

CHIMERA INVESTMENT CORP

FORM 8-K (Current report filing)

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Industry	Specialized REITs
Sector	Financials
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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):
July 31, 2019

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 July 31, 2019, the registrant issued a press release announcing its financial results for the quarter ended June 30, 2019. A copy of the press release is furnished as Exhibit 99.1 to this report.

On July 31, 2019, the registrant posted supplemental financial information on the Investors 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 July 31, 2019, issued by Chimera Investment Corporation](#)

99.2 [Supplemental Financial Information for the quarter ended June 30, 2019](#)

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: July 31, 2019

PRESS RELEASE

NYSE: CIM

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

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FOR IMMEDIATE RELEASE**CHIMERA INVESTMENT CORPORATION REPORTS 2ND QUARTER 2019 EARNINGS**

- 2ND QUARTER GAAP NET INCOME OF \$0.22 PER COMMON SHARE
- 2ND QUARTER CORE EARNINGS ⁽¹⁾ OF \$0.53 PER COMMON SHARE
- GAAP BOOK VALUE OF \$16.24 PER COMMON SHARE

NEW YORK - (BUSINESS WIRE) - Chimera Investment Corporation (NYSE:CIM) today announced its financial results for the second quarter ended June 30, 2019. The Company's GAAP net income for the second quarter was \$40 million or \$0.22 per common share. Core earnings ⁽¹⁾ for the second quarter ended June 30, 2019 was \$98 million or \$0.53 per common share. Economic return on book value for the second quarter was 3.6% ⁽²⁾.

"Chimera's book value increased to \$16.24 per share contributing to our economic return of 3.6% for the second quarter and 8.4% for the first half of 2019," said Matthew Lambiasi, Chimera's CEO and President. "Our investment strategy remains focused on generating attractive risk adjusted returns while protecting book value for our 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.

CHIMERA INVESTMENT CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

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

(Unaudited)

	June 30, 2019	December 31, 2018
Cash and cash equivalents	\$ 54,034	\$ 47,486
Non-Agency RMBS, at fair value	2,699,367	2,486,130
Agency MBS, at fair value	12,154,575	12,188,950
Loans held for investment, at fair value	12,301,263	12,572,581
Receivable for investments sold	75,059	—
Accrued interest receivable	121,393	123,442
Other assets	231,828	252,582
Derivatives, at fair value, net	211	37,468
Total assets ⁽¹⁾	\$ 27,637,730	\$ 27,708,639
Liabilities:		
Repurchase agreements (\$16.4 billion and \$15.8 billion pledged as collateral, respectively)	\$ 14,514,719	\$ 14,030,465
Securitized debt, collateralized by Non-Agency RMBS (\$962 million and \$1.0 billion pledged as collateral, respectively)	145,130	159,955
Securitized debt at fair value, collateralized by loans held for investment (\$11.5 billion and \$12.3 billion pledged as collateral, respectively)	7,881,087	8,455,376
Payable for investments purchased	921,507	1,136,157
Accrued interest payable	84,234	110,402
Dividends payable	97,091	95,986
Accounts payable and other liabilities	25,012	16,469
Total liabilities ⁽¹⁾	\$ 23,668,780	\$ 24,004,810

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 shares issued and outstanding, respectively (\$260,000 liquidation preference)	104	104
8.00% Series D cumulative redeemable: 8,000,000 and 0 shares issued and outstanding, respectively (\$200,000 liquidation preference)	80	—
Common stock: par value \$0.01 per share; 500,000,000 and 300,000,000 shares authorized, 187,157,432 and 187,052,398 shares issued and outstanding, respectively	1,872	1,871
Additional paid-in-capital	4,272,001	4,072,093
Accumulated other comprehensive income	739,090	626,832
Cumulative earnings	3,556,396	3,379,489
Cumulative distributions to stockholders	(4,600,781)	(4,376,748)
Total stockholders' equity	\$ 3,968,950	\$ 3,703,829
Total liabilities and stockholders' equity	\$ 27,637,730	\$ 27,708,639

⁽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 June 30, 2019 and December 31, 2018, total assets of consolidated VIEs were \$12,715,740 and \$13,392,951, respectively, and total liabilities of consolidated VIEs were \$8,060,256 and \$8,652,158, respectively.

