

**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, 2020
- 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

**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, 15th 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:

| <u>Title of each class</u>                       | <u>Trading symbol(s)</u> | <u>Name of each exchange on which registered</u> |
|--|--------------------------|--|
| 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.

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 \$3.3 billion as of June 30, 2020 (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 3, 2021, there were 147,039,855 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 2021 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.

## Table of Contents

|  | <u>Page</u> |
|--|-------------|
| <b>PART I.</b>   |             |
| ITEM 1. BUSINESS   | 3           |
| ITEM 1A. RISK FACTORS  | 11          |
| ITEM 1B. UNRESOLVED STAFF COMMENTS   | 65          |
| ITEM 2. PROPERTIES   | 65          |
| ITEM 3. LEGAL PROCEEDINGS  | 65          |
| ITEM 4. MINE SAFETY DISCLOSURES  | 65          |
| <b>PART II.</b>  |             |
| ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES | 66          |
| ITEM 6. SELECTED FINANCIAL DATA  | 67          |
| ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS                        | 68          |
| ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK  | 98          |
| ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA  | 102         |
| ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE                         | 102         |
| ITEM 9A. CONTROLS AND PROCEDURES   | 102         |
| ITEM 9B. OTHER INFORMATION   | 103         |
| <b>PART III.</b>   |             |
| ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE  | 104         |
| ITEM 11. EXECUTIVE COMPENSATION  | 104         |
| ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS              | 104         |
| ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE                                   | 104         |
| ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES  | 104         |
| <b>PART IV.</b>  |             |
| ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES   | 105         |
| ITEM 16. FORM 10-K SUMMARY   | 115         |
| SIGNATURES   | 116         |
| INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULES   | F-1         |

## 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 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.

- 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 effects of the COVID-19 pandemic and other events that markedly impact United States or foreign financial markets.
- 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 and business could be materially adversely affected if we experience difficulty accessing financing or raising capital, including due to a significant dislocation in or shut-down of the capital markets, experience a reduction in the yield on our investments, experience an increase in the cost of our financing or experience defaults by borrowers in paying debt service on outstanding indebtedness.
- Events giving rise to increases in our current expected credit loss reserve, including the impact of the COVID-19 pandemic, 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.
- 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 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 REIT, we will be subject to tax as a regular corporation and could face a substantial tax liability.

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 investment objective is to preserve and protect shareholder capital while producing attractive risk-adjusted returns primarily through dividends generated from current income from our loan portfolio. We are externally managed by BXMT Advisors L.L.C., or our Manager, a subsidiary of The Blackstone Group 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, 15<sup>th</sup> 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 of 1940, as amended, or 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 includes the management of investment vehicles focused on private equity, real estate, public debt and equity, 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 \$618.6 billion as of December 31, 2020.

In connection with the performance of its duties, our Manager benefits from the resources, relationships, and expertise of the 541 professionals in Blackstone’s global real estate group, which is one of the largest real estate investment managers in the world with \$187.2 billion of investor capital under management as of December 31, 2020. 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 BREDS, serves as one of our directors and is also a member of our Manager’s investment committee. As of December 31, 2020, 113 dedicated BREDS professionals, including 15 investment professionals based in London and Australia, managed \$28.3 billion of investor capital.

Our chief executive officer, president, chief financial officer, and other executive 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 12 and 17 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 2021 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 not available to many competitors.

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. In the case of loans we acquire, we focus on performing loans that are supported by well-capitalized properties and portfolios. 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 assets such as subordinate mortgage loans, mezzanine loans, preferred equity, real estate securities and note financings.

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 primarily in the office, hotel, multifamily, and industrial sectors 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 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.

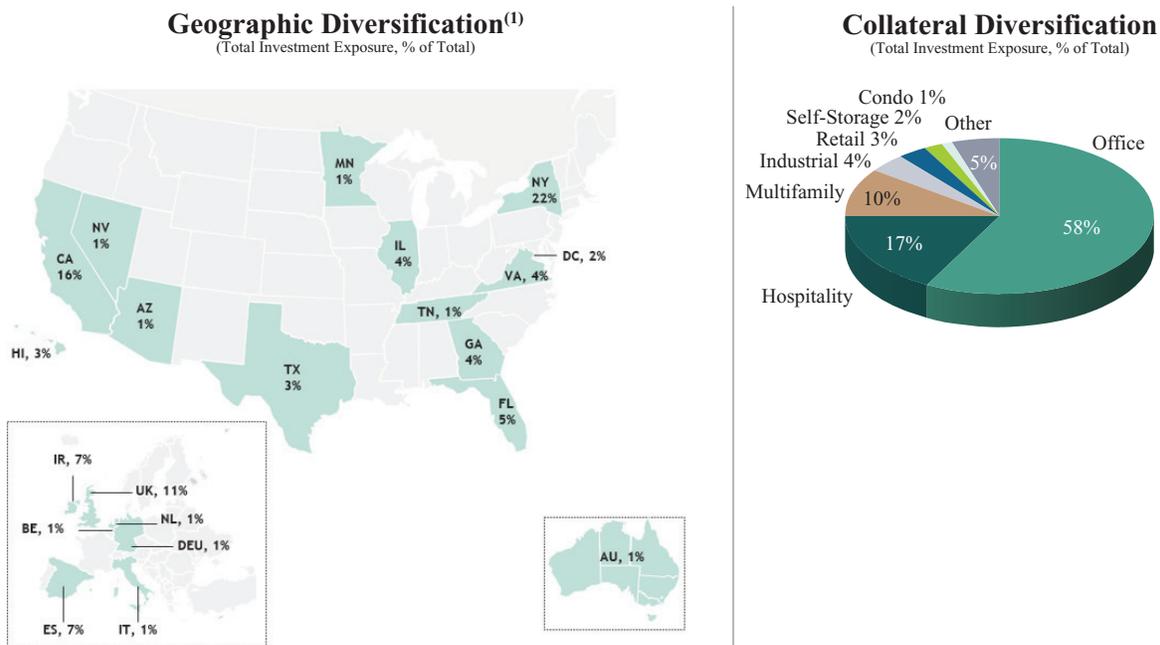
During the year ended December 31, 2020, we originated or acquired \$1.6 billion of loans. Loan fundings during the year totaled \$2.1 billion, with repayments of \$2.0 billion, for net fundings of \$139.5 million.

The following table details overall statistics for our investment portfolio as of December 31, 2020 (\$ in thousands):

|  | Balance Sheet Portfolio <sup>(1)</sup> | Total Investment Exposure       |                                  | Total Investment Portfolio |
|--|--|---------------------------------|----------------------------------|----------------------------|
|  |  | Loan Exposure <sup>(1)(2)</sup> | Other Investments <sup>(3)</sup> |                            |
| Number of investments                                    | 120                                    | 120                             | 1                                | 121                        |
| Principal balance  | \$ 16,652,824                          | \$ 17,454,621                   | \$ 735,542                       | \$ 18,190,163              |
| Net book value   | \$ 16,399,166                          | \$ 16,399,166                   | \$ 75,722                        | \$ 16,474,888              |
| Unfunded loan commitments <sup>(4)</sup>                 | \$ 3,160,084                           | \$ 3,962,960                    | \$ —                             | \$ 3,962,960               |
| Weighted-average cash coupon <sup>(5)</sup>              | L + 3.18%                              | L + 3.24%                       | L + 2.75%                        | L + 3.22%                  |
| Weighted-average all-in yield <sup>(5)</sup>             | L + 3.53%                              | L + 3.58%                       | L + 3.10%                        | L + 3.56%                  |
| Weighted-average maximum maturity (years) <sup>(6)</sup> | 3.1                                    | 3.1                             | 4.4                              | 3.2                        |
| Origination loan to value (LTV) <sup>(7)</sup>           | 64.9%                                  | 64.9%                           | 42.6%                            | 64.0%                      |

- (1) Excludes investment exposure to the \$79.2 million subordinate position we own in the \$735.5 million 2018 Single Asset Securitization. Refer to Notes 4 and 16 to our consolidated financial statements for further discussion of the 2018 Single Asset Securitization.
- (2) 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 \$801.8 million of such non-consolidated senior interests that are not included in our balance sheet portfolio.
- (3) Includes investment exposure to the \$735.5 million 2018 Single Asset Securitization. We do not consolidate the 2018 Single Asset Securitization on our consolidated financial statements, and instead reflect our \$79.2 million subordinate position as a component of other assets on our consolidated balance sheet. Refer to Notes 4 and 16 to our consolidated financial statements for further discussion of the 2018 Single Asset Securitization.
- (4) 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.
- (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, GBP LIBOR, EURIBOR, BBSY, and CDOR, as applicable to each investment. As of December 31, 2020, 98% of our investments by total investment exposure earned a floating rate of interest, primarily indexed to USD LIBOR, and \$14.2 billion of such investments earned interest based on floors that are above the applicable index. The other 2% of our investments earned a fixed rate of interest, which we reflect as a spread over the relevant floating benchmark rates, as of December 31, 2020, for purposes of the weighted-averages. 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 by the borrower, however our loans and other investments may be repaid prior to such date. As of December 31, 2020, 32% of our loans and other investments by total investment exposure were subject to yield maintenance or other prepayment restrictions and 68% were open to repayment by the borrower without penalty.
- (7) Based on LTV as of the dates loans and other investments 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, 2020:



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

For additional information regarding our loan portfolio as of December 31, 2020, 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 agreements, securitizations, and asset-specific financings, as well as convertible notes and senior secured term loan facilities. In addition to our current mix of financing sources, we also expect to access additional forms of financings including resecuritizations and public and private, secured and unsecured debt issuances by us or our subsidiaries.

During the year ended December 31, 2020, we (i) refinanced \$2.1 billion of our secured credit facilities with the proceeds from two non-recourse, non-mark-to-market securitization transactions that closed during the year, reducing our debt-to-equity ratio to 2.5x as of December 31, 2020, (ii) issued an aggregate 10.0 million shares of our class A common stock through an underwritten public offering, providing aggregate net proceeds of \$278.3 million, and (iii) entered into a \$325.0 million senior secured term loan facility.

Additionally, during the year ended December 31, 2020, we increased the size of one of our credit facilities and added a multi-currency facility with one of our existing lenders, providing an aggregate additional \$650.0 million of credit capacity.

The following table details our outstanding portfolio financing arrangements as of December 31, 2020 (\$ in thousands):

|  | <b>Portfolio Financing</b>           |            |
|--|--------------------------------------|------------|
|  | <b>Outstanding Principal Balance</b> |            |
|  | <b>December 31, 2020</b>             |            |
| Secured debt agreements                  | \$                                   | 7,896,863  |
| Securitizations <sup>(1)</sup>           |                                      | 3,596,980  |
| Asset-specific financings <sup>(2)</sup> |                                      | 1,201,495  |
| Total portfolio financing                | \$                                   | 12,695,338 |

- (1) Includes our consolidated securitized debt obligations of \$2.9 billion and our non-consolidated securitized debt obligations of \$656.3 million. The non-consolidated securitized debt obligation represents the senior non-consolidated investment exposure to the 2018 Single Asset Securitization. We own the related subordinate position, which is classified as a held-to-maturity debt security on our balance sheet. Refer to Notes 4 and 16 to our consolidated financial statements for details of the 2018 Single Asset Securitization.
- (2) Includes our consolidated asset-specific debt agreements of \$399.7 million and our non-consolidated senior interests of \$801.8 million. The 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.

The amount of leverage we employ for particular assets will depend upon our Manager's assessment of the credit, liquidity, price volatility, and other risks of those assets and the related financing counterparties, 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 will not exceed, on a debt to equity basis, 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.

Subject to maintaining our qualification as a REIT, from time to time, we engage in hedging transactions that seek to mitigate the effects of fluctuations in interest rates or currencies on our cash flows. These hedging transactions could take a variety of forms, including interest rate or currency 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, 2020, 98% of our investments by total investment 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. As of December 31, 2020, the remaining 2% of our investments by total investment exposure earned a fixed rate of interest, but are financed with liabilities that pay interest at floating rates, which resulted in a negative correlation to rising interest rates to the extent of our financing. In certain instances where we have financed fixed rate assets with floating rate liabilities, we have purchased interest rate caps to limit our exposure to increases in interest rates on such liabilities.

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, the Canadian Dollar Offered Rate and the Australian Bank Bill Swap Reference Rate, or collectively, IBORs, are the subject of recent national, international and regulatory guidance and proposals for reform. On November 30, 2020, the Financial Conduct Authority of the U.K., or FCA, which has statutory powers to require panel banks to contribute to LIBOR where necessary, announced that subject to confirmation following its consultation with the administrator of LIBOR, it would cease publication of the one-week and two-month USD LIBOR immediately after December 31, 2021 and cease publication of the remaining tenors immediately after June 30, 2023. Additionally, the Federal Reserve Board has advised banks to stop entering into new USD LIBOR based contracts. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, has identified the Secured Overnight Financing Rate, or SOFR, a new index calculated by short-term repurchase agreements, backed by Treasury securities, as its preferred alternative rate for LIBOR. At this time, it is not possible to predict how markets will respond to SOFR or other alternative reference rates as the transition away from the IBOR benchmarks is anticipated in coming years. Refer to “Part I. Item 1A. Risk Factors—Risks Related to Our Lending and Investment Activities—The expected discontinuation of currently used financial reference rates and 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:

- our Manager 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, our Manager 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 by our Manager to be of high quality;
- not more than 25% of our equity, as defined in the Management Agreement with our Manager, 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 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 than we would. 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 our Manager's and 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."

### **Human Capital**

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

## **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 that we distribute. 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, we have one or more taxable REIT subsidiaries, or TRS, which 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.blackstonemortgagetrust.com](http://www.blackstonemortgagetrust.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 Securities Exchange Act of 1934, as amended, or 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](http://www.sec.gov).

## **Website Disclosure**

We use our website ([www.blackstonemortgagetrust.com](http://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 the Ongoing COVID-19 Pandemic

*The ongoing outbreak of the novel coronavirus, or COVID-19, has caused severe disruptions in the U.S. and global economy and to our business, and has had and may continue to have an adverse impact on our financial performance and results of operations.*

As of the date hereof, there is an ongoing outbreak of a novel coronavirus, or COVID-19, which has spread to over 200 countries and territories, including the United States, and to every state in the United States. The World Health Organization has designated COVID-19 as a pandemic, and numerous countries, including the United States, have declared national emergencies with respect to COVID-19. The United States and other countries have reacted to the COVID-19 outbreak with unprecedented government intervention, including interest rate cuts and economic stimulus. The global impact of the outbreak has been rapidly evolving, and many countries have reacted by instituting, or strongly encouraging, quarantines and restrictions on travel, closing financial markets and/or restricting trading, limiting operations of non-essential offices, retail centers, hotels, and other businesses, and taking other restrictive measures designed to help slow the spread of COVID-19. Businesses are also implementing similar precautionary measures. Such measures, as well as the general uncertainty surrounding the dangers and impact of COVID-19, are disrupting global supply chains, increasing rates of unemployment and adversely impacting many industries, including the collateral underlying certain of our loans. Moreover, with the continued spread of COVID-19, governments and businesses are likely to take increasingly aggressive measures to help slow its spread. For this reason, among others, as COVID-19 continues to spread, the potential impacts, including a global, regional, or other economic recession, are increasingly uncertain and difficult to assess.

The outbreak of COVID-19 may have a material adverse impact on our financial condition, liquidity and results of operations and the market price of our Class A common stock, among other things. We expect that these impacts are likely to continue to some extent as the outbreak persists and potentially even longer. Although many or all facets of our business have been or could be impacted by COVID-19, we currently believe the following impacts to be among the most material to us:

- COVID-19 could continue to have a significant long-term impact on the broader economy and the commercial real estate market generally, which would continue to negatively impact the value of the assets collateralizing our loans. Our portfolio includes loans collateralized by hotel, retail, and other asset classes which are particularly negatively impacted by the pandemic. As of December 31, 2020, 17% of our total investment exposure was concentrated in hospitality assets. 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. In addition, interest rates and credit spreads have been significantly impacted since the outbreak of COVID-19. This has resulted in volatile changes to the interest we earn from our floating rate loans and also the interest obligations on our floating-rate debt, which could result in a decrease to our net interest income.
- Some of our borrowers have indicated that due to the impact of the COVID-19 pandemic, they will be unable to timely execute their business plans, have had to temporarily close their businesses, or have experienced other negative business consequences and have requested temporary interest deferral or forbearance, or other modifications of their loans. During the year ended December 31, 2020, we closed 49 loan modifications, representing an aggregate principal balance of \$6.5 billion as of December 31, 2020. Additional loan modifications may continue in the near term and we may experience instances of default or foreclosure on assets underlying our loans, which will adversely affect the credit profile of our assets and our results of operations and financial condition. Loan modifications may include term extensions, interest rate changes, repurposing of reserves, temporary deferrals of interest, performance test or covenant waivers, and additional equity commitments from sponsors.
- The unprecedented impact of COVID-19 on commercial real estate created significant uncertainty regarding the application of the credit based margining provisions in our credit facilities. In order to

address this uncertainty, we modified our seven largest credit facility agreements to temporarily suspend the credit margining provisions for certain collateral assets and to pre-approve certain collateral asset modifications in exchange for our deleveraging of the facilities. Although we again extended the agreements to suspend credit margining in the fourth quarter of 2020 without further de-leveraging, there can be no assurance that our credit facility lenders will continue to extend temporary suspensions of credit mark provisions or that collateral asset performance itself will not deteriorate. Consequently there can be no assurance that further deleveraging of our credit facilities will not adversely impact our liquidity and earnings. In addition, there can be no assurance that, even if credit concerns ease, we will be able to re-lever our portfolio at terms commensurate with those prior to the pandemic in order to recover potential earnings power.

- The ongoing COVID-19 pandemic has at times curtailed liquidity in the commercial real estate capital markets which in turn has reduced some sources of liquidity for our business primarily in terms of reduced portfolio loan repayments and more limited access to financing on favorable terms. However, many of our obligations, including unfunded loan commitments, were not similarly reduced. Although our liquidity position substantially increased during the second quarter of 2020, there can be no assurance that we will avoid the need to sell assets at inopportune times, engage in dilutive capital raising on unfavorable terms in order to generate the liquidity required to meet our obligations, or change our dividend practice, including by reducing the amount of, or temporarily suspending, our future dividends or paying our future dividends in kind for some period of time. Furthermore there can be no assurance that we will have access to financing and corporate capital on terms that enable accretive growth.
- COVID-19 has caused us to materially increase our current expected credit loss, or CECL, reserve. 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 were recognized through net income on our consolidated statements of operations. During the year ended December 31, 2020, we recorded a \$167.7 million net increase in the CECL reserve, bringing our total CECL reserve to \$185.4 million as of December 31, 2020. This CECL reserve reflects, among other things, 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. Further, this reserve is not reflective of what we expect our CECL reserve would be absent the current and potential future impacts of the COVID-19 pandemic. If the adverse macroeconomic effects of the COVID-19 pandemic persist or worsen, we may further materially increase our CECL reserve, which may have a material adverse effect on our business, financial condition, results of operations and ability to make distributions.

The immediately preceding outcomes are those we consider to be most material as a result of the pandemic. We have also experienced and may experience other negative impacts to our business as a result of the pandemic that could exacerbate other risks described herein, including:

- lack of liquidity in certain of our assets;
- the greater risk of loss to which we are exposed in connection with 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;
- risks associated with loans to properties in transition or construction;
- risks associated with loans or investments involving assets in foreign jurisdictions, especially those experiencing difficulty;
- impairment of our investments and harm to our operations from a prolonged economic slowdown, a lengthy or severe recession or declining real estate values;
- foreign currency risks;

- the concentration of our loans and investments in terms of geography, asset types and sponsors;
- losses resulting from foreclosing on certain of the loans we originate or acquire;
- risks associated with our investments in CMBS, CLOs, and other similar structured finance investments, including those we structure, sponsor or arrange;
- downgrades in credit ratings assigned to our investments;
- investments in non-conforming and non-investment grade rated loans or securities;
- investments in interest rate- and foreign currency-related derivative instruments;
- the difficulty of estimating provisions for loan losses;
- our debt under our credit facilities and our corporate debt;
- risks associated with non-recourse securitizations which we use to finance our assets;
- losses arising from current and future guarantees of debt and contingent obligations of our subsidiaries or joint venture or co-investment partners;
- borrower and counterparty risks;
- risks associated with our hedging strategies;
- if the market value or income potential of our 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 regulation under the Investment Company Act of 1940, as amended;
- operational impacts on ourselves and our third-party advisors, service providers, vendors and counterparties, including operating partners, property managers, other independent third-party appraisal firms that provide appraisals of properties collateralizing our loans, our lenders and other providers of financing, brokers and other counterparties that we purchase and sell assets to and from, derivative counterparties, and legal and diligence professionals that we rely on for acquiring our investments;
- limitations on our ability to ensure business continuity in the event our, or our third-party advisors' and service providers', continuity of operations plan is not effective or improperly implemented or deployed during a disruption;
- the availability of key personnel of the Manager and our service providers as they face changed circumstances and potential illness during the pandemic; and
- other risks described herein.

The rapid development and fluidity of this situation precludes any prediction as to the ultimate adverse impact of COVID-19 on economic and market conditions, and, as a result, presents material uncertainty and risk with respect to us and the performance of our investments. The full extent of the impact and effects of COVID-19 will depend on future developments, including, among other factors, the duration and spread of the outbreak, 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 and the current 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.

### **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, which risks have been exacerbated by the impact of the COVID-19 pandemic. 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, 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, negative developments in the economy and/or adverse changes in real estate values generally and other factors that are beyond our control.

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 property. 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;
- responses of businesses, governments and individuals to pandemics or outbreaks of contagious disease;
- any liabilities relating to environmental matters at the property;
- changes in global, national, regional, or local economic conditions and/or specific industry segments;
- global trade disruption, significant introductions of trade barriers and bilateral trade frictions;
- declines in global, national, regional or local real estate values;
- declines in global, national, regional or local rental or occupancy rates;

- 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;
- 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;
- 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. During the year ended December 31, 2020, we experienced a significant increase in borrower requests for temporary interest deferral, or other modifications of their loans due to the impact of the COVID-19 pandemic on the property collateralizing our loans and closed 49 loan modifications, representing an aggregate principal balance of \$6.5 billion as of December 31, 2020. In the event that any of the properties or entities underlying or collateralizing our loans or investments experiences or continues to experience adverse effects from the COVID-19 pandemic or experiences 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.

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.

***Prepayment rates may adversely affect our financial performance and the value of certain of our assets and are difficult to predict.***

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 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 yielding less than the yields on the assets that were prepaid.

Because our mortgage loans are generally not originated or acquired at a premium to par value, prepayment rates do not materially affect the value of such assets. However, the value of certain other assets may be affected by prepayment rates. For example, if we originate or acquire mortgage-related securities or a pool of mortgage securities in the future, we would anticipate that the underlying mortgages would prepay at a projected rate generating an expected yield. If we were to purchase such assets at a premium to par value, if borrowers prepay their loans faster than expected, the corresponding prepayments on any such mortgage-related securities would likely reduce the expected yield. Conversely, if we were to purchase such assets at a discount to par value, when borrowers prepay their loans slower than expected, the decrease in corresponding prepayments on the mortgage-related securities would likely reduce the expected yield.

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.

***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. 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, their potential unsuitability for securitization and the 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, such as those we experienced and continue to experience throughout the COVID-19 pandemic, 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 relating to 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. For example, during the year ended December 31, 2020, we entered into two loan modifications which were classified as troubled debt restructurings under GAAP, representing an aggregate outstanding principal balance of \$338.7 million as of December 31, 2020. 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, 2020 will be successful or that 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.

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. 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.

***A recently adopted accounting standard has 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. ASU 2016-13 also simplified the accounting model for purchased credit-impaired debt securities and loans. ASU 2016-13 was effective for fiscal years beginning after December 15, 2019.

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 is reflected as a direct charge to retained earnings on our consolidated statements of changes in equity; however subsequent changes to the CECL reserve are recognized through net income on our consolidated statements of operations. For a discussion of the increase in our CECL reserve during the year ended December 31, 2020, which 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 "Risks Related to the Ongoing COVID-19 Pandemic—The ongoing outbreak of the novel coronavirus, or COVID-19, has caused severe disruptions in the U.S. and global economy and to our business, and has had and may continue to have an adverse impact on our financial performance and results of operations." In addition, 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. 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, as demonstrated by the variance in our CECL reserve during the year ended December 31, 2020, 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, may need to commit substantial additional capital and/or deliver a replacement guarantee by a credit worthy 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. 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 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;
- 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. 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, 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, including the vote by the United Kingdom (U.K.) to exit the E.U. and the effect of the COVID-19 pandemic. Any further 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 and in Euros. Further 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 U.K.'s exit from the E.U. could adversely affect us.***

In June 2016, voters in the U.K. approved a withdrawal of the U.K. from the E.U., commonly referred to as “Brexit.” While the U.K.’s withdrawal from the E.U. was completed on January 31, 2020, there remains considerable uncertainty about the terms of the U.K.’s trade agreements and other relationships with the E.U. following an 11-month transition period. During the transition period the U.K. will continue to follow all of the E.U.’s rules and will maintain its current trading relationship with the E.U. Uncertainty over the terms and timing of the U.K.’s withdrawal from the E.U. has caused political and economic uncertainty in the U.K. and the rest of Europe and we expect that uncertainty over the terms of the trade and other agreements between the U.K. and the E.U. will continue to cause political and economic uncertainty, which could harm our business and financial results. In particular, Brexit caused significant volatility in global stock markets and currency exchange fluctuations. Consequently, our loans and investments denominated in British Pounds Sterling are subject to increased risks related to these currency rate fluctuations and our net assets in U.S. Dollar terms may decline. In addition, Brexit may also adversely affect commercial real estate fundamentals in the U.K. and E.U., including greater uncertainty for leasing prospects for properties with transitional loans, which could negatively impact the ability of our U.K and E.U.-based borrowers to satisfy their debt payment obligations to us, increasing default risk and/or making it more difficult for us to generate attractive risk-adjusted returns for our operations in the U.K.

The long-term effects of Brexit are expected to depend on, among other things, any agreements the U.K. makes to retain access to E.U. markets following the 11-month transition. Brexit could adversely affect European or worldwide economic or market conditions and could contribute to instability in global financial and real estate markets. In addition, Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the U.K. determines which E.U. laws to replace or replicate. Until the terms of the free trade and other agreements that the U.K. will eventually enter into with the E.U. are known it is not possible to determine the impact that the U.K.’s departure from the E.U. and/or any related matters may have on us; however, any of these effects of Brexit, and others we cannot anticipate, could adversely affect our business, business opportunities, results of operations, financial condition and cash flows. Likewise, similar actions taken by other European and other countries in which we operate could have a similar or even more profound impact.

***The expected discontinuation of currently used financial reference rates and 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, the Canadian Dollar Offered Rate and the Australian Bank Bill Swap Reference Rate, or collectively, IBORs, are the subject of recent national, international and regulatory guidance and proposals for reform. In a speech on July 27, 2017, Andrew Bailey, the Chief Executive of the Financial Conduct Authority of the U.K., or the FCA, announced the FCA’s intention to cease sustaining LIBOR after 2021. The FCA has statutory powers to require panel banks to contribute to LIBOR where necessary. The FCA has decided not to ask, or to require, that panel banks continue to submit contributions to LIBOR beyond the end of 2021. The FCA has indicated that it expects that the current panel banks will voluntarily sustain LIBOR until the end of 2021. On November 30, 2020, the FCA announced that subject to confirmation following its consultation with the administrator of LIBOR, it would cease publication of the one-week and two-month USD LIBOR immediately after December 31, 2021 and cease publication of the remaining tenors immediately after June 30, 2023. Additionally, the Federal Reserve Board has advised banks to stop entering into new USD LIBOR based contracts. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, has identified the Secured Overnight Financing Rate, or SOFR, a new index calculated by short-term repurchase agreements, backed by Treasury securities, as its preferred alternative rate for LIBOR. At this time, it is not possible to predict how markets will respond to SOFR or other alternative reference rates as the transition away from the IBOR benchmarks is anticipated in coming years.

As of December 31, 2020, our loan portfolio included \$16.0 billion of floating rate investments with maximum maturities extending past 2021 for which the interest rate was tied to an IBOR benchmark. Additionally, we had \$12.0 billion of floating rate debt with maximum maturities extending past 2021 tied to IBOR benchmarks. 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 includes but is not limited to: (i) the development and robustness of actively traded markets in alternative base rates; (ii) whether term rate markets will eventually develop as alternatives for the recommended overnight funding rates like SOFR/SONIA to better match current market standards for term LIBOR rates; (iii) whether any legislation and/or market conventions will develop to standardize IBOR fallback provisions or other contractual terms in existing contracts and whether these standards ultimately align with industry working group recommendations; (iv) whether market data service providers will publish market data needed to facilitate IBOR transitions within existing technology frameworks or whether core technology enhancements will be required; and (v) the timing of when market participants will transition away from writing IBOR-based contracts to writing contracts utilizing the new alternative reference rates. This uncertainty and timing can materially impact our approach to IBOR transition efforts, which we expect to have to continuously monitor and evaluate through the expected transition by end of year 2021 and possibly beyond. 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 2021, 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 British Pounds Sterling, Euros, Canadian Dollars and Australian Dollars, and may acquire assets denominated in other foreign currencies, 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. 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. For a discussion of the disproportionate effect of the COVID-19 pandemic on certain of our asset classes, see "Risks Related to the Ongoing COVID-19 Pandemic—The ongoing outbreak of the novel coronavirus, or COVID-19, has caused severe disruptions in the U.S. and global economy and to our business, and has had and may continue to have an adverse impact on our financial performance and results of operations."

***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 business, financial, tax, accounting, environmental and legal issues. 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. 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. 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, 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.

***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 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.

***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.

**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 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 and 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. In addition, lenders may require that our Manager or one or more of our Manager's executives continue to serve in such capacity. 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 require, and bank credit facilities, repurchase agreements or other financing that we may use in the future to finance our assets 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 margin 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. For a discussion of the agreements we entered into with certain of our secured credit facility lenders during the year ended December 31, 2020 as a result of economic conditions resulting from the COVID-19 pandemic, see “Risks Related to the Ongoing COVID-19 Pandemic—The ongoing outbreak of the novel coronavirus, or COVID-19, has caused severe disruptions in the U.S. and global economy and to our business, and has had and may continue to have an adverse impact on our financial performance and results of operations.” 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.

***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 LIBOR (or any replacement rate such as SOFR) 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 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). 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) 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 expected discontinuation of currently used financial reference rates, see “The expected discontinuation of currently used financial reference rates and 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 is discontinued and the changes in fair value of the instrument are 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, such as those caused by the COVID-19 pandemic, 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. 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 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.”

Prior to any such financing, we may use short-term facilities to finance the acquisition of securities until a sufficient quantity of investments had been accumulated, at which time we would refinance these facilities through a securitization, such as a CMBS, or issuance of CLOs, or the private placement of loan participations or other long-term financing. As a result, we would be subject to the risk that we would not be able to acquire, during the period that our short-term facilities are available, a sufficient amount of eligible investments to maximize the efficiency of a CMBS, CLO or private placement issuance. We also would be subject to the risk that we would not be able to obtain short-term credit facilities or would not be able to renew any short-term credit facilities after they expire should we find it necessary to extend our short-term credit facilities to allow more time to seek and acquire the necessary eligible investments for a long-term financing. 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, 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 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 will 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 furthermore may 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, 2020, we were party to outstanding derivative agreements with an aggregate notional value of \$1.7 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. Our Manager is managed by senior professionals of Blackstone. These individuals evaluate, negotiate, execute and monitor our loans and investments and advise us regarding 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, 2021 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. 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. 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 may 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 financing 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 may pay our Manager's fees in shares of our class A common stock, which could dilute our stockholders' ownership.

In addition, our Manager 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. 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, Stephen D. Plavin, our chief executive officer, and Jonathan Pollack, the global head of BREDS. In addition, our president, our chief financial officer and our other executive 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 positive firm-wide synergies Blackstone could otherwise expect to utilize for purposes of identifying and managing attractive 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 related separately managed accounts, or BREDS IV, 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 IV 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 liquid debt securities, a significant portion of the capital of BREDS IV 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 IV 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 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, 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. 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. 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 funds advised by Blackstone 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 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 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 the 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.
- 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 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.
- 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 funds. In connection with investments in which we participate alongside other Blackstone Vehicles (including the BREDS 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 the 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 the Management Agreement would be costly.***

Termination of the 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 the 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 the Management Agreement and we have agreed to indemnify our Manager against certain liabilities.***

Pursuant to the 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 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 exception 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.”

In August 2011, the SEC staff commenced an advance notice rulemaking initiative, indicating that it is reconsidering its interpretive policy under Section 3(c)(5)(C) and whether to advance rulemaking to define the basis for the exclusion. We cannot predict the outcome of this reconsideration or potential rulemaking initiative and its impact on our ability to rely on the exclusion. To the extent that the SEC or its staff provides more 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 the requirements of the Investment Company Act 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, President Trump signed into law a bill easing the regulation and oversight of certain banks under the Dodd-Frank Act. The results of the 2020 U.S. presidential election could have further impacts on our industry if new legislative or regulatory reforms are adopted. 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.

***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 “Volcker 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 subjects 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 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. If such designation were to occur with respect to the, private equity industry, 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 October 16, 2019, the CFTC proposed to extend the phase-in schedule until September 1, 2021 for entities with smaller average daily aggregate notional amounts of swaps and certain other financial products. 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 apply 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. 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. For example, on May 24, 2018, the Economic Growth, Regulatory Relief and Consumer Protection Act (the “Reform Act”) was signed into law. Among other regulatory changes, the Reform Act amends various sections of the Dodd-Frank Act, including by modifying the Volcker Rule to exempt depository institutions that do not have, and are not controlled by a company that has, more than \$10 billion in total consolidated assets and significant trading assets and liabilities. In July 2019, U.S. federal regulatory agencies adopted amendments to the Volcker Rule regulations to implement the Volcker Rule amendments included in the Reform Act, and also in 2019 such U.S. federal regulatory agencies adopted certain targeted amendments to the Volcker Rule regulations to simplify and tailor certain compliance requirements relating to the Volcker Rule.

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 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, including through the introduction of 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 and other security threats could originate from a wide variety of sources, including cyber criminals, nation state hackers, hacktivists and other outside parties. 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. Many jurisdictions in which we and Blackstone operate have 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 of January 1, 2020. Some jurisdictions have also enacted laws requiring companies to notify individuals of data security breaches involving certain types of personal data. Breaches in security could potentially jeopardize our or Blackstone's, its employees', or our investors' or counterparties' confidential 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, 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 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 domestic 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 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). 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 recently addressed some of the tax aspects of such a taxable cash/stock distribution in a 2017 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 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, moreover, 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 the taxable mortgage pool. 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 any disqualified organization whose stock ownership gave rise to the tax. These limitations may prevent us from using certain techniques to maximize our returns from securitization transactions.

***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.***

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 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 (and for taxable years before 2022, excludes depreciation and amortization). 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 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.

### **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. During the year ended December 31, 2020 and following the outbreak of the COVID-19 pandemic, the closing price of our class A common stock on the New York Stock Exchange fluctuated from a high of \$40.51 per share to low of \$13.02 per share. 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, including as a result of the COVID-19 pandemic;
- 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;
- 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;
- 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 debt;
- 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 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 a limited liability company indirectly controlled by a trust for the benefit of Samuel Zell, our former chairman of the board, and his family. In addition, 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, these parties 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 the following persons from this statute: (i) a limited liability company indirectly controlled by a trust for the benefit of Samuel Zell and his family; (ii) W.R. Berkley Corporation and any of its controlled affiliates; and (iii) 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.

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 4.375% Convertible Senior Notes due 2022 and/or our outstanding 4.75% Convertible Senior

Notes due 2023, 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 \$500.0 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. If we decide to issue debt or equity securities which would rank senior to our class A common stock, it is likely that they 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**

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

Subject to maintaining our qualification as a REIT, we 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.

#### ***Any warehouse facilities that we may obtain in the future may limit our ability to originate or acquire assets, and we may incur losses if the collateral is liquidated.***

We may utilize, if available, warehouse facilities pursuant to which we would accumulate loans in anticipation of a securitization or other financing, which assets would be pledged as collateral for such facilities until the securitization or other transaction is consummated. In order to borrow funds to originate or acquire assets under any future warehouse facilities, we expect that our lenders thereunder would have the right to review the

potential assets for which we are seeking financing. We may be unable to obtain the consent of a lender to originate or acquire assets that we believe would be beneficial to us and we may be unable to obtain alternate financing for such assets. In addition, no assurance can be given that a securitization or other financing would be consummated with respect to the assets being warehoused. If the securitization or other financing is not consummated, the lender could demand repayment of the facility, and in the event that we were unable to timely repay, could liquidate the warehoused collateral and we would then have to pay any amount by which the original purchase price of the collateral assets exceeds its sale price, subject to negotiated caps, if any, on our exposure. In addition, regardless of whether the securitization or other financing is consummated, if any of the warehoused collateral is sold before the completion, we would have to bear any resulting loss on the sale.

***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.

***We may fail to qualify for, or choose not to elect, hedge accounting treatment.***

We generally account for derivative and hedging transactions in accordance with Topic 815 of the Financial Accounting Standards Board's Accounting Standard Codification, or Topic 815. Under these standards, we may fail to qualify for, or choose not to elect, hedge accounting treatment for a number of reasons, including if we fail to satisfy Topic 815 hedge documentation and hedge effectiveness assessment requirements or our instruments are not highly effective. If we fail to qualify for, or choose not to elect, hedge accounting treatment, our operating results may suffer because losses on the derivatives that we enter into may not be offset by a change in the fair value of the related hedged transaction or item.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2. PROPERTIES**

Our principal executive and administrative offices are located in leased space at 345 Park Avenue, 15<sup>th</sup> 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, 2020, we were not involved in any material legal proceedings. Refer to Note 18 to our consolidated financial statements for information on our commitments and contingencies.

**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 3, 2021 there were 229 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 ended December 31, 2020.



## **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 investment objective is to preserve and protect shareholder capital while producing attractive risk-adjusted returns primarily through dividends generated from current income from our loan portfolio. We are externally managed by BXMT Advisors L.L.C., or our Manager, a subsidiary of The Blackstone Group 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 are headquartered in New York City.

