

# CHIMERA INVESTMENT CORP

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

Filed 02/14/18 for the Period Ending 02/14/18

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

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 8-K

CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported):  
February 14, 2018

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

Maryland  
(State or Other Jurisdiction  
of Incorporation)

1-33796  
(Commission  
File Number)

26-0630461  
(IRS Employer  
Identification No.)

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

10022  
(Zip Code)

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

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

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Emerging growth company

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

## Item 2.02. Results of Operations and Financial Condition

On February 14, 2018, the registrant issued a press release announcing its financial results for the year ended December 31, 2017. A copy of the press release is furnished as Exhibit 99.1 to this report.

On February 14, 2018, the registrant posted supplemental financial information on the Investor Relations section of its website ([www.chimerareit.com](http://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 February 14, 2018, issued by Chimera Investment Corporation](#)

99.2 [Supplemental Financial Information for the year ended December 31, 2017](#)

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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: February 14, 2018

**PRESS RELEASE**

NYSE: CIM

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

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Investor Relations  
888-895-6557  
[www.chimerareit.com](http://www.chimerareit.com)

**FOR IMMEDIATE RELEASE****CHIMERA INVESTMENT CORPORATION RELEASES 4TH QUARTER 2017 EARNINGS**

- 4<sup>TH</sup> QUARTER GAAP EARNINGS OF \$0.52 PER COMMON SHARE
- 4<sup>TH</sup> QUARTER CORE EARNINGS <sup>(1)</sup> OF \$0.62 PER COMMON SHARE
- FULL YEAR GAAP EARNINGS OF \$2.61 PER COMMON SHARE
- FULL YEAR CORE EARNINGS <sup>(1)</sup> OF \$2.34 PER COMMON SHARE
- GAAP BOOK VALUE OF \$16.85 PER COMMON SHARE

NEW YORK - (BUSINESS WIRE) - Chimera Investment Corporation (NYSE:CIM) today announced its financial results for the fourth quarter ended December 31, 2017. The Company's GAAP net income fourth quarter and full year ended December 31, 2017 was \$98 million or \$0.52 per common share and \$491 million or \$2.61 per common share respectively. Core earnings <sup>(1)</sup> for the fourth quarter and full year ended December 31, 2017 were \$116 million or \$0.62 and \$440 million or \$2.34 per common share respectively. Economic return on book value for the fourth quarter was 2.6%. <sup>(2)</sup> The Company sponsored one unrated mortgage loan securitization during the fourth quarter for \$1.1 billion and also incurred \$5.2 million in securitization deal related expenses.

"2017 was another good year for Chimera", said Matthew Lambiase, Chimera's CEO and President. "Housing fundamentals remain favorable, which should continue to benefit our investment portfolio. During the fourth quarter the Company purchased approximately \$704 million in loans bringing loan purchases for the year to \$6.5 billion. Chimera generated an 18.8% <sup>(2)</sup> economic return on book value for the year."

(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 real estate finance. We were incorporated in Maryland on June 1, 2007 and commenced operations on November 21, 2007. We invest, either directly or indirectly through our subsidiaries, in RMBS, residential mortgage loans, Agency CMBS, commercial mortgage loans, real estate-related securities and various other asset classes. We have elected and believe that we are organized and operate in a manner that enables us to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, or the Code.

Please visit [www.chimerareit.com](http://www.chimerareit.com) and click on Investor Relations for additional information about us.

