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ELLINGTON RESIDENTIAL MORTGAGE REIT

Fourth Quarter 2016 Earnings Conference Call

February 10, 2017

Important Notice

Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve numerous risks and uncertainties. Actual results may differ from the Company's beliefs, expectations, estimates, and projections and, consequently, you should not rely on these forward-looking statements as predictions of future events. Forward-looking statements are not historical in nature and can be identified by words such as "believe," "expect," "anticipate," "estimate," "project," "plan," "continue," "intend," "should," "would," "could," "goal," "objective," "will," "may," "seek," or similar expressions or their negative forms, or by references to strategy, plans, or intentions.

The Company's results can fluctuate from month to month and from quarter to quarter depending on a variety of factors, some of which are beyond the Company's control and/or are difficult to predict, including, without limitation, changes in interest rates and the market value of the Company's securities, changes in mortgage default rates and prepayment rates, the Company's ability to borrow to finance its assets, changes in government regulations affecting the Company's business, the Company's ability to maintain its exclusion from registration under the Investment Company Act of 1940 and other changes in market conditions and economic trends. Furthermore, forward-looking statements are subject to risks and uncertainties, including, among other things, those described under Item 1A of our Annual Report on Form 10-K filed on March 10, 2016 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, 2016 unless otherwise indicated. We undertake no duty or obligation to update this presentation to reflect subsequent events or developments.

Fourth Quarter 2016

Ellington Residential: Fourth Quarter Highlights

Overall Results	■ Net income of \$2.0 million, or \$0.22 per share ■ Annualized return on equity of 5.6% ■ Performance was especially noteworthy given the large interest rate increase in the quarter
Core Earnings(1)	■ Core Earnings of \$4.9 million, or \$0.54 per share ■ Core Earnings excluding "catch-up" premium amortization adjustment was \$4.3 million, or \$0.47 per share ■ Net Interest Margin was 1.89%; excluding "catch-up" premium amortization adjustment, Net Interest Margin was 1.69%
Shareholders' Equity	■ Shareholders' equity as of December 31, 2016 of \$141.7 million, or \$15.52 per share ■ Down only 1.1% from September 30, 2016 book value per share of \$15.70

Portfolio	■ Agency RMBS Portfolio: \$1.208 billion as of December 31, 2016
	    ■ \$1.100 billion fixed rate "specified" pools
	    ■ \$33.1 million ARM pools
	    ■ \$62.1 million reverse mortgage pools
	    ■ \$12.3 million IOs
	■ Non-Agency RMBS Portfolio: \$19.4 million as of December 31, 2016

Leverage	■ Debt to equity ratio: approximately 8.5:1 as of December 31, 2016; adjusted for unsettled purchases/sales, 8.3:1
Dividend	■ Declared fourth quarter dividend of \$0.40 per share (paid in January 2017) ■ Annualized dividend yield of 12.3% based on closing price of \$13.02 on February 8, 2017

(1) Core Earnings is a non-GAAP financial measure. See slide 22 for a reconciliation of Core Earnings to Net Income (Loss).

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Ellington Residential: Agency RMBS

Overall Market Conditions	■ Fourth quarter was characterized by sharply higher interest rates and increased market volatility, especially after the U.S. election
	  ■ The rise in long-term interest rates was the largest quarterly increase since the financial crisis, and one of the largest quarterly increases ever
	  ■ Many market participants predicted that the policy goals of the new administration would lead to an acceleration in U.S. economic growth
	  ■ For fixed rate Agency RMBS portfolios, “negative convexity” (i.e., adverse shifts in duration) made asset-liability management extremely difficult
	■ Yield curve steepened substantially during the quarter
	  ■ 2-year U.S. Treasury yield rose 43 basis points to end the quarter at 1.19%
	  ■ 10-year U.S. Treasury yield rose 85 basis points to end the quarter at 2.44%
	■ Prices of Agency RMBS declined sharply over the course of the quarter, roughly in line with the surges in interest rates and volatility
	■ Prepayment rates slowed over the course of the quarter as mortgage rates increased, but the pace of the slowdown was much more gradual than most sell-side research had predicted

Portfolio Trends and Outlook	■ Portfolio size: $1.208 billion as of December 31, 2016, as compared to $1.215 billion as of September 30, 2016 ■ We turned over approximately 16% of the portfolio as measured by sales, excluding principal pay-downs ■ Average pay-up of 0.70% as of December 31, 2016, compared to 1.07% as of September 30, 2016 ■ Prepayment speeds on our portfolio increased slightly, which was not unexpected, given that a significant portion of our portfolio is backed by higher coupon mortgages that remain economical for borrowers to refinance

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Ellington Residential: Non-Agency RMBS

