

CHIMERA INVESTMENT CORP

Form 10-Q

November 01, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED: September 30, 2018

OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER: 1-33796

CHIMERA INVESTMENT CORPORATION

(Exact name of Registrant as specified in its Charter)

MARYLAND

26-0630461

(State or other jurisdiction of incorporation or organization) (IRS Employer Identification No.)

520 Madison Avenue 32nd Floor

NEW YORK, NEW YORK

(Address of principal executive offices)

10022

(Zip Code)

(212) 626-2300

(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all documents and reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, non-accelerated filer, or a smaller reporting company. See definition of "accelerated filer," "large accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the last practicable date:

Class Outstanding at September 30, 2018

Common Stock, \$0.01 par value 187,006,943

CHIMERA INVESTMENT CORPORATION

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Part I

Item 1. Consolidated Financial Statements

CHIMERA INVESTMENT CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

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

(Unaudited)

	September 30, 2018	December 31, 2017
Assets:		
Cash and cash equivalents	\$ 121,046	\$ 63,569
Non-Agency RMBS, at fair value	2,507,707	2,851,316
Agency MBS, at fair value	9,406,092	4,364,828
Loans held for investment, at fair value	12,729,559	13,678,263
Accrued interest receivable	114,798	100,789
Other assets	145,655	114,391
Derivatives, at fair value, net	155,069	48,914
Total assets ⁽¹⁾	\$ 25,179,926	\$ 21,222,070
Liabilities:		
Repurchase agreements (\$12.6 billion and \$8.8 billion, pledged as collateral, respectively)	\$ 11,143,102	\$ 7,250,452
Securitized debt, collateralized by Non-Agency RMBS (\$1.1 billion and \$1.6 billion pledged as collateral, respectively)	167,718	205,780
Securitized debt at fair value, collateralized by loans held for investment (\$12.5 billion and \$13.3 billion pledged as collateral, respectively)	8,826,879	9,388,657
Payable for investments purchased	903,424	567,440
Accrued interest payable	110,228	61,888
Dividends payable	96,809	95,365
Accounts payable and other liabilities	18,585	17,191
Derivatives, at fair value, net	—	320
Total liabilities ⁽¹⁾	\$ 21,266,745	\$ 17,587,093

Commitments and Contingencies (See Note 15)

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 shares issued and outstanding, respectively (\$325,000 liquidation preference)	130	130
7.75% Series C cumulative redeemable: 10,400,000 and 0 shares issued and outstanding, respectively (\$260,000 liquidation preference)	104	—
Common stock: par value \$0.01 per share; 300,000,000 shares authorized, 187,006,943 and 187,809,288 shares issued and outstanding, respectively	1,870	1,878
Additional paid-in-capital	4,069,868	3,826,691
Accumulated other comprehensive income	627,936	796,902
Cumulative earnings	3,482,287	2,967,852
Cumulative distributions to stockholders	(4,269,072)	(3,958,534)
Total stockholders' equity	\$ 3,913,181	\$ 3,634,977
Total liabilities and stockholders' equity	\$ 25,179,926	\$ 21,222,070

(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 September 30, 2018 and December 31, 2017, total assets of consolidated VIEs were \$13,703,646 and \$14,987,464, respectively, and total liabilities of consolidated VIEs were \$9,032,119 and \$9,631,820, respectively. See Note 8 for further discussion.

See accompanying notes to consolidated financial statements.

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

	For the Quarters Ended		For the Nine Months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Net interest income:				
Interest income ⁽¹⁾	\$321,715	\$ 296,813	\$925,282	\$ 836,801
Interest expense ⁽²⁾	174,671	140,358	485,189	388,544
Net interest income	147,044	156,455	440,093	448,257
Other-than-temporary impairments:				
Total other-than-temporary impairment losses	(772	)(784	)(1,871	)(4,245
Portion of loss recognized in other comprehensive income	(6,461	)(10,684	)(15,651	)(39,431
Net other-than-temporary credit impairment losses	(7,233	)(11,468	)(17,522	)(43,676
Other investment gains (losses):				
Net unrealized gains (losses) on derivatives	71,197	9,204	178,511	19,902
Realized gains (losses) on terminations of interest rate swaps	—	—	—	(16,143
Net realized gains (losses) on derivatives	2,881	(7,841	) 14,573	(28,680
Net gains (losses) on derivatives	74,078	1,363	193,084	(24,921
Net unrealized gains (losses) on financial instruments at fair value	(34,306	)19,042	(38,204	)159,047
Net realized gains (losses) on sales of investments	(6,123	)1	(3,956	)9,709
Gains (losses) on extinguishment of debt	9,263	(1	) 19,320	(48,016
Total other gains (losses)	42,912	20,405	170,244	95,819