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: March 31, 2024

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 of organization) | (I.R.S. Employer Identification Number) |
| **630 Fifth Avenue, Ste 2400** | |
| **New York, New York** | **10111** |
| (Address of Principal Executive Offices) | (Zip Code) |

**(888) 895-6557**
(Registrant’s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

| Title of Each Class | Trading Symbol(s) | Name of Each Exchange on Which Registered |
|---|---|---|
| **Common Stock, par value $0.01 per share** | **CIM** | **New York Stock Exchange** |
| **8.00% Series A Cumulative Redeemable Preferred Stock** | **CIM PRA** | **New York Stock Exchange** |
| **8.00% Series B Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock** | **CIM PRB** | **New York Stock Exchange** |
| **7.75% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock** | **CIM PRC** | **New York Stock Exchange** |
| **8.00% Series D Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock** | **CIM PRD** | **New York Stock Exchange** |

Indicate by check mark whether the Registrant (1) has filed all 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 every Interactive Data File required to be submitted 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 such files).

Yes ☑ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definition of “large accelerated filer,” “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 ☑

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 April 30, 2024 |
|---|---|
| Common Stock, $0.01 par value | 241,418,876 |

# CHIMERA INVESTMENT CORPORATION

**FORM 10-Q**

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# Part I - Financial Information

## Item 1. Consolidated Financial Statements

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

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Cash and cash equivalents | $ 168,958 | $ 221,684 |
| Non-Agency RMBS, at fair value (net of allowance for credit losses of $20 million and $19 million, respectively) | 1,059,863 | 1,043,806 |
| Agency MBS, at fair value | 65,999 | 102,484 |
| Loans held for investment, at fair value | 11,074,519 | 11,397,046 |
| Accrued interest receivable | 81,147 | 76,960 |
| Other assets | 96,086 | 87,018 |
| Total assets (1) | $ 12,546,572 | $ 12,928,998 |
| Liabilities: | | |
| Secured financing agreements ($3.6 billion and $3.6 billion pledged as collateral, respectively, and includes $340 million and $374 million at fair value, respectively) | $ 2,384,678 | $ 2,432,115 |
| Securitized debt, collateralized by Non-Agency RMBS ($244 million and $249 million pledged as collateral, respectively) | 73,162 | 75,012 |
| Securitized debt at fair value, collateralized by Loans held for investment ($ 10.5 billion and $10.7 billion pledged as collateral, respectively) | 7,336,345 | 7,601,881 |
| Payable for investments purchased | 6,135 | 158,892 |
| Accrued interest payable | 35,481 | 38,272 |
| Dividends payable | 54,849 | 54,552 |
| Accounts payable and other liabilities | 10,336 | 9,355 |
| Total liabilities (1) | $ 9,900,986 | $ 10,370,079 |
| 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 shares issued and outstanding, respectively ($260,000 liquidation preference) | 104 | 104 |
| 8.00% Series D cumulative redeemable: 8,000,000 shares issued and outstanding, respectively ($200,000 liquidation preference) | 80 | 80 |
| Common stock: par value $0.01 per share; 500,000,000 shares authorized, 241,417,867 and 241,360,656 shares issued and outstanding, respectively | 2,415 | 2,414 |
| Additional paid-in-capital | 4,371,502 | 4,368,520 |
| Accumulated other comprehensive income | 185,447 | 185,668 |
| Cumulative earnings | 4,294,500 | 4,165,046 |
| Cumulative distributions to stockholders | (6,208,650) | (6,163,101) |
| Total stockholders' equity | $ 2,645,586 | $ 2,558,919 |
| Total liabilities and stockholders' equity | $ 12,546,572 | $ 12,928,998 |

(1) The Company's consolidated statements of financial condition include assets of consolidated variable interest entities, or V IEs, 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 March 31, 2024, and December 31, 2023, total assets of consolidated VIEs were $ 10,299,963 and $ 10,501,840, respectively, and total liabilities of consolidated VIEs were $7,093,458 and $ 7,349,109, respectively. See Note 8 for further discussion.

See accompanying notes to consolidated financial statements.

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

| | For the Quarters Ended | |
|---|---|---|
| | **March 31, 2024** | **March 31, 2023** |
| **Net interest income:** | | |
| Interest income [1] | $ 186,574 | $ 189,250 |
| Interest expense [2] | 121,468 | 119,615 |
| Net interest income | 65,106 | 69,635 |
| | | |
| Increase/(decrease) in provision for credit losses | 1,347 | 3,062 |
| | | |
| **Other investment gains (losses):** | | |
| Net unrealized gains (losses) on derivatives | 5,189 | (8,551) |
| Realized gains (losses) on derivatives | — | (34,134) |
| Periodic interest cost of swaps, net | 5,476 | 2,819 |
| Net gains (losses) on derivatives | 10,665 | (39,866) |
| Net unrealized gains (losses) on financial instruments at fair value | 76,765 | 64,592 |
| Net realized gains (losses) on sales of investments | (3,750) | (5,264) |
| Gains (losses) on extinguishment of debt | — | 2,309 |
| Other investment gains (losses) | 4,686 | 117 |
| Total other gains (losses) | 88,366 | 21,888 |
| **Other expenses:** | | |
| Compensation and benefits | 9,213 | 10,491 |
| General and administrative expenses | 5,720 | 5,778 |
| Servicing and asset manager fees | 7,663 | 8,417 |
| Transaction expenses | 67 | 6,409 |
| Total other expenses | 22,663 | 31,095 |
| **Income (loss) before income taxes** | 129,462 | 57,366 |
| Income tax expense (benefit) | 8 | — |
| **Net income (loss)** | $ 129,454 | $ 57,366 |
| | | |
| **Dividends on preferred stock** | 18,438 | 18,438 |
| | | |
| **Net income (loss) available to common shareholders** | $ 111,016 | $ 38,928 |
| | | |
| **Net income (loss) per share available to common shareholders:** | | |
| Basic | $ 0.46 | $ 0.17 |
| Diluted | $ 0.45 | $ 0.17 |
| **Weighted average number of common shares outstanding:** | | |
| Basic | 243,718,142 | 231,994,620 |
| Diluted | 245,154,643 | 235,201,614 |

(1) Includes interest income of consolidated VIEs of $146,917 and $139,902 for the quarters ended March 31, 2024 and 2023, respectively. See Note 8 for further discussion.
(2) Includes interest expense of consolidated VIEs of $ 73,123 and $60,152 for the quarters ended March 31, 2024 and 2023, respectively. See Note 8 for further discussion.

See accompanying notes to consolidated financial statements.

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

| | For the Quarters Ended | |
|---|---|---|
| | **March 31, 2024** | **March 31, 2023** |
| **Comprehensive income (loss):** | | |
| Net income (loss) | $ 129,454 | $ 57,366 |
| **Other comprehensive income:** | | |
| Unrealized gains (losses) on available-for-sale securities, net | (221) | (5,905) |
| Reclassification adjustment for net realized losses (gains) included in net income | — | 1,315 |
| Other comprehensive income (loss) | (221) | (4,590) |
| **Comprehensive income (loss) before preferred stock dividends** | **$ 129,233** | **$ 52,776** |
| Dividends on preferred stock | $ 18,438 | $ 18,438 |
| **Comprehensive income (loss) available to common stock shareholders** | **$ 110,795** | **$ 34,338** |

See accompanying notes to consolidated financial statements.

**CHIMERA INVESTMENT CORPORATION**
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**
(dollars in thousands, except per share data)
(Unaudited)

**For the Quarter Ended March 31, 2024**

| | Series A Preferred Stock Par Value | Series B Preferred Stock Par Value | Series C Preferred Stock Par Value | Series D Preferred Stock Par Value | Common Stock Par Value | Additional Paid-in Capital | Accumulated Other Comprehensive Income | Cumulative Earnings | Cumulative Distributions to Stockholders | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance, December 31, 2023** | $ 58 | $ 130 | $ 104 | $ 80 | $ 2,414 | $ 4,368,520 | $ 185,668 | $ 4,165,046 | $ (6,163,101) | $ 2,558,919 |
| Net income (loss) | — | — | — | — | — | — | — | 129,454 | — | 129,454 |
| Other comprehensive income (loss) | — | — | — | — | — | — | (221) | — | — | (221) |
| Stock based compensation | — | — | — | — | 1 | 2,982 | — | — | — | 2,983 |
| Common dividends declared | — | — | — | — | — | — | — | — | (27,111) | (27,111) |
| Preferred dividends declared | — | — | — | — | — | — | — | — | (18,438) | (18,438) |
| **Balance, March 31, 2024** | $ 58 | $ 130 | $ 104 | $ 80 | $ 2,415 | $ 4,371,502 | $ 185,447 | $ 4,294,500 | $ (6,208,650) | $ 2,645,586 |

**For the Quarter Ended March 31, 2023**

| | Series A Preferred Stock Par Value | Series B Preferred Stock Par Value | Series C Preferred Stock Par Value | Series D Preferred Stock Par Value | Common Stock Par Value | Additional Paid-in Capital | Accumulated Other Comprehensive Income | Cumulative Earnings | Cumulative Distributions to Stockholders | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance, December 31, 2022** | $ 58 | $ 130 | $ 104 | $ 80 | $ 2,318 | $ 4,318,388 | $ 229,345 | $ 4,038,942 | $ (5,922,562) | $ 2,666,803 |
| Net income (loss) | — | — | — | — | — | — | — | 57,366 | — | 57,366 |
| Other comprehensive income (loss) | — | — | — | — | — | — | (4,590) | — | — | (4,590) |
| Stock based compensation | — | — | — | — | 3 | 2,415 | — | — | — | 2,418 |
| Common dividends declared | — | — | — | — | — | — | — | — | (54,172) | (54,172) |
| Preferred dividends declared | — | — | — | — | — | — | — | — | (18,438) | (18,438) |
| **Balance, March 31, 2023** | $ 58 | $ 130 | $ 104 | $ 80 | $ 2,321 | $ 4,320,803 | $ 224,755 | $ 4,096,308 | $ (5,995,172) | $ 2,649,387 |

See accompanying notes to financial statements.

**CHIMERA INVESTMENT CORPORATION**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
(dollars in thousands)
(Unaudited)

| | For the Quarters Ended | |
|---|---|---|
| | March 31, 2024 | March 31, 2023 |
| **Cash Flows From Operating Activities:** | | |
| Net income (loss) | $ 129,454 | $ 57,366 |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | |
| (Accretion) amortization of investment discounts/premiums, net | 5,753 | 3,468 |
| Accretion (amortization) of deferred financing costs, debt issuance costs, and Securitized debt discounts/premiums, net | 3,942 | 7,143 |
| Net unrealized losses (gains) on derivatives | (5,189) | 8,551 |
| Proceeds (payments) for derivative settlements | (2,800) | (17,509) |
| Margin (paid) received on derivatives | 6,622 | 35,128 |
| Net unrealized losses (gains) on financial instruments at fair value | (76,765) | (64,592) |
| Net realized losses (gains) on sales of investments | 3,750 | 5,264 |
| Other investment (gains) losses | (4,686) | (117) |
| Net increase (decrease) in provision for credit losses | 1,347 | 3,062 |
| (Gain) loss on extinguishment of debt | — | (2,309) |
| Equity-based compensation expense | 2,982 | 2,418 |
| Changes in operating assets: | | |
| Decrease (increase) in accrued interest receivable, net | (4,185) | (11,254) |
| Decrease (increase) in other assets | (1,143) | 981 |
| Changes in operating liabilities: | | |
| Increase (decrease) in accounts payable and other liabilities | 984 | 2,051 |
| Increase (decrease) in accrued interest payable, net | (2,792) | 790 |
| Net cash provided by (used in) operating activities | $ 57,274 | $ 30,441 |
| **Cash Flows From Investing Activities:** | | |
| Agency MBS portfolio: | | |
| Purchases | $ — | $ (888) |
| Sales | 34,672 | 167,675 |
| Principal payments | 118 | 355 |
| Non-Agency RMBS portfolio: | | |
| Purchases | (33,594) | — |
| Sales | — | — |
| Principal payments | 18,672 | 19,122 |
| Loans held for investment: | | |
| Purchases | (77,596) | (589,984) |
| Sales | — | — |
| Principal payments | 306,064 | 321,711 |
| Net cash provided by (used in) investing activities | $ 248,336 | $ (82,009) |
| **Cash Flows From Financing Activities:** | | |
| Proceeds from secured financing agreements | $ 6,149,125 | $ 8,457,223 |
| Payments on secured financing agreements | (6,189,537) | (8,699,286) |
| Proceeds from securitized debt borrowings, collateralized by Loans held for investment | — | 944,095 |
| Payments on securitized debt borrowings, collateralized by Loans held for investment | (272,668) | (609,370) |
| Payments on securitized debt borrowings, collateralized by Non-Agency RMBS | (5) | (28) |
| Common dividends paid | (26,813) | (54,836) |
| Preferred dividends paid | (18,438) | (18,438) |

| | | | |
|---|---|---|---|
| Net cash provided by (used in) financing activities | $ | (358,336) $ | 19,360 |
| Net increase (decrease) in cash and cash equivalents | | (52,726) | (32,208) |
| Cash and cash equivalents at beginning of period | | 221,684 | 264,600 |
| Cash and cash equivalents at end of period | $ | 168,958 $ | 232,392 |
| | | | |
| **Supplemental disclosure of cash flow information:** | | | |
| Interest received | $ | 188,140 $ | 181,464 |
| Interest paid | $ | 120,317 $ | 111,682 |
| **Non-cash investing activities:** | | | |
| Payable for investments purchased | $ | 6,135 $ | 660,047 |
| Net change in unrealized gain (loss) on available-for sale securities | $ | (221) $ | (5,905) |
| | | | |
| **Non-cash financing activities:** | | | |
| Dividends declared, not yet paid | $ | 54,849 $ | 63,880 |

See accompanying notes to consolidated financial statements.

**CHIMERA INVESTMENT CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. Organization**

Chimera Investment Corporation, or the Company, was organized in Maryland on June 1, 2007. The Company commenced operations on November 21, 2007 when it completed its initial public offering. The Company elected to be taxed as a real estate investment trust, or REIT, under the Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder, or the Code.

The Company is an internally managed REIT that is primarily engaged, through its subsidiaries, in the business of investing in a diversified portfolio of mortgage assets, including residential mortgage loans, Agency RMBS, Non-Agency RMBS, Agency CMBS, and other real estate-related assets. The following defines certain of the commonly used terms in this Quarterly Report on Form 10-Q: Agency refers to a federally chartered corporation, such as Fannie Mae or Freddie Mac, or an agency of the U.S. Government, such as Ginnie Mae; MBS refers to mortgage-backed securities secured by pools of residential or commercial mortgage loans; Agency RMBS and Agency CMBS refer to MBS that are secured by pools of residential and commercial mortgage loans, respectively, and are issued or guaranteed by an Agency; Agency MBS refers to MBS that are issued or guaranteed by an Agency and includes Agency RMBS and Agency CMBS collectively; Non-Agency RMBS refers to residential MBS that are not guaranteed by any agency of the U.S. Government or any Agency. IO refers to Interest-only securities.

The Company conducts its operations through various subsidiaries including subsidiaries it treats as taxable REIT subsidiaries, or TRSs. In general, a TRS may hold assets and engage in activities that the Company cannot hold or engage in directly and generally may engage in any real estate or non-real estate related business. The Company currently has twelve wholly-owned direct subsidiaries: Chimera RMBS Whole Pool LLC and Chimera RMBS LLC formed in June 2009; CIM Trading Company LLC, or CIM Trading, formed in July 2010; Chimera Funding TRS LLC, or CIM Funding TRS, a TRS formed in October 2013; Chimera CMBS Whole Pool LLC and Chimera RMBS Securities LLC formed in March 2015; Chimera RR Holding LLC formed in April 2016; Anacostia LLC, a TRS formed in June 2018; NYH Funding LLC, a TRS formed in May 2019; Kali 2020 Holdings LLC formed in May 2020; Varuna Capital Partners LLC formed in September 2020; and Aarna Holdings LLC formed in November 2020.

During 2022, the Company exchanged its interest in Kah Capital Management, LLC for an interest in Kah Capital Holdings, LLC, which is accounted for as an equity method investment in other assets on the Statement of Financial Condition at March 31, 2024. Kah Capital Holdings, LLC is the parent of Kah Capital Management, LLC. The Company paid $138 thousand and $142 thousand for mortgage asset servicing oversight fees to Kah Capital Management during the quarters ended March 31, 2024 and 2023, respectively. These fees are reported within Other Expenses on the Consolidated Statement of Operations. The Company has made a $75 million capital commitment to a fund managed by Kah Capital Management, LLC. During the quarter ended March 31, 2024 the Company funded an additional $10 million towards that commitment, which brought its total funding to $56 million, leaving an unfunded commitment of $19 million. The Company's investment in this fund is accounted for as an equity method investment in other assets on the Consolidated Statement of Financial Condition. The Company records any gains and losses associated with its equity method investments in other investment gains (losses) on the Consolidated Statement of Operations.

**2. Summary of the Significant Accounting Policies**

**(a) Basis of Presentation and Consolidation**

The accompanying consolidated financial statements and related notes of the Company have been prepared in accordance with accounting principles generally accepted in the United States, or GAAP. In the opinion of the Company, all normal and recurring adjustments considered necessary for a fair presentation of its financial position, results of operations and cash flows have been included. Investment transactions are recorded on the trade date.

The consolidated financial statements include the Company’s accounts, the accounts of its wholly-owned subsidiaries, and variable interest entities, or VIEs, in which the Company is the primary beneficiary. All intercompany balances and transactions have been eliminated in consolidation.

The Company uses securitization trusts considered to be VIEs in its securitization transactions. VIEs are defined as entities in which equity investors (i) do not have the characteristics of a controlling financial interest, or (ii) do not have sufficient equity

at risk for the entity to finance its activities without additional subordinated financial support from other parties. The entity that consolidates a VIE is known as its primary beneficiary and is generally the entity with (i) the power to direct the activities that most significantly impact the VIEs' economic performance, and (ii) the right to receive benefits from the VIE or the obligation to absorb losses of the VIE that could be significant to the VIE. For VIEs that do not have substantial on-going activities, the power to direct the activities that most significantly impact the VIEs' economic performance may be determined by an entity's involvement with the design and structure of the VIE.

The trusts are structured as entities that receive principal and interest on the underlying collateral and distribute those payments to the security holders. The assets held by the securitization entities are restricted in that they can only be used to fulfill the obligations of the securitization entity. The Company's risks associated with its involvement with these VIEs are limited to its risks and rights as a holder of the security it has retained as well as certain risks associated with being the sponsor and depositor of and the seller, directly or indirectly to, the securitizations entities.

Determining the primary beneficiary of a VIE requires judgment. The Company determined that for the securitizations it consolidates, its ownership provides the Company with the obligation to absorb losses or the right to receive benefits from the VIE that could be significant to the VIE. In addition, the Company has the power to direct the activities of the VIEs that most significantly impact the VIEs' economic performance, or power, such as rights to replace the servicer without cause, or the Company was determined to have power in connection with its involvement with the structure and design of the VIE.

The Company's interest in the assets held by these securitization vehicles, which are consolidated on the Company's Consolidated Statements of Financial Condition, is restricted by the structural provisions of these trusts, and a recovery of the Company's investment in the vehicles will be limited by each entity's distribution provisions. Generally, the securities retained by the Company are the most subordinate in the capital structure, which means those securities receive distributions after the senior securities have been paid. The liabilities of the securitization vehicles, which are also consolidated on the Company's Consolidated Statements of Financial Condition, are non-recourse to the Company, and can only be satisfied using proceeds from each securitization vehicle's respective asset pool.

The assets of securitization entities are comprised of residential mortgage-backed securities, or RMBS, or residential mortgage loans.See Notes 3, 4 and 8 for further discussion of the characteristics of the securities and loans in the Company's portfolio.

**(b) Statements of Financial Condition Presentation**

The Company's Consolidated Statements of Financial Condition include both the Company's direct assets and liabilities and the assets and liabilities of consolidated securitization vehicles. Retained beneficial interests of the consolidated securitization vehicles are eliminated in consolidation. Assets of each consolidated VIE can only be used to satisfy the obligations of that VIE, and the liabilities of consolidated VIEs are non-recourse to the Company. The Company is not obligated to provide, nor does it intend to provide, any financial support to these consolidated securitization vehicles. The notes to the consolidated financial statements describe the Company's assets and liabilities including the assets and liabilities of consolidated securitization vehicles. See Note 8 for additional information related to the Company's investments in consolidated securitization vehicles.

**(c) Use of Estimates**

The preparation of financial statements in conformity with GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although the Company's estimates contemplate current conditions and how it expects them to change in the future, it is reasonably possible that actual conditions could be materially different than anticipated in those estimates, which could have a material adverse impact on the Company's results of operations and its financial condition.

The Company has made significant estimates including in accounting for income recognition on Agency MBS, Non-Agency RMBS, IO MBS (Note 3) and residential mortgage loans (Note 4), valuation of Agency MBS and Non-Agency RMBS (Notes 3 and 5), residential mortgage loans (Notes 4 and 5), secured financing agreements (Notes 5 and 6), and securitized debt (Notes 5 and 7). Actual results could differ materially from those estimates.

**(d) Significant Accounting Policies**

There have been no significant changes to the Company's accounting policies included in Note 2 to the consolidated financial statements of the Company's Form 10-K for the year ended December 31, 2023, other than the significant accounting policies discussed below.

***Fair Value Disclosure***

A complete discussion of the methodology utilized by the Company to estimate the fair value of its financial instruments is included in Note 5 to these consolidated financial statements.

***Income Taxes***

The Company does not have any material unrecognized tax positions that would affect its financial statements or require disclosure.No accruals for penalties and interest were necessary as of March 31, 2024 or December 31, 2023.

**(e) Recent Accounting Pronouncements**

The Company has evaluated the accounting standards updates ("ASUs"), issued by Financial Accounting Standards Board ("FASB") during the first quarter of 2024 and determined that none of the recently issued ASUs are applicable to the Company.

**3. Mortgage-Backed Securities**

The Company classifies its Non-Agency RMBS as senior, subordinated, or Interest-only. The Company also invests in Agency MBS which it classifies as Agency RMBS to include residential and residential interest-only MBS and Agency CMBS to include commercial and commercial interest-only MBS. Senior interests in Non-Agency RMBS are generally entitled to the first principal repayments in their pro-rata ownership interests at the acquisition date. The tables below present amortized cost, allowance for credit losses, fair value and unrealized gain/losses of the Company's MBS investments as of March 31, 2024 and December 31, 2023.

**March 31, 2024**
(dollars in thousands)

| | Principal or Notional Value | Total Premium | Total Discount | Amortized Cost | Allowance for credit losses | Fair Value | Gross Unrealized Gains | Gross Unrealized Losses | Net Unrealized Gain/(Loss) |
|---|---|---|---|---|---|---|---|---|---|
| Non-Agency RMBS | | | | | | | | | |
| Senior | $ 1,057,200 | $ 16,024 | $ (575,728) | $ 497,496 | $ (16,491) | $ 664,282 | $ 189,895 | $ (6,618) | $ 183,277 |
| Subordinated | 610,429 | 3,583 | (281,892) | 332,120 | (3,416) | 314,254 | 17,469 | (31,919) | (14,450) |
| Interest-only | 2,819,698 | 157,077 | — | 157,077 | — | 81,327 | 14,386 | (90,136) | (75,750) |
| Agency RMBS | | | | | | | | | |
| Interest-only | 388,676 | 19,490 | — | 19,490 | — | 14,867 | 198 | (4,821) | (4,623) |
| Agency CMBS | | | | | | | | | |
| Project loans | 48,651 | 622 | — | 49,273 | — | 43,706 | — | (5,567) | (5,567) |
| Interest-only | 474,631 | 7,366 | — | 7,366 | — | 7,426 | 1,100 | (1,040) | 60 |
| Total | $ 5,399,285 | $ 204,162 | $ (857,620) | $ 1,062,822 | $ (19,907) | $ 1,125,862 | $ 223,048 | $ (140,101) | $ 82,947 |

**December 31, 2023**
(dollars in thousands)

| | Principal or Notional Value | Total Premium | Total Discount | Amortized Cost | Allowance for credit losses | Fair Value | Gross Unrealized Gains | Gross Unrealized Losses | Net Unrealized Gain/(Loss) |
|---|---|---|---|---|---|---|---|---|---|
| Non-Agency RMBS | | | | | | | | | |
| Senior | $ 1,073,632 | $ 14,641 | $ (582,640) | $ 505,633 | $ (15,052) | $ 676,128 | $ 192,528 | $ (6,981) | $ 185,547 |
| Subordinated | 583,049 | 3,609 | (286,247) | 300,411 | (3,508) | 276,903 | 16,548 | (36,548) | (20,000) |
| Interest-only | 2,874,680 | 157,871 | — | 157,871 | — | 90,775 | 14,394 | (81,490) | (67,096) |
| Agency RMBS | | | | | | | | | |
| Interest-only | 392,284 | 19,238 | — | 19,238 | — | 15,023 | 862 | (5,077) | (4,215) |
| Agency CMBS | | | | | | | | | |
| Project loans | 86,572 | 1,248 | — | 87,820 | — | 79,179 | — | (8,641) | (8,641) |
| Interest-only | 478,239 | 7,766 | — | 7,766 | — | 8,282 | 1,307 | (791) | 516 |
| Total | $ 5,488,456 | $ 204,373 | $ (868,887) | $ 1,078,739 | $ (18,560) | $ 1,146,290 | $ 225,639 | $ (139,528) | $ 86,111 |

The following tables present the gross unrealized losses and estimated fair value of the Company’s Agency and Non-Agency MBS by length of time that such securities have been in a continuous unrealized loss position at March 31, 2024 and December 31, 2023. All Non-Agency RMBS held as available-for-sale, and not accounted under the fair value option election in an unrealized loss position have been evaluated by the Company for current expected credit losses.

**March 31, 2024**
(dollars in thousands)

| | Unrealized Loss Position for Less than 12 Months | | | Unrealized Loss Position for 12 Months or More | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| | Estimated Fair Value | Unrealized Losses | Number of Positions | Estimated Fair Value | Unrealized Losses | Number of Positions | Estimated Fair Value | Unrealized Losses | Number of Positions |
| Non-Agency RMBS | | | | | | | | | |
| Senior | $ 46,803 | $ (283) | 13 | $ 45,625 | $ (6,335) | 8 | $ 92,429 | $ (6,618) | 21 |
| Subordinated | 25,720 | (630) | 4 | 189,006 | (31,289) | 35 | 214,726 | (31,919) | 39 |
| Interest-only | 20,615 | (6,983) | 30 | 29,047 | (83,153) | 105 | 49,662 | (90,136) | 135 |
| Agency RMBS | | | | | | | | | |
| Interest-only | 1,278 | (8) | 1 | 9,526 | (4,813) | 8 | 10,803 | (4,821) | 9 |
| Agency CMBS | | | | | | | | | |
| Project loans | 5,149 | (1,065) | 3 | 38,557 | (4,502) | 32 | 43,706 | (5,567) | 35 |
| Interest-only | 4,284 | (760) | 3 | 131 | (280) | 2 | 4,415 | (1,040) | 5 |
| Total | $ 103,849 | $ (9,729) | 54 | $ 311,892 | $ (130,372) | 190 | $ 415,741 | $ (140,101) | 244 |

| | December 31, 2023 (dollars in thousands) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Unrealized Loss Position for Less than 12 Months | | | Unrealized Loss Position for 12 Months or More | | | Total | | |
| | Estimated Fair Value | Unrealized Losses | Number of Positions | Estimated Fair Value | Unrealized Losses | Number of Positions | Estimated Fair Value | Unrealized Losses | Number of Positions |
| Non-Agency RMBS | | | | | | | | | |
| Senior | $ 51,476 | $ (281) | 13 | $ 42,859 | $ (6,700) | 6 | $ 94,335 | $ (6,981) | 19 |
| Subordinated | 19,382 | (1,467) | 5 | 181,822 | (35,081) | 33 | 201,204 | (36,548) | 38 |
| Interest-only | 19,263 | (4,035) | 27 | 36,731 | (77,455) | 105 | 55,994 | (81,490) | 132 |
| Agency RMBS | | | | | | | | | |
| Interest-only | — | — | — | 9,151 | (5,077) | 8 | 9,151 | (5,077) | 8 |
| Agency CMBS | | | | | | | | | |
| Project loans | 43,827 | (4,040) | 5 | 35,353 | (4,601) | 32 | 79,180 | (8,641) | 37 |
| Interest-only | 2,601 | (529) | 2 | 158 | (262) | 2 | 2,759 | (791) | 4 |
| Total | $ 136,549 | $ (10,352) | 52 | $ 306,074 | $ (129,176) | 186 | $ 442,623 | $ (139,528) | 238 |

At March 31, 2024, the Company did not intend to sell any of its Agency and Non-Agency MBS classified as available-for-sale that were in an unrealized loss position, and it was not more likely than not that the Company would be required to sell these MBS investments before recovery of their amortized cost basis, which may be at their maturity. With respect to RMBS held by consolidated VIEs, the ability of any entity to cause the sale by the VIE prior to the maturity of these RMBS is either expressly prohibited, not probable, or is limited to specified events of default, none of which have occurred as of March 31, 2024.

The Company had $24 thousand and $23 thousand gross unrealized losses on its Agency MBS (excluding Agency MBS which are reported at fair value with changes in fair value recorded in earnings) as of March 31, 2024 and December 31, 2023, respectively. Given the inherent credit quality of Agency MBS, the Company does not consider any of the current impairments on its Agency MBS to be credit related. In evaluating whether it is more likely than not that it will be required to sell any impaired security before its anticipated recovery, which may be at their maturity, the Company considers the significance of each investment, the amount of impairment, the projected future performance of such impaired securities, as well as the Company's current and anticipated leverage capacity and liquidity position. Based on these analyses, the Company determined that at March 31, 2024 unrealized losses on its Agency MBS were temporary.

Gross unrealized losses on the Company's Non-Agency RMBS (excluding Non-Agency RMBS which are reported at fair value with changes in fair value recorded in earnings), net of any allowance for credit losses, were $15 million and $18 million, at March 31, 2024 and December 31, 2023, respectively. After evaluating the securities and recording any allowance for credit losses, the Company concluded that the remaining unrealized losses reflected above were non-credit related and would be recovered from the securities' estimated future cash flows. The Company considered a number of factors in reaching this conclusion, including that it did not intend to sell the securities, it was not considered more likely than not that it would be required to sell the securities prior to recovering the amortized cost, and there were no material credit events that would have caused the Company to otherwise conclude that it would not recover the amortized cost. The allowance for credit losses are calculated by comparing the estimated future cash flows of each security discounted at the yield determined as of the initial acquisition date or, if since revised, as of the last date previously revised, to the net amortized cost basis. Significant judgment is used in projecting cash flows for Non-Agency RMBS.

The Company has reviewed its Non-Agency RMBS that are in an unrealized loss position to identify those securities with losses that are credit related based on an assessment of changes in cash flows expected to be collected for such RMBS, which considers recent bond performance and expected future performance of the underlying collateral. A summary of the credit losses allowance on available-for-sale securities for the quarters ended March 31, 2024 and 2023 is presented below.

| | For the Quarter Ended | |
|---|---|---|
| | March 31, 2024 | March 31, 2023 |
| | (dollars in thousands) | |
| **Beginning allowance for credit losses** | $ 18,560 | $ 7,188 |
| Additions to the allowance for credit losses on securities for which credit losses were not previously recorded | 705 | 597 |
| Allowance on purchased financial assets with credit deterioration | — | — |
| Reductions for the securities sold during the period | — | — |
| Increase/(decrease) on securities with an allowance in the prior period | 448 | 4,093 |
| Write-offs charged against the allowance | (302) | (1,631) |
| Recoveries of amounts previously written off | 496 | 4 |
| **Ending allowance for credit losses** | $ 19,907 | $ 10,251 |

The following table presents significant credit quality indicators used for the credit loss allowance on our Non-Agency RMBS investments as of March 31, 2024 and December 31, 2023.

