

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 1, 2024**

**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.

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**Item 2.02. Results of Operations and Financial Condition.**

On February 1, 2024, 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, 2023. In addition, the Company posted the supplemental financial information attached hereto as Exhibit 99.2 on the investor relations section of its website (<https://ir.orchidislandcapital.com>). The press release, attached as Exhibit 99.1, and the supplemental financial information, attached as Exhibit 99.2, are being filed under this "Item 2.02 Results of Operations and Financial Condition," and are incorporated by reference into this Item 2.02. Exhibit 99.1 and Exhibit 99.2 provided with this Form 8-K shall each be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

**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 costs, prepayment speeds, portfolio positioning and repositioning, hedging levels, book value, leverage ratio, earnings, dividends, 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, market expectations, future opportunities and prospects of the Company, the stock repurchase program and general economic conditions. These forward-looking statements are based upon the Company's present expectations, but the Company cannot assure investors that actual results will not vary from the expectations contained in the forward-looking statements. Investors should not place undue reliance upon forward-looking statements. For further discussion of the factors that could affect outcomes, please refer to the "Risk Factors" section of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 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	<a href="#">Press Release dated February 1, 2024</a>
99.2	<a href="#">Fourth Quarter 2023 Supplemental Financial Information</a>
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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**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 1, 2024

ORCHID ISLAND CAPITAL, INC.

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



## ORCHID ISLAND CAPITAL ANNOUNCES FOURTH QUARTER 2023 RESULTS

VERO BEACH, Fla. (February 1, 2024) – Orchid Island Capital, Inc. (NYSE:ORC) ("Orchid" or the "Company"), a real estate investment trust ("REIT"), today announced results of operations for the three and twelve month periods ended December 31, 2023.

### Fourth Quarter 2023 Results

- Net income of \$27.1 million, or \$0.52 per common share, which consists of:
  - Net interest expense of \$(2.8) million, or \$(0.05) per common share
  - Total expenses of \$4.1 million, or \$0.08 per common share
  - Net realized and unrealized gains of \$34.0 million, or \$0.65 per common share, on RMBS and derivative instruments, including net interest income on interest rate swaps
- Fourth quarter and full year total dividends declared and paid of \$0.36 and \$1.80 per common share, respectively
- Book value per common share of \$9.10 at December 31, 2023
- Total return of 6.05%, comprised of \$0.36 dividends per common share and an \$0.18 increase in book value per common share, divided by beginning book value per common share

### Other Financial Highlights

- Orchid maintained a strong liquidity position of \$200.4 million in cash and cash equivalents and unpledged securities (net of unsettled purchased securities, or 43% of stockholder's equity as of December 31, 2023)
- Borrowing capacity in excess of December 31, 2023 outstanding repurchase agreement balances of \$3,705.7 million, spread across 21 active lenders
- Company to discuss results on Friday, February 2, 2024, 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, "The last quarter of 2023 may prove to be a very pivotal period. At the conclusion of the third quarter of 2023 several factors were driving interest rates rapidly higher and the market fully expected rates to remain higher for an extended period. Rapidly expanding federal deficits were a key driver and the Federal Reserve's (the "Fed") own outlook, expressed via their quarterly "dot plots," reflected rates remaining high through 2024. The outlook began to change in early November. The impetus was twofold. Economic data, particularly inflation data, appeared to moderate. The Fed reacted to this development in their public comments. Even the Chairman at the press conference at the conclusion of their December meeting strongly hinted that if inflation continued to moderate, they were done raising rates and they would likely cut rates – perhaps relatively soon.

"The markets reacted strongly to these developments. Risk assets of all types performed very well over the balance of the fourth quarter. Several sectors of the fixed income markets with negative year to date returns as of November 1, 2023 ended the quarter and year with positive returns. Interest rates ended the quarter significantly lower than the levels at September 30, 2023, even after rising significantly during October. The yield on the 2-year U.S. Treasury declined by nearly 80 basis points during the fourth quarter, and the 10-year U.S. Treasury declined by approximately 70 basis points. Equity markets performed even better, with the S&P 500 finishing the quarter with a positive 11.7% return and the year with a positive 26.3% return. Agency MBS had a relatively strong quarter, outperforming most other sectors of the fixed income markets except for municipals and emerging market high yield. For the year, Agency MBS returns were not as strong on a relative basis, but still positive at +5.05%.

"Orchid's book value increased over the quarter, from \$8.92 at the end of the third quarter to \$9.10 at December 31, 2023. During the turbulent weeks at the beginning of the quarter as rates moved higher and mortgage performance was quite poor, we reduced leverage and decreased the size of the portfolio by approximately 15.7% with the sales focused solely in longer duration discount securities. When the market reversed and interest rates decreased, we kept our hedge coverage constant as it appeared the market might be getting too optimistic on the magnitude and timing of rate cuts in 2024. As we entered 2024 this proved to be a prudent step as the market has since reversed again and market pricing of Fed rates cuts in 2024 has both declined and been pushed further into the future. Mortgages have not performed very well, having widened to comparable duration rates or swaps slightly.

“As we enter 2024 the steps taken in 2023 should serve us well. We have reduced our exposure to lower coupon securities and increased the weighted average coupon of the portfolio from 3.47% at December 31, 2022 to 4.33% at December 31, 2023. Our hedge strategy has protected our funding costs from increasing too high as the Fed raised overnight funding costs towards 5.5%. In fact, our economic interest spread, which reflects the effect of our hedges, increased from 1.33% at September 30, 2023 to 2.35% at year end. Going forward, the severe book value pressure for the bulk of the last two years appears to have abated and with our earnings having stabilized, we believe there is room for our earnings to increase should Fed rate cuts lower our funding costs.”

#### Details of Fourth Quarter 2023 Results of Operations

The Company reported net income of \$27.1 million for the three month period ended December 31, 2023, compared with net income of \$34.9 million for the three month period ended December 31, 2022. The Company decreased its Agency RMBS portfolio during the fourth quarter of 2023, from \$4.5 billion at September 30, 2023 to \$3.9 billion at December 31, 2023. Interest income on the portfolio in the fourth quarter was down approximately \$0.6 million from the third quarter of 2023. The yield on our average Agency RMBS increased from 4.51% in the third quarter of 2023 to 4.71% for the fourth quarter of 2023, repurchase agreement borrowing costs decreased from 5.44% for the third quarter of 2023 to 5.15% for the fourth quarter of 2023, and our net interest spread increased from (0.93)% in the third quarter of 2023 to (0.44)% in the fourth quarter of 2023.

Book value increased by \$0.18 per share in the fourth quarter of 2023. The increase in book value reflects our net income of \$0.52 per share and the dividend distribution of \$0.36 per share. The Company recorded net realized and unrealized gains of \$0.65 per share on Agency RMBS assets and derivative instruments, including net interest income on interest rate swaps.

#### Details of Full Year 2023 Results of Operations

The Company reported a net loss of \$39.2 million for the year ended December 31, 2023, compared with a net loss of \$258.5 million for the year ended December 31, 2022. Interest income on the portfolio in the year ended December 31, 2023 was approximately \$177.6 million and the yield on our average Agency RMBS was 4.28%. Repurchase agreement interest expense was \$201.9 million during 2023 with an average cost of 5.07%.

#### Prepayments

For the quarter ended December 31, 2023, Orchid received \$88.8 million in scheduled and unscheduled principal repayments and prepayments, which equated to a 3-month constant prepayment rate (“CPR”) of approximately 5.5%. Prepayment rates on the two RMBS sub-portfolios were as follows (in CPR):

Three Months Ended	PT RMBS Portfolio (%)	Structured RMBS Portfolio (%)	Total Portfolio (%)
December 31, 2023	5.4	7.9	5.5
September 30, 2023	6.1	5.7	6.0
June 30, 2023	5.6	7.0	5.6
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 December 31, 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
<b>December 31, 2023</b>					
Fixed Rate RMBS	\$ 3,877,082	99.6%	4.33%	334	1-Nov-53
Interest-Only Securities	16,572	0.4%	4.01%	223	25-Jul-48
Inverse Interest-Only Securities	358	0.0%	0.00%	274	15-Jun-42
Total Mortgage Assets	\$ 3,894,012	100.0%	4.30%	331	1-Nov-53
<b>December 31, 2022</b>					
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	December 31, 2023		December 31, 2022	
	Fair Value	Percentage of Entire Portfolio	Fair Value	Percentage of Entire Portfolio
Fannie Mae	\$ 2,714,192	69.7%	\$ 2,320,960	65.6%
Freddie Mac	1,179,820	30.3%	1,219,042	34.4%
Total Portfolio	\$ 3,894,012	100.0%	\$ 3,540,002	100.0%

	December 31, 2023	December 31, 2022
Weighted Average Pass-through Purchase Price	\$ 104.10	\$ 106.41
Weighted Average Structured Purchase Price	\$ 18.74	\$ 18.74
Weighted Average Pass-through Current Price	\$ 95.70	\$ 91.46
Weighted Average Structured Current Price	\$ 13.51	\$ 14.05
Effective Duration (1)	4.400	5.580

(1) Effective duration of 4.400 indicates that an interest rate increase of 1.0% would be expected to cause a 4.400% decrease in the value of the RMBS in the Company's investment portfolio at December 31, 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 December 31, 2023, the Company had outstanding repurchase obligations of approximately \$3,705.6 million with a net weighted average borrowing rate of 5.55%. These agreements were collateralized by RMBS with a fair value, including accrued interest, of approximately \$3,900.5 million. The Company's adjusted leverage ratio, defined as the balance of repurchase agreement liabilities divided by stockholders' equity, at December 31, 2023 was 7.9 to 1. At December 31, 2023, the Company's liquidity was approximately \$200.4 million consisting of cash and cash equivalents and unpledged securities (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 December 31, 2023.

