

**E A R N**

**ELLINGTON RESIDENTIAL MORTGAGE REIT**

**First Quarter 2020  
Earnings Conference Call  
May 6, 2020**



## 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). 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 12, 2020 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 March 31, 2020 unless otherwise indicated. We undertake no duty or obligation to update this presentation to reflect subsequent events or developments.

# First Quarter Market Update

E A R N

ELLINGTON RESIDENTIAL MORTGAGE REIT

Quarter Ended:	3/31/2020	12/31/2019	Q/Q	9/30/2019	Q/Q	6/30/2019	Q/Q	3/31/2019	Q/Q	12/31/2018	Q/Q
<u>UST (%)<sup>(1)</sup></u>											
3M UST	0.06	1.54	-1.48	1.81	-0.26	2.09	-0.28	2.38	-0.29	2.35	+0.03
2Y UST	0.25	1.57	-1.32	1.62	-0.05	1.75	-0.13	2.26	-0.51	2.49	-0.23
5Y UST	0.38	1.69	-1.31	1.54	+0.15	1.77	-0.22	2.23	-0.47	2.51	-0.28
10Y UST	0.67	1.92	-1.25	1.66	+0.25	2.01	-0.34	2.41	-0.40	2.68	-0.28
30Y UST	1.32	2.39	-1.07	2.11	+0.28	2.53	-0.42	2.81	-0.29	3.01	-0.20
3M10Y Spread	0.61	0.37	+0.23	-0.14	+0.52	-0.08	-0.06	0.02	-0.11	0.33	-0.31
2Y10Y Spread	0.42	0.35	+0.08	0.04	+0.31	0.25	-0.21	0.15	+0.11	0.20	-0.05
<u>US Dollar Swaps (%)<sup>(1)</sup></u>											
2Y SWAP	0.49	1.70	-1.21	1.63	+0.07	1.81	-0.17	2.38	-0.58	2.66	-0.27
5Y SWAP	0.52	1.73	-1.21	1.50	+0.23	1.77	-0.26	2.29	-0.52	2.57	-0.28
10Y SWAP	0.72	1.90	-1.18	1.56	+0.33	1.96	-0.40	2.41	-0.44	2.71	-0.30
<u>LIBOR (%)<sup>(1)</sup></u>											
1M	0.99	1.76	-0.77	2.02	-0.25	2.40	-0.38	2.49	-0.10	2.50	-0.01
3M	1.45	1.91	-0.46	2.09	-0.18	2.32	-0.23	2.60	-0.28	2.81	-0.21
1M3M Spread	0.46	0.15	+0.31	0.07	+0.08	-0.08	+0.15	0.11	-0.18	0.30	-0.19
<u>Mortgage Rates (%)<sup>(2)</sup></u>											
15Y	3.05	3.37	-0.32	3.43	-0.06	3.42	+0.01	3.78	-0.36	4.25	-0.47
30Y	3.50	3.74	-0.24	3.64	+0.10	3.73	-0.09	4.06	-0.33	4.55	-0.49
<u>FNMA Pass-Thrus<sup>(1)</sup></u>											
30Y 3.5	\$105.80	\$102.86	+2.94	\$102.64	+0.22	\$102.20	+0.44	\$101.39	+\$0.81	\$99.83	+\$1.56
30Y 4.0	\$106.77	\$104.02	+2.75	\$103.80	+0.22	\$103.33	+0.47	\$102.86	+\$0.47	\$101.83	+\$1.03
30Y 4.5	\$107.64	\$105.30	+2.34	\$105.33	-0.03	\$104.48	+0.84	\$104.17	+\$0.31	\$103.45	+\$0.72
<u>Libor-based OAS (bps)<sup>(3)</sup></u>											
FNMA 30Y 3.5 OAS	10.9	36.4	-25.50	53.0	-16.60	41.2	+11.80	27.3	13.9	29.4	-2.1
FNMA 30Y 4.0 OAS	27.4	46.7	-19.30	60.5	-13.80	51.3	+9.20	31.1	20.2	30.4	0.7
FNMA 30Y 4.5 OAS	58.4	63.6	-5.20	70.5	-6.90	71.0	-0.50	46.9	24.1	50.1	-3.2
<u>Libor-based ZSpread (bps)<sup>(4)</sup></u>											
FNMA 30Y 3.5 ZSpread	32.5	84.0	-51.50	101.8	-17.80	87.0	+14.80	76.4	10.6	74.1	2.3
FNMA 30Y 4.0 ZSpread	37.7	84.9	-47.20	97.6	-12.70	88.1	+9.50	75.2	12.9	87.8	-12.6
FNMA 30Y 4.5 ZSpread	64.3	91.8	-27.50	97.1	-5.30	99.0	-1.90	79.5	19.5	98.8	-19.3

<b>Results</b>	<ul style="list-style-type: none"><li>▪ Net Loss: \$(16.7) million or \$(1.35) per share</li><li>▪ Core Earnings<sup>(1)</sup>: \$3.4 million or \$0.27 per share</li><li>▪ Economic Return: (10.0)% for the quarter</li><li>▪ Net Interest Margin<sup>(2)</sup>: 1.20%</li></ul>
<b>Shareholders' Equity &amp; BVPS<sup>(3)</sup></b>	<ul style="list-style-type: none"><li>▪ Shareholders' Equity: \$139.7 million</li><li>▪ Book Value Per Share: \$11.34</li></ul>
<b>Portfolio</b>	<ul style="list-style-type: none"><li>▪ Agency RMBS Portfolio: \$1.04 billion<sup>(3)</sup><ul style="list-style-type: none"><li>○ Strategically reduced portfolio size by 25% in order to lower leverage and bolster liquidity, in response to extreme market volatility</li><li>○ Weighted average prepayment speed on fixed-rate specified pools increased to 15.4% CPR from 14.9% CPR last quarter</li><li>○ Average pay-ups on specified pools decreased to 1.67%<sup>(3)</sup> from 2.05% last quarter</li></ul></li><li>▪ Non-Agency RMBS Portfolio: \$7.5 million<sup>(3)</sup></li></ul>
<b>Leverage<sup>(3)</sup></b>	<ul style="list-style-type: none"><li>▪ Debt-to-Equity Ratio: 7.9:1, and 7.2:1 adjusted for unsettled purchases and sales</li><li>▪ Net Mortgage Assets-to-Equity Ratio of 5.6:1<sup>(4)</sup></li></ul>
<b>Dividend</b>	<ul style="list-style-type: none"><li>▪ Declared first quarter dividend of \$0.28 per share (paid in April 2020)</li><li>▪ Annualized dividend yield of 12.7% based on closing price of \$8.83 on 5/4/2020</li></ul>
<b>Share Repurchase Program</b>	<ul style="list-style-type: none"><li>▪ Repurchased 136,142 shares during the quarter, or approximately 1%, at an average price of \$7.24</li></ul>

