

CHIMERA INVESTMENT CORP

FORM 8-K (Current report filing)

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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):
February 14, 2017

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

Maryland
(State or Other Jurisdiction
of Incorporation)

1-33796
(Commission
File Number)

26-0630461
(IRS Employer
Identification No.)

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

10022
(Zip Code)

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

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

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operations and Financial Condition

On February 14, 2017, the registrant issued a press release announcing its financial results for the quarter and year ended December 31, 2016. A copy of the press release is furnished as Exhibit 99.1 to this report.

On February 14, 2017, the registrant posted supplemental financial information on the Investor Relations 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 7.01. Regulation FD Disclosure

On February 14, 2017, the registrant issued a press release announcing the declaration of its first quarter cash dividend of \$0.50 per share of common stock and \$0.50 per share of Series A Cumulative Redeemable Preferred Stock.

Item 9.01 Financial Statements and Exhibits

(d)	Exhibits
99.1	Press Release, dated February 14, 2017, issued by Chimera Investment Corporation
99.2	Supplemental Financial Information for the quarter and year ended December 31, 2016.
99.3	Press Release, dated February 14, 2017, issued by Chimera Investment Corporation

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, 2017

PRESS RELEASE

NYSE: CIM

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

Investor Relations
866-315-9930
www.chimerareit.com

FOR IMMEDIATE RELEASE**CHIMERA INVESTMENT CORPORATION RELEASES 4TH QUARTER AND FULL YEAR 2016 EARNINGS**

- 4TH QUARTER GAAP EARNINGS OF \$1.17 PER COMMON SHARE
- 4TH QUARTER CORE EARNINGS ⁽¹⁾ OF \$0.65 PER COMMON SHARE
- FULL YEAR GAAP EARNINGS OF \$2.92 PER COMMON SHARE UP FROM \$1.25 PER COMMON SHARE IN 2015
- FULL YEAR CORE EARNINGS OF \$2.42 PER COMMON SHARE UP FROM \$2.37 PER COMMON SHARE IN 2015
- GAAP BOOK VALUE OF \$15.87 PER COMMON SHARE UP FROM \$15.70 PER COMMON SHARE IN 2015, COMPARED TO \$16.18 IN 3RD QUARTER 2016

“Chimera’s portfolio produced a positive total return despite a significant rise in long term interest rates in the fourth quarter of 2016”, said Matthew Lambiase, Chimera’s CEO and President. “Full year 2016 included meaningful new investments in securitized mortgage loans which helped us grow earnings. We finished our first calendar year as an internally managed company and remain committed to creating value for our shareholders.”

(1) Core earnings is a non-GAAP measure. See additional discussion on page 5.

Note: All per common share amounts presented on a diluted basis.

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 01, 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 have operated 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 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, 2016	December 31, 2015
Assets:		
Cash and cash equivalents	\$ 177,714	\$ 114,062
Non-Agency RMBS, at fair value	3,330,063	3,675,841
Agency MBS, at fair value	4,167,754	6,514,824
Securitized loans held for investment, at fair value	8,753,653	4,768,416
Accrued interest receivable	79,697	66,247
Other assets	166,350	189,796
Derivatives, at fair value, net	9,677	15,460
Total assets ⁽¹⁾	\$ 16,684,908	\$ 15,344,646
Liabilities:		
Repurchase agreements, MBS (\$7.0 billion and \$8.8 billion pledged as collateral, respectively)	\$ 5,600,903	\$ 7,439,339
Securitized debt, collateralized by Non-Agency RMBS (\$1.8 billion and \$2.1 billion pledged as collateral, respectively)	334,124	529,415
Securitized debt at fair value, collateralized by loans held for investment (\$8.8 billion and \$4.8 billion pledged as collateral, respectively)	6,941,097	3,720,496
Payable for investments purchased	520,532	560,641
Accrued interest payable	48,670	37,432
Dividends payable	97,005	90,097
Accounts payable and other liabilities	16,694	11,404
Derivatives, at fair value	2,350	9,634
Total liabilities ⁽¹⁾	\$ 13,561,375	\$ 12,398,458
Stockholders' Equity:		
Preferred Stock: par value \$0.01 per share; 8% Series A cumulative redeemable; 100,000,000 shares authorized, 5,800,000 and 0 shares issued and outstanding, respectively (\$145,000 liquidation preference)	\$ 58	\$ —
Common stock: par value \$0.01 per share; 300,000,000 shares authorized, 187,739,634 and 187,711,868 shares issued and outstanding, respectively	1,877	1,877
Additional paid-in-capital	3,508,779	3,366,568
Accumulated other comprehensive income	718,106	773,791
Cumulative earnings	2,443,184	1,891,239
Cumulative distributions to stockholders	(3,548,471)	(3,087,287)
Total stockholders' equity	\$ 3,123,533	\$ 2,946,188
Total liabilities and stockholders' equity	\$ 16,684,908	\$ 15,344,646

