

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 27, 2023**

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 July 27, 2023, 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, 2023. 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, inflation, liquidity, pledging of our structured RMBS, funding levels and spreads, prepayment speeds, portfolio positioning and repositioning, hedging levels, leverage ratio, dividends, growth, return opportunities, the supply and demand for Agency RMBS and the performance of the Agency RMBS sector generally, the effect of actual or expected actions of the U.S. government, including the Federal Reserve and the Federal Deposit Insurance Corporation, market expectations, capital raising, 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, 2022, which has been filed with the Securities and Exchange Commission (“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 July 27, 2023
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: July 27, 2023

ORCHID ISLAND CAPITAL, INC.

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



ORCHID ISLAND CAPITAL ANNOUNCES SECOND QUARTER 2023 RESULTS

VERO BEACH, Fla. (July 27, 2023) – 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, 2023.

Second Quarter 2023 Results

- Net income of \$10.2 million, or \$0.25 per common share, which consists of:
- Net interest expense of \$8.8 million, or \$0.22 per common share
- Total expenses of \$4.8 million, or \$0.12 per common share
- Net realized and unrealized gains of \$23.8 million, or \$0.59 per common share, on RMBS and derivative instruments, including net interest income on interest rate swaps
- Second quarter dividends declared and paid of \$0.48 per common share
- Book value per common share of \$11.16 at June 30, 2023
- Total return of 0.78%, comprised of \$0.48 dividend per common share and \$0.39 decrease in book value per common share, divided by beginning book value per common share

Other Financial Highlights

- Orchid maintained a liquidity position of \$204.1 million in cash and cash equivalents and unpledged RMBS, or 42% of stockholders' equity as of June 30, 2023
- Borrowing capacity in excess of June 30, 2023 outstanding repurchase agreement balances of \$4,201.7 million, spread across 20 active lenders
- Company to discuss results on Friday, July 28, 2023, 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, "The regional banking crisis that emerged in March of 2023 elicited a severe market reaction, but the Federal Reserve ("Fed") and U.S. Treasury were very responsive to these developments and the damage was quickly contained by effective macro-prudential policy. By late April, market focus began to shift away from the prospects of contagion from a couple of high-profile bank failures to an impasse between congressional Republicans and the Biden administration over the debt ceiling. Fortunately, the impasse was resolved in late May. While the debt ceiling impasse was resolved before the government ran out of borrowing capacity and risk sentiment improved modestly, the economic data, particularly with respect to core inflation and the labor market, did not improve at all. The U.S. Treasury curve inversion peaked in early July, interest rates continued to rise as the 2-year U.S. Treasury approached 5% and the futures market priced in nearly two additional rate increases by the Fed with no rate decreases at all in 2023. In short, market expectations were now in sync with Fed rhetoric that funding rates would be higher and for far longer than previously expected. These developments were not good for the Agency RMBS market as the spread between the Agency RMBS current coupon and the 5-year U.S. Treasury reached approximately 187.5 bps on May 26, 2023.

“Orchid has maintained a lower coupon bias throughout the tightening cycle as we believe these securities still offer superior total return potential over new origination, higher coupon securities. We continue to hold these securities for the same reasons. We raised approximately \$48 million of new capital in the second quarter and deployed the proceeds into higher coupon, low pay-up specified pools and hedged these positions predominantly with swaps. With the U.S. Treasury curve inverted as much as it is our hedge positions allow us to earn approximately 100 basis points of marginal net interest income on the new securities. We have also taken our economic leverage ratio (total liabilities adjusted for net TBA positions, divided by total stockholders' equity) up from approximately 6.5 to 1 on March 31, 2023, to approximately 8.1 to 1 on June 30, 2023. We are comfortable doing so because we still believe return prospects on Agency RMBS are skewed to the upside at current rate and spread levels. We added higher coupons to mitigate the lower carry of our legacy assets to allow us to continue to hold them and retain their higher return potential in the event of a normalization of rates and U.S. Treasury curve shape. In late May, when Agency RMBS spreads were at the widest spreads we have observed since the 2008 financial crisis, we moved most of our TBA hedges to rate hedges.

