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ELLINGTON RESIDENTIAL MORTGAGE REIT

Third Quarter 2016 Earnings Conference Call

November 2, 2016

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

Third Quarter 2016

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Ellington Residential: Third Quarter Highlights

Overall Results	■ Net income of $6.6 million, or $0.73 per share ■ Core earnings augmented by net realized and unrealized gains on Agency and non-Agency RMBS
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 1.30%; excluding “catch-up” premium amortization adjustment, Net Interest Margin was 1.77%
Shareholders’ Equity	■ Shareholders’ equity as of September 30, 2016 of $143.3 million, or $15.70 per share

Portfolio	■ Agency RMBS Portfolio: $1.215 billion as of September 30, 2016
	    ■ $1.112 billion fixed rate “specified” pools
	    ■ $32.3 million ARM pools
	    ■ $63.7 million reverse mortgage pools
	    ■ $6.8 million IOs
	■ Non-Agency RMBS Portfolio: $17.9 million as of September 30, 2016

Leverage	■ Debt to equity ratio: approximately 8.1:1 as of September 30, 2016; adjusted for unsettled purchases/sales, 8.2:1
Dividend	■ Declared third quarter dividend of $0.40 per share (paid in October 2016) ■ Annualized dividend yield of 12.7% based on closing price of $12.58 on October 31, 2016

(1) Core Earnings is a non-GAAP financial measure. See slide 25 for a reconciliation of Core Earnings to Net Income (Loss).

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Ellington Residential: Agency RMBS

Overall Market Conditions	■ Bolstered by high demand from both domestic and overseas investors, prices of 30-year fixed rate Agency RMBS increased over the course of the third quarter, even while interest rates rose slightly and overall prepayment rates increased ■ Despite the rise in interest rates, the drop in interest rate volatility helped keep mortgage rates low over the course of the quarter ■ Overall prepayment rates reached their highest levels since 2012, and significantly exceeded most sell-side estimates ■ Yield curve continued to flatten over the course of the third quarter, although less dramatically than it had in the second quarter ■ The 10-year U.S. Treasury yield increased 12 basis points to 1.59%, while the 2-year U.S. Treasury yield increased 18 basis points to 0.76%
Portfolio Trends and Outlook	■ Portfolio size: $1.215 billion as of September 30, 2016, as compared to $1.206 billion as of June 30, 2016 ■ We turned over approximately 24% of the portfolio as measured by sales, excluding principal pay-downs ■ Average pay-up of 1.07% as of September 30, 2016, compared to 1.03% as of June 30, 2016 ■ Our Agency RMBS portfolio, which remains concentrated in specified pools, was well insulated from the large increase in generic pool prepayment rates during the quarter ■ Continued to use short positions in TBAs to hedge interest rate risk; TBAs underperformed specified pools during the quarter as more investors sought out pools with prepayment protection

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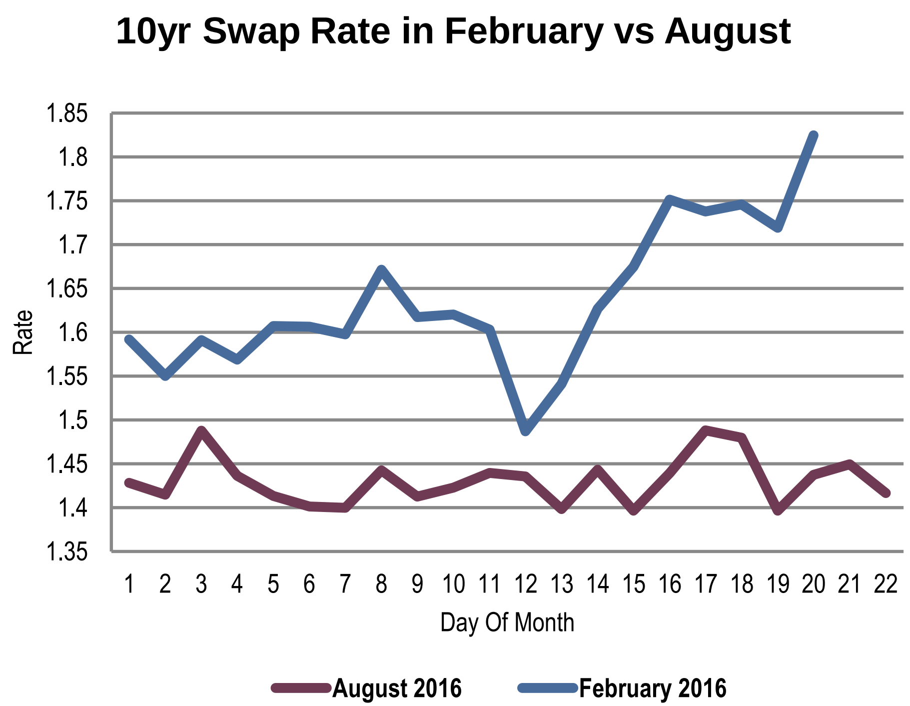
Ellington Residential: Non-Agency RMBS