### CHIMERA INVESTMENT CORPORATION CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

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

	December 31, 2017		December 31, 2016	
<b>Assets:</b>				
Cash and cash equivalents	\$	63,569	\$	177,714
Non-Agency RMBS, at fair value		2,851,316		3,330,063
Agency MBS, at fair value		4,364,828		4,167,754
Loans held for investment, at fair value		13,678,263		8,753,653
Accrued interest receivable		100,789		79,697
Other assets		114,391		166,350
Derivatives, at fair value, net		48,914		9,677
<b>Total assets <sup>(1)</sup></b>	<b>\$</b>	<b>21,222,070</b>	<b>\$</b>	<b>16,684,908</b>
<b>Liabilities:</b>				
Repurchase agreements (\$8.8 billion and \$7.0 billion, pledged as collateral, respectively)	\$	7,250,452	\$	5,600,903
Securitized debt, collateralized by Non-Agency RMBS (\$1.6 billion and \$1.8 billion pledged as collateral, respectively)		205,780		334,124
Securitized debt at fair value, collateralized by loans held for investment (\$13.3 billion and \$8.8 billion pledged as collateral, respectively)		9,388,657		6,941,097
Payable for investments purchased		567,440		520,532
Accrued interest payable		61,888		48,670
Dividends payable		95,365		97,005
Accounts payable and other liabilities		17,191		16,694
Derivatives, at fair value		320		2,350
<b>Total liabilities <sup>(1)</sup></b>	<b>\$</b>	<b>17,587,093</b>	<b>\$</b>	<b>13,561,375</b>
<b>Stockholders' Equity:</b>				
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 and 0 shares issued and outstanding, respectively (\$325,000 liquidation preference)		130		—
Common stock: par value \$0.01 per share; 300,000,000 shares authorized, 187,809,288 and 187,739,634 shares issued and outstanding, respectively		1,878		1,877
Additional paid-in-capital		3,826,691		3,508,779
Accumulated other comprehensive income		796,902		718,106
Cumulative earnings		2,967,852		2,443,184
Cumulative distributions to stockholders		(3,958,534)		(3,548,471)
<b>Total stockholders' equity</b>	<b>\$</b>	<b>3,634,977</b>	<b>\$</b>	<b>3,123,533</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$</b>	<b>21,222,070</b>	<b>\$</b>	<b>16,684,908</b>

(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 December 31, 2017 and December 31, 2016, total assets of consolidated VIEs were \$14,987,464 and \$10,761,954, respectively, and total liabilities of consolidated VIEs were \$9,631,820 and \$7,302,905, respectively.

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

	For the Year Ended		
	December 31, 2017	December 31, 2016	December 31, 2015
<b>Net interest income:</b>			
Interest income <sup>(1)</sup>	\$ 1,138,758	\$ 934,068	\$ 872,737
Interest expense <sup>(2)</sup>	532,748	347,857	259,365
<b>Net interest income</b>	<b>606,010</b>	<b>586,211</b>	<b>613,372</b>
<b>Other-than-temporary impairments:</b>			
Total other-than-temporary impairment losses	(5,169)	(9,589)	(8,700)
Portion of loss recognized in other comprehensive income	(56,687)	(48,398)	(58,744)
<b>Net other-than-temporary credit impairment losses</b>	<b>(61,856)</b>	<b>(57,987)</b>	<b>(67,444)</b>
<b>Other investment gains (losses):</b>			
Net unrealized gains (losses) on derivatives	47,976	50,093	67,385
Realized gains (losses) on terminations of interest rate swaps	(16,143)	(60,616)	(98,949)
Net realized gains (losses) on derivatives	(25,645)	(44,886)	(83,073)
<b>Net gains (losses) on derivatives</b>	<b>6,188</b>	<b>(55,409)</b>	<b>(114,637)</b>
Net unrealized gains (losses) on financial instruments at fair value	111,410	59,552	(158,433)
Net realized gains (losses) on sales of investments	9,123	18,155	77,074
Gain (loss) on deconsolidation	—	—	(256)
Gains (losses) on extinguishment of debt	(35,274)	(477)	(5,930)
<b>Total other gains (losses)</b>	<b>91,447</b>	<b>21,821</b>	<b>(202,182)</b>
<b>Other income:</b>			
Other income	—	95,000	—
<b>Total other income</b>	<b>—</b>	<b>95,000</b>	<b>—</b>
<b>Other expenses:</b>			
Management fees (net of recoveries)	—	—	17,703
Compensation and benefits	30,212	26,901	10,544
General and administrative expenses	17,650	17,516	31,633
Servicing fees	41,690	31,178	25,244
Deal expenses	21,273	17,424	8,272
<b>Total other expenses</b>	<b>110,825</b>	<b>93,019</b>	<b>93,396</b>
<b>Income (loss) before income taxes</b>	<b>524,776</b>	<b>552,026</b>	<b>250,350</b>
Income taxes	108	83	1
<b>Net income (loss)</b>	<b>\$ 524,668</b>	<b>\$ 551,943</b>	<b>\$ 250,349</b>
<b>Dividend on preferred stock</b>	<b>33,484</b>	<b>2,449</b>	<b>—</b>
<b>Net income (loss) available to common shareholders</b>	<b>\$ 491,184</b>	<b>\$ 549,494</b>	<b>\$ 250,349</b>
<b>Net income (loss) per share available to common shareholders:</b>			
Basic	\$ 2.62	\$ 2.93	\$ 1.25
Diluted	\$ 2.61	\$ 2.92	\$ 1.25
<b>Weighted average number of common shares outstanding:</b>			
Basic	187,780,355	187,728,634	199,563,196
Diluted	188,287,320	188,024,838	199,650,177
<b>Dividends declared per share of common stock</b>	<b>\$ 2.00</b>	<b>\$ 2.44</b>	<b>\$ 1.92</b>

(1) Includes interest income of consolidated VIEs of \$914,022, \$678,623 and \$575,715 for the years ended December 31, 2017, 2016 and 2015, respectively.

