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ELLINGTON RESIDENTIAL MORTGAGE REIT

Fourth Quarter 2018 Earnings Conference Call

February 12, 2019

Important Notice

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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.

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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 December 31, 2018 unless otherwise indicated. We undertake no duty or obligation to update this presentation to reflect subsequent events or developments.

Fourth Quarter Market Update

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Quarter Ended:	12/31/2018	9/30/2018	Q/Q	6/30/2018	Q/Q	3/31/2018	Q/Q	12/31/2017	Q/Q	9/30/2017
UST (%)[1]										
2Y UST	2.49	2.82	-0.33	2.53	+0.29	2.27	+0.26	1.88	+0.39	1.48
5Y UST	2.51	2.95	-0.44	2.74	+0.21	2.56	+0.18	2.21	+0.35	1.94
10Y UST	2.68	3.06	-0.38	2.86	+0.20	2.74	+0.12	2.41	+0.33	2.33
30Y UST	3.01	3.21	-0.20	2.99	+0.22	2.97	+0.02	2.74	+0.23	2.86
2Y10Y Spread	0.20	0.24	-0.04	0.33	-0.09	0.47	-0.14	0.52	-0.05	0.85
US Dollar Swaps (%)[1]										
2Y SWAP	2.66	2.99	-0.33	2.79	+0.20	2.58	+0.21	2.08	+0.50	1.74
5Y SWAP	2.57	3.07	-0.50	2.89	+0.18	2.71	+0.18	2.24	+0.47	2.00
10Y SWAP	2.71	3.12	-0.41	2.93	+0.19	2.79	+0.14	2.40	+0.39	2.29
LIBOR (%)[1]										
1mo	2.50	2.26	+0.24	2.09	+0.17	1.88	+0.21	1.56	+0.32	1.23
3mo	2.81	2.40	+0.41	2.34	+0.06	2.31	+0.03	1.69	+0.62	1.33
1mo3mo Spread	0.30	0.14	+0.16	0.25	-0.11	0.43	-0.18	0.13	+0.30	0.10
Mortgage Rates (%)[2]										
15Y	4.25	4.39	-0.14	4.22	+0.17	4.09	+0.13	3.64	+0.45	3.42
30Y	4.55	4.72	-0.17	4.55	+0.17	4.44	+0.11	3.99	+0.45	3.83
FNMA Pass-Thrus[1]										
30Y 3.5	$99.83	$98.39	+$1.44	$99.45	-$1.06	$100.20	-$0.75	$102.73	-$2.53	$103.05
30Y 4.0	$101.83	$100.95	+$0.88	$101.92	-$0.97	$102.61	-$0.69	$104.61	-$2.00	$105.27
30Y 4.5	$103.45	$103.14	+$0.31	$104.08	-$0.94	$104.70	-$0.62	$106.42	-$1.72	$107.33
Libor-based OAS (bps)[3]										
FNMA 30Y 3.5 OAS	29.4	22.0	7.4	21.5	0.5	23.8	-2.3	17.2	6.6	20.0
FNMA 30Y 4.0 OAS	30.4	28.2	2.2	26.9	1.3	28.3	-1.4	19.9	8.4	18.4
FNMA 30Y 4.5 OAS	50.1	34.3	15.8	31.3	3.0	32.7	-1.4	15.4	17.3	8.6
Libor-based ZSpread (bps)[4]										
FNMA 30Y 3.5 ZSpread	74.1	58.3	15.8	62.7	-4.4	67.4	-4.7	65.5	1.9	72.9
FNMA 30Y 4.0 ZSpread	87.8	73.1	14.7	75.8	-2.7	78.6	-2.8	67.7	10.9	72.1
FNMA 30Y 4.5 ZSpread	98.8	81.0	17.8	78.1	2.9	79.0	-0.9	50.2	28.8	53.1

Fourth Quarter Highlights

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Overall Results	▪ Net Loss: $(10.1) million or $(0.80) per share ▪ Economic Return: (5.7%) for the quarter ▪ Net Interest Margin: 1.12%; Adjusted Net Interest Margin(1): 1.11%
Core Earnings(2)	▪ Core Earnings: $4.0 million or $0.32 per share ▪ Adjusted Core Earnings(1): $4.0 million or $0.32 per share
Shareholders' Equity & BVPS(3)	▪ Shareholders' equity: $153.8 million ▪ Book value per share: $12.30 ○ Estimated book value per share as of 1/31/2019: $12.75(4)
Portfolio	▪ Agency RMBS Portfolio: $1.53 billion(3) ○ Weighted average prepayment speed on fixed-rate specified pools of 6.6% CPR for the quarter ○ Portfolio turnover of 22% ○ Average pay-ups on specified pools of 0.58%(3) ▪ Non-Agency RMBS Portfolio: $11.2 million(3)
Leverage(3)	▪ Debt-to-equity ratio: 9.6:1 ▪ Net mortgage assets-to-equity ratio of 8.7:1(5)
Dividend	▪ Declared fourth quarter dividend of $0.34 per share (paid in January 2019) ▪ Annualized dividend yield of 11.7% based on closing price of $11.67 on 2/8/2019
Share Repurchase Program	▪ Repurchased 202,493 shares during the quarter, or approximately 1.6%, at an average price of $10.54
Expense Ratio	▪ 3.0% of shareholders' equity on an annualized basis

Relative Yield Spreads

As of January 2, 2019[1]

Securitized Products	24 Mo Tights		24 Mo Wides
US Agency MBS TOAS	-13	24	40
US Agency MBS TZV	51	73	89
US Non-Agency RMBS	95	130	265
CRT OTR M1	37	88	130
CRT OTR LCF	177	206	368
US CMBS AAA	74	105	107
US CMBS BBB-	245	420	550
Agency CMBS Freddie A2 (10yr)	41	69	70
US CLO 2.0 AAA	92	124	141
US CLO 2.0 BBB	245	400	415
UK Prime	22		82
UK NC Snr	60		135
ES RMBS AAA	35		75
EUR CLO 2.0 AAA	71	101	103
US Corporate Credit			
US IG Corp A OAS	69	122	127
US IG Corp BBB OAS	112	196	200
US HY Corp BB STW	217	381	384
US HY Corp B STW	344	589	594
US HY Corp CCC STW	731	1172	1186

- **With a weak fourth quarter, yield spreads on many US corporate credit and European products finished 2018 near their 24-month wide levels, although a portion of this widening reversed for most products in January 2019**
- **Relative to its 24-month range, US Non-Agency RMBS has held up relatively well**

