



Bimini Capital Management Announces Third Quarter 2022 Results

November 10, 2022

VERO BEACH, Fla.--(BUSINESS WIRE)-- Bimini Capital Management, Inc. (OTCQB: BMNM), ("Bimini Capital," "Bimini," or the "Company"), today announced results of operations for the three-month period ended September 30, 2022.

Third Quarter 2022 Highlights

- Net loss of \$3.2 million, or \$0.31 per common share
- Book value per share of \$2.38
- Company to discuss results on Monday, November 14, 2022, at 10:00 AM ET

Management Commentary

Commenting on the third quarter results, Robert E. Cauley, Chairman and Chief Executive Officer, said, "In a continuation of the extremely volatile market conditions that have existed since the onset of the COVID-19 pandemic, during the third quarter of 2022 the financial markets were extremely turbulent. During the third quarter, the response by the Federal Reserve (the "Fed") to inflation grew more hawkish. Through early August of 2022 the markets perceived that, while inflation was not transitory, the Fed would be able to dampen demand by raising rates and cause inflation to decrease back towards the Fed's long-term target of 2%. Further, the market anticipated this would happen by early in 2023 and that the Fed would pivot and start to loosen monetary policy shortly thereafter. The Fed, through their public comments stressed that this was not going to be the case. Supporting the Fed's case, incoming economic data over the period was persistently strong, indicating that rate increases to date had yet to slow demand. The Fed raised the Fed Funds target range by 75 basis points in June, July, September, and early November. At the conclusion of the November meeting the Fed made it clear that they are not done raising rates and that rates are likely to remain high for some time.

"The result of these developments was significant and widespread. Germane to levered MBS investors like Royal Palm and Orchid Island Capital ("Orchid"), were increases in market interest rates and a widening in the spreads that Agency MBS securities trade relative to comparable duration U.S. Treasuries or swaps. The yield on the 10-year U.S. Treasury rose from approximately 2.58% on August 1, 2022 to 3.83% on September 30, 2022, and just under 4.25% on October 24, 2022. Short maturity rates rose even more and, based on Fed funds futures, the market expects the Fed will ultimately raise the Fed Funds rate to over 5% by the second quarter of 2023.

"Agency MBS spreads relative to benchmark interest rates increased to levels observed in March of 2020 by the end of the third quarter of 2022 and have exceeded those levels so far in the fourth quarter of 2022. Returns for the Agency MBS market for the third quarter of 2022 were (5.4)% and these returns were 1.7% lower than comparable duration LIBOR swaps. The relative performance across the Agency MBS universe is skewed in favor of higher coupon, 30-year securities that are currently in production by originators. Lower coupon securities, especially those held in large amounts by the Fed, and which may eventually be sold by the Fed, have performed the worst. Further aggressive hiking by the Fed may prevent the sector from performing well in the near term but, if the economy does contract and enter a recession, the sector could do well on a relative performance basis owing to the lack of credit exposure of Agency MBS. This is consistent with the sector's history of performance in a counter-cyclical manner – doing well when the economy is soft and relatively poorly when the economy is strong.

"For the quarter, Orchid reported a loss of \$84.5 million and its shareholders equity declined from \$506.4 million to \$400.4 million. The market conditions described above drove the loss as agency MBS underperformed comparable duration U.S. Treasuries and Orchid's hedge positions. As a result, Orchid recorded net realized and unrealized losses of approximately \$93.5 million related to its Agency RMBS portfolio and related hedges. The decline in shareholders equity may lead to reduced management fees at Bimini Advisors in the near-term since the management fees are a function of Orchid's equity. Orchid also reduced its monthly dividend during the third quarter so monthly dividend revenues on the Company's approximately 519 thousand shares declined from approximately \$350.4 thousand to approximately \$282.9 thousand. Orchid, like Bimini, will focus on weathering the current market conditions and looks forward to capitalizing on the attractive returns that historically have become available as markets settle.

