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ELLINGTON RESIDENTIAL MORTGAGE REIT

Second Quarter 2016 Earnings Conference Call

August 3, 2016

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Important Notice

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 10, 2016 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 June 30, 2016 unless otherwise indicated. We undertake no duty or obligation to update this presentation to reflect subsequent events or developments.

Second Quarter 2016

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Ellington Residential: Second Quarter Highlights

Overall Results	■ Net income of \$3.5 million, or \$0.38 per share 　■ Agency specified pools performed well against the backdrop of declining interest rates
Core Earnings[1]	■ Core Earnings of \$2.9 million, or \$0.32 per share ■ Core Earnings excluding "catch-up" premium amortization adjustment related to Agency RMBS was \$4.4 million, or \$0.48 per share ■ Net Interest Margin was 1.28%; excluding "catch-up" premium amortization adjustment, Net Interest Margin was 1.76%
Shareholders' Equity	■ Shareholders' equity as of June 30, 2016 of \$140.3 million, or \$15.38 per share
Portfolio	■ Agency RMBS Portfolio: \$1.206 billion as of June 30, 2016 　■ \$1.079 billion fixed rate "specified" pools 　■ \$43.3 million ARM pools 　■ \$76.1 million reverse mortgage pools 　■ \$7.6 million IOs ■ Non-Agency RMBS Portfolio: \$22.8 million as of June 30, 2016
Leverage	■ Debt to equity ratio: approximately 8.6:1 as of June 30, 2016; adjusted for unsettled purchases/sales, 8.1:1
Dividend	■ Declared second quarter dividend of \$0.40 per share (paid in July 2016) ■ Annualized dividend yield of 11.1% based on closing price of \$14.43 on August 1, 2016

(1) Core Earnings is a non-GAAP financial measure. See slide 24 for a reconciliation of Core Earnings to Net Income (Loss).

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Ellington Residential: Agency RMBS

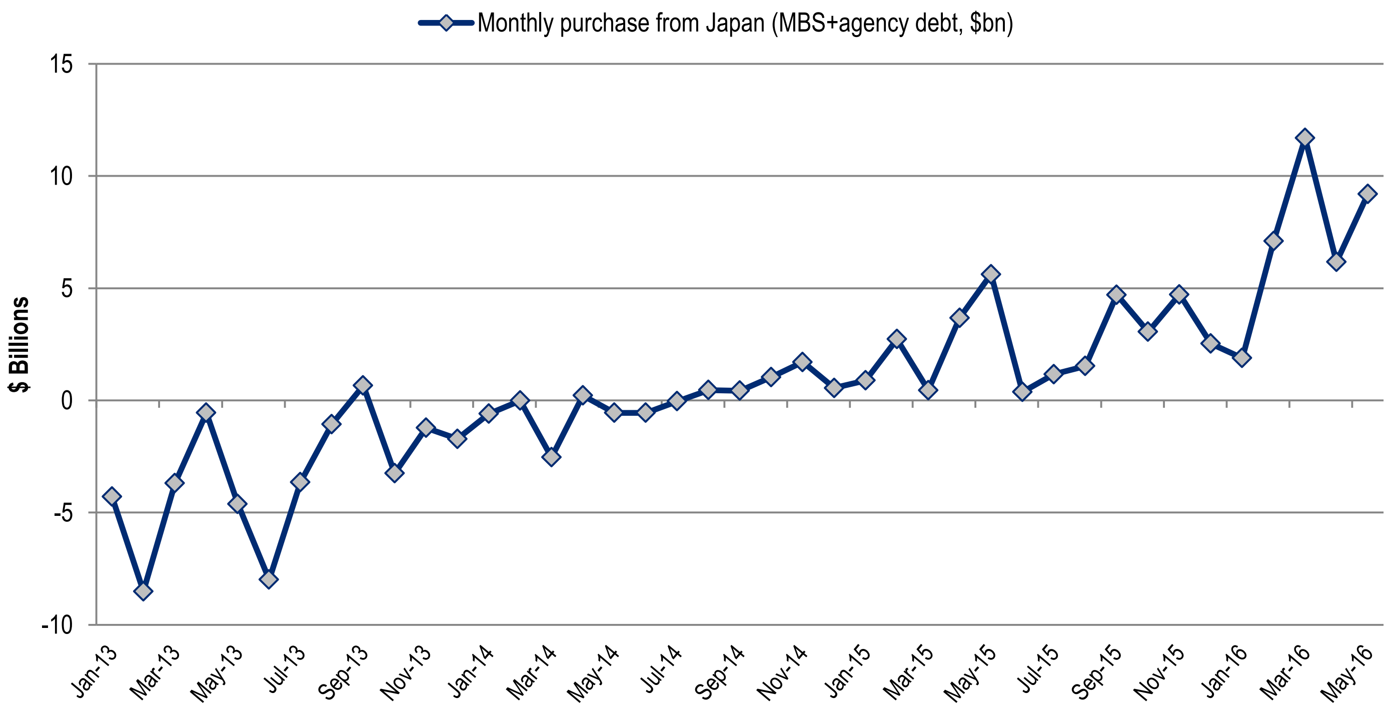
Overall Market Conditions	■ Interest rates gradually trended higher during the first two months of the quarter, and then abruptly declined after the United Kingdom's vote to leave the European Union, or "Brexit" vote, in late June 　■ 2-year and 10-year swap rates were down 14 basis points and 30 basis points, respectively 　　■ U.S. 10-year Treasury yield decreased 30 basis points to end the first quarter at 1.47% 　　■ 30-year mortgage rate decreased to 3.48% from 3.71% ■ The Brexit vote fueled demand for U.S. Treasury and other safe haven securities, such as Agency RMBS 　■ Agency RMBS prices increased and yield spreads relative to interest rate swaps and U.S. Treasury securities were relatively stable ■ Pay-ups on specified pools increased as prepayment protection became more valuable in light of lower interest rates and expected increases in prepayment rates
Portfolio Trends and Outlook	■ Portfolio size: $1.206 billion as of June 30, 2016, as compared to $1.146 billion as of March 31, 2016 ■ We turned over approximately 31% of the portfolio as measured by sales, excluding principal pay-downs ■ Average pay-up of 1.03% as of June 30, 2016, compared to 0.88% as of March 31, 2016 ■ Continued to focus purchasing activity primarily on specified pools, especially those with higher coupons ■ Reverse mortgage pools tightened largely in response to lower prepayment speeds 　■ Primarily the result of the anti-churning guidelines issued by the National Reverse Mortgage Lenders' Association ■ Continue to consider increasing our allocation to Agency IOs should more attractive entry points arise

