

American Capital Agency Corp
Form 10-Q
November 08, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2010

OR

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES
EXCHANGE ACT OF 1934**

Commission file number 001-34057

AMERICAN CAPITAL AGENCY CORP.

(Exact name of registrant as specified in its charter)

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Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

26-1701984
(I.R.S. Employer
Identification No.)

2 Bethesda Metro Center, 14th Floor

Bethesda, Maryland 20814

(Address of principal executive offices)

(301) 968-9300

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter earlier period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of the issuer's common stock, \$0.01 par value, outstanding as of October 31, 2010 was 52,191,805.

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AMERICAN CAPITAL AGENCY CORP.

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(in thousands, except per share data)

	September 30, 2010 (Unaudited)	December 31, 2009
Assets:		
Agency securities, at fair value (including pledged assets of \$8,321,498 and \$4,136,596, respectively)	\$ 9,736,463	\$ 4,300,115
Cash and cash equivalents	115,266	202,803
Restricted cash	62,462	19,628
Interest receivable	42,034	22,872
Derivative assets, at fair value	11,344	11,960
Receivable for agency securities sold	350,056	47,076
Principal payments receivable	40,129	20,473
Other assets	1,052	757
 Total assets	 \$ 10,358,806	 \$ 4,625,684
Liabilities:		
Repurchase agreements	\$ 7,969,399	\$ 3,841,834
Other debt	80,822	
Payable for agency securities purchased	1,223,064	180,345
Derivative liabilities, at fair value	113,900	17,798
Dividend payable	54,554	34,050
Accounts payable and other accrued liabilities	4,022	4,835
 Total liabilities	 9,445,761	 4,078,862
Stockholders equity:		
Preferred stock, \$0.01 par value; 10,000 shares authorized, 0 shares issued and outstanding, respectively		
Common stock, \$0.01 par value; 150,000 shares authorized, 38,967 and 24,322 shares issued and outstanding, respectively	390	243
Additional paid-in capital	880,571	507,465
Retained earnings	30,835	19,940
Accumulated other comprehensive income	1,249	19,174
 Total stockholders equity	 913,045	 546,822
 Total liabilities and stockholders equity	 \$ 10,358,806	 \$ 4,625,684

See accompanying notes to consolidated financial statements.

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AMERICAN CAPITAL AGENCY CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE INCOME

(unaudited)

(in thousands, except per share data)

	For the three months ended September 30,		For the nine months ended September 30,	
	2010	2009	2010	2009
Interest income:				
Interest income	\$ 62,600	\$ 32,793	\$ 151,986	\$ 86,834
Interest expense	18,531	11,551	51,389	29,265
Net interest income	44,069	21,242	100,597	57,569
Other income, net:				
Gain from sale of agency securities, net	24,565	16,070	81,558	30,418
Loss on derivative instruments and trading securities, net	(3,733)	(3,435)	(19,680)	(2,567)
Total other income, net	20,832	12,635	61,878	27,851
Expenses:				
Management fees	2,697	1,166	6,795	3,008
General and administrative expenses	1,926	1,474	5,394	4,498
Total expenses	4,623	2,640	12,189	7,506
Income before tax	60,278	31,237	150,286	77,914
Excise tax	250		250	
Net income	\$ 60,028	\$ 31,237	\$ 150,036	\$ 77,914
Net income per common share basic and diluted	\$ 1.69	\$ 1.82	\$ 4.97	\$ 4.95
Weighted average number of common shares outstanding basic and diluted	35,495	17,191	30,161	15,741
Dividends declared per common share	\$ 1.40	\$ 1.40	\$ 4.20	\$ 3.75
Comprehensive income:				
Net income	\$ 60,028	\$ 31,237	\$ 150,036	\$ 77,914

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Other comprehensive (loss) income:				
Unrealized gain on available-for-sale securities, net	11,660	25,802	73,077	58,633
Unrealized (loss) gain on derivative instruments, net	(38,620)	(6,960)	(91,002)	2,070
Other comprehensive (loss) income	(26,960)	18,842	(17,925)	60,703
Comprehensive income	\$ 33,068	\$ 50,079	\$ 132,111	\$ 138,617

See accompanying notes to consolidated financial statements.

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AMERICAN CAPITAL AGENCY CORP.

CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY

(in thousands)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount	Shares	Amount				
Balance, December 31, 2009		\$	24,322	\$ 243	\$ 507,465	\$ 19,940	\$ 19,174	\$ 546,822
Net income						53,150		53,150
Other comprehensive income (loss):								
Unrealized gain on available- for-sale securities, net							1,933	1,933
Unrealized loss on derivative instruments, net							(13,476)	(13,476)
Issuance of common stock			2,434	24	62,114			62,138
Issuance of restricted common stock			4	1				1
Stock-based compensation					16			16
Common dividends declared								