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Ellington Residential Mortgage REIT
Form 10-Q
August 06, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
☒ 1934

For the quarterly period ended June 30, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the transition period from _____ to _____
Commission file number 001-35896
Ellington Residential Mortgage REIT
(Exact Name of Registrant as Specified in Its Charter)

Maryland 46-0687599
(State or Other Jurisdiction of Incorporation) (IRS Employer Identification No.)
53 Forest Avenue
Old Greenwich, CT 06870
(Address of principal executive offices, zip code)
(203) 698-1200
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☒

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☐ Accelerated Filer ☒
Non-Accelerated Filer (do not check if a smaller reporting company) ☐ Smaller Reporting Company ☐
Emerging Growth Company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class

Outstanding at August 1, 2018

Common Shares of Beneficial Interest, \$0.01 par value per share 12,690,330

ELLINGTON RESIDENTIAL MORTGAGE REIT
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PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements (unaudited)

ELLINGTON RESIDENTIAL MORTGAGE REIT

CONSOLIDATED BALANCE SHEET

(UNAUDITED)

	June 30, 2018	December 31, 2017
(In thousands except for share amounts)		
ASSETS		
Cash and cash equivalents	\$41,402	\$56,117
Mortgage-backed securities, at fair value	1,580,103	1,685,998
Due from brokers	26,946	26,754
Financial derivatives—assets, at fair value	20,095	8,792
Reverse repurchase agreements	21,373	81,461
Receivable for securities sold	51,614	21,606
Interest receivable	5,988	5,784
Other assets	748	575
Total Assets	\$1,748,269	\$1,887,087
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Repurchase agreements	\$1,537,216	\$1,597,206
Payable for securities purchased	1,387	3,830
Due to brokers	7,312	489
Financial derivatives—liabilities, at fair value	1,655	1,863
U.S. Treasury securities sold short, at fair value	16,195	81,289
Dividend payable	4,703	4,936
Accrued expenses	849	728
Management fee payable to affiliate	656	725
Interest payable	4,127	3,318
Total Liabilities	1,574,100	1,694,384
SHAREHOLDERS' EQUITY		
Preferred shares, par value \$0.01 per share, 100,000,000 shares authorized; (0 shares issued and outstanding, respectively)	—	—
Common shares, par value \$0.01 per share, 500,000,000 shares authorized; (12,712,050 and 13,340,217 shares issued and outstanding, respectively)	127	134
Additional paid-in-capital	233,152	240,062
Accumulated deficit	(59,110)	(47,493)
Total Shareholders' Equity	174,169	192,703
Total Liabilities and Shareholders' Equity	\$1,748,269	\$1,887,087

See Notes to Consolidated Financial Statements

ELLINGTON RESIDENTIAL MORTGAGE REIT
CONSOLIDATED STATEMENT OF OPERATIONS
(UNAUDITED)

	Three-Month Period Ended June 30,		Six-Month Period Ended June 30,	
	2018	2017	2018	2017
(In thousands except for per share amounts)				
INTEREST INCOME (EXPENSE)				
Interest income	\$14,081	\$10,883	\$27,506	\$23,211
Interest expense	(7,668)	(4,020)	(14,915)	(7,199)
Total net interest income	6,413	6,863	12,591	16,012
EXPENSES				
Management fees to affiliate	656	685	1,327	1,212
Professional fees	217	178	452	354
Compensation expense	187	216	375	375
Insurance expense ⁽¹⁾	74	74	148	156
Other operating expenses ⁽¹⁾	293	284	641	612
Total expenses	1,427	1,437	2,943	2,709
OTHER INCOME (LOSS)				
Net realized gains (losses) on securities	(7,114)	(359)	(5,188)	(3,350)
Net realized gains (losses) on financial derivatives	(3,702)	(9,128)	12,253	(7,474)
Change in net unrealized gains (losses) on securities	(3,218)	4,136	(30,279)	1,789
Change in net unrealized gains (losses) on financial derivatives	10,834	1,528	11,399	(613)
Total other income (loss)	(3,200)	(3,823)	(11,815)	(9,648)
NET INCOME (LOSS)	\$1,786	\$1,603	\$(2,167)	\$3,655
NET INCOME (LOSS) PER COMMON SHARE:				