

E A R N

ELLINGTON RESIDENTIAL MORTGAGE REIT

**Second Quarter 2019
Earnings Conference Call
August 2, 2019**



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 8, 2019 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, 2019 unless otherwise indicated. We undertake no duty or obligation to update this presentation to reflect subsequent events or developments.

Second Quarter Market Update

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ELLINGTON RESIDENTIAL MORTGAGE REIT

Quarter Ended:	6/30/2019	3/31/2019	Q/Q	12/31/2018	Q/Q	9/30/2018	Q/Q	6/30/2018	Q/Q	3/31/2018	Q/Q
<u>UST (%)⁽¹⁾</u>											
3M UST	2.09	2.38	-0.29	2.35	+0.03	2.20	+0.16	1.91	+0.28	1.70	+0.21
2Y UST	1.75	2.26	-0.51	2.49	-0.23	2.82	-0.33	2.53	+0.29	2.27	+0.26
5Y UST	1.77	2.23	-0.47	2.51	-0.28	2.95	-0.44	2.74	+0.21	2.56	+0.18
10Y UST	2.01	2.41	-0.40	2.68	-0.28	3.06	-0.38	2.86	+0.20	2.74	+0.12
30Y UST	2.53	2.81	-0.29	3.01	-0.20	3.21	-0.19	2.99	+0.22	2.97	+0.02
2Y10Y Spread	0.25	0.15	+0.11	0.20	-0.05	0.24	-0.04	0.33	-0.09	0.47	-0.14
3M10Y Spread	-0.08	0.02	-0.11	0.33	-0.31	0.86	-0.54	0.95	-0.08	1.04	-0.09
<u>US Dollar Swaps (%)⁽¹⁾</u>											
2Y SWAP	1.81	2.38	-0.58	2.66	-0.27	2.99	-0.33	2.79	+0.20	2.58	+0.21
5Y SWAP	1.77	2.29	-0.52	2.57	-0.28	3.07	-0.50	2.89	+0.18	2.71	+0.18
10Y SWAP	1.96	2.41	-0.44	2.71	-0.30	3.12	-0.41	2.93	+0.19	2.79	+0.14
<u>LIBOR (%)⁽¹⁾</u>											
1M	2.40	2.49	-0.10	2.50	-0.01	2.26	+0.24	2.09	+0.17	1.88	+0.21
3M	2.32	2.60	-0.28	2.81	-0.21	2.40	+0.41	2.34	+0.06	2.31	+0.03
1M3M Spread	-0.08	0.11	-0.18	0.30	-0.19	0.14	+0.16	0.25	-0.11	0.43	-0.18
<u>Mortgage Rates (%)⁽²⁾</u>											
15Y	3.42	3.78	-0.36	4.25	-0.47	4.39	-0.14	4.22	+0.17	4.09	+0.13
30Y	3.73	4.06	-0.33	4.55	-0.49	4.72	-0.17	4.55	+0.17	4.44	+0.11
<u>FNMA Pass-Thrus⁽¹⁾</u>											
30Y 3.5	\$102.20	\$101.39	+\$0.81	\$99.83	+\$1.56	\$98.39	+\$1.44	\$99.45	-\$1.06	\$100.20	-\$0.75
30Y 4.0	\$103.33	\$102.86	+\$0.47	\$101.83	+\$1.03	\$100.95	+\$0.88	\$101.92	-\$0.97	\$102.61	-\$0.69
30Y 4.5	\$104.48	\$104.17	+\$0.31	\$103.45	+\$0.72	\$103.14	+\$0.31	\$104.08	-\$0.94	\$104.70	-\$0.62
<u>Libor-based OAS (bps)⁽³⁾</u>											
FNMA 30Y 3.5 OAS	41.2	27.3	13.9	29.4	-2.1	22.0	7.4	21.5	0.5	23.8	-2.3
FNMA 30Y 4.0 OAS	51.3	31.1	20.2	30.4	0.7	28.2	2.2	26.9	1.3	28.3	-1.4
FNMA 30Y 4.5 OAS	71.0	46.9	24.1	50.1	-3.2	34.3	15.8	31.3	3.0	32.7	-1.4
<u>Libor-based ZSpread (bps)⁽⁴⁾</u>											
FNMA 30Y 3.5 ZSpread	87.0	76.4	10.6	74.1	2.3	58.3	15.8	62.7	-4.4	67.4	-4.7
FNMA 30Y 4.0 ZSpread	88.1	75.2	12.9	87.8	-12.6	73.1	14.7	75.8	-2.7	78.6	-2.8
FNMA 30Y 4.5 ZSpread	99.0	79.5	19.5	98.8	-19.3	81.0	17.8	78.1	2.9	79.0	-0.9

Overall Results

- Net Loss: \$(0.1) million or \$(0.01) per share
- Economic Return: (0.1)% for the quarter
- Net Interest Margin: 0.55%; Adjusted Net Interest Margin⁽¹⁾: 0.78%

Core Earnings⁽²⁾

- Core Earnings: \$1.8 million or \$0.15 per share
- Adjusted Core Earnings⁽¹⁾: \$2.7 million or \$0.22 per share

Shareholders' Equity & BVPS⁽³⁾

- Shareholders' equity: \$154.6 million
- Book value per share: \$12.40

Portfolio

- Agency RMBS Portfolio: \$1.45 billion⁽³⁾
 - Weighted average prepayment speed on fixed-rate specified pools increased to 9.6% CPR from 6.0% last quarter
 - Portfolio turnover of 15%
 - Average pay-ups on specified pools increased to 1.56%⁽³⁾ from 0.99% last quarter
- Non-Agency RMBS Portfolio: \$9.3 million⁽³⁾

Leverage⁽³⁾

- Debt-to-equity ratio: 9.3:1
- Net mortgage assets-to-equity ratio of 9.0:1⁽⁴⁾

Dividend

- Declared second quarter dividend of \$0.28 per share (paid in July 2019)
- Annualized dividend yield of 9.9% based on closing price of \$11.36 on 7/31/2019

