## CHIMERA INVESTMENT CORPORATION REPORTS 4TH QUARTER 2018 EARNINGS

- $4^{\text {TH }}$ QUARTER GAAP NET LOSS OF $\$(0.63)$ PER COMMON SHARE
- $4^{\text {TH }}$ QUARTER CORE EARNINGS ${ }^{(1)}$ OF \$0.58 PER COMMON SHARE
- FULL YEAR GAAP EARNINGS OF \$1.97 PER COMMON SHARE
- FULL YEAR CORE EARNINGS ${ }^{(1)}$ OF \$2.35 PER COMMON SHARE
- GAAP BOOK VALUE OF \$15.90 PER COMMON SHARE

NEW YORK--(BUSINESS WIRE)-- Chimera Investment Corporation (NYSE:CIM) today announced its financial results for the fourth quarter ended December 31, 2018. The Company's GAAP net loss for the fourth quarter was $\$(117)$ million or $\$(0.63)$ per common share and net income was $\$ 368$ million or $\$ 1.97$ per common share for the full year ended December 31, 2018. Core earnings ${ }^{(1)}$ for the fourth quarter and full year ended December 31, 2018 was $\$ 109$ million or $\$ 0.58$ per common share and $\$ 440$ million or $\$ 2.35$ per common share respectively. Economic return on book value for the fourth quarter and full year was (3.7)\% ${ }^{(2)}$ and $6.2 \%{ }^{(2)}$ respectively. The Company sponsored two mortgage loan securitizations during the fourth quarter for $\$ 736$ million and incurred $\$ 3.8$ million in securitization deal related expenses.

This press release features multimedia. View the full release here: https://www.businesswire.com/news/home/20190213005354/en/
"Despite a volatile market environment in the fourth quarter, Chimera generated a 6.2\% ${ }^{(2)}$ economic return for the full year 2018," said Matthew Lambiase, Chimera's CEO and President.
(1) Core earnings is a non-GAAP measure. See additional discussion on page 5.
(2) Economic return on book value is based on the change in GAAP book value per common share plus the dividend declared per common share.

## Other Information

Chimera Investment Corporation is a publicly traded real estate investment trust, or REIT, that is primarily engaged in the business of investing directly or indirectly through our subsidiaries, on a leveraged basis, in a diversified portfolio of mortgage assets, including residential mortgage loans, Non-Agency RMBS, Agency CMBS, Agency RMBS, and other real estate related securities.

Please visit www.chimerareit.com and click on Investors for additional information about us.

## CHIMERA INVESTMENT CORPORATION CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

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

|  | December $\text { 31, } 2018$ | December $\text { 31, } 2017$ |
| :---: | :---: | :---: |
| Cash and cash equivalents | 47,486 | \$ 63,569 |
| Non-Agency RMBS, at fair value | 2,486,130 | 2,851,316 |
| Agency MBS, at fair value | 12,188,950 | 4,364,828 |
| Loans held for investment, at fair value | 12,572,581 | 13,678,263 |
| Accrued interest receivable | 123,442 | 100,789 |
| Other assets | 252,582 | 114,391 |
| Derivatives, at fair value, net | 37,468 | 48,914 |
| Total assets ${ }^{(1)}$ | \$27,708,639 | \$21,222,070 |
| Liabilities: |  |  |
| Repurchase agreements ( $\$ 15.8$ billion and $\$ 8.8$ billion, pledged as collateral, respectively) | \$14,030,465 | \$ 7,250,452 |
| Securitized debt, collateralized by Non-Agency RMBS (\$1.0 billion and $\$ 1.6$ billion pledged as collateral, respectively) | 159,955 | 205,780 |
| Securitized debt at fair value, collateralized by loans held for investment ( $\$ 12.3$ billion and $\$ 13.3$ billion pledged as collateral, respectively) |  |  |
| Payable for investments purchased | 1,136,157 | 567,440 |
| Accrued interest payable | 110,402 | 61,888 |
| Dividends payable | 95,986 | 95,365 |
| Accounts payable and other liabilities | 16,469 | 17,191 |
| Derivatives, at fair value, net | - | 320 |
| Total liabilities ${ }^{(1)}$ | \$24,004,810 | \$17,587,093 |

## 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)
8.00\% Series B cumulative redeemable: 13,000,000 shares issued and outstanding, respectively ( $\$ 325,000$ liquidation preference)
7.75\% Series C cumulative redeemable: 10,400,000 and 0 shares issued and outstanding, respectively ( $\$ 260,000$ liquidation preference)

