



E A R N

ELLINGTON RESIDENTIAL MORTGAGE REIT

First Quarter 2015 Earnings Conference Call May 6, 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 March 31, 2015 unless otherwise indicated. We undertake no duty or obligation to update this presentation to reflect subsequent events or developments.

First Quarter 2015

Ellington Residential: First Quarter Highlights

Overall Results	<ul style="list-style-type: none"> ■ First quarter net income of \$3.7 million, or \$0.40 per share ■ Strong performance of long bond portfolio partially offset by net losses on interest rate hedges, primarily in the form of interest rate swaps and short TBAs
Core Earnings⁽¹⁾	<ul style="list-style-type: none"> ■ Core Earnings of \$6.0 million, or \$0.66 per share <ul style="list-style-type: none"> ■ Reflects negative “catch-up” premium amortization adjustment related to Agency RMBS of \$0.4 million, or \$0.04 per share ■ Net Interest Margin of 2.21% <ul style="list-style-type: none"> ■ Declined due to a drop in asset yields
Shareholders' Equity	<ul style="list-style-type: none"> ■ Shareholders' equity as of March 31, 2015 of \$162.0 million, or \$17.71 per share
Portfolio	<ul style="list-style-type: none"> ■ Agency RMBS Portfolio: \$1.357 billion as of March 31, 2015 <ul style="list-style-type: none"> ■ \$1.264 billion fixed rate “specified” pools ■ \$42.1 million ARM pools ■ \$44.1 million reverse mortgage pools ■ \$6.4 million IOs ■ Non-Agency RMBS Portfolio: \$31.7 million as of March 31, 2015
Leverage	<ul style="list-style-type: none"> ■ Debt to equity ratio: approximately 7.5:1 as of March 31, 2015, as compared to 8.1:1 as of December 31, 2014
Dividend	<ul style="list-style-type: none"> ■ Declared first quarter dividend of \$0.55 per share (paid in April 2015) ■ Annualized dividend yield of 13.3% based on closing price of \$16.51 on May 4, 2015

Ellington Residential: Agency RMBS

Overall Market Conditions

- Yield curve experienced continued flattening trend during the first quarter
- Prepayment rates increased significantly in the first quarter; prepayments had previously been relatively muted in response to lower mortgage rates
 - TBA roll prices weakened
- Specified pools performed well, although increases in pay-ups were not uniform across sectors

Portfolio Trends and Outlook

- Average pay-up of 1.12% as of March 31, 2015, compared to 0.74% as of December 31, 2014
- Increased holdings of long TBAs during the first quarter
- Spreads on reverse mortgages remained tight, although we have found attractive opportunities in new issue pools
- We see potential for future opportunities in Agency IOs, should that market experience dislocations
- We turned over approximately 25% of the portfolio as measured by sales, excluding principal paydowns
- We expect the Federal Reserve's reduced presence in the Agency RMBS market to be supportive of specified pools relative to TBAs

Ellington Residential: Non-Agency RMBS

Overall Market Conditions

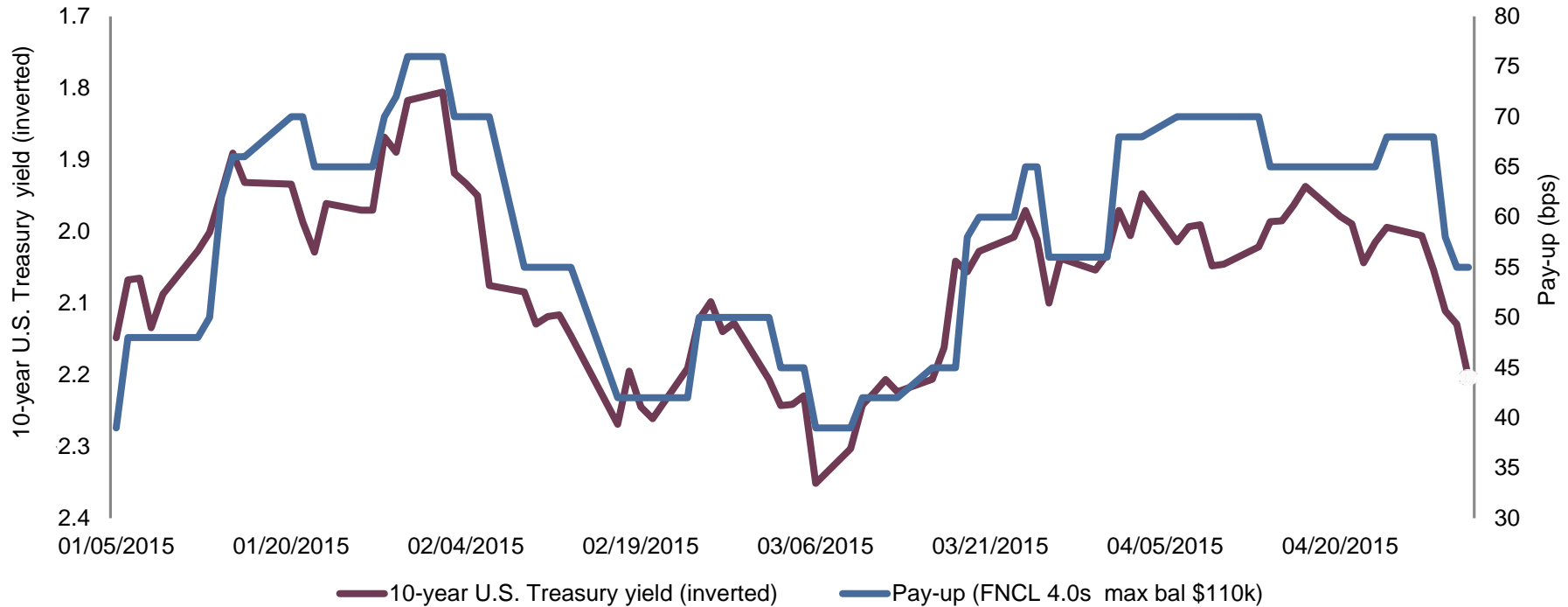
- Non-Agency RMBS continues to exhibit relative price stability, even against a backdrop of increased volatility in the broader markets
- Ongoing improvements in fundamental data, including mortgage delinquency and foreclosure rates, provide support to valuations
- Absence of a non-Agency RMBS new issue market also lends support to valuations

