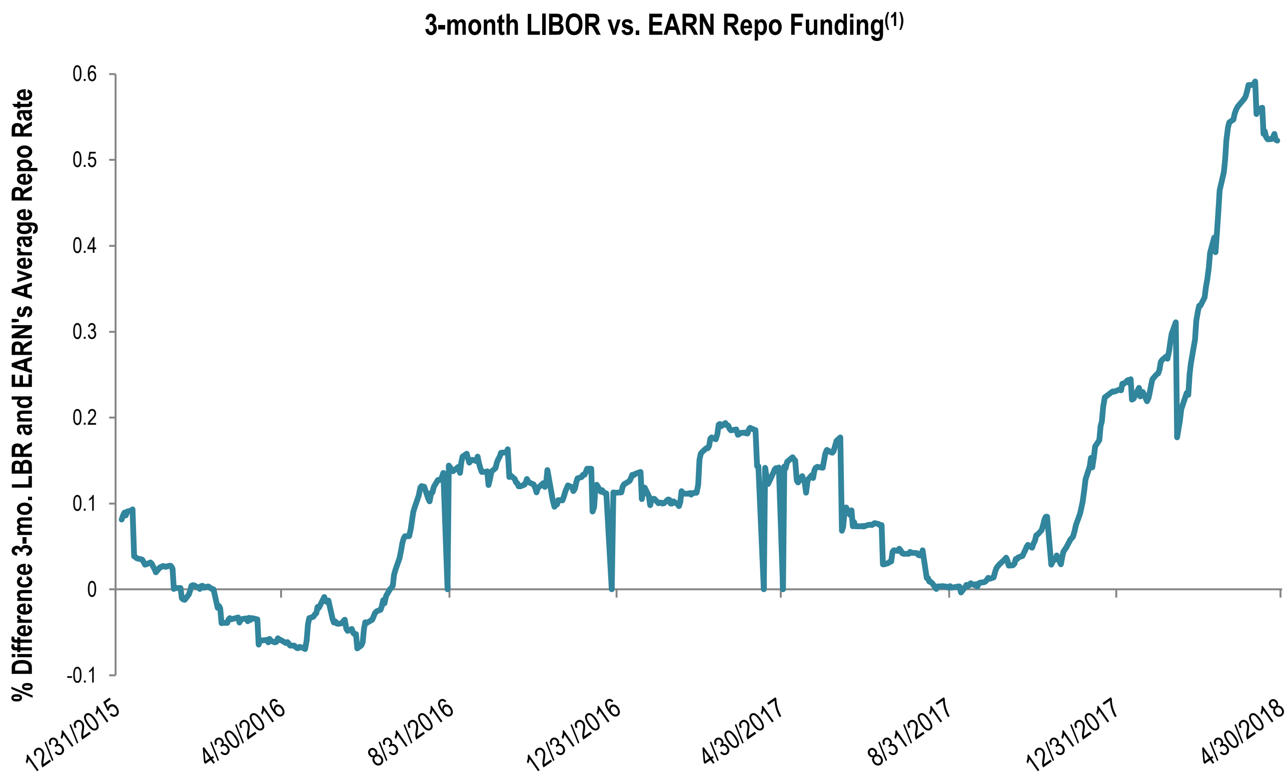

- The spread between the Agency repo funding rate and 3-month LIBOR has widened significantly over the past eight months, with a slight narrowing during the past few weeks
- EARN's cost of funds should benefit from the improved spread differential between our repo rate and 3-month LIBOR as the floating/receiving leg of our swaps reset higher
    - This funding advantage is only attainable by 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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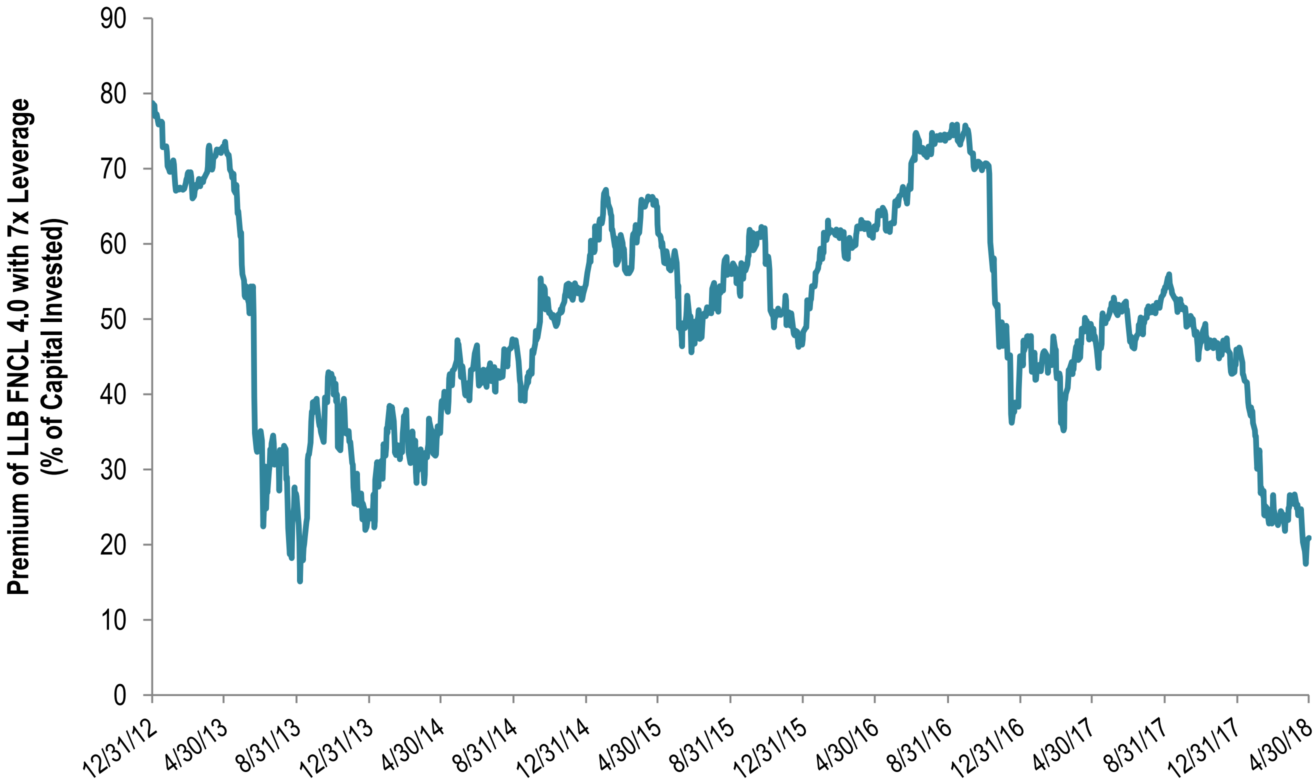

- **With lower Agency RMBS dollar prices and smaller specified pool payups, Agency mREIT net interest margins ("NIMs") have become less dependent on slow prepayment speeds**
- **Par-priced mortgages have a more stable yield profile as a function of prepayment speeds**

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 while stock price is discounted**

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

   - Low volatility theme of 2017 reversing course so far in 2018, with rising bond yields and volatile equity markets

   - Our hedging strategy and liquidity position us well to take advantage of investment opportunities

