



E A R N

ELLINGTON RESIDENTIAL MORTGAGE REIT

Fourth Quarter 2015 Earnings Conference Call February 11, 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 12, 2015 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 December 31, 2015 unless otherwise indicated. We undertake no duty or obligation to update this presentation to reflect subsequent events or developments.

Fourth Quarter 2015

Ellington Residential: Fourth Quarter Highlights

Overall Results	<ul style="list-style-type: none"> ■ Net income of \$1.0 million, or \$0.11 per share <ul style="list-style-type: none"> ■ Agency RMBS spreads widened relative to interest rate swaps and pay-ups on specified pools decreased
Core Earnings⁽¹⁾	<ul style="list-style-type: none"> ■ Core Earnings of \$4.5 million, or \$0.49 per share ■ Core Earnings adjusted for \$1.1 million negative “catch-up” premium amortization adjustment related to Agency RMBS was \$5.6 million, or \$0.61 per share ■ Net Interest Margin was 1.67%; excluding “catch-up” premium amortization adjustment, Net Interest Margin was 2.01%
Shareholders’ Equity	<ul style="list-style-type: none"> ■ Shareholders’ equity as of December 31, 2015 of \$144.9 million, or \$15.86 per share
Portfolio	<ul style="list-style-type: none"> ■ Agency RMBS Portfolio: \$1.211 billion as of December 31, 2015 <ul style="list-style-type: none"> ■ \$1.091 billion fixed rate “specified” pools ■ \$38.5 million ARM pools ■ \$73.7 million reverse mortgage pools ■ \$7.8 million IOs ■ Non-Agency RMBS Portfolio: \$31.4 million as of December 31, 2015
Leverage	<ul style="list-style-type: none"> ■ Debt to equity ratio: approximately 8.4:1 as of December 31, 2015; adjusted for unsettled purchases/sales, 8.1:1
Dividend	<ul style="list-style-type: none"> ■ Declared fourth quarter dividend of \$0.45 per share (paid in January 2016) ■ Annualized dividend yield of 16.5% based on closing price of \$10.89 on February 9, 2016

(1) Core Earnings is a non-GAAP financial measure. See slide 21 for a reconciliation of Core Earnings to Net Income (Loss).

Ellington Residential: Agency RMBS

Overall Market Conditions

- Interest rates rose, with short-term rates increasing more than longer term rates, resulting in a flattening yield curve
 - 2-year and 10-year swap rates were up 43 basis points and 18 basis points, respectively
 - 10-year swap spread to U.S Treasury securities became more negative than they had in the third quarter, U.S. 10-year Treasury yield increased 23 basis points to 2.27%
- 30-year mortgage rate rose from 3.86% to 4.01%
- Global volatility led to continued and significant spread widening across most sectors of the fixed income market
 - Agency RMBS yield spreads (“mortgage basis”) widened in sympathy
 - Similar to the third quarter, in the fourth quarter, the mortgage basis widened even more relative to swaps than to U.S. Treasury securities
- Pay-ups on specified pools declined as interest rates rose

Portfolio Trends and Outlook

- We turned over approximately 40% of the portfolio as measured by sales, excluding principal pay-downs
- Average pay-up of 0.73% as of December 31, 2015, compared to 0.99% as of September 30, 2015
- More attractive entry points created as a result of widening in Agency RMBS yield spreads
- Increased GNMA 30-year fixed holdings
- Increased holdings of reverse mortgages as yield spreads continued to widen during the quarter for this sub-sector
 - Spread widening in sympathy with overall market
 - Increased prepayment activity