Portfolio Trends and Outlook

- We believe many non-Agency RMBS remain mispriced, thereby presenting opportunities to buy and sell assets
 - Careful loan-level analysis performed on a security-by-security basis remains critical

Since the Beginning of the Year, Pay-ups Have Increased, but Interest Rates Have Retraced

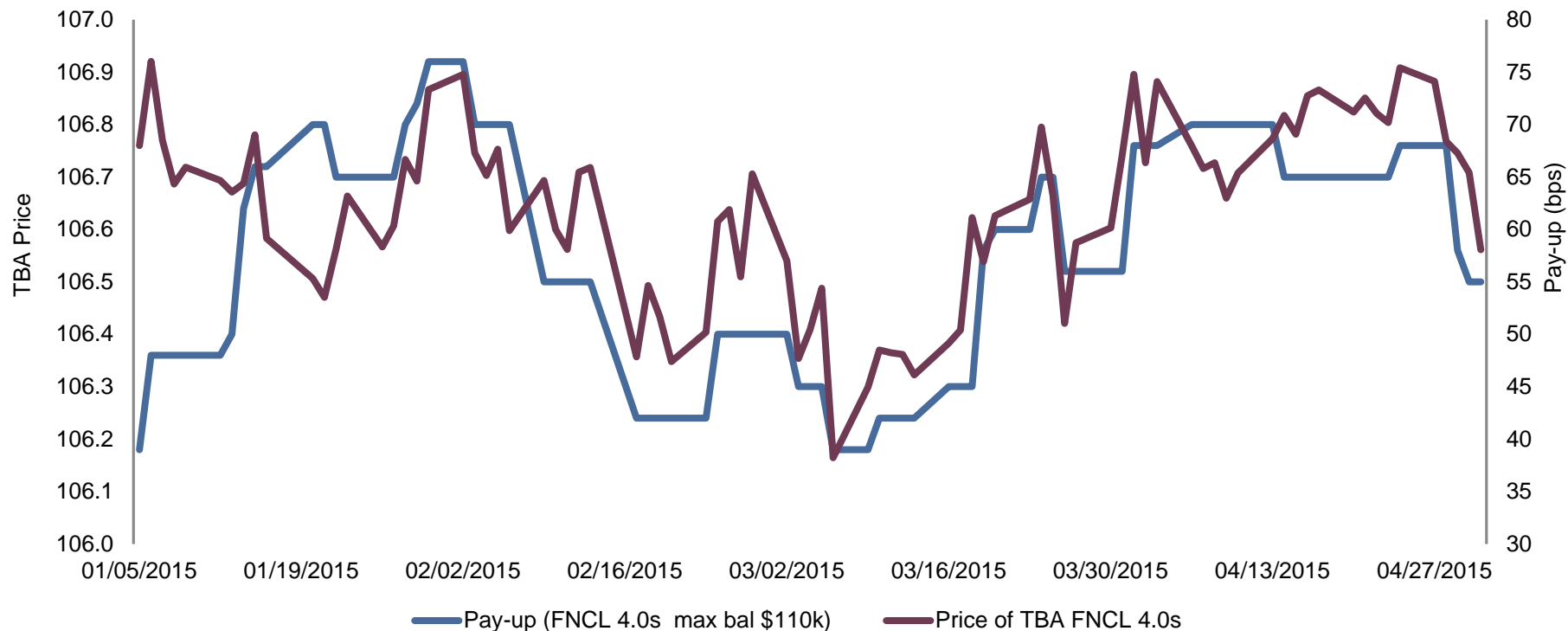
10-year U.S. Treasury yield (inverted) and Pay-up for FNCL 4.0 specified pools with a maximum loan balance of \$110,000



