

# CHIMERA INVESTMENT CORP

## **FORM 8-K** (Current report filing)

Filed 11/12/15 for the Period Ending 09/14/15

Address	520 MADISON AVENUE 32ND FLOOR NEW YORK, NY, 10022
Telephone	212-626-2300
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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):  
September 14, 2015

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) 205-6300

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(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- 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 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](http://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 dated November 2015.

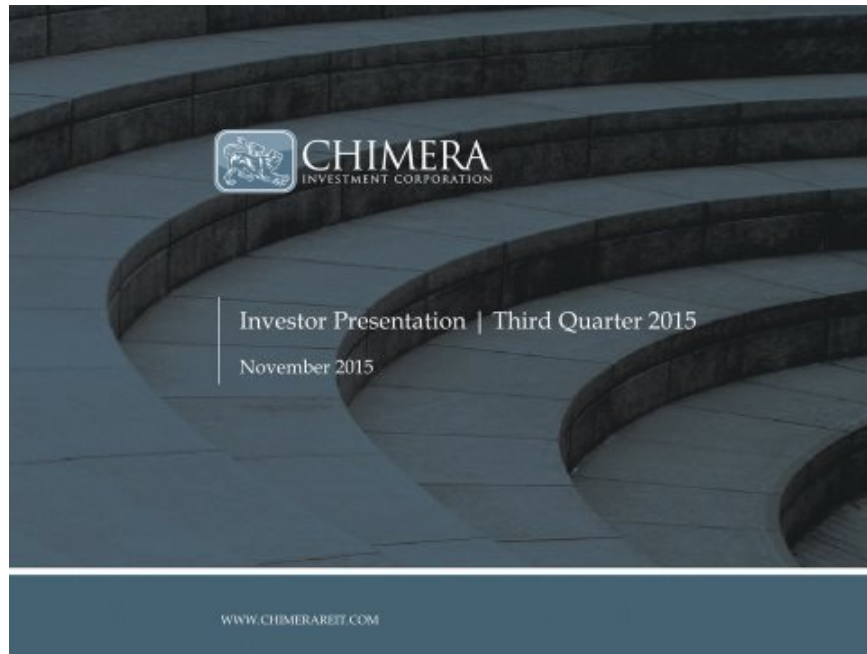
SIGNATURES

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: November 10, 2015



## Disclaimer

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This material is not intended to be exhaustive, is preliminary in nature and may be subject to change. In addition, much of the information contained herein is based on various assumptions (some of which are beyond the control of Chimera Investment Corporation, the "Company") and may be identified by reference to a future period or periods or by the use of forward-looking terminology, such as "believe," "expect," "anticipate," "estimate," "plan," "continue," "intend," "should," "may," "would," "projected," "tends," "will" or similar expressions, or variations on those terms or the negative of those terms. The Company's forward-looking statements are subject to numerous risks, uncertainties and other factors. You should review some of these factors that are described under the caption "Risk Factors" in our 2014 Form 10-K. Any forward-looking statement speaks only as of the date on which it is made. New risks and uncertainties arise from time to time, and it is impossible for us to predict those events or how they may affect us. Except as required by law, we are not obligated to, and do not intend to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Furthermore, none of the financial information contained in this material has been audited or approved by the Company's independent registered public accounting firm.



Information is unaudited, estimated and subject to change.

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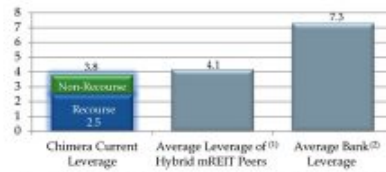
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## Chimera Investment Corporation (NYSE: CIM)

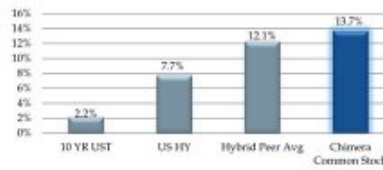
We develop and manage a portfolio of leveraged mortgages to produce an attractive quarterly dividend for shareholders

Business Description:	Hybrid Mortgage REIT
Inception:	2007
Total Capital:	\$3.1 billion
Total Portfolio:	\$15.6 billion
Overall Leverage Ratio:	3.8:1 (2.5:1 recourse leverage)
Common Stock Yield:	13.7%

