

EARN

ELLINGTON RESIDENTIAL MORTGAGE REIT

March 7, 2023

Earnings Conference Call

Q4 2022



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 including changes resulting from the ongoing spread and economic effects of the novel coronavirus (COVID-19) pandemic and associated responses to the pandemic. 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, 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, 2022 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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ELLINGTON RESIDENTIAL MORTGAGE REIT

Quarter Ended	12/31/2022	Q4/Q3	9/30/2022	Q3/Q2	6/30/2022	Q2/Q1	3/31/2022	Q1/Q4	12/31/2021
UST (%)⁽¹⁾									
3M UST	4.34	+1.10	3.25	+1.62	1.63	+1.14	0.48	+0.45	0.03
2Y UST	4.43	+0.15	4.28	+1.33	2.95	+0.62	2.33	+1.60	0.73
5Y UST	4.00	-0.09	4.09	+1.05	3.04	+0.58	2.46	+1.20	1.26
10Y UST	3.87	+0.05	3.83	+0.82	3.01	+0.67	2.34	+0.83	1.51
30Y UST	3.96	+0.19	3.78	+0.59	3.18	+0.74	2.45	+0.54	1.90
3M10Y Spread	-0.47	-1.05	0.58	-0.80	1.39	-0.47	1.86	+0.38	1.48
2Y10Y Spread	-0.55	-0.10	-0.45	-0.51	0.06	+0.06	0.00	-0.77	0.78
US Dollar Swaps (%)⁽¹⁾									
2Y SWAP	4.71	+0.16	4.54	+1.27	3.28	+0.72	2.55	+1.61	0.94
5Y SWAP	4.02	-0.12	4.14	+1.07	3.08	+0.55	2.52	+1.15	1.37
10Y SWAP	3.84	-0.04	3.88	+0.78	3.09	+0.69	2.41	+0.83	1.58
SOFR (%)⁽¹⁾									
1M	4.36	+1.32	3.04	+1.36	1.69	+1.38	0.30	+0.25	0.05
3M	4.59	+0.99	3.59	+1.48	2.12	+1.44	0.68	+0.58	0.09
1M3M Spread	0.23	-0.32	0.55	+0.12	0.43	+0.06	0.37	+0.34	0.04
LIBOR (%)⁽¹⁾									
1M	4.39	+1.25	3.14	+1.36	1.79	+1.33	0.45	+0.35	0.10
3M	4.77	+1.01	3.75	+1.47	2.29	+1.32	0.96	+0.75	0.21
1M3M Spread	0.38	-0.24	0.61	+0.11	0.50	-0.01	0.51	+0.40	0.11
Mortgage Rates (%)⁽²⁾									
15Y	6.06	+0.10	5.96	+1.00	4.96	+0.85	4.11	+1.51	2.60
30Y	6.41	-0.29	6.70	+1.00	5.7	+1.03	4.67	+1.56	3.11
FNMA Pass-Thrus⁽¹⁾									
30Y2.5	\$84.63	+\$0.84	\$83.80	-\$6.09	\$89.89	-\$5.51	\$95.40	-\$6.70	\$102.09
30Y3.5	\$90.82	+\$0.99	\$89.83	-\$6.34	\$96.17	-\$3.95	\$100.13	-\$5.20	\$105.32
30Y4.5	\$96.31	+\$1.13	\$95.18	-\$5.21	\$100.39	-\$3.28	\$103.67	-\$3.55	\$107.22
30Y5.5	\$100.30	+\$0.88	\$99.41	-\$4.30	\$103.72	-\$2.15	\$105.87	-\$2.55	\$108.42
Libor-based OAS (bps)^{(3) (4)}									
FNMA30Y2.5 OAS	44.9	-15.5	60.4	+17.7	42.7	+26.6	16.1	+20.2	-4.1
FNMA30Y3.5 OAS	49.2	-16.6	65.8	+31.5	34.3	+9.6	24.7	+43.7	-19.0
FNMA30Y4.5 OAS	43.4	-21.6	65	+37.1	27.9	-3.3	31.2	+46.5	-15.3
FNMA30Y5.5 OAS	44.1	-29.9	74.0	+57.0	17.0	-106.0	123	-28.2	151.2
Libor-based ZSpread (bps)^{(3) (5)}									
FNMA30Y2.5 ZSpread	71.3	-15.2	86.5	+14.7	71.8	+1.9	69.9	+8.6	61.3
FNMA30Y3.5 ZSpread	89.2	-17.1	106.3	+13.6	92.7	-8.3	101	+77.3	23.7
FNMA30Y4.5 ZSpread	117.3	-17.6	134.9	+10.4	124.5	+37.0	87.5	+79.4	8.1
FNMA30Y5.5 ZSpread	148.8	-16.8	165.6	+79.8	85.8	-61.1	146.9	-17.4	164.3

<p>Results</p>	<ul style="list-style-type: none"> • Net Income: \$11.7 million or \$0.88 per share • Economic Return:⁽¹⁾ 11.1% for the quarter • Adjusted Distributable Earnings⁽²⁾: \$3.3 million or \$0.25 per share • Net Interest Margin⁽³⁾: 1.37%
<p>Shareholders' Equity & BVPS⁽⁴⁾</p>	<ul style="list-style-type: none"> • Shareholders' Equity: \$112.4 million • Book Value Per Share: \$8.40
<p>Investment Portfolio</p>	<ul style="list-style-type: none"> • Agency RMBS Portfolio: \$863.3 million⁽⁴⁾ <ul style="list-style-type: none"> • Weighted average prepayment speed on our fixed-rate specified pools⁽⁵⁾ decreased quarter over quarter to 6.1% CPR from 9.8% CPR • Average pay-ups on our fixed-rate specified pools increased to 1.26% from 1.02% • Interest-only Securities: \$17.5 million⁽⁴⁾ • Non-Agency RMBS Portfolio: \$12.6 million⁽⁴⁾
<p>Leverage⁽⁴⁾</p>	<ul style="list-style-type: none"> • Debt-to-Equity Ratio: 7.5:1, and 7.6:1 adjusted for unsettled purchases and sales • Net Mortgage Assets-to-Equity Ratio of 6.6:1⁽⁶⁾ • Cash and cash equivalents of \$34.8 million, in addition to other unencumbered assets of \$2.9 million
<p>Dividends</p>	<ul style="list-style-type: none"> • Dividend yield of 12.7% based on 3/3/2023 closing price of \$7.54 and monthly dividend of \$0.08 per common share declared on 2/7/2023

