

CHIMERA INVESTMENT CORP

FORM 8-K (Current report filing)

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Sector	Financials
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

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

Date of Report (Date of earliest event reported):
August 2, 2017

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

Maryland
(State or Other Jurisdiction
of Incorporation)

1-33796
(Commission
File Number)

26-0630461
(IRS Employer
Identification No.)

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

10022
(Zip Code)

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

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

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

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

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

Emerging growth company

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

Item 2.02. Results of Operations and Financial Condition

On August 2, 2017, the registrant issued a press release announcing its financial results for the quarter ended June 30, 2017. A copy of the press release is furnished as Exhibit 99.1 to this report.

On August 2, 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 9.01 Financial Statements and Exhibits

(d) Exhibits

99.1 Press Release, dated August 2, 2017, issued by Chimera Investment Corporation

99.2 Supplemental Financial Information for the quarter ended June 30, 2017

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Chimera Investment Corporation

By: /s/ Rob Colligan

Name: Rob Colligan

Title: Chief Financial Officer

Date: August 2, 2017



PRESS RELEASE

NYSE: CIM

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

Investor Relations
888-895-6557
www.chimerareit.com

FOR IMMEDIATE RELEASE

CHIMERA INVESTMENT CORPORATION RELEASES 2ND QUARTER 2017 EARNINGS

- GAAP EARNINGS OF \$0.56 PER COMMON SHARE
- CORE EARNINGS ⁽¹⁾ OF \$0.60 PER COMMON SHARE
- GAAP BOOK VALUE OF \$16.54 PER COMMON SHARE
- ADDED \$1 BILLION OF RESIDENTIAL MORTGAGE LOANS

NEW YORK - (BUSINESS WIRE) - Chimera Investment Corporation, Inc. (NYSE:CIM) today announced its financial results for the second quarter ended June 30, 2017. The Company's second quarter 2017 GAAP net income was \$105.6 million or \$0.56 per common share. Core earnings ⁽¹⁾ for the second quarter of 2017 was \$112.1 million or \$0.60 per common share. Economic return on book value for the quarter was 5.2% ⁽²⁾. This quarter the Company purchased approximately \$377 million in loans and committed to purchase an additional \$620 million which will bring loan purchases for the year to \$5.1 billion. The Company sponsored one mortgage loan securitization for \$377 million and incurred \$1.3 million in securitization deal related expenses.

"Chimera remains prudent in growing its portfolio, investing an additional \$1 billion in residential mortgage loans" said Matthew Lambiase, Chimera's CEO and President. "Chimera is focused on producing stable earnings and dividends while protecting book value."

(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 for the quarter plus the quarterly dividend declared per common share.

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)

	June 30, 2017	December 31, 2016
Assets:		
Cash and cash equivalents	\$ 168,743	\$ 177,714
Non-Agency RMBS, at fair value	3,111,827	3,330,063
Agency MBS, at fair value	3,994,670	4,167,754
Loans held for investment, at fair value	13,261,360	8,753,653
Accrued interest receivable	98,079	79,697
Other assets	168,883	166,350
Derivatives, at fair value, net	14,907	9,677
Total assets ⁽¹⁾	\$ 20,818,469	\$ 16,684,908
Liabilities:		
Repurchase agreements (\$7.6 billion and \$7.0 billion, MBS pledged as collateral, respectively)	\$ 6,254,153	\$ 5,600,903
Securitized debt, collateralized by Non-Agency RMBS (\$1.7 billion and \$1.8 billion pledged as collateral, respectively)	264,866	334,124
Securitized debt at fair value, collateralized by loans held for investment (\$12.7 billion and \$8.8 billion pledged as collateral, respectively)	9,511,229	6,941,097
Payable for investments purchased	1,046,720	520,532
Accrued interest payable	54,853	48,670
Dividends payable	94,809	97,005
Accounts payable and other liabilities	13,445	16,694
Derivatives, at fair value	1,707	2,350
Total liabilities ⁽¹⁾	\$ 17,241,782	\$ 13,561,375
Stockholders' Equity:		
Preferred Stock, par value of \$0.01 per share, 100,000,000 shares authorized:		
8.00% Series A cumulative redeemable: 5,800,000 shares issued and outstanding, respectively (\$145,000 liquidation preference)	\$ 58	\$ 58
8.00% Series B cumulative redeemable: 13,000,000 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, 187,779,367 and 187,739,634 shares issued and outstanding, respectively	1,878	1,877
Additional paid-in-capital	3,824,680	3,508,779
Accumulated other comprehensive income	780,283	718,106
Cumulative earnings	2,721,008	2,443,184
Cumulative distributions to stockholders	(3,751,350)	(3,548,471)
Total stockholders' equity	\$ 3,576,687	\$ 3,123,533
Total liabilities and stockholders' equity	\$ 20,818,469	\$ 16,684,908

