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ELLINGTON RESIDENTIAL MORTGAGE REIT

Second Quarter 2014 Earnings Conference Call

August 12, 2014

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 exemption 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 21, 2014 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, 2014 unless otherwise indicated. We undertake no duty or obligation to update this presentation to reflect subsequent events or developments.

Second Quarter 2014

Ellington Residential: Second Quarter Highlights

Overall Results	■ Second quarter net income of \$11.1 million or \$1.21 per share ■ Book value increase of 3.7% to \$18.71 per share as of June 30, 2014 from \$18.05 per share as of March 31, 2014, after giving effect to \$0.55 second quarter dividend ■ Economic return on book value of 6.7% for the quarter
Core Earnings(1)	■ Core Earnings of \$6.8 million or \$0.75 per share ■ Net Interest Margin of 2.33% ■ "Catch-up" positive premium amortization adjustment was negligible
Shareholders' Equity	■ Shareholders' equity of \$171.0 million as of June 30, 2014, or \$18.71 per share

Portfolio	■ Agency RMBS Portfolio: \$1.309 billion as of June 30, 2014
	    ■ \$1.207 billion fixed rate "specified" pools
	    ■ \$70.5 million ARM pools
	    ■ \$17.4 million in reverse mortgage pools
	    ■ \$14.3 million IOs
	■ Non-Agency RMBS Portfolio: \$35.7 million as of June 30, 2014

Leverage	■ Debt to equity ratio: approximately 7.5:1 as of June 30, 2014, down from 7.8:1 as of March 31, 2014 ■ Average cost of funds 0.34% for the quarter or 1.10% including interest rate swaps
Dividend	■ Declared second quarter dividend of \$0.55 per share (paid in July 2014) ■ Annualized dividend yield of 13.2% based on closing price of \$16.64 on August 8, 2014