(\$ in thousands)

Counterparty	Total Outstanding Balances	% of Total	Weighted Average Borrowing Rate	Amount at Risk(1)	Weighted Average Maturity in Days
RBC Capital Markets, LLC	300,275	8.1%	5.53%	\$ 9,705	16
Citigroup Global Markets Inc	298,549	8.1%	5.55%	15,832	26
Mitsubishi UFJ Securities (USA), Inc.	284,167	7.7%	5.57%	15,761	22
J.P. Morgan Securities LLC	266,958	7.2%	5.54%	14,264	18
Cantor Fitzgerald & Co	257,999	7.0%	5.54%	12,990	44
ASL Capital Markets Inc.	244,611	6.6%	5.53%	13,391	17
Wells Fargo Bank, N.A.	218,540	5.9%	5.56%	11,522	26
Mirae Asset Securities (USA) Inc.	200,200	5.4%	5.53%	8,721	52
Merrill Lynch, Pierce, Fenner & Smith	193,715	5.2%	5.56%	13,036	16
Daiwa Securities America Inc.	179,787	4.9%	5.54%	6,862	24
ABN AMRO Bank N.V.	177,114	4.8%	5.55%	10,102	20
Bank of Montreal	169,041	4.6%	5.55%	9,112	16
StoneX Financial Inc.	168,852	4.6%	5.55%	9,023	16
Goldman, Sachs & Co	160,410	4.3%	5.56%	8,533	18
Banco Santander SA	154,412	4.2%	5.53%	7,670	71
ING Financial Markets LLC	128,758	3.5%	5.55%	5,498	16
Marex Capital Markets Inc.	115,143	3.1%	5.52%	4,385	10
DV Securities, LLC Repo	88,423	2.4%	5.55%	5,105	48
South Street Securities, LLC	80,295	2.2%	5.57%	4,131	59
Lucid Cash Fund USG LLC	9,840	0.3%	5.55%	768	18
Lucid Prime Fund, LLC	8,560	0.2%	5.54%	474	18
Total / Weighted Average	\$ 3,705,649	100.0%	5.55%	\$ 186,885	26

(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 December 31, 2023, such instruments were comprised of U.S. Treasury note ("T-Note") and Secured Overnight Financing Rate ("SOFR") futures contracts, interest rate swap agreements, interest rate swaption agreements, and contracts to sell to-be-announced ("TBA") securities.

The table below presents information related to the Company's T-Note and SOFR futures contracts at December 31, 2023.

(\$ in thousands)

Expiration Year	December 31, 2023				Open Equity(1)
	Average Contract Notional Amount	Weighted Average Entry Rate	Weighted Average Effective Rate		
<b>U.S. Treasury Note Futures Contracts (Short Positions)(2)</b>					
March 2024 5-year T-Note futures (Mar 2024 - Mar 2029 Hedge Period)	\$ 421,500	4.36%	4.04%	\$	(9,936)
March 2024 10-year Ultra futures (Mar 2024 - Mar 2034 Hedge Period)	320,000	4.38%	4.39%	\$	(11,393)
<b>SOFR Futures Contracts (Short Positions)</b>					
June 2024 3-Month SOFR futures (Mar 2024 - Jun 2024 Hedge Period)	\$ 25,000	5.08%	4.99%	\$	(24)
September 2024 3-Month SOFR futures (Jun 2024 - Sep 2024 Hedge Period)	25,000	4.67%	4.52%	\$	(39)
December 2024 3-Month SOFR futures (Sep 2024 - Dec 2024 Hedge Period)	25,000	4.27%	4.10%	\$	(44)
March 2025 3-Month SOFR futures (Dec 2024 - Mar 2025 Hedge Period)	25,000	3.90%	3.73%	\$	(43)
June 2025 3-Month SOFR futures (Mar 2025 - Jun 2025 Hedge Period)	25,000	3.58%	3.42%	\$	(41)
September 2025 3-Month SOFR futures (Jun 2025 - Sep 2025 Hedge Period)	25,000	3.37%	3.21%	\$	(39)
December 2025 3-Month SOFR futures (Sep 2025 - Dec 2025 Hedge Period)	25,000	3.25%	3.10%	\$	(37)
March 2026 3-Month SOFR futures (Dec 2025 - Mar 2026 Hedge Period)	25,000	3.21%	3.07%	\$	(35)

(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 \$108.77 at December 31, 2023. The contract values of the short positions were \$458.5 million at December 31, 2023. 10-Year Ultra futures contracts were valued at a price of \$112.89 at December 31, 2023. The contract value of the short positions was \$361.3 million at December 31, 2023.

The table below presents information related to the Company's interest rate swap positions at December 31, 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%	5.64%	2.7
Expiration > 5 years	1,826,500	2.62%	5.40%	6.8
	\$ 2,326,500	2.24%	5.45%	5.9

The following table presents information related to our interest rate swaption positions as of December 31, 2023.

(\$ 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)
<b>Payer Swaptions (long positions)</b>							
≤ 1 year	\$ 1,619	\$ 72	5.0	\$ 800,000	5.40%	SOFR	1.0



The following table summarizes our contracts to sell TBA securities as of December 31, 2023.

(\$ in thousands)

	Notional Amount Long (Short) <sup>(1)</sup>		Cost Basis <sup>(2)</sup>		Market Value <sup>(3)</sup>		Net Carrying Value <sup>(4)</sup>
<b>December 31, 2023</b>							
<b>30-Year TBA securities:</b>							
3.00%	\$ (70,700)	\$	(59,278)	\$	(62,647)	\$	(3,369)
5.00%	(250,000)		(242,725)		(247,657)		(4,932)
5.50%	(325,000)		(322,410)		(326,803)		(4,393)
	\$ (645,700)	\$	(624,413)	\$	(637,107)	\$	(12,694)

(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 amounts)

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	1.800	81,127
2024 YTD <sup>(1)</sup>	0.120	6,181
<b>Totals</b>	<b>\$ 66.570</b>	<b>\$ 614,778</b>

(1) On January 10, 2024, the Company declared a dividend of \$0.12 per share to be paid on February 27, 2024. The effect of this dividend is included in the table above but is not reflected in the Company's financial statements as of December 31, 2023.

#### Book Value Per Share

The Company's book value per share at December 31, 2023 was \$9.10. 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, 2023, the Company's stockholders' equity was \$469.9 million with 51,636,074 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 September 30, 2023, approximately 95.1% 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, 2023, the allocation to the PT RMBS portfolio increased to approximately 95.6%.

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

(in thousands)

	Portfolio Activity for the Quarter						Sub-total	Total
	Pass-Through Portfolio	Structured Security Portfolio		Sub-total	Total			
		Interest-Only Securities	Inverse Interest Only Securities					
<b>Market value - September 30, 2023</b>	\$ 4,502,115	\$ 17,833	\$ 277	\$ 18,110	\$ 4,520,225			
Securities purchased	77,243	-	-	-	77,243			
Securities sold	(797,633)	-	-	-	(797,633)			
Losses on sales	(22,642)	-	-	-	(22,642)			
Return of investment	n/a	(593)	-	(593)	(593)			
Pay-downs	(88,223)	n/a	-	n/a	(88,223)			
Discount accretion due to pay-downs	8,067	n/a	-	n/a	8,067			
Mark to market gains (losses)	198,155	(668)	81	(587)	197,568			
<b>Market value - December 31, 2023</b>	\$ 3,877,082	\$ 16,572	\$ 358	\$ 16,930	\$ 3,894,012			

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

(\$ in thousands)

	Capital Allocation					
	Pass-Through Portfolio	Structured Security Portfolio		Sub-total	Total	
		Interest-Only Securities	Inverse Interest Only Securities			
<b>December 31, 2023</b>						
Market value	\$ 3,877,082	\$ 16,572	\$ 358	\$ 16,930	\$ 3,894,012	
Cash	200,289	-	-	-	200,289	
Borrowings(1)	(3,705,649)	-	-	-	(3,705,649)	
<b>Total</b>	\$ 371,722	\$ 16,572	\$ 358	\$ 16,930	\$ 388,652	
<b>% of Total</b>	95.6%	4.3%	0.1%	4.4%	100.0%	
<b>September 30, 2023</b>						
Market value	\$ 4,502,115	\$ 17,833	\$ 277	\$ 18,110	\$ 4,520,225	
Cash	278,217	-	-	-	278,217	
Borrowings(2)	(4,426,947)	-	-	-	(4,426,947)	
<b>Total</b>	\$ 353,385	\$ 17,833	\$ 277	\$ 18,110	\$ 371,495	
<b>% of Total</b>	95.1%	4.8%	0.1%	4.9%	100.0%	

(1) At December 31, 2023, there were outstanding repurchase agreement balances of \$13.9 million secured by IO securities and \$0.2 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 September 30, 2023, there were outstanding repurchase agreement balances of \$14.7 million secured by IO securities and \$0.5 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 8.7% and (1.1)%, respectively, for the fourth quarter of 2023. The combined portfolio generated a return on invested capital of approximately 8.2%.

(\$ in thousands)

Returns for the Quarter Ended December 31, 2023							
	Pass-Through Portfolio	Structured Security Portfolio				Sub-total	Total
		Interest-Only Securities	Inverse Interest Only Securities				
Income (net of borrowing cost)	\$ (3,191)	\$ 403	\$ -	\$ 403	\$ (2,788)		
Realized and unrealized gains (losses)	183,580	(668)	81	(587)	182,993		
Derivative losses	(149,016)	n/a	n/a	n/a	(149,016)		
Total Return	\$ 31,373	\$ (265)	\$ 81	\$ (184)	\$ 31,189		
Beginning Capital Allocation	\$ 353,385	\$ 17,833	\$ 277	\$ 18,110	\$ 371,495		
Return on Invested Capital for the Quarter <sup>(1)</sup>	8.9%	(1.5)%	29.2%	(1.0)%	8.4%		
Average Capital Allocation <sup>(2)</sup>	\$ 362,554	\$ 17,203	\$ 318	\$ 17,521	\$ 380,075		
Return on Average Invested Capital for the Quarter <sup>(3)</sup>	8.7%	(1.5)%	25.5%	(1.1)%	8.2%		

- (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 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 December 31, 2023, we issued a total of 13,190,039 shares under the March 2023 Equity Distribution Agreement for aggregate gross proceeds of approximately \$129.9 million, and net proceeds of approximately \$127.8 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 1,061,315 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 December 31, 2023, the Company repurchased a total of 4,748,361 shares at an aggregate cost of approximately \$74.2 million, including commissions and fees, for a weighted average price of \$15.63 per share. During the year ended December 31, 2023, the Company repurchased a total of 1,072,789 shares at an aggregate cost of approximately \$9.4 million, including commissions and fees, for a weighted average price of \$8.79 per share. Subsequent to December 31, 2023, the Company repurchased a total of 332,773 shares at an aggregate cost of approximately \$2.8 million, including commissions and fees, for a weighted average price of \$8.35 per share.