**March 31, 2024**
(dollars in thousands)

| | | Prepay Rate | CDR | Loss Severity |
|---|---|---|---|---|
| | Amortized Cost | Weighted Average | Weighted Average | Weighted Average |
| Non-Agency RMBS | | | | |
| Senior | 98,495 | 7.1% | 2.3% | 37.3% |
| Subordinated | 72,053 | 6.5% | 0.3% | 44.7% |

**December 31, 2023**
(dollars in thousands)

| | | Prepay Rate | CDR | Loss Severity |
|---|---|---|---|---|
| | Amortized Cost | Weighted Average | Weighted Average | Weighted Average |
| Non-Agency RMBS | | | | |
| Senior | 98,394 | 6.2% | 2.3% | 35.3% |
| Subordinated | 75,005 | 6.2% | 0.7% | 38.9% |

The increase in the allowance for credit losses for the quarter ended March 31, 2024 is primarily due to increases in expected losses and delinquencies as compared to the same period of 2023. In addition, certain Non-Agency RMBS positions now have higher unrealized losses and resulted in the recognition of an allowance for credit losses which was previously limited by unrealized gains on these investments.

The following tables present a summary of unrealized gains and losses at March 31, 2024 and December 31, 2023.

| | March 31, 2024 (dollars in thousands) | | | | | |
|---|---|---|---|---|---|---|
| | Gross Unrealized Gain Included in Accumulated Other Comprehensive Income | Gross Unrealized Gain Included in Cumulative Earnings | Total Gross Unrealized Gain | Gross Unrealized Loss Included in Accumulated Other Comprehensive Income | Gross Unrealized Loss Included in Cumulative Earnings | Total Gross Unrealized Loss |
| Non-Agency RMBS | | | | | | |
| Senior | $ 189,895 | $ — | $ 189,895 | $ (5,231) | $ (1,388) | $ (6,618) |
| Subordinated | 10,826 | 6,643 | 17,469 | (10,019) | (21,900) | (31,919) |
| Interest-only | — | 14,386 | 14,386 | — | (90,136) | (90,136) |
| Agency RMBS | | | | | | |
| Interest-only | — | 198 | 198 | — | (4,821) | (4,821) |
| Agency CMBS | | | | | | |
| Project loans | — | — | — | (24) | (5,543) | (5,567) |
| Interest-only | — | 1,100 | 1,100 | — | (1,040) | (1,040) |
| Total | $ 200,721 | $ 22,327 | $ 223,048 | $ (15,274) | $ (124,827) | $ (140,101) |

| | December 31, 2023 (dollars in thousands) | | | | | |
|---|---|---|---|---|---|---|
| | Gross Unrealized Gain Included in Accumulated Other Comprehensive Income | Gross Unrealized Gain Included in Cumulative Earnings | Total Gross Unrealized Gain | Gross Unrealized Loss Included in Accumulated Other Comprehensive Income | Gross Unrealized Loss Included in Cumulative Earnings | Total Gross Unrealized Loss |
| Non-Agency RMBS | | | | | | |
| Senior | $ 192,528 | $ — | $ 192,528 | $ (5,396) | $ (1,585) | $ (6,981) |
| Subordinated | 10,757 | 5,791 | 16,548 | (12,198) | (24,350) | (36,548) |
| Interest-only | — | 14,394 | 14,394 | — | (81,490) | (81,490) |
| Agency RMBS | | | | | | |
| Interest-only | — | 862 | 862 | — | (5,077) | (5,077) |
| Agency CMBS | | | | | | |
| Project loans | — | — | — | (23) | (8,618) | (8,641) |
| Interest-only | — | 1,307 | 1,307 | — | (791) | (791) |
| Total | $ 203,285 | $ 22,354 | $ 225,639 | $ (17,617) | $ (121,911) | $ (139,528) |

Changes in prepayments, actual cash flows, and cash flows expected to be collected, among other items, are affected by the collateral characteristics of each asset class. The Company chooses assets for the portfolio after carefully evaluating each investment's risk profile.

The following tables provide a summary of the Company's MBS portfolio at March 31, 2024 and December 31, 2023.

| | March 31, 2024 | | | | |
|---|---|---|---|---|---|
| | 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 | $ 1,057,200 | $ 45.50 | 62.83 | 5.7 % | 16.9 % |
| Subordinated | 610,429 | 53.85 | 51.49 | 3.8 % | 7.2 % |
| Interest-only | 2,819,698 | 5.57 | 2.88 | 0.5 % | 6.2 % |
| Agency RMBS | | | | | |
| Interest-only | 388,676 | 5.01 | 3.83 | 0.1 % | 6.6 % |
| Agency CMBS | | | | | |
| Project loans | 48,651 | 101.28 | 89.84 | 3.7 % | 3.6 % |
| Interest-only | 474,631 | 1.55 | 1.56 | 0.5 % | 8.4 % |

(1) Bond Equivalent Yield at period end.

| | December 31, 2023 | | | | |
|---|---|---|---|---|---|
| | 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 | $ 1,073,632 | $ 45.69 | $ 62.98 | 5.7 % | 17.3 % |
| Subordinated | 583,049 | 50.92 | 47.49 | 3.3 % | 6.7 % |
| Interest-only | 2,874,680 | 5.49 | 3.16 | 0.5 % | 4.2 % |
| Agency RMBS | | | | | |
| Interest-only | 392,284 | 4.90 | 3.83 | 0.1 % | 5.7 % |
| Agency CMBS | | | | | |
| Project loans | 86,572 | 101.44 | 91.46 | 4.0 % | 3.8 % |
| Interest-only | 478,239 | 1.62 | 1.73 | 0.5 % | 8.2 % |

(1) Bond Equivalent Yield at period end.

Actual maturities of MBS are generally shorter than the stated contractual maturities. Actual maturities of the Company’s MBS are affected by the underlying mortgages, periodic payments of principal, realized losses and prepayments of principal. The following tables provide a summary of the fair value and amortized cost of the Company’s MBS at March 31, 2024 and December 31, 2023 according to their estimated weighted-average life classifications. The weighted-average lives of the MBS in the tables below are based on lifetime expected prepayment rates using the Company's prepayment assumptions for the Agency MBS and Non-Agency RMBS. The prepayment model considers current yield, forward yield, steepness of the interest rate curve, current mortgage rates, mortgage rates of the outstanding loan, loan age, margin, and volatility.

| | March 31, 2024 (dollars in thousands) | | | | |
|---|---|---|---|---|---|
| | Weighted Average Life | | | | |
| | Less than one year | Greater than one year and less than five years | Greater than five years and less than ten years | Greater than ten years | Total |
| Fair value | | | | | |
| Non-Agency RMBS | | | | | |
| Senior | $ 11,478 | $ 96,678 | $ 290,509 | $ 265,617 | $ 664,282 |
| Subordinated | 3,327 | 29,143 | 115,456 | 166,328 | 314,254 |
| Interest-only | 374 | 24,035 | 54,143 | 2,775 | 81,327 |
| Agency RMBS | | | | | |
| Interest-only | 4,645 | 6,437 | 3,785 | — | 14,867 |
| Agency CMBS | | | | | |
| Project loans | 7,721 | — | — | 35,985 | 43,706 |
| Interest-only | 172 | 7,254 | — | — | 7,426 |
| Total fair value | $ 27,717 | $ 163,547 | $ 463,893 | $ 470,705 | $ 1,125,862 |
| Amortized cost | | | | | |
| Non-Agency RMBS | | | | | |
| Senior | $ 4,175 | $ 95,054 | $ 202,382 | $ 195,885 | $ 497,496 |
| Subordinated | 2,286 | 25,550 | 117,777 | 186,507 | 332,120 |
| Interest-only | 15,986 | 46,031 | 89,067 | 5,993 | 157,077 |
| Agency RMBS | | | | | |
| Interest-only | 6,231 | 8,046 | 5,213 | — | 19,490 |
| Agency CMBS | | | | | |
| Project loans | 7,745 | — | — | 41,528 | 49,273 |
| Interest-only | 632 | 6,734 | — | — | 7,366 |
| Total amortized cost | $ 37,056 | $ 181,415 | $ 414,438 | $ 429,913 | $ 1,062,822 |

| | December 31, 2023 (dollars in thousands) | | | | |
|---|---|---|---|---|---|
| | Weighted Average Life | | | | |
| | Less than one year | Greater than one year and less than five years | Greater than five years and less than ten years | Greater than ten years | Total |
| Fair value | | | | | |
| Non-Agency RMBS | | | | | |
| Senior | $ 12,086 | $ 100,330 | $ 288,283 | $ 275,429 | $ 676,128 |
| Subordinated | 3,727 | 16,221 | 100,541 | 156,414 | 276,903 |
| Interest-only | 269 | 24,858 | 62,934 | 2,714 | 90,775 |
| Agency RMBS | | | | | |
| Interest-only | 15,023 | — | — | — | 15,023 |
| Agency CMBS | | | | | |
| Project loans | 7,797 | — | — | 71,382 | 79,179 |
| Interest-only | 614 | 7,668 | — | — | 8,282 |
| Total fair value | $ 39,516 | $ 149,077 | $ 451,758 | $ 505,939 | $ 1,146,290 |
| Amortized cost | | | | | |
| Non-Agency RMBS | | | | | |
| Senior | $ 4,072 | $ 95,442 | $ 202,295 | $ 203,824 | $ 505,633 |
| Subordinated | 2,301 | 12,672 | 104,432 | 181,006 | 300,411 |
| Interest-only | 9,527 | 46,578 | 98,632 | 3,134 | 157,871 |
| Agency RMBS | | | | | |
| Interest-only | 19,238 | — | — | — | 19,238 |
| Agency CMBS | | | | | |
| Project loans | 7,820 | — | — | 80,000 | 87,820 |
| Interest-only | 775 | 6,991 | — | — | 7,766 |
| Total amortized cost | $ 43,733 | $ 161,683 | $ 405,359 | $ 467,964 | $ 1,078,739 |

The Non-Agency RMBS investments are secured by pools of mortgage loans which are subject to credit risk.The following table summarizes the delinquency, bankruptcy, foreclosure and Real estate owned, or REO, total of the pools of mortgage loans securing the Company's investments in Non-Agency RMBS at March 31, 2024 and December 31, 2023. When delinquency rates increase, it is expected that the Company will incur additional credit losses.

| March 31, 2024 | 30 Days Delinquent | 60 Days Delinquent | 90+ Days Delinquent | Bankruptcy | Foreclosure | REO | Total |
|---|---|---|---|---|---|---|---|
| % of Unpaid Principal Balance | 3.7 % | 1.5 % | 2.4 % | 1.3 % | 3.0 % | 0.6 % | 12.5 % |

| December 31, 2023 | 30 Days Delinquent | 60 Days Delinquent | 90+ Days Delinquent | Bankruptcy | Foreclosure | REO | Total |
|---|---|---|---|---|---|---|---|
| % of Unpaid Principal Balance | 3.4 % | 1.4 % | 2.6 % | 1.3 % | 3.0 % | 0.5 % | 12.2 % |

The Non-Agency RMBS in the Portfolio have the following collateral characteristics at March 31, 2024 and December 31, 2023.

| | March 31, 2024 | | December 31, 2023 | |
|---|---|---|---|---|
| Weighted average maturity (years) | | 18.9 | | 19.5 |
| Weighted average amortized loan to value [1] | | 56.5 % | | 57.1 % |
| Weighted average FICO [2] | | 707 | | 707 |
| Weighted average loan balance (in thousands) | $ | 250 | $ | 252 |
| Weighted average percentage owner-occupied | | 84.1 % | | 84.5 % |
| Weighted average percentage single family residence | | 61.2 % | | 61.4 % |
| Weighted average current credit enhancement | | 1.2 % | | 1.3 % |
| Weighted average geographic concentration of top four states | CA | 32.9 % | CA | 33.1 % |
| | NY | 11.6 % | NY | 11.6 % |
| | FL | 7.6 % | FL | 7.6 % |
| | NJ | 4.6 % | NJ | 4.5 % |

(1) Value represents appraised value of the collateral at the time of loan origination.
(2) FICO as determined at the time of loan origination.

The table below presents the origination year of the underlying loans related to the Company's portfolio of Non-Agency RMBS at March 31, 2024 and December 31, 2023.

| Origination Year | March 31, 2024 | December 31, 2023 |
|---|---|---|
| 2003 and prior | 1.1 % | 1.2 % |
| 2004 | 0.7 % | 0.8 % |
| 2005 | 7.8 % | 8.2 % |
| 2006 | 42.1 % | 43.3 % |
| 2007 | 31.3 % | 32.5 % |
| 2008 and later | 17.0 % | 14.0 % |
| Total | 100.0 % | 100.0 % |

Gross realized gains and losses are recorded in "Net realized gains (losses) on sales of investments" on the Company's Consolidated Statements of Operations.The proceeds and gross realized gains and gross realized losses from sales of investments for the quarters ended March 31, 2024, and 2023 are as follows:

| | For the Quarter Ended | |
|---|---|---|
| | March 31, 2024 | March 31, 2023 |
| | (dollars in thousands) | |
| Proceeds from sales: | | |
| Non-Agency RMBS | — | — |
| Agency RMBS | — | — |
| Agency CMBS | $ 34,672 | $ 167,675 |
| Gross realized gains: | | |
| Non-Agency RMBS | — | — |
| Agency RMBS | — | — |
| Agency CMBS | — | — |
| Gross realized losses: | | |
| Non-Agency RMBS | — | — |
| Agency RMBS | — | — |
| Agency CMBS | (3,750) | (5,264) |
| Net realized gain (loss) | $ (3,750) | $ (5,264) |

**4. Loans Held for Investment**

The Loans held for investment are comprised primarily of loans collateralized by seasoned reperforming residential mortgages. Additionally, it includes jumbo prime loans, investor loans and business purpose loans.

The investor loans are loans to individuals securing non-primary residences as well as to individuals or businesses who rent out the residential properties secured by such loans. The Company purchases qualified mortgages, or QM, and non-qualified mortgages, or Non-QM, investor loans and securitizes them under its loan securitization program. The business purpose loans are loans to businesses that are secured by real property which will be renovated by the borrower. The business purpose loans tend to be short duration, often less than one year, and generally the coupon rate is higher than residential mortgage loans.

At March 31, 2024 and December 31, 2023, all Loans held for investment are carried at fair value. See Note 5 for a discussion on how the Company determines the fair values of the Loans held for investment. As changes in the fair value of these loans are reflected in earnings, the Company does not estimate or record a loan loss provision. The total amortized cost of the Company's Loans held for investment was $11.4 billion and $11.8 billion as of March 31, 2024 and December 31, 2023, respectively. The total unpaid principal balance of the Company's Loans held for investment was $11.6 billion and $12.0 billion as of March 31, 2024 and December 31, 2023, respectively.

The following table provides a summary of the changes in the carrying value of Loans held for investment at fair value at March 31, 2024 and December 31, 2023:

| | For the Quarter Ended | For the Year Ended |
|---|---|---|
| | March 31, 2024 | December 31, 2023 |
| | (dollars in thousands) | |
| Balance, beginning of period | $ 11,397,046 | $ 11,359,236 |
| Purchases | — | 1,421,537 |
| Principal paydowns | (306,064) | (1,417,787) |
| Sales and settlements | (77,034) | (246) |
| Net periodic accretion (amortization) | (13,455) | (51,005) |
| Change in fair value | 74,026 | 85,311 |
| Balance, end of period | $ 11,074,519 | $ 11,397,046 |

The primary cause of the change in fair value is due to market demand, interest rates and changes in credit risk of mortgage loans. The Company did not retain any beneficial interests on loan sales during the quarter ended March 31, 2024 and year ended December 31, 2023.

*Residential mortgage loans*

The loan portfolio for all residential mortgages were originated during the following periods:

| Origination Year | March 31, 2024 | December 31, 2023 [1] |
|---|---|---|
| 2002 and prior | 5.3 % | 5.5 % |
| 2003 | 4.6 % | 4.8 % |
| 2004 | 8.6 % | 9.0 % |
| 2005 | 14.7 % | 15.3 % |
| 2006 | 18.6 % | 19.2 % |
| 2007 | 21.2 % | 20.9 % |
| 2008 | 6.8 % | 6.5 % |
| 2009 | 1.7 % | 1.5 % |
| 2010 and later | 18.5 % | 17.3 % |
| Total | 100.0 % | 100.0 % |

(1) The above table excludes approximately $152 million of Loans held for investment for December 31, 2023, which were purchased prior to the reporting date, but not settled as of the reporting date.

The following table presents a summary of key characteristics of the residential loan portfolio at March 31, 2024 and December 31, 2023:

| | March 31, 2024 | | December 31, 2023 [1] | |
|---|---|---|---|---|
| Number of loans | | 109,996 | | 112,572 |
| Weighted average maturity (years) | | 20.8 | | 21.0 |
| Weighted average loan to value [2] | | 79.0 % | | 79.0 % |
| Weighted average FICO | | 665 | | 665 |
| Weighted average loan balance (in thousands) | $ | 106 | $ | 106 |
| Weighted average percentage owner occupied | | 85.7 % | | 86.0 % |
| Weighted average percentage single family residence | | 78.3 % | | 78.4 % |
| Weighted average geographic concentration of top five states | CA | 14.9 % | CA | 14.7 % |
| | FL | 8.8 % | FL | 8.8 % |
| | NY | 8.6 % | NY | 8.6 % |
| | PA | 4.5 % | PA | 4.5 % |
| | NJ | 4.3 % | VA | 4.3 % |

(1) The above table excludes approximately $152 million of Loans held for investment for December 31, 2023, which were purchased prior to the reporting date, but not settled as of the reporting date.
(2) Value represents appraised value of the collateral at the time of loan origination.

The following table summarizes the outstanding principal balance of the residential loan portfolio which are 30 days delinquent and greater as reported by the servicers at March 31, 2024 and December 31, 2023, respectively.

| | 30 Days Delinquent | 60 Days Delinquent | 90+ Days Delinquent | Bankruptcy | Foreclosure | REO | Total | Unpaid Principal Balance |
|---|---|---|---|---|---|---|---|---|
| | | | (dollars in thousands) | | | | | |
| **March 31, 2024** | $746,284 | $236,542 | $330,634 | $180,222 | $334,727 | $30,841 | $1,859,250 | $11,639,449 |
| **% of Unpaid Principal Balance** | 6.4 % | 2.0 % | 2.8 % | 1.5 % | 2.9 % | 0.3 % | 15.9 % | |
| | | | | | | | | |
| **December 31, 2023** | $763,581 | $235,169 | $337,928 | $181,410 | $346,396 | $29,416 | $1,893,900 | $11,876,358 |
| **% of Unpaid Principal Balance** | 6.4 % | 2.0 % | 2.8 % | 1.5 % | 2.9 % | 0.2 % | 15.8 % | |

The fair value of residential mortgage loans 90 days or more past due was $633 million and $645 million as of March 31, 2024 and December 31, 2023, respectively.

**5. Fair Value Measurements**

The Company applies fair value guidance in accordance with GAAP to account for its financial instruments. The Company categorizes its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Financial assets and liabilities recorded at fair value on the Consolidated Statements of Financial Condition or disclosed in the related notes are categorized based on the inputs to the valuation techniques as follows:

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets and liabilities in active markets.

Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – inputs to the valuation methodology are unobservable and significant to fair value.

Fair value measurements categorized within Level 3 are sensitive to changes in the assumptions or methodology used to determine fair value and such changes could result in a significant increase or decrease in the fair value. Any changes to the valuation methodology are reviewed by the Company to ensure the changes are appropriate. As markets and products evolve and the pricing for certain products becomes more transparent, the Company will continue to refine its valuation methodologies. The methodology utilized by the Company for the periods presented is unchanged. The methods used to produce a fair value calculation may not be indicative of net realizable value or reflective of future fair values. Furthermore, the Company believes its valuation methods are appropriate and consistent with other market participants. Using different methodologies, or assumptions, to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. The Company uses inputs that are current as of the measurement date, which may include periods of market dislocation, during which price transparency may be reduced.

The Company determines the fair values of its investments using internally developed processes and validates them using a third-party pricing service. During times of market dislocation, the observability of prices and inputs can be difficult for certain investments. If the third-party pricing service is unable to provide a price for an asset, or if the price provided by them is deemed unreliable by the Company, then the asset will be valued at its fair value as determined by the Company without validation to third-party pricing. Illiquid investments typically experience greater price volatility as an active market does not exist. Observability of prices and inputs can vary significantly from period to period and may cause instruments to change classifications within the three level hierarchy.

A description of the methodologies utilized by the Company to estimate the fair value of its financial instruments by instrument class follows:

**Agency MBS and Non-Agency RMBS**

The Company determines the fair value of all of its investment securities based on discounted cash flows utilizing an internal pricing model that incorporates factors such as coupon, prepayment speeds, loan size, collateral composition, borrower characteristics, expected interest rates, life caps, periodic caps, reset dates, collateral seasoning, delinquency, expected losses, expected default severity, credit enhancement, and other pertinent factors. To corroborate that the estimates of fair values generated by these internal models are reflective of current market prices, the Company compares the fair values generated by the model to non-binding independent prices provided by an independent third-party pricing service. For certain highly liquid asset classes, such as Agency fixed-rate pass-through bonds, the Company's valuations are also compared to quoted prices for To-Be-Announced, or TBA, securities.

Each quarter, the Company develops thresholds generally using market factors or other assumptions, as appropriate. If internally developed model prices differ from the independent third-party prices by greater than these thresholds for the period, the Company conducts a further review, both internally and with the third-party pricing service of the prices of such securities. First, the Company obtains the inputs used by the third-party pricing service and compares them to the Company's inputs. The Company then updates its own inputs if the Company determines the third-party pricing inputs more accurately reflect the current market environment. If the Company believes that its internally developed inputs more accurately reflect the current market environment, it will request that the third-party pricing service review market factors that may not have been considered by the third-party pricing service and provide updated prices. The Company reconciles and resolves all pricing differences in excess of the thresholds before a final price is established. At March 31, 2024, two investment holdings with an internally developed fair value of $8 million had a difference between the model generated price and third-party price provided in excess of the thresholds for the period. The internally developed price was $2 million higher, than the third-party price provided of $6 million. After review and discussion, the Company affirmed and valued the investments at the higher internally developed price. No other differences were noted at March 31, 2024 in excess of the thresholds for the period. At December 31, 2023, one investment holding with an internally developed fair value of $6 million had a difference between the model generated price and third-party price provided in excess of the threshold for the period. The internally developed price was $1 million higher, in the aggregate, than the third-party prices provided of $5 million. After review and discussion, the Company affirmed and valued the investment at the higher internally developed price. No other differences were noted at December 31, 2023 in excess of the thresholds for the period.

The Company's estimate of prepayment, default and severity curves all involve judgment and assumptions that are deemed to be significant to the fair value measurement process. This subjective estimation process renders the Non-Agency RMBS fair value estimates as Level 3 in the fair value hierarchy. As the fair values of Agency MBS are more observable, these investments are classified as Level 2 in the fair value hierarchy.

**Loans Held for Investment**

Loans held for investment is comprised primarily of seasoned reperforming residential mortgage loans. Loans held for investment also include jumbo prime, investor owned and business purpose loans.

*Loans consisting of seasoned reperforming residential mortgage loans, jumbo prime loans and investor loans:*

The Company estimates the fair value of its Loans held for investment consisting of seasoned reperforming residential mortgage loans, jumbo prime loans and investor loans on a loan by loan basis using an internally developed model which compares the loan held by the Company with a loan currently offered in the market. The loan price is adjusted in the model by considering the loan factors which would impact the value of a loan. These loan factors include loan coupon, FICO, loan-to-value ratios, delinquency history, owner occupancy, and property type, among other factors. A baseline is developed for each significant loan factor and adjusts the price up or down depending on how that factor for each specific loan compares to the baseline rate. Generally, the most significant impact on loan value is the loan coupon rate as compared to coupon rates currently available in the market and delinquency history.

The Company also monitors market activity to identify trades which may be used to compare internally developed prices; however, as the portfolio of loans held at fair value is a seasoned reperforming pool of residential mortgage loans, comparable loan pools are not common or directly comparable. There are limited transactions in the marketplace to develop a comprehensive direct range of values.

The Company reviews the fair values generated by the model to determine whether prices are reflective of the current market by corroborating its estimates of fair value by comparing the results to non-binding independent prices provided by an independent third-party pricing service for the loan portfolio. Each quarter the Company develops thresholds generally using market factors or other assumptions as appropriate.

If the internally developed fair values of the loan pools differ from the independent third-party prices by greater than the threshold for the period, the Company highlights these differences for further review, both internally and with the third-party pricing service. The Company obtains certain inputs used by the third-party pricing service and evaluates them for reasonableness. Then the Company updates its own model if the Company determines the third-party pricing inputs more accurately reflect the current market environment or observed information from the third-party vendor. If the Company believes that its internally developed inputs more accurately reflect the current market environment, it will request that the third-party pricing service review market factors that may not have been considered by the third-party pricing service. The Company reconciles and resolves all pricing differences in excess of the thresholds before a final price is established.

At March 31, 2024, one loan pool with an internally developed fair value of $108 million had a difference between the model generated price and third-party price provided in excess of the threshold for the period. The internally developed price was $7 million higher than the third-party price provided of $102 million. After review and discussion, the Company affirmed and valued the investment at the higher internally developed price. No other differences were noted at March 31, 2024 in excess of the threshold for the period. At December 31, 2023, one loan pool with an internally developed fair value of $109 million had a difference between the model generated price and third-party price provided in excess of the threshold for the period. The internally developed price was $7 million higher than the third-party price provided of $102 million. After review and discussion, the Company affirmed and valued the investment at the higher internally developed price. No other differences were noted at December 31, 2023 in excess of the threshold for the period.

The Company's estimates of fair value of Loans held for investment involve judgment and assumptions that are deemed to be significant to the fair value measurement process, which renders the resulting fair value estimates Level 3 inputs in the fair value hierarchy.

*Business purpose loans:*

Business purpose loans are loans to businesses that are secured by real property which will be renovated by the borrower. Upon completion of the renovation the property will be either sold by the borrower or refinanced by the borrower who may subsequently sell or rent the property. Most, but not all, of the properties securing these loans are residential and a portion of the loan is used to cover renovation costs. The business purpose loans are included as a part of the Company's Loans held for investment portfolio and are carried at fair value with changes in fair value reflected in earnings. These loans tend to be short duration, often less than one year, and generally the coupon rate is higher than the Company's typical residential mortgage loans. As these loans are generally short-term in nature and there is an active market for these loans, the Company estimates fair value of the business purpose loans based on the recent purchase price of the loan, adjusted for observable market activity for similar assets offered in the market. Business purpose loans have a fair value of $162 million and $272 million as of March 31, 2024 and December 31, 2023, respectively.

As the fair value prices of the business purpose loans are based on the recent trades of similar assets in an active market, the Company has classified them as Level 2 in the fair value hierarchy.

***Securitized Debt, collateralized by Loans Held for Investment***

The process for determining the fair value of securitized debt, collateralized by Loans held for investment is based on discounted cash flows utilizing an internal pricing model that incorporates factors such as coupon, prepayment speeds, loan size, collateral composition, borrower characteristics, expected interest rates, life caps, periodic caps, reset dates, collateral seasoning, delinquencies, expected losses, expected default severity, credit enhancement, and other pertinent factors. This process, including the review process, is consistent with the process used for Agency MBS and Non-Agency RMBS using internal models. For further discussion of the valuation process and benchmarking process, see *Agency MBS and Non-Agency RMBS* discussion herein. The primary cause of the change in fair value is due to market demand and changes in credit risk of mortgage loans.

At March 31, 2024, two securitized debt collateralized by Loans held for investment positions with internally developed fair values of $8 million had differences between the model generated prices and third-party prices provided in excess of the threshold for the period. The internally developed prices were $1 million higher on a net basis than the third-party prices provided of $7 million. After review and discussion, the Company affirmed and valued the securitized debt positions at the higher internally developed prices. No other differences were noted at March 31, 2024 in excess of the threshold for the period. At December 31, 2023, four securitized debt collateralized by Loans held for investment positions with an internally developed fair value of $247 million had a difference between the model generated prices and third-party prices provided in excess of the threshold for the period. The internally developed prices were $9 million lower on a net basis than the third-party prices provided of $256 million. After review and discussion, the Company affirmed and valued the securitized debt positions at the

lower internally developed prices. No other pricing differences were noted at December 31, 2023 in excess of the threshold for the period.

The Company's estimates of fair value of securitized debt, collateralized by Loans held for investment involve judgment and assumptions that are deemed to be significant to the fair value measurement process, which renders the resulting fair value estimates Level 3 inputs in the fair value hierarchy.

***Securitized Debt, collateralized by Non-Agency RMBS***

The Company carries securitized debt, collateralized by Non-Agency RMBS at the principal balance outstanding plus unamortized premiums, less unaccreted discounts recorded in connection with the financing of the loans or RMBS with third parties. For disclosure purposes, the Company estimates the fair value of securitized debt, collateralized by Non-Agency RMBS by estimating the future cash flows associated with the underlying assets collateralizing the secured debt outstanding. The Company models the fair value of each underlying asset by considering, among other items, the structure of the underlying security, coupon, servicer, delinquency, actual and expected defaults, actual and expected default severities, reset indices, and prepayment speeds in conjunction with market research for similar collateral performance and the Company's expectations of general economic conditions in the sector and other economic factors. This process, including the review process, is consistent with the process used for Agency MBS and Non-Agency RMBS using internal models. For further discussion of the valuation process and benchmarking process, see *Agency MBS and Non-Agency RMBS* discussion herein.

The Company's estimates of fair value of securitized debt, collateralized by Non-Agency RMBS involve judgment and assumptions that are deemed to be significant to the fair value measurement process, which renders the resulting fair value estimates Level 3 inputs in the fair value hierarchy.

***Fair value option***

The table below shows the unpaid principal and fair value of the financial instruments carried at fair value with changes in fair value reflected in earnings under the fair value option election as of March 31, 2024 and December 31, 2023, respectively:

| | March 31, 2024 | | December 31, 2023 | |
|---|---|---|---|---|
| | (dollars in thousands) | | | |
| | Unpaid Principal/ Notional | Fair Value | Unpaid Principal/ Notional | Fair Value |
| **Assets:** | | | | |
| Non-Agency RMBS | | | | |
| Senior | $ 15,348 | $ 14,061 | $ 15,820 | $ 14,321 |
| Subordinated | 437,956 | 207,454 | 409,043 | 171,633 |
| Interest-only | 2,819,698 | 81,327 | 2,874,680 | 90,775 |
| Agency RMBS | | | | |
| Interest-only | 388,676 | 14,867 | 392,284 | 15,023 |
| Agency CMBS | | | | |
| Project loans | 40,906 | 35,985 | 78,752 | 71,383 |
| Interest-only | 474,631 | 7,426 | 478,239 | 8,282 |
| Loans held for investment, at fair value | 11,639,449 | 11,074,519 | 12,028,480 | 11,397,046 |
| **Liabilities:** | | | | |
| Secured Financing Agreements, at fair value | 358,582 | 339,581 | 362,215 | 350,238 |
| Securitized debt at fair value, collateralized by Loans held for investment | 8,116,880 | 7,336,345 | 8,389,563 | 7,601,881 |

The table below shows the impact of change in fair value on each of the financial instruments carried at fair value with changes in fair value reflected in earnings under the fair value option election in the Consolidated Statement of Operations for the quarters ended March 31, 2024 and 2023:

| | For the Quarter Ended | |
|---|---|---|
| | March 31, 2024 | March 31, 2023 |
| | (dollars in thousands) | |
| | Gain/(Loss) on Change in Fair Value | |
| **Assets:** | | |
| Non-Agency RMBS | | |
| Senior | $ 197 | $ 37 |
| Subordinated | 3,304 | 938 |
| Interest-only | (8,654) | 11,645 |
| Agency RMBS | | |
| Interest-only | (409) | (215) |
| Agency CMBS | | |
| Project loans | 3,075 | 6,880 |
| Interest-only | (455) | (56) |
| Loans held for investment, at fair value | 74,026 | 114,137 |
| **Liabilities:** | | |
| Secured Financing Agreements, at fair value | 7,024 | 2,160 |
| Securitized debt at fair value, collateralized by Loans held for investment | (1,343) | (70,934) |

***Derivatives***

*Interest Rate Swaps and Swaptions*

The Company uses clearing exchange market prices to determine the fair value of its exchange cleared interest rate swaps. For bi-lateral swaps, the Company determines the fair value based on the net present value of expected future cash flows on the swap. The Company uses an option pricing model to determine the fair value of its swaptions. For bi-lateral swaps and swaptions, the Company compares its own estimate of fair value with counterparty prices to evaluate for reasonableness. Both the clearing exchange and counter-party pricing quotes, incorporate common market pricing methods, including a spread measurement to the Treasury yield curve or interest rate swap curve as well as underlying characteristics of the particular contract. Interest rate swaps and swaptions are modeled by the Company by incorporating such factors as the term to maturity, swap curve, overnight index swap rates, and the payment rates on the fixed portion of the interest rate swaps. The Company has classified the characteristics used to determine the fair value of interest rate swaps and swaptions as Level 2 inputs in the fair value hierarchy.

