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ELLINGTON RESIDENTIAL MORTGAGE REIT

Fourth Quarter 2017 Earnings Conference Call

February 9, 2018

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.

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 13, 2017 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 December 31, 2017 unless otherwise indicated. We undertake no duty or obligation to update this presentation to reflect subsequent events or developments.

Fourth Quarter Highlights

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Overall Results	■ Net income: \$0.8 million or \$0.06 per share ■ Economic return: 1.6% annualized for the quarter ■ Net Interest Margin: 1.32%; Adjusted Net Interest Margin(2): 1.41%
Core Earnings(1)	■ Core Earnings: \$4.9 million or \$0.37 per share ■ Adjusted Core Earnings(2): \$5.3 million or \$0.40 per share
Shareholders' Equity & BVPS(3)	■ Shareholders' equity: \$192.7 million ■ Book value per share: \$14.45
Portfolio(3)	■ Agency RMBS Portfolio: \$1.67 billion ■ Prepayment speed on fixed-rate specified pools of 9.6% CPR for the quarter ■ Non-Agency RMBS Portfolio: \$18.0 million
Leverage(3)	■ Debt-to-equity ratio: approximately 8.3:1 ■ Net Agency pool assets-to-equity ratio of 5.5:1(4)
Dividend	■ Declared fourth quarter dividend of \$0.37 per share (paid in January 2018) ■ Annualized dividend yield of 14.2% based on closing price of \$10.44 on February 7, 2018
Share Repurchase Program	■ Board of Directors authorized the repurchase of up to 1.2 million common shares

Market Conditions & Portfolio Trends

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Market Conditions	■ Short-term interest rates rose steadily over the quarter while long-term rates trended only slightly higher, and the yield curve continued to flatten ■ Federal Reserve raised interest rates in December and initiated its tapering of reinvestments in October ■ Although yields on current coupon 30-year Agency RMBS held firm, many shorter-duration assets underperformed longer-duration assets ■ Overall Agency RMBS prepayment rates declined slightly during the quarter ■ Non-Agency RMBS performed well in the quarter, although a large number of these bonds received reduced NAIC ratings in December that caused a drop in price ■ The Tax Cuts and Jobs Act was enacted in December, resulting in significant changes to the U.S. tax code. ■ REIT investors benefit from a 20% deduction on REIT dividend income

Portfolio Trends	■ Agency Portfolio: 99% of investment portfolio
	    ■ Approximate 13% turnover of the portfolio was lower than a typical quarter given continued low volatility
	    ■ Average specified pool pay-up of 0.68% at 12/31/2017 decreased only slightly from 0.71% at 9/30/2017
	    ■ Our higher coupon pools and 15-year pools underperformed longer-duration RMBS
	■ Non-Agency Portfolio: 1% of investment portfolio
	    ■ Investment portfolio size decreased slightly to $18.0 million from $20.6 million
	    ■ Strategy was profitable for the quarter, driven by strong carry and net realized and unrealized gains

Relative Spreads

Securitized Products	36 Mo Tights	As of 1/3/2018	36 Mo Wides
US Agency MBS TOAS	-14	11	36
US Agency MBS TZV	38	52	89
US Non-Agency RMBS	115	130	400
CRT OTR M1	43	57	215
CRT OTR LCF	140	177	733
US CMBS AAA	72	82	155
US CMBS BBB-	228	375	700
Agency CMBS (10yr)	40	55	90
US CLO 2.0 AAA	107	107	161
US CLO 2.0 BBB	245	250	625
UK Prime	23	23	100
UK NC Snr	65	65	185
ES RMBS AAA	45	45	140
EUR CLO 2.0 AAA	74	74	155
US Corporate Credit			
US IG Corp A OAS	73	76	161
US IG Corp BBB OAS	123	125	290
US HY Corp BB STW	231	232	656
US HY Corp B STW	379	379	938
US HY Corp CCC STW	687	893	1518

Source: Morgan Stanley

- **Spreads across many fixed-income asset classes remained at or near their 36-month tights**
- **Tight credit spreads persisted throughout 2017**