We benefit from the deep knowledge, experience and information advantages of our Manager, which is a part of Blackstone’s real estate platform. Blackstone Real Estate is one of the largest owners and operators of real estate in the world, 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**

As of December 31, 2020, there is an ongoing global outbreak of a novel coronavirus, or COVID-19. In March 2020, the World Health Organization designated COVID-19 as a pandemic, and numerous countries, including the United States, declared national emergencies with respect to COVID-19. The United States and other countries reacted to the COVID-19 outbreak with unprecedented government intervention, including interest rate cuts and economic stimulus. The global impact of the outbreak rapidly evolved (and continues to do so), and many countries reacted by instituting, or strongly encouraging, quarantines and restrictions on travel, closing financial markets and/or restricting trading, limiting operations of non-essential offices, retail centers, hotels, and other businesses, and taking other restrictive measures designed to help slow the spread of COVID-19. Businesses also implemented similar precautionary measures. Such measures, as well as the general uncertainty surrounding the dangers and impact of COVID-19, have created disruption in global supply chains, increasing rates of unemployment and adversely impacting many industries, including industries related to the collateral underlying certain of our loans. Moreover, with the continued spread of COVID-19, governments and businesses are likely to continue to take aggressive measures to help slow its spread. For this reason, among others, as COVID-19 continues to spread, the potential impacts, including a global, regional, or other economic recession, are increasingly uncertain and difficult to assess.

The outbreak of COVID-19 and its impact on the current financial, economic and capital markets environment, and future developments in these and other areas present uncertainty and risk with respect to our financial

condition, results of operations, liquidity, and ability to pay distributions. We expect that these impacts are likely to continue to some extent as the outbreak persists and potentially even longer. The rapid development and fluidity of this situation preclude any prediction as to the ultimate adverse impact of COVID-19 on economic and market conditions, and, as a result, present material uncertainty and risk with respect to us and the performance of our investments. The full extent of the impact and effects of COVID-19 will depend on future developments, including, among other factors, the duration and spread of the outbreak, along with related travel advisories, quarantines and restrictions, the effectiveness and efficiency of distribution of vaccines, 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. For additional discussion with respect to the potential impact of the COVID-19 pandemic on our liquidity and capital resources, see “Liquidity and Capital Resources” below.

## **2020 Highlights**

Operating results:

- Net income of \$137.7 million, or \$0.97 per share, and Distributable Earnings of \$352.0 million, or \$2.48 per share, with dividends declared of \$356.2 million, or \$2.48 per share. Net income includes a \$167.7 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 \$26.42 as of December 31, 2020, which is net of a \$1.26 cumulative CECL reserve.
- Increased liquidity by \$387.7 million during the year to \$1.1 billion as of December 31, 2020.

Loan portfolio:

- Loan originations of \$1.6 billion. During the year we had loan fundings of \$2.1 billion and loan repayments of \$2.0 billion, resulting in net portfolio growth of \$139.5 million.
- Portfolio of 121 investments as of December 31, 2020, with a weighted-average origination loan-to-value ratio of 64.0% and weighted-average all-in yield of L+3.56%.
- Collected 99.7% of the contractual interest payments that were due under our loans during the year, with virtually no interest deferrals during the year.

Capital markets and financing activity:

- Issued an aggregate 10.0 million shares of our class A common stock through an underwritten public offering, generating aggregate net proceeds of \$278.3 million and entered into a \$325.0 million senior secured term loan facility.
- Refinanced \$2.1 billion of our secured credit facilities with the proceeds from two non-recourse, non-mark-to-market securitization transactions that closed during the year, reducing our debt-to-equity ratio to 2.5x as of December 31, 2020 from 3.0x as of December 31, 2019.
- Closed \$1.2 billion of new financings under our secured credit facilities and maintained stable facility pricing and advance rates with our 12 credit providers through the volatile lending environment in 2020.

## **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, 2020, we recorded earnings per share of \$0.57, declared a dividend of \$0.62 per share, and

reported \$0.60 per share of Distributable Earnings. In addition, our book value as of December 31, 2020 was \$26.42 per share, which is net of a \$1.26 cumulative CECL reserve. For the year ended December 31, 2020, we recorded earnings per share of \$0.97, declared aggregate dividends of \$2.48 per share, and reported \$2.48 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 and diluted net income per share and dividends declared per share (\$ in thousands, except per share data):

|  | Three Months Ended<br>December 31,<br>2020 | Year Ended<br>December 31, |             |
|--|--|----------------------------|-------------|
|  |  | 2020                       | 2019        |
| Net income <sup>(1)</sup>                              | \$ 83,616                                  | \$ 137,670                 | \$ 305,567  |
| Weighted-average shares outstanding, basic and diluted | 146,675,431                                | 141,795,977                | 130,085,398 |
| Net income per share, basic and diluted                | \$ 0.57                                    | \$ 0.97                    | \$ 2.35     |
| Dividends declared per share                           | \$ 0.62                                    | \$ 2.48                    | \$ 2.48     |

(1) Represents net income attributable to Blackstone Mortgage Trust.

### 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), (iv) net income (loss) attributable to our legacy portfolio, and (v) 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.

During the year ended December 31, 2020, we recorded a \$167.7 million increase in the CECL reserve, which 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 13 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 (\$ in thousands, except per share data):

|  | Three Months Ended<br>December 31,<br>2020 | Year Ended December 31, |                    |
|--|--|-------------------------|--------------------|
|  |  | 2020                    | 2019               |
| Net income <sup>(1)</sup>  | \$ 83,616                                  | \$ 137,670              | \$ 305,567         |
| (Decrease) increase in current expected credit loss reserve      | (5,813)                                    | 167,653                 | —                  |
| Non-cash compensation expense                                    | 8,554                                      | 34,532                  | 30,656             |
| Realized hedging and foreign currency income, net <sup>(2)</sup> | 582  | 10,852                  | 14,172             |
| Other items  | 921  | 1,487                   | 300                |
| Adjustments attributable to non-controlling interests, net       | 74   | (204)                   | —                  |
| Distributable Earnings   | <u>\$ 87,934</u>                           | <u>\$ 351,990</u>       | <u>\$ 350,695</u>  |
| Weighted-average shares outstanding, basic and diluted           | <u>146,675,431</u>                         | <u>141,795,977</u>      | <u>130,085,398</u> |
| Distributable Earnings per share, basic and diluted              | <u>\$ 0.60</u>                             | <u>\$ 2.48</u>          | <u>\$ 2.70</u>     |

(1) Represents net income attributable to Blackstone Mortgage Trust.

(2) For the three months ended December 31, 2020, represents realized gains (losses) on the repatriation of unhedged foreign currency. For the years ended December 31, 2020 and 2019, primarily 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 USD LIBOR. These forward contracts effectively convert the rate exposure to USD LIBOR, resulting in additional interest income earned in U.S. dollar terms. These amounts were not included in GAAP net income, but rather as a component of Other Comprehensive Income in our consolidated financial statements.

## Book Value Per Share

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

|                      | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|----------------------|--------------------------|--------------------------|
| Stockholders' equity | \$ 3,886,067             | \$ 3,762,583             |
| Shares               |                          |                          |
| Class A common stock | 146,780,031              | 135,003,662              |
| Deferred stock units | <u>306,691</u>           | <u>260,066</u>           |
| Total outstanding    | <u>147,086,722</u>       | <u>135,263,728</u>       |
| Book value per share | <u>\$ 26.42</u>          | <u>\$ 27.82</u>          |

## II. Loan Portfolio

During the year ended December 31, 2020, we originated or acquired \$1.6 billion of loans. Loan fundings during the year totaled \$2.1 billion, including \$241.8 million of non-consolidated senior interests. Loan repayments and sales during the year totaled \$2.0 billion, including \$135.7 million of non-consolidated senior interests. We generated interest income of \$779.6 million and incurred interest expense of \$347.5 million during the year, which resulted in \$432.2 million of net interest income during the year ended December 31, 2020.

### Portfolio Overview

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

|  | <u>Three Months Ended<br/>December 31, 2020</u> | <u>Year Ended<br/>December 31, 2020</u> |
|--|---|---|
| Loan originations <sup>(1)</sup>         | \$ 228,900                                      | \$ 1,573,980                            |
| Loan fundings <sup>(2)</sup>             | \$ 478,464                                      | \$ 2,138,114                            |
| Loan repayments and sales <sup>(3)</sup> | <u>(561,740)</u>                                | <u>(1,998,637)</u>                      |
| Total net (repayments) fundings          | <u>\$ (83,276)</u>                              | <u>\$ 139,477</u>                       |

(1) Includes new loan originations and additional commitments made under existing loans.

(2) Loan fundings during the three months and year ended December 31, 2020 include \$71.3 million and \$241.8 million, respectively, of additional fundings under related non-consolidated senior interests.

(3) Loan repayments and sales during the three months and year ended December 31, 2020 include \$647,000 and \$135.7 million, respectively, of additional repayments or reduction of loan exposure under related non-consolidated senior interests.

The following table details overall statistics for our investment portfolio as of December 31, 2020 (\$ in thousands):

|  | Balance Sheet Portfolio <sup>(1)</sup> | Total Investment Exposure       |                                  | Total Investment Portfolio |
|--|--|---------------------------------|----------------------------------|----------------------------|
|  |  | Loan Exposure <sup>(1)(2)</sup> | Other Investments <sup>(3)</sup> |                            |
| Number of investments                                    | 120                                    | 120                             | 1                                | 121                        |
| Principal balance  | \$ 16,652,824                          | \$ 17,454,621                   | \$ 735,542                       | \$ 18,190,163              |
| Net book value   | \$ 16,399,166                          | \$ 16,399,166                   | \$ 75,722                        | \$ 16,474,888              |
| Unfunded loan commitments <sup>(4)</sup>                 | \$ 3,160,084                           | \$ 3,962,960                    | \$ —                             | \$ 3,962,960               |
| Weighted-average cash coupon <sup>(5)</sup>              | L + 3.18%                              | L + 3.24%                       | L + 2.75%                        | L + 3.22%                  |
| Weighted-average all-in yield <sup>(5)</sup>             | L + 3.53%                              | L + 3.58%                       | L + 3.10%                        | L + 3.56%                  |
| Weighted-average maximum maturity (years) <sup>(6)</sup> | 3.1                                    | 3.1                             | 4.4                              | 3.2                        |
| Origination loan to value (LTV) <sup>(7)</sup>           | 64.9%                                  | 64.9%                           | 42.6%                            | 64.0%                      |

- (1) Excludes investment exposure to the \$79.2 million subordinate position we own in the \$735.5 million 2018 Single Asset Securitization. Refer to Notes 4 and 16 to our consolidated financial statements for further discussion of the 2018 Single Asset Securitization.
- (2) 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 \$801.8 million of such non-consolidated senior interests that are not included in our balance sheet portfolio.
- (3) Includes investment exposure to the \$735.5 million 2018 Single Asset Securitization. We do not consolidate the 2018 Single Asset Securitization on our consolidated financial statements, and instead reflect our \$79.2 million subordinate position as a component of other assets on our consolidated balance sheet. Refer to Notes 4 and 16 to our consolidated financial statements for further discussion of the 2018 Single Asset Securitization.
- (4) 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.
- (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, GBP LIBOR, EURIBOR, BBSY, and CDOR, as applicable to each investment. As of December 31, 2020, 98% of our investments by total investment exposure earned a floating rate of interest, primarily indexed to USD LIBOR, and \$14.2 billion of such investments earned interest based on floors that are above the applicable index. The other 2% of our investments earned a fixed rate of interest, which we reflect as a spread over the relevant floating benchmark rates, as of December 31, 2020, for purposes of the weighted-averages. 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 by the borrower, however our loans and other investments may be repaid prior to such date. As of December 31, 2020, 32% of our loans and other investments by total investment exposure were subject to yield maintenance or other prepayment restrictions and 68% were open to repayment by the borrower without penalty.
- (7) Based on LTV as of the dates loans and other investments were originated or acquired by us.

The following table details the floating benchmark rates for our investment portfolio as of December 31, 2020 (\$/€/£/A\$/C\$ in thousands):

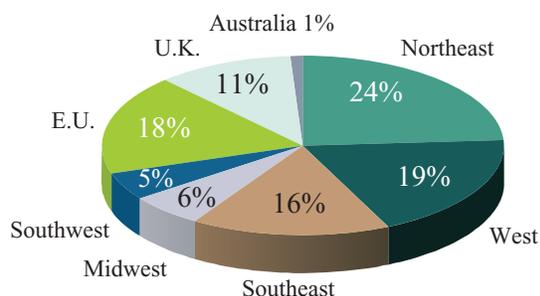
| Investment Count | Currency | Total Investment Portfolio | Floating Rate Index <sup>(1)</sup> | Cash Coupon <sup>(2)</sup> | All-in Yield <sup>(2)</sup> |
|------------------|----------|----------------------------|------------------------------------|----------------------------|-----------------------------|
| 95               | \$       | \$ 12,516,341              | USD LIBOR                          | L + 3.17%                  | L + 3.51%                   |
| 8                | €        | € 2,644,653                | EURIBOR                            | E + 2.91%                  | E + 3.23%                   |
| 13               | £        | £ 1,536,989                | GBP LIBOR                          | L + 3.87%                  | L + 4.25%                   |
| 2                | A\$      | A\$ 337,650                | BBSY                               | BBSY + 4.01%               | BBSY + 4.31%                |
| 3                | C\$      | C\$ 104,679                | CDOR                               | CDOR + 3.97%               | CDOR + 4.31%                |
| 121              |          | \$ 18,190,163              |                                    | INDEX + 3.22%              | INDEX + 3.56%               |

- (1) 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 USD LIBOR. These forward contracts effectively convert the foreign currency rate exposure for such investments to USD LIBOR.
- (2) The cash coupon and all-in yield of our fixed rate loans are reflected as a spread over USD LIBOR for purposes of the weighted-averages. 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.

The charts below detail the geographic distribution and types of properties securing our investment portfolio, as of December 31, 2020:

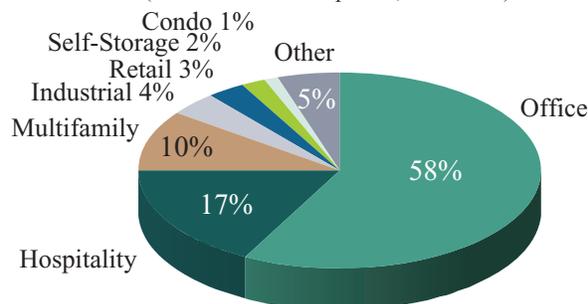
### Geographic Diversification

(Total Investment Exposure, % of Total)



### Collateral Diversification

(Total Investment Exposure, % of Total)



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

#### Portfolio Management

During the three months and year ended December 31, 2020, we collected 100.0% and 99.7%, respectively, of the contractual interest payments that were due under our loans, with virtually no interest deferrals, including with respect to loans collateralized by hospitality assets, 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 have utilized these relationships to address the potential impacts of the COVID-19 pandemic on our loans secured by properties experiencing cash flow pressure, most significantly hospitality assets. Some of our borrowers have indicated that due to the impact of the COVID-19 pandemic, they will be unable to timely execute their business plans, have had to temporarily close their businesses, or have experienced other negative business consequences and have requested temporary interest deferral or forbearance, or other modifications of their loans. During the three months ended December 31, 2020, we closed 18 loan modifications, representing an aggregate principal balance of \$2.5 billion, as of December 31, 2020. During the year ended December 31, 2020, we closed 49 loan modifications, representing an aggregate principal balance of \$6.5 billion, as of December 31, 2020. The loan modifications primarily included term extensions, interest rate changes, repurposing of reserves, and performance test or covenant waivers, many of which were coupled with additional equity commitments from sponsors, with virtually no interest deferrals.

We are generally encouraged by our borrowers' initial response to the COVID-19 pandemic's impacts on their properties. With limited exceptions, we believe our loan sponsors are committed to supporting assets collateralizing our loans through additional equity investments, and that we will benefit 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 investment portfolio's low origination weighted-average LTV of 64.0% as of December 31, 2020 reflects significant equity value that our sponsors are 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 Manager's portfolio monitoring and asset management operations benefit from the deep knowledge, experience, and information advantages derived from its position as part of Blackstone's real estate platform. Blackstone Real Estate is one of the largest owners and operators of real estate in the world, 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, our Manager performs 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 3.0 and 2.8 as of December 31, 2020 and December 31, 2019, respectively. The increase in the risk rating was primarily the result of loans with an aggregate principal balance of \$3.2 billion that were downgraded to a “4” or “5” during the year ended December 31, 2020 to reflect the higher risk in loans collateralized by hospitality assets and select other assets that are particularly negatively impacted by the COVID-19 pandemic.

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

| Risk Rating           | December 31, 2020 |                |                                       |
|-----------------------|-------------------|----------------|---------------------------------------|
|                       | Number of Loans   | Net Book Value | Total Loan Exposure <sup>(1)(2)</sup> |
| 1                     | 8                 | \$ 777,163     | \$ 778,283                            |
| 2                     | 17                | 2,513,848      | 2,528,835                             |
| 3                     | 79                | 9,911,914      | 10,763,496                            |
| 4                     | 14                | 3,032,593      | 3,045,309                             |
| 5                     | 2                 | 337,197        | 338,698                               |
| Loans receivable      | 120               | \$ 16,572,715  | \$ 17,454,621                         |
| CECL reserve          |                   | (173,549)      |                                       |
| Loans receivable, net |                   | \$ 16,399,166  |                                       |

- (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 \$801.8 million of such non-consolidated senior interests as of December 31, 2020.
- (2) Excludes investment exposure to the \$735.5 million 2018 Single Asset Securitization. Refer to Notes 4 and 16 to our consolidated financial statements for details of the subordinate position we own in the 2018 Single Asset Securitization.

#### *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 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.

Our initial CECL reserve of \$17.7 million recorded on January 1, 2020 is reflected as a direct charge to retained earnings on our consolidated statements of changes in equity; however subsequent changes to the CECL reserve are recognized through net income on our consolidated statements of operations. During the year ended December 31, 2020, we recorded a \$167.7 million increase in the current expected credit loss reserve, bringing our total CECL reserve to \$185.4 million as of December 31, 2020. This CECL reserve reflects 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. Further, this reserve is not reflective of what we expect our

CECL reserve would be absent the current and potential future impacts of the COVID-19 pandemic. See Notes 2 and 3 to our consolidated financial statements for further discussion of our CECL reserve.

During the first and fourth quarters of 2020, we entered into loan modifications related to a multifamily asset in New York City, which is classified as a troubled debt restructuring under GAAP. During the three months ended June 30, 2020, we recorded a \$14.8 million CECL reserve on this loan, which was unchanged as of December 31, 2020. This loan has an outstanding principal balance of \$52.4 million, net of cost-recovery proceeds, as of December 31, 2020. The CECL reserve was recorded based on our estimation of the fair value of the loan's underlying collateral as of December 31, 2020.

During the third quarter of 2020, 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. During the three months ended June 30, 2020, we recorded a \$54.9 million CECL reserve on this loan, which was unchanged as of December 31, 2020. This loan has an outstanding principal balance of \$286.3 million, net of cost-recovery proceeds, as of December 31, 2020. The CECL reserve was recorded based on our estimation of the fair value of the loan's underlying collateral as of December 31, 2020.

As of July 1, 2020, the income accrual was suspended on the two loans detailed above, which had an aggregate outstanding principal balance of \$338.7 million, as of December 31, 2020. No income was recorded on these loans subsequent to July 1, 2020.

#### *Multifamily Joint Venture*

As of December 31, 2020, our Multifamily Joint Venture held \$484.8 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 agreements, securitizations, and asset-specific financings. During the year-ended December 31, 2020, we refinanced \$2.1 billion of our secured debt agreements through the issuance of two securitizations, which are inherently non-mark to market, non-recourse, and term-matched to the financed assets. The following table details our portfolio financing (\$ in thousands):

|  | <b>Portfolio Financing<br/>Outstanding Principal Balance</b> |                          |
|--|--|--------------------------|
|  | <b>December 31, 2020</b>                                     | <b>December 31, 2019</b> |
| Secured debt agreements                  | \$ 7,896,863   | \$ 9,753,059             |
| Securitizations <sup>(1)</sup>           | 3,596,980  | 2,030,704                |
| Asset-specific financings <sup>(2)</sup> | 1,201,495  | 1,019,400                |
| Total portfolio financing                | <u>\$ 12,695,338</u>   | <u>\$ 12,803,163</u>     |

(1) Includes our consolidated securitized debt obligations of \$2.9 billion and our non-consolidated securitized debt obligations of \$656.3 million. The non-consolidated securitized debt obligation represents the senior non-consolidated investment exposure to the 2018 Single Asset Securitization. We own the related subordinate position, which is classified as a held-to-maturity debt security on our balance sheet. Refer to Notes 4 and 16 to our consolidated financial statements for details of the 2018 Single Asset Securitization.

(2) Includes our consolidated asset-specific debt agreements of \$399.7 million and our non-consolidated senior interests of \$801.8 million. The 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.

## Secured Debt Agreements

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

|                               | Secured Debt Agreements<br>Borrowings Outstanding |                     |
|-------------------------------|---|---------------------|
|                               | December 31, 2020                                 | December 31, 2019   |
| Secured credit facilities     | \$ 7,896,863                                      | \$ 9,753,059        |
| Revolving credit agreement    | —   | —                   |
| Total secured debt agreements | <u>\$ 7,896,863</u>                               | <u>\$ 9,753,059</u> |

## Secured Credit Facilities

The following table details our secured credit facilities (\$ in thousands):

| Lender                                     | December 31, 2020          |                     |                          | Collateral<br>Assets <sup>(2)</sup> |
|--|----------------------------|---------------------|--------------------------|-------------------------------------|
|  | Credit Facility Borrowings |                     |                          |                                     |
|  | Potential <sup>(1)</sup>   | Outstanding         | Available <sup>(1)</sup> |                                     |
| Deutsche Bank                              | \$ 1,892,211               | \$ 1,847,211        | \$ 45,000                | \$ 2,869,889                        |
| Barclays                                   | 1,443,251                  | 1,249,415           | 193,836                  | 1,862,987                           |
| Wells Fargo                                | 1,241,357                  | 956,780             | 284,577                  | 1,663,661                           |
| Citibank                                   | 927,531                    | 779,139             | 148,392                  | 1,212,521                           |
| Goldman Sachs                              | 615,411                    | 615,411             | —                        | 828,965                             |
| Bank of America                            | 473,678                    | 473,678             | —                        | 667,830                             |
| JP Morgan                                  | 449,449                    | 422,096             | 27,353                   | 605,144                             |
| Morgan Stanley                             | 528,846                    | 401,846             | 127,000                  | 849,426                             |
| MetLife                                    | 276,605                    | 276,605             | —                        | 349,612                             |
| Santander                                  | 269,501                    | 269,501             | —                        | 337,329                             |
| Société Générale                           | 237,822                    | 237,822             | —                        | 308,700                             |
| US Bank – Multi. JV <sup>(3)</sup>         | 184,802                    | 181,795             | 3,007                    | 231,003                             |
| Goldman Sachs – Multi. JV <sup>(3)</sup>   | 167,964                    | 167,964             | —                        | 231,840                             |
| Bank of America – Multi. JV <sup>(3)</sup> | 17,600                     | 17,600              | —                        | 22,000                              |
|  | <u>\$ 8,726,028</u>        | <u>\$ 7,896,863</u> | <u>\$ 829,165</u>        | <u>\$ 12,040,907</u>                |

(1) Potential borrowings represents the total amount we could draw under each facility based on collateral already approved and pledged. When undrawn, these amounts are immediately available to us at our sole discretion under the terms of each credit facility.

(2) Represents the principal balance of the collateral assets.

(3) These facilities finance the loan investments of our consolidated Multifamily Joint Venture. Refer to Note 2 to our consolidated financial statements for additional discussion of our Multifamily Joint Venture.

## Revolving Credit Agreement

We have a \$250.0 million full recourse secured revolving credit agreement with Barclays that is designed to finance first mortgage originations for up to nine months as a bridge to term financing or syndication. Advances under the agreement are subject to availability under a specified borrowing base and accrue interest at a per annum pricing rate equal to the sum of (i) an applicable base rate or Eurodollar rate and (ii) an applicable margin, in each case, dependent on the applicable type of loan collateral. The maturity date of the facility is April 4, 2023. As of December 31, 2020, we had no outstanding borrowings under the agreement.

## Securitizations

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

|   | <u>Securitized Debt Obligations</u> |                           |
|---|-------------------------------------|---------------------------|
|   | <u>December 31, 2020</u>            | <u>December 31, 2019</u>  |
| Securitized debt obligations                                | \$2,940,638                         | 1,189,642                 |
| Non-consolidated securitized debt obligation <sup>(1)</sup> | 656,342                             | 841,062                   |
| <b>Total securitizations</b>                                | <b><u>\$3,596,980</u></b>           | <b><u>\$2,030,704</u></b> |

- (1) These non-consolidated securitized debt obligations represent the senior non-consolidated investment exposure to the 2018 Single Asset Securitization. We own the related subordinate position, which is classified as a held-to-maturity debt security on our balance sheet. Refer to Notes 4 and 16 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 2020 FL3 CLO, 2020 FL2 CLO, and 2017 FL1 CLO, or collectively, the CLOs. We have also financed one of our loans through a single asset securitization vehicle, or the 2017 Single Asset Securitization. The following table details our securitized debt obligations (\$ in thousands):

| <u>Securitized Debt Obligations</u>            | <u>December 31, 2020</u> |                          |                    |   |                           |
|--|--------------------------|--------------------------|--------------------|---|---------------------------|
|  | <u>Count</u>             | <u>Principal Balance</u> | <u>Book Value</u>  | <u>Wtd. Avg. Yield/Cost<sup>(1)</sup></u> | <u>Term<sup>(2)</sup></u> |
| <u>2020 FL3 Collateralized Loan Obligation</u> |                          |                          |                    |   |                           |
| Collateral assets                              | 25                       | \$ 1,000,000             | \$1,000,000        | L+3.09%                                   | February 2024             |
| Financing provided                             | 1                        | 808,750                  | 800,993            | L+2.08%                                   | November 2037             |
| <u>2020 FL2 Collateralized Loan Obligation</u> |                          |                          |                    |   |                           |
| Collateral assets                              | 31                       | 1,500,000                | 1,500,000          | L+3.17%                                   | January 2024              |
| Financing provided                             | 1                        | 1,243,125                | 1,233,464          | L+1.44%                                   | February 2038             |
| <u>2017 FL1 Collateralized Loan Obligation</u> |                          |                          |                    |   |                           |
| Collateral assets                              | 15                       | 666,334                  | 666,334            | L+3.39%                                   | January 2023              |
| Financing provided                             | 1                        | 483,834                  | 483,113            | L+1.83%                                   | June 2035                 |
| <u>2017 Single Asset Securitization</u>        |                          |                          |                    |   |                           |
| Collateral assets <sup>(3)</sup>               | 1                        | 619,194                  | 618,766            | L+3.57%                                   | June 2023                 |
| Financing provided                             | 1                        | 404,929                  | 404,929            | L+1.63%                                   | June 2033                 |
| <u>Total</u>                                   |                          |                          |                    |   |                           |
| Collateral assets                              | <u>72</u>                | <u>\$ 3,785,528</u>      | <u>\$3,785,100</u> | <u>L+3.25%</u>                            |                           |
| Financing provided <sup>(4)</sup>              | <u>4</u>                 | <u>\$ 2,940,638</u>      | <u>\$2,922,499</u> | <u>L+1.70%</u>                            |                           |

- (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. All-in yield for the total portfolio assumes applicable floating benchmark rates for weighted-average calculation.
- (2) Loan term represents weighted-average final maturity, 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.
- (3) The collateral assets for the 2017 Single Asset Securitization include the total loan amount, of which we securitized \$500.0 million.
- (4) During the year ended December 31, 2020, we recorded \$43.1 million of interest expense related to our securitized debt obligations.

Refer to Notes 6 and 16 to our consolidated financial statements for additional details of our securitized debt obligations.

### Non-Consolidated Securitized Debt Obligation

In the third quarter of 2018, we contributed a senior loan to the 2018 Single Asset Securitization, and invested in the related subordinate position. We do not consolidate the 2018 Single Asset Securitization on our balance sheet. The non-consolidated securitized debt obligation provides structural leverage for our net investment which is reflected as a held-to-maturity debt security and is included in other assets on our consolidated balance sheets. The following table details our non-consolidated securitized debt obligations (\$ in thousands):

| <u>Non-Consolidated Securitized Debt Obligation</u> | December 31, 2020 |                          |                   |   |                                     |
|---|-------------------|--------------------------|-------------------|---|-------------------------------------|
|   | <u>Count</u>      | <u>Principal Balance</u> | <u>Book Value</u> | <u>Wtd. Avg. Yield/Cost<sup>(1)</sup></u> | <u>Wtd. Avg. Term<sup>(2)</sup></u> |
| Collateral assets                                   | 1                 | \$ 735,542               | n/a               | L+3.10%                                   | June 2025                           |
| Financing provided                                  | 1                 | \$ 656,342               | n/a               | L+2.27%                                   | June 2035                           |

- (1) In addition to cash coupon, all-in yield includes the amortization of deferred origination and extension fees, loan origination costs, and purchase discounts.
- (2) Loan term represents weighted-average final maturity, assuming all extension options are exercised by the borrower. Repayments of non-consolidated 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.

### Asset-Specific Financings

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

|  | Asset-Specific Financings<br>Outstanding Principal Balance |                          |
|--|--|--------------------------|
|  | <u>December 31, 2020</u>                                   | <u>December 31, 2019</u> |
| Asset-specific debt agreements                   | \$ 399,699   | \$ 330,879               |
| Non-consolidated senior interests <sup>(1)</sup> | 801,796  | 688,521                  |
| Total asset-specific financings                  | <u>\$ 1,201,495</u>  | <u>\$ 1,019,400</u>      |

- (1) 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.

### Asset-Specific Debt Agreements

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

| <u>Asset-Specific Debt Agreements</u> | December 31, 2020 |                          |                   |   |                                |                                     |
|---------------------------------------|-------------------|--------------------------|-------------------|---|--------------------------------|-------------------------------------|
|                                       | <u>Count</u>      | <u>Principal Balance</u> | <u>Book Value</u> | <u>Wtd. Avg. Yield/Cost<sup>(1)</sup></u> | <u>Guarantee<sup>(2)</sup></u> | <u>Wtd. Avg. Term<sup>(3)</sup></u> |
| Collateral assets                     | 4                 | \$ 512,794               | \$ 499,085        | L+4.65%                                   | n/a                            | Oct. 2023                           |
| Financing provided                    | 4                 | \$ 399,699               | \$ 391,269        | L+3.48%                                   | \$33,244                       | Oct. 2023                           |

- (1) These floating rate loans and related liabilities are indexed to the various benchmark rates relevant in each arrangement in terms of currency and payment frequency. Therefore the net exposure to each benchmark rate is in direct proportion to our net assets indexed to that rate. In addition to cash coupon, yield/cost includes the amortization of deferred origination fees / financing costs.
- (2) Other than amounts guaranteed on an asset-by-asset basis, borrowings under our asset-specific financings are non-recourse to us.
- (3) The weighted-average term is determined based on the maximum maturity of the corresponding loans, assuming all extension options are exercised by the borrower. Each of our asset-specific financings is term-matched to the corresponding collateral loans.

### *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.

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

| <u>Non-Consolidated Senior Interests</u> | December 31, 2020 |                          |                   |   |                  |                       |
|--|-------------------|--------------------------|-------------------|---|------------------|-----------------------|
|  | <u>Count</u>      | <u>Principal Balance</u> | <u>Book Value</u> | <u>Wtd. Avg. Yield/Cost<sup>(1)</sup></u> | <u>Guarantee</u> | <u>Wtd. Avg. Term</u> |
| Total loan                               | 5                 | \$ 1,002,818             | n/a               | 5.72%                                     | n/a              | Jun. 2024             |
| Senior participation                     | 5                 | 801,796                  | n/a               | 4.40%                                     | n/a              | Jun. 2024             |

- (1) Our floating rate loans and related liabilities were indexed to the various benchmark rates relevant in each arrangement in terms of currency and payment frequency. Therefore the net exposure to each benchmark rate is in direct proportion to our net assets indexed to that rate. In addition to cash coupon, all-in yield/cost includes the amortization of deferred fees / financing costs.

### **Corporate Financing**

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

|                           | Corporate Financing<br>Outstanding Principal Balance |                          |
|---------------------------|--|--------------------------|
|                           | <u>December 31, 2020</u>                             | <u>December 31, 2019</u> |
| Secured term loans        | \$ 1,062,766   | \$ 746,878               |
| Convertible notes         | 622,500  | 622,500                  |
| Total corporate financing | <u>\$ 1,685,266</u>                                  | <u>\$ 1,369,378</u>      |

### *Secured Term Loans*

As of December 31, 2020, the following senior secured term loan facilities, or Secured Term Loans, were outstanding (\$ in thousands):

| <u>Term Loans</u> | <u>Face Value</u> | <u>Interest Rate<sup>(1)</sup></u> | <u>All-in Cost<sup>(1)(2)</sup></u> | <u>Maturity</u> |
|-------------------|-------------------|------------------------------------|-------------------------------------|-----------------|
| 2019 Term Loan    | \$ 739,391        | L+2.25%                            | L+2.52%                             | April 23, 2026  |
| 2020 Term Loan    | 323,375           | L+4.75%                            | L+5.60%                             | April 23, 2026  |

- (1) The 2020 Term Loan borrowing is subject to a LIBOR floor of 1.00%.  
(2) Includes issue discount and transaction expenses that are amortized through interest expense over the life of the Secured Term Loans.

Refer to Notes 2 and 8 to our consolidated financial statements for additional discussion of our Secured Term Loans.

### Convertible Notes

As of December 31, 2020, the following convertible senior notes, or Convertible Notes, were outstanding (\$ in thousands):

| <u>Convertible Notes Issuance</u> | <u>Face Value</u> | <u>Interest Rate</u> | <u>All-in Cost<sup>(1)</sup></u> | <u>Maturity</u> |
|-----------------------------------|-------------------|----------------------|----------------------------------|-----------------|
| May 2017                          | \$ 402,500        | 4.38%                | 4.85%                            | May 5, 2022     |
| March 2018                        | \$ 220,000        | 4.75%                | 5.33%                            | March 15, 2023  |

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

Refer to Notes 2 and 9 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, 2020, 98% of our investments by total investment 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. As of December 31, 2020, the remaining 2% of our investments by total investment exposure earned a fixed rate of interest, but are financed with liabilities that pay interest at floating rates, which resulted in a negative correlation to rising interest rates to the extent of our financing. In certain instances where we have financed fixed rate assets with floating rate liabilities, we have purchased interest rate caps to limit our exposure to increases in interest rates on such liabilities.

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, 2020 (\$/€/£/A\$/C\$ in thousands):

|   | <u>USD</u>          | <u>EUR</u>       | <u>GBP</u>       | <u>AUD</u>        | <u>CAD</u>          |
|---|---------------------|------------------|------------------|-------------------|---------------------|
| Floating rate loans <sup>(1)(2)(3)</sup>  | \$ 12,516,341       | € 2,799,894      | £ 1,155,034      | A\$ 337,650       | C\$ 58,088          |
| Floating rate debt <sup>(1)(4)</sup>      | (9,160,051)         | (2,044,904)      | (822,401)        | (244,891)         | (79,862)            |
| Net floating rate exposure <sup>(5)</sup> | <u>\$ 3,356,290</u> | <u>€ 754,990</u> | <u>£ 332,633</u> | <u>A\$ 92,759</u> | <u>C\$ (21,774)</u> |

- (1) Our floating rate investments and related liabilities are indexed to the various benchmark rates relevant in each case in terms of currency and payment frequency. Therefore the net exposure to each benchmark rate is in direct proportion to our net assets indexed to that rate.
- (2) Includes investment exposure to the 2018 Single Asset Securitization. Refer to Notes 4 and 16 to our consolidated financial statements for details of the subordinate position we own in the 2018 Single Asset Securitization.
- (3) Euro balance includes a loan denominated in British Pound Sterling, with an outstanding principal balance of £146.2 million as of December 31, 2020, that is hedged to Euro exposure through a foreign currency forward contract. Refer to Note 10 to our consolidated financial statements for additional discussion of our foreign currency derivatives.
- (4) Includes borrowings under secured debt agreements, securitizations, asset-specific financings, and secured term loans.
- (5) In addition, we have two interest rate caps of C\$38.3 million (\$30.1 million as of December 31, 2020) to limit our exposure to increases in interest rates.

### 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, 2020, 2019, and 2018 (\$ in thousands, except per share data):

|   | Year Ended<br>December 31, |           | 2020 vs<br>2019 | Year Ended<br>December 31, |           | 2019 vs<br>2018 |
|---|----------------------------|-----------|-----------------|----------------------------|-----------|-----------------|
|   | 2020                       | 2019      | \$              | 2019                       | 2018      | \$              |
| <b>Income from loans and other investments</b>                    |                            |           |                 |                            |           |                 |
| Interest and related income                                       | \$ 779,648                 | \$882,679 | \$(103,031)     | \$882,679                  | \$756,109 | \$126,570       |
| Less: Interest and related expenses                               | 347,471                    | 458,503   | (111,032)       | 458,503                    | 359,625   | 98,878          |
| Income from loans and other investments, net                      | 432,177                    | 424,176   | 8,001           | 424,176                    | 396,484   | 27,692          |
| <b>Other expenses</b>   |                            |           |                 |                            |           |                 |
| Management and incentive fees                                     | 77,916                     | 78,435    | (519)           | 78,435                     | 74,834    | 3,601           |
| General and administrative expenses                               | 45,871                     | 38,854    | 7,017           | 38,854                     | 35,529    | 3,325           |
| Total other expenses  | 123,787                    | 117,289   | 6,498           | 117,289                    | 110,363   | 6,926           |
| <b>Increase in current expected credit loss reserve</b>           | (167,653)                  | —         | (167,653)       | —                          | —         | —               |
| <b>Income before income taxes</b>                                 | 140,737                    | 306,887   | (166,150)       | 306,887                    | 286,121   | 20,766          |
| <b>Income tax provision (benefit)</b>                             | 323                        | (506)     | 829             | (506)                      | 308       | (814)           |
| <b>Net income</b>   | 140,414                    | 307,393   | (166,979)       | 307,393                    | 285,813   | 21,580          |
| <b>Net income attributable to non-controlling interests</b>       | (2,744)                    | (1,826)   | (918)           | (1,826)                    | (735)     | (1,091)         |
| <b>Net income attributable to Blackstone Mortgage Trust, Inc.</b> | \$ 137,670                 | \$305,567 | \$(167,897)     | \$305,567                  | \$285,078 | \$ 20,489       |
| <b>Net income per share – basic and diluted</b>                   | \$ 0.97                    | \$ 2.35   | \$ (1.38)       | \$ 2.35                    | \$ 2.50   | \$ (0.15)       |
| <b>Dividends declared per share</b>                               | \$ 2.48                    | \$ 2.48   | \$ —            | \$ 2.48                    | \$ 2.48   | \$ —            |

#### *Income from loans and other investments, net*

Income from loans and other investments, net increased \$8.0 million during the year ended December 31, 2020 compared to the year ended December 31, 2019. The increase was primarily due to (i) \$13.7 billion of our loans earning interest based on floors that were above the applicable floating rate index, as of December 31, 2020, and (ii) an increase in the weighted-average principal balance of our loan portfolio by \$1.7 billion during the year ended December 31, 2020, as compared to the corresponding period in 2019. This was offset by (i) a decrease in weighted-average LIBOR and other floating rate indices in 2020, (ii) an increase in the weighted-average principal balance of our outstanding financing arrangements by \$1.6 billion during year ended December 31, 2020, as compared to the corresponding period in 2019, (iii) a decrease in non-recurring prepayment fee income, and (iv) a decline in interest income related to two loans that are accounted for under the cost-recovery method effective June 30, 2020.

