



E A R N

ELLINGTON RESIDENTIAL MORTGAGE REIT

Third Quarter 2015 Earnings Conference Call

November 4, 2015

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 September 30, 2015 unless otherwise indicated. We undertake no duty or obligation to update this presentation to reflect subsequent events or developments.

Third Quarter 2015

Ellington Residential: Third Quarter Highlights

Overall Results	<ul style="list-style-type: none"> ■ Net loss of \$4.8 million, or \$0.53 per share ■ Agency RMBS spreads widened substantially relative to U.S. Treasuries and interest rate swaps <ul style="list-style-type: none"> ■ Losses on interest rate hedges more than offset interest income and net gains on Agency RMBS.
Core Earnings⁽¹⁾	<ul style="list-style-type: none"> ■ Core Earnings of \$6.3 million, or \$0.69 per share <ul style="list-style-type: none"> ■ Includes positive “catch-up” premium amortization adjustment related to Agency RMBS of \$0.9 million, or \$0.10 per share ■ Net Interest Margin was 2.19%; excluding “catch-up” premium amortization adjustment, Net Interest Margin was 1.93%
Shareholders’ Equity	<ul style="list-style-type: none"> ■ Shareholders’ equity as of September 30, 2015 of \$148.0 million, or \$16.20 per share
Portfolio	<ul style="list-style-type: none"> ■ Agency RMBS Portfolio: \$1.252 billion as of September 30, 2015 <ul style="list-style-type: none"> ■ \$1.146 billion fixed rate “specified” pools ■ \$39.1 million ARM pools ■ \$59.5 million reverse mortgage pools ■ \$7.3 million IOs ■ Non-Agency RMBS Portfolio: \$28.9 million as of September 30, 2015
Leverage	<ul style="list-style-type: none"> ■ Debt to equity ratio: approximately 8.3:1 as of September 30, 2015; adjusted for unsettled purchases/sales, 8.1:1
Dividend	<ul style="list-style-type: none"> ■ Declared third quarter dividend of \$0.45 per share (paid in October 2015) ■ Annualized dividend yield of 14.5% based on closing price of \$12.44 on November 2, 2015

(1) Core Earnings is a non-GAAP financial measure. See slide 23 for a reconciliation of Core Earnings to Net Income.

Ellington Residential: Agency RMBS

Overall Market Conditions

- Interest rates fell and the yield curve flattened during the third quarter
 - Swap rates decreased at both ends of the curve; 2-year and 10-year swap rates dropped 0.16% and 0.46%, respectively
 - 10-year swap spread to U.S Treasury securities became negative for the first time since 2010
 - U.S. 10-year Treasury yield declined 0.31% to 2.04%
- 30-year mortgage rate declined 0.23% to 3.85%
- Global volatility led to significant spread widening across most sectors of the fixed income market, especially in September
 - Agency RMBS yield spreads (“mortgage basis”) widened in sympathy
 - With swaps spreads narrowing considerably, the mortgage basis widened even more relative to swaps than to Treasuries
- Refinancing activity remains low in spite of low mortgage rates
- TBA roll prices weakened and pay-ups on specified pools increased

Portfolio Trends and Outlook

- We turned over approximately 27% of the portfolio as measured by sales, excluding principal pay-downs
- Specified pools performed well relative to their generic pool counterparts
 - Inherent prepayment protection increased their attractiveness in light of falling rates
 - Average pay-up of 0.99% as of September 30, 2015, compared to 0.81% as of June 30, 2015
- More attractive entry points created as a result of widening in Agency RMBS yield spreads
- Slightly increased holdings of reverse mortgages as yield spreads widened during the quarter for this sub-sector as well

Ellington Residential: Non-Agency RMBS

Overall Market Conditions

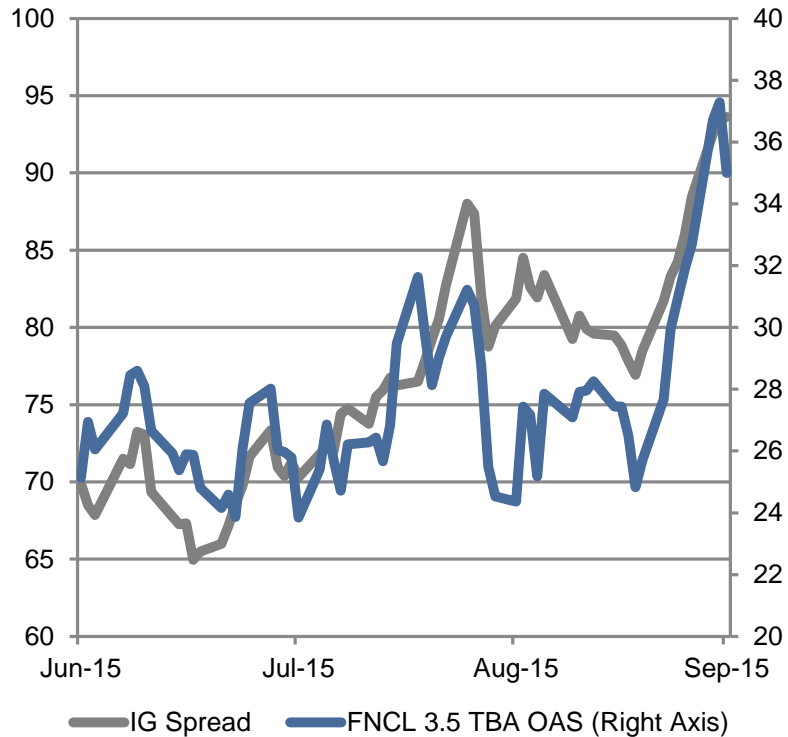
- Non-Agency RMBS credit spreads widened during the third quarter but not nearly to the same degree as other fixed-income sectors
- Strength in fundamental data, including mortgage delinquency and foreclosure rates, provide support to valuations
- Absence of a non-Agency RMBS new issue market continues to support valuations