Yield Curve Reversing Course

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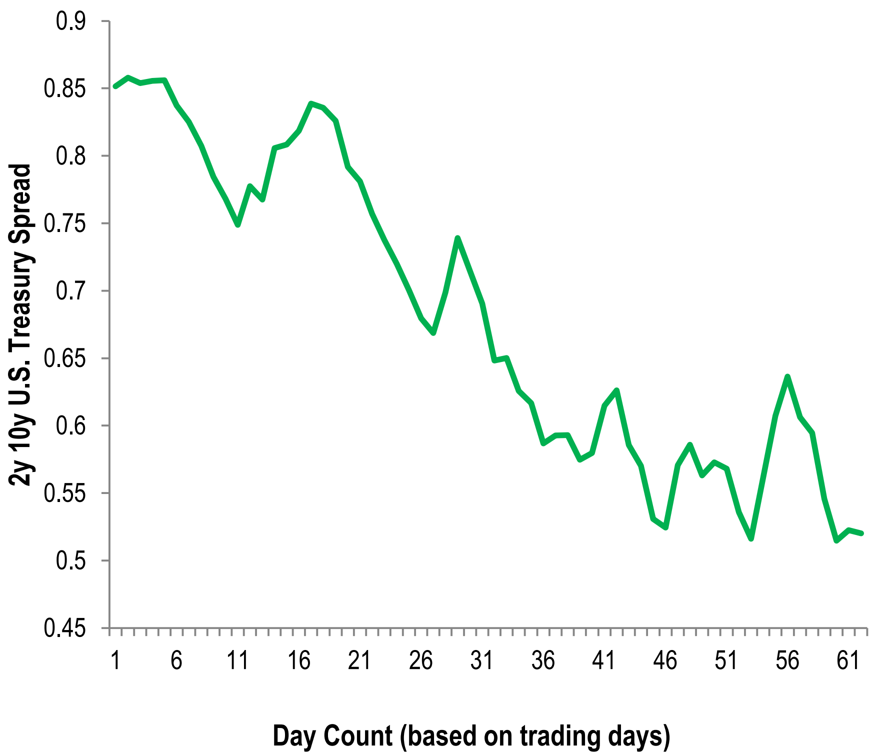
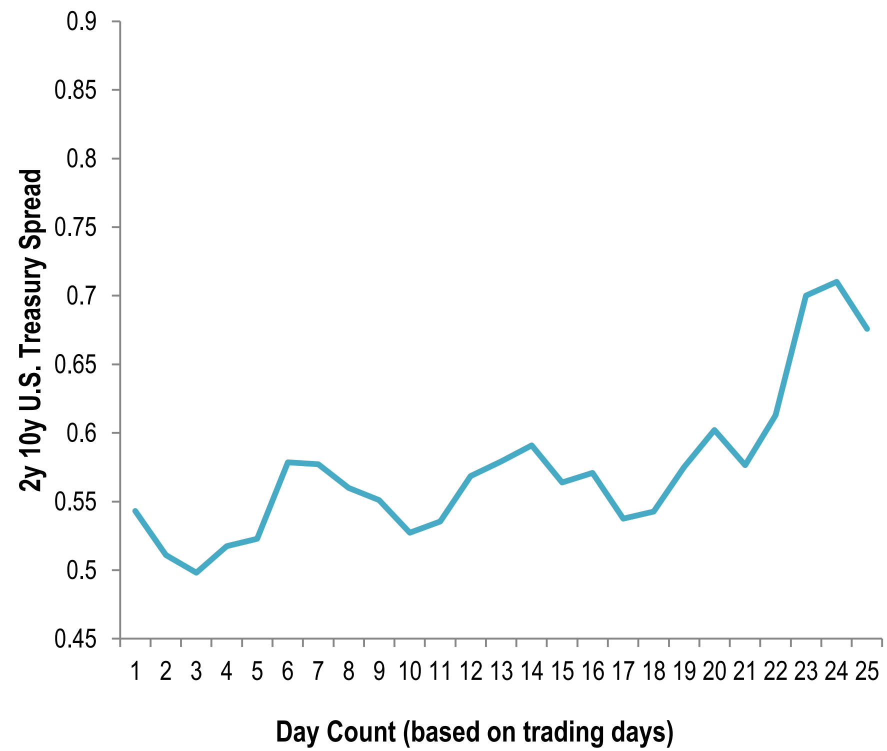
U.S. Treasury 2-year / 10-year Yield Spread
Fourth Quarter 2017



U.S. Treasury 2-year / 10-year Yield Spread
YTD through February 6, 2018



- **Flattening of yield curve during the fourth quarter of 2017 has reversed course so far in 2018**

Lower Coupons vs. Higher Coupons

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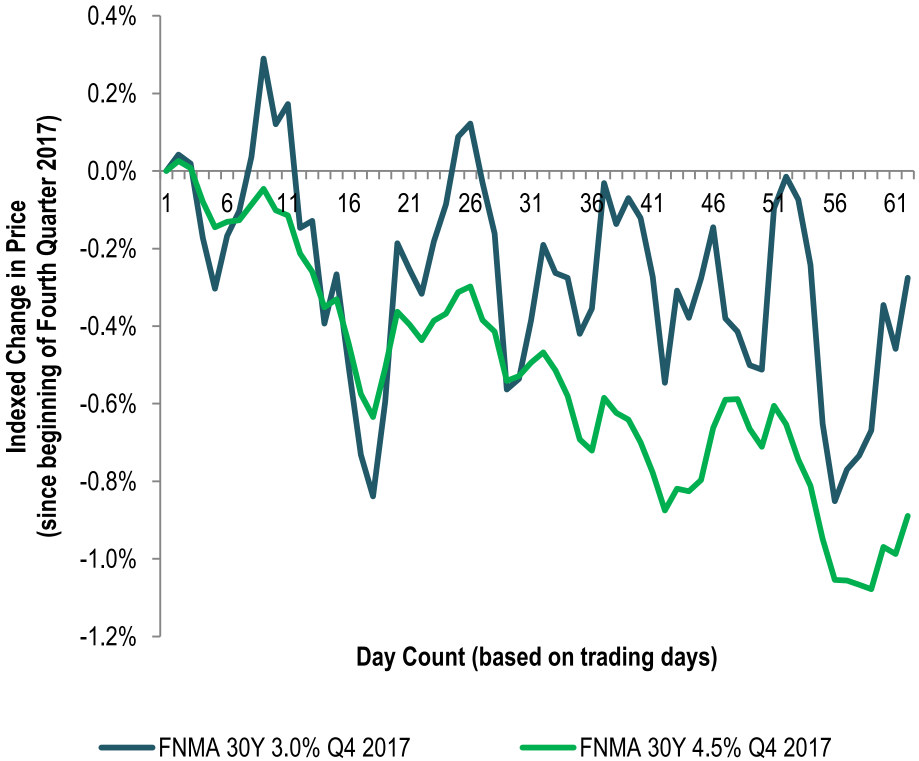
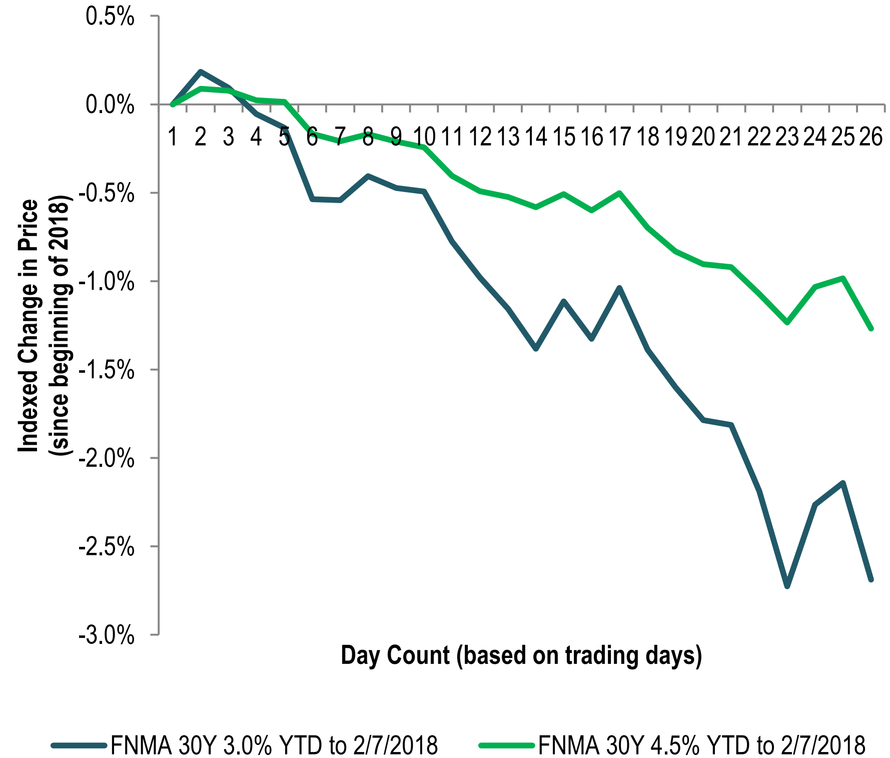
FNMA 30Y 3.0% and 4.5% Prices
Fourth Quarter 2017



