

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 29, 2021**

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 29, 2021, 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, 2021. 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, inflation, portfolio performance, pledging of our structured RMBS, funding levels and spreads, prepayment speeds, returns, portfolio positioning and repositioning, book value, investment and operating strategy, hedging levels, the supply and demand for Agency RMBS, the effect of actions of the U.S. government, including asset purchases by the Federal Reserve, market expectations, future dividends, 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, 2020, 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 July 29, 2021 |
| 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 29, 2021

ORCHID ISLAND CAPITAL, INC.

By: /s/ Robert E. Cauley

Robert E. Cauley

Chairman and Chief Executive Officer



ORCHID ISLAND CAPITAL ANNOUNCES SECOND QUARTER 2021 RESULTS

VERO BEACH, Fla. (July 29, 2021) – 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, 2021.

Second Quarter 2021 Highlights

- Net loss of \$16.9 million, or \$0.17 per common share, which consists of:
 - Net interest income of \$27.7 million, or \$0.28 per common share
 - Total expenses of \$3.7 million, or \$0.04 per common share
 - Net realized and unrealized losses of \$40.8 million, or \$0.41 per common share, on RMBS and derivative instruments, including net interest expense on interest rate swaps
- Second quarter total dividends declared and paid of \$0.195 per common share
- Book value per common share of \$4.71 at June 30, 2021
- Total return of (0.7)%, comprised of \$0.195 dividend per common share and \$0.23 decrease in book value per common share, divided by beginning book value per common share
- Company to discuss results on Friday, July 30, 2021, 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 economy continued its strong recovery from the COVID pandemic during the second quarter of 2021. The surge in COVID cases that occurred during the first quarter of 2021 abated quickly as inoculations of the new vaccines were widely distributed throughout the population. The economic data released during the second quarter tells the story quite well. GDP is estimated to have expanded at an 8.0% annualized rate. The housing market is stronger than it was leading up to the financial crisis. Price pressures are evident due to the combination of constrained supply channels and robust demand. The CPI increased by well over 5% year over year in June as well. As economic activity and inflation accelerated during the second quarter of 2021, market participants anticipated interest rates would continue to rise as they had done during the first quarter of the year. This did not occur. In fact, over the course of the quarter, longer term interest rates declined slowly – by 27.2 basis points in the case of the 10-year treasury note and 32.5 basis points in the case of the 30-year bond. Since quarter end, rates have accelerated their decline, especially so as the delta variant of COVID has appeared to spread at an accelerating rate across both the US and the globe. Market positioning – heavily skewed towards short positions – likely played the primary role in this outcome initially. The Federal Reserve (the "Fed") has insisted these price pressures are temporary and, based on the persistence of these interest rate moves, the market appears to agree. However, not all members of the Federal Open Market Committee or market participants agree. Herein lies the quandary.

"When we last spoke on our first quarter earnings call, we mentioned we were positioning the portfolio defensively in light of the recovery, and this has not changed. The portfolio retains a bias towards higher rates and the probable tapering of MBS asset purchases by the Fed. While the leadership of the Fed insists their policy will remain accommodative for some time, other Fed officials have hinted at the need for tapering much sooner and the strength of the housing market appears to confirm this. As a mortgage REIT focused solely of the Agency RMBS market, we do not have the option of eliminating our exposure to the sector. What we can do is minimize our exposure to the sub-sectors of the Agency RMBS market that will be most adversely affected by the tapering when it does occur. We believe that these will be the coupons the Fed buys as part of their asset purchase programs. To wit, we have essentially

no exposure to Ginnie Mae fixed rate RMBS and very little exposure to 15 and 30-year production coupons. We reduced our exposure to these sectors during the first quarter of 2021. The extremely rich valuations of these securities prevented us from adding subsequently, especially with the inevitable tapering on the horizon. While this strategy prevents us from taking advantage of the very attractive dollar roll opportunities available in many of these securities, especially 30-year, fixed rate production coupons, we have been able to earn attractive returns in other sectors of the Agency RMBS market.