Summary of Financial Results

ELLINGTON RESIDENTIAL MORTGAGE REIT

	Quarter Ended 12/31/2018				Quarter Ended 9/30/2018			
($ in thousands except per share amounts)			Per Share[1]				Per Share[1]	
Interest Income	$	13,875			$	13,171		
Interest Expense		(9,084)				(8,519)		
Total Net Interest Income	$	4,791			$	4,652		
Total Other Gain (Loss) [2]	$	464			$	388		
Total Expenses	$	1,232			$	1,331		
Total Expenses as % of Average Equity, Annualized [3]		*3.00%*				*3.04%*		
Core Earnings [4]	**$**	**4,023**	**$**	**0.32**	**$**	**3,709**	**$**	**0.29**
Less: Catch-up Premium Amortization Adjustment[5]		31				(398)		
Adjusted Core Earnings [6]	**$**	**3,992**	**$**	**0.32**	**$**	**4,107**	**$**	**0.32**
Net Realized and Unrealized Gain (Loss):								
RMBS	$	10,803			$	(11,180)		
Interest Rate Hedges		(24,900)				8,417		
Total Net Realized and Unrealized Gain (Loss)	$	(14,097)			$	(2,763)		
Net Income (Loss)	**$**	**(10,074)**	**$**	**(0.80)**	**$**	**946**	**$**	**0.07**
Adjusted Weighted Average Yield [7]		3.46%				3.26%		
Cost of Funds		-2.35%				-2.14%		
Adjusted Net Interest Margin [6]		1.11%				1.12%		
Shareholders' Equity	**$**	**153,822**	**$**	**12.30**	**$**	**170,230**	**$**	**13.40**

Portfolio Summary

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	December 31, 2018					September 30, 2018				
(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	$ 135,537	$ 137,531	$ 101.47	$ 138,844	$ 102.44	$ 145,249	$ 145,769	$ 100.36	$ 151,319	$ 104.18
20-year fixed rate mortgages	7,267	7,505	103.28	7,842	107.91	7,687	7,866	102.33	8,287	107.81
30-year fixed rate mortgages	1,237,047	1,273,514	102.95	1,294,517	104.65	1,273,788	1,297,612	101.87	1,335,573	104.85
ARMs	17,752	18,243	102.77	18,969	106.86	18,513	19,051	102.91	19,735	106.60
Reverse mortgages	70,991	75,904	106.92	77,322	108.92	70,938	75,049	105.80	77,510	109.26
Total Agency RMBS	1,468,594	1,512,697	103.00	1,537,494	104.69	1,516,175	1,545,347	101.92	1,592,424	105.03
Non-Agency RMBS	13,755	11,233	81.66	9,431	68.56	14,418	11,952	82.90	9,908	68.72
Total RMBS[2]	1,482,349	1,523,930	102.81	1,546,925	104.36	1,530,593	1,557,299	101.74	1,602,332	104.69
Agency Interest Only RMBS	n/a	16,366	n/a	16,740	n/a	n/a	18,684	n/a	17,601	n/a
Total mortgage-backed securities		1,540,296		1,563,665			1,575,983		1,619,933	
U.S. Treasury securities sold short	(360)	(374)	103.89	(362)	100.56	(26,816)	(26,367)	98.33	(26,412)	98.49
Reverse repurchase agreements	379	379	100.00	379	100.00	26,769	26,769	100.00	26,769	100.00
Total		$1,540,301		$1,563,682			$1,576,385		$1,620,290	

Agency Interest Rate Hedging Portfolio

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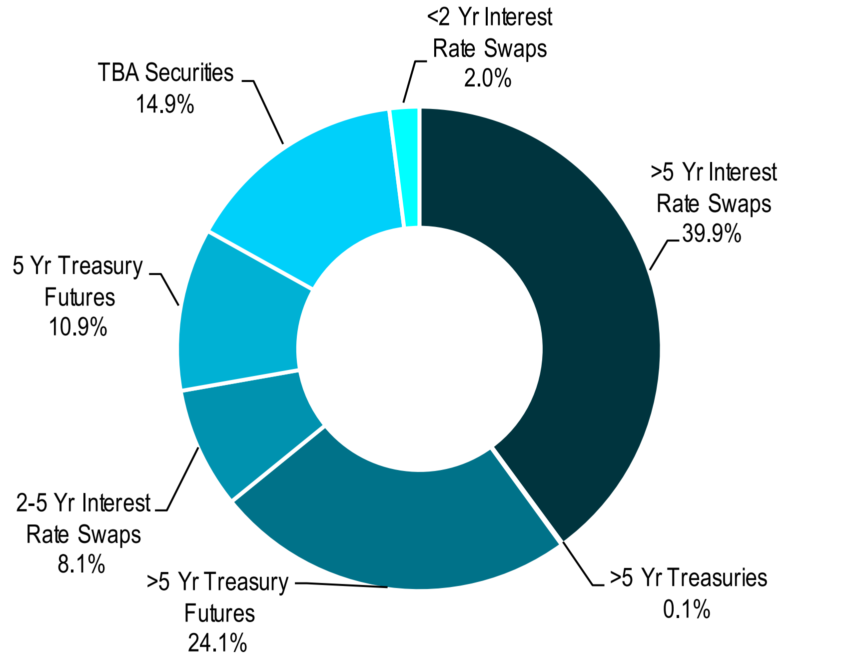
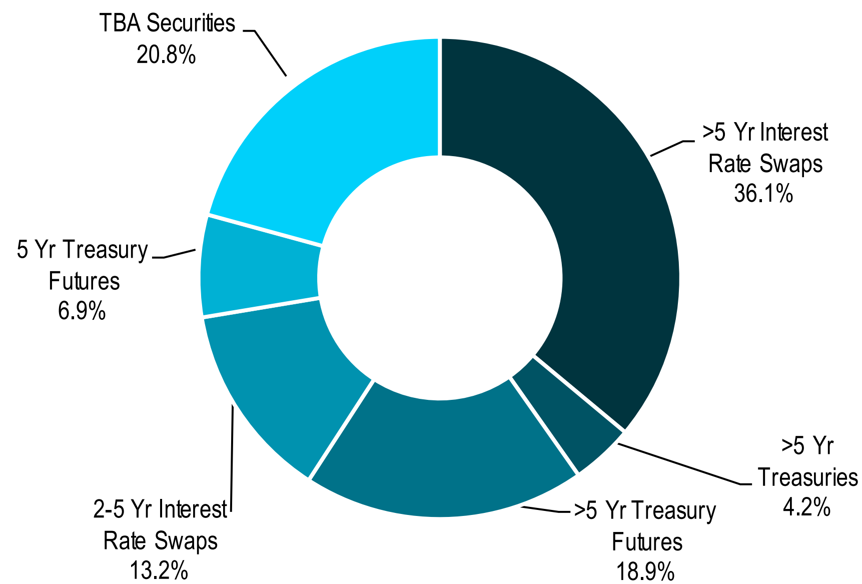
As of 12/31/2018
Short $597.9MM 10-yr equivalents[1]



