

ANTHRACITE CAPITAL INC  
Form 8-K  
August 08, 2008

**UNITED STATES  
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) August 8, 2008 (August 8, 2008)

Anthracite Capital, Inc.

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(Exact name of registrant as specified in its charter)

|   |                                       |   |
|---|---------------------------------------|---|
| Maryland<br>(State or other jurisdiction of<br>incorporation)                       | 001-13937<br>(Commission File Number) | 13-3978906<br>(IRS Employer Identification No.) |
| 40 East 52nd Street, New York, New York<br>(Address of principal executive offices) |                                       | 10022<br>(Zip Code)                             |

Registrant's telephone number, including area code (212) 810-3333

N/A

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(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 (see General Instruction A.2. below):

- 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 August 8, 2008, Anthracite Capital, Inc. (the "Company") issued a press release announcing its earnings for the quarterly period ended June 30, 2008, a copy of which it is furnishing under this Item 2.02 as Exhibit 99.1.

**Item 8.01. Other Events.**

The Company reported the following results on August 8, 2008:

The Company today reported net income available to common stockholders for the second quarter of 2008 of \$0.34 per share, compared to \$0.34 per share for the same three-month period in 2007. Net income available to common stockholders for the six months ended June 30, 2008 was \$1.09 per share, compared to \$0.76 per share for the same six-month period in 2007. (All currency amounts discussed herein are in thousands, except share and per share amounts. All per share information is presented on a diluted basis.)

Based on the \$0.31 per share dividend paid on July 31, 2008, and the August 7, 2008 closing price of \$6.54, Anthracite's annualized dividend yield is 19.0%.

Chris Milner, Chief Executive Officer of the Company, stated, "After a period of relative stability in April and May, the markets suffered another major setback in June and July as continuing economic weakness combined with the challenges faced by the residential mortgage market put significant pressure on financial stocks and credit spreads. In this volatile environment, we continue to guard our liquidity and actively manage our existing portfolio of assets."

Mr. Milner also commented, "Over the last twelve months we have opportunistically deployed capital when we have identified compelling, risk-adjusted returns, primarily in non-US markets. We are beginning to see such opportunities in the US markets as pricing levels continue to decline. Another area of potential opportunity is the purchase of the Company's debt in the secondary market. Given the dramatically improved relative value in the RMBS sector, we may also begin to replenish the RMBS portfolio as a store of liquidity. Throughout this process, our focus will be to raise capital which can accrete earnings and support our dividend."

**Capital Markets Activity**

*Common and Preferred Stock Issuances*

On April 4, 2008, the Company issued \$70,125 of Series E-1, E-2 and E-3 Cumulative Convertible Redeemable Preferred Stock (collectively, the "Series E Preferred Stock"), resulting in net proceeds of \$69,866. Dividends are payable on the convertible preferred stock at a rate of 12% and the purchaser has the right to convert the preferred stock into common stock at \$7.49 per share (a 12% premium to the closing price of the Company's common stock on March 28, 2008, the pricing date). In conjunction with the Company's issuance of the Series E Preferred Stock, the Company also issued 3,494,021 shares of Common Stock, resulting in net proceeds of \$23,286. On June 20, 2008, the holder exercised its right to convert its outstanding Series E-3 Preferred Stock into 3,119,661 shares of Common Stock.

For the six months ended June 30, 2008, the Company issued an aggregate of 2,690,639 shares of Common Stock under its sales agency agreement and its Dividend Reinvestment and Stock Purchase Plan. Net proceeds to the Company were \$19,928.

*Credit Facilities:*

On August 7, 2008, Bank of America, N.A. extended its U.S. and non-U.S. dollar denominated facilities until September 18, 2010. In connection with the extension, certain financial covenants were added or modified to conform to more restrictive covenants contained in other credit facilities and the Company is required to make amortization payments of \$31,000 by September 30, 2008.

On July 8, 2008, Deutsche Bank AG, Cayman Islands Branch extended its multicurrency agreement until July 8, 2010. In connection with the extension, certain financial covenants were added or modified to conform to more restrictive covenants contained in other credit facilities. At the time of the extension, total borrowings outstanding were \$110,104.