“Orchid was able to raise approximately \$125 million of additional capital during the second quarter at very accretive levels – our weighted average net selling price was approximately \$5.42 per share during the second quarter. We have deployed the proceeds into higher coupon, specified pools and interest only securities. Our capital allocation to interest only and inverse interest only securities increased from 9.5% at March 31, 2021, to 18.0% at June 30, 2021. We have increased the allocation slightly more so far in the third quarter and may continue to do so, with a soft target of 25%. With the persistent rally in long-term rates, we are quite happy with the performance of the portfolio in terms of prepayment speeds, as the portfolio prepaid at 12.9 CPR in the aggregate for the second quarter versus 12.0 CPR in the first. The pass-through portfolio increased from 9.9 CPR during the first quarter to 10.9 CPR in the second, a very modest increase. Our realized net interest margin for the quarter was flat with the level in the first quarter.

“While we did raise additional capital during the quarter, we have been judicious in putting it to work. Our leverage ratio has declined from 9.1 to 1 at March 31, 2021, to 8.2 to 1 at June 30, 2021. We maintained some dry powder to be deployed as our asset class has cheapened, which started to occur in mid-June and into early July. We are pleased to be able to put this capital to work at far more attractive levels than existed prior to mid-June.”

Details of Second Quarter 2021 Results of Operations

The Company reported net loss of \$16.9 million for the three month period ended June 30, 2021, compared with net income of \$48.8 million for the three month period ended June 30, 2020. The Company increased its Agency RMBS portfolio over the course of the second quarter of 2021 through capital raised through two follow-on offerings completed in the first quarter of 2021 and shares issued through the ATM program in the second quarter of 2021. Interest income on the portfolio in the second quarter was up approximately \$2.4 million from the first quarter of 2021. The yield on our average MBS declined from 2.66% in the first quarter of 2021 to 2.60% for the second quarter of 2021, repurchase agreement borrowing costs declined from 0.20% for the first quarter of 2021 to 0.14% for the second quarter of 2021, and our net interest spread remained level at 2.46% in both the first and second quarters of 2021.

Book value decreased by \$0.23 per share in the second quarter of 2021. The decrease in book value reflects our net loss of \$0.17 per share and the dividend distribution of \$0.195 per share, offset by approximately \$0.14 per share added through our capital raising activities. The Company recorded net realized and unrealized losses of \$0.41 per share on Agency RMBS assets and derivative instruments, including net interest expense on interest rate swaps.

Prepayments

For the quarter ended June 30, 2021, Orchid received \$135.5 million in scheduled and unscheduled principal repayments and prepayments, which equated to a 3-month constant prepayment rate (“CPR”) of approximately 12.9%. Prepayment rates on the two RMBS sub-portfolios were as follows (in CPR):

| Three Months Ended | PT RMBS | Structured | Total |
|--------------------|---------------|-----------------------|-------|
| | Portfolio (%) | RMBS Portfolio (%) | |
| June 30, 2021 | 10.9 | 29.9 | 12.9 |
| March 31, 2021 | 9.9 | 40.3 | 12.0 |
| December 31, 2020 | 16.7 | 44.3 | 20.1 |
| September 30, 2020 | 14.3 | 40.4 | 17.0 |
| June 30, 2020 | 13.9 | 35.3 | 16.3 |
| March 31, 2020 | 9.8 | 22.9 | 11.9 |

Portfolio

The following tables summarize certain characteristics of Orchid's PT RMBS (as defined below) and structured RMBS as of June 30, 2021 and December 31, 2020:

(\$ in thousands)

| Asset Category | Fair Value | Percentage of Entire Portfolio | Weighted Average Coupon | Weighted Average Maturity in Months | Longest Maturity |
|------------------------------------|--------------|--------------------------------|-------------------------|-------------------------------------|------------------|
| June 30, 2021 | | | | | |
| Fixed Rate RMBS | \$ 4,574,539 | 97.9% | 2.97% | 335 | 1-Jul-51 |
| Total Mortgage-backed Pass-through | 4,574,539 | 97.9% | 2.97% | 335 | 1-Jul-51 |
| Interest-Only Securities | 92,709 | 2.0% | 3.63% | 290 | 25-May-51 |
| Inverse Interest-Only Securities | 3,991 | 0.1% | 3.79% | 307 | 15-Jun-42 |
| Total Structured RMBS | 96,700 | 2.1% | 3.64% | 291 | 25-May-51 |
| Total Mortgage Assets | \$ 4,671,239 | 100.0% | 3.06% | 329 | 1-Jul-51 |
| December 31, 2020 | | | | | |
| Fixed Rate RMBS | \$ 3,560,746 | 95.5% | 3.09% | 339 | 1-Jan-51 |
| Fixed Rate CMOs | 137,453 | 3.7% | 4.00% | 312 | 15-Dec-42 |
| Total Mortgage-backed Pass-through | 3,698,199 | 99.2% | 3.13% | 338 | 1-Jan-51 |
| Interest-Only Securities | 28,696 | 0.8% | 3.98% | 268 | 25-May-50 |
| Total Structured RMBS | 28,696 | 0.8% | 3.98% | 268 | 25-May-50 |
| Total Mortgage Assets | \$ 3,726,895 | 100.0% | 3.19% | 333 | 1-Jan-51 |