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

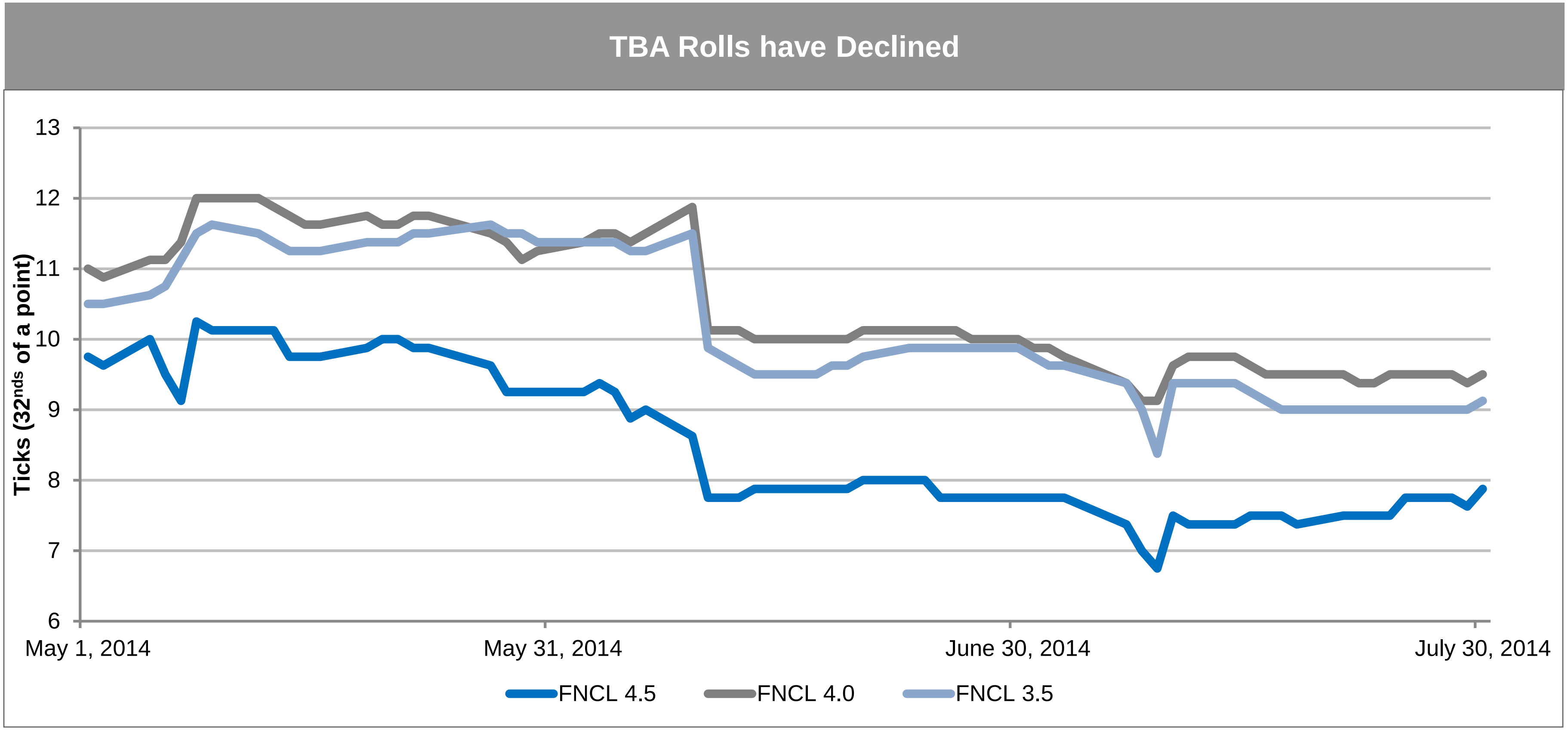
Ellington Residential: Agency RMBS

Overall Market Conditions	■ Federal Reserve's continued tapering of purchases in Q2 was uneventful ■ Strong spread tightening in corporate credit made RMBS attractive on a relative value basis ■ Prepayment and interest rate volatility were subdued ■ New Agency RMBS supply remains depressed by weak new home sales and large percentage of cash transactions
Portfolio Trends and Outlook	■ Turned over approximately 30% of the portfolio as measured by sales, excluding principal paydowns ■ Federal Reserve net purchases expected to end in Q4; this should be supportive of specified pools relative to TBAs ■ Volatility has increased post quarter-end; we expect continued volatility to create trading opportunities ■ Prepay speeds have increased for certain cohorts ■ We expect this to continue, which could drive pay-up volatility

Ellington Residential: Non-Agency

Overall Market Conditions	■ Non-Agency RMBS rallied in the second quarter as credit spreads continued to tighten ■ Investor appetite for fixed income assets, especially higher-yielding assets, has increased; retail bond funds experienced significant net inflows in 2014, in contrast to the outflows of the latter half of 2013 ■ Fundamentals such as home prices and declining foreclosure inventory continue to provide support to asset valuations
Portfolio Trends and Outlook	■ Non-Agency RMBS ■ Purchases focused on sectors where we believe defaults have "burned out," but the market has yet to reflect this in pricing ■ As the sector has rallied, security selection has become increasingly important ■ We expect that home prices will continue to appreciate in 2014, although not at the double-digit pace of 2013 ■ As Wall Street balance sheets and risk-taking appetites decline as a result of Basel III and Dodd Frank, we expect continued trading opportunities

TBA Rolls

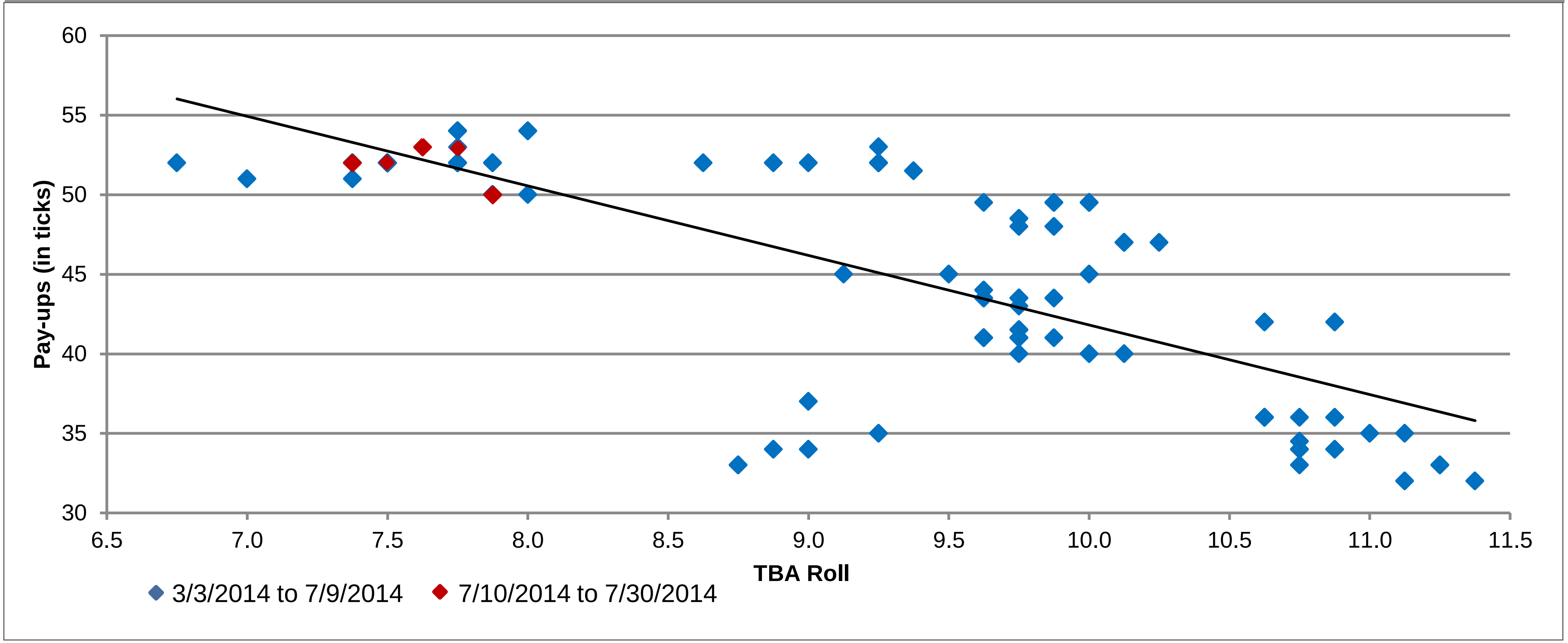


- **Reduction in Federal Reserve RMBS purchases may continue to weigh on TBA roll levels**
- **Even small changes in TBA roll levels can lead to large changes in pool pay-ups**
- **The Federal Reserve is unique among all investors in its willingness to take delivery of potentially fast-paying, cheapest-to-deliver pools**