FNMA 30Y 3.0% and 4.5% Prices
YTD through February 7, 2018



- **Higher coupon Agency RMBS valuations weakened over the fourth quarter, while their lower coupon counterparts ended the quarter roughly unchanged**
- **This trend has reversed course since year end, with higher coupons outperforming lower coupons so far in 2018**

Agency RMBS Widening

	FNCL 3.5 Price	Price Change	5Y U.S. Treasury Yield	Change in Yield	Implied Duration
9/30/2017	103.04		2.0%		
12/31/2017	102.72	(0.32)	2.24%	0.24	1.34
2/7/2018	100.22	(2.5)	2.65%	0.41	6.10

- **So far in 2018, Agency RMBS performance is completely different than the fourth quarter of 2017**
- **Substantially lower prices lead to wider NIMs even with higher funding costs and higher swap rates**

Outlook

- Market outlook
  - Low volatility theme of 2017 reversing course, with rising bond yields and recent sell-off in equity markets
  - Central banks around the globe likely withdrawing stimulus for the first time in a decade
  - Federal Reserve tapering set to accelerate during 2018, which could pressure yield spreads, especially for TBAs
  - Expect outperformance of specified pools, as investors favor specified pool prepayment protection over lower-quality TBAs, which are losing the support of Federal Reserve buying
  - GSE policy changes could create additional prepayment risk and thereby opportunities for active trading and portfolio upgrades
- Thanks to our hedging strategy and the liquidity of our portfolio, we believe that we are well positioned to take advantage of the investment opportunities that could emerge from increased volatility
- Our active trading and hedging along the entire yield curve means that our success is not dependent on the shape of the yield curve or absolute level of interest rates – our net duration is among the lowest in peer group
- With our share price trading at a significant discount to book value, we see a very attractive opportunity to repurchase our shares

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Portfolio

Portfolio Summary

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(In thousands)	December 31, 2017 Current Principal	December 31, 2017 Fair Value	December 31, 2017 Average Price[1]	December 31, 2017 Cost	December 31, 2017 Average Cost[1]	September 30, 2017 Current Principal	September 30, 2017 Fair Value	September 30, 2017 Average Price[1]	September 30, 2017 Cost	September 30, 2017 Average Cost[1]
Agency RMBS[2]										
15-year fixed rate mortgages	$ 170,998	$ 176,774	$ 103.38	$ 178,551	$ 104.42	$ 177,485	$ 185,268	$ 104.39	$ 185,456	$ 104.49
20-year fixed rate mortgages	8,712	9,230	105.95	9,394	107.83	9,280	9,901	106.69	9,990	107.65
30-year fixed rate mortgages	1,303,584	1,369,589	105.06	1,380,265	105.88	1,342,918	1,420,139	105.75	1,422,196	105.90
ARMs	28,087	29,558	105.24	29,949	106.63	25,967	27,058	104.20	27,485	105.85
Reverse mortgages	64,608	70,617	109.30	70,901	109.74	62,055	68,050	109.66	68,228	109.95
Total Agency RMBS	1,575,989	1,655,768	105.06	1,669,060	105.91	1,617,705	1,710,416	105.73	1,713,355	105.91
Non-Agency RMBS	21,995	18,025	81.95	15,278	69.46	25,013	20,600	82.36	17,808	71.19
Total RMBS[2]	1,597,984	1,673,793	104.74	1,684,338	105.40	1,642,718	1,731,016	105.38	1,731,163	105.38
Agency Interest Only RMBS	n/a	12,205	n/a	13,197	n/a	n/a	12,051	n/a	12,965	n/a
Total mortgage-backed securities		1,685,998		1,697,535			1,743,067		1,744,128	
U.S. Treasury securities sold short	(82,492)	(81,289)	98.54	(81,836)	99.20	(56,876)	(56,524)	99.38	(56,879)	100.01
Reverse repurchase agreements	81,461	81,461	100.00	81,461	100.00	56,875	56,875	100.00	56,875	100.00
Total		**$ 1,686,170**		**$1,697,160**			**$ 1,743,418**		**$1,744,124**	

