

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): **August 4, 2022**

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))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	Trading symbol:	Name of each exchange on which registered:
Common Stock, par value \$0.01 per share	ORC	NYSE

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

ITEM 2.02. Results of Operations and Financial Condition.

On August 4, 2022, 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, 2022. In addition, the Company posted supplemental financial information on the investor relations section of its website (<https://ir.orchidislandcapital.com>). The press release, attached as Exhibit 99.1, is being furnished under this “Item 2.02 Results of Operations and Financial Condition,” and 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.

Caution About Forward-Looking Statements.

This Current Report on Form 8-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and other federal securities laws, including, but not limited to, statements regarding interest rates, liquidity, pledging of our structured RMBS, funding levels and spreads, prepayment speeds, portfolio positioning and repositioning, hedging levels, dividends, growth, the supply and demand for Agency RMBS, the effect of actual or expected actions of the U.S. government, including the Federal Reserve, market expectations, future opportunities and prospects of the Company, the stock repurchase program and general economic conditions. These forward-looking statements are based upon the Company’s present expectations, but the Company cannot assure investors that actual results will not vary from the expectations contained in the forward-looking statements. Investors should not place undue reliance upon forward-looking statements. For further discussion of the factors that could affect outcomes, please refer to the “Risk Factors” section of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021, which has been filed with the Securities and Exchange Commission (the “SEC”), and other documents that the Company files with the SEC. 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 the Company. 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 August 4, 2022
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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: August 4, 2022

ORCHID ISLAND CAPITAL, INC.

By: /s/ Robert E. Cauley

Robert E. Cauley

Chairman and Chief Executive Officer



ORCHID ISLAND CAPITAL ANNOUNCES SECOND QUARTER 2022 RESULTS

VERO BEACH, Fla. (August 4, 2022) – 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, 2022.

Second Quarter 2022 Highlights

- Net loss of \$60.1 million, or \$0.34 per common share, which consists of:
 - Net interest income of \$27.1 million, or \$0.15 per common share
 - Total expenses of \$4.9 million, or \$0.03 per common share
 - Net realized and unrealized losses of \$82.3 million, or \$0.46 per common share, on RMBS and derivative instruments including net interest expense on interest rate swaps
- Second quarter total dividends declared and paid of \$0.135 per common share
- Book value per common share of \$2.87 at June 30, 2022
- Total return of (10.0)%, comprised of \$0.135 dividend per common share and \$0.47 decrease in book value per common share, divided by beginning book value per common share
- Company to discuss results on Friday, August 5, 2022, at 10:00 AM ET
- Supplemental materials to be discussed on the call can be downloaded from the investor relations section of the Company's website at <https://ir.orchidislandcapital.com>

Management Commentary

Commenting on the second quarter results, Robert E. Cauley, Chairman and Chief Executive Officer, said, "During the latter part of the second quarter of 2022 inflation data drove a material change in Federal Reserve ("Fed") policy, interest rates and the outlook for the economy. Specifically, the consumer price index ("CPI") data for May, released in June, increased far more than market expectations. Survey measures of inflation expectations, released on the same day, surged to multi-decade highs. The June CPI reading was released in July and was again well above market expectations. Equally troubling, elevated inflation readings were broad based, implying inflationary pressures have clearly spread from just those sectors most exposed to COVID-19 related supply constraints. This was the catalyst for the Fed to pivot even more forcefully than they did during late 2021/early 2022, and the Fed raised the Fed Funds rate by 200 basis points collectively at the May, June and July meetings. The market expects the Fed to continue raising the Fed Funds rate by another 100 basis points by year-end. Increases in the Fed Funds rate are likely to affect economic activity, and the Fed has acknowledged their actions may lead to a recession. Sectors of the economy most sensitive to interest rates – such as housing – have already started to slow and other economic indicators have shown evidence of slowing as well. The manufacturing sector of the economy has clearly begun to slow, and the labor market also has been impacted, as evidenced by initial claims for unemployment in July of 2022 rising by approximately 94,000 above the cycle low reading reported in early March of 2022."

