UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2022

OR

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

Commission file number 001-34436

Starwood Property Trust, Inc.
(Exact name of registrant as specified in its charter)

Maryland	**27-0247747**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
591 West Putnam Avenue **Greenwich, Connecticut**	**06830**
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code:
(203) 422-7700

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, $0.01 par value per share	STWD	New York Stock Exchange

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405) 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 ☒	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The number of shares of the issuer's common stock, $0.01 par value, outstanding as of April 29, 2022 was 306,915,739.

Special Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains certain forward-looking statements, including without limitation, statements concerning our operations, economic performance and financial condition. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are developed by combining currently available information with our beliefs and assumptions and are generally identified by the words “believe,” “expect,” “anticipate” and other similar expressions. Forward-looking statements do not guarantee future performance, which may be materially different from that expressed in, or implied by, any such statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their respective dates.

These forward-looking statements are based largely on our current beliefs, assumptions and expectations of our future performance taking into account all information currently available to us. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us or within our control, and which could materially affect actual results, performance or achievements. Factors that may cause actual results to vary from our forward-looking statements include, but are not limited to:

- factors described in our Annual Report on Form 10-K for the year ended December 31, 2021 and this Quarterly Report on Form 10-Q, including those set forth under the captions “Risk Factors”, “Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations”;
- the severity and duration of the pandemic of the novel strain of coronavirus (“COVID-19”), actions that may be taken by governmental authorities, businesses and others to contain the COVID-19 pandemic, including variants and resurgences, or to treat its impact and the adverse impacts that the COVID-19 pandemic has had, and will likely continue to have, on the global economy, on the borrowers underlying our real estate-related assets and infrastructure loans and tenants of our owned properties, including their ability to make payments on their loans or to pay rent, as the case may be, and on our operations and financial performance;
- defaults by borrowers in paying debt service on outstanding indebtedness;
- impairment in the value of real estate property securing our loans or in which we invest;
- availability of mortgage origination and acquisition opportunities acceptable to us;
- potential mismatches in the timing of asset repayments and the maturity of the associated financing agreements;
- our ability to achieve the benefits that we anticipate from the prior acquisition of the project finance origination, underwriting and capital markets business of GE Capital Global Holdings, LLC;
- national and local economic and business conditions, including continued disruption from the COVID-19 pandemic;
- the occurrence of certain geo-political events (such as wars, terrorist attacks and tensions between states) that affect the normal and peaceful course of international relations (such as the recent Russian invasion of Ukraine);
- general and local commercial and residential real estate property conditions;
- changes in federal government policies;
- changes in federal, state and local governmental laws and regulations;
- increased competition from entities engaged in mortgage lending and securities investing activities;
- changes in interest rates; and
- the availability of, and costs associated with, sources of liquidity.

In light of these risks and uncertainties, there can be no assurances that the results referred to in the forward-looking statements contained in this Quarterly Report on Form 10-Q will in fact occur. Except to the extent required by applicable law or regulation, we undertake no obligation to, and expressly disclaim any such obligation to, update or revise any forward-looking statements to reflect changed assumptions, the occurrence of anticipated or unanticipated events, changes to future results over time or otherwise.

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Condensed Consolidated Balance Sheets
(Unaudited, amounts in thousands, except share data)

	As of March 31, 2022	As of December 31, 2021
Assets:		
Cash and cash equivalents	$ 264,209	$ 217,362
Restricted cash	109,565	104,552
Loans held-for-investment, net of credit loss allowances of $68,260 and $67,270 ($55,621 and $59,225 held at fair value)	16,253,257	15,536,849
Loans held-for-sale, at fair value	2,684,512	2,876,800
Investment securities, net of credit loss allowances of $3,385 and $8,610 ($167,883 and $177,848 held at fair value)	869,189	860,984
Properties, net	1,122,357	1,166,387
Investments of consolidated affordable housing fund, at fair value	1,264,160	1,040,309
Investments in unconsolidated entities	89,250	90,097
Goodwill	259,846	259,846
Intangible assets ($17,864 and $16,780 held at fair value)	62,148	63,564
Derivative assets	60,869	48,216
Accrued interest receivable	123,801	116,262
Other assets	261,192	188,626
Variable interest entity ("VIE") assets, at fair value	57,763,543	61,280,543
Total Assets	**$ 81,187,898**	**$ 83,850,397**
Liabilities and Equity		
Liabilities:		
Accounts payable, accrued expenses and other liabilities	$ 196,145	$ 189,696
Related-party payable	56,615	76,371
Dividends payable	148,743	147,624
Derivative liabilities	38,709	13,421
Secured financing agreements, net	11,531,571	12,576,850
Collateralized loan obligations and single asset securitization, net	3,797,895	2,616,116
Unsecured senior notes, net	2,322,630	1,828,590
VIE liabilities, at fair value	56,185,937	59,752,922
Total Liabilities	**74,278,245**	**77,201,590**
Commitments and contingencies (Note 22)		
Temporary Equity: Redeemable non-controlling interests	261,685	214,915
Permanent Equity:		
Starwood Property Trust, Inc. Stockholders' Equity:		
Preferred stock, $0.01 per share, 100,000,000 shares authorized, no shares issued and outstanding	—	—
Common stock, $0.01 per share, 500,000,000 shares authorized, 314,360,996 issued and 306,912,305 outstanding as of March 31, 2022 and 312,268,944 issued and 304,820,253 outstanding as of December 31, 2021	3,144	3,123
Additional paid-in capital	5,709,027	5,673,376
Treasury stock (7,448,691 shares)	(138,022)	(138,022)
Accumulated other comprehensive income	35,669	40,953
Retained earnings	669,877	493,106
Total Starwood Property Trust, Inc. Stockholders' Equity	6,279,695	6,072,536
Non-controlling interests in consolidated subsidiaries	368,273	361,356
Total Permanent Equity	**6,647,968**	**6,433,892**
Total Liabilities and Equity	**$ 81,187,898**	**$ 83,850,397**

Note: In addition to the VIE assets and liabilities which are separately presented, our condensed consolidated balance sheets as of March 31, 2022 and December 31, 2021 include assets of $4.6 billion and $3.1 billion, respectively, and liabilities of $3.8 billion and $2.6 billion, respectively, related to consolidated collateralized loan obligations ("CLOs") and a single asset securitization ("SASB"), which are considered to be VIEs. The CLOs' and SASB's assets can only be used to settle obligations of the CLOs and SASB, and the CLOs' and SASB's liabilities do not have recourse to Starwood Property Trust, Inc. Refer to Note 15 for additional discussion of VIEs.

See notes to condensed consolidated financial statements.

Starwood Property Trust, Inc. and Subsidiaries

Condensed Consolidated Statements of Operations
(Unaudited, amounts in thousands, except per share data)

	For the Three Months Ended March 31, 2022	For the Three Months Ended March 31, 2021
Revenues:		
Interest income from loans	$ 233,619	$ 190,575
Interest income from investment securities	13,983	11,610
Servicing fees	9,992	8,402
Rental income	31,580	76,338
Other revenues	4,818	305
Total revenues	**293,992**	**287,230**
Costs and expenses:		
Management fees	55,295	38,736
Interest expense	126,451	103,374
General and administrative	44,321	38,636
Acquisition and investment pursuit costs	422	185
Costs of rental operations	9,290	28,745
Depreciation and amortization	11,647	22,474
Credit loss (reversal) provision, net	(3,658)	44
Other expense	55	685
Total costs and expenses	**243,823**	**232,879**
Other income (loss):		
Change in net assets related to consolidated VIEs	26,749	39,745
Change in fair value of servicing rights	1,084	(796)
Change in fair value of investment securities, net	(355)	(306)
Change in fair value of mortgage loans, net	(125,783)	(9,478)
Income from affordable housing fund investments	234,041	—
(Loss) earnings from unconsolidated entities	(910)	1,734
Gain on sale of investments and other assets, net	98,468	17,693
Gain on derivative financial instruments, net	127,268	33,989
Foreign currency loss, net	(27,281)	(11,681)
Loss on extinguishment of debt	(823)	(516)
Other (loss) income, net	(763)	21
Total other income	**331,695**	**70,405**
Income before income taxes	**381,864**	**124,756**
Income tax benefit (provision)	2,450	(2,230)
Net income	**384,314**	**122,526**
Net income attributable to non-controlling interests	(59,715)	(11,148)
Net income attributable to Starwood Property Trust, Inc.	**$ 324,599**	**$ 111,378**
Earnings per share data attributable to Starwood Property Trust, Inc.:		
Basic	$ 1.04	$ 0.39
Diluted	$ 1.02	$ 0.38

See notes to condensed consolidated financial statements.

Starwood Property Trust, Inc. and Subsidiaries

Condensed Consolidated Statements of Comprehensive Income
(Unaudited, amounts in thousands)

	For the Three Months Ended March 31,	
	2022	**2021**
Net income	**$ 384,314**	**$ 122,526**
Other comprehensive income (loss) (net change by component):		
Available-for-sale securities	(5,284)	(2,403)
Foreign currency translation	—	64
Other comprehensive loss	(5,284)	(2,339)
Comprehensive income	**379,030**	**120,187**
Less: Comprehensive income attributable to non-controlling interests	(59,715)	(11,148)
Comprehensive income attributable to Starwood Property Trust, Inc.	**$ 319,315**	**$ 109,039**

See notes to condensed consolidated financial statements.

Starwood Property Trust, Inc. and Subsidiaries

Condensed Consolidated Statements of Equity
For the Three Months Ended March 31, 2022 and 2021
(Unaudited, amounts in thousands, except share data)

	Temporary Equity	Common stock		Additional Paid-in Capital	Treasury Stock		Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income	Total Starwood Property Trust, Inc. Stockholders' Equity	Non-Controlling Interests	Total Permanent Equity
		Shares	Par Value		Shares	Amount					
Balance, December 31, 2021	**$ 214,915**	**312,268,944**	**$ 3,123**	**$ 5,673,376**	**7,448,691**	**$ (138,022)**	**$ 493,106**	**$ 40,953**	**$ 6,072,536**	**$ 361,356**	**$ 6,433,892**
Proceeds from DRIP Plan	—	10,261	—	251	—	—	—	—	251	—	251
Redemption of Class A Units	—	—	—	—	—	—	—	—	—	—	—
Equity offering costs	—	—	—	(89)	—	—	—	—	(89)	—	(89)
Share-based compensation	—	1,012,963	10	10,083	—	—	—	—	10,093	—	10,093
Manager fees paid in stock	—	1,068,828	11	25,406	—	—	—	—	25,417	—	25,417
Net income	47,720	—	—	—	—	—	324,599	—	324,599	11,995	336,594
Dividends declared, $0.48 per share	—	—	—	—	—	—	(147,828)	—	(147,828)	—	(147,828)
Other comprehensive loss, net	—	—	—	—	—	—	—	(5,284)	(5,284)	—	(5,284)
Contributions from non-controlling interests	—	—	—	—	—	—	—	—	—	4,690	4,690
Distributions to non-controlling interests	(950)	—	—	—	—	—	—	—	—	(9,768)	(9,768)
Balance, March 31, 2022	**$ 261,685**	**314,360,996**	**$ 3,144**	**$ 5,709,027**	**7,448,691**	**$ (138,022)**	**$ 669,877**	**$ 35,669**	**$ 6,279,695**	**$ 368,273**	**$ 6,647,968**
Balance, December 31, 2020	**$ —**	**292,091,601**	**$ 2,921**	**$ 5,209,739**	**7,448,691**	**$ (138,022)**	**$ (629,733)**	**$ 43,993**	**$ 4,488,898**	**$ 373,678**	**$ 4,862,576**
Cumulative effect of convertible notes accounting standard update adopted January 1, 2021	—	—	—	(3,755)	—	—	2,219	—	(1,536)	—	(1,536)
Proceeds from DRIP Plan	—	12,234	—	262	—	—	—	—	262	—	262
Redemption of Class A Units	—	50,000	1	1,038	—	—	—	—	1,039	(1,039)	—
Equity offering costs	—	—	—	(22)	—	—	—	—	(22)	—	(22)
Share-based compensation	—	1,814,414	18	10,292	—	—	—	—	10,310	—	10,310
Manager fees paid in stock	—	332,002	3	7,483	—	—	—	—	7,486	—	7,486
Net income	—	—	—	—	—	—	111,378	—	111,378	11,148	122,526
Dividends declared, $0.48 per share	—	—	—	—	—	—	(138,614)	—	(138,614)	—	(138,614)
Other comprehensive loss, net	—	—	—	—	—	—	—	(2,339)	(2,339)	—	(2,339)
Contributions from non-controlling interests	—	—	—	—	—	—	—	—	—	2,969	2,969
Distributions to non-controlling interests	—	—	—	—	—	—	—	—	—	(8,833)	(8,833)
Balance, March 31, 2021	**$ —**	**294,300,251**	**$ 2,943**	**$ 5,225,037**	**7,448,691**	**$ (138,022)**	**$ (654,750)**	**$ 41,654**	**$ 4,476,862**	**$ 377,923**	**$ 4,854,785**

See notes to condensed consolidated financial statements.

Starwood Property Trust, Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows
(Unaudited, amounts in thousands)

	For the Three Months Ended March 31,	
	2022	**2021**
Cash Flows from Operating Activities:		
Net income	$ 384,314	$ 122,526
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of deferred financing costs, premiums and discounts on secured borrowings	11,816	10,515
Amortization of discounts and deferred financing costs on unsecured senior notes	2,151	1,726
Accretion of net discount on investment securities	(3,475)	(3,476)
Accretion of net deferred loan fees and discounts	(16,600)	(16,745)
Share-based compensation	10,093	10,310
Manager fees paid in stock	25,417	7,486
Change in fair value of investment securities	355	306
Change in fair value of consolidated VIEs	11,928	(7,042)
Change in fair value of servicing rights	(1,084)	796
Change in fair value of loans	125,783	9,478
Change in fair value of affordable housing fund investments	(223,851)	—
Change in fair value of derivatives	(129,343)	(34,768)
Foreign currency loss, net	27,281	11,681
Gain on sale of investments and other assets	(98,468)	(17,693)
Impairment charges on properties and related intangibles	55	—
Credit loss (reversal) provision, net	(3,658)	44
Depreciation and amortization	12,757	22,528
Loss (earnings) from unconsolidated entities	910	(1,734)
Distributions of earnings from unconsolidated entities	280	17
Loss on extinguishment of debt	624	516
Origination and purchase of loans held-for-sale, net of principal collections	(2,206,360)	(327,352)
Proceeds from sale of loans held-for-sale	2,278,467	571,927
Changes in operating assets and liabilities:		
Related-party payable, net	(19,756)	(3,035)
Accrued and capitalized interest receivable, less purchased interest	(35,342)	(41,833)
Other assets	(64,229)	(19,467)
Accounts payable, accrued expenses and other liabilities	64,309	(25,945)
Net cash provided by operating activities	**154,374**	**270,766**
Cash Flows from Investing Activities:		
Origination, purchase and funding of loans held-for-investment	(1,557,821)	(2,296,124)
Proceeds from principal collections on loans	798,969	1,051,695
Purchase and funding of investment securities	(18,139)	—
Proceeds from principal collections on investment securities	7,784	59,514
Proceeds from sales of real estate	147,334	30,566
Purchases and additions to properties and other assets	(6,604)	(3,512)
Investments in unconsolidated entities	(461)	—
Distribution of capital from unconsolidated entities	121	15,980
Payments for purchase or termination of derivatives	(8,541)	(851)
Proceeds from termination of derivatives	82,596	23,527
Net cash used in investing activities	**(554,762)**	**$ (1,119,205)**

See notes to condensed consolidated financial statements.

Starwood Property Trust, Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows (Continued)
(Unaudited, amounts in thousands)

	For the Three Months Ended March 31, 2022	For the Three Months Ended March 31, 2021
Cash Flows from Financing Activities:		
Proceeds from borrowings	$ 5,843,167	$ 2,748,317
Principal repayments on and repurchases of borrowings	(5,153,638)	(2,001,336)
Payment of deferred financing costs	(21,998)	(5,052)
Proceeds from common stock issuances	251	262
Payment of equity offering costs	(89)	(22)
Payment of dividends	(146,709)	(137,667)
Contributions from non-controlling interests	4,690	2,969
Distributions to non-controlling interests	(10,718)	(8,833)
Issuance of debt of consolidated VIEs	—	11,604
Repayment of debt of consolidated VIEs	(84,460)	(27,490)
Distributions of cash from consolidated VIEs	22,014	14,481
Net cash provided by financing activities	**452,510**	**597,233**
Net increase (decrease) in cash, cash equivalents and restricted cash	52,122	(251,206)
Cash, cash equivalents and restricted cash, beginning of period	321,914	722,162
Effect of exchange rate changes on cash	(262)	(1,042)
Cash, cash equivalents and restricted cash, end of period	$ 373,774	$ 469,914
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 102,300	$ 80,624
Income taxes paid	566	425
Supplemental disclosure of non-cash investing and financing activities:		
Dividends declared, but not yet paid	$ 148,998	$ 139,113
Consolidation of VIEs (VIE asset/liability additions)	1,109,614	393,373
Deconsolidation of VIEs (VIE asset/liability reductions)	730,012	—
Reclassification of loans held-for-investment to loans held-for-sale	346	166,901
Reclassification of loans held-for-sale to loans held-for-investment	—	124,935
Loan principal collections temporarily held at master servicer	42,225	31,965
Net assets acquired through foreclosure, control or conversion to equity interest	—	7,320
Redemption of Class A Units for common stock	—	1,039

See notes to condensed consolidated financial statements.

Starwood Property Trust, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
As of March 31, 2022
(Unaudited)

1. Business and Organization

Starwood Property Trust, Inc. ("STWD" and, together with its subsidiaries, "we" or the "Company") is a Maryland corporation that commenced operations in August 2009, upon the completion of our initial public offering. We are focused primarily on originating, acquiring, financing and managing mortgage loans and other real estate investments in the United States ("U.S."), Europe and Australia. As market conditions change over time, we may adjust our strategy to take advantage of changes in interest rates and credit spreads as well as economic and credit conditions.

We have four reportable business segments as of March 31, 2022 and we refer to the investments within these segments as our target assets:

- Real estate commercial and residential lending (the "Commercial and Residential Lending Segment")—engages primarily in originating, acquiring, financing and managing commercial first mortgages, non-agency residential mortgages ("residential loans"), subordinated mortgages, mezzanine loans, preferred equity, commercial mortgage-backed securities ("CMBS"), residential mortgage-backed securities ("RMBS") and other real estate and real estate-related debt investments in the U.S., Europe and Australia (including distressed or non-performing loans). Our residential loans are secured by a first mortgage lien on residential property and primarily consist of non-agency residential loans that are not guaranteed by any U.S. Government agency or federally chartered corporation.

- Infrastructure lending (the "Infrastructure Lending Segment")—engages primarily in originating, acquiring, financing and managing infrastructure debt investments.

- Real estate property (the "Property Segment")—engages primarily in acquiring and managing equity interests in stabilized commercial real estate properties, including multifamily properties and commercial properties subject to net leases, that are held for investment.

- Real estate investing and servicing (the "Investing and Servicing Segment")—includes (i) a servicing business in the U.S. that manages and works out problem assets, (ii) an investment business that selectively acquires and manages unrated, investment grade and non-investment grade rated CMBS, including subordinated interests of securitization and resecuritization transactions, (iii) a mortgage loan business which originates conduit loans for the primary purpose of selling these loans into securitization transactions and (iv) an investment business that selectively acquires commercial real estate assets, including properties acquired from CMBS trusts.

Our segments exclude the consolidation of securitization variable interest entities ("VIEs").

We are organized and conduct our operations to qualify as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended (the "Code"). As such, we will generally not be subject to U.S. federal corporate income tax on that portion of our net income that is distributed to stockholders if we distribute at least 90% of our taxable income to our stockholders by prescribed dates and comply with various other requirements.

We are organized as a holding company and conduct our business primarily through our various wholly-owned subsidiaries. We are externally managed and advised by SPT Management, LLC (our "Manager") pursuant to the terms of a management agreement. Our Manager is controlled by Barry Sternlicht, our Chairman and Chief Executive Officer. Our Manager is an affiliate of Starwood Capital Group Global L.P., a privately-held private equity firm founded by Mr. Sternlicht.

2. Summary of Significant Accounting Policies

Balance Sheet Presentation of Securitization Variable Interest Entities

We operate investment businesses that acquire unrated, investment grade and non-investment grade rated CMBS and RMBS. These securities represent interests in securitization structures (commonly referred to as special purpose entities, or "SPEs"). These SPEs are structured as pass through entities that receive principal and interest on the underlying collateral and distribute those payments to the certificate holders. Under accounting principles generally accepted in the United States of America ("GAAP"), SPEs typically qualify as VIEs. These are entities that, by design, either (1) lack sufficient equity to permit the entity to finance its activities without additional subordinated financial support from other parties, or (2) have equity investors that do not have the ability to make significant decisions relating to the entity's operations through voting rights, or do not have the obligation to absorb the expected losses, or do not have the right to receive the residual returns of the entity.

Because we often serve as the special servicer or servicing administrator of the trusts in which we invest, or we have the ability to remove and replace the special servicer without cause, consolidation of these structures is required pursuant to GAAP as outlined in detail below. This results in a consolidated balance sheet which presents the gross assets and liabilities of the VIEs. The assets and other instruments held by these VIEs are restricted and can only be used to fulfill the obligations of the entity. Additionally, the obligations of the VIEs do not have any recourse to the general credit of any other consolidated entities, nor to us as the consolidator of these VIEs.

The VIE liabilities initially represent investment securities on our balance sheet (pre-consolidation). Upon consolidation of these VIEs, our associated investment securities are eliminated, as is the interest income related to those securities. Similarly, the fees we earn in our roles as special servicer of the bonds issued by the consolidated VIEs or as collateral administrator of the consolidated VIEs are also eliminated. Finally, a portion of the identified servicing intangible associated with the eliminated fee streams is eliminated in consolidation.

Refer to the segment data in Note 23 for a presentation of our business segments without consolidation of these VIEs.

Basis of Accounting and Principles of Consolidation

The accompanying condensed consolidated financial statements include our accounts and those of our consolidated subsidiaries and VIEs. Intercompany amounts have been eliminated in consolidation. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations, and cash flows have been included.

These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 (our "Form 10-K"), as filed with the Securities and Exchange Commission ("SEC"). The results of operations for the three months ended March 31, 2022 are not necessarily indicative of the operating results for the full year.

Refer to our Form 10-K for a description of our recurring accounting policies. We have included disclosure in this Note 2 regarding principles of consolidation and other accounting policies that (i) are required to be disclosed quarterly, (ii) we view as critical, (iii) became significant since December 31, 2021 due to a corporate action or increase in the significance of the underlying business activity or (iv) changed upon adoption of an Accounting Standards Update ("ASU") issued by the Financial Accounting Standards Board ("FASB").

Variable Interest Entities

In addition to the securitization VIEs, we have financed pools of our loans through collateralized loan obligations ("CLOs") and a single asset securitization ("SASB"), which are considered VIEs. We also hold interests in certain other entities which are considered VIEs as the limited partners of those entities with equity at risk do not collectively possess (i) the right to remove the general partner or dissolve the partnership without cause or (ii) the right to participate in significant decisions made by the partnership.

We evaluate all of our interests in VIEs for consolidation. When our interests are determined to be variable interests, we assess whether we are deemed to be the primary beneficiary of the VIE. The primary beneficiary of a VIE is required to consolidate the VIE. Accounting Standards Codification ("ASC") 810, *Consolidation*, defines the primary beneficiary as the party that has both (i) the power to direct the activities of the VIE that most significantly impact its economic performance, and (ii) the obligation to absorb losses and the right to receive benefits from the VIE which could be potentially significant. We consider our variable interests as well as any variable interests of our related parties in making this determination. Where both of these factors are present, we are deemed to be the primary beneficiary and we consolidate the VIE. Where either one of these factors is not present, we are not the primary beneficiary and do not consolidate the VIE.

To assess whether we have the power to direct the activities of a VIE that most significantly impact the VIE’s economic performance, we consider all facts and circumstances, including our role in establishing the VIE and our ongoing rights and responsibilities. This assessment includes: (i) identifying the activities that most significantly impact the VIE’s economic performance; and (ii) identifying which party, if any, has power over those activities. In general, the parties that make the most significant decisions affecting the VIE or have the right to unilaterally remove those decision makers are deemed to have the power to direct the activities of a VIE. The right to remove the decision maker in a VIE must be exercisable without cause for the decision maker to not be deemed the party that has the power to direct the activities of a VIE.

To assess whether we have the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE, we consider all of our economic interests, including debt and equity investments, servicing fees and other arrangements deemed to be variable interests in the VIE. This assessment requires that we apply judgment in determining whether these interests, in the aggregate, are considered potentially significant to the VIE. Factors considered in assessing significance include: the design of the VIE, including its capitalization structure; subordination of interests; payment priority; relative share of interests held across various classes within the VIE’s capital structure; and the reasons why the interests are held by us.

Our purchased investment securities include unrated and non-investment grade rated securities issued by securitization trusts. In certain cases, we may contract to provide special servicing activities for these trusts, or, as holder of the controlling class, we may have the right to name and remove the special servicer for these trusts. In our role as special servicer, we provide services on defaulted loans within the trusts, such as foreclosure or work-out procedures, as permitted by the underlying contractual agreements. In exchange for these services, we receive a fee. These rights give us the ability to direct activities that could significantly impact the trust’s economic performance. However, in those instances where an unrelated third party has the right to unilaterally remove us as special servicer without cause, we do not have the power to direct activities that most significantly impact the trust’s economic performance. We evaluated all of our positions in such investments for consolidation.

For securitization VIEs in which we are determined to be the primary beneficiary, all of the underlying assets, liabilities and equity of the structures are recorded on our books, and the initial investment, along with any associated unrealized holding gains and losses, are eliminated in consolidation. Similarly, the interest income earned from these structures, as well as the fees paid by these trusts to us in our capacity as special servicer, are eliminated in consolidation. Further, a portion of the identified servicing intangible asset associated with the servicing fee streams, and the corresponding amortization or change in fair value of the servicing intangible asset, are also eliminated in consolidation.

We perform ongoing reassessments of: (i) whether any entities previously evaluated under the majority voting interest framework have become VIEs, based on certain events, and therefore subject to the VIE consolidation framework, and (ii) whether changes in the facts and circumstances regarding our involvement with a VIE causes our consolidation conclusion regarding the VIE to change.

We elect the fair value option for initial and subsequent recognition of the assets and liabilities of our consolidated securitization VIEs. Interest income and interest expense associated with these VIEs are no longer relevant on a standalone basis because these amounts are already reflected in the fair value changes. We have elected to present these items in a single line on our condensed consolidated statements of operations. The residual difference shown on our condensed consolidated statements of operations in the line item “Change in net assets related to consolidated VIEs” represents our beneficial interest in the VIEs.

We separately present the assets and liabilities of our consolidated securitization VIEs as individual line items on our condensed consolidated balance sheets. The liabilities of our consolidated securitization VIEs consist solely of obligations to the bondholders of the related trusts, and are thus presented as a single line item entitled “VIE liabilities.” The assets of our consolidated securitization VIEs consist principally of loans, but at times, also include foreclosed loans which have been temporarily converted into real estate owned (“REO”). These assets in the aggregate are likewise presented as a single line item entitled “VIE assets.”

Loans comprise the vast majority of our securitization VIE assets and are carried at fair value due to the election of the fair value option. When an asset becomes REO, it is due to non-performance of the loan. Because the loan is already at fair value, the carrying value of an REO asset is also initially at fair value. Furthermore, when we consolidate a trust, any existing

REO would be consolidated at fair value. Once an asset becomes REO, its disposition time is relatively short. As a result, the carrying value of an REO generally approximates fair value under GAAP.

In addition to sharing a similar measurement method as the loans in a trust, the securitization VIE assets as a whole can only be used to settle the obligations of the consolidated VIE. The assets of our securitization VIEs are not individually accessible by the bondholders, which creates inherent limitations from a valuation perspective. Also creating limitations from a valuation perspective is our role as special servicer, which provides us very limited visibility, if any, into the performing loans of a trust.

REO assets generally represent a very small percentage of the overall asset pool of a trust. In new issue trusts there are no REO assets. We estimate that REO assets constitute approximately 1% of our consolidated securitization VIE assets, with the remaining 99% representing loans. However, it is important to note that the fair value of our securitization VIE assets is determined by reference to our securitization VIE liabilities as permitted under ASU 2014-13, *Consolidation (Topic 810): Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity*. In other words, our VIE liabilities are more reliably measurable than the VIE assets, resulting in our current measurement methodology which utilizes this value to determine the fair value of our securitization VIE assets as a whole. As a result, these percentages are not necessarily indicative of the relative fair values of each of these asset categories if the assets were to be valued individually.

Due to our accounting policy election under ASU 2014-13, separately presenting two different asset categories would result in an arbitrary assignment of value to each, with one asset category representing a residual amount, as opposed to its fair value. However, as a pool, the fair value of the assets in total is equal to the fair value of the liabilities.

For these reasons, the assets of our securitization VIEs are presented in the aggregate.

Fair Value Option

The guidance in ASC 825, *Financial Instruments*, provides a fair value option election that allows entities to make an irrevocable election of fair value as the initial and subsequent measurement attribute for certain eligible financial assets and liabilities. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. The decision to elect the fair value option is determined on an instrument by instrument basis and must be applied to an entire instrument and is irrevocable once elected. Assets and liabilities measured at fair value pursuant to this guidance are required to be reported separately in our consolidated balance sheets from those instruments using another accounting method.

We have elected the fair value option for certain eligible financial assets and liabilities of our consolidated securitization VIEs, residential loans held-for-investment, loans held-for-sale originated or acquired for future securitization and purchased CMBS issued by VIEs we could consolidate in the future. The fair value elections for VIE and securitization related items were made in order to mitigate accounting mismatches between the carrying value of the instruments and the related assets and liabilities that we consolidate at fair value. The fair value elections for residential loans held-for-investment were made in order to maintain consistency across all our residential loans. The fair value elections for mortgage loans held-for-sale were made due to the expected short-term holding period of these instruments.

Fair Value Measurements

We measure our mortgage-backed securities, investments of consolidated affordable housing fund, derivative assets and liabilities, domestic servicing rights intangible asset and any assets or liabilities where we have elected the fair value option at fair value. When actively quoted observable prices are not available, we either use implied pricing from similar assets and liabilities or valuation models based on net present values of estimated future cash flows, adjusted as appropriate for liquidity, credit, market and/or other risk factors.

As discussed above, we measure the assets and liabilities of consolidated securitization VIEs at fair value pursuant to our election of the fair value option. The securitization VIEs in which we invest are “static”; that is, no reinvestment is permitted, and there is no active management of the underlying assets. In determining the fair value of the assets and liabilities of the securitization VIEs, we maximize the use of observable inputs over unobservable inputs. Refer to Note 20 for further discussion regarding our fair value measurements.

Loans Held-for-Investment

Loans that are held for investment ("HFI") are carried at cost, net of unamortized acquisition premiums or discounts, loan fees and origination costs, as applicable, and net of credit loss allowances as discussed below, unless the loans are credit deteriorated or we have elected to apply the fair value option at purchase.

Loans Held-For-Sale

Our loans that we intend to sell or liquidate in the short-term are classified as held-for-sale and are carried at the lower of amortized cost or fair value, unless we have elected to apply the fair value option at origination or purchase.

Investment Securities

We designate our debt investment securities as held-to-maturity ("HTM"), available-for-sale ("AFS"), or trading depending on our investment strategy and ability to hold such securities to maturity. HTM debt securities where we have not elected to apply the fair value option are stated at cost plus any premiums or discounts, which are amortized or accreted through the condensed consolidated statements of operations using the effective interest method. Debt securities we (i) do not hold for the purpose of selling in the near-term, or (ii) may dispose of prior to maturity, are classified as AFS and are carried at fair value in the accompanying financial statements. Unrealized gains or losses on AFS debt securities where we have not elected the fair value option are reported as a component of accumulated other comprehensive income ("AOCI") in stockholders' equity. Our HTM and AFS debt securities are also subject to credit loss allowances as discussed below.

Our only equity investment security is carried at fair value, with unrealized holding gains and losses recorded in earnings.

Credit Losses

Loans and Debt Securities Measured at Amortized Cost

ASC 326, *Financial Instruments – Credit Losses*, became effective for the Company on January 1, 2020. ASC 326 mandates the use of a current expected credit loss model ("CECL") for estimating future credit losses of certain financial instruments measured at amortized cost, instead of the "incurred loss" credit model previously required under GAAP. The CECL model requires the consideration of possible credit losses over the life of an instrument as opposed to only estimating credit losses upon the occurrence of a discrete loss event under the previous "incurred loss" methodology. The CECL model applies to our HFI loans and our HTM debt securities which are carried at amortized cost, including future funding commitments and accrued interest receivable related to those loans and securities. However, as permitted by ASC 326, we have elected not to measure an allowance for credit losses on accrued interest receivable (which is classified separately on our condensed consolidated balance sheets), but rather write off in a timely manner by reversing interest income and/or cease accruing interest that would likely be uncollectible.

As we do not have a history of realized credit losses on our HFI loans and HTM securities, we have subscribed to third party database services to provide us with historical industry losses for both commercial real estate and infrastructure loans. Using these losses as a benchmark, we determine expected credit losses for our loans and securities on a collective basis within our commercial real estate and infrastructure portfolios. See Note 4 for further discussion of our methodologies.

We also evaluate each loan and security measured at amortized cost for credit deterioration at least quarterly. Credit deterioration occurs when it is deemed probable that we will not be able to collect all amounts due according to the contractual terms of the loan or security. If a loan or security is considered to be credit deteriorated, we depart from the industry loss rate approach described above and determine the credit loss allowance as any excess of the amortized cost basis of the loan or security over (i) the present value of expected future cash flows discounted at the contractual effective interest rate or (ii) the fair value of the collateral, if repayment is expected solely from the collateral.

Available-for-Sale Debt Securities

Separate provisions of ASC 326 apply to our AFS debt securities, which are carried at fair value with unrealized gains and losses reported as a component of AOCI. We are required to establish an initial credit loss allowance for those securities that are purchased with credit deterioration ("PCD") by grossing up the amortized cost basis of each security and providing an offsetting credit loss allowance for the difference between expected cash flows and contractual cash flows, both on a present value basis.

Subsequently, cumulative adverse changes in expected cash flows on our AFS debt securities are recognized currently as an increase to the allowance for credit losses. However, the allowance is limited to the amount by which the AFS debt security's amortized cost exceeds its fair value. Favorable changes in expected cash flows are first recognized as a decrease to the allowance for credit losses (recognized currently in earnings). Such changes would be recognized as a prospective yield adjustment only when the allowance for credit losses is reduced to zero. A change in expected cash flows that is attributable solely to a change in a variable interest reference rate does not result in a credit loss and is accounted for as a prospective yield adjustment.

Investments of Consolidated Affordable Housing Fund

On November 5, 2021, we established Woodstar Portfolio Holdings, LLC (the "Woodstar Fund"), an investment fund which holds our Woodstar multifamily affordable housing portfolios consisting of 59 properties with 15,057 units located in Central and South Florida. As managing member of the Woodstar Fund, we manage interests purchased by third party investors seeking capital appreciation and an ongoing return, for which we earn (i) a management fee based on each investor's share of total Woodstar Fund equity; and (ii) an incentive distribution if the Woodstar Fund's returns exceed an established threshold. In connection with the establishment of the Woodstar Fund, we entered into subscription and other related agreements with certain third party institutional investors to sell, through a feeder fund structure, an aggregate 20.6% interest in the Woodstar Fund for an initial aggregate subscription price of $216.0 million, which was adjusted to $214.2 million post-closing. The Woodstar Fund has an initial term of eight years.

Effective with the third party interest sale, the Woodstar Fund has the characteristics of an investment company under ASC 946, *Financial Services – Investment Companies*. Accordingly, the Woodstar Fund is required to carry the investments in its properties at fair value, with a cumulative effect adjustment between the fair value and previous carrying value of its investments recognized in stockholders' equity as of November 5, 2021, the date of the Woodstar Fund's change in status to an investment company. Because we are the primary beneficiary of the Woodstar Fund, which is a VIE (as discussed in Note 15), we consolidate the accounts of the Woodstar Fund into our consolidated financial statements, retaining the fair value basis of accounting for its investments. Realized and unrealized changes in the fair value of the Woodstar Fund's property investments, and distributions thereon, are recognized in the "Income from affordable housing fund investments" caption within the other income (loss) section of our condensed consolidated statement of operations for the three months ended March 31, 2022. See Note 7 for further details regarding the Woodstar Fund's investments and related income and Note 17 with respect to its contingently redeemable non-controlling interests which are classified as "Temporary Equity" in our condensed consolidated balance sheets.

Revenue Recognition

Interest Income

Interest income on performing loans and financial instruments is accrued based on the outstanding principal amount and contractual terms of the instrument. For loans where we do not elect the fair value option, origination fees and direct loan origination costs are also recognized in interest income over the loan term as a yield adjustment using the effective interest method. When we elect the fair value option, origination fees and direct loan costs are recorded directly in income and are not deferred. Discounts or premiums associated with the purchase of non-performing loans and investment securities are amortized or accreted into interest income as a yield adjustment on the effective interest method, based on expected cash flows through the expected maturity date of the investment. On at least a quarterly basis, we review and, if appropriate, make adjustments to our cash flow projections.

We cease accruing interest on non-performing loans at the earlier of (i) the loan becoming significantly past due or (ii) management concluding that a full recovery of all interest and principal is doubtful. Interest income on non-accrual loans in which management expects a full recovery of the loan's outstanding principal balance is only recognized when received in cash. If a full recovery of principal is doubtful, the cost recovery method is applied whereby any cash received is applied to the outstanding principal balance of the loan. A non-accrual loan is returned to accrual status at such time as the loan becomes contractually current and management believes all future principal and interest will be received according to the contractual loan terms.

For loans acquired with deteriorated credit quality, interest income is only recognized to the extent that our estimate of undiscounted expected principal and interest exceeds our investment in the loan. Such excess, if any, is recognized as interest income on a level-yield basis over the life of the loan.

Upon the sale of loans or securities which are not accounted for pursuant to the fair value option, the excess (or deficiency) of net proceeds over the net carrying value of such loans or securities is recognized as a realized gain (loss).

Servicing Fees

We typically seek to be the special servicer on CMBS transactions in which we invest. When we are appointed to serve in this capacity, we earn special servicing fees from the related activities performed, which consist primarily of overseeing the workout of under-performing and non-performing loans underlying the CMBS transactions. These fees are recognized in income in the period in which the services are performed and the revenue recognition criteria have been met.

Rental Income

Rental income is recognized when earned from tenants. For leases that provide rent concessions or fixed escalations over the lease term, rental income is recognized on a straight-line basis over the noncancelable term of the lease. In net lease arrangements, costs reimbursable from tenants are recognized in rental income in the period in which the related expenses are incurred as we are generally the primary obligor with respect to purchasing goods and services for property operations. In instances where the tenant is responsible for property maintenance and repairs and contracts and settles such costs directly with third party service providers, we do not reflect those expenses in our consolidated statement of operations as the tenant is the primary obligor.

Foreign Currency Translation

Our assets and liabilities denominated in foreign currencies are translated into U.S. dollars using foreign currency exchange rates at the end of the reporting period. Income and expenses are translated at the average exchange rates for each reporting period. The effects of translating the assets, liabilities and income of our foreign investments held by entities with a U.S. dollar functional currency are included in foreign currency gain (loss) in the consolidated statements of operations or other comprehensive income ("OCI") for debt securities available-for-sale for which the fair value option has not been elected. The effects of translating the assets, liabilities and income of our foreign investments held by entities with functional currencies other than the U.S. dollar are included in OCI. Realized foreign currency gains and losses and changes in the value of foreign currency denominated monetary assets and liabilities are included in the determination of net income and are reported as foreign currency gain (loss) in our condensed consolidated statements of operations.