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Portfolio

Portfolio Summary

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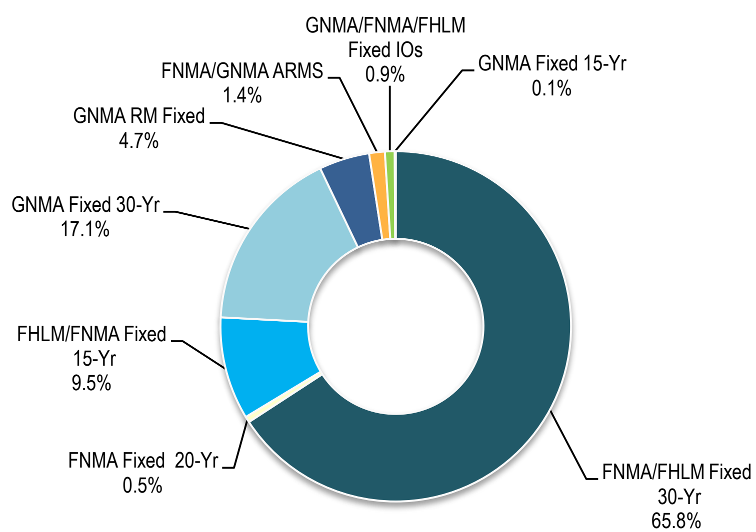
	March 31, 2018					December 31, 2017				
(In thousands)	Current Principal	Fair Value	Average Price[1]	Cost	Average Cost[1]	Current Principal	Fair Value	Average Price[1]	Cost	Average Cost[1]
Agency RMBS[2]										
15-year fixed rate mortgages	$ 151,969	$ 154,850	$ 101.90	$ 158,690	$ 104.42	$ 170,998	$ 176,774	$ 103.38	$ 178,551	$ 104.42
20-year fixed rate mortgages	8,432	8,773	104.04	9,078	107.66	8,712	9,230	105.95	9,394	107.83
30-year fixed rate mortgages	1,304,988	1,341,220	102.78	1,375,171	105.38	1,303,584	1,369,589	105.06	1,380,265	105.88
ARMs	22,613	23,382	103.40	24,010	106.18	28,087	29,558	105.24	29,949	106.63
Reverse mortgages	69,813	75,382	107.98	76,536	109.63	64,608	70,617	109.30	70,901	109.74
Total Agency RMBS	1,557,815	1,603,607	102.94	1,643,485	105.50	1,575,989	1,655,768	105.06	1,669,060	105.91
Non-Agency RMBS	15,258	12,442	81.54	10,503	68.84	21,995	18,025	81.95	15,278	69.46
Total RMBS[2]	1,573,073	1,616,049	102.73	1,653,988	105.14	1,597,984	1,673,793	104.74	1,684,338	105.40
Agency Interest Only RMBS	n/a	14,526	n/a	14,264	n/a	n/a	12,205	n/a	13,197	n/a
Total mortgage-backed securities		1,630,575		1,668,252			1,685,998		1,697,535	
U.S. Treasury securities sold short	(44,350)	(44,377)	100.06	(44,002)	99.22	(82,492)	(81,289)	98.54	(81,836)	99.20
Reverse repurchase agreements	44,617	44,617	100.00	44,617	100.00	81,461	81,461	100.00	81,461	100.00
Total		**$ 1,630,815**		**$1,668,867**			**$ 1,686,170**		**$1,697,160**	

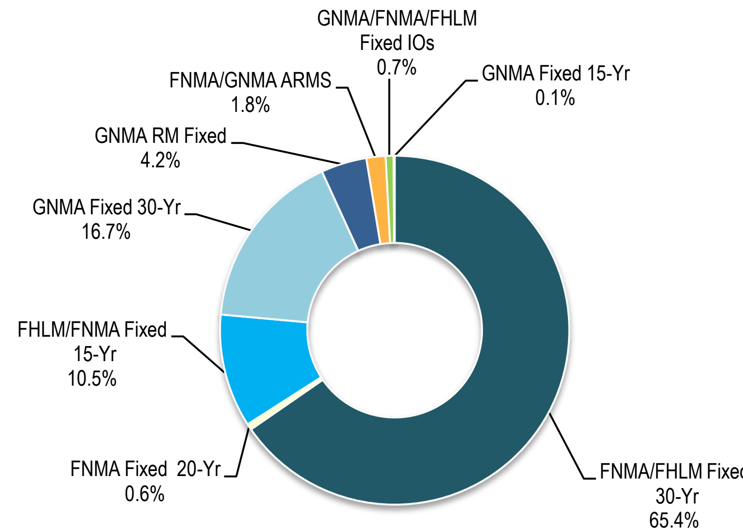
Agency Portfolio Summary

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**

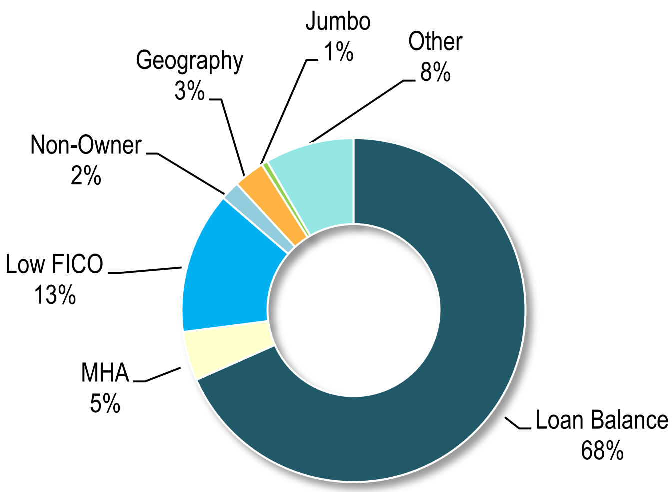
Agency Long Portfolio
As of 12/31/17: $1.67BN[1]