Income from loans and other investments, net increased \$27.7 million during the year ended December 31, 2019 compared to the year ended December 31, 2018. The increase was primarily due to (i) an increase in the weighted-average principal balance of our loan portfolio by \$3.0 billion during the year ended December 31, 2019, compared to the year ended December 31, 2018 and (ii) an increase in the weighted-average LIBOR and other floating rate indices in 2019, compared to 2018. This was offset by (i) the increase in the weighted-average principal balance of our outstanding financing arrangements by \$2.6 billion during the year ended December 31, 2019, compared to the year ended December 31, 2018, and (ii) a decrease in non-recurring 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 \$6.5 million during the year ended December 31, 2020 compared to the

year ended December 31, 2019 due to (i) an increase of \$5.1 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 2019 and 2020, (ii) \$3.9 million of additional non-cash restricted stock amortization related to shares awarded under our long-term incentive plans, and (iii) an increase of \$3.1 million of other general operating expenses. This was offset by a decrease of \$5.7 million of incentive fees payable to our Manager.

Other expenses increased by \$6.9 million during the year ended December 31, 2019 compared to the year ended December 31, 2018 due to (i) an increase of \$8.3 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 2018 and 2019, (ii) \$2.5 million of additional non-cash restricted stock amortization related to shares awarded under our long-term incentive plans, and (iii) an increase of \$823,000 of other general operating expenses. This was offset by a decrease of \$4.7 million of incentive fees payable to our Manager.

#### *Changes in current expected credit loss reserve*

We adopted ASU 2016-13, which implemented the CECL accounting model, on January 1, 2020. During year ended December 31, 2020, we recorded a \$167.7 million increase in the CECL reserve. This CECL reserve reflects 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. This reserve is not reflective of what we expect our CECL reserve would be absent the current and potential future impacts of the COVID-19 pandemic. See Notes 2 and 3 to our consolidated financial statements for further discussion of our CECL reserve.

#### *Net income attributable to non-controlling interests*

During the years ended December 31, 2020, 2019, and 2018, we recorded \$2.7 million, \$1.8 million, and \$735,000, respectively, of net income attributable to non-controlling interests related to our Multifamily Joint Venture.

#### *Dividends per share*

During the year ended December 31, 2020, we declared aggregate dividends of \$2.48 per share, or \$356.2 million. During 2019, we declared aggregate dividends of \$2.48 per share, or \$328.1 million. During 2018, we declared aggregate dividends of \$2.48 per share, or \$286.9 million.

The following table sets forth information regarding our consolidated results of operations for the three months ended December 31, 2020 and 2019 (\$ in thousands, except per share data):

|   | Three Months Ended<br>December 31, |                  | 2020 vs<br>2019 |
|---|------------------------------------|------------------|-----------------|
|   | 2020                               | 2019             | \$              |
| <b>Income from loans and other investments</b>                    |                                    |                  |                 |
| Interest and related income                                       | \$188,851                          | \$220,678        | \$(31,827)      |
| Less: Interest and related expenses                               | 79,401                             | 110,967          | (31,566)        |
| Income from loans and other investments, net                      | 109,450                            | 109,711          | (261)           |
| <b>Other expenses</b>   |                                    |                  |                 |
| Management and incentive fees                                     | 19,158                             | 20,159           | (1,001)         |
| General and administrative expenses                               | 11,551                             | 9,904            | 1,647           |
| Total other expenses  | 30,709                             | 30,063           | 646             |
| <b>Decrease in current expected credit loss reserve</b>           | 5,813                              | —                | 5,813           |
| <b>Income before income taxes</b>                                 | 84,554                             | 79,648           | 4,906           |
| <b>Income tax provision</b>                                       | 131                                | 67               | 64              |
| <b>Net income</b>   | 84,423                             | 79,581           | 4,842           |
| <b>Net income attributable to non-controlling interests</b>       | (807)                              | (650)            | (157)           |
| <b>Net income attributable to Blackstone Mortgage Trust, Inc.</b> | <u>\$ 83,616</u>                   | <u>\$ 78,931</u> | <u>\$ 4,685</u> |
| <b>Net income per share – basic and diluted</b>                   | \$ 0.57                            | \$ 0.59          | \$ (0.02)       |
| <b>Dividends declared per share</b>                               | \$ 0.62                            | \$ 0.62          | \$ —            |

*Income from loans and other investments, net*

Income from loans and other investments, net decreased \$261,000 during the three months ended December 31, 2020 compared to the three months ended December 31, 2019. The decrease was primarily due to (i) a decrease in weighted-average LIBOR and other floating rate indices in 2020, (ii) an increase in the weighted-average principal balance of our outstanding financing arrangements by \$631.2 million during the three months ended December 31, 2020, as compared to the corresponding period in 2019, (iii) a decrease in non-recurring prepayment fee income, and (iv) a decline in interest income related to two loans that are accounted for under the cost-recovery method effective June 30, 2020. This was offset by (i) \$13.7 billion of our loans earning interest based on floors that were above the applicable floating rate index, as of December 31, 2020, and (ii) an increase in the weighted-average principal balance of our loan portfolio by \$811.1 million during the three months ended December 31, 2020, as compared to the corresponding period in 2019.

*Other expenses*

Other expenses are composed of management and incentive fees payable to our Manager and general and administrative expenses. Other expenses increased by \$646,000 during the three months ended December 31, 2020 compared to the corresponding period in 2019 due to (i) a \$1.2 million increase in non-cash restricted stock amortization related to shares awarded under our long-term incentive plans, (ii) an increase of \$1.1 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 2020, and (iii) an increase of \$473,000 of general operating expenses. This was offset by a decrease of \$2.1 million of incentive fees payable to our Manager.

*Changes in current expected credit loss reserve*

We adopted ASU 2016-13, which implemented the CECL accounting model, on January 1, 2020. Our CECL reserve reflects 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. This reserve is not reflective of what we expect our CECL reserve would be absent the current and potential future impacts of the COVID-19 pandemic. During the three months ended December 31, 2020, we recorded a \$5.8 million decrease in the CECL reserve as a result of changes in our underlying assumptions with respect to portfolio tenor and application of

historical loss data to our portfolio. See Notes 2 and 3 to our consolidated financial statements for further discussion of our CECL reserve.

#### *Net income attributable to non-controlling interests*

During the three months ended December 31, 2020 and 2019, we recorded \$807,000 and \$650,000, respectively, of net income attributable to non-controlling interests related to our Multifamily Joint Venture.

#### *Dividends per share*

During the three months ended December 31, 2020, we declared aggregate dividends of \$0.62 per share, or \$91.0 million. During the three months ended December 31, 2019, we declared aggregate dividends of \$0.62 per share, or \$83.7 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, borrowings under secured debt agreements, borrowings under secured term loans, and the issuance and sale of convertible notes. As of December 31, 2020, our balance sheet included \$1.7 billion of corporate debt and \$12.7 billion of asset-level financing. No portion of our corporate debt matures before 2022 and our asset-specific financing is generally term-matched or matures in 2022 or later. Our \$12.7 billion of asset-level financing includes \$7.9 billion of secured debt agreements, \$3.6 billion of securitizations, which are inherently non-recourse, non-mark to market, and term matched to the financed assets, and \$1.2 billion of asset-specific financings.

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.

During the three months ended June 30, 2020, we entered into agreements with our seven largest secured credit facility lenders, representing an aggregate \$7.9 billion of our secured credit facilities as of June 30, 2020, to temporarily suspend credit mark provisions and pre-approve certain loan modifications to certain of their portfolio assets, primarily in exchange for cash repayments and pledging additional loan collateral. During the three months ended December 31, 2020, we extended the credit facility modification agreements with the seven lenders without any further deleveraging or increased cost.

We are in frequent, consistent dialogue with the providers of our secured credit facilities regarding our management of their collateral assets in light of the impacts of the COVID-19 pandemic. Our Manager's robust, in-house asset management team has extensive experience managing loans throughout cycles, and maintains a rated special servicer as part of its broader real estate debt investment and asset management platform. The feedback we have received from our lenders indicates that they believe our Manager, as part of the broader Blackstone Real Estate platform, has a superior capability to manage the loans in our portfolio to a successful resolution.

See Notes 5, 6, 7, 8, and 9 to our consolidated financial statements for additional details regarding our secured debt agreements, securitized debt obligations, asset-specific debt agreements, Secured Term Loans, 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, 2020</u> | <u>December 31, 2019</u> |
|-------------------------------------|--------------------------|--------------------------|
| Debt-to-equity ratio <sup>(1)</sup> | 2.5x                     | 3.0x                     |
| Total leverage ratio <sup>(2)</sup> | 3.6x                     | 3.7x                     |

- (1) Represents (i) total outstanding secured debt agreements, asset-specific debt agreements, secured term loans, and convertible notes, less cash, to (ii) total equity, in each case at period end.
- (2) Represents (i) total outstanding secured debt agreements, securitizations, asset-specific financings, secured term loans, and convertible notes, less cash, to (ii) total equity, in each case at period end.

## Sources of Liquidity

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

|  | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|--------------------------|--------------------------|
| Cash and cash equivalents                                    | \$ 289,970               | \$ 150,090               |
| Available borrowings under secured debt agreements           | 829,165                  | 598,840                  |
| Loan principal payments held by servicer, net <sup>(1)</sup> | 19,460                   | 1,965                    |
|  | <u>\$ 1,138,595</u>      | <u>\$ 750,895</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.

Typically, loan repayments are our largest source of incremental liquidity. For the year ended December 31, 2020, loan repayments generated \$451.1 million of liquidity, net of any related financings. Similarly, during the year ended December 31, 2019, loan repayments and sales generated \$998.2 million of liquidity. Loan repayments have slowed as a result of the COVID-19 pandemic, however, as of December 31, 2020, our portfolio does include \$3.0 billion of loans with a final maturity date earlier than December 31, 2022.

During the year ended December 31, 2020, we generated cash flow from operating activities of \$336.6 million. Additionally, during the year ended December 31, 2020, we received \$315.4 million of net proceeds from borrowings under a secured term loan and \$278.3 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 our 2020 FL3 and 2020 FL2 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 liquidity through public offerings of debt and equity securities. To facilitate such offerings, in July 2019, we filed a shelf registration statement with the SEC that is effective for a term of three years and expires at the end of July 2022. 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) debt securities; (iv) depositary shares representing preferred stock; (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 a dividend reinvestment plan and direct stock purchase plan, under which 9,991,974 shares of class A common stock were available for issuance as of December 31, 2020, and our at-the-market stock offering program, pursuant to which we may sell, from time to time, up to \$363.8 million of additional shares of our class A common stock as of December 31, 2020. Refer to Note 11 to our consolidated financial statements for additional details.

## Liquidity Needs

In addition to our loan origination activity and general operating expenses, our primary liquidity needs include interest and principal payments under our \$7.9 billion of outstanding borrowings under secured debt agreements, our asset-specific debt agreements, our Secured Term Loans, and our Convertible Notes.

In addition, we had aggregate unfunded loan commitments of \$3.2 billion as of December 31, 2020. We generally finance the funding of our loan commitments on terms consistent with our overall credit facilities, with an average advance rate of 72.8% for such financed loans, resulting in identified financing for \$2.2 billion of our aggregate unfunded loan commitments as of December 31, 2020. Some of our lenders, including substantially all of our financing of construction loans, are contractually obligated to fund their ratable portion of these loan commitments over time, while other lenders have some degree of discretion over future loan funding obligations. We expect to fund our loan commitments over the tenor of these loans, which have a weighted-average future funding period of 3.7 years. Our future loan fundings comprise funding for capital expenditures and construction, leasing costs, and interest and carry costs, and will vary depending on the progress of capital projects, leasing, and cash flows at the assets underlying 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. As a result of the COVID-19 pandemic, the progress of capital expenditures, construction, and leasing has been slower than otherwise expected, and the pace of funding relating to these capital needs has been commensurately slower and may continue to be slower.

## Contractual Obligations and Commitments

Our contractual obligations and commitments as of December 31, 2020 were as follows (\$ in thousands):

|  | Total<br>Obligation | Payment Timing      |                 |                 |                      |
|--|---------------------|---------------------|-----------------|-----------------|----------------------|
|  |                     | Less Than<br>1 Year | 1 to 3<br>Years | 3 to 5<br>Years | More Than<br>5 Years |
| Unfunded loan commitments <sup>(1)</sup>                                 | \$ 3,160,084        | \$ 53,324           | \$ 726,146      | \$ 2,357,863    | \$ 22,751            |
| Principal repayments under secured debt agreements <sup>(2)</sup>        | 7,896,863           | 262,895             | 3,230,648       | 4,193,543       | 209,777              |
| Principal repayments under asset-specific debt agreements <sup>(2)</sup> | 399,699             | —                   | 311,068         | 88,631          | —                    |
| Principal repayments of secured term loans <sup>(3)</sup>                | 1,062,766           | 10,738              | 21,475          | 21,475          | 1,009,078            |
| Principal repayments of convertible notes <sup>(4)</sup>                 | 622,500             | —                   | 622,500         | —               | —                    |
| Interest payments <sup>(2)(5)</sup>                                      | 705,445             | 234,578             | 317,330         | 141,305         | 12,232               |
| Total <sup>(6)</sup>   | \$ 13,847,357       | \$ 561,535          | \$ 5,229,167    | \$ 6,802,817    | \$ 1,253,838         |

- (1) 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.
- (2) The allocation of repayments under our secured debt agreements and asset-specific debt agreements for both principal and interest payments is based on the earlier of (i) the maturity date of each agreement, or (ii) the maximum maturity date of the collateral loans, assuming all extension options are exercised by the borrower.
- (3) The Secured Term Loans are partially amortizing, with an amount equal to 1.0% per annum of the principal balance due in quarterly installments. Refer to Note 8 to our consolidated financial statements for further details on our secured term loans.
- (4) Reflects the outstanding principal balance of convertible notes, excluding any potential conversion premium. Refer to Note 9 to our consolidated financial statements for further details on our convertible notes.
- (5) Represents interest payments on our secured debt agreements, convertible notes, and Secured Term Loans. Future interest payment obligations are estimated assuming the interest rates in effect as of December 31, 2020 will remain constant into the future. This is only an estimate as actual amounts borrowed and interest rates will vary over time.
- (6) Total does not include \$2.9 billion of consolidated securitized debt obligations, \$656.3 million of non-consolidated securitized debt obligations, and \$801.8 million of non-consolidated senior interests, 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 10 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 12 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, |             |             |
|---|----------------------------------|-------------|-------------|
|   | 2020                             | 2019        | 2018        |
| Cash flows provided by operating activities           | \$ 336,607                       | \$ 304,037  | \$ 290,002  |
| Cash flows used in investing activities               | (88,251)                         | (1,871,148) | (4,251,659) |
| Cash flows (used in) provided by financing activities | (110,769)                        | 1,612,552   | 3,957,708   |
| Net increase (decrease) in cash and cash equivalents  | \$ 137,587                       | \$ 45,441   | \$ (3,949)  |

We experienced a net increase in cash and cash equivalents of \$137.6 million for the year ended December 31, 2020, compared to a net increase of \$45.4 million for the year ended December 31, 2019. During 2020, we received (i) \$2.1 billion of proceeds from the issuance of collateralized loan obligations, (ii) \$1.9 billion from loan principal collections and sales proceeds, (iii) \$315.4 million of net proceeds from secured term loan borrowings, and (iv) \$278.3 million in net proceeds from the issuance of shares of class A common stock. We used the proceeds from these activities to (i) repay a net \$2.1 billion under our secured debt agreements and (ii) fund \$1.9 billion of new loans.

We experienced a net increase in cash and cash equivalents of \$45.4 million for the year ended December 31, 2019, compared to a net decrease of \$3.9 million for the year ended December 31, 2018. During 2019, we received (i) \$4.9 billion from loan principal collections and sales proceeds, (ii) \$795.2 million of net borrowings under our secured debt agreements, (iii) \$748.4 million of net proceeds from secured term loan borrowings, and (iv) \$372.3 million of net proceeds from the issuance of shares of class A common stock. We used the proceeds from these activities to fund \$6.9 billion of new loans during the year ended December 31, 2019.

Refer to Note 3 to our consolidated financial statements for further discussion of our loan activity. Refer to Notes 5, 8, and 11 to our consolidated financial statements for additional discussion of our secured debt agreements, secured term loans, and equity.

## 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 that we distribute. 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, 2020 and 2019, we were in compliance with all REIT requirements.

Refer to Note 13 to our consolidated financial statements for additional discussion of our income taxes.

### **Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements.

### **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 2020, 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 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. The initial CECL reserve recorded on January 1, 2020 is reflected as a direct charge to retained earnings on our consolidated statements of changes in equity; however subsequent 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.

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. 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, which includes zero realized loan losses since the launch of our senior loan origination business in 2013, 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, 2020. 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 deemed relevant by our Manager. 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.

We adopted ASU 2016-13 using the modified-retrospective method for all financial assets measured at amortized cost. Prior to our adoption, we had no loan loss provisions on our consolidated balance sheets. We recorded a cumulative-effective adjustment to the opening retained earnings in our consolidated statement of equity as of January 1, 2020. The following table details the impact of this adoption (\$ in thousands):

|   | <u>Impact of<br/>ASU 2016-13<br/>Adoption</u> |
|---|---|
| Assets:   |   |
| Loans   |   |
| U.S. Loans  | \$ 8,955                                      |
| Non-U.S. Loans  | 3,631   |
| Unique Loans  | <u>1,356</u>                                  |
| CECL reserve on loans                                     | <u>\$ 13,942</u>                              |
| CECL reserve on held-to-maturity debt securities          | 445   |
| Liabilities:  |   |
| CECL reserve on unfunded loan commitments                 | <u>3,263</u>                                  |
| Total impact of ASU 2016-13 adoption on retained earnings | <u><u>\$ 17,650</u></u>                       |

#### *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.

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. Our Manager performs 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. 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, 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. These estimations require 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, 2020.

### *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 the opinion of our Manager, 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.

Refer to Note 2 to our consolidated financial statements for the complete listing and description of our significant accounting policies.

## VL Loan Portfolio Details

The following table provides details of our loan portfolio, on a loan-by-loan basis, as of December 31, 2020 (\$ in millions):

|    | Loan Type <sup>(1)</sup>   | Origination Date <sup>(2)</sup> | Total Loan <sup>(3)(4)</sup> | Principal Balance <sup>(4)</sup> | Net Book Value | Cash Coupon <sup>(5)</sup> | All-in Yield <sup>(5)</sup> | Maximum Maturity <sup>(6)</sup> | Location          | Property Type | Loan Per SQFT / Unit / Key | Origination LTV <sup>(2)</sup> | Risk Rating |
|----|----------------------------|---------------------------------|------------------------------|----------------------------------|----------------|----------------------------|-----------------------------|---------------------------------|-------------------|---------------|----------------------------|--------------------------------|-------------|
| 1  | Senior loan                | 8/14/2019                       | \$ 1,317.8                   | \$ 1,317.8                       | \$ 1,309.4     | L + 2.50%                  | L + 2.84%                   | 12/23/2024                      | Dublin-IE         | Office        | \$479 / sqft               | 74%                            | 3           |
| 2  | Senior loan                | 3/22/2018                       | 993.3                        | 993.3                            | 990.7          | L + 3.15%                  | L + 3.37%                   | 3/15/2023                       | Diversified-Spain | Mixed-Use     | n/a                        | 71%                            | 4           |
| 3  | Senior loan                | 11/25/2019                      | 724.2                        | 653.3                            | 653.9          | L + 2.30%                  | L + 2.79%                   | 12/9/2024                       | New York          | Office        | \$936 / sqft               | 65%                            | 3           |
| 4  | Senior loan                | 5/11/2017                       | 646.8                        | 619.2                            | 618.8          | L + 3.40%                  | L + 3.57%                   | 6/10/2023                       | Washington DC     | Office        | \$304 / sqft               | 62%                            | 3           |
| 5  | Senior loan                | 8/22/2018                       | 362.5                        | 359.9                            | 359.1          | L + 3.15%                  | L + 3.49%                   | 8/9/2023                        | Maui              | Hospitality   | \$467,454 / key            | 61%                            | 4           |
| 6  | Senior loan                | 10/23/2018                      | 352.4                        | 347.8                            | 347.7          | L + 3.40%                  | L + 3.67%                   | 1/23/2022                       | New York          | Mixed-Use     | \$589 / sqft               | 65%                            | 3           |
| 7  | Senior loan                | 4/11/2018                       | 355.0                        | 344.5                            | 344.2          | L + 2.85%                  | L + 3.10%                   | 5/1/2023                        | New York          | Office        | \$437 / sqft               | 71%                            | 2           |
| 8  | Senior loan <sup>(4)</sup> | 8/6/2015                        | 332.5                        | 332.5                            | 60.6           | L + 5.75%                  | 5.81%                       | 10/29/2022                      | Diversified-EUR   | Other         | n/a                        | 71%                            | 3           |
| 9  | Senior loan                | 1/11/2019                       | 328.2                        | 328.2                            | 325.1          | L + 4.35%                  | L + 4.70%                   | 1/11/2026                       | Diversified-EUR   | Other         | \$324 / sqft               | 74%                            | 4           |
| 10 | Senior loan <sup>(4)</sup> | 8/7/2019                        | 745.8                        | 305.7                            | 59.3           | L + 3.12%                  | L + 3.56%                   | 9/9/2025                        | Los Angeles       | Office        | \$207 / sqft               | 59%                            | 3           |
| 11 | Senior loan                | 11/30/2018                      | 286.3                        | 286.3                            | 284.8          | n/m <sup>(7)</sup>         | n/m <sup>(7)</sup>          | 8/9/2025                        | New York          | Hospitality   | \$306,870 / key            | 73%                            | 5           |
| 12 | Senior loan                | 2/27/2020                       | 300.0                        | 281.7                            | 279.6          | L + 2.70%                  | L + 3.03%                   | 3/9/2025                        | New York          | Mixed-Use     | \$884 / sqft               | 59%                            | 3           |
| 13 | Senior loan                | 7/31/2018                       | 279.5                        | 278.0                            | 277.3          | L + 3.10%                  | L + 3.52%                   | 8/9/2022                        | San Francisco     | Office        | \$701 / sqft               | 50%                            | 2           |
| 14 | Senior loan                | 9/30/2019                       | 305.5                        | 267.3                            | 267.6          | L + 3.66%                  | L + 3.75%                   | 9/9/2024                        | Chicago           | Office        | \$232 / sqft               | 58%                            | 2           |
| 15 | Senior loan                | 12/11/2018                      | 310.0                        | 259.0                            | 257.8          | L + 2.55%                  | L + 2.96%                   | 12/9/2023                       | Chicago           | Office        | \$218 / sqft               | 78%                            | 3           |
| 16 | Senior loan                | 9/23/2019                       | 305.4                        | 258.8                            | 256.5          | L + 3.00%                  | L + 3.22%                   | 11/15/2024                      | Diversified-Spain | Hospitality   | \$138,195 / key            | 62%                            | 4           |
| 17 | Senior loan                | 10/23/2018                      | 290.4                        | 250.1                            | 249.0          | L + 2.80%                  | L + 3.04%                   | 11/9/2024                       | Atlanta           | Office        | \$233 / sqft               | 64%                            | 2           |
| 18 | Senior loan                | 11/30/2018                      | 263.9                        | 248.9                            | 247.6          | L + 2.80%                  | L + 3.34%                   | 12/9/2024                       | San Francisco     | Hospitality   | \$365,544 / key            | 73%                            | 4           |
| 19 | Senior loan                | 5/9/2018                        | 242.9                        | 232.9                            | 233.1          | L + 2.60%                  | L + 3.13%                   | 5/9/2023                        | New York          | Industrial    | \$66 / sqft                | 70%                            | 1           |
| 20 | Senior loan                | 7/20/2017                       | 249.4                        | 222.0                            | 221.6          | L + 4.80%                  | L + 5.05%                   | 8/9/2022                        | San Francisco     | Office        | \$369 / sqft               | 58%                            | 2           |
| 21 | Senior loan                | 6/23/2015                       | 208.9                        | 208.9                            | 208.7          | L + 3.65%                  | L + 3.91%                   | 5/8/2022                        | Washington DC     | Office        | \$234 / sqft               | 72%                            | 2           |
| 22 | Senior loan                | 6/27/2019                       | 234.2                        | 207.9                            | 206.6          | L + 2.80%                  | L + 3.16%                   | 8/15/2026                       | Berlin-DEU        | Office        | \$446 / sqft               | 62%                            | 3           |
| 23 | Senior loan                | 12/12/2019                      | 260.5                        | 207.0                            | 206.3          | L + 2.40%                  | L + 2.69%                   | 12/9/2024                       | New York          | Office        | \$98 / sqft                | 42%                            | 1           |
| 24 | Senior loan                | 11/5/2019                       | 225.8                        | 205.5                            | 204.0          | L + 3.85%                  | L + 4.45%                   | 2/21/2025                       | Diversified-IT    | Office        | \$406 / sqft               | 66%                            | 3           |
| 25 | Senior loan                | 9/25/2019                       | 201.2                        | 201.2                            | 200.3          | L + 4.35%                  | L + 4.93%                   | 9/26/2023                       | London-UK         | Office        | \$917 / sqft               | 72%                            | 3           |

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|    | Loan Type <sup>(1)</sup>   | Origination Date <sup>(2)</sup> | Total Loan <sup>(3)(4)</sup> | Principal Balance <sup>(4)</sup> | Net Book Value | Cash Coupon <sup>(5)</sup> | All-in Yield <sup>(5)</sup> | Maximum Maturity <sup>(6)</sup> | Location        | Property Type | Loan Per SQFT / Unit / Key | Origination LTV <sup>(2)</sup> | Risk Rating |
|----|----------------------------|---------------------------------|------------------------------|----------------------------------|----------------|----------------------------|-----------------------------|---------------------------------|-----------------|---------------|----------------------------|--------------------------------|-------------|
| 26 | Senior loan                | 11/23/2018                      | 203.3                        | 199.9                            | 198.4          | L + 2.62%                  | L + 2.87%                   | 2/15/2024                       | Diversified-UK  | Office        | \$1,212 / sqft             | 50%                            | 3           |
| 27 | Senior loan                | 8/31/2017                       | 203.0                        | 199.0                            | 198.5          | L + 2.50%                  | L + 2.85%                   | 9/9/2023                        | Orange County   | Office        | \$232 / sqft               | 64%                            | 3           |
| 28 | Senior loan                | 9/14/2018                       | 193.6                        | 193.6                            | 193.2          | L + 3.50%                  | L + 3.85%                   | 9/14/2023                       | Canberra-AU     | Mixed-Use     | \$503 / sqft               | 68%                            | 3           |
| 29 | Senior loan                | 12/22/2016                      | 204.5                        | 191.5                            | 191.5          | L + 2.90%                  | L + 2.98%                   | 12/9/2022                       | New York        | Office        | \$269 / sqft               | 64%                            | 3           |
| 30 | Senior loan                | 6/4/2018                        | 187.8                        | 187.8                            | 187.5          | L + 3.50%                  | L + 3.86%                   | 6/9/2024                        | New York        | Hospitality   | \$309,308 / key            | 52%                            | 4           |
| 31 | Senior loan                | 4/9/2018                        | 1,486.5                      | 185.0                            | 173.3          | L + 8.50%                  | L + 10.64%                  | 6/9/2025                        | New York        | Office        | \$525 / sqft               | 48%                            | 2           |
| 32 | Senior loan                | 4/3/2018                        | 178.6                        | 177.3                            | 177.2          | L + 2.75%                  | L + 3.06%                   | 4/9/2024                        | Dallas          | Mixed-Use     | \$502 / sqft               | 64%                            | 3           |
| 33 | Senior loan                | 9/26/2019                       | 175.0                        | 175.0                            | 174.7          | L + 3.10%                  | L + 3.54%                   | 1/9/2023                        | New York        | Office        | \$256 / sqft               | 65%                            | 3           |
| 34 | Senior loan <sup>(4)</sup> | 11/22/2019                      | 470.0                        | 170.8                            | 33.3           | L + 3.70%                  | L + 4.14%                   | 12/9/2025                       | Los Angeles     | Office        | \$171 / sqft               | 69%                            | 3           |
| 35 | Senior loan                | 12/21/2017                      | 197.5                        | 167.4                            | 167.4          | L + 2.65%                  | L + 2.87%                   | 1/9/2023                        | Atlanta         | Office        | \$125 / sqft               | 51%                            | 2           |
| 36 | Senior loan                | 11/16/2018                      | 211.9                        | 166.2                            | 165.1          | L + 4.10%                  | L + 4.71%                   | 12/9/2023                       | Fort Lauderdale | Mixed-Use     | \$467 / sqft               | 59%                            | 3           |
| 37 | Senior loan                | 12/6/2019                       | 157.2                        | 157.2                            | 156.1          | L + 2.80%                  | L + 3.51%                   | 12/5/2024                       | London-UK       | Office        | \$1,041 / sqft             | 75%                            | 3           |
| 38 | Senior loan                | 9/4/2018                        | 172.7                        | 156.9                            | 156.4          | L + 3.00%                  | L + 3.39%                   | 9/9/2023                        | Las Vegas       | Hospitality   | \$189,902 / key            | 70%                            | 4           |
| 39 | Senior loan                | 8/23/2017                       | 165.0                        | 155.0                            | 154.7          | L + 3.25%                  | L + 3.48%                   | 10/9/2022                       | Los Angeles     | Office        | \$315 / sqft               | 74%                            | 2           |
| 40 | Senior loan                | 12/20/2019                      | 153.6                        | 153.6                            | 152.4          | L + 3.10%                  | L + 3.32%                   | 12/18/2026                      | London-UK       | Office        | \$764 / sqft               | 75%                            | 3           |
| 41 | Senior loan                | 9/5/2019                        | 198.4                        | 147.8                            | 146.3          | L + 2.75%                  | L + 3.24%                   | 9/9/2024                        | New York        | Office        | \$922 / sqft               | 62%                            | 3           |
| 42 | Senior loan                | 4/25/2019                       | 210.0                        | 141.4                            | 140.6          | L + 3.50%                  | L + 3.76%                   | 9/1/2025                        | Los Angeles     | Office        | \$635 / sqft               | 73%                            | 3           |
| 43 | Senior loan                | 6/1/2018                        | 138.1                        | 136.6                            | 136.0          | L + 3.40%                  | L + 3.74%                   | 5/28/2023                       | London-UK       | Office        | \$927 / sqft               | 70%                            | 1           |
| 44 | Senior loan                | 5/11/2017                       | 135.9                        | 135.9                            | 135.7          | L + 3.40%                  | L + 3.64%                   | 6/10/2023                       | Washington DC   | Office        | \$312 / sqft               | 38%                            | 2           |
| 45 | Senior loan                | 1/17/2020                       | 203.0                        | 133.5                            | 132.4          | L + 2.75%                  | L + 3.07%                   | 2/9/2025                        | New York        | Mixed-Use     | \$110 / sqft               | 43%                            | 3           |
| 46 | Senior loan                | 11/14/2017                      | 133.0                        | 133.0                            | 133.0          | L + 2.75%                  | L + 3.00%                   | 6/9/2023                        | Los Angeles     | Hospitality   | \$532,000 / key            | 56%                            | 3           |
| 47 | Senior loan                | 6/28/2019                       | 223.8                        | 128.9                            | 126.6          | L + 3.70%                  | L + 4.96%                   | 6/27/2024                       | London-UK       | Office        | \$420 / sqft               | 71%                            | 3           |
| 48 | Senior loan                | 12/14/2018                      | 135.6                        | 127.5                            | 127.4          | L + 2.90%                  | L + 3.25%                   | 1/9/2024                        | Diversified-US  | Industrial    | \$51 / sqft                | 57%                            | 3           |
| 49 | Senior loan                | 4/30/2018                       | 175.2                        | 124.1                            | 123.2          | L + 3.25%                  | L + 3.51%                   | 4/30/2023                       | London-UK       | Office        | \$558 / sqft               | 60%                            | 3           |
| 50 | Senior loan                | 10/1/2019                       | 354.1                        | 124.0                            | 120.5          | L + 3.75%                  | L + 4.25%                   | 10/9/2025                       | Atlanta         | Mixed-Use     | \$365 / sqft               | 70%                            | 3           |

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|    | Loan Type <sup>(1)</sup>   | Origination Date <sup>(2)</sup> | Total Loan <sup>(3)(4)</sup> | Principal Balance <sup>(4)</sup> | Net Book Value | Cash Coupon <sup>(5)</sup> | All-in Yield <sup>(5)</sup> | Maximum Maturity <sup>(6)</sup> | Location        | Property Type | Loan Per SQFT / Unit / Key | Origination LTV <sup>(2)</sup> | Risk Rating |
|----|----------------------------|---------------------------------|------------------------------|----------------------------------|----------------|----------------------------|-----------------------------|---------------------------------|-----------------|---------------|----------------------------|--------------------------------|-------------|
| 51 | Senior loan                | 11/27/2019                      | 146.3                        | 123.8                            | 122.8          | L + 2.75%                  | L + 3.13%                   | 12/9/2024                       | Minneapolis     | Office        | \$124 / sqft               | 64%                            | 3           |
| 52 | Senior loan                | 6/28/2019                       | 125.0                        | 117.2                            | 116.8          | L + 2.75%                  | L + 2.91%                   | 2/1/2024                        | Los Angeles     | Office        | \$591 / sqft               | 48%                            | 3           |
| 53 | Senior loan                | 3/10/2020                       | 140.0                        | 116.4                            | 116.3          | L + 2.50%                  | L + 2.67%                   | 1/9/2025                        | New York        | Mixed-Use     | \$75 / sqft                | 53%                            | 3           |
| 54 | Senior loan                | 7/15/2019                       | 144.6                        | 114.2                            | 113.4          | L + 2.90%                  | L + 3.25%                   | 8/9/2024                        | Houston         | Office        | \$207 / sqft               | 58%                            | 3           |
| 55 | Senior loan                | 10/17/2016                      | 113.7                        | 113.7                            | 113.7          | L + 3.95%                  | L + 3.96%                   | 10/21/2021                      | Diversified-UK  | Self-Storage  | \$156 / sqft               | 73%                            | 3           |
| 56 | Senior loan                | 11/30/2018                      | 151.1                        | 110.8                            | 110.1          | L + 2.55%                  | L + 2.81%                   | 12/9/2024                       | Washington DC   | Office        | \$316 / sqft               | 60%                            | 3           |
| 57 | Senior loan                | 12/21/2018                      | 123.1                        | 109.8                            | 109.4          | L + 2.60%                  | L + 3.00%                   | 1/9/2024                        | Chicago         | Office        | \$215 / key                | 72%                            | 3           |
| 58 | Senior loan                | 3/25/2020                       | 130.2                        | 106.3                            | 105.3          | L + 2.40%                  | L + 2.78%                   | 3/31/2025                       | Diversified-NL  | Multi         | \$129,761 / unit           | 65%                            | 3           |
| 59 | Senior loan <sup>(4)</sup> | 9/22/2017                       | 111.7                        | 105.1                            | 26.2           | L + 5.25%                  | L + 5.48%                   | 10/9/2022                       | San Francisco   | Multi         | \$547,745 / unit           | 46%                            | 3           |
| 60 | Senior loan                | 10/16/2018                      | 113.7                        | 104.8                            | 104.5          | L + 3.25%                  | L + 3.57%                   | 11/9/2023                       | San Francisco   | Hospitality   | \$228,299 / key            | 72%                            | 4           |
| 61 | Senior loan                | 3/13/2018                       | 123.0                        | 103.6                            | 103.2          | L + 3.00%                  | L + 3.27%                   | 4/9/2025                        | Honolulu        | Hospitality   | \$160,580 / key            | 50%                            | 3           |
| 62 | Senior loan                | 12/10/2018                      | 121.4                        | 98.2                             | 97.2           | L + 2.95%                  | L + 3.34%                   | 12/3/2024                       | London-UK       | Office        | \$469 / sqft               | 72%                            | 3           |
| 63 | Senior loan                | 4/12/2018                       | 103.1                        | 96.5                             | 96.4           | L + 2.75%                  | L + 3.06%                   | 5/9/2023                        | San Francisco   | Office        | \$252 / sqft               | 72%                            | 3           |
| 64 | Senior loan                | 3/28/2019                       | 98.4                         | 96.1                             | 96.0           | L + 3.25%                  | L + 3.40%                   | 1/9/2024                        | New York        | Hospitality   | \$248,380 / key            | 63%                            | 4           |
| 65 | Senior loan                | 12/23/2019                      | 109.7                        | 95.7                             | 95.0           | L + 2.70%                  | L + 3.03%                   | 1/9/2025                        | Miami           | Multi         | \$331,037 / unit           | 68%                            | 3           |
| 66 | Senior loan                | 8/18/2017                       | 94.9                         | 94.9                             | 94.8           | L + 4.10%                  | L + 4.41%                   | 8/18/2022                       | Brussels-BE     | Office        | \$147 / sqft               | 59%                            | 1           |
| 67 | Senior loan                | 5/16/2014                       | 92.0                         | 92.0                             | 91.9           | L + 3.85%                  | L + 4.04%                   | 7/9/2022                        | Miami           | Office        | \$198 / sqft               | 67%                            | 3           |
| 68 | Senior loan                | 3/31/2017                       | 96.9                         | 90.0                             | 90.3           | L + 4.30%                  | L + 4.69%                   | 4/9/2022                        | New York        | Office        | \$441 / sqft               | 64%                            | 3           |
| 69 | Senior loan <sup>(4)</sup> | 3/23/2020                       | 348.6                        | 88.8                             | 16.7           | L + 3.75%                  | L + 4.41%                   | 1/9/2025                        | Nashville       | Mixed-Use     | \$298 / sqft               | 78%                            | 3           |
| 70 | Senior loan                | 2/18/2015                       | 87.7                         | 87.7                             | 87.7           | L + 3.75%                  | L + 4.88%                   | 1/9/2021                        | Diversified-CA  | Office        | \$181 / sqft               | 71%                            | 3           |
| 71 | Senior loan                | 11/22/2019                      | 85.0                         | 85.0                             | 84.8           | L + 2.99%                  | L + 3.27%                   | 12/1/2024                       | San Jose        | Multi         | \$317,164 / unit           | 62%                            | 3           |
| 72 | Senior loan                | 2/20/2019                       | 138.8                        | 80.2                             | 79.0           | L + 3.25%                  | L + 3.89%                   | 2/19/2024                       | London-UK       | Office        | \$394 / sqft               | 61%                            | 3           |
| 73 | Senior loan                | 6/29/2016                       | 83.4                         | 80.0                             | 79.8           | L + 2.80%                  | L + 3.04%                   | 7/9/2021                        | Miami           | Office        | \$308 / sqft               | 64%                            | 2           |
| 74 | Senior loan                | 6/18/2019                       | 75.0                         | 75.0                             | 74.6           | L + 2.75%                  | L + 3.15%                   | 7/9/2024                        | Napa Valley     | Hospitality   | \$785,340 / key            | 74%                            | 4           |
| 75 | Senior loan                | 6/27/2019                       | 84.0                         | 74.2                             | 73.9           | L + 2.50%                  | L + 2.77%                   | 7/9/2024                        | West Palm Beach | Office        | \$254 / sqft               | 70%                            | 3           |

