



Bimini Capital Management Announces Second Quarter 2022 Results

August 11, 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 June 30, 2022.

Second Quarter 2022 Highlights

- Net loss of \$1.2 million, or \$0.11 per common share
- Book value per share of \$2.66
- Company to discuss results on Friday, August 12, 2022, at 10:00 AM ET

Management Commentary

Commenting on the second quarter results, Robert E. Cauley, Chairman and Chief Executive Officer, said, "During the latter part of the second quarter of 2022 inflation data drove a material change in Fed policy, interest rates and the outlook for the economy. Specifically, the CPI for May, released in June, was far above market expectations. Survey measures of inflation expectations, released on the same day, surged to multi-decade highs. In July, the June CPI reading was released and was again well above market expectations. Equally troubling, elevated inflation readings were very broad based, implying inflationary pressures have clearly spread from just those sectors most exposed to COVID-19 related supply constraints. This was the catalyst for the Fed to pivot even more forcefully than they did during late 2021/early 2022, demonstrated by the Fed increasing the Fed Funds rate by 200 basis points collectively at the May, June and July meetings. The market expects the Fed to continue raising the Fed Funds rate by another 100 basis points by year-end. Increases in the Fed Funds rate are likely to affect economic activity, and the Fed has acknowledged their actions may lead to a recession. Sectors of the economy most sensitive to interest rates – such as housing – have already started to slow.

"The market appears to anticipate the Fed will be able to contain inflation and that the result will be a contraction in economic growth. This is reflected in yields for longer-term U.S. Treasuries. With the Fed expected to increase the Fed Funds rate by another 100 basis points or more, shorter maturity U.S. Treasuries remain elevated, with the yield on the 2-year U.S. Treasury Note yielding approximately 3.23% on August 10, 2022. The combined effect – more increases to the Fed Funds rate, and the presumption inflation will ultimately be contained by the Fed – albeit potentially at the expense of a recession, has caused the yield curve to invert whereby shorter maturity U.S. Treasuries yield more than long-term U.S. Treasuries. This condition may persist for the balance of 2022 and into 2023. These developments were detrimental to the performance of Agency MBS securities and as the quarter came to an end the current coupon 30-year fixed rate mortgage – a widely referenced benchmark – was trading at very wide spreads to comparable duration treasuries – and nearly as wide as the spreads seen during March of 2020 when the financial markets were at the peak of their distress.

"Given these developments in the fixed income markets and the poor performance of Agency MBS in particular Orchid Island Capital reported a second quarter 2022 loss of \$60.1 million and its shareholders equity declined from \$592.4 million to \$506.4 million. The market conditions described above drove the loss as agency MBS underperformed comparable duration treasuries and the Orchid's hedge positions. 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 twice during the first quarter so monthly dividend revenues on the Company's approximately 2.5 million shares declined from approximately \$402.3 thousand to approximately \$350.4 thousand during the second quarter. 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 first quarter, we took steps to reduce the MBS portfolio at Royal Palm in response to adverse market conditions. In fact, the Agency MBS portfolio at Royal Palm Capital decreased during the second quarter of 2022 by \$16.1 million, the combined effect of net sales of \$12.3 million mentioned above, \$2.1 million of paydowns and return of investment on the structured securities portfolio and \$1.7 million of net realized and unrealized market to market losses. As the second quarter of 2022 unfolded 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. To date, the Agency MBS market has recovered somewhat during the third quarter of 2022, and we will likely begin to rebuild the portfolio over the balance of the quarter."

Details of Second Quarter 2022 Results of Operations

The Company reported net loss of \$1.2 million for the three-month period ended June 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 long-term debt of \$0.3 million. We recorded a \$1.0 million mark to market loss on our shares of Orchid common stock and realized and unrealized losses of \$1.8 million on our MBS portfolio. The results for the quarter also included operating expenses of \$2.1 million and an income tax benefit of \$0.1 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 June 30, 2022, Bimini's statement of operations included a fair value adjustment of \$(1.0) million and dividends of \$0.4 million from its investment in Orchid's common stock. Also during the three months ended June 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 June 30, 2022 was \$2.66. 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 June 30, 2022, the Company's stockholders' equity was \$27.9 million, with 10,472,779 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					Total
	Pass-Through Portfolio	Structured Security Portfolio		Sub-total		
		Interest-Only Securities	Inverse Interest Only Securities			
Market Value - March 31, 2022	\$ 51,643,964	\$ 3,019,549	\$ 15,689	\$ 3,035,238	\$	\$ 54,679,202
Securities purchased	10,821,877	-	-	-		10,821,877
Securities sold	(23,096,853)	-	-	-		(23,096,853)
Losses on sales	(858,001)	-	-	-		(858,001)
Return of investment	n/a	(110,372)	(1,424)	(111,796)		(111,796)
Pay-downs	(1,980,029)	n/a	n/a	n/a		(1,980,029)
Premium lost due to pay-downs	(84,638)	n/a	n/a	n/a		(84,638)
Mark to market gains (losses)	(954,176)	124,615	(5,151)	119,464		(834,712)
Market Value - June 30, 2022	\$ 35,492,144	\$ 3,033,792	\$ 9,114	\$ 3,042,906	\$	\$ 38,535,050