Overall Market Conditions	■ Bias toward accommodative monetary policy by global central banks, in response to continued sluggish growth, contributed to the lower volatility and increased investor appetite for risk-taking ■ Negative yields persisted throughout the quarter for many high quality sovereign bonds, maintaining the global shortage of high quality, positive-yielding liquid fixed income investments ■ Many credit sensitive U.S. fixed income sectors, including non-Agency RMBS and high-yield corporate bonds, performed well in the quarter, driven by investor demand for yield ■ As the case has been for some time, the fundamentals underlying non-Agency RMBS, led by a stable housing market, continue to be strong

Portfolio Trends and Outlook	■ Intend to continue to opportunistically increase and decrease the size of this portfolio as market conditions vary
	■ Non-Agency RMBS portfolio performed well:
	    ■ Portfolio benefited from strong yields, appreciation from our held positions, and net realized gains from positions sold
	    ■ Quarter-over-quarter, our non-Agency RMBS portfolio declined in size

Historically Low Volatility

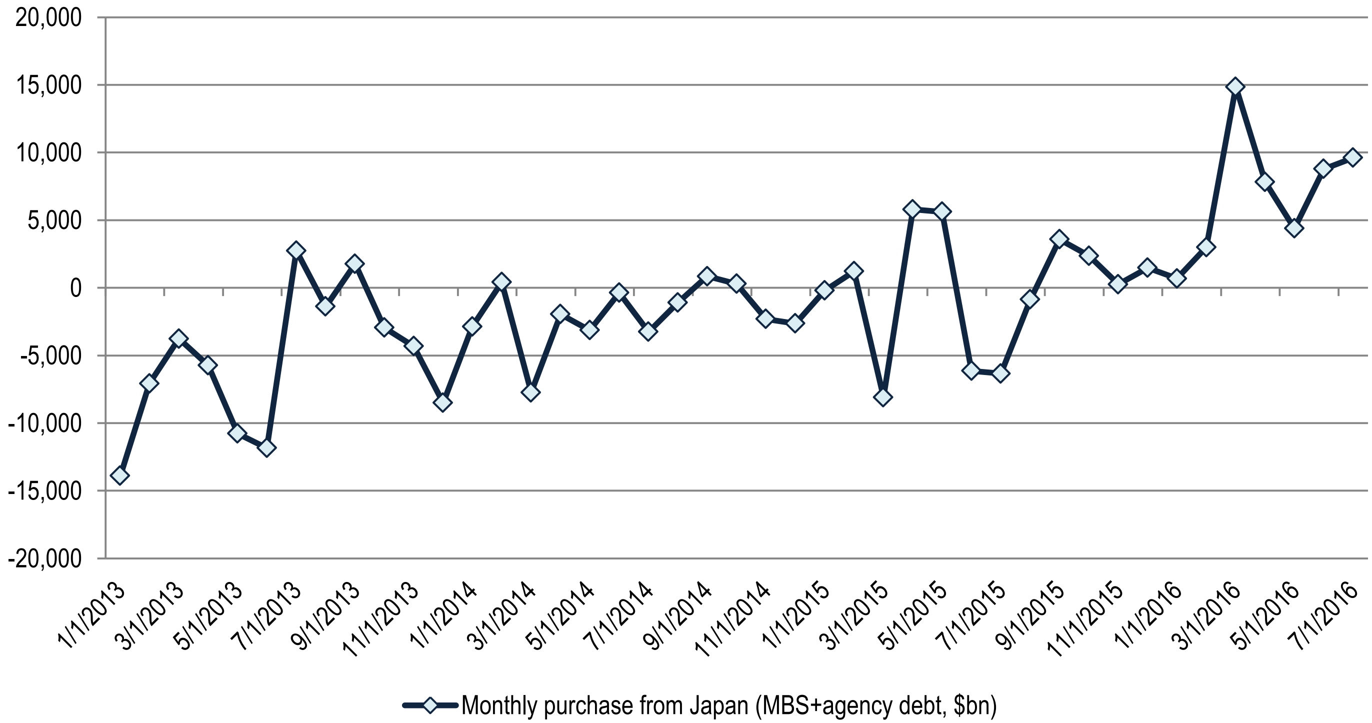


- **Realized volatility is currently much lower than earlier in 2016**
- **Over the entire month of August the 10yr swap rate closed within five bps of 1.44%, causing implied volatility for many interest rate options to finish the third quarter near multi-year lows**
- **Mortgage investors reaped the benefits of increased valuations with minimal delta hedging costs as mortgage durations remained stable**

Source: Bloomberg.

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 remained elevated at $9.6 billion in July 2016



- **Because approximately $10 trillion worth of high-quality sovereigns trade with negative yields, Agency MBS are relatively attractive**
- **Consistent global demand has helped strengthen prices of Agency MBS relative to U.S. Treasuries**
- **Diversified buyer base has provided consistent demand for Agency MBS**

Source: TIC data.

October Prepay Reports Highlight the Value of Prepayment Protection

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FNCL 3.5%					Prepayment Speeds			
Year	**Collateral**	**Balance (Billions)**	**LTV**	**FICO**	**Sep**	**Aug**	**Jul**	**Jun**
2014	Non-Specified	49.8	78	760	33.1	34.3	21.9	22.9
2014	Low Loan Balance	0.6	68	756	9.8	10.8	7.8	9.8
FNCL 4.0%					**Prepayment Speeds**			
Year	**Collateral**	**Balance (Billions)**	**LTV**	**FICO**	**Sep**	**Aug**	**Jul**	**Jun**
2014	Non-Specified	55.9	80	741	34.4	35	25.5	28.1
2014	Low Loan Balance	2.8	72	740	12.8	12.8	11.1	11.8

- **Prepayment protection is in greater demand**
- **Speed differences within coupons ballooned, and these differences are likely to be long-lived**
- **Prepayment protection helps to preserve Net Interest Margin**

Source: J.P. Morgan.