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|     | Loan Type <sup>(1)</sup> | Origination Date <sup>(2)</sup> | Total Loan <sup>(3)(4)</sup> | Principal Balance <sup>(4)</sup> | Net Book Value | Cash Coupon <sup>(5)</sup> | All-in Yield <sup>(5)</sup> | Maximum Maturity <sup>(6)</sup> | Location            | Property Type | Loan Per SQFT / Unit / Key | Origination LTV <sup>(2)</sup> | Risk Rating |
|-----|--------------------------|---------------------------------|------------------------------|----------------------------------|----------------|----------------------------|-----------------------------|---------------------------------|---------------------|---------------|----------------------------|--------------------------------|-------------|
| 76  | Senior loan              | 7/26/2018                       | 84.1                         | 73.3                             | 73.3           | L + 2.75%                  | L + 2.85%                   | 1/29/2024                       | Columbus            | Multi         | \$69,038 / unit            | 69%                            | 3           |
| 77  | Senior loan              | 4/5/2018                        | 85.3                         | 71.2                             | 71.1           | L + 3.10%                  | L + 3.51%                   | 4/9/2023                        | Diversified-US      | Industrial    | \$26 / sqft                | 54%                            | 3           |
| 78  | Senior loan              | 3/21/2018                       | 74.3                         | 69.4                             | 69.2           | L + 3.10%                  | L + 3.33%                   | 3/21/2024                       | Jacksonville        | Office        | \$91 / sqft                | 72%                            | 2           |
| 79  | Senior loan              | 1/30/2020                       | 104.4                        | 66.7                             | 66.0           | L + 2.85%                  | L + 3.22%                   | 2/9/2026                        | Honolulu            | Hospitality   | \$214,341 / key            | 63%                            | 4           |
| 80  | Senior loan              | 10/5/2018                       | 66.2                         | 66.2                             | 66.0           | L + 5.50%                  | L + 5.65%                   | 10/5/2021                       | Sydney-AU           | Office        | \$703 / sqft               | 78%                            | 3           |
| 81  | Senior loan              | 8/22/2019                       | 74.3                         | 65.0                             | 64.6           | L + 2.55%                  | L + 2.93%                   | 9/9/2024                        | Los Angeles         | Office        | \$389 / sqft               | 63%                            | 3           |
| 82  | Senior loan              | 6/29/2017                       | 63.4                         | 63.4                             | 63.3           | L + 3.40%                  | L + 3.65%                   | 7/9/2023                        | New York            | Multi         | \$184,768 / unit           | 69%                            | 4           |
| 83  | Senior loan              | 10/31/2018                      | 63.3                         | 59.2                             | 59.2           | L + 5.00%                  | L + 5.00%                   | 11/9/2023                       | New York            | Multi         | \$307,319 / unit           | 61%                            | 2           |
| 84  | Senior loan              | 6/26/2019                       | 72.8                         | 57.1                             | 56.6           | L + 3.35%                  | L + 3.66%                   | 6/20/2024                       | London-UK           | Office        | \$645 / sqft               | 61%                            | 3           |
| 85  | Senior loan              | 10/6/2017                       | 55.9                         | 55.8                             | 55.8           | L + 2.95%                  | L + 3.15%                   | 10/9/2022                       | Nashville           | Multi         | \$99,598 / unit            | 74%                            | 2           |
| 86  | Senior loan              | 12/10/2020                      | 61.2                         | 54.3                             | 53.8           | L + 3.25%                  | L + 3.54%                   | 1/9/2026                        | Fort Lauderdale     | Office        | \$187 / sqft               | 68%                            | 3           |
| 87  | Senior loan              | 8/16/2019                       | 54.3                         | 54.3                             | 54.2           | L + 2.75%                  | L + 2.95%                   | 9/1/2022                        | Sarasota            | Multi         | \$238,158 / unit           | 76%                            | 3           |
| 88  | Senior loan              | 8/14/2019                       | 70.3                         | 53.8                             | 53.4           | L + 2.45%                  | L + 2.87%                   | 9/9/2024                        | Los Angeles         | Office        | \$617 / sqft               | 57%                            | 3           |
| 89  | Senior loan              | 11/23/2016                      | 53.6                         | 53.6                             | 53.5           | L + 3.50%                  | L + 4.07%                   | 12/9/2022                       | New York            | Multi         | \$223,254 / unit           | 65%                            | 4           |
| 90  | Senior loan              | 3/11/2014                       | 52.4                         | 52.4                             | 52.4           | n/m <sup>(7)</sup>         | n/m <sup>(7)</sup>          | 7/9/2021                        | New York            | Multi         | \$588,633 / unit           | 65%                            | 5           |
| 91  | Senior loan              | 11/30/2016                      | 60.5                         | 52.0                             | 51.9           | L + 3.10%                  | L + 3.22%                   | 12/9/2023                       | Chicago             | Retail        | \$1,014 / sqft             | 54%                            | 4           |
| 92  | Senior loan              | 6/12/2019                       | 55.0                         | 48.3                             | 48.3           | L + 3.25%                  | L + 3.37%                   | 7/1/2022                        | Grand Rapids        | Multi         | \$92,529 / unit            | 69%                            | 3           |
| 93  | Senior loan              | 8/29/2017                       | 51.2                         | 47.5                             | 47.5           | L + 3.35%                  | L + 3.35%                   | 10/9/2022                       | Southern California | Industrial    | \$96 / sqft                | 65%                            | 3           |
| 94  | Senior loan              | 2/20/2019                       | 52.7                         | 44.1                             | 43.8           | L + 3.50%                  | L + 3.92%                   | 3/9/2024                        | Calgary-CAN         | Office        | \$121 / sqft               | 52%                            | 3           |
| 95  | Senior loan              | 11/3/2017                       | 45.0                         | 44.0                             | 43.9           | L + 3.00%                  | L + 3.26%                   | 11/1/2022                       | Los Angeles         | Office        | \$205 / sqft               | 50%                            | 1           |
| 96  | Senior loan              | 2/21/2020                       | 43.8                         | 43.8                             | 43.6           | L + 2.95%                  | L + 3.27%                   | 3/1/2025                        | Atlanta             | Multi         | \$137,304 / unit           | 68%                            | 3           |
| 97  | Senior loan              | 6/26/2015                       | 41.0                         | 41.0                             | 41.0           | L + 3.75%                  | L + 4.36%                   | 1/9/2021                        | San Diego           | Office        | \$187 / sqft               | 73%                            | 3           |
| 98  | Senior loan              | 12/27/2016                      | 36.0                         | 36.0                             | 36.0           | L + 3.10%                  | L + 3.45%                   | 7/9/2023                        | New York            | Multi         | \$617,619 / unit           | 64%                            | 3           |
| 99  | Senior loan              | 12/13/2019                      | 39.1                         | 35.9                             | 35.3           | L + 3.55%                  | L + 4.49%                   | 6/12/2024                       | Diversified-FR      | Industrial    | \$25 / sqft                | 55%                            | 3           |
| 100 | Senior loan              | 11/19/2020                      | 34.7                         | 34.7                             | 34.3           | L + 3.50%                  | L + 3.85%                   | 12/9/2025                       | Scottsdale          | Multi         | \$203,880 / unit           | 59%                            | 3           |

continued...

|     | Loan Type <sup>(1)</sup> | Origination Date <sup>(2)</sup> | Total Loan <sup>(3)(4)</sup> | Principal Balance <sup>(4)</sup> | Net Book Value | Cash Coupon <sup>(5)</sup> | All-in Yield <sup>(5)</sup> | Maximum Maturity <sup>(6)</sup> | Location        | Property Type | Loan Per SQFT / Unit / Key | Origination LTV <sup>(2)</sup> | Risk Rating |
|-----|--------------------------|---------------------------------|------------------------------|----------------------------------|----------------|----------------------------|-----------------------------|---------------------------------|-----------------|---------------|----------------------------|--------------------------------|-------------|
| 101 | Senior loan              | 10/31/2018                      | 35.7                         | 34.3                             | 34.4           | L + 5.00%                  | L + 4.97%                   | 11/9/2023                       | New York        | Condo         | \$444,934 / unit           | 64%                            | 3           |
| 102 | Senior loan              | 10/31/2019                      | 33.9                         | 33.2                             | 33.2           | L + 3.25%                  | L + 3.34%                   | 11/1/2024                       | Raleigh         | Multi         | \$163,786 / unit           | 52%                            | 3           |
| 103 | Senior loan              | 10/31/2019                      | 31.5                         | 31.5                             | 31.4           | L + 3.25%                  | L + 3.33%                   | 11/1/2024                       | Atlanta         | Multi         | \$165,711 / unit           | 60%                            | 3           |
| 104 | Senior loan              | 10/31/2019                      | 30.2                         | 30.0                             | 30.0           | L + 3.25%                  | L + 3.33%                   | 11/1/2024                       | Austin          | Multi         | \$158,929 / unit           | 52%                            | 3           |
| 105 | Senior loan              | 11/19/2020                      | 37.8                         | 28.2                             | 27.9           | L + 3.50%                  | L + 3.90%                   | 12/9/2025                       | Chicago         | Multi         | \$161,351 / unit           | 53%                            | 3           |
| 106 | Senior loan              | 11/19/2020                      | 28.2                         | 28.0                             | 27.7           | L + 3.50%                  | L + 3.85%                   | 12/9/2025                       | Charlotte       | Multi         | \$177,171 / unit           | 61%                            | 3           |
| 107 | Senior loan              | 11/19/2020                      | 33.7                         | 27.7                             | 27.3           | L + 3.50%                  | L + 3.88%                   | 12/9/2025                       | Virginia Beach  | Multi         | \$160,839 / unit           | 61%                            | 3           |
| 108 | Senior loan              | 10/31/2019                      | 27.2                         | 27.2                             | 27.2           | L + 3.25%                  | L + 3.32%                   | 11/1/2024                       | Austin          | Multi         | \$135,323 / unit           | 53%                            | 3           |
| 109 | Senior loan              | 6/26/2019                       | 25.5                         | 25.5                             | 25.5           | L + 3.25%                  | L + 3.25%                   | 2/1/2021                        | Lake Charles    | Multi         | \$95,149 / unit            | 73%                            | 1           |
| 110 | Senior loan              | 3/24/2020                       | 22.0                         | 22.0                             | 22.0           | L + 3.25%                  | L + 3.26%                   | 10/1/2021                       | San Jose        | Multi         | \$400,000 / unit           | 58%                            | 3           |
| 111 | Senior loan              | 3/8/2017                        | 21.3                         | 21.3                             | 21.3           | 4.79% <sup>(8)</sup>       | 5.12% <sup>(8)</sup>        | 12/23/2021                      | Montreal-CAN    | Office        | \$58 / sqft                | 45%                            | 2           |
| 112 | Senior loan              | 12/23/2019                      | 26.2                         | 21.1                             | 21.0           | L + 2.85%                  | L + 3.21%                   | 1/9/2025                        | Miami           | Office        | \$355 / sqft               | 68%                            | 3           |
| 113 | Senior loan              | 6/15/2018                       | 22.0                         | 20.4                             | 20.6           | L + 3.60%                  | L + 3.67%                   | 7/1/2022                        | Phoenix         | Multi         | \$71,430 / unit            | 78%                            | 1           |
| 114 | Senior loan              | 12/15/2017                      | 20.1                         | 20.1                             | 20.0           | L + 5.00%                  | L + 5.24%                   | 12/9/2021                       | Diversified-US  | Hospitality   | \$303,882 / key            | 50%                            | 3           |
| 115 | Senior loan              | 4/26/2019                       | 20.0                         | 20.0                             | 20.0           | L + 2.93%                  | L + 3.38%                   | 5/1/2024                        | Nashville       | Multi         | \$198,020 / unit           | 73%                            | 3           |
| 116 | Senior loan              | 3/30/2016                       | 16.9                         | 16.9                             | 17.0           | L + 5.15%                  | L + 5.25%                   | 9/3/2021                        | Diversified-CAN | Self-Storage  | \$3,682 / unit             | 56%                            | 1           |
| 117 | Senior loan              | 4/30/2019                       | 15.5                         | 14.8                             | 14.7           | L + 3.00%                  | L + 3.32%                   | 5/1/2024                        | Houston         | Multi         | \$47,837 / unit            | 78%                            | 3           |
| 118 | Senior loan              | 6/21/2019                       | 14.8                         | 14.5                             | 14.4           | L + 3.30%                  | L + 3.41%                   | 7/1/2022                        | Portland        | Multi         | \$130,180 / unit           | 66%                            | 2           |
| 119 | Senior loan              | 2/28/2019                       | 15.3                         | 14.3                             | 14.3           | L + 3.00%                  | L + 3.29%                   | 3/1/2024                        | San Antonio     | Multi         | \$62,223 / unit            | 75%                            | 3           |
| 120 | Senior loan              | 5/22/2014                       | 14.0                         | 14.0                             | 14.0           | L + 2.90%                  | L + 3.15%                   | 6/15/2021                       | Orange County   | Office        | \$25 / sqft                | 74%                            | 2           |
|     | CECL reserve             |                                 |                              |                                  | (173.5)        |                            |                             |                                 |                 |               |                            |                                |             |
|     | Loans receivable, net    |                                 | \$ 21,417.6                  | \$ 17,454.6                      | \$ 16,399.2    | L + 3.24 %                 | L + 3.58 %                  | 3.1 yrs                         |                 |               |                            | 65%                            | 3.0         |

- (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, 2020, five loans in our portfolio have been financed with an aggregate \$801.8 million of non-consolidated senior interest, which are included in the table above. Portfolio excludes our \$79.2 million subordinate position in the \$735.5 million 2018 Single Asset Securitization. Refer to Notes 4 and 16 to our consolidated financial statements for details of the 2018 Single Asset Securitization.
- (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, GBP LIBOR, EURIBOR, BBSY, and CDOR, as applicable to each loan. As of December 31, 2020, 98% of our loans by total loan exposure earned a floating rate of interest, primarily indexed to USD LIBOR, and \$14.2 billion of such loans earned interest based on floors that are above the applicable index. The other 2% of our loans earned a fixed rate of interest, which we reflect as a spread over the relevant floating benchmark rates, as of December 31, 2020, for purposes of the weighted-averages. 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.
- (7) Loans are accounted for under the cost-recovery method.
- (8) Loan consists of one or more floating and fixed rate tranches. Coupon and all-in yield assume applicable floating benchmark rates for weighted-average calculation.

## **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, 2020, 98% of our investments by total investment 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. As of December 31, 2020, the remaining 2% of our investments by total investment exposure earned a fixed rate of interest, but are financed with liabilities that pay interest at floating rates, which resulted in a negative correlation to rising interest rates to the extent of our financing. In certain instances where we have financed fixed rate assets with floating rate liabilities, we have purchased interest rate caps to limit our exposure to increases in interest rates on such liabilities.

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, the Canadian Dollar Offered Rate and the Australian Bank Bill Swap Reference Rate, or collectively, IBORs, are the subject of recent national, international and regulatory guidance and proposals for reform. On November 30, 2020, the Financial Conduct Authority of the U.K., or FCA, which has statutory powers to require panel banks to contribute to LIBOR where necessary, announced that subject to confirmation following its consultation with the administrator of LIBOR, it would cease publication of the one-week and two-month USD LIBOR immediately after December 31, 2021 and cease publication of the remaining tenors immediately after June 30, 2023. Additionally, the Federal Reserve Board has advised banks to stop entering into new USD LIBOR based contracts. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, has identified the Secured Overnight Financing Rate, or SOFR, a new index calculated by short-term repurchase agreements, backed by Treasury securities, as its preferred alternative rate for LIBOR. At this time, it is not possible to predict how markets will respond to SOFR or other alternative reference rates as the transition away from the IBOR benchmarks is anticipated in coming years. Refer to “Part I. Item 1A. Risk Factors—Risks Related to Our Lending and Investment Activities—The expected discontinuation of currently used financial reference rates and 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 impact on our interest income and expense, net of incentive fees, for the twelve-month period following December 31, 2020, assuming an immediate increase or decrease of both 25 and 50 basis points in the applicable interest rate benchmark by currency (\$ in thousands):

| Currency           | Assets (Liabilities)<br>Sensitive to Changes<br>in Interest Rates <sup>(1)(2)(3)</sup> |                    | Interest Rate Sensitivity as of December 31, 2020 |                 |                                  |                 |
|--------------------|--|--------------------|---|-----------------|----------------------------------|-----------------|
|                    |  |                    | Increase in Rates                                 |                 | Decrease in Rates <sup>(4)</sup> |                 |
|                    |  |                    | 25 Basis Points                                   | 50 Basis Points | 25 Basis Points                  | 50 Basis Points |
| USD                | \$ 12,516,341  | Income             | \$ 7,871  | \$ 16,569       | \$ (4,272)                       | \$ (4,272)      |
|                    | (9,087,879)  | Expense            | (15,261)  | (30,869)        | 8,783                            | 8,783           |
|                    | \$ 3,428,462   | Net interest       | \$ (7,390)  | \$ (14,300)     | \$ 4,511                         | \$ 4,511        |
| EUR <sup>(5)</sup> | \$ 3,420,351   | Income             | \$ —  | \$ —            | \$ —                             | \$ —            |
|                    | (2,498,055)  | Expense            | —   | —               | —                                | —               |
|                    | \$ 922,296   | Net interest       | \$ —  | \$ —            | \$ —                             | \$ —            |
| GBP                | \$ 1,578,932   | Income             | \$ 1,439  | \$ 3,333        | \$ (142)                         | \$ (142)        |
|                    | (1,124,222)  | Expense            | (2,248)   | (4,497)         | 229                              | 229             |
|                    | \$ 454,710   | Net interest       | \$ (809)  | \$ (1,164)      | \$ 87                            | \$ 87           |
| AUD                | \$ 259,788   | Income             | \$ —  | \$ —            | \$ —                             | \$ —            |
|                    | (188,420)  | Expense            | (377)   | (754)           | 90                               | 90              |
|                    | \$ 71,368  | Net interest       | \$ (377)  | \$ (754)        | \$ 90                            | \$ 90           |
| CAD                | \$ 45,649  | Income             | \$ 3  | \$ 6            | \$ (3)                           | \$ (6)          |
|                    | (62,760)   | Expense            | (126)   | (251)           | 126                              | 231             |
|                    | \$ (17,111)  | Net interest       | \$ (123)  | \$ (245)        | \$ 123                           | \$ 225          |
|                    |  | Total net interest | \$ (8,699)  | \$ (16,463)     | \$ 4,811                         | \$ 4,913        |

- (1) Our floating rate loans and related liabilities are indexed to the various benchmark rates relevant in each case in terms of currency and payment frequency. Therefore the net exposure to each benchmark rate is in direct proportion to our net assets indexed to that rate. Increases (decreases) in interest income and expense are presented net of incentive fees. In addition, \$14.2 billion of our loans earned interest based on floors that are above the applicable index as of December 31, 2020. Refer to Note 12 to our consolidated financial statements for additional details of our incentive fee calculation.
- (2) Includes investment exposure to the 2018 Single Asset Securitization. Refer to Notes 4 and 16 to our consolidated financial statements for details of the subordinate position we own in the 2018 Single Asset Securitization.
- (3) Includes amounts outstanding under secured debt agreements, securitizations, asset-specific financings, and secured term loans.
- (4) Decrease in rates assumes the applicable benchmark rate for each currency does not decrease below 0%.
- (5) Assets balance includes a loan denominated in British Pound Sterling, with an outstanding principal balance of £146.2 million as of December 31, 2020, that is hedged to Euro exposure through a foreign currency forward contract. Refer to Note 10 to our consolidated financial statements for additional discussion of our foreign currency derivatives.

#### *Investment Portfolio Value*

As of December 31, 2020, 2% of our investments by total investment exposure earned a fixed rate of interest and as such, the values of such investments are sensitive to changes in interest rates. We generally hold all of our investments to maturity and so do not expect to realize gains or losses on our fixed rate investment portfolio as a result of movements in market interest rates.

### *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 additional debt service payments due from our borrowers may strain the operating cash flows of the collateral real estate assets and, potentially, contribute to non-performance or, in severe cases, default. This risk is partially mitigated by various facts we consider during our underwriting process, which in certain cases include a requirement for our borrower to purchase an interest rate cap contract.

### **Credit Risks**

Our loans and investments are also subject to credit risk. The performance and value of our loans and investments 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 Manager's asset management team reviews our investment 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.

The COVID-19 pandemic has significantly impacted the commercial real estate markets, causing reduced occupancy, requests from tenants for rent deferral or abatement, and delays in construction and development projects currently planned or underway. These negative conditions have persisted, and in the future may continue to persist and impair our borrowers' ability to pay principal and interest due to us under our loan agreements. We maintain a robust asset management relationship with our borrowers and have utilized these relationships to address the potential impacts of the COVID-19 pandemic on our loans secured by properties experiencing cash flow pressure, most significantly hospitality assets. Some of our borrowers have indicated that due to the impact of the COVID-19 pandemic, they will be unable to timely execute their business plans, have had to temporarily close their businesses, or have experienced other negative business consequences and have requested temporary interest deferral or forbearance, or other modifications of their loans. During the three months ended December 31, 2020, we closed 18 loan modifications, representing an aggregate principal balance of \$2.5 billion, as of December 31, 2020. During the year ended December 31, 2020, we closed 49 loan modifications, representing an aggregate principal balance of \$6.5 billion, as of December 31, 2020. The loan modifications primarily included term extensions, interest rate changes, repurposing of reserves, and performance test or covenant waivers, many of which were coupled with additional equity commitments from sponsors, with virtually no interest deferrals.

We are generally encouraged by our borrowers' initial response to the COVID-19 pandemic's impacts on their properties. With limited exceptions, we believe our loan sponsors are committed to supporting assets collateralizing our loans through additional equity investments, and that we will benefit 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 investment portfolio's low origination weighted-average LTV of 64.0% as of December 31, 2020, reflects significant equity value that our sponsors are 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 Manager's portfolio monitoring and asset management operations benefit from the deep knowledge, experience, and information advantages derived from its position as part of Blackstone's real estate platform. Blackstone Real Estate is one of the largest owners and operators of real estate in the world, 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 our asset portfolio and work with our borrowers throughout periods of economic stress and uncertainty.

## 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. During the three months ended June 30, 2020, we entered into agreements with our seven largest secured credit facility lenders, representing an aggregate \$7.9 billion of our secured credit facilities as of June 30, 2020, to temporarily suspend credit mark provisions and pre-approve certain loan modifications to certain of their portfolio assets, primarily in exchange for cash repayments and pledging additional loan collateral. During the three months ended December 31, 2020, we extended the credit facility modification agreements with the seven lenders without any further deleveraging or increased cost.

## 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 and investments 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 an investment and active monitoring of the asset portfolios that serve as our collateral.

## Currency Risk

Our loans and investments 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 foreign currency assets to the currency of the borrowings that finance those assets. As a result, we substantially reduce our exposure to changes in portfolio value related to changes in foreign currency rates.

The following tables outline our assets and liabilities that are denominated in a foreign currency (€/£/C\$/A\$ in thousands):

|   | December 31, 2020 |             |            |             |
|---|-------------------|-------------|------------|-------------|
| Foreign currency assets <sup>(1)(2)</sup>   | € 2,817,831       | £ 1,400,798 | C\$107,888 | A\$ 343,141 |
| Foreign currency liabilities <sup>(1)</sup> | (2,044,299)       | (1,023,437) | (79,944)   | (245,522)   |
| Foreign currency contracts – notional       | (763,132)         | (372,487)   | (26,200)   | (92,800)    |
| Net exposure to exchange rate fluctuations  | € 10,400          | £ 4,874     | C\$ 1,744  | A\$ 4,819   |

(1) Balances include non-consolidated senior interests of £198.8 million.

(2) Euro balance includes a loan denominated in British Pound Sterling, with an outstanding principal balance of £146.2 million as of December 31, 2020, that is hedged to Euro exposure through a foreign currency forward contract. Refer to Note 10 to our consolidated financial statements for additional discussion of our foreign currency derivatives.

|   | <b>December 31, 2019</b> |                 |                  |                  |
|---|--------------------------|-----------------|------------------|------------------|
| Foreign currency assets <sup>(1)</sup>      | € 2,736,673              | £ 1,639,881     | C\$105,273       | A\$ 518,315      |
| Foreign currency liabilities <sup>(1)</sup> | (2,122,767)              | (1,017,239)     | (77,550)         | (379,968)        |
| Foreign currency contracts – notional       | (525,600)                | (527,100)       | (23,200)         | (135,600)        |
| Net exposure to exchange rate fluctuations  | <u>€ 88,306</u>          | <u>£ 95,542</u> | <u>C\$ 4,523</u> | <u>A\$ 2,747</u> |

(1) Balances include non-consolidated senior interests of £302.0 million.

Substantially all of our net asset exposure to the Euro, the British Pound Sterling, the Australian Dollar, and the Canadian Dollar has been hedged with foreign currency forward contracts as of December 31, 2020.

## **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. The supplementary financial data required by Item 302 of Regulation S-K appears in Note 19 to the consolidated financial statements.

## **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 the 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, 2020, 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, 2020, 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, 2020, which is included herein.

### **ITEM 9B. OTHER INFORMATION**

None.

### 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, 2021 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, 2021 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, 2020, 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:

| <u>Plan category</u>  | <u>(a)<br/>Number of securities<br/>to be issued upon<br/>exercise of<br/>outstanding options,<br/>warrants, and rights</u> | <u>(b)<br/>Weighted-average<br/>exercise price of<br/>outstanding options,<br/>warrants, and rights</u> | <u>(c)<br/>Number of securities<br/>remaining available<br/>for future issuance<br/>under equity compensation<br/>plans (excluding securities<br/>reflected in column (a))</u> |
|---|---|---|--|
| Equity compensation plans approved by security holders <sup>(1)</sup>     | 306,691 <sup>(2)</sup>  | \$ —  | 2,263,098  |
| Equity compensation plans not approved by security holders <sup>(3)</sup> | —   | —   | —  |
| Total   | 306,691   | \$ —  | 2,263,098  |

(1) The number of securities remaining for future issuances consists of an aggregate 2,263,098 shares issuable under our 2018 stock incentive plan and our 2018 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 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, 2021 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, 2021 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, 2021 with the SEC pursuant to Regulation 14A under the Exchange Act.

**PART IV.**

**ITEM 15. EXHIBITS, 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         | 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)  |
| 3.1.a       | 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)  |
| 3.1.b       | 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)  |
| 3.1.c       | 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)   |
| 3.1.d       | 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)  |
| 3.1.e       | 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)  |
| 3.1.f       | 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)  |
| 3.1.g       | 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)   |
| 3.1.h       | Articles of Amendment dated June 8, 2020 (filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 11, 2020 and incorporated herein by reference)  |
| 3.2         | Fifth Amended and Restated Bylaws of Blackstone Mortgage Trust, Inc. (filed as Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q (File No. 1-14788) filed on April 23, 2019 and incorporated herein by reference)   |
| 4.1         | * Description of Securities of Blackstone Mortgage Trust, Inc.  |
| 4.2         | 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)          |
| 4.3         | Second Supplemental Indenture, dated 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)        |
| 4.4         | Form of 4.375% Convertible Senior Notes due 2022 (included as Exhibit A in Exhibit 4.3)   |
| 4.5         | Third Supplemental Indenture, dated 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. 001-14788) filed on March 27, 2018 and incorporated herein by reference) |
| 4.6         | Form of 4.75% Convertible Senior Notes due 2023 (included as Exhibit A in Exhibit 4.5)  |

| Exhibit No. | Exhibit Description  |
|-------------|--|
| 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        | + Capital Trust, Inc. Amended and Restated 1997 Non-Employee Director Stock Plan (filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 1-14788) filed on January 29, 1999 and incorporated herein by reference)  |
| 10.5        | + Capital Trust, Inc. 2007 Long-Term Incentive Plan (the "2007 Plan") (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 1-14788) filed on June 12, 2007 and incorporated herein by reference)  |
| 10.6        | + 2007 Amendment to the 2007 Plan (filed as Exhibit 10.20 to the Registrant's Annual Report on Form 10-K (File No. 1-14788) filed on March 5, 2008 and incorporated herein by reference)   |
| 10.7        | + Capital Trust, Inc. 2011 Long-Term Incentive Plan (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 1-14788) filed on June 28, 2011 and incorporated herein by reference)  |
| 10.8        | + Blackstone Mortgage Trust, Inc. 2013 Stock Incentive Plan (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 1-14788) filed on July 1, 2013 and incorporated herein by reference)   |
| 10.9        | + Form of Restricted Stock Award of Blackstone Mortgage Trust, Inc. 2013 Stock Incentive Plan (filed as Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q (File No. 1-14788) filed on October 29, 2013 and incorporated herein by reference)  |
| 10.10       | + Form of Restricted Stock Award of Blackstone Mortgage Trust, Inc. 2013 Stock Incentive Plan (filed as Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q (File No. 1-14788) filed on October 28, 2014 and incorporated herein by reference)  |
| 10.11       | + Blackstone Mortgage Trust, Inc. 2013 Manager Incentive Plan (filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 1-14788) filed on July 1, 2013 and incorporated herein by reference)   |
| 10.12       | + Form of Restricted Stock Award of Blackstone Mortgage Trust, Inc. 2013 Manager Incentive Plan (filed as Exhibit 10.6 to the Registrant's Quarterly Report on Form 10-Q (File No. 1-14788) filed on October 29, 2013 and incorporated herein by reference)  |
| 10.13       | + Form of Restricted Stock Award of Blackstone Mortgage Trust, Inc. 2013 Manager Incentive Plan (filed as Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q (File No. 1-14788) filed on October 28, 2014 and incorporated herein by reference)  |
| 10.14       | + Blackstone Mortgage Trust, Inc. 2016 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, 2016 and incorporated herein by reference)  |

| Exhibit No. | Exhibit Description  |
|-------------|--|
| 10.15       | + Form of Restricted Stock Award of Blackstone Mortgage Trust, Inc. 2016 Stock Incentive Plan (filed as Exhibit 10.18 to the Registrant's Annual Report on Form 10-K (File No. 1-14788) filed on February 14, 2017 and incorporated herein by reference)   |
| 10.16       | + Blackstone Mortgage Trust, Inc. 2016 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, 2016 and incorporated herein by reference)  |
| 10.17       | + Form of Restricted Stock Award of Blackstone Mortgage Trust, Inc. 2016 Manager Incentive Plan (filed as Exhibit 10.20 to the Registrant's Annual Report on Form 10-K (File No. 1-14788) filed on February 14, 2017 and incorporated herein by reference)   |
| 10.18       | + 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)  |
| 10.19       | + 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)   |
| 10.20       | + 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)  |
| 10.21       | + 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)   |
| 10.22       | + 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)  |
| 10.23       | Master Repurchase Agreement, dated as of May 21, 2013, by and between Bank of America, N.A. and Parlex 1 Finance, LLC (filed as Exhibit 10.25 of the Registrant's Registration Statement on Form S-11 (No. 333-187541) filed on May 22, 2013 and incorporated herein by reference)   |
| 10.24       | Joinder Agreement, dated as of September 23, 2013, by Parlex 1 Finance, LLC, Parlex 3 Finance LLC and Bank of America, N.A. (filed as Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q (File No. 1-14788) filed on October 29, 2013 and incorporated herein by reference)                                    |
| 10.25       | Joinder Termination Agreement, dated as of March 25, 2016, among Parlex 1 Finance, LLC, Parlex 3 Finance, LLC and Bank of America, N.A. (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q (File No. 1-14788) filed on April 26, 2016 and incorporated herein by reference)                          |
| 10.26       | Amendment No. 1 to Master Repurchase Agreement, dated as of September 23, 2013, by and between Bank of America, N.A. and Parlex 1 Finance, LLC (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q (File No. 1-14788) filed on October 29, 2013 and incorporated herein by reference)                 |
| 10.27       | Amendment No. 2 to Master Repurchase Agreement, dated as of June 30, 2014, by and among Parlex 1 Finance, LLC, Parlex 3 Finance, LLC, and Bank of America, N.A. (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q (File No. 1-14788) filed on April 28, 2015 and incorporated herein by reference)  |
| 10.28       | Amendment No. 3 to Master Repurchase Agreement, dated as of March 27, 2015, by and among Parlex 1 Finance, LLC, Parlex 3 Finance, LLC, and Bank of America, N.A. (filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q (File No. 1-14788) filed on April 28, 2015 and incorporated herein by reference) |

| Exhibit No. | Exhibit Description   |
|-------------|---|
| 10.29       | Amendment No. 4 to Master Repurchase Agreement, dated as of March 25, 2016, by and between Parlex 1 Finance, LLC and Bank of America, N.A. (filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q (File No. 1-14788) filed on April 26, 2016 and incorporated herein by reference)  |
| 10.30       | Amendment No. 5 to Master Repurchase Agreement, dated as of December 21, 2017, among Parlex 1 Finance, LLC and Bank of America, N.A. (filed as Exhibit 10.7 to the Registrant's Quarterly Report on Form 10-Q (File No. 1-14788) filed on April 24, 2018 and incorporated herein by reference)  |
| 10.31       | Amendment No. 6 to Master Repurchase Agreement, dated as of March 30, 2018, among Parlex 1 Finance, LLC and Bank of America, N.A. (filed as Exhibit 10.8 to the Registrant's Quarterly Report on Form 10-Q (File No. 1-14788) filed on April 24, 2018 and incorporated herein by reference)   |
| 10.32       | Amendment No. 7 to Master Repurchase Agreement, dated as of December 19, 2019, among Parlex 1 Finance, LLC and Bank of America, N.A. (filed as Exhibit 10.32 to the Registrant's Annual Report on Form 10-K (File No. 1-14788) filed on February 11, 2020 and incorporated herein by reference)   |
| 10.33       | Amendment No. 8 to Master Repurchase Agreement, dated as of February 19, 2020, among Parlex 1 Finance, LLC and Bank of America, N. A. (filed as Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q (File No. 1-14788) filed on April 28, 2020 and incorporated herein by reference)   |
| 10.34       | Guarantee Agreement, dated as of May 21, 2013, made by Blackstone Mortgage Trust, Inc. in favor of Bank of America, N.A. (filed as Exhibit 10.26 of the Registrant's Registration Statement on Form S-11 (No. 333-187541) filed on May 22, 2013 and incorporated herein by reference)   |
| 10.35       | Amendment No. 1 to Guarantee Agreement, dated as of September 23, 2013, made by Blackstone Mortgage Trust, Inc. in favor of Bank of America, N.A. (filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q (File No. 1-14788) filed on October 29, 2013 and incorporated herein by reference)   |
| 10.36       | Amendment No. 2 to Guarantee Agreement, dated as of February 21, 2014, made by Blackstone Mortgage Trust, Inc. in favor of Bank of America, N.A. (filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q (File No. 1-14788) filed on April 29, 2014 and incorporated herein by reference)  |
| 10.37       | Amendment No. 3 to Guarantee Agreement, dated as of November 25, 2019, made by Blackstone Mortgage Trust, Inc. in favor of Bank of America, N.A. (filed as Exhibit 10.36 to the Registrant's Annual Report on Form 10-K (File No. 1-14788) filed on February 11, 2020 and incorporated herein by reference)   |
| 10.38       | Fourth Amended and Restated Master Repurchase Agreement, dated as of February 15, 2019, 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 10.1 to the Registrant's Quarterly Report on Form 10-Q (File No. 1-14788) filed on April 23, 2019 and incorporated herein by reference)  |
| 10.39       | First Amendment, dated as of June 7, 2019, to Fourth Amended and Restated Master Repurchase Agreement, dated as of February 15, 2019, 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 10.1 to the Registrant's Quarterly Report on Form 10-Q (File No. 1-14788) filed on July 23, 2019 and incorporated herein by reference) |

| Exhibit No. | Exhibit Description  |
|-------------|--|
| 10.40       | Second Amendment, dated as of July 16, 2019, to Fourth Amended and Restated Master Repurchase Agreement by and 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 10.2 to the Registrant's Quarterly Report on Form 10-Q (File No. 1-14788) filed on October 23, 2019 and incorporated herein by reference)                                |
| 10.41       | Third Amendment, dated as of February 19, 2020, to Fourth Amended and Restated Master Repurchase Agreement, dated as of February 15, 2019, 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 April 28, 2020 and incorporated herein by reference)     |
| 10.42       | Fourth Amendment, dated as of September 30, 2020, to Fourth Amended and Restated Master Repurchase Agreement, dated as of February 15, 2019, 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 10.1 to the Registrant's Quarterly Report on Form 10-Q (File No. 1-14788) filed on October 29, 2020 and incorporated herein by reference) |
| 10.43       | 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)  |
| 10.44       | 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)  |
| 10.45       | 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)  |
| 10.46       | 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)  |
| 10.47       | 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)   |
| 10.48       | 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)  |
| 10.49       | 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)   |
| 10.50       | 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)  |

| Exhibit No. | Exhibit Description  |
|-------------|--|
| 10.51       | 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)      |
| 10.52       | 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)        |
| 10.53       | 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)          |
| 10.54       | 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)        |
| 10.55       | Amendment No. 5 to Amended and Restated Master Repurchase and Securities Contract, dated June 30, 2016, by and 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)         |
| 10.56       | Amendment No. 6 to Amended and Restated Master Repurchase and Securities Contract, dated as of March 13, 2017, by and 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) |
| 10.57       | Amendment No. 7 to Amended and Restated Master Repurchase and Securities Contract, dated as of March 31, 2017, by and 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) |
| 10.58       | 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)        |
| 10.59       | 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)    |
| 10.60       | 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)    |
| 10.61       | 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)    |

| Exhibit No. | Exhibit Description   |
|-------------|---|
| 10.62       | 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)  |
| 10.63       | Fourth Amended and Restated Master Repurchase and Securities Contract, dated as of June 30, 2016, by and among Parlex 5 Ken Finco, LLC, Parlex 5 Ken UK Finco, LLC, Parlex 5 Ken CAD Finco, LLC, Parlex 5 Ken ONT Finco, LLC, Parlex 5 Ken EUR 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 July 26, 2016 and incorporated herein by reference)   |
| 10.64       | Amendment No. 1 to Fourth Amended and Restated Master Repurchase and Securities Contract and Fourth Amended and Restated Fee and Pricing Letter, dated as of May 8, 2017 by and among Parlex 5 Ken Finco, LLC, Parlex 5 Ken UK Finco, LLC, Parlex 5 Ken CAD Finco, LLC, Parlex 5 Ken ONT Finco, LLC Parlex 5 Ken EUR 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 July 25, 2017 and incorporated herein by reference) |
| 10.65       | 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)  |
| 10.66       | 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)  |
| 10.67       | Master Repurchase Agreement, dated as of June 27, 2014, between Parlex 7 Finco, LLC and Metropolitan Life Insurance Company (filed as Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q (File No. 1-14788) filed on July 29, 2014 and incorporated herein by reference)  |
| 10.68       | Amendment No. 1 to Master Repurchase Agreement, dated as of February 24, 2015, by and between Parlex 7 Finco, LLC and Metropolitan Life Insurance Company (filed as Exhibit 10.6 to the Registrant's Quarterly Report on Form 10-Q (File No. 1-14788) filed on April 28, 2015 and incorporated herein by reference)   |
| 10.69       | Amendment No. 2 to Master Repurchase Agreement, dated as of April 22, 2016, by and between Parlex 7 Finco, LLC and Metropolitan Life Insurance Company (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q (File No. 1-14788) filed on July 26, 2016 and incorporated herein by reference)   |
| 10.70       | Amendment No. 3 to Master Repurchase Agreement, dated as of April 21, 2017, by and between Parlex 7 Finco, LLC and Metropolitan Life Insurance Company (filed as Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q (File No. 1-14788) filed on July 25, 2017 and incorporated herein by reference)   |
| 10.71       | Amendment No. 4 to Master Repurchase Agreement, dated as of September 23, 2019, by and between Parlex 7 Finco, LLC and Metropolitan Life Insurance Company (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q (File No. 1-14788) filed on October 23, 2019 and incorporated herein by reference)  |
| 10.72       | Guaranty, dated as of June 27, 2014, made by Blackstone Mortgage Trust, Inc., in favor of Metropolitan Life Insurance Company (filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q (File No. 1-14788) filed on October 28, 2014 and incorporated herein by reference)   |

| Exhibit No. | Exhibit Description   |
|-------------|---|
| 10.73       | Second Amended and Restated Master Repurchase Agreement, dated as of December 16, 2019, by and among Parlex 15 Finco, LLC and Deutsche Bank AG, Cayman Islands Branch (filed as Exhibit 10.67 to the Registrant's Annual Report on Form 10-K (File No. 1-14788) filed on February 11, 2020 and incorporated herein by reference)  |
| 10.74       | Member Guaranty made as of December 16, 2019 by Parlex 15 Holdco, LLC for the benefit of Deutsche Bank AG, Cayman Islands Branch (filed as Exhibit 10.68 to the Registrant's Annual Report on Form 10-K (File No. 1-14788) filed on February 11, 2020 and incorporated herein by reference)   |
| 10.75       | Senior Facilities Agreement, dated March 2, 2018, between Project Quasar Pledgeco S.L.U., Bank of America Merrill Lynch International Limited, Deutsche Bank AG, London Branch, J.P. Morgan Securities PLC, Morgan Stanley Bank, N.A., Morgan Stanley Principal Funding, Inc., Parlex 15 Lux Eur Finco, S.À.R.L., The Royal Bank of Scotland PLC, SOF Investments S.À.R.L. and Situs Asset Management Limited (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q (file No. 1-14788) filed on April 24, 2018 and incorporated herein by reference) |
| 10.76       | Amended and Restated Master Repurchase Agreement, dated as of June 19, 2019, by and among Parlex 3A Finco, LLC, Parlex 3A UK Finco, LLC, Parlex 3A Eur Finco, LLC and Barclays Bank plc. (filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q (file No. 1-14788) filed on July 23, 2019 and incorporated herein by reference)   |
| 10.77       | First Amendment, dated August 25, 2020, to Amended and Restated Master Repurchase Agreement, dated as of June 19, 2019, by and among Parlex 3A Finco, LLC, Parlex 3A UK Finco, LLC, Parlex 3A Eur Finco, LLC and Barclays Bank plc. (filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q (file No. 1-14788) filed on October 29, 2020 and incorporated herein by reference)   |
| 10.78       | Amended and Restated Guaranty, dated as of June 19, 2019 made by Blackstone Mortgage Trust, Inc. for the benefit of Barclays Bank plc (filed as Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q (file No. 1-14788) filed on July 23, 2019 and incorporated herein by reference)  |
| 10.79       | 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)   |
| 10.80       | 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)          |
| 10.81       | 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)   |
| 10.82       | 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)   |

| Exhibit No. | Exhibit Description   |
|-------------|---|
| 10.83       | 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) |
| 10.84       | 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)   |
| 10.85       | 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)                               |
| 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  |
| 104         | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)  |

\* 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.