CHIMERA INVESTMENT CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(dollars in thousands, except share and per share data)
(Unaudited)

	For the Quarters Ended		For the Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Net interest income:				
Interest income ⁽¹⁾	\$ 339,914	\$ 306,436	\$ 690,303	\$ 603,567
Interest expense ⁽²⁾	198,110	161,266	401,060	310,518
Net interest income	141,804	145,170	289,243	293,049
Other-than-temporary impairments:				
Total other-than-temporary impairment losses	—	(805)	(801)	(1,099)
Portion of loss recognized in other comprehensive income	—	(8,326)	(4,052)	(9,190)
Net other-than-temporary credit impairment losses	—	(9,131)	(4,853)	(10,289)
Other investment gains (losses):				
Net unrealized gains (losses) on derivatives	(132,171)	25,895	(221,486)	107,314
Realized gains (losses) on terminations of interest rate swaps	(95,211)	—	(203,257)	—
Net realized gains (losses) on derivatives	(9,697)	(1,393)	(16,974)	11,693
Net gains (losses) on derivatives	(237,079)	24,502	(441,717)	119,007
Net unrealized gains (losses) on financial instruments at fair value	190,748	(18,364)	391,561	(3,898)
Net realized gains (losses) on sales of investments	(7,526)	2,167	1,077	2,167
Gains (losses) on extinguishment of debt	(608)	387	(608)	10,057
Total other gains (losses)	(54,465)	8,692	(49,687)	127,333
Other expenses:				
Compensation and benefits	12,114	8,689	26,484	17,100
General and administrative expenses	7,030	5,860	12,914	11,349
Servicing fees	9,280	9,943	18,243	21,277
Deal expenses	—	2,095	—	3,183
Total other expenses	28,424	26,587	57,641	52,909
Income (loss) before income taxes	58,915	118,144	177,062	357,184
Income taxes	155	36	155	68
Net income (loss)	\$ 58,760	\$ 118,108	\$ 176,907	\$ 357,116
Dividends on preferred stock	18,438	9,400	35,829	18,800
Net income (loss) available to common shareholders	\$ 40,322	\$ 108,708	\$ 141,078	\$ 338,316
Net income (loss) per share available to common shareholders:				
Basic	\$ 0.22	\$ 0.58	\$ 0.75	\$ 1.81
Diluted	\$ 0.21	\$ 0.58	\$ 0.75	\$ 1.80
Weighted average number of common shares outstanding:				
Basic	187,153,007	186,994,743	187,132,842	187,272,469
Diluted	188,271,483	187,422,145	188,254,266	187,738,443

(1) Includes interest income of consolidated VIEs of \$200,703 and \$229,746 for the quarters ended June 30, 2019 and 2018, respectively and \$407,814 and \$464,772 for the six months ended June 30, 2019 and 2018.

(2) Includes interest expense of consolidated VIEs of \$87,529 and \$99,507 for the quarters ended June 30, 2019 and 2018, respectively and \$178,556 and \$199,121 for the six months ended June 30, 2019 and 2018.

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 Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Comprehensive income (loss):				
Net income (loss)	\$ 58,760	\$ 118,108	\$ 176,907	\$ 357,116
Other comprehensive income:				
Unrealized gains (losses) on available-for-sale securities, net	58,833	(42,341)	85,218	(131,157)
Reclassification adjustment for net losses included in net income for other-than-temporary credit impairment losses	—	9,131	4,853	10,289
Reclassification adjustment for net realized losses (gains) included in net income	7,269	(4,383)	22,187	(4,383)
Other comprehensive income (loss)	66,102	(37,593)	112,258	(125,251)
Comprehensive income (loss) before preferred stock dividends	\$ 124,862	\$ 80,515	\$ 289,165	\$ 231,865
Dividends on preferred stock	\$ 18,438	\$ 9,400	\$ 35,829	\$ 18,800
Comprehensive income (loss) available to common stock shareholders	\$ 106,424	\$ 71,115	\$ 253,336	\$ 213,065