Ellington Residential: Non-Agency RMBS

Overall Market Conditions

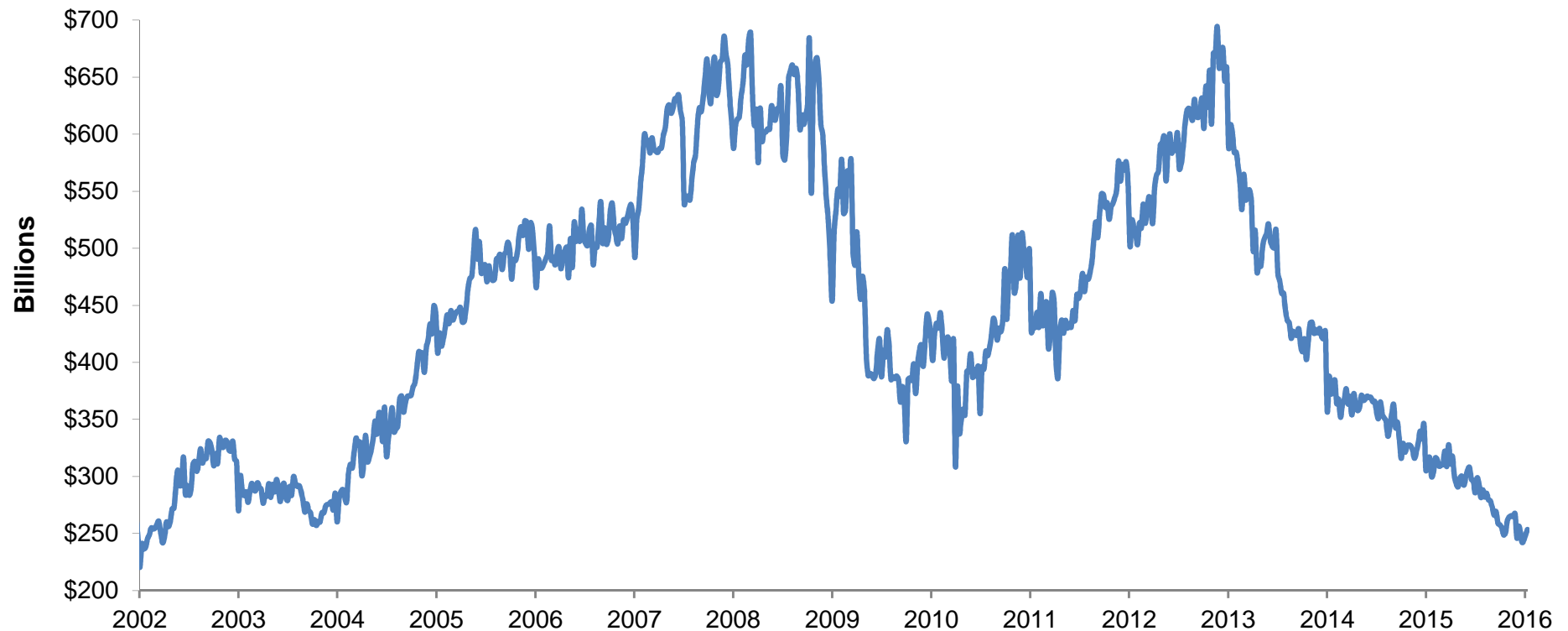
- Similar to the third quarter, Non-Agency RMBS credit spreads widened during the fourth quarter, but to a lesser extent than other, higher yielding fixed income sectors
- Fundamentally, lower energy prices and moderate wage growth are supportive of consumer credit, including residential mortgage credit
- Market liquidity continues to suffer as dealer balance sheets contract

Portfolio Trends and Outlook

- We opportunistically added to our non-Agency RMBS portfolio during the quarter
 - Prudent asset selection continues to be important
- Given recent significant weakness in the credit markets, we may consider increasing allocation to non-Agency RMBS
 - We will continue to opportunistically trade assets

Repo Lending Against Agency MBS Collateral Has Shrunk Dramatically Over the Past Few Years

Dealer Lending Against Agency MBS Collateral, July 2001 – January 2016



- **Current Agency repo levels are substantially below the levels that they were even during the depths of the 2008/2009 financial crisis**
- **Agency repo represents only about 5% of the outstanding Agency mortgage market**
- **As more investors access the FICC (Fixed Income Clearing Corporation), repo demands on broker dealer balance sheets should continue to lessen**

Portfolio

Ellington Residential: Portfolio Summary

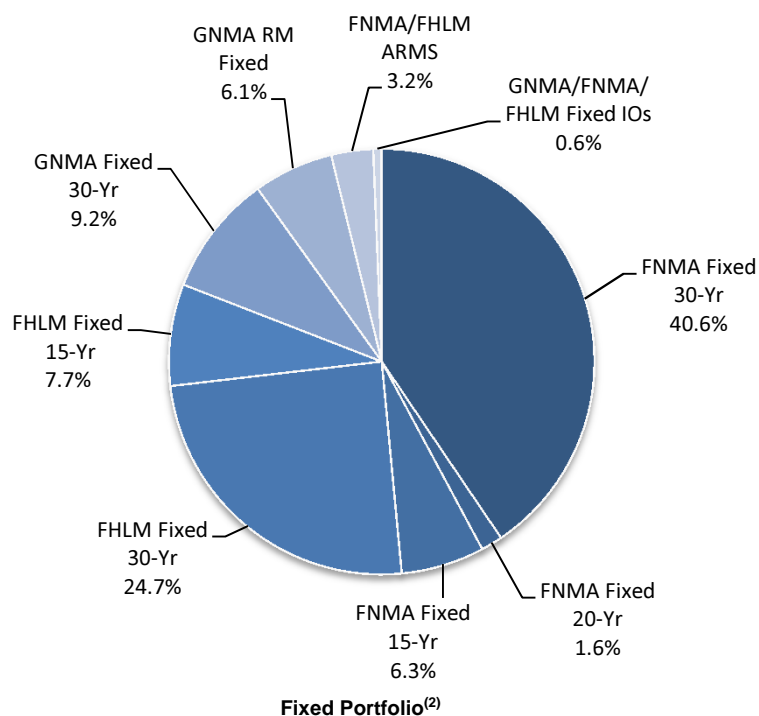
	December 31, 2015					September 30, 2015				
	Current Principal	Fair Value	Average Price ⁽¹⁾	Cost	Average Cost ⁽¹⁾	Current Principal	Fair Value	Average Price ⁽¹⁾	Cost	Average Cost ⁽¹⁾
<i>(In thousands)</i>										
Agency RMBS ⁽²⁾										
15-year fixed rate mortgages	\$ 162,546	\$ 170,261	\$ 104.75	\$ 170,385	\$ 104.82	\$ 162,543	\$ 171,824	\$ 105.77	\$ 170,327	\$ 104.85
20-year fixed rate mortgages	18,477	19,830	107.32	19,754	106.91	9,094	9,837	108.17	9,602	105.59
30-year fixed rate mortgages	842,524	900,794	106.92	896,356	106.39	894,774	964,391	107.78	950,696	106.25
ARMs	36,433	38,530	105.76	38,629	106.03	36,782	39,130	106.38	39,197	106.57
Reverse mortgages	68,690	73,692	107.28	75,205	109.48	53,986	59,541	110.29	59,683	110.55
Total Agency RMBS	1,128,670	1,203,107	106.60	1,200,329	106.35	1,157,089	1,244,723	107.57	1,229,505	106.26
Non-Agency RMBS	48,408	31,401	64.87	30,395	62.79	42,978	28,895	67.23	27,791	64.66
Total RMBS ⁽²⁾	1,177,078	1,234,508	104.88	1,230,724	104.56	1,200,067	1,273,618	106.13	1,257,296	104.77
Agency Interest Only RMBS	n/a	7,758	n/a	8,491	n/a	n/a	7,274	n/a	8,229	n/a
Total mortgage-backed securities		1,242,266		1,239,215			1,280,892		1,265,525	
U.S. Treasury securities sold short	(79,550)	(78,447)	98.61	(79,003)	99.31	(70,020)	(70,671)	100.93	(70,142)	100.17
Reverse repurchase agreements	78,632	78,632	100.00	78,632	100.00	76,610	76,610	100.00	76,610	100.00
Total		\$ 1,242,451		\$ 1,238,844			\$ 1,286,831		\$ 1,271,993	

