

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT  
Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **July 30, 2015 (July 29, 2015)**

**Orchid Island Capital, Inc.**  
(Exact Name of Registrant as Specified in Charter)

**Maryland**  
(State or Other Jurisdiction of Incorporation)

**001-35236**  
(Commission File Number)

**27-3269228**  
(IRS Employer Identification No.)

**3305 Flamingo Drive, Vero Beach, Florida 32963**  
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code **(772) 231-1400**

**N/A**  
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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## ITEM 2.02. RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

On July 29, 2015, Orchid Island Capital, Inc. (the “Company”) issued the press release attached hereto as Exhibit 99.1 announcing the Company’s results of operations for the period ended June 30, 2015. The information furnished under this “Item 2.02 Results of Operations and Financial Condition,” including the exhibit related hereto, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any disclosure document of the Company, except as shall be expressly set forth by specific reference in such document.

## ITEM 8.01. OTHER EVENTS.

On July 29, 2015 the Company announced that the Company’s Board of Directors has authorized the repurchase of up to 2,000,000 shares of the Company’s common stock. As part of the stock repurchase program, shares may be purchased in open market transactions, including through block purchases, through privately negotiated transactions, or pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Open market repurchases will be made in accordance with Exchange Act Rule 10b-18, which sets certain restrictions on the method, timing, price and volume of open market stock repurchases. The timing, manner, price and amount of any repurchases will be determined by the Company in its discretion and will be subject to economic and market conditions, stock price, applicable legal requirements and other factors. The authorization does not obligate the Company to acquire any particular amount of common stock and the program may be suspended or discontinued at the Company’s discretion without prior notice.

### Forward-Looking Statements Disclaimer

This Current Report on Form 8-K contains “forward-looking statements” made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, including, but not limited to, those relating to the planned stock repurchase program. Forward-looking statements typically are identified by use of the terms such as “believe,” “expect,” “anticipate,” “estimate,” “plan,” “continue,” “intend,” “should,” “may” or similar expressions. Forward-looking statements are based on the Company’s beliefs, assumptions and expectations of the Company’s future performance, taking into account all information currently available to the Company. The Company cannot assure you that actual results will not vary from the expectations contained in the forward-looking statements. All of the forward-looking statements are subject to numerous possible events, factors and conditions, many of which are beyond the control of the Company and not all of which are known to the Company, including, without limitation, market conditions and those described in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2014, which has been filed with the Securities and Exchange Commission. All forward-looking statements speak only as of the date on which they are made. New risks and uncertainties arise over time, and it is not possible to predict those events or how they may affect us. Except as required by law, the Company is not obligated to, and does not intend to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

## ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS.

### (d) Exhibits

| <u>Exhibit No.</u> | <u>Description</u>                |
|--------------------|-----------------------------------|
| 99.1               | Press Release dated July 29, 2015 |

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: July 30, 2015

ORCHID ISLAND CAPITAL, INC.

By: /s/ Robert E. Cauley  
Robert E. Cauley  
Chairman and Chief Executive Officer

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INDEX TO EXHIBITS

| <b>Exhibit No.</b> | <b>Description</b>                |
|--------------------|-----------------------------------|
| 99.1               | Press Release dated July 29, 2015 |



## ORCHID ISLAND CAPITAL ANNOUNCES SECOND QUARTER 2015 RESULTS

VERO BEACH, Fla. (July 29, 2015) – Orchid Island Capital, Inc. (NYSE:ORC) ("Orchid" or the "Company"), a real estate investment trust ("REIT"), today announced results of operations for the three month period ended June 30, 2015.

### Second Quarter 2015 Highlights

- Net loss of \$2.8 million, or \$0.14 per common share
- Second quarter total dividends declared and paid of \$0.54 per common share
- Book Value Per Share of \$12.38 at June 30, 2015
- 0.4% economic gain on common equity for the quarter, or 1.6% annualized, comprised of \$0.54 dividend per common share and \$0.49 decrease in net book value per common share, divided by beginning book value per share
- Company to discuss results on Thursday, July 30, 2015, at 10:00 AM ET

### Details of Second Quarter 2015 Results of Operations

The Company reported net loss of \$2.8 million for the three month period ended June 30, 2015, compared with net income of \$10.6 million for the three month period ended June 30, 2014. The second quarter net loss of \$2.8 million included net interest income of \$15.2 million, net portfolio losses of \$16.0 million (which includes mark-to-market losses, realized losses on securities sold and losses on derivative instruments), management fees of \$1.0 million, audit, legal and other professional fees of \$0.2 million, and other operating, general and administrative expenses of \$0.8 million. During the second quarter of 2015, the Company sold residential mortgage-backed securities ("RMBS") with a market value at the time of sale of \$362.3 million, resulting in realized losses of \$1.9 million (based on security prices from March 31, 2015). The remaining net loss on RMBS was due to fair value adjustments for the period.

### Capital Allocation and Return on Invested Capital

The Company allocates capital to two RMBS sub-portfolios, the pass-through RMBS portfolio ("PT RMBS"), and the structured RMBS portfolio, consisting of interest only ("IO") and inverse interest-only ("IIO") securities. As of March 31, 2015, approximately 64% of the Company's investable capital (which consists of equity in pledged PT RMBS, available cash and unencumbered assets) was deployed in the PT RMBS portfolio. At June 30, 2015, the allocation to the PT RMBS had decreased by 8% to approximately 56%.

