
U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): April 29, 2009



American Capital Agency Corp.

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction
of incorporation)

005-84030
(Commission File Number)

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

2 Bethesda Metro Center 14th Floor Bethesda, MD 20814
(Address of principal executive offices, zip code)

Registrant's telephone number, including area code: (301) 968-9300

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02 Results of Operations and Financial Condition

On April 29, 2009 American Capital Agency Corp. issued a press release announcing its financial results for the quarter ended March 31, 2009. The text of the press release is included as exhibit 99.1 to this Form 8-K. Pursuant to the rules and regulations of the Securities and Exchange Commission, such exhibit and the information set forth therein and herein shall not be deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and shall not be deemed to be incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits

- (a) None.
- (b) None.
- (c) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release dated April 29, 2009

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN CAPITAL AGENCY CORP.

Dated: April 29, 2009

By: /s/ JOHN R. ERICKSON

John R. Erickson

Executive Vice President and Chief Financial Officer



Two Bethesda Metro Center
 14th Floor
 Bethesda, MD 20814
 (301) 968-9300
 (301) 968-9301 Fax
www.AGNC.com

FOR IMMEDIATE RELEASE
 April 29, 2009

CONTACT:
Investors - (301) 968-9300
Media - (301) 968-9400

AGNC REPORTS \$1.01 EARNINGS PER SHARE, \$19.26 BOOK VALUE PER SHARE AND ANNOUNCES ORGANIZATIONAL CHANGES

Bethesda, MD – April 29, 2009 – American Capital Agency Corp. (“AGNC” or the “Company”) (Nasdaq: AGNC) today reported net income for the first quarter of 2009 of \$15.1 million, or \$1.01 per share.

FIRST QUARTER 2009 HIGHLIGHTS

- Declared a dividend of \$0.85 per share
- Net income of \$15.1 million, or \$1.01 per share
 - 22.4% annualized return on average stockholders’ equity for the quarter
- Average net interest rate spread of 3.02% for the quarter
- \$2.3 billion agency securities portfolio at fair value as of March 31, 2009
- 7.0x¹ leverage as of March 31, 2009
- \$19.26 book value per share as of March 31, 2009

ORGANIZATIONAL CHANGES

American Capital, Ltd. (“ACAS”) announced several changes involving American Capital Agency Management, LLC (“Management Company”), AGNC’s manager and a wholly-owned ACAS affiliate. Gary Kain will be promoted to President and Chief Investment Officer of the Management Company. He is at present Senior Vice-President of the Management Company and also serves as AGNC’s Senior Vice-President and Chief Investment Officer. In addition, Mr. Kain and several other

¹ Leverage calculated as total repurchase agreements (\$1,849 million) plus payable for agency securities purchased but not yet settled (\$207 million) less receivable for agency securities sold but not yet settled (\$38 million) over total stockholders’ equity (\$289 million).

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ACAS employees are expected to transfer to become full-time employees of the Management Company, providing the Company with a dedicated investment team and support personnel. Under the changed structure, the Management Company's employees will be able to receive incentive compensation based directly on AGNC's performance and to make personal investments in AGNC. The new structure is intended to become effective by the end of the Q2 2009.

"I am proud of the accomplishments we made this quarter in repositioning our investment portfolio and prudently increasing our leverage," said Gary Kain, Chief Investment Officer. "Capitalizing on the improved market conditions, we were able to generate a 22.4% return on equity and pay a \$0.85 per share dividend in the first quarter of 2009. We were successful in diversifying our portfolio into a broader array of agency securities and in sourcing assets with favorable prepayment characteristics. As part of the repositioning activities, we generated \$4.8 million in net gains for the quarter. Our strategy this quarter did not include the use of any mortgage options."

"I believe AGNC is well positioned to take advantage of today's dynamic market environment," continued Mr. Kain. "In addition to continuously seeking to enhance and evolve our portfolio holdings in order to maximize risk-adjusted returns for our stockholders, I feel the organizational changes announced today will further enhance value for AGNC stockholders and be beneficial to all of the parties involved."

