

CHIMERA INVESTMENT CORP

FORM 8-K (Current report filing)

Filed 10/31/18 for the Period Ending 10/31/18

Address	520 MADISON AVENUE 32ND FLOOR NEW YORK, NY, 10022
Telephone	212-626-2300
CIK	0001409493
Symbol	CIM
SIC Code	6798 - Real Estate Investment Trusts
Industry	Specialized REITs
Sector	Financials
Fiscal Year	12/31

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 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):
October 31, 2018

CHIMERA INVESTMENT CORPORATION
(Exact name of registrant as specified in its charter)

Maryland
(State or Other Jurisdiction
of Incorporation)

1-33796
(Commission
File Number)

26-0630461
(IRS Employer
Identification No.)

520 Madison Avenue, 32nd Fl
New York, New York
(Address of principal executive offices)

10022
(Zip Code)

Registrant's telephone number, including area code: (212) 626-2300

(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))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition

On October 31, 2018, the registrant issued a press release announcing its financial results for the quarter ended September 30, 2018. A copy of the press release is furnished as Exhibit 99.1 to this report.

On October 31, 2018, the registrant posted supplemental financial information on the Investor Relations section of its website (www.chimerareit.com). A copy of the supplemental financial information is furnished as Exhibit 99.2 to this report and incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

99.1 [Press Release, dated October 31, 2018, issued by Chimera Investment Corporation](#)

99.2 [Supplemental Financial Information for the quarter ended September 30, 2018](#)

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.

Chimera Investment Corporation

By: /s/ Rob Colligan

Name: Rob Colligan

Title: Chief Financial Officer

Date: October 31, 2018

PRESS RELEASE

NYSE: CIM

CHIMERA INVESTMENT CORPORATION
520 Madison Avenue
New York, New York 10022

Investor Relations
888-895-6557
www.chimerareit.com

FOR IMMEDIATE RELEASE**CHIMERA INVESTMENT CORPORATION REPORTS 3RD QUARTER 2018 EARNINGS**

- 3RD QUARTER GAAP NET INCOME OF \$0.79 PER COMMON SHARE
- 3RD QUARTER CORE EARNINGS ⁽¹⁾ OF \$0.60 PER COMMON SHARE
- GAAP BOOK VALUE OF \$17.02 PER COMMON SHARE

NEW YORK - (BUSINESS WIRE) - Chimera Investment Corporation (NYSE:CIM) today announced its financial results for the third quarter ended September 30, 2018. The Company's GAAP net income for the third quarter was \$147 million or \$0.79 per common share. Core earnings ⁽¹⁾ for the third quarter ended September 30, 2018 was \$112 million or \$0.60 per common share. Economic return on book value for the third quarter was 3.0%. ⁽²⁾ The Company sponsored two mortgage loan securitizations during the third quarter for \$788 million and incurred \$1.4 million in securitization deal related expenses.

"This quarter, Chimera issued \$260 million of Series C preferred Stock with an annual dividend rate of 7.75%," said Matthew Lambiase, Chimera's CEO and President. "Since the fourth quarter of 2016, we have raised \$730 million in capital through preferred shares which has helped to diversify our capital structure and lower our cost of capital while being accretive to our common shareholders."

(1) Core earnings is a non-GAAP measure. See additional discussion on page 5.

(2) Economic return on book value is based on the change in GAAP book value per common share plus the dividend declared per common share.

Other Information

Chimera Investment Corporation is a publicly traded real estate investment trust, or REIT, that is primarily engaged in the business of investing directly or indirectly through our subsidiaries, on a leveraged basis, in a diversified portfolio of mortgage assets, including residential mortgage loans, Non-Agency RMBS, Agency CMBS, Agency RMBS, and other real estate related securities.

Please visit www.chimerareit.com and click on Investors for additional information about us.

CHIMERA INVESTMENT CORPORATION CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(dollars in thousands, except share and per share data)

(Unaudited)

	September 30, 2018	December 31, 2017
Assets:		
Cash and cash equivalents	\$ 121,046	\$ 63,569
Non-Agency RMBS, at fair value	2,507,707	2,851,316
Agency MBS, at fair value	9,406,092	4,364,828
Loans held for investment, at fair value	12,729,559	13,678,263
Accrued interest receivable	114,798	100,789
Other assets	145,655	114,391
Derivatives, at fair value, net	155,069	48,914
Total assets ⁽¹⁾	\$ 25,179,926	\$ 21,222,070
Liabilities:		
Repurchase agreements (\$12.6 billion and \$8.8 billion, pledged as collateral, respectively)	\$ 11,143,102	\$ 7,250,452
Securitized debt, collateralized by Non-Agency RMBS (\$1.1 billion and \$1.6 billion pledged as collateral, respectively)	167,718	205,780
Securitized debt at fair value, collateralized by loans held for investment (\$12.5 billion and \$13.3 billion pledged as collateral, respectively)	8,826,879	9,388,657
Payable for investments purchased	903,424	567,440
Accrued interest payable	110,228	61,888
Dividends payable	96,809	95,365
Accounts payable and other liabilities	18,585	17,191
Derivatives, at fair value, net	—	320
Total liabilities ⁽¹⁾	\$ 21,266,745	\$ 17,587,093

Commitments and Contingencies (See Note 15)

Stockholders' Equity:

Preferred Stock, par value of \$0.01 per share, 100,000,000 shares authorized:

