

CHIMERA INVESTMENT CORP

FORM 8-K (Current report filing)

Filed 08/08/17 for the Period Ending 08/08/17

| | |
|-------------|---|
| 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):

August 8, 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))

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 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 Second Quarter 2017 Investor Presentation

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: August 8, 2017



**INVESTOR
PRESENTATION**
NYSE: CIM

2nd Quarter 2017



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.



CHIMERA IS A RESIDENTIAL MORTGAGE REIT

Chimera develops and manages a portfolio of leveraged mortgage investments to produce an attractive quarterly dividend for shareholders

- Established in 2007
- Internally managed since August 2015
- Total Capital \$3.6 Billion
- Total Portfolio \$20.4 Billion
- Common Stock Price \$18.63 / Dividend Yield 10.74%
- 8.00% Fixed Series A Preferred Stock Price \$25.57
- 8.00% Variable Series B Preferred Stock Price \$25.59
- Overall leverage ratio 4.5:1 / Recourse leverage ratio 1.7:1

All data as of June 30, 2017

Information is unaudited, estimated and subject to change.

2



TOTAL RETURN

Chimera has outperformed it's peers since internalization of management in August 2015



All data as of June 30, 2017

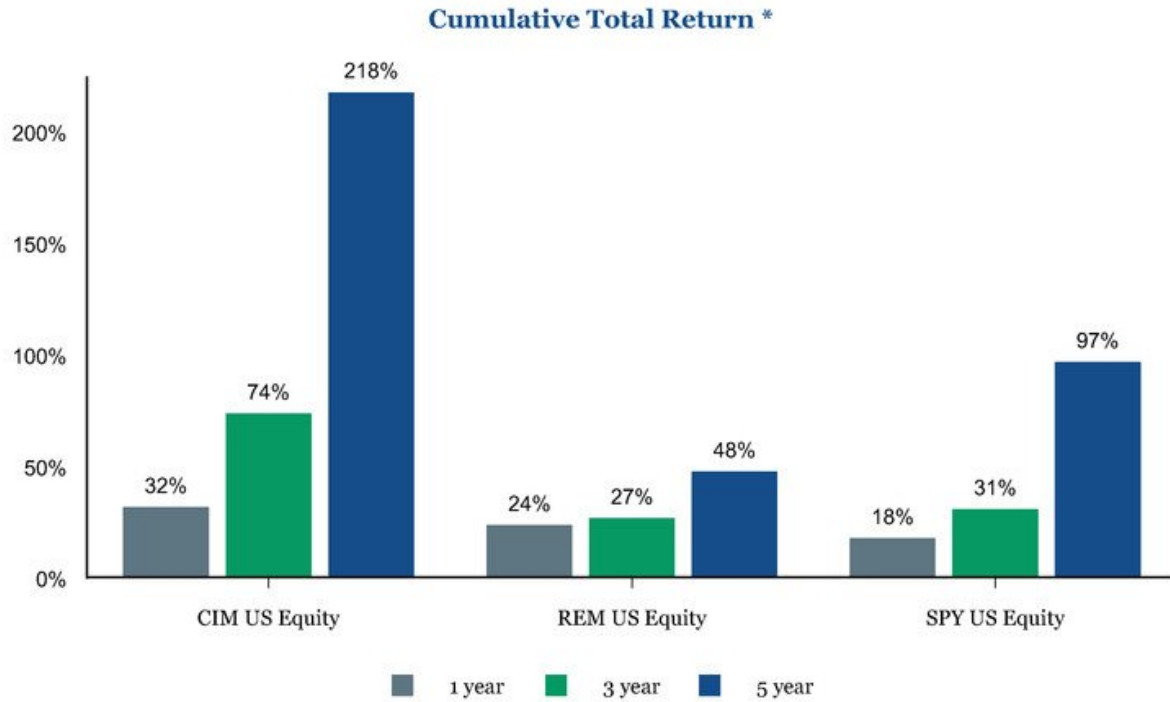
*Assuming reinvestment of dividends

Source: Bloomberg

Information is unaudited, estimated and subject to change.