(1) The Company's consolidated statements of financial condition include assets of consolidated variable interest entities ("VIEs") that can only be used to settle obligations and liabilities of the VIE for which creditors do not have recourse to the primary beneficiary (Chimera Investment Corporation). As of June 30, 2017 and December 31, 2016, total assets of consolidated VIEs were \$14,555,718 and \$10,761,954, respectively, and total liabilities of consolidated VIEs were \$9,814,130 and \$7,302,905, respectively.

Net Income

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

(unaudited)

	For the Quarters Ended		For the Six Months Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Net interest income:				
Interest income ⁽¹⁾	\$ 288,644	\$ 221,096	\$ 539,988	\$ 422,293
Interest expense ⁽²⁾	137,955	83,227	248,186	146,208
Net interest income	150,689	137,869	291,802	276,085
Other-than-temporary impairments:				
Total other-than-temporary impairment losses	(749)	(3,139)	(3,462)	(7,562)
Portion of loss recognized in other comprehensive income	(12,760)	(17,816)	(28,748)	(24,071)
Net other-than-temporary credit impairment losses	(13,509)	(20,955)	(32,210)	(31,633)
Other investment gains (losses):				
Net unrealized gains (losses) on derivatives	5,802	22,100	10,698	(79,010)
Realized gains (losses) on terminations of interest rate swaps	(16,143)	(60,158)	(16,143)	(60,616)
Net realized gains (losses) on derivatives	(11,481)	(9,697)	(20,839)	(44,666)
Net gains (losses) on derivatives	(21,822)	(47,755)	(26,284)	(184,292)
Net unrealized gains (losses) on financial instruments at fair value	67,762	30,347	140,005	47,218
Net realized gains (losses) on sales of investments	4,541	6,631	9,708	3,956
Gains (losses) on extinguishment of debt	(48,014)	—	(48,014)	(1,766)
Total other gains (losses)	2,467	(10,777)	75,415	(134,884)
Other income:				
Other income	—	—	—	95,000
Total other income	—	—	—	95,000
Other expenses:				
Compensation and benefits	7,671	6,954	15,227	12,176
General and administrative expenses	4,585	4,238	8,625	8,741
Servicing fees	10,890	7,773	20,478	13,351
Deal expenses	1,345	13,022	12,698	13,022
Total other expenses	24,491	31,987	57,028	47,290
Income (loss) before income taxes	115,156	74,150	277,979	157,278
Income taxes	139	23	155	52
Net income (loss)	\$ 115,017	\$ 74,127	\$ 277,824	\$ 157,226
Dividend on preferred stock	9,400	—	14,683	—
Net income (loss) available to common shareholders	\$ 105,617	\$ 74,127	\$ 263,141	\$ 157,226
Net income (loss) per share available to common shareholders:				
Basic	\$ 0.56	\$ 0.39	\$ 1.40	\$ 0.84
Diluted	\$ 0.56	\$ 0.39	\$ 1.40	\$ 0.84
Weighted average number of common shares outstanding:				
Basic	187,779,406	187,729,765	187,770,626	187,726,618
Diluted	188,142,551	187,925,046	188,169,093	187,882,614
Dividends declared per share of common stock	\$ 0.50	\$ 0.48	\$ 1.00	\$ 1.46

(1) Includes interest income of consolidated VIEs of \$234,437 and \$160,885 for the quarters ended June 30, 2017 and 2016, respectively and interest income of consolidated VIEs of \$ 427,426 and \$292,865 for the six months ended June 30, 2017 and 2016 respectively.