(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

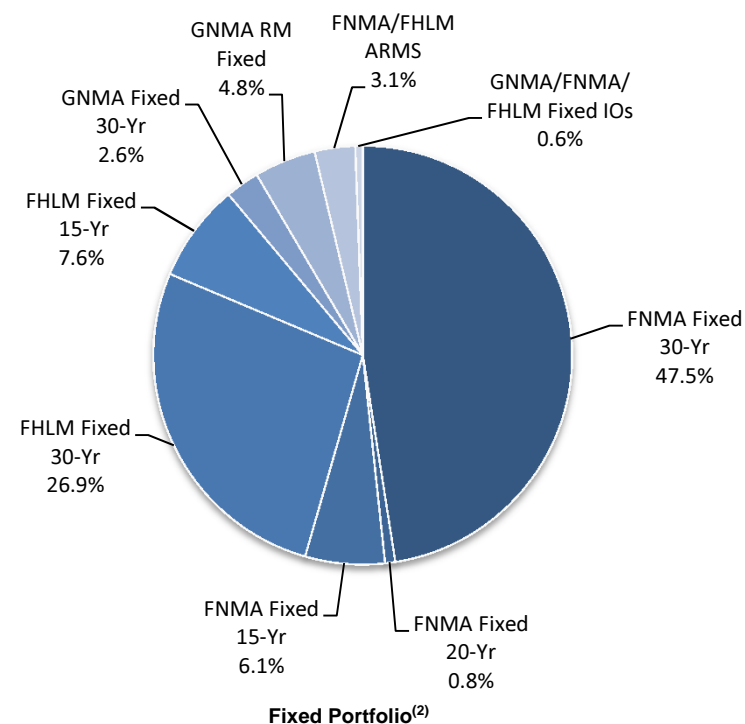
Current Quarter Agency Long Portfolio
As of 12/31/15: \$1.21BN⁽¹⁾



Fixed Portfolio⁽²⁾

Category	Fair Value ⁽¹⁾	Weighted Average Coupon ⁽³⁾
FNMA Fixed - 30-Yr	\$490.7	4.10
FNMA Fixed - 20-Yr	19.8	4.00
FNMA Fixed - 15-Yr	76.7	3.40
FHLM Fixed - 30-Yr	298.6	4.09
FHLM Fixed - 15-Yr	93.6	3.36
GNMA Fixed - 30-Yr	111.5	4.32
GNMA RM Fixed	73.7	4.63
Total	\$1,164.6	4.04

Previous Quarter Agency Long Portfolio
As of 9/30/15: \$1.25BN⁽¹⁾



Fixed Portfolio⁽²⁾

Category	Fair Value ⁽¹⁾	Weighted Average Coupon ⁽³⁾
FNMA Fixed - 30-Yr	\$594.9	4.07
FNMA Fixed - 20-Yr	9.9	4.00
FNMA Fixed - 15-Yr	76.9	3.39
FHLM Fixed - 30-Yr	336.7	4.09
FHLM Fixed - 15-Yr	94.9	3.35
GNMA Fixed - 30-Yr	32.8	4.15
GNMA RM Fixed	59.5	4.75
Total	\$1,205.6	4.01