HISTORICAL TOTAL RETURN

Chimera has consistently produced industry leading returns



All data as of June 30, 2017

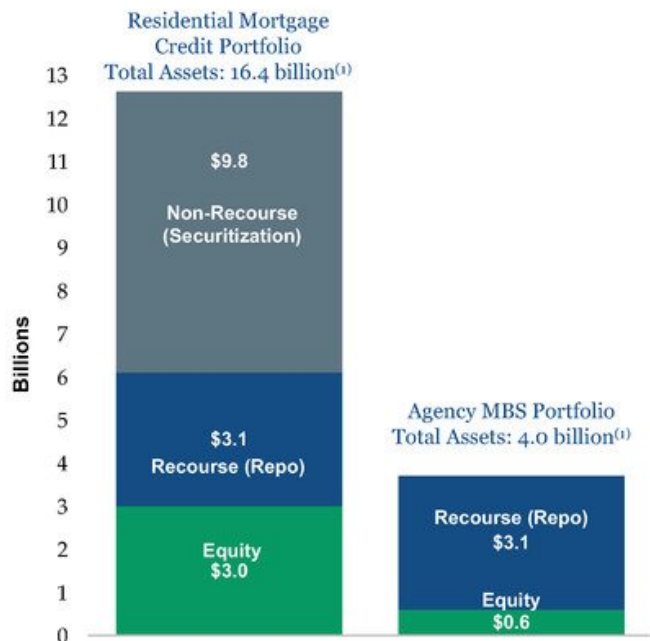
*Assuming reinvestment of dividends

Source: Bloomberg

Information is unaudited, estimated and subject to change.

PORTFOLIO COMPOSITION

84% of Chimera's equity capital is allocated to mortgage credit



All data as of June 30, 2017

(1) Financing excludes unsettled trades

Portfolio Yields and Spreads⁽¹⁾

| | Residential Mortgage Credit Portfolio | Agency MBS Portfolio | Total Portfolio |
|---------------------------------|---------------------------------------|----------------------|-----------------|
| Gross Asset Yield: | 7.1% | 2.7% | 6.2% |
| Financing Cost ⁽²⁾ : | 4.0% | 1.5% | 3.5% |
| Net Interest Spread: | 3.1% | 1.2% | 2.7% |
| Net Interest Margin: | 3.6% | 1.3% | 3.2% |

All data as of June 30, 2017

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

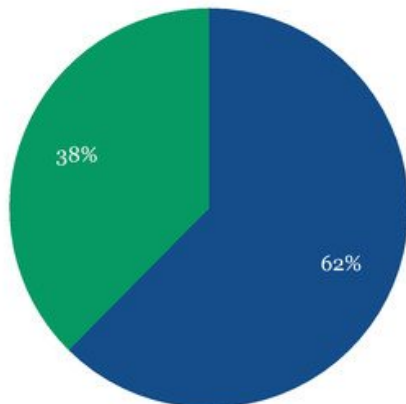
(2) Includes the interest incurred on interest rate swaps

Information is unaudited, estimated and subject to change.

PORTFOLIO COMPOSITION

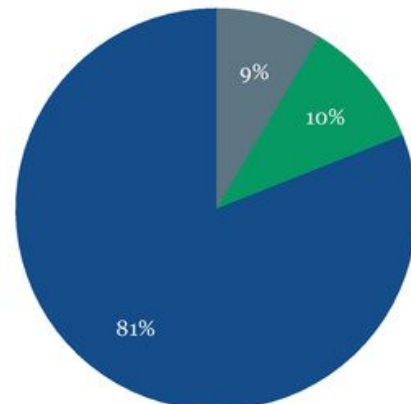
Chimera's residential credit portfolio provides a high net interest spread while the agency portfolio provides income and liquidity

Agency Portfolio Composition



- Agency Pass through
- Commercial

Credit Portfolio Composition



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

All data as of June 30, 2017

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

- \$1.8 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

2016-2017 Chimera Acquires \$9.7 Billion Seasoned Loan Portfolio

- Performing loans with 10 years of payment history
- 9 securitizations with all senior securities placed
- \$ 1.8 billion bonds retained for investment portfolio

All data as of June 30, 2017

Information is unaudited, estimated and subject to change.