(\$ in thousands)

| Agency | June 30, 2021 | | December 31, 2020 | |
|-----------------|---------------|--------------------------------|-------------------|--------------------------------|
| | Fair Value | Percentage of Entire Portfolio | Fair Value | Percentage of Entire Portfolio |
| Fannie Mae | \$ 3,773,957 | 80.8% | \$ 2,733,960 | 73.4% |
| Freddie Mac | 897,282 | 19.2% | 992,935 | 26.6% |
| Total Portfolio | \$ 4,671,239 | 100.0% | \$ 3,726,895 | 100.0% |

| | June 30, 2021 | December 31, 2020 |
|--|---------------|-------------------|
| Weighted Average Pass-through Purchase Price | \$ 107.37 | \$ 107.43 |
| Weighted Average Structured Purchase Price | \$ 17.88 | \$ 20.06 |
| Weighted Average Pass-through Current Price | \$ 106.65 | \$ 108.94 |
| Weighted Average Structured Current Price | \$ 14.48 | \$ 10.87 |
| Effective Duration ⁽¹⁾ | 3.830 | 2.360 |

(1) Effective duration of 3.830 indicates that an interest rate increase of 1.0% would be expected to cause a 3.830% decrease in the value of the RMBS in the Company's investment portfolio at June 30, 2021. An effective duration of 2.360 indicates that an interest rate increase of 1.0% would be expected to cause a 2.360% decrease in the value of the RMBS in the Company's investment portfolio at December 31, 2020. 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, 2021, the Company had outstanding repurchase obligations of approximately \$4,514.7 million with a net weighted average borrowing rate of 0.13%. These agreements were collateralized by RMBS with a fair value, including accrued interest, of approximately \$4,678.1 million and cash pledged to counterparties of approximately \$79.1 million. The Company's leverage ratio at June 30, 2021 was 8.2 to 1. At June 30, 2021, the Company's liquidity was approximately \$278.5 million, consisting of unpledged RMBS 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 list of our outstanding borrowings under repurchase obligations at June 30, 2021.

(\$ in thousands)

| Counterparty | Total Outstanding Balances | % of Total | Weighted Average Borrowing Rate | Amount at Risk ⁽¹⁾ | Weighted Average Maturity in Days |
|--|----------------------------|---------------|---------------------------------|-------------------------------|-----------------------------------|
| Mirae Asset Securities (USA) Inc. | \$ 393,954 | 8.7% | 0.14% | \$ 20,940 | 34 |
| Wells Fargo Bank, N.A. | 378,394 | 8.4% | 0.12% | 20,234 | 14 |
| Mitsubishi UFJ Securities (USA), Inc. | 355,357 | 7.9% | 0.20% | 30,369 | 20 |
| J.P. Morgan Securities LLC | 345,476 | 7.7% | 0.18% | 19,414 | 62 |
| ASL Capital Markets Inc. | 342,467 | 7.6% | 0.11% | 19,165 | 19 |
| RBC Capital Markets, LLC | 295,929 | 6.6% | 0.11% | 14,968 | 33 |
| Cantor Fitzgerald & Co. | 276,727 | 6.1% | 0.11% | 15,599 | 35 |
| ABN AMRO Bank N.V. | 222,136 | 4.9% | 0.12% | 7,435 | 23 |
| ED&F Man Capital Markets Inc. | 204,081 | 4.5% | 0.15% | 11,798 | 24 |
| ING Financial Markets LLC | 201,506 | 4.5% | 0.12% | 8,446 | 21 |
| Nomura Securities International, Inc. | 201,196 | 4.5% | 0.11% | 10,993 | 27 |
| Citigroup Global Markets, Inc. | 197,170 | 4.4% | 0.12% | 10,673 | 12 |
| Barclays Capital Inc. | 150,511 | 3.3% | 0.12% | 5,428 | 12 |
| Goldman Sachs & Co. LLC | 147,558 | 3.3% | 0.11% | 8,152 | 42 |
| Merrill Lynch, Pierce, Fenner & Smith Inc. | 141,275 | 3.1% | 0.14% | 5,800 | 14 |
| BMO Capital Markets Corp. | 140,261 | 3.1% | 0.12% | 7,129 | 27 |
| Daiwa Capital Markets America, Inc. | 121,577 | 2.7% | 0.12% | 5,923 | 39 |
| Santander Bank, N.A. | 101,468 | 2.2% | 0.13% | 6,276 | 85 |
| Austin Atlantic Asset Management Co. | 101,075 | 2.2% | 0.14% | 4,851 | 1 |
| South Street Securities, LLC | 98,634 | 2.2% | 0.14% | 5,140 | 66 |
| Lucid Cash Fund USG LLC | 51,605 | 1.1% | 0.10% | 2,978 | 15 |
| J.V.B. Financial Group, LLC | 32,945 | 0.7% | 0.11% | 1,687 | 24 |
| Lucid Prime Fund LLC | 13,402 | 0.3% | 0.23% | 1,699 | 15 |
| Total / Weighted Average | \$ 4,514,704 | 100.0% | 0.13% | \$ 245,097 | 29 |