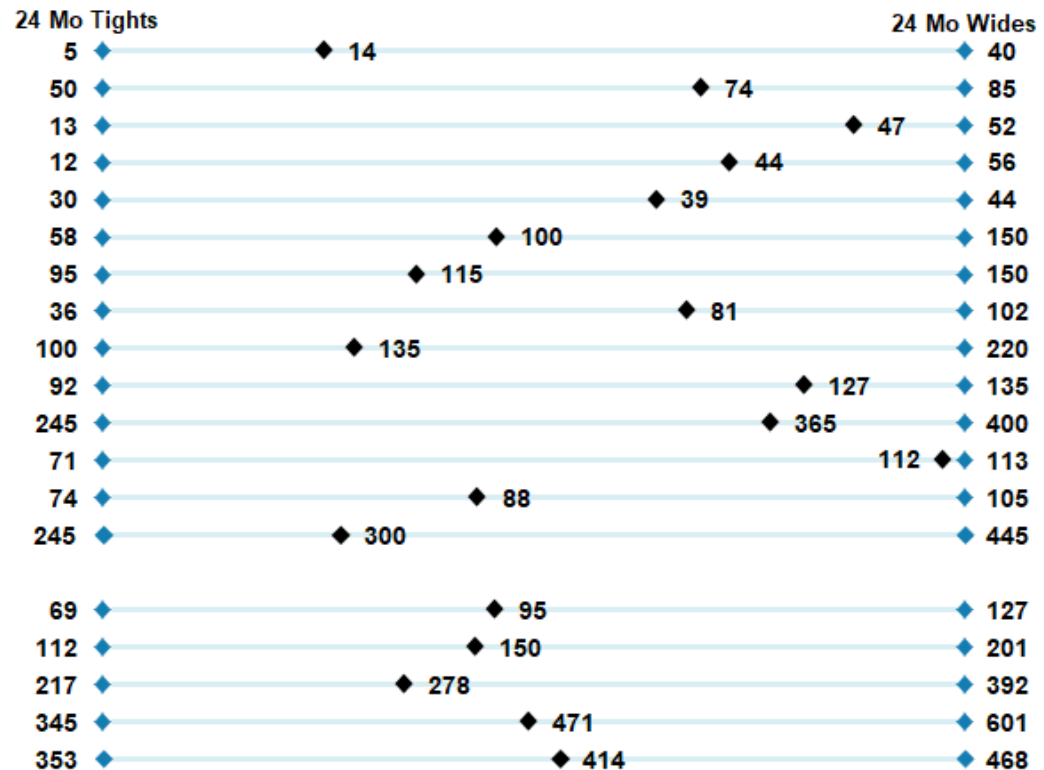
◆ As of June 28, 2019⁽¹⁾

Securitized Products

US Agency MBS TOAS
 US Agency MBS TZV
 US Agency FN 4 OAS
 US Agency G2 4 OAS
 US Spec HLB 4
 Non-QM AAA
 Legacy Resi
 CRT OTR M1
 Subprime Auto BBB
 US CLO 2.0 AAA
 US CLO 2.0 BBB
 EUR CLO 2.0 AAA
 US CMBS AAA
 US CMBS BBB

US Corporate Credit

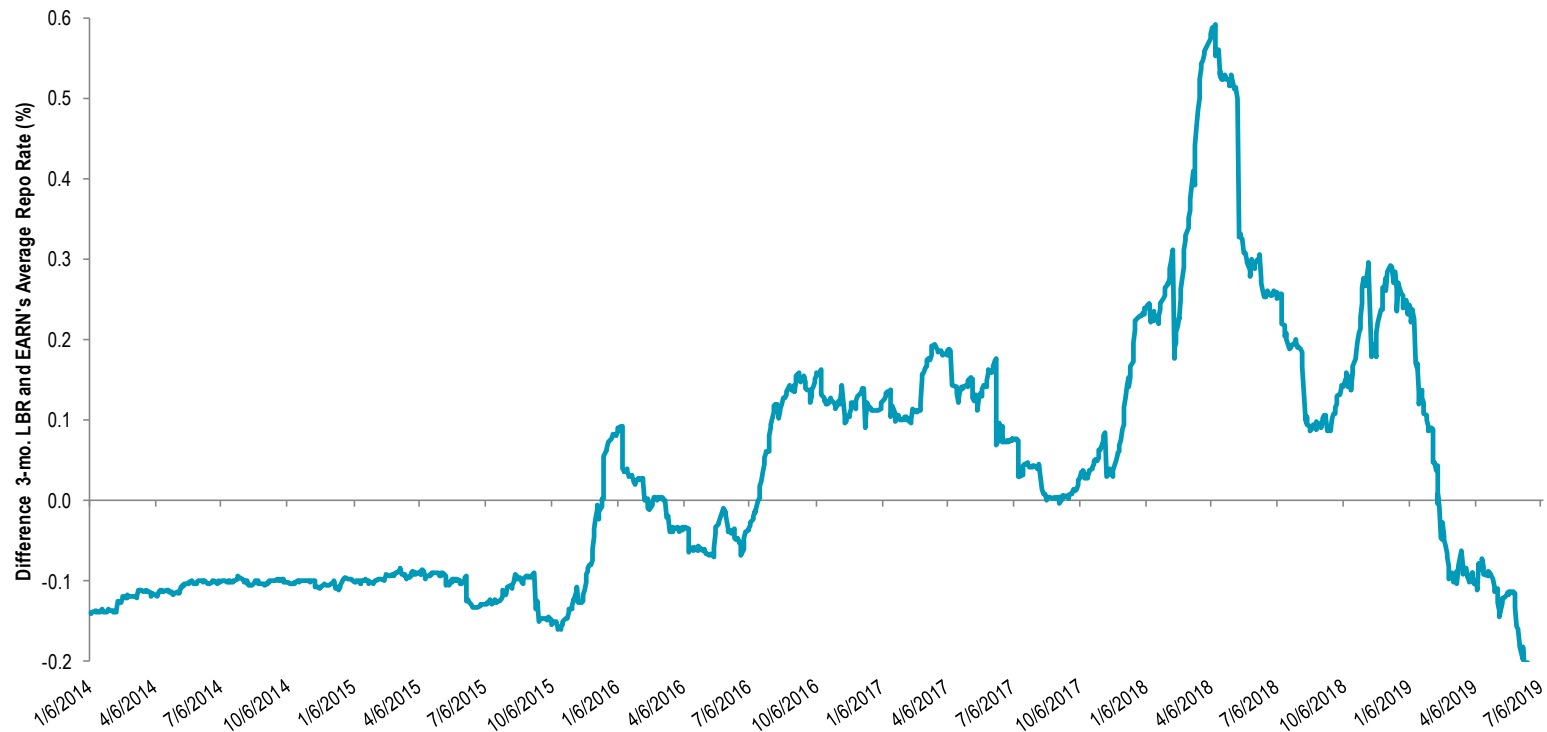
US IG Corp A OAS
 US IG Corp BBB OAS
 US HY Corp BB STW
 US HY Corp B STW
 Lev Loans



Source: Morgan Stanley

- While investment grade corporate bond spreads were stable to slightly tighter for the quarter, high yield corporate bond and Agency RMBS spreads generally widened

3-month LIBOR vs. EARN Repo Funding



- The spread between our Agency repo funding rate and 3-month LIBOR became more negative during the second quarter
- Because we receive 3-month LIBOR on our interest rate swaps, when 3-month LIBOR is lower than our repo funding costs, this increases our hedging costs and reduces our net interest margin

Summary of Financial Results

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ELLINGTON RESIDENTIAL MORTGAGE REIT