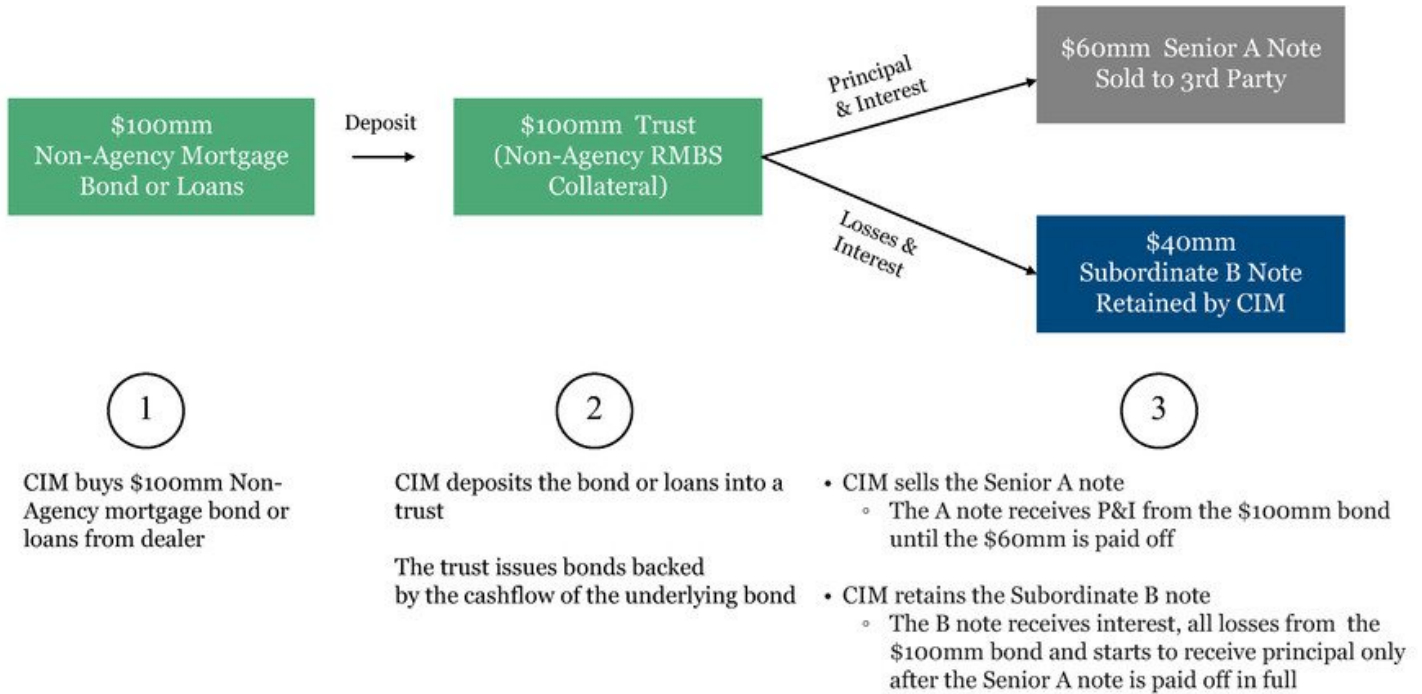
7



THE SECURITIZATION PROCESS

Chimera created long, term-funding through securitization

Creation of senior and subordinate bonds



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 | | | June 30, 2017 | | |
|--------------|-----------------------------|----------------------------|------------------------|----------------------------|----------------------|---------------------------------|-------------------------------------|
| | | 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 | 228,036 | — | 228,036 |
| 2010 | CSMC 2010-1R | 1,730,581 | 691,630 | 1,038,951 | 553,705 | 4,535 | 549,170 |
| 2010 | CSMC 2010-11R | 566,571 | 338,809 | 227,762 | 233,491 | 22,437 | 211,054 |
| 2009 | CSMC 2009-12R | 1,730,698 | 915,566 | 815,132 | 513,073 | 95,092 | 417,981 |
| 2009 | JPMRR 2009-7 | 1,522,474 | 856,935 | 665,539 | 476,156 | 129,522 | 346,634 |