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 expenses incurred in relation to a securitization sponsored by us (deal expenses). In addition, stock compensation expense charges incurred on awards to retirement eligible employees is reflected as an expense over a vesting period (36 months) rather than reported as an immediate expense. In the current period we have adjusted our definition of core to remove expenses in relation to a securitization sponsored by us (deal expenses) and stock compensation expense charges incurred on awards to retirement eligible employees. Prior period core earnings have been updated to reflect changes in the definition of core in the current period.

As defined, core earnings include interest income and expense as well as periodic cash settlements on interest rate swaps used to hedge interest rate risk and other expenses. Core earnings is inclusive of preferred dividend charges, compensation and benefits (adjusted for awards to retirement eligible employees), general and administrative expenses, servicing fees, as well as income tax expenses incurred during the period. Management believes that the presentation of core earnings provides investors with a useful measure, but has important limitations. We believe core earnings as described above helps us evaluate our financial performance period over period 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. In addition, our methodology for calculating core earnings may differ from the methodologies employed by other REITs to calculate the same or similar supplemental performance measures, and accordingly, our reported core earnings may not be comparable to the core earnings reported by other REITs.

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					
	June 30, 2019	March 31, 2019	December 31, 2018		September 30, 2018	June 30, 2018
	(dollars in thousands, except per share data)					
GAAP Net income available to common stockholders	\$ 40,322	\$ 100,755	\$ (117,235)	\$ 147,361	\$ 108,708	
Adjustments:						
Net other-than-temporary credit impairment losses	—	4,853	4,269	7,233	9,131	
Net unrealized (gains) losses on derivatives	132,171	89,315	319,673	(71,197)	(25,895)	
Net unrealized (gains) losses on financial instruments at fair value	(190,748)	(200,812)	(84,836)	34,306	18,364	
Net realized (gains) losses on sales of investments	7,526	(8,603)	(1,213)	6,123	(2,167)	
(Gains) losses on extinguishment of debt	608	—	(7,055)	(9,263)	(387)	
Realized (gains) losses on terminations of interest rate swaps	95,211	108,046	—	—	—	
Net realized (gains) losses on Futures ⁽¹⁾	13,544	12,579	(4,320)	(2,799)	2,210	
Deal Expenses	—	—	3,782	1,372	2,095	
Stock Compensation expense for retirement eligible awards	(144)	1,533	99	—	—	
Core Earnings	\$ 98,490	\$ 107,666	\$ 113,164	\$ 113,136	\$ 112,059	
GAAP net income per basic common share	\$ 0.22	\$ 0.54	\$ (0.63)	\$ 0.79	\$ 0.58	
Core earnings per basic common share ⁽²⁾	\$ 0.53	\$ 0.58	\$ 0.61	\$ 0.60	\$ 0.60	

(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 June 30, 2019 and December 31, 2018.

June 30, 2019							
	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	\$ 2,264,168	\$ 54.25	\$ 83.00	5.1%	19.4%		
Senior, interest-only	6,649,398	4.39	4.45	1.1%	8.3%		
Subordinated	723,303	61.73	70.77	3.6%	7.8%		
Subordinated, interest-only	213,940	4.54	5.75	1.2%	16.3%		
Agency MBS							
Residential pass-through	8,458,870	102.29	103.88	4.0%	3.4%		
Commercial pass-through	3,036,622	101.92	105.93	3.6%	3.5%		
Interest-only	2,795,851	5.49	5.40	1.1%	5.5%		

(1) Bond Equivalent Yield at period end.

December 31, 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	\$ 2,386,049	\$ 53.40	\$ 81.44	5.0%	19.5%		
Senior, interest-only	5,667,198	5.06	4.50	1.2%	8.4%		
Subordinated	394,037	56.60	70.16	4.0%	9.9%		
Subordinated, interest-only	221,549	4.48	5.26	1.1%	16.4%		
Agency MBS							
Residential pass-through	8,984,249	102.47	102.12	4.0%	3.6%		
Commercial pass-through	2,895,679	101.98	99.50	3.6%	3.4%		
Interest-only	3,028,572	4.49	4.40	0.8%	4.3%		

(1) Bond Equivalent Yield at period end.

