

CHIMERA INVESTMENT CORP

FORM 8-K (Current report filing)

Filed 03/06/17 for the Period Ending 03/06/17

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):
March 6, 2017

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))

Item 7.01. Regulation FD Disclosure

Chimera Investment Corporation (the "Company") hereby furnishes the information set forth in the presentation (the "Presentation") attached hereto as Exhibit 99.1, which is incorporated herein by reference.

The Presentation is being furnished pursuant to Item 7.01, and the information contained therein shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall it be deemed 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 filing.

The Presentation contains statements that, to the extent they are not recitations of historical fact, constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Reform Act"). All such forward-looking statements are intended to be subject to the safe harbor protection provided by the Reform Act. Actual outcomes and results could differ materially from those forecast due to the impact of many factors beyond the control of the Company. All forward looking statements included in the Presentation are made only as of the date of the Presentation and are subject to change without notice. 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 SEC. Copies are available on the SEC's website at www.sec.gov. The Company disclaims any obligation to update its forward looking statements unless required by law.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

99.1 Presentation by 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.

Chimera Investment Corporation

By: /s/ Rob Colligan

Name: Rob Colligan

Title: Chief Financial Officer

Date: March 6, 2017



**INVESTOR
PRESENTATION**
NYSE: CIM

4th Quarter 2016



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 Annual Report on Form 10-K for the year ended December 31, 2015, 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.



CHIMERA INVESTMENT CORPORATION

We develop and manage a portfolio of leveraged mortgage investments to produce an attractive quarterly dividend for shareholders

Business Description:	Hybrid Mortgage REIT
Inception:	2007
Total Capital:	\$3.1 Billion
Total Portfolio:	\$16.3 Billion
Overall Leverage Ratio:	4.1:1 (1.8:1 recourse leverage)
Stock Price/Dividend Yield:	\$17.02 / 11.75%

As of December 31, 2016

Corporate Developments

Chimera Completed it's First Full Year as an Internally Managed Company

- * Aligns shareholder and management interests
- * Increases transparency
- * Full Transition Completed on December 31, 2015
- * Committed to expense management
- * Completed a common stock repurchase of \$250 million



October 2016
5,800,000 Shares
8.00% Fixed Series A
Cumulative Redeemable
Preferred Stock

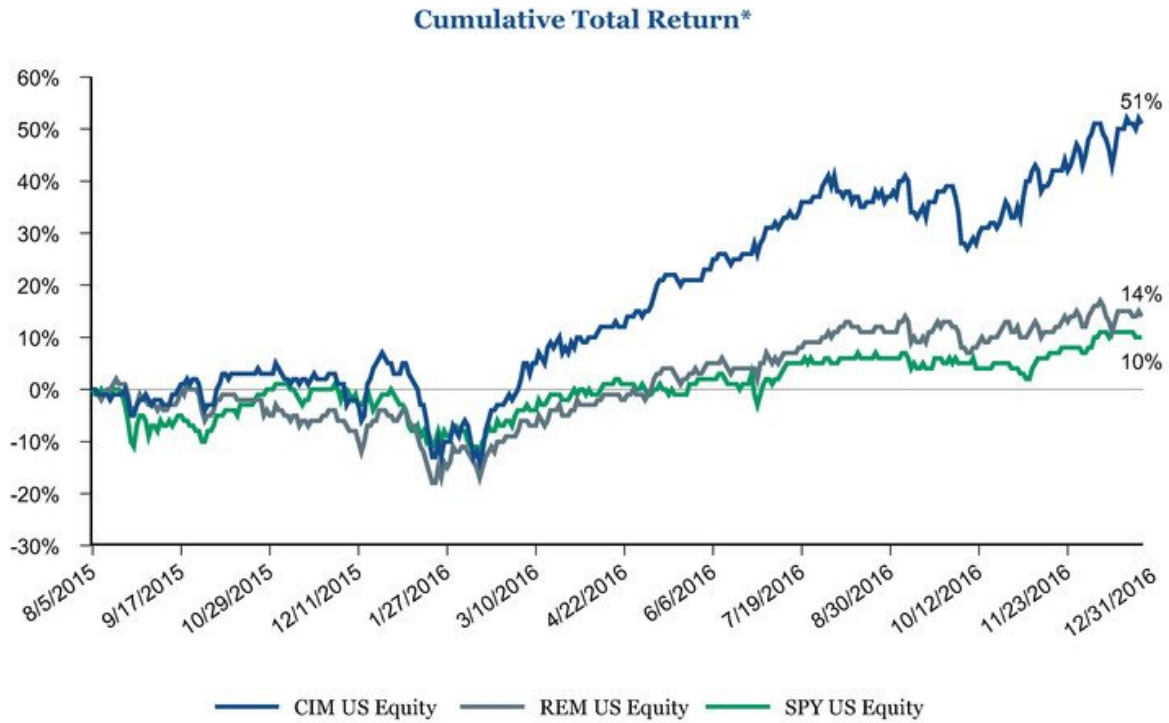
February 2017
13,000,000 Shares
8.00% Variable Series B
Cumulative Redeemable
Preferred Stock