***Secured Financing Agreements***

Secured financing agreements are collateralized financing transactions utilized by the Company to acquire investment securities. For short term secured financing agreements and longer term floating rate secured financing agreements, the Company estimates fair value using the contractual obligation plus accrued interest payable. The Company has classified the characteristics used to determine the fair value of secured financing agreements as Level 2 inputs in the fair value hierarchy.

*Secured Financing Agreements, at fair value*

Fair value for certain secured financing agreements which are carried at fair value with changes in fair value reported in earnings are valued at the price that the Company would pay to transfer the liability to a market participant at the reporting date in an orderly transaction. The Company evaluates recent trades of financial liabilities made by the Company, which includes an element of non-performance risk, as well as changes in market interest rates to determine the fair value of the secured financing agreements. The primary factor in determining the fair value is the change in market interest rates from the transaction date of the secured financing agreements and the reporting date. As these rates are observable, the secured financing agreements are reported as level 2 inputs in the fair value hierarchy.

***Short-term Financial Instruments***

The carrying value of cash and cash equivalents, accrued interest receivable, dividends payable, payable for investments purchased, and accrued interest payable are considered to be a reasonable estimate of fair value due to the short term nature and low credit risk of these short-term financial instruments.

***Equity Method Investments***

The Company has made investments in entities or funds. For these investments where we have a non-controlling interest, but we are deemed to be able to exert significant influence over the affairs of these entities or funds, we utilize equity method of accounting. These investments are not carried at fair value. The carrying value of the Company's equity method investments is determined using cost accumulation method. The Company adjusts the carrying value of its equity method investments for its share of earnings or losses, dividends or return of capital on a quarterly basis. The fair value of equity method investments is based on the fund valuation received from the manager of the fund. The Company has classified the characteristics used to determine the fair value of equity method investments as Level 3 inputs in the fair value hierarchy. The equity method investments are included in Other assets on the Consolidated Statement of Financial Condition.

The Company's financial assets and liabilities carried at fair value on a recurring basis, including the level in the fair value hierarchy, at March 31, 2024 and December 31, 2023 are presented below.

| | March 31, 2024 (dollars in thousands) | | | | |
|---|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Counterparty and Cash Collateral, netting** | **Total** |
| Assets: | | | | | |
| Non-Agency RMBS, at fair value | $ — | $ — | $ 1,059,863 | $ — | $ 1,059,863 |
| Agency MBS, at fair value | — | 65,999 | — | — | 65,999 |
| Loans held for investment, at fair value | — | 161,915 | 10,912,604 | — | 11,074,519 |
| Derivatives, at fair value | — | 26,806 | — | (26,806) | — |
| | | | | | |
| Liabilities: | | | | | |
| Secured Financing Agreement, at fair value | — | 339,581 | — | — | 339,581 |
| Securitized debt at fair value, collateralized by Loans held for investment | — | — | 7,336,345 | — | 7,336,345 |
| Derivatives, at fair value | — | — | — | — | — |

| | December 31, 2023 (dollars in thousands) | | | | |
|---|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Counterparty and Cash Collateral, netting** | **Total** |
| Assets: | | | | | |
| Non-Agency RMBS, at fair value | $ — | $ — | 1,043,806 | $ — | $ 1,043,806 |
| Agency MBS, at fair value | — | 102,484 | — | — | 102,484 |
| Loans held for investment, at fair value | — | 271,994 | 11,125,052 | — | 11,397,046 |
| Derivatives, at fair value | — | 18,817 | — | (18,817) | — |
| | | | | | |
| Liabilities: | | | | | |
| Secured Financing Agreement, at fair value | — | 350,238 | — | — | 350,238 |
| Securitized debt at fair value, collateralized by Loans held for investment | — | — | 7,601,881 | — | 7,601,881 |
| Derivatives, at fair value | — | — | — | — | — |

The table below provides a summary of the changes in the fair value of financial instruments classified as Level 3 at March 31, 2024 and December 31, 2023.

**Fair Value Level 3 Rollforward - Assets**

| | For the Quarter Ended March 31, 2024 | | For the Year Ended December 31, 2023 | |
|---|---|---|---|---|
| | (dollars in thousands) | | | |
| | Non-Agency RMBS | Loans held for investment | Non-Agency RMBS | Loans held for investment |
| Beginning balance Level 3 | $ 1,043,806 | $ 11,125,052 | $ 1,147,481 | $ 11,154,600 |
| Transfers into Level 3 | — | — | — | — |
| Transfers out of Level 3 | — | — | — | — |
| Purchases of assets | 34,144 | — | 5,669 | 1,183,663 |
| Principal payments | (18,672) | (271,304) | (83,730) | (1,247,364) |
| Sales and Settlements | — | (1,446) | — | 2,166 |
| Net accretion (amortization) | 7,259 | (13,233) | 38,789 | (52,595) |
| Gains (losses) included in net income | | | | |
| (Increase) decrease in provision for credit losses | (1,347) | — | (11,371) | — |
| Realized gains (losses) on sales and settlements | — | — | 13 | — |
| Net unrealized gains (losses) included in income | (5,153) | 73,535 | (6,561) | 84,582 |
| Gains (losses) included in other comprehensive income | — | — | — | — |
| Total unrealized gains (losses) for the period | (174) | — | (46,484) | — |
| Ending balance Level 3 | $ 1,059,863 | $ 10,912,604 | $ 1,043,806 | $ 11,125,052 |

**Fair Value Level 3 Rollforward - Liabilities**

| | For the Quarter Ended March 31, 2024 | For the Year Ended December 31, 2023 |
|---|---|---|
| | (dollars in thousands) | |
| | Securitized Debt | Securitized Debt |
| Beginning balance Level 3 | $ 7,601,881 | $ 7,100,742 |
| Transfers into Level 3 | — | — |
| Transfers out of Level 3 | — | — |
| Issuance of debt | — | 2,186,058 |
| Principal payments | (272,668) | (1,222,593) |
| Sales and Settlements | — | (544,693) |
| Net (accretion) amortization | 5,792 | 20,309 |
| (Gains) losses included in net income | — | — |
| Other than temporary credit impairment losses | — | — |
| Realized (gains) losses on sales and settlements | — | (6,348) |
| Net unrealized (gains) losses included in income | 1,340 | 68,406 |
| (Gains) losses included in other comprehensive income | — | — |
| Total unrealized (gains) losses for the period | — | — |
| Ending balance Level 3 | $ 7,336,345 | $ 7,601,881 |

There were no transfers in or out from Level 3 during the quarter ended March 31, 2024 and the year ended December 31, 2023, respectively.

The significant unobservable inputs used in the fair value measurement of the Company’s Non-Agency RMBS and securitized debt are the weighted average discount rates, prepayment rate, constant default rate, and the loss severity.

*Discount Rate*

The discount rate refers to the interest rate used in the discounted cash flow analysis to determine the present value of future cash flows. The discount rate takes into account not just the time value of money, but also the risk or uncertainty of future cash flows. An increased uncertainty of future cash flows results in a higher discount rate. The discount rate used to calculate the present value of the expected future cash flows is based on the discount rate implicit in the security as of the last measurement date. As discount rates move up, the values of the discounted cash flows are reduced.

The discount rates applied to the expected cash flows to determine fair value are derived from a range of observable prices on securities backed by similar collateral. As the market becomes more or less liquid, the availability of these observable inputs will change.

*Prepayment Rate*

The prepayment rate specifies the percentage of the collateral balance that is expected to prepay at each point in the future. The prepayment rate is based on factors such as interest rates, loan-to-value ratio, debt-to-income ratio, and is scaled up or down to reflect recent collateral-specific prepayment experience as obtained from remittance reports and market data services.

*Constant Default Rate*

Constant default rate represents an annualized rate of default on a group of mortgages. The constant default rate, or CDR, represents the percentage of outstanding principal balances in the pool that are in default, which typically equates to the home being past 60-day and 90-day notices and in the foreclosure process. When default rates increase, expected cash flows on the underlying collateral decreases. When default rates decrease, expected cash flows on the underlying collateral increases.

Default vectors are determined from the current "pipeline" of loans that are more than 30 days delinquent, in foreclosure, bankruptcy, or are REO. These delinquent loans determine the first 30 months of the default curve. Beyond month 30, the default curve transitions to a value that is reflective of a portion of the current delinquency pipeline.

*Loss Severity*

Loss severity rates reflect the amount of loss expected from a foreclosure and liquidation of the underlying collateral in the mortgage loan pool. When a mortgage loan is foreclosed the collateral is sold and the resulting proceeds are used to settle the outstanding obligation. In many circumstances, the proceeds from the sale do not fully repay the outstanding obligation. In these cases, a loss is incurred by the lender. Loss severity is used to predict how costly future losses are likely to be. An increase in loss severity results in a decrease in expected future cash flows. A decrease in loss severity results in an increase in expected future cash flows.

The curve generated to reflect the Company's expected loss severity is based on collateral-specific experience with consideration given to other mitigating collateral characteristics. Collateral characteristics such as loan size, loan-to-value, seasoning or loan age and geographic location of collateral also effect loss severity.

*Sensitivity of Significant Inputs – Non-Agency RMBS and securitized debt, collateralized by Loans held for investment*

Prepayment rates vary according to interest rates, the type of financial instrument, conditions in financial markets, and other factors, none of which can be predicted with any certainty. In general, when interest rates rise, it is relatively less attractive for borrowers to refinance their mortgage loans, and as a result, prepayment speeds tend to decrease. When interest rates fall, prepayment speeds tend to increase. For RMBS investments purchased at a premium, as prepayment rates increase, the amount of income the Company earns decreases as the purchase premium on the bonds amortizes faster than expected. Conversely, decreases in prepayment rates result in increased income and can extend the period over which the Company amortizes the purchase premium. For RMBS investments purchased at a discount, as prepayment rates increase, the amount of income the Company earns increases from the acceleration of the accretion of the purchase discount into interest income. Conversely, decreases in prepayment rates result in decreased income as the accretion of the purchase discount into interest income occurs over a longer period.

For securitized debt carried at fair value issued at a premium, as prepayment rates increase, the amount of interest expense the Company recognizes decreases as the issued premium on the debt amortizes faster than expected. Conversely, decreases in prepayment rates result in increased expense and can extend the period over which the Company amortizes the premium.

For debt issued at a discount, as prepayment rates increase, the amount of interest the Company expenses increases from the acceleration of the accretion of the discount into interest expense. Conversely, decreases in prepayment rates result in decreased expense as the accretion of the discount into interest expense occurs over a longer period.

A summary of the significant inputs used to estimate the fair value of Level 3 Non-Agency RMBS held for investment at fair value as of March 31, 2024 and December 31, 2023 follows. The weighted average discount rates are based on fair value.

**March 31, 2024**
**Significant Inputs**

| | Discount Rate | | Prepay Rate | | CDR | | Loss Severity | |
|---|---|---|---|---|---|---|---|---|
| | Range | Weighted Average | Range | Weighted Average | Range | Weighted Average | Range | Weighted Average |
| Non-Agency RMBS | | | | | | | | |
| Senior | 6%-10% | 6.6% | 6%-20% | 6.8% | 0%-16% | 1.4% | 26%-85% | 32.6% |
| Subordinated | 0%-15% | 7.9% | 5%-18% | 7.0% | 0%-11% | 0.8% | 10%-51% | 36.0% |
| Interest-only | 0%-100% | 11.8% | 0%-15% | 6.8% | 0%-7% | 0.9% | 0%-86% | 32.2% |

**December 31, 2023**
**Significant Inputs**

| | Discount Rate | | Prepay Rate | | CDR | | Loss Severity | |
|---|---|---|---|---|---|---|---|---|
| | Range | Weighted Average | Range | Weighted Average | Range | Weighted Average | Range | Weighted Average |
| Non-Agency RMBS | | | | | | | | |
| Senior | 6% -10% | 6.6% | 1% -20% | 6.4% | 0% -12% | 1.4% | 26% -77% | 32.8% |
| Subordinated | 0% -13% | 7.5% | 5% -25% | 6.6% | 0% -5% | 0.5% | 10% -50% | 34.8% |
| Interest-only | 0% -100% | 12% | 4% -25% | 6.8% | 0% -7% | 0.9% | 0% -82% | 30.3% |

A summary of the significant inputs used to estimate the fair value of securitized debt at fair value, collateralized by Loans held for investment, as of March 31, 2024 and December 31, 2023 follows:

**March 31, 2024**
**Significant Inputs**

| | Discount Rate | | Prepay Rate | | CDR | | Loss Severity | |
|---|---|---|---|---|---|---|---|---|
| | Range | Weighted Average | Range | Weighted Average | Range | Weighted Average | Range | Weighted Average |
| Securitized debt at fair value, collateralized by Loans held for investment | 6%-9% | 6.5% | 6%-15% | 7.4% | 0%-6% | 0.8% | 30%-55% | 39.7% |

**December 31, 2023**
**Significant Inputs**

| | Discount Rate | | Prepay Rate | | CDR | | Loss Severity | |
|---|---|---|---|---|---|---|---|---|
| | Range | Weighted Average | Range | Weighted Average | Range | Weighted Average | Range | Weighted Average |
| Securitized debt at fair value, collateralized by Loans held for investment | 6% -9% | 6.5% | 6% - 15% | 7.9% | 0% - 6% | 0.8% | 0% - 55% | 40.9% |

All of the significant inputs listed have some degree of market observability based on the Company's knowledge of the market, information available to market participants, and use of common market data sources. Collateral default and loss severity projections are in the form of "curves" that are updated quarterly to reflect the Company's collateral cash flow projections. Methods used to develop these projections conform to industry conventions. The Company uses assumptions it considers its best estimate of future cash flows for each security.

*Sensitivity of Significant Inputs – Loans held for investment*

The Loans held for investment are primarily comprised of loans collateralized by seasoned reperforming residential mortgages. Additionally, it includes non-conforming, single family, owner occupied, investor owned, jumbo prime residential mortgages. The significant unobservable factors used to estimate the fair value of the Loans held for investment collateralized by seasoned reperforming residential mortgage loans, as of March 31, 2024 and December 31, 2023, include coupon, FICO score at origination, loan-to-value, or LTV ratios, owner occupancy status, and property type. A summary of the significant factors used to estimate the fair value of Loans held for investment collateralized primarily by seasoned reperforming residential mortgages at fair value as of March 31, 2024 and December 31, 2023 follows:

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Factor: | | |
| Coupon | | |
| Base Rate | 6.3% | 6.4% |
| Actual | 5.9% | 5.9% |
| | | |
| FICO | | |
| Base Rate | 640 | 640 |
| Actual | 664 | 664 |
| | | |
| Loan-to-value (LTV) | | |
| Base Rate | 86% | 86% |
| Actual | 79% | 79% |
| | | |
| Loan Characteristics: | | |
| Occupancy | | |
| Owner Occupied | 87% | 86% |
| Investor | 8% | 9% |
| Secondary | 5% | 5% |
| Property Type | | |
| Single family | 79% | 79% |
| Manufactured housing | 3% | 3% |
| Multi-family/mixed use/other | 18% | 18% |

The loan factors are generally not observable for the individual loans and the base rates developed by the Company's internal model are subjective and change as market conditions change. The impact of the loan coupon on the value of the loan is dependent on the loan history of delinquent payments. A loan with no history of delinquent payments would result in a higher overall value than a loan which has a history of delinquent payments. Similarly, a higher FICO score and a lower LTV ratio results in increases in the fair market value of the loan and a lower FICO score and a higher LTV ratio results in a lower value. See Note 4 for delinquency details for the Loans held for investment portfolio.

Property types also affect the overall loan values. Property types include single family, manufactured housing and multi-family/mixed use and other types of properties. Single family homes represent properties which house one to four family units. Manufactured homes include mobile homes and modular homes. Loan value for properties that are investor or secondary homes have a reduced value as compared to the baseline loan value. Additionally, single family homes will result in an increase to the loan value, whereas manufactured and multi-family/mixed use and other properties will result in a decrease to the loan value, as compared to the baseline.

***Financial instruments not carried at fair value***

The following table presents the carrying value and fair value, as described above, of the Company's financial instruments not carried at fair value on a recurring basis at March 31, 2024 and December 31, 2023.

| | March 31, 2024 (dollars in thousands) | | |
|---|---|---|---|
| | Level in Fair Value Hierarchy | Carrying Amount | Fair Value |
| Equity method investments [(1)] | 3 | $ 59,623 | $ 59,623 |
| Secured financing agreements | 2 | 2,045,098 | 2,074,211 |
| Securitized debt, collateralized by Non-Agency RMBS | 3 | 73,162 | 48,898 |

(1) Included in Other Assets on the Consolidated Statements of Financial Condition

| | December 31, 2023 (dollars in thousands) | | |
|---|---|---|---|
| | Level in Fair Value Hierarchy | Carrying Amount | Fair Value |
| Equity method investments [1] | 3 | $ 45,053 | $ 45,053 |
| Secured financing agreements | 2 | 2,081,877 | 2,111,855 |
| Securitized debt, collateralized by Non-Agency RMBS | 3 | 75,012 | 50,430 |

(1) Included in Other Assets on the Consolidated Statements of Financial Condition

**6. Secured Financing Agreements**

Secured financing agreements include short term repurchase agreements with original maturity dates of less than one-year, long-term financing agreements with original maturity dates of more than one year and loan warehouse credit facilities collateralized by loans acquired by the Company.

At March 31, 2024 and December 31, 2023, the repurchase agreements are collateralized by Agency and Non-Agency mortgage-backed securities with interest rates generally indexed to the Secured Overnight Financing Rate (“SOFR”). The maturity dates on the repurchase agreements are all less than one year and generally are less than 180 days. The collateral pledged as security on the repurchase agreements may include the Company’s investments in bonds issued by consolidated VIEs, which are eliminated in consolidation.

The long-term financing agreements include secured financing arrangements with an original term of one year or greater which is secured by Non-Agency RMBS pledged as collateral. These long-term secured financing agreements have a maturity date of October 2025. The collateral pledged as security on the long-term financing agreements may include the Company’s investments in bonds issued by consolidated VIEs, which are eliminated in consolidation.

The warehouse credit facilities collateralized by loans are repurchase agreements intended to finance loans until they can be sold into a longer-term securitization structure. The maturity dates on the warehouse credit facilities range from three months to one year with interest rates indexed to SOFR.

The secured financing agreements generally require the Company to post collateral at a specific rate in excess of the unpaid principal balance of the agreement. For certain secured financing agreements, this may require the Company to post additional margin if the fair value of the assets were to drop. To mitigate this risk, the Company has negotiated several long-term financing agreements which are not subject to additional margin requirements upon a drop in the fair value of the collateral pledged or until the drop is greater than a threshold. At March 31, 2024 and December 31, 2023, the Company has $902 million and $924 million, respectively, of secured financing agreements which are not subject to additional margin requirements upon a change in the fair value of the collateral pledged. At March 31, 2024 and December 31, 2023, the Company has $537 million and $546 million, respectively, of secured financing agreements which are not subject to additional margin requirements until the drop in the fair value of collateral is greater than a threshold. Repurchase agreements may allow the credit counterparty to avoid the automatic stay provisions of the Bankruptcy Code, in the event of a bankruptcy of the Company, and take possession of, and liquidate, the collateral under such repurchase agreements without delay.

At March 31, 2024 and December 31, 2023, we pledged $15 million and $23 million respectively, of margin cash collateral to the Company's secured financing agreement counterparties. At March 31, 2024, the weighted average haircut on the Company's secured financing agreements collateralized by Agency CMBS was 5.4% and Non-Agency RMBS and Loans held for investment was 26.0%. At December 31, 2023, the weighted average haircut on the Company's secured financing agreements collateralized by Agency CMBS was 5.2% and Non-Agency RMBS and Loans held for investment was 26.1%.

Certain of the long-term financing agreements and warehouse credit facilities are subject to certain covenants. These covenants include that the Company maintain its REIT status as well as maintain a net asset value or GAAP equity greater than a certain level. If the Company fails to comply with these covenants at any time, the financing may become immediately due in full. Additionally, certain financing agreements become immediately due if the total stockholders' equity of the Company drops by 50% from the most recent year end. Currently, the Company is in compliance with all covenants and does not expect to fail to comply with any of these covenants within the next twelve months. The Company has a total of $2.1 billion unused uncommitted warehouse credit facilities as of March 31, 2024.

At March 31, 2024, the Company had amounts at risk with Nomura Securities International, Inc., or Nomura, of 18% of its equity related to the collateral posted on secured financing agreements. The weighted average maturities of the secured

financing agreements with Nomura were 325 days. The amount at risk with Nomura was $474 million. At December 31, 2023, the Company had amounts at risk with Nomura of 17% of its equity related to the collateral posted on secured financing agreements. The weighted average maturities of the secured financing agreements with Nomura were 412 days. The amount at risk with Nomura was $433 million.

The secured financing agreements principal outstanding, weighted average borrowing rates, weighted average remaining maturities, average balances and the fair value of the collateral pledged as of March 31, 2024 and December 31, 2023 were:

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Secured financing agreements outstanding principal secured by: | | |
| Agency CMBS (in thousands) | 36,434 | 68,502 |
| Non-Agency RMBS and Loans held for investment (in thousands) | 2,367,244 | 2,375,589 |
| Total: | $ 2,403,678 | $ 2,444,091 |
| | | |
| MBS pledged as collateral at fair value on Secured financing agreements: | | |
| Agency CMBS (in thousands) | 38,644 | 74,345 |
| Non-Agency RMBS and Loans held for investment (in thousands) | 3,514,938 | 3,465,071 |
| Total: | $ 3,553,582 | $ 3,539,416 |
| | | |
| Average balance of Secured financing agreements secured by: | | |
| Agency RMBS (in thousands) | $ — | $ 1,551 |
| Agency CMBS (in thousands) | 44,632 | 139,746 |
| Non-Agency RMBS and Loans held for investment (in thousands) | 2,377,321 | 2,695,017 |
| Total: | $ 2,421,953 | $ 2,836,314 |
| | | |
| Average borrowing rate of Secured financing agreements secured by: | | |
| Agency CMBS | 5.47 % | 5.60 % |
| Non-Agency RMBS and Loans held for investment | 7.51 % | 7.56 % |
| | | |
| Average remaining maturity of Secured financing agreements secured by: | | |
| Agency CMBS | 34 Days | 32 Days |
| Non-Agency RMBS and Loans held for investment | 378 Days | 418 Days |
| | | |
| Average original maturity of Secured financing agreements secured by: | | |
| Agency CMBS | 45 Days | 86 Days |
| Non-Agency RMBS and Loans held for investment | 401 Days | 445 Days |

At March 31, 2024 and December 31, 2023, the secured financing agreements collateralized by MBS and Loans held for investment had the following remaining maturities and borrowing rates.

| | March 31, 2024 | | | December 31, 2023 | | |
|---|---|---|---|---|---|---|
| | (dollars in thousands) | | | | | |
| | Principal | Weighted Average Borrowing Rates | Range of Borrowing Rates | Principal | Weighted Average Borrowing Rates | Range of Borrowing Rates |
| Overnight | — | N/A | N/A | — | N/A | NA |
| 1 to 29 days | $ 259,229 | 7.56% | 6.20% - 8.18% | $ 272,490 | 7.35% | 6.30% - 8.22% |
| 30 to 59 days | 473,497 | 6.71% | 5.44% - 7.82% | 495,636 | 6.68% | 5.58% - 7.87% |
| 60 to 89 days | 194,024 | 7.21% | 5.84% - 7.58% | 305,426 | 7.17% | 5.93% - 7.85% |
| 90 to 119 days | 69,793 | 6.29% | 6.29% - 6.29% | 54,376 | 7.46% | 6.59% - 7.80% |
| 120 to 180 days | 187,582 | 6.89% | 6.35% - 7.65% | 105,727 | 7.09% | 6.72% - 7.80% |
| 180 days to 1 year | 616,005 | 9.50% | 6.63% - 12.50% | 39,620 | 7.06% | 6.66% - 7.39% |
| 1 to 2 years | 244,967 | 8.33% | 8.33% - 8.33% | 808,601 | 9.36% | 8.36% - 12.50% |
| 2 to 3 years | — | N/A | N/A | — | N/A | N/A |
| Greater than 3 years | 358,581 | 5.08% | 5.08% - 5.08% | 362,215 | 5.11% | 5.10% - 7.15% |
| Total | $ 2,403,678 | 7.48% | | $ 2,444,091 | 7.51% | |

*Secured Financing Agreements at fair value*

The Company has a secured financing agreement for which the Company has elected fair value option. The Company believes electing fair value for this financial instrument better reflects the transactional economics. The total principal balance outstanding on this secured financing at March 31, 2024 and December 31, 2023 was $359 million and $362 million, respectively. The fair value of collateral pledged was $399 million and $401 million as of March 31, 2024 and December 31, 2023, respectively. The Company carries this secured financing instrument at fair value of $340 million and $350 million as of March 31, 2024 and December 31, 2023, respectively. At March 31, 2024 and December 31, 2023, the weighted average borrowing rate on secured financing agreements at fair value was 5.1%. At March 31, 2024 and December 31, 2023, the haircut for the secured financing agreements at fair value was7.5%. At March 31, 2024, the maturity on the secured financing agreements at fair value was four years.

The Company recognized losses on extinguishment of debt of $2 million for the year ended December 31, 2023, related to early termination of certain of its secured financing agreements. There were no such losses on extinguishment of debt during the quarter ended March 31, 2024.

**7. Securitized Debt**

All of the Company's securitized debt is collateralized by residential mortgage loans or Non-Agency RMBS. For financial reporting purposes, the Company's securitized debt is accounted for as secured borrowings. Thus, the residential mortgage loans or RMBS held as collateral are recorded in the assets of the Company as Loans held for investment or Non-Agency RMBS and the securitized debt is recorded as a non-recourse liability in the accompanying Consolidated Statements of Financial Condition.

*Securitized Debt Collateralized by Non-Agency RMBS*

At March 31, 2024 and December 31, 2023, the Company's securitized debt collateralized by Non-Agency RMBS was carried at amortized cost and had a principal balance of $10 million. At March 31, 2024 and December 31, 2023, the debt carried a weighted average coupon of 6.7%. As of March 31, 2024, the maturities of the debt range between the years 2036 and 2037. None of the Company's securitized debt collateralized by Non-Agency RMBS is callable.

The Company did not acquire any securitized debt collateralized by Non-Agency RMBS during the quarters ended March 31, 2024 and 2023.

The following table presents the estimated principal repayment schedule of the securitized debt collateralized by Non-Agency RMBS at March 31, 2024 and December 31, 2023, based on expected cash flows of the residential mortgage loans or RMBS, as adjusted for projected losses on the underlying collateral of the debt. All of the securitized debt recorded in the Company's Consolidated Statements of Financial Condition is non-recourse to the Company.

| | | March 31, 2024 | | December 31, 2023 |
|---|---|---|---|---|
| | | (dollars in thousands) | | |
| Within One Year | $ | 198 | $ | 251 |
| One to Three Years | | 244 | | 326 |
| Three to Five Years | | — | | — |
| Greater Than Five Years | | 60 | | 67 |
| Total | $ | 502 | $ | 644 |

Maturities of the Company’s securitized debt collateralized by Non-Agency RMBS are dependent upon cash flows received from the underlying collateral. The estimate of their repayment is based on scheduled principal payments on the underlying collateral. This estimate will differ from actual amounts to the extent prepayments or losses are experienced. See Note 3 for a more detailed discussion of the securities collateralizing the securitized debt.

*Securitized Debt Collateralized by Loans Held for Investment*

At March 31, 2024 and December 31, 2023, the Company’s securitized debt collateralized by Loans held for investment had a principal balance of $8.1 billion and $8.4 billion, respectively. At March 31, 2024 and December 31, 2023, the total securitized debt collateralized by Loans held for investment carried a weighted average coupon of 3.4%. As of March 31, 2024, the maturities of the debt range between the years 2029 and 2067.

During the quarter ended March 31, 2024, the Company did not acquire any securitized debt collateralized by Loans held for investment. During the quarter ended March 31, 2023, the Company acquired securitized debt collateralized by Loans held for investment with an amortized cost balance of $339 million for $337 million. This transaction resulted in net gain on extinguishment of debt of $2 million.

The following table presents the estimated principal repayment schedule of the securitized debt collateralized by Loans held for investment at March 31, 2024 and December 31, 2023, based on expected cash flows of the residential mortgage loans or RMBS, as adjusted for projected losses on the underlying collateral of the debt. All of the securitized debt recorded in the Company’s Consolidated Statements of Financial Condition is non-recourse to the Company.

| | | March 31, 2024 | | December 31, 2023 |
|---|---|---|---|---|
| | | (dollars in thousands) | | |
| Within One Year | $ | 1,336,379 | $ | 1,405,503 |
| One to Three Years | | 2,193,495 | | 2,302,421 |
| Three to Five Years | | 1,673,400 | | 1,738,678 |
| Greater Than Five Years | | 2,912,852 | | 2,942,234 |
| Total | $ | 8,116,126 | $ | 8,388,836 |

Maturities of the Company’s securitized debt collateralized by Loans held for investment are dependent upon cash flows received from the underlying loans. The estimate of their repayment is based on scheduled principal payments on the underlying loans. This estimate will differ from actual amounts to the extent prepayments or loan losses are experienced. See Note 4 for a more detailed discussion of the loans collateralizing the securitized debt.

Certain of the securitized debt collateralized by Loans held for investment contain call provisions at the option of the Company at a specific date. Other securitized debt issued by the Company contain clean-up call provisions. A clean-up call provision is a right to call the outstanding debt at pre-defined terms when the collateral falls below a certain percentage of the original balance, typically 10%. Generally, these clean-up call rights are shared with other parties to the debt, including the loan servicers and the paying agents. Clean-up calls are generally put in place to reduce the administrative burdens when a loan pool balance becomes de minimis hence uneconomical to manage. The following table presents the par value of the callable debt by year as of March 31, 2024, excluding any debt issued by the Company where the Company only has a clean-up call.

| March 31, 2024 (dollars in thousands) | | |
|---|---|---|
| Year | | Principal |
| Currently callable | $ | 2,124,671 |
| 2024 | | 688,364 |
| 2025 | | 2,638,157 |
| 2026 | | 568,985 |
| 2027 | | 862,701 |
| 2028 | | 632,140 |
| Total | $ | 7,515,018 |

**8. Consolidated Securitization Vehicles and Other Variable Interest Entities**

Since its inception, the Company has utilized VIEs for the purpose of securitizing whole mortgage loans or re-securitizing RMBS and obtaining long-term, non-recourse financing. The Company evaluated its interest in each VIE to determine if it is the primary beneficiary.

During the quarter ended March 31, 2024, the Company did not securitize any residential mortgage loans. During the quarter ended March 31, 2023, the Company securitized and consolidated approximately $1.2 billion unpaid principal balance of seasoned residential reperforming residential mortgage loans.

