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Ellington Residential Mortgage REIT(NYSE: EARN)

First Quarter 2014 Earnings Conference Call

May 13, 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 March 31, 2014 unless otherwise indicated. We undertake no duty or obligation to update this presentation to reflect subsequent events or developments.

First Quarter 2014

Ellington Residential: First Quarter Highlights

Overall Results	■ First quarter net income of \$2.8 million or \$0.30 per share ■ Book value decrease of 1.3% to \$18.05 per share as of March 31, 2014 from \$18.29 per share as of December 31, 2013, after giving effect to \$0.55 first quarter dividend which was paid in April 2014 ■ Economic return on book value of 1.7%

Core Earnings(1)	■ Core Earnings of \$7.0 million or \$0.77 per share
	■ 17 bps increase in Net Interest Margin to 2.34%
	    ■ "Catch-up" positive premium amortization adjustment of \$0.3 million or \$0.03 per share
	    ■ Excluding "catch-up amortization adjustment," net interest margin increased 0.21% to 2.27%

Shareholders' Equity	■ Shareholders' equity of \$165.0 million as of March 31, 2014

Portfolio	■ Agency RMBS Portfolio: \$1.296 billion as of March 31, 2014
	    ■ \$1.200 billion fixed rate "specified" pools
	    ■ \$49.8 million ARM pools
	    ■ \$29.5 million in reverse mortgage pools
	    ■ \$15.9 million IOs
	■ Non-Agency RMBS Portfolio: \$32.0 million as of March 31, 2014

Leverage	■ Debt to equity ratio: approximately 7.8:1 as of March 31, 2014 and December 31, 2013 ■ Average cost of funds 0.37% for the quarter or 1.14% including interest rate swaps
Dividend	■ Declared first quarter dividend of \$0.55 per share (paid in April 2014) ■ Annualized dividend yield of 12.9% based on closing price of \$17.04 on May 9, 2014

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

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Ellington Residential: Agency RMBS

Overall Market Conditions

- Agency RMBS rallied in the first quarter, recovering much of their losses from the fourth quarter of 2013
  - The Federal Reserve continues to taper its monthly bond purchases on a steady and measured pace, and it is expected that by late 2014 the Federal Reserve's net monthly purchases of Agency RMBS will come to an end
    - The reduction in Federal Reserve purchase activity was easily absorbed by other market participants
  - Significantly lower interest rate volatility in the first few months of 2014 compared to the second half of 2013
  - New mortgage origination and refinancing activity were low given the absolute level of mortgage rates

Portfolio Trends and Outlook

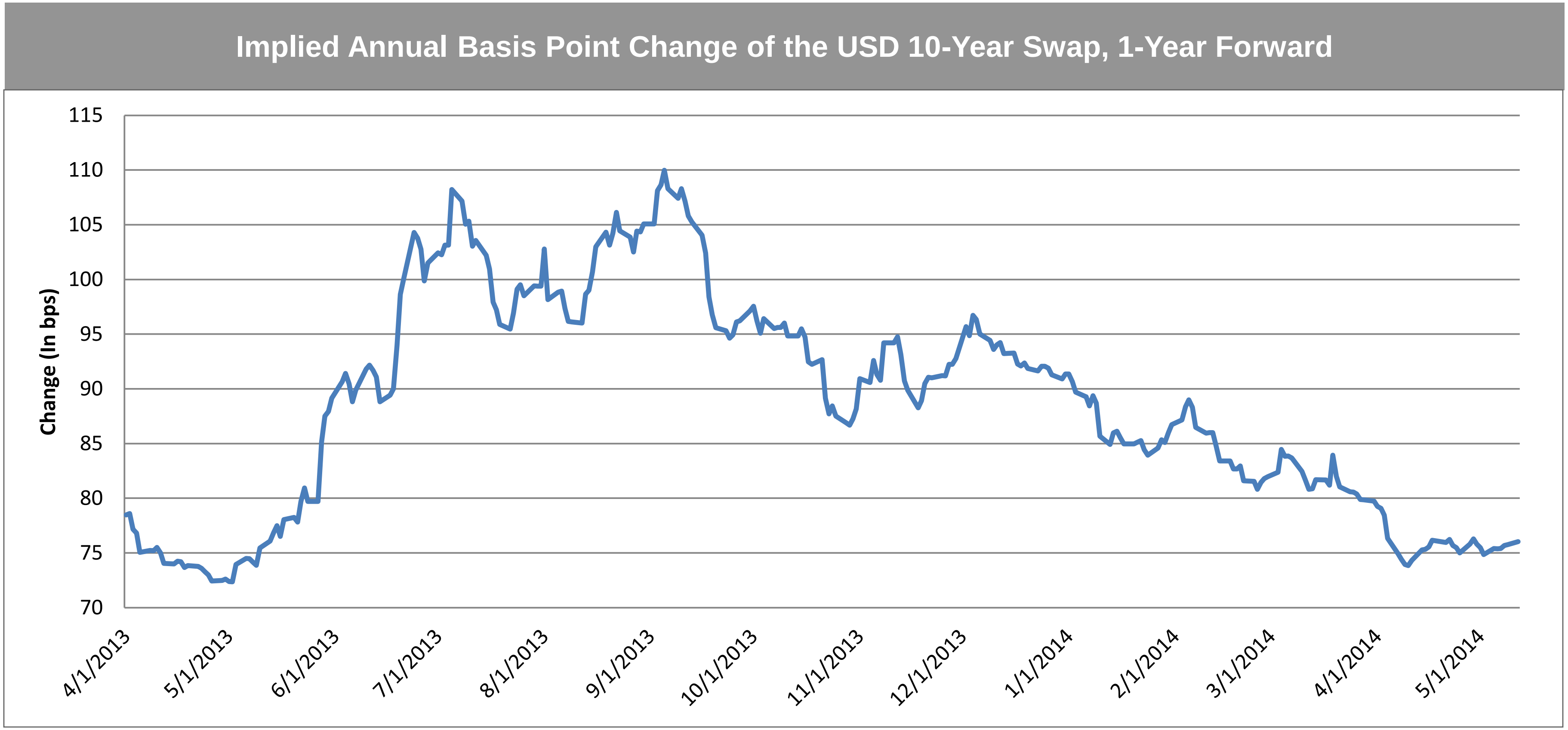
- We expect to continue to find opportunities to acquire specified pools at attractive prices
- While pay-ups increased during the first quarter, they are still well below their previous highs
  - Average pay-up of 0.32% as of March 31^{st}, and 0.20% as of December 31^{st}
  - Remain active in fixed rate reverse mortgage pools, IOs, and ARMs
  - Turned over approximately 44% of the portfolio as measured by sales, excluding principal paydowns