Source: Barclays

As TBA Rolls Decline, Pay-ups are Increasing

Regression of Pay-up to LLB (loans below $85k) FNCL 4.5 vs TBA Roll Levels



- As roll levels decline, specified pools become relatively more attractive
- This may be a gradual process as it will take months for float to be rebuilt in some coupons
- Fast prepayments on even a small portion of a coupon's float can lead to big changes in roll levels

Source: Barclays

Agency RMBS vs. Corporate Bond Performance

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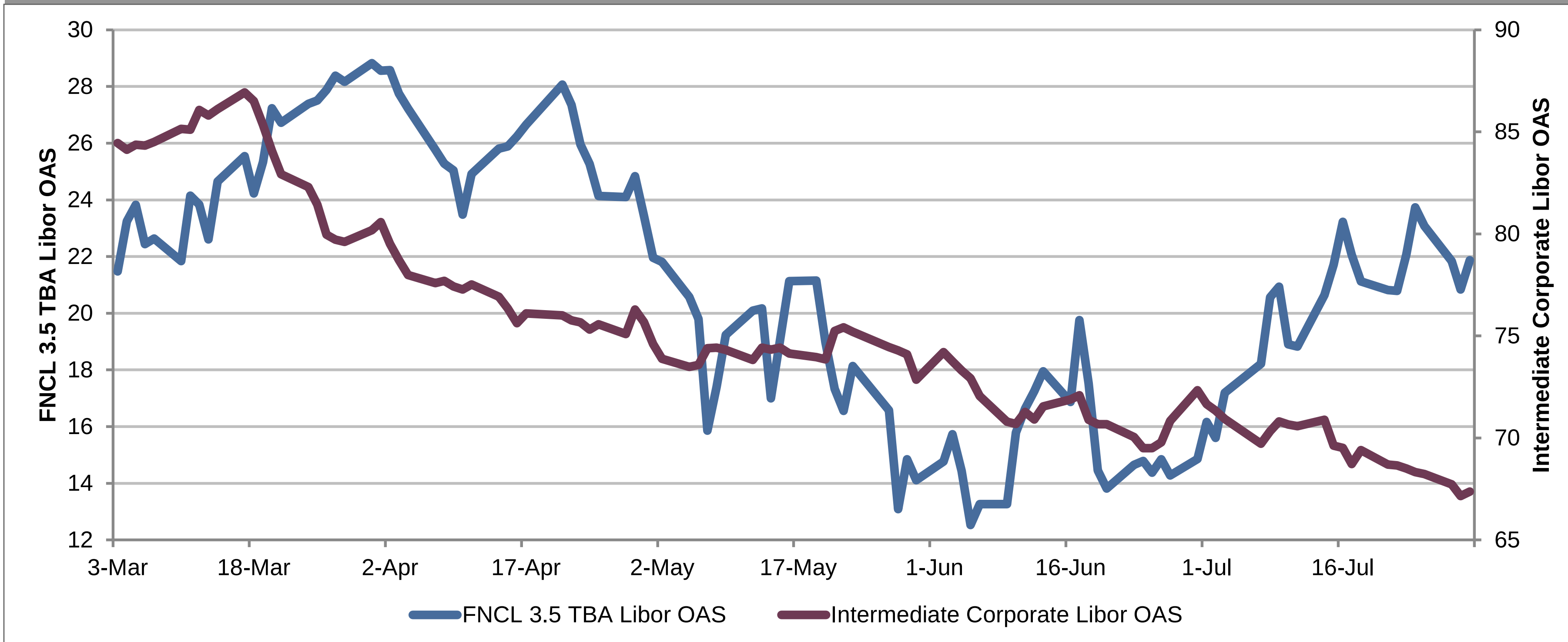
While Agency RMBS performed well in Q2, they didn't keep pace with corporate bonds



- **Even after strong Agency RMBS performance in Q2, they have still lagged the performance of Investment Grade corporate bonds**
- **Agency RMBS has also substantially lagged the rally in many sovereign credits**
- **Agency RMBS had no problem attracting capital in the second quarter**

Source: Barclays

Portfolio

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Ellington Residential: Portfolio Summary