FIRST QUARTER 2009 DIVIDEND DECLARATION

On March 23, 2009, the Board of Directors of the Company declared a first quarter 2009 dividend of \$0.85 per share to record holders as of April 2, 2009, which was paid on April 27, 2009. To date, AGNC has paid a total of \$50.4 million in dividends, or \$3.36 per share, since its May 2008 initial public offering.

INVESTMENT PORTFOLIO

As of March 31, 2009, the Company's investment portfolio totaled \$2.3 billion of agency securities at fair value, comprised of \$1.4 billion of fixed rate agency securities and \$0.9 billion of adjustable rate agency securities. As of March 31, 2009, AGNC's investment portfolio was comprised of 50% 30-year fixed rate securities, 9% 40-year fixed rate securities, 2% 15-year fixed rate securities and 39% adjustable rate securities. AGNC's investment portfolio was comprised of 100% fixed rate assets as of December 31, 2008 with 90% in 30-year fixed rate securities and 10% in 40-year fixed rate securities.

ASSET YIELDS, COST OF FUNDS AND NET INTEREST RATE SPREAD

During the quarter, the annualized weighted average yield on average earning assets was 5.13% and the annualized average cost of funds, including interest rate swaps and terminated swap amortization expense, was 2.11%, which resulted in a net interest rate spread of 3.02%. As of March 31, 2009, the weighted average yield on earning assets was 4.52% and the weighted average cost of funds, including interest rate swaps and terminated swap amortization expense, was 2.05%, which resulted in a net interest rate spread of 2.47% as of March 31, 2009.

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The Company's expected CPR for the remaining life of its investments as of March 31, 2009 was 31%. The actual CPR for the first quarter was 20% for agency securities held during the quarter, while the 1 month CPR for AGNC's investment portfolio as of March 31, 2009 was 15% following the repositioning of the portfolio to assets with more favorable prepayment characteristics.

The weighted average cost basis of the investment portfolio was 102.7% as of March 31, 2009. The amortization of premiums (net of any accretion of discounts) on the investment portfolio for the quarter was \$3.4 million, or \$0.23 per share. The unamortized net premium as of March 31, 2009 was \$57.8 million.

LEVERAGE AND HEDGING ACTIVITIES

As of March 31, 2009, the Company's \$2.3 billion investment portfolio was financed with \$1.8 billion of repurchase agreements and \$0.3 billion of equity capital, resulting in a leverage ratio of 6.4x. When adjusted for the net liability for agency securities not yet settled, the leverage ratio was 7.0x as of March 31, 2009. Of the \$1.8 billion borrowed under repurchase agreements as of March 31, 2009, \$0.7 billion had original maturities of 30 days or less, \$1.0 billion had original maturities greater than 30 days and less than 60 days and the remaining \$0.1 billion had original maturities of 61 days or more. As of March 31, 2009, the Company has repurchase agreements with 14 counterparties, with no more than 9% of our stockholders' equity at risk with a single counterparty.

The Company's swap positions as of March 31, 2009 totaled \$0.7 billion in notional amount at an average fixed pay rate of 3.10%, an average receive rate of 0.53% and a weighted average maturity of 31 months. During the quarter, AGNC terminated \$200.0 million notional amount of interest rate swaps with a weighted average remaining term of 15 months realizing a loss of \$6.6 million, which will be amortized for GAAP and taxable income over the remaining original life of the terminated swaps. Additionally, AGNC entered into three interest rate swaps with a combined notional amount of \$250.0 million, an average term of approximately 52 months and a weighted average fixed pay rate of 2.11%.

As of March 31, 2009, the Company's book value per common share was \$19.26, or \$2.06 higher than the December 31, 2008 book value per common share of \$17.20.