Ellington Residential: Non-Agency

Overall Market Conditions	- Non-Agency RMBS rallied in the first quarter, benefiting from the market perception of less uncertainty around future actions of the Federal Reserve with respect to its asset purchase program - Home prices continue to provide support to asset valuations - Investor appetite for fixed income assets, especially higher yielding assets, has increased; bond funds experienced net inflows in the first quarter of 2014, in contrast to the outflows they experienced in the latter half of 2013

Portfolio Trends and Outlook	- Slightly increased size of portfolio
	    - Turned over approximately 17% of the portfolio as measured by sales, excluding principal paydowns
	    - 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

Implied Volatility

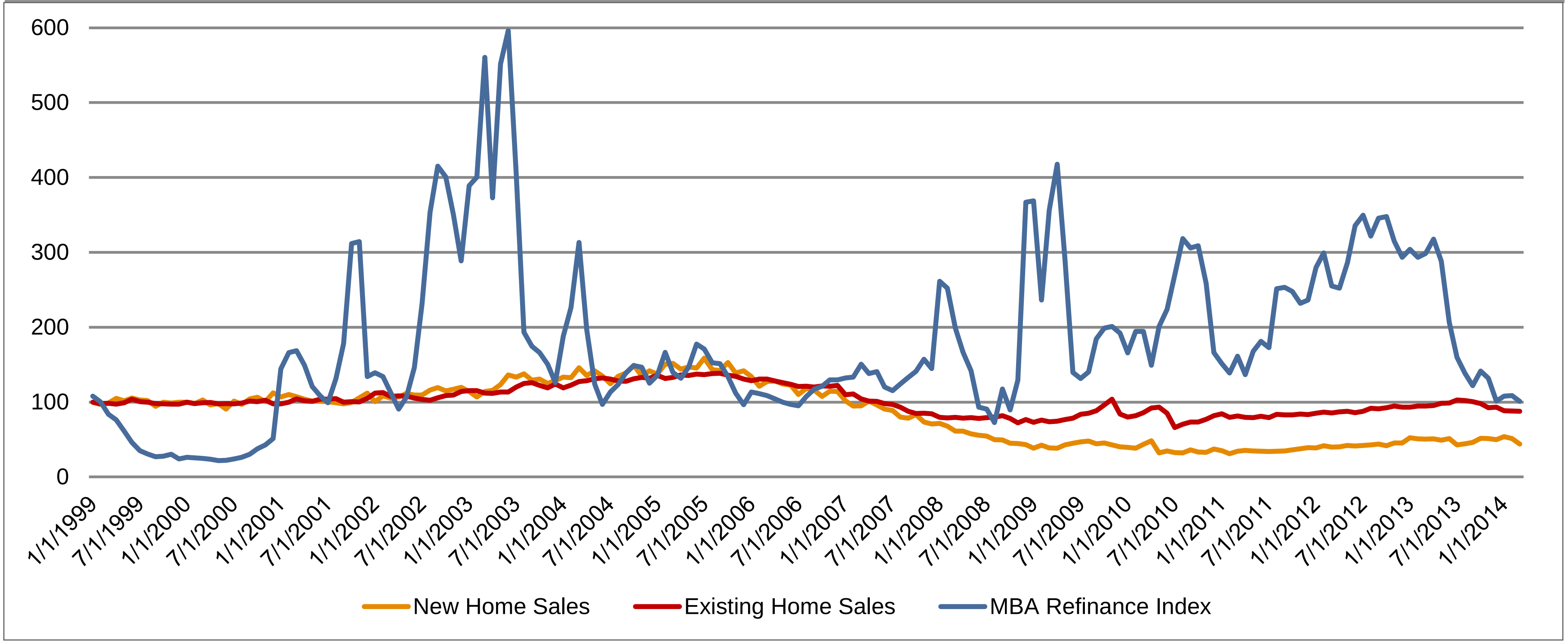


- **Market expectations of interest rate volatility have changed dramatically**
- **Last fall, market participants expected taper to cause substantial volatility**
- **Now market participants expect very low levels of volatility**
- **There is little room for actual levels of volatility to be below expectations**

Source: Barclays

New & Existing Home Sales are Below Levels from 15 Years Ago

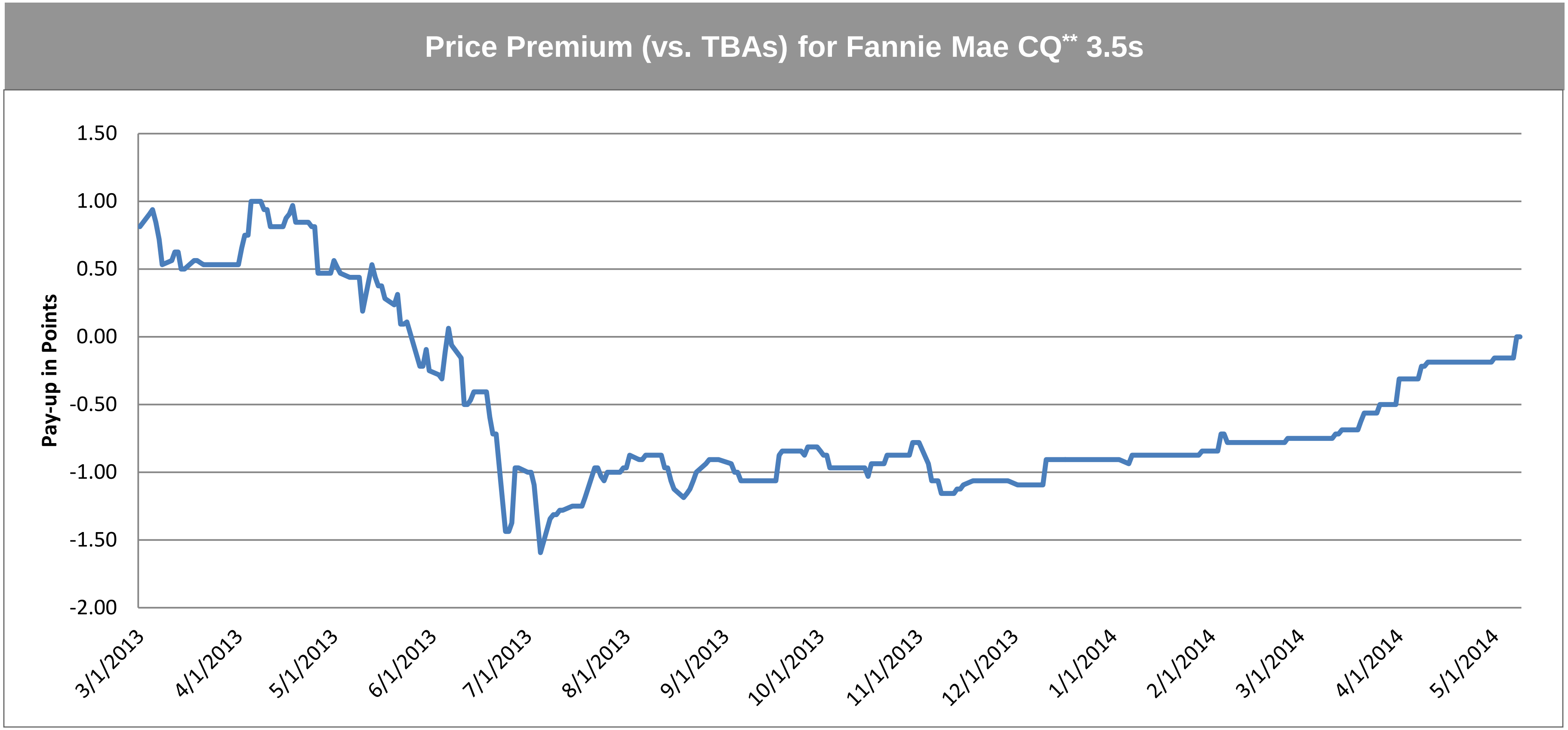
New Home Sales, Existing Home Sales, and the Mortgage Bankers Association Refinance Index, Normalized



