

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): **February 24, 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 February 24, 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 December 31, 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, 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, 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 February 24, 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: February 24, 2022

ORCHID ISLAND CAPITAL, INC.

By: /s/ Robert E. Cauley

Robert E. Cauley

Chairman and Chief Executive Officer



ORCHID ISLAND CAPITAL ANNOUNCES FOURTH QUARTER 2021 RESULTS

VERO BEACH, Fla. (February 24, 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 December 31, 2021.

Fourth Quarter 2021 Highlights

- Net loss of \$44.6 million, or \$0.27 per common share, which consists of:
 - Net interest income of \$42.4 million, or \$0.25 per common share
 - Total expenses of \$4.4 million, or \$0.03 per common share
 - Net realized and unrealized losses of \$82.6 million, or \$0.49 per share, on RMBS and derivative instruments, including net expense on interest rate swaps
- Fourth quarter and full year total dividends declared and paid of \$0.195 and \$0.78 per common share, respectively
- Since its initial public offering, the Company has declared cash dividends equaling \$12.545 per common share
- Book value per share of \$4.34 at December 31, 2021
- (4.9)% economic loss on common equity for the quarter, comprised of \$0.195 dividend per common share and \$0.43 decrease in net book value per common share, divided by beginning book value per share
- Company to discuss results on Friday, February 25, 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 fourth quarter results, Robert E. Cauley, Chairman and Chief Executive Officer, said, "Since our last call earnings developments unfolding early in the fourth quarter of 2021 accelerated. Inflation data in particular has reaccelerated after leveling off briefly during the third quarter of 2021. Current readings are at the highest levels seen since the early 1980s and have become more broad-based, no longer driven solely by areas most affected by pandemic driven supply channel constraints. Job growth has been equally robust and showed little effect from the Omicron variant that emerged in early December of 2021. Wage growth continues to surge as the labor market becomes progressively tighter, although real wage growth is still negative. The Federal Reserve (the "Fed") has taken notice and appears ready to begin an aggressive campaign to remove accommodation. As these developments unfolded, interest rates increased materially and the curve – both for nominal U.S. Treasury rates as well as U.S. swap rates – continued to flatten. Since the end of the third quarter of 2021, the 2-year U.S. Treasury has increased by over 120 basis points, the 5-year U.S. Treasury has increased by approximately 90 basis points and the 10-year U.S. Treasury by approximately 48 basis points. Fed Funds futures pricing has changed materially as well and implies an overnight rate of just under 2% by July of 2023 versus 8 basis points currently. This is in sharp contrast to the end of the third quarter of 2021 when market pricing was for one rate hike in either late 2022 or early 2023. Note all of this has occurred while the Fed is still buying U.S. Treasuries and Agency RMBS every day. Obviously not your garden variety rate cycle.

"These developments made for a very challenging market environment with very elevated levels of volatility. The markets in the fourth quarter of 2021 were particularly challenging for Agency RMBS securities and, somewhat surprisingly, specified pools in particular. This led to mark-to-market losses on our specified pool focused portfolio. We anticipated the Fed was on the verge of tapering their asset purchases as we entered the fourth quarter of 2021 and were positioned so as to minimize the impact tapering would have on the RMBS market – namely by avoiding the coupons the Fed was buying. Indeed, last November, the Fed announced

they would begin tapering their asset purchases later that month and subsequently accelerated the pace of the tapering to the point that in January of 2022 they announced they would end incremental purchases altogether by March of 2022. They also announced they would begin reducing their balance sheet, and at an accelerated pace, beginning after their first rate hike, almost certainly to be announced at the March 2022 meeting. There was also talk of outright sales of Agency RMBS assets mentioned in the minutes of the Fed's January 2022 meeting.

"The Fed tapering was announced as we expected, and the pace has been accelerated twice, but the impact on the Agency RMBS market has been somewhat surprising. While the coupons Fed purchases were concentrated in, both during the fourth quarter of 2021 and to a great extent in early 2022, have performed poorly, as expected, dollar rolls have remained robust, even in higher coupons. With rates higher, the current coupon has shifted higher as well and currently 3.0% and 3.5% coupons are being purchased by the Fed. In short, dollar roll returns are still very attractive, even if not likely to persist for long. As is often the case, specified pool premiums have suffered in inverse proportion to the degree of dollar roll specialness. This combination of developments has led to performance during the fourth quarter of 2021 and continues to do so in 2022. However, the widening in specs has been exacerbated by the continued dollar roll specialness and we anticipate the relative performance is likely to reverse as we move into 2022.