| 2009 | JMAC 2009-R2 | 281,863 | 192,500 | 89,363 | 83,913 | 27,533 | 56,380 |
| TOTAL | | 6,199,458 | 2,995,440 | 3,204,018 | 2,088,374 | 279,119 | 1,809,255 |
| | | % of origination remaining | | | 34% | 9% | 56% |

Significant outstanding balances remain under a number of prepayment projections



| Change in CPR (%) | Total Remaining Face - Projected Balances ⁽²⁾ | | |
|-------------------|--|---------------|---------------|
| | June 30, 2018 | June 30, 2019 | June 30, 2020 |
| -50% | 1,841,643 | 1,636,286 | 1,466,793 |
| Unchanged | 1,761,965 | 1,502,584 | 1,344,722 |
| +50% | 1,682,547 | 1,376,307 | 1,145,270 |

All data as of June 30, 2017

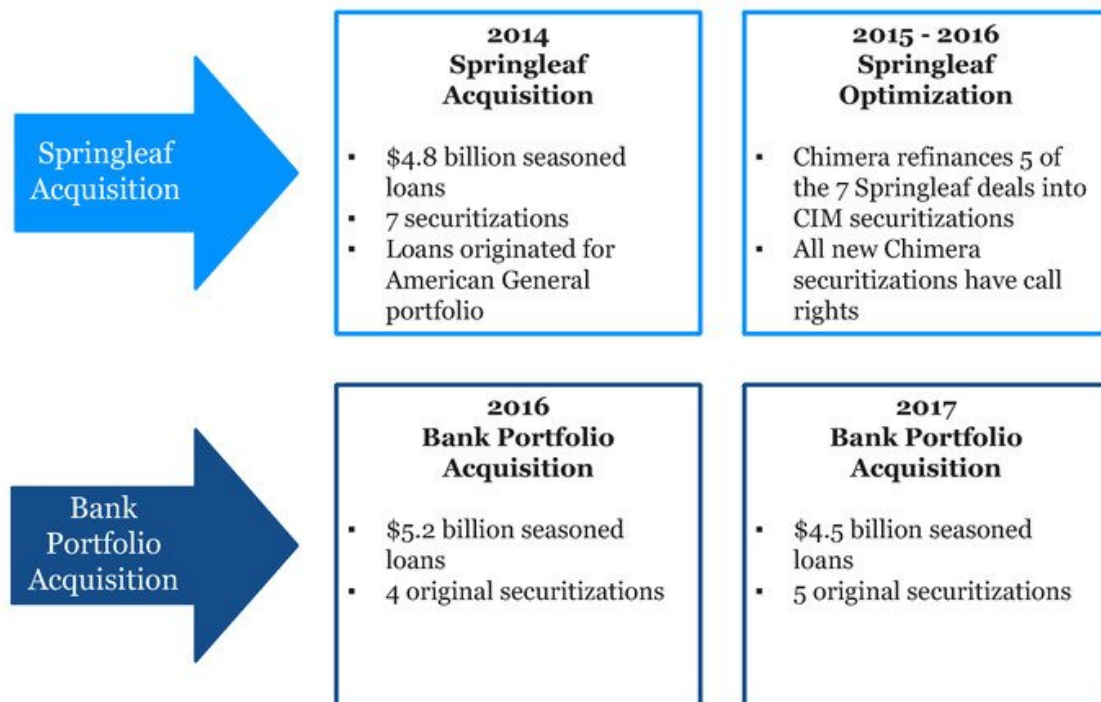
(1) Contains collateral from CSMC 2010-12R Trust.

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

Information is unaudited, estimated and subject to change.