As of 9/30/2018
Short $693.2MM 10-yr equivalents[1]



- **We hedge along the entire yield curve to protect against volatility, defend book value and more thoroughly control interest rate risk**
- **Shorting "generic" pools (or TBAs) allows EARN to significantly reduce interest rate risk and basis risk in its Agency portfolio**
- **We also hedge interest rate risk with swaps, U.S. Treasury securities, futures, and swaptions**

Dynamic Hedging Strategy

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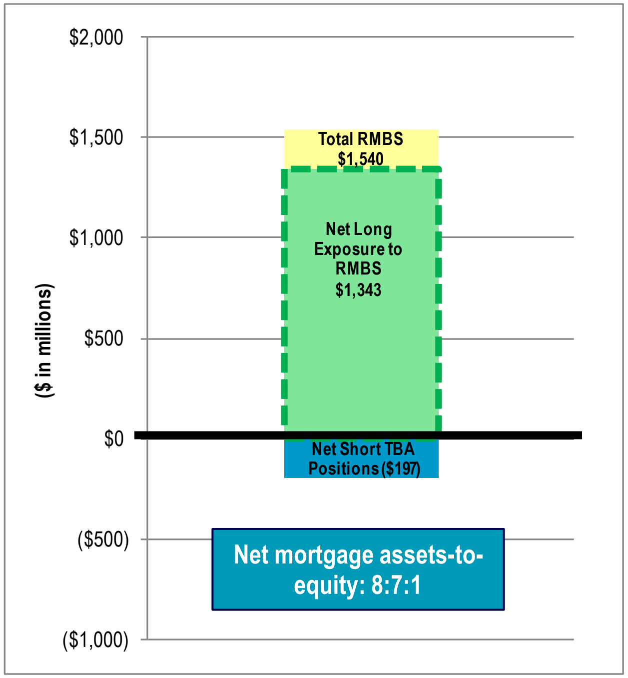
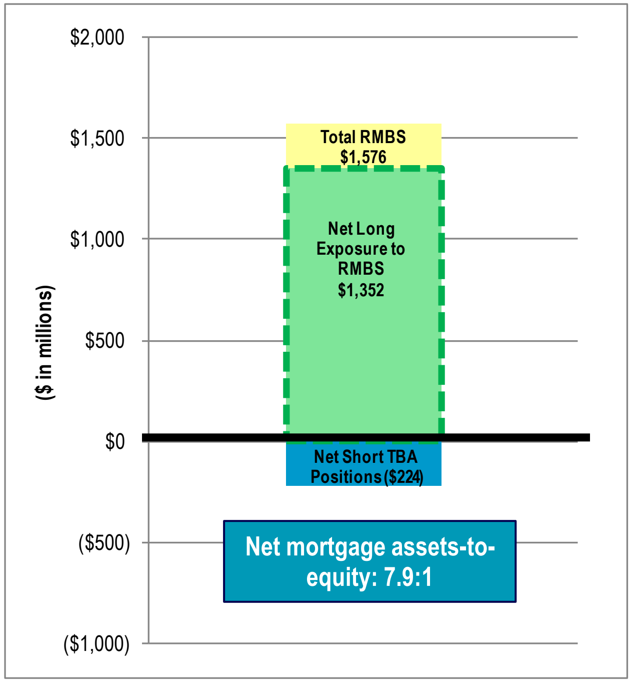
Exposure to RMBS Based on Fair Value of TBA Portfolio[1]

As of 12/31/2018



As of 9/30/2018



- EARN carries lower net effective mortgage exposure than our "headline" leverage would suggest
  - Our net mortgage assets-to-equity[2] ratio was 8.7:1 versus our debt-to-equity ratio of 9.6:1 as of December 31, 2018
- Use of TBA short positions as hedges:
  - Helps drive outperformance in especially volatile quarters
  - When interest rates spike, TBA short positions not only extend with specified pool assets, but they tend to extend more than specified pool assets, which dynamically and automatically hedges a correspondingly larger portion of our specified pool portfolio

Weighted Average Coupon Spreads Have Been Increasing[1]

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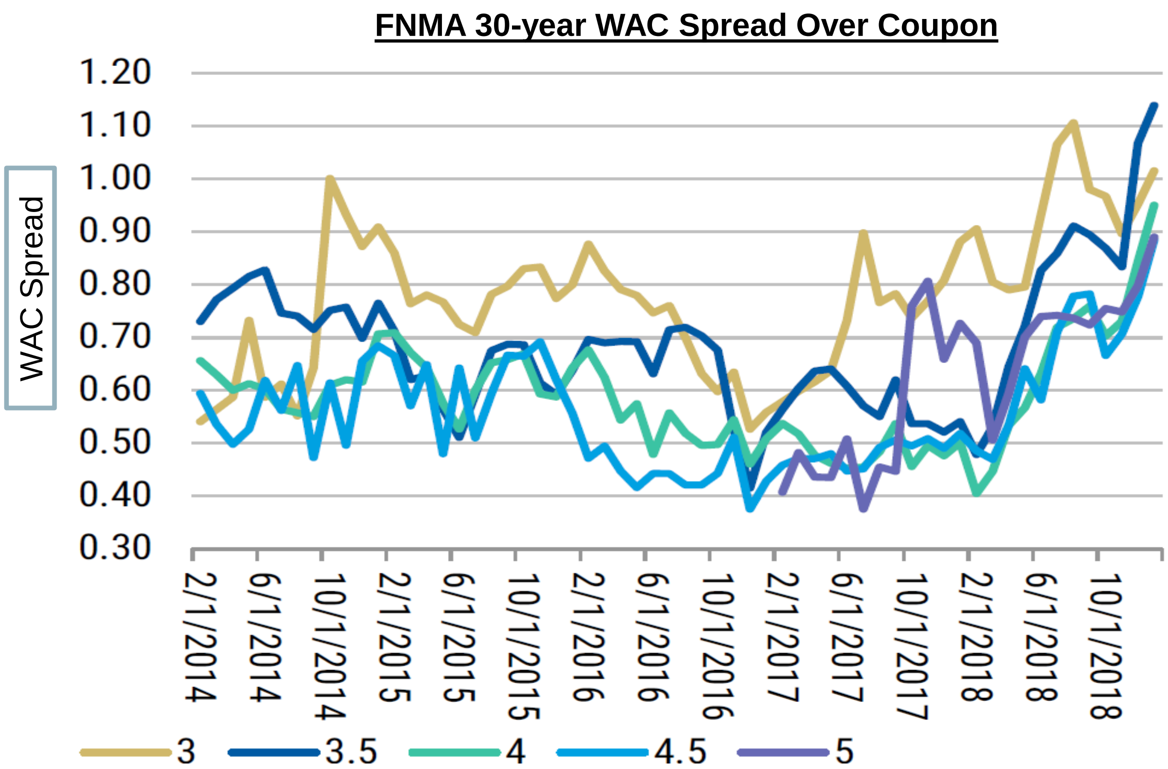

