

CHIMERA INVESTMENT CORP

FORM 8-K (Current report filing)

Filed 11/10/16 for the Period Ending 11/10/16

Address	520 MADISON AVENUE 32ND FLOOR NEW YORK, NY, 10022
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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):
November 10, 2016

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))
- Item 7.01. Regulation FD Disclosure

Chimera Investment Corporation (the "Company") hereby furnishes the information set forth in the presentation (the "Presentation") attached hereto as Exhibit 99.1, which is incorporated herein by reference.

The Presentation is being furnished pursuant to Item 7.01, and the information contained therein shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

The Presentation contains statements that, to the extent they are not recitations of historical fact, constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Reform Act"). All such forward-looking statements are intended to be subject to the safe harbor protection provided by the Reform Act. Actual outcomes and results could differ materially from those forecast due to the impact of many factors beyond the control of the Company. All forward looking statements included in the Presentation are made only as of the date of the Presentation and are subject to change without notice. Certain factors that could cause actual results to differ materially from those contained in the forward-looking statements are included in the Company's periodic reports filed with the SEC. Copies are available on the SEC's website at www.sec.gov. The Company disclaims any obligation to update its forward looking statements unless required by law.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

SIGNATURES

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

Chimera Investment Corporation

By: /s/ Rob Colligan

Name: Rob Colligan

Title: Chief Financial Officer

Date: November 10, 2016



**INVESTOR
PRESENTATION**
NYSE: CIM

3rd Quarter 2016



DISCLAIMER

This presentation 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 "goal," "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, 2015, 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.

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.

Readers are advised that the financial information in this presentation 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.

Information is unaudited, estimated and subject to change.




CHIMERA INVESTMENT CORPORATION

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

Business Description:	Hybrid Mortgage REIT
Inception:	2007
Total Capital:	\$3.0 Billion
Total Portfolio:	\$16.7 Billion
Overall Leverage Ratio:	4.4:1 (1.9:1 recourse leverage)
Stock Price/Dividend Yield:	\$15.95 / 12.04%

As of September 30, 2016

Corporate Developments

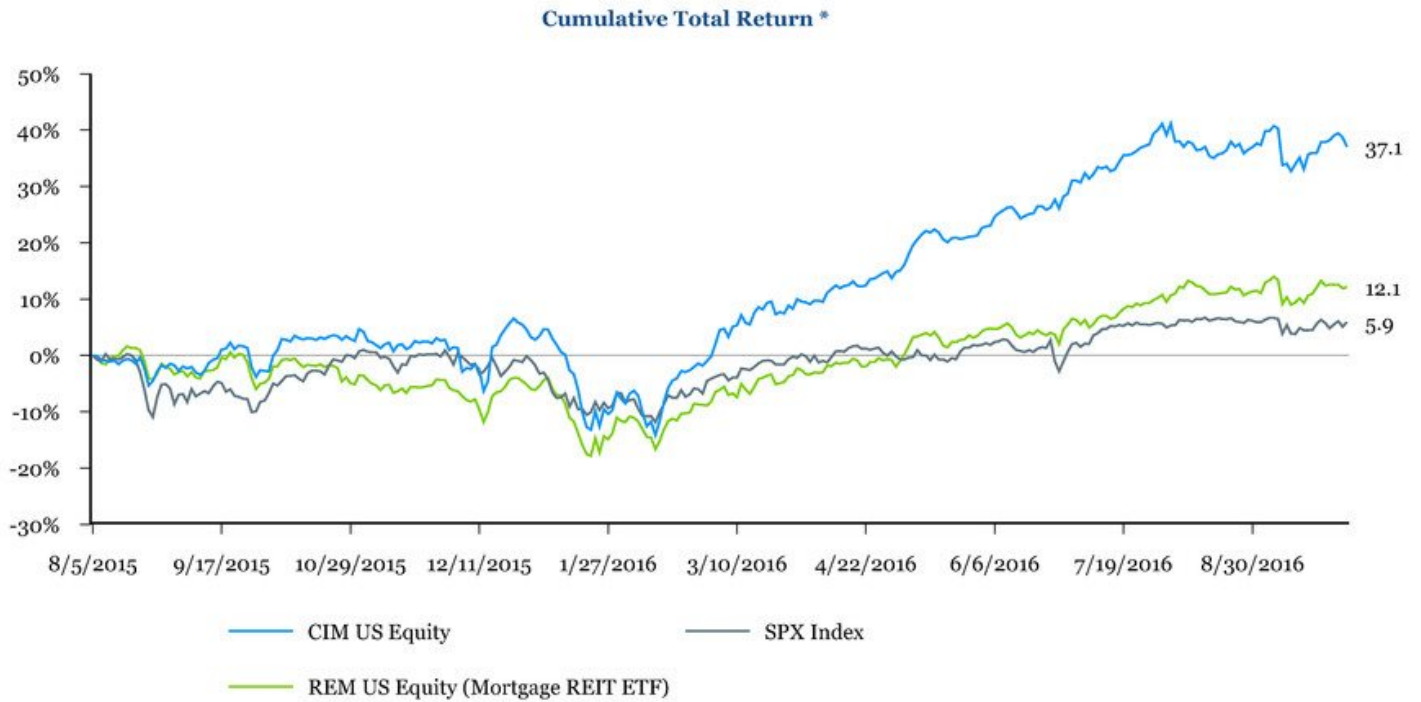
<p><i>Chimera Announces Internalization of Management Structure</i></p> <ul style="list-style-type: none">* Aligns shareholder and management interests* Increase transparency* Full Transition Completed by December 31, 2015* Committed to expense management* Completed a common stock repurchase of \$250 million	<p><i>5,800,000 Shares</i></p> <p> CHIMERA INVESTMENT CORPORATION</p> <p>8.00% Series A Cumulative Redeemable Preferred Stock (Liquidation Preference \$25.00 Per Share)</p>
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*The Board of Directors of Chimera raised the fourth quarter cash dividend to \$0.50 per common share, totaling a \$1.94 regular dividend for 2016**