## **Earnings Conference Call Details**

An earnings conference call and live audio webcast will be hosted Friday, February 2, 2024, at 10:00 AM ET. The conference call may be accessed by dialing toll free (800) 715-9871. The conference passcode is 8307491. 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 March 1, 2024.

## **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 costs, prepayment speeds, portfolio positioning and repositioning, hedging levels, book value, leverage ratio, earnings, dividends, 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, market expectations, future opportunities and prospects of the Company, the stock repurchase program and general economic conditions, are forward-looking statements as defined in the Private Securities Litigation 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>

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**Summarized Financial Statements**

The following is a summarized presentation of the unaudited balance sheets as of December 31, 2023 and 2022, and the unaudited quarterly statements of operations for the twelve and three months ended December 31, 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)**

	December 31, 2023		December 31, 2022
<b>ASSETS:</b>			
Mortgage-backed securities	\$	3,894,012	\$ 3,540,002
U.S. Treasury securities		148,820	36,382
Cash, cash equivalents and restricted cash		200,289	237,219
Accrued interest receivable		14,951	11,519
Derivative assets, at fair value		6,420	40,172
Other assets		455	442
<b>Total Assets</b>	<b>\$</b>	<b>4,264,947</b>	<b>\$ 3,865,736</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Repurchase agreements	\$	3,705,649	\$ 3,378,445
Payable of investment securities purchased		60,454	-
Dividends payable		6,222	5,908
Derivative liabilities, at fair value		12,694	7,161
Accrued interest payable		7,939	9,209
Due to affiliates		1,013	1,131
Other liabilities		1,031	25,119
Total Liabilities		3,795,002	3,426,973
<b>Total Stockholders' Equity</b>		<b>469,945</b>	<b>438,763</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$</b>	<b>4,264,947</b>	<b>\$ 3,865,736</b>
Common shares outstanding		51,636,074	36,764,983
Book value per share	\$	9.10	\$ 11.93

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

	Years Ended December 31,		Three Months Ended December 31,	
	2023	2022	2023	2022
Interest income	\$ 177,569	\$ 144,633	\$ 49,539	\$ 31,898
Interest expense	(201,918)	(61,708)	(52,325)	(29,512)
Net interest (expense) income	(24,349)	82,925	(2,786)	2,386
Gains (losses) on RMBS and derivative contracts	3,654	(323,929)	33,977	36,728
Net portfolio (loss) income	(20,695)	(241,004)	31,191	39,114
Expenses	18,531	17,449	4,064	4,188
Net (loss) income	\$ (39,226)	\$ (258,453)	\$ 27,127	\$ 34,926
Other comprehensive income	17	-	1	-
Comprehensive net	\$ (39,209)	\$ (258,453)	\$ 27,128	\$ 34,926
Basic and diluted net (loss) income per share	\$ (0.89)	\$ (6.90)	\$ 0.52	\$ 0.95
Weighted Average Shares Outstanding	44,649,039	37,464,671	52,396,001	36,786,056
Dividends Declared Per Common Share:	\$ 1.800	\$ 2.475	\$ 0.360	\$ 0.480

	Three Months Ended December 31,	
	2023	2022
<b>Key Balance Sheet Metrics</b>		
Average RMBS <sup>(1)</sup>	\$ 4,207,118	\$ 3,370,608
Average repurchase agreements <sup>(1)</sup>	4,066,298	3,256,153
Average stockholders' equity <sup>(1)</sup>	468,393	419,570
Adjusted leverage ratio <sup>(2)</sup>	7.9:1	7.7:1
Economic leverage ratio <sup>(3)</sup>	6.7:1	6.3:1
<b>Key Performance Metrics</b>		
Average yield on RMBS <sup>(4)</sup>	4.71%	3.79%
Average cost of funds <sup>(4)</sup>	5.15%	3.63%
Average economic cost of funds <sup>(5)</sup>	2.36%	2.47%
Average interest rate spread <sup>(6)</sup>	(0.44)%	0.16%
Average economic interest rate spread <sup>(7)</sup>	2.35%	1.32%

(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.



Q4 2023 Earnings Supplemental Materials  
February 2, 2024

## Disclaimers

### Forward-Looking Information

This presentation contains forward-looking statements and information. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. Forward-looking statements include statements preceded by, followed by or that include the words "may," "could," "would," "should," "believe," "expect," "anticipate," "plan," "estimate," "target," "project," "intend" and similar expressions. These statements include, among others, statements regarding our portfolio and targeted assets, expected performance, anticipated returns on our investments, the mortgage backed securities markets, financing and hedging investment opportunities, funding costs, book value, interest rate sensitivity, the economy, inflation, and actual or anticipated actions of the Federal Reserve (the "Fed"), and the impact of those actual or anticipated actions on the Company.

The forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. You should not place undue reliance on these forward-looking statements. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us. Some of these factors are described under the caption "Risk Factors" in our Annual Report on Form 10-K. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made. New risks and uncertainties arise from time to time, and it is impossible for us to predict those events or how they may affect us. Except as required by law, we are not obligated to, and do not intend to, update or revise any forward looking statements, whether as a result of new information, future events or otherwise.



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Topic Point	Slide(s)
▪ Financial Results	4 - 8
▪ Market Developments	9 - 13
▪ Portfolio Characteristics, Credit & Hedge Positions	14 - 23
▪ Appendix	24 - 34

# Financial Results

## Financial Highlights for the Quarter Ended December 31, 2023

Net Income (Loss) <sup>1</sup>	
<u>Q4 23</u>	<u>Q3 23</u>
\$0.52	\$(1.68)

Book Value <sup>1</sup>	
<u>Q4 23</u>	<u>Q3 23</u>
\$9.10	\$8.92

Total Return <sup>2</sup>	
<u>Q4 23</u>	<u>Q3 23</u>
6.05%	(15.77)%

Dividend Declared <sup>1</sup>	
<u>Q4 23</u>	<u>Q3 23</u>
\$0.36	\$0.48

1. Data is on a per share basis
2. Equal to (a) the sum of dividends declared and paid during the quarter and changes in book value during the quarter, divided by (b) book value at the beginning of the quarter

Source: Company Press Releases

## Portfolio Highlights for the Quarter Ended December 31, 2023

Average MBS Balances <small>(in millions)</small>	
<u>Q4 23</u>	<u>Q3 23</u>
\$4,207	\$4,447

Economic Leverage Ratio <sup>1</sup>	
<u>Q4 23</u>	<u>Q3 23</u>
6.7	8.5

Speeds <small>(3mo. Portfolio CPR)</small>	
<u>Q4 23</u>	<u>Q3 23</u>
5.5	6.0

Liquidity <sup>2</sup>	
<u>Q4 23</u>	<u>Q3 23</u>
42.6%	35.1%

1. The economic leverage ratio is calculated by dividing ending total liabilities adjusted for net notional TBA positions by ending stockholders' equity  
 2. Liquidity is calculated as the percentage of unrestricted cash, cash equivalents, unpledged RMBS and unpledged U.S. Treasury securities to stockholders' equity

Source: Company Press Releases

## Orchid Island Capital Financial Results for the Three Months Ended December 31, 2023

### Income Statement

(\$ in thousands, except for per share data)

	Three Months Ended December 31,	
	2023	2022
Interest income	\$ 49,539	\$ 31,898
Interest expense	(52,325)	(29,512)
Net interest (expense) income	(2,786)	2,386
Gains (Losses) on RMBS and derivative contracts	33,977	36,728
Net portfolio loss	31,191	39,114
Expenses	4,064	4,188
<b>Net Income (Loss)</b>	<b>\$ 27,127</b>	<b>\$ 34,926</b>
Other comprehensive income	1	-
<b>Comprehensive net</b>	<b>27,128</b>	<b>34,926</b>
<b>Basic and diluted net income (loss) per share</b>	<b>\$ 0.52</b>	<b>\$ 0.95</b>
<b>Weighted Average Shares Outstanding</b>	<b>52,396,001</b>	<b>36,786,056</b>
<b>Dividends Declared Per Common Share:</b>	<b>\$ 0.36</b>	<b>\$ 0.48</b>

### Balance Sheet

(\$ in thousands, except for per share data)

	31-Dec-23	31-Dec-22
<b>ASSETS:</b>		
Mortgage-backed securities	\$ 3,894,012	\$ 3,540,002
U.S. Treasury securities	148,820	36,382
Cash, cash equivalents and restricted cash	200,289	237,219
Accrued interest receivable	14,951	11,519
Derivative assets, at fair value	6,420	40,172
Other assets	455	442
<b>Total Assets</b>	<b>\$ 4,264,947</b>	<b>\$ 3,865,736</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>EQUITY</b>		
Repurchase agreements	\$ 3,705,649	\$ 3,378,445
Unsettled securities purchases	\$ 60,454	-
Dividends payable	6,222	5,908
Derivative liabilities, at fair value	12,694	7,161
Accrued interest payable	7,939	9,209
Due to affiliates	1,013	1,131
Other liabilities	1,031	25,119
<b>Total Liabilities</b>	<b>3,795,002</b>	<b>3,426,973</b>
<b>Total Stockholders' Equity</b>	<b>469,945</b>	<b>438,763</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 4,264,947</b>	<b>\$ 3,865,736</b>
Common shares outstanding	51,636,074	36,764,983
Book value per share	\$ 9.10	\$ 11.93

Source: Company Financials

## Orchid Island Capital Financial Results for the Three Months Ended December 31, 2023

### Adjusted Economic Income in Dollars (\$ in thousands)

	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Interest income	\$ 49,539	\$ 50,107	\$ 39,911	\$ 38,012
Plus/(minus) discount accretion/premium amortization due to paydowns	8,067	7,252	4,886	4,774
Less interest expense on repurchase agreement funding	52,325	58,705	48,671	42,217
Gains/(losses) on hedging derivative instruments attributable to current period <sup>1</sup>	28,340	24,440	23,482	19,211
Less Expenses	4,064	4,644	4,818	5,003
Adjusted economic income	29,557	18,450	14,790	14,777
Dividends declared	\$ 18,826	\$ 23,823	\$ 19,671	\$ 18,807