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The table below details the changes to the respective sub-portfolios during the quarter, as well as the returns generated by each.  
(in thousands)

| <b>Portfolio Activity for the Quarter</b> |                                   |                                      |   |                   |                     |
|---|-----------------------------------|--------------------------------------|---|-------------------|---------------------|
|   | <b>Pass-Through<br/>Portfolio</b> | <b>Structured Security Portfolio</b> |   |                   | <b>Total</b>        |
|   |                                   | <b>Interest-Only<br/>Securities</b>  | <b>Inverse Interest<br/>Only Securities</b> | <b>Sub-total</b>  |                     |
| <b>Market Value - March 31, 2015</b>      | <b>\$ 1,596,207</b>               | <b>\$ 65,232</b>                     | <b>\$ 15,182</b>                            | <b>\$ 80,414</b>  | <b>\$ 1,676,621</b> |
| Securities Purchased                      | 907,354                           | 8,972                                | 26,536                                      | 35,508            | 942,862             |
| Securities Sold                           | (362,319)                         | -                                    | -   | -                 | (362,319)           |
| Losses on Sales                           | (1,891)                           | -                                    | -   | -                 | (1,891)             |
| Return on Investment                      | n/a                               | (5,306)                              | (1,634)                                     | (6,940)           | (6,940)             |
| Pay-downs                                 | (60,138)                          | n/a                                  | n/a   | n/a               | (60,138)            |
| Premium Lost Due to Pay-downs             | (5,656)                           | n/a                                  | n/a   | n/a               | (5,656)             |
| Mark to Market (Losses) Gains             | (19,978)                          | 9,449                                | 2,861                                       | 12,310            | (7,668)             |
| <b>Market Value - June 30, 2015</b>       | <b>\$ 2,053,579</b>               | <b>\$ 78,347</b>                     | <b>\$ 42,945</b>                            | <b>\$ 121,292</b> | <b>\$ 2,174,871</b> |

The tables below present the allocation of capital between the respective portfolios at June 30, 2015 and March 31, 2015, and the return on invested capital for each sub-portfolio for the three month period ended June 30, 2015. The return on invested capital in the PT RMBS and structured RMBS portfolios was approximately (9.3)% and 15.6%, respectively, for the second quarter of 2015. The combined portfolio generated a return on invested capital of approximately (0.4)%. Due to the deployment of the proceeds of our capital raising activities during the three months ended June 30, 2015, the balances of the respective portfolios increased significantly. Accordingly, returns generated based on the beginning of period capital are larger than returns on a stabilized portfolio. We have added the return on average capital deployed to address this issue.

(\$ in thousands)

| <b>Capital Allocation</b>                       |                                   |                                      |   |                   |                   |
|---|-----------------------------------|--------------------------------------|---|-------------------|-------------------|
|   | <b>Pass-Through<br/>Portfolio</b> | <b>Structured Security Portfolio</b> |   |                   | <b>Total</b>      |
|   |                                   | <b>Interest-Only<br/>Securities</b>  | <b>Inverse<br/>Interest<br/>Only<br/>Securities</b> | <b>Sub-total</b>  |                   |
| <b>June 30, 2015</b>                            |                                   |                                      |   |                   |                   |
| Market Value                                    | \$ 2,053,579                      | \$ 78,347                            | \$ 42,945   | \$ 121,292        | \$ 2,174,871      |
| Cash <sup>(1)</sup>                             | 115,907                           | -                                    | -   | -                 | 115,907           |
| Repurchase Agreement Obligations <sup>(2)</sup> | (2,014,071)                       | -                                    | -   | -                 | (2,014,071)       |
| <b>Total</b>                                    | <b>\$ 155,415</b>                 | <b>\$ 78,347</b>                     | <b>\$ 42,945</b>                                    | <b>\$ 121,292</b> | <b>\$ 276,707</b> |
| % of Total                                      | 56.2%                             | 28.3%                                | 15.5%   | 43.8%             | 100.0%            |
| <b>March 31, 2015</b>                           |                                   |                                      |   |                   |                   |
| Market Value                                    | \$ 1,596,207                      | \$ 65,232                            | \$ 15,182   | \$ 80,414         | \$ 1,676,621      |
| Cash  | 7,182                             | -                                    | -   | -                 | 7,182             |
| Repurchase Agreement Obligations <sup>(3)</sup> | (1,459,490)                       | -                                    | -   | -                 | (1,459,490)       |
| <b>Total</b>                                    | <b>\$ 143,899</b>                 | <b>\$ 65,232</b>                     | <b>\$ 15,182</b>                                    | <b>\$ 80,414</b>  | <b>\$ 224,313</b> |
| % of Total                                      | 64.2%                             | 29.0%                                | 6.8%  | 35.8%             | 100.0%            |

(1) At June 30, 2015, total cash has been reduced by unsettled security purchases of approximately \$7.6 million.

(2) At June 30, 2015, there were outstanding repurchase agreement balances of \$29.2 million and \$17.0 million secured by IO and IIO securities, respectively. We entered into these arrangements to generate additional cash to invest in pass-through RMBS; therefore, we have not considered these balances to be allocated to the structured securities strategy.

(3) At March 31, 2015, there were outstanding repurchase agreement balances of \$21.6 million and \$4.0 million secured by IO and IIO securities, respectively. We entered into these arrangements to generate additional cash to invest in pass-through RMBS; therefore, we have not considered these balances to be allocated to the structured securities strategy.