(2) Includes interest expense of consolidated VIEs of \$390,858, \$249,708 and \$191,922 for the years ended December 31, 2017, 2016 and 2015, respectively.

**CHIMERA INVESTMENT CORPORATION**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

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

	<b>For the Year Ended</b>		
	<b>December 31, 2017</b>	<b>December 31, 2016</b>	<b>December 31, 2015</b>
<b>Comprehensive income (loss):</b>			
Net income (loss)	\$ 524,668	\$ 551,943	\$ 250,349
<b>Other comprehensive income:</b>			
Unrealized gains (losses) on available-for-sale securities, net	24,218	(88,527)	(263,049)
Reclassification adjustment for net losses included in net income for other-than-temporary credit impairment losses	61,856	57,987	67,444
Reclassification adjustment for net realized losses (gains) included in net income	(7,278)	(25,145)	(77,284)
Other comprehensive income (loss)	78,796	(55,685)	(272,889)
<b>Comprehensive income (loss) before preferred stock dividends</b>	<b>\$ 603,464</b>	<b>\$ 496,258</b>	<b>\$ (22,540)</b>
Dividends on preferred stock	\$ 33,484	\$ 2,449	\$ —
<b>Comprehensive income (loss) available to common stock shareholders</b>	<b>\$ 569,980</b>	<b>\$ 493,809</b>	<b>\$ (22,540)</b>



### Core earnings

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

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

	For the Quarters Ended				
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
	(dollars in thousands, except per share data)				
<b>GAAP Net income available to common stockholders</b>	<b>\$ 98,208</b>	<b>\$ 129,832</b>	<b>\$ 105,617</b>	<b>\$ 157,524</b>	<b>\$ 219,454</b>
Adjustments:					
Net other-than-temporary credit impairment losses	18,179	11,468	13,509	18,701	14,780
Net unrealized (gains) losses on derivatives	(28,074)	(9,204)	(5,802)	(4,896)	(101,475)
Net unrealized (gains) losses on financial instruments at fair value	47,637	(19,042)	(67,762)	(72,243)	20,664
Net realized (gains) losses on sales of investments	586	(1)	(4,541)	(5,167)	(11,121)
(Gains) losses on extinguishment of debt	(12,742)	1	48,014	—	(1,334)
Realized (gains) losses on terminations of interest rate swaps	—	—	16,143	—	—
Net realized (gains) losses on Futures <sup>(1)</sup>	(8,204)	3,267	6,914	2,084	(19,628)
<b>Core Earnings</b>	<b>\$ 115,590</b>	<b>\$ 116,321</b>	<b>\$ 112,092</b>	<b>\$ 96,003</b>	<b>\$ 121,340</b>
GAAP net income per basic common share	\$ 0.52	\$ 0.69	\$ 0.56	\$ 0.84	\$ 1.17
Core earnings per basic common share <sup>(2)</sup>	\$ 0.62	\$ 0.62	\$ 0.60	\$ 0.51	\$ 0.65

(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 December 31, 2017 and December 31, 2016 .

December 31, 2017

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

December 31, 2016

	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 <sup>(1)</sup>
Non-Agency RMBS					
Senior	\$ 3,190,947	\$ 55.76	\$ 78.69	4.3%	15.5%
Senior, interest-only	5,648,339	5.18	4.49	1.5%	11.7%
Subordinated	673,259	70.83	82.21	3.8%	9.2%
Subordinated, interest-only	266,927	5.20	4.50	1.1%	13.5%
Agency MBS					
Residential pass-through	2,594,570	105.78	104.29	3.9%	3.0%
Commercial pass-through	1,331,543	102.64	98.91	3.6%	2.9%
Interest-only	3,356,491	4.53	4.31	0.8%	3.5%

(1) Bond Equivalent Yield at period end.

