

2022 ANNUAL REPORT

Blackstone Mortgage Trust, Inc.



Blackstone

Mortgage
Trust

Key Highlights

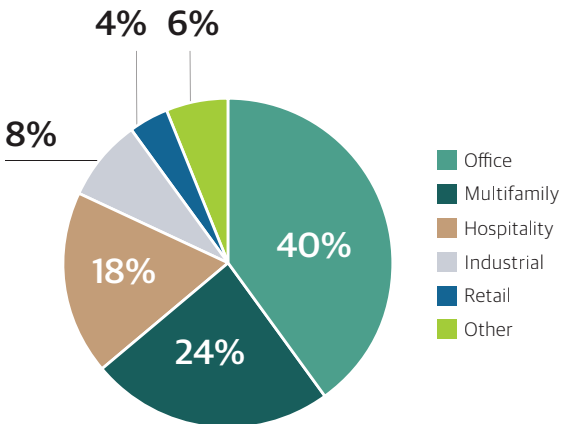
BXMT continues to achieve strong fundamental performance and deliver consistent current income to shareholders



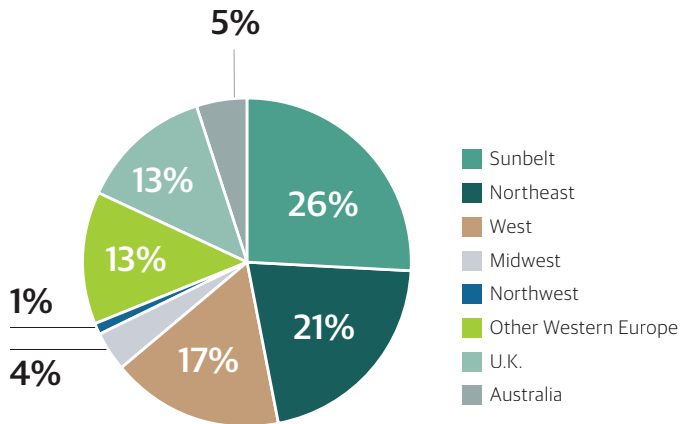
Portfolio Snapshot

Diversified portfolio collateralized by high quality real estate with institutional sponsors

Collateral Diversification⁵



Geography⁵



Note: As of December 31, 2022. Financial data is estimated and unaudited.

1. Reflects year-over-year change in 4Q Distributable Earnings. See Notes and BXMT's Annual Report on Form 10-K for the fiscal year ended December 31, 2022 for a definition and reconciliation to GAAP net income, which declined by (137)% for the same period.
2. Reflects ratio of Distributable Earnings per share to dividends declared per share for the year ended December 31, 2022. See Notes and BXMT's Annual Report on Form 10-K for the fiscal year ended December 31, 2022 for a definition and reconciliation to GAAP net income.
3. Based on annualized dividend of \$2.48 per share and share price of \$17.83 as of April 18, 2023.
4. Reflects weighted average loan-to-value ("LTV") as of the date investments were originated or acquired by BXMT.
5. Includes \$1.6 billion of Non-Consolidated Senior Interests.

Portfolio Overview

A fully-scaled portfolio of senior loans selected based on the insights and experience of our manager, Blackstone Real Estate, the world's pre-eminent real estate investment business

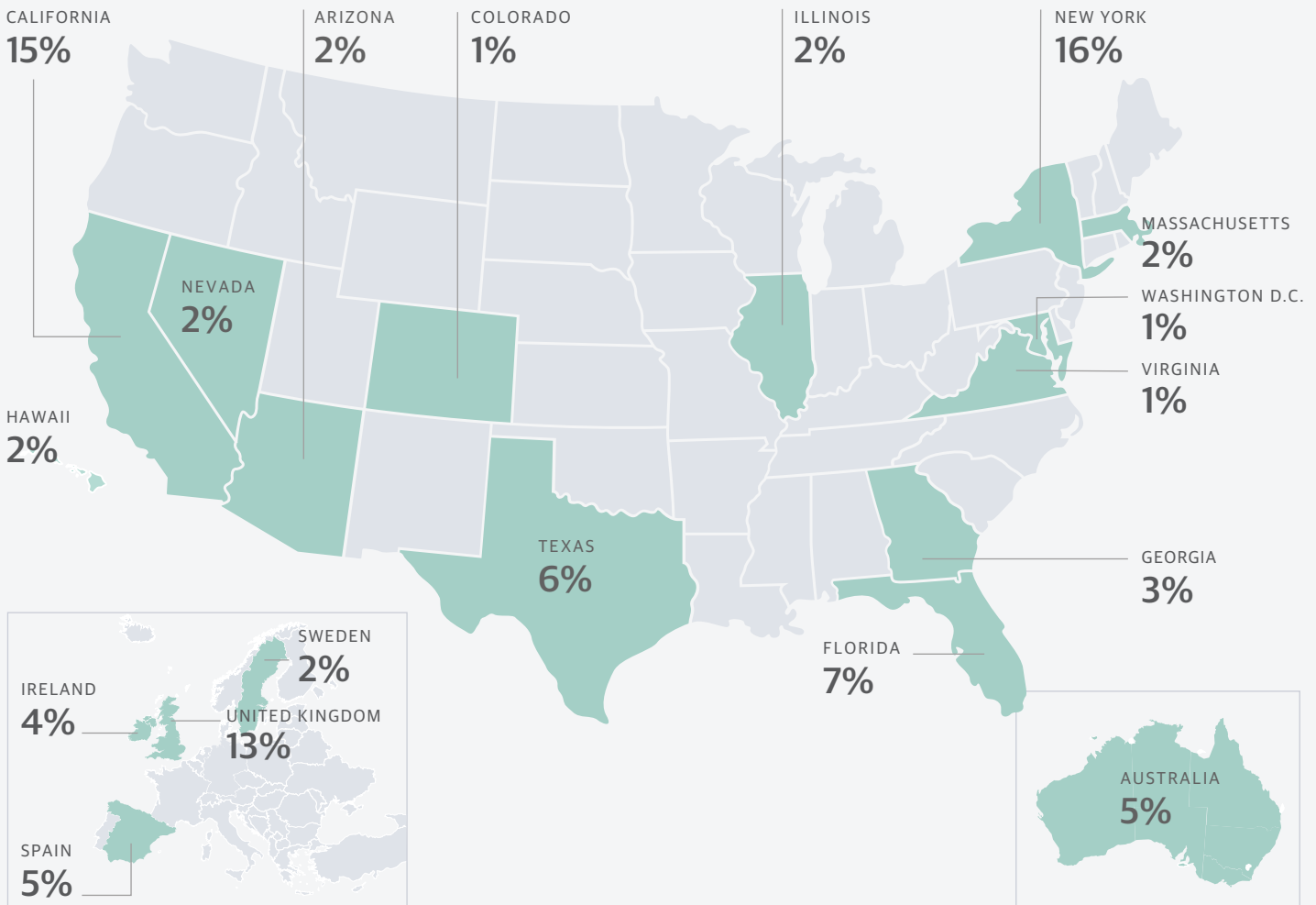
\$27B

senior loan portfolio¹

203

loans

BXMT's Top Markets²



Note: As of December 31, 2022. Financial data is estimated and unaudited.

1. Includes \$1.6 billion of Non Consolidated Senior Interests.
2. States and countries comprising less than 1% of total loan portfolio are excluded.

Board of Directors, Executive and Other Senior Officers



Michael B. Nash
Executive Chairman of
the Board of Directors



Katharine A. Keenan
Chief Executive Officer,
President and Director



Jonathan L. Pollack
Director



Leonard W. Cotton^{1,2,4}
Independent Director



Thomas E. Dobrowski^{1,3,4}
Independent Director



Nnenna Lynch^{1,3,4}
Independent Director



Henry N. Nassau^{2,3}
Independent Director



Gilda Perez-Alvarado
Independent Director



Lynne B. Sagalyn^{1,2,3}
Independent Director



Anthony F. Marone, Jr.
Chief Financial Officer,
Treasurer and Assistant
Secretary



Austin Peña
Executive Vice President,
Investments



Leon Volchyok
Chief Legal Officer
and Secretary



Robert Sitman
Managing Director,
Head of Asset
Management



Paul Kolodziej
Head of Accounting



Courtney Cheng
Vice President of
Finance



Tim Hayes
Vice President of
Shareholder Relations

1. Audit Committee
2. Compensation Committee
3. Corporate Governance Committee
4. Investment Risk Management Committee

Notes

Headquarters Office: Blackstone Mortgage Trust, Inc.
345 Park Avenue, 24th Floor New York, NY 10154
Phone: 212-655-0220
Fax: 212-655-0044
www.bxmt.com

Transfer Agent: American Stock Transfer & Trust Company, LLC
6201 15th Avenue, Brooklyn, NY 11219
Phone: 800-937-5449

Independent Registered Public Accounting Firm:
Deloitte & Touche LLP
30 Rockefeller Plaza New York, NY 10112

Form 10-K Availability: Requests for or a copy of the Company's Annual Report on Form 10-K for the year ended December 31, 2022 filed with the SEC, without charge, and any other investor inquiries from individuals and institutional investors should be directed to:

Investor Relations
Blackstone Mortgage Trust, Inc.
345 Park Avenue, 43rd Floor New York, NY 10154
+1 (888) 756-8443
BlackstoneInvestorRelations@Blackstone.com

The SEC also maintains a website that contains reports, proxy information and statements, and other information regarding registrants that file electronically with the SEC. The website address is www.sec.gov. The Company files electronically.

The Company filed the certifications required by Section 302 of the Sarbanes Oxley Act of 2002 as exhibits to its Annual Report on Form 10-K for the year ended December 31, 2022.

All figures are approximate and as of December 31, 2022, unless otherwise indicated. The terms "we," "us" and "our" refer to BXMT with reference to portfolio and performance data. In all other instances, including with respect to current and forward-looking views and opinions of the market and BXMT's portfolio and performance positioning, as well as the experience of BXMT's management team, these terms refer to BXMT's adviser, BXMT Advisors L.L.C., which is part of the real estate group of Blackstone Inc. (together with its affiliates, "Blackstone"), a global investment manager.

This material may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which reflect BXMT's current views with respect to, among other things, its operations and financial performance, its business plans and the impact of and recovery from the negative effects of the COVID-19 pandemic. You can identify these forward-looking statements by the use of words such as "outlook," "objective," "indicator," "believes," "expects," "potential," "continues," "may," "will," "should," "seeks," "predicts," "intends," "plans," "estimates," "anticipates" or the negative version of these words or other comparable words. Such forward-looking statements are subject to various risks and uncertainties. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. BXMT believes these factors include but are not limited to those described under the section entitled "Risk Factors" in BXMT's Annual Report on Form 10-K for the fiscal year ended December 31, 2022, as such factors may be further updated from time to time in its

periodic filings with the Securities and Exchange Commission ("SEC") which are accessible on the SEC's website at www.sec.gov. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this presentation and in the filings. BXMT assumes no obligation to update or supplement forward looking statements that become untrue because of subsequent events or circumstances.

Opinions expressed reflect the current opinions of BXMT as of the date appearing in this document only and are based on the BXMT's opinions of the current market environment, which is subject to change.

Distributable Earnings. BXMT discloses Distributable Earnings in this presentation. Distributable Earnings is a financial measure that is calculated and presented on the basis of methodologies other than in accordance with generally accepted accounting principles in the United States of America ("GAAP").

Distributable Earnings is a non-GAAP measure, which we define as GAAP net income (loss), including realized gains and losses not otherwise included in GAAP net income (loss), and excluding (i) non-cash equity compensation expense, (ii) depreciation and amortization, (iii) unrealized gains (losses), and (iv) certain non-cash items. Distributable Earnings may also be adjusted from time to time to exclude one-time events pursuant to changes in GAAP and certain other non-cash charges as determined by our Manager, subject to approval by a majority of our independent directors.

We believe that Distributable Earnings provides meaningful information to consider in addition to our net income and cash flow from operating activities determined in accordance with GAAP. This adjusted measure helps us to evaluate our performance excluding the effects of certain transactions and GAAP adjustments that we believe are not necessarily indicative of our current loan portfolio and operations. We believe Distributable Earnings is a useful financial metric for existing and potential future holders of our class A common stock as historically, over time, Distributable Earnings has been a strong indicator of our dividends per share. Distributable Earnings mirrors the terms of our management agreement between our Manager and us for purposes of calculating our incentive fee expense.

Distributable Earnings does not represent net income or cash generated from operating activities and should not be considered as an alternative to GAAP net income, or an indication of our GAAP cash flows from operations, a measure of our liquidity, or an indication of funds available for our cash needs. In addition, our methodology for calculating Distributable Earnings may differ from the methodologies employed by other companies to calculate the same or similar supplemental performance measures, and accordingly, our reported Distributable Earnings may not be comparable to the Distributable Earnings reported by other companies.

A diversified portfolio does not eliminate risk or indicate a higher level of returns.

Non-Consolidated Senior Interests. Senior interests in loans originated and syndicated to third parties. These non-recourse loan participations, which are excluded from the GAAP balance sheet, constitute additional financing capacity and are included in discussions of the loan portfolio.

Trends. There can be no assurances that any of the trends described herein will continue or will not reverse. Past events and trends do not imply, predict or guarantee, and are not necessarily indicative of, future events or results.

10-K

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

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

For the fiscal year ended December 31, 2022 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 1-14788



Blackstone Mortgage Trust, Inc.

(Exact name of Registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

94-6181186
(I.R.S. Employer
Identification No.)

345 Park Avenue, 24th Floor
New York, New York 10154
(Address of principal executive offices)(Zip Code)

Registrant's telephone number, including area code: (212) 655-0220
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Class A common stock, par value \$0.01 per share	BXMT	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 (§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 the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the outstanding class A common stock held by non-affiliates of the registrant was approximately 4.5 billion as of June 30, 2022 (the last business day of the registrant's most recently completed second fiscal quarter) based on the closing sale price on the New York Stock Exchange on that date.

As of February 1, 2023, there were 172,284,118 outstanding shares of class A common stock.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this annual report on Form 10-K incorporates information by reference from the registrant's definitive proxy statement with respect to its 2023 annual meeting of stockholders to be filed with the Securities and Exchange Commission within 120 days after the close of the registrant's fiscal year.

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Forward-Looking Information; Risk Factor Summary

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or Exchange Act, which involve certain known and unknown risks and uncertainties. Forward-looking statements predict or describe our future operations, business plans, business and investment strategies and portfolio management and the performance of our investments. These forward-looking statements are generally identified by their use of such terms and phrases as “intend,” “goal,” “estimate,” “expect,” “project,” “projections,” “plans,” “seeks,” “anticipates,” “will,” “should,” “could,” “may,” “designed to,” “foreseeable future,” “believe,” “scheduled” and similar expressions. Our actual results or outcomes may differ materially from those anticipated. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statement was made. We assume no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Our actual results may differ significantly from any results expressed or implied by these forward-looking statements. A summary of the principal risk factors that make investing in our securities risky and might cause our actual results to differ is set forth below. The following is only a summary of the principal risks that may materially adversely affect our business, financial condition, results of operations and cash flows. This summary should be read in conjunction with the more complete discussion of the risk factors we face, which are set forth in the section entitled “Risk Factors” in this report.

- Fluctuations in prevailing interest rates and credit spreads could reduce our ability to generate income on our loans and other investments, which could lead to a significant decrease in our results of operations, our cash flows and the market value of our investments, and ultimately limit our ability to pay distributions to our stockholders.
- Adverse changes in the real estate and real estate capital markets, in North America, Europe and Australia in particular, could negatively impact our performance by making it more difficult for borrowers of our mortgage loans to satisfy their debt payment obligations, which could result in losses on our loan investments and/or make it more difficult for us to generate consistent or attractive risk-adjusted returns.
- Our results of operations, financial condition, liquidity position, and business could be materially adversely affected if we experience (i) difficulty accessing financing or raising capital, including due to a significant dislocation in or shut-down of the capital markets, (ii) a reduction in the yield on our investments, (iii) an increase in the cost of our financing, (iv) an inability to borrow incremental amounts or an obligation to repay amounts under our financing arrangements, or (v) defaults by borrowers in paying debt service on outstanding loans.
- Events giving rise to increases in our current expected credit loss reserve, including the impact of the current economic environment, have had an adverse effect on our business and results of operations and could in the future have a material adverse effect on our business, financial condition and results of operations.
- Our lending and investment activities subject us to the general political, economic, capital markets, competitive and other conditions in the United States and foreign jurisdictions where we invest, including with respect to the long-term macroeconomic effects of the COVID-19 pandemic and other events that markedly impact United States or foreign financial markets.
- Adverse legislative or regulatory developments, including with respect to tax laws, securities laws, and the laws governing financial and lending institutions, could increase our cost of doing business and/or reduce our operating flexibility and the price of our class A common stock.
- Acts of God such as hurricanes, earthquakes and other natural disasters, pandemics or outbreaks of infectious disease, acts of war and/or terrorism and other events that can markedly impact financial markets may cause unanticipated and uninsured performance declines and/or losses to us or the owners and operators of the real estate securing our investments.
- Deterioration in the performance of properties securing our investments may cause deterioration in the performance of our investments, instances of default or foreclosure on such properties and, potentially, principal losses to us.
- Adverse developments in the availability of desirable investment opportunities whether they are due to competition, regulation or otherwise, could adversely affect our results of operations.
- Difficulty or delays in redeploying the proceeds from repayments of our existing loans and investments may cause our financial performance and returns to investors to decline.

- Increased competition from entities engaged in mortgage lending and/or investing in our target assets may limit our ability to originate or acquire desirable loans and investments or dispose of assets we target, and could also affect the yields of these assets and have a material adverse effect on our business, financial condition and results of operations.
- Loans or investments involving international real estate-related assets are subject to special risks that we may not manage effectively, including currency exchange risk, the burdens of complying with international regulatory requirements, risks related to taxation and certain economic and political risks, which could have a material adverse effect on our results of operations and financial condition and our ability to make distributions to our stockholders.
- If we do not maintain our qualification as a real estate investment trust, or REIT, we will be subject to tax as a regular corporation and could face a substantial tax liability.
- If we do not maintain our exemption from registration under the Investment Company Act of 1940, as amended, or the Investment Company Act, we will be subject to significant regulation and restrictions on our business and investments.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. We caution you not to place undue reliance on these forward-looking statements. All written and oral forward-looking statements attributable to us or persons acting on our behalf are qualified in their entirety by these cautionary statements. Moreover, unless we are required by law to update these statements, we will not necessarily update or revise any forward-looking statements included or incorporated by reference in this Annual Report after the date hereof, either to conform them to actual results or to changes in our expectations. We urge you to carefully consider the foregoing summary together with the risks discussed in Part I., Item 1A. *Risk Factors* and Part II, Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*.

PART I.

ITEM 1. BUSINESS

References herein to “Blackstone Mortgage Trust,” “company,” “we,” “us,” or “our” refer to Blackstone Mortgage Trust, Inc., a Maryland corporation, and its subsidiaries unless the context specifically requires otherwise.

Our Company

Blackstone Mortgage Trust is a real estate finance company that originates senior loans collateralized by commercial real estate in North America, Europe, and Australia. Our portfolio is composed primarily of loans secured by high-quality, institutional assets in major markets, sponsored by experienced, well-capitalized real estate investment owners and operators. These senior loans are capitalized by accessing a variety of financing options, including borrowing under our credit facilities, issuing CLOs or single-asset securitizations, and syndicating senior loan participations, depending on our view of the most prudent financing option available for each of our investments. We are not in the business of buying or trading securities, and the only securities we own are the retained interests from our securitization financing transactions, which we have not financed. We are externally managed by BXMT Advisors L.L.C., or our Manager, a subsidiary of Blackstone Inc., or Blackstone, and are a REIT, traded on the New York Stock Exchange, or NYSE, under the symbol “BXMT.” Our principal executive offices are located at 345 Park Avenue, 24th Floor, New York, New York 10154. We were incorporated in Maryland in 1998, when we reorganized from a California common law business trust into a Maryland corporation.

We conduct our operations as a REIT for U.S. federal income tax purposes. We generally will not be subject to U.S. federal income taxes on our taxable income to the extent that we annually distribute all of our net taxable income to stockholders and maintain our qualification as a REIT. We also operate our business in a manner that permits us to maintain an exclusion from registration under the Investment Company Act. We are organized as a holding company and conduct our business primarily through our various subsidiaries. We operate our business as one segment, which originates and acquires commercial mortgage loans and related investments.

Our Manager

We are externally managed and advised by our Manager, which is responsible for administering our business activities, day-to-day operations, and providing us the services of our executive management team, investment team, and appropriate support personnel.

Our Manager is a part of Blackstone’s alternative asset management business, which is the world’s largest alternative asset manager. Blackstone’s assets under management include investment vehicles focused on private equity, real estate, public debt and equity, infrastructure, life sciences, growth equity, opportunistic, non-investment grade credit, real assets and secondary funds, all on a global basis. Through its different businesses, Blackstone had total assets under management of \$974.7 billion as of December 31, 2022.

In connection with the performance of its duties, our Manager benefits from the resources, relationships, and expertise of the 787 professionals in Blackstone’s global real estate group. Blackstone has built the world’s preeminent global real estate business with \$326.1 billion of investor capital under management as of December 31, 2022. Kenneth Caplan and Kathleen McCarthy, who are the global co-heads of Blackstone’s real estate group, are members of our Manager’s investment committee.

Blackstone Real Estate Debt Strategies, or BREDS, was launched in 2008 within Blackstone’s global real estate group to pursue opportunities relating to real estate debt investments globally, with a focus primarily on North America and Europe. Michael Nash, the global chairman of BREDS, serves as the executive chairman of our board of directors and is a member of our Manager’s investment committee. In addition, Jonathan Pollack, the global head of Structured Finance, which includes BREDS, and Tim Johnson, global head of BREDS, each serve as members of our Manager’s investment committee and Mr. Pollack also serves as one of our directors. As of December 31, 2022, 136 dedicated BREDS professionals, including 31 investment professionals based in London and Australia, managed \$58.8 billion of investor capital.

Our chief executive officer, chief financial officer, and other officers are senior Blackstone real estate professionals. None of our Manager, our executive officers, or other personnel supplied to us by our Manager is obligated to dedicate any specific amount of time to our business. Our Manager is subject to the supervision and oversight of our board of directors

and has only such functions and authority as our board of directors delegates to it. Pursuant to a management agreement between our Manager and us, or our Management Agreement, our Manager is entitled to receive a base management fee, an incentive fee, and expense reimbursements. See Notes 14 and 19 to our consolidated financial statements and the information disclosed pursuant to Item 13 “Certain Relationships and Related Transactions, and Director Independence” in our definitive proxy statement with respect to our 2023 annual meeting of shareholders, which is incorporated by reference into this Annual Report on Form 10-K, for more detail on the terms of the Management Agreement.

Our Investment Strategy

Our investment strategy is to originate loans and invest in debt and related instruments supported by institutional quality commercial real estate in attractive locations. Through our Manager, we draw on Blackstone’s extensive real estate debt investment platform and its established sourcing, underwriting, and structuring capabilities in order to execute our investment strategy. In addition, we have access to Blackstone’s extensive network and Blackstone’s substantial real estate and other investment holdings, which provide our Manager access to market data on a scale generally not available to others in the market.

We directly originate, co-originate, and acquire debt instruments in conjunction with acquisitions, refinancings, and recapitalizations of commercial real estate in North America, Europe, and Australia, with a focus on performing loans that are supported by well-capitalized properties and borrowers. We believe that the scale and flexibility of our capital, as well as our Manager’s and Blackstone’s relationships, enables us to target opportunities with strong sponsorship and invest in large loans or other debt that is collateralized by high-quality assets and portfolios.

As market conditions evolve over time, we expect to adapt as appropriate. We believe our current investment strategy will produce significant opportunities to make investments with attractive risk-return profiles. However, to capitalize on the investment opportunities that may be present at various other points of an economic cycle, we may expand or change our investment strategy by targeting other credit oriented investments secured by commercial or residential real estate.

We believe that the diversification of our investment portfolio, our ability to actively manage those investments, and the flexibility of our strategy positions us to generate attractive returns for our stockholders in a variety of market conditions over the long term.

Our Portfolio

Our business is currently focused on originating or acquiring senior, floating rate mortgage loans that are secured by a first priority mortgage on commercial real estate assets in North America, Europe, and Australia. These investments may be in the form of whole loans, *pari passu* participations within mortgage loans, or other similar structures. Although originating senior, floating rate mortgage loans is our primary area of focus, we may also originate and acquire fixed rate loans and subordinate loans, including subordinate mortgage interests and mezzanine loans. This focused lending strategy is designed to generate attractive current income while protecting investors’ capital.

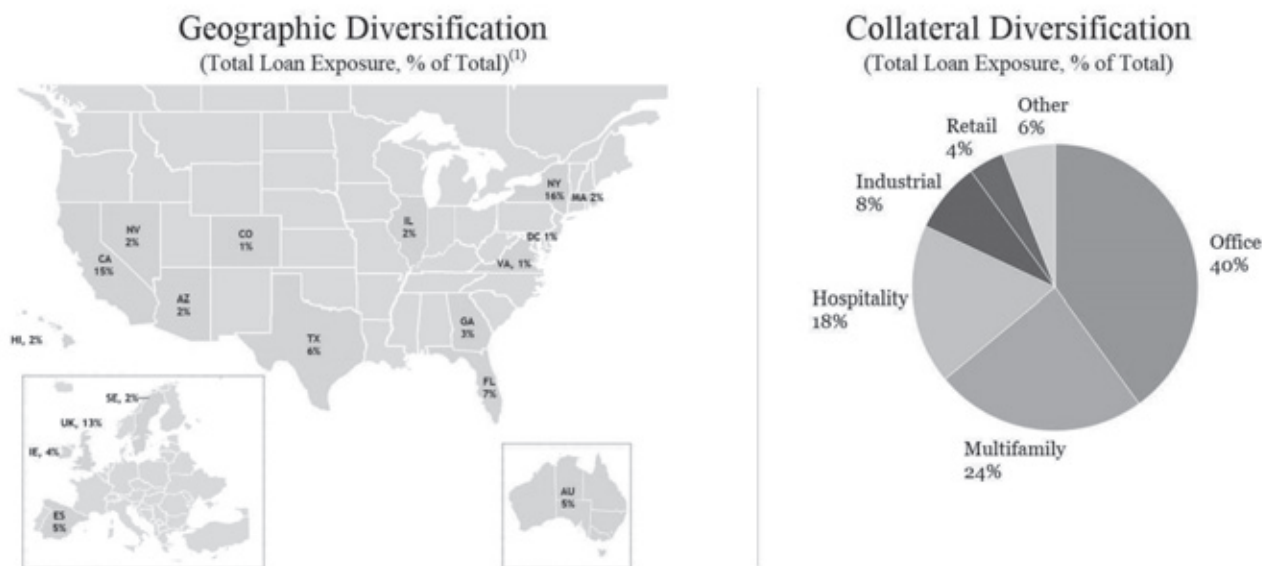
During the year ended December 31, 2022, we originated or acquired \$7.1 billion of loans. Loan fundings during the year totaled \$7.2 billion, with repayments of \$3.7 billion, for net fundings of \$3.4 billion.

The following table details overall statistics for our investment portfolio as of December 31, 2022 (\$ in thousands):

	Balance Sheet Portfolio	Loan Exposure⁽¹⁾
Number of investments	203	203
Principal balance	\$25,160,343	\$26,810,281
Net book value	\$24,691,743	\$24,691,743
Unfunded loan commitments ⁽²⁾	\$3,806,153	\$4,511,975
Weighted-average cash coupon ⁽³⁾	+ 3.44%	+ 3.37%
Weighted-average all-in yield ⁽³⁾	+ 3.84%	+ 3.76%
Weighted-average maximum maturity (years) ⁽⁴⁾	3.1	3.1
Origination loan to value (LTV) ⁽⁵⁾	64.1%	63.9%

- (1) In certain instances, we finance our loans through the non-recourse sale of a senior loan interest that is not included in our consolidated financial statements. Total loan exposure encompasses the entire loan we originated and financed, including \$1.6 billion of such non-consolidated senior interests that are not included in our balance sheet portfolio.
- (2) Unfunded commitments will primarily be funded to finance our borrowers' construction or development of real estate-related assets, capital improvements of existing assets, or lease-related expenditures. These commitments will generally be funded over the term of each loan, subject in certain cases to an expiration date.
- (3) The weighted-average cash coupon and all-in yield are expressed as a spread over the relevant floating benchmark rates, which include USD LIBOR, SOFR, SONIA, EURIBOR, and other indices as applicable to each investment. As of December 31, 2022, substantially all of our loans by total loan exposure earned a floating rate of interest, primarily indexed to USD LIBOR and SOFR. In addition to cash coupon, all-in yield includes the amortization of deferred origination and extension fees, loan origination costs, and purchase discounts, as well as the accrual of exit fees. Excludes loans accounted for under the cost-recovery method.
- (4) Maximum maturity assumes all extension options are exercised by the borrower, however our loans and other investments may be repaid prior to such date. As of December 31, 2022, 53% of our loans by total loan exposure were subject to yield maintenance or other prepayment restrictions and 47% were open to repayment by the borrower without penalty.
- (5) Based on LTV as of the dates loans were originated or acquired by us.

The charts below detail the geographic distribution and types of properties securing our investment portfolio, as of December 31, 2022:



(1) States comprising less than 1% of total loan portfolio are excluded.

For additional information regarding our loan portfolio as of December 31, 2022, see Item 7 – “Management’s Discussion and Analysis of Financial Condition and Results of Operations – II. Loan Portfolio” and – “VI. Loan Portfolio Details” in this Annual Report on Form 10-K.

Financing Strategy

To maintain an adequate amount of available liquidity and execute our business plan, we look to a variety of sources. In addition to raising capital through public offerings of our equity and debt securities, our financing strategy includes secured debt, securitizations, and asset-specific financings, as well as corporate term loans, senior secured notes, and convertible notes. In addition to our current mix of financing sources, we also may access additional forms of financings including rescureitizations and public and private, secured and unsecured debt issuances by us or our subsidiaries.

During the year ended December 31, 2022, we (i) borrowed an additional \$825.0 million under our term loan facilities with an interest rate of SOFR plus 3.50% and maturity in 2029, (ii) issued \$300.0 million aggregate principal amount of 5.50% convertible senior notes due 2027, and (iii) issued 2.3 million shares of our class A common stock, providing aggregate net proceeds of \$70.7 million.

Additionally, during the year ended December 31, 2022, we (i) entered into two new secured credit facilities providing an aggregate \$2.2 billion of credit capacity and (ii) increased the size of six existing secured credit facilities providing an aggregate \$1.4 billion of additional credit capacity.

The following table details our outstanding portfolio financing arrangements as of December 31, 2022 (\$ in thousands):

	Portfolio Financing Outstanding Principal Balance
	December 31, 2022
Secured debt	\$ 13,549,748
Securitized	2,673,541
Asset-specific financings ⁽¹⁾	2,824,961
Total portfolio financing	<u>\$ 19,048,250</u>

- (1) Includes our asset-specific debt of \$950.3 million, our loan participations sold of \$224.7 million, and our non-consolidated senior interests of \$1.6 billion, each as of December 31, 2022. The loan participations sold and non-consolidated senior interests are non-debt financings that provide structural leverage for our whole loan investments.

The amount of leverage we employ for particular assets will depend upon our assessment of the credit, liquidity, price volatility, and other risks of those assets and the related financing structure, the availability of particular types of financing at the time, and the financial covenants under our credit facilities. Our decision to use leverage to finance our assets will be at the discretion of our Manager and will not be subject to the approval of our stockholders. We currently expect that our leverage, on a debt to equity basis, will generally be below a ratio of 4-to-1. We will endeavor to match the tenor, currency, and indices of our assets and liabilities, including in certain instances through the use of derivatives. We will also seek to limit the risks associated with recourse borrowing.

From time to time, we engage in hedging transactions that seek to mitigate the effects of fluctuations in currencies or interest rates on our cash flows. These hedging transactions could take a variety of forms, including swaps or cap agreements, options, futures contracts, forward rate or currency agreements, or similar financial instruments.

Floating Rate Portfolio

Generally, our business model is such that rising interest rates will increase our net income, while declining interest rates will decrease net income. As of December 31, 2022, substantially all of our investments by total loan exposure earned a floating rate of interest and were financed with liabilities that pay interest at floating rates, which resulted in an amount of net equity that is positively correlated to rising interest rates, subject to the impact of interest rate floors on certain of our floating rate loans.

Refer to “Part I. Item 1A. Risk Factors—Risks Related to Our Lending and Investment Activities—The transition away from reference rates and the use of alternative replacement reference rates may adversely affect net interest income related to our loans and investments or otherwise adversely affect our results of operations, cash flows and the market value of our investments.” of this Annual Report on Form 10-K.

Investment Guidelines

Our board of directors has approved the following investment guidelines:

- we shall seek to invest our capital in a broad range of investments in, or relating to, public and/or private debt, non-controlling equity, loans and/or other interests (including “mezzanine” interests and/or options or derivatives related thereto) relating to real estate assets (including pools thereof), real estate companies, and/or real estate-related holdings;
- prior to the deployment of capital into investments, we may cause our capital to be invested in any short-term investments in money market funds, bank accounts, overnight repurchase agreements with primary federal reserve bank dealers collateralized by direct U.S. government obligations and other instruments or investments reasonably determined to be of high quality;
- not more than 25% of our equity, as defined in the Management Agreement, will be invested in any individual investment without the approval of a majority of the investment risk management committee of our board of directors (it being understood, however, that for purposes of the foregoing concentration limit, in the case of any investment that is comprised (whether through a structured investment vehicle or other arrangement) of securities,

instruments or assets of multiple portfolio issuers, such investment for purposes of the foregoing limitation shall be deemed to be multiple investments in such underlying securities, instruments and assets and not such particular vehicle, product or other arrangement in which they are aggregated);

- any investment in excess of \$350.0 million shall require the approval of a majority of the investment risk management committee of our board of directors;
- no investment shall be made that would cause us to fail to qualify as a REIT under the Internal Revenue Code of 1986, as amended, or the Internal Revenue Code; and
- no investment shall be made that would cause us or any of our subsidiaries to be regulated as an investment company under the Investment Company Act.

These investment guidelines may be amended, restated, modified, supplemented or waived upon the approval of a majority of our board of directors, which must include a majority of the independent directors, without the approval of our stockholders.

Competition

We are engaged in a competitive business. In our lending and investing activities, we compete for opportunities with a variety of institutional lenders and investors, including other REITs, specialty finance companies, public and private funds (including other funds managed by Blackstone and its affiliates), commercial and investment banks, commercial finance and insurance companies and other financial institutions. Several other REITs and other investment vehicles have raised, or are expected to raise, significant amounts of capital, and may have investment objectives that overlap with ours, which may create additional competition for lending and investment opportunities. Some competitors may have a lower cost of funds and access to funding sources, such as the U.S. Government, that are not available to us. Many of our competitors are not subject to the operating constraints associated with REIT compliance or maintenance of an exclusion from regulation under the Investment Company Act. We could face increased competition from banks due to future legislative developments, such as amendments to key provisions of the Dodd-Frank Act, including provisions setting forth capital and risk retention requirements. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of loans and investments and offer more attractive pricing or other terms and establish more relationships than us. Furthermore, competition for originations of and investments in assets we target may lead to decreasing yields, which may further limit our ability to generate targeted returns.

In the face of this competition, we have access to Blackstone’s professionals and their industry expertise and relationships, which we believe provide us with a competitive advantage and help us assess risks and determine appropriate pricing for potential investments. We believe these relationships will enable us to compete more effectively for attractive investment opportunities. However, we may not be able to achieve our business goals or expectations due to the competitive risks that we face. For additional information concerning these competitive risks, see Item 1A—“Risk Factors—Risks Related to Our Lending and Investment Activities.”

Environmental, Social and Governance

We are committed to responsibly managing risk and preserving value for our shareholders. We make capital allocation decisions with the environmental, social and governance (“ESG”) factors of our potential collateral and borrowers in mind, and incorporate diligence practices as part of our investment process to identify material ESG matters related to a given asset.

Our day-to-day operations are externally managed by our Manager, a subsidiary of Blackstone. As such, many of the ESG initiatives undertaken by Blackstone impact or apply to us. Key ESG initiatives we share with Blackstone include the consideration of ESG in the investment process, dedicated resources to ESG governance and oversight, industry engagement on ESG matters, corporate sustainability and environmental performance improvements at our office locations, and certain employee and community engagement and diversity, equity and inclusion (“DEI”) programs.

Human Capital

We do not have any employees. We are externally managed by our Manager pursuant to our Management Agreement. Our executive officers serve as officers of our Manager, and are employed by an affiliate of our Manager. See “Item 1—Our Manager.”

Government Regulation

Our operations in North America, Europe, and Australia are subject, in certain instances, to supervision and regulation by U.S. and other governmental authorities, and may be subject to various laws and judicial and administrative decisions imposing various requirements and restrictions, which, among other things: (i) regulate credit-granting activities; (ii) establish maximum interest rates, finance charges and other charges; (iii) require disclosures to customers; (iv) govern secured transactions; and (v) set collection, foreclosure, repossession and claims-handling procedures and other trade practices. We are also required to comply with certain provisions of the Equal Credit Opportunity Act that are applicable to commercial loans. We intend to continue to conduct our business so that neither we nor any of our subsidiaries are required to register as an investment company under the Investment Company Act.

In our judgment, existing statutes and regulations have not had a material adverse effect on our business. In recent years, legislators in the United States and in other countries have said that greater regulation of financial services firms is needed, particularly in areas such as risk management, leverage, and disclosure. While we expect that additional new regulations in these areas will be adopted and existing ones may change in the future, it is not possible at this time to forecast the exact nature of any future legislation, regulations, judicial decisions, orders or interpretations, nor their impact upon our future business, financial condition, or results of operations or prospects.

For more information on government regulation, refer to “Part I – Item 1A. Risk Factors – Risks Related to Our Company.”

Taxation of the Company

We have elected to be taxed as a REIT under the Internal Revenue Code for U.S. federal income tax purposes. We generally must distribute annually at least 90% of our net taxable income, subject to certain adjustments and excluding any net capital gain, in order for U.S. federal income tax not to apply to our earnings. To the extent that we satisfy this distribution requirement, but distribute less than 100% of our net taxable income, we will be subject to U.S. federal income tax on our undistributed taxable income. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we pay out to our stockholders in a calendar year is less than a minimum amount specified under U.S. federal tax laws.

Our qualification as a REIT also depends on our ability to meet various other requirements imposed by the Internal Revenue Code, which relate to organizational structure, diversity of stock ownership, and certain restrictions with regard to the nature of our assets and the sources of our income. Even if we qualify as a REIT, we may be subject to certain U.S. federal income and excise taxes and state and local taxes on our income and assets. If we fail to maintain our qualification as a REIT for any taxable year, we may be subject to material penalties as well as federal, state, and local income tax on our taxable income at regular corporate rates and we would not be able to qualify as a REIT for the subsequent four full taxable years.

Furthermore, our taxable REIT subsidiaries, or TRSs, are subject to federal, state, and local income tax on their net taxable income. See Item 1A—“Risk Factors—Risks Related to our REIT Status and Certain Other Tax Items” for additional tax status information.

Taxation of REIT Dividends

Under the Tax Cuts and Jobs Act of 2017, REIT dividends (other than capital gain dividends) received by non-corporate taxpayers may be eligible for a 20% deduction. This deduction is only applicable to investors in BXMT that receive dividends and does not have any impact on us. Without further legislation, the deduction would sunset after 2025. Investors should consult their own tax advisors regarding the effect of this change on their effective tax rate with respect to REIT dividends.

Website Access to Reports

We maintain a website at www.blackstonemortgageitrust.com. We are providing the address to our website solely for the information of investors. The information on our website is not a part of, nor is it incorporated by reference into this report. Through our website, we make available, free of charge, our annual proxy statement, annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after we electronically file such material with, or furnish them to, the Securities and Exchange Commission, or the SEC. The SEC maintains a website that contains these reports at www.sec.gov.

Website Disclosure

We use our website (www.blackstonemortgagetrust.com) as a channel of distribution of company information. The information we post through this channel may be deemed material. Accordingly, investors should monitor this channel, in addition to following our press releases, SEC filings and public conference calls, and webcasts. In addition, you may automatically receive email alerts and other information about Blackstone Mortgage Trust when you enroll your email address by visiting the “Contact Us & E-mail Alerts” section of our website at <http://ir.blackstonemortgagetrust.com>. The contents of our website and any alerts are not, however, a part of this report.

ITEM 1A. RISK FACTORS

Risks Related to Our Lending and Investment Activities

Our loans and investments expose us to risks associated with debt-oriented real estate investments generally.

We seek to invest primarily in debt instruments relating to real estate-related assets. As such, we are subject to, among other things, risk of defaults by borrowers in paying debt service on outstanding indebtedness and to other impairments of our loans and investments. Any deterioration of real estate fundamentals generally, and in North America, Europe and Australia in particular, could negatively impact our performance by making it more difficult for borrowers of our mortgage loans, or borrower entities, to satisfy their debt payment obligations, increasing the default risk applicable to borrower entities, and/or making it more difficult for us to generate attractive risk-adjusted returns. Changes in general economic conditions will affect the creditworthiness of borrower entities and/or the value of underlying real estate collateral relating to our investments and may include economic and/or market fluctuations, changes in environmental, zoning and other laws, casualty or condemnation losses, regulatory limitations on rents, decreases in property values, changes in the appeal of properties to tenants, changes in supply and demand of real estate products, fluctuations in real estate fundamentals, the financial resources of borrower entities, energy supply shortages, various uninsured or uninsurable risks, natural disasters, pandemics or outbreaks of contagious disease, political events, terrorism and acts of war, changes in government regulations, changes in monetary policy, changes in real property tax rates and/or tax credits, changes in operating expenses, changes in interest rates, changes in inflation rates, changes in the availability of debt financing and/or mortgage funds which may render the sale or refinancing of properties difficult or impracticable, increased mortgage defaults, increases in borrowing rates, changes in consumer spending, negative developments in the economy and/or adverse changes in real estate values generally and other factors that are beyond our control. Recent concerns about the real estate market, rising interest rates, inflation, energy costs and geopolitical issues have contributed to increased volatility and diminished expectations for the economy and markets going forward.

We cannot predict the degree to which economic conditions generally, and the conditions for real estate debt investing in particular, will improve or decline. Any declines in the performance of the U.S. and global economies or in the real estate debt markets could have a material adverse effect on our business, financial condition, and results of operations.

Commercial real estate-related investments that are secured, directly or indirectly, by real property are subject to delinquency, foreclosure and loss, which could result in losses to us.

We invest in commercial real estate debt instruments (e.g., mortgages, mezzanine loans and preferred equity) that are secured by commercial properties. The ability of a borrower to repay a loan secured by an income-producing property typically is dependent primarily upon the successful operation of the property rather than upon the existence of independent income or assets of the borrower. If the net operating income of the property is reduced, the borrower's ability to repay the loan may be impaired. Net operating income of an income-producing property can be affected by, among other things:

- tenant mix and tenant bankruptcies;
- success of tenant businesses;
- property management decisions, including with respect to capital improvements, particularly in older building structures;
- property location and condition;
- competition from other properties offering the same or similar services;
- changes in laws that increase operating expenses or limit rents that may be charged;
- changes in interest rates, foreign exchange rates, and in the state of the credit and securitization markets and the debt and equity capital markets, including diminished availability or lack of debt financing for commercial real estate;
- global trade disruption, supply chain issues, significant introductions of trade barriers and bilateral trade frictions;
- labor shortages and increasing wages;

- declines in global, national, regional or local real estate values;
- declines in global, national, regional or local rental or occupancy rates;
- responses of businesses, governments and individuals to pandemics or outbreaks of contagious disease;
- changes in real estate tax rates, tax credits and other operating expenses;
- changes in governmental rules, regulations and fiscal policies, including income tax regulations and environmental legislation;
- any liabilities relating to environmental matters at the property;
- acts of God, terrorism, social unrest and civil disturbances, which may decrease the availability of or increase the cost of insurance or result in uninsured losses; and
- adverse changes in zoning laws.

In addition, we are exposed to the risk of judicial proceedings with our borrowers and entities we invest in, including bankruptcy or other litigation, as a strategy to avoid foreclosure or enforcement of other rights by us as a lender or investor. In the event that any of the properties or entities underlying or collateralizing our loans or investments experiences or continues to experience any of the other foregoing events or occurrences, the value of, and return on, such investments could be reduced, which would adversely affect our results of operations and financial condition.

Fluctuations in interest rates and credit spreads could reduce our ability to generate income on our loans and other investments, which could lead to a significant decrease in our results of operations, cash flows and the market value of our investments and may limit our ability to pay distributions to our stockholders.

Our primary interest rate exposures relate to the yield on our loans and other investments and the financing cost of our debt, as well as our interest rate swaps that we may utilize for hedging purposes. Changes in interest rates and credit spreads may affect our net income from loans and other investments, which is the difference between the interest and related income we earn on our interest-earning investments and the interest and related expense we incur in financing these investments. Interest rate and credit spread fluctuations resulting in our interest and related expense exceeding interest and related income would result in operating losses for us. Changes in the level of interest rates and credit spreads also may affect our ability to make loans or investments, the value of our loans and investments and our ability to realize gains from the disposition of assets. Increases in interest rates and credit spreads may also negatively affect demand for loans and could result in higher borrower default rates. In 2022, the U.S. Federal Reserve raised benchmark overnight interest rates on multiple occasions and may further increase rates in 2023. Such increases have increased, and any further increases would increase our borrowers' interest payments and for certain borrowers may lead to defaults and losses to us. Such increases could also adversely affect commercial real estate property values.

Our operating results depend, in part, on differences between the income earned on our investments, net of credit losses, and our financing costs. The yields we earn on our floating-rate assets and our borrowing costs tend to move in the same direction in response to changes in interest rates. However, one can rise or fall faster than the other, causing our net interest margin to expand or contract. In addition, we could experience reductions in the yield on our investments and an increase in the cost of our financing. Although we seek to match the terms of our liabilities to the expected lives of loans that we acquire or originate, circumstances may arise in which our liabilities are shorter in duration than our assets, resulting in their adjusting faster in response to changes in interest rates. For any period during which our investments are not match-funded, the income earned on such investments may respond more slowly to interest rate fluctuations than the cost of our borrowings. Consequently, changes in interest rates, particularly short-term interest rates, may immediately and significantly decrease our results of operations and cash flows and the market value of our investments, and any such change may limit our ability to pay distributions to our stockholders. In addition, unless we enter into hedging or similar transactions with respect to the portion of our assets that we fund using our balance sheet, returns we achieve on such assets will generally increase as interest rates for those assets rise and decrease as interest rates for those assets decline.

The timing of loan repayment is difficult to predict and may adversely affect our financial performance and cash flows.

Our business is currently focused on originating floating-rate mortgage loans secured by commercial real estate assets. Generally, our mortgage loan borrowers may repay their loans prior to their stated maturities. In periods of declining interest rates and/or credit spreads, prepayment rates on loans will generally increase. If general interest rates or credit

spreads decline at the same time, the proceeds of such prepayments received during such periods may not be reinvested for some period of time or may be reinvested by us in assets with lower yields than the assets that were prepaid. In periods of increasing interest rates and/or credit spreads, prepayment rates on loans will generally decrease, which could impact our liquidity, or increase our potential exposure to loan non-performance.

Prepayment rates on loans may be affected by a number of factors including, but not limited to, the then-current level of interest rates and credit spreads, fluctuations in asset values, the availability of mortgage credit, the relative economic vitality of the area in which the related properties are located, the servicing of the loans, possible changes in tax laws, other opportunities for investment, and other economic, social, geographic, demographic and legal and other factors beyond our control. Consequently, such prepayment rates can vary significantly from period to period and cannot be predicted with certainty. No strategy can completely insulate us from prepayment or other such risks and faster or slower prepayments may adversely affect our profitability and cash available for distribution to our stockholders.

Our loans often contain call protection provisions that require a certain minimum amount of interest due to us regardless of when the loan is repaid. These include prepayment fees expressed as a percentage of the unpaid principal balance, or the amount of foregone net interest income due us from the date of repayment through a date that is frequently 12 or 18 months after the origination date. Loans that are outstanding beyond the end of the call protection or yield maintenance period can be repaid with no prepayment fees or penalties. The absence of call protection provisions may expose us to the risk of early repayment of loans, and the inability to redeploy capital accretively.

Difficulty in redeploying the proceeds from repayments of our existing loans and investments may cause our financial performance and returns to investors to suffer.

As our loans and investments are repaid, we will have to redeploy the proceeds we receive into new loans and investments, repay borrowings under our credit facilities, pay dividends to our stockholders or repurchase outstanding shares of our class A common stock. It is possible that we will fail to identify reinvestment options that would provide returns or a risk profile that is comparable to the asset that was repaid. If we fail to redeploy the proceeds we receive from repayment of a loan in equivalent or better alternatives, our financial performance and returns to investors could suffer.

We operate in a competitive market for lending and investment opportunities, which may intensify, and competition may limit our ability to originate or acquire desirable loans and investments or dispose of assets we target, and could also affect the yields of these assets and have a material adverse effect on our business, financial condition and results of operations.

We operate in a competitive market for lending and investment opportunities, which may intensify. Our profitability depends, in large part, on our ability to originate or acquire our target assets on attractive terms. In originating or acquiring our target assets, we compete for opportunities with a variety of institutional lenders and investors, including other REITs, specialty finance companies, public and private funds (including funds managed by affiliates of Blackstone), commercial and investment banks, commercial finance and insurance companies and other financial institutions. Some of our competitors have raised, and may in the future raise, significant amounts of capital, and may have investment objectives that overlap with ours, which may create additional competition for lending and investment opportunities. Some competitors may have a lower cost of funds and access to funding sources that are not available to us, such as the U.S. government. Many of our competitors are not subject to the operating constraints associated with REIT tax compliance or maintenance of an exclusion from regulation under the Investment Company Act. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of loans and investments, offer more attractive pricing or other terms and establish more relationships than us. Furthermore, competition for originations of and investments in our target assets may lead to decreasing yields, which may further limit our ability to generate desired returns. Also, as a result of this competition, desirable loans and investments in our target assets may be limited in the future and we may not be able to take advantage of attractive lending and investment opportunities from time to time, thereby limiting our ability to identify and originate or acquire loans or make investments that are consistent with our investment objectives. We cannot assure you that the competitive pressures we face will not have a material adverse effect on our business, financial condition and results of operations.

If we are unable to successfully integrate new assets or businesses and manage our growth, our results of operations and financial condition may suffer.

We have in the past and may in the future significantly increase the size and/or change the mix of our portfolio of assets or acquire or otherwise enter into new lines of business, including through joint ventures. We may be unable to successfully and efficiently integrate newly-acquired assets or businesses into our existing operations or otherwise effectively manage our assets or our growth effectively. In addition, increases in our portfolio of assets and/or changes in the mix of our assets

or lines of business may place significant demands on our Manager's administrative, operational, asset management, financial and other resources. Any failure to manage increases in size effectively could adversely affect our results of operations and financial condition.

The lack of liquidity in certain of our assets may adversely affect our business.

The illiquidity of certain of our assets may make it difficult for us to sell such investments if needed. Certain assets such as mortgages, B-Notes, mezzanine and other loans (including participations) and preferred equity, in particular, are relatively illiquid investments due to their short life, are potentially unsuitable for securitization and have a greater difficulty of recovery in the event of a borrower's default. We are also required to hold certain risk retention interests in certain of our securitization transactions. In addition, certain of our investments may become less liquid after our investment as a result of periods of delinquencies or defaults or turbulent market conditions, including due to current market conditions and exacerbated market volatility, which may make it more difficult for us to dispose of such assets at advantageous times or in a timely manner. Moreover, many of the loans and securities we invest in are not registered under the relevant securities laws, resulting in limitations or prohibitions against their transfer, sale, pledge or their disposition. As a result, many of our investments are illiquid, and if we are required to liquidate all or a portion of our portfolio quickly, for example as a result of margin calls, we may realize significantly less than the value at which we have previously recorded our investments. Further, we may face other restrictions on our ability to liquidate an investment to the extent that we or our Manager (and/or its affiliates) has or could be attributed as having material, non-public information regarding the borrower entity. As a result, our ability to vary our portfolio in response to changes in economic and other conditions may be limited, which could adversely affect our results of operations and financial condition.

Any distressed loans or investments we make, or loans and investments that later become distressed, may subject us to losses and other risks, which could include bankruptcy proceedings.

While our loans and investments focus primarily on "performing" real estate-related interests, our loans and investments may also include making distressed investments from time to time (e.g., investments in defaulted, out-of-favor or distressed loans and debt securities) or may involve investments that become "sub-performing" or "non-performing" following our origination or acquisition thereof. Certain of our investments may include properties that are highly leveraged, with significant burdens on cash flow and, therefore, involve a high degree of financial risk. During an economic downturn or recession, loans or securities of financially or operationally troubled borrowers or issuers are more likely to go into default than loans or securities of other borrowers or issuers. Loans or securities of financially or operationally troubled issuers are less liquid and more volatile than loans or securities of borrowers or issuers not experiencing such difficulties. The market prices of such securities are subject to erratic and abrupt market movements and the spread between bid and ask prices may be greater than normally expected. Investment in the loans or securities of financially or operationally troubled borrowers or issuers involves a high degree of credit and market risk.

In certain limited cases (e.g., in connection with a workout, restructuring and/or foreclosing proceedings involving one or more of our investments), the success of our investment strategy will depend, in part, on our ability to effectuate loan modifications and/or restructure and improve the operations of our borrower entities. The activity of identifying and implementing successful restructuring programs and operating improvements entails a high degree of uncertainty. There can be no assurance that the loan modifications we effected during the year ended December 31, 2022 will be successful or that (i) we will be able to identify and implement successful restructuring programs and improvements with respect to any other distressed loans or investments we may have from time to time, or (ii) we have sufficient resources to implement such programs and improvements in times of widespread market challenges.

These financial or operating difficulties may never be overcome and may cause borrower entities to become subject to bankruptcy or other similar administrative proceedings. There is a possibility that we may incur substantial or total losses on our investments and in certain circumstances, become subject to certain additional potential liabilities that may exceed the value of our original investment therein. For example, under certain circumstances, a lender that has inappropriately exercised control over the management and policies of a debtor may have its claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of such actions. In any reorganization or liquidation proceeding relating to our investments, we may lose our entire investment, may be required to accept cash or securities with a value less than our original investment and/or may be required to accept different terms, including payment over an extended period of time. In addition, under certain circumstances, payments to us may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance, preferential payment, or similar transaction under applicable bankruptcy and insolvency laws. Furthermore, bankruptcy laws and similar laws applicable to administrative proceedings may delay our ability to realize value from collateral for our loan positions, may adversely affect the economic terms and priority of such loans through doctrines such as equitable subordination or may result in a restructuring of the debt through principles such as the "cramdown" provisions of the bankruptcy laws.

We may need to foreclose on certain of the loans we originate or acquire, which could result in losses that harm our results of operations and financial condition.

We may find it necessary or desirable to foreclose on certain of the loans we originate or acquire, and the foreclosure process may be lengthy and expensive. If we foreclose on an asset, we may take title to the property securing that asset, and if we do not or cannot sell the property, we would then come to own and operate it as “real estate owned.” Owning and operating real property involves risks that are different (and in many ways more significant) than the risks faced in owning an asset secured by that property. The costs associated with operating and redeveloping a property, including any operating shortfalls and significant capital expenditures, could materially and adversely affect our results of operations, financial conditions and liquidity. In addition, we may end up owning a property that we would not otherwise have decided to acquire directly at the price of our original investment or at all, and the liquidation proceeds upon sale of the underlying real estate may not be sufficient to recover our cost basis in the loan, resulting in a loss to us.

Whether or not we have participated in the negotiation of the terms of any such loans, we cannot assure you as to the adequacy of the protection of the terms of the applicable loan, including the validity or enforceability of the loan and the maintenance of the anticipated priority and perfection of the applicable security interests. Furthermore, claims may be asserted by lenders or borrowers that might interfere with enforcement of our rights. Borrowers may resist foreclosure actions by asserting numerous claims, counterclaims and defenses against us, including, without limitation, lender liability claims and defenses, even when the assertions may have no basis in fact, in an effort to prolong the foreclosure action and seek to force the lender into a modification of the loan or a favorable buy-out of the borrower’s position in the loan. Foreclosure actions in some U.S. states can take several years or more to litigate and may also be time consuming and expensive to complete in other U.S. states and foreign jurisdictions in which we do business. At any time prior to or during the foreclosure proceedings, the borrower may file for bankruptcy, which would have the effect of staying the foreclosure actions and further delaying the foreclosure process, and could potentially result in a reduction or discharge of a borrower’s debt. Foreclosure may create a negative public perception of the related property, resulting in a diminution of its value. Even if we are successful in foreclosing on a loan, the liquidation proceeds upon sale of the underlying real estate may not be sufficient to recover our cost basis in the loan, resulting in a loss to us. Furthermore, any costs or delays involved in the foreclosure of the loan or a liquidation of the underlying property will further reduce the net sale proceeds and, therefore, increase any such losses to us.

Accounting standards have required us to increase our allowance for loan losses which has had an adverse effect on our business and results of operations and may in the future have a material adverse effect on our business, financial condition and results of operations.

In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-13, or ASU 2016-13. ASU 2016-13 significantly changed how entities measured credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. ASU 2016-13 replaced the incurred loss model under previous guidance with a current expected credit loss, or CECL, model for instruments measured at amortized cost, and required entities to record allowances for available-for-sale debt securities rather than reduce the carrying amount, as they previously did under the other-than-temporary impairment model.

The CECL reserve required under ASU 2016-13 is a valuation account that is deducted from the related loans’ and debt securities’ amortized cost basis on our consolidated balance sheets, and which will reduce our total stockholders’ equity. Our initial CECL reserve of \$17.7 million recorded on January 1, 2020 was reflected as a direct charge to retained earnings on our consolidated statements of changes in equity; however subsequent changes to the CECL reserve have been, and will continue to be, recognized through net income on our consolidated statements of operations. See Notes 2 and 3 to our consolidated financial statements for further discussion of our CECL reserve.

While ASU 2016-13 does not require any particular method for determining the CECL allowance, it does specify the allowance should be based on relevant information about past events, including historical loss experience, current portfolio and market conditions, and reasonable and supportable forecasts for the duration of each respective loan. Because our methodology for determining CECL allowances may differ from the methodologies employed by other companies, our CECL allowances may not be comparable with the CECL allowances reported by other companies. In addition, other than a few narrow exceptions, ASU 2016-13 requires that all financial instruments subject to the CECL model have some amount of reserve to reflect the GAAP principal underlying the CECL model that all loans, debt securities, and similar assets have some inherent risk of loss, regardless of credit quality, subordinate capital, or other mitigating factors. For example, during the year ended December 31, 2022, we recorded an aggregate \$211.5 million increase in the CECL reserve related to loans receivable, debt securities, and unfunded loan commitments, bringing our total reserve to \$342.5 million as of December 31, 2022. This CECL reserve reflects certain loans assessed for impairment in our portfolio, as well as macroeconomic conditions, including inflationary pressures and market volatility. We may be required to make further

increases to our CECL reserve in the future, depending on the performance of our portfolio and broader market conditions. Accordingly, the adoption of the CECL model materially affected how we determine our allowance for loan losses and requires us to increase our allowance and recognize provisions for loan losses earlier in the credit cycle. Moreover the CECL model has created more volatility in the level of our allowance for loan losses. If we are required to materially increase our level of allowance for loan losses for any reason, such increase could adversely affect our business, financial condition and results of operations.

Control may be limited over certain of our loans and investments.

Our ability to manage our portfolio of loans and investments may be limited by the form in which they are made. In certain situations, we:

- acquire investments subject to rights of senior classes, special servicers or collateral managers under intercreditor, servicing agreements or securitization documents;
- pledge our investments as collateral for financing arrangements;
- acquire only a minority and/or a non-controlling participation in an underlying investment;
- co-invest with others through partnerships, joint ventures or other entities, thereby acquiring non-controlling interests; or
- rely on independent third party management or servicing with respect to the management of an asset.

In addition, in circumstances where we originate or acquire loans relating to borrowers that are owned in whole or part by Blackstone-advised investment vehicles, we often forgo all non-economic rights under the loan, including voting rights, so long as Blackstone-advised investment vehicles own such borrowers above a certain threshold. Therefore, we may not be able to exercise control over all aspects of our loans or investments. Such financial assets may involve risks not present in investments where senior creditors, junior creditors, servicers third-party controlling investors or Blackstone-advised investment vehicles are not involved. Our rights to control the process following a borrower default may be subject to the rights of senior or junior creditors or servicers whose interests may not be aligned with ours. A partner or co-venturer may have financial difficulties resulting in a negative impact on such asset, may have economic or business interests or goals that are inconsistent with ours, or may be in a position to take action contrary to our investment objectives. In addition, we will generally pay all or a portion of the expenses relating to our joint ventures and we may, in certain circumstances, be liable for the actions of our partners or co-venturers.

B-Notes, mezzanine loans, and other investments that are subordinated or otherwise junior in an issuer's capital structure and that involve privately negotiated structures will expose us to greater risk of loss.

We may originate or acquire B-Notes, mezzanine loans and other investments (such as preferred equity) that are subordinated or otherwise junior in an issuer's capital structure and that involve privately negotiated structures. To the extent we invest in subordinated debt or mezzanine tranches of an entity's capital structure, such investments and our remedies with respect thereto, including the ability to foreclose on any collateral securing such investments, will be subject to the rights of holders of more senior tranches in the issuer's capital structure and, to the extent applicable, contractual intercreditor, co-lender and/or participation agreement provisions. Significant losses related to such loans or investments could adversely affect our results of operations and financial condition.

As the terms of such loans and investments are subject to contractual relationships among lenders, co-lending agents and others, they can vary significantly in their structural characteristics and other risks. For example, the rights of holders of B-Notes to control the process following a borrower default may vary from transaction to transaction.

Like B-Notes, mezzanine loans are by their nature structurally subordinated to more senior property-level financings. If a borrower defaults on our mezzanine loan or on debt senior to our loan, or if the borrower is in bankruptcy, our mezzanine loan will be satisfied only after the property-level debt and other senior debt is paid in full. As a result, a partial loss in the value of the underlying collateral can result in a total loss of the value of the mezzanine loan. In addition, even if we are able to foreclose on the underlying collateral following a default on a mezzanine loan, we would be substituted for the defaulting borrower and, to the extent income generated on the underlying property is insufficient to meet outstanding debt obligations on the property, we may need to commit substantial additional capital and/or deliver a replacement guarantee by a creditworthy entity, which may include us, to stabilize the property and prevent additional defaults to lenders with existing liens on the property. In addition, mezzanine loans may have higher loan-to-value ratios than conventional

mortgage loans, resulting in less equity in the property and increasing the risk of loss of principal. Significant losses related to our B-Notes and mezzanine loans would result in operating losses for us and may limit our ability to make distributions to our stockholders.

Loans on properties in transition will involve a greater risk of loss than conventional mortgage loans.

We have in the past and may in the future invest in transitional loans to borrowers who are typically seeking relatively short-term capital to be used in an acquisition or rehabilitation of a property. The typical borrower in a transitional loan has usually identified an undervalued asset that has been under-managed and/or is located in a recovering market. If the market in which the asset is located fails to improve according to the borrower's projections, or if the borrower fails to improve the quality of the asset's management and/or the value of the asset, the borrower may not receive a sufficient return on the asset to satisfy the transitional loan, and we bear the risk that we may not recover all or a portion of our investment.