- The 10-year U.S. Treasury yield is back to early 2015 levels, but the cost of prepayment protection (pay-ups) has increased
- The path of pay-ups has followed the path of the Mortgage Bankers Association Refinance Index
- Many types of Agency pools without prepayment protection experienced extremely fast prepayment speeds during the first quarter

Pay-ups on 4.0s Increased Even Though TBA Prices Declined

Pay-up for FNCL 4.0s with a maximum loan balance of \$110,000 and Price of TBA FNCL 4.0s



- A higher return was achieved when FNCL 4.0 specified pools were hedged with TBAs, rather than swaps
- With diminished Federal Reserve buying, some pools with faster prepayment speeds have entered the market
- Less Federal Reserve purchase activity changes TBA and roll dynamics

Portfolio



Ellington Residential: Portfolio Summary

(In thousands)	March 31, 2015					December 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	\$ 139,211	\$ 148,363	\$ 106.57	\$ 146,231	\$ 105.04	\$ 130,720	\$ 138,028	\$ 105.59	\$ 137,024	\$ 104.82
20-year fixed rate mortgages	9,505	10,311	108.48	10,064	105.88	9,764	10,568	108.23	10,341	105.91
30-year fixed rate mortgages	1,018,731	1,105,445	108.51	1,081,925	106.20	1,042,550	1,122,254	107.65	1,103,639	105.86
ARMs	39,458	42,057	106.59	42,056	106.58	41,710	44,283	106.17	44,523	106.74
Reverse mortgages	39,630	44,131	111.36	43,455	109.65	31,412	34,425	109.59	34,153	108.73
Total Agency RMBS	1,246,535	1,350,307	108.32	1,323,731	106.19	1,256,156	1,349,558	107.44	1,329,680	105.85
Non-Agency RMBS	46,310	31,710	68.47	29,644	64.01	50,668	32,501	64.15	30,291	59.78
Total RMBS⁽²⁾	1,292,845	1,382,017	106.90	1,353,375	104.68	1,306,824	1,382,059	105.76	1,359,971	104.07
Agency Interest Only RMBS Securities	n/a	6,443	n/a	7,287	n/a	n/a	11,244	n/a	10,780	n/a
Total mortgage-backed securities		1,388,460		1,360,662			1,393,303		1,370,751	
U.S. Treasury securities sold short	(61,950)	(62,848)	101.45	(62,747)	101.29	(13,860)	(13,959)	100.71	(13,917)	100.41
Reverse repurchase agreements	62,973	62,973	100.00	62,973	100.00	13,987	13,987	100.00	13,987	100.00
Total		\$ 1,388,585		\$1,360,888			\$ 1,393,331		\$1,370,821	

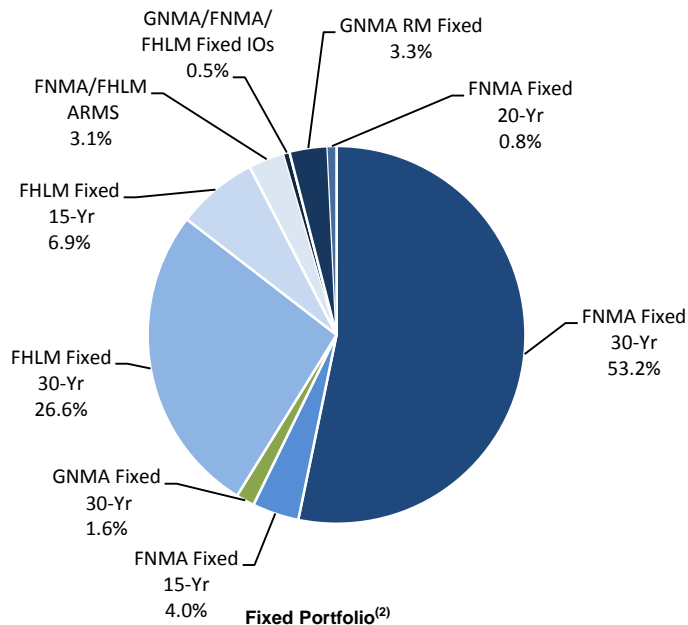
(1) Represents the dollar amount (not shown in thousands) per \$100 of current principal of the price or cost for the security.

(2) Excludes Agency IOs.