# Summary of Financial Results

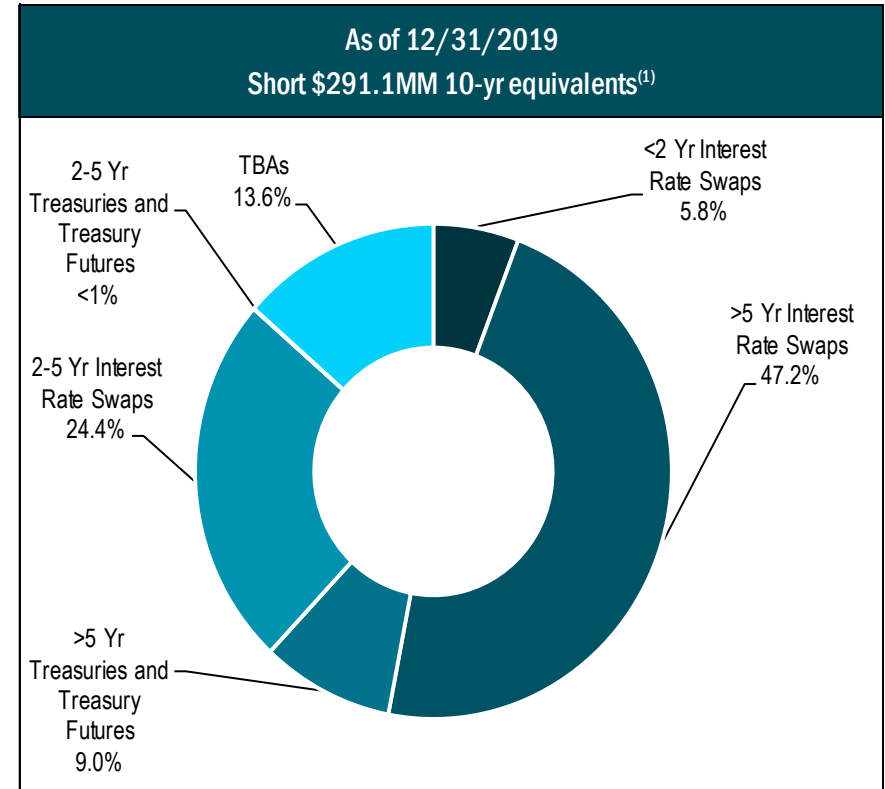
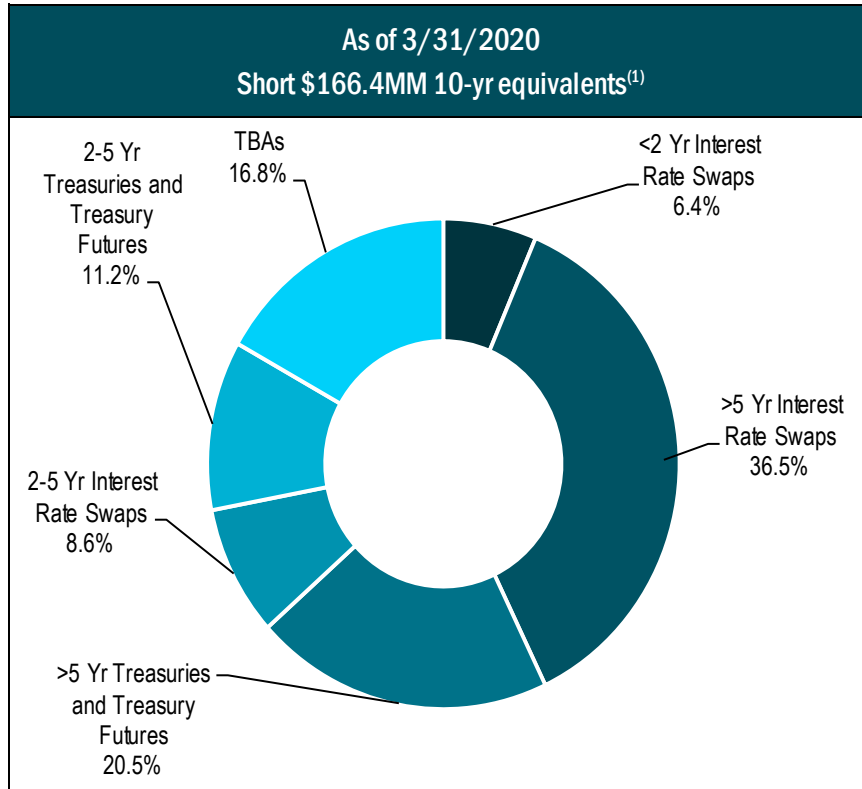
	Quarter Ended 3/31/2020		Quarter Ended 12/31/2019	
		Per Share <sup>(1)</sup>		Per Share <sup>(1)</sup>
<i>(\$ in thousands except per share amounts)</i>				
Interest Income	\$ 9,881		\$ 8,609	
Interest Expense	(6,100)		(7,239)	
Total Net Interest Income	\$ 3,781		\$ 1,370	
Total Other Gain (Loss) <sup>(2)</sup>	184		237	
Total Expenses	(1,288)		(1,275)	
Add back: Catch-up Premium Amortization Adjustment <sup>(3)</sup>	683		2,493	
<b>Core Earnings<sup>(4)</sup></b>	<b>\$ 3,360</b>	<b>\$ 0.27</b>	<b>\$ 2,825</b>	<b>\$ 0.23</b>
<b>Net Realized and Unrealized Gain (Loss):</b>				
RMBS	\$ 10,770		\$ 3,786	
Interest Rate Hedges	(30,192)		5,588	
Total Net Realized and Unrealized Gain (Loss)	\$ (19,422)		\$ 9,374	
Deduct: Catch-up Premium Amortization Adjustment <sup>(3)</sup>	(683)		(2,493)	
<b>Net Income (Loss)</b>	<b>\$ (16,745)</b>	<b>\$ (1.35)</b>	<b>\$ 9,706</b>	<b>\$ 0.78</b>
Weighted Average Yield <sup>(5)</sup>	3.05%		3.13%	
Cost of Funds	-1.85%		-2.13%	
Net Interest Margin <sup>(6)</sup>	1.20%		1.00%	
<b>Shareholders' Equity</b>	<b>\$ 139,723</b>	<b>\$ 11.34</b>	<b>\$ 160,844</b>	<b>\$ 12.91</b>