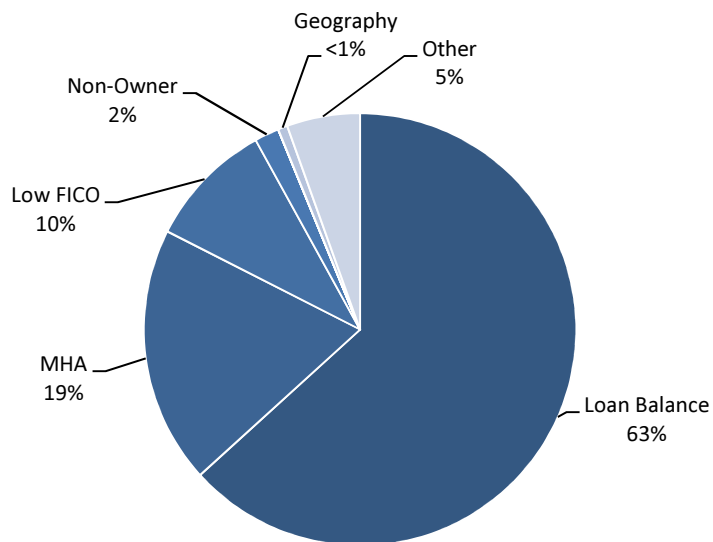
(1) Does not include long TBA positions with a notional value of \$83.7 million and a market value of \$85.9 million as of December 31, 2015 and a notional value of \$81.5 million and a market value of \$84.0 million as of September 30, 2015.

(2) Fair value shown in millions. Excludes fixed rate IOs.

(3) Represents weighted average net pass-through rate.

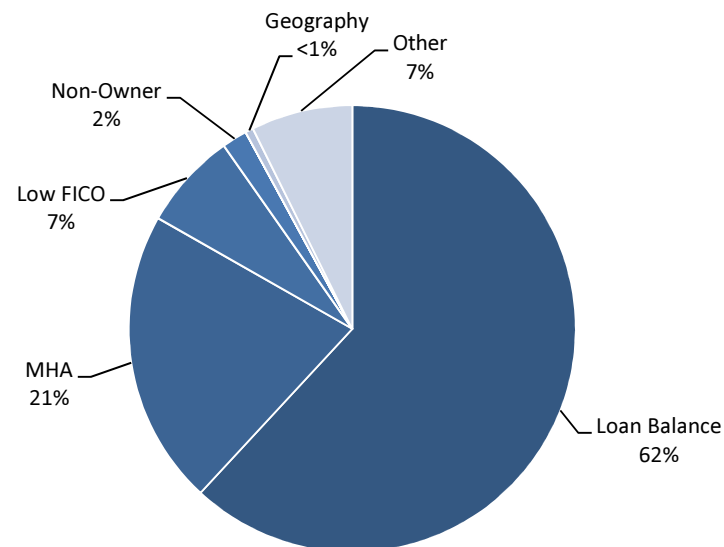
Ellington Residential: Agency Long Portfolio

Collateral Characteristics and Historical 3-month CPR
Agency Fixed Rate Pool Portfolio 12/31/15: \$1.09BN⁽¹⁾



Characteristic ⁽²⁾	Fair Value ⁽¹⁾⁽³⁾	3-Month CPR % ⁽⁴⁾
Loan Balance	\$690.0	7.5
MHA ⁽⁵⁾	209.9	8.9
Low FICO	103.4	2.5
Non-Owner	20.1	7.1
Geography	7.8	0.5
Other	59.7	10.0
Total	\$1,090.9	7.5

Collateral Characteristics and Historical 3-month CPR
Agency Fixed Rate Pool Portfolio 9/30/15: \$1.15BN⁽¹⁾