Current Leverage Levels



Current Market Yields <sup>(3)</sup>



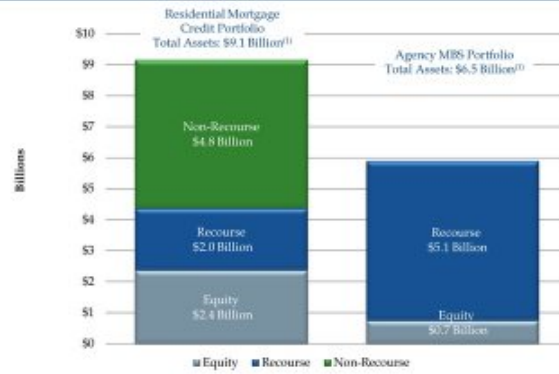
- (1) Hybrid mREIT Peers include TWO, IVR, MFA, NEZ, and RWT as of 9/30/2015  
 (2) Banks include WFC, JPM, BAML, C, GS, BOXX, USB, PNC and CIT  
 (3) Yields as of 10/30/15.  
 Source: Bloomberg



Information is unaudited, estimated and subject to change.

## Total Portfolio Composition

77% of CIM's equity capital is allocated to mortgage credit



As of September 30, 2015  
(1) Financing excludes unsettled trades



Information is unaudited, estimated and subject to change.

## Agency MBS Portfolio and Funding

### Reducing Interest Rate Risk by Reducing Exposure to Agency RMBS

#### Agency Securities

Security Type	Coupon <sup>(1)</sup>	Current Face	Weighted Average Price	Weighted Average CPR
Agency Pass-Through (RMBS)	3.50%	\$2,114,865	104.13	7.8
	4.00%	2,541,855	106.51	14.5
	4.50%	405,080	108.55	23.7
ACMBS	3.4%	853,404	102.21	2.0
Agency IO	0.8%	N/M <sup>(2)</sup>	4.25	12.4
<b>Total</b>		<b>\$5,915,204</b>		

#### Agency Repo Days to Maturity

Maturity	Principal Balance <sup>(3)</sup>	Weighted Average Rate	Weighted Average Days
Within 30 days	1,271,172	0.54%	
30 to 59 days	1,705,593	0.50%	
60 to 89 days	714,365	0.61%	
90 to 360 days	1,158,161	0.57%	
Over 360 days	300,000	1.00%	
<b>Total</b>	<b>\$5,149,291</b>	<b>0.57%</b>	<b>80</b>

As of September 30, 2023.  
 (1) Coupon is a weighted average for Commercial and Agency MBS.  
 (2) National Agency IO was \$6.5 Billion as of 9/30/2023.  
 (3) Excludes non-traded notes.  
 (4) Includes the interest received on interest rate swaps.

#### Agency Portfolio Yields and Spreads

Gross Asset Yield:	2.8%
Financing Cost <sup>(4)</sup> :	1.4%
Net Interest Spread:	1.4%
Net Interest Margin:	1.6%

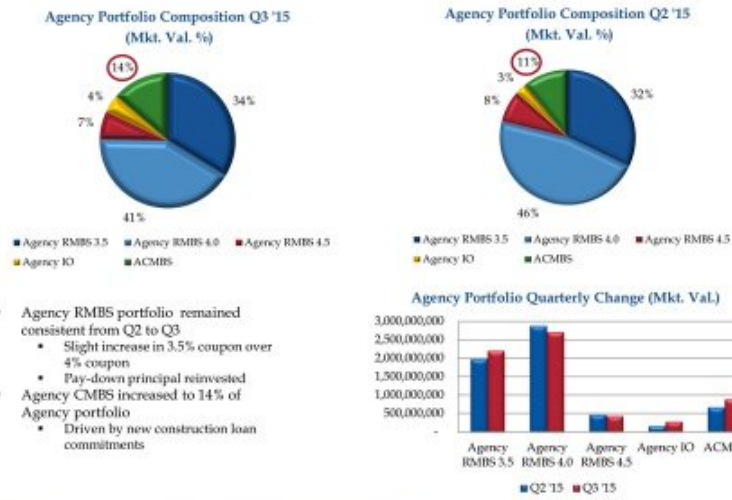


**CHIMERA**  
INVESTMENT CORPORATION

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## Aggregate Agency Portfolio Composition