# Consolidated Balance Sheet (Unaudited)

	As of	
	March 31, 2020	December 31, 2019 <sup>(1)</sup>
<i>(In thousands except share amounts)</i>		
<b>ASSETS</b>		
Cash and cash equivalents	\$ 59,671	\$ 35,351
Mortgage-backed securities, at fair value	1,050,521	1,401,778
Other investments, at fair value	355	-
Due from brokers	49,966	34,596
Financial derivatives-assets, at fair value	1,732	4,180
Reverse repurchase agreements	2,218	2,084
Receivable for securities sold	111,596	5,500
Interest receivable	4,219	5,016
Other assets	867	604
<b>Total Assets</b>	<b>\$ 1,281,145</b>	<b>\$ 1,489,109</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Repurchase agreements	\$ 1,109,342	\$ 1,296,272
Payable for securities purchased	-	19,433
Due to brokers	2,348	33
Financial derivatives-liabilities, at fair value	20,234	2,047
U.S. Treasury securities sold short, at fair value	2,154	2,070
Dividend payable	3,449	3,488
Accrued expenses	690	588
Management fee payable to affiliate	526	605
Interest payable	2,679	3,729
<b>Total Liabilities</b>	<b>\$ 1,141,422</b>	<b>\$ 1,328,265</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; (12,319,616 and 12,455,758 shares issued and outstanding, respectively)	123	124
Additional paid-in-capital	229,432	230,358
Accumulated deficit	(89,832)	(69,638)
<b>Total Shareholders' Equity</b>	<b>139,723</b>	<b>160,844</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 1,281,145</b>	<b>\$ 1,489,109</b>
<b>Per Share Information</b>		
Common shares, par value \$0.01 per share	\$ 11.34	\$ 12.91

(In thousands)	March 31, 2020					December 31, 2019				
	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	\$ 124,511	\$ 132,375	\$ 106.32	\$ 127,030	\$ 102.02	\$ 173,350	\$ 181,231	\$ 104.55	\$ 176,848	\$ 102.02
20-year fixed rate mortgages	1,087	1,187	109.20	1,165	107.18	1,276	1,385	108.54	1,356	106.27
30-year fixed rate mortgages	708,062	765,220	108.07	738,821	104.34	996,451	1,058,878	106.26	1,041,550	104.53
ARMs	28,823	30,233	104.89	29,836	103.51	32,122	33,255	103.53	33,049	102.89
Reverse mortgages	90,656	98,357	108.49	97,215	107.24	91,560	99,934	109.15	98,407	107.48
<b>Total Agency RMBS</b>	<b>953,139</b>	<b>1,027,372</b>	<b>107.79</b>	<b>994,067</b>	<b>104.29</b>	<b>1,294,759</b>	<b>1,374,683</b>	<b>106.17</b>	<b>1,351,210</b>	<b>104.36</b>
<b>Non-Agency RMBS</b>	<b>10,507</b>	<b>7,520</b>	<b>71.57</b>	<b>6,620</b>	<b>63.01</b>	<b>10,947</b>	<b>8,851</b>	<b>80.85</b>	<b>6,924</b>	<b>63.25</b>
<b>Total RMBS<sup>(2)</sup></b>	<b>963,646</b>	<b>1,034,892</b>	<b>107.39</b>	<b>1,000,687</b>	<b>103.84</b>	<b>1,305,706</b>	<b>1,383,534</b>	<b>105.96</b>	<b>1,358,134</b>	<b>104.02</b>
<b>Agency Interest Only RMBS</b>	n/a	15,629	n/a	17,266	n/a	n/a	18,244	n/a	17,795	n/a
<b>Total mortgage-backed securities</b>		<b>\$1,050,521</b>		<b>\$1,017,953</b>			<b>\$1,401,778</b>		<b>\$1,375,929</b>	

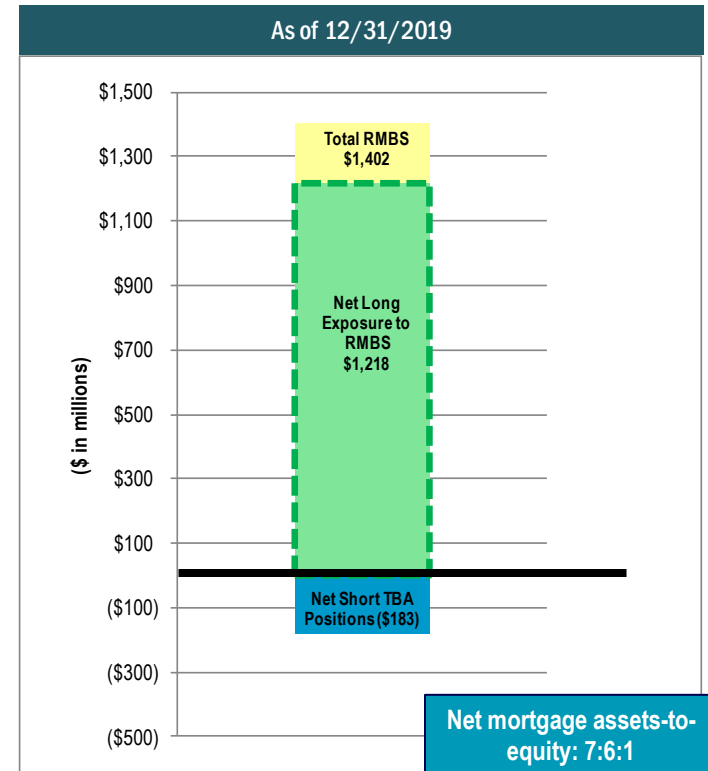
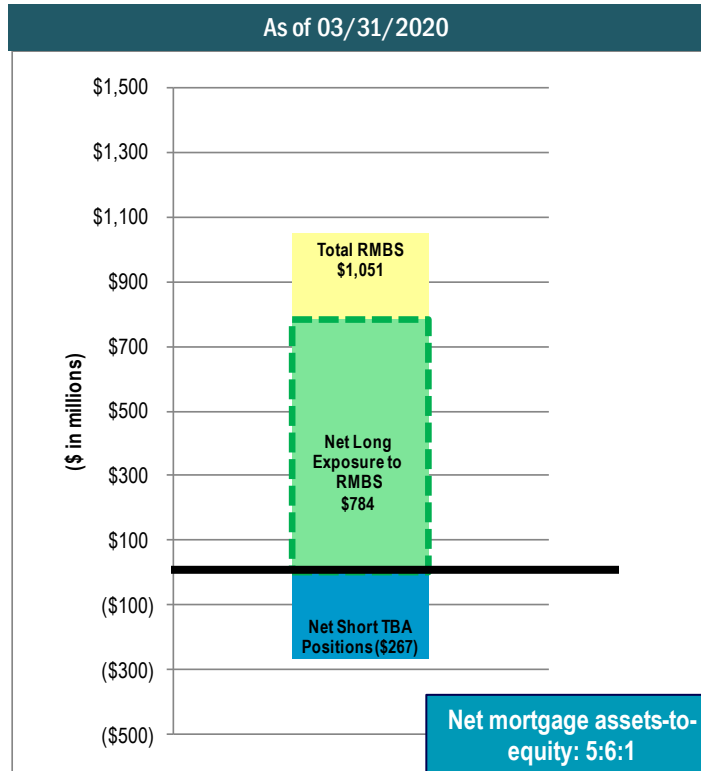
- Strategically reduced portfolio size by 25% in a measured, opportunistic, and orderly fashion, in order to lower leverage and bolster liquidity, in response to extreme market volatility