ACQUISITION OF SEASONED LOAN PORTFOLIO

Since 2014 Chimera has acquired \$14.5 billion of seasoned performing loans through bulk transactions



All data as of June 30, 2017

Information is unaudited, estimated and subject to change.

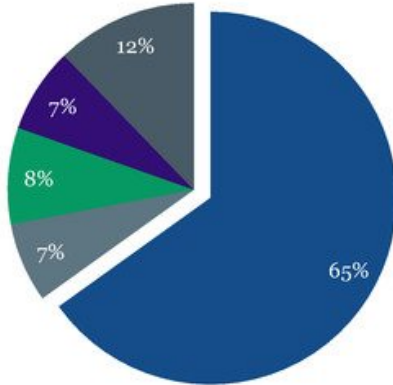
10



CAPITAL DEPLOYMENT

Chimera has acquired a unique portfolio of residential mortgage loans

Portfolio Composition



- Securitized Loan Portfolio
- Non-Agency RMBS
- Consolidated RMBS Securitizations
- Agency CMBS
- Agency Pass Through

Seasoned Low Loan Balance Mortgage Portfolio

| | |
|-------------------------------------|-----------------------|
| Total Current Unpaid Balance | <i>\$12.2 Billion</i> |
| Total Number of Loans | <i>138,612</i> |
| Weighted Average Loan Size | <i>\$88,133</i> |
| Weighted Average Coupon | <i>7.04%</i> |
| Average Loan Age | <i>140 Months</i> |

All data as of June 30, 2017

Information is unaudited, estimated and subject to change.



2016 SECURITIZATION ACTIVITY

Chimera securitized \$5.8 billion in 2016 growing the investment portfolio to \$16.3 billion

Loan Securitizations

| | | |
|--|---|--|
|  CHIMERA INVESTMENT CORPORATION CIM 2016-1 \$1,499,341,000 April 2016 |  CHIMERA INVESTMENT CORPORATION CIM 2016-2 \$1,762,177,000 May 2016 |  CHIMERA INVESTMENT CORPORATION CIM 2016-3 \$1,746,084,000 May 2016 |
|  CHIMERA INVESTMENT CORPORATION CIM 2016-4 \$601,733,000 October 2016 |  CHIMERA INVESTMENT CORPORATION CIM 2016-5 \$66,171,000 October 2016 |  CHIMERA INVESTMENT CORPORATION CIM 2016-FRE 1 \$185,881,000 October 2016 |

- Chimera has one of the largest seasoned, performing, small balance residential loan portfolios in the Mortgage REIT Industry
- Chimera securitized \$185 million loans with Freddie Mac in a pilot program
- Chimera expects high single digit yields on the portfolio without leverage

All data as of June 30, 2017

Information is unaudited, estimated and subject to change.

12



2017 SECURITIZATION ACTIVITY

Chimera has securitized \$4.5 billion in 2017 growing the investment portfolio to \$20.4 billion

Loan Securitizations

| | | |
|--|---|--|
|  CHIMERA INVESTMENT CORPORATION CIM 2017-1 \$526,267,000 January 2017 |  CHIMERA INVESTMENT CORPORATION CIM 2017-2 \$331,440,000 February 2017 | |
|  CHIMERA INVESTMENT CORPORATION CIM 2017-3 \$2,434,640,000 March 2017 |  CHIMERA INVESTMENT CORPORATION CIM 2017-4 \$830,510,000 March 2017 |  CHIMERA INVESTMENT CORPORATION CIM 2017-5 \$377,034,000 May 2017 |

- Chimera closed five securitizations in the first half of seasoned, performing, low-loan balance residential mortgage loans
- Chimera sold \$3.5 billion of these securities, retaining an interest of \$985 million

All data as of June 30, 2017

Information is unaudited, estimated and subject to change.