Liquidation Preference \$25.00 Per Share

The Board of Directors of Chimera declared the first quarter cash dividend of \$0.50 per common share

Total Return

Chimera has outperformed its peers since internalization of management in August 2015

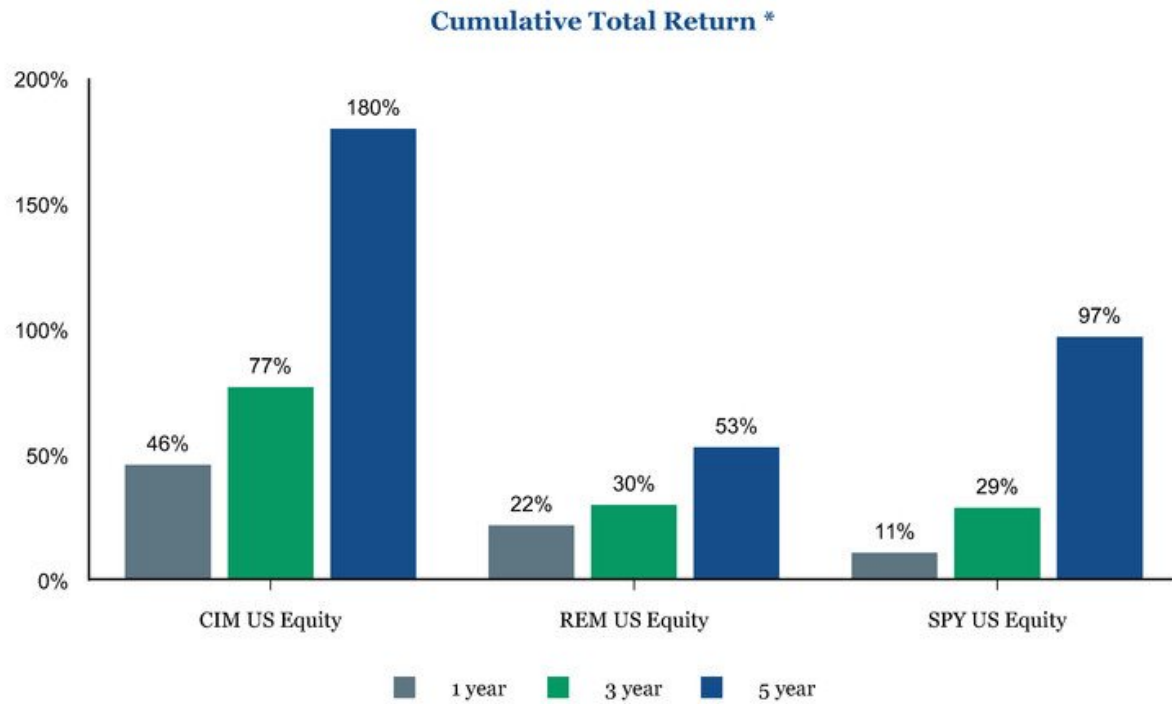


All data as of December 31, 2016
*Assuming reinvestment of dividends
Source: Bloomberg

Information is unaudited, estimated and subject to change.