*VIEs for Which the Company is the Primary Beneficiary*

The retained beneficial interests in VIEs for which the Company is the primary beneficiary are typically the subordinated tranches of these securitizations and in some cases the Company may hold interests in additional tranches. The table below reflects the assets and liabilities recorded in the Consolidated Statements of Financial Condition related to the consolidated VIEs as of March 31, 2024 and December 31, 2023.

| | | March 31, 2024 | | December 31, 2023 |
|---|---|---|---|---|
| | | (dollars in thousands) | | |
| **Assets:** | | | | |
| Non-Agency RMBS, at fair value [(1)] | $ | 244,486 | $ | 248,993 |
| Loans held for investment, at fair value | | 9,987,872 | | 10,184,538 |
| Accrued interest receivable | | 50,568 | | 52,712 |
| Other assets | | 17,037 | | 15,597 |
| **Total Assets:** | $ | 10,299,963 | $ | 10,501,840 |
| **Liabilities:** | | | | |
| Securitized debt, collateralized by Non-Agency RMBS | $ | 73,162 | $ | 75,012 |
| Securitized debt at fair value, collateralized by Loans held for investment | | 6,995,787 | | 7,248,768 |
| Accrued interest payable | | 22,529 | | 23,310 |
| Other liabilities | | 1,980 | | 2,019 |
| **Total Liabilities:** | $ | 7,093,458 | $ | 7,349,109 |

(1) March 31, 2024 and December 31, 2023 balances includes allowance for credit losses of $ 7 million and $6 million, respectively.

Income and expense amounts related to consolidated VIEs recorded in the Consolidated Statements of Operations is presented in the tables below.

| | For the Quarter Ended | |
|---|---|---|
| | March 31, 2024 | March 31, 2023 |
| | (dollars in thousands) | |
| Interest income, Assets of consolidated VIEs | $ 146,917 | $ 139,902 |
| Interest expense, Non-recourse liabilities of VIEs | 73,123 | 60,152 |
| Net interest income | $ 73,794 | $ 79,750 |
| | | |
| (Increase) decrease in provision for credit losses | $ (951) | $ (1,429) |
| | | |
| Servicing fees | $ 6,865 | $ 7,126 |

*VIEs for Which the Company is Not the Primary Beneficiary*

The Company is not required to consolidate VIEs in which it has concluded it does not have a controlling financial interest, and thus is not the primary beneficiary. In such cases, the Company does not have both the power to direct the entities' most significant activities, such as rights to replace the servicer without cause, and the obligation to absorb losses or right to receive benefits that could potentially be significant to the VIEs. The Company's investments in these unconsolidated VIEs are carried in Non-Agency RMBS on the Consolidated Statements of Financial Condition and include senior and subordinated bonds issued by the VIEs.

The fair value of the Company's investments in each unconsolidated VIEs at March 31, 2024, ranged from less than $1 million to $21 million with an aggregate amount of $815 million. The fair value of the Company's investments in each unconsolidated VIEs at December 31, 2023, ranged from less than $1 million to $20 million, with an aggregate amount of $795 million. The Company's maximum exposure to loss from these unconsolidated VIEs was $796 million and $772 million and at March 31, 2024 and December 31, 2023, respectively. The maximum exposure to loss was determined as the amortized cost of the unconsolidated VIE, which represents the purchase price of the investment adjusted by any unamortized premiums or discounts as of the reporting date.

**9. Derivative Instruments**

In connection with the Company's interest rate risk strategy, the Company may economically hedge a portion of its interest rate risk by entering into derivative financial instrument contracts in the form of interest rate swaps, swaptions, and U.S. Treasury futures. Swaps are used to lock in a fixed rate related to a portion of its current and anticipated payments on its secured financing agreements. The Company typically agrees to pay a fixed rate of interest, or pay rate, in exchange for the right to receive a floating rate of interest, or receive rate, over a specified period of time. Interest rate swaptions provide the option to enter into an interest rate swap agreement for a predetermined notional amount, stated term and pay and receive interest rates in the future. The Company's swaptions are not centrally cleared. U.S. Treasury futures are derivatives which track the prices of generic benchmark U.S. Treasury securities with identical maturity and are traded on an active exchange. It is generally the Company's policy to close out any U.S. Treasury futures positions prior to delivering the underlying security. U.S. Treasury futures lock in a fixed rate related to a portion of its current and anticipated payments on its secured financing agreements.

The Company's derivatives are recorded as either assets or liabilities in the Consolidated Statements of Financial Condition and measured at fair value. These derivative financial instrument contracts are not designated as hedges for GAAP; therefore, all changes in fair value are recognized in earnings. The Company elects to net the fair value of its derivative contracts by counterparty when appropriate. These contracts contain legally enforceable provisions that allow for netting or setting off of all individual derivative receivables and payables with each counterparty and therefore, the fair values of those derivative contracts are reported net by counterparty.

The use of derivatives creates exposure to credit risk relating to potential losses that could be recognized if the counterparties to these instruments fail to perform their obligations under the contracts. In the event of a default by the counterparty, the Company could have difficulty obtaining its RMBS or cash pledged as collateral for these derivative instruments. The Company periodically monitors the credit profiles of its counterparties to determine if it is exposed to counterparty credit risk. See Note 14 for further discussion of counterparty credit risk.

The weighted average pay rate on the Company's interest rate swap at March 31, 2024 was 3.36% and the weighted average receive rate was 5.34%. At March 31, 2024, the weighted average maturity on the Company's interest rate swaps was less than one year.

The weighted average pay rate on the Company's interest rate swap at December 31, 2023 was 3.26% and the weighted average receive rate was 5.40%. At December 31, 2023, the weighted average maturity on the Company's interest rate swaps was less than one year.

There were no swap terminations during the quarter ended March 31, 2024. The Company paid $45 million to terminate interest rate swaps with a notional value of $2.5 billion during the quarter ended March 31, 2023. The terminated swaps had original maturities ranging from 2025 to 2028.

During the quarter ended March 31, 2024 the Company exercised its two swaption contracts with $1.0 billion notional and entered into two one-year swaps with $1.0 billion notional with a weighted average 3.46% fixed pay rate. During the quarter ended March 31, 2023 the Company terminated its existing $1.0 billion notional swaption contract for a one-year forward starting swap. Additionally, the Company entered and terminated three new swaptions contracts with $2.3 billion notional during the quarter ended March 31, 2023. The Company had net realized gains of $11 million on these swaption terminations. The Company additionally entered into two swaption contracts for a one-year forward starting swaps with a total notional of $1.0 billion with a weighted average 3.46% strike rate.

The Company did not have any Treasury futures contract positions or activity during the quarter ended March 31, 2024. During the quarter ended March 31, 2023, the Company entered into 6,000 short 5-year U.S. Treasury futures contracts of which it subsequently covered 4,000 contracts during the quarter. As of March 31, 2023, the Company had 2,000 short 5-year U.S. Treasury futures contracts with a $200 million notional. During the quarter ended March 31, 2023, the Company entered into 1,875 short 2-year U.S. Treasury futures contracts of which it subsequently covered 625 contracts during the quarter. As of March 31, 2023, the Company had 1,250 short 2-year U.S. Treasury futures contracts with a $250 million notional. The Company had a net realized gain of $666 thousand on these covered contracts. The Company also entered into 400 call options on 2-year and 5-year U.S. Treasury futures and subsequently covered them during the quarter ended March 31, 2023 for a realized loss of $187 thousand.

The Company also maintains collateral in the form of cash margin from its counterparties to its derivative contacts. In accordance with the Company's netting policy, the Company presents the fair value of its derivative contracts net of cash margin received. See Note 14 for additional details on derivative netting.

The table below summarizes the location and fair value of the derivatives reported in the Consolidated Statements of Financial Condition after counterparty netting and posting of cash collateral as of March 31, 2024 and December 31, 2023.

| | | March 31, 2024 | | | |
|---|---|---|---|---|---|
| | | Derivative Assets | | Derivative Liabilities | |
| **Derivative Instruments** | **Notional Amount Outstanding** | **Location on Consolidated Statements of Financial Condition** | **Net Estimated Fair Value/Carrying Value** | **Location on Consolidated Statements of Financial Condition** | **Net Estimated Fair Value/Carrying Value** |
| | | (dollars in thousands) | | | |
| Interest Rate Swaps | $ 2,000,000 | Derivatives, at fair value | $ — | Derivatives, at fair value | $ — |
| Swaptions | 1,000,000 | Derivatives, at fair value | — | Derivatives, at fair value | $ — |
| Total | $ 3,000,000 | | $ — | | $ — |

| | | December 31, 2023 | | | |
|---|---|---|---|---|---|
| | | Derivative Assets | | Derivative Liabilities | |
| Derivative Instruments | Notional Amount Outstanding | Location on Consolidated Statements of Financial Condition | Net Estimated Fair Value/Carrying Value | Location on Consolidated Statements of Financial Condition | Net Estimated Fair Value/Carrying Value |
| | | (dollars in thousands) | | | |
| Interest Rate Swaps | $ 1,000,000 | Derivatives, at fair value, net | $ — | Derivatives, at fair value, net | $ — |
| Swaptions | 1,500,000 | Derivatives, at fair value, net | — | Derivatives, at fair value, net | $ — |
| Total | $ 2,500,000 | | $ — | | $ — |

The effect of the Company's derivatives on the Consolidated Statements of Operations for the quarters ended March 31, 2024 and 2023, respectively is presented below.

| | | Net gains (losses) on derivatives for the quarters ended | |
|---|---|---|---|
| Derivative Instruments | Location on Consolidated Statements of Operations and Comprehensive Income | March 31, 2024 | March 31, 2023 |
| | | (dollars in thousands) | |
| Interest Rate Swaps | Net unrealized gains (losses) on interest rate swaps | $ 3,679 | $ 7,909 |
| Interest Rate Swaps | Net realized gains (losses) on interest rate swaps | — | (45,226) |
| Interest Rate Swaps | Periodic interest cost of interest rate swaps, net | 5,476 | 2,819 |
| Treasury futures | Net unrealized gains (losses) on derivatives | — | (6,851) |
| Treasury futures | Net realized gains (losses) on derivatives | — | 479 |
| Swaptions | Net unrealized gains (losses) on derivatives | 1,510 | (9,609) |
| Swaptions | Net realized gains (losses) on derivatives | — | 10,613 |
| Total | | $ 10,665 | $ (39,866) |

When the Company enters into derivative contracts, they are typically subject to International Swaps and Derivatives Association Master Agreements or other similar agreements which may contain provisions that grant counterparties certain rights with respect to the applicable agreement upon the occurrence of certain events such as (i) a decline in stockholders' equity in excess of specified thresholds or dollar amounts over set periods of time, (ii) the Company's failure to maintain its REIT status, (iii) the Company's failure to comply with limits on the amount of leverage, and (iv) the Company's stock being delisted from the New York Stock Exchange, or NYSE. Upon the occurrence of any one of items (i) through (iv), or another default under the agreement, the counterparty to the applicable agreement has a right to terminate the agreement in accordance with its provisions. If the Company breaches any of these provisions, it will be required to settle its obligations under the agreements at their termination values, which approximates fair value.

**10. Capital Stock**

***Preferred Stock***

The Company declared dividends to Series A preferred stockholders of $3 million, or $0.50 per preferred share, during the quarters ended March 31, 2024 and 2023, respectively.

The Company declared dividends to Series B preferred stockholders of $7 million, or $0.50 per preferred share, during the quarters ended March 31, 2024, and 2023, respectively.

The Company declared dividends to Series C preferred stockholders of $5 million, or $0.48 per preferred share, during the quarters ended March 31, 2024, and 2023, respectively.

The Company declared dividends to Series D preferred stockholders of $4 million, or $0.50 per preferred share, during the quarters ended March 31, 2024, and 2023, respectively.

On October 30, 2021, all 5,800,000 issued and outstanding shares of Series A Preferred Stock with an outstanding liquidation preference of $145 million became callable at a redemption price equal to the liquidation preference plus accrued and unpaid dividends through, but not including the redemption date.

After June 30, 2023, all LIBOR tenors relevant to the Company ceased to be published or became no longer representative. The Company believes that the federal Adjustable Interest Rate (LIBOR) Act (the “Act”) and the related regulations promulgated thereunder are applicable to each of its Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock. In light of the applicability of the Act to the aforementioned preferred stock, the Company believes, given all of the information available to the Company to date, that three-month CME Term SOFR plus the applicable tenor spread adjustment of 0.26161% per annum will automatically replace three-month LIBOR as the reference rate for calculations of the dividend rate payable on the relevant preferred stock for dividend periods from and after (i) March 30, 2024, in the case of the Series B Preferred Stock, (ii) September 30, 2025, in the case of the Series C Preferred Stock, and (iii) March 30, 2024, in the case of the Series D Preferred Stock.

***Common Stock***

In June 2023, the Company's Board of Directors increased the authorization of the Company's share repurchase program, or the Repurchase Program, by $73 million to $250 million. In January 2024, the Company's Board of Directors updated the authorization to include the Company's preferred stock into the Repurchase Program and increased the authorization by $33 million back up to $250 million. Such authorization does not have an expiration date, and at present, there is no intention to modify or otherwise rescind such authorization. Shares of the Company's common stock and preferred stock may be purchased in the open market, including through block purchases, through privately negotiated transactions, or pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 of the Securities Exchange Act of 1934, as amended, or the Exchange Act. The timing, manner, price and amount of any repurchases will be determined at the Company's discretion and the program may be suspended, terminated or modified at any time, for any reason. Among other factors, the Company intends to only consider repurchasing shares of its common stock when the purchase price is less than the last publicly reported book value per common share. In addition, the Company does not intend to repurchase any shares from directors, officers or other affiliates. The program does not obligate the Company to acquire any specific number of shares, and all repurchases will be made in accordance with Rule 10b-18, which sets certain restrictions on the method, timing, price and volume of stock repurchases.

The Company did not repurchase any of its common stock during the quarters ended March 31, 2024 and 2023. The approximate dollar value of shares that may yet be purchased under the Repurchase Program is $217 million as of March 31, 2024.

In 2022, the Company entered into separate Distribution Agency Agreements (the “Existing Sales Agreements”) with each of Credit Suisse Securities (USA) LLC, JMP Securities LLC, Goldman Sachs & Co. LLC, Morgan Stanley & Co. LLC and RBC Capital Markets, LLC (the “Existing Sales Agents”). In February 2023, the Company amended the Existing Sales Agreements and entered into separate Distribution Agency Agreements (together with the Existing Sales Agreements, as amended, the “Sales Agreements”) with J.P. Morgan Securities LLC and UBS Securities LLC (replacing Credit Suisse Securities LLC) to include J.P. Morgan Securities LLC and UBS Securities LLC as additional sales agents (together with the Existing Sales Agents, the “Sales Agents”). Pursuant to the terms of the Sales Agreements, the Company may offer and sell shares of our common stock, having an aggregate offering price of up to $500 million, from time to time in “at the market” offerings through any of the Sales Agents under the Securities Act of 1933. The Company did not issue any shares under the at-the-market sales program during the quarters ended March 31, 2024 and 2023. The approximate dollar value of shares that may yet be issued under "at the market" offerings program is $426 million as of March 31, 2024.

The Company declared dividends to common shareholders of $27 million or $0.11 per share, and $54 million, or $0.23 per share, during the quarters ended March 31, 2024 and 2023, respectively.

***Earnings per Share (EPS)***

EPS for the quarters ended March 31, 2024 and 2023 are computed as follows:

| | For the Quarter Ended | |
|---|---|---|
| | March 31, 2024 | March 31, 2023 |
| | (dollars in thousands, except share and per share data) | |
| Numerator: | | |
| Net income (loss) available to common shareholders - Basic | $ 111,016 | $ 38,928 |
| Effect of dilutive securities: | | |
| Interest expense attributable to convertible notes | — | — |
| Net income (loss) available to common shareholders - Diluted | $ 111,016 | $ 38,928 |
| | | |
| Denominator: | | |
| Weighted average basic shares | 243,718,142 | 231,994,620 |
| Effect of dilutive securities | 1,436,501 | 3,206,994 |
| Weighted average dilutive shares | 245,154,643 | 235,201,614 |
| | | |
| Net income (loss) per average share attributable to common stockholders - Basic | $ 0.46 | $ 0.17 |
| Net income (loss) per average share attributable to common stockholders - Diluted | $ 0.45 | $ 0.17 |

There were no anti-dilutive shares as of March 31, 2024 and 2023.

**11. Accumulated Other Comprehensive Income**

The following table presents the changes in the components of Accumulated Other Comprehensive Income, or the AOCI, for the quarters ended March 31, 2024 and 2023:

| | March 31, 2024 (dollars in thousands) | |
|---|---|---|
| | Unrealized gains (losses) on available-for-sale securities, net | Total Accumulated OCI Balance |
| Balance as of December 31, 2023 | $ 185,668 | $ 185,668 |
| OCI before reclassifications | (221) | (221) |
| Amounts reclassified from AOCI | — | — |
| Net current period OCI | (221) | (221) |
| Balance as of March 31, 2024 | $ 185,447 | $ 185,447 |

| | March 31, 2023 (dollars in thousands) | |
|---|---|---|
| | Unrealized gains (losses) on available-for-sale securities, net | Total Accumulated OCI Balance |
| Balance as of December 31, 2022 | $ 229,345 | $ 229,345 |
| OCI before reclassifications | (5,905) | (5,905) |
| Amounts reclassified from AOCI | 1,315 | 1,315 |
| Net current period OCI | (4,590) | (4,590) |
| Balance as of March 31, 2023 | $ 224,755 | $ 224,755 |

There were no amounts reclassified from AOCI during the quarter ended March 31, 2024. The amounts reclassified from AOCI balance comprised of $1 million net unrealized losses on available-for-sale securities sold during the quarter ended March 31, 2023.

**12. Equity Compensation, Employment Agreements and other Benefit Plans**

On June 14, 2023, the Board of Directors recommended and shareholders approved, the Chimera Investment Corporation 2023 Equity Incentive Plan (the "Plan"). It authorized the issuance of up to 20,000,000 shares of our common stock for the grant of awards under the Plan. The Plan replaced our 2007 Equity Incentive Plan, as amended and restated effective December 10, 2015 (the "Prior Plan"), and no new awards will be granted under the Prior Plan. Any awards outstanding under the Prior Plan will remain subject to and be paid under the Prior Plan. Any shares subject to outstanding awards under the Prior Plan that, expire, terminate, or are surrendered or forfeited for any reason without issuance of shares will automatically become available for issuance under the Plan. Also, shares withheld for tax withholding requirements after stockholder approval of the Plan for full value awards originally granted under the Prior Plan (such as the RSUs and PSUs awarded to our named executive officers) will automatically become available for issuance under the Plan.

As of March 31, 2024, approximately 18 million shares were available for future grant under the Plan.

Awards under the Plan may include stock options, stock appreciation rights ("SARs"), restricted stock, dividend equivalent rights ("DERs") and other share-based awards (including RSUs). Under the Plan, any of these awards may be performance awards that are conditioned on the attainment of performance goals.

The Compensation Committee of the Board of Directors of the Company has approved a Stock Award Deferral Program, or the Deferral Program. Under the Deferral Program, non-employee directors and certain executive officers can elect to defer payment of certain stock awards made pursuant to the Incentive Plan. Deferred awards are treated as deferred stock units and paid at the earlier of separation from service or a date elected by the participant who is separating. Payments are generally made in a lump sum or, if elected by the participant, in five annual installments. Deferred awards receive dividend equivalents during the deferral period in the form of additional deferred stock units. Amounts are paid at the end of the deferral period by delivery of shares from the Incentive Plan (plus cash for any fractional deferred stock units), less any applicable tax withholdings. Deferral elections do not alter any vesting requirements applicable to the underlying stock award. At March 31, 2024 and December 31, 2023, there are approximately 1 million shares for which payments have been deferred until separation or a date elected by the participant, respectively. At March 31, 2024 and December 31, 2023, there are approximately 1 million dividend equivalent rights earned but not yet delivered.

Grants of Restricted Stock Units, or RSUs

During the quarters ended March 31, 2024 and 2023, the Company granted RSU awards to senior management. These RSU awards are designed to reward employees of the Company for services provided to the Company. Generally, the RSU awards vest equally over a three-year period and will fully vest after three years. For employees who are retirement eligible, defined as years of service to the Company plus age that is equal to or greater than 65, the service period is considered to be fulfilled and all grants are expensed immediately. The RSU awards are valued at the market price of the Company's common stock on the grant date and generally the employees must be employed by the Company on the vesting dates to receive the RSU awards. The Company granted 537 thousand RSU awards during the quarter ended March 31, 2024 with a grant date fair value of $3 million for the 2024 performance year. The Company granted 649 thousand RSU awards during the quarter ended March 31, 2023 with a grant date fair value of $4 million for the 2023 performance year.

Grants of Performance Share Units, or PSUs

PSU awards are designed to align compensation with the Company's future performance. The PSU awards granted during the quarters ended March 31, 2024 and 2023, include a three-year performance period ending on December 31, 2026 and December 31, 2025, respectively. For the PSU awards granted during the quarter ended March 31, 2024, and 2023, the final number of shares awarded will be between 0% and 200% of the PSUs granted based equally on the Company Economic Return and share price performance compared to a peer group. The Company's three-year Company Economic Return is equal to the Company's change in book value per common share plus common stock dividends. Share price performance equals change in share price plus common stock dividends. Compensation expense will be recognized on a straight-line basis over the three-year vesting period based on an estimate of the Company Economic Return and share price performance in relation to the entities in the peer group and will be adjusted each period based on the Company's best estimate of the actual number of shares awarded.

During the quarter ended March 31, 2024, the Company granted 537 thousand PSU awards to senior management with a grant date fair value of $3 million. During the quarter ended March 31, 2023, the Company granted 605 thousand PSU awards to senior management with a grant date fair value of $3 million.

The Company recognized stock-based compensation expense of $3 million for the quarters ended March 31, 2024 and March 31, 2023, respectively.

The Company also maintains a qualified 401(k) plan. The plan is a retirement savings plan that allows eligible employees to contribute a portion of their wages on a tax-deferred basis under Section 401(k) of the Code. Employees may contribute,

through payroll deductions, up to $22,500 if under the age of 50 years and an additional $7,500 “catch-up” contribution for employees 50 years or older. The Company matches 100% of the first 6% of the eligible compensation deferred by employee contributions. The employer funds the 401(k) matching contributions in the form of cash, and participants may direct the Company match to an investment of their choice. The benefit of the Company’s contributions vests immediately. Generally, a participating employee is entitled to distributions from the plans upon termination of employment, retirement, death or disability. The 401(k) expenses related to the Company’s qualified plan for the quarters ended March 31, 2024 and 2023, was $150 thousand and $133 thousand, respectively.

**13. Income Taxes**

For the year ended December 31, 2023, the Company qualified to be taxed as a REIT under Code Sections 856 through 860. As a REIT, the Company is not subject to U.S. federal income tax to the extent that it makes qualifying distributions of taxable income to its stockholders. To maintain qualification as a REIT, the Company must distribute at least 90% of its annual REIT taxable income (subject to certain adjustments) to its shareholders and meet certain other requirements such as assets it may hold, income it may generate and its shareholder composition. It is generally the Company’s policy to distribute to its shareholders all of the Company’s taxable income.

The state and local tax jurisdictions in which the Company is subject to tax-filing obligations recognize the Company’s status as a REIT and, therefore, the Company generally does not pay income tax in such jurisdictions. The Company may, however, be subject to certain minimum state and local tax filing fees and its TRSs are subject to U.S. federal, state, and local taxes.

The Company recorded current income tax expense of $8 thousand for the quarter ended March 31, 2024, and didnot record any current income tax expense or benefit for the quarter ended March 31, 2023.

The Company’s effective tax rate differs from its combined U.S. federal, state, and local corporate statutory tax rate primarily due to the deduction of dividend distributions required to be paid under Code Section 857(a).

The Company’s U.S. federal, state and local tax returns for the tax years ending on or after December 31, 2020, remain open for examination.

**14. Credit Risk and Interest Rate Risk**

The Company’s primary components of market risk are credit risk and interest rate risk. The Company is subject to interest rate risk in connection with its investments in Agency MBS and Non-Agency RMBS, residential mortgage loans, borrowings under secured financing agreements and securitized debt. When the Company assumes interest rate risk, it attempts to minimize interest rate risk through asset selection, hedging and matching the income earned on mortgage assets with the cost of related financing.

The Company attempts to minimize credit risk through due diligence, asset selection and portfolio monitoring. The Company has established a whole loan target market including qualified mortgages, non-qualified mortgages and reperforming residential mortgage loans. Additionally, the Company seeks to minimize credit risk through compliance with regulatory requirements, geographic diversification, owner occupied property, and moderate loan-to-value ratios. These factors are considered to be important indicators of credit risk.

By using derivative instruments and secured financing agreements, the Company is exposed to counterparty credit risk if counterparties to the contracts do not perform as expected. If a counterparty fails to perform on a derivative instrument, the Company’s counterparty credit risk is equal to the amount reported as a derivative asset on its balance sheet to the extent that amount exceeds collateral obtained from the counterparty or, if in a net liability position, the extent to which collateral posted exceeds the liability to the counterparty. The amounts reported as a derivative asset/(liability) are derivative contracts in a gain/(loss) position, and to the extent subject to master netting arrangements, net of derivatives in a loss/(gain) position with the same counterparty and collateral received/(pledged). If the counterparty fails to perform on a secured financing agreement, the Company is exposed to a loss to the extent that the fair value of collateral pledged exceeds the liability to the counterparty. The Company attempts to minimize counterparty credit risk by evaluating and monitoring the counterparty’s credit, executing master netting arrangements and obtaining collateral, and executing contracts and agreements with multiple counterparties to reduce exposure to a single counterparty.

The Company's secured financing agreements transactions are governed by underlying agreements that provide for a right of setoff by the lender, including in the event of default or in the event of bankruptcy of the borrowing party to the transactions. The Company's derivative transactions are governed by underlying agreements that provide for a right of setoff under master netting arrangements, including in the event of default or in the event of bankruptcy of either party to the transactions. The Company presents its assets and liabilities subject to such arrangements on a net basis in the Consolidated Statements of

Financial Condition. The following table presents information about our assets and liabilities that are subject to such arrangements and can potentially be offset on our consolidated statements of financial condition as of March 31, 2024 and December 31, 2023.

**March 31, 2024**
(dollars in thousands)

| | Gross Amounts of Recognized Assets (Liabilities) | Gross Amounts Offset in the Consolidated Statements of Financial Position | Net Amounts Offset in the Consolidated Statements of Financial Position | Gross Amounts Not Offset with Financial Assets (Liabilities) in the Consolidated Statements of Financial Position | | Net Amount |
|---|---|---|---|---|---|---|
| | | | | Financial Instruments | Cash Collateral (Received) Pledged (1) | |
| Secured financing agreements | $ (2,384,678) | $ — | $ (2,384,678) | $ 3,553,582 | $ 14,857 | $ 1,183,761 |
| Interest Rate Swaps - Gross Assets | 17,526 | (17,526) | — | — | (9,997) | (9,997) |
| Swaptions - Gross Assets | 9,279 | (9,279) | — | — | (1) | (1) |
| Total | $ (2,357,873) | $ (26,805) | $ (2,384,678) | $ 3,553,582 | $ 4,859 | $ 1,173,763 |

(1) Included in other assets

**December 31, 2023**
(dollars in thousands)

| | Gross Amounts of Recognized Assets (Liabilities) | Gross Amounts Offset in the Consolidated Statements of Financial Position | Net Amounts Offset in the Consolidated Statements of Financial Position | Gross Amounts Not Offset with Financial Assets (Liabilities) in the Consolidated Statements of Financial Position | | Net Amount |
|---|---|---|---|---|---|---|
| | | | | Financial Instruments | Cash Collateral (Received) Pledged (1) | |
| Secured financing agreements | $ (2,432,115) | $ — | $ (2,432,115) | $ 3,539,416 | $ 22,930 | $ 1,130,231 |
| Interest Rate Swaps - Gross Assets | 7,455 | (7,455) | — | — | (11,306) | (11,306) |
| Swaptions - Gross Assets | 11,362 | (11,362) | — | — | (58) | (58) |
| Total | $ (2,413,298) | $ (18,817) | $ (2,432,115) | $ 3,539,416 | $ 11,566 | $ 1,118,867 |

(1) Included in other assets

## 15. Commitments and Contingencies

From time to time, the Company may become involved in various claims and legal actions arising in the ordinary course of business. In connection with certain securitization transactions engaged in by the Company, it has the obligation under certain circumstances to repurchase assets from the VIE upon breach of certain representations and warranties.

## 16. Subsequent Events

None.

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

The following discussion of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and notes to those statements included in Item 1 of this Quarterly Report on Form 10-Q.

In this Quarterly Report on Form 10-Q, references to “we,” “us,” “our” or “the Company” refer to Chimera Investment Corporation and its subsidiaries unless specifically stated otherwise or the context otherwise indicates. The following defines certain of the commonly used terms in this Quarterly Report on Form 10-Q: Agency refers to a federally chartered corporation, such as Fannie Mae or Freddie Mac, or an agency of the U.S. Government, such as Ginnie Mae; MBS refers to mortgage-backed securities secured by pools of residential or commercial mortgage loans; RMBS refers to mortgage-backed securities secured by pools of residential mortgage loans; CMBS refers to mortgage-backed securities secured by pools of commercial mortgage loans; Agency RMBS and Agency CMBS refer to MBS that are secured by pools of residential and commercial mortgage loans, respectively, and are issued or guaranteed by an Agency; ABS refers to asset-backed securities; Agency MBS refers to MBS that are issued or guaranteed by an Agency and includes Agency RMBS and Agency CMBS collectively; Non-Agency RMBS refers to residential MBS that are not guaranteed by any agency of the U.S. Government or any Agency; IO refers to Interest-only securities.

**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

We make forward-looking statements in this report that are subject to risks and uncertainties. These forward-looking statements include information about, among other things, possible or assumed future results of our business, financial condition, liquidity, results of operations, plans and objectives. When we use the words “goal,” “target,” “assume,” ‘‘believe,’’ ‘‘expect,’’ ‘‘anticipate,’’ ‘‘estimate,’’ “project,” “budget,” “forecast,” “predict,” “potential,” ‘‘plan,’’ ‘‘continue,’’ ‘‘intend,’’ ‘‘should,’’ ‘‘may,’’ “could,” ‘‘would,’’ ‘‘will’’ or similar expressions, we intend to identify forward-looking statements. Statements regarding the following subjects, among others, are forward-looking by their nature:

- our business and investment strategy;
- our ability to accurately forecast the payment of future dividends on our common and preferred stock, and the amount of such dividends;
- our ability to determine accurately the fair market value of our assets;
- availability of investment opportunities in real estate-related and other securities, including our valuation of potential opportunities that may arise as a result of current and future market dislocations;
- our expected investments;
- changes in the value of our investments, including negative changes resulting in margin calls related to the financing of our assets;
- changes in inflation, interest rates and mortgage prepayment rates;
- prepayments of the mortgage and other loans underlying our MBS or ABS;
- rates of default, delinquencies, forbearance, deferred payments or decreased recovery rates on our investments;
- general volatility of the securities markets in which we invest;
- our ability to maintain existing financing arrangements and our ability to obtain future financing arrangements;
- our ability to effect our strategy to securitize residential mortgage loans;
- interest rate mismatches between our investments and our borrowings used to finance such purchases;
- effects of interest rate caps on our adjustable-rate investments;
- the degree to which our hedging strategies may or may not protect us from interest rate volatility;
- the impact of and changes to various government programs;
- the impact of and changes in governmental regulations, tax law and rates, accounting guidance, and similar matters;
- market trends in our industry, interest rates, the debt securities markets or the general economy;
- estimates relating to our ability to make distributions to our stockholders in the future;
- our understanding of our competition;
- our ability to find and retain qualified personnel;
- our ability to maintain our classification as a real estate investment trust, or REIT, for U.S. federal income tax purposes;
- our ability to maintain our exemption from registration under the Investment Company Act of 1940, as amended, or 1940 Act;

- our expectations regarding materiality or significance;
- the effectiveness of our disclosure controls and procedures

Forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. You should not place undue reliance on these forward-looking statements. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us. If a change occurs, our business, financial condition, liquidity, results of operations and prospects may vary materially from those expressed in our forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made. New risks and uncertainties arise from time to time, and it is impossible for us to predict those events or how they may affect us. Except as required by law, we are not obligated to, and do not intend to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

**Executive Summary**

We are a publicly traded REIT that is primarily engaged in the business of investing directly or having a beneficial interest in a diversified portfolio of mortgage assets, including residential mortgage loans, Non-Agency RMBS, Agency RMBS, Agency CMBS, business purpose and investor loans, and other real estate-related assets. The mortgage-backed securities, or MBS, and other real estate-related securities we purchase may include investment-grade, non-investment grade, and non-rated classes. We use leverage to increase potential returns from our investments. Our principal business objective is to provide attractive risk-adjusted returns through the generation of distributable income and through asset performance linked to mortgage credit fundamentals. We selectively invest in residential mortgage assets with a focus on credit analysis, projected prepayment rates, interest rate sensitivity and expected return.