Portfolio Trends and Outlook

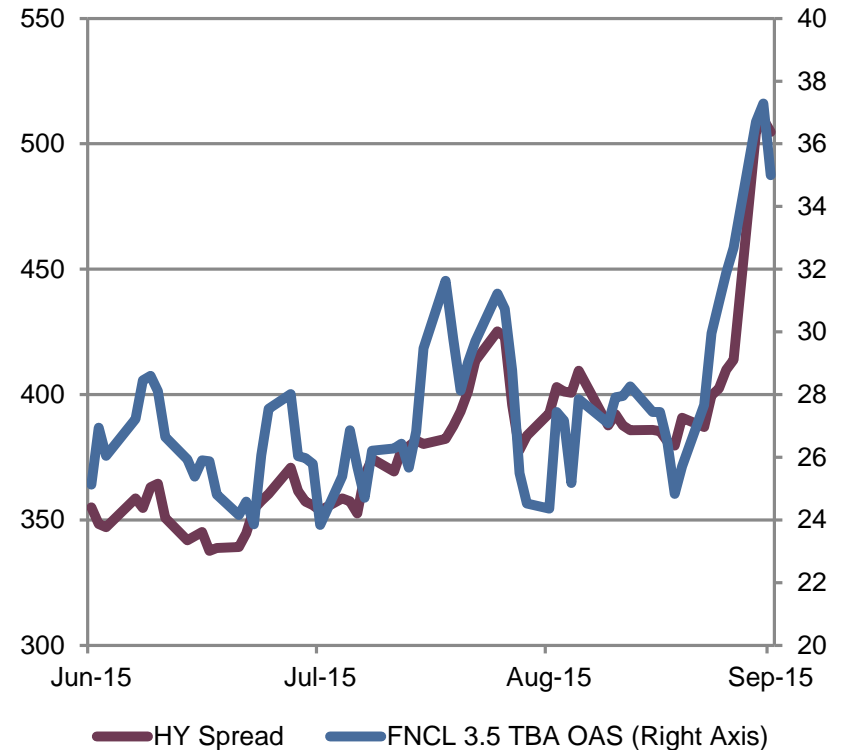
- We did not actively add to our non-Agency RMBS portfolio during the quarter
 - Given surrounding market volatility, we believe more attractive entry points will emerge over the near to medium term
 - Prudent asset selection continues to be critical

Spreads Widened Towards Quarter End

Fannie Mae 3.5 OAS vs. Spread of IG Index



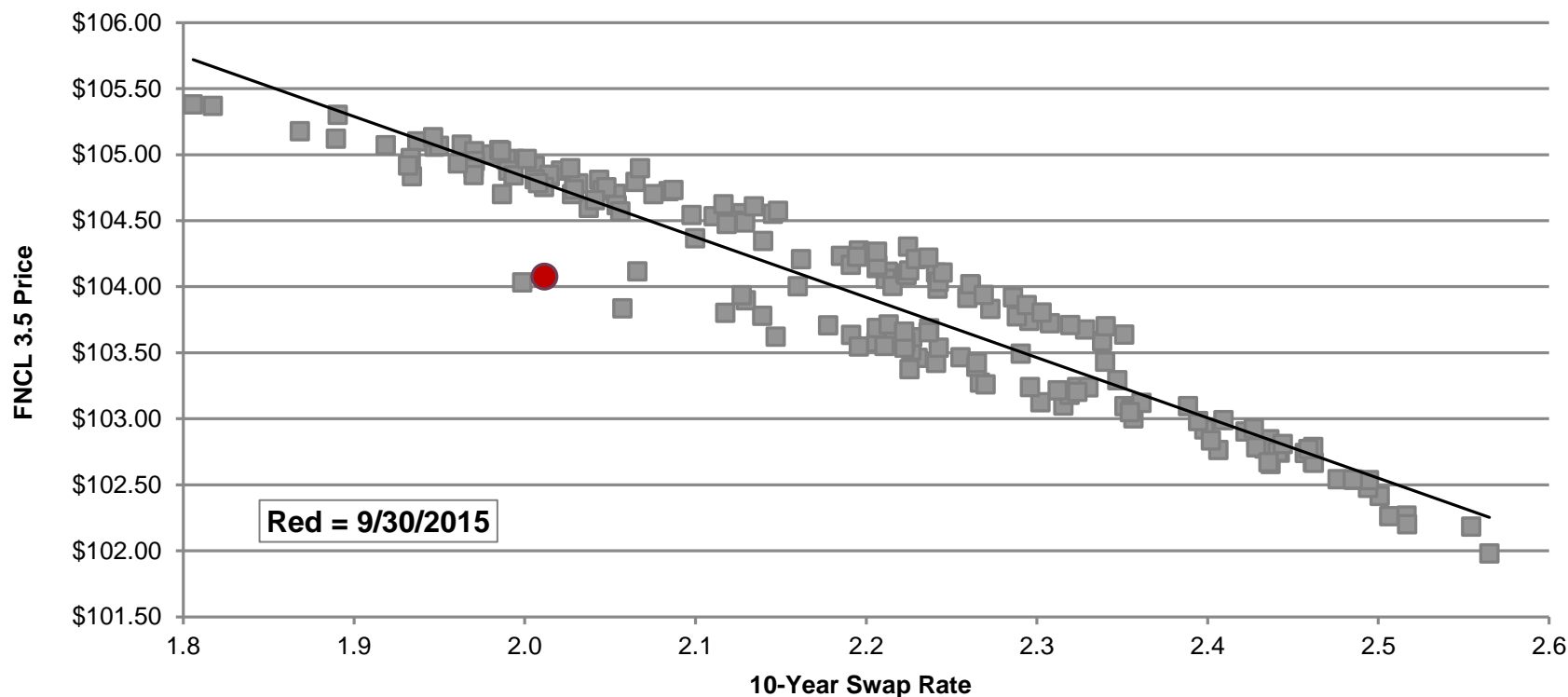
Fannie Mae 3.5 OAS vs. Spread of HY Index