**Excludes \$0.50 special dividend paid 3/31/2016*

Total Return

Chimera has outperformed its peers since internalization of management in August 2015

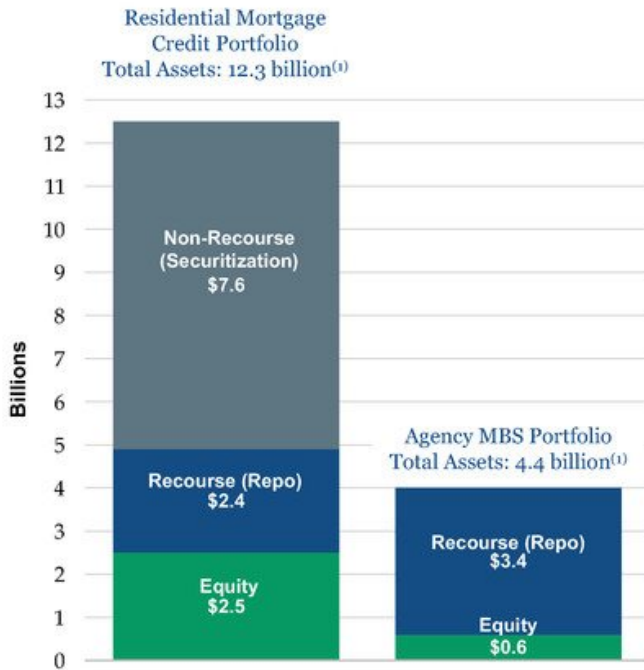


All data as of September 30, 2016
*Assuming reinvestment of dividends
Source: Bloomberg

Information is unaudited, estimated and subject to change.

PORTFOLIO COMPOSITION

81% of Chimera's equity capital is allocated to mortgage credit



All data as of September 30, 2016
(1) Financing excludes unsettled trades

Portfolio Yields and Spreads⁽¹⁾

	Residential Mortgage Credit Portfolio	Agency MBS Portfolio	Total Portfolio
Gross Asset Yield:	7.6%	3.2%	6.5%
Financing Cost ⁽²⁾ :	3.5%	1.4%	2.9%
Net Interest Spread:	4.1%	1.8%	3.6%
Net Interest Margin:	4.6%	1.9%	3.9%

All data as of September 30, 2016

(1) Reflects third quarter 2016 average assets, yields, and spreads

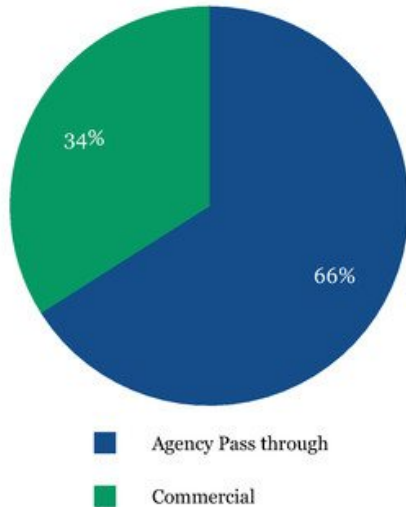
(2) Includes the interest incurred on interest rate swaps

Information is unaudited, estimated and subject to change.