Common stock: par value $\$ 0.01$ per share; $300,000,000$ shares authorized, 187,052,398 and 187,809,288 shares issued and outstanding, respectively

1,871
1,878
Additional paid-in-capital 4,072,093 3,826,691
Accumulated other comprehensive income
626,832
796,902
Cumulative earnings
3,379,489
2,967,852
Cumulative distributions to stockholders
$(4,376,748) \quad(3,958,534)$

| Total stockholders' equity | $\$ 3,703,829$ | $\$ 3,634,977$ |
| :--- | :--- | :--- |
| Total liabilities and stockholders' equity | $\$ 27,708,639$ | $\$ 21,222,070$ |

(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 December 31, 2018 and December 31, 2017, total assets of consolidated VIEs were $\$ 13,392,951$ and $\$ 14,987,464$, respectively, and total liabilities of consolidated VIEs were $\$ 8,652,158$ and $\$ 9,631,820$, respectively.

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

For the Year Ended

|  | For the Year Ended |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | $\begin{gathered} \text { December } \\ 31,2018 \end{gathered}$ |  | $\begin{gathered} \text { December } \\ 31,2017 \end{gathered}$ |  | $\begin{gathered} \hline \text { December } \\ 31,2016 \end{gathered}$ |  |
| Net interest income: |  |  |  |  |  |  |
| Interest income ${ }^{(1)}$ | \$ | 1,273,316 | \$ | 1,138,758 | \$ | 934,068 |
| Interest expense ${ }^{(2)}$ |  | 679,108 |  | 532,748 |  | 347,857 |
| Net interest income |  | 594,208 |  | 606,010 |  | 586,211 |

Other-than-temporary impairments:

| Total other-than-temporary impairment losses | $(2,556)$ | $(5,169)$ | $(9,589)$ |
| :--- | ---: | ---: | ---: |
| Portion of loss recognized in other <br> comprehensive income | $(19,235)$ | $(56,687)$ | $(48,398)$ |
| Net other-than-temporary credit impairment <br> losses | $(21,791)$ | $(61,856)$ | $(57,987)$ |

Other investment gains (losses):

| Net unrealized gains (losses) on derivatives | $(141,162)$ | 47,976 | 50,093 |
| :--- | :---: | :---: | :---: |
| Realized gains (losses) on terminations of | - | $(16,143)$ | $(60,616)$ |
| interest rate swaps | 18,369 | $(25,645)$ | $(44,886)$ |
| Net realized gains (losses) on derivatives | $(122,793)$ | 6,188 | $(55,409)$ |
| Net gains (losses) on derivatives |  |  |  |

Net unrealized gains (losses) on financial instruments at fair value

| Net realized gains (losses) on sales of |  |  |  |
| :--- | :---: | :---: | ---: |
| investments | $(2,743)$ | 9,123 | 18,155 |
| Gains (losses) on extinguishment of debt | 26,376 | $(35,274)$ | $(477)$ |
| Total other gains (losses) | $(52,528)$ | 91,447 | 21,821 |

Other income:

| Other income | - | - | 95,000 |
| :--- | :--- | :--- | :--- |
| Total other income | - | - | 95,000 |

Other expenses:

| Compensation and benefits | 35,114 | 30,212 | 26,901 |
| :--- | ---: | ---: | ---: |
| General and administrative expenses | 23,936 | 17,650 | 17,516 |
| Servicing fees | 40,773 | 41,690 | 31,178 |
| Deal expenses | 8,338 | 21,273 | 17,424 |
| Total other expenses | 108,161 | 110,825 | 93,019 |
| Income (loss) before income taxes | 411,728 | 524,776 | 552,026 |
| Income taxes | 91 | 108 | 83 |
| Net income (loss) | $\$$ | 411,637 | $\$$ |


| Dividends on preferred stock | 43,197 | 33,484 | 2,449 |
| :--- | :--- | :--- | :--- |


| Net income (loss) available to common <br> shareholders |
| :--- |

Net income (loss) per share available to common shareholders:

| Basic | $\$$ | 1.97 | $\$$ | 2.62 | $\$$ | 2.93 |
| :--- | :--- | :--- | :--- | :--- | :--- | :--- |
| Diluted | $\$$ | 1.96 | $\$$ | 2.61 | $\$$ | 2.92 |