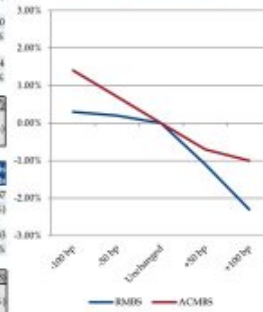


## Interest Rate Sensitivity

### Agency, Swap and Derivative Portfolio

Description (in thousands)		-100 Basis Points	-50 Basis Points	Unchanged	+50 Basis Points	+100 Basis Points
Agency Pass-Through (RMBS)	Market Value	\$5,544,703	\$5,474,910	\$5,585,004	\$5,246,490	\$5,100,045
	Percentage Change	3.4%	1.7%	-	(2.4%)	(9.2%)
Swap	Market Value	(180,230)	(56,822)	-	87,902	113,620
	Percentage Change	(1.9%)	(1.1%)	-	1.1%	2.1%
Futures	Market Value	(1,700)	(22,210)	-	22,700	44,864
	Percentage Change	(0.8%)	(1.4%)	-	0.4%	0.8%
<b>Net Gain/(Loss)</b>		<b>17,673</b>	<b>31,774</b>	<b>-</b>	<b>(6,396)</b>	<b>(124,672)</b>
<b>Percentage Change in Portfolio Value<sup>(1)</sup></b>		<b>0.3%</b>	<b>0.2%</b>	<b>-</b>	<b>(1.1%)</b>	<b>(2.3%)</b>
Agency CMBS (ACMBS)	Market Value	\$1,204,291	\$1,368,586	\$1,129,723	\$1,091,767	\$1,055,507
	Percentage Change	8.8%	3.4%	-	(3.4%)	(6.4%)
Swap	Market Value	(8,089)	(31,556)	-	30,674	62,333
	Percentage Change	(5.2%)	(2.7%)	-	2.7%	5.5%
<b>Net Gain/(Loss)</b>		<b>15,699</b>	<b>5,302</b>	<b>-</b>	<b>(7,401)</b>	<b>(11,855)</b>
<b>Percentage Change in Portfolio Value<sup>(1)</sup></b>		<b>1.4%</b>	<b>0.7%</b>	<b>-</b>	<b>(1.7%)</b>	<b>(1.0%)</b>

Change in Portfolio Value



As of September 30, 2015.

(1) Projected Percentage Change in Portfolio Value is based on instantaneous moves in interest rates.



Information is unaudited, estimated and subject to change.

## Agency CMBS - Multifamily and Healthcare

In 1934, the National Housing Act established federal insurance programs to support multifamily housing. Annual issuance is between \$10 and \$15 billion.

### Economic Benefits

- Stable hedged return profile - prepay protection based on lock out and prepayment penalties
- Stable cashflows offer comparable returns to Agency Pass-Throughs (RMBS)

### Funding Overview

- Chimera commits funds to an FHA/GNMA approved project
- Construction draw schedules are typically 12 to 24 months
- At the commitment date, Chimera locks in a fixed coupon and spread
- As draws are funded, Chimera receives GNMA bonds (CLC)
- When all draws are funded GNMA issues a Permanent Loan bond (PLC)
- These securities are attractive collateral for future securitizations

### Hedging

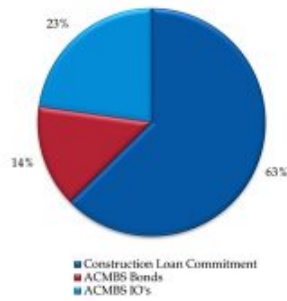
- A hedging portfolio is established to mitigate interest rate risk
- Hedges and related costs are incurred at the commitment date, while interest income doesn't begin until loans are funded resulting in negative carry during initial funding period
- Interest only bonds are added to the portfolio to mitigate this cost



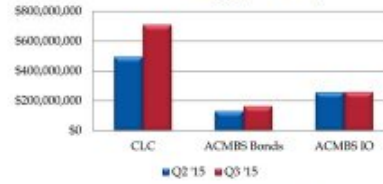
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## Agency CMBS Portfolio Composition

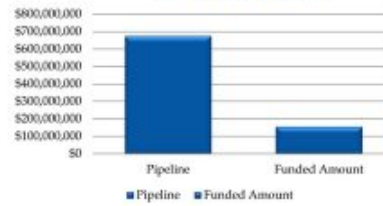
Agency CMBS Composition Q3 '15  
(Mkt. Val. %)



Agency CMBS Portfolio Quarterly  
Change (Mkt. Val.)



GNMA CLC Position

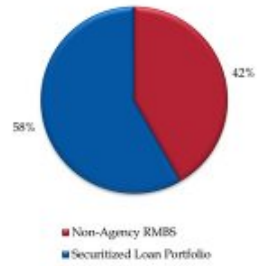


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## Residential Mortgage Credit Portfolio

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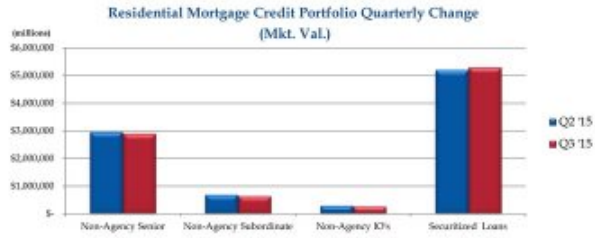
### Credit Portfolio Composition