Ellington Residential: Non-Agency RMBS

Overall Market Conditions	■ For most credit sensitive assets, such as non-Agency RMBS and high-yield corporate credit, yield spreads initially widened in reaction to the Brexit vote ■ Widening was short-lived, as major central banks indicated that global central bank monetary policy would be highly accommodative in the face of Brexit-related uncertainty ■ Sharply lower yields on safe haven securities also pushed many global investors to add to their credit-sensitive portfolios ■ As a result of these factors, credit spreads generally ended the quarter tighter than where they had begun the quarter
Portfolio Trends and Outlook	■ Intend to continue to opportunistically increase and decrease the size of this portfolio as market conditions vary ■ Non-Agency RMBS generated a positive return ■ Strong carry, appreciation from our held positions, and net realized gains from positions sold contributed to this quarter's return ■ Quarter-over-quarter, our non-Agency RMBS portfolio declined in size ■ Continue to consider increasing our allocation to non-Agency RMBS should more attractive entry points arise

Agency MBS are Attractive to Investors Worldwide

Japan's monthly purchase of agency securities hit the highest level in March 2016 relative to the last few years and remains elevated at $9.2 billion in May 2016

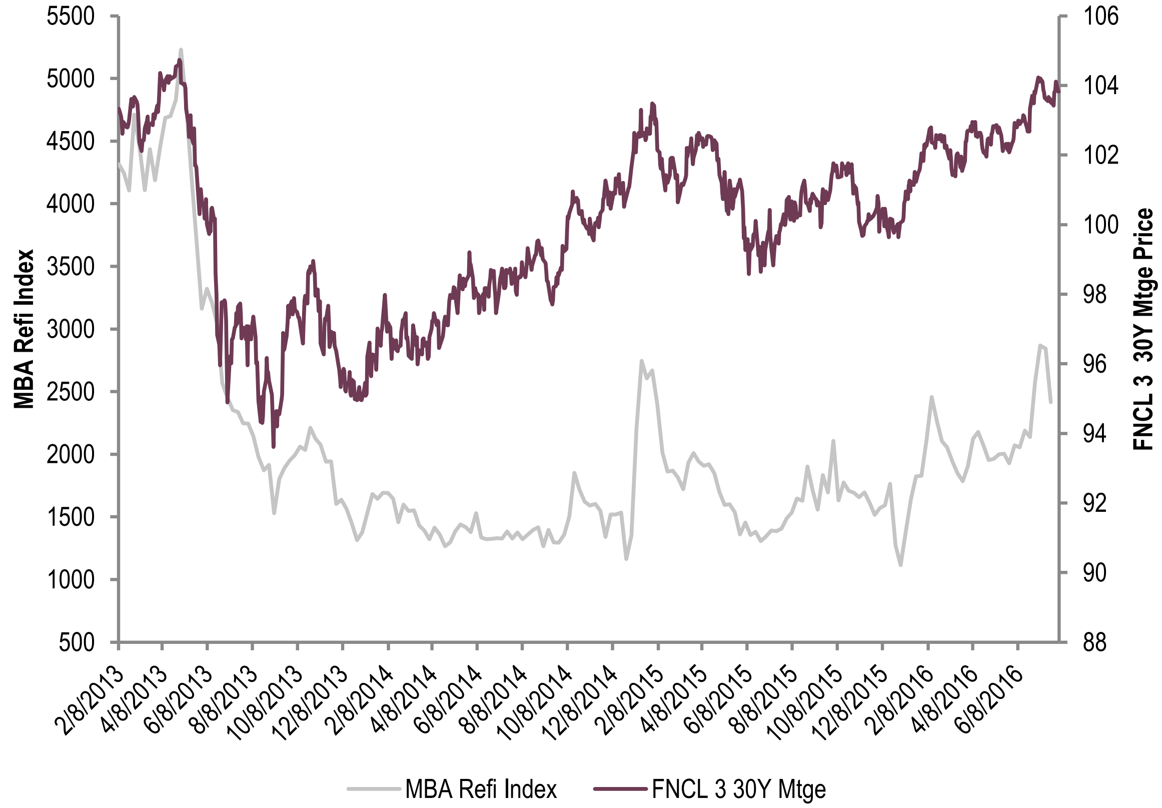


- **Because $10 trillion worth of high-quality sovereigns trade with negative yields, Agency MBS are relatively attractive**
- **Consistent global demand has stabilized Agency MBS relative to treasuries**
- **Diversified buyer base has provided consistent demand for Agency MBS**

Source: TIC data.