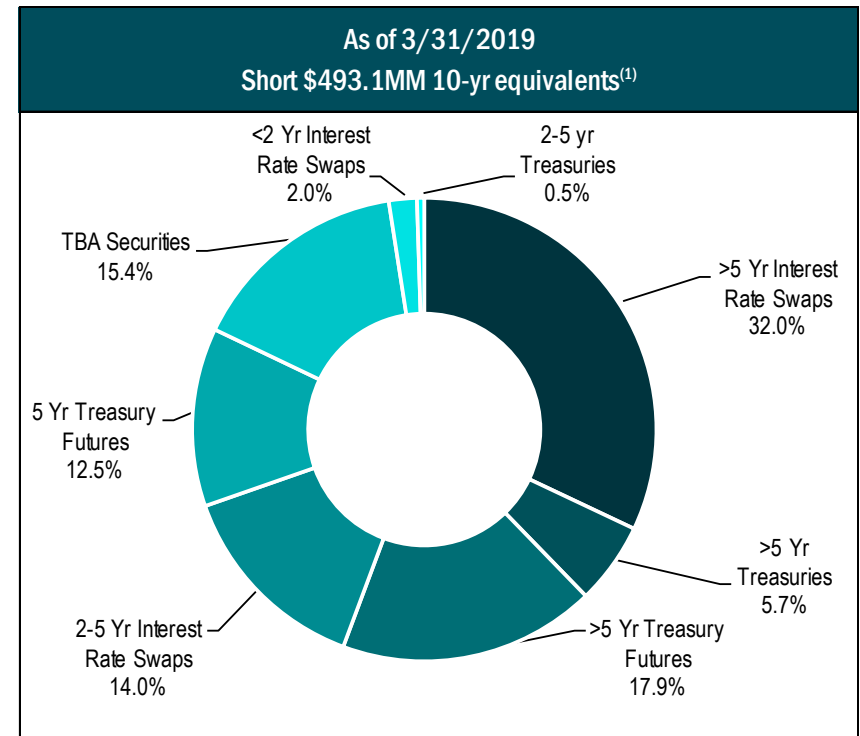
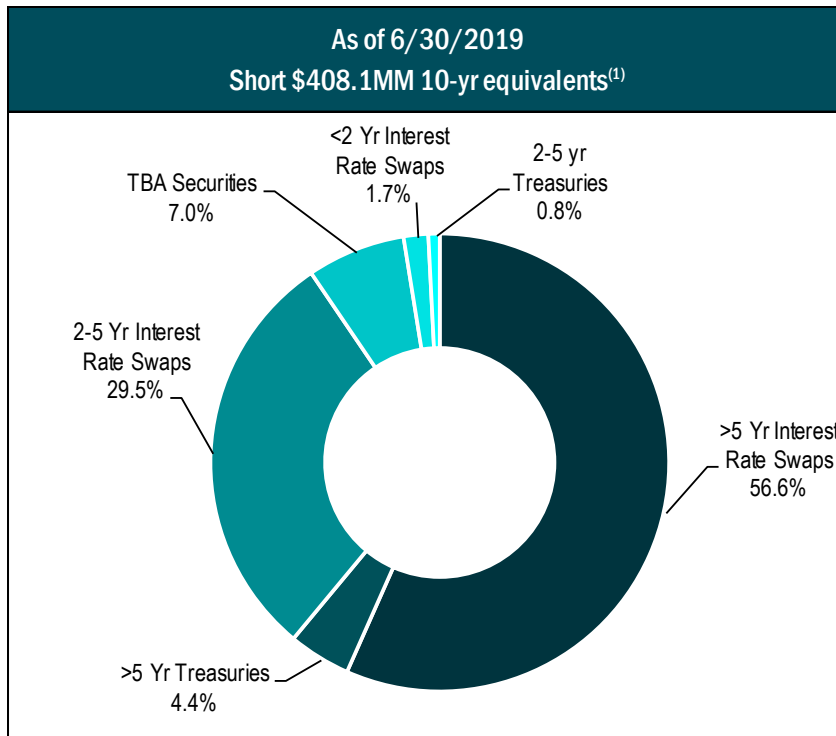
	Quarter Ended 6/30/2019		Quarter Ended 3/31/2019	
		Per Share ⁽¹⁾		Per Share ⁽¹⁾
<i>(\$ in thousands except per share amounts)</i>				
Interest Income	\$ 12,139		\$ 12,613	
Interest Expense	(9,662)		(9,555)	
Total Net Interest Income	\$ 2,477		\$ 3,058	
Total Other Gain (Loss) ⁽²⁾	\$ 662		\$ 680	
Total Expenses	\$ 1,300		\$ 1,368	
Total Expenses as % of Average Equity, Annualized ⁽³⁾	3.3%		3.5%	
Core Earnings⁽⁴⁾	\$ 1,839	\$ 0.15	\$ 2,370	\$ 0.19
Less: Catch-up Premium Amortization Adjustment ⁽⁵⁾	(904)		(944)	
Adjusted Core Earnings⁽⁶⁾	\$ 2,743	\$ 0.22	\$ 3,314	\$ 0.27
Net Realized and Unrealized Gain (Loss):				
RMBS	\$ 16,539		\$ 20,476	
Interest Rate Hedges	(18,485)		(13,918)	
Total Net Realized and Unrealized Gain (Loss)	\$ (1,946)		\$ 6,558	
Net Income (Loss)	\$ (107)	\$ (0.01)	\$ 8,928	\$ 0.72
Adjusted Weighted Average Yield ⁽⁷⁾⁽⁸⁾	3.34%		3.44%	
Cost of Funds	-2.56%		-2.53%	
Adjusted Net Interest Margin ⁽⁶⁾⁽⁸⁾	0.78%		0.91%	
Shareholders' Equity	\$ 154,605	\$ 12.40	\$ 158,150	\$ 12.69

Portfolio Summary

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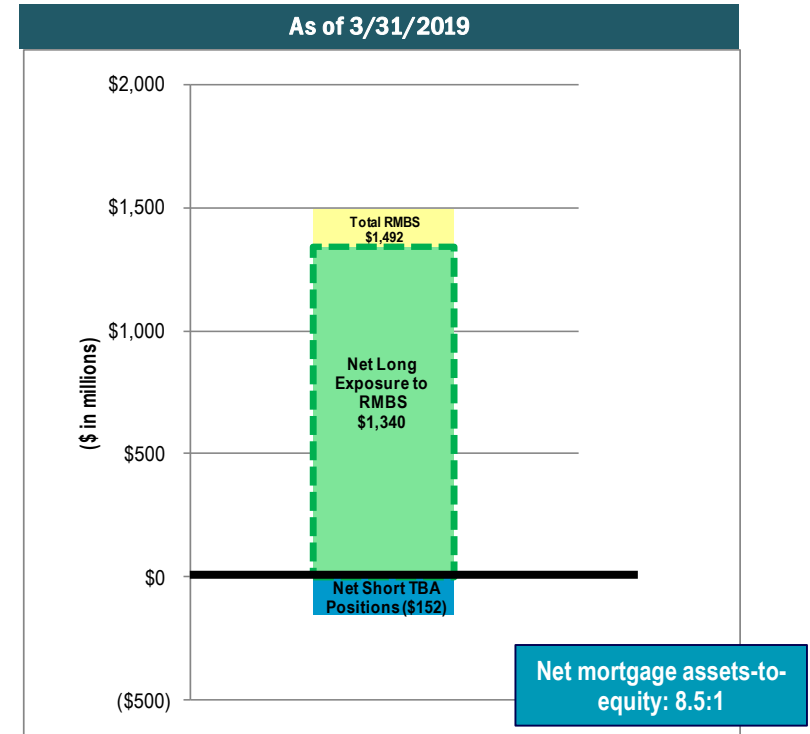
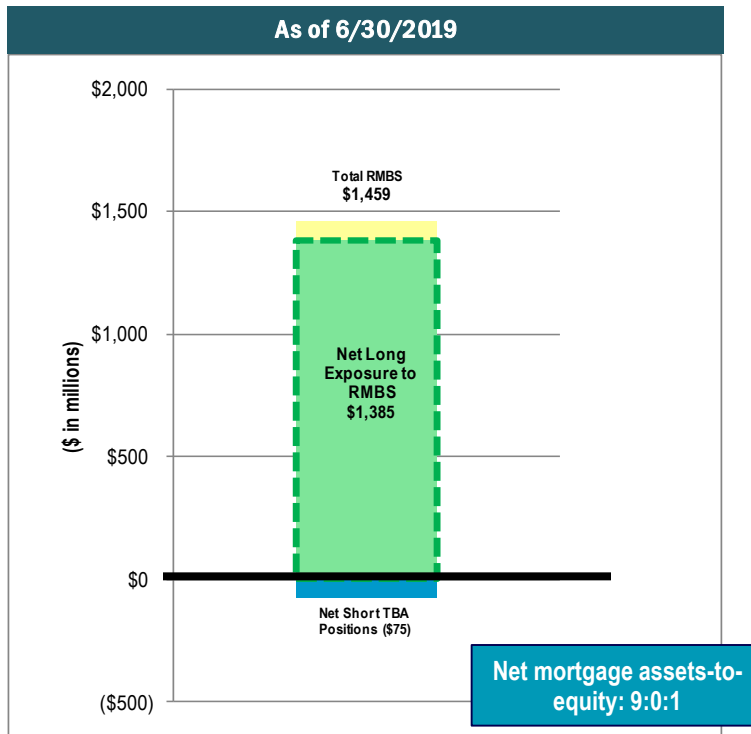
ELLINGTON RESIDENTIAL MORTGAGE REIT