- The spread between WAC and underlying coupon has been increasing in FNMAs
- This is particularly challenging for TBAs now that the Fed is no longer net adding Agency RMBS
- This dynamic adds to the benefits of specified pools versus TBAs

Spread Differential: 3-mo. LIBOR vs. Repo Funding Rate[1]

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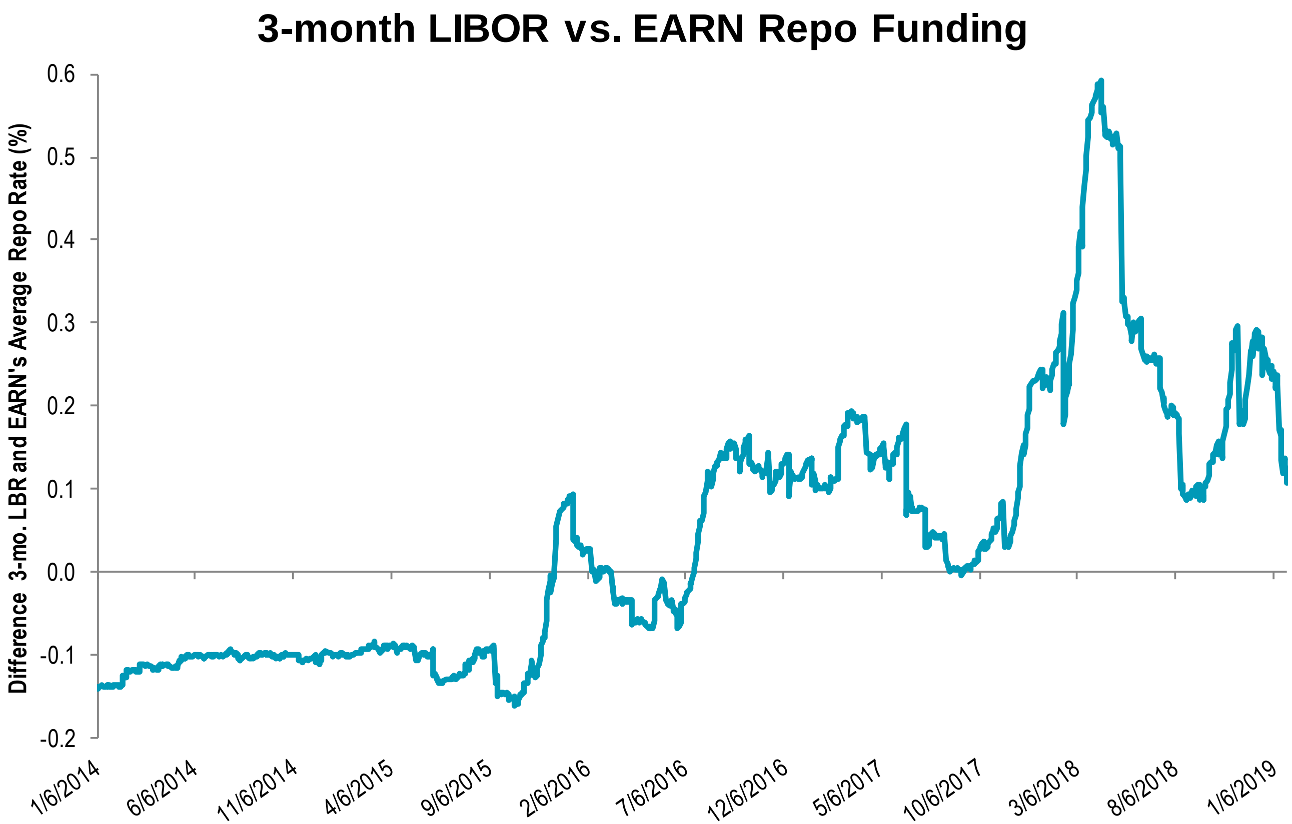

- While the spread between the Agency repo funding rate and 3-month LIBOR has widened significantly since the end of 2017, and still remains positive, it has recently tightened
- EARN's cost of funds should benefit from the spread differential between our repo rate and 3-month LIBOR as the floating/receiving leg of our swaps reset higher
  - This funding advantage is only available to the leveraged investor
  - Only a small portion of the Agency investor base uses leverage: notably, mREITs and hedge funds
  - Funding advantage is supportive of Core Earnings

EARN: 2019 Objectives

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1. Take advantage of relative value trading opportunities that we believe will emerge as a diminishing Fed footprint and market volatility lead to more pricing dislocations

2. Dial up and down our MBS exposure aggressively in response to market opportunities

3. Supplement earnings with book value accretion via share repurchases when stock price is deeply discounted

4. Take advantage of higher asset yields to rotate portfolio, in order to recharge Net Interest Margin and drive Core Earnings

5. Capitalize on investment opportunities that emerge as volatility returns to the market

   - Our hedging strategy and the high liquidity of our portfolio enable us to take advantage of investment opportunities