"In sum, we are comfortable with our current positioning. Our portfolio remains concentrated in specified pools and we have incurred material mark-to-market losses on these securities, both during the fourth quarter as well as to date in 2022. However, the vast majority of these losses are unrealized as we still own the securities. We have been able to absorb these mark-to-market losses because of our liquidity management practices and anticipate we will be able to continue to do so. The carry these assets yield are comparable to yields available via dollar rolls and the latter is likely to decline as the Fed winds their asset purchases down. Therefore, we see no reason to liquidate these holdings and reposition the portfolio.

Our conviction is buttressed by the knowledge that specified pools will enter the Bloomberg MBS indices later this year, adding demand to the sector from benchmarked managers. Further, the increased conforming loan limit has degraded the convexity, or callability of current Agency RMBS production, another factor supporting specified pools. So, while the timing of the transition from a roll-dominated market is taking a little longer to occur and has cost us on a mark-to-market basis, we are very confident our positioning is where it needs to be as we move further into 2022."

Details of Fourth Quarter 2021 Results of Operations

The Company reported net loss of \$44.6 million for the three month period ended December 31, 2021, compared with net of \$16.5 million for the three month period ended December 31, 2020. The Company increased its Agency RMBS portfolio over the course of the fourth quarter of 2021 through capital raised through the at-the-market program. The yield on our average RMBS increased from 2.66% in the third quarter of 2021 to 2.93% for the fourth quarter of 2021, repurchase agreement borrowing costs increased from 0.13% for the third quarter of 2021 to 0.14% for the fourth quarter of 2021, and our net interest spread increased from 2.53% to 2.79% in the fourth quarter of 2021.

Book value decreased by \$0.43 per share in the fourth quarter of 2021. The decrease in book value reflects our net loss of \$0.27 per share, the dividend distribution of \$0.195 per share and approximately \$0.03 per share added through our capital raising activities. The Company recorded net realized and unrealized losses of \$0.49 per share on Agency RMBS assets and derivative instruments, including net interest expense on interest rate swaps.

Details of Full Year 2021 Results of Operations

Orchid generated a net loss per share of \$0.54 during 2021. The Company recorded net interest income of \$127.6 million, by offset and unrealized losses of \$177.1 million on Agency RMBS and derivative instruments. The yield on our average RMBS decreased from 3.45% in 2020 to 2.73% for 2021, repurchase agreement borrowing costs decreased from 1.51% for 2020 to 0.54% in 2021, and our net interest spread decreased from 2.71% in 2020 to 2.59% in 2021.

Book value decreased by \$1.12 per share in 2021 from December 31, 2020. The decrease in book value reflects our net loss of \$0.54 per share, the dividend distributions of \$0.78 per share and approximately \$0.20 per share added through our capital raising activities.

Prepayments

For the quarter ended December 31, 2021, Orchid received \$178.1 million in scheduled and unscheduled principal repayments and prepayments, which equated to a 3-month constant prepayment rate (“CPR”) of approximately 11.4%. Prepayment rates on the RMBS sub-portfolios were as follows (in CPR):

Three Months Ended	Structured		Total Portfolio (%)
	PT RMBS Portfolio (%)	RMBS Portfolio (%)	
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
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 and structured RMBS as of December 31, 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
December 31, 2021					
Fixed Rate RMBS	\$ 6,298,189	96.7%	2.93%	342	1-Dec-51
Total Mortgage-backed Pass-through	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 Structured RMBS	212,906	3.3%	3.41%	264	25-Jan-52
Total Mortgage Assets	\$ 6,511,095	100.0%	3.03%	325	25-Jan-52
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

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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	December 31, 2021		December 31, 2020	
	Fair Value	Percentage of Entire Portfolio	Fair Value	Percentage of Entire Portfolio
Fannie Mae	\$ 4,719,349	72.5%	\$ 2,733,960	73.4%
Freddie Mac	1,791,746	27.5%	992,935	26.6%
Total Portfolio	\$ 6,511,095	100.0%	\$ 3,726,895	100.0%

	December 31, 2021	December 31, 2020
Weighted Average Pass-through Purchase Price	\$ 107.19	\$ 107.43
Weighted Average Structured Purchase Price	\$ 15.21	\$ 20.06
Weighted Average Pass-through Current Price	\$ 105.31	\$ 108.94
Weighted Average Structured Current Price	\$ 14.08	\$ 10.87
Effective Duration	3.390	2.360

- (1) Effective duration is the approximate percentage change in price for a 100 bps change in rates. 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. 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 portfolio, but do not include the effect of the Company's funding cost hedges. Effective duration quotes for individual investments obtained from The Yield Book, Inc.