(2) Includes interest expense of consolidated VIEs of \$105,723 and \$58,772 for the quarters ended June 30, 2017 and 2016, respectively and interest expense of consolidated VIEs of \$188,407 and \$98,022 for the six months ended June 30, 2017 and 2016 respectively.

CHIMERA INVESTMENT CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

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

(Unaudited)

	For the Quarters Ended		For the Six Months Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Comprehensive income (loss):				
Net income (loss)	\$ 115,017	\$ 74,127	\$ 277,824	\$ 157,226
Other comprehensive income:				
Unrealized gains (losses) on available-for-sale securities, net	41,655	53,015	37,744	112,423
Reclassification adjustment for net losses included in net income for other-than-temporary credit impairment losses	13,509	20,955	32,210	31,633
Reclassification adjustment for net realized losses (gains) included in net income	(2,591)	(9,062)	(7,777)	(10,674)
Other comprehensive income (loss)	52,573	64,908	62,177	133,382
Comprehensive income (loss) before preferred stock dividends	\$ 167,590	\$ 139,035	\$ 340,001	\$ 290,608
Dividends on preferred stock	\$ 9,400	\$ —	\$ 14,683	\$ —
Comprehensive income (loss) available to common stock shareholders	\$ 158,190	\$ 139,035	\$ 325,318	\$ 290,608

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				
	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016
	(dollars in thousands, except per share data)				
GAAP Net income available to common stockholders	\$ 105,617	\$ 157,524	\$ 219,454	\$ 172,817	\$ 74,127
Adjustments:					
Net other-than-temporary credit impairment losses	13,509	18,701	14,780	11,574	20,955
Net unrealized (gains) losses on derivatives	(5,802)	(4,896)	(101,475)	(27,628)	(22,100)
Net unrealized (gains) losses on financial instruments at fair value	(67,762)	(72,243)	20,664	(32,999)	(30,347)
Net realized (gains) losses on sales of investments	(4,541)	(5,167)	(11,121)	(3,079)	(6,631)
(Gains) losses on extinguishment of debt	48,014	—	(1,334)	45	—
Realized (gains) losses on terminations of interest rate swaps	16,143	—	—	—	60,158
Net realized (gains) losses on Futures ⁽¹⁾	6,914	2,084	(19,628)	7,823	(635)
Core Earnings	\$ 112,092	\$ 96,003	\$ 121,340	\$ 128,553	\$ 95,527
GAAP net income per basic common share	\$ 0.56	\$ 0.84	\$ 1.17	\$ 0.92	\$ 0.39
Core earnings per basic common share ⁽²⁾	\$ 0.60	\$ 0.51	\$ 0.65	\$ 0.68	\$ 0.51

(1) Included in net realized gains (losses) on derivatives in the Consolidated Statements of Operations.

(2) We note that core and taxable earnings will typically differ, and may materially differ, due to differences on realized gains and losses on investments and related hedges, credit loss recognition, timing differences in premium amortization, accretion of discounts, equity compensation and other items.

The following tables provide a summary of the Company's MBS portfolio at June 30, 2017 and December 31, 2016 .

June 30, 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 ⁽¹⁾	
Non-Agency RMBS						
Senior	\$ 2,919,136	\$ 54.86	\$ 80.61	4.5%	16.2%	
Senior, interest-only	5,140,383	5.38	4.27	1.4%	10.7%	
Subordinated	646,779	70.17	81.69	3.7%	9.1%	
Subordinated, interest-only	258,908	5.13	4.19	1.1%	11.1%	
Agency MBS						
Residential pass-through	2,376,069	105.76	104.61	3.8%	2.9%	
Commercial pass-through	1,366,273	102.65	101.38	3.6%	3.1%	
Interest-only	3,262,811	3.98	3.80	0.8%	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 ⁽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%	

(1) Bond Equivalent Yield at period end.

At June 30, 2017 and December 31, 2016 , the repurchase agreements collateralized by MBS had the following remaining maturities.