8.00% Series A cumulative redeemable: 5,800,000 shares issued and outstanding, respectively (\$145,000 liquidation preference)	\$ 58	\$ 58
8.00% Series B cumulative redeemable: 13,000,000 shares issued and outstanding, respectively (\$325,000 liquidation preference)	130	130
7.75% Series C cumulative redeemable: 10,400,000 and 0 shares issued and outstanding, respectively (\$260,000 liquidation preference)	104	—
Common stock: par value \$0.01 per share; 300,000,000 shares authorized, 187,006,943 and 187,809,288 shares issued and outstanding, respectively	1,870	1,878
Additional paid-in-capital	4,069,868	3,826,691
Accumulated other comprehensive income	627,936	796,902
Cumulative earnings	3,482,287	2,967,852
Cumulative distributions to stockholders	(4,269,072)	(3,958,534)
Total stockholders' equity	\$ 3,913,181	\$ 3,634,977
Total liabilities and stockholders' equity	\$ 25,179,926	\$ 21,222,070

(1) The Company's consolidated statements of financial condition include assets of consolidated variable interest entities ("VIEs") that can only be used to settle obligations and liabilities of the VIE for which creditors do not have recourse to the primary beneficiary (Chimera Investment Corporation). As of September 30, 2018 and December 31, 2017, total assets of consolidated VIEs were \$13,703,646 and \$14,987,464, respectively, and total liabilities of consolidated VIEs were \$9,032,119 and \$9,631,820, respectively.

CHIMERA INVESTMENT CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

(dollars in thousands, except share and per share data)

(Unaudited)

	For the Quarters Ended		For the Nine Months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Net interest income:				
Interest income ⁽¹⁾	\$ 321,715	\$ 296,813	\$ 925,282	\$ 836,801
Interest expense ⁽²⁾	174,671	140,358	485,189	388,544
Net interest income	147,044	156,455	440,093	448,257
Other-than-temporary impairments:				
Total other-than-temporary impairment losses	(772)	(784)	(1,871)	(4,245)
Portion of loss recognized in other comprehensive income	(6,461)	(10,684)	(15,651)	(39,431)
Net other-than-temporary credit impairment losses	(7,233)	(11,468)	(17,522)	(43,676)
Other investment gains (losses):				
Net unrealized gains (losses) on derivatives	71,197	9,204	178,511	19,902
Realized gains (losses) on terminations of interest rate swaps	—	—	—	(16,143)
Net realized gains (losses) on derivatives	2,881	(7,841)	14,573	(28,680)
Net gains (losses) on derivatives	74,078	1,363	193,084	(24,921)
Net unrealized gains (losses) on financial instruments at fair value	(34,306)	19,042	(38,204)	159,047
Net realized gains (losses) on sales of investments	(6,123)	1	(3,956)	9,709
Gains (losses) on extinguishment of debt	9,263	(1)	19,320	(48,016)
Total other gains (losses)	42,912	20,405	170,244	95,819
Other expenses:				
Compensation and benefits	8,642	7,533	25,741	22,759
General and administrative expenses	5,615	4,537	16,964	13,162
Servicing fees	9,766	10,715	31,044	31,193
Deal expenses	1,372	3,357	4,555	16,054
Total other expenses	25,395	26,142	78,304	83,168
Income (loss) before income taxes	157,328	139,250	514,511	417,232
Income taxes	7	18	76	172
Net income (loss)	\$ 157,321	\$ 139,232	\$ 514,435	\$ 417,060
Dividend on preferred stock	9,960	9,400	28,760	24,083
Net income (loss) available to common shareholders	\$ 147,361	\$ 129,832	\$ 485,675	\$ 392,977
Net income (loss) per share available to common shareholders:				
Basic	\$ 0.79	\$ 0.69	\$ 2.59	\$ 2.09
Diluted	\$ 0.79	\$ 0.69	\$ 2.59	\$ 2.09
Weighted average number of common shares outstanding:				
Basic	187,006,777	187,779,794	187,182,932	187,773,715
Diluted	187,584,958	188,192,111	187,705,831	188,176,757
Dividends declared per share of common stock	\$ 0.50	\$ 0.50	\$ 1.50	\$ 1.50

(1) Includes interest income of consolidated VIEs of \$223,948 and \$241,195 for the quarters ended September 30, 2018 and 2017, respectively and interest income of consolidated VIEs of \$688,720 and \$668,621 for the nine months ended September 30, 2018 and 2017.

(2) Includes interest expense of consolidated VIEs of \$99,622 and \$101,856 for the quarters ended September 30, 2018 and 2017, respectively and interest expense of consolidated VIEs of \$298,744 and \$290,264 for the nine months ended September 30, 2018 and 2017.