Summary of Financial Results

	Quarter Ended 12/31/2022	Quarter Ended 9/30/2022
<i>(in thousands except per share amounts)</i>		
Interest Income	\$ 9,927	\$ 9,457
Interest Expense	(7,477)	(4,268)
Total Net Interest Income	\$ 2,450	\$ 5,189
Total Other Gain (Loss) ⁽¹⁾	2,745	383
Total Expenses	(1,271)	(1,230)
Add back: Catch-up Premium Amortization Adjustment ⁽²⁾	(658)	(1,381)
Adjusted Distributable Earnings⁽³⁾	\$ 3,266	\$ 2,961
Per Share⁽⁴⁾	\$ 0.25	\$ 0.23
Net Realized and Unrealized Gain (Loss):		
RMBS	\$ 11,927	\$ (56,018)
Long TBAs Held for Investment	923	(2,828)
Interest Rate Hedges and Other Activities, Net	(5,094)	40,833
Total Net Realized and Unrealized Gain (Loss)	\$ 7,756	\$ (18,013)
Deduct: Catch-up Premium Amortization Adjustment ⁽²⁾	658	1,381
Net Income (Loss)	\$ 11,680	\$ (13,671)
Per Share⁽⁴⁾	\$ 0.88	\$ (1.04)
Weighted Average Yield ⁽⁵⁾	3.40%	2.95%
Cost of Funds	<u>-2.03%</u>	<u>-1.67%</u>
Net Interest Margin ⁽⁶⁾	1.37%	1.28%
Average Pay-Ups	1.26%	1.02%
Shareholders' Equity	\$ 112,409	\$ 103,005
Book Value Per Share⁽⁴⁾	\$ 8.40	\$ 7.78

Consolidated Balance Sheet (Unaudited)



(in thousands except share amounts and per share amounts)

December 31, 2022

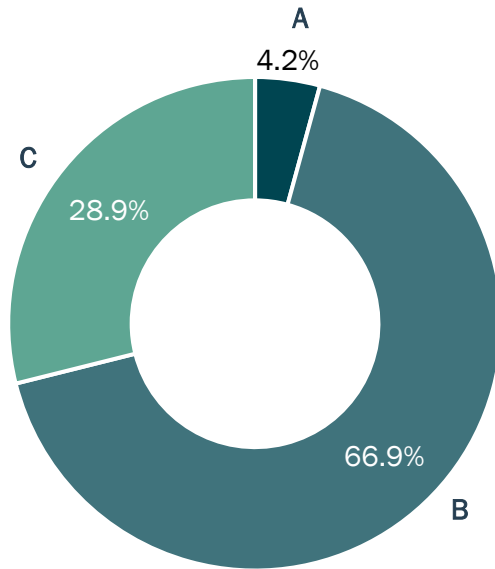
September 30, 2022

	December 31, 2022	September 30, 2022
Assets		
Cash and cash equivalents	\$ 34,816	\$ 25,408
Mortgage-backed securities, at fair value	893,301	934,668
Other investments, at fair value	208	8,498
Due from brokers	18,824	48,595
Financial derivative-assets, at fair value	68,770	71,853
Reverse repurchase agreements	499	21,774
Receivable for securities sold	33,452	73,945
Interest receivable	3,326	3,855
Other assets	436	638
Total Assets	\$ 1,053,632	\$ 1,189,234
Liabilities and Shareholders' Equity		
Liabilities		
Repurchase agreements	\$ 842,455	\$ 938,046
Payable for securities purchased	42,199	72,957
Due to brokers	45,666	44,115
Financial derivatives-liabilities, at fair value	3,119	4,440
U.S. Treasury securities sold short, at fair value	498	21,577
Dividend Payable	1,070	1,060
Accrued expenses	1,097	1,306
Management fee payable to affiliate	423	388
Interest payable	4,696	2,340
Total Liabilities	\$ 941,223	\$ 1,086,229
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; (13,377,840 and 13,245,298 shares issued and outstanding, respectively) ⁽¹⁾	134	132
Additional paid-in-capital	240,940	240,026
Accumulated deficit	(128,665)	(137,153)
Total Shareholders' Equity	112,409	103,005
Total Liabilities and Shareholders' Equity	\$ 1,053,632	\$ 1,189,234
Supplemental Per Share Information		
Book Value Per Share	\$ 8.40	\$ 7.78

(in thousands)	December 31, 2022					September 30, 2022				
	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	\$ 47,453	\$ 45,324	\$ 95.51	\$ 48,899	\$103.05	\$ 78,506	\$ 72,465	\$ 92.31	\$ 78,802	\$100.38
20-year fixed rate mortgages	10,812	9,691	89.63	11,508	106.44	10,979	9,612	87.55	11,700	106.57
30-year fixed rate mortgages	841,823	781,754	92.86	849,168	100.87	879,451	800,161	90.98	891,933	101.42
ARMs	8,696	8,663	99.62	9,595	110.34	8,808	8,748	99.32	9,579	108.75
Reverse mortgages	17,506	17,852	101.98	19,659	112.30	18,044	18,385	101.89	20,058	111.16
Total Agency RMBS	926,290	863,284	93.20	938,829	101.35	995,788	909,371	91.32	1,012,072	101.64
Non-Agency RMBS ⁽²⁾	16,895	12,566	74.38	12,414	73.48	10,595	7,720	72.86	7,402	69.86
Total RMBS⁽²⁾	943,185	875,850	92.86	951,243	100.85	1,006,383	917,091	91.13	1,019,474	101.30
Agency Interest Only RMBS	n/a	9,313	n/a	9,212	n/a	n/a	9,396	n/a	9,928	n/a
Non-Agency Interest Only RMBS	n/a	8,138	n/a	6,289	n/a	n/a	8,181	n/a	6,428	n/a
Total mortgage-backed securities		\$ 893,301		\$ 966,744			\$ 934,668		\$ 1,035,830	