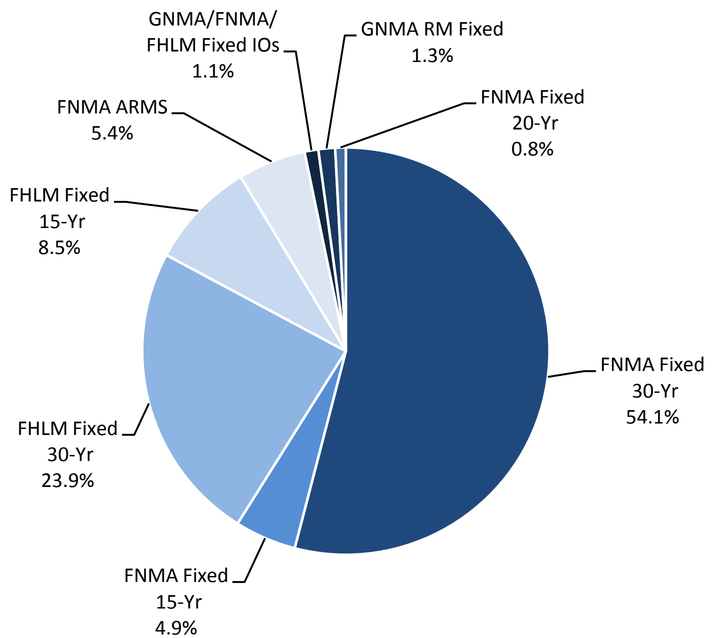
(In thousands)	June 30, 2014					March 31, 2014				
	Current Principal	Fair Value	Average Price[1]	Cost	Average Cost[1]	Current Principal	Fair Value	Average Price[1]	Cost	Average Cost[1]
Agency RMBS[2]										
15-year fixed rate mortgages	$ 166,910	$ 175,583	$ 105.20	$ 174,726	$ 104.68	$ 144,422	$ 149,429	$ 103.47	$ 150,184	$ 103.99
20-year fixed rate mortgages	10,158	10,936	107.66	10,762	105.95	10,347	10,908	105.42	10,980	106.12
30-year fixed rate mortgages	957,162	1,020,084	106.57	1,009,739	105.49	1,004,293	1,040,012	103.56	1,052,115	104.76
ARMs	66,864	70,540	105.50	70,586	105.57	46,804	49,840	106.49	49,869	106.55
Reverse mortgages	15,824	17,357	109.69	17,108	108.11	27,081	29,471	108.83	29,299	108.19
Total Agency RMBS	1,216,918	1,294,500	106.38	1,282,921	105.42	1,232,947	1,279,660	103.79	1,292,447	104.83
Non-Agency RMBS	55,395	35,668	64.39	32,088	57.93	54,115	32,045	59.22	30,409	56.19
Total RMBS[2]	1,272,313	1,330,168	104.55	1,315,009	103.36	1,287,062	1,311,705	101.91	1,322,856	102.78
Agency Interest Only RMBS	n/a	14,276	n/a	12,469	n/a	n/a	15,924	n/a	13,232	n/a
Total mortgage-backed securities		**$ 1,344,444**		**$ 1,327,478**			**$ 1,327,629**		**$ 1,336,088**	

(1) Represents the dollar amount (not shown in thousands) per $100 of current principal of the price or cost for the security.

(2) Excludes Agency IOs.

Ellington Residential: Agency Long Portfolio

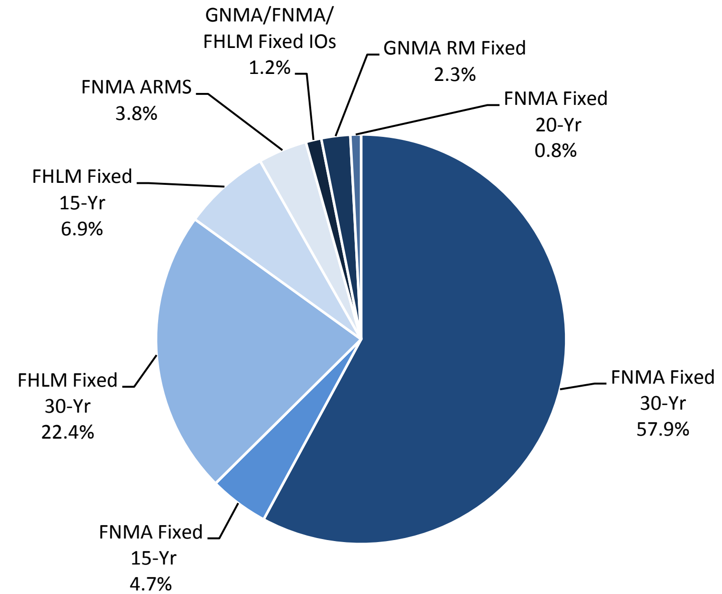
Current Quarter Agency Long Portfolio
As of 6/30/14: $1.31BN(1)



Fixed Portfolio(2)

Category	Fair Value(1)	Weighted Average Coupon(3)
FNMA Fixed - 30-Yr	$707.3	4.08
FNMA Fixed - 20-Yr	10.9	4.00
FNMA Fixed - 15-Yr	63.9	3.49
FHLM Fixed - 30-Yr	312.8	4.03
FHLM Fixed - 15-Yr	111.7	3.28
GNMA RM Fixed	17.4	4.77
Total	**$1,224.0**	**3.97**

Previous Quarter Agency Long Portfolio
As of 3/31/14: $1.30BN(1)