(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, 2021, such instruments were comprised of Eurodollar and Treasury note ("T-Note") futures contracts, interest rate swap agreements, interest rate swaption agreements, and to-be-announced ("TBA") securities transactions.

The table below presents information related to the Company's Eurodollar and T-Note futures contracts at June 30, 2021.

(\$ in thousands)

| Expiration Year | Average Contract Notional Amount | Weighted Average Entry Rate | Weighted Average Effective Rate | Open Equity ⁽¹⁾ |
|--|----------------------------------|-----------------------------|---------------------------------|----------------------------|
| Eurodollar Futures Contracts (Short Positions) | | | | |
| 2021 | \$ 50,000 | 1.00% | 0.17% | \$ (207) |
| Treasury Note Futures Contracts (Short Positions)⁽²⁾ | | | | |
| September 2021 5-year T-Note futures | | | | |
| (Sep 2021 - Sep 2026 Hedge Period) | \$ 269,000 | 1.08% | 1.16% | 788 |
| September 2021 10-year Ultra futures | | | | |
| (Sep 2021 - Sep 2031 Hedge Period) | \$ 23,500 | 1.19% | 1.02% | \$ (608) |

(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 \$123.43 at June 30, 2021. The contract values of the short positions were \$332.0 million at June 30, 2021. 10-Year Ultra futures contracts were valued at a price of \$147.20 at June 30, 2021. The contract value of the short position was \$34.6 million at June 30, 2021.

The table below presents information related to the Company's interest rate swap positions at June 30, 2021.

(\$ in thousands)

| Expiration | Notional Amount | Average Fixed Pay Rate | Average Receive Rate | Net Estimated Fair Value | Average Maturity (Years) |
|------------------|-----------------|------------------------|----------------------|--------------------------|--------------------------|
| > 3 to ≤ 5 years | \$ 955,000 | 0.64% | 0.16% | 8,134 | 4.5 |
| > 5 years | 400,000 | 1.16% | 0.13% | (282) | 7.8 |
| | \$ 1,355,000 | 0.79% | 0.15% | \$ 7,852 | 5.5 |

The following table presents information related to our interest rate swaption positions as of June 30, 2021.

(\$ 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 | \$ 4,000 | \$ 1,959 | 9.2 | \$ 400,000 | 1.66% | 3 Month | 5.0 |
| >1 year ≤ 2 years | 25,390 | 24,323 | 19.1 | 1,027,200 | 2.20% | 3 Month | 15.0 |
| | \$ 29,390 | \$ 26,282 | 16.3 | \$ 1,427,200 | 2.05% | 3 Month | 12.2 |
| Payer Swaptions - short | | | | | | | |
| ≤ 1 year | \$ (13,400) | \$ (10,358) | 7.8 | \$ (1,182,850) | 2.10% | 3 Month | 11.6 |

The following table summarizes our contracts to sell TBA securities as of June 30, 2021.