At December 31, 2017 and December 31, 2016 , the repurchase agreements collateralized by MBS had the following remaining maturities.

	December 31, 2017	December 31, 2016
	(dollars in thousands)	
Overnight	\$ —	\$ —
1 to 29 days	5,092,458	2,947,604
30 to 59 days	1,206,769	958,956
60 to 89 days	592,865	407,625
90 to 119 days	—	559,533
Greater than or equal to 120 days	358,360	727,185
<b>Total</b>	<b>\$ 7,250,452</b>	<b>\$ 5,600,903</b>

The following table summarizes certain characteristics of our portfolio at December 31, 2017 and December 31, 2016 .

	For the Year Ended December 31, 2017	For the Year Ended December 31, 2016
Interest earning assets at period-end <sup>(1)</sup>	\$ 20,894,407	\$ 16,251,470
Interest bearing liabilities at period-end	\$ 16,844,889	\$ 12,876,124
GAAP Leverage at period-end	4.6:1	4.1:1
GAAP Leverage at period-end (recourse)	2.0:1	1.8:1
Portfolio Composition, at amortized cost		
Non-Agency RMBS	5.9%	9.0%
Senior	2.9%	3.9%
Senior, interest only	1.3%	1.9%
Subordinated	1.7%	3.1%
Subordinated, interest only	0.0%	0.1%
RMBS transferred to consolidated VIEs	4.6%	7.6%
Agency MBS	22.2%	27.7%
Residential	11.8%	17.8%
Commercial	9.8%	8.9%
Interest-only	0.6%	1.0%
Loans held for investment	67.3%	55.7%
Fixed-rate percentage of portfolio	93.7%	88.4%
Adjustable-rate percentage of portfolio	6.3%	11.6%
Annualized yield on average interest earning assets for the periods ended	6.3%	6.4%
Annualized cost of funds on average borrowed funds for the periods ended <sup>(2)</sup>	3.6%	3.0%

(1) Excludes cash and cash equivalents.

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

### *Economic Net Interest Income*

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

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

	GAAP Interest Income	GAAP Interest Expense	Net Realized Losses on Interest Rate Swaps	Other <sup>(2)</sup>	Economic Interest Expense	GAAP Net Interest Income	Net Realized Losses on Interest Rate Swaps	Other <sup>(1)(2)</sup>	Economic Net Interest Income
For the Year Ended December 31, 2017	\$ 1,138,758	\$ 532,748	\$ 15,450	\$ —	\$ 548,198	\$ 606,010	\$ (15,450)	\$ (1,097)	\$ 589,463
For the Year Ended December 31, 2016	\$ 934,068	\$ 347,857	\$ 28,107	\$ —	\$ 375,964	\$ 586,211	\$ (28,107)	\$ (882)	\$ 557,222
For the Year Ended December 31, 2015	\$ 872,737	\$ 259,365	\$ 47,227	\$ (2,217)	\$ 304,375	\$ 613,372	\$ (47,227)	\$ 1,218	\$ 567,363
For the Quarter Ended December 31, 2017	\$ 301,957	\$ 144,204	\$ 4,369	\$ —	\$ 148,573	\$ 157,753	\$ (4,369)	\$ (61)	\$ 153,323
For the Quarter Ended September 30, 2017	\$ 296,813	\$ 140,358	\$ 3,489	\$ —	\$ 143,847	\$ 156,455	\$ (3,489)	\$ (167)	\$ 152,799
For the Quarter Ended June 30, 2017	\$ 288,644	\$ 137,955	\$ 3,486	\$ —	\$ 141,441	\$ 150,689	\$ (3,486)	\$ (350)	\$ 146,853
For the Quarter Ended March 31, 2017	\$ 251,344	\$ 110,231	\$ 4,106	\$ —	\$ 114,337	\$ 141,113	\$ (4,106)	\$ (519)	\$ 136,488

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

(2) Other includes \$2 million of deferred financing expenses written off during the quarter ended September 30, 2015.