At June 30, 2019 and December 31, 2018, the repurchase agreements collateralized by MBS had the following remaining maturities.

	June 30, 2019		December 31, 2018	
	(dollars in thousands)			
Overnight	\$	42,249	\$	—
1 to 29 days		4,981,306		6,326,232
30 to 59 days		6,711,006		4,620,656
60 to 89 days		510,500		1,504,695
90 to 119 days		405,762		169,244
Greater than or equal to 120 days		1,863,896		1,409,638
Total	\$	14,514,719	\$	14,030,465

The following table summarizes certain characteristics of our portfolio at June 30, 2019 and December 31, 2018 .

	June 30, 2019		December 31, 2018	
Interest earning assets at period-end ⁽¹⁾	\$	27,155,205	\$	27,247,661
Interest bearing liabilities at period-end	\$	22,540,936	\$	22,645,796
GAAP Leverage at period-end		5.7:1		6.1:1
GAAP Leverage at period-end (recourse)		3.7:1		3.8:1
Portfolio Composition, at amortized cost				
Non-Agency RMBS		5.6%		4.7%
Senior		2.8%		2.8%
Senior, interest only		1.1%		1.1%
Subordinated		1.7%		0.8%
Subordinated, interest only		0.0%		0.0%
RMBS transferred to consolidated VIEs		2.0%		2.1%
Agency MBS		46.4%		46.7%
Residential		33.7%		35.0%
Commercial		12.1%		11.2%
Interest-only		0.6%		0.5%
Loans held for investment		46.0%		46.5%
Fixed-rate percentage of portfolio		95.8%		95.8%
Adjustable-rate percentage of portfolio		4.2%		4.2%

(1) Excludes cash and cash equivalents.

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 June 30, 2019	\$ 339,914	\$ 198,110	\$ (3,923)	\$ 194,187	\$ 141,804	\$ 3,923	\$ (2,237)	\$ 143,490
For the Quarter Ended March 31, 2019	\$ 350,389	\$ 202,950	\$ (5,462)	\$ 197,488	\$ 147,439	\$ 5,462	\$ (1,571)	\$ 151,330
For the Quarter Ended December 31, 2018	\$ 348,033	\$ 193,920	\$ 364	\$ 194,284	\$ 154,113	\$ (364)	\$ (140)	\$ 153,609
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

(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					
	June 30, 2019			June 30, 2018		
	(dollars in thousands)			(dollars in thousands)		
	Average Balance	Interest	Average Yield/Cost	Average Balance	Interest	Average Yield/Cost
Assets:						
Interest-earning assets ⁽¹⁾:						
Agency MBS	\$ 11,004,763	\$ 93,225	3.4%	\$ 5,149,790	\$ 43,328	3.4%
Non-Agency RMBS	1,400,506	35,701	10.2%	1,146,623	27,133	9.5%
Non-Agency RMBS transferred to consolidated VIEs	517,945	38,917	30.1%	788,432	49,209	25.0%
Residential mortgage loans held for investment	11,906,654	169,834	5.7%	13,041,746	187,202	5.7%
Total	\$ 24,829,868	\$ 337,677	5.4%	\$ 20,126,591	\$ 306,872	6.1%
Liabilities and stockholders' equity:						
Interest-bearing liabilities:						
Repurchase agreements collateralized by:						
Agency MBS (2)	\$ 10,463,245	\$ 66,748	2.6%	\$ 4,780,044	\$ 20,661	1.7%
Non-Agency RMBS (2)	750,018	6,968	3.7%	371,968	3,391	3.6%
Re-REMIC repurchase agreements	534,978	6,187	4.6%	756,931	7,780	4.1%
RMBS from loan securitizations	2,892,756	26,755	3.7%	2,618,381	28,681	4.4%
Securitized debt, collateralized by Non-Agency RMBS	149,896	1,921	5.1%	187,355	2,637	5.6%
Securitized debt, collateralized by loans	7,793,608	85,608	4.4%	9,168,464	96,870	4.2%
Total	\$ 22,584,501	\$ 194,187	3.4%	\$ 17,883,143	\$ 160,020	3.6%
Economic net interest income/net interest rate spread		\$ 143,490	2.0%		\$ 146,852	2.5%
Net interest-earning assets/net interest margin	\$ 2,245,367		2.3%	\$ 2,243,448		2.9%
Ratio of interest-earning assets to interest bearing liabilities	1.10			1.13		