Overall Market Conditions	■ Within the broader fixed-income sector, credit sensitive securities, including non-Agency MBS, rallied strongly during the quarter, in sympathy with the equity markets and other sectors ■ As the case has been for some time, the fundamentals underlying non-Agency RMBS, led by a stable housing market, continue to be strong
Portfolio Trends and Outlook	■ Non-Agency RMBS portfolio was solidly profitable for the quarter ■ On a quarter-over-quarter basis, our non-Agency RMBS portfolio grew as we added new purchases ■ As of December 31, 2016, our investment in non-Agency RMBS increased to $19.4 million from $17.9 million as of September 30, 2016 ■ Intend to continue to opportunistically increase and decrease the size of this portfolio as market conditions vary

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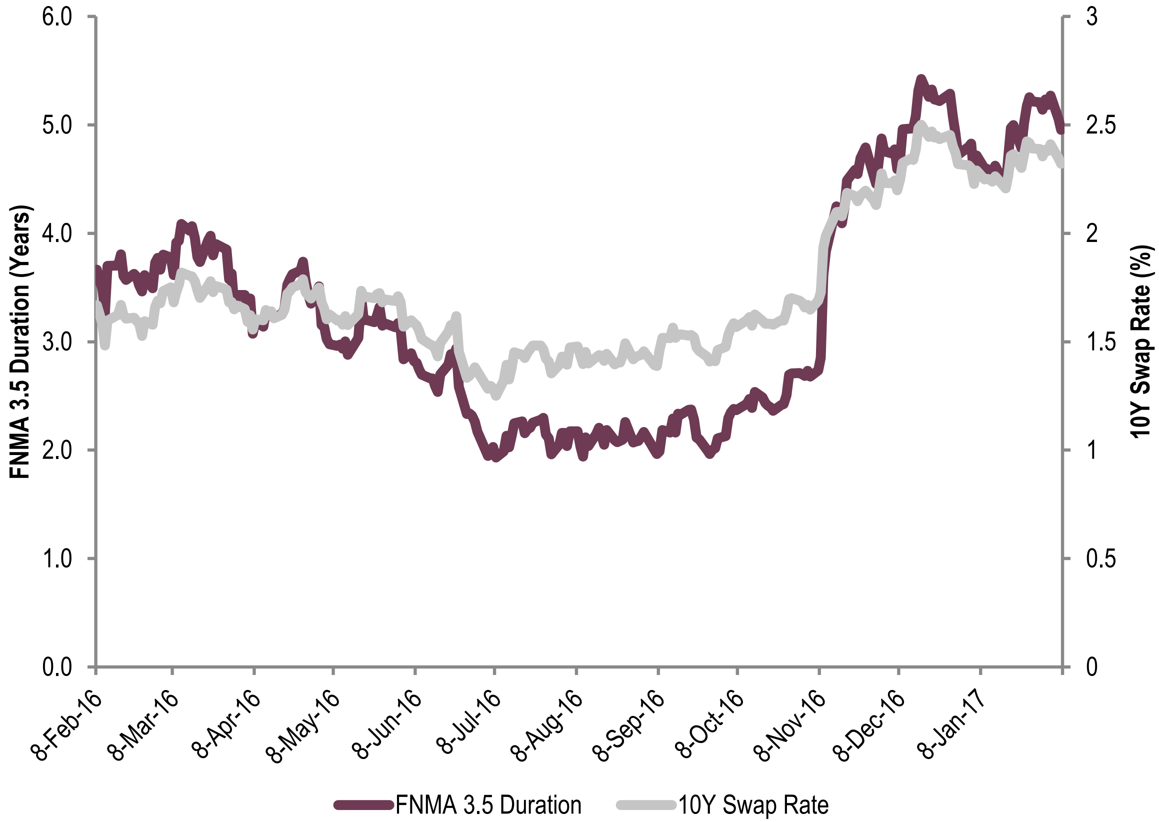
Dramatic Duration Extension



- **Duration on FNMA 3.5s more than doubled during the quarter**
- **Large duration shifts on the asset side create an extremely challenging market environment for managing risk**
- **We dynamically adjust our portfolio to manage duration risk, and actively managing this risk helps us preserve book value**

Source: Bloomberg.

Prepayments Rates Slowed

FNCL 3.5%					Prepayment Rates			
Year	**Collateral**	**Balance (Billions)**	**LTV**	**FICO**	**Jan '17**	**Dec '16**	**Nov '16**	**Oct '16**
2014	Non-Specified	44.7	78	760	14.1	25.1	30.3	31.8
2014	Low Loan Balance	0.5	69	756	7.0	8.2	10.0	9.6
FNCL 4.0%					**Prepayment Rates**			
Year	**Collateral**	**Balance (Billions)**	**LTV**	**FICO**	**Jan '17**	**Dec '16**	**Nov '16**	**Oct '16**
2014	Non-Specified	49.2	80	741	19.6	29.3	31.5	33.3
2014	Low Loan Balance	2.6	73	740	9.6	11.5	11.7	11.9

- **Prepayment rates slowed over the quarter as rates had been gradually rising since the end of the second quarter**
- **Decline in prepayment rates has been more dramatic since year end**

Source: J.P. Morgan.

