

Invesco Mortgage Capital Inc.
Form 10-Q
November 03, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2015

OR

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

For the transition period from _____ to _____
Commission file number 001-34385

(Exact Name of Registrant as Specified in Its Charter)

Maryland 26-2749336
(State or Other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification No.)

1555 Peachtree Street, N.E., Suite 1800 30309
Atlanta, Georgia
(Address of Principal Executive Offices) (Zip Code)
(404) 892-0896
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required 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 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 website, 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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

As of October 28, 2015, there were 119,455,302 outstanding shares of common stock of Invesco Mortgage Capital Inc.

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PART I

ITEM 1. FINANCIAL STATEMENTS

INVESCO MORTGAGE CAPITAL INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

In thousands except share amounts	As of September 30, 2015 (Unaudited)	December 31, 2014 (As Restated)
ASSETS		
Mortgage-backed and credit risk transfer securities, at fair value	16,814,961	17,248,895
Residential loans, held-for-investment ⁽¹⁾	3,307,249	3,365,003
Commercial loans, held-for-investment	187,038	145,756
Cash and cash equivalents	76,658	164,144
Due from counterparties	174,741	57,604
Investment related receivable	24,897	38,717
Accrued interest receivable	69,064	66,044
Derivative assets, at fair value	1,308	24,178
Deferred securitization and financing costs	10,689	13,080
Other investments	113,297	106,498
Other assets	1,444	1,098
Total assets ⁽¹⁾	20,781,346	21,231,017
LIABILITIES AND EQUITY		
Liabilities:		
Repurchase agreements	12,912,131	13,622,677
Secured loans	1,675,000	1,250,000
Asset-backed securities issued by securitization trusts ⁽¹⁾	2,859,423	2,929,820
Exchangeable senior notes	400,000	400,000
Derivative liabilities, at fair value	343,897	254,026
Dividends and distributions payable	54,067	61,757
Investment related payable	54,996	17,008
Accrued interest payable	37,296	29,670
Collateral held payable	—	14,890
Accounts payable and accrued expenses	3,910	2,439
Due to affiliate	11,259	9,880
Total liabilities ⁽¹⁾	18,351,979	18,592,167
Equity:		
Preferred Stock, par value \$0.01 per share; 50,000,000 shares authorized:		
7.75% Series A Cumulative Redeemable Preferred Stock: 5,600,000 shares issued and outstanding (\$140,000 aggregate liquidation preference)	135,356	135,356
7.75% Fixed-to-Floating Series B Cumulative Redeemable Preferred Stock: 6,200,000 shares issued and outstanding (\$155,000 aggregate liquidation preference)	149,860	149,860
Common Stock, par value \$0.01 per share; 450,000,000 shares authorized; 119,453,846 and 123,110,454 shares issued and outstanding, respectively	1,195	1,231
Additional paid in capital	2,482,742	2,532,130
Accumulated other comprehensive income	446,857	424,592
Retained earnings (distributions in excess of earnings)	(813,520)	(632,854)

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Total stockholders' equity	2,402,490	2,610,315
Non-controlling interest	26,877	28,535
Total equity	2,429,367	2,638,850
Total liabilities and equity	20,781,346	21,231,017

The condensed consolidated balance sheets include assets of consolidated variable interest entities ("VIEs") that can only be used to settle obligations and liabilities of the VIEs for which creditors do not have recourse to the (1) Company. As of September 30, 2015 and December 31, 2014, total assets of the consolidated VIEs were \$3,331,942 and \$3,380,597, respectively, and total liabilities of the consolidated VIEs were \$2,876,059 and \$2,938,512, respectively. Refer to Note 3 - "Variable Interest Entities" for further discussion. The accompanying notes are an integral part of these condensed consolidated financial statements.

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INVESCO MORTGAGE CAPITAL INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (Unaudited)

In thousands, except share amounts	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014 (As Restated)	2015	2014 (As Restated)
Interest Income				
Mortgage-backed and credit risk transfer securities	129,260	139,419	390,623	436,019
Residential loans ⁽¹⁾	28,380	22,713	88,001	60,888
Commercial loans	3,743	2,649	11,349	6,329
Total interest income	161,383	164,781	489,973	503,236
Interest Expense				
Repurchase agreements	41,303	45,756	125,544	