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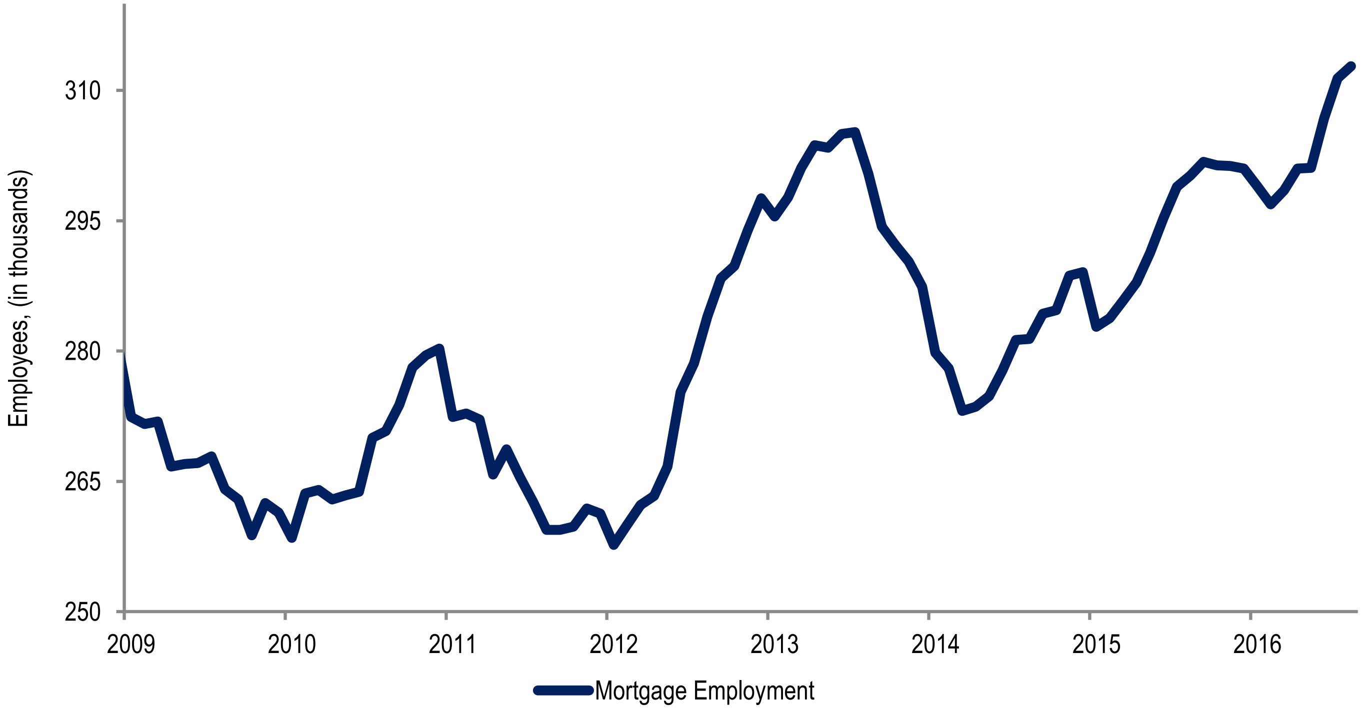
Elevated Prepayment Rates May Be Here to Stay

Monthly Origination Overview for Closed Loans
Percentage of loan applications in previous 90-day cycle that have closed

	2016									2015							
	Sept	Aug	July	June	May	Apr	Mar	Feb	Jan	Dec	Nov	Oct	Sep	Aug	Jul	Jun	May
ALL LOANS																	
CLOSING RATE %	71.8%	72.3	71.6	69.6	70.6	68.9	70.6	69.9	68.4	67.3	68.4	66.8	66.8	66.3	66.2	64.2	64.0
REFI %	66.4%	67.1	66.6	64.7	67.2	64.6	66.2	65.6	64.9	63.5	62.7	60.3	60.1	59.2	60.2	58.5	60.1
PUR %	76.4%	76.4	75.7	73.7	74.5	73.4	75.1	74.2	72.2	71.0	72.2	71.1	71.0	70.8	70.7	69.0	68.2
FHA LOANS																	
CLOSING RATE %	69.8%	70.3	70.0	68.4	71.2	66.7	67.5	67.8	66.0	63.4	63.8	62.1	61.3	60.2	58.2	57.6	57.1
REFI %	61.7%	61.3	60.5	59.3	59.4	57.3	58.6	59.0	58.6	51.6	53.2	50.8	48.6	45.6	42.6	44.6	48.9
PUR %	73.0%	72.8	72.7	71.0	74.6	70.6	71.1	71.4	69.0	67.3	67.8	66.5	65.9	65.8	65.3	64.1	63.1
CONV LOANS																	
CLOSING RATE %	72.1%	72.6	72.1	70.9	71.2	69.6	70.1	70.3	70.2	68.8	68.1	66.3	66.7	66.2	66.1	63.9	64.3
REFI %	67.6%	68.2	68.3	67.3	69.2	66.8	67.1	67.3	67.8	66.3	64.8	62.5	62.5	62.1	63.2	61.1	62.6
PUR %	77.2%	77.1	76.3	75.1	74.6	73.7	74.4	74.5	73.8	72.4	71.9	70.8	71.2	70.8	70.1	68.0	67.7
VA LOANS																	
CLOSING RATE %	66.6%	66.7	67.4	66.3	63.8	62.8	62.8	63.1	63.4	62.4	63.0	61.1	61.3	61.6	63.5	62.0	62.9
REFI %	46.9%	44.8	46.6	45.4	45.7	44.6	44.0	44.3	45.4	43.5	44.3	41.2	40.9	42.3	48.1	47.3	51.4
PUR %	76.7%	77.1	77.0	76.0	75.0	74.4	75.0	75.3	75.1	73.8	73.9	72.9	72.2	72.5	72.5	71.2	71.3