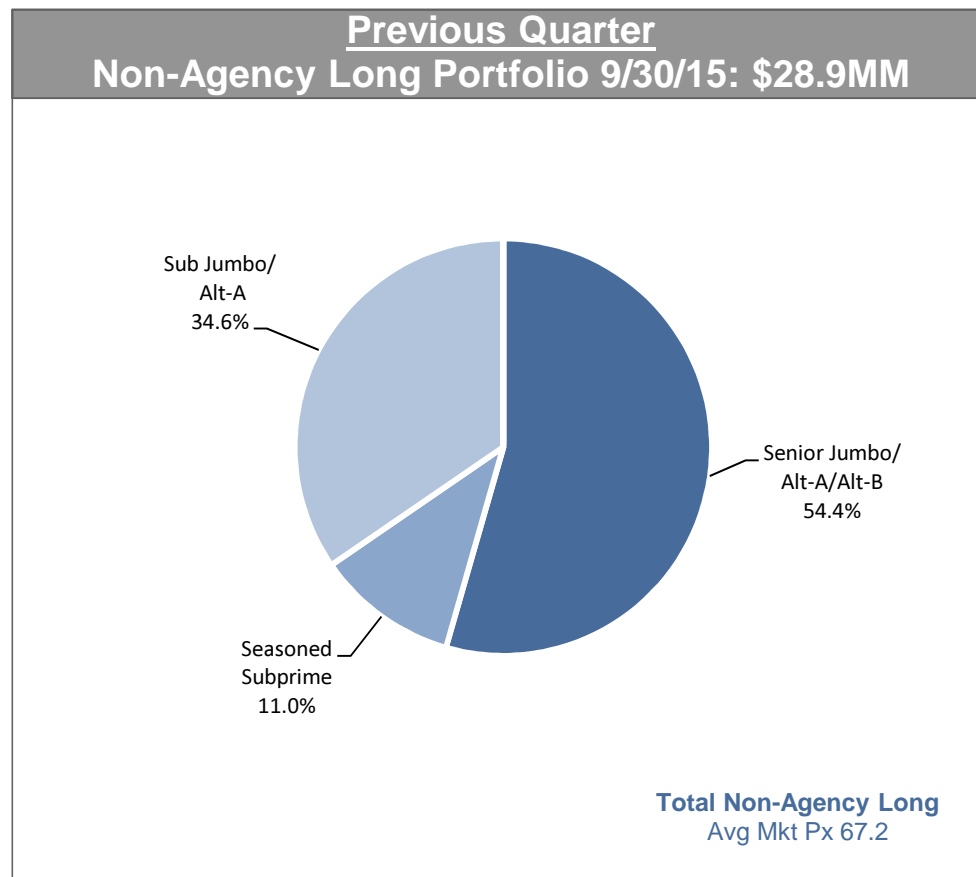
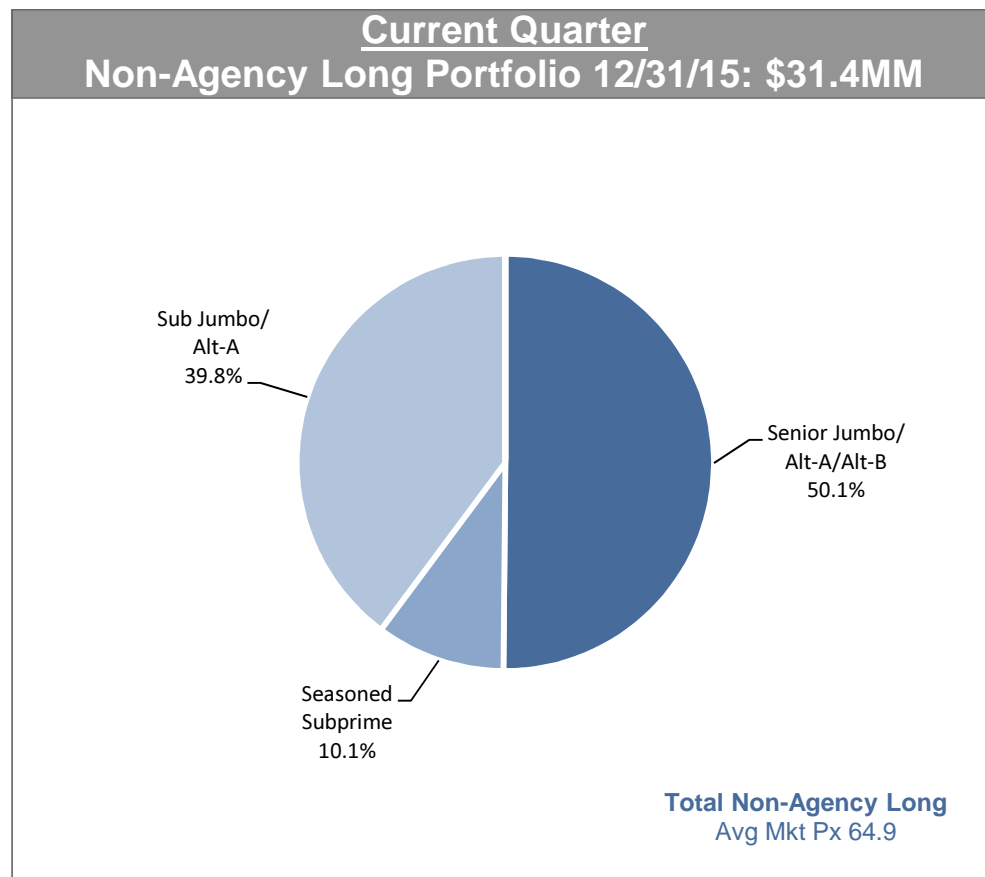


Characteristic ⁽²⁾	Fair Value ⁽¹⁾⁽³⁾	3-Month CPR % ⁽⁴⁾
Loan Balance	\$709.3	7.0
MHA ⁽⁵⁾	244.7	8.0
Low FICO	80.5	6.0
Non-Owner	20.8	8.2
Geography	6.7	4.6
Other	84.0	6.2
Total	\$1,146.0	7.1

(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) Excludes Agency fixed rate RMBS without any prepayment history with a total value of \$99.2 million as of December 31, 2015 and \$41.8 million as of September 30, 2015.

(5) "MHA" indicates those pools where underlying borrowers have participated in the Making Homes Affordable program.