(In thousands)	June 30, 2019					March 31, 2019				
	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	\$ 159,586	\$ 165,605	\$ 103.77	\$ 162,516	\$ 101.84	\$ 137,382	\$ 141,192	\$ 102.77	\$ 140,235	\$ 102.08
20-year fixed rate mortgages	29,891	31,402	105.06	30,972	103.62	37,455	39,126	104.46	39,038	104.23
30-year fixed rate mortgages	1,049,509	1,106,247	105.41	1,098,108	104.63	1,134,722	1,183,728	104.32	1,186,421	104.56
ARMs	39,196	40,422	103.13	40,652	103.71	26,316	27,141	103.13	27,612	104.92
Reverse mortgages	86,722	94,690	109.19	93,831	108.20	70,531	76,032	107.80	76,559	108.55
Total Agency RMBS	1,364,904	1,438,366	105.38	1,426,079	104.48	1,406,406	1,467,219	104.32	1,469,865	104.51
Non-Agency RMBS	11,491	9,285	80.80	7,231	62.93	13,576	11,170	82.28	9,027	66.49
Total RMBS⁽²⁾	1,376,395	1,447,651	105.18	1,433,310	104.14	1,419,982	1,478,389	104.11	1,478,892	104.15
Agency Interest Only RMBS	n/a	11,801	n/a	12,244	n/a	n/a	13,872	n/a	14,663	n/a
Total mortgage-backed securities		1,459,452		1,445,554			1,492,261		1,493,555	
U.S. Treasury securities sold short	(33,360)	(34,522)	103.48	(33,725)	101.09	(37,960)	(38,670)	101.87	(38,554)	101.56
Reverse repurchase agreements	40,097	40,097	100.00	40,097	100.00	38,835	38,835	100.00	38,835	100.00
Total		\$1,465,027		\$1,451,926			\$1,492,426		\$1,493,836	



- We hedge along the entire yield curve to manage interest rate risk and protect book value
- Shorting “generic” pools (or TBAs) allows EARN to significantly reduce interest rate risk and basis risk in its Agency portfolio
- We also hedge interest rate risk with swaps, U.S. Treasury securities, futures, and swaptions
- For the first two quarters of 2019 we have been consistently constructive on the Agency mortgage basis, so we have significantly lowered the proportion of our hedges represented by TBA short positions

Exposure to RMBS Based on Fair Value of TBA Portfolio⁽¹⁾



- EARN often carries significantly lower net effective mortgage exposure than our “headline” leverage would suggest
 - This effect was less pronounced at the end of the second quarter, as we reduced our overall TBA short position to express our positive view on the Agency mortgage basis
 - Our net mortgage assets-to-equity⁽²⁾ ratio was 9.0:1 versus our debt-to-equity ratio of 9.3:1 as of June 30, 2019
- Use of TBA short positions as hedges:
 - Helps drive outperformance in especially volatile quarters
 - When interest rates spike, TBA short positions not only extend with specified pool assets, but they tend to extend more than specified pool assets, which dynamically and automatically hedges a correspondingly larger portion of our specified pool portfolio

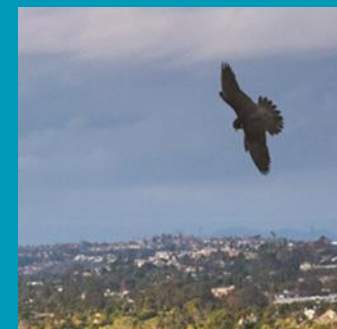
	August 2017	July 2019
5-Year Swap Rate	1.84	1.81
FNCL 4 TBA Price	105.36	103.46
LLB 4 Payup (Ticks)	64.0	115.0
LLB 4 Price	107.36	107.06
TBA Price Change		(1.89)
LLB Price Change		(0.30)