- Refinance indices are at similarly depressed levels
- All three factors depress mortgage origination volumes
- Resulting low volumes are pressuring originators to relax lending standards
- We expect some increase in mortgage volumes

Source: Bloomberg

Volatility in Select Pool Pay-ups



- **Despite low levels of prepayments, some pool types have appreciated materially**
- **More value in specified pools should materialize as taper progresses**
- **Changes in pay-up levels create opportunities**
- **More supply, less fed buying, and higher prepayments all support pay-ups**

Source: Barclays
** Fannie Mae CQ pools are backed by 30 year fixed-rate mortgages with loan-to-value ratios between 105% and 125%.

Portfolio

Ellington Residential: Portfolio Summary

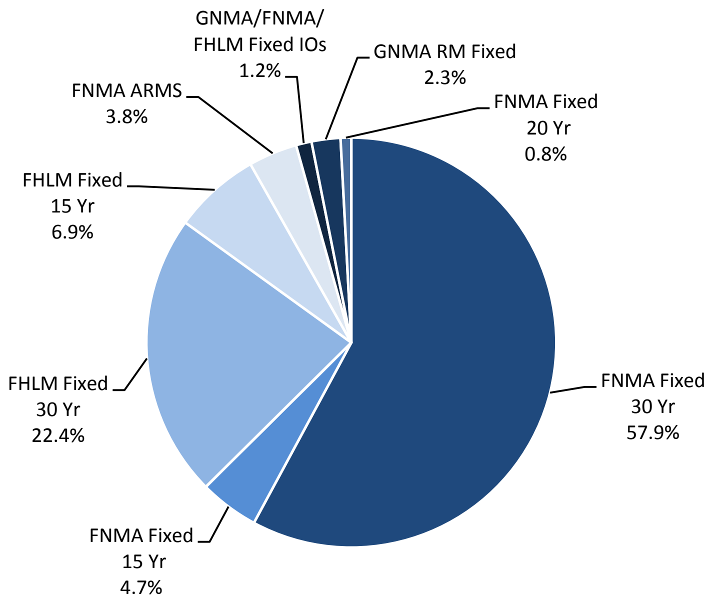
	March 31, 2014					December 31, 2013				
(In thousands)	Current Principal	Fair Value	Average Price[(1)]	Cost	Average Cost[(1)]	Current Principal	Fair Value	Average Price[(1)]	Cost	Average Cost[(1)]
Agency RMBS[(2)]										
15-year fixed rate mortgages	$ 144,422	$ 149,429	$ 103.47	$ 150,184	$ 103.99	$ 179,906	$ 183,872	$ 102.20	$ 187,059	$ 103.98
20-year fixed rate mortgages	10,347	10,908	105.42	10,980	106.12	-	-	-	-	-
30-year fixed rate mortgages	1,004,293	1,040,012	103.56	1,052,115	104.76	1,029,629	1,043,573	101.35	1,071,194	104.04
ARMs	46,804	49,840	106.49	49,869	106.55	43,525	46,115	105.95	46,172	106.08
Reverse mortgages	27,081	29,471	108.83	29,299	108.19	7,581	8,268	109.06	8,254	108.88
Total Agency RMBS	1,232,947	1,279,660	103.79	1,292,447	104.83	1,260,641	1,281,828	101.68	1,312,679	104.13
Non-Agency RMBS	54,115	32,045	59.22	30,409	56.19	50,006	30,681	61.35	28,679	57.35
Total RMBS[(2)]	1,287,062	1,311,705	101.91	1,322,856	102.78	1,310,647	1,312,509	100.14	1,341,358	102.34
Agency IOs	n/a	15,924	n/a	13,232	n/a	n/a	13,527	n/a	10,718	n/a
Total Real Estate Securities		$ 1,327,629		$ 1,336,088			$ 1,326,036		$ 1,352,076	