Source: Ellie Mae.

Employment in the Mortgage Industry



- **Concerning point for mortgage investors is capacity—mortgage industry employment is now at a post-crisis high**
- **This newfound capacity has contributed to the tightening in spreads between the primary market mortgage rate and the secondary market mortgage rate**
- **Despite the 10yr swap rate having risen 45 basis points from its post-Brexit low, the average 30-year mortgage rate has risen only 6 basis points from its post-Brexit low**
- **Agency RMBS could continue to pay faster than most current long-term estimates**

Source: J.P. Morgan.

Portfolio

Ellington Residential: Portfolio Summary

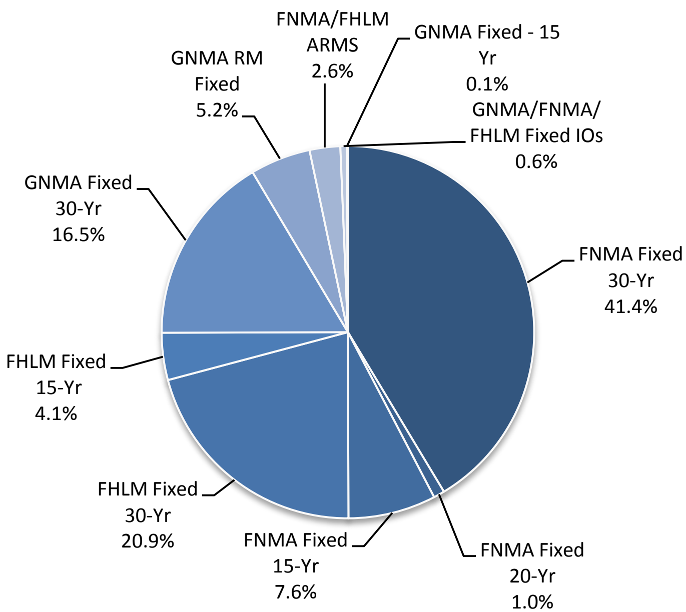
(In thousands)	September 30, 2016					June 30, 2016				
	Current Principal	Fair Value	Average Price[1]	Cost	Average Cost[1]	Current Principal	Fair Value	Average Price[1]	Cost	Average Cost[1]
Agency RMBS[2]										
15-year fixed rate mortgages	$ 134,770	$ 143,300	$ 106.33	$ 141,566	$ 105.04	$ 133,590	$ 142,365	$ 106.57	$ 140,303	$ 105.03
20-year fixed rate mortgages	10,710	11,660	108.87	11,530	107.66	11,061	12,014	108.62	11,920	107.77
30-year fixed rate mortgages	881,351	957,420	108.63	940,520	106.71	851,353	924,824	108.63	908,300	106.69
ARMs	30,645	32,341	105.53	32,179	105.01	41,005	43,337	105.69	43,143	105.21
Reverse mortgages	57,088	63,677	111.54	62,941	110.25	68,858	76,056	110.45	74,869	108.73
Total Agency RMBS	1,114,564	1,208,398	108.42	1,188,736	106.65	1,105,867	1,198,596	108.39	1,178,535	106.57
Non-Agency RMBS	23,591	17,896	75.86	16,743	70.97	33,934	22,788	67.15	21,063	62.07
Total RMBS[2]	1,138,155	1,226,294	107.74	1,205,479	105.92	1,139,801	1,221,384	107.16	1,199,598	105.25
Agency Interest Only RMBS	n/a	6,840	n/a	8,730	n/a	n/a	7,631	n/a	9,807	n/a
Total mortgage-backed securities		**1,233,134**		**1,214,209**			**1,229,015**		**1,209,405**	
U.S. Treasury securities sold short	(76,495)	(77,263)	101.00	(76,332)	99.79	(67,105)	(68,528)	102.12	(67,037)	99.90
Reverse repurchase agreements	77,932	77,932	100.00	77,932	100.00	68,862	68,862	100.00	68,862	100.00
Total		**$1,233,803**		**$1,215,809**			**$1,229,349**		**$1,211,230**	