In addition, borrowers usually use the proceeds of a conventional mortgage to repay a transitional loan. Transitional loans therefore are subject to the risk of a borrower's inability to obtain permanent financing to repay the transitional loan and to the broader availability of conventional mortgages at amenable rates. In the event of any default under transitional loans that may be held by us, we bear the risk of loss of principal and non-payment of interest and fees to the extent of any deficiency between the value of the mortgage collateral and the principal amount and unpaid interest of the transitional loan. To the extent we suffer such losses with respect to these transitional loans, it could adversely affect our results of operations and financial condition.

Risks of cost overruns and noncompletion of renovations of properties in transition may result in significant losses.

The renovation, refurbishment or expansion of a property by a borrower involves risks of cost overruns and noncompletion. Estimates of the costs of improvements to bring an acquired property up to standards established for the market position intended for that property may prove inaccurate. Other risks may include rehabilitation costs exceeding original estimates, possibly making a project uneconomical, environmental risks, delays in legal and other approvals (e.g., for condominiums) and rehabilitation and subsequent leasing of the property not being completed on schedule. If such renovation is not completed in a timely manner, or if it costs more than expected, the borrower may experience a prolonged reduction of net operating income and may not be able to make payments on our investment on a timely basis or at all, which could result in significant losses.

There are increased risks involved with our construction lending activities.

Our construction lending activities, which include our investment in loans that fund the construction or development of real estate-related assets, may expose us to increased lending risks. Construction lending generally is considered to involve a higher degree of risk of non-payment and loss than other types of lending due to a variety of factors, including the difficulties in estimating construction costs and anticipating construction delays (or governmental shut-downs of construction activity) and, generally, the dependency on timely, successful completion and the lease-up and commencement of operations post-completion. In addition, since such loans generally entail greater risk than mortgage loans collateralized by income-producing property, we may need to increase our allowance for loan losses in the future to account for the likely increase in probable incurred credit losses associated with such loans. Further, as the lender under a construction loan, we may be obligated to fund all or a significant portion of the loan at one or more future dates. We may not have the funds available at such future date(s) to meet our funding obligations under the loan. In that event, we would likely be in breach of the loan unless we are able to raise the funds from alternative sources, which we may not be able to achieve on favorable terms or at all.

If a borrower fails to complete the construction of a project or experiences cost overruns, there could be adverse consequences associated with the loan, including a decline in the value of the property securing the loan, a borrower claim against us for failure to perform under the loan documents if we choose to stop funding, increased costs to the borrower that the borrower is unable to pay, a bankruptcy filing by the borrower, and abandonment by the borrower of the collateral for the loan.

Loans or investments involving international real estate-related assets are subject to special risks that we may not manage effectively, which could have a material adverse effect on our results of operations and financial condition and our ability to make distributions to our stockholders.

We invest a material portion of our capital in assets outside the United States and may increase the percentage of our investments outside the United States over time. Our investments in non-domestic real estate-related assets subject us to certain risks associated with international investments generally, including, among others:

- currency exchange matters, including fluctuations in currency exchange rates and costs associated with conversion of investment principal and income from one currency into another, which, if not adequately hedged, may have an adverse impact on the valuation of our assets or income, including for purposes of our REIT requirements;
- less developed or efficient financial markets than in the United States, which may lead to potential price volatility and relative illiquidity;
- the burdens of complying with international regulatory requirements, including the requirements imposed by exchanges on which our international affiliates list debt securities issued in connection with the financing of our loans or investments involving international real-estate related assets, and prohibitions that differ between jurisdictions;
- changes in laws or clarifications to existing laws that could impact our tax treaty positions, which could adversely impact the returns on our investments;
- a less developed legal or regulatory environment, differences in the legal and regulatory environment or enhanced legal and regulatory compliance;
- political hostility to investments by foreign investors;
- higher rates of inflation;
- higher transaction costs;
- greater difficulty enforcing contractual obligations;
- fewer investor protections;
- war or other hostilities;
- certain economic and political risks, including potential exchange control regulations and restrictions on our non-U.S. investments and repatriation of profits from investments or of capital invested, the risks of political, economic or social instability, the possibility of expropriation or confiscatory taxation and adverse economic and political developments; and
- potentially adverse tax consequences.

If any of the foregoing risks were to materialize, they could adversely affect our results of operations and financial condition and our ability to make distributions to our stockholders.

A prolonged economic slowdown, a lengthy or severe recession or declining real estate values could impair our investments and harm our operations.

We believe the risks associated with our business will be more severe during periods of economic slowdown or recession if these periods are accompanied by declining real estate values. Declining real estate values will likely reduce the level of new mortgage and other real estate-related loan originations since borrowers often use appreciation in the value of their existing properties to support the purchase of or investment in additional properties. Borrowers may also be less able to pay principal and interest on our loans if the value of real estate weakens. Further, declining real estate values significantly increase the likelihood that we will incur losses on our loans in the event of default because the value of our collateral may be insufficient to cover its cost on the loan. Any sustained period of increased payment delinquencies, foreclosures or losses could adversely affect our Manager's ability to invest in, sell and securitize loans, which would materially and adversely affect our results of operations, financial condition, liquidity and business and our ability to pay dividends to stockholders.

Market disruptions in a single country could cause a worsening of conditions on a regional and even global level, and economic problems in a single country are increasingly affecting other markets and economies. A continuation of this trend could result in problems in one country adversely affecting regional and even global economic conditions and markets. For example, concerns about the fiscal stability and growth prospects of certain European countries in the last economic downturn had a negative impact on most economies of the Eurozone and global markets. More recently, Russia's invasion of Ukraine has disrupted energy prices and the movement of goods in Europe resulting in rising energy

costs and inflation more generally, particularly in Europe. The occurrence of similar crises in the future could cause increased volatility in the economies and financial markets of countries throughout a region, or even globally.

Additionally, global trade disruption, significant introductions of trade barriers and bilateral trade frictions, including due to war or other hostilities, together with any future downturns in the global economy resulting therefrom, could adversely affect our performance.

Concerns regarding the stability of the sovereign debt of certain European countries and other geopolitical issues and market perceptions concerning the instability of the Euro, the potential re-introduction of individual currencies within the Eurozone, or the potential dissolution of the Euro entirely, could adversely affect our business, results of operations and financial condition.

A portion of our investments consists of assets secured by European collateral. The sovereign debt crisis experienced by several European Union (E.U.) countries in 2008-2012, together with the risk of contagion to other more financially stable countries, raised a number of uncertainties regarding the stability and overall standing of the European Monetary Union. Concern over such uncertainties has been exacerbated by other geopolitical issues that may affect the Eurozone. Any deterioration in the global or Eurozone economy could have a significant adverse effect on our activities and the value of any European collateral.

In addition, we currently hold assets and may acquire additional assets that are denominated in British Pounds Sterling, Euros, Swedish Kronor, Swiss Francs, and Danish Kroner. Any deterioration in the Eurozone economy could have a material adverse effect on the value of our investment in such assets and amplify the currency risks faced by us.

If any country were to leave the Eurozone, or if the Eurozone were to break up entirely, the treatment of debt obligations previously denominated in Euros is uncertain. A number of issues would be raised, such as whether obligations that are expressed to be payable in Euros would be re-denominated into a new currency. The answer to this and other questions is uncertain and would depend on the way in which the break-up occurred and also on the nature of the transaction; the law governing it; which courts have jurisdiction in relation to it; the place of payment; and the place of incorporation of the payor. If we were to hold any investments in Euros at the time of any Eurozone exits or break-up, this uncertainty and potential re-denomination could have a material adverse effect on the value of our investments and the income from them.

The transition away from reference rates and the use of alternative replacement reference rates may adversely affect net interest income related to our loans and investments or otherwise adversely affect our results of operations, cash flows and the market value of our investments.

LIBOR and certain other floating rate benchmark indices to which our floating rate loans and other loan agreements are tied, including, without limitation, the Euro Interbank Offered Rate, or EURIBOR, the Stockholm Interbank Offered Rate, or STIBOR, the Australian Bank Bill Swap Reference Rate, or BBSY, the Canadian Dollar Offered Rate, or CDOR, the Swiss Average Rate Overnight, or SARON, and the Copenhagen Interbank Offering Rate, or CIBOR, or collectively, IBORs, have been the subject of national, international and regulatory guidance and proposals for reform. As of December 31, 2021, the ICE Benchmark Association, or IBA, ceased publication of most non-USD LIBOR settings. IBA also previously announced its intention to cease publication of remaining U.S. dollar LIBOR settings immediately after June 30, 2023; however, in November 2022 the U.K. Financial Conduct Authority, which regulates IBA, announced a public consultation regarding whether it should compel IBA to continue publishing “synthetic” USD LIBOR settings from June 2023 to the end of September 2024. Further, on March 15, 2022, the Consolidated Appropriations Act of 2022, which includes the Adjustable Interest Rate (LIBOR) Act, or LIBOR Act, was signed into law in the U.S. This legislation establishes a uniform benchmark replacement process for financial contracts maturing after June 30, 2023 that do not contain clearly defined or practicable fallback provisions. Under the LIBOR Act, such contracts will automatically transition as a matter of law to a Secured Overnight Financing Rate, or SOFR, based replacement rate identified by the Board of Governors of the Federal Reserve System, or Federal Reserve. The legislation also creates a safe harbor that shields lenders from litigation if they choose to utilize a replacement rate recommended by the Federal Reserve. In July 2022, the Federal Reserve issued a notice of proposed rulemaking implementing the LIBOR Act. As of December 31, 2022, no regulations have been promulgated.

The Federal Reserve, in conjunction with the Alternative Reference Rates Committee, or ARRC, a steering committee composed of large U.S. financial institutions, identified SOFR, a new index calculated using short-term repurchase agreements backed by Treasury securities, as its preferred alternative rate for USD LIBOR. According to the ARRC, data from the cash and derivatives markets show continued momentum in the transition from LIBOR to SOFR, and SOFR is currently predominant across cash and derivatives markets. As of December 31, 2022, one-month term SOFR is utilized as the floating benchmark rate on 76 of our loans, the financing provided by the 2020 FL3 and the 2020 FL2 CLOs, one of

our asset-specific financings, certain borrowings under twelve of our credit facilities, and our B-4 Term Loan. As of December 31, 2022, one-month term SOFR was 4.36% and the one-month USD LIBOR was 4.39%. Additionally, market participants have continued to transition from GBP LIBOR to the Sterling Overnight Index Average, or SONIA, in line with guidance from the U.K. regulators. As of December 31, 2022, daily compounded SONIA is utilized as the floating benchmark rate for all of our floating rate British Pound Sterling loans and related financings. As of December 31, 2022, 63.5% of our aggregate loan principal balance has either transitioned to the applicable replacement benchmark rate, or its existing benchmark rate is not expected to be replaced, and we expect to transition the remaining 36.5% in 2023.

At this time, it is not possible to predict how markets will respond in the future to SOFR, SONIA, or other alternative reference rates as the transition away from USD LIBOR and GBP LIBOR proceeds. Despite the LIBOR transition in other markets, benchmark rate methodologies in Europe, Australia, Canada, Switzerland and Denmark have been reformed and rates such as EURIBOR, STIBOR, BBSY, CDOR, SARON and CIBOR may persist as International Organization of Securities Commissions, or IOSCO, compliant reference rates moving forward. However, multi-rate environments may persist in these markets as regulators and working groups have suggested market participants adopt alternative reference rates.

As of December 31, 2022, our loan portfolio included \$9.6 billion of floating rate investments with maximum maturities extending past 2023 for which the interest rate was tied to USD LIBOR. Additionally, we had \$8.3 billion of floating rate debt with maximum maturities extending past 2023 tied to USD LIBOR. Our loan agreements generally allow us to choose a new index based upon comparable information if the current index is no longer available. While recently there has been a significant clarification of guidance across products on the recommended timing and form of certain transition milestones from industry working groups, overall there is still a substantial amount of uncertainty in the marketplace regarding the transition away from IBOR benchmarks. This uncertainty and timing can materially impact our approach to IBOR transition efforts, which we have monitored and evaluated throughout 2022 and expect to have to continuously monitor and evaluate through the expected transition by end of year 2023. In addition, any IBOR benchmark may perform differently during any phase-out period than in the past. As such, the potential effect of any such event on our cost of capital and net investment income cannot yet be determined and any changes to benchmark interest rates could increase our financing costs, which could impact our results of operations, cash flows and the market value of our investments. We may need to renegotiate certain of our loan agreements with lenders and borrowers that extend past 2023, which could require us to incur significant expense and may subject us to disputes or litigation over the appropriateness or comparability to the relevant IBOR benchmark of the replacement reference rates. Moreover, the elimination of the IBOR benchmarks and/or changes to another index could result in mismatches with the interest rate of investments that we are financing. See “-Risks Related to Our Financing and Hedging-Our use of leverage may create a mismatch with the duration and interest rate of investments that we are financing”. In addition, the overall financial markets may be disrupted as a result of the phase-out or replacement of IBOR.

Transactions denominated in foreign currencies subject us to foreign currency risks.

We hold assets denominated in various foreign currencies, including, without limitation, British Pounds Sterling, Euros, Swedish Kronor, Swiss Francs, Danish Kroner, Canadian Dollars and Australian Dollars, which exposes us to foreign currency risk. As a result, a change in foreign currency exchange rates may have an adverse impact on the valuation of our assets, as well as our income and cash flows. While we have not experienced any adverse impacts during the year ended December 31, 2022 due to our use of derivative instruments, we cannot assure that we will continue to utilize such measures or that such measures will be successful. Any such changes in foreign currency exchange rates may impact the measurement of such assets or income for the purposes of our REIT tests and may affect the amounts available for payment of dividends on our class A common stock.

Our success depends on the availability of attractive investments and our Manager’s ability to identify, structure, consummate, leverage, manage and realize returns on our investments.

Our operating results are dependent upon the availability of, as well as our Manager’s ability to identify, structure, consummate, leverage, manage and realize returns on our investments. In general, the availability of favorable investment opportunities and, consequently, our returns, will be affected by the level and volatility of interest rates and credit spreads, conditions in the financial markets, general economic conditions, the demand for investment opportunities in our target assets and the supply of capital for such investment opportunities. We cannot assure you that our Manager will be successful in identifying and consummating investments that satisfy our rate of return objectives or that such investments, once made, will perform as anticipated.

Real estate valuation is inherently subjective and uncertain.

The valuation of real estate and therefore the valuation of any collateral underlying our loans is inherently subjective due to, among other factors, the individual nature of each property, its location, the expected future rental revenues from that particular property and the valuation methodology adopted. In addition, where we invest in construction loans, initial valuations will assume completion of the project. As a result, the valuations of the real estate assets against which we will make or acquire loans are subject to a large degree of uncertainty and are made on the basis of assumptions and methodologies that may not prove to be accurate, particularly in periods of volatility, low transaction flow or restricted debt availability in the commercial or residential real estate markets.

Our loans and investments may be concentrated in terms of geography, asset types and sponsors, which could subject us to increased risk of loss.

We are not required to observe specific diversification criteria, except as may be set forth in the investment guidelines adopted by our board of directors. Therefore, our investments may at times be concentrated in certain property types that may be subject to higher risk of default or foreclosure, or secured by properties concentrated in a limited number of geographic locations.

To the extent that our assets are concentrated in any one region, sponsor or type of asset, economic and business downturns generally relating to such type of asset, sponsor or region may result in defaults on a number of our investments within a short time period, which could adversely affect our results of operations and financial condition. In addition, because of asset concentrations, even modest changes in the value of the underlying real estate assets could have a significant impact on the value of our investment. As a result of any high levels of concentration, any adverse economic, political or other conditions that disproportionately affects those geographic areas or asset classes could have a magnified adverse effect on our results of operations and financial condition, and the value of our stockholders' investments could vary more widely than if we invested in a more diverse portfolio of loans.

The due diligence process that our Manager undertakes in regard to investment opportunities may not reveal all facts that may be relevant in connection with an investment and if our Manager incorrectly evaluates the risks of our investments we may experience losses.

Before making investments for us, our Manager conducts due diligence that it deems reasonable and appropriate based on the facts and circumstances relevant to each potential investment. When conducting due diligence, our Manager may be required to evaluate important and complex issues, including but not limited to those related to business, financial, tax, accounting, environmental, ESG, legal, and regulatory and macroeconomic trends. With respect to ESG, the nature and scope of our Manager's diligence will vary based on the investment, but may include a review of, among other things: energy management, air and water pollution, land contamination, diversity, human rights, employee health and safety, accounting standards and bribery and corruption. Outside consultants, legal advisors, accountants and investment banks may be involved in the due diligence process in varying degrees depending on the type of potential investment. Selecting and evaluating material ESG factors is subjective by nature, and there is no guarantee that the criteria utilized or judgment exercised by our Manager or a third-party ESG specialist (if any) will reflect the beliefs, values, internal policies or preferred practices of any particular investor or align with the beliefs or values or preferred practices of other asset managers or with market trends. The materiality of sustainability risks and impacts on an individual potential investment or portfolio as a whole are dependent on many factors, including the relevant industry, country, asset class and investment style. Our Manager's loss estimates may not prove accurate, as actual results may vary from estimates. If our Manager underestimates the asset-level losses relative to the price we pay for a particular investment, we may experience losses with respect to such investment.

Moreover, investment analyses and decisions by our Manager may frequently be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available to our Manager at the time of making an investment decision may be limited, and they may not have access to detailed information regarding such investment. Further, some matters covered by our Manager's diligence, such as ESG, are continuously evolving and our Manager may not accurately or fully anticipate such evolution. For instance, our Manager's ESG framework does not represent a universally recognized standard for assessing ESG considerations as there are different frameworks and methodologies being implemented by other asset managers, in addition to numerous international initiatives on the subject. There has also been recent regulatory focus on the marketing of socially conscious investment strategies and the methodology used to evaluate ESG, which has resulted in fines and penalties related to insufficient assessment processes around the marketing of investments marketed as ESG. Therefore, we cannot assure you that our Manager will have knowledge of all circumstances that may adversely affect such investment.

Insurance on loans and real estate securities collateral may not cover all losses.

There are certain types of losses, generally of a catastrophic nature, such as earthquakes, floods, hurricanes, terrorism or acts of war, which may be uninsurable or not economically insurable. Inflation, changes in building codes and ordinances, environmental considerations and other factors also might result in insurance proceeds insufficient to repair or replace a property if it is damaged or destroyed. Under these circumstances, the insurance proceeds received with respect to a property relating to one of our investments might not be adequate to restore our economic position with respect to our investment. Any uninsured loss could result in the corresponding nonperformance of or loss on our investment related to such property.

The impact of any future terrorist attacks and the availability of affordable terrorism insurance expose us to certain risks.

Terrorist attacks including cyber sabotage or similar attacks, the anticipation of any such attacks, and the consequences of any military or other response by the United States and its allies may have an adverse impact on the global financial markets and the economy in general. We cannot predict the severity of the effect that any such future events would have on the global financial markets, the economy or our business. Any future terrorist attacks could adversely affect the credit quality of some of our loans and investments. Some of our loans and investments will be more susceptible to such adverse effects than others, particularly those secured by properties in major cities or properties that are prominent landmarks or public attractions. We may suffer losses as a result of the adverse impact of any future terrorist attacks and these losses may adversely impact our results of operations.

In addition, the enactment of the Terrorism Risk Insurance Act of 2002, or TRIA, requires insurers to make terrorism insurance available under their property and casualty insurance policies and provides federal compensation to insurers for insured losses. TRIA was reauthorized, with some adjustments to its provisions, in December 2019 for seven years through December 31, 2027. However, this legislation does not regulate the pricing of such insurance and there is no assurance that this legislation will be extended beyond 2027. The absence of affordable insurance coverage may adversely affect the general real estate lending market, lending volume and the market's overall liquidity and may reduce the number of suitable investment opportunities available to us and the pace at which we are able to make investments. If the properties that we invest in are unable to obtain affordable insurance coverage, the value of those investments could decline and in the event of an uninsured loss, we could lose all or a portion of our investment.

The properties underlying our investments may be subject to unknown liabilities, including environmental liabilities, that could affect the value of these properties and as a result, our investments.

Collateral properties underlying our investments may be subject to unknown or unquantifiable liabilities that may adversely affect the value of our investments. Such defects or deficiencies may include title defects, title disputes, liens, servitudes or other encumbrances on the mortgaged properties. The discovery of such unknown defects, deficiencies and liabilities could affect the ability of our borrowers to make payments to us or could affect our ability to foreclose and sell the underlying properties, which could adversely affect our results of operations and financial condition.

Furthermore, to the extent we foreclose on properties with respect to which we have extended loans, we may be subject to environmental liabilities arising from such foreclosed properties. Under various U.S. federal, state and local laws, an owner or operator of real property may become liable for the costs of removal of certain hazardous substances released on its property. These laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release of such hazardous substances. In addition, we could be subject to similar liabilities in applicable foreign jurisdictions.

If we foreclose on any properties underlying our investments, the presence of hazardous substances on a property may adversely affect our ability to sell the property and we may incur substantial remediation costs, therefore the discovery of material environmental liabilities attached to such properties could adversely affect our results of operations and financial condition.

Climate change and climate change-related regulation may adversely affect our business and financial results and damage our reputation.

There has been increasing awareness of severe weather and other climate events outside of the historical norm as well as increasing concern from government agencies about the effects of climate change on the environment. Transition risks, such as government restrictions, standards or regulations intended to reduce greenhouse gas emissions and potential climate change impacts, are emerging and may increase in the future in the form of restrictions or additional requirements on the

development of commercial real estate. Such restrictions and requirements could increase our costs or require additional technology and capital investment by our borrowers, which could adversely affect our results of operations. This is a particular concern in the western and northeastern United States, where some of the most extensive and stringent environmental laws and building construction standards in the U.S. have been enacted, and where we have properties securing our investment portfolio.

Further, significant physical effects of climate change including extreme weather events such as hurricanes or floods, can also have an adverse impact on certain of our borrowers' properties. As the effects of climate change increase, we expect the frequency and impact of weather and climate related events and conditions to increase as well. For example, unseasonal or violent weather events can have a material impact to businesses or properties that focus on hospitality.

While the geographic distribution of our portfolio somewhat limits our physical climate risk, some physical risk is inherent in the properties of our borrowers, particularly in certain borrowers' locations and in the unknown potential for extreme weather or other events that could occur related to climate change.

Our business is subject to evolving corporate governance and public disclosure regulations and expectations, including with respect to environmental, social and governance matters, that could expose us to numerous risks.

Recently, there has been growing concern from advocacy groups, government agencies and the general public on ESG matters and increasingly regulators, customers, investors, employees and other stakeholders are focusing on ESG matters and related disclosures. Such governmental, investor and societal attention to ESG matters, including expanding mandatory and voluntary reporting, diligence, and disclosure on topics such as climate change, human capital, labor and risk oversight, could expand the nature, scope, and complexity of matters that we are required to manage, assess and report.

We are subject to changing rules and regulations promulgated by a number of governmental and self-regulatory organizations, including the SEC, the New York Stock Exchange and the Financial Accounting Standards Board. These rules and regulations continue to evolve in scope and complexity and many new requirements have been created in response to laws enacted by Congress, making compliance more difficult and uncertain. Further, new and emerging regulatory initiatives in the U.S., EU and U.K. related to climate change and ESG could adversely affect our business, including initiatives such as the European Commission's May 2018 "action plan on financing sustainable growth" and Taskforce on Climate-related Financial Disclosures (TCFD)-aligned disclosure requirements in the U.K.

These changing rules, regulations and stakeholder expectations have resulted in, and are likely to continue to result in, increased general and administrative expenses and increased management time and attention spent complying with or meeting such regulations and expectations. ESG, the ESG Proposed Rules and other sustainability matters and our response to these matters could harm our business, including in areas such as diversity, equity and inclusion, human rights, climate change and environmental stewardship, support for local communities, corporate governance and transparency and considering ESG factors in our investment processes. Further, we may choose to communicate certain initiatives and goals, regarding environmental matters, diversity, responsible sourcing and social investments and other ESG related matters, in our SEC filings or in other public disclosures. These initiatives and goals within the scope of ESG could be difficult and expensive to implement and we could be criticized for the accuracy, adequacy or completeness of the disclosure. Statements about our ESG related initiatives and goals, and progress against those goals, may be based on standards for measuring progress that are still developing, internal controls and processes that continue to evolve, and assumptions that are subject to change in the future. In addition, we could be criticized for the scope or nature of such initiatives or goals, or for any revisions to these goals. If we are unable to adequately address such ESG matters or if we fail to achieve progress with respect to our goals within the scope of ESG on a timely basis, or at all, or if we or our borrowers fail or are perceived to fail to comply with all laws, regulations, policies and related interpretations, it could negatively impact our reputation and our business results.

We may be subject to lender liability claims, and if we are held liable under such claims, we could be subject to losses.

In recent years, a number of judicial decisions have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories, collectively termed "lender liability." Generally, lender liability is founded on the premise that a lender has either violated a duty, whether implied or contractual, of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors or stockholders. We cannot assure prospective investors that such claims will not arise or that we will not be subject to significant liability if a claim of this type did arise.

Our investments in CMBS, CLOs, CDOs and other similar structured finance investments, as well as those we structure, sponsor or arrange, pose additional risks, including the risks of the securitization process and the risk that the special servicer, CT Investment Management Co., LLC, or CTIMCO, a subsidiary of Blackstone, may take actions that could adversely affect our interests.

We have invested in, and may from time to time in the future invest in, CMBS, CLOs, CDOs and other similar securities, and our investments may consist of subordinated classes of securities in a structure of securities secured by a pool of mortgages or loans. Accordingly, such securities may be the first or among the first to bear the loss upon a restructuring or liquidation of the underlying collateral and the last to receive payment of interest and principal, with only a nominal amount of equity or other debt securities junior to such positions. The estimated fair values of such subordinated interests tend to be much more sensitive to adverse economic downturns and underlying borrower developments than more senior securities. A projection of an economic downturn, for example, could cause a decline in the price of lower credit quality CMBS, CLOs or CDOs because the ability of borrowers to make principal and interest payments on the mortgages or loans underlying such securities may be impaired.

Subordinate interests such as the subordinated classes of securities in CMBS, CLOs, CDOs and similar structured finance investments generally are not actively traded and are relatively illiquid investments. Volatility in CMBS, CLO and CDO trading markets may cause the value of these investments to decline. In addition, if the underlying mortgage portfolio has been overvalued by the originator, or if the values subsequently decline and, as a result, less collateral value is available to satisfy interest and principal payments and any other fees in connection with the trust or other conduit arrangement for such securities, we may incur significant losses.

With respect to the CMBS, CLOs and CDOs in which we have invested and may invest in the future, control over the related underlying loans will be exercised through CTIMCO, or another special servicer or collateral manager designated by a “directing certificateholder” or a “controlling class representative,” or otherwise pursuant to the related securitization documents. We have in the past and may in the future acquire classes of CMBS, CLOs or CDOs, for which we may not have the right to appoint the directing certificateholder or otherwise direct the special servicing or collateral management. With respect to the management and servicing of those loans, the related special servicer or collateral manager may take actions that could adversely affect our interests. See “-Risks Related to Our Financing and Hedging-We have utilized and may utilize in the future non-recourse securitizations to finance our loans and investments, which may expose us to risks that could result in losses” for a discussion of additional risks related to our securitization transactions.

Any credit ratings assigned to our investments or to us will be subject to ongoing evaluations and revisions and we cannot assure you that those ratings will not be downgraded.

Some of our investments, including the notes issued in our securitization transactions for which we are required to retain a portion of the credit risk, have been, and in the future may be, rated by rating agencies. Any credit ratings on our investments are subject to ongoing evaluation by credit rating agencies, and we cannot assure you that any such ratings will not be changed or withdrawn by a rating agency in the future if, in its judgment, circumstances warrant. If rating agencies assign a lower-than-expected rating or reduce or withdraw, or indicate that they may reduce or withdraw, their ratings of our investments in the future, the value and liquidity of our investments could significantly decline, which would adversely affect the value of our investment portfolio and could result in losses upon disposition or the failure of borrowers to satisfy their debt service obligations to us.

Further, any downgrade of the Company’s credit ratings by any of the principal credit agencies may make it more difficult and costly for us to access capital. There can be no assurances that our credit ratings will not be downgraded in the future, whether as a result of deteriorating general economic conditions, failure to successfully implement our operating strategy or the adverse impact on our results of operations or liquidity position of any of the above, or otherwise.

Investments in non-conforming and non-investment grade rated loans or securities involve increased risk of loss.

Many of our investments may not conform to conventional loan standards applied by traditional lenders and either will not be rated (as is typically the case for private loans) or will be rated as non-investment grade by the rating agencies. Private loans often are not rated by credit rating agencies. Non-investment grade ratings typically result from the overall leverage of the loans, the lack of a strong operating history for the properties underlying the loans, the borrowers’ credit history, the underlying properties’ cash flow or other factors. As a result, these investments should be expected to have a higher risk of default and loss than investment-grade rated assets. Any loss we incur may be significant and may adversely affect our results of operations and financial condition. There are no limits on the percentage of unrated or non-investment grade rated assets we may hold in our investment portfolio.

Provisions for loan losses are difficult to estimate.

Our provision for loan losses is evaluated on a quarterly basis. The determination of our provision for loan losses requires us to make certain estimates and judgments, which may be difficult to determine. Our estimates and judgments are based on a number of factors, including projected cash flow from the collateral securing our loans, debt structure, including the availability of reserves and recourse guarantees, likelihood of repayment in full at the maturity of a loan, potential for refinancing and expected market discount rates for varying property types, all of which remain uncertain and are subjective. Our estimates and judgments may not be correct and, therefore, our results of operations and financial condition could be severely impacted.

Some of our portfolio investments may be recorded at fair value and, as a result, there will be uncertainty as to the value of these investments.

Some of our portfolio investments may be in the form of positions or securities that are not publicly traded, but are recorded at estimated fair value. The fair value of securities and other investments that are not publicly traded may not be readily determinable. We will value these investments quarterly at fair value, which may include unobservable inputs. Because such valuations are subjective, the fair value of certain of our assets may fluctuate over short periods of time and our determinations of fair value may differ materially from the values that would have been used if a ready market for these securities existed. Our results of operations and financial condition could be adversely affected if our determinations regarding the fair value of these investments were materially higher than the values that we ultimately realize upon their disposal.

Joint venture investments could be adversely affected by our lack of sole decision-making authority, our reliance on joint venture partners' financial condition and liquidity and disputes between us and our joint venture partners.

We have made, and may in the future make, investments through joint ventures. Such joint venture investments may involve risks not otherwise present when we originate or acquire investments without partners, including the following:

- we may not have exclusive control over the investment or the joint venture, which may prevent us from taking actions that are in our best interest and could create the potential risk of creating impasses on decisions, such as with respect to acquisitions or dispositions;
- joint venture agreements often restrict the transfer of a partner's interest or may otherwise restrict our ability to sell the interest when we desire and/or on advantageous terms;
- joint venture agreements may contain buy-sell provisions pursuant to which one partner may initiate procedures requiring the other partner to choose between buying the other partner's interest or selling its interest to that partner;
- a partner may, at any time, have economic or business interests or goals that are, or that may become, inconsistent with our business interests or goals;
- a partner may fail to fund its share of required capital contributions or may become bankrupt, which may mean that we and any other remaining partners generally would remain liable for the joint venture's liabilities;
- disputes between us and a partner may result in litigation or arbitration that could increase our expenses and prevent our Manager and our officers and directors from focusing their time and efforts on our business and could result in subjecting the investments owned by the joint venture to additional risk; or
- we may, in certain circumstances, be liable for the actions of a partner, and the activities of a partner could adversely affect our ability to qualify as a REIT or maintain our exclusion from registration under the Investment Company Act, even though we do not control the joint venture.

Any of the above may subject us to liabilities in excess of those contemplated and adversely affect the value of our joint venture investments.

Risks Related to Our Financing and Hedging

Our significant amount of debt may subject us to increased risk of loss and could adversely affect our results of operations and financial condition.

We currently have outstanding indebtedness and, subject to market conditions and availability, we may incur a significant amount of additional debt through repurchase agreements, bank credit facilities (including term loans and revolving facilities), warehouse facilities and structured financing arrangements, public and private debt issuances (including through securitizations) and derivative instruments, in addition to transaction or asset specific funding arrangements. We may also issue additional debt or equity securities to fund our growth. The type and percentage of leverage we employ will vary depending on our available capital, our ability to obtain and access financing arrangements with lenders, the type of assets we are funding, whether the financing is recourse or non-recourse, debt restrictions contained in those financing arrangements and the lenders' and rating agencies' estimate of the stability of our investment portfolio's cash flow. We may significantly increase the amount of leverage we utilize at any time without approval of our board of directors. In addition, we may leverage individual assets at substantially higher levels. Incurring substantial debt could subject us to many risks that, if realized, would materially and adversely affect us, including the risk that:

- our cash flow from operations may be insufficient to make required payments of principal of and interest on our debt or we may fail to comply with covenants contained in our debt agreements, which is likely to result in (i) acceleration of such debt (and any other debt containing a cross-default or cross-acceleration provision), which we then may be unable to repay from internal funds or to refinance on favorable terms, or at all, (ii) our inability to borrow undrawn amounts under our financing arrangements, even if we are current in payments on borrowings under those arrangements, which would result in a decrease in our liquidity, and/or (iii) the loss of some or all of our collateral assets to foreclosure or sale;
- our debt may increase our vulnerability to adverse economic and industry conditions with no assurance that investment yields will increase in an amount sufficient to offset the higher financing costs;
- we may be required to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby reducing funds available for operations, future business opportunities, stockholder distributions or other purposes; and
- we may not be able to refinance any debt that matures prior to the maturity (or realization) of an underlying investment it was used to finance on favorable terms or at all.

There can be no assurance that a leveraging strategy will be successful, and such strategy may subject us to increased risk of loss, harm our liquidity and could adversely affect our results of operations and financial condition.

Interest rate fluctuations could increase our financing costs, which could lead to a significant decrease in our results of operations, cash flows and the market value of our investments.

To the extent that our financing costs are determined by reference to floating rates, such as IBORs, SOFR, SONIA, or any other replacement rate, or a Treasury index, the amount of such costs will depend on the level and movement of interest rates. In a period of rising interest rates, our interest expense on floating rate debt would increase, while any additional interest income we earn on our floating rate investments may be subject to caps and may not compensate for such increase in interest expense. At the same time, the interest income we earn on our fixed rate investments would not change, the duration and weighted average life of our fixed rate investments would increase and the market value of our fixed rate investments would decrease. Similarly, in a period of declining interest rates, our interest income on floating rate investments would decrease, while any decrease in the interest we are charged on our floating rate debt may be subject to floors and may not compensate for such decrease in interest income and interest we are charged on our fixed rate debt would not change. Any such scenario could adversely affect our results of operations and financial condition.

Our secured debt agreements impose, and additional lending facilities may impose, restrictive covenants, which may restrict our flexibility to determine our operating policies and investment strategy.

We borrow funds under secured debt agreements with various counterparties. The documents that govern these secured debt agreements and the related guarantees contain, and additional lending facilities may contain, customary affirmative and negative covenants, including financial covenants applicable to us that may restrict our flexibility to determine our operating policies and investment strategy. In particular, these agreements may require us to maintain specified minimum levels of capacity under our credit facilities and cash. As a result, we may not be able to leverage our assets as fully as we

would otherwise choose, which could reduce our return on assets. If we are unable to meet these collateral obligations, our financial condition and prospects could deteriorate significantly. If we fail to meet or satisfy any of these covenants, we would be in default under these agreements, and our lenders could elect to declare outstanding amounts due and payable, terminate their commitments, require the posting of additional collateral and enforce their interests against existing collateral. We may also be subject to cross-default and acceleration rights in our other debt arrangements. Further, this could also make it difficult for us to satisfy the distribution requirements necessary to maintain our qualification as a REIT for U.S. federal income tax purposes.

Our master repurchase agreements, credit facilities, or other financing that we may use in the future to finance our assets currently require, or in the future may require, us to provide additional collateral or pay down debt.

Our master repurchase agreements with various counterparties, any bank credit facilities (including term loans and revolving facilities), and additional repurchase agreements or other financing we may enter into in the future, involve the risk that the market value of the assets pledged or sold by us to the provider of the financing may decline in value, in which case the lender or counterparty may require us to provide additional collateral or lead to margin calls that may require us to repay all or a portion of the funds advanced. We may not have the funds available to repay our debt at that time, which would likely result in defaults unless we are able to raise the funds from alternative sources, including by selling assets at a time when we might not otherwise choose to do so, which we may not be able to achieve on favorable terms or at all. Posting additional collateral would reduce our cash available to make other, higher yielding investments, thereby decreasing our return on equity. If we cannot meet these requirements, the lender or counterparty could accelerate our indebtedness, increase the interest rate on advanced funds and terminate our ability to borrow funds from it, which could materially and adversely affect our financial condition and ability to implement our investment strategy. In the case of repurchase transactions, if the value of the underlying security has declined as of the end of that term, or if we default on our obligations under the repurchase agreement, we will likely incur a loss on our repurchase transactions.

Our use of leverage may create a mismatch with the duration and interest rate of the investments that we are financing.

We generally structure our leverage in order to minimize the difference between the term of our investments and the leverage we use to finance such investments. In the event that our leverage is for a shorter term than the financed investment, we may not be able to extend or find appropriate replacement leverage and that would have an adverse impact on our liquidity and our returns. In the event that our leverage is for a longer term than the financed investment, we may not be able to repay such leverage or replace the financed investment with an optimal substitute or at all, which will negatively impact our desired leveraged returns.

We also seek to structure our leverage such that we minimize the variability between the interest rate of our investments and the interest rate of our leverage - financing floating rate investments with floating rate leverage and fixed rate investments with fixed rate leverage. If such a product is not available to us from our lenders on reasonable terms, we may use hedging instruments to effectively create such a match. For example, in the case of fixed rate investments, we may finance such investments with floating rate leverage, but effectively convert all or a portion of the attendant leverage to fixed rate using hedging strategies.

Our attempts to mitigate such risk are subject to factors outside of our control, such as the availability to us of favorable financing and hedging options, which is subject to a variety of factors, of which duration and term matching are only two. A duration mismatch may also occur when borrowers prepay their loans faster or slower than expected. The risks of a duration mismatch are also magnified by the potential for the extension of loans in order to maximize the likelihood and magnitude of their recovery value in the event the loans experience credit or performance challenges. Employment of this asset management practice would effectively extend the duration of our investments, while our hedges or liabilities may have set maturity dates.

Our loans and investments may be subject to fluctuations in interest rates that may not be adequately protected, or protected at all, by our hedging strategies.

Our assets include loans with either floating interest rates or fixed interest rates. Floating rate loans earn interest at rates that adjust from time to time (typically monthly) based upon an index (typically one-month LIBOR or SOFR). These floating rate loans are insulated from changes in value specifically due to changes in interest rates; however, the coupons they earn fluctuate based upon interest rates (again, typically one-month LIBOR or SOFR) and, in a declining and/or low interest rate environment, these loans will earn lower rates of interest and this will impact our operating performance. For more information about our risks related to the recent and expected discontinuation of currently used financial reference rates, see “The transition away from financial reference rates and the use of alternative replacement reference rates may adversely affect interest expense related to our loans and investments or otherwise adversely affect our results of

operations, cash flows and the market value of our investments” above. Fixed interest rate loans, however, do not have adjusting interest rates and the relative value of the fixed cash flows from these loans will decrease as prevailing interest rates rise or increase as prevailing interest rates fall, causing potentially significant changes in value. We may employ various hedging strategies to limit the effects of changes in interest rates (and in some cases credit spreads), including engaging in interest rate swaps, caps, floors and other interest rate derivative products. We believe that no strategy can completely insulate us from the risks associated with interest rate changes and there is a risk that such strategies may provide no protection at all and potentially compound the impact of changes in interest rates. Hedging transactions involve certain additional risks such as counterparty risk, leverage risk, the legal enforceability of hedging contracts, the early repayment of hedged transactions and the risk that unanticipated and significant changes in interest rates may cause a significant loss of basis in the contract and a change in current period expense. We cannot make assurances that we will be able to enter into hedging transactions or that such hedging transactions will adequately protect us against the foregoing risks.

Accounting for derivatives under GAAP may be complicated. Any failure by us to meet the requirements for applying hedge accounting in accordance with GAAP could adversely affect our earnings. In particular, derivatives are required to be highly effective in offsetting changes in the value or cash flows of the hedged items (and appropriately designated and/or documented as such). If it is determined that a derivative is not highly effective at hedging the designated exposure, hedge accounting would be discontinued and the changes in fair value of the instrument would be included in our reported net income.

Inability to access funding could have a material adverse effect on our results of operations, financial condition and business.

Our ability to fund our loans and investments may be impacted by our ability to secure bank credit facilities (including term loans and revolving facilities), warehouse facilities and structured financing arrangements, public and private debt issuances (including through securitizations) and derivative instruments, in addition to transaction or asset specific funding arrangements and additional repurchase agreements on acceptable terms. We may also rely on short-term financing that would be especially exposed to changes in availability. Our access to sources of financing will depend upon a number of factors, over which we have little or no control, including:

- general economic or market conditions;
- the market’s view of the quality of our assets;
- the market’s perception of our growth potential;
- our current and potential future earnings and cash distributions; and
- the market price of the shares of our class A common stock.

We may need to periodically access the capital markets to, among other things, raise cash to fund new loans and investments. Unfavorable economic conditions or capital market conditions may increase our funding costs, limit our access to the capital markets or could result in a decision by our potential lenders not to extend credit. An inability to successfully access the capital markets could limit our ability to grow our business and fully execute our business strategy and could decrease our earnings and liquidity. In addition, any dislocation or weakness in the capital and credit markets could adversely affect our lenders and could cause one or more of our lenders to be unwilling or unable to provide us with financing or to increase the costs of that financing. In addition, as regulatory capital requirements imposed on our lenders are increased, they may be required to limit, or increase the cost of, financing they provide to us. In general, this could potentially increase our financing costs and reduce our liquidity or require us to sell assets at an inopportune time or price. Further, as the lender to our borrowers, we may be obligated to fund all or a significant portion of a loan we have agreed to at one or more future dates. If we are unable to access funding, we may not have the funds available at such future date(s) to meet our funding obligations under a loan. In that event, we would likely be in breach of our agreement under such loan. We cannot make assurances that we will be able to obtain any additional financing on favorable terms or at all.

We have utilized and may continue to utilize in the future non-recourse securitizations to finance our loans and investments, which may expose us to risks that could result in losses.

We have utilized and may utilize in the future, non-recourse securitizations of certain of our portfolio investments to generate cash for funding new loans and investments and other purposes. These transactions generally involve creating a special-purpose entity, contributing a pool of our assets to the entity, and selling interests in the entity on a non-recourse

basis to purchasers (whom we would expect to be willing to accept a lower interest rate to invest in investment-grade loan pools). We would expect to retain all or a portion of the equity and potentially other tranches in the securitized pool of loans or investments. In addition, we have retained in the past and may in the future retain a pari passu participation in the securitized pool of loans. Because of the interests we retain, in particular with respect to equity or similar subordinated tranches, actions taken by CTIMCO or any other entity that acts as special servicer may in the future conflict with our interests. See “-Risks Related to Our Lending and Investment Activities-Our investments in CMBS, CLOs, CDOs and other similar structured finance investments, as well as those we structure, sponsor or arrange, pose additional risks, including the risks of the securitization process and the risk that the special servicer, CT Investment Management Co., LLC, or CTIMCO, a subsidiary of Blackstone, may take actions that could adversely affect our interests.”

The inability to consummate securitizations of our portfolio to finance our loans and investments on a long-term basis could require us to seek other forms of potentially less attractive financing or to liquidate assets at an inopportune time or price, which could adversely affect our performance and our ability to grow our business. Moreover, conditions in the capital markets, including volatility and disruption in the capital and credit markets which we are currently experiencing, may not permit a non-recourse securitization at any particular time or may make the issuance of any such securitization less attractive to us even when we do have sufficient eligible assets. We may also suffer losses if the value of the mortgage loans we acquire declines prior to securitization. Declines in the value of a mortgage loan can be due to, among other things, changes in interest rates and changes in the credit quality of the loan. In addition, we may suffer a loss due to the incurrence of transaction costs related to executing these transactions. To the extent that we incur a loss executing or participating in future securitizations for the reasons described above or for other reasons, it could materially and adversely impact our business and financial condition. In addition, the inability to securitize our portfolio may hurt our performance and our ability to grow our business.

In addition, the securitization of our portfolio might magnify our exposure to losses because any equity interest or other subordinate interest we retain in the issuing entity would be subordinate to the notes issued to investors and we would, therefore, absorb all of the losses sustained with respect to a securitized pool of assets before the owners of the notes experience any losses. Moreover, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or Dodd-Frank Act, contains a risk retention requirement for all asset-backed securities, which requires both public and private securitizers to retain not less than 5% of the credit risk of the assets collateralizing any asset-backed security issuance. Significant restrictions exist, and additional restrictions may be added in the future, regarding who may hold risk retention interests, the structure of the entities that hold risk retention interests and when and how such risk retention interests may be transferred. Therefore such risk retention interests will generally be illiquid. As a result of the risk retention requirements, we have and may in the future be required to purchase and retain certain interests in a securitization into which we sell mortgage loans and/or when we act as issuer, may be required to sell certain interests in a securitization at prices below levels that such interests have historically yielded and/or may be required to enter into certain arrangements related to risk retention that we have not historically been required to enter into. Accordingly, the risk retention rules may increase our potential liabilities and/or reduce our potential profits in connection with securitization of mortgage loans. It is likely, therefore, that these risk retention rules will increase the administrative and operational costs of asset securitizations.

We may be subject to losses arising from current and future guarantees of debt and contingent obligations of our subsidiaries or joint venture or co-investment partners.

We currently guarantee certain obligations of our subsidiaries under various arrangements that provide for significant aggregate borrowings and we may in the future guarantee the performance of additional subsidiaries' obligations, including, but not limited to, additional repurchase agreements, derivative agreements and unsecured indebtedness. We also currently guarantee certain indebtedness incurred by our joint venture with Walker & Dunlop Inc. and in the future may agree to guarantee other indebtedness or other obligations incurred by other joint venture or co-investment partners. Such guarantees may be on a joint and several basis with such joint venture or co-investment partner, in which case we may be liable in the event such partner defaults on its guarantee obligation. The non-performance of such obligations may cause losses to us in excess of the capital we initially may have invested or committed under such obligations and there is no assurance that we will have sufficient capital to cover any such losses.

Hedging against interest rate or currency exposure may adversely affect our earnings, which could reduce our cash available for distribution to our stockholders.

Subject to maintaining our qualification as a REIT, we may pursue various hedging strategies to seek to reduce our exposure to adverse changes in interest rates and fluctuations in currencies. Our hedging activity may vary in scope based on the level and volatility of interest rates, exchange rates, the type of assets held and other changing market conditions. Interest rate and currency hedging may fail to protect or could adversely affect us because, among other things:

- interest rate, currency and/or credit hedging can be expensive and may result in us generating less net income;
- available interest rate or currency hedges may not correspond directly with the interest rate or currency risk for which protection is sought;
- due to a credit loss, prepayment or asset sale, the duration of the hedge may not match the duration of the related asset or liability;
- the amount of income that a REIT may earn from hedging transactions (other than hedging transactions that satisfy certain requirements of the Internal Revenue Code or that are done through a TRS (as defined below)) to offset interest rate losses is limited by U.S. federal income tax provisions governing REITs;
- the credit quality of the hedging counterparty owing money on the hedge may be downgraded to such an extent that it impairs our ability to sell or assign our side of the hedging transaction;
- the hedging counterparty owing money in the hedging transaction may default on its obligation to pay;
- we may fail to recalculate, readjust and execute hedges in an efficient manner; and
- legal, tax and regulatory changes could occur and may adversely affect our ability to pursue our hedging strategies and/or increase the costs of implementing such strategies.

Any hedging activity in which we engage may materially and adversely affect our results of operations and cash flows. Therefore, while we may enter into such transactions seeking to reduce risks, unanticipated changes in interest rates, credit spreads or currencies may result in poorer overall investment performance than if we had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions or liabilities being hedged may vary materially. Moreover, for a variety of reasons, we may not seek to establish a perfect correlation between such hedging instruments and the portfolio positions or liabilities being hedged. Any such imperfect correlation may prevent us from achieving the intended hedge and expose us to risk of loss.

In addition, some hedging instruments involve additional risk because they are not traded on regulated exchanges, guaranteed by an exchange or its clearing house, or regulated by any U.S. or foreign governmental authorities. Consequently, we cannot make assurances that a liquid secondary market will exist for hedging instruments purchased or sold, and we may be required to maintain a position until exercise or expiration, which could result in significant losses. In addition, regulatory requirements with respect to derivatives, including eligibility of counterparties, reporting, recordkeeping, exchange of margin, financial responsibility or segregation of customer funds and positions are still under development and could impact our hedging transactions and how we and our counterparty must manage such transactions.

We are subject to counterparty risk associated with our hedging activities.

As of December 31, 2022, we were party to outstanding derivative agreements with an aggregate notional value of \$2.1 billion. We are subject to credit risk with respect to the counterparties to derivative contracts (whether a clearing corporation in the case of exchange-traded instruments or another third party in the case of OTC instruments). If a counterparty becomes bankrupt or otherwise fails to perform its obligations under a derivative contract due to financial difficulties, we may experience significant delays in obtaining any recovery under the derivative contract in a dissolution, assignment for the benefit of creditors, liquidation, winding-up, bankruptcy, or other analogous proceeding. In the event of the insolvency of a counterparty to a derivative transaction, the derivative transaction would typically be terminated at its fair market value. If we are owed this fair market value in the termination of the derivative transaction and its claim is unsecured, we will be treated as a general creditor of such counterparty, and will not have any claim with respect to the underlying security. We may obtain only a limited recovery or may obtain no recovery in such circumstances. In addition, the business failure of a counterparty with whom we enter into a hedging transaction will most likely result in its default, which may result in the loss of potential future value and the loss of our hedge and force us to cover our commitments, if any, at the then current market price.

If we enter into certain hedging transactions or otherwise invest in certain derivative instruments, failure to obtain and maintain an exemption from being regulated as a commodity pool operator could subject us to additional regulation and compliance requirements which could materially adversely affect our business and financial condition.

Rules under the Dodd-Frank Act establish a comprehensive regulatory framework for derivative contracts commonly referred to as “swaps.” Under this regulatory framework, mortgage real estate investment trusts, or mREITs, that trade in commodity interest positions (including swaps) are considered “commodity pools” and the operators of such mREITs would be considered “commodity pool operators,” or CPOs. Absent relief, a CPO must register with the U.S. Commodity Futures Trading Commission, or CFTC, and become a member of the National Futures Association, or NFA, which requires compliance with NFA’s rules and renders such CPO subject to regulation by the CFTC, including with respect to disclosure, reporting, recordkeeping and business conduct. We may from time to time, directly or indirectly, invest in instruments that meet the definition of “swap” under the Dodd-Frank Act rules, which may subject us to oversight by the CFTC. Our board of directors has appointed our Manager to act as our CPO in the event we are deemed a commodity pool.

In the event that we invest in commodity interests, absent relief, our Manager would be required to register as a CPO. Our Manager is exempt from registration as a CPO with the CFTC pursuant to certain no-action relief for the CPO of a qualifying mortgage REIT (and in that regard, we intend to identify as a “mortgage REIT” for U.S. federal income tax purposes). In addition, our Manager may in the future claim a different exemption from registration as a CPO with the CFTC. Therefore, unlike a registered CPO, our Manager will not be required to provide prospective investors with a CFTC compliant disclosure document, nor will our Manager be required to provide investors with periodic account statements or certified annual reports that satisfy the requirements of CFTC rules applicable to registered CPOs, in connection with any offerings of shares.

As an alternative to an exemption from registration, our Manager may register as a CPO with the CFTC and avail itself of certain disclosure, reporting and record-keeping relief under CFTC Rule 4.7.

The CFTC has substantial enforcement power with respect to violations of the laws over which it has jurisdiction, including anti-fraud and anti-manipulation provisions. Among other things, the CFTC may suspend or revoke the registration of a person who fails to comply, prohibit such a person from trading or doing business with registered entities, impose civil money penalties, require restitution and seek fines or imprisonment for criminal violations. Additionally, a private right of action exists against those who violate the laws over which the CFTC has jurisdiction or who willfully aid, abet, counsel, induce or procure a violation of those laws. In the event we fail to receive interpretive relief from the CFTC on this matter, are unable to claim an exemption from registration and fail to comply with the regulatory requirements of these new rules, we may be unable to use certain types of hedging instruments or we may be subject to significant fines, penalties and other civil or governmental actions or proceedings, any of which could adversely affect our results of operations and financial condition.

Risks Related to Our Relationship with Our Manager and its Affiliates

We depend on our Manager and its personnel for our success. We may not find a suitable replacement for our Manager if the Management Agreement is terminated, or if key personnel cease to be employed by our Manager or Blackstone or otherwise become unavailable to us.

We are externally managed and advised by our Manager, an affiliate of Blackstone. We currently have no employees and all of our officers are employees of Blackstone or its affiliates. We are completely reliant on our Manager, which has significant discretion as to the implementation of our investment and operating policies and strategies.

Our success depends to a significant extent upon the efforts, experience, diligence, skill, and network of business contacts of the officers and key personnel of our Manager and its affiliates, as well as the persons and firms our Manager retains to provide services on our behalf. Our Manager is managed by senior professionals of Blackstone. These individuals oversee the evaluation, negotiation, execution and monitoring of our loans and other investments and financings, and the maintenance of our qualification as a REIT and exclusion from regulation under the Investment Company Act; therefore, our success depends on their skills and management expertise and continued service with our Manager and its affiliates. Furthermore, there is increasing competition among financial sponsors, investment banks and other real estate debt investors for hiring and retaining qualified investment professionals and there can be no assurance that such professionals will continue to be associated with us, our Manager or its affiliates or that any replacements will perform well.

In addition, we can offer no assurance that our Manager will remain our investment manager or that we will continue to have access to our Manager’s officers and key personnel. The current term of the Management Agreement extends to

December 19, 2023 and may be renewed for additional one-year terms thereafter; provided, however, that our Manager may terminate the Management Agreement annually upon 180 days' prior notice. If the Management Agreement is terminated and no suitable replacement is found to manage us, we may not be able to execute our business plan. Furthermore, we may incur certain costs in connection with a termination of the Management Agreement.

The personnel of our Manager, as our external manager, are not required to dedicate a specific portion of their time to the management of our business.

Neither our Manager nor any other Blackstone affiliate is obligated to dedicate any specific personnel exclusively to us, nor are they or their personnel obligated to dedicate any specific portion of their time to the management of our business. In addition, pursuant to the terms of our Management Agreement, our Manager retains, for and on our behalf and at our expense, the services of certain other persons and firms as our Manager deems necessary or advisable in connection with managing our operations. We expect that certain of these providers will include affiliates of Blackstone and its portfolio companies as we expand our business and leverage service providers to manage our growth. As a result, we cannot provide any assurances regarding the amount of time our Manager or its affiliates will dedicate to the management of our business and our Manager may have conflicts in allocating its time, resources and services among our business and any other investment vehicles and accounts our Manager (or its personnel) may manage and expenses allocable to us may increase where third parties are retained to provide services to us. Each of our officers is also an employee of our Manager or another Blackstone affiliate, who has now or may be expected to have significant responsibilities for other investment vehicles currently managed by Blackstone and its affiliates. Consequently, we may not receive the level of support and assistance that we otherwise might receive if we were internally managed. Our Manager and its affiliates are not restricted from entering into other investment advisory relationships or from engaging in other business activities.

Our Manager manages our portfolio pursuant to very broad investment guidelines and is not required to seek the approval of our board of directors for each investment, financing, asset allocation or hedging decision made by it, which may result in our making riskier loans and investments and which could adversely affect our results of operations and financial condition.

Our Manager is authorized to follow very broad investment guidelines that provide it with broad discretion over investment, financing, asset allocation and hedging decisions. Our board of directors will periodically review our investment guidelines and our loan and investment portfolio but will not, and will not be required to, review and approve in advance all of our proposed loans and investments or the Manager's financing, asset allocation or hedging decisions. In addition, in conducting periodic reviews, our directors rely primarily on information provided to them by our Manager or its affiliates. Subject to maintaining our REIT qualification and our exclusion from regulation under the Investment Company Act, our Manager has significant latitude within the broad investment guidelines in determining the types of loans and investments it makes for us, and how such loans and investments are financed or hedged, which could result in investment returns that are substantially below expectations or that result in losses, which could adversely affect our results of operations and financial condition.

Our Manager's fee structure may not create proper incentives or may induce our Manager and its affiliates to make certain loans or investments, including speculative investments, which increase the risk of our loan and investment portfolio.

We pay our Manager base management fees regardless of the performance of our portfolio. Our Manager's entitlement to base management fees, which is not based upon performance metrics or goals, might reduce its incentive to devote its time and effort to seeking loans and investments that provide attractive risk-adjusted returns for our portfolio. Because the base management fees are also based in part on our outstanding equity, our Manager may also be incentivized to advance strategies that increase our equity, and there may be circumstances where increasing our equity will not optimize the returns for our stockholders. Consequently, we are required to pay our Manager base management fees in a particular period despite experiencing a net loss or a decline in the value of our portfolio during that period. Moreover, we have in the past and may in the future pay our Manager's fees in shares of our class A common stock, which could dilute our stockholders' ownership.

Our Manager also has the ability to earn incentive fees each quarter based on our earnings, which may create an incentive for our Manager to invest in assets with higher yield potential, which are generally riskier or more speculative, or sell an asset prematurely for a gain, in an effort to increase our short-term net income and thereby increase the incentive fees to which it is entitled.

In addition, we are required to reimburse our Manager or its affiliates for documented costs and expenses incurred by it and its affiliates on our behalf, except those specifically required to be borne by our Manager under our Management

Agreement. Accordingly, to the extent that our Manager retains other parties to provide services to us, expenses allocable to us will increase. If our interests and those of our Manager are not aligned, the execution of our business plan and our results of operations could be adversely affected, which could adversely affect our results of operations and financial condition.

We and the Blackstone Vehicles have and in the future will likely compete with or enter into transactions with existing and future private and public investment vehicles established and/or managed by Blackstone or its affiliates, which may present various conflicts of interest that restrict our ability to pursue certain investment opportunities or take other actions that are beneficial to our business and/or result in decisions that are not in the best interests of our stockholders.

We are subject to conflicts of interest arising out of our relationship with Blackstone, including our Manager and its affiliates. Three Blackstone employees serve on our board of directors, including Michael B. Nash, the executive chairman of our board of directors and chairman of Blackstone Real Estate Debt Strategies, or BREDS, Katharine A. Keenan, our chief executive officer, and Jonathan Pollack, the global head of Structured Finance, which includes BREDS. In addition, our chief financial officer and each of our other officers are also employees of Blackstone and/or one or more of its affiliates, and we are managed by our Manager, a Blackstone affiliate. If any matter arises that Blackstone determines in its good faith judgment constitutes an actual and material conflict of interest, Blackstone and relevant affiliates will take the actions they determine appropriate to mitigate the conflict and to act in accordance with our Management Agreement. There is no guarantee that the policies and procedures adopted by us, the terms and conditions of the Management Agreement or the policies and procedures adopted by our Manager, Blackstone and their affiliates, will enable us to identify, adequately address or mitigate these conflicts of interest in a way that is favorable to us. Some examples of conflicts of interest that may arise by virtue of our relationship with our Manager and Blackstone include:

- ***Broad and Wide-Ranging Activities.*** Our Manager, Blackstone and their affiliates engage in a broad spectrum of activities, including a broad range of activities relating to investments in the real estate industry, and have invested or committed billions of dollars in capital through various investment funds, managed accounts and other vehicles affiliated with Blackstone. In the ordinary course of their business activities, our Manager, Blackstone and their affiliates may engage in activities where the interests of certain divisions of Blackstone and its affiliates, including our Manager, or the interests of their clients may conflict with the interests of our stockholders. Certain of these divisions and entities affiliated with our Manager have or may have an investment strategy similar to our investment strategy and therefore will likely compete with us. In particular, BREDS invests in a broad range of real estate-related debt investments via numerous different investment funds, managed accounts and other vehicles.
- ***Blackstone's Policies and Procedures.*** Specified policies and procedures implemented by Blackstone and its affiliates, including our Manager, to mitigate potential conflicts of interest and address certain regulatory requirements and contractual restrictions may reduce the advantages across Blackstone's and its affiliates' various businesses that Blackstone expects to draw on for purposes of pursuing attractive investment opportunities. Because Blackstone has many different businesses, including the Blackstone Capital Markets Group, which Blackstone investment teams and portfolio entities may engage to advise on and to execute debt and equity financings, it is subject to a number of actual and potential conflicts of interest, greater regulatory oversight and more legal and contractual restrictions than that to which it would otherwise be subject if it had just one line of business. In addressing these conflicts and regulatory, legal and contractual requirements across its various businesses, Blackstone has implemented certain policies and procedures (e.g., information walls) that may reduce the benefits that Blackstone could otherwise expect to utilize for our Manager for purposes of identifying and managing our investments. For example, Blackstone may come into possession of material non-public information with respect to companies that are clients of Blackstone or its affiliates, in which our Manager may be considering making an investment. As a consequence, that information, which could be of benefit to our Manager, might become restricted to those other businesses and otherwise be unavailable to our Manager, and could also restrict our Manager's activities. Additionally, the terms of confidentiality or other agreements with or related to companies in which any investment vehicle of Blackstone has or has considered making an investment or which is otherwise a client of Blackstone and its affiliates may restrict or otherwise limit the ability of Blackstone or its affiliates, including our Manager, to engage in businesses or activities competitive with such companies.
- ***Allocation of Investment Opportunities.*** Certain inherent conflicts of interest arise from the fact that Blackstone and its affiliates, including our Manager, will provide investment management and other services both to us and to any other person or entity, whether or not the investment objectives or guidelines of any such other person or entity are similar to ours, including, without limitation, the sponsoring, closing and/or managing of any investment funds, vehicles, REITs, accounts, products and/or other similar arrangements sponsored, advised, and/or managed

by Blackstone or its affiliates, whether currently in existence or subsequently established (in each case, including any related successor funds, alternative vehicles, supplemental capital vehicles, surge funds, over-flow funds, co-investment vehicles, other entities formed in connection with Blackstone or its affiliates side-by-side or additional general partner investments with respect thereto, and portfolio companies/entities), which we refer to as the Blackstone Vehicles. The respective investment guidelines and programs of our business and certain of the Blackstone Vehicles overlap, in whole or in part, and where there is any such overlap, investment opportunities will be allocated between us and the Blackstone Vehicles in a manner that may result in fewer investment opportunities being allocated to us than would have otherwise been the case in the absence of such Blackstone Vehicles. In particular, while our primary investment strategies differ from those of Blackstone's latest flagship real estate debt fund, Blackstone Real Estate Debt Strategies IV L.P. and potential successor funds and related separately managed accounts, or, collectively, BREDS Debt Funds, and Blackstone Real Estate Income Trust, Inc., or BREIT, in that we generally seek to invest primarily in senior mortgage loans and other similar interests, BREDS Debt Funds generally seeks to invest primarily in real estate-related debt with a high-yield risk profile such as junior mortgage debt, mezzanine debt, and other subordinate structured debt investments, BREIT generally seeks to invest primarily in real estate equity with a minority of its portfolio invested in liquid debt securities, a significant portion of the capital of BREDS Debt Funds and BREIT (and/or other Blackstone Vehicles) may nonetheless be invested in investments that would also be appropriate for us. The allocation methodology applied between us and one or more of the Blackstone Vehicles may result in us not participating (and/or not participating to the same extent) in certain investment opportunities in which we would have otherwise participated had the related allocations been determined without regard to such guidelines and/or based only on the circumstances of those particular investments. Our Manager, Blackstone or their affiliates may also give advice to Blackstone Vehicles that may differ from advice given to us even though their investment objectives may be the same or similar to ours.