(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

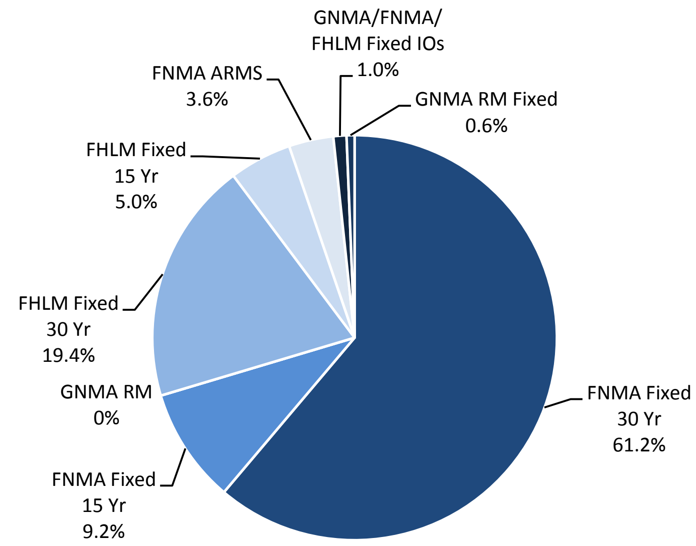
Current Quarter Agency Long Portfolio
As of 3/31/14: $1.30BN(1)



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**

Previous Quarter Agency Long Portfolio
As of 12/31/13: $1.30BN(1)



Fixed Portfolio(2)

Category	Fair Value(1)	Weighted Average Coupon(3)
FNMA Fixed - 30-Yr	$792.5	3.81
FNMA Fixed - 20-Yr	-	-
FNMA Fixed - 15-Yr	119.2	3.10
FHLM Fixed - 30-Yr	251.1	3.72
FHLM Fixed - 15-Yr	64.6	3.07
GNMA RM Fixed	8.3	4.85
Total	**$1,235.7**	**3.70**

(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

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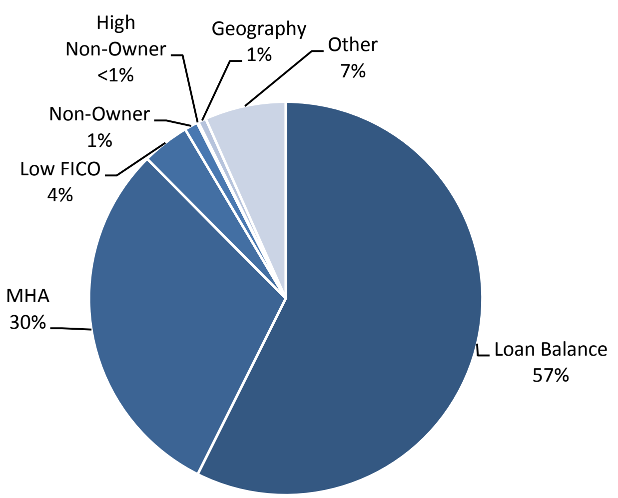
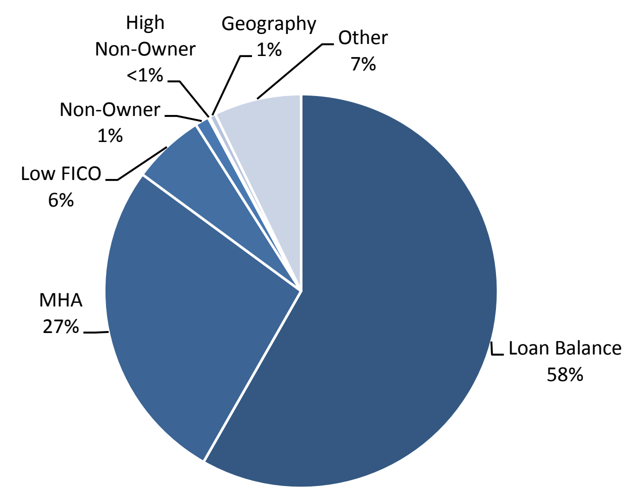
Collateral Characteristics and Historical 3-month CPR
Agency Fixed Rate Pool Portfolio 3/31/14: $1.20BN(1)



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**

Collateral Characteristics and Historical 3-month CPR
Agency Fixed Rate Pool Portfolio 12/31/13: $1.23BN(1)