AGENCY MBS PORTFOLIO AND FUNDING

Highly liquid US Government Agency pass-through securities hedged with interest rate swaps and futures

Agency Portfolio Composition



Portfolio Yields and Spreads⁽¹⁾

Gross Asset Yield: 3.2%

Financing Cost⁽²⁾: 1.4%

Net Interest Spread: 1.8%

Net Interest Margin: 1.9%

All data as of September 30, 2016

(1) Reflects third quarter 2016 average assets, yields, and spreads

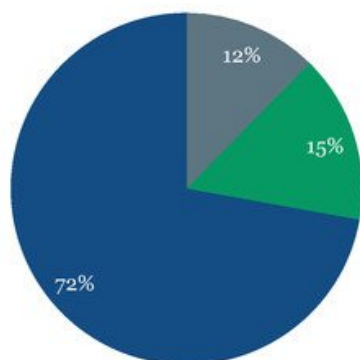
(2) Includes the interest incurred on interest rate swaps

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RESIDENTIAL MORTGAGE CREDIT PORTFOLIO

Chimera's residential credit portfolio provides a high net interest spread

Credit Portfolio Composition



- Non-Agency RMBS
- Consolidated RMBS Securitizations
- Securitized Loan Portfolio

Portfolio Yields and Spreads⁽¹⁾

Gross Asset Yield: 7.6%

Financing Cost⁽²⁾: 3.5%

Net Interest Spread: 4.1%

Net Interest Margin: 4.6%

All data as of September 30, 2016

(1) Reflects third quarter 2016 average assets, yields, and spreads

(2) Includes the interest incurred on interest rate swaps

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UNIQUE MORTGAGE CREDIT PORTFOLIO

Key transactions distinguish Chimera from other Mortgage REITs

Re-Remic Subordinate Bond Portfolio

2009–2011 Chimera Creates and Retains \$3.2 Billion High Yield Subordinate Bonds

- \$2.1 billion current remaining face value of subordinate bonds
- Durable value over wide band of prepayment rates
- Difficult to re-create in size and price

Springleaf Seasoned Loan Portfolio

2014 Chimera Acquires \$4.8 Billion Seasoned Loan Portfolio

- Originated by American General
- 7 Securitizations with embedded call options
- 4 deals called and re-securitized
- 3 original deals are currently callable

Risk Retention Seasoned Loan Portfolio

2016 Chimera Acquires \$5.0 Billion Seasoned Loan Portfolio

- Performing loans with 10 years of payment history
- 3 securitizations with all senior securities placed
- \$ 763 million subordinate bonds retained for investment portfolio

All data as of September 30, 2016

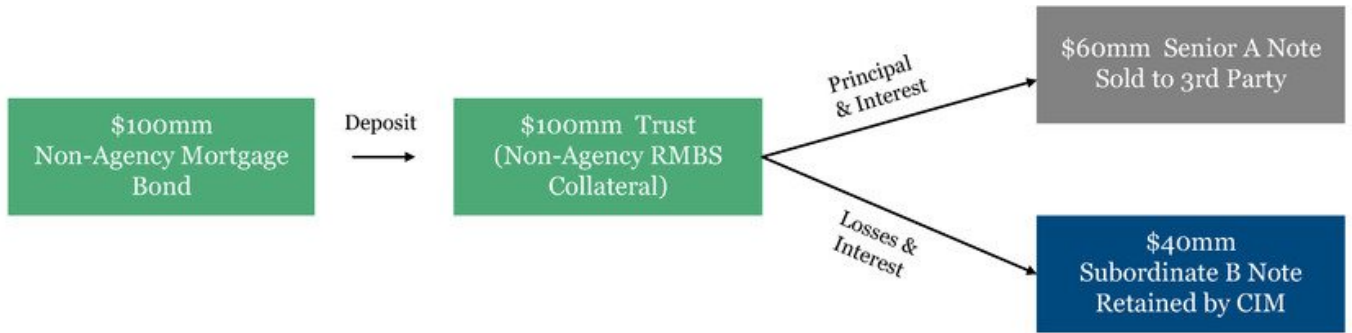
Information is unaudited, estimated and subject to change.