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Financial highlights for the quarter are as follows:

AMERICAN CAPITAL AGENCY CORP.
CONSOLIDATED BALANCE SHEET
 (in thousands)

	<u>March 31, 2009</u> (unaudited)	<u>December 31, 2008</u>
Assets:		
Agency securities, at fair value (including pledged assets of \$2,060,748 and \$1,522,001, respectively)	\$ 2,257,474	\$ 1,573,383
Cash and cash equivalents	53,774	56,012
Restricted cash	25,168	18,692
Interest receivable	10,474	7,851
Receivables for agency securities sold	38,148	—
Other assets	257	387
Total assets	<u>\$ 2,385,295</u>	<u>\$ 1,656,325</u>
Liabilities:		
Repurchase arrangements	\$ 1,849,473	\$ 1,346,265
Payable for agency securities purchased	207,220	—
Accrued interest payable	1,428	3,664
Derivative liabilities, at fair value	24,441	29,277
Dividend payable	12,754	18,006
Due to Manager	665	714
Accounts payable and other liabilities	353	248
Total liabilities	<u>2,096,334</u>	<u>1,398,174</u>
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, 15,005 shares issued and outstanding, respectively	150	150
Additional paid-in capital	285,924	285,917
Retained earnings (accumulated deficit)	75	(2,310)
Accumulated other comprehensive income (loss)	2,812	(25,606)
Total stockholders' equity	<u>288,961</u>	<u>258,151</u>
Total liabilities and stockholders' equity	<u>\$ 2,385,295</u>	<u>\$ 1,656,325</u>

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AMERICAN CAPITAL AGENCY CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS
 (unaudited)
 (in thousands, except per share data)

	Three months ended	
	March 31, 2009	December 31, 2008
Interest income:		
Interest income	\$ 22,351	\$ 17,132
Interest expense	8,129	10,331
Net interest income	<u>14,222</u>	<u>6,801</u>
Other income:		
Gain from sale of agency securities, net	4,818	5
(Loss) gain from derivative instruments, net	(1,530)	6,286
Total other income	<u>3,288</u>	<u>6,291</u>
Expenses:		
Management fees	903	927
General and administrative expenses	1,468	1,213
Total expenses	<u>2,371</u>	<u>2,140</u>
Net income	<u>\$ 15,139</u>	<u>\$ 10,952</u>
Net income per common share—basic and diluted	<u>\$ 1.01</u>	<u>\$ 0.73</u>
Weighted average number of common shares outstanding—basic and diluted	15,000	15,000
Dividends declared per common share	\$ 0.85	\$ 1.20

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AMERICAN CAPITAL AGENCY CORP.
KEY PORTFOLIO CHARACTERISTICS
(unaudited)
(in thousands, except per share data)

	Three months ended	
	March 31, 2009	December 31, 2008
Average agency securities	\$ 1,738,321	\$ 1,604,087
Average total assets	\$ 1,968,190	\$ 1,662,882
Average repurchase agreements	\$ 1,537,798	\$ 1,355,267
Average stockholders' equity	\$ 274,278	\$ 263,970
Fixed rate agency securities—as of period end	\$ 1,387,278	\$ 1,573,383
Adjustable-rate agency securities—as of period end	\$ 870,196	\$ —
Average asset yield (1)	5.13%	4.24%
Average cost of funds (2)	2.03%	3.05%
Average cost of funds—terminated swap amortization expense(3)	0.08%	0.00%
Net interest rate spread (4)	3.02%	1.19%
Net return on average stockholders' equity (5)	22.38%	16.46%
Leverage (average during the period) (6)	5.6:1	5.1:1
Leverage (as of period end) (7)	7.0:1	5.2:1
Annualized expenses % of average total assets (8)	0.49%	0.51%
Annualized expenses % of average stockholders' equity (9)	3.51%	3.22%
Book value per common share as of period end (10)	\$ 19.26	\$ 17.20

* Average numbers for each period are weighted based on days on the Company's books and records. All percentages are annualized.