“The Fed pivot that occurred in mid-June led to meaningful widening for Agency RMBS spreads in the days that followed the release of the inflation data and were near the extremes seen in March of 2020. This was particularly true for lower coupon fixed rate Agency RMBS where Orchid’s portfolio is concentrated. The poor performance of Agency RMBS and risk assets generally led to negative returns across the markets and to book value erosion for Orchid. However, while we have recorded significant mark-to-market losses on our portfolio during the second quarter of 2022 and over the last three quarters, most of these losses are undiversified and approximately 81.1% of the pass-through portfolio as of June 30, 2022, was acquired prior to the start of the fourth quarter of 2021.

“It appears the inflation data is sufficiently strong that the Fed sees the need for a more aggressive response, and the market expects the Fed to continue to raise the Fed Funds rate and tighten financial conditions until inflation appears to moderate sufficiently. While such tightening of financial conditions does not cause the economy to contract appear remote and, as stated above, we have already seen evidence this has begun to occur. This appears to be the market’s view as well, as evidenced by the inversion of the U.S. Treasury yield curve. It is possible we have already seen the highest levels in long-term U.S. Treasury yields for this cycle.

“If, as we expect, the economy slows over the next several quarters, the lack of any credit risk in the Agency RMBS market lead should relative outperformance for the sector given the very wide spreads available currently. Further, Orchid’s existing portfolio of discount securities retains very favorable convexity, particularly in a decreasing rate environment as the duration, or rate sensitivity of the securities should not decline materially if rates were to decrease. We believe these two factors leave Orchid well positioned as we move into the second half of 2022 and beyond. In fact, Agency RMBS have performed very well so far in the third quarter and have reversed most of the widening that occurred in June of 2022.”

Details of Second Quarter 2022 Results of Operations

The Company reported net loss of \$60.1 million for the three month period ended June 30, 2022, compared with net loss of \$46.9 million for the three month period ended June 30, 2021. The Company decreased its Agency RMBS portfolio over the course of the first three months of 2022, from \$6.5 billion at December 31, 2021 to \$3.9 billion at June 30, 2022. Interest income on the portfolio in the second quarter was down approximately \$6.6 million from the first quarter of 2022. The yield on our average MBS increased from 3.02% in the first quarter of 2022 to 3.31% for the second of 2022, repurchase agreement borrowing costs increased from 0.20% in the first quarter of 2022 to 0.80% for the second quarter of 2022, and our net interest spread decreased from 2.82% in the first quarter of 2022 to 2.51% in the second quarter of 2022.

Book value decreased by \$0.47 per share in the second quarter of 2022. The decrease in book value reflects our net loss of \$0.34 per share and the dividend distribution of \$0.135 per share. The Company recorded net realized and unrealized losses of \$0.46 per share on Agency RMBS assets and derivative instruments, including net interest expense on interest rate swaps.

Prepayments

For the quarter ended June 30, 2022, Orchid received \$122.4 million in scheduled and unscheduled principal repayments and prepayments, which equated to a 3-month constant prepayment rate (“CPR”) of approximately 9.4%. 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, 2022	8.3	13.7	9.4
March 31, 2022	8.1	19.5	10.7
December 31, 2021	9.0	24.6	11.4
September 30, 2021	9.8	25.1	12.4
June 30, 2021	10.9	29.9	12.9
March 31, 2021	9.9	40.3	12.0

Portfolio

The following tables summarize certain characteristics of Orchid’s PT RMBS (as defined below) and structured RMBS as of 30, ~~2022~~ and December 31, 2021:

(\$ in thousands)

Asset Category	Fair Value	Percentage of Entire Portfolio	Weighted Average Coupon	Weighted Average Maturity in Months	Longest Maturity
June 30, 2022					
Fixed Rate RMBS	\$ 3,766,151	95.6%	3.10%	342	1-Jun-52
Interest-Only Securities	173,754	4.4%	3.41%	249	25-Jan-52
Inverse Interest-Only Securities	955	0.0%	3.02%	293	15-Jun-42
Total Mortgage Assets	\$ 3,940,860	100.0%	3.16%	322	1-Jun-52
December 31, 2021					
Fixed Rate RMBS	\$ 6,298,189	96.7%	2.93%	342	1-Dec-51
Interest-Only Securities	210,382	3.2%	3.40%	263	25-Jan-52
Inverse Interest-Only Securities	2,524	0.1%	3.75%	300	15-Jun-42
Total Mortgage Assets	\$ 6,511,095	100.0%	3.03%	325	25-Jan-52

(\$ in thousands)