	June 30, 2017		December 31, 2016	
	(dollars in thousands)			
Overnight	\$	—	\$	—
1 to 29 days		4,194,962		2,947,604
30 to 59 days		714,705		958,956
60 to 89 days		367,734		407,625
90 to 119 days		220,797		559,533
Greater than or equal to 120 days		755,955		727,185
Total	\$	6,254,153	\$	5,600,903

The following table summarizes certain characteristics of our portfolio at June 30, 2017 and December 31, 2016 .

	For the Quarter Ended		For the Year Ended	
	June 30, 2017		December 31, 2016	
Interest earning assets at period-end ⁽¹⁾	\$	20,367,857	\$	16,251,470
Interest bearing liabilities at period-end	\$	16,030,248	\$	12,876,124
GAAP Leverage at period-end		4.5:1		4.1:1
GAAP Leverage at period-end (recourse)		1.7:1		1.8:1
Portfolio Composition, at amortized cost				
Non-Agency RMBS		6.9%		9.0%
Senior		3.0%		3.9%
Senior, interest only		1.4%		1.9%
Subordinated		2.4%		3.1%
Subordinated, interest only		0.1%		0.1%
RMBS transferred to consolidated VIEs		5.4%		7.6%
Agency MBS		21.0%		27.7%
Residential		13.0%		17.8%
Commercial		7.3%		8.9%
Interest-only		0.7%		1.0%
Loans held for investment		66.7%		55.7%
Fixed-rate percentage of portfolio		88.3%		88.4%
Adjustable-rate percentage of portfolio		11.7%		11.6%
Annualized yield on average interest earning assets for the periods ended		6.2%		6.4%
Annualized cost of funds on average borrowed funds for the periods ended ⁽²⁾		3.5%		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	Economic Interest Expense	GAAP Net Interest Income	Net Realized Losses on Interest Rate Swaps	Other ⁽¹⁾	Economic Net Interest Income
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
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

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

The table below shows our average earning assets held, interest earned on assets, yield on average interest earning assets, average debt balance, economic interest expense, economic average cost of funds, economic net interest income, and net interest rate spread for the periods presented.

	For the Quarters Ended					
	June 30, 2017			June 30, 2016		
	(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	\$ 3,661,335	\$ 24,289	2.7%	\$ 4,882,776	\$ 29,376	2.4%
Non-Agency RMBS	1,335,643	29,567	8.9%	1,432,834	30,469	8.5%
Non-Agency RMBS transferred to consolidated VIEs	1,069,509	58,486	21.9%	1,346,840	62,889	18.7%
Residential mortgage loans held for investment	12,391,023	175,952	5.7%	6,625,810	97,994	5.9%
Total	\$ 18,457,510	\$ 288,294	6.2%	\$ 14,288,260	\$ 220,728	6.2%
Liabilities and stockholders' equity:						
Interest-bearing liabilities:						
Repurchase agreements collateralized by:						
Agency MBS ⁽²⁾	\$ 3,156,501	\$ 12,190	1.5%	\$ 4,612,205	\$ 15,795	1.4%
Non-Agency RMBS	725,698	5,229	2.9%	693,126	5,168	3.0%
Re-Remic repurchase agreements	387,493	3,573	3.7%	686,606	6,701	3.9%
RMBS from loan securitizations	1,823,189	14,726	3.2%	872,023	4,932	2.3%
Securitized debt, collateralized by Non-Agency RMBS	284,127	5,563	7.8%	458,350	5,922	5.2%
Securitized debt, collateralized by loans	9,700,805	100,160	4.1%	5,664,470	52,849	3.7%
Total	\$ 16,077,813	\$ 141,441	3.5%	\$ 12,986,780	\$ 91,367	2.8%
Economic net interest income/net interest rate spread		\$ 146,853	2.7%		\$ 129,361	3.4%
Net interest-earning assets/net interest margin	\$ 2,379,697		3.2%	\$ 1,301,480		3.6%
Ratio of interest-earning assets to interest bearing liabilities		1.15			1.10	

(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 Quarter Ended June 30, 2017	12.98%	16.57%	12.65%
For the Quarter Ended March 31, 2017	19.63%	16.46%	11.57%
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%

* Includes effect of realized losses on interest rate swaps.