(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

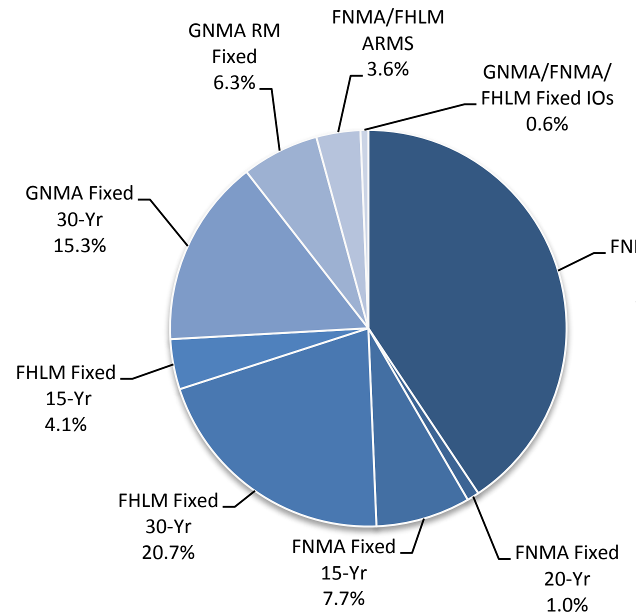
Current Quarter Agency Long Portfolio
As of 9/30/16: $1.22BN(1)



Fixed Portfolio(2)

Category	Fair Value(1)	Weighted Average Coupon(3)
FNMA Fixed - 30-Yr	$502.9	4.04
FNMA Fixed - 20-Yr	11.7	4.00
FNMA Fixed - 15-Yr	92.5	3.41
FHLM Fixed - 30-Yr	254.0	4.07
FHLM Fixed - 15-Yr	49.7	3.42
GNMA Fixed - 30-Yr	200.5	3.82
GNMA Fixed - 15-Yr	1.1	3.50
GNMA RM Fixed	63.7	4.51
Total	**$1,176.1**	**3.96**

Previous 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 Fixed - 15-Yr	-	-
GNMA RM Fixed	76.1	4.56
Total	**$1,155.2**	**4.00**

(1) Does not include long TBA positions with a notional value of $60.9 million and a market value of $64.1 million as of September 30, 2016 and a notional value of $63.8 million and a market value of $67.2 million as of June 30, 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

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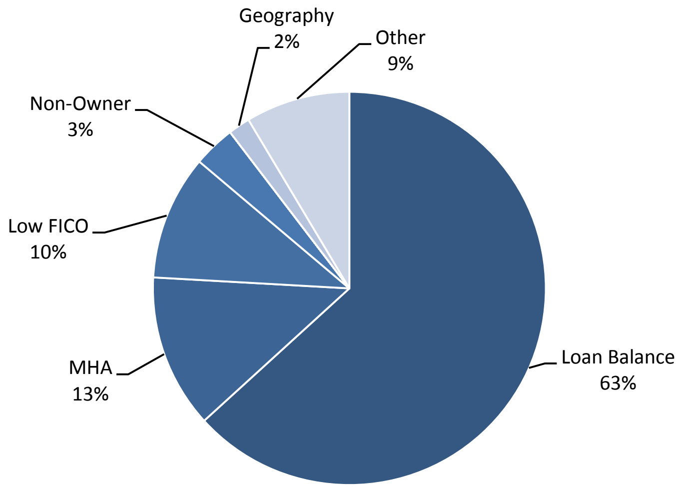
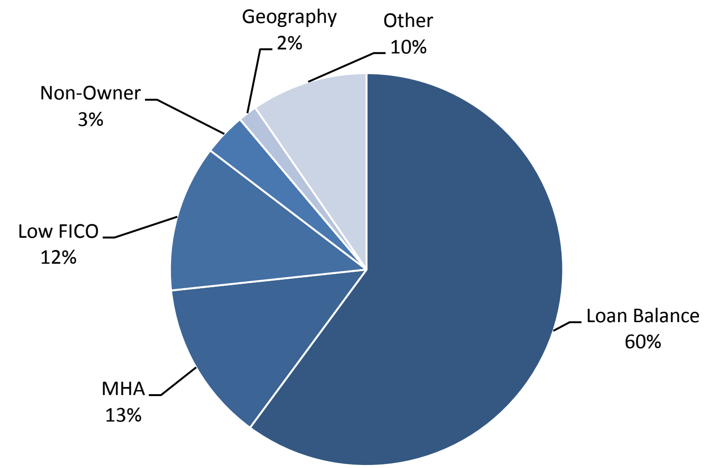
Collateral Characteristics and Historical 3-month CPR For the Quarter Ended September 30, 2016(1)



Characteristic(2)	Fair Value(1)(3)	3-Month CPR %
Loan Balance	$652.9	11.9
MHA(4)	130.6	14.4
Low FICO	106.0	9.3
Non-Owner	35.7	27.5
Geography	18.5	5.1
Other	88.6	16.1
Total	**$1,032.3**	**12.7**