Weighted average number of common
shares outstanding:

| Basic | $187,146,170$ | $187,780,355$ | $187,728,634$ |
| :--- | :--- | :--- | :--- |
| Diluted | $187,748,862$ | $188,287,320$ | $188,024,838$ |

Dividends declared per share of common

| stock | $\$$ | 2.00 | $\$$ | 2.00 | $\$$ | 2.44 |
| :--- | :--- | :--- | :--- | :--- | :--- | :--- |

(1) Includes interest income of consolidated VIEs of $\$ 904,830, \$ 914,022$ and $\$ 678,623$ for the years ended December 31, 2018, 2017 and 2016 respectively.
(2) Includes interest expense of consolidated VIEs of \$395,255, \$390,858 and \$249,708 for the years ended December 31, 2018, 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 Year Ended
December December December

| 31, | 31, | 31, |
| :---: | :---: | :---: |
| 2018 | 2017 | 2016 |

Comprehensive income (loss):
Net income (loss)
\$ 411,637 \$ 524,668 \$ 551,943
Other comprehensive income:
Unrealized gains (losses) on available-for-sale securities, net

$$
\begin{equation*}
(185,570) \quad 24,218 \tag{88,527}
\end{equation*}
$$

Reclassification adjustment for net losses included in net income for other-than-temporary credit impairment losses
Reclassification adjustment for net realized losses

| (gains) included in net income | $(6,291)$ | $(7,278)$ | $(25,145)$ |
| :--- | ---: | ---: | ---: |
| Other comprehensive income (loss) | $(170,070)$ | 78,796 | $(55,685)$ |


| Comprehensive income (loss) before preferred stock <br> dividends | $\$ 241,567$ | \$603,464 | \$ 496,258 |  |
| :--- | :--- | :--- | :--- | :--- |
| Dividends on preferred stock | $\$ 43,197$ | $\$ 33,484$ | $\$$ | 2,449 |

Comprehensive income (loss) available to common

stock shareholders
\$ 198,370 \$ 569,980 \$ 493,809

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

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

|  | For the Quarters Ended |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | December $31,2018$ <br> (dolla | S | eptember <br> 30, 2018 <br> in thousa | $\begin{gathered} \text { June 30, } \\ 2018 \end{gathered}$ <br> nds, except | $\begin{gathered} \text { March 31, } \\ 2018 \end{gathered}$ <br> per share | da | ecember $31,2017$ <br> ta) |
| GAAP Net income available to common stockholders | \$(117,235) | \$ | 147,361 | \$108,708 | \$229,607 |  | 98,208 |
| Adjustments: |  |  |  |  |  |  |  |
| Net other-than-temporary credit impairment losses | 4,269 |  | 7,233 | 9,131 | 1,158 |  | 18,179 |
| Net unrealized (gains) losses on derivatives | 319,673 |  | $(71,197)$ | $(25,895)$ | $(81,419)$ |  | $(28,074)$ |
| Net unrealized (gains) losses on financial instruments at fair value | $(84,836)$ |  | 34,306 | 18,364 | $(14,466)$ |  | 47,637 |
| Net realized (gains) losses on sales of investments | $(1,213)$ |  | 6,123 | $(2,167)$ | ( |  | 586 |
| (Gains) losses on extinguishment of debt | $(7,055)$ |  | $(9,263)$ | (387) | $(9,670)$ |  | $(12,742)$ |
| Net realized (gains) losses on Futures (1) | $(4,320)$ |  | $(2,799)$ | 2,210 | $(16,424)$ |  | $(8,204)$ |
| Core Earnings | \$ 109,283 | \$ | 111,764 | \$109,964 | \$108,786 |  | 115,590 |
| GAAP net income per basic common share | \$ (0.63) | \$ | 0.79 | \$ 0.58 | \$ 1.22 | \$ | 0.52 |
| Core earnings per basic common share(2) | \$ 0.58 | \$ | 0.60 | \$ 0.59 | \$ 0.58 | \$ | 0.62 |

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

The following tables provide a summary of the Company's MBS portfolio at December 31, 2018 and December 31, 2017.