We currently focus our investment activities primarily on acquiring residential mortgage loans. In addition, we acquire and own Non-Agency RMBS and Agency MBS. At March 31, 2024, based on the fair value of our interest earning assets, approximately 91% of our investment portfolio was residential mortgage loans, 9% of our investment portfolio was Non-Agency RMBS, and less than 1% of our investment portfolio was Agency MBS. At December 31, 2023, based on the fair value of our interest earning assets, approximately 91% of our investment portfolio was residential mortgage loans, 8% of our investment portfolio was Non-Agency RMBS, and 1% of our investment portfolio was Agency MBS.

We use leverage to seek to increase our potential returns and to finance the acquisition of our assets. We expect to finance our investments using a variety of financing sources, including securitizations, warehouse facilities, and repurchase agreements. We may seek to manage our debt and interest rate risk by utilizing interest rate hedges, such as interest rate swaps, caps, options, and futures to reduce the effect of interest rate fluctuations related to our financing sources.

Our investment strategy is intended to take advantage of opportunities in the current interest rate and credit environment. We adjust our strategy in response to changing market conditions by shifting our asset allocations across various asset classes as interest rate and credit cycles change over time. We believe that our strategy will provide us an opportunity to pay dividends throughout changing market cycles. We expect to take a long-term view of assets and liabilities.

**Business Update**

The U.S. housing market has continued to show resiliency despite the impact of higher mortgage rates. Home price indices demonstrated nationwide increases caused largely by robust consumer demand and a short supply of homes for sale. Although home sales continued to be muted with multi-decade lows and new housing starts declining over 2023, much of this can be explained through low existing housing turnover and higher rates on primary 30-year mortgages. We believe these conditions are positive for the credit performance on residential mortgage loans.

Against this market backdrop, we remained active in the first quarter of 2024 with our investment portfolio as we deployed the proceeds from our equity raise in late 2023. Simultaneously, we continued to reduce our Agency CMBS portfolio.

*Investments* – During the first quarter of 2024, we invested approximately $34 million in subordinated tranches of new issue mortgage securitizations backed by collateral that included reperforming mortgage loans and small balance commercial properties. These investments were purchased at attractive unlevered yields. In addition, we also settled on $78 million of residential transition loans during the quarter, which were committed during the fourth quarter of 2023. These loans were purchased with a weighted average coupon of 10.6% and we expect to receive mid-teen levered returns.

*Sales* – During the first quarter of 2024, we sold approximately $35 million of Agency CMBS positions as a continuation of our portfolio optimization strategy. As a result of the sales, we repaid $33 million of our repo liability and retained additional $1.4 million in net proceeds. This sales transaction resulted in a realized loss of $4 million.

*Financing activity* – During the first quarter of 2024, our secured financings decreased by $47 million from the end of 2023, including the prepayment of $10 million of principal on a longer-term financing facility that will reduce our financing costs going forward.

*Hedging activity* – We exercised two outstanding $500 million swaptions into two pay-fixed one-year swaps, each with a $500 million notional amount and a weighted average pay rate of 3.46%. With the continued expectation of interest rates remaining high over the next year and lowered expectations of rate cuts for the remainder of 2024, the swaps will provide significant protection to our current floating rate liability exposure. As of March 31, 2024, we maintained open interest rate swap positions in: (i) a $1 billion of 3.26% pay-fixed interest rate swap maturing May 2024 and (ii) $1 billion 3.46% pay-fixed interest rate swaps maturing in April 2025. The company also has a long position in a $1 billion 1-year swaption on a 1-year pay-fixed interest rate swap (1 X 1 swaption) with a blended fixed rate of 3.61%.

**Market Conditions and our Strategy**

The capital markets ended 2023 on a strong note driven by investor expectations of the Federal Reserve easing interest rates seven times, or 175 basis points, throughout 2024. Of note, the market was forecasting many more rate cuts than the Federal Reserve had indicated through their quarterly dot-plots. As the new year began, economic data reflecting strong employment and increasing inflation rate caused the market to reduce its expectations of interest rate cuts in 2024. The expectation of higher rates for a longer period also triggered a further back-up in interest rates at the long end of the yield curve. By the end of the first quarter, the market expectations of Federal Reserve rate cuts had been re-calibrated to reflect three cuts, or 75 basis points, in 2024, which was consistent with the Federal Reserve's dot-plot of future interest rates. The four main themes that have emerged as we begin the second quarter are: (i) inflation is still higher than the Federal Reserve's desired rate, (ii) economic data continues to indicate a strong economy, (iii) long-term interest rates may not have peaked, and (iv) interest rates will experience increased volatility.

Strong economic news in the first quarter, however, has been positive for credit spreads which have substantially tightened since the end of 2023. Despite higher rates on U.S. Treasuries, tighter spreads have led to positive performance for many high yield, fixed income assets during the quarter. For securitized products, which are most relevant to us, the credit curve flattened substantially. Strong investor demand resulted in superior performance for the mezzanine and subordinate tranches of most mortgage and asset-backed securities relative to the more senior securities within the same capital structure. New-issue asset-backed securities, or ABS, supply was very strong as issuers rushed to the market with the highest issuance volume since 2016. There were record flows in the Single Family Residential market, or SFR, and Non-QM/Jumbo subordinated mortgage spreads all showed substantial tightening, finally catching up to the Credit Risk Transfer market, or CRT. The market also saw several Structured Risk Transfer, or SRT, and Credit-linked Notes, or CLN, transactions come to market as banks looked to alternative measures to meet capital requirements. The outlook going forward points to a generally stable market with strong ABS issuance buoyed by a strong consumer demand.

Our financing costs remained relatively unchanged during the first quarter, and we have continued to manage our portfolio consistent with our belief that short-term interest rates will be higher for a longer period. We continue to seek opportunities to finance a portion of our retained notes from securitizations with long-term non mark-to-market facilities.

Overall, tighter spreads during the quarter resulted in an increase in the value of our residential credit portfolios and our book value per common share increased to $7.11 as of March 31, 2024, as compared to $6.75 as of December 31, 2023. We declared an $0.11 dividend per common share in the first quarter of 2024. Our Economic Return (as measured by the change in book value per common share plus common stock dividend) was 7.0% for the first quarter of 2024.

**Strategy Going Forward**

The return of volatility, higher interest rates, and reduced rate cut expectations have caused us to manage our portfolio from a more defensive posture. We continue to believe that rate cuts, if any, will not begin until after the presidential election in November. As borrowing costs remain high, we have taken steps to limit the impact of rising rates through reductions in our repurchase agreements, exercising swaptions to pay-fixed rate swaps, and adding swaptions as a hedge for future liabilities. Overall, we maintained a defensive posture and adapted to the changing market conditions.

During the first quarter, we were selective with our investments. We purchased business purpose loans which are high-yielding, short duration assets, and purchased high-coupon mortgage securities on an unlevered basis. We believe these investments will provide accretive returns to the portfolio while preserving liquidity for future deployment. On the liability side of the balance sheet, we continued to reduce some of our higher cost repo borrowings. We believe the actions taken this quarter, on both sides of the balance sheet, will benefit our net interest income. To further protect our liability cost against higher interest rates, this quarter we added an additional $500 million in 1x1 pay-fixed swaption at a rate of 3.45% to help protect the borrowing cost of the portfolio on a go-forward basis.

We continue to seek opportunities to finance our retained notes from securitizations with long-term, limited, or non mark-to-market finance facilities. We currently have 60% of our recourse financing with these facilities. To further manage our interest rate risk, we intend to continue to use financial derivatives such as interest rate swaps and swaptions to hedge against net interest margin compression.

Cash management is critical to our business. We monitor our ongoing needs for margin, repurchase financing maturities, liquidity, and new investments. Over time, we expect to continue to acquire and securitize mortgage loans as well as further implement our call optimization strategy on our securitizations. With available funds, we plan to evaluate the merits of any new investments and compare them to the merits of repurchasing outstanding common and preferred stock, or reducing higher cost

liabilities as they mature. The timing of these re-securitizations is impacted by many factors, including credit performance, prepayment speeds and interest rates. In the near term, we are closely monitoring several of our outstanding "NR" securitizations for potential re-securitization.

As we navigate current market conditions, we are focused on maintaining low recourse leverage and managing our liquidity with a proper balance of both cash and unencumbered securities. Our credit portfolio continued to perform well in the first quarter. The credit performance on our portfolio continues to be within, or better than, our original investment expectations on mortgage delinquencies, default rates, and recoveries. While we continue to look to purchase new loan packages, the increase in rates and volatility has caused us to be more selective in our review of opportunities. Nevertheless, we were successful in adding high quality investments this quarter, and we believe increased rate volatility will enable us to continue to add accretive investments for the remainder of the year.

**Business Operations**

***Net Income (Loss) Summary***

The table below presents our net income (loss) on a GAAP basis for the quarters ended March 31, 2024, December 31, 2023, and March 31, 2023.

**Net Income (Loss)**
(dollars in thousands, except share and per share data)
(unaudited)

| | For the Quarters Ended | | | | |
|---|---|---|---|---|---|
| | March 31, 2024 | December 31, 2023 | March 31, 2023 | QoQ Change | YoY Change |
| **Net interest income:** | | | | | |
| Interest income [(1)] | $ 186,574 | $ 191,204 | $ 189,250 | $ (4,630) | $ (2,676) |
| Interest expense [(2)] | 121,468 | 126,553 | 119,615 | (5,085) | 1,853 |
| Net interest income | 65,106 | 64,651 | 69,635 | 455 | (4,529) |
| Increase (decrease) in provision for credit losses | 1,347 | 2,330 | 3,062 | (983) | (1,715) |
| **Other investment gains (losses):** | | | | | |
| Net unrealized gains (losses) on derivatives | 5,189 | (15,871) | (8,551) | 21,060 | 13,740 |
| Realized gains (losses) on derivatives | — | — | (34,134) | — | 34,134 |
| Periodic interest cost of swaps, net | 5,476 | 5,296 | 2,819 | 180 | 2,657 |
| **Net gains (losses) on derivatives** | 10,665 | (10,575) | (39,866) | 21,240 | 50,531 |
| Net unrealized gains (losses) on financial instruments at fair value | 76,765 | 6,815 | 64,592 | 69,950 | 12,173 |
| Net realized gains (losses) on sales of investments | (3,750) | (3,752) | (5,264) | 2 | 1,514 |
| Gains (losses) on extinguishment of debt | — | (2,473) | 2,309 | 2,473 | (2,309) |
| Other investment gains (losses) | 4,686 | (986) | 117 | 5,672 | 4,569 |
| Total other gains (losses) | 88,366 | (10,971) | 21,888 | 99,337 | 66,478 |
| **Other expenses:** | | | | | |
| Compensation and benefits | 9,213 | 5,278 | 10,491 | 3,935 | (1,278) |
| General and administrative expenses | 5,720 | 7,443 | 5,778 | (1,723) | (58) |
| Servicing and asset manager fees | 7,663 | 7,659 | 8,417 | 4 | (754) |
| Transaction expenses | 67 | 425 | 6,409 | (358) | (6,342) |
| Total other expenses | 22,663 | 20,805 | 31,095 | 1,858 | (8,432) |
| **Income (loss) before income taxes** | 129,462 | 30,544 | 57,366 | 98,918 | 72,096 |
| Income taxes | 8 | 2 | — | 6 | 8 |
| **Net income (loss)** | $ 129,454 | $ 30,542 | $ 57,366 | $ 98,912 | $ 72,088 |
| **Dividends on preferred stock** | 18,438 | 18,438 | 18,438 | — | — |
| **Net income (loss) available to common shareholders** | $ 111,016 | $ 12,104 | $ 38,928 | $ 98,912 | $ 72,088 |
| **Net income (loss) per share available to common shareholders:** | | | | | |
| Basic | $ 0.46 | $ 0.05 | $ 0.17 | $ 0.41 | $ 0.29 |
| Diluted | $ 0.45 | $ 0.05 | $ 0.17 | $ 0.40 | $ 0.28 |
| **Weighted average number of common shares outstanding:** | | | | | |
| Basic | 243,718,142 | 229,931,210 | 231,994,620 | 13,786,932 | 11,723,522 |
| Diluted | 245,154,643 | 232,329,323 | 235,201,614 | 12,825,320 | 9,953,029 |
| **Dividends declared per share of common stock** | $ 0.11 | $ 0.11 | $ 0.23 | $ — | $ (0.12) |

(1) Includes interest income of consolidated VIEs of $146,917, $150,098, and $139,902 for the quarters ended March 31, 2024, December 31, 2023, and March 31, 2023, respectively.
(2) Includes interest expense of consolidated VIEs of $73,123, $73,864, and $60,152 for the quarters ended March 31, 2024, December 31, 2023, and March 31, 2023, respectively.

See accompanying notes to consolidated financial statements.

**Results of Operations for the Quarters Ended March 31, 2024, December 31, 2023, March 31, 2023.**

Our primary source of income is interest income earned on our assets, net of interest expense paid on our financing liabilities.

*Quarter ended March 31, 2024 compared to the Quarter ended December 31, 2023.*

For the quarter ended March 31, 2024, our net income available to common shareholders was $111 million, or $0.46 per average basic common share, as compared to a net income of $12 million, or $0.05 per average basic common share for the quarter ended December 31, 2023. During the quarter ended March 31, 2024, we had net interest income of $65 million, unrealized gains on financial instruments at fair value of $77 million, and net gains on derivatives of $11 million, offset in part by operating expenses of $23 million and preferred stock dividend of $18 million.

Credit spreads tightened substantially throughout the quarter on our investment portfolio, which resulted in market pricing gains and increased the net income available to common shareholders for the quarter ended March 31, 2024, as compared to the quarter ended December 31, 2023. During the quarter ended March 31, 2024, our unrealized gains on financial instruments at fair value increased by $70 million and net gains on derivatives increased by $21 million as compared to the quarter ended December 31, 2023.

*Quarter ended March 31, 2024 compared to the Quarter ended March 31, 2023.*

For the quarter ended March 31, 2024, our net income available to common shareholders was $111 million, or $0.46 per average basic common share, compared to a net income of $39 million, or $0.17 per average basic common share for the quarter ended March 31, 2023. The increase in net income available to common shareholders for the quarter ended March 31, 2024, as compared to the quarter ended March 31, 2023 was primarily driven by an increase in net gains on derivatives of $51 million, unrealized gains on financial instruments at fair value of $12 million and a decrease in deal expenses of $6 million.

***Interest Income***

*Quarter ended March 31, 2024 compared to the Quarter ended December 31, 2023.*

Interest income decreased by $4 million, or 2% to $187 million for the quarter ended March 31, 2024, as compared to $191 million for the quarter ended December 31, 2023. This decrease in our interest income during the quarter ended March 31, 2024 was primarily driven by a decline in our average interest earning assets as compared to the quarter ended December 31, 2023. We reduced our average interest earning asset balances by $272 million to $12.7 billion during the quarter ended March 31, 2024 as compared to $13.0 billion for the quarter ended December 31, 2023. Our Loans held for investment interest income decreased by $4 million driven by lower asset balances, Non-Agency RMBS interest income decreased by $676 thousand due to lower yields and Agency MBS interest income decreased by $401 thousand due to lower asset balances during the quarter ended March 31, 2024, as compared to the quarter ended December 31, 2023.

*Quarter ended March 31, 2024 compared to the Quarter ended March 31, 2023.*

Interest income decreased by $2 million, or 1% to $187 million for the quarter ended March 31, 2024, as compared to $189 million for the quarter ended March 31, 2023. This decrease in our interest income during the quarter ended March 31, 2024 was primarily driven by a decline in our average interest earning assets as compared to the quarter ended March 31, 2023.
We reduced our Loans held for investments by $690 million, Agency MBS positions by $247 million and Non-Agency RMBS positions by $29 million, respectively, during the quarter ended March 31, 2024 as compared to the quarter March 31, 2023. However, during the quarter ended March 31, 2024, the yields on our average interest earning assets increased by 30 basis points to 5.8%, as compared to 5.5% for the quarter ended March 31, 2023, which largely offset the effects of lower interest earning asset balances. Due to these changes in our portfolio, our Agency MBS and Non-Agency RMBS interest income decreased by $2 million and $1 million, respectively, during the quarter ended March 31, 2024 as compared to the quarter ended March 31, 2023. This decrease was offset in part by an increase in interest income of $1 million on our Loans held for investment portfolio driven by higher yields during the quarter ended March 31, 2024, as compared to the quarter ended March 31, 2023.

***Interest Expense***

*Quarter ended March 31, 2024 compared to the Quarter ended December 31, 2023.*

Interest expense decreased by $6 million, or 4%, to $121 million for the quarter ended March 31, 2024 as compared to $127 million for the quarter ended December 31, 2023. This decrease in interest expense for the quarter ended March 31, 2024, as compared to the quarter ended December 31, 2023, was primarily driven by our de-levering efforts, which included reducing our secured financing agreements and securitized debt. Our average cost of financing remained unchanged but we reduced our average interest bearing liability balances by $340 million to $10.6 billion for the quarter ended March 31, 2024 as compared to $11.0 billion for the quarter ended December 31, 2023. Interest expense on our secured financing agreements collateralized by Agency MBS, Non-Agency RMBS, and Loans held for investments decreased by $410 thousand, $2 million, and $2 million, respectively, during the quarter ended March 31, 2024, as compared to the quarter ended December 31, 2023. Interest expense on our securitized debt decreased by $1 million during the quarter ended March 31, 2024, as compared to the quarter ended December 31, 2023 due to lower balances.

*Quarter ended March 31, 2024 compared to the Quarter ended March 31, 2023.*

Interest expense increased slightly by $1 million, or 2%, to $121 million for the quarter ended March 31, 2024 as compared to $120 million for the quarter ended March 31, 2023. During the quarter ended March 31, 2024 we reduced our interest rate sensitive secured financing agreements and partially replaced them with relatively stable securitized debt financing as compared to the quarter ended March 31, 2023. Our average secured financing agreements balance decreased by $787 million to $2.4 billion for the quarter ended March 31, 2024 as compared to $3.2 billion for the quarter ended March 31, 2023. Due to this our interest expenses on secured financing agreements collateralized by Agency MBS, Non-Agency RMBS and Loans held for investments decreased by $2 million, $4 million and $7 million, respectively. This decreases was offset by an increases in interest expense on our securitized debt of $13 million as the average borrowing rates on our securitizations increased by 60 basis points and average securitized debt balances increased by $157 million for the quarter ended March 31, 2024, as compared to the quarter ended March 31, 2023.

***Economic Net Interest Income***

Our Economic net interest income is a non-GAAP financial measure that equals GAAP net interest income adjusted for net periodic interest cost of interest rate swaps and excludes interest earned on cash. 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 Net gains (losses) on derivatives in our Consolidated Statements of Operations. Interest rate swaps are used to manage the increase in interest paid on secured financing 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 all components of interest expense and net interest income of our investment portfolio. However, Economic net interest income should not be viewed in isolation and is not a substitute for net interest income computed in accordance with GAAP. Where indicated, interest expense, adjusting for any interest earned on cash, is referred to as Economic interest expense. Where indicated, net interest income reflecting net periodic interest cost of interest rate swaps and any interest earned on cash, is referred to as Economic net interest income.

The following table reconciles the Economic net interest income to GAAP net interest income and Economic interest expense to GAAP interest expense for the periods presented.

| | GAAP Interest Income | GAAP Interest Expense | Periodic Interest Cost of Interest Rate Swaps | Economic Interest Expense | GAAP Net Interest Income | Periodic Interest Cost of Interest Rate Swaps | Other [1] | Economic Net Interest Income |
|---|---|---|---|---|---|---|---|---|
| For the Quarter Ended March 31, 2024 | $ 186,574 | $ 121,468 | $ (5,476) | $ 115,992 | $ 65,106 | $ 5,476 | $ (2,581) | $ 68,001 |
| For the Quarter Ended December 31, 2023 | $ 191,204 | $ 126,553 | $ (5,296) | $ 121,257 | $ 64,651 | $ 5,296 | $ (1,651) | $ 68,296 |
| For the Quarter Ended September 30, 2023 | $ 195,591 | $ 132,193 | $ (4,894) | $ 127,299 | $ 63,398 | $ 4,894 | $ (2,301) | $ 65,991 |
| For the Quarter Ended June 30, 2023 | $ 196,859 | $ 131,181 | $ (4,159) | $ 127,022 | $ 65,678 | $ 4,159 | $ (2,884) | $ 66,953 |
| For the Quarter Ended March 31, 2023 | $ 189,250 | $ 119,615 | $ (2,819) | $ 116,796 | $ 69,635 | $ 2,819 | $ (3,035) | $ 69,419 |

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

***Net Interest Rate Spread***

The following table 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 | | | | | |
|---|---|---|---|---|---|---|
| | March 31, 2024 (dollars in thousands) | | | December 31, 2023 (dollars in thousands) | | |
| | Average Balance | Interest | Average Yield/Cost | Average Balance | Interest | Average Yield/Cost |
| Assets: | | | | | | |
| ***Interest-earning assets [(1)]:*** | | | | | | |
| Agency RMBS | $ 19,363 | $ 325 | 6.7 % | $ 19,136 | $ 303 | 6.3 % |
| Agency CMBS | 60,345 | 715 | 4.7 % | 105,270 | 1,138 | 4.3 % |
| Non-Agency RMBS | 961,903 | 28,935 | 12.0 % | 950,366 | 29,611 | 12.5 % |
| Loans held for investment | 11,643,716 | 154,018 | 5.3 % | 11,882,662 | 158,501 | 5.3 % |
| Total | $ 12,685,327 | $ 183,993 | 5.8 % | $ 12,957,434 | $ 189,553 | 5.9 % |
| Liabilities and stockholders' equity: | | | | | | |
| ***Interest-bearing liabilities [(2)]:*** | | | | | | |
| Secured financing agreements collateralized by: | | | | | | |
| Agency RMBS | $ — | $ — | — % | $ — | $ — | — % |
| Agency CMBS | 44,632 | 661 | 5.9 % | 75,847 | 1,071 | 5.6 % |
| Non-Agency RMBS | 681,101 | 11,736 | 6.9 % | 710,550 | 13,561 | 7.6 % |
| Loans held for investment | 1,696,221 | 28,106 | 6.6 % | 1,761,188 | 30,298 | 6.9 % |
| Securitized debt | 8,207,251 | 75,489 | 3.7 % | 8,422,017 | 76,327 | 3.6 % |
| Total | $ 10,629,205 | $ 115,992 | 4.4 % | $ 10,969,602 | $ 121,257 | 4.4 % |
| **Economic net interest income/net interest rate spread** | | $ 68,001 | 1.4 % | | $ 68,296 | 1.5 % |
| **Net interest-earning assets/net interest margin** | $ 2,056,122 | | 2.1 % | $ 1,987,832 | | 2.1 % |
| **Ratio of interest-earning assets to interest bearing liabilities** | 1.19 | | | 1.18 | | |

(1) Interest-earning assets at amortized cost

(2) Interest includes periodic net interest cost on swaps

| | For the Quarter Ended | | | | | |
|---|---|---|---|---|---|---|
| | March 31, 2024 (dollars in thousands) | | | March 31, 2023 (dollars in thousands) | | |
| | Average Balance | Interest | Average Yield/Cost | Average Balance | Interest | Average Yield/Cost |
| Assets: | | | | | | |
| ***Interest-earning assets [1]:*** | | | | | | |
| Agency RMBS | $ 19,363 | $ 325 | 6.7 % | $ 18,692 | $ 322 | 6.9 % |
| Agency CMBS | 60,345 | 715 | 4.7 % | 307,846 | 2,957 | 3.8 % |
| Non-Agency RMBS | 961,903 | 28,935 | 12.0 % | 990,721 | 30,098 | 12.2 % |
| Loans held for investment | 11,643,716 | 154,018 | 5.3 % | 12,334,025 | 152,838 | 5.0 % |
| Total | $ 12,685,327 | $ 183,993 | 5.8 % | $ 13,651,284 | $ 186,215 | 5.5 % |
| Liabilities and stockholders' equity: | | | | | | |
| ***Interest-bearing liabilities [2]:*** | | | | | | |
| Secured financing agreements collateralized by: | | | | | | |
| Agency RMBS | $ — | $ — | — % | $ 4,095 | $ 52 | 5.1 % |
| Agency CMBS | 44,632 | 661 | 5.9 % | 252,102 | 2,956 | 4.7 % |
| Non-Agency RMBS | 681,101 | 11,736 | 6.9 % | 762,989 | 16,063 | 8.4 % |
| Loans held for investment | 1,696,221 | 28,106 | 6.6 % | 2,189,967 | 34,839 | 6.4 % |
| Securitized debt | 8,207,251 | 75,489 | 3.7 % | 8,049,843 | 62,886 | 3.1 % |
| Total | $ 10,629,205 | $ 115,992 | 4.4 % | $ 11,258,996 | $ 116,796 | 4.1 % |
| **Economic net interest income/net interest rate spread** | | $ 68,001 | 1.4 % | | $ 69,419 | 1.4 % |
| **Net interest-earning assets/net interest margin** | $ 2,056,122 | | 2.1 % | $ 2,392,288 | | 2.0 % |
| **Ratio of interest-earning assets to interest bearing liabilities** | 1.19 | | | 1.21 | | |

(1) Interest-earning assets at amortized cost

(2) Interest includes periodic net interest cost on swaps

***Economic Net Interest Income and the Average Earning Assets***

*Quarter ended March 31, 2024 compared to the Quarter ended December 31, 2023.*

Our Economic net interest income (which is a non-GAAP measure, see "Economic net interest income" discussion earlier for details) decreased slightly by $295 thousand to $68 million for the quarter ended March 31, 2024 from $68 million for the quarter ended December 31, 2023. Our net interest rate spread, which equals the yield on our average interest-earning assets less the economic average cost of funds, decreased slightly by 10 basis points for the quarter ended March 31, 2024, as compared to the quarter ended December 31, 2023. The net interest margin, which equals the Economic net interest income as a percentage of the net average balance of our interest-earning assets less our interest-bearing liabilities, remained unchanged at 2.1% for the quarters ended March 31, 2024 and December 31, 2023. Our Average net interest-earning assets increased by $68 million to $2.1 billion for the quarter ended March 31, 2024, compared to $2.0 billion for the quarter ended December 31, 2023.

*Quarter ended March 31, 2024 compared to the Quarter ended March 31, 2023.*

Our Economic net interest income (which is a non-GAAP measure, see "Economic net interest income" discussion earlier for details) decreased by $1 million to $68 million for the quarter ended March 31, 2024 from $69 million for the quarter ended March 31, 2023. Our net interest rate spread, which equals the yield on our average interest-earning assets less the economic average cost of funds, remained relatively unchanged at 1.4% for the quarter ended March 31, 2024 and March 31, 2023. The net interest margin, which equals the Economic net interest income as a percentage of the net average balance of our interest-earning assets less our interest-bearing liabilities, increased by 10 basis points for the quarter ended March 31, 2024, as compared to the same period of 2023. Our Average net interest-earning assets decreased by $336 million to $2.1 billion for the year ended March 31, 2024, compared to $2.4 billion for the same period of 2023.

***Economic Interest Expense and the Cost of Funds***

The borrowing rate at which we are able to finance our assets using secured financing agreements is typically correlated to SOFR and the term of the financing. The borrowing rate on the majority of our securitized debt is fixed and correlated to the term of the financing. The table below shows our average borrowed funds, Economic interest expense, average cost of funds (inclusive of periodic interest costs on swaps), average one-month SOFR, average three-month SOFR and average one-month SOFR relative to average three-month SOFR.

| | Average Debt Balance | Economic Interest Expense | Average Cost of Funds | Average One-Month SOFR | Average Three-Month SOFR | Average One-Month SOFR Relative to Average Three-Month SOFR |
|---|---|---|---|---|---|---|
| | (Ratios have been annualized, dollars in thousands) | | | | | |
| For the Quarter Ended March 31, 2024 | $ 10,629,205 | $ 115,992 | 4.37 % | 5.33 % | 5.32 % | 0.01 % |
| For the Quarter Ended December 31, 2023 | $ 10,969,602 | $ 121,257 | 4.42 % | 5.34 % | 5.38 % | (0.04)% |
| For the Quarter Ended September 30, 2023 | $ 11,329,002 | $ 127,299 | 4.49 % | 5.30 % | 5.37 % | (0.07)% |
| For the Quarter Ended June 30, 2023 | $ 11,517,226 | $ 127,022 | 4.41 % | 5.04 % | 5.13 % | (0.09)% |
| For the Quarter Ended March 31, 2023 | $ 11,258,996 | $ 116,796 | 4.15 % | 4.62 % | 4.79 % | (0.17)% |

Average interest-bearing liabilities decreased by $340 million for the quarter ended March 31, 2024, as compared to the quarter ended December 31, 2023. Economic interest expense decreased by $5 million for the quarter ended March 31, 2024, as compared to the quarter ended December 31, 2023 driven by the decrease in average interest-bearing liabilities. Average interest-bearing liabilities decreased by $630 million for the quarter ended March 31, 2024, as compared to the quarter ended March 31, 2023. Economic interest expense decreased by $1 million for the quarter ended March 31, 2024, as compared to the quarter ended March 31, 2023. While we may use interest rate hedges to mitigate risks related to changes in interest rate, the hedges may not fully offset interest expense movements.

***Provision for Credit Losses***

For the quarter ended March 31, 2024, we recorded an increase in provision for credit losses of $1 million, as compared to an increase in provision of credit losses of $2 million for the quarter ended December 31, 2023. For the quarter ended March 31, 2024, we recorded an increase in provision for credit losses of $1 million, as compared to an increase in provision of credit losses of $3 million for the quarter ended March 31, 2023.

The increase in provision for credit losses for the quarter ended March 31, 2024 as compared to the quarter ended December 31, 2023 and March 31, 2023 is primarily due to an increase in expected losses and delinquencies. In addition, certain Non-Agency RMBS positions, now have higher unrealized losses and resulted in the recognition of an allowance for credit losses which was previously limited by unrealized gains on these investments.

***Net Gains (Losses) on Derivatives***

We use derivatives to economically hedge the effects of changes in interest rates on our portfolio, specifically our secured financing agreements. Unrealized gains and losses include the change in market value, period over period, on our derivatives portfolio. Changes in market value are generally a result of changes in interest rates. We may or may not ultimately realize these unrealized derivative gains and losses depending on trade activity, changes in interest rates and the values of the underlying securities. The net gains and losses on our derivatives include both unrealized and realized gains and losses. Realized gains and losses include the net cash paid and received on our interest rate swaps during the period as well as sales, terminations and settlements of our swaps, swaptions and U.S. Treasury futures.