"As we discussed at the end of the second quarter, our intention was to grow our cash position until we saw clear evidence the market had stabilized before redeploying our cash to resume growing the portfolio. The Agency MBS did in fact stabilize during July and early August of 2022, and we took initial steps to rebuild the portfolio by purchasing approximately \$10.2 million of pass-through MBS. As a result of paydowns of approximately \$1.8 million and mark to market declines of approximately \$2.6 million, the pass-through portfolio only increased by approximately \$5.8 million. The structured portfolio was essentially unchanged during the quarter. Given the developments that occurred over the balance of the quarter and into the fourth quarter, we are again willing to let our cash position resume building and will only seek to resume growing the portfolio once we see clear evidence the current rate cycle is nearing its conclusion."

Details of Third Quarter 2022 Results of Operations

The Company reported net loss of \$3.2 million for the three-month period ended September 30, 2022. Advisory service revenue for the quarter was \$3.3 million. We recorded interest and dividend income of \$0.7 million and interest expense on repurchase agreements of \$0.2 million and long-term debt of \$0.4 million. We recorded a \$3.1 million mark to market loss on our shares of Orchid common stock and unrealized losses of \$2.6 million on our MBS portfolio. The results for the quarter also included operating expenses of \$2.1 million and an income tax benefit of \$0.3 million.

Management of Orchid Island Capital, Inc.

Orchid is managed and advised by Bimini. As Manager, Bimini is responsible for administering Orchid's business activities and day-to-day operations. Pursuant to the terms of the management agreement, Bimini Advisors provides Orchid with its management team, including its officers, along with appropriate support personnel.

Bimini also maintains a common stock investment in Orchid which is accounted for under the fair value option, with changes in fair value recorded in the statement of operations for the current period. For the three months ended September 30, 2022, Bimini's statement of operations included a fair value adjustment of \$(3.1) million and dividends of \$0.3 million from its investment in Orchid's common stock. Also during the three months ended September 30, 2022, Bimini recorded \$3.3 million in advisory services revenue for managing Orchid's portfolio consisting of \$2.6 million of management fees, \$0.5 million in overhead reimbursement and \$0.2 million in repurchase, clearing and administrative fees.

Book Value Per Share

The Company's Book Value Per Share at September 30, 2022 was \$2.38. The Company computes Book Value Per Share by dividing total stockholders' equity by the total number of shares outstanding of the Company's Class A Common Stock. At September 30, 2022, the Company's stockholders' equity was \$24.3 million, with 10,246,809 Class A Common shares outstanding.

Capital Allocation and Return on Invested Capital

The Company allocates capital between two MBS sub-portfolios, the pass-through MBS portfolio ("PT MBS") and the structured MBS portfolio, consisting of interest only ("IO") and inverse interest-only ("IIO") securities. The table below details the changes to the respective sub-portfolios during the quarter.

Portfolio Activity for the Quarter						
	Pass-Through Portfolio	Structured Security Portfolio			Sub-total	Total
		Interest-Only Securities	Inverse Interest Only Securities			
Market Value - June 30, 2022	\$ 35,492,144	\$ 3,033,792	\$ 9,114	\$ 3,042,906	\$ 38,535,050	
Securities purchased	10,187,515	-	-	-	10,187,515	
Return of investment	n/a	(98,654)	(416)	(99,070)	(99,070)	
Pay-downs	(1,781,672)	n/a	n/a	n/a	(1,781,672)	
Premium lost due to pay-downs	(6,927)	n/a	n/a	n/a	(6,927)	
Mark to market gains (losses)	(2,615,173)	52,304	(2,500)	49,804	(2,565,369)	
Market Value - September 30, 2022	\$ 41,275,887	\$ 2,987,442	\$ 6,198	\$ 2,993,640	\$ 44,269,527	

The tables below present the allocation of capital between the respective portfolios at September 30, 2022 and June 30, 2022, and the return on invested capital for each sub-portfolio for the three-month period ended September 30, 2022. Capital allocation is defined as the sum of the market value of securities held, less associated repurchase agreement borrowings, plus cash and cash equivalents and restricted cash associated with repurchase agreements. Capital allocated to non-portfolio assets is not included in the calculation.

The returns on invested capital in the PT MBS and structured MBS portfolios were approximately (31.5)% and 3.7%, respectively, for the third quarter of 2022. The combined portfolio generated a return on invested capital of approximately (18.3)%.