(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, 2016 and December 31, 2015, total assets of consolidated VIEs were \$10,761,954 and \$7,031,278, respectively, and total liabilities of consolidated VIEs were \$7,300,163 and \$4,262,017, respectively.

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

	For the Year Ended		
	December 31, 2016	December 31, 2015	December 31, 2014
Net Interest Income:			
Interest income ⁽¹⁾	\$ 934,068	\$ 872,737	\$ 687,795
Interest expense ⁽²⁾	347,857	259,365	147,785
Net interest income	586,211	613,372	540,010
Other-than-temporary impairments:			
Total other-than-temporary impairment losses	(9,589)	(8,700)	(8,713)
Portion of loss recognized in other comprehensive income	(48,398)	(58,744)	(55,279)
Net other-than-temporary credit impairment losses	(57,987)	(67,444)	(63,992)
Other investment gains (losses):			
Net unrealized gains (losses) on derivatives	50,093	67,385	(103,496)
Realized gains (losses) on terminations of interest rate swaps	(60,616)	(98,949)	—
Net realized gains (losses) on derivatives	(44,886)	(83,073)	(82,852)
Net gains (losses) on derivatives	(55,409)	(114,637)	(186,348)
Net unrealized gains (losses) on financial instruments at fair value	59,552	(158,433)	193,534
Net realized gains (losses) on sales of investments	18,155	77,074	91,709
Gain (loss) on deconsolidation	—	(256)	47,846
Gains (losses) on Extinguishment of Debt	(477)	(5,930)	(2,184)
Total other gains (losses)	21,821	(202,182)	144,557
Other income:			
Other income	95,000	—	23,783
Total other income	95,000	—	23,783
Other expenses:			
Management fees	—	24,609	32,514
Expense recoveries from Manager	—	(6,906)	(8,936)
Net management fees	—	17,703	23,578
Provision for loan losses, net	—	—	(232)
Compensation and benefits	26,901	10,544	—
General and administrative expenses	17,516	31,633	20,403
Servicing Fees of consolidated VIEs	31,178	25,244	10,004
Deal Expenses	17,424	8,272	1,398
Total other expenses	93,019	93,396	31,368
Income (loss) before income taxes	552,026	250,350	589,207
Income taxes	83	1	2
Net income (loss)	\$ 551,943	\$ 250,349	\$ 589,205
Dividend on preferred stock	2,449	—	—
Net income (loss) available to common shareholders	\$ 549,494	\$ 250,349	\$ 589,205
Net income (loss) per share available to common shareholders:			
Basic	\$ 2.93	\$ 1.25	\$ 2.87
Diluted	\$ 2.92	\$ 1.25	\$ 2.87
Weighted average number of common shares outstanding:			
Basic	187,728,634	199,563,196	205,450,095
Diluted	188,024,838	199,650,177	205,508,769
Dividends declared per share of common stock	\$ 2.44	\$ 1.92	\$ 1.80

(1) Includes interest income of consolidated VIEs of \$678,623, \$575,715, and \$428,992 for the years ended December 31, 2016, 2015, and 2014 respectively.

(2) Includes interest expense of consolidated VIEs of \$249,708, \$191,922 and \$119,103 for the years ended December 31, 2016, 2015, 2014 respectively.