- High yield corporates, investment grade corporates, and Agency MBS all widened dramatically towards quarter end
- Swap spreads to Treasuries significantly narrowed
- Post-quarter end, some of these moves have reversed

Agency MBS Prices Are Much More Attractive Than They Were Earlier in the Year

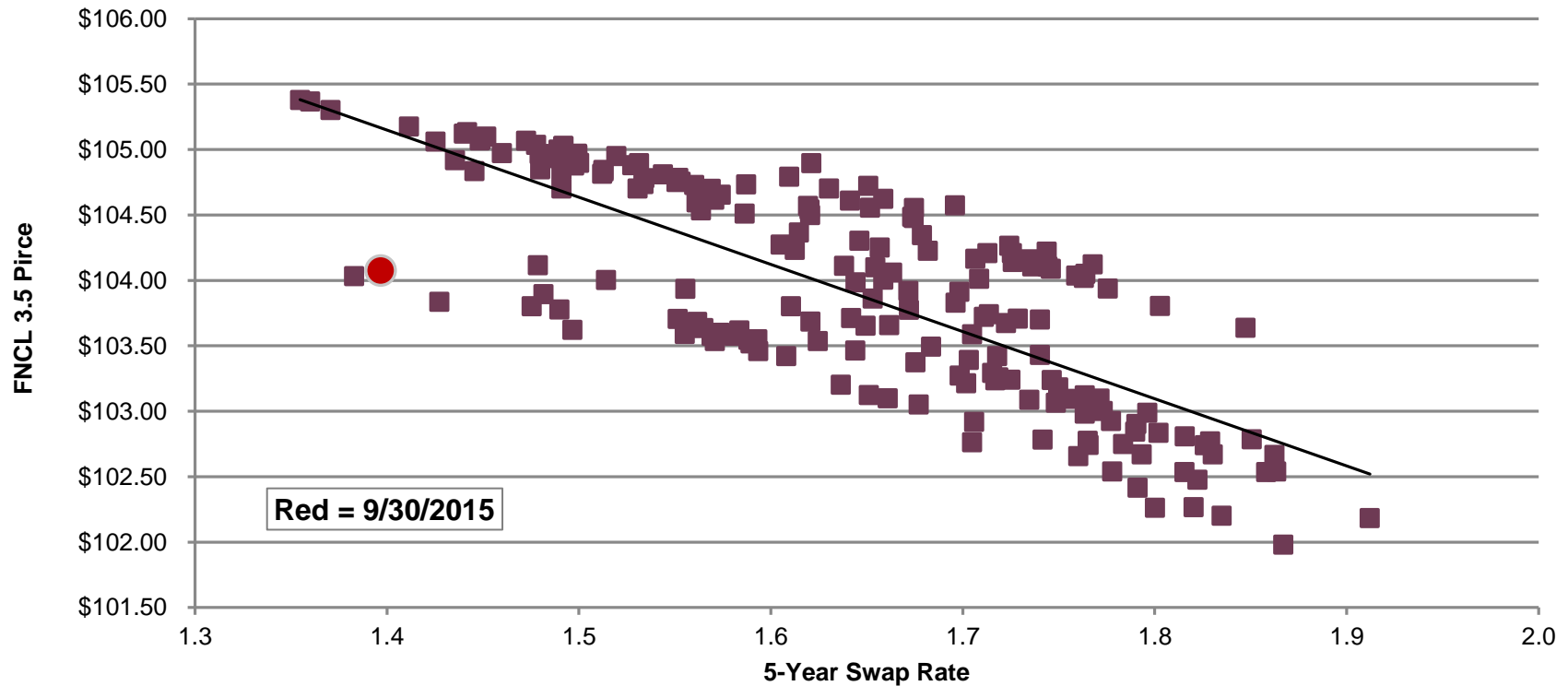
10-Year Swap Rate vs. FNCL 3.5 Forward Price: January 1, 2015 – September 30, 2015



- As of September 30, Agency MBS prices were nearly one point cheaper than they were six months earlier
- Macro spread widening, rather than prepayment fears, was the primary driver of price declines
- The result is a much higher net interest margin

Agency MBS Prices Are Much More Attractive Than They Were Earlier in the Year (continued)

5-Year Swap Rate vs. FNCL 3.5 Forward Price: January 1, 2015 – September 30, 2015



- Agency MBS prices are even more attractive versus the shorter-term part of the swap curve