(1) Interest-earning assets at amortized cost

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

The table below shows our Net Income and Economic Net Interest Income as a percentage of average stockholders' equity and Core Earnings as a percentage of average common stockholders' 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 our beginning and ending stockholders' equity balance for the period reported. Economic Net Interest Income and Core Earnings are non-GAAP measures as defined in previous sections.

	Return on Average Equity	Economic Net Interest Income/Average Equity *	Core Earnings/Average Common Equity
	(Ratios have been annualized)		
For the Quarter Ended June 30, 2019	5.93 %	14.49%	13.02%
For the Quarter Ended March 31, 2019	12.34 %	15.81%	14.16%
For the Quarter Ended December 31, 2018	(10.80)%	16.13%	14.20%
For the Quarter Ended September 30, 2018	16.64 %	15.61%	14.05%
For the Quarter Ended June 30, 2018	12.91 %	16.05%	13.79%

* 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.

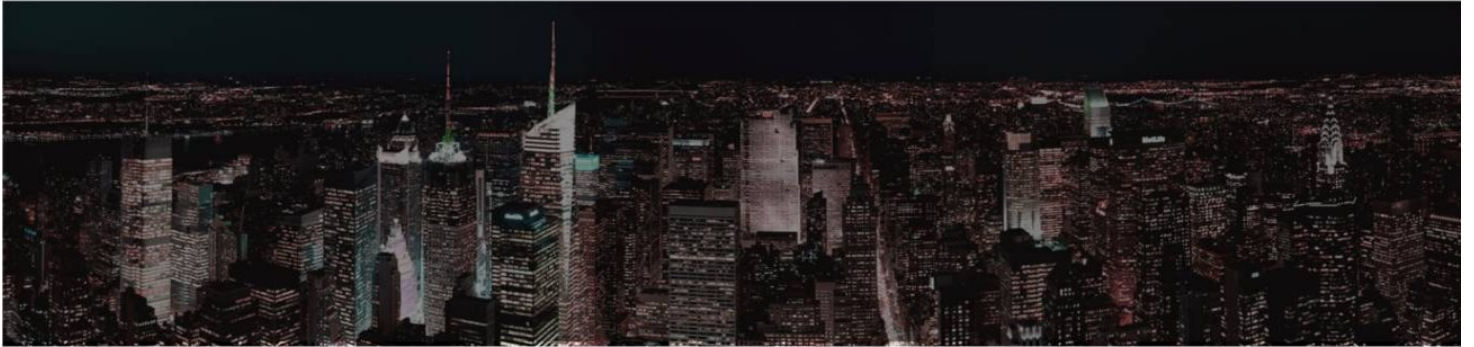
Accretable Discount (Net of Premiums)	For the Quarters Ended				
	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018
	(dollars in thousands)				
Balance, beginning of period	\$ 485,040	\$ 505,763	\$ 539,020	\$ 540,269	\$ 555,444
Accretion of discount	(35,964)	(35,551)	(36,287)	(35,184)	(38,110)
Purchases	48,736	6,638	4,589	1,966	3,098
Sales and deconsolidation	409	127	(625)	(986)	(6,439)
Transfers from/(to) credit reserve, net	15,874	8,063	(934)	32,955	26,276
Balance, end of period	\$ 514,095	\$ 485,040	\$ 505,763	\$ 539,020	\$ 540,269

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

2nd Quarter 2019

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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.