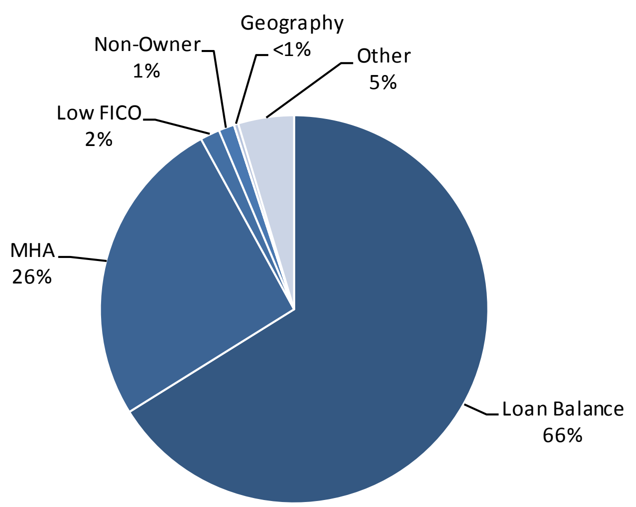
Fixed Portfolio(2)

Category	Fair Value(1)	Weighted Average Coupon(3)
FNMA Fixed - 30-Yr	$749.9	3.98
FNMA Fixed - 20-Yr	10.9	4.00
FNMA Fixed - 15-Yr	60.7	3.21
FHLM Fixed - 30-Yr	290.1	3.89
FHLM Fixed - 15-Yr	88.7	3.22
GNMA RM Fixed	29.5	3.83
Total	**$1,229.8**	**3.86**

(1) Does not include long TBA positions.
(2) Fair value shown in millions. Excludes fixed rate IOs.
(3) Represents weighted average net pass-through rate.

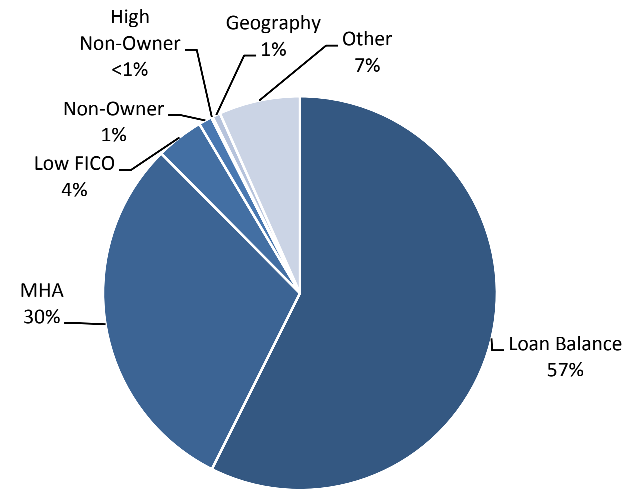
Ellington Residential: Agency Long Portfolio

Collateral Characteristics and Historical 3-month CPR
Agency Fixed Rate Pool Portfolio 6/30/14: $1.21BN(1)



Characteristic(2)	Fair Value(1)(3)	3-Month CPR %(4)
Loan Balance	$797.9	4.3
MHA(5)	312.7	2.1
Low FICO	19.7	0.3
Non-Owner	15.9	6.5
Geography	4.3	0.2
Other	56.1	13.0
Total	**$1,206.6**	**4.0**

Collateral Characteristics and Historical 3-month CPR
Agency Fixed Rate Pool Portfolio 3/31/14: $1.20BN(1)



Characteristic(2)	Fair Value(1)(3)	3-Month CPR %(4)
Loan Balance	$689.0	2.8
MHA(5)	362.1	0.7
Low FICO	46.9	0.6
Non-Owner	13.1	7.2
High Non-Owner	1.4	15.7
Geography	7.8	0.2
Other	80.0	4.1
Total	**$1,200.3**	**2.2**

(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 $120.5 million as of June 30, 2014 and $87.3 million as of March 31, 2014.
(5) "MHA" indicates those pools where underlying borrowers have participated in the Making Homes Affordable program.

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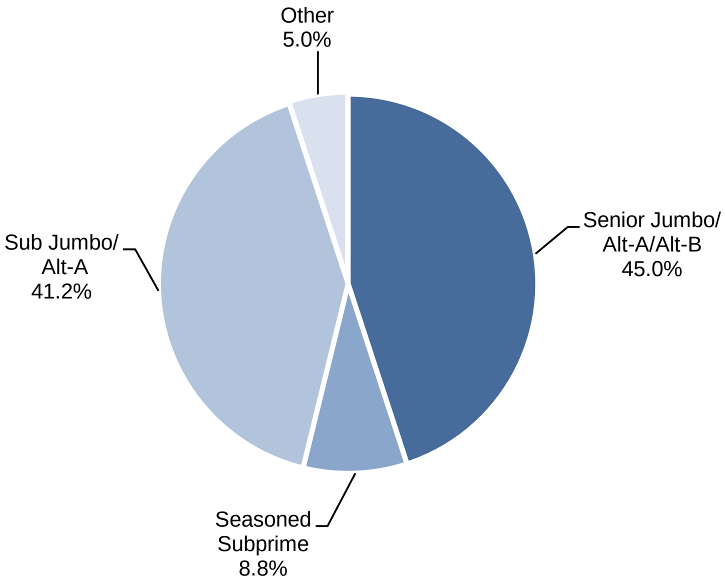
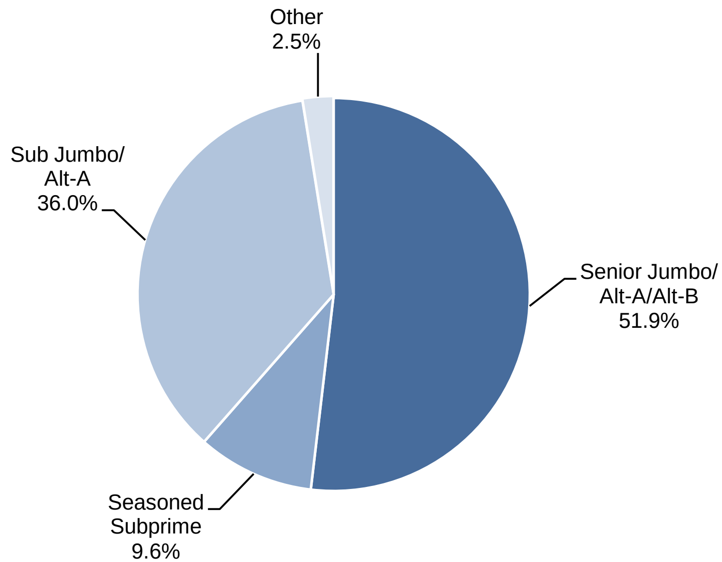
Ellington Residential: Non-Agency Long Portfolio