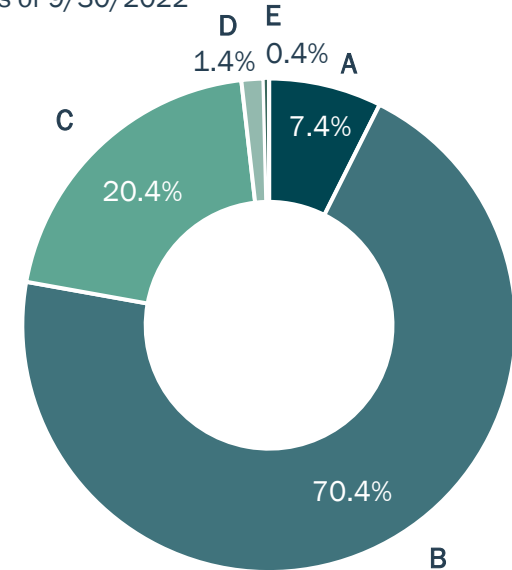
- Agency RMBS decreased to \$863.3 million as of December 31st, 2022, as compared to \$909.4 million as of September 30th, 2022
 - Agency RMBS portfolio turnover was 18% for the quarter
- Non-Agency RMBS increased significantly to \$12.6 million from \$7.7 million in the prior quarter

Short \$560.1MM 10-yr equivalents⁽¹⁾
As of 12/31/2022



- A: 2-to-5 Yr Interest Rate Swaps
- B: >5 Yr Interest Rate Swaps
- C: TBAs
- D: 2-to-5 Yr Treasuries and Treasury Futures
- E: <2 Yr Interest Rate Swaps

Short \$601.5MM 10-yr equivalents⁽¹⁾
As of 9/30/2022



We hedge along the entire yield curve to manage interest rate risk and protect book value

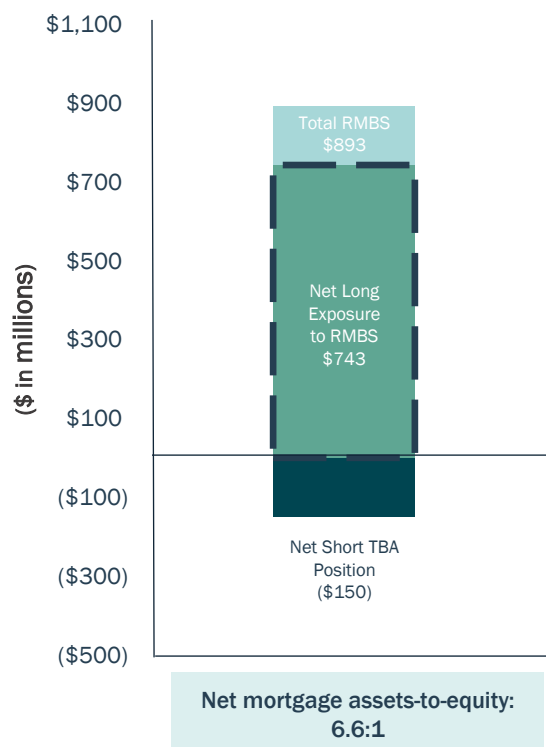
Shorting “generic” pools (or TBAs) allows EARN to significantly reduce interest rate risk and basis risk in its Agency portfolio

As of December 31st we had a net short TBA position, both on a notional basis and as measured by 10-yr equivalents. The size of our net TBA short position based on 10-year equivalents increased quarter over quarter

We also hedge interest rate risk with swaps, U.S. Treasury securities, futures, and swaptions

Net RMBS Exposure Based on Fair Value⁽¹⁾

As of 12/31/2022



As of 9/30/2022



- EARN often carries significantly lower net effective mortgage exposure than our “headline” leverage suggests, due to our net short TBA position
- Our net mortgage assets-to-equity⁽²⁾ ratio decreased quarter over quarter, primarily due to higher shareholders’ equity and lower Agency RMBS holdings

- Use of TBA short positions as hedges helps drive outperformance in especially volatile quarters, such as the first and second quarters of 2020
- 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