The following table presents changes to Accretable Discount (net of premiums) as it pertains to our Non-Agency RMBS portfolio, excluding premiums on IOs, during the previous five quarters.

Accretable Discount (Net of Premiums)	For the Quarters Ended				
	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016
	(dollars in thousands)				
Balance, beginning of period	\$ 648,659	\$ 683,648	\$ 733,060	\$ 769,764	\$ 778,847
Accretion of discount	(42,625)	(43,715)	(44,427)	(44,455)	(42,297)
Purchases	(108)	(3,642)	(33,987)	8,959	(1,001)
Sales and deconsolidation	212	(7,303)	(2,138)	(14,386)	(20,590)
Transfers from/(to) credit reserve, net	21,586	19,671	31,140	13,178	54,805
Balance, end of period	\$ 627,724	\$ 648,659	\$ 683,648	\$ 733,060	\$ 769,764

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 Annual Report on Form 10-K for the year ended December 31, 2016, 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

2nd 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.

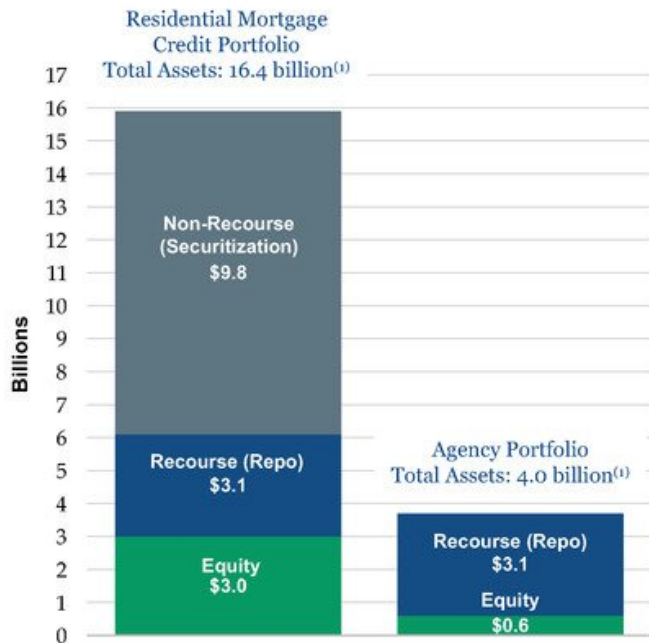
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Information is unaudited, estimated and subject to change.



PORTFOLIO COMPOSITION

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



All data as of June 30, 2017

(1) Financing excludes unsettled trades.

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

Net Investment Analysis

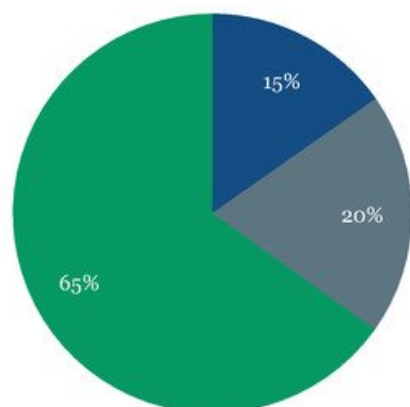
	Residential Mortgage Credit Portfolio	Agency Portfolio	Total Portfolio
Gross Asset Yield:	7.1%	2.7%	6.2%
Financing Cost ⁽²⁾ :	4.0%	1.5%	3.5%
Net Interest Spread:	3.1%	1.2%	2.7%
Net Interest Margin:	3.6%	1.3%	3.2%

Information is unaudited, estimated and subject to change.

GAAP ASSET ALLOCATION⁽¹⁾

Chimera added \$5.1 billion in residential mortgage loans during the first half of 2017

June 30, 2017

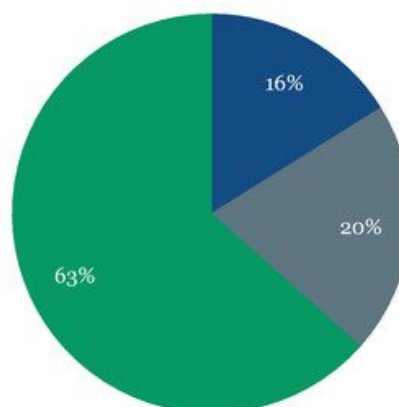


■ Non-Agency MBS ■ Agency MBS
■ Loan Portfolio

Total Portfolio: \$20.4 billion

(1) Based on fair value.