Ellington Residential: Agency Long Portfolio

Current Quarter Agency Long Portfolio

As of 3/31/15: \$1.36BN⁽¹⁾

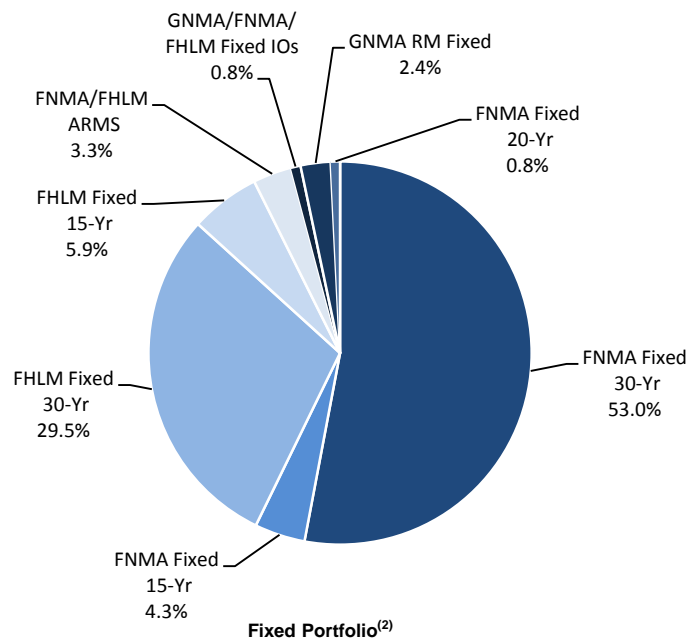


Fixed Portfolio⁽²⁾

Category	Fair Value ⁽¹⁾	Weighted Average Coupon ⁽³⁾
FNMA Fixed - 30-Yr	\$722.5	4.10
FNMA Fixed - 20-Yr	10.3	4.00
FNMA Fixed - 15-Yr	54.1	3.50
FHLM Fixed - 30-Yr	361.4	4.08
FHLM Fixed - 15-Yr	94.3	3.37
GNMA Fixed - 30-Yr	21.6	3.56
GNMA RM Fixed	44.1	4.85
Total	\$1,308.3	4.03

Previous Quarter Agency Long Portfolio

As of 12/31/14: \$1.36BN⁽¹⁾



Fixed Portfolio⁽²⁾

Category	Fair Value ⁽¹⁾	Weighted Average Coupon ⁽³⁾
FNMA Fixed - 30-Yr	\$720.9	4.07
FNMA Fixed - 20-Yr	10.6	4.00
FNMA Fixed - 15-Yr	58.0	3.48
FHLM Fixed - 30-Yr	401.4	4.11
FHLM Fixed - 15-Yr	80.0	3.35
GNMA Fixed - 30-Yr	-	-
GNMA RM Fixed	34.4	4.91
Total	\$1,305.3	4.03

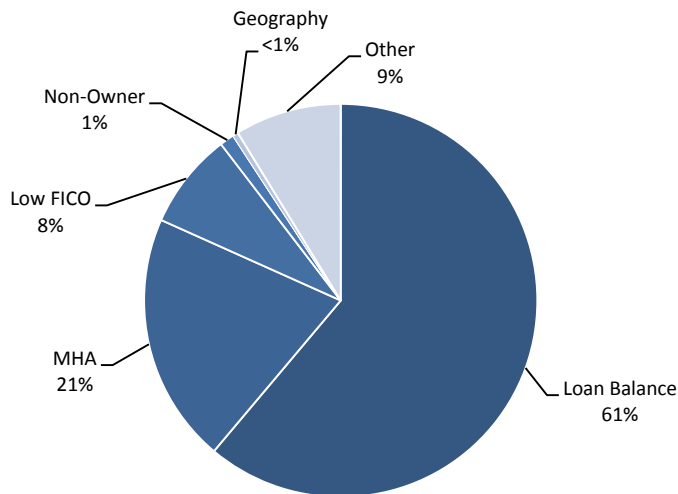
(1) Does not include long TBA positions with a notional value of \$92.9 million and a fair value of \$95.5 million as of March 31, 2015 and a notional value of \$68.3 million and a fair value of \$70.7 million as of December 31, 2014.

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

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

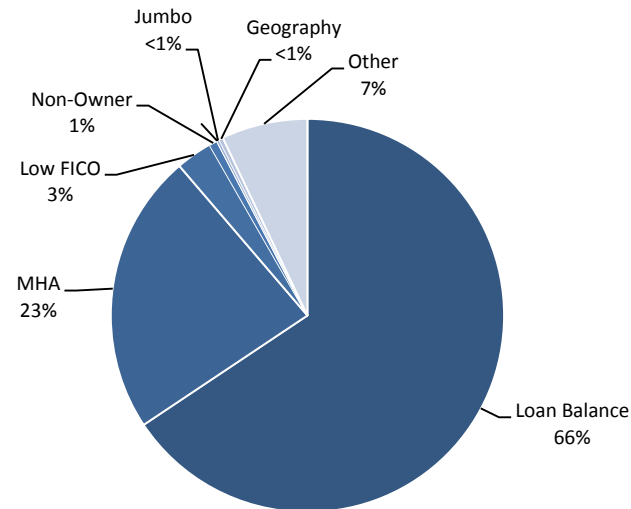
Ellington Residential: Agency Long Portfolio

Collateral Characteristics and Historical 3-month CPR
Agency Fixed Rate Pool Portfolio 3/31/15: \$1.26BN⁽¹⁾



Characteristic ⁽²⁾	Fair Value ⁽¹⁾⁽³⁾	3-Month CPR % ⁽⁴⁾
Loan Balance	\$772.8	5.5
MHA ⁽⁵⁾	260.0	5.4
Low FICO	99.8	8.6
Non-Owner	15.2	0.2
Geography	5.5	0.3
Jumbo	-	-
Other	110.8	17.8
Total	\$1,264.1	6.3