Post-crisis Regulations and Cost Still Exert Prepay Friction

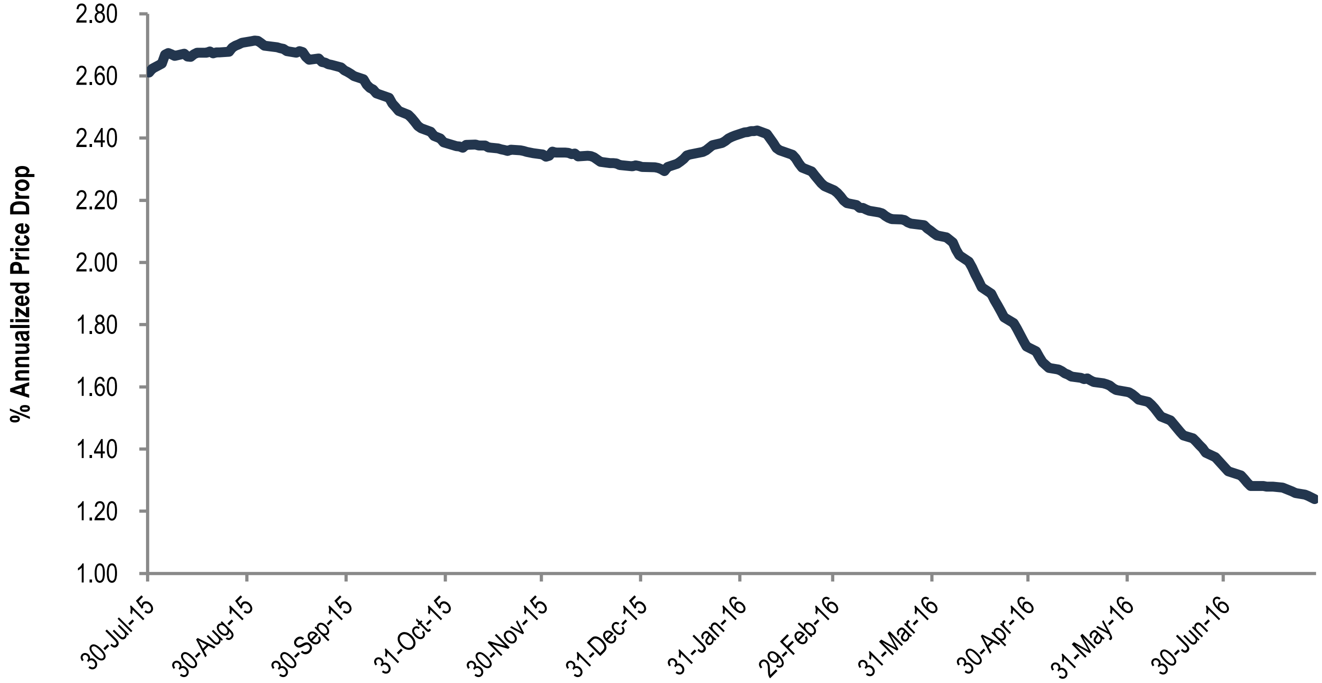
Refi index is low given the price of mortgages



Source: Bloomberg.

Cost of Maintaining TBA Shorts Continues to Cheapen

Implied annualized price drop from FNCL 4.0% Dollar Roll (60 day average)



- **Prepayment fears and healthy origination volumes depressed dollar roll levels**
- **Cost of hedging has dropped more than asset yields declined**
- **The combination of lower dollar rolls and prepay protected assets should support earnings**

Source: Credit Suisse. Data series of the FN4 roll, 60 day average.

July Prepay Reports Highlight the Value of Call Protection

FNCL 3.5%					Prepayment Speeds			
Year	**Collateral**	**Balance (Billions)**	**LTV**	**FICO**	**Jun**	**May**	**Apr**	**Mar**
2014	Non-Specified	54.6	78	760	22.9	21.7	20.8	24.3
2014	Low Loan Balance	0.6	68	756	9.8	8.2	6.9	7.5
FNCL 4.0%					**Prepayment Speeds**			
Year	**Collateral**	**Balance (Billions)**	**LTV**	**FICO**	**Jun**	**May**	**Apr**	**Mar**
2014	Non-Specified	61.8	80	741	28.1	26.1	25.3	27.8
2014	Low Loan Balance	2.9	72	740	11.8	10.1	9.2	9.9

- **Prepayment protection is in greater demand as market believes “lower for longer”**
- **Speed differences within a coupon ballooned and are likely to be long lived**
- **Prepayment protection helps to preserve Net Interest Margin**

Source: J.P. Morgan.