- 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
- We also hedge interest rate risk with swaps, U.S. Treasury securities, futures, and swaptions
- During the quarter, we increased the relative size of our net TBA short position to 16.8%, from 13.6%



## Exposure to RMBS Based on Fair Value of TBA Portfolio<sup>(1)</sup>



- EARN often carries significantly lower net effective mortgage exposure than our “headline” leverage would suggest
  - Our net mortgage assets-to-equity<sup>(2)</sup> ratio was 5.6:1 versus our debt-to-equity ratio of 7.9:1 as of March 31, 2020
  - Our net mortgage assets-to-equity ratio declined significantly quarter over quarter as we proactively reduced our net leverage in light of the heightened levels of market volatility and systemic liquidity risk
- Use of TBA short positions as hedges:
  - Helps drive outperformance in especially volatile quarters, such as the first quarter
  - 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

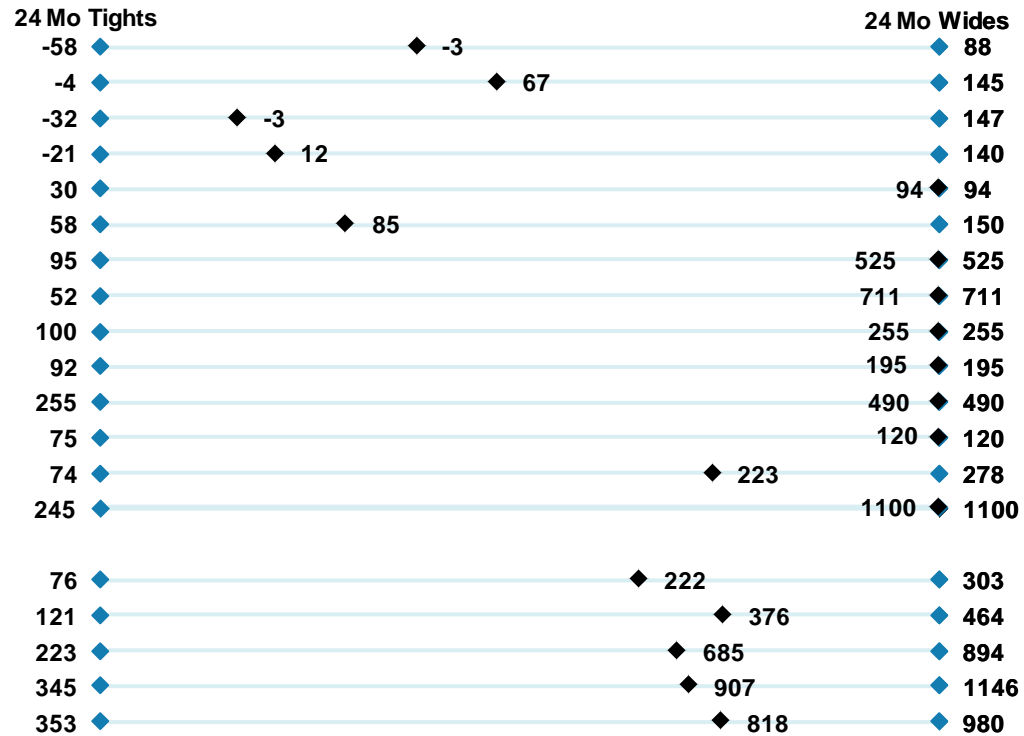
◆ As of March 31, 2020<sup>(1)</sup>

**Securitized Products**

- US Agency MBS TOAS
- US Agency MBS TZV
- US Agency FN 4 OAS
- US Agency G2 4 OAS
- US Spec HLB 4
- 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**

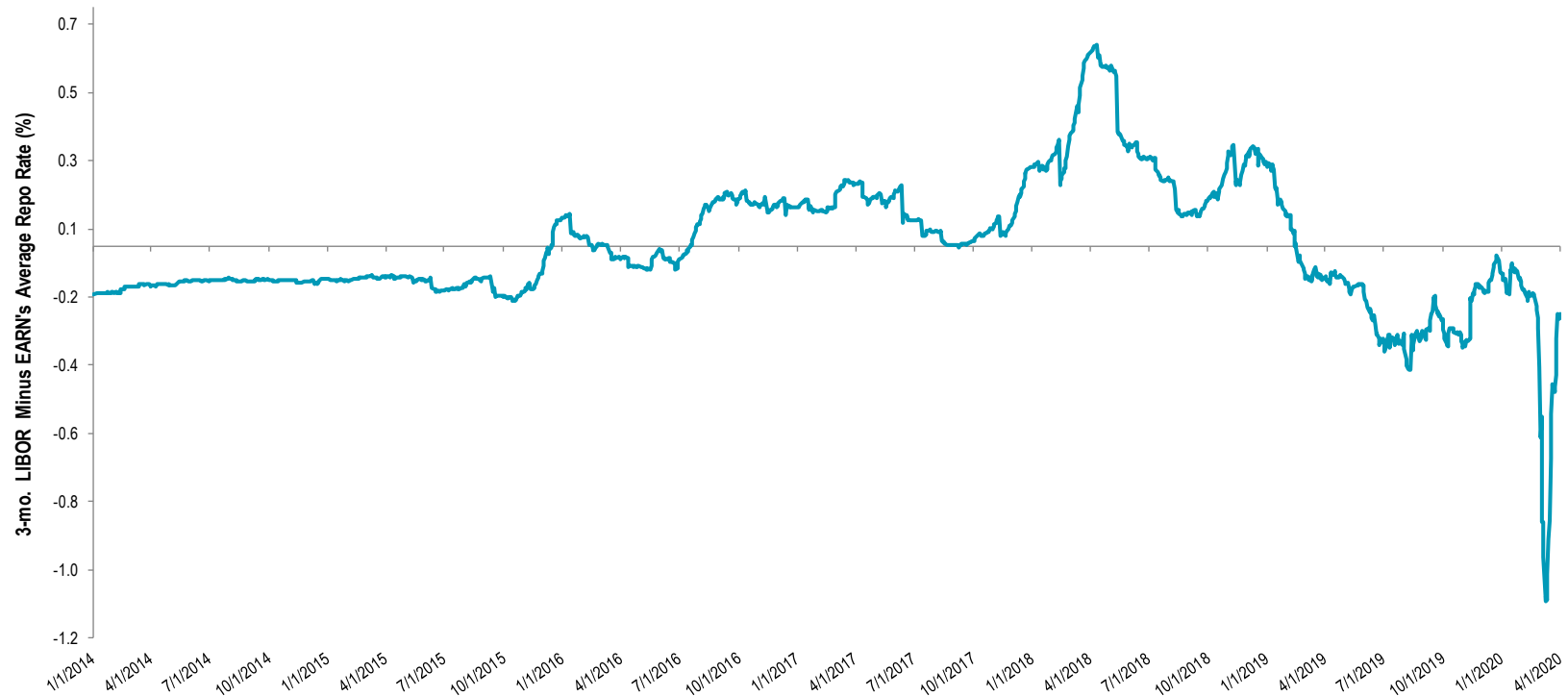
- US IG Corp A OAS
- US IG Corp BBB OAS
- US HY Corp BB STW
- US HY Corp B STW
- Lev Loans