◆ As of December 31, 2022⁽¹⁾

Securitized Products

US Agency MBS TOAS

US Agency MBS TZV

US Agency FN 3 OAS

US Agency G2 3 OAS

US Spec HLB 3

Non-QM AAA

Legacy Resi

CRT OTR M1

Subprime Auto BBB

US CLO 2.0 AAA

US CLO 2.0 BBB

EUR CLO 2.0 AAA

US CMBS AAA

US CMBS BBB

US Corporate Credit

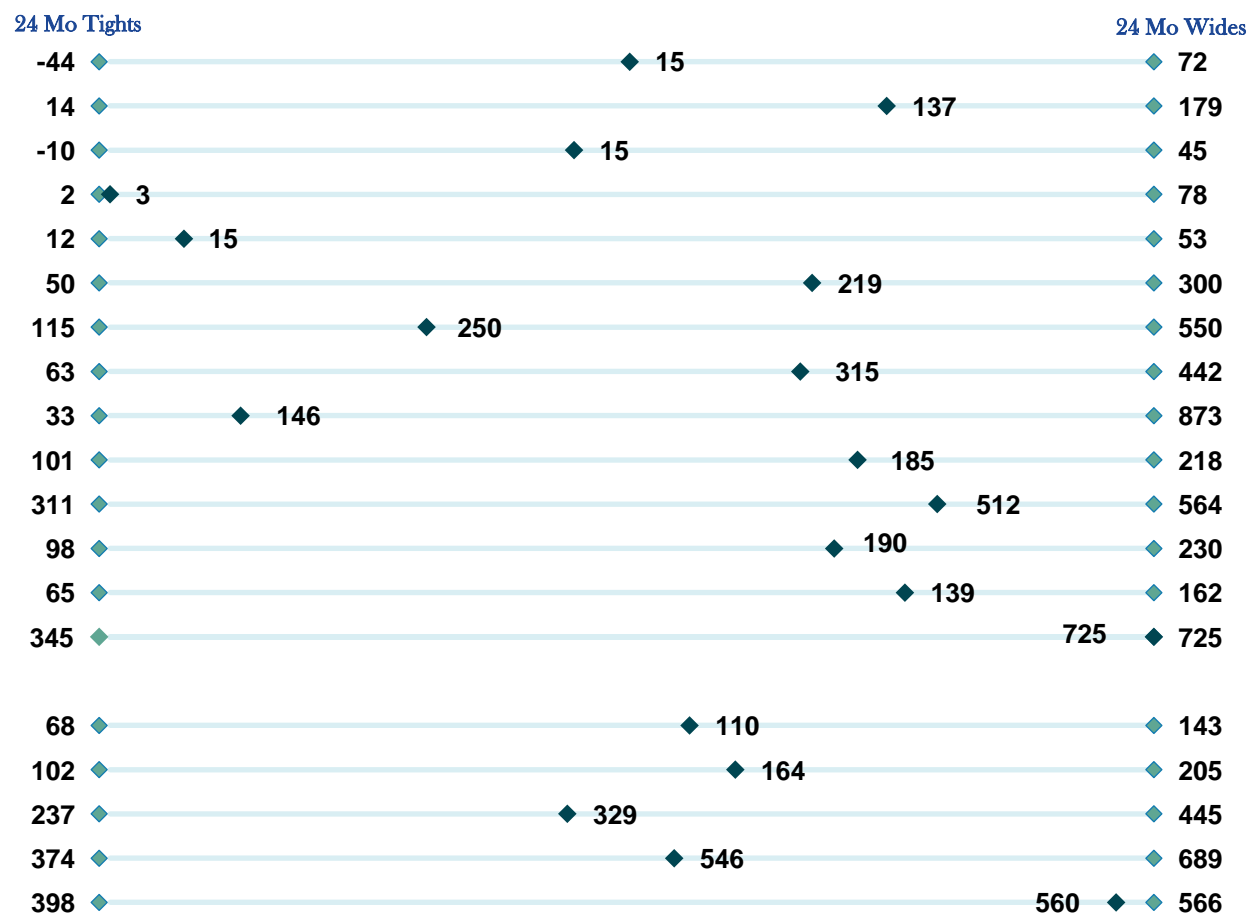
US IG Corp A OAS

US IG Corp BBB OAS

US HY Corp BB STW

US HY Corp B STW

Lev Loans



Source: Morgan Stanley

- After widening for much of 2022, yield spreads on most fixed income products reversed course and tightened during the fourth quarter
- Yield spreads on Legacy Resi, US CLO 2.0 AAA, US CLO 2.0 BBB, U.S CMBS AAA, and US CMBS BBB widened further with US CMBS BBB ending the quarter at a new 24-month wide

Ellington is committed to corporate social responsibility. We recognize the importance of environmental, social and governance (“ESG”) factors, and believe that the implementation of ESG policies will benefit our employees, support long-term stockholder performance, and make a positive impact on the environment and society as a whole. Our Manager has a standing ESG Committee to address a variety of issues, including its impact on the environment, increasing the diversity of its workforce, employee engagement, and community involvement.



Environmental

- Our offices are conveniently located near mass transportation.
- We provide financial support and incentives to our employees who use public transit.
- To reduce energy usage, we use Energy Star® certified desktops, monitors and printers; and utilize motion sensor lighting and cooling to reduce energy usage in non-peak hours.
- To reduce waste and promote a cleaner environment, we use green cleaning supplies and kitchen products; recycle electronics, ink cartridges, and packaging; provide recycling containers to employees; and use water coolers to reduce waste.
- We have reduced the number of single use cups and plastic water bottles in our offices.



Social

- We invest in home mortgage loans, which support homeownership and stability within communities.
- Ellington and senior members of management sponsor numerous charitable causes, including several devoted to diversity and children in need. We also support employee charitable contributions through matching gift programs, hosting food drives, and other community events.
- Our employees have access to robust health and wellness programs. Ellington also supports various events that support health and wellness.
- We provide opportunities for personal growth with training, including facilitating a lunch & learn series, and reimbursing professional continuing education. We also support professional development through mentorship programs and affinity groups, such as a women’s networking group.
- We are committed to enhancing gender, racial, and ethnic diversity throughout our organization, as stated in our Manager’s Diversity and Inclusion Policy. We have engaged a women-owned recruiting firm focused exclusively on women and minority recruiting on college campuses.
- We are in compliance with applicable employment codes and guidelines, including ADA, Equal Opportunity Employment, Non-Discrimination, Anti-Harassment and Non-Retaliation codes.



Governance

- Our Manager has a Responsible Investment policy incorporating ESG factors into its investment processes for applicable strategies.
- We operate under a Code of Business Conduct and Ethics.
- EARN has a separate independent Chairman, and the majority of Board members are independent.
- We hold annual elections of Trustees.
- We are committed to significant disclosure and transparency, including an established quarterly book value disclosure and monthly dividend policy.
- We have an established Whistleblower policy to encourage transparency and accountability.
- Robust process for shareholder engagement.