	For the Quarter Ended			
	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
	(dollars in thousands, except per share data)			
Net Interest Income:				
Interest income	\$ 260,823	\$ 250,953	\$ 221,096	\$ 201,194
Interest expense	106,737	94,911	83,227	62,981
Net interest income	154,086	156,042	137,869	138,213
Other-than-temporary impairments:				
Total other-than-temporary impairment losses	(1,034)	(993)	(3,139)	(4,423)
Portion of loss recognized in other comprehensive income	(13,746)	(10,581)	(17,816)	(6,255)
Net other-than-temporary credit impairment losses	(14,780)	(11,574)	(20,955)	(10,678)
Net gains (losses) on derivatives	115,523	13,360	(47,755)	(136,537)
Net unrealized gains (losses) on financial instruments at fair value	(20,664)	32,999	30,347	16,871
Gain (loss) on deconsolidation	—	—	—	—
Gain (loss) on Extinguishment of Debt	1,334	(45)	—	(1,766)
Net realized gains (losses) on sales of investments	11,121	3,079	6,631	(2,674)
Other Income	—	—	—	95,000
Total other expenses	24,698	21,031	31,987	15,302
Net income	\$ 221,903	\$ 172,817	\$ 74,127	\$ 83,098
Dividend on preferred stock	\$ 2,449	\$ —	\$ —	\$ —
Net income (loss) available to common shareholders	\$ 219,454	\$ 172,817	\$ 74,127	\$ 83,098
Net income per common share-basic	\$ 1.17	\$ 0.92	\$ 0.39	\$ 0.44

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 Year Ended		
	December 31, 2016	December 31, 2015	December 31, 2014
	(dollars in thousands, except per share data)		
GAAP Net income available to common stockholders	\$ 549,494	\$ 250,349	\$ 589,205
Adjustments:			
Net other-than-temporary credit impairment losses	57,987	67,444	63,992
Net unrealized (gains) losses on derivatives	(50,093)	(67,385)	103,496
Net unrealized (gains) losses on financial instruments at fair value	(59,552)	158,433	(193,534)
Net realized (gains) losses on sales of investments	(18,155)	(77,074)	(91,709)
(Gains) losses on extinguishment of debt	477	5,930	2,184
Realized (gains) losses on terminations of interest rate swaps	60,616	98,949	—
Net realized (gains) losses on derivatives - Futures ⁽¹⁾	9,170	35,523	38,552
Total other (gains) losses	(95,000)	256	(71,629)
Core Earnings	\$ 454,944	\$ 472,425	\$ 440,557
GAAP net income per basic common share	\$ 2.93	\$ 1.25	\$ 2.87
Core earnings per basic common share ⁽²⁾	\$ 2.42	\$ 2.37	\$ 2.14

	For the Quarters Ended				
	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015
	(dollars in thousands, except per share data)				
GAAP Net income available to common stockholders	\$ 219,454	\$ 172,817	\$ 74,127	\$ 83,098	\$ 115,380
Adjustments:					
Net other-than-temporary credit impairment losses	14,780	11,574	20,955	10,678	14,696
Net unrealized (gains) losses on derivatives	(101,475)	(27,628)	(22,100)	101,110	(46,842)
Net unrealized (gains) losses on financial instruments at fair value	20,664	(32,999)	(30,347)	(16,871)	69,793
Net realized (gains) losses on sales of investments	(11,121)	(3,079)	(6,631)	2,674	(34,285)
(Gains) losses on extinguishment of debt	(1,334)	45	—	1,766	(8,906)
Realized (gains) losses on terminations of interest rate swaps	—	—	60,158	458	(754)
Net realized (gains) losses on Futures ⁽¹⁾	(19,628)	7,823	(635)	21,609	(9,018)
Total other (gains) losses	—	—	—	—	256
Other income	—	—	—	(95,000)	—
Core Earnings	\$ 121,340	\$ 128,553	\$ 95,527	\$ 109,522	\$ 100,320
GAAP net income per basic common share	\$ 1.17	\$ 0.92	\$ 0.39	\$ 0.44	\$ 0.61
Core earnings per basic common share ⁽²⁾	\$ 0.65	\$ 0.68	\$ 0.51	\$ 0.58	\$ 0.53

(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 RMBS portfolio at December 31, 2016 and December 31, 2015 .

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 ⁽¹⁾	
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%	

December 31, 2015						
	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	\$ 3,651,869	\$ 57.47	\$ 77.39	3.8%	13.7%	
Senior, interest-only	5,426,029	4.95	4.32	1.7%	12.9%	
Subordinated	762,466	69.25	79.26	3.2%	8.8%	
Subordinated, interest-only	284,931	5.34	3.95	1.2%	10.9%	
Agency MBS						
Residential pass-through	5,045,418	105.07	104.41	3.7%	2.8%	
Commercial pass-through	952,091	102.27	102.28	3.4%	2.9%	
Interest-only	6,722,472	4.17	4.06	0.8%	3.4%	

(1) Bond Equivalent Yield at period end.