### Adjusted Economic Income per Share\*

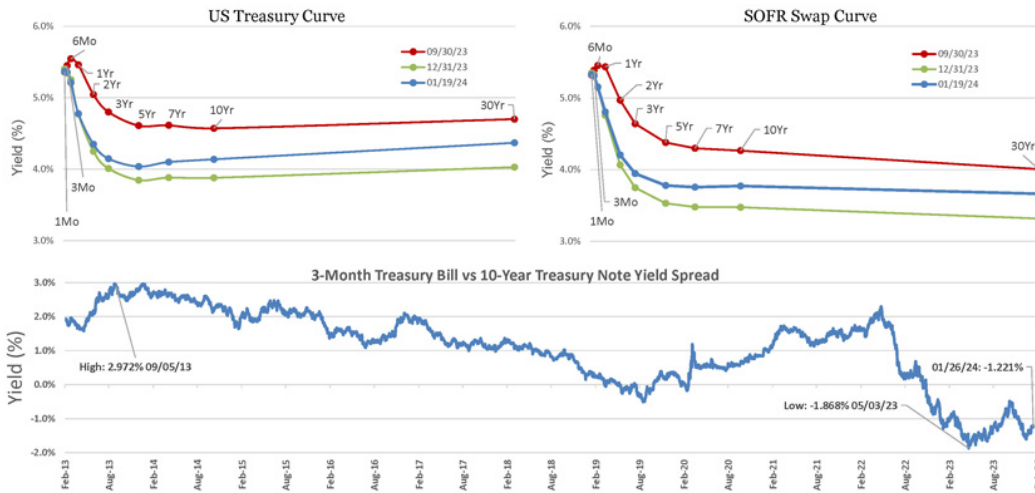
	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Interest income	\$ 0.95	\$ 1.05	\$ 0.99	\$ 0.99
Plus/(minus) discount accretion/premium amortization due to paydowns	0.15	0.15	0.12	0.12
Less interest expense on repurchase agreement funding	1.00	1.23	1.21	1.10
Gains/(losses) on hedging derivative instruments attributable to current period <sup>1</sup>	0.54	0.51	0.58	0.50
Less Expenses	0.08	0.10	0.12	0.13
Adjusted economic income	0.56	0.38	0.36	0.38
Dividends declared	\$ 0.36	\$ 0.48	\$ 0.48	\$ 0.48

\*Weighted average shares for the period ended 12/31/2023 was 52,396,001

<sup>1</sup> See slide 30 for a reconciliation of this non-GAAP financial measure

# Market Developments

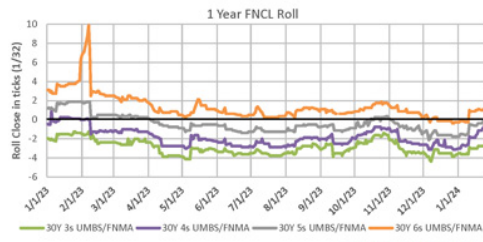
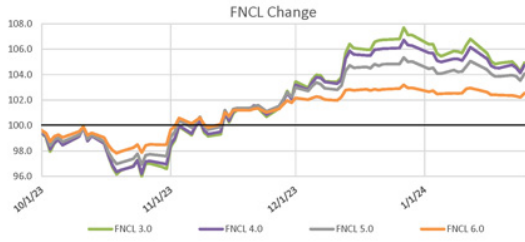
# U.S. Treasury, U.S. Dollar Swap, Yield Spread Curve



Source: Bloomberg Data

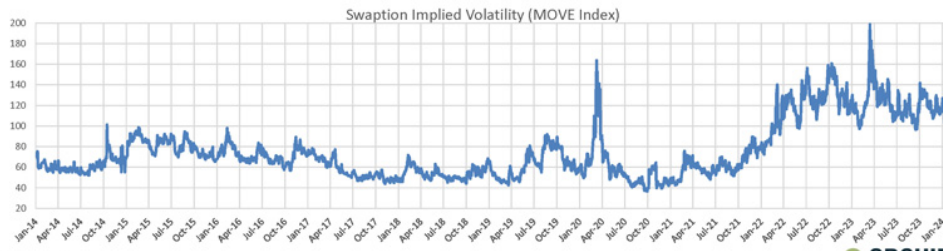
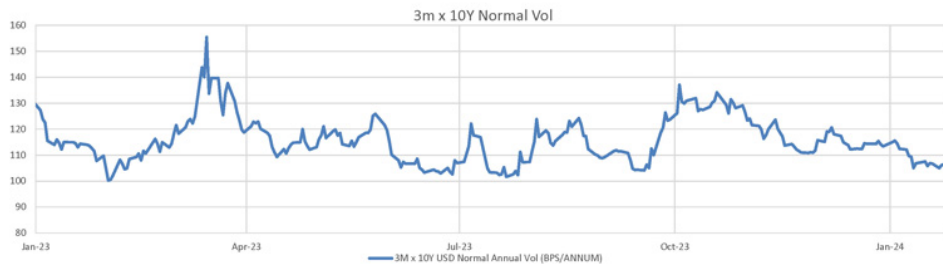


# 10-Year U.S. Treasury Note vs MBS Current Coupon



Source: Bloomberg Data

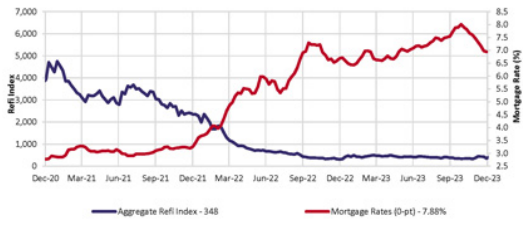
# Swaption Implied Volatility



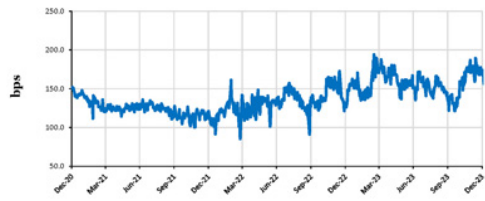
Source: Citi Velocity, Bloomberg Data

## Refinancing Activity

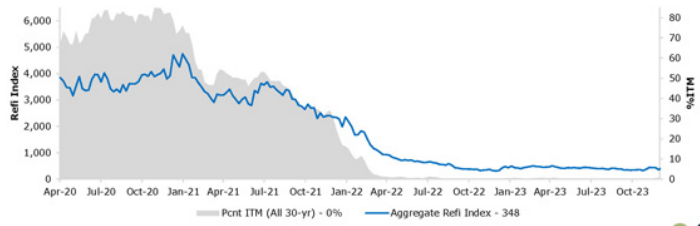
Refi Index vs. Mortgage Rates



Primary – Secondary Spreads



Refi Index vs. Percent In-The-Money ("ITM")



Source: Wells Fargo Securities

# Portfolio Characteristics, Credit & Hedge Positions

## Investment Portfolio

During the fourth quarter of 2023, the market reached cyclical highs in interest rates and mortgage spreads, so Orchid reduced both the size of the portfolio and leverage. Mid quarter as the market reversed and rallied hard into quarter end mortgage spreads tightened and Orchid's book value increased, as did the income generated by the portfolio as we continued to shift the focus of our 30-year pass-through holdings up in coupon.

### Developments During the Quarter:

- Reduced allocation to 30yr 3.0% by 38% and added 7.0% coupon securities
- Continued to increase the weighted average coupon of the fixed rate MBS portfolio from 4.05% to 4.33% at September 30, 2023 and December 31, 2023, respectively.
- Realized yield<sup>1</sup> on portfolio increased from 4.51% to 4.71% at September 30, 2023 and December 31, 2023, respectively.
- Inclusive of hedge instruments, economic net interest spread<sup>2</sup> for the quarter was 2.35% from 1.33% for third quarter of 2023.

1. Defined as GAAP interest income divided by average of the beginning and ending balance of the MBS portfolio  
2. See appendix for calculations and reconciliation to net interest income

### Targeted assets:

- Orchid Island Capital's portfolio consists entirely of highly liquid Agency fixed rate pass through securities, interest only securities, and inverse interest-only securities
- Agency pass throughs are fixed rate 30-year and 15-year securities in specified pools or TBA form
- Orchid retains ample access to financing sources in excess of needs via the repurchase agreement funding market
- Orchid self clears all security buys and sells and manages all margin activity related to the funding of assets and hedging our interest rate exposure

## Investment Portfolio Pass-Through Holdings

Over the course of 2023 we progressively migrated the portfolio holdings into higher coupons, increasing the weighted average coupon from 3.47% at December 31, 2022 to 4.33% at December 31, 2023 while retaining a bias towards discount securities with more favorable convexity characteristics in the event of a decline in long end rates.

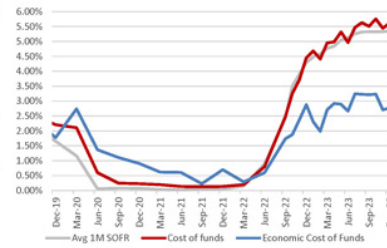


\*The above excludes U.S. Treasury Bills valued at \$99.7 million as of 12/31/2023

## Investment Portfolio Funding Costs as of December 31, 2023

Orchid's interest rate hedges with a notional balance (excluding short TBA positions, interest rate floors/caps) equal to approximately 85% of our repo liability balance has contained the rapid expansion of our funding cost as the Federal Reserve has increased rates.

- Average repo rate for the quarter ended December 31, 2023 was 5.55% compared to 5.49% for the quarter ended September 30, 2023
- Repurchase obligation weighted average maturity as of December 31, 2023 was 26 days compared to 32 days as of September 30, 2023
- Orchid Island Capital's average economic cost of funds<sup>1</sup>, inclusive of interest rate swaps, swaptions, and U.S. Treasury future short positions was 2.36% for the quarter ended December 31, 2023 vs 3.18% for the quarter ended September 30, 2023
- Orchid Island Capital currently has 21 different counterparties that provide funding (see Appendix for details)



**Agency Repurchase Agreements**

Term	Amount (\$ in thousands)	Interest Rate
Repo Funding ≤30 days	\$2,966,650	5.55%
Repo Funding >30 days	\$738,999	5.54%
<b>Total</b>	<b>\$3,705,649</b>	<b>5.55%</b>
Swaps (Pay Fixed vs. Receive SOFR)	\$(2,326,500)	2.24%
<b>Blended Cost of Funds</b>		<b>4.27%</b>

1. See appendix for calculations and reconciliations

## Hedging Positions

While the Federal Reserve has continued to increase funding rates, Orchid has hedge positions equal to approximately 85% of our repo funding liability (excluding TBA shorts, interest rate caps/floors) with an emphasis towards interest rate swaps. The migration of the pass-through portfolio into higher coupons has also reduced the interest rate sensitivity of the portfolio.