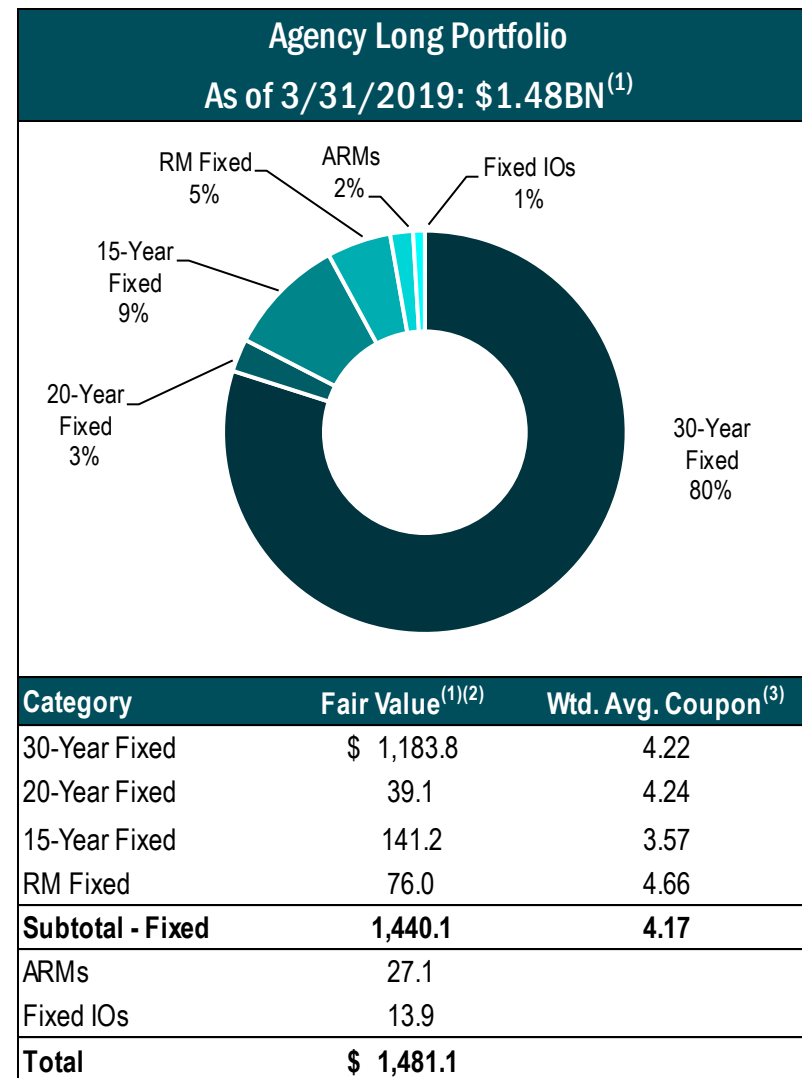
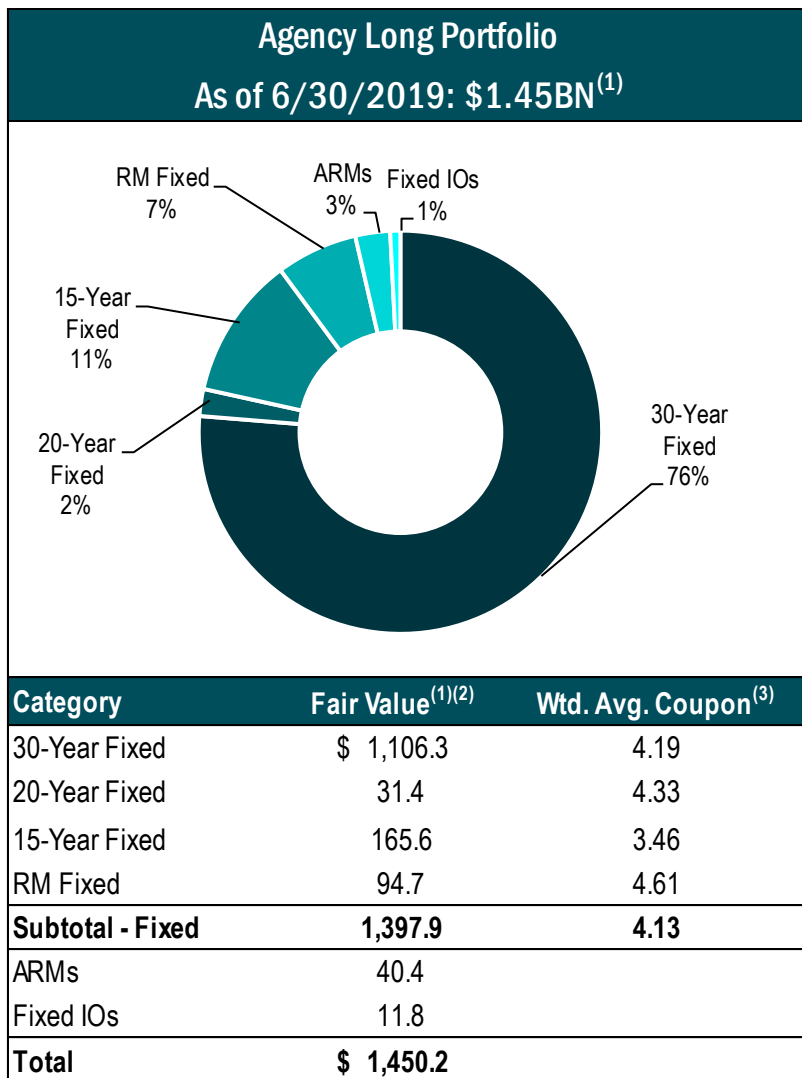
Sources: JP Morgan DataQuery; Bloomberg

- Pricing of specified pools relative to TBA has dramatically improved in the last two years
- Several factors contributed to this dynamic
- Current elevated prepay environment creates many relative value investment and trading opportunities

- 1. Take advantage of relative value trading opportunities that we believe will emerge as a diminishing Fed footprint and market volatility lead to more pricing dislocations**
- 2. Dial up and down our MBS exposure aggressively in response to market opportunities**
- 3. Rotate portfolio to take advantage of wider yield spreads and relative value discrepancies between Agency RMBS, and capitalize on lower borrowing costs, in order to recharge Net Interest Margin and drive Core Earnings**
- 4. Capitalize on investment opportunities that emerge as volatility returns to the market and prepayments pick up**
 - Our hedging strategy and the high liquidity of our portfolio enable us to take advantage of investment opportunities**
 - Changes in the prepayment landscape should favor our core strengths of prepayment modeling, asset selection, and dynamic interest rate hedging, while also providing meaningful trading opportunities**

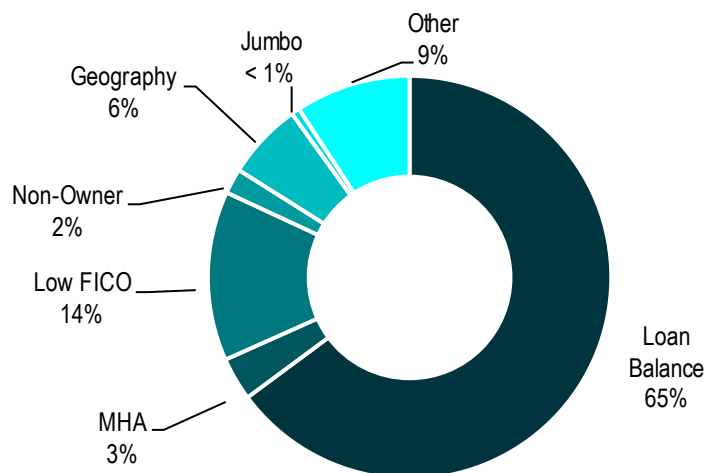
Supplemental Slides





Agency Fixed Long Portfolio

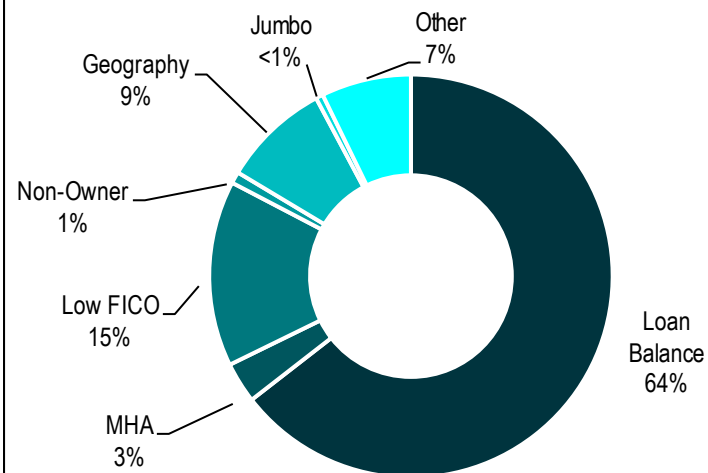
Collateral Characteristics and Historical 3-Mo CPR:
Average for Quarter Ended 6/30/2019⁽¹⁾