Ellington Residential: Non-Agency Long Portfolio



- We continue to maintain small but high-yielding portfolio of non-Agency RMBS
- Spread widening in non-Agency RMBS may present attractive opportunities; we may increase our allocation to this sector

Borrowings and Hedges

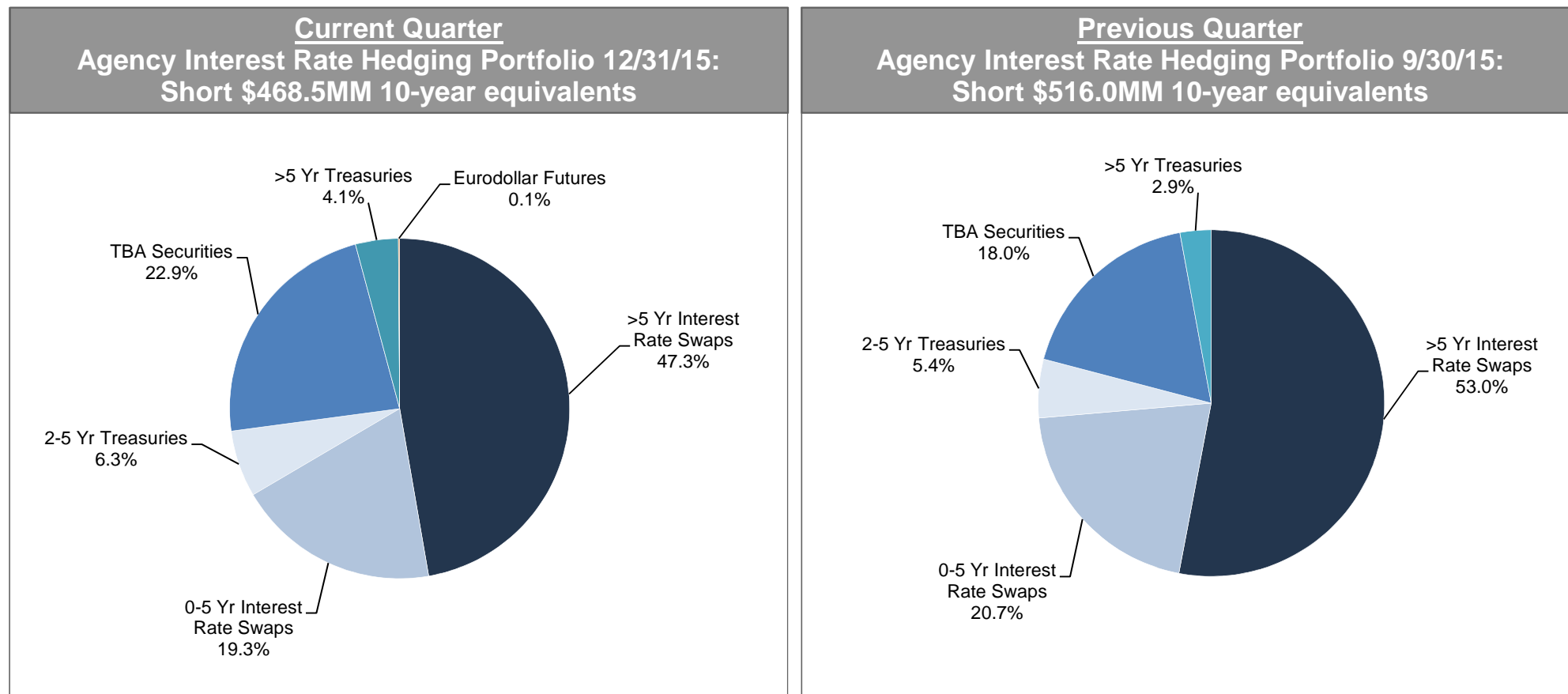
Ellington Residential: Repo Borrowings

	December 31, 2015			September 30, 2015		
	Weighted Average			Weighted Average		
Remaining Days to Maturity	Borrowings Outstanding <i>(In thousands)</i>	Interest Rate	Remaining Days to Maturity	Borrowings Outstanding <i>(In thousands)</i>	Interest Rate	Remaining Days to Maturity
30 days or less	\$ 666,124	0.52%	14	\$ 472,278	0.43%	15
31-60 days	336,350	0.53%	45	371,885	0.46%	44
61-90 days	89,142	0.70%	74	169,786	0.47%	74
91-120 days	131,103	0.53%	106	211,956	0.57%	107
Total	\$ 1,222,719	0.54%	37	\$ 1,225,905	0.47%	48

- Outstanding borrowings with 13 counterparties
- Following decision by the Federal Reserve to raise the target federal funds rate, the cost of repo has increased
- While cost of repo increased, availability from both existing and new counterparties remains strong
- Decision by FHFA to ban captive insurers from membership in FHLBs could put additional upward pressure on repo rates in the near term

Note: As of December 31, 2015 and September 30, 2015, the Company had no outstanding borrowings other than under repurchase agreements.