At December 31, 2016 and December 31, 2015 , the repurchase agreements collateralized by RMBS had the following remaining maturities.

	December 31, 2016	December 31, 2015
	(dollars in thousands)	
Overnight	\$ —	\$ —
1 to 29 days	2,947,604	3,312,902
30 to 59 days	958,956	2,501,513
60 to 89 days	407,625	246,970
90 to 119 days	559,533	430,026
Greater than or equal to 120 days	727,185	947,928
Total	\$ 5,600,903	\$ 7,439,339

The following table summarizes certain characteristics of our portfolio at December 31, 2016 and December 31, 2015 .

	December 31, 2016	December 31, 2015
Interest earning assets at period-end ⁽¹⁾	\$ 16,251,470	\$ 14,959,081
Interest bearing liabilities at period-end	\$ 12,876,124	\$ 11,689,250
GAAP Leverage at period-end	4.1:1	4.0:1
GAAP Leverage at period-end (recourse)	1.8:1	2.5:1
Portfolio Composition, at amortized cost		
Non-Agency RMBS	9.0%	10.4%
Senior	3.9%	4.7%
Senior, interest only	1.9%	1.9%
Subordinated	3.1%	3.7%
Subordinated, interest only	0.1%	0.1%
RMBS transferred to consolidated VIEs	7.6%	10.1%
Agency MBS	27.7%	46.0%
Residential	17.8%	37.2%
Commercial	8.9%	6.8%
Interest-only	1.0%	2.0%
Securitized loans held for investment	55.7%	33.5%
Fixed-rate percentage of portfolio	88.4%	84.7%
Adjustable-rate percentage of portfolio	11.6%	15.3%
Annualized yield on average interest earning assets for the periods ended	6.4%	6.0%
Annualized cost of funds on average borrowed funds for the periods ended ⁽²⁾	3.0%	2.5%

(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 ⁽²⁾	Economic Interest Expense	GAAP Net Interest Income	Net Realized Losses on Interest Rate Swaps	Other ⁽¹⁾⁽²⁾	Economic Net Interest Income
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 Year Ended December 31, 2014	\$ 687,795	\$ 147,785	\$ 52,522	\$ —	\$ 200,307	\$ 540,010	\$ (52,522)	\$ (22)	\$ 487,466
For the Quarter Ended December 31, 2016	\$ 260,823	\$ 106,737	\$ 4,151	\$ —	\$ 110,888	\$ 154,086	\$ (4,151)	\$ 40	\$ 149,975
For the Quarter Ended September 30, 2016	\$ 250,953	\$ 94,911	\$ 4,595	\$ —	\$ 99,506	\$ 156,042	\$ (4,595)	\$ (105)	\$ 151,342
For the Quarter Ended June 30, 2016	\$ 221,096	\$ 83,227	\$ 8,141	\$ —	\$ 91,368	\$ 137,869	\$ (8,141)	\$ (367)	\$ 129,361
For the Quarter Ended March 31, 2016	\$ 201,194	\$ 62,981	\$ 11,220	\$ —	\$ 74,201	\$ 138,213	\$ (11,220)	\$ (448)	\$ 126,545

(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 Quarter Ended					
	December 31, 2016			December 31, 2015		
	(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	\$ 3,730,032	\$ 38,494	4.1%	\$ 5,967,169	\$ 37,762	2.5%
Non-Agency RMBS	1,390,837	32,098	9.2%	1,452,456	27,993	7.7%
Non-Agency RMBS transferred to consolidated VIEs	1,208,217	61,021	20.2%	1,465,966	64,045	17.5%
Jumbo Prime securitized residential mortgage loans held for investment	355,578	2,958	3.3%	474,543	3,688	3.1%
Seasoned subprime securitized residential mortgage loans held for investment	8,337,725	126,292	6.1%	4,523,675	68,411	6.0%
Total	\$ 15,022,389	\$ 260,863	6.9%	\$ 13,883,809	\$ 201,899	5.8%
Liabilities and stockholders' equity:						
Interest-bearing liabilities:						
Agency repurchase agreements ⁽²⁾	\$ 3,199,755	\$ 11,340	1.4%	\$ 5,296,934	\$ 20,045	1.5%
Non-Agency repurchase agreements	2,499,313	18,579	3.0%	2,095,149	12,677	2.4%
Securitized debt, collateralized by Non-Agency RMBS	357,422	5,610	6.3%	550,634	8,171	5.9%
Securitized debt, collateralized by jumbo prime residential mortgage loans	261,882	2,128	3.2%	370,160	3,041	3.3%
Securitized debt, collateralized by seasoned subprime residential mortgage loans	6,720,323	73,231	4.4%	3,601,082	32,694	3.6%
Total	\$ 13,038,695	\$ 110,888	3.4%	\$ 11,913,959	\$ 76,628	2.6%
Economic net interest income/net interest rate spread		\$ 149,975	3.5%		\$ 125,271	3.2%
Net interest-earning assets/net interest margin	\$ 1,983,694		4.0%	\$ 1,969,850		3.6%
Ratio of interest-earning assets to interest bearing liabilities		1.15			1.17	