The tables below present the allocation of capital between the respective portfolios at June 30, 2022 and March 31, 2022, and the return on invested capital for each sub-portfolio for the three-month period ended June 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 (35.0)% and 5.9%, respectively, for the second quarter of 2022. The combined portfolio generated a return on invested capital of approximately (19.2)%.

Capital Allocation

Structured Security Portfolio

	Pass-Through Portfolio	Interest-Only Securities	Inverse Interest Only Securities	Sub-total	Total
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%
March 31, 2022					
Market value	\$ 51,643,964	\$ 3,019,549	\$ 15,689	\$ 3,035,238	\$ 54,679,202
Cash equivalents and restricted cash	7,983,873	-	-	-	7,983,873
Repurchase agreement obligations	(54,814,689)	-	-	-	(54,814,689)
Total ⁽¹⁾	\$ 4,813,148	\$ 3,019,549	\$ 15,689	\$ 3,035,238	\$ 7,848,386
% of Total	61.3%	38.5%	0.2%	38.7%	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 June 30, 2022						
	Pass-Through Portfolio	Structured Security Portfolio			Sub-total	Total
		Interest-Only Securities	Inverse Interest Only Securities			
Interest income (net of repo cost)	\$ 260,498	\$ 57,910	\$ 986	\$ 58,896	\$ 319,394	
Realized and unrealized (losses) gains	(1,896,815)	124,615	(5,151)	119,464	(1,777,351)	
Hedge losses	(49,688)	n/a	n/a	n/a	(49,688)	
Total Return	\$ (1,686,005)	\$ 182,525	\$ (4,165)	\$ 178,360	\$ (1,507,645)	
Beginning capital allocation	\$ 4,813,148	\$ 3,019,549	\$ 15,689	\$ 3,035,238	\$ 7,848,386	
Return on invested capital for the quarter ⁽¹⁾	(35.0)%	6.0%	(26.5)%	5.9%	(19.2)%	

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

Prepayments

For the second quarter of 2022, the Company received approximately \$2.1 million in scheduled and unscheduled principal repayments and prepayments, which equated to a 3-month constant prepayment rate ("CPR") of approximately 20.0% for the second 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
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 June 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
June 30, 2022					
Fixed Rate MBS	\$ 35,492	92.1%	4.03%	324	1-May-52
Interest-Only MBS	3,034	7.9%	2.82%	302	15-May-51
Inverse Interest-Only MBS	9	0.0%	5.45%	203	15-May-39
Total MBS Portfolio	\$ 38,535	100.0%	3.55%	322	1-May-52
December 31, 2021					
Fixed Rate MBS	\$ 58,029	95.4%	3.69%	330	1-Sep-51
Interest-Only MBS	2,759	4.6%	2.86%	306	15-May-51
Inverse Interest-Only MBS	15	0.0%	5.90%	209	15-May-39
Total MBS Portfolio	\$ 60,803	100.0%	3.41%	329	1-Sep-51

(\$ in thousands)

Agency	June 30, 2022		December 31, 2021	
	Fair Value	Percentage of Entire Portfolio	Fair Value	Percentage of Entire Portfolio
Fannie Mae	\$ 24,701	64.1%	\$ 39,703	65.3%
Freddie Mac	13,834	35.9%	21,100	34.7%
Total Portfolio	\$ 38,535	100.0%	\$ 60,803	100.0%

	June 30, 2022	December 31, 2021
Weighted Average Pass Through Purchase Price	\$ 106.70	\$ 109.33
Weighted Average Structured Purchase Price	\$ 4.48	\$ 4.81
Weighted Average Pass Through Current Price	\$ 100.30	\$ 109.30
Weighted Average Structured Current Price	\$ 12.95	\$ 9.87
Effective Duration ⁽¹⁾	3.909	2.103