Ellington Residential: Interest Rate Hedging Portfolio



- Agency interest rate hedges are shown in normalized units of risk, with each group of positions measured in “10-year equivalents”
- During the fourth quarter:
 - Interest rate hedging portfolio continues to be predominantly comprised of fixed payer interest rate swaps and short TBAs
 - Slightly Increased TBA hedge relative to swaps
 - Weighted average remaining term of swap book declined: 5.67 years as of December 31, 2015 as compared to 6.24 years as of September 30, 2015

Ellington Residential: Interest Rate Hedging

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

<i>(In millions)</i>	12/31/2015	9/30/2015
Agency-related Portfolio		
Long Agency RMBS	\$ 1,211	\$ 1,252
Net Short TBA Positions ⁽¹⁾	(365)	(382)
Net Long Exposure to Agency RMBS	\$ 846	\$ 870

- 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 0.73% as of December 31, 2015, as compared to 0.99% as of September 30, 2015

Estimated Change in Fair Value as of December 31, 2015 if Interest Rates Move⁽²⁾:

<i>(In thousands)</i>	Down 50 bps	Up 50 bps
Agency RMBS - ARM Pools	\$ 307	\$ (385)
Agency RMBS - Fixed Pools and IOs	18,194	(23,830)
TBAs	(3,488)	5,949
Non-Agency RMBS	282	(271)
Interest Rate Swaps	(14,016)	13,383
U.S. Treasury Securities	(2,184)	2,106
Eurodollar Futures	(26)	26
Repurchase and Reverse Repurchase Agreements	(624)	634
Total	\$ (1,555)	\$ (2,388)

(1) Net short TBA positions represents the current market value of the underlying Agency RMBS (on a forward delivery basis) as of December 31, 2015 and September 30, 2015. The net carrying value of the TBA positions as of December 31, 2015 and September 30, 2015 on the Consolidated Balance Sheet was \$53 thousand and \$(0.6) million, respectively.

(2) Based on the market environment as of December 31, 2015. 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)

December 31, 2015					
Fixed Payer Interest Rate Swaps					
Maturity	Notional Amount	Fair Value	Weighted Average Pay Rate	Weighted Average Receive Rate	Weighted Average Years to Maturity
	<i>(In thousands)</i>				
2016	\$ 48,000	\$ (83)	0.80 %	0.39 %	0.77
2017	74,750	(445)	1.21 %	0.41 %	1.59
2018	71,529	80	1.11 %	0.34 %	2.28
2020	119,893	220	1.51 %	0.33 %	4.36
2022	19,444	86	1.76 %	0.34 %	6.51
2023	131,400	(1,367)	2.10 %	0.38 %	7.39
2024	9,200	11	1.99 %	0.32 %	8.26
2025	58,560	(5)	2.06 %	0.33 %	9.32
2043	21,067	(1,967)	3.03 %	0.36 %	27.39
Total	\$ 553,843	\$ (3,470)	1.63 %	0.36 %	5.67

Fixed Receiver Interest Rate Swap					
Maturity	Notional Amount	Fair Value	Weighted Average Pay Rate	Weighted Average Receive Rate	Weighted Average Years to Maturity
	<i>(In thousands)</i>				
2025	\$ 9,700	\$ 857	0.32 %	3.00 %	9.55

TBA Securities				
	Notional Amount ⁽¹⁾	Cost Basis ⁽²⁾	Market Value ⁽³⁾	Net Carrying Value ⁽⁴⁾
	<i>(In thousands)</i>			
Total TBAs, Net	\$ (339,837)	\$ (364,603)	\$ (364,550)	\$ 53

Futures				
Remaining Maturity	Notional Amount	Fair Value	Remaining Months to Expiration	
	<i>(In thousands)</i>			
2016	\$ (12,000)	\$ 10	7.13	
2017	(9,000)	8	17.79	
Total	\$ (21,000)	\$ 18	11.70	

(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 December 31, 2015.

(4) Net carrying value represents the difference between the market value of the TBA contract as of December 31, 2015 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)

CONSOLIDATED STATEMENT OF OPERATIONS

	Three Month Period Ended		Year Ended
	December 31, 2015	September 30, 2015	December 31, 2015
<i>(In thousands except share amounts)</i>			
INTEREST INCOME (EXPENSE)			
Interest income	\$ 9,315	\$ 11,315	\$ 40,751
Interest expense	(1,816)	(1,642)	(6,236)
Total net interest income	7,499	9,673	34,515
EXPENSES			
Management fees	545	557	2,304
Professional fees	152	144	574
Compensation expense ⁽¹⁾	87	168	621
Other operating expenses ⁽¹⁾	405	406	1,646
Total expenses	1,189	1,275	5,145
OTHER INCOME (LOSS)			
Net realized gains (losses) on securities	817	596	9,577
Net realized gains (losses) on financial derivatives	(7,595)	(3,252)	(23,432)
Change in net unrealized gains (losses) on securities	(11,230)	4,862	(18,904)
Change in net unrealized gains (losses) on financial derivatives	12,678	(15,421)	3,419
Total other income (loss)	(5,330)	(13,215)	(29,340)
NET INCOME (LOSS)	\$ 980	\$ (4,817)	\$ 30
NET INCOME (LOSS) PER COMMON SHARE			
Basic and Diluted	\$ 0.11	\$ (0.53)	\$ -
WEIGHTED AVERAGE SHARES OUTSTANDING	9,135,219	9,140,452	9,143,508
CASH DIVIDENDS PER SHARE:			
Dividends declared	\$ 0.45	\$ 0.45	\$ 2.00

(1) Conformed to current period presentation.