(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)		
For the Year Ended December 31, 2016	18.42%	18.59%	15.18%
For the Year Ended December 31, 2015	7.52%	17.12%	14.20%
For the Year Ended December 31, 2014	16.99%	14.06%	12.70%
For the Quarter Ended December 31, 2016	28.82%	19.48%	15.76%
For the Quarter Ended September 30, 2016	23.04%	20.18%	17.14%
For the Quarter Ended June 30, 2016	10.09%	17.61%	13.00%
For the Quarter Ended March 31, 2016	11.34%	17.28%	14.95%

* 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				
	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015
	(dollars in thousands)				
Balance, beginning of period	\$ 733,060	\$ 769,764	\$ 778,847	\$ 824,154	\$ 873,091
Accretion of discount	(44,427)	(44,455)	(42,297)	(45,481)	(43,520)
Purchases	(33,987)	8,959	(1,001)	(11,102)	1,845
Sales and deconsolidation	(2,138)	(14,386)	(20,590)	—	(35,144)
Transfers from/(to) credit reserve, net	31,140	13,178	54,805	11,276	27,882
Balance, end of period	\$ 683,648	\$ 733,060	\$ 769,764	\$ 778,847	\$ 824,154

Disclaimer

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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.

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**FINANCIAL
SUPPLEMENT**
NYSE: CIM

4th Quarter 2016



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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.

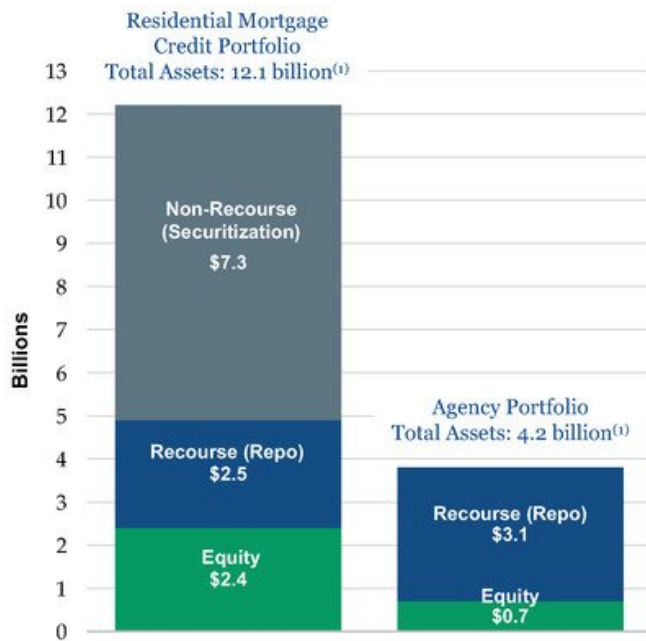
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PORTFOLIO COMPOSITION

76% of Chimera's equity capital is allocated to mortgage credit



All data as of December 31, 2016

(1) Financing excludes unsettled trades.