Agency	June 30, 2022		December 31, 2021	
	Fair Value	Percentage of Entire Portfolio	Fair Value	Percentage of Entire Portfolio
Fannie Mae	\$ 2,591,682	65.8%	\$ 4,719,349	72.5%
Freddie Mac	1,349,178	34.2%	1,791,746	27.5%
Total Portfolio	\$ 3,940,860	100.0%	\$ 6,511,095	100.0%

	June 30, 2022	December 31, 2021
Weighted Average Pass-through Purchase Price	\$ 107.77	\$ 107.19
Weighted Average Structured Purchase Price	\$ 15.35	\$ 15.21
Weighted Average Pass-through Current Price	\$ 94.61	\$ 105.31
Weighted Average Structured Current Price	\$ 16.21	\$ 14.08
Effective Duration	5.900	3.390

- (1) Effective duration of 5.900 indicates that an interest rate increase of 1.0% would be expected to cause a 5.900% decrease in the value of the RMBS in the Company's investment portfolio at June 30, 2022. An effective duration of 3.390 indicates that an interest rate increase of 1.0% would be expected to cause a 3.390% decrease in the value of the RMBS in the Company's investment portfolio at December 31, 2021. These figures include the structured securities in the portfolio, but do not include the effect of the Company's funding cost hedges. Effective duration for individual investments are obtained from The Yield Book, Inc.

Financing, Leverage and Liquidity

As of June 30, 2022, the Company had outstanding repurchase obligations of approximately \$3,759.0 million with a net weighted average borrowing rate of 1.36%. These agreements were collateralized by RMBS with a fair value, including accrued interest, of approximately \$3,939.4 million and cash pledged to counterparties of approximately \$51.1 million. The Company's leverage ratio at June 30, 2022 was 7.8 to 1. At June 30, 2022, the Company's liquidity was approximately \$233.7 million, consisting of cash equivalents and unpledged RMBS (not including unsettled securities purchases). To enhance our liquidity even further, we may pledge 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 list of our outstanding borrowings under repurchase obligations at June 30, 2022.

(\$ in thousands)

Counterparty	Total Outstanding Balances	% of Total	Weighted Average Borrowing Rate	Amount at Risk⁽¹⁾	Weighted Average Maturity in Days
J.P. Morgan Securities LLC	\$ 355,463	9.4%	1.44%	\$ 23,431	40
ABN AMRO Bank N.V.	332,722	8.9%	0.97%	12,527	12
Mitsubishi UFJ Securities (USA), Inc.	330,133	8.8%	1.69%	35,065	34
Merrill Lynch, Pierce, Fenner & Smith Inc.	320,104	8.5%	1.15%	15,687	16
Mirae Asset Securities (USA) Inc.	291,534	7.8%	1.16%	14,802	65
Cantor Fitzgerald & Co.	246,670	6.6%	1.50%	15,636	28
RBC Capital Markets, LLC	228,511	6.1%	1.23%	9,416	26
ING Financial Markets LLC	196,520	5.2%	1.64%	10,070	28
ASL Capital Markets Inc.	179,465	4.8%	1.57%	11,301	18
Santander Bank, N.A.	173,115	4.6%	1.34%	10,128	27
Goldman Sachs & Co. LLC	158,182	4.2%	1.62%	10,858	25
ED&F Man Capital Markets Inc.	150,941	4.0%	1.02%	7,416	20
Daiwa Capital Markets America, Inc.	144,585	3.8%	1.58%	7,031	18
Wells Fargo Bank, N.A.	123,434	3.3%	1.10%	7,373	14
Citigroup Global Markets, Inc.	115,434	3.1%	1.37%	7,055	21
BMO Capital Markets Corp.	115,236	3.1%	1.20%	8,471	18
Nomura Securities International, Inc.	86,155	2.3%	1.61%	5,958	22
Austin Atlantic Asset Management Co.	83,356	2.2%	1.62%	5,124	6
South Street Securities, LLC	60,322	1.6%	1.17%	3,595	18
Lucid Cash Fund USG LLC	24,157	0.6%	1.27%	1,420	14
StoneX Financial Inc.	23,337	0.6%	1.62%	1,454	28
Lucid Prime Fund LLC	19,604	0.5%	1.52%	3,790	14
Total / Weighted Average	\$ 3,758,980	100.0%	1.36%	\$ 227,608	27

- (1) 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 accrued 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 against a rise in interest rates by entering into derivative financial instrument contracts. The Company has elected hedging treatment under U.S. generally accepted accounting principles (“GAAP”) in order to align the accounting treatment of these 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, 2022, such instruments were comprised of Treasury note (“T-Note”) futures contracts, interest rate swap agreements, interest rate swaption agreements, interest rate caps and contracts to buy and sell CMA securities.