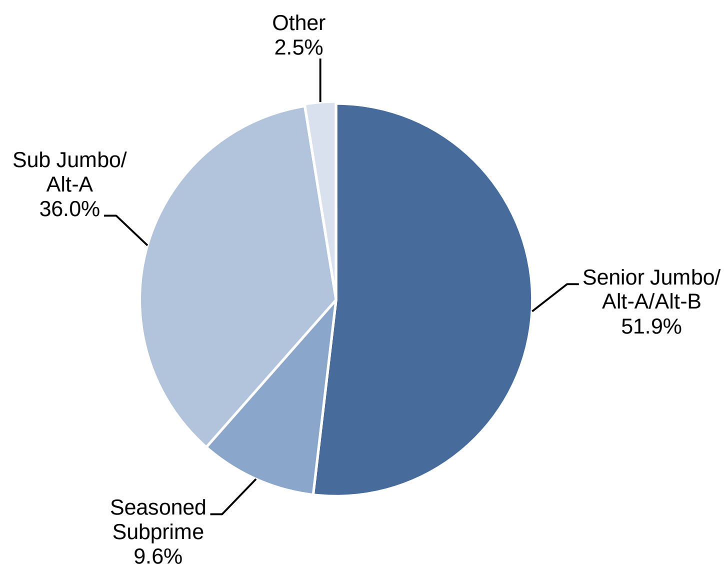


Characteristic(2)	Fair Value(1)(3)	3-Month CPR %(4)
Loan Balance	$715.0	2.6
MHA(5)	329.3	0.8
Low FICO	72.8	3.6
Non-Owner	14.1	0.4
High Non-Owner	1.5	0.2
Geography	6.4	2.7
Other	88.3	3.7
Total	**$1,227.4**	**2.2**

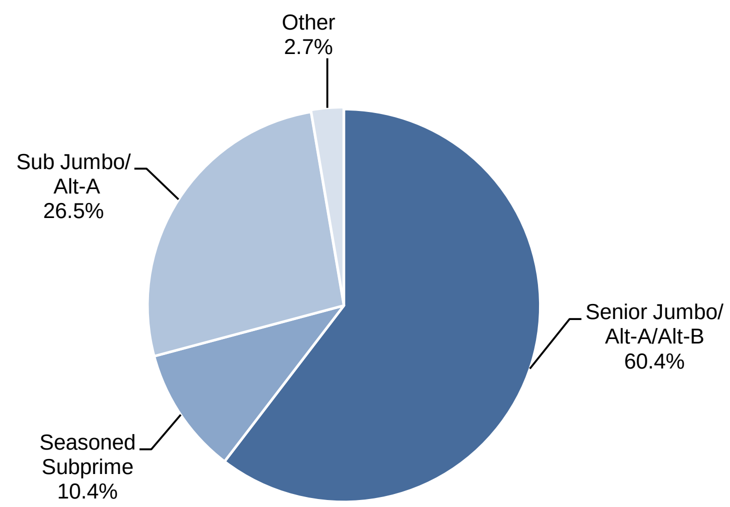
(1) Does not include long TBA positions, reverse mortgage pools, or fixed rate IOs.
(2) Classification methodology may change over time as market practices change.
(3) Fair value shown in millions.
(4) Excludes Agency fixed rate RMBS without any prepayment history with a total value of $87.3 million as of March 31, 2014 and $20.5 million as of December 31, 2013.
(5) "MHA" indicates those pools where underlying borrowers have participated in the Making Homes Affordable program.

Ellington Residential: Non-Agency Long Portfolio

Current Quarter **Non-Agency Long Portfolio 3/31/14: \$32.0MM**	**Previous Quarter** **Non-Agency Long Portfolio 12/31/13: \$30.7MM[(1)]**



Total Non-Agency Long
Avg Mkt Px 59.2



Total Non-Agency Long
Avg Mkt Px 61.4

- **Average book yield for the first quarter was 10.39% as compared to 9.01% for the fourth quarter**
  - **Underlying cash flows strengthening on held positions**
  - **Increase in average purchase yields**

(1) Prior period presentation has been conformed to current period presentation.

Borrowings and Hedges

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Ellington Residential: Repo Borrowings

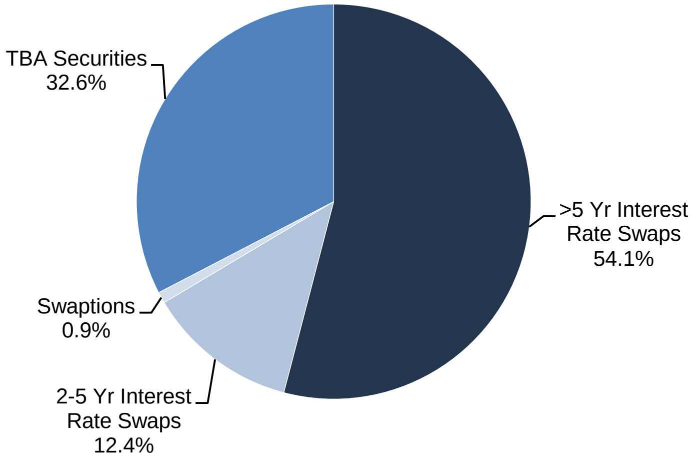
	March 31, 2014				December 31, 2013		
		Weighted Average				Weighted Average	
Remaining Days to Maturity	**Borrowings Outstanding**	**Interest Rate**	**Days to Maturity**		**Borrowings Outstanding**	**Interest Rate**	**Days to Maturity**
	(In thousands)				*(In thousands)*		
30 days or less	$ 355,198	0.36%	11		$ 338,700	0.35%	14
31-60 days	369,220	0.35%	43		531,799	0.39%	46
61-90 days	414,722	0.32%	74		326,386	0.38%	72
91-120 days	2,940	0.39%	108		109,476	0.45%	100
121-150 days	47,945	0.39%	134		3,986	0.56%	136
151-180 days	91,445	0.38%	164		-	-	-
Total	**$ 1,281,470**	**0.35%**	**56**		**$ 1,310,347**	**0.38%**	**49**