Financing, Leverage and Liquidity

As of December 31, 2021, the Company had outstanding repurchase obligations of approximately \$6,244.1 million with a net weighted average borrowing rate of 0.15%. These agreements were collateralized by RMBS with a fair value, including accrued interest, of approximately \$6,525.2 million and cash pledged to counterparties of approximately \$57.3 million. The Company's leverage ratio at December 31, 2021 was 8.2 to 1. At December 31, 2021, the Company's liquidity was approximately \$389.9 million, consisting of unpledged RMBS and unrestricted 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 December 31, 2021.

(\$ in thousands)

Counterparty	Total Outstanding Balances	% of Total	Weighted Average Borrowing Rate	Amount at Risk ⁽¹⁾	Weighted Average Maturity in Days
Wells Fargo Bank, N.A.	\$ 436,954	7.2%	0.13%	\$ 23,236	29
Mirae Asset Securities (USA) Inc.	425,890	6.8%	0.13%	22,505	62
J.P. Morgan Securities LLC	424,776	6.8%	0.14%	23,895	31
RBC Capital Markets, LLC	416,185	6.7%	0.14%	13,401	15
ABN AMRO Bank N.V.	407,945	6.5%	0.13%	12,594	44
Merrill Lynch, Pierce, Fenner & Smith Inc.	388,303	6.2%	0.16%	20,805	15
Cantor Fitzgerald & Co.	348,968	5.6%	0.12%	18,100	29
Mitsubishi UFJ Securities (USA), Inc.	345,853	5.5%	0.22%	33,544	49
Goldman Sachs & Co. LLC	339,026	5.4%	0.18%	25,730	21
Citigroup Global Markets, Inc.	318,709	5.1%	0.14%	17,107	15
ED&F Man Capital Markets Inc.	301,941	4.8%	0.11%	16,198	22
Santander Bank, N.A.	299,670	4.8%	0.14%	15,693	17
Nomura Securities International, Inc.	284,851	4.6%	0.13%	15,105	47
ASL Capital Markets Inc.	281,879	4.5%	0.14%	14,458	17
ING Financial Markets LLC	274,333	4.4%	0.13%	11,561	10
BMO Capital Markets Corp.	245,932	3.9%	0.17%	17,262	25
Daiwa Capital Markets America, Inc.	207,575	3.3%	0.15%	10,505	15
South Street Securities, LLC	141,548	2.3%	0.15%	7,261	17
Barclays Capital Inc.	137,691	2.2%	0.14%	4,551	14
Austin Atlantic Asset Management Co.	95,754	1.5%	0.14%	4,039	5
Lucid Cash Fund USG LLC	88,865	1.4%	0.18%	7,853	13
StoneX Financial Inc.	27,869	0.4%	0.13%	1,410	18
Mizuho Securities USA, Inc.	3,589	0.1%	0.56%	1,476	12
Total / Weighted Average	\$ 6,244,106	100.0%	0.15%	\$ 338,289	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 repurchase 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 repurchases of 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 derivative and other hedging 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 December 31, 2021, such instruments comprised of U.S. 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 T-Note futures contracts at December 31, 2021.

(\$ in thousands)

Expiration Year	Average Contract Notional Amount	Weighted Average Entry Rate	Weighted Average Effective Rate	Open Equity ⁽¹⁾
U.S. Treasury Note Futures Contracts (Short Positions)				
March 2022 5-year T-Note futures (Mar 2022 - Mar 2027 Hedge Period)	\$ 369,000	1.56%	1.62%	\$ 1,013
March 2022 10-year Ultra futures (Mar 2022 - Mar 2032 Hedge Period)	\$ 220,000	1.22%	1.09%	\$ (3,861)

(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 \$120.98 at December 31, 2021. The contract values of the short positions were \$446.4 million.