- As a result, we will from time to time invest in real estate-related debt investments alongside certain Blackstone Vehicles that are part of the BREDS program and other vehicles that include a focus on real estate-related debt investments, including, but not limited to, BREDS Debt Funds and BREIT. To the extent any Blackstone Vehicles have investment objectives or guidelines that overlap with ours, in whole or in part, investment opportunities that fall within such common objectives or guidelines will generally be allocated among one or more of us and such other Blackstone Vehicles on a basis that our Manager and applicable Blackstone affiliates determines to be fair and reasonable in its sole discretion, subject to (i) any applicable investment objectives, parameters, limitations and other contractual provisions applicable to us and such other Blackstone Vehicles, (ii) us and such other Blackstone Vehicles having available capital with respect thereto, and (iii) legal, tax, accounting, regulatory and other considerations deemed relevant by our Manager and its affiliates (including, without limitation, the relative risk-return profile of such investment and instrument type, the specific nature and terms of the investment, size and type of the investment, readily available financing, relative investment strategies and primary investment mandates, portfolio diversification concerns, the investment focus, guidelines, limitations, and strategy of each investment fund or vehicle, co-investment arrangements, the different liquidity positions and requirements in each fund or vehicle, underwritten leverage levels of a loan, portfolio concentration considerations (including, but not limited to, (A) allocations necessary for us or the Blackstone Vehicles to maintain a particular concentration in a certain type of investment and (B) whether we or a particular Blackstone Vehicle already has its desired exposure to the investment, sector, industry, geographic region or markets in question), contractual obligations, other anticipated uses of capital, the source of the investment opportunity, credit ratings, the ability of a client, fund and/or vehicle to employ leverage, hedging, derivatives, syndication strategies or other similar strategies in connection with acquiring, holding or disposing of the particular investment opportunity, and any requirements or other terms of any existing leverage facilities, geographic focus, remaining investment period, the credit/default profile of an issuer, the extent of involvement of the respective teams of investment professionals dedicated to the Manager and other Blackstone Vehicles, the likelihood/immediacy of foreclosure or conversion to an equity or control opportunity, and other considerations deemed relevant in good faith in their sole discretion). There is no assurance that any conflicts will be resolved in our favor. Our Manager is entitled to amend its investment objectives or guidelines at any time without prior notice or our consent.
- Investments in Different Levels or Classes of an Issuer's Securities. We and the Blackstone Vehicles have made and in the future will likely make investments at different levels of an issuer's or borrower's capital structure (e.g., an investment by a Blackstone Vehicle in an equity, debt or mezzanine interest with respect to the same portfolio entity in which we own a debt interest or vice versa) or otherwise in different classes of the same issuer's securities. We may make investments that are senior or junior to, or have rights and interests different from or adverse to, the investments made by the Blackstone Vehicles (and in certain circumstances our Manager will be unaware of another Blackstone Vehicle's participation, as a result of information walls or otherwise). Such investments may conflict with the interests of such Blackstone Vehicles in related investments, and the potential for any such conflicts of interests may be heightened in the event of a default or restructuring of any such

investments. Actions may be taken for the Blackstone Vehicles that are adverse to us, including with respect to the timing and manner of sale and actions taken in circumstances of financial distress. In addition, in connection with such investments, Blackstone will generally seek to implement certain procedures to mitigate conflicts of interest which typically involve us maintaining a non-controlling interest in any such investment and a forbearance of rights, including certain non-economic rights, relating to the Blackstone Vehicles, such as where Blackstone may cause us to decline to exercise certain control- and/or foreclosure-related rights with respect to a portfolio entity (including following the vote of other third party lenders generally or otherwise recusing ourselves with respect to decisions), including with respect to both normal course ongoing matters (such as consent rights with respect to loan modifications in intercreditor agreements) and also defaults, foreclosures, workouts, restructurings and/or exit opportunities, subject to certain limitations. If we recuse ourselves from decision-making as described above, we will generally rely upon a third party lender to make the decisions, and the third party lender could have conflicts or otherwise make decisions that we would not have made. It is expected that our participation in connection with any such investments and transactions will be negotiated by third parties on market terms and prices. Our Management Agreement requires our Manager to keep our board of directors reasonably informed on a periodic basis in connection with the foregoing, including with respect to transactions that involve investments at different levels of an issuer's or borrower's capital structure, as to which our Manager has agreed to provide our board of directors with quarterly updates. We currently hold mortgage and mezzanine loans and other investments in which Blackstone affiliates have interests in the collateral securing or backing such investments. While Blackstone will seek to resolve any conflicts in a fair and equitable manner with respect to conflicts resolution among the Blackstone Vehicles generally, such transactions are not required to be presented to our board of directors for approval, and there can be no assurance that any conflicts will be resolved in our favor.

- *Assignment and Sharing or Limitation of Rights.* We have and in the future will likely invest alongside other Blackstone Vehicles and in connection therewith have and expect to, for legal, tax, regulatory or other reasons which may be unrelated to us, share with or assign to such other Blackstone Vehicles certain of our rights, in whole or in part, or to limit our rights, including certain control- and/or foreclosure-related rights with respect to such shared investments and/or otherwise agree to implement certain procedures to mitigate conflicts of interest which typically involve maintaining a non-controlling interest in any such investment and a forbearance of our rights, including certain non-economic rights (including following the vote of other third party lenders generally or otherwise being recused with respect to certain decisions, including with respect to both normal course ongoing matters (such as consent rights with respect to loan modifications in intercreditor agreements) and also defaults, foreclosures, workouts, restructurings and/or exit opportunities), subject to certain limitations. While it is expected that our participation in connection with any such investments and transactions would be negotiated by third parties on market prices, such investments and transactions will give rise to potential or actual conflicts of interest. We cannot make assurances that any such conflict will be resolved in our favor. To the extent we hold an interest in a loan or security that is different (including with respect to their relative seniority) than those held by such other Blackstone Vehicles (and vice versa), our Manager and its affiliates may be presented and/or may have limited or no rights with respect to decisions when the interests of the funds/vehicles are in conflict. Such sharing or assignment of rights could make it more difficult for us to protect our interests and could give rise to a conflict (which may be exacerbated in the case of financial distress) and could result in another Blackstone Vehicle exercising such rights in a way adverse to us.
- *Providing Debt Financings in connection with Assets Owned by Other Blackstone Vehicles.* We have, and in the future are likely to provide financing (i) as part of the bid or acquisition by a third party to acquire interests in (or otherwise make an investment in the underlying assets of) a portfolio entity owned by one or more Blackstone Vehicles or their affiliates of assets or interests (and/or portfolios thereof) owned by a third party, (ii) with respect to one or more portfolio entities or borrowers in connection with a proposed acquisition or investment by one or more Blackstone Vehicles or affiliates relating to such portfolio entities and/or their underlying assets and/or (iii) in other transactions or in the ordinary course, with respect to portfolio entities in which other Blackstone Vehicles and/or affiliates currently hold or propose to acquire an interest. This may include making commitments to provide financing at, prior to or around the time that any such purchaser commits to or makes such investments. While the terms and conditions of any such debt commitments and related arrangements will generally be consistent with market terms, the involvement of us and/or such other Blackstone Vehicles or affiliates in such transactions may impact the market terms. For example, in the case of a loan extended to a Blackstone portfolio entity by a financing syndicate in which we have agreed to participate on terms negotiated by a third party participant in the syndicate, it may have been necessary for the Blackstone portfolio entity to offer better or worse terms to lenders to fully subscribe the syndicate than if we had not participated. In addition, any such transactions or arrangements may otherwise influence Blackstone's decisions with respect to the management of us and/or such other Blackstone Vehicles and/or the relevant Blackstone portfolio entity, which will give rise to potential or actual conflicts of interests and which may adversely impact us.

- Obtaining Financing from Other Blackstone Vehicles. We may from time to time obtain financing from other Blackstone Vehicles (including the BREDS Debt Funds). We and/or Blackstone may face conflicts of interest in connection with any borrowings or disputes related to such financing agreement(s) which may adversely impact us.
- Pursuit of Differing Strategies. At times, the investment professionals employed by our Manager or its affiliates and other investment vehicles affiliated with our Manager and/or Blackstone may determine that an investment opportunity may be appropriate for only some of the accounts, clients, entities, funds and/or investment vehicles for which he or she exercises investment responsibility, or may decide that certain of the accounts, clients, entities, funds and/or investment vehicles should take differing positions with respect to a particular security. In these cases, the investment professionals may place separate transactions for one or more accounts, clients, entities, funds and/or investment vehicles which may affect the market price of the security or the execution of the transaction, or both, to the detriment or benefit of one or more other accounts, clients, entities, funds and/or investment vehicles. For example, an investment professional may determine that it would be in the interest of another account to sell a security that we hold long, potentially resulting in a decrease in the market value of the security held by us.
- Variation in Financial and Other Benefits. A conflict of interest arises where the financial or other benefits available to our Manager or its affiliates differ among the accounts, clients, entities, funds and/or investment vehicles that it manages. Where the amount or structure of the base management fee, incentive fee and/or our Manager's or its affiliates' compensation differs among accounts, clients, entities, funds and/or investment vehicles (such as where certain funds or accounts pay higher base management fees, incentive fees, performance-based management fees or other fees), our Manager might be motivated to help certain accounts, clients, entities, funds and/or investment vehicles over us. Similarly, the desire to maintain assets under management or to enhance our Manager's performance record or to derive other rewards, financial or otherwise, could influence our Manager in affording preferential treatment to those accounts, clients, entities, funds and/or investment vehicles that could most significantly benefit our Manager or its affiliates. Our Manager may, for example, have an incentive to allocate favorable or limited opportunity investments or structure the timing of investments to favor such other accounts, clients, entities, funds and/or investment vehicles over us. Additionally, our Manager might be motivated to favor other accounts, clients, entities, funds and/or investment vehicles in which it has an ownership interest or in which Blackstone and/or its affiliates have ownership interests. Conversely, if an investment professional at our Manager or its affiliates does not personally hold an investment in the fund but holds investments in other Blackstone affiliated vehicles, such investment professional's conflicts of interest with respect to us may be more acute.
- Underwriting, Advisory and Other Relationships. As part of its regular business, Blackstone provides a broad range of underwriting, investment banking, placement agent services and other services. In connection with selling investments by way of a public offering, a Blackstone broker-dealer may act as the managing underwriter or a member of the underwriting syndicate on a firm commitment basis and purchase securities on that basis. Blackstone may retain any commissions, remuneration, or other profits and receive compensation from such underwriting activities, which have the potential to create conflicts of interest. Blackstone may also participate in underwriting syndicates from time to time with respect to us or portfolio companies/entities of Blackstone Vehicles, or may otherwise be involved in the private placement of debt or equity securities issued by us or such portfolio companies/entities, or otherwise in arranging financings with respect thereto or advising on such transactions. Subject to applicable law, Blackstone may receive underwriting fees, placement commissions, or other compensation with respect to such activities, which will not be shared with us or our stockholders. Where Blackstone serves as underwriter with respect to the securities of a portfolio company/entity, we or the applicable Blackstone Vehicle holding such securities may be subject to a "lock-up" period following the offering under applicable regulations during which time our ability to sell any securities that we continue to hold is restricted. This may prejudice our ability to dispose of such securities at an opportune time.

In the regular course of its investment banking business, Blackstone represents potential purchasers, sellers and other involved parties, including corporations, financial buyers, management, shareholders and institutions, with respect to assets that are suitable for investment by us. In such case, Blackstone's client would typically require Blackstone to act exclusively on its behalf, thereby precluding us from acquiring such assets. Blackstone is under no obligation to decline any such engagement to make the investment opportunity available to us.

Blackstone has long-term relationships with a significant number of corporations and their senior management. In determining whether to invest in a particular transaction on our behalf, our Manager may consider those

relationships (subject to its obligations under the Management Agreement), which may result in certain transactions that our Manager will not undertake on our behalf in view of such relationships.

- Service Providers. Certain of our service providers, or their affiliates (including accountants, administrators, lenders, brokers, attorneys, consultants, title agents, loan servicing and administration providers, property managers and investment banking or commercial banking firms) also provide goods or services to or have business, personal or other relationships with Blackstone. For example, Blackstone may hold equity or other investments in companies or businesses in the real estate related information technology and other industries that may provide products or services to or otherwise contract with us or other Blackstone Vehicles. In connection with any such investment, Blackstone or other Blackstone Vehicles (or their respective portfolio companies/entities) may make referrals or introductions to other portfolio companies/entities in an effort, in part, to increase the customer base of such companies or businesses, and therefore the value of the investment, or because such referrals or introductions may result in financial incentives (including additional equity ownership) and/or milestones benefitting the referring or introducing party that are tied or related to participation by portfolio companies/entities. Furthermore, such introductions or referrals may involve the transfer of certain personnel or employees among us, Blackstone and Blackstone Vehicles and other Blackstone clients which may result in a termination fee or similar payments being due and payable from one such entity to another. We will not share in any fees, economics or equity accruing to Blackstone or such other Blackstone Vehicles as a result of these relationships. In addition, we may enter into agreements regarding group procurement (such as a group purchasing organization), benefits management, purchase of title and/or other insurance policies (which will from time to time be pooled and discounted due to scale) from a third party or a Blackstone affiliate, and other similar operational, administrative, or management related initiatives that result in commissions, discounts or similar payments to Blackstone or its affiliates (including personnel), including related to a portion of the savings achieved. Such service providers may be sources of investment opportunities or co-investors or commercial counterparties. Such relationships may influence our Manager in deciding whether to select such service provider. In certain circumstances, service providers, or their affiliates, may charge different rates (including below-market rates or at no cost) or have different arrangements for services provided to Blackstone or its affiliates as compared to services provided to us, which in certain circumstances may result in more favorable rates or arrangements than those payable by us. For example, we have engaged a portfolio company owned by a Blackstone advised fund, to provide corporate support services (including, without limitation, accounting/audit (including valuation support services), account management, cash management, data management, environmental due diligence support and engineering assessments, information technology/systems support, reporting, legal, tax, and treasury, as applicable) and transaction support services (including, without limitation, loan diligence, underwriting and processing, assembling relevant information, conducting financial and market analyses) to certain of our investments directly. In addition, in instances where multiple Blackstone businesses may be exploring a potential individual investment, certain of these service providers may choose to be engaged by other Blackstone affiliates rather than us.

In addition, certain advisors and service providers (including law firms) may temporarily provide their personnel to Blackstone, us or other Blackstone Vehicles or their portfolio companies pursuant to various arrangements including at cost or at no cost. While often we and such other Blackstone-advised funds and their portfolio companies are the beneficiaries of these types of arrangements, Blackstone is from time to time a beneficiary of these arrangements as well, including in circumstances where the advisor or service provider also provides services to us in the ordinary course. Such personnel may provide services in respect of multiple matters, including in respect of matters related to Blackstone, its affiliates and/or portfolio companies and any costs of such personnel may be allocated accordingly.

CTIMCO, a subsidiary of Blackstone, acts as special servicer in connection with our CLO transactions and may act as special servicer in future securitization financing transactions. CTIMCO, in its capacity as special servicer, may be required to enforce obligations or undertake certain other actions that may conflict with our interests.

Lexington National Land Services, or LNLS, is a Blackstone affiliate that (i) acts as a title agent in facilitating and issuing title insurance, (ii) provides title support services for title insurance underwriters and (iii) acts as escrow agent in connection with investments by us, other Blackstone Vehicles and their portfolio entities, affiliates and related parties, and third parties, including, from time to time, our borrowers. In exchange for such services LNLS earns fees which would have otherwise been paid to third parties. If LNLS is involved in a transaction in which we participate, Blackstone will benchmark the relevant costs to the extent market data is available except when LNLS is providing such services in a state where the insurance premium or escrow fee, as applicable, is regulated by the state or when LNLS is part of a syndicate of title insurance companies where the insurance premium is negotiated by other title insurance underwriters or their agents.

- Material, Non-Public Information. We, directly or through Blackstone, our Manager or certain of their respective affiliates may come into possession of material non-public information with respect to an issuer or borrower in which we have invested or may invest. Should this occur, our Manager may be restricted from buying or selling securities, derivatives or loans of the issuer or borrower on our behalf until such time as the information becomes public or is no longer deemed material. Disclosure of such information to the personnel responsible for management of our business may be on a need-to-know basis only, and we may not be free to act upon any such information. Therefore, we and/or our Manager may not have access to material non-public information in the possession of Blackstone which might be relevant to an investment decision to be made by our Manager on our behalf, and our Manager may initiate a transaction or purchase or sell an investment which, if such information had been known to it, may not have been undertaken. Due to these restrictions, our Manager may not be able to initiate a transaction on our behalf that it otherwise might have initiated and may not be able to purchase or sell an investment that it otherwise might have purchased or sold, which could negatively affect our operations.
- Possible Future Activities. Our Manager and its affiliates may expand the range of services that they provide over time. Except as and to the extent expressly provided in our Management Agreement, our Manager and its affiliates will not be restricted in the scope of its business or in the performance of any such services (whether now offered or undertaken in the future) even if such activities could give rise to conflicts of interest, and whether or not such conflicts are described herein. Our Manager, Blackstone and their affiliates continue to develop relationships with a significant number of companies, financial sponsors and their senior managers, including relationships with clients who may hold or may have held investments similar to those intended to be made by us. These clients may themselves represent appropriate investment opportunities for us or may compete with us for investment opportunities.
- Transactions with Blackstone Vehicles. From time to time, we may enter into purchase and sale transactions with Blackstone Vehicles. Such transactions will be conducted in accordance with, and subject to, the terms and conditions of the Management Agreement (including the requirement that sales to or acquisitions of investments from Blackstone, any Blackstone Vehicle or any of their affiliates be approved in advance by a majority of our independent directors) and our code of business conduct and ethics and applicable laws and regulations. While our Manager shall seek to engage in a marketed process, or otherwise benchmark the price and terms of any such transaction, there can be no assurance that any assets sold by us to another Blackstone Vehicle will not be valued or allocated a price that is lower than might otherwise have been the case if such asset was acquired by a third-party rather than another Blackstone Vehicle .
- Loan Refinancings. We may from time to time seek to participate in investments relating to the refinancing of loans held by the Blackstone Vehicles (including the BREDS Debt Funds). While it is expected that our participation in connection with such refinancing transactions will be at arms' length and on market/contract terms, such transactions may give rise to potential or actual conflicts of interest and there can be no assurance that such financing will not be valued or allocated a price that is lower than might otherwise have been the case if such financing was provided by a third-party rather than to another Blackstone Vehicle (or that the pricing and terms of any financing provided by another Blackstone Vehicle will be as favorable as those provided by third parties).
- Other Affiliate Transactions. Our Manager may on our behalf acquire debt issued by a borrower in which a separate equity or another debt investment has been made by Blackstone or its other affiliates, including the BREDS Debt Funds. In connection with investments in which we participate alongside other Blackstone Vehicles (including the BREDS Debt Funds), we may from time to time share certain rights with such other Blackstone Vehicles relating to such investments for legal, tax, regulatory or other similar reasons, including, in certain instances, certain control-related rights with respect to jointly-held investments. When making any such investments, there may be conflicting interests. There can be no assurance that the return on our investment will be equivalent to or better than the returns obtained by Blackstone or its other affiliates.
- Family Relationships. Certain personnel and other professionals of Blackstone have family members or relatives that are actively involved in the industries and sectors in which we invest and/or have business, personal, financial or other relationships with companies in the real estate industry, which gives rise to potential or actual conflicts of interest. For example, such family members or relatives might be officers, directors, personnel or owners of companies or assets which are actual or potential investments of us or our other counterparties. Moreover, in certain instances, we may transact with companies that are owned by such family members or relatives or in respect of which such family members or relatives have other involvement. In most such circumstances, we will not be precluded from undertaking any of these investment activities or transactions. To the extent Blackstone determines appropriate, it may put in place conflict mitigation strategies with respect to a particular circumstance, such as internal information barriers or recusal, disclosure or other steps determined appropriate by the Manager.

Blackstone may enter into one or more strategic relationships in certain regions or with respect to certain types of investments that, although intended to provide greater opportunities for us, may require us to share such opportunities or otherwise limit the amount of an opportunity we can otherwise take.

Further conflicts could arise once we and Blackstone or its affiliates have made their respective investments. For example, if a company goes into bankruptcy or reorganization, becomes insolvent or otherwise experiences financial distress or is unable to meet its payment obligations or comply with covenants relating to securities held by us or by Blackstone or its affiliates, Blackstone or its affiliates may have an interest that conflicts with our interests or Blackstone or its affiliates may have information regarding the company that we do not have access to. If additional financing is necessary as a result of financial or other difficulties, it may not be in our best interests to provide such additional financing. If Blackstone or its affiliates were to lose their respective investments as a result of such difficulties, the ability of our Manager to recommend actions in our best interests might be impaired.

Termination of our Management Agreement would be costly.

Termination of our Management Agreement without cause would be difficult and costly. Our independent directors review our Manager's performance annually and the Management Agreement may be terminated each year upon the affirmative vote of at least two-thirds of our independent directors, based upon a determination that (i) our Manager's performance is unsatisfactory and materially detrimental to us or (ii) the base management fee and incentive fee payable to our Manager are not fair (provided that in this instance, our Manager will be afforded the opportunity to renegotiate the management fee and incentive fees prior to termination). We are required to provide our Manager with 180 days prior notice of any such termination. Additionally, upon such a termination, or if we materially breach the Management Agreement and our Manager terminates our Management Agreement, the Management Agreement provides that we will pay our Manager a termination fee equal to three times the sum of the average annual base management fee and the average annual incentive fee earned during the 24-month period immediately preceding the date of termination, calculated as of the end of the most recently completed fiscal quarter prior to the date of termination. These provisions increase the cost to us of terminating the Management Agreement and adversely affect our ability to terminate our Manager without cause.

Our Manager maintains a contractual as opposed to a fiduciary relationship with us. Our Manager's liability is limited under our Management Agreement and we have agreed to indemnify our Manager against certain liabilities.

Pursuant to our Management Agreement, our Manager does not assume any responsibility other than to render the services called for thereunder and is not responsible for any action of our board of directors in following or declining to follow its advice or recommendations. Our Manager maintains a contractual as opposed to a fiduciary relationship with us. Under the terms of the Management Agreement, our Manager and its affiliates and their respective directors, officers, employees and stockholders are not liable to us, our directors, our stockholders or any subsidiary of ours, or their directors, officers, employees or stockholders for any acts or omissions performed in accordance with and pursuant to the Management Agreement, except by reason of acts or omissions constituting bad faith, willful misconduct, gross negligence or reckless disregard of their duties under the Management Agreement. We have agreed to indemnify our Manager and its affiliates and their respective directors, officers, employees and stockholders with respect to all expenses, losses, damages, liabilities, demands, charges and claims arising from acts or omissions of our Manager not constituting bad faith, willful misconduct, gross negligence or reckless disregard of duties, performed or not performed in good faith in accordance with and pursuant to the Management Agreement. As a result, we could experience poor performance or losses for which our Manager would not be liable.

We do not own the Blackstone or BXMT name, but we may use it as part of our corporate name pursuant to a trademark license agreement with an affiliate of Blackstone. Use of the name by other parties or the termination of our trademark license agreement may harm our business.

We have entered into an amended and restated trademark license agreement, or Trademark License Agreement, with an affiliate of Blackstone pursuant to which it has granted us a fully paid-up, royalty-free, non-exclusive, non-transferable license to use the names "Blackstone Mortgage Trust, Inc." and "BXMT". Under this agreement, we have a right to use these names for so long as our Manager (or another affiliate of Blackstone TM L.L.C., or Licensor) serves as our Manager (or another managing entity) and our Manager remains an affiliate of the Licensor under the Trademark License Agreement. The Trademark License Agreement may also be earlier terminated by either party as a result of certain breaches or for convenience upon 90 days' prior written notice; provided that upon notification of such termination by us, the Licensor may elect to effect termination of the Trademark License Agreement immediately at any time after 30 days from the date of such notification. The Licensor and its affiliates, such as Blackstone, will retain the right to continue using the "Blackstone" and "BXMT" names. We will further be unable to preclude the Licensor from licensing or transferring the ownership of the "Blackstone" or "BXMT" names to third parties, some of whom may compete with us. Consequently,

we will be unable to prevent any damage to goodwill that may occur as a result of the activities of the Licensor, Blackstone or others. Furthermore, in the event that the Trademark License Agreement is terminated, we would be required to, among other things, change our name and NYSE ticker symbol. Any of these events could disrupt our recognition in the market place, damage any goodwill we may have generated and otherwise harm our business.

Risks Related to Our Company

Our investment strategy or guidelines, asset allocation and financing strategy may be changed without stockholder consent.

Our Manager is authorized to follow broad investment guidelines that have been approved by our board of directors. Those investment guidelines, as well as our financing strategy or hedging policies with respect to investments, originations, acquisitions, growth, operations, indebtedness, capitalization and distributions, may be changed at any time without notice to, or the consent of, our stockholders. This could result in an investment portfolio with a different risk profile. A change in our investment strategy may increase our exposure to interest rate risk, default risk and real estate market fluctuations. Furthermore, a change in our asset allocation could result in our making investments in asset categories different from those described in this report. These changes could adversely affect our results of operations and financial condition.

We must manage our portfolio so that we do not become an investment company that is subject to regulation under the Investment Company Act.

We conduct our operations so that we are not required to register as an investment company under the Investment Company Act. Under Section 3(a)(1)(C) of the Investment Company Act, a company is deemed to be an investment company if it is engaged, or proposes to engage, in the business of investing, reinvesting, owning, holding or trading in securities and owns or proposes to acquire “investment securities” having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis. “Investment securities” exclude (A) U.S. government securities, (B) securities issued by employees’ securities companies and (C) securities issued by majority-owned subsidiaries which (i) are not investment companies and (ii) are not relying on the exception from the definition of investment company under Section 3(c)(1) or 3(c)(7) of the Investment Company Act. We conduct our operations so that we will not fall within the definition of investment company under Section 3(a)(1)(C) of the Investment Company Act, since less than 40% of our total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis will consist of “investment securities.”

To avoid the need to register as an investment company, the securities issued to us by any wholly owned or majority-owned subsidiaries that are excluded from the definition of investment company under Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act, together with any other investment securities we may own, may not have a value in excess of 40% of the value of our total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis. While we monitor our holdings to ensure ongoing compliance with this test, there can be no assurance that we will be able to avoid the need to register as an investment company. This test limits the types of businesses in which we may engage through our subsidiaries. In addition, the assets we and our subsidiaries may originate or acquire are limited by the provisions of the Investment Company Act and the rules and regulations promulgated under the Investment Company Act, which may adversely affect our business.

We hold our assets primarily through direct or indirect wholly owned or majority-owned subsidiaries, certain of which are excluded from the definition of investment company pursuant to Section 3(c)(5)(C) of the Investment Company Act, which provides an exclusion for companies engaged primarily in acquiring mortgages and other liens on or interests in real estate. In order to qualify for this exclusion, such subsidiaries must maintain, on the basis of positions taken by the SEC’s Division of Investment Management, or the Division, in interpretive and no-action letters, a minimum of 55% of the value of their total assets in real property, mortgage loans and certain mezzanine loans and other assets that the Division in various no-action letters and other guidance has determined are the functional equivalent of liens on or interests in real estate, which we refer to as Qualifying Interests, and a minimum of 80% in Qualifying Interests and real estate-related assets. In the absence of SEC or Division guidance that supports the treatment of other investments as Qualifying Interests, we will treat those other investments appropriately as real estate-related assets or miscellaneous assets depending on the circumstances. With respect to our subsidiaries that maintain this exclusion or another exclusion or exemption under the Investment Company Act (other than Section 3(c)(1) or Section 3(c)(7) thereof), our interests in these subsidiaries do not and will not constitute “investment securities.”

To the extent that the SEC or its staff provides new specific guidance regarding any of the matters bearing upon the requirements of Section 3(c)(5)(C) of the Investment Company Act, we may be required to adjust our strategy accordingly. Any additional guidance from the SEC or its staff could further inhibit our ability to pursue the strategies we have chosen.

Because registration as an investment company would significantly affect our ability to engage in certain transactions or be structured in the manner we currently are, we intend to conduct our business so that we will continue to satisfy the requirements to avoid regulation as an investment company. As a consequence of our seeking to maintain our exemption from registration under the Investment Company Act on an ongoing basis, we and/or our subsidiaries may be restricted from making certain investments or may structure investments in a manner that would be less advantageous to us than would be the case in the absence of such requirements. In particular, a change in the value of any of our assets could negatively affect our ability to maintain our exemption from registration under the Investment Company Act and cause the need for a restructuring of our investment portfolio. For example, these restrictions may limit our and our subsidiaries' ability to invest directly in mortgage-backed securities that represent less than the entire ownership in a pool of senior loans, debt and equity tranches of securitizations and certain asset-backed securities, non-controlling equity interests in real estate companies or in assets not related to real estate; however, we and our subsidiaries may invest in such securities to a certain extent. In addition, seeking to maintain our exemption from registration under the Investment Company Act may cause us and/or our subsidiaries to acquire or hold additional assets that we might not otherwise have acquired or held or dispose of investments that we and/or our subsidiaries might not have otherwise disposed of, which could result in higher costs or lower proceeds to us than we would have paid or received if we were not seeking to comply with such requirements. Thus, maintaining our exemption from registration under the Investment Company Act may hinder our ability to operate solely on the basis of maximizing profits.

There can be no assurance that we and our subsidiaries will be able to successfully maintain our exemption from registration under the Investment Company Act. If it were established that we were an unregistered investment company, there would be a risk that we would be subject to monetary penalties and injunctive relief in an action brought by the SEC, that we would be unable to enforce contracts with third parties, that third parties could seek to obtain rescission of transactions undertaken during the period it was established that we were an unregistered investment company, and that we would be subject to limitations on corporate leverage that would have an adverse impact on our investment returns. In order to comply with provisions that allow us to avoid the consequences of registration under the Investment Company Act, we may need to forego otherwise attractive opportunities and limit the manner in which we conduct our operations. Therefore, compliance with such provisions may hinder our ability to operate solely on the basis of maximizing profits. If we were required to register as an investment company under the Investment Company Act, we would become subject to substantial regulation with respect to our capital structure (including our ability to use borrowings), management, operations, transactions with affiliated persons (as defined in the Investment Company Act) and portfolio composition, including disclosure requirements and restrictions with respect to diversification and industry concentration and other matters. Compliance with the Investment Company Act would, accordingly, limit our ability to make certain investments and require us to significantly restructure our business plan, which could materially adversely affect our stock price, performance and ability to pay distributions to our stockholders.

Rapid changes in the values of our other real estate-related investments may make it more difficult for us to maintain our qualification as a REIT or exclusion from regulation under the Investment Company Act.

If the market value or income potential of real estate-related investments declines, we may need to increase our real estate investments and income and/or liquidate our non-qualifying assets in order to maintain our REIT qualification or exclusion from Investment Company Act regulation. If the decline in real estate asset values and/or income occurs quickly, this may be especially difficult to accomplish. This difficulty may be exacerbated by the illiquid nature of any non-qualifying assets that we may own. We may have to make investment decisions that we otherwise would not make absent the REIT qualification and Investment Company Act considerations.

Changes in laws or regulations governing our operations, changes in the interpretation thereof or newly enacted laws or regulations and any failure by us to comply with these laws or regulations, could require changes to certain of our business practices, negatively impact our operations, cash flow or financial condition, impose additional costs on us, subject us to increased competition or otherwise adversely affect our business.

The laws and regulations governing our operations, as well as their interpretation, may change from time to time, and new laws and regulations may be enacted. Accordingly, any change in these laws or regulations, changes in their interpretation, or newly enacted laws or regulations and any failure by us to comply with these laws or regulations, could require changes to certain of our business practices, negatively impact our operations, cash flow or financial condition, impose additional costs on us or otherwise adversely affect our business. Certain regulations enacted in the E.U., including without limitation the Market Abuse Regulation and the Securitization Regulation, impose additional compliance costs on us and may increase our financing costs. Furthermore, if regulatory capital requirements—whether under the Dodd-Frank Act, Basel III (i.e., the framework for a comprehensive set of capital and liquidity standards for internationally active banking organizations, which was adopted in June 2011 by the Basel Committee on Banking Supervision, an international body comprised of senior representatives of bank supervisory authorities and central banks from 27 countries, including the

United States) or other regulatory action—are imposed on private lenders that provide us with funds, or were to be imposed on us, they or we may be required to limit, or increase the cost of, financing they provide to us or that we provide to others. Among other things, this could potentially increase our financing costs, reduce our ability to originate or acquire loans and reduce our liquidity or require us to sell assets at an inopportune time or price.

Various laws and regulations currently exist that restrict the investment activities of banks and certain other financial institutions but do not apply to us, which we believe creates opportunities for us to participate in certain investments that are not available to these more regulated institutions. However, in 2018, then-President Trump signed into law a bill easing the regulation and oversight of certain banks under the Dodd-Frank Act. Efforts by the current administration could have further impacts on our industry if previously enacted laws are amended or if new legislative or regulatory reforms are adopted. In addition, the change in administration has led to leadership changes at a number of U.S. federal regulatory agencies with oversight over the U.S. financial services industry. This poses uncertainty with respect to such agencies' ongoing policy priorities and has led, and may lead in the future, to increased regulatory enforcement activity in the financial services industry. Although there is a substantial lack of clarity regarding the likelihood, timing and details of further potential changes or reforms by the new administration and U.S. Congress, such changes or reforms may impose additional costs on our current or future investments, require the attention of senior management or result in other limitations on our business or investments. We are unable to predict at this time the effect of any such reforms.

Over the last several years, there also has been an increase in regulatory attention to the extension of credit outside of the traditional banking sector, raising the possibility that some portion of the non-bank financial sector will be subject to new regulation. While it cannot be known at this time whether any regulation will be implemented or what form it will take, increased regulation of non-bank credit extension could negatively impact our operations, cash flows or financial condition, impose additional costs on us, intensify the regulatory supervision of us or otherwise adversely affect our business.

In addition, the Iran Threat Reduction and Syria Human Rights Act of 2012, or ITRA, expands the scope of U.S. sanctions against Iran and Syria. In particular, Section 219 of the ITRA amended the Exchange Act to require companies subject to SEC reporting obligations under Section 13 of the Exchange Act to disclose in their periodic reports specified dealings or transactions involving Iran or other individuals and entities targeted by certain sanctions promulgated by the Office of Foreign Assets Control of the U.S. Department of the Treasury, or Treasury, engaged in by the reporting company or any of its affiliates during the period covered by the relevant periodic report. These companies are required to separately file with the SEC a notice that such activities have been disclosed in the relevant periodic reports, and the SEC is required to post this notice of disclosure on its website and send the report to the U.S. President and certain U.S. Congressional committees. The U.S. President thereafter is required to initiate an investigation and, within 180 days of initiating such an investigation with respect to certain disclosed activities, to determine whether sanctions should be imposed. Disclosure of such activity, even if such activity is not subject to sanctions under applicable law, and any sanctions actually imposed on us or our affiliates as a result of these activities, could harm our reputation and have a negative impact on our business. Beginning in February 2022, the United States and other countries began imposing meaningful sanctions targeting Russia as a result of actions taken by Russia in Ukraine. We are required to comply with these and potentially additional sanctions imposed by the United States and by other countries, for which the full costs, burdens, and limitations on our business and prospects are currently unknown.

State and foreign licensing requirements will cause us to incur expenses and our failure to be properly licensed may have a material adverse effect on us and our operations.

Non-bank companies are generally required to hold licenses in a number of U.S. states and foreign jurisdictions to conduct lending activities. These licensing statutes vary from jurisdiction to jurisdiction and prescribe or impose various recordkeeping requirements; restrictions on loan origination and servicing practices, including limits on finance charges and the type, amount and manner of charging fees; disclosure requirements; requirements that licensees submit to periodic examination; surety bond and minimum specified net worth requirements; periodic financial reporting requirements; notification requirements for changes in principal officers, stock ownership or corporate control; restrictions on advertising; and requirements that loan forms be submitted for review. Obtaining and maintaining licenses will cause us to incur expenses and failure to be properly licensed under such laws or otherwise may have a material adverse effect on us and our operations.

Actions of the U.S. government, including the U.S. Congress, Federal Reserve Board, Treasury and other governmental and regulatory bodies, to stabilize or reform the financial markets, or market response to those actions, may not achieve the intended effect and may adversely affect our business.

In July 2010, the Dodd-Frank Act was signed into law, which imposes significant investment restrictions and capital requirements on banking entities and other organizations that are significant to U.S. financial stability. For instance, the so-

called “Voleker Rule” provisions of the Dodd-Frank Act impose significant restrictions on the proprietary trading activities of banking entities and on their ability to sponsor or invest in private equity and hedge funds. It also directs the applicable federal regulatory agencies to subject, by rule, nonbank financial companies that have been designated as “systemically important” by the Financial Stability Oversight Council (“FSOC”) to increased capital requirements and quantitative limits for engaging in such activities, as well as consolidated supervision by the Federal Reserve Board. In December 2019, the FSOC issued interpretive guidance regarding the designation of nonbank financial companies as systemically important financial institutions, or SIFIs. This guidance implemented a number of reforms to the FSOC’s SIFI designation approach by shifting from an “entity-based” approach to an “activities-based” approach whereby the FSOC would primarily focus on regulating activities that pose systematic risk to the financial stability of the United States, rather than designations of individual firms. Under the final 2019 guidance, designation of an individual firm as a SIFI would only occur if, after engaging with the firm’s primary federal and state regulators, the FSOC determines that those regulators’ actions are inadequate to address the identified potential risk to U.S. financial stability. There can be no assurance that the FSOC will not adopt further modifications to its interpretive guidance regarding the designation of nonbank financial companies as SIFIs, including to primarily focus on an “entity-based” approach to such designations. If such designation were to occur with respect to the nonbank financial industry (under an “activities-based” approach) or with respect to us (under an “entity-based” approach), we could be subject to significantly increased levels of regulation, which includes, without limitation, a requirement to adopt heightened standards relating to capital, leverage, liquidity, risk management, credit exposure reporting and concentration limits, restrictions on acquisitions and being subject to annual stress tests by the Federal Reserve.

The Dodd-Frank Act also reformed the asset-backed securitization market (including the mortgage-backed securities market) by requiring the retention of a portion of the credit risk inherent in the pool of securitized assets and by imposing additional registration and disclosure requirements. Under the final credit risk retention rules issued in October 2014 by five federal banking and housing agencies and the SEC, which have since become effective with respect to all asset classes, sponsors of asset-backed securities are generally required to retain at least 5% of the credit risk relating to the assets that underlie such asset-backed securities. These rules could restrict credit availability and could negatively affect the terms and availability of credit to fund our investments. See “-Risks Related to Our Financing and Hedging-We have utilized and may utilize in the future non-recourse securitizations to finance our loans and investments, which may expose us to risks that could result in losses.” While the full impact of the Dodd-Frank Act cannot be fully assessed, the Dodd-Frank Act’s extensive requirements may have a significant effect on the financial markets and may affect the availability or terms of financing from our lender counterparties and the availability or terms of mortgage-backed securities, which may, in turn, have an adverse effect on our business.

On December 16, 2015, the CFTC published a final rule governing margin requirements for uncleared swaps entered into by registered swap dealers and major swap participants who are not supervised by the Federal Reserve Board, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Farm Credit Administration and the Federal Housing Finance Agency (collectively, the “Prudential Regulators”), referred to as “covered swap entities,” and such rule was amended on November 19, 2018. The final rule generally requires covered swap entities, subject to certain thresholds and exemptions, to collect and post margin in respect of uncleared swap transactions with other covered swap entities and financial end-users. In particular, the final rule requires covered swap entities and financial end-users having “material swaps exposure,” defined as an average aggregate daily notional amount of uncleared swaps exceeding a certain specified amount, to collect and/or post (as applicable) a minimum amount of “initial margin” in respect of each uncleared swap; the specified amounts for material swaps exposure differ subject to a phase-in schedule until September 1, 2020, when the average aggregate daily notional amount will thenceforth be \$8 billion as calculated from June, July and August of the previous calendar year. On November 9, 2020, the CFTC published a final rule extending the last implementation phase of its initial margin requirements for uncleared swaps from September 1, 2021 to September 1, 2022. In addition, the final rule requires covered swap entities entering into uncleared swaps with other covered swap entities or financial-end users, regardless of swaps exposure, to post and/or collect (as applicable) “variation margin” in reflection of changes in the mark-to-market value of an uncleared swap since the swap was executed or the last time such margin was exchanged. The CFTC final rule is broadly consistent with a similar rule requiring the exchange of initial and variation margin adopted by the Prudential Regulators in October 2015, as amended, which applies to registered swap dealers, major swap participants, security-based swap dealers and major security-based swap participants that are supervised by one or more of the Prudential Regulators, as well as the final rule adopted by the SEC in June 2019, as amended, which applies to security-based swap dealers and major security-based swap participants that are not supervised by one or more of the Prudential Regulators. These rules on margin requirements for uncleared swaps could adversely affect our business, including our ability to enter such swaps or our available liquidity.

The current regulatory environment may be impacted by future legislative developments, such as amendments to key provisions of the Dodd-Frank Act, including provisions setting forth capital and risk retention requirements.

In June 2020, U.S. federal regulatory agencies adopted additional revisions to the Volcker Rule's current restrictions on banking entities sponsoring and investing in certain covered hedge funds and private equity funds, including by adopting new exemptions allowing banking entities to sponsor and invest without limit in credit funds, venture capital funds, customer facilitation funds and family wealth management vehicles (the "Covered Fund Amendments"). The Covered Fund Amendments also loosen certain other restrictions on extraterritorial fund activities and direct parallel or co-investments made alongside covered funds. The Covered Fund Amendments should therefore expand the ability of banking entities to invest in and sponsor private funds. The ultimate consequences of the Reform Act and such regulatory developments on our business remain uncertain.

Financial services regulation, including regulations applicable to us, has increased significantly in recent years, and may in the future be subject to further enhanced governmental scrutiny and/or increased regulation, including resulting from changes in U.S. executive administration or Congressional leadership. Although we cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative action in the United States or any other jurisdiction, changes to legal rules and regulations, or interpretation or enforcement of them, could have a negative financial effect on our business.

We depend on our Manager and its affiliates to develop appropriate systems and procedures to control operational risk.

Operational risks arising from mistakes made in the confirmation or settlement of transactions, from transactions not being properly booked, evaluated or accounted for or other similar disruption in our operations may cause us to suffer financial losses, the disruption of our business, liability to third parties, regulatory intervention or damage to our reputation. We depend on our Manager and its affiliates to develop the appropriate systems and procedures to control operational risk. We rely heavily on our financial, accounting and other data processing systems. The ability of our systems to accommodate transactions could also constrain our ability to properly manage our portfolio. Generally, our Manager will not be liable for losses incurred due to the occurrence of any such errors.

Operational risks, including the risk of cyberattacks, may disrupt our businesses, result in losses or limit our growth.

We rely heavily on our and Blackstone's financial, accounting, treasury, communications and other data processing systems. Such systems may fail to operate properly or become disabled as a result of tampering or a breach of the network security systems or otherwise. In addition, such systems are from time to time subject to cyberattacks, which may continue to increase in sophistication and frequency in the future. Attacks on Blackstone and its affiliates and their portfolio companies' and service providers' systems could involve, and in some instances have in the past involved, attempts that are intended to obtain unauthorized access to our proprietary information or personal identifying information of our stockholders, destroy data or disable, degrade or sabotage our systems, or divert or otherwise steal funds, including through the introduction of "phishing" attempts and other forms of social engineering, computer viruses and other malicious code.

Cybersecurity incidents and cyber-attacks have been occurring globally at a more frequent and severe level and will likely continue to increase in frequency in the future. Our information and technology systems as well as those of Blackstone, its portfolio entities and other related parties, such as service providers, may be vulnerable to damage or interruption from cyber security breaches, computer viruses or other malicious code, network failures, computer and telecommunication failures, infiltration by unauthorized persons and other security breaches, usage errors by their respective professionals or service providers, power, communications or other service outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Cyberattacks, ransomware and other security threats could originate from a wide variety of sources, including cyber criminals, nation state hackers, hacktivists and other outside parties. Cyberattacks and other security threats could also originate from the malicious or accidental acts of insiders. There has been an increase in the frequency and sophistication of the cyber and security threats Blackstone faces, with attacks ranging from those common to businesses generally to those that are more advanced and persistent, which may target Blackstone because Blackstone holds a significant amount of confidential and sensitive information about its and our investors, its portfolio companies and potential investments. As a result, we and Blackstone may face a heightened risk of a security breach or disruption with respect to this information. If successful, these types of attacks on our or Blackstone's network or other systems could have a material adverse effect on our business and results of operations, due to, among other things, the loss of investor or proprietary data, interruptions or delays in the operation of our business and damage to our reputation. There can be no assurance that measures Blackstone takes to ensure the integrity of its systems will provide protection, especially because cyberattack techniques used change frequently or are not recognized until successful.

If unauthorized parties gain access to such information and technology systems, they may be able to steal, publish, delete or modify private and sensitive information, including nonpublic personal information related to shareholders (and their beneficial owners) and material nonpublic information. Although Blackstone has implemented, and its portfolio entities and service providers may implement, various measures to manage risks relating to these types of events, such systems

could prove to be inadequate and, if compromised, could become inoperable for extended periods of time, cease to function properly or fail to adequately secure private information. Blackstone does not control the cyber security plans and systems put in place by third party service providers, and such third party service providers may have limited indemnification obligations to Blackstone, its portfolio entities and us, each of which could be negatively impacted as a result. Breaches such as those involving covertly introduced malware, impersonation of authorized users and industrial or other espionage may not be identified even with sophisticated prevention and detection systems, potentially resulting in further harm and preventing them from being addressed appropriately. The failure of these systems or of disaster recovery plans for any reason could cause significant interruptions in Blackstone's, its affiliates', their portfolio entities' or our operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to shareholders, material nonpublic information and the intellectual property and trade secrets and other sensitive information in the possession of Blackstone and portfolio entities. We, Blackstone or a portfolio entity could be required to make a significant investment to remedy the effects of any such failures, harm to their reputations, legal claims that they and their respective affiliates may be subjected to, regulatory action or enforcement arising out of applicable privacy and other laws, adverse publicity and other events that may affect their business and financial performance.

In addition, Blackstone operates in businesses that are highly dependent on information systems and technology. The costs related to cyber or other security threats or disruptions may not be fully insured or indemnified by other means. In addition, cybersecurity has become a top priority for regulators around the world. The SEC recently proposed amendments to its rules related to cybersecurity risk management, strategy, governance, and incident reporting, and many jurisdictions in which we and Blackstone operate have, or are considering adopting, laws and regulations relating to data privacy, cybersecurity and protection of personal information, including the General Data Protection Regulation in the European Union that went into effect in May 2018 and the California Consumer Privacy Act that became effective on January 1, 2020 and is being amended by the California Privacy Rights Act, which will become effective on January 1, 2023. Virginia, Colorado, Utah and Connecticut recently enacted similar data privacy legislation that will go into effect in 2023. Some jurisdictions have also enacted laws requiring companies to notify individuals and government agencies of data security breaches involving certain types of personal data. Breaches in security, whether malicious in nature or through inadvertent transmittal or other loss of data, could potentially jeopardize our or Blackstone's, its employees', or our investors' or counterparties' confidential, proprietary and other information processed and stored in, and transmitted through, our or Blackstone's computer systems and networks, or otherwise cause interruptions or malfunctions in our or Blackstone's, its employees', or our investors', our counterparties' or third parties' operations, which could result in significant losses, increased costs, disruption of our business, liability to our investors and other counterparties, regulatory intervention or reputational damage. Furthermore, if we or Blackstone fail to comply with the relevant laws and regulations or fail to provide the appropriate regulatory or other notifications of a breach in a timely manner, it could result in regulatory investigations and penalties, which could lead to negative publicity and may cause our investors or Blackstone's fund investors and clients to lose confidence in the effectiveness of our or Blackstone's security measures.

Finally, we depend on our headquarters in New York City, where most of our Manager's personnel are located, for the continued operation of our business. A disaster or a disruption in the infrastructure that supports our business, including a disruption involving electronic communications or other services used by us or third parties with whom we conduct business, or directly affecting our headquarters, could have a material adverse impact on our ability to continue to operate our business without interruption. Blackstone's disaster recovery programs may not be sufficient to mitigate the harm that may result from such a disaster or disruption. In addition, insurance and other safeguards might only partially reimburse us for our losses, if at all.

Accounting rules for certain of our transactions are highly complex and involve significant judgment and assumptions. Changes in accounting interpretations or assumptions could impact our ability to timely prepare consolidated financial statements.

Accounting rules for transfers of financial assets, securitization transactions, consolidation of variable interest entities, loan loss reserves and other aspects of our operations are highly complex and involve significant judgment and assumptions. These complexities could lead to a delay in preparation of financial information and the delivery of this information to our stockholders. Changes in accounting interpretations or assumptions could impact our consolidated financial statements and

our ability to timely prepare our consolidated financial statements. Our inability to timely prepare our consolidated financial statements in the future would likely have a significant adverse effect on our stock price.

Risks Related to our REIT Status and Certain Other Tax Items

If we do not maintain our qualification as a REIT, we will be subject to tax as a regular corporation and could face a substantial tax liability. Our taxable REIT subsidiaries are subject to income tax.

We expect to continue to operate so as to qualify as a REIT under the Internal Revenue Code. However, qualification as a REIT involves the application of highly technical and complex Internal Revenue Code provisions for which only a limited number of judicial or administrative interpretations exist. Notwithstanding the availability of cure provisions in the Internal Revenue Code, we could fail to meet various compliance requirements, which could jeopardize our REIT status. Furthermore, new tax legislation, administrative guidance or court decisions, in each instance potentially with retroactive effect, could make it more difficult or impossible for us to continue to qualify as a REIT. If we fail to qualify as a REIT in any tax year, then:

- we would be taxed as a regular domestic corporation, which under current laws, among other things, means being unable to deduct distributions to stockholders in computing taxable income and being subject to U.S. federal income tax on our taxable income at regular corporate income tax rates;
- any resulting tax liability could be substantial and could have a material adverse effect on our book value;
- unless we were entitled to relief under applicable statutory provisions, we would be required to pay taxes, and therefore, our cash available for distribution to stockholders would be reduced for each of the years during which we did not qualify as a REIT and for which we had taxable income; and
- we generally would not be eligible to requalify as a REIT for the subsequent four full taxable years.

REITs, in certain circumstances, may incur tax liabilities that would reduce our cash available for distribution to our stockholders.

Even if we qualify and maintain our status as a REIT, we may become subject to U.S. federal income taxes and related state, local and foreign taxes. For example, net income from the sale of properties that are “dealer” properties sold by a REIT (a “prohibited transaction” under the Internal Revenue Code) will be subject to a 100% tax. We may not make sufficient distributions to avoid excise taxes applicable to REITs. Similarly, if we were to fail an income test (and did not lose our REIT status because such failure was due to reasonable cause and not willful neglect) we would be subject to tax on the income that does not meet the income test requirements. We also may decide to retain net capital gain we earn from the sale or other disposition of our investments and pay income tax directly on such income. In that event, our stockholders would be treated as if they earned that income and paid the tax on it directly. However, stockholders that are tax-exempt, such as charities or qualified pension plans, would have no benefit from their deemed payment of such tax liability unless they file U.S. federal income tax returns and thereon seek a refund of such tax. We also may be subject to state, local and foreign taxes on our income or property, including franchise, payroll, mortgage recording and transfer taxes, either directly or at the level of the other companies through which we indirectly own our assets, such as our TRSs, which are subject to full U.S. federal, state, local and foreign corporate-level income taxes. Any taxes we pay directly or indirectly will reduce our cash available for distribution to our stockholders.

Complying with REIT requirements may cause us to forego otherwise attractive opportunities and limit our expansion opportunities.

In order to qualify as a REIT for U.S. federal income tax purposes, we must continually satisfy tests concerning, among other things, our sources of income, the nature of our investments in commercial real estate loans and related assets, the amounts we distribute to our stockholders and the ownership of our stock. We may also be required to make distributions to stockholders at disadvantageous times or when we do not have funds readily available for distribution. Therefore, compliance with REIT requirements may hinder our ability to operate solely on the basis of maximizing profits.

Complying with REIT requirements may force us to liquidate or restructure otherwise attractive investments.

In order to qualify as a REIT, we must ensure that at the end of each calendar quarter, at least 75% of the value of our assets consists of cash, cash items, government securities and qualified REIT real estate assets. The remainder of our investments in securities cannot include more than 10% of the outstanding voting securities of any one issuer or 10% of the

total value of the outstanding securities (other than securities that qualify for the straight debt safe harbor) of any one issuer unless we and such issuer jointly elect for such issuer to be treated as a “taxable REIT subsidiary”, or TRS, under the Internal Revenue Code. Debt will generally meet the “straight debt” safe harbor if the debt is a written unconditional promise to pay on demand or on a specified date a certain sum of money, the debt is not convertible, directly or indirectly, into stock, and the interest rate and the interest payment dates of the debt are not contingent on the profits, the borrower’s discretion or similar factors. The total value of all of our investments in TRSs cannot exceed 20% of the value of our total assets. In addition, in general, no more than 5% of the value of our assets (other than government securities and qualified real estate assets) can consist of the securities of any one issuer other than a TRS. If we fail to comply with these requirements at the end of any calendar quarter, we must correct the failure within 30 days after the end of such calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification and suffering adverse tax consequences. As a result, we may be required to liquidate assets from our portfolio or not make otherwise attractive investments in order to maintain our qualification as a REIT. These actions could have the effect of reducing our income and amounts available for distribution to our stockholders.

Complying with REIT requirements may limit our ability to hedge effectively and may cause us to incur tax liabilities.

The REIT provisions of the Internal Revenue Code substantially limit our ability to hedge our liabilities. Any income from a properly and timely identified hedging transaction we enter into to manage risk of interest rate changes with respect to borrowings made or to be made to acquire or carry real estate assets does not constitute “gross income” for purposes of the 75% or 95% gross income tests that we must satisfy in order to maintain our qualification as a REIT. To the extent that we enter into other types of hedging transactions, the income from those transactions is likely to be treated as non-qualifying income for purposes of both of these gross income tests. As a result of these rules, we intend to limit our use of advantageous hedging techniques or implement those hedges through a TRS. This could increase the cost of our hedging activities because our TRS would be subject to tax on gains or expose us to greater risks associated with changes in interest rates than we would otherwise want to bear. In addition, losses in our TRS will generally not provide any tax benefit, except for being carried forward against future taxable income in the TRS.

Complying with REIT requirements may force us to borrow to make distributions to stockholders.

From time to time, our taxable income may be greater than our cash flow available for distribution to stockholders. If we do not have other funds available in these situations, we may be unable to distribute substantially all of our taxable income as required by the REIT provisions of the Internal Revenue Code. Therefore, we could be required to borrow funds, sell a portion of our assets at disadvantageous prices or find another alternative. These options could increase our costs or reduce the value of our equity.

Our charter does not permit any individual (including certain entities treated as individuals for this purpose) to own more than 9.9% of our class A common stock or of our capital stock, and attempts to acquire our class A common stock or any of our capital stock in excess of this 9.9% limit would not be effective without a prior exemption from those prohibitions by our board of directors.

For us to qualify as a REIT under the Internal Revenue Code, not more than 50% of the value of our outstanding stock may be owned, directly or indirectly, by five or fewer individuals (including certain entities treated as individuals for this purpose) during the last half of a taxable year. For the purpose of preserving our qualification as a REIT for U.S. federal income tax purposes, among other purposes, our charter prohibits beneficial or constructive ownership by any individual (including certain entities treated as individuals for this purpose) of more than a certain percentage, currently 9.9%, by value or number of shares, whichever is more restrictive, of the outstanding shares of our class A common stock or our capital stock, which we refer to as the “Ownership Limit.” The constructive ownership rules under the Internal Revenue Code and our charter are complex and may cause shares of the outstanding class A common stock owned by a group of related individuals or entities to be deemed to be constructively owned by one individual. As a result, the acquisition of less than 9.9% of our outstanding class A common stock or our capital stock by an individual or entity could cause an individual to constructively own in excess of 9.9% of our outstanding class A common stock or our capital stock, respectively, and thus violate the Ownership Limit. There can be no assurance that our board of directors, as permitted in the charter, will increase, or will not decrease, this Ownership Limit in the future. Any attempt to own or transfer shares of our class A common stock in excess of the Ownership Limit without the consent of our board of directors will result in either the shares being transferred by operation of our charter to a charitable trust, and the person who attempted to acquire such excess shares not having any rights in such excess shares, or in the transfer being void.

The Ownership Limit may have the effect of precluding a change in control of us by a third party, even if such change in control would be in the best interests of our stockholders or would result in receipt of a premium to the price of our class A common stock (and even if such change in control would not reasonably jeopardize our REIT status).

We may choose to make distributions in our own stock, in which case you may be required to pay income taxes without receiving any cash dividends.

In connection with our qualification as a REIT, we are required to annually distribute to our stockholders at least 90% of our REIT taxable income (which does not equal net income, as calculated in accordance with GAAP), determined without regard to the deduction for dividends paid and excluding net capital gain. In order to satisfy this requirement, we may make distributions that are payable in cash and/or shares of our class A common stock at the election of each stockholder. As a publicly offered REIT, if at least 20% of the total dividend is available to be paid in cash and certain other requirements are satisfied, the IRS will treat the stock distribution as a dividend (to the extent applicable rules treat such distribution as being made out of our current or accumulated earnings and profits, as determined for U.S. federal income tax purposes). This threshold has been temporarily reduced in the past, and may be reduced in the future, by IRS guidance. Taxable stockholders receiving such distributions will be required to include the full amount of such distributions as ordinary dividend income. As a result, U.S. stockholders may be required to pay income taxes with respect to such distributions in excess of the cash portion of the distribution received. Accordingly, U.S. stockholders receiving a distribution of our shares may be required to sell shares received in such distribution or may be required to sell other stock or assets owned by them, at a time that may be disadvantageous, in order to satisfy any tax imposed on such distribution. If a U.S. stockholder sells the stock that it receives as part of the distribution in order to pay this tax, the sales proceeds may be less than the amount it must include in income with respect to the distribution, depending on the market price of our stock at the time of the sale. Furthermore, with respect to certain non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such distribution, including in respect of all or a portion of such distribution that is payable in stock, by withholding or disposing of part of the shares included in such distribution and using the proceeds of such disposition to satisfy the withholding tax imposed. In addition, if a significant number of our stockholders determine to sell shares of our class A common stock in order to pay taxes owed on dividend income, such sale may put downward pressure on the market price of our class A common stock.

Although the IRS has addressed some of the tax aspects of such a taxable cash/stock distribution in a 2017 Revenue Procedure and further addressed such distributions in a 2021 Revenue Procedure, no assurance can be given that the IRS will not impose requirements in the future with respect to taxable cash/stock distributions, including on a retroactive basis, or assert that the requirements for such taxable cash/stock distributions have not been met.

Dividends payable by REITs do not qualify for the reduced tax rates available for some dividends.

Currently, the maximum tax rate applicable to qualified dividend income payable to certain non-corporate U.S. stockholders is 20%. Dividends payable by REITs, however, generally are not eligible for the reduced rate. Although this does not adversely affect the taxation of REITs or dividends payable by REITs, the more favorable rates applicable to regular corporate qualified dividends could cause certain non-corporate investors to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the shares of REITs, including our class A common stock.

Under current law, for taxable years before January 1, 2026, REIT dividends (other than capital gain dividends and qualified dividends) received by non-corporate taxpayers may be eligible for a 20% deduction, which if allowed in full equates to a maximum effective U.S. federal income tax rate on ordinary REIT dividends of 29.6%. Prospective investors should consult their own tax advisors regarding the effect of this rule on their effective tax rate with respect to REIT dividends.

We are largely dependent on external sources of capital to finance our growth.

As with other REITs, but unlike corporations generally, our ability to finance our growth must largely be funded by external sources of capital because we generally will have to distribute to our stockholders 90% of our REIT taxable income in order to qualify as a REIT, including taxable income where we do not receive corresponding cash. Our access to external capital will depend upon a number of factors, including general market conditions, the market's perception of our growth potential, our current and potential future earnings, cash distributions and the market price of our class A common stock.

Our investments in certain debt instruments may cause us to recognize "phantom income" for U.S. federal income tax purposes even though no cash payments have been received on the debt instruments, and certain modifications of such

debt by us could cause the modified debt to not qualify as a good REIT asset, thereby jeopardizing our REIT qualification.

Our taxable income may substantially exceed our net income as determined under GAAP, and differences in timing between the recognition of taxable income and the actual receipt of cash may occur. For example, we may acquire assets, including debt securities requiring us to accrue original issue discount, or OID, or recognize market discount income, that generate taxable income in excess of economic income or in advance of the corresponding cash flow from the assets referred to as “phantom income.” Moreover, we are generally required to take account of certain amounts in taxable income no later than the time such amounts are reflected on certain financial statements. The application of this rule may require the accrual of taxable income with respect to our debt instruments, such as OID, earlier than would be the case under the general tax rules, causing our “phantom income” to increase. In addition, if a borrower with respect to a particular debt instrument encounters financial difficulty rendering it unable to pay stated interest as due, we may nonetheless be required to continue to recognize the unpaid interest as taxable income with the effect that we will recognize income but will not have a corresponding amount of cash available for distribution to our stockholders.

As a result of the foregoing, we may generate less cash flow than taxable income in a particular year and find it difficult or impossible to meet the REIT distribution requirements in certain circumstances. In such circumstances, we may be required to (a) sell assets in adverse market conditions, (b) borrow on unfavorable terms, (c) distribute amounts that would otherwise be used for future acquisitions or used to repay debt, or (d) make a taxable distribution of our shares of class A common stock as part of a distribution in which stockholders may elect to receive shares of class A common stock or (subject to a limit measured as a percentage of the total distribution) cash, in order to comply with the REIT distribution requirements.

Moreover, we may acquire distressed loans or other distressed debt investments that require subsequent modification by agreement with the borrower. If the amendments to the outstanding debt are “significant modifications” under the applicable Treasury Regulations, the modified debt may be considered to have been reissued to us in a debt-for-debt taxable exchange with the borrower. In certain circumstances, this deemed reissuance may prevent a portion of the modified debt from qualifying as a good REIT asset if the underlying security has declined in value and would cause us to recognize income to the extent the principal amount of the modified debt exceeds our adjusted tax basis in the unmodified debt.

The “taxable mortgage pool” rules may increase the taxes that we or our stockholders may incur, and may limit the manner in which we effect future securitizations.