Fixed Portfolio[2]		
Category	**Fair Value[1][3]**	**Weighted Average Coupon[4]**
FNMA Fixed - 30-Yr	$776.7	3.93
FNMA Fixed - 20-Yr	9.2	4.00
FNMA Fixed - 15-Yr	108.4	3.32
FHLM Fixed - 30-Yr	313.8	4.06
FHLM Fixed - 15-Yr	66.8	3.46
GNMA Fixed - 30-Yr	279.1	3.94
GNMA Fixed - 15-Yr	1.6	3.51
GNMA RM Fixed	70.6	4.53
Total	**$1,626.2**	**3.92**

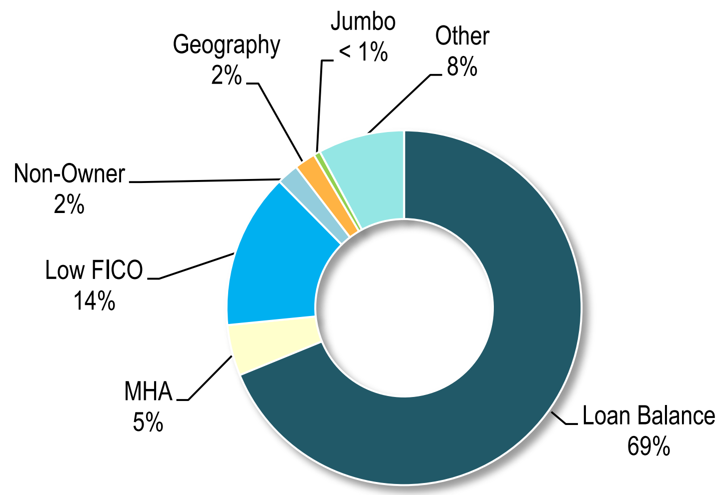
Agency Fixed Long Portfolio Summary

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



Fixed Portfolio		
Characteristic[2]	Fair Value[1][3]	3-Month CPR %
Loan Balance	$1,060.9	7.5
MHA[4]	$71.5	12.3
Low FICO	$207.1	9.7
Non-Owner	$28.1	9.6
Geography	$45.4	4.2
Jumbo	$8.9	11.1
Other	$130.0	10.8
Total	**$1,551.9**	**8.0**

Agency Fixed Long Portfolio
Collateral Characteristics and Historical 3-month CPR: Average for the Quarter Ended December 31, 2017(1)



Fixed Portfolio		
Characteristic[2]	Fair Value[1][3]	3-Month CPR %
Loan Balance	$1,085.6	9.1
MHA[4]	73.0	13.7
Low FICO	223.5	8.8
Non-Owner	31.3	11.5
Geography	30.6	6.0
Jumbo	9.5	17.5
Other	124.2	11.0
Total	**$1,577.7**	**9.6**

Non-Agency Portfolio

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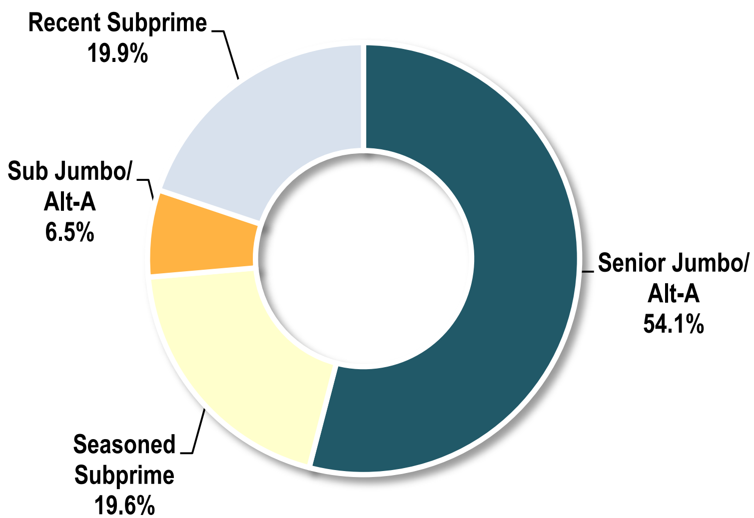
Non-Agency Portfolio
3/31/18: $12.4 MM