The table below presents information related to the Company’s T-Note futures contracts at June 30, 2022.

(\$ in thousands)

Expiration Year	Average Contract Notional Amount	Weighted Average Entry Rate	Weighted Average Effective Rate	Open Equity ⁽¹⁾
Treasury Note Futures Contracts (Short Positions)				
September 2022 5-year T-Note futures (Sep 2022 - Sep 2027 Hedge Period)	\$ 1,200,500	3.13%	3.32%	4,138
September 2022 10-year Ultra futures (Sep 2022 - Sep 2032 Hedge Period)	\$ 274,500	2.64%	2.84%	\$ 2,442

- (1) Open equity represents the cumulative gains (losses) recorded on open futures positions from inception.
- (2) 5-Year T-Note futures contracts were valued at a price of \$112.25 at June 30, 2022. The contract values of the short positions were \$112.0 million at June 30, 2022. 10-Year Ultra futures contracts were valued at a price of \$127.38 at June 30, 2022. The contract value of the short position was \$349.6 million at June 30, 2022.

The table below presents information related to the Company’s interest rate swap positions at June 30, 2022.

(\$ in thousands)

Expiration	Notional Amount	Average Fixed Pay Rate	Average Receive Rate	Net Estimated Fair Value	Average Maturity (Years)
> 3 to ≤ 5 years	\$ 500,000	0.84%	1.95%	43,221	4.2
> 5 years	900,000	1.70%	1.32%	60,917	7.1
	\$ 1,400,000	1.39%	1.54%	\$ 104,138	6.1

The following table presents information related to our interest rate swaption positions as of June 30, 2022.

(\$ in thousands)

Expiration	Option			Underlying Swap			
	Cost	Fair Value	Weighted Average Months to Expiration	Notional Amount	Average Fixed Rate	Average Adjustable Rate (LIBOR)	Weighted Average Term (Years)
Payer Swaptions - long							
≤ 1 year	\$ 31,905	\$ 65,684	8.3	\$ 1,282,400	2.44%	3 Month	11.3
>1 year ≤ 2 years	24,050	23,168	15.8	728,400	3.00%	3 Month	10.0
	\$ 55,955	\$ 88,852	11.0	\$ 2,010,800	2.65%	3 Month	10.8
Payer Swaptions - short							
≤ 1 year	\$ (22,250)	\$ (43,296)	2.8	\$ (1,433,000)	2.65%	3 Month	10.8

The following table presents information related to our interest cap positions as of June 30, 2022.

(\$ in thousands)

Expiration	Notional Amount	Cost	Strike Swap Rate	Curve Spread	Net Estimated Fair Value
February 8, 2024	\$ 200,000	\$ 2,350	0.09%	10Y2Y	\$ 3,837

The following table summarizes our contracts to purchase and sell TBA securities as of June 30, 2022.

(\$ in thousands)

	Notional Amount Long (Short)	Cost Basis ⁽²⁾	Market Value ⁽³⁾	Net Carrying Value ⁽⁴⁾
June 30, 2022				
30-Year TBA securities:				
2.0%	\$ (175,000)	\$ (153,907)	\$ (152,250)	1,657
15-Year TBA securities:				
3.5%	175,000	174,434	174,139	(295)
	\$ -	\$ 20,527	\$ 21,889	\$ 1,362

(1) Notional amount represents the par value (or principal balance) of the underlying Agency RMBS.

(2) Cost basis represents the forward price to be paid (received) for the underlying Agency RMBS.

(3) Market value represents the current market value of the TBA securities (or of the underlying Agency RMBS) as of period-end.

(4) Net carrying value represents the difference between the market value and the cost basis of the TBA securities as of period-end and is reported as positive assets (liabilities) at fair value in our balance sheets.

August 4, 2022

Dividends

In addition to other requirements that must be satisfied 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 since our inception.