Portfolio



Ellington Residential: Portfolio Summary

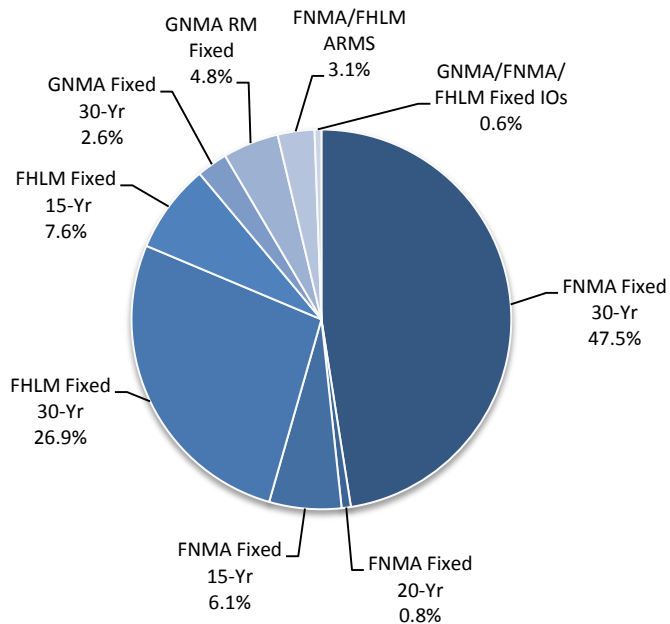
	September 30, 2015					June 30, 2015				
	Current Principal	Fair Value	Average Price ⁽¹⁾	Cost	Average Cost ⁽¹⁾	Current Principal	Fair Value	Average Price ⁽¹⁾	Cost	Average Cost ⁽¹⁾
<i>(In thousands)</i>										
Agency RMBS ⁽²⁾										
15-year fixed rate mortgages	\$ 162,543	\$ 171,824	\$ 105.77	\$ 170,327	\$ 104.85	\$ 157,422	\$ 166,058	\$ 105.49	\$ 165,150	\$ 104.91
20-year fixed rate mortgages	9,094	9,837	108.17	9,602	105.59	9,250	9,934	107.39	9,776	105.69
30-year fixed rate mortgages	894,774	964,391	107.78	950,696	106.25	958,490	1,024,243	106.86	1,017,219	106.13
ARMs	36,782	39,130	106.38	39,197	106.57	38,594	40,997	106.23	40,976	106.17
Reverse mortgages	53,986	59,541	110.29	59,683	110.55	50,788	56,233	110.72	56,591	111.43
Total Agency RMBS	1,157,089	1,244,723	107.57	1,229,505	106.26	1,214,544	1,297,465	106.83	1,289,712	106.19
Non-Agency RMBS	42,978	28,895	67.23	27,791	64.66	44,386	30,288	68.24	28,612	64.46
Total RMBS⁽²⁾	1,200,067	1,273,618	106.13	1,257,296	104.77	1,258,930	1,327,753	105.47	1,318,324	104.72
Agency Interest Only RMBS	n/a	7,274	n/a	8,229	n/a	n/a	7,070	n/a	7,270	n/a
Total mortgage-backed securities		1,280,892		1,265,525			1,334,823		1,325,594	
U.S. Treasury securities sold short	(70,020)	(70,671)	100.93	(70,142)	100.17	(51,380)	(51,184)	99.62	(51,931)	101.07
Reverse repurchase agreements	76,610	76,610	100.00	76,610	100.00	58,859	58,859	100.00	58,859	100.00
Total		\$ 1,286,831		\$1,271,993			\$ 1,342,498		\$1,332,522	

(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

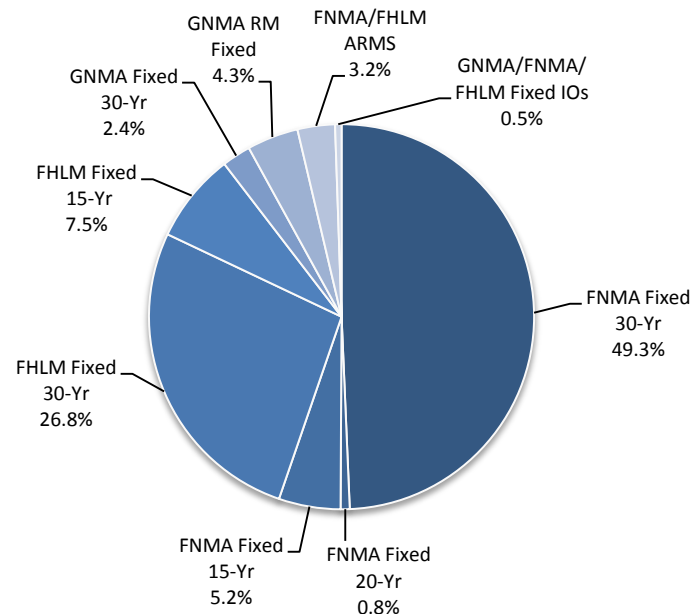
Current Quarter Agency Long Portfolio
As of 9/30/15: \$1.25BN⁽¹⁾



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

Previous Quarter Agency Long Portfolio
As of 6/30/15: \$1.30BN⁽¹⁾



Fixed Portfolio⁽²⁾

Category	Fair Value ⁽¹⁾	Weighted Average Coupon ⁽³⁾
FNMA Fixed - 30-Yr	\$643.4	4.08
FNMA Fixed - 20-Yr	9.9	4.00
FNMA Fixed - 15-Yr	67.7	3.41
FHLM Fixed - 30-Yr	349.3	4.05
FHLM Fixed - 15-Yr	98.4	3.36
GNMA Fixed - 30-Yr	31.6	4.22
GNMA RM Fixed	56.2	4.77
Total	\$1,256.5	4.01