(\$ in thousands)

| | Notional Amount Long (Short) ⁽¹⁾ | Cost Basis ⁽²⁾ | Market Value ⁽³⁾ | Net Carrying Value ⁽⁴⁾ |
|--------------------------------|---|------------------------------|--------------------------------|---|
| June 30, 2021 | | | | |
| 30-Year TBA securities: | | | | |
| 3.0% | \$ (400,000) | \$ (417,750) | \$ (416,875) | \$ 875 |
| | \$ (400,000) | \$ (417,750) | \$ (416,875) | \$ 875 |

(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 | \$ 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 - YTD ⁽¹⁾ | 0.455 | 45,460 |
| Totals | \$ 12.110 | \$ 387,423 |

(1) On July 14, 2021, the Company declared a dividend of \$0.065 per share to be paid on August 27, 2021. 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, 2021.

Peer Performance

The tables below present total return data for Orchid compared to a selected group of peers based on stock price performance for periods through June 30, 2021 and based on book value performance for periods through March 31, 2021.

Portfolio Total Rate of Return Versus Peer Group Average - Stock Price Performance

| | ORC Total Rate of Return ⁽¹⁾ | Peer Average ⁽¹⁾⁽²⁾ | ORC Spread Over / (Under) Peer Average ⁽³⁾ |
|---|---|-----------------------------------|--|
| Year to Date (1/1/2021 - 6/30/2021) | 6.7% | 12.6% | (5.9)% |
| One Year Total Return | 27.3% | 45.4% | (18.1)% |
| Two Year Total Return | 12.1% | 2.6% | 9.5% |
| Three Year Total Return | 9.2% | (2.2)% | 11.4% |
| Four Year Total Return | (2.0)% | (1.1)% | (0.9)% |
| Five Year Total Return | 10.0% | 23.5% | (13.5)% |
| Six Year Total Return | 20.3% | 35.9% | (15.6)% |
| Seven Year Total Return | 20.7% | 30.0% | (9.3)% |
| Inception to Date (2/13/2013 - 6/30/2021) | 28.1% | 21.3% | 6.8% |

Source: SEC filings and press releases of Orchid and Peer Group

- (1) Total Rate of Return for each period is obtained from Bloomberg and includes reinvested dividends for each period. Returns are calculated on a monthly basis and compounded for each respective period.
- (2) The peer average is the unweighted, simple, average of the total rate of return for each of the following companies based on the following inclusion periods. AGNC, NLY, ANH, ARR and CMO have been included since Orchid's inception. ANH is included from Orchid's inception to Q1 2021. HTS is included from Orchid's inception to Q1 2016. MTGE is included from Q1 2017 to Q2 2018. CYS is included from Orchid's inception to Q2 2018. WMC is included from Orchid's inception to Q4 2018. DX was added in Q1 2017. AAIC and CHMI were added in Q1 2019.
- (3) Represents the total rate of return for Orchid minus peer average in each respective measurement period.

Portfolio Total Rate of Return Versus Peer Group Average - Book Value Performance

| | ORC Total Rate of Return ⁽¹⁾ | Peer Average ⁽¹⁾⁽²⁾ | ORC Spread Over / (Under) Peer Average ⁽³⁾ |
|--|---|-----------------------------------|--|
| One Year Total Return | 22.1% | 21.1% | 1.0% |
| Two Year Total Return | (2.2)% | (7.4)% | 5.2% |
| Three Year Total Return | (5.6)% | (8.2)% | 2.6% |
| Four Year Total Return | (6.7)% | (2.9)% | (3.8)% |
| Five Year Total Return | (3.3)% | 3.5% | (6.8)% |
| Six Year Total Return | (3.8)% | (1.3)% | (2.5)% |
| Seven Year Total Return | 16.7% | 12.4% | 4.3% |
| Inception to Date (3/31/2013 - 3/31/2021) ⁽⁴⁾ | 11.9% | 0.5% | 11.4% |

Source: SEC filings and press releases of Orchid and Peer Group

- (1) Total rate of return for each period is change in book value per share over the period plus dividends per share declared divided by the book value per share at the beginning of the period. None of the return calculations are annualized except for 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 based on the following inclusion periods. AGNC, NLY, ANH, ARR and CMO have been included since Orchid's inception. ANH is included from Orchid's inception to Q1 2021. HTS is included from Orchid's inception to Q1 2016. MTGE is included from Q1 2017 to Q2 2018. CYS is included from Orchid's

inception to Q2 2018. WMC is included from Orchid's inception to Q4 2018. DX was added in Q1 2017. AAIC and CHMI were added in Q1 2019.