Portfolio

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Ellington Residential: Portfolio Summary

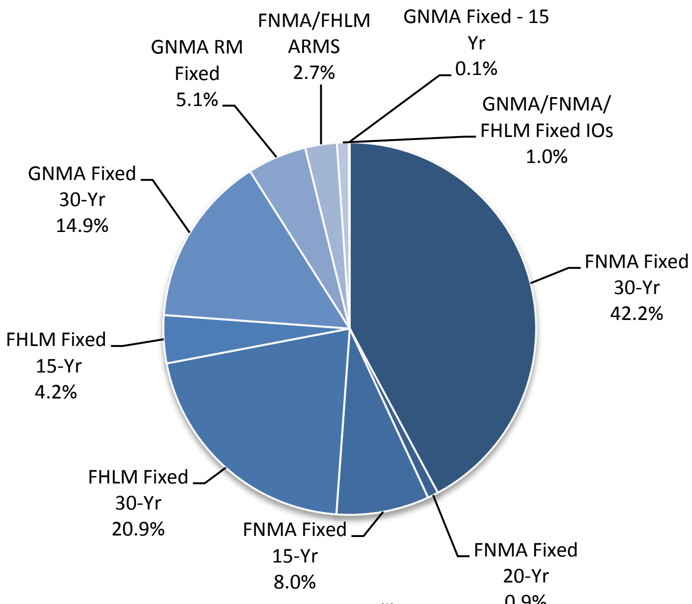
	December 31, 2016					September 30, 2016				
(In thousands)	Current Principal	Fair Value	Average Price[1]	Cost	Average Cost[1]	Current Principal	Fair Value	Average Price[1]	Cost	Average Cost[1]
Agency RMBS[2]										
15-year fixed rate mortgages	$ 141,829	$ 148,363	$ 104.61	$ 148,873	$ 104.97	$ 134,770	$ 143,300	$ 106.33	$ 141,566	$ 105.04
20-year fixed rate mortgages	10,488	11,185	106.65	11,275	107.50	10,710	11,660	108.87	11,530	107.66
30-year fixed rate mortgages	888,976	940,457	105.79	948,157	106.66	881,351	957,420	108.63	940,520	106.71
ARMs	31,656	33,138	104.68	33,226	104.96	30,645	32,341	105.53	32,179	105.01
Reverse mortgages	57,411	62,058	108.09	63,114	109.93	57,088	63,677	111.54	62,941	110.25
Total Agency RMBS	1,130,360	1,195,201	105.74	1,204,645	106.57	1,114,564	1,208,398	108.42	1,188,736	106.65
Non-Agency RMBS	27,794	19,446	69.96	18,268	65.73	23,591	17,896	75.86	16,743	70.97
Total RMBS[2]	1,158,154	1,214,647	104.88	1,222,913	105.59	1,138,155	1,226,294	107.74	1,205,479	105.92
Agency Interest Only RMBS	n/a	12,347	n/a	11,841	n/a	n/a	6,840	n/a	8,730	n/a
Total mortgage-backed securities		**1,226,994**		**1,234,754**			**1,233,134**		**1,214,209**	
U.S. Treasury securities sold short	(78,589)	(74,194)	94.41	(75,465)	96.02	(76,495)	(77,263)	101.00	(76,332)	99.79
Reverse repurchase agreements	75,012	75,012	100.00	75,012	100.00	77,932	77,932	100.00	77,932	100.00
Total		**$1,227,812**		**$1,234,301**			**$1,233,803**		**$1,215,809**	