The table below shows a summary of our net gains (losses) on derivative instruments, for the quarters ended March 31, 2024, December 31, 2023, and March 31, 2023, respectively.

| | For the Quarter Ended | | |
|---|---|---|---|
| | March 31, 2024 | December 31, 2023<br>(dollars in thousands) | March 31, 2023 |
| Periodic interest income (expense) on interest rate swaps, net | $ 5,476 | $ 5,296 | $ 2,819 |
| Realized gains (losses) on derivative instruments, net: | | | |
| Swaps - Terminations | — | — | (45,226) |
| Treasury futures | — | — | 479 |
| Swaptions | — | — | 10,613 |
| Total realized gains (losses) on derivative instruments, net | $ — | — | (34,134) |
| Unrealized gains (losses) on derivative instruments, net: | | | |
| Interest rate swaps | 3,679 | (6,013) | 7,909 |
| Treasury futures | — | — | (6,851) |
| Swaptions | 1,510 | (9,858) | (9,609) |
| Total unrealized gains (losses) on derivative instruments, net: | 5,189 | (15,871) | (8,551) |
| Total gains (losses) on derivative instruments, net | $ 10,665 | $ (15,871) | $ (39,866) |

During the quarters ended March 31, 2024, December 31, 2023 and March 31, 2023 we recognized total net gains on derivatives of $11 million, net losses on derivatives of $16 million, and net losses on derivatives of $40 million, respectively. Unrealized gains and losses include the change in market value, period over period, on our derivatives portfolio. Changes in market value are generally a result of changes in interest rates. We may or may not ultimately realize these unrealized derivative gains and losses depending on trade activity, changes in interest rates and the values of the underlying securities.

The weighted average pay rate on our interest rate swap at March 31, 2024 was 3.36% and the weighted average receive rate was 5.34%. At March 31, 2024, the weighted average maturity on the Company's interest rate swaps was less than one year. The weighted average pay rate on the Company's interest rate swap at December 31, 2023 was 3.26% and the weighted average receive rate was 5.40%. At December 31, 2023, the weighted average maturity on the Company's interest rate swaps was less than one year. The weighted average pay rate on our interest rate swap at March 31, 2023 was 3.26% and the weighted average receive rate was 4.82%. At March 31, 2023, the weighted average maturity on our interest rate swaps was one year.

There were no swap terminations during the quarter ended March 31, 2024 and December 31, 2023. We paid $45 million to terminate interest rate swaps with a notional value of $2.5 billion during the quarter ended March 31, 2023. The terminated swaps had original maturities ranging from 2025 to 2028.

During the quarter ended March 31, 2024 we exercised our two swaption contracts with $1.0 billion notional and entered into two one-year swaps with $1.0 billion notional with a weighted average 3.46% fixed pay rate.

During the quarter ended March 31, 2023, we terminated our existing $1.0 billion notional swaption contract for a one-year forward starting swap. Additionally, we entered into and terminated three new swaptions contracts with $2.3 billion notional during the quarter ended March 31, 2023. We had net realized gains of $11 million on these swaption terminations. We also entered into two swaption contracts for a one-year forward starting swaps with a total notional of $1.0 billion with 3.46% strike rate. The underlying swap terms will allow us to pay a fix rate of 3.46% and receive floating overnight SOFR rate.

During the quarter ended March 31, 2023, we entered into 6,000 short 5-year U.S. Treasury futures contracts, of which we subsequently covered 4,000 contracts during the quarter. As of March 31, 2023, we had 2,000 short 5-year U.S. Treasury futures contracts with a $200 million notional. During the quarter ended March 31, 2023, we entered into 1,875 short 2-year U.S. Treasury futures contracts of which we subsequently covered 625 contracts during the quarter. As of March 31, 2023, we had 1,250 short 2-year U.S. Treasury futures contracts with a $250 million notional. We had a net realized gain of $666 thousand on these covered contracts. We also entered into 400 call options on 2-year and 5-year U.S. Treasury futures and subsequently covered them during the quarter ended March 31, 2023 for a realized loss of $187 thousand.

Changes in our derivative positions were primarily a result of changes in our secured financing composition and changes in interest rates.

***Net Unrealized Gains (Losses) on Financial Instruments at Fair Value***

As discussed earlier the residential credit spread tightening during the quarter resulted in an increase in market value of our investments. We recorded Net unrealized gains on financial instruments at fair value of $77 million and $7 million for the quarters ended March 31, 2024 and December 31, 2023, respectively.

We recorded Net unrealized gains on financial instruments at fair value of $77 million and $65 million for the quartersended March 31, 2024 and 2023, respectively.

***Gains and Losses on Sales of Assets***

We do not forecast sales of investments as we generally expect to invest for long term gains. However, from time to time, we may sell assets to create liquidity necessary to pursue new opportunities, to achieve targeted leverage ratios as well as for gains when prices indicate a sale is most beneficial to us, or is the most prudent course of action to maintain a targeted risk adjusted yield for our investors.

During the quarter ended March 31, 2024, December 31, 2023 and March 31, 2023, we sold some of our Agency CMBS investments as part of our portfolio optimization efforts and realized a loss of $4 million, $4 million, and $5 million, respectively.

***Gain and Loss on Extinguishment of Debt***

We recognized losses on extinguishment of debt of $2 million for the quarter endedDecember 31, 2023 related to early termination of certain of our secured financing agreements. There were no such secured financing agreement terminations during the quarter ended March 31, 2024 and March 31, 2023.

When we acquire our outstanding securitized debt, we extinguish the outstanding debt and recognize a gain or loss based on the difference between the carrying value of the debt and the cost to acquire the debt which is reflected in the Consolidated Statements of Operations as a gain or loss on extinguishment of debt.

*Securitized Debt Collateralized by Non-Agency RMBS*

We did not acquire any securitized debt collateralized by Non-Agency RMBS during the quarters ended March 31, 2024, December 31, 2023, or March 31, 2023.

*Securitized Debt Collateralized by Loans Held for Investment*

We did not acquire any securitized debt collateralized by Loans held for investment during the quarters ended March 31, 2024 and December 31, 2023. During the quarter ended March 31, 2023, we acquired securitized debt collateralized by Loans held for investment with an amortized cost balance of $339 million for $337 million. This transaction resulted in net gain on extinguishment of debt of $2 million.

***Compensation, General and Administrative Expenses and Transaction Expenses***

The table below shows our total compensation and benefit expense, general and administrative, or G&A expenses, and transaction expenses as compared to average total assets and average equity for the periods presented.

| | Total Compensation, G&A and Transaction Expenses | Total Compensation, G&A and Transaction Expenses/Average Assets | Total Compensation, G&A and Transaction Expenses/Average Equity |
|---|---|---|---|
| | (Ratios have been annualized, dollars in thousands) | | |
| For the Quarter Ended March 31, 2024 | $ 15,000 | 0.47 % | 2.31 % |
| For the Quarter Ended December 31, 2023 | $ 13,144 | 0.41 % | 2.08 % |
| For the Quarter Ended September 30, 2023 | $ 12,641 | 0.38 % | 1.99 % |
| For the Quarter Ended June 30, 2023 | $ 22,604 | 0.65 % | 3.46 % |
| For the Quarter Ended March 31, 2023 | $ 22,678 | 0.66 % | 3.41 % |

The Compensation and benefit costs were approximately $9 million, $5 million and $10 million for the quarters ended March 31, 2024, December 31, 2023, and March 31, 2023, respectively. The decrease in Compensation and benefit costs for the quarter ended December 31, 2023 were primarily driven by lower performance-based compensation costs.

The general and administrative expenses were approximately $6 million, $7 million, and $6 million for the quarters ended March 31, 2024, December 31, 2023 and March 31, 2023, respectively, and remained relatively unchanged. The G&A expenses are primarily comprised of legal, market data and research, auditing, consulting, information technology, and independent investment consulting expenses.

We incurred transaction expenses in relation to securitizations of $67 thousand, $425 thousand and $6 million for the quarters ended March 31, 2024, December 31, 2023 and March 31, 2023. The decrease in transaction expenses during the quarter ended March 31, 2024 as compared to the quarters ended December 31, 2023 and March 31, 2023 was driven by lower securitization activity.

***Servicing and Asset Manager Fees***

The servicing fees and asset manager expenses were $8 million for the quarters ended March 31, 2024, December 31, 2023 and March 31, 2023, and remained relatively unchanged. These servicing fees are primarily related to the servicing costs of the whole loans held in consolidated securitization vehicles and are paid from interest income earned by the VIEs. The servicing fees generally range from 2 to 50 basis points of unpaid principal balances of our consolidated VIEs.

***Earnings available for distribution***

Earnings available for distribution is a non-GAAP measure and is defined as GAAP net income excluding unrealized gains or losses on financial instruments carried at fair value with changes in fair value recorded in earnings, realized gains or losses on the sales of investments, gains or losses on the extinguishment of debt, changes in the provision for credit losses, other gains or losses on equity investments, and transaction expenses incurred. Transaction expenses are primarily comprised of costs only incurred at the time of execution of our securitizations and certain structured secured financing agreements and include costs such as underwriting fees, legal fees, diligence fees, bank fees and other similar transaction related expenses. These costs are all incurred prior to or at the execution of the transaction and do not recur. Recurring expenses, such as servicing fees, custodial fees, trustee fees and other similar ongoing fees are not excluded from earnings available for distribution. We believe that excluding these costs is useful to investors as it is generally consistent with our peer groups treatment of these costs in their non-GAAP measures presentation, mitigates period to period comparability issues tied to the timing of securitization and structured finance transactions, and is consistent with the accounting for the deferral of debt issue costs prior to the fair value election option made by us. In addition, we believe it is important for investors to review this metric which is consistent with how management internally evaluates the performance of the Company. Stock compensation expense charges incurred on awards to retirement eligible employees is reflected as an expense over a vesting period (generally 36 months) rather than reported as an immediate expense.

Earnings available for distribution is the Economic net interest income, as defined previously, reduced by compensation and benefits expenses (adjusted for awards to retirement eligible employees), general and administrative expenses, servicing and asset manager fees, income tax benefits or expenses incurred during the period, as well as the preferred dividend charges.

We view Earnings available for distribution as one measure of our investment portfolio's ability to generate income for distribution to common stockholders. Earnings available for distribution is one of the metrics, but not the exclusive metric, that our Board of Directors uses to determine the amount, if any, of dividends on our common stock. Other metrics that our Board of Directors may consider when determining the amount, if any, of dividends on our common stock include (among others) REIT taxable income, dividend yield, book value, cash generated from the portfolio, reinvestment opportunities and other cash needs. In addition, Earnings available for distribution is different than REIT taxable income and the determination of whether we have met the requirement to distribute at least 90% of our annual REIT taxable income (subject to certain adjustments) to our stockholders in order to maintain qualification as a REIT is not based on Earnings available for distribution. Therefore, Earnings available for distribution should not be considered as an indication of our REIT taxable income, a guaranty of our ability to pay dividends, or as a proxy for the amount of dividends we may pay. We believe Earnings available for distribution as described above helps us and investors evaluate our financial performance period over period without the impact of certain transactions. Therefore, Earnings available for distribution 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. In addition, our methodology for calculating Earnings available for distribution may differ from the methodologies employed by other REITs to calculate the same or similar supplemental performance measures, and accordingly, our Earnings available for distribution may not be comparable to the Earnings available for distribution reported by other REITs.

The following table provides GAAP measures of net income and net income per diluted share available to common stockholders for the periods presented and details with respect to reconciling the line items to Earnings available for distribution and related per average diluted common share amounts. Earnings available for distribution is presented on an adjusted dilutive shares basis.

| | For the Quarters Ended | | | | |
|---|---|---|---|---|---|
| | March 31, 2024 | December 31, 2023 | September 30, 2023 | June 30, 2023 | March 31, 2023 |
| | (dollars in thousands, except per share data) | | | | |
| **GAAP Net income (loss) available to common stockholders** | $ 111,016 | $ 12,104 | $ (16,268) | $ 17,586 | $ 38,928 |
| Adjustments: | | | | | |
| Net unrealized (gains) losses on financial instruments at fair value | (76,765) | (6,815) | 43,988 | (6,954) | (64,592) |
| Net realized (gains) losses on sales of investments | 3,750 | 3,752 | 460 | 21,758 | 5,264 |
| (Gains) losses on extinguishment of debt | — | 2,473 | — | (4,039) | (2,309) |
| Increase (decrease) in provision for credit losses | 1,347 | 2,330 | 3,217 | 2,762 | 3,062 |
| Net unrealized (gains) losses on derivatives | (5,189) | 15,871 | (17) | (17,994) | 8,551 |
| Realized (gains) losses on derivatives | — | — | — | 6,822 | 34,134 |
| Transaction expenses | 67 | 425 | 90 | 8,456 | 6,409 |
| Stock Compensation expense for retirement eligible awards | 1,024 | (391) | (392) | (388) | 2,141 |
| Other investment (gains) losses | (4,686) | 986 | (2,381) | 421 | (117) |
| **Earnings available for distribution** | **$ 30,564** | **$ 30,735** | **$ 28,697** | **$ 28,430** | **$ 31,471** |
| | | | | | |
| **GAAP net income (loss) per diluted common share** | **$ 0.45** | **$ 0.05** | **$ (0.07)** | **$ 0.08** | **$ 0.17** |
| **Earnings available for distribution per adjusted diluted common share** | **$ 0.12** | **$ 0.13** | **$ 0.13** | **$ 0.12** | **$ 0.13** |

The table below summarizes the reconciliation from weighted-average diluted shares under GAAP to the weighted-average adjusted diluted shares used for Earnings available for distribution for the periods reported below.

| | For the Quarters Ended | | | | |
|---|---|---|---|---|---|
| | March 31, 2024 | December 31, 2023 | September 30, 2023 | June 30, 2023 | March 31, 2023 |
| **Weighted average diluted shares - GAAP** | 245,154,643 | 232,329,323 | 226,734,643 | 233,867,501 | 235,201,614 |
| Potentially dilutive shares [1] | — | — | 1,997,547 | — | — |
| **Adjusted weighted average diluted shares - Earnings available for distribution** | 245,154,643 | 232,329,323 | 228,732,190 | 233,867,501 | 235,201,614 |

(1) Potentially dilutive shares related to restricted stock units and performance stock units excluded from the computation of weighted average GAAP diluted shares because their effect would have been anti-dilutive given the GAAP net loss available to common shareholders for the quarter ended September 30, 2023.

Our Earnings available for distribution for the quarter ended March 31, 2024 were $31 million, or $0.12 per average diluted common share, and remained relatively unchanged as compared to $31 million, or $0.13 per average diluted common share for the quarter ended December 31, 2023.

Our Earnings available for distribution for the quarter ended March 31, 2024 were $31 million, or $0.12 per average diluted common share, and remained relatively unchanged as compared to $31 million, or $0.13 per average diluted common share for the quarter ended March 31, 2023.

***Net Income (Loss) and Return on Total Stockholders' Equity***

The table below shows our Net Income and Economic net interest income as a percentage of average stockholders' equity and Earnings available for distribution as a percentage of average common stockholders' 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 our beginning and ending stockholders' equity balance for the period reported. Economic net interest income and Earnings available for distribution are non-GAAP measures as defined in previous sections.

| | Return on Average Equity | Economic Net Interest Income/Average Equity | Earnings available for distribution/Average Common Equity |
|---|---|---|---|
| | | (Ratios have been annualized) | |
| For the Quarter Ended March 31, 2024 | 19.90 % | 10.45 % | 7.31 % |
| For the Quarter Ended December 31, 2023 | 4.84 % | 10.81 % | 7.70 % |
| For the Quarter Ended September 30, 2023 | 0.34 % | 10.40 % | 7.14 % |
| For the Quarter Ended June 30, 2023 | 5.51 % | 10.24 % | 6.75 % |
| For the Quarter Ended March 31, 2023 | 8.63 % | 10.45 % | 7.28 % |

Return on average equity increased by 15% for the quarter ended March 31, 2024, as compared to the quarter ended December 31, 2023. This increase is driven primarily by unrealized asset pricing gains during the first quarter of 2024, compared to the same period of 2023. Economic net interest income as a percentage of average equity decreased by 36 basis points for the quarter ended March 31, 2024 as compared to the quarter ended December 31, 2023. Earnings available for distribution as a percentage of average common equity decreased by 39 basis points for the quarter ended March 31, 2024 as compared to the quarter ended December 31, 2023.

Return on average equity increased by 11% basis points for the quarter ended March 31, 2024, as compared to the quarter ended March 31, 2023. This increase is driven primarily by unrealized asset pricing gains and net gains on derivatives during the first quarter of 2024, compared to the same period of 2023. Economic net interest income as a percentage of average equity remained relatively unchanged for the quarter ended March 31, 2024 as compared to the quarter ended March 31, 2023. Earnings available for distribution as a percentage of average common equity increased by three basis points for the quarter ended March 31, 2024 as compared to the quarter ended March 31, 2023.

**Financial Condition**

*Portfolio Review*

During the quarter ended March 31, 2024, we focused our efforts on taking advantage of the opportunity to acquire higher yielding assets while maintaining low leverage and ample liquidity. During the quarter ended March 31, 2024, on an aggregate basis, we purchased $111 million of investments, sold $35 million of investments, and received $325 million in principal payments related to our Agency MBS, Non-Agency RMBS and Loans held for investment portfolio.

The following table summarizes certain characteristics of our portfolio at March 31, 2024 and December 31, 2023.

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Interest earning assets at period-end [1] | $ 12,200,381 | $ 12,543,336 |
| Interest bearing liabilities at period-end | $ 9,794,185 | $ 10,109,008 |
| GAAP Leverage at period-end | 3.7:1 | 4.0:1 |
| GAAP Leverage at period-end (recourse) | 0.9:1 | 1.0:1 |

(1) Excludes cash and cash equivalents.

| Portfolio Composition | March 31, 2024 | December 31, 2023 | March 31, 2024 | December 31, 2023 |
|---|---|---|---|---|
| | Amortized Cost | | Fair Value | |
| Non-Agency RMBS | 7.9 % | 7.5 % | 8.7 % | 8.3 % |
| Senior | 3.9 % | 4.0 % | 5.4 % | 5.4 % |
| Subordinated | 2.7 % | 2.3 % | 2.6 % | 2.2 % |
| Interest-only | 1.3 % | 1.2 % | 0.7 % | 0.7 % |
| Agency RMBS | 0.2 % | 0.2 % | 0.1 % | 0.1 % |
| Interest-only | 0.2 % | 0.2 % | 0.1 % | 0.1 % |
| Agency CMBS | 0.5 % | 0.7 % | 0.4 % | 0.7 % |
| Project loans | 0.4 % | 0.6 % | 0.4 % | 0.6 % |
| Interest-only | 0.1 % | 0.1 % | 0.1 % | 0.1 % |
| Loans held for investment | 91.4 % | 91.6 % | 90.8 % | 90.9 % |
| Fixed-rate percentage of portfolio | 96.5 % | 96.5 % | 96.0 % | 95.9 % |
| Adjustable-rate percentage of portfolio | 3.5 % | 3.5 % | 4.0 % | 4.1 % |

GAAP leverage at period-end is calculated as a ratio of our secured financing agreements and securitized debt liabilities over GAAP book value. GAAP recourse leverage is calculated as a ratio of our secured financing agreements over stockholders equity.

The following table presents details of each asset class in our portfolio at March 31, 2024 and December 31, 2023. The principal or notional value represents the interest income earning balance of each class. The weighted average figures are weighted by each investment’s respective principal/notional value in the asset class.

| | March 31, 2024 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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) | Weighted Average 3 Month Prepay Rate at Period-End | Weighted Average 12 Month Prepay Rate at Period-End | Weighted Average 3 Month CDR at Period-End | Weighted Average 12 Month CDR at Period-End | Weighted Average Loss Severity(2) | Weighted Average Credit Enhancement |
| Non-Agency Mortgage-Backed Securities | | | | | | | | | | | |
| Senior | $ 1,057,200 | $ 45.50 | $ 62.83 | 5.7 % | 16.9 % | 5.3 % | 5.3 % | 1.7 % | 1.9 % | 35.1 % | 2.0 % |
| Subordinated | $ 610,429 | $ 53.85 | $ 51.49 | 3.8 % | 7.2 % | 5.5 % | 5.2 % | 0.5 % | 0.7 % | 24.6 % | 5.1 % |
| Interest-only | $ 2,819,698 | $ 5.57 | $ 2.88 | 0.5 % | 6.2 % | 4.7 % | 4.9 % | 0.7 % | 0.9 % | 40.9 % | 0.1 % |
| Agency RMBS | | | | | | | | | | | |
| Interest-only | $ 388,676 | $ 5.01 | $ 3.83 | 0.1 % | 6.6 % | 9.4 % | 9.8 % | N/A | N/A | N/A | N/A |
| Agency CMBS | | | | | | | | | | | |
| Project loans | $ 48,651 | $ 101.28 | $ 89.84 | 3.7 % | 3.6 % | — % | — % | N/A | N/A | N/A | N/A |
| Interest-only | $ 474,631 | $ 1.55 | $ 1.56 | 0.5 % | 8.4 % | 0.6 % | 0.3 % | N/A | N/A | N/A | N/A |
| Loans held for investment | $ 11,639,449 | $ 98.24 | $ 95.32 | 5.6 % | 5.4 % | 5.6 % | 6.4 % | 0.7 % | 0.7 % | 23.5 % | N/A |

(1) Bond Equivalent Yield at period-end. Weighted Average Yield is calculated using each investment's respective amortized cost.
(2) Calculated based on reported losses to date, utilizing widest data set available (i.e., life-time losses, 12-month loss, etc.)

| | December 31, 2023 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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) | Weighted Average 3 Month Prepay Rate at Period-End | Weighted Average 12 Month Prepay Rate at Period-End | Weighted Average 3 Month CDR at Period-End | Weighted Average 12 Month CDR at Period-End | Weighted Average Loss Severity(2) | Weighted Average Credit Enhancement |
| Non-Agency Mortgage-Backed Securities | | | | | | | | | | | |
| Senior | $ 1,073,632 | $ 45.69 | $ 62.98 | 5.7 % | 17.3 % | 4.1 % | 5.0 % | 1.5 % | 1.8 % | 32.2 % | 2.6 % |
| Subordinated | $ 583,049 | $ 50.92 | $ 47.49 | 3.3 % | 6.7 % | 4.6 % | 5.7 % | 0.2 % | 0.9 % | 18.4 % | 6.5 % |
| Interest-only | $ 2,874,680 | $ 5.49 | $ 3.16 | 0.5 % | 4.2 % | 4.5 % | 5.0 % | 0.9 % | 1.0 % | 24.9 % | 1.9 % |
| Agency RMBS | | | | | | | | | | | |
| Interest-only | $ 392,284 | $ 4.90 | $ 3.83 | 0.1 % | 5.7 % | 8.6 % | 9.4 % | N/A | N/A | N/A | N/A |
| Agency CMBS | | | | | | | | | | | |
| Project loans | $ 86,572 | $ 101.44 | $ 91.46 | 4.0 % | 3.8 % | — % | — % | N/A | N/A | N/A | N/A |
| Interest-only | $ 478,239 | $ 1.62 | $ 1.73 | 0.5 % | 8.2 % | 0.3 % | 1.0 % | N/A | N/A | N/A | N/A |
| Loans held for investment | $ 12,028,480 | $ 98.35 | $ 94.90 | 5.7 % | 5.4 % | 6.5 % | 6.5 % | 0.6 % | 0.6 % | 23.9 % | N/A |

(1) Bond Equivalent Yield at period-end. Weighted Average Yield is calculated using each investment's respective amortized cost.
(2) Calculated based on reported losses to date, utilizing widest data set available (i.e., life-time losses, 12-month loss, etc.)

Based on the projected cash flows for our Non-Agency RMBS that are not of high credit quality, a portion of the original purchase discount is designated as Accretable Discount, which reflects the purchase discount expected to be accreted into interest income, and a portion is designated as Non-Accretable Difference, which represents the contractual principal on the security that is not expected to be collected. The amount designated as Non-Accretable Difference may be adjusted over time, based on the actual performance of the security, its underlying collateral, actual and projected cash flow from such collateral, economic conditions and other factors. If the performance of a security is more favorable than previously estimated, a portion of the amount designated as Non-Accretable Difference may be transferred to Accretable Discount and accreted into interest income over time. Conversely, if the performance of a security is less favorable than previously estimated, a provision for credit loss may be recognized resulting in an increase in the amounts designated as Non-Accretable Difference.

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

| | For the Quarters Ended (dollars in thousands) | | | | |
|---|---|---|---|---|---|
| **Accretable Discount (Net of Premiums)** | **March 31, 2024** | **December 31, 2023** | **September 30, 2023** | **June 30, 2023** | **March 31, 2023** |
| Balance, beginning of period | $ 139,737 | $ 147,252 | $ 145,322 | $ 157,253 | $ 176,635 |
| Accretion of discount | (8,179) | (12,840) | (9,022) | (10,620) | (11,663) |
| Purchases | 1,848 | — | (9) | — | — |
| Sales | — | — | — | — | — |
| Elimination in consolidation | — | — | — | — | — |
| Transfers from/(to) credit reserve, net | (2,782) | 5,325 | 10,961 | (1,311) | (7,719) |
| Balance, end of period | $ 130,624 | $ 139,737 | $ 147,252 | $ 145,322 | $ 157,253 |

**Liquidity and Capital Resources**

***General***

Liquidity measures our ability to meet cash requirements, including ongoing borrowing commitments, purchase RMBS, residential mortgage loans and other assets for our portfolio, pay dividends and other general business needs. Our principal sources of capital and funds for additional investments primarily include earnings, principal paydowns and sales from our investments, borrowings under securitizations and re-securitizations, secured financing agreements and other financing facilities including warehouse facilities, and proceeds from equity or other securities offerings.

As discussed earlier, during the first quarter of 2024, the interest rates remained higher, inflation remained sticky and cost of financing remained elevated. If these uncertainties become more pronounced, we may experience an adverse impact on our liquidity. We have sought and expect to continue to seek longer-term, more durable financing to reduce our risk exposure to margin calls related to shorter-term repurchase financing.

Our ability to fund our operations, meet financial obligations and finance target asset acquisitions may be impacted by our ability to secure and maintain our master secured financing agreements, warehouse facilities and secured financing agreements facilities with our counterparties. Because secured financing agreements and warehouse facilities are short-term commitments of capital, lenders may respond to market conditions making it more difficult for us to renew or replace on a continuous basis our maturing short-term borrowings and have and may continue to impose more onerous conditions when rolling forward such financings. If we are not able to renew our existing facilities or arrange for new financing on terms acceptable to us, or if we default on our covenants or are otherwise unable to access funds under our financing facilities or if we are required to post more collateral or face larger haircuts, we may have to curtail our asset acquisition activities and dispose of assets.

To meet our short term (one year or less) liquidity needs, we expect to continue to borrow funds in the form of secured financing agreements and, subject to market conditions, other types of financing. The terms of the secured financing transaction borrowings under our master secured financing agreement generally conform to the terms in the standard master secured financing agreement as published by the Securities Industry and Financial Markets Association, or SIFMA, or similar market accepted agreements, as to repayment and margin requirements. In addition, each lender typically requires that we include supplemental terms and conditions to the standard master secured financing agreement. Typical supplemental terms and conditions include changes to the margin maintenance requirements, net asset value, required 'haircuts' (which are the difference expressed in percentage terms between the fair value of the collateral and the amount the counterpart will lend to us) purchase price maintenance requirements, and requirements that all disputes related to the secured financing agreement be litigated or arbitrated in a particular jurisdiction. These provisions may differ for each of our lenders.

To meet our longer-term liquidity needs (greater than one year), we expect our principal sources of capital and funds to continue to be provided by earnings, principal paydowns and sales from our investments, borrowings under securitizations and re-securitizations, secured financing agreements and other financing facilities, as well as proceeds from equity or other securities offerings.

In addition to the principal sources of capital described above, we may enter into warehouse facilities and use longer dated structured secured financing agreements. The use of any particular source of capital and funds will depend on market conditions, availability of these facilities, and the investment opportunities available to us.

***Current Period***

We held cash and cash equivalents of approximately $169 million and $222 million at March 31, 2024 and December 31, 2023, respectively. As a result of our operating, investing and financing activities described below, our cash position decreased
by $53 million from December 31, 2023 to March 31, 2024.

Our operating activities provided net cash of approximately $57 million and $30 million for the quarters ended March 31, 2024 and 2023, respectively. The cash flows from operations were primarily driven by interest received in excess of interest paid of $68 million and $70 million during the quarters ended March 31, 2024 and 2023, respectively.

Our investing activities provided cash of $248 million and used cash of $82 million for the quarters ended March 31, 2024 and 2023, respectively. During the quarter ended March 31, 2024, we received cash for principal repayments on Agency MBS, Non-Agency RMBS and Loans held for investment of $325 million and from sale of our Agency MBS of $35 million. This cash received was offset in part by cash used on investment purchases of $78 million of Loans held for investment and $34 million of Non-Agency RMBS. During the quarter ended March 31, 2023, we used cash for investment purchases of $591 million, primarily consisting of Loans held for investment of $590 million, and Agency MBS of $1 million. This cash used was offset in part by cash received for principal repayments on Agency MBS, Non-Agency RMBS and Loans held for investment of $341 million and from sale of our Agency MBS of $168 million.

Our financing activities used cash of $358 million and provided cash of $19 million for the quarter ended March 31, 2024 and 2023, respectively. During the quarter ended March 31, 2024, we primarily used cash for repayment of principal on our securitized debt of $273 million, net payments on our secured financing agreements of $40 million, and payment of common and preferred dividends of $45 million. During the quarter ended March 31, 2023 we received cash for securitized debt collateralized by loans issuance of $944 million. This cash received was offset in part by cash used for repayment of principal on our securitized debt of $609 million, net payments on our secured financing agreements of $242 million, and payment of common and preferred dividends of $73 million.

Our recourse leverage was 0.9:1 and 1.0:1 at March 31, 2024 and at December 31, 2023, respectively, and remained relatively low. Our recourse leverage excludes the securitized debt which can only be repaid from the proceeds on the assets securing this

debt in their respective VIEs. Our recourse leverage is presented as a ratio of our secured financing agreements, which are recourse to our assets and our equity.

Based on our current portfolio, leverage ratio and available borrowing arrangements, we believe our assets will be sufficient to enable us to meet anticipated short-term liquidity requirements. However, if our cash resources are insufficient to satisfy our liquidity requirements, we may sell additional investments, reduce our dividends, issue debt or additional common or preferred equity securities to meet our liquidity needs. As of March 31, 2024 and December 31, 2023, we had $418 million and $377 million of unencumbered assets available to us which can be pledged to access additional short-term financing or sold to raise additional cash, if necessary.

At March 31, 2024 and December 31, 2023, the remaining maturities and borrowing rates on our RMBS and loan secured financing agreements were as follows.

| | March 31, 2024 | | | December 31, 2023 | | |
|---|---|---|---|---|---|---|
| | (dollars in thousands) | | | | | |
| | **Principal** | **Weighted Average Borrowing Rates** | **Range of Borrowing Rates** | **Principal** | **Weighted Average Borrowing Rates** | **Range of Borrowing Rates** |
| Overnight | — | N/A | N/A | — | N/A | NA |
| 1 to 29 days | $ 259,229 | 7.56% | 6.20% - 8.18% | $ 272,490 | 7.35% | 6.30% - 8.22% |
| 30 to 59 days | 473,497 | 6.71% | 5.44% - 7.82% | 495,636 | 6.68% | 5.58% - 7.87% |
| 60 to 89 days | 194,024 | 7.21% | 5.84% - 7.58% | 305,426 | 7.17% | 5.93% - 7.85% |
| 90 to 119 days | 69,793 | 6.29% | 6.29% - 6.29% | 54,376 | 7.46% | 6.59% - 7.80% |
| 120 to 180 days | 187,582 | 6.89% | 6.35% - 7.65% | 105,727 | 7.09% | 6.72% - 7.80% |
| 180 days to 1 year | 616,005 | 9.50% | 6.63% - 12.50% | 39,620 | 7.06% | 6.66% - 7.39% |
| 1 to 2 years | 244,967 | 8.33% | 8.33% - 8.33% | 808,601 | 9.36% | 8.36% - 12.50% |
| 2 to 3 years | — | N/A | N/A | — | N/A | N/A |
| Greater than 3 years | 358,581 | 5.08% | 5.08% - 5.08% | 362,215 | 5.11% | 5.10% - 7.15% |
| Total | $ 2,403,678 | 7.48% | | $ 2,444,091 | 7.51% | |

Average remaining maturity of Secured financing agreements secured by:

| | **March 31, 2024** | **December 31, 2023** |
|---|---|---|
| Agency RMBS (in thousands) | N/A | N/A |
| Agency CMBS (in thousands) | 34 Days | 32 Days |
| Non-Agency RMBS and Loans held for investment (in thousands) | 378 Days | 418 Days |

We collateralize the secured financing agreements we use to finance our operations with our MBS investments and mortgage loans held in trusts controlled by us. Our counterparties negotiate a 'haircut', which is the difference expressed in percentage terms between the fair value of the collateral and the amount the counterparty will lend to us, when we enter into a financing transaction. The size of the haircut reflects the perceived risk and market volatility associated with holding the MBS by the lender. The haircut provides lenders with a cushion for daily market value movements that reduce the need for a margin call to be issued or margin to be returned as normal daily increases or decreases in MBS market values occur. Haircuts have remained relatively unchanged on secured financing agreements collateralized by Agency CMBS and Loans held for investments as of March 31, 2024 and December 31, 2023. At March 31, 2024, the weighted average haircut on our remaining secured financing agreements collateralized by Agency CMBS was 5.4% and Non-Agency RMBS and Loans held for investment was 26.0%. At December 31, 2023, the weighted average haircut on our remaining secured financing agreements collateralized by Agency CMBS was 5.2% and Non-Agency RMBS and Loans held for investment was 26.1%.