(\$ in thousands)

Returns for the Quarter Ended June 30, 2015

|   | Pass-Through Portfolio | Structured Security Portfolio |                                  |            | Total      |
|---|------------------------|-------------------------------|----------------------------------|------------|------------|
|   |                        | Interest-Only Securities      | Inverse Interest Only Securities | Sub-total  |            |
| Income / (loss) (net of repo cost)                                | \$ 14,982              | \$ (228)                      | \$ 432                           | \$ 204     | \$ 15,186  |
| Realized and unrealized (losses) / gains                          | (27,525)               | 9,449                         | 2,861                            | 12,310     | (15,215)   |
| Derivative losses   | (802)                  | n/a                           | n/a                              | n/a        | (802)      |
| Total Return  | \$ (13,345)            | \$ 9,221                      | \$ 3,293                         | \$ 12,514  | \$ (831)   |
| Beginning Capital Allocation                                      | \$ 143,899             | \$ 65,232                     | \$ 15,182                        | \$ 80,414  | \$ 224,313 |
| Return on Invested Capital for the Quarter <sup>(1)</sup>         | (9.3)%                 | 14.1%                         | 21.7%                            | 15.6%      | (0.4)%     |
| Average Capital Allocation <sup>(2)</sup>                         | \$ 149,657             | \$ 71,790                     | \$ 29,064                        | \$ 100,854 | \$ 250,511 |
| Return on Average Invested Capital for the Quarter <sup>(3)</sup> | (8.9)%                 | 12.8%                         | 11.3%                            | 12.4%      | (0.3)%     |

(1) Calculated by dividing the Total Return by the Beginning Capital Allocation, expressed as a percentage.

(2) Calculated using two data points, the Beginning and Ending Capital Allocation balances.

(3) Calculated by dividing the Total Return by the Average Capital Allocation, expressed as a percentage.

Prepayments

For the quarter, Orchid received \$67.1 million in scheduled and unscheduled principal repayments and prepayments, which equated to a constant prepayment rate ("CPR") of approximately 15.3% for the second quarter of 2015. Prepayment rates on the two RMBS sub-portfolios were as follows (in CPR):

| Three Months Ended | PT RMBS Portfolio (%) | Structured RMBS Portfolio (%) | Total Portfolio (%) |
|--------------------|-----------------------|-------------------------------|---------------------|
| June 30, 2015      | 13.8                  | 17.9                          | 15.3                |
| March 31, 2015     | 8.1                   | 14.6                          | 9.7                 |
| December 31, 2014  | 4.0                   | 14.9                          | 7.8                 |
| September 30, 2014 | 8.1                   | 18.8                          | 12.5                |
| June 30, 2014      | 4.1                   | 15.9                          | 8.1                 |
| March 31, 2014     | 4.2                   | 14.9                          | 9.1                 |

## Portfolio

As of June 30, 2015, Orchid's RMBS portfolio consisted of \$2,174.9 million of PT RMBS and structured RMBS at fair value and had a weighted average coupon of 4.15%. The following tables summarize Orchid's PT RMBS and structured RMBS as of June 30, 2015 and December 31, 2014:

(\$ in thousands)

| Asset Category                     | Fair Value   | Percentage of Entire Portfolio | Weighted Average Coupon | Weighted Average Maturity in Months | Longest Maturity | Weighted Average Coupon Reset in Months | Weighted Average Lifetime Cap | Weighted Average Periodic Cap |
|------------------------------------|--------------|--------------------------------|-------------------------|-------------------------------------|------------------|---|-------------------------------|-------------------------------|
| <b>June 30, 2015</b>               |              |                                |                         |                                     |                  |   |                               |                               |
| Adjustable Rate RMBS               | \$ 3,456     | 0.2%                           | 3.64%                   | 229                                 | 1-Sep-35         | 0.57                                    | 10.07%                        | 2.00%                         |
| Fixed Rate RMBS                    | 1,993,369    | 91.7%                          | 4.17%                   | 325                                 | 1-Jun-45         | NA                                      | NA                            | NA                            |
| Hybrid Adjustable Rate RMBS        | 56,754       | 2.6%                           | 2.56%                   | 331                                 | 1-Aug-43         | 90.84                                   | 7.56%                         | 2.00%                         |
| Total Mortgage-backed Pass-through | 2,053,579    | 94.5%                          | 4.12%                   | 325                                 | 1-Jun-45         | NA                                      | NA                            | NA                            |
| Interest-Only Securities           | 78,347       | 3.6%                           | 3.62%                   | 256                                 | 25-Apr-45        | NA                                      | NA                            | NA                            |
| Inverse Interest-Only Securities   | 42,945       | 1.9%                           | 6.20%                   | 324                                 | 15-Apr-45        | NA                                      | 6.38%                         | NA                            |
| Total Structured RMBS              | 121,292      | 5.5%                           | 4.53%                   | 280                                 | 25-Apr-45        | NA                                      | NA                            | NA                            |
| Total Mortgage Assets              | \$ 2,174,871 | 100.0%                         | 4.15%                   | 322                                 | 1-Jun-45         | NA                                      | NA                            | NA                            |
| <b>December 31, 2014</b>           |              |                                |                         |                                     |                  |   |                               |                               |
| Adjustable Rate RMBS               | \$ 3,794     | 0.2%                           | 3.55%                   | 236                                 | 1-Sep-35         | 4.02                                    | 10.05%                        | 2.00%                         |
| Fixed Rate RMBS                    | 1,412,593    | 91.2%                          | 4.37%                   | 318                                 | 1-Dec-44         | NA                                      | NA                            | NA                            |
| Hybrid Adjustable Rate RMBS        | 70,400       | 4.6%                           | 2.54%                   | 338                                 | 1-Aug-43         | 97.75                                   | 7.54%                         | 2.00%                         |
| Total Mortgage-backed Pass-through | 1,486,787    | 96.0%                          | 4.28%                   | 319                                 | 1-Dec-44         | NA                                      | NA                            | NA                            |
| Interest-Only Securities           | 46,611       | 3.0%                           | 3.95%                   | 248                                 | 25-Jan-43        | NA                                      | NA                            | NA                            |
| Inverse Interest-Only Securities   | 15,773       | 1.0%                           | 6.23%                   | 308                                 | 25-Apr-41        | NA                                      | 6.39%                         | NA                            |
| Total Structured RMBS              | 62,384       | 4.0%                           | 4.52%                   | 263                                 | 25-Jan-43        | NA                                      | NA                            | NA                            |
| Total Mortgage Assets              | \$ 1,549,171 | 100.0%                         | 4.29%                   | 317                                 | 1-Dec-44         | NA                                      | NA                            | NA                            |