Total Non-Agency
Avg Mkt Px 81.5

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

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Borrowings and Hedges

Repo Borrowings(1)

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	March 31, 2018			December 31, 2017		
		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	$ 468,222	1.67%	16	$ 410,628	1.41%	15
31-60 days	818,835	1.76%	45	906,602	1.46%	46
61-90 days	302,262	1.90%	75	273,665	1.60%	74
91-120 days	-	-	-	6,311	1.61%	120
Total	**$ 1,589,319**	**1.76%**	**42**	**$ 1,597,206**	**1.47%**	**43**

- **Outstanding borrowings are with 15 counterparties as of March 31, 2018**
- **Cost of repo increased as LIBOR increased**
- **Availability from both existing and new lending counterparties remains strong**

Dynamic Hedging Strategy

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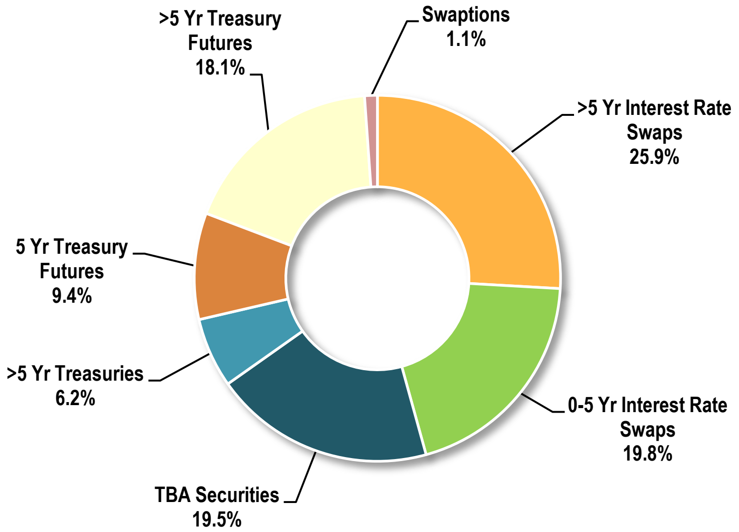
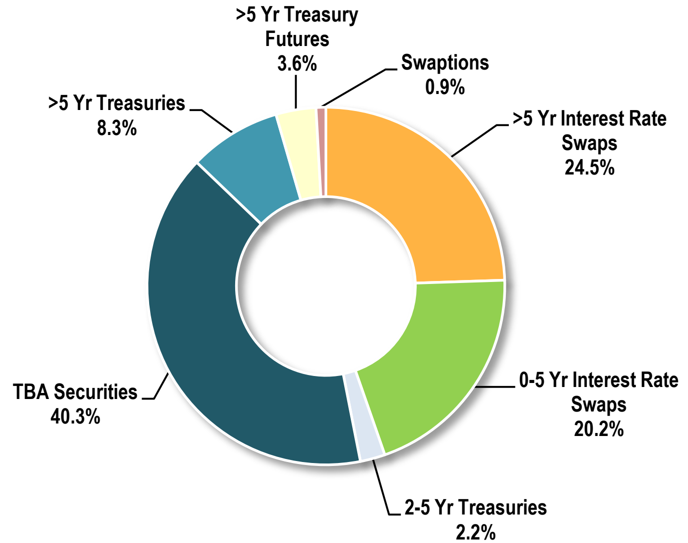
Agency Interest Rate Hedging Portfolio

As of 3/31/2018
Short $759.5MM 10-year equivalents(1)



As of 12/31/2017
Short $623.9MM 10-year equivalents(1)