- (3) Represents the total rate of return for Orchid minus peer average in each respective measurement period.
(4) Peer book values are not available for Orchid's true inception date (2/13/2013). Because all peer book values are not available as of Orchid's true inception date (2/13/2013), the starting point for Orchid and all of the peer companies is 3/31/2013.

Book Value Per Share

The Company's book value per share at June 30, 2021 was \$4.71. 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, 2021, the Company's stockholders' equity was \$553.8 million with 117,500,013 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 March 31, 2021, approximately 90% 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, 2021, the allocation to the PT RMBS portfolio decreased by 8% to approximately 82%.

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

(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, 2021 | \$ 4,297,731 | \$ 35,521 | \$ 5,284 | \$ 40,805 | \$ 4,338,536 | |
| Securities purchased | 939,022 | 71,739 | - | 71,739 | 1,010,761 | |
| Securities sold | (537,538) | - | - | - | (537,538) | |
| Gains on sales | 1,352 | - | - | - | 1,352 | |
| Return of investment | n/a | (5,149) | (441) | (5,590) | (5,590) | |
| Pay-downs | (129,001) | n/a | - | n/a | (129,001) | |
| Premium lost due to pay-downs | (9,184) | n/a | - | n/a | (9,184) | |
| Mark to market gains (losses) | 12,157 | (9,402) | (852) | (10,254) | 1,903 | |
| Market value - June 30, 2021 | \$ 4,574,539 | \$ 92,709 | \$ 3,991 | \$ 96,700 | \$ 4,671,239 | |

The tables below present the allocation of capital between the respective portfolios at June 30, 2021 and March 31, 2021, and the return on invested capital for each sub-portfolio for the three month period ended June 30, 2021. The return on invested capital in the PT RMBS and structured RMBS portfolios was approximately (0.7)% and (25.2)%, respectively, for the second quarter of 2021. The combined portfolio generated a return on invested capital of approximately (3.1)%.

(\$ in thousands)

| Capital Allocation | | | | | | |
|---------------------------|------------------------|-------------------------------|----------------------------------|-----------|--------------|-------|
| | Pass-Through Portfolio | Structured Security Portfolio | | | Sub-total | Total |
| | | Interest-Only Securities | Inverse Interest Only Securities | | | |
| June 30, 2021 | | | | | | |
| Market value | \$ 4,574,539 | \$ 92,709 | \$ 3,991 | \$ 96,700 | \$ 4,671,239 | |
| Cash | 379,718 | - | - | - | 379,718 | |
| Borrowings ⁽¹⁾ | (4,514,704) | - | - | - | (4,514,704) | |
| Total | \$ 439,553 | \$ 92,709 | \$ 3,991 | \$ 96,700 | \$ 536,253 | |
| % of Total | 82.0% | 17.3% | 0.7% | 18.0% | 100.0% | |
| March 31, 2021 | | | | | | |
| Market value | \$ 4,297,731 | \$ 35,521 | \$ 5,284 | \$ 40,805 | \$ 4,338,536 | |
| Cash ⁽²⁾ | 271,332 | - | - | - | 271,332 | |
| Borrowings ⁽³⁾ | (4,181,680) | - | - | - | (4,181,680) | |
| Total | \$ 387,383 | \$ 35,521 | \$ 5,284 | \$ 40,805 | \$ 428,188 | |
| % of Total | 90.5% | 8.3% | 1.2% | 9.5% | 100.0% | |

- (1) At June 30, 2021, there were outstanding repurchase agreement balances of \$73.6 million secured by IO securities and \$3.2 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, 2021, cash was reduced by unsettled purchases of approximately \$212.2 million and increased by unsettled sales of approximately \$155.0 million, which have already been reflected in the market value of the portfolio.
- (3) At March 31, 2021, there were outstanding repurchase agreement balances of \$22.5 million secured by IO securities and \$4.0 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.