(\$ in thousands)

| Agency          | June 30, 2015 |                                | December 31, 2014 |                                |
|-----------------|---------------|--------------------------------|-------------------|--------------------------------|
|                 | Fair Value    | Percentage of Entire Portfolio | Fair Value        | Percentage of Entire Portfolio |
| Fannie Mae      | \$ 1,716,523  | 78.9%                          | \$ 1,243,923      | 80.3%                          |
| Freddie Mac     | 437,182       | 20.1%                          | 296,203           | 19.1%                          |
| Ginnie Mae      | 21,166        | 1.0%                           | 9,045             | 0.6%                           |
| Total Portfolio | \$ 2,174,871  | 100.0%                         | \$ 1,549,171      | 100.0%                         |

|  | June 30, 2015 | December 31, 2014 |
|--|---------------|-------------------|
| Weighted Average Pass-through Purchase Price | \$ 107.56     | \$ 107.88         |
| Weighted Average Structured Purchase Price   | \$ 14.02      | \$ 13.67          |
| Weighted Average Pass-through Current Price  | \$ 107.28     | \$ 108.59         |
| Weighted Average Structured Current Price    | \$ 15.49      | \$ 13.65          |
| Effective Duration <sup>(1)</sup>            | 3.214         | 2.291             |

(1) Effective duration of 3.214 indicates that an interest rate increase of 1.0% would be expected to cause a 3.214% decrease in the value of the RMBS in the Company's investment portfolio at June 30, 2015. An effective duration of 2.291 indicates that an interest rate increase of 1.0% would be expected to cause a 2.291% decrease in the value of the RMBS in the Company's investment portfolio at December 31, 2014. These figures include the structured securities in the portfolio, but do not include the effect of the Company's funding cost hedges. Effective duration quotes for individual investments are obtained from The Yield Book, Inc.

## Financing, Leverage and Liquidity

As of June 30, 2015, the Company had outstanding repurchase obligations of approximately \$2,014.1 million with a net weighted average borrowing rate of 0.39%. These agreements were collateralized by RMBS with a fair value, including accrued interest, of approximately \$2,123.6 million, and cash pledged to counterparties of approximately \$14.4 million. The Company's leverage ratio at June 30, 2015 was 7.1 to 1 (excluding the \$7.6 million of payable for unsettled securities purchased at June 30, 2015). At June 30, 2015, the Company's liquidity was approximately \$151.8 million, consisting of unpledged RMBS (excluding the value of the unsettled purchases) and cash and cash equivalents. To enhance our liquidity even further, we may pledge more of our structured RMBS as part of a repurchase agreement funding, but retain the cash in lieu of acquiring additional assets. In this way we can, at a modest cost, retain higher levels of cash on hand and decrease the likelihood we will have to sell assets in a distressed market in order to raise cash. Below is a listing of outstanding borrowings under repurchase obligations at June 30, 2015.

(\$ in thousands)

| Counterparty                              | Total Outstanding Balances <sup>(1)</sup> | % of Total    | Weighted Average Borrowing Rate | Amount at Risk <sup>(2)</sup> | Weighted Average Maturity in Days |
|---|---|---------------|---------------------------------|-------------------------------|-----------------------------------|
| J.P. Morgan Securities LLC                | \$ 246,677                                | 12.3%         | 0.38%                           | \$ 13,665                     | 10                                |
| Citigroup Global Markets, Inc.            | 246,642                                   | 12.2%         | 0.43%                           | 21,849                        | 17                                |
| RBC Capital Markets, LLC                  | 154,226                                   | 7.7%          | 0.39%                           | 9,566                         | 18                                |
| ICBC Financial Services, LLC              | 151,271                                   | 7.5%          | 0.38%                           | 8,357                         | 13                                |
| Cantor Fitzgerald & Co.                   | 146,785                                   | 7.3%          | 0.37%                           | 7,571                         | 13                                |
| ED&F Man Capital Markets Inc.             | 142,205                                   | 7.1%          | 0.35%                           | 7,648                         | 38                                |
| Mitsubishi UFJ Securities (USA), Inc.     | 138,558                                   | 6.9%          | 0.36%                           | 7,350                         | 20                                |
| Mizuho Securities USA, Inc.               | 116,520                                   | 5.8%          | 0.45%                           | 12,744                        | 13                                |
| KGS-Alpha Capital Markets, L.P.           | 104,460                                   | 5.2%          | 0.37%                           | 5,752                         | 10                                |
| Daiwa Capital Markets America, Inc.       | 100,975                                   | 5.0%          | 0.38%                           | 4,711                         | 10                                |
| Merrill Lynch, Pierce, Fenner & Smith Inc | 96,449                                    | 4.8%          | 0.41%                           | 3,161                         | 19                                |
| South Street Securities, LLC              | 66,963                                    | 3.3%          | 0.39%                           | 3,431                         | 12                                |
| Wells Fargo Bank, N.A.                    | 66,396                                    | 3.3%          | 0.39%                           | 3,617                         | 15                                |
| Goldman Sachs & Co.                       | 54,670                                    | 2.7%          | 0.45%                           | 2,975                         | 79                                |
| Morgan Stanley & Co. LLC                  | 54,378                                    | 2.7%          | 0.40%                           | 3,668                         | 7                                 |
| CRT Capital Group, LLC                    | 44,844                                    | 2.2%          | 0.35%                           | 2,336                         | 16                                |
| Nomura Securities International, Inc.     | 34,720                                    | 1.7%          | 0.37%                           | 1,847                         | 9                                 |
| Guggenheim Securities, LLC                | 32,742                                    | 1.6%          | 0.40%                           | 1,830                         | 29                                |
| Barclays Capital Inc                      | 10,128                                    | 0.5%          | 0.50%                           | 516                           | 14                                |
| Suntrust Robinson Humphrey, Inc.          | 4,462                                     | 0.2%          | 0.34%                           | 272                           | 2                                 |
| <b>Total / Weighted Average</b>           | <b>\$ 2,014,071</b>                       | <b>100.0%</b> | <b>0.39%</b>                    | <b>\$ 122,866</b>             | <b>18</b>                         |