Securitizations could result in the creation of taxable mortgage pools for U.S. federal income tax purposes. As a REIT, so long as we own 100% of the equity interests in a taxable mortgage pool, we generally would not be adversely affected by the characterization of the securitization as a taxable mortgage pool. However, we would be precluded from selling equity interests in these securitizations to outside investors, or selling any debt securities issued in connection with these securitizations that might be considered to be equity interests for tax purposes. Certain categories of stockholders such as foreign stockholders eligible for treaty or other benefits, stockholders with net operating losses, and certain tax-exempt stockholders that are subject to unrelated business income tax, could be subject to increased taxes on a portion of their dividend income from us that is attributable to “excess inclusion income.” In addition, to the extent that our stock is owned by tax-exempt “disqualified organizations,” such as certain government-related entities and charitable remainder trusts that are not subject to tax on unrelated business income, we may incur a corporate level tax on a portion of our income from the taxable mortgage pool. In that case, we may reduce the amount of our distributions to pay the tax on any “excess inclusion income” ourselves. These limitations may prevent us from using certain techniques to maximize our returns from securitization transactions.

In order to control better, and to attempt to avoid, any distribution of “excess inclusion income” to our stockholders, a subsidiary REIT of ours currently owns 100% of the equity interests in each taxable mortgage pool created by our securitizations. While we believe that we have structured our securitizations such that the above taxes would not apply to our stockholders with respect to taxable mortgage pools held by our subsidiary REIT, our subsidiary REIT is in part owned by a TRS of ours, which will pay corporate level tax on any income that it may be allocated from the subsidiary REIT. In addition, our subsidiary REIT is required to satisfy, on a stand-alone basis, the REIT asset, income, organizational, distribution, stockholder ownership and other requirements described above, and if it were to fail to qualify as a REIT, then (i) our subsidiary REIT would face adverse tax consequences similar to those described above with respect to our qualification as a REIT and (ii) such failure could have an adverse effect on our ability to comply with the REIT income and asset tests and thus could impair our ability to qualify as a REIT unless we could avail ourselves of certain relief provisions.

The failure of a mezzanine loan to qualify as a real estate asset could adversely affect our ability to qualify as a REIT.

We may originate or acquire mezzanine loans, for which the IRS has provided a safe harbor but not rules of substantive law. Pursuant to the safe harbor, if a mezzanine loan meets certain requirements, it will be treated by the IRS as a real estate asset for purposes of the REIT asset tests, and interest derived from the mezzanine loan will be treated as qualifying mortgage interest for purposes of the REIT 75% and 95% gross income tests. We may originate or acquire mezzanine loans that do not meet all of the requirements of this safe harbor. In the event we own a mezzanine loan that does not meet the safe harbor, the IRS could challenge such loan's treatment as a real estate asset for purposes of the REIT asset and income tests and, if such a challenge were sustained, we could fail to qualify as a REIT.

The failure of assets subject to repurchase agreements to qualify as real estate assets could adversely affect our ability to qualify as a REIT.

We have entered into financing arrangements that are structured as sale and repurchase agreements pursuant to which we would nominally sell certain of our assets to a counterparty and simultaneously enter into an agreement to repurchase these assets at a later date in exchange for a purchase price. Economically, these agreements are financings which are secured by the assets sold pursuant thereto. We believe that we would be treated for REIT asset and income test purposes as the owner of the assets that are the subject of any such sale and repurchase agreement notwithstanding that such agreements may transfer record ownership of the assets to the counterparty during the term of the agreement. It is possible, however, that the IRS could assert that we did not own the assets during the term of the sale and repurchase agreement, in which case we could fail to qualify as a REIT.

Liquidation of assets may jeopardize our REIT qualification or create additional tax liability for us.

To continue to qualify as a REIT, we must comply with requirements regarding our assets and our sources of income. If we are compelled to liquidate our investments to repay obligations to our lenders, we may be unable to comply with these requirements, ultimately jeopardizing our qualification as a REIT, or we may be subject to a 100% tax on any resultant gain if we sell assets that are treated as "dealer" property.

Our ownership of and relationship with any TRS will be restricted, and a failure to comply with the restrictions would jeopardize our REIT status and may result in the application of a 100% excise tax.

A REIT may own up to 100% of the stock of one or more TRSs. A TRS may earn income that would not be qualifying income if earned directly by the parent REIT. Both the subsidiary and the REIT must jointly elect to treat the subsidiary as a TRS. A corporation of which a TRS directly or indirectly owns more than 35% of the voting power or value of the stock will automatically be treated as a TRS. Overall, no more than 20% of the value of a REIT's assets may consist of stock or securities of one or more TRSs. The value of our interests in and, therefore, the amount of assets held in a TRS may also be restricted by our need to qualify for an exclusion from regulation as an investment company under the Investment Company Act. A TRS will pay U.S. federal, state and local income tax at regular corporate rates on any income that it earns. In addition, the TRS rules limit the deductibility of interest paid or accrued by a TRS to its parent REIT to assure that the TRS is subject to an appropriate level of corporate taxation. Further, current law imposes a disallowance of deductions for business interest expense (even if paid to third parties) in excess of the sum of a taxpayer's business interest income and 30% of the adjusted taxable income of the business, which is its taxable income computed without regard to business interest income or expense, net operating losses or the pass-through income deduction. The TRS rules also impose a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm's-length basis.

Any domestic TRS we own will pay U.S. federal, state and local income tax on its taxable income, and its after-tax net income will be available for distribution to us. Although we plan to monitor our investments in TRSs, there can be no assurance that we will be able to comply with the limitations discussed above or to avoid application of the 100% excise tax discussed above.

We may be subject to adverse legislative or regulatory tax changes that could increase our tax liability, reduce our operating flexibility and reduce the price of our class A common stock.

In recent years, numerous legislative, judicial and administrative changes have been made in the provisions of U.S. federal income tax laws applicable to investments similar to an investment in shares of our class A common stock. Additional changes to the tax laws are likely to continue to occur, and we cannot make assurances that any such changes will not adversely affect the taxation of a stockholder. Any such changes could have an adverse effect on an investment in our shares or on the market value or the resale potential of our assets. Stockholders are urged to consult with their tax advisors

with respect to the impact of recent legislation on investments in our shares and the status of legislative, regulatory or administrative developments and proposals and their potential effect on an investment in our shares. Although REITs generally receive certain tax advantages compared to entities taxed as regular corporations, it is possible that future legislation would result in a REIT having fewer tax advantages, and it could become more advantageous for a company that invests in real estate to elect to be treated for U.S. federal income tax purposes as a corporation. As a result, our charter provides our board of directors with the power, under certain circumstances, to revoke or otherwise terminate our REIT election and cause us to be taxed as a regular corporation, without the vote of our stockholders. Our board of directors has duties to us and could only cause such changes in our tax treatment if it determines that such changes are in the best interest of our company. The impact of tax reform on your investment in us is uncertain. Prospective investors should consult their own tax advisors regarding changes in tax laws.

On August 16, 2022, President Biden signed into law the Inflation Reduction Act of 2022, or the IRA. The IRA includes numerous tax provisions that impact corporations, including the implementation of a corporate alternative minimum tax as well as a 1% excise tax on certain stock repurchases and economically similar transactions. However, REITs are excluded from the definition of an “applicable corporation” and therefore are not subject to the corporate alternative minimum tax. Additionally, the 1% excise tax specifically does not apply to stock repurchases by REITs. Our TRSs operate as standalone corporations and therefore could be adversely affected by the IRA. We will continue to analyze and monitor the application of the IRA to our business; however, the effect of these changes on the value of our assets, shares of our class A common stock or market conditions generally, is uncertain.

Risks Related to Our Class A Common Stock

The market price of our class A common stock has recently fluctuated significantly and may continue to do so.

The capital and credit markets have on occasion experienced periods of extreme volatility and disruption. The market price and liquidity of the market for shares of our class A common stock has been, and may in the future be, significantly affected by numerous factors, some of which are beyond our control and may not be directly related to our operating performance. Some of the factors that could negatively affect the market price of our class A common stock include:

- our actual or projected operating results, financial condition, cash flows and liquidity, or changes in business strategy or prospects;
- actual or perceived conflicts of interest with our Manager or other affiliates of Blackstone and individuals, including our executives;
- equity issuances by us, or share resales by our stockholders, or the perception that such issuances or resales may occur;
- loss of a major funding source;
- increases in market interest rates, which may lead investors to demand a higher distribution yield for our class A common stock, and would result in increased interest expenses on our certain of our indebtedness;
- actual or anticipated accounting problems;
- publication of research reports about us or the real estate industry;
- changes in market valuations of similar companies;
- adverse market reaction to the level of leverage we employ;
- additions to or departures of our Manager’s or Blackstone’s key personnel;
- speculation in the press or investment community;
- our failure to meet, or the lowering of, our earnings estimates or those of any securities analysts;
- a compression of the yield on our investments and an increase in the cost of our liabilities;

- failure to maintain our REIT qualification or exclusion from Investment Company Act regulation;
- price and volume fluctuations in the overall stock market from time to time;
- general market and economic conditions, and trends including inflationary concerns, and the current state of the credit and capital markets;
- significant volatility in the market price and trading volume of securities of publicly traded REITs or other companies in our sector, including us, which is not necessarily related to the operating performance of these companies;
- changes in law, regulatory policies or tax guidelines, or interpretations thereof, particularly with respect to REITs;
- changes in the value of our portfolio;
- any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;
- operating performance of companies comparable to us;
- short-selling pressure with respect to shares of our class A common stock or REITs generally; and
- uncertainty surrounding the strength of the U.S. economy particularly in light of budget deficit concerns and other U.S. and international political and economic affairs.

As noted above, market factors unrelated to our performance could also negatively impact the market price of our class A common stock. One of the factors that investors may consider in deciding whether to buy or sell our class A common stock is our distribution rate as a percentage of our stock price relative to market interest rates. If market interest rates continue to increase, prospective investors may demand a higher distribution rate or seek alternative investments paying higher dividends or interest. As a result, interest rate fluctuations and conditions in the capital markets may affect the market value of our class A common stock.

Some provisions of our charter and bylaws and Maryland law may deter takeover attempts, which may limit the opportunity of our stockholders to sell their shares at a favorable price.

Some of the provisions of Maryland law and our charter and bylaws discussed below could make it more difficult for a third party to acquire us, even if doing so might be beneficial to our stockholders by providing them with the opportunity to sell their shares at a premium to the then current market price.

Issuance of Stock Without Stockholder Approval. Our charter authorizes our board of directors, without stockholder approval, to authorize the issuance of up to 400,000,000 shares of class A common stock and up to 100,000,000 shares of preferred stock. Our charter also authorizes our board of directors, without stockholder approval, to classify or reclassify any unissued shares of our class A common stock and preferred stock into other classes or series of stock and to amend our charter to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that are authorized by the charter to be issued. Preferred stock may be issued in one or more classes or series, the terms of which may be determined by our board of directors without further action by stockholders. Prior to issuance of any such class or series, our board of directors will set the terms of any such class or series, including the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption. The issuance of any preferred stock could materially adversely affect the rights of holders of our class A common stock and, therefore, could reduce the value of the class A common stock. In addition, specific rights granted to future holders of our preferred stock could be used to restrict our ability to merge with, or sell assets to, a third party. The power of our board of directors to cause us to issue preferred stock could, in certain circumstances, make it more difficult, delay, discourage, prevent or make it more costly to acquire or effect a change in control, thereby preserving the current stockholders' control.

Advance Notice Bylaw. Our bylaws contain advance notice procedures for the introduction by a stockholder of new business and the nomination of directors by a stockholder. These provisions could, in certain circumstances, discourage proxy contests and make it more difficult for you and other stockholders to elect stockholder-nominated directors and to propose and, consequently, approve stockholder proposals opposed by management.

Maryland Takeover Statutes. Certain provisions of the Maryland General Corporation Law may have the effect of inhibiting a third party from making a proposal to acquire us or of impeding a change in our control under circumstances that otherwise could provide the holders of our Class A common stock with the opportunity to realize a premium over the then prevailing market price of such shares. We are subject to the Maryland Business Combination Act, which, subject to limitations, prohibits certain business combinations between us and an “interested stockholder” (defined generally as any person who beneficially owns 10% or more of the voting power of our then outstanding voting shares or an affiliate or associate of ours who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of our then outstanding voting shares) or an affiliate thereof for five years after the most recent date on which the stockholder becomes an interested stockholder and, thereafter, imposes special stockholder voting requirements to approve these combinations unless the consideration being received by common stockholders satisfies certain conditions.

The statute permits various exemptions from its provisions, including business combinations that are exempted by the board of directors prior to the time that an interested stockholder becomes an interested stockholder. Our board of directors has exempted any business combination involving Huskies Acquisition LLC, or Huskies Acquisition, an affiliate of Blackstone, or its affiliates as of September 27, 2012 or Blackstone and its affiliates beginning as of September 27, 2012; provided, however, that Huskies Acquisition or any of its affiliates as of September 27, 2012 and Blackstone and any of its affiliates beginning as of September 27, 2012 may not enter into any “business combination” with us without the prior approval of at least a majority of the members of our board of directors who are not affiliates or associates of Huskies Acquisition or Blackstone. As a result, Huskies Acquisition or its affiliates may enter into business combinations with us without compliance with the five-year prohibition or the super-majority vote requirements and the other provisions of the statute.

We are also subject to the Maryland Control Share Acquisition Act. With certain exceptions, the Maryland General Corporation Law provides that a holder of “control shares” of a Maryland corporation acquired in a “control share acquisition” has no voting rights with respect to those shares except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter, excluding shares owned by the acquiring person or by our officers or by our directors who are our employees. Our bylaws contain a provision exempting Huskies Acquisition, or any person or entity that was an affiliate of Huskies Acquisition as of September 27, 2012 or by Blackstone or any of its affiliates from this statute.

We are also eligible to elect to be subject to the Maryland Unsolicited Takeovers Act, which permits our board of directors, without stockholder approval, to, among other things and notwithstanding any provision in our charter or bylaws, to implement certain takeover defenses, such as a classified board, some of which we do not yet have.

Our charter contains provisions that are designed to reduce or eliminate duties of Blackstone and our directors with respect to corporate opportunities and competitive activities.

Our charter contains provisions designed to reduce or eliminate duties of Blackstone and its affiliates (as such term is defined in the charter), and of our directors or any person our directors control to refrain from competing with us or to present to us business opportunities that otherwise may exist in the absence of such charter provisions. Under our charter, Blackstone and its affiliates and our directors or any person our directors control will not be obligated to present to us opportunities unless those opportunities are expressly offered to such person in his or her capacity as a director or officer of Blackstone Mortgage Trust and those persons will be able to engage in competing activities without any restriction imposed as a result of Blackstone’s or its affiliates’ status as a stockholder or Blackstone’s affiliates’ status as officers or directors of Blackstone Mortgage Trust.

We have not established a minimum distribution payment level and we cannot assure you of our ability to pay distributions in the future.

We are generally required to distribute to our stockholders at least 90% of our REIT taxable income each year for us to qualify as a REIT under the Internal Revenue Code, which requirement we currently intend to satisfy through quarterly distributions of all or substantially all of our REIT taxable income in such year, subject to certain adjustments. Although we generally distribute and intend to continue distributing substantially all of our taxable income to holders of our class A common stock each year so as to comply with the REIT provisions of the Internal Revenue Code, we have not established a minimum distribution payment level and our ability to pay distributions may be adversely affected by a number of factors, including the risk factors described in this report. All distributions will be made at the discretion of our board of directors and will depend on our earnings, our financial condition, liquidity, debt covenants, maintenance of our REIT qualification, applicable law and such other factors as our board of directors may deem relevant from time to time. We

believe that a change in any one of the following factors could adversely affect our results of operations and impair our ability to pay distributions to our stockholders:

- our ability to make profitable investments;
- margin calls or other expenses that reduce our cash flow;
- defaults in our asset portfolio or decreases in the value of our portfolio;
- the impact of changes in interest rates on our net interest income; and
- the fact that anticipated operating expense levels may not prove accurate, as actual results may vary from estimates.

As a result, no assurance can be given that the level of any distributions we make to our stockholders will achieve a market yield or increase or even be maintained over time, any of which could materially and adversely affect the market price of our class A common stock. We may use our net operating losses, to the extent available, carried forward to offset future REIT taxable income, and therefore reduce our dividend requirements. In addition, some of our distributions may include a return of capital, which would reduce the amount of capital available to operate our business.

In addition, distributions that we make to our stockholders will generally be taxable to our stockholders as ordinary income. However, a portion of our distributions may be designated by us as long-term capital gains to the extent that they are attributable to capital gain income recognized by us or may constitute a return of capital to the extent that they exceed our earnings and profits as determined for U.S. federal income tax purposes. A return of capital is not taxable, but has the effect of reducing the basis of a stockholder's investment in our class A common stock.

Investing in our class A common stock may involve a high degree of risk.

The investments that we make in accordance with our investment objectives may result in a high amount of risk when compared to alternative investment options and volatility or loss of principal. Our investments may be highly speculative and aggressive, and therefore an investment in our class A common stock may not be suitable for someone with lower risk tolerance.

Future issuances of equity or debt securities, which may include securities that would rank senior to our class A common stock, may adversely affect the market price of the shares of our class A common stock.

The issuance of additional shares of our class A common stock, including in connection with the conversion of our outstanding 4.75% Convertible Senior Notes due 2023 and/or our outstanding 5.50% Convertible Senior Notes due 2027, through equity distribution agreements we have entered into pursuant to which we may sell, from time to time, up to an aggregate sales price of \$699.1 million of our class A common stock or in connection with other future issuances of our class A common stock or shares of preferred stock or securities convertible or exchangeable into equity securities, may dilute the ownership interest of our existing holders of our class A common stock. As of December 31, 2022, sales of our class A common stock with an aggregate sales price of \$480.9 million remained available for issuance under our equity distribution agreements. If we issue equity or debt securities which rank senior to our class A common stock, it is likely that such securities will be governed by an indenture or other instrument containing covenants restricting our operating flexibility. Additionally, any convertible or exchangeable securities that we issue may have rights, preferences and privileges more favorable than those of our class A common stock and may result in dilution to owners of our class A common stock. We and, indirectly, our stockholders will bear the cost of issuing and servicing such securities. Because our decision to issue additional equity or debt securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future issuances. Also, we cannot predict the effect, if any, of future sales of our class A common stock, or the availability of shares for future sales, on the market price of our class A common stock. Sales of substantial amounts of class A common stock or the perception that such sales could occur may adversely affect the prevailing market price for the shares of our class A common stock. Therefore holders of our class A common stock will bear the risk of our future issuances reducing the market price of our class A common stock and diluting the value of their stock holdings in us.

General Risk Factors

The long-term macroeconomic effects of the COVID-19 pandemic and any future pandemic or epidemic could have an adverse impact on our financial performance and results of operations.

Outbreaks of contagious disease, including COVID-19, or other adverse public health developments in the U.S. or worldwide could have a material adverse effect on our business, financial condition and results of operations. While many of the direct impacts of the COVID-19 pandemic have eased, the longer-term macroeconomic effects on global supply chains, inflation, labor shortages and wage increases continue to impact many industries, including the collateral underlying certain of our loans. Moreover, with the potential for new strains of existing viruses to emerge, or other pandemics or epidemics, governments and businesses may re-impose aggressive measures to help slow its spread in the future.

Long-term macroeconomic effects from a pandemic or epidemic, including from supply and labor shortages, workforce reductions in response to challenging economic conditions, or shifts in demand for real estate may have an adverse impact on our portfolio which includes loans collateralized by office, hotel, and other asset classes that are particularly negatively impacted by such supply and labor issues. The impact of such long-term effects may disproportionately affect certain asset classes and geographic areas. For example, many businesses increasingly permit employees to work from home and make use of flexible work schedules, open workplaces, videoconferences and teleconferences, which could have a longer-term impact on the demand for both office space and hotel rooms for business travel, which could adversely affect our investments in assets secured by office or hotel properties. While we believe the principal amount of our loans are generally adequately protected by underlying property value, there can be no assurance that we will realize the entire principal amount of certain investments. For more information on the concentration of credit risk in our loan portfolio property type and geographic region, see Note 3 to our consolidated financial statements.

The full extent of the impact and effects of COVID-19, and any future pandemics or epidemics, will depend on future developments, including, among other factors, how rapidly variants develop, availability, acceptance and effectiveness of vaccines along with related travel advisories, quarantines and restrictions, the recovery time of the disrupted supply chains and industries, the impact of labor market interruptions, the impact of government interventions, and uncertainty with respect to the duration of the global economic slowdown. COVID-19, or any future pandemics or epidemics, and resulting impacts on the financial, economic and capital markets environment, and future developments in these and other areas present uncertainty and risk with respect to our performance, results of operations and ability to pay distributions.

We invest in derivative instruments, which would subject us to increased risk of loss.

Subject to maintaining our qualification as a REIT, we have and may invest in derivative instruments. A derivative instrument, especially one of a large notional size or referencing a less common underlying rate, index, instrument or asset, may not be liquid in all circumstances, so that in volatile markets we may not be able to close out a position without incurring a loss. The prices of derivative instruments, which commonly include swaps, futures, forwards and options, may be highly volatile and such instruments may subject us to significant losses. The value of such derivatives also depends upon the price of the underlying instrument or asset or the level of the reference market rate or index. Derivative instruments also are subject to the risk of non-performance by the relevant counterparty. In addition, actual or implied daily limits on price fluctuations and position limits on the exchanges or over-the-counter, or OTC, markets in which we may conduct our transactions in derivative instruments may prevent prompt liquidation of positions, subjecting us to the potential of greater losses. Derivative instruments that may be purchased or sold by us may include instruments that are purchased or sold OTC as bilateral transactions and not traded on an exchange. The risk of nonperformance by the obligor on such an OTC derivative instrument may be greater and the ease with which we can dispose of or enter into closing transactions with respect to such an instrument may be less than in the case of an exchange-traded instrument. In addition, significant disparities may exist between “bid” and “asked” prices for OTC derivative instruments. Such OTC derivatives are also subject to types and levels of investor protections or governmental regulation that may differ from exchange traded instruments.

In addition, we may invest in derivative instruments that are neither presently contemplated nor currently available, but which may be developed in the future, to the extent such opportunities are both consistent with our investment objectives and legally permissible. Any such investments may expose us to unique and presently indeterminate risks, the impact of

which may not be capable of determination until such instruments are developed and/or we determine to make such an investment.

We are subject to counterparty risk associated with our debt obligations.

Our counterparties for critical financial relationships may include both domestic and international financial institutions. These institutions could be severely impacted by credit market turmoil, changes in legislation, allegations of civil or criminal wrongdoing and may as a result experience financial or other pressures. In addition, if a lender or counterparty files for bankruptcy or becomes insolvent, our borrowings under financing agreements with them may become subject to bankruptcy or insolvency proceedings, thus depriving us, at least temporarily, of the benefit of these assets. Such an event could restrict our access to financing and increase our cost of capital. If any of our counterparties were to limit or cease operation, it could lead to financial losses for us.

We may enter into hedging transactions that could expose us to contingent liabilities in the future.

Subject to maintaining our qualification as a REIT, part of our investment strategy may involve entering into hedging transactions that could require us to fund cash payments in certain circumstances (such as the early termination of the hedging instrument caused by an event of default or other early termination event, or the decision by a counterparty to request margin securities it is contractually owed under the terms of the hedging instrument). The amount due with respect to an early termination would generally be equal to the unrealized loss of such open transaction positions with the respective counterparty and could also include other fees and charges. These economic losses will be reflected in our results of operations, and our ability to fund these obligations will depend on the liquidity of our assets and access to capital at the time, and the need to fund these obligations could adversely affect our results of operations and financial condition.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our principal executive and administrative offices are located in leased space at 345 Park Avenue, 24th Floor, New York, New York 10154. We do not own any real property. We consider these facilities to be suitable and adequate for the management and operations of our business.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we may be involved in various claims and legal actions arising in the ordinary course of business. As of December 31, 2022, we were not involved in any material legal proceedings.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our class A common stock is listed for trading on the NYSE under the symbol "BXMT." As of February 1, 2023 there were 235 holders of record of our class A common stock. This does not include the number of stockholders that hold shares in "street name" through banks or broker-dealers.

We generally intend to distribute each year substantially all of our taxable income (which does not necessarily equal net income as calculated in accordance with generally accepted accounting principles, or GAAP) to our stockholders to comply with the REIT provisions of the Internal Revenue Code. In addition, our dividend policy remains subject to revision at the discretion of our board of directors. All distributions will be made at the discretion of our board of directors and will depend upon, among other things, our actual results of operations and liquidity. These results and our ability to pay distributions will be affected by various factors, including our taxable income, our financial condition, our maintenance of REIT status, applicable law, and other factors as our board of directors deems relevant.

Issuer Purchases of Equity Securities

We did not purchase any shares of our class A common stock during the three months or year ended December 31, 2022.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this Annual Report on Form 10-K. In addition to historical data, this discussion contains forward looking statements about our business, operations and financial performance based on current expectations that involve risks, uncertainties and assumptions. Our actual results may differ materially from those in this discussion as a result of various factors, including but not limited to those discussed in Part, 1. Item 1A, “Risk Factors” in this Annual Report on Form 10-K.

Introduction

Blackstone Mortgage Trust is a real estate finance company that originates senior loans collateralized by commercial real estate in North America, Europe, and Australia. Our portfolio is composed primarily of loans secured by high-quality, institutional assets in major markets, sponsored by experienced, well-capitalized real estate investment owners and operators. These senior loans are capitalized by accessing a variety of financing options, including borrowing under our credit facilities, issuing CLOs or single-asset securitizations, and syndicating senior loan participations, depending on our view of the most prudent financing option available for each of our investments. We are not in the business of buying or trading securities, and the only securities we own are the retained interests from our securitization financing transactions, which we have not financed. We are externally managed by BXMT Advisors L.L.C., or our Manager, a subsidiary of Blackstone Inc., or Blackstone, and are a real estate investment trust, or REIT, traded on the New York Stock Exchange, or NYSE, under the symbol “BXMT.”

We benefit from the deep knowledge, experience and information advantages of our Manager, which is a part of Blackstone’s real estate platform. Blackstone has built the world’s preeminent global real estate business, with a proven track record of successfully navigating market cycles and emerging stronger through periods of volatility. The market-leading real estate expertise derived from the strength of the Blackstone platform deeply informs our credit and underwriting process, and we believe gives us the tools to expertly manage the assets in our portfolio and work with our borrowers throughout periods of economic stress and uncertainty.

We conduct our operations as a REIT for U.S. federal income tax purposes. We generally will not be subject to U.S. federal income taxes on our taxable income to the extent that we annually distribute all of our net taxable income to stockholders and maintain our qualification as a REIT. We also operate our business in a manner that permits us to maintain an exclusion from registration under the Investment Company Act of 1940, as amended. We are organized as a holding company and conduct our business primarily through our various subsidiaries.

Recent Developments

Macroeconomic Environment

The year ended December 31, 2022 has been characterized by steep declines and significant volatility in global markets, driven by investor concerns over inflation, rising interest rates, slowing economic growth and geopolitical uncertainty. Inflation across many key economies reached generational highs, prompting central banks to take monetary policy tightening actions that are likely to create headwinds to economic growth. The ongoing war between Russia and Ukraine is also contributing to economic and geopolitical uncertainty.

Inflation continues to rise and has caused the Federal Reserve to raise interest rates with indications of future increases, which has created further uncertainty for the economy and for our borrowers. Although our business model is such that rising interest rates will, all else being equal, correlate to increases in our net income, increases in interest rates may adversely affect our existing borrowers. Additionally, rising rates and increasing costs may dampen consumer spending and slow corporate profit growth, which may negatively impact the collateral underlying certain of our loans. While there is debate among economists as to whether such factors, coupled with recent periods of economic contraction in the U.S., indicate that the U.S. has entered, or in the near term will enter, a recession, it remains difficult to predict the full impact of recent changes and any future changes in interest rates or inflation.

Reference Rate Reform

LIBOR and certain other floating rate benchmark indices to which our floating rate loans and other loan agreements are tied, including, without limitation, the Euro Interbank Offered Rate, or EURIBOR, the Stockholm Interbank Offered Rate, or STIBOR, the Australian Bank Bill Swap Reference Rate, or BBSY, the Canadian Dollar Offered Rate, or CDOR, the

Swiss Average Rate Overnight, or SARON, and the Copenhagen Interbank Offering Rate, or CIBOR, or collectively, IBORs, have been the subject of national, international and regulatory guidance and proposals for reform. As of December 31, 2021, the ICE Benchmark Association, or IBA, ceased publication of most non-USD LIBOR settings. IBA also previously announced its intention to cease publication of remaining U.S. dollar LIBOR settings immediately after June 30, 2023; however, in November 2022 the U.K. Financial Conduct Authority, which regulates IBA, announced a public consultation regarding whether it should compel IBA to continue publishing “synthetic” USD LIBOR settings from June 2023 to the end of September 2024. Further, on March 15, 2022, the Consolidated Appropriations Act of 2022, which includes the Adjustable Interest Rate (LIBOR) Act, or LIBOR Act, was signed into law in the U.S. This legislation establishes a uniform benchmark replacement process for financial contracts maturing after June 30, 2023 that do not contain clearly defined or practicable fallback provisions. Under the LIBOR Act, such contracts will automatically transition as a matter of law to a Secured Overnight Financing Rate, or SOFR, based replacement rate identified by the Board of Governors of the Federal Reserve System, or Federal Reserve. The legislation also creates a safe harbor that shields lenders from litigation if they choose to utilize a replacement rate recommended by the Federal Reserve. In July 2022, the Federal Reserve issued a notice of proposed rulemaking implementing the LIBOR Act. As of December 31, 2022, no regulations have been promulgated.

The Federal Reserve, in conjunction with the Alternative Reference Rates Committee, or ARRC, a steering committee composed of large U.S. financial institutions, identified SOFR, a new index calculated using short-term repurchase agreements backed by U.S. Treasury securities, as its preferred alternative rate for USD LIBOR. According to the ARRC, data from the cash and derivatives markets show continued momentum in the transition from LIBOR to SOFR, and SOFR is currently predominant across cash and derivatives markets. As of December 31, 2022, one-month term SOFR is utilized as the floating benchmark rate on 76 of our loans, the financing provided on the 2020 FL3 and 2020 FL2 CLOs, one of our asset-specific financings, certain borrowings under twelve of our credit facilities, and our B-4 Term Loan. As of December 31, 2022, one-month term SOFR was 4.36% and one-month USD LIBOR was 4.39%. Additionally, market participants have continued to transition from GBP LIBOR to the Sterling Overnight Index Average, or SONIA, in line with guidance from the U.K. regulators. As of December 31, 2022, daily compounded SONIA is utilized as the floating benchmark rate for all of our floating rate British Pound Sterling loans and related financings. As of December 31, 2022, 63.5% of our aggregate loan principal balance has either transitioned to the applicable replacement benchmark rate, or its existing benchmark rate is not expected to be replaced, and we expect to transition the remaining 36.5% in 2023.

At this time, it is not possible to predict how markets will respond in the future to SOFR, SONIA, or other alternative reference rates as the transition away from USD LIBOR and GBP LIBOR proceeds. Despite the LIBOR transition in other markets, benchmark rate methodologies in Europe, Australia, Canada, Switzerland and Denmark have been reformed and rates such as EURIBOR, STIBOR, BBSY, CDOR, SARON and CIBOR may persist as International Organization of Securities Commissions, or IOSCO, compliant reference rates moving forward. However, multi-rate environments may persist in these markets as regulators and working groups have suggested market participants adopt alternative reference rates.

Refer to “Part I. Item 1A. Risk Factors—Risks Related to Our Lending and Investment Activities—The transition away from reference rates and the use of alternative replacement reference rates may adversely affect net interest income related to our loans and investments or otherwise adversely affect our results of operations, cash flows and the market value of our investments.” of this Annual Report on Form 10-K.

2022 Highlights

Operating results:

- Net income of \$248.6 million, or \$1.46 per share, and Distributable Earnings of \$489.8 million, or \$2.87 per share, with dividends declared of \$423.6 million, or \$2.48 per share. Net income includes a \$211.5 million increase to the current expected credit loss, or CECL, reserve that is excluded from Distributable Earnings, as further described below.
- Book value per share of \$26.26 as of December 31, 2022, which is net of a \$1.99 cumulative CECL reserve, and is within 1% of our book value of \$26.42 as of December 31, 2020, despite an increase of \$171.6 million in our CECL reserve since that time.
- Increased our liquidity to \$1.8 billion as of December 31, 2022.

Loan portfolio:

- Loan originations of \$7.1 billion. During the year we had loan fundings of \$7.2 billion and loan repayments of \$3.7 billion, resulting in net fundings of \$3.4 billion.

- Portfolio of 203 investments as of December 31, 2022, with a weighted-average origination loan-to-value ratio of 63.9% and weighted-average all-in yield of + 3.76%.

Capital markets and financing activity:

- Closed \$4.6 billion of new financings under our secured debt facilities, adding two new credit facilities with innovative structures to finance our investments.
- Borrowed an additional \$825.0 million under our term loan facilities with an interest rate of SOFR plus 3.50% and maturity in 2029, issued \$300.0 million aggregate principal amount of 5.50% convertible senior notes due 2027, and issued an aggregate 2.3 million shares of our class A common stock, providing aggregate net proceeds of \$70.7 million.

I. Key Financial Measures and Indicators

As a real estate finance company, we believe the key financial measures and indicators for our business are earnings per share, dividends declared, Distributable Earnings, and book value per share. For the three months ended December 31, 2022, we recorded a net loss per share of \$0.28, declared a dividend of \$0.62 per share, and reported \$0.87 per share of Distributable Earnings. In addition, our book value as of December 31, 2022 was \$26.26 per share, which is net of a \$1.99 per share cumulative CECL reserve. For the year ended December 31, 2022, we recorded earnings per share of \$1.46, declared aggregate dividends of \$2.48 per share, and reported \$2.87 per share of Distributable Earnings.

As further described below, Distributable Earnings is a measure that is not prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP, which helps us to evaluate our performance excluding the effects of certain transactions and GAAP adjustments that we believe are not necessarily indicative of our current loan portfolio and operations. In addition, Distributable Earnings is a performance metric we consider when declaring our dividends.

Earnings Per Share and Dividends Declared

The following table sets forth the calculation of basic net income (loss) per share and dividends declared per share (\$ in thousands, except per share data):

	Three Months Ended December 31,	Year Ended December 31,	
	2022	2022	2021
Net (loss) income ⁽¹⁾	\$ (47,540)	\$ 248,642	\$ 419,193
Weighted-average shares outstanding, basic	171,604,533	170,631,410	151,521,941
Per share amount, basic	\$ (0.28)	\$ 1.46	\$ 2.77
Dividends declared per share	\$ 0.62	\$ 2.48	\$ 2.48

- (1) Represents net income attributable to Blackstone Mortgage Trust. Refer to Note 13 to our consolidated financial statements for the calculation of diluted net income per share.

Distributable Earnings

Distributable Earnings is a non-GAAP measure, which we define as GAAP net income (loss), including realized gains and losses not otherwise recognized in current period GAAP net income (loss), and excluding (i) non-cash equity compensation expense, (ii) depreciation and amortization, (iii) unrealized gains (losses), and (iv) certain non-cash items. Distributable Earnings may also be adjusted from time to time to exclude one-time events pursuant to changes in GAAP and certain other non-cash charges as determined by our Manager, subject to approval by a majority of our independent directors. Distributable Earnings mirrors the terms of our management agreement between our Manager and us, or our Management Agreement, for purposes of calculating our incentive fee expense.

Our CECL reserve has been excluded from Distributable Earnings consistent with other unrealized gains (losses) pursuant to our existing policy for reporting Distributable Earnings. We expect to only recognize such potential credit losses in Distributable Earnings if and when such amounts are deemed nonrecoverable upon a realization event. This is generally at the time a loan is repaid, or in the case of foreclosure, when the underlying asset is sold, but non-recoverability may also be concluded if, in our determination, it is nearly certain that all amounts due will not be collected. The realized loss amount reflected in Distributable Earnings will equal the difference between the cash received, or expected to be received, and the book value of the asset, and is reflective of our economic experience as it relates to the ultimate realization of the loan.

We believe that Distributable Earnings provides meaningful information to consider in addition to our net income (loss) and cash flow from operating activities determined in accordance with GAAP. We believe Distributable Earnings is a useful financial metric for existing and potential future holders of our class A common stock as historically, over time, Distributable Earnings has been a strong indicator of our dividends per share. As a REIT, we generally must distribute annually at least 90% of our net taxable income, subject to certain adjustments, and therefore we believe our dividends are one of the principal reasons stockholders may invest in our class A common stock. Refer to Note 15 to our consolidated financial statements for further discussion of our distribution requirements as a REIT. Further, Distributable Earnings helps us to evaluate our performance excluding the effects of certain transactions and GAAP adjustments that we believe are not necessarily indicative of our current loan portfolio and operations, and is a performance metric we consider when declaring our dividends.

Distributable Earnings does not represent net income (loss) or cash generated from operating activities and should not be considered as an alternative to GAAP net income (loss), or an indication of our GAAP cash flows from operations, a measure of our liquidity, or an indication of funds available for our cash needs. In addition, our methodology for calculating Distributable Earnings may differ from the methodologies employed by other companies to calculate the same or similar supplemental performance measures, and accordingly, our reported Distributable Earnings may not be comparable to the Distributable Earnings reported by other companies.

The following table provides a reconciliation of Distributable Earnings to GAAP net income (loss) (\$ in thousands, except per share data):

	Three Months Ended December 31, 2022	Year Ended December 31,	
		2022	2021
Net (loss) income ⁽¹⁾	\$ (47,540)	\$ 248,642	\$ 419,193
Charge-offs of current expected credit loss reserve ⁽²⁾	—	—	(14,427)
Increase (decrease) in current expected credit loss reserve	188,811	211,505	(39,864)
Non-cash compensation expense	8,128	33,414	31,647
Realized hedging and foreign currency loss, net ⁽³⁾	(511)	(3,239)	(521)
Adjustments attributable to non-controlling interests, net	(268)	(361)	132
Other items	(25)	(131)	561
Distributable Earnings	\$ 148,595	\$ 489,830	\$ 396,721
Weighted-average shares outstanding, basic ⁽⁴⁾	171,604,533	170,631,410	151,521,941
Distributable Earnings per share, basic	\$ 0.87	\$ 2.87	\$ 2.62

- (1) Represents net (loss) income attributable to Blackstone Mortgage Trust.
- (2) Represents a realized loss related to loan principal amounts deemed nonrecoverable following a realization event during the year ended December 31, 2021. This amount was previously recognized as a component of GAAP net income as an increase in our current expected credit loss reserve.
- (3) Represents realized (losses) on the repatriation of unhedged foreign currency. These amounts were not included in GAAP net income, but rather as a component of Other Comprehensive Income in our consolidated financial statements.
- (4) The weighted-average shares outstanding, basic, exclude shares issuable from a potential conversion of our Convertible Notes. Consistent with the treatment of other unrealized adjustments to Distributable Earnings, these potentially issuable shares are excluded until a conversion occurs. Refer to Note 13 to our consolidated financial statements for the calculation of diluted net income per share.

Book Value Per Share

The following table calculates our book value per share (\$ in thousands, except per share data):

	December 31, 2022	December 31, 2021
Stockholders' equity	\$ 4,518,794	\$ 4,588,187
Shares		
Class A common stock	171,695,985	168,179,798
Deferred stock units	410,608	363,572
Total outstanding	172,106,593	168,543,370
Book value per share ⁽¹⁾	\$ 26.26	\$ 27.22

- (1) The book value per share excludes shares issuable from a potential conversion of our Convertible Notes. Refer to Note 13 to our consolidated financial statements for the calculation of diluted net income per share.

II. Loan Portfolio

During the year ended December 31, 2022, we originated or acquired \$7.1 billion of loans. Loan fundings during the year totaled \$7.2 billion and loan repayments and sales during the year totaled \$3.7 billion. We generated interest income of \$1.3 billion and incurred interest expense of \$710.9 million during the year, which resulted in \$628.1 million of net interest income during the year ended December 31, 2022.

Portfolio Overview

The following table details our loan origination activity (\$ in thousands):

	Three Months Ended December 31, 2022	Year Ended December 31, 2022
Loan originations ⁽¹⁾	\$ 235,467	\$ 7,058,819
Loan fundings ⁽²⁾	\$ 689,872	\$ 7,155,133
Loan repayments and sales ⁽³⁾	(647,980)	(3,733,990)
Total net fundings	\$ 41,892	\$ 3,421,143

- (1) Includes new loan originations and additional commitments made under existing loans.
- (2) Loan fundings during the three months and year ended December 31, 2022, include \$90.5 million and \$344.9 million, respectively, of additional fundings under related non-consolidated senior interests.
- (3) Loan repayments and sales during the year ended December 31, 2022 include \$441.6 million of additional repayments or reduction of loan exposure under related non-consolidated senior interests. Loan repayments and sales during the year ended December 31, 2022 include \$300.1 million of additional repayments by the loan held by our non-consolidated securitized debt obligation. There were no such related loan repayments during the three months ended December 31, 2022.

The following table details overall statistics for our loan portfolio as of December 31, 2022 (\$ in thousands):

	Balance Sheet Portfolio	Loan Exposure ⁽¹⁾
Number of investments	203	203
Principal balance	\$ 25,160,343	\$ 26,810,281
Net book value	\$ 24,691,743	\$ 24,691,743
Unfunded loan commitments ⁽²⁾	\$ 3,806,153	\$ 4,511,975
Weighted-average cash coupon ⁽³⁾	+ 3.44 %	+ 3.37 %
Weighted-average all-in yield ⁽³⁾	+ 3.84 %	+ 3.76 %
Weighted-average maximum maturity (years) ⁽⁴⁾	3.1	3.1
Origination loan to value (LTV) ⁽⁵⁾	64.1 %	63.9 %

-
- (1) In certain instances, we finance our loans through the non-recourse sale of a senior loan interest that is not included in our consolidated financial statements. Total loan exposure encompasses the entire loan we originated and financed, including \$1.6 billion of such non-consolidated senior interests that are not included in our balance sheet portfolio.
- (2) Unfunded commitments will primarily be funded to finance our borrowers' construction or development of real estate-related assets, capital improvements of existing assets, or lease-related expenditures. These commitments will generally be funded over the term of each loan, subject in certain cases to an expiration date.
- (3) The weighted-average cash coupon and all-in yield are expressed as a spread over the relevant floating benchmark rates, which include USD LIBOR, SOFR, SONIA, EURIBOR, and other indices as applicable to each investment. As of December 31, 2022, substantially all of our loans by total loan exposure earned a floating rate of interest, primarily indexed to USD LIBOR and SOFR. In addition to cash coupon, all-in yield includes the amortization of deferred origination and extension fees, loan origination costs, and purchase discounts, as well as the accrual of exit fees. Excludes loans accounted for under the cost-recovery method.
- (4) Maximum maturity assumes all extension options are exercised by the borrower, however our loans and other investments may be repaid prior to such date. As of December 31, 2022, 53% of our loans by total loan exposure were subject to yield maintenance or other prepayment restrictions and 47% were open to repayment by the borrower without penalty.
- (5) Based on LTV as of the dates loans were originated or acquired by us.

The following table details the index rate floors for our loan portfolio based on total loan exposure as of December 31, 2022 (\$ in thousands):

Index Rate Floors	Total Loan Exposure ⁽¹⁾		
	USD	Non-USD ⁽²⁾	Total
Fixed Rate	\$ 38,160	\$ —	\$ 38,160
0.00% or no floor	4,562,239	6,973,651	11,535,890
0.01% to 1.00% floor	9,837,376	858,247	10,695,623
1.01% to 1.50% floor	2,637,027	153,453	2,790,480
1.51% to 2.00% floor	1,000,252	343,841	1,344,093
2.01% or more floor	356,603	49,432	406,035
Total ⁽³⁾	\$ 18,431,657	\$ 8,378,624	\$ 26,810,281

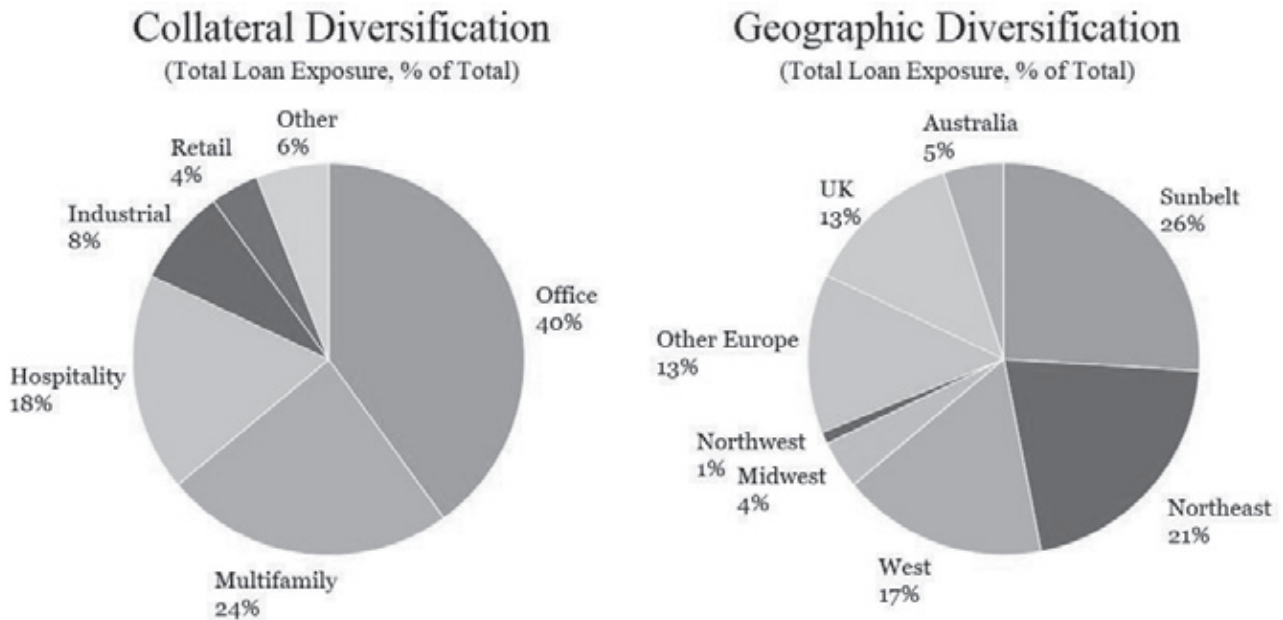
- (1) In certain instances, we finance our loans through the non-recourse sale of a senior loan interest that is not included in our consolidated financial statements. Total loan exposure encompasses the entire loan we originated and financed, including \$1.6 billion of such non-consolidated senior interests that are not included in our balance sheet portfolio.
- (2) Includes Euro, British Pound Sterling, Swedish Krona, Australian Dollar, Canadian Dollar, Swiss Franc, and Danish Krone currencies.
- (3) As of December 31, 2022, the weighted-average index rate floor of our loan portfolio was 0.38%. Excluding 0.0% index rate floors and loans with no floor, the weighted-average index rate floor was 0.65%. As of December 31, 2021, the weighted-average index rate floor of our loan portfolio was 0.42%. Excluding 0.0% index rate floors and loans with no floor, the weighted-average index rate floor was 0.70%.

The following table details the floating benchmark rates for our loan portfolio based on total loan exposure as of December 31, 2022 (total investment portfolio amounts in thousands):

Investment Count	Currency	Total Loan Exposure ⁽¹⁾	Floating Rate Index ⁽²⁾	Cash Coupon ⁽³⁾	All-in Yield ⁽³⁾
160	\$	\$ 18,431,659	USD LIBOR / SOFR ⁽⁴⁾	+ 3.21%	+ 3.58%
12	€	€ 2,717,778	EURIBOR	+ 3.20%	+ 3.63%
23	£	£ 2,782,967	SONIA	+ 3.82%	+ 4.36%
8	Various	\$ 2,106,582	Other ⁽⁵⁾	+ 4.21%	+ 4.52%
203		\$ 26,810,281	Applicable Index	+ 3.37%	+ 3.76%

- (1) In certain instances, we finance our loans through the non-recourse sale of a senior loan interest that is not included in our consolidated financial statements. Total loan exposure encompasses the entire loan we originated and financed, including \$1.6 billion of such non-consolidated senior interests that are not included in our balance sheet portfolio.
- (2) We use foreign currency forward contracts to protect the value or fix the amount of certain investments or cash flows in terms of the U.S. dollar. We earn forward points on our forward contracts that reflect the interest rate differentials between the applicable base rate for our foreign currency investments and prevailing U.S. interest rates. These forward contracts effectively convert the foreign currency rate exposure for such investments to USD-equivalent interest rates.
- (3) In addition to cash coupon, all-in yield includes the amortization of deferred origination and extension fees, loan origination costs, and purchase discounts, as well as the accrual of exit fees. Excludes loans accounted for under the cost-recovery method.
- (4) As of December 31, 2022, \$10.4 billion and \$8.0 billion of loans were indexed to USD LIBOR and SOFR, respectively. As of December 31, 2022, one-month USD LIBOR was 4.39% and SOFR was 4.36%.
- (5) Includes floating rate loans indexed to STIBOR, BBSY, CDOR, SARON, and CIBOR indices.

The charts below detail the geographic distribution and types of properties securing our loan portfolio, as of December 31, 2022:



Refer to section VI of this Item 7 for details of our loan portfolio, on a loan-by-loan basis.

Portfolio Management

During the year ended December 31, 2022, we collected 100.0% of the contractual interest payments that were due under our loans, with no interest deferrals, which we believe demonstrates the overall strength of our loan portfolio and the commitment and financial wherewithal of our borrowers generally, which are primarily affiliated with large real estate private equity funds and other strong, well-capitalized, experienced sponsors.

We maintain a robust asset management relationship with our borrowers and utilize these relationships to maximize the performance of our portfolio, including during periods of volatility. We believe that we will benefit from these relationships and from our long-standing core business model of originating senior loans collateralized by large assets in major markets with experienced, well-capitalized institutional sponsors. Our loan portfolio’s low weighted-average origination LTV of 63.9% as of December 31, 2022 reflects significant equity value that we expect our sponsors will be motivated to protect through periods of cyclical disruption. While we believe the principal amounts of our loans are generally adequately protected by underlying collateral value, there is a risk that we will not realize the entire principal value of certain investments.

Our portfolio monitoring and asset management operations benefit from the deep knowledge, experience, and information advantages derived from our position as part of Blackstone’s real estate platform. Blackstone has built the world’s preeminent global real estate business, with a proven track record of successfully navigating market cycles and emerging stronger through periods of volatility. The market-leading real estate expertise derived from the strength of the Blackstone platform deeply informs our credit and underwriting process, and gives us the tools to expertly asset manage our portfolio and work with our borrowers throughout periods of economic stress and uncertainty.

As discussed in Note 2 to our consolidated financial statements, we perform a quarterly review of our loan portfolio, assesses the performance of each loan, and assigns it a risk rating between “1” and “5,” from less risk to greater risk. The weighted-average risk rating of our total loan exposure was 2.8 as of both December 31, 2022 and December 31, 2021, respectively.

The following table allocates the principal balance and total loan exposure balances based on our internal risk ratings (\$ in thousands):

Risk Rating	December 31, 2022		
	Number of Loans	Net Book Value	Total Loan Exposure ⁽¹⁾
1	17	\$ 1,403,185	\$ 1,428,232
2	36	5,880,424	6,562,852
3	134	14,128,133	15,209,018
4	11	2,677,027	2,680,145
5	5	929,111	930,034
Loans receivable	203	\$ 25,017,880	\$ 26,810,281
CECL reserve		(326,137)	
Loans receivable, net		\$ 24,691,743	

- (1) In certain instances, we finance our loans through the non-recourse sale of a senior loan interest that is not included in our consolidated financial statements. See Note 2 to our consolidated financial statements for further discussion. Total loan exposure encompasses the entire loan we originated and financed, including \$1.6 billion of such non-consolidated senior interests as of December 31, 2022.

Current Expected Credit Loss Reserve

The CECL reserve required by GAAP reflects our current estimate of potential credit losses related to our loans and debt securities included in our consolidated balance sheets. Other than a few narrow exceptions, GAAP requires that all financial instruments subject to the CECL model have some amount of loss reserve to reflect the GAAP principle underlying the CECL model that all loans, debt securities, and similar assets have some inherent risk of loss, regardless of credit quality, subordinate capital, or other mitigating factors.

During the year ended December 31, 2022, we recorded an increase of \$201.5 million in the CECL reserve against our loans receivable portfolio, bringing our total loans receivable CECL reserve to \$326.1 million as of December 31, 2022. This CECL reserve reflects certain loans assessed for impairment in our portfolio, as well as macroeconomic conditions, including inflationary pressures and market volatility.

During the year ended December 31, 2022, we recorded an increase of \$134.9 million in the CECL reserve specifically related to four of our loans receivable with an aggregate net book value of \$644.3 million as of December 31, 2022. As of December 31, 2022, the income accrual was suspended on these four loans as recovery of income and principal was doubtful. During the three months ended December 31, 2022, we recorded \$11.3 million of interest income on these loans. As of December 31, 2022, we had an aggregate \$189.8 million CECL reserve specifically related to five of our loans receivable, with an aggregate net book value of \$929.1 million. This CECL reserve was recorded based on our estimation of the fair value of each of the loan's underlying collateral as of December 31, 2022. As of December 31, 2021, we had a \$54.9 million CECL reserve specifically related to one of our loans receivable, with a net book value of \$284.8 million. No income was recorded on this loan during the years ended December 31, 2022 and 2021. As of December 31, 2022, all borrowers were current with all contractual terms of each respective loan, including payments of interest. Refer to Note 2 for further discussion of our revenue recognition policy and CECL reserve.

During the fourth quarter of 2022, we entered into a loan modification related to an office asset in New York City, which is classified as a troubled debt restructuring under GAAP. This modification included, among other changes, a reduction in the loan's contractual interest payments, an incremental exit fee, and an extension of the loan's maturity date. This loan has an outstanding principal balance of \$193.6 million, with commitments to fund an additional \$8.2 million, at our discretion, as of December 31, 2022. As of December 31, 2022, this loan was deemed impaired and we recorded an asset-specific CECL reserve against this loan.

Previously, we entered into loan modifications related to a multifamily asset in New York City, which were classified as troubled debt restructurings under GAAP. During the three months ended December 31, 2021, the borrower committed significant additional capital to the property and engaged new management to oversee property operations, and we reduced the loan's outstanding principal balance to \$37.5 million. As a result of the modification, during the three months ended December 31, 2021, we charged-off \$14.4 million of the \$14.8 million asset-specific CECL reserve we recorded on this loan, and reversed the remaining \$360,000 CECL reserve. As of December 31, 2022, this loan has an outstanding principal

balance of \$38.2 million, net of cost-recovery proceeds. As of December 31, 2022, this loan was deemed impaired and we recorded an asset-specific CECL reserve against this loan.

Previously, we entered into a loan modification related to a hospitality asset in New York City, which is classified as a troubled debt restructuring under GAAP. As of December 31, 2022, this loan has an outstanding principal balance of \$286.3 million, net of cost-recovery proceeds. As of June 30, 2020 this loan was deemed impaired and we recorded an asset-specific CECL reserve against this loan. This asset-specific CECL reserve has not changed as of December 31, 2022.

Multifamily Joint Venture

As of December 31, 2022, our Multifamily Joint Venture held \$795.6 million of loans, which are included in the loan disclosures above. Refer to Note 2 to our consolidated financial statements for additional discussion of our Multifamily Joint Venture.

Portfolio Financing

Our portfolio financing consists of secured debt, securitizations, and asset-specific financings. The following table details our portfolio financing (\$ in thousands):

	Portfolio Financing Outstanding Principal Balance	
	December 31, 2022	December 31, 2021
Secured debt	\$ 13,549,748	\$ 12,299,580
Securitizations ⁽¹⁾	2,673,541	3,155,727
Asset-specific financings ⁽²⁾	2,824,961	1,913,374
Total portfolio financing	<u>\$ 19,048,250</u>	<u>\$ 17,368,681</u>

- (1) Includes our consolidated securitized debt obligations of \$2.7 billion as of December 31, 2022. Includes our consolidated securitized debt obligations of \$2.9 billion and non-consolidated securitized debt of \$300.1 million as of December 31, 2021. The non-consolidated securitized debt obligation represents the senior non-consolidated investment exposure to the 2018 Single Asset Securitization. We owned the related subordinate position, which was classified as a held-to-maturity debt security on our balance sheet. During the year ended December 31, 2022, the 2018 Single Asset Securitization was liquidated upon full repayment of its collateral and all senior securities outstanding. Refer to Note 4 and Note 18 to our consolidated financial statements for details of the 2018 Single Asset Securitization.
- (2) Includes our asset-specific debt of \$950.3 million, our loan participations sold of \$224.7 million, and our non-consolidated senior interests of \$1.6 billion, as of December 31, 2022. Includes our asset-specific debt of \$400.7 million and our non-consolidated senior interests of \$1.5 billion, as of December 31, 2021. The loan participations sold and non-consolidated senior interests are non-debt financings that provide structural leverage for our whole loan investments.

Secured Debt

The following table details our outstanding secured debt (\$ in thousands):

	Secured Debt Borrowings Outstanding	
	December 31, 2022	December 31, 2021
Secured credit facilities	\$ 13,549,748	\$ 12,299,580
Acquisition facility	—	—
Total secured debt	<u>\$ 13,549,748</u>	<u>\$ 12,299,580</u>

Secured Credit Facilities

The following table details our secured credit facilities by spread over the applicable base rates as of December 31, 2022 (\$ in thousands):

Spread ⁽¹⁾	Year Ended December 31, 2022		December 31, 2022			
	New Financings ⁽²⁾	Total Borrowings	Wtd. Avg. All-in Cost ⁽¹⁾⁽³⁾⁽⁴⁾	Collateral ⁽⁵⁾	Wtd. Avg. All-in Yield ⁽¹⁾⁽³⁾	Net Interest Margin ⁽⁶⁾
+ 1.50% or less	\$ 1,329,508	\$ 7,433,204	+1.53 %	\$ 10,465,647	+3.24 %	+1.71 %
+ 1.51% to + 1.75%	368,265	2,246,223	+1.88 %	3,538,815	+3.73 %	+1.85 %
+ 1.76% to + 2.00%	405,723	1,514,541	+2.16 %	2,483,240	+4.14 %	+1.98 %
+ 2.01% or more	1,246,650	2,355,780	+2.63 %	3,207,088	+4.78 %	+2.15 %
Total	\$ 3,350,146	\$ 13,549,748	+1.85 %	\$ 19,694,790	+3.70 %	+1.85 %

- (1) The spread, all-in cost, and all-in yield are expressed over the relevant floating benchmark rates, which include USD LIBOR, SOFR, SONIA, EURIBOR, and other indices as applicable.
- (2) Represents borrowings outstanding as of December 31, 2022 for new financings during the year ended December 31, 2022, based on the date collateral was initially pledged to each credit facility.
- (3) In addition to spread, the cost includes the associated deferred fees and expenses related to the respective borrowings. In addition to cash coupon, all-in yield includes the amortization of deferred origination and extension fees, loan origination costs, and purchase discounts, as well as the accrual of exit fees. Excludes loans accounted for under the cost recovery method.
- (4) Represents the weighted-average all-in cost as of December 31, 2022 and is not necessarily indicative of the spread applicable to recent or future borrowings.
- (5) Represents the principal balance of the collateral assets.
- (6) Represents the difference between the weighted-average all-in yield and weighted-average all-in cost.

Acquisition Facility

We have a \$250.0 million full recourse secured credit facility that is designed to finance eligible first mortgage originations for up to nine months as a bridge to term financing without obtaining discretionary lender approval. The maturity date of the facility is April 4, 2023. As of December 31, 2022, we had no assets pledged to our acquisition facility and no outstanding borrowings.

Securitizations

The following table details our outstanding securitizations (\$ in thousands):

	Securitizations Outstanding	
	December 31, 2022	December 31, 2021
Securitized debt obligations	\$ 2,673,541	2,855,625
Non-consolidated securitized debt obligation ⁽¹⁾	—	300,102
Total securitizations	\$ 2,673,541	\$ 3,155,727

- (1) These non-consolidated securitized debt obligations represent the senior non-consolidated investment exposure to the 2018 Single Asset Securitization. We owned the related subordinate position, which was classified as a held-to-maturity debt security on our balance sheet. During the year ended December 31, 2022, the 2018 Single Asset Securitization was liquidated upon full repayment of its collateral and all senior securities outstanding. Refer to Note 4 and Note 18 to our consolidated financial statements for details of the 2018 Single Asset Securitization.

Securitized Debt Obligations

We have financed certain pools of our loans through collateralized loan obligations, which include the 2021 FL4 CLO, 2020 FL3 CLO, and 2020 FL2 CLO, or collectively, the CLOs. The following table details our securitized debt obligations and the underlying collateral assets that are financed (\$ in thousands):

Securitized Debt Obligations	December 31, 2022				
	Count	Principal Balance	Book Value	Wtd. Avg. Yield/Cost ⁽¹⁾⁽²⁾	Term ⁽³⁾
<u>2021 FL4 Collateralized Loan Obligation</u>					
Senior CLO Securities Outstanding	1	\$ 803,750	\$ 799,626	+ 1.57 %	May 2038
Underlying Collateral Assets	30	1,000,000	1,000,000	+ 3.47 %	May 2025
<u>2020 FL3 Collateralized Loan Obligation</u>					
Senior CLO Securities Outstanding	1	808,750	806,757	+ 2.14 %	November 2037
Underlying Collateral Assets	16	1,000,000	1,000,000	+ 3.25 %	November 2024
<u>2020 FL2 Collateralized Loan Obligation</u>					
Senior CLO Securities Outstanding	1	1,061,041	1,057,627	+ 1.55 %	February 2038
Underlying Collateral Assets	17	1,317,916	1,317,916	+ 3.42 %	November 2024
<u>Total</u>					
Senior CLO Securities Outstanding ⁽⁴⁾	3	\$ 2,673,541	\$ 2,664,010	+ 1.73 %	
Underlying Collateral Assets	63	\$ 3,317,916	\$ 3,317,916	+ 3.38 %	

- (1) In addition to cash coupon, all-in yield includes the amortization of deferred origination and extension fees, loan origination costs, purchase discounts, and accrual of exit fees.
- (2) The weighted-average all-in yield and cost are expressed as a spread over the relevant floating benchmark rates, which include USD LIBOR and SOFR, as applicable to each securitized debt obligation. As of December 31, 2022, the floating benchmark rate for the financing provided on the 2020 FL3 and 2020 FL2 CLOs is one-month SOFR. As of December 31, 2022, one-month SOFR was 4.36% and one-month USD LIBOR was 4.39%. Excludes loans accounted for under the cost recovery method.
- (3) Underlying Collateral Assets term represents the weighted-average final maturity of such loans, assuming all extension options are exercised by the borrower. Repayments of securitized debt obligations are tied to timing of the related collateral loan asset repayments. The term of these obligations represents the rated final distribution date of the securitizations.
- (4) During the year ended December 31, 2022, we recorded \$87.6 million of interest expense related to our securitized debt obligations.

Refer to Note 6 and Note 18 to our consolidated financial statements for additional details of our securitized debt obligations.

Asset-Specific Financings

The following table details our outstanding asset-specific financings (\$ in thousands):

	Asset-Specific Financings Outstanding Principal Balance	
	December 31, 2022	December 31, 2021
Asset-specific debt	\$ 950,278	\$ 400,699
Loan participations sold ⁽¹⁾	224,744	—
Non-consolidated senior interests ⁽¹⁾	1,649,939	1,512,675
Total asset-specific financings	<u>\$ 2,824,961</u>	<u>\$ 1,913,374</u>

- (1) These loan participations sold and non-consolidated senior interests provide structural leverage for our net investments which are reflected in the form of mezzanine loans or other subordinate interests on our balance sheet and in our results of operations.