- 1 Capitalize on investment opportunities driven by market volatility and uncertainty
- 2 Continue to rotate a portion of capital to non-Agency RMBS to take advantage of relative value opportunities
- 3 Dial our MBS exposure up and down opportunistically in response to market conditions
- 4 Rotate portfolio to take advantage of relative value discrepancies between Agency RMBS, and capitalize on higher asset yields, in order to drive Net Interest Margin and Adjusted Distributable Earnings
- 5 Leverage our core strengths of prepayment modeling, asset selection, and dynamic interest rate hedging to take advantage of changes in the prepayment landscape, while also providing meaningful trading opportunities
- 6 Rely on disciplined interest rate hedging and liquidity management to manage future volatility and protect book value

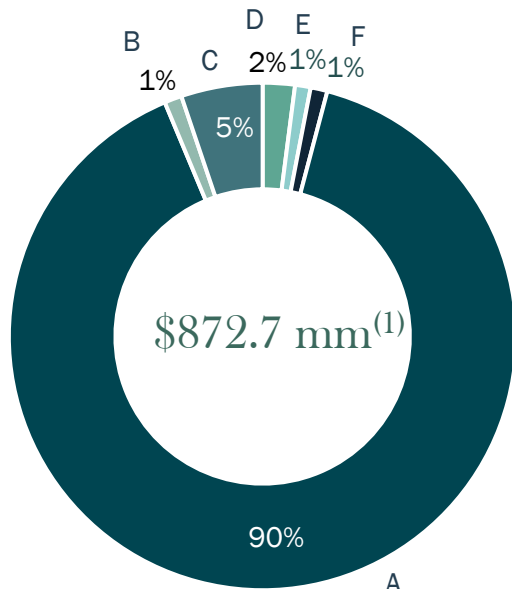
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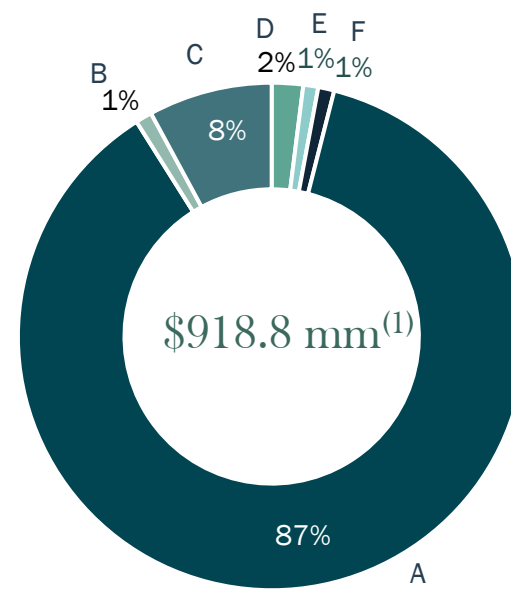
Supplemental Slides





As of 12/31/2022

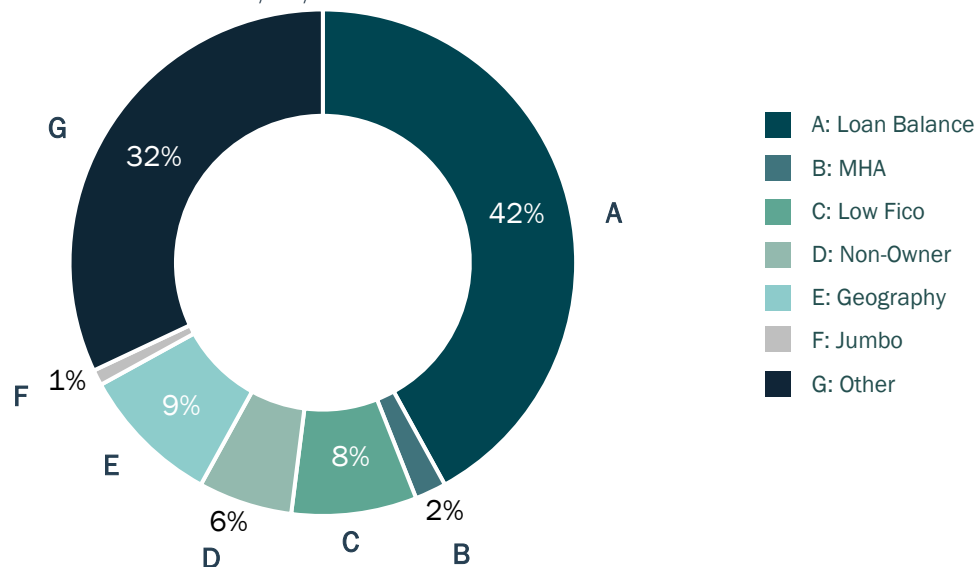
Category	Fair Value ⁽¹⁾⁽²⁾	Wtd. Avg. Coupon ⁽³⁾
30-Year Fixed	\$781.8	3.65
20-Year Fixed	9.7	2.84
15-Year Fixed	45.3	3.23
RM Fixed	17.9	4.06
Subtotal - Fixed	854.7	3.63
ARMs	8.7	
IOs	9.3	
Total	\$872.7	



As of 9/30/2022

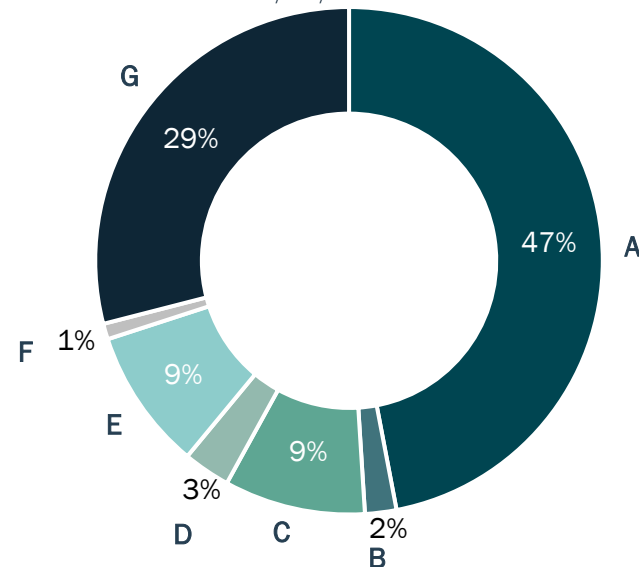
Category	Fair Value ⁽¹⁾⁽²⁾	Wtd. Avg. Coupon ⁽³⁾
30-Year Fixed	\$800.2	3.53
20-Year Fixed	9.6	2.84
15-Year Fixed	72.5	2.81
RM Fixed	18.4	3.74
Subtotal - Fixed	900.7	3.47
ARMs	8.7	
IOs	9.4	
Total	\$918.8	