Portfolio

Ellington Residential: Portfolio Summary

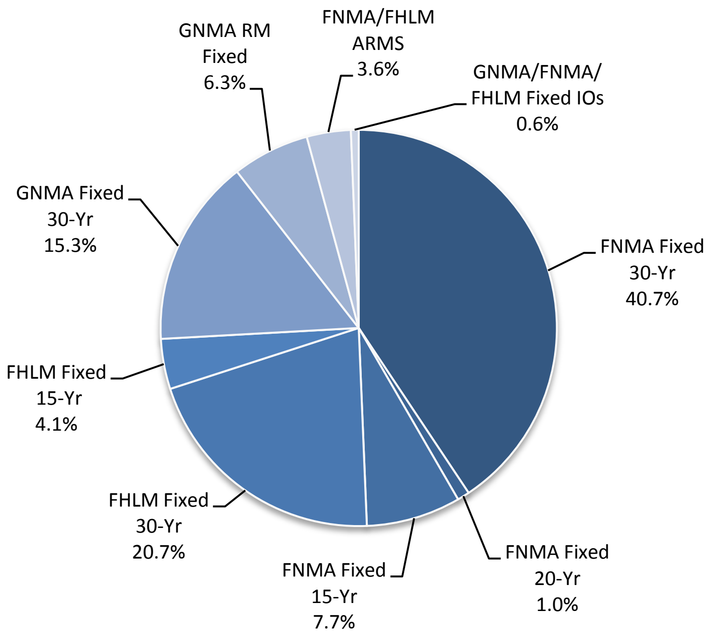
(In thousands)	June 30, 2016					March 31, 2016				
	Current Principal	Fair Value	Average Price[1]	Cost	Average Cost[1]	Current Principal	Fair Value	Average Price[1]	Cost	Average Cost[1]
Agency RMBS[2]										
15-year fixed rate mortgages	$ 133,590	$ 142,365	$ 106.57	$ 140,303	$ 105.03	$ 143,705	$ 152,536	$ 106.15	$ 150,945	$ 105.04
20-year fixed rate mortgages	11,061	12,014	108.62	11,920	107.77	17,991	19,488	108.32	19,226	106.86
30-year fixed rate mortgages	851,353	924,824	108.63	908,300	106.69	788,135	852,326	108.14	840,998	106.71
ARMs	41,005	43,337	105.69	43,143	105.21	35,122	37,133	105.73	37,232	106.01
Reverse mortgages	68,858	76,056	110.45	74,869	108.73	70,867	77,548	109.43	77,179	108.91
Total Agency RMBS	1,105,867	1,198,596	108.39	1,178,535	106.57	1,055,820	1,139,031	107.88	1,125,580	106.61
Non-Agency RMBS	33,934	22,788	67.15	21,063	62.07	42,649	27,631	64.79	26,175	61.37
Total RMBS[2]	1,139,801	1,221,384	107.16	1,199,598	105.25	1,098,469	1,166,662	106.21	1,151,755	104.85
Agency Interest Only RMBS	n/a	7,631	n/a	9,807	n/a	n/a	6,931	n/a	8,660	n/a
Total mortgage-backed securities		**1,229,015**		**1,209,405**			**1,173,593**		**1,160,415**	
U.S. Treasury securities sold short	(67,105)	(68,528)	102.12	(67,037)	99.90	(68,781)	(69,607)	101.20	(68,669)	99.84
Reverse repurchase agreements	68,862	68,862	100.00	68,862	100.00	69,575	69,575	100.00	69,575	100.00
Total		**$1,229,349**		**$1,211,230**			**$1,173,561**		**$1,161,321**	

(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.

Ellington Residential: Agency Long Portfolio

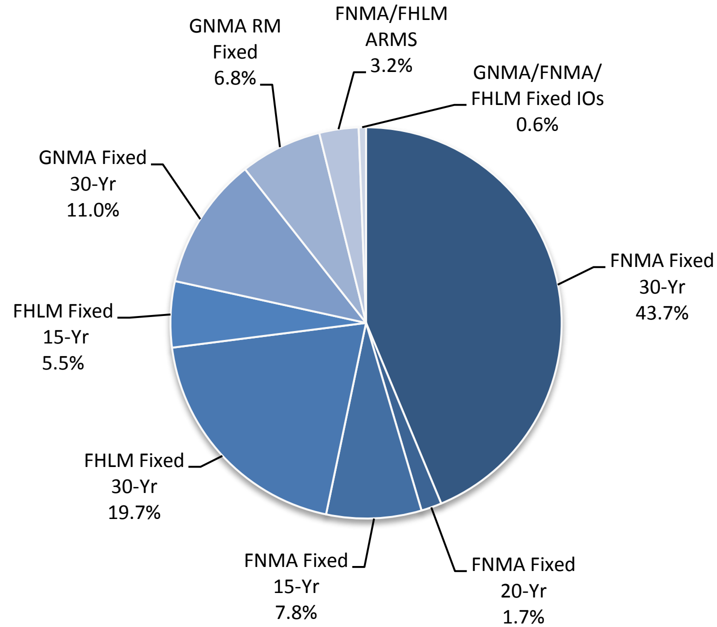
Current Quarter Agency Long Portfolio
As of 6/30/16: $1.21BN(1)



Fixed Portfolio(2)

Category	Fair Value(1)	Weighted Average Coupon(3)
FNMA Fixed - 30-Yr	$490.2	4.06
FNMA Fixed - 20-Yr	12.0	4.00
FNMA Fixed - 15-Yr	93.0	3.40
FHLM Fixed - 30-Yr	249.4	4.07
FHLM Fixed - 15-Yr	49.4	3.45
GNMA Fixed - 30-Yr	185.1	3.97
GNMA RM Fixed	76.1	4.56
Total	**$1,155.2**	**4.00**

Previous Quarter Agency Long Portfolio
As of 3/31/16: $1.15BN(1)