(1) Effective duration is the approximate percentage change in price for a 100 basis point change in rates. An effective duration of 3.909 indicates that an interest rate increase of 1.0% would be expected to cause a 3.909% decrease in the value of the MBS in the Company's investment portfolio at June 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 June 30, 2022, the Company had outstanding repurchase obligations of approximately \$36.9 million with a net weighted average borrowing rate of 1.34%. These agreements were collateralized by MBS with a fair value, including accrued interest, of approximately \$38.5 million and cash of approximately \$0.8 million. At June 30, 2022, the Company's liquidity was approximately \$5.8 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 June 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.	\$ 27,557	74.6%	1.33%	\$ 1,794	28
South Street Securities, LLC	4,451	12.1%	1.17%	150	18
Mitsubishi UFJ Securities (USA), Inc.	2,596	7.0%	1.93%	304	23
ED&F Man Capital Markets, Inc.	2,322	6.3%	1.13%	77	18
	\$ 36,926	100.0%	1.34%	\$ 2,325	26

(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 June 30, 2022, and December 31, 2021, and the unaudited consolidated statements of operations for the six and three months ended June 30, 2022 and 2021. Amounts presented are subject to change.

BIMINI CAPITAL MANAGEMENT, INC. CONSOLIDATED BALANCE SHEETS (Unaudited - Amounts Subject To Change)

	June 30, 2022	December 31, 2021
ASSETS		
Mortgage-backed securities	\$ 38,535,050	\$ 60,803,144
Cash equivalents and restricted cash	6,529,567	9,812,410
Orchid Island Capital, Inc. common stock, at fair value	7,396,767	11,679,107
Accrued interest receivable	173,903	229,942
Deferred tax assets, net	36,351,770	35,036,312
Other assets	4,356,438	4,523,726
Total Assets	\$ 93,343,495	\$ 122,084,641
LIABILITIES AND STOCKHOLDERS' EQUITY		
Repurchase agreements	\$ 36,925,999	\$ 58,877,999
Long-term debt	27,427,705	27,438,976
Other liabilities	1,106,396	2,767,816
Total Liabilities	65,460,100	89,084,791
Stockholders' equity	27,883,395	32,999,850
Total Liabilities and Stockholders' Equity	\$ 93,343,495	\$ 122,084,641
Class A Common Shares outstanding	10,472,779	10,702,194
Book value per share	\$ 2.66	\$ 3.08

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

	Six Months Ended June 30,		Three Months Ended June 30,	
	2022	2021	2022	2021
Advisory services	\$ 6,407,741	\$ 4,211,221	\$ 3,332,379	\$ 2,185,812
Interest and dividend income	1,636,110	2,201,257	742,441	1,084,544
Interest expense	(663,720)	(570,309)	(376,412)	(280,903)
Net revenues	7,380,131	5,842,169	3,698,408	2,989,453

Other expense	(9,223,396)	(1,821,883)	(2,865,092)	(2,480,283)
Expenses	4,138,351	3,481,004	2,112,872	1,724,421
Net (loss) income before income tax (benefit) provision	(5,981,616)	539,282	(1,279,556)	(1,215,251)
Income tax (benefit) provision	(1,315,458)	168,638	(92,982)	(295,465)
Net (loss) income	\$ (4,666,158)	\$ 370,644	\$ (1,186,574)	\$ (919,786)

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

CLASS A COMMON STOCK	\$ (0.44)	\$ 0.03	\$ (0.11)	\$ (0.08)
CLASS B COMMON STOCK	\$ (0.44)	\$ 0.03	\$ (0.11)	\$ (0.08)

Key Balance Sheet Metrics	Three Months Ended June 30,	
	2022	2021
Average MBS ⁽¹⁾	\$ 46,607,126	\$ 70,924,730
Average repurchase agreements ⁽¹⁾	45,870,344	72,240,999
Average stockholders' equity ⁽¹⁾	28,513,181	35,318,386
Key Performance Metrics		
Average yield on MBS ⁽²⁾	3.36%	3.26%
Average cost of funds ⁽²⁾	0.63%	0.17%
Average economic cost of funds ⁽³⁾	2.25%	4.09%
Average interest rate spread ⁽⁴⁾	2.73%	3.09%
Average economic interest rate spread ⁽⁵⁾	1.11%	(0.83)%

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 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 Friday, August 12, 2022, at 10:00 AM ET. Participants can receive dial-in information via email by following the link:

<https://ige.netroadshow.com/registration/q4inc/11341/bimini-capital-second-quarter-earnings-conference-call/>

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/286429349>, and an audio archive of the webcast will be available for approximately one year.



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