Capital Allocation						
	Pass-Through Portfolio	Structured Security Portfolio			Sub-total	Total
		Interest-Only Securities	Inverse Interest Only Securities			
September 30, 2022						
Market value	\$ 41,275,887	\$ 2,987,442	\$ 6,198	\$ 2,993,640	\$ 44,269,527	
Cash equivalents and restricted cash	7,399,097	-	-	-	7,399,097	
Repurchase agreement obligations	(43,493,999)	-	-	-	(43,493,999)	

Total ⁽¹⁾	\$	5,180,985	\$	2,987,442	\$	6,198	\$	2,993,640	\$	8,174,625
% of Total		63.4%		36.5%		0.1%		36.6%		100.0%
June 30, 2022										
Market value	\$	35,492,144	\$	3,033,792	\$	9,114	\$	3,042,906	\$	38,535,050
Cash equivalents and restricted cash		6,529,567		-		-		-		6,529,567
Repurchase agreement obligations		(36,925,999)		-		-		-		(36,925,999)
Total ⁽¹⁾	\$	5,095,712	\$	3,033,792	\$	9,114	\$	3,042,906	\$	8,138,618
% of Total		62.6%		37.3%		0.1%		37.4%		100.0%

(1) Invested capital includes the value of the MBS portfolio and cash equivalents and restricted cash, reduced by repurchase agreement borrowings.

Returns for the Quarter Ended September 30, 2022						
	Pass-Through Portfolio	Structured Security Portfolio			Sub-total	Total
		Interest-Only Securities	Inverse Interest Only Securities			
Interest income (net of repo cost)	\$ 173,242	\$ 60,306	\$ 1,332	\$ 61,638	\$ 234,880	
Realized and unrealized (losses) gains	(2,622,100)	52,304	(2,500)	49,804	(2,572,296)	
Hedge gains	844,188	n/a	n/a	n/a	844,188	
Total Return	\$ (1,604,670)	\$ 112,610	\$ (1,168)	\$ 111,442	\$ (1,493,228)	
Beginning capital allocation	\$ 5,095,712	\$ 3,033,792	\$ 9,114	\$ 3,042,906	\$ 8,138,618	
Return on invested capital for the quarter ⁽¹⁾	(31.5)%	3.7%	(12.8)%	3.7%	(18.3)%	

(1) Calculated by dividing the Total Return by the Beginning Capital Allocation, expressed as a percentage.

Prepayments

For the third quarter of 2022, the Company received approximately \$1.9 million in scheduled and unscheduled principal repayments and prepayments, which equated to a 3-month constant prepayment rate ("CPR") of approximately 10.8% for the third quarter of 2022. Prepayment rates on the two MBS sub-portfolios were as follows (in CPR):

Three Months Ended	PT MBS Sub-Portfolio	Structured MBS Sub-Portfolio	Total Portfolio
September 30, 2022	13.1	7.5	10.8
June 30, 2022	17.2	22.9	20.0
March 31, 2022	18.5	25.6	20.9
December 31, 2021	13.7	35.2	21.1
September 30, 2021	15.5	26.9	18.3
June 30, 2021	21.0	31.3	21.9
March 31, 2021	18.5	16.4	18.3

Portfolio

The following tables summarize the MBS portfolio as of September 30, 2022 and December 31, 2021:

(\$ in thousands)

Asset Category	Fair Value	Percentage of Entire Portfolio	Weighted Average Coupon	Weighted Average Maturity in Months	Longest Maturity
September 30, 2022					
Fixed Rate MBS	\$ 41,276	93.2%	4.02%	329	1-Jul-52
Structured MBS	2,994	6.8%	2.84%	301	15-May-51
Total MBS Portfolio	\$ 44,270	100.0%	3.62%	327	1-Jul-52
December 31, 2021					

Fixed Rate MBS	\$	58,029	95.4%	3.69%	330	1-Sep-51
Structured MBS		2,774	4.6%	2.88%	306	15-May-51
Total MBS Portfolio	\$	60,803	100.0%	3.41%	329	1-Sep-51