Collateral Characteristics and Historical 3-month CPR
Agency Fixed Rate Pool Portfolio 12/31/14: \$1.27BN⁽¹⁾

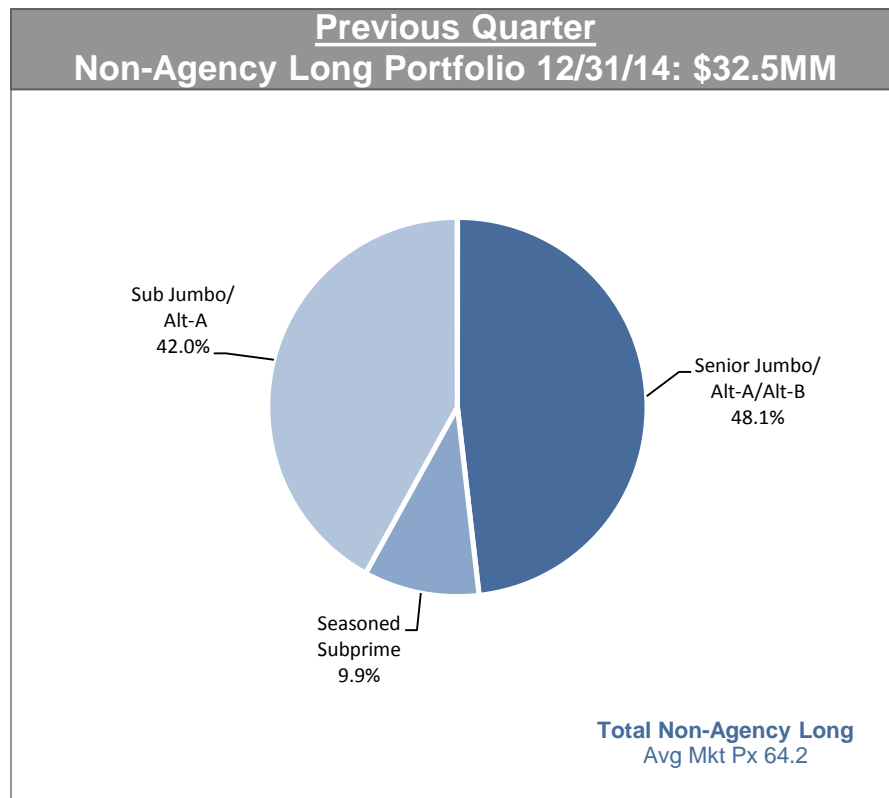
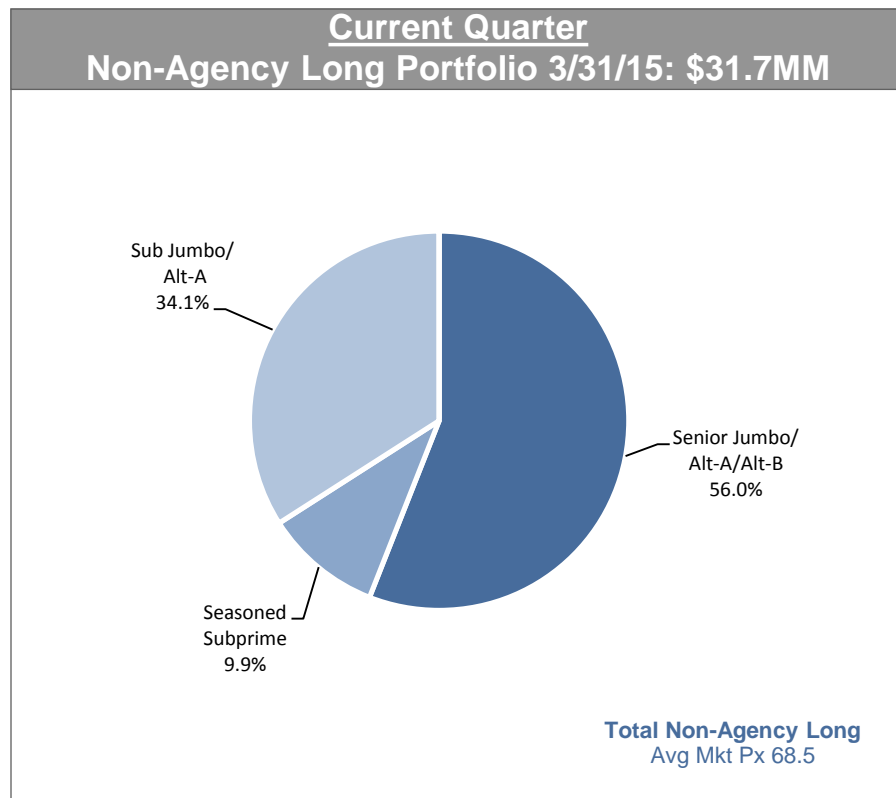


Characteristic ⁽²⁾	Fair Value ⁽¹⁾⁽³⁾	3-Month CPR % ⁽⁴⁾
Loan Balance	\$834.0	4.1
MHA ⁽⁵⁾	293.6	4.3
Low FICO	37.9	4.0
Non-Owner	8.7	1.6
Geography	4.2	0.5
Jumbo	2.6	21.3
Other	89.8	10.5
Total	\$1,270.8	4.6

(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 \$117.9 million as of March 31, 2015 and \$69.8 million as of December 31, 2014.