- **As of March 31, 2014:**
  - Outstanding borrowings with 9 counterparties
  - Rates and haircuts 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 7.8:1

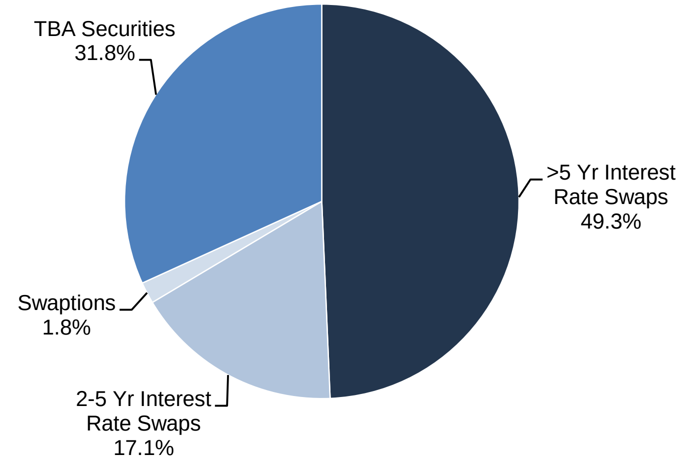
Note: As of March 31, 2014 and December 31, 2013, the Company had no outstanding borrowings other than under repurchase agreements. The entire amount of outstanding borrowings as of both March 31, 2014 and December 31, 2013 were related to Agency RMBS.

Ellington Residential: Interest Rate Hedging Portfolio

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



Previous Quarter
Agency Interest Rate Hedging Portfolio 12/31/13:
Short $853.7MM 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 first quarter:**
  - **Extended term of short interest rate swaps**
  - **Maintained relative TBA hedge position at just over 30%**

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

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

(In millions) Agency-related Portfolio	3/31/2014		12/31/2013	
Long Agency RMBS	$	1,296	$	1,295
Net Short TBA Positions(1)		(443)		(389)
Net Long Exposure to Agency RMBS	$	853	$	906

- **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 0.32% as of March 31, 2014 compared to 0.20% as of December 31, 2013**

Estimated Change in Fair Value as of March 31, 2014 if Interest Rates Move(2):

(In thousands)	Down 50 bps		Up 50 bps	
Agency RMBS – ARM Pools	$	532	$	(640)
Agency RMBS – Fixed Pools and IOs		29,993		(36,470)
TBAs		(9,258)		11,461
Non-Agency RMBS		525		(518)
Interest Rate Swaps		(21,755)		20,456
Swaptions		(22)		566
Repurchase Agreements		(687)		988
Total	**$**	**(672)**	**$**	**(4,157)**

(1) Net short TBA positions represents the current market value of the underlying Agency RMBS (on a forward delivery basis) as of March 31, 2014 and December 31, 2013. The net carrying value of the TBA positions as of March 31, 2014 and December 31, 2013 on the Consolidated Balance Sheet was $0.7 million and $2.2 million, respectively.

(2) Based on the market environment as of March 31, 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.

Ellington Residential: Interest Rate Hedging Continued

March 31, 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	$	(101)	0.80%	0.24%	2.52
2017		113,750		(403)	1.20%	0.23%	3.34
2018		81,500		1,685	0.89%	0.24%	4.12
2020		70,500		2,499	1.44%	0.24%	6.13
2023		210,600		9,087	2.13%	0.24%	9.15
2024		22,500		(105)	2.88%	0.23%	9.98
2043		59,600		3,684	3.17%	0.23%	29.19
2044		8,000		(250)	3.69%	0.23%	29.97
Total	$	**614,450**	$	**16,096**	**1.76**%	**0.24**%	**8.79**

TBA Securities								
(In thousands)	Notional Amount (1)		Cost Basis (2)		Market Value (3)		Net Carrying Value (4)	
Total TBAs, Net	$	(421,527)	$	(443,359)	$	(442,635)	$	724