Asset-Specific Debt

The following table details our asset-specific debt (\$ in thousands):

Asset-Specific Debt	Count	December 31, 2022			
		Principal Balance	Book Value	Wtd. Avg. Yield/Cost ⁽¹⁾	Wtd. Avg. Term ⁽²⁾
Financing provided	4	\$ 950,278	\$ 942,503	+ 3.29 %	January 2026
Collateral assets	4	\$ 1,094,450	\$ 1,081,035	+ 4.73 %	January 2026

- (1) These floating rate loans and related liabilities are currency and indexed matched to the applicable benchmark rate relevant in each arrangement. In addition to cash coupon, yield/cost includes the amortization of deferred origination fees and financing costs.
- (2) The weighted-average term is determined based on the maximum maturity of the corresponding loans, assuming all extension options are exercised by the borrower. Our asset-specific debt is term-matched in each case to the corresponding collateral loans.

Loan Participations Sold

The following table details our loan participations sold (\$ in thousands):

Loan Participations Sold	Count	December 31, 2022			
		Principal Balance	Book Value	Wtd. Avg. Yield/Cost ⁽¹⁾	Term ⁽²⁾
Senior participation ⁽³⁾	1	\$ 224,744	\$ 224,232	+ 3.22 %	March 2027
Total loan	1	\$ 280,930	\$ 278,843	+ 4.86 %	March 2027

- (1) This non-debt participation sold structure is inherently matched in terms of currency and interest rate. In addition to cash coupon, yield/cost includes the amortization of deferred fees and financing costs.
- (2) The term is determined based on the maximum maturity of the loan, assuming all extension options are exercised by the borrower. Our loan participation sold is inherently non-recourse and term-matched to the corresponding collateral loan.
- (3) During the year ended December 31, 2022, we recorded \$7.9 million of interest expense related to our loan participations sold.

Non-Consolidated Senior Interests

In certain instances, we finance our loans through the non-recourse sale of a senior loan interest that is not included in our consolidated financial statements. These non-consolidated senior interests provide structural leverage for our net investments which are reflected in the form of mezzanine loans or other subordinate interests on our balance sheet and in our results of operations. Our non-consolidated senior interests are inherently term-matched and non-recourse.

The following table details the subordinate interests retained on our balance sheet and the related non-consolidated senior interests (\$ in thousands):

Non-Consolidated Senior Interests	December 31, 2022				
	Count	Principal Balance	Book Value	Wtd. Avg. Yield/Cost ⁽¹⁾	Wtd. Avg. Term
Senior participation	8	\$ 1,649,939	n/a	+ 2.65 %	March 2026
Total loan	8	\$ 2,042,929	n/a	+ 3.71 %	March 2026

- (1) The weighted-average spread and all-in yield are expressed as a spread over the relevant floating benchmark rates, which includes USD LIBOR and SOFR, as applicable to each investment. This non-debt participation sold structure is inherently matched in terms of currency and interest rate. In addition to cash coupon, yield/cost includes the amortization of deferred fees and financing costs.

Corporate Financing

The following table details our outstanding corporate financing (\$ in thousands):

	Corporate Financing Outstanding Principal Balance	
	December 31, 2022	December 31, 2021
Term loans	\$ 2,157,218	\$ 1,349,271
Senior secured notes	400,000	400,000
Convertible notes	520,000	622,500
Total corporate financing	\$ 3,077,218	\$ 2,371,771

Term Loans

As of December 31, 2022, the following senior term loan facilities, or Term Loans, were outstanding (\$ in thousands):

Term Loans	Face Value	Interest Rate ⁽¹⁾	All-in Cost ⁽¹⁾⁽²⁾	Maturity
B-1 Term Loan	\$ 920,365	+ 2.25 %	+ 2.53 %	April 23, 2026
B-3 Term Loan	\$ 415,168	+ 2.75 %	+ 3.42 %	April 23, 2026
B-4 Term Loan	\$ 821,685	+ 3.50 %	+ 4.11 %	May 9, 2029

- (1) The B-3 Term Loan and the B-4 Term Loan borrowings are subject to a floor of 0.50%. The B-1 Term Loan and B-3 Term Loan are indexed to one-month USD LIBOR and the B-4 Term Loan is indexed to one-month SOFR.
- (2) Includes issue discount and transaction expenses that are amortized through interest expense over the life of the Term Loans.

Refer to Note 2 and Note 9 to our consolidated financial statements for additional discussion of our Term Loans.

Senior Secured Notes

As of December 31, 2022, the following Senior Secured Notes, were outstanding (\$ in thousands):

Senior Secured Notes	Face Value	Interest Rate	All-in Cost ⁽¹⁾	Maturity
Senior Secured Notes	\$ 400,000	3.75 %	4.04 %	January 15, 2027

(1) Includes transaction expenses that are amortized through interest expense over the life of the Senior Secured Notes.

Refer to Note 2 and Note 10 to our consolidated financial statements for additional discussion of our Senior Secured Notes.

Convertible Notes

As of December 31, 2022 the following convertible senior notes, or Convertible Notes, were outstanding (\$ in thousands):

Convertible Notes Issuance	Face Value	Interest Rate	All-in Cost ⁽¹⁾	Conversion Price ⁽²⁾	Maturity
March 2018	\$ 220,000	4.75 %	5.33 %	\$36.23	March 15, 2023
March 2022	\$ 300,000	5.50 %	5.94 %	\$36.27	March 15, 2027

(1) Includes issuance costs that are amortized through interest expense over the life of the Convertible Notes using the effective interest method.

(2) Represents the price of class A common stock per share based on a conversion rate of 27.6052 and 27.5702, respectively, for the March 2018 and March 2022 convertible notes. The conversion rate represents the number of shares of class A common stock issuable per \$1,000 principal amount of Convertible Notes. The cumulative dividend threshold as defined in the respective March 2018 and March 2022 convertible notes supplemental indentures have not been exceeded as of December 31, 2022.

Refer to Note 2 and Note 11 to our consolidated financial statements for additional discussion of our Convertible Notes.

Floating Rate Portfolio

Generally, our business model is such that rising interest rates will increase our net income, while declining interest rates will decrease net income. As of December 31, 2022, substantially all of our investments by total loan exposure earned a floating rate of interest and were financed with liabilities that pay interest at floating rates, which resulted in an amount of net equity that is positively correlated to rising interest rates, subject to the impact of interest rate floors on certain of our floating rate investments.

Our liabilities are generally currency and index-matched to each collateral asset, resulting in a net exposure to movements in benchmark rates that varies by currency silo based on the relative proportion of floating rate assets and liabilities.

The following table details our investment portfolio's net exposure to interest rates by currency as of December 31, 2022 (amounts in thousands):

	USD	GBP	EUR	All Other ⁽¹⁾
Floating rate loans ⁽²⁾⁽³⁾	\$ 18,393,500	£ 2,782,967	€ 2,717,778	\$ 2,106,582
Floating rate debt ⁽²⁾⁽³⁾⁽⁴⁾	(14,897,068)	(2,106,649)	(2,017,887)	(1,602,787)
Net floating rate exposure	<u>\$ 3,496,432</u>	<u>£ 676,318</u>	<u>€ 699,891</u>	<u>\$ 503,795</u>
Net floating rate exposure in USD ⁽⁵⁾	<u>\$ 3,496,432</u>	<u>\$ 817,195</u>	<u>\$ 749,233</u>	<u>\$ 503,795</u>

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- (1) Includes Australian Dollar, Canadian Dollar, Danish Krone, Swedish Krona, and Swiss Franc currencies.
- (2) Our floating rate loans and related liabilities are currency and indexed matched to the applicable benchmark rate relevant in each arrangement.
- (3) As of December 31, 2022, \$10.4 billion and \$8.0 billion of floating rate loans were indexed to USD LIBOR and SOFR, respectively. As of December 31, 2022, \$8.3 billion and \$6.6 billion of floating rate debt was indexed to USD LIBOR and SOFR, respectively. As of December 31, 2022, one-month SOFR was 4.36% and one-month USD LIBOR was 4.39%.
- (4) Includes borrowings under secured debt, securitizations, asset-specific financings, and term loans.
- (5) Represents the U.S. Dollar equivalent as of December 31, 2022.

III. Our Results of Operations

Operating Results

The following table sets forth information regarding our consolidated results of operations for the years ended December 31, 2022, 2021 and 2020 (\$ in thousands, except per share data):

	Year Ended December 31,		2022 vs	Year Ended December 31,		2021 vs
	2022	2021	2021	2021	2020	2020
			\$			\$
Income from loans and other investments						
Interest and related income	\$ 1,338,954	\$ 854,690	\$ 484,264	\$ 854,690	\$ 779,648	\$ 75,042
Less: Interest and related expenses	710,904	340,223	370,681	340,223	347,471	(7,248)
Income from loans and other investments, net	628,050	514,467	113,583	514,467	432,177	82,290
Other expenses						
Management and incentive fees	110,292	88,467	21,825	88,467	77,916	10,551
General and administrative expenses	52,193	43,168	9,025	43,168	45,871	(2,703)
Total other expenses	162,485	131,635	30,850	131,635	123,787	7,848
(Increase) decrease in current expected credit loss reserve	(211,505)	39,864	(251,369)	39,864	(167,653)	207,517
Income before income taxes	254,060	422,696	(168,636)	422,696	140,737	281,959
Income tax provision	3,003	423	2,580	423	323	100
Net income	251,057	422,273	(171,216)	422,273	140,414	281,859
Net income attributable to non-controlling interests	(2,415)	(3,080)	665	(3,080)	(2,744)	(336)
Net income attributable to Blackstone Mortgage Trust, Inc.	\$ 248,642	\$ 419,193	\$ (170,551)	\$ 419,193	\$ 137,670	\$ 281,523
Net income per share of common stock basic and diluted	\$ 1.46	\$ 2.77	\$ (1.31)	\$ 2.77	\$ 0.97	\$ 1.80
Weighted-average shares of common stock outstanding, basic and diluted	170,631,410	151,521,941	19,109,469	151,521,941	141,795,977	9,725,964
Dividends declared per share	\$ 2.48	\$ 2.48	\$ —	\$ 2.48	\$ 2.48	\$ —

Income from loans and other investments, net

Income from loans and other investments, net increased \$113.6 million during the year ended December 31, 2022 compared to the year ended December 31, 2021. The increase was primarily due to (i) an increase in USD LIBOR, SOFR, SONIA, and other floating rate indices during 2022 and (ii) an increase in the weighted-average principal balance of our loan portfolio by \$5.7 billion for the year ended December 31, 2022, as compared to the year ended December 31, 2021. This was primarily offset by an increase in the weighted-average principal balance of our outstanding financing arrangements by \$5.0 billion for the year ended December 31, 2022, as compared to the year ended December 31, 2021.

Income from loans and other investments, net increased \$82.3 million during the year ended December 31, 2021 compared to the year ended December 31, 2020. The increase was primarily due to (i) an increase in prepayment fee income, (ii) an increase in the weighted-average principal balance of our loan portfolio by \$2.0 billion for the year ended December 31, 2021, as compared to the year ended December 31, 2020, and (iii) the impact of declining LIBOR and other floating rate

indices, which had a larger impact on interest expense than interest income as a result of certain of our loans earning interest based on floors that were above the applicable floating rate index during the period. This was offset by an increase in the weighted-average principal balance of our outstanding financing arrangements by \$1.9 billion for the year ended December 31, 2021, as compared to the year ended December 31, 2020.

Other expenses

Other expenses include management and incentive fees payable to our Manager and general and administrative expenses. Other expenses increased by \$30.9 million during the year ended December 31, 2022 compared to the year ended December 31, 2021 due to an increase of (i) \$13.0 million of incentive fees payable to our Manager, primarily due to an increase in Distributable Earnings, (ii) \$8.8 million of management fees payable to our Manager, primarily as a result of net proceeds received from the sale of shares of our class A common stock during 2022 and 2021, (iii) \$7.3 million of general operating expenses, and (iv) \$1.7 million of non-cash restricted stock amortization related to shares issued under our long-term incentive plans.

Other expenses increased by \$7.8 million during the year ended December 31, 2021 compared to the year ended December 31, 2020 due to an increase of (i) \$6.8 million of incentive fees payable to our Manager, primarily due to an increase in Distributable Earnings, and (ii) \$3.8 million of management fees payable to our Manager, primarily as a result of net proceeds received from the sale of shares of our class A common stock during 2021 and 2020. This was offset by a decrease of \$3.0 million of non-cash restricted stock amortization related to shares issued under our long-term incentive plans in 2021 and 2020, primarily due to the difference in the grant date share price.

Changes in current expected credit loss reserve

During the year ended December 31, 2022, we recorded a \$211.5 million increase in the CECL reserve, as compared to a \$39.9 million decrease during the year ended December 31, 2021. This CECL reserve reflects certain loans assessed for impairment in our portfolio, as well as macroeconomic conditions, including inflationary pressures and market volatility.

During year ended December 31, 2021, we recorded a \$39.9 million decrease in the CECL reserve, as compared to a \$167.7 million increase during the year ended December 31, 2020. This CECL reserve reflected the macroeconomic impact of the COVID-19 pandemic on commercial real estate markets generally, as well as certain loans assessed for impairment in our portfolio. See Notes 2 and 3 to our consolidated financial statements for further discussion of our CECL reserve.

Dividends per share

During the year ended December 31, 2022, we declared aggregate dividends of \$2.48 per share, or \$423.6 million. During 2021, we declared aggregate dividends of \$2.48 per share, or \$383.9 million. During 2020, we declared aggregate dividends of \$2.48 per share, or \$356.2 million.

The following table sets forth information regarding our consolidated results of operations for the three months ended December 31, 2022 and September 30, 2022 (\$ in thousands, except per share data):

	Three Months Ended		Change
	December 31, 2022	September 30, 2022	\$
Income from loans and other investments			
Interest and related income	\$ 462,278	\$ 358,557	\$ 103,721
Less: Interest and related expenses	271,196	202,375	68,821
Income from loans and other investments, net	191,082	156,182	34,900
Other expenses			
Management and incentive fees	33,830	25,911	7,919
General and administrative expenses	14,492	12,932	1,560
Total other expenses	48,322	38,843	9,479
Increase in current expected credit loss reserve	(188,811)	(12,248)	(176,563)
Income before income taxes	(46,051)	105,091	(151,142)
Income tax provision	938	1,172	(234)
Net income	(46,989)	103,919	(150,908)
Net income attributable to non-controlling interests	(551)	(673)	122
Net income attributable to Blackstone Mortgage Trust, Inc.	\$ (47,540)	\$ 103,246	\$ (150,786)
Net income per share of common stock			
Basic	\$ (0.28)	\$ 0.60	\$ (0.88)
Diluted	\$ (0.28)	\$ 0.59	\$ (0.87)
Weighted-average shares of common stock outstanding			
Basic	171,604,533	170,971,874	632,659
Diluted	171,604,533	185,316,078	(13,711,545)
Dividends declared per share	\$ 0.62	\$ 0.62	\$ —

Income from loans and other investments, net

Income from loans and other investments, net increased \$34.9 million during the three months ended December 31, 2022 compared to the three months ended September 30, 2022. The increase was primarily due to (i) an increase in USD LIBOR, SOFR, SONIA, EURIBOR, and other floating rate indices for the three months ended December 31, 2022 and (ii) an increase in prepayment fee income.

Other expenses

Other expenses include management and incentive fees payable to our Manager and general and administrative expenses. Other expenses increased by \$9.5 million during the three months ended December 31, 2022 compared to the three months ended September 30, 2022 primarily due to an increase of (i) \$7.8 million of incentive fees payable to our Manager, primarily due to an increase in Distributable Earnings, and (ii) \$1.7 million of general operating expenses.

Changes in current expected credit loss reserve

During the three months ended December 31, 2022, we recorded a \$188.8 million increase in the CECL reserve, as compared to a \$12.2 million increase during the three months ended September 30, 2022. This CECL reserve reflects certain loans assessed for impairment in our portfolio, as well as macroeconomic conditions, including inflationary pressures and market volatility. See Notes 2 and 3 to our consolidated financial statements for further discussion of our CECL reserve.

Dividends per share

During the three months ended December 31, 2022, we declared aggregate dividends of \$0.62 per share, or \$106.5 million. During the three months ended September 30, 2022, we declared aggregate dividends of \$0.62 per share, or \$106.0 million.

IV. Liquidity and Capital Resources

Capitalization

We have capitalized our business to date primarily through the issuance and sale of shares of our class A common stock, corporate debt, and asset-level financings. As of December 31, 2022, our capitalization structure included \$4.5 billion of common equity, \$3.1 billion of corporate debt, and \$19.0 billion of asset-level financings. Our \$3.1 billion of corporate debt includes \$2.2 billion of term loan borrowings, \$400.0 million of senior secured notes, and \$520.0 million of convertible notes. Our \$19.0 billion of asset-level financings includes \$13.5 billion of secured debt, \$2.7 billion of securitizations, and \$2.8 billion of asset-specific financings, all of which are structured to produce term, currency, and index matched funding with no margin call provisions based upon capital markets events.

As of December 31, 2022, we have \$1.8 billion of liquidity that can be used to satisfy our short-term cash requirements and as working capital for our business.

See Notes 5, 6, 7, 8, 9, 10, and 11 to our consolidated financial statements for additional details regarding our secured debt, securitized debt obligations, asset-specific debt, loan participations sold, Term Loans, Senior Secured Notes, and Convertible Notes, respectively.

Debt-to-Equity Ratio and Total Leverage Ratio

The following table presents our debt-to-equity ratio and total leverage ratio:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Debt-to-equity ratios</u>		
Debt-to-equity ratio ⁽¹⁾	3.8x	3.2x
Adjusted debt-to-equity ratio ⁽²⁾	3.6x	3.1x
<u>Total leverage ratios</u>		
Total leverage ratio ⁽³⁾	4.8x	4.2x
Adjusted total leverage ratio ⁽⁴⁾	4.5x	4.1x

- (1) Represents, in each case at period end, (i) total outstanding secured debt, asset-specific debt, term loans, senior secured notes, and convertible notes, less cash, to (ii) total equity.
- (2) Represents, in each case at period end, (i) total outstanding secured debt, asset-specific debt, term loans, senior secured notes, and convertible notes, less cash, to (ii) total equity, excluding our aggregate CECL reserve of \$342.5 million and \$131.0 million, as of December 31, 2022, and December 31, 2021, respectively.
- (3) Represents, in each case at period end, (i) total outstanding secured debt, securitizations, asset-specific financings, term loans, senior secured notes, and convertible notes, less cash, to (ii) total equity.
- (4) Represents, in each case at period end, (i) total outstanding secured debt, securitizations, asset-specific financings, term loans, senior secured notes, and convertible notes, less cash, to (ii) total equity, excluding our aggregate CECL reserve of \$342.5 million and \$131.0 million, as of December 31, 2022, and December 31, 2021, respectively.

Sources of Liquidity

Our primary sources of liquidity include cash and cash equivalents, available borrowings under our secured debt facilities, and net receivables from servicers related to loan repayments, which are set forth in the following table (\$ in thousands):

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash and cash equivalents	\$ 291,340	\$ 551,154
Available borrowings under secured debt	1,536,638	754,900
Loan principal payments held by servicer, net ⁽¹⁾	7,425	17,528
	<u>\$ 1,835,403</u>	<u>\$ 1,323,582</u>

- (1) Represents loan principal payments held by our third-party servicer as of the balance sheet date which were remitted to us during the subsequent remittance cycle, net of the related secured debt balance.

During the year ended December 31, 2022, we generated cash flow from operating activities of \$396.8 million and received (i) \$3.3 billion from loan principal collections and sales proceeds, (ii) \$1.7 billion of net proceeds from secured debt borrowings, (iii) \$807.8 million of net proceeds from secured term loan borrowings, (iv) \$562.0 million of net proceeds from asset-specific debt, (v) \$294.0 million of net proceeds from the issuance of convertible notes, (vi) \$330.3 million of net cash settlements on our foreign currency forward contracts, (vii) \$245.3 million from the sale of a senior loan participation, and (viii) \$70.7 million of net proceeds from the issuance of shares of class A common stock. Furthermore, we are able to generate incremental liquidity through the replenishment provisions of certain of our CLOs, which allow us to replace a repaid loan in the CLO by increasing the principal amount of existing CLO collateral assets to maintain the aggregate amount of collateral assets in the CLO, and the related financing outstanding.

We have access to further liquidity through public offerings of debt and equity securities. To facilitate such offerings, in July 2022, we filed a shelf registration statement with the SEC that is effective for a term of three years and expires in July 2025. The amount of securities to be issued pursuant to this shelf registration statement was not specified when it was filed and there is no specific dollar limit on the amount of securities we may issue. The securities covered by this registration statement include: (i) class A common stock; (ii) preferred stock; (iii) depositary shares representing preferred stock; (iv) debt securities; (v) warrants; (vi) subscription rights; (vii) purchase contracts; and (viii) units consisting of one or more of such securities or any combination of these securities. The specifics of any future offerings, along with the use of proceeds of any securities offered, will be described in detail in a prospectus supplement, or other offering materials, at the time of any offering.

We may also access liquidity through our dividend reinvestment plan and direct stock purchase plan, under which 9,981,548 shares of class A common stock were available for issuance as of December 31, 2022, and our at the market stock offering program, pursuant to which we may sell, from time to time, up to \$480.9 million of additional shares of our class A common stock as of December 31, 2022. Refer to Note 13 to our consolidated financial statements for additional details.

Liquidity Needs

In addition to our loan origination and funding activity and general operating expenses, our primary liquidity needs include interest and principal payments under our \$13.5 billion of outstanding borrowings under secured debt, our asset-specific debt, our Term Loans, our Senior Secured Notes, and our Convertible Notes. From time to time we may also repurchase our outstanding debt or shares of our class A common stock. Such repurchases, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions, and other factors. The amounts involved in any such purchase transactions, individually or in the aggregate, may be material.

As of December 31, 2022, we had unfunded commitments of \$3.8 billion related to 121 loans receivable and \$2.4 billion of committed or identified financing for those commitments resulting in net unfunded commitments of \$1.4 billion. The unfunded loan commitments comprise funding for capital expenditures and construction, leasing costs, and interest and carry costs, and their fundability varies depending on the progress of capital projects, leasing, and cash flows at the properties securing our loans. Therefore, the exact timing and amounts of such future loan fundings are uncertain and will depend on the current and future performance of the underlying collateral assets. We expect to fund our loan commitments over the remaining term of the related loans, which have a weighted-average future funding period of 3.0 years.

Contractual Obligations and Commitments

Our contractual obligations and commitments as of December 31, 2022 were as follows (\$ in thousands):

	Total Obligation	Payment Timing			
		Less Than 1 Year ⁽¹⁾	1 to 3 Years	3 to 5 Years	More Than 5 Years
Unfunded loan commitments ⁽²⁾	\$ 3,806,153	\$ 452,531	\$ 1,553,697	\$ 1,143,845	\$ 656,080
Principal repayments under secured debt ⁽³⁾	13,549,748	397,365	4,434,180	7,939,746	778,457
Principal repayments under asset-specific debt ⁽³⁾	950,278	—	816,434	31,900	101,944
Principal repayments of term loans ⁽⁴⁾	2,157,218	21,997	43,994	1,310,832	780,395
Principal repayments of senior secured notes	400,000	—	—	400,000	—
Principal repayments of convertible notes ⁽⁵⁾	520,000	220,000	—	300,000	—
Interest payments ⁽³⁾⁽⁶⁾	3,502,067	1,037,275	1,634,923	674,749	155,120
Total ⁽⁷⁾	<u>\$ 24,885,464</u>	<u>\$ 2,129,168</u>	<u>\$ 8,483,228</u>	<u>\$ 11,801,072</u>	<u>\$ 2,471,996</u>

- (1) Represents known and estimated short-term cash requirements related to our contractual obligations and commitments. Refer to the sources of liquidity section above for our sources of funds to satisfy our short-term cash requirements.
- (2) The allocation of our unfunded loan commitments is based on the earlier of the commitment expiration date or the final loan maturity date, however we may be obligated to fund these commitments earlier than such date.
- (3) Our secured debt and asset-specific debt agreements are generally term-matched to their underlying collateral. Therefore, the allocation of both principal and interest payments under such agreements is generally allocated based on the maximum maturity date of the collateral loans, assuming all extension options are exercised by the borrower. In limited instances, the maturity date of the respective debt agreement is used.
- (4) The Term Loans are partially amortizing, with an amount equal to 1.0% per annum of the initial principal balance due in quarterly installments. Refer to Note 9 for further details on our term loans.
- (5) Reflects the outstanding principal balance of convertible notes, excluding any potential conversion premium. Refer to Note 11 to our consolidated financial statements for further details on our convertible notes.
- (6) Represents interest payments on our secured debt, asset-specific debt, term loans, senior secured notes, and convertible notes. Future interest payment obligations are estimated assuming the interest rates in effect as of December 31, 2022 will remain constant into the future. This is only an estimate as actual amounts borrowed and interest rates will vary over time.
- (7) Total does not include \$2.7 billion of consolidated securitized debt obligations, \$1.6 billion of non-consolidated senior interests, and \$224.7 million of loan participations sold, as the satisfaction of these liabilities will not require cash outlays from us.

We are also required to settle our foreign exchange derivatives with our derivative counterparties upon maturity which, depending on exchange rate movements, may result in cash received from or due to the respective counterparty. The table above does not include these amounts as they are not fixed and determinable. Refer to Note 12 to our consolidated financial statements for details regarding our derivative contracts.

We are required to pay our Manager a base management fee, an incentive fee, and reimbursements for certain expenses pursuant to our Management Agreement. The table above does not include the amounts payable to our Manager under our Management Agreement as they are not fixed and determinable. Refer to Note 14 to our consolidated financial statements for additional terms and details of the fees payable under our Management Agreement.

As a REIT, we generally must distribute substantially all of our net taxable income to stockholders in the form of dividends to comply with the REIT provisions of the Internal Revenue Code. Our taxable income does not necessarily equal our net income as calculated in accordance with GAAP, or our Distributable Earnings as described above.

Cash Flows

The following table provides a breakdown of the net change in our cash and cash equivalents (\$ in thousands):

	For the years ended December 31,		
	2022	2021	2020
Cash flows provided by operating activities	\$ 396,825	\$ 382,483	\$ 336,607
Cash flows used in investing activities	(3,253,535)	(5,627,461)	(88,251)
Cash flows provided by (used in) financing activities	2,607,224	5,508,224	(110,769)
Net (decrease) increase in cash and cash equivalents	\$ (249,486)	\$ 263,246	\$ 137,587

We experienced a net decrease in cash and cash equivalents of \$249.5 million for the year ended December 31, 2022, compared to a net increase of \$263.2 million for the year ended December 31, 2021. During the year ended December 31, 2022, we (i) funded \$6.8 billion of loans, (ii) repaid \$402.5 million of convertible notes, and (iii) paid \$421.4 million of dividends on our class A common stock. During the year ended December 31, 2022, we received (i) \$3.3 billion from loan principal collections and sales proceeds, (ii) \$1.7 billion of net proceeds from secured debt borrowings, (iii) \$807.8 million of net proceeds from secured term loan borrowings, (iv) \$562.0 million of net proceeds from asset-specific debt, (v) \$330.3 million of net cash settlements on our foreign currency forward contracts, (vi) \$294.0 million of net proceeds from the issuance of convertible notes, (vii) \$245.3 million from the sale of a senior loan participation, and (viii) \$70.7 million of net proceeds from the issuance of shares of class A common stock.

We experienced a net increase in cash and cash equivalents of \$263.2 million for the year ended December 31, 2021, compared to a net increase of \$137.6 million for the year ended December 31, 2020. During the year ended December 31, 2021, we received (i) \$6.7 billion from loan principal collections and sales proceeds, (ii) \$4.7 billion of net proceeds from secured debt borrowings, (iii) \$638.0 million of net proceeds from the issuance of shares of class A common stock, (iv) \$395.0 million of net proceeds from the issuance of senior secured notes, and (v) \$298.5 million of net proceeds from secured term loan borrowings. We used the proceeds from these activities to fund \$12.6 billion of new loans.

Refer to Note 3 to our consolidated financial statements for further discussion of our loan activity. Refer to Notes 5, 7, 8, 9, 11, and 13 to our consolidated financial statements for additional discussion of our secured debt, asset-specific debt, loan participations sold, term loans, convertible notes, and equity, respectively.

V. Other Items

Income Taxes

We have elected to be taxed as a REIT under the Internal Revenue Code for U.S. federal income tax purposes. We generally must distribute annually at least 90% of our net taxable income, subject to certain adjustments and excluding any net capital gain, in order for U.S. federal income tax not to apply to our earnings. To the extent that we satisfy this distribution requirement, but distribute less than 100% of our net taxable income, we will be subject to U.S. federal income tax on our undistributed taxable income. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we pay out to our stockholders in a calendar year is less than a minimum amount specified under U.S. federal tax laws.

Our qualification as a REIT also depends on our ability to meet various other requirements imposed by the Internal Revenue Code, which relate to organizational structure, diversity of stock ownership, and certain restrictions with regard to the nature of our assets and the sources of our income. Even if we qualify as a REIT, we may be subject to certain U.S. federal income and excise taxes and state and local taxes on our income and assets. If we fail to maintain our qualification as a REIT for any taxable year, we may be subject to material penalties as well as federal, state and local income tax on our taxable income at regular corporate rates and we would not be able to qualify as a REIT for the subsequent four full taxable years. As of December 31, 2022 and 2021, we were in compliance with all REIT requirements.

Furthermore, our taxable REIT subsidiaries are subject to federal, state, and local income tax on their net taxable income. Refer to Note 15 to our consolidated financial statements for additional discussion of our income taxes.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires our Manager to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. Actual results could differ from these estimates. During 2022, our Manager reviewed and evaluated our critical accounting policies and believes them to be appropriate. The following is a summary of our significant accounting policies that we believe are the most affected by our Manager's judgments, estimates, and assumptions:

Current Expected Credit Losses

The current expected credit loss, or CECL, reserve required under Accounting Standard Update, or ASU, 2016-13 "Financial Instruments – Credit Losses – Measurement of Credit Losses on Financial Instruments (Topic 326)," or ASU 2016-13, reflects our current estimate of potential credit losses related to our loans and debt securities included in our consolidated balance sheets. We estimate our CECL reserve primarily using the Weighted Average Remaining Maturity, or WARM method, which has been identified as an acceptable loss-rate method for estimating CECL reserves in the Financial Accounting Standards Board Staff Q&A Topic 326, No. 1. Estimating the CECL reserve requires judgment, including the following assumptions:

- Historical loan loss reference data: To estimate the historic loan losses relevant to our portfolio, we have augmented our historical loan performance with market loan loss data licensed from Trepp LLC. This database includes commercial mortgage-backed securities, or CMBS, issued since January 1, 1999 through November 30, 2022. Within this database, we focused our historical loss reference calculations on the most relevant subset of available CMBS data, which we determined based on loan metrics that are most comparable to our loan portfolio including asset type, geography, and origination loan-to-value, or LTV. We believe this CMBS data, which includes month-over-month loan and property performance, is the most relevant, available, and comparable dataset to our portfolio.
- Expected timing and amount of future loan fundings and repayments: Expected credit losses are estimated over the contractual term of each loan, adjusted for expected prepayments. As part of our quarterly review of our loan portfolio, we assess the expected repayment date of each loan, which is used to determine the contractual term for purposes of computing our CECL reserve. Additionally, the expected credit losses over the contractual period of our loans are subject to the obligation to extend credit through our unfunded loan commitments. The CECL reserve for unfunded loan commitments is adjusted quarterly, as we consider the expected timing of future funding obligations over the estimated life of the loan. The considerations in estimating our CECL reserve for unfunded loan commitments are similar to those used for the related outstanding loan receivables.
- Current credit quality of our portfolio: Our risk rating is our primary credit quality indicator in assessing our current expected credit loss reserve. We perform a quarterly risk review of our portfolio of loans, and assigns each loan a risk rating based on a variety of factors, including, without limitation, LTV, debt yield, property type, geographic and local market dynamics, physical condition, cash flow volatility, leasing and tenant profile, loan structure and exit plan, and project sponsorship.
- Expectations of performance and market conditions: Our CECL reserve is adjusted to reflect our estimation of the current and future economic conditions that impact the performance of the commercial real estate assets securing our loans. These estimations include unemployment rates, interest rates, inflation, and other macroeconomic factors impacting the likelihood and magnitude of potential credit losses for our loans during their anticipated term. In addition to the CMBS data we have licensed from Trepp LLC, we have also licensed certain macroeconomic financial forecasts to inform our view of the potential future impact that broader economic conditions may have on our loan portfolio's performance. We may also incorporate information from other sources, including information and opinions available to our Manager, to further inform these estimations. This process requires significant judgments about future events that, while based on the information available to us as of the balance sheet date, are ultimately indeterminate and the actual economic condition impacting our portfolio could vary significantly from the estimates we made as of December 31, 2022.
- Impairment: impairment is indicated when it is deemed probable that we will not be able to collect all amounts due to us pursuant to the contractual terms of the loan. Determining that a loan is impaired requires significant judgment from management and is based on several factors including (i) the underlying collateral performance, (ii) discussions with the borrower, (iii) borrower events of default, and (iv) other facts that impact the borrower's ability to pay the contractual amounts due under the terms of the loan. If a loan is determined to be impaired, we record the impairment as a component of our CECL reserve by applying the practical expedient for collateral

dependent loans. The CECL reserve is assessed on an individual basis for these loans by comparing the estimated fair value of the underlying collateral, less costs to sell, to the book value of the respective loan. These valuations require significant judgments, which include assumptions regarding capitalization rates, discount rates, leasing, creditworthiness of major tenants, occupancy rates, availability and cost of financing, exit plan, loan sponsorship, actions of other lenders, and other factors deemed relevant by us. Actual losses, if any, could ultimately differ materially from these estimates. We only expect to realize the impairment losses if and when such amounts are deemed nonrecoverable upon a realization event. This is generally at the time a loan is repaid, or in the case of foreclosure, when the underlying asset is sold, but non-recoverability may also be concluded if, in our determination, it is nearly certain that all amounts due will not be collected.

These assumptions vary from quarter to quarter as our loan portfolio changes and market and economic conditions evolve. The sensitivity of each assumption and its impact on the CECL reserve may change over time and from period to period. During the year ended December 31, 2022, we recorded an aggregate \$211.5 million increase in the CECL reserve related to our loans receivable, debt securities, and unfunded loan commitments, bringing our total reserve to \$342.5 million as of December 31, 2022. See Notes 2 and 3 to our consolidated financial statements for further discussion of our CECL reserve.

Revenue Recognition

Interest income from our loans receivable portfolio and debt securities is recognized over the life of each investment using the effective interest method and is recorded on the accrual basis. Recognition of fees, premiums, and discounts associated with these investments is deferred and recorded over the term of the loan or debt security as an adjustment to yield. Income accrual is generally suspended for loans at the earlier of the date at which payments become 90 days past due or when, in our opinion, recovery of income and principal becomes doubtful. Interest received is then recorded as a reduction in the outstanding principal balance until accrual is resumed when the loan becomes contractually current and performance is demonstrated to be resumed. In addition, for loans we originate, the related origination expenses are deferred and recognized as a component of interest income, however expenses related to loans we acquire are included in general and administrative expenses as incurred.

VI. Loan Portfolio Details

The following table provides details of our loan portfolio, on a loan-by-loan basis, as of December 31, 2022 (\$ in millions):

Loan Type ⁽¹⁾	Origination Date ⁽²⁾	Total Loan ⁽³⁾⁽⁴⁾	Principal Balance ⁽⁴⁾	Net Book Value	Cash Coupon ⁽⁵⁾	All-in Yield ⁽⁶⁾	Maximum Maturity ⁽⁶⁾	Location	Property Type	Loan Per SQFT / Unit / Key	Origination LTV ⁽²⁾	Risk Rating
1 Senior Loan	8/14/2019	\$ 1,171	\$ 1,033	\$ 1,029	+3.06 %	+3.78 %	12/23/2024	Dublin - IE	Mixed-Use	\$386 / sqft	74 %	2
2 Senior Loan	4/9/2018	1,487	905	899	+4.49 %	+5.72 %	6/9/2025	New York	Office	\$525 / sqft	48 %	2
3 Senior Loan	6/24/2022	901	901	893	+4.75 %	+5.07 %	6/21/2029	Diversified - AU	Hospitality	\$410 / sqft	59 %	3
4 Senior Loan ⁽⁴⁾	12/9/2021	770	710	408	+2.65 %	+2.82 %	12/9/2026	New York	Mixed-Use	\$219 / sqft	50 %	2
5 Senior Loan ⁽⁴⁾	8/7/2019	746	668	135	+3.12 %	+3.61 %	9/9/2025	Los Angeles	Office	\$451 / sqft	59 %	3
6 Senior Loan	3/22/2018	655	655	654	+3.25 %	+3.31 %	3/15/2026	Diversified - Spain	Mixed-Use	n / a	71 %	4
7 Senior Loan	3/30/2021	477	477	473	+3.20 %	+3.41 %	5/15/2026	Diversified - SE	Industrial	\$88 / sqft	76 %	2
8 Senior Loan ⁽⁴⁾	12/17/2021	448	440	88	+3.95 %	+4.35 %	1/9/2026	Diversified - US	Other	\$13,716 / unit	61 %	2
9 Senior Loan	7/23/2021	500	401	396	+4.00 %	+4.42 %	8/9/2027	New York	Multi	\$538,046 / unit	58 %	3
10 Senior Loan	8/22/2018	363	363	363	+3.42 %	+3.42 %	8/9/2023	Mauai	Hospitality	\$471,391 / key	61 %	1
11 Senior Loan ⁽⁴⁾	11/22/2019	470	353	70	+3.70 %	+4.15 %	12/9/2025	Los Angeles	Office	\$622 / sqft	69 %	3
12 Senior Loan	9/23/2019	375	346	344	+3.00 %	+3.23 %	8/15/2024	Diversified - Spain	Hospitality	\$122,667 / key	62 %	4
13 Senior Loan	4/11/2018	355	345	344	+2.85 %	+3.10 %	5/1/2023	New York	Office	\$437 / sqft	71 %	4
14 Senior Loan	10/25/2021	307	307	304	+4.30 %	+4.62 %	10/25/2024	Diversified - AU	Hospitality	\$151,102 / key	56 %	3
15 Senior Loan	2/27/2020	303	302	302	+2.70 %	+3.04 %	3/9/2025	New York	Multi	\$795,074 / unit	59 %	2
16 Senior Loan	5/6/2022	297	297	295	+3.50 %	+3.79 %	5/6/2027	Diversified - UK	Industrial	\$92 / sqft	53 %	2
17 Senior Loan	1/11/2019	290	290	289	+4.40 %	+4.75 %	1/11/2026	Diversified - UK	Other	\$286 / sqft	74 %	4
18 Senior Loan	9/29/2021	312	288	286	+2.70 %	+2.91 %	10/9/2026	Washington, DC	Office	\$375 / sqft	66 %	2
19 Senior Loan	11/30/2018	286	286	285	+2.35 %	+2.35 %	8/9/2025	New York	Hospitality	\$306,870 / key	73 %	5
20 Senior Loan	12/11/2018	310	284	285	+2.55 %	+3.24 %	12/9/2023	Chicago	Office	\$239 / sqft	78 %	4
21 Senior Loan	3/25/2022	281	281	279	+4.50 %	+4.86 %	3/25/2027	Diversified - UK	Hospitality	\$123,867 / key	65 %	3
22 Senior Loan	10/23/2018	290	281	280	+2.86 %	+3.01 %	11/9/2024	Atlanta	Mixed-Use	\$261 / sqft	64 %	2
23 Senior Loan	9/30/2021	280	273	271	+2.50 %	+2.77 %	9/30/2026	Dallas	Multi	\$143,960 / unit	74 %	3
24 Senior Loan	4/26/2021	264	264	262	+2.56 %	+2.75 %	5/9/2026	Diversified - US	Multi	\$156,393 / unit	75 %	3
25 Senior Loan	11/30/2018	262	260	259	+2.80 %	+3.04 %	12/9/2024	San Francisco	Hospitality	\$379,015 / key	73 %	4
26 Senior Loan	7/15/2021	301	256	253	+4.25 %	+4.68 %	7/16/2026	Diversified - EUR	Hospitality	\$195,728 / key	53 %	3
27 Senior Loan	9/14/2021	259	255	254	+2.50 %	+2.76 %	9/14/2026	Dallas	Multi	\$206,310 / unit	72 %	3
28 Senior Loan	9/16/2021	247	235	234	+3.80 %	+4.51 %	4/9/2024	San Francisco	Office	\$285 / sqft	53 %	3
29 Senior Loan	6/8/2022	272	234	232	+3.65 %	+4.01 %	6/9/2027	New York	Office	\$1,312 / sqft	75 %	3
30 Senior Loan	2/23/2022	245	230	228	+2.60 %	+2.84 %	3/9/2027	Reno	Multi	\$213,047 / unit	74 %	3

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Loan Type ⁽¹⁾	Origination Date ⁽²⁾	Total Loan ⁽³⁾⁽⁴⁾	Principal Balance ⁽⁴⁾	Net Book Value	Cash Coupon ⁽⁵⁾	All-in Yield ⁽⁶⁾	Maximum Maturity ⁽⁶⁾	Location	Property Type	Loan Per SQFT / Unit / Key	Origination LTV ⁽⁹⁾	Risk Rating	
31	Senior Loan	4/23/2021	\$ 219	\$ 209	\$ 209	+3.65 %	+3.65 %	5/9/2024	Washington, DC	Office	\$234 / sqft	57 %	5
32	Senior Loan	7/16/2021	221	205	203	+3.81 %	+3.81 %	2/15/2027	London - UK	Multi	\$228,087 / unit	69 %	3
33	Senior Loan	10/11/2019	248	204	203	+4.28 %	+4.28 %	10/9/2025	Atlanta	Office	\$380 / sqft	68 %	1
34	Senior Loan	8/31/2017	203	203	203	+2.50 %	+2.50 %	9/9/2023	Orange County	Office	\$238 / sqft	64 %	5
35	Senior Loan	6/28/2019	198	198	197	+4.49 %	+4.49 %	6/26/2024	London - UK	Office	\$647 / sqft	71 %	3
36	Senior Loan	6/27/2019	205	197	197	+2.80 %	+2.80 %	8/15/2026	Berlin - DEU	Office	\$423 / sqft	62 %	3
37	Senior Loan	9/30/2021	195	195	194	+4.10 %	+4.10 %	10/9/2026	Boca Raton	Multi	\$532,787 / unit	77 %	3
38	Senior Loan	12/22/2016	202	194	195	+2.00 %	+2.00 %	12/9/2023	New York	Office	\$286 / sqft	64 %	5
39	Senior Loan	9/30/2021	237	188	186	+4.49 %	+4.49 %	9/30/2026	Diversified - Spain	Hospitality	\$132,783 / key	60 %	3
40	Senior Loan	6/4/2018	183	183	183	+3.76 %	+3.76 %	6/9/2024	New York	Hospitality	\$301,071 / key	52 %	4
41	Senior Loan	9/30/2021	256	179	177	+3.35 %	+3.35 %	10/9/2028	Chicago	Office	\$197 / sqft	74 %	3
42	Senior Loan	9/25/2019	178	178	177	+4.47 %	+4.99 %	9/26/2024	London - UK	Office	\$811 / sqft	72 %	3
43	Senior Loan	2/15/2022	191	177	176	+2.90 %	+3.14 %	3/9/2027	Denver	Office	\$353 / sqft	61 %	3
44	Senior Loan	11/23/2018	177	177	176	+2.68 %	+2.92 %	2/15/2024	Diversified - UK	Office	\$1,092 / sqft	50 %	3
45	Senior Loan	12/21/2021	182	175	174	+2.82 %	+3.11 %	4/29/2027	London - UK	Industrial	\$359 / sqft	67 %	3
46	Senior Loan	7/23/2021	244	168	167	+5.00 %	+5.41 %	8/9/2027	New York	Office	\$545 / sqft	53 %	3
47	Senior Loan	12/17/2021	168	165	164	+3.95 %	+4.33 %	1/9/2026	Diversified - US	Other	\$5,601 / unit	48 %	1
48	Senior Loan	3/9/2022	163	163	162	+2.95 %	+3.17 %	8/15/2027	Various	Retail	\$140 / sqft	55 %	2
49	Senior Loan	1/27/2022	178	163	162	+3.10 %	+3.44 %	2/9/2027	Dallas	Multi	\$106,318 / unit	71 %	3
50	Senior Loan	7/29/2022	266	162	158	+4.60 %	+5.78 %	7/27/2027	London - UK	Industrial	\$228 / sqft	52 %	3
51	Senior Loan	5/27/2021	205	160	159	+2.70 %	+2.99 %	6/9/2026	Atlanta	Office	\$134 / sqft	66 %	3
52	Senior Loan	10/7/2021	165	160	159	+3.25 %	+3.58 %	10/9/2025	Los Angeles	Office	\$326 / sqft	68 %	3
53	Senior Loan	5/13/2021	199	156	155	+3.55 %	+3.99 %	6/9/2026	Boston	Office	\$793 / sqft	64 %	3
54	Senior Loan	3/7/2022	156	156	155	+3.45 %	+3.63 %	6/9/2026	Los Angeles	Hospitality	\$624,000 / key	64 %	3
55	Senior Loan	8/24/2021	179	156	155	+3.10 %	+3.41 %	9/9/2026	San Jose	Office	\$371 / sqft	65 %	3
56	Senior Loan	8/31/2021	150	150	149	+3.15 %	+3.42 %	9/9/2026	Diversified - US	Retail	\$299 / sqft	65 %	2
57	Senior Loan	9/4/2018	163	150	149	+4.25 %	+4.50 %	9/9/2024	Las Vegas	Hospitality	\$181,054 / key	70 %	3
58	Senior Loan	1/7/2022	155	146	145	+3.70 %	+3.97 %	1/9/2027	Fort Lauderdale	Office	\$377 / sqft	55 %	1
59	Senior Loan	1/17/2020	203	146	145	+2.75 %	+3.16 %	2/9/2025	New York	Mixed-Use	\$120 / sqft	43 %	3
60	Senior Loan	11/18/2021	137	137	136	+3.25 %	+3.51 %	11/18/2026	London - UK	Other	\$174 / sqft	65 %	2

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Loan Type ⁽¹⁾	Origination Date ⁽²⁾	Total Loan ⁽³⁾⁽⁴⁾	Principal Balance ⁽⁴⁾	Net Book Value	Cash Coupon ⁽⁵⁾	All-in Yield ⁽⁵⁾	Maximum Maturity ⁽⁶⁾	Location	Property Type	Loan Per SQFT / Unit / Key	Origination LTV ⁽³⁾	Risk Rating	
61	Senior Loan	12/20/2019	\$ 136	\$ 136	\$ 135	+3.22 %	+3.44 %	12/18/2026	London - UK	Office	\$688 / sqft	75 %	3
62	Senior Loan	2/25/2022	135	135	134	+4.05 %	+4.43 %	2/25/2027	Copenhagen - DK	Industrial	\$91 / sqft	69 %	2
63	Senior Loan	3/10/2020	140	132	132	+3.10 %	+3.10 %	10/11/2024	New York	Mixed-Use	\$806 / sqft	53 %	3
64	Senior Loan	6/30/2022	129	129	129	+3.75 %	+3.93 %	9/30/2025	Canberra - AU	Hospitality	\$251,353 / key	60 %	3
65	Senior Loan	9/14/2021	132	128	128	+2.70 %	+2.95 %	10/9/2026	San Bernardino	Multi	\$258,709 / unit	75 %	3
66	Senior Loan	6/28/2022	675	127	121	+4.60 %	+5.04 %	7/9/2029	Austin	Mixed-Use	\$106 / sqft	53 %	3
67	Senior Loan	3/28/2022	150	126	125	+3.05 %	+3.35 %	4/9/2027	Miami	Office	\$341 / sqft	69 %	3
68	Senior Loan	4/3/2018	126	125	125	+2.86 %	+3.03 %	4/9/2024	Dallas	Retail	\$761 / sqft	64 %	3
69	Senior Loan	4/6/2021	123	121	120	+3.20 %	+3.52 %	4/9/2026	Los Angeles	Office	\$510 / sqft	65 %	3
70	Senior Loan	6/1/2021	120	120	120	+2.96 %	+3.17 %	6/9/2026	Miami	Multi	\$298,507 / unit	61 %	2
71	Senior Loan	4/29/2022	118	118	117	+3.50 %	+3.77 %	2/18/2027	Napa Valley	Hospitality	\$1,240,799 / key	66 %	2
72	Senior Loan	3/29/2021	123	118	117	+4.02 %	+4.61 %	3/29/2026	Diversified - UK	Multi	\$51,680 / unit	61 %	3
73	Senior Loan	5/20/2021	150	118	117	+3.76 %	+4.19 %	6/9/2026	San Jose	Office	\$302 / sqft	65 %	3
74	Senior Loan	6/28/2019	125	117	117	+2.75 %	+2.91 %	2/1/2024	Los Angeles	Office	\$591 / sqft	48 %	3
75	Senior Loan	7/15/2019	138	117	116	+3.01 %	+3.43 %	8/9/2024	Houston	Office	\$211 / sqft	58 %	3
76	Senior Loan	8/27/2021	122	115	114	+3.00 %	+3.29 %	9/9/2026	San Diego	Retail	\$434 / sqft	58 %	3
77	Senior Loan	10/21/2021	114	114	114	+3.01 %	+3.26 %	11/9/2025	Fort Lauderdale	Multi	\$334,311 / unit	64 %	1
78	Senior Loan	2/20/2019	163	111	111	+4.07 %	+6.12 %	2/19/2024	London - UK	Office	\$545 / sqft	61 %	3
79	Senior Loan	12/21/2021	120	111	110	+2.70 %	+3.00 %	1/9/2027	Washington, DC	Office	\$380 / sqft	68 %	3
80	Senior Loan	3/17/2022	262	110	108	+3.87 %	+4.63 %	6/30/2025	London - UK	Office	\$494 / sqft	62 %	3
81	Senior Loan	3/13/2018	123	108	108	+3.00 %	+3.27 %	4/9/2027	Honolulu	Hospitality	\$167,020 / key	50 %	3
82	Senior Loan	11/8/2022	107	107	106	+3.88 %	+4.53 %	11/8/2027	London - UK	Multi	\$166,047 / unit	60 %	3
83	Senior Loan	11/27/2019	109	107	106	+2.86 %	+3.20 %	12/9/2024	Minneapolis	Office	\$107 / sqft	64 %	3
84	Senior Loan	2/15/2022	106	104	104	+2.85 %	+3.19 %	3/9/2027	Tampa	Multi	\$239,117 / unit	73 %	3
85	Senior Loan ⁽⁴⁾	11/10/2021	362	104	20	+4.00 %	+4.68 %	12/9/2026	San Francisco	Office	\$198 / sqft	66 %	3
86	Senior Loan	12/29/2021	110	102	101	+2.85 %	+3.06 %	1/9/2027	Phoenix	Multi	\$174,662 / unit	64 %	3
87	Senior Loan	3/29/2022	103	101	100	+2.70 %	+2.96 %	4/9/2027	Miami	Multi	\$280,418 / unit	75 %	3
88	Senior Loan	7/1/2021	104	99	99	+3.10 %	+3.35 %	7/9/2026	Diversified - US	Retail	\$281 / sqft	61 %	2
89	Senior Loan	10/1/2021	101	99	99	+2.86 %	+3.13 %	10/1/2026	Phoenix	Multi	\$229,212 / unit	77 %	3
90	Senior Loan	6/18/2021	99	99	98	+2.60 %	+2.83 %	7/9/2026	New York	Industrial	\$51 / sqft	55 %	1

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Loan Type ⁽¹⁾	Origination Date ⁽²⁾	Total Loan ⁽³⁾⁽⁴⁾	Principal Balance ⁽⁴⁾	Net Book Value	Cash Coupon ⁽⁵⁾	All-in Yield ⁽⁶⁾	Maximum Maturity ⁽⁶⁾	Location	Property Type	Loan Per SQFT / Unit / Key	Origination LTV ⁽²⁾	Risk Rating	
91	Senior Loan	12/15/2021	\$ 146	\$ 98	\$ 96	+3.44 %	+4.52 %	12/9/2026	Dublin - IE	Multi	\$245,972 / unit	79 %	3
92	Senior Loan	12/10/2021	135	98	97	+3.00 %	+3.35 %	1/9/2027	Miami	Office	\$327 / sqft	49 %	3
93	Senior Loan	3/28/2019	97	97	97	+3.25 %	+3.25 %	1/9/2024	New York	Hospitality	\$249,463 / key	63 %	4
94	Senior Loan	10/28/2021	96	96	95	+3.00 %	+3.35 %	11/9/2026	Philadelphia	Multi	\$353,704 / unit	79 %	3
95	Senior Loan	3/25/2020	114	95	95	+2.40 %	+2.78 %	3/31/2025	Diversified - NL	Multi	\$116,103 / unit	65 %	2
96	Senior Loan	6/14/2021	100	93	93	+3.70 %	+4.04 %	7/9/2024	Miami	Office	\$196 / sqft	65 %	3
97	Senior Loan	10/27/2021	93	93	92	+2.61 %	+2.81 %	11/9/2026	Orlando	Multi	\$155,612 / unit	75 %	3
98	Senior Loan	3/3/2022	92	92	91	+3.45 %	+3.76 %	3/9/2027	Boston	Hospitality	\$418,182 / key	64 %	3
99	Senior Loan	12/21/2018	98	91	91	+2.60 %	+2.85 %	1/9/2024	Chicago	Office	\$176 / sqft	72 %	3
100	Senior Loan	12/22/2021	91	91	90	+3.18 %	+3.44 %	1/9/2027	Las Vegas	Multi	\$205,682 / unit	65 %	3
101	Senior Loan	10/16/2018	99	90	90	+3.36 %	+3.64 %	11/9/2024	San Francisco	Hospitality	\$196,325 / key	72 %	4
102	Senior Loan	12/15/2021	91	89	88	+2.85 %	+3.10 %	1/9/2027	Charlotte	Multi	\$253,585 / unit	76 %	3
103	Senior Loan	12/10/2018	87	87	87	+4.57 %	+5.28 %	12/3/2024	London - UK	Office	\$416 / sqft	72 %	3
104	Senior Loan	6/25/2021	85	85	85	+2.75 %	+3.10 %	7/1/2026	St. Louis	Multi	\$80,339 / unit	70 %	3
105	Senior Loan	3/31/2017	89	84	84	+4.30 %	+4.54 %	4/9/2023	New York	Office	\$403 / sqft	64 %	4
106	Senior Loan	4/1/2021	102	83	83	+3.30 %	+3.74 %	4/9/2026	San Jose	Office	\$558 / sqft	67 %	3
107	Senior Loan	7/30/2021	87	83	83	+2.50 %	+2.84 %	8/9/2026	Los Angeles	Multi	\$164,314 / unit	70 %	3
108	Senior Loan	7/29/2021	82	82	81	+2.65 %	+3.02 %	6/9/2026	Charlotte	Multi	\$222,630 / unit	78 %	3
109	Senior Loan	3/9/2022	92	80	80	+2.90 %	+3.43 %	3/9/2025	Boston	Office	\$211 / sqft	68 %	3
110	Senior Loan	6/14/2022	106	80	79	+2.95 %	+3.30 %	7/9/2027	San Francisco	Mixed-Use	\$166 / sqft	76 %	3
111	Senior Loan	12/15/2021	89	80	79	+5.25 %	+6.19 %	12/15/2026	Melbourne - AU	Multi	\$58,341 / unit	38 %	3
112	Senior Loan	6/27/2019	88	79	79	+2.75 %	+3.04 %	7/9/2024	West Palm Beach	Office	\$274 / sqft	70 %	2
113	Senior Loan	1/30/2020	104	79	79	+2.96 %	+3.41 %	2/9/2026	Honolulu	Hospitality	\$254,250 / key	63 %	3
114	Senior Loan	8/27/2021	79	77	77	+3.85 %	+4.43 %	9/9/2026	Diversified - US	Hospitality	\$114,079 / key	67 %	3
115	Senior Loan	11/23/2021	92	77	76	+2.75 %	+3.08 %	12/9/2026	Los Angeles	Industrial	\$219 / sqft	66 %	3
116	Senior Loan	12/23/2021	312	73	69	+4.25 %	+5.37 %	6/24/2028	London - UK	Multi	\$81,145 / unit	59 %	3
117	Senior Loan ⁽⁴⁾	12/30/2021	228	73	14	+4.35 %	+5.29 %	1/9/2028	Los Angeles	Multi	\$209,770 / unit	50 %	3
118	Senior Loan	12/21/2021	74	72	71	+2.70 %	+3.06 %	1/9/2027	Tampa	Multi	\$210,663 / unit	77 %	2
119	Senior Loan	10/28/2021	69	69	69	+2.66 %	+2.86 %	11/9/2026	Tacoma	Multi	\$209,864 / unit	70 %	3
120	Senior Loan	1/26/2022	338	69	66	+4.10 %	+4.56 %	2/9/2027	Seattle	Office	\$145 / sqft	56 %	3

continued...

Loan Type ⁽¹⁾	Origination Date ⁽²⁾	Total Loan ⁽³⁾⁽⁴⁾	Principal Balance ⁽⁴⁾	Net Book Value	Cash Coupon ⁽⁵⁾	All-in Yield ⁽⁶⁾	Maximum Maturity ⁽⁶⁾	Location	Property Type	Loan Per SQFT / Unit / Key	Origination LTV ⁽²⁾	Risk Rating	
121	Senior Loan	8/17/2022	\$ 76	\$ 68	\$ 67	+3.35 %	+3.83 %	8/17/2027	Dublin - IE	Industrial	\$107 / sqft	72 %	3
122	Senior Loan	9/22/2021	67	67	67	+3.00 %	+3.16 %	4/1/2024	Jacksonville	Multi	\$181,081 / unit	62 %	2
123	Senior Loan	3/24/2022	65	65	65	+3.50 %	+3.59 %	4/1/2027	Fairfield	Multi	\$406,250 / unit	70 %	3
124	Senior Loan	3/31/2022	70	64	63	+2.80 %	+3.14 %	4/9/2027	Las Vegas	Multi	\$139,394 / unit	71 %	3
125	Senior Loan	8/14/2019	70	62	62	+2.56 %	+2.78 %	9/9/2024	Los Angeles	Office	\$606 / sqft	57 %	3
126	Senior Loan	3/31/2021	62	62	62	+3.73 %	+3.86 %	4/1/2024	Boston	Multi	\$316,327 / unit	75 %	3
127	Senior Loan	7/30/2021	62	62	62	+2.86 %	+3.06 %	8/9/2026	Salt Lake City	Multi	\$224,185 / unit	73 %	3
128	Senior Loan	12/23/2021	61	61	61	+2.18 %	+2.99 %	9/1/2023	New York	Office	\$240 / sqft	71 %	3
129	Senior Loan	6/30/2021	65	59	59	+2.90 %	+3.19 %	7/9/2026	Nashville	Office	\$244 / sqft	71 %	3
130	Senior Loan	4/15/2021	66	59	59	+3.00 %	+3.30 %	5/9/2026	Austin	Office	\$286 / sqft	73 %	3
131	Senior Loan	12/17/2021	66	58	58	+4.35 %	+4.83 %	1/9/2026	Diversified - US	Other	\$4,404 / unit	37 %	1
132	Senior Loan	9/29/2021	62	58	58	+2.85 %	+3.02 %	10/1/2025	Houston	Multi	\$52,968 / unit	61 %	3
133	Senior Loan	12/17/2021	58	58	58	+2.65 %	+2.85 %	1/9/2027	Phoenix	Multi	\$209,601 / unit	69 %	3
134	Senior Loan	7/16/2021	58	58	58	+2.75 %	+3.03 %	8/1/2025	Orlando	Multi	\$195,750 / unit	74 %	2
135	Senior Loan	8/22/2019	57	57	56	+2.66 %	+3.01 %	9/9/2024	Los Angeles	Office	\$317 / sqft	63 %	3
136	Senior Loan	12/10/2020	61	56	56	+3.25 %	+3.54 %	1/9/2026	Fort Lauderdale	Office	\$193 / sqft	68 %	3
137	Senior Loan	12/22/2021	55	55	54	+2.82 %	+2.96 %	1/1/2027	Los Angeles	Multi	\$272,500 / unit	68 %	3
138	Senior Loan	6/28/2021	54	54	53	+3.60 %	+4.86 %	2/15/2023	Diversified - Spain	Hospitality	\$122,727 / key	56 %	3
139	Senior Loan	12/14/2018	60	53	53	+2.90 %	+3.14 %	1/9/2024	Diversified - US	Industrial	\$39 / sqft	57 %	1
140	Senior Loan	7/30/2021	59	53	52	+2.86 %	+3.07 %	8/9/2026	Tampa	Multi	\$129,859 / unit	71 %	2
141	Senior Loan	1/21/2022	68	52	52	+3.70 %	+4.11 %	2/9/2027	Denver	Office	\$308 / sqft	65 %	3
142	Senior Loan	8/16/2022	64	52	51	+4.75 %	+5.35 %	8/16/2027	London - UK	Hospitality	\$382,807 / key	64 %	3
143	Senior Loan	11/11/2021	54	51	51	+4.07 %	+4.86 %	8/12/2026	London - UK	Hospitality	\$183,403 / key	40 %	3
144	Senior Loan	12/9/2021	51	51	51	+2.75 %	+2.89 %	1/1/2027	Portland	Multi	\$241,825 / unit	65 %	3
145	Senior Loan	8/5/2021	57	51	51	+2.90 %	+3.04 %	8/9/2026	Denver	Office	\$193 / sqft	70 %	3
146	Senior Loan	2/17/2021	53	51	51	+3.55 %	+3.75 %	3/9/2026	Miami	Multi	\$290,985 / unit	64 %	2
147	Senior Loan	2/20/2019	49	49	49	+3.50 %	+3.72 %	3/9/2024	Calgary - CAN	Office	\$136 / sqft	52 %	2
148	Senior Loan	9/23/2021	49	49	49	+2.75 %	+2.86 %	10/1/2026	Portland	Multi	\$232,938 / unit	65 %	3
149	Senior Loan	11/30/2016	57	49	48	+3.18 %	+3.40 %	12/9/2023	Chicago	Retail	\$946 / sqft	54 %	4
150	Senior Loan	7/20/2021	48	48	47	+2.75 %	+3.09 %	8/9/2026	Los Angeles	Multi	\$366,412 / unit	60 %	3

continued...