CHIMERA INVESTMENT CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(dollars in thousands, except share and per share data)

(Unaudited)

	For the Quarters Ended		For the Nine Months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Comprehensive income (loss):				
Net income (loss)	\$ 157,321	\$ 139,232	\$ 514,435	\$ 417,060
Other comprehensive income:				
Unrealized gains (losses) on available-for-sale securities, net	(50,728)	21,370	(181,885)	59,114
Reclassification adjustment for net losses included in net income for other-than-temporary credit impairment losses	7,233	11,468	17,522	43,676
Reclassification adjustment for net realized losses (gains) included in net income	(220)	(1)	(4,603)	(7,778)
Other comprehensive income (loss)	(43,715)	32,837	(168,966)	95,012
Comprehensive income (loss) before preferred stock dividends	\$ 113,606	\$ 172,069	\$ 345,469	\$ 512,072
Dividends on preferred stock	\$ 9,960	\$ 9,400	\$ 28,760	\$ 24,083
Comprehensive income (loss) available to common stock shareholders	\$ 103,646	\$ 162,669	\$ 316,709	\$ 487,989

Core earnings

Core earnings is a non-GAAP measure and is defined as GAAP net income excluding unrealized gains on the aggregate portfolio, impairment losses, realized gains on sales of investments, realized gains or losses on futures, realized gains or losses on swap terminations, gain on deconsolidation, extinguishment of debt and certain other non-recurring gains or losses. As defined, core earnings include interest income and expense as well as realized losses on interest rate swaps used to hedge interest rate risk. Management believes that the presentation of core earnings is useful to investors because it can provide a useful measure of comparability to our other REIT peers, but has important limitations. We believe core earnings as described above helps evaluate our financial performance without the impact of certain transactions but is of limited usefulness as an analytical tool. Therefore, core earnings should not be viewed in isolation and is not a substitute for net income or net income per basic share computed in accordance with GAAP.

The following table provides GAAP measures of net income and net income per basic share available to common stockholders for the periods presented and details with respect to reconciling the line items to core earnings and related per average basic common share amounts:

	For the Quarters Ended				
	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017
	(dollars in thousands, except per share data)				
GAAP Net income available to common stockholders	\$ 147,361	\$ 108,708	\$ 229,607	\$ 98,208	\$ 129,832
Adjustments:					
Net other-than-temporary credit impairment losses	7,233	9,131	1,158	18,179	11,468
Net unrealized (gains) losses on derivatives	(71,197)	(25,895)	(81,419)	(28,074)	(9,204)
Net unrealized (gains) losses on financial instruments at fair value	34,306	18,364	(14,466)	47,637	(19,042)
Net realized (gains) losses on sales of investments	6,123	(2,167)	—	586	(1)
(Gains) losses on extinguishment of debt	(9,263)	(387)	(9,670)	(12,742)	1
Realized (gains) losses on terminations of interest rate swaps	—	—	—	—	—
Net realized (gains) losses on Futures ⁽¹⁾	(2,799)	2,210	(16,424)	(8,204)	3,267
Core Earnings	\$ 111,764	\$ 109,964	\$ 108,786	\$ 115,590	\$ 116,321
GAAP net income per basic common share	\$ 0.79	\$ 0.58	\$ 1.22	\$ 0.52	\$ 0.69
Core earnings per basic common share ⁽²⁾	\$ 0.60	\$ 0.59	\$ 0.58	\$ 0.62	\$ 0.62

(1) Included in net realized gains (losses) on derivatives in the Consolidated Statements of Operations.

(2) We note that core and taxable earnings will typically differ, and may materially differ, due to differences on realized gains and losses on investments and related hedges, credit loss recognition, timing differences in premium amortization, accretion of discounts, equity compensation and other items.

The following tables provide a summary of the Company's MBS portfolio at September 30, 2018 and December 31, 2017 .

September 30, 2018						
	Principal or Notional Value at Period-End (dollars in thousands)	Weighted Average Amortized Cost Basis	Weighted Average Fair Value	Weighted Average Coupon	Weighted Average Yield at Period-End ⁽¹⁾	
Non-Agency RMBS						
Senior	\$ 2,413,931	\$ 52.46	\$ 81.81	4.9%	18.8%	
Senior, interest-only	5,844,053	5.09	4.15	1.2%	9.1%	
Subordinated	379,077	57.66	73.34	4.3%	11.0%	
Subordinated, interest-only	244,298	4.36	5.17	1.2%	16.1%	
Agency MBS						
Residential pass-through	6,730,675	103.18	101.19	4.0%	3.5%	
Commercial pass-through	2,532,460	102.00	97.75	3.6%	3.4%	
Interest-only	2,865,073	4.32	4.17	0.8%	4.1%	

December 31, 2017						
	Principal or Notional Value at Period-End (dollars in thousands)	Weighted Average Amortized Cost Basis	Weighted Average Fair Value	Weighted Average Coupon	Weighted Average Yield at Period-End ⁽¹⁾	
Non-Agency RMBS						
Senior	\$ 2,733,926	\$ 54.04	\$ 81.62	4.6%	16.7%	
Senior, interest-only	4,862,461	5.41	4.34	1.3%	8.0%	
Subordinated	501,455	66.77	80.01	4.1%	9.6%	
Subordinated, interest-only	201,378	3.66	3.89	0.8%	11.8%	
Agency MBS						
Residential pass-through	2,227,128	105.53	104.27	3.8%	2.9%	
Commercial pass-through	1,894,594	102.26	102.31	3.6%	3.2%	
Interest-only	3,021,840	3.68	3.45	0.7%	3.4%	

(1) Bond Equivalent Yield at period end.

At September 30, 2018 and December 31, 2017 , the repurchase agreements collateralized by MBS had the following remaining maturities.

	September 30, 2018		December 31, 2017	
	(dollars in thousands)			
Overnight	\$	123,417	\$	—
1 to 29 days		4,622,550		4,745,342
30 to 59 days		3,832,236		1,206,769
60 to 89 days		1,208,344		592,865
90 to 119 days		25,196		—
Greater than or equal to 120 days		1,331,359		705,476
Total	\$	11,143,102	\$	7,250,452

The following table summarizes certain characteristics of our portfolio at September 30, 2018 and December 31, 2017 .