## SIGNATURES

Pursuant to the requirements of Section 13 or Section 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BLACKSTONE MORTGAGE TRUST, INC.

February 10, 2021  
Date

By: /s/ Stephen D. Plavin  
Stephen D. Plavin  
Chief Executive Officer  
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

February 10, 2021  
Date

/s/ Michael B. Nash  
Michael B. Nash  
Executive Chairman of the Board of Directors

February 10, 2021  
Date

/s/ Stephen D. Plavin  
Stephen D. Plavin  
Chief Executive Officer and Director  
(Principal Executive Officer)

February 10, 2021  
Date

/s/ Anthony F. Marone, Jr.  
Anthony F. Marone, Jr.  
Chief Financial Officer  
(Principal Financial Officer and  
Principal Accounting Officer)

February 10, 2021  
Date

/s/ Leonard W. Cotton  
Leonard W. Cotton, Director

February 10, 2021  
Date

/s/ Thomas E. Dobrowski  
Thomas E. Dobrowski, Director

February 10, 2021  
Date

/s/ Martin L. Edelman  
Martin L. Edelman, Director

February 10, 2021  
Date

/s/ Henry N. Nassau  
Henry N. Nassau, Director

February 10, 2021  
Date

/s/ Jonathan L. Pollack  
Jonathan L. Pollack, Director

February 10, 2021  
Date

/s/ Lynne B. Sagalyn  
Lynne B. Sagalyn, Director

## INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULE

|   |      |
|---|------|
| Report of Independent Registered Public Accounting Firm   | F-2  |
| Consolidated Balance Sheets as of December 31, 2020 and 2019  | F-6  |
| Consolidated Statements of Operations for the Years Ended December 31, 2020, 2019, and 2018           | F-7  |
| Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2020, 2019, and 2018 | F-8  |
| Consolidated Statements of Changes in Equity for the Years Ended December 31, 2020, 2019, and 2018    | F-9  |
| Consolidated Statements of Cash Flows for the Years Ended December 31, 2020, 2019, and 2018           | F-10 |
| Notes to Consolidated Financial Statements  | F-12 |
| Schedule IV – Mortgage Loans on Real Estate   | S-1  |

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, 2020 and 2019, 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, 2020, 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, 2020, 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, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, 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, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by COSO.

### **Change in Accounting Principle**

As discussed in Note 2 to the financial statements, the Company has changed its method of accounting for credit losses in the year ended December 31, 2020 due to adoption of Accounting Standard Update, or ASU, 2016-13 “Financial Instruments – Credit Losses – Measurement of Credit Losses on Financial Instruments (Topic 326).”

### **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.

*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, assessed macro-economic and industry trends, and performed benchmarking analysis against peers.
- We tested the accuracy and completeness of quantitative data used by management to develop the adjustments to account for current and future 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 internal fair value specialists, we evaluated certain of these assumptions (e.g., guideline transactions, discount rates, capitalization rates). Our

internal fair value 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 10, 2021

We have served as the Company's auditor since 2013

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

|  | <b>December 31, 2020</b> | <b>December 31, 2019</b> |
|--|--------------------------|--------------------------|
| <b>Assets</b>  |                          |                          |
| Cash and cash equivalents  | \$ 289,970               | \$ 150,090               |
| Loans receivable   | 16,572,715               | 16,164,801               |
| Current expected credit loss reserve   | (173,549)                | —                        |
| Loans receivable, net  | 16,399,166               | 16,164,801               |
| Other assets   | 269,819                  | 236,980                  |
| <b>Total Assets</b>  | <b>\$ 16,958,955</b>     | <b>\$ 16,551,871</b>     |
| <b>Liabilities and Equity</b>  |                          |                          |
| Secured debt agreements, net   | \$ 7,880,536             | \$ 9,731,426             |
| Securitized debt obligations, net  | 2,922,499                | 1,187,084                |
| Asset-specific debt agreements, net  | 391,269                  | 323,504                  |
| Secured term loans, net  | 1,041,704                | 736,142                  |
| Convertible notes, net   | 616,389                  | 613,071                  |
| Other liabilities  | 202,327                  | 175,963                  |
| <b>Total Liabilities</b>   | <b>13,054,724</b>        | <b>12,767,190</b>        |
| Commitments and contingencies  | —                        | —                        |
| <b>Equity</b>  |                          |                          |
| Class A common stock, \$0.01 par value, 400,000,000 shares authorized and 146,780,031 shares issued and outstanding as of December 31, 2020, and 200,000,000 shares authorized and 135,003,662 shares issued and outstanding as of December 31, 2019 | 1,468                    | 1,350                    |
| Additional paid-in capital   | 4,702,713                | 4,370,014                |
| Accumulated other comprehensive income (loss)  | 11,170                   | (16,233)                 |
| Accumulated deficit  | (829,284)                | (592,548)                |
| Total Blackstone Mortgage Trust, Inc. stockholders' equity   | 3,886,067                | 3,762,583                |
| Non-controlling interests  | 18,164                   | 22,098                   |
| <b>Total Equity</b>  | <b>3,904,231</b>         | <b>3,784,681</b>         |
| <b>Total Liabilities and Equity</b>  | <b>\$ 16,958,955</b>     | <b>\$ 16,551,871</b>     |

Note: The consolidated balance sheets as of December 31, 2020 and December 31, 2019 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, 2020 and December 31, 2019, assets of the consolidated VIEs totaled \$3.6 billion and \$1.4 billion, respectively, and liabilities of the consolidated VIEs totaled \$2.9 billion and \$1.2 billion, respectively. Refer to Note 16 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, |             |             |
|---|-------------------------|-------------|-------------|
|   | 2020                    | 2019        | 2018        |
| <b>Income from loans and other investments</b>                                |                         |             |             |
| Interest and related income   | \$ 779,648              | \$ 882,679  | \$ 756,109  |
| Less: Interest and related expenses   | 347,471                 | 458,503     | 359,625     |
| <b>Income from loans and other investments, net</b>                           | 432,177                 | 424,176     | 396,484     |
| <b>Other expenses</b>   |                         |             |             |
| Management and incentive fees   | 77,916                  | 78,435      | 74,834      |
| General and administrative expenses   | 45,871                  | 38,854      | 35,529      |
| <b>Total other expenses</b>   | 123,787                 | 117,289     | 110,363     |
| <b>Increase in current expected credit loss reserve</b>                       | (167,653)               | —           | —           |
| <b>Income before income taxes</b>   | 140,737                 | 306,887     | 286,121     |
| <b>Income tax provision (benefit)</b>   | 323                     | (506)       | 308         |
| <b>Net income</b>   | 140,414                 | 307,393     | 285,813     |
| <b>Net income attributable to non-controlling interests</b>                   | (2,744)                 | (1,826)     | (735)       |
| <b>Net income attributable to Blackstone Mortgage Trust, Inc.</b>             | \$ 137,670              | \$ 305,567  | \$ 285,078  |
| <b>Net income per share of common stock basic and diluted</b>                 | \$ 0.97                 | \$ 2.35     | \$ 2.50     |
| <b>Weighted-average shares of common stock outstanding, basic and diluted</b> | 141,795,977             | 130,085,398 | 113,857,238 |

*See accompanying notes to consolidated financial statements.*

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

|   | Year Ended December 31, |            |            |
|---|-------------------------|------------|------------|
|   | 2020                    | 2019       | 2018       |
| Net income  | \$ 140,414              | \$ 307,393 | \$ 285,813 |
| Other comprehensive income  |                         |            |            |
| Unrealized gain (loss) on foreign currency translation                  | 87,113                  | 23,920     | (44,317)   |
| Realized and unrealized (loss) gain on derivative financial instruments | (59,710)                | (5,931)    | 39,801     |
| Other comprehensive income (loss)                                       | 27,403                  | 17,989     | (4,516)    |
| Comprehensive income  | 167,817                 | 325,382    | 281,297    |
| Comprehensive income attributable to non-controlling interests          | (2,744)                 | (1,826)    | (735)      |
| Comprehensive income attributable to Blackstone Mortgage Trust, Inc.    | \$ 165,073              | \$ 323,556 | \$ 280,562 |

*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<br>Common<br>Stock      | Additional Paid-<br>In Capital | Accumulated Other<br>Comprehensive<br>(Loss) Income | Accumulated<br>Deficit | Stockholders'<br>Equity | Non-Controlling<br>Interests | Total<br>Equity |
| <b>Balance at December 31, 2017</b>                  | \$ 1,079                        | \$ 3,506,861                   | \$ (29,706)   | \$ (567,168)           | \$ 2,911,066            | \$ 6,340                     | \$ 2,917,406    |
| Shares of class A common stock issued, net           | 155                             | 476,275                        | —   | —                      | 476,430                 | —                            | 476,430         |
| Restricted class A common stock earned               | —                               | 27,644                         | —   | —                      | 27,644                  | —                            | 27,644          |
| Issuance of convertible notes                        | —                               | 1,462                          | —   | —                      | 1,462                   | —                            | 1,462           |
| Conversion of convertible notes                      | —                               | (46,720)                       | —   | —                      | (46,720)                | —                            | (46,720)        |
| Dividends reinvested                                 | —                               | 518                            | —   | (465)                  | 53                      | —                            | 53              |
| Deferred directors' compensation                     | —                               | 500                            | —   | —                      | 500                     | —                            | 500             |
| Other comprehensive loss                             | —                               | —                              | (4,516)   | —                      | (4,516)                 | —                            | (4,516)         |
| Net income   | —                               | —                              | —   | 285,078                | 285,078                 | 735                          | 285,813         |
| Dividends declared on common stock, \$2.48 per share | —                               | —                              | —   | (286,873)              | (286,873)               | —                            | (286,873)       |
| Contributions from non-controlling interests         | —                               | —                              | —   | —                      | —                       | 9,315                        | 9,315           |
| Distributions to non-controlling interests           | —                               | —                              | —   | —                      | —                       | (5,907)                      | (5,907)         |
| <b>Balance at December 31, 2018</b>                  | \$ 1,234                        | \$ 3,966,540                   | \$ (34,222)   | \$ (569,428)           | \$ 3,364,124            | \$ 10,483                    | \$ 3,374,607    |
| Shares of class A common stock issued, net           | 116                             | 372,232                        | —   | —                      | 372,348                 | —                            | 372,348         |
| Restricted class A common stock earned               | —                               | 30,146                         | —   | —                      | 30,146                  | —                            | 30,146          |
| Dividends reinvested                                 | —                               | 596                            | —   | (554)                  | 42                      | —                            | 42              |
| Deferred directors' compensation                     | —                               | 500                            | —   | —                      | 500                     | —                            | 500             |
| Other comprehensive income                           | —                               | —                              | 17,989  | —                      | 17,989                  | —                            | 17,989          |
| Net income   | —                               | —                              | —   | 305,567                | 305,567                 | 1,826                        | 307,393         |
| Dividends declared on common stock, \$2.48 per share | —                               | —                              | —   | (328,133)              | (328,133)               | —                            | (328,133)       |
| Contributions from non-controlling interests         | —                               | —                              | —   | —                      | —                       | 51,418                       | 51,418          |
| Distributions to non-controlling interests           | —                               | —                              | —   | —                      | —                       | (41,629)                     | (41,629)        |
| <b>Balance at December 31, 2019</b>                  | \$ 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                            | —   | (633)                  | 52                      | —                            | 52              |
| Deferred directors' compensation                     | —                               | 500                            | —   | —                      | 500                     | —                            | 500             |
| Other comprehensive income                           | —                               | —                              | 27,403  | —                      | 27,403                  | —                            | 27,403          |
| Net income   | —                               | —                              | —   | 137,670                | 137,670                 | 2,744                        | 140,414         |
| Dividends declared on common stock, \$2.48 per share | —                               | —                              | —   | (356,208)              | (356,208)               | —                            | (356,208)       |
| Contributions from non-controlling interests         | —                               | —                              | —   | —                      | —                       | 8,431                        | 8,431           |
| Distributions to non-controlling interests           | —                               | —                              | —   | —                      | —                       | (15,024)                     | (15,024)        |
| <b>Balance at December 31, 2020</b>                  | \$ 1,468                        | \$ 4,702,713                   | \$ 11,170   | \$ (829,284)           | \$ 3,886,067            | \$ 18,164                    | \$ 3,904,231    |

See accompanying notes to consolidated financial statements.

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

|   | Year Ended December 31, |                    |                    |
|---|-------------------------|--------------------|--------------------|
|   | 2020                    | 2019               | 2018               |
| <b>Cash flows from operating activities</b>   |                         |                    |                    |
| Net income  | \$ 140,414              | \$ 307,393         | \$ 285,813         |
| Adjustments to reconcile net income to net cash provided by operating activities    |                         |                    |                    |
| Non-cash compensation expense   | 34,532                  | 30,656             | 28,154             |
| Satisfaction of management and incentive fees in stock                              | 19,277                  | —                  | —                  |
| Amortization of deferred fees on loans and debt securities                          | (56,844)                | (57,926)           | (47,093)           |
| Amortization of deferred financing costs and premiums/ discount on debt obligations | 37,403                  | 32,195             | 28,284             |
| Increase in current expected credit loss reserve                                    | 167,653                 | —                  | —                  |
| Unrealized (gain) loss on assets denominated in foreign currencies, net             | (3,366)                 | 881                | (165)              |
| Unrealized (gain) loss on derivative financial instruments, net                     | (867)                   | (1,071)            | 327                |
| Realized loss (gain) on derivative financial instruments, net                       | 1,364                   | 11                 | (349)              |
| Changes in assets and liabilities, net  |                         |                    |                    |
| Other assets  | 3,352                   | (7,355)            | (23,352)           |
| Other liabilities   | (6,311)                 | (747)              | 18,383             |
| Net cash provided by operating activities   | <u>336,607</u>          | <u>304,037</u>     | <u>290,002</u>     |
| <b>Cash flows from investing activities</b>   |                         |                    |                    |
| Origination and fundings of loans receivable  | (1,896,276)             | (6,890,249)        | (7,890,051)        |
| Principal collections and sales proceeds from loans receivable and debt securities  | 1,850,003               | 4,940,194          | 3,084,747          |
| Loan contributed to securitization  | —                       | —                  | 512,002            |
| Investment in debt securities held-to-maturity                                      | —                       | —                  | (95,937)           |
| Origination and exit fees received on loans receivable                              | 21,275                  | 66,558             | 104,408            |
| Receipts under derivative financial instruments                                     | 90,427                  | 49,673             | 47,527             |
| Payments under derivative financial instruments                                     | (133,430)               | (6,524)            | (18,475)           |
| Collateral deposited under derivative agreements                                    | (346,640)               | (59,720)           | (38,990)           |
| Return of collateral deposited under derivative agreements                          | 326,390                 | 28,920             | 43,110             |
| Net cash used in investing activities   | <u>(88,251)</u>         | <u>(1,871,148)</u> | <u>(4,251,659)</u> |

continued...

*See accompanying notes to consolidated financial statements.*

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

|   | Year Ended December 31, |                     |                     |
|---|-------------------------|---------------------|---------------------|
|   | 2020                    | 2019                | 2018                |
| <b>Cash flows from financing activities</b>                                   |                         |                     |                     |
| Borrowings under secured debt agreements                                      | \$ 2,567,834            | \$ 6,322,165        | \$ 9,100,019        |
| Repayments under secured debt agreements                                      | (4,690,607)             | (5,526,989)         | (5,313,679)         |
| Proceeds from issuance of securitized debt obligations                        | 2,051,875               | —                   | —                   |
| Repayment of securitized debt obligations                                     | (300,879)               | (102,478)           | —                   |
| Borrowings under asset-specific debt agreements                               | 161,960                 | 247,295             | 83,833              |
| Repayments under asset-specific debt agreements                               | (82,754)                | —                   | (99,391)            |
| Proceeds from sale of loan participations                                     | —                       | 21,346              | 99,696              |
| Repayment of loan participations  | —                       | (115,874)           | (85,875)            |
| Net proceeds from issuance of secured term loan                               | 315,438                 | 748,414             | —                   |
| Repayments of secured term loan   | (9,113)                 | (3,122)             | —                   |
| Payment of deferred financing costs   | (47,345)                | (39,370)            | (25,006)            |
| Contributions from non-controlling interests                                  | 8,431                   | 51,418              | 9,315               |
| Distributions to non-controlling interests                                    | (15,024)                | (41,629)            | (5,907)             |
| Net proceeds from issuance of convertible notes                               | —                       | —                   | 214,775             |
| Repayment of convertible notes  | —                       | —                   | (219,232)           |
| Net proceeds from issuance of class A common stock                            | 278,322                 | 372,337             | 476,420             |
| Dividends paid on class A common stock  | (348,907)               | (320,961)           | (277,260)           |
| Net cash (used in) provided by financing activities                           | <u>(110,769)</u>        | <u>1,612,552</u>    | <u>3,957,708</u>    |
| <b>Net increase (decrease) in cash and cash equivalents</b>                   | 137,587                 | 45,441              | (3,949)             |
| Cash and cash equivalents at beginning of year                                | 150,090                 | 105,662             | 102,518             |
| Effects of currency translation on cash and cash equivalents                  | 2,293                   | (1,013)             | 7,093               |
| Cash and cash equivalents at end of year                                      | <u>\$ 289,970</u>       | <u>\$ 150,090</u>   | <u>\$ 105,662</u>   |
| <b>Supplemental disclosure of cash flows information</b>                      |                         |                     |                     |
| Payments of interest  | <u>\$ (312,093)</u>     | <u>\$ (425,801)</u> | <u>\$ (318,919)</u> |
| (Payments) receipts of income taxes   | <u>\$ (232)</u>         | <u>\$ 109</u>       | <u>\$ (554)</u>     |
| <b>Supplemental disclosure of non-cash investing and financing activities</b> |                         |                     |                     |
| Dividends declared, not paid  | <u>\$ (91,004)</u>      | <u>\$ (83,702)</u>  | <u>\$ (76,530)</u>  |
| Satisfaction of management and incentive fees in stock                        | <u>\$ 19,277</u>        | <u>\$ —</u>         | <u>\$ —</u>         |
| Loan principal payments held by servicer, net                                 | <u>\$ 19,460</u>        | <u>\$ 49,584</u>    | <u>\$ 4,855</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. 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 The Blackstone Group 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, 15th 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 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.

Certain reclassifications have been made in the presentation of the prior period balance sheet, statements of cash flows, and secured debt agreements in Note 5 to conform to the current period presentation.

**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 the third quarter of 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 are not the primary

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

beneficiary of the VIE because we do not have the power to direct the activities that most significantly affect the VIE's economic performance and, therefore, do not consolidate the 2018 Single Asset Securitization on our balance sheet. We have classified the subordinate position we own as a held-to-maturity debt security that is included in other assets on our consolidated balance sheets. Refer to Note 16 for additional discussion of our VIEs.

In April 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.

### **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. As of December 31, 2020, there is an ongoing global outbreak of a novel coronavirus, or COVID-19. In March 2020, the World Health Organization designated COVID-19 as a pandemic, and numerous countries, including the United States, declared national emergencies with respect to COVID-19. The United States and other countries reacted to the COVID-19 outbreak with unprecedented government intervention, including interest rate cuts and economic stimulus. The global impact of the outbreak rapidly evolved (and continues to do so), and many countries reacted by instituting, or strongly encouraging, quarantines and restrictions on travel, closing financial markets and/or restricting trading, limiting operations of non-essential offices, retail centers, hotels, and other businesses, and taking other restrictive measures designed to help slow the spread of COVID-19. Businesses also implemented similar precautionary measures. Such measures, as well as the general uncertainty surrounding the dangers and impact of COVID-19, have created disruption in global supply chains, increasing rates of unemployment and adversely impacting many industries, including industries related to the collateral underlying certain of our loans. Moreover, with the continued spread of COVID-19, governments and businesses are likely to continue to take aggressive measures to help slow its spread. For this reason, among others, as COVID-19 continues to spread, the potential impacts, including a global, regional, or other economic recession, are increasingly uncertain and difficult to assess. The rapid development and fluidity of this situation preclude any prediction as to the ultimate adverse impact of COVID-19 on economic and market conditions. We believe the estimates and assumptions underlying our consolidated financial statements are reasonable and supportable based on the information available as of December 31, 2020, however uncertainty over the ultimate impact COVID-19 will have on the global economy generally, and our business in particular, makes any estimates and assumptions as of December 31, 2020 inherently less certain than they would be absent the current and potential impacts of COVID-19. 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

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

at which payments become 90 days past due or when, in the opinion of our Manager, 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, 2020 and December 31, 2019, 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 \$384.6 million and \$450.8 million as of December 31, 2020 and December 31, 2019, 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. The initial CECL reserve recorded on January 1, 2020 is reflected as a direct charge to retained earnings on our consolidated statements of changes in equity; however subsequent 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 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, which includes zero realized loan losses since the launch of our senior loan origination business in 2013, 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, 2020. 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 deemed relevant by our Manager. Actual losses, if any, could ultimately

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

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.

We adopted ASU 2016-13 using the modified-retrospective method for all financial assets measured at amortized cost. Prior to our adoption, we had no loan loss provisions on our consolidated balance sheets. We recorded a cumulative-effective adjustment to the opening retained earnings in our consolidated statement of equity as of January 1, 2020. The following table details the impact of this adoption (\$ in thousands):

|   | <b>Impact of ASU 2016-13<br/>Adoption</b> |
|---|---|
| <b>Assets:</b>  |   |
| Loans   |   |
| U.S. Loans  | \$ 8,955                                  |
| Non-U.S. Loans  | 3,631                                     |
| Unique Loans  | 1,356                                     |
| CECL reserve on loans                                     | \$ 13,942                                 |
| CECL reserve on held-to-maturity debt securities          | 445                                       |
| <b>Liabilities:</b>                                       |   |
| CECL reserve on unfunded loan commitments                 | 3,263                                     |
| Total impact of ASU 2016-13 adoption on retained earnings | \$ 17,650                                 |

*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.

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. Our Manager performs 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. 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.

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

*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, 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. These estimations require 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, 2020.

**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. Effective April 1, 2020, 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 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 Agreements and Asset-Specific Debt Agreements**

Where applicable, we record investments financed with secured debt agreements or asset-specific debt agreements as separate assets and the related borrowings under any secured debt agreements or asset-specific debt agreements are recorded as separate liabilities on our consolidated balance sheets. Interest income earned on

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

the investments and interest expense incurred on the secured debt agreements or asset-specific debt agreements 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 not the non-consolidated senior interest we sold.

**Secured Term Loans**

We record our secured 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 secured term loans as additional non-cash interest expense.

**Convertible Notes**

The "Debt with Conversion and Other Options" Topic of the Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, requires the liability and equity components of convertible debt instruments that may be settled in cash upon conversion, including partial cash settlement, to be separately accounted for in a manner that reflects the issuer's nonconvertible debt borrowing rate. The initial proceeds from the sale of convertible notes are allocated between a liability component and an equity component in a manner that reflects interest expense at the rate of similar nonconvertible debt that could have been issued at such time. The equity component represents the excess initial proceeds received over the fair value of the liability component of the notes as of the date of issuance. We measured the estimated fair value of the debt component of our convertible notes as of the respective issuance dates based on our nonconvertible debt borrowing rate. The equity component of each series of our convertible notes is reflected within additional paid-in capital on our consolidated balance sheet, and the resulting issue discount is amortized over the period during which such convertible notes are expected to be outstanding (through the maturity date) as additional non-cash interest expense. The additional non-cash interest expense attributable to such convertible notes will increase in subsequent periods through the maturity date as the notes accrete to their par value over the same period.

**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.

**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.

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

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.

The estimated value of each asset reported at fair value using Level 3 inputs is determined by an internal committee composed of members of senior management of our Manager, including our Chief Executive Officer, Chief Financial Officer, and other senior officers.

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 15. 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-party dealers. For collateral-dependent loans that are identified as impaired, we measure impairment by comparing our Manager's 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 deemed relevant by our Manager.

During the year ended December 31, 2020, we recorded an aggregate \$69.7 million CECL reserve specifically related to two of our loans receivable with an aggregate outstanding principal balance of \$338.7 million, as of December 31, 2020. The CECL reserve was recorded based on our Manager's estimation of the fair value of the loan's underlying collateral as of December 31, 2020. 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. The significant unobservable inputs used to estimate the fair value of these loans receivable include the exit capitalization rate assumption used to forecast the future sale price of the underlying real estate collateral, which ranged from 4.25% to 4.80%.

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.

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

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 by our Manager based on 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 deemed relevant by our Manager.
- 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 agreements, 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 agreements, net: The fair value of these instruments was estimated based on the rate at which a similar agreement would currently be priced.
- Secured 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.
- 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 13 for additional information.

**Stock-Based Compensation**

Our stock-based compensation consists of awards issued to our Manager and certain individuals employed by an affiliate of our Manager 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 14 for additional information.

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

**Earnings per Share**

Basic earnings per share, or Basic EPS, is computed in accordance with the two-class method and is based on the net earnings allocable to our class A common stock, including restricted class A common stock and deferred stock units, divided by 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 treasury stock method, and is based on the net earnings allocable to our class A common stock, including restricted class A common stock and deferred stock units, divided by the weighted-average number of shares of our class A common stock, including restricted class A common stock and deferred stock units. Refer to Note 11 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).

**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.

**Recent Accounting Pronouncements**

In June 2016, the FASB issued ASU 2016-13 “Financial Instruments – Credit Losses – Measurement of Credit Losses on Financial Instruments (Topic 326),” or ASU 2016-13. ASU 2016-13 significantly changes how entities measure 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 CECL model for instruments measured at amortized cost, and requires entities to record reserves for available-for-sale debt securities rather than reduce the carrying amount, as they did previously under the other-than-temporary impairment model. It also simplified the accounting model for purchased credit-impaired debt securities and loans. We adopted ASU 2016-13 on January 1, 2020, and recorded a \$17.7 million cumulative-effect adjustment to retained earnings.

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 expected 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. The guidance in ASU 2020-04 is

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

optional and may be elected over time, through December 31, 2022, 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 continue to evaluate the impact of ASU 2020-04 and may apply other elections, as applicable, as the expected market transition from IBORs to alternative reference rates continues to develop.

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 simplifies the accounting for convertible debt by eliminating the beneficial conversion and cash conversion accounting models. ASU 2020-06 also updates the earnings per share calculation and requires entities to assume share settlement when the convertible debt can be settled in cash or shares. ASU 2020-06 is effective for fiscal years beginning after December 15, 2021 and is to be adopted through a cumulative-effect adjustment to the opening balance of retained earnings either at the date of adoption or in the first comparative period presented. Upon 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 will reduce the issue discount and result in less non-cash interest expense in our consolidated financial statements. Additionally, ASU 2020-06 will result in the reporting of a diluted earnings per share, if the effect is dilutive, in our consolidated financial statements, regardless of our settlement intent.

**3. LOANS RECEIVABLE, NET**

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

|  | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|--------------------------|--------------------------|
| Number of loans  | 120                      | 128                      |
| Principal balance  | \$ 16,652,824            | \$ 16,277,343            |
| Net book value   | \$ 16,399,166            | \$ 16,164,801            |
| Unfunded loan commitments <sup>(1)</sup>                 | \$ 3,160,084             | \$ 3,911,868             |
| Weighted-average cash coupon <sup>(2)</sup>              | L + 3.18%                | L + 3.20%                |
| Weighted-average all-in yield <sup>(2)</sup>             | L + 3.53%                | L + 3.55%                |
| Weighted-average maximum maturity (years) <sup>(3)</sup> | 3.1                      | 3.8                      |

(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, GBP LIBOR, EURIBOR, BBSY, and CDOR, as applicable to each loan. As of December 31, 2020, 99% of our loans by principal balance earned a floating rate of interest, primarily indexed to USD LIBOR, and \$13.7 billion of such loans earned interest based on floors that are above the applicable index. The other 1% of our loans earned a fixed rate of interest. We reflect our fixed rate loans as a spread over the relevant floating benchmark rates, as of December 31, 2020 and December 31, 2019, respectively, for purposes of the weighted-averages. As of December 31, 2019, 99% of our loans by total loan exposure earned a floating rate of interest, primarily indexed to USD LIBOR, and \$6.1 billion of such loans earned interest based on floors that are above the applicable index. 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, 2020, 31% of our loans by principal balance were subject to yield maintenance or other prepayment restrictions and 69% were open to repayment by the borrower without penalty. As of December 31, 2019, 61% of our loans by principal balance were subject to yield maintenance or other prepayment restrictions and 39% were open to repayment by the borrower without penalty.

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

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

|  | Principal<br>Balance | Deferred Fees /<br>Other Items <sup>(1)</sup> | Net Book<br>Value    |
|--|----------------------|---|----------------------|
| <b>Loans Receivable, as of December 31, 2018</b>       | \$ 14,293,970        | \$ (102,770)                                  | \$ 14,191,200        |
| Loan fundings  | 6,890,249            | —   | 6,890,249            |
| Loan repayments and sales proceeds                     | (4,974,881)          | —   | (4,974,881)          |
| Unrealized gain (loss) on foreign currency translation | 68,005               | (629)   | 67,376               |
| Deferred fees and other items                          | —                    | (66,558)                                      | (66,558)             |
| Amortization of fees and other items                   | —                    | 57,415  | 57,415               |
|  | <u>\$ 16,277,343</u> | <u>\$ (112,542)</u>                           | <u>\$ 16,164,801</u> |
| <b>Loans Receivable, as of December 31, 2019</b>       | \$ 16,277,343        | \$ (112,542)                                  | \$ 16,164,801        |
| Loan fundings  | 1,896,276            | —   | 1,896,276            |
| Loan repayments and sales                              | (1,862,955)          | —   | (1,862,955)          |
| Unrealized gain (loss) on foreign currency translation | 342,160              | (1,900)                                       | 340,260              |
| Deferred fees and other items                          | —                    | (21,946)                                      | (21,946)             |
| Amortization of fees and other items                   | —                    | 56,279  | 56,279               |
|  | <u>\$ 16,652,824</u> | <u>\$ (80,109)</u>                            | <u>\$ 16,572,715</u> |
| CECL reserve   |                      |   | <u>(173,549)</u>     |
| <b>Loans Receivable, net, as of December 31, 2020</b>  |                      |   | <u>\$ 16,399,166</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, 2020          |                        |                       |   |                                |
|----------------------------|------------------------|-----------------------|---|--------------------------------|
| <u>Property Type</u>       | <u>Number of Loans</u> | <u>Net Book Value</u> | <u>Total Loan Exposure<sup>(1)(2)</sup></u> | <u>Percentage of Portfolio</u> |
| Office                     | 59                     | \$ 9,980,799          | \$ 10,451,658                               | 59%                            |
| Hospitality                | 14                     | 2,295,255             | 2,369,454                                   | 14                             |
| Multifamily                | 31                     | 1,788,149             | 1,862,667                                   | 11                             |
| Industrial                 | 6                      | 673,912               | 675,344                                     | 4                              |
| Retail                     | 4                      | 538,702               | 551,243                                     | 3                              |
| Self-Storage               | 2                      | 301,566               | 301,491                                     | 2                              |
| Condominium                | 2                      | 245,492               | 264,162                                     | 2                              |
| Other                      | 2                      | 748,840               | 978,602                                     | 5                              |
| Total loans receivable     | <u>120</u>             | <u>\$ 16,572,715</u>  | <u>\$ 17,454,621</u>                        | <u>100%</u>                    |
| CECL reserve               |                        | (173,549)             |   |                                |
| Loans receivable, net      |                        | <u>\$ 16,399,166</u>  |   |                                |
|                            |                        |                       |   |                                |
| <u>Geographic Location</u> | <u>Number of Loans</u> | <u>Net Book Value</u> | <u>Total Loan Exposure<sup>(1)(2)</sup></u> | <u>Percentage of Portfolio</u> |
| United States              |                        |                       |   |                                |
| Northeast                  | 24                     | \$ 4,050,732          | \$ 4,069,712                                | 23%                            |
| West                       | 27                     | 2,942,126             | 3,413,089                                   | 20                             |
| Southeast                  | 25                     | 2,624,701             | 2,707,080                                   | 16                             |
| Midwest                    | 8                      | 973,702               | 976,693                                     | 6                              |
| Southwest                  | 9                      | 597,100               | 598,813                                     | 3                              |
| Northwest                  | 1                      | 15,404                | 15,413                                      | —                              |
| Subtotal                   | <u>94</u>              | <u>11,203,765</u>     | <u>11,780,800</u>                           | <u>68</u>                      |
| International              |                        |                       |   |                                |
| United Kingdom             | 13                     | 1,816,901             | 2,066,390                                   | 12                             |
| Ireland                    | 1                      | 1,309,443             | 1,317,846                                   | 8                              |
| Spain                      | 2                      | 1,247,162             | 1,252,080                                   | 7                              |
| Australia                  | 2                      | 259,126               | 259,788                                     | 1                              |
| Germany                    | 1                      | 214,795               | 252,816                                     | 1                              |
| Italy                      | 1                      | 203,982               | 205,514                                     | 1                              |
| Netherlands                | 1                      | 105,300               | 106,274                                     | 1                              |
| Belgium                    | 1                      | 94,757                | 94,936                                      | 1                              |
| Canada                     | 3                      | 82,185                | 82,262                                      | —                              |
| France                     | 1                      | 35,299                | 35,915                                      | —                              |
| Subtotal                   | <u>26</u>              | <u>5,368,950</u>      | <u>5,673,821</u>                            | <u>32</u>                      |
| Total loans receivable     | <u>120</u>             | <u>\$ 16,572,715</u>  | <u>\$ 17,454,621</u>                        | <u>100%</u>                    |
| CECL reserve               |                        | (173,549)             |   |                                |
| Loans receivable, net      |                        | <u>\$ 16,399,166</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 \$801.8 million of such non-consolidated senior interests as of December 31, 2020.
- (2) Excludes investment exposure to the \$735.5 million 2018 Single Asset Securitization. See Note 4 for details of the subordinate position we own in the 2018 Single Asset Securitization.