RE-REMIC SUBORDINATE BOND PORTFOLIO

Chimera created long, term-funding through securitization

The Securitization Process



1

CIM buys \$100mm Non-Agency mortgage bond from dealer

2

CIM deposits the bond into a trust
The trust issues bonds backed by the cashflow of the underlying bond

3

- CIM sells the Senior A note
 - The A note receives P&I from the \$100mm bond until the \$60mm is paid off
- CIM retains the Subordinate B note
 - The B note receives interest, all losses from the \$100mm bond and starts to receive principal only after the Senior A note is paid off in full

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			September 30, 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	263,888	—	263,888
2010	CSMC 2010-1R	1,730,581	691,630	1,038,951	647,347	14,160	633,187
2010	CSMC 2010-11R	566,571	338,809	227,762	270,438	61,775	208,663
2009	CSMC 2009-12R	1,730,698	915,566	815,132	587,546	117,863	469,683
2009	JPMRR 2009-7	1,522,474	856,935	665,539	543,907	164,661	379,246
2009	JMAC 2009-R2	281,863	192,500	89,363	98,633	39,469	59,164
TOTAL		6,199,458	2,995,440	3,204,018	2,411,759	397,928	2,013,831
		% of origination remaining			39%	13%	63%

Significant outstanding balances remain under a number of prepayment projections



Change in CPR (%)	Total Remaining Face - Projected Balances ⁽²⁾		
	September 30, 2017	September 30, 2018	September 30, 2019
-50%	2,118,331	1,881,698	1,689,471
Unchanged	2,039,847	1,748,545	1,518,721
+50%	1,962,878	1,622,360	1,363,216

All data as of September 30, 2016

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

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

Information is unaudited, estimated and subject to change.



SPRINGLEAF SEASONED LOAN PORTFOLIO

Chimera acquired \$4.8 Billion Seasoned Loan Portfolio previously securitized by Springleaf Financial



Chimera consolidated the loans on its balance sheet and worked to re-securitize the portfolio in order to reduce financing costs and lower equity commitment

All data as of September 30, 2016

Information is unaudited, estimated and subject to change.

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RISK RETENTION LOAN PORTFOLIO

Risk Retention Rule creates an opportunity for Mortgage REITs who have permanent capital

Risk Retention Rule

- All new mortgage securitizations must have an equity sponsor
- Deal Sponsor to have meaningful “skin in the game” investment amount
- Deal Sponsor must have the ability to hold the investment for a minimum of 5 years

2016 Chimera securitizes \$5.0 Billion under the new risk retention rule

Chimera 2.0

- Chimera sponsors three securitizations
- \$763 million new investments
 - Performing seasoned loans with more than 10 years of payment history
 - Attractive risk-adjusted portfolio returns
 - Increased returns available with recourse leverage
 - Partially funded by reduction in Agency MBS allocation

Chimera has historically retained the equity interests in its securitizations

RISK RETENTION PORTFOLIO

- \$5.0 Billion loan portfolio and securitization is consolidated on balance sheet
- Chimera retained \$763 Million subordinate bonds for investment
- Chimera funded purchased interests through combination of available cash, sale of approximately \$1.9 Billion Agency MBS, and recourse financing
- Approximately \$13 Million deal expenses incurred in Q2 2016

- Chimera expects high single digit yields on portfolio without leverage
- Chimera expects to achieve mid-to-high teen yields with added recourse leverage
- Deals are callable in 4 years

	CIM 2016-1	CIM 2016-2	CIM 2016-3
Loan Portfolio	\$1.4 Billion	\$1.7 Billion	\$1.7 Billion
Weighted average coupon of mortgage	7.41%	7.41%	7.41%
Average loan age	131 Months	131 Months	131 Months
Average loan balance	\$107 Thousand	\$106 Thousand	\$105 Thousand
Senior class sold with initial coupon	70%, 2.95%	70%, 2.94%	70%, 2.94%
Retained Securities	\$226 Million	\$270 Million	\$267 Million