	Loan Type ⁽¹⁾	Origination Date ⁽²⁾	Total Loan ⁽³⁾⁽⁴⁾	Principal Balance ⁽⁴⁾	Net Book Value	Cash Coupon ⁽⁵⁾	All-in Yield ⁽⁵⁾	Maximum Maturity ⁽⁶⁾	Location	Property Type	Loan Per SQFT / Unit / Key	Origination LTV ⁽²⁾	Risk Rating		
151	Senior Loan ⁽⁴⁾	Various	2,099	1,719	1,668	+3.06 %	+3.46 %	3.0 yrs	Various	Various	Various	63 %	2.6		
CECL reserve															
			\$ 31,322	\$ 26,810	\$ 24,692	+ 3.37 %	+ 3.76 %	3.1 yrs						64 %	2.8

- (1) Senior loans include senior mortgages and similar credit quality loans, including related contiguous subordinate loans and pari passu participations in senior mortgage loans.
- (2) Date loan was originated or acquired by us, and the LTV as of such date. Origination dates are subsequently updated to reflect material loan modifications.
- (3) Total loan amount reflects outstanding principal balance as well as any related unfunded loan commitment.
- (4) In certain instances, we finance our loans through the non-recourse sale of a senior loan interest that is not included in our consolidated financial statements. As of December 31, 2022, eight loans in our portfolio have been financed with an aggregate \$1.6 billion of non-consolidated senior interest, which are included in the table above.
- (5) The weighted-average cash coupon and all-in yield are expressed as a spread over the relevant floating benchmark rates, which include USD LIBOR, SOFR, SONIA, EURIBOR, and other indices as applicable to each loan. As of December 31, 2022, substantially all of our loans by total loan exposure earned a floating rate of interest, primarily indexed to USD LIBOR and SOFR. In addition to cash coupon, all-in yield includes the amortization of deferred origination and extension fees, loan origination costs, and purchase discounts, as well as the accrual of exit fees. Excludes loans accounted for under the cost-recovery method.
- (6) Maximum maturity assumes all extension options are exercised, however our loans may be repaid prior to such date.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Investment Portfolio Net Interest Income

Generally, our business model is such that rising interest rates will increase our net income, while declining interest rates will decrease net income. As of December 31, 2022, substantially all of our investments by total loan exposure earned a floating rate of interest and were financed with liabilities that pay interest at floating rates, which resulted in an amount of net equity that is positively correlated to rising interest rates, subject to the impact of interest rate floors on certain of our floating rate loans.

Refer to “Part I. Item 1A. Risk Factors—Risks Related to Our Lending and Investment Activities—The transition away from reference rates and the use of alternative replacement reference rates may adversely affect net interest income related to our loans and investments or otherwise adversely affect our results of operations, cash flows and the market value of our investments.” of this Annual Report on Form 10-K.

The following table projects the earnings impact on our interest income and expense, net of incentive fees, for the twelve-month period following December 31, 2022, of an increase in the various floating-rate indices referenced by our portfolio, assuming no change in credit spreads, portfolio composition, or asset performance, relative to the average indices during the year ended December 31, 2022 (\$ in thousands):

	Assets (Liabilities) Sensitive to Changes in Interest Rates ⁽¹⁾	Interest Rate Sensitivity as of December 31, 2022 ⁽²⁾			
		Increase in Rates		Decrease in Rates	
		50 Basis Points	100 Basis Points	50 Basis Points	100 Basis Points
Floating rate assets	\$ 26,772,122	\$ 103,521	\$ 207,042	\$ (102,042)	\$ (203,889)
Floating rate liabilities ⁽³⁾	(21,205,467)	(84,822)	(169,644)	84,342	168,644
Net exposure	\$ 5,566,655	\$ 18,699	\$ 37,398	\$ (17,700)	\$ (35,245)

- (1) Reflects the USD equivalent value of floating rate assets and liabilities denominated in foreign currencies.
- (2) Increases (decreases) in interest income and expense are presented net of incentive fees. Refer to Note 14 to our consolidated financial statements for additional details of our incentive fee calculation.
- (3) Includes amounts outstanding under secured debt, securitizations, asset-specific financings, and term loans.

Investment Portfolio Value

As of December 31, 2022, substantially all of our portfolio earned a floating rate of interest, and so the value of our investments is generally not impacted by changes in market interest rates. Additionally, we generally hold all of our loans to maturity and so do not expect to realize gains or losses resulting from any mark to market valuation adjustments on our loan portfolio.

Risk of Non-Performance

In addition to the risks related to fluctuations in cash flows and asset values associated with movements in interest rates, there is also the risk of non-performance on floating rate assets. In the case of a significant increase in interest rates, the cash flows of the collateral real estate assets may not be sufficient to pay debt service due under our loans, which may contribute to non-performance or, in severe cases, default. This risk is partially mitigated by our consideration of rising rate stress-testing during our underwriting process, which generally includes a requirement for our borrower to purchase an interest rate cap contract with an unaffiliated third-party, provide an interest reserve deposit, and/or provide other structural guarantees.

Credit Risks

Our loans are also subject to credit risk. The performance and value of our loans depend upon the sponsors' ability to operate the properties that serve as our collateral so that they produce cash flows adequate to pay interest and principal due to us. To monitor this risk, our asset management team reviews our loan portfolios and, in certain instances, is in regular contact with our borrowers, monitoring performance of the collateral and enforcing our rights as necessary.

In addition, we are exposed to the risks generally associated with the commercial real estate market, including variances in occupancy rates, capitalization rates, absorption rates, and other macroeconomic factors beyond our control. We seek to manage these risks through our underwriting and asset management processes.

We maintain a robust asset management relationship with our borrowers and utilize these relationships to maximize the performance of our portfolio, including during periods of volatility. We believe that we will benefit from these relationships and from our long-standing core business model of originating senior loans collateralized by large assets in major markets with experienced, well-capitalized institutional sponsors. Our loan portfolio's low origination weighted-average LTV of 63.9% as of December 31, 2022 reflects significant equity value that we expect our sponsors will be motivated to protect through periods of cyclical disruption. While we believe the principal amounts of our loans are generally adequately protected by underlying collateral value, there is a risk that we will not realize the entire principal value of certain loans.

Our portfolio monitoring and asset management operations benefit from the deep knowledge, experience, and information advantages derived from our position as part of Blackstone's real estate platform. Blackstone has built the world's preeminent global real estate business, with a proven track record of successfully navigating market cycles and emerging stronger through periods of volatility. The market-leading real estate expertise derived from the strength of the Blackstone platform deeply informs our credit and underwriting process, and we believe gives us the tools to expertly asset manage our portfolio and work with our borrowers throughout periods of economic stress and uncertainty.

The year ended December 31, 2022 has been characterized by steep declines and significant volatility in global markets, driven by investor concerns over inflation, rising interest rates, slowing economic growth and geopolitical uncertainty. Inflation across many key economies reached generational highs, prompting central banks to take monetary policy tightening actions that are likely to create headwinds to economic growth. The ongoing war between Russia and Ukraine is also contributing to economic and geopolitical uncertainty.

Inflation continues to rise and has caused the Federal Reserve to raise interest rates with indications of future increases, which has created further uncertainty for the economy and for our borrowers. Although our business model is such that rising interest rates will, all else being equal, correlate to increases in our net income, increases in interest rates may adversely affect our existing borrowers. Additionally, rising rates and increasing costs may dampen consumer spending and slow corporate profit growth, which may negatively impact the collateral underlying certain of our loans. While there is debate among economists as to whether such factors, coupled with recent periods of economic contraction in the U.S. indicate that the U.S. has entered, or in the near term will enter, a recession, it remains difficult to predict the full impact of recent changes and any future changes in interest rates or inflation.

Capital Market Risks

We are exposed to risks related to the equity capital markets, and our related ability to raise capital through the issuance of our class A common stock or other equity instruments. We are also exposed to risks related to the debt capital markets, and our related ability to finance our business through borrowings under credit facilities or other debt instruments. As a REIT, we are required to distribute a significant portion of our taxable income annually, which constrains our ability to accumulate operating cash flow and therefore requires us to utilize debt or equity capital to finance our business. We seek to mitigate these risks by monitoring the debt and equity capital markets to inform our decisions on the amount, timing, and terms of capital we raise.

Margin call provisions under our credit facilities do not permit valuation adjustments based on capital markets events, and are limited to collateral-specific credit marks generally determined on a commercially reasonable basis.

Counterparty Risk

The nature of our business requires us to hold our cash and cash equivalents and obtain financing from various financial institutions. This exposes us to the risk that these financial institutions may not fulfill their obligations to us under these various contractual arrangements. We mitigate this exposure by depositing our cash and cash equivalents and entering into financing agreements with high credit-quality institutions.

The nature of our loans also exposes us to the risk that our counterparties do not make required interest and principal payments on scheduled due dates. We seek to manage this risk through a comprehensive credit analysis prior to making a loan and active monitoring of the asset portfolios that serve as our collateral, as further discussed above.

Currency Risk

Our loans that are denominated in a foreign currency are also subject to risks related to fluctuations in currency rates. We generally mitigate this exposure by matching the currency of our assets to the currency of the financing for our assets. As a result, we substantially reduce our exposure to changes in portfolio value related to changes in foreign currency rates. In addition, substantially all of our net asset exposure to foreign currencies has been hedged with foreign currency forward contracts as of December 31, 2022.

The following tables outline our assets and liabilities that are denominated in a foreign currency (amounts in thousands):

	December 31, 2022		
	EUR	GBP	All Other ⁽²⁾
Foreign currency assets	€ 2,825,694	£ 2,827,531	\$ 2,138,380
Foreign currency liabilities	(2,080,867)	(2,120,269)	(1,614,464)
Foreign currency contracts – notional	(722,311)	(690,912)	(515,512)
Net exposure to exchange rate fluctuations	€ 22,516	£ 16,350	\$ 8,404
Net exposure to exchange rate fluctuations in USD ⁽¹⁾	\$ 24,102	\$ 19,756	\$ 8,404

(1) Represents the U.S. Dollar equivalent as of December 31, 2022.

(2) Includes Swedish Krona, Australian Dollar, Canadian Dollar, Swiss Franc, and Danish Krone currencies.

	December 31, 2021		
	EUR	GBP	All Other ⁽⁴⁾
Foreign currency assets ⁽¹⁾⁽²⁾	€ 2,845,833	£ 1,789,220	\$ 1,168,242
Foreign currency liabilities ⁽¹⁾	(2,097,126)	(1,293,241)	(890,386)
Foreign currency contracts – notional	(731,182)	(489,204)	(270,555)
Net exposure to exchange rate fluctuations	€ 17,525	£ 6,775	\$ 7,301
Net exposure to exchange rate fluctuations in USD ⁽³⁾	\$ 19,926	\$ 9,168	\$ 7,301

(1) Balances include non-consolidated senior interests of £196.8 million.

(2) British Pound Sterling balance includes a loan denominated in Euro, with an outstanding principal balance of £8.3 million as of December 31, 2021, that is hedged to British Pound Sterling exposure through a foreign currency forward contract. Refer to Note 11 to our consolidated financial statements for additional discussion of our foreign currency derivatives.

(3) Represents the U.S. Dollar equivalent as of December 31, 2021.

(4) Includes Swedish Krona, Australian Dollar, Canadian Dollar, and Swiss Franc currencies.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements required by this item and the reports of the independent accountants thereon required by Item 14(a)(2) appear on pages F-2 to F-49. See accompanying Index to the Consolidated Financial Statements on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The company maintains disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in the company's reports under the Exchange Act is recorded, processed, and summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this annual report on Form 10-K was made under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (a) are effective to ensure that information required to be disclosed by us in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by SEC rules and forms and (b) include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There have been no changes in our "internal control over financial reporting" (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during our most recent quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Management of Blackstone Mortgage Trust, Inc. and subsidiaries, or Blackstone Mortgage Trust, is responsible for establishing and maintaining adequate internal control over financial reporting. Blackstone Mortgage Trust's internal control over financial reporting is a process designed under the supervision of its Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of its consolidated financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles").

Blackstone Mortgage Trust's internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets of the company; provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of the company's management and directors; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on its financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted an assessment of the effectiveness of Blackstone Mortgage Trust's internal control over financial reporting as of December 31, 2022, based on the framework established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. Based on this assessment, management has determined that Blackstone Mortgage Trust's internal control over financial reporting as of December 31, 2022, was effective.

Deloitte & Touche LLP, an independent registered public accounting firm, has audited Blackstone Mortgage Trust's financial statements included in this report on Form 10-K and issued its report on the effectiveness of Blackstone Mortgage Trust's internal control over financial reporting as of December 31, 2022, which is included herein.

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item is incorporated by reference to the company's definitive proxy statement to be filed not later than April 30, 2023 with the SEC pursuant to Regulation 14A under the Exchange Act.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to the company's definitive proxy statement to be filed not later than April 30, 2023 with the SEC pursuant to Regulation 14A under the Exchange Act.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Equity Compensation Plan Information

The following table summarizes information, as of December 31, 2022, relating to our equity compensation plans pursuant to which shares of our class A common stock or other equity securities may be granted from time to time:

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants, and rights	(b) Weighted-average exercise price of outstanding options, warrants, and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders ⁽¹⁾	410,608 ⁽²⁾	\$ —	9,210,865
Equity compensation plans not approved by security holders ⁽³⁾	—	—	—
Total	410,608	\$ —	9,210,865

- (1) The number of securities remaining for future issuances consists of an aggregate 9,210,865 shares issuable under our stock incentive plan and our manager incentive plan. Awards under the plans may include restricted stock, unrestricted stock, stock options, stock units, stock appreciation rights, performance shares, performance units, deferred share units, or other equity-based awards, as the board of directors may determine.
- (2) Reflects deferred stock units granted to our non-employee directors. The deferred stock units are settled upon the non-employee director's separation from service with the company by delivering to the non-employee director one share of class A common stock, or the cash equivalent, for each deferred stock unit settled. As these awards have no exercise price, the weighted average exercise price in column (b) does not take these awards into account.
- (3) All of our equity compensation plans have been approved by security holders.

The remaining information required by this item is incorporated by reference to the company's definitive proxy statement to be filed not later than April 30, 2023 with the SEC pursuant to Regulation 14A under the Exchange Act.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated by reference to the company's definitive proxy statement to be filed not later than April 30, 2023 with the SEC pursuant to Regulation 14A under the Exchange Act.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated by reference to the company's definitive proxy statement to be filed not later than April 30, 2023 with the SEC pursuant to Regulation 14A under the Exchange Act.

PART IV.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) (1) Financial Statements

See the accompanying Index to Financial Statement Schedule on page F-1.

(a) (2) Consolidated Financial Statement Schedules

See the accompanying Index to Financial Statement Schedule on page F-1.

(a) (3) Exhibits

EXHIBIT INDEX

Exhibit No.	Exhibit Description
2.1	<u>Purchase and Sale Agreement, dated September 27, 2012, by and between Capital Trust, Inc. and Huskies Acquisition LLC (filed as Exhibit 2.1 to the Registrant's Current Report on Form 8-K (File No. 1-14788) filed on October 3, 2012 and incorporated herein by reference)</u>
2.2	<u>Amendment No. 1 to Purchase and Sale Agreement, dated July 21, 2021, by and between Blackstone Mortgage Trust, Inc. (formerly known as Capital Trust, Inc.) and Huskies Acquisition LLC (filed as Exhibit 2.2 to the Registrant's Annual Report on Form 10-K (File No. 1-14788) filed on February 9, 2022 and incorporated herein by reference)</u>
3.1.a	<u>Articles of Amendment and Restatement (filed as Exhibit 3.1.a to the Registrant's Current Report on Form 8-K (File No. 1-14788) filed on April 2, 2003 and incorporated herein by reference)</u>
3.1.b	<u>Certificate of Notice (filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 1-14788) filed on February 27, 2007 and incorporated herein by reference)</u>
3.1.c	<u>Articles Supplementary for Series A Junior Participating Preferred Stock (filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 1-14788) filed on March 3, 2011 and incorporated herein by reference)</u>
3.1.d	<u>Articles of Amendment (filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 1-14788) filed on December 21, 2012 and incorporated herein by reference)</u>
3.1.e	<u>Articles of Amendment (filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 1-14788) filed on May 7, 2013 and incorporated herein by reference)</u>
3.1.f	<u>Articles Supplementary (filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 1-14788) filed on May 29, 2013 and incorporated herein by reference)</u>
3.1.g	<u>Articles of Amendment, dated April 13, 2015 (filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 1-14788) filed on April 13, 2015 and incorporated herein by reference)</u>
3.1.h	<u>Articles of Amendment dated June 8, 2020 (filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on June 11, 2020 and incorporated herein by reference)</u>
3.2	<u>Sixth Amended and Restated Bylaws of Blackstone Mortgage Trust, Inc. (filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 1-14788) filed on October 21, 2022 and incorporated herein by reference)</u>
4.1	* <u>Description of Securities of Blackstone Mortgage Trust, Inc.</u>
4.2	<u>Indenture, dated as of November 25, 2013, between Blackstone Mortgage Trust, Inc. and The Bank of New York Mellon Trust Company, N.A., as trustee (filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K (File No. 1-14788) filed on November 25, 2013 and incorporated herein by reference)</u>
4.3	<u>Second Supplemental Indenture, dated as of May 5, 2017, between Blackstone Mortgage Trust, Inc. and The Bank of New York Mellon Trust Company, N.A., as trustee (filed as Exhibit 4.2 to the Registrant's Current Report on Form 8-K (File No. 1-14788) filed on May 5, 2017 and incorporated herein by reference)</u>
4.4	<u>Form of 4.375% Convertible Senior Notes due 2022 (included as Exhibit A in Exhibit 4.3)</u>
4.5	<u>Third Supplemental Indenture, dated as of March 27, 2018, between Blackstone Mortgage Trust, Inc. and The Bank of New York Mellon Trust Company, N.A., as trustee (filed as Exhibit 4.2 to the Registrant's Current Report on Form 8-K (File No. 1-14788) filed on March 27, 2018 and incorporated herein by reference)</u>
4.6	<u>Form of 4.75% Convertible Senior Notes due 2023 (included as Exhibit A in Exhibit 4.5)</u>

- 4.7 Fourth Supplemental Indenture, dated March 29, 2022, between Blackstone Mortgage Trust, Inc. and The Bank of New York Mellon Trust Company, N.A., as trustee. (filed as Exhibit 4.2 to the Company's Current Report on Form 8-K (File No. 1-14788) filed on March 29, 2022 and incorporated herein by reference)
- 4.8 Form of 5.50% Convertible Senior Notes due 2027 (included as Exhibit A in Exhibit 4.7)
- 4.9 Indenture, dated October 5, 2021, among Blackstone Mortgage Trust, Inc., the Guarantors and The Bank of New York Mellon Trust Company, N.A., as trustee and collateral agent (filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K (File No. 1-14788) filed on October 5, 2021 and incorporated herein by reference)
- 4.10 Form of 3.750% Senior Secured Notes due 2027 (included as Exhibit B to Exhibit 4.9)
- 4.11 Pledge and Security Agreement, dated as of October 5, 2021, by and among Blackstone Mortgage Trust, Inc., the other grantors from time to time party thereto and The Bank of New York Mellon Trust Company, N.A., as collateral agent (filed as Exhibit 4.3 to the Registrant's Current Report on Form 8-K (File No. 1-14788) filed on October 5, 2021 and incorporated herein by reference)
- 4.12 First Lien Intercreditor Agreement, dated as of October 5, 2021, by and among Blackstone Mortgage Trust, Inc., JPMorgan Chase Bank, N.A., as agent under the Term Loan Credit Agreement, and The Bank of New York Mellon Trust Company, N.A., as trustee and notes collateral agent (filed as Exhibit 4.4 to the Registrant's Current Report on Form 8-K (File No. 1-14788) filed on October 5, 2021 and incorporated herein by reference)
- 10.1 Second Amended and Restated Management Agreement, dated as of October 23, 2014, by and between Blackstone Mortgage Trust, Inc. and BXMT Advisors L.L.C. (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q (File No. 1-14788) filed on October 28, 2014 and incorporated herein by reference)
- 10.2 Amended and Restated Trademark License Agreement, dated as of December 21, 2017, by and between Blackstone Mortgage Trust, Inc. (f/k/a Capital Trust, Inc.) and Blackstone TM L.L.C. (filed as Exhibit 10.2 to the Registrant's Annual Report on Form 10-K (File No. 1-14788) filed on February 13, 2018 and incorporated herein by reference)
- 10.3 Assignment Agreement, dated as of December 19, 2012, by and among Huskies Acquisition LLC, Blackstone Holdings III L.P. and Capital Trust, Inc. (filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 1-14788) filed on December 21, 2012 and incorporated herein by reference)
- 10.4 Amended and Restated Registration Rights Agreement, dated May 6, 2013, by and among Blackstone Mortgage Trust, Inc., Blackstone Holdings III L.P. and BREDS/CT Advisors L.L.C. (filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q (File No. 1-14788) filed on May 6, 2013 and incorporated herein by reference)
- 10.5 + Blackstone Mortgage Trust, Inc. 2018 Stock Incentive Plan (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 1-14788) filed on June 21, 2018 and incorporated herein by reference)
- 10.6 + Form of Restricted Stock Award of Blackstone Mortgage Trust, Inc. 2018 Stock Incentive Plan (filed as Exhibit 10.19 to the Registrant's Annual Report on Form 10-K (File No. 1-14788) filed on February 11, 2020 and incorporated herein by reference)
- 10.7 + Blackstone Mortgage Trust, Inc. 2018 Manager Incentive Plan (filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 1-14788) filed on June 21, 2018 and incorporated herein by reference)
- 10.8 + Form of Restricted Stock Award of Blackstone Mortgage Trust, Inc. 2018 Manager Incentive Plan (filed as Exhibit 10.21 to the Registrant's Annual Report on Form 10-K (File No. 1-14788) filed on February 11, 2020 and incorporated herein by reference)

- 10.9 + Form of Non-Employee Restricted Stock Award Agreement of Blackstone Mortgage Trust, Inc. 2018 Stock Incentive Plan (filed as Exhibit 10.8 to the Registrant's Quarterly Report on Form 10-Q (filed No. 1-14788) filed on July 27, 2022 and incorporated herein by reference).
- 10.10 + Blackstone Mortgage Trust, Inc. Stock Incentive Plan (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 1-14788) filed on June 17, 2022 and incorporated herein by reference)
- 10.11 + Blackstone Mortgage Trust, Inc. Manager Incentive Plan (filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 1-14788) filed on June 17, 2022 and incorporated herein by reference)
- 10.12 + Form of Non-Employee Restricted Stock Award Agreement of Blackstone Mortgage Trust, Inc. Stock Incentive Plan (filed as Exhibit 10.9 to the Registrant's Quarterly Report on Form 10-Q (File No. 1-14788) filed on July 27, 2022 and incorporated herein by reference)
- 10.13 + Form of Restricted Stock Award Agreement of Blackstone Mortgage Trust, Inc. Stock Incentive Plan (filed as Exhibit 10.10 to the Registrant's Quarterly Report on Form 10-Q (File No. 1-14788) filed on July 27, 2022 and incorporated herein by reference)
- 10.14 + Form of Restricted Stock Award Agreement of Blackstone Mortgage Trust, Inc. Manager Incentive Plan (filed as Exhibit 10.11 to the Registrant's Quarterly Report on Form 10-Q (File No. 1-14788) filed on July 27, 2022 and incorporate herein by reference)
- 10.15 + Form of Indemnification Agreement (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 1-14788) filed on December 21, 2012 and incorporated herein by reference)
- 10.16 Fifth Amended and Restated Master Repurchase Agreement, dated as of April 16, 2021, among Parlex 2 Finance, LLC, Parlex 2A Finco, LLC, Parlex 2 UK Finco, LLC, Parlex 2 Eur Finco, LLC, Parlex 2 AU Finco, LLC, Parlex 2 CAD Finco, LLC and Citibank, N.A. (filed as Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q (File NO. 1-14788) filed on July 28, 2021 and incorporated herein by reference)
- 10.17 First Amendment to Fifth Amended and Restated Master Repurchase Agreement, dated as of August 26, 2021, among Parlex 2 Finance, LLC, Parlex 2A Finco, LLC, Parlex 2 UK Finco, LLC, Parlex 2 EUR Finco, LLC, Parlex 2 AU Finco, LLC, Parlex 2 CAD Finco, LLC, Wispar 5 Finco, LLC and Citibank, N.A. (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q (File No. 1-14788) filed on October 27, 2021 and incorporated herein by reference)
- 10.18 Second Amendment to Fifth Amended and Restated Master Repurchase Agreement, dated as of December 24, 2021, among Parlex 2 Finance, LLC, Parlex 2A Finco, LLC, Parlex 2 UK Finco, LLC, Parlex 2 EUR Finco, LLC, Parlex 2 AU Finco, LLC, Parlex 2 CAD Finco, LLC, Wispar 5 Finco, LLC and Citibank, N.A. (filed as Exhibit 10.25 to the Registrant's Annual Report on Form 10-K (File No. 1-14788) filed on February 9, 2022 and incorporated herein by reference)
- 10.19 Third Amendment to Fifth Amended and Restated Master Repurchase Agreement, dated as of May 25, 2022, among Parlex 2 Finance, LLC, Parlex 2A Finco, LLC, Parlex 2 UK Finco, LLC, Parlex 2 EUR Finco, LLC, Parlex 2 AU Finco, LLC, Parlex 2 CAD Finco, LLC, Wispar 5 Finco, LLC and Citibank, N.A. (filed as Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q (File No. 1-4788) filed on July 27, 2022 and incorporated herein by reference)
- 10.20 Limited Guaranty, dated as of June 12, 2013, made by Blackstone Mortgage Trust, Inc. in favor of Citibank, N.A. (filed as Exhibit 10.11 to the Registrant's Quarterly Report on Form 10-Q (File No. 1-14788) filed on July 30, 2013 and incorporated herein by reference)
- 10.21 First Amendment to Limited Guaranty, dated as of November 20, 2013, made by Blackstone Mortgage Trust, Inc. in favor of Citibank, N.A. (filed as Exhibit 10.36 to the Registrant's Annual Report on Form 10-K (File No. 1-14788) filed on February 17, 2015 and incorporated herein by reference)

- 10.22 Second Amendment to Limited Guaranty, dated as of February 24, 2014, made by Blackstone Mortgage Trust, Inc. in favor of Citibank, N.A. (filed as Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q (File No. 1-14788) filed on April 29, 2014 and incorporated herein by reference)
- 10.23 Third Amendment to Limited Guaranty, dated as of March 31, 2017, made by Blackstone Mortgage Trust, Inc. in favor of Citibank, N.A. (filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q (File No. 1-14788) filed on April 25, 2017 and incorporated herein by reference)
- 10.24 Fourth Amendment to Limited Guaranty, dated as of October 12, 2018, by and between Blackstone Mortgage Trust, Inc. and Citibank, N.A. (filed as Exhibit 10.41 to the Registrant's Annual Report on Form 10-K (File No. 1-14788) filed on February 12, 2019 and incorporated herein by reference)
- 10.25 Fifth Amendment to Limited Guaranty, dated as of February 15, 2019, by and between Blackstone Mortgage Trust, Inc. and Citibank, N.A. (filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q (File No. 1-14788) filed on April 23, 2019 and incorporated herein by reference)
- 10.26 Sixth Amendment to Limited Guaranty, dated as of April 16, 2021, by and between Blackstone Mortgage Trust, Inc. and Citibank, N.A. (filed as Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q (File No. 1-14788) filed on July 28, 2021 and incorporated herein by reference)
- 10.27 Guarantee Agreement, dated as of March 13, 2014, made by Blackstone Mortgage Trust, Inc. in favor of Wells Fargo Bank, N.A. (filed as Exhibit 10.10 to the Registrant's Quarterly Report on Form 10-Q (File No. 1-14788) filed on April 29, 2014 and incorporated herein by reference)
- 10.28 Amended and Restated Master Repurchase and Securities Contract, dated as of April 4, 2014, between Parlex 5 Finco, LLC and Wells Fargo Bank, National Association (filed as Exhibit 10.7 to the Registrant's Quarterly Report on Form 10-Q (File No. 1-14788) filed on April 28, 2015 and incorporated herein by reference)
- 10.29 Amendment No. 1 to Amended and Restated Master Repurchase and Securities Contract, dated as of October 23, 2014, between Parlex 5 Finco, LLC and Wells Fargo Bank, National Association (filed as Exhibit 10.8 to the Registrant's Quarterly Report on Form 10-Q (File No. 1-14788) filed on April 28, 2015 and incorporated herein by reference)
- 10.30 Amendment No. 2 to Amended and Restated Master Repurchase and Securities Contract, dated as of March 13, 2015, between Parlex 5 Finco, LLC and Wells Fargo Bank, National Association (filed as Exhibit 10.9 to the Registrant's Quarterly Report on Form 10-Q (File No. 1-14788) filed on April 28, 2015 and incorporated herein by reference)
- 10.31 Amendment No. 3 to Amended and Restated Master Repurchase and Securities Contract, dated as of April 14, 2015, between Parlex 5 Finco, LLC and Wells Fargo Bank, National Association (filed as Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q (File No. 1-14788) filed on July 28, 2015 and incorporated herein by reference)
- 10.32 Amendment No. 4 to Amended and Restated Master Repurchase and Securities Contract, dated as of March 11, 2016, between Parlex 5 Finco, LLC and Wells Fargo Bank, National Association (filed as Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q (File No. 1-14788) filed on April 26, 2016 and incorporated herein by reference)
- 10.33 Amendment No. 5 to Amended and Restated Master Repurchase and Securities Contract, dated June 30, 2016, between Parlex 5 Finco, LLC and Wells Fargo Bank, National Association (filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q (File No. 1-14788) filed on July 26, 2016 and incorporated herein by reference)
- 10.34 Amendment No. 6 to Amended and Restated Master Repurchase and Securities Contract, dated as of March 13, 2017, between Parlex 5 Finco, LLC and Wells Fargo Bank, National Association (filed as Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q (File No. 1-14788) filed on April 25, 2017 and incorporated herein by reference)

- 10.35 Amendment No. 7 to Amended and Restated Master Repurchase and Securities Contract, dated as of March 31, 2017, between Parlex 5 Finco, LLC and Wells Fargo Bank, National Association (filed as Exhibit 10.4 to the Registrant’s Quarterly Report on Form 10-Q (File No. 1-14788) filed on April 25, 2017 and incorporated herein by reference)
- 10.36 Amendment No. 8 to Amended and Restated Master Repurchase and Securities Contract, dated as of March 13, 2018, between Parlex 5 Finco, LLC and Wells Fargo Bank, National Association (filed as Exhibit 10.4 to the Registrant’s Quarterly Report on Form 10-Q (File No. 1-14788) filed on April 24, 2018 and incorporated herein by reference)
- 10.37 Amendment No. 9 to Amended and Restated Master Repurchase and Securities Contract, dated as of December 21, 2018, between Parlex 5 Finco, LLC and Wells Fargo Bank, National Association (filed as Exhibit 10.52 to the Registrant’s Annual Report on Form 10-K (File No. 1-14788) filed on February 12, 2019 and incorporated herein by reference)
- 10.38 Amendment No. 10 to Amended and Restated Master Repurchase and Securities Contract, dated as of November 13, 2019, between Parlex 5 Finco, LLC and Wells Fargo Bank, National Association (filed as Exhibit 10.1 to the Registrant’s Quarterly Report on Form 10-Q (File No. 1-14788) filed on April 28, 2020 and incorporated herein by reference)
- 10.39 Amendment No. 11 to Amended and Restated Master Repurchase and Securities Contract, dated as of December 23, 2019, between Parlex 5 Finco, LLC and Wells Fargo Bank, National Association (filed as Exhibit 10.2 to the Registrant’s Quarterly Report on Form 10-Q (File No. 1-14788) filed on April 28, 2020 and incorporated herein by reference)
- 10.40 Amendment No. 12 to Amended and Restated Master Repurchase and Securities Contract, dated as of March 13, 2020, between Parlex 5 Finco, LLC and Wells Fargo Bank, National Association (filed as Exhibit 10.5 to the Registrant’s Quarterly Report on Form 10-Q (File No. 1-14788) filed on April 28, 2020 and incorporated herein by reference)
- 10.41 Amendment No. 13 to Amended and Restated Master Repurchase and Securities Contract, dated as of March 12, 2021, between Parlex 5 Finco, LLC and Wells Fargo Bank, National Association (filed as Exhibit 10.2 to the Registrant’s Quarterly Report on Form 10-Q (File No. 1-14788) filed on April 28, 2021 and incorporated herein by reference)
- 10.42 Amendment No. 14 to Amended and Restated Master Repurchase and Securities Contract, dated as of March 11, 2022, between Parlex 5 Finco, LLC and Wells Fargo Bank, National Association (filed as Exhibit 10.1 to the Registrant’s Quarterly Report on Form 10-Q (File No. 1-14788) filed on April 27, 2022 and incorporated herein by reference)
- 10.43 Amendment No. 15 to Amended and Restated Master Repurchase and Securities Contract, dated as of June 29, 2022, between Parlex 5 Finco, LLC and Wells Fargo Bank, National Association (filed as Exhibit 10.4 to the Registrant’s Quarterly Report on Form 10-Q (File No. 1-14788) filed on July 27, 2022 and incorporated herein by reference)
- 10.44 Amended and Restated Guarantee Agreement, dated as of June 30, 2015, made by Blackstone Mortgage Trust, Inc. in favor of Wells Fargo Bank, National Association (filed as Exhibit 10.3 to the Registrant’s Quarterly Report on Form 10-Q (File No. 1-14788) filed on July 28, 2015 and incorporated herein by reference)
- 10.45 Acknowledgement of Guarantor, dated as of June 30, 2016, made by Blackstone Mortgage Trust, Inc. in favor of Wells Fargo Bank, National Association (filed as Exhibit 10.4 to the Registrant’s Quarterly Report on Form 10-Q (File No. 1-14788) filed on July 26, 2016 and incorporated herein by reference)
- 10.46 Term Loan Credit Agreement, dated as of April 23, 2019, among Blackstone Mortgage Trust, Inc., the lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, and JP Morgan Chase Bank, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Barclays Bank Plc, Deutsche Bank Securities Inc. and Blackstone Advisory Partners LP, as Joint Lead Arrangers and Joint Bookrunners (filed as Exhibit 10.1 to the Registrant’s Quarterly Report on Form 10-Q (File No. 1-14788) filed on July 29, 2020 and incorporated herein by reference)

- 10.47 First Amendment to Term Loan Credit Agreement, dated as of November 19, 2019, by and among Blackstone Mortgage Trust, Inc., the subsidiary guarantors party thereto, each lender party thereto and JPMorgan Chase Bank, N.A., as administrative agent and collateral agent (filed as Exhibit 10.2 to the Registrant’s Quarterly Report on Form 10-Q (File No. 1-14788) filed on July 29, 2020 and incorporated herein by reference)
- 10.48 Second Amendment to Term Loan Credit Agreement, dated as of May 20, 2020, by and among Blackstone Mortgage Trust, Inc., the subsidiary guarantors party thereto, each lender party thereto and JPMorgan Chase Bank, N.A., as administrative agent and collateral agent (filed as Exhibit 10.3 to the Registrant’s Quarterly Report on Form 10-Q (File No. 1-14788) filed on July 29, 2020 and incorporated herein by reference)
- 10.49 Third Amendment to Term Loan Credit Agreement, dated as of June 11, 2020, by and among Blackstone Mortgage Trust, Inc., the subsidiary guarantors party thereto, each lender party thereto and JPMorgan Chase Bank, N.A., as administrative agent and collateral agent (filed as Exhibit 10.4 to the Registrant’s Quarterly Report on Form 10-Q (File No. 1-14788) filed on July 29, 2020 and incorporated herein by reference)
- 10.50 Fourth Amendment to Term Loan Credit Agreement, dated as of February 19, 2021, by and among Blackstone Mortgage Trust, Inc., the subsidiary guarantors party thereto, each lender party thereto and JPMorgan Chase Bank, N.A., as administrative agent and collateral agent (filed as Exhibit 10.1 to the Registrant’s Quarterly Report on Form 10-Q (File No. 1-14788) filed on April 28, 2021 and incorporated herein by reference)
- 10.51 Fifth Amendment to Term Loan Credit Agreement, dated as of June 21, 2021, by and among Blackstone Mortgage Trust, Inc., the subsidiary guarantors party thereto, each lender party thereto and JPMorgan Chase Bank, N.A., as administrative agent and collateral agent (filed as Exhibit 10.1 to the Registrant’s Quarterly Report on Form 10-Q (File No. 1-14788) filed on July 28, 2021 and incorporated herein by reference)
- 10.52 Sixth Amendment to Term Loan Credit Agreement, dated as of May 9, 2022, by and among Blackstone Mortgage Trust, Inc., the subsidiary guarantors party thereto, each lender party thereto and JPMorgan Chase Bank, N.A., as administrative agent and collateral agent (filed as Exhibit 10.3 to the Registrant’s Quarterly Report on Form 10-Q (file No. 1-14788) filed on July 27, 2022 and incorporated herein by reference)
- 10.53 * Seventh Amendment to Term Loan Credit Agreement, dated as of November 4, 2022, by and among Blackstone Mortgage Trust, Inc., the subsidiary guarantors party thereto, each lender party thereto and JPMorgan Chase Bank, N.A., as administrative agent
- 10.54 Loan Guaranty, entered into as of April 23, 2019, by and among the subsidiary guarantors and other persons from time to time party thereto and JPMorgan Chase Bank, N.A., as administrative agent and collateral agent (filed as Exhibit 10.5 to the Registrant’s Quarterly Report on Form 10-Q (File No. 1-14788) filed on July 29, 2020 and incorporated herein by reference)
- 10.55 Pledge and Security Agreement, entered into as of April 23, 2019, by and among Blackstone Mortgage Trust, Inc., the grantors from time to time party thereto and JPMorgan Chase Bank, N.A., as administrative agent and collateral agent (filed as Exhibit 10.6 to the Registrant’s Quarterly Report on Form 10-Q (File No. 1-14788) filed on July 29, 2020 and incorporated herein by reference)
- 10.56 Master Repurchase Agreement, dated as of February 11, 2022, by and between Parlex 18 Finco, LLC and MUFG Bank, Ltd., New York Branch (filed as Exhibit 10.2 to the Registrant’s Quarterly Report on Form 10-Q (File No. 1-14788) filed on April 27, 2022 and incorporated herein by reference)
- 10.57 * First Amendment to Master Repurchase Agreement, dated as of December 6, 2022, by and between Parlex 18 Finco, LLC and MUFG Bank, New York Branch
- 10.58 Guaranty, dated as of February 11, 2022, made by Blackstone Mortgage Trust, Inc., in favor of MUFG Bank, Ltd., New York Branch (filed as Exhibit 10.1 to the Registrant’s Quarterly Report on Form 10-Q (File No. 1-14788) filed on October 26, 2022 and incorporated herein by reference)

- 10.59 [Master Repurchase Agreement, dated as of May 31, 2022, by and between Parlex 3A USD IE Issuer Designated Activity Company, Parlex 3A GBP IE Issuer Designated Activity Company, Parlex 3A EUR IE Issuer Designated Activity Company, Parlex 3A SEK IE Issuer Designated Activity Company, Perpetual Corporate Trust Limited as Trustee of the Parlex 2022-1 Issuer Trust, Parlex 3A FINCO, LLC, Parlex 3A UK Finco, LLC, Parlex 3A EUR Finco, LLC, Parlex 3A SEK Finco, LLC, Silver Fin Sub TC PTY LTD, Gloss Finco 1, LLC and Barclays Bank PLC \(filed as Exhibit 10.1 to the Registrant’s Quarterly Report on Form 10-Q \(File No. 1-14788\) filed on July 27, 2022 and incorporated herein by reference](#)
- 10.60 [First Amendment to Master Repurchase Agreement, dated as of August 22, 2022, by and among Parlex 3A USD IE Issuer Designated Activity Company, Parlex 3A GBP IE Issuer Designated Activity Company, Parlex 3A EUR IE Issuer Designated Activity Company, Parlex 3A SEK IE Issuer Designated Activity Company, Perpetual Corporate Trust Limited as Trustee of the Parlex 2022-1 Issuer Trust, Parlex 3A FINCO, LLC, Barclays Bank PLC, Parlex 3A Finco, LLC, Parlex 3A UK Finco, LLC, Parlex 3A EUR Finco, LLC, Parlex 3A SEK Finco, LLC, Silver Fin Sub TC PTY LTD, and Gloss Finco 1, LLC \(filed as Exhibit 10.2 to the Registrant’s Quarterly Report on Form 10-Q \(File No. 1-14788\) filed on October 26, 2022 and incorporated herein by reference\)](#)
- 10.61 * [Second Amendment to Master Repurchase Agreement, dated as of December 23, 2022, by and among Parlex 3A USD IE Issuer Designated Activity Company, Parlex 3A GBP IE Issuer Designated Activity Company, Parlex 3A EUR IE Issuer Designated Activity Company, Parlex 3A SEK IE Issuer Designated Activity Company, Perpetual Corporate Trust Limited as Trustee of the Parlex 2022-1 Issuer Trust, Parlex 3A FINCO, LLC, Barclays Bank PLC, Parlex 3A Finco, LLC, Parlex 3A UK Finco, LLC, Parlex 3A EUR Finco, LLC, Parlex 3A SEK Finco, LLC, Silver Fin Sub TC PTY LTD, and Gloss Finco 1, LLC](#)
- 10.62 [Guaranty, dated as of May 31, 2021, made by Blackstone Mortgage Trust, Inc., for the benefit of Parlex 3 USD IE Issuer Designated Activity Company, Parlex 3A GBP IE Issuer Designated Activity Company, Parlex 3A EUR IE Issuer Designated Activity Company and Parlex 3A SEK IE Issuer Designated Activity Company \(filed as Exhibit 10.2 to the Registrant’s Quarterly Report on Form 10-Q \(file No. 1-14788\) filed on July 27, 2022 and incorporated herein by reference\)](#)
- 21.1 * [Subsidiaries of Blackstone Mortgage Trust, Inc.](#)
- 23.1 * [Consent of Deloitte & Touche LLP](#)
- 31.1 * [Certification of Chief Executive Officer, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 31.2 * [Certification of Chief Financial Officer, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 32.1 * [Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 \(furnished herewith\)](#)
- 32.2 * [Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 \(furnished herewith\)](#)
- 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 ++ Inline XBRL Taxonomy Extension Schema Document
- 101.CAL ++ Inline XBRL Taxonomy Extension Calculation Linkbase Document
- 101.LAB ++ Inline XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE ++ Inline XBRL Taxonomy Extension Presentation Linkbase Document
- 101.DEF ++ Inline XBRL Taxonomy Extension Definition Linkbase Document

* Filed herewith.

+ This document has been identified as a management contract or compensatory plan or arrangement.

++ This exhibit shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) or otherwise subject to the liability of that Section. Such exhibit shall not be deemed incorporated into any filing under the Securities Act of 1933, as amended (the “Securities Act”), or the Exchange Act. The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

ITEM 16. FORM 10-K SUMMARY

None.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULE

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Schedules other than those listed are omitted as they are not applicable or the required or equivalent information has been included in the consolidated financial statements or notes thereto.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of
Blackstone Mortgage Trust, Inc.
New York, New York

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Blackstone Mortgage Trust, Inc. and subsidiaries (the "Company") as of December 31, 2022 and 2021, the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2022, and the related notes and the schedule listed in the Index at Item 15(a) (collectively referred to as the "financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control — Integrated Framework (2013) issued by COSO.

Basis for Opinions

The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Current Expected Credit Loss (“CECL”) Reserve – Adjustments to Reflect Management’s Estimation of Economic Conditions – Refer to Note 2 in the Financial Statements

Critical Audit Matter Description

The Company estimates its CECL reserve primarily using the Weighted Average Remaining Maturity (“WARM”) method, which has been identified as an acceptable loss-rate method for estimating CECL reserves. The Company utilizes its own historical loan loss data supplemented with the data obtained from an external service provider. The data obtained is subject to several screening and/or judgmental adjustments that are applied in order to better align this loan-level data to the attributes of the Company’s loan portfolio.

The Company’s CECL reserve determined under the WARM method is further adjusted to reflect management’s estimation of the current and future economic conditions that may impact the performance of the commercial real estate assets securing the Company’s loans. The items considered in management’s estimation include unemployment rates, interest rates and other macroeconomic factors impacting the likelihood and magnitude of potential credit losses for the Company’s loans during their anticipated term.

We identified the adjustments to the CECL reserve to reflect management’s estimation of the current and future economic conditions that may impact the performance of the commercial real estate assets securing the Company’s loans as a critical audit matter because of the subjectivity, complexity and estimation uncertainty in such adjustments made to account for the macroeconomic factors. This required a high degree of auditor judgment and an increased extent of effort when performing audit procedures to evaluate whether the adjustments determined by management reasonably and appropriately quantify macroeconomic risks associated with the Company’s loan portfolio, including the need to involve our credit specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures to assess the adjustments applied by management to the CECL reserve to account for current and future economic conditions included, among others:

- We tested the design and operating effectiveness of controls implemented by the Company in relation to the establishment of the CECL reserve. Specifically, in relation to the adjustments made to their CECL reserve to account for current and future economic conditions, we focused our procedures on internal controls related to evaluation of macroeconomic factors and other judgments involved in the determination of such adjustments.
- We evaluated the appropriateness and consistency of the methods and assumptions used by management to develop the adjustments and assessed macro-economic and industry trends.
- We tested the accuracy and completeness of quantitative data used by management to develop the adjustments to account for current and future economic conditions.
- We utilized credit specialists to assist in the evaluation of management’s CECL methodology and assumptions, including the estimation of economic conditions.

CECL Reserve – Estimation of Fair Value of Underlying Collateral of Impaired Loans – Refer to Note 2 and Note 3 in the Financial Statements

Critical Audit Matter Description

The Company assesses the CECL reserve for impaired loans on an individual basis by comparing the estimated fair value of the underlying collateral, less costs to sell, to the book value of the respective loan. These valuations require significant judgment, which include assumptions regarding capitalization rates, discount rates, leasing, creditworthiness of major tenants, occupancy rates, availability and cost of financing, exit plan, loan sponsorship, actions of other lenders, and other factors deemed relevant by the Company.

We identified the estimation of the fair value of the underlying collateral of impaired loans as a critical audit matter because of the complexity and judgement involved in the determination of the valuation methodology and assumptions, as well as subjectivity of the unobservable inputs utilized in the valuation. Auditing the fair value of the underlying collateral for impaired loans required a high degree of auditor judgment and increased effort, including the need to involve our fair value specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the estimate of fair of the underlying collateral of impaired loans as part of estimation of the CECL reserve included, among others:

- We tested the design and operating effectiveness of controls over the estimation of the fair value of the collateral underlying the impaired loans, including specifically management’s review of the valuation model and underlying assumptions utilized in estimating the fair value of the underlying collateral.
- We tested management’s assumptions through independent analysis and comparison to external sources.
- We utilized our internal fair value specialists to assist in the evaluation of management’s valuation methodologies and assumptions. With the assistance of our specialists, we evaluated certain of these assumptions (e.g., guideline transactions, discount rates, capitalization rates). Our internal specialist procedures included testing the underlying source information of the assumptions, as well as developing a range of independent estimates and comparing those to the assumptions used by management.

/s/ Deloitte & Touche LLP

New York, New York

February 8, 2023

We have served as the Company’s auditor since 2013

Blackstone Mortgage Trust, Inc.
Consolidated Balance Sheets
(in thousands, except share data)

	December 31, 2022	December 31, 2021
Assets		
Cash and cash equivalents	\$ 291,340	\$ 551,154
Loans receivable	25,017,880	22,003,017
Current expected credit loss reserve	(326,137)	(124,679)
Loans receivable, net	24,691,743	21,878,338
Other assets	370,902	273,797
Total Assets	\$ 25,353,985	\$ 22,703,289
Liabilities and Equity		
Secured debt, net	\$ 13,528,164	\$ 12,280,042
Securitized debt obligations, net	2,664,010	2,838,062
Asset-specific debt, net	942,503	393,824
Loan participations sold, net	224,232	—
Term loans, net	2,114,549	1,327,406
Senior secured notes, net	395,166	394,010
Convertible notes, net	514,257	619,876
Other liabilities	426,904	231,358
Total Liabilities	20,809,785	18,084,578
Commitments and contingencies	—	—
Equity		
Class A common stock, \$0.01 par value, 400,000,000 shares authorized, 171,695,985 and 168,179,798 shares issued and outstanding as of December 31, 2022 and December 31, 2021, respectively	1,717	1,682
Additional paid-in capital	5,475,804	5,373,029
Accumulated other comprehensive income	10,022	8,308
Accumulated deficit	(968,749)	(794,832)
Total Blackstone Mortgage Trust, Inc. stockholders' equity	4,518,794	4,588,187
Non-controlling interests	25,406	30,524
Total Equity	4,544,200	4,618,711
Total Liabilities and Equity	\$ 25,353,985	\$ 22,703,289

Note: The consolidated balance sheets as of December 31, 2022 and December 31, 2021 include assets of consolidated variable interest entities, or VIEs, that can only be used to settle obligations of each respective VIE, and liabilities of consolidated VIEs for which creditors do not have recourse to Blackstone Mortgage Trust, Inc. As of December 31, 2022 and December 31, 2021, assets of the consolidated VIEs totaled \$3.2 billion and \$3.5 billion, respectively, and liabilities of the consolidated VIEs totaled \$2.7 billion and \$2.8 billion, respectively. Refer to Note 18 for additional discussion of the VIEs.

See accompanying notes to consolidated financial statements.

Blackstone Mortgage Trust, Inc.
Consolidated Statements of Operations
(in thousands, except share and per share data)

	Year Ended December 31,		
	2022	2021	2020
Income from loans and other investments			
Interest and related income	\$ 1,338,954	\$ 854,690	\$ 779,648
Less: Interest and related expenses	710,904	340,223	347,471
Income from loans and other investments, net	628,050	514,467	432,177
Other expenses			
Management and incentive fees	110,292	88,467	77,916
General and administrative expenses	52,193	43,168	45,871
Total other expenses	162,485	131,635	123,787
(Increase) decrease in current expected credit loss reserve	(211,505)	39,864	(167,653)
Income before income taxes	254,060	422,696	140,737
Income tax provision	3,003	423	323
Net income	251,057	422,273	140,414
Net income attributable to non-controlling interests	(2,415)	(3,080)	(2,744)
Net income attributable to Blackstone Mortgage Trust, Inc.	\$ 248,642	\$ 419,193	\$ 137,670
Net income per share of common stock basic and diluted	\$ 1.46	\$ 2.77	\$ 0.97
Weighted-average shares of common stock outstanding, basic and diluted	170,631,410	151,521,941	141,795,977

See accompanying notes to consolidated financial statements.

Blackstone Mortgage Trust, Inc.
Consolidated Statements of Comprehensive Income
(in thousands)

	Year Ended December 31,		
	2022	2021	2020
Net income	\$ 251,057	\$ 422,273	\$ 140,414
Other comprehensive income (loss)			
Unrealized (loss) gain on foreign currency translation	(171,652)	(84,470)	87,113
Realized and unrealized gain (loss) on derivative financial instruments	173,366	81,608	(59,710)
Other comprehensive income (loss)	1,714	(2,862)	27,403
Comprehensive income	252,771	419,411	167,817
Comprehensive income attributable to non-controlling interests	(2,415)	(3,080)	(2,744)
Comprehensive income attributable to Blackstone Mortgage Trust, Inc.	\$ 250,356	\$ 416,331	\$ 165,073

See accompanying notes to consolidated financial statements.

Blackstone Mortgage Trust, Inc.
Consolidated Statements of Changes in Equity (in thousands)

	Blackstone Mortgage Trust, Inc.						
	Class A Common Stock	Additional Paid- In Capital	Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit	Stockholders' Equity	Non- Controlling Interests	Total Equity
Balance at December 31, 2019	\$ 1,350	\$4,370,014	\$ (16,233)	\$ (592,548)	\$ 3,762,583	\$ 22,098	\$3,784,681
Adoption of ASU 2016-13	—	—	—	(17,565)	(17,565)	(85)	(17,650)
Shares of class A common stock issued, net	118	297,491	—	—	297,609	—	297,609
Restricted class A common stock earned	—	34,023	—	—	34,023	—	34,023
Dividends reinvested	—	685	—	51	736	—	736
Deferred directors' compensation	—	500	—	—	500	—	500
Net income	—	—	—	137,670	137,670	2,744	140,414
Other comprehensive income	—	—	27,403	—	27,403	—	27,403
Dividends declared on common stock and deferred stock units, \$2.48 per share	—	—	—	(356,892)	(356,892)	—	(356,892)
Contributions from non-controlling interests	—	—	—	—	—	8,431	8,431
Distributions to non-controlling interests	—	—	—	—	—	(15,024)	(15,024)
Balance at December 31, 2020	\$ 1,468	\$4,702,713	\$ 11,170	\$ (829,284)	\$ 3,886,067	\$ 18,164	\$3,904,231
Shares of class A common stock issued, net	214	637,802	—	—	638,016	—	638,016
Restricted class A common stock earned	—	31,040	—	—	31,040	—	31,040
Dividends reinvested	—	879	—	—	879	—	879
Deferred directors' compensation	—	595	—	—	595	—	595
Net income	—	—	—	419,193	419,193	3,080	422,273
Other comprehensive income	—	—	(2,862)	—	(2,862)	—	(2,862)
Dividends declared on common stock and deferred stock units, \$2.48 per share	—	—	—	(384,741)	(384,741)	—	(384,741)
Contributions from non-controlling interests	—	—	—	—	—	55,912	55,912
Distributions to non-controlling interests	—	—	—	—	—	(46,632)	(46,632)
Balance at December 31, 2021	\$ 1,682	\$5,373,029	\$ 8,308	\$ (794,832)	\$ 4,588,187	\$ 30,524	\$4,618,711
Adoption of ASU 2020-06, See Note 2	—	(2,431)	—	1,954	(477)	—	(477)
Shares of class A common stock issued, net	23	70,628	—	—	70,651	—	70,651
Restricted class A common stock earned	12	32,712	—	—	32,724	—	32,724
Dividends reinvested	—	1,176	—	—	1,176	—	1,176
Deferred directors' compensation	—	690	—	—	690	—	690
Net income	—	—	—	248,642	248,642	2,415	251,057
Other comprehensive loss	—	—	1,714	—	1,714	—	1,714
Dividends declared on common stock and deferred stock units, \$2.48 per share	—	—	—	(424,513)	(424,513)	—	(424,513)
Contributions from non-controlling interests	—	—	—	—	—	5,040	5,040
Distributions to non-controlling interests	—	—	—	—	—	(12,573)	(12,573)
Balance at December 31, 2022	\$ 1,717	\$5,475,804	\$ 10,022	\$ (968,749)	\$ 4,518,794	\$ 25,406	\$4,544,200

See accompanying notes to consolidated financial statements.

Blackstone Mortgage Trust, Inc.
Consolidated Statements of Cash Flows
(in thousands)

	Year Ended December 31,		
	2022	2021	2020
Cash flows from operating activities			
Net income	\$ 251,057	\$ 422,273	\$ 140,414
Adjustments to reconcile net income to net cash provided by operating activities			
Satisfaction of management and incentive fees in stock	—	—	19,277
Non-cash compensation expense	33,414	31,647	34,532
Amortization of deferred fees on loans and debt securities	(81,748)	(68,905)	(56,844)
Amortization of deferred financing costs and premiums/discounts on debt obligations	50,020	41,002	37,403
Increase (decrease) in current expected credit loss reserve	211,505	(39,864)	167,653
Unrealized gain on assets denominated in foreign currencies, net	(31)	(6,866)	(3,366)
Unrealized gain on derivative financial instruments, net	(4,339)	(3,934)	(867)
Realized (gain) loss on derivative financial instruments, net	(15,609)	3,890	1,364
Changes in assets and liabilities, net			
Other assets	(106,372)	(21,616)	3,352
Other liabilities	58,928	24,856	(6,311)
Net cash provided by operating activities	<u>396,825</u>	<u>382,483</u>	<u>336,607</u>
Cash flows from investing activities			
Principal fundings of loans receivable	(6,810,218)	(12,550,463)	(1,896,276)
Principal collections and sales proceeds from loans receivable and debt securities	3,254,595	6,730,339	1,850,003
Origination and exit fees received on loans receivable	74,930	143,002	21,275
Receipts under derivative financial instruments	353,325	76,383	90,427
Payments under derivative financial instruments	(23,057)	(77,772)	(133,430)
Collateral deposited under derivative agreements	(217,220)	(109,670)	(346,640)
Return of collateral deposited under derivative agreements	114,110	160,720	326,390
Net cash used in investing activities	<u>(3,253,535)</u>	<u>(5,627,461)</u>	<u>(88,251)</u>

continued...

See accompanying notes to consolidated financial statements.

Blackstone Mortgage Trust, Inc.
Consolidated Statements of Cash Flows
(in thousands)

	Year Ended December 31,		
	2022	2021	2020
Cash flows from financing activities			
Borrowings under secured debt	\$ 5,282,882	\$ 12,475,664	\$ 2,567,834
Repayments under secured debt	(3,578,806)	(7,801,330)	(4,690,607)
Proceeds from issuance of securitized debt obligations	—	803,750	2,051,875
Repayment of securitized debt obligations	(182,084)	(888,763)	(300,879)
Borrowings under asset-specific debt	770,665	272,065	161,960
Repayments under asset-specific debt	(208,644)	(271,065)	(82,754)
Proceeds from sale of loan participations	245,278	—	—
Net proceeds from issuance of term loans	807,750	298,500	315,438
Repayments of term loans	(17,053)	(13,495)	(9,113)
Net proceeds from issuance of convertible notes	294,000	—	—
Repayment of convertible notes	(402,500)	—	—
Proceeds from issuance of senior secured notes	—	400,000	—
Payment of deferred financing costs	(45,996)	(43,725)	(47,345)
Contributions from non-controlling interests	5,040	55,912	8,431
Distributions to non-controlling interests	(12,573)	(46,632)	(15,024)
Net proceeds from issuance of class A common stock	70,651	638,005	278,322
Dividends paid on class A common stock	(421,386)	(370,662)	(348,907)
Net cash provided by (used in) financing activities	<u>2,607,224</u>	<u>5,508,224</u>	<u>(110,769)</u>
Net (decrease) increase in cash, cash equivalents, and restricted cash	(249,486)	263,246	137,587
Cash, cash equivalents, and restricted cash at beginning of year	551,154	289,970	150,090
Effects of currency translation on cash, cash equivalents, and restricted cash	(10,328)	(2,062)	2,293
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 291,340</u>	<u>\$ 551,154</u>	<u>\$ 289,970</u>
Supplemental disclosure of cash flows information			
Payments of interest	<u>\$ (608,259)</u>	<u>\$ (287,715)</u>	<u>\$ (312,093)</u>
(Payments) refunds of income taxes	<u>\$ (676)</u>	<u>\$ 73</u>	<u>\$ (232)</u>
Supplemental disclosure of non-cash investing and financing activities			
Dividends declared, not paid	<u>\$ (106,455)</u>	<u>\$ (104,271)</u>	<u>\$ (91,004)</u>
Satisfaction of management and incentive fees in stock	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 19,277</u>
Loan principal payments held by servicer, net	<u>\$ 7,425</u>	<u>\$ 17,528</u>	<u>\$ 19,460</u>

See accompanying notes to consolidated financial statements

Blackstone Mortgage Trust, Inc.
Notes to Consolidated Financial Statements

1. ORGANIZATION

References herein to “Blackstone Mortgage Trust,” “Company,” “we,” “us” or “our” refer to Blackstone Mortgage Trust, Inc., a Maryland corporation, and its subsidiaries unless the context specifically requires otherwise.

Blackstone Mortgage Trust is a real estate finance company that originates senior loans collateralized by commercial real estate in North America, Europe, and Australia. Our portfolio is composed primarily of loans secured by high-quality, institutional assets in major markets, sponsored by experienced, well-capitalized real estate investment owners and operators. These senior loans are capitalized by accessing a variety of financing options, including borrowing under our credit facilities, issuing CLOs or single-asset securitizations, and syndicating senior loan participations, depending on our view of the most prudent financing option available for each of our investments. We are not in the business of buying or trading securities, and the only securities we own are the retained interests from our securitization financing transactions, which we have not financed. We are externally managed by BXMT Advisors L.L.C., or our Manager, a subsidiary of Blackstone Inc., or Blackstone, and are a real estate investment trust, or REIT, traded on the New York Stock Exchange, or NYSE, under the symbol “BXMT.” Our principal executive offices are located at 345 Park Avenue, 24th Floor, New York, New York 10154.

We conduct our operations as a REIT for U.S. federal income tax purposes. We generally will not be subject to U.S. federal income taxes on our taxable income to the extent that we annually distribute all of our net taxable income to stockholders and maintain our qualification as a REIT. We also operate our business in a manner that permits us to maintain an exclusion from registration under the Investment Company Act of 1940, as amended. We are organized as a holding company and conduct our business primarily through our various subsidiaries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP, and include, on a consolidated basis, our accounts, the accounts of our wholly-owned subsidiaries, majority-owned subsidiaries, and variable interest entities, or VIEs, of which we are the primary beneficiary. All intercompany balances and transactions have been eliminated in consolidation.

Principles of Consolidation

We consolidate all entities that we control through either majority ownership or voting rights. In addition, we consolidate all VIEs of which we are considered the primary beneficiary. VIEs are defined as entities in which equity investors (i) do not have the characteristics of a controlling financial interest and/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 affect the VIE’s 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.

In 2018, we contributed a loan to a single asset securitization vehicle, or the 2018 Single Asset Securitization, which is a VIE, and invested in the related subordinate position. We were not the primary beneficiary of the VIE because we did not have the power to direct the activities that most significantly affected the VIE’s economic performance and, therefore, did not consolidate the 2018 Single Asset Securitization on our balance sheet. We classified the subordinate position we owned as a held-to-maturity debt security that is included in other assets on our consolidated balance sheets. During the year ended December 31, 2022, the 2018 Single Asset Securitization was liquidated upon full repayment of its collateral and all senior securities outstanding. Refer to Note 18 for additional discussion of our VIEs.

In 2017, we entered into a joint venture, or our Multifamily Joint Venture, with Walker & Dunlop Inc. to originate, hold, and finance multifamily bridge loans. Pursuant to the terms of the agreements governing the joint venture, Walker & Dunlop contributed 15% of the venture’s equity capital and we contributed 85%. We consolidate the Multifamily Joint Venture as we have a controlling financial interest. The non-controlling interests included on our consolidated balance sheets represent the equity interests in our Multifamily Joint Venture that are owned by Walker & Dunlop. A portion of our Multifamily Joint Venture’s consolidated equity and results of operations are allocated to these non-controlling interests based on Walker & Dunlop’s pro rata ownership of our Multifamily Joint Venture.

Blackstone Mortgage Trust, Inc.
Notes to Consolidated Financial Statements (continued)

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may ultimately differ materially from those estimates.

Revenue Recognition

Interest income from our loans receivable portfolio and debt securities is recognized over the life of each investment using the effective interest method and is recorded on the accrual basis. Recognition of fees, premiums, and discounts associated with these investments is deferred and recorded over the term of the loan or debt security as an adjustment to yield. Income accrual is generally suspended for loans at the earlier of the date at which payments become 90 days past due or when, in our opinion, recovery of income and principal becomes doubtful. Interest received is then recorded as a reduction in the outstanding principal balance until accrual is resumed when the loan becomes contractually current and performance is demonstrated to be resumed. In addition, for loans we originate, the related origination expenses are deferred and recognized as a component of interest income, however expenses related to loans we acquire are included in general and administrative expenses as incurred.

Cash and Cash Equivalents

Cash and cash equivalents represent cash held in banks and liquid investments with original maturities of three months or less. We may have bank balances in excess of federally insured amounts; however, we deposit our cash and cash equivalents with high credit-quality institutions to minimize credit risk exposure. We have not experienced, and do not expect, any losses on our cash or cash equivalents. As of both December 31, 2022 and December 31, 2021, we had no restricted cash on our consolidated balance sheets.