“As the third quarter unfolds, markets and the Fed are closely focused on incoming economic data as it pertains to inflation and the labor markets. Market performance – for all asset classes – will likely be dominated by these developments and their implications for monetary policy going forward. The Federal Deposit Insurance Corporation (“FDIC”) liquidation sales of Agency RMBS seized from failed banks that began in April have gone well and are nearing an end, far sooner than originally anticipated. We anticipate current interest rate levels and curve shape – while challenging for levered Agency RMBS investors – are at or near the extremes we will experience for the cycle. As such, we do not anticipate changes to our strategy other than possibly adding current income securities hedged with interest rate swaps to increase our net interest income, assuming we can add additional capital at attractive levels. We would not consider these positions long-term holds.”

Details of Second Quarter 2023 Results of Operations

The Company reported net income of \$10.2 million for the three month period ended June 30, 2023, compared with a net loss of \$60.1 million for the three month period ended June 30, 2022. The Company increased its Agency RMBS portfolio over the course of the second quarter of 2023, from \$4.0 billion at March 31, 2023 to \$4.4 billion at June 30, 2023. Interest income on the portfolio in the second quarter was up approximately \$1.9 million from the first quarter of 2023. The yield on our average Agency RMBS decreased from 4.03% in the first quarter of 2023 to 3.81% for the second quarter of 2023, repurchase agreement borrowing costs increased from 4.72% for the first quarter of 2023 to 4.88% for the second quarter of 2023, and our net interest spread decreased from (0.69)% in the first quarter of 2023 to (1.07)% in the second quarter of 2023.

Book value decreased by \$0.39 per share in the first quarter of 2023. The decrease in book value reflects our net income of \$0.25 per share and the dividend distribution of \$0.48 per share. The Company recorded net realized and unrealized gains of \$0.59 per share on Agency RMBS assets and derivative instruments, including net interest income on interest rate swaps.

Prepayments

For the quarter ended June 30, 2023, Orchid received \$138.4 million in scheduled and unscheduled principal repayments and prepayments, which equated to a 3-month constant prepayment rate (“CPR”) of approximately 5.3%. 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, 2023	5.3	7.0	5.3
March 31, 2023	3.9	5.7	4.0
December 31, 2022	4.9	6.0	5.0
September 30, 2022	6.1	10.4	6.5
June 30, 2022	8.3	13.7	9.4
March 31, 2022	8.1	19.5	10.7

Portfolio

The following tables summarize certain characteristics of Orchid's PT RMBS (as defined below) and structured RMBS as of June 30, 2023 and December 31, 2022:

(\$ in thousands)

Asset Category	Fair Value	Percentage of Entire Portfolio	Weighted Average Coupon	Weighted Average Maturity in Months	Longest Maturity
June 30, 2023					
Fixed Rate RMBS	\$ 4,356,203	99.6%	3.80%	337	1-Jun-53
Interest-Only Securities	17,448	0.4%	4.01%	228	25-Jul-48
Inverse Interest-Only Securities	321	0.0%	0.00%	280	15-Jun-42
Total Mortgage Assets	\$ 4,373,972	100.0%	3.78%	334	1-Jun-53
December 31, 2022					
Fixed Rate RMBS	\$ 3,519,906	99.4%	3.47%	339	1-Nov-52
Interest-Only Securities	19,669	0.6%	4.01%	234	25-Jul-48
Inverse Interest-Only Securities	427	0.0%	0.00%	286	15-Jun-42
Total Mortgage Assets	\$ 3,540,002	100.0%	3.46%	336	1-Nov-52

(\$ in thousands)

Agency	June 30, 2023		December 31, 2022	
	Fair Value	Percentage of Entire Portfolio	Fair Value	Percentage of Entire Portfolio
Fannie Mae	\$ 2,897,583	66.2%	\$ 2,320,960	65.6%
Freddie Mac	1,476,389	33.8%	1,219,042	34.4%
Total Portfolio	\$ 4,373,972	100.0%	\$ 3,540,002	100.0%

	June 30, 2023	December 31, 2022
Weighted Average Pass-through Purchase Price	\$ 105.06	\$ 106.41
Weighted Average Structured Purchase Price	\$ 18.74	\$ 18.74
Weighted Average Pass-through Current Price	\$ 92.75	\$ 91.46
Weighted Average Structured Current Price	\$ 13.25	\$ 14.05
Effective Duration (1)	5.220	5.580