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

December 31, 2019

| <u>Property Type</u>       | <u>Number of<br/>Loans</u> | <u>Net<br/>Book Value</u> | <u>Total Loan<br/>Exposure<sup>(1)(2)</sup></u> | <u>Percentage of<br/>Portfolio</u> |
|----------------------------|----------------------------|---------------------------|---|------------------------------------|
| Office                     | 63                         | \$ 9,946,055              | \$ 10,266,567                                   | 61%                                |
| Hospitality                | 14                         | 2,199,220                 | 2,281,718                                       | 13                                 |
| Multifamily                | 36                         | 1,596,333                 | 1,642,664                                       | 10                                 |
| Industrial                 | 5                          | 603,917                   | 607,423   | 4                                  |
| Retail                     | 3                          | 373,045                   | 381,040   | 2                                  |
| Self-Storage               | 2                          | 291,994                   | 292,496   | 2                                  |
| Condominium                | 1                          | 232,778                   | 234,260   | 1                                  |
| Other                      | 4                          | 921,459                   | 1,259,696                                       | 7                                  |
|                            | <u>128</u>                 | <u>\$ 16,164,801</u>      | <u>\$ 16,965,864</u>                            | <u>100%</u>                        |
| <br>                       |                            |                           |   |                                    |
| <u>Geographic Location</u> | <u>Number of<br/>Loans</u> | <u>Net<br/>Book Value</u> | <u>Total Loan<br/>Exposure<sup>(1)(2)</sup></u> | <u>Percentage of<br/>Portfolio</u> |
| <u>United States</u>       |                            |                           |   |                                    |
| Northeast                  | 25                         | \$ 3,789,477              | \$ 3,815,580                                    | 22%                                |
| West                       | 30                         | 3,143,323                 | 3,451,914                                       | 20                                 |
| Southeast                  | 23                         | 2,321,444                 | 2,334,852                                       | 14                                 |
| Midwest                    | 10                         | 1,174,581                 | 1,180,240                                       | 7                                  |
| Southwest                  | 11                         | 464,989                   | 467,532   | 3                                  |
| Northwest                  | 3                          | 52,891                    | 52,989  | —                                  |
| Subtotal                   | <u>102</u>                 | <u>10,946,705</u>         | <u>11,303,107</u>                               | <u>66</u>                          |
| <u>International</u>       |                            |                           |   |                                    |
| United Kingdom             | 13                         | 1,738,536                 | 2,102,501                                       | 12                                 |
| Ireland                    | 1                          | 1,318,196                 | 1,330,647                                       | 8                                  |
| Spain                      | 2                          | 1,231,061                 | 1,237,809                                       | 7                                  |
| Australia                  | 3                          | 360,047                   | 361,763   | 2                                  |
| Germany                    | 1                          | 195,081                   | 251,020   | 1                                  |
| Italy                      | 1                          | 178,740                   | 180,897   | 1                                  |
| Belgium                    | 1                          | 86,807                    | 87,201  | 1                                  |
| Canada                     | 3                          | 77,656                    | 77,953  | 1                                  |
| France                     | 1                          | 31,972                    | 32,966  | 1                                  |
| Subtotal                   | <u>26</u>                  | <u>5,218,096</u>          | <u>5,662,757</u>                                | <u>34</u>                          |
| Total                      | <u>128</u>                 | <u>\$ 16,164,801</u>      | <u>\$ 16,965,864</u>                            | <u>100%</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 \$688.5 million of such non-consolidated senior interests as of December 31, 2019.

(2) Excludes investment exposure to the \$930.0 million 2018 Single Asset Securitization. See Note 4 for details of the subordinate position we own in the 2018 Single Asset Securitization.

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

**Loan Risk Ratings**

As further described in Note 2, our Manager evaluates our loan portfolio on a quarterly basis. In conjunction with our quarterly loan portfolio review, our Manager assesses the risk factors of each loan, and assigns 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.

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

| <b>Risk Rating</b>     | <b>December 31, 2020</b> |                       |   | <b>December 31, 2019</b> |                       |   |
|------------------------|--------------------------|-----------------------|---|--------------------------|-----------------------|---|
|                        | <b>Number of Loans</b>   | <b>Net Book Value</b> | <b>Total Loan Exposure<sup>(1)(2)</sup></b> | <b>Number of Loans</b>   | <b>Net Book Value</b> | <b>Total Loan Exposure<sup>(1)(2)</sup></b> |
| 1                      | 8                        | \$ 777,163            | \$ 778,283                                  | 6                        | \$ 376,379            | \$ 378,427                                  |
| 2                      | 17                       | 2,513,848             | 2,528,835                                   | 30                       | 3,481,123             | 3,504,972                                   |
| 3                      | 79                       | 9,911,914             | 10,763,496                                  | 89                       | 12,137,963            | 12,912,722                                  |
| 4                      | 14                       | 3,032,593             | 3,045,309                                   | 3                        | 169,336               | 169,743                                     |
| 5                      | 2                        | 337,197               | 338,698                                     | —                        | —                     | —   |
| Total loans receivable | 120                      | \$ 16,572,715         | \$ 17,454,621                               | 128                      | \$ 16,164,801         | \$ 16,965,864                               |
| CECL reserve           |                          | (173,549)             |   |                          | —                     |   |
| Loans receivable, net  |                          | \$ 16,399,166         |   |                          | \$ 16,164,801         |   |

- (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 \$801.8 million and \$688.5 million of such non-consolidated senior interests as of December 31, 2020 and December 31, 2019, respectively.
- (2) Excludes investment exposure to the 2018 Single Asset Securitization of \$735.5 million and \$930.0 million as of December 31, 2020 and December 31, 2019, respectively. 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 3.0 and 2.8 as of December 31, 2020 and 2019, respectively. The increase in the risk rating was primarily the result of loans with an aggregate principal balance of \$3.2 billion that were downgraded to a “4” or “5” during the year ended December 31, 2020 to reflect the higher risk in loans collateralized by hospitality assets and select other assets that are particularly negatively impacted by the COVID-19 pandemic.

**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

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

our CECL reserve. The following table presents the activity in our loans receivable CECL reserve by investment pool for the year ended December 31, 2020 (\$ in thousands):

|   | <u>U.S. Loans</u> | <u>Non-U.S. Loans</u> | <u>Unique Loans</u> | <u>Impaired Loans</u> | <u>Total</u>      |
|---|-------------------|-----------------------|---------------------|-----------------------|-------------------|
| <b>Loans Receivable, Net</b>            |                   |                       |                     |                       |                   |
| CECL reserve as of December 31, 2019    | \$ —              | \$ —                  | \$ —                | \$ —                  | \$ —              |
| Initial CECL reserve on January 1, 2020 | 8,955             | 3,631                 | 1,356               | —                     | 13,942            |
| Increase in CECL reserve                | <u>34,040</u>     | <u>24,103</u>         | <u>31,803</u>       | <u>69,661</u>         | <u>159,607</u>    |
| CECL reserve as of December 31, 2020    | <u>\$ 42,995</u>  | <u>\$ 27,734</u>      | <u>\$ 33,159</u>    | <u>\$ 69,661</u>      | <u>\$ 173,549</u> |

Our initial CECL reserve of \$13.9 million against our loans receivable portfolio, recorded on January 1, 2020, is reflected as a direct charge to retained earnings on our consolidated statements of changes in equity; however subsequent changes to the CECL reserve are recognized through net income on our consolidated statements of operations. During the year ended December 31, 2020, we recorded an increase of \$159.6 million in the current expected credit loss reserve against our loans receivable portfolio, bringing our total CECL reserve to \$173.5 million as of December 31, 2020. This CECL reserve reflects 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 Note 2 for further discussion of COVID-19.

During the first and fourth quarters of 2020, we entered into loan modifications related to a multifamily asset in New York City, which is classified as a troubled debt restructuring under GAAP. These modifications included, among other changes, a reduction in the loan's contractual interest payments and an extension of the loan's maturity date. During the three months ended June 30, 2020, we recorded a \$14.8 million CECL reserve on this loan, which was unchanged as of December 31, 2020. This loan has an outstanding principal balance of \$52.4 million, net of cost-recovery proceeds, as of December 31, 2020. The CECL reserve was recorded based on our Manager's estimation of the fair value of the loan's underlying collateral as of December 31, 2020.

During the third quarter of 2020, 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. This modification included, among other changes, a reduction in the loan's contractual interest payments and an extension of the loan's maturity date. During the three months ended June 30, 2020, we recorded a \$54.9 million CECL reserve on this loan, which was unchanged as of December 31, 2020. This loan has an outstanding principal balance of \$286.3 million, net of cost-recovery proceeds, as of December 31, 2020. The CECL reserve was recorded based on our Manager's estimation of the fair value of the loan's underlying collateral as of December 31, 2020.

As of July 1, 2020, the income accrual was suspended on the two loans detailed above, which had an aggregate outstanding principal balance of \$338.7 million, as of December 31, 2020. No income was recorded on these loans subsequent to July 1, 2020.

**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 table presents the net book value of our loan portfolio as of December 31, 2020 by year of origination, investment pool, and risk rating (\$ in thousands):

|                        |    | <b>Net Book Value of Loans Receivable by Year of Origination<sup>(1)(2)</sup></b> |              |              |              |             |              |               |
|------------------------|----|---|--------------|--------------|--------------|-------------|--------------|---------------|
|                        |    | <b>As of December 31, 2020</b>  |              |              |              |             |              |               |
| <b>Risk Rating</b>     |    | <b>2020</b>   | <b>2019</b>  | <b>2018</b>  | <b>2017</b>  | <b>2016</b> | <b>Prior</b> | <b>Total</b>  |
| U.S. loans             |    |   |              |              |              |             |              |               |
| 1                      | \$ | —   | \$ 231,796   | \$ 253,674   | \$ 43,906    | \$ 17,009   | \$ —         | \$ 546,385    |
| 2                      |    | —   | 282,017      | 1,172,168    | 757,138      | 79,848      | 222,677      | 2,513,848     |
| 3                      |    | 781,595   | 2,391,297    | 1,672,897    | 1,134,288    | 227,466     | 220,644      | 6,428,187     |
| 4                      |    | 65,978  | 170,541      | 1,055,142    | 63,293       | 105,380     | —            | 1,460,334     |
| 5                      |    | —   | —            | —            | —            | —           | —            | —             |
| Total U.S. loans       |    | \$ 847,573  | \$ 3,075,651 | \$ 4,153,881 | \$ 1,998,625 | \$ 429,703  | \$ 443,321   | \$ 10,948,754 |
| Non-U.S. loans         |    |   |              |              |              |             |              |               |
| 1                      | \$ | —   | —            | \$ 136,021   | \$ 94,757    | \$ —        | \$ —         | \$ 230,778    |
| 2                      |    | —   | —            | —            | —            | —           | —            | —             |
| 3                      |    | 105,300   | 2,526,225    | 479,512      | —            | 113,653     | —            | 3,224,690     |
| 4                      |    | —   | 256,494      | —            | —            | —           | —            | 256,494       |
| 5                      |    | —   | —            | —            | —            | —           | —            | —             |
| Total Non-U.S. loans   |    | \$ 105,300  | \$ 2,782,719 | \$ 615,533   | \$ 94,757    | \$ 113,653  | \$ —         | \$ 3,711,962  |
| Unique loans           |    |   |              |              |              |             |              |               |
| 1                      | \$ | —   | —            | \$ —         | \$ —         | \$ —        | \$ —         | \$ —          |
| 2                      |    | —   | —            | —            | —            | —           | —            | —             |
| 3                      |    | —   | —            | 198,433      | —            | —           | 60,604       | 259,037       |
| 4                      |    | —   | 325,097      | 990,668      | —            | —           | —            | 1,315,765     |
| 5                      |    | —   | —            | —            | —            | —           | —            | —             |
| Total unique loans     |    | \$ —  | \$ 325,097   | \$ 1,189,101 | \$ —         | \$ —        | \$ 60,604    | \$ 1,574,802  |
| Impaired loans         |    |   |              |              |              |             |              |               |
| 1                      | \$ | —   | —            | \$ —         | \$ —         | \$ —        | \$ —         | \$ —          |
| 2                      |    | —   | —            | —            | —            | —           | —            | —             |
| 3                      |    | —   | —            | —            | —            | —           | —            | —             |
| 4                      |    | —   | —            | —            | —            | —           | —            | —             |
| 5                      |    | —   | —            | 284,809      | —            | —           | 52,388       | 337,197       |
| Total impaired loans   |    | \$ —  | \$ —         | \$ 284,809   | \$ —         | \$ —        | \$ 52,388    | \$ 337,197    |
| Total loans receivable |    |   |              |              |              |             |              |               |
| 1                      | \$ | —   | \$ 231,796   | \$ 389,695   | \$ 138,663   | \$ 17,009   | \$ —         | \$ 777,163    |
| 2                      |    | —   | 282,017      | 1,172,168    | 757,138      | 79,848      | 222,677      | 2,513,848     |
| 3                      |    | 886,895   | 4,917,522    | 2,350,842    | 1,134,288    | 341,119     | 281,248      | 9,911,914     |
| 4                      |    | 65,978  | 752,132      | 2,045,810    | 63,293       | 105,380     | —            | 3,032,593     |
| 5                      |    | —   | —            | 284,809      | —            | —           | 52,388       | 337,197       |
| Total loans receivable |    | \$ 952,873  | \$ 6,183,467 | \$ 6,243,324 | \$ 2,093,382 | \$ 543,356  | \$ 556,313   | \$ 16,572,715 |
| CECL reserve           |    |   |              |              |              |             |              | (173,549)     |
| Loans receivable, net  |    |   |              |              |              |             |              | \$ 16,399,166 |

(1) Date loan was originated or acquired by us. Origination dates are subsequently updated to reflect material loan modifications.

(2) Excludes the \$75.7 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.

**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, 2020 and December 31, 2019, our Multifamily Joint Venture held \$484.8 million and \$670.5 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):

|   | <u>December 31,<br/>2020</u> | <u>December 31,<br/>2019</u> |
|---|------------------------------|------------------------------|
| Debt securities held-to-maturity <sup>(1)</sup>         | \$ 77,445                    | \$ 86,638                    |
| CECL reserve  | (1,723)                      | —                            |
| Debt securities held-to-maturity, net                   | 75,722                       | 86,638                       |
| Loan portfolio payments held by servicer <sup>(2)</sup> | 73,224                       | 49,584                       |
| Accrued interest receivable                             | 66,757                       | 66,649                       |
| Collateral deposited under derivative agreements        | 51,050                       | 30,800                       |
| Prepaid expenses  | 973                          | 739                          |
| Derivative assets                                       | 522                          | 1,079                        |
| Prepaid taxes   | 376                          | 376                          |
| Other   | 1,195                        | 1,115                        |
| Total   | <u>\$ 269,819</u>            | <u>\$ 236,980</u>            |

- (1) Represents the subordinate position we own in the 2018 Single Asset Securitization, which held aggregate loan assets of \$735.5 million and \$930.0 million as of December 31, 2020 and December 31, 2019, respectively, 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. Refer to Note 16 for additional discussion.
- (2) Represents loan principal and interest payments held by our third-party loan servicer as of the balance sheet date which were remitted to us during the subsequent remittance cycle.

*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 by investment pool for the year ended December 31, 2020 (\$ in thousands):

|   | <u>U.S. Loans</u> | <u>Non-U.S.<br/>Loans</u> | <u>Unique<br/>Loans</u> | <u>Impaired<br/>Loans</u> | <u>Total</u>    |
|---|-------------------|---------------------------|-------------------------|---------------------------|-----------------|
| <b>Debt Securities Held-To-Maturity</b> |                   |                           |                         |                           |                 |
| CECL reserve as of December 31, 2019    | \$ —              | \$ —                      | \$ —                    | \$ —                      | \$ —            |
| Initial CECL reserve on January 1, 2020 | 445               | —                         | —                       | —                         | 445             |
| Increase in CECL reserve                | 1,278             | —                         | —                       | —                         | 1,278           |
| CECL reserve as of December 31, 2020    | <u>\$ 1,723</u>   | <u>\$ —</u>               | <u>\$ —</u>             | <u>\$ —</u>               | <u>\$ 1,723</u> |

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

Our initial CECL reserve of \$445,000 against our debt securities held-to-maturity, recorded on January 1, 2020, is reflected as a direct charge to retained earnings on our consolidated statements of changes in equity; however subsequent changes to the CECL reserve are recognized through net income on our consolidated statements of operations. During the year ended December 31, 2020, we recorded an increase of \$1.3 million in the expected credit loss reserve against our debt securities held-to-maturity, bringing our total CECL reserve to \$1.7 million as of December 31, 2020. This CECL reserve reflects the macroeconomic impact of the COVID-19 pandemic on commercial real estate markets generally and is not specific to any loan losses or impairments in our portfolio. See Note 2 for further discussion of COVID-19.

**Other Liabilities**

The following table details the components of our other liabilities (\$ in thousands):

|   | <u>December 31,<br/>2020</u> | <u>December 31,<br/>2019</u> |
|---|------------------------------|------------------------------|
| Accrued dividends payable   | \$ 91,004                    | \$ 83,702                    |
| Derivative liabilities  | 58,915                       | 42,263                       |
| Accrued interest payable  | 20,548                       | 24,831                       |
| Accrued management and incentive fees payable                                     | 19,158                       | 20,159                       |
| Current expected credit loss reserve for unfunded loan commitments <sup>(1)</sup> | 10,031                       | —                            |
| Accounts payable and other liabilities  | <u>2,671</u>                 | <u>5,008</u>                 |
| Total   | <u>\$ 202,327</u>            | <u>\$ 175,963</u>            |

(1) 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, 2020, we had unfunded commitments of \$3.2 billion related to 84 loans receivable. The expected credit losses over the contractual period of our loans are subject to the obligation to extend credit through our unfunded loan commitments. See Note 2 for further discussion of the CECL reserve related to our unfunded loan commitments, and Note 18 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, 2020 (\$ in thousands):

|   | <u>U.S. Loans</u> | <u>Non-U.S.<br/>Loans</u> | <u>Unique<br/>Loans</u> | <u>Impaired<br/>Loans</u> | <u>Total</u>     |
|---|-------------------|---------------------------|-------------------------|---------------------------|------------------|
| <b>Unfunded Loan Commitments</b>        |                   |                           |                         |                           |                  |
| CECL reserve as of December 31, 2019    | \$ —              | \$ —                      | \$ —                    | \$ —                      | \$ —             |
| Initial CECL reserve on January 1, 2020 | 2,801             | 453                       | 9                       | —                         | 3,263            |
| Increase in CECL reserve                | <u>4,152</u>      | <u>2,541</u>              | <u>75</u>               | <u>—</u>                  | <u>6,768</u>     |
| CECL reserve as of December 31, 2020    | <u>\$ 6,953</u>   | <u>\$ 2,994</u>           | <u>\$ 84</u>            | <u>\$ —</u>               | <u>\$ 10,031</u> |

Our initial CECL reserve of \$3.3 million against our unfunded loan commitments, recorded on January 1, 2020, is reflected as a direct charge to retained earnings on our consolidated statements of changes in equity; however subsequent changes to the CECL reserve are recognized through net income on our consolidated statements of operations. During the year ended December 31, 2020, we recorded an increase of \$6.8 million in the expected

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

credit loss reserve against our unfunded loan commitments, bringing our total CECL reserve to \$10.0 million as of December 31, 2020. This CECL reserve reflects the macroeconomic impact of the COVID-19 pandemic on commercial real estate markets generally and is not specific to any loan losses or impairments in our portfolio. See Note 2 for further discussion of COVID-19.

**5. SECURED DEBT AGREEMENTS, NET**

During the three months ended June 30, 2020, we entered into agreements with our seven largest secured credit facility lenders, representing an aggregate \$7.9 billion of our secured credit facilities as of June 30, 2020, to temporarily suspend credit mark provisions and pre-approve certain loan modifications to certain of their portfolio assets, primarily in exchange for cash repayments and pledging additional loan collateral. During the three months ended December 31, 2020, we extended the credit facility modification agreements with the seven lenders without any further deleveraging or increased cost.

In addition, during the year ended December 31, 2020, we increased the size of one of our credit facilities and added a multi-currency facility with one of our existing lenders, providing an aggregate additional \$650.0 million of credit capacity. Our secured debt agreements include secured credit facilities and a revolving credit agreement. The following table details our secured debt agreements (\$ in thousands):

|   | <b>Secured Debt Agreements<br/>Borrowings Outstanding</b> |                          |
|---|---|--------------------------|
|   | <b>December 31, 2020</b>                                  | <b>December 31, 2019</b> |
| Secured credit facilities               | \$ 7,896,863  | \$ 9,753,059             |
| Revolving credit agreement              | —   | —                        |
| Total secured debt agreements           | \$ 7,896,863  | \$ 9,753,059             |
| Deferred financing costs <sup>(1)</sup> | (16,327)  | (21,633)                 |
| Net book value of secured debt          | \$ 7,880,536  | \$ 9,731,426             |

- (1) Costs incurred in connection with our secured debt agreements are recorded on our consolidated balance sheet when incurred and recognized as a component of interest expense over the life of each related agreement.

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

**Secured Credit Facilities**

The following table details our secured credit facilities as of December 31, 2020 (\$ in thousands):

| Lender                                     | December 31, 2020          |                     |                          | Collateral Assets <sup>(2)</sup> |
|--|----------------------------|---------------------|--------------------------|----------------------------------|
|  | Credit Facility Borrowings |                     |                          |                                  |
|  | Potential <sup>(1)</sup>   | Outstanding         | Available <sup>(1)</sup> |                                  |
| Deutsche Bank                              | \$ 1,892,211               | \$ 1,847,211        | \$ 45,000                | \$ 2,869,889                     |
| Barclays                                   | 1,443,251                  | 1,249,415           | 193,836                  | 1,862,987                        |
| Wells Fargo                                | 1,241,357                  | 956,780             | 284,577                  | 1,663,661                        |
| Citibank                                   | 927,531                    | 779,139             | 148,392                  | 1,212,521                        |
| Goldman Sachs                              | 615,411                    | 615,411             | —                        | 828,965                          |
| Bank of America                            | 473,678                    | 473,678             | —                        | 667,830                          |
| JP Morgan                                  | 449,449                    | 422,096             | 27,353                   | 605,144                          |
| Morgan Stanley                             | 528,846                    | 401,846             | 127,000                  | 849,426                          |
| MetLife                                    | 276,605                    | 276,605             | —                        | 349,612                          |
| Santander                                  | 269,501                    | 269,501             | —                        | 337,329                          |
| Société Générale                           | 237,822                    | 237,822             | —                        | 308,700                          |
| US Bank - Multi. JV <sup>(3)</sup>         | 184,802                    | 181,795             | 3,007                    | 231,003                          |
| Goldman Sachs - Multi. JV <sup>(3)</sup>   | 167,964                    | 167,964             | —                        | 231,840                          |
| Bank of America - Multi. JV <sup>(3)</sup> | 17,600                     | 17,600              | —                        | 22,000                           |
|  | <u>\$ 8,726,028</u>        | <u>\$ 7,896,863</u> | <u>\$ 829,165</u>        | <u>\$ 12,040,907</u>             |

- (1) Potential borrowings represents the total amount we could draw under each facility based on collateral already approved and pledged. When undrawn, these amounts are immediately available to us at our sole discretion under the terms of each credit facility.
- (2) Represents the principal balance of the collateral assets.
- (3) These facilities finance the loan investments of our consolidated Multifamily Joint Venture. Refer to Note 2 for additional discussion of our Multifamily Joint Venture.

The weighted-average outstanding balance of our secured credit facilities was \$8.8 billion for the year ended December 31, 2020. As of December 31, 2020, we had aggregate borrowings of \$7.9 billion outstanding under our secured credit facilities, with a weighted-average cash coupon of LIBOR plus 1.63% per annum, a weighted-average all-in cost of credit, including associated fees and expenses, of LIBOR plus 1.83% per annum, and a weighted-average advance rate of 72.8%. As of December 31, 2020, outstanding borrowings under these facilities had a weighted-average maturity, including extension options, of 3.0 years.

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

The following table details our secured credit facilities as of December 31, 2019 (\$ in thousands):

| Lender                                     | December 31, 2019          |                     |                          | Collateral Assets <sup>(2)</sup> |
|--|----------------------------|---------------------|--------------------------|----------------------------------|
|  | Credit Facility Borrowings |                     |                          |                                  |
|  | Potential <sup>(1)</sup>   | Outstanding         | Available <sup>(1)</sup> |                                  |
| Wells Fargo                                | \$ 2,056,769               | \$ 2,018,057        | \$ 38,712                | \$ 2,621,806                     |
| Deutsche Bank                              | 2,037,795                  | 1,971,860           | 65,935                   | 2,573,447                        |
| Barclays                                   | 1,629,551                  | 1,442,083           | 187,468                  | 2,044,654                        |
| Citibank                                   | 1,159,888                  | 1,109,837           | 50,051                   | 1,473,745                        |
| Bank of America                            | 603,660                    | 513,660             | 90,000                   | 775,678                          |
| Morgan Stanley                             | 524,162                    | 468,048             | 56,114                   | 706,080                          |
| Goldman Sachs                              | 474,338                    | 450,000             | 24,338                   | 632,013                          |
| MetLife                                    | 417,677                    | 417,677             | —                        | 536,553                          |
| Société Générale                           | 333,473                    | 333,473             | —                        | 437,130                          |
| US Bank - Multi. JV <sup>(3)</sup>         | 279,838                    | 279,552             | 286                      | 350,034                          |
| JP Morgan                                  | 303,288                    | 259,062             | 44,226                   | 386,545                          |
| Santander                                  | 239,332                    | 239,332             | —                        | 299,597                          |
| Goldman Sachs - Multi. JV <sup>(3)</sup>   | 203,846                    | 203,846             | —                        | 261,461                          |
| Bank of America - Multi. JV <sup>(3)</sup> | 46,572                     | 46,572              | —                        | 58,957                           |
|  | <u>\$ 10,310,189</u>       | <u>\$ 9,753,059</u> | <u>\$ 557,130</u>        | <u>\$ 13,157,700</u>             |

(1) Potential borrowings represents the total amount we could draw under each facility based on collateral already approved and pledged. When undrawn, these amounts are immediately available to us at our sole discretion under the terms of each credit facility.

(2) Represents the principal balance of the collateral assets.

(3) These facilities finance the loan investments of our consolidated Multifamily Joint Venture. Refer to Note 2 for additional discussion of our Multifamily Joint Venture.

The weighted-average outstanding balance of our secured credit facilities was \$8.8 billion for the year ended December 31, 2019. As of December 31, 2019, we had aggregate borrowings of \$9.8 billion outstanding under our secured credit facilities, with a weighted-average cash coupon of LIBOR plus 1.60% per annum, a weighted-average all-in cost of credit, including associated fees and expenses, of LIBOR plus 1.79% per annum, and a weighted-average advance rate of 79.4%. As of December 31, 2019, outstanding borrowings under these facilities had a weighted-average maturity, including extension options, of 3.6 years.

Borrowings under each facility are subject to the initial approval of eligible collateral loans by the lender and the maximum advance rate and pricing rate of individual advances are determined with reference to the attributes of the respective collateral loan.

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

The following table outlines the key terms of our secured credit facilities as of December 31, 2020:

| <u>Lender</u>                              | <u>Currency</u>        | <u>Guarantee<sup>(1)</sup></u> | <u>Margin Call<sup>(2)</sup></u> | <u>Term/Maturity</u>               |
|--|------------------------|--------------------------------|----------------------------------|------------------------------------|
| Deutsche Bank                              | \$ / €                 | 62% <sup>(4)</sup>             | Collateral marks only            | Term matched <sup>(6)</sup>        |
| Barclays                                   | \$ / £ / €             | 25%                            | Collateral marks only            | Term matched <sup>(6)</sup>        |
| Wells Fargo                                | \$ / C\$               | 25% <sup>(5)</sup>             | Collateral marks only            | Term matched <sup>(6)</sup>        |
| Citibank                                   | \$ / £ / € / A\$ / C\$ | 25%                            | Collateral marks only            | Term matched <sup>(6)</sup>        |
| Goldman Sachs                              | \$ / £ / €             | 25%                            | Collateral marks only            | Term matched <sup>(6)</sup>        |
| Bank of America                            | \$                     | 50%                            | Collateral marks only            | May 21, 2024 <sup>(7)</sup>        |
| JP Morgan                                  | \$ / £                 | 43%                            | Collateral marks only            | January 7, 2024 <sup>(8)</sup>     |
| Morgan Stanley                             | \$ / £ / €             | 25%                            | Collateral marks only            | September 29, 2025 <sup>(9)</sup>  |
| MetLife                                    | \$                     | 71%                            | Collateral marks only            | September 23, 2025 <sup>(10)</sup> |
| Santander                                  | €                      | 50%                            | Collateral marks only            | Term matched <sup>(6)</sup>        |
| Société Générale                           | \$ / £ / €             | 25%                            | Collateral marks only            | Term matched <sup>(6)</sup>        |
| US Bank - Multi. JV <sup>(3)</sup>         | \$                     | 25%                            | Collateral marks only            | Term matched <sup>(6)</sup>        |
| Goldman Sachs - Multi. JV <sup>(3)</sup>   | \$                     | 25%                            | Collateral marks only            | July 12, 2022 <sup>(11)</sup>      |
| Bank of America - Multi. JV <sup>(3)</sup> | \$                     | 43%                            | Collateral marks only            | July 19, 2023 <sup>(12)</sup>      |

- (1) Other than amounts guaranteed based on specific collateral asset types, borrowings under our credit facilities are non-recourse to us.
- (2) 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. These provisions have been temporarily suspended on certain of our facilities as described above.
- (3) These facilities finance the loan investments of our consolidated Multifamily Joint Venture. Refer to Note 2 for additional discussion of our Multifamily Joint Venture.
- (4) Specific borrowings outstanding of \$907.9 million are 100% guaranteed. The remainder of the credit facility borrowings are 25% guaranteed.
- (5) In addition to the 25% guarantee across all borrowings, there is an incremental guarantee of \$147.2 million related to \$196.3 million of specific borrowings outstanding.
- (6) These secured credit facilities have various availability periods during which new advances can be made and which are generally subject to each lender's discretion. Maturity dates for advances outstanding are tied to the term of each respective collateral asset.
- (7) Includes two one-year extension options which may be exercised at our sole discretion.
- (8) Includes two one-year extension options which may be exercised at our sole discretion.
- (9) Includes two one-year extension options which may be exercised at our sole discretion.
- (10) Includes four one-year extension options which may be exercised at our sole discretion.
- (11) Includes a one-year extension option which may be exercised at our sole discretion.
- (12) Includes two one-year extension options which may be exercised at our sole discretion.

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

The following table details the floating benchmark rates for our secured credit facilities as of December 31, 2020 (\$/€/£/A\$/C\$ in thousands):

| Currency | Potential Borrowings <sup>(1)</sup> | Outstanding Borrowings | Floating Rate Index <sup>(2)</sup> | Spread               | Advance Rate <sup>(3)</sup> |
|----------|-------------------------------------|------------------------|------------------------------------|----------------------|-----------------------------|
| \$       | \$ 4,844,927                        | \$ 4,023,408           | USD LIBOR                          | L + 1.64%            | 72.9%                       |
| €        | € 2,051,170                         | € 2,044,904            | EURIBOR                            | E + 1.44%            | 73.3%                       |
| £        | £ 822,401                           | £ 822,401              | GBP LIBOR                          | L + 1.95%            | 71.6%                       |
| A\$      | A\$ 244,891                         | A\$ 244,891            | BBSY                               | BBSY + 1.90%         | 72.5%                       |
| C\$      | C\$ 79,852                          | C\$ 79,862             | CDOR                               | CDOR + 1.80%         | 76.7%                       |
|          | <u>\$ 8,726,028</u>                 | <u>\$ 7,896,863</u>    |                                    | <u>INDEX + 1.63%</u> | <u>72.8%</u>                |

- (1) Potential borrowings represents the total amount we could draw under each facility based on collateral already approved and pledged. When undrawn, these amounts are immediately available to us at our sole discretion under the terms of each credit facility.
- (2) Floating rate indices are generally matched to the payment timing under the terms of each secured credit facility and its respective collateral assets.
- (3) Represents weighted-average advance rate based on the approved outstanding principal balance of the collateral assets pledged.

### Revolving Credit Agreement

We have a \$250.0 million full recourse secured revolving credit agreement with Barclays that is designed to finance first mortgage originations for up to nine months as a bridge to term financing or syndication. Advances under the agreement are subject to availability under a specified borrowing base and accrue interest at a per annum pricing rate equal to the sum of (i) an applicable base rate or Eurodollar rate and (ii) an applicable margin, in each case, dependent on the applicable type of loan collateral. The maturity date of the facility is April 4, 2023.

During the year ended December 31, 2020, we had no borrowings under the revolving credit agreement and we recorded interest expense of \$1.6 million, including \$685,000 of amortization of deferred fees and expenses.

During the year ended December 31, 2019, the weighted-average outstanding borrowings under the revolving credit agreement was \$14.3 million and we recorded interest expense of \$2.6 million, including \$1.0 million of amortization of deferred fees and expenses. As of December 31, 2019, we had no outstanding borrowings under the agreement.

### Debt Covenants

The guarantees related to our secured debt agreements contain the following financial covenants: (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 \$3.0 billion as of each measurement date plus 75% of the net cash proceeds of future equity issuances subsequent to December 31, 2020; (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, 2020 and December 31, 2019, we were in compliance with these covenants. These financial covenants also apply to our asset-specific debt agreements. Refer to Note 7 for information regarding our asset-specific financings. Refer to Note 8 for information regarding financial covenants contained in the agreements governing our senior secured term loan facility.

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

**6. SECURITIZED DEBT OBLIGATIONS, NET**

We have financed certain pools of our loans through collateralized loan obligations, which include the 2020 FL3 CLO, 2020 FL2 CLO, and 2017 FL1 CLO, or collectively, the CLOs. We have also financed one of our loans through a single asset securitization vehicle, or the 2017 Single Asset Securitization. The CLOs and the 2017 Single Asset Securitization have issued securitized debt obligations that are non-recourse to us. The CLOs and the 2017 Single Asset Securitization are consolidated in our financial statements. Refer to Note 15 for further discussion of our CLOs and 2017 Single Asset Securitization.

The following tables detail our securitized debt obligations (\$ in thousands):

| December 31, 2020                              |       |                   |              |                                     |                     |
|--|-------|-------------------|--------------|-------------------------------------|---------------------|
| Securitized Debt Obligations                   | Count | Principal Balance | Book Value   | Wtd. Avg. Yield/Cost <sup>(1)</sup> | Term <sup>(2)</sup> |
| <u>2020 FL3 Collateralized Loan Obligation</u> |       |                   |              |                                     |                     |
| Collateral assets                              | 25    | \$ 1,000,000      | \$ 1,000,000 | L+3.09%                             | February 2024       |
| Financing provided                             | 1     | 808,750           | 800,993      | L+2.08%                             | November 2037       |
| <u>2020 FL2 Collateralized Loan Obligation</u> |       |                   |              |                                     |                     |
| Collateral assets                              | 31    | 1,500,000         | 1,500,000    | L+3.17%                             | January 2024        |
| Financing provided                             | 1     | 1,243,125         | 1,233,464    | L+1.44%                             | February 2038       |
| <u>2017 FL1 Collateralized Loan Obligation</u> |       |                   |              |                                     |                     |
| Collateral assets                              | 15    | 666,334           | 666,334      | L+3.39%                             | January 2023        |
| Financing provided                             | 1     | 483,834           | 483,113      | L+1.83%                             | June 2035           |
| <u>2017 Single Asset Securitization</u>        |       |                   |              |                                     |                     |
| Collateral assets <sup>(3)</sup>               | 1     | 619,194           | 618,766      | L+3.57%                             | June 2023           |
| Financing provided                             | 1     | 404,929           | 404,929      | L+1.63%                             | June 2033           |
| <u>Total</u>                                   |       |                   |              |                                     |                     |
| Collateral assets                              | 72    | \$ 3,785,528      | \$ 3,785,100 | L+3.25%                             |                     |
| Financing provided <sup>(4)</sup>              | 4     | \$ 2,940,638      | \$ 2,922,499 | L+1.70%                             |                     |
| December 31, 2019                              |       |                   |              |                                     |                     |
| Securitized Debt Obligations                   | Count | Principal Balance | Book Value   | Wtd. Avg. Yield/Cost <sup>(1)</sup> | Term <sup>(2)</sup> |
| <u>2017 FL1 Collateralized Loan Obligation</u> |       |                   |              |                                     |                     |
| Collateral assets                              | 18    | \$ 897,522        | \$ 897,522   | L+3.43%                             | September 2022      |
| Financing provided                             | 1     | 715,022           | 712,517      | L+1.98%                             | June 2035           |
| <u>2017 Single Asset Securitization</u>        |       |                   |              |                                     |                     |
| Collateral assets <sup>(3)</sup>               | 1     | 711,738           | 710,260      | L+3.60%                             | June 2023           |
| Financing provided                             | 1     | 474,620           | 474,567      | L+1.64%                             | June 2033           |
| <u>Total</u>                                   |       |                   |              |                                     |                     |
| Collateral assets                              | 19    | \$ 1,609,260      | \$ 1,607,782 | L+3.51%                             |                     |
| Financing provided <sup>(4)</sup>              | 2     | \$ 1,189,642      | \$ 1,187,084 | L+1.84%                             |                     |

- (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. All-in yield for the total portfolio assumes applicable floating benchmark rates for weighted-average calculation.
- (2) Loan term represents weighted-average final maturity, 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.
- (3) The collateral assets for the 2017 Single Asset Securitization include the total loan amount, of which we securitized \$500.0 million.
- (4) During the years ended December 31, 2020 and 2019, we recorded \$43.1 million and \$47.2 million, respectively, of interest expense related to our securitized debt obligations.

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

**7. ASSET-SPECIFIC DEBT AGREEMENTS, NET**

The following tables detail our asset-specific debt agreements (\$ in thousands):

| December 31, 2020                     |              |                          |                   |   |                                |                                     |
|---------------------------------------|--------------|--------------------------|-------------------|---|--------------------------------|-------------------------------------|
| <u>Asset-Specific Debt Agreements</u> | <u>Count</u> | <u>Principal Balance</u> | <u>Book Value</u> | <u>Wtd. Avg. Yield/Cost<sup>(1)</sup></u> | <u>Guarantee<sup>(2)</sup></u> | <u>Wtd. Avg. Term<sup>(3)</sup></u> |
| Collateral assets                     | 4            | \$ 512,794               | \$ 499,085        | L+4.65%                                   | n/a                            | Oct. 2023                           |
| Financing provided                    | 4            | \$ 399,699               | \$ 391,269        | L+3.48%                                   | \$33,244                       | Oct. 2023                           |

| December 31, 2019                     |              |                          |                   |   |                                |                                     |
|---------------------------------------|--------------|--------------------------|-------------------|---|--------------------------------|-------------------------------------|
| <u>Asset-Specific Debt Agreements</u> | <u>Count</u> | <u>Principal Balance</u> | <u>Book Value</u> | <u>Wtd. Avg. Yield/Cost<sup>(1)</sup></u> | <u>Guarantee<sup>(2)</sup></u> | <u>Wtd. Avg. Term<sup>(3)</sup></u> |
| Collateral assets                     | 4            | \$ 429,983               | \$ 417,820        | L+4.90%                                   | n/a                            | Mar. 2023                           |
| Financing provided                    | 4            | \$ 330,879               | \$ 323,504        | L+3.42%                                   | \$97,930                       | Mar. 2023                           |

- (1) These floating rate loans and related liabilities are indexed to the various benchmark rates relevant in each arrangement in terms of currency and payment frequency. Therefore the net exposure to each benchmark rate is in direct proportion to our net assets indexed to that rate. In addition to cash coupon, yield/cost includes the amortization of deferred origination fees / financing costs.
- (2) Other than amounts guaranteed on an asset-by-asset basis, borrowings under our asset-specific debt agreements are non-recourse to us.
- (3) The weighted-average term is determined based on the maximum maturity of the corresponding loans, assuming all extension options are exercised by the borrower. Each of our asset-specific debt agreements is term-matched to the corresponding collateral loans.