Agency Portfolio Summary

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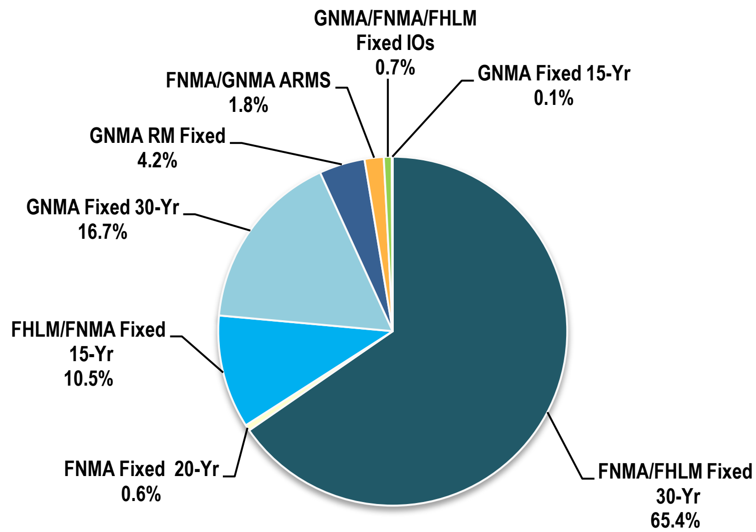
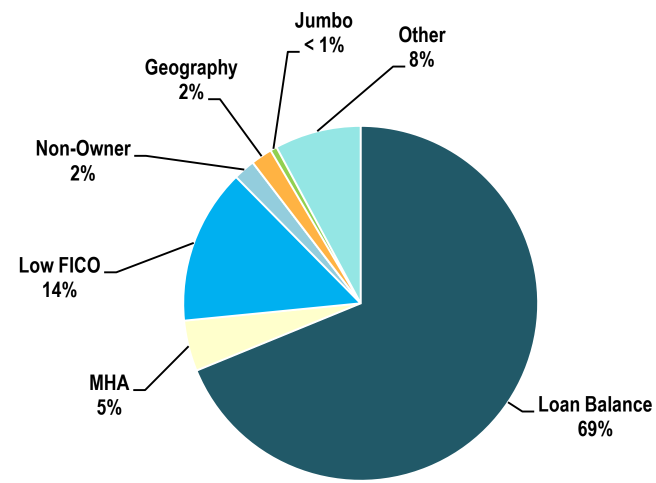
Agency Long Portfolio
As of 12/31/17: $1.67BN(1)



Fixed Portfolio[2]		
Category	Fair Value[1][6]	Weighted Average Coupon[3]
FNMA Fixed - 30-Yr	$776.7	3.93
FNMA Fixed - 20-Yr	9.2	4.00
FNMA Fixed - 15-Yr	108.4	3.32
FHLM Fixed - 30-Yr	313.8	4.06
FHLM Fixed - 15-Yr	66.8	3.46
GNMA Fixed - 30-Yr	279.1	3.94
GNMA Fixed - 15-Yr	1.6	3.51
GNMA RM Fixed	70.6	4.53
Total	**$1,626.2**	**3.92**

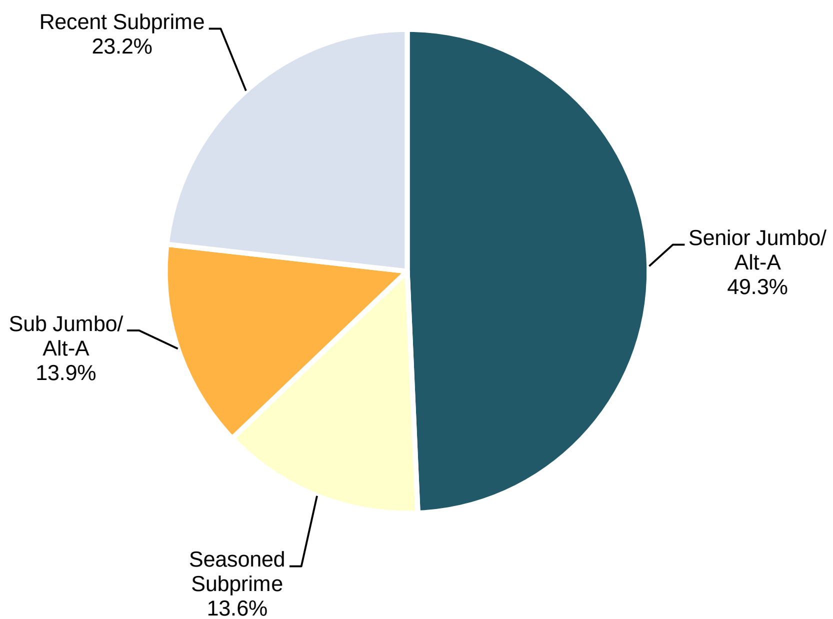
Agency Fixed Long Portfolio:
Collateral Characteristics and Historical 3-month CPR
For the Quarter Ended December 31, 2017(4)



Fixed Portfolio		
Characteristic[5]	Fair Value[4][6]	3-Month CPR %
Loan Balance	$1,085.6	9.1
MHA[7]	73.0	13.7
Low FICO	223.5	8.8
Non-Owner	31.3	11.5
Geography	30.6	6.0
Jumbo	9.5	17.5
Other	124.2	11.0
Total	**$1,577.7**	**9.6**