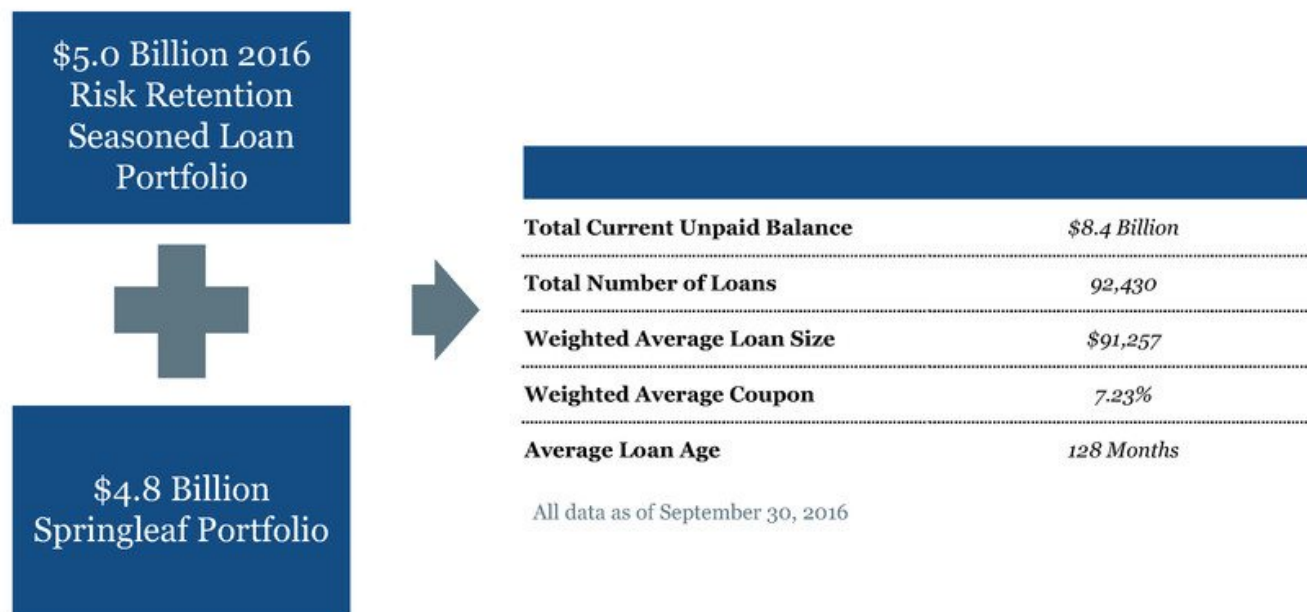
All data as of September 30, 2016

Information is unaudited, estimated and subject to change.

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SMALL BALANCE RESIDENTIAL LOAN PORTFOLIO

Chimera has one of the largest seasoned, performing, small balance residential loan portfolios in the Mortgage REIT Industry



Information is unaudited, estimated and subject to change.

SMALL BALANCE RESIDENTIAL LOAN PORTFOLIO

Positive pay history

- While loans were subprime at origination, average loan age shows homeowners ability to pay
- Homeowner pay history is a good predictor of future behavior

Prepay experience

- Borrowers with low loan balances and moderate FICO scores generally have lower prepayment speeds
- Prepay experience has been moderate