Average for Quarter Ended
12/31/2022⁽¹⁾



Collateral Characteristics and Historical 3-Mo CPR

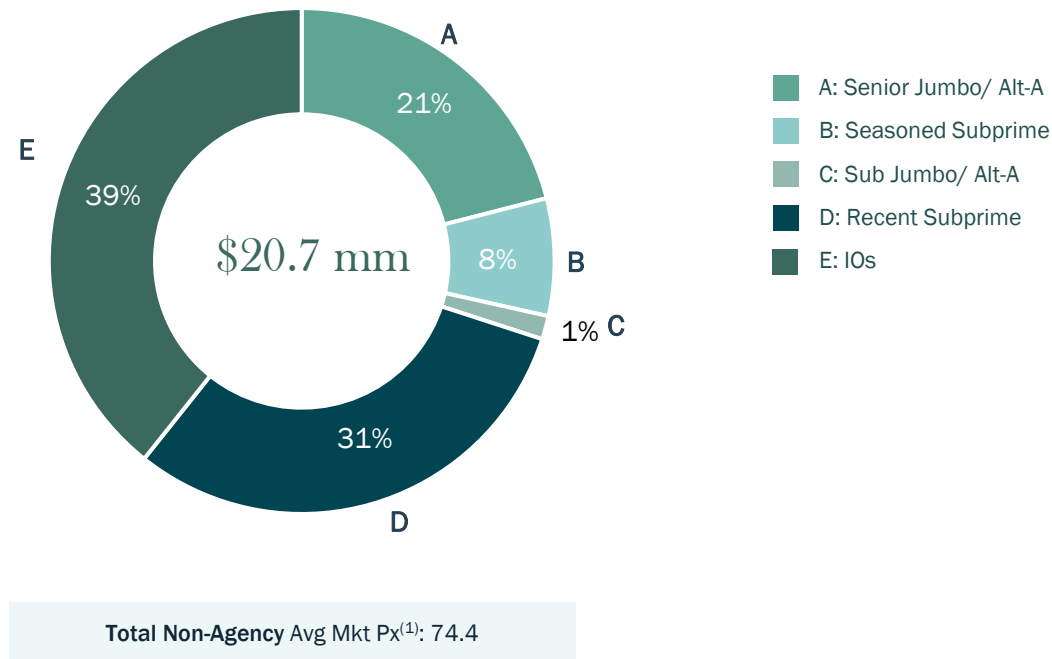
Average for Quarter Ended
9/30/2022⁽¹⁾



Collateral Characteristics and Historical 3-Mo CPR

Characteristic ⁽²⁾	Fair Value ⁽¹⁾⁽³⁾	3-Month CPR % ⁽⁵⁾
Loan Balance	\$359.5	7.1
MHA ⁽⁴⁾	16.4	3.4
Low FICO	65.3	7.3
Non-Owner	48.2	5.2
Geography	77.2	6.6
Jumbo	5.3	4.4
Other	268.6	4.7
Total	\$840.5	6.1

Characteristic ⁽²⁾	Fair Value ⁽¹⁾⁽³⁾	3-Month CPR % ⁽⁵⁾
Loan Balance	\$413.3	11.2
MHA ⁽⁴⁾	17.9	8.3
Low FICO	83.1	11.9
Non-Owner	25.7	7.4
Geography	78.3	9.0
Jumbo	6.2	40.3
Other	251.9	6.7
Total	\$876.4	9.8



- During the quarter, we increased our holdings of non-Agency RMBS by approximately \$4.8 million to \$12.6 million
 - We expect to continue to increase our allocation to non-Agency RMBS, given current market opportunities
- Our interest-only holdings were relatively unchanged quarter over quarter

December 31, 2022				September 30, 2022		
		Weighted Average		Weighted Average		
Remaining Days to Maturity	Borrowings Outstanding	Interest Rate	Remaining Days to Maturity	Borrowings Outstanding	Interest Rate	Remaining Days to Maturity
<i>(in thousands)</i>				<i>(in thousands)</i>		
30 days or less	\$ 563,926	4.01%	14	\$ 383,337	2.53%	15
31-60 days	210,569	2.73%	44	177,929	2.12%	45
61-90 days	67,960	4.16%	72	71,031	2.65%	73
91-120 days	-	-	-	82,086	2.29%	105
121-150 days	-	-	-	158,331	2.53%	135
151-180 days	-	-	-	65,332	3.54%	165
Total	\$ 842,455	3.70%	26	\$ 938,046	2.51%	64

- Outstanding borrowings with 16 counterparties as of December 31st, 2022
- The weighted average interest rate on our repo borrowings increased to 3.70% as of December 31st, 2022 from 2.51% as of September 30th, 2022 driven by significantly higher short-term interest rates

Interest Rate Sensitivity Analysis⁽¹⁾

(\$ 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	\$ 215	0.19%	\$ (226)	-0.20%
Agency RMBS Fixed Pools and IOs	21,481	19.11%	(22,578)	-20.09%
Long TBAs	1,927	1.71%	(2,152)	-1.91%
Short TBAs	(6,949)	-6.18%	7,186	6.39%
Non-Agency RMBS	36	0.03%	(197)	-0.18%
Interest Rate Swaps	(18,462)	-16.42%	17,622	15.68%
U.S. Treasury Securities	(15)	-0.01%	15	0.01%
U.S. Treasury Futures	2,035	1.81%	(1,963)	-1.75%
Repurchase and Reverse Repurchase Agreements	(248)	-0.22%	248	0.22%
Total	\$ 20	0.02%	\$ (2,045)	-1.82%

(In thousands)

Fixed Payer Interest Rate

Maturity		Notional Amount		Fair Value	Weighted Average Pay Rate	Weighted Average Receive Rate	Weighted Average Years to Maturity
2023-2025	\$	136,080	\$	7,397	1.62%	4.49%	1.75
2026-2028		96,883		7,523	2.21%	4.37%	5.23
2029-2031		271,059		26,633	2.18%	4.38%	7.69
2032-2052		165,529		23,649	1.99%	4.31%	12.64
Total	\$	669,551	\$	65,202	2.03%	4.38%	7.35

Fixed Receiver Interest Rate

Maturity		Notional Amount		Fair Value	Weighted Average Pay Rate	Weighted Average Receive Rate	Weighted Average Years to Maturity
2032-2052		37,509		(2,373)	4.30%	2.77%	9.67
Total	\$	37,509	\$	(2,373)	4.30%	2.77%	9.67