Supplemental Slides

Agency Portfolio Summary

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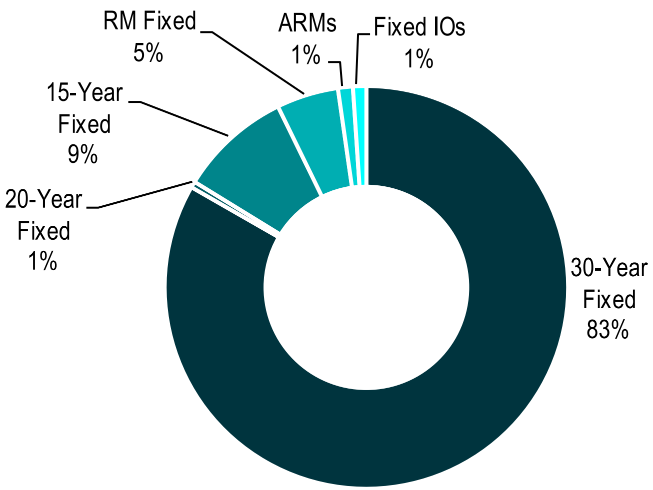
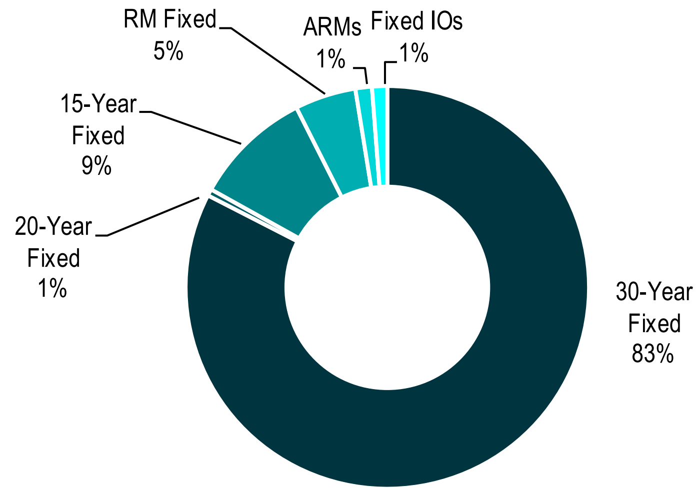
Agency Long Portfolio
As of 12/31/2018: $1.53BN[1]



Category	Fair Value[1][2]	Wtd. Avg. Coupon[3]
30-Year Fixed	$ 1,273.6	4.22
20-Year Fixed	7.5	4.00
15-Year Fixed	137.5	3.56
RM Fixed	75.9	4.61
Subtotal - Fixed	**1,494.5**	**4.18**
ARMs	18.2	
Fixed IOs	16.4	
Total	**$ 1,529.1**	

Agency Long Portfolio
As of 9/30/2018: $1.56BN[1]



Category	Fair Value[1][2]	Wtd. Avg. Coupon[3]
30-Year Fixed	$ 1,297.6	4.11
20-Year Fixed	7.9	4.00
15-Year Fixed	145.8	3.42
RM Fixed	75.0	4.54
Subtotal - Fixed	**1,526.3**	**4.07**
ARMs	19.1	
Fixed IOs	18.7	
Total	**$ 1,564.0**	

CPR Breakout of Agency Fixed Long Portfolio

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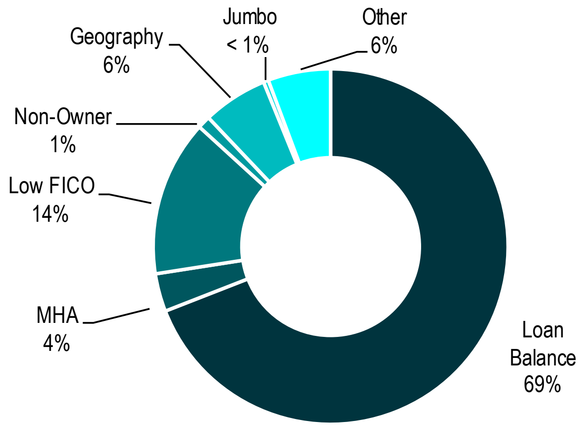
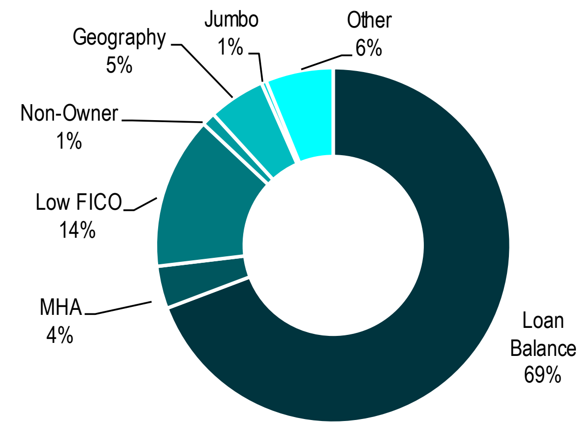
Agency Fixed Long Portfolio Collateral Characteristics and Historical 3-Mo CPR: Average for Quarter Ended 12/31/2018[1]



Characteristic[2]	Fair Value[1][3]	3-Month CPR %
Loan Balance	$ 967.5	7.2
MHA[4]	48.4	11.2
Low FICO	199.1	5.0
Non-Owner	16.3	5.0
Geography	82.9	1.9
Jumbo	6.4	8.9
Other	80.0	6.1
Total	**$ 1,400.5**	**6.6**

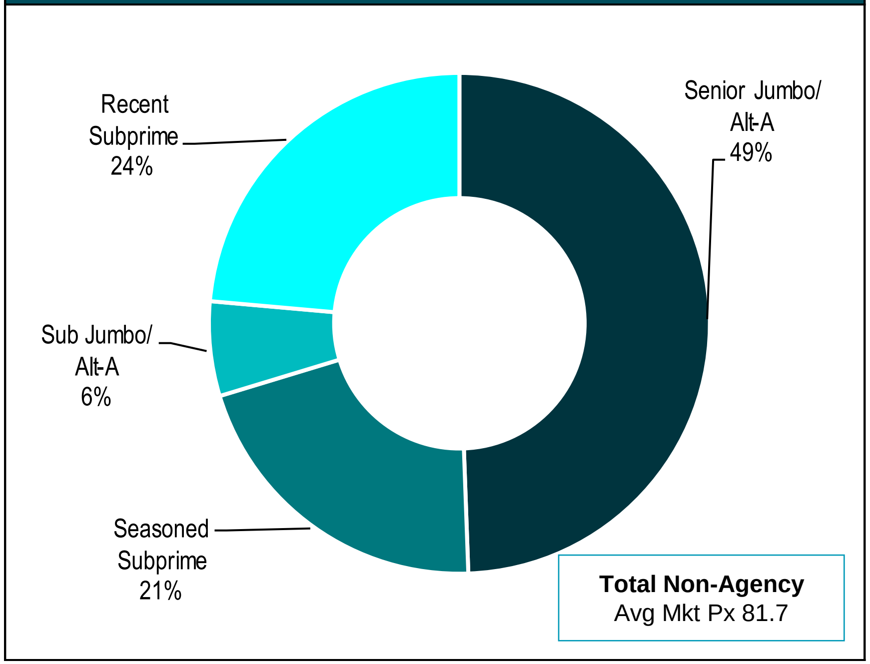
Agency Fixed Long Portfolio Collateral Characteristics and Historical 3-Mo CPR: Average for Quarter Ended 9/30/2018[1]