(\$ in thousands)

Agency	September 30, 2022			December 31, 2021		
	Fair Value	Percentage of Entire Portfolio		Fair Value	Percentage of Entire Portfolio	
Fannie Mae	\$ 31,774	71.8%	\$	39,703	65.3%	
Freddie Mac	12,496	28.2%		21,100	34.7%	
Total Portfolio	\$ 44,270	100.0%	\$	60,803	100.0%	

	September 30, 2022		December 31, 2021	
Weighted Average Pass Through Purchase Price	\$	105.51	\$	109.33
Weighted Average Structured Purchase Price	\$	4.48	\$	4.81
Weighted Average Pass Through Current Price	\$	94.00	\$	109.30
Weighted Average Structured Current Price	\$	13.36	\$	9.87
Effective Duration ⁽¹⁾		4.484		2.103

(1) Effective duration is the approximate percentage change in price for a 100 basis point change in rates. An effective duration of 4.484 indicates that an interest rate increase of 1.0% would be expected to cause a 4.484% decrease in the value of the MBS in the Company's investment portfolio at September 30, 2022. An effective duration of 2.103 indicates that an interest rate increase of 1.0% would be expected to cause a 2.103% decrease in the value of the MBS in the Company's investment portfolio at December 31, 2021. These figures include the structured securities in the portfolio but not the effect of the Company's hedges. Effective duration quotes for individual investments are obtained from The Yield Book, Inc.

Financing and Liquidity

As of September 30, 2022, the Company had outstanding repurchase obligations of approximately \$43.5 million with a net weighted average borrowing rate of 2.98%. These agreements were collateralized by MBS with a fair value, including accrued interest, of approximately \$44.3 million and cash of approximately \$1.2 million. At September 30, 2022, the Company's liquidity was approximately \$6.1 million, consisting of unpledged MBS and cash and cash equivalents.

We may pledge more of our structured MBS as part of a repurchase agreement funding, but retain 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 outstanding borrowings under repurchase obligations at September 30, 2022.

(\$ in thousands)

Repurchase Agreement Obligations						
Counterparty	Total Outstanding Balances	% of Total	Weighted Average Borrowing Rate	Amount at Risk ⁽¹⁾	Weighted Average Maturity (in Days)	
Mirae Asset Securities (USA) Inc.	\$ 25,345	58.4%	2.93%	\$ 1,107	16	
Citigroup Global Markets, Inc.	9,501	21.8%	2.94%	392	14	
South Street Securities, LLC	4,062	9.3%	3.12%	85	19	
Mitsubishi UFJ Securities (USA), Inc.	2,500	5.7%	3.32%	350	23	
ED&F Man Capital Markets, Inc.	2,086	4.8%	3.08%	35	19	
	\$ 43,494	100.0%	2.98%	\$ 1,969	16	

(1) Equal to the fair value of securities sold (including accrued interest receivable) and cash posted as collateral, if any, minus the sum of repurchase agreement liabilities, accrued interest payable and securities posted by the counterparty (if any).

Summarized Consolidated Financial Statements

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

CONSOLIDATED BALANCE SHEETS
(Unaudited - Amounts Subject To Change)

	September 30,	
	2022	December 31, 2021
ASSETS		
Mortgage-backed securities	\$ 44,269,527	\$ 60,803,144
Cash equivalents and restricted cash	7,399,097	9,812,410
Orchid Island Capital, Inc. common stock, at fair value	4,256,384	11,679,107
Accrued interest receivable	200,104	229,942
Deferred tax assets, net	36,607,388	35,036,312
Other assets	4,137,042	4,523,726
Total Assets	\$ 96,869,542	\$ 122,084,641
LIABILITIES AND STOCKHOLDERS' EQUITY		
Repurchase agreements	\$ 43,493,999	\$ 58,877,999
Long-term debt	27,422,050	27,438,976
Other liabilities	1,605,638	2,767,816
Total Liabilities	72,521,687	89,084,791
Stockholders' equity	24,347,855	32,999,850
Total Liabilities and Stockholders' Equity	\$ 96,869,542	\$ 122,084,641
Class A Common Shares outstanding	10,246,809	10,702,194
Book value per share	\$ 2.38	\$ 3.08