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 Quarters Ended					
	December 31, 2017			December 31, 2016		
	(dollars in thousands)			(dollars in thousands)		
	Average Balance	Interest	Average Yield/Cost	Average Balance	Interest	Average Yield/Cost
<b>Assets:</b>						
<i>Interest-earning assets <sup>(1)</sup>:</i>						
Agency MBS	\$ 3,847,658	\$ 28,812	3.0%	\$ 3,730,032	\$ 38,494	4.1%
Non-Agency RMBS	1,187,349	24,608	8.3%	1,390,837	32,098	9.2%
Non-Agency RMBS transferred to consolidated VIEs	940,931	55,916	23.8%	1,208,217	61,022	20.2%
Residential mortgage loans held for investment	13,048,375	192,560	5.9%	8,693,303	129,249	5.9%
<b>Total</b>	<b>\$ 19,024,313</b>	<b>\$ 301,896</b>	<b>6.3%</b>	<b>\$ 15,022,389</b>	<b>\$ 260,863</b>	<b>6.9%</b>
<b>Liabilities and stockholders' equity:</b>						
<i>Interest-bearing liabilities:</i>						
Repurchase agreements collateralized by:						
Agency MBS <sup>(2)</sup>	\$ 3,090,155	\$ 15,651	2.0%	\$ 3,199,755	\$ 11,340	1.4%
Non-Agency RMBS	497,073	3,896	3.1%	795,900	5,668	2.9%
Re-Remic repurchase agreements	867,882	7,193	3.3%	641,137	4,761	3.0%
RMBS from loan securitizations	2,573,351	21,236	3.3%	1,062,276	8,149	3.1%
Securitized debt, collateralized by Non-Agency RMBS	219,446	3,796	6.9%	357,422	5,610	6.3%
Securitized debt, collateralized by loans	9,451,052	96,801	4.1%	6,982,205	75,360	4.3%
<b>Total</b>	<b>\$ 16,698,959</b>	<b>\$ 148,573</b>	<b>3.6%</b>	<b>\$ 13,038,695</b>	<b>\$ 110,888</b>	<b>3.4%</b>
<b>Economic net interest income/net interest rate spread</b>		<b>\$ 153,323</b>	<b>2.7%</b>		<b>\$ 149,975</b>	<b>3.6%</b>
<b>Net interest-earning assets/net interest margin</b>	<b>\$ 2,325,354</b>		<b>3.2%</b>	<b>\$ 1,983,694</b>		<b>3.9%</b>
<b>Ratio of interest-earning assets to interest bearing liabilities</b>		<b>1.14</b>			<b>1.15</b>	

(1) Interest-earning assets at amortized cost

(2) Interest includes cash paid on swaps

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

	Return on Average Equity	Economic Net Interest Income/Average Equity *	Core Earnings/Average Equity
	(Ratios have been annualized)		
<b>For the Year Ended December 31, 2017</b>	15.00%	16.85%	12.58%
<b>For the Year Ended December 31, 2016</b>	18.42%	18.59%	15.18%
<b>For the Year Ended December 31, 2015</b>	7.52%	17.12%	14.20%
<b>For the Quarter Ended December 31, 2017</b>	11.82%	16.85%	12.70%
<b>For the Quarter Ended September 30, 2017</b>	15.42%	16.92%	12.88%
<b>For the Quarter Ended June 30, 2017</b>	12.98%	16.57%	12.65%
<b>For the Quarter Ended March 31, 2017</b>	19.63%	16.46%	11.57%

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				
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
	(dollars in thousands)				
Balance, beginning of period	\$ 622,982	\$ 627,724	\$ 648,659	\$ 683,648	\$ 733,060
Accretion of discount	(39,640)	(43,502)	(42,625)	(43,715)	(44,427)
Purchases	(2,914)	1,723	(108)	(3,642)	(33,987)
Sales and deconsolidation	—	5,792	212	(7,303)	(2,138)
Transfers from/(to) credit reserve, net	1,765	31,245	21,586	19,671	31,140
Balance, end of period	\$ 582,193	\$ 622,982	\$ 627,724	\$ 648,659	\$ 683,648