Characteristic[2]	Fair Value[1][3]	3-Month CPR %
Loan Balance	$ 1,000.8	9.7
MHA[4]	55.9	10.3
Low FICO	200.5	3.5
Non-Owner	17.8	16.7
Geography	74.6	3.5
Jumbo	6.6	5.7
Other	89.1	4.4
Total	**$ 1,445.4**	**8.4**

Non-Agency Portfolio

Non-Agency Portfolio
12/31/2018: $11.2 MM



- We continue to maintain a small but high-yielding portfolio of non-Agency RMBS
- May increase allocation to sector should more attractive entry points arise

Repo Borrowings[1]

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Remaining Days to Maturity	December 31, 2018			September 30, 2018		
		Weighted Average			Weighted Average	
	Borrowings Outstanding	Interest Rate	Remaining Days to Maturity	Borrowings Outstanding	Interest Rate	Remaining Days to Maturity
	(In thousands)			*(In thousands)*		
30 days or less	$ 512,505	2.45%	16	$ 346,841	2.21%	15
31-60 days	594,199	2.56%	46	721,514	2.25%	45
61-90 days	359,861	2.71%	75	342,650	2.36%	77
91-120 days	-	-	-	89,627	2.30%	108
151-180 days	14,996	2.72%	177	-	-	-
Total	**$ 1,481,561**	**2.56%**	**44**	**$ 1,500,632**	**2.27%**	**49**

- Outstanding borrowings are with 12 counterparties as of December 31, 2018
- Cost of repo increased as LIBOR increased
- Availability from both existing and new lending counterparties remains strong

Interest Rate Sensitivity Analysis[1]

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($ in thousands)	Estimated Change in Fair Value					
	50 Basis Point Decline in Interest Rates			50 Basis Point Increase in Interest Rates		
		Market Value	% of Total Equity		Market Value	% of Total Equity
Agency RMBS—ARM Pools	$	149	0.10%	$	(164)	-0.11%
Agency RMBS—Fixed Pools and IOs		22,816	14.83%		(31,368)	-20.39%
TBAs		(3,398)	-2.21%		4,452	2.89%
Non-Agency RMBS		226	0.15%		(227)	-0.15%
Interest Rate Swaps		(13,438)	-8.74%		12,893	8.38%
U.S. Treasury Securities		(26)	-0.02%		24	0.02%
U.S. Treasury Futures		(9,358)	-6.08%		9,072	5.90%
Repurchase and Reverse Repurchase Agreements		(890)	-0.58%		890	0.58%
Total	$	(3,919)	-2.55%	$	(4,428)	-2.88%

Interest Rate Hedging as of December 31, 2018

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($ in thousands)

Fixed Payer Interest Rate Swap								
Maturity		Notional Amount		Fair Value	Weighted Average Pay Rate	Weighted Average Receive Rate	Weighted Average Years to Maturity
2020-2022	$	320,080	$	4,777	1.94%	2.59%	2.39
2023-2025		80,222		762	2.30%	2.59%	5.53
2026-2043		239,328		(1,528)	2.66%	2.57%	10.36
Total	**$**	**639,630**	**$**	**4,011**	**2.26%**	**2.58%**	**5.77**

Fixed Receiver Interest Rate Swap							
Maturity		Notional Amount		Fair Value	Weighted Average Pay Rate	Weighted Average Receive Rate	Weighted Average Years to Maturity
2023-2025		(59,562)		406	2.79%	2.72%	4.98
2026-2043		(33,620)		435	2.79%	2.85%	12.96
Total	**$**	**(93,182)**	**$**	**841**	**2.79%**	**2.77%**	**7.86**

TBA Securities								
		Notional Amount[1]		Cost Basis[2]		Market Value[3]		Net Carrying Value[4]
Total TBAs, net	$	(193,958)	$	(195,471)	$	(197,213)	$	(1,742)

Futures					
		Notional Amount		Fair Value	Remaining Months to Expiration
U.S. Treasury Futures	$	(301,300)	$	(7,830)	3

Consolidated Statement of Operations

(Unaudited)

EARN
ELLINGTON RESIDENTIAL MORTGAGE REIT

	Three Month Period Ended		Year Ended
	December 31, 2018	September 30, 2018	December 31, 2018
(In thousands except share amounts)			
INTEREST INCOME (EXPENSE)			
Interest income	$ 13,875	$ 13,171	$ 54,553
Interest expense	(9,084)	(8,519)	(32,519)
Total net interest income	4,791	4,652	22,034
EXPENSES			
Management fees to affiliate	579	641	2,547
Professional fees	182	198	831
Compensation expense	79	136	591
Insurance expense	74	74	296
Other operating expenses	318	283	1,243
Total expenses	1,232	1,332	5,508
OTHER INCOME (LOSS)			
Net realized gains (losses) on securities	(9,787)	(8,402)	(23,377)
Net realized gains (losses) on financial derivatives	3,066	4,058	19,378
Change in net unrealized gains (losses) on securities	20,524	(2,636)	(12,391)
Change in net unrealized gains (losses) on financial derivatives	(27,436)	4,606	(11,431)
Total other income (loss)	(13,633)	(2,374)	(27,821)
NET INCOME (LOSS)	$ (10,074)	$ 946	$ (11,295)
NET INCOME (LOSS) PER COMMON SHARE			
Basic and Diluted	$ (0.80)	$ 0.07	$ (0.88)
WEIGHTED AVERAGE SHARES OUTSTANDING	12,619,912	12,693,989	12,811,366
CASH DIVIDENDS PER SHARE:			
Dividends declared	$ 0.34	$ 0.37	$ 1.45

Consolidated Balance Sheet

(Unaudited)