Through our subsidiaries, we have oversight of certain servicing accounts held with third-party servicers, or Servicing Accounts, which relate to borrower escrows and other cash balances aggregating \$459.6 million and \$531.2 million as of December 31, 2022 and December 31, 2021, respectively. This cash is maintained in segregated bank accounts, and these amounts are not included in the assets and liabilities presented in our consolidated balance sheets. Cash in these Servicing Accounts will be transferred by the respective third-party servicer to the borrower or us under the terms of the applicable loan agreement upon occurrence of certain future events. We do not generate any revenue or incur any expenses as a result of these Servicing Accounts.

Loans Receivable

We originate and purchase commercial real estate debt and related instruments generally to be held as long-term investments at amortized cost.

Debt Securities Held-to-Maturity

We classify our debt securities as held-to-maturity, as we have the intent and ability to hold these securities until maturity. We include our debt securities in other assets on our consolidated balance sheets at amortized cost.

Current Expected Credit Losses Reserve

The current expected credit loss, or CECL, reserve required under Accounting Standard Update, or ASU, 2016-13 “Financial Instruments – Credit Losses – Measurement of Credit Losses on Financial Instruments (Topic 326),” or ASU 2016-13, reflects our current estimate of potential credit losses related to our loans and debt securities included in our consolidated balance sheets. Changes to the CECL reserve are recognized through net income on our consolidated statements of operations. While ASU 2016-13 does not require any particular method for determining the CECL reserve, it does specify the reserve should be based on relevant information about past events, including historical loss experience, current portfolio and market conditions, and reasonable and supportable forecasts for the duration of each respective loan. In addition, other than a few narrow exceptions, ASU 2016-13 requires that all financial instruments subject to the CECL model have some amount of loss reserve to reflect the GAAP principal underlying the CECL model that all loans, debt securities, and similar assets have some inherent risk of loss, regardless of credit quality, subordinate capital, or other mitigating factors.

Blackstone Mortgage Trust, Inc.
Notes to Consolidated Financial Statements (continued)

We estimate our CECL reserve primarily using the Weighted Average Remaining Maturity, or WARM method, which has been identified as an acceptable loss-rate method for estimating CECL reserves in the Financial Accounting Standards Board, or FASB, Staff Q&A Topic 326, No. 1. The WARM method requires us to reference historic loan loss data across a comparable data set and apply such loss rate to each of our loans over their expected remaining term, taking into consideration expected economic conditions over the relevant timeframe. We apply the WARM method for the majority of our loan portfolio, which loans share similar risk characteristics. In certain instances, for loans with unique risk characteristics, we may instead use a probability-weighted model that considers the likelihood of default and expected loss given default for each such individual loan.

Application of the WARM method to estimate a CECL reserve requires judgment, including (i) the appropriate historical loan loss reference data, (ii) the expected timing and amount of future loan fundings and repayments, and (iii) the current credit quality of our portfolio and our expectations of performance and market conditions over the relevant time period. To estimate the historic loan losses relevant to our portfolio, we have augmented our historical loan performance, with market loan loss data licensed from Trepp LLC. This database includes commercial mortgage-backed securities, or CMBS, issued since January 1, 1999 through November 30, 2022. Within this database, we focused our historical loss reference calculations on the most relevant subset of available CMBS data, which we determined based on loan metrics that are most comparable to our loan portfolio including asset type, geography, and origination loan-to-value, or LTV. We believe this CMBS data, which includes month-over-month loan and property performance, is the most relevant, available, and comparable dataset to our portfolio.

Our loans typically include commitments to fund incremental proceeds to our borrowers over the life of the loan, which future funding commitments are also subject to the CECL model. The CECL reserve related to future loan fundings is recorded as a component of Other Liabilities on our consolidated balance sheets. This CECL reserve is estimated using the same process outlined above for our outstanding loan balances, and changes in this component of the CECL reserve will similarly impact our consolidated net income. For both the funded and unfunded portions of our loans, we consider our internal risk rating of each loan as the primary credit quality indicator underlying our assessment.

The CECL reserve is measured on a collective basis wherever similar risk characteristics exist within a pool of similar assets. We have identified the following pools and measure the reserve for credit losses using the following methods:

- **U.S. Loans:** WARM method that incorporates a subset of historical loss data, expected weighted-average remaining maturity of our loan pool, and an economic view.
- **Non-U.S. Loans:** WARM method that incorporates a subset of historical loss data, expected weighted average remaining maturity of our loan pool, and an economic view.
- **Unique Loans:** a probability of default and loss given default model, assessed on an individual basis.
- **Impaired Loans:** impairment is indicated when it is deemed probable that we will not be able to collect all amounts due to us pursuant to the contractual terms of the loan. Determining that a loan is impaired requires significant judgment from management and is based on several factors including (i) the underlying collateral performance, (ii) discussions with the borrower, (iii) borrower events of default, and (iv) other facts that impact the borrower's ability to pay the contractual amounts due under the terms of the loan. If a loan is determined to be impaired, we record the impairment as a component of our CECL reserve by applying the practical expedient for collateral dependent loans. The CECL reserve is assessed on an individual basis for these loans by comparing the estimated fair value of the underlying collateral, less costs to sell, to the book value of the respective loan. These valuations require significant judgments, which include assumptions regarding capitalization rates, discount rates, leasing, creditworthiness of major tenants, occupancy rates, availability and cost of financing, exit plan, loan sponsorship, actions of other lenders, and other factors. Actual losses, if any, could ultimately differ materially from these estimates. We only expect to realize the impairment losses if and when such amounts are deemed nonrecoverable upon a realization event. This is generally at the time a loan is repaid, or in the case of foreclosure, when the underlying asset is sold, but non-recoverability may also be concluded if, in our determination, it is nearly certain that all amounts due will not be collected.

Contractual Term and Unfunded Loan Commitments

Expected credit losses are estimated over the contractual term of each loan, adjusted for expected prepayments. As part of our quarterly review of our loan portfolio, we assess the expected repayment date of each loan, which is used to determine the contractual term for purposes of computing our CECL reserve.

Blackstone Mortgage Trust, Inc.
Notes to Consolidated Financial Statements (continued)

Additionally, the expected credit losses over the contractual period of our loans are subject to the obligation to extend credit through our unfunded loan commitments. The CECL reserve for unfunded loan commitments is adjusted quarterly, as we consider the expected timing of future funding obligations over the estimated life of the loan. The considerations in estimating our CECL reserve for unfunded loan commitments are similar to those used for the related outstanding loan receivables.

Credit Quality Indicator

Our risk rating is our primary credit quality indicator in assessing our current expected credit loss reserve. We perform a quarterly risk review of our portfolio of loans, and assign each loan a risk rating based on a variety of factors, including, without limitation, LTV, debt yield, property type, geographic and local market dynamics, physical condition, cash flow volatility, leasing and tenant profile, loan structure and exit plan, and project sponsorship. Based on a 5-point scale, our loans are rated “1” through “5,” from less risk to greater risk, relative to our loan portfolio in the aggregate, which ratings are defined as follows:

1 - Very Low Risk

2 - Low Risk

3 - Medium Risk

4 - High Risk/Potential for Loss: A loan that has a risk of realizing a principal loss.

5 - Impaired/Loss Likely: A loan that has a very high risk of realizing a principal loss or has otherwise incurred a principal loss.

Estimation of Economic Conditions

In addition to the WARM method computations and probability-weighted models described above, our CECL reserve is also adjusted to reflect our estimation of the current and future economic conditions that impact the performance of the commercial real estate assets securing our loans. These estimations include unemployment rates, interest rates, expectations of inflation and/or recession, and other macroeconomic factors impacting the likelihood and magnitude of potential credit losses for our loans during their anticipated term. In addition to the CMBS data we have licensed from Trepp LLC, we have also licensed certain macroeconomic financial forecasts to inform our view of the potential future impact that broader economic conditions may have on our loan portfolio’s performance. We may also incorporate information from other sources, including information and opinions available to our Manager, to further inform these estimations. This process requires significant judgments about future events that, while based on the information available to us as of the balance sheet date, are ultimately indeterminate and the actual economic condition impacting our portfolio could vary significantly from the estimates we made as of December 31, 2022.

Derivative Financial Instruments

We classify all derivative financial instruments as either other assets or other liabilities on our consolidated balance sheets at fair value.

On the date we enter into a derivative contract, we designate each contract as (i) a hedge of a net investment in a foreign operation, or net investment hedge, (ii) a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability, or cash flow hedge, (iii) a hedge of a recognized asset or liability, or fair value hedge, or (iv) a derivative instrument not to be designated as a hedging derivative, or non-designated hedge. For all derivatives other than those designated as non-designated hedges, we formally document our hedge relationships and designation at the contract’s inception. This documentation includes the identification of the hedging instruments and the hedged items, its risk management objectives, strategy for undertaking the hedge transaction and our evaluation of the effectiveness of its hedged transaction.

On a quarterly basis, we also formally assess whether the derivative we designated in each hedging relationship is expected to be, and has been, highly effective in offsetting changes in the value or cash flows of the hedged items. If it is determined that a derivative is not highly effective at hedging the designated exposure, hedge accounting is discontinued and the changes in fair value of the instrument are included in net income prospectively. Our net investment hedges are assessed using a method based on changes in spot exchange rates. Gains and losses, representing hedge components excluded from the assessment of effectiveness, are recognized in interest income on our consolidated statements of operations over the contractual term of our net investment hedges on a systematic and rational basis, as documented at hedge inception in

Blackstone Mortgage Trust, Inc.
Notes to Consolidated Financial Statements (continued)

accordance with our accounting policy election. All other changes in the fair value of our derivative instruments that qualify as hedges are reported as a component of accumulated other comprehensive income (loss) on our consolidated financial statements. Deferred gains and losses are reclassified out of accumulated other comprehensive income (loss) and into net income in the same period or periods during which the hedged transaction affects earnings, and are presented in the same line item as the earnings effect of the hedged item. For cash flow hedges, this is typically when the periodic swap settlements are made, while for net investment hedges, this occurs when the hedged item is sold or substantially liquidated. To the extent a derivative does not qualify for hedge accounting and is deemed a non-designated hedge, the changes in its fair value are included in net income concurrently.

Secured Debt and Asset-Specific Debt

We record investments financed with secured debt or asset-specific debt as separate assets and the related borrowings under any secured debt or asset-specific debt are recorded as separate liabilities on our consolidated balance sheets. Interest income earned on the investments and interest expense incurred on the secured debt or asset-specific debt are reported separately on our consolidated statements of operations.

Senior Loan Participations

In certain instances, we finance our loans through the non-recourse syndication of a senior loan interest to a third-party. Depending on the particular structure of the syndication, the senior loan interest may remain on our GAAP balance sheet or, in other cases, the sale will be recognized and the senior loan interest will no longer be included in our consolidated financial statements. When these sales are not recognized under GAAP we reflect the transaction by recording a loan participations sold liability on our consolidated balance sheet, however this gross presentation does not impact stockholders' equity or net income. When the sales are recognized, our balance sheet only includes our remaining subordinate loan, and excludes the non-consolidated senior interest in the loan that we sold.

Term Loans

We record our term loans as liabilities on our consolidated balance sheets. Where applicable, any issue discount or transaction expenses are deferred and amortized through the maturity date of the term loans as additional non-cash interest expense.

Senior Secured Notes

We record our senior secured notes as liabilities on our consolidated balance sheets. Where applicable, any issue discount or transaction expenses are deferred and amortized through the maturity date of the senior secured notes as additional non-cash interest expense.

Convertible Notes

In August 2020, the FASB issued ASU 2020-06 "Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity," or ASU 2020-06. ASU 2020-06 simplified the accounting for convertible debt by eliminating the beneficial conversion and cash conversion accounting models. ASU 2020-06 also updated the earnings per share calculation and required entities to assume share settlement when the convertible debt can be settled in cash or shares. ASU 2020-06 was effective for fiscal years beginning after December 15, 2021, and we adopted ASU 2020-06 on January 1, 2022 using the modified retrospective method of transition.

Subsequent to adoption of ASU 2020-06, convertible debt proceeds, unless issued with a substantial premium or an embedded conversion feature, will no longer be allocated between debt and equity components. This reduces the issue discount and results in less non-cash interest expense in our consolidated financial statements. Additionally, subsequent to adoption of ASU 2020-06, shares issuable under our convertible notes are included in diluted earnings per share in our consolidated financial statements, if the effect is dilutive, using the if-converted method, regardless of settlement intent. Where applicable, any issue discount or transaction expenses are deferred and amortized through the maturity date of the convertible notes as additional non-cash interest expense.

Blackstone Mortgage Trust, Inc.
Notes to Consolidated Financial Statements (continued)

Deferred Financing Costs

The deferred financing costs that are included as a reduction in the net book value of the related liability on our consolidated balance sheets include issuance and other costs related to our debt obligations. These costs are amortized as interest expense using the effective interest method over the life of the related obligations.

Underwriting Commissions and Offering Costs

Underwriting commissions and offering costs incurred in connection with common stock offerings are reflected as a reduction of additional paid-in capital. Costs incurred that are not directly associated with the completion of a common stock offering are expensed when incurred.

Fair Value of Financial Instruments

The “Fair Value Measurements and Disclosures” Topic of the FASB, or ASC 820, defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements under GAAP. Specifically, this guidance defines fair value based on exit price, or the price that would be received upon the sale of an asset or the transfer of a liability in an orderly transaction between market participants at the measurement date.

ASC 820 also establishes a fair value hierarchy that prioritizes and ranks the level of market price observability used in measuring financial instruments. Market price observability is affected by a number of factors, including the type of financial instrument, the characteristics specific to the financial instrument, and the state of the marketplace, including the existence and transparency of transactions between market participants. Financial instruments with readily available quoted prices in active markets generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Financial instruments measured and reported at fair value are classified and disclosed based on the observability of inputs used in the determination, as follows:

- Level 1: Generally includes only unadjusted quoted prices that are available in active markets for identical financial instruments as of the reporting date.
- Level 2: Pricing inputs include quoted prices in active markets for similar instruments, quoted prices in less active or inactive markets for identical or similar instruments where multiple price quotes can be obtained, and other observable inputs, such as interest rates, yield curves, credit risks, and default rates.
- Level 3: Pricing inputs are unobservable for the financial instruments and include situations where there is little, if any, market activity for the financial instrument. These inputs require significant judgment or estimation by management of third-parties when determining fair value and generally represent anything that does not meet the criteria of Levels 1 and 2.

Certain of our other assets are reported at fair value, as of quarter-end, either (i) on a recurring basis or (ii) on a nonrecurring basis, as a result of impairment or other events. Our assets that are recorded at fair value are discussed further in Note 17. We generally value our assets recorded at fair value by either (i) discounting expected cash flows based on assumptions regarding the collection of principal and interest and estimated market rates, or (ii) obtaining assessments from third-parties. For collateral-dependent loans that are identified as impaired, we measure impairment by comparing our estimation of the fair value of the underlying collateral, less costs to sell, to the book value of the respective loan. These valuations require significant judgments, which include assumptions regarding capitalization rates, discount rates, leasing, creditworthiness of major tenants, occupancy rates, availability and cost of financing, exit plan, loan sponsorship, actions of other lenders, and other factors.

As of December 31, 2022, we had an aggregate \$189.8 million CECL reserve specifically related to five of our loans receivable with an aggregate outstanding principal balance of \$930.0 million, net of cost-recovery proceeds. The CECL reserve was recorded based on our estimation of the fair value of the loan's underlying collateral as of December 31, 2022. These loans receivable are therefore measured at fair value on a nonrecurring basis using significant unobservable inputs, and are classified as Level 3 assets in the fair value hierarchy. We estimated the fair value of these loan receivables by considering a variety of inputs including property performance, market data, and comparable sales, as applicable. The significant unobservable inputs used include the exit capitalization rate assumption used to forecast the future sale price of the underlying real estate collateral, which ranged from 5.00% to 7.50%, and the unlevered discount rate, which ranged from 7.50% to 9.00%.

Blackstone Mortgage Trust, Inc.
Notes to Consolidated Financial Statements (continued)

We are also required by GAAP to disclose fair value information about financial instruments, which are not otherwise reported at fair value in our consolidated balance sheet, to the extent it is practicable to estimate a fair value for those instruments. These disclosure requirements exclude certain financial instruments and all non-financial instruments.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments, for which it is practicable to estimate that value:

- Cash and cash equivalents: The carrying amount of cash and cash equivalents approximates fair value.
- Loans receivable, net: The fair values of these loans were estimated using a discounted cash flow methodology, taking into consideration various factors including capitalization rates, discount rates, leasing, credit worthiness of major tenants, occupancy rates, availability and cost of financing, exit plan, loan sponsorship, actions of other lenders, and other factors.
- Debt securities held-to-maturity: The fair value of these instruments was estimated by utilizing third-party pricing service providers assuming the securities are not sold prior to maturity. In determining the value of a particular investment, pricing service providers may use broker-dealer quotations, reported trades, or valuation estimates from their internal pricing models to determine the reported price.
- Derivative financial instruments: The fair value of our foreign currency and interest rate contracts was estimated using advice from a third-party derivative specialist, based on contractual cash flows and observable inputs comprising foreign currency rates and credit spreads.
- Secured debt, net: The fair value of these instruments was estimated based on the rate at which a similar credit facility would currently be priced.
- Securitized debt obligations, net: The fair value of these instruments was estimated by utilizing third-party pricing service providers. In determining the value of a particular investment, pricing service providers may use broker-dealer quotations, reported trades, or valuation estimates from their internal pricing models to determine the reported price.
- Asset-specific debt, net: The fair value of these instruments was estimated based on the rate at which a similar agreement would currently be priced.
- Loan participations sold, net: The fair value of these instruments was estimated based on the value of the related loan receivable asset.
- Term loans, net: The fair value of these instruments was estimated by utilizing third-party pricing service providers. In determining the value of a particular investment, pricing service providers may use broker-dealer quotations, reported trades, or valuation estimates from their internal pricing models to determine the reported price.
- Senior secured notes, net: The fair value of these instruments was estimated by utilizing third-party pricing service providers. In determining the value of a particular investment, pricing service providers may use broker-dealer quotations, reported trades, or valuation estimates from their internal pricing models to determine the reported price.
- Convertible notes, net: Each series of the convertible notes is actively traded and their fair values were obtained using quoted market prices.

Income Taxes

Our financial results generally do not reflect provisions for current or deferred income taxes on our REIT taxable income. We believe that we operate in a manner that will continue to allow us to be taxed as a REIT and, as a result, we generally do not expect to pay substantial corporate level taxes other than those payable by our taxable REIT subsidiaries. If we were to fail to meet these requirements, we may be subject to federal, state, and local income tax on current and past income, and penalties. Refer to Note 15 for additional information.

Blackstone Mortgage Trust, Inc.
Notes to Consolidated Financial Statements (continued)

Stock-Based Compensation

Our stock-based compensation consists of awards issued to our Manager, certain individuals employed by an affiliate of our Manager, and certain members of our board of directors that vest over the life of the awards, as well as deferred stock units issued to certain members of our board of directors. Stock-based compensation expense is recognized for these awards in net income on a variable basis over the applicable vesting period of the awards, based on the value of our class A common stock. Refer to Note 16 for additional information.

Earnings per Share

Basic earnings per share, or Basic EPS, is computed in accordance with the two-class method and is based on (i) the net earnings allocable to our class A common stock, including restricted class A common stock and deferred stock units, divided by (ii) the weighted-average number of shares of our class A common stock, including restricted class A common stock and deferred stock units outstanding during the period. Our restricted class A common stock is considered a participating security, as defined by GAAP, and has been included in our Basic EPS under the two-class method as these restricted shares have the same rights as our other shares of class A common stock, including participating in any gains or losses.

Diluted earnings per share, or Diluted EPS, is determined using the if-converted method, and is based on (i) the net earnings, adjusted for interest expense incurred on our convertible notes during the relevant period, net of incentive fees, allocable to our class A common stock, including restricted class A common stock and deferred stock units, divided by (ii) the weighted-average number of shares of our class A common stock, including restricted class A common stock, deferred stock units, and shares of class A common stock issuable under our convertible notes. Refer to Note 13 for additional discussion of earnings per share.

Foreign Currency

In the normal course of business, we enter into transactions not denominated in United States, or U.S., dollars. Foreign exchange gains and losses arising on such transactions are recorded as a gain or loss in our consolidated statements of operations. In addition, we consolidate entities that have a non-U.S. dollar functional currency. Non-U.S. dollar denominated assets and liabilities are translated to U.S. dollars at the exchange rate prevailing at the reporting date and income, expenses, gains, and losses are translated at the average exchange rate over the applicable period. Cumulative translation adjustments arising from the translation of non-U.S. dollar denominated subsidiaries are recorded in other comprehensive income (loss).

Recent Accounting Pronouncements

In March 2022, the FASB issued ASU 2022-02 “Financial Instruments-Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures,” or ASU 2022-02. ASU 2022-02 eliminates the accounting guidance for troubled debt restructurings and requires disclosure of current-period gross write-offs by year of loan origination. Additionally, ASU 2022-02 updates the accounting for credit losses under ASC 326 and adds enhanced disclosures with respect to loan refinancings and restructurings in the form of principal forgiveness, interest rate concessions, other-than-insignificant payment delays, or term extensions when the borrower is experiencing financial difficulties. ASU 2022-02 is effective for fiscal years beginning after December 15, 2022 and early adoption is permitted. The amendments should be applied prospectively, however for the recognition and measurement of troubled debt restructurings, the entity has the option to apply a modified retrospective transition method, resulting in a cumulative-effect adjustment to retained earnings in the period of adoption. Upon adoption of ASU 2022-02 on January 1, 2023, we do not expect it will have a material impact on our consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04 “Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting,” or ASU 2020-04. ASU 2020-04 provides optional expedients and exceptions to GAAP requirements for modifications on debt instruments, leases, derivatives, and other contracts, related to the market transition from LIBOR, and certain other floating rate benchmark indices, or collectively, IBORs, to alternative reference rates. ASU 2020-04 generally considers contract modifications related to reference rate reform to be an event that does not require contract remeasurement at the modification date nor a reassessment of a previous accounting determination. In January 2021, the FASB issued ASU 2021-01 “Reference Rate Reform (Topic 848): Scope,” or ASU 2021-01. ASU 2021-01 clarifies that the practical expedients in ASU 2020-04 apply to derivatives impacted by changes in the interest rate used for margining, discounting, or contract price alignment. In December 2022, the FASB issued ASU 2022-06 “Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848”, or ASU 2022-06. ASU 2022-06 deferred the sunset date of ASU 2020-04 to December 31, 2024. The guidance in ASU 2020-04 is optional and may be

Blackstone Mortgage Trust, Inc.
Notes to Consolidated Financial Statements (continued)

elected over time, through December 31, 2024, as reference rate reform activities occur. Once ASU 2020-04 is elected, the guidance must be applied prospectively for all eligible contract modifications. In the first quarter of 2020, we have elected to apply the hedge accounting expedients, related to probability and the assessments of effectiveness, for future IBOR-indexed cash flows, to assume that the index upon which future hedged transactions will be based matches the index on the corresponding derivatives. Application of these expedients preserves the presentation of derivatives consistent with our past presentation. We plan to apply the contract modification expedients for our applicable loan and debt modifications that relate to the market transition from IBORs. Therefore, our loan and debt modifications that are in accordance with ASU 2020-04 do not require a remeasurement at the modification date nor a reassessment of a previous accounting determination. The application of the ASU 2020-04 expedients have not had a material impact on our consolidated financial statements.

In August 2020, the FASB issued ASU 2020-06, described above under “Convertible Notes.” We adopted ASU 2020-06 on January 1, 2022, using the modified retrospective method of transition, which resulted in an aggregate decrease to our additional paid-in capital of \$2.4 million, an aggregate decrease to our accumulated deficit of \$2.0 million, and an aggregate increase to our convertible notes, net, of \$477,000, as of January 1, 2022.

Reference Rate Reform

LIBOR and certain other floating rate benchmark indices to which our floating rate loans and other loan agreements are tied, including, without limitation, the Euro Interbank Offered Rate, or EURIBOR, the Stockholm Interbank Offered Rate, or STIBOR, the Australian Bank Bill Swap Reference Rate, or BBSY, the Canadian Dollar Offered Rate, or CDOR, the Swiss Average Rate Overnight, or SARON, and the Copenhagen Interbank Offering Rate, or CIBOR, or collectively, IBORs, have been the subject of national, international and regulatory guidance and proposals for reform. As of December 31, 2021, the ICE Benchmark Association, or IBA, ceased publication of most non-USD LIBOR settings. IBA also previously announced its intention to cease publication of remaining U.S. dollar LIBOR settings immediately after June 30, 2023; however, in November 2022 the U.K. Financial Conduct Authority, which regulates IBA, announced a public consultation regarding whether it should compel IBA to continue publishing “synthetic” USD LIBOR settings from June 2023 to the end of September 2024. Further, on March 15, 2022, the Consolidated Appropriations Act of 2022, which includes the Adjustable Interest Rate (LIBOR) Act, or LIBOR Act, was signed into law in the U.S. This legislation establishes a uniform benchmark replacement process for financial contracts maturing after June 30, 2023 that do not contain clearly defined or practicable fallback provisions. Under the LIBOR Act, such contracts will automatically transition as a matter of law to a Secured Overnight Financing Rate, or SOFR, based replacement rate identified by the Board of Governors of the Federal Reserve System, or Federal Reserve. The legislation also creates a safe harbor that shields lenders from litigation if they choose to utilize a replacement rate recommended by the Federal Reserve. In July 2022, the Federal Reserve issued a notice of proposed rulemaking implementing the LIBOR Act. As of December 31, 2022, no regulations have been promulgated.

The Federal Reserve, in conjunction with the Alternative Reference Rates Committee, or ARRC, a steering committee composed of large U.S. financial institutions, identified SOFR, a new index calculated using short-term repurchase agreements backed by U.S. Treasury securities, as its preferred alternative rate for USD LIBOR. According to the ARRC, data from the cash and derivatives markets show continued momentum in the transition from LIBOR to SOFR, and SOFR is currently predominant across cash and derivatives markets. As of December 31, 2022, one-month term SOFR is utilized as the floating benchmark rate on 76 of our loans, the financing provided on the 2020 FL3 and 2020 FL2 CLOs, one of our asset-specific financings, certain borrowings under twelve of our credit facilities, and our B-4 Term Loan. As of December 31, 2022, one-month term SOFR was 4.36% and one-month USD LIBOR was 4.39%. Additionally, market participants have continued to transition from GBP LIBOR to the Sterling Overnight Index Average, or SONIA, in line with guidance from the U.K. regulators. As of December 31, 2022, daily compounded SONIA is utilized as the floating benchmark rate for all of our floating rate British Pound Sterling loans and related financings. As of December 31, 2022, 63.5% of our aggregate loan principal balance has either transitioned to the applicable replacement benchmark rate, or its existing benchmark rate is not expected to be replaced, and we expect to transition the remaining 36.5% in 2023.

At this time, it is not possible to predict how markets will respond in the future to SOFR, SONIA, or other alternative reference rates as the transition away from USD LIBOR and GBP LIBOR proceeds. Despite the LIBOR transition in other markets, benchmark rate methodologies in Europe, Australia, Canada, Switzerland and Denmark have been reformed and rates such as EURIBOR, STIBOR, BBSY, CDOR, SARON and CIBOR may persist as International Organization of Securities Commissions, or IOSCO, compliant reference rates moving forward. However, multi-rate environments may persist in these markets as regulators and working groups have suggested market participants adopt alternative reference rates.

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Notes to Consolidated Financial Statements (continued)

3. LOANS RECEIVABLE, NET

The following table details overall statistics for our loans receivable portfolio (\$ in thousands):

	December 31, 2022	December 31, 2021
Number of loans	203	188
Principal balance	\$ 25,160,343	\$ 22,156,437
Net book value	\$ 24,691,743	\$ 21,878,338
Unfunded loan commitments ⁽¹⁾	\$ 3,806,153	\$ 4,180,128
Weighted-average cash coupon ⁽²⁾	+ 3.44 %	+ 3.19 %
Weighted-average all-in yield ⁽²⁾	+ 3.84 %	+ 3.52 %
Weighted-average maximum maturity (years) ⁽³⁾	3.1	3.4

- (1) Unfunded commitments will primarily be funded to finance our borrowers' construction or development of real estate-related assets, capital improvements of existing assets, or lease-related expenditures. These commitments will generally be funded over the term of each loan, subject in certain cases to an expiration date.
- (2) The weighted-average cash coupon and all-in yield are expressed as a spread over the relevant floating benchmark rates, which include USD LIBOR, SOFR, SONIA, GBP LIBOR, EURIBOR, and other indices, as applicable to each loan. As of December 31, 2022, substantially all of our loans by principal balance earned a floating rate of interest, primarily indexed to USD LIBOR and SOFR. As of December 31, 2021, 99.5% of our loans by principal balance earned a floating rate of interest, primarily indexed to USD LIBOR. The other 0.5% of our loans earned a fixed rate of interest. In addition to cash coupon, all-in yield includes the amortization of deferred origination and extension fees, loan origination costs, and purchase discounts, as well as the accrual of exit fees. Excludes loans accounted for under the cost-recovery method.
- (3) Maximum maturity assumes all extension options are exercised by the borrower, however our loans may be repaid prior to such date. As of December 31, 2022, 50% of our loans by principal balance were subject to yield maintenance or other prepayment restrictions and 50% were open to repayment by the borrower without penalty. As of December 31, 2021, 56% of our loans by principal balance were subject to yield maintenance or other prepayment restrictions and 44% were open to repayment by the borrower without penalty.

The following table details the index rate floors for our loans receivable portfolio as of December 31, 2022 (\$ in thousands):

Index Rate Floors	Loans Receivable Principal Balance		
	USD	Non-USD⁽¹⁾	Total
Fixed Rate	\$ 38,160	\$ —	\$ 38,160
0.00% or no floor	4,478,852	6,973,651	11,452,503
0.01% to 1.00% floor	9,106,174	858,247	9,964,421
1.01% to 1.50% floor	2,104,805	153,453	2,258,258
1.51% to 2.00% floor	697,125	343,841	1,040,966
2.01% or more floor	356,603	49,432	406,035
Total ⁽²⁾	<u>\$ 16,781,719</u>	<u>\$ 8,378,624</u>	<u>\$ 25,160,343</u>

- (1) Includes Euro, British Pound Sterling, Swedish Krona, Australian Dollar, Canadian Dollar, Swiss Franc, and Danish Krone currencies.
- (2) As of December 31, 2022, the weighted-average index rate floor of our loan portfolio was 0.36%. Excluding 0.0% index rate floors and loans with no floor, the weighted-average index rate floor was 0.64%.

Blackstone Mortgage Trust, Inc.
Notes to Consolidated Financial Statements (continued)

Activity relating to our loans receivable portfolio was as follows (\$ in thousands):

	<u>Principal Balance</u>	<u>Deferred Fees / Other Items⁽¹⁾</u>	<u>Net Book Value</u>
Loans Receivable, as of December 31, 2020	\$ 16,652,824	\$ (80,109)	\$ 16,572,715
Loan fundings	12,550,463	—	12,550,463
Loan repayments and sales proceeds	(6,733,105)	—	(6,733,105)
Principal charge-offs	(14,427)	—	(14,427)
Unrealized (loss) gain on foreign currency translation	(299,318)	1,424	(297,894)
Deferred fees and other items	—	(143,002)	(143,002)
Amortization of fees and other items	—	68,267	68,267
Loans Receivable, as of December 31, 2021	<u>\$ 22,156,437</u>	<u>\$ (153,420)</u>	<u>\$ 22,003,017</u>
Loan fundings	6,810,218	—	6,810,218
Loan repayments and sales	(3,168,155)	—	(3,168,155)
Unrealized (loss) gain on foreign currency translation	(638,157)	5,255	(632,902)
Deferred fees and other items	—	(74,930)	(74,930)
Amortization of fees and other items	—	80,632	80,632
Loans Receivable, as of December 31, 2022	<u>\$ 25,160,343</u>	<u>\$ (142,463)</u>	<u>\$ 25,017,880</u>
CECL reserve			<u>(326,137)</u>
Loans Receivable, net, as of December 31, 2022			<u>\$ 24,691,743</u>

- (1) Other items primarily consist of purchase and sale discounts or premiums, exit fees, and deferred origination expenses.

Blackstone Mortgage Trust, Inc.
Notes to Consolidated Financial Statements (continued)

The tables below detail the property type and geographic distribution of the properties securing the loans in our portfolio (\$ in thousands):

December 31, 2022				
Property Type	Number of Loans	Net Book Value	Total Loan Exposure ⁽¹⁾	Percentage of Portfolio
Office	64	\$ 9,441,622	\$ 10,593,584	40%
Multifamily	80	6,214,123	6,330,153	24
Hospitality	30	4,879,314	4,908,583	18
Industrial	12	2,140,636	2,236,716	8
Retail	9	1,098,315	1,141,932	4
Other	8	1,243,870	1,599,313	6
Total loans receivable	203	\$ 25,017,880	\$ 26,810,281	100%
CECL reserve		(326,137)		
Loans receivable, net		\$ 24,691,743		

Geographic Location	Number of Loans	Net Book Value	Total Loan Exposure ⁽¹⁾	Percentage of Portfolio
<u>United States</u>				
Sunbelt	75	\$ 6,538,034	\$ 6,802,928	26%
Northeast	36	5,339,874	5,666,968	21
West	33	3,515,517	4,547,946	17
Midwest	10	987,718	1,091,882	4
Northwest	6	317,863	321,937	1
Subtotal	160	16,699,006	18,431,661	69
<u>International</u>				
United Kingdom	23	3,362,629	3,393,126	13
Australia	5	1,405,601	1,417,318	5
Spain	4	1,237,446	1,241,808	5
Ireland	3	1,192,220	1,199,406	4
Sweden	1	473,374	476,673	2
Canada	1	49,409	49,432	—
Other Europe	6	598,195	600,857	2
Subtotal	43	8,318,874	8,378,620	31
Total loans receivable	203	\$ 25,017,880	\$ 26,810,281	100%
CECL reserve		(326,137)		
Loans receivable, net		\$ 24,691,743		

- (1) In certain instances, we finance our loans through the non-recourse sale of a senior loan interest that is not included in our consolidated financial statements. See Note 2 for further discussion. Total loan exposure encompasses the entire loan we originated and financed, including \$1.6 billion of such non-consolidated senior interests as of December 31, 2022.

Blackstone Mortgage Trust, Inc.
Notes to Consolidated Financial Statements (continued)

December 31, 2021

Property Type	Number of Loans	Net Book Value	Total Loan Exposure ⁽¹⁾⁽²⁾	Percentage of Portfolio
Office	65	\$ 9,473,039	\$ 10,425,026	44%
Multifamily	75	5,721,260	5,771,517	24
Hospitality	25	3,427,245	3,540,391	15
Industrial	6	1,102,452	1,185,606	5
Retail	8	871,241	909,970	4
Other	9	1,407,780	1,836,601	8
Total loans receivable	<u>188</u>	<u>\$ 22,003,017</u>	<u>\$ 23,669,111</u>	<u>100%</u>
CECL reserve		(124,679)		
Loans receivable, net		<u>\$ 21,878,338</u>		

Geographic Location	Number of Loans	Net Book Value	Total Loan Exposure ⁽¹⁾⁽²⁾	Percentage of Portfolio
<u>United States</u>				
Sunbelt	71	\$ 5,907,230	\$ 6,206,216	26%
Northeast	37	4,615,076	4,934,295	21
West	33	3,520,942	4,199,208	18
Midwest	10	1,063,202	1,113,959	5
Northwest	5	251,121	252,700	1
Subtotal	<u>156</u>	<u>15,357,571</u>	<u>16,706,378</u>	<u>71</u>
<u>International</u>				
United Kingdom	17	2,342,146	2,598,033	11
Spain	4	1,374,364	1,380,763	6
Ireland	1	1,210,375	1,216,864	5
Sweden	1	546,319	551,149	2
Australia	4	504,668	509,885	2
Canada	2	68,558	68,478	—
Other Europe	3	599,016	637,561	3
Subtotal	<u>32</u>	<u>6,645,446</u>	<u>6,962,733</u>	<u>29</u>
Total loans receivable	<u>188</u>	<u>\$ 22,003,017</u>	<u>\$ 23,669,111</u>	<u>100%</u>
CECL reserve		(124,679)		
Loans receivable, net		<u>\$ 21,878,338</u>		

- (1) In certain instances, we finance our loans through the non-recourse sale of a senior loan interest that is not included in our consolidated financial statements. See Note 2 for further discussion. Total loan exposure encompasses the entire loan we originated and financed, including \$1.5 billion of such non-consolidated senior interests as of December 31, 2021.
- (2) Excludes investment exposure to the \$379.3 million 2018 Single Asset Securitization. See Note 4 for details of the subordinate position we own in the 2018 Single Asset Securitization.

Loan Risk Ratings

As further described in Note 2, we evaluate our loan portfolio on a quarterly basis. In conjunction with our quarterly loan portfolio review, we assess the risk factors of each loan, and assign a risk rating based on several factors. Factors considered in the assessment include, but are not limited to, risk of loss, current LTV, debt yield, collateral performance, structure, exit plan, and sponsorship. Loans are rated “1” (less risk) through “5” (greater risk), which ratings are defined in Note 2.

Blackstone Mortgage Trust, Inc.
Notes to Consolidated Financial Statements (continued)

The following table allocates the principal balance and net book value of our loans receivable based on our internal risk ratings (\$ in thousands):

Risk Rating	December 31, 2022			December 31, 2021		
	Number of Loans	Net Book Value	Total Loan Exposure ⁽¹⁾	Number of Loans	Net Book Value	Total Loan Exposure ⁽¹⁾⁽²⁾
1	17	\$ 1,403,185	\$ 1,428,232	8	\$ 642,776	\$ 645,854
2	36	5,880,424	6,562,852	28	5,200,533	5,515,250
3	134	14,128,133	15,209,018	141	13,604,027	14,944,045
4	11	2,677,027	2,680,145	10	2,270,872	2,277,653
5	5	929,111	930,034	1	284,809	286,309
Total loans receivable	203	\$ 25,017,880	\$ 26,810,281	188	\$ 22,003,017	\$ 23,669,111
CECL reserve		(326,137)			(124,679)	
Loans receivable, net		\$ 24,691,743			\$ 21,878,338	

- (1) In certain instances, we finance our loans through the non-recourse sale of a senior loan interest that is not included in our consolidated financial statements. See Note 2 for further discussion. Total loan exposure encompasses the entire loan we originated and financed, including \$1.6 billion and \$1.5 billion of such non-consolidated senior interests as of December 31, 2022 and December 31, 2021, respectively.
- (2) Excludes investment exposure to the 2018 Single Asset Securitization of \$379.3 million as of December 31, 2021. See Note 4 for details of the subordinate position we own in the 2018 Single Asset Securitization.

The weighted-average risk rating of our total loan exposure was 2.8 as of both December 31, 2022 and December 31, 2021.

Current Expected Credit Loss Reserve

The CECL reserve required under GAAP reflects our current estimate of potential credit losses related to the loans and debt securities included in our consolidated balance sheets. Refer to Note 2 for further discussion of our CECL reserve. The following table presents the activity in our loans receivable CECL reserve by investment pool for the year ended December 31, 2022 and 2021 (\$ in thousands):

	U.S. Loans ⁽¹⁾	Non-U.S. Loans	Unique Loans	Impaired Loans	Total
Loans Receivable, Net					
CECL reserve as of December 31, 2021	\$ 26,885	\$ 10,263	\$ 32,657	\$ 54,874	\$ 124,679
Increase in CECL reserve	40,995	12,256	13,303	134,904	201,458
CECL reserve as of December 31, 2022	67,880	22,519	45,960	189,778	326,137
CECL reserve as of December 31, 2020	\$ 42,995	\$ 27,734	\$ 33,159	\$ 69,661	\$ 173,549
Decrease in CECL reserve	(16,110)	(17,471)	(502)	(360)	(34,443)
Charge-offs of CECL reserve	—	—	—	(14,427)	(14,427)
CECL reserve as of December 31, 2021	\$ 26,885	\$ 10,263	\$ 32,657	\$ 54,874	\$ 124,679

- (1) Includes Canadian loans, which have similar risk characteristics as U.S. loans.

During the year ended December 31, 2022, we recorded an increase of \$201.5 million in the CECL reserve against our loans receivable portfolio, bringing our total loans receivable CECL reserve to \$326.1 million as of December 31, 2022. This CECL reserve reflects certain loans assessed for impairment in our portfolio, as well as macroeconomic conditions, including inflationary pressures and market volatility.

During the year ended December 31, 2022, we recorded an increase of \$134.9 million in the CECL reserve specifically related to four of our loans receivable with an aggregate net book value of \$644.3 million as of December 31, 2022. As of December 31, 2022, the income accrual was suspended on these four loans as recovery of income and principal was doubtful. During the three months ended December 31, 2022, we recorded \$11.3 million of interest income on these loans. As of December 31, 2022, we had an aggregate \$189.8 million CECL reserve specifically related to five of our loans receivable, with an aggregate net book value of \$929.1 million. This CECL reserve was recorded based on our estimation of the fair value of each of the loan's underlying collateral as of December 31, 2022. As of December 31, 2021, we had a

Blackstone Mortgage Trust, Inc.
Notes to Consolidated Financial Statements (continued)

\$54.9 million CECL reserve specifically related to one of our loans receivable, with a net book value of \$284.8 million. No income was recorded on this loan during the years ended December 31, 2022 and 2021. As of December 31, 2022, all borrowers were current with all contractual terms of each respective loan, including payments of interest. Refer to Note 2 for further discussion of our revenue recognition policy and CECL reserve.

During the fourth quarter of 2022, we entered into a loan modification related to an office asset in New York City, which is classified as a troubled debt restructuring under GAAP. This modification included, among other changes, a reduction in the loan's contractual interest payments, an incremental exit fee, and an extension of the loan's maturity date. This loan has an outstanding principal balance of \$193.6 million, with commitments to fund an additional \$8.2 million, at our discretion, as of December 31, 2022. As of December 31, 2022, this loan was deemed impaired and we recorded an asset-specific CECL reserve against this loan.

Previously, we entered into loan modifications related to a multifamily asset in New York City, which were classified as troubled debt restructurings under GAAP. During the three months ended December 31, 2021, the borrower committed significant additional capital to the property and engaged new management to oversee property operations, and we reduced the loan's outstanding principal balance to \$37.5 million. As a result of the modification, during the three months ended December 31, 2021, we charged-off \$14.4 million of the \$14.8 million asset-specific CECL reserve we recorded on this loan, and reversed the remaining \$360,000 CECL reserve. As of December 31, 2022, this loan has an outstanding principal balance of \$38.2 million, net of cost-recovery proceeds. As of December 31, 2022, this loan was deemed impaired and we recorded an asset-specific CECL reserve against this loan.

Previously, we entered into a loan modification related to a hospitality asset in New York City, which is classified as a troubled debt restructuring under GAAP. As of December 31, 2022, this loan has an outstanding principal balance of \$286.3 million, net of cost-recovery proceeds. As of June 30, 2020 this loan was deemed impaired and we recorded an asset-specific CECL reserve against this loan. This asset-specific CECL reserve has not changed as of December 31, 2022.

Blackstone Mortgage Trust, Inc.
Notes to Consolidated Financial Statements (continued)

Our primary credit quality indicator is our risk ratings, which are further discussed above. The following tables present the net book value of our loan portfolio as of December 31, 2022 and December 31, 2021, respectively, by year of origination, investment pool, and risk rating (\$ in thousands):

Risk Rating	Net Book Value of Loans Receivable by Year of Origination ⁽¹⁾						
	As of December 31, 2022						
	2022	2021	2020	2019	2018	Prior	Total
U.S. loans⁽²⁾							
1	\$ 145,152	\$ 563,426	\$ 5,075	\$ 231,894	\$ 415,471	\$ —	\$ 1,361,018
2	117,314	1,742,289	362,062	156,478	1,178,721	—	3,556,864
3	2,035,111	5,776,346	411,880	735,772	472,134	80,323	9,511,566
4	—	—	—	96,542	1,160,627	132,687	1,389,856
5	—	—	—	—	—	—	—
Total U.S. loans	\$ 2,297,577	\$ 8,082,061	\$ 779,017	\$ 1,220,686	\$ 3,226,953	\$ 213,010	\$ 15,819,304
Non-U.S. loans							
1	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
2	590,580	609,270	94,995	1,028,715	—	—	2,323,560
3	977,767	1,586,266	—	896,392	86,706	—	3,547,131
4	—	—	—	344,089	—	—	344,089
5	—	—	—	—	—	—	—
Total Non-U.S. loans	\$ 1,568,347	\$ 2,195,536	\$ 94,995	\$ 2,269,196	\$ 86,706	\$ —	\$ 6,214,780
Unique loans							
1	\$ 42,167	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 42,167
2	—	—	—	—	—	—	—
3	893,114	—	—	—	176,322	—	1,069,436
4	—	—	—	289,141	653,941	—	943,082
5	—	—	—	—	—	—	—
Total unique loans	\$ 935,281	\$ —	\$ —	\$ 289,141	\$ 830,263	\$ —	\$ 2,054,685
Impaired loans							
1	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
2	—	—	—	—	—	—	—
3	—	—	—	—	—	—	—
4	—	—	—	—	—	—	—
5	—	208,894	—	—	284,809	435,408	929,111
Total impaired loans	\$ —	\$ 208,894	\$ —	\$ —	\$ 284,809	\$ 435,408	\$ 929,111
Total loans receivable							
1	\$ 187,319	\$ 563,426	\$ 5,075	\$ 231,894	\$ 415,471	\$ —	\$ 1,403,185
2	707,894	2,351,559	457,057	1,185,193	1,178,721	—	5,880,424
3	3,905,992	7,362,612	411,880	1,632,164	735,162	80,323	14,128,133
4	—	—	—	729,772	1,814,568	132,687	2,677,027
5	—	208,894	—	—	284,809	435,408	929,111
Total loans receivable	\$ 4,801,205	\$10,486,491	\$ 874,012	\$ 3,779,023	\$ 4,428,731	\$ 648,418	\$ 25,017,880
CECL reserve							(326,137)
Loans receivable, net							\$ 24,691,743

- (1) Date loan was originated or acquired by us. Origination dates are subsequently updated to reflect material loan modifications.
- (2) Includes Canadian loans, which have similar risk characteristics as U.S. loans.

Blackstone Mortgage Trust, Inc.
Notes to Consolidated Financial Statements (continued)

Net Book Value of Loans Receivable by Year of Origination⁽¹⁾⁽²⁾

Risk Rating	As of December 31, 2021						
	2021	2020	2019	2018	2017	Prior	Total
U.S. loans⁽³⁾							
1	\$ 125,873	\$ —	\$ 196,017	\$ 72,752	\$ 248,134	\$ —	\$ 642,776
2	876,536	427,839	221,513	1,134,176	354,775	82,274	3,097,113
3	7,511,883	358,448	1,109,170	1,116,872	292,520	228,264	10,617,157
4	—	—	96,539	534,938	63,358	89,439	784,274
5	—	—	—	—	—	—	—
Total U.S. loans	\$ 8,514,292	\$ 786,287	\$ 1,623,239	\$ 2,858,738	\$ 958,787	\$ 399,977	\$ 15,141,320
Non-U.S. loans							
1	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
2	698,130	98,412	1,306,878	—	—	—	2,103,420
3	1,403,110	—	932,939	394,949	—	—	2,730,998
4	—	—	343,030	—	—	—	343,030
5	—	—	—	—	—	—	—
Total Non-U.S. loans	\$ 2,101,240	\$ 98,412	\$ 2,582,847	\$ 394,949	\$ —	\$ —	\$ 5,177,448
Unique loans							
1	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
2	—	—	—	—	—	—	—
3	—	—	—	197,018	—	58,854	255,872
4	—	—	322,787	820,781	—	—	1,143,568
5	—	—	—	—	—	—	—
Total unique loans	\$ —	\$ —	\$ 322,787	\$ 1,017,799	\$ —	\$ 58,854	\$ 1,399,440
Impaired loans							
1	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
2	—	—	—	—	—	—	—
3	—	—	—	—	—	—	—
4	—	—	—	—	—	—	—
5	—	—	—	284,809	—	—	284,809
Total impaired loans	\$ —	\$ —	\$ —	\$ 284,809	\$ —	\$ —	\$ 284,809
Total loans receivable							
1	\$ 125,873	\$ —	\$ 196,017	\$ 72,752	\$ 248,134	\$ —	\$ 642,776
2	1,574,666	526,251	1,528,391	1,134,176	354,775	82,274	5,200,533
3	8,914,993	358,448	2,042,109	1,708,839	292,520	287,118	13,604,027
4	—	—	762,356	1,355,719	63,358	89,439	2,270,872
5	—	—	—	284,809	—	—	284,809
Total loans receivable	\$10,615,532	\$ 884,699	\$ 4,528,873	\$ 4,556,295	\$ 958,787	\$ 458,831	\$ 22,003,017
CECL reserve							(124,679)
Loans receivable, net							\$ 21,878,338

- (1) Date loan was originated or acquired by us. Origination dates are subsequently updated to reflect material loan modifications.
- (2) Excludes the \$78.0 million net book value of our held-to-maturity debt securities which represents our subordinate position we own in the 2018 Single Asset Securitization, and is included in other assets on our consolidated balance sheets. See Note 4 for details of the subordinate position we own in the 2018 Single Asset Securitization.
- (3) Includes Canadian loans, which have similar risk characteristics as U.S. loans.

Blackstone Mortgage Trust, Inc.
Notes to Consolidated Financial Statements (continued)

Multifamily Joint Venture

As discussed in Note 2, we entered into a Multifamily Joint Venture in April 2017. As of December 31, 2022 and December 31, 2021, our Multifamily Joint Venture held \$795.6 million and \$746.9 million of loans, respectively, which are included in the loan disclosures above. Refer to Note 2 for additional discussion of our Multifamily Joint Venture.

4. OTHER ASSETS AND LIABILITIES

Other Assets

The following table details the components of our other assets (\$ in thousands):

	December 31, 2022	December 31, 2021
Accrued interest receivable	\$ 189,569	\$ 86,101
Collateral deposited under derivative agreements	103,110	—
Loan portfolio payments held by servicer ⁽¹⁾	68,489	77,624
Derivative assets	7,349	30,531
Accounts receivable and other assets	1,318	572
Prepaid expenses	1,067	956
Debt securities held-to-maturity ⁽²⁾	—	78,083
CECL reserve	—	(70)
Debt securities held-to-maturity, net	—	78,013
Total	<u>\$ 370,902</u>	<u>\$ 273,797</u>

- (1) Primarily represents loan principal held by our third-party loan servicer as of the balance sheet date which were remitted to us during the subsequent remittance cycle.
- (2) Represents the subordinate position we own in the 2018 Single Asset Securitization, which held aggregate loan assets of \$379.3 million as of December 31, 2021, with a yield to full maturity of L+10.0% and a maximum maturity date of June 9, 2025, assuming all extension options are exercised by the borrower. During the year ended December 31, 2022, the 2018 Single Asset Securitization was liquidated upon full repayment of its collateral and all senior securities outstanding. Refer to Note 18 for additional discussion.

Current Expected Credit Loss Reserve

The CECL reserve required under GAAP reflects our current estimate of potential credit losses related to the loans and debt securities included in our consolidated balance sheets. Refer to Note 2 for further discussion of our CECL reserve. The following table presents the activity in our debt securities CECL reserve for the year ended December 31, 2022 and 2021 (\$ in thousands):

	Debt Securities Held-To-Maturity Total
CECL reserve as of December 31, 2021	\$ 70
Decrease in CECL reserve	\$ (70)
CECL reserve as of December 31, 2022	<u>\$ —</u>
CECL reserve as of December 31, 2020	\$ 1,723
Decrease in CECL reserve	\$ (1,653)
CECL reserve as of December 31, 2021	<u>\$ 70</u>

Blackstone Mortgage Trust, Inc.
Notes to Consolidated Financial Statements (continued)

Other Liabilities

The following table details the components of our other liabilities (\$ in thousands):

	December 31, 2022	December 31, 2021
Derivative liabilities	\$ 119,665	\$ 5,890
Accrued dividends payable	106,455	104,271
Accrued interest payable	80,263	29,851
Secured debt repayments pending servicer remittance ⁽¹⁾	60,585	47,664
Accrued management and incentive fees payable	33,830	28,373
Current expected credit loss reserve for unfunded loan commitments ⁽²⁾	16,380	6,263
Accounts payable and other liabilities	9,726	9,046
Total	<u>\$ 426,904</u>	<u>\$ 231,358</u>

- (1) Represents pending transfers from our third-party loan servicer that were remitted to our banking counterparties during the subsequent remittance cycle.
- (2) Represents the CECL reserve related to our unfunded loan commitments. See Note 2 for further discussion of the CECL reserve.

Current Expected Credit Loss Reserve for Unfunded Loan Commitments

As of December 31, 2022, we had unfunded commitments of \$3.8 billion related to 121 loans receivable. The expected credit losses over the contractual period of our loans is impacted by our obligation to extend further credit through our unfunded loan commitments. See Note 2 for further discussion of the CECL reserve related to our unfunded loan commitments, and Note 20 for further discussion of our unfunded loan commitments. The following table presents the activity in the CECL reserve related to our unfunded loan commitments by investment pool for the year ended December 31, 2022 and 2021 (\$ in thousands):

	U.S. Loans	Non-U.S. Loans	Unique Loans	Impaired Loans	Total
CECL reserve as of December 31, 2021	\$ 4,072	\$ 2,191	\$ —	\$ —	\$ 6,263
Increase in CECL reserve	7,676	2,441	—	—	10,117
CECL reserve as of December 31, 2022	<u>\$ 11,748</u>	<u>\$ 4,632</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 16,380</u>
CECL reserve as of December 31, 2020	\$ 6,953	\$ 2,994	\$ 84	\$ —	\$ 10,031
Decrease in CECL reserve	(2,881)	(803)	(84)	—	(3,768)
CECL reserve as of December 31, 2021	<u>\$ 4,072</u>	<u>\$ 2,191</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 6,263</u>

Blackstone Mortgage Trust, Inc.
Notes to Consolidated Financial Statements (continued)

5. SECURED DEBT, NET

Our secured debt includes our secured credit facilities and our acquisition facility. During the year ended December 31, 2022, we obtained approval for \$4.6 billion of new borrowings against \$5.9 billion of collateral assets. Additionally, during the year ended December 31, 2022, we (i) entered into two new secured credit facilities providing an aggregate \$2.2 billion of credit capacity and (ii) we increased the size of six existing secured credit facilities providing an aggregate \$1.4 billion of additional credit capacity. The following table details our secured debt (\$ in thousands):

	Secured Debt Borrowings Outstanding	
	December 31, 2022	December 31, 2021
Secured credit facilities	\$ 13,549,748	\$ 12,299,580
Acquisition facility	—	—
Total secured debt	\$ 13,549,748	\$ 12,299,580
Deferred financing costs ⁽¹⁾	(21,584)	(19,538)
Net book value of secured debt	\$ 13,528,164	\$ 12,280,042

- (1) Costs incurred in connection with our secured debt are recorded on our consolidated balance sheets when incurred and recognized as a component of interest expense over the life of each related facility.

Secured Credit Facilities

Our secured credit facilities are bilateral agreements we use to finance diversified pools of senior loan collateral with sufficient flexibility to accommodate our investment and asset management strategy. The facilities are uniformly structured to provide currency, index, and term-matched financing without capital markets based mark-to-market provisions.

The following table details our secured credit facilities by spread over the applicable base rates as of December 31, 2022 (\$ in thousands):

December 31, 2022							Recourse Limitation	
Currency	Lenders ⁽¹⁾	Borrowings	Wtd Avg. Maturity ⁽²⁾	Loan Count	Collateral ⁽³⁾	Wtd Avg. Maturity ⁽⁴⁾	Wtd. Avg.	Range
USD	14	\$ 7,497,992	2/21/2026	145	\$ 11,719,558	3/4/2026	36%	25% - 100%
GBP	7	2,320,720	4/7/2026	23	3,081,729	4/30/2026	27%	25% - 50%
EUR	7	2,128,248	8/12/2025	12	2,866,848	8/15/2025	42%	25% - 100%
Others ⁽⁵⁾	4	1,602,788	7/4/2027	7	2,026,655	6/23/2027	25%	25%
Total	15	\$ 13,549,748	3/29/2026	185	\$ 19,694,790	4/2/2026	34%	25% - 100%

- (1) Represents the number of lenders with fundings advanced in each respective currency, as well as the total number of facility lenders.
- (2) Our secured debt agreements are generally term-matched to their underlying collateral. Therefore, the weighted average maturity is generally allocated based on the maximum maturity date of the collateral loans, assuming all extension options are exercised by the borrower. In limited instances, the maturity date of the respective secured credit facility is used.
- (3) Represents the principal balance of the collateral assets.
- (4) Maximum maturity assumes all extension options are exercised by the borrower, however our loans may be repaid prior to such date.
- (5) Includes Australian Dollar, Canadian Dollar, Danish Krone, Swedish Krona, and Swiss Franc currencies.

The availability of funding under our secured credit facilities is based on the amount of approved collateral, which collateral is proposed by us in our discretion and approved by the respective counterparty in its discretion, resulting in a mutually agreed collateral portfolio construction. Certain structural elements of our secured credit facilities, including the limitation on recourse to us and facility economics are influenced by the specific collateral portfolio construction of each facility, and therefore vary within and among the facilities.

Blackstone Mortgage Trust, Inc.
Notes to Consolidated Financial Statements (continued)

The following tables detail the spread of our secured debt as of December 31, 2022 and December 31, 2021 (\$ in thousands):

Spread ⁽¹⁾	Year Ended December 31, 2022	December 31, 2022				
	New Financings ⁽²⁾	Total Borrowings	Wtd. Avg. All-in Cost ⁽¹⁾⁽³⁾⁽⁴⁾	Collateral ⁽⁵⁾	Wtd. Avg. All-in Yield ⁽¹⁾⁽³⁾	Net Interest Margin ⁽⁶⁾
+ 1.50% or less	\$ 1,329,508	\$ 7,433,204	+1.53 %	\$ 10,465,647	+3.24 %	+1.71 %
+ 1.51% to + 1.75%	368,265	2,246,223	+1.88 %	3,538,815	+3.73 %	+1.85 %
+ 1.76% to + 2.00%	405,723	1,514,541	+2.16 %	2,483,240	+4.14 %	+1.98 %
+ 2.01% or more	1,246,650	2,355,780	+2.63 %	3,207,088	+4.78 %	+2.15 %
Total	\$ 3,350,146	\$ 13,549,748	+1.85 %	\$ 19,694,790	+3.70 %	+1.85 %

Spread ⁽¹⁾	Year Ended December 31, 2021	December 31, 2021				
	New Financings ⁽²⁾	Total Borrowings	Wtd. Avg. All-in Cost ⁽¹⁾⁽³⁾⁽⁴⁾	Collateral ⁽⁵⁾	Wtd. Avg. All-in Yield ⁽¹⁾⁽³⁾	Net Interest Margin ⁽⁶⁾
+ 1.50% or less	\$ 5,306,925	\$ 7,746,026	+1.52 %	\$ 10,193,801	+3.18 %	+1.66 %
+ 1.51% to + 1.75%	1,477,177	2,710,587	+1.88 %	3,977,492	+3.55 %	+1.67 %
+ 1.76% to + 2.00%	668,470	998,781	+2.13 %	1,458,074	+4.28 %	+2.15 %
+ 2.01% or more	310,991	844,186	+2.49 %	1,413,014	+4.75 %	+2.26 %
Total	\$ 7,763,563	\$ 12,299,580	+1.72 %	\$ 17,042,381	+3.49 %	+1.77 %

- (1) The spread, all-in cost, and all-in yield are expressed over the relevant floating benchmark rates, which include USD LIBOR, SOFR, SONIA, GBP LIBOR, EURIBOR, and other indices as applicable.
- (2) Represents borrowings outstanding as of December 31, 2022 and December 31, 2021, respectively, for new financings during the year ended December 31, 2022 and December 31, 2021, respectively, based on the date collateral was initially pledged to each credit facility.
- (3) In addition to spread, the cost includes the associated deferred fees and expenses related to the respective borrowings. In addition to cash coupon, all-in yield includes the amortization of deferred origination and extension fees, loan origination costs, and purchase discounts, as well as the accrual of exit fees.
- (4) Represents the weighted-average all-in cost as of December 31, 2022 and December 31, 2021, respectively, and is not necessarily indicative of the spread applicable to recent or future borrowings.
- (5) Represents the principal balance of the collateral assets.
- (6) Represents the difference between the weighted-average all-in yield and weighted-average all-in cost.

Our secured credit facilities generally permit us to increase or decrease the amount advanced against the pledged collateral in our discretion within certain maximum/minimum amounts and frequency limitations. As of December 31, 2022, there was an aggregate \$1.5 billion available to be drawn at our discretion under our credit facilities.

Acquisition Facility

We have a \$250.0 million full recourse secured credit facility that is designed to finance eligible first mortgage originations for up to nine months as a bridge to term financing without obtaining discretionary lender approval. The cost of borrowing under the facility is variable, dependent on the type of loan collateral, and its maturity date is April 4, 2023.

During the year ended December 31, 2022, we had no borrowings under the acquisition facility and we recorded interest expense of \$1.2 million, including \$333,000 of amortization of deferred fees and expenses.

During the year ended December 31, 2021, we had no borrowings under the acquisition facility and we recorded interest

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Notes to Consolidated Financial Statements (continued)

expense of \$1.2 million, including \$354,000 of amortization of deferred fees and expenses. As of December 31, 2021, we had one asset pledged to our acquisition facility and there was an aggregate \$147.5 million available to be drawn at our discretion.

Financial Covenants

We are subject to the following financial covenants related to our secured debt: (i) our ratio of earnings before interest, taxes, depreciation, and amortization, or EBITDA, to fixed charges, as defined in the agreements, shall be not less than 1.4 to 1.0; (ii) our tangible net worth, as defined in the agreements, shall not be less than \$3.6 billion as of each measurement date plus 75% to 85% of the net cash proceeds of future equity issuances subsequent to December 31, 2022; (iii) cash liquidity shall not be less than the greater of (x) \$10.0 million or (y) no more than 5% of our recourse indebtedness; and (iv) our indebtedness shall not exceed 83.33% of our total assets. As of December 31, 2022 and December 31, 2021, we were in compliance with these covenants.