## Disclaimer

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

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

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



**FINANCIAL  
SUPPLEMENT**  
NYSE: CIM

*4th Quarter 2017*



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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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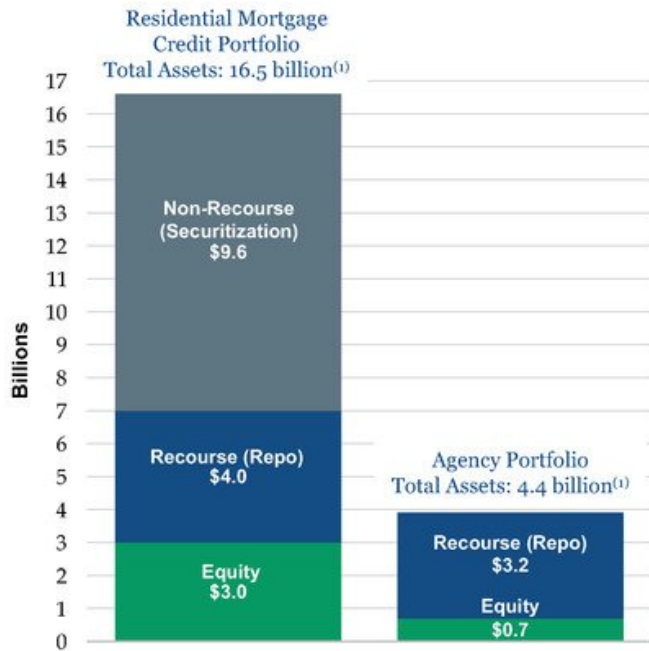
Information is unaudited, estimated and subject to change.





# PORTFOLIO COMPOSITION

82% of Chimera's equity capital is allocated to mortgage credit



## Net Investment Analysis<sup>(2)</sup>

	Residential Mortgage Credit Portfolio	Agency Portfolio	Total Portfolio
Gross Asset Yield:	7.2%	3.0%	6.3%
Financing Cost <sup>(3)</sup> :	3.9%	2.0%	3.6%
Net Interest Spread:	3.3%	1.0%	2.7%
Net Interest Margin:	3.7%	1.4%	3.2%

All data as of December 31, 2017

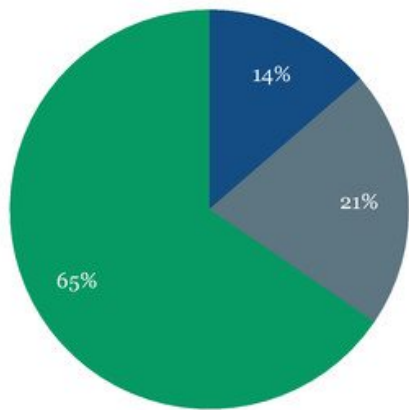
- (1) Financing excludes unsettled trades.
- (2) Reflects fourth quarter 2017 average assets, yields, and spreads.
- (3) Includes the interest incurred on interest rate swaps.

Information is unaudited, estimated and subject to change.

# GAAP ASSET ALLOCATION<sup>(1)</sup>

Chimera added \$704 million in Q4 and \$6.5 billion in residential mortgage loans in 2017

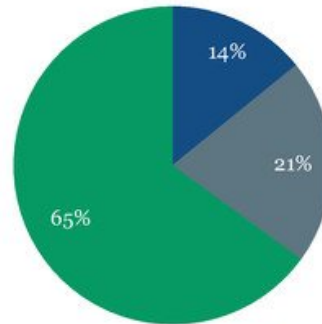
December 31, 2017



■ Non-Agency MBS   ■ Agency MBS  
■ Loan Portfolio

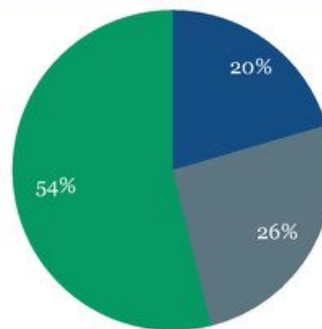
**Total Portfolio: \$20.9 billion**

September 30, 2017



**Total Portfolio:  
\$20.8 billion**

December 31, 2016



**Total Portfolio:  
\$16.3 billion**

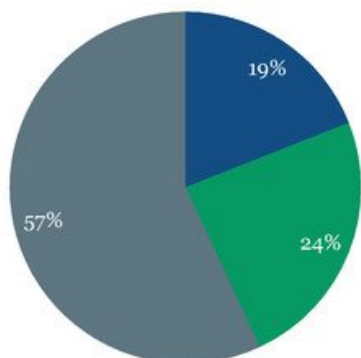
(1) Based on fair value.

Information is unaudited, estimated and subject to change.