On March 7, 2008, the Company entered into a \$60,000 credit facility with a subsidiary of BlackRock, Inc. BlackRock, Inc. is the parent of the Company's manager, BlackRock Financial Management, Inc. The facility is collateralized by a pledge of the Company's investment in Carbon Capital II, Inc. ("Carbon II") and gives the lender the option to purchase the Carbon II investment at fair market value (as determined by the terms of the agreement) from the Company. On April 8, 2008, the Company repaid \$52,500, representing all then outstanding borrowings under the facility. On July 28, 2008, the Company reborrowed \$30,000 under the facility.

Richard Shea, President and Chief Operating Officer of the Company, stated, "The Company extended the maturities of two of its secured lines of credit from 2008 to 2010. Aside from scheduled paydowns, the Company has no other borrowings with maturities in 2008 and its unfunded commitments total \$1,650. We will continue to seek to raise capital in order to reduce short-term liabilities and support our existing portfolio in a way that is accretive to earnings."

**Liquidity**

At June 30, 2008, the Company had \$38,684 of unrestricted cash and \$15,807 of additional restricted cash, consisting primarily of funds inside the Euro CDO. Approximately 18% of the Company's total borrowings are subject to mark-to-market adjustments and margin calls, and the Company continues to evaluate other financing alternatives to reduce short-term borrowings. At June 30, 2008, approximately 80% of the Company's secured liabilities were not subject to margin calls. The Company's unsecured liabilities had a weighted average maturity of 18.1 years (assuming the Company's convertible senior notes are outstanding until their final maturity).

During 2008, the value of credit sensitive securities continued to fall regardless of actual credit performance. As a result, the value of the Company's assets fell and the Company's lenders issued margin calls totaling \$120,619 from January 1, 2008 through August 8, 2008, \$35,708 of which occurred since April 1, 2008. The Company fully funded all margin calls.

**Second Quarter Financial Summary**

For the quarter ended June 30, 2008, the Company recorded a loss of \$(2,538) related to its investment in Carbon II. The loss is primarily the result of Carbon II establishing a loan loss reserve of \$17,700, the entire face amount of the loan, during the second quarter of 2008. The Company owns 26% of Carbon II, resulting in a \$4,602 decline in the Company's income.

The impact of valuing assets and liabilities under FAS 159 was a net gain of \$9,964 for the three months ended June 30, 2008. Credit spreads tightened during the second quarter and the increase in the value of CMBS securities more than offset the increase in the fair value of the related liabilities.

In response to market conditions, the Company increased the loss assumptions on its Controlling Class CMBS from 1.31% of outstanding collateral at December 31, 2007 to 1.44% at March 31, 2008. This was an increase in total expected losses of approximately \$97,700 over the life of the transactions and resulted in a decrease in income for the second quarter of 2008 of approximately \$2,300, or \$0.03 per share.

Weighted average cost of funds remained at 6.1% for the second quarter of 2008, unchanged from the first quarter of 2008.

At June 30, 2008, the Company's exposure to a 50 basis point move in U.S. libor is \$0.02 per share annually.

### **Investment Activity**

The Company will invest up to \$5,000, for up to a 10% interest, in Anthracite JV LLC ("AHR JV"). AHR JV will invest in U.S. CMBS rated higher than BB. As of June 30, 2008, the Company had invested \$1,137 in AHR JV.

On June 26, 2008, the Company invested \$30,886 in RECP Anthracite International JV Limited ("AHR International JV"). AHR International JV will invest in fixed income investments backed by non-U.S. real estate assets. The Company will invest on a deal-by-deal basis and has no committed capital obligation. The Company is utilizing the joint venture structure to increase its capacity to invest in larger and more diverse transactions given the current market's elevated level of risk.

During the second quarter of 2008, the Company also funded an additional commercial real estate loan commitment of \$2,286. Remaining outstanding funding commitments total \$1,650.