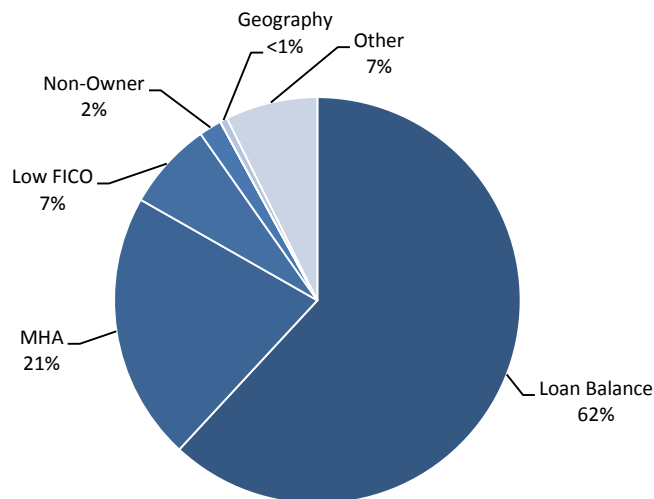
(1) Does not include long TBA positions with a notional value of \$81.5 million and a fair value of \$84.0 million as of September 30, 2015 and a notional value of \$41.5 million and a fair value of \$41.5 million as of June 30, 2015.

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

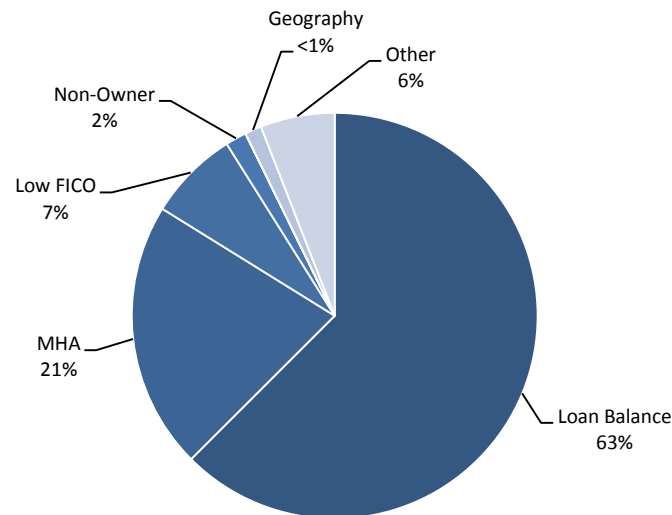
(3) Represents weighted average net pass-through rate.

Ellington Residential: Agency Long Portfolio

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



Collateral Characteristics and Historical 3-month CPR
Agency Fixed Rate Pool Portfolio 6/30/15: \$1.20BN⁽¹⁾



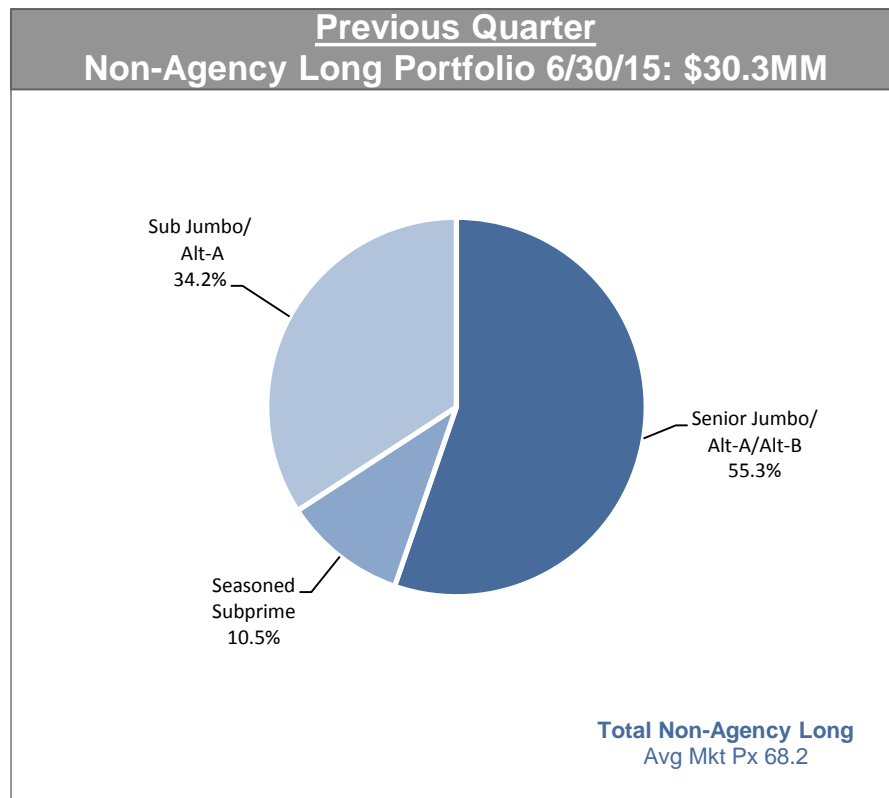
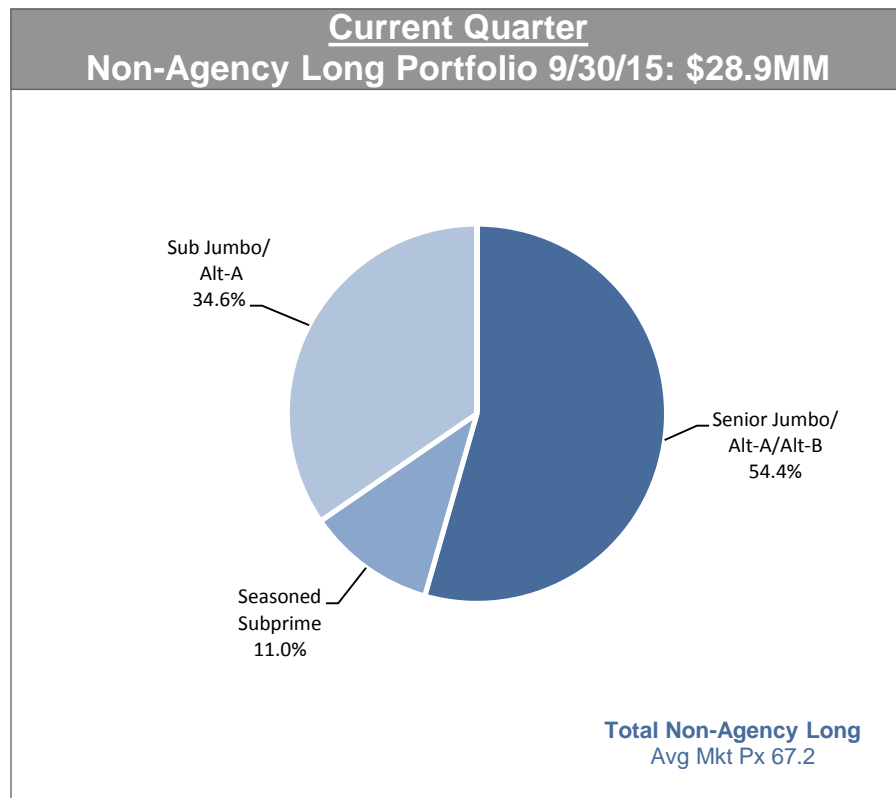
Characteristic ⁽²⁾	Fair Value ⁽¹⁾⁽³⁾	3-Month CPR % ⁽⁴⁾
Loan Balance	\$709.3	7.0
MHA ⁽⁵⁾	244.7	8.0
Low FICO	80.5	6.0
Non-Owner	20.8	8.2
Geography	6.7	4.6
Other	84.0	6.2
Total	\$1,146.0	7.1