# GAAP FINANCING SOURCES

Total Leverage<sup>(1)</sup>: 4.6:1  
 Recourse Leverage<sup>(1)</sup>: 2.0:1

December 31, 2017

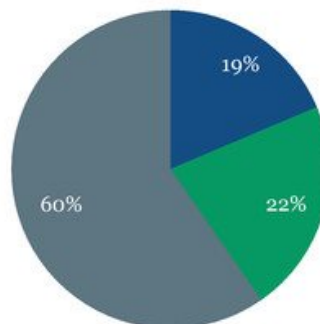


- Agency Repurchase Agreements, RMBS
- Non-Agency Repurchase Agreements, RMBS
- Non-Recourse Debt, Securitized RMBS and Loans (2)

**Total Financing: \$16.8 Billion**

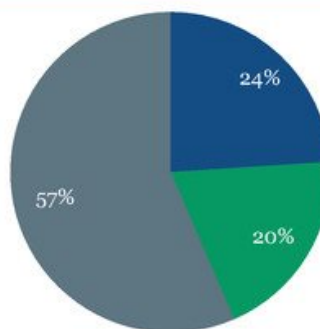
(1) Based on fair value.

September 30, 2017



**Total Financing:  
\$16.6 billion**

December 31, 2016



**Total Financing:  
\$12.9 billion**

Information is unaudited, estimated and subject to change.

# CONSOLIDATED LOAN SECURITIZATIONS

(\$ in thousands)

At Issuance / Acquisition

December 31, 2017

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
2017	CMLTI 2017-RP2	\$421,329	\$42,133	379,196	\$416,724	\$41,672	\$375,052
2017	CIM 2017-8 <sup>(1)</sup>	1,148,050	688,829	459,221	1,124,841	665,780	459,061
2017	CIM 2017-7	512,446	301,062	211,384	498,321	287,157	211,164
2017	CIM 2017-6	782,725	626,179	156,546	749,073	591,693	157,380
2017	CIM 2017-5	377,034	75,407	301,627	355,064	53,483	301,581
2017	CIM 2017-4	830,510	710,003	120,507	697,811	581,020	116,791
2017	CIM 2017-3	2,434,640	2,113,267	321,373	2,153,615	1,831,401	322,214
2017	CIM 2017-2	331,440	248,580	82,860	299,602	216,450	83,152
2017	CIM 2017-1	526,267	368,387	157,880	464,521	306,972	157,549
2016	CIM 2016-FRE1	185,811	115,165	70,646	163,616	92,458	71,158
2016	CIM 2016-4 <sup>(1)</sup>	601,733	493,420	108,313	508,747	397,734	111,013
2016	CIM 2016-3	1,746,084	1,478,933	267,151	1,376,361	1,111,473	264,888
2016	CIM 2016-2	1,762,177	1,492,563	269,614	1,389,090	1,120,363	268,727
2016	CIM 2016-1	1,499,341	1,266,898	232,443	1,172,112	943,854	228,258
2015	CIM 2015-4AG <sup>(1)</sup>	750,647	425,000	325,647	522,072	333,834	188,238
2015	CIM 2015-3AG <sup>(1)</sup>	698,812	520,935	177,877	460,729	304,303	156,426
2015	CIM 2015-2AG <sup>(1)</sup>	330,293	276,998	53,295	209,751	162,604	47,147
2015	CIM 2015-1EC	268,731	214,985	53,746	199,099	142,831	56,268
2012	CSMC 2012-CIM1	741,939	707,810	34,129	56,711	27,906	28,805
2012	CSMC 2012-CIM2	425,091	404,261	20,830	47,973	29,616	18,357
2012	CSMC 2012-CIM3	329,886	305,804	24,082	118,624	99,702	18,922
2008	PHHMC 2008-CIM1	619,710	549,142	70,568	44,959	32,710	12,249
<b>TOTAL</b>		<b>\$17,324,696</b>	<b>\$13,425,761</b>	<b>\$3,898,935</b>	<b>\$13,029,416</b>	<b>\$9,375,016</b>	<b>\$3,654,400</b>

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

Information is unaudited, estimated and subject to change.

# 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, 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 <sup>(1)</sup>	367,271	—	367,271	210,789	—	210,789
2010	CSMC 2010-1R	1,730,581	691,630	1,038,951	504,330	3,669	500,661
2010	CSMC 2010-11R	566,571	338,809	227,762	207,428	—	207,428
2009	CSMC 2009-12R	1,730,698	915,566	815,132	476,131	87,478	388,653
2009	JPMRR 2009-7	1,522,474	856,935	665,539	435,208	108,077	327,131
2009	JMAC 2009-R2	281,863	192,500	89,363	75,301	19,949	55,352
<b>TOTAL</b>		<b>6,199,458</b>	<b>2,995,440</b>	<b>3,204,018</b>	<b>1,909,187</b>	<b>219,173</b>	<b>1,690,014</b>
		<i>% of origination remaining</i>			31%	7%	53%

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

Information is unaudited, estimated and subject to change.