### Commercial Real Estate Securities

The Company considers CMBS where it maintains the right to control the foreclosure/workout process on the underlying loans as controlling class CMBS ("Controlling Class CMBS"). The Company owns Controlling Class CMBS issued in 1998, 1999 and 2001 through 2007.

The Company did not acquire any additional Controlling Class CMBS trusts during the quarter ended June 30, 2008. At June 30, 2008, the Company owned 39 Controlling Class CMBS trusts with an aggregate underlying loan principal balance of \$58,356,845. Delinquencies of 30 days or more on these loans as a percent of current loan balances were 0.59% at June 30, 2008, compared with 0.62% at March 31, 2008.

The chart below summarizes the par, weighted average coupon, market value, adjusted purchase price and second quarter 2008 estimated loss assumptions for the Company's U.S. dollar denominated Controlling Class CMBS:

| Vintage | Par          | Weighted Average Coupon | Market Value | Adjusted Purchase Price | Estimated Collateral Losses |
|---------|--------------|-------------------------|--------------|-------------------------|-----------------------------|
| 1998    | \$ 261,276   | 6.16%                   | \$ 225,340   | \$ 217,475              | \$ 58,033                   |
| 1999    | 7,604        | 6.85%                   | 6,964        | 6,923                   | 2,633                       |
| 2001    | 34,790       | 6.08%                   | 29,156       | 26,996                  | 13,610                      |
| 2002    | 2,300        | 5.68%                   | 2,037        | 2,255                   | 10,036                      |
| 2003    | 78,209       | 4.93%                   | 57,259       | 60,784                  | 48,328                      |
| 2004    | 75,445       | 5.11%                   | 45,743       | 57,681                  | 124,122                     |
| 2005    | 234,207      | 4.97%                   | 90,697       | 141,930                 | 110,468                     |
| 2006    | 421,066      | 5.24%                   | 114,475      | 232,680                 | 178,848                     |
| 2007    | 649,400      | 5.16%                   | 147,655      | 321,423                 | 311,550                     |
| Total   | \$ 1,764,297 | 5.32%                   | \$ 719,326   | \$ 1,068,147            | \$ 857,628                  |

During the three months ended June 30, 2008, three securities in two of the Company's Controlling Class CMBS were upgraded by at least one rating agency and five securities in two Controlling Class CMBS were downgraded. Additionally, at least one rating agency upgraded five of the Company's non-Controlling Class commercial real estate securities and downgraded four.

Mr. Shea stated, "Credit performance of the Company's portfolio is consistent with expectations as Controlling Class CMBS delinquencies at quarter end were 59 basis points. Many of the credit issues in today's market are associated with loans that are maturing and cannot refinance in this very difficult environment. Outside of the CMBS portfolio, the Company has only one loan on its balance sheet with a 2008 maturity and an extension is in the process of being finalized. At quarter end, the Company's direct commercial real estate loan portfolio has only one non-performing loan, which is fully reserved, and the Company's share of Carbon Capital's five non-performing loans totals \$35,577 with a current reserve of \$7,052."

### Commercial Real Estate Loans

At June 30, 2008, all commercial real estate loans owned directly by the Company are performing in accordance with their terms or have been reserved.

Also included in commercial real estate loans are the Company's investments in Carbon Capital, Inc. ("Carbon I") and Carbon II (collectively with Carbon I, the "Carbon Capital Funds"), which are managed by the Company's manager. For the quarters ended June 30, 2008 and 2007, the Company recorded income (loss) from the Carbon Capital Funds of \$(2,566) and \$3,983, respectively. Carbon II increased its investment in U.S. commercial real estate loans by funding an additional investment of \$910 during the second quarter of 2008. Paydowns in Carbon Capital Funds during the second quarter totaled \$3,376. As loans are repaid or sold, Carbon II has redeployed capital into acquisitions of

additional loans for the portfolio. The Carbon I investment period has expired and no new portfolio additions are expected.

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The Company's investments in the Carbon Capital Funds were as follows:

|           | June 30, 2008 | December 31, 2007 |
|-----------|---------------|-------------------|
| Carbon I  | \$ 1,711      | \$ 1,636          |
| Carbon II | 95,258        | 97,762            |
|           | \$ 96,969     | \$ 99,398         |

As previously reported, three loans held in the Carbon Capital Funds are in various stages of resolution and the Carbon Capital Funds have established loan loss reserves as necessary.