Earnings Per Share

We present both basic and diluted earnings per share ("EPS") amounts in our financial statements. Basic EPS excludes dilution and is computed by dividing income available to common stockholders by the weighted-average number of shares of common stock outstanding for the period. Diluted EPS reflects the maximum potential dilution that could occur from (i) our share-based compensation, consisting of unvested restricted stock awards ("RSAs") and restricted stock units ("RSUs"), (ii) shares contingently issuable to our Manager, (iii) the conversion options associated with our senior convertible notes (the "Convertible Notes") (see Notes 11 and 18) and (iv) non-controlling interests that are redeemable with our common stock (see Note 17). Potential dilutive shares are excluded from the calculation if they have an anti-dilutive effect in the period.

Nearly all of the Company's unvested RSUs and RSAs contain rights to receive non-forfeitable dividends and thus are participating securities. In addition, the non-controlling interests that are redeemable with our common stock are considered participating securities because they earn a preferred return indexed to the dividend rate on our common stock (see Note 17). Due to the existence of these participating securities, the two-class method of computing EPS is required, unless another method is determined to be more dilutive. Under the two-class method, undistributed earnings are reallocated between shares of common stock and participating securities. For the three months ended March 31, 2022 and 2021, the two-class method resulted in the most dilutive EPS calculation.

Use of Estimates

The preparation of 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 at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting periods. The most significant and subjective estimate that we make is the projection of cash flows we expect to receive on our investments, which has a significant impact on the amount of income that we record and/or disclose. The fair value of assets and liabilities that are estimated using a discounted cash flows method is significantly impacted by the rates at which we estimate market participants would discount the expected cash flows. In addition, the fair value of the Woodstar Fund's investments are dependent upon the real estate and capital markets, which are cyclical in nature. Property and investment values are affected by, among other things, capitalization rates, the availability of capital, occupancy, rental rates and interest and inflation rates. Amounts ultimately realized from our investments may vary significantly from the fair values presented.

We believe the estimates and assumptions underlying our consolidated financial statements are reasonable and supportable based on the information available as of March 31, 2022. However, uncertainty over the ultimate impact the COVID-19 pandemic, including variants and resurgences, will have on the global economy generally, and our business in particular, makes any estimates and assumptions as of March 31, 2022 inherently less certain than they would be absent the current and potential impacts of COVID-19 and geopolitical events. Actual results may ultimately differ from those estimates.

Recent Accounting Developments

On March 12, 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848) – Facilitation of the Effects of Reference Rate Reform on Financial Reporting,* and on January 11, 2021, issued ASU 2021-01, *Reference Rate Reform (Topic 848) – Scope,* both of which provide optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions that reference LIBOR or other reference rates expected to be discontinued because of reference rate reform. These ASUs are effective through December 31, 2022. The Company has not adopted any of the optional expedients or exceptions through March 31, 2022, but will continue to evaluate the possible adoption of any such expedients or exceptions during the effective period as circumstances evolve.

On March 31, 2022, the FASB issued ASU 2022-2, *Troubled Debt Restructurings and Vintage Disclosures (Topic 326)*. ASU 2022-2 eliminates the recognition and measurement guidance for troubled debt restructurings (“TDRs”) and, instead, requires that an entity evaluate (consistent with the accounting for other loan modifications) whether the modification represents a new loan or a continuation of an existing loan. The ASU also enhances existing disclosure requirements and introduces new requirements related to certain modifications of receivables made to borrowers experiencing financial difficulty. The ASU is effective for the Company beginning January 1, 2023 and is generally to be applied prospectively. Early adoption is permitted. We do not expect the application of this ASU to materially impact our consolidated financial statements as our operating practice is generally not to enter into TDRs for troubled loans.

3. Acquisitions and Divestitures

Investing and Servicing Segment Property Portfolio ("REIS Equity Portfolio")

During the three months ended March 31, 2022, we sold an operating property for $34.5 million. In connection with this sale, we recognized a total gain of $11.7 million within gain on sale of investments and other assets in our condensed consolidated statement of operations. There were no properties sold within the REIS Equity Portfolio during the three months ended March 31, 2021.

Commercial and Residential Lending Segment

During the three months ended March 31, 2022, we sold a distribution facility located in Orlando, Florida that was previously acquired in April 2019 through foreclosure of a loan with a carrying value of $18.5 million. The property was sold for $114.8 million and we recognized a gain of $86.6 million within gain on sale of investments and other assets in our condensed consolidated statement of operations. During the three months ended March 31, 2021, we sold an operating property relating to a grocery distribution facility located in Montgomery, Alabama that was previously acquired in March 2019 through foreclosure of a loan with a carrying value of $9.0 million ($20.9 million unpaid principal balance net of an $8.3 million allowance and $3.6 million of unamortized discount) at the foreclosure date. The operating property was sold for $31.2 million and we recognized a gain of $17.7 million within gain on sale of investments and other assets in our condensed consolidated statement of operations.

During the three months ended March 31, 2022 and 2021, we had no significant acquisitions of properties or businesses.

4. Loans

Our loans held-for-investment are accounted for at amortized cost and our loans held-for-sale are accounted for at the lower of cost or fair value, unless we have elected the fair value option for either. The following tables summarize our investments in mortgages and loans as of March 31, 2022 and December 31, 2021 (dollars in thousands):

March 31, 2022	Carrying Value	Face Amount	Weighted Average Coupon (1)	Weighted Average Life ("WAL") (years)(2)
Loans held-for-investment:				
Commercial loans:				
First mortgages (3)	$ 13,596,590	$ 13,684,558	4.6 %	1.9
Subordinated mortgages (4)	70,934	72,399	10.1 %	2.6
Mezzanine loans (3)	424,835	422,752	9.6 %	1.3
Other	17,138	18,599	8.2 %	2.0
Total commercial loans	14,109,497	14,198,308		
Infrastructure first priority loans	2,156,399	2,181,264	4.8 %	4.3
Residential loans, fair value option (5)	55,621	57,792	6.0 %	N/A (6)
Total loans held-for-investment	16,321,517	16,437,364		
Loans held-for-sale:				
Residential, fair value option (5)	2,299,153	2,331,997	4.3 %	N/A (6)
Commercial, fair value option	385,359	392,505	4.9 %	9.6
Total loans held-for-sale	2,684,512	2,724,502		
Total gross loans	19,006,029	$ 19,161,866		
Credit loss allowances:				
Commercial loans held-for-investment	(47,979)			
Infrastructure loans held-for-investment	(20,281)			
Total allowances	(68,260)			
Total net loans	$ 18,937,769			
December 31, 2021				
Loans held-for-investment:				
Commercial loans:				
First mortgages (3)	$ 12,991,099	$ 13,067,524	4.5 %	1.9
Subordinated mortgages (4)	70,771	72,371	10.0 %	2.8
Mezzanine loans (3)	417,504	415,155	9.4 %	1.4
Other	17,424	19,029	8.2 %	2.1
Total commercial loans	13,496,798	13,574,079		
Infrastructure first priority loans	2,048,096	2,071,912	4.4 %	4.3
Residential loans, fair value option	59,225	60,133	6.0 %	N/A (6)
Total loans held-for-investment	15,604,119	15,706,124		
Loans held-for-sale:				
Residential, fair value option	2,590,005	2,525,910	4.2 %	N/A (6)
Commercial, fair value option	286,795	289,761	4.0 %	9.0
Total loans held-for-sale	2,876,800	2,815,671		
Total gross loans	18,480,919	$ 18,521,795		
Credit loss allowances:				
Commercial loans held-for-investment	(46,600)			
Infrastructure loans held-for-investment	(20,670)			
Total allowances	(67,270)			
Total net loans	$ 18,413,649			

(1) Calculated using applicable index rates as of March 31, 2022 and December 31, 2021 for variable rate loans and excludes loans for which interest income is not recognized.

(2) Represents the WAL of each respective group of loans, excluding loans for which interest income is not recognized, as of the respective balance sheet date. The WAL of each individual loan is calculated using amounts and timing of future principal payments, as projected at origination or acquisition.

(3) First mortgages include first mortgage loans and any contiguous mezzanine loan components because as a whole, the expected credit quality of these loans is more similar to that of a first mortgage loan. The application of this methodology resulted in mezzanine loans with carrying values of $1.3 billion and $1.4 billion being classified as first mortgages as of March 31, 2022 and December 31, 2021, respectively.

(4) Subordinated mortgages include B-Notes and junior participation in first mortgages where we do not own the senior A-Note or senior participation. If we own both the A-Note and B-Note, we categorize the loan as a first mortgage loan.

(5) During the three months ended March 31, 2022, $0.3 million of residential loans held-for-investment were reclassified into loans held-for-sale.

(6) Residential loans have a weighted average remaining contractual life of 29.4 years as of both March 31, 2022 and December 31, 2021.

As of March 31, 2022, our variable rate loans held-for-investment, excluding loans for which interest income is not recognized, were as follows (dollars in thousands):

March 31, 2022	Carrying Value	Weighted-average Spread Above Index
Commercial loans	$ 13,419,816	4.0 %
Infrastructure loans	2,123,111	3.9 %
Total variable rate loans held-for-investment	$ 15,542,927	4.0 %

Credit Loss Allowances

As discussed in Note 2, we do not have a history of realized credit losses on our HFI loans and HTM securities, so we have subscribed to third party database services to provide us with industry losses for both commercial real estate and infrastructure loans. Using these losses as a benchmark, we determine expected credit losses for our loans and securities on a collective basis within our commercial real estate and infrastructure portfolios.

For our commercial loans, we utilize a loan loss model that is widely used among banks and commercial mortgage REITs and is marketed by a leading CMBS data analytics provider. It employs logistic regression to forecast expected losses at the loan level based on a commercial real estate loan securitization database that contains activity dating back to 1998. We provide specific loan-level inputs which include loan-to-stabilized-value ("LTV") and debt service coverage ratio (DSCR) metrics, as well as principal balances, property type, location, coupon, origination year, term, subordination, expected repayment dates and future fundings. We also select from a group of independent five-year macroeconomic forecasts included in the model that are updated regularly based on current economic trends. We categorize the results by LTV range, which we consider the most significant indicator of credit quality for our commercial loans, as set forth in the credit quality indicator table below. A lower LTV ratio typically indicates a lower credit loss risk.

The macroeconomic forecasts do not differentiate among property types or asset classes. Instead, these forecasts reference general macroeconomic growth factors which apply broadly across all assets. However, the COVID-19 pandemic has had a more negative impact on certain property types, principally retail and hospitality, which were initially impacted by lockdowns and partial reopenings and reduced consumer travel. The office sector has also been adversely affected due to the increase in remote working arrangements. The broad macroeconomic forecasts do not account for such differentiation. Accordingly, we have selected a more adverse macroeconomic recovery forecast related to these property types in determining our credit loss allowance.

For our infrastructure loans, we utilize a database of historical infrastructure loan performance that is shared among a consortium of banks and other lenders and compiled by a major bond credit rating agency. The database is representative of industry-wide project finance activity dating back to 1983. We derive historical loss rates from the database filtered by industry, sub-industry, term and construction status for each of our infrastructure loans. Those historical loss rates reflect global economic cycles over a long period of time as well as average recovery rates. We categorize the results between the power and oil and gas industries, which we consider the most significant indicator of credit quality for our infrastructure loans, as set forth in the credit quality indicator table below.

As discussed in Note 2, we use a discounted cash flow or collateral value approach, rather than the industry loan loss approach described above, to determine credit loss allowances for any credit deteriorated loans.

We regularly evaluate the extent and impact of any credit deterioration associated with the performance and/or value of the underlying collateral, as well as the financial and operating capability of the borrower. Specifically, the collateral's operating results and any cash reserves are analyzed and used to assess (i) whether cash flow from operations is sufficient to cover the debt service requirements currently and into the future, (ii) the ability of the borrower to refinance the loan and/or (iii) the collateral's liquidation value. We also evaluate the financial wherewithal of any loan guarantors as well as the borrower's competency in managing and operating the collateral. In addition, we consider the overall economic environment, real estate or industry sector, and geographic sub-market in which the borrower operates. Such analyses are completed and reviewed by asset management and finance personnel who utilize various data sources, including (i) periodic financial data such as property operating statements, occupancy, tenant profile, rental rates, operating expenses, the borrower's exit plan, and capitalization and discount rates, (ii) site inspections and (iii) current credit spreads and discussions with market participants.

The significant credit quality indicators for our loans measured at amortized cost, which excludes loans held-for-sale, were as follows as of March 31, 2022 (dollars in thousands):

	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Total	Total Amortized Cost Basis	Credit Loss Allowance
As of March 31, 2022	**2022**	**2021**	**2020**	**2019**	**2018**	**Prior**			
Commercial loans:									
Credit quality indicator:									
LTV < 60%	$ 234,534	$ 2,744,291	$ 505,166	$ 978,325	$ 558,782	$ 699,224	$ —	$ 5,720,322	$ 3,349
LTV 60% - 70%	667,690	3,901,356	288,906	1,166,327	392,003	82,385	—	6,498,667	7,458
LTV > 70%	53,705	561,838	265,996	415,062	310,158	261,686	—	1,868,445	32,247
Credit deteriorated	—	—	—	—	—	4,925	—	4,925	4,925
Defeased and other	—	—	—	—	—	17,138	—	17,138	—
Total commercial	$ 955,929	$ 7,207,485	$ 1,060,068	$ 2,559,714	$ 1,260,943	$ 1,065,358	$ —	$ 14,109,497	$ 47,979
Infrastructure loans:									
Credit quality indicator:									
Power	$ 89,110	$ 206,412	$ 86,988	$ 275,264	$ 373,959	$ 350,008	$ 5,112	$ 1,386,853	$ 5,192
Oil and gas	—	300,666	41,126	257,910	84,805	49,821	1,930	736,258	4,968
Credit deteriorated	—	—	—	—	—	33,288	—	33,288	10,121
Total infrastructure	$ 89,110	$ 507,078	$ 128,114	$ 533,174	$ 458,764	$ 433,117	$ 7,042	$ 2,156,399	$ 20,281
Residential loans held-for-investment, fair value option								55,621	—
Loans held-for-sale								2,684,512	—
Total gross loans								$ 19,006,029	$ 68,260

Non-Credit Deteriorated Loans

As of March 31, 2022, we had the following loans with a combined amortized cost basis of $505.2 million that were 90 days or greater past due at March 31, 2022: (i) a $199.1 million senior loan on a retail and entertainment project in New Jersey, of which $7.3 million was converted into equity interests (see Note 8); (ii) a $219.8 million senior loan on an office building in California; (iii) a $46.8 million senior participating interest and mezzanine loan secured by an office building in Texas; (iv) $30.3 million of residential loans; and (v) a $9.2 million loan on a hospitality asset in New York that our Investing and Servicing Segment acquired as nonperforming in October 2021. Loans on nonaccrual as of March 31, 2022 include (i) - (iv) above. None of these loans are considered credit deteriorated as we presently expect to recover all amounts due.

Credit Deteriorated Loans

As of March 31, 2022, we had the following loans with a combined amortized cost basis of $38.2 million which were deemed credit deteriorated and are on nonaccrual status: (i) a $33.3 million senior loan participation secured by a natural gas-fired power plant in Massachusetts, for which we recorded a credit loss allowance of $10.1 million in 2021 based on our share of the estimated fair value of the asset and for which interest collections were current as of March 31, 2022; and (ii) a $4.9 million subordinated loan secured by a department store in Chicago which is fully reserved.

The following tables present the activity in our credit loss allowance for funded loans and unfunded commitments (amounts in thousands):

	Funded Commitments Credit Loss Allowance		
	Loans Held-for-Investment		
Three Months Ended March 31, 2022	Commercial	Infrastructure	Total Funded Loans
Credit loss allowance at December 31, 2021	$ 46,600	$ 20,670	$ 67,270
Credit loss provision (reversal), net	1,379	(389)	990
Credit loss allowance at March 31, 2022	$ 47,979	$ 20,281	$ 68,260

	Unfunded Commitments Credit Loss Allowance (1)			
	Loans Held-for-Investment			
Three Months Ended March 31, 2022	Commercial	Infrastructure	HTM Preferred Interests (2)	Total
Credit loss allowance at December 31, 2021	$ 6,692	$ 145	$ —	$ 6,837
Credit loss provision (reversal), net	271	(47)	353	577
Credit loss allowance at March 31, 2022	$ 6,963	$ 98	$ 353	$ 7,414
Memo: Unfunded commitments as of March 31, 2022 (3)	$ 2,822,554	$ 12,110	$ 12,500	$ 2,847,164

(1) Included in accounts payable, accrued expenses and other liabilities in our consolidated balance sheets.

(2) See Note 5 for further details.

(3) Represents amounts expected to be funded (see Note 22).

Loan Portfolio Activity

The activity in our loan portfolio was as follows (amounts in thousands):

	Held-for-Investment Loans				
Three Months Ended March 31, 2022	Commercial	Infrastructure	Residential	Held-for-Sale Loans	Total Loans
Balance at December 31, 2021	$ 13,450,198	$ 2,027,426	$ 59,225	$ 2,876,800	$ 18,413,649
Acquisitions/originations/additional funding	1,359,483	198,338	—	2,266,699	3,824,520
Capitalized interest (1)	26,697	113	—	93	26,903
Basis of loans sold (2)	—	—	—	(2,278,467)	(2,278,467)
Loan maturities/principal repayments	(715,665)	(91,853)	(1,995)	(56,439)	(865,952)
Discount accretion/premium amortization	14,093	2,507	—	—	16,600
Changes in fair value	—	—	(1,263)	(124,520)	(125,783)
Foreign currency translation gain/(loss), net	(71,909)	(802)	—	—	(72,711)
Credit loss (provision) reversal, net	(1,379)	389	—	—	(990)
Transfer to/from other asset classifications or between segments	—	—	(346)	346	—
Balance at March 31, 2022	$ 14,061,518	$ 2,136,118	$ 55,621	$ 2,684,512	$ 18,937,769

Three Months Ended March 31, 2021	Held-for-Investment Loans Commercial	Infrastructure	Residential	Held-for-Sale Loans	Total Loans
Balance at December 31, 2020	$ 9,583,949	$ 1,412,440	$ 90,684	$ 1,052,835	$ 12,139,908
Acquisitions/originations/additional funding	2,196,813	99,311	—	375,270	2,671,394
Capitalized interest (1)	36,646	—	—	—	36,646
Basis of loans sold (2)	—	—	—	(571,927)	(571,927)
Loan maturities/principal repayments	(1,021,393)	(18,055)	(9,210)	(44,326)	(1,092,984)
Discount accretion/premium amortization	15,824	921	—	—	16,745
Changes in fair value	—	—	(290)	(9,188)	(9,478)
Foreign currency translation loss, net	(14,082)	(181)	—	—	(14,263)
Credit loss provision, net	(1,880)	(717)	—	—	(2,597)
Transfer to/from other asset classifications or between segments	(211,904)	93,089	69,528	41,967	(7,320)
Balance at March 31, 2021	$ 10,583,973	$ 1,586,808	$ 150,712	$ 844,631	$ 13,166,124

(1) Represents accrued interest income on loans whose terms do not require current payment of interest.

(2) See Note 12 for additional disclosure on these transactions.

5. Investment Securities

Investment securities were comprised of the following as of March 31, 2022 and December 31, 2021 (amounts in thousands):

	Carrying Value as of March 31, 2022	December 31, 2021
RMBS, available-for-sale	$ 134,406	$ 143,980
RMBS, fair value option (1)	311,292	250,424
CMBS, fair value option (1), (2)	1,253,711	1,263,606
HTM debt securities, amortized cost net of credit loss allowance of $3,385 and $8,610	701,306	683,136
Equity security, fair value	11,619	11,624
Subtotal—Investment securities	2,412,334	2,352,770
VIE eliminations (1)	(1,543,145)	(1,491,786)
Total investment securities	$ 869,189	$ 860,984

(1) Certain fair value option CMBS and RMBS are eliminated in consolidation against VIE liabilities pursuant to ASC 810.

(2) Includes $190.6 million and $182.6 million of non-controlling interests in the consolidated entities which hold certain of these CMBS as of March 31, 2022 and December 31, 2021, respectively.

Purchases, sales, principal collections and redemptions for all investment securities were as follows (amounts in thousands):

	RMBS, available-for-sale	RMBS, fair value option	CMBS, fair value option	HTM Securities	Securitization VIEs (1)	Total
Three Months Ended March 31, 2022						
Purchases/fundings	$ —	$ 84,357	$ —	$ 18,139	$ (84,357)	$ 18,139
Sales	—	—	—	—	—	—
Principal collections	6,895	21,604	635	664	(22,014)	7,784
Redemptions	—	—	—	—	—	—
Three Months Ended March 31, 2021						
Purchases	$ —	$ 27,333	$ —	$ —	$ (27,333)	$ —
Sales	—	—	11,604		(11,604)	—
Principal collections	7,251	13,344	1,710	51,690	(14,481)	59,514

(1) Represents RMBS and CMBS, fair value option amounts eliminated due to our consolidation of securitization VIEs. These amounts are reflected as issuance or repayment of debt of, or distributions from, consolidated VIEs in our consolidated statements of cash flows.

RMBS, Available-for-Sale

The Company classified all of its RMBS not eliminated in consolidation as available-for-sale as of March 31, 2022 and December 31, 2021. These RMBS are reported at fair value in the balance sheet with changes in fair value recorded in accumulated other comprehensive income ("AOCI").

The tables below summarize various attributes of our investments in available-for-sale RMBS as of March 31, 2022 and December 31, 2021 (amounts in thousands):

				Unrealized Gains or (Losses) Recognized in AOCI			
	Amortized Cost	Credit Loss Allowance	Net Basis	Gross Unrealized Gains	Gross Unrealized Losses	Net Fair Value Adjustment	Fair Value
March 31, 2022							
RMBS	$ 98,737	$ —	$ 98,737	$ 35,708	$ (39)	$ 35,669	$ 134,406
December 31, 2021							
RMBS	$ 103,027	$ —	$ 103,027	$ 41,052	$ (99)	$ 40,953	$ 143,980

	Weighted Average Coupon (1)	WAL (Years) (2)
March 31, 2022		
RMBS	1.5 %	5.5

(1) Calculated using the March 31, 2022 one-month LIBOR rate of 0.452% for floating rate securities.

(2) Represents the remaining WAL of each respective group of securities as of the balance sheet date. The WAL of each individual security is calculated using projected amounts and projected timing of future principal payments.

As of March 31, 2022, approximately $118.1 million, or 88%, of RMBS were variable rate. We purchased all of the RMBS at a discount, a portion of which is accreted into income over the expected remaining life of the security. The majority of the income from this strategy is earned from the accretion of this accretable discount.

We have engaged a third party manager who specializes in RMBS to execute the trading of RMBS, the cost of which was $0.3 million for both the three months ended March 31, 2022 and 2021, recorded as management fees in the accompanying condensed consolidated statements of operations.

The following table presents the gross unrealized losses and estimated fair value of any available-for-sale securities that were in an unrealized loss position as of March 31, 2022 and December 31, 2021, and for which an allowance for credit losses has not been recorded (amounts in thousands):

	Estimated Fair Value		Unrealized Losses	
	Securities with a loss less than 12 months	Securities with a loss greater than 12 months	Securities with a loss less than 12 months	Securities with a loss greater than 12 months
As of March 31, 2022				
RMBS	$ 3,769	$ —	$ (39)	$ —
As of December 31, 2021				
RMBS	$ 2,478	$ —	$ (99)	$ —

As of March 31, 2022 and December 31, 2021, there were four securities and one security, respectively, with unrealized losses reflected in the table above. After evaluating the securities and recording adjustments for credit losses, we concluded that the remaining unrealized losses reflected above were noncredit-related and would be recovered from the securities' estimated future cash flows. We considered a number of factors in reaching this conclusion, including that we did not intend to sell the securities, it was not considered more likely than not that we would be forced to sell the securities prior to recovering our amortized cost, and there were no material credit events that would have caused us to otherwise conclude that we would not recover our cost. Credit losses are calculated by comparing (i) the estimated future cash flows of each security discounted at the yield determined as of the initial acquisition date or, if since revised, as of the last date previously revised, to (ii) our net amortized cost basis. Significant judgment is used in projecting cash flows for our non-agency RMBS. As a result, actual income and/or credit losses could be materially different from what is currently projected and/or reported.

CMBS and RMBS, Fair Value Option

As discussed in the "Fair Value Option" section of Note 2 herein, we elect the fair value option for certain CMBS and RMBS in an effort to eliminate accounting mismatches resulting from the current or potential consolidation of securitization VIEs. As of March 31, 2022, the fair value and unpaid principal balance of CMBS where we have elected the fair value option, excluding the notional value of interest-only securities and before consolidation of securitization VIEs, were $1.3 billion and $2.8 billion, respectively. As of March 31, 2022, the fair value and unpaid principal balance of RMBS where we have elected the fair value option, excluding the notional value of interest-only securities and before consolidation of securitization VIEs, were $311.3 million and $179.9 million, respectively. The $1.6 billion total fair value balance of CMBS and RMBS represents our economic interests in these assets. However, as a result of our consolidation of securitization VIEs, the vast majority of this fair value (all except $21.9 million at March 31, 2022) is eliminated against VIE liabilities before arriving at our GAAP balance for fair value option investment securities.

As of March 31, 2022, $98.2 million of our CMBS were variable rate and none of our RMBS were variable rate.

HTM Debt Securities, Amortized Cost

The table below summarizes our investments in HTM debt securities as of March 31, 2022 and December 31, 2021 (amounts in thousands):

	Amortized Cost Basis	Credit Loss Allowance	Net Carrying Amount	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
March 31, 2022						
CMBS	$ 533,372	$ (228)	$ 533,144	$ —	$ (25,218)	$ 507,926
Preferred interests	119,136	(172)	118,964	353	(2,921)	116,396
Infrastructure bonds	52,183	(2,985)	49,198	526	(47)	49,677
Total	$ 704,691	$ (3,385)	$ 701,306	$ 879	$ (28,186)	$ 673,999
December 31, 2021						
CMBS	$ 538,506	$ (3,140)	$ 535,366	$ 195	$ (25,029)	$ 510,532
Preferred interests	118,409	(2,562)	115,847	450	(2,449)	113,848
Infrastructure bonds	34,831	(2,908)	31,923	561	—	32,484
Total	$ 691,746	$ (8,610)	$ 683,136	$ 1,206	$ (27,478)	$ 656,864

The following table presents the activity in our credit loss allowance for HTM debt securities (amounts in thousands):

	CMBS	Preferred Interests	Infrastructure Bonds	Total HTM Credit Loss Allowance
Three Months Ended March 31, 2022				
Credit loss allowance at December 31, 2021	$ 3,140	$ 2,562	$ 2,908	$ 8,610
Credit loss provision (reversal), net	(2,912)	(2,390)	77	(5,225)
Credit loss allowance at March 31, 2022	$ 228	$ 172	$ 2,985	$ 3,385

The table below summarizes the maturities of our HTM debt securities by type as of March 31, 2022 (amounts in thousands):

	CMBS	Preferred Interests	Infrastructure Bonds	Total
Less than one year	$ 313,993	$ 91,394	$ —	$ 405,387
One to three years	25,303	27,570	—	52,873
Three to five years	193,848	—	18,602	212,450
Thereafter	—	—	30,596	30,596
Total	$ 533,144	$ 118,964	$ 49,198	$ 701,306

Equity Security, Fair Value

During 2012, we acquired 9,140,000 ordinary shares from a related-party in Starwood European Real Estate Finance Limited ("SEREF"), a debt fund that is externally managed by an affiliate of our Manager and is listed on the London Stock Exchange. The fair value of the investment remeasured in USD was $11.6 million as of both March 31, 2022 and December 31, 2021. As of March 31, 2022, our shares represent an approximate 2% interest in SEREF.

6. Properties

Our properties are held within the following portfolios:

Medical Office Portfolio

The Medical Office Portfolio is comprised of 34 medical office buildings acquired during the year ended December 31, 2016. These properties, which collectively comprise 1.9 million square feet, are geographically dispersed throughout the U.S. and primarily affiliated with major hospitals or located on or adjacent to major hospital campuses. The Medical Office Portfolio includes total gross properties and lease intangibles of $762.6 million and debt of $594.9 million as of March 31, 2022.

Master Lease Portfolio

The Master Lease Portfolio is comprised of 16 retail properties geographically dispersed throughout the U.S., with more than 50% of the portfolio, by carrying value, located in Florida, Texas and Minnesota. These properties, which we acquired in September 2017, collectively comprise 1.9 million square feet and were leased back to the seller under corporate guaranteed master net lease agreements with initial terms of 24.6 years and periodic rent escalations. The Master Lease Portfolio includes total gross properties of $343.8 million and debt of $193.1 million as of March 31, 2022.

Investing and Servicing Segment Property Portfolio

The REIS Equity Portfolio is comprised of 12 commercial real estate properties and one equity interest in an unconsolidated commercial real estate property which were acquired from CMBS trusts during the previous six years. The REIS Equity Portfolio includes total gross properties and lease intangibles of $198.6 million and debt of $138.6 million as of March 31, 2022.

Woodstar Portfolios

Refer to Note 7 for a discussion of our Woodstar I and Woodstar II Portfolios which are not included in the table below.

The table below summarizes our properties held as of March 31, 2022 and December 31, 2021 (dollars in thousands):

	Depreciable Life	March 31, 2022	December 31, 2021
Property Segment			
Land and land improvements	0 - 15 years	$ 175,835	$ 175,810
Buildings and building improvements	0 - 45 years	851,129	851,274
Furniture & fixtures	3 - 5 years	260	260
Investing and Servicing Segment			
Land and land improvements	0 - 15 years	36,905	41,771
Buildings and building improvements	3 - 40 years	132,023	149,399
Furniture & fixtures	2 - 5 years	3,166	3,143
Commercial and Residential Lending Segment (1)			
Land and land improvements	N/A	813	9,691
Buildings and building improvements	N/A	—	12,408
Construction in progress	N/A	104,088	104,088
Properties, cost		1,304,219	1,347,844
Less: accumulated depreciation		(181,862)	(181,457)
Properties, net		$ 1,122,357	$ 1,166,387

(1) Represents properties acquired through loan foreclosure.

During the three months ended March 31, 2022, we sold an operating property within the REIS Equity Portfolio for $34.5 million and recognized a total gain of $11.7 million within gain on sale of investments and other assets in our consolidated statement of operations. Also during the three months ended March 31, 2022, we sold an operating property within the Commercial and Residential Lending Segment for $114.8 million and recognized a gain of $86.6 million within gain on sale of investments and other assets in our condensed consolidated statement of operations. During the three months ended March 31, 2021, we sold an operating property within the Commercial and Residential Lending Segment for $31.2 million and recognized a gain of $17.7 million within gain on sale of investments and other assets in our condensed consolidated statement of operations. Refer to Note 3 for further discussion.

7. Investments of Consolidated Affordable Housing Fund

As discussed in Note 2, we established the Woodstar Fund effective November 5, 2021, an investment fund which holds our Woodstar multifamily affordable housing portfolios. The Woodstar portfolios consist of the following:

Woodstar I Portfolio

The Woodstar I Portfolio is comprised of 32 affordable housing communities with 8,948 units concentrated primarily in the Tampa, Orlando and West Palm Beach metropolitan areas. During the year ended December 31, 2015, we acquired 18 of the 32 affordable housing communities of the Woodstar I Portfolio, with the final 14 communities acquired during the year ended December 31, 2016. The Woodstar I Portfolio includes properties at fair value of $1.3 billion and debt at fair value of $735.6 million as of March 31, 2022.

Woodstar II Portfolio

The Woodstar II Portfolio is comprised of 27 affordable housing communities with 6,109 units concentrated primarily in Central and South Florida. We acquired eight of the 27 affordable housing communities in December 2017, with the final 19 communities acquired during the year ended December 31, 2018. The Woodstar II Portfolio includes properties at fair value of $1.2 billion and debt at fair value of $500.4 million as of March 31, 2022.

Income from the Woodstar Fund's investments reflects the following components for the three months ended March 31, 2022 (in thousands):

	For the Three Months Ended March 31, 2022	
Distributions from affordable housing fund investments	$	10,190
Unrealized change in fair value of investments		223,851
Income from affordable housing fund investments	$	234,041

8. Investments in Unconsolidated Entities

The table below summarizes our investments in unconsolidated entities as of March 31, 2022 and December 31, 2021 (dollars in thousands):

	Participation / Ownership % (1)	Carrying value as of March 31, 2022		Carrying value as of December 31, 2021	
Equity method investments:					
Equity interest in a natural gas power plant	10%	$	26,600	$	26,255
Investor entity which owns equity in an online real estate company	50%		5,249		5,206
Equity interest in and advances to a residential mortgage originator (2)	N/A		18,351		20,327
Various	25% - 50%		12,806		12,528
			63,006		64,316
Other equity investments:					
Equity interest in a servicing and advisory business	2%		12,955		12,955
Investment funds which own equity in a loan servicer and other real estate assets	4% - 6%		4,194		4,194
Investor entities which own equity interests in two entertainment and retail centers (3)	15%		7,320		7,320
Various	1% - 3%		1,775		1,312
			26,244		25,781
		$	89,250	$	90,097

(1) None of these investments are publicly traded and therefore quoted market prices are not available.

(2) Includes a $4.5 million subordinated loan as of both March 31, 2022 and December 31, 2021.

(3) In March 2021, we obtained equity interests in two investor entities that own interests in two entertainment and retail centers in satisfaction of $7.3 million principal amount of a commercial loan. The interests were obtained in order to facilitate repayment of a portion of that loan for which these interests represented underlying collateral. The interests are entitled to preferred treatment in the distribution waterfall and are intended to repay us the $7.3 million principal amount of the loan plus interest. See further discussion in Note 4.

As of March 31, 2022, the carrying value of our equity investment in a residential mortgage originator exceeded the underlying equity in net assets of such investee by $1.6 million. This difference is the result of the Company recording its investment in the investee at its acquisition date fair value, which included certain non-amortizing intangible assets not recognized by the investee. Should the Company determine these intangible assets held by the investee are impaired, the Company will recognize such impairment loss through earnings from unconsolidated entities in our consolidated statement of operations, otherwise, such difference between the carrying value of our equity investment in the residential mortgage originator and the underlying equity in the net assets of the residential mortgage originator will continue to exist.

Other than our equity interest in the residential mortgage originator, there were no differences between the carrying value of our equity method investments and the underlying equity in the net assets of the investees as of March 31, 2022.

During the three months ended March 31, 2022, we did not become aware of (i) any observable price changes in our other equity investments accounted for under the fair value practicability election or (ii) any indicators of impairment.

9. Goodwill and Intangibles

Goodwill

Goodwill is tested for impairment annually in the fourth quarter, or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

Infrastructure Lending Segment

The Infrastructure Lending Segment's goodwill of $119.4 million at both March 31, 2022 and December 31, 2021 represents the excess of consideration transferred over the fair value of net assets acquired on September 19, 2018 and October 15, 2018. The goodwill recognized is attributable to value embedded in the acquired Infrastructure Lending Segment's lending platform.

LNR Property LLC ("LNR")

The Investing and Servicing Segment's goodwill of $140.4 million at both March 31, 2022 and December 31, 2021 represents the excess of consideration transferred over the fair value of net assets of LNR acquired on April 19, 2013. The goodwill recognized is attributable to value embedded in LNR's existing platform, which includes a network of commercial real estate asset managers, work-out specialists, underwriters and administrative support professionals as well as proprietary historical performance data on commercial real estate assets.

Intangible Assets

Servicing Rights Intangibles

In connection with the LNR acquisition, we identified domestic servicing rights that existed at the purchase date, based upon the expected future cash flows of the associated servicing contracts. As of March 31, 2022 and December 31, 2021, the balance of the domestic servicing intangible was net of $40.8 million and $42.1 million, respectively, which was eliminated in consolidation pursuant to ASC 810 against VIE assets in connection with our consolidation of securitization VIEs. Before VIE consolidation, as of March 31, 2022 and December 31, 2021, the domestic servicing intangible had a balance of $58.7 million and $58.9 million, respectively, which represents our economic interest in this asset.

Lease Intangibles

In connection with our acquisitions of commercial real estate, we recognized in-place lease intangible assets and favorable lease intangible assets associated with certain non-cancelable operating leases of the acquired properties.

The following table summarizes our intangible assets, which are comprised of servicing rights intangibles and lease intangibles, as of March 31, 2022 and December 31, 2021 (amounts in thousands):

	As of March 31, 2022			As of December 31, 2021		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Domestic servicing rights, at fair value	$ 17,864	$ —	$ 17,864	$ 16,780	$ —	$ 16,780
In-place lease intangible assets	88,886	(59,040)	29,846	94,712	(62,721)	31,991
Favorable lease intangible assets	23,241	(8,803)	14,438	23,746	(8,953)	14,793
Total net intangible assets	$ 129,991	$ (67,843)	$ 62,148	$ 135,238	$ (71,674)	$ 63,564

The following table summarizes the activity within intangible assets for the three months ended March 31, 2022 (amounts in thousands):

	Domestic Servicing Rights	In-place Lease Intangible Assets	Favorable Lease Intangible Assets	Total
Balance as of January 1, 2022	$ 16,780	$ 31,991	$ 14,793	$ 63,564
Amortization	—	(1,601)	(313)	(1,914)
Impairment (1)	—	(43)	(4)	(47)
Sales	—	(501)	(38)	(539)
Changes in fair value due to changes in inputs and assumptions	1,084	—	—	1,084
Balance as of March 31, 2022	$ 17,864	$ 29,846	$ 14,438	$ 62,148

(1) Impairment of intangible lease assets is recognized within other expense in our condensed consolidated statement of operations.