- Total notional balance of all hedge positions of \$(4,613.7) million, equal to 125% of repo funding liabilities
- Interest rate swaps with a notional balance of \$(2,326) million at December 31, 2023
  - Covered 63% of our repo funding liability
  - Weighted average pay fix rate of 2.24%
- Swaption with notional balance of \$(800) million at December 31, 2023
- Short TBA positions of \$(70.7) million (FNCL 3.0), \$(250) million (FNCL 5.0), and \$(325) million (FNCL 5.5)
- SOFR and U.S. Treasury future short position of \$(841.5) million at December 31, 2023

### Hedge Positions – Summary Metrics

Three Months Ended December 31, 2023

	Notional (\$ in thousands)	Hedge Period Average End	Mark to Market Gain (Loss) (\$ in thousands)	Mark to Market Gain (Loss) / Share*
Interest Rate Swaps	\$(2,326,500)	Nov-29	\$(81,600)	\$(1.56)
Short Future Positions	\$(841,500)	Jun-24	\$(33,992)	\$(0.65)
Swaptions & Rate Derivatives	\$(800,000)	May-24	\$(1,413)	\$(0.02)
Short TBAs	\$(645,700)	Jan-24	\$(32,012)	\$(0.61)
Totals	\$(4,613,700)		\$(149,017)	\$(2.84)

\*Weighted average shares for the period ended 12/31/2023 was 52,396,001



## Hedging Positions

### Interest Rate Futures

(\$ in thousands)	Contract Notional Amount	Weighted Average Entry Rate	Weighted Average Effective Rate	Open Equity <sup>(1)</sup>
<b>As of December 31, 2023</b> (Short Position) <sup>(2)</sup>				
3-Month SOFR Future	100,000	3.92%	3.77%	(300)
Mar 2024 5-year T-Note	421,500	4.36%	4.04%	(9,936)
Mar 2024 10-year T-Note	320,000	4.38%	4.39%	(11,393)
	\$ 841,500			(21,629)
<b>As of September 30, 2023</b> (Short Position) <sup>(2)</sup>				
Dec 2023 5-year T-Note	471,500	4.33%	4.78%	5,414
Dec 2023 10-year T-Note	395,000	4.24%	4.97%	9,069
	\$ 866,500			14,483

### TBA Positions

(\$ in thousands)	Notional Amount (Short)	Cost Basis	Market Value	Net Carrying Value
<b>As of December 31, 2023</b>				
FNCL 3.0 1/24	(70,700)	(59,278)	(62,647)	(3,369)
FNCL 5.0 1/24	(250,000)	(242,725)	(247,857)	(4,932)
FNCL 5.5 1/24	(325,000)	(322,410)	(326,803)	(4,393)
	\$ (645,700)	\$ (624,413)	\$ (637,107)	\$ (12,694)
<b>As of September 30, 2023</b>				
FNCL 3.0 11/23	(350,000)	(297,154)	(290,117)	7,037
FNCL 6.0 10/23	(100,000)	(99,872)	(98,766)	1,106
FNCL 6.5 10/23	(152,500)	(154,382)	(153,310)	1,072
	\$ (602,500)	\$ (551,409)	\$ (542,193)	\$ 9,216

1. Open equity represents the cumulative gains (losses) recorded on open futures positions from inception.
2. 5-year T-Note and 10-year T-Note futures contracts were valued at a price of \$108.77 and \$112.89 at December 31, 2023.
3. 3-Month SOFR futures expire every 3 months starting June 2024 and ending March 2026.

### Swap Agreements

(\$ in thousands)	Notional Amount	Average Fixed Pay Rate	Average Receive Rate	Net Estimated Fair Value	Weighted Avg Maturity (Years)
<b>As of December 31, 2023</b>					
Expiration > 1 to ≤ 5 years	\$ 500,000	0.84%	5.64%	41,817	2.7
Expiration > 5 years	1,826,500	2.62%	5.40%	109,139	6.8
	\$ 2,326,500	2.24%	5.45%	\$ 150,957	5.9
<b>As of September 30, 2023</b>					
Expiration > 1 to ≤ 5 years	\$ 500,000	0.84%	5.31%	56,795	3.0
Expiration > 5 years	2,126,500	2.84%	5.31%	189,872	7.4
	\$ 2,626,500	2.46%	5.31%	\$ 246,668	6.6

### Swaps & Rate Derivatives

(\$ in thousands)	Option			Underlying Swap		
	Cost <sup>(3)</sup>	Fair Value	WAVG Months to Expiration	Notional Amount	Fixed Pay Receive Rate (SOFR)	Weighted Avg Maturity (Years)
<b>As of December 31, 2023</b>						
Payer Swaption	1,619	72	5	800,000	5.40%	Overnight
Total /WAVG	\$ 1,619	\$ 72	5	800,000	5.40%	1.00
<b>As of September 30, 2023</b>						
Payer Swaption	1,619	1,418	8	800,000	5.40%	Overnight
Long Leg 2s30s Spread Floor	2,500	3,981	19	1,000,000	n/a	n/a
Short Leg 2s30s Spread Floor	(1,358)	(2,500)	19	(1,000,000)	n/a	n/a
2s10s Cap	1,450	704	4	200,000	n/a	n/a
Total /WAVG	\$ 4,212	\$ 3,602	7	1,000,000	5.40%	1.00

Source: Company Press Releases

## Current Agency Conventional 30-year Fixed Rate Risk Metrics

Below are the return projections under various scenarios of conventional 30-year fixed rate Agency RMBS, option adjusted spreads, effective duration and convexity figures, as well as Orchid's portfolio allocation to each. All figures are as of December 31, 2023.

Coupon	Current Price <sup>1</sup> (8)	OAS <sup>2</sup>	Effective Duration <sup>2</sup>	Effective Convexity <sup>2</sup>	Interest Rate Sensitivities				ORC Portfolio Allocation <sup>5</sup>
					-50 bps <sup>3</sup> (8)	+50 bps <sup>3</sup> (8)	Bull Steepener <sup>4</sup> (8)	Bear Flattener <sup>4</sup> (8)	
3.0	88.61	72.37	6.36	-0.44	3.13	-3.23	3.45	-3.43	32.2%
3.5	91.89	61.31	5.77	-0.78	2.79	-2.97	3.18	-3.23	4.7%
4.0	94.70	57.74	4.81	-0.93	2.29	-2.52	3.52	-3.48	13.7%
4.5	97.08	57.84	3.98	-1.30	1.83	-2.14	2.28	-2.54	8.5%
5.0	99.06	61.78	3.20	-1.42	1.43	-1.78	1.88	-2.21	14.1%
5.5	100.55	67.86	2.38	-1.25	1.04	-1.36	1.42	-1.82	7.1%
6.0	101.64	73.76	1.63	-1.14	0.69	-0.96	1.00	-1.40	8.4%
6.5	102.50	74.92	1.15	-0.60	0.52	-0.66	0.81	-1.04	8.9%
7.0	103.18	91.00	1.10	-0.23	0.53	-0.59	0.84	-0.94	2.0%

1. TBA prices at 12/31/23
2. Per YieldBook
3. Parallel 50bp interest rate shifts
4. Represents YieldBook's default scenario Bull Steepener (+50) and Bear Flattener (-50)
5. Table excludes TBA long positions, interest only securities, and 15yr MBS

Source: Yieldbook

## Investment Portfolio Interest Rate Sensitivity

Orchid's Agency RMBS portfolio consists predominantly of 30-year, fixed rate pass through securities with a bias towards securities with favorable convexity characteristics and expected returns in various interest rate scenarios. Combined with our hedge positions the portfolio has a very modest sensitivity to interest rates.

(\$ in thousands)		Model Interest Rate Sensitivity		
Agency RMBS Assets	Market Value /Notional	Dollar Duration (per .01% change in yield)	-50 bps (\$)	+50 bps (\$)
30-year MBS	\$3,877,082	1,717	86,220	(92,219)
IO/HO Securities	\$16,930	(3)	(197)	141
<b>Total RMBS Assets</b>	<b>\$3,894,012</b>	<b>1,714</b>	<b>86,023</b>	<b>(92,078)</b>
Hedge Position	\$4,613,700	(1,781)	(90,659)	90,365
<b>Net Duration Gap</b>		<b>(67)</b>	<b>(4,636)</b>	<b>(1,713)</b>
<b>Duration Gap / Total Equity<sup>1</sup></b>			<b>(0.99%)</b>	<b>(0.36%)</b>

1. Total equity of \$469.9 million at 12/31/23

## Investment Portfolio Prepayment Experience

In the current interest rate environment, prepayment rates for Agency RMBS remain very low. More seasoned securities tend to prepay slightly faster, increasing returns when such securities are priced at a discount.