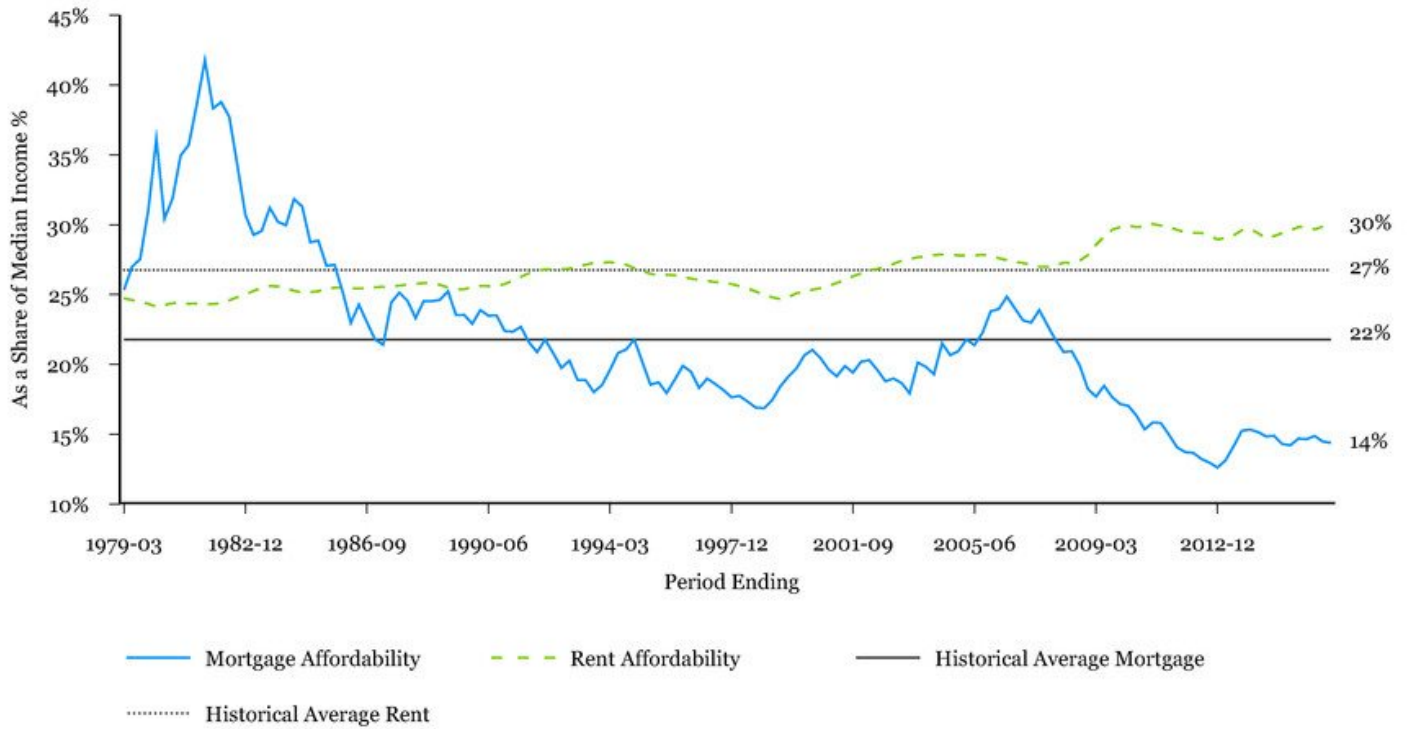
Relatively low mortgage payment

- Average monthly mortgage payment is approximately \$800
- Mortgage is cheaper than rent in most areas

Stable and improving housing market

- Home prices are stable to increasing nationally
- No supply issues
- More stringent lending standards