The following table sets forth the estimated aggregate amortization of our in-place lease intangible assets and favorable lease intangible assets for the next five years and thereafter (amounts in thousands):

2022 (remainder of)	$ 5,190
2023	5,971
2024	4,650
2025	3,775
2026	2,754
Thereafter	21,944
Total	$ 44,284

10. Secured Borrowings

Secured Financing Agreements

The following table is a summary of our secured financing agreements in place as of March 31, 2022 and December 31, 2021 (dollars in thousands):

	Current Maturity	Extended Maturity (a)	Weighted Average Pricing	Pledged Asset Carrying Value	Maximum Facility Size	Outstanding Balance at March 31, 2022	Outstanding Balance at December 31, 2021
Repurchase Agreements:							
Commercial Loans	Aug 2022 to Jul 2026 (b)	Jun 2025 to Dec 2030 (b)	Index + 1.98% (c)	$ 9,013,669	$ 11,572,553 (d)	$ 6,121,160	$ 6,556,438
Residential Loans	Feb 2023 to Dec 2023	N/A	Index + 1.93%	1,965,289	2,850,000	1,594,785	1,744,225
Infrastructure Loans	Sep 2024	Sep 2026	LIBOR + 2.00%	310,044	650,000	256,044	379,095
Conduit Loans	Feb 2023 to Jun 2024	Feb 2024 to Jun 2025	Index + 2.04%	333,827	650,000	260,177	174,130
CMBS/RMBS	Dec 2022 to May 2031 (e)	Mar 2023 to Nov 2031 (e)	(f)	1,213,883	827,204	688,316 (g)	688,146
Total Repurchase Agreements				12,836,712	16,549,757	8,920,482	9,542,034
Other Secured Financing:							
Borrowing Base Facility	Nov 2024	Oct 2026	SOFR + 2.11%	193,173	750,000 (h)	100,742	213,478
Commercial Financing Facilities	Dec 2023 to Jan 2025	Jan 2027 to Dec 2030	Index + 1.66%	255,131	241,981	207,051	167,476
Residential Financing Facility	Mar 2024	Mar 2027	2.45%	386,635	500,000	22,948	102,018
Infrastructure Financing Facilities	Jul 2022 to Oct 2022	Oct 2024 to Jul 2027	Index + 2.03%	820,121	1,250,000	653,312	855,646
Property Mortgages - Fixed rate	Nov 2024 to Sep 2029 (i)	N/A	4.35%	387,022	272,321	272,321	272,522
Property Mortgages - Variable rate	Nov 2022 to Dec 2025	N/A	(j)	655,967	654,900	640,541	712,493
Term Loan and Revolver	(k)	N/A	(k)	N/A (k)	936,756	786,756	788,753
Total Other Secured Financing				2,698,049	4,605,958	2,683,671	3,112,386
				$ 15,534,761	$ 21,155,715	11,604,153	12,654,420
Unamortized net discount						(12,862)	(13,350)
Unamortized deferred financing costs						(59,720)	(64,220)
						$ 11,531,571	$ 12,576,850

(a) Subject to certain conditions as defined in the respective facility agreement.
(b) For certain facilities, borrowings collateralized by loans existing at maturity may remain outstanding until such loan collateral matures, subject to certain specified conditions.
(c) Certain facilities with an outstanding balance of $2.1 billion as of March 31, 2022 are indexed to GBP LIBOR, EURIBOR, BBSY and SONIA. The remainder are indexed to USD LIBOR or SOFR.
(d) Certain facilities with an aggregate initial maximum facility size of $10.7 billion may be increased to $11.6 billion, subject to certain conditions. The $11.6 billion amount includes such upsizes.
(e) Certain facilities with an outstanding balance of $284.1 million as of March 31, 2022 carry a rolling 11-month or 12-month term which may reset monthly or quarterly with the lender's consent. These facilities carry no maximum facility size.
(f) A facility with an outstanding balance of $240.5 million as of March 31, 2022 has a weighted average fixed annual interest rate of 3.20%. All other facilities are variable rate with a weighted average rate of Index + 1.89%.
(g) Includes: (i) $240.5 million outstanding on a repurchase facility that is not subject to margin calls; and (ii) $38.8 million outstanding on one of our repurchase facilities that represents the 49% pro rata share owed by a non-controlling partner in a consolidated joint venture (see Note 15).
(h) The maximum facility size as of March 31, 2022 of $650.0 million is scheduled to decline to $450.0 million as of December 31, 2022 and may be increased to $750.0 million, subject to certain conditions.
(i) The weighted average maturity is 5.3 years as of March 31, 2022.
(j) Includes a $600.0 million first mortgage and mezzanine loan secured by our Medical Office Portfolio. This debt has a weighted average interest rate of LIBOR + 2.07% that we swapped to a fixed rate of 3.34%. The remainder have a weighted average rate of Index + 2.35%.
(k) Consists of: (i) a $786.8 million term loan facility that matures in July 2026, of which $390.0 million has an annual interest rate of LIBOR + 2.50% and $396.8 million has an annual interest rate of LIBOR + 3.25%, subject to a 0.75% LIBOR floor, and (ii) a $150.0 million revolving credit facility that matures in April 2026 with an annual interest rate

of SOFR + 2.50%. These facilities are secured by the equity interests in certain of our subsidiaries which totaled $4.8 billion as of March 31, 2022.

The above table no longer reflects property mortgages of the Woodstar Portfolios which, as discussed in Notes 2 and 7, are now reflected within "Investments of consolidated affordable housing fund" on our condensed consolidated balance sheets.

In the normal course of business, the Company is in discussions with its lenders to extend, amend or replace any financing facilities which contain near term expirations.

In March 2022, we amended a Residential Loans credit facility to increase the available borrowings to $500.0 million from $250.0 million and extend the initial maturity for 18 months to March 2024 with a three-year extension option. The margin call provisions under this facility do not permit valuation adjustments based on capital market events and are limited to collateral-specific credit marks.

Our secured financing agreements contain certain financial tests and covenants. As of March 31, 2022, we were in compliance with all such covenants.

We seek to mitigate risks associated with our repurchase agreements by managing risk related to the credit quality of our assets, interest rates, liquidity, prepayment speeds and market value. The margin call provisions under the majority of our repurchase facilities, consisting of 66% of these agreements, do not permit valuation adjustments based on capital market events and are limited to collateral-specific credit marks generally determined on a commercially reasonable basis. To monitor credit risk associated with the performance and value of our loans and investments, our asset management team regularly reviews our investment portfolios and is in regular contact with our borrowers, monitoring performance of the collateral and enforcing our rights as necessary. For the 34% of repurchase agreements which do permit valuation adjustments based on capital market events, approximately 12% of these pertain to our loans held-for-sale, for which we manage credit risk through the purchase of credit instruments. We further seek to manage risks associated with our repurchase agreements by matching the maturities and interest rate characteristics of our loans with the related repurchase agreement.

For the three months ended March 31, 2022 and 2021, approximately $9.6 million and $9.5 million, respectively, of amortization of deferred financing costs from secured financing agreements was included in interest expense on our condensed consolidated statements of operations.

As of March 31, 2022, JPMorgan Chase Bank, N.A. and Morgan Stanley Bank, N.A. held collateral sold under certain of our repurchase agreements with carrying values that exceeded the respective repurchase obligations by $666.8 million and $659.8 million, respectively. The weighted average extended maturities of those repurchase agreements were 3.5 and 3.6 years, respectively.

Collateralized Loan Obligations and Single Asset Securitization

<u>Commercial and Residential Lending Segment</u>

In February 2022, we refinanced a pool of our commercial loans held-for-investment through a CLO, STWD 2022-FL3. On the closing date, the CLO issued $1.0 billion of notes and preferred shares, of which $842.5 million of notes were purchased by third party investors. We retained $82.5 million of notes along with preferred shares with a liquidation preference of $75.0 million. The CLO contains a reinvestment feature that, subject to certain eligibility criteria, allows us to contribute new loans or participation interests in loans to the CLO for a period of two years. The reinvestment feature was not utilized during the three months ended March 31, 2022.

In July 2021, we contributed into a single asset securitization, STWD 2021-HTS, a previously originated $230.0 million first mortgage and mezzanine loan on a portfolio of 41 extended stay hotels with $210.1 million of third party financing.

In May 2021, we refinanced a pool of our commercial loans held-for-investment through a CLO, STWD 2021-FL2. On the closing date, the CLO issued $1.3 billion of notes and preferred shares, of which $1.1 billion of notes was purchased by third party investors. We retained $70.1 million of notes, along with preferred shares with a liquidation preference of $127.5 million. The CLO contains a reinvestment feature that, subject to certain eligibility criteria, allows us to contribute new loans or participation interests in loans to the CLO in exchange for cash. During the three months ended March 31, 2022, we utilized the reinvestment feature, contributing $87.0 million of additional interests into the CLO.

In August 2019, we refinanced a pool of our commercial loans held-for-investment through a CLO, STWD 2019-FL1. On the closing date, the CLO issued $1.1 billion of notes and preferred shares, of which $936.4 million of notes was purchased by third party investors. We retained $86.6 million of notes, along with preferred shares with a liquidation preference of $77.0 million. The CLO contains a reinvestment feature that, subject to certain eligibility criteria, allows us to contribute new loans or participation interests in loans to the CLO in exchange for cash. During the quarter, the reinvestment period expired, and we repaid CLO debt in the amount of $71.1 million.

Infrastructure Lending Segment

In January 2022, we refinanced a pool of our infrastructure loans held-for-investment through a CLO, STWD 2021-SIF2. On the closing date, the CLO issued $500.0 million of notes and preferred shares, of which $410.0 million of notes were purchased by third party investors. We retained preferred shares with a liquidation preference of $90.0 million. The CLO contains a reinvestment feature that, subject to certain eligibility criteria, allows us to contribute new loans or participation interests in loans to the CLO for a period of three years. During the three months ended March 31, 2022, we utilized the reinvestment feature, contributing $63.1 million of additional interests into the CLO.

In April 2021, we refinanced a pool of our infrastructure loans held-for-investment through a CLO, STWD 2021-SIF1. On the closing date, the CLO issued $500.0 million of notes and preferred shares, of which $410.0 million of notes were purchased by third party investors. We retained preferred shares with a liquidation preference of $90.0 million. The CLO contains a reinvestment feature that, subject to certain eligibility criteria, allows us to contribute new loans or participation interests in loans to the CLO in exchange for cash. During the three months ended March 31, 2022, we utilized the reinvestment feature, contributing $25.2 million of additional interests into the CLO.

The following table is a summary of our CLOs and our SASB as of March 31, 2022 and December 31, 2021 (amounts in thousands):

March 31, 2022	Count	Face Amount	Carrying Value	Weighted Average Spread		Maturity	
STWD 2022-FL3							
Collateral assets	24	$ 1,000,000	$ 1,011,426	LIBOR + 3.61%	(a)	January 2026	(b)
Financing	1	842,500	844,461	SOFR + 1.91%	(c)	November 2038	(d)
STWD 2021-HTS							
Collateral assets	1	230,000	230,609	LIBOR + 3.89%	(a)	April 2026	(b)
Financing	1	210,091	208,283	LIBOR + 2.69%	(c)	April 2034	(d)
STWD 2021-FL2							
Collateral assets	25	1,276,181	1,280,262	LIBOR + 4.19%	(a)	April 2025	(b)
Financing	1	1,077,375	1,070,369	LIBOR + 1.78%	(c)	April 2038	(d)
STWD 2019-FL1							
Collateral assets	19	999,432	1,031,438	LIBOR + 4.08%	(a)	January 2025	(b)
Financing	1	865,225	862,524	SOFR + 1.64%	(c)	July 2038	(d)
STWD 2021-SIF2							
Collateral assets	34	482,796	504,479	LIBOR + 3.72%	(a)	December 2026	(b)
Financing	1	410,000	406,581	SOFR + 2.11%	(c)	January 2033	(d)
STWD 2021-SIF1							
Collateral assets	32	483,243	506,443	Index + 3.91%	(a)	June 2026	(b)
Financing	1	410,000	405,677	LIBOR + 2.16%	(c)	April 2032	(d)
Total							
Collateral assets		$ 4,471,652	$ 4,564,657				
Financing		$ 3,815,191	$ 3,797,895				

December 31, 2021	Count		Face Amount		Carrying Value	Weighted Average Spread		Maturity	
STWD 2021-HTS									
Collateral assets	1	$	230,000	$	230,587	LIBOR + 4.12%	(a)	April 2026	(b)
Financing	1		210,091		208,057	LIBOR + 2.48%	(c)	April 2034	(d)
STWD 2021-FL2									
Collateral assets	25		1,272,133		1,279,678	LIBOR + 4.22%	(a)	February 2025	(b)
Financing	1		1,077,375		1,069,691	LIBOR + 1.78%	(c)	April 2038	(d)
STWD 2019-FL1									
Collateral assets	24		1,092,887		1,103,513	LIBOR + 4.19%	(a)	November 2024	(b)
Financing	1		936,375		933,049	SOFR + 1.63%	(c)	July 2038	(d)
STWD 2021-SIF1									
Collateral assets	31		491,299		506,666	LIBOR + 3.91%	(a)	March 2026	(b)
Financing	1		410,000		405,319	LIBOR + 2.15%	(c)	April 2032	(d)
Total									
Collateral assets		$	3,086,319	$	3,120,444				
Financing		$	2,633,841	$	2,616,116				

(a) Represents the weighted-average coupon earned on variable rate loans during the respective year-to-date period. Of the loans financed by the STWD 2021-FL2 CLO as of March 31, 2022, 7% earned fixed-rate weighted average interest of 7.55%. Of the loans financed by the STWD 2021-SIF2 CLO as of March 31, 2022, 3% earned fixed-rate weighted average interest of 7.75%. Of the loans financed by the STWD 2021-SIF1 CLO as of March 31, 2022, 3% earned fixed-rate weighted average interest of 5.88%.
(b) Represents the weighted-average maturity, assuming the extended contractual maturity of the collateral assets.
(c) Represents the weighted-average cost of financing incurred during the respective year-to-date period, inclusive of deferred issuance costs.
(d) Repayments of the CLOs and SASB are tied to timing of the related collateral asset repayments. The term of the CLOs and SASB financing obligations represents the legal final maturity date.

We incurred $37.8 million of issuance costs in connection with the CLOs and SASB, which are amortized on an effective yield basis over the estimated life of the CLOs and SASB. For the three months ended March 31, 2022 and 2021, approximately $2.4 million and $0.6 million, respectively, of amortization of deferred financing costs was included in interest expense on our condensed consolidated statements of operations. As of March 31, 2022 and December 31, 2021, our unamortized issuance costs were $26.2 million and $17.7 million, respectively.

The CLOs and SASB are considered VIEs, for which we are deemed the primary beneficiary. We therefore consolidate the CLOs and SASB. Refer to Note 15 for further discussion.

Maturities

Our credit facilities generally require principal to be paid down prior to the facilities' respective maturities if and when we receive principal payments on, or sell, the investment collateral that we have pledged. The following table sets forth our principal repayments schedule for secured financings based on the earlier of (i) the extended contractual maturity of each credit facility or (ii) the extended contractual maturity of each of the investments that have been pledged as collateral under the respective credit facility (amounts in thousands):

		Repurchase Agreements		Other Secured Financing		CLOs and SASB (a)		Total
2022 (remainder of)	$	610,746	$	55,197	$	151,048	$	816,991
2023		1,847,990		732,451		652,409		3,232,850
2024		1,279,084		238,653		444,452		1,962,189
2025		2,878,826		138,669		705,374		3,722,869
2026		1,591,498		1,035,301		1,731,283		4,358,082
Thereafter		712,338		483,400		130,625		1,326,363
Total	$	8,920,482	$	2,683,671	$	3,815,191	$	15,419,344

(a) For the CLOs, the above does not assume utilization of their reinvestment features. The SASB does not have a reinvestment feature.

11. Unsecured Senior Notes

The following table is a summary of our unsecured senior notes outstanding as of March 31, 2022 and December 31, 2021 (dollars in thousands):

	Coupon Rate		Effective Rate (1)	Maturity Date	Remaining Period of Amortization	Carrying Value at March 31, 2022	Carrying Value at December 31, 2021
2023 Senior Notes	5.50 %		5.71 %	11/1/2023	1.6 years	300,000	300,000
2023 Convertible Notes	4.38 %		4.57 %	4/1/2023	1.0 years	250,000	250,000
2024 Senior Notes	3.75 %		3.94 %	12/31/2024	2.8 years	400,000	400,000
2025 Senior Notes	4.75 %	(2)	5.04 %	3/15/2025	3.0 years	500,000	500,000
2026 Senior Notes	3.63 %		3.77 %	7/15/2026	4.3 years	400,000	400,000
2027 Senior Notes	4.38 %	(3)	4.49 %	1/15/2027	4.8 years	500,000	—
Total principal amount						2,350,000	1,850,000
Unamortized discount—Convertible Notes						(465)	(578)
Unamortized discount—Senior Notes						(11,727)	(10,067)
Unamortized deferred financing costs						(15,178)	(10,765)
Total carrying amount						$ 2,322,630	$ 1,828,590

(1) Effective rate includes the effects of underwriter purchase discount.

(2) The coupon on the 2025 Senior Notes is 4.75%. At closing, we swapped $470.0 million of the notes to a floating rate of LIBOR + 2.53%.

(3) The coupon on the 2027 Senior Notes is 4.375%. At closing, we swapped the notes to a floating rate of SOFR + 2.95%.

Our unsecured senior notes contain certain financial tests and covenants. As of March 31, 2022, we were in compliance with all such covenants.

Senior Notes

On January 25, 2022, we issued $500.0 million of 4.375% Senior Notes due 2027 (the "2027 Senior Notes"). The 2027 Senior Notes mature on January 15, 2027. Prior to July 15, 2026, we may redeem some or all of the 2027 Senior Notes at a price equal to 100% of the principal amount thereof, plus the applicable "make-whole" premium as of the applicable date of redemption. On and after July 15, 2026, we may redeem some or all of the 2027 Senior Notes at a price equal to 100% of the principal amount thereof. In addition, prior to July 15, 2025, we may redeem up to 40% of the 2027 Senior Notes at the applicable redemption price using the proceeds of certain equity offerings.

Convertible Senior Notes

On March 29, 2017, we issued $250.0 million of 4.375% Convertible Senior Notes due 2023 (the "2023 Convertible Notes") which remain outstanding at March 31, 2022 and mature on April 1, 2023.

For both the three months ended March 31, 2022 and 2021, we recognized interest expense of $2.9 million from our Convertible Notes.

The following table details the conversion attributes of our Convertible Notes outstanding as of March 31, 2022 (amounts in thousands, except rates):

	March 31, 2022 Conversion Rate (1)	March 31, 2022 Conversion Price (2)
2023 Convertible Notes	38.5959	$ 25.91

(1) The conversion rate represents the number of shares of common stock issuable per $1,000 principal amount of 2023 Convertible Notes converted, as adjusted in accordance with the indenture governing the 2023 Convertible Notes (including the applicable supplemental indenture).

(2) As of March 31, 2022, the market price of the Company's common stock was $24.17.

The if-converted value of the 2023 Convertible Notes was less than their principal amount by $16.8 million at March 31, 2022 as the closing market price of the Company's common stock of $24.17 was less than the implicit conversion price of $25.91 per share. The if-converted value of the principal amount of the 2023 Convertible Notes was $233.2 million as of March 31, 2022. As of March 31, 2022, the net carrying amount and fair value of the 2023 Convertible Notes was $249.3 million and $252.4 million, respectively.

Upon conversion of the 2023 Convertible Notes, settlement may be made in common stock, cash or a combination of both, at the option of the Company.

Conditions for Conversion

Prior to October 1, 2022, the 2023 Convertible Notes will be convertible only upon satisfaction of one or more of the following conditions: (1) the closing market price of the Company's common stock is at least 110% of the conversion price of the 2023 Convertible Notes for at least 20 out of 30 trading days prior to the end of the preceding fiscal quarter, (2) the trading price of the 2023 Convertible Notes is less than 98% of the product of (i) the conversion rate and (ii) the closing price of the Company's common stock during any five consecutive trading day period, (3) the Company issues certain equity instruments at less than the 10-day average closing market price of its common stock or the per-share value of certain distributions exceeds the market price of the Company's common stock by more than 10% or (4) certain other specified corporate events (significant consolidation, sale, merger, share exchange, fundamental change, etc.) occur.

On or after October 1, 2022, holders of the 2023 Convertible Notes may convert each of their notes at the applicable conversion rate at any time prior to the close of business on the second scheduled trading day immediately preceding the maturity date.

12. Loan Securitization/Sale Activities

As described below, we regularly sell loans and notes under various strategies. We evaluate such sales as to whether they meet the criteria for treatment as a sale—legal isolation, ability of transferee to pledge or exchange the transferred assets without constraint and transfer of control.

Loan Securitizations

Within the Investing and Servicing Segment, we originate commercial mortgage loans with the intent to sell these mortgage loans to VIEs for the purposes of securitization. These VIEs then issue CMBS that are collateralized in part by these assets, as well as other assets transferred to the VIE by third parties. Within the Commercial and Residential Lending Segment, we acquire residential loans with the intent to sell these mortgage loans to VIEs for the purpose of securitization. These VIEs then issue RMBS that are collateralized by these assets.

In certain instances, we retain an interest in the CMBS or RMBS VIE and serve as special servicer or servicing administrator for the VIE. In these circumstances, we generally consolidate the VIE into which the loans were sold. The securitizations are subject to optional redemption after a certain period of time or when the pool balance falls below a specified threshold.

The following summarizes the face amount and proceeds of commercial and residential loans securitized for the three months ended March 31, 2022 and 2021 (amounts in thousands):

	Commercial Loans		Residential Loans	
	Face Amount	Proceeds	Face Amount	Proceeds
For the Three Months Ended March 31,				
2022	$ 347,442	$ 342,067	$ 1,077,958	$ 1,100,284
2021	85,037	89,710	383,549	389,798

The securitization of these commercial and residential loans does not result in a discrete gain or loss since they are carried under the fair value option.

Our securitizations have each been structured as bankruptcy-remote entities whose assets are not intended to be available to the creditors of any other party.

Commercial and Residential Loan Sales

Within the Commercial and Residential Lending Segment, we originate or acquire commercial mortgage loans, subsequently selling all or a portion thereof. Typically, our motivation for entering into these transactions is to effectively create leverage on the subordinated position that we will retain and hold for investment. We also may sell certain of our previously-acquired residential loans to third parties outside a securitization. The following table summarizes our loans sold by the Commercial and Residential Lending Segment, net of expenses (amounts in thousands):

	Loan Transfers Accounted for as Sales	
	Residential Loans	
	Face Amount (1)	Proceeds (1)
For the Three Months Ended March 31,		
2022	$ 835,760	$ 836,116
2021	89,418	92,419

(1) During the three months ended March 31, 2022, includes a sale of $745.0 million of agency-eligible residential loans at face amount which is subject to a post-closing contingent sales price adjustment based on the gain or loss to the purchaser/securitization underwriter, less underwriting costs, if those loans are sold into a future securitization.

There were no sales of commercial loans within the Commercial and Residential Lending Segment during the three months ended March 31, 2022 and 2021.

Infrastructure Loan Sales

There were no sales of loans within the Infrastructure Lending Segment during the three months ended March 31, 2022 and 2021.

13. Derivatives and Hedging Activity

Risk Management Objective of Using Derivatives

We are exposed to certain risks arising from both our business operations and economic conditions. Refer to Note 14 to the consolidated financial statements included in our Form 10-K for further discussion of our risk management objectives and policies.

Designated Hedges

The Company does not generally elect to apply the hedge accounting designation to its hedging instruments. As of March 31, 2022 and December 31, 2021, the Company did not have any designated hedges.

Non-designated Hedges and Derivatives

We have entered into the following types of non-designated hedges and derivatives:

- Foreign exchange (“Fx”) forwards whereby we agree to buy or sell a specified amount of foreign currency for a specified amount of USD at a future date, economically fixing the USD amounts of foreign denominated cash flows we expect to receive or pay related to certain foreign denominated loan investments;
- Interest rate contracts which hedge a portion of our exposure to changes in interest rates;
- Credit instruments which hedge a portion of our exposure to the credit risk of our commercial loans held-for-sale; and
- Interest rate swap guarantees whereby we guarantee the interest rate swap obligations of certain Infrastructure Lending borrowers. Our interest rate swap guarantees were assumed in connection with the acquisition of the Infrastructure Lending Segment.

The following table summarizes our non-designated derivatives as of March 31, 2022 (notional amounts in thousands):

Type of Derivative	Number of Contracts	Aggregate Notional Amount	Notional Currency	Maturity
Fx contracts – Buy Euros ("EUR")	18	24,893	EUR	May 2022 - June 2023
Fx contracts – Buy Pounds Sterling ("GBP")	11	9,980	GBP	May 2022 - October 2024
Fx contracts – Buy Australian dollar ("AUD")	6	167,662	AUD	April 2022 - August 2023
Fx contracts – Sell EUR	202	525,437	EUR	April 2022 - November 2025
Fx contracts – Sell GBP	159	558,646	GBP	April 2022 - April 2027
Fx contracts – Sell AUD	81	298,778	AUD	April 2022 - January 2025
Interest rate swaps – Paying fixed rates	44	2,877,222	USD	April 2024 - April 2032
Interest rate swaps – Receiving fixed rates	2	970,000	USD	March 2025 - January 2027
Interest rate caps	7	702,000	USD	October 2022 - April 2025
Interest rate caps	1	61,000	GBP	April 2024
Credit instruments	4	84,000	USD	December 2031 - August 2061
Interest rate swap guarantees	4	275,345	USD	August 2022 - June 2025
Total	539			

The table below presents the fair value of our derivative financial instruments as well as their classification on the condensed consolidated balance sheets as of March 31, 2022 and December 31, 2021 (amounts in thousands):

	Fair Value of Derivatives in an Asset Position (1) as of		Fair Value of Derivatives in a Liability Position (2) as of	
	March 31, 2022	December 31, 2021	March 31, 2022	December 31, 2021
Interest rate contracts	$ 11,008	$ 17,728	$ 27,785	$ 16
Interest rate swap guarantees	—	—	100	260
Foreign exchange contracts	49,861	30,478	10,765	12,870
Credit instruments	—	10	59	275
Total derivatives	$ 60,869	$ 48,216	$ 38,709	$ 13,421

(1) Classified as derivative assets in our condensed consolidated balance sheets.

(2) Classified as derivative liabilities in our condensed consolidated balance sheets.

The table below presents the effect of our derivative financial instruments on the condensed consolidated statements of operations for the three months ended March 31, 2022 and 2021 (amounts in thousands):

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income	Amount of Gain (Loss) Recognized in Income for the Three Months Ended March 31,	
		2022	2021
Interest rate contracts	Gain (loss) on derivative financial instruments	$ 102,933	$ 20,158
Interest rate swap guarantees	Gain (loss) on derivative financial instruments	159	351
Foreign exchange contracts	Gain (loss) on derivative financial instruments	24,142	13,602
Credit instruments	Gain (loss) on derivative financial instruments	34	(122)
		$ 127,268	$ 33,989

14. Offsetting Assets and Liabilities

The following tables present the potential effects of netting arrangements on our financial position for financial assets and liabilities within the scope of ASC 210-20, *Balance Sheet—Offsetting*, which for us are derivative assets and liabilities as well as repurchase agreement liabilities (amounts in thousands):

	(i) Gross Amounts Recognized	(ii) Gross Amounts Offset in the Statement of Financial Position	(iii) = (i) - (ii) Net Amounts Presented in the Statement of Financial Position	(iv) Gross Amounts Not Offset in the Statement of Financial Position		(v) = (iii) - (iv) Net Amount
				Financial Instruments	Cash Collateral Received / Pledged	
As of March 31, 2022						
Derivative assets	$ 60,869	$ —	$ 60,869	$ 28,657	$ —	$ 32,212
Derivative liabilities	$ 38,709	$ —	$ 38,709	$ 28,657	$ 9,928	$ 124
Repurchase agreements	8,920,482	—	8,920,482	8,920,482	—	—
	$ 8,959,191	$ —	$ 8,959,191	$ 8,949,139	$ 9,928	$ 124
As of December 31, 2021						
Derivative assets	$ 48,216	$ —	$ 48,216	$ 12,870	$ 21,290	$ 14,056
Derivative liabilities	$ 13,421	$ —	$ 13,421	$ 12,870	$ 291	$ 260
Repurchase agreements	9,542,034	—	9,542,034	9,542,034	—	—
	$ 9,555,455	$ —	$ 9,555,455	$ 9,554,904	$ 291	$ 260

15. Variable Interest Entities

Investment Securities

As discussed in Note 2, we evaluate all of our investments and other interests in entities for consolidation, including our investments in CMBS, RMBS and our retained interests in securitization transactions we initiated, all of which are generally considered to be variable interests in VIEs.

Securitization VIEs consolidated in accordance with ASC 810 are structured as pass through entities that receive principal and interest on the underlying collateral and distribute those payments to the certificate holders. The assets and other instruments held by these securitization entities are restricted and can only be used to fulfill the obligations of the entity. Additionally, the obligations of the securitization entities do not have any recourse to the general credit of any other consolidated entities, nor to us as the primary beneficiary. The VIE liabilities initially represent investment securities on our balance sheet (pre-consolidation). Upon consolidation of these VIEs, our associated investment securities are eliminated, as is the interest income related to those securities. Similarly, the fees we earn in our roles as special servicer of the bonds issued by the consolidated VIEs or as collateral administrator of the consolidated VIEs are also eliminated. Finally, a portion of the identified servicing intangible associated with the eliminated fee streams is eliminated in consolidation.

VIEs in which we are the Primary Beneficiary

The inclusion of the assets and liabilities of securitization VIEs in which we are deemed the primary beneficiary has no economic effect on us. Our exposure to the obligations of securitization VIEs is generally limited to our investment in these entities. We are not obligated to provide, nor have we provided, any financial support for any of these consolidated structures.

As discussed in Note 10, we have refinanced various pools of our commercial and infrastructure loans held-for-investment through five CLOs and one SASB, which are considered to be VIEs. We are the primary beneficiary of, and therefore consolidate, the CLOs and SASB in our financial statements as we have both (i) the power to direct the activities in our role as collateral manager, collateral advisor, or controlling class representative that most significantly impact the CLOs' and SASB's economic performance, and (ii) the obligation to absorb losses and the right to receive benefits from the CLOs and SASB that could be potentially significant through the subordinate interests we own.

The following table details the assets and liabilities of our consolidated CLOs and SASB as of March 31, 2022 and December 31, 2021 (amounts in thousands):

	March 31, 2022	December 31, 2021
Assets:		
Cash and cash equivalents	$ 39,194	$ 15,297
Loans held-for-investment	4,449,994	3,073,572
Investment securities	29,132	11,426
Accrued interest receivable	12,187	8,936
Other assets	34,150	11,213
Total Assets	**$ 4,564,657**	**$ 3,120,444**
Liabilities		
Accounts payable, accrued expenses and other liabilities	$ 6,076	$ 3,335
Collateralized loan obligations and single asset securitization, net	3,797,895	2,616,116
Total Liabilities	**$ 3,803,971**	**$ 2,619,451**

Assets held by the CLOs and SASB are restricted and can be used only to settle obligations of the CLOs and SASB, including the subordinate interests owned by us. The liabilities of the CLOs and SASB are non-recourse to us and can only be satisfied from the assets of the CLOs and SASB.

We also hold controlling interests in other non-securitization entities that are considered VIEs. The Woodstar Fund, Woodstar Feeder Fund, L.P. and one of the Woodstar Fund's indirect investees, SPT Dolphin Intermediate LLC ("SPT Dolphin"), the entity which holds the Woodstar II Portfolio, are each VIEs because the third party interest holders do not carry kick-out rights or substantive participating rights. We were deemed to be the primary beneficiary of those VIEs because we possess both the power to direct the activities of the VIEs that most significantly impact their economic performance and a significant economic interest in each entity. The Woodstar Fund had total assets of $1.3 billion, including its indirect investment in SPT Dolphin, and no significant liabilities as of March 31, 2022. As of March 31, 2022, Woodstar Feeder Fund, L.P. and its consolidated subsidiary which is also considered a VIE, Woodstar Feeder REIT, LLC, had a $0.4 billion investment in the Woodstar Fund, had no significant liabilities and had temporary equity of $0.3 billion consisting of the contingently redeemable non-controlling interests of the third party investors (see Note 17).

We also hold a 51% controlling interest in a joint venture (the "CMBS JV") within our Investing and Servicing Segment, which is considered a VIE because the third party interest holder does not carry kick-out rights or substantive participating rights. We are deemed the primary beneficiary of the CMBS JV. This VIE had total assets of $341.4 million and liabilities of $79.6 million as of March 31, 2022. Refer to Note 17 for further discussion.

In addition to the above non-securitization entities, we have smaller VIEs with total assets of $75.4 million and liabilities of $30.8 million as of March 31, 2022.

VIEs in which we are not the Primary Beneficiary

In certain instances, we hold a variable interest in a VIE in the form of CMBS, but either (i) we are not appointed, or do not serve as, special servicer or servicing administrator or (ii) an unrelated third party has the rights to unilaterally remove us as special servicer without cause. In these instances, we do not have the power to direct activities that most significantly impact the VIE's economic performance. In other cases, the variable interest we hold does not obligate us to absorb losses or provide us with the right to receive benefits from the VIE which could potentially be significant. For these structures, we are not deemed to be the primary beneficiary of the VIE, and we do not consolidate these VIEs.

As noted above, we are not obligated to provide, nor have we provided, any financial support for any of our securitization VIEs, whether or not we are deemed to be the primary beneficiary. As such, the risk associated with our involvement in these VIEs is limited to the carrying value of our investment in the entity. As of March 31, 2022, our maximum risk of loss related to securitization VIEs in which we were not the primary beneficiary was $21.9 million on a fair value basis.

As of March 31, 2022, the securitization VIEs which we do not consolidate had debt obligations to beneficial interest holders with unpaid principal balances, excluding the notional value of interest-only securities, of $4.8 billion. The corresponding assets are comprised primarily of commercial mortgage loans with unpaid principal balances corresponding to the amounts of the outstanding debt obligations.

We also hold passive non-controlling interests in certain unconsolidated entities that are considered VIEs. We are not the primary beneficiaries of these VIEs as we do not possess the power to direct the activities of the VIEs that most significantly impact their economic performance and therefore report our interests, which totaled $22.5 million as of March 31, 2022, within investments in unconsolidated entities on our consolidated balance sheet. Our maximum risk of loss is limited to our carrying value of the investments.

16. Related-Party Transactions

Management Agreement

We are party to a management agreement (the "Management Agreement") with our Manager. Under the Management Agreement, our Manager, subject to the oversight of our board of directors, is required to manage our day to day activities, for which our Manager receives a base management fee and is eligible for an incentive fee and stock awards. Our Manager's personnel perform certain due diligence, legal, management and other services that outside professionals or consultants would otherwise perform. As such, in accordance with the terms of our Management Agreement, our Manager is paid or reimbursed for the documented costs of performing such tasks, provided that such costs and reimbursements are in amounts no greater than those which would be payable to outside professionals or consultants engaged to perform such services pursuant to agreements negotiated on an arm's-length basis. Refer to Note 17 to the consolidated financial statements included in our Form 10-K for further discussion of this agreement.

Base Management Fee. For the three months ended March 31, 2022 and 2021, approximately $21.5 million and $19.2 million, respectively, was incurred for base management fees. As of March 31, 2022 and December 31, 2021, there were $21.5 million and $20.3 million, respectively, of unpaid base management fees included in related-party payable in our condensed consolidated balance sheets.

Incentive Fee. For the three months ended March 31, 2022 and 2021, approximately $29.0 million and $13.1 million was incurred for incentive fees. As of March 31, 2022 and December 31, 2021, there were $29.3 million and $51.2 million of unpaid incentive fees included in related-party payable in our condensed consolidated balance sheets.

Expense Reimbursement. For the three months ended March 31, 2022 and 2021, approximately $1.7 million and $1.5 million, respectively, was incurred for executive compensation and other reimbursable expenses and recognized within general and administrative expenses in our condensed consolidated statements of operations. As of March 31, 2022 and December 31, 2021, there were $5.8 million and $4.9 million, respectively, of unpaid reimbursable executive compensation and other expenses included in related-party payable in our condensed consolidated balance sheets.

Equity Awards. In certain instances, we issue RSAs to certain employees of affiliates of our Manager who perform services for us. During the three months ended March 31, 2022 and 2021, we granted 200,972 and 981,951 RSAs, respectively, at grant date fair values of $4.8 million and $19.6 million, respectively. Expenses related to the vesting of awards to employees of affiliates of our Manager were $2.7 million and $2.4 million during the three months ended March 31, 2022 and 2021, respectively, and are reflected in general and administrative expenses in our condensed consolidated statements of operations. These shares generally vest over a three-year period.

Manager Equity Plan

In May 2017, the Company's shareholders approved the Starwood Property Trust, Inc. 2017 Manager Equity Plan (the "2017 Manager Equity Plan"), which replaced the Starwood Property Trust, Inc. Manager Equity Plan ("Manager Equity Plan"). In November 2020, we granted 1,800,000 RSUs to our Manager under the 2017 Manager Equity Plan. In September 2019, we granted 1,200,000 RSUs to our Manager under the 2017 Manager Equity Plan. In April 2018, we granted 775,000 RSUs to our Manager under the 2017 Manager Equity Plan. In connection with these grants and prior similar grants, we recognized share-based compensation expense of $4.5 million and $5.9 million within management fees in our condensed consolidated statements of operations for the three months ended March 31, 2022 and 2021, respectively. Refer to Note 17 for further discussion of these grants.

Investments in Loans and Securities

In March 2022, we originated a new loan on the development and recapitalization of luxury rental cabins with a total commitment of $200.0 million, of which $84.5 million was outstanding as of March 31, 2022. The loan bears interest at SOFR + 6.50% plus fees and contains a term of 24 months with three one-year extension options. The proceeds were partially used to repay an existing $99.0 million first mortgage loan that we originated in February 2020. Certain members of our executive team and board of directors own equity interests in the borrower.

During the three months ended March 31, 2022, the Company acquired $623.9 million of loans from a residential mortgage originator in which it holds an equity interest. Additionally, as of March 31, 2022, the Company had outstanding residential mortgage loan purchase commitments of $306.7 million to this residential mortgage originator. Refer to Note 8 for further discussion. During the three months ended March 31, 2022, the Company received proceeds of $4.4 million from the sale of loans to the residential mortgage originator.

Lease Arrangements

In March 2020, we entered into an office lease agreement with an entity which is controlled by our Chairman and CEO through majority equity ownership of the entity. The leased premises serve as our new Miami Beach office following the expiration of our former lease in Miami Beach. The lease is for up to 74,000 square feet of office space, has an initial term of 15 years and requires monthly lease payments starting in the tenth month after lease commencement, which is pending final completion of the premises. The lease payments are based on an annual base rate of $52.00 per square foot that increases by 3% each anniversary following commencement, plus our pro rata share of building operating expenses. Prior to the execution of this lease, we engaged an independent third party leasing firm and external counsel to advise the independent directors of our board of directors on market terms for the lease. The terms of the lease were approved by our independent directors. In April 2020 we provided a $1.9 million cash security deposit to the landlord. During the three months ended March 31, 2022, we made payments to the landlord of $1.8 million for reimbursements relating to tenant improvements under the terms of the lease.

Other Related-Party Arrangements

Highmark Residential (“Highmark”), an affiliate of our Manager, provides property management services for properties within our Woodstar I and Woodstar II Portfolios. Fees paid to Highmark are calculated as a percentage of gross receipts and are at market terms. During the three months ended March 31, 2022 and 2021, property management fees to Highmark of $1.4 million and $0.7 million, respectively, were recognized in our condensed consolidated statements of operations.

Refer to Note 17 to the consolidated financial statements included in our Form 10-K for further discussion of related-party agreements.

17. Stockholders’ Equity and Non-Controlling Interests

During the three months ended March 31, 2022, our board of directors declared the following dividends:

Declaration Date	Record Date	Ex-Dividend Date	Payment Date	Amount	Frequency
3/14/22	3/31/22	3/30/22	4/15/22	$ 0.48	Quarterly

During the three months ended March 31, 2022 and 2021, there were no shares issued under our At-The-Market Equity Offering Sales Agreement. During the three months ended March 31, 2022 and 2021, shares issued under the Starwood Property Trust, Inc. Dividend Reinvestment and Direct Stock Purchase Plan (the “DRIP Plan”) were not material.

Equity Incentive Plans

In May 2017, the Company’s shareholders approved the 2017 Manager Equity Plan and the Starwood Property Trust, Inc. 2017 Equity Plan (the “2017 Equity Plan”), which allow for the issuance of up to 11,000,000 stock options, stock appreciation rights, RSAs, RSUs or other equity-based awards or any combination thereof to the Manager, directors, employees, consultants or any other party providing services to the Company. The 2017 Manager Equity Plan succeeds and replaces the Manager Equity Plan and the 2017 Equity Plan succeeds and replaces the Starwood Property Trust, Inc. Equity Plan (the “Equity Plan”) and the Starwood Property Trust, Inc. Non-Executive Director Stock Plan (the “Non-Executive Director Stock Plan”).

The table below summarizes our share awards granted or vested under the Manager Equity Plan and the 2017 Manager Equity Plan during the three months ended March 31, 2022 and 2021 (dollar amounts in thousands):

Grant Date	Type	Amount Granted	Grant Date Fair Value	Vesting Period
November 2020	RSU	1,800,000	$ 30,078	3 years
September 2019	RSU	1,200,000	29,484	(1)
April 2018	RSU	775,000	16,329	3 years

(1) Of the amount granted, 218,898 vested immediately on the grant date and the remaining amount vests over a three-year period.

Schedule of Non-Vested Shares and Share Equivalents

	2017 Equity Plan	2017 Manager Equity Plan	Total	Weighted Average Grant Date Fair Value (per share)
Balance as of January 1, 2022	2,406,730	1,295,277	3,702,007	$ 18.90
Granted	784,893	—	784,893	23.81
Vested	(600,902)	(231,759)	(832,661)	17.73
Forfeited	(3,689)	—	(3,689)	23.95
Balance as of March 31, 2022	2,587,032	1,063,518	3,650,550	20.21

As of March 31, 2022, there were 2.4 million shares of common stock available for future grants under the 2017 Manager Equity Plan and the 2017 Equity Plan.

