

Invesco Mortgage Capital Inc.
Form 10-Q
August 08, 2016
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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 June 30, 2016

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 Incorporation or Organization) | (I.R.S. Employer 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 August 2, 2016, there were 111,583,435 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

(Unaudited)

| \$ in thousands except share amounts | As of June 30, 2016 | December 31, 2015 |
|--|---------------------------|----------------------|
| ASSETS | | |
| Mortgage-backed and credit risk transfer securities, at fair value | 15,625,027 | 16,065,935 |
| Commercial loans, held-for-investment | 272,502 | 209,062 |
| U.S. Treasury securities, at fair value | 152,701 | — |
| Cash and cash equivalents | 144,084 | 53,199 |
| Due from counterparties | 267,015 | 110,009 |
| Investment related receivable | 37,186 | 154,594 |
| Accrued interest receivable | 49,282 | 50,779 |
| Derivative assets, at fair value | 5,502 | 8,659 |
| Other assets | 108,283 | 115,072 |
| Total assets | 16,661,582 | 16,767,309 |
| LIABILITIES AND EQUITY | | |
| Liabilities: | | |
| Repurchase agreements | 11,768,647 | 12,126,048 |
| Secured loans | 1,650,000 | 1,650,000 |
| Exchangeable senior notes | 395,800 | 394,573 |
| Derivative liabilities, at fair value | 447,738 | 238,148 |
| Dividends and distributions payable | 50,919 | 51,734 |
| Investment related payable | 87,668 | 167 |
| Accrued interest payable | 17,625 | 21,604 |
| Collateral held payable | 5,560 | 4,900 |
| Accounts payable and accrued expenses | 2,080 | 2,376 |
| Due to affiliate | 10,094 | 10,851 |
| Total liabilities | 14,436,131 | 14,500,401 |
| 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; 111,583,435 and 113,619,471 shares issued and outstanding, respectively | 1,116 | 1,136 |
| Additional paid in capital | 2,382,689 | 2,407,372 |
| Accumulated other comprehensive income | 558,954 | 318,624 |
| Retained earnings (distributions in excess of earnings) | (1,028,354) | (771,313) |
| Total stockholders' equity | 2,199,621 | 2,241,035 |
| Non-controlling interest | 25,830 | 25,873 |
| Total equity | 2,225,451 | 2,266,908 |
| Total liabilities and equity | 16,661,582 | 16,767,309 |

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)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------------|---------|---------------------------------|---------|
| | 2016 | 2015 | 2016 | 2015 |
| \$ in thousands, except share amounts | | | | |
| Interest Income | | | | |
| Mortgage-backed and credit risk transfer securities | 112,860 | 128,491 | 235,106 | 267,539 |
| Residential loans ⁽¹⁾ | — | 30,247 | — | 59,621 |
| Commercial loans | 5,947 | 4,491 | 10,840 | 7,606 |
| Total interest income | 118,807 | 163,229 | 245,946 | 334,766 |
| Interest Expense | | | | |
| Repurchase agreements | 31,260 | 40,931 | 73,060 | 84,241 |
| Secured loans | 2,688 | 1,553 | 5,403 | 3,017 |
| Exchangeable senior notes | 5,614 | 5,613 | 11,227 | 11,220 |
| Asset-backed securities ⁽¹⁾ | — | 22,329 | | |