	September 30, 2018	December 31, 2017
Interest earning assets at period-end ⁽¹⁾	\$ 24,643,358	\$ 20,894,407
Interest bearing liabilities at period-end	\$ 20,137,699	\$ 16,844,889
GAAP Leverage at period-end	5.1:1	4.6:1
GAAP Leverage at period-end (recourse)	2.8:1	2.0:1
Portfolio Composition, at amortized cost		
Non-Agency RMBS	5.1%	5.9%
Senior	3.0%	2.9%
Senior, interest only	1.2%	1.3%
Subordinated	0.9%	1.7%
Subordinated, interest only	0.0%	0.0%
RMBS transferred to consolidated VIEs	2.4%	4.6%
Agency MBS	40.6%	22.2%
Residential	29.2%	11.8%
Commercial	10.9%	9.8%
Interest-only	0.5%	0.6%
Loans held for investment	51.9%	67.3%
Fixed-rate percentage of portfolio	95.3%	93.7%
Adjustable-rate percentage of portfolio	4.7%	6.3%
Annualized yield on average interest earning assets for the quarters ended	5.8%	6.3%
Annualized cost of funds on average borrowed funds for the quarters ended ⁽²⁾	3.6%	3.6%

(1) Excludes cash and cash equivalents.

(2) Includes the effect of realized losses on interest rate swaps.

Economic Net Interest Income

Our “Economic net interest income” is a non-GAAP financial measure, that equals interest income, less interest expense and realized losses on our interest rate swaps. Realized losses on our interest rate swaps are the periodic net settlement payments made or received. For the purpose of computing economic net interest income and ratios relating to cost of funds measures throughout this section, interest expense includes net payments on our interest rate swaps, which is presented as a part of Realized gains (losses) on derivatives in our Consolidated Statements of Operations and Comprehensive Income. Interest rate swaps are used to manage the increase in interest paid on repurchase agreements in a rising rate environment. Presenting the net contractual interest payments on interest rate swaps with the interest paid on interest-bearing liabilities reflects our total contractual interest payments. We believe this presentation is useful to investors because it depicts the economic value of our investment strategy by showing actual interest expense and net interest income. Where indicated, interest expense, including interest payments on interest rate swaps, is referred to as economic interest expense. Where indicated, net interest income reflecting interest payments on interest rate swaps, is referred to as economic net interest income.

The following table reconciles the GAAP and non-GAAP measurements reflected in the Management’s Discussion and Analysis of Financial Condition and Results of Operations.

	GAAP Interest Income	GAAP Interest Expense	Net Realized (Gains) Losses on Interest Rate Swaps	Economic Interest Expense	GAAP Net Interest Income	Net Realized Gains (Losses) on Interest Rate Swaps	Other ⁽¹⁾	Economic Net Interest Income
For the Quarter Ended September 30, 2018	\$ 321,715	\$ 174,671	\$ (242)	\$ 174,429	\$ 147,044	\$ 242	\$ 321	\$ 147,607
For the Quarter Ended June 30, 2018	\$ 306,436	\$ 161,266	\$ (1,246)	\$ 160,020	\$ 145,170	\$ 1,246	\$ 436	\$ 146,852
For the Quarter Ended March 31, 2018	\$ 297,132	\$ 149,251	\$ 2,612	\$ 151,863	\$ 147,881	\$ (2,612)	\$ 143	\$ 145,412
For the Quarter Ended December 31, 2017	\$ 301,957	\$ 144,204	\$ 4,369	\$ 148,573	\$ 157,753	\$ (4,369)	\$ (61)	\$ 153,323
For the Quarter Ended September 30, 2017	\$ 296,813	\$ 140,358	\$ 3,489	\$ 143,847	\$ 156,455	\$ (3,489)	\$ (167)	\$ 152,799

(1) Primarily interest expense/(income) on cash and cash equivalents.

The table below shows our average earning assets held, interest earned on assets, yield on average interest earning assets, average debt balance, economic interest expense, economic average cost of funds, economic net interest income, and net interest rate spread for the periods presented.

	For the Quarter Ended					
	September 30, 2018			September 30, 2017		
	(dollars in thousands)			(dollars in thousands)		
	Average Balance	Interest	Average Yield/Cost	Average Balance	Interest	Average Yield/Cost
Assets:						
<i>Interest-earning assets ⁽¹⁾:</i>						
Agency MBS	\$ 7,776,334	\$ 66,863	3.4%	\$ 3,733,640	\$ 24,236	2.6%
Non-Agency RMBS	1,186,945	29,213	9.8%	1,258,634	28,590	9.1%
Non-Agency RMBS transferred to consolidated VIEs	632,155	42,416	26.8%	1,000,912	56,388	22.5%
Residential mortgage loans held for investment	12,613,816	183,544	5.8%	12,959,595	187,432	5.8%
Total	\$ 22,209,250	\$ 322,036	5.8%	\$ 18,952,781	\$ 296,646	6.3%
Liabilities and stockholders' equity:						
<i>Interest-bearing liabilities:</i>						
Repurchase agreements collateralized by:						
Agency MBS ⁽²⁾	\$ 6,720,205	\$ 38,492	2.3%	\$ 3,114,689	\$ 14,211	1.8%
Non-Agency RMBS ⁽²⁾	428,363	4,186	3.9%	706,941	5,257	3.0%
Re-REMIC repurchase agreements	621,042	6,681	4.3%	443,029	3,679	3.3%
RMBS from loan securitizations	2,465,678	25,449	4.1%	2,285,232	18,843	3.3%
Securitized debt, collateralized by Non-Agency RMBS	173,825	2,471	5.7%	248,989	4,416	7.1%
Securitized debt, collateralized by loans	8,938,962	97,150	4.3%	9,399,125	97,441	4.1%
Total	\$ 19,348,075	\$ 174,429	3.6%	\$ 16,198,005	\$ 143,847	3.6%
Economic net interest income/net interest rate spread		\$ 147,607	2.2%		\$ 152,799	2.7%
Net interest-earning assets/net interest margin	\$ 2,861,175		2.7%	\$ 2,754,776		3.2%
Ratio of interest-earning assets to interest bearing liabilities		1.15			1.17	