(1) Effective duration of 5.220 indicates that an interest rate increase of 1.0% would be expected to cause a 5.220% decrease in the value of the RMBS in the Company's investment portfolio at June 30, 2023. An effective duration of 5.580 indicates that an interest rate increase of 1.0% would be expected to cause a 5.580% decrease in the value of the RMBS in the Company's investment portfolio at December 31, 2022. 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, 2023, the Company had outstanding repurchase obligations of approximately \$4,201.7 million with a net weighted average borrowing rate of 5.26%. These agreements were collateralized by RMBS with a fair value, including accrued interest, of approximately \$4,383.3 million and cash pledged to counterparties of approximately \$30.6 million. The Company's adjusted leverage ratio, defined as the balance of repurchase agreement liabilities divided by stockholders' equity, at June 30, 2023 was 8.6 to 1. At June 30, 2023, the Company's liquidity was approximately \$204.1 million consisting of cash and cash equivalents and unpledged RMBS (not including unsettled securities purchases). 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 list of our outstanding borrowings under repurchase obligations at June 30, 2023.

(\$ 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	\$ 337,627	8.0%	5.32%	\$ 18,780	13
ASL Capital Markets Inc.	336,720	8.0%	5.27%	18,280	41
Mitsubishi UFJ Securities (USA), Inc.	331,790	7.9%	5.25%	16,536	19
Wells Fargo Bank, N.A.	328,470	7.8%	5.28%	17,626	15
RBC Capital Markets, LLC	315,578	7.5%	5.19%	10,406	15
Citigroup Global Markets, Inc.	308,384	7.3%	5.24%	16,692	28
Mirae Asset Securities (USA) Inc.	301,508	7.2%	5.23%	15,658	78
Daiwa Capital Markets America, Inc.	241,338	5.7%	5.22%	10,317	17
Marex Capital Markets Inc.	229,138	5.5%	5.29%	9,966	11
ING Financial Markets LLC	225,570	5.4%	5.24%	9,738	27
ABN AMRO Bank N.V.	218,376	5.2%	5.30%	6,968	13
Cantor Fitzgerald & Co.	217,196	5.2%	5.25%	11,486	17
Merrill Lynch, Pierce, Fenner & Smith Inc.	186,631	4.4%	5.26%	6,769	15
StoneX Financial Inc.	174,967	4.2%	5.25%	9,218	13
Goldman Sachs & Co. LLC	122,836	2.9%	5.30%	6,488	11
South Street Securities, LLC	117,859	2.8%	5.36%	5,976	88
Santander Bank, N.A.	113,119	2.7%	5.20%	5,037	24
BMO Capital Markets Corp.	74,325	1.8%	5.25%	3,901	17
Lucid Cash Fund USG, LLC	11,208	0.3%	5.30%	576	20
Lucid Prime Fund, LLC	9,077	0.2%	5.30%	480	20
Total / Weighted Average	\$ 4,201,717	100.0%	5.26%	\$ 200,898	25

(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 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 against a rise in interest rates 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, 2023, such instruments were comprised of U.S. Treasury note ("T-Note") futures contracts, interest rate swap agreements, interest rate swaption agreements, interest rate caps, interest rate floors and contracts to sell to-be-announced ("TBA") securities.

The table below presents information related to the Company's T-Note futures contracts at June 30, 2023.

(\$ in thousands)

Expiration Year	June 30, 2023			
	Average Contract Notional Amount	Weighted Average Entry Rate	Weighted Average Effective Rate	Open Equity ⁽¹⁾
Treasury Note Futures Contracts (Short Positions)⁽²⁾				
September 2023 5-year T-Note futures (Sep 2023 - Sep 2028 Hedge Period)	\$ 471,500	3.69%	4.40%	\$ 9,795
September 2023 10-year T-Note futures (Sep 2023 - Sep 2033 Hedge Period)	\$ 285,000	3.76%	4.47%	\$ 3,793
September 2023 10-year Ultra futures (Sep 2023 - Sep 2033 Hedge Period)	\$ 244,200	3.71%	3.77%	\$ 2,182

(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 \$107.1. The contract values of the short positions were \$504.9 million. 10-Year T-Note futures contracts were valued at a price of \$112.3. The contract values of the short positions were \$320.0 million. 10-Year Ultra futures contracts were valued at a price of \$118.4. The contract value of the short position was \$289.2 million.

The table below presents information related to the Company's interest rate swap positions at June 30, 2023.

(\$ in thousands)

Expiration	Notional Amount	Average Fixed Pay Rate	Average Receive Rate	Average
				Maturity (Years)
Expiration > 1 to ≤ 5 years	\$ 500,000	0.84%	5.53%	3.2
Expiration > 5 years	\$ 1,651,500	2.53%	5.14%	6.9
	\$ 2,151,500	2.13%	5.23%	6.1

The following table presents information related to our interest rate swaption positions as of June 30, 2023.