BIMINI CAPITAL MANAGEMENT, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited - Amounts Subject to Change)

	Nine Months Ended September		Three Months Ended September	
	30,		30,	
	2022	2021	2022	2021
Advisory services	\$ 9,719,703	\$ 6,757,799	\$ 3,311,962	\$ 2,546,578
Interest and dividend income	2,363,811	3,244,552	727,701	1,043,295
Interest expense	(1,252,400)	(842,503)	(588,680)	(272,194)
Net revenues	10,831,114	9,159,848	3,450,983	3,317,679
Other expense	(14,025,878)	(2,854,649)	(4,802,482)	(1,032,766)
Expenses	6,215,658	5,133,566	2,077,307	1,652,562
Net (loss) income before income tax (benefit) provision	(9,410,422)	1,171,633	(3,428,806)	632,351
Income tax (benefit) provision	(1,571,076)	336,389	(255,618)	167,751
Net (loss) income	\$ (7,839,346)	\$ 835,244	\$ (3,173,188)	\$ 464,600

Basic and Diluted Net (Loss) Income Per Share of:

CLASS A COMMON STOCK	\$ (0.75)	\$ 0.07	\$ (0.31)	\$ 0.04
CLASS B COMMON STOCK	\$ (0.75)	\$ 0.07	\$ (0.31)	\$ 0.04

Key Balance Sheet Metrics	Three Months Ended September	
	30,	
	2022	2021
Average MBS ⁽¹⁾	\$ 41,402,288	\$ 66,691,953
Average repurchase agreements ⁽¹⁾	40,209,999	67,252,999
Average stockholders' equity ⁽¹⁾	26,115,625	34,305,539

Key Performance Metrics

Average yield on MBS ⁽²⁾	4.30%	3.22%
Average cost of funds ⁽²⁾	2.09%	0.14%
Average economic cost of funds ⁽³⁾	3.92%	4.36%

Average interest rate spread ⁽⁴⁾	2.21%	3.08%
Average economic interest rate spread ⁽⁵⁾	0.38%	(1.14)%

Summarized Consolidated Financial Statements

- (1). Average MBS, repurchase agreements and stockholders' equity balances are calculated using two data points, the beginning and ending balances.
- (2). Portfolio yields and costs of funds are calculated based on the average balances of the underlying investment portfolio/repurchase agreement balances and are annualized for the quarterly periods presented.
- (3). Represents interest cost of our borrowings and the effect of derivative agreements attributed to the period related to hedging activities, divided by average repurchase agreements.
- (4). Average interest rate spread is calculated by subtracting average cost of funds from average yield on MBS.
- (5). Average economic interest rate spread is calculated by subtracting average economic cost of funds from average yield on MBS.

About Bimini Capital Management, Inc.

Bimini Capital Management, Inc. invests primarily in, but is not limited to investing in, residential mortgage-related securities issued by the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac) and the Government National Mortgage Association (Ginnie Mae). Its objective is to earn returns on the spread between the yield on its assets and its costs, including the interest expense on the funds it borrows. In addition, Bimini generates a significant portion of its revenue serving as the manager of the MBS portfolio of, and providing certain repurchase agreement trading, clearing and administrative services to, Orchid Island Capital, Inc.

Forward Looking Statements

Statements herein relating to matters that are not historical facts 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 Bimini Capital Management, Inc.'s filings with the Securities and Exchange Commission, including Bimini Capital Management, Inc.'s most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. Bimini Capital Management, 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.

Earnings Conference Call Details

An earnings conference call and live audio webcast will be hosted Monday, November 14, 2022, at 10:00 AM ET. Participants can receive dial-in information via email by following the link:

<https://www.netroadshow.com/events/login?show=9af9aee6&confId=43613>

A live audio webcast of the conference call can be accessed via the investor relations section of the Company's website at <https://ir.bimincapital.com> or at <https://events.q4inc.com/attendee/567537104>, and an audio archive of the webcast will be available for approximately one year.



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