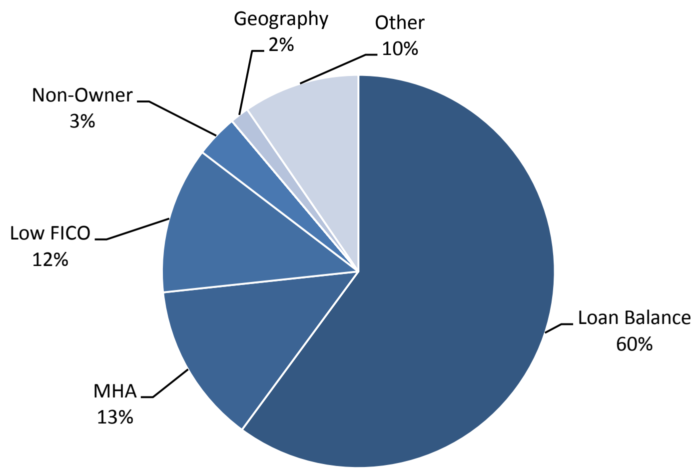
Fixed Portfolio(2)

Category	Fair Value(1)	Weighted Average Coupon(3)
FNMA Fixed - 30-Yr	$501.0	4.08
FNMA Fixed - 20-Yr	19.5	4.00
FNMA Fixed - 15-Yr	90.0	3.41
FHLM Fixed - 30-Yr	225.8	4.07
FHLM Fixed - 15-Yr	62.5	3.46
GNMA Fixed - 30-Yr	125.6	4.28
GNMA RM Fixed	77.5	4.56
Total	**$1,101.9**	**4.04**

(1) Does not include long TBA positions with a notional value of $63.8 million and a market value of $67.2 million as of June 30, 2016 and a notional value of $76.9 million and a market value of $80.3 million as of March 31, 2016.
(2) Fair value shown in millions. Excludes fixed rate IOs.
(3) Represents weighted average net pass-through rate.

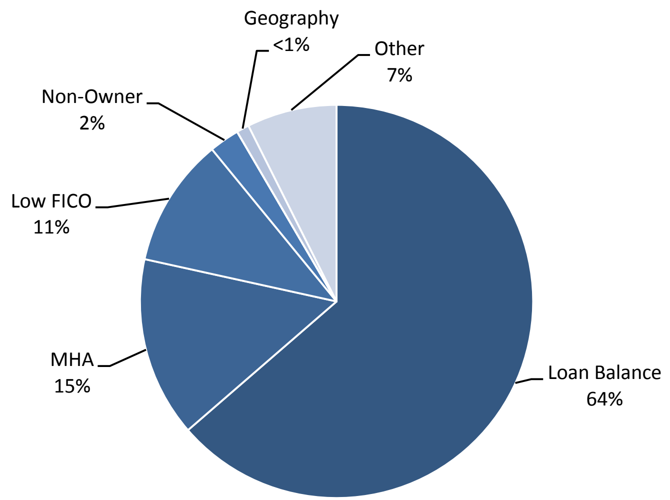
Ellington Residential: Agency Fixed Long Portfolio

Collateral Characteristics and Historical 3-month CPR For the Quarter Ended June 30, 2016(1)



Characteristic(2)	Fair Value(1)(3)	3-Month CPR %
Loan Balance	$607.1	9.3
MHA(4)	133.4	12.5
Low FICO	121.9	11.5
Non-Owner	35.4	12.3
Geography	15.6	4.2
Other	96.8	9.4
Total	**$1,010.2**	**10.1**

Collateral Characteristics and Historical 3-month CPR For the Quarter Ended March 31, 2016:(1)

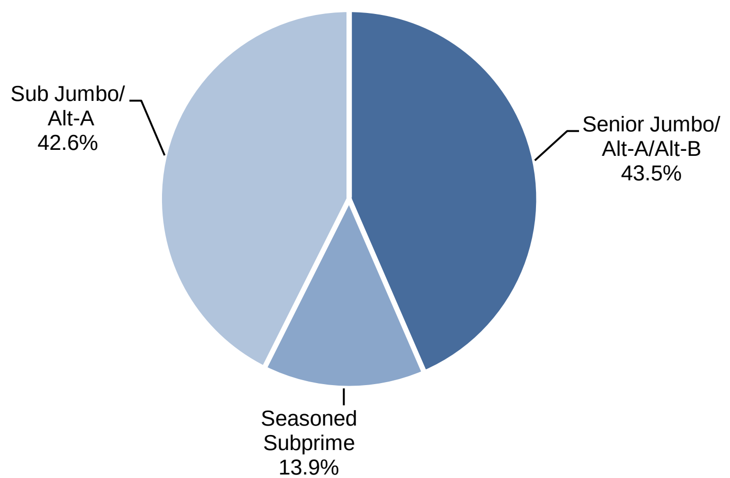


Characteristic(2)	Fair Value(1)(3)	3-Month CPR %
Loan Balance	$658.4	6.7
MHA(4)	153.3	9.3
Low FICO	110.0	12.3
Non-Owner	25.8	5.5
Geography	10.7	6.0
Other	76.5	5.0
Total	**$1,034.7**	**7.1**

(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.