### Credit Portfolio Yields and Spreads

Gross Asset Yield:	8.3%
Financing Cost:	3.5%
Net Interest Spread:	4.8%
Net Interest Margin:	5.5%

## Residential Mortgage Credit Portfolio Composition

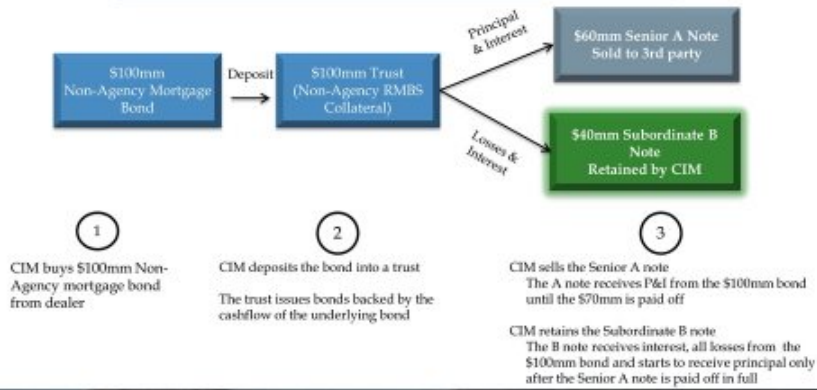


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## Non-Agency RMBS Portfolio

52% of CIM's Non-Agency Portfolio is Re-REMIC Bonds

### The Re-Securitization Process



## Consolidated RMBS

The average yield on consolidated retained Subordinate Bonds is over 17%

- Re-Remic subordinates have had slow prepayments considering the low interest rate environment

(\$ in thousands)			At Issuance / Acquisition			As of September 30, 2015		
Vintage	Type	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
2014	RMBS Securitization <sup>(1)</sup>	CSMC - 2014-4R	367,271	-	367,271	300,643	-	300,643
2010	RMBS Securitization	CSMC 2010-1R	1,750,381	691,630	1,058,751	751,180	46,330	704,650
2010	RMBS Securitization	CSMC 2010-11R	566,571	338,809	227,762	328,664	113,783	214,881
2009	RMBS Securitization	CSMC 2009-12R	1,730,698	915,566	815,132	685,116	159,975	525,141
2009	RMBS Securitization	JPMBR 2009-7	1,522,474	856,935	665,539	622,852	218,431	404,421
2009	RMBS Securitization	JMAC 2009-82	281,863	192,500	89,363	110,740	50,065	60,675
<b>TOTAL</b>			<b>\$6,199,458</b>	<b>\$2,993,440</b>	<b>\$3,206,018</b>	<b>\$2,790,995</b>	<b>\$588,794</b>	<b>\$2,202,210</b>
			% of origination remaining			45%	39%	69%

Change in CPR (%)	Total Remaining Face - Projected Balances <sup>(2)</sup>		
	September 30, 2016	September 30, 2017	September 30, 2018
-50%	2,461,842	2,196,641	1,965,122
Uncharged	2,386,017	2,056,841	1,799,435
+50%	2,300,969	1,917,187	1,627,801

As of September 30, 2015

(1) Collateral for this deal was originally part of CSMC 2010-12R

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



Information is unaudited, estimated and subject to change.



## Loan Securitization Pipeline

In Q3 2014, CIM purchased the Springleaf portfolio which had call rights to \$4.8 billion of seasoned loans

- CIM has called 2011-1A, 2012-1A, and 2012-2A. These deals were refinanced and created CSMC 2014-CIM1, CIM 2015-2AG, and CIM 2015-3AG.
- CIM has \$2.9 billion of remaining seasoned loans to refinance over the next year as follows:

Security Name	Call Date	Current Financing	Current Face of Tranches Sold	Total Remaining Face	Advance Rate	Loan Age	60+ Day Delinquencies
<i>(\$ in millions)</i>							
<b>Callable in 2015</b>							
SLFMT 2012-3A	Oct-15	3.55%	\$521,803	\$756,955	69%	117	11%
<b>TOTAL</b>			<b>\$521,803</b>	<b>\$756,955</b>			
<b>Callable in 2016</b>							
SLFMT 2013-1A	Mar-16	3.76%	\$721,298	\$781,311	92%	114	12%
SLFMT 2013-2A	Jun-16	4.21%	\$917,028	\$953,738	96%	111	16%
SLFMT 2013-3A	Oct-16	3.39%	\$286,344	\$449,584	64%	109	19%
<b>TOTAL</b>			<b>\$1,924,670</b>	<b>\$2,184,633</b>			

As of September 30, 2015



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## Refinancing Springleaf

Attractive term financing via securitization provides the company with a high return

- Springleaf securitizations are callable on the 3 year anniversary of issuance
- The underlying loans are consolidated on CIM's Balance Sheet, there is no profit or loss on the call and re-levering
- The securitization market has been strong, allowing CIM to obtain higher advance rates & lower intrinsic costs
- The loan collateral for the Springleaf deals was underwritten to be held on balance sheet, not to be sold, which tends to be higher quality.