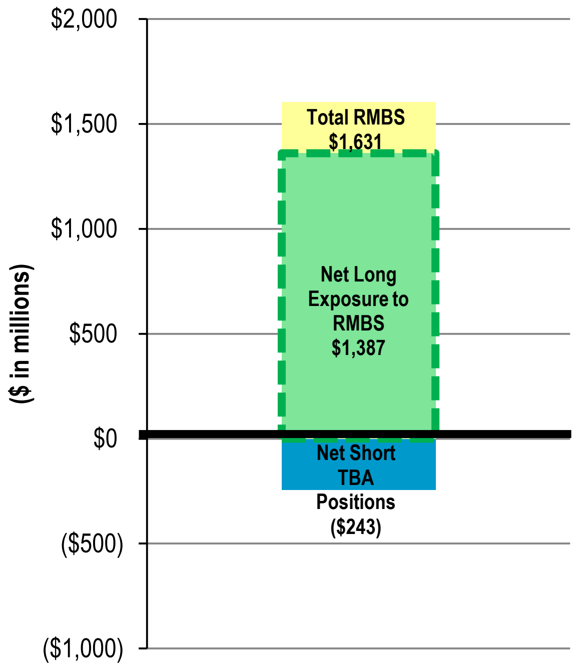


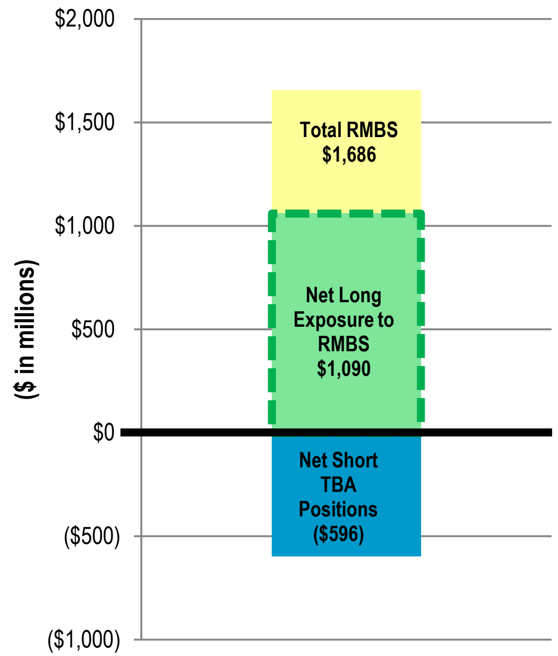
- Shorting "generic" pools (or TBAs) allows EARN to significantly reduce interest rate risk and basis risk in its Agency portfolio
  - To capitalize on the widening in the Agency RMBS yield spreads this quarter, we reduced the size of our net short positions in TBAs
- We also hedge interest rate risk 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

Dynamic Hedging Strategy (continued)

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

As of 3/31/2018	As of 12/31/2017





- Carry lower net effective mortgage exposure than our "headline" leverage would suggest
  - Our net mortgage assets-to-equity[2] ratio was 7.8:1 versus our debt-to-equity ratio of 8.9:1 as of March 31, 2018
- Increased net mortgage asset exposure as we covered a portion of our TBA short hedge positions and increased our long TBA portfolio held for investment, in response to widening of RMBS Agency yield spreads
- 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

Interest 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	$	233	0.13%	$	(244)	-0.14%
Agency RMBS - Fixed Pools and IOs		29,025	16.28%		(37,296)	-20.92%
TBAs		(5,740)	-3.22%		7,004	3.93%
Non-Agency RMBS		295	0.17%		(283)	-0.16%
Interest Rate Swaps		(15,217)	-8.54%		14,672	8.23%
Swaptions		(317)	-0.18%		418	0.23%
U.S. Treasury Securities		(2,073)	-1.16%		1,959	1.10%
U.S. Treasury Futures		(9,127)	-5.12%		8,854	4.97%
Repurchase and Reverse Repurchase Agreements		(942)	-0.53%		942	0.53%
Total	$	(3,863)	-2.17%	$	(3,974)	-2.23%

Interest Rate Hedging as of March 31, 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	$ 315,880	$ 5,311	1.90 %	1.62 %	3.07
2023-2025	217,188	2,660	2.43 %	1.85 %	5.55
Thereafter	119,928	3,489	2.32 %	1.89 %	10.79
Total	**$ 652,996**	**$ 11,461**	**2.15 %**	**1.75 %**	**5.31**

Fixed Receiver Interest Rate Swap					
Maturity	Notional Amount	Fair Value	Weighted Average Pay Rate	Weighted Average Receive Rate	Weighted Average Years to Maturity
	(In thousands)				
2021	$ 13,000	$ (1)	2.31 %	2.66 %	3.01
2025	9,700	194	1.72 %	3.00 %	7.30
Total	$ **22,700**	$ **193**	**2.06** %	**2.80** %	**4.84**