- (1) In June 2015, the Company purchased assets with a fair value of approximately \$7.6 million which settle in July 2015 that are expected to be funded by repurchase agreements.
- (2) Equal to the sum of the fair value of securities sold, accrued interest receivable and cash posted as collateral (if any), minus the sum of repurchase agreement liabilities, accrued interest payable and the fair value of securities posted by the counterparties (if any).

## Hedging

In connection with its interest rate risk management strategy, the Company economically hedges a portion of the cost of its repurchase agreement funding by entering into derivative financial instrument contracts. The Company has not elected hedging treatment under U.S. generally accepted accounting principles (“GAAP”) in order to align the accounting treatment of its derivative instruments with the treatment of its portfolio assets under the fair value option election. As such, all gains or losses on these instruments are reflected in earnings for all periods presented. At June 30, 2015, such instruments were comprised of Eurodollar and Treasury note (“T-Note”) futures contracts and interest rate swaption agreements, giving the Company the option to enter into a pay fixed interest rate swap (“payer swaption”). The tables below presents information related to the Company’s Eurodollar and T-Note futures contracts at June 30, 2015.

(\$ in thousands)

| <b>Eurodollar Futures Contracts</b> |   |                                    |  |                                  |
|-------------------------------------|---|------------------------------------|--|----------------------------------|
| <b>Expiration Year</b>              | <b>Average Contract Notional Amount</b> | <b>Weighted Average Entry Rate</b> | <b>Weighted Average Effective Rate</b> | <b>Open Equity<sup>(1)</sup></b> |
| 2015                                | \$ 900,000                              | 0.85%                              | 0.45%                                  | \$ (1,819)                       |
| 2016                                | 900,000                                 | 1.51%                              | 1.04%                                  | (4,189)                          |
| 2017                                | 900,000                                 | 2.31%                              | 1.81%                                  | (4,570)                          |
| 2018                                | 900,000                                 | 2.77%                              | 2.34%                                  | (3,887)                          |
| 2019                                | 900,000                                 | 2.56%                              | 2.61%                                  | 124                              |
| <b>Total / Weighted Average</b>     | <b>\$ 900,000</b>                       | <b>2.04%</b>                       | <b>1.62%</b>                           | <b>\$ (14,341)</b>               |

### Treasury Note Futures Contracts

| <b>Expiration Year</b>  | <b>Average Contract Notional Amount<sup>(2)</sup></b> | <b>Weighted Average Entry Rate</b> | <b>Weighted Average Effective Rate</b> | <b>Open Equity<sup>(1)</sup></b> |
|---|---|------------------------------------|--|----------------------------------|
| September 2015 10 year T-Note futures<br>(Sep 2015 - Sep 2025 Hedge Period) | \$ 120,000  | 2.15%                              | 2.07%                                  | \$ (1,011)                       |

(1) Open equity represents the cumulative gains (losses) recorded on open futures positions.

(2) Treasury Futures Contracts were valued at 126-05+ at June 30, 2015. The nominal value of the short position was \$151.4 million.

The table below presents information related to the Company’s interest rate swaption positions at June 30, 2015.

(\$ in thousands)

| <b>Expiration</b> | <b>Option</b> |                   |  | <b>Underlying Swap</b> |                       |                             | <b>Weighted Average Term (Years)</b> |
|-------------------|---------------|-------------------|--|------------------------|-----------------------|-----------------------------|--------------------------------------|
|                   | <b>Cost</b>   | <b>Fair Value</b> | <b>Weighted Average Months to Expiration</b> | <b>Notional Amount</b> | <b>Fixed Pay Rate</b> | <b>Receive Rate (LIBOR)</b> |                                      |
| ≤ 1 year          | \$3,200       | \$65              | 2  | \$175,000              | 3.29%                 | 3 Month                     | 10                                   |

## Dividends

In addition to other requirements, to qualify as a REIT we must pay annual dividends to our stockholders of at least 90% of our REIT taxable income, determined without regard to the deduction for dividends paid and excluding any net capital gains. We intend to pay regular monthly dividends to our stockholders and have declared the following dividends during 2015 and 2014.