(3) 10-Year Ultra futures contracts were valued at a price of \$146.44 at December 31, 2021. The contract value of the short position was \$110 million.

The table below presents information related to the Company’s interest rate swap positions at December 31, 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%	\$ 21,788	4.0
> 5 years	400,000	1.16%	0.21%	\$ 4,643	7.3
	\$ 1,355,000	0.79%	0.18%	\$ 26,431	5.0

The following table presents information related to our interest rate swaption positions as of December 31, 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	\$ 1,575	3.2	\$ 400,000	1.66%	3 Month	5.0
> 1 year ≤ 2 years	32,690	19,918	18.4	1,258,500	2.46%	3 Month	14.1
	\$ 36,690	\$ 21,493	14.7	\$ 1,658,500	2.27%	3 Month	11.9
Payer Swaptions - Short							
≤ 1 year	\$ (16,185)	\$ (4,423)	5.3	\$ (1,331,500)	2.29%	3 Month	11.4

The following table summarizes our contracts to purchase and sell TBA securities as of December 31, 2021

(\$ in thousands)

	Notional Amount Long (Short)	Cost Basis ⁽²⁾	Market Value ⁽³⁾	Net Carrying Value ⁽⁴⁾
December 31, 2021				
30-Year TBA securities:				
3.00%	\$ (575,000)	\$ (595,630)	\$ (595,934)	(304)
	\$ (575,000)	\$ (595,630)	\$ (595,934)	(304)

(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 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 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	0.780	97,601
2022 - YTD	0.110	19,502
Totals	\$ 12.545	\$ 459,066

- (1) On January 13, 2022, the Company declared a dividend of \$0.055 per share to be paid on February 24, 2022. On February 16, 2022, the Company declared a dividend of \$0.055 per share to be paid on March 29, 2022. The dollar amount of the dividend declared in February 2022 is estimated based on the number of shares outstanding at February 25, 2022. The effect of these dividends are included in the table above, but are not reflected in the Company's financial statements as of December 31, 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 December 31, 2021 and based on book value performance for periods through September 30, 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⁾
One Year Total Return	0.1%	(0.2)%	0.3%
Two Year Total Return	5.4%	(10.7)%	16.1%
Three Year Total Return	12.6%	(4.7)%	17.3%
Five Year Total Return	(9.3)%	3.0%	(12.3)%
Inception to Date (2/28/2013 - 12/31/2021)	24.5%	9.4%	15.1%

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

- (1) Source of total rate of return for each period is the Bloomberg COMP page and includes reinvested dividends for each period noted.
- (2) The peer average is the unweighted, simple, average of the total rate of return for each of the following companies in each respective measurement period: AGNC, NLY, ANH, AAIC, ARR, CMO, CHMI, DX and IVR.
- (3) Represents the total rate of return for Orchid minus peer average in each respective measurement period.
- (4) Orchid completed its Initial Public Offering on February 13, 2013. We have elected to start the comparison with Orchid's first full month of operations.

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	2.3%	1.9%	0.4%
Two Year Total Return	4.3%	(10.2)%	14.5%
Three Year Total Return	(1.0)%	(12.0)%	11.0%
Five Year Total Return	(7.8)%	(8.9)%	1.1%
Inception to Date (3/31/2013 - 9/30/2021)	16.2%	(1.8)%	18.0%

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.
- (2) The peer average is the unweighted, simple, average of the total rate of return for each of the following companies in each respective measurement period: AGNC, NLY, ANH, AAIC, ARR, CMO, CHMI, DX and IVR.
- (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 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 December 31, 2021 was \$4.34. 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 December 31, 2021, the Company's stockholders' equity was \$768.1 million with 176,993,049 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 securities 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"), inverse interest-only ("IIO") and principal only securities ("POs"), among other types of structured Agency RMBS. As of September 30, 2021, approximately 70% 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 December 31, 2021, the allocation to the PT RMBS portfolio decreased 9% to approximately 64%.