- (1) Weighted average asset yield for the period was calculated by dividing our average interest income on agency securities less average amortization of premiums and discounts by our average agency securities.
- (2) Weighted average cost of funds for the period was calculated by dividing our total interest expense by our weighted average repurchase agreements. Total interest expense excludes amortization expense related to the fair value of terminated swaps during the first quarter of 2009.
- (3) Represents amortization expense associated with the termination of swaps of \$0.3 million for the first quarter of 2009 and \$0.0 million for the fourth quarter of 2008.
- (4) Net interest rate spread for the period was calculated by subtracting our weighted average cost of funds, net of interest rate swaps and terminated swap amortization expense, from our weighted average asset yield.
- (5) Net return on average stockholders' equity for the period was calculated by dividing our net income by our average stockholders' equity.
- (6) Leverage during the period was calculated by dividing our average repurchase agreements outstanding by our average stockholders' equity.
- (7) Leverage at period end was calculated by dividing the amount outstanding under our repurchase agreements and net liabilities for unsettled securities by our total stockholders' equity at period end.
- (8) Annualized expenses as a % of average total assets was calculated by dividing our total expenses by our average total assets.
- (9) Annualized expenses as a % of average stockholders' equity was calculated by dividing our total expenses by our average stockholders' equity.

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(10) Book value per common share was calculated by dividing our total stockholders' equity by our number of common shares outstanding.

SHAREHOLDER CALL

AGNC invites shareholders, prospective shareholders and analysts to attend the AGNC shareholder call on April 30, 2009 at 11:00 am ET. The shareholder call can be accessed through a live webcast at www.AGNC.com or by dialing (800) 553-5275 (U.S. domestic) or +1 (612) 332-0725 (international). Please advise the operator you are dialing in for the AGNC shareholder call.

An archived audio of the shareholder call combined with the slide presentation will be made available on our website after the call on April 30, 2009. In addition, there will be a phone recording available from 2:00 pm ET on April 30, 2009 until 11:59 pm ET on May 14, 2009. If you are interested in hearing the recording of the presentation, please dial (800) 475-6701 (U.S. domestic) or +1 (320) 365-3844 (international). The access code for both domestic and international callers is 996569.

For further information or questions, please do not hesitate to call our Investor Relations Department at (301) 968-9300 or send an email to IR@AGNC.com.

ABOUT AGNC

AGNC is a REIT formed in 2008 to invest exclusively in agency pass-through securities and collateralized mortgage obligations for which the principal and interest payments are guaranteed by a U.S. Government agency or a U.S. Government-sponsored entity. The Company is externally managed and advised by an affiliate of American Capital, Ltd. For further information, please refer to www.AGNC.com.

ABOUT AMERICAN CAPITAL

American Capital is a publicly traded private equity firm and global asset manager. American Capital, both directly and through its asset management business, originates, underwrites and manages investments in middle market private equity, leveraged finance, real estate and structured products. Founded in 1986, American Capital has \$14 billion² in capital resources under management and ten offices in the U.S., Europe and Asia. For further information, please refer to www.AmericanCapital.com.

² As of December 31, 2008.

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FORWARD LOOKING STATEMENTS

This press release contains forward-looking statements. Forward-looking statements are based on estimates, projections, beliefs and assumptions of management of the Company at the time of such statements and are not guarantees of future performance. Forward-looking statements involve risks and uncertainties in predicting future results and conditions. Actual results could differ materially from those projected in these forward-looking statements due to a variety of factors, including, without limitation, changes in interest rates, changes in the yield curve, changes in prepayment rates, the availability and terms of financing, changes in the market value of our assets, general economic conditions, market conditions, conditions in the market for agency securities, and legislative and regulatory changes that could adversely affect the business of the Company. Certain factors that could cause actual results to differ materially from those contained in the forward-looking statements, are included in the Company's periodic reports filed with the Securities and Exchange Commission ("SEC"). Copies are available on the SEC's website, www.sec.gov. The Company disclaims any obligation to update or revise any forward-looking statements based on the occurrence of future events, the receipt or new information, or otherwise.

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