An additional loan in Carbon II defaulted at maturity in February 2008. The loan was restructured, modified and extended. However, Carbon II established a loan loss reserve of \$17,700 during the second quarter of 2008 based upon the probability of recovery. The Company's 26% share of this reserve reduced income by \$4,602.

Subsequent to June 30, 2008, one first mortgage loan in Carbon II experienced a maturity default. Carbon II is engaged in workout discussions, and various alternatives are being explored. Carbon II believes a loan loss reserve is not necessary at June 30, 2008. All other commercial real estate loans held through the Company's investments in the Carbon Capital Funds are performing in accordance with their terms or have been appropriately reserved as of June 30, 2008. All financial information utilized in this press release with respect to the Carbon Capital Funds was reported to the Company by the Carbon Capital Funds.

#### **Commercial Real Estate**

The Company has an investment in a commercial real estate development fund investing in India. At June 30, 2008, total capital committed was \$11,000, of which \$9,350 had been drawn. The entity conducts its operations in the local currency, Indian Rupees.

**Summary of Commercial Real Estate Assets**

A summary of the Company's commercial real estate assets with estimated fair values in local currencies and U.S. dollars at June 30, 2008 is as follows:

|                         | Commercial<br>Real Estate<br>Securities <sup>(1)</sup> | Commercial<br>Real Estate<br>Loans <sup>(2)</sup> | Commercial<br>Real Estate<br>Equity | Commercial<br>Mortgage<br>Loan Pools | Total<br>Commercial<br>Real Estate<br>Assets | Total<br>Commercial<br>Real Estate<br>Assets<br>(USD) | % of<br>Total |
|-------------------------|--|---|-------------------------------------|--------------------------------------|--|---|---------------|
| USD                     | \$ 1,507,230   | \$ 418,711  | -                                   | \$ 1,229,442                         | \$ 3,155,383                                 | \$ 3,155,383  | 74.0%         |
| GBP                     | £ 28,487   | £ 44,679  | -                                   | -                                    | £ 73,166                                     | 145,613   | 3.4%          |
| EURO                    | € 136,522  | € 370,606   | -                                   | -                                    | € 507,128                                    | 799,006   | 18.7%         |
| Canadian<br>Dollars     | C\$ 86,907   | C\$ 6,276   | -                                   | -                                    | C\$ 93,183                                   | 91,847  | 2.2%          |
| Japanese<br>Yen         | ¥ 4,079,450  | -   | -                                   | -                                    | ¥ 4,079,450                                  | 38,484  | 0.9%          |
| Swiss Francs            | -  | CHF 23,966  | -                                   | -                                    | CHF 23,966                                   | 23,529  | 0.6%          |
| Indian<br>Rupees        | -  | -   | Rs 401,302                          | -                                    | Rs 401,302                                   | 9,350   | 0.2%          |
| Total USD<br>Equivalent | \$ 1,903,167   | \$ 1,121,253                                      | \$ 9,350                            | \$ 1,229,442                         | \$ 4,263,212                                 | \$ 4,263,212  | 100.0%        |

(1) Includes the Company's investment in AHR JV of \$1,089 at June 30, 2008.

(2) Includes the Company's investments in the Carbon Capital Funds of \$96,969 and AHR International JV of \$30,902 at June 30, 2008.

For the three months ended June 30, 2008, the Company's non-U.S. dollar denominated commercial real estate assets generated \$24,884, or 29%, of the Company's total income.

The Company has foreign currency exposure related to its non-U.S. dollar denominated net assets. The Company's primary currency exposures are to the Euro, British Pound Sterling and Canadian Dollar. Changes in currency rates can adversely impact the estimated fair value and earnings of the Company's non-U.S. dollar denominated holdings. The Company mitigates this impact by utilizing local currency-denominated financing for its non-U.S. dollar denominated investments and foreign currency forward commitments and currency swaps to hedge its net foreign currency exposure. For the six months ended June 30, 2008, the Company recorded a net foreign currency loss of \$(10,186) on the consolidated statement of operations and a net foreign currency gain of \$9,325 in accumulated other comprehensive income (loss) on the consolidated statement of financial condition, resulting in a net economic foreign currency loss of \$(861).