**8. SECURED TERM LOANS, NET**

During the year ended December 31, 2020, we entered into a \$325.0 million senior secured term loan facility, or the 2020 Term Loan. As of December 31, 2020, the following senior secured term loan facilities, or Secured Term Loans, were outstanding (\$ in thousands):

| <u>Term Loans</u> | <u>Face Value</u> | <u>Interest Rate<sup>(1)</sup></u> | <u>All-in Cost<sup>(1)(2)</sup></u> | <u>Maturity</u> |
|-------------------|-------------------|------------------------------------|-------------------------------------|-----------------|
| 2019 Term Loan    | \$ 739,391        | L+2.25%                            | L+2.52%                             | April 23, 2026  |
| 2020 Term Loan    | 323,375           | L+4.75%                            | L+5.60%                             | April 23, 2026  |

- (1) The 2020 Term Loan includes a LIBOR floor of 1.00%.
- (2) Includes issue discount and transaction expenses that are amortized through interest expense over the life of the Secured Term Loans.

The 2019 and 2020 Term Loans are partially amortizing, with an amount equal to 1.0% per annum of the aggregate principal balance due in quarterly installments. The issue discount and transaction expenses on the 2019 Term Loan were \$1.6 million and \$10.1 million, respectively, which will be amortized into interest expense over the life of the 2019 Term Loan. The issue discount and transaction expenses of the 2020 Term Loan were \$9.6 million and \$3.8 million, respectively, which will be amortized into interest expense over the life of the 2020 Term Loan.

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

The following table details the net book value of our Secured Term Loans on our consolidated balance sheets (\$ in thousands):

|                          | <u>December 31,<br/>2020</u> | <u>December 31,<br/>2019</u> |
|--------------------------|------------------------------|------------------------------|
| Face value               | \$ 1,062,766                 | \$ 746,878                   |
| Unamortized discount     | (9,807)                      | (1,456)                      |
| Deferred financing costs | <u>(11,255)</u>              | <u>(9,280)</u>               |
| Net book value           | <u>\$ 1,041,704</u>          | <u>\$ 736,142</u>            |

The guarantee under our Secured Term Loans contains the financial covenant that our indebtedness shall not exceed 83.33% of our total assets. As of December 31, 2020 and December 31, 2019, we were in compliance with this covenant. Refer to Note 2 for additional discussion of our accounting policies for the Secured Term Loans.

**9. CONVERTIBLE NOTES, NET**

As of December 31, 2020, the following convertible senior notes, or Convertible Notes, were outstanding (\$ in thousands):

| <u>Convertible Notes Issuance</u> | <u>Face Value</u> | <u>Interest Rate</u> | <u>All-in Cost<sup>(1)</sup></u> | <u>Conversion Rate<sup>(2)</sup></u> | <u>Maturity</u> |
|-----------------------------------|-------------------|----------------------|----------------------------------|--------------------------------------|-----------------|
| May 2017                          | \$ 402,500        | 4.38%                | 4.85%                            | 28.0324                              | May 5, 2022     |
| March 2018                        | \$ 220,000        | 4.75%                | 5.33%                            | 27.6052                              | March 15, 2023  |

- (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 shares of class A common stock per \$1,000 principal amount of Convertible Notes, which is equivalent to a conversion price of \$35.67 and \$36.23 per share of class A common stock, respectively, for the May 2017 and March 2018 convertible notes. The cumulative dividend threshold as defined in the respective May 2017 and March 2018 convertible notes supplemental indentures have not been exceeded as of December 31, 2020.

The 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 January 31, 2022 and December 14, 2022 for the May 2017 and March 2018 convertible notes, respectively, at the applicable conversion rate in effect on the conversion date. Thereafter, the Convertible Notes are convertible at the option of the holder at any time until the second scheduled trading day immediately preceding the maturity date. We may not redeem the Convertible Notes prior to maturity. The last reported sale price of our class A common stock of \$27.53 on December 31, 2020 was less than the per share conversion price of the May 2017 and March 2018 convertible notes. We have the intent and ability to settle each series of the Convertible Notes in cash and, as a result, the potential conversion of the Convertible Notes did not have any impact on our diluted earnings per share.

Upon our issuance of the May 2017 convertible notes, we recorded a \$979,000 discount based on the implied value of the conversion option and an assumed effective interest rate of 4.57%, as well as \$8.4 million of issue discount and issuance costs. Including the amortization of the discount and issuance costs, our total cost of the May 2017 convertible notes issuance is 4.91% per annum.

Upon our issuance of the March 2018 convertible notes, we recorded a \$1.5 million discount based on the implied value of the conversion option and an assumed effective interest rate of 5.25%, as well as \$5.2 million of

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

issue discount and issuance costs. Including the amortization of the discount and issuance costs, our total cost of the March 2018 convertible notes issuance is 5.49% per annum.

The following table details the net book value of our Convertible Notes on our consolidated balance sheets (\$ in thousands):

|                          | <u>December 31,<br/>2020</u> | <u>December 31,<br/>2019</u> |
|--------------------------|------------------------------|------------------------------|
| Face value               | \$ 622,500                   | \$ 622,500                   |
| Unamortized discount     | (5,715)                      | (8,801)                      |
| Deferred financing costs | (396)                        | (628)                        |
| Net book value           | <u>\$ 616,389</u>            | <u>\$ 613,071</u>            |

The following table details our interest expense related to the Convertible Notes (\$ in thousands):

|   | <u>Year Ended December 31,</u> |                  |                  |
|---|--------------------------------|------------------|------------------|
|   | <u>2020</u>                    | <u>2019</u>      | <u>2018</u>      |
| Cash coupon                             | \$ 28,059                      | \$ 28,059        | \$ 33,859        |
| Discount and issuance cost amortization | 3,319                          | 3,159            | 5,531            |
| Total interest expense                  | <u>\$ 31,378</u>               | <u>\$ 31,218</u> | <u>\$ 39,390</u> |

Accrued interest payable for the Convertible Notes was \$6.0 million as of both December 31, 2020 and December 31, 2019. Refer to Note 2 for additional discussion of our accounting policies for the Convertible Notes.

## **10. DERIVATIVE FINANCIAL INSTRUMENTS**

The sole 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.

### **Cash Flow Hedges of Interest Rate Risk**

Certain of our transactions expose us to interest rate risks, which include a fixed versus floating rate mismatch between our assets and liabilities. We use derivative financial instruments, which includes interest rate caps, and may also include interest rate swaps, options, floors, and other interest rate derivative contracts, to hedge interest rate risk.

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

The following tables detail our outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk (notional amount in thousands):

| December 31, 2020         |                       |                 |        |       |                            |  |
|---------------------------|-----------------------|-----------------|--------|-------|----------------------------|--|
| Interest Rate Derivatives | Number of Instruments | Notional Amount | Strike | Index | Wtd.-Avg. Maturity (Years) |  |
| Interest Rate Caps        | 2                     | C\$ 38,293      | 1.0%   | CDOR  | 0.8                        |  |

| December 31, 2019         |                       |                 |        |       |                            |  |
|---------------------------|-----------------------|-----------------|--------|-------|----------------------------|--|
| Interest Rate Derivatives | Number of Instruments | Notional Amount | Strike | Index | Wtd.-Avg. Maturity (Years) |  |
| Interest Rate Swaps       | 2                     | C\$ 17,273      | 1.0%   | CDOR  | 0.7                        |  |
| Interest Rate Caps        | 1                     | C\$ 21,387      | 3.0%   | CDOR  | 1.0                        |  |

Amounts reported in accumulated other comprehensive income (loss) related to derivatives will be reclassified to interest expense as interest payments are made on our floating rate debt. During the twelve months following December 31, 2020, we estimate that an additional \$10,000 will be reclassified from accumulated other comprehensive income (loss) as an increase to interest expense.

**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. During the three months ended March 31, 2020, we terminated all of our outstanding foreign currency forward contracts, with aggregate notional amounts of €552.1 million, £365.5 million, A\$134.8 million, and C\$23.7 million. During the three months ended June 30, 2020, we entered into foreign currency forward contracts with aggregate notional amounts of €620.4 million, £530.2 million, A\$92.8 million, and C\$24.4 million.

*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, 2020            |                       |                 | December 31, 2019            |                       |                 |
|------------------------------|-----------------------|-----------------|------------------------------|-----------------------|-----------------|
| Foreign Currency Derivatives | Number of Instruments | Notional Amount | Foreign Currency Derivatives | Number of Instruments | Notional Amount |
| Buy USD / Sell EUR Forward   | 8                     | € 754,722       | Buy USD / Sell GBP Forward   | 4                     | £ 527,100       |
| Buy USD / Sell GBP Forward   | 4                     | £ 372,487       | Buy USD / Sell EUR Forward   | 5                     | € 525,600       |
| Buy USD / Sell AUD Forward   | 1                     | A\$ 92,800      | Buy USD / Sell AUD Forward   | 3                     | A\$ 135,600     |
| Buy USD / Sell CAD Forward   | 1                     | C\$ 26,200      | Buy USD / Sell CAD Forward   | 1                     | C\$ 23,200      |

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

*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, 2020          |                       |                 | December 31, 2019          |                       |                 |
|----------------------------|-----------------------|-----------------|----------------------------|-----------------------|-----------------|
| Non-designated Hedges      | Number of Instruments | Notional Amount | Non-designated Hedges      | Number of Instruments | Notional Amount |
| Buy EUR / Sell GBP Forward | 2                     | £ 146,207       | Buy CAD / Sell USD Forward | 1                     | C\$ 15,900      |
| Buy USD / Sell EUR Forward | 1                     | € 8,410         | Buy USD / Sell CAD Forward | 1                     | C\$ 15,900      |
|                            |                       |                 | Buy GBP / Sell EUR Forward | 1                     | € 12,857        |
|                            |                       |                 | Buy AUD / Sell USD Forward | 1                     | A\$ 10,000      |
|                            |                       |                 | Buy USD / Sell AUD Forward | 1                     | A\$ 10,000      |

*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<br>in Hedging Relationships | Location of Income<br>(Expense) Recognized | Increase (Decrease) to Interest Income and<br>Interest Expense Recognized from Foreign<br>Exchange Contracts |                                    |                                    |
|--|--|--|------------------------------------|------------------------------------|
|  |  | Year Ended<br>December 31,<br>2020   | Year Ended<br>December 31,<br>2019 | Year Ended<br>December 31,<br>2018 |
| Designated Hedges                                      | Interest Income <sup>(1)</sup>             | \$ 4,382   | \$ —                               | \$ —                               |
| Non-Designated Hedges                                  | Interest Income <sup>(1)</sup>             | (522)  | —                                  | —                                  |
| Non-Designated Hedges                                  | Interest Expense <sup>(2)</sup>            | (4,357)  | 1,060                              | 23                                 |
| Total  |  | <u>\$ (497)</u>  | <u>\$ 1,060</u>                    | <u>\$ 23</u>                       |

(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 USD LIBOR. These forward contracts effectively convert the rate exposure to USD LIBOR, resulting in additional interest income earned in U.S. dollar terms.

(2) Represents the spot rate movement in our non-designated hedges, which are marked-to-market and recognized in interest expense.

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

**Valuation and Other Comprehensive Income**

The following table summarizes the fair value of our derivative financial instruments (\$ in thousands):

|   | Fair Value of Derivatives in an Asset<br>Position <sup>(1)</sup> as of |                      | Fair Value of Derivatives in a Liability<br>Position <sup>(2)</sup> as of |                      |
|---|--|----------------------|---|----------------------|
|   | December 31,<br>2020   | December 31,<br>2019 | December 31,<br>2020  | December 31,<br>2019 |
| <b>Derivatives designated as hedging instruments:</b>     |  |                      |   |                      |
| Foreign exchange contracts                                | \$ 521   | \$ —                 | \$ 55,758   | \$ 41,728            |
| Interest rate derivatives                                 | 1  | 96                   | —   | —                    |
| <b>Total</b>  | <b>\$ 522</b>  | <b>\$ 96</b>         | <b>\$ 55,758</b>  | <b>\$ 41,728</b>     |
| <b>Derivatives not designated as hedging instruments:</b> |  |                      |   |                      |
| Foreign exchange contracts                                | \$ —   | \$ 983               | \$ 3,157  | \$ 535               |
| Interest rate derivatives                                 | —  | —                    | —   | —                    |
| <b>Total</b>  | <b>\$ —</b>  | <b>\$ 983</b>        | <b>\$ 3,157</b>   | <b>\$ 535</b>        |
| <b>Total Derivatives</b>                                  | <b>\$ 522</b>  | <b>\$ 1,079</b>      | <b>\$ 58,915</b>  | <b>\$ 42,263</b>     |

(1) Included in other assets in our consolidated balance sheets.

(2) Included in other liabilities in our consolidated balance sheets.

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 (Loss) Gain Recognized in OCI on Derivatives |                   |               | Location of Gain (Loss) Reclassified from OCI into Income | Amount of Loss Reclassified from Accumulated OCI into Income |                         |               |      |
|---|--|-------------------|---------------|---|--|-------------------------|---------------|------|
|   | Year Ended December 31,                                |                   |               |   | Accumulated  | Year Ended December 31, |               |      |
|   | 2020   | 2019              | 2018          |   | OCI into Income  | 2020                    | 2019          | 2018 |
| Net Investment Hedges                     |  |                   |               |   |  |                         |               |      |
| Foreign exchange contracts <sup>(1)</sup> | \$ (59,609)  | \$ (5,592)        | 40,372        | Interest Expense  | \$ —   | \$ —                    | \$ —          |      |
| Cash Flow Hedges                          |  |                   |               |   |  |                         |               |      |
| Interest rate derivatives                 | (94)   | (144)             | (8)           | Interest Expense <sup>(2)</sup>                           | 7  | 195                     | 563           |      |
| <b>Total</b>                              | <b>\$ (59,703)</b>                                     | <b>\$ (5,736)</b> | <b>40,364</b> |   | <b>\$ 7</b>  | <b>\$ 195</b>           | <b>\$ 563</b> |      |

(1) During the year ended December 31, 2020, we paid net cash settlements of \$43.0 million on our foreign currency contracts. During the years ended December 31, 2019, and December 31, 2018, we received net cash settlements of \$43.1 million and \$29.1 million, respectively, on our foreign currency forward contracts. Those amounts are included as a component of accumulated other comprehensive loss on our consolidated balance sheets.

(2) During the years ended December 31, 2020, December 31, 2019, and December 31, 2018, we recorded total interest and related expenses of \$347.5 million, \$458.5 million, and \$359.6 million, respectively, which were reduced by \$7,000, \$195,000, and \$563,000, respectively, 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.

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

As of December 31, 2020, we were in a net liability position with each such derivative counterparty and posted collateral of \$51.1 million under these derivative contracts, which amount is included in other assets on our consolidated balance sheet. As of December 31, 2019, we were in a net liability position with each such derivative counterparty and posted collateral of \$30.8 million under these derivative contracts, which amount is included in other assets on our consolidated balance sheet.

**11. EQUITY**

**Stock and Stock Equivalents**

*Authorized Capital*

During the year ended December 31, 2020, we filed articles of amendment to our charter authorizing us to issue an additional 200,000,000 shares of common stock. As of December 31, 2020, 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, 2020.

*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 such dividends as may be 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.

The following table details our issuance of class A common stock during the years ended December 31, 2020, 2019, and 2018 (\$ in thousands, except share and per share data):

|  | Class A Common Stock Offerings |                     |                     |
|--|--------------------------------|---------------------|---------------------|
|  | 2020 <sup>(1)</sup>            | 2019 <sup>(2)</sup> | 2018 <sup>(3)</sup> |
| Shares issued                          | 10,840,696                     | 10,534,628          | 14,566,743          |
| Gross share issue price <sup>(4)</sup> | \$ 27.79                       | \$ 35.75            | \$ 33.16            |
| Net share issue price <sup>(5)</sup>   | \$ 27.52                       | \$ 35.38            | \$ 32.76            |
| Net proceeds <sup>(6)</sup>            | \$ 297,599                     | \$ 372,341          | \$ 476,420          |

- (1) 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.
- (2) Issuance includes 1.9 million shares issued under our at-the-market program, with a weighted-average gross share issue price of \$34.63.
- (3) Issuance includes 7.7 million shares issued under our at-the-market program, with a weighted-average gross share issue price of \$33.66.
- (4) Represents the weighted-average gross price per share paid by the underwriters or sales agents, as applicable.
- (5) Represents the weighted-average net proceeds per share after underwriting or sales discounts and commissions, as applicable.
- (6) Net proceeds represent proceeds received from the underwriters less applicable transaction costs. 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.

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

We also issue restricted class A common stock under our stock-based incentive plans. Refer to Note 14 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 in lieu of cash compensation 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:

| <u>Common Stock Outstanding<sup>(1)</sup></u>                   | <u>Year Ended December 31,</u> |                    |                    |
|---|--------------------------------|--------------------|--------------------|
|   | <u>2020</u>                    | <u>2019</u>        | <u>2018</u>        |
| Beginning balance   | 135,263,728                    | 123,664,577        | 108,081,077        |
| Issuance of class A common stock <sup>(2)</sup>                 | 10,842,746                     | 10,535,842         | 14,568,431         |
| Issuance of restricted class A common stock, net <sup>(3)</sup> | 933,623                        | 1,032,082          | 983,447            |
| Issuance of deferred stock units                                | 46,625                         | 31,227             | 31,622             |
| Ending balance  | <u>147,086,722</u>             | <u>135,263,728</u> | <u>123,664,577</u> |

- (1) Includes 306,691 deferred stock units, 260,066 deferred stock units, and 228,839 deferred stock units held by members of our board of directors as of December 31, 2020, 2019, and 2018, respectively.
- (2) Includes 2,050 shares, 1,214 shares, and 1,688 shares issued under our dividend reinvestment program during the years ended December 31, 2020, 2019, and 2018, respectively.
- (3) Includes 879 shares, 17,565 shares, and 17,820 shares of restricted class A common stock forfeited under our stock-based incentive plans during the years ended December 31, 2020, 2019, and 2018, respectively. See Note 14 for further discussion of our stock-based incentive plans.

*Dividend Reinvestment and Direct Stock Purchase Plan*

On March 25, 2014, we 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, 2020, 2019, and 2018 we issued 2,050 shares, 1,214 shares, and 1,688 shares, respectively, of class A common stock under the dividend reinvestment component of the plan. As of December 31, 2020, a total of 9,991,974 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*

On November 14, 2018, we entered into six equity distribution agreements, or ATM Agreements, pursuant to which we may sell, from time to time, up to an aggregate sales price of \$500.0 million of our class A common stock. On July 26, 2019, we amended our existing ATM Agreements and entered into one additional ATM Agreement. 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

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

funding to meet such needs. We did not sell any shares of our class A common stock under ATM Agreements during the year ended December 31, 2020. During the year ended December 31, 2019, we issued and sold 1,909,628 shares of class A common stock under ATM Agreements, generating net proceeds totaling \$65.4 million. During the year ended December 31, 2018, we issued and sold 7,666,743 shares of class A common stock under ATM Agreements, generating net proceeds totaling \$254.1 million. As of December 31, 2020, sales of our class A common stock with an aggregate sales price of \$363.8 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. 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, 2020, we declared a dividend of \$0.62 per share, or \$91.0 million in aggregate, that was paid on January 15, 2021 to stockholders of record as of December 31, 2020.

The following table details our dividend activity (\$ in thousands, except per share data):

|  | Year Ended December 31, |         |         |
|--|-------------------------|---------|---------|
|  | 2020                    | 2019    | 2018    |
| Dividends declared per share of common stock | \$ 2.48                 | \$ 2.48 | \$ 2.48 |
| Percent taxable as ordinary dividends        | 100.00%                 | 100.00% | 99.70%  |
| Percent taxable as capital gain dividends    | — %                     | — %     | 0.30%   |
|  | 100.0%                  | 100.0%  | 100.0%  |

**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. Our Convertible Notes are excluded from dilutive earnings per share as we have the intent and ability to settle these instruments in cash.

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, |             |             |
|--|-------------------------|-------------|-------------|
|  | 2020                    | 2019        | 2018        |
| Net income <sup>(1)</sup>                              | \$ 137,670              | \$ 305,567  | \$ 285,078  |
| Weighted-average shares outstanding, basic and diluted | 141,795,977             | 130,085,398 | 113,857,238 |
| Per share amount, basic and diluted                    | \$ 0.97                 | \$ 2.35     | \$ 2.50     |

(1) Represents net income attributable to Blackstone Mortgage Trust.

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

**Other Balance Sheet Items**

*Accumulated Other Comprehensive Income*

As of December 31, 2020, total accumulated other comprehensive income was \$11.2 million, primarily representing (i) \$6.4 million of cumulative unrealized currency translation adjustments on assets and liabilities denominated in foreign currencies, and (ii) \$4.8 million of net realized and unrealized gains related to changes in the fair value of derivative instruments. As of December 31, 2019, total accumulated other comprehensive loss was \$16.2 million, primarily representing \$80.7 million of cumulative unrealized currency translation adjustments on assets and liabilities denominated in foreign currencies, offset by \$64.5 million of net realized and unrealized gains related to changes in the fair value of derivative instruments.

*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, 2020, our Multifamily Joint Venture's total equity was \$121.1 million, of which \$102.9 million was owned by us, and \$18.2 million was allocated to non-controlling interests. As of December 31, 2019, our Multifamily Joint Venture's total equity was \$147.3 million, of which \$125.2 million was owned by us, and \$22.1 million was allocated to non-controlling interests.

**12. 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 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.

During the years ended December 31, 2020, 2019, and 2018, we incurred \$60.4 million, \$55.3 million, and \$47.0 million, respectively, of management fees payable to our Manager. In addition, during the years ended December 31, 2020, 2019, and 2018, we incurred \$17.5 million, \$23.2 million, and \$27.9 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, 2020 and 2019 we had accrued management and incentive fees payable to our Manager of \$19.2 million and \$20.2 million, respectively.

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

**General and Administrative Expenses**

General and administrative expenses consisted of the following (\$ in thousands):

|   | Year Ended December 31, |           |           |
|---|-------------------------|-----------|-----------|
|   | 2020                    | 2019      | 2018      |
| Professional services <sup>(1)</sup>      | \$ 7,324                | \$ 5,163  | \$ 4,437  |
| Operating and other costs <sup>(1)</sup>  | 4,015                   | 3,035     | 2,938     |
| Subtotal                                  | 11,339                  | 8,198     | 7,375     |
| <u>Non-cash compensation expenses</u>     |                         |           |           |
| Restricted class A common stock earned    | 34,032                  | 30,156    | 27,654    |
| Director stock-based compensation         | 500                     | 500       | 500       |
| Subtotal                                  | 34,532                  | 30,656    | 28,154    |
| Total general and administrative expenses | \$ 45,871               | \$ 38,854 | \$ 35,529 |

(1) During the years ended December 31, 2020, 2019, and 2018, we recognized an aggregate \$1.1 million, \$865,000, and \$427,000, respectively, of expenses related to our Multifamily Joint Venture.

**13. 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 that we distribute. 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, 2020 and 2019, 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.

During the year ended December 31, 2020, we recorded a current income tax provision of \$323,000, primarily related to activities of our taxable REIT subsidiaries and various state and local taxes. During the year ended

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

December 31, 2019, we recorded a current income tax benefit of \$506,000, primarily due to a tax credit refund. During the year ended December 31, 2018, we recorded a current income tax provision of \$308,000, 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, 2020 or 2019.

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, 2020, we had estimated NOLs of \$159.0 million that will expire in 2029, unless they are utilized by us prior to expiration.

As of December 31, 2020, tax years 2017 through 2020 remain subject to examination by taxing authorities.

**14. STOCK-BASED INCENTIVE PLANS**

We are externally managed by our Manager and do not currently have any employees. However, as of December 31, 2020, 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.

We had stock-based incentive awards outstanding under nine benefit plans as of December 31, 2020. Seven of such benefit plans have expired and no new awards may be issued under them. Under our two current benefit plans, a maximum of 5,000,000 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, 2020, there were 2,263,098 shares available under our current benefit plans.

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:

|                                 | <u>Restricted Class A<br/>Common Stock</u> | <u>Weighted-Average<br/>Grant Date Fair<br/>Value Per Share</u> |
|---------------------------------|--|---|
| Balance as of December 31, 2018 | 1,614,907                                  | \$ 32.94  |
| Granted                         | 1,049,647                                  | 34.69   |
| Vested                          | (948,407)                                  | 32.08   |
| Forfeited                       | (17,565)                                   | 31.55   |
| Balance as of December 31, 2019 | <u>1,698,582</u>                           | <u>\$ 34.52</u>   |
| Granted                         | 934,502                                    | 31.83   |
| Vested                          | (1,004,315)                                | 34.26   |
| Forfeited                       | (879)                                      | 34.57   |
| Balance as of December 31, 2020 | <u><u>1,627,890</u></u>                    | <u><u>\$ 33.14</u></u>  |

These shares generally vest in installments over a three-year period, pursuant to the terms of the respective award agreements and the terms of our current benefit plans. The 1,627,890 shares of restricted class A common stock outstanding as of December 31, 2020 will vest as follows: 884,037 shares will vest in 2021; 549,548 shares will vest in 2022; and 194,305 shares will vest in 2023. As of December 31, 2020, total unrecognized compensation cost relating to unvested share-based compensation arrangements was \$51.4 million based on the grant date fair value of shares granted subsequent to July 1, 2018. The compensation cost of our share-based compensation

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

arrangements for awards granted before July 1, 2018 is based on the closing price of our class A common stock of \$31.43 on June 29, 2018, the last trading day prior to July 1, 2018. This cost is expected to be recognized over a weighted-average period of 1.2 years from December 31, 2020.

**15. 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, 2020 |           |         |           | December 31, 2019 |           |         |           |
|--------------------|-------------------|-----------|---------|-----------|-------------------|-----------|---------|-----------|
|                    | Level 1           | Level 2   | Level 3 | Total     | Level 1           | Level 2   | Level 3 | Total     |
| <u>Assets</u>      |                   |           |         |           |                   |           |         |           |
| Derivatives        | \$ —              | \$ 522    | \$ —    | \$ 522    | \$ —              | \$ 1,079  | \$ —    | \$ 1,079  |
| <u>Liabilities</u> |                   |           |         |           |                   |           |         |           |
| Derivatives        | \$ —              | \$ 58,915 | \$ —    | \$ 58,915 | \$ —              | \$ 42,263 | \$ —    | \$ 42,263 |

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 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, 2020 |             |            | December 31, 2019 |             |            |
|---|-------------------|-------------|------------|-------------------|-------------|------------|
|   | Book Value        | Face Amount | Fair Value | Book Value        | Face Amount | Fair Value |
| <u>Financial assets</u>                         |                   |             |            |                   |             |            |
| Cash and cash equivalents                       | \$ 289,970        | \$ 289,970  | \$ 289,970 | \$ 150,090        | \$ 150,090  | \$ 150,090 |
| Loans receivable, net                           | 16,399,166        | 16,652,824  | 16,447,192 | 16,164,801        | 16,277,343  | 16,279,904 |
| Debt securities held-to-maturity <sup>(1)</sup> | 75,722            | 79,200      | 70,127     | 86,638            | 88,958      | 88,305     |
| <u>Financial liabilities</u>                    |                   |             |            |                   |             |            |
| Secured debt agreements, net                    | 7,880,536         | 7,896,863   | 7,896,863  | 9,731,426         | 9,753,059   | 9,753,059  |
| Securitized debt obligations, net               | 2,922,499         | 2,940,638   | 2,923,489  | 1,187,084         | 1,189,642   | 1,189,368  |
| Asset-specific debt agreements, net             | 391,269           | 399,699     | 399,699    | 323,504           | 330,879     | 330,879    |
| Secured term loans, net                         | 1,041,704         | 1,062,766   | 1,053,060  | 736,142           | 746,878     | 750,769    |
| Convertible notes, net                          | 616,389           | 622,500     | 621,568    | 613,071           | 622,500     | 665,900    |

(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, and the secured term loans 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.

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

**16. VARIABLE INTEREST ENTITIES**

**Consolidated Variable Interest Entities**

We have financed a portion of our loans through the CLOs and the 2017 Single Asset Securitization, all of which are VIEs. We are the primary beneficiary of, and therefore consolidate, the CLOs and the 2017 Single Asset Securitization on our balance sheet as we (i) control the relevant interests of the CLOs and the 2017 Single Asset Securitization that give us power to direct the activities that most significantly affect the CLOs and the 2017 Single Asset Securitization, and (ii) have the right to receive benefits and obligation to absorb losses of the CLOs and the 2017 Single Asset Securitization through the subordinate interests we own.

The following table details the assets and liabilities of our consolidated CLOs and 2017 Single Asset Securitization VIEs (\$ in thousands):

|                                      | <u>December 31,<br/>2020</u> | <u>December 31,<br/>2019</u> |
|--------------------------------------|------------------------------|------------------------------|
| <b>Assets:</b>                       |                              |                              |
| Loans receivable                     | \$ 3,520,130                 | \$ 1,349,903                 |
| Current expected credit loss reserve | (13,454)                     | —                            |
| Loans receivable, net                | 3,506,676                    | 1,349,903                    |
| Other assets                         | 81,274                       | 51,788                       |
| Total assets                         | <u>\$ 3,587,950</u>          | <u>\$ 1,401,691</u>          |
| <b>Liabilities:</b>                  |                              |                              |
| Securitized debt obligations, net    | \$ 2,922,499                 | \$ 1,187,084                 |
| Other liabilities                    | 2,104                        | 1,648                        |
| Total liabilities                    | <u>\$ 2,924,603</u>          | <u>\$ 1,188,732</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**

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 are not the primary beneficiary of the VIE because we do not have the power to direct the activities that most significantly affect the VIE's economic performance and, therefore, do not consolidate the 2018 Single Asset Securitization on our balance sheet. We have classified the subordinate position we own as a held-to-maturity debt security that is included in other assets on our consolidated balance sheets. Our maximum exposure to loss from the 2018 Single Asset Securitization is limited to our book value of \$75.7 million as of December 31, 2020.

We are not obligated to provide, have not provided, and do not intend to provide financial support to these consolidated and non-consolidated VIEs.

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

**17. TRANSACTIONS WITH RELATED PARTIES**

We are managed by our Manager pursuant to the Management Agreement, the current term of which expires on December 19, 2021, and will be automatically renewed for a one-year term upon such date and each anniversary thereafter unless earlier terminated.

As of December 31, 2020 and 2019, our consolidated balance sheets included \$19.2 million and \$20.2 million of accrued management and incentive fees payable to our Manager, respectively. During the years ended December 31, 2020, 2019, and 2018, we paid aggregate management and incentive fees of \$78.9 million, \$76.9 million and \$70.5 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, 2020, 2019, and 2018, we reimbursed our Manager for expenses incurred on our behalf of \$1.0 million, \$1.1 million, and \$836,000, respectively.

As of December 31, 2020, our Manager held 942,054 shares of unvested restricted class A common stock, which had an aggregate grant date fair value of \$30.1 million, and vest in installments over three years from the date of issuance. During the years ended December 31, 2020, 2019, and 2018, we recorded non-cash expenses related to shares held by our Manager of \$17.0 million, \$15.1 million, and \$13.5 million, respectively. Refer to Note 14 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, 2020, 2019 or 2018.

During the years ended December 31, 2020, 2019, and 2018, we originated two loans, nine loans, and six 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.

During the years ended December 31, 2020, 2019, and 2018, we incurred \$487,000, \$440,000, and \$450,000, respectively, of expenses for various administrative, compliance, and capital market data services to third-party service providers that are affiliates of our Manager.

In the second quarter of 2020, a Blackstone-advised investment vehicle acquired an aggregate \$5.0 million participation, or 2%, of the total 2020 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 \$250,000 in such capacity. Both of these transactions were on terms equivalent to those of unaffiliated parties.

In the first quarter of 2020, we acquired a \$140.0 million interest in a total \$421.5 million 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 we are an affiliate of the borrower. The senior loan terms were negotiated by third parties without our involvement and our 33% interest in the senior loan was made on such market terms.

In the fourth quarter of 2019, we acquired €193.6 million of a total €388.0 million 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 the Blackstone-advised investment vehicle controls the borrower. The

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

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 third quarter of 2019, we originated \$214.3 million of a total \$437.4 million senior loan to 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% interest in the senior loan was made on such market terms. In the third quarter of 2020, we entered into a loan modification with the borrower, which was negotiated by the Blackstone advised investment vehicle that owns the mezzanine loan, and was approved by the third party, majority senior lender, on behalf of the entire senior loan.

In the third and fourth quarter of 2019, we acquired an aggregate €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 our 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 and fourth quarter of 2019, certain Blackstone-advised investment vehicles acquired an aggregate \$60.0 million participation, or 8%, of the total 2019 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 transactions and received aggregate fees of \$750,000 in such capacity. Both of these transactions were on terms equivalent to those of unaffiliated parties.

In the second quarter of 2019, we originated €191.8 million of a total €391.3 million 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 the Blackstone-advised investment vehicle controls 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 2019, we originated £240.1 million of a total £490.0 million 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 the Blackstone-advised investment vehicle controls 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 second quarter of 2020, we entered into a loan modification with the borrower. The modification terms were negotiated by the third party, majority lender, without our involvement.

## **18. COMMITMENTS AND CONTINGENCIES**

### **Impact of COVID-19**

As further discussed in Note 2, the full extent of the impact of COVID-19 on the global economy generally, and our business in particular, is uncertain. As of December 31, 2020, no contingencies have been recorded on our consolidated balance sheet as a result of COVID-19, however as the global pandemic continues and the economic implications worsen, it may have long-term impacts on our financial condition, results of operations, and cash flows. Refer to Note 2 for further discussion of COVID-19.

### **Unfunded Commitments Under Loans Receivable**

As of December 31, 2020, we had unfunded commitments of \$3.2 billion related to 84 loans receivable. We generally finance the funding of our loan commitments on terms consistent with our overall credit facilities, with

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

an average advance rate of 72.8% for such financed loans, resulting in identified financing for \$2.2 billion of our aggregate unfunded loan commitments as of December 31, 2020. Some of our lenders, including substantially all of our financing of construction loans, are contractually obligated to fund their ratable portion of these loan commitments over time, while other lenders have some degree of discretion over future loan funding obligations. We expect to fund our loan commitments over the tenor of these loans, which have a weighted-average future funding period of 3.7 years. Our future loan fundings comprise funding for capital expenditures and construction, leasing costs, and interest and carry costs, and will vary depending on the progress of capital projects, leasing, and cash flows at the assets underlying 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. As a result of the COVID-19 pandemic, the progress of capital expenditures, construction, and leasing has been slower than otherwise expected, and the pace of funding relating to these capital needs has been commensurately slower and may continue to be slower.

**Principal Debt Repayments**

Our contractual principal debt repayments as of December 31, 2020 were as follows (\$ in thousands):

|  | Total<br>Obligation | Payment Timing      |                     |                     |                      |
|--|---------------------|---------------------|---------------------|---------------------|----------------------|
|  |                     | Less Than<br>1 Year | 1 to<br>3 Years     | 3 to<br>5 Years     | More Than<br>5 Years |
| Principal repayments under secured debt agreements <sup>(1)</sup>        | \$ 7,896,863        | \$ 262,895          | \$ 3,230,648        | \$ 4,193,543        | \$ 209,777           |
| Principal repayments under asset-specific debt agreements <sup>(1)</sup> | 399,699             | —                   | 311,068             | 88,631              | —                    |
| Principal repayments of secured term loans <sup>(2)</sup>                | 1,062,766           | 10,738              | 21,475              | 21,475              | 1,009,078            |
| Principal repayments of convertible notes <sup>(3)</sup>                 | 622,500             | —                   | 622,500             | —                   | —                    |
| Total <sup>(4)</sup>   | <u>\$ 9,981,828</u> | <u>\$ 273,633</u>   | <u>\$ 4,185,691</u> | <u>\$ 4,303,649</u> | <u>\$ 1,218,855</u>  |

- (1) The allocation of repayments under our secured debt agreements and asset-specific debt agreements is based on the earlier of (i) the maturity date of each agreement, or (ii) the maximum maturity date of the collateral loans, assuming all extension options are exercised by the borrower.
- (2) The Secured Term Loans are partially amortizing, with an amount equal to 1.0% per annum of the principal balance due in quarterly installments. Refer to Note 8 for further details on our secured term loans.
- (3) Reflects the outstanding principal balance of Convertible Notes, excluding any potential conversion premium. Refer to Note 9 for further details on our Convertible Notes.
- (4) Total does not include \$2.9 billion of consolidated securitized debt obligations, \$656.3 million of non-consolidated securitized debt obligations, and \$801.8 million of non-consolidated senior interests, as the satisfaction of these liabilities will not require cash outlays from us.

**Board of Directors' Compensation**

As of December 31, 2020, of the eight members of our board of directors, our five independent directors are entitled to annual compensation of \$175,000 each, \$75,000 of which will be paid in the form of cash and \$100,000 in the form of deferred stock units. 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 chair of our audit committee receives additional annual cash compensation of \$20,000, (ii) the other members of our audit committee receive additional annual cash compensation of \$10,000, and (iii) the chairs of each of our compensation and corporate governance committees receive additional annual cash compensation of \$10,000.

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

**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, 2020, we were not involved in any material legal proceedings.

**19. SUMMARY OF QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)**

The following is a summary of the unaudited quarterly results of operations for the years ended December 31, 2020 and 2019 (\$ in thousands except per share data):

|  | <u>March 31</u> | <u>June 30</u> | <u>September 30</u> | <u>December 31</u> |
|--|-----------------|----------------|---------------------|--------------------|
| <b><u>2020</u></b>                                   |                 |                |                     |                    |
| Income from loans and other investments, net         | \$ 100,636      | \$ 107,129     | \$ 114,961          | \$ 109,450         |
| Net (loss) income                                    | \$ (53,283)     | \$ 18,505      | \$ 90,769           | \$ 84,423          |
| Net (loss) income attributable to                    |                 |                |                     |                    |
| Blackstone Mortgage Trust, Inc.                      | \$ (53,350)     | \$ 17,544      | \$ 89,860           | \$ 83,616          |
| Net (loss) income per share of class A common stock: |                 |                |                     |                    |
| Basic and diluted                                    | \$ (0.39)       | \$ 0.13        | \$ 0.61             | \$ 0.57            |
| <b><u>2019</u></b>                                   |                 |                |                     |                    |
| Income from loans and other investments, net         | \$ 106,071      | \$ 106,478     | \$ 101,916          | \$ 109,711         |
| Net income   | \$ 76,867       | \$ 75,551      | \$ 75,394           | \$ 79,581          |
| Net income attributable to                           |                 |                |                     |                    |
| Blackstone Mortgage Trust, Inc.                      | \$ 76,565       | \$ 75,174      | \$ 74,897           | \$ 78,931          |
| Net income per share of class A common stock:        |                 |                |                     |                    |
| Basic and diluted                                    | \$ 0.62         | \$ 0.59        | \$ 0.56             | \$ 0.59            |

Quarterly basic and diluted earnings per share are computed based on the weighted-average shares of common stock and stock units outstanding for each period. Accordingly, the sum of the quarterly earnings per share amounts may not agree to the total for the year.