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PORTFOLIO COMPOSITION

Net Investment Analysis⁽²⁾

	RESIDENTIAL MORTGAGE CREDIT PORTFOLIO	AGENCY PORTFOLIO	TOTAL PORTFOLIO
GROSS ASSET YIELD:	7.1%	3.4%	5.4%
FINANCING COSTS ⁽³⁾	4.2%	2.6%	3.4%
NET INTEREST SPREAD:	2.9%	0.8%	2.0%
NET INTEREST MARGIN:	3.4%	1.0%	2.3%

All data as of June 30, 2019

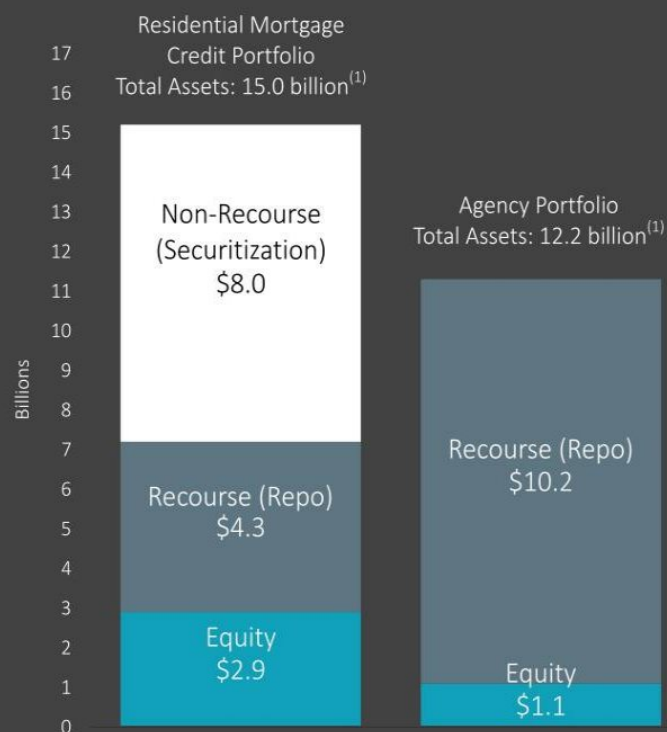
(1) Financing excludes unsettled trades.

(2) Reflects second quarter 2019 average assets, yields, and spreads.

(3) Includes the interest incurred on interest rate swaps.

Information is unaudited, estimated and subject to change.

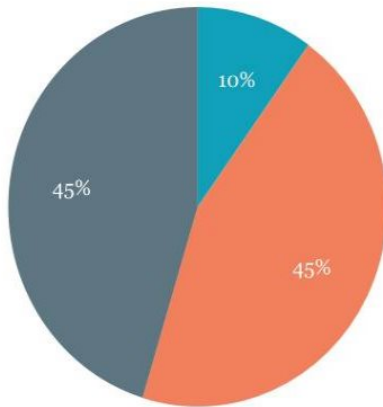
73% of Chimera's equity capital is allocated to mortgage credit



GAAP ASSET ALLOCATION

Chimera maintained a consistent asset allocation during the quarter

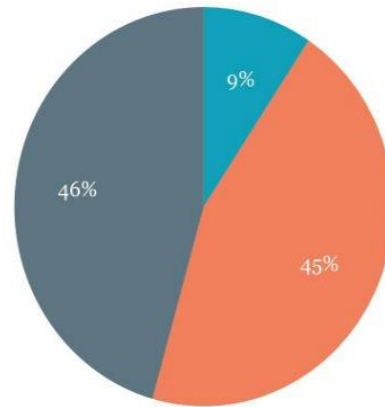
June 30, 2019



■ Non-Agency MBS ■ Agency MBS
■ Loan Portfolio

Total Portfolio: \$27.2 billion

March 31, 2019



■ Non-Agency MBS ■ Agency MBS
■ Loan Portfolio

Total Portfolio: \$27.2 billion

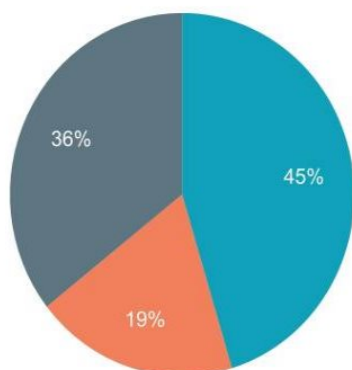
Based on fair value.