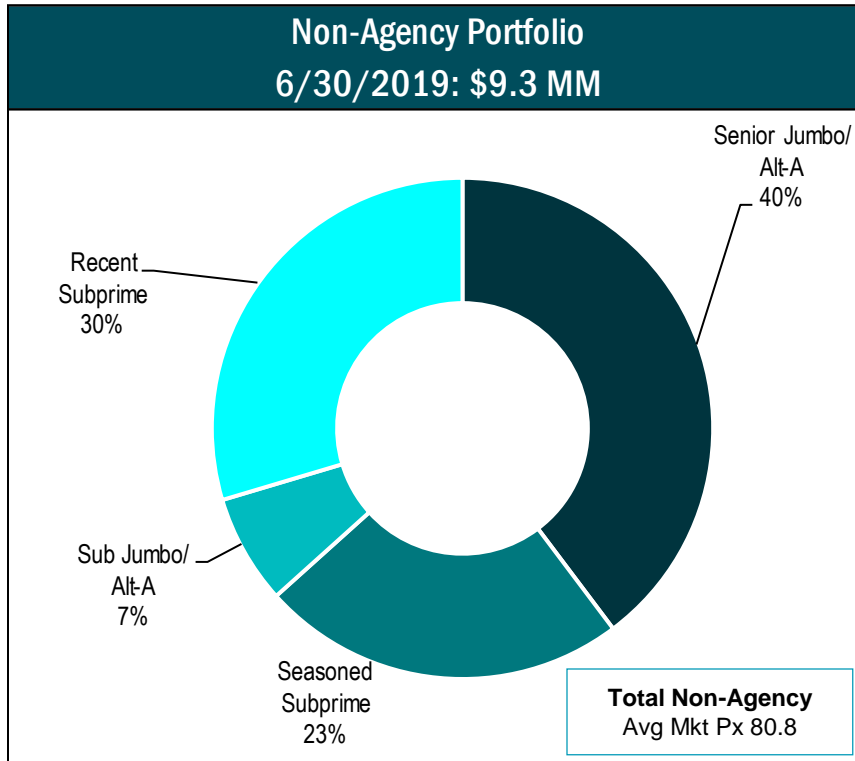
Characteristic ⁽²⁾	Fair Value ⁽¹⁾⁽³⁾	3-Month CPR %
Loan Balance	\$ 865.0	9.3
MHA ⁽⁴⁾	46.2	10.4
Low FICO	181.5	7.8
Non-Owner	26.9	4.7
Geography	82.1	10.6
Jumbo	8.8	9.4
Other	123.3	13.9
Total	\$ 1,333.8	9.6

Agency Fixed Long Portfolio

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



Characteristic ⁽²⁾	Fair Value ⁽¹⁾⁽³⁾	3-Month CPR %
Loan Balance	\$ 900.0	6.6
MHA ⁽⁴⁾	45.6	9.9
Low FICO	208.1	4.5
Non-Owner	12.9	15.2
Geography	120.3	1.6
Jumbo	8.1	5.8
Other	100.6	5.4
Total	\$ 1,395.7	6.0



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

Remaining Days to Maturity	June 30, 2019			March 31, 2019		
	Borrowings Outstanding	Weighted Average		Borrowings Outstanding	Weighted Average	
		Interest Rate	Remaining Days to Maturity		Interest Rate	Remaining Days to Maturity
	<i>(In thousands)</i>			<i>(In thousands)</i>		
30 days or less	\$ 519,763	2.64%	17	\$ 434,223	2.71%	12
31-60 days	533,910	2.61%	46	564,614	2.70%	45
61-90 days	355,291	2.56%	76	417,264	2.69%	76
91-120 days	15,274	2.52%	110	-	-	-
121-150 days	17,805	2.60%	138	11,046	2.68%	143
151-180 days	-	-	-	-	-	-
Total	\$ 1,442,043	2.61%	45	\$ 1,427,147	2.70%	45

- Outstanding borrowings are with 13 counterparties as of June 30, 2019
- As of June 30th, the weighted average interest rate on our repo borrowings declined to 2.61% from 2.70% as of March 31st, as short-term LIBOR rates fell
- Agency repo borrowing rates have declined recently, so we expect our average cost of funds to decline in the third quarter
- Availability from both existing and new lending counterparties remains strong

Interest Rate Sensitivity Analysis⁽¹⁾

(\$ in thousands)

	Estimated Change in Fair Value			
	50 Basis Point Decline in Interest Rates		50 Basis Point Increase in Interest Rates	
	Market Value	% of Total Equity	Market Value	% of Total Equity
Agency RMBS — ARM Pools	\$ 310	0.20%	\$ (409)	-0.27%
Agency RMBS—Fixed Pools and IOs	13,846	8.96%	(22,207)	-14.36%
TBAs	(984)	-0.64%	1,593	1.03%
Non-Agency RMBS	200	0.13%	(196)	-0.13%
Interest Rate Swaps	(16,603)	-10.74%	16,000	10.35%
U.S. Treasury Securities	(984)	-0.64%	942	0.61%
U.S. Treasury Futures	1,340	0.87%	(1,296)	-0.84%
Repurchase and Reverse Repurchase Agreements	(924)	-0.60%	924	0.60%
Total	\$ (3,799)	-2.46%	\$ (4,649)	-3.01%

Financial Derivatives as of June 30, 2019

(\$ in thousands)

Fixed Payer Interest Rate Swap					
Maturity	Notional Amount	Fair Value	Weighted Average Pay Rate	Weighted Average Receive Rate	Weighted Average Years to Maturity
2020-2022	\$ 311,700	\$ (873)	1.94%	2.53%	1.86
2023-2025	258,795	(3,009)	2.00%	2.35%	5.11
2026-2028	146,688	(7,064)	2.41%	2.55%	8.30
2029-2048	15,710	(2,116)	2.88%	2.51%	22.86
Total	\$ 732,893	\$ (13,062)	2.07%	2.47%	4.75

TBA Securities				
	Notional Amount ⁽¹⁾	Cost Basis ⁽²⁾	Market Value ⁽³⁾	Net Carrying Value ⁽⁴⁾
Total TBAs, net	\$ (73,428)	\$ (73,542)	\$ (74,780)	\$ (1,238)

Futures			
	Notional Amount	Fair Value	Remaining Months to Expiration
U.S. Treasury Futures	\$ 35,700	\$ 240	2.84

Consolidated Statement of Operations

(Unaudited)

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ELLINGTON RESIDENTIAL MORTGAGE REIT

	Three-Month Period Ended		Six-Month
	June 30, 2019	March 31, 2019	Period Ended June 30, 2019
<i>(In thousands except share amounts)</i>			
INTEREST INCOME (EXPENSE)			
Interest income	\$ 12,139	\$ 12,613	\$ 24,752
Interest expense	(9,662)	(9,555)	(19,217)
Total net interest income	2,477	3,058	5,535
EXPENSES			
Management fees to affiliate	582	595	1,177
Professional fees	207	229	436
Compensation expense	112	151	263
Insurance expense	74	74	148
Other operating expenses	325	319	644
Total expenses	1,300	1,368	2,668
OTHER INCOME (LOSS)			
Net realized gains (losses) on securities	1,418	(1,674)	(256)
Net realized gains (losses) on financial derivatives	(8,771)	(12,091)	(20,862)
Change in net unrealized gains (losses) on securities	14,511	21,971	36,482
Change in net unrealized gains (losses) on financial derivatives	(8,442)	(968)	(9,410)
Total other income (loss)	(1,284)	7,238	5,954
NET INCOME (LOSS)	\$ (107)	\$ 8,928	\$ 8,821
NET INCOME (LOSS) PER COMMON SHARE			
Basic and Diluted	\$ (0.01)	\$ 0.72	\$ 0.71
WEIGHTED AVERAGE SHARES OUTSTANDING	12,467,103	12,467,913	12,467,506
CASH DIVIDENDS PER SHARE:			
Dividends declared	\$ 0.28	\$ 0.34	\$ 0.62