(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

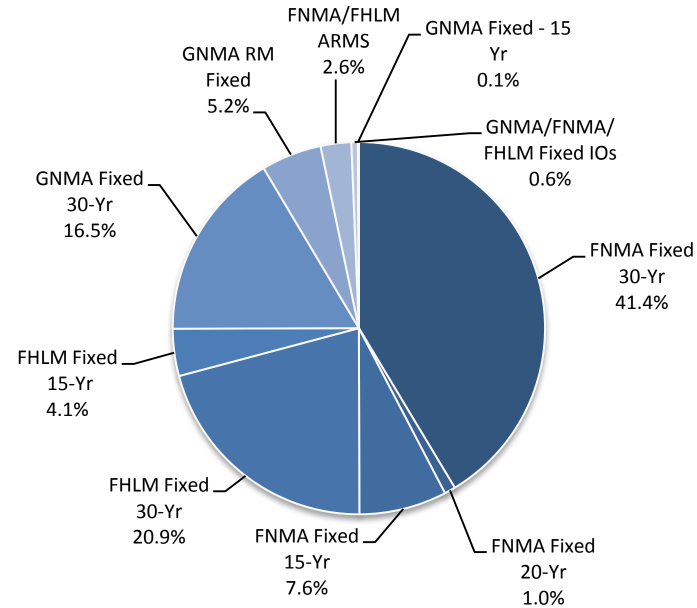
Current Quarter Agency Long Portfolio
As of 12/31/16: $1.21BN[(1)]



Fixed Portfolio[(2)]

Category	Fair Value[(1)]	Weighted Average Coupon[(3)]
FNMA Fixed - 30-Yr	$509.2	3.99
FNMA Fixed - 20-Yr	11.2	4.00
FNMA Fixed - 15-Yr	97.2	3.42
FHLM Fixed - 30-Yr	251.9	4.06
FHLM Fixed - 15-Yr	50.2	3.40
GNMA Fixed - 30-Yr	179.4	3.92
GNMA Fixed - 15-Yr	1.0	3.31
GNMA RM Fixed	62.1	4.51
Total	**$1,162.2**	**3.94**

Previous Quarter Agency Long Portfolio
As of 9/30/16: $1.22BN[(1)]



Fixed Portfolio[(2)]

Category	Fair Value[(1)]	Weighted Average Coupon[(3)]
FNMA Fixed - 30-Yr	$502.9	4.04
FNMA Fixed - 20-Yr	11.7	4.00
FNMA Fixed - 15-Yr	92.5	3.41
FHLM Fixed - 30-Yr	254.0	4.07
FHLM Fixed - 15-Yr	49.7	3.42
GNMA Fixed - 30-Yr	200.5	3.82
GNMA Fixed - 15-Yr	1.1	3.50
GNMA RM Fixed	63.7	4.51
Total	**$1,176.1**	**3.96**

(1) Does not include long TBA positions with a notional value of $49.1 million and a market value of $49.9 million as of December 31, 2016 and a notional value of $60.9 million and a market value of $64.1 million as of September 30, 2016.
(2) Fair value shown in millions. Excludes fixed rate IOs.
(3) Represents weighted average net pass-through rate.

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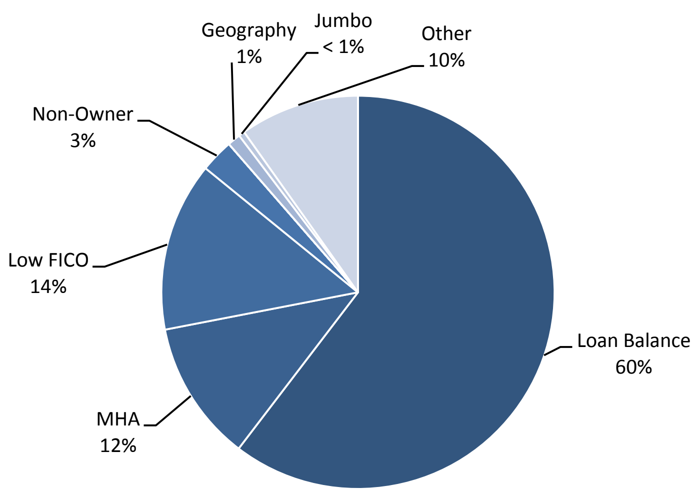
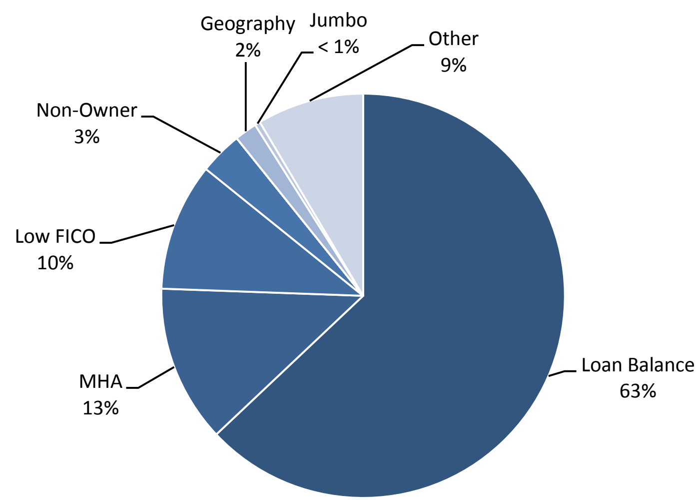
Ellington Residential: Agency Fixed Long Portfolio