Non-Agency Portfolio

Non-Agency Portfolio
12/31/17: $18.0 MM



Total Non-Agency
Avg Mkt Px 82.0

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

Borrowings and Hedges

Repo Borrowings[1]

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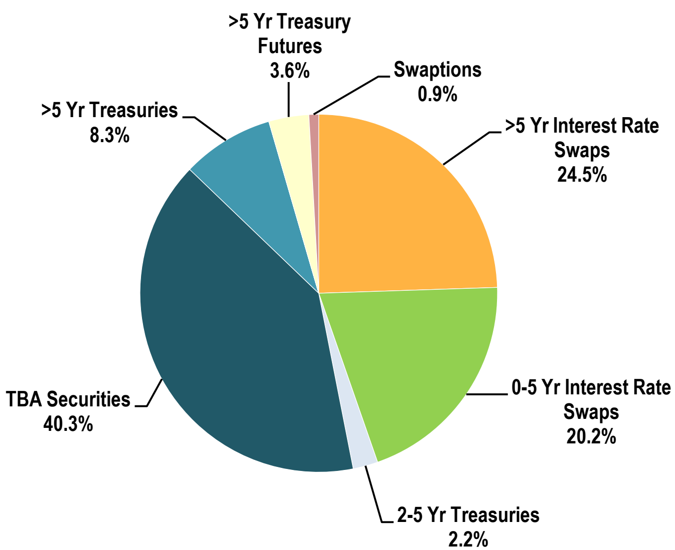
	December 31, 2017			September 30, 2017		
		Weighted Average			Weighted Average	
Remaining Days to Maturity	Borrowings Outstanding	Interest Rate	Remaining Days to Maturity	Borrowings Outstanding	Interest Rate	Remaining Days to Maturity
	(In thousands)			*(In thousands)*		
30 days or less	$ 410,628	1.41%	15	$ 475,779	1.33%	17
31-60 days	906,602	1.46%	46	950,188	1.31%	45
61-90 days	273,665	1.60%	74	212,389	1.36%	75
91-120 days	6,311	1.61%	120	2,051	1.40%	104
151-180 days	-	-%	-	1,906	1.45%	166
Total	**$ 1,597,206**	**1.47%**	**43**	**$ 1,642,313**	**1.32%**	**41**

- **Outstanding borrowings are with 15 counterparties as of December 31, 2017**
- **Cost of repo increased as LIBOR increased**
- **Availability from both existing and new lending counterparties remains strong**

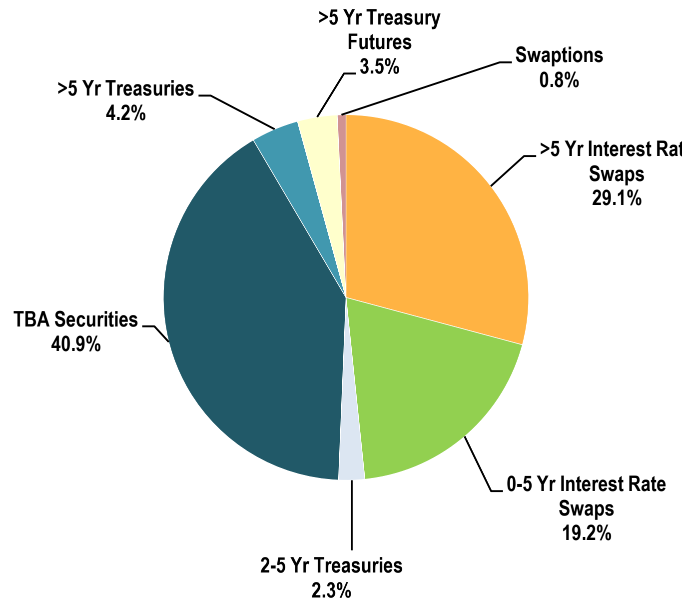
Dynamic Hedging Strategy

Agency Interest Rate Hedging Portfolio

As of 12/31/2017
Short $623.9MM 10-year equivalents[1]



As of 9/30/2017
Short $644.5MM 10-year equivalents[1]



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

Dynamic Hedging Strategy (continued)