(1) Interest-earning assets at amortized cost

(2) Interest includes net cash paid/received on swaps

The table below shows our Net Income, Economic Net Interest Income and Core Earnings, each as a percentage of average equity. Return on average equity is defined as our GAAP net income (loss) as a percentage of average equity. Average equity is defined as the average of the Company's beginning and ending equity balance for the period reported. Economic Net Interest Income is a non-GAAP financial measure, that equals interest income, less interest expense and realized losses on our interest rate swaps. Core Earnings is a non-GAAP measure as defined in previous section.

	Return on Average Equity	Economic Net Interest Income/Average Equity *	Core Earnings/Average Equity
	(Ratios have been annualized)		
For the Quarter Ended September 30, 2018	16.64%	15.61%	11.82%
For the Quarter Ended June 30, 2018	12.91%	16.05%	12.02%
For the Quarter Ended March 31, 2018	26.17%	15.92%	11.91%
For the Quarter Ended December 31, 2017	11.82%	16.85%	12.70%
For the Quarter Ended September 30, 2017	15.42%	16.92%	12.88%

* Includes effect of realized losses on interest rate swaps.

The following table presents changes to Accretable Discount (net of premiums) as it pertains to our Non-Agency RMBS portfolio, excluding premiums on IOs, during the previous five quarters.

Accretable Discount (Net of Premiums)	For the Quarters Ended				
	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017
	(dollars in thousands)				
Balance, beginning of period	\$ 540,269	\$ 555,444	\$ 582,193	\$ 622,982	\$ 627,724
Accretion of discount	(35,184)	(38,110)	(37,309)	(39,640)	(43,502)
Purchases	1,966	3,098	—	(2,914)	1,723
Sales and deconsolidation	(986)	(6,439)	174	—	5,792
Transfers from/(to) credit reserve, net	32,955	26,276	10,386	1,765	31,245
Balance, end of period	\$ 539,020	\$ 540,269	\$ 555,444	\$ 582,193	\$ 622,982

Disclaimer

This press release includes “forward-looking statements” within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. Actual results may differ from expectations, estimates and projections and, consequently, readers should not rely on these forward-looking statements as predictions of future events. Words such as “expect,” “target,” “assume,” “estimate,” “project,” “budget,” “forecast,” “anticipate,” “intend,” “plan,” “may,” “will,” “could,” “should,” “believe,” “predicts,” “potential,” “continue,” and similar expressions are intended to identify such forward-looking statements. These forward-looking statements involve significant risks and uncertainties that could cause actual results to differ materially from expected results, including, among other things, those described in our most recent Annual Report on Form 10-K, and any subsequent Quarterly Reports on Form 10-Q, under the caption “Risk Factors.” Factors that could cause actual results to differ include, but are not limited to: the state of credit markets and general economic conditions; changes in interest rates and the market value of our assets; the rates of default or decreased recovery on the mortgages underlying our target assets; the occurrence, extent and timing of credit losses within our portfolio; the credit risk in our underlying assets; declines in home prices; our ability to establish, adjust and maintain appropriate hedges for the risks in our portfolio; the availability and cost of our target assets; our ability to borrow to finance our assets and the associated costs; changes in the competitive landscape within our industry; our ability to manage various operational risks and costs associated with our business; interruptions in or impairments to our communications and information technology systems; our ability to acquire residential mortgage loans and successfully securitize the residential mortgage loans we acquire; our ability to oversee our third party sub-servicers; the impact of any deficiencies in the servicing or foreclosure practices of third parties and related delays in the foreclosure process; our exposure to legal and regulatory claims; legislative and regulatory actions affecting our business; the impact of new or modified government mortgage refinance or principal reduction programs; our ability to maintain our REIT qualification; and limitations imposed on our business due to our REIT status and our exempt status under the Investment Company Act of 1940.

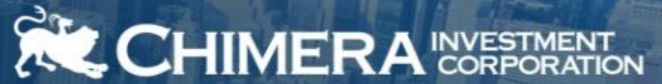
Readers are cautioned not to place undue reliance upon any forward-looking statements, which speak only as of the date made. Chimera does not undertake or accept any obligation to release publicly any updates or revisions to any forward-looking statement to reflect any change in its expectations or any change in events, conditions or circumstances on which any such statement is based. Additional information concerning these and other risk factors is contained in Chimera’s most recent filings with the Securities and Exchange Commission (SEC). All subsequent written and oral forward-looking statements concerning Chimera or matters attributable to Chimera or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements above.