TBA Securities				
(In thousands)	Notional Amount [1]	Cost Basis [2]	Market Value [3]	Net Carrying Value [4]
Total TBAs, Net	$ (242,549)	$ (241,012)	$ (243,288)	$ (2,276)

Futures			
Remaining Maturity	Notional Amount	Fair Value	Remaining Months to Expiration
	(In thousands)		
U.S. Treasury Futures	$ (296,100)	$ (2,112)	2.84
Total	$ (296,100)	$ (2,112)	2.84

	Option		Underlying Swap		
(In thousands)	Fair Value	Months to Expiration	Notional Amount	Term (Years)	Fixed Rate
Fixed Payer	$ 386	4.0	$ 10,000	10	2.40%

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Supplemental Information

CONSOLIDATED STATEMENT OF OPERATIONS

	Three Month Period Ended	
(In thousands except share amounts)	March 31, 2018	December 31, 2017
INTEREST INCOME (EXPENSE)		
Interest income	$ 13,426	$ 13,111
Interest expense	(7,248)	(6,129)
Total net interest income	6,178	6,982
EXPENSES		
Management fees to affiliate	671	725
Professional fees	234	227
Compensation expense	189	178
Insurance expense[1]	74	74
Other operating expenses[1]	349	308
Total expenses	1,517	1,512
OTHER INCOME (LOSS)		
Net realized gains (losses) on securities	1,927	327
Net realized gains (losses) on financial derivatives	15,955	1,372
Change in net unrealized gains (losses) on securities	(27,061)	(10,284)
Change in net unrealized gains (losses) on financial derivatives	565	3,908
Total other income (loss)	(8,614)	(4,677)
NET INCOME (LOSS)	$ (3,953)	$ 793
NET INCOME (LOSS) PER COMMON SHARE		
Basic and Diluted	$ (0.30)	$ 0.06
WEIGHTED AVERAGE SHARES OUTSTANDING	13,224,214	13,336,763
CASH DIVIDENDS PER SHARE:		
Dividends declared	$ 0.37	$ 0.37

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CONSOLIDATED BALANCE SHEET

	As of	
	March 31, 2018	December 31, 2017[1]
(In thousands except share amounts)		
ASSETS		
Cash and cash equivalents	$ 46,025	$ 56,117
Mortgage-backed securities, at fair value	1,630,575	1,685,998
Due from brokers	32,061	26,754
Financial derivatives-assets, at fair value	13,528	8,792
Reverse repurchase agreements	44,617	81,461
Receivable for securities sold	73,560	21,606
Interest receivable	5,645	5,784
Other assets	523	575
Total Assets	$ 1,846,534	$ 1,887,087
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Repurchase agreements	$ 1,589,319	$ 1,597,206
Payable for securities purchased	17,612	3,830
Due to brokers	1,025	489
Financial derivatives-liabilities, at fair value	5,876	1,863
U.S. Treasury securities sold short, at fair value	44,377	81,289
Dividend payable	4,746	4,936
Accrued expenses	911	728
Management fee payable to affiliate	671	725
Interest payable	3,685	3,318
Total Liabilities	$ 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; (12,827,850 and 13,340,217 shares issued and outstanding, respectively)	128	134
Additional paid-in-capital	234,376	240,062
Accumulated deficit	(56,192)	(47,493)
Total Shareholders' Equity	178,312	192,703
Total Liabilities and Shareholders' Equity	$ 1,846,534	$ 1,887,087
Per Share Information		
Common shares, par value $0.01 per share	$ 13.90	$ 14.45

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

(In thousands except share amounts)	Three Month Period Ended March 31, 2018		Three Month Period Ended December 31, 2017	
Net Income (Loss)	$	(3,953)	$	793
Less:				
Net realized gains (losses) on securities		1,927		327
Net realized gains (losses) on financial derivatives, excluding periodic payments[2]		14,823		3,869
Change in net unrealized gains (losses) on securities		(27,061)		(10,284)
Change in net unrealized gains and (losses) on financial derivatives, excluding accrued periodic payments[3]		2,076		1,941
Subtotal		(8,235)		(4,147)
Core Earnings	$	4,282	$	4,940
Catch-up Premium Amortization Adjustment		(150)		(401)
Adjusted Core Earnings		4,432		5,341
Weighted Average Shares Outstanding		13,224,214		13,336,763
Core Earnings Per Share	$	0.32	$	0.37
Adjusted Core Earnings Per Share	$	0.34	$	0.40