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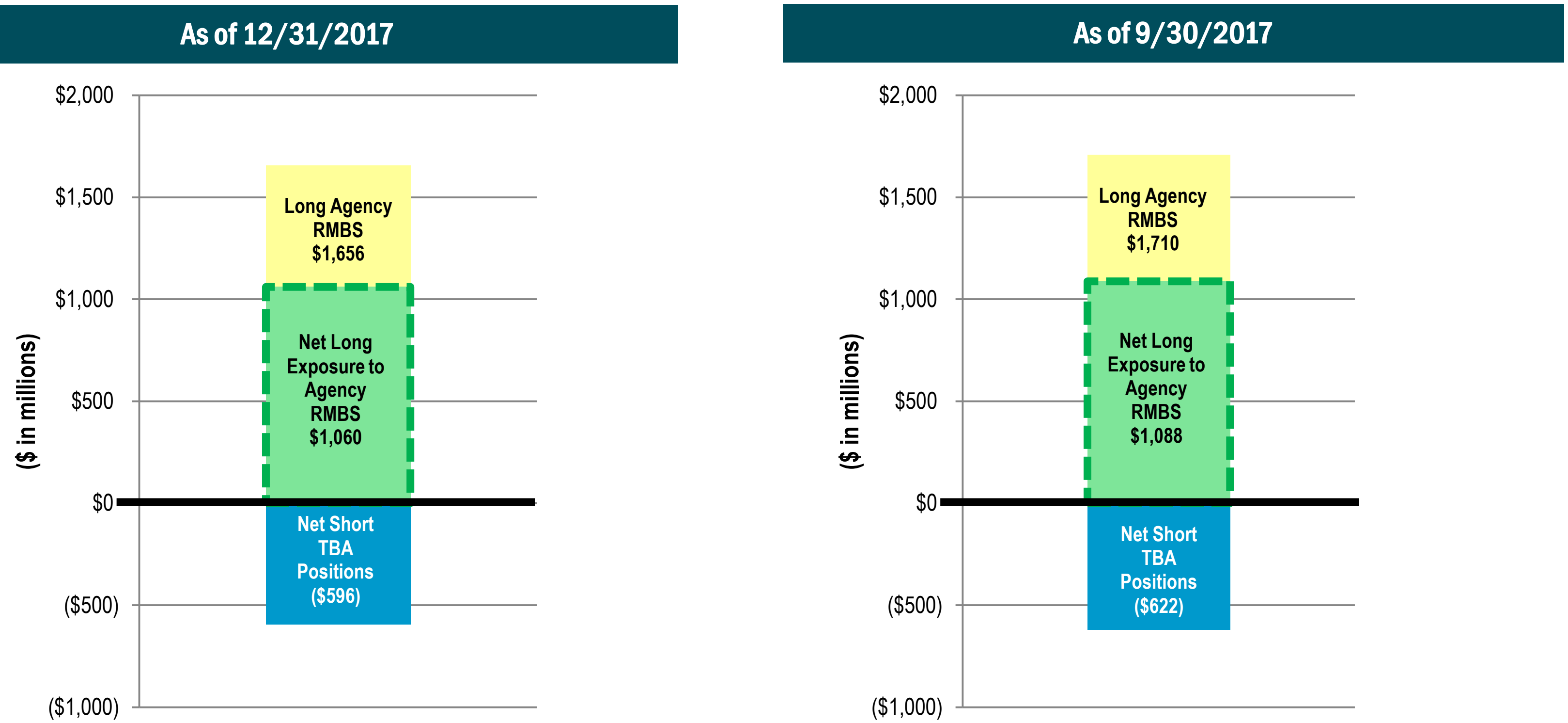
Exposure to Agency RMBS Based on Fair Value of TBA Portfolio(1)



- Carry lower net effective mortgage exposure than our "headline" leverage would suggest
  - Deducting the amount of the TBA short from our long Agency pool portfolio, our net exposure to pools is just over $1 billion, which is a 5.5:1 net Agency pool assets-to-equity(2) ratio
- Net long mortgage exposure relatively unchanged quarter over quarter
- 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 large portion of our specified pool portfolio

Interest 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	$ 223	0.11%	$ (254)	-0.13%
Agency RMBS - Fixed Pools and IOs	22,237	11.54%	(32,716)	-16.98%
TBAs	(8,621)	-4.47%	13,174	6.84%
Non-Agency RMBS	381	0.20%	(397)	-0.21%
Interest Rate Swaps	(137)	-0.07%	342	0.18%
U.S. Treasury Securities	(2,926)	-1.52%	2,801	1.45%
U.S. Treasury Futures	(13,311)	-6.91%	12,826	6.66%
Repurchase and Reverse Repurchase Agreements	(952)	-0.49%	952	0.49%
Total	$ (3,106)	-1.61%	$ (3,272)	-1.70%

Interest Rate Hedging as of December 31, 2017

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Fixed Payer Interest Rate Swap					
Maturity	Notional Amount	Fair Value	Wtd Average Pay Rate	Wtd Average Receive Rate	Wtd Average Years to Maturity
	(In thousands)				
2018-2019	$ 85,530	$ 352	1.07 %	1.43 %	0.68
2020-2022	342,344	3,444	1.79 %	1.40 %	3.26
2023-2025	78,422	1,210	1.95 %	1.37 %	5.88
Thereafter	101,275	1,341	2.12 %	1.38 %	11.07
Total	**$ 607,571**	**$ 6,347**	**1.77 %**	**1.40 %**	**4.54**

Fixed Receiver Interest Rate Swap					
Maturity	Notional Amount	Fair Value	Wtd Average Pay Rate	Wtd Average Receive Rate	Wtd Average Years to Maturity
	(In thousands)				
2025	$ 9,700	$ 563	1.36 %	3.00 %	7.54
Total	$ **9,700**	$ **563**	**1.36** %	**3.00** %	**7.54**

TBA Securities				
(In thousands)	Notional Amount [(1)]	Cost Basis [(2)]	Market Value [(3)]	Net Carrying Value [(4)]
Total TBAs, Net	$ (573,711)	$ (595,718)	$ (596,051)	$ (333)

Futures			
($ In thousands)	Notional Amount	Fair Value	Remaining Months to Expiration
U.S. Treasury Futures	$ (25,800)	$ 171	2.63
Total	$ (25,800)	$ 171	2.63

Interest Rate Swaptions					
	Option		Underlying Swap		
($ In thousands)	Fair Value	Months to Expiration	Notional Amouont	Term (Years)	Fixed Rate
Fixed Payer	$ 181	7.0	$ 10,000	10	2.40%

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Supplemental Information

Income Statement

(Unaudited)

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CONSOLIDATED STATEMENT OF OPERATIONS