(in thousands, except per share data)

Year	Per Share Amount	Total
2013	\$ 1.395	\$ 4,662
2014	2.160	22,643
2015	1.920	38,748
2016	1.680	41,388
2017	1.680	70,717
2018	1.070	55,814
2019	0.960	54,421
2020	0.790	53,570
2021	0.780	97,601
2022 - YTD	0.335	59,383
Totals	\$ 12.770	\$ 498,947

- (1) On July 13, 2022, the Company declared a dividend of \$0.045 per share to be paid on August 29, 2022. The effect of this dividend is included above but is not reflected in the Company's financial statements as of June 30, 2022.

Book Value Per Share

The Company's book value per share at June 30, 2022 was \$2.87. The Company computes book value per share by dividing stockholders' equity by the total number of shares outstanding of the Company's common stock. At June 30, 2022, the Company's stockholders' equity was \$506.4 million with 176,251,193 shares of common stock outstanding.

Capital Allocation and Return on Invested Capital

The table below details the changes to the respective sub-portfolios during the quarter.

(in thousands)

	Portfolio Activity for the Quarter					
	Pass-Through Portfolio	Structured Security Portfolio			Sub-total	Total
		Interest-Only Securities	Inverse Interest Only Securities			
Market value - March 31, 2022	\$ 4,372,517	\$ 206,617	\$ 1,460	\$ 208,077	\$ 4,580,594	
Securities purchased	190,638	-	-	-	190,638	
Securities sold	(486,927)	(34,638)	-	(34,638)	(521,565)	
(Losses) Gains on sales	(17,440)	1,997	-	1,997	(15,443)	
Return of investment	n/a	(6,304)	(42)	(6,346)	(6,346)	
Pay-downs	(116,595)	n/a	-	n/a	(116,595)	
Discount accretion due to pay-downs	726	n/a	-	n/a	726	
Mark to market (losses) gains	(176,768)	6,082	(463)	5,619	(171,149)	
Market value - June 30, 2022	\$ 3,766,151	\$ 173,754	\$ 955	\$ 174,709	\$ 3,940,860	

The Company allocates capital to two RMBS sub-portfolios, the pass-through RMBS portfolio, consisting of mortgage pass-through certificates issued by Fannie Mae, Freddie Mac or Ginnie Mae (the “GSEs”) and collateralized mortgage obligations (“CMOs”) issued by the GSEs (“PT RMBS”), and the structured RMBS portfolio, consisting of interest-only (“IO”) and inverse interest-only (“IIO”) securities. As of March 31, 2022, approximately 62% of the Company’s investable capital (which consists of equity in pledged RMBS, available cash and unencumbered assets) was deployed in the PT RMBS portfolio. At June 30, 2022, the allocation to the RMBS portfolio remained approximately 62%.

The tables below present the allocation of capital between the respective portfolios at June 30, 2022 and March 31, 2022, and return on invested capital for each sub-portfolio for the three month period ended June 30, 2022.

(\$ in thousands)

Capital Allocation						
	Pass-Through Portfolio	Structured Security Portfolio			Sub-total	Total
		Interest-Only Securities	Inverse Interest Only Securities			
June 30, 2022						
Market value	\$ 3,766,151	\$ 173,754	\$ 955	\$ 174,709	\$ 3,940,860	
Cash	283,371	-	-	-	283,371	
Borrowings ⁽¹⁾	(3,758,980)	-	-	-	(3,758,980)	
Total	\$ 290,542	\$ 173,754	\$ 955	\$ 174,709	\$ 465,251	
% of Total	62.4%	37.3%	0.2%	37.6%	100.0%	
March 31, 2022						
Market value	\$ 4,372,517	\$ 206,617	\$ 1,460	\$ 208,077	\$ 4,580,594	
Cash	427,445	-	-	-	427,445	
Borrowings ⁽²⁾	(4,464,109)	-	-	-	(4,464,109)	
Total	\$ 335,853	\$ 206,617	\$ 1,460	\$ 208,077	\$ 543,930	
% of Total	61.7%	38.0%	0.3%	38.3%	100.0%	

(1) At June 30, 2022, there were outstanding repurchase agreement balances of \$144.9 million secured by IO securities and \$0.8 million secured by IIO securities. We entered into these arrangements to generate additional cash available to meet margin calls on PT RMBS; therefore, we have not considered these balances to be allocated to the structured securities strategy.