Non-Controlling Interests in Consolidated Subsidiaries

As discussed in Note 2, on November 5, 2021 we sold a 20.6% non-controlling interest in the Woodstar Fund to third party investors for net cash proceeds of $214.2 million. Under the Woodstar Fund operating agreement, such interests are contingently redeemable by us, at the option of the interest holder, for cash at liquidation fair value if any assets remain upon termination of the Woodstar Fund. The Woodstar Fund operating agreement specifies an eight-year term with two one-year extension options, the first at our option and the second subject to consent of an advisory committee representing the non-controlling interest holders. Accordingly, these contingently redeemable non-controlling interests have been classified as “Temporary Equity” in our condensed consolidated balance sheets and represent the fair value of the Woodstar Fund’s net assets allocable to those interests. During the three months ended March 31, 2022, net income attributable to these non-controlling interests was $47.7 million.

In connection with our Woodstar II Portfolio acquisitions, we issued 10.2 million Class A Units in our subsidiary, SPT Dolphin, and rights to receive an additional 1.9 million Class A Units if certain contingent events occur. As of March 31, 2022, all of the 1.9 million contingent Class A Units were issued. The Class A Units are redeemable for consideration equal to the current share price of the Company’s common stock on a one-for-one basis, with the consideration paid in either cash or the Company’s common stock, at the determination of the Company. There were 9.8 million Class A Units outstanding as of March 31, 2022. The outstanding Class A Units are reflected as non-controlling interests in consolidated subsidiaries on our consolidated balance sheets, the balance of which was $208.5 million as of March 31, 2022 and December 31, 2021.

To the extent SPT Dolphin has sufficient cash available, the Class A Units earn a preferred return indexed to the dividend rate of the Company’s common stock. Any distributions made pursuant to this waterfall are recognized within net income attributable to non-controlling interests in our condensed consolidated statements of operations. During the three months ended March 31, 2022 and 2021, we recognized net income attributable to non-controlling interests of $4.7 million and $5.1 million, respectively, associated with these Class A Units.

As discussed in Note 15, we hold a 51% controlling interest in the CMBS JV within our Investing and Servicing Segment. Because the CMBS JV is deemed a VIE for which we are the primary beneficiary, the 49% interest of our joint venture partner is reflected as a non-controlling interest in consolidated subsidiaries on our condensed consolidated balance sheets, and any net income attributable to this 49% joint venture interest is reflected within net income attributable to non-controlling interests in our condensed consolidated statement of operations. The non-controlling interests in the CMBS JV were $140.1 million and $131.9 million as of March 31, 2022 and December 31, 2021, respectively. During the three months ended March 31, 2022 and 2021, net income attributable to non-controlling interests was $3.6 million and $5.4 million, respectively.

18. Earnings per Share

The following table provides a reconciliation of net income and the number of shares of common stock used in the computation of basic EPS and diluted EPS (amounts in thousands, except per share amounts):

	For the Three Months Ended March 31, 2022	For the Three Months Ended March 31, 2021
Basic Earnings		
Income attributable to STWD common stockholders	$ 324,599	$ 111,378
Less: Income attributable to participating shares not already deducted as non-controlling interests	(8,869)	(1,925)
Basic earnings	$ 315,730	$ 109,453
Diluted Earnings		
Income attributable to STWD common stockholders	$ 324,599	$ 111,378
Less: Income attributable to participating shares not already deducted as non-controlling interests	(8,869)	(1,925)
Add: Interest expense on Convertible Notes	2,904	2,916
Add: Undistributed earnings to participating shares	7,342	—
Less: Undistributed earnings reallocated to participating shares	(7,109)	—
Diluted earnings	$ 318,867	$ 112,369
Number of Shares:		
Basic — Average shares outstanding	302,944	283,319
Effect of dilutive securities — Convertible Notes	9,649	9,649
Effect of dilutive securities — Contingently issuable shares	605	263
Effect of dilutive securities — Unvested non-participating shares	131	—
Diluted — Average shares outstanding	313,329	293,231
Earnings Per Share Attributable to STWD Common Stockholders:		
Basic	$ 1.04	$ 0.39
Diluted	$ 1.02	$ 0.38

As of March 31, 2022 and 2021, participating shares of 13.0 million and 14.6 million, respectively, were excluded from the computation of diluted shares as their effect was already considered under the more dilutive two-class method used above. Such participating shares at March 31, 2022 and 2021 included 9.8 million and 10.6 million potential shares, respectively, of our common stock issuable upon redemption of the Class A Units in SPT Dolphin, as discussed in Note 17.

19. Accumulated Other Comprehensive Income

The changes in AOCI by component are as follows (amounts in thousands):

	Cumulative Unrealized Gain (Loss) on Available-for-Sale Securities	Foreign Currency Translation	Total
Three Months Ended March 31, 2022			
Balance at January 1, 2022	$ 40,953	$ —	$ 40,953
OCI before reclassifications	—	—	—
Amounts reclassified from AOCI	(5,284)	—	(5,284)
Net period OCI	(5,284)	—	(5,284)
Balance at March 31, 2022	$ 35,669	$ —	$ 35,669
Three Months Ended March 31, 2021			
Balance at January 1, 2021	$ 44,057	$ (64)	$ 43,993
OCI before reclassifications	(2,403)	—	(2,403)
Amounts reclassified from AOCI	—	64	64
Net period OCI	(2,403)	64	(2,339)
Balance at March 31, 2021	$ 41,654	$ —	$ 41,654

20. Fair Value

GAAP establishes a hierarchy of valuation techniques based on the observability of inputs utilized in measuring financial assets and liabilities at fair value. GAAP establishes market-based or observable inputs as the preferred source of values, followed by valuation models using management assumptions in the absence of market inputs. The three levels of the hierarchy are described below:

Level I—Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level II—Inputs (other than quoted prices included in Level I) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.

Level III—Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

Valuation Process

We have valuation control processes in place to validate the fair value of the Company's financial assets and liabilities measured at fair value including those derived from pricing models. These control processes are designed to assure that the values used for financial reporting are based on observable inputs wherever possible. In the event that observable inputs are not available, the control processes are designed to assure that the valuation approach utilized is appropriate and consistently applied and the assumptions are reasonable.

Pricing Verification—We use recently executed transactions, other observable market data such as exchange data, broker/dealer quotes, third party pricing vendors and aggregation services for validating the fair values generated using valuation models. Pricing data provided by approved external sources is evaluated using a number of approaches; for example, by corroborating the external sources' prices to executed trades, analyzing the methodology and assumptions used by the external source to generate a price and/or by evaluating how active the third party pricing source (or originating sources used by the third party pricing source) is in the market.

Unobservable Inputs—Where inputs are not observable, we review the appropriateness of the proposed valuation methodology to ensure it is consistent with how a market participant would arrive at the unobservable input. The valuation methodologies utilized in the absence of observable inputs may include extrapolation techniques and the use of comparable observable inputs.

Any changes to the valuation methodology will be reviewed by our management to ensure the changes are appropriate. The methods used may produce a fair value calculation that is not indicative of net realizable value or reflective of future fair values. Furthermore, while we anticipate that our valuation methods are appropriate and consistent with other market participants, the use of different methodologies, or assumptions, to determine the fair value could result in a different estimate of fair value at the reporting date.

Fair Value on a Recurring Basis

We determine the fair value of our financial assets and liabilities measured at fair value on a recurring basis as follows:

Loans held-for-sale, commercial

We measure the fair value of our commercial mortgage loans held-for-sale using a discounted cash flow analysis unless observable market data (i.e., securitized pricing) is available. A discounted cash flow analysis requires management to make estimates regarding future interest rates and credit spreads. The most significant of these inputs relates to credit spreads and is unobservable. Thus, we have determined that the fair values of mortgage loans valued using a discounted cash flow analysis should be classified in Level III of the fair value hierarchy, while mortgage loans valued using securitized pricing should be classified in Level II of the fair value hierarchy. Mortgage loans classified in Level III are transferred to Level II if securitized pricing becomes available.

Loans held-for-sale and loans held-for-investment, residential

We measure the fair value of our residential loans held-for-sale and held-for-investment based on the net present value of expected future cash flows using a combination of observable and unobservable inputs. Observable market participant assumptions include pricing related to trades of residential loans with similar characteristics. Unobservable inputs include the expectation of future cash flows, which involves judgments about the underlying collateral, the creditworthiness of the borrower, estimated prepayment speeds, estimated future credit losses, forward interest rates, investor yield requirements and certain other factors. At each measurement date, we consider both the observable and unobservable valuation inputs in the determination of fair value. However, given the significance of the unobservable inputs, these loans have been classified within Level III.

RMBS

RMBS are valued utilizing observable and unobservable market inputs. The observable market inputs include recent transactions, broker quotes and vendor prices ("market data"). However, given the implied price dispersion amongst the market data, the fair value determination for RMBS has also utilized significant unobservable inputs in discounted cash flow models including prepayments, default and severity estimates based on the recent performance of the collateral, the underlying collateral characteristics, industry trends, as well as expectations of macroeconomic events (e.g., housing price curves, interest rate curves, etc.). At each measurement date, we consider both the observable and unobservable valuation inputs in the determination of fair value. However, given the significance of the unobservable inputs these securities have been classified within Level III.

CMBS

CMBS are valued utilizing both observable and unobservable market inputs. These factors include projected future cash flows, ratings, subordination levels, vintage, remaining lives, credit issues, recent trades of similar securities and the spreads used in the prior valuation. We obtain current market spread information where available and use this information in evaluating and validating the market price of all CMBS. Depending upon the significance of the fair value inputs used in determining these fair values, these securities are classified in either Level II or Level III of the fair value hierarchy. CMBS may shift between Level II and Level III of the fair value hierarchy if the significant fair value inputs used to price the CMBS become or cease to be observable.

Equity security

The equity security is publicly registered and traded in the U.S. and its market price is listed on the London Stock Exchange. The security has been classified within Level I.

Woodstar Fund Investments

The fair value of investments held by the Woodstar Fund is determined based on observable and unobservable market inputs. The initial fair value of the Woodstar Fund's investments at its November 5, 2021 establishment date was determined by reference to the purchase price paid by third party investors, which was consistent with both a recent external appraisal as well as our extensive marketing efforts to sell interests in the Woodstar Fund, plus working capital.

For the properties, the third party appraisal applied the income capitalization approach with corroborative support from the sales comparison approach. The cost approach was not employed, as it is typically not emphasized by potential investors in the multifamily affordable housing sector. The income capitalization approach estimates an income stream for a property over a 10-year period and discounts this income plus a reversion (presumed sale) into a present value at a risk adjusted discount rate. Terminal capitalization rates and discount rates utilized in this approach are derived from market transactions as well as other financial and industry data.

For secured financing, the third party appraisal discounted the contractual cash flows at the interest rate at which such arrangements would bear if executed in the current market. The fair value of investment level working capital is assumed to approximate carrying value due to its primarily short-term monetary nature. The fair value of interest rate derivatives is determined using the methodology described in the Derivatives discussion below.

Internal valuations at interim quarter ends are prepared by management. The valuation of properties is based on a direct income capitalization approach, whereby a direct capitalization market rate is applied to annualized in-place net operating income at the portfolio level. The direct capitalization rate is initially calibrated to the implied rate from the latest appraisal and adjusted for subsequent changes in current market capitalization rates for sales of comparable multifamily properties. The valuations of secured financing agreements, working capital and interest rate derivatives are consistent with the methodologies described in the paragraph above.

Given the significance of the unobservable inputs used in the respective valuations, the Woodstar Fund's investments have been classified within Level III of the fair value hierarchy.

Domestic servicing rights

The fair value of this intangible is determined using discounted cash flow modeling techniques which require management to make estimates regarding future net servicing cash flows, including forecasted loan defeasance, control migration, delinquency and anticipated maturity defaults which are calculated assuming a debt yield at which default occurs. Since the most significant of these inputs are unobservable, we have determined that the fair values of this intangible in its entirety should be classified in Level III of the fair value hierarchy.

Derivatives

The valuation of derivative contracts are determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market based inputs, including interest rate curves, spot and market forward points and implied volatilities. The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash payments and the discounted expected variable cash receipts. The variable cash receipts are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves.

We incorporate credit valuation adjustments to appropriately reflect both our own non-performance risk and the respective counterparty's non-performance risk in the fair value measurements. In adjusting the fair value of our derivative contracts for the effect of non-performance risk, we have considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

The valuation of over the counter derivatives are determined using discounted cash flows based on Overnight Index Swap ("OIS") rates. Fully collateralized trades are discounted using OIS with no additional economic adjustments to arrive at fair value. Uncollateralized or partially collateralized trades are also discounted at OIS, but include appropriate economic adjustments for funding costs (i.e., a LIBOR OIS basis adjustment to approximate uncollateralized cost of funds) and credit risk. For credit instruments, fair value is determined based on changes in the relevant indices from the date of initiation of the instrument to the reporting date, as these changes determine the amount of any future cash settlement between us and the counterparty. These indices are considered Level II inputs as they are directly observable.

Although we have determined that the majority of the inputs used to value our derivatives fall within Level II of the fair value hierarchy, the credit valuation adjustments associated with our derivatives utilize Level III inputs, such as estimates of current credit spreads to evaluate the likelihood of default by us and our counterparties. However, as of March 31, 2022 and December 31, 2021, we have assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our derivative positions and have determined that the credit valuation adjustments are not significant to the overall valuation of our derivatives. As a result, we have determined that our derivative valuations in their entirety are classified in Level II of the fair value hierarchy.

Liabilities of consolidated VIEs

Our consolidated VIE liabilities generally represent bonds that are not owned by us. The majority of these are either traded in the marketplace or can be analogized to similar securities that are traded in the marketplace. For these liabilities, pricing is considered to be Level II, where the valuation is based upon quoted prices for similar instruments traded in active markets. We generally utilize third party pricing service providers for valuing these liabilities. In order to determine whether to utilize the valuations provided by third parties, we conduct an ongoing evaluation of their valuation methodologies and processes, as well as a review of the individual valuations themselves. In evaluating third party pricing for reasonableness, we consider a variety of factors, including market transaction information for the particular bond, market transaction information for bonds within the same trust, market transaction information for similar bonds, the bond's ratings and the bond's subordination levels.

For the minority portion of our consolidated VIE liabilities which consist of unrated or non-investment grade bonds that are not owned by us, pricing may be either Level II or Level III. If independent third party pricing similar to that noted above is available, we consider the valuation to be Level II. If such third party pricing is not available, the valuation is generated from model-based techniques that use significant unobservable assumptions, and we consider the valuation to be Level III. For VIE liabilities classified as Level III, valuation is determined based on discounted expected future cash flows which take into consideration expected duration and yields based on market transaction information, ratings, subordination levels, vintage and current market spread. VIE liabilities may shift between Level II and Level III of the fair value hierarchy if the significant fair value inputs used to price the VIE liabilities become or cease to be observable.

Assets of consolidated VIEs

The securitization VIEs in which we invest are “static”; that is, no reinvestment is permitted, and there is no active management of the underlying assets. In determining the fair value of the assets of the VIE, we maximize the use of observable inputs over unobservable inputs. The individual assets of a VIE are inherently incapable of precise measurement given their illiquid nature and the limitations on available information related to these assets. Because our methodology for valuing these assets does not value the individual assets of a VIE, but rather uses the value of the VIE liabilities as an indicator of the fair value of VIE assets as a whole, we have determined that our valuations of VIE assets in their entirety should be classified in Level III of the fair value hierarchy.

Fair Value Only Disclosed

We determine the fair value of our financial instruments and assets where fair value is disclosed as follows:

Loans held-for-investment and loans held-for-sale

We estimate the fair values of our loans not carried at fair value on a recurring basis by discounting their expected cash flows at a rate we estimate would be demanded by the market participants that are most likely to buy our loans. The expected cash flows used are generally the same as those used to calculate our level yield income in the financial statements. Since these inputs are unobservable, we have determined that the fair value of these loans in their entirety would be classified in Level III of the fair value hierarchy.

HTM debt securities

We estimate the fair value of our mandatorily redeemable preferred equity interests in commercial real estate companies and infrastructure bonds using the same methodology described for our loans held-for-investment. We estimate the fair value of our HTM CMBS using the same methodology described for our CMBS carried at fair value on a recurring basis.

Secured financing agreements, CLOs and SASB

The fair value of the secured financing agreements, CLOs and SASB are determined by discounting the contractual cash flows at the interest rate we estimate such arrangements would bear if executed in the current market. We have determined that our valuation of these instruments should be classified in Level III of the fair value hierarchy.

Unsecured senior notes

The fair value of our unsecured senior notes is determined based on the last available bid price for the respective notes in the current market. As these prices represent observable market data, we have determined that the fair value of these instruments would be classified in Level II of the fair value hierarchy.

Fair Value Disclosures

The following tables present our financial assets and liabilities carried at fair value on a recurring basis in the consolidated balance sheets by their level in the fair value hierarchy as of March 31, 2022 and December 31, 2021 (amounts in thousands):

	March 31, 2022			
	Total	Level I	Level II	Level III
Financial Assets:				
Loans under fair value option	$ 2,740,133	$ —	$ 373,111	$ 2,367,022
RMBS	134,406	—	—	134,406
CMBS	21,858	—	—	21,858
Equity security	11,619	11,619	—	—
Woodstar Fund investments	1,264,160	—	—	1,264,160
Domestic servicing rights	17,864	—	—	17,864
Derivative assets	60,869	—	60,869	—
VIE assets	57,763,543	—	—	57,763,543
Total	$ 62,014,452	$ 11,619	$ 433,980	$ 61,568,853
Financial Liabilities:				
Derivative liabilities	$ 38,709	$ —	$ 38,709	$ —
VIE liabilities	56,185,937	—	50,706,649	5,479,288
Total	$ 56,224,646	$ —	$ 50,745,358	$ 5,479,288

	December 31, 2021			
	Total	Level I	Level II	Level III
Financial Assets:				
Loans under fair value option	$ 2,936,025	$ —	$ —	$ 2,936,025
RMBS	143,980	—	—	143,980
CMBS	22,244	—	—	22,244
Equity security	11,624	11,624	—	—
Woodstar Fund investments	1,040,309	—	—	1,040,309
Domestic servicing rights	16,780	—	—	16,780
Derivative assets	48,216	—	48,216	—
VIE assets	61,280,543	—	—	61,280,543
Total	$ 65,499,721	$ 11,624	$ 48,216	$ 65,439,881
Financial Liabilities:				
Derivative liabilities	$ 13,421	$ —	$ 13,421	$ —
VIE liabilities	59,752,922	—	54,972,701	4,780,221
Total	$ 59,766,343	$ —	$ 54,986,122	$ 4,780,221

The changes in financial assets and liabilities classified as Level III are as follows for the three months ended March 31, 2022 and 2021 (amounts in thousands):

Three Months Ended March 31, 2022	Loans at Fair Value	RMBS	CMBS	Woodstar Fund Investments	Domestic Servicing Rights	VIE Assets	VIE Liabilities	Total
January 1, 2022 balance	$ 2,936,025	$ 143,980	$ 22,244	$ 1,040,309	$ 16,780	$ 61,280,543	$ (4,780,221)	$ 60,659,660
Total realized and unrealized gains (losses):								
Included in earnings:								
Change in fair value / gain on sale	(125,783)	—	(692)	223,851	1,084	(3,896,602)	474,911	(3,323,231)
Net accretion	—	2,605	—	—	—	—	—	2,605
Included in OCI	—	(5,284)	—	—	—	—	—	(5,284)
Purchases / Originations	2,266,699	—	—	—	—	—	—	2,266,699
Sales	(2,278,467)	—	—	—	—	—	—	(2,278,467)
Cash repayments / receipts	(58,434)	(6,895)	(224)	—	—	—	(410)	(65,963)
Transfers into Level III	93	—	—	—	—	—	(203,880)	(203,787)
Transfers out of Level III	(373,111)	—	—	—	—	—	54,610	(318,501)
Consolidation of VIEs	—	—	—	—	—	1,109,614	(1,025,257)	84,357
Deconsolidation of VIEs balance	—	—	530	—	—	(730,012)	959	(728,523)
March 31, 2022 balance	$ 2,367,022	$ 134,406	$ 21,858	$ 1,264,160	$ 17,864	$ 57,763,543	$ (5,479,288)	$ 56,089,565
Amount of unrealized gains (losses) attributable to assets still held at March 31, 2022:								
Included in earnings	$ (82,883)	$ 2,605	$ (162)	$ 223,851	$ 1,084	$ (3,896,602)	$ 474,911	$ (3,277,196)
Included in OCI	$ —	$ (5,284)	$ —	$ —	$ —	$ —	$ —	$ (5,284)

Three Months Ended March 31, 2021	Loans at Fair Value	RMBS	CMBS	Woodstar Fund Investments	Domestic Servicing Rights	VIE Assets	VIE Liabilities	Total
January 1, 2021 balance	$ 1,022,979	$ 167,349	$ 19,457	$ —	$ 13,202	$ 64,238,328	$ (2,019,876)	$ 63,441,439
Total realized and unrealized gains (losses):								
Included in earnings:								
Change in fair value / gain on sale	(9,478)	—	372	—	(796)	(2,264,591)	65,681	(2,208,812)
Net accretion	—	2,606	—	—	—	—	—	2,606
Included in OCI	—	(2,403)	—	—	—	—	—	(2,403)
Purchases / Originations	375,270	—	—	—	—	—	—	375,270
Sales	(571,927)	—	—	—	—	—	—	(571,927)
Issuances	—	—	—	—	—	—	(11,604)	(11,604)
Cash repayments / receipts	(53,071)	(7,251)	(573)	—	—	—	(1,137)	(62,032)
Transfers into Level III	—	—	—	—	—	—	(409,267)	(409,267)
Transfers out of Level III	—	—	—	—	—	—	148,775	148,775
Consolidation of VIEs	—	—	—	—	—	393,373	—	393,373
March 31, 2021 balance	$ 763,773	$ 160,301	$ 19,256	$ —	$ 12,406	$ 62,367,110	$ (2,227,428)	$ 61,095,418
Amount of unrealized gains (losses) attributable to assets still held at March 31, 2021:								
Included in earnings	$ (7,708)	$ 2,606	$ 372	$ —	$ (796)	$ (2,264,591)	$ 65,681	$ (2,204,436)
Included in OCI	$ —	$ (2,403)	$ —	$ —	$ —	$ —	$ —	$ (2,403)

Amounts were transferred from Level II to Level III due to a decrease in the observable relevant market activity and amounts were transferred from Level III to Level II due to an increase in the observable relevant market activity.

The following table presents the fair values of our financial instruments not carried at fair value on the consolidated balance sheets (amounts in thousands):

	March 31, 2022		December 31, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets not carried at fair value:				
Loans held-for-investment	$ 16,197,636	$ 16,204,044	$ 15,477,624	$ 15,526,235
HTM debt securities	701,306	673,999	683,136	656,864
Financial liabilities not carried at fair value:				
Secured financing agreements, CLOs and SASB	$ 15,329,466	$ 15,356,458	$ 15,192,966	$ 15,266,440
Unsecured senior notes	2,322,630	2,320,231	1,828,590	1,893,065

The following is quantitative information about significant unobservable inputs in our Level III measurements for those assets and liabilities measured at fair value on a recurring basis (dollars in thousands):

	Carrying Value at March 31, 2022	Valuation Technique	Unobservable Input	Range (Weighted Average) as of (1) March 31, 2022	Range (Weighted Average) as of (1) December 31, 2021
Loans under fair value option	$ 2,367,022	Discounted cash flow, market pricing	Coupon (d)	2.8% - 9.2% (4.4%)	2.6% - 9.2% (4.2%)
			Remaining contractual term (d)	6.0 - 39.9 years (28.9 years)	6.3 - 39.9 years (27.4 years)
			FICO score (a)	584 - 829 (745)	582 - 829 (748)
			LTV (b)	4% - 94% (68%)	1% - 94% (66%)
			Purchase price (d)	80.0% - 108.6% (102.0%)	80.0% - 108.6% (102.3%)
RMBS	134,406	Discounted cash flow	Constant prepayment rate (a)	4.2% - 19.6% (9.3%)	4.8% - 19.2% (9.9%)
			Constant default rate (b)	0.8% - 6.3% (2.0%)	0.8% - 6.0% (2.1%)
			Loss severity (b)	0% - 81% (24%) (f)	0% - 86% (26%) (f)
			Delinquency rate (c)	11% - 36% (18%)	10.4% - 35% (19%)
			Servicer advances (a)	22% - 79% (52%)	19% - 83% (52%)
			Annual coupon deterioration (b)	0% - 2.5% (0.1%)	0% - 1.7% (0.1%)
			Putback amount per projected total collateral loss (e)	0% - 8% (0.5%)	0% - 8% (0.5%)
CMBS	21,858	Discounted cash flow	Yield (b)	0% - 297.8% (9.1%)	0% - 613.6% (9.3%)
			Duration (c)	0 - 6.7 years (3.7 years)	0 - 7.2 years (5.2 years)
Woodstar Fund investments	1,264,160	Discounted cash flow	Discount rate - properties (b)	N/A	5.8% - 6.3% (6.0%)
			Discount rate - debt (a)	2.3% - 4.4% (3.8%)	2.6% - 3.3% (2.9%)
			Terminal capitalization rate (b)	N/A	4.8% - 5.3% (4.9%)
			Direct capitalization rate (b)	4.1% - 4.2% (4.2%)	4.1% - 4.2% (4.2%) (Implied)
Domestic servicing rights	17,864	Discounted cash flow	Debt yield (a)	7.50% (7.50%)	7.30% (7.30%)
			Discount rate (b)	15% (15%)	15% (15%)
VIE assets	57,763,543	Discounted cash flow	Yield (b)	0% - 328.6% (15.0%)	0% - 615.3% (13.0%)
			Duration (c)	0 - 10.9 years (3.1 years)	0 - 11.0 years (3.2 years)
VIE liabilities	5,479,288	Discounted cash flow	Yield (b)	0% - 328.6% (7.6%)	0% - 615.3% (6.4%)
			Duration (c)	0 - 10.9 years (2.2 years)	0 - 11.0 years (2.3 years)

(1) Unobservable inputs were weighted by the relative carrying value of the instruments as of March 31, 2022 and December 31, 2021.

Information about Uncertainty of Fair Value Measurements

(a) Significant increase (decrease) in the unobservable input in isolation would result in a significantly higher (lower) fair value measurement.

(b) Significant increase (decrease) in the unobservable input in isolation would result in a significantly lower (higher) fair value measurement.

(c) Significant increase (decrease) in the unobservable input in isolation would result in either a significantly lower or higher (higher or lower) fair value measurement depending on the structural features of the security in question.

(d) This unobservable input is not subject to variability as of the respective reporting dates.

(e) Any delay in the putback recovery date leads to a decrease in fair value for the majority of securities in our RMBS portfolio.

(f) 11% and 18% of the portfolio falls within a range of 45% - 80% as of March 31, 2022 and December 31, 2021, respectively.

21. Income Taxes

Certain of our domestic subsidiaries have elected to be treated as taxable REIT subsidiaries ("TRSs"). TRSs permit us to participate in certain activities from which REITs are generally precluded, as long as these activities meet specific criteria, are conducted within the parameters of certain limitations established by the Code and are conducted in entities which elect to be treated as taxable subsidiaries under the Code. To the extent these criteria are met, we will continue to maintain our qualification as a REIT.

Our TRSs engage in various real estate related operations, including special servicing of commercial real estate, originating and securitizing mortgage loans, and investing in entities which engage in real estate-related operations. As of March 31, 2022 and December 31, 2021, approximately $3.1 billion and $3.2 billion, respectively, of assets were owned by TRS entities. Our TRSs are not consolidated for U.S. federal income tax purposes, but are instead taxed as corporations. For financial reporting purposes, a provision for current and deferred taxes is established for the portion of earnings recognized by us with respect to our interest in TRSs.

The following table is a reconciliation of our U.S. federal income tax provision determined using our statutory federal tax rate to our reported income tax (benefit) provision for the three months ended March 31, 2022 and 2021 (dollars in thousands):

	For the Three Months Ended March 31,			
	2022		2021	
Federal statutory tax rate	$ 80,191	21.0 %	$ 26,199	21.0 %
REIT and other non-taxable income	(79,198)	(20.7)%	(24,501)	(19.6)%
State income taxes	326	0.1 %	558	0.4 %
Federal benefit of state tax deduction	(69)	— %	(117)	(0.1)%
Intra-entity transfers	(3,868)	(1.0)%	—	— %
Other	168	— %	91	0.1 %
Effective tax rate	$ (2,450)	(0.6)%	$ 2,230	1.8 %

22. Commitments and Contingencies

As of March 31, 2022, our Commercial and Residential Lending Segment had future commercial loan funding commitments totaling $3.1 billion, of which we expect to fund $2.8 billion. These future funding commitments primarily relate to construction projects, capital improvements, tenant improvements and leasing commissions. Additionally, as of March 31, 2022, our Commercial and Residential Lending Segment had outstanding residential loan purchase commitments of $1.2 billion. As discussed in Note 12, during the three months ended March 31, 2022, our Commercial and Residential Lending Segment sold $745.0 million of agency-eligible residential loans at face amount which is subject to a post-closing contingent sales price adjustment based on the gain or loss to the purchaser/securitization underwriter, less underwriting costs, if those loans are sold into a future securitization.

As of March 31, 2022, our Infrastructure Lending Segment had future infrastructure loan funding commitments totaling $147.2 million, including $135.1 million under revolvers and letters of credit ("LCs"), and $12.1 million under delayed draw term loans. As of March 31, 2022, $8.1 million of revolvers and LCs were outstanding. Additionally, as of March 31, 2022, our Infrastructure Lending Segment had outstanding loan purchase commitments of $20.6 million.

In connection with the Infrastructure Lending Segment acquisition, we assumed guarantees of certain borrowers' performance under existing interest rate swaps. As of March 31, 2022, we had four outstanding guarantees on interest rate swaps maturing between August 2022 and June 2025. Refer to Note 13 for further discussion.

Generally, funding commitments are subject to certain conditions that must be met, such as customary construction draw certifications, minimum debt service coverage ratios or executions of new leases before advances are made to the borrower.

Management is not aware of any other contractual obligations, legal proceedings, or any other contingent obligations incurred in the normal course of business that would have a material adverse effect on our consolidated financial statements.

23. Segment Data

In its operation of the business, management, including our chief operating decision maker, who is our Chief Executive Officer, reviews certain financial information, including segmented internal profit and loss statements prepared on a basis prior to the impact of consolidating securitization VIEs under ASC 810. The segment information within this Note is reported on that basis.

The table below presents our results of operations for the three months ended March 31, 2022 by business segment (amounts in thousands):

	Commercial and Residential Lending Segment	Infrastructure Lending Segment	Property Segment	Investing and Servicing Segment	Corporate	Subtotal	Securitization VIEs	Total
Revenues:								
Interest income from loans	$ 202,470	$ 26,983	$ —	$ 4,166	$ —	$ 233,619	$ —	$ 233,619
Interest income from investment securities	20,836	747	—	27,389	—	48,972	(34,989)	13,983
Servicing fees	136	—	—	14,071	—	14,207	(4,215)	9,992
Rental income	1,686	—	22,365	7,529	—	31,580	—	31,580
Other revenues	52	68	50	4,654	—	4,824	(6)	4,818
Total revenues	**225,180**	**27,798**	**22,415**	**57,809**	**—**	**333,202**	**(39,210)**	**293,992**
Costs and expenses:								
Management fees	277	—	—	—	55,018	55,295	—	55,295
Interest expense	68,602	11,930	6,081	6,210	33,842	126,665	(214)	126,451
General and administrative	11,602	3,511	1,056	23,443	4,628	44,240	81	44,321
Acquisition and investment pursuit costs	499	1	5	(83)	—	422	—	422
Costs of rental operations	519	—	5,001	3,770	—	9,290	—	9,290
Depreciation and amortization	294	105	8,219	3,029	—	11,647	—	11,647
Credit loss reversal, net	(3,299)	(359)	—	—	—	(3,658)	—	(3,658)
Other expense	—	—	55	—	—	55	—	55
Total costs and expenses	**78,494**	**15,188**	**20,417**	**36,369**	**93,488**	**243,956**	**(133)**	**243,823**
Other income (loss):								
Change in net assets related to consolidated VIEs	—	—	—	—	—	—	26,749	26,749
Change in fair value of servicing rights	—	—	—	(217)	—	(217)	1,301	1,084
Change in fair value of investment securities, net	(2,105)	—	—	(9,291)	—	(11,396)	11,041	(355)
Change in fair value of mortgage loans, net	(116,228)	—	—	(9,555)	—	(125,783)	—	(125,783)
Income from affordable housing fund investments	—	—	234,041	—	—	234,041	—	234,041
(Loss) earnings from unconsolidated entities	(1,340)	345	—	151	—	(844)	(66)	(910)
Gain on sale of investments and other assets, net	86,610	—	—	11,858	—	98,468	—	98,468
Gain (loss) on derivative financial instruments, net	118,395	632	17,546	27,863	(37,168)	127,268	—	127,268
Foreign currency (loss) gain, net	(27,254)	(28)	1	—	—	(27,281)	—	(27,281)
Loss on extinguishment of debt	(206)	(469)	—	(148)	—	(823)	—	(823)
Other (loss) income, net	(788)	—	—	—	—	(788)	25	(763)
Total other income (loss)	**57,084**	**480**	**251,588**	**20,661**	**(37,168)**	**292,645**	**39,050**	**331,695**
Income (loss) before income taxes	**203,770**	**13,090**	**253,586**	**42,101**	**(130,656)**	**381,891**	**(27)**	**381,864**
Income tax benefit (provision)	5,140	4	—	(2,694)	—	2,450	—	2,450
Net income (loss)	**208,910**	**13,094**	**253,586**	**39,407**	**(130,656)**	**384,341**	**(27)**	**384,314**
Net income attributable to non-controlling interests	(3)	—	(52,411)	(7,328)	—	(59,742)	27	(59,715)
Net income (loss) attributable to Starwood Property Trust, Inc.	**$ 208,907**	**$ 13,094**	**$ 201,175**	**$ 32,079**	**$ (130,656)**	**$ 324,599**	**$ —**	**$ 324,599**

The table below presents our results of operations for the three months ended March 31, 2021 by business segment (amounts in thousands):

	Commercial and Residential Lending Segment	Infrastructure Lending Segment	Property Segment	Investing and Servicing Segment	Corporate	Subtotal	Securitization VIEs	Total
Revenues:								
Interest income from loans	$ 170,593	$ 18,808	$ —	$ 1,174	$ —	$ 190,575	$ —	$ 190,575
Interest income from investment securities	18,385	564	—	20,940	—	39,889	(28,279)	11,610
Servicing fees	124	—	—	12,456	—	12,580	(4,178)	8,402
Rental income	1,339	—	65,104	9,895	—	76,338	—	76,338
Other revenues	90	93	40	82	—	305	—	305
Total revenues	**190,531**	**19,465**	**65,144**	**44,547**	**—**	**319,687**	**(32,457)**	**287,230**
Costs and expenses:								
Management fees	315	—	—	222	38,188	38,725	11	38,736
Interest expense	44,295	8,841	15,832	5,449	29,148	103,565	(191)	103,374
General and administrative	11,333	3,442	1,023	18,440	4,311	38,549	87	38,636
Acquisition and investment pursuit costs	185	—	—	—	—	185	—	185
Costs of rental operations	477	—	23,960	4,308	—	28,745	—	28,745
Depreciation and amortization	307	100	18,100	3,967	—	22,474	—	22,474
Credit loss (reversal) provision, net	(529)	573	—	—	—	44	—	44
Other expense	31	—	583	71	—	685	—	685
Total costs and expenses	**56,414**	**12,956**	**59,498**	**32,457**	**71,647**	**232,972**	**(93)**	**232,879**
Other income (loss):								
Change in net assets related to consolidated VIEs	—	—	—	—	—	—	39,745	39,745
Change in fair value of servicing rights	—	—	—	745	—	745	(1,541)	(796)
Change in fair value of investment securities, net	(2,050)	—	—	7,170	—	5,120	(5,426)	(306)
Change in fair value of mortgage loans, net	(10,714)	—	—	1,236	—	(9,478)	—	(9,478)
Earnings (loss) from unconsolidated entities	1,753	(254)	—	589	—	2,088	(354)	1,734
Gain on sale of investments and other assets, net	17,693	—	—	—	—	17,693	—	17,693
Gain (loss) on derivative financial instruments, net	26,141	684	4,724	9,283	(6,843)	33,989	—	33,989
Foreign currency (loss) gain, net	(11,594)	(49)	25	(63)	—	(11,681)	—	(11,681)
Loss on extinguishment of debt	(68)	(307)	(141)	—	—	(516)	—	(516)
Other income, net	—	21	—	—	—	21	—	21
Total other income (loss)	**21,161**	**95**	**4,608**	**18,960**	**(6,843)**	**37,981**	**32,424**	**70,405**
Income (loss) before income taxes	**155,278**	**6,604**	**10,254**	**31,050**	**(78,490)**	**124,696**	**60**	**124,756**
Income tax provision	(1,505)	(92)	—	(633)	—	(2,230)	—	(2,230)
Net income (loss)	**153,773**	**6,512**	**10,254**	**30,417**	**(78,490)**	**122,466**	**60**	**122,526**
Net income attributable to non-controlling interests	(3)	—	(5,077)	(6,008)	—	(11,088)	(60)	(11,148)
Net income (loss) attributable to Starwood Property Trust, Inc.	**$ 153,770**	**$ 6,512**	**$ 5,177**	**$ 24,409**	**$ (78,490)**	**$ 111,378**	**$ —**	**$ 111,378**

The table below presents our consolidated balance sheet as of March 31, 2022 by business segment (amounts in thousands):

	Commercial and Residential Lending Segment	Infrastructure Lending Segment	Property Segment	Investing and Servicing Segment	Corporate	Subtotal	Securitization VIEs	Total
Assets:								
Cash and cash equivalents	$ 58,377	$ 38,762	$ 20,077	$ 27,836	$ 118,573	$ 263,625	$ 584	$ 264,209
Restricted cash	13,142	27,401	950	26,371	41,701	109,565	—	109,565
Loans held-for-investment, net	14,107,316	2,136,118	—	9,823	—	16,253,257	—	16,253,257
Loans held-for-sale	2,299,153	—	—	385,359	—	2,684,512	—	2,684,512
Investment securities	1,207,667	49,198	—	1,155,469	—	2,412,334	(1,543,145)	869,189
Properties, net	104,901	—	880,392	137,064	—	1,122,357	—	1,122,357
Investments of consolidated affordable housing fund	—	—	1,264,160	—	—	1,264,160	—	1,264,160
Investments in unconsolidated entities	43,349	27,061	—	33,878	—	104,288	(15,038)	89,250
Goodwill	—	119,409	—	140,437	—	259,846	—	259,846
Intangible assets	—	—	33,292	69,674	—	102,966	(40,818)	62,148
Derivative assets	58,904	161	486	1,318	—	60,869	—	60,869
Accrued interest receivable	114,367	6,274	—	1,745	1,556	123,942	(141)	123,801
Other assets	135,095	10,229	59,100	33,857	23,146	261,427	(235)	261,192
VIE assets, at fair value	—	—	—	—	—	—	57,763,543	57,763,543
Total Assets	**$ 18,142,271**	**$ 2,414,613**	**$ 2,258,457**	**$ 2,022,831**	**$ 184,976**	**$ 25,023,148**	**$ 56,164,750**	**$ 81,187,898**
Liabilities and Equity								
Liabilities:								
Accounts payable, accrued expenses and other liabilities	$ 102,124	$ 15,347	$ 11,503	$ 32,297	$ 34,834	$ 196,105	$ 40	$ 196,145
Related-party payable	—	—	—	—	56,615	56,615	—	56,615
Dividends payable	—	—	—	—	148,743	148,743	—	148,743
Derivative liabilities	10,990	225	—	145	27,349	38,709	—	38,709
Secured financing agreements, net	8,294,408	924,242	787,977	774,460	771,944	11,553,031	(21,460)	11,531,571
Collateralized loan obligations and single asset securitization, net	2,985,637	812,258	—	—	—	3,797,895	—	3,797,895
Unsecured senior notes, net	—	—	—	—	2,322,630	2,322,630	—	2,322,630
VIE liabilities, at fair value	—	—	—	—	—	—	56,185,937	56,185,937
Total Liabilities	**11,393,159**	**1,752,072**	**799,480**	**806,902**	**3,362,115**	**18,113,728**	**56,164,517**	**74,278,245**
Temporary Equity: Redeemable non-controlling interests	—	—	261,685	—	—	261,685	—	261,685
Permanent Equity:								
Starwood Property Trust, Inc. Stockholders' Equity:								
Common stock	—	—	—	—	3,144	3,144	—	3,144
Additional paid-in capital	1,931,043	606,871	(373,851)	(388,580)	3,933,544	5,709,027	—	5,709,027
Treasury stock	—	—	—	—	(138,022)	(138,022)	—	(138,022)
Accumulated other comprehensive income	35,669	—	—	—	—	35,669	—	35,669
Retained earnings (accumulated deficit)	4,782,282	55,670	1,362,509	1,445,221	(6,975,805)	669,877	—	669,877
Total Starwood Property Trust, Inc. Stockholders' Equity	6,748,994	662,541	988,658	1,056,641	(3,177,139)	6,279,695	—	6,279,695
Non-controlling interests in consolidated subsidiaries	118	—	208,634	159,288	—	368,040	233	368,273
Total Permanent Equity	**6,749,112**	**662,541**	**1,197,292**	**1,215,929**	**(3,177,139)**	**6,647,735**	**233**	**6,647,968**
Total Liabilities and Equity	**$ 18,142,271**	**$ 2,414,613**	**$ 2,258,457**	**$ 2,022,831**	**$ 184,976**	**$ 25,023,148**	**$ 56,164,750**	**$ 81,187,898**