**Book Value**

The chart below is a comparison of book value per share at June 30, 2008 and December 31, 2007.

|   | 06/30/2008 | 12/31/2007 |
|---|------------|------------|
| Total Stockholders' Equity                          | \$ 915,831 | \$ 451,371 |
| Less:   |            |            |
| Series C Preferred Stock Liquidation Preference     | (57,500)   | (57,500)   |
| Series D Preferred Stock Liquidation Preference     | (86,250)   | (86,250)   |
| Common Equity                                       | \$ 772,081 | 307,621    |
| FAS 159 transition adjustment as of January 1, 2008 |            | 350,623    |
| December 31, 2007 Common Equity, post-FAS 159       | \$         | 658,244    |
| Common Shares Outstanding                           | 73,309,064 | 63,263,998 |
| Book Value per Share                                | \$ 10.53   | \$ 10.41   |
| Book Value per Share, pre-FAS 159                   | \$         | 4.86       |

**Earnings Conference Call**

The Company will host a conference call on August 8, 2008 at 9:00 a.m. (Eastern Time). The conference call will be available live via telephone. Members of the public who are interested in participating in Anthracite's second quarter earnings teleconference should dial, from the U.S., (800) 374-0176, or from outside the U.S., (706) 679-4634, shortly before 9:00 a.m. (eastern time) and reference the Anthracite Teleconference Call (number 59261514). Please note that the teleconference call will be available for replay beginning at 1:00 p.m. on Friday, August 8, 2008, and ending at midnight on Friday, August 15, 2008. To access the replay, callers from the U.S. should dial (800) 642-1687 and callers from outside the U.S. should dial (706) 645-9291 and enter conference identification number 59261514.

**About Anthracite**

Anthracite Capital, Inc. is a specialty finance company focused on investments in high yield commercial real estate loans and related securities. Anthracite is externally managed by BlackRock Financial Management, Inc., which is a subsidiary of BlackRock, Inc. ("BlackRock") (NYSE:BLK), one of the largest publicly traded investment management firms in the United States with approximately \$1.428 trillion in global assets under management at June 30, 2008. BlackRock Realty Advisors, Inc., another subsidiary of BlackRock, provides real estate equity and other real estate-related products and services in a variety of strategies to meet the needs of institutional investors.

**Forward-Looking Statements**

This release, and other statements that Anthracite may make, may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, with respect to Anthracite's future financial or business performance, strategies or expectations. Forward-looking statements are typically identified by words or phrases such as "trend," "potential," "opportunity," "pipeline," "believe," "comfortable," "expect," "anticipate," "current," "intend," "estimate," "position," "assume," "outlook," "continue," "remain," "maintain," "sustain," "seek," "achieve," and similar expressions. Future or conditional verbs such as "will," "would," "should," "could," "may" or similar expressions.

Anthracite cautions that forward-looking statements are subject to numerous assumptions, risks and uncertainties, which change over time. Forward-looking statements speak only as of the date they are made, and Anthracite assumes no duty to and does not undertake to update forward-looking statements. Actual results could differ materially from those anticipated in forward-looking statements and future results could differ materially from historical performance.



In addition to factors previously disclosed in Anthracite's SEC reports and those identified elsewhere in this release, the following factors, among others, could cause actual results to differ materially from forward-looking statements or historical performance: (1) the introduction, withdrawal, success and timing of business initiatives and strategies; (2) changes in political, economic or industry conditions, the interest rate environment or financial and capital markets, which could result in changes in the value of Anthracite's assets; (3) the relative and absolute investment performance and operations of BlackRock Financial Management, Inc., Anthracite's manager (the "Manager"); (4) the impact of increased competition; (5) the impact of future acquisitions or divestitures; (6) the unfavorable resolution of legal proceedings; (7) the impact of legislative and regulatory actions and reforms and regulatory, supervisory or enforcement actions of government agencies relating to Anthracite or the Manager; (8) terrorist activities and international hostilities, which may adversely affect the general economy, domestic and global financial and capital markets, specific industries, and Anthracite; (9) the ability of the Manager to attract and retain highly talented professionals; (10) fluctuations in foreign currency exchange rates; and (11) the impact of changes to tax legislation and, generally, the tax position of the Company.