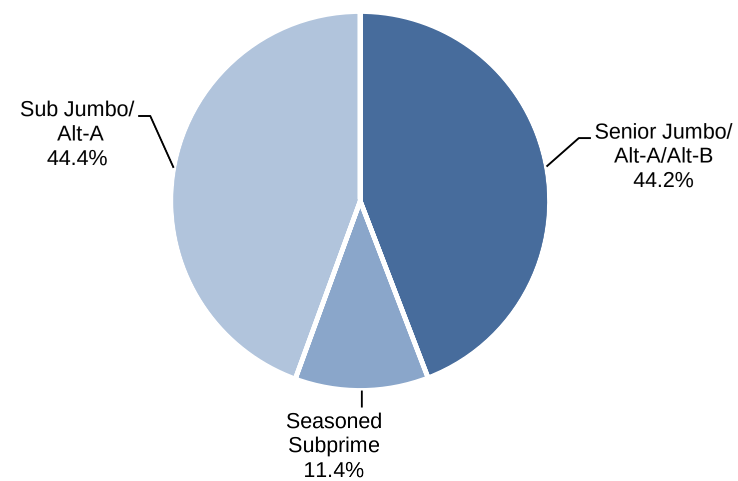
Ellington Residential: Non-Agency Long Portfolio

Current Quarter
Non-Agency Long Portfolio 6/30/16: $22.8MM



Total Non-Agency Long
Avg Mkt Px 67.2

Previous Quarter
Non-Agency Long Portfolio 3/31/16: $27.6MM



Total Non-Agency Long
Avg Mkt Px 64.8

- **We continue to maintain small but high-yielding portfolio of non-Agency RMBS**
- **We may increase our allocation to this sector should attractive entry points arise**

Borrowings and Hedges

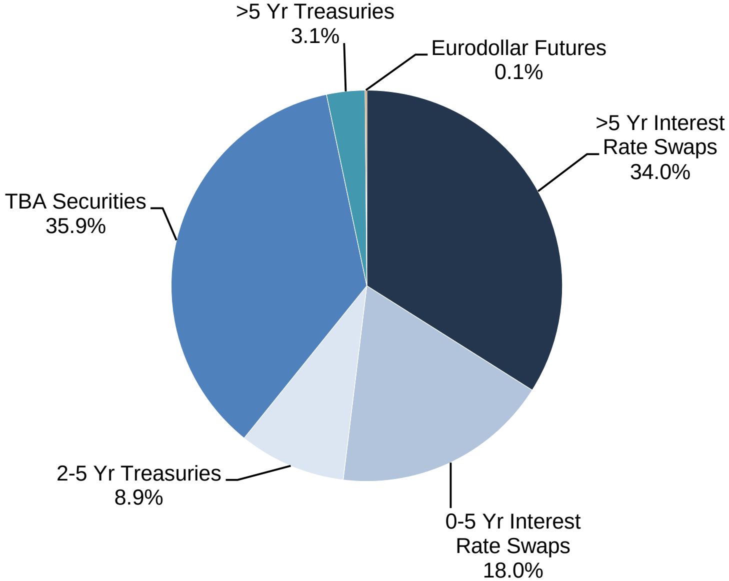
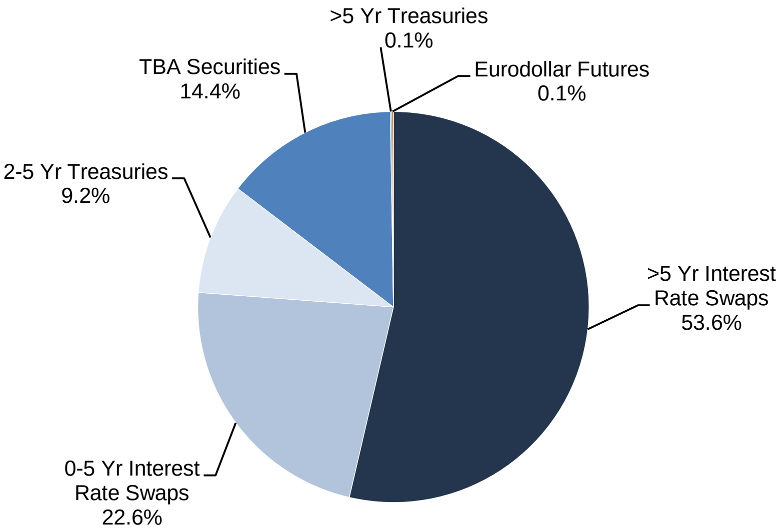
Ellington Residential: Repo Borrowings

	June 30, 2016			March 31, 2016		
		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	$ 557,934	0.69%	18	$ 537,508	0.63%	15
31-60 days	305,648	0.67%	44	268,670	0.67%	43
61-90 days	342,405	0.71%	77	292,395	0.71%	74
91-150 days	-	-	-	-	-	-
151-180 days	-	-	-	35,268	0.82%	167
Total	**$ 1,205,987**	**0.69%**	**41**	**$ 1,133,841**	**0.66%**	**42**

- **Outstanding borrowings with 12 counterparties**
- **Cost of repo remained relatively stable quarter-over-quarter**
- **Availability from both existing and new counterparties remains strong**

Note: As of June 30, 2016 and March 31, 2016, the Company had no outstanding borrowings other than under repurchase agreements.