	Three Month Period Ended		Year Ended
	December 31, 2017	September 30, 2017	December 31, 2017
(In thousands except share amounts)			
INTEREST INCOME (EXPENSE)			
Interest income	$ 13,111	$ 12,867	$ 49,190
Interest expense	(6,129)	(5,719)	(19,047)
Total net interest income	6,982	7,148	30,143
EXPENSES			
Management fees to affiliate	725	741	2,678
Professional fees	227	157	737
Compensation expense	178	222	775
Insurance expense(1)	74	74	304
Other operating expenses(1)	308	287	1,208
Total expenses	1,512	1,481	5,702
OTHER INCOME (LOSS)			
Net realized gains (losses) on securities	327	349	(2,674)
Net realized gains (losses) on financial derivatives	1,372	(2,981)	(9,083)
Change in net unrealized gains (losses) on securities	(10,284)	3,994	(4,501)
Change in net unrealized gains (losses) on financial derivatives	3,908	(689)	2,605
Total other income (loss)	(4,677)	673	(13,653)
NET INCOME	$ 793	$ 6,340	$ 10,788
NET INCOME PER COMMON SHARE			
Basic and Diluted	$ 0.06	$ 0.48	$ 0.93
WEIGHTED AVERAGE SHARES OUTSTANDING	13,336,763	13,136,106	11,601,979
CASH DIVIDENDS PER SHARE:			
Dividends declared	$ 0.37	$ 0.40	$ 1.57

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CONSOLIDATED BALANCE SHEET

	As of		
	December 31, 2017	September 30, 2017	December 31, 2016[(1)]
(In thousands except share amounts)			
ASSETS			
Cash and cash equivalents	$ 56,117	$ 50,271	$ 33,504
Mortgage-backed securities, at fair value	1,685,998	1,743,067	1,226,994
Due from brokers	26,754	41,821	49,518
Financial derivatives-assets, at fair value	8,792	6,150	6,008
Reverse repurchase agreements	81,461	56,875	75,012
Receivable for securities sold	21,606	29,825	33,199
Interest receivable	5,784	5,720	4,633
Other assets	575	548	266
Total Assets	$ 1,887,087	$ 1,934,277	$ 1,429,134
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Repurchase agreements	$ 1,597,206	$ 1,642,313	$ 1,197,973
Payable for securities purchased	3,830	24,845	5,516
Due to brokers	489	787	1,055
Financial derivatives-liabilities, at fair value	1,863	3,168	1,975
U.S. Treasury securities sold short, at fair value	81,289	56,524	74,194
Dividend payable	4,936	5,334	3,652
Accrued expenses	728	980	647
Management fee payable to affiliate	725	741	533
Interest payable	3,318	2,790	1,912
Total Liabilities	$ 1,694,384	$ 1,737,482	$ 1,287,457
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; (13,340,217, 13,335,804, and 9,130,897 shares issued and outstanding, respectively)	134	134	92
Additional paid-in-capital	240,062	240,010	180,996
Accumulated deficit	(47,493)	(43,349)	(39,411)
Total Shareholders' Equity	192,703	196,795	141,677
Total Liabilities and Shareholders' Equity	$ 1,887,087	$ 1,934,277	$ 1,429,134
Per Share Information			
Common shares, par value $0.01 per share	$ 14.45	$ 14.76	$ 15.52

Reconciliation of Core Earnings to Net Income[1]

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(In thousands except share amounts)	Three Month Period Ended December 31, 2017	Three Month Period Ended September 30, 2017
Net Income	$ 793	$ 6,340
Less:		
Net realized gains (losses) on securities	327	349
Net realized gains (losses) on financial derivatives, excluding periodic payments[2]	3,869	(3,938)
Change in net unrealized gains (losses) on securities	(10,284)	3,994
Change in net unrealized gains and (losses) on financial derivatives, excluding accrued periodic payments[3]	1,941	968
Subtotal	(4,147)	1,373
Core Earnings	$ 4,940	$ 4,967
Catch-up Premium Amortization Adjustment	(401)	(667)
Adjusted Core Earnings	5,341	5,634
Weighted Average Shares Outstanding	13,336,763	13,136,106
Core Earnings Per Share	$ 0.37	$ 0.38
Adjusted Core Earnings Per Share	$ 0.40	$ 0.43

Endnotes

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Slide 3 – Fourth Quarter Highlights
(1) Core Earnings and Adjusted Core Earnings are non-GAAP financial measures. See slide 23 for a reconciliation of Core Earnings and Adjusted Core Earnings to Net Income.
(2) 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 on interest income.
(3) As of December 31, 2017.
(4) We define our net Agency pool assets-to-equity ratio as the difference in aggregate market value between our Agency pools owned of $1.656 billion and our net short TBA position of $(596.1) million, divided by our total shareholders' equity of 192.7 million.

Slide 11 – 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 12 – Agency Portfolio Summary
(1) Does not include long TBA positions with a notional value of $113.1 million and a market value of $117.4 million as of December 31, 2017.
(2) Fair value shown in millions. Excludes fixed rate IOs.
(3) Represents weighted average net pass-through rate.
(4) Does not include long TBA positions, reverse mortgage pools, or fixed rate IOs.
(5) Classification methodology may change over time as market practices change.
(6) Fair value shown in millions.
(7) "MHA" indicates those pools where underlying borrowers have participated in the Making Homes Affordable program.

Slide 15 – Repo Borrowings
(1) As of December 31, 2017 and September 30, 2017, the Company had no outstanding borrowings other than under repurchase agreements.

Slide 16 – Dynamic Hedging Strategy
(1) "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.

Slide 17 – Dynamic Hedging Strategy (continued)
(1) Net short TBA positions represents the current market value of the underlying Agency RMBS (on a forward delivery basis) as of December 31, 2017 and September 30, 2017. The net carrying value of the TBA positions as of December 31, 2017 on the Consolidated Balance Sheet was $(0.3) million. The net carrying value of the TBA positions as of September 30, 2017 on the Consolidated Balance Sheet was $1.4 million.
(2) We define our net Agency pool assets-to-equity ratio as the difference in aggregate market value between our Agency pools owned of $1.656 billion and our net short TBA position of $(596.1) million, divided by our total shareholders' equity of 192.7 million.