The table below presents our consolidated balance sheet as of December 31, 2021 by business segment (amounts in thousands):

	Commercial and Residential Lending Segment	Infrastructure Lending Segment	Property Segment	Investing and Servicing Segment	Corporate	Subtotal	Securitization VIEs	Total
Assets:								
Cash and cash equivalents	$ 65,064	$ 17,011	$ 14,136	$ 26,700	$ 93,861	$ 216,772	$ 590	$ 217,362
Restricted cash	39,853	43,408	954	20,337	—	104,552	—	104,552
Loans held-for-investment, net	13,499,520	2,027,426	—	9,903	—	15,536,849	—	15,536,849
Loans held-for-sale	2,590,005	—	—	286,795	—	2,876,800	—	2,876,800
Investment securities	1,155,452	31,923	—	1,165,395	—	2,352,770	(1,491,786)	860,984
Properties, net	124,503	—	887,553	154,331	—	1,166,387	—	1,166,387
Investments of consolidated affordable housing fund	—	—	1,040,309	—	—	1,040,309	—	1,040,309
Investments in unconsolidated entities	44,938	26,255	—	34,160	—	105,353	(15,256)	90,097
Goodwill	—	119,409	—	140,437	—	259,846	—	259,846
Intangible assets	—	—	34,619	71,064	—	105,683	(42,119)	63,564
Derivative assets	34,265	128	8	391	13,424	48,216	—	48,216
Accrued interest receivable	106,251	3,207	—	947	5,988	116,393	(131)	116,262
Other assets	68,908	14,265	43,420	40,395	21,800	188,788	(162)	188,626
VIE assets, at fair value	—	—	—	—	—	—	61,280,543	61,280,543
Total Assets	**$ 17,728,759**	**$ 2,283,032**	**$ 2,020,999**	**$ 1,950,855**	**$ 135,073**	**$ 24,118,718**	**$ 59,731,679**	**$ 83,850,397**
Liabilities and Equity								
Liabilities:								
Accounts payable, accrued expenses and other liabilities	$ 57,267	$ 8,917	$ 14,757	$ 58,920	$ 49,779	$ 189,640	$ 56	$ 189,696
Related-party payable	—	—	—	—	76,371	76,371	—	76,371
Dividends payable	—	—	—	—	147,624	147,624	—	147,624
Derivative liabilities	12,870	260	—	291	—	13,421	—	13,421
Secured financing agreements, net	9,097,985	1,225,548	787,396	714,237	773,244	12,598,410	(21,560)	12,576,850
Collateralized loan obligations and single asset securitization, net	2,210,798	405,318	—	—	—	2,616,116	—	2,616,116
Unsecured senior notes, net	—	—	—	—	1,828,590	1,828,590	—	1,828,590
VIE liabilities, at fair value	—	—	—	—	—	—	59,752,922	59,752,922
Total Liabilities	**11,378,920**	**1,640,043**	**802,153**	**773,448**	**2,875,608**	**17,470,172**	**59,731,418**	**77,201,590**
Temporary Equity: Redeemable non-controlling interests	—	—	214,915	—	—	214,915	—	214,915
Permanent Equity:								
Starwood Property Trust, Inc. Stockholders' Equity:								
Common stock	—	—	—	—	3,123	3,123	—	3,123
Additional paid-in capital	1,735,397	600,412	(365,922)	(388,196)	4,091,685	5,673,376	—	5,673,376
Treasury stock	—	—	—	—	(138,022)	(138,022)	—	(138,022)
Accumulated other comprehensive income	40,953	—	—	—	—	40,953	—	40,953
Retained earnings (accumulated deficit)	4,573,374	42,577	1,161,334	1,413,142	(6,697,321)	493,106	—	493,106
Total Starwood Property Trust, Inc. Stockholders' Equity	6,349,724	642,989	795,412	1,024,946	(2,740,535)	6,072,536	—	6,072,536
Non-controlling interests in consolidated subsidiaries	115	—	208,519	152,461	—	361,095	261	361,356
Total Permanent Equity	**6,349,839**	**642,989**	**1,003,931**	**1,177,407**	**(2,740,535)**	**6,433,631**	**261**	**6,433,892**
Total Liabilities and Equity	**$ 17,728,759**	**$ 2,283,032**	**$ 2,020,999**	**$ 1,950,855**	**$ 135,073**	**$ 24,118,718**	**$ 59,731,679**	**$ 83,850,397**

24. Subsequent Events

Our significant events subsequent to March 31, 2022 were as follows:

Employee Stock Purchase Plan (“ESPP”)

In April 2022, the Company’s shareholders approved the ESPP, which allows eligible employees to purchase common stock of the Company at a discounted purchase price. The maximum discounted purchase price of a share of the Company's common stock is 85% of the fair market value at the lower of the beginning or the end of the quarterly offering period. Participants may purchase shares not exceeding an aggregate fair market value of $25,000 in any calendar year. The maximum aggregate number of shares subject to issuance in accordance with the ESPP is 2,000,000 shares.

2022 Equity Plans

In April 2022, the Company’s shareholders approved the 2022 Manager Equity Plan and 2022 Equity Plan (collectively, the “2022 Plans”), which allow for the issuance of up to 18,700,000 stock options, stock appreciation rights, RSAs, RSUs or other equity-based awards or any combination thereof to the Manager, directors, employees, advisors, consultants or any other third party providing services to the Company. The 2022 Plans replaced the 2017 Manager Equity Plan and 2017 Equity Plan.

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

This "Management's Discussion and Analysis of Financial Condition and Results of Operations" should be read in conjunction with the information included elsewhere in this Quarterly Report on Form 10-Q and in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021 (our "Form 10-K"). This discussion contains forward-looking statements that involve risks and uncertainties. Actual results could differ significantly from the results discussed in the forward-looking statements. See "Special Note Regarding Forward-Looking Statements" at the beginning of this Quarterly Report on Form 10-Q.

Overview

Starwood Property Trust, Inc. ("STWD" and, together with its subsidiaries, "we" or the "Company") is a Maryland corporation that commenced operations in August 2009, upon the completion of our initial public offering. We are focused primarily on originating, acquiring, financing and managing mortgage loans and other real estate investments in the United States ("U.S."), Europe and Australia. As market conditions change over time, we may adjust our strategy to take advantage of changes in interest rates and credit spreads as well as economic and credit conditions.

We have four reportable business segments as of March 31, 2022 and we refer to the investments within these segments as our target assets:

- Real estate commercial and residential lending (the "Commercial and Residential Lending Segment")—engages primarily in originating, acquiring, financing and managing commercial first mortgages, non-agency residential mortgages ("residential loans"), subordinated mortgages, mezzanine loans, preferred equity, commercial mortgage-backed securities ("CMBS"), residential mortgage-backed securities ("RMBS") and other real estate and real estate-related debt investments in the U.S., Europe and Australia (including distressed or non-performing loans). Our residential loans are secured by a first mortgage lien on residential property and primarily consist of non-agency residential loans that are not guaranteed by any U.S. Government agency or federally chartered corporation.

- Infrastructure lending (the "Infrastructure Lending Segment")—engages primarily in originating, acquiring, financing and managing infrastructure debt investments.

- Real estate property (the "Property Segment")—engages primarily in acquiring and managing equity interests in stabilized commercial real estate properties, including multifamily properties and commercial properties subject to net leases, that are held for investment.

- Real estate investing and servicing (the "Investing and Servicing Segment")—includes (i) a servicing business in the U.S. that manages and works out problem assets, (ii) an investment business that selectively acquires and manages unrated, investment grade and non-investment grade rated CMBS, including subordinated interests of securitization and resecuritization transactions, (iii) a mortgage loan business which originates conduit loans for the primary purpose of selling these loans into securitization transactions and (iv) an investment business that selectively acquires commercial real estate assets, including properties acquired from CMBS trusts.

Our segments exclude the consolidation of securitization variable interest entities ("VIEs").

Refer to Note 1 of our condensed consolidated financial statements included herein (the "Condensed Consolidated Financial Statements") for further discussion of our business and organization.

COVID-19 Pandemic

The full extent of the impact and effects of the COVID-19 pandemic will depend on future developments, including, among other factors, the duration, spread and resurgences of the virus, including variants thereof, along with related travel advisories and restrictions, the recovery time of the disrupted supply chains and industries, the impact of labor market interruptions, the impact of government interventions, the pace, scope and efficacy of vaccination and booster programs, and general uncertainty as to the impact of COVID-19, including variants and resurgences, on the global economy.

Further discussion of the potential impacts on our business, financial condition, results of operations, liquidity, the market price of our common stock and our ability to make distributions to our stockholders from the COVID-19 pandemic is provided in the section entitled "Risk Factors" in Part I, Item 1A of our Form 10-K.

Developments During the First Quarter of 2022

Commercial and Residential Lending Segment

- Originated or acquired $1.9 billion of commercial loans during the quarter, including the following:
    - $263.6 million of first mortgage loans for the acquisition of a 1,828 unit portfolio of eight multifamily properties located in Texas, of which the Company funded $236.1 million.
    - $250.0 million participation in a first mortgage loan for the construction of 235 luxury residences, a 136-key hotel and 78,000 square feet of commercial space located in New York, of which the Company funded $142.4 million.
    - $200.0 million first mortgage loan to refinance existing debt on a 22 property luxury cabin portfolio and finance the acquisition of 18 future properties located across the U.S., of which the Company funded $84.5 million.
    - €162.7 million ($186.2 million) first mortgage loan for the acquisition of a 382,000 square foot office and retail property located in Berlin, Germany, which the Company has not yet funded.
    - $165.0 million first mortgage and mezzanine loan for the construction of a 65-story 100% pre-sold residential project located in South Florida, of which the Company funded $17.8 million.
    - $111.9 million first mortgage and mezzanine loan for the acquisition of a 348 unit, mid-rise multifamily property located in Arizona, of which the Company funded $102.9 million.
- In February 2022, we refinanced a pool of our commercial loans held-for-investment through a collateralized loan obligation ("CLO"), STWD 2022-FL3. The CLO has a contractual maturity of November 2038 and a weighted average cost of financing of SOFR + 1.91%, inclusive of the amortization of deferred issuance costs. On the closing date, the CLO issued $1.0 billion of notes and preferred shares, of which $842.5 million of notes were purchased by third party investors. We retained $82.5 million of notes, along with preferred shares with a liquidation preference of $75.0 million. The CLO contains a reinvestment feature that, subject to certain eligibility criteria, allows us to contribute new loans or participation interests in loans to the CLO in exchange for cash for a period of two years.
- Sold commercial real estate in Florida that was previously acquired through foreclosure in April 2019 for gross proceeds of $114.8 million and recognized a gain of $86.6 million.
- Entered into or amended commercial loan repurchase facilities to increase the available borrowings by $1.1 billion.
- Funded $240.9 million of previously originated commercial loan commitments.
- Received gross proceeds of $715.6 million ($382.2 million, net of debt repayments) from maturities and principal repayments on our commercial loans.
- Acquired $1.8 billion of residential loans.
- Received proceeds of $1.9 billion, including retained RMBS of $84.4 million, from the securitization and sales of $1.9 billion of residential loans.
- Amended a residential loan repurchase facility to increase the available borrowings by $250 million. The margin call provisions under this facility do not permit valuation adjustments based on capital market events and are limited to collateral-specific credit marks.

Infrastructure Lending Segment

- In January 2022, we refinanced a pool of our infrastructure loans held-for-investment through a CLO, STWD 2021-SIF2. The CLO has a contractual maturity of January 2033 and a weighted average cost of financing of SOFR + 2.11%, inclusive of the amortization of deferred issuance costs. On the closing date, the CLO issued $500.0 million of notes and preferred shares, of which $410.0 million of notes was purchased by third party investors. We retained preferred shares with a liquidation preference of $90.0 million. The CLO contains a reinvestment feature that, subject to certain eligibility criteria, allows us to contribute new loans or participation interests in loans to the CLO in exchange for cash for a period of three years.

- Acquired $231.4 million of infrastructure loans and bonds and funded $8.7 million of pre-existing infrastructure loan commitments.
- Received proceeds of $92.6 million from principal repayments on our infrastructure loans and bonds.

Investing and Servicing Segment

- Originated commercial conduit loans of $450.4 million.
- Received proceeds of $342.1 million from sales of previously originated commercial conduit loans and priced $320.1 million of previously originated commercial conduit loans in two securitizations that settled subsequent to March 31, 2022.
- Obtained six new special servicing assignments for CMBS trusts with a total unpaid principal balance of $5.8 billion, bringing our total named special servicing portfolio to $98.0 billion.
- Sold commercial real estate for gross proceeds of $34.5 million and recognized a total gain of $11.7 million.

Corporate

- Issued $500.0 million of 4.375% Senior Notes due 2027 (the “2027 Senior Notes”) and swapped the notes to a floating rate of SOFR + 2.95%.

Subsequent Events

Refer to Note 24 to the Condensed Consolidated Financial Statements for disclosure regarding significant transactions that occurred subsequent to March 31, 2022.

Results of Operations

The discussion below is based on accounting principles generally accepted in the United States of America (“GAAP”) and therefore reflects the elimination of certain key financial statement line items related to the consolidation of securitization variable interest entities (“VIEs”), particularly within revenues and other income, as discussed in Note 2 to the Condensed Consolidated Financial Statements. For a discussion of our results of operations excluding the impact of Accounting Standards Codification (“ASC”) Topic 810 as it relates to the consolidation of securitization VIEs, refer to the section captioned “Non-GAAP Financial Measures”

The following table compares our summarized results of operations for the three months ended March 31, 2022, December 31, 2021 and March 31, 2021 by business segment (amounts in thousands):

	For the Three Months Ended			$ Change	$ Change
Revenues:	**March 31, 2022**	**December 31, 2021**	**March 31, 2021**	**March 31, 2022 vs. December 31, 2021**	**March 31, 2022 vs. March 31, 2021**
Commercial and Residential Lending Segment	$ 225,180	$ 207,255	$ 190,531	$ 17,925	$ 34,649
Infrastructure Lending Segment	27,798	24,108	19,465	3,690	8,333
Property Segment	22,415	37,713	65,144	(15,298)	(42,729)
Investing and Servicing Segment	57,809	55,693	44,547	2,116	13,262
Corporate	—	—	—	—	—
Securitization VIE eliminations	(39,210)	(35,064)	(32,457)	(4,146)	(6,753)
	293,992	**289,705**	**287,230**	**4,287**	**6,762**
Costs and expenses:					
Commercial and Residential Lending Segment	78,494	83,263	56,414	(4,769)	22,080
Infrastructure Lending Segment	15,188	25,434	12,956	(10,246)	2,232
Property Segment	20,417	42,940	59,498	(22,523)	(39,081)
Investing and Servicing Segment	36,369	37,641	32,457	(1,272)	3,912
Corporate	93,488	109,742	71,647	(16,254)	21,841
Securitization VIE eliminations	(133)	(134)	(93)	1	(40)
	243,823	**298,886**	**232,879**	**(55,063)**	**10,944**
Other income (loss):					
Commercial and Residential Lending Segment	57,084	15,852	21,161	41,232	35,923
Infrastructure Lending Segment	480	1,713	95	(1,233)	385
Property Segment	251,588	7,422	4,608	244,166	246,980
Investing and Servicing Segment	20,661	59,228	18,960	(38,567)	1,701
Corporate	(37,168)	(4,661)	(6,843)	(32,507)	(30,325)
Securitization VIE eliminations	39,050	34,947	32,424	4,103	6,626
	331,695	**114,501**	**70,405**	**217,194**	**261,290**
Income (loss) before income taxes:					
Commercial and Residential Lending Segment	203,770	139,844	155,278	63,926	48,492
Infrastructure Lending Segment	13,090	387	6,604	12,703	6,486
Property Segment	253,586	2,195	10,254	251,391	243,332
Investing and Servicing Segment	42,101	77,280	31,050	(35,179)	11,051
Corporate	(130,656)	(114,403)	(78,490)	(16,253)	(52,166)
Securitization VIE eliminations	(27)	17	60	(44)	(87)
	381,864	**105,320**	**124,756**	**276,544**	**257,108**
Income tax benefit (provision)	2,450	(2,291)	(2,230)	4,741	4,680
Net income attributable to non-controlling interests	(59,715)	(11,580)	(11,148)	(48,135)	(48,567)
Net income attributable to Starwood Property Trust, Inc.	**$ 324,599**	**$ 91,449**	**$ 111,378**	**$ 233,150**	**$ 213,221**

Three Months Ended March 31, 2022 Compared to the Three Months Ended December 31, 2021

Commercial and Residential Lending Segment

Revenues

For the three months March 31, 2022, revenues of our Commercial and Residential Lending Segment increased $17.9 million to $225.2 million, compared to $207.3 million for the three months ended December 31, 2021. This increase was primarily due to an increase in interest income from loans of $12.7 million and investment securities of $4.9 million. The increase in interest income from loans reflects (i) a $9.5 million increase from commercial loans, reflecting higher average balances partially offset by the timing effect of certain loans being placed on nonaccrual and (ii) a $3.2 million increase from residential loans principally due to higher average balances reflecting the timing of purchases and securitizations. The increase in interest income from investment securities was primarily due to higher average commercial and RMBS investment balances as well as higher average yields on RMBS.

Costs and Expenses

For the three months ended March 31, 2022, costs and expenses of our Commercial and Residential Lending Segment decreased $4.8 million to $78.5 million, compared to $83.3 million for the three months ended December 31, 2021. This decrease was primarily due to a $12.7 million decrease in credit loss provision, partially offset by a $7.0 million increase in interest expense associated with the various secured financing facilities used to fund a portion of this segment's investment portfolio. The credit loss provision decreased from a provision of $9.4 million in the fourth quarter of 2021 to a reversal of $3.3 million in the first quarter of 2022. The credit loss reversal in the first quarter of 2022 was primarily due to an improvement in macroeconomic forecasts and its effect on our estimate of current expected credit losses ("CECL"). The increase in interest expense was primarily due to higher average borrowings outstanding.

Net Interest Income (amounts in thousands)

	For the Three Months Ended		
	March 31, 2022	**December 31, 2021**	**Change**
Interest income from loans	$ 202,470	$ 189,723	$ 12,747
Interest income from investment securities	20,836	15,971	4,865
Interest expense	(68,602)	(61,636)	(6,966)
Net interest income	**$ 154,704**	**$ 144,058**	**$ 10,646**

For the three months ended March 31, 2022, net interest income of our Commercial and Residential Lending Segment increased $10.6 million to $154.7 million, compared to $144.1 million for the three months ended December 31, 2021. This increase reflects the increase in interest income, partially offset by the increase in interest expense on our secured financing facilities, both as discussed in the sections above.

During the three months ended March 31, 2022 and December 31, 2021, the weighted average unlevered yields on the Commercial and Residential Lending Segment's loans and investment securities, excluding retained RMBS and loans for which interest income is not recognized, were as follows:

	For the Three Months Ended	
	March 31, 2022	**December 31, 2021**
Commercial	5.2 %	5.3 %
Residential	4.3 %	4.1 %
Overall	**5.1 %**	**5.1 %**

The weighted average unlevered yield on our commercial loans decreased slightly primarily due to repayment of loans with higher LIBOR floors being replaced by newer loans with lower floating rate floors and the timing effect of certain loans being placed on nonaccrual. The weighted average unlevered yield on our residential loans increased slightly primarily due to a change in the composition of our residential loan portfolio to include fewer agency loans which generally carry a lower coupon than non-agency loans.

During the three months ended March 31, 2022 and December 31, 2021, the Commercial and Residential Lending Segment's weighted average secured borrowing rates, inclusive of interest rate hedging costs and the amortization of deferred financing fees, were 2.4% in each period.

Other Income

For the three months ended March 31, 2022, other income of our Commercial and Residential Lending Segment increased $41.2 million to $57.1 million compared to $15.9 million for the three months ended December 31, 2021. This increase was primarily due to (i) a $104.4 million increase in net gains on derivatives and (ii) an $86.6 million gain on sale of a distribution facility previously acquired in foreclosure, both partially offset by (iii) a $106.0 million unfavorable change in fair value of residential loans, (iv) a $26.9 million increase in foreign currency loss and (v) a $14.0 million unfavorable change in fair value of investment securities, principally related to RMBS. The increase in net gains on derivatives in the first quarter of 2022 reflects a $76.5 million increased gain on interest rate swaps principally related to residential loans and a $27.9 million favorable change in gain (loss) on foreign currency hedges. The interest rate swaps are used primarily to hedge our interest rate risk on residential loans held-for-sale and to fix our interest rate payments on certain variable rate borrowings which fund fixed rate investments. The foreign currency hedges are used to fix the U.S. dollar amounts of cash flows (both interest and principal payments) we expect to receive from our foreign currency denominated loans and investments. The favorable change in gain (loss) on foreign currency hedges and the increase in foreign currency loss reflect the strengthening of the U.S. dollar against the pound sterling (“GBP”) and Euro (“EUR”), partially offset by a weakening against the Australian dollar (“AUD”), in the first quarter of 2022 compared to a lesser strengthening of the U.S. dollar against the EUR, partially offset by a weakening against the GBP and AUD, in the fourth quarter of 2021.

Infrastructure Lending Segment

Revenues

For the three months ended March 31, 2022, revenues of our Infrastructure Lending Segment increased $3.7 million to $27.8 million, compared to $24.1 million for the three months ended December 31, 2021. This was primarily due to an increase in interest income from loans of $3.5 million reflecting higher average balances and an increase in prepayment related income.

*Costs and Expense*s

For the three months ended March 31, 2022, costs and expenses of our Infrastructure Lending Segment decreased $10.2 million to $15.2 million, compared to $25.4 million for the three months ended December 31, 2021. The decrease was primarily due to an $11.7 million decrease in credit loss provision, partially offset by a $2.2 million increase in interest expense associated with the various secured financing facilities used to fund a portion of this segment’s investment portfolio. There was a $0.4 million credit loss reversal in the first quarter of 2022 compared to a provision of $11.3 million in the fourth quarter of 2021 which included a $10.1 million specific reserve for a loan which became credit deteriorated in that quarter. The increase in interest expense was primarily due to higher average borrowings outstanding.

Net Interest Income (amounts in thousands)

	For the Three Months Ended		
	March 31, 2022	**December 31, 2021**	**Change**
Interest income from loans	$ 26,983	$ 23,512	$ 3,471
Interest income from investment securities	747	531	216
Interest expense	(11,930)	(9,755)	(2,175)
Net interest income	**$ 15,800**	**$ 14,288**	**$ 1,512**

For the three months ended March 31, 2022, net interest income of our Infrastructure Lending Segment increased $1.5 million to $15.8 million, compared to $14.3 million for the three months ended December 31, 2021. The increase reflects the increase in interest income from loans, partially offset by the increase in interest expense on the secured financing facilities, both as discussed in the sections above.

During the three months ended March 31, 2022 and December 31, 2021, the weighted average unlevered yields on the Infrastructure Lending Segment’s loans and investment securities held-for-investment were 5.0% and 4.9%, respectively.

During the three months ended March 31, 2022 and December 31, 2021, the Infrastructure Lending Segment’s weighted average secured borrowing rates, inclusive of the amortization of deferred financing fees, were 2.8% and 2.7%, respectively.

Other Income

For the three months ended March 31, 2022, other income of our Infrastructure Lending Segment decreased $1.2 million to $0.5 million, compared to $1.7 million for the three months ended December 31, 2021. This decrease was primarily due to a $0.7 million decrease in earnings from an unconsolidated entity and a $0.5 million loss on extinguishment of debt in the first quarter of 2022.

Property Segment

Change in Results by Portfolio (amounts in thousands)

	$ Change from prior period				
	Revenues	Costs and expenses	Gain (loss) on derivative financial instruments	Other income (loss)	Income (loss) before income taxes
Master Lease Portfolio	$ —	$ (51)	$ —	$ —	$ 51
Medical Office Portfolio	1,235	696	11,692	—	12,231
Woodstar I Portfolio	(9,651)	(10,825)	(267)	5,141	6,048
Woodstar II Portfolio	(6,882)	(8,380)	—	—	1,498
Woodstar Fund	—	(1,466)	—	227,616	229,082
Other/Corporate	—	(2,497)	—	(16)	2,481
Total	**$ (15,298)**	**$ (22,523)**	**$ 11,425**	**$ 232,741**	**$ 251,391**

See Notes 6 and 7 to the Condensed Consolidated Financial Statements for a description of the above-referenced Property Segment portfolios and fund.

Revenues

For the three months ended March 31, 2022, revenues of our Property Segment decreased $15.3 million to $22.4 million, compared to $37.7 million for the three months ended December 31, 2021. The decrease is primarily due to the conversion of the Woodstar Portfolios to the Woodstar Fund on November 5, 2021.

Costs and Expenses

For the three months ended March 31, 2022, costs and expenses of our Property Segment decreased $22.5 million to $20.4 million, compared to $42.9 million for the three months ended December 31, 2021 primarily due to the Woodstar Fund conversion referred to above.

Other Income

For the three months ended March 31, 2022, other income of our Property Segment increased $244.2 million to $251.6 million compared to $7.4 million for the three months ended December 31, 2021. The increase is primarily due to (i) a $227.6 million increase in income attributable to investments of the Woodstar Fund, including $218.4 million of unrealized increases in fair value during the first quarter of 2022, (ii) an $11.4 million increased gain on derivatives which primarily hedge our interest rate risk on borrowings secured by our Medical Office Portfolio and (iii) the nonrecurrence of a $5.1 million loss on extinguishment of debt in the fourth quarter of 2021 related to the refinancing of certain Woodstar properties before their conversion to the Woodstar Fund.

Investing and Servicing Segment

Revenues

For the three months ended March 31, 2022, revenues of our Investing and Servicing Segment increased $2.1 million to $57.8 million, compared to $55.7 million for the three months ended December 31, 2021. The increase primarily reflects higher interest income from CMBS.

Costs and Expenses

For the three months ended March 31, 2022, costs and expenses of our Investing and Servicing Segment decreased $1.2 million to $36.4 million, compared to $37.6 million for the three months ended December 31, 2021.

Other Income

For the three months ended March 31, 2022, other income of our Investing and Servicing Segment decreased $38.5 million to $20.7 million, compared to $59.2 million for the three months ended December 31, 2021. The decrease in other income was primarily due to (i) a $40.1 million unfavorable change in fair value of CMBS investments, (ii) a $20.7 million unfavorable change in fair value of conduit loans and (iii) a $3.7 million unfavorable change in fair value of servicing rights, all partially offset by (iv) a $27.1 million increased net gain on derivatives which primarily hedge our interest rate risk on conduit loans and CMBS investments. The unfavorable change in fair value of CMBS investments was primarily due to the widening of credit spreads in the first quarter of 2022, reflecting current economic uncertainties and an inflationary environment, versus a tightening of credit spreads in the fourth quarter of 2021. The unfavorable change in fair value of conduit loans was more than offset by an increased gain on interest rate swaps which hedged those loans.

Corporate and Other Items

Corporate Costs and Expenses

For the three months ended March 31, 2022, corporate expenses decreased $16.2 million to $93.5 million, compared to $109.7 million for the three months ended December 31, 2021. This was primarily due to (i) a decrease of $21.0 million in management fees principally due to lower incentive fees attributable to nonrecurring transactions, partially offset by (ii) a $4.4 million increase in interest expense on higher average outstanding unsecured senior note balances.

Corporate Other Loss

For the three months ended March 31, 2022, corporate other loss increased $32.5 million to $37.2 million, compared to $4.7 million for the three months ended December 31, 2021. This was due to an increased loss on our fixed-to-floating interest rate swaps which hedge a portion of our unsecured senior notes.

Securitization VIE Eliminations

Securitization VIE eliminations primarily reclassify interest income and servicing fee revenues to other income (loss) for the CMBS and RMBS VIEs that we consolidate as primary beneficiary. Such eliminations have no overall effect on net income (loss) attributable to Starwood Property Trust. The reclassified revenues, along with applicable changes in fair value of investment securities and servicing rights, comprise the other income (loss) caption “Change in net assets related to consolidated VIEs,” which represents our beneficial interest in those consolidated VIEs. The magnitude of the securitization VIE eliminations is merely a function of the number of CMBS and RMBS trusts consolidated in any given period, and as such, is not a meaningful indicator of operating results. The eliminations primarily relate to CMBS trusts for which the Investing and Servicing Segment is deemed the primary beneficiary and, to a much lesser extent, some CMBS and RMBS trusts for which the Commercial and Residential Lending Segment is deemed the primary beneficiary.

Income Tax Benefit (Provision)

Our consolidated income taxes principally relate to the taxable nature of our loan servicing and loan securitization businesses which are housed in taxable REIT subsidiaries (“TRSs”). For the three months ended March 31, 2022 our income tax provision decreased $4.7 million to a benefit of $2.4 million compared to a provision of $2.3 million for the three months ended December 31, 2021 due to tax losses of our TRSs in the first quarter of 2022 compared to taxable income of our TRSs in the fourth quarter of 2021. The tax losses were primarily attributable to net unrealized losses on our residential loans during the first quarter of 2022.

Net Income Attributable to Non-controlling Interests

During the three months ended March 31, 2022, net income attributable to non-controlling interests increased $48.1 million to $59.7 million, compared to $11.6 million during the three months ended December 31, 2021. The increase was primarily due to non-controlling interests in increased earnings of the Woodstar Fund.

Three Months Ended March 31, 2022 Compared to the Three Months Ended March 31, 2021

Commercial and Residential Lending Segment

Revenues

For the three months ended March 31, 2022, revenues of our Commercial and Residential Lending Segment increased $34.7 million to $225.2 million, compared to $190.5 million for the three months ended March 31, 2021. This increase was primarily due to increases in interest income from loans of $31.9 million and investment securities of $2.5 million. The increase in interest income from loans reflects (i) a $17.2 million increase from commercial loans, reflecting higher average balances partially offset by lower prepayment related income and the timing effect of certain loans being placed on nonaccrual and (ii) a $14.7 million increase from residential loans principally due to higher average balances reflecting the timing of purchases and securitizations. The increase in interest income from investment securities was primarily due to higher commercial and RMBS average investment balances as well as higher average yields on RMBS.

Costs and Expenses

For the three months ended March 31, 2022, costs and expenses of our Commercial and Residential Lending Segment increased $22.1 million to $78.5 million, compared to $56.4 million for the three months ended March 31, 2021. This increase was primarily due to a $24.3 million increase in interest expense associated with the various secured financing facilities used to fund a portion of this segment's investment portfolio, partially offset by a $2.8 million increase in credit loss reversal. The increase in interest expense was primarily due to higher average borrowings outstanding. The increase in the credit loss reversal was primarily due to an improvement in macroeconomic forecasts during the three months ended March 31, 2022.

Net Interest Income (amounts in thousands)

	For the Three Months Ended March 31,		
	2022	2021	Change
Interest income from loans	$ 202,470	$ 170,593	$ 31,877
Interest income from investment securities	20,836	18,385	2,451
Interest expense	(68,602)	(44,295)	(24,307)
Net interest income	**$ 154,704**	**$ 144,683**	**$ 10,021**

For the three months ended March 31, 2022, net interest income of our Commercial and Residential Lending Segment increased $10.0 million to $154.7 million, compared to $144.7 million for the three months ended March 31, 2021. This increase reflects the increase in interest income, partially offset by the increase in interest expense on our secured financing facilities, both as discussed in the sections above.

During the three months ended March 31, 2022 and 2021, the weighted average unlevered yields on the Commercial and Residential Lending Segment's loans and investment securities, excluding retained RMBS and loans for which interest income is not recognized, were as follows:

	For the Three Months Ended March 31,	
	2022	2021
Commercial	5.2 %	6.0 %
Residential	4.3 %	6.1 %
Overall	**5.1 %**	**6.0 %**

The weighted average unlevered yield on our commercial loans decreased primarily due to repayment of loans with higher LIBOR floors being replaced by newer loans with lower floating rate floors, lower prepayment related income and the timing effect of certain loans being placed on nonaccrual. The unlevered yield on our residential loans decreased due to lower weighted average coupons which resulted from market spread tightening as well as a change in the composition of our residential loan portfolio to include agency loans which generally carry a lower coupon than non-agency loans.

During the three months ended March 31, 2022 and 2021, the Commercial and Residential Lending Segment's weighted average secured borrowing rates, inclusive of interest rate hedging costs and the amortization of deferred financing fees, were 2.4% and 2.6%, respectively. The decrease in borrowing rates primarily reflects decreases in weighted average spreads particularly due to increased use of lower cost CLO financing, partially offset by higher LIBOR and other applicable reference rates.

Other Income

For the three months ended March 31, 2022, other income of our Commercial and Residential Lending Segment increased $35.9 million to $57.1 million, compared to $21.2 million for the three months ended March 31, 2021. This increase primarily reflects (i) a $92.3 million increase in gains on derivatives and (ii) a $68.9 million increased gain on sale of foreclosed properties, both partially offset by (iii) a $105.5 million greater decrease in fair value of residential loans, (iv) a $15.7 million increase in foreign currency loss and (v) a $3.0 million unfavorable change in earnings (loss) from an unconsolidated residential mortgage originator. The increased gains on derivatives during the three months ended March 31, 2022 reflect an $81.7 million increased gain on interest rate swaps principally related to residential loans and a $10.6 million increased gain on foreign currency hedges. The interest rate swaps are used primarily to hedge our interest rate risk on residential loans held-for-sale and to fix our interest rate payments on certain variable rate borrowings which fund fixed rate investments. The foreign currency hedges are used to fix the U.S. dollar amounts of cash flows (both interest and principal payments) we expect to receive from our foreign currency denominated loans and investments. The increased gain on foreign currency hedges and the increase in foreign currency loss reflect the strengthening of the U.S. dollar against the GBP and EUR, partially offset by a weakening against the AUD, during the three months ended March 31, 2022 compared to a lesser overall strengthening of the U.S. dollar against the EUR and AUD, partially offset by a weakening against the GBP, during the three months ended March 31, 2021.

Infrastructure Lending Segment

Revenues

For the three months ended March 31, 2022, revenues of our Infrastructure Lending Segment increased $8.3 million to $27.8 million, compared to $19.5 million for the three months ended March 31, 2021. This was primarily due to an increase in interest income from loans of $8.2 million principally due to higher average balances and an increase in prepayment related income.

Costs and Expenses

For the three months ended March 31, 2022, costs and expenses of our Infrastructure Lending Segment increased $2.2 million to $15.2 million, compared to $13.0 million for the three months ended March 31, 2021. The increase was primarily due to (i) a $3.1 million increase in interest expense associated with the various secured financing facilities used to fund a portion of this segment's investment portfolio, partially offset by (ii) a $0.9 million favorable change in credit loss provision from a $0.6 million provision in the first quarter of 2021 to a $0.3 million reversal in the first quarter of 2022. The increase in interest expense was primarily due to higher average borrowings outstanding.

Net Interest Income (amounts in thousands)

	For the Three Months Ended March 31, 2022	For the Three Months Ended March 31, 2021	Change
Interest income from loans	$ 26,983	$ 18,808	$ 8,175
Interest income from investment securities	747	564	183
Interest expense	(11,930)	(8,841)	(3,089)
Net interest income	**$ 15,800**	**$ 10,531**	**$ 5,269**

For the three months ended March 31, 2022, net interest income of our Infrastructure Lending Segment increased $5.3 million to $15.8 million, compared to $10.5 million for the three months ended March 31, 2021. The increase reflects the increase in interest income from loans, partially offset by the increase in interest expense on the secured financing facilities, both as discussed in the sections above.

During the three months ended March 31, 2022 and 2021, the weighted average unlevered yields on the Infrastructure Lending Segment's loans and investment securities held-for-investment were 5.0% and 4.8%, respectively.

During the three months ended March 31, 2022 and 2021, the Infrastructure Lending Segment's weighted average secured borrowing rates, inclusive of the amortization of deferred financing fees, were 2.8% and 2.9%, respectively.

Other Income

For the three months ended March 31, 2022 and 2021, other income of our Infrastructure Lending Segment increased $0.4 million to $0.5 million, compared to $0.1 million for the three months ended March 31, 2021. The increase primarily reflects a $0.6 million increase in earnings from an unconsolidated entity.

Property Segment

Change in Results by Portfolio (amounts in thousands)

	$ Change from prior period				
	Revenues	Costs and expenses	Gain (loss) on derivative financial instruments	Other income (loss)	Income (loss) before income taxes
Master Lease Portfolio	$ —	$ (30)	$ —	$ —	$ 30
Medical Office Portfolio	(284)	(436)	12,943	—	13,095
Woodstar I Portfolio	(24,378)	(22,077)	(122)	—	(2,423)
Woodstar II Portfolio	(18,067)	(16,726)	—	141	(1,200)
Woodstar Fund	—	521	—	234,041	233,520
Other/Corporate	—	(333)	—	(23)	310
Total	**$ (42,729)**	**$ (39,081)**	**$ 12,821**	**$ 234,159**	**$ 243,332**

Revenues

For the three months ended March 31, 2022, revenues of our Property Segment decreased $42.7 million to $22.4 million, compared to $65.1 million for the three months ended March 31, 2021. The decrease is primarily due to the conversion of the Woodstar Portfolios to the Woodstar Fund on November 5, 2021.

Costs and Expenses

For the three months ended March 31, 2022, costs and expenses of our Property Segment decreased $39.1 million to $20.4 million, compared to $59.5 million for the three months ended March 31, 2021, primarily due to the Woodstar Fund conversion referred to above.

Other Income

For the three months ended March 31, 2022, other income of our Property Segment increased $247.0 million to $251.6 million, compared to $4.6 million for the three months ended March 31, 2021. The increase is primarily due to (i) $234.0 million of income attributable to investments of the Woodstar Fund, including $218.4 million of unrealized increases in fair value, during the first quarter of 2022 and (ii) a $12.8 million increased gain on derivatives which primarily hedge our interest rate risk on borrowings secured by our Medical Office Portfolio

Investing and Servicing Segment

Revenues

For the three months ended March 31, 2022, revenues of our Investing and Servicing Segment increased $13.3 million to $57.8 million, compared to $44.5 million for the three months ended March 31, 2021. The increase in revenues was primarily due to (i) a $9.4 million increase in interest income from CMBS investments and conduit loans, including a $6.4 million increase in interest recoveries from CMBS, (ii) a $4.6 million increase in other fee income related to the origination of certain loans contributed into CMBS transactions and (iii) a $1.6 million increase in servicing fees, all partially offset by (iv) a $2.4 million decrease in rental income principally reflecting fewer properties held.