Consolidated Balance Sheet

(Unaudited)

EARN

ELLINGTON RESIDENTIAL MORTGAGE REIT

	As of		
	June 30, 2019	March 31, 2019	12/31/2018 ⁽¹⁾
<i>(In thousands except share amounts)</i>			
ASSETS			
Cash and cash equivalents	\$ 41,473	\$ 44,263	\$ 18,585
Mortgage-backed securities, at fair value	1,459,452	1,492,261	1,540,296
Due from brokers	41,838	34,753	24,051
Financial derivatives-assets, at fair value	1,831	5,489	11,839
Reverse repurchase agreements	40,097	38,835	379
Receivable for securities sold	106,376	27,926	74,197
Interest receivable	5,204	5,394	5,607
Other assets	771	812	612
Total Assets	\$ 1,697,042	\$ 1,649,733	\$ 1,675,566
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Repurchase agreements	\$ 1,422,043	\$ 1,427,147	\$ 1,481,561
Payable for securities purchased	39,528	-	11,275
Due to brokers	751	4,084	1,325
Financial derivatives-liabilities, at fair value	15,891	11,107	16,559
U.S. Treasury securities sold short, at fair value	34,522	38,670	374
Dividend payable	3,491	4,239	4,252
Accrued expenses	664	671	838
Management fee payable to affiliate	582	595	579
Interest payable	4,965	5,070	4,981
Total Liabilities	\$ 1,542,437	\$ 1,491,583	\$ 1,521,744
SHAREHOLDERS' EQUITY			
Preferred shares, par value \$0.01 per share, 100,000,000 shares authorized; (0 shares issued and outstanding, respectively)	\$ -	\$ -	\$ -
Common shares, par value \$0.01 per share, 500,000,000 shares authorized; (12,467,103, 12,467,103 and 12,507,213 shares issued and outstanding,	125	125	125
Additional paid-in-capital	230,580	230,527	230,888
Accumulated deficit	(76,100)	(72,502)	(77,191)
Total Shareholders' Equity	154,605	158,150	153,822
Total Liabilities and Shareholders' Equity	\$ 1,697,042	\$ 1,649,733	\$ 1,675,566
Per Share Information			
Common shares, par value \$0.01 per share	\$ 12.40	\$ 12.69	\$ 12.30

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

E A R N

ELLINGTON RESIDENTIAL MORTGAGE REIT

	Three Month Period Ended	
	June 30, 2019	March 31, 2019
<i>(In thousands except share amounts)</i>		
Net Income (Loss)	\$ (107)	\$ 8,928
Less:		
Net realized gains (losses) on securities	1,418	(1,674)
Net realized gains (losses) on financial derivatives, excluding periodic payments ⁽²⁾	(8,388)	(13,105)
Change in net unrealized gains (losses) on securities	14,511	21,971
Change in net unrealized gains and (losses) on financial derivatives, excluding accrued periodic payments ⁽³⁾	(9,487)	(634)
Subtotal	(1,946)	6,558
Core Earnings	\$ 1,839	\$ 2,370
Less: Catch-up Premium Amortization Adjustment	(904)	(944)
Adjusted Core Earnings	\$ 2,743	\$ 3,314
Weighted Average Shares Outstanding	12,467,103	12,467,913
Core Earnings Per Share	\$ 0.15	\$ 0.19
Adjusted Core Earnings Per Share	\$ 0.22	\$ 0.27

Ellington Profile

As of 6/30/2019

Founded:	1994
Employees:	>150
Investment Professionals:	65
Global offices:	3

\$8.4

Billion in
assets under
management as of
6/30/2019⁽¹⁾

14

Employee-partners
own the firm⁽²⁾

26

Years of average
industry experience
of senior portfolio
managers

25%

Ownership of EARN
by Blackstone
Tactical
Opportunity Funds

Ellington and its Affiliated Management Companies

- Our external manager Ellington Residential Mortgage Management LLC is part of the Ellington family of SEC-registered investment advisors⁽³⁾. Ellington Management Group and its affiliates manage Ellington Residential Mortgage REIT (EARN), Ellington Financial Inc. (EFC), multi-investor hedge funds, separately managed accounts, and opportunistic private funds
- Time-tested infrastructure and proprietary resources in trading, research, risk management, and operational support
- Founding partners each have advanced academic training in mathematics and engineering, including among them several Ph.D.'s and Master's degrees

Industry-Leading Research & Trading Expertise

- Sophisticated proprietary models for prepayment and credit analysis
- Approximately 22% of employees dedicated to research and infrastructure development
- Structured credit trading experience and analytical skills developed since the firm's founding 24 years ago
- Ellington's portfolio managers are among the most experienced in the MBS sector and the firm's analytics have been developed over its 24-year history

Slide 3 – Second Quarter Market Update

- (1) Source: Bloomberg
- (2) Source: Mortgage Bankers Association via Bloomberg
- (3) LIBOR-based Option Adjusted Spread measures the additional yield spread over LIBOR that an asset provides at its current market price after taking into account any interest rate options embedded in the asset.
- (4) LIBOR-based Zero-volatility spread (Z-spread) measures the additional yield spread over LIBOR that the projected cash flows of an asset provide at the current market price of the asset.

Slide 4 – Second Quarter Highlights

- (1) Adjusted Core Earnings and Adjusted Net Interest Margin represent Core Earnings and Net Interest Margin, respectively, in each case excluding the effect of the Catch-Up Premium Amortization Adjustment on interest income. See slide 22, endnote 1 for definition of Catch-up Premium Amortization Adjustment.
- (2) Core Earnings and Adjusted Core Earnings are non-GAAP financial measures. See slide 22 for a reconciliation of Core Earnings and Adjusted Core Earnings to Net Income (Loss).
- (3) As of June 30, 2019.
- (4) We define our net mortgage assets-to-equity ratio as the net aggregate market value of our mortgage-backed securities (including the underlying market values of our long and short TBA positions) divided by total shareholders' equity. As of June 30, 2019 the market value of our mortgage-backed securities and our net short TBA position was \$1.459 billion and \$(74.8) million, respectively, and total shareholders' equity was \$154.6 million.

Slide 5 – Relative Yield Spreads

- (1) As of date varies for certain securitized products as follows:
6/12/2019 FOR Subprime Auto BBB; 6/21/2019 for US CMBS AAA and US CMBS BBB; 6/27/2019 for Non-QM AAA

Slide 6 – Spread Differential: 3-mo. LIBOR vs. Repo Funding Rate

- (1) Chart compares LIBOR on each day to the average rate of EARN's repo financing outstanding on that day. Because repo financing may be entered into for an extended term at a rate fixed at the beginning of the term, the average outstanding repo rate on a given day may reflect rates set in a rate environment weeks or months before that day. The average rate on outstanding repo financing on a day may differ materially from the rate available to establish repo financing on that day.

