

CHIMERA INVESTMENT CORP
Form 10-Q
November 18, 2011

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, 2011

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
(State or other jurisdiction of incorporation or
organization)

26-0630461
(IRS Employer Identification No.)

1211 AVENUE OF THE AMERICAS, SUITE 2902
NEW YORK, NEW YORK
(Address of principal executive offices)

10036
(Zip Code)

(646) 454-3759
(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," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

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 November 14, 2011
Common Stock, \$.01 par value	1,027,276,394

CHIMERA INVESTMENT CORPORATION
FORM 10-Q
TABLE OF CONTENTS

Part I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements:

Consolidated Statements of Financial Condition at September 30, 2011 (Unaudited) and December 31, 2010 (Derived from the audited consolidated financial statements at December 31, 2010) 1

Consolidated Statements of Operations and Comprehensive Income (Loss) for the Quarters and Nine Months Ended September 30, 2011 and 2010 (Unaudited) 2

Consolidated Statements of Changes in Stockholders' Equity for the Nine Months Ended September 30, 2011 and 2010 (Unaudited) 3

Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2011 and 2010 (Unaudited) 4

Notes to Consolidated Financial Statements (Unaudited) 6

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations 31

Item 3. Quantitative and Qualitative Disclosures about Market Risk 50

Item 4. Controls and Procedures 55

Part II. OTHER INFORMATION

Item 1. Legal Proceedings 56

Item 1A. Risk Factors 56

Item 5. Other Information 57

Item 6. Exhibits 59

SIGNATURES 60

CERTIFICATIONS

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

	September 30, 2011 (unaudited)	December 31, 2010
Assets:		
Cash and cash equivalents	\$ 9,824	\$ 7,173
Non-Agency RMBS, at fair value		
Senior (\$146.4 million and \$484.1 million resulting from consolidation of VIEs)	321,483	987,685
Subordinated (\$1.4 billion and \$1.5 billion resulting from consolidation of VIEs)	2,074,409	2,210,858
Senior, non-retained (held in consolidated VIEs)	2,013,798	2,330,568
Agency RMBS, at fair value	4,952,721	2,133,584
Securitized loans held for investment (held in consolidated VIEs), net of allowance for loan losses of \$7.0 million and \$6.6 million, respectively	286,009	353,532
Accrued interest receivable	55,539	49,088
Other assets	422	1,212
Total assets	\$ 9,714,205	\$ 8,073,700
Liabilities:		
Repurchase agreements, Agency RMBS (\$4.4 billion and \$1.7 billion of RMBS pledged as collateral, respectively)	\$ 4,171,190	\$ 1,600,078
Repurchase agreements, non-Agency RMBS (\$0.0 and \$249.4 million of RMBS pledged as collateral, respectively)	-	208,719
Securitized debt, loans held for investment, issued by consolidated VIEs (\$286.0 million and \$353.5 million of securitized loans pledged as collateral, respectively)	230,767	289,236
Securitized debt, non-Agency RMBS, issued by consolidated VIEs, non-retained (\$3.6 billion and \$4.4 billion of RMBS pledged as collateral, respectively)	1,753,228	1,956,079
Payable for investments purchased	-	127,693
Accrued interest payable	11,538	11,641
Dividends payable	133,443	174,445
Accounts payable and other liabilities	1,583	393
Investment management fees payable to affiliate	13,417	12,422
Interest rate swaps, at fair value (\$50.4 million and \$12.8 million of RMBS pledged as collateral, respectively)	44,970	9,988
Total liabilities	\$ 6,360,136	\$ 4,390,694
Stockholders' Equity:		

Edgar Filing: CHIMERA INVESTMENT CORP - Form 10-Q

Common stock: par value \$0.01 per share;
 1,500,000,000 shares authorized, 1,027,246,793 and
 1,027,034,357 shares issued and outstanding,
 respectively

	\$	10,264	\$	10,261
Additional paid-in-capital		3,603,040		3,601,890
Accumulated other comprehensive income (loss)		29,972		321,537
Retained earnings (accumulated deficit)		(289,207)		(250,682)
Total stockholders' equity	\$	3,354,069	\$	3,683,006
Total liabilities and stockholders' equity	\$	9,714,205	\$	8,073,700

See notes to consolidated financial statements.

CHIMERA INVESTMENT CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(dollars in thousands, except share and per share data)
(unaudited)

	For the Quarter Ended		For the Nine Months Ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Net Interest Income:				
Interest income	\$177,640	\$139,683	\$600,576	\$401,929
Interest expense	7,217	8,034	22,700	21,907
Interest income, non-retained	35,030	55,088	107,569	169,723
Interest expense, non-retained	25,575	32,237	81,462	87,488
Net interest income (expense)	179,878	154,500	603,983	462,257
Other-than-temporary impairments:				
Total other-than-temporary impairment losses	(249,257)	(51,922)	(432,973)	(135,136)
Non-credit portion of loss recognized in other comprehensive income (loss)	208,081	42,112	327,469	84,032
Net other-than-temporary credit impairment losses	(41,176)	(9,810)	(105,504)	(51,104)
Other gains (losses):				