Characteristic ⁽²⁾	Fair Value ⁽¹⁾⁽³⁾	3-Month CPR % ⁽⁴⁾
Loan Balance	\$750.3	7.1
MHA ⁽⁵⁾	256.0	6.7
Low FICO	86.8	9.8
Non-Owner	20.3	7.6
Geography	15.8	2.5
Other	71.0	10.1
Total	\$1,200.2	7.4

(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 \$41.8 million as of September 30, 2015 and \$78.6 million as of June 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
- Recent spread widening in non-Agency RMBS may present attractive trading opportunities

Borrowings and Hedges



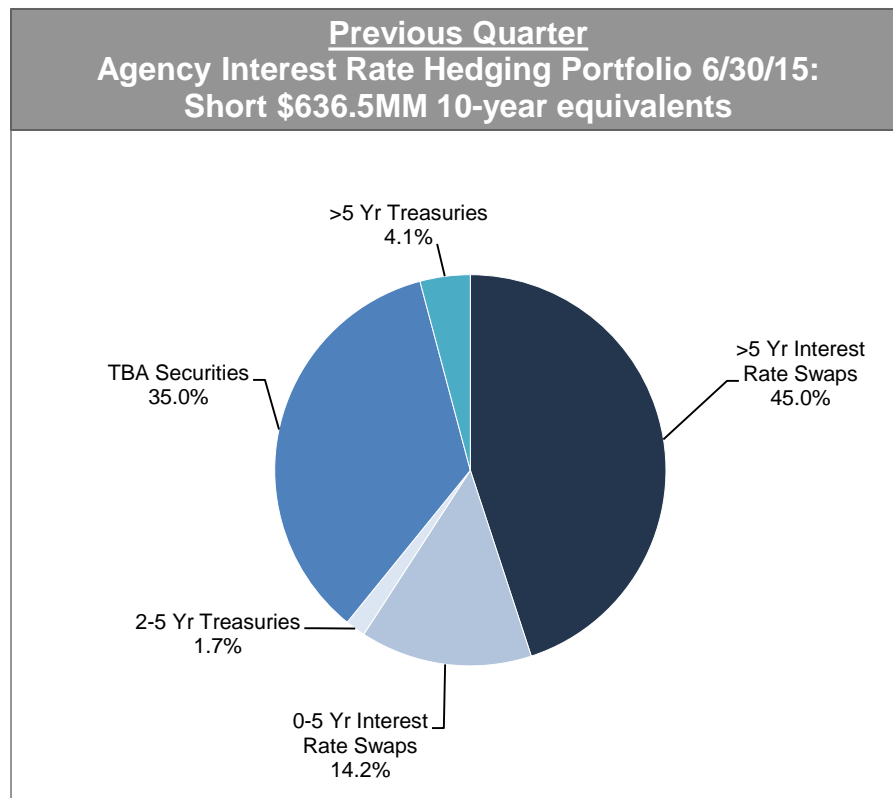
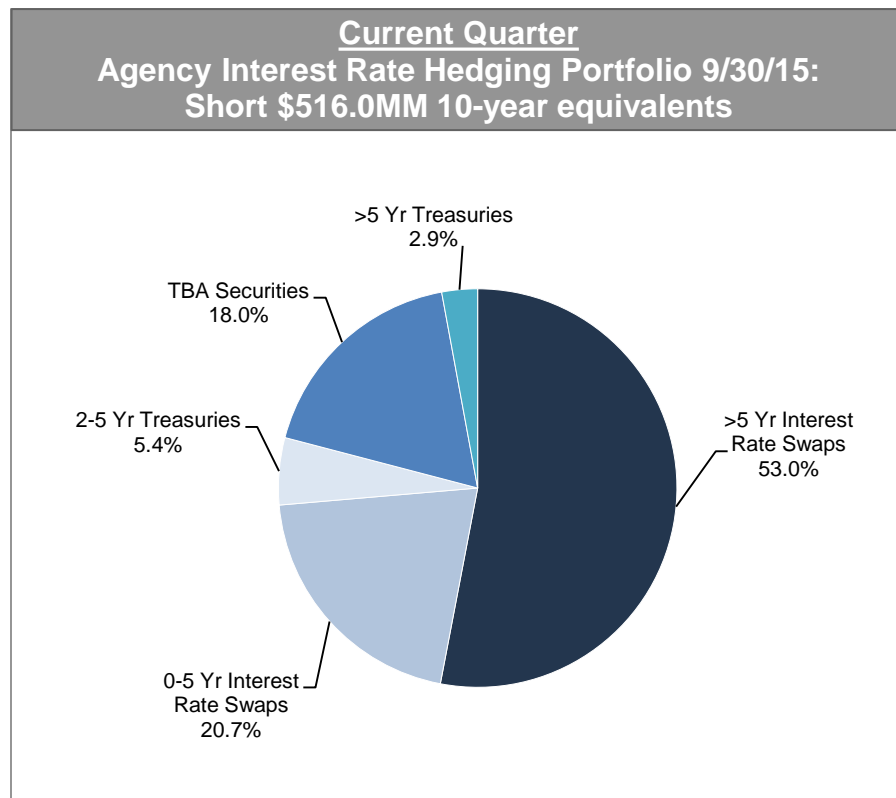
Ellington Residential: Repo Borrowings