(\$ in thousands)

Expiration	Option			Underlying Swap			Weighted Average Term (Years)
	Cost	Fair Value	Weighted Average Months to Expiration	Notional Amount	Average Fixed Rate	Average Adjustable Rate	
Payer Swaptions (long positions)							
≤ 1 year	\$ 36,685	\$ 5,698	3.6	\$ 1,250,000	4.09%	SOFR	10.0
>1 year	10,115	12,259	18.7	1,000,000	3.49%	SOFR	2.0
	\$ 46,800	\$ 17,957	10.3	\$ 2,250,000	3.82%		6.4
Payer Swaptions (short positions)							
≤ 1 year	\$ (3,819)	\$ (68)	0.6	\$ (917,000)	4.09%	SOFR	10.0
>1 year	\$ (8,433)	\$ (10,216)	18.7	\$ (1,000,000)	3.74%	SOFR	2.0
	\$ (12,252)	\$ (10,284)	10.0	\$ (1,917,000)	3.91%		5.8

The following table presents information related to our interest cap positions as of June 30, 2023.

(\$ in thousands)

Expiration	Notional Amount	Cost	Strike Swap Rate	Curve Spread	Net Estimated Fair Value
February 8, 2024	\$ 200,000	\$ 1,450	0.09%	2Y10Y	\$ 211

The table below presents information related to the Company's interest rate floor positions at June 30, 2023.

(\$ in thousands)

	Notional Amount	Cost	Strike Swap Rate	Terms	Net Estimated Fair Value
June 30, 2023					
Long Position	\$ 1,000,000	\$ 2,500	0.13%	2Y_2s30s	\$ 3,844
Short Position	\$ (1,000,000)	\$ (1,358)	(0.37)%	2Y_2s30s	\$ (2,573)

The following table summarizes our contracts to sell TBA securities as of June 30, 2023.

(\$ in thousands)

	Notional Amount Long (Short) ⁽¹⁾	Cost Basis ⁽²⁾	Market Value ⁽³⁾	Net Carrying Value ⁽⁴⁾
June 30, 2023				
15-Year TBA securities:				
5.00%	\$ 100,000	\$ 99,234	\$ 99,351	\$ 117
30-Year TBA securities:				
3.00%	(350,000)	(308,494)	(308,410)	84
	\$ (250,000)	\$ (209,260)	\$ (209,059)	\$ 201

(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 in derivative assets (liabilities) at fair value in our balance sheets.

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 February 2013 IPO.

(in thousands, except per share data)

Year	Per Share Amount		Total
2013	\$	6.975	\$ 4,662
2014		10.800	22,643
2015		9.600	38,748
2016		8.400	41,388
2017		8.400	70,717
2018		5.350	55,814
2019		4.800	54,421
2020		3.950	53,570
2021		3.900	97,601
2022		2.475	87,906
2023 - YTD(1)		1.120	45,531
Totals	\$	65.770	\$ 573,001

(1) On July 12, 2023, the Company declared a dividend of \$0.16 per share to be paid on August 29, 2023. The effect of this dividend is included in the table above but is not reflected in the Company's financial statements as of June 30, 2023.

Book Value Per Share

The Company's book value per share at June 30, 2023 was \$11.16. 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, 2023, the Company's stockholders' equity was \$490.1 million with 43,896,709 shares of common stock outstanding.

Capital Allocation and Return on Invested Capital

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 June 30, 2023, approximately 95.8% 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 March 31, 2023, the allocation to the PT RMBS portfolio was approximately 95.3%.

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			Total
		Interest-Only Securities	Inverse Interest Only Securities	Sub-total	
Market value - March 31, 2023	\$ 3,980,462	\$ 18,962	\$ 482	\$ 19,444	\$ 3,999,906
Securities purchased	521,364	-	-	-	521,364
Securities sold	-	-	-	-	-
Losses on sales	-	-	-	-	-
Return of investment	n/a	(647)	-	(647)	(647)
Pay-downs	(76,725)	n/a	n/a	n/a	(76,725)
Discount accretion due to pay-downs	4,886	n/a	n/a	n/a	4,886
Mark to market losses	(73,784)	(867)	(161)	(1,028)	(74,812)
Market value - June 30, 2023	\$ 4,356,203	\$ 17,448	\$ 321	\$ 17,769	\$ 4,373,972

The tables below present the allocation of capital between the respective portfolios at June 30, 2023 and March 31, 2023, and the return on invested capital for each sub-portfolio for the three month period ended June 30, 2023.