SLFMT 2011-1A, SLFMT 2012-1A, SLFMT 2012-2A		CSMC 2014-CIM1, CIM 2015-2AG, CIM 2015-3AG	
Loan Balance at Call	\$1,362,969,671	Beginning Loan Balance	\$1,362,969,671
Liabilities Outstanding	\$919,590,932	Liabilities Outstanding	\$1,066,019,656
<b>Equity</b>	<b>\$443,378,739</b>	<b>Equity</b>	<b>\$296,950,014</b>
Net WAC	7.00%	Net WAC	7.00%
<b>Financing</b>	<b>(4.42%)</b>	<b>Financing</b>	<b>(2.36%)</b>
Net Spread Capture by Trust Owner	2.58%	Net Spread Capture by Trust Owner	4.46%
Structural Leverage	2.1	Structural Leverage	3.6
Advance Rate	67%	Advance Rate	78%

Financing costs reduced from 4.42% to 2.36%  
 Optimized structure by reducing equity from \$443 Million to \$297 Million  
 Liquidity increased by \$146 Million to invest in other opportunities

Source: Bloomberg



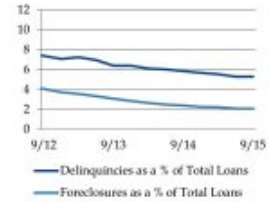
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## Mortgage Credit Fundamentals

CIM's mortgage credit portfolio is performing better than expected when purchased and prepaying slower than expected in the current rate environment

- Home Prices Have Been Appreciating
- Older Non-Agency MBS Credit Continues to Improve
  - Delinquency pipelines decreasing
  - Foreclosures getting flushed out of deals
  - Lower loss severities
  - Deals are delevering
- New Mortgage Credit Remains Tight
  - Banks/rating agencies are risk averse
  - Only best borrowers get new mortgage loans
  - Full documentation
- Prepayment Speeds on Older Non-Agency MBS Remain Slow
  - Subprime, Alt-A borrowers have limited options to refinance



Source: Bloomberg, Mortgage Bankers Association



Information is unaudited, estimated and subject to change.

## Summary

Chimera currently operates at 2.5x recourse leverage and produces a yield over 13%

### Agency Portfolio

- Actively hedged and highly liquid
- Agency exposure decreased by \$2.5 billion in 1<sup>st</sup> Half of 2015
- Shifting from Agency Pass-Throughs (RMBS) to Agency CMBS (ACMBS)

### Residential Mortgage Credit Portfolio

- Prepayment speeds have been slower than expected resulting in longer high yielding cash flows.
- Difficult to re-create in today's market
- Longer Term Repo Finance Options Available

### Future Securitization Pipeline

- \$2.9 billion Springleaf portfolio
- Securitization pipeline without adding costly infrastructure
- Refinancing has reduced borrowing costs by 47% or 206 basis points
- Federal Home Loan Bank membership

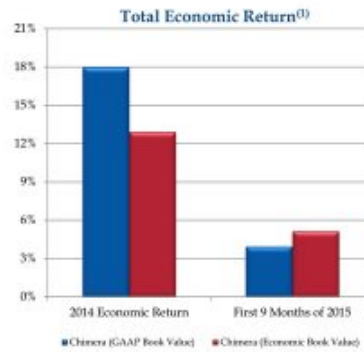
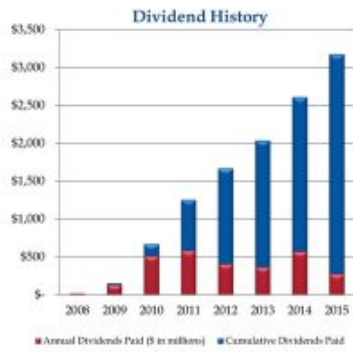


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## Dividend History and Total Economic Return

Chimera has paid out over \$2.8B in dividends since inception



(1) Total economic return is based on change in book value and dividends declared  
As of September 30, 2015



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INVESTMENT CORPORATION

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