Current Quarter
Non-Agency Long Portfolio 6/30/14: $35.7MM



Total Non-Agency Long
Avg Mkt Px 64.4

Previous Quarter
Non-Agency Long Portfolio 3/31/14: $32.0MM



Total Non-Agency Long
Avg Mkt Px 59.2

- **Average book yield for the second quarter was 10.64% as compared to 10.39% for the first quarter**
  - **Underlying cash flows strengthening on held positions**
  - **As assets have rallied, prudent asset selection based on security-by-security, loan level analysis has become critical**

Borrowings and Hedges

Ellington Residential: Repo Borrowings

	June 30, 2014			March 31, 2014		
		Weighted Average			Weighted Average	
Remaining Days to Maturity	Borrowings Outstanding	Interest Rate	Remaining Days to Maturity	Borrowings Outstanding	Interest Rate	Remaining Days to Maturity
	(In thousands)			*(In thousands)*		
30 days or less	$ 397,482	0.33%	15	$ 355,198	0.36%	11
31-60 days	469,254	0.32%	44	369,220	0.35%	43
61-90 days	327,111	0.35%	74	414,722	0.32%	74
91-120 days	29,512	0.38%	106	2,940	0.39%	108
121-150 days	23,005	0.35%	136	47,945	0.39%	134
151-180 days	39,229	0.36%	169	91,445	0.38%	164
Total	**$ 1,285,593**	**0.33%**	**50**	**$ 1,281,470**	**0.35%**	**56**

- **As of June 30, 2014:**
  - Outstanding borrowings with 10 counterparties
  - Rates have declined as competition to provide repo financing has increased from both our long-standing as well as newer counterparty relationships
  - Debt-to-equity ratio of approximately 7.5:1

Note: As of June 30, 2014 and March 31, 2014, the Company had no outstanding borrowings other than under repurchase agreements. The entire amount of outstanding borrowings as of both June 30, 2014 and March 31, 2014 were related to Agency RMBS.

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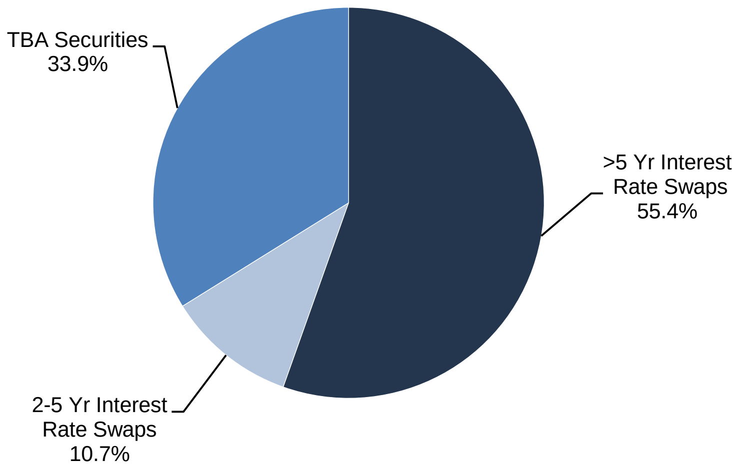
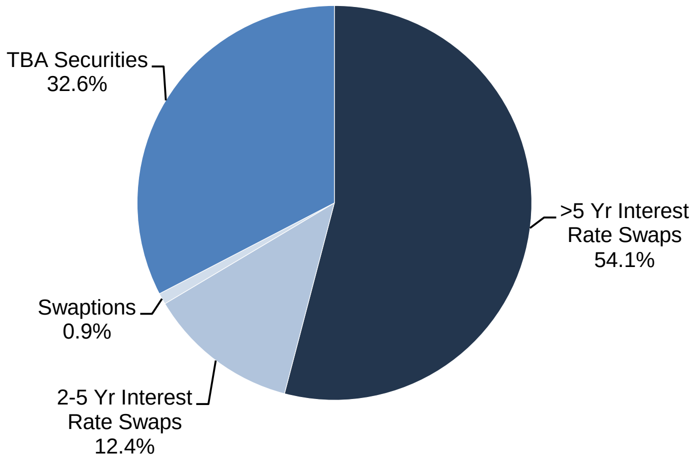
Ellington Residential: Interest Rate Hedging Portfolio