Remaining Days to Maturity	September 30, 2015			June 30, 2015		
	Borrowings Outstanding	Weighted Average		Borrowings Outstanding	Weighted Average	
	(In thousands)	Interest Rate	Remaining Days to Maturity	(In thousands)	Interest Rate	Remaining Days to Maturity
30 days or less	\$ 472,278	0.43%	15	\$ 172,255	0.36%	16
31-60 days	371,885	0.46%	44	136,666	0.36%	46
61-90 days	169,786	0.47%	74	432,874	0.41%	77
91-120 days	211,956	0.57%	107	165,617	0.42%	107
121-150 days	-	-%	-	191,503	0.44%	136
151-180 days	-	-%	-	165,564	0.48%	166
Total	\$ 1,225,905	0.47%	48	\$ 1,264,479	0.41%	90

- Outstanding borrowings with 13 counterparties
- While cost of repo increased, availability from both existing and new counterparties remains strong
- Following decision by the Federal Reserve to not raise the target federal funds rate, we have noted a decline in the cost of repo borrowing
 - Should positively impact our fourth quarter cost of funds

Note: As of September 30, 2015 and June 30, 2015, the Company had no outstanding borrowings other than under repurchase agreements. The entire amount of outstanding borrowings as of both September 30, 2015 and June 30, 2015 were related to Agency RMBS.

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 third quarter:
 - Interest rate hedging portfolio continues to be predominantly comprised of short fixed payer interest rate swaps and short TBAs
 - Reduced TBA hedge in favor of swaps
 - Weighted average remaining term of swap book declined: 6.24 years as of September 30, 2015 as compared to 6.76 years as of June 30, 2015

Ellington Residential: Interest Rate Hedging

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

<i>(In millions)</i>	9/30/2015	6/30/2015
Agency-related Portfolio		
Long Agency RMBS	\$ 1,252	\$ 1,305
Net Short TBA Positions ⁽¹⁾	(382)	(520)
Net Long Exposure to Agency RMBS	\$ 870	\$ 785

- 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 0.99% as of September 30, 2015, as compared to 0.81% as of June 30, 2015

Estimated Change in Fair Value as of September 30, 2015 if Interest Rates Move⁽²⁾:

<i>(In thousands)</i>	Down 50 bps	Up 50 bps
Agency RMBS - ARM Pools	\$ 260	\$ (359)
Agency RMBS - Fixed Pools and IOs	20,159	(26,624)
TBAs	(2,832)	5,417
Non-Agency RMBS	350	(336)
Interest Rate Swaps	(17,301)	16,485
U.S. Treasury Securities	(1,941)	1,874
Repurchase and Reverse Repurchase Agreements	(751)	794
Total	\$ (2,056)	\$ (2,749)

(1) Net short TBA positions represents the current market value of the underlying Agency RMBS (on a forward delivery basis) as of September 30, 2015 and June 30, 2015. The net carrying value of the TBA positions as of September 30, 2015 and June 30, 2015 on the Consolidated Balance Sheet was \$(0.6) million and \$0.2 million, respectively.

(2) Based on the market environment as of September 30, 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)

September 30, 2015					
Interest Rate Swap (Fixed Payer)					
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	\$ (214)	0.80 %	0.31 %	1.02
2017	74,750	(815)	1.21 %	0.32 %	1.84
2018	71,529	(620)	1.11 %	0.30 %	2.54
2020	134,620	(2,402)	1.65 %	0.31 %	4.64
2022	27,700	(828)	2.04 %	0.33 %	6.57
2023	131,164	(4,222)	2.13 %	0.32 %	7.64
2024	12,900	(977)	2.73 %	0.31 %	8.70
2025	83,740	(2,021)	2.17 %	0.31 %	9.54
2043	26,000	(3,151)	3.04 %	0.32 %	27.65
Total	\$ 610,403	\$ (15,250)	1.74 %	0.31 %	6.24

Interest Rate Swap (Fixed Receiver)					
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	\$ 947	0.29%	3.00%	9.80

TBA Securities				
	Notional Amount ⁽¹⁾	Cost Basis ⁽²⁾	Market Value ⁽³⁾	Net Carrying Value ⁽⁴⁾
<i>(In thousands)</i>				
Total TBAs, Net	\$ (353,937)	\$ (381,848)	\$ (382,432)	\$ (584)

(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, 2015.

