



Ellington Residential Mortgage REIT Announces the Income Tax Treatment of its 2020 Distributions

February 1, 2021

OLD GREENWICH, Conn.--(BUSINESS WIRE)--Feb. 1, 2021-- Ellington Residential Mortgage REIT (NYSE: EARN) (the "Company") today announced the federal income tax treatment of the distributions deemed paid in 2020 on the Company's common shares. This information is being provided to assist shareholders with tax reporting requirements related to distributions by the Company.

Shareholders should review their Forms 1099 as well as other 2020 tax statements that they will receive from their brokerage firms or other institutions to ensure that the statements agree with the information provided below. Additionally, shareholders are encouraged to consult with their own professional tax advisors with respect to their individual tax consequences.

According to the Internal Revenue Code of 1986, as amended, if a Real Estate Investment Trust ("REIT") declares dividends in the last three months of a calendar year, with a record date in that calendar year, but which are payable in the first month of the following calendar year, such dividends are deemed paid for the recipient's tax and Form 1099 reporting purposes on the record date and not on the payable date, to the extent the REIT has any remaining undistributed earnings and profits (as computed for federal income tax purposes) as of the last day of that calendar year. EARN declared a dividend in December 2020 (the "Fourth Quarter 2020 Dividend") that was paid in January 2021. Since EARN did have remaining undistributed earnings and profits (as computed for income tax purposes) as of the last day of 2020, a portion of the Fourth Quarter 2020 Dividend is deemed to have been paid and taxable to shareholders in 2020, and the remainder of this dividend is deemed to have been paid and taxable to shareholders in 2021. Similarly, EARN declared a dividend in December 2019 (the "Fourth Quarter 2019 Dividend") that was paid in January 2020. While a portion of the Fourth Quarter 2019 Dividend consisted of earnings and profits earned in 2019, the remainder of this dividend is deemed to have been paid and taxable to shareholders in 2020.

During calendar year 2020, the Company paid total distributions of \$1.1200 per share, of which \$0.0476 represented the Fourth Quarter 2019 Dividend and was reported to shareholders in 2019, \$0.4531 will be treated as Ordinary Dividends for tax year 2020, and \$0.6193 will be treated as Capital Gain Distributions for tax year 2020. The Fourth Quarter 2020 Dividend of \$0.28 per share will be a split-year distribution, with \$0.0833 taxable to shareholders in 2020 (of which \$0.0481 will be treated as a Capital Gain Distribution), and with the remaining \$0.1967 reportable to shareholders in 2021. The Federal income tax classification of the distributions taxable in 2020, as they are expected to be reported on Form 1099-DIV, is set forth in the following table:

Declaration Date	Record Date	Payable Date	Total Distribution Per Share	Total Distribution Allocated to 2020	Box 1a Total Ordinary Dividends	Box 2a Total Capital Gain Distributions	Box 5 199A Dividends (Included in Box 1a)
12/13/2019	12/31/2019	01/27/2020	\$0.2800	\$0.2324	\$0.0982	\$0.1342	\$0.0982
03/04/2020	03/31/2020	04/27/2020	\$0.2800	\$0.2800	\$0.1183	\$0.1617	\$0.1183
06/10/2020	06/30/2020	07/27/2020	\$0.2800	\$0.2800	\$0.1183	\$0.1617	\$0.1183
09/10/2020	09/30/2020	10/27/2020	\$0.2800	\$0.2800	\$0.1183	\$0.1617	\$0.1183
12/17/2020	12/31/2020	01/25/2021	\$0.2800	\$0.0833	\$0.0352	\$0.0481	\$0.0352

During 2020, the Company did not generate qualified dividend income (QDI). As set forth above, all of the Ordinary Dividends deemed paid in 2020 are considered qualified REIT dividends for the purpose of Section 199A of the Code. Further, no portion of the Company's 2020 distributions is expected to consist of unrelated business taxable income (UBTI), which is subject to special tax reporting for certain tax exempt investors, or is expected to consist of excess inclusion income.

Cautionary Statement Regarding Forward-Looking Statements

This press release contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are not historical in nature and can be identified by words such as "anticipate," "estimate," "will," "should," "may," "expect," "project," "believe," "intend," "seek," "plan" and similar expressions or their negative forms, or by references to strategy, plans, or intentions. For example, our results can fluctuate from month to month and quarter to quarter depending on a variety of factors, some of which are beyond our control and/or difficult to predict, including, without limitation, changes in interest rates, changes in default rates and prepayment speeds, and other changes in market and economic conditions, including changes resulting from the economic effects related to the COVID-19 pandemic, and associated responses to the pandemic. Our actual results may differ from our beliefs, expectations, estimates, and projections and, consequently, you should not rely on these forward-looking statements as predictions of future events. Furthermore, forward-looking statements are subject to risks and

uncertainties, including, among other things, those described under Item 1A to the Company's Annual Report on Form 10-K filed on March 12, 2020 and Part II, Item 1A of the Company's Quarterly Report on Form 10Q filed on May 11, 2020 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. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

About Ellington Residential Mortgage REIT

Ellington Residential Mortgage REIT is a mortgage real estate investment trust that specializes in acquiring, investing in and managing residential mortgage- and real estate-related assets, with a primary focus on residential mortgage-backed securities for which the principal and interest payments are guaranteed by a U.S. Government agency or a U.S. government-sponsored enterprise. Ellington Residential Mortgage REIT is externally managed and advised by Ellington Residential Mortgage Management LLC, an affiliate of Ellington Management Group, L.L.C.

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