Historical Total Return

Chimera has consistently produced industry leading returns



All data as of December 31, 2016

*Assuming reinvestment of dividends

Source: Bloomberg

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 December 31, 2016
 (1) Financing excludes unsettled trades

Portfolio Yields and Spreads⁽¹⁾

	Residential Mortgage Credit Portfolio	Agency MBS Portfolio	Total Portfolio
Gross Asset Yield:	7.9%	4.1%	6.9%
Financing Cost ⁽²⁾ :	4.0%	1.4%	3.4%
Net Interest Spread:	3.9%	2.7%	3.5%
Net Interest Margin:	4.4%	2.9%	4.0%

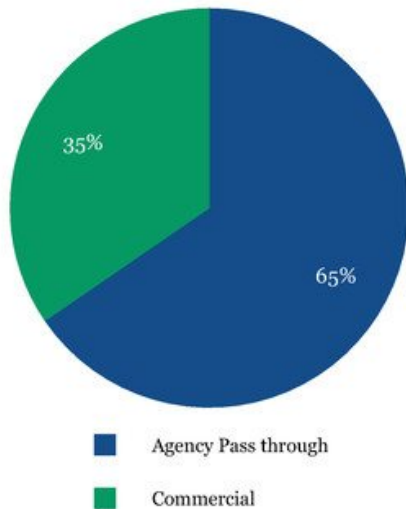
All data as of December 31, 2016
 (1) Reflects fourth quarter 2016 average assets, yields, and spreads
 (2) Includes the interest incurred on interest rate swaps

Information is unaudited, estimated and subject to change.

AGENCY MBS PORTFOLIO AND FUNDING

Highly liquid US Government Agency pass-through securities hedged with interest rate swaps and futures

Agency Portfolio Composition



Portfolio Yields and Spreads⁽¹⁾

Gross Asset Yield: 4.1%

Financing Cost⁽²⁾: 1.4%

Net Interest Spread: 2.7%

Net Interest Margin: 2.9%

All data as of December 31, 2016

(1) Reflects fourth quarter 2016 average assets, yields, and spreads

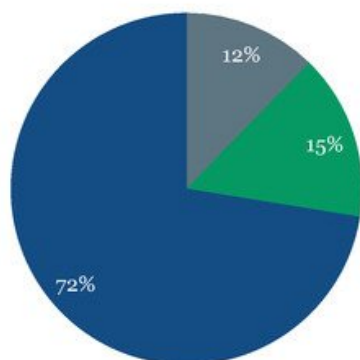
(2) Includes the interest incurred on interest rate swaps

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RESIDENTIAL MORTGAGE CREDIT PORTFOLIO

Chimera's residential credit portfolio provides a high net interest spread

Credit Portfolio Composition



- Non-Agency RMBS
- Consolidated RMBS Securitizations
- Securitized Loan Portfolio

Portfolio Yields and Spreads⁽¹⁾

Gross Asset Yield: 7.9%

Financing Cost⁽²⁾: 4.0%

Net Interest Spread: 3.9%

Net Interest Margin: 4.4%

All data as of December 31, 2016

(1) Reflects fourth quarter 2016 average assets, yields, and spreads

(2) Includes the interest incurred on interest rate swaps

Information is unaudited, estimated and subject to change.

UNIQUE MORTGAGE CREDIT PORTFOLIO

Key transactions distinguish Chimera from other Mortgage REITs

Re-Remic Subordinate Bond Portfolio

2009–2011 Chimera Creates and Retains \$3.2 Billion High Yield Subordinate Bonds

- \$1.95 billion current remaining face value of subordinate bonds
- Durable value over wide band of prepayment rates
- Difficult to re-create in size and price

Springleaf Seasoned Loan Portfolio

2014 Chimera Acquires \$4.8 Billion Seasoned Loan Portfolio

- Originated by American General
- 7 Securitizations with embedded call options
- 5 deals called and re-securitized
- 2 original deals are currently callable

Risk Retention Seasoned Loan Portfolio

2016 Chimera Acquires \$5.0 Billion Seasoned Loan Portfolio

- Performing loans with 10 years of payment history
- 3 securitizations with all senior securities placed
- \$ 763 million subordinate bonds retained for investment portfolio