ELLINGTON RESIDENTIAL MORTGAGE REIT

(In thousands except share amounts)	As of December 31, 2018	As of September 30, 2018	As of December 31, 2017 (1)
ASSETS			
Cash and cash equivalents	$ 18,585	$ 41,016	$ 56,117
Mortgage-backed securities, at fair value	1,540,296	1,575,983	1,685,998
Due from brokers	24,051	27,044	26,754
Financial derivatives-assets, at fair value	11,839	23,049	8,792
Reverse repurchase agreements	379	26,769	81,461
Receivable for securities sold	74,197	52,531	21,606
Interest receivable	5,607	5,675	5,784
Other assets	612	717	575
Total Assets	$ 1,675,566	$ 1,752,784	$ 1,887,087
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Repurchase agreements	$ 1,481,561	$ 1,500,632	$ 1,597,206
Payable for securities purchased	11,275	36,539	3,830
Due to brokers	1,325	8,298	489
Financial derivatives-liabilities, at fair value	16,559	333	1,863
U.S. Treasury securities sold short, at fair value	374	26,367	81,289
Dividend payable	4,252	4,700	4,936
Accrued expenses	838	704	728
Management fee payable to affiliate	579	641	725
Interest payable	4,981	4,340	3,318
Total Liabilities	$ 1,521,744	$ 1,582,554	$ 1,694,384
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; (12,507,213, 12,703,474 and 13,340,217 shares issued and outstanding,	125	127	134
Additional paid-in-capital	230,888	232,967	240,062
Accumulated deficit	(77,191)	(62,864)	(47,493)
Total Shareholders' Equity	153,822	170,230	192,703
Total Liabilities and Shareholders' Equity	$ 1,675,566	$ 1,752,784	$ 1,887,087
Per Share Information			
Common shares, par value $0.01 per share	$ 12.30	$ 13.40	$ 14.45

Reconciliation of Core Earnings to Net Income (Loss)[1]

ELLINGTON RESIDENTIAL MORTGAGE REIT

	Three Month Period Ended	
(In thousands except share amounts)	December 31, 2018	September 30, 2018
Net Income (Loss)	$ (10,074)	$ 946
Less:		
Net realized gains (losses) on securities	(9,787)	(8,402)
Net realized gains (losses) on financial derivatives, excluding periodic payments[2]	3,102	2,777
Change in net unrealized gains (losses) on securities	20,524	(2,636)
Change in net unrealized gains and (losses) on financial derivatives, excluding accrued periodic payments[3]	(27,936)	5,499
Subtotal	(14,097)	(2,762)
Core Earnings	$ 4,023	$ 3,708
Catch-up Premium Amortization Adjustment	31	(398)
Adjusted Core Earnings	$ 3,992	$ 4,106
Weighted Average Shares Outstanding	12,619,912	12,693,989
Core Earnings Per Share	$ 0.32	$ 0.29
Adjusted Core Earnings Per Share	$ 0.32	$ 0.32

About Ellington

EARN
ELLINGTON RESIDENTIAL MORTGAGE REIT

Ellington Profile

As of 12/31/2018

Founded:	1994
Employees:	>150
Investment Professionals:	65
Global offices:	3

$7.6
Billion in assets under management as of 12/31/2018[1]

16
Employee-partners own the firm[2]

26
Years of average industry experience of senior portfolio managers

25%
Ownership of EARN by Blackstone Tactical Opportunity Funds

Ellington and its Affiliated Management Companies

- Our external manager Ellington Residential Mortgage Management LLC is part of the Ellington family of SEC-registered investment advisors[3]. Ellington and its affiliates manage Ellington Residential Mortgage REIT (EARN), Ellington Financial LLC (EFC), multi-investor hedge funds, separately managed accounts, and opportunistic private funds
- Time-tested infrastructure and proprietary resources in trading, research, risk management, and operational support
- Founding partners each have advanced academic training in mathematics and engineering, including among them several Ph.D.'s and Master's degrees

Industry-Leading Research & Trading Expertise

- Sophisticated proprietary models for prepayment and credit analysis
- Approximately 25% of employees dedicated to research and infrastructure development
- Structured credit trading experience and analytical skills developed since the firm's founding 24 years ago
- Ellington's portfolio managers are among the most experienced in the MBS sector and the firm's analytics have been developed over its 24-year history

Endnotes

Slide 3 – Fourth Quarter Market Update

(1) Source: Bloomberg
(2) Source: Mortgage Bankers Association via Bloomberg
(3) LIBOR-based Option Adjusted Spread measures the additional yield spread over LIBOR that an asset provides at its current market price after taking into account any interest rate options embedded in the asset.
(4) LIBOR-based Zero-volatility spread (Z-spread) measures the additional yield spread over LIBOR that the projected cash flows of an asset provide at the current market price of the asset.

Slide 4 – Fourth Quarter Highlights

(1) Adjusted Core Earnings and Adjusted Net Interest Margin represent Core Earnings and Net Interest Margin, respectively, in each case excluding the effect of the Catch-Up Premium Amortization Adjustment on interest income. See slide 22, endnote 1 for definition of Catch-up Premium Amortization Adjustment.
(2) Core Earnings and Adjusted Core Earnings are non-GAAP financial measures. See slide 22 for a reconciliation of Core Earnings and Adjusted Core Earnings to Net Income (Loss).
(3) As of December 31, 2018.
(4) Estimated book value per share as of January 31, 2019 is unaudited and subject to change, and any such change could be material. There can be no assurance that our estimated book value per share as of January 31, 2019 is indicative of what our results are likely to be for the three month period ending March 31, 2019 or in future periods, and we undertake no obligation to update or revise our estimated book value per share for any period prior to issuance of financial statements for such period.
(5) We define our net mortgage assets-to-equity ratio as the net aggregate market value of our mortgage-backed securities (including the underlying market values of our long and short TBA positions) divided by total shareholders' equity. As of December 31, 2018 the market value of our mortgage-backed securities and our net short TBA position was $1.540 billion and $(197.2) million, respectively, and total shareholders' equity was $153.8 million.

Slide 5 – Relative Yield Spreads

(1) As of date varies for certain securitized products as follows:
11/30/2018 for EUR CLO 2.0 AAA; 12/19/2018 for CRT OTR M1; 12/21/2018 for CRT OTR LCF; 12/27/2018 for UK Prime, UK NC Snr, ES RMBS AAA; 12/28/2018 for US CMBS AAA, US CMBS BBB-, US CLO 2.0 AAA, US CLO 2.0 BBB

Slide 6 – Summary of Financial Results

(1) Shareholders' Equity per share is calculated using shares outstanding at the end of the period. All other per share amounts are calculated using the weighted average shares outstanding for the quarter.
(2) Total Other Gain (Loss) represents net realized and unrealized gains (losses) on periodic settlements of interest rate swaps.
(3) Average equity is calculated using month end values.
(4) Core Earnings is a non-GAAP financial measure. See slide 22 for a reconciliation of Core Earnings to Net Income (Loss).
(5) See slide 22, endnote 1 for definition of Catch-up Premium Amortization Adjustment.
(6) Adjusted Core Earnings and Adjusted Net Interest Margin represent Core Earnings and Net Interest Margin, respectively, in each case excluding the effect of the Catch-Up Premium Amortization Adjustment on interest income.
(7) Adjusted Weighted Average Yield represents the weighted average yield on our portfolio, excluding the impact of the Catch-up Premium Amortization Adjustment.