Ellington Residential: Interest Rate Hedging Portfolio

Current Quarter Agency Interest Rate Hedging Portfolio 6/30/16: Short $301.7MM 10-year equivalents	Previous Quarter Agency Interest Rate Hedging Portfolio 3/31/16: Short $360.0MM 10-year equivalents
	

- **Agency interest rate hedges are shown in normalized units of risk, with each group of positions measured in “10-year equivalents”**
- **During the second quarter:**
  - **Interest rate hedging portfolio continues to be predominantly comprised of fixed payer interest rate swaps and short TBAs**
  - **Meaningfully increased TBA hedge relative to interest rate swaps**
  - **Weighted average remaining term of swap book declined: 4.1 years as of June 30, 2016 as compared to 5.2 years as of March 31, 2016**

Note: “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.

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Ellington Residential: Interest Rate Hedging

Calculation of Exposure to Agency RMBS Based on Fair Value of TBA Portfolio:

(In millions) Agency-related Portfolio	6/30/2016	3/31/2016
Long Agency RMBS	$ 1,206	$ 1,146
Net Short TBA Positions[1]	(460)	(254)
Net Long Exposure to Agency RMBS	$ 746	$ 892

- **Shorting "generic" pools (or TBAs) allows EARN to significantly reduce interest rate risk and basis risk in its Agency portfolio; interest rate risk is also hedged with swaps, swaptions, U.S. Treasury securities, etc.**
- **Average pay-up on Agency pools was 1.03% as of June 30, 2016, as compared to 0.88% as of March 31, 2016**

Estimated Change in Fair Value as of June 30, 2016 if Interest Rates Move[2]:

(In thousands)	Down 50 bps	Up 50 bps
Agency RMBS - ARM Pools	$ 158	$ (246)
Agency RMBS - Fixed Pools and IOs	11,208	(17,359)
TBAs	(3,389)	6,525
Non-Agency RMBS	208	(202)
Interest Rate Swaps	(7,384)	7,047
U.S. Treasury Securities	(1,707)	1,639
Eurodollar Futures	(19)	19
Repurchase and Reverse Repurchase Agreements	(705)	705
Total	**$ (1,630)**	**$ (1,872)**

(1) Net short TBA positions represents the current market value of the underlying Agency RMBS (on a forward delivery basis) as of June 30, 2016 and March 31, 2016. The net carrying value of the TBA positions as of June 30, 2016 and March 31, 2016 on the Consolidated Balance Sheet was $(1.0) million and $(0.8) million, respectively.

(2) Based on the market environment as of June 30, 2016. 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.

Ellington Residential: Interest Rate Hedging (Continued)

June 30, 2016

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)				
2016	$ 48,000	$ (71)	0.80 %	0.63 %	0.3
2017	74,750	(646)	1.21 %	0.63 %	1.1
2018	65,990	(446)	0.97 %	0.63 %	1.9
2020	79,500	(1,924)	1.48 %	0.63 %	3.8
2022	13,044	(550)	1.75 %	0.63 %	6.2
2023	65,000	(3,511)	1.93 %	0.63 %	6.9
2024	8,900	(539)	1.99 %	0.63 %	7.8
2025	15,322	(1,058)	2.04 %	0.64 %	8.6
2043	12,380	(3,294)	2.99 %	0.62 %	26.9
Total	**$ 382,886**	**$ (12,039)**	**1.42 %**	**0.63 %**	**4.1**

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)				
2025	$ 9,700	$ 1,545	0.63 %	3.00 %	9.0
Total	**$ 9,700**	**$ 1,545**	**0.63 %**	**3.00 %**	**9.0**

TBA Securities

(In thousands)	Notional Amount (1)	Cost Basis (2)	Market Value (3)	Net Carrying Value (4)
Total TBAs, Net	$ (429,483)	$ (459,407)	$ (460,361)	$ (954)

Eurodollar Futures

Remaining Maturity	Notional Amount	Fair Value	Remaining Months to Expiration
	(In thousands)		
2016	$ (6,000)	$ (2)	4.2
2017	(9,000)	(9)	11.7
Total	**$ (15,000)**	**$ (11)**	**8.7**

(1) Notional amount represents the principal balance of the underlying Agency RMBS.
(2) Cost basis represents the forward price to be paid for the underlying Agency RMBS.
(3) Market value represents the current market value of the underlying Agency RMBS (on a forward delivery basis) as of June 30, 2016.
(4) Net carrying value represents the difference between the market value of the TBA contract as of June 30, 2016 and the cost basis, and is reported in Financial derivatives-assets, at fair value and Financial derivatives-liabilities, at fair value on the Consolidated Balance Sheet.

Supplemental Information

Ellington Residential: Income Statement (Unaudited)

ELLINGTON RESIDENTIAL MORTGAGE REIT

CONSOLIDATED STATEMENT OF OPERATIONS

	Three Month Period Ended		Six Month Period Ended
	June 30, 2016	March 31, 2016	June 30, 2016
(In thousands except share amounts)			
INTEREST INCOME (EXPENSE)			
Interest income	$ 7,538	$ 9,651	$ 17,188
Interest expense	(2,260)	(2,051)	(4,310)
Total net interest income	5,278	7,600	12,878
EXPENSES			
Management fees	528	528	1,056
Professional fees	161	218	378
Compensation expense	169	151	321
Other operating expenses	414	454	867
Total expenses	1,272	1,351	2,622
OTHER INCOME (LOSS)			
Net realized gains (losses) on securities	2,100	3,010	5,111
Net realized gains (losses) on financial derivatives	(13,607)	(3,996)	(17,603)
Change in net unrealized gains (losses) on securities	5,879	8,633	14,512
Change in net unrealized gains (losses) on financial derivatives	5,129	(14,135)	(9,007)
Total other income (loss)	(499)	(6,488)	(6,987)
NET INCOME (LOSS)	$ 3,507	$ (239)	$ 3,269
NET INCOME (LOSS) PER COMMON SHARE			
Basic and Diluted	$ 0.38	$ (0.03)	$ 0.36
WEIGHTED AVERAGE SHARES OUTSTANDING	9,117,183	9,121,198	9,119,190
CASH DIVIDENDS PER SHARE:			
Dividends declared	$ 0.40	$ 0.45	$ 0.85