Information is unaudited, estimated and subject to change.

GAAP FINANCING SOURCES

Chimera operates at 5.7:1 total leverage and 3.7:1 recourse leverage⁽¹⁾

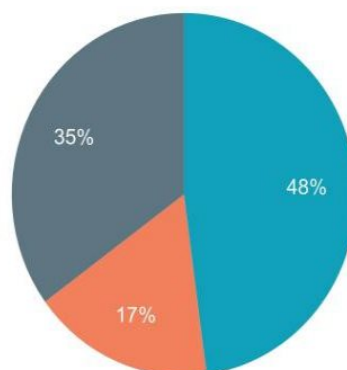
June 30, 2019



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

Total Portfolio: \$22.5 billion

March 31, 2019



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

Total Portfolio: \$23.6 billion

(1) Leverage ratios as of June 30, 2019
 (2) Consists of tranches of RMBS and loan securitizations sold to third parties.

Information is unaudited, estimated and subject to change.

CONSOLIDATED LOAN SECURITIZATIONS

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-NR1	\$257,548	—	\$257,548	\$210,608	—	\$210,608
2018	CIM 2018-R6	478,251	334,775	143,476	436,780	293,517	143,263
2018	CIM 2018-R5	380,194	266,136	114,058	335,325	221,558	113,767
2018	CIM 2018-R4	387,222	271,056	116,166	346,615	230,916	115,699
2018	CIM 2018-R3	181,073	146,669	34,404	151,456	117,167	34,289
2018	CIM 2018-R2	380,292	266,204	114,088	321,052	206,767	114,285
2018	CIM 2018-R1	169,032	140,297	28,735	145,070	116,112	28,958
2017	CMLTI 2017-RP2	421,329	341,276	80,053	353,302	273,657	79,645
2017	CIM 2017-8	1,148,050	688,829	459,221	943,151	488,240	454,911
2017	CIM 2017-7	512,446	341,062	171,384	418,092	250,404	167,688
2017	CIM 2017-6	782,725	626,179	156,546	616,416	461,353	155,063
2017	CIM 2017-5	377,034	75,407	301,627	306,647	81,681	224,966
2017	CIM 2017-4	830,510	710,003	120,507	522,808	414,621	108,187
2017	CIM 2017-3	2,434,640	2,113,267	321,373	1,686,888	1,376,900	309,988
2017	CIM 2017-2	331,440	248,580	82,860	252,978	171,318	81,660
2017	CIM 2017-1	526,267	368,387	157,880	379,764	226,100	153,664
2016	CIM 2016-FRE1	185,811	115,165	70,646	132,555	66,497	66,058
2016	CIM 2016-4	601,733	493,420	108,313	397,801	292,541	105,260
2016	CIM 2016-3	1,746,084	1,478,933	267,151	1,090,927	844,116	246,811
2016	CIM 2016-2	1,762,177	1,492,563	269,614	1,095,218	845,531	249,687
2016	CIM 2016-1	1,499,341	1,266,898	232,443	923,769	714,597	209,172
2012	CSMC 2012-CIM1	741,939	707,810	34,129	44,551	18,928	25,623
2012	CSMC 2012-CIM2	425,091	404,261	20,830	36,436	19,922	16,514
2012	CSMC 2012-CIM3	329,886	305,804	24,082	99,945	82,681	17,264
2008	PHHMC 2008-CIM1	619,710	549,142	70,568	28,408	20,759	7,649
TOTAL		\$17,509,825	\$13,752,123	\$3,757,702	\$11,276,562	\$7,835,883	\$3,440,679

All data as of June 30, 2019

\$ in thousands

Information is unaudited, estimated and subject to change.