The fair value of the Non-Agency MBS is more difficult to determine in current financial conditions, as well as more volatile period to period than Agency MBS, the Non-Agency MBS typically requires a larger haircut. In addition, when financing assets using the standard form of SIFMA Master Repurchase Agreements, the counterparty to the agreement typically nets its exposure to us on all outstanding repurchase agreements and issues margin calls if movement of the fair values of the assets in the aggregate exceeds their allowable exposure to us. A decline in asset fair values could create a margin call or may create no margin call depending on the counterparty's specific policy. In addition, counterparties consider a number of factors, including

their aggregate exposure to us as a whole and the number of days remaining before the repurchase transaction closes prior to issuing a margin call. To minimize the risk of margin calls, as of March 31, 2024, we have entered into $902 million of financing arrangements for which the collateral cannot be adjusted as a result of changes in market value, minimizing the risk of a margin call as a result in price volatility. We refer to these agreements as non-mark-to-market (non-MTM) facilities. These non-MTM facilities generally have higher costs of financing, but lower the risk of a margin call which could result in sales of our assets at distressed prices. All non-MTM facilities are collateralized by Non-Agency RMBS collateral, which tends to have increased volatile price changes during periods of market stress. In addition we have entered into certain secured financing agreements which are not subject to additional margin requirement until the drop in fair value of collateral is greater than a threshold. We refer to these agreements as limited mark-to-market (limited MTM) facilities. As of March 31, 2024 we have $537 million, of limited MTM facilities. We believe these non-MTM and limited MTM facilities significantly reduce our financing risks. See Note 5 to our Consolidated Financial Statements for a discussion on how we determine the fair values of the RMBS collateralizing our secured financing agreements.

At March 31, 2024, the weighted average borrowing rates for our secured financing agreements collateralized by Agency CMBS was 5.5% and Non-Agency MBS and Loans held for investment was 7.5%. At December 31, 2023, the weighted average borrowing rates for our secured financing agreements collateralized by Agency CMBS was 5.6%, and Non-Agency MBS and Loans held for investment was 7.6%.

We entered into a secured financing agreement during fourth quarter of 2022 for which we have elected fair value option. we believe electing fair value for this financial instrument better reflects the transactional economics. The total principal balance outstanding on this secured financing at March 31, 2024 and December 31, 2023 was $359 million and $362 million, respectively. The fair value of collateral pledged was $399 million and $401 million as of March 31, 2024 and December 31, 2023, respectively. We carry this secured financing instrument at fair value of $340 million and $350 million as of March 31, 2024 and December 31, 2023, respectively. At March 31, 2024 and December 31, 2023, the weighted average borrowing rate on secured financing agreements at fair value was 5.1%. At March 31, 2024 and December 31, 2023, the haircut for the secured financing agreements at fair value was 7.5%. AtMarch 31, 2024, the maturity on the secured financing agreements at fair value was four years.

The table below presents our average daily secured financing agreements balance and the secured financing agreements balance at each period end for the periods presented. Our balance at period-end tends to fluctuate from the average daily balances due to the adjusting of the size of our portfolio by using leverage.

| Period | Average secured financing agreements balances | Secured financing agreements balance at period end |
|---|---|---|
| | (dollars in thousands) | |
| Quarter End March 31, 2024 | $ 2,421,953 | $ 2,384,678 |
| Quarter End December 31, 2023 | $ 2,547,584 | $ 2,432,115 |
| Quarter End September 30, 2023 | $ 2,665,230 | $ 2,603,911 |
| Quarter End June 30, 2023 | $ 2,932,424 | $ 2,686,522 |
| Quarter End March 31, 2023 | $ 3,209,153 | $ 3,195,322 |

Our secured financing agreements do not require us to maintain any specific leverage ratio. We believe the appropriate leverage for the particular assets we are financing depends on the credit quality and risk of those assets. At March 31, 2024 and December 31, 2023, the carrying value of our total interest-bearing debt was approximately $9.8 billion and $10.1 billion, respectively, which represented a leverage ratio of approximately 3.7:1 and 4.0:1, respectively. We include our secured financing agreements and securitized debt in the numerator of our leverage ratio and stockholders' equity as the denominator.

At March 31, 2024, we had secured financing agreements with 12 counterparties. All of our secured financing agreements are secured by Agency MBS, Non-Agency RMBS and Loans held for investment and cash. Under these secured financing agreements, we may not be able to reclaim our collateral but will still be obligated to pay our repurchase obligations. We mitigate this risk by ensuring our counterparties are rated financial institutions. As of March 31, 2024 and December 31, 2023, we had $3.6 billion of securities or cash pledged against our secured financing agreements obligations.

We expect to enter into new secured financing agreements at maturity; however, there is a risk that we will not be able to renew our secured financing agreements when we desire to renew them or obtain favorable interest rates and haircuts as a result of uncertainty in the market including, but not limited to, uncertainty as a result of inflation and increases in the Federal Funds Rate. We offset the interest rate risk of our repurchase agreements primarily through the use of derivatives, which primarily consist of interest rate swaps, swaptions and U.S. Treasury futures. The average remaining maturities on our interest rate swaps at March 31, 2024 was less than one year. All of our swaps are cleared by a central clearing house. When our interest rate

swaps are in a net loss position (expected cash payments are in excess of expected cash receipts on the swaps), we post collateral as required by the terms of our swap agreements.

***Exposure to Financial Counterparties***

We actively manage the number of secured financing counterparties to reduce counterparty risk and manage our liquidity needs. The following table summarizes our exposure to our secured financing agreements counterparties at March 31, 2024:

| March 31, 2024 | | | |
|---|---|---|---|
| **Country** | **Number of Counterparties** | **Secured Financing Agreement** | **Exposure (1)** |
| | (dollars in thousands) | | |
| United States | 8 | $ 1,189,408 | $ 490,137 |
| Japan | 2 | 938,934 | 503,674 |
| Canada | 1 | 267,942 | 139,936 |
| Netherlands | 1 | 7,394 | 280 |
| Total | 12 | $ 2,403,678 | $ 1,134,027 |

(1) Represents the amount of securities and/or cash pledged as collateral to each counterparty less the aggregate of secured financing agreement.

We regularly monitor our exposure to financing counterparties for credit risk and allocate assets to these counterparties based, in part, on the credit quality and internally developed metrics measuring counterparty risk. Our exposure to a particular counterparty is calculated as the excess collateral which is pledged relative to the secured financing agreement balance. If our exposure to our financing counterparties exceeds internally developed thresholds, we develop a plan to reduce the exposure to an acceptable level. At March 31, 2024, we had amounts at risk with Nomura Securities International, Inc., or Nomura, of 18% of our equity related to the collateral posted on secured financing agreements. The weighted average maturities of the secured financing agreements with Nomura were 325 days. The amount at risk with Nomura was $474 million. At December 31, 2023, we had amounts at risk with Nomura, of 17% of our equity related to the collateral posted on secured financing agreements. The weighted average maturities of the secured financing agreements with Nomura were 412 days. The amount at risk with Nomura was $433 million.

At March 31, 2024, we did not use credit default swaps or other forms of credit protection to hedge the exposures summarized in the table above.

***Stockholders' Equity***

In June 2023, our Board of Directors increased the authorization of the Company's share repurchase program, or the Repurchase Program, by $73 million to $250 million. Such authorization does not have an expiration date, and at present, there is no intention to modify or otherwise rescind such authorization. Shares of our common stock and preferred stock may be purchased in the open market, including through block purchases, through privately negotiated transactions, or pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 of the Exchange Act. The timing, manner, price and amount of any repurchases will be determined at our discretion and the program may be suspended, terminated or modified at any time for any reason. Among other factors, we intend to only consider repurchasing shares of our common stock when the purchase price is less than the last publicly reported book value per common share. In addition, we do not intend to repurchase any shares from directors, officers or other affiliates. The program does not obligate us to acquire any specific number of shares, and all repurchases will be made in accordance with Rule 10b-18, which sets certain restrictions on the method, timing, price and volume of stock repurchases.

We did not repurchase any of our common stock during the quarters ended March 31, 2024 and 2023. The approximate dollar value of shares that may yet be purchased under the Repurchase Program is $217 million as of March 31, 2024.

In 2022, we entered into separate Distribution Agency Agreements (the "Existing Sales Agreements") with each of Credit Suisse Securities (USA) LLC, JMP Securities LLC, Goldman Sachs & Co. LLC, Morgan Stanley & Co. LLC and RBC Capital Markets, LLC (the "Existing Sales Agents"). In February 2023, we amended the Existing Sales Agreements and entered into separate Distribution Agency Agreements (together with the Existing Sales Agreements, as amended, the "Sales Agreements") with J.P. Morgan Securities LLC and UBS Securities LLC (replacing Credit Suisse Securities LLC) to include J.P. Morgan Securities LLC and UBS Securities LLC as additional sales agents (together with the Existing Sales Agents, the "Sales Agents"). Pursuant to the terms of the Sales Agreements, we may offer and sell shares of our common stock, having an aggregate offering price of up to $500,000,000, from time to time in "at the market offerings" through any of the Sales Agents

under the Securities Act of 1933. We did not issue any shares under the at-the-market sales program during the quarters ended March 31, 2023 and 2022. The approximate dollar value of shares that may yet be issued under "at the market" offerings program is $426 million as of March 31, 2024.

We declared dividends to common shareholders of $27 million or $0.11 per share, and $54 million, or $0.23 per share, during the quarters ended March 31, 2024 and 2023, respectively.

We declared dividends to Series A preferred stockholders of $3 million, or $0.50 per preferred share, during the quarters ended March 31, 2024 and 2023, respectively.

We declared dividends to Series B preferred stockholders of $7 million, or $0.50 per preferred share, during the quarters ended March 31, 2024, and 2023, respectively.

We declared dividends to Series C preferred stockholders of $5 million, or $0.484375 per preferred share, during the quarters ended March 31, 2024, and 2023, respectively.

We declared dividends to Series D preferred stockholders of $4 million, or $0.50 per preferred share, during the quarters ended March 31, 2024, and 2023, respectively.

On October 30, 2021, all 5,800,000 issued and outstanding shares of Series A Preferred Stock with an outstanding liquidation preference of $145 million became callable at a redemption price equal to the liquidation preference plus accrued and unpaid dividends through, but not including, the redemption date. The dividend rate on shares of Series A Preferred Stock is 8.00% per annum.

After June 30, 2023, all LIBOR tenors relevant to us ceased to be published or became no longer representative. We believe that the federal Adjustable Interest Rate (LIBOR) Act (the “Act”) and the related regulations promulgated thereunder are applicable to each of our Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock. In light of the applicability of the Act to the aforementioned preferred stock, we believe, given all of the information available to us to date, that three-month CME Term SOFR plus the applicable tenor spread adjustment of 0.26161% per annum will automatically replace three-month LIBOR as the reference rate for calculations of the dividend rate payable on the relevant preferred stock for dividend periods from and after (i) March 30, 2024, in the case of the Series B Preferred Stock, (ii) September 30, 2025, in the case of the Series C Preferred Stock, and (iii) March 30, 2024, in the case of the Series D Preferred Stock.

***Stock Based Compensation***

On June 14, 2023, the Board of Directors recommended and shareholders approved, the Chimera Investment Corporation 2023 Equity Incentive Plan (the “Plan”). It authorized the issuance of up to 20,000,000 shares of our common stock for the grant of awards under the Plan. The Plan replaced our 2007 Equity Incentive Plan, as amended and restated effective December 10, 2015 (the “Prior Plan”), and no new awards will be granted under the Prior Plan. Any awards outstanding under the Prior Plan will remain subject to and be paid under the Prior Plan. Any shares subject to outstanding awards under the Prior Plan that, expire, terminate, or are surrendered or forfeited for any reason without issuance of shares will automatically become available for issuance under the Plan. Also, shares withheld for tax withholding requirements after stockholder approval of the Plan for full value awards originally granted under the Prior Plan (such as the RSUs and PSUs awarded to our named executive officers) will automatically become available for issuance under the Plan.

As of March 31, 2024, approximately 18 million shares were available for future grant under the Plan.

Grants of Restricted Stock Units, or RSUs

During the quarters ended March 31, 2024 and 2023, we granted RSU awards to senior management. These RSU awards are designed to reward our employees for services provided to us. Generally, the RSU awards vest equally over a three-year period and will fully vest after three years. For employees who are retirement eligible, defined as years of service to us plus age that is equal to or greater than 65, the service period is considered to be fulfilled and all grants are expensed immediately. The RSU awards are valued at the market price of our common stock on the grant date and generally the employees must be employed by us on the vesting dates to receive the RSU awards. We granted 537 thousand RSU awards during the quarter ended March 31, 2024 with a grant date fair value of $3 million for the 2024 performance year. We granted 649 thousand RSU awards during the quarter ended March 31, 2023 with a grant date fair value of $4 million for the 2023 performance year.

Grants of Performance Share Units, or PSUs

PSU awards are designed to align compensation with our future performance. The PSU awards granted during the quarters ended March 31, 2024 and 2023, include a three-year performance period ending on December 31, 2026 and December 31,

2025, respectively. For the PSU awards granted during the quarter ended March 31, 2024, and 2023, the final number of shares awarded will be between 0% and 200% of the PSUs granted based on our Economic Return and share price performance compared to a peer group. Our three-year Economic Return is equal to our change in book value per common share plus common stock dividends. Share price performance equals change in share prices plus common stock dividends. Compensation expense will be recognized on a straight-line basis over the three-year vesting period based on an estimate of our Economic Return and share price performance in relation to the entities in the peer group and will be adjusted each period based on our best estimate of the actual number of shares awarded. During the quarter ended March 31, 2024, the Company granted 537 thousand PSU awards to senior management with a grant date fair value of $3 million. During the quarter ended March 31, 2023, the Company granted 605 thousand PSU awards to senior management with a grant date fair value of $3 million.

At March 31, 2024 and December 31, 2023, there were approximately 4.6 million and 3.6 million, respectively, unvested shares of RSUs and PSUs issued to our employees and directors.

***Contractual Obligations and Commitments***

The following tables summarize our contractual obligations at March 31, 2024 and December 31, 2023. The estimated principal repayment schedule of the securitized debt is based on expected cash flows of the residential mortgage loans or RMBS, as adjusted for expected principal write-downs on the underlying collateral of the debt.

March 31, 2024
(dollars in thousands)

| Contractual Obligations | Within One Year | One to Three Years | Three to Five Years | Greater Than or Equal to Five Years | Total |
|---|---|---|---|---|---|
| Secured financing agreements | $ 1,800,129 | $ 244,967 | $ 358,582 | $ — | $ 2,403,678 |
| Securitized debt, collateralized by Non-Agency RMBS | 198 | 244 | — | 60 | 502 |
| Securitized debt at fair value, collateralized by Loans held for investment | 1,336,379 | 2,193,495 | 1,673,400 | 2,912,852 | 8,116,126 |
| Interest expense on MBS secured financing agreements [(1)] | 27,242 | 1,871 | 1,620 | — | 30,733 |
| Interest expense on securitized debt [(1)] | 267,595 | 415,122 | 287,179 | 358,494 | 1,328,390 |
| Total | $ 3,431,543 | $ 2,855,699 | $ 2,320,781 | $ 3,271,406 | $ 11,879,429 |

(1) Interest is based on variable rates in effect as of March 31, 2024.

December 31, 2023
(dollars in thousands)

| Contractual Obligations | Within One Year | One to Three Years | Three to Five Years | Greater Than or Equal to Five Years | Total |
|---|---|---|---|---|---|
| Secured financing agreements | $ 1,273,274 | $ 808,602 | $ 362,215 | $ — | $ 2,444,091 |
| Securitized debt, collateralized by Non-Agency RMBS | 251 | 326 | — | 67 | 644 |
| Securitized debt at fair value, collateralized by Loans held for investment | 1,405,503 | 2,302,421 | 1,738,678 | 2,942,234 | 8,388,836 |
| Interest expense on MBS secured financing agreements [(1)] | 23,423 | 6,555 | 1,696 | — | 31,674 |
| Interest expense on securitized debt [(1)] | 273,963 | 425,281 | 294,111 | 356,337 | 1,349,693 |
| Total | $ 2,976,414 | $ 3,543,185 | $ 2,396,700 | $ 3,298,638 | $ 12,214,938 |

(1) Interest is based on variable rates in effect as of December 31, 2023.

Not included in the table above are the unfunded construction loan commitments of $5 million as of March 31, 2024 and December 31, 2023. We expect the majority of these commitments will be paid within one year and are reported under Payable for investments purchased in our Consolidated Statements of Financial Condition.

We have made a $75 million capital commitment to a fund managed by Kah Capital Management, LLC. During the quarter ended March 31, 2024, we funded an additional $10 million towards that commitment, which brought our total funding to $56 million, leaving an unfunded commitment of $19 million.

***Capital Expenditure Requirements***

At March 31, 2024 and December 31, 2023, we had no material commitments for capital expenditures.

***Dividends***

To maintain our qualification as a REIT, we must pay annual dividends to our stockholders of at least 90% of our taxable income (subject to certain adjustments). Before we pay any dividend, we must first meet any operating requirements and scheduled debt service on our financing facilities and other debt payable.

**Critical Accounting Estimates**

Accounting policies are integral to understanding our Management's Discussion and Analysis of Financial Condition and Results of Operations. The preparation of financial statements in accordance with GAAP requires management to make certain judgments and assumptions, on the basis of information available at the time of the financial statements, in determining accounting estimates used in the preparation of these statements. Our significant accounting policies and accounting estimates are described in Note 2 to the Consolidated Financial Statements. Critical accounting policies are described in this section. An accounting policy is considered critical if it requires management to make assumptions or judgments about matters that are highly uncertain at the time the accounting estimate was made or require significant management judgment in interpreting the accounting literature. If actual results differ from our judgments and assumptions, or other accounting judgments were made, this could have a significant and potentially adverse impact on our financial condition, results of operations and cash flows.

The accounting policies and estimates which we consider most critical relate to the recognition of revenue on our investments, including recognition of any losses, and the determination of fair value of our financial instruments. The consolidated financial statements include, on a consolidated basis, our accounts, the accounts of our wholly-owned subsidiaries, and variable interest entities, or VIEs, for which we are the primary beneficiary. All significant intercompany balances and transactions have been eliminated in consolidation.

***Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although our estimates contemplate current conditions and how we expect them to change in the future, it is reasonably possible that actual conditions could be different than anticipated in those estimates, which could materially adversely impact our results of operations and our financial condition. Management has made significant estimates in several areas, including current expected credit losses of Non-Agency RMBS, valuation of Loans held for investments, Agency and Non-Agency MBS, forward interest rates for interest rate swaps, and income recognition on Loans held for investments and Non-Agency RMBS. Actual results could differ materially from those estimates.

***Recent Accounting Pronouncements***

Refer to Note 2 in the Notes to Consolidated Financial Statements for a discussion of accounting guidance we have recently adopted or expect to be adopted in the future.

## Item 3. Quantitative and Qualitative Disclosures about Market Risk

The primary components of our market risk are related to credit risk, interest rate risk, prepayment risk, extension risk, basis risk and market risk. While we do not seek to avoid risk completely, we believe the risk can be quantified from historical experience and we seek to actively manage that risk and to maintain capital levels consistent with the risks we undertake.

Additionally, refer to Item 1A, "Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2023 for additional information on risks we face.

**Credit Risk**

We are subject to credit risk in connection with our investments in Non-Agency RMBS and residential mortgage loans and face more credit risk on assets we own that are rated below ‘‘AAA’’ or not rated. The credit risk related to these investments pertains to the ability and willingness of the borrowers to pay, which is assessed before credit is granted or renewed and periodically reviewed throughout the loan or security term. We believe that residential loan credit quality, and thus the quality of our assets, is primarily determined by the borrowers' credit profiles and loan characteristics.

In connection with loan acquisitions, we or a third-party perform an independent review of the mortgage file to assess the origination and servicing of the mortgage loan as well as our ability to enforce the contractual rights in the mortgage. Depending on the size of the loans, we may not review all of the loans in a pool, but rather a sample of loans for diligence review based upon specific risk-based criteria such as property location, loan size, effective loan-to-value ratio, borrower's characteristics and other criteria we believe to be important indicators of credit risk. Additionally, we obtain representations and warranties from each seller with respect to the residential mortgage loans, including the origination and servicing of the mortgage loan as well as the enforceability of the lien on the mortgaged property. A seller who breaches these representations and warranties in making a loan that we purchase may be obligated to repurchase the loan from us. Our resources include a portfolio management system, as well as third-party software systems. We utilize third-party due diligence firms to perform an independent mortgage loan file review to ensure compliance with existing guidelines. In addition to statistical sampling techniques, we create adverse credit and valuation samples, which we individually review.

Additionally, we closely monitor credit losses incurred, as well as how expectations of credit losses are expected to change on our Non-Agency RMBS and Loans held for investment portfolios. We estimate future credit losses based on historical experience, market trends, current delinquencies as well as expected recoveries. The net present value of these expected credit losses can change, sometimes significantly from period to period as new information becomes available. When credit loss experience and expectations improve, we will collect more principal on our investments. If credit loss experience deteriorates, we will collect less principal on our investments. The favorable or unfavorable changes in credit losses are reflected in the yield on our investments in mortgage loans and recognized in earnings over the remaining life of our investments. The following table presents changes to net present value of expected credit losses for our Non-Agency RMBS and Loans held for investment portfolios during the previous five quarters. Gross losses are discounted at the rate used to amortize any discounts or premiums on our investments into income. A decrease (negative balance) in the "Increase/(decrease)" line item in the tables below represents a favorable change in expected credit losses. An increase (positive balance) in the "Increase/(decrease)" line item in the tables below represents an unfavorable change in expected credit losses.

| | For the Quarters Ended (dollars in thousands) | | | | |
|---|---|---|---|---|---|
| **Non-Agency RMBS** | **March 31, 2024** | **December 31, 2023** | **September 30, 2023** | **June 30, 2023** | **March 31, 2023** |
| Balance, beginning of period | $ 95,366 | $ 81,236 | $ 80,532 | $ 79,875 | $ 89,234 |
| Realized losses | (345) | (1,225) | (1,727) | (2,445) | (2,293) |
| Accretion | 2,978 | 2,569 | 2,576 | 2,765 | 2,949 |
| Losses on purchases | — | — | 6 | — | — |
| Losses on sold/paid-off | — | — | 95 | — | — |
| Increase/(decrease) | 36 | 12,786 | (246) | 337 | (10,015) |
| Balance, end of period | $ 98,035 | $ 95,366 | $ 81,236 | $ 80,532 | $ 79,875 |

| | For the Quarters Ended (dollars in thousands) | | | | |
|---|---|---|---|---|---|
| **Loans held for investment** | **March 31, 2024** | **December 31, 2023** | **September 30, 2023** | **June 30, 2023** | **March 31, 2023** |
| Balance, beginning of period | $ 213,644 | $ 251,002 | $ 254,354 | $ 285,823 | $ 321,017 |
| Realized losses | (8,078) | (8,457) | (8,200) | (10,281) | (7,992) |
| Accretion | 2,961 | 3,427 | 3,444 | 3,554 | 3,650 |
| Losses on purchases | — | — | — | — | 404 |
| Increase/(decrease) | 4,523 | (32,328) | 1,404 | (24,742) | (31,256) |
| Balance, end of period | $ 213,050 | $ 213,644 | $ 251,002 | $ 254,354 | $ 285,823 |

Additionally, the Non-Agency RMBS which we acquire for our portfolio are reviewed by us to ensure that they satisfy our risk-based criteria. Our review of Non-Agency RMBS includes utilizing a portfolio management system. Our review of Non-Agency RMBS and other ABS is based on quantitative and qualitative analysis of the risk-adjusted returns on Non-Agency RMBS and other ABS. This analysis includes an evaluation of the collateral characteristics supporting the RMBS such as borrower payment history, credit profiles, geographic concentrations, credit enhancement, seasoning, and other pertinent factors.

**Interest Rate Risk**

Our net interest income, borrowing activities and profitability could be negatively affected by volatility in interest rates caused by uncertainties stemming from the effect of inflation and updated Federal Rate projections in 2024. As the Federal Reserve increases its Federal Funds Rate, the margin between short and long-term rates could further compress. A prolonged period of extremely volatile and unstable market conditions would likely increase our funding costs and negatively affect market risk mitigation strategies. Higher income volatility from changes in interest rates and spreads to benchmark indices could cause a loss of future net interest income and a decrease in the current fair market values of our assets. Fluctuations in interest rates will impact both the level of income and expense recorded on most of our assets and liabilities and the market value of all interest-earning assets and interest-bearing liabilities, which in turn could have a material adverse effect on our net income, operating results, or financial condition.

Interest rate risk is highly sensitive to many factors, including governmental, monetary and tax policies, domestic and international economic and political considerations and other factors beyond our control. We are subject to interest rate risk in connection with our investments and our related debt obligations, which are generally secured financing agreements and securitization trusts. Our secured financing agreements and warehouse facilities may be of limited duration that is periodically refinanced at current market rates. We typically mitigate this risk through utilization of derivative contracts, primarily interest rate swap agreements swaptions, and futures. While we may use interest rate hedges to mitigate risks related
to changes in interest rate, the hedges may not fully offset interest expense movements.

***Interest Rate Effects on Net Interest Income***

Our operating results depend, in large part, on differences between the income from our investments and our borrowing costs. Most of our warehouse facilities and secured financing agreements provide financing based on a floating rate of interest calculated on a fixed spread over SOFR. The fixed spread varies depending on the type of underlying asset which collateralizes the financing. During periods of rising interest rates, the borrowing costs associated with our investments tend to increase while the income earned on our investments may remain substantially unchanged or decrease. This will result in a narrowing of the net interest spread between the related assets and borrowings and may even result in losses. Further, defaults could increase and result in credit losses to us, which could adversely affect our liquidity and operating results. Such delinquencies or defaults could also have an adverse effect on the spread between interest-earning assets and interest-bearing liabilities. We generally do not hedge against credit losses. Hedging techniques are partly based on assumed levels of prepayments of our fixed-rate and hybrid adjustable-rate residential mortgage loans and RMBS. If prepayments are slower or faster than assumed, the life of the residential mortgage loans and RMBS will be longer or shorter, which would reduce the effectiveness of any hedging strategies we may use and may cause losses on such transactions.

***Interest Rate Effects on Fair Value***

Another component of interest rate risk is the effect changes in interest rates will have on the fair value of the assets we acquire. We face the risk that the fair value of our assets will increase or decrease at different rates than that of our liabilities, including our hedging instruments, if any. We primarily assess our interest rate risk by estimating the duration of our assets compared to the duration of our liabilities and hedges. Duration essentially measures the market price volatility of financial instruments as interest rates change. We generally calculate duration using various financial models and empirical data. Different models and methodologies can produce different duration numbers for the same securities.

It is important to note that the impact of changing interest rates on fair value can change significantly when interest rates change beyond 100 basis points from current levels. Therefore, the volatility in the fair value of our assets could increase significantly when interest rates change beyond 100 basis points. In addition, other factors impact the fair value of our interest rate-sensitive investments and hedging instruments, such as the shape of the yield curve, market expectations as to future interest rate changes and other market conditions. Accordingly, in the event of changes in actual interest rates, the change in the fair value of our assets would likely differ from that shown below and such difference might be material and adverse to our stockholders.

***Interest Rate Cap Risk***

We may also invest in adjustable-rate residential mortgage loans and RMBS. These are mortgages or RMBS in which the underlying mortgages are typically subject to periodic and lifetime interest rate caps and floors, which limit the amount by which the security's interest yield may change during any given period. However, our borrowing costs pursuant to our financing agreements will not be subject to similar restrictions. Therefore, in a period of increasing interest rates, interest rate costs on our borrowings could increase without limitation by caps, while the interest-rate yields on our adjustable-rate residential mortgage loans and RMBS would effectively be limited. This problem will be magnified to the extent we acquire adjustable-rate RMBS that are not based on mortgages which are fully indexed. In addition, the mortgages or the underlying

mortgages in an RMBS may be subject to periodic payment caps that result in some portion of the interest being deferred and added to the principal outstanding. This could result in our receipt of less cash income on our adjustable-rate mortgages or RMBS than we need in order to pay the interest cost on our related borrowings. These factors could lower our net interest income or cause a net loss during periods of rising interest rates, which would harm our financial condition, cash flows and results of operations.

***Interest Rate Mismatch Risk***

We fund a substantial portion of the acquisitions of our investments with borrowings that have interest rates based on indices and re-pricing terms similar to, but of somewhat shorter maturities than, the interest rate indices and re-pricing terms of the mortgages and mortgage-backed securities. In most cases the interest rate indices and re-pricing terms of our mortgage assets and our funding sources will not be identical, thereby creating an interest rate mismatch between assets and liabilities. Our cost of funds would likely rise or fall more quickly than would our earnings rate on assets. During periods of changing interest rates, such interest rate mismatches could negatively impact our financial condition, cash flows and results of operations. To mitigate interest rate mismatches, we may utilize the hedging strategies discussed above. Our analysis of risks is based on our experience, estimates, models and assumptions. These analyses rely on models which utilize estimates of fair value and interest rate sensitivity. Actual economic conditions or implementation of investment decisions by our management may produce results that differ significantly from the estimates and assumptions used in our models and the projected results.

To mitigate potential interest rate mismatches, we have entered into agreements for longer term, non-mark-to-market financing facilities at rates that are higher than short term secured financing agreements. These longer term agreements are primarily on our less liquid Non-Agency RMBS assets. Having non-mark-to-market financing facilities may be useful in this market to prevent significant margin calls or collateral liquidation in a volatile market. If the market normalizes and repurchase rates fall, we may be locked into long term and higher interest expenses than are otherwise available in the market to finance our portfolio.

Our profitability and the value of our investment portfolio including derivatives may be adversely affected during any period as a result of changing interest rates. The following table quantifies the potential changes in net interest income and market value on the assets we retain and derivatives, if interest rates go up or down 50 and 100 basis points, assuming parallel movements in the yield curves. All changes in income and value are measured as percentage changes from the projected net interest income and the value of the assets we retain at the base interest rate scenario. The base interest rate scenario assumes interest rates at March 31, 2024 and various estimates regarding prepayment and all activities are made at each level of rate change. Actual results could differ significantly from these estimates.

| | March 31, 2024 [1] | |
|---|---|---|
| Change in Interest Rate | Projected Percentage Change in Net Interest Income | Projected Percentage Change in Market Value [2] |
| -100 Basis Points | 7.13 % | 7.03 % |
| -50 Basis Points | 3.36 % | 3.29 % |
| Base Interest Rate | — | — |
| +50 Basis Points | (3.68) % | (3.44) % |
| +100 Basis Points | (7.05) % | (6.46) % |

(1) The retained securities are securities retained by us from securitization VIEs included in our portfolio and not the consolidated assets and liabilities of the VIEs. Our consolidated statement of financial condition includes assets of consolidated VIEs that can only be used to settle obligations and liabilities of the VIEs for which creditors do not have recourse to us.
(2) Projected Percentage Change in Market Value is based on instantaneous moves in interest rates.