TBA Securities

Coupon		Notional Amount ⁽¹⁾		Cost Basis ⁽²⁾		Market Value ⁽³⁾		Net Carrying Value ⁽⁴⁾
1.5	\$	(3,990)	\$	(3,509)	\$	(3,469)	\$	40
2		(45,750)		(39,140)		(38,099)		1,041
2.5		(52,654)		(44,781)		(44,656)		125
3		(76,422)		(69,456)		(68,177)		1,279
3.5		(17,200)		(16,282)		(15,819)		463
4		7,276		7,163		7,171		8
4.5		(25,239)		(24,567)		(24,320)		247
5		10,100		10,034		9,968		(66)
5.5		38,720		39,172		38,870		(302)
6		(19,135)		(19,526)		(19,447)		78
6.5		7,800		8,007		7,996		(10)
Total TBAs net	\$	(176,494)	\$	(152,886)	\$	(149,982)	\$	2,903

Futures

Maturity		Notional Amount		Fair Value	Remaining Months to Expiration
2yr	\$	(5,400)	\$	(3)	3.00
5yr		21,000		(5)	3.00
10yr		40,000		(4)	2.70
30yr		3,300		(70)	2.70
Total	\$	58,900	\$	(82)	2.81

Consolidated Statement of Operations (Unaudited)

Three-Month Period Ended

<i>(in thousands except share amounts and per share amounts)</i>	December 31, 2022	September 30, 2022
Interest Income (Expense)		
Interest income	\$ 9,927	\$ 9,457
Interest expense	(7,477)	(4,268)
Total net interest income	\$ 2,450	\$ 5,189
Expenses		
Management fees to affiliate	423	388
Professional fees	202	205
Compensation expense	174	183
Insurance expense	101	101
Other operating expenses	371	353
Total expenses	\$ 1,271	\$ 1,230
Other Income (Loss)		
Net realized gains (losses) on securities	(15,811)	(28,236)
Net realized gains (losses) on financial derivatives	810	2,355
Change in net unrealized gains (losses) on securities	27,120	(27,574)
Change in net unrealized gains (losses) on financial derivatives	(1,618)	35,825
Total other income (loss)	10,501	(17,630)
Net Income (Loss)	\$ 11,680	\$ (13,671)
Net Income (Loss) per Common Share:		
Basic and Diluted	\$ 0.88	\$ (1.04)
Weighted Average Shares Outstanding	13,287,417	13,146,727
Cash Dividends Declared per Share	\$ 0.24	\$ 0.24

Consolidated Balance Sheet (Unaudited)



(in thousands except share amounts and per share amounts)

December 31, 2022

September 30, 2022

	December 31, 2022	September 30, 2022
Assets		
Cash and cash equivalents	\$ 34,816	\$ 25,408
Mortgage-backed securities, at fair value	893,301	934,668
Other investments, at fair value	208	8,498
Due from brokers	18,824	48,595
Financial derivative-assets, at fair value	68,770	71,853
Reverse repurchase agreements	499	21,774
Receivable for securities sold	33,452	73,945
Interest receivable	3,326	3,855
Other assets	436	638
Total Assets	\$ 1,053,632	\$ 1,189,234
Liabilities and Shareholders' Equity		
Liabilities		
Repurchase agreements	\$ 842,455	\$ 938,046
Payable for securities purchased	42,199	72,957
Due to brokers	45,666	44,115
Financial derivatives-liabilities, at fair value	3,119	4,440
U.S. Treasury securities sold short, at fair value	498	21,577
Dividend Payable	1,070	1,060
Accrued expenses	1,097	1,306
Management fee payable to affiliate	423	388
Interest payable	4,696	2,340
Total Liabilities	\$ 941,223	\$ 1,086,229
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; (13,377,840 and 13,245,298 shares issued and outstanding, respectively) ⁽¹⁾	134	132
Additional paid-in-capital	240,940	240,026
Accumulated deficit	(128,665)	(137,153)
Total Shareholders' Equity	112,409	103,005
Total Liabilities and Shareholders' Equity	\$ 1,053,632	\$ 1,189,234
Supplemental Per Share Information		
Book Value Per Share	\$ 8.40	\$ 7.78

Reconciliation of Adjusted Distributable Earnings to Net Income (Loss)⁽¹⁾

	Three-Month Period Ended	
<i>(in thousands except share amounts and per share amounts)</i>	December 31, 2022	September 30, 2022
Net Income (Loss)	\$ 11,680	\$ (13,671)
Adjustments:		
Net realized (gains) losses on securities	15,811	28,236
Change in net unrealized (gains) losses on securities	(27,120)	27,574
Net realized (gains) losses on financial derivatives	(810)	(2,355)
Change in net unrealized (gains) losses on financial derivatives	1,618	(35,825)
Net realized gains (losses) on periodic settlements of interest rate swaps	1,111	364
Change in net unrealized gains (losses) on accrued periodic settlements of interest rate swaps	1,634	19
Negative (positive) component of interest income represented by Catch-up Premium Amortization Adjustment	(658)	(1,381)
Subtotal	(8,414)	16,632
Adjusted Distributable Earnings	\$ 3,266	\$ 2,961
Weighted Average Shares Outstanding	13,287,417	13,146,727
Adjusted Distributable Earnings Per Share	\$ 0.25	\$ 0.23

Ellington Profile

As of 12/31/2022

Founded:	1994
Employees:	>170
Investment Professionals:	>70
Global offices:	3

\$9.0

Billion in
assets under
management⁽¹⁾

9

Employee-partners
own the firm⁽²⁾

28

Years of average
industry experience
of senior portfolio
managers

25%

Employees
dedicated to
research and
information
technology

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 Management Group and its affiliates manage Ellington Residential Mortgage REIT (EARN), Ellington Financial Inc. (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

Industry-Leading Research & Trading Expertise

- Sophisticated proprietary models for prepayment and credit analysis
- Approximately 25% of employees dedicated to research and information technology
- Structured credit trading experience and analytical skills developed since the firm's founding 28 years ago
- Ellington's portfolio managers are among the most experienced in the MBS sector