Securities (by coupon)	WALA <sup>1</sup>	Prepayment Speeds (CPR)				
		December 2023	November 2023	October 2023	Q4 2023	Q3 2023
<b>30-year MBS</b>						
3.0	33	4.1%	4.9%	5.7%	4.9%	6.0%
3.5	46	4.4%	6.9%	9.5%	7.1%	6.3%
4.0	23	2.0%	1.9%	4.9%	3.0%	4.9%
4.5	18	7.2%	3.8%	8.8%	6.7%	6.8%
5.0	16	4.5%	2.9%	2.9%	3.6%	7.3%
5.5	9	0.6%	4.6%	8.0%	4.5%	3.4%
6.0	9	8.0%	10.1%	9.2%	9.2%	8.0%
6.5	5	9.6%	5.4%	12.1%	9.1%	-
7.0	3	0.8%	10.0%	-	-	-
<b>IO/IO</b>						
3.0	107	0.8%	0.9%	0.7%	0.8%	0.7%
3-745	75	1.8%	11.2%	7.3%	6.9%	4.1%
4.0	115	12.1%	5.6%	6.0%	8.4%	6.2%
4.5	162	8.8%	3.3%	8.2%	6.8%	8.2%
5.0	162	10.0%	1.0%	17.0%	9.6%	10.2%
<b>Total</b>	<b>25</b>	<b>4.8%</b>	<b>4.8%</b>	<b>6.6%</b>	<b>5.5%</b>	<b>6.0%</b>

1. Weighted average loan age in months as of 12/31/2023

Source: Bloomberg Data

## Orchid Island Capital – Q4 Wrap-up and Outlook

The very challenging market environment we have experienced over the last two years appears to have subsided. While interest rates and the pressure on MBS spreads appear to have eased, the economy remains stable, and inflation elevated. The economic stability should not deter the Fed from lowering rates as long as inflation continues to moderate. We believe investment opportunities are attractive, our funding costs are contained, and our earnings should expand even with modest rate cuts by the Fed.

### Looking back:

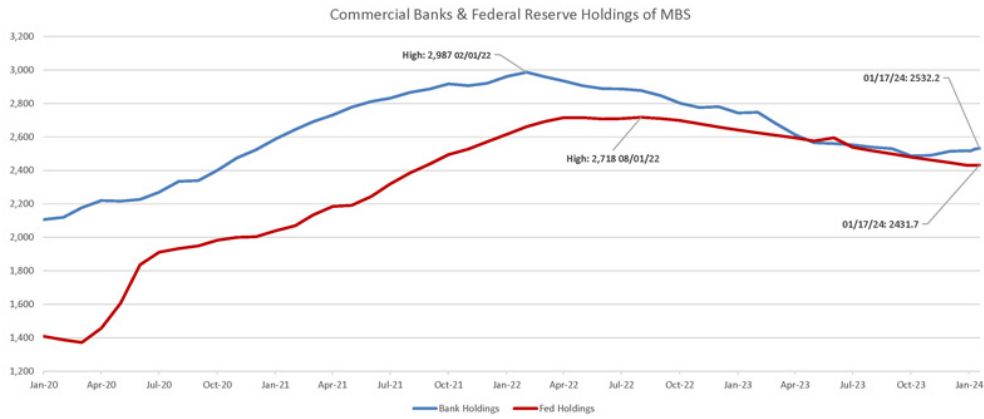
- As the fourth quarter started it appeared interest rates were headed materially higher and likely to stay high for an extended period. Demand for Agency MBS eroded, and MBS spreads reached the cycle high in late October.
- Then economic data softened – especially inflation data. The market turned and rallied hard into the end of the quarter. The Fed appeared to signal they were done raising rates and expected to begin easing in 2024. The market priced in approximately 6 interest rate cuts by the end of 2024.

### Looking forward:

- The market got ahead of itself. The economy appears headed for a soft landing and a recession does not appear imminent. If inflation continues to moderate the Fed will likely ease rates somewhat over the balance of the year, but not start to do so until later in the year. This is not what the market was expecting as 2023 came to a close.
- This is not a bad outcome for Orchid and levered MBS investors. We believe investment opportunities remain very attractive, our funding costs have been well contained through our hedging strategy and our earnings have room to expand even with modest rate decreases. The severe pressure on book value experienced over the last two years appears to have subsided.

# Appendix

## Commercial Bank & Federal Reserve MBS Holdings

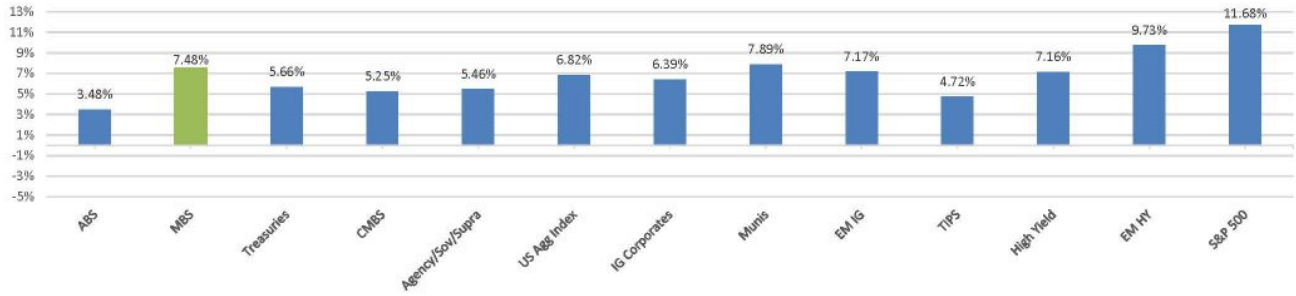


Note: Data include the following types of institutions in the fifty states and the District of Columbia: domestically chartered commercial banks, U.S. branches and agencies of foreign banks, and Edge Act and agreement corporations. The latter two categories together are referred to on this release as "foreign-related institutions." Data exclude International Banking Facilities. Weekly levels are Wednesday values, monthly levels are pro rata averages of Wednesday values. The data for domestically chartered commercial banks and U.S. branches and agencies of foreign banks are estimated by benchmarking weekly data provided by a sample of banks to quarter-end reports of condition (Call Reports). Large domestically chartered commercial banks are defined as the top 25 domestically chartered commercial banks, ranked by domestic assets as of the previous commercial bank Call Report to which the H.8 release data have been benchmarked. Small domestically chartered commercial banks are defined as all domestically chartered commercial banks not included in the top 25. The data for large and small domestically chartered banks are adjusted to remove the estimated effects of mergers and panel shifts between these two bank groups. (See [www.federalreserve.gov/releases/h8/about.htm](http://www.federalreserve.gov/releases/h8/about.htm) for more information on how these data were constructed.)

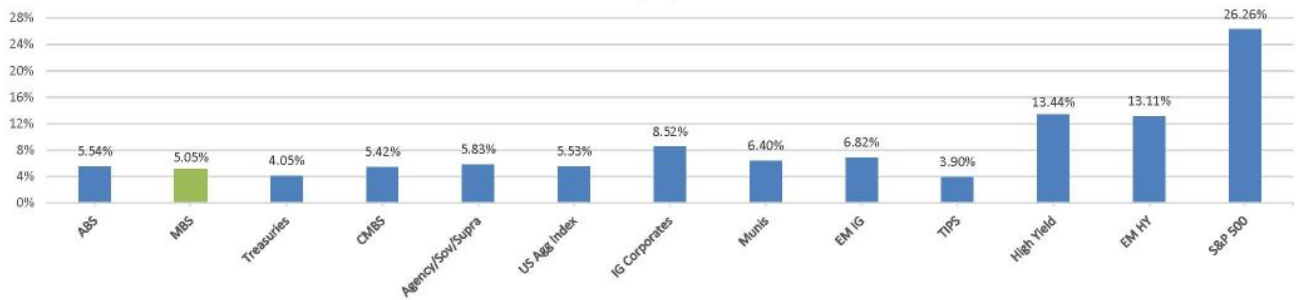
Source: Federal Reserve

## Cross Asset Fixed Income Performance by U.S. Aggregate Bond Index Component

Q4 2023 Returns



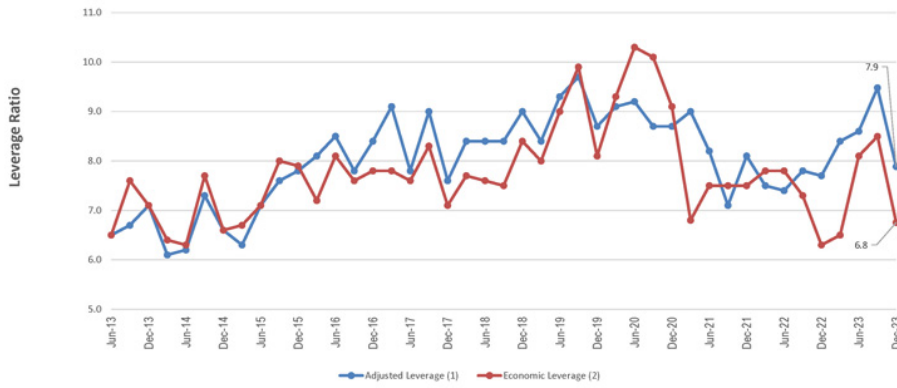
Year Ended 12/31/2023 Returns



Source: Bloomberg Data



## Orchid Island Capital Leverage Ratio History



1. The adjusted leverage ratio is calculated by dividing ending repurchase agreement liabilities by ending stockholders' equity
2. The economic leverage ratio is calculated by dividing ending total liabilities adjusted for net notional TBA positions by ending stockholders' equity