Endnotes

Slide 3 – First Quarter Highlights

(1) Agency mREIT economic return is calculated using the arithmetic average of eight Agency mREITs (not including EARN) in the Agency mREIT peer group followed by JMP Securities LLC or Keefe Bruyette & Woods, Inc.
(2) Core Earnings and Adjusted Core Earnings are non-GAAP financial measures. See slide 23 for a reconciliation of Core Earnings and Adjusted Core Earnings to Net Income (Loss).
(3) 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.
(4) As of March 31, 2018.
(5) 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 March 31, 2018 the market value of our mortgage-backed securities and our net short TBA position was $1.631 billion and $(243.3) million, respectively, and total shareholders' equity was $178.3 million.

Slide 6 – 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 10 – 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 11 – Agency Portfolio Summary

(1) 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. Does not include long TBA positions with a notional value of $113.1 million and a market value of $117.4 million as of December 31, 2017.
(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 12 – Agency Fixed Long Portfolio Summary

(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.

Slide 15 – Repo Borrowings

(1) As of March 31, 2018 and December 31, 2017, the Company had no outstanding borrowings other than under repurchase agreements.

Slide 16 – Dynamic Hedging Strategy

(1) "10-year equivalents" for a group of positions represent the amount of 10-year U.S. Treasury securities that would experience a similar change in market value under a standard parallel move in interest rates.

Endnotes

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Slide 17 – Dynamic Hedging Strategy (continued)

(1) Net short TBA positions represents the current market value of the underlying Agency RMBS (on a forward delivery basis) as of March 31, 2018 and December 31, 2017 . The net carrying value of the TBA positions as of March 31, 2018 on the Consolidated Balance Sheet was $(2.3) million. The net carrying value of the TBA positions as of December 31, 2017 on the Consolidated Balance Sheet was $(0.3) 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 March 31, 2018 the market value of our mortgage-backed securities and our net short TBA position was $1.631 billion and $(243.3) million, respectively, and total shareholders' equity was $178.3 million.

Slide 18 – Interest Rate Sensitivity Analysis

(1) Based on the market environment as of March 31, 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

(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 March 31, 2018.

(4) Net carrying value represents the difference between the market value of the TBA contract as of March 31, 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 – Statement of Operations

(1) Conformed to current period presentation.

Slide 22 – Balance Sheet

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

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, 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 March 31, 2018 and December 31, 2017, 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 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. For the three month period ended December 31, 2017, represents Net realized gains (losses) on financial derivatives of $1.4 million less Net realized gains (losses) on periodic settlements of interest rate swaps of $(2.5) million.

(3) 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. For the three month period ended December 31, 2017, represents Change in net unrealized gains (losses) on financial derivatives of $3.9 million less Change in net unrealized gains (losses) on accrued periodic settlements of interest rate swaps of $2.0 million.

About Ellington Management Group, L.L.C.

EARN
ELLINGTON RESIDENTIAL MORTGAGE REIT

- EARN is managed by Ellington Residential Mortgage Management LLC, an affiliate of Ellington Management Group, L.L.C. ("EMG")

- EMG was founded in 1994 by Michael Vranos and five partners; currently has over 160 employees, giving EARN access to time-tested infrastructure and industry-leading resources in trading, research, risk management, and operational support
  - EMG has approximately $6.7 billion in assets under management as of March 31, 2018

- EMG's portfolio managers are among the most experienced in the MBS sector, and the firm's analytics have been developed over a 23-year history
  - Prior to forming EMG, five of the founding partners constituted the core of Kidder Peabody's MBS trading and research group, while one spent ten years at Lehman Brothers where he ran collateralized mortgage obligation ("CMO") trading
  - The founding partners each have advanced academic training in mathematics and engineering, including among them several Ph.D.s and Master's degrees

- EARN was formed through an initial strategic venture between affiliates of EMG and a group of funds managed by an affiliate of The Blackstone Group LP

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