*(in thousands, except per share data)*

| <b>Declaration Date</b>     | <b>Record Date</b> | <b>Payment Date</b> | <b>Per Share Amount</b> | <b>Total</b> |
|-----------------------------|--------------------|---------------------|-------------------------|--------------|
| <b>2015</b>                 |                    |                     |                         |              |
| July 9, 2015 <sup>(1)</sup> | July 27, 2015      | July 31, 2015       | \$ 0.14                 | \$ 3,218     |
| June 9, 2015                | June 22, 2015      | June 30, 2015       | 0.18                    | 4,057        |
| May 11, 2015                | May 26, 2015       | May 29, 2015        | 0.18                    | 3,580        |
| April 9, 2015               | April 27, 2015     | April 30, 2015      | 0.18                    | 3,303        |
| March 10, 2015              | March 27, 2015     | March 31, 2015      | 0.18                    | 3,205        |
| February 10, 2015           | February 25, 2015  | February 27, 2015   | 0.18                    | 3,017        |
| January 13, 2015            | January 26, 2015   | January 30, 2015    | 0.18                    | 3,017        |
| Totals                      |                    |                     | \$ 1.22                 | \$ 23,397    |
| <b>2014</b>                 |                    |                     |                         |              |
| December 9, 2014            | December 26, 2014  | December 30, 2014   | \$ 0.18                 | \$ 3,004     |
| November 12, 2014           | November 25, 2014  | November 28, 2014   | 0.18                    | 2,737        |
| October 9, 2014             | October 28, 2014   | October 31, 2014    | 0.18                    | 2,358        |
| September 9, 2014           | September 25, 2014 | September 30, 2014  | 0.18                    | 2,348        |
| August 12, 2014             | August 26, 2014    | August 29, 2014     | 0.18                    | 1,999        |
| July 10, 2014               | July 28, 2014      | July 31, 2014       | 0.18                    | 1,759        |
| June 11, 2014               | June 25, 2014      | June 30, 2014       | 0.18                    | 1,712        |
| May 8, 2014                 | May 27, 2014       | May 30, 2014        | 0.18                    | 1,641        |
| April 8, 2014               | April 25, 2014     | April 30, 2014      | 0.18                    | 1,636        |
| March 11, 2014              | March 26, 2014     | March 31, 2014      | 0.18                    | 1,550        |
| February 11, 2014           | February 25, 2014  | February 28, 2014   | 0.18                    | 974          |
| January 9, 2014             | January 27, 2014   | January 31, 2014    | 0.18                    | 925          |
| Totals                      |                    |                     | \$ 2.16                 | \$ 22,643    |

(1) The effect of the dividend declared in July 2015 is not reflected in the Company's financial statements as of June 30, 2015.

**Peer Performance****Portfolio Total Rate of Return Versus Peer Group Average**

|  | <b>Orchid<br/>Total Rate<br/>of Return<sup>(1)</sup></b> | <b>Peer<br/>Average<sup>(1)(2)</sup></b> | <b>ORC Spread<br/>Over /<br/>(Under)<br/>Peer<br/>Average<sup>(3)</sup></b> |
|--|--|--|---|
| Second Quarter 2013                                  | (3.0)%   | (12.6)%                                  | 9.6%  |
| Third Quarter 2013                                   | (2.2)%   | 0.4%                                     | (2.6)%  |
| Fourth Quarter 2013                                  | 3.3%   | (1.1)%                                   | 4.4%  |
| Stub 2013 (Annualized) <sup>(4)</sup>                | (2.8)%   | (17.5)%                                  | 14.7%   |
| First Quarter 2014 <sup>(5)</sup>                    | (2.9)%   | 4.3%                                     | (7.2)%  |
| Second Quarter 2014                                  | 9.0%   | 7.2%                                     | 1.8%  |
| Third Quarter 2014                                   | 5.8%   | 0.7%                                     | 5.1%  |
| Fourth Quarter 2014                                  | 2.5%   | 3.0%                                     | (0.5)%  |
| 2014 Total Return <sup>(5)</sup>                     | 13.6%  | 15.6%                                    | (2.0)%  |
| First Quarter 2015                                   | 2.7%   | 1.4%                                     | 1.3%  |
| Second Quarter 2015 <sup>(6)</sup>                   | 0.4%   | (3.9)%                                   | 4.3%  |
| One Year Return - 03/31/14 - 03/31/15                | 20.5%  | 12.5%                                    | 8.0%  |
| Two Year Return - 03/31/13 - 03/31/15 <sup>(5)</sup> | 12.3%  | 0.6%                                     | 11.7%   |

- (1) Total Rate of Return for each period is change in book value over the period plus dividends declared divided by the book value at the beginning of the period. None of the return calculations are annualized except the Stub 2013 calculation.
- (2) The Peer average is the unweighted, simple, average of the Total Rate of Return for each of the following companies in each respective measurement period: NLY, ANH, CMO, CYS, ARR, HTS and AGNC.
- (3) Represents the Total Return for Orchid minus Peer Average in each respective measurement period.
- (4) Orchid completed its Initial Public Offering, or IPO, in February 2013. We have elected to start our comparison beginning with Orchid's first full operating quarter, which was the second quarter of 2013. The Orchid IPO price was \$15.00 per share on February 13, 2013, and Orchid paid its first dividend of \$0.135 cents in March 2013. The Book Value at March 31, 2013 was \$14.98.
- (5) At January 1, 2014, Orchid had 3,341,665 shares outstanding and a book value of \$13.40. During the first quarter of 2014 Orchid completed two secondary offerings in which it sold 5,750,000 shares at a price of \$11.86 net of fees and offering costs and expenses. The book value as of March 31, 2014 was \$12.47.
- (6) As of July 29, 2015, only HTS, CYS and AGNC have reported second quarter 2015 results. NLY, ANH, CMO and ARR have been excluded from the average in this period.