(4) Net carrying value represents the difference between the market value of the TBA contract as of September 30, 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		Nine Month Period
	September 30, 2015	June 30, 2015	Ended September 30, 2015
<i>(In thousands except share amounts)</i>			
INTEREST INCOME (EXPENSE)			
Interest income	\$ 11,315	\$ 9,841	\$ 31,436
Interest expense	(1,642)	(1,520)	(4,420)
Total net interest income	9,673	8,321	27,016
EXPENSES			
Management fees	557	592	1,759
Professional fees	144	135	422
Other operating expenses	574	538	1,774
Total expenses	1,275	1,265	3,955
OTHER INCOME (LOSS)			
Net realized gains on mortgage-backed securities	596	1,442	8,760
Net realized losses on financial derivatives	(3,252)	(3,842)	(15,838)
Change in net unrealized gains (losses) on mortgage-backed securities	4,862	(17,722)	(7,674)
Change in net unrealized gains (losses) on financial derivatives	(15,421)	13,256	(9,258)
Total other loss	(13,215)	(6,866)	(24,010)
NET INCOME (LOSS)	\$ (4,817)	\$ 190	\$ (949)
NET INCOME (LOSS) PER COMMON SHARE			
Basic and Diluted	\$ (0.53)	\$ 0.02	\$ (0.10)
WEIGHTED AVERAGE SHARES OUTSTANDING	9,140,452	9,149,274	9,146,301
CASH DIVIDENDS PER SHARE:			
Dividends Declared	\$ 0.45	\$ 0.55	\$ 1.55

Ellington Residential: Balance Sheet (Unaudited)

CONSOLIDATED BALANCE SHEET

	As of		
	September 30, 2015	June 30, 2015	December 31, 2014 ⁽¹⁾
<i>(In thousands except share amounts)</i>			
ASSETS			
Cash and cash equivalents	\$ 40,482	\$ 43,978	\$ 45,237
Mortgage-backed securities, at fair value	1,280,892	1,334,823	1,393,303
Due from brokers	41,068	26,145	18,531
Financial derivatives-assets, at fair value	1,527	4,541	3,072
Reverse repurchase agreements	76,610	58,859	13,987
Receivable for securities sold	70,087	45,045	41,834
Interest receivable	4,784	4,522	4,793
Other assets	407	536	317
Total Assets	\$ 1,515,857	\$ 1,518,449	\$ 1,521,074
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Repurchase agreements	\$ 1,225,905	\$ 1,264,479	\$ 1,323,080
Payable for securities purchased	45,333	32,504	4,227
Due to brokers	2,654	1,503	583
Financial derivatives-liabilities, at fair value	16,414	4,007	8,700
U.S. Treasury securities sold short, at fair value	70,671	51,184	13,959
Dividend payable	4,111	5,032	5,032
Accrued expenses	771	709	890
Management fee payable	557	592	551
Interest payable	1,416	1,211	687
Total Liabilities	\$ 1,367,832	\$ 1,361,221	\$ 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; (9,135,021, 9,149,274, and 9,149,274 shares issued and outstanding, respectively)	91	91	91
Additional paid-in-capital	181,066	181,342	181,282
Accumulated deficit	(33,132)	(24,205)	(18,008)
Total Shareholders' Equity	148,025	157,228	163,365
Total Liabilities and Shareholders' Equity	\$ 1,515,857	\$ 1,518,449	\$ 1,521,074
Per Share Information			
Common shares, par value \$0.01 per share	\$ 16.20	\$ 17.18	\$ 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 September 30, 2015	Three Month Period Ended June 30, 2015
Net Income (Loss)	\$ (4,817)	\$ 190
Less:		
Net realized gains on mortgage-backed securities	596	1,442
Net realized losses on financial derivatives, excluding periodic payments⁽²⁾	(2,208)	(1,694)
Change in net unrealized gains (losses) on mortgage-backed securities	4,862	(17,722)
Change in net unrealized gains and (losses) on financial derivatives, excluding accrued periodic payments⁽³⁾	(14,355)	12,986
Subtotal	(11,105)	(4,988)
Core Earnings	<u>\$ 6,288</u>	<u>\$ 5,178</u>
Weighted Average Shares Outstanding	9,140,452	9,149,274
Core Earnings Per Share	\$ 0.69	\$ 0.57

(1) Core Earnings consists of net income (loss), excluding realized and change in net unrealized gains and losses on mortgage-backed 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 is a supplemental non-GAAP financial measure. We believe that Core Earnings provides information useful to investors because it is a metric that we use to assess our performance and to evaluate the effective net yield provided by the portfolio. Moreover, one of our objectives is to generate income from the net interest margin on the portfolio, and Core Earnings is used to help measure the extent to which this objective is being achieved. However, because Core Earnings is an incomplete measure of our financial results and differs from net income (loss) computed in accordance with GAAP, it should be considered as supplementary to, and not as a substitute for, our net income (loss) computed in accordance with GAAP. The table above reconciles, for the three month periods ended September 30, 2015 and June 30, 2015, our 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.

(2) 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). For the three month period ended June 30, 2015, represents Net realized gains (losses) on financial derivatives of \$(3,842) less Net realized gains (losses) on periodic settlements of interest rate swaps of \$(2,148).

(3) 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). For the three month period ended June 30, 2015, represents Change in net unrealized gains (losses) on financial derivatives of \$13,256 less Change in net unrealized gains (losses) on accrued periodic settlements of interest rate swaps of \$270.

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 September 30, 2015
 - EMG’s portfolio managers are among the most experienced in the MBS sector, and the firm’s analytics have been developed over a 20-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
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EARN

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