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

Ellington Residential: Non-Agency Long Portfolio



- Non-Agency RMBS asset prices were relatively stable during the first quarter, with lower volatility than the broader market
- Prudent asset selection continues to be critical, as spreads remain tight

Borrowings and Hedges



Ellington Residential: Repo Borrowings

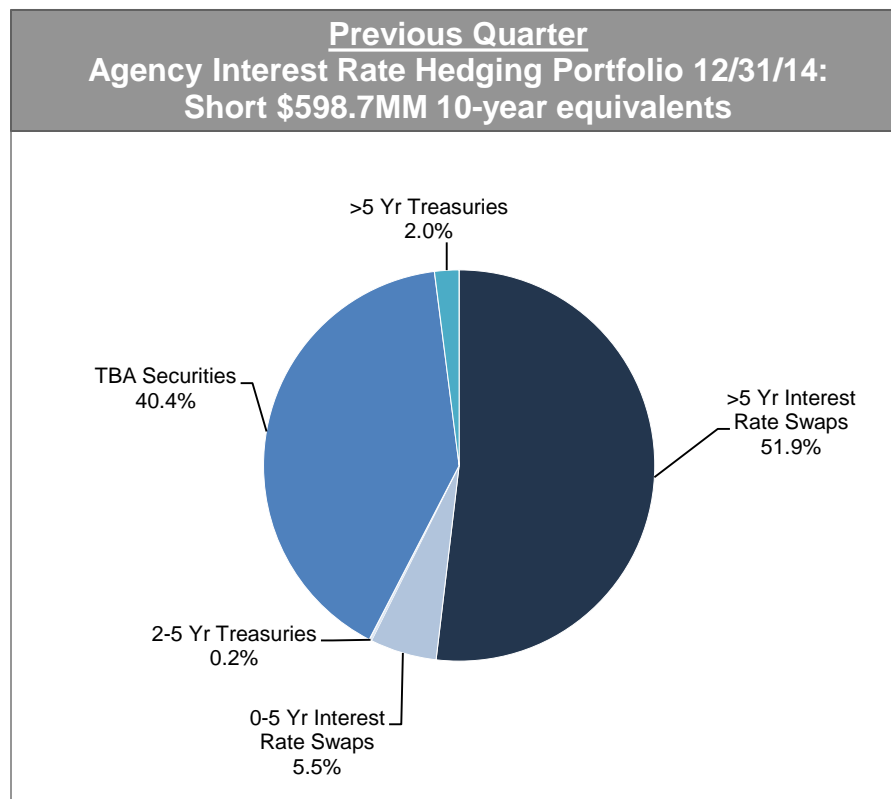
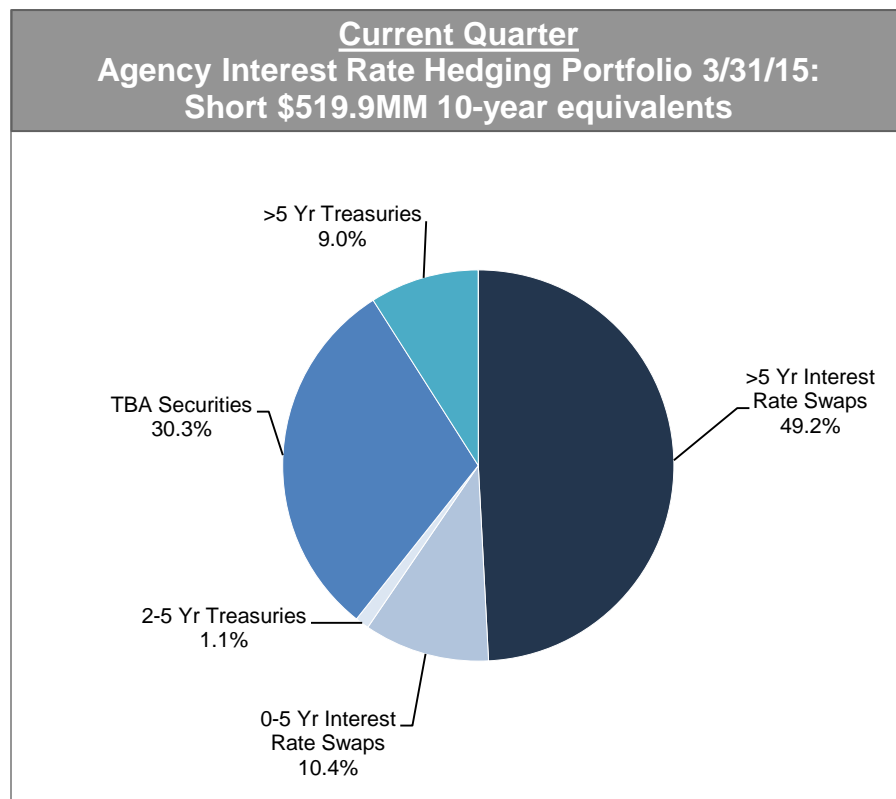
Remaining Days to Maturity	March 31, 2015			December 31, 2014		
	Weighted Average		Remaining Days to Maturity	Weighted Average		Remaining Days to Maturity
	Borrowings Outstanding	Interest Rate		Borrowings Outstanding	Interest Rate	
	<i>(In thousands)</i>			<i>(In thousands)</i>		
30 days or less	\$ 412,648	0.34%	15	\$ 437,633	0.33%	15
31-60 days	274,524	0.34%	45	417,009	0.34%	44
61-90 days	269,022	0.36%	74	333,580	0.36%	72
91-120 days	50,066	0.38%	105	-	-%	-
151-180 days	139,513	0.43%	168	85,917	0.41%	165
301-330 days	65,337	0.47%	227	48,941	0.47%	317
Total	\$ 1,211,110	0.36%	68	\$ 1,323,080	0.35%	60