Anthracite's Annual Report on Form 10-K for the year ended December 31, 2007 and Anthracite's subsequent filings with the SEC, accessible on the SEC's website at [www.sec.gov](http://www.sec.gov), identify additional factors that can affect forward-looking statements.

To learn more about Anthracite, visit our website at [www.anthracitecapital.com](http://www.anthracitecapital.com). The information contained on the Company's website is not a part of this release.

**Anthracite Capital, Inc. and Subsidiaries**  
**Consolidated Statements of Financial Condition (Unaudited)**  
(dollar amounts in thousands)

|  | June 30, 2008 | December 31, 2007 |
|--|---------------|-------------------|
| <b>ASSETS</b>  |               |                   |
| Cash and cash equivalents  | \$ 38,684     | \$ 91,547         |
| Restricted cash equivalents  | 15,807        | 32,105            |
| RMBS   | 973           | 10,183            |
| Commercial mortgage loan pools   | \$ 1,229,442  | \$ 1,240,793      |
| Commercial real estate securities  | 1,903,167     | 2,274,151         |
| Commercial real estate loans, (net of loan loss reserve of \$25,000 in 2008)                                 | 1,121,253     | 1,082,785         |
| Commercial real estate   | 9,350         | 9,350             |
| Total commercial real estate   | 4,263,212     | 4,607,079         |
| Derivative instruments, at fair value  | 406,202       | 404,910           |
| Other assets (includes \$2,210 at estimated fair value in 2008)  | 71,948        | 101,886           |
| Total Assets   | \$ 4,796,826  | \$ 5,247,710      |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |               |                   |
| Liabilities:   |               |                   |
| Short-term borrowings:   |               |                   |
| Secured by pledge of RMBS  | \$ -          | \$ 8,958          |
| Secured by pledge of commercial real estate securities   | 379,746       | 492,159           |
| Secured by pledge of commercial mortgage loan pools  | 4,758         | 6,128             |
| Secured by pledge of commercial real estate loans  | 225,813       | 244,476           |
| Total short-term borrowings  | \$ 610,317    | \$ 751,721        |
| Long-term borrowings:  |               |                   |
| Collateralized debt obligations (at estimated fair value in 2008)  | 1,252,224     | 1,823,328         |
| Secured by pledge of commercial mortgage loan pools  | 1,207,151     | 1,219,094         |
| Senior unsecured notes (at estimated fair value in 2008)   | 85,204        | 162,500           |
| Junior unsecured notes (at estimated fair value in 2008)   | 35,611        | 73,103            |
| Junior subordinated notes to subsidiary trust issuing preferred securities (at estimated fair value in 2008) | 72,829        | 180,477           |
| Convertible senior unsecured notes (at estimated fair value in 2008)   | 71,160        | 80,000            |
| Total long-term borrowings   | 2,724,179     | 3,538,502         |
| Total borrowings   | 3,334,496     | 4,290,223         |
| Payable for investments purchased  | -             | 4,693             |
| Distributions payable  | 26,135        | 21,064            |
| Derivative instruments, at fair value  | 433,850       | 442,114           |