March 31, 2017



■ Non-Agency MBS ■ Agency MBS
■ Loan Portfolio

Total Portfolio: \$20.0 billion

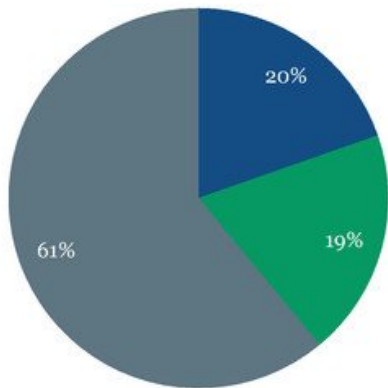
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GAAP FINANCING SOURCES

Total Leverage⁽¹⁾: 4.5:1
 Recourse Leverage⁽¹⁾: 1.7:1

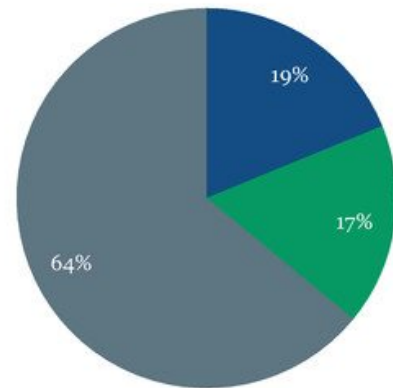
June 30, 2017

March 31, 2017



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

Total Financing: \$16.0 Billion



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

Total Financing: \$16.3 Billion

(1) Leverage ratios as of June 30, 2017

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

Information is unaudited, estimated and subject to change.

CONSOLIDATED LOAN SECURITIZATIONS

(\$ in thousands)

At Issuance / Acquisition

June 30, 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	CIM 2017-5	\$377,034	\$75,407	\$301,627	\$373,435	\$71,808	\$301,627
2017	CIM 2017-4	830,510	710,003	120,507	787,357	667,593	119,764
2017	CIM 2017-3	2,434,640	2,113,267	321,373	2,347,519	2,024,843	322,676
2017	CIM 2017-2	331,440	248,580	82,860	320,782	237,602	83,180
2017	CIM 2017-1	526,267	368,387	157,880	497,503	339,810	157,693
2016	CIM 2016-FRE1	185,811	115,165	70,646	176,218	105,219	70,999
2016	CIM 2016-5 ⁽¹⁾	66,171	10,000	56,171	51,719	8,205	43,514
2016	CIM 2016-4 ⁽¹⁾	601,733	493,420	108,313	547,410	435,308	112,102
2016	CIM 2016-3	1,746,084	1,478,933	267,151	1,484,593	1,215,995	268,598
2016	CIM 2016-2	1,762,177	1,492,563	269,614	1,496,930	1,225,056	271,874
2016	CIM 2016-1	1,499,341	1,266,898	232,443	1,264,781	1,032,372	232,409
2015	CIM 2015-4AG ⁽²⁾	750,647	425,000	325,647	572,219	378,691	193,528
2015	CIM 2015-3AG ⁽³⁾	698,812	520,935	177,877	506,215	346,957	159,258
2015	CIM 2015-2AG ⁽⁴⁾	330,293	276,998	53,295	230,575	183,392	47,183
2015	CIM 2015-1EC	268,731	214,985	53,746	211,572	154,879	56,693
2014	CSMC 2014-CIM1 ⁽⁵⁾	333,865	268,087	65,778	209,122	149,005	60,117
2013	SLFMT 2013-2A	1,137,308	1,134,464	2,844	761,711	477,544	284,167
2013	SLFMT 2013-3A	500,390	499,139	1,251	376,664	221,154	155,510
2012	CSMC 2012-CIM1	741,939	707,810	34,129	62,710	32,789	29,921
2012	CSMC 2012-CIM2	425,091	404,261	20,830	52,837	33,863	18,974
2012	CSMC 2012-CIM3	329,886	305,804	24,082	128,042	108,734	19,308
2008	PHHMC 2008-CIM1	619,710	549,142	70,568	50,252	36,457	13,795
TOTAL		\$16,497,880	\$13,679,248	\$2,818,632	\$12,510,166	\$9,487,276	\$3,022,890