**Prepayment Risk**

As we receive prepayments of principal on these investments, premiums and discounts on such investments will be amortized or accreted into interest income. In general, an increase in actual or expected prepayment rates will accelerate the amortization of purchase premiums, thereby reducing the interest income earned on the investments. Conversely, discounts on such investments are accelerated and accreted into interest income, increasing interest income when prepayments increase. Actual prepayment results may be materially different than the assumptions we use for our portfolio.

**Extension Risk**

Management computes the projected weighted-average life of our investments based on assumptions regarding the rate at which the borrowers will prepay the underlying mortgages. In general, when fixed-rate or hybrid adjustable-rate residential mortgage

loans or RMBS are acquired via borrowings, we may, but are not required to, enter into an interest rate swap agreement or other hedging instrument that attempts to fix our borrowing costs for a period close to the anticipated average life of the fixed-rate portion of the related assets. This strategy is designed to protect us from rising interest rates as the borrowing costs are managed to maintain a net interest spread for the duration of the fixed-rate portion of the related assets. However, if prepayment rates decrease in a rising interest rate environment, the life of the fixed-rate portion of the related assets could extend beyond the term of the swap agreement or other hedging instrument. This could have a negative impact on our results from operations, as borrowing costs would no longer be fixed after the end of the hedging instrument while the income earned on the fixed and hybrid adjustable-rate assets would remain fixed. In extreme situations, we may be forced to sell assets to maintain adequate liquidity, which could cause us to incur losses.

**Basis Risk**

We may seek to limit our interest rate risk by hedging portions of our portfolio through interest rate swaps or other types of hedging instruments. Basis risk relates to the risk of the spread between our MBS and hedges widening. Such a widening may cause a decline in the fair value of our MBS that is greater than the increase in fair value of our hedges resulting in a net decline in book value.

**Market Risk**

***Market Value Risk***

Certain of our securities classified as available-for-sale are reflected at their estimated fair value with unrealized gains and losses excluded from earnings and reported in other comprehensive income. The estimated fair value of these securities fluctuates primarily due to changes in interest rates, prepayment speeds, market liquidity, credit quality, and other factors. Generally, in a rising interest rate environment, the estimated fair value of these securities would be expected to decrease; conversely, in a decreasing interest rate environment, the estimated fair value of these securities would be expected to increase. As market volatility increases or liquidity decreases, the fair value of our investments may be adversely impacted.

***Real Estate Market Risk***

We own assets secured by real property and may own real property directly. Residential property values are subject to volatility and may be affected adversely by a number of factors, including, but not limited to, national, regional and local economic conditions and unemployment (which may be adversely affected by industry slowdowns and other factors); local real estate conditions (such as an oversupply of housing); changes or continued weakness in specific industry segments; construction quality, age and design; demographic factors; natural disasters and other acts of God; and retroactive changes to building or similar codes. In addition, decreases in property values reduce the value of the collateral and the potential proceeds available to a borrower to repay our loans, which could also cause us to incur losses.

**Risk Management**

Subject to maintaining our REIT status, we seek to manage risk exposure to protect our portfolio of residential mortgage loans, RMBS, and other assets and related debt against the effects of major interest rate changes. We generally seek to manage risk by:

- monitoring and adjusting, if necessary, the reset index and interest rate related to our RMBS and our financings;
- attempting to structure our financing agreements to have a range of different maturities, terms, amortizations and interest rate adjustment periods, rights to post both cash and collateral for margin calls and provisions for non-mark-to-market financing facilities;
- using derivatives, financial futures, swaps, options, caps, floors and forward sales to adjust the interest rate sensitivity of our investments and our borrowings;
- using securitization financing to receive the benefit of attractive financing terms for an extended period of time in contrast to short term financing and maturity dates of the investments not included in the securitization; and
- actively managing, through assets selection, on an aggregate basis, the interest rate indices, interest rate adjustment periods, and gross reset margins of our investments and the interest rate indices and adjustment periods of our financings.

Our efforts to manage our assets and liabilities are focused on the timing and magnitude of the re-pricing of assets and liabilities. We attempt to control risks associated with interest rate movements. Methods for evaluating interest rate risk include an analysis of our interest rate sensitivity “gap,” which is the difference between interest-earning assets and interest-bearing liabilities maturing or re-pricing within a given time period. A gap is considered positive when the amount of interest-rate sensitive assets exceeds the amount of interest-rate sensitive liabilities. A gap is considered negative when the amount of

interest-rate sensitive liabilities exceeds interest-rate sensitive assets. During a period of rising interest rates, a negative gap would tend to adversely affect net interest income, while a positive gap would tend to result in an increase in net interest income. During a period of falling interest rates, a negative gap would tend to result in an increase in net interest income, while a positive gap would tend to affect net interest income adversely. Because different types of assets and liabilities with the same or similar maturities may react differently to changes in overall market rates or conditions, changes in interest rates may affect net interest income positively or negatively even if an institution were perfectly matched in each maturity category.

The following table sets forth the estimated maturity or re-pricing of our interest-earning assets and interest-bearing liabilities at March 31, 2024. The amounts of assets and liabilities shown within a particular period were determined in accordance with the contractual terms of the assets and liabilities, and securities are included in the period in which their interest rates are first scheduled to adjust and not in the period in which they mature and includes the effect of the interest rate swaps, if any. The interest rate sensitivity of our assets and liabilities in the table could vary substantially based on actual prepayments.

March 31, 2024
(dollars in thousands)

| | Within 3 Months | 3-12 Months | 1 Year to 3 Years | Greater than 3 Years | Total |
|---|---|---|---|---|---|
| Rate sensitive assets | $ 141,721 | $ 318,974 | $ 9,526 | $ 11,750,428 | $ 12,220,649 |
| Cash equivalents | 168,958 | — | — | — | 168,958 |
| Total rate sensitive assets | $ 310,679 | $ 318,974 | $ 9,526 | $ 11,750,428 | $ 12,389,607 |
| Rate sensitive liabilities | 3,627,998 | 3,482,464 | — | 2,678,463 | 9,788,925 |
| Interest rate sensitivity gap | $ (3,317,319) | $ (3,163,490) | $ 9,526 | $ 9,071,965 | $ 2,600,682 |
| Cumulative rate sensitivity gap | $ (3,317,319) | $ (6,480,809) | $ (6,471,283) | $ 2,600,682 | |
| Cumulative interest rate sensitivity gap as a percentage of total rate sensitive assets | (27)% | (52)% | (52)% | 21 % | |

Our analysis of risks is based on our management's experience, estimates, models and assumptions. These analyses rely on models which utilize estimates of fair value and interest rate sensitivity. Actual economic conditions or implementation of investment decisions by our management may produce results that differ significantly from the estimates and assumptions used in our models and the projected results shown in the above tables. These analyses contain certain forward-looking statements and are subject to the safe harbor statement set forth under the heading, "Special Note Regarding Forward-Looking Statements."

**Enterprise Risk Management**

We employ a "Three Layers of Defense Approach" to Enterprise Risk Management ("ERM") designed to assess and manage risk to achieve our strategic goals. The "First Layer of Defense" consists of assessing key risks indicators ("KRIs") facing each respective business unit within the Company. Our risk management unit is an independent group that acts as the "Second Layer of Defense". The risk management unit partners with various business units to understand, monitor, manage and escalate risks as appropriate. The financial reporting unit operates under the requirements of the Sarbanes Oxley ("SOX"). The "Third Layer of Defense" consists of many of our internal controls which are subject to an independent evaluation by our third-party internal auditors. As an independent third-party, the mandate of the internal auditor is to objectively assess the adequacy and effectiveness of our internal control environment to improve risk management, control and governance processes. Periodic reporting from the risk management unit is provided to executive management and to the Audit Committee of the Board.

**Cybersecurity Risk**

Our cybersecurity risk management and strategy is incorporated into our ERM process. Our Board, in coordination with the Audit Committee and the Risk Committee, oversees management of cybersecurity risk. Please refer to Item 1C, "Cybersecurity" in our Annual Report on Form 10-K for the year ended December 31, 2023 for additional information about our cybersecurity risk management, strategy and governance.

**Business Continuity Plan ("BCP")**

Our BCP is prepared with the intent of providing guidelines to facilitate (i) employee safety and relocation; (ii) preparedness for carrying out activities and receiving communication; (iii) resumption and restoration of systems and business processes and (iv) the protection and integrity of the Company’s assets.

Our BCP is designed to facilitate business process resilience in a broad range of scenarios with a dedicated Disaster Recovery Team (“DRT”) which is comprised of executive management, head of technology, and professionals across our various business units. Our BCP identifies the critical systems and processes necessary for business operations as well as the resources, employees, and planning needed to support these systems and processes. Critical systems and processes are defined as those which have a material impact on core operations, financial performance, or regulatory requirements. This includes applications which facilitate financial transactions, transaction settlements, financial reporting, and business communication and the personnel who perform such actions. Our BCP provides guidelines to aid in the timely resumption of business operations and for communication with employees, service providers and other key stakeholders needed to support these operations. Our BCP is a "living process" that will evolve with the input and guidance of the key stakeholders, subject matter experts and industry best practices and is reviewed and updated at least annually.

**Item 4. Controls and Procedures**

**(a) Evaluation of Disclosure Controls and Procedures**

As of the end of the period covered by this report, an evaluation of the effectiveness of the design and operation of the Company’s disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) was performed under the supervision and with the participation of the Company’s senior management, including the Chief Executive Officer and the Chief Financial Officer. Based on that evaluation, the Company’s management, including the Chief Executive Officer and the Chief Financial Officer, concluded that the Company’s disclosure controls and procedures were effective as of the end of the period covered by this report.

**(b) Changes in Internal Control over Financial Reporting**

As required by Rule 13a-15(d) under the Securities Exchange Act of 1934, the Company’s management, including its Chief Executive Officer and the Chief Financial Officer, has evaluated the Company’s internal control over financial reporting to determine whether any changes occurred during the period covered by this quarterly report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Based on that evaluation, there has been no such changes, during the first quarter of 2024.

# Part II. Other Information

**Item 1. Legal Proceedings**

None.

**Item 1A. Risk Factors**

*Under “Part I — Item 1A — Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2023 we set forth risk factors related to our business and operations. You should carefully consider the risk factors set forth in our Form 10-K for the year ended December 31, 2023. As of the date hereof, there have been no material changes to the risk factors set forth in our Form 10-K for the year ended December 31, 2023.*

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

In June 2023, the Company's Board of Directors increased the authorization of the Company's share repurchase program, or the Repurchase Program, by $73 million to $250 million. In January 2024, the Company's Board of Directors updated the authorization to include the Company's preferred stock into the Repurchase Program and increased the authorization by $33 million back up to $250 million. Such authorization does not have an expiration date, and at present, there is no intention to modify or otherwise rescind such authorization. Shares of the Company's common stock may be purchased in the open market, including through block purchases, through privately negotiated transactions, or pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 of the Securities Exchange Act of 1934, as amended, or the Exchange Act. The timing, manner, price and amount of any repurchases will be determined at the Company's discretion and the program may be suspended, terminated or modified at any time, for any reason. Among other factors, the Company intends to only consider repurchasing shares of its common stock when the purchase price is less than the last publicly reported book value per common share. In addition, the Company does not intend to repurchase any shares from directors, officers or other affiliates. The

program does not obligate the Company to acquire any specific number of shares, and all repurchases will be made in accordance with Rule 10b-18, which sets certain restrictions on the method, timing, price and volume of stock repurchases.

The Company did not repurchase any of its common stock during the quarters ended March 31, 2024 and 2023. The approximate dollar value of shares that may yet be purchased under the Repurchase Program is $217 million as of March 31, 2024.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

**EXHIBIT INDEX**

| Exhibit Number | Description |
| --- | --- |
| 3.1 | Articles of Amendment and Restatement of Chimera Investment Corporation (filed as Exhibit 3.1 to the Company's Registration Statement on Amendment No. 1 to Form S-11 (File No. 333-145525) filed on September 27, 2007 and incorporated herein by reference). |
| 3.2 | Articles of Amendment to the Articles of Amendment and Restatement of Chimera Investment Corporation (filed as Exhibit 3.1 to the Company's Report on Form 8-K filed on May 28, 2009 and incorporated herein by reference). |
| 3.3 | Articles of Amendment to the Articles of Amendment and Restatement of Chimera Investment Corporation (filed as Exhibit 3.1 to the Company's Report on Form 8-K filed on November 5, 2010 and incorporated herein by reference). |
| 3.4 | Articles of Amendment to the Articles of Amendment and Restatement of Chimera Investment Corporation (filed as Exhibit 3.1 to the Company's Report on Form 8-K filed on April 6, 2015 and incorporated herein by reference). |
| 3.5 | Articles of Amendment to the Articles of Amendment and Restatement of Chimera Investment Corporation (filed as Exhibit 3.2 to the Company's Report on Form 8-K filed on April 6, 2015 and incorporated herein by reference). |
| 3.6 | Articles of Amendment to the Articles of Amendment and Restatement of Chimera Investment Corporation (filed as Exhibit 3.6 to the Company's Report on Form 8-A filed on January 17, 2019 and incorporated herein by reference). |
| 3.7 | Certificate of Correction, dated as of September 10, 2021 (filed as Exhibit 3.7 to the Company's Report on Form 8-K filed on September 13, 2021 and incorporated herein by reference) |
| 3.8 | Articles Supplementary to the Articles of Amendment and Restatement of Chimera Investment Corporation designating the Company's 8.00% Series A Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, par value $0.01 per share (filed with the SEC as Exhibit 3.1 to the Company's Report on Form 8-K filed October 12, 2016 and incorporated herein by reference). |
| 3.9 | Articles Supplementary to the Articles of Amendment and Restatement of Chimera Investment Corporation designating the Company's 8.00% Series B Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, par value $0.01 per share (filed with the SEC as Exhibit 3.7 to the Company's Registration Statement on Form 8-A filed on February 24, 2017 and incorporated herein by reference). |
| 3.10 | Articles Supplementary to the Articles of Amendment and Restatement of Chimera Investment Corporation designating the Company's 7.75% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock (filed as Exhibit 3.8 to the Company's Report on Form 8-A filed September 18, 2018 and incorporated herein by reference). |
| 3.11 | Articles Supplementary to the Articles of Amendment and Restatement of Chimera Investment Corporation designating the Company's 8.00% Series D Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock (filed as Exhibit 3.10 to the Company's Report on Form 8-A filed January 17, 2019 and incorporated herein by reference). |
| 3.12 | Amended and Restated Bylaws of Chimera Investment Corporation (filed with the Commission as Exhibit 3.1 to the Company's Current Report on Form 8-K filed on January 10, 2017 and incorporated herein by reference). |

| | |
|---|---|
| 4.1 | Specimen Common Stock Certificate of Chimera Investment Corporation (filed as Exhibit 4.1 to the Company's Registration Statement on Amendment No. 1 to Form S-11 (File No. 333-145525) filed on September 27, 2007 and incorporated herein by reference). |
| 4.2 | Form of specimen certificate representing the shares of 8.00% Series A Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock Certificate (filed as Exhibit 4.1 to the Company's Report on Form 8-K filed October 12, 2016 and incorporated herein by reference). |
| 4.3 | Form of specimen certificate representing the shares of 8.00% Series B Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock Certificate (filed with the SEC as Exhibit 4.1 to the Company's Registration Statement on Form 8-A filed on February 24, 2017 and incorporated herein by reference). |
| 4.4 | Form of specimen certificate representing the shares of 7.75% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock Certificate (filed with the SEC as Exhibit 4.1 to the Company's Registration Statement on Form 8-A filed on September 18, 2018 and incorporated herein by reference). |
| 4.5 | Form of specimen certificate representing the shares of 8.00% Series D Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock Certificate (filed with the SEC as Exhibit 4.1 to the Company's Registration Statement on Form 8-A filed on January 17, 2019 and incorporated herein by reference). |
| 10.1† | Form of Directors' Restricted Stock Unit Award Agreement |
| 10.2† | Letter of Agreement and General Release, dated January 10, 2024, between Chimera Investment Corporation and Choudhary Yarlagadda (filed as Exhibit 10.1 to the Company's Report on Form 8-K filed on January 17, 2024 and incorporated herein by reference). |
| 31.1 | Certification of Phillip J. Kardis II, Chief Executive Officer of the Registrant, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of Subramaniam Viswanathan, Chief Financial Officer of the Registrant, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification of Phillip J. Kardis II, Chief Executive Officer of the Registrant, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certification of Subramaniam Viswanathan, Chief Financial Officer the Registrant, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS* | XBRL Instance Document - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document. |
| 101.SCH* | XBRL Taxonomy Extension Schema Document |
| 101.CAL* | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.LAB* | XBRL Taxonomy Extension Labels Linkbase Document |
| 101.PRE* | XBRL Taxonomy Extension Presentation Linkbase Document |
| 101.DEF* | XBRL Taxonomy Extension Definition Linkbase Document |
| 104 | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) |

† Represents a management contract or compensatory plan or arrangement
* This exhibit is being furnished rather than filed, and shall not be deemed incorporated by reference into any filing, in accordance with Item 601 of Regulation S-K

## 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 thereunto duly authorized.

**CHIMERA INVESTMENT CORPORATION**

By: /s/ Phillip J. Kardis II
Phillip J. Kardis II
President and Chief Executive Officer
(Principal Executive Officer of the registrant)

Date: May 9, 2024

By: /s/ Subramaniam Viswanathan
Subramaniam Viswanathan
Chief Financial Officer (Principal Financial Officer
and Principal Accounting Officer of the registrant)

Date: May 9, 2024

**RESTRICTED STOCK UNIT AWARD AGREEMENT**
**(Non-Employee Directors)**

THIS RESTRICTED STOCK UNIT AGREEMENT (the "Agreement") is made as of the [•] day of [•], 202[•] (the "Grant Date"), between Chimera Investment Corporation, a Maryland corporation (hereinafter called the "Company"), and [DIRECTOR NAME] (hereinafter called the "Participant").

**R E C I T A L S:**

WHEREAS, the Company sponsors the Chimera Investment Corporation 2023 Equity Incentive Plan, as the same may be amended from time to time (the "Plan"), which Plan is incorporated herein by reference and made a part of this Agreement; capitalized terms not otherwise defined herein shall have the same meanings as in the Plan;

WHEREAS, the Board of Directors of the Company (the "Board") has determined that it would be in the best interests of the Company and its shareholders to grant the Restricted Stock Units (as defined below) provided for herein to certain participants who have performed or are expected to perform services with the Company pursuant to the Plan and the terms set forth herein; and

WHEREAS, the Participant has been designated by the Company to receive the Restricted Stock Units (as defined below) provided for herein.

NOW THEREFORE, in consideration of the mutual covenants hereinafter set forth, the parties hereto agree as follows:

1. Grant of the Restricted Stock Units.

   (a) In consideration for services to the Company and subject to the terms and conditions of the Plan and the additional terms and conditions set forth in this Agreement, the Company issues to the Participant on the Grant Date a Restricted Stock Unit Award consisting of, in the aggregate, [●] restricted stock units (the "Restricted Stock Units"), on the terms and conditions and subject to the restrictions set forth in this Agreement and the Plan. The Restricted Stock Units shall vest and become non-forfeitable in accordance with Section 2 hereof.

   (b) Each Restricted Stock Unit represents the right to receive one Share, subject to the vesting and other terms and conditions of this Agreement and the Plan. The Restricted Stock Units (including any related Dividend Equivalent Units as provided herein) shall be credited to a separate account maintained for the Participant on the books and records of the Company (the "Account"). All amounts credited to the Account shall continue for all purposes to be part of the general assets of the Company and shall be an unfunded and unsecured obligation of the Company.

2. Vesting. Except as otherwise provided herein, provided that the Participant remains a member of the Board through the vesting date, the Restricted Stock Units shall vest and become non-forfeitable on [DATE], or if earlier, the date of the next annual stockholders' meeting.

3. Circumstances that Accelerate the Vesting Date.

   (a) All unvested RSUs subject to this Agreement shall become immediately vested if the Participant ceases to be a member of the Board due to (a) death, or (b) a Change in Control.

   (b) In the event that the Participant ceases to be a member of the Board due to any other reason prior to the vesting date, the Restricted Stock Units shall vest pro rata based on the number of days between the Grant Date and the date of cessation divided by 365. If the number of Restricted Stock Units vesting is a fractional number, the number vesting will be rounded up to the nearest whole number.

4. Rights as a Shareholder; Dividend Equivalent Rights.

   (a) The Participant shall not have any rights of a shareholder with respect to the Shares underlying the Restricted Stock Units unless and until the Restricted Stock Units vest and are settled by the issuance of such Shares.

   (b) Upon and following the settlement of the Restricted Stock Units, the Participant shall be the record owner of the Shares issued upon settlement unless and until such Shares are sold or otherwise disposed of, and as record owner shall be entitled to all rights of a shareholder of the Company (including voting rights).

   (c) If a cash dividend is paid with respect to the Shares, the Participant shall be credited as of the applicable dividend payment date with an additional number of whole and fractional Restricted Stock Units (the "Dividend Equivalent Units") equal to (i) the total cash dividend the Participant would have received had the Restricted Stock Units (and any previously credited Dividend Equivalent Units with respect thereto) been actual Shares divided by (ii) the Fair Market Value of a Share as of the applicable dividend payment date. Such Dividend Equivalent Units shall be added to the Account and shall be subject to the same vesting and payment provisions otherwise applicable to the Restricted Stock Units. Any fractional Dividend Equivalent Units shall be carried forward to the final vesting and payment date, and on such final date any remaining fractional Dividend Equivalent Units then payable shall be settled in cash.

5. Restrictions. Subject to any exceptions set forth in this Agreement or the Plan, prior to settlement in accordance with Section 6 below, the Restricted Stock Units and the Dividend Equivalent Units, and the rights relating thereto, may not be assigned, alienated, pledged, attached, sold, or otherwise transferred or encumbered by the Participant. Any attempt to assign, alienate, pledge, attach, sell, or otherwise transfer or encumber the Restricted Stock Units, the Dividend Equivalent Units, or the rights relating thereto shall be wholly ineffective and, if any such attempt is made, the Restricted Stock Units and the Dividend Equivalent Units will be forfeited by the Participant and all of the Participant's rights to such units shall immediately terminate without any payment or consideration by the Company.

6. Settlement of Restricted Stock Units. As of the applicable vesting date set forth in Section 2 and subject to Section 3, the Company shall cause to be issued and delivered to the Participant one Share

for each such vested Restricted Stock Unit, such payment to be made on or as soon as administratively practicable (not more than 60 days) after the applicable vesting date.

7. Dodd-Frank Clawback Rules. This award of Restricted Stock Units is subject to the requirements of (i) Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (regarding recovery of erroneously awarded compensation) and any implementing rules and regulations thereunder (the "**Dodd-Frank Clawback Rules**"), and (ii) any policies adopted by the Company to implement such requirements, all to the extent determined by the Company in its discretion to be applicable to the Participant. For the avoidance of doubt, if the Dodd-Frank Clawback Rules and any implementing policy apply to the Participant, then (A) the Participant will not be entitled to earn or retain any portion of the Restricted Stock Units that is determined to be erroneously awarded compensation, and (B) the Company may take action against the Restricted Stock Units or any proceeds the Participant receives from them to recover any erroneously awarded compensation the Participant may have received from the Company (whether related to the Restricted Stock Units or otherwise), all in accordance with the Dodd-Frank Clawback Rules and the applicable implementing policy and subject to the requirements of applicable law.

8. Legends. A legend may be placed on any certificate(s) or other document(s) delivered to the Participant indicating restrictions on transferability of the Shares issued upon vesting or settlement of the Restricted Stock Units pursuant to this Agreement or any other restrictions that the Committee may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission, any applicable federal or state securities laws, or any stock exchange on which the Shares are then listed or quoted.

9. Service as a Member of the Board. Nothing in this Agreement shall give the Participant any claim or right to continue as a member of the Board.

10. Adjustments. The Restricted Stock Units are subject to the provisions of Section 11 of the Plan, regarding certain potential adjustments to the units in the event of specified changes in the capital of the Company or other transactions. The existence of this Award shall not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations, or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or prior preference stocks ahead of or convertible into, or otherwise affecting the units or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

11. Tax Liability and Withholding.

    (a) The Participant shall be required to pay to the Company, and the Company shall have the right to deduct from any compensation paid to the Participant pursuant to the Plan or otherwise, the amount of any required payroll or withholding taxes in respect of the Restricted Stock Units and to take all such other action as the Committee deems necessary to satisfy all obligations for the payment of such payroll or withholding taxes. The Committee may permit the Participant to satisfy any federal, state, or local payroll tax or tax withholding obligation by any of the following means, or by a combination of such means:

(i) tendering a cash payment;

(ii) authorizing the Company to withhold Shares from the Shares otherwise issuable or deliverable to the Participant as a result of the vesting of the Restricted Stock Units; provided, however, that no Shares shall be withheld with a value exceeding the amount of tax required to be withheld by law (to the extent necessary under applicable accounting principles); and

(iii) delivering to the Company previously owned and unencumbered Shares.

(b) Notwithstanding any action the Company takes with respect to any or all income tax, social insurance, payroll tax, or other tax-related withholding ("**Tax-Related Items**"), the ultimate liability for all Tax-Related Items is and remains the Participant's responsibility and the Company (a) makes no representation or undertakings regarding the treatment of any Tax-Related Items in connection with the grant or vesting of the Restricted Stock Units or the subsequent sale of any Shares; and (b) does not commit to structure the Restricted Stock Units to reduce or eliminate the Participant's liability for Tax-Related Items.

12. Compliance with Laws. The issuance and transfer of Shares upon settlement of vested Restricted Stock Units shall be subject to compliance by the Company and the Participant with all applicable requirements of federal and state securities laws and with all applicable requirements of any stock exchange on which the Shares may be listed. No Shares shall be issued or transferred unless and until any then applicable requirements of state and federal laws and regulatory agencies have been fully complied with to the satisfaction of the Company and its counsel. The Participant understands that the Company is under no obligation to register the Shares issued upon vesting or settlement with the Securities and Exchange Commission, any state securities commission, or any stock exchange to effect such compliance.

13. Notices. Any notice necessary under this Agreement shall be addressed to the Company in care of its Secretary at the principal executive office of the Company and to the Participant at the address appearing in the corporate records of the Company for such Participant or to either party at such other address as either party hereto may hereafter designate in writing to the other. Any such notice shall be deemed effective upon receipt thereof by the addressee.

14. Choice of Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO CONFLICTS OF LAWS.

15. Interpretation. Any dispute regarding the interpretation of this Agreement shall be submitted by the Participant or the Company to the Committee for review. If the Participant serves on the Committee, the Participant will recuse himself or herself from the review. The resolution of such dispute by the Committee shall be final and binding on the Participant and the Company.

16. Restricted Stock Units Subject to Plan. This Agreement is subject to the Plan as approved by the Company's shareholders. The terms and provisions of the Plan as it may be amended from time to time are hereby incorporated herein by reference. In the event of a conflict between any term or

provision contained herein and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.

17. Successors and Assigns. The Company may assign any of its rights under this Agreement. This Agreement will be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein, this Agreement will be binding upon the Participant and the Participant's beneficiaries, executors, administrators, and the person(s) to whom the Restricted Stock Units may be transferred by will or the laws of descent or distribution.

18. Severability. The invalidity or unenforceability of any provision of the Plan or this Agreement shall not affect the validity or enforceability of any other provision of the Plan or this Agreement, and each provision of the Plan and this Agreement shall be severable and enforceable to the extent permitted by law.

19. Discretionary Nature of Plan. The Plan is discretionary and may be amended, cancelled, or terminated by the Company at any time, in its discretion. The grant of the Restricted Stock Units in this Agreement does not create any contractual right or other right to receive any Restricted Stock Units or other Awards in the future. Future Awards, if any, will be at the sole discretion of the Company. Any amendment, modification, or termination of the Plan shall not constitute a change or impairment of the terms and conditions of the Participant's service on the Board.

20. Amendment. The Committee has the right to amend, alter, suspend, discontinue, or cancel the Restricted Stock Units, prospectively or retroactively, provided that no such amendment shall adversely affect the Participant's material rights under this Agreement without the Participant's consent.

21. Section 409A. This Agreement is intended to comply with Section 409A or an exemption thereunder and shall be construed and interpreted in a manner that is consistent with the requirements for avoiding additional taxes or penalties under Section 409A. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest, or other expenses that may be incurred by the Participant on account of noncompliance with Section 409A.

22. Acceptance. The Participant hereby acknowledges receipt of a copy of the Plan and this Agreement. The Participant has read and understands the terms and provisions thereof, and accepts the Award subject to all of the terms and conditions of the Plan and this Agreement. The Participant acknowledges that there may be adverse tax consequences upon the grant, vesting, or settlement of the Restricted Stock Units or disposition of the underlying Shares and that the Participant has been advised to consult a tax advisor prior to such grant, vesting, settlement, or disposition.

23. Signature in Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

*[REMAINDER OF PAGE LEFT INTENTIONALLY BLANK]*

IN WITNESS WHEREOF, the Chimera Investment Corporation has executed this Agreement as of the date first written above.

CHIMERA INVESTMENT CORPORATION

By:___________

Name:___________

Title:___________

Agreed and acknowledged as of the date first written above:

By:___________

Name:___________

**Exhibit 31.1**

**RULE 13a-14(a)/15d-14(a) CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Phillip J. Kardis II, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Chimera Investment Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

   a. Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2024
/s/ Phillip J. Kardis II

Phillip J. Kardis II
President, Chief Executive Officer, and Principal Executive Officer

**Exhibit 31.2**

**RULE 13a-14(a)/15d-14(a) CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Subramaniam Viswanathan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Chimera Investment Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

   a. Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2024
/s/ Subramaniam Viswanathan

Subramaniam Viswanathan
Chief Financial Officer and Principal Financial Officer

**Exhibit 32.1**

CHIMERA INVESTMENT CORPORATION
630 FIFTH AVE SUITE 2400
NEW YORK, NEW YORK 10111

**CERTIFICATION**
**PURSUANT TO SECTION 906 OF THE**
**SARBANES-OXLEY ACT OF 2002, 18 U.S.C. SECTION 1350**

In connection with the quarterly report on Form 10-Q of Chimera Investment Corporation (the “Company”) for the period ended March 31, 2024 to be filed with Securities and Exchange Commission on or about the date hereof (the “Report”), I, Phillip J. Kardis II, Chief Executive Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates of, and for the periods covered by, the Report.

It is not intended that this statement be deemed to be filed for purposes of the Securities Exchange Act of 1934.

/s/ Phillip J. Kardis II
Phillip J. Kardis II
President, Chief Executive Officer, and Principal Executive Officer
Date: May 9, 2024

**Exhibit 32.2**

CHIMERA INVESTMENT CORPORATION
630 FIFTH AVE SUITE 2400
NEW YORK, NEW YORK 10111

**CERTIFICATION**
**PURSUANT TO SECTION 906 OF THE**
**SARBANES-OXLEY ACT OF 2002, 18 U.S.C. SECTION 1350**

In connection with the quarterly report on Form 10-Q of Chimera Investment Corporation (the "Company") for the period ended March 31, 2024 to be filed with Securities and Exchange Commission on or about the date hereof (the "Report"), I, Subramaniam Viswanathan, Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates of, and for the periods covered by, the Report.

It is not intended that this statement be deemed to be filed for purposes of the Securities Exchange Act of 1934.

/s/ Subramaniam Viswanathan

Subramaniam Viswanathan
Chief Financial Officer and Principal Financial Officer
Date: May 9, 2024