AGENCY SECURITIES AND REPO SUMMARY

Agency Securities – As of June 30, 2019

SECURITY TYPE	COUPON ⁽¹⁾	CURRENT FACE	WEIGHTED AVERAGE MARKET PRICE	WEIGHTED AVERAGE CPR
Agency Pass-through	3.5%	\$620,190	103.0	10.0
	4.0%	7,181,831	103.8	13.9
	4.5%	386,226	105.5	18.7
	5.0%	270,623	105.7	34.2
Commercial	3.6%	3,036,622	105.9	0.1
Agency IO	1.1%	N/M ⁽²⁾	5.4	5.2
Total		\$11,495,492		

Agency Securities – As of March 31, 2019

SECURITY TYPE	COUPON ⁽¹⁾	CURRENT FACE	WEIGHTED AVERAGE MARKET PRICE	WEIGHTED AVERAGE CPR
Agency Pass-through	3.5%	\$615,631	101.7	7.3
	4.0%	7,360,542	103.0	4.7
	4.5%	409,267	104.7	12.5
	5.0%	301,504	105.7	28.9
Commercial	3.6%	3,080,065	101.9	—
Agency IO	1.0%	N/M ⁽²⁾	5.6	6.2
Total		\$11,767,009		

Repo Days to Maturity – As of June 30, 2019

MATURITY	PRINCIPAL BALANCE	WEIGHTED AVERAGE RATE	WEIGHTED AVERAGE DAYS
Within 30 days	\$4,337,493	2.66%	
30 to 59 days	5,873,771	2.61%	
60 to 89 days	5,196	2.68%	
90 to 360 days	—	—%	
Total	\$10,216,460	2.63%	31 Days

Repo Days to Maturity – As of March 31, 2019

MATURITY	PRINCIPAL BALANCE	WEIGHTED AVERAGE RATE	WEIGHTED AVERAGE DAYS
Within 30 days	\$5,445,447	2.73%	
30 to 59 days	4,155,446	2.69%	
60 to 89 days	1,125,058	2.70%	
90 to 360 days	578,532	2.71%	
Total	\$11,304,483	2.71%	34 Days

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

(2) Notional Agency IO was \$2.8 billion and \$2.6 billion as of June 30, 2019 and March 31, 2019 respectively.

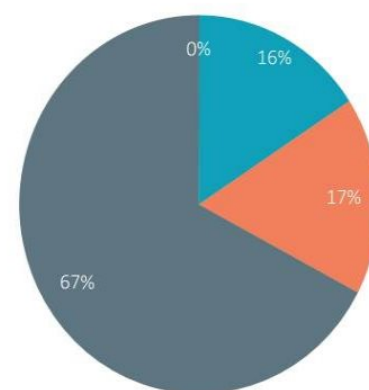
Information is unaudited, estimated and subject to change.

INTEREST RATE SENSITIVITY

Chimera rebalanced its Agency hedge portfolio during the quarter

DESCRIPTION (\$ in thousands)		- 100 BASIS POINTS	- 50 BASIS POINTS	UNCHANGED	+50 BASIS POINTS	+100 BASIS POINTS
Agency Securities	Market Value	\$ 12,414,897	\$ 12,310,754	\$ 12,154,575	\$ 11,922,436	\$ 11,638,675
	Percentage Change	2.1 %	1.3 %	-	(1.9)%	(4.2)%
Swaps	Market Value	(324,172)	(158,685)	-	152,265	298,372
	Percentage Change	(2.7)%	(1.3)%	-	1.3 %	2.5 %
Futures	Market Value	(35,186)	(17,351)	-	16,886	33,327
	Percentage Change	(0.3)%	(0.1)%	-	0.1 %	0.3 %
Net Gain/(Loss)	Market Value	(99,036)	(19,857)	-	(62,988)	(184,201)
	Percentage Change in Portfolio Value ⁽¹⁾	(0.8)%	(0.2)%	-	(0.5)%	(1.5)%

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, 2019	March 31, 2019
Agency Interest Rate Swaps	4,931,700	6,733,200
Swaptions	25,000	53,000
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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