Costs and Expenses

For the three months ended March 31, 2022, costs and expenses of our Investing and Servicing Segment increased $3.9 million to $36.4 million, compared to $32.5 million for the three months ended March 31, 2021. The increase in costs and expenses was primarily due to an increase of $5.0 million in general and administrative expenses principally reflecting increased incentive compensation due to higher securitization net income.

Other Income

For the three months ended March 31, 2022, other income of our Investing and Servicing Segment increased $1.7 million to $20.7 million, compared to $19.0 million for the three months ended March 31, 2021. The increase in other income was primarily due to (i) an $18.6 million increased gain on derivatives which primarily hedge our interest rate risk on conduit loans and CMBS investments and (ii) an $11.7 million gain on sale of an operating property, both partially offset by (iii) a $16.5 million unfavorable change in fair value of CMBS investments and (iv) a $10.8 million unfavorable change in fair value of conduit loans. The unfavorable change in fair value of conduit loans was more than offset by an increased gain on interest rate swaps which hedged those loans.

Corporate and Other Items

Corporate Costs and Expenses

For the three months ended March 31, 2022, corporate expenses increased $21.9 million to $93.5 million, compared to $71.6 million for the three months ended March 31, 2021. This increase was primarily due to increases of (i) $16.8 million in management fees, primarily reflecting higher incentive fees principally related to operating property sales and (ii) $4.7 million in interest expense on higher average outstanding term loan and unsecured senior note balances.

Corporate Other Loss

For the three months ended March 31, 2022, corporate other loss increased $30.4 million to $37.2 million, compared to $6.8 million for the three months ended March 31, 2021. This was due to an increased loss on fixed-to-floating interest rate swaps which hedge a portion of our unsecured senior notes.

Securitization VIE Eliminations

Refer to the preceding comparison of the three months ended March 31, 2022 to the three months ended December 31, 2021 for a discussion of the effect of securitization VIE eliminations.

Income Tax Benefit (Provision)

Our consolidated income taxes principally relate to the taxable nature of our loan servicing and loan securitization businesses which are housed in TRSs. For the three months ended March 31, 2022, our income tax provision decreased $4.6 million to a benefit of $2.4 million, compared to a provision of $2.2 million for the three months ended March 31, 2021 due to tax losses of our TRSs in the first quarter of 2022 compared to taxable income of our TRSs in the first quarter of 2021. The tax losses were primarily attributable to net unrealized losses on our residential loans during the first quarter of 2022.

Net Income Attributable to Non-controlling Interests

For the three months ended March 31, 2022, net income attributable to non-controlling interests increased $48.6 million to $59.7 million, compared to $11.1 million for the three months ended March 31, 2021. The increase was primarily due to non-controlling interests in earnings of the Woodstar Fund during the first quarter of 2022.

Non-GAAP Financial Measures

Distributable Earnings is a non-GAAP financial measure. We calculate Distributable Earnings as GAAP net income (loss) excluding the following:

(i) non-cash equity compensation expense;

(ii) incentive fees due under our management agreement;

(iii) depreciation and amortization of real estate and associated intangibles;

(iv) acquisition costs associated with successful acquisitions;

(v) any unrealized gains, losses or other non-cash items recorded in net income (loss) for the period, regardless of whether such items are included in other comprehensive income or loss, or in net income (loss); and

(vi) any deductions for distributions payable with respect to equity securities of subsidiaries issued in exchange for properties or interests therein.

The CECL reserve has been excluded from Distributable Earnings consistent with other unrealized gains (losses) pursuant to our existing policy for reporting Distributable Earnings. We expect to only recognize such potential credit losses in Distributable Earnings if and when such amounts are deemed nonrecoverable upon a realization event. This is generally at the time a loan is repaid, or in the case of foreclosure, when the underlying asset is sold, but non-recoverability may also be determined 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 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 common stock. 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. We also use Distributable Earnings (previously defined as "Core Earnings") to compute the incentive fee due under our management agreement.

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, taxable income, 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 weighted average diluted share count applied to Distributable Earnings for purposes of determining Distributable Earnings per share ("EPS") is computed using the GAAP diluted share count, adjusted for the following:

(i) Unvested stock awards – Currently, unvested stock awards are excluded from the denominator of GAAP EPS. The related compensation expense is also excluded from Distributable Earnings. In order to effectuate dilution from these awards in the Distributable Earnings computation, we adjust the GAAP diluted share count to include these shares.

(ii) Convertible Notes – Conversion of our Convertible Notes is an event that is contingent upon numerous factors, none of which are in our control, and is an event that may or may not occur. Consistent with the treatment of other unrealized adjustments to Distributable Earnings, we adjust the GAAP diluted share count to exclude the potential shares issuable upon conversion until a conversion occurs.

(iii) Subsidiary equity – The intent of a February 2018 amendment to our management agreement (the "Amendment") is to treat subsidiary equity in the same manner as if parent equity had been issued. The Class A Units issued in connection with the acquisition of assets in our Woodstar II Portfolio are currently excluded from our GAAP diluted share count, with the subsidiary equity represented as non-controlling interests in consolidated subsidiaries on our GAAP balance sheet. Consistent with the Amendment, we adjust GAAP diluted share count to include these subsidiary units.

The following table presents our diluted weighted average shares used in our GAAP EPS calculation reconciled to our diluted weighted average shares used in our Distributable EPS calculation (amounts in thousands):

	For the Three Months Ended		
	March 31, 2022	December 31, 2021	March 31, 2021
Diluted weighted average shares - GAAP EPS	313,329	300,784	293,231
Add: Unvested stock awards	3,695	3,852	4,484
Add: Woodstar II Class A Units	9,773	9,773	10,622
Less: Convertible Notes dilution	(9,649)	(9,649)	(9,649)
Diluted weighted average shares - Distributable EPS	317,148	304,760	298,688

The definition of Distributable Earnings allows management to make adjustments, subject to the approval of a majority of our independent directors, in situations where such adjustments are considered appropriate in order for Distributable Earnings to be calculated in a manner consistent with its definition and objective. No adjustments to the definition of Distributable Earnings became effective during the three months ended March 31, 2022.

The following table presents our summarized results of operations and reconciliation to Distributable Earnings for the three months ended March 31, 2022, by business segment (amounts in thousands, except per share data):

	Commercial and Residential Lending Segment	Infrastructure Lending Segment	Property Segment	Investing and Servicing Segment	Corporate	Total
Revenues	$ 225,180	$ 27,798	$ 22,415	$ 57,809	$ —	$ 333,202
Costs and expenses	(78,494)	(15,188)	(20,417)	(36,369)	(93,488)	(243,956)
Other income (loss)	57,084	480	251,588	20,661	(37,168)	292,645
Income (loss) before income taxes	203,770	13,090	253,586	42,101	(130,656)	381,891
Income tax benefit (provision)	5,140	4	—	(2,694)	—	2,450
Income attributable to non-controlling interests	(3)	—	(52,411)	(7,328)	—	(59,742)
Net income (loss) attributable to Starwood Property Trust, Inc.	**208,907**	**13,094**	**201,175**	**32,079**	**(130,656)**	**324,599**
Add / (Deduct):						
Non-controlling interests attributable to Woodstar II Class A Units	—	—	4,691	—	—	4,691
Non-controlling interests attributable to unrealized gains/losses	—	—	44,902	2,556	—	47,458
Non-cash equity compensation expense	2,417	297	58	1,275	6,046	10,093
Management incentive fee	—	—	—	—	28,955	28,955
Acquisition and investment pursuit costs	(298)	—	(78)	(169)	—	(545)
Depreciation and amortization	234	95	8,292	3,152	—	11,773
Interest income adjustment for securities	2,490	—	—	(1,708)	—	782
Extinguishment of debt, net	—	—	—	—	(246)	(246)
Other non-cash items	3	—	456	122	—	581
Reversal of GAAP unrealized (gains) / losses on:						
Loans	116,228	—	—	9,555	—	125,783
Credit loss reversal, net	(3,299)	(359)	—	—	—	(3,658)
Securities	2,105	—	—	9,291	—	11,396
Woodstar Fund investments	—	—	(234,041)	—	—	(234,041)
Derivatives	(121,172)	(685)	(19,170)	(29,089)	40,773	(129,343)
Foreign currency	27,254	28	(1)	—	—	27,281
(Earnings) loss from unconsolidated entities	1,340	(345)	—	(151)	—	844
Sales of properties	(86,610)	—	—	(11,858)	—	(98,468)
Recognition of Distributable realized gains / (losses) on:						
Loans	(36,208)	—	—	(10,561)	—	(46,769)
Securities	(2,768)	—	—	26	—	(2,742)
Woodstar Fund investments	—	—	15,659	—	—	15,659
Derivatives	36,893	—	(35)	24,639	—	61,497
Foreign currency	(178)	112	1	—	—	(65)
Earnings (loss) from unconsolidated entities	(1,239)	345	—	470	—	(424)
Sales of properties	84,738	—	—	177	—	84,915
Distributable Earnings (Loss)	**$ 230,837**	**$ 12,582**	**$ 21,909**	**$ 29,806**	**$ (55,128)**	**$ 240,006**
Distributable Earnings (Loss) per Weighted Average Diluted Share	**$ 0.73**	**$ 0.04**	**$ 0.07**	**$ 0.09**	**$ (0.17)**	**$ 0.76**

The following table presents our summarized results of operations and reconciliation to Distributable Earnings for the three months ended December 31, 2021, by business segment (amounts in thousands, except per share data):

	Commercial and Residential Lending Segment	Infrastructure Lending Segment	Property Segment	Investing and Servicing Segment	Corporate	Total
Revenues	$ 207,255	$ 24,108	$ 37,713	$ 55,693	$ —	$ 324,769
Costs and expenses	(83,263)	(25,434)	(42,940)	(37,641)	(109,742)	(299,020)
Other income (loss)	15,852	1,713	7,422	59,228	(4,661)	79,554
Income (loss) before income taxes	139,844	387	2,195	77,280	(114,403)	105,303
Income tax (provision) benefit	(2,087)	(32)	—	(173)	1	(2,291)
Income attributable to non-controlling interests	(4)	—	(5,439)	(6,120)	—	(11,563)
Net income (loss) attributable to Starwood Property Trust, Inc.	**137,753**	**355**	**(3,244)**	**70,987**	**(114,402)**	**91,449**
Add / (Deduct):						
Non-controlling interests attributable to Woodstar II Class A Units	—	—	4,691	—	—	4,691
Non-controlling interests attributable to unrealized gains/losses	—	—	(155)	2,680	—	2,525
Non-cash equity compensation expense	1,783	1,054	55	950	6,086	9,928
Management incentive fee	—	—	—	—	51,163	51,163
Acquisition and investment pursuit costs	(97)	—	(89)	(108)	—	(294)
Depreciation and amortization	253	91	12,021	3,779	—	16,144
Interest income adjustment for securities	895	—	—	5,896	—	6,791
Extinguishment of debt, net	—	—	—	—	(247)	(247)
Other non-cash items	2	—	110	(2,020)	2	(1,906)
Reversal of GAAP unrealized (gains) / losses on:						
Loans	10,243	—	—	(11,177)	—	(934)
Credit loss provision, net	9,397	11,301	—	—	—	20,698
Securities	(11,857)	—	—	(30,766)	—	(42,623)
Woodstar Fund investments	—	—	(6,425)	—	—	(6,425)
Derivatives	(16,690)	(429)	(7,927)	(1,514)	7,095	(19,465)
Foreign currency	346	(96)	(16)	1	—	235
(Earnings) loss from unconsolidated entities	(1,569)	(1,085)	—	(580)	—	(3,234)
Sales of properties	—	—	—	(12,487)	—	(12,487)
Recognition of Distributable realized gains / (losses) on:						
Loans	996	—	—	13,287	—	14,283
Realized credit loss	(7,050)	—	—	—	—	(7,050)
Securities	(6,138)	—	—	(3,274)	—	(9,412)
Woodstar Fund investments	—	—	7,182	—	—	7,182
Sale of interest in Woodstar Fund	—	—	196,410	—	—	196,410
Derivatives	3,718	217	(34)	503	—	4,404
Foreign currency	2,340	(91)	16	(1)	—	2,264
Earnings (loss) from unconsolidated entities	1,888	1,085	—	455	—	3,428
Sales of properties	—	—	—	7,508	—	7,508
Distributable Earnings (Loss)	**$ 126,213**	**$ 12,402**	**$ 202,595**	**$ 44,119**	**$ (50,303)**	**$ 335,026**
Distributable Earnings (Loss) per Weighted Average Diluted Share	**$ 0.41**	**$ 0.04**	**$ 0.67**	**$ 0.15**	**$ (0.17)**	**$ 1.10**

The following table presents our summarized results of operations and reconciliation to Distributable Earnings for the three months ended March 31, 2021, by business segment (amounts in thousands, except per share data):

	Commercial and Residential Lending Segment	Infrastructure Lending Segment	Property Segment	Investing and Servicing Segment	Corporate	Total
Revenues	$ 190,531	$ 19,465	$ 65,144	$ 44,547	$ —	$ 319,687
Costs and expenses	(56,414)	(12,956)	(59,498)	(32,457)	(71,647)	(232,972)
Other income (loss)	21,161	95	4,608	18,960	(6,843)	37,981
Income (loss) before income taxes	155,278	6,604	10,254	31,050	(78,490)	124,696
Income tax provision	(1,505)	(92)	—	(633)	—	(2,230)
Income attributable to non-controlling interests	(3)	—	(5,077)	(6,008)	—	(11,088)
Net income (loss) attributable to Starwood Property Trust, Inc.	**153,770**	**6,512**	**5,177**	**24,409**	**(78,490)**	**111,378**
Add / (Deduct):						
Non-controlling interests attributable to Woodstar II Class A Units	—	—	5,077	—	—	5,077
Non-controlling interests attributable to unrealized gains/losses	—	—	—	2,421	—	2,421
Non-cash equity compensation expense	1,781	300	31	881	7,317	10,310
Management incentive fee	—	—	—	—	13,123	13,123
Acquisition and investment pursuit costs	(164)	—	(89)	—	—	(253)
Depreciation and amortization	247	91	18,161	3,603	—	22,102
Interest income adjustment for securities	(1,300)	—	—	3,995	—	2,695
Extinguishment of debt, net	—	—	—	—	(246)	(246)
Income tax (provision) benefit associated with realized (gains) losses	(6,495)	—	—	405	—	(6,090)
Other non-cash items	3	—	(337)	207	415	288
Reversal of GAAP unrealized (gains) / losses on:						
Loans	10,714	—	—	(1,236)	—	9,478
Credit loss (reversal) provision, net	(529)	573	—	—	—	44
Securities	2,050	—	—	(7,170)	—	(5,120)
Derivatives	(27,171)	(745)	(6,446)	(9,719)	9,313	(34,768)
Foreign currency	11,594	49	(25)	63	—	11,681
(Earnings) loss from unconsolidated entities	(1,753)	254	—	(589)	—	(2,088)
Sales of properties	(17,693)	—	—	—	—	(17,693)
Recognition of Distributable realized gains / (losses) on:						
Loans	14,553	—	—	4,672	—	19,225
Realized credit loss	(7,757)	—	—	—	—	(7,757)
Securities	(2,861)	—	—	(645)	—	(3,506)
Derivatives	1,950	—	(35)	1,595	—	3,510
Foreign currency	4,784	(10)	25	(63)	—	4,736
Earnings (loss) from unconsolidated entities	3,218	(254)	—	964	—	3,928
Sales of properties	8,298	—	—	—	—	8,298
Distributable Earnings (Loss)	**$ 147,239**	**$ 6,770**	**$ 21,539**	**$ 23,793**	**$ (48,568)**	**$ 150,773**
Distributable Earnings (Loss) per Weighted Average Diluted Share	**$ 0.49**	**$ 0.02**	**$ 0.07**	**$ 0.08**	**$ (0.16)**	**$ 0.50**

Three Months Ended March 31, 2022 Compared to the Three Months Ended December 31, 2021

Commercial and Residential Lending Segment

The Commercial and Residential Lending Segment's Distributable Earnings increased by $104.6 million, from $126.2 million during the fourth quarter of 2021 to $230.8 million in the first quarter of 2022. After making adjustments for the calculation of Distributable Earnings, revenues were $227.7 million, costs and expenses were $79.4 million, other income was $77.4 million and income tax benefit was $5.1 million.

Revenues, consisting principally of interest income on loans, increased by $19.5 million in the first quarter of 2022, primarily due to an increase in interest income from loans of $12.7 million and investment securities of $6.5 million. The increase in interest income from loans reflects (i) a $9.5 million increase from commercial loans, reflecting higher average balances partially offset by the timing effect of certain loans being placed on nonaccrual and (ii) a $3.2 million increase from residential loans principally due to higher average balances reflecting the timing of purchases and securitizations. The increase in interest income from investment securities was primarily due to higher average commercial and RMBS investment balances as well as higher average yields on RMBS.

Costs and expenses increased by $0.4 million in the first quarter of 2022, primarily due to (i) a $7.0 million increase in interest expense associated with the various secured financing facilities used to fund a portion of this segment's investment portfolio and (ii) a $0.5 million increase in various other costs and expenses, both partially offset by (iii) the nonrecurrence of a $7.1 million commercial loan write-off in the fourth quarter of 2021.

Other income increased by $78.3 million in the first quarter of 2022, primarily due to an $84.7 million gain on sale of a distribution facility previously acquired in foreclosure, partially offset by a $7.8 million unfavorable change in residential loan sale and securitization gains (losses), net of related interest rate derivatives.

Income taxes, which principally relate to the taxable nature of this segment's residential loan securitization activities which are housed in TRSs, decreased $7.2 million from a provision of $2.1 million to a benefit of $5.1 million primarily due to tax losses of those TRSs in the first quarter of 2022 compared to taxable income of those TRSs in the fourth quarter of 2021. The tax losses were primarily attributable to net unrealized losses on our residential loans during the first quarter of 2022.

Infrastructure Lending Segment

The Infrastructure Lending Segment's Distributable Earnings increased by $0.2 million, from $12.4 million during the fourth quarter of 2021 to $12.6 million in the first quarter of 2022. After making adjustments for the calculation of Distributable Earnings, revenues were $27.8 million, costs and expenses were $15.1 million and other loss was $0.1 million.

Revenues, consisting principally of interest income on loans, increased by $3.7 million in the first quarter of 2022, primarily due to an increase in interest income from loans of $3.5 million reflecting higher average balances and an increase in prepayment related income.

Costs and expenses increased by $2.1 million in the first quarter of 2022, primarily due to an increase in interest expense reflecting higher average borrowings outstanding.

Other income decreased by $1.4 million to a slight loss in the first quarter of 2022, primarily due to a $0.7 million decrease in earnings from an unconsolidated entity and a $0.5 million loss on extinguishment of debt in the first quarter of 2022.

Property Segment

Distributable Earnings by Portfolio (amounts in thousands)

	For the Three Months Ended		
	March 31, 2022	**December 31, 2021**	**Change**
Master Lease Portfolio	$ 4,342	$ 4,291	$ 51
Medical Office Portfolio	5,656	4,917	739
Woodstar I Portfolio	—	(4,826)	4,826
Woodstar II Portfolio	—	382	(382)
Woodstar Fund, net of non-controlling interests	12,719	6,279	6,440
Sale of interest in Woodstar Fund	—	191,300	(191,300)
Other/Corporate	(808)	252	(1,060)
Distributable Earnings	**$ 21,909**	**$ 202,595**	**$ (180,686)**

The Property Segment's Distributable Earnings decreased by $180.7 million, from $202.6 million during the fourth quarter of 2021 to $21.9 million in the first quarter of 2022. After making adjustments for the calculation of Distributable Earnings, revenues were $22.9 million, costs and expenses were $12.2 million, other income was $14.0 million and the deduction of income attributable to non-controlling interests in the Woodstar Fund was $2.8 million.

Revenues decreased by $15.0 million in the first quarter of 2022, primarily due to the conversion of the Woodstar Portfolios to the Woodstar Fund on November 5, 2021.

Costs and expenses decreased by $18.8 million in the first quarter of 2022, primarily due to the Woodstar Fund conversion referred to above.

Other income decreased by $182.6 million in the first quarter of 2022, primarily due to (i) the nonrecurrence of a $196.4 million Distributable Earnings gain relating to the 20.6% sale of third party investor interests in the Woodstar Fund on November 5, 2021 (excluding $5.1 million of related professional fees included in costs and expenses for both GAAP and Distributable Earnings), partially offset by (ii) an $8.5 million increase in Distributable Earnings of the Woodstar Fund reflecting a full quarter of earnings in the first quarter of 2022 compared to a partial period in the fourth quarter of 2021 subsequent to the November 5, 2021 Woodstar Fund conversion and (iii) the nonrecurrence of a $5.1 million loss on extinguishment of debt in the fourth quarter of 2021 related to the refinancing of certain Woodstar properties before their conversion to the Woodstar Fund.

Income attributable to non-controlling interests in the Woodstar Fund increased $1.9 million in the first quarter of 2022 due to the full quarter of earnings discussed above.

Investing and Servicing Segment

The Investing and Servicing Segment's Distributable Earnings decreased by $14.3 million, from $44.1 million during the fourth quarter of 2021 to $29.8 million in the first quarter of 2022. After making adjustments for the calculation of Distributable Earnings, revenues were $56.3 million, costs and expenses were $32.2 million, other income was $13.2 million, income tax provision was $2.7 million and the deduction of income attributable to non-controlling interests was $4.8 million.

Revenues decreased by $5.6 million in the first quarter of 2022, primarily due to a $5.2 million decrease in interest income from CMBS. The treatment of CMBS interest income on a GAAP basis is complicated by our application of the ASC 810 consolidation rules. In an attempt to treat these securities similar to the trust's other investment securities, we compute distributable interest income pursuant to an effective yield methodology. In doing so, we segregate the portfolio into various categories based on the components of the bonds' cash flows and the volatility related to each of these components. We then accrete interest income on an effective yield basis using the components of cash flows that are reliably estimable. Other minor adjustments are made to reflect management's expectations for other components of the projected cash flow stream.

Costs and expenses decreased by $0.9 million in the first quarter of 2022.

Other income includes profit realized upon securitization of loans by our conduit business, gains on sales of CMBS and operating properties, gains and losses on derivatives that were either effectively terminated or novated, and earnings from unconsolidated entities. These items are typically offset by a decrease in the fair value of our domestic servicing rights intangible which reflects the expected amortization of this deteriorating asset, net of increases in fair value due to the attainment of new servicing contracts. Derivatives include instruments which hedge interest rate risk and credit risk on our conduit loans and CMBS investments. For GAAP purposes, the loans, CMBS and derivatives are accounted for at fair value, with all changes in fair value (realized or unrealized) recognized in earnings. The adjustments to Distributable Earnings outlined above are also applied to the GAAP earnings of our unconsolidated entities. Other income decreased by $5.8 million in the first quarter of 2022 primarily due to decreased net gains on sales of operating properties.

Income taxes, which principally relate to the taxable nature of this segment's loan servicing and loan securitization businesses which are housed in TRSs, increased $2.5 million due to higher taxable income of those TRSs in the first quarter of 2022.

Income attributable to non-controlling interests increased $1.3 million, primarily due to non-controlling interests related to the sale of an operating property in the first quarter of 2022.

Corporate

Corporate loss increased by $4.8 million, from $50.3 million during the fourth quarter of 2021 to $55.1 million in the first quarter of 2022, primarily due to a $4.4 million increase in interest expense on higher average outstanding unsecured senior note balances.

Three Months Ended March 31, 2022 Compared to the Three Months Ended March 31, 2021

Commercial and Residential Lending Segment

The Commercial and Residential Lending Segment's Distributable Earnings increased by $83.6 million, from $147.2 million during the first quarter of 2021 to $230.8 million in the first quarter of 2022. After making adjustments for the calculation of Distributable Earnings, revenues were $227.7 million, costs and expenses were $79.4 million, other income was $77.4 million and income tax benefit was $5.1 million.

Revenues, consisting principally of interest income on loans, increased by $38.5 million in the first quarter of 2022, primarily due to increases in interest income from loans of $31.9 million and investment securities of $6.2 million. The increase in interest income from loans reflects (i) a $17.2 million increase from commercial loans, reflecting higher average balances partially offset by lower prepayment related income and the timing effect of certain loans being placed on nonaccrual and (ii) a $14.7 million increase from residential loans principally due to higher average balances reflecting the timing of purchases and securitizations. The increase in interest income from investment securities was primarily due to higher commercial and RMBS average investment balances as well as higher average yields on RMBS.

Costs and expenses increased by $16.6 million in the first quarter of 2022, primarily due to (i) a $24.3 million increase in interest expense associated with the various secured financing facilities used to fund a portion of this segment's investment portfolio, partially offset by (ii) the nonrecurrence of a $7.8 million write-off of an unsecured commercial loan in the first quarter of 2021. The increase in interest expense was primarily due to higher average borrowings outstanding.

Other income increased by $48.6 million in the first quarter of 2022, primarily due to (i) a $76.4 million increased gain on sale of foreclosed properties, partially offset by (ii) a $19.8 million increased loss on residential loan sales and securitizations, net of related interest rate derivatives and (iii) a $4.4 million unfavorable change in Distributable Earnings (Loss) from an unconsolidated residential mortgage originator.

Income taxes, which principally relate to the taxable nature of this segment's residential loan securitization activities which are housed in TRSs, decreased $13.1 million from a provision of $8.0 million in the first quarter of 2021 to a benefit of $5.1 million in the first quarter of 2022 due to tax losses of those TRSs in the first quarter of 2022 compared to taxable income of those TRSs in the first quarter of 2021. The tax losses were primarily attributable to net unrealized losses on our residential loans during the first quarter of 2022.

Infrastructure Lending Segment

The Infrastructure Lending Segment's Distributable Earnings increased by $5.8 million, from $6.8 million in the first quarter of 2021 to $12.6 million in the first quarter of 2022. After making adjustments for the calculation of Distributable Earnings, revenues were $27.8 million, costs and expenses were $15.1 million and other loss was $0.1 million.

Revenues, consisting principally of interest income on loans, increased by $8.3 million in the first quarter of 2022, primarily due to an increase in interest income from loans of $8.2 million principally due to higher average balances outstanding and an increase in prepayment related income.

Costs and expenses increased by $3.1 million in the first quarter of 2022, primarily due to an increase in interest expense reflecting higher average borrowings outstanding.

Other loss decreased by $0.5 million in the first quarter of 2022, primarily due to a favorable change in earnings (loss) from an unconsolidated entity.

Property Segment

Distributable Earnings by Portfolio (amounts in thousands)

	For the Three Months Ended March 31,		
	2022	2021	Change
Master Lease Portfolio	$ 4,342	$ 4,312	$ 30
Medical Office Portfolio	5,656	5,513	143
Woodstar I Portfolio	—	6,338	(6,338)
Woodstar II Portfolio	—	6,100	(6,100)
Woodstar Fund, net of non-controlling interests	12,719	—	12,719
Other/Corporate	(808)	(724)	(84)
Distributable Earnings	**$ 21,909**	**$ 21,539**	**$ 370**

The Property Segment's Distributable Earnings increased by $0.4 million, from $21.5 million in the first quarter of 2021 to $21.9 million in the first quarter of 2022. After making adjustments for the calculation of Distributable Earnings, revenues were $22.9 million, costs and expenses were $12.2 million, other income was $14.0 million and the deduction of income attributable to non-controlling interests in the Woodstar Fund was $2.8 million.

Revenues decreased by $41.9 million in the first quarter of 2022, primarily due to the conversion of the Woodstar Portfolios to the Woodstar Fund on November 5, 2021.

Costs and expenses decreased by $29.3 million in the first quarter of 2022, primarily due to the Woodstar Fund conversion referred to above.

Other income increased by $15.8 million in the first quarter of 2022 primarily due to $15.6 million of Distributable Earnings (before non-controlling interests of $2.8 million) from the Woodstar Fund in the first quarter of 2022.

Investing and Servicing Segment

The Investing and Servicing Segment's Distributable Earnings increased by $6.0 million from $23.8 million during the first quarter of 2021 to $29.8 million in the first quarter of 2022. After making adjustments for the calculation of Distributable Earnings, revenues were $56.3 million, costs and expenses were $32.2 million, other income was $13.2 million, income tax provision was $2.7 million and the deduction of income attributable to non-controlling interests was $4.8 million.

Revenues increased by $7.5 million in the first quarter of 2022, primarily due to (i) a $4.6 million increase in other fee income principally related to the origination of certain loans contributed into CMBS transactions and (ii) a $3.0 million increase in interest income from conduit loans reflecting higher average balances outstanding.

Costs and expenses increased by $4.1 million in the first quarter of 2022, primarily due to an increase in general and administrative expenses reflecting increased incentive compensation principally due to higher securitization net income.

Other income increased by $6.3 million in the first quarter of 2022, primarily due to (i) a $22.3 million increase in realized gains on derivatives, principally related to conduit loans, partially offset by a $15.2 million unfavorable change in realized gains (losses) on conduit loans.

Income taxes, which principally relate to the taxable nature of this segment's loan servicing and loan securitization businesses which are housed in TRSs, increased $2.5 million due to higher taxable income of those TRSs during the first quarter of 2022.

Income attributable to non-controlling interests increased $1.2 million primarily due to non-controlling interests related to the sale of an operating property in the first quarter of 2022.

Corporate

Corporate loss increased by $6.5 million, from $48.6 million during the first quarter of 2021 to $55.1 million in the first quarter of 2022, primarily due to (i) a $5.1 million increase in interest expense on higher average outstanding term loan and unsecured senior note balances and (ii) a $2.4 million increase in base management fees, partially offset by (iii) a $1.1 million increase in realized gains on fixed-to-floating interest rate swaps which hedge a portion of our unsecured senior notes.

Liquidity and Capital Resources

Liquidity is a measure of our ability to meet our cash requirements, including ongoing commitments to repay borrowings, fund and maintain our assets and operations, make new investments where appropriate, pay dividends to our stockholders, and other general business needs. We closely monitor our liquidity position and believe that we have sufficient current liquidity and access to additional liquidity to meet our financial obligations for at least the next 12 months. Our strategy for managing liquidity and capital resources has not changed since December 31, 2021. Refer to our Form 10-K for a description of these strategies.

Sources of Liquidity

Our primary sources of liquidity are as follows:

Cash Flows for the Three Months Ended March 31, 2022 (amounts in thousands)

	GAAP	VIE Adjustments	Excluding Investing and Servicing VIEs
Net cash provided by operating activities	**$ 154,374**	**$ 4**	**$ 154,378**
Cash Flows from Investing Activities:			
Origination, purchase and funding of loans held-for-investment	(1,557,821)	—	(1,557,821)
Proceeds from principal collections and sale of loans	798,969	—	798,969
Purchase and funding of investment securities	(18,139)	(84,357)	(102,496)
Proceeds from sales and collections of investment securities	7,784	22,014	29,798
Proceeds from sales of real estate	147,334	—	147,334
Purchases and additions to properties and other assets	(6,604)	—	(6,604)
Net cash flows from other investments and assets	73,715	—	73,715
Net cash used in investing activities	**(554,762)**	**(62,343)**	**(617,105)**
Cash Flows from Financing Activities:			
Proceeds from borrowings	5,843,167	—	5,843,167
Principal repayments on and repurchases of borrowings	(5,153,638)	(101)	(5,153,739)
Payment of deferred financing costs	(21,998)	—	(21,998)
Proceeds from common stock issuances, net of offering costs	162	—	162
Payment of dividends	(146,709)	—	(146,709)
Contributions from non-controlling interests	4,690	—	4,690
Distributions to non-controlling interests	(10,718)	—	(10,718)
Repayment of debt of consolidated VIEs	(84,460)	84,460	—
Distributions of cash from consolidated VIEs	22,014	(22,014)	—
Net cash provided by financing activities	**452,510**	**62,345**	**514,855**
Net increase in cash, cash equivalents and restricted cash	52,122	6	52,128
Cash, cash equivalents and restricted cash, beginning of period	321,914	(590)	321,324
Effect of exchange rate changes on cash	(262)	—	(262)
Cash, cash equivalents and restricted cash, end of period	**$ 373,774**	**$ (584)**	**$ 373,190**

The discussion below is on a non-GAAP basis, after removing adjustments principally resulting from the consolidation of the securitization VIEs under ASC 810. These adjustments principally relate to (i) the purchase of CMBS, RMBS, loans and real estate from consolidated VIEs, which are reflected as repayments of VIE debt on a GAAP basis and (ii) sales, principal collections and redemptions of CMBS and RMBS related to consolidated VIEs, which are reflected as VIE distributions on a GAAP basis. There is no significant net impact to overall cash resulting from these consolidations. Refer to Note 2 to the Condensed Consolidated Financial Statements for further discussion.

Cash and cash equivalents increased by $52.1 million during the three months ended March 31, 2022, reflecting net cash provided by financing activities of $514.9 million and net cash provided by operating activities of $154.4 million, partially offset by net cash used in investing activities of $617.1 million.

Net cash provided by operating activities of $154.4 million during the three months ended March 31, 2022 related primarily to cash interest income of $176.4 million from our loans and $50.2 million from our investment securities, and sales and principal collections, net of originations and purchases, of loans held-for-sale of $72.1 million. Net rental income provided cash of $22.7 million and servicing fees provided cash of $12.3 million. Offsetting these cash outflows was cash interest expense of $102.3 million, general and administrative expenses of $27.0 million, management fees of $46.0 million and a net change in operating assets and liabilities of $15.3 million.

Net cash used in investing activities of $617.1 million for the three months ended March 31, 2022 related primarily to the origination and acquisition of loans held-for-investment of $1.6 billion and the purchase and funding of investment securities of $102.5 million, partially offset by proceeds received from principal collections and sales of loans of $799.0 million and investment securities of $29.8 million and sales of operating properties for $147.3 million.

Net cash provided by financing activities of $514.9 million for the three months ended March 31, 2022 related primarily to borrowings on our debt, net of repayments and deferred loan costs, of $667.4 million, partially offset by dividend distributions of $146.7 million.

Our Investment Portfolio

The following is a review of our investment portfolio by segment.

Commercial and Residential Lending Segment

The following table sets forth the amount of each category of investments we owned across various property types within our Commercial and Residential Lending Segment as of March 31, 2022 and December 31, 2021 (dollars in thousands):

	Face Amount	Carrying Value	Asset Specific Financing	Net Investment	Unlevered Return on Asset (6)
March 31, 2022					
First mortgages (1)	$ 13,674,735	$ 13,586,767	$ 9,362,989	$ 4,223,778	5.1 %
Subordinated mortgages (2)	72,399	70,934	—	70,934	11.9 %
Mezzanine loans (1)	422,752	424,835	—	424,835	11.6 %
Residential loans, fair value option	57,792	55,621	30,754	24,867	6.0 % (5)
Other loans	18,599	17,138	—	17,138	13.3 %
Loans held-for-sale, fair value option, residential	2,331,997	2,299,153	1,584,841	714,312	4.3 % (5)
RMBS, available-for-sale	215,224	134,406	90,579	43,827	12.4 %
RMBS, fair value option	179,896	311,292 (3)	47,941	263,351	12.7 %
CMBS, fair value option	102,900	98,242 (3)	49,798	48,444	5.2 %
HTM debt securities (4)	650,209	652,508	113,143	539,365	6.7 %
Credit loss allowance	—	(48,379)	—	(48,379)	
Equity security	12,004	11,619	—	11,619	
Investments in unconsolidated entities	N/A	43,349	—	43,349	
Properties, net	N/A	104,901	—	104,901	
	$ 17,738,507	$ 17,762,386	$ 11,280,045	$ 6,482,341	
December 31, 2021					
First mortgages (1)	$ 13,057,621	$ 12,981,196	$ 9,116,486	$ 3,864,710	5.2 %
Subordinated mortgages (2)	72,371	70,771	—	70,771	11.8 %
Mezzanine loans (1)	415,155	417,504	—	417,504	10.9 %
Residential loans, fair value option	60,133	59,225	36,934	22,291	6.0 % (5)
Other loans	19,029	17,424	—	17,424	13.3 %
Loans held-for-sale, fair value option, residential	2,525,910	2,590,005	1,808,372	781,633	4.2 % (5)
RMBS, available-for-sale	221,806	143,980	97,354	46,626	11.8 %
RMBS, fair value option	127,437	250,424 (3)	37,213	213,211	12.6 %
CMBS, fair value option	102,900	98,211 (3)	49,798	48,413	5.2 %
HTM debt securities (4)	655,557	656,915	113,143	543,772	6.7 %
Credit loss allowance	—	(52,302)	—	(52,302)	
Equity security	12,366	11,624	—	11,624	
Investments in unconsolidated entities	N/A	44,938	—	44,938	
Properties, net	N/A	124,503	49,483	75,020	
	$ 17,270,285	$ 17,414,418	$ 11,308,783	$ 6,105,635	

(1) First mortgages include first mortgage loans and any contiguous mezzanine loan components because as a whole, the expected credit quality of these loans is more similar to that of a first mortgage loan. The application of this methodology resulted in mezzanine loans with carrying values of $1.3 billion and $1.4 billion being classified as first mortgages as of March 31, 2022 and December 31, 2021, respectively.

(2) Subordinated mortgages include B-Notes and junior participation in first mortgages where we do not own the senior A-Note or senior participation. If we own both the A-Note and B-Note, we categorize the loan as a first mortgage loan.

(3) Eliminated in consolidation against VIE liabilities pursuant to ASC 810.

(4) CMBS held-to-maturity ("HTM") and mandatorily redeemable preferred equity interests in commercial real estate entities.

(5) Represents the weighted average coupon of residential mortgage loans.

(6) Excludes loans for which interest income is not recognized.