Readers are advised that the financial information in this press release is based on company data available at the time of this presentation and, in certain circumstances, may not have been audited by the Company’s independent auditors.



**FINANCIAL
SUPPLEMENT**
NYSE: CIM

3rd Quarter 2018



DISCLAIMER

This presentation includes "forward-looking statements" within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. Actual results may differ from expectations, estimates and projections and, consequently, readers should not rely on these forward-looking statements as predictions of future events. Words such as "goal," "expect," "target," "assume," "estimate," "project," "budget," "forecast," "anticipate," "intend," "plan," "may," "will," "could," "should," "believe," "predicts," "potential," "continue," and similar expressions are intended to identify such forward-looking statements. These forward-looking statements involve significant risks and uncertainties that could cause actual results to differ materially from expected results, including, among other things, those described in our most recent Annual Report on Form 10-K, and any subsequent Quarterly Reports on Form 10-Q, under the caption "Risk Factors." Factors that could cause actual results to differ include, but are not limited to: the state of credit markets and general economic conditions; changes in interest rates and the market value of our assets; the rates of default or decreased recovery on the mortgages underlying our target assets; the occurrence, extent and timing of credit losses within our portfolio; the credit risk in our underlying assets; declines in home prices; our ability to establish, adjust and maintain appropriate hedges for the risks in our portfolio; the availability and cost of our target assets; our ability to borrow to finance our assets and the associated costs; changes in the competitive landscape within our industry; our ability to manage various operational risks and costs associated with our business; interruptions in or impairments to our communications and information technology systems; our ability to acquire residential mortgage loans and successfully securitize the residential mortgage loans we acquire; our ability to oversee our third party sub-servicers; the impact of any deficiencies in the servicing or foreclosure practices of third parties and related delays in the foreclosure process; our exposure to legal and regulatory claims; legislative and regulatory actions affecting our business; the impact of new or modified government mortgage refinance or principal reduction programs; our ability to maintain our REIT qualification; and limitations imposed on our business due to our REIT status and our exempt status under the Investment Company Act of 1940.

Readers are cautioned not to place undue reliance upon any forward-looking statements, which speak only as of the date made. Chimera does not undertake or accept any obligation to release publicly any updates or revisions to any forward-looking statement to reflect any change in its expectations or any change in events, conditions or circumstances on which any such statement is based. Additional information concerning these and other risk factors is contained in Chimera's most recent filings with the Securities and Exchange Commission (SEC). All subsequent written and oral forward-looking statements concerning Chimera or matters attributable to Chimera or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements above.

This presentation may include industry and market data obtained through research, surveys, and studies conducted by third parties and industry publications. We have not independently verified any such market and industry data from third-party sources. This presentation is provided for discussion purposes only and may not be relied upon as legal or investment advice, nor is it intended to be inclusive of all the risks and uncertainties that should be considered. This presentation does not constitute an offer to purchase or sell any securities, nor shall it be construed to be indicative of the terms of an offer that the parties or their respective affiliates would accept.

Readers are advised that the financial information in this presentation is based on company data available at the time of this presentation and, in certain circumstances, may not have been audited by the company's independent auditors.

Information is unaudited, estimated and subject to change.



PORTFOLIO COMPOSITION

76% of Chimera's equity capital is allocated to mortgage credit



All data as of September 30, 2018

- (1) Financing excludes unsettled trades.
- (2) Reflects third quarter 2018 average assets, yields, and spreads.
- (3) Includes the interest incurred on interest rate swaps.

Net Investment Analysis⁽²⁾

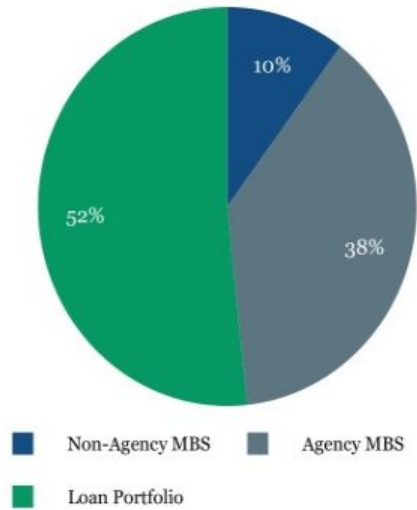
	Residential Mortgage Credit Portfolio	Agency Portfolio	Total Portfolio
Gross Asset Yield:	7.1%	3.4%	5.8%
Financing Cost ⁽³⁾ :	4.3%	2.3%	3.6%
Net Interest Spread:	2.8%	1.1%	2.2%
Net Interest Margin:	3.3%	1.5%	2.7%

Information is unaudited, estimated and subject to change.