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

Net Investment Analysis

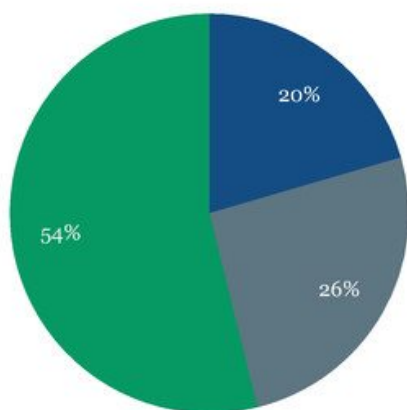
	Residential Mortgage Credit Portfolio	Agency Portfolio	Total Portfolio
Gross Asset Yield:	7.9%	4.1%	6.9%
Financing Cost ⁽²⁾ :	4.0%	1.4%	3.4%
Net Interest Spread:	3.9%	2.7%	3.5%
Net Interest Margin:	4.4%	2.9%	4.0%

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GAAP ASSET ALLOCATION⁽¹⁾

The portfolio composition remained stable through the fourth quarter of 2016

December 31, 2016

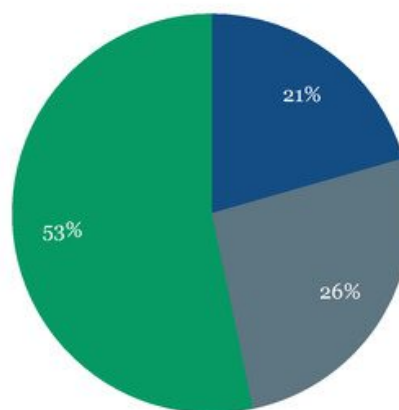


■ Non-Agency MBS ■ Agency MBS
■ Securitized Loan Portfolio

Total Portfolio: \$16.3 billion

(1) Based on fair value.

September 30, 2016



■ Non-Agency MBS ■ Agency MBS
■ Securitized Loan Portfolio

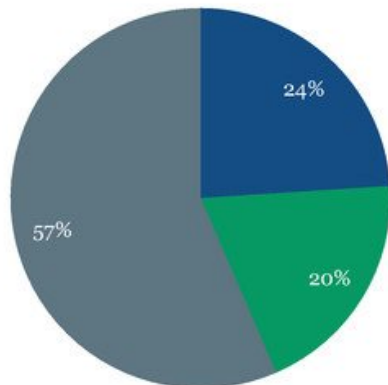
Total Portfolio: \$16.7 billion

Information is unaudited, estimated and subject to change.

GAAP FINANCING SOURCES

Total Leverage⁽¹⁾: 4.1:1
Recourse Leverage⁽¹⁾: 1.8:1

December 31, 2016



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

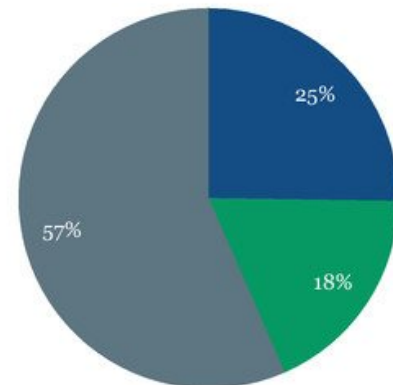
Total Financing: \$12.9 Billion

(1) Leverage ratios as of December 31, 2016

(2) Consists of tranches of RMBS and loan securitizations sold to third parties.

Information is unaudited, estimated and subject to change.

September 30, 2016



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

Total Financing: \$13.4 Billion



CONSOLIDATED LOAN SECURITIZATIONS

(\$ in thousands)		At Issuance / Acquisition			December 31, 2016		
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
2016	CIM 2016-FRE1	\$185,811	\$115,165	\$70,646	\$183,559	\$112,759	\$70,800
2016	CIM 2016-5 ⁽¹⁾	66,171	10,000	56,171	61,738	9,331	52,407
2016	CIM 2016-4 ⁽¹⁾	601,733	493,420	108,313	588,843	477,317	111,526
2016	CIM 2016-3	1,746,084	1,478,933	267,151	1,604,890	1,336,072	268,818
2016	CIM 2016-2	1,762,177	1,492,563	269,614	1,621,288	1,350,131	271,157
2016	CIM 2016-1	1,499,341	1,266,898	232,443	1,368,925	1,135,135	233,790
2015	CIM 2015-4AG ⁽²⁾	750,647	425,000	325,647	625,316	426,219	199,097
2015	CIM 2015-3AG ⁽³⁾	698,812	520,935	177,877	556,946	393,865	163,081
2015	CIM 2015-2AG ⁽⁴⁾	330,293	276,998	53,295	253,001	204,735	48,266
2015	CIM 2015-1EC	268,731	214,985	53,746	224,266	167,724	56,542
2014	CSMC 2014-CIM1 ⁽⁵⁾	333,865	268,087	65,778	231,412	170,829	60,583
2013	SLFMT 2013-2A	1,137,308	1,134,464	2,844	818,749	789,574	29,175
2013	SLFMT 2013-3A	500,390	499,139	1,251	398,160	239,119	159,041
2012	CSMC 2012-CIM1	741,939	707,810	34,129	75,705	44,897	30,808
2012	CSMC 2012-CIM2	425,091	404,261	20,830	64,679	45,531	19,148
2012	CSMC 2012-CIM3	329,886	305,804	24,082	134,840	115,226	19,614
2008	PHHMC 2008-CIM1	619,710	549,142	70,568	56,465	40,800	15,665
TOTAL		\$11,997,989	\$10,163,604	\$1,834,385	\$8,868,782	\$7,059,264	\$1,809,518