As of March 31, 2022 and December 31, 2021, our Commercial and Residential Lending Segment's investment portfolio, excluding residential loans, RMBS, properties and other investments, had the following characteristics based on carrying values:

Collateral Property Type	March 31, 2022	December 31, 2021
Multifamily	31.8 %	27.3 %
Office	26.6 %	29.5 %
Hotel	16.9 %	19.0 %
Mixed Use	11.1 %	11.5 %
Industrial	5.9 %	5.6 %
Residential	2.5 %	1.6 %
Retail	1.8 %	2.1 %
Other	3.4 %	3.4 %
	100.0 %	100.0 %

Geographic Location	March 31, 2022	December 31, 2021
U.S. Regions:		
North East	19.0 %	20.0 %
West	13.9 %	15.1 %
South West	16.1 %	13.0 %
South East	13.7 %	12.9 %
Mid Atlantic	10.0 %	10.8 %
Midwest	3.0 %	3.4 %
International:		
United Kingdom	15.2 %	15.8 %
Other Europe	5.0 %	5.1 %
Bahamas/Bermuda	2.0 %	2.1 %
Australia	2.1 %	1.8 %
	100.0 %	100.0 %

Infrastructure Lending Segment

The following table sets forth the amount of each category of investments we owned within our Infrastructure Lending Segment as of March 31, 2022 and December 31, 2021 (dollars in thousands):

	Face Amount	Carrying Value	Asset Specific Financing	Net Investment	Unlevered Return on Asset
March 31, 2022					
First priority infrastructure loans and HTM securities	$ 2,243,207	$ 2,208,582	$ 1,736,500	$ 472,082	5.3 %
Credit loss allowance	—	(23,266)	—	(23,266)	
Investments in unconsolidated entities	—	27,061	—	27,061	
	$ 2,243,207	$ 2,212,377	$ 1,736,500	$ 475,877	
December 31, 2021					
First priority infrastructure loans and HTM securities	$ 2,116,836	$ 2,082,927	$ 1,630,866	$ 452,061	5.1 %
Credit loss allowance	—	(23,578)	—	(23,578)	
Investments in unconsolidated entities	—	26,255	—	26,255	
	$ 2,116,836	$ 2,085,604	$ 1,630,866	$ 454,738	

As of March 31, 2022 and December 31, 2021, our Infrastructure Lending Segment's investment portfolio had the following characteristics based on carrying values:

Collateral Type	March 31, 2022	December 31, 2021
Natural gas power	63.0 %	61.0 %
Midstream/downstream oil & gas	33.8 %	33.2 %
Renewable power	1.7 %	1.8 %
Other thermal power	1.5 %	4.0 %
	100.0 %	100.0 %

Geographic Location	March 31, 2022	December 31, 2021
U.S. Regions:		
North East	41.4 %	41.5 %
Midwest	19.6 %	18.9 %
South West	19.6 %	19.5 %
South East	8.3 %	8.8 %
West	4.4 %	4.3 %
Mid-Atlantic	1.4 %	1.6 %
Other	2.2 %	2.1 %
International:		
Mexico	1.9 %	2.0 %
Other	1.2 %	1.3 %
	100.0 %	100.0 %

Property Segment

The following table sets forth the amount of each category of investments held within our Property Segment as of March 31, 2022 and December 31, 2021 (amounts in thousands):

	March 31, 2022	December 31, 2021
Properties, net	$ 880,392	$ 887,553
Lease intangibles, net	31,908	33,151
Woodstar Fund	1,264,160	1,040,309
	$ 2,176,460	$ 1,961,013

The following table sets forth our net investment and other information regarding the Property Segment's properties and lease intangibles as of March 31, 2022 (dollars in thousands):

	Carrying Value	Asset Specific Financing	Net Investment	Occupancy Rate	Weighted Average Remaining Lease Term
Office—Medical Office Portfolio	$ 762,587	$ 594,852	$ 167,735	91.6 %	5.8 years
Retail—Master Lease Portfolio	343,790	193,125	150,665	100.0 %	20.1 years
Subtotal—undepreciated carrying value	1,106,377	787,977	318,400		
Accumulated depreciation and amortization	(194,077)	—	(194,077)		
Net carrying value	$ 912,300	$ 787,977	$ 124,323		

As of March 31, 2022 and December 31, 2021, our Property Segment's investment portfolio had the following geographic characteristics based on carrying values:

Geographic Location	March 31, 2022	December 31, 2021
South East	62.3 %	62.3 %
South West	10.3 %	10.3 %
Midwest	10.0 %	10.0 %
North East	9.5 %	9.5 %
West	7.9 %	7.9 %
	100.0 %	100.0 %

Investing and Servicing Segment

The following table sets forth the amount of each category of investments we owned within our Investing and Servicing Segment as of March 31, 2022 and December 31, 2021 (amounts in thousands):

	Face Amount	Carrying Value		Asset Specific Financing		Net Investment
March 31, 2022						
CMBS, fair value option	$ 2,652,603	$ 1,155,469	(1)	$ 376,555	(2)	$ 778,914
Intangible assets - servicing rights	N/A	58,682	(3)	—		58,682
Lease intangibles, net	N/A	10,221		—		10,221
Loans held-for-sale, fair value option, commercial	392,505	385,359		259,299		126,060
Loans held-for-investment	9,823	9,823		—		9,823
Investments in unconsolidated entities	N/A	33,878	(4)	—		33,878
Properties, net	N/A	137,064		138,606		(1,542)
	$ 3,054,931	$ 1,790,496		$ 774,460		$ 1,016,036
December 31, 2021						
CMBS, fair value option	$ 2,694,413	$ 1,165,395	(1)	$ 380,004	(2)	$ 785,391
Intangible assets - servicing rights	N/A	58,899	(3)	—		58,899
Lease intangibles, net	N/A	11,342		—		11,342
Loans held-for-sale, fair value option, commercial	289,761	286,795		173,430		113,365
Loans held-for-investment	9,903	9,903		—		9,903
Investments in unconsolidated entities	N/A	34,160	(4)	—		34,160
Properties, net	N/A	154,331		160,803		(6,472)
	$ 2,994,077	$ 1,720,825		$ 714,237		$ 1,006,588

(1) Includes $1.13 billion and $1.14 billion of CMBS eliminated in consolidation against VIE liabilities pursuant to ASC 810 as of March 31, 2022 and December 31, 2021. Also includes $190.6 million and $182.6 million of non-controlling interests in the consolidated entities which hold certain of these CMBS as of March 31, 2022 and December 31, 2021, respectively.

(2) Includes $38.8 million and $35.8 million of non-controlling interests in the consolidated entities which hold certain debt balances as of March 31, 2022 and December 31, 2021, respectively.

(3) Includes $40.8 million and $42.1 million of servicing rights intangibles eliminated in consolidation against VIE assets pursuant to ASC 810 as of March 31, 2022 and December 31, 2021, respectively.

(4) Includes $15.0 million and $15.3 million of investments in unconsolidated entities eliminated in consolidation against VIE assets pursuant to ASC 810 as of March 31, 2022 and December 31, 2021, respectively.

Our REIS Equity Portfolio, as described in Note 6 to the Condensed Consolidated Financial Statements, had the following characteristics based on carrying values of $132.5 million and $150.9 million as of March 31, 2022 and December 31, 2021, respectively:

Property Type	March 31, 2022	December 31, 2021
Retail	44.1 %	37.9 %
Office	28.0 %	37.4 %
Mixed Use	10.3 %	9.0 %
Self-storage	9.0 %	8.0 %
Multifamily	6.1 %	5.4 %
Hotel	2.5 %	2.3 %
	100.0 %	100.0 %

Geographic Location	March 31, 2022	December 31, 2021
North East	35.6 %	31.8 %
South East	8.0 %	18.9 %
South West	7.5 %	6.6 %
West	20.3 %	18.1 %
Mid Atlantic	17.4 %	14.5 %
Midwest	11.2 %	10.1 %
	100.0 %	100.0 %

New Credit Facilities and Amendments

Refer to Note 10 of our Condensed Consolidated Financial Statements for a detailed discussion of new credit facilities and amendments to existing credit facilities executed since December 31, 2021.

Secured Borrowings

The following table is a summary of our secured borrowings as of March 31, 2022 (dollars in thousands):

	Current Maturity	Extended Maturity (a)	Weighted Average Pricing	Pledged Asset Carrying Value	Maximum Facility Size	Outstanding Balance	Approved but Undrawn Capacity (b)	Unallocated Financing Amount (c)
Repurchase Agreements:								
Commercial Loans	Aug 2022 to Jul 2026 (d)	Jun 2025 to Dec 2030 (d)	Index + 1.98% (e)	$ 9,013,669	$ 11,572,553 (f)	$ 6,121,160	$ 549,422	$ 4,901,971
Residential Loans	Feb 2023 to Dec 2023	N/A	Index + 1.93%	1,965,289	2,850,000	1,594,785	15,089	1,240,126
Infrastructure Loans	Sep 2024	Sep 2026	LIBOR + 2.00%	310,044	650,000	256,044	—	393,956
Conduit Loans	Feb 2023 to Jun 2024	Feb 2024 to Jun 2025	Index + 2.04%	333,827	650,000	260,177	—	389,823
CMBS/RMBS	Dec 2022 to May 2031 (g)	Mar 2023 to Nov 2031 (g)	(h)	1,213,883	827,204	688,316 (i)	—	138,888
Total Repurchase Agreements				12,836,712	16,549,757	8,920,482	564,511	7,064,764
Other Secured Financing:								
Borrowing Base Facility	Nov 2024	Oct 2026	SOFR + 2.11%	193,173	750,000 (j)	100,742	43,890	605,368
Commercial Financing Facilities	Dec 2023 to Jan 2025	Jan 2027 to Dec 2030	Index + 1.66%	255,131	241,981	207,051	—	34,930
Residential Financing Facility	Mar 2024	Mar 2027	2.45%	386,635	500,000	22,948	294,067	182,985
Infrastructure Financing Facilities	Jul 2022 to Oct 2022	Oct 2024 to Jul 2027	Index + 2.03%	820,121	1,250,000	653,312	—	596,688
Property Mortgages - Fixed rate	Nov 2024 to Sep 2029 (k)	N/A	4.35%	387,022	272,321	272,321	—	—
Property Mortgages - Variable rate	Nov 2022 to Dec 2025	N/A	(l)	655,967	654,900	640,541	—	14,359
Term Loan and Revolver	(m)	N/A	(m)	N/A (m)	936,756	786,756	150,000	—
STWD 2022-FL3 CLO	Nov 2038	N/A	SOFR + 1.64%	1,011,426	842,500	842,500	—	—
STWD 2021-HTS SASB	Apr 2034	N/A	LIBOR + 2.22%	230,609	210,091	210,091	—	—
STWD 2021-FL2 CLO	Apr 2038	N/A	LIBOR + 1.50%	1,280,262	1,077,375	1,077,375	—	—
STWD 2019-FL1 CLO	Jul 2038	N/A	SOFR + 1.36%	1,031,438	865,225	865,225	—	—
STWD 2021-SIF2 CLO	Jan 2033	N/A	SOFR + 1.89%	504,479	410,000	410,000	—	—
STWD 2021-SIF1 CLO	Apr 2032	N/A	LIBOR + 1.80%	506,443	410,000	410,000	—	—
Total Other Secured Financing				7,262,706	8,421,149	6,498,862	487,957	1,434,330
				$ 20,099,418	$ 24,970,906	$ 15,419,344	$ 1,052,468	$ 8,499,094
Unamortized net discount						(3,989)		
Unamortized deferred financing costs						(85,889)		
						$ 15,329,466		

(a) Subject to certain conditions as defined in the respective facility agreement.

(b) Approved but undrawn capacity represents the total draw amount that has been approved by the lenders related to those assets that have been pledged as collateral, less the drawn amount.

(c) Unallocated financing amount represents the maximum facility size less the total draw capacity that has been approved by the lenders.

(d) For certain facilities, borrowings collateralized by loans existing at maturity may remain outstanding until such loan collateral matures, subject to certain specified conditions.

(e) Certain facilities with an outstanding balance of $2.1 billion as of March 31, 2022 are indexed to GBP LIBOR, EURIBOR, BBSY and SONIA. The remainder are indexed to USD LIBOR and SOFR.

(f) Certain facilities with an aggregate initial maximum facility size of $10.7 billion may be increased to $11.6 billion, subject to certain conditions. The $11.6 billion amount includes such upsizes.

(g) Certain facilities with an outstanding balance of $284.1 million as of March 31, 2022 carry a rolling 11-month or 12-month term which may reset monthly or quarterly with the lender's consent. These facilities carry no maximum facility size.

(h) A facility with an outstanding balance of $240.5 million as of March 31, 2022 has a weighted average fixed annual interest rate of 3.20%. All other facilities are variable rate with a weighted average rate of Index + 1.89%.

(i) Includes: (i) $240.5 million outstanding on a repurchase facility that is not subject to margin calls; and (ii) $38.8 million outstanding on one of our repurchase facilities that represents the 49% pro rata share owed by a non-controlling partner in a consolidated joint venture (see Note 15 to the Condensed Consolidated Financial Statements).

(j) The maximum facility size as of March 31, 2022 of $650.0 million is scheduled to decline to $450.0 million as of December 31, 2022 and may be increased to $750.0 million, subject to certain conditions.

(k) The weighted average maturity is 5.3 years as of March 31, 2022.

(l) Includes a $600.0 million first mortgage and mezzanine loan secured by our Medical Office Portfolio. This debt has a weighted average interest rate of LIBOR + 2.07% that we swapped to a fixed rate of 3.34%. The remainder have a weighted average rate of Index + 2.35%.

(m) Consists of: (i) a $786.8 million term loan facility that matures in July 2026, of which $390.0 million has an annual interest rate of LIBOR + 2.50% and $396.8 million has an annual interest rate of LIBOR + 3.25%, subject to a 0.75% LIBOR floor, and (ii) a $150.0 million revolving credit facility that matures in April 2026 with an annual interest rate of SOFR + 2.50%. These facilities are secured by the equity interests in certain of our subsidiaries which totaled $4.8 billion as of March 31, 2022.

The above table no longer reflects property mortgages of the Woodstar Portfolios which, as discussed in Notes 2 and 7 to the Condensed Consolidated Financial Statements, are now reflected within “Investments of consolidated affordable housing fund” on our condensed consolidated balance sheets.

Refer to Note 10 to the Condensed Consolidated Financial Statements for further disclosure regarding the terms of our secured financing arrangements.

Variance between Average and Quarter-End Credit Facility Borrowings Outstanding

The following table compares the average amount outstanding under our secured financing agreements during each quarter and the amount outstanding as of the end of each quarter, together with an explanation of significant variances (amounts in thousands):

Quarter Ended	Quarter-End Balance	Weighted-Average Balance During Quarter	Variance	Explanations for Significant Variances
December 31, 2021	15,288,261	14,428,687	859,574	(a)
March 31, 2022	15,419,344	15,645,668	(226,324)	(b)

(a) Variance primarily due to (i) late quarter draws on commercial, residential and infrastructure loan facilities given the majority of the quarter’s loan closings were back-ended to the last half of the quarter; offset by (ii) the accounting for the Woodstar Fund, which requires property level debt to be presented net within investments of consolidated affordable housing fund.

(b) Variance primarily due to sales and securitizations that occurred late in the quarter.

Borrowings under Unsecured Senior Notes

During the three months ended March 31, 2022 and 2021, the weighted average effective borrowing rate on our unsecured senior notes was 4.8% and 5.4%, respectively. The effective borrowing rate includes the effects of underwriter purchase discount.

Refer to Note 11 to the Condensed Consolidated Financial Statements for further disclosure regarding the terms of our unsecured senior notes.

Scheduled Principal Repayments on Investments and Overhang on Financing Facilities

The following scheduled and/or projected principal repayments on our investments were based on amounts outstanding and extended contractual maturities of those investments as of March 31, 2022. The projected and/or required repayments of financing were based on the earlier of (i) the extended contractual maturity of each credit facility or (ii) the extended contractual maturity of each of the investments that have been pledged as collateral under the respective credit facility (amounts in thousands):

	Scheduled Principal Repayments on Loans and HTM Securities	Scheduled/Projected Principal Repayments on RMBS and CMBS	Projected/Required Repayments of Financing	Scheduled Principal Inflows Net of Financing Outflows
Second Quarter 2022	$ 239,451	$ 5,342	$ (217,479)	$ 27,314
Third Quarter 2022	273,047	14,948	(114,734)	173,261
Fourth Quarter 2022	937,200	14,983	(484,778)	467,405
First Quarter 2023	286,002	9,764	(1,254,527)	(958,761) (1)
Total	$ 1,735,700	$ 45,037	$ (2,071,518)	$ (290,781)

(1) Shortfall primarily relates to: (i) $799.1 million of repayments under a Residential Loans repurchase facility that carries a one-year term which we can extend every three months with the lender's consent, and (ii) $270.7 million of repayments under a securities facility which carries a rolling 12-month term that we have historically extended, and intend to continue to extend with lender's consent.

In the normal course of business, the Company is in discussions with its lenders to extend, amend or replace any financing facilities which contain near term expirations.

Issuances of Equity Securities

We may raise funds through capital market transactions by issuing capital stock. There can be no assurance, however, that we will be able to access the capital markets at any particular time or on any particular terms. We have authorized 100,000,000 shares of preferred stock and 500,000,000 shares of common stock. At March 31, 2022, we had 100,000,000 shares of preferred stock available for issuance and 193,087,695 shares of common stock available for issuance.

Other Potential Sources of Financing

In the future, we may also use other sources of financing to fund the acquisition of our target assets and maturities of our unsecured senior notes, including other secured as well as unsecured forms of borrowing and sale of senior loan interests and other assets.

Leverage Policies

Our strategies with regards to use of leverage have not changed significantly since December 31, 2021. Refer to our Form 10-K for a description of our strategies regarding use of leverage.

Cash Requirements

Dividends

U.S. federal income tax law generally requires that a REIT distribute annually at least 90% of its REIT taxable income, without regard to the deduction for dividends paid and excluding net capital gains, and that it pay tax at regular corporate rates to the extent that it annually distributes less than 100% of its net taxable income. We generally intend to distribute substantially all of our taxable income (which does not necessarily equal our GAAP net income) to our stockholders each year, if and to the extent authorized by our board of directors. Before we pay any dividend, whether for U.S. federal income tax purposes or otherwise, we must first meet both our operating and debt service requirements. If our cash available for distribution is less than our net taxable income, we could be required to sell assets or borrow funds to make cash distributions or we may make a portion of the required distribution in the form of a taxable stock distribution or distribution of debt securities. Refer to our Form 10-K for a detailed dividend history.

The Company's board of directors declared the following dividends during the three months ended March 31, 2022:

Declaration Date	Record Date	Payment Date	Amount	Frequency
3/14/22	3/31/22	4/15/22	$ 0.48	Quarterly

Contractual Obligations and Commitments

Our material contractual obligations and commitments as of March 31, 2022 are as follows (amounts in thousands):

	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Secured financings (a)	$ 11,604,153	$ 1,162,405	$ 2,065,825	$ 6,413,846	$ 1,962,077
CLOs and SASB (b)	3,815,191	288,775	1,132,769	2,280,292	113,355
Unsecured senior notes	2,350,000	—	1,450,000	900,000	—
Future loan commitments:					
Commercial Lending (c)	2,835,054	1,769,208	930,186	135,660	—
Residential Lending (d)	1,156,730	1,156,730	—	—	—
Infrastructure Lending (e)	167,729	166,929	800	—	—

(a) Represents the contractual maturity of the respective credit facility, inclusive of available extension options. If investments that have been pledged as collateral repay earlier than the contractual maturity of the debt, the related portion of the debt would likewise require earlier repayment. Refer to Note 10 to the Consolidated Financial Statements for the expected maturities by year.

(b) Represents the fully extended maturity of the underlying collateral.

(c) Excludes $297.2 million of loan funding commitments in which management projects the Company will not be obligated to fund in the future due to repayments made by the borrower earlier than, or in excess of, expectations.

(d) Represents outstanding residential loan purchase commitments.

(e) Represents contractual commitments of $135.1 million under revolvers and letters of credit, $12.1 million under delayed draw term loans and $20.6 million of outstanding infrastructure loan purchase commitments.

The table above does not include interest payable, amounts due under our management agreement, amounts due under our derivative agreements or amounts due under guarantees as those contracts do not have fixed and determinable payments.

Our secured financings, CLOs and SASB consist primarily of matched-term funding for our loans and investment securities and long-term mortgages on our owned properties. Repayments of such facilities are generally made from proceeds from maturities, prepayments or sales of such investments and operating cash flows from owned properties. In the normal course of business, we are in discussions with our lenders to extend, amend or replace any financing facilities which contain near term expirations.

Our unsecured senior notes are expected to be repaid from a combination of available cash on hand, approved but undrawn capacity under our secured financing agreements, and/or equity issuances or other potential sources of financing, as discussed above, including issuances of new unsecured senior notes.

Our future loan commitments are expected to be primarily matched-term funded under secured financing agreements with any difference funded from available cash on hand or other potential sources of financing discussed above.

Critical Accounting Estimates

Refer to the section of our Form 10-K entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates" for a full discussion of our critical accounting estimates. Our critical accounting estimates have not materially changed since December 31, 2021.

Recent Accounting Developments

Refer to Note 2 to the Condensed Consolidated Financial Statements for a discussion of recent accounting developments and the expected impact to the Company.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We seek to manage our risks related to the credit quality of our assets, interest rates, liquidity, prepayment speeds and market value while, at the same time, seeking to provide an opportunity to stockholders to realize attractive risk-adjusted returns through ownership of our capital stock. While we do not seek to avoid risk completely, we believe the risk can be quantified from historical experience and seek to actively manage that risk, to earn sufficient compensation to justify taking those risks and to maintain capital levels consistent with the risks we undertake. Our strategies for managing risk and our exposure to such risks, as described in Item 7A of our Form 10-K, have not changed materially since December 31, 2021 except as described below.

Credit Risk

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

We seek to further manage credit risk associated with our Investing and Servicing Segment loans held-for-sale through the purchase of credit instruments. The following table presents our credit instruments as of March 31, 2022 and December 31, 2021 (dollars in thousands):

	Face Value of Loans Held-for-Sale	Aggregate Notional Value of Credit Instruments	Number of Credit Instruments
March 31, 2022	$ 72,425	$ 84,000	4
December 31, 2021	$ 289,761	$ 49,000	3

Interest Rate Risk

Interest rates are highly sensitive to many factors, including fiscal and monetary policies and domestic and international economic and political considerations, as well as other factors beyond our control. We are subject to interest rate risk in connection with our investments and the related financing obligations. In general, we seek to match the interest rate characteristics of our investments with the interest rate characteristics of any related financing obligations such as repurchase agreements, bank credit facilities, term loans, revolving facilities and securitizations. In instances where the interest rate characteristics of an investment and the related financing obligation are not matched, we mitigate such interest rate risk through the utilization of interest rate derivatives of the same duration. The following table presents financial instruments where we have utilized interest rate derivatives to hedge interest rate risk and the related interest rate derivatives as of March 31, 2022 and December 31, 2021 (dollars in thousands):

	Face Value of Hedged Instruments	Aggregate Notional Value of Credit Instruments	Number of Credit Instruments
Instrument hedged as of March 31, 2022			
Loans held-for-sale	$ 2,404,422	$ 2,066,900	37
RMBS, available-for-sale	215,224	85,000	2
CMBS, fair value option	76,590	71,000	2
HTM debt securities	13,759	13,759	1
Secured financing agreements	705,216	1,422,675	10
Unsecured senior notes	1,000,000	970,000	2
	$ 4,415,211	$ 4,629,334	54
Instrument hedged as of December 31, 2021			
Loans held-for-sale	$ 2,815,671	$ 2,135,800	62
RMBS, available-for-sale	221,806	85,000	2
CMBS, fair value option	79,651	71,000	2
HTM debt securities	14,283	14,283	1
Secured financing agreements	754,620	1,425,396	10
Unsecured senior notes	500,000	470,000	1
	$ 4,386,031	$ 4,201,479	78

The following table summarizes the estimated annual change in net investment income for our variable rate investments and our variable rate debt assuming increases or decreases in LIBOR or other applicable index rates and adjusted for the effects of our interest rate hedging activities (amounts in thousands):

Income (Expense) Subject to Interest Rate Sensitivity	Variable rate investments and indebtedness (1)	0.5% Increase	1.0% Increase	1.50% Increase	2.0% Increase
Investment income from variable rate investments	$ 16,349,800	$ 60,598	$ 129,999	$ 205,407	$ 285,571
Interest expense from variable rate debt, net of interest rate derivatives	(12,018,188)	(61,186)	(124,618)	(188,160)	(251,597)
Net investment income from variable rate instruments	$ 4,331,612	$ (588)	$ 5,381	$ 17,247	$ 33,974

(1) Includes the notional value of interest rate derivatives.

LIBOR Transition Risk

The United Kingdom's Financial Conduct Authority (the authority that regulates LIBOR) stopped compelling banks to submit rates for the calculation of LIBOR and the LIBOR administrator ceased publication of non-U.S. dollar LIBOR after December 31, 2021. However, for U.S. dollar LIBOR, the relevant date has been deferred to June 30, 2023. Regulators emphasized that, despite any continued publication of U.S. dollar LIBOR through June 30, 2023, no new contracts using U.S. dollar LIBOR should be entered into after December 31, 2021. As indicated in the *Interest Rate Risk* section above, a substantial portion of our loans, investment securities, borrowings and interest rate derivatives are indexed to LIBOR or similar reference rates. Our U.S. dollar LIBOR-based loan agreements and borrowing arrangements generally specify alternative reference rates such as the prime rate, federal funds rate or secured overnight financing rate ("SOFR"). Our foreign denominated loan agreements and borrowing arrangements now generally specify the sterling overnight index average ("SONIA") instead of GBP LIBOR and the bank bill swap rate ("BBSW" or "BBSY") instead of AUD LIBOR.

As of March 31, 2022, daily compounded SONIA is utilized as the floating benchmark rate on $2.2 billion of our loans and $1.7 billion of our debt outstanding, while SOFR is utilized as the floating benchmark rate on $2.1 billion of our loans and $3.8 billion of our debt outstanding.

At this time, it is not possible to predict how markets will respond to SOFR, SONIA, or other alternative reference rates as the transition away from USD LIBOR and GBP LIBOR proceeds. The resulting changes to benchmark interest rates could increase our financing costs and/or result in mismatches between the interest rates of our investments and the corresponding financings.

Foreign Currency Risk

Our loans and investments that are denominated in a foreign currency are also subject to risks related to fluctuations in exchange 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 exchange rates.

We intend to hedge our net currency exposures in a prudent manner. However, our currency hedging strategies may not eliminate all of our currency risk due to, among other things, uncertainties in the timing and/or amount of payments received on the related investments, and/or unequal, inaccurate, or unavailable hedges to perfectly offset changes in future exchange rates. Additionally, we may be required under certain circumstances to collateralize our currency hedges for the benefit of the hedge counterparty, which could adversely affect our liquidity.

Consistent with our strategy of hedging foreign currency exposure on certain investments, we typically enter into a series of forwards to fix the U.S. dollar amount of foreign currency denominated cash flows (interest income and principal payments) we expect to receive from our foreign currency denominated investments. Accordingly, the notional values and expiration dates of our foreign currency hedges approximate the amounts and timing of future payments we expect to receive on the related investments.

The following table represents our assets and liabilities that are denominated in foreign currencies as well as our expected future net interest receipts (amounts in thousands):

	March 31, 2022					
	GBP		EUR		AUD	
Foreign currency assets	£	1,751,623	€	678,571	A$	406,807
Foreign currency liabilities		(1,281,997)		(250,869)		(279,088)
Foreign currency contracts - notional		(548,666)		(500,544)		(131,116)
Expected future net interest cash flows		79,040		72,842		3,397
Net exposure to exchange rate fluctuations	£	—	€	—	A$	—
Net exposure to exchange rate fluctuations in USD (1)	$	—	$	—	$	—

(1) Represents the U.S. dollar equivalent using the GBP closing rate of 1.3133, EUR closing rate of 1.1069 and AUD closing rate of 0.7480 as of March 31, 2022.

Substantially all of our net asset exposure to the GBP, EUR, and AUD has been hedged with foreign currency forward contracts as of March 31, 2022, as indicated in the table above. Refer to Note 13 of the Condensed Consolidated Financial Statements for further detail regarding our foreign currency derivatives and their contractual maturities.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures. We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer, as appropriate, to allow timely decisions regarding required disclosures.

As of the end of the period covered by this report, we conducted an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes in Internal Control Over Financial Reporting. No change in internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) occurred during the quarter ended March 31, 2022 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

Currently, no material legal proceedings are pending or, to our knowledge, threatened or contemplated against us, that could have a material adverse effect on our business, financial position or results of operations.

Item 1A. Risk Factors.

There have been no material changes to the risk factors previously disclosed in our Form 10-K.

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

There were no unregistered sales of securities during the three months ended March 31, 2022.

Issuer Purchases of Equity Securities

There were no purchases of common stock during the three months ended March 31, 2022.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Table of Contents

Item 6. Exhibits.

(a) Index to Exhibits

INDEX TO EXHIBITS

Exhibit No.	Description
4.1	Indenture, dated as of January 25, 2022, between Starwood Property Trust, Inc. and The Bank of New York Mellon, as trustee (including the form of Starwood Property Trust, Inc.'s 4.375% Senior Notes due 2027) (Incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K filed January 25, 2022)
10.1	Starwood Property Trust, Inc. Employee Stock Purchase Plan
10.2	Starwood Property Trust, Inc. 2022 Manager Equity Plan
10.3	Starwood Property Trust, Inc. 2022 Equity Plan
31.1	Certification pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002
31.2	Certification pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002
32.1	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

STARWOOD PROPERTY TRUST, INC.

Date: May 4, 2022	By:	/s/ BARRY S. STERNLICHT
		Barry S. Sternlicht *Chief Executive Officer* *Principal Executive Officer*
Date: May 4, 2022	By:	/s/ RINA PANIRY
		Rina Paniry *Chief Financial Officer, Treasurer, Chief Accounting Officer and Principal Financial Officer*

STARWOOD PROPERTY TRUST, INC.

EMPLOYEE STOCK PURCHASE PLAN

1. **Purpose.** The purpose of the Plan is to provide Employees with opportunities to purchase common stock of the Company at a discounted purchase price, thereby encouraging increased efforts to promote the interests of the Company and its stockholders. It is the intention of the Company to have the Plan qualify as an "Employee Stock Purchase Plan" under Section 423 of the Code with respect to Section 423 Offerings. Accordingly, the provisions of the Plan shall be construed so as to extend and limit participation in Section 423 Offerings in a manner consistent with the requirements of Section 423 of the Code.

2. **Definitions.**

(a) **"<u>Board</u>"** means the Board of Directors of the Company.

(b) **"<u>Brokerage Account</u>"** means the account in which the Purchased Shares are held.

(c) **"<u>Business Day</u>"** means a day on which the New York Stock Exchange is open for trading.

(d) **"<u>Code</u>"** means the Internal Revenue Code of 1986, as amended.

(e) **"<u>Committee</u>"** means the Compensation Committee of the Board or the designee of the Compensation Committee.

(f) **"<u>Company</u>"** means Starwood Property Trust, Inc., a Maryland corporation.

(g) **"<u>Compensation</u>"** means a Participant's base salary or wages, overtime pay, commissions, cash bonuses, and vacation, holiday, and sick pay. Compensation does not include any other forms of compensation, such as income related to stock option awards, stock grants, and other equity incentive awards, expense reimbursements, relocation-related payments, employee benefit plan payments, death benefits, income from non-cash and fringe benefits, and severance.

(h) **"<u>Employee</u>"** means any individual who either (i) is a common law employee of the Company or one of its Subsidiaries or (ii) provides full-time services directly to the Company or one of its Subsidiaries but is employed by a Participating Entity that is not a Subsidiary, and in either case whose customary employment with such entity is for (A) at least 20 hours per week and (B) more than 5 months per calendar year. Employment shall be treated as continuing while the individual is on sick leave or other leave of absence approved by the Company or the Participating Entity, as appropriate, and in the case of a Section 423 Offering, only to the extent permitted under Section 423 of the Code. For purposes of the Plan, an individual who performs services for the Company or a Participating Entity pursuant to an agreement that classifies such individual's relationship with the Company or a Participating Entity as other than a common law employee shall not be considered an "employee" with respect to any period preceding the date on which a court or administrative agency issues a final determination that such individual is an "employee."

(i) **"<u>Enrollment Date</u>"** means the first Business Day of each Offering Period.

(j) **"Exchange Act"** means the Securities Exchange Act of 1934, as amended.

(k) **"Exercise Date"** means the last Business Day of each Offering Period.

(l) **"Fair Market Value"** means the closing transaction price of a Share as reported on the New York Stock Exchange on the date as of which such value is being determined or, if the Shares are not listed on the New York Stock Exchange, the closing transaction price of a Share on the principal national stock exchange on which the Shares are traded on the date as of which such value is being determined or, if there shall be no reported transactions for such date, on the next preceding date for which transactions were reported; provided, however, that if the Shares are not listed on a national stock exchange or if Fair Market Value for any date cannot be so determined, Fair Market Value shall be determined by the Committee by whatever means or method as the Committee, in the good faith exercise of its discretion, shall at such time deem appropriate and in compliance with Section 409A of the Code.

(m) **"Non-Section 423 Offering"** means an Offering that is not intended to qualify under Section 423 of the Code.

(n) **"Offering"** means an offer of an Option under the Plan that may be exercised on the Exercise Date of an Offering Period. Unless otherwise specified by the Committee, each such offer shall be deemed a separate Offering, even if the dates and other terms of the separate Offerings are identical, and the provisions of the Plan shall separately apply to each Offering. To the extent permitted by Section 423 of the Code, the terms of each separate Section 423 Offering need not be identical, provided that the terms of the Plan and an Offering together satisfy Section 423 of the Code. The terms of each separate Non-Section 423 Offering need not be identical in any case.

(o) **"Offering Period"** means every 3-month period beginning each January 1st, April 1st, July 1st, and October 1st, or any other period designated by the Committee that does not exceed 27 months. The Committee shall determine the commencement of the first Offering Period under the Plan.

(p) **"Option"** means an option granted under the Plan that entitles a Participant to purchase Shares.

(q) **"Participant"** means an Employee who satisfies the requirements of Sections 3 and 5 of the Plan.

(r) **"Participating Entity"** means each Subsidiary of the Company and each other entity that is listed on Schedule A hereto or is otherwise designated by the Board or the Committee as a Participating Entity. Employees of Participating Entities that are not Subsidiaries shall participate in separate Non-Section 423 Offerings.

(s) **"Plan"** means this Starwood Property Trust, Inc. Employee Stock Purchase Plan.

(t) **"Purchase Account"** means the account used to purchase Shares through the exercise of Options under the Plan.

(u) **"Purchase Price"** means the lesser of (A) 85% of the Fair Market Value of a Share on the Enrollment Date and (B) 85% of the Fair Market Value of a Share on the Exercise Date.

(v) “**Purchased Shares**” means the whole and fractional Shares issued or delivered pursuant to the exercise of Options under the Plan.

(w) “**Section 423 Offering**” means an Offering that is intended to qualify under Section 423 of the Code.

(x) “**Securities Act**” means the Securities Act of 1933, as amended.

(y) “**Shares**” means the shares of common stock, par value $0.01 per share, of the Company.

(z) “**Subsidiary**” means an entity, domestic or foreign, of which not less than 50% of the voting equity is held by the Company or a Subsidiary, whether or not such entity now exists or is hereafter organized or acquired by the Company or a Subsidiary, provided that such entity is also a “subsidiary” within the meaning of Section 424 of the Code.

(aa) “**Termination Date**” means the date on which a Participant terminates employment or on which the Participant ceases to provide services to the Company or one of its Subsidiaries for any reason.

3. Eligibility.

(a) Only Employees shall be eligible to be granted Options, and in no event may a Participant be granted an Option following the Participant’s Termination Date.

(b) Any provisions of the Plan to the contrary notwithstanding, no Employee shall be granted an Option if (A) immediately after the grant, the Employee (or any other person whose stock would be attributed to the Employee pursuant to Section 424(d) of the Code) would own capital stock of the Company or hold outstanding Options or options to purchase stock possessing 5% or more of the total combined voting power or value of all classes of stock of the Company or any of its Subsidiaries, or (B) the Option would permit the Employee to purchase stock under this Plan and all other employee stock purchase plans of the Company and its Subsidiaries to accrue at a rate that exceeds $25,000 of the Fair Market Value of such stock (determined at the time the Option is granted) for each calendar year in which the Option is outstanding at any time. For purposes of applying the limit described in clause (B) above to a Participant in a Non-Section 423 Offering who is employed outside of the U.S., the exchange rate shall be determined on the last day of the applicable Offering Period. No Participant may purchase more than 3,000 Shares during any Offering Period.

4. Option Exercise. Options shall be exercised on behalf of Participants in the Plan every Exercise Date, using payroll deductions that have accumulated in the Participants’ Purchase Accounts during the immediately preceding Offering Period or that have been retained from a prior Offering Period pursuant to Section 8 of the Plan.

5. Participation.

(a) An Employee shall be eligible to participate on the first Enrollment Date that occurs at least 30 calendar days after the Employee’s first date of employment with the Company or a Participating Entity by properly completing and submitting an election form by the deadline prescribed by the Company. Participation in the Plan is voluntary.

(b) An Employee who does not become a Participant on the first Enrollment Date on which the Employee is eligible may thereafter become a Participant on any subsequent Enrollment Date by properly completing and submitting an election form by the deadline prescribed by the Company.

(c) Payroll deductions for a Participant shall commence on the first payroll date following the Enrollment Date and shall end on the last payroll date in the Offering Period, unless sooner terminated as provided in Section 13 or Section 14 of the Plan.

6. Payroll Deductions.

(a) A Participant may elect to have payroll deductions made during an Offering Period equal to no less than 1% of the Participant's Compensation, up to a maximum of 50% (or any greater amount established by the Committee). The amount of such payroll deductions shall be in whole percentages. All payroll deductions made by a Participant shall be credited to the Participant's Purchase Account. A Participant may not make any additional payments into the Participant's Purchase Account. All such payroll deductions shall be made from the Participant's Compensation after deduction of any tax, social security, and national insurance contributions.

(b) Except as otherwise permitted in Section 13, a Participant may not increase or decrease the rate of payroll deductions during an Offering Period. A Participant may change the Participant's payroll deduction percentage under subsection (a) above for any subsequent Offering Period by properly completing and submitting an election change form in accordance with the procedures prescribed by the Committee. The change in amount shall be effective as of the first Enrollment Date following the date of filing of the election change form. In the absence of such a change in election described in this subsection (b), the Participant's most recently elected payroll deduction percentage shall continue in effect for any subsequent Offering Period.

(c) Notwithstanding the foregoing, to the extent necessary to comply with Section 423(b)(8) of the Code and Section 3(b) of the Plan, a Participant's payroll deductions may be decreased to 0% at any time during an Offering Period. Payroll deductions shall resume at the rate provided in the Participant's election form at the beginning of the first Offering Period that is scheduled to end in the following calendar year, unless terminated by the Participant as provided in Section 13 of the Plan.

7. Grant of Option. Subject to the limits in Section 3(b), on the applicable Enrollment Date, each Participant in an Offering Period shall be granted an Option to purchase, on the following Exercise Date, a number of whole and fractional Shares determined by dividing (a) the Participant's payroll deductions accumulated prior to the Exercise Date and retained in the Participant's Purchase Account as of the Exercise Date by (b) the applicable Purchase Price.

8. Exercise of Option. A Participant's Option shall be exercised automatically on the Exercise Date, and the maximum number of Shares subject to the Option shall be purchased for the Participant at the applicable Purchase Price with the accumulated payroll deductions in the Participant's Purchase Account. All other payroll deductions accumulated in a Participant's Purchase Account and not used to purchase Shares on an Exercise Date shall be distributed to the Participant. During a Participant's lifetime, a

Participant's Option is exercisable only by the Participant. The Company shall satisfy the exercise of all Participants' Options for the purchase of Shares through (a) the issuance of authorized but unissued Shares, (b) the transfer of treasury Shares, (c) the purchase of Shares on behalf of the applicable Participants on the open market through an independent broker, or (d) a combination of the foregoing.

9. **Issuance of Stock.** The Shares purchased by a Participant shall be issued in book entry form and shall be considered to be issued and outstanding to the Participant's credit as of the end of the last day of each Offering Period. The Committee may permit or require that shares be deposited directly in a Brokerage Account with one or more brokers designated by the Committee or to one or more designated agents of the Company, and the Committee may use electronic or automated methods of share transfer. The Committee may require that Shares be retained with such brokers or agents for a designated period of time and may establish other procedures to permit tracking of disqualifying dispositions of such Shares. The Committee may also impose a transaction fee with respect to a sale of Shares issued to a Participant's credit and held by such a broker or agent. The Committee may permit Shares purchased under the Plan to participate in a dividend reinvestment plan or program maintained by the Company, and the Committee may establish a default method for the payment of dividends.

10. **Holding Period.** Shares credited to a Participant's Brokerage Account under the Plan may not be sold or otherwise transferred by the Participant until the date that is least 12 months after the Exercise Date on which such Shares were acquired under the Plan, provided that such holding period shall not apply to Shares credited to the Brokerage Account of a Participant who has died or terminated employment due to disability.

11. **Approval by Stockholders.** Notwithstanding the above, the Plan shall be subject to the approval of the stockholders of the Company within 12 months after the date the Plan is adopted by the Board, which shall be obtained in the manner and to the degree required under applicable federal and state law.