All data as of December 31, 2016

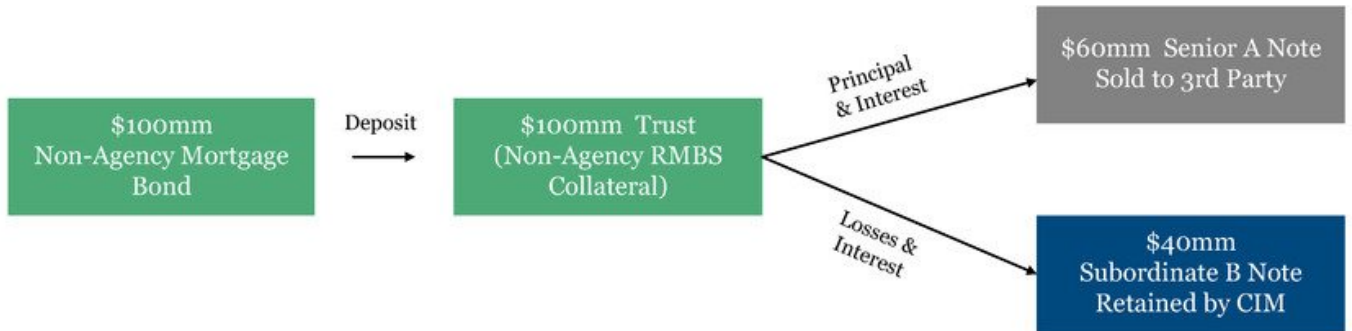
Information is unaudited, estimated and subject to change.



RE-REMIC SUBORDINATE BOND PORTFOLIO

Chimera created long, term-funding through securitization

The Securitization Process



1

CIM buys \$100mm Non-Agency mortgage bond from dealer

2

CIM deposits the bond into a trust
The trust issues bonds backed by the cashflow of the underlying bond

3

- CIM sells the Senior A note
 - The A note receives P&I from the \$100mm bond until the \$60mm is paid off
- CIM retains the Subordinate B note
 - The B note receives interest, all losses from the \$100mm bond and starts to receive principal only after the Senior A note is paid off in full

CONSOLIDATED RMBS SECURITIZATIONS

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

(\$ in thousands)

Vintage	Deal	At Issuance / Acquisition			December 31, 2016		
		Total Original Face	Total of Tranches Sold	Total of Tranches Retained	Total Remaining Face	Remaining Face of Tranches Sold	Remaining Face of Tranches Retained
2014	CSMC 2014-4R ⁽¹⁾	367,271	—	367,271	246,677	—	246,677
2010	CSMC 2010-1R	1,730,581	691,630	1,038,951	615,007	5,530	609,477
2010	CSMC 2010-11R	566,571	338,809	227,762	260,480	48,657	211,823
2009	CSMC 2009-12R	1,730,698	915,566	815,132	564,394	108,489	455,905
2009	JPMRR 2009-7	1,522,474	856,935	665,539	522,827	151,135	371,692
2009	JMAC 2009-R2	281,863	192,500	89,363	94,278	36,398	57,880
TOTAL		6,199,458	2,995,440	3,204,018	2,303,663	350,209	1,953,454
		% of origination remaining			37%	12%	61%

Significant outstanding balances remain under a number of prepayment projections



Change in CPR (%)	Total Remaining Face - Projected Balances ⁽²⁾		
	December 31, 2017	December 31, 2018	December 31, 2019
-50%	2,035,500	1,809,371	1,620,412
Unchanged	1,957,335	1,676,537	1,450,865
+50%	1,879,064	1,549,842	1,296,290

All data as of December 31, 2016

(1) Contains collateral from CSMC 2010-12R Trust.

(2) Projected Balances are estimated based on future cash flows and changes in prepayment speeds

Information is unaudited, estimated and subject to change.



SPRINGLEAF SEASONED LOAN PORTFOLIO

Chimera acquired \$4.8 Billion Seasoned Loan Portfolio previously securitized by Springleaf Financial



Chimera consolidated the loans on its balance sheet and worked to re-securitize the portfolio in order to reduce financing costs and lower equity commitment

All data as of December 31, 2016

Information is unaudited, estimated and subject to change.