6. SECURITIZED DEBT OBLIGATIONS, NET

We have financed certain pools of our loans through collateralized loan obligations, which include the 2021 FL4 CLO, 2020 FL3 CLO, and 2020 FL2 CLO or collectively, the CLOs. The CLOs are consolidated in our financial statements and have issued securitized debt obligations that are non-recourse to us. Refer to Note 18 for further discussion of our CLOs. The following tables detail our securitized debt obligations and the underlying collateral assets that are financed (\$ in thousands):

Securitized Debt Obligations	December 31, 2022				
	Count	Principal Balance	Book Value	Wtd. Avg. Yield/Cost ⁽¹⁾⁽²⁾	Term ⁽³⁾
<u>2021 FL4 Collateralized Loan Obligation</u>					
Senior CLO Securities Outstanding	1	\$ 803,750	\$ 799,626	+ 1.57 %	May 2038
Underlying Collateral Assets	30	1,000,000	1,000,000	+ 3.47 %	May 2025
<u>2020 FL3 Collateralized Loan Obligation</u>					
Senior CLO Securities Outstanding	1	808,750	806,757	+ 2.14 %	November 2037
Underlying Collateral Assets	16	1,000,000	1,000,000	+ 3.25 %	November 2024
<u>2020 FL2 Collateralized Loan Obligation</u>					
Senior CLO Securities Outstanding	1	1,061,041	1,057,627	+ 1.55 %	February 2038
Underlying Collateral Assets	17	1,317,916	1,317,916	+ 3.42 %	November 2024
<u>Total</u>					
Senior CLO Securities Outstanding ⁽⁴⁾	3	\$ 2,673,541	\$ 2,664,010	+1.73 %	
Underlying Collateral Assets	63	\$ 3,317,916	\$ 3,317,916	+ 3.38 %	

- (1) In addition to cash coupon, all-in yield includes the amortization of deferred origination and extension fees, loan origination costs, purchase discounts, and accrual of exit fees.
- (2) The weighted-average all-in yield and cost are expressed as a spread over the relevant floating benchmark rates, which include USD LIBOR and SOFR, as applicable to each securitized debt obligation. As of December 31, 2022, the floating benchmark rate for the financing provided on the 2020 FL3 and 2020 FL2 CLOs is one-month SOFR. As of December 31, 2022, one-month SOFR was 4.36% and one-month USD LIBOR was 4.39%. Excludes loans accounted for under the cost recovery method.
- (3) Underlying Collateral Assets term represents the weighted-average final maturity of such loans, assuming all extension options are exercised by the borrower. Repayments of securitized debt obligations are tied to timing of the related collateral loan asset repayments. The term of these obligations represents the rated final distribution date of the securitizations.
- (4) During the year ended December 31, 2022, we recorded \$87.6 million of interest expense related to our securitized debt obligations.

Blackstone Mortgage Trust, Inc.
Notes to Consolidated Financial Statements (continued)

Securitized Debt Obligations	December 31, 2021				
	Count	Principal Balance	Book Value	Wtd. Avg. Yield/Cost ⁽¹⁾⁽²⁾	Term ⁽³⁾
2021 FL4 Collateralized Loan Obligation					
Senior CLO Securities Outstanding	1	\$ 803,750	\$ 797,373	+ 1.66 %	May 2038
Underlying Collateral Assets	34	1,000,000	1,000,000	+ 3.42 %	October 2024
2020 FL3 Collateralized Loan Obligation					
Senior CLO Securities Outstanding	1	808,750	804,096	+ 2.10 %	November 2037
Underlying Collateral Assets	18	1,000,000	1,000,000	+ 3.06 %	May 2024
2020 FL2 Collateralized Loan Obligation					
Senior CLO Securities Outstanding	1	1,243,125	1,236,593	+ 1.45 %	February 2038
Underlying Collateral Assets	21	1,500,000	1,500,000	+ 3.15 %	March 2024
Total					
Senior CLO Securities Outstanding ⁽⁴⁾	3	\$ 2,855,625	\$ 2,838,062	+1.69 %	
Underlying Collateral Assets	73	\$ 3,500,000	\$ 3,500,000	+3.20 %	

- (1) In addition to cash coupon, all-in yield includes the amortization of deferred origination and extension fees, loan origination costs, purchase discounts, and accrual of exit fees.
- (2) The weighted-average all-in yield and cost are expressed as a spread over the relevant floating benchmark rates, which include USD LIBOR and SOFR, as applicable to each securitized debt obligation. As of December 31, 2021, the floating benchmark rate for the financing provided on the 2020 FL3 and 2020 FL2 CLOs is one-month SOFR. As of December 31, 2021, one-month SOFR was 0.05% and one-month USD LIBOR was 0.10%.
- (3) Underlying Collateral Assets term represents the weighted-average final maturity of such loans, assuming all extension options are exercised by the borrower. Repayments of securitized debt obligations are tied to timing of the related collateral loan asset repayments. The term of these obligations represents the rated final distribution date of the securitizations.
- (4) During the year ended December 31, 2021, we recorded \$46.0 million of interest expense related to our securitized debt obligations.

7. ASSET-SPECIFIC DEBT, NET

The following tables detail our asset-specific debt (\$ in thousands):

Asset-Specific Debt	December 31, 2022				
	Count	Principal Balance	Book Value	Wtd. Avg. Yield/Cost ⁽¹⁾	Wtd. Avg. Term ⁽²⁾
Financing provided	4	\$ 950,278	\$ 942,503	+ 3.29 %	January 2026
Collateral assets	4	\$ 1,094,450	\$ 1,081,035	+ 4.73 %	January 2026
Asset-Specific Debt	December 31, 2021				
	Count	Principal Balance	Book Value	Wtd. Avg. Yield/Cost ⁽¹⁾	Wtd. Avg. Term ⁽²⁾
Financing provided	4	\$ 400,699	\$ 393,824	+ 2.78 %	March 2025
Collateral assets	4	\$ 446,276	\$ 435,727	+ 4.04 %	March 2025

- (1) These floating rate loans and related liabilities are currency and indexed matched to the applicable benchmark rate relevant in each arrangement. In addition to cash coupon, yield/cost includes the amortization of deferred origination fees and financing costs.
- (2) The weighted-average term is determined based on the maximum maturity of the corresponding loans, assuming all extension options are exercised by the borrower. Our asset-specific debt is term-matched in each case to the corresponding collateral loans.

Blackstone Mortgage Trust, Inc.
Notes to Consolidated Financial Statements (continued)

8. LOAN PARTICIPATIONS SOLD, NET

The financing of a loan by the non-recourse sale of a senior interest in the loan through a participation agreement generally does not qualify as a sale under GAAP. Therefore, in the instance of such sales, we present the whole loan as an asset and the loan participation sold as a liability on our consolidated balance sheet until the loan is repaid. The obligation to pay principal and interest on these liabilities is generally based on the performance of the related loan obligation, and does not require an actual cash outlay from us. The gross presentation of loan participations sold does not impact stockholders' equity or net income.

The following table details our loan participations sold (\$ in thousands):

Loan Participations Sold	December 31, 2022				
	Count	Principal Balance	Book Value	Wtd. Avg. Yield/Cost ⁽¹⁾	Term ⁽²⁾
Senior Participation ⁽³⁾	1	\$ 224,744	\$ 224,232	+ 3.22 %	March 2027
Total Loan	1	\$ 280,930	\$ 278,843	+ 4.86 %	March 2027

- (1) This non-debt participation sold structure is inherently matched in terms of currency and interest rate. In addition to cash coupon, yield/cost includes the amortization of deferred fees and financing costs.
- (2) The term is determined based on the maximum maturity of the loan, assuming all extension options are exercised by the borrower. Our loan participation sold is term-matched to the corresponding collateral loan.
- (3) During the year ended December 31, 2022, we recorded \$7.9 million of interest expense related to our loan participations sold.

We did not have any loan participations sold as of December 31, 2021.

9. TERM LOANS, NET

During the year ended December 31, 2022, we borrowed an additional \$825.0 million under our term loan facilities, or the B-4 Term Loan. The B-4 Term Loan bears interest at SOFR plus 3.50% and matures in May 2029. As of December 31, 2022, the following senior term loan facilities, or Term Loans, were outstanding (\$ in thousands):

Term Loans	Face Value	Interest Rate ⁽¹⁾	All-in Cost ⁽¹⁾⁽²⁾	Maturity
B-1 Term Loan	\$ 920,365	+ 2.25 %	+ 2.53 %	April 23, 2026
B-3 Term Loan	\$ 415,168	+ 2.75 %	+ 3.42 %	April 23, 2026
B-4 Term Loan	\$ 821,685	+ 3.50 %	+ 4.11 %	May 9, 2029

- (1) The B-3 Term Loan and the B-4 Term Loan borrowings are subject to a floor of 0.50%. The B-1 Term Loan and B-3 Term Loan are indexed to one-month USD LIBOR and the B-4 Term Loan is indexed to one-month SOFR.
- (2) Includes issue discount and transaction expenses that are amortized through interest expense over the life of the Term Loans.

The Term Loans are partially amortizing, with an amount equal to 1.0% per annum of the aggregate initial principal balance due in quarterly installments. The issue discount and transaction expenses on the B-1 Term Loan were \$3.1 million and \$12.6 million, respectively. The issue discount and transaction expenses of the B-3 Term Loan were \$9.6 million and \$5.4 million, respectively. The issue discount and transaction expenses of the B-4 Term Loan were \$17.3 million and \$10.2 million, respectively. These discounts and expenses will be amortized into interest expense over the life of each Term Loan. During the year ended December 31, 2022, we recorded \$86.6 million of interest expense related to our Term Loans, including \$6.7 million of amortization of deferred fees and expenses.

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Notes to Consolidated Financial Statements (continued)

The following table details the net book value of our Term Loans on our consolidated balance sheets (\$ in thousands):

	December 31, 2022	December 31, 2021
Face value	\$ 2,157,218	\$ 1,349,271
Deferred financing costs and unamortized discount	(42,669)	(21,865)
Net book value	<u>\$ 2,114,549</u>	<u>\$ 1,327,406</u>

The guarantee under our Term Loans contains the financial covenant that our indebtedness shall not exceed 83.33% of our total assets. As of December 31, 2022 and December 31, 2021, we were in compliance with this covenant. Refer to Note 2 for additional discussion of our accounting policies for the Term Loans.

10. SENIOR SECURED NOTES, NET

As of December 31, 2022, the following Senior Secured Notes, were outstanding (\$ in thousands):

Senior Secured Notes	Face Value	Interest Rate	All-in Cost ⁽¹⁾	Maturity
Senior Secured Notes	\$ 400,000	3.75 %	4.04 %	January 15, 2027

(1) Includes transaction expenses that are amortized through interest expense over the life of the Senior Secured Notes.

The transaction expenses on the Senior Secured Notes were \$6.3 million, which will be amortized into interest expense over the life of the Senior Secured Notes. During the year ended December 31, 2022, we recorded \$16.2 million of interest expense related to our Senior Secured Notes, including \$1.2 million of amortization of deferred fees and expenses.

The following table details the net book value of our Senior Secured Notes on our consolidated balance sheets (\$ in thousands):

	December 31, 2022	December 31, 2021
Face value	\$ 400,000	\$ 400,000
Deferred financing costs	(4,834)	(5,990)
Net book value	<u>\$ 395,166</u>	<u>\$ 394,010</u>

The covenants under our Senior Secured Notes require us to maintain a total debt to total assets ratio, as defined in the agreements, of not greater than 83.33% and, in certain circumstances, a total unencumbered assets to total unsecured indebtedness ratio, as defined in the agreements, of 1.20 or greater. As of December 31, 2022 and December 31, 2021, we were in compliance with these covenants.

11. CONVERTIBLE NOTES, NET

During the year ended December 31, 2022, we issued \$300.0 million aggregate principal amount of 5.50% convertible senior notes due 2027, or the March 2022 convertible notes. In connection with this offering, we repurchased \$64.7 million aggregate principal amount of our May 2017 convertible senior notes at a price of 100.25% per \$1,000 principal amount. We repaid the remaining \$337.9 million aggregate principal amount of our May 2017 convertible senior notes at maturity on May 5, 2022.

Blackstone Mortgage Trust, Inc.
Notes to Consolidated Financial Statements (continued)

As of December 31, 2022, the following convertible senior notes, or Convertible Notes, were outstanding (\$ in thousands):

Convertible Notes Issuance	Face Value	Interest Rate	All-in Cost ⁽¹⁾	Conversion Price ⁽²⁾	Maturity
March 2018	\$ 220,000	4.75%	5.33%	\$36.23	March 15, 2023
March 2022	\$ 300,000	5.50%	5.94%	\$36.27	March 15, 2027

- (1) Includes issuance costs that are amortized through interest expense over the life of the Convertible Notes using the effective interest method.
- (2) Represents the price of class A common stock per share based on a conversion rate of 27.6052 and 27.5702, respectively, for the March 2018 and March 2022 convertible notes. The conversion rate represents the number of shares of class A common stock issuable per \$1,000 principal amount of Convertible Notes. The cumulative dividend threshold as defined in the respective March 2018 and March 2022 convertible notes supplemental indentures have not been exceeded as of December 31, 2022.

Other than as provided by the optional redemption provisions with respect to our March 2022 convertible notes, we may not redeem the Convertible Notes prior to maturity. The March 2022 convertible notes are convertible at the holders' option into shares of our class A common stock, only under specific circumstances, prior to the close of business on December 14, 2026 at the applicable conversion rate in effect on the conversion date. Thereafter, the March 2022 convertible notes are convertible at the option of the holder at any time until the second scheduled trading day immediately preceding the maturity date. The March 2018 convertible notes are currently convertible at the option of the holder at any time until the second scheduled trading day immediately preceding the maturity date. We have elected to settle the March 2018 convertible notes in cash for any conversions that occur during the final conversion period. The last reported sale price of our class A common stock of \$21.17 on December 30, 2022, the last trading day in the year ended December 31, 2022, was less than the per share conversion price of the March 2018 and March 2022 convertible notes.

We adopted ASU 2020-06 on January 1, 2022, using the modified retrospective method of transition, which resulted in an aggregate decrease to our additional paid-in capital of \$2.4 million, an aggregate decrease to our accumulated deficit of \$2.0 million, and an aggregate increase to our convertible notes, net, balance of \$477,000, as of January 1, 2022. Subsequent to adoption of ASU 2020-06, convertible debt proceeds, unless issued with a substantial premium or an embedded conversion feature, will no longer be allocated between debt and equity components. This reduces the issue discount and results in less non-cash interest expense in our consolidated financial statements. Additionally, ASU 2020-06 results in the reporting of diluted earnings per share for shares issuable under our convertible notes in our consolidated financial statements, if the effect is dilutive, regardless of our settlement intent. Refer to Note 2 and Note 13 for additional discussion of ASU 2020-06 and our earnings per share calculation, respectively.

The following table details the net book value of our Convertible Notes on our consolidated balance sheets (\$ in thousands):

	December 31, 2022	December 31, 2021
Face value	\$ 520,000	\$ 622,500
Deferred financing costs and unamortized discount	(5,743)	(2,624)
Net book value	\$ 514,257	\$ 619,876

The following table details our interest expense related to the Convertible Notes (\$ in thousands):

	Year Ended December 31,		
	2022	2021	2020
Cash coupon	\$ 28,859	\$ 28,059	\$ 28,059
Discount and issuance cost amortization	2,853	3,486	3,319
Total interest expense	\$ 31,712	\$ 31,545	\$ 31,378

Accrued interest payable for the Convertible Notes was \$7.9 million and \$6.0 million as of December 31, 2022 and December 31, 2021, respectively. Refer to Note 2 for additional discussion of our accounting policies for the Convertible Notes.

Blackstone Mortgage Trust, Inc.
Notes to Consolidated Financial Statements (continued)

12. DERIVATIVE FINANCIAL INSTRUMENTS

The objective of our use of derivative financial instruments is to minimize the risks and/or costs associated with our investments and/or financing transactions. These derivatives may or may not qualify as net investment, cash flow, or fair value hedges under the hedge accounting requirements of ASC 815 – “Derivatives and Hedging.” Derivatives not designated as hedges are not speculative and are used to manage our exposure to interest rate movements and other identified risks. Refer to Note 2 for additional discussion of the accounting for designated and non-designated hedges.

The use of derivative financial instruments involves certain risks, including the risk that the counterparties to these contractual arrangements do not perform as agreed. To mitigate this risk, we only enter into derivative financial instruments with counterparties that have appropriate credit ratings and are major financial institutions with which we and our affiliates may also have other financial relationships.

Net Investment Hedges of Foreign Currency Risk

Certain of our international investments expose us to fluctuations in foreign interest rates and currency exchange rates. These fluctuations may impact the value of our cash receipts and payments in terms of our functional currency, the U.S. dollar. We use foreign currency forward contracts to protect the value or fix the amount of certain investments or cash flows in terms of the U.S. dollar.

Designated Hedges of Foreign Currency Risk

The following table details our outstanding foreign exchange derivatives that were designated as net investment hedges of foreign currency risk (notional amount in thousands):

December 31, 2022			December 31, 2021		
Foreign Currency Derivatives	Number of Instruments	Notional Amount	Foreign Currency Derivatives	Number of Instruments	Notional Amount
Buy USD / Sell SEK Forward	2	kr 1,003,626	Buy USD / Sell SEK Forward	1	kr 999,500
Buy USD / Sell EUR Forward	8	€ 722,311	Buy USD / Sell EUR Forward	7	€ 731,182
Buy USD / Sell GBP Forward	6	£ 690,912	Buy USD / Sell GBP Forward	2	£ 489,204
Buy USD / Sell AUD Forward	8	A\$ 541,813	Buy USD / Sell AUD Forward	3	A\$ 188,600
Buy USD / Sell DKK Forward	3	kr. 195,019	Buy USD / Sell CAD Forward	2	C\$ 22,100
Buy USD / Sell CAD Forward	2	C\$ 22,187	Buy USD / Sell CHF Forward	1	CHF 5,200
Buy USD / Sell CHF Forward	2	CHF 5,263			

Non-designated Hedges of Foreign Currency Risk

The following table details our outstanding foreign exchange derivatives that were non-designated hedges of foreign currency risk (notional amount in thousands):

December 31, 2022			December 31, 2021		
Non-designated Hedges	Number of Instruments	Notional Amount	Non-designated Hedges	Number of Instruments	Notional Amount
Buy GBP / Sell USD Forward	2	£ 109,076	Buy GBP / Sell USD Forward	3	£ 170,600
Buy USD / Sell GBP Forward	2	£ 109,076	Buy USD / Sell GBP Forward	3	£ 170,600
Buy AUD / Sell USD Forward	1	A\$ 23,600	Buy EUR / Sell USD Forward	2	€ 165,560
Buy USD / Sell AUD Forward	1	A\$ 23,600	Buy USD / Sell EUR Forward	3	€ 165,560
			Buy CHF / Sell USD Forward	1	CHF 20,300
			Buy USD / Sell CHF Forward	1	CHF 20,300
			Buy GBP / Sell EUR Forward	1	€ 8,410

Blackstone Mortgage Trust, Inc.
Notes to Consolidated Financial Statements (continued)

Financial Statement Impact of Hedges of Foreign Currency Risk

The following table presents the effect of our derivative financial instruments on our consolidated statements of operations (\$ in thousands):

Foreign Exchange Contracts in Hedging Relationships	Location of Income (Expense) Recognized	Increase (Decrease) to Net Interest Income Recognized from Foreign Exchange Contracts		
		Year Ended December 31,		
		2022	2021	2020
Designated Hedges	Interest Income ⁽¹⁾	\$ 19,910	\$ 7,296	\$ 4,382
Non-Designated Hedges	Interest Income ⁽¹⁾	(62)	(342)	(522)
Non-Designated Hedges	Interest Expense ⁽²⁾	100	(6,911)	(4,357)
Total		\$ 19,948	\$ 43	\$ (497)

- (1) Represents the forward points earned on our foreign currency forward contracts, which reflect the interest rate differentials between the applicable base rate for our foreign currency investments and prevailing US interest rates. These forward contracts effectively convert the foreign currency rate exposure for such investments to USD-equivalent interest rates.
- (2) Represents the spot rate movement in our non-designated hedges, which are marked-to-market and recognized in interest expense.

Valuation and Other Comprehensive Income

The following table summarizes the fair value of our derivative financial instruments (\$ in thousands):

Foreign Exchange Contracts	Fair Value of Derivatives in an Asset Position ⁽¹⁾ as of		Fair Value of Derivatives in a Liability Position ⁽²⁾ as of	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Designated Hedges	\$ 501	\$ 23,423	\$ 111,573	\$ 1,383
Non-Designated Hedges	6,848	7,108	8,092	4,507
Total Derivatives	\$ 7,349	\$ 30,531	\$ 119,665	\$ 5,890

- (1) Included in other assets in our consolidated balance sheets.
- (2) Included in other liabilities in our consolidated balance sheets.

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Notes to Consolidated Financial Statements (continued)

The following table presents the effect of our derivative financial instruments on our consolidated statements of operations (\$ in thousands):

Derivatives in Hedging Relationships	Amount of Gain (Loss) Recognized in OCI on Derivatives			Location of Gain (Loss) Reclassified from Accumulated OCI into Income	Amount of Loss Reclassified from Accumulated OCI into Income		
	Year Ended December 31,				Year Ended December 31,		
	2022	2021	2020		2022	2021	2020
Net Investment Hedges							
Foreign exchange contracts ⁽¹⁾	\$ 173,362	\$ 81,603	\$ (59,609)	Interest Expense	\$ —	\$ —	\$ —
Cash Flow Hedges							
Interest rate derivatives	—	(5)	(94)	Interest Expense ⁽²⁾	(4)	(10)	7
Total	\$ 173,362	\$ 81,598	\$ (59,703)		\$ (4)	\$ (10)	\$ 7

- (1) During the year ended December 31, 2022, we received net cash settlements of \$330.3 million on our foreign currency forward contracts. During the years ended December 31, 2021, and 2020, we paid net cash settlements of \$1.4 million and \$43.0 million on our foreign currency contracts. Those amounts are included as a component of accumulated other comprehensive income on our consolidated balance sheets.
- (2) During the year ended December 31, 2022, and 2021, we recorded total interest and related expenses of \$710.9 million and \$340.2 million, respectively, which included \$4,000 and \$10,000, respectively, related to our cash flow hedges. During the year ended December 31, 2020, we recorded total interest and related expenses of \$347.5 million, which was reduced by \$7,000 related to income generated by our cash flow hedges.

Credit-Risk Related Contingent Features

We have entered into agreements with certain of our derivative counterparties that contain provisions where if we were to default on any of our indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, we may also be declared in default on our derivative obligations. In addition, certain of our agreements with our derivative counterparties require that we post collateral to secure net liability positions. As of December 31, 2022, we were in a net liability position with one of our counterparties and in a net asset position with our other counterparty. As of December 31, 2022 we had collateral posted of \$103.1 million. As of December 31, 2021, we were in a net asset position with both of our derivative counterparties and did not have any collateral posted under these derivative contracts.

13. EQUITY

Stock and Stock Equivalents

Authorized Capital

As of December 31, 2022, we had the authority to issue up to 500,000,000 shares of stock, consisting of 400,000,000 shares of class A common stock and 100,000,000 shares of preferred stock. Subject to applicable NYSE listing requirements, our board of directors is authorized to cause us to issue additional shares of authorized stock without stockholder approval. In addition, to the extent not issued, currently authorized stock may be reclassified between class A common stock and preferred stock. We did not have any shares of preferred stock issued and outstanding as of December 31, 2022 and December 31, 2021.

Class A Common Stock and Deferred Stock Units

Holders of shares of our class A common stock are entitled to vote on all matters submitted to a vote of stockholders and are entitled to receive dividends authorized by our board of directors and declared by us, in all cases subject to the rights of the holders of shares of outstanding preferred stock, if any.

Blackstone Mortgage Trust, Inc.
Notes to Consolidated Financial Statements (continued)

The following table details our issuance of class A common stock during the years ended December 31, 2022, 2021 and 2020 (\$ in thousands, except per share data):

	Class A Common Stock Offerings		
	2022 ⁽¹⁾	2021 ⁽²⁾	2020 ⁽³⁾
Shares issued	2,303,469	20,361,408	10,840,696
Gross / net issue price per share ⁽⁴⁾	31.23 / 30.92	31.64 / 31.37	27.79 / 27.52
Net proceeds ⁽⁵⁾	\$70,651	\$ 638,005	\$ 297,599

- (1) Represents shares issued under our at-the-market program.
- (2) Issuance includes 296,901 shares issued under our at-the-market program, with a weighted-average gross share issue price of \$33.67.
- (3) Includes 840,696 shares issued to our Manager in satisfaction of the management and incentive fees accrued in the first quarter of 2020, with a share issue price of \$22.93. The per share price was calculated based on the volume-weighted average price on the NYSE of our class A common stock over the five trading days following our April 29, 2020 first quarter 2020 earnings conference call.
- (4) Represents the gross price per share issued, as well as the net proceeds per share after underwriting or sales discounts and commissions.
- (5) Net proceeds represent proceeds received from the underwriters less applicable transaction costs. For the year ended December 31, 2020, includes \$19.3 million of net proceeds related to 840,696 shares issued to our Manager in satisfaction of the management and incentives fees accrued in the first quarter of 2020.

We also issue restricted class A common stock under our stock-based incentive plans. Refer to Note 16 for additional discussion of these long-term incentive plans. In addition to our class A common stock, we also issue deferred stock units to certain members of our board of directors for services rendered. These deferred stock units are non-voting, but carry the right to receive dividends in the form of additional deferred stock units in an amount equivalent to the cash dividends paid to holders of shares of class A common stock.

The following table details the movement in our outstanding shares of class A common stock, including restricted class A common stock and deferred stock units:

Common Stock Outstanding ⁽¹⁾	Year Ended December 31,		
	2022	2021	2020
Beginning balance	168,543,370	147,086,722	135,263,728
Issuance of class A common stock ⁽²⁾	2,311,711	20,363,592	10,842,746
Issuance of restricted class A common stock, net ⁽³⁾⁽⁴⁾	1,204,476	1,036,175	933,623
Issuance of deferred stock units	47,036	56,881	46,625
Ending balance	<u>172,106,593</u>	<u>168,543,370</u>	<u>147,086,722</u>

- (1) Includes 410,608, 363,572 and 306,691 deferred stock units held by members of our board of directors as of December 31, 2022, 2021, and 2020, respectively.
- (2) Includes 8,242, 2,184, and 2,050 shares issued under our dividend reinvestment program during the years ended December 31, 2022, 2021, and 2020, respectively.
- (3) Includes 13,197 restricted shares issued to our board of directors during the year ended December 31, 2022.
- (4) Net of 39,655 shares, 29,580 shares, and 879 shares of restricted class A common stock forfeited under our stock-based incentive plans during the years ended December 31, 2022, 2021, and 2020, respectively. See Note 16 for further discussion of our stock-based incentive plans.

Dividend Reinvestment and Direct Stock Purchase Plan

We have adopted a dividend reinvestment and direct stock purchase plan under which we registered and reserved for issuance, in the aggregate, 10,000,000 shares of class A common stock. Under the dividend reinvestment component of this plan, our class A common stockholders can designate all or a portion of their cash dividends to be reinvested in additional shares of class A common stock. The direct stock purchase component allows stockholders and new investors, subject to our approval, to purchase shares of class A common stock directly from us. During the years ended December 31, 2022, 2021, and 2020, we issued 8,242 shares, 2,184 shares, and 2,050 shares, respectively, of class A common stock under the

Blackstone Mortgage Trust, Inc.
Notes to Consolidated Financial Statements (continued)

dividend reinvestment component of the plan. As of December 31, 2022, a total of 9,981,548 shares of class A common stock remained available for issuance under the dividend reinvestment and direct stock purchase plan.

At the Market Stock Offering Program

As of December 31, 2022, we are party to seven equity distribution agreements, or ATM Agreements, pursuant to which we may sell, from time to time, up to an aggregate sales price of \$699.1 million of our class A common stock. Sales of class A common stock made pursuant to our ATM Agreements may be made in negotiated transactions or transactions that are deemed to be “at the market” offerings as defined in Rule 415 under the Securities Act of 1933, as amended. Actual sales depend on a variety of factors including market conditions, the trading price of our class A common stock, our capital needs, and our determination of the appropriate sources of funding to meet such needs. During the year ended December 31, 2022, we issued and sold 2,303,469 shares of class A common stock under ATM Agreements, generating net proceeds totaling \$70.7 million. During the year ended December 31, 2021, we issued and sold 296,901 shares of class A common stock under ATM Agreements, generating net proceeds totaling \$9.9 million. During the year ended December 31, 2020, we did not issue any shares of our class A common stock under ATM Agreements. As of December 31, 2022, sales of our class A common stock with an aggregate sales price of \$480.9 million remained available for issuance under our ATM Agreements.

Dividends

We generally intend to distribute substantially all of our taxable income, which does not necessarily equal net income as calculated in accordance with GAAP, to our stockholders each year to comply with the REIT provisions of the Internal Revenue Code of 1986, as amended, or the Internal Revenue Code. Our dividend policy remains subject to revision at the discretion of our board of directors. All distributions will be made at the discretion of our board of directors and will depend upon our taxable income, our financial condition, our maintenance of REIT status, applicable law, and other factors as our board of directors deems relevant.

On December 15, 2022, we declared a dividend of \$0.62 per share, or \$106.5 million in aggregate, that was paid on January 13, 2023 to stockholders of record as of December 30, 2022.

The following table details our dividend activity (\$ in thousands, except per share data):

	Year Ended December 31,		
	2022	2021	2020
Dividends declared per share of common stock	\$ 2.48	\$ 2.48	\$ 2.48
Percent taxable as ordinary dividends	100.00 %	100.00 %	100.00 %
Percent taxable as capital gain dividends	— %	— %	— %
	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>

Earnings Per Share

We calculate our basic and diluted earnings per share using the two-class method for all periods presented as the unvested shares of our restricted class A common stock qualify as participating securities, as defined by GAAP. These restricted shares have the same rights as our other shares of class A common stock, including participating in any dividends, and therefore have been included in our basic and diluted net income per share calculation. The shares issuable under our Convertible Notes are included in dilutive earnings per share using the if-converted method.

Blackstone Mortgage Trust, Inc.
Notes to Consolidated Financial Statements (continued)

The following table sets forth the calculation of basic and diluted net income per share of class A common stock based on the weighted-average of both restricted and unrestricted class A common stock outstanding (\$ in thousands, except per share data):

	Year Ended December 31,		
	2022	2021	2020
Net income ⁽¹⁾	\$ 248,642	\$ 419,193	\$ 137,670
Weighted-average shares outstanding, basic and diluted ⁽²⁾	170,631,410	151,521,941	141,795,977
Per share amount, basic and diluted ⁽²⁾	\$ 1.46	\$ 2.77	\$ 0.97

- (1) Represents net income attributable to Blackstone Mortgage Trust.
- (2) For the year ended December 31, 2022, our Convertible Notes were not included in the calculation of diluted earnings per share, as the impact is antidilutive. Our Convertible Notes could dilute earnings per share in future periods. For the years ended December 31, 2021 and 2020, prior to the adoption of ASU 2020-06, our convertible notes were not assessed for dilution as we had the intent and ability to settle the convertible notes in cash. Refer to Note 2 and Note 11 for further discussion of ASU 2020-06 and our convertible notes, respectively.

Other Balance Sheet Items

Accumulated Other Comprehensive Income

As of December 31, 2022, total accumulated other comprehensive income was \$10.0 million, primarily representing \$259.8 million of net realized and unrealized gains related to changes in the fair value of derivative instruments offset by \$249.8 million of cumulative unrealized currency translation adjustments on assets and liabilities denominated in foreign currencies. As of December 31, 2021, total accumulated other comprehensive income was \$8.3 million, primarily representing \$86.4 million of net realized and unrealized gains related to changes in the fair value of derivative instruments offset by \$78.1 million of cumulative unrealized currency translation adjustments on assets and liabilities denominated in foreign currencies.

Non-Controlling Interests

The non-controlling interests included on our consolidated balance sheets represent the equity interests in our Multifamily Joint Venture that are not owned by us. A portion of our Multifamily Joint Venture's consolidated equity and results of operations are allocated to these non-controlling interests based on their pro rata ownership of our Multifamily Joint Venture. As of December 31, 2022, our Multifamily Joint Venture's total equity was \$169.4 million, of which \$144.0 million was owned by us, and \$25.4 million was allocated to non-controlling interests. As of December 31, 2021, our Multifamily Joint Venture's total equity was \$203.5 million, of which \$173.0 million was owned by us, and \$30.5 million was allocated to non-controlling interests.

14. OTHER EXPENSES

Our other expenses consist of the management and incentive fees we pay to our Manager and our general and administrative expenses.

Management and Incentive Fees

Pursuant to a management agreement between our Manager and us, or our Management Agreement, our Manager earns a base management fee in an amount equal to 1.50% per annum multiplied by our outstanding equity balance, as defined in the Management Agreement. In addition, our Manager is entitled to an incentive fee in an amount equal to the product of (i) 20% and (ii) the excess of (a) our Core Earnings (as defined in our Management Agreement) for the previous 12-month period over (b) an amount equal to 7.00% per annum multiplied by our outstanding Equity, provided that our Core Earnings over the prior three-year period is greater than zero. Core Earnings, as defined in our Management Agreement, is generally equal to our GAAP net income (loss), including realized gains and losses not otherwise recognized in current period GAAP net income (loss), and excluding (i) non-cash equity compensation expense, (ii) depreciation and amortization, (iii) unrealized gains (losses), (iv) net income (loss) attributable to our legacy portfolio, (v) certain non-cash items, and (vi) incentive management fees.

Blackstone Mortgage Trust, Inc.
Notes to Consolidated Financial Statements (continued)

During the years ended December 31, 2022, 2021, and 2020, we incurred \$73.0 million, \$64.2 million, and \$60.4 million, respectively, of management fees payable to our manager. In addition, during the years ended December 31, 2022, 2021, and 2020, we incurred \$37.3 million, \$24.3 million, and \$17.5 million, respectively, of incentive fees payable to our Manager. During the year ended December 31, 2020, we issued 840,696 shares of class A common stock to our Manager in satisfaction of our aggregate \$19.3 million of management and incentive fees accrued in the first quarter of 2020.

As of December 31, 2022 and 2021 we had accrued management and incentive fees payable to our Manager of \$33.8 million and \$28.4 million, respectively.

General and Administrative Expenses

General and administrative expenses consisted of the following (\$ in thousands):

	Year Ended December 31,		
	2022	2021	2020
Professional services	\$ 10,924	\$ 7,759	\$ 7,324
Operating and other costs	7,855	3,762	4,015
Subtotal ⁽¹⁾	18,779	11,521	11,339
<u>Non-cash compensation expenses</u>			
Restricted class A common stock earned	32,724	31,052	34,032
Director stock-based compensation	690	595	500
Subtotal	33,414	31,647	34,532
Total general and administrative expenses	\$ 52,193	\$ 43,168	\$ 45,871

(1) During the years ended December 31, 2022, 2021, and 2020, we recognized an aggregate \$1.1 million, \$748,000, and \$1.1 million, respectively, of expenses related to our Multifamily Joint Venture.

15. INCOME TAXES

We have elected to be taxed as a REIT under the Internal Revenue Code for U.S. federal income tax purposes. We generally must distribute annually at least 90% of our net taxable income, subject to certain adjustments and excluding any net capital gain, in order for U.S. federal income tax not to apply to our earnings. To the extent that we satisfy this distribution requirement, but distribute less than 100% of our net taxable income, we will be subject to U.S. federal income tax on our undistributed taxable income. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we pay out to our stockholders in a calendar year is less than a minimum amount specified under U.S. federal tax laws.

Our qualification as a REIT also depends on our ability to meet various other requirements imposed by the Internal Revenue Code, which relate to organizational structure, diversity of stock ownership, and certain restrictions with regard to the nature of our assets and the sources of our income. Even if we qualify as a REIT, we may be subject to certain U.S. federal income and excise taxes and state and local taxes on our income and assets. If we fail to maintain our qualification as a REIT for any taxable year, we may be subject to material penalties as well as federal, state, and local income tax on our taxable income at regular corporate rates and we would not be able to qualify as a REIT for the subsequent four full taxable years. As of December 31, 2022 and 2021, we were in compliance with all REIT requirements.

Securitization transactions could result in the creation of taxable mortgage pools for federal income tax purposes. As a REIT, so long as we own 100% of the equity interests in a taxable mortgage pool, we generally would not be adversely affected by the characterization of the securitization as a taxable mortgage pool. Certain categories of stockholders, however, such as foreign stockholders eligible for treaty or other benefits, stockholders with net operating losses, and certain tax-exempt stockholders that are subject to unrelated business income tax, or UBTI, could be subject to increased taxes on a portion of their dividend income from us that is attributable to the taxable mortgage pool. We have not made UBTI distributions to our common stockholders and do not intend to make such UBTI distributions in the future.

Blackstone Mortgage Trust, Inc.
Notes to Consolidated Financial Statements (continued)

During the years ended December 31, 2022, 2021 and 2020, we recorded a current income tax provision of \$3.0 million, \$423,000, and \$323,000, respectively, primarily related to activities of our taxable REIT subsidiaries and various state and local taxes. We did not have any deferred tax assets or liabilities as of December 31, 2022 or December 31, 2021.

We have net operating losses, or NOLs, generated by our predecessor business that may be carried forward and utilized in current or future periods. As a result of our issuance of 25,875,000 shares of class A common stock in May 2013, the availability of our NOLs is generally limited to \$2.0 million per annum by change of control provisions promulgated by the Internal Revenue Service with respect to the ownership of Blackstone Mortgage Trust. As of December 31, 2022, we had estimated NOLs of \$159.0 million that will expire in 2029, unless they are utilized by us prior to expiration. We have recorded a full valuation allowance against such NOLs as it is probable that they will expire unutilized.

As of December 31, 2022, tax years 2019 through 2022 remain subject to examination by taxing authorities.

16. STOCK-BASED INCENTIVE PLANS

We are externally managed by our Manager and do not currently have any employees. However, as of December 31, 2022, our Manager, certain individuals employed by an affiliate of our Manager, and certain members of our board of directors were compensated, in part, through our issuance of stock-based instruments.

Under our two current stock incentive plans, a maximum of 10,400,000 shares of our class A common stock may be issued to our Manager, our directors and officers, and certain employees of affiliates of our Manager. As of December 31, 2022, there were 9,210,865 shares available under our current stock incentive plans. Prior to the adoption and shareholder approval of our new stock incentive plans, we had stock-based incentive awards outstanding under nine stock incentive plans. In connection with the adoption of our new stock incentive plans, we consolidated all outstanding DSUs under the new plans and retired the seven remaining historical plans. As such, no new awards may be issued under these expired plans, although our 2018 plans will continue to govern outstanding awards, other than DSUs, previously issued thereunder until such awards become vested or expire.

The following table details the movement in our outstanding shares of restricted class A common stock and the weighted-average grant date fair value per share:

	Restricted Class A Common Stock	Weighted-Average Grant Date Fair Value Per Share
Balance as of December 31, 2020	1,627,890	\$ 33.14
Granted	1,065,755	29.93
Vested	(957,944)	33.08
Forfeited	(29,580)	31.52
Balance as of December 31, 2021	1,706,121	\$ 31.19
Granted	1,244,131	26.92
Vested	(1,026,813)	32.06
Forfeited	(39,655)	30.76
Balance as of December 31, 2022	1,883,784	\$ 27.90

These shares generally vest in installments over a period of three years, pursuant to the terms of the respective award agreements and the terms of our current benefit plans. The 1,883,784 shares of restricted class A common stock outstanding as of December 31, 2022 will vest as follows: 948,494 shares will vest in 2023; 667,525 shares will vest in 2024; and 267,765 will vest in 2025. As of December 31, 2022, total unrecognized compensation cost relating to unvested share-based compensation arrangements was \$50.7 million based on the grant date fair value of shares granted. This cost is expected to be recognized over a weighted-average period of 1.2 years from December 31, 2022.

Blackstone Mortgage Trust, Inc.
Notes to Consolidated Financial Statements (continued)

17. FAIR VALUES

Assets and Liabilities Measured at Fair Value

The following table summarizes our assets and liabilities measured at fair value on a recurring basis (\$ in thousands):

	December 31, 2022				December 31, 2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Derivatives	\$ —	\$ 7,349	\$ —	\$ 7,349	\$ —	\$ 30,531	\$ —	\$ 30,531
Liabilities								
Derivatives	\$ —	\$ 119,665	\$ —	\$ 119,665	\$ —	\$ 5,890	\$ —	\$ 5,890

Refer to Note 2 for further discussion regarding fair value measurement.

Fair Value of Financial Instruments

As discussed in Note 2, GAAP requires disclosure of fair value information about financial instruments, whether or not recognized at fair value in the statement of financial position, for which it is practicable to estimate that value.

The following table details the book value, face amount, and fair value of the financial instruments described in Note 2 (\$ in thousands):

	December 31, 2022			December 31, 2021		
	Book Value	Face Amount	Fair Value	Book Value	Face Amount	Fair Value
Financial assets						
Cash and cash equivalents	\$ 291,340	\$ 291,340	\$ 291,340	\$ 551,154	\$ 551,154	\$ 551,154
Loans receivable, net	24,691,743	25,160,343	24,445,042	21,878,338	22,156,437	22,013,762
Debt securities held-to-maturity, net ⁽¹⁾	—	—	—	78,013	79,200	77,229
Financial liabilities						
Secured debt, net	13,528,164	13,549,748	13,121,306	12,280,042	12,299,580	12,299,580
Securitized debt obligations, net	2,664,010	2,673,541	2,597,377	2,838,062	2,855,625	2,850,399
Asset-specific debt, net	942,503	950,278	934,815	393,824	400,699	400,699
Loan participations sold, net	224,232	224,744	217,717	—	—	—
Secured term loans, net	2,114,549	2,157,218	2,103,943	1,327,406	1,349,271	1,335,844
Senior secured notes, net	395,166	400,000	343,665	394,010	400,000	399,012
Convertible notes, net	514,257	520,000	478,232	619,876	622,500	630,821

(1) Included in other assets on our consolidated balance sheets.

Estimates of fair value for cash and cash equivalents and convertible notes are measured using observable, quoted market prices, or Level 1 inputs. Estimates of fair value for debt securities held-to-maturity, securitized debt obligations, the term loans, and the senior secured notes are measured using observable, quoted market prices, in inactive markets, or Level 2 inputs. All other fair value significant estimates are measured using unobservable inputs, or Level 3 inputs. See Note 2 for further discussion regarding fair value measurement of certain of our assets and liabilities.

18. VARIABLE INTEREST ENTITIES

Consolidated Variable Interest Entities

We have financed a portion of our loans through the CLOs, all of which are VIEs. We are the primary beneficiary of, and therefore consolidate, the CLOs on our balance sheet as we (i) control the relevant interests of the CLOs that give us power

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Notes to Consolidated Financial Statements (continued)

to direct the activities that most significantly affect the CLOs, and (ii) have the right to receive benefits and obligation to absorb losses of the CLOs through the subordinate interests we own.

The following table details the assets and liabilities of our consolidated VIEs (\$ in thousands):

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Assets</u>		
Loans receivable	\$ 3,317,316	\$ 3,486,750
Current expected credit loss reserve	(93,396)	(4,502)
Loans receivable, net	3,223,920	3,482,248
Other assets	15,995	20,746
Total assets	<u>\$ 3,239,915</u>	<u>\$ 3,502,994</u>
<u>Liabilities</u>		
Securitized debt obligations, net	\$ 2,664,010	\$ 2,838,062
Other liabilities	7,234	1,800
Total liabilities	<u>\$ 2,671,244</u>	<u>\$ 2,839,862</u>

Assets held by these VIEs are restricted and can be used only to settle obligations of the VIEs, including the subordinate interests owned by us. The liabilities of these VIEs are non-recourse to us and can only be satisfied from the assets of the VIEs. The consolidation of these VIEs results in an increase in our gross assets, liabilities, interest income and interest expense, however it does not affect our stockholders' equity or net income.

Non-Consolidated Variable Interest Entities

During the year ended December 31, 2022, the 2018 Single Asset Securitization was liquidated upon full repayment of its collateral and all senior securities outstanding. In the third quarter of 2018, we contributed a \$517.5 million loan to the \$1.0 billion 2018 Single Asset Securitization, which is a VIE, and invested in the related \$99.0 million subordinate position. We were not the primary beneficiary of the VIE because we did not have the power to direct the activities that most significantly affected the VIE's economic performance and, therefore, did not consolidate the 2018 Single Asset Securitization on our balance sheet. We classified the subordinate position we owned as a held-to-maturity debt security that was included in other assets on our consolidated balance sheets.

We are not obligated to provide, have not provided, and do not intend to provide financial support to these consolidated and non-consolidated VIEs.

19. TRANSACTIONS WITH RELATED PARTIES

We are managed by our Manager pursuant to the Management Agreement, the current term of which expires on December 19, 2023, and will be automatically renewed for a one year term upon such date and each anniversary thereafter unless earlier terminated.

As of December 31, 2022 and 2021, our consolidated balance sheets included \$33.8 million and \$28.4 million of accrued management and incentive fees payable to our Manager, respectively. During the years ended December 31, 2022, 2021, and 2020, we paid aggregate management and incentive fees of \$104.8 million, \$79.3 million, and \$78.9 million, respectively, to our Manager. During the year ended December 31, 2020, we issued 840,696 shares of class A common stock to our Manager in satisfaction of our aggregate \$19.3 million of management and incentive fees accrued in the first quarter of 2020. The per share price with respect to such issuance was calculated based on the volume-weighted average price on the NYSE of our class A common stock over the five trading days following our April 29, 2020 first quarter 2020 earnings conference call. In addition, during the years ended December 31, 2022, 2021, and 2020, we incurred expenses of \$896,000, \$601,000, and \$1.0 million, respectively, that were paid by our Manager and will be reimbursed by us.

As of December 31, 2022, our Manager held 1,178,855 shares of unvested restricted class A common stock, which had an aggregate grant date fair value of \$32.3 million, and vest in installments over three years from the date of issuance. During the years ended December 31, 2022, 2021, and 2020, we recorded non-cash expenses related to shares held by our Manager

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Notes to Consolidated Financial Statements (continued)

of \$16.6 million, \$15.3 million, and \$17.0 million, respectively. Refer to Note 16 for further details on our restricted class A common stock.

An affiliate of our Manager is the special servicer of the CLOs. This affiliate did not earn any special servicing fees related to the CLOs during the years ended December 31, 2022, 2021 or 2020.

During the years ended December 31, 2021 and 2020, we originated three loans and two loans, respectively, whereby the respective borrowers engaged an affiliate of our Manager to act as title insurance agent in connection with these transactions. We did not incur any expenses or receive any revenues as a result of these transactions. There were no similar transactions during the year ended December 31, 2022.

During the years ended December 31, 2022, 2021, and 2020, we incurred \$524,000, \$385,000, and \$487,000, respectively, of expenses for various administrative and operations services to third-party service providers that are affiliates of our Manager.

Affiliates of our Manager own interests in the controlling entity of BTIG, LLC. We engaged BTIG, LLC as a sales agent to sell shares of our class A common stock under our ATM Agreements. During the year ended December 31, 2022, BTIG, LLC received aggregate fees of \$191,000 in such capacity. The fees paid were on terms equivalent to those of other sales agents engaged to sell shares under our ATM Agreements.

In the second quarter of 2022, we participated in AUD 1.3 billion, or 24.5%, of an aggregate AUD 5.4 billion senior loan that was originated by an unaffiliated third party to a borrower that is wholly-owned by Blackstone-advised investment vehicles. Another Blackstone-advised investment vehicle participated in an additional AUD 1.3 billion, or 24.5%, of the loan. We will forgo all non-economic rights under the loan, including voting rights, so long as we are an affiliate of the borrower. The senior loan terms were negotiated by a third-party without our involvement and our 24.5% interest in the senior loan was made on such market terms.

In the second quarter of 2022, we co-originated £250.0 million of an aggregate £500.0 million senior loan to an unaffiliated third-party. A Blackstone-advised investment vehicle co-originated the additional pari passu £250.0 million of the loan.

In the second and fourth quarters of 2022, a Blackstone-advised investment vehicle acquired an aggregate \$33.0 million participation, or 4%, of the initial aggregate B-4 Term Loan as a part of a broad syndication lead-arranged by JP Morgan. Blackstone Securities Partners L.P., an affiliate of our Manager, was engaged as a book-runner for the transaction and received aggregate fees of \$825,000 in such capacity. Both of these transactions were on terms equivalent to those of unaffiliated parties.

In the fourth quarter of 2021, we co-originated A\$450.0 million of an aggregate A\$900.0 million senior loan to an unaffiliated third-party. A Blackstone-advised investment vehicle co-originated the additional pari passu A\$450.0 million of the loan.

In the fourth quarter of 2021, we issued \$400.0 million aggregate principal amount of 3.75% Senior Secured Notes. The Senior Secured Notes were issued at par and have a maturity date of January 15, 2027. Blackstone Securities Partners L.P., an affiliate of our Manager, participated in the offering of the Senior Secured Notes and received compensation of \$400,000 in connection therewith. This transaction was on terms equivalent to those of unaffiliated parties.

In the third quarter of 2021, we participated in \$246.6 million, or 49.0%, of a total \$503.3 million senior loan that was originated by an unaffiliated third party, which was part of a total financing that included a mezzanine loan originated by a Blackstone-advised investment vehicle. We will forgo all non-economic rights under our loan, including voting rights, so long as any Blackstone-advised investment vehicle controls the mezzanine loan. The senior loan terms, with respect to the mezzanine lender, were negotiated by a third party without our involvement and our 49.0% interest in the senior loan was made on such market terms. The borrower is an unaffiliated third party.

In the third quarter of 2021, we acquired an aggregate £186.0 million, or 49.0%, of a total £379.6 million senior loan to a borrower that is majority owned by a Blackstone-advised investment vehicle. We will forgo all non-economic rights under the loan, including voting rights, so long as the Blackstone-advised investment vehicle controls the borrower. The senior loan terms were negotiated by the original lender prior to our acquisition of the loan without our involvement, and we acquired the loan on such market terms.

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Notes to Consolidated Financial Statements (continued)

In the third quarter of 2021, we participated in \$243.6 million, or 25.0%, of an aggregate \$974.5 million senior loan that was originated by an unaffiliated third party as part of a broadly marketed process. A Blackstone-advised investment vehicle participated in an additional \$243.6 million, or 25.0%, of the loan. The loan proceeds were used by the borrower to repay an existing loan previously owned by us.

In the third and fourth quarter of 2019, we acquired €250.0 million of a total €1.6 billion senior loan to a borrower that is partially owned by a Blackstone-advised investment vehicle. We will forgo all non-economic rights under the loan, including voting rights, so long as the Blackstone-advised investment vehicle controls the borrower. The senior loan terms were negotiated by third parties without our involvement and our 16% interest in the senior loan was made on such market terms. In the second quarter of 2021, we acquired an additional €100.0 million interest in the senior loan from an unaffiliated lender, bringing our total interest to 22% of the aggregate senior loan.

In the second quarter of 2021, we acquired an aggregate €50.0 million of a total €491.0 million senior loan to a borrower that is majority owned by a Blackstone-advised investment vehicle. We will forgo all non-economic rights under the loan, including voting rights, so long as the Blackstone-advised investment vehicle controls the borrower. The senior loan terms were negotiated by the original lenders prior to our acquisition of the loan without our involvement.

In the second quarter of 2021 and 2020, certain Blackstone-advised investment vehicles acquired an aggregate \$20.0 million participation, or 15%, of the initial aggregate B-3 Term Loan as a part of a broad syndication lead-arranged by JP Morgan. Blackstone Securities Partners L.P., an affiliate of our Manager, was engaged as a book-runner for the transaction and received aggregate fees of \$350,000 in such capacity. Both of these transactions were on terms equivalent to those of unaffiliated parties.

In the first quarter of 2021, we acquired an SEK 5.0 billion interest in a total SEK 10.2 billion senior loan to a borrower that is wholly owned by a Blackstone-advised investment vehicle. We will forgo all non-economic rights under the loan, including voting rights, so long as we are an affiliate of the borrower. The senior loan terms were negotiated by a third party without our involvement and our 49% interest in the senior loan was made on such market terms.

In the first quarter of 2021, a Blackstone-advised investment vehicle acquired an aggregate \$5.5 million participation, or 3%, of the \$200 million increase to our B-1 Term Loan as a part of a broad syndication lead-arranged by JP Morgan. Blackstone Securities Partners L.P., an affiliate of our Manager, was engaged as a book-runner for the transaction and received aggregate fees of \$200,000 in such capacity. Both of these transactions were on terms equivalent to those of unaffiliated parties.

20. COMMITMENTS AND CONTINGENCIES

Unfunded Commitments Under Loans Receivable

As of December 31, 2022, we had aggregate unfunded commitments of \$3.8 billion across 121 loans receivable, and \$2.4 billion of committed or identified financings for those commitments, resulting in net unfunded commitments of \$1.4 billion. The unfunded loan commitments comprise funding for capital expenditures and construction, leasing costs, and interest and carry costs, and their fundability varies depending on the progress of capital projects, leasing, and cash flows at the properties securing our loans. Therefore, the exact timing and amounts of such future loan fundings are uncertain and will depend on the current and future performance of the underlying collateral assets. We expect to fund our loan commitments over the remaining term of the related loans, which have a weighted-average future funding period of 3.0 years.

Blackstone Mortgage Trust, Inc.
Notes to Consolidated Financial Statements (continued)

Principal Debt Repayments

Our contractual principal debt repayments as of December 31, 2022 were as follows (\$ in thousands):

Year	Secured Debt ⁽¹⁾	Asset-Specific Debt ⁽¹⁾	Term Loans ⁽²⁾	Senior Secured Notes	Convertible Notes ⁽³⁾	Total ⁽⁴⁾
2023	397,365	—	21,997	—	220,000	639,362
2024	3,263,819	—	21,997	—	—	3,285,816
2025	1,170,360	816,434	21,997	—	—	2,008,791
2026	4,783,810	—	1,302,574	—	—	6,086,384
2027	3,155,937	31,900	8,258	400,000	300,000	3,896,095
Thereafter	778,457	101,944	780,395	—	—	1,660,796
Total obligation	\$ 13,549,748	\$ 950,278	\$ 2,157,218	\$ 400,000	\$ 520,000	\$ 17,577,244

- (1) Our secured debt and asset-specific debt agreements are generally term-matched to their underlying collateral. Therefore, the allocation of payments under such agreements is generally allocated based on the maximum maturity date of the collateral loans, assuming all extension options are exercised by the borrower. In limited instances, the maturity date of the respective debt agreement is used.
- (2) The Term Loans are partially amortizing, with an amount equal to 1.0% per annum of the initial principal balance due in quarterly installments. Refer to Note 9 for further details on our term loans.
- (3) Reflects the outstanding principal balance of Convertible Notes, excluding any potential conversion premium. Refer to Note 11 for further details on our Convertible Notes.
- (4) Total does not include \$2.7 billion of consolidated securitized debt obligations, \$1.6 billion of non-consolidated senior interests, and \$224.7 million of loan participations sold, as the satisfaction of these liabilities will not require cash outlays from us.

Board of Directors' Compensation

As of December 31, 2022, of the nine members of our board of directors, our six independent directors are entitled to annual compensation of \$210,000 each, of which \$95,000 is paid in cash and \$115,000 is paid in the form of deferred stock units or, at their election, shares of restricted common stock. The other three board members, including our chairman and our chief executive officer, are not compensated by us for their service as directors. In addition, (i) the chairs of our audit, compensation, and corporate governance committees receive additional annual cash compensation of \$20,000, \$15,000, and \$10,000, respectively and (ii) the members of our audit and investment risk management committees receive additional annual cash compensation of \$10,000 and \$7,500, respectively.

Litigation

From time to time, we may be involved in various claims and legal actions arising in the ordinary course of business. As of December 31, 2022, we were not involved in any material legal proceedings.

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Blackstone Mortgage Trust, Inc.
Schedule IV – Mortgage Loans on Real Estate
As of December 31, 2022
(in thousands)

Type of Loan/Borrower	Description / Location	Interest Payment Rates ⁽²⁾	Maximum Maturity Date ⁽³⁾	Periodic Payment Terms ⁽⁴⁾	Prior Liens ⁽⁵⁾	Face Amount of Loans	Carrying Amount of Loans ⁽⁶⁾⁽⁷⁾
Senior Mortgage Loans⁽¹⁾							
<i>Senior loans in excess of 3% of the carrying amount of total loans</i>							
Borrower A	Mixed-Use / Ireland	+ 3.06%	2024	I/O	\$ —	\$ 1,033,286	\$ 1,028,715
Borrower B	Office / New York	+ 4.49%	2025	I/O	—	905,355	898,541
Borrower C	Hospitality / Australia	+ 4.75%	2029	I/O		901,360	893,114
<i>Senior loans less than 3% of the carrying amount of total loans</i>							
Senior Mortgage Loans	Office / Diversified	+ 2.00% – 5.00%	2023 – 2028	I/O & P/I	—	6,924,092	6,893,477
Senior Mortgage Loans	Multifamily / Diversified	+ 1.60% – 5.45% Fixed 1.50%	2024 – 2028	I/O & P/I	—	6,260,294	6,221,889
Senior Mortgage Loans	Hospitality / Diversified	+ 2.20% – 4.75%	2023 – 2027	I/O & P/I	—	3,958,016	3,938,183
Senior Mortgage Loans	Industrial / Diversified	+ 2.60% – 4.60%	2024 – 2027	I/O & P/I	—	1,587,788	1,573,804
Senior Mortgage Loans	Mixed-Use / Diversified	+ 2.65% – 4.60%	2023 – 2029	I/O	—	1,811,126	1,801,511
Senior Mortgage Loans	Retail / Diversified	+ 2.25% – 3.18%	2023 – 2027	I/O & P/I	—	725,563	721,805
Senior Mortgage Loans	Other / Diversified	+ 3.25% – 4.70%	2024 – 2026	I/O	—	660,473	657,894
					—	21,927,352	21,808,563
Total senior mortgage loans					\$ —	\$ 24,767,353	\$ 24,628,933

continued...

Blackstone Mortgage Trust, Inc.
Schedule IV – Mortgage Loans on Real Estate
As of December 31, 2022
(in thousands)

Type of Loan/Borrower	Description / Location	Interest Payment Rates ⁽²⁾	Maximum Maturity Date ⁽³⁾	Periodic Payment Terms ⁽⁴⁾	Prior Liens ⁽⁵⁾	Face Amount of Loans	Carrying Amount of Loans ⁽⁶⁾⁽⁷⁾
Subordinate Loans⁽⁸⁾							
<i>Subordinate loans less than 3% of the carrying amount of total loans</i>							
Subordinate loans	Various / Diversified	+ 2.65% – 4.50%	2025 – 2028	I/O	\$1,649,939	\$ 392,990	\$ 388,947
Total subordinate loans					<u>\$1,649,939</u>	<u>\$ 392,990</u>	<u>\$ 388,947</u>
Total loans					<u>\$1,649,939</u>	<u>\$ 25,160,343</u>	<u>\$ 25,017,880</u>
CECL reserve ⁽⁹⁾							(326,137)
Total loans, net							<u><u>\$ 24,691,743</u></u>

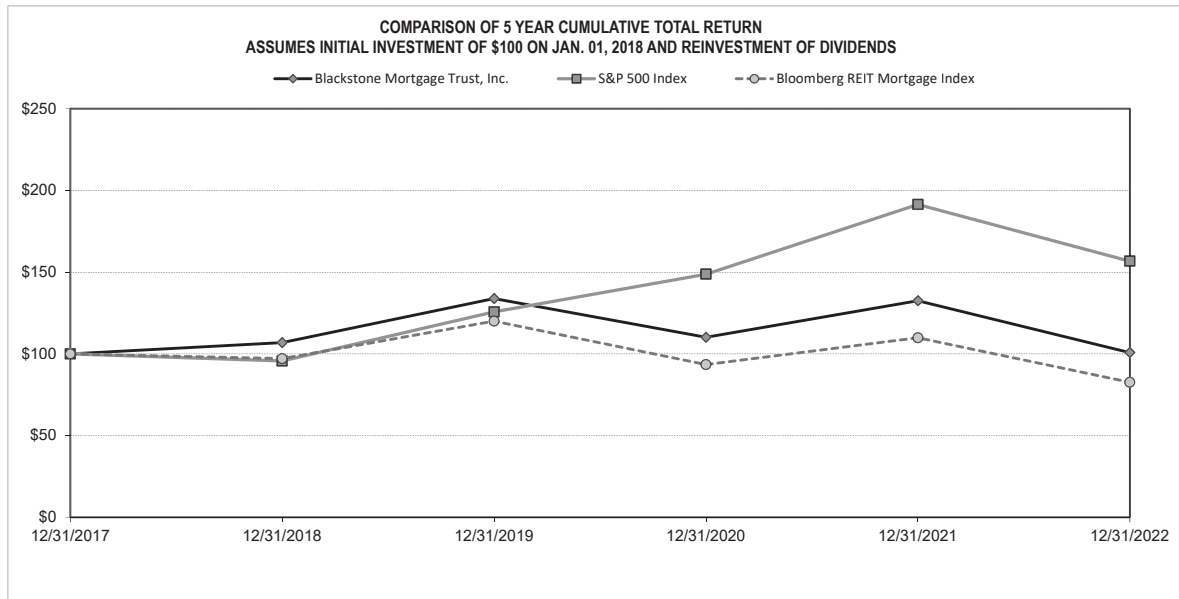
- (1) Includes senior mortgages and similar credit quality loans, including related contiguous subordinate loans, and pari passu participations in senior mortgage loans.
- (2) The interest payment rates are expressed as a spread over the relevant floating benchmark rates, which include USD LIBOR, SOFR, SONIA, EURIBOR, and other indices, as applicable to each loan.
- (3) Maximum maturity date assumes all extension options are exercised.
- (4) I/O = interest only, P/I = principal and interest.
- (5) Represents only third party liens.
- (6) As of December 31, 2022, there were no loans with delinquent principal or interest.
- (7) The tax basis of the loans included above is \$23.6 billion as of December 31, 2022.
- (8) Includes subordinate interests in mortgages and mezzanine loans.
- (9) As of December 31, 2022, we had a total CECL reserve of \$326.1 million on our loans receivable, of which \$189.8 million is specifically related to five of our loans receivable with an aggregate outstanding principal balance of \$930.0 million as of December 31, 2022. This CECL reserve reflects certain loans assessed for impairment in our portfolio, as well as macroeconomic conditions, including inflationary pressures and market volatility. Refer to Note 3 for additional information on our CECL reserve.

Blackstone Mortgage Trust, Inc.
Notes to Schedule IV
As of December 31, 2022
(in thousands)

1. Reconciliation of Mortgage Loans on Real Estate:

The following table reconciles mortgage loans on real estate for the years ended:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Balance at January 1,	\$ 22,003,017	\$ 16,572,715	\$ 16,164,801
Additions during period:			
Loan fundings	6,810,218	12,550,463	1,896,276
Amortization of fees and other items	80,632	68,267	56,279
Deductions during period:			
Loan repayments and sales proceeds	(3,168,155)	(6,733,105)	(1,862,955)
Principal charge-offs	—	(14,427)	—
Unrealized (loss) gain on foreign currency translation	(632,902)	(297,894)	340,260
Deferred fees and other items	(74,930)	(143,002)	(21,946)
Balance at December 31,	<u>\$ 25,017,880</u>	<u>\$ 22,003,017</u>	<u>\$ 16,572,715</u>
CECL reserve	<u>(326,137)</u>	<u>(124,679)</u>	<u>(173,549)</u>
Net balance at December 31,	<u>\$ 24,691,743</u>	<u>\$ 21,878,338</u>	<u>\$ 16,399,166</u>



Company/Index	Fiscal Year Ended					
	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022
Blackstone Mortgage Trust, Inc.	\$100.00	\$106.90	\$133.80	\$110.15	\$132.52	\$100.78
S&P 500 Index	\$100.00	\$95.61	\$125.70	\$148.75	\$191.41	\$156.71
Bloomberg REIT Mortgage Index	\$100.00	\$97.09	\$120.03	\$93.44	\$109.89	\$82.62

The stock price performance included in the graph and table above is not necessarily indicative of future stock price performance.



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