Current Quarter **Agency Interest Rate Hedging Portfolio 6/30/14:** **Short $647.8MM 10-year equivalents**	**Previous Quarter** **Agency Interest Rate Hedging Portfolio 3/31/14:** **Short $736.7MM 10-year equivalents**





- **Agency interest rate hedges are shown in normalized units of risk, with each group of positions measured in "10-year equivalents"**
- **During the second quarter:**
  - **Continued to hold significant hedge position in the form of short TBAs**
  - **Maintained average term of interest rate swaps relative to the first quarter**

Note: "10-year equivalents" for a group of positions represent the amount of 10-year U.S. Treasury securities that would experience a similar change in market value under a standard parallel move in interest rates.

Ellington Residential: Interest Rate Hedging

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

(In millions) Agency-related Portfolio	6/30/2014	3/31/2014
Long Agency RMBS	$ 1,309	$ 1,296
Net Short TBA Positions[1]	(523)	(443)
Net Long Exposure to Agency RMBS	$ 786	$ 853

- **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. Treasuries, etc.**
- **Average pay-up on Agency pools was 0.49% as of June 30, 2014 compared to 0.32% as of March 31, 2014**

Estimated Change in Fair Value as of June 30, 2014 if Interest Rates Move[2]:

(In thousands)	Down 50 bps	Up 50 bps
Agency RMBS - ARM Pools	$ 1,164	$ (1,329)
Agency RMBS - Fixed Pools and IOs	22,856	(31,121)
TBAs	(7,896)	11,161
Non-Agency RMBS	516	(493)
Interest Rate Swaps	(19,387)	18,218
Swaptions	354	(32)
Repurchase Agreements	(584)	857
Total	**$ (2,977)**	**$ (2,739)**

(1) Net short TBA positions represents the current market value of the underlying Agency RMBS (on a forward delivery basis) as of June 30, 2014 and March 31, 2014. The net carrying value of the TBA positions as of June 30, 2014 and March 31, 2014 on the Consolidated Balance Sheet was $(3.0) million and $0.7 million, respectively.

(2) Based on the market environment as of June 30, 2014. Results are based on forward-looking models, which are inherently imperfect, and incorporate various simplifying assumptions. Therefore, the table above is for illustrative purposes only and actual changes in interest rates would likely cause changes in the actual value of our portfolio that would differ from those presented above, and such differences might be significant and adverse.

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Ellington Residential: Interest Rate Hedging (Continued)

June 30, 2014					
Interest Rate Swap					
Maturity	**Notional Amount**	**Fair Value**	**Weighted Average Pay Rate**	**Weighted Average Receive Rate**	**Weighted Average Years to Maturity**
	(In thousands)				
2016	$ 48,000	$ (197)	0.80%	0.23%	2.28
2017	93,750	(874)	1.23%	0.23%	3.11
2018	61,500	967	0.88%	0.22%	3.87
2020	52,600	1,380	1.43%	0.23%	5.88
2023	210,600	5,344	2.13%	0.23%	8.90
2024	14,200	(409)	2.84%	0.23%	9.80
2043	54,500	1,428	3.15%	0.23%	28.93
2044	5,000	(445)	3.69%	0.23%	29.72
Total	$ **540,150**	$ **7,194**	**1.78**%	**0.23**%	**8.68**

TBA Securities				
(In thousands)	**Notional Amount** (1)	**Cost Basis** (2)	**Market Value** (3)	**Net Carrying Value** (4)
Total TBAs, Net	$ (487,487)	$ (520,512)	$ (523,474)	$ (2,962)

Interest Rate Swaptions					
	Option		**Underlying Swap**		
($ in thousands)	**Fair Value**	**Months to Expiration**	**Notional Amount**	**Term (Years)**	**Fixed Rate**
Fixed Payer	$ (723)	2.9	$ 22,000	10.0	3.31%
Straddle	$ (201)	3.9	$ 8,000	10.0	3.08%

(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, 2014.
(4) Net carrying value represents the difference between the market value of the TBA contract as of June 30, 2014 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)

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CONSOLIDATED STATEMENT OF OPERATIONS

	Three Month Period Ended		Six Month Period Ended
	June 30, 2014	March 31, 2014	June 30, 2014
(In thousands except share amounts)			
INTEREST INCOME (EXPENSE)			
Interest income	$ 11,575	$ 11,959	$ 23,534
Interest expense	(1,070)	(1,155)	(2,225)
Total net interest income	10,505	10,804	21,309
EXPENSES			
Management fees	567	592	1,159
Professional fees	137	139	276
Other operating expenses	613	663	1,276
Total expenses	1,317	1,394	2,711
OTHER INCOME (LOSS)			
Net realized gains (losses) on mortgage-backed securities	382	(3,025)	(2,643)
Net realized (losses) on financial derivatives	(11,155)	(3,409)	(14,564)
Change in net unrealized gains (losses) on mortgage-backed securities	25,424	17,581	43,005
Change in net unrealized gains (losses) on financial derivatives	(12,789)	(17,796)	(30,585)
Total other income (loss)	1,862	(6,649)	(4,787)
NET INCOME	$ 11,050	$ 2,761	$ 13,811
NET INCOME PER COMMON SHARE			
Basic	$ 1.21	$ 0.30	$ 1.51
WEIGHTED AVERAGE SHARES OUTSTANDING	9,139,842	9,139,842	9,139,842
CASH DIVIDENDS PER SHARE:			
Dividends Declared	$ 0.55	$ 0.55	$ 1.10