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 - September 30, 2021	\$ 5,458,562	\$ 140,078	\$ 2,783	\$ 142,861	\$ 5,601,423	
Securities purchased	1,353,698	80,178	-	80,178	1,433,876	
Securities sold	(252,816)	-	-	-	(252,816)	
Losses on sales	(2,474)	-	-	-	(2,474)	
Return of investment	n/a	(9,331)	(326)	(9,657)	(9,657)	
Pay-downs	(168,424)	n/a	n/a	n/a	(168,424)	
Premium lost due to pay-downs	(11,492)	n/a	n/a	n/a	(11,492)	
Mark to market (losses) gains	(78,865)	(543)	67	(476)	(79,341)	
Market value - December 31, 2021	\$ 6,298,189	\$ 210,382	\$ 2,524	\$ 212,906	\$ 6,511,095	

The tables below present the allocation of capital between the respective portfolios at December 31, 2021 and September 30, 2021, and the return on invested capital for each sub-portfolio for the three month period ended December 31, 2021. The return on invested capital in the PT RMBS and structured RMBS portfolios was approximately (7.7)% and 0.9%, respectively, for the fourth quarter of 2021. The combined portfolio generated a return on invested capital of approximately (5.9)%.

(\$ in thousands)

Capital Allocation						
	Pass-Through Portfolio	Structured Security Portfolio			Sub-total	Total
		Interest-Only Securities	Inverse Interest- Only Securities			
December 31, 2021						
Market value	\$ 6,298,189	\$ 210,382	\$ 2,524	\$ 212,906	\$ 6,511,095	
Cash	450,442	-	-	-	450,442	
Borrowings ⁽¹⁾	(6,244,106)	-	-	-	(6,244,106)	
Total	\$ 504,525	\$ 210,382	\$ 2,524	\$ 212,906	\$ 717,431	
% of Total	70.3%	29.3%	0.4%	29.7%	100.0%	
September 30, 2021						
Market value	\$ 5,458,562	\$ 140,078	\$ 2,783	\$ 142,861	\$ 5,601,423	
Cash ⁽²⁾	294,625	-	-	-	294,625	
Borrowings ⁽³⁾	(5,213,869)	-	-	-	(5,213,869)	
Total	\$ 539,318	\$ 140,078	\$ 2,783	\$ 142,861	\$ 682,179	
% of Total	79.1%	20.5%	0.4%	20.9%	100.0%	

- (1) At December 31, 2021, there were outstanding repurchase agreement balances of \$159.0 million secured by IO securities and \$2.0 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.
- (2) At September 30, 2021, cash was reduced by unsettled purchases of approximately \$180.6 million, which are reflected in the market value of the portfolio as of September 30, 2021.
- (3) At September 30, 2021, there were outstanding repurchase agreement balances of \$106.5 million secured by IO securities and \$2.1 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 December 31, 2021						
	Structured Security Portfolio					Total
	Pass-Through Portfolio	Interest-Only Securities	Inverse Interest-Only Securities	Sub-total		
Income (net of borrowing cost)	\$ 40,651	\$ 1,634	\$ 113	\$ 1,747	\$ 42,398	
Realized and unrealized (losses) / gains	(93,067)	(541)	66	(475)	(93,542)	
Derivative gains	10,945	n/a	-	n/a	10,945	
Total Return	\$ (41,471)	\$ 1,093	\$ 179	\$ 1,272	\$ (40,199)	
Beginning Capital Allocation	\$ 539,318	\$ 140,078	\$ 2,783	\$ 142,861	\$ 682,179	
Return on Invested Capital for the Quarter	(7.7)%	0.8%	0	0.9%	(5.9)%	
Average Capital Allocation	\$ 521,922	\$ 175,230	\$ 2,654	\$ 177,884	\$ 699,806	
Return on Average Invested Capital for the Quarter	(7.9)%	0.6%	-	0.7%	(5.7)%	

- (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 June 22, 2021, we entered into an equity distribution agreement (the “June 2021 Equity Distribution Agreement”) with 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 14,407,336 shares under the June 2021 Equity Distribution Agreement for aggregate gross proceeds of approximately \$250.0 million, and net proceeds of approximately \$246.2 million, after commissions and fees, prior to its termination in October 2021.

On October 29, 2021, we entered into an equity distribution agreement (the “October 2021 Equity Distribution Agreement”) with 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 December 31, 2021, we issued a total of 15,835,700 shares under the October 2021 Equity Distribution Agreement for aggregate proceeds of approximately \$78.3 million, and net proceeds of approximately \$77.0 million, after commissions and fees.