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RISK RETENTION LOAN PORTFOLIO

Risk Retention Rule creates an opportunity for Mortgage REITs who have permanent capital

Risk Retention Rule

- All new mortgage securitizations must have an equity sponsor
- Deal Sponsor to have meaningful “skin in the game” investment amount
- Deal Sponsor must have the ability to hold the investment for a minimum of 5 years

2016 Chimera securitizes \$5.8 Billion under the new risk retention rule

Chimera 2.0

- Chimera sponsors six securitizations
- \$763 million performing seasoned loans with more than 10 years of payment history
 - \$71 million FHLMC pilot program
 - Attractive risk-adjusted portfolio returns
 - Increased returns available with recourse leverage

Chimera has historically retained the equity interests in its securitizations

2016 RISK RETENTION PORTFOLIO

- \$5.8 Billion loan portfolio and securitization is consolidated on balance sheet
- Chimera retained \$952 Million subordinate bonds for investment
- Chimera funded purchased interests through combination of available cash, sale of approximately \$1.9 Billion Agency MBS, and recourse financing
- \$17 Million deal expenses incurred in 2016

- Chimera expects high single digit yields on portfolio without leverage
- Chimera expects to achieve mid-to-high teen yields with added recourse leverage

(\$ in thousands)

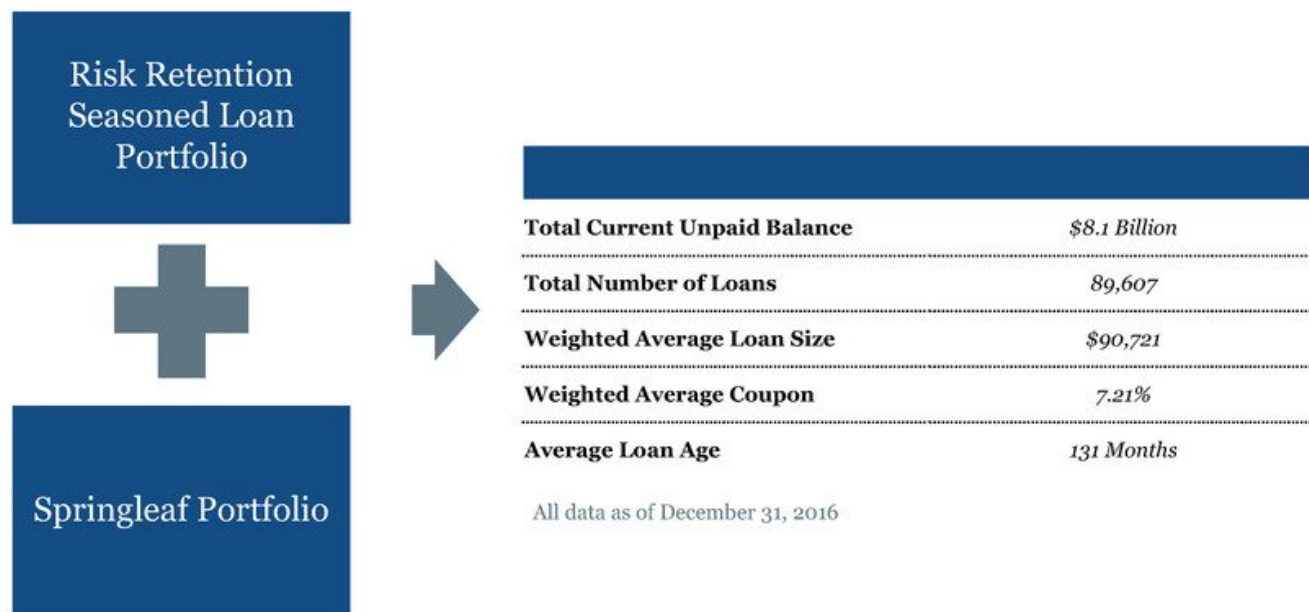
Vintage	Deal	At Issuance / Acquisition			December 31, 2016		
		Total Original Face	Total of Tranches Sold	Total of Tranches Retained	Total Remaining Face	Remaining Face of Tranches Sold	Risk Retention Retained
2016	CIM 2016-FRE1	\$185,811	\$115,165	\$70,646	\$183,559	\$112,759	\$70,800
2016	CIM 2016-5 ⁽¹⁾	66,171	10,000	56,171	61,738	9,331	29,077
2016	CIM 2016-4 ⁽¹⁾	601,733	493,420	108,313	588,843	477,317	78,223
2016	CIM 2016-3	1,746,084	1,478,933	267,151	1,604,890	1,336,072	268,818
2016	CIM 2016-2	1,762,177	1,492,563	269,614	1,621,288	1,350,131	271,157
2016	CIM 2016-1	1,499,341	1,266,898	232,443	1,368,925	1,135,135	233,790
TOTAL		\$5,861,317	\$4,856,979	\$1,004,338	\$5,429,243	\$4,420,745	\$951,865
		% of origination remaining			93%		