|  | Principal or Notional Value at Period-End (dollars in thousands) |  | Weighted Average Amortized Cost Basis |  | Weighted Average Fair Value |  | Weighted Average Coupon | Weighted Average Yield at Period-End <br> (1) |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Non-Agency RMBS |  |  |  |  |  |  |  |  |
| Senior | \$ | 2,386,049 | \$ | 53.40 |  | 81.44 | 5.0\% | 19.5\% |
| Senior, interest-only |  | 5,667,198 |  | 5.06 |  | 4.50 | 1.2\% | 8.4\% |
| Subordinated |  | 394,037 |  | 56.60 |  | 70.16 | 4.0\% | 9.9\% |
| Subordinated, interestonly |  | 221,549 |  | 4.48 |  | 5.26 | 1.1\% | 16.4\% |
| Agency MBS |  |  |  |  |  |  |  |  |
| Residential passthrough |  | 8,984,249 |  | 102.47 |  | 102.12 | 4.0\% | 3.6\% |
| Commercial passthrough |  | 2,895,679 |  | 101.98 |  | 99.50 | 3.6\% | 3.4\% |
| Interest-only |  | 3,028,572 |  | 4.49 |  | 4.40 | 0.8\% | 4.3\% |
|  | December 31, 2017 |  |  |  |  |  |  |  |
|  |  | cipal or nal Value at iod-End ollars in usands) |  | eighted verage ortized Cost Basis |  | Veighted Average Fair Value | Weighted Average Coupon | Weighted Average Yield at Period-End (1) |
| Non-Agency RMBS |  |  |  |  |  |  |  |  |
| Senior | \$ | 2,733,926 | \$ | 54.04 | \$ | 81.62 | 4.6\% | 16.7\% |
| Senior, interest-only |  | 4,862,461 |  | 5.41 |  | 4.34 | 1.3\% | 8.0\% |
| Subordinated |  | 501,455 |  | 66.77 |  | 80.01 | 4.1\% | 9.6\% |
| Subordinated, interestonly |  | 201,378 |  | 3.66 |  | 3.89 | 0.8\% | 11.8\% |
| Agency MBS |  |  |  |  |  |  |  |  |
| Residential passthrough |  | 2,227,128 |  | 105.53 |  | 104.27 | 3.8\% | 2.9\% |
| Commercial passthrough |  | 1,894,594 |  | 102.26 |  | 102.31 | 3.6\% | 3.2\% |
| Interest-only |  | 3,021,840 |  | 3.68 |  | 3.45 | 0.7\% | 3.4\% |

(1) Bond Equivalent Yield at period end.

At December 31, 2018 and December 31, 2017, the repurchase agreements collateralized by MBS had the following remaining maturities.

|  | $\begin{gathered} \text { December 31, } \\ 2018 \end{gathered}$ <br> (dollars |  | $\begin{aligned} & \text { December 31, } \\ & 2017 \\ & \text { ousands) } \end{aligned}$ |  |
| :---: | :---: | :---: | :---: | :---: |
| Overnight | \$ | - | \$ | - |
| 1 to 29 days |  | 6,326,232 |  | 4,745,342 |
| 30 to 59 days |  | 4,620,656 |  | 1,206,769 |
| 60 to 89 days |  | 1,504,695 |  | 592,865 |
| 90 to 119 days |  | 169,244 |  | - |
| Greater than or equal to 120 days |  | 1,409,638 |  | 705,476 |
| Total | \$ | 14,030,465 | \$ | 7,250,452 |

The following table summarizes certain characteristics of our portfolio at December 31, 2018 and December 31, 2017.