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Ellington Residential: Balance Sheet (Unaudited)

CONSOLIDATED BALANCE SHEET

	As of		
	June 30, 2016	March 31, 2016	December 31, 2015[1]
(In thousands except share amounts)			
ASSETS			
Cash and cash equivalents	$ 36,200	$ 41,242	$ 40,166
Mortgage-backed securities, at fair value	1,229,015	1,173,593	1,242,266
Due from brokers	34,380	30,206	33,297
Financial derivatives-assets, at fair value	1,920	1,635	2,183
Reverse repurchase agreements	68,862	69,575	78,632
Receivable for securities sold	98,328	64,243	155,526
Interest receivable	4,427	4,092	4,325
Other assets	454	523	289
Total Assets	$ 1,473,586	$ 1,385,109	$ 1,556,684
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Repurchase agreements	$ 1,205,987	$ 1,133,841	$ 1,222,719
Payable for securities purchased	33,457	16,433	98,949
Due to brokers	5,877	127	439
Financial derivatives-liabilities, at fair value	13,379	18,284	4,725
U.S. Treasury securities sold short, at fair value	68,528	69,607	78,447
Dividend payable	3,647	4,103	4,111
Accrued expenses	615	447	533
Management fee payable	528	528	545
Interest payable	1,310	1,382	1,361
Total Liabilities	$ 1,333,328	$ 1,244,752	$ 1,411,829
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; (9,117,183, 9,117,183, and 9,135,103 shares issued and outstanding, respectively)	92	92	92
Additional paid-in-capital	180,911	180,871	181,027
Accumulated deficit	(40,745)	(40,606)	(36,264)
Total Shareholders' Equity	140,258	140,357	144,855
Total Liabilities and Shareholders' Equity	$ 1,473,586	$ 1,385,109	$ 1,556,684
Per Share Information			
Common shares, par value $0.01 per share	$ 15.38	$ 15.39	$ 15.86

(1) Derived from audited financial statements as of December 31, 2015.

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

(In thousands except share amounts)	Three Month Period Ended June 30, 2016		Three Month Period Ended March 31, 2016	
Net Income (Loss)	$	3,507	$	(239)
Less:				
Net realized gains (losses) on securities		2,100		3,010
Net realized gains (losses) on financial derivatives, excluding periodic payments(2)		(11,099)		(3,324)
Change in net unrealized gains (losses) on securities		5,879		8,633
Change in net unrealized gains and (losses) on financial derivatives, excluding accrued periodic payments(3)		3,681		(13,409)
Subtotal		561		(5,090)
Core Earnings	$	2,946	$	4,851
Catch-up Premium Amortization Adjustment		(1,457)		258
Core Earnings excluding Catch-up Premium Amortization Adjustment		4,403		4,593
Weighted Average Shares Outstanding		9,117,183		9,121,198
Core Earnings Per Share	$	0.32	$	0.53
Core Earnings Per Share excluding Catch-up Premium Amortization Adjustment	$	0.48	$	0.50

(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. Core Earnings excluding Catch-up Premium Amortization Adjustment consists of Core Earnings but excludes the effect of the Catch-up Premium Amortization Adjustment on interest income. Core Earnings and Core Earnings excluding the Catch-up Premium Amortization Adjustment are supplemental non-GAAP financial measures. We believe that Core Earnings and Core Earnings excluding Catch-up Premium Amortization Adjustment 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 Core Earnings excluding Catch-up Premium Amortization Adjustment are used to help measure the extent to which this objective is being achieved. However, because Core Earnings and Core Earnings excluding Catch-up Premium Amortization Adjustment are incomplete measures of our financial results and differ from net income (loss) computed in accordance with GAAP, they should be considered as supplementary to, and not as substitutes for, net income (loss) computed in accordance with GAAP. The table above reconciles, for the three month periods ended June 30, 2016 and March 31, 2016, our Core Earnings and Core Earnings excluding Catch-up Premium Amortization Adjustment 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.

(2) For the three month period ended June 30, 2016, represents Net realized gains (losses) on financial derivatives of $(13,607) less Net realized gains (losses) on periodic settlements of interest rate swaps of $(2,508). For the three month period ended March 31, 2016, represents Net realized gains (losses) on financial derivatives of $(3,996) less Net realized gains (losses) on periodic settlements of interest rate swaps of $(672).

(3) For the three month period ended June 30, 2016, represents Change in net unrealized gains (losses) on financial derivatives of $5,129 less Change in net unrealized gains (losses) on accrued periodic settlements of interest rate swaps of $1,448. For the three month period ended March 31, 2016, represents Change in net unrealized gains (losses) on financial derivatives of $(14,135) less Change in net unrealized gains (losses) on accrued periodic settlements of interest rate swaps of $(726).

About Ellington

- 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 $5.9 billion in assets under management as of June 30, 2016

- EMG's portfolio managers are among the most experienced in the MBS sector, and the firm's analytics have been developed over a 21-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

E A R N

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