GAAP ASSET ALLOCATION⁽¹⁾

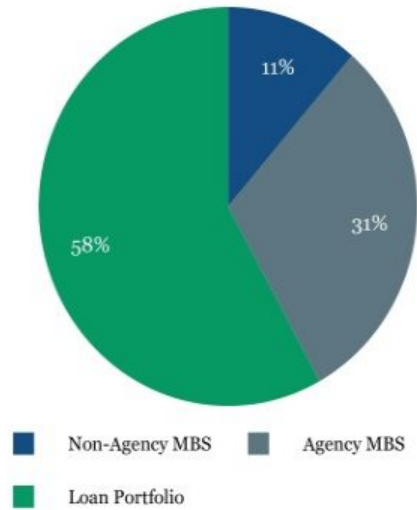
The increase in Agency MBS provides spread income and preserves portfolio liquidity

September 30, 2018



Total Portfolio: \$24.6 billion

June 30, 2018



Total Portfolio: \$22.8 billion

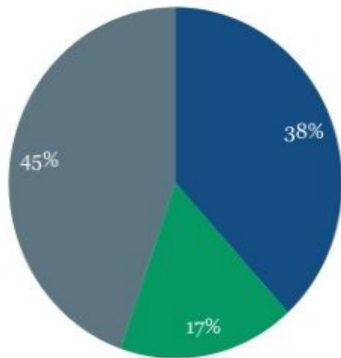
(1) Based on fair value.

Information is unaudited, estimated and subject to change.

GAAP FINANCING SOURCES

Total Leverage⁽¹⁾: 5.1:1
Recourse Leverage⁽¹⁾: 2.8:1

September 30, 2018



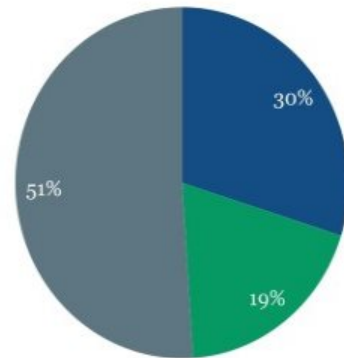
- Agency Repurchase Agreements, RMBS
- Non-Agency Repurchase Agreements, RMBS
- Non-Recourse Debt, Securitized RMBS and Loans (2)

Total Financing: \$20.1 Billion

- (1) Leverage ratios as of September 30, 2018
(2) Consists of tranches of RMBS and loan securitizations sold to third parties.

Information is unaudited, estimated and subject to change.

June 30, 2018



- Agency Repurchase Agreements, RMBS
- Non-Agency Repurchase Agreements, RMBS
- Non-Recourse Debt, Securitized RMBS and Loans (2)

Total Financing: \$18.6 Billion

CONSOLIDATED LOAN SECURITIZATIONS

(\$ in thousands)

September 30, 2018

Vintage	Deal	Total Original Face	Total of Tranches Sold	Total of Tranches Retained	Total Remaining Face	Remaining Face of Tranches Sold	Remaining Face of Tranches Retained
2018	CIM 2018-R5 ⁽¹⁾	\$380,194	\$266,136	\$114,058	\$371,348	\$257,294	\$114,054
2018	CIM 2018-R4	387,222	271,056	116,166	375,840	259,732	116,108
2018	CIM 2018-R3 ⁽¹⁾	181,073	146,669	34,404	171,196	136,846	34,350
2018	CIM 2018-R2	380,292	266,204	114,088	351,490	237,005	114,485
2018	CIM 2018-R1	169,032	140,297	28,735	157,880	128,869	29,011
2017	CMLTI 2017-RP2	421,329	341,276	80,053	384,196	304,345	79,851
2017	CIM 2017-8 ⁽¹⁾	1,148,050	688,829	459,221	1,031,171	572,060	459,111
2017	CIM 2017-7	512,446	341,062	171,384	454,454	284,775	169,679
2017	CIM 2017-6	782,725	626,179	156,546	676,017	519,055	156,962
2017	CIM 2017-5	377,034	75,407	301,627	329,845	28,475	301,370
2017	CIM 2017-4	830,510	710,003	120,507	595,893	483,785	112,108
2017	CIM 2017-3	2,434,640	2,113,267	321,373	1,896,992	1,578,874	318,118
2017	CIM 2017-2	331,440	248,580	82,860	274,375	191,496	82,879
2017	CIM 2017-1	526,267	368,387	157,880	421,107	264,745	156,362
2016	CIM 2016-FRE1	185,811	115,165	70,646	148,834	79,908	68,926
2016	CIM 2016-4 ⁽¹⁾	601,733	493,420	108,313	449,313	342,018	107,295
2016	CIM 2016-3	1,746,084	1,478,933	267,151	1,224,651	966,587	258,064
2016	CIM 2016-2	1,762,177	1,492,563	269,614	1,233,946	972,280	261,666
2016	CIM 2016-1	1,499,341	1,266,898	232,443	1,038,892	817,845	221,047
2015	CIM 2015-4AG ⁽¹⁾	750,647	530,970	219,677	460,012	273,458	186,554
2012	CSMC 2012-CIM1	741,939	707,810	34,129	49,425	22,297	27,128
2012	CSMC 2012-CIM2	425,091	404,261	20,830	41,678	24,222	17,456
2012	CSMC 2012-CIM3	329,886	305,804	24,082	106,867	88,872	17,995
2008	PHHMC 2008-CIM1	619,710	549,142	70,568	34,318	24,998	9,320
TOTAL		\$17,524,673	\$13,948,318	\$3,576,355	\$12,279,740	\$8,859,841	\$3,419,899

All data as of September 30, 2018

(1) Contains collateral from Springleaf deals acquired in 2014.

Information is unaudited, estimated and subject to change.