Source: Morgan Stanley

- During the quarter, yield spreads were highly volatile and widened on most fixed income credit assets
- Despite significant intra-quarter volatility, yield spreads on Agency RMBS actually tightened quarter over quarter as unprecedented asset purchases by the Federal Reserve provided stability

### 3-month LIBOR Minus EARN Repo Funding Rate



- At the start of 2020, the spread between our agency repo funding rate and 3-month LIBOR had narrowed significantly
- In March, however, amidst the volatility and sharp decline in interest rates, 3-month LIBOR temporarily dropped well below our average cost of repo, before recovering going into quarter-end
- 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

Ellington is committed to corporate 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.

### 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. 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.
- We are in compliance with applicable employment codes and guidelines, including ADA, Equal Opportunity Employment, Non-Discrimination, Anti-Harassment and Non-Retaliation codes.

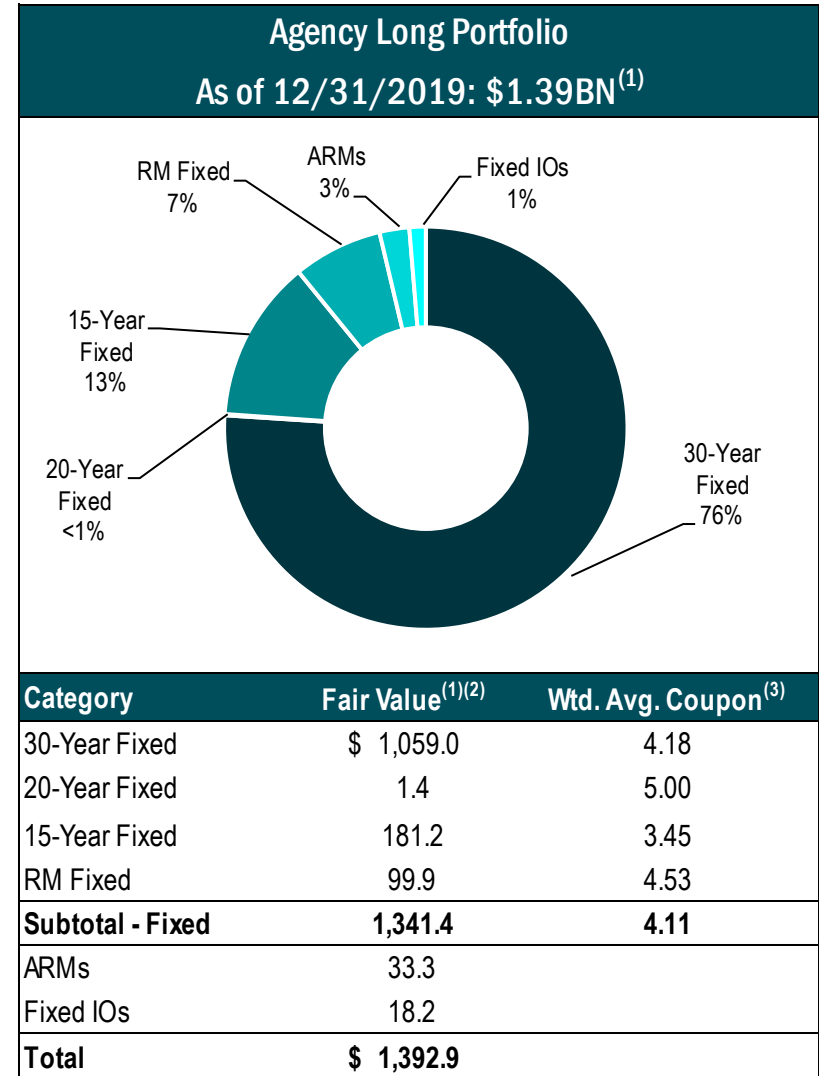
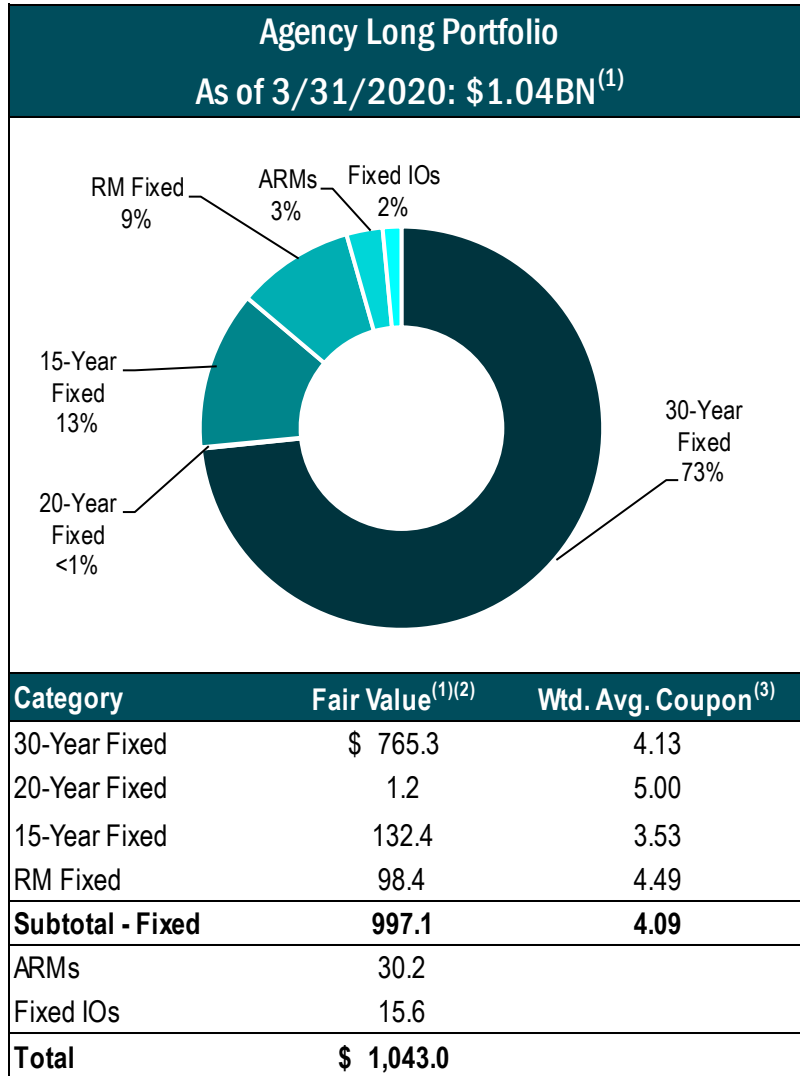
### Governance