(\$ in thousands)

Capital Allocation						
	Pass-Through Portfolio	Structured Security Portfolio			Sub-total	Total
		Interest-Only Securities	Inverse Interest Only Securities			
June 30, 2023						
Market value	\$ 4,356,203	\$ 17,448	\$ 321	\$ 17,769	\$ 4,373,972	
Cash	249,337	-	-	-	249,337	
Borrowings ⁽¹⁾	(4,201,717)	-	-	-	(4,201,717)	
Total	\$ 403,823	\$ 17,448	\$ 321	\$ 17,769	\$ 421,592	
% of Total	95.8%	4.1%	0.1%	4.2%	100.0%	
March 31, 2023						
Market value	\$ 3,980,462	\$ 18,962	\$ 482	\$ 19,444	\$ 3,999,906	
Cash	185,958	-	-	-	185,958	
Borrowings ⁽²⁾	(3,769,437)	-	-	-	(3,769,437)	
Total	\$ 396,983	\$ 18,962	\$ 482	\$ 19,444	\$ 416,427	
% of Total	95.3%	4.6%	0.1%	4.7%	100.0%	

(1) At June 30, 2023, there were outstanding repurchase agreement balances of \$14.8 million secured by IO securities and \$0.3 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, 2023, there were outstanding repurchase agreement balances of \$15.4 million secured by IO securities and \$0.3 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 3.9% and (3.1)%, respectively, for the second quarter of 2023. The combined portfolio generated a return on invested capital of approximately 3.6%.

(\$ in thousands)

Returns for the Quarter Ended June 30, 2023						
	Pass-Through Portfolio	Structured Security Portfolio			Sub-total	Total
		Interest-Only Securities	Inverse Interest Only Securities			
Income (net of borrowing cost)	\$ (9,176)	\$ 416	\$ -	\$ 416	\$ (8,760)	
Realized and unrealized losses	(68,511)	(867)	(161)	(1,028)	(69,539)	
Derivative gains	93,367	n/a	n/a	n/a	93,367	
Total Return	\$ 15,680	\$ (451)	\$ (161)	\$ (612)	\$ 15,068	
Beginning Capital Allocation	\$ 396,983	\$ 18,962	\$ 482	\$ 19,444	\$ 416,427	
Return on Invested Capital for the Quarter ⁽¹⁾	3.9%	(2.4)%	(33.4)%	(3.1)%	3.6%	
Average Capital Allocation ⁽²⁾	\$ 400,403	\$ 18,205	\$ 402	\$ 18,607	\$ 419,010	
Return on Average Invested Capital for the Quarter ⁽³⁾	3.9%	(2.5)%	(40.0)%	(3.3)%	3.6%	

(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 could 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 were deemed to be “at the market” offerings and privately negotiated transactions. We issued a total of 9,742,188 shares under the October 2021 Equity Distribution Agreement for aggregate gross proceeds of approximately \$151.8 million, and net proceeds of approximately \$149.3 million, after commissions and fees, prior to its termination in March 2023.

On March 7, 2023, we entered into an equity distribution agreement (the “March 2023 Equity Distribution Agreement”) with three 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, 2023, we issued a total of 4,757,953 shares under the March 2023 Equity Distribution Agreement for aggregate gross proceeds of approximately \$48.1 million, and net proceeds of approximately \$47.4 million, after commissions and fees.

Stock Repurchase Program

On July 29, 2015, the Company’s Board of Directors authorized the repurchase of up to 400,000 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 acquire any particular amount of common stock and the program may be suspended or discontinued at the Company’s discretion without prior notice. On February 8, 2018, the Board of Directors approved an increase in the stock repurchase program for up to an additional 904,564 shares of the Company’s common stock. Coupled with the 156,751 shares remaining from the original 400,000 share authorization, the increased authorization brought the total authorization to 1,061,316 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 3,372,399 shares, bringing the remaining authorization under the stock repurchase program to 3,539,861 shares, representing approximately 10% of the Company’s then outstanding shares of common stock. On October 12, 2022, 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 4,300,000 shares, bringing the remaining authorization under the stock repurchase program to 6,183,601 shares, representing approximately 18% 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, 2023, the Company repurchased a total of 4,048,613 shares at an aggregate cost of approximately \$68.8 million, including commissions and fees, for a weighted average price of \$16.99 per share. During the six months ended June 30, 2023, the Company repurchased a total of 373,041 shares at an aggregate cost of approximately \$4.0 million, including commissions and fees, for a weighted average price of \$10.62 per share.