|  | $\begin{gathered} \text { December 31, } \\ 2018 \end{gathered}$ |  | $\begin{gathered} \text { December 31, } \\ 2017 \end{gathered}$ |  |
| :---: | :---: | :---: | :---: | :---: |
| Interest earning assets at period-end ${ }^{(1)}$ | \$ | 27,247,661 | \$ | 20,894,407 |
| Interest bearing liabilities at period-end | \$ | 22,645,796 | \$ | 16,844,889 |
| GAAP Leverage at period-end |  | 6.1:1 |  | 4.6:1 |
| GAAP Leverage at period-end (recourse) |  | 3.8:1 |  | 2.0:1 |
| Portfolio Composition, at amortized cost |  |  |  |  |
| Non-Agency RMBS |  | 4.7\% |  | 5.9\% |
| Senior |  | 2.8\% |  | 2.9\% |
| Senior, interest only |  | 1.1\% |  | 1.3\% |
| Subordinated |  | 0.8\% |  | 1.7\% |
| Subordinated, interest only |  | 0.0\% |  | 0.0\% |
| RMBS transferred to consolidated |  |  |  |  |
| VIEs |  | 2.1\% |  | 4.6\% |
| Agency MBS |  | 46.7\% |  | 22.2\% |
| Residential |  | 35.0\% |  | 11.8\% |
| Commercial |  | 11.2\% |  | 9.8\% |
| Interest-only |  | 0.5\% |  | 0.6\% |
| Loans held for investment |  | 46.5\% |  | 67.3\% |
| Fixed-rate percentage of portfolio |  | 95.8\% |  | 93.7\% |
| Adjustable-rate percentage of portfolio |  | 4.2\% |  | 6.3\% |
| (1) Excludes cash and cash equivalents. |  |  |  |  |
| (2) Includes the effect of realized losses on |  | t 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 <br> Interest Income | GAAP <br> Interest <br> Expense | Net <br> Realized <br> (Gains) <br> Losses <br> on <br> Interest Rate Swaps | Economic Interest Expense | GAAP <br> Net <br> Interest Income | Net <br> Realized Gains (Losses) on Interest Rate Swaps |  | Other <br> (1) | Econs <br> $\mathrm{N} \epsilon$ <br> Inter <br> Inco |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| For the <br> Year <br> Ended <br> December <br> 31, 2018 | \$1,273,316 | \$679,108 | \$ 1,488 | \$680,596 | \$594,208 | \$ $(1,488)$ |  | 760 | \$ 593 |
| For the <br> Year <br> Ended <br> December <br> 31, 2017 | \$1,138,758 | \$532,748 | \$15,450 | \$548,198 | \$606,010 | \$(15,450) |  | $(1,097)$ | \$ 589 |
| For the <br> Year <br> Ended <br> December <br> 31, 2016 | \$ 934,068 | \$347,857 | \$28,107 | \$375,964 | \$586,211 | \$(28,107) |  | (882) | \$ 557 |
| For the Quarter Ended December 31, 2018 | \$ 348,033 | \$193,920 | \$ 364 | \$194,284 | \$154,113 | \$ (364) | \$ | (140) | \$ 153 |

For the
Quarter
Ended
September
30, 2018

$$
\begin{array}{lllllllll}
\$ 321,715 & \$ 174,671 & \text { \$ } & (242) & \$ 174,429 & \$ 147,044 & \$ & 242 & \$ \\
\hline
\end{array}
$$

For the
Quarter
Ended
June 30,
2018 \$ 306,436 \$161,266 \$(1,246) \$160,020 \$145,170 \$ 1,246 \$ 436 \$ 146
For the
Quarter
Ended
March 31,
2018 \$ 297,132 \$149,251 \$ 2,612 \$151,863 \$147,881 \$ (2,612) \$ 143 \$ 145
(1) Primarily interest expense/(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 Quarter Ended

|  | For the Quarter Ended |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | December 31, 2018 (dollars in thousands) |  |  | December 31, 2017 <br> (dollars in thousands) |  |  |
|  | Average Balance | Interest | Average Yield/Cost | Average Balance | Interest | Average Yield/Cost |
| Assets: |  |  |  |  |  |  |
| Interest-earning assets ${ }^{(1)}$ : |  |  |  |  |  |  |
| Agency MBS | \$10,577,238 | \$ 95,941 | 3.6\% | \$ 3,847,658 | \$ 28,812 | 3.0\% |
| Non-Agency RMBS | 1,252,707 | 33,235 | 10.6\% | 1,187,349 | 24,608 | 8.3\% |
| Non-Agency RMBS transferred to consolidated VIEs | 555,314 | 39,394 | 28.4\% | 940,931 | 55,916 | 23.8\% |
| Residential mortgage loans held for investment | 12,228,206 | 179,323 | 5.9\% | 13,048,375 | 192,560 | 5.9\% |
| Total | \$24,613,465 | \$347,893 | 5.7\% | \$19,024,313 | \$301,896 | 6.3\% |

Liabilities and stockholders' equity:

## Interest-bearing

liabilities:
Repurchase
agreements
collateralized
by:
Agency MBS
(2)
\$ 9,535,298 \$ 62,788
$2.6 \%$ \$ 3,090,155 \$ 15,651
2.0\%

Non-Agency

| RMBS (2) | 533,696 | 5,138 | $3.9 \%$ | 497,073 | 3,896 | $3.1 \%$ |
| :--- | :--- | :--- | :--- | :--- | :--- | :--- |