Slide 3 – Fourth Quarter Market Update

- (1) Source: Bloomberg
- (2) Source: Mortgage Bankers Association via Bloomberg
- (3) Source: J.P. Morgan Markets
- (4) 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.
- (5) 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) Economic return is based on book value per share.
- (2) Adjusted Distributable is a non-GAAP financial measure. See slide 22, endnote 1 for an explanation regarding the renaming and calculation of Adjusted Distributable Earnings, and the definition of the Catch-up Premium Amortization Adjustment.
- (3) Net interest margin excludes the effect of the Catch-up Premium Amortization Adjustment.
- (4) As of December 31, 2022.
- (5) Excludes recent purchases of fixed rate Agency specified pools with no prepayment history.
- (6) 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, 2022 the market value of our mortgage-backed securities and our net short TBA position was \$893.3 million and \$(150.0) million, respectively, and total shareholders' equity was \$112.4 million.

Slide 5 – Summary of Financial Results

- (1) Total Other Gain (Loss) represents net realized and unrealized gains (losses) on periodic settlements of interest rate swaps.
- (2) See slide 22, endnote 1 for definition of Catch-up Premium Amortization Adjustment.
- (3) Adjusted Distributable Earnings is a non-GAAP financial measure. See slide 22 for a reconciliation of Adjusted Distributable Earnings to Net Income (Loss).
- (4) Book Value 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.
- (5) Weighted Average Yield excludes the effect of the Catch-up Premium Amortization Adjustment.
- (6) Net interest margin excludes the effect of the Catch-up Premium Amortization Adjustment.

Slide 6 – Consolidated Balance Sheet (Unaudited)

- (1) Common shares issued and outstanding at December 31, 2022, includes 120,431 common shares issued during the fourth quarter under the Company's at-the-market common share offering program.

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 IOs.

Slide 8 – 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, 2022 and September 30, 2022. The net carrying value of the TBA positions as of December 31, 2022 and September 30, 2022 on the Consolidated Balance Sheet was \$2.9 million and \$4.3 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 – Relative Yield Spreads

- (1) All spreads as of December 30, 2022 with exceptions as set forth below:
 - 11/30/2022 for US CMBS AAA and US CMBS BBB ;
 - 12/16/2022 for US Spec HLB 4.5 ;
 - 12/20/2022 for Non-QM AAA, and Legacy Resi ;
 - 12/23/2022 for EUR CLO 2.0 AAA ;
 - 1/3/2023 for CRT OTR M1, US CLO 2.0 AAA, and US CLO 2.0 BBB

Slide 14 – Agency Portfolio Summary

- (1) Does not include long TBA positions with a notional value of \$81.8 million and a market value of \$80.8 million as of December 31, 2022. Does not include long TBA positions with a notional value of \$20.7 million and a market value of \$19.9 million as of September 30, 2022.
- (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. Fair values reflect the average of fair values at the beginning of each month during the quarter.
- (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) Excludes recent purchases of fixed rate Agency pools with no prepayment history.

Slide 16 – Non-Agency Portfolio as of December 31, 2022

- (1) Excludes IOs

Slide 17 – Repo Borrowings

- (1) As of December 31, 2022 and September 30, 2022, 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, 2022. 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.

Slide 19 – Financial Derivatives as of December 31, 2022

- (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, 2022.
- (4) Net carrying value represents the difference between the market value of the TBA contract as of December 31, 2022 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 – Consolidated Balance Sheet (Unaudited)

- (1) Common shares issued and outstanding at December 31, 2022, includes 120,431 common shares issued during the fourth quarter under the Company's at-the-market common share offering program.

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

- (1) We calculate Adjusted Distributable Earnings as net income (loss), excluding realized and change in net unrealized gains and (losses) on securities and financial derivatives, and excluding other income or loss items that are of a non-recurring nature. Adjusted Distributable Earnings also excludes 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 the Company's 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-current assumptions about cashflows and prepayments, and can vary significantly from quarter to quarter. Adjusted Distributable Earnings includes net realized and change in net unrealized gains (losses) associated with periodic settlements on interest rate swaps. Adjusted Distributable Earnings is a supplemental non-GAAP financial measure. We believe that the presentation of Adjusted Distributable Earnings provides information useful to investors, because: (i) We believe that it is a useful indicator of both current and projected long-term financial performance, in that it excludes the impact of certain current period earnings components that we believe are less useful in forecasting long-term performance and dividend paying ability; (ii) we use it to evaluate the effective net yield provided by its portfolio, after the effects of financial leverage; and (iii), we believe that presenting Adjusted Distributable Earnings assists investors in measuring and evaluating its operating performance, and comparing its operating performance to that of our residential mortgage REIT peers. Please note, however, that: (I) our calculation of Adjusted Distributable Earnings may differ from the calculation of similarly titled non-GAAP financial measures by our peers, with the result that these non-GAAP financial measures might not be directly comparable; and (II) Adjusted Distributable Earnings excludes certain items, such as most realized and unrealized gains and losses, that may impact the amount of cash that is actually available for distribution. In addition, because Adjusted Distributable Earnings is an incomplete measure of our financial results and differs from net income (loss) computed in accordance with U.S. GAAP, it should be considered supplementary to, and not as a substitute for, net income (loss) computed in accordance with U.S. GAAP. Furthermore, Adjusted Distributable Earnings is different than REIT taxable income. As a result, the determination of whether we have met the requirement to distribute at least 90% of its annual REIT taxable income (subject to certain adjustments) to its shareholders, in order to maintain qualification as a REIT, is not based on whether we distributed 90% of our Adjusted Distributable Earnings. The table above reconciles, for the three-month periods ended December 31, 2022, and September 30, 2022, Adjusted Distributable Earnings to the line on the Consolidated Statement of Operations entitled Net Income (Loss), which we believe is the most directly comparable GAAP measure.

Slide 23 – About Ellington Management Group

- (1) \$9.0 billion in assets under management includes approximately \$1.0 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.

EARN

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