Sources: Company Press Releases

## Orchid Island Capital MBS Portfolio Characteristics as of December 31, 2023

Type	Face	FMV	Percent of Portfolio	Current Price	CPI	GWAC	AGE	WA Mat	1m CPR	3m CPR	Int Rate Sensitivity (-50 BPS) <sup>1</sup>	Int Rate Sensitivity (+50 BPS) <sup>1</sup>
<b>Fixed Rate MBS</b>												
30yr 3.0	1,397,684,194	1,254,194,378	32.21%	89.73	3.00%	3.46%	33	322	4.1%	4.9%	39,038,735	(39,467,918)
30yr 3.5	194,228,826	182,007,511	4.67%	93.71	3.50%	4.04%	46	303	4.4%	7.1%	5,099,635	(5,346,682)
30yr 4.0	562,106,830	533,973,595	13.71%	95.00	4.00%	4.78%	23	334	2.0%	3.0%	13,625,703	(14,487,727)
30yr 4.5	341,313,334	332,168,111	8.53%	97.32	4.50%	5.45%	18	340	7.2%	6.7%	6,793,418	(7,445,025)
30yr 5.0	552,620,293	549,323,884	14.11%	99.40	5.00%	5.93%	16	341	4.5%	3.6%	10,329,469	(11,709,020)
30yr 5.5	271,469,429	275,464,879	7.07%	101.47	5.50%	6.43%	9	350	0.6%	4.5%	4,246,096	(5,093,177)
30yr 6.0	321,520,542	327,820,438	8.42%	101.96	6.00%	6.99%	9	346	8.0%	9.2%	3,768,349	(4,616,400)
30yr 6.5	335,505,882	344,680,353	8.85%	102.73	6.50%	7.39%	5	352	9.6%	9.1%	2,785,071	(3,601,548)
30yr 7.0	74,696,685	77,449,198	1.99%	103.68	7.00%	7.94%	3	356	0.8%	-	533,512	(651,603)
<b>30yr Total</b>	<b>4,051,145,216</b>	<b>3,877,082,349</b>	<b>99.57%</b>	<b>95.70</b>	<b>4.33%</b>	<b>5.06%</b>	<b>22</b>	<b>334</b>	<b>4.61%</b>	<b>5.39%</b>	<b>86,219,988</b>	<b>(92,219,101)</b>
<b>Total Pass-Through MBS</b>												
	4,051,145,216	3,877,082,349	99.57%	95.70	4.33%	5.06%	22	334	4.61%	5.39%	86,219,988	(92,219,101)
<b>Structured MBS</b>												
IO 20yr 4.0	8,770,719	882,298	0.02%	10.06	4.00%	4.57%	144	89	11.1%	9.6%	4,687	(4,547)
IO 30yr 3.0	2,962,685	359,354	0.01%	12.13	3.00%	3.64%	107	241	0.8%	0.8%	(490)	(388)
IO 30yr 4.0	81,439,179	14,261,984	0.37%	17.51	4.00%	4.66%	112	239	12.2%	8.3%	(293,146)	224,296
IO 30yr 4.5	3,487,161	674,413	0.02%	19.34	4.50%	4.99%	162	185	8.8%	6.8%	(5,980)	3,265
IO 30yr 5.0	1,894,403	393,941	0.01%	20.80	5.00%	5.36%	162	186	10.0%	9.6%	(7,083)	4,927
<b>IO Total</b>	<b>98,554,147</b>	<b>16,571,992</b>	<b>0.43%</b>	<b>16.82</b>	<b>4.01%</b>	<b>4.60%</b>	<b>118</b>	<b>223</b>	<b>11.6%</b>	<b>8.1%</b>	<b>(302,012)</b>	<b>227,553</b>
HO 30yr 4.0	26,775,832	357,597	0.01%	1.34	0.00%	4.40%	75	274	1.8%	6.9%	105,417	(86,886)
<b>Total Structured MBS</b>	<b>125,329,979</b>	<b>16,929,588</b>	<b>0.435%</b>	<b>13.51</b>	<b>3.15%</b>	<b>4.55%</b>	<b>109</b>	<b>234</b>	<b>9.5%</b>	<b>7.9%</b>	<b>(196,595)</b>	<b>140,667</b>
<b>Mortgage Assets</b>												
<b>Total Mortgage Assets</b>	<b>\$ 4,176,475,195</b>	<b>\$ 3,894,011,937</b>	<b>100%</b>		<b>4.30%</b>	<b>5.05%</b>	<b>25</b>	<b>331</b>	<b>4.76%</b>	<b>5.46%</b>	<b>\$ 86,023,393</b>	<b>\$ (92,078,433)</b>
<b>Hedge<sup>2</sup></b>												
	Average Notional Balance	Hedge Period Average End									Int Rate Sensitivity (-50 BPS) <sup>1</sup>	Int Rate Sensitivity (+50 BPS) <sup>1</sup>
3-Month SOFR Futures	(100,000,000)	Mar-2026									(1,000,000)	1,000,000
5-Year Treasury Future	(421,500,000)	Mar-2024									(8,818,199)	8,685,594
10-Year Treasury Future	(320,000,000)	Mar-2024									(10,338,720)	10,096,123
Swaps	(2,326,500,000)	Nov-2029									(59,619,500)	57,474,961
TBA Short	(645,700,000)	Jan-2024									(10,821,779)	12,804,091
Swaptions	(800,000,000)	May-2024									(61,368)	364,539
<b>Hedge Total</b>	<b>\$ (4,613,700,000)</b>										<b>(90,659,565)</b>	<b>90,365,310</b>
<b>Rate Shock Grand Total</b>											<b>\$ (4,636,172)</b>	<b>\$ (1,713,124)</b>

Note: Above table excludes 6mo Treasury Bills valued at \$99.7 million. The 6mo bills were purchased to post as collateral for hedge positions.

(1) Modeled results from Yield Book. Interest rate shocks assume instantaneous parallel shifts and horizon prices are calculated assuming constant SOFR option-adjusted spreads. These results are for illustrative purposes only and actual results may differ materially.

(2) See slide 19 for additional hedge detail.

Source: Company Press Releases

## Orchid Credit Counterparties

**(\$ in thousands)**  
As of December 31, 2023

Counterparty	Total Outstanding Balances	% of Total	Weighted Average Maturity in Days	Longest Maturity
RBC Capital Markets, LLC	300,275	8.1%	16	1/17/2024
Citigroup Global Markets Inc	298,549	8.1%	26	1/28/2024
Mitsubishi UFJ Securities (USA), Inc	284,167	7.7%	22	1/29/2024
J.P. Morgan Securities LLC	266,958	7.2%	18	1/18/2024
Cantor Fitzgerald & Co	257,999	7.0%	44	2/13/2024
ASL Capital Markets Inc.	244,611	6.6%	17	1/29/2024
Wells Fargo Bank, N.A.	218,540	5.9%	26	1/26/2024
Mirae Asset Securities (USA) Inc.	200,200	5.4%	52	4/22/2024
Merrill Lynch, Pierce, Fenner & Smith	193,715	5.2%	16	1/25/2024
Deives Securities America Inc.	179,787	4.9%	24	1/24/2024
ABN AMRO Bank N.V.	177,114	4.8%	20	1/31/2024
Bank of Montreal	169,041	4.6%	16	1/16/2024
StoneX Financial Inc.	168,852	4.6%	16	1/16/2024
Goldman, Sachs & Co	160,410	4.3%	18	1/29/2024
Santander Bank, N.A.	154,412	4.2%	71	3/22/2024
ING Financial Markets LLC	128,758	3.5%	16	1/16/2024
Marex Capital Markets Inc.	115,143	3.1%	10	1/16/2024
DV Securities, LLC Repo	88,423	2.4%	48	2/29/2024
South Street Securities, LLC	80,295	2.2%	59	2/29/2024
Lucid Cash Fund USG LLC	9,840	0.3%	18	1/18/2024
Lucid Prime Fund, LLC	8,560	0.2%	18	1/18/2024
<b>Total / Weighted Average</b>	<b>\$ 3,705,649</b>	<b>100.0%</b>	<b>26</b>	<b>4/22/2024</b>

Source: Company Press Releases

## Gains (Losses) on Derivative Instruments

**Gains (Losses) on Derivative Instruments**

*(In thousands)*

	Recognized in Income Statement (GAAP)			Economic Hedges	
	TBA Securities Gain (Loss) Short Positions	TBA Securities Gain (Loss) Long Positions	Attributed to Current Period (Non-GAAP)	Attributed to Future Periods (Non-GAAP)	
<b>Three Months Ended</b>					
December 31, 2023	\$ (149,016)	\$ (29,750)	\$ (2,262)	\$ 28,340	\$ (145,344)
September 30, 2023	142,042	21,511	(2,024)	24,440	98,115
June 30, 2023	93,367	15,599	(574)	23,482	54,860
March 31, 2023	(41,156)	(5,990)	-	19,211	(54,377)
December 31, 2022	(12,519)	(9,700)	-	9,414	(12,033)
September 30, 2022	183,930	10,642	106	4,154	169,028
June 30, 2022	103,367	1,013	1,067	1,605	99,682
March 31, 2022	177,498	2,539	27	(1,605)	176,537
<b>Years Ended</b>					
December 31, 2023	\$ 45,237	\$ 1,370	\$ (4,860)	\$ 95,473	\$ (46,746)
December 31, 2022	452,476	4,494	1,200	13,568	433,214

**Economic Interest Expense and Economic Net Interest Income**

*(In thousands)*

	Interest Expense on Borrowings				Net Interest Income	
	Interest Income	GAAP Interest Expense	Gains (Losses) on Derivative Instruments Attributed to Current Period <sup>(1)</sup>	Economic Interest Expense <sup>(2)</sup>	GAAP Net Interest Income	Economic Net Interest Income <sup>(3)</sup>
<b>Three Months Ended</b>						
December 31, 2023	\$ 49,539	\$ 52,325	\$ 28,340	\$ 23,985	\$ (2,786)	\$ 25,554
September 30, 2023	50,107	58,705	24,440	34,265	(8,598)	15,842
June 30, 2023	39,911	48,671	23,482	25,189	(8,760)	14,722
March 31, 2023	38,012	42,217	19,211	23,006	(4,205)	15,006
December 31, 2022	31,897	29,512	9,414	20,098	2,385	11,799
September 30, 2022	35,611	21,361	4,154	17,207	14,250	18,404
June 30, 2022	35,268	8,180	1,605	6,575	27,088	28,693
March 31, 2022	41,857	2,655	(1,605)	4,260	39,202	37,597
<b>Years Ended</b>						
December 31, 2023	\$ 177,569	\$ 201,918	\$ 95,473	\$ 106,445	\$ (24,349)	\$ 71,124
December 31, 2022	144,633	61,708	13,568	48,140	82,925	96,493

Source: Company Financials

The tables to the left present a reconciliation of the adjustments to interest expense shown for each period relative to our derivative instruments, and the income statement line item, gains (losses) on derivative instruments, calculated in accordance with GAAP for the year ended December 31, 2023 and 2022, and for each quarter of 2023 and 2022.

1. Reflects the effect of derivative instrument hedges for only the period presented.
2. Calculated by adding the effect of derivative instrument hedges attributed to the period presented to GAAP interest expense.
3. Calculated by adding the effect of derivative instrument hedges attributed to the period presented to GAAP net interest income.



## Economic Net Interest Spread

The tables below provide information on our portfolio average balances, interest income, yield on assets, average borrowings, interest expense, cost of funds, net interest income and net interest spread for the year ended December 31, 2023 and 2022, and each quarter of 2023 and 2022 on both a GAAP and economic basis.

