

Invesco Mortgage Capital Inc.
Form 10-Q
November 02, 2012
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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, 2012

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

INVESCO MORTGAGE CAPITAL INC.

(Exact Name of Registrant as Specified in Its Charter)

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Maryland (State or Other Jurisdiction of Incorporation or Organization)	26-2749336 (I.R.S. Employer Identification No.)
1555 Peachtree Street, N.E., Suite 1800 Atlanta, Georgia (Address of Principal Executive Offices)	30309 (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 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 <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-Accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

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 November 2, 2012, there were 116,191,834 outstanding shares of common stock of Invesco Mortgage Capital Inc.

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\$ in thousands, except share and per share amounts	As of	
	September 30, 2012 (Unaudited)	December 31, 2011
ASSETS		
Mortgage-backed securities, at fair value	18,324,208	14,214,149
Cash and cash equivalents	190,848	197,224
Restricted cash	13,473	74,496
Investment related receivable	7,608	160,424
Investments in unconsolidated ventures, at fair value	55,654	68,793
Accrued interest receivable	61,759	54,167
Derivative assets, at fair value	1,866	1,339
Other assets	1,810	1,575
Total assets	18,657,226	14,772,167
LIABILITIES AND EQUITY		
Liabilities:		
Repurchase agreements	14,876,501	12,253,038
Derivative liability, at fair value	471,841	396,780
Dividends and distributions payable	78,628	75,933
Investment related payable	622,731	107,032
Accrued interest payable	11,809	12,377
Accounts payable and accrued expenses	657	556
Due to affiliate	9,628	9,038
Total liabilities	16,071,795	12,854,754
Equity:		
Preferred Stock, par value \$0.01 per share; 50,000,000 shares authorized, 7.75% Series A cumulative redeemable, \$25 liquidation preference, 5,600,000 and no shares issued and outstanding at September 30, 2012 and December 31, 2011, respectively	135,359	
Common Stock, par value \$0.01 per share; 450,000,000 shares authorized, 115,414,186 and 115,395,695 shares issued and outstanding, at September 30, 2012 and December 31, 2011, respectively	1,154	1,154
Additional paid in capital	2,299,950	2,299,543
Accumulated other comprehensive income (loss)	112,543	(393,291)
Retained earnings (distributions in excess of earnings)	4,855	(15,068)
Total shareholders' equity	2,553,861	1,892,338
Non-controlling interest	31,570	25,075
Total equity	2,585,431	1,917,413
Total liabilities and equity	18,657,226	14,772,167

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**INVESCO MORTGAGE CAPITAL INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)**

\$ in thousands, except per share data	Three Months Ended		Nine Months Ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Revenues				
Interest income	140,477	138,291	421,442	315,808
Interest expense	60,327	50,452	172,312	100,237
Net interest income	80,150	87,839	249,130	215,571
Other income				
Gain on sale of investments	12,836	3,637	24,978	8,442
Equity in earnings /(losses) and fair value change in unconsolidated ventures	3,262	(993)	6,231	2,738
Unrealized loss on interest rate swaps and swaptions	(808)	(453)	(2,851)	(655)
Realized and unrealized credit default swap income	1,348	858	2,694	4,649
Total other income	16,638	3,049	31,052	15,174
Expenses				
Management fee related party	9,053	7,884	26,372	17,612
General and administrative	959	829	3,132	2,855
Total expenses	10,012	8,713	29,504	20,467
Net income	86,776	82,175	250,678	210,278
Net income attributable to non-controlling interest	1,026	1,091	3,025	3,948
Net income attributable to Invesco Mortgage Capital Inc.	85,750	81,084	247,653	206,330
Dividends to preferred shareholders	2,682		2,682	
Net income attributable to common shareholders	83,068	81,084	244,971	206,330
Earnings per share:				
Net income attributable to common shareholders (basic/diluted)	0.72	0.79	2.12	2.70
Dividends declared per common share	0.65	0.80	1.95	2.77
Weighted average number of shares of common stock:				
Basic	115,412	103,028	115,405	76,311
Diluted	116,868	104,472	116,858	77,750

The accompanying notes are an integral part of these consolidated financial statements.

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INVESCO MORTGAGE CAPITAL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

\$ in thousands, except per share data	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Net income	86,776	82,175	250,678	210,278
Other comprehensive income (loss)				
Unrealized gains (losses) on mortgage-backed securities, net	316,823	(33,921)	586,309	(33,078)
Unrealized losses on derivatives, net	(24,953)	(266,750)	(74,229)	(383,636)
Other comprehensive income (loss)	291,870	(300,671)	512,080	(416,714)
Comprehensive income (loss)	378,646	(218,496)	762,758	(206,436)
Less: Comprehensive income (loss) attributable to non-controlling interest	(4,585)	3,232	(9,271)	2,564
Less: Dividends to preferred shareholders	(2,682)		(2,682)	
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