# AGENCY & REPO SUMMARY

## Agency Securities – As of December 31, 2017

Security Type	Coupon <sup>(1)</sup>	Current Face	Weighted Average Market Price	Weighted Average CPR
Agency Pass-through	3.50%	\$850,775	102.9	9.9
	4.00%	1,207,687	104.9	13.4
	4.50%	168,666	106.8	14.0
Commercial	3.6%	1,894,594	102.3	—
Agency IO	0.7%	N/M <sup>(2)</sup>	3.5	3.1
<b>Total</b>		<b>\$4,121,722</b>		

## Repo Days to Maturity – As of December 31, 2017

Maturity	Principal Balance	Weighted Average Rate	Weighted Average Days
Within 30 days	\$2,124,925	1.44%	
30 to 59 days	647,889,511	1.48%	
60 to 89 days	429,241	1.63%	
<b>Total</b>	<b>\$3,202,056</b>	<b>1.47%</b>	<b>28 Days</b>

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

(2) Notional Agency IO was \$3.0 billion and \$3.2 billion as of December 31, 2017 and September 30, 2017 respectively.

## Agency Securities – As of September 30, 2017

Security Type	Coupon <sup>(1)</sup>	Current Face	Weighted Average Market Price	Weighted Average CPR
Agency Pass-through	3.50%	\$878,766	103.3	10.3
	4.00%	1,261,567	105.5	10.8
	4.50%	176,505	107.7	15.7
Commercial	3.6%	1,774,802	102.1	—
Agency IO	0.7%	N/M <sup>(2)</sup>	3.6	9.8
<b>Total</b>		<b>\$4,091,640</b>		

## Repo Days to Maturity – As of September 30, 2017

Maturity	Principal Balance	Weighted Average Rate	Weighted Average Days
Within 30 days	\$2,433,157	1.40%	
30 to 59 days	473,727	1.38%	
60 to 89 days	189,350	1.37%	
<b>Total</b>	<b>\$3,096,234</b>	<b>1.39%</b>	<b>21 Days</b>

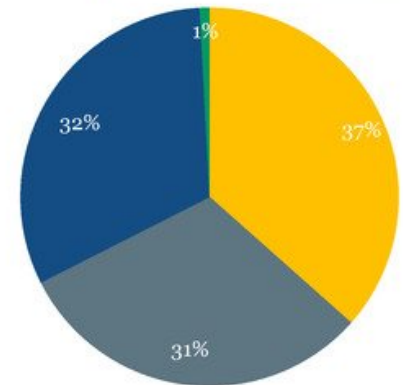
Information is unaudited, estimated and subject to change.

# INTEREST RATE SENSITIVITY

Chimera added to its Agency Commercial and hedge portfolios during the quarter

Description (\$ in thousands)	- 100 Basis Points	- 50 Basis Points	Unchanged	+50 Basis Points	+100 Basis Points	
<b>Agency Securities</b>	Market Value	\$ 4,610,532	\$ 4,491,913	\$ 4,364,828	\$ 4,229,318	\$ 4,089,486
	Percentage Change	5.6 %	2.9 %	-	(3.1)%	(6.3)%
<b>Swap</b>	Market Value	(160,638)	(77,945)	-	75,607	150,428
	Percentage Change	(3.7)%	(1.8)%	-	1.7 %	3.4 %
<b>Futures</b>	Market Value	(34,928)	(17,228)	-	16,767	33,098
	Percentage Change	(0.8)%	(0.4)%	-	0.4 %	0.8 %
<b>Net Gain/(Loss)</b>	\$ 50,138	\$ 31,912	-	\$ (43,136)	\$ (91,816)	
<b>Percentage Change in Portfolio Value<sup>(1)</sup></b>	1.1 %	0.7 %	-	(1.0)%	(2.1)%	

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, 2017	September 30, 2017
<b>Interest Rate Swaps</b>	3,816,400	3,373,400
<b>Swaptions</b>	391,000	482,000
<b>Futures</b>	619,700	619,700

(1) Based on instantaneous moves in interest rates.

Information is unaudited, estimated and subject to change.



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