Interest Rate Swaptions							
	Option			Underlying Swap			
($ in thousands)	Fair Value		Months to Expiration	Notional Amount		Term (Years)	Fixed Rate
Fixed Payer	$	(535)	5.9	$	22,000	10.0	3.31%
Straddle	$	(188)	6.9	$	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 March 31, 2014.
(4) Net carrying value represents the difference between the market value of the TBA contract as of March 31, 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

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Ellington Residential: Income Statement (Unaudited)

CONSOLIDATED STATEMENT OF OPERATIONS		
	Three Month Period Ended March 31, 2014	Three Month Period Ended December 31, 2013
(In thousands except share amounts)		
INTEREST INCOME (EXPENSE)		
Interest income	$ 11,959	$ 12,050
Interest expense	(1,155)	(1,283)
Total net interest income	10,804	10,767
EXPENSES		
Management fees	592	600
Professional fees	139	155
Other operating expenses	663	656
Total expenses	1,394	1,411
OTHER INCOME (LOSS)		
Net realized losses on real estate securities	(3,025)	(11,164)
Net realized losses on financial derivatives	(3,409)	(5,340)
Change in net unrealized gains (losses) on real estate securities	17,581	(10,756)
Change in net unrealized gains (losses) on financial derivatives	(17,796)	17,780
Total other loss	(6,649)	(9,480)
NET INCOME (LOSS)	$ 2,761	$ (124)
NET INCOME (LOSS) PER COMMON SHARE		
Basic	$ 0.30	$ (0.01)
WEIGHTED AVERAGE SHARES OUTSTANDING	9,139,842	9,139,842
CASH DIVIDENDS PER SHARE:		
Dividends Declared	$ 0.55	$ 0.50

Ellington Residential: Balance Sheet (Unaudited)

CONSOLIDATED BALANCE SHEET		
	As of	
	March 31, 2014	December 31, 2013[1]
(In thousands except share amounts)		
ASSETS		
Cash and cash equivalents	$ 51,106	$ 50,112
Real estate securities, at fair value	1,327,629	1,326,036
Due from brokers	10,725	18,347
Financial derivatives-assets, at fair value	18,117	34,963
Receivable for securities sold	119,887	76,692
Interest receivable	5,522	4,766
Other assets	112	174
Total Assets	$ 1,533,098	$ 1,511,090
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Repurchase agreements	$ 1,281,470	$ 1,310,347
Payable for securities purchased	65,812	2,776
Due to brokers	11,764	22,788
Financial derivatives-liabilities, at fair value	2,020	1,069
Dividend payable	5,027	4,570
Accrued expenses	874	996
Management fee payable	592	600
Interest payable	584	764
Total Liabilities	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 and 9,139,842 shares issued and outstanding, respectively)	91	91
Additional paid-in-capital	181,188	181,147
Accumulated deficit	(16,324)	(14,058)
Total Shareholders' Equity	164,955	167,180
Total Liabilities and Shareholders' Equity	$ 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 March 31, 2014	Three Month Period Ended December 31, 2013
Net Income (Loss)	$ 2,761	$ (124)
Less:		
Net realized losses on real estate securities	(3,025)	(11,164)
Net realized losses on financial derivatives, excluding periodic payments(2)	(2,614)	(160)
Change in net unrealized gains (losses) on real estate securities	17,581	(10,756)
Change in net unrealized gains and (losses) on financial derivatives, excluding accrued periodic payments(3)	(16,213)	15,167
Subtotal	(4,271)	(6,913)
Core Earnings	$ 7,032	$ 6,789
Weighted Average Shares Outstanding	9,139,842	9,139,842
Core Earnings Per Share	$ 0.77	$ 0.74

(1) Core Earnings consists of net income (loss), excluding realized and unrealized gains and losses on real estate 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 March 31, 2014 and December 31, 2013, the Company's Core Earnings on a consolidated basis to the line on its consolidated statement of operations entitled Net Income (Loss), which the Company believes is the most directly comparable GAAP measure on its Consolidated Statement of Operations to Core Earnings.

(2) 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). For the three month period ended December 31, 2013, represents Net realized gains (losses) on financial derivatives of $(5,340) less Net realized gains (losses) on periodic settlements of interest rate swaps of $(5,180).

(3) 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). For the three month period ended December 31, 2013, represents Net change in unrealized gains (losses) on financial derivatives of $17,780 less Change in net unrealized gains (losses) on accrued periodic settlements of interest rate swaps of $2,613.

EARN

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 130 employees, giving EARN access to time-tested infrastructure and industry-leading resources in trading, research, risk management, and operational support
  - EMG has approximately $5.7 billion in assets under management as of March 31, 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

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