(2) At March 31, 2022, there were outstanding repurchase agreement balances of \$157.1 million secured by IO securities and \$0.4 million secured by IIO securities. We entered into these arrangements to generate additional cash available to meet margin calls on PT RMBS; therefore, we have not considered these balances to be allocated to the structured securities strategy.

The return on invested capital in the PT RMBS and structured RMBS portfolios was approximately (19.7)% and 5.3%, for the second quarter of 2022. The combined portfolio generated a return on invested capital of approximately (10.1)%.

(\$ in thousands)

Returns for the Quarter Ended June 30, 2022						
	Structured Security Portfolio					Total
	Pass-Through Portfolio	Interest-Only Securities	Inverse Interest Only Securities	Sub-total		
Income (net of borrowing cost)	\$ 23,714	\$ 3,107	\$ 267	\$ 3,374	\$ 27,088	
Realized and unrealized (losses) / gains	(193,657)	8,079	(463)	7,616	(186,041)	
Derivative gains	103,758	n/a	n/a	n/a	103,758	
Total Return	\$ (66,185)	\$ 11,186	\$ (196)	\$ 10,990	\$ (55,195)	
Beginning Capital Allocation	\$ 335,853	\$ 206,617	\$ 1,460	\$ 208,077	\$ 543,930	
Return on Invested Capital for the Quarter	(19.7)%	5.4%	(13.4)%	5.3%	(10.1)%	
Average Capital Allocation	\$ 313,198	\$ 190,186	\$ 1,208	\$ 191,394	\$ 504,592	
Return on Average Invested Capital for the Quarter	(21.1)%	5.9%	(16.2)%	5.7%	(10.9)%	

- (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.

Stock Offerings

On October 29, 2021, we entered into an equity distribution agreement (the “October 2021 Equity Distribution Agreement”) with four sales agents pursuant to which we may offer and sell, from time to time, up to an aggregate amount of \$250,000,000 of shares of our common stock in transactions that are deemed to be “at the market” offerings and privately negotiated transactions. Through June 30, 2022, we issued a total of 15,835,700 shares under the October 2021 Equity Distribution Agreement for aggregate gross proceeds of approximately \$78.3 million, and net proceeds of approximately \$77.0 million, after commissions and fees. We did not issue shares under the October 2021 Equity Distribution Agreement during the six months ended June 30, 2022.

Stock Repurchase Program

On July 29, 2015, the Company’s Board of Directors authorized the repurchase of up to 2,000,000 shares of our common stock. The timing, manner, price and amount of any repurchases is determined by the Company in its discretion and is subject to economic and market conditions, stock price, applicable legal requirements and other factors. The authorization does not obligate the Company to repurchase any particular amount of common stock and the program may be suspended or discontinued at the Company’s discretion at any time without prior notice. On February 8, 2018, the Board of Directors approved an increase in the stock repurchase program for up to an additional 4,522,822 shares of the Company’s common stock. Coupled with the 783,757 shares remaining from the original 2,000,000 share authorization, the increased authorization brought the total authorization to 5,306,579 shares, representing 10% of the Company’s then outstanding share count. On December 9, 2021, the Board of Directors approved an increase in the number of shares of the Company’s common stock available in the stock repurchase program for up to an additional 16,861,994 shares, bringing the remaining authorization under the stock repurchase program to 17,699,305 shares, representing approximately 10% of the Company’s then outstanding shares of common stock. This stock repurchase program has no termination date.

From the inception of the stock repurchase program through June 30, 2022, the Company repurchased a total of 6,561,810 shares at an aggregate cost of approximately \$42.6 million, including commissions and fees, for a weighted average price of \$6.49 per share. During the three months ended June 30, 2022, the Company repurchased a total of 876,299 shares at an aggregate cost of approximately \$2.2 million, including commissions and fees, for a weighted average price of \$2.53 per share.

Earnings Conference Call Details

An earnings conference call and live audio webcast will be hosted Friday, August 5, 2022, at 10:00 AM ET. The conference call may be accessed by dialing toll free (888) 510-2356. The conference passcode is 8493186. The supplemental materials may be downloaded from the investor relations section of the Company's website at <https://ir.orchidislandcapital.com>. A live audio webcast of the conference call can be accessed via the investor relations section of the Company's website at <https://ir.orchidislandcapital.com> and an audio archive of the webcast will be available until September 4, 2022.