- Our Manager has a Responsible Investment policy which requires portfolio managers for applicable strategies to certify periodically that they have considered relevant ESG factors.
- 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 following the severe dislocations of the first quarter**
- 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 aggressively in response to market opportunities**
- 4. Rotate portfolio to take advantage of relative value discrepancies between Agency RMBS, and capitalize on lower borrowing costs, in order to recharge Net Interest Margin and drive 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. Given the substantial yield spread widening in non-Agency RMBS in March, consider increasing capital allocation to this sector**

# Supplemental Slides

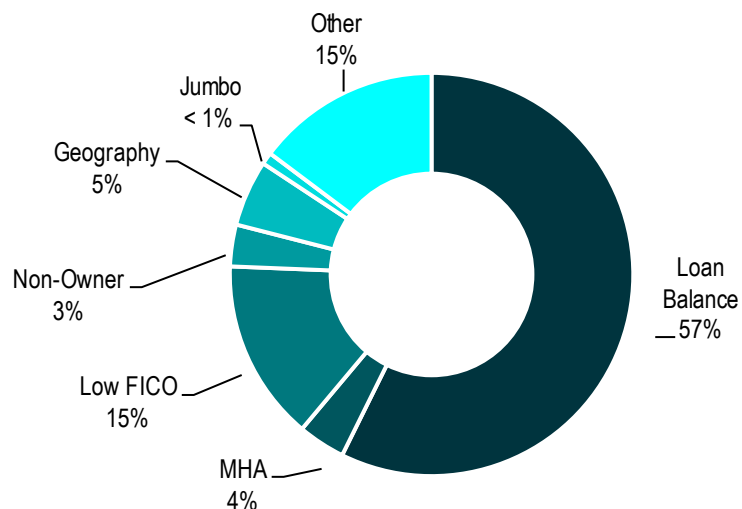




- Strategically reduced portfolio size by 25% in order to lower leverage and bolster liquidity in response to extreme market volatility

## Agency Fixed Long Portfolio

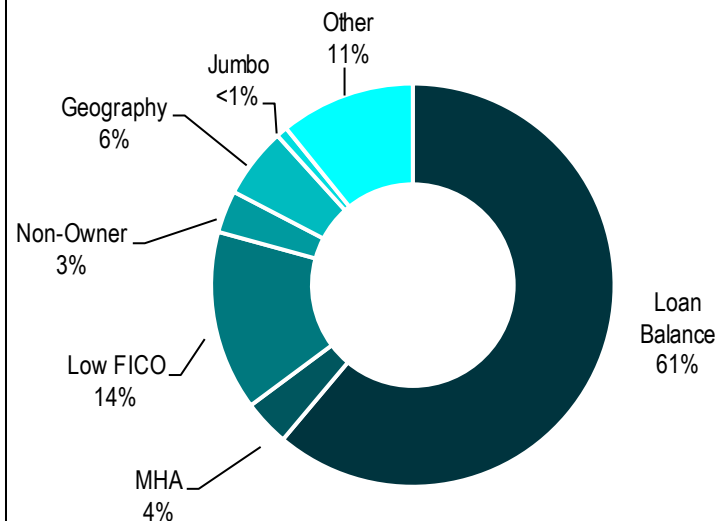
Collateral Characteristics and Historical 3-Mo CPR:  
Average for Quarter Ended 3/31/2020<sup>(1)</sup>



Characteristic <sup>(2)</sup>	Fair Value <sup>(1)(3)</sup>	3-Month CPR %
Loan Balance	\$ 704.0	12.6
MHA <sup>(4)</sup>	46.6	4.3
Low FICO	178.6	24.9
Non-Owner	41.1	23.3
Geography	65.1	18.3
Jumbo	11.8	21.8
Other	181.2	15.3
<b>Total</b>	<b>\$ 1,228.5</b>	<b>15.4</b>