Slide 7 – Portfolio Summary

(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.

Slide 8 – Agency Interest Rate Hedging Portfolio

(1) "10-year equivalents" for a group of positions represent the amount of 10-year U.S. Treasury securities that would be expected to experience a similar change in market value under a standard parallel move in interest rates.

Slide 9 – Dynamic Hedging Strategy

(1) Net short TBA positions represents the current market value of the underlying Agency RMBS (on a forward delivery basis) as of December 31, 2018 and September 30, 2018 . The net carrying value of the TBA positions as of December 31, 2018 and September 30, 2018 on the Consolidated Balance Sheet was $(1.7) million and $1.1 million, respectively.
(2) We define our net mortgage assets-to-equity ratio as the net aggregate market value of our mortgage-backed securities (including the underlying market values of our long and short TBA positions) divided by total shareholders' equity.

Slide 10 – Weighted Average Coupon Spreads Have Been Increasing

(1) Source: Morgan Stanley Research, eMBS

Slide 11 – Spread Differential: 3-mo. LIBOR vs. Repo Funding Rate

(1) Chart compares LIBOR on each day to the average rate of EARN's repo financing outstanding on that day. Because repo financing may be entered into for an extended term at a rate fixed at the beginning of the term, the average outstanding repo rate on a given day may reflect rates set in a rate environment weeks or months before that day. The average rate on outstanding repo financing on a day may differ materially from the rate available to establish repo financing on that day.

Slide 14 – Agency Portfolio Summary

(1) Does not include long TBA positions with a notional value of $95.1 million and a market value of $96.8 million as of December 31, 2018. Does not include long TBA positions with a notional value of $128.0 million and a market value of $129.3 million as of September 30, 2018.
(2) Fair value shown in millions.
(3) Represents weighted average net pass-through rate.

Slide 15 – CPR Breakout of Agency Fixed Long Portfolio

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

Slide 17 – Repo Borrowings

(1) As of December 31, 2018 and September 30, 2018, the Company had no outstanding borrowings other than under repurchase agreements.

Slide 18 – Interest Rate Sensitivity Analysis

(1) Based on the market environment as of December 31, 2018. 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.

Endnotes

EARN
ELLINGTON RESIDENTIAL MORTGAGE REIT

Slide 19 - Interest Rate Hedging as of December 31, 2018

(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 December 31, 2018.
(4) Net carrying value represents the difference between the market value of the TBA contract as of December 31, 2018 and the cost basis, and is included in Financial derivatives-assets, at fair value and Financial derivatives-liabilities, at fair value on the Consolidated Balance Sheet.

Slide 21 – Balance Sheet

(1) Derived from audited financial statements as of December 31, 2017.

Slide 22 – Reconciliation of Core Earnings to Net Income (Loss)

(1) Core Earnings consists of net income (loss), excluding realized and change in net unrealized gains and (losses) on 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. Adjusted Core Earnings represents Core Earnings excluding the effect of the Catch-up Premium Amortization Adjustment on interest income. The Catch-up Premium Amortization Adjustment is a quarterly adjustment to premium amortization triggered by changes in actual and projected prepayments on our Agency RMBS (accompanied by a corresponding offsetting adjustment to realized and unrealized gains and losses). The adjustment is calculated as of the beginning of each quarter based on our then assumptions about cashflows and prepayments, and can vary significantly from quarter to quarter. Core Earnings and Adjusted Core Earnings are supplemental non-GAAP financial measures. We believe that Core Earnings and Adjusted Core Earnings provide information useful to investors because they are metrics 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 and Adjusted Core Earnings are used to help measure the extent to which this objective is being achieved. However, because Core Earnings and Adjusted Core Earnings are incomplete measures of our financial results and differ from net income (loss) computed in accordance with GAAP, they should be considered as supplementary to, and not as substitutes for, net income (loss) computed in accordance with GAAP. The table above reconciles, for the three month periods ended December 31, 2018 and September 30, 2018, our Core Earnings and Adjusted 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 and Adjusted Core Earnings.
(2) For the three month period ended December 31, 2018, represents Net realized gains (losses) on financial derivatives of $3.1 million less Net realized gains (losses) on periodic settlements of interest rate swaps of $(36) thousand. For the three month period ended September 30, 2018, represents Net realized gains (losses) on financial derivatives of $4.1 million less Net realized gains (losses) on periodic settlements of interest rate swaps of $1.3 million.
(3) For the three month period ended December 31, 2018, represents Change in net unrealized gains (losses) on financial derivatives of $(27.4) million less Change in net unrealized gains (losses) on accrued periodic settlements of interest rate swaps of $0.5 million. For the three month period ended September 30, 2018, represents Change in net unrealized gains (losses) on financial derivatives of $4.6 million less Change in net unrealized gains (losses) on accrued periodic settlements of interest rate swaps of $(0.9) million.

Slide 23 – About Ellington

(1) $7.6 billion in assets under management includes approximately $1.1 billion in Ellington-managed CLOs. For these purposes, the Ellington-managed CLO figure represents the aggregate outstanding balance of CLO notes and market value of CLO equity, excluding any notes and equity held by other Ellington-managed funds and accounts.
(2) Does not include partners formerly employed by Ellington who may have residual capital balances but who no longer have voting rights in the partnership.
(3) Registration with the SEC does not imply that the firm or any of its principals or employees possess a particular level of skill or training in the investment advisory or any other business.

E A R N

ELLINGTON RESIDENTIAL MORTGAGE REIT

Investor s:
Ellington Residential Mortgage REIT
(203) 409-3773
info@earnreit.com

Media:
Amanda Klein or Kevin FitzGerald
Gasthalter & Co.
for Ellington Residential Mortgage REIT
(212) 257-4170
Ellington@gasthalter.com

Ellington Residential Mortgage REIT
53 Forest Ave
Old Greenwich, CT 06870
www.earnreit.com