(1) Contains collateral from Springleaf 2013-1A Trust.

Information is unaudited, estimated and subject to change.

SMALL BALANCE RESIDENTIAL LOAN PORTFOLIO

Chimera has one of the largest seasoned, performing, small balance residential loan portfolios in the Mortgage REIT Industry



Information is unaudited, estimated and subject to change.

SMALL BALANCE RESIDENTIAL LOAN PORTFOLIO

Positive pay history

- While loans were subprime at origination, average loan age shows homeowners' willingness to pay
- Homeowner pay history is a good predictor of future behavior

Prepay experience

- Borrowers with low loan balances and moderate FICO scores generally have lower prepayment speeds
- Prepay experience has been moderate

Relatively low mortgage payment

- Average monthly mortgage payment is approximately \$800
- Mortgage payments are cheaper than average rent

Stable and improving housing market

- Home prices are stable to increasing nationally
- No supply issues
- More stringent lending standards

SUMMARY

Franchise Mortgage Assets

Chimera has a unique portfolio of high yielding assets, created through securitization, which would be difficult to recreate in size and scale

Positive Macro Economic Environment

Upward trending macro economic conditions for energy prices and the housing market are positive for the credit of Chimera's mortgage portfolio

Opportunity for Permanent Capital

New risk retention rules present an attractive opportunity for companies like Chimera to sponsor mortgage securitizations

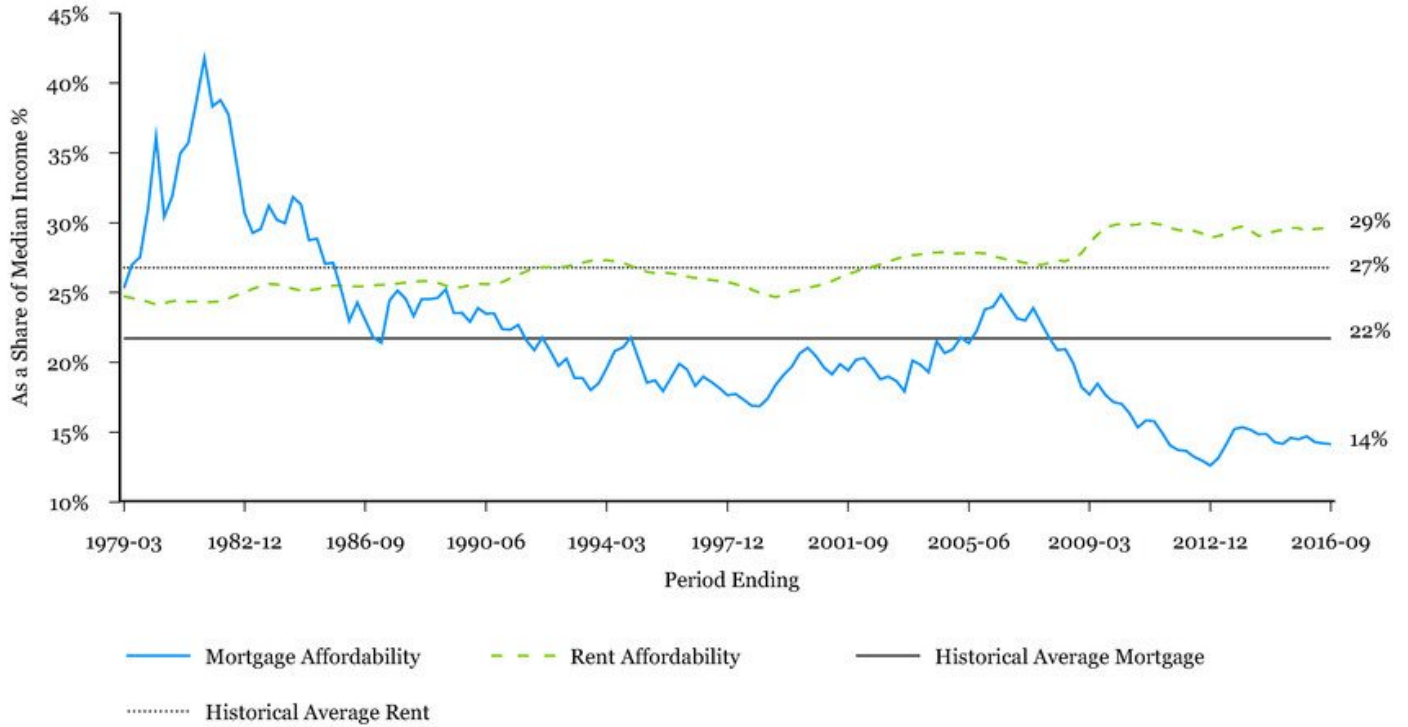
Chimera has assembled a portfolio of unique mortgage assets with a goal to provide high and durable income to shareholders