Collateral Characteristics and Historical 3-month CPR For the Quarter Ended December 31, 2016[1]



Characteristic[2]	Fair Value[1][3]	3-Month CPR %
Loan Balance	$652.2	11.5
MHA[4]	125.1	12.0
Low FICO	150.3	8.2
Non-Owner	29.5	10.5
Geography	11.6	8.7
Jumbo	5.3	23.5
Other	106.2	24.3
Total	**$1,080.2**	**15.6**

Collateral Characteristics and Historical 3-month CPR For the Quarter Ended September 30, 2016:[1][5]

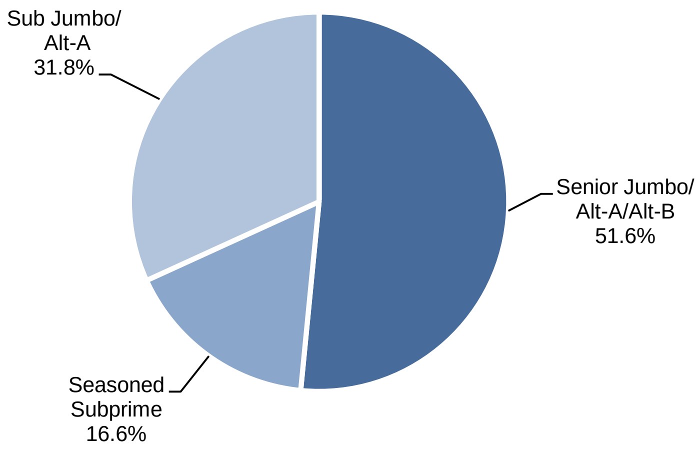


Characteristic[2]	Fair Value[1][3]	3-Month CPR %
Loan Balance	$652.9	11.9
MHA[4]	130.6	14.4
Low FICO	106.0	9.3
Non-Owner	35.7	27.5
Geography	18.5	5.1
Jumbo	4.5	30.6
Other	88.6	16.1
Total	**$1,036.8**	**14.1**

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

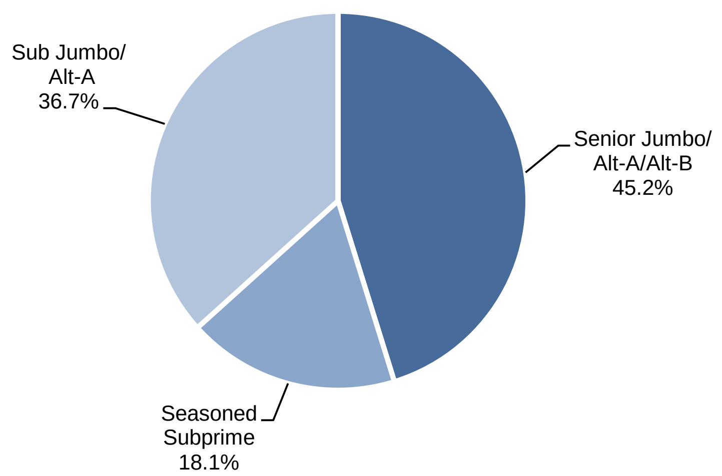
Ellington Residential: Non-Agency Long Portfolio

Current Quarter
Non-Agency Long Portfolio 12/31/16: $19.4MM



Total Non-Agency Long
Avg Mkt Px 70.0

Previous Quarter
Non-Agency Long Portfolio 9/30/16: $17.9MM



Total Non-Agency Long
Avg Mkt Px 75.9

- **We continue to maintain a small but high-yielding portfolio of non-Agency RMBS**
- **We may increase our allocation to this sector should more attractive entry points arise**
  - **During the fourth quarter, we added to this portfolio**