(\$ in thousands)

| Returns for the Quarter Ended June 30, 2021 | | | | | | |
|---|-------------------------------|--------------------------|----------------------------------|-------------|----|----------|
| | Structured Security Portfolio | | | | | Total |
| | Pass-Through Portfolio | Interest-Only Securities | Inverse Interest Only Securities | Sub-total | | |
| Income / (loss) (net of borrowing cost) | \$ 27,730 | \$ (162) | \$ 130 | \$ (32) | \$ | 27,698 |
| Realized and unrealized gains / (losses) | 4,325 | (9,402) | (852) | (10,254) | | (5,929) |
| Derivative losses | (34,915) | n/a | n/a | n/a | | (34,915) |
| Total Return | \$ (2,860) | \$ (9,564) | \$ (722) | \$ (10,286) | \$ | (13,146) |
| Beginning Capital Allocation | \$ 387,383 | \$ 35,521 | \$ 5,284 | \$ 40,805 | \$ | 428,188 |
| Return on Invested Capital for the Quarter ⁽¹⁾ | (0.7)% | (26.9)% | n/a | (25.2)% | | (3.1)% |
| Average Capital Allocation ⁽²⁾ | \$ 413,468 | \$ 64,115 | \$ 4,638 | \$ 68,753 | \$ | 482,221 |
| Return on Average Invested Capital for the Quarter ⁽³⁾ | (0.7)% | (14.9)% | (15.6)% | (15.0)% | | (2.7)% |

(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 August 4, 2020, we entered into an equity distribution agreement (the "August 2020 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 \$150,000,000 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 27,493,650 shares under the August 2020 Equity Distribution Agreement for aggregate gross proceeds of approximately \$150.0 million, and net proceeds of approximately \$147.4 million, after commissions and fees, prior to its termination in June 2021.

On January 20, 2021, we entered into an underwriting agreement (the "January 2021 Underwriting Agreement") with J.P. Morgan Securities LLC ("J.P. Morgan"), relating to the offer and sale of 7,600,000 shares of our common stock. J.P. Morgan purchased the

shares of our common stock from the Company pursuant to the January 2021 Underwriting Agreement at \$5.20 per share. In addition, we granted J.P. Morgan a 30-day option to purchase up to an additional 1,140,000 shares of our common stock on the same terms and conditions, which J.P. Morgan exercised in full on January 21, 2021. The closing of the offering of 8,740,000 shares of our common stock occurred on January 25, 2021, with proceeds to us of approximately \$45.2 million, net of offering expenses.

On March 2, 2021, we entered into an underwriting agreement (the "March 2021 Underwriting Agreement") with J.P. Morgan, relating to the offer and sale of 8,000,000 shares of our common stock. J.P. Morgan purchased the shares of our common stock from the Company pursuant to the March 2021 Underwriting Agreement at \$5.45 per share. In addition, we granted J.P. Morgan a 30-day option to purchase up to an additional 1,200,000 shares of our common stock on the same terms and conditions, which J.P. Morgan exercised in full on March 3, 2021. The closing of the offering of 9,200,000 shares of our common stock occurred on March 5, 2021, with proceeds to us of approximately \$50.0 million, net of offering expenses.

On June 22, 2021, we entered into an equity distribution agreement (the "June 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, 2021, we issued a total of 5,750,000 shares under the June 2021 Equity Distribution Agreement for aggregate gross proceeds of approximately \$31.1 million, and net proceeds of approximately \$30.6 million, after commissions and fees. Subsequent to June 30, 2021, and through July 29, 2021, we issued a total of 5,160,000 shares under the June 2021 Equity Distribution Agreement for aggregate gross proceeds of approximately \$26.6 million, and net proceeds of approximately \$26.2 million, after commissions and fees.

Stock 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, 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. 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 is determined by the Company in its discretion and is subject to economic and market conditions, stock price, applicable legal requirements and other factors. 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. 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.

Since inception of the program through June 30, 2021, the Company repurchased a total of 5,685,511 shares under the stock repurchase program at an aggregate cost of approximately \$40.4 million, including commissions and fees, for a weighted average price of \$7.10 per share. However, we did not repurchase any shares of our common stock during the three months ended June 30, 2021. As of June 30, 2021, the remaining authorization under the repurchase program is for up to 837,311 shares of the Company's common stock.

Earnings Conference Call Details

An earnings conference call and live audio webcast will be hosted Friday, July 30, 2021, at 10:00 AM ET. The conference call may be accessed by dialing toll free (833) 794-1168. International callers dial (236) 714-2726. The conference passcode is 9593539. The supplemental materials may be downloaded from the investor relations section of the Company's website at

<https://ir.orchidlandcapital.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.orchidlandcapital.com>, and an audio archive of the webcast will be available until August 30, 2021.