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, such as mortgage pass-through certificates, and CMOs issued by the GSEs, and (ii) structured Agency RMBS, such as IOs, IIOs and principal securities, 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 interest rates, pledging of our structured RMBS, funding levels and spreads, prepayment speeds, portfolio positioning and hedging levels, dividends, growth, the supply and demand for Agency RMBS, the effect of actual or expected actions of the U.S. government, including the Federal Reserve, market expectations, future opportunities and prospects of the Company, the stock repurchase program and general economic conditions, are forward-looking statements as defined in the Private Securities Litigation Act of 1995. The reader is cautioned that such forward-looking statements are based on information available at the time and 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 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

<https://ir.orchidislandcapital.com>

Summarized Financial Statements

The following is a summarized presentation of the unaudited balance sheets as of June 30, 2022, and December 31, 2021, and the unaudited quarterly statements of operations for the six and three months ended June 30, 2022 and 2021. Amounts presented are subject to change.

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

	June 30, 2022	December 31, 2021
ASSETS:		
Mortgage-backed securities	\$ 3,940,860	\$ 6,511,095
U.S. Treasury Notes	36,302	37,175
Cash, cash equivalents and restricted cash	283,371	450,442
Accrued interest receivable	13,932	18,859
Derivative assets, at fair value	198,484	50,786
Other assets	1,420	320
Total Assets	\$ 4,474,369	\$ 7,068,677
LIABILITIES AND STOCKHOLDERS' EQUITY		
Repurchase agreements	\$ 3,758,980	\$ 6,244,106
Dividends payable	7,960	11,530
Derivative liabilities, at fair value	43,591	7,589
Accrued interest payable	3,940	788
Due to affiliates	1,138	1,062
Other liabilities	152,398	35,505
Total Liabilities	3,968,007	6,300,580
Total Stockholders' Equity	506,362	768,097
Total Liabilities and Stockholders' Equity	\$ 4,474,369	\$ 7,068,677
Common shares outstanding	176,251,193	176,993,049
Book value per share	\$ 2.87	\$ 4.34

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

	<u>Six Months Ended June 30,</u>		<u>Three Months Ended June 30,</u>	
	2022	2021	2022	2021
Interest income	\$ 77,125	\$ 56,110	\$ 35,268	\$ 29,254
Interest expense	(10,835)	(3,497)	(8,180)	(1,556)
Net interest income	66,290	52,613	27,088	27,698
Losses on RMBS and derivative contracts	(265,515)	(91,635)	(82,283)	(40,844)
Net portfolio loss	(199,225)	(39,022)	(55,195)	(13,146)
Expenses	9,641	7,212	4,944	3,719
Net loss	\$ (208,866)	\$ (46,234)	\$ (60,139)	\$ (16,865)
Basic net loss per share	\$ (1.18)	\$ (0.50)	\$ (0.34)	\$ (0.17)
Diluted net loss per share	\$ (1.18)	\$ (0.50)	\$ (0.34)	\$ (0.17)
Weighted Average Shares Outstanding	177,015,963	92,456,082	177,034,159	99,489,065
Dividends Declared Per Common Share:	\$ 0.290	\$ 0.390	\$ 0.135	\$ 0.195

Key Balance Sheet Metrics	<u>Three Months Ended June 30,</u>	
	2022	2021
Average RMBS	\$ 4,260,727	\$ 4,504,887
Average repurchase agreements	4,111,544	4,348,192
Average stockholders' equity	549,390	509,999
Leverage ratio ⁽¹⁾	7.8:1	8.2:1
Key Performance Metrics		
Average yield on RMBS	3.31%	2.60%
Average cost of funds	0.80%	0.14%
Average economic cost of funds	0.60%	0.61%
Average interest rate spread ⁽²⁾	2.51%	2.46%
Average economic interest rate spread ⁽³⁾	2.71%	1.99%

- (1) Average RMBS, borrowings 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.
- (3) Portfolio yields and costs of funds are calculated based on the average balances of the underlying investment portfolio/borrowings balances and are annualized for the quarterly periods presented.
- (4) Represents the interest cost of our borrowings and the effect of derivative agreements attributed to the period related to hedging activities, divided by average borrowings.
- (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.