Borrowings and Hedges

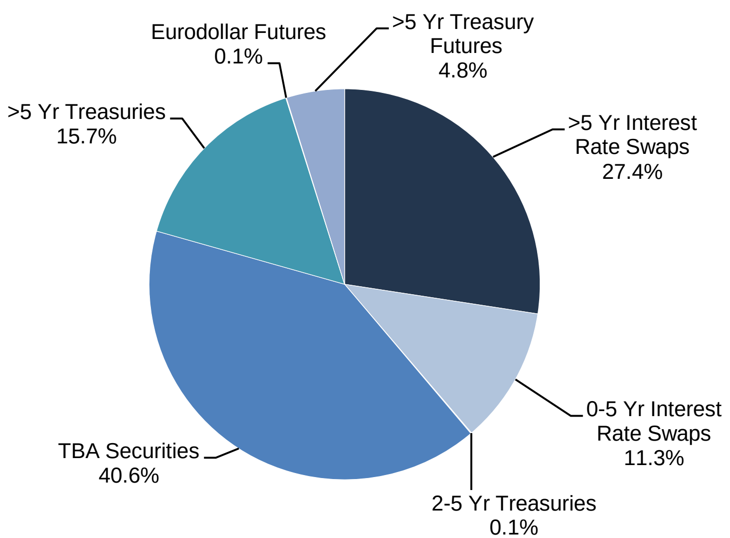
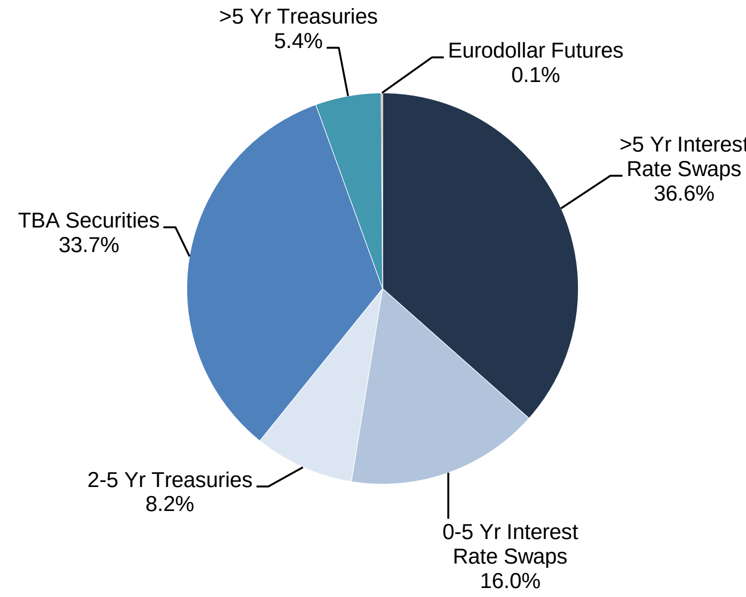
Ellington Residential: Repo Borrowings

	December 31, 2016			September 30, 2016		
		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	$ 545,817	0.80%	19	$ 521,831	0.70%	15
31-60 days	304,398	0.91%	45	298,063	0.70%	47
61-90 days	299,081	0.98%	74	248,083	0.74%	76
91-120 days	1,050	0.88%	109	74,956	0.76%	109
121-150 days	12,428	0.97%	135	2,150	0.75%	137
151-180 days	35,199	1.05%	164	13,879	0.82%	165
Total	**$ 1,197,973**	**0.88%**	**45**	**$ 1,158,962**	**0.72%**	**44**

- **Outstanding borrowings are with 13 counterparties**
- **Cost of repo increased as LIBOR increased**
- **Availability from both existing and new lending counterparties remains strong**

Note: As of December 31, 2016 and September 30, 2016, the Company had no outstanding borrowings other than under repurchase agreements.

Ellington Residential: Interest Rate Hedging Portfolio

Current Quarter Agency Interest Rate Hedging Portfolio 12/31/16: Short $487.8MM 10-year equivalents	Previous Quarter Agency Interest Rate Hedging Portfolio 9/30/16: Short $308.1MM 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 fourth quarter:**
  - **Interest rate hedging portfolio continues to be predominantly comprised of fixed payer interest rate swaps and short TBAs**
  - **We increased TBA hedge relative to interest rate swaps and added U.S. Treasury futures**
  - **Weighted average remaining term of swap hedges increased slightly: 4.8 years as of December 31, 2016 as compared to 4.4 years as of September 30, 2016**

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.

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Ellington Residential: Interest Rate Hedging

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

(In millions) Agency-related Portfolio	12/31/2016		9/30/2016	
Long Agency RMBS	$	1,195	$	1,208
Net Short TBA Positions[(1)]		(438)		(490)
Net Long Exposure to Agency RMBS	$	757	$	718

- **Shorting "generic" pools (or TBAs) allows EARN to significantly reduce interest rate risk and basis risk in its Agency portfolio; interest rate risk is also hedged with swaps, swaptions, U.S. Treasury securities, etc.**
- **Average pay-up on Agency pools was 0.70% as of December 31, 2016, as compared to 1.07% as of September 30, 2016**

Estimated Change in Fair Value as of December 31, 2016 if Interest Rates Move[(2)]:

(In thousands)	Down 50 bps		Up 50 bps	
Agency RMBS - ARM Pools	$	245	$	(295)
Agency RMBS - Fixed Pools and IOs		18,890		(24,608)
TBAs		(7,077)		9,823
Non-Agency RMBS		197		(192)
Interest Rate Swaps		(8,257)		7,891
U.S. Treasury Securities		(3,377)		3,213
Eurodollar and U.S. Treasury Futures		(1,031)		996
Repurchase and Reverse Repurchase Agreements		(739)		736
Total	**$**	**(1,149)**	**$**	**(2,436)**

(1) Net short TBA positions represents the current market value of the underlying Agency RMBS (on a forward delivery basis) as of December 31, 2016 and September 30, 2016. The net carrying value of the TBA positions as of December 31, 2016 and September 30, 2016 on the Consolidated Balance Sheet was $0.5 million and $(0.4) million, respectively.