CAPITAL MARKETS ACTIVITY

Chimera raised \$470 million in preferred equity in the past year

Preferred Stock

| |
|--|
|  5,800,000 Shares 8.00% Fixed Series A Cumulative Redeemable Preferred Stock October 2016 Liquidation Preference \$25.00 Per Share |
|--|

| |
|---|
|  13,000,000 Shares 8.00% Fixed Series B Cumulative Redeemable Preferred Stock February 2017 Liquidation Preference \$25.00 Per Share |
|---|

- Chimera intends to deploy this capital by acquiring new loans, expanding the balance sheet
- Series A is a fixed coupon and is callable in 5 years on October 30, 2021
- Series B is a fixed coupon for 7 years then floats at LIBOR plus 5.791%
- Series B is a callable in 7 years on March 30, 2024
- Series A and B preferred shared trade on the New York Stock Exchange under symbols CIM PRA and CIM PRB

All data as of June 30, 2017

Information is unaudited, estimated and subject to change.

SUMMARY

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

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 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

Appendix

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 June 30, 2017

| Security Type | Coupon ⁽¹⁾ | Current Face | Weighted Average Market Price | Weighted Average CPR |
|---------------------|-----------------------|--------------------|-------------------------------|----------------------|
| Agency Pass-through | 3.50% | \$968,548 | 102.9 | 10.4 |
| | 4.00% | 1,153,118 | 105.4 | 14.7 |
| | 4.50% | 254,403 | 107.6 | 20.8 |
| Commercial | 3.6% | 1,366,273 | 101.4 | — |
| Agency IO | 0.8% | N/M ⁽²⁾ | 3.8 | 10.4 |
| Total | | \$3,742,342 | | |

Repo Days to Maturity – As of June 30, 2017

| Maturity | Principal Balance | Weighted Average Rate | Weighted Average Days |
|----------------|--------------------|-----------------------|-----------------------|
| Within 30 days | \$2,341,691 | 1.13% | |
| 30 to 59 days | 543,553 | 1.23% | |
| 60 to 89 days | 264,071 | 1.24% | |
| 90 to 360 days | — | —% | |
| Total | \$3,149,315 | 1.16% | 23 Days |

All data as of June 30, 2017

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

(2) Notional Agency IO was \$3.3 billion as of June 30, 2017

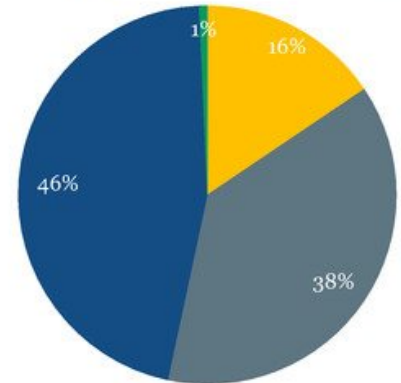
Information is unaudited, estimated and subject to change.

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 | \$ 4,196,357 | \$ 4,100,301 | \$ 3,994,670 | \$ 3,881,057 | \$ 3,762,632 |
| | Percentage Change | 5.0 % | 2.6 % | - | (2.8)% | (5.8)% |
| Swap | Market Value | (119,374) | (58,420) | - | 56,624 | 112,516 |
| | Percentage Change | (3.0)% | (1.5)% | - | 1.4 % | 2.8 % |
| Futures | Market Value | (35,418) | (17,469) | - | 17,000 | 33,544 |
| | Percentage Change | (0.9)% | (0.4)% | - | 0.4 % | 0.8 % |
| Net Gain/(Loss) | | \$ 46,895 | \$ 29,742 | - | \$ (39,989) | \$ (85,978) |
| Percentage Change in Portfolio Value⁽¹⁾ | | 1.2 % | 0.7 % | - | (1.0)% | (2.2)% |

Hedge Book Maturities



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

Total Notional Balance - Derivative Instruments

| | June 30, 2017 | March 31, 2017 |
|----------------------------|---------------|----------------|
| Interest Rate Swaps | 2,952,400 | 1,535,900 |
| Swaptions | 482,000 | 482,000 |
| Futures | 619,700 | 619,700 |

(1) Based on instantaneous moves in interest rates.

Information is unaudited, estimated and subject to change.



chimerareit.com