% of origination remaining

76%

- (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			June 30, 2017		
		Total Original Face	Total of Tranches Sold	Total of Tranches Retained	Total Remaining Face	Remaining Face of Tranches Sold	Remaining Face of Tranches Retained
2014	CSMC 2014-4R ⁽¹⁾	367,271	—	367,271	228,036	—	228,036
2010	CSMC 2010-1R	1,730,581	691,630	1,038,951	553,705	4,535	549,170
2010	CSMC 2010-11R	566,571	338,809	227,762	233,491	22,437	211,054
2009	CSMC 2009-12R	1,730,698	915,566	815,132	513,073	95,092	417,981
2009	JPMRR 2009-7	1,522,474	856,935	665,539	476,156	129,522	346,634
2009	JMAC 2009-R2	281,863	192,500	89,363	83,913	27,533	56,380
TOTAL		6,199,458	2,995,440	3,204,018	2,088,374	279,119	1,809,255
		<i>% of origination remaining</i>			34%	9%	56%

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

Information is unaudited, estimated and subject to change.

AGENCY & REPO SUMMARY

Agency Securities – As of June 30, 2017

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

Repo Days to Maturity – As of June 30, 2017

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

Agency Securities – As of March 31, 2017

Security Type	Coupon ⁽¹⁾	Current Face	Weighted Average Market Price	Weighted Average CPR
Agency Pass-through	3.50%	\$1,001,123	102.5	11.0
	4.00%	1,207,431	105.1	15.3
	4.50%	271,980	107.5	21.3
Commercial	3.6%	1,393,290	99.2	—
Agency IO	0.8%	N/M ⁽²⁾	4.0	7.3
Total		\$3,873,824		

Repo Days to Maturity – As of March 31, 2017

Maturity	Principal Balance	Weighted Average Rate	Weighted Average Days
Within 30 days	\$2,203,298	0.95%	
30 to 59 days	653,210	0.94%	
60 to 89 days	192,418	1.03%	
90 to 360 days	10,341	1.00%	
Total	\$3,059,267	0.95%	23 Days

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

(2) Notional Agency IO was \$3.3 billion and \$3.2 billion as of June 30, 2017 and March 31, 2017 respectively.

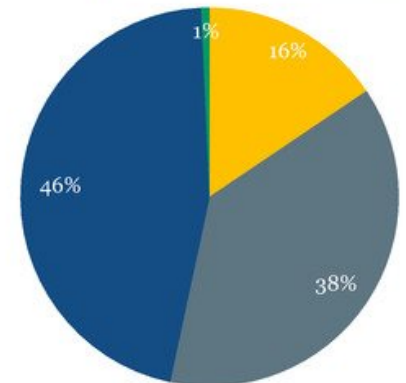
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INTEREST RATE SENSITIVITY

Chimera reduced its Agency portfolio and added hedges during the quarter

Description (\$ in thousands)	- 100 Basis Points	- 50 Basis Points	Unchanged	+50 Basis Points	+100 Basis Points
Agency Securities					
Market Value	\$ 4,196,357	\$ 4,100,301	\$ 3,994,670	\$ 3,881,057	\$ 3,762,632
Percentage Change	5.0 %	2.6 %	-	(2.8)%	(5.8)%
Swap					
Market Value	(119,374)	(58,420)	-	56,624	112,516
Percentage Change	(3.0)%	(1.5)%	-	1.4 %	2.8 %
Futures					
Market Value	(35,418)	(17,469)	-	17,000	33,544
Percentage Change	(0.9)%	(0.4)%	-	0.4 %	0.8 %
Net Gain/(Loss)	\$ 46,895	\$ 29,742	-	\$ (39,989)	\$ (85,978)
Percentage Change in Portfolio Value⁽¹⁾	1.2 %	0.7 %	-	(1.0)%	(2.2)%

Hedge Book Maturities



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

Total Notional Balance - Derivative Instruments

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

(1) Based on instantaneous moves in interest rates.

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