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 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 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 authorization, the increased authorization brought the total authorization to 5,306,579 shares, representing 10% of the then outstanding share count. On December 9, 2021, the Board of Directors approved an additional 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 up to 17,699,305 shares, representing approximately 10% of the Company’s outstanding shares of common stock. This stock repurchase program has no termination date.

From the inception of the stock repurchase program through December 31, 2021, the Company repurchased a total of 5,685,511

shares at an aggregate cost of approximately \$40.4 million, including commissions and fees, for a weighted average price of \$7.10 per share. There were no shares repurchased during the year ended December 31, 2021.

Earnings Conference Call Details

An earnings conference call and live audio webcast will be hosted Friday, February 25, 2022, at 10:00 AM ET. The call conference may be accessed by dialing toll free (833) 794-1168. International callers dial (236) 714-2726. The conference passcode is 9406887. The supplemental materials may be downloaded from the investor relations section of the Company's website at www.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 March 28, 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 and CMOs and mortgage pass-through certificates issued by the GSEs and (ii) structured Agency RMBS, such as IOs, IIOs and POs, among other types of structured Agency RMBS. Orchid is managed by Bimini Advisors, LLC, a registered investment adviser with the Securities and Exchange Commission.

Forward Looking Statements

Statements herein relating to matters that are not historical facts, including, but not limited to statements regarding 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, 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 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 December 31, 2021, and December 31, 2020, and the unaudited quarterly results of operations for the twelve and three months ended December 31, 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)

	December 31, 2021	December 31, 2020
ASSETS:		
Mortgage-backed securities	\$ 6,511,095	\$ 3,726,895
U.S. Treasury Notes	37,175	-
Cash, cash equivalents and restricted cash	450,442	299,506
Accrued interest receivable	18,859	9,721
Derivative assets, at fair value	50,786	20,999
Receivable for securities sold	-	414
Other assets	320	516
Total Assets	\$ 7,068,677	\$ 4,058,051
LIABILITIES AND STOCKHOLDERS' EQUITY		
Repurchase agreements	\$ 6,244,106	\$ 3,595,586
Dividends payable	11,530	4,970
Derivative liabilities, at fair value	7,589	33,227
Accrued interest payable	788	1,157
Due to affiliates	1,062	632
Other liabilities	35,505	7,188
Total Liabilities	6,300,580	3,642,760
Total Stockholders' Equity	768,097	415,291
Total Liabilities and Stockholders' Equity	\$ 7,068,677	\$ 4,058,051
Common shares outstanding	176,993,049	76,073,317
Book value per share	\$ 4.34	\$ 5.46

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

	<u>Years Ended December 31,</u>		<u>Three Months Ended December 31,</u>	
	2021	2020	2021	2020
Interest income	\$ 134,700	\$ 116,045	\$ 44,421	\$ 25,893
Interest expense	(7,090)	(25,056)	(2,023)	(2,011)
Net interest income	127,610	90,989	42,398	23,882
Losses	(177,119)	(78,317)	(82,597)	(4,605)
Net portfolio (loss) income	(49,509)	12,672	(40,199)	19,277
Expenses	15,251	10,544	4,365	2,798
Net (loss) income	\$ (64,760)	\$ 2,128	\$ (44,564)	\$ 16,479
Basic and diluted net (loss) income per share	\$ (0.54)	\$ 0.03	\$ (0.27)	\$ 0.23
Weighted Average Shares Outstanding	121,144,326	67,210,815	168,143,514	70,532,822
Dividends Declared Per Common Share:	\$ 0.780	\$ 0.790	\$ 0.195	\$ 0.195

Key Balance Sheet Metrics	<u>Three Months Ended December 31,</u>	
	2021	2020
Average RMBS	\$ 6,056,259	\$ 3,633,631
Average repurchase agreements	5,728,988	3,438,444
Average stockholders' equity	749,363	396,016
Leverage ratio	8.2:1	8.8:1
Key Performance Metrics		
Average yield on RMBS	2.93%	2.85%
Average cost of funds	0.14%	0.23%
Average economic cost of funds	0.70%	0.91%
Average interest rate spread	2.79%	2.62%
Average economic interest rate spread	2.23%	1.94%

- (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.