■ As of March 31, 2015:

- Outstanding borrowings with 9 counterparties
- Repo availability from both existing and new counterparties remained strong, and rates remained low
- Increased weighted average remaining days to maturity by 8 days, to 68 days

Note: As of March 31, 2015 and December 31, 2014, the Company had no outstanding borrowings other than under repurchase agreements. The entire amount of outstanding borrowings as of both March 31, 2015 and December 31, 2014 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 first quarter:
 - Interest rate hedging portfolio continues to be predominantly comprised of TBAs and fixed payer interest rate swaps
 - Weighted average remaining term of swap book declined: 7.34 years as of March 31, 2015 as compared to 8.56 years as of December 31, 2014
 - Decreased short TBA hedge weighting in favor of fixed payer swaps and short U.S. Treasury securities

Ellington Residential: Interest Rate Hedging

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

<i>(In millions)</i>	3/31/2015	12/31/2014
Agency-related Portfolio		
Long Agency RMBS	\$ 1,357	\$ 1,361
Net Short TBA Positions ⁽¹⁾	(549)	(576)
Net Long Exposure to Agency RMBS	\$ 808	\$ 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 1.12% as of March 31, 2015, as compared to 0.74% as of December 31, 2014

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

<i>(In thousands)</i>	Down 50 bps	Up 50 bps
Agency RMBS - ARM Pools	\$ 276	\$ (397)
Agency RMBS - Fixed Pools and IOs	20,123	(26,714)
TBAs	(5,342)	8,807
Non-Agency RMBS	386	(370)
Interest Rate Swaps	(14,770)	13,923
Swaptions	474	(403)
U.S. Treasury Securities	(2,431)	2,320
Repurchase and Reverse Repurchase Agreements	(911)	1151
Total	\$ (2,195)	\$ (1,683)

(1) Net short TBA positions represents the current market value of the underlying Agency RMBS (on a forward delivery basis) as of March 31, 2015 and December 31, 2014. The net carrying value of the TBA positions as of March 31, 2015 and December 31, 2014 on the Consolidated Balance Sheet was \$(1.3) million and \$(1.2) million, respectively.

(2) Based on the market environment as of March 31, 2015. Results are based on forward-looking models, which are inherently imperfect, and incorporate various simplifying assumptions. Therefore, the table above is for illustrative purposes only and actual changes in interest rates would likely cause changes in the actual value of our portfolio that would differ from those presented above, and such differences might be significant and adverse.

Ellington Residential: Interest Rate Hedging (Continued)

March 31, 2015					
Interest Rate Swap					
Maturity	Notional Amount	Fair Value	Weighted Average Pay Rate	Weighted Average Receive Rate	Weighted Average Years to Maturity
<i>(In thousands)</i>					
2016	\$ 48,000	\$ (189)	0.80 %	0.26 %	1.52
2017	74,750	(647)	1.21 %	0.26 %	2.35
2018	25,000	(48)	1.11 %	0.26 %	2.97
2020	63,000	(427)	1.62 %	0.26 %	5.01
2022	9,000	(169)	2.04 %	0.26 %	6.90
2023	139,350	(3,907)	2.17 %	0.26 %	8.15
2024	12,900	(926)	2.73 %	0.26 %	9.20
2025	30,080	(97)	2.03 %	0.26 %	9.85
2043	33,610	(5,332)	3.08 %	0.26 %	28.16
Total	\$ 435,690	\$ (11,742)	1.79 %	0.26 %	7.34

TBA Securities				
(In thousands)	Notional Amount ⁽¹⁾	Cost Basis ⁽²⁾	Market Value ⁽³⁾	Net Carrying Value ⁽⁴⁾
Total TBAs, Net	\$ (508,837)	\$ (547,951)	\$ (549,246)	\$ (1,295)

Interest Rate Swaptions					
	Option	Underlying Swap			
(\$ in thousands)	Fair Value	Months to Expiration	Notional Amount	Term (Years)	Fixed Rate
Straddle	\$ 315	3.5	\$ 9,700	10.0	3.00%

(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 March 31, 2015.