Re-REMIC repurchase

| agreements | 577,335 | 6,403 | $4.4 \%$ | 867,882 | 7,193 | $3.3 \%$ |
| :--- | :--- | :--- | :--- | :--- | :--- | :--- |

RMBS from
loan
$\begin{array}{lllllll}\text { securitizations } & 2,435,931 & 23,445 & 3.8 \% & 2,573,351 & 21,236 & 3.3 \%\end{array}$
Securitized
debt,
collateralized by
Non-Agency

| RMBS | 164,043 | 2,259 | $5.5 \%$ | 219,446 | 3,796 | $6.9 \%$ |
| :--- | :--- | :--- | :--- | :--- | :--- | :--- |

Securitized debt, collateralized by

| loans | $8,531,109$ | 94,251 | $4.4 \%$ |  | $9,451,052$ | 96,801 | $4.1 \%$ |
| :--- | ---: | ---: | ---: | ---: | ---: | ---: | ---: |
| Total | $\$ 21,777,412$ | $\$ 194,284$ | $3.6 \%$ | $\$ 16,698,959$ | $\$ 148,573$ | $3.6 \%$ |  |

Economic net
interest
income/net
interest rate

| spread | $\$ 153,609$ | $2.1 \%$ | $\$ 153,323$ | $2.7 \%$ |
| :--- | :--- | :--- | :--- | :--- |


| Net interest- <br> earning <br> assets/net <br> interest margin | $\$ 2,836,053$ |  |  |  |
| :--- | :--- | :--- | :--- | :--- |

(1) Interest-
earning assets at amortized cost
(2) Interest includes net cash paid/received 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 the 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 nonGAAP measures as defined in previous section.

| Economic Net <br> Return on |  |  |
| :---: | :---: | :---: |
| Interest | Core |  |
| Average | Income/Average Earnings/Average |  |
| Equity | Equity * | Equity |

(Ratios have been annualized)

| For the Year Ended December 31, 2018 | $11.08 \%$ | $15.98 \%$ | $11.84 \%$ |
| :--- | :--- | :--- | :--- |
| For the Year Ended December 31, 2017 | $15.00 \%$ | $16.85 \%$ | $12.58 \%$ |
| For the Year Ended December 31, 2016 | $18.42 \%$ | $18.59 \%$ | $15.18 \%$ |
|  |  |  |  |
| For the Quarter Ended December 31, | $(10.80) \%$ | $16.13 \%$ | $11.48 \%$ |
| 2018 | $16.64 \%$ | $15.61 \%$ | $11.82 \%$ |
| For the Quarter Ended September 30, | $12.91 \%$ | $16.05 \%$ | $12.02 \%$ |
| 2018 | $26.17 \%$ | $15.92 \%$ | $11.91 \%$ |
| For the Quarter Ended June 30, 2018 |  |  |  |
| For the Quarter Ended March 31, 2018 |  |  |  |

* 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.

For the Quarters Ended
Accretable Discount (Net of Premiums)

| December | September | June 30, March 31, | December |  |
| ---: | ---: | ---: | ---: | ---: |
| 31,2018 | 30,2018 | 2018 | 2018 | 31,2017 |

(dollars in thousands)

| Balance, beginning of |  |  |  |  |  |  |  |  |
| :--- | :---: | :---: | :---: | :---: | :---: | :---: | :---: | ---: |
| period | $\$$ | 539,020 | $\$$ | 540,269 | $\$ 555,444$ | $\$ 582,193$ | $\$$ | 622,982 |
| Accretion of discount |  | $(36,287)$ |  | $(35,184)$ | $(38,110)$ | $(37,309)$ | $(39,640)$ |  |
| Purchases | 4,589 | 1,966 | 3,098 | - | $(2,914)$ |  |  |  |
| Sales and deconsolidation | $(625)$ | $(986)$ | $(6,439)$ | 174 | - |  |  |  |
| Transfers from/(to) credit |  | $(934)$ | 32,955 | 26,276 | 10,386 | 1,765 |  |  |
| reserve, net |  | 505,763 | $\$$ | 539,020 | $\$ 540,269$ | $\$ 555,444$ | $\$$ | 582,193 |
| Balance, end of period | $\$$ |  |  |  |  |  |  |  |

## Disclaimer

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

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

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

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