Slide 18 – Interest Rate Sensitivity Analysis
(1) Based on the market environment as of December 31, 2017. 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

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Slide 19 - Interest Rate Hedging

(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, 2017.
(4) Net carrying value represents the difference between the market value of the TBA contract as of December 31, 2017 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 – Statement of Operations

(1) Conformed to current period presentation.

Slide 22 – Balance Sheet

(1) Derived from audited financial statements as of December 31, 2016.

Slide 23 – Reconciliation of Core Earnings to Net Income

(1) Core Earnings consists of net income, 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 computed in accordance with GAAP, they should be considered as supplementary to, and not as substitutes for, net income computed in accordance with GAAP. The table above reconciles, for the three month periods ended December 31, 2017 and September 30, 2017, our Core Earnings and Adjusted Core Earnings on a consolidated basis to the line on our Consolidated Statement of Operations entitled Net Income, which we believe is the most directly comparable GAAP measure on our Consolidated Statement of Operations to Core Earnings and Adjusted Core Earnings.
(2) For the three month period ended December 31, 2017, represents Net realized gains (losses) on financial derivatives of $1,372 less Net realized gains (losses) on periodic settlements of interest rate swaps of $(2,497). For the three month period ended September 30, 2017, represents Net realized gains (losses) on financial derivatives of $(2,981) less Net realized gains (losses) on periodic settlements of interest rate swaps of $957.
(3) For the three month period ended December 31, 2017, represents Change in net unrealized gains (losses) on financial derivatives of $3,908 less Change in net unrealized gains (losses) on accrued periodic settlements of interest rate swaps of $1,967. For the three month period ended September 30, 2017, represents Change in net unrealized gains (losses) on financial derivatives of $(689) less Change in net unrealized gains (losses) on accrued periodic settlements of interest rate swaps of $(1,657).

About Ellington Management Group, L.L.C.

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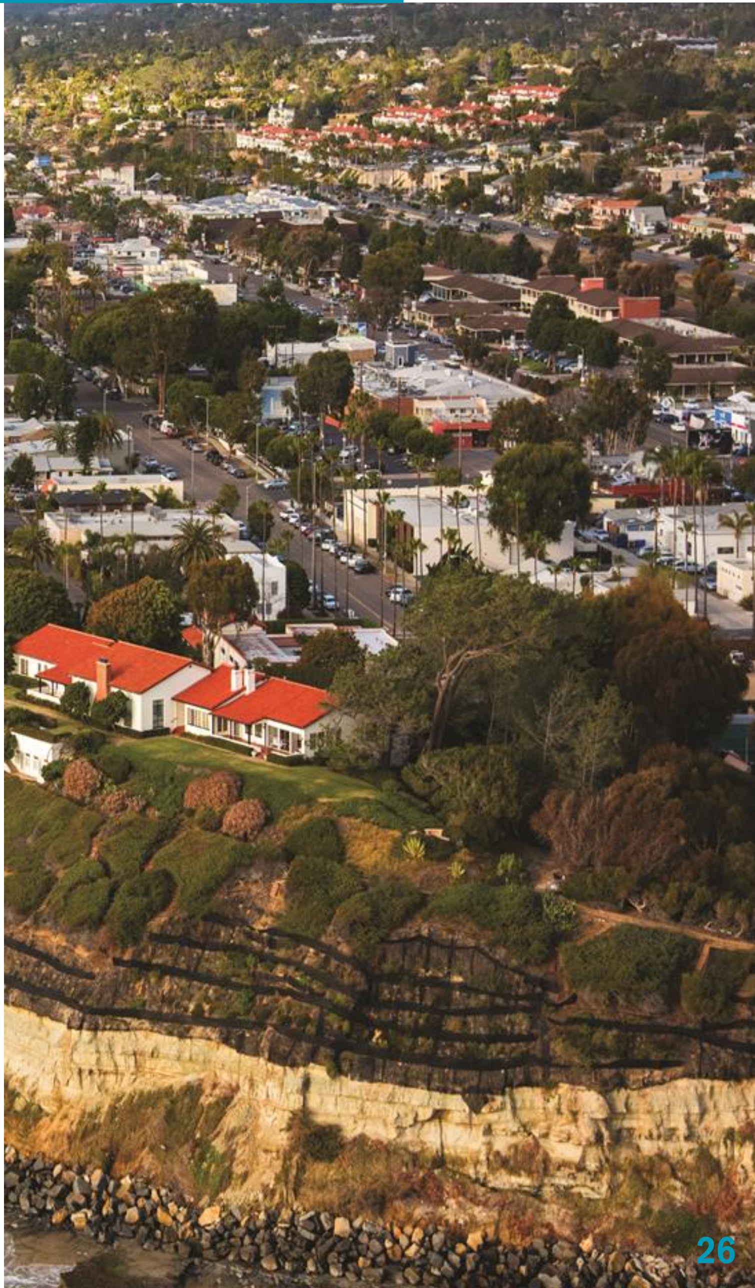
- EARN is managed by Ellington Residential Mortgage Management LLC, an affiliate of Ellington Management Group, L.L.C. ("EMG")
- EMG was founded in 1994 by Michael Vranos and five partners; currently has over 160 employees, giving EARN access to time-tested infrastructure and industry-leading resources in trading, research, risk management, and operational support
  - EMG has approximately $6.6 billion in assets under management as of December 31, 2017
- EMG's portfolio managers are among the most experienced in the MBS sector, and the firm's analytics have been developed over a 23-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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