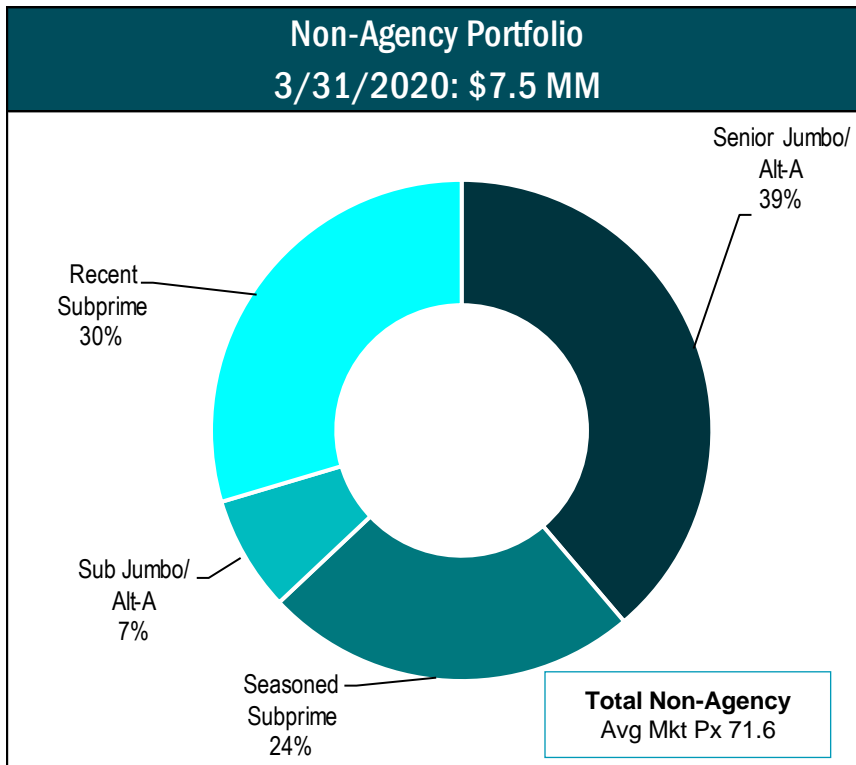
## Agency Fixed Long Portfolio

Collateral Characteristics and Historical 3-Mo CPR:  
Average for Quarter Ended 12/31/2019<sup>(1)</sup>



Characteristic <sup>(2)</sup>	Fair Value <sup>(1)(3)</sup>	3-Month CPR %
Loan Balance	\$ 741.1	14.5
MHA <sup>(4)</sup>	44.9	7.7
Low FICO	174.9	23.0
Non-Owner	41.1	3.5
Geography	68.4	7.8
Jumbo	10.9	24.6
Other	131.0	14.3
<b>Total</b>	<b>\$ 1,212.3</b>	<b>14.9</b>





- We continue to maintain a small but high-yielding portfolio of non-Agency RMBS
- Given the substantial yield spread widening in March, we are currently considering increasing our capital allocation to this sector

Remaining Days to Maturity	March 31, 2020			December 31, 2019		
	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	\$ 435,235	1.74%	16	\$ 513,092	2.10%	15
31-60 days	481,648	1.78%	45	549,541	1.91%	45
61-90 days	192,459	0.90%	75	233,639	1.97%	74
<b>Total</b>	<b>\$ 1,109,342</b>	<b>1.61%</b>	<b>39</b>	<b>\$ 1,296,272</b>	<b>2.00%</b>	<b>39</b>

- Outstanding borrowings are with 16 counterparties as of March 31, 2020.
- As of March 31<sup>st</sup>, the weighted average interest rate on our repo borrowings declined to 1.61% from 2.00% as of December 31<sup>st</sup>, as short-term interest rates fell.
- During the first half of March, yield spreads on Agency RMBS widened significantly and market volatility spiked. As a result, we received margin calls under our financing arrangements that were higher than typical historical levels. We satisfied all of these margin calls. Additionally, during the quarter, we were able to roll our repos in an orderly manner, albeit at slightly higher haircuts.

# 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	\$ 546	0.39%	\$ (370)	-0.26%
Agency RMBS—Fixed Pools and IOs	8,203	5.87%	(7,824)	-5.60%
TBAs	(1,890)	-1.35%	1,525	1.09%
Non-Agency RMBS	162	0.12%	(185)	-0.13%
Interest Rate Swaps	(4,385)	-3.15%	4,117	2.94%
U.S. Treasury Securities	(102)	-0.07%	97	0.07%
U.S. Treasury Futures	(2,549)	-1.82%	2,482	1.78%
Repurchase and Reverse Repurchase Agreements	(596)	-0.43%	591	0.42%
<b>Total</b>	<b>\$ (611)</b>	<b>-0.44%</b>	<b>\$ 433</b>	<b>0.31%</b>

# Financial Derivatives as of March 31, 2020

(\$ in thousands)

Fixed Payer Interest Rate Swaps					
Maturity	Notional Amount	Fair Value	Weighted Average Pay Rate	Weighted Average Receive Rate	Weighted Average Years to Maturity
2020-2022	\$ 281,943	\$ (4,489)	1.60%	1.71%	1.24
2023-2025	44,408	(2,199)	1.95%	1.67%	3.31
2026-2028	32,730	(2,276)	1.58%	1.62%	6.80
2029-2049	32,621	(3,873)	1.36%	1.29%	16.52
<b>Total</b>	<b>\$ 391,702</b>	<b>\$ (12,837)</b>	<b>1.62%</b>	<b>1.66%</b>	<b>3.21</b>

Fixed Receiver Interest Rate Swaps					
Maturity	Notional Amount	Fair Value	Weighted Average Pay Rate	Weighted Average Receive Rate	Weighted Average Years to Maturity
2020-2022	\$ (9,200)	\$ 4	1.37%	0.49%	2.00
2023-2025	(54,410)	605	1.49%	0.84%	3.91
2026-2048	(17,752)	(105)	1.44%	0.66%	10.01
<b>Total</b>	<b>\$ (81,362)</b>	<b>\$ 504</b>	<b>1.47%</b>	<b>0.76%</b>	<b>5.02</b>

TBA Securities				
Coupon	Notional Amount <sup>(1)</sup>	Cost Basis <sup>(2)</sup>	Market Value <sup>(3)</sup>	Net Carrying Value <sup>(4)</sup>
2.00	\$ 10,000	\$ 9,976	\$ 10,074	\$ 98
2.50	24,600	25,278	25,524	246
3.00	(8,083)	(8,347)	(8,539)	(192)
3.50	(141,760)	(147,592)	(149,685)	(2,093)
4.00	(74,285)	(78,950)	(79,175)	(225)
4.50	(61,600)	(65,746)	(66,397)	(651)
5.00	1,540	1,645	1,662	17
<b>Total TBAs, net</b>	<b>\$ (249,588)</b>	<b>\$ (263,736)</b>	<b>\$ (266,536)</b>	<b>\$ (2,800)</b>

Futures			
Maturity	Notional Amount	Fair Value	Remaining Months to Expiration
2 yr	\$ (5,400)	\$ (101)	3.03
5 yr	(34,400)	(1,258)	3.03
10 yr	(42,600)	(2,341)	2.67
30 yr	2,200	331	2.67
<b>Total</b>	<b>\$ (80,200)</b>	<b>\$ (3,369)</b>	<b>2.85</b>

# Consolidated Statement of Operations

(Unaudited)