Appendix

Information is unaudited, estimated and subject to change.



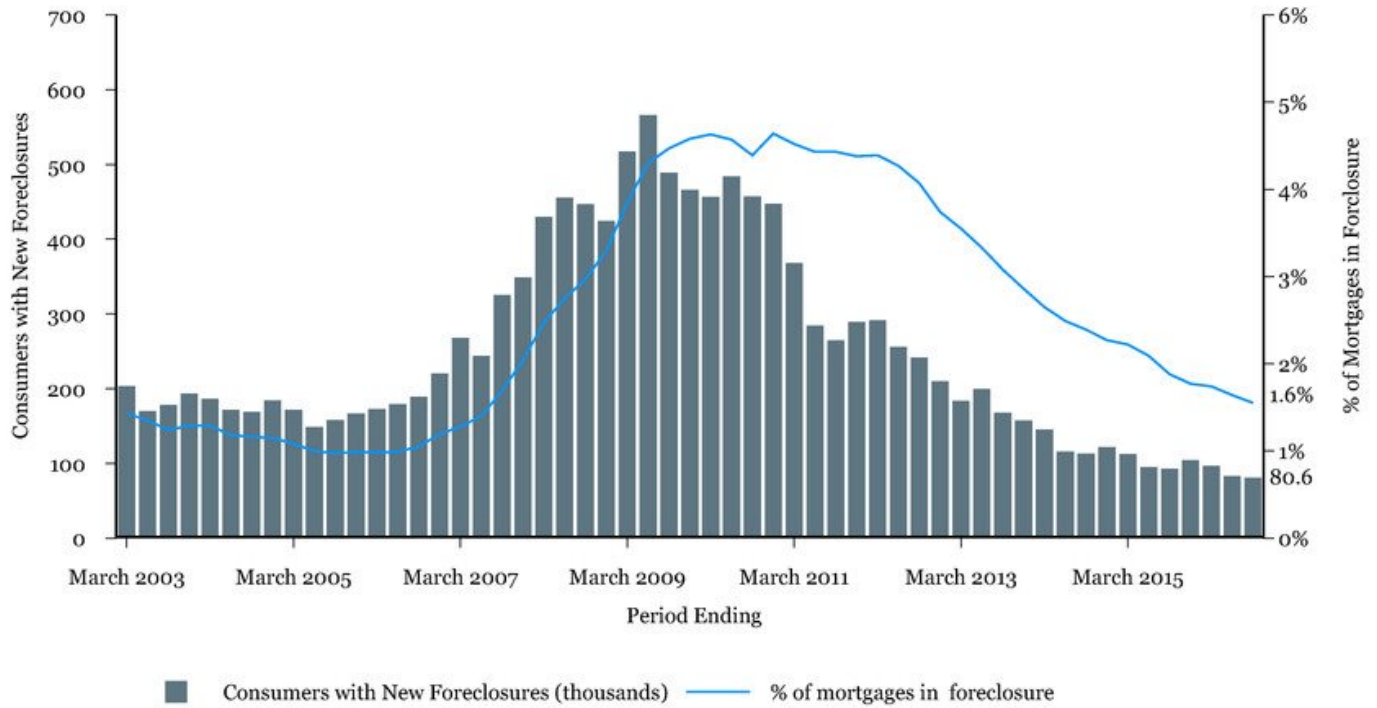
Median Mortgage and Rental Costs



*All data as of 3Q16
Source: Zillow Group

Information is unaudited, estimated and subject to change.

New Foreclosures and Mortgages in Foreclosure



*All data as of 3Q16

Source: Bloomberg; NY Federal Reserve

Information is unaudited, estimated and subject to change.

AGENCY MBS PORTFOLIO AND FUNDING

The majority of Chimera's Agency Portfolio consists of highly liquid pass-through securities

Agency Securities – As of December 31, 2016

Security Type	Coupon ⁽¹⁾	Current Face	Weighted Average Market Price	Weighted Average CPR
Agency Pass-through	3.50%	\$1,036,300	102.4	18.3
	4.00%	1,266,884	105.1	23.3
	4.50%	291,385	107.5	24.2
Commercial	3.6%	1,331,544	98.9	0.2
Agency IO	0.8%	N/M ⁽²⁾	4.3	26.4
Total		\$3,926,113		

Repo Days to Maturity – As of December 31, 2016

Maturity	Principal Balance	Weighted Average Rate	Weighted Average Days
Within 30 days	\$1,886,437	0.87%	
30 to 59 days	700,615	0.97%	
60 to 89 days	267,663	0.93%	
90 to 360 days	233,019	0.93%	
Over 360 days	—	—	
Total	\$3,087,734	0.90%	32 Days

All data as of December 31, 2016

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

(2) Notional Agency IO was \$3.4 billion as of December 31, 2016