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

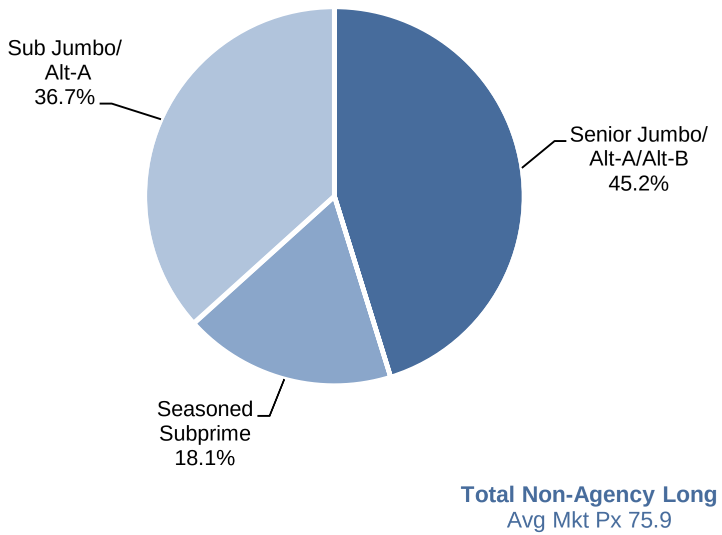


Characteristic(2)	Fair Value(1)(3)	3-Month CPR %
Loan Balance	$607.1	9.3
MHA(4)	133.4	12.5
Low FICO	121.9	11.5
Non-Owner	35.4	12.3
Geography	15.6	4.2
Other	96.8	9.4
Total	**$1,010.2**	**10.1**

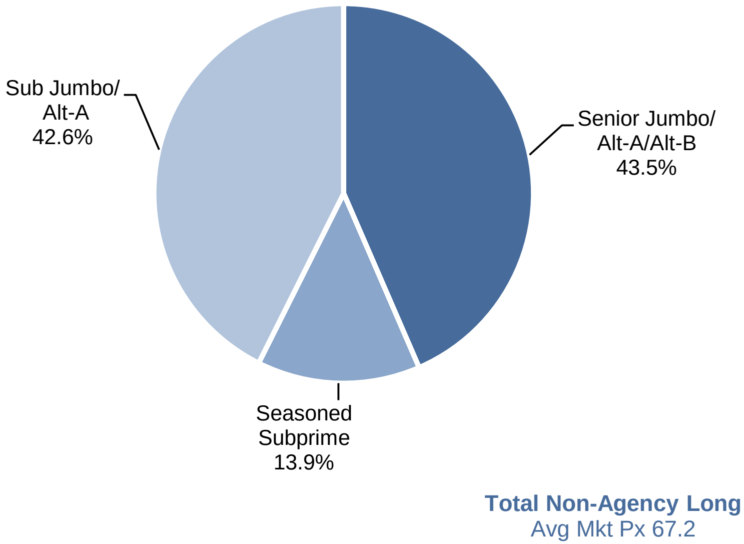
(1) Does not include long TBA positions, reverse mortgage pools, or fixed rate IOs.
(2) Classification methodology may change over time as market practices change.
(3) Fair value shown in millions.
(4) "MHA" indicates those pools where underlying borrowers have participated in the Making Homes Affordable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

Ellington Residential: Non-Agency Long Portfolio

Current Quarter
Non-Agency Long Portfolio 9/30/16: $17.9MM



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



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

Borrowings and Hedges

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Ellington Residential: Repo Borrowings

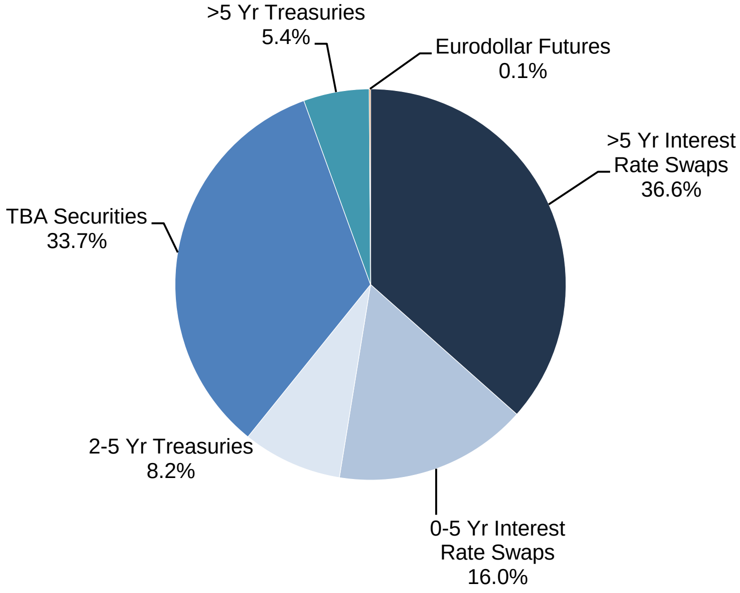
	September 30, 2016			June 30, 2016		
		Weighted Average			Weighted Average	
Remaining Days to Maturity	Borrowings Outstanding	Interest Rate	Remaining Days to Maturity	Borrowings Outstanding	Interest Rate	Remaining Days to Maturity
	(In thousands)			*(In thousands)*		
30 days or less	$ 521,831	0.70%	15	$ 557,934	0.69%	18
31-60 days	298,063	0.70%	47	305,648	0.67%	44
61-90 days	248,083	0.74%	76	342,405	0.71%	77
91-120 days	74,956	0.76%	109	-	-	-
121-150 days	2,150	0.75%	137	-	-	-
151-180 days	13,879	0.82%	165	-	-	-
Total	**$ 1,158,962**	**0.72%**	**44**	**$ 1,205,987**	**0.69%**	**41**