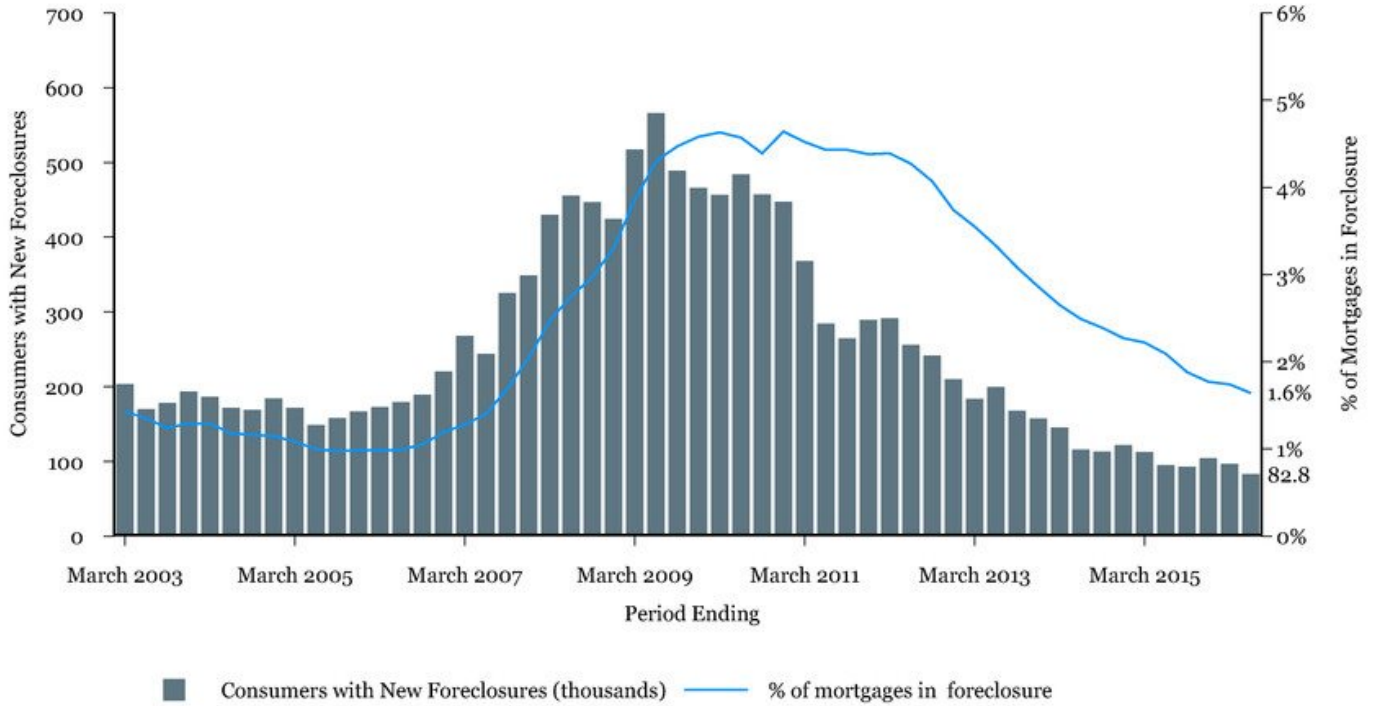
Median Mortgage and Rental Costs



*All data as of 2Q16
Source: Zillow Group

Information is unaudited, estimated and subject to change.

New Foreclosures and Mortgages in Foreclosure



*All data as of 2Q16

Source: Bloomberg; NY Federal Reserve

Information is unaudited, estimated and subject to change.

SUMMARY

Franchise Mortgage Assets

Chimera has a unique portfolio of high yielding assets, created through securitization, which would be difficult to recreate in size and scale

Positive Macro Economic Environment

Upward trending macro economic conditions for energy prices and the housing market are positive for the credit of Chimera's mortgage portfolio

Opportunity for Permanent Capital

New risk retention rules present an attractive opportunity for companies like Chimera to sponsor mortgage securitizations

Chimera has assembled a portfolio of unique mortgage assets with a goal to provide high and durable income to shareholders

Appendix

Information is unaudited, estimated and subject to change.



AGENCY MBS PORTFOLIO AND FUNDING

The majority of Chimera's Agency Portfolio consists of highly liquid pass-through securities

Agency Securities – As of September 30, 2016

Security Type	Coupon ⁽¹⁾	Current Face	Weighted Average Market Price	Weighted Average CPR
Agency Pass-through	3.50%	\$1,085,704	105.6	15.0
	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

All data as of September 30, 2016

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

(2) Notional Agency IO was \$3.5 billion as of September 30, 2016

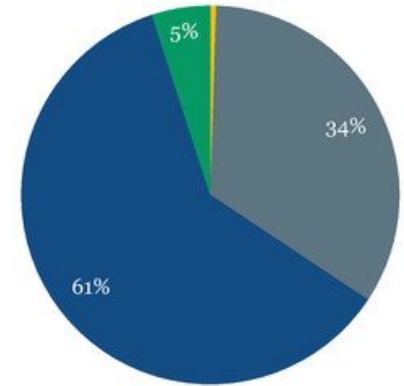
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INTEREST RATE SENSITIVITY

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	\$ 4,533,091	\$ 4,450,893	\$ 4,362,550	\$ 4,263,846	\$ 4,153,731
	Percentage Change	3.9 %	2.0 %	-	(2.3)%	(4.8)%
Swap	Market Value	(119,127)	(58,704)	-	56,784	113,142
	Percentage Change	(2.7)%	(1.3)%	-	1.3 %	2.6 %
Futures	Market Value	(36,994)	(18,294)	-	17,807	35,131
	Percentage Change	(0.8)%	(0.4)%	-	0.4 %	0.8 %
Net Gain/(Loss)		\$ 14,420	\$ 11,345	-	\$ (24,113)	\$ (60,546)
Percentage Change in Portfolio Value⁽¹⁾		0.3 %	0.3 %	-	(0.6)%	(1.4)%

Hedge Book Maturities



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

Total Notional Balance - Derivative Instruments

	September 30, 2016	June 30, 2016
Interest Rate Swaps	1,380,900	1,430,900
Swaptions	699,000	749,000
Futures	619,700	619,700

(1) Based on instantaneous moves in interest rates.

Information is unaudited, estimated and subject to change.



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