Earnings Conference Call Details

An earnings conference call and live audio webcast will be hosted Friday, July 28, 2023, 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 August 28, 2023.

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 only 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, inflation, liquidity, pledging of our structured RMBS, funding levels and spreads, prepayment speeds, portfolio positioning and repositioning, hedging levels, leverage ratio, dividends, growth, return opportunities, the supply and demand for Agency RMBS and the performance of the Agency RMBS sector generally, the effect of actual or expected actions of the U.S. government, including the Fed and the FDIC, market expectations, capital raising, 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 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
<https://ir.orchidislandcapital.com>

Summarized Financial Statements

The following is a summarized presentation of the unaudited balance sheets as of June 30, 2023, and December 31, 2022, and the unaudited quarterly statements of operations for the six and three months ended June 30, 2023 and 2022. 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, 2023	December 31, 2022
ASSETS:		
Mortgage-backed securities	\$ 4,373,972	\$ 3,540,002
U.S. Treasury Notes	37,195	36,382
Cash, cash equivalents and restricted cash	249,337	237,219
Accrued interest receivable	15,266	11,519
Derivative assets, at fair value	52,324	40,172
Other assets	2,836	442
Total Assets	\$ 4,730,930	\$ 3,865,736
LIABILITIES AND STOCKHOLDERS' EQUITY		
Repurchase agreements	\$ 4,201,717	\$ 3,378,445
Dividends payable	7,049	5,908
Derivative liabilities, at fair value	12,875	7,161
Accrued interest payable	11,280	9,209
Due to affiliates	1,241	1,131
Other liabilities	6,683	25,119
Total Liabilities	4,240,845	3,426,973
Total Stockholders' Equity	490,085	438,763
Total Liabilities and Stockholders' Equity	\$ 4,730,930	\$ 3,865,736
Common shares outstanding	43,896,709	36,764,983
Book value per share	\$ 11.16	\$ 11.93

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,	
	2023	2022	2023	2022
Interest income	\$ 77,923	\$ 77,125	\$ 39,911	\$ 35,268
Interest expense	(90,888)	(10,835)	(48,671)	(8,180)
Net interest (expense) income	(12,965)	66,290	(8,760)	27,088
Gains (losses) on RMBS and derivative contracts	36,567	(266,224)	23,828	(82,674)
Net portfolio income (loss)	23,602	(199,934)	15,068	(55,586)
Expenses	9,823	8,932	4,819	4,553
Net income (loss)	\$ 13,779	\$ (208,866)	\$ 10,249	\$ (60,139)
Basic and diluted net income (loss) per share	\$ 0.35	\$ (5.90)	\$ 0.25	\$ (1.70)
Weighted Average Shares Outstanding	39,356,054	35,403,193	40,210,844	35,406,832
Dividends Declared Per Common Share:	\$ 0.960	\$ 1.450	\$ 0.480	\$ 0.675

Key Balance Sheet Metrics	Three Months Ended June 30,	
	2023	2022
Average RMBS(1)	\$ 4,186,939	\$ 4,260,727
Average repurchase agreements(1)	3,985,577	4,111,544
Average stockholders' equity(1)	470,723	549,390
Adjusted leverage ratio - as of period end(2)	8.6:1	7.4:1
Economic leverage ratio - as of period end(3)	8.1:1	7.8:1

Key Performance Metrics		
Average yield on RMBS(4)	3.81%	3.31%
Average cost of funds(4)	4.88%	0.80%
Average economic cost of funds(5)	2.53%	0.64%
Average interest rate spread(6)	(1.07)%	2.51%
Average economic interest rate spread(7)	1.28%	2.67%

- (1) Average RMBS, borrowings and stockholders' equity balances are calculated using two data points, the beginning and ending balances.
- (2) The adjusted leverage ratio is calculated by dividing ending repurchase agreement liabilities by ending stockholders' equity.
- (3) The economic leverage ratio is calculated by dividing ending total liabilities adjusted for net notional TBA positions by ending stockholders' equity.
- (4) 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.
- (5) 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.
- (6) Average interest rate spread is calculated by subtracting average cost of funds from average yield on RMBS.
- (7) Average economic interest rate spread is calculated by subtracting average economic cost of funds from average yield on RMBS.