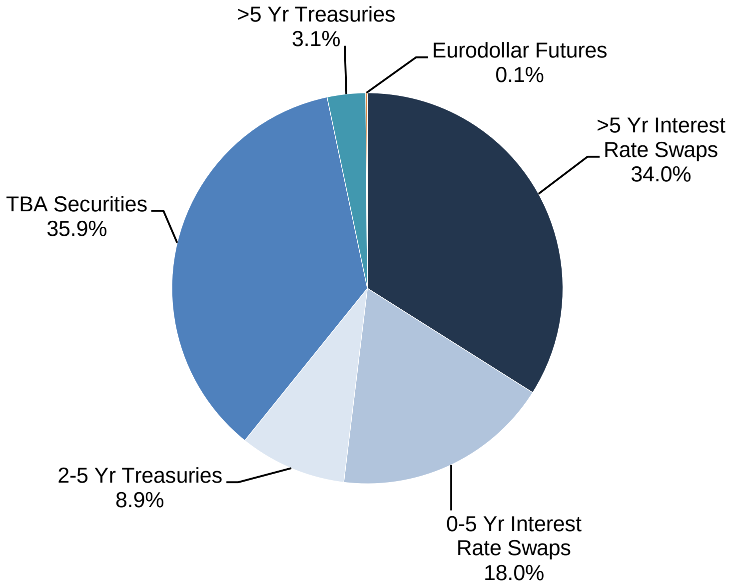
- **Outstanding borrowings are with 13 counterparties**
- **Cost of repo remained relatively stable quarter-over-quarter despite the spike in LIBOR**
- **Availability from both existing and new lending counterparties remains strong**

Note: As of September 30, 2016 and June 30, 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 9/30/16: Short $308.1MM 10-year equivalents	Previous Quarter Agency Interest Rate Hedging Portfolio 6/30/16: Short $301.7MM 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 third quarter:**
  - **Interest rate hedging portfolio continues to be predominantly comprised of fixed payer interest rate swaps and short TBAs**
  - **Weighted average remaining term of swap hedges increased slightly: 4.4 years as of September 30, 2016 as compared to 4.1 years as of June 30, 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	9/30/2016	6/30/2016
Long Agency RMBS	$ 1,208	$ 1,199
Net Short TBA Positions[1]	(490)	(460)
Net Long Exposure to Agency RMBS	$ 718	$ 739

- **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 1.07% as of September 30, 2016, as compared to 1.03% as of June 30, 2016**

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

(In thousands)	Down 50 bps	Up 50 bps
Agency RMBS - ARM Pools	$ 148	$ (227)
Agency RMBS - Fixed Pools and IOs	10,816	(18,138)
TBAs	(2,792)	6,594
Non-Agency RMBS	209	(206)
Interest Rate Swaps	(7,507)	7,147
U.S. Treasury Securities	(1,940)	1,874
Eurodollar Futures	(15)	15
Repurchase and Reverse Repurchase Agreements	(691)	691
Total	**$ (1,772)**	**$ (2,250)**

(1) Net short TBA positions represents the current market value of the underlying Agency RMBS (on a forward delivery basis) as of September 30, 2016 and June 30, 2016. The net carrying value of the TBA positions as of September 30, 2016 and June 30, 2016 on the Consolidated Balance Sheet was $(0.4) million and $(1.0) million, respectively.

(2) Based on the market environment as of September 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.

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Ellington Residential: Interest Rate Hedging (Continued)

September 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	$ 26,500	$ (43)	0.70 %	0.69 %	0.1
2017	74,750	(283)	1.21 %	0.78 %	0.8
2018	65,990	1	0.97 %	0.72 %	1.7
2019	4,200	11	0.96 %	0.79 %	2.9
2020	79,500	(1,478)	1.48 %	0.72 %	3.6
2022	13,044	(451)	1.75 %	0.75 %	5.9
2023	42,200	(1,946)	1.90 %	0.76 %	6.6
2024	8,900	(494)	1.99 %	0.65 %	7.5
2025	15,322	(862)	2.04 %	0.65 %	8.4
2026	26,885	(20)	1.46 %	0.78 %	9.9
2043	12,380	(3,598)	2.99 %	0.81 %	26.6
Total	$ **369,671**	$ **(9,163)**	**1.41** %	**0.74** %	**4.4**

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)	$ 1,355	0.68 %	3.00 %	8.8
Total	$ **(9,700)**	**1,355**	**0.68** %	**3.00** %	**8.8**

TBA Securities				
(In thousands)	Notional Amount [1]	Cost Basis [2]	Market Value [3]	Net Carrying Value [4]
Total TBAs, Net	$ (458,118)	$ (489,872)	$ (490,304)	$ (432)

Eurodollar Futures			
Remaining Maturity	Notional Amount	Fair Value	Remaining Months to Expiration
	(In thousands)		
2016	$ (3,000)	$ -	2.7
2017	(9,000)	(4)	8.7
Total	**$ (12,000)**	**$ (4)**	**7.2**