**Book Value Per Share**

The Company's Book Value Per Share at June 30, 2015 was \$12.38. The Company computes Book Value Per Share by dividing total stockholders' equity by the total number of shares outstanding of the Company's common stock. At June 30, 2015, the Company's stockholders' equity was \$284.1 million with 22,959,817 shares of common stock outstanding.

## Secondary Offerings

On March 2, 2015, Orchid entered into an equity distribution agreement (the “Equity Distribution Agreement”) with two sales agents pursuant to which the Company may offer and sell, from time to time, up to an aggregate amount of \$100,000,000 of shares of the Company’s common stock in transactions that are deemed to be “at the market” offerings and privately negotiated transactions. Through June 30, 2015, the Company issued a total of 6,221,102 shares under the Equity Distribution Agreement for aggregate proceeds of approximately \$83.1 million, net of commissions and fees. The average price received for shares issued during the three months ended June 30, 2015 was \$13.65 per share.

## Share Repurchase Program

On July 29, 2015, the Board of Directors passed a resolution authorizing the repurchase of up to 2,000,000 shares of the Company’s common stock. As part of the stock repurchase program, shares may be purchased in open market transactions, including through block purchases, through privately negotiated transactions, or pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Open market repurchases will be made in accordance with Exchange Act Rule 10b-18, which sets certain restrictions on the method, timing, price and volume of open market stock repurchases. The timing, manner, price and amount of any repurchases will be determined by the Company in its discretion and will be subject to economic and market conditions, stock price, applicable legal requirements and other factors. The authorization does not obligate the Company to acquire any particular amount of common stock and the program may be suspended or discontinued at the Company’s discretion without prior notice.

## Management Commentary

Commenting on the second quarter, Robert E. Cauley, Chairman and Chief Executive Officer, said, “The second quarter of 2015 was a challenge to levered RMBS investors – and not many market participants saw it coming. The quarter started with a mini prepayment wave triggered by low rates early in the first quarter. Later in the quarter we had to deal with developments in Greece and China. The performance of the rates market in June, particularly the long end, was driven almost entirely by the latest rumors/headlines from abroad. Market participants never knew which direction the next 25 basis points in rates was headed – up or down. This kept fears of a return to lower rates in the minds of investors and the risk of a return to faster prepayment speeds.

“The impact of events overseas was not limited to the Treasury market. Agency pass-throughs widened in spread to comparable duration treasuries or swaps. The widening, between 5 and 12 basis points depending on the benchmark, exacerbated the performance of mortgages versus hedges.

“In addition to the developments above, the market continued to price in an even more dovish Federal Reserve for the balance of 2015. This started in the first quarter when economic data was quite soft and the Fed acknowledged an awareness of the impact that the strong dollar and events in Europe were having on domestic growth – namely weak manufacturing and exports due to the strong dollar and depressed mining and extraction in the fracking areas of the country caused by depressed oil prices. Fed funds futures for December moved from 39 basis points at March 31, 2015 to 29.5 basis points on June 30, 2015.

“In sum, it was not a good quarter to be a levered MBS investor. Prepayment speeds were elevated to start the quarter and remained stubbornly high into the third quarter. Late in the quarter mortgages widened, and continued to do so into early July, although the widening has since abated somewhat.”

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## **Earnings Conference Call Details**

An earnings conference call and live audio webcast will be hosted Thursday, July 30, 2015, at 10:00 AM ET. The conference call may be accessed by dialing toll free (877) 341-5668. International callers dial (224) 357-2205. The conference passcode is 92927778. A live audio webcast of the conference call can be accessed via the investor relations section of the Company's website at [www.orchidislandcapital.com](http://www.orchidislandcapital.com), and an audio archive of the webcast will be available until August 20, 2015.

## **About Orchid Island Capital, Inc.**

Orchid Island Capital, Inc. is a specialty finance company that invests on a leveraged basis in Agency RMBS. Our investment strategy focuses on, and our portfolio consists of, two categories of Agency RMBS: (i) traditional pass-through Agency RMBS and (ii) structured Agency RMBS, such as CMOs, IOs, IIOs and POs, among other types of structured Agency RMBS. Orchid is managed by Bimini Advisors, LLC, a registered investment adviser with the Securities and Exchange Commission.

## **Forward Looking Statements**

Statements herein relating to matters that are not historical facts, including, but not limited to statements regarding the stock repurchase program, are forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. The reader is cautioned that such forward-looking statements are based on information available at the time and on management's good faith belief with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in such forward-looking statements. Important factors that could cause such differences are described in Orchid Island Capital, Inc.'s filings with the Securities and Exchange Commission, including its most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. Orchid Island Capital, Inc. assumes no obligation to update forward-looking statements to reflect subsequent results, changes in assumptions or changes in other factors affecting forward-looking statements.

## **CONTACT:**

Orchid Island Capital, Inc.  
Robert E. Cauley, 772-231-1400  
Chairman and Chief Executive Officer  
[www.orchidislandcapital.com](http://www.orchidislandcapital.com)

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## Summarized Financial Statements

The following is a summarized presentation of the unaudited balance sheets as of June 30, 2015, and December 31, 2014, and the unaudited quarterly results of operations for the six and three months ended June 30, 2015 and 2014. Amounts presented are subject to change.