% of origination remaining

74%

- (1) Contains collateral from Springleaf 2013-1A Trust.
- (2) Contains collateral from Springleaf 2012-3A Trust.
- (3) Contains collateral from Springleaf 2012-2A Trust.
- (4) Contains collateral from Springleaf 2012-1A Trust.
- (5) Contains collateral from Springleaf 2011-1A Trust.

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

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

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AGENCY & REPO SUMMARY

Agency Securities – As of December 31, 2016

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

Repo Days to Maturity – As of December 31, 2016

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

Agency Securities – As of September 30, 2016

Security Type	Coupon ⁽¹⁾	Current Face	Weighted Average Market Price	Weighted Average CPR
Agency	3.50%	\$1,085,704	105.6	15
Pass-through	4.00%	1,271,630	107.7	20.4
	4.50%	314,759	109.6	22.8
Commercial	3.6%	1,273,235	105.6	0.1
Agency IO	0.9%	N/M ⁽²⁾	4.5	8.3
Total		\$3,945,328		

Repo Days to Maturity – As of September 30, 2016

Maturity	Principal Balance	Weighted Average Rate	Weighted Average Days
Within 30 days	\$1,553,423	0.82%	
30 to 59 days	332,006	0.78%	
60 to 89 days	827,670	0.83%	
90 to 360 days	665,480	0.79%	
Over 360 days	—	—	
Total	\$3,378,579	0.81%	49 Days

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

(2) Notional Agency IO was \$3.4 billion and \$3.5 billion as of December 31, 2016 and September 30, 2016 respectively.

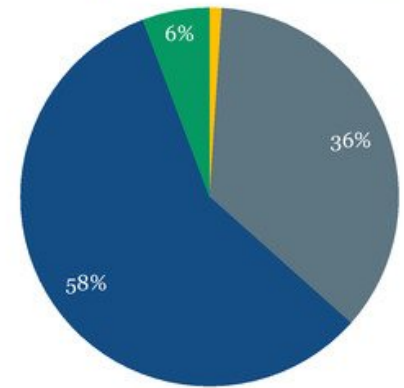
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INTEREST RATE SENSITIVITY

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

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

Hedge Book Maturities



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

Total Notional Balance - Derivative Instruments

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

(1) Based on instantaneous moves in interest rates.

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PRESS RELEASE

NYSE: CIM

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FOR IMMEDIATE RELEASE

CHIMERA DECLARES FIRST QUARTER 2017 DIVIDEND OF \$0.50 PER SHARE

- BOARD DECLARES FIRST QUARTER 2017 DIVIDEND OF \$0.50 PER SHARE OF COMMON STOCK
- BOARD EXPECTS TO MAINTAIN A \$0.50 DIVIDEND FOR THE REMAINING THREE QUARTERS OF 2017
- BOARD DECLARES FIRST QUARTER 2017 DIVIDEND OF \$0.50 PER SHARE OF 8% SERIES A CUMULATIVE REDEEMABLE PREFERRED STOCK

The Board of Directors of Chimera announced the declaration of its first quarter cash dividend of \$0.50 per common share. The dividend is payable April 28, 2017 to common stockholders of record on March 31, 2017. The ex-dividend date is March 29, 2017.

The Board of Directors of Chimera also announced the declaration of its first quarter cash dividend of \$0.50 per share of 8% Series A Cumulative Redeemable Preferred Stock. The dividend is payable March 30, 2017 to preferred shareholders of record on March 1, 2017. The ex-dividend date is February 27, 2017.

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