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|   |                     |                     |
|---|---------------------|---------------------|
| Other liabilities   | 39,936              | 38,245              |
| <b>Total Liabilities</b>  | <b>3,834,417</b>    | <b>4,796,339</b>    |
| 12% Series E-1 Cumulative Convertible Redeemable Preferred Stock, liquidation preference \$23,375 | 23,289              | -                   |
| 12% Series E-2 Cumulative Convertible Redeemable Preferred Stock, liquidation preference \$23,375 | 23,289              | -                   |
| Stockholders' Equity:   |                     |                     |
| Preferred Stock, 100,000,000 shares authorized;   |                     |                     |
| 9.375% Series C Preferred Stock, liquidation preference \$57,500                                  | 55,435              | 55,435              |
| 8.25% Series D Preferred Stock, liquidation preference \$86,250                                   | 83,259              | 83,259              |
| Common Stock, par value \$0.001 per share; 400,000,000 shares authorized;                         |                     |                     |
| 73,309,064 shares issued and outstanding in 2008; and   | 73                  | 63                  |
| 63,263,998 shares issued and outstanding in 2007  |                     |                     |
| Additional paid-in capital  | 762,843             | 691,071             |
| Retained earnings (distributions in excess of earnings)   | 11,654              | (122,738)           |
| Accumulated other comprehensive income (loss)   | 2,567               | (255,719)           |
| <b>Total Stockholders' Equity</b>   | <b>915,831</b>      | <b>451,371</b>      |
| <b>Total Liabilities and Stockholders' Equity</b>   | <b>\$ 4,796,826</b> | <b>\$ 5,247,710</b> |

**Anthracite Capital, Inc. and Subsidiaries**  
**Consolidated Statements of Operations (Unaudited)**  
(in thousands, except per share data)

|  | For the Three Months<br>Ended June 30, |                  | For the Six Months<br>Ended June 30, |                  |
|--|--|------------------|--------------------------------------|------------------|
|  | 2008                                   | 2007             | 2008                                 | 2007             |
| <b>Operating Portfolio</b>                             |  |                  |                                      |                  |
| Income:  |  |                  |                                      |                  |
| Commercial real estate securities                      | \$ 50,588                              | \$ 48,013        | \$ 102,798                           | \$ 93,894        |
| Commercial mortgage loan pools                         | 12,801                                 | 13,002           | 25,666                               | 26,134           |
| Commercial real estate loans                           | 23,100                                 | 18,282           | 46,831                               | 29,448           |
| Earnings (loss) from equity investments                | (2,566)                                | 3,983            | (557)                                | 7,969            |
| Commercial real estate                                 | -                                      | 8,430            | -                                    | 14,400           |
| RMBS   | 16                                     | 1,443            | 76                                   | 3,742            |
| Cash and cash equivalents                              | 918                                    | 939              | 1,982                                | 1,863            |
| <b>Total Income</b>                                    | <b>84,857</b>                          | <b>94,092</b>    | <b>176,796</b>                       | <b>177,450</b>   |
| Expenses:  |  |                  |                                      |                  |
| Interest expense:                                      |  |                  |                                      |                  |
| Short-term borrowings                                  | 9,295                                  | 14,512           | 19,911                               | 26,691           |
| Collateralized debt obligations                        | 25,228                                 | 26,753           | 51,149                               | 53,424           |
| Commercial mortgage loan pools                         | 12,183                                 | 12,409           | 24,391                               | 24,880           |
| Senior unsecured notes                                 | 3,016                                  | 1,860            | 6,074                                | 3,207            |
| Convertible senior notes                               | 2,370                                  | -                | 4,683                                | -                |
| Junior unsecured notes                                 | 1,442                                  | 947              | 2,769                                | 947              |
| Junior subordinated notes                              | 3,328                                  | 3,439            | 6,595                                | 6,719            |
| General and administrative expense                     | 1,866                                  | 1,519            | 3,682                                | 2,824            |
| Management fee   | 2,961                                  | 3,868            | 6,236                                | 7,388            |
| Incentive fee  | 1,334                                  | 3,208            | 1,963                                | 4,150            |
| Incentive fee - stock based                            | 645                                    | 939              | 1,044                                | 1,648            |
| <b>Total Expenses</b>                                  | <b>63,668</b>                          | <b>69,454</b>    | <b>128,497</b>                       | <b>131,878</b>   |
| <b>Other income (loss):</b>                            |  |                  |                                      |                  |
| Net realized and unrealized gain                       | 9,901                                  | 546              | 82,875                               | 7,279            |
| Incentive fee attributable to other gains              | -                                      | 287              | (9,916)                              | (1,495)          |
| Provision for loan loss                                | -                                      | -                | (25,190)                             | -                |
| Foreign currency gain (loss)                           | (2,145)                                | 1,371            | (10,186)                             | 2,855            |
| Hedge ineffectiveness                                  | 1,382                                  | (165)            | 1,304                                | (56)             |
| Loss on impairment of assets                           | -                                      | (2,900)          | -                                    | (4,098)          |
| <b>Total other income (loss)</b>                       | <b>9,138</b>                           | <b>(861)</b>     | <b>38,887</b>                        | <b>4,485</b>     |
| <b>Net Income</b>                                      | <b>30,327</b>                          | <b>23,777</b>    | <b>87,186</b>                        | <b>50,057</b>    |
| Dividends on preferred stock                           | (5,083)                                | (3,127)          | (8,209)                              | (5,404)          |
| <b>Net Income available to Common Stockholders</b>     | <b>\$ 25,244</b>                       | <b>\$ 20,650</b> | <b>\$ 78,977</b>                     | <b>\$ 44,653</b> |
| Net Income available to Common Stockholders per share: |  |                  |                                      |                  |
| Basic  | \$ 0.36                                | \$ 0.35          | \$ 1.19                              | \$ 0.76          |