Ellington Residential: Balance Sheet (Unaudited)

CONSOLIDATED BALANCE SHEET

	As of		
	December 31, 2015	September 30, 2015	December 31, 2014 ⁽¹⁾
<i>(In thousands except share amounts)</i>			
ASSETS			
Cash and cash equivalents	\$ 40,166	\$ 40,482	\$ 45,237
Mortgage-backed securities, at fair value	1,242,266	1,280,892	1,393,303
Due from brokers	33,297	41,068	18,531
Financial derivatives-assets, at fair value	2,183	1,527	3,072
Reverse repurchase agreements	78,632	76,610	13,987
Receivable for securities sold	155,526	70,087	41,834
Interest receivable	4,325	4,784	4,793
Other assets	289	407	317
Total Assets	\$ 1,556,684	\$ 1,515,857	\$ 1,521,074
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Repurchase agreements	\$ 1,222,719	\$ 1,225,905	\$ 1,323,080
Payable for securities purchased	98,949	45,333	4,227
Due to brokers	439	2,654	583
Financial derivatives-liabilities, at fair value	4,725	16,414	8,700
U.S. Treasury securities sold short, at fair value	78,447	70,671	13,959
Dividend payable	4,111	4,111	5,032
Accrued expenses	533	771	890
Management fee payable	545	557	551
Interest payable	1,361	1,416	687
Total Liabilities	\$ 1,411,829	\$ 1,367,832	\$ 1,357,709
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; (9,135,103, 9,135,021, and 9,149,274 shares issued and outstanding, respectively)	92	91	91
Additional paid-in-capital	181,027	181,066	181,282
Accumulated deficit	(36,264)	(33,132)	(18,008)
Total Shareholders' Equity	144,855	148,025	163,365
Total Liabilities and Shareholders' Equity	\$ 1,556,684	\$ 1,515,857	\$ 1,521,074
Per Share Information			
Common shares, par value \$0.01 per share	\$ 15.86	\$ 16.20	\$ 17.86

(1) Derived from audited financial statements as of December 31, 2014.

Reconciliation of Core Earnings⁽¹⁾

<i>(In thousands except share amounts)</i>	Three Month Period Ended December 31, 2015	Three Month Period Ended September 30, 2015
Net Income (Loss)	\$ 980	\$ (4,817)
Less:		
Net realized gains (losses) on securities	817	596
Net realized gains (losses) on financial derivatives, excluding periodic payments⁽²⁾	(4,467)	(2,208)
Change in net unrealized gains (losses) on securities	(11,230)	4,862
Change in net unrealized gains and (losses) on financial derivatives, excluding accrued periodic payments⁽³⁾	11,380	(14,355)
Subtotal	(3,500)	(11,105)
Core Earnings	\$ 4,480	\$ 6,288
Catch-up Premium Amortization Adjustments	(1,087)	895
Core Earnings excluding Catch-up Premium Amortization Adjustments	5,567	5,393
Weighted Average Shares Outstanding	9,135,219	9,140,452
Core Earnings Per Share	\$ 0.49	\$ 0.69
Core Earnings Per Share excluding Catch-up Premium Amortization Adjustments	\$ 0.61	\$ 0.59

- (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 Adjustments consists of Core Earnings but excludes the effect of Catch-up Premium Amortization Adjustments on interest income. Core Earnings and Core Earnings excluding Catch-up Premium Amortization Adjustments are supplemental non-GAAP financial measures. We believe that Core Earnings and Core Earnings excluding Catch-up Premium Amortization Adjustments 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 Adjustments 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 Adjustments 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 December 31, 2015 and September 30, 2015, our Core Earnings and Core Earnings excluding Catch-up Premium Amortization Adjustments 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 December 31, 2015, represents Net realized gains (losses) on financial derivatives of \$(7,595) less Net realized gains (losses) on periodic settlements of interest rate swaps of \$(3,128). For the three month period ended September 30, 2015, represents Net realized gains (losses) on financial derivatives of \$(3,252) less Net realized gains (losses) on periodic settlements of interest rate swaps of \$(1,044).
- (3) For the three month period ended December 31, 2015, represents Change in net unrealized gains (losses) on financial derivatives of \$12,678 less Change in net unrealized gains (losses) on accrued periodic settlements of interest rate swaps of \$1,298. For the three month period ended September 30, 2015, represents Change in net unrealized gains (losses) on financial derivatives of \$(15,421) less Change in net unrealized gains (losses) on accrued periodic settlements of interest rate swaps of \$(1,066).

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 \$6.1 billion in assets under management as of December 31, 2015**

- **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

ELLINGTON RESIDENTIAL MORTGAGE REIT

Investor Contact:

Ania Pritchard, Investor Relations or
Lisa Mumford, Chief Financial Officer
Ellington Residential Mortgage REIT
(203) 409-3773

Media Contact:

Steve Bruce or Taylor Ingraham
ASC Advisors, for
Ellington Residential Mortgage REIT
(203) 992-1230

Ellington Residential Mortgage REIT
53 Forest Ave
Old Greenwich, CT 06870
www.earnreit.com