	Three-Month Period Ended	
	March 31, 2020	December 31, 2019
<i>(In thousands except share amounts)</i>		
<b>INTEREST INCOME (EXPENSE)</b>		
Interest income	\$ 9,881	\$ 8,609
Interest expense	(6,100)	(7,239)
Total net interest income	3,781	1,370
<b>EXPENSES</b>		
Management fees to affiliate	526	606
Professional fees	208	163
Compensation expense	151	113
Insurance expense	76	73
Other operating expenses	327	320
Total expenses	1,288	1,275
<b>OTHER INCOME (LOSS)</b>		
Net realized gains (losses) on securities	1,093	972
Net realized gains (losses) on financial derivatives	(6,499)	(16,251)
Change in net unrealized gains (losses) on securities	6,768	3,691
Change in net unrealized gains (losses) on financial derivatives	(20,600)	21,199
Total other income (loss)	(19,238)	9,611
<b>NET INCOME (LOSS)</b>	<b>\$ (16,745)</b>	<b>\$ 9,706</b>
<b>NET INCOME (LOSS) PER COMMON SHARE</b>		
Basic and Diluted	\$ (1.35)	\$ 0.78
<b>WEIGHTED AVERAGE SHARES OUTSTANDING</b>	12,434,755	12,449,936
<b>CASH DIVIDENDS PER SHARE:</b>		
Dividends declared	\$ 0.28	\$ 0.28

# Consolidated Balance Sheet (Unaudited)

	As of	
	March 31, 2020	December 31, 2019 <sup>(1)</sup>
<i>(In thousands except share amounts)</i>		
<b>ASSETS</b>		
Cash and cash equivalents	\$ 59,671	\$ 35,351
Mortgage-backed securities, at fair value	1,050,521	1,401,778
Other investments, at fair value	355	-
Due from brokers	49,966	34,596
Financial derivatives-assets, at fair value	1,732	4,180
Reverse repurchase agreements	2,218	2,084
Receivable for securities sold	111,596	5,500
Interest receivable	4,219	5,016
Other assets	867	604
<b>Total Assets</b>	<b>\$ 1,281,145</b>	<b>\$ 1,489,109</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Repurchase agreements	\$ 1,109,342	\$ 1,296,272
Payable for securities purchased	-	19,433
Due to brokers	2,348	33
Financial derivatives-liabilities, at fair value	20,234	2,047
U.S. Treasury securities sold short, at fair value	2,154	2,070
Dividend payable	3,449	3,488
Accrued expenses	690	588
Management fee payable to affiliate	526	605
Interest payable	2,679	3,729
<b>Total Liabilities</b>	<b>\$ 1,141,422</b>	<b>\$ 1,328,265</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; (12,319,616 and 12,455,758 shares issued and outstanding, respectively)	123	124
Additional paid-in-capital	229,432	230,358
Accumulated deficit	(89,832)	(69,638)
<b>Total Shareholders' Equity</b>	<b>139,723</b>	<b>160,844</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 1,281,145</b>	<b>\$ 1,489,109</b>
<b>Per Share Information</b>		
Common shares, par value \$0.01 per share	\$ 11.34	\$ 12.91

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

<i>(In thousands except share amounts)</i>	Three Month Period Ended	
	March 31, 2020	December 31, 2019
Net Income (Loss)	\$ (16,745)	\$ 9,706
Adjustments:		
Net realized (gains) losses on securities	(1,093)	(972)
Change in net unrealized (gains) losses on securities	(6,768)	(3,691)
Net realized (gains) losses on financial derivatives	6,499	16,251
Change in net unrealized (gains) losses on financial derivatives	20,600	(21,199)
Net realized gains (losses) on periodic settlements of interest rate swaps	1,333	(1,717)
Change in net unrealized gains (losses) on accrued periodic settlements of interest rate swaps	(1,149)	1,954
Negative (positive) component of interest income represented by Catch-up Premium Amortization Adjustment	683	2,493
Subtotal	20,105	(6,881)
Core Earnings	\$ 3,360	\$ 2,825
Weighted Average Shares Outstanding	12,434,755	12,449,936
Core Earnings Per Share	\$ 0.27	\$ 0.23

## Ellington Profile

As of 3/31/2020

<b>Founded:</b>	<b>1994</b>
<b>Employees:</b>	<b>&gt;150</b>
<b>Investment Professionals:</b>	<b>70</b>
<b>Global offices:</b>	<b>3</b>

**\$9.7**

Billion in  
assets under  
management as of  
3/31/2020<sup>(1)</sup>

**14**

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

**21**

Years of average  
industry experience  
of senior portfolio  
managers

**25%**

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<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 23% of employees dedicated to research and infrastructure development
- Structured credit trading experience and analytical skills developed since the firm's founding 25 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 25-year history



**Slide 3 – First Quarter Market Update**

- (1) Source: Bloomberg
- (2) Source: Mortgage Bankers Association via Bloomberg
- (3) 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.
- (4) 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 – First 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 March 31, 2020.
- (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 March 31, 2020 the market value of our mortgage-backed securities and our net short TBA position was \$1.051 billion and \$(266.5) million, respectively, and total shareholders' equity was \$139.7 million.

**Slide 5 – Summary of Financial Results**

- (1) 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.
- (2) Total Other Gain (Loss) represents net realized and unrealized gains (losses) on periodic settlements of interest rate swaps.
- (3) See slide 23, endnote 1 for definition of Catch-up Premium Amortization Adjustment.
- (4) Core Earnings is a non-GAAP financial measure. See slide 23 for a reconciliation of Core Earnings to Net Income (Loss).
- (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 6 – Consolidated Balance Sheet**

- (1) Derived from audited financial statements as of December 31, 2019.

**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 March 31, 2020 and December 31, 2019. The net carrying value of the TBA positions as of March 31, 2020 and December 31, 2019 on the Consolidated Balance Sheet was \$(2.80) million and \$(0.18) 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 March 31, 2020 except for the below securitized products as follows:

2/20/2020 for Non-QM AAA; 3/11/2020 for Subprime Auto BBB; 3/13/2020 for US CLO 2.0 AAA, US CLO 2.0 BBB, and EUR CLO 2.0 AAA; 3/27/2020 for US Spec HLB 4, Legacy Resi, CRT OTR M1, US CMBS AAA and US CMBS BBB

**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 \$53.8 million and a market value of \$55.9 million as of March 31, 2020. Does not include long TBA positions with a notional value of \$70.5 million and a market value of \$72.7 million as of December 31, 2019.
- (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.

**Slide 18 – Repo Borrowings**

- (1) As of March 31, 2020 and December 31, 2019, 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 March 31, 2020. 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 March 31, 2020**

- (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, 2020.
- (4) Net carrying value represents the difference between the market value of the TBA contract as of March 31, 2020 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 22 – Consolidated Balance Sheet**

- (1) Derived from audited financial statements as of December 31, 2019.

**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 March 31, 2020 and December 31, 2019, 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) \$9.7 billion in assets under management includes approximately \$1.4 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.



**E A R N**

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