CONSOLIDATED RMBS SECURITIZATIONS

- Re-securitized subordinate bonds have had slow prepayments considering the low interest rate environment
- Chimera expects the re-securitized subordinate bond portfolio to have meaningful impact on earnings for the foreseeable future

(\$ in thousands)

September 30, 2018

Vintage	Deal	Total Original Face	Total of Tranches Sold	Total of Tranches Retained	Total Remaining Face	Remaining Face of Tranches Sold	Remaining Face of Tranches Retained
2010	CSMC 2010-1R	\$1,730,581	\$691,630	\$1,038,951	\$442,292	\$3,154	\$439,138
2009	CSMC 2009-12R	1,730,698	915,566	815,132	426,104	78,703	347,401
2009	JPMRR 2009-7	1,522,474	856,935	665,539	382,081	84,812	297,269
2009	JMAC 2009-R2	281,863	192,500	89,363	65,151	15,872	49,279
TOTAL		\$5,265,616	\$2,656,631	\$2,608,985	\$1,315,628	\$182,541	\$1,133,087
		<i>% of origination remaining</i>			25%	7%	43%

* Chimera collapsed CSMC 2014-4R during the second quarter and owns the underlying securities

Information is unaudited, estimated and subject to change.

6



AGENCY SECURITIES AND REPO SUMMARY

Agency Securities – As of September 30, 2018

Security Type	Coupon ⁽¹⁾	Current Face	Weighted Average Market Price	Weighted Average CPR
	3.50%	\$780,640	98.7	9.7
Agency Pass-through	4.00%	5,170,450	101.1	5.6
	4.50%	438,444	103.5	9.9
	5.0%	341,141	105.1	N/A ⁽³⁾
Commercial	3.6%	2,532,460	97.8	—
Agency IO	0.8%	N/M ⁽²⁾	4.2	3.7
Total		\$9,263,135		

Agency Securities – As of June 30, 2018

Security Type	Coupon ⁽¹⁾	Current Face	Weighted Average Market Price	Weighted Average CPR
	3.50%	\$805,356	99.7	8.8
Agency Pass-through	4.00%	3,270,033	102.1	6.0
	4.50%	452,341	104.4	5.6
	5.0%	—	—	—
Commercial	3.6%	2,300,891	98.8	0.1
Agency IO	0.7%	N/M ⁽²⁾	3.4	5.5
Total		\$6,828,621		

Repo Days to Maturity – As of September 30, 2018

Maturity	Principal Balance	Weighted Average Rate	Weighted Average Days
Within 30 days	\$3,245,322	2.22%	
30 to 59 days	3,730,841	2.25%	
60 to 89 days	717,324	2.34%	
90 to 360 days	—	—%	
Total	\$7,693,487	2.25%	31 Days

Repo Days to Maturity – As of June 30, 2018

Maturity	Principal Balance	Weighted Average Rate	Weighted Average Days
Within 30 days	\$3,510,195	2.05%	
30 to 59 days	1,544,638	2.14%	
60 to 89 days	505,494	2.19%	
90 to 360 days	9,090	2.74%	
Total	\$5,569,417	2.09%	24 Days

(1) Coupon is a weighted average for Commercial and Agency IO

(2) Notional Agency IO was \$2.9 billion and \$3.0 billion as of September 30, 2018 and June 30, 2018 respectively.

(3) New origination

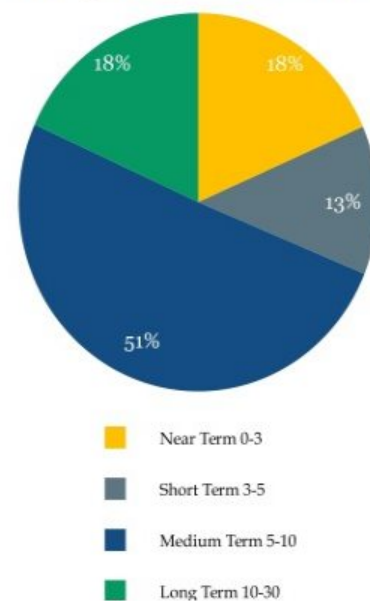
Information is unaudited, estimated and subject to change.

INTEREST RATE SENSITIVITY

Chimera added to its Agency and hedge portfolios during the quarter

Description (\$ in thousands)	- 100 Basis Points	- 50 Basis Points	Unchanged	+50 Basis Points	+100 Basis Points
Agency Securities					
Market Value	\$ 9,857,910	\$ 9,650,351	\$ 9,406,092	\$ 9,133,202	\$ 8,840,558
Percentage Change	4.8 %	2.6 %	-	(2.9)%	(6.0)%
Swaps					
Market Value	(413,821)	(202,279)	-	193,387	378,260
Percentage Change	(4.4)%	(2.2)%	-	2.1 %	4.0 %
Futures					
Market Value	(32,951)	(16,262)	-	15,868	31,328
Percentage Change	(0.4)%	(0.2)%	-	0.2 %	0.3 %
Net Gain/(Loss)	\$ 5,046	\$ 25,718	- \$	(63,635)	\$ (155,946)
Percentage Change in Portfolio Value⁽¹⁾	0.1 %	0.3 %	-	(0.7)%	(1.7)%

Hedge Book Maturities



	Total Notional Balance - Derivative Instruments	
	September 30, 2018	June 30, 2018
Agency Interest Rate Swaps	6,432,650	5,087,400
Swaptions	53,000	53,000
Futures	619,700	619,700

(1) Based on instantaneous moves in interest rates.

Information is unaudited, estimated and subject to change.



chimerareit.com