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, liquidity, inflation, portfolio performance, pledging of our structured RMBS, funding levels and spreads, prepayment speeds, returns, portfolio positioning and repositioning, book value, investment and operating strategy, hedging levels, the supply and demand for Agency RMBS, the effect of actions of the U.S. government, including asset purchases by the Fed, market expectations, future dividends, 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:

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Robert E. Cauley, 772-231-1400
Chairman and Chief Executive Officer
<https://ir.orchidlandcapital.com>

Summarized Financial Statements

The following is a summarized presentation of the unaudited balance sheets as of June 30, 2021, and December 31, 2020, and the unaudited quarterly statements of operations for the six and three months ended June 30, 2021 and 2020. 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, 2021 | December 31, 2020 |
|---|---------------------|---------------------|
| ASSETS: | | |
| Total mortgage-backed securities | \$ 4,671,239 | \$ 3,726,895 |
| Cash, cash equivalents and restricted cash | 379,718 | 299,506 |
| Accrued interest receivable | 12,547 | 9,721 |
| Derivative assets, at fair value | 43,735 | 20,999 |
| Receivable for securities sold | - | 414 |
| Other assets | 688 | 516 |
| Total Assets | \$ 5,107,927 | \$ 4,058,051 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Repurchase agreements | \$ 4,514,704 | \$ 3,595,586 |
| Dividends payable | 7,663 | 4,970 |
| Derivative liabilities, at fair value | 16,769 | 33,227 |
| Accrued interest payable | 1,042 | 1,157 |
| Due to affiliates | 794 | 632 |
| Other liabilities | 13,134 | 7,188 |
| Total Liabilities | 4,554,106 | 3,642,760 |
| Total Stockholders' Equity | 553,821 | 415,291 |
| Total Liabilities and Stockholders' Equity | \$ 5,107,927 | \$ 4,058,051 |
| Common shares outstanding | 117,500,013 | 76,073,317 |
| Book value per share | \$ 4.71 | \$ 5.46 |

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, | |
|---|---------------------------|--------------------|-----------------------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Interest income | \$ 56,110 | \$ 62,929 | \$ 29,254 | \$ 27,258 |
| Interest expense | (3,497) | (21,002) | (1,556) | (4,479) |
| Net interest income | 52,613 | 41,927 | 27,698 | 22,779 |
| (Losses) gains on RMBS and derivative contracts | (91,635) | (79,457) | (40,844) | 28,749 |
| Net portfolio (loss) income | (39,022) | (37,530) | (13,146) | 51,528 |
| Expenses | 7,212 | 4,897 | 3,719 | 2,756 |
| Net (loss) income | \$ (46,234) | \$ (42,427) | \$ (16,865) | \$ 48,772 |
| Basic net (loss) income per share | \$ (0.50) | \$ (0.65) | \$ (0.17) | \$ 0.74 |
| Diluted net (loss) income per share | \$ (0.50) | \$ (0.65) | \$ (0.17) | \$ 0.73 |
| Weighted Average Shares Outstanding | 92,456,082 | 65,408,722 | 99,489,065 | 66,310,219 |
| Dividends Declared Per Common Share: | \$ 0.390 | \$ 0.405 | \$ 0.195 | \$ 0.165 |

| Key Balance Sheet Metrics | Three Months Ended June 30, | |
|--|-----------------------------|--------------|
| | 2021 | 2020 |
| Average RMBS ⁽¹⁾ | \$ 4,504,887 | \$ 3,126,779 |
| Average repurchase agreements ⁽¹⁾ | 4,348,192 | 2,992,494 |
| Average stockholders' equity ⁽¹⁾ | 509,999 | 327,057 |
| Leverage ratio ⁽²⁾ | 8.2:1 | 9.7:1 |
| Key Performance Metrics | | |
| Average yield on RMBS ⁽³⁾ | 2.60% | 3.49% |
| Average cost of funds ⁽³⁾ | 0.14% | 0.60% |
| Average economic cost of funds ⁽⁴⁾ | 0.61% | 1.37% |
| Average interest rate spread ⁽⁵⁾ | 2.46% | 2.89% |
| Average economic interest rate spread ⁽⁶⁾ | 1.99% | 2.12% |

- (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.