(\$ in thousands)

	Average RMBS Held <sup>(1)</sup>	Interest Income	Yield on Average RMBS	Average Borrowings <sup>(1)</sup>	Interest Expense		Average Cost of Funds	
					GAAP Basis	Economic Basis <sup>(2)</sup>	GAAP Basis	Economic Basis <sup>(3)</sup>
<b>Three Months Ended</b>								
December 31, 2023	\$4,207,118	\$ 49,539	4.71%	\$ 4,066,298	\$ 52,325	\$ 23,985	5.15%	2.36%
September 30, 2023	4,447,098	50,107	4.51%	4,314,332	58,705	34,265	5.44%	3.18%
June 30, 2023	4,186,939	39,911	3.81%	3,985,577	48,671	25,189	4.88%	2.53%
March 31, 2023	3,769,954	38,012	4.03%	3,573,941	42,217	23,006	4.72%	2.57%
December 31, 2022	3,370,608	31,897	3.79%	3,256,153	29,512	20,098	3.63%	2.47%
September 30, 2022	3,571,037	35,611	3.99%	3,446,420	21,361	17,207	2.48%	2.00%
June 30, 2022	4,260,727	35,268	3.31%	4,111,544	8,180	6,575	0.80%	0.64%
March 31, 2022	5,545,844	41,857	3.02%	5,354,107	2,655	4,260	0.20%	0.32%
<b>Years Ended</b>								
December 31, 2023	\$4,152,777	\$ 177,569	4.28%	\$ 3,985,037	\$ 201,918	\$ 106,445	5.07%	2.67%
December 31, 2022	4,187,054	144,633	3.45%	4,042,056	61,708	48,140	1.53%	1.19%

(\$ in thousands)

	Net Interest Income		Net Interest Spread	
	GAAP Basis	Economic Basis <sup>(2)</sup>	GAAP Basis	Economic Basis <sup>(4)</sup>
<b>Three Months Ended</b>				
December 31, 2023	\$ (2,786)	\$ 25,554	(0.44)%	2.35%
September 30, 2023	(8,598)	15,842	(0.93)%	1.33%
June 30, 2023	(8,760)	14,722	(1.07)%	1.28%
March 31, 2023	(4,205)	15,006	(0.69)%	1.46%
December 31, 2022	2,385	11,799	0.16%	1.32%
September 30, 2022	14,250	18,404	1.51%	1.99%
June 30, 2022	27,088	28,693	2.51%	2.67%
March 31, 2022	39,202	37,597	2.82%	2.70%
<b>Years Ended</b>				
December 31, 2023	\$ (24,349)	\$ 71,124	(0.79)%	1.61%
December 31, 2022	82,925	96,493	1.92%	2.26%

- Portfolio yields and costs of borrowings presented in the tables above and the tables on pages 30 are calculated based on the average balances of the underlying investment portfolio/borrowings balances and are annualized for the periods presented. Average balances for quarterly periods are calculated using two data points, the beginning and ending balances.
- Economic interest expense and economic net interest income presented in the tables above and the tables on page 30 includes the effect of our derivative instrument hedges for only the periods presented.
- Represents interest cost of our borrowings and the effect of derivative instrument hedges attributed to the period divided by average RMBS.
- Economic net interest spread is calculated by subtracting average economic cost of funds from realized yield on average RMBS.

Source: Company Financials

## Interest Income

The table below depicts Orchid's interest income and yield on average MBS if premium or discount associated with securities were amortized/accreted if Orchid used the available-for-sale accounting method for the years ended December 31, 2023, 2022 and 2021, and for each quarter of 2021 through 2023.

*(\$ in thousands)*

	Average RMBS Held(1)	Interest Income (2)	Yield on Average RMBS(3)	Unrealized Gains and Losses on PT RMBS			Inclusive of Premium Amortization/Discount Accretion	
				As Reported	Premium Amortization/Discount Accretion(1)	Price Only Unrealized Gains (Losses)	Interest Income(4)	Yield on Avg RMBS(3)
<b>Three Months Ended</b>								
December 31, 2023	\$4,207,118	\$49,539	4.71%	\$ 206,222	\$ 8,067	\$ 198,155	\$ 57,606	5.48%
September 30, 2023	4,447,098	50,107	4.51%	(210,159)	7,252	(217,411)	57,359	5.16
June 30, 2023	4,186,939	39,911	3.81%	(68,898)	4,886	(73,784)	44,797	4.28
March 31, 2023	3,769,954	38,012	4.03%	53,444	4,774	48,670	42,786	4.54
December 31, 2022	3,370,608	31,897	3.79%	50,182	6,748	43,434	38,654	4.59
September 30, 2022	3,571,037	35,611	3.99%	(211,727)	4,647	(216,374)	40,258	4.51
June 30, 2022	4,260,727	35,268	3.31%	(176,042)	726	(176,768)	35,994	3.38
March 31, 2022	5,545,844	41,857	3.02%	(326,212)	(8,431)	(317,781)	33,426	2.41
December 31, 2021	6,056,259	44,421	2.93%	(90,357)	(11,492)	(78,865)	32,929	2.17
September 30, 2021	5,136,331	34,169	2.66%	(15,219)	(9,769)	(5,450)	24,400	1.90
June 30, 2021	4,504,887	29,254	2.60%	2,973	(9,184)	12,157	20,070	1.78
March 31, 2021	4,032,716	26,856	2.66%	(98,885)	(11,099)	(87,786)	15,757	1.56
<b>Years Ended</b>								
December 31, 2023	\$4,152,777	\$177,569	4.28%	\$ (19,391)	\$ 24,979	\$ (44,370)	\$ 202,548	4.88%
December 31, 2022	4,187,054	144,633	3.45%	(663,799)	3,690	(667,489)	148,323	3.54
December 31, 2021	4,932,548	134,700	2.73%	(201,488)	(41,544)	(159,944)	93,156	1.89

- Premium amortization/discount accretion for each period is calculated using beginning of period market value of all securities versus premium/discount at the time the security is purchased. Figures presented are intended to approximate amortization/accretion over the life of the security to figures using premium/discount amortization/accretion based on amounts present at purchase date.
- As reported in the Company's statements of comprehensive income using the fair value accounting method.
- Quarterly figures are annualized.
- Interest income - Inclusive of Premium Amortization/Discount Accretion and Yield on Average RMBS are non-GAAP measures.

## Securitized Products Returns December 2023

**Last 12 months from December 2022 – sorted by total returns**

Sector	Last 12 Mo. (As of 12/31/23)		2022		12/31/2023
	Total Return	Excess Return (vs. Swaps/Libor)	Total Return	Excess Return (vs. Swaps/Libor)	
NDX 100	53.8%	N/A	-33.0%	N/A	16826
CLO 2 0/3 0 BB	25.1%	19.3%	-4.8%	-7.4%	775
S&P500	24.2%	N/A	-19.4%	N/A	4770
CRTBI	20.7%	15.1%	-1.4%	-2.6%	330
CLO 2 0/3 0 BBB	17.3%	11.8%	-3.6%	-6.2%	375
CRT M2(ikM)	16.0%	10.6%	1.2%	-0.6%	225
SP down in credit indicator	15.1%	10.5%	-6.4%	-4.1%	NA
CLO 2 0/3 0 A	14.4%	8.9%	-2.6%	-5.2%	255
HY Corporate	13.5%	8.6%	-11.2%	-3.5%	369
LeveragedLoans	13.1%	7.7%	-0.6%	-3.2%	NA
CRT MI	11.0%	5.7%	1.7%	-0.4%	140
CLO 2 0/3 0 AA	10.8%	5.7%	-0.7%	-3.4%	200
CLO 2 0/3 0 Total	10.6%	5.2%	-0.4%	-3.1%	194
CLO 2 0/3 0 AAA	8.6%	3.3%	0.5%	-2.3%	135
IGCorporate	8.4%	4.6%	-15.4%	-2.7%	144
SP return indicator	7.6%	2.8%	-4.6%	-2.8%	NA
FloatingABS	7.6%	2.3%	0.1%	-2.7%	108
LegacyRMBS	6.7%	1.4%	-7.0%	-7.4%	271
SPAAA indicator	6.6%	1.8%	-3.9%	-1.5%	NA
FixedABS	6.3%	1.5%	-4.4%	-0.6%	141
AgencyCMBS	5.1%	0.8%	-10.1%	-0.8%	82
AgencyMBS	5.0%	0.7%	-11.9%	-3.1%	91
CMBS	4.7%	0.3%	-10.2%	-2.1%	279
US Treasury	3.9%	0.1%	-12.9%	-1.1%	37
CMBS BBB	-1.1%	-5.5%	-14.2%	-6.9%	1349

**Last 12 months from December 2022 – sorted by excess return**

Sector	Last 12 Mo. (As of 12/31/23)		2022		12/31/2023
	Total Return	Excess Return (vs. Swaps/Libor)	Total Return	Excess Return (vs. Swaps/Libor)	
NDX 100	53.8%	N/A	-33.0%	N/A	16826
S&P500	24.2%	N/A	-19.4%	N/A	4770
CLO 2 0/3 0 BB	25.1%	19.3%	-4.8%	-7.4%	775
CRT BI	20.7%	15.1%	-1.4%	-2.6%	330
CLO 2 0/3 0 BBB	17.3%	11.8%	-3.6%	-6.2%	375
CRT M2(ikM)	16.0%	10.6%	1.2%	-0.6%	225
SP down in credit indicator	15.1%	10.5%	-6.4%	-4.1%	NA
CLO 2 0/3 0 A	14.4%	8.9%	-2.6%	-5.2%	255
HY Corporate	13.5%	8.6%	-11.2%	-3.5%	369
LeveragedLoans	13.1%	7.7%	-0.6%	-3.2%	NA
CLO 2 0/3 0 AA	10.8%	5.7%	-0.7%	-3.4%	200
CRT MI	11.0%	5.7%	1.7%	-0.4%	140
CLO 2 0/3 0 Total	10.6%	5.2%	-0.4%	-3.1%	194
IGCorporate	8.4%	4.6%	-15.4%	-2.7%	144
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CMBS BBB	-1.1%	-5.5%	-14.2%	-6.9%	1349

Source: BofA Global Research - Securitized Products Returns for September 2023/  
Securitized Products Strategy / 02 October 2023