(1) Notional amount represents the principal balance of the underlying Agency RMBS.
(2) Cost basis represents the forward price to be paid for the underlying Agency RMBS.
(3) Market value represents the current market value of the underlying Agency RMBS (on a forward delivery basis) as of September 30, 2016.
(4) Net carrying value represents the difference between the market value of the TBA contract as of September 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

EARN
ELLINGTON RESIDENTIAL MORTGAGE REIT

Ellington Residential: Income Statement (Unaudited)

CONSOLIDATED STATEMENT OF OPERATIONS

	Three Month Period Ended		Nine Month Period Ended
(In thousands except share amounts)	September 30, 2016	June 30, 2016	September 30, 2016
INTEREST INCOME (EXPENSE)			
Interest income	$ 7,096	$ 7,538	$ 24,285
Interest expense	(2,279)	(2,260)	(6,589)
Total net interest income	4,817	5,278	17,696
EXPENSES			
Management fees	539	528	1,596
Professional fees	171	161	549
Compensation expense	142	169	463
Other operating expenses	402	414	1,269
Total expenses	1,254	1,272	3,877
OTHER INCOME (LOSS)			
Net realized gains (losses) on securities	3,892	2,100	9,003
Net realized gains (losses) on financial derivatives	(3,920)	(13,607)	(21,523)
Change in net unrealized gains (losses) on securities	(124)	5,879	14,388
Change in net unrealized gains (losses) on financial derivatives	3,215	5,129	(5,792)
Total other income (loss)	3,063	(499)	(3,924)
NET INCOME (LOSS)	$ 6,626	$ 3,507	$ 9,895
NET INCOME (LOSS) PER COMMON SHARE			
Basic and Diluted	$ 0.73	$ 0.38	$ 1.09
WEIGHTED AVERAGE SHARES OUTSTANDING	9,119,111	9,117,183	9,119,164
CASH DIVIDENDS PER SHARE:			
Dividends declared	$ 0.40	$ 0.40	$ 1.25

Ellington Residential: Balance Sheet (Unaudited)

CONSOLIDATED BALANCE SHEET

	As of		
	September 30, 2016	June 30, 2016	December 31, 2015[1]
(In thousands except share amounts)			
ASSETS			
Cash and cash equivalents	$ 43,026	$ 36,200	$ 40,166
Mortgage-backed securities, at fair value	1,233,134	1,229,015	1,242,266
Due from brokers	33,462	34,380	33,297
Financial derivatives-assets, at fair value	1,641	1,920	2,183
Reverse repurchase agreements	77,932	68,862	78,632
Receivable for securities sold	37,057	98,328	155,526
Interest receivable	4,274	4,427	4,325
Other assets	357	454	289
Total Assets	$ 1,430,883	$ 1,473,586	$ 1,556,684
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Repurchase agreements	$ 1,158,962	$ 1,205,987	$ 1,222,719
Payable for securities purchased	34,808	33,457	98,949
Due to brokers	538	5,877	439
Financial derivatives-liabilities, at fair value	9,885	13,379	4,725
U.S. Treasury securities sold short, at fair value	77,263	68,528	78,447
Dividend payable	3,651	3,647	4,111
Accrued expenses	622	615	533
Management fee payable	539	528	545
Interest payable	1,341	1,310	1,361
Total Liabilities	$ 1,287,609	$ 1,333,328	$ 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; (9,127,039, 9,117,183, and 9,135,103 shares issued and outstanding, respectively)	92	92	92
Additional paid-in-capital	180,952	180,911	181,027
Accumulated deficit	(37,770)	(40,745)	(36,264)
Total Shareholders' Equity	143,274	140,258	144,855
Total Liabilities and Shareholders' Equity	$ 1,430,883	$ 1,473,586	$ 1,556,684
Per Share Information			
Common shares, par value $0.01 per share	$ 15.70	$ 15.38	$ 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 September 30, 2016		Three Month Period Ended June 30, 2016	
Net Income (Loss)	$	6,626	$	3,507
Less:				
Net realized gains (losses) on securities		3,892		2,100
Net realized gains (losses) on financial derivatives, excluding periodic payments[2]		(3,679)		(11,099)
Change in net unrealized gains (losses) on securities		(124)		5,879
Change in net unrealized gains and (losses) on financial derivatives, excluding accrued periodic payments[3]		3,600		3,681
Subtotal		3,689		561
Core Earnings	$	2,937	$	2,946
Catch-up Premium Amortization Adjustment		(1,448)		(1,457)
Core Earnings excluding Catch-up Premium Amortization Adjustment		4,385		4,403
Weighted Average Shares Outstanding		9,119,111		9,117,183
Core Earnings Per Share	$	0.32	$	0.32
Core Earnings Per Share excluding Catch-up Premium Amortization Adjustment	$	0.48	$	0.48

(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 September 30, 2016 and June 30, 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 September 30, 2016, represents Net realized gains (losses) on financial derivatives of $(3,920) less Net realized gains (losses) on periodic settlements of interest rate swaps of $(241). 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).

(3) For the three month period ended September 30, 2016, represents Change in net unrealized gains (losses) on financial derivatives of $3,215 less Change in net unrealized gains (losses) on accrued periodic settlements of interest rate swaps of $(385). 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.

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 170 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 September 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

EARN

ELLINGTON RESIDENTIAL MORTGAGE REIT

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