(2) Based on the market environment as of December 31, 2016. 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.

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Ellington Residential: Interest Rate Hedging (Continued)

December 31, 2016

Fixed Payer Interest Rate Swap

Maturity	Notional Amount	Fair Value	Weighted Average Pay Rate	Weighted Average Receive Rate	Weighted Average Years to Maturity
	(In thousands)				
2017	$ 74,750	$ (258)	1.21 %	0.92 %	0.6
2018	65,990	193	0.97 %	0.89 %	1.4
2019	4,200	57	0.96 %	0.88 %	2.6
2020	79,500	554	1.48 %	0.89 %	3.3
2021	19,300	99	1.83 %	0.93 %	4.9
2022	13,044	172	1.75 %	0.89 %	5.7
2023	54,200	514	1.93 %	0.89 %	6.5
2024	8,900	87	1.99 %	0.85 %	7.3
2025	15,322	123	2.04 %	0.89 %	8.1
2026	46,435	2,306	1.72 %	0.91 %	9.7
2043	12,380	(1,070)	2.99 %	0.89 %	26.4
Total	$ **394,021**	$ **2,777**	**1.53** %	**0.90** %	**4.8**

Fixed Receiver Interest Rate Swap

Maturity	Notional Amount	Fair Value	Weighted Average Pay Rate	Weighted Average Receive Rate	Weighted Average Years to Maturity
	(In thousands)				
2025	$ 9,700	$ 693	0.88 %	3.00 %	8.5
Total	$ **9,700**	$ **693**	**0.88** %	**3.00** %	**8.5**

TBA Securities

(In thousands)	Notional Amount (1)	Cost Basis (2)	Market Value (3)	Net Carrying Value (4)
Total TBAs, Net	$ (415,898)	$ (438,727)	$ (438,236)	$ 491

Eurodollar and U.S. Treasury Futures

(In thousands)	Notional Amount	Fair Value	Remaining Months to Expiration
Eurodollar Futures	$ (9,000)	$ 1	5.6
U.S. Treasury Futures	$ (26,700)	$ 71	2.7

(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, 2016.
(4) Net carrying value represents the difference between the market value of the TBA contract as of December 31, 2016 and the cost basis, and is reported in Financial derivatives-assets, at fair value and Financial derivatives-liabilities, at fair value on the Consolidated Balance Sheet.

Supplemental Information

ELLINGTON RESIDENTIAL MORTGAGE REIT

Ellington Residential: Income Statement (Unaudited)

CONSOLIDATED STATEMENT OF OPERATIONS

	Three Month Period Ended		Year Ended
	December 31, 2016	September 30, 2016	December 31, 2016
(In thousands except share amounts)			
INTEREST INCOME (EXPENSE)			
Interest income	$ 9,213	$ 7,096	$ 33,498
Interest expense	(2,684)	(2,279)	(9,274)
Total net interest income	6,529	4,817	24,224
EXPENSES			
Management fees	534	539	2,129
Professional fees	118	171	668
Compensation expense	137	142	599
Other operating expenses	343	402	1,613
Total expenses	1,132	1,254	5,009
OTHER INCOME (LOSS)			
Net realized gains (losses) on securities	(582)	3,892	8,420
Net realized gains (losses) on financial derivatives	9,403	(3,920)	(12,120)
Change in net unrealized gains (losses) on securities	(24,484)	(124)	(10,096)
Change in net unrealized gains (losses) on financial derivatives	12,278	3,215	6,487
Total other income (loss)	(3,385)	3,063	(7,309)
NET INCOME (LOSS)	$ 2,012	$ 6,626	$ 11,906
NET INCOME (LOSS) PER COMMON SHARE			
Basic and Diluted	$ 0.22	$ 0.73	$ 1.31
WEIGHTED AVERAGE SHARES OUTSTANDING	9,127,836	9,119,111	9,121,344
CASH DIVIDENDS PER SHARE:			
Dividends declared	$ 0.40	$ 0.40	$ 1.65

Ellington Residential: Balance Sheet (Unaudited)