(4) Net carrying value represents the difference between the market value of the TBA contract as of March 31, 2015 and the cost basis, and is reported in Financial derivatives-assets, at fair value and Financial derivatives-liabilities, at fair value on the Consolidated Balance Sheet.

Supplemental Information



Ellington Residential: Income Statement (Unaudited)

CONSOLIDATED STATEMENT OF OPERATIONS

	Three Month Period Ended	
	March 31, 2015	December 31, 2014
<i>(In thousands except share amounts)</i>		
INTEREST INCOME (EXPENSE)		
Interest income	\$ 10,280	\$ 11,806
Interest expense	(1,258)	(1,165)
Total net interest income	9,022	10,641
EXPENSES		
Management fees	610	552
Professional fees	143	587
Other operating expenses	663	608
Total expenses	1,416	1,747
OTHER INCOME (LOSS)		
Net realized gains on mortgage-backed securities	6,722	3,070
Net realized losses on financial derivatives	(8,743)	(12,923)
Change in net unrealized gains (losses) on mortgage-backed securities	5,186	11,000
Change in net unrealized gains (losses) on financial derivatives	(7,094)	(11,217)
Total other income (loss)	(3,929)	(10,070)
NET INCOME (LOSS)	\$ 3,677	\$ (1,176)
NET INCOME (LOSS) PER COMMON SHARE		
Basic and Diluted	\$ 0.40	\$ (0.13)
WEIGHTED AVERAGE SHARES OUTSTANDING	9,149,274	9,149,274
CASH DIVIDENDS PER SHARE:		
Dividends Declared	\$ 0.55	\$ 0.55

Ellington Residential: Balance Sheet (Unaudited)

CONSOLIDATED BALANCE SHEET

	As of	
	March 31, 2015	December 31, 2014 ⁽¹⁾
<i>(In thousands except share amounts)</i>		
ASSETS		
Cash and cash equivalents	\$ 53,340	\$ 45,237
Mortgage-backed securities, at fair value	1,388,460	1,393,303
Due from brokers	28,740	18,531
Financial derivatives-assets, at fair value	1,479	3,072
Reverse repurchase agreements	62,973	13,987
Receivable for securities sold	36,649	41,834
Interest receivable	4,451	4,793
Other assets	610	317
Total Assets	\$ 1,576,702	\$ 1,521,074
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Repurchase agreements	\$ 1,211,110	\$ 1,323,080
Payable for securities purchased	117,493	4,227
Due to brokers	1,609	583
Financial derivatives-liabilities, at fair value	14,201	8,700
U.S. Treasury securities sold short, at fair value	62,848	13,959
Dividend payable	5,032	5,032
Accrued expenses	908	890
Management fee payable	610	551
Interest payable	851	687
Total Liabilities	\$ 1,414,662	\$ 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; (9,149,274 and 9,149,274 shares issued and outstanding, respectively)	91	91
Additional paid-in-capital	181,312	181,282
Accumulated deficit	(19,363)	(18,008)
Total Shareholders' Equity	162,040	163,365
Total Liabilities and Shareholders' Equity	\$ 1,576,702	\$ 1,521,074
Per Share Information		
Common shares, par value \$0.01 per share	\$ 17.71	\$ 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 March 31, 2015	Three Month Period Ended December 31, 2014
Net Income (Loss)	\$ 3,677	\$ (1,176)
Less:		
Net realized gains on mortgage-backed securities	6,722	3,070
Net realized losses on financial derivatives, excluding periodic payments⁽²⁾	(8,036)	(9,280)
Change in net unrealized gains (losses) on mortgage-backed securities	5,186	11,000
Change in net unrealized gains and (losses) on financial derivatives, excluding accrued periodic payments⁽³⁾	(6,243)	(12,942)
Subtotal	(2,371)	(8,152)
Core Earnings	<u>\$ 6,048</u>	<u>\$ 6,976</u>
Weighted Average Shares Outstanding	9,149,274	9,149,274
Core Earnings Per Share	\$ 0.66	\$ 0.76

- (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 March 31, 2015 and December 31, 2014, 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 March 31, 2015, represents Net realized gains (losses) on financial derivatives of \$(8,743) less Net realized gains (losses) on periodic settlements of interest rate swaps of \$(707). For the three month period ended December 31, 2014, represents Net realized gains (losses) on financial derivatives of \$(12,923) less Net realized gains (losses) on periodic settlements of interest rate swaps of \$(3,643).
- (3) For the three month period ended March 31, 2015, represents Change in net unrealized gains (losses) on financial derivatives of \$(7,094) less Change in net unrealized gains (losses) on accrued periodic settlements of interest rate swaps of \$(851). For the three month period ended December 31, 2014, represents Change in net unrealized gains (losses) on financial derivatives of \$(11,217) less Change in net unrealized gains (losses) on accrued periodic settlements of interest rate swaps of \$1,725.

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 150 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 March 31, 2015
 - EMG’s portfolio managers are among the most experienced in the MBS sector, and the firm’s analytics have been developed over a 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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E A R N

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