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|  |    |      |    |      |    |      |    |      |
|--|----|------|----|------|----|------|----|------|
| Diluted  | \$ | 0.34 | \$ | 0.34 | \$ | 1.09 | \$ | 0.76 |
| Dividend declared per share of<br>Common Stock | \$ | 0.31 | \$ | 0.30 | \$ | 0.61 | \$ | 0.59 |

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## NET INCOME AVAILABLE TO COMMON STOCKHOLDERS PER SHARE

|  | For the Three Months<br>Ended June 30, |            | For the Six Months<br>Ended June 30, |            |
|--|--|------------|--------------------------------------|------------|
|  | 2008                                   | 2007       | 2008                                 | 2007       |
| Numerator:   |  |            |                                      |            |
| Numerator for basic earnings per share   | \$ 25,244                              | \$ 20,650  | \$ 78,977                            | \$ 44,653  |
| Interest expense on convertible senior notes   | 2,370                                  | -          | 4,683                                | -          |
| Dividends on Series E convertible stock  | 1,929                                  | -          | 1,929                                | -          |
| Numerator for diluted earnings per share   | \$ 29,543                              | \$ 20,650  | \$ 85,589                            | \$ 44,653  |
| Denominator:   |  |            |                                      |            |
| Denominator for basic earnings per share—weighted average common shares outstanding  | 69,458,370                             | 59,568,356 | 66,437,973                           | 58,715,762 |
| Assumed conversion of convertible senior notes   | 7,416,680                              | -          | 7,416,680                            | -          |
| Assumed conversion of Series E convertible preferred stock   | 8,604,781                              | -          | 4,302,390                            | -          |
| Effect of other dilutive securities  | 366,545                                | 323,112    | 183,273                              | 163,075    |
| Denominator for diluted earnings per share—weighted average common shares outstanding and common stock equivalents outstanding | 85,846,376                             | 59,891,468 | 78,340,316                           | 58,878,837 |
| Basic net income per weighted average common share:  | \$ 0.36                                | \$ 0.35    | \$ 1.19                              | \$ 0.76    |
| Diluted net income per weighted average common share and common share equivalents:   | \$ 0.34                                | \$ 0.34    | \$ 1.09                              | \$ 0.76    |



**Item 9.01. Financial Statements and Exhibits.**

(d) Exhibits.

**Exhibit**

| <b>No.</b> | <b>Document</b>                                     |
|------------|---|
| 99.1       | Press release, dated August 8, 2008, of the Company |

**SIGNATURES**

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.

ANTHRACITE CAPITAL, INC.

By: /s/ James J. Lillis  
Name: James J. Lillis  
Title: Chief Financial Officer and  
Treasurer

Dated: August 8, 2008