CONSOLIDATED BALANCE SHEET

	As of		
	December 31, 2016	September 30, 2016	December 31, 2015[1]
(In thousands except share amounts)			
ASSETS			
Cash and cash equivalents	$ 33,504	$ 43,026	$ 40,166
Mortgage-backed securities, at fair value	1,226,994	1,233,134	1,242,266
Due from brokers	49,518	33,462	33,297
Financial derivatives-assets, at fair value	6,008	1,641	2,183
Reverse repurchase agreements	75,012	77,932	78,632
Receivable for securities sold	33,199	37,057	155,526
Interest receivable	4,633	4,274	4,325
Other assets	266	357	289
Total Assets	$ 1,429,134	$ 1,430,883	$ 1,556,684
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Repurchase agreements	$ 1,197,973	$ 1,158,962	$ 1,222,719
Payable for securities purchased	5,516	34,808	98,949
Due to brokers	1,055	538	439
Financial derivatives-liabilities, at fair value	1,975	9,885	4,725
U.S. Treasury securities sold short, at fair value	74,194	77,263	78,447
Dividend payable	3,652	3,651	4,111
Accrued expenses	647	622	533
Management fee payable	533	539	545
Interest payable	1,912	1,341	1,361
Total Liabilities	$ 1,287,457	$ 1,287,609	$ 1,411,829
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; (9,130,897, 9,127,039, and 9,135,103 shares issued and outstanding, respectively)	92	92	92
Additional paid-in-capital	180,996	180,952	181,027
Accumulated deficit	(39,411)	(37,770)	(36,264)
Total Shareholders' Equity	141,677	143,274	144,855
Total Liabilities and Shareholders' Equity	$ 1,429,134	$ 1,430,883	$ 1,556,684
Per Share Information			
Common shares, par value $0.01 per share	$ 15.52	$ 15.70	$ 15.86

(1) Derived from audited financial statements as of December 31, 2015.

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

(In thousands except share amounts)	Three Month Period Ended December 31, 2016	Three Month Period Ended September 30, 2016
Net Income (Loss)	$ 2,012	$ 6,626
Less:		
Net realized gains (losses) on securities	(582)	3,892
Net realized gains (losses) on financial derivatives, excluding periodic payments[2]	10,320	(3,679)
Change in net unrealized gains (losses) on securities	(24,484)	(124)
Change in net unrealized gains and (losses) on financial derivatives, excluding accrued periodic payments[3]	11,852	3,600
Subtotal	(2,894)	3,689
Core Earnings	$ 4,906	$ 2,937
Catch-up Premium Amortization Adjustments	596	(1,448)
Core Earnings excluding Catch-up Premium Amortization Adjustments	4,310	4,385
Weighted Average Shares Outstanding	9,127,836	9,119,111
Core Earnings Per Share	$ 0.54	$ 0.32
Core Earnings Per Share excluding Catch-up Premium Amortization Adjustments	$ 0.47	$ 0.48

(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. Core Earnings excluding Catch-up Premium Amortization Adjustment consists of Core Earnings but excludes the effect of the Catch-up Premium Amortization Adjustment on interest income. Core Earnings and Core Earnings excluding the Catch-up Premium Amortization Adjustment are supplemental non-GAAP financial measures. We believe that Core Earnings and Core Earnings excluding Catch-up Premium Amortization Adjustment 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 Core Earnings excluding Catch-up Premium Amortization Adjustment are used to help measure the extent to which this objective is being achieved. However, because Core Earnings and Core Earnings excluding Catch-up Premium Amortization Adjustment 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, 2016 and September 30, 2016, our Core Earnings and Core Earnings excluding Catch-up Premium Amortization Adjustment on a consolidated basis to the line on our Consolidated Statement of Operations entitled Net Income (Loss), which we believe is the most directly comparable GAAP measure on our Consolidated Statement of Operations to Core Earnings.

(2) For the three month period ended December 31, 2016, represents Net realized gains (losses) on financial derivatives of $9,403 less Net realized gains (losses) on periodic settlements of interest rate swaps of $(917). For the three month period ended September 30, 2016, represents Net realized gains (losses) on financial derivatives of $(3,920) less Net realized gains (losses) on periodic settlements of interest rate swaps of $(241).

(3) For the three month period ended December 31, 2016, represents Change in net unrealized gains (losses) on financial derivatives of $12,278 less Change in net unrealized gains (losses) on accrued periodic settlements of interest rate swaps of $426. For the three month period ended September 30, 2016, represents Change in net unrealized gains (losses) on financial derivatives of $3,215 less Change in net unrealized gains (losses) on accrued periodic settlements of interest rate swaps of $(385).

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 160 employees, giving EARN access to time-tested infrastructure and industry-leading resources in trading, research, risk management, and operational support
  - EMG has approximately $5.9 billion in assets under management as of December 31, 2016
- EMG's portfolio managers are among the most experienced in the MBS sector, and the firm's analytics have been developed over a 21-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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