

American Capital Agency Corp
Form 10-Q
August 05, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2016

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)

Delaware 26-1701984
(State or Other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification No.)
2 Bethesda Metro Center, 12th Floor
Bethesda, Maryland 20814
(Address of principal executive offices)
(301) 968-9315
(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 July 31, 2016 was 331,046,077.

AMERICAN CAPITAL AGENCY CORP.
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

AMERICAN CAPITAL AGENCY CORP.
CONSOLIDATED BALANCE SHEETS
(in millions, except per share data)

	June 30, 2016 (Unaudited)	December 31, 2015
Assets:		
Agency securities, at fair value (including pledged securities of \$48,344 and \$48,380, respectively)	\$ 53,418	\$ 51,331
Agency securities transferred to consolidated variable interest entities, at fair value (pledged securities)	945	1,029
Non-agency securities, at fair value (pledged securities)	107	113
U.S. Treasury securities, at fair value (pledged securities)	62	25
REIT equity securities, at fair value	19	33
Cash and cash equivalents	1,131	1,110
Restricted cash and cash equivalents	1,399	1,281
Derivative assets, at fair value	111	81
Receivable under reverse repurchase agreements	2,982	1,713
Other assets	301	305
Total assets	\$ 60,475	\$ 57,021
Liabilities:		
Repurchase agreements	\$ 41,947	\$ 41,754
Federal Home Loan Bank advances	3,037	3,753
Debt of consolidated variable interest entities, at fair value	528	595
Payable for securities purchased	2,581	182
Derivative liabilities, at fair value	1,519	935
Dividends payable	73	74
Obligation to return securities borrowed under reverse repurchase agreements, at fair value	3,017	1,696
Accounts payable and other accrued liabilities	71	61
Total liabilities	52,773	49,050
Stockholders' equity:		
Preferred stock - \$0.01 par value; 10.0 shares authorized:		
Redeemable Preferred Stock; \$0.01 par value; 6.9 shares issued and outstanding (aggregate liquidation preference of \$348)	336	336
Common stock - \$0.01 par value; 600.0 shares authorized;		
331.0 and 337.5 shares issued and outstanding, respectively	3	3
Additional paid-in capital	9,932	10,048
Retained deficit	(3,669)	(2,350)
Accumulated other comprehensive income (loss)	1,100	(66)
Total stockholders' equity	7,702	7,971
Total liabilities and stockholders' equity	\$ 60,475	\$ 57,021
See accompanying notes to consolidated financial statements.		

AMERICAN CAPITAL AGENCY CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(in millions, except per share data)

	Three Months		Six Months	
	Ended June		Ended June	
	30,	30,	30,	30,
	2016	2015	2016	2015
Interest income:				
Interest income	\$318	\$414	\$613	\$797
Interest expense	101	81	200	167
Net interest income	217	333	413	630
Other gain (loss), net:				
Gain (loss) on sale of mortgage-backed securities, net	55	(22)	53	14
Gain (loss) on derivative instruments and other securities, net	(367)	237	(1,300)	(312)
Total other gain (loss), net	(312)	215	(1,247)	(298)
Expenses:				
Management fees	25	29	52	59
General, administrative and other expenses	15	7	21	13
Total expenses	40	36	73	72
Net income (loss)	(135)	512	(907)	260
Dividend on preferred stock	7	7	14	14
Net income (loss) available (attributable) to common stockholders	\$(142)	\$505	\$(921)	\$246