Slide 7 – Summary of Financial Results

- (1) Shareholders' Equity per share is calculated using shares outstanding at the end of the period. All other per share amounts are calculated using the weighted average shares outstanding for the quarter.
- (2) Total Other Gain (Loss) represents net realized and unrealized gains (losses) on periodic settlements of interest rate swaps.
- (3) Average equity is calculated using month end values.
- (4) Core Earnings is a non-GAAP financial measure. See slide 22 for a reconciliation of Core Earnings to Net Income (Loss).
- (5) See slide 22, endnote 1 for definition of Catch-up Premium Amortization Adjustment.
- (6) Adjusted Core Earnings and Adjusted Net Interest Margin represent Core Earnings and Net Interest Margin, respectively, in each case excluding the effect of the Catch-Up Premium Amortization Adjustment on interest income.
- (7) Adjusted Weighted Average Yield represents the weighted average yield on our portfolio, excluding the impact of the Catch-up Premium Amortization Adjustment.
- (8) Adjusted Weighted Average Yield and Adjusted Net Interest Margin for the period ended March 31, 2019 have been revised downward by 0.17% from the amounts previously disclosed. This change was the result of an upward revision in the average holdings of Agency RMBS for the three-month period ended March 31, 2019, due to a computational error for this period.

Slide 8 – Portfolio Summary

- (1) Represents the dollar amount (not shown in thousands) per \$100 of current principal of the price or cost for the security.
- (2) Excludes Agency IOs.

Slide 9 – Agency Interest Rate Hedging Portfolio

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

Slide 10 – Dynamic Hedging Strategy

- (1) Net short TBA positions represents the current market value of the underlying Agency RMBS (on a forward delivery basis) as of June 30, 2019 and March 31, 2019. The net carrying value of the TBA positions as of June 30, 2019 and March 31, 2019 on the Consolidated Balance Sheet was \$(1.2) million and \$(1.4) million, respectively.
- (2) We define our net mortgage assets-to-equity ratio as the net aggregate market value of our mortgage-backed securities (including the underlying market values of our long and short TBA positions) divided by total shareholders' equity.

Slide 14 – Agency Portfolio Summary

- (1) Does not include long TBA positions with a notional value of \$259.2 million and a market value of \$268.0 million as of June 30, 2019. Does not include long TBA positions with a notional value of \$216.2 million and a market value of \$222.2 million as of March 31, 2019.
- (2) Fair value shown in millions.
- (3) Represents weighted average net pass-through rate.

Slide 15 – CPR Breakout of Agency Fixed Long Portfolio

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

Slide 17 – Repo Borrowings

- (1) As of June 30, 2019 and March 31, 2019, the Company had no outstanding borrowings other than under repurchase agreements.

Slide 18 – Interest Rate Sensitivity Analysis

- (1) Based on the market environment as of June 30, 2019. Results are based on forward-looking models, which are inherently imperfect, and incorporate various simplifying assumptions. Therefore, the table above is for illustrative purposes only and actual changes in interest rates would likely cause changes in the actual value of our portfolio that would differ from those presented above, and such differences might be significant and adverse.

Slide 19 – Financial Derivatives as of June 30, 2019

- (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, 2019.
- (4) Net carrying value represents the difference between the market value of the TBA contract as of June 30, 2019 and the cost basis, and is included in Financial derivatives-assets, at fair value and Financial derivatives-liabilities, at fair value on the Consolidated Balance Sheet.

Slide 21 – Consolidated Balance Sheet

- (1) Derived from audited financial statements as of December 31, 2018.

Slide 22 – Reconciliation of Core Earnings to Net Income (Loss)

- (1) Core Earnings consists of net income (loss), excluding realized and change in net unrealized gains and (losses) on securities and financial derivatives, and, if applicable, items of income or loss that are of a non-recurring nature. Core Earnings includes net realized and change in net unrealized gains (losses) associated with payments and accruals of periodic payments on interest rate swaps. Adjusted Core Earnings represents Core Earnings excluding the effect of the Catch-up Premium Amortization Adjustment on interest income. The Catch-up Premium Amortization Adjustment is a quarterly adjustment to premium amortization triggered by changes in actual and projected prepayments on our Agency RMBS (accompanied by a corresponding offsetting adjustment to realized and unrealized gains and losses). The adjustment is calculated as of the beginning of each quarter based on our then-current assumptions about cashflows and prepayments, and can vary significantly from quarter to quarter. Core Earnings and Adjusted Core Earnings are supplemental non-GAAP financial measures. We believe that Core Earnings and Adjusted Core Earnings provide information useful to investors because they are metrics that we use to assess our performance and to evaluate the effective net yield provided by the portfolio. Moreover, one of our objectives is to generate income from the net interest margin on the portfolio, and Core Earnings and Adjusted Core Earnings are used to help measure the extent to which this objective is being achieved. In addition, we believe that presenting Core Earnings and Adjusted Core Earnings enables our investors to measure, evaluate and compare our operating performance to that of our peer companies. However, because Core Earnings and Adjusted Core Earnings are incomplete measures of our financial results and differ from net income (loss) computed in accordance with GAAP, they should be considered as supplementary to, and not as substitutes for, net income (loss) computed in accordance with GAAP. The table above reconciles, for the three month periods ended June 30, 2019 and March 31, 2019, our Core Earnings and Adjusted Core Earnings on a consolidated basis to the line on our Consolidated Statement of Operations entitled Net Income (Loss), which we believe is the most directly comparable GAAP measure on our Consolidated Statement of Operations to Core Earnings and Adjusted Core Earnings.
- (2) For the three-month period ended June 30, 2019, represents Net realized gains (losses) on financial derivatives of \$(8.8) million less Net realized gains (losses) on periodic settlements of interest rate swaps of \$(0.4) million. For the three-month period ended March 31, 2019, represents Net realized gains (losses) on financial derivatives of \$(12.1) million less Net realized gains (losses) on periodic settlements of interest rate swaps of \$1.0 million.
- (3) For the three-month period ended June 30, 2019, represents Change in net unrealized gains (losses) on financial derivatives of \$(8.4) million less Change in net unrealized gains (losses) on accrued periodic settlements of interest rate swaps of \$1.0 million. For the three-month period ended March 31, 2019, represents Change in net unrealized gains (losses) on financial derivatives of \$(1.0) million less Change in net unrealized gains (losses) on accrued periodic settlements of interest rate swaps of \$(0.3) million.

Slide 23 – About Ellington Management Group

- (1) \$8.4 billion in assets under management includes approximately \$1.5 billion in Ellington-managed CLOs. For these purposes, the Ellington-managed CLO figure represents the aggregate outstanding balance of CLO notes and market value of CLO equity, excluding any notes and equity held by other Ellington-managed funds and accounts.
- (2) Does not include partners formerly employed by Ellington who may have residual capital balances but who no longer have voting rights in the partnership.
- (3) Registration with the SEC does not imply that the firm or any of its principals or employees possess a particular level of skill or training in the investment advisory or any other business.



E A R N

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