**ORCHID ISLAND CAPITAL, INC.**  
**BALANCE SHEETS**  
**(\$ in thousands, except per share data)**  
**(Unaudited - Amounts Subject To Change)**

|   | <u>June 30, 2015</u> | <u>December 31, 2014</u> |
|---|----------------------|--------------------------|
| <b>ASSETS:</b>                                    |                      |                          |
| Total mortgage-backed securities                  | \$ 2,174,871         | \$ 1,549,171             |
| Cash, cash equivalents and restricted cash        | 123,531              | 100,927                  |
| Accrued interest receivable                       | 8,663                | 6,211                    |
| Derivative assets, at fair value                  | 65                   | 1,217                    |
| Other assets                                      | 523                  | 282                      |
| <b>Total Assets</b>                               | <b>\$ 2,307,653</b>  | <b>\$ 1,657,808</b>      |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>       |                      |                          |
| Repurchase agreements                             | \$ 2,014,071         | \$ 1,436,651             |
| Payable for unsettled security purchased          | 7,623                | -                        |
| Accrued interest payable                          | 599                  | 628                      |
| Due to affiliates                                 | 456                  | 330                      |
| Other liabilities                                 | 755                  | 2,121                    |
| <b>Total Liabilities</b>                          | <b>2,023,504</b>     | <b>1,439,730</b>         |
| <b>Total Stockholders' Equity</b>                 | <b>284,149</b>       | <b>218,078</b>           |
| <b>Total Liabilities and Stockholders' Equity</b> | <b>\$ 2,307,653</b>  | <b>\$ 1,657,808</b>      |
| Common shares outstanding                         | 22,959,817           | 16,699,656               |
| Book value per share                              | \$ 12.38             | \$ 13.06                 |



**ORCHID ISLAND CAPITAL, INC.**  
**STATEMENTS OF OPERATIONS**  
(\$ in thousands, except per share data)  
(Unaudited - Amounts Subject to Change)

|  | Six Months Ended June 30, |                  | Three Months Ended June 30, |                  |
|--|---------------------------|------------------|-----------------------------|------------------|
|  | 2015                      | 2014             | 2015                        | 2014             |
| Interest income                                      | \$ 31,367                 | \$ 10,372        | \$ 16,753                   | \$ 6,589         |
| Interest expense                                     | (2,863)                   | (1,087)          | (1,567)                     | (676)            |
| Net interest income                                  | 28,504                    | 9,285            | 15,186                      | 5,913            |
| (Losses) gains                                       | (22,080)                  | 6,594            | (16,017)                    | 5,836            |
| Net portfolio income (loss)                          | 6,424                     | 15,879           | (831)                       | 11,749           |
| Expenses   | 3,747                     | 1,649            | 2,001                       | 1,114            |
| <b>Net income (loss)</b>                             | <b>\$ 2,677</b>           | <b>\$ 14,230</b> | <b>\$ (2,832)</b>           | <b>\$ 10,635</b> |
| <b>Basic and diluted net income (loss) per share</b> | <b>\$ 0.14</b>            | <b>\$ 2.01</b>   | <b>\$ (0.14)</b>            | <b>\$ 1.17</b>   |
| <b>Dividends Declared Per Common Share:</b>          | <b>\$ 1.080</b>           | <b>\$ 1.080</b>  | <b>\$ 0.540</b>             | <b>\$ 0.540</b>  |

| Key Balance Sheet Metrics                            | Three Months Ended June 30, |            |
|--|-----------------------------|------------|
|  | 2015                        | 2014       |
| Average RMBS <sup>(1)</sup>                          | \$ 1,925,747                | \$ 811,881 |
| Average repurchase agreements <sup>(1)</sup>         | 1,736,781                   | 717,474    |
| Average stockholders' equity <sup>(1)</sup>          | 257,447                     | 116,549    |
| Leverage ratio <sup>(2)</sup>                        | 7.1:1                       | 6.3:1      |
| <b>Key Performance Metrics</b>                       |                             |            |
| Average yield on RMBS <sup>(3)</sup>                 | 3.48%                       | 3.25%      |
| Average cost of funds <sup>(3)</sup>                 | 0.36%                       | 0.38%      |
| Average economic cost of funds <sup>(4)</sup>        | 0.50%                       | 0.38%      |
| Average interest rate spread <sup>(5)</sup>          | 3.12%                       | 2.87%      |
| Average economic interest rate spread <sup>(6)</sup> | 2.98%                       | 2.87%      |

- (1) Average RMBS, repurchase agreements and stockholders' equity balances are calculated using two data points, the beginning and ending balances.
- (2) The leverage ratio is calculated by dividing total ending liabilities by ending stockholders' equity. At June 30, 2015 and 2014, the \$7.6 million and \$6.8 million, respectively of payable for unsettled securities purchased have been excluded from the total liabilities for this ratio.
- (3) Portfolio yields and costs of funds are calculated based on the average balances of the underlying investment portfolio/repurchase agreement balances and are annualized for the quarterly periods presented.
- (4) Represents interest cost of our borrowings and the effect of Eurodollar and T-Note futures contracts and interest rate swaptions attributed to the period related to hedging activities, divided by average repurchase agreements.
- (5) Average interest rate spread is calculated by subtracting average cost of funds from average yield on RMBS.
- (6) Average economic interest rate spread is calculated by subtracting average economic cost of funds from average yield on RMBS.