**Blackstone Mortgage Trust, Inc.**  
**Schedule IV – Mortgage Loans on Real Estate**  
**As of December 31, 2020**  
**(in thousands)**

| Type of Loan/Borrower   | Description / Location    | Interest Payment Rates <sup>(2)</sup> | Maximum Maturity Date <sup>(3)</sup> | Periodic Payment Terms <sup>(4)(5)</sup> | Prior Liens <sup>(6)</sup> | Face Amount of Loans | Carrying Amount of Loans <sup>(5)(7)</sup> |
|---|---------------------------|---------------------------------------|--------------------------------------|--|----------------------------|----------------------|--|
| <b>Senior Mortgage Loans<sup>(1)</sup></b>                                |                           |                                       |                                      |  |                            |                      |  |
| <i>Senior loans in excess of 3% of the carrying amount of total loans</i> |                           |                                       |                                      |  |                            |                      |  |
| Borrower A  | Office / Ireland          | L+2.50%                               | 2024                                 | I/O                                      | —                          | \$ 1,317,846         | \$ 1,309,443                               |
| Borrower B  | Mixed-Use / Spain         | L+3.15%                               | 2023                                 | I/O                                      | —                          | 993,263              | 990,668                                    |
| Borrower C  | Office / Northeast        | L+2.30%                               | 2024                                 | I/O                                      | —                          | 653,348              | 653,867                                    |
| Borrower D  | Office / Southeast        | L+3.40%                               | 2023                                 | I/O                                      | —                          | 619,194              | 618,766                                    |
| <i>Senior loans less than 3% of the carrying amount of total loans</i>    |                           |                                       |                                      |  |                            |                      |  |
| Senior mortgage loans   | Office / Diversified      | L+2.40% – 8.50%                       | 2021 – 2026                          | I/O & P/I                                | —                          | 6,970,825            | 6,931,306                                  |
|   |                           | Fixed 4.46 %                          |                                      |  |                            |                      |  |
| Senior mortgage loans   | Hospitality / Diversified | L+2.35% – 5.00%                       | 2021 – 2026                          | I/O                                      | —                          | 2,097,826            | 2,089,177                                  |
| Senior mortgage loans   | Mixed-Use / Diversified   | L+2.50% – 4.10%                       | 2022 – 2025                          | I/O & P/I                                | —                          | 1,540,549            | 1,531,806                                  |
| Senior mortgage loans   | Multifamily / Diversified | L+1.86% – 5.00%                       | 2021 – 2025                          | I/O                                      | —                          | 1,198,907            | 1,195,218                                  |
| Senior mortgage loans   | Industrial / Diversified  | L+2.60% – 3.55%                       | 2022 – 2024                          | I/O                                      | —                          | 515,018              | 514,322                                    |
| Senior mortgage loans   | Other / Diversified       | L+3.10% – 5.00%                       | 2021 – 2026                          | I/O & P/I                                | —                          | 545,026              | 542,072                                    |
|   |                           | Fixed 5.15 %                          |                                      |  |                            |                      |  |
| <b>Total senior mortgage loans</b>  |                           |                                       |                                      |  |                            | 12,868,151           | 12,803,901                                 |
|   |                           |                                       |                                      |  |                            | \$ 16,451,802        | \$ 16,376,645                              |

continued...

**Blackstone Mortgage Trust, Inc.**  
**Schedule IV – Mortgage Loans on Real Estate**  
**As of December 31, 2020**  
**(in thousands)**

| <u>Type of Loan/Borrower</u>  | <u>Description / Location</u> | <u>Interest Payment Rates<sup>(2)</sup></u> | <u>Maximum Maturity Date<sup>(3)</sup></u> | <u>Periodic Payment Terms<sup>(4)(5)</sup></u> | <u>Prior Liens<sup>(6)</sup></u> | <u>Face Amount of Loans</u> | <u>Carrying Amount of Loans<sup>(5)(7)</sup></u> |
|---|-------------------------------|---|--|--|----------------------------------|-----------------------------|--|
| Subordinate Loans <sup>(8)</sup>  |                               |   |  |  |                                  |                             |  |
| <i>Subordinate loans less than 3% of the carrying amount of total loans</i> |                               |   |  |  |                                  |                             |  |
| Subordinate loans   | Various / Diversified         | L+3.12% – 5.25%<br>Fixed 5.75%              | 2022 – 2025                                | I/O & P/I                                      | 801,796                          | 201,022                     | 196,070  |
| <b>Total subordinate loans</b>  |                               |   |  |  | 801,796                          | 201,022                     | 196,070  |
| <b>Total loans</b>  |                               |   |  |  | \$801,796                        | \$16,652,824                | \$16,572,715                                     |
| CECL reserve <sup>(9)</sup>   |                               |   |  |  |                                  |                             | (173,549)  |
| <b>Total loans, net</b>   |                               |   |  |  |                                  |                             | \$16,399,166                                     |

- (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, GBP LIBOR, EURIBOR, BBSY, and CDOR, 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) As of December 31, 2020, there were no loans with delinquent principal or interest.
- (6) Represents only third party liens.
- (7) The tax basis of the loans included above is \$15.2 billion as of December 31, 2020.
- (8) Includes subordinate interests in mortgages and mezzanine loans.
- (9) As of December 31, 2020, we had a total CECL reserve of \$173.5 million on our loans receivable, of which an aggregate \$69.7 million is specifically related to two of our loans receivable with an aggregate outstanding principal balance of \$338.7 million, as of December 31, 2020. This CECL reserve reflects 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.

**Blackstone Mortgage Trust, Inc.**  
**Notes to Schedule IV**  
**As of December 31, 2020**  
(in thousands)

**1. Reconciliation of Mortgage Loans on Real Estate:**

The following table reconciles mortgage loans on real estate for the years ended:

|  | <u>2020</u>         | <u>2019</u>         | <u>2018</u>         |
|--|---------------------|---------------------|---------------------|
| Balance at January 1,                                  | \$16,164,801        | \$14,191,200        | \$10,056,732        |
| Additions during period:                               |                     |                     |                     |
| Loan fundings  | 1,896,276           | 6,890,249           | 7,890,051           |
| Amortization of fees and other items                   | 56,279              | 57,415              | 46,864              |
| Deductions during period:                              |                     |                     |                     |
| Loan repayments and sales proceeds                     | (1,862,955)         | (4,974,881)         | (3,035,383)         |
| Loan contributed to securitization                     | —                   | —                   | (512,002)           |
| Unrealized gain (loss) on foreign currency translation | 340,260             | 67,376              | (150,654)           |
| Deferred fees and other items                          | (21,946)            | (66,558)            | (104,408)           |
| Balance at December 31,                                | <u>\$16,572,715</u> | <u>\$16,164,801</u> | <u>\$14,191,200</u> |
| CECL reserve   | <u>(173,549)</u>    | <u>—</u>            | <u>—</u>            |
| Net balance at December 31,                            | <u>\$16,399,166</u> | <u>\$16,164,801</u> | <u>\$14,191,200</u> |

**DESCRIPTION OF REGISTRANT'S SECURITIES  
REGISTERED PURSUANT TO SECTION 12 OF  
THE SECURITIES EXCHANGE ACT OF 1934**

The following is a brief description of the securities of Blackstone Mortgage Trust, Inc. (the “company” “we,” “us,” “our” and “Blackstone Mortgage Trust”), registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended, or the “Exchange Act”. This description of the terms of our stock does not purport to be complete and is subject to and qualified in its entirety by reference to the applicable provisions of Maryland General Corporation Law, and the full text of our charter and bylaws.

**General**

Our charter provides that we may issue up to 500,000,000 shares of stock comprising the following:

- 400,000,000 shares of class A common stock, \$0.01 par value per share; and
- 100,000,000 shares of preferred stock, \$0.01 par value per share.

Under Maryland law, our stockholders generally are not liable for our debts or obligations. The class A common stock is listed on the NYSE under the symbol “BXMT”.

Our charter authorizes our board of directors, without stockholder approval, to:

- classify and reclassify any unissued shares of our class A common stock and preferred stock into other classes or series of stock; and
- amend our charter to increase or decrease the aggregate number of shares of stock of any class or series that may be issued.

We believe that the power to (i) issue additional shares of our class A common stock or preferred stock, (ii) increase the aggregate number of shares of stock of any class or series that we have the authority to issue and (iii) classify or reclassify unissued shares of our class A common or preferred stock and thereafter to issue the classified or reclassified shares of stock, provides us with increased flexibility in structuring possible future financings and acquisitions and in meeting other needs which might arise. In addition, under Maryland law, our board of directors may authorize the amendment of our charter to effect a reverse stock split that results in a combination of shares of stock at a ratio of not more than ten shares of stock into one share of stock in any 12-month period. These actions may be taken without stockholder approval, unless stockholder approval is required by applicable law or the rules of any stock exchange or automated quotation system on which our securities may be listed or traded.

Prior to the issuance of shares of each class or series, our board of directors is required by Maryland law and by our charter to set, subject to our charter restrictions on ownership and transfers of our stock, the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each class or series. Thus, our board of directors could authorize the issuance of shares of common stock or preferred stock with terms and conditions which could have the effect of delaying, deferring or preventing a transaction or a change in control of Blackstone Mortgage Trust that might involve a premium price for holders of our class A common stock or otherwise be in their best interests.

**Class A Common Stock**

Holders of our class A common stock are entitled to receive dividends when, as and if authorized by our board of directors and declared by us out of assets legally available for the payment of dividends. They are also entitled to share ratably in our assets legally available for distribution to our stockholders in the event of our liquidation, dissolution or winding up, after payment of, or adequate provision for, all of our known debts and liabilities. These rights are subject to the preferential rights of any other class or series of our stock. All shares of class A common stock have equal dividend and liquidation rights.

Subject to law, the rights of any other class or series of our stock and our charter restrictions on ownership and transfer of our stock, each outstanding share of class A common stock is entitled to one vote on all matters submitted to a vote of the stockholders. There is no cumulative voting in the election of our directors and our directors are elected by a plurality of the votes cast, so the holders of a simple majority of the outstanding class A common stock, voting at a stockholders meeting at which a quorum is present, will have the power to elect all of the directors nominated for election at the meeting. Holders of our class A common stock generally have no exchange, sinking fund, redemption or appraisal rights, except the right to receive fair value in connection with certain control share acquisitions, and have no preemptive rights to subscribe for any of our securities. Because holders of our class A common stock do not have preemptive rights, we may issue additional shares of stock that may reduce each stockholder's proportionate voting and financial interest in Blackstone Mortgage Trust. Rights to receive dividends on our class A common stock may be restricted by the terms of any future classified and issued shares of our stock.

Under Maryland law, a Maryland corporation generally cannot dissolve, amend its charter, convert to another form of entity, merge, sell all or substantially all of its assets, engage in a statutory share exchange or engage in similar transactions outside the ordinary course of business unless approved by the affirmative vote of stockholders holding at least two-thirds of the shares entitled to vote on the matter. However, a Maryland corporation may provide in its charter for approval of these matters by a lesser percentage, but not less than a majority of all of the votes entitled to be cast on the matter. Our charter provides for approval of these matters by a majority of all of the votes entitled to be cast on the matter.

### **Preferred Stock**

Our board of directors has the authority, without further action by the stockholders, to authorize us to issue shares of preferred stock in one or more class or series and to fix the number of shares, dividend rights, conversion rights, voting rights, redemption rights, liquidation preferences, sinking funds, and any other rights, preferences, privileges and restrictions applicable to each such series of preferred stock. The issuance of preferred stock could have the effect of making an attempt to gain control of us more difficult by means of a merger, tender offer, proxy contest or otherwise. The preferred stock, if issued, could have a preference on dividend payments that could affect our ability to make dividend distributions to the common stockholders.

### **Transfer Agent and Registrar**

Our transfer agent and registrar is American Stock Transfer & Trust Company, LLC located in Brooklyn, New York.

### **Certain Provisions of Our Charter and Bylaws and of Maryland Law**

#### *REIT Qualification Restrictions on Ownership and Transfer*

Our charter contains restrictions on the number of shares of our stock that a person may own. No individual (including certain entities treated as individuals for this purpose) may acquire or hold, directly or indirectly through application of constructive ownership rules, in excess of 9.9% in value or number, whichever is more restrictive, of our outstanding stock or our outstanding class A common stock unless they receive an exemption from our board of directors.

Subject to certain limitations, our board of directors, in its sole discretion, may exempt a person from, or modify, these limits, subject to such terms, conditions, representations and undertakings as it may determine. Our charter provides for, and our board of directors has granted, limited exemptions to certain persons who directly or indirectly own our stock, including directors, officers and stockholders controlled by them or trusts for the benefit of their families.

Our charter further prohibits any person from beneficially or constructively owning shares of our stock that would result in our being “closely held” under Section 856(h) of the Internal Revenue Code (without regard to whether the ownership interest is held during the last half of the taxable year) or otherwise cause us to fail to qualify as a real estate investment trust, or “REIT,” for United States federal income tax purposes and any person from transferring shares of our stock if the transfer would result in our stock being owned by fewer than 100 persons. Any person who acquires or attempts or intends to acquire shares of our stock that may violate any of these restrictions, or who is the intended transferee of shares of our stock which are transferred to the trust, as described below, is required to give us immediate written notice, or in the case of a proposed or attempted transaction, give at least 15 days prior written notice, and provide us, at our principal executive office, with such information as we may request in order to determine the effect, if any, of the transfer on our status as a REIT. The above restrictions will not apply if our board of directors determines that it is no longer in our best interests to continue to qualify as a REIT or that compliance with such restrictions is no longer required for us to qualify as a REIT.

Any attempted transfer of our stock which, if effective, would result in violation of the above limitations, except for a transfer which results in shares being owned by fewer than 100 persons, in which case such transfer will be void and of no force and effect and the intended transferee shall acquire no rights in such shares, will cause the number of shares causing the violation, rounded to the nearest whole share, to be automatically transferred to a trust for the exclusive benefit of one or more charitable beneficiaries designated by us and the proposed transferee will not acquire any rights in the shares. The automatic transfer will be deemed to be effective as of the close of business on the business day, as defined in our charter, prior to the date of the transfer. Shares of our stock held in the trust will be issued and outstanding shares. The proposed transferee will not benefit economically from ownership of any shares of stock held in the trust, will have no rights to dividends and no rights to vote or other rights attributable to the shares of stock held in the trust. The trustee of the trust will have all voting rights and rights to dividends or other distributions with respect to shares held in the trust. These rights will be exercised for the exclusive benefit of the charitable beneficiaries. Any dividend or other distribution paid prior to our discovery that shares of stock have been transferred to the trust will be paid by the recipient to the trustee upon demand. Any dividend or other distribution authorized but unpaid will be paid when due to the trustee. Any dividend or distribution paid to the trustee will be held in trust for the charitable beneficiaries. Subject to Maryland law, effective as of the date that the shares have been transferred to the trustee, the trustee will have the authority to rescind as void any vote cast by the proposed transferee prior to our discovery that the shares have been transferred to the trust and to recast the vote in accordance with the desires of the trustee acting for the benefit of the charitable beneficiaries. However, if we have already taken irreversible corporate action, then the trustee will not have the authority to rescind and recast the vote.

Within 20 days of receiving notice from us that shares of our stock have been transferred to the trust, the trustee will sell the shares to a person designated by the trustee, whose ownership of the shares will not violate the above ownership limitations. Upon the sale, the interest of the charitable beneficiaries in the shares sold will terminate and the trustee will distribute the net proceeds of the sale to the proposed transferee and to the charitable beneficiaries as follows. The proposed transferee will receive the lesser of (i) the price paid by the proposed transferee for the shares or, if the proposed transferee did not give value for the shares in connection with the event causing the shares to be held in the trust, such as a gift, devise or other similar transaction, the market price, as defined in our charter, of the shares on the day of the event causing the shares to be held in the trust and (ii) the price per share received by the trustee from the sale or other disposition of the shares. Any net sale proceeds in excess of the amount payable per share to the proposed transferee will be paid immediately to the charitable beneficiaries. If, prior to our discovery that shares of our stock have been transferred to the trust, the shares are sold by the proposed transferee, then the shares shall be deemed to have been sold on behalf of the trust and, to the extent that the proposed transferee received an amount for the shares that exceeds the amount he or she was entitled to receive pursuant to the above, the excess shall be paid to the trustee upon demand.

In addition, shares of our stock held in the trust will be deemed to have been offered for sale to us, or our designee, at a price per share equal to the lesser of (i) the price per share in the transaction that resulted in the transfer to the trust, or, in the case of a devise or gift or similar transaction, the market price at the time of the devise or gift or similar transaction and (ii) the market price on the date we, or our designee, accept the offer. We will have the right to accept the offer until the trustee has sold the shares. Upon a sale to us, the interest of the charitable beneficiaries in the shares sold will terminate and the trustee will distribute the net proceeds of the sale to the proposed transferee.

If the transfer to the trust as described above is not automatically effective for any reason to prevent violation of the above limitations or our failing to qualify as a REIT, then the transfer of the number of shares that otherwise cause any person to violate the above limitations will be void and the intended transferee shall acquire no rights in such shares.

All certificates, if any, representing shares of our stock issued in the future will bear a legend referring to the restrictions described above.

Every owner of more than such percentage as may from time to time be established by our board of directors, or such lower percentage as required by the Internal Revenue Code or the treasury regulations promulgated thereunder, of our outstanding stock, within 30 days after the end of each taxable year, is required to give us written notice, stating his or her name and address, the number of shares of each class and series of our stock which he or she beneficially owns and a description of the manner in which the shares are held. Each such owner shall provide us with such additional information as we may request in order to determine the effect, if any, of its beneficial ownership on our status as a REIT and to ensure compliance with the aggregate stock ownership limit. In addition, each stockholder shall, upon demand, be required to provide us with such information as we may request in good faith in order to determine our status as a REIT and to comply with the requirements of any taxing authority or governmental authority or to determine such compliance.

These restrictions on ownership and transfer could delay, defer or prevent a transaction or a change in control that might involve a receipt of a premium price for the class A common stock or otherwise be in the best interest of the stockholders.

#### *Business Combinations*

Under Maryland law, certain “business combinations” between a Maryland corporation and an interested stockholder or any affiliate of an interested stockholder are prohibited for five years after the most recent date on which the interested stockholder became an interested stockholder. These business combinations include a merger, consolidation, statutory share exchange, or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities. An interested stockholder is defined as:

- any person who beneficially owns, directly or indirectly, 10% or more of the voting power of the corporation’s outstanding voting stock; or
- an affiliate or associate of the corporation who, at any time within the two-year period immediately prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then outstanding stock of the corporation.

A person is not an interested stockholder under the statute if the board of directors approved in advance the transaction by which such person otherwise would have become an interested stockholder. However, in approving a transaction, the board of directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the board.

After the five-year prohibition, any business combination between the Maryland corporation and an interested stockholder or any affiliate of an interested stockholder generally must be recommended by the board of directors of the corporation and approved by the affirmative vote of at least:

- 80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation; and
- two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares held by the interested stockholder with whom or with whose affiliate the business combination is to be effected or the shares held by any affiliate or associate of the interested stockholder.

These super-majority vote requirements do not apply if the corporation’s common stockholders receive a minimum price, as defined under Maryland law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its shares.

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 a limited liability company indirectly controlled by a trust for the benefit of Samuel Zell and his family. In addition, our board of directors has exempted any business combination involving Huskies Acquisition LLC, or “Huskies Acquisition,” or its present affiliates or The Blackstone Group Inc., a Delaware corporation, and its subsidiaries, or “Blackstone,” and its present and future affiliates; provided, however, that Huskies Acquisition or any of its present affiliates and Blackstone and any of its present or future affiliates, may not enter into any “business combination” with Blackstone Mortgage Trust without the prior approval of at least a majority of the directors of our board of directors who are not affiliates or associates of Huskies Acquisition or Blackstone. As a result of the foregoing exemptions, these persons may enter into business combinations with us without compliance with the five-year prohibition, the super-majority vote requirements or the other provisions of the statute.

#### *Control Share Acquisitions*

Maryland 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 such shares except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter. A control share acquisition means the acquisition of control shares, subject to certain exceptions. Shares owned by the acquiror or by officers or directors of the corporation who are also employees are excluded from shares entitled to vote on the matter. Control shares are voting shares of stock which, if aggregated with all other shares of stock owned by the acquiror or in respect of which the acquiror is able to exercise or direct the exercise of voting power, except solely by virtue of a revocable proxy, would entitle the acquiror to exercise voting power in electing directors within one of the following ranges of voting power:

- one-tenth or more but less than one-third;
- one-third or more but less than a majority; or
- a majority or more of all voting power.

Control shares do not include shares the acquiror is then entitled to vote as a result of having previously obtained stockholder approval or shares acquired directly from the corporation.

A person who has made or proposes to make a control share acquisition may compel the board of directors of the corporation to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. The right to compel the calling of a special meeting is subject to the satisfaction of certain conditions, including an undertaking to pay the expenses of the meeting and delivering an “acquiring person statement” as described in the Maryland General Corporation Law. If no request for a meeting is made, the corporation may itself present the question at any stockholders meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an “acquiring person statement” as required by the statute, then the corporation may redeem for fair value any or all of the control shares, except those for which voting rights have previously been approved. The right of the corporation to redeem control shares is subject to certain conditions and limitations. Fair value is determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquiror or, if a meeting of stockholders at which the voting rights of the shares are considered and not approved, as of the date of the meeting. If voting rights for control shares are approved at a stockholders meeting and the acquiror becomes entitled to vote a majority of the shares entitled to vote, all other stockholders may exercise appraisal rights, unless the charter or bylaws provide otherwise. The fair value of the shares as determined for purposes of appraisal rights may not be less than the highest price per share paid by the acquiror in the control share acquisition.

The control share acquisition statute does not apply to shares acquired in a merger, consolidation or statutory share exchange if the corporation is a party to the transaction, or to acquisitions approved or exempted by the charter or bylaws of the corporation. Our bylaws contain a provision exempting the following persons from this statute: (i) a limited liability company indirectly controlled by a trust for the benefit of Samuel Zell and his family; (ii) W.R. Berkley Corporation and any of its controlled affiliates; and (iii) 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.

### *Maryland Unsolicited Takeovers Act*

The Maryland Unsolicited Takeovers Act applies to any Maryland corporation that has a class of equity securities registered under the Exchange Act and at least three independent directors. Pursuant to such act, the board of directors of any Maryland corporation satisfying such requirements, without obtaining stockholder approval and notwithstanding a contrary provision in its charter or bylaws, may elect to:

- classify the board;
- require a two-thirds vote for removing a director;
- require that a stockholder requested special meeting need be called only upon the written request of the stockholders entitled to cast a majority of all the votes entitled to be cast at the meeting;
- require that the number of directors may be fixed only by a vote of the board of directors; and
- require that each vacancy on the board of directors, including a vacancy resulting from the removal of a director by the stockholders, may be filled only by the affirmative vote of a majority of the remaining directors in office, even if the remaining directors do not constitute a quorum and any director elected to fill a vacancy will hold office for the full remainder of the term.

The Maryland Unsolicited Takeovers Act does not limit the power of a corporation to confer on the holders of any class or series of preferred stock the right to elect one or more directors. We currently have more than three independent directors and have a class of equity securities registered under the Exchange Act and therefore our board of directors may elect to provide for any of the foregoing provisions. As of the date hereof, our board of directors has not made any such election. However, through provisions of our charter and bylaws unrelated to the Maryland Unsolicited Takeovers Act, we (a) vest in our board the exclusive power to fix the number of directors and (b) require for a stockholder requested meeting, the written request of stockholders entitled to cast not less than a majority of all the votes entitled to be cast.

### *Advance Notice of Director Nominations and New Business*

Our bylaws provide that with respect to an annual meeting of stockholders, nominations of individuals for election to the board of directors and the proposal of business to be considered by stockholders may be made only:

- pursuant to our notice of the meeting;
- by or at the direction of the board of directors; or
- by a stockholder who was a stockholder of record at the record date set by our board of directors for purposes of determining stockholders entitled to vote up to the meeting, at the time of giving of notice and at the time of the annual meeting, who is entitled to vote at the meeting in the election of each individual so nominated or on any such other business and who has complied with the advance notice procedures of the bylaws.

With respect to special meetings of stockholders, only the business specified in our notice of the meeting may be brought before the meeting. Nominations of individuals for election to the board of directors at a special meeting may only be made:

- by or at the direction of the board of directors;
- by a stockholder that has requested that a special meeting be called for the purpose of electing directors in compliance with our bylaws and that has supplied the information required by our bylaws about each individual whom the stockholder proposes to nominate for election as a director; or
- provided that the meeting has been called in accordance with our bylaws for the purpose of electing directors, by a stockholder who is a stockholder of record at the record date set by our board of directors for purposes of determining stockholders entitled to vote up to the meeting, at the time of giving of notice and at the time of the special meeting and who is entitled to vote at the meeting in the election of each individual so nominated and has complied with the advance notice provisions of the bylaws.

### *Limitation of Liability and Indemnification of Directors and Officers*

Maryland law permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from (i) actual receipt of an improper benefit or profit in money, property or services or (ii) active and deliberate dishonesty which is established by a final judgment and which is material to the cause of action. Our charter contains such a provision which eliminates directors' and officers' liability to the maximum extent permitted by Maryland law.

Our charter authorizes us, to the maximum extent permitted by Maryland law, to obligate us to indemnify any present or former director or officer or any individual who, while a director or officer of our company and at our request, serves or has served another corporation, real estate investment trust, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise as a director, officer, partner or trustee, from and against any claim or liability to which that individual may become subject or which that individual may incur by reason of his or her service in such capacity and to pay or reimburse his or her reasonable expenses in advance of final disposition of a proceeding. Our bylaws obligate us, to the maximum extent permitted by Maryland law, to indemnify any present or former director or officer or any individual who, while a director or officer of our company and at our request, serves or has served another corporation, real estate investment trust, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise as a director, officer, trustee, member, manager or partner and who is made or are threatened to be made a party to, or witness in, the proceeding by reason of his or her service in that capacity from and against any claim or liability to which that individual may become subject or which that individual may incur by reason of his or her service in such capacity and to pay or reimburse his or her reasonable expenses in advance of final disposition of a proceeding. The rights to indemnification and advancement of expenses provided by our charter and our bylaws shall vest immediately upon an individual's election as a director or officer. Our charter and bylaws also permit us to indemnify and advance expenses to any individual who served a predecessor of the company in any of the capacities described above and any employee or agent of the company or a predecessor of the company.

Maryland law requires a corporation (unless its charter provides otherwise, which our charter does not) to indemnify a director or officer who has been successful in the defense of any proceeding to which he or she is made or threatened to be made a party by reason of his or her service in that capacity. Maryland law permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made or threatened to be made a party by reason of their service in those or other capacities unless it is established that (i) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (a) was committed in bad faith or (b) was the result of active and deliberate dishonesty, (ii) the director or officer actually received an improper personal benefit in money, property or services or (iii) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. However, under Maryland law, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that personal benefit was improperly received, unless in either case a court orders indemnification and then only for expenses. In addition, Maryland law permits a corporation to advance reasonable expenses to a director or officer upon the corporation's receipt of (i) a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation and (ii) a written undertaking by him or her or on his or her behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the standard of conduct was not met.

We have entered into indemnification agreements, or the "Indemnification Agreements," with each of our directors and officers, each, an "Indemnitee." The Indemnification Agreements provide that we will, subject to certain limitations and exceptions, indemnify, to the fullest extent permitted under Maryland law, and advance expenses to, each Indemnitee, in connection with (among other things) the Indemnitee's capacity as a director, officer, employee or agent of Blackstone Mortgage Trust. This obligation includes, subject to certain terms and conditions, indemnification for any expenses (including reasonable attorneys' fees), judgments, fines, penalties and settlement amounts actually and reasonably incurred by the Indemnitee in connection with any threatened or pending action, suit or proceeding. In certain instances, we may be required to advance such expenses, in which case the Indemnitee will be obligated to reimburse us for the amounts advanced if it is later determined that the Indemnitee is not entitled to indemnification for such expenses. The indemnification provided under the Indemnification Agreements is not exclusive of any other indemnity rights.

*Corporate Opportunities*

Our charter includes a provision that, among other things, subject to certain exceptions, none of Blackstone or its affiliates, our directors or any person that any of our directors control shall have any duty to refrain from engaging, directly or indirectly, in any business opportunities, including any business opportunities in the same or similar business activities or lines of business in which we or any of our affiliates may from time to time be engaged or propose to engage, or from competing with us.

| <u>Entity</u>                           | <u>Jurisdiction of Incorporation</u> | <u>D/B/A Jurisdiction</u> |
|---|--------------------------------------|---------------------------|
| 345-1 Partners, LLC                     | Delaware                             |                           |
| 345-30 Partners, LLC                    | Delaware                             |                           |
| 345-40 Partners, LLC                    | Delaware                             |                           |
| 345-50 Partners, LLC                    | Delaware                             |                           |
| 345-7501 MM, LLC                        | Delaware                             |                           |
| 345-JV Partners, LLC                    | Delaware                             |                           |
| 345-Lux EUR Partners, LLC               | Delaware                             |                           |
| 345-Lux GBP Partners, LLC               | Delaware                             |                           |
| 42-16 Partners, LLC                     | Delaware                             |                           |
| 42-16 CLO Holdco, LLC                   | Delaware                             |                           |
| 42-16 CLO L Sell, LLC                   | Delaware                             |                           |
| 42-16 CLO (Partnership), LLC            | Delaware                             |                           |
| 42-16 CLO (Sub-REIT), LLC               | Delaware                             |                           |
| Ambassador AUD Holdings, LLC            | Delaware                             |                           |
| Ambassador CAD Holdings, LLC            | Delaware                             |                           |
| Ambassador EUR Holdings, LLC            | Delaware                             |                           |
| Ambassador GBP Holdings, LLC            | Delaware                             |                           |
| BXMT 2017-FL1, LLC                      | Delaware                             |                           |
| BXMT 2017-FL1, Ltd.                     | Cayman Islands                       |                           |
| BXMT 2020-FL2, LLC                      | Delaware                             |                           |
| BXMT 2020-FL2, Ltd.                     | Cayman Islands                       |                           |
| BXMT 2020-FL3, LLC                      | Delaware                             |                           |
| BXMT 2020-FL3, Ltd.                     | Cayman Islands                       |                           |
| Canada Office Portfolio Finco 2014, LLC | Delaware                             |                           |
| CT Legacy REIT Holdings, LLC            | Delaware                             |                           |
| De Vere Resorts Finco 2014, LLC         | Delaware                             |                           |
| Gloss Finco 1, LLC                      | Delaware                             |                           |
| Gloss Finco 2, LLC                      | Delaware                             |                           |
| Gloss Finco 3, LLC                      | Delaware                             |                           |
| Gloss Holdco 1, LLC                     | Delaware                             |                           |
| Gloss Holdco 2, LLC                     | Delaware                             |                           |
| Gloss Noteco 1, LLC                     | Delaware                             |                           |
| Gloss Noteco 2, LLC                     | Delaware                             |                           |
| Husky Finco, LLC                        | Delaware                             |                           |
| Husky AU Finco, LLC                     | Delaware                             |                           |
| Husky CAD Finco, LLC                    | Delaware                             |                           |
| Husky EUR Finco, LLC                    | Delaware                             |                           |
| Husky UK Finco, LLC                     | Delaware                             |                           |
| KK-RR Finco, LLC                        | Delaware                             |                           |
| LO-JR Finco, LLC                        | Delaware                             |                           |
| Magma Finco 12, LLC                     | Delaware                             |                           |

|                                      |            |
|--------------------------------------|------------|
| Magma Finco 13, LLC                  | Delaware   |
| Magma Finco 16, LLC                  | Delaware   |
| Molten Partners, LLC                 | Delaware   |
| Parlex 1 Finance, LLC                | Delaware   |
| Parlex 2 Finance, LLC                | Delaware   |
| Parlex 2 CAD Finco, LLC              | Delaware   |
| Parlex 2 AU HoldCo, LLC              | Delaware   |
| Parlex 2 AU HoldCo II, LLC           | Delaware   |
| Parlex 2 AU Sub Trust                | Australia  |
| Parlex 2 AU Trust                    | Australia  |
| Parlex 2 AU Finco, LLC               | Delaware   |
| Parlex 2 EUR Finco, LLC              | Delaware   |
| Parlex 2 UK Finco, LLC               | Delaware   |
| Parlex 2A Finco, LLC                 | Delaware   |
| Parlex 3 Finance, LLC                | Delaware   |
| Parlex 3 AU Finco, LLC               | Delaware   |
| Parlex 3 CAD Finco, LLC              | Delaware   |
| Parlex 3 EUR Finco, LLC              | Delaware   |
| Parlex 3 UK Finco, LLC               | Delaware   |
| Parlex 3A Finco, LLC                 | Delaware   |
| Parlex 3A EUR Finco, LLC             | Delaware   |
| Parlex 3A UK Finco, LLC              | Delaware   |
| Parlex 4 Finance, LLC                | Delaware   |
| Parlex 4 UK Finco, LLC               | Delaware   |
| Parlex 5 Finco, LLC                  | Delaware   |
| Parlex 5 Ken Finco, LLC              | Delaware   |
| Parlex 5 Ken CAD Finco, LLC          | Delaware   |
| Parlex 5 Ken EUR Finco, LLC          | Delaware   |
| Parlex 5 Ken UK Finco, LLC           | Delaware   |
| Parlex 5 Ken ONT Finco, LLC          | Delaware   |
| Parlex 6 Finco, LLC                  | Delaware   |
| Parlex 6 EUR Finco, LLC              | Delaware   |
| Parlex 6 UK Finco, LLC               | Delaware   |
| Parlex 7 Finco, LLC                  | Delaware   |
| Parlex 8 Finco, LLC                  | Delaware   |
| Parlex 8 Lux EUR Finco, S.a r.l.     | Luxembourg |
| Parlex 8 Lux EUR Pledgeco, S.a r.l.  | Luxembourg |
| Parlex 9 Finco, LLC                  | Delaware   |
| Parlex 10 Finco, LLC                 | Delaware   |
| Parlex 10 Lux EUR Finco, S.a r.l.    | Luxembourg |
| Parlex 10 Lux EUR Pledgeco, S.a r.l. | Luxembourg |
| Parlex 10 Lux GBP Finco, S.a r.l.    | Luxembourg |
| Parlex 10 Lux GBP Pledgeco, S.a r.l. | Luxembourg |

|                                      |            |
|--------------------------------------|------------|
| Parlex 11 Finco, LLC                 | Delaware   |
| Parlex 14 Finco, LLC                 | Delaware   |
| Parlex 14 UK Finco, LLC              | Delaware   |
| Parlex 14 EUR Finco, LLC             | Delaware   |
| Parlex 15 Finco, LLC                 | Delaware   |
| Parlex 15 Holdco, LLC                | Delaware   |
| Parlex 15 AU Finco, LLC              | Delaware   |
| Parlex 15 Lux EUR Finco, S.a r.l.    | Luxembourg |
| Parlex 15 Lux EUR Pledgeco, S.a r.l. | Luxembourg |
| Parlex ONT Partners GP, LLC          | Delaware   |
| Parlex ONT Partners, LP              | Canada     |
| Q Hotels Finco 2014, LLC             | Delaware   |
| SL-JR Finco, LLC                     | Delaware   |
| Victor Holdings I, LLC               | Delaware   |
| WD-BXMT Lending, LLC                 | Delaware   |
| Wispar 1 Finco, LLC                  | Delaware   |
| Wispar 2 Finco, LLC                  | Delaware   |
| Wispar 3 Finco, LLC                  | Delaware   |
| Wispar 4 Finco, LLC                  | Delaware   |

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements on Form S-3 (File No. 333-232852) and on Form S-8 (File Nos. 333-39743-99, 333-144929, 333-179668, 333-189806, 333-212112 and 333-225774) pertaining to (i) the Amended and Restated 1997 Long Term Incentive Stock Plan and Amended and Restated 1997 Non-Employee Director Stock Plan; (ii) 2007 Long-Term Incentive Plan; (iii) the 2011 Long-Term Incentive Plan; (iv) the 2013 Stock Incentive Plan; (v) the 2016 Stock Incentive Plan; and (vi) the 2018 Stock Incentive Plan of our report dated February 10, 2021 relating to the consolidated financial statements and financial statement schedule of Blackstone Mortgage Trust, Inc. and subsidiaries (the “Company”), and the effectiveness of the Company’s internal control over financial reporting, appearing in this Annual Report on Form 10-K of Blackstone Mortgage Trust, Inc. for the year ended December 31, 2020.

/s/ Deloitte & Touche LLP

New York, NY  
February 10, 2021

**CERTIFICATION  
PURSUANT TO 17 CFR 240.13a-14  
PROMULGATED UNDER  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Stephen D. Plavin, certify that:

1. I have reviewed this annual report on Form 10-K of Blackstone Mortgage Trust, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 10, 2021

/s/ Stephen D. Plavin  
Stephen D. Plavin  
Chief Executive Officer

**CERTIFICATION  
PURSUANT TO 17 CFR 240.13a-14  
PROMULGATED UNDER  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Anthony F. Marone, Jr., certify that:

1. I have reviewed this annual report on Form 10-K of Blackstone Mortgage Trust, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 10, 2021

/s/ Anthony F. Marone, Jr.

Anthony F. Marone, Jr.  
Chief Financial Officer

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

In connection with the Annual Report of Blackstone Mortgage Trust, Inc. (the "Company") on Form 10-K for the period ended December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephen D. Plavin, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ Stephen D. Plavin

Stephen D. Plavin  
Chief Executive Officer  
February 10, 2021

This certification accompanies each Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 has been provided by the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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

In connection with the Annual Report of Blackstone Mortgage Trust, Inc. (the "Company") on Form 10-K for the period ended December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Anthony F. Marone, Jr., Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ Anthony F. Marone, Jr.

Anthony F. Marone, Jr.  
Chief Financial Officer  
February 10, 2021

This certification accompanies each Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 has been provided by the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.