Information is unaudited, estimated and subject to change.

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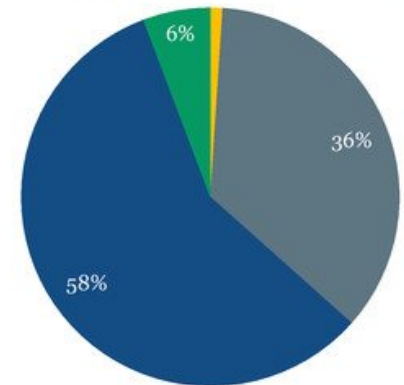


INTEREST RATE SENSITIVITY

Chimera continues to reduce its rate exposure by reducing its Agency portfolio and hedges

Description (\$ in thousands)		- 100 Basis Points	- 50 Basis Points	Unchanged	+50 Basis Points	+100 Basis Points
Agency Securities	Market Value	\$ 4,390,545	\$ 4,284,593	\$ 4,167,754	\$ 4,044,409	\$ 3,918,360
	Percentage Change	5.3 %	2.8 %	-	(3.0)%	(6.0)%
Swap	Market Value	(110,312)	(54,630)	-	54,401	107,458
	Percentage Change	(2.6)%	(1.3)%	-	1.3 %	2.6 %
Futures	Market Value	(35,383)	(17,456)	-	16,991	33,522
	Percentage Change	(0.8)%	(0.4)%	-	0.4 %	0.8 %
Net Gain/(Loss)		\$ 77,096	\$ 44,753	-	\$ (51,953)	\$ (108,414)
Percentage Change in Portfolio Value⁽¹⁾		1.8 %	1.1 %	-	(1.2)%	(2.6)%

Hedge Book Maturities



- Near Term 0-3
- Short Term 3-5
- Medium Term 5-10
- Long Term 10-30

Total Notional Balance - Derivative Instruments

	December 31, 2016	September 30, 2016
Interest Rate Swaps	1,396,900	1,380,900
Swaptions	624,000	699,000
Futures	619,700	619,700

(1) Based on instantaneous moves in interest rates.

Information is unaudited, estimated and subject to change.



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