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Ellington Residential: Balance Sheet (Unaudited)

CONSOLIDATED BALANCE SHEET

	As of		
	June 30, 2014	March 31, 2014	December 31, 2013 (1)
(In thousands except share amounts)			
ASSETS			
Cash and cash equivalents	$ 49,908	$ 51,106	$ 50,112
Mortgage-backed securities, at fair value	1,344,444	1,327,629	1,326,036
Due from brokers	13,338	10,725	18,347
Financial derivatives-assets, at fair value	10,115	18,117	34,963
Receivable for securities sold	100,267	119,887	76,692
Interest receivable	5,769	5,522	4,766
Other assets	468	112	174
Total Assets	$ 1,524,309	$ 1,533,098	$ 1,511,090
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Repurchase agreements	$ 1,285,593	$ 1,281,470	$ 1,310,347
Payable for securities purchased	46,467	65,812	2,776
Due to brokers	7,320	11,764	22,788
Financial derivatives-liabilities, at fair value	6,807	2,020	1,069
Dividend payable	5,027	5,027	4,570
Accrued expenses	930	874	996
Management fee payable	567	592	600
Interest payable	605	584	764
Total Liabilities	1,353,316	1,368,143	1,343,910
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; (9,139,842 shares issued and outstanding, respectively)	91	91	91
Additional paid-in-capital	181,203	181,188	181,147
Accumulated deficit	(10,301)	(16,324)	(14,058)
Total Shareholders' Equity	170,993	164,955	167,180
Total Liabilities and Shareholders' Equity	$ 1,524,309	$ 1,533,098	$ 1,511,090

(1) Derived from audited financial statements as of December 31, 2013.

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Reconciliation of Core Earnings[1]

(In thousands except share amounts)	Three Month Period Ended June 30, 2014	Three Month Period Ended March 31, 2014
Net Income	$ 11,050	$ 2,761
Less:		
Net realized gains (losses) on mortgage-backed securities	382	(3,025)
Net realized gains (losses) on financial derivatives, excluding periodic payments[2]	(7,053)	(2,614)
Change in net unrealized gains (losses) on mortgage-backed securities	25,424	17,581
Change in net unrealized gains (losses) on financial derivatives, excluding accrued periodic payments[3]	(14,533)	(16,213)
Subtotal	4,220	(4,271)
Core Earnings	$ 6,830	$ 7,032
Weighted Average Shares Outstanding	9,139,842	9,139,842
Core Earnings Per Share	$ 0.75	$ 0.77

(1) Core Earnings consists of net income (loss), excluding realized and 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 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 Core Earnings provides information useful to investors, because it is a metric used by our management to assess our performance and to evaluate the effective net yield provided by our portfolio. Moreover, one of our objectives is to generate income from the net interest margin on our portfolio and we use Core Earnings to help measure the extent to which we are achieving this objective. However, because Core Earnings is an incomplete measure of our financial results and differs from net income or net (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 June 30, 2014 and March 31, 2014, our Core Earnings on a consolidated basis to the line on our consolidated statement of operations entitled Net Income, which we believe is the most directly comparable GAAP measure on our Consolidated Statement of Operations to Core Earnings.

(2) For the three month period ended June 30, 2014, represents Net realized gains (losses) on financial derivatives of $(11,155) less Net realized gains (losses) on periodic settlements of interest rate swaps of $(4,102). For the three month period ended March 31, 2014, represents Net realized gains (losses) on financial derivatives of $(3,409) less Net realized gains (losses) on periodic settlements of interest rate swaps of $(795).

(3) For the three month period ended June 30, 2014, represents Net change in unrealized gains (losses) on financial derivatives of $(12,789) less Change in net unrealized gains (losses) on accrued periodic settlements of interest rate swaps of $1,744. For the three month period ended March 31, 2014, represents Net change in unrealized gains (losses) on financial derivatives of $(17,796) less Change in net unrealized gains (losses) on accrued periodic settlements of interest rate swaps of $(1,583).

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 140 employees, giving EARN access to time-tested infrastructure and industry-leading resources in trading, research, risk management, and operational support
  - EMG has approximately $5.6 billion in assets under management as of June 30, 2014
- EMG's portfolio managers are among the most experienced in the MBS sector and the firm's analytics have been developed over a 19-year history
  - Prior to forming EMG, five of the founding partners constituted the core of Kidder Peabody's MBS trading and research group, while one spent ten years at Lehman Brothers where he ran collateralized mortgage obligation ("CMO") trading
  - The founding partners each have advanced academic training in mathematics and engineering, including among them several Ph.D.'s and Master's degrees
- EARN was formed through an initial strategic venture between affiliates of EMG and a group of funds managed by an affiliate of The Blackstone Group LP

EARN

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