12. **Administration.**

(a) *Powers and Duties of the Committee*. The Plan shall be administered by the Committee. Subject to the provisions of the Plan and Section 423 of the Code and the regulations thereunder, the Committee shall have the discretionary authority to determine the time and frequency of granting Options, the terms and conditions of the Options, and the number of Shares subject to each Option. The Committee also shall have the discretionary authority to do everything necessary and appropriate to administer the Plan, including by interpreting the provisions of the Plan (consistent with the provisions of Section 423 of the Code). The Committee may delegate its duties and authority to any of the Company's officers or employees as it determines to be appropriate. All actions, decisions, determinations, and interpretations by the Committee or its delegate with respect to the Plan shall be final and binding upon all Participants and upon their executors, administrators, personal representatives, heirs, and legatees. No member of the Board or the Committee, and no officer or director to whom the Committee has delegated its duties and authority, shall be liable for any action, decision, determination, or interpretation made in good faith with respect to the Plan or any Option. Each Section 423 Offering shall be administered so as to ensure that all Participants have the same rights and privileges provided by Section 423(b)(5) of the Code.

(b) *Brokerage Firm or Financial Institution*. The Company, the Board, or the Committee may engage the services of a brokerage firm or financial institution to perform certain ministerial and procedural duties under the Plan. Such duties may include mailing and receiving notices contemplated under the Plan, determining the number of Purchased Shares for each Participant, maintaining or causing to be maintained the Purchase Account and the Brokerage Account, disbursing funds maintained in the Purchase Account or proceeds from the sale of Shares through the Brokerage Account, and filing proper tax returns and forms (including information returns) with the appropriate tax authorities and providing to each Participant statements as required by law or regulation.

(c) *Indemnification*. Each person who is or has been (A) a member of the Board, (B) a member of the Committee, or (C) an officer or employee of the Company to whom authority was delegated in relation to the Plan shall be indemnified and held harmless by the Company against and from all (x) losses, costs, liabilities, and expenses that may be imposed upon or reasonably incurred by such person in connection with or resulting from any claim, suit, proceeding, or other action to which such person may be a party or in which such person may be involved by reason of any action taken or failure to act under the Plan (any “Action”) and (y) amounts paid by such person in settlement of any Action, with the Company’s approval, or paid by such person in satisfaction of any judgment in any Action, provided that in any case such person gives the Company an opportunity, at its own expense, to handle and defend the Action before such person undertakes to handle and defend the Action on such person’s own behalf, unless such loss, cost, liability or expense is a result of such person’s own willful misconduct or except as expressly provided by statute.

The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company’s articles of incorporation or bylaws, any contract with the Company, as a matter of law, or otherwise, or of any power that the Company may have to indemnify them or hold them harmless.

13. Withdrawal. A Participant may withdraw from the Plan by properly completing and submitting to the Company a withdrawal form in accordance with the procedures prescribed by the Committee, which must be submitted prior to the date specified by the Committee before the last day of the applicable Offering Period (or such earlier day required by the Committee). Upon withdrawal, any payroll deductions credited to the Participant’s Purchase Account prior to the effective date of the Participant’s withdrawal from the Plan shall be returned to the Participant. No further payroll deductions for the purchase of Shares shall be made during subsequent Offering Periods, unless the Participant properly completes and submits an election form by the deadline prescribed by the Company. A Participant’s withdrawal from an offering shall not have any effect upon the Participant’s eligibility to participate in the Plan or in any similar plan that may hereafter be adopted by the Company.

14. Termination of Employment. On a Participant’s Termination Date occurring prior to an Exercise Date, the corresponding payroll deductions credited to the Participant’s Purchase Account shall be returned to the Participant or, in the case of the Participant’s death, to the person or persons entitled to such credited payroll deductions under Section 17, and the Participant’s Option shall be automatically terminated.

15. Interest. No interest shall accrue on the payroll deductions of a Participant in the Plan.

16. Stock.

(a) The stock subject to Options shall be Shares as traded on the New York Stock Exchange or on any other exchange that the Shares may be listed.

(b) Subject to adjustment upon changes in capitalization of the Company as provided in Section 19 of the Plan, the maximum number of Shares available for sale under the Plan shall be 2,000,000 Shares. On a given Exercise Date, if the number of Shares with respect to which Options are to be exercised exceeds the number of Shares then available under the Plan, the Committee shall make a pro rata allocation of the Shares remaining available for purchase in as uniform a manner as practicable and as the Committee determines to be equitable.

(c) A Participant shall have no interest or voting right in Shares covered by the Participant's Option until the Option is exercised and the Participant becomes a holder of record of Shares acquired pursuant to such exercise.

17. Designation of Beneficiary. To the extent permitted by applicable law, the Committee may permit Participants to designate beneficiaries to receive any Purchased Shares or payroll deductions in the Participant's Purchase Account in the event of the Participant's death. Beneficiary designations shall be made in accordance with procedures prescribed by the Committee. If no properly designated beneficiary survives the Participant, the Purchased Shares and payroll deductions shall be distributed to the Participant's estate.

18. Assignability of Options. Neither payroll deductions credited to a Participant's Purchase Account nor any rights with regard to the exercise of an Option or to receive Shares under the Plan may be assigned, transferred, pledged, or otherwise disposed of in any way (other than by will, the laws of descent and distribution, or as provided in Section 17 of the Plan) by the Participant. Any such attempt at assignment, transfer, pledge, or other disposition shall be without effect, except that the Company may treat such act as an election to withdraw from an Offering Period in accordance with Section 13 of the Plan.

19. Adjustment of Number of Shares Subject to Options.

(a) *Adjustment*. Subject to any required action by the stockholders of the Company, the maximum number of securities available for purchase under the Plan, as well as the price per security and the number of securities covered by each Option that has not yet been exercised shall be appropriately adjusted in the event of any a stock split, reverse stock split, stock dividend, combination, or reclassification of the Shares, or any other increase or decrease in the number of Shares effected without receipt of consideration by the Company, excluding the conversion of any convertible securities of the Company. Such adjustment shall be made by the Board or the Committee, whose determination shall be final, binding, and conclusive. Except as expressly provided in this Section 19(a), no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of Shares subject to an Option. The Options granted pursuant to a Section 423 Offering shall not be adjusted in a manner that causes the Options to fail to qualify as options issued pursuant to an "employee stock purchase plan" within the meaning of Section 423 of the Code.

(b) *Dissolution or Liquidation*. In the event of the proposed dissolution or liquidation of the Company, the Offering Period then in progress shall terminate immediately prior to the consummation of such proposed action, unless otherwise provided by the Board, and the Board may either provide for the purchase of Shares as of the date on which such Offering Period terminates or return to each Participant the payroll deductions credited to the Participant's Purchase Account.

(c) *Merger or Asset Sale*. In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation, each outstanding Option shall be assumed or an equivalent option substituted by the successor corporation or a parent or subsidiary of the successor corporation, unless the Board determines, in the exercise of its sole discretion, that in lieu of such assumption or substitution to either terminate all outstanding Options and return to each Participant the payroll deductions credited to such Participant's Purchase Account or to provide for the Offering Period in progress to end on a date prior to the consummation of such sale or merger.

20. Amendments to and Termination of the Plan.

(a) The Board or the Committee may at any time and for any reason amend, modify, suspend, discontinue, or terminate the Plan without notice, provided that no Participant's existing rights with respect to existing Options are adversely affected. To the extent necessary to comply with Section 423 of the Code (or any other applicable law, regulation, or stock exchange rule), the Company shall obtain stockholder approval in any manner and to any degree required.

(b) Without stockholder consent and without regard to whether any Participant's rights may be considered to have been "adversely affected," the Board or the Committee may (A) change the Purchase Price or Offering Periods, (B) limit or increase the frequency or number of changes in the amount withheld during an Offering Period, (C) establish the exchange ratio applicable to amounts withheld in a currency other than U.S. dollars, (D) permit payroll withholding in an amount less or greater than the amount designated by a Participant in order to adjust for delays or mistakes in the Company's processing of properly completed withholding elections, (E) establish reasonable waiting and adjustment periods or accounting and crediting procedures to ensure that amounts applied toward the purchase of Shares for each Participant properly correspond with amounts withheld from the Participant's Compensation, (F) and establish other limitations or procedures that the Board or the Committee determines in its sole discretion advisable and consistent with the Plan, except that changes to (1) the Purchase Price, (2) the Offering Period, (3) the maximum percentage of Compensation that may be deducted pursuant to Section 6(a) of the Plan, or (4) the maximum number of Shares that may be purchased in an Offering Period shall not be effective until communicated to Participants in a reasonable manner, with the determination of such reasonable manner in the sole discretion of the Board or the Committee.

21. No Other Obligations. The receipt of an Option shall not impose any obligation upon a Participant to purchase any Shares covered by the Option. The granting of an Option shall not constitute an agreement or an understanding, express or implied, on the part of the Company to employ the Participant for any specified period.

22. Notices and Communication. Any notice or other form of communication that the Company or a Participant may be required or permitted to give to the other shall be provided through means designated by the Committee, which may be through any paper or electronic method.

23. Conditions for Exercise and Issuance.

(a) Shares shall not be issued with respect to an Option unless the exercise of such Option and the issuance and delivery of such Shares pursuant thereto would comply with all applicable law, domestic or foreign, including the Securities Act and the Exchange Act and the rules and regulations promulgated thereunder, and the requirements of any stock exchange upon which the Shares are then listed. Issuance of Shares with respect to an Option shall be subject to the approval of the Company's counsel with respect to such compliance.

(b) As a condition to the exercise of an Option, the Company may require the person exercising the Option to represent and warrant, at the time of any such exercise, that the Shares are being purchased only for investment and without any present intention to sell or distribute the Shares if, in the opinion of the Company's counsel, such a representation is required by applicable law as described in subsection (a) above.

24. General Compliance. The Plan shall be administered and Options exercised in compliance with the Securities Act, Exchange Act, and all other applicable securities laws and Company policies, including any insider trading policy of the Company.

25. Term of the Plan. The Plan shall become effective upon the earlier to occur of its adoption by the Board and its approval by the stockholders of the Company and shall continue in effect until terminated pursuant to Section 20 of the Plan.

26. Governing Law. The Plan and all Options shall be construed in accordance with and governed by the laws of the state of Maryland, without reference to choice-of-law principles and subject in all cases to the Code and regulations thereunder.

27. Non-U.S. Participants. To the extent permitted under Section 423 of the Code, without the amendment of the Plan, the Company may provide for the participation in the Plan by Employees who are subject to the laws of foreign countries or jurisdictions on terms and conditions different from those specified in the Plan, as in the judgment of the Company may be necessary or desirable to foster and promote achievement of the purposes of the Plan. In furtherance of such purposes, the Company may make modifications or establish procedures or subplans and the like as necessary or advisable to comply with provisions of laws of other countries or jurisdictions in which the Company or the Participating Entities operate or have employees. Each subplan shall constitute a separate "offering" under the Plan in accordance with Treas. Reg. §1.423-2(a).

Schedule A

Participating Entities

Starwood Capital Operations LLC

Subject to approval by a duly authorized officer of the Company, SPT Commercial Mortgage, LLC

Exhibit 10.2

STARWOOD PROPERTY TRUST, INC.

2022 MANAGER EQUITY PLAN

STARWOOD PROPERTY TRUST, INC.

2022 MANAGER EQUITY PLAN

STARWOOD PROPERTY TRUST, INC.

2022 MANAGER EQUITY PLAN

1. Purpose; Types of Awards.

The purpose of the Starwood Property Trust, Inc. 2022 Manager Equity Plan (the "Plan") is to issue equity-based incentives to SPT Management, LLC, a Delaware limited liability company (the "Manager"), which may in turn issue incentives to the directors, officers, employees of, or advisors or consultants to, the Manager or an Affiliate (as defined in Section 2) of the Manager, in order to increase their efforts on behalf of the Company and to promote the success of the Company's business. The Plan provides for the grant of stock options, stock appreciation rights, restricted stock, restricted stock units and other equity-based awards.

This Plan replaces the Starwood Property Trust, Inc. 2017 Manager Equity Plan, as amended, which shall terminate on the date on which this Plan is approved by the Company's stockholders, except that any outstanding awards granted under the Predecessor Plans shall remain in effect in accordance with their terms.

2. Definitions.

For purposes of the Plan, the following terms shall be defined as set forth below:

(a) "Affiliate" means (i) any Person directly or indirectly controlling, controlled by, or under common control with such other Person, (ii) any executive officer or general partner of such other Person and (iii) any legal entity for which such Person acts as an executive officer or general partner.

(b) "Award" means any Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit or Other Stock-Based Award granted under the Plan.

(c) "Award Agreement" means any written agreement, contract or other instrument or document evidencing an Award.

(d) "Board" means the Board of Directors of the Company.

(e) "Change in Control" means the occurrence of any one of the following events:

(i) During any twenty-four (24) month period, individuals who, as of the beginning of such period, constitute the Board (the "Incumbent Directors") cease for any reason to constitute at least a majority of the Board, provided that any person becoming a director subsequent to the beginning of such period whose election or nomination for election was approved by a vote of at least a majority of the Incumbent Directors then on the Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without written objection to such nomination) shall be an Incumbent Director; provided, however, that no individual initially elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to directors or as a result of any other actual or threatened solicitation of proxies by or on behalf of any person other than the Board shall be deemed to be an Incumbent Director;

(ii) Any "person" (as such term is defined in the Exchange Act and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) is or becomes a "beneficial owner" (as defined in Rule 13d 3 under the Exchange Act), directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company's then outstanding securities eligible to vote for the election of the Board (the "Company Voting Securities"); provided, however, that the event described in this paragraph (ii) shall not be deemed to be a Change in Control by virtue of any of the following acquisitions: (A) by the Company or any Subsidiary; (B) by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Subsidiary; (C) by any underwriter temporarily holding securities pursuant to an offering of such securities; (D) pursuant to a Non-Qualifying Transaction, as defined in paragraph (iii), or (E) by any person of Company Voting Securities from the Company, if a majority of the Incumbent Board approves in advance the acquisition of beneficial ownership of 30% or more of Company Voting Securities by such person;

(iii) The consummation of a merger, consolidation, statutory share exchange or similar form of corporate transaction involving the Company or any of its Subsidiaries that requires the approval of the Company's stockholders, whether for such transaction or the issuance of securities in the transaction (a "Business Combination"), unless immediately following such Business Combination: (A) more than 50% of the total voting power of (1) the corporation resulting from such Business Combination (the "Surviving Corporation"), or (2) if applicable, the ultimate parent corporation that directly or indirectly has beneficial ownership of 100% of the voting securities eligible to elect directors of the Surviving Corporation (the "Parent Corporation"), is represented by Company Voting Securities that were outstanding immediately prior to such Business Combination (or, if applicable, is represented by shares into which such Company Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Company Voting Securities among the holders thereof immediately prior to the Business Combination; (B) no person (other than any employee benefit plan (or related trust) sponsored or maintained by the Surviving Corporation or the Parent Corporation), is or becomes the beneficial owner, directly or indirectly, of 30% or more of the total voting power of the outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation) and (C) at least a majority of the members of the board of directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation) following the consummation of the Business Combination were Incumbent Directors at the time of the Board's approval of the execution of the initial agreement providing for such Business Combination (any Business Combination which satisfies all of the criteria specified in (A), (B) and (C) above shall be deemed to be a "Non-Qualifying Transaction"); or

(iv) The consummation of a sale of all or substantially all of the Company's assets or the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company.

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any person acquires beneficial ownership of more than 30% of the Company Voting Securities as a result of the acquisition of Company Voting Securities by the Company which reduces the number of Company Voting Securities outstanding; provided, that if after such acquisition by the Company such person becomes the beneficial owner of additional Company Voting Securities that increases the percentage of outstanding Company Voting Securities beneficially owned by such person, a Change in Control of the Company shall then occur. Solely with respect to any award that constitutes "deferred compensation" subject to Section 409A of the Code and that is payable on account of a Change in Control (including any installments or stream of payments that are accelerated on account of a Change in Control), a Change in Control shall occur only if such event also constitutes a "change in the ownership," "change in effective control," and/or a "change in the ownership of a substantial portion of assets" of the Company as those terms are defined under Treasury Regulation §1.409A-3(i)(5), but only to the extent necessary to establish a time or form of payment that complies with Section 409A of the Code, without altering the definition of Change in Control for purposes of determining whether a participant's rights to such Award become vested or otherwise unconditional upon the Change in Control.

(f) "Code" means the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder.

(g) "Committee" means the committee established by the Board to administer the Plan, the composition of which shall at all times consist of "non-employee directors" within the meaning of Rule 16b-3 under the Exchange Act.

(h) "Company" means Starwood Property Trust, Inc., a Maryland corporation, or any successor corporation.

(i) "Effective Date" means April 28, 2022, the date on which the Plan was approved by the Company's stockholders.

(j) "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, and the rules and regulations promulgated thereunder.

(k) "Fair Market Value" means, with respect to Stock or other property, the fair market value of such Stock or other property determined by such methods or procedures as shall be established from time to time by the Committee. Unless otherwise determined by the Board in good faith, the per share Fair Market Value of Stock as of a particular date shall mean (i) the closing sales price per share of Stock on the national securities exchange on which the Stock is principally traded, for the last preceding date on which there was a sale of such Stock on such exchange; (ii) if the shares of Stock are then traded in an over-the-counter market, the average of the closing bid and asked prices for the shares of Stock in such over-the-counter market for the last preceding date on which there was a sale of such Stock in such market; or (iii) if the shares of Stock are not then listed on a national securities exchange or traded in an over-the-counter market, such value as the Board, in its sole discretion, shall determine.

(l) "Management Agreement" means the Management Agreement, dated as of August 17, 2009, by and between the Company and the Manager, as such may be amended from time to time.

(m) "Manager" means SPT Management, LLC, a Delaware limited liability company.

(n) "Option" means a right, granted to the Manager under Section 6(b)(i), to purchase shares of Stock.

(o) "Other Stock-Based Award" means a right or other interest granted to the Manager that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Stock, including but not limited to unrestricted shares of Stock or dividend equivalent rights.

(p) "Person" means any natural person, corporation, partnership, association, limited liability company, estate, trust, joint venture, any federal, state or municipal government or any bureau, department or agency thereof or any other legal entity and any fiduciary acting in such capacity on behalf of the foregoing.

(q) "Plan" means this Starwood Property Trust, Inc. 2022 Manager Equity Plan, as amended from time to time.

(r) "Predecessor Plans" means (i) the Starwood Property Trust, Inc. Manager Equity Plan and (ii) the Starwood Property Trust, Inc. 2017 Manager Equity Plan.

(s) "Restricted Stock" means an Award of shares of Stock to the Manager under Section 6(b)(iii) that may be subject to certain restrictions and to a risk of forfeiture.

(t) "Restricted Stock Unit" or "RSU" means a right granted to the Manager under Section 6(b)(iv) to receive Stock, cash or other property at the end of a specified period, which right may be conditioned on the satisfaction of specified performance or other criteria.

(u) "Securities Act" means the Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder.

(v) "Stock" means shares of the common stock, par value $0.01 per share, of the Company.

(w) "Stock Appreciation Right" or "SAR" means the right granted to the Manager under Section 6(b)(ii) to be paid an amount measured by the appreciation in the Fair Market Value of Stock from the date of grant to the date of exercise of the right.

3. Administration.

The Plan shall be administered by the Board. Except with respect to the amendment, modification, suspension or early termination of the Plan, the Board may appoint a Committee to administer all or a portion of the Plan. To the extent that the Board so delegates its authority, references herein to the Board shall be deemed references to the Committee. The Board may delegate to one or more agents such administrative duties as it may deem advisable, and the Committee or any other person to whom the Board has delegated duties as aforesaid may employ one or more persons to render advice with respect to any responsibility the Board or such Committee or person may have under the Plan. No member of the Board or Committee shall be liable for any action taken or determination made in good faith with respect to the Plan or any Award granted hereunder.

The Board shall have the authority in its discretion, subject to and not inconsistent with the express provisions of the Plan, to administer the Plan and to exercise all the powers and authorities either specifically granted to it under the Plan or necessary or advisable in the administration of the Plan, including, without limitation, the authority to: (i) grant Awards; (ii) determine the type and number of Awards to be granted, the number of shares of Stock to which an Award may relate and the terms, conditions, restrictions and performance criteria relating to any Award; (iii) determine whether, to what extent, and under what circumstances an Award may be settled, cancelled, forfeited, exchanged, or surrendered; (iv) make adjustments in the terms and conditions of Awards; (v) construe and interpret the Plan and any Award; (vi) prescribe, amend and rescind rules and regulations relating to the Plan; (vii) determine the terms and provisions of the Award Agreements (which need not be identical for each grant); and (viii) make all other determinations deemed necessary or advisable for the administration of the Plan. All decisions, determinations and interpretations of the Board shall be final and binding on all persons, including but not limited to the Company, any parent or subsidiary of the Company, the Manager (or any person claiming any rights under the Plan from or through the Manager) and any stockholder. Notwithstanding any provision of the Plan or any Award Agreement to the contrary, except as provided in the second paragraph of Section 5, neither the Board nor the Committee shall, without obtaining the approval of the Company's stockholders, (a) reduce the purchase or base price of any previously granted Option or SAR, (b) cancel any previously granted Option or SAR in exchange for another Option or SAR with a lower purchase or base price or (c) cancel any previously granted Option or SAR in exchange for cash or another award if the purchase or base price of such Option or SAR exceeds the Fair Market Value of a share of Stock on the date of such cancellation, in each case other than in connection with a Change in Control.

4. Eligibility.

Awards under the Plan may be granted only to the Manager. In determining the type of Award to be granted and the terms and conditions of such Award (including the number of shares to be covered by such Award), the Board shall take into account such factors as the Board shall deem relevant in connection with accomplishing the purposes of the Plan.

5. Stock Subject to the Plan.

The maximum number of shares of Stock reserved for the grant of Awards under the Plan shall be equal to 18,700,000, less any shares of common stock issued or subject to awards granted under the Company's 2022 Equity Plan, subject to adjustment as provided herein. Stock issued under the Plan may, in whole or in part, be authorized but unissued shares or shares that shall have been or may be reacquired by the Company in the open market, in private transactions or otherwise. If any shares of Stock are surrendered to or withheld by the Company as payment of either the exercise price of an award granted under this Plan, a Predecessor Plan or the Company's Equity Plan, Non-Executive Director Stock Plan, 2017 Equity Plan or 2022 Equity Plan and/or withholding taxes in respect of such an award, the shares of Stock that were subject to such award shall not again be available for Awards under the Plan. If any shares subject to an award granted under this Plan, a Predecessor Plan or the Company's Equity Plan, Non-Executive Director Stock Plan, 2017 Equity Plan or 2022 Equity Plan are forfeited, cancelled, exchanged or surrendered or if such an award is settled in cash or otherwise terminates or expires without a distribution of shares to the Manager (other than as provided in the immediately preceding sentence), the shares of Stock with respect to such award shall, to the extent of any such forfeiture, cancellation, exchange, surrender, termination or expiration, again be available for Awards under the Plan. Upon the exercise of any Award granted in tandem with any other Award, such related Award shall be cancelled to the extent of the number of shares of Stock as to which the Award is exercised and, notwithstanding the foregoing, such number of shares shall no longer be available for Awards under the Plan.

In the event of any equity restructuring (within the meaning of Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation—Stock Compensation, or any successor or replacement accounting standard) that causes the per share value of shares of Stock to change, such as a stock dividend, stock split, spinoff, rights offering or recapitalization through an extraordinary cash dividend, the number and class of securities available under this Plan, the terms of each outstanding Option and SAR (including the number and class of securities subject to each outstanding Option or SAR and the purchase price or base price per share), the terms of each outstanding Restricted Stock award and Restricted Stock Unit award (including the number and class of securities subject thereto), and the terms of each outstanding Other Stock-Based Award (including the number and class of securities subject thereto) shall be appropriately adjusted by the Committee, such adjustments to be made in the case of outstanding Options and SARs without an increase in the aggregate purchase price or base price and in accordance with Section 409A of the Code. In the event of any other change in corporate capitalization, including a merger, consolidation, reorganization, or partial or complete liquidation of the Company, such equitable adjustments described in the foregoing sentence may be made as determined to be appropriate and equitable by the Committee to prevent dilution or enlargement of rights of participants. In either case, the decision of the Committee regarding any such adjustment shall be final, binding and conclusive.

6. Terms of Awards.

(a) General. The term of each Award shall be for such period as may be determined by the Board. Subject to the terms of the Plan and any applicable Award Agreement, payments to be made by the Company upon the grant, vesting, maturation or exercise of an Award may be made in such forms as the Board shall determine at the date of grant or thereafter, including, without limitation, cash, Stock or other property, and may be made in a single payment or transfer, in installments or on a deferred basis. The Board may make rules relating to installment or deferred payments with respect to Awards, including the rate of interest to be credited with respect to such payments. In addition to the foregoing, the Board may impose on any Award or the exercise thereof, at the date of grant or thereafter, such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Board shall determine.

(b) Terms of Specified Awards. The Board is authorized to grant the Awards described in this Section 6(b), under such terms and conditions as deemed by the Board to be consistent with the purposes of the Plan. Such Awards may be granted with vesting, value and/or and payment contingent upon attainment of one or more performance goals. Except as otherwise set forth herein or as may be determined by the Board, each Award granted under the Plan shall be evidenced by an Award Agreement containing such terms and conditions applicable to such Award as the Board shall determine at the date of grant or thereafter.

(i) Options. The Board is authorized to grant Options to the Manager on the following terms and conditions:

(A) Exercise Price. The exercise price per share of Stock purchasable under an Option shall be determined by the Board, but in no event shall the per share exercise price of any Option be less than 100% of the Fair Market Value of a share of Stock on the date of grant of such Option. The exercise price for Stock subject to an Option may be paid (i) in cash or by an exchange of Stock previously owned by the Manager, (ii) by authorizing the Company to withhold whole shares of Stock otherwise issuable pursuant to the exercise of such Option, (iii) through a “broker cashless exercise” procedure approved by the Board (to the extent permitted by law) or (iv) a combination of the above, in any case in an amount having a combined value equal to such exercise price. An Award Agreement may provide that the Manager may pay all or a portion of the aggregate exercise price by having shares of Stock with a Fair Market Value on the date of exercise equal to the aggregate exercise price withheld by the Company.

(B) Term and Exercisability of Options. The date on which the Board adopts a resolution expressly granting an Option shall be considered the day on which such Option is granted. Options shall be exercisable over the exercise period (which shall not exceed ten years from the date of grant), at such times and upon such conditions as the Board may determine, as reflected in the Award Agreement; provided, that the Board shall have the authority to accelerate the exercisability of any outstanding Option at such time and under such circumstances as it, in its sole discretion, deems appropriate. An Option may be exercised to the extent of any or all full shares of Stock as to which the Option has become exercisable, by giving written notice of such exercise to the Board or its designated agent.

(C) Other Provisions. Options may be subject to such other conditions including, but not limited to, restrictions on transferability of the shares acquired upon exercise of such Options, as the Board may prescribe in its discretion or as may be required by applicable law.

(ii) Stock Appreciation Rights. The Board is authorized to grant SARs to the Manager on the following terms and conditions:

(A) In General. Unless the Board determines otherwise, an SAR granted in tandem with an Option may be granted at the time of grant of the related Option or at any time thereafter. An SAR granted in tandem with an Option shall be exercisable only to the extent the underlying Option is exercisable. Payment of an SAR may made in cash, Stock, or property as specified in the Award or determined by the Board.

(B) Right Conferred. An SAR shall confer on the Manager a right to receive an amount with respect to each share subject thereto, upon exercise thereof, equal to the excess of (1) the Fair Market Value of one share of Stock on the date of exercise over (2) the base price of the SAR (which in the case of an SAR granted in tandem with an Option shall be equal to the exercise price of the underlying Option, and which in the case of any other SAR shall be such price as the Board may determine, provided it is no less than 100% of the Fair Market Value of a share of Stock on the date of grant of such SAR).

(C) Term and Exercisability of SARs. The date on which the Board adopts a resolution expressly granting an SAR shall be considered the day on which such SAR is granted. SARs shall be exercisable over the exercise period (which shall not exceed the lesser of ten years from the date of grant or, in the case of a tandem SAR, the expiration of its related Award), at such times and upon such conditions as the Board may determine, as reflected in the Award Agreement; provided, that the Board shall have the authority to accelerate the exercisability of any outstanding SAR at such time and under such circumstances as it, in its sole discretion, deems appropriate. An SAR may be exercised to the extent of any or all full shares of Stock as to which the SAR (or, in the case of a tandem SAR, its related Award) has become exercisable, by giving written notice of such exercise to the Board or its designated agent.

(D) Other Provisions. SARs may be subject to such other conditions including, but not limited to, restrictions on transferability of the shares acquired upon exercise of such SARs, as the Board may prescribe in its discretion or as may be required by applicable law.

(iii) Restricted Stock. The Board is authorized to grant Restricted Stock to the Manager on the following terms and conditions:

(A) Issuance and Restrictions. Restricted Stock shall be subject to such restrictions on transferability and other restrictions, if any, as the Board may impose at the date of grant or thereafter, which restrictions may lapse separately or in combination at such times, under such circumstances, in such installments, or otherwise, as the Board may determine. The Board may place restrictions on Restricted Stock that shall lapse, in whole or in part, only upon the attainment of one or more performance goals. Unless otherwise determined by the Board, following a grant of Restricted Stock, the Manager shall have all of the rights of a stockholder including, without limitation, the right to vote Restricted Stock and the right to receive dividends thereon.

(B) Certificates for Stock. Restricted Stock granted under the Plan may be evidenced in such manner as the Board shall determine. If certificates representing Restricted Stock are registered in the name of the Manager, such certificates shall bear an appropriate legend referring to the terms, conditions and restrictions applicable to such Restricted Stock, and the Company shall retain physical possession of the certificate.

(C) Dividends/Distributions. Unless otherwise determined by the Board, dividends and distributions paid on Restricted Stock shall be paid at the dividend or distribution payment date, provided that such payments may be deferred to such date as determined by the Board, and in any event shall be payable in cash or in shares of Stock having a Fair Market Value equal to the amount of such dividends or distributions. Unless otherwise determined by the Board, Stock distributed in connection with a stock split or stock dividend, and other property distributed as a dividend or distribution, shall be subject to restrictions and a risk of forfeiture to the same extent as the Restricted Stock with respect to which such Stock or other property has been distributed.

(iv) Restricted Stock Units. The Board is authorized to grant RSUs to the Manager, subject to the following terms and conditions:

(A) Award and Restrictions. Delivery of Stock, cash or other property, as determined by the Board, will occur upon expiration of the period specified for RSUs by the Board during which forfeiture conditions apply, or such later date as the Board shall determine. The Board may place restrictions on RSUs that shall lapse, in whole or in part, only upon the attainment of one or more performance goals.

(B) Dividend/Distribution Equivalents. The Board is authorized to grant to the Manager the right to receive dividend equivalent payments and/or distribution equivalent payments for the period prior to settlement of the RSU. Dividend equivalents or distribution equivalents may be paid currently or credited to an account for the Manager, and may be settled in cash or Stock, as determined by the Board. Any such settlements, and any such crediting of dividend equivalents or distribution equivalents or reinvestment in Stock, may be subject to such conditions, restrictions and contingencies as the Board shall establish, including the reinvestment of such credited amounts in Stock equivalents. Unless otherwise determined by the Board, any such dividend equivalents or distribution equivalents shall be paid or credited, as applicable, on the dividend payment date to the Manager as though each RSU held by such Manager were a share of outstanding Stock.

(v) Other Stock-Based Awards. The Board is authorized to grant Awards to the Manager in the form of Other Stock-Based Awards, as deemed by the Board to be consistent with the purposes of the Plan. Awards granted pursuant to this paragraph may be granted with vesting, value and/or payment contingent upon the attainment of one or more performance goals. The Board shall determine the terms and conditions of such Awards at the date of grant or thereafter. Without limiting the generality of this paragraph, Other Stock-Based Awards may include grants of shares of Stock that are not subject to any restrictions or a substantial risk of forfeiture.

7. Termination of Management Agreement. Upon termination of the Management Agreement either (i) by the Company for "cause" (as defined in the Management Agreement) or (ii) by the Manager for any reason other than for "cause" (as defined in the Management Agreement) or other than due to an adverse change in the Manager's compensation thereunder, all unvested Awards then held by the Manager and all accrued and unpaid dividends or dividend equivalents related thereto shall be immediately cancelled and forfeited without consideration. Upon termination of the Management Agreement for any reason other than as enumerated in the immediately preceding sentence, any Award that was not previously vested will become fully vested and/or payable, and any performance conditions imposed with respect to the Award will be deemed to be fully achieved; provided, however, that for any Award subject to Section 409A of the Code, no payment may be made to the Manager unless the termination of the Management Agreement also constitutes a "separation from service" within the meaning of Section 409A of the Code.

8. Change in Control. In the event of a Change in Control, any Award that was not previously vested will become fully vested and/or payable, and any performance conditions imposed with respect to the Award will be deemed to be fully achieved; provided, however, that for any Award subject to Section 409A of the Code, no payment may be made to the Manager unless the transaction constituting a Change in Control also constitutes, within the meaning of Section 409A of the Code, a "change in the ownership or effective control" of the Company or a "change in the ownership of a substantial portion of the assets" of the Company.

9. General Provisions.

(a) Nontransferability. Awards granted to the Manager under the Plan shall not be transferable by Manager and shall be exercisable only by the Manager.

(b) No Right to Continued Service. Nothing in the Plan or in any Award, any Award Agreement or other agreement entered into pursuant hereto shall confer upon the Manager the right to continue to provide services to the Company or any parent or subsidiary of the Company or to be entitled to any remuneration or benefits not set forth in the Plan or such Award Agreement or other agreement or to interfere with or limit in any way the right of the Company to terminate the Management Agreement in accordance with its terms.

(c) Taxes. The Company or any parent or subsidiary of the Company is authorized to withhold from any Award granted, any payment relating to an Award under the Plan, including from a distribution of Stock, or any other payment to the Manager, amounts of withholding and other taxes due in connection with any transaction involving an Award, and to take such other action as the Board may deem advisable to enable the Company and the Manager to satisfy obligations for the payment of withholding taxes and other tax obligations relating to any Award.

(d) Effective Date; Amendment and Termination.

(i) The Plan shall take effect upon the Effective Date, subject to the approval of the Company's stockholders.

(ii) The Board may at any time and from time to time terminate, amend, modify or suspend the Plan in whole or in part; provided, however, that unless otherwise determined by the Board, an amendment that requires stockholder approval in order for the Plan to comply with any law, regulation or stock exchange requirement shall not be effective unless approved by the requisite vote of stockholders. The Board may at any time and from time to time amend any outstanding Award in whole or in part. Notwithstanding the foregoing sentence of this clause (ii), no amendment or modification to or suspension or termination of the Plan or amendment of any Award shall affect adversely any of the rights of the Manager, without the Manager's consent, under any Award theretofore granted under the Plan.

(e) Expiration of Plan. Unless earlier terminated by the Board pursuant to the provisions of the Plan, the Plan shall expire on the tenth anniversary of the Effective Date. No Awards shall be granted under the Plan after such expiration date. The expiration of the Plan shall not affect adversely any of the rights of the Manager, without the Manager's consent, under any Award theretofore granted.

(f) No Rights to Awards; No Stockholder Rights. The Manager shall have no claim to be granted any Award under the Plan. Each Award may be subject to different terms and conditions, as determined by the Board. Except as provided specifically herein, the Manager shall have no rights as a stockholder with respect to any shares covered by an Award until the date of the issuance of a stock certificate to the Manager for such shares.

(g) Unfunded Status of Awards. The Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. With respect to any payments not yet made to the Manager pursuant to an Award, nothing contained in the Plan or any Award shall give the Manager any rights that are greater than those of a general creditor of the Company.

(h) No Fractional Shares. No fractional shares of Stock shall be issued or delivered pursuant to the Plan or any Award. The Board shall determine whether cash, other Awards or other property shall be issued or paid in lieu of such fractional shares or whether such fractional shares or any rights thereto shall be forfeited or otherwise eliminated.

(i) Regulations and Other Approvals.

(i) The obligation of the Company to sell or deliver Stock with respect to any Award granted under the Plan shall be subject to all applicable laws, rules and regulations, including all applicable federal and state securities laws, and the obtaining of all such approvals by governmental agencies as may be deemed necessary or appropriate by the Board.

(ii) Each Award is subject to the requirement that, if at any time the Board determines, in its absolute discretion, that the listing, registration or qualification of Stock issuable pursuant to the Plan is required by any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the grant of an Award or the issuance of Stock, no such Award shall be granted or payment made or Stock issued, in whole or in part, unless listing, registration, qualification, consent or approval has been effected or obtained free of any conditions not acceptable to the Board.

(iii) In the event that the disposition of Stock acquired pursuant to the Plan is not covered by a then-current registration statement under the Securities Act and is not otherwise exempt from such registration, such Stock shall be restricted against transfer to the extent required by the Securities Act or regulations thereunder, and the Board may require the Manager receiving Stock pursuant to the Plan, as a condition precedent to receipt of such Stock, to represent to the Company in writing that the Stock acquired by the Manager is acquired for investment only and not with a view to distribution.

(iv) The Board may require the Manager, as a condition precedent to receipt of an Award or of shares of Stock, to enter into a stockholder agreement or "lock-up" agreement in such form as the Board shall determine is necessary or desirable to further the Company's interests.

(j) Governing Law. The Plan and all determinations made and actions taken pursuant hereto shall be governed by the laws of Maryland without giving effect to the conflict of laws principles thereof.

(k) Section 409A. It is intended that the payments and benefits under the Plan comply with, or as applicable, constitute a short-term deferral or otherwise be exempt from, the provisions of Section 409A of the Code. The Plan will be administered and interpreted in a manner consistent with this intent, and any provision that would cause the Plan or any Award to fail to satisfy Section 409A of the Code will have no force and effect until amended to comply therewith (which amendment may be retroactive to the extent permitted by Section 409A of the Code).

Exhibit 10.3

STARWOOD PROPERTY TRUST, INC.

2022 EQUITY PLAN

STARWOOD PROPERTY TRUST, INC.

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2022 EQUITY PLAN

1. Purpose; Types of Awards.

The purposes of the Starwood Property Trust, Inc. 2022 Equity Plan (the "Plan") are to afford an incentive to the directors and officers, employees, advisors, consultants and other third party service providers of Starwood Property Trust, Inc. (the "Company") who are in any case natural persons and providing services to the Company, including without limitation individuals who are employees of the Manager or one of its Affiliates who are providing services to the Company, to continue as directors, officers, employees, advisors, consultants or other third party service providers, to increase their efforts on behalf of the Company and to promote the success of the Company's business. The Plan provides for the grant of stock options, stock appreciation rights, restricted stock, restricted stock units and other equity-based awards.

This Plan succeeds and replaces the Starwood Property Trust, Inc. 2017 Equity Plan, as amended, which shall terminate on the date on which this Plan is approved by the Company's stockholders, except that any outstanding awards granted under the Predecessor Plans shall remain in effect in accordance with their terms.

2. Definitions.

For purposes of the Plan, the following terms shall be defined as set forth below:

(a) "Affiliate" means (i) any Person directly or indirectly controlling, controlled by, or under common control with such other Person, (ii) any executive officer or general partner of such other Person and (iii) any legal entity for which such Person acts as an executive officer or general partner.

(b) "Award" means any Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit or Other Stock-Based Award granted under the Plan.

(c) "Award Agreement" means any written agreement, contract or other instrument or document evidencing an Award.

(d) "Board" means the Board of Directors of the Company.

(e) "Change in Control" means the occurrence of any one of the following events:

(i) During any twenty-four (24) month period, individuals who, as of the beginning of such period, constitute the Board (the "Incumbent Directors") cease for any reason to constitute at least a majority of the Board, provided that any person becoming a director subsequent to the beginning of such period whose election or nomination for election was approved by a vote of at least a majority of the Incumbent Directors then on the Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without written objection to such nomination) shall be an Incumbent Director; provided, however, that no individual initially elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to directors or as a result of any other actual or threatened solicitation of proxies by or on behalf of any person other than the Board shall be deemed to be an Incumbent Director;

(ii) Any "person" (as such term is defined in the Exchange Act and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) is or becomes a "beneficial owner" (as defined in Rule 13d 3 under the Exchange Act), directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company's then outstanding securities eligible to vote for the election of the Board (the "Company Voting Securities"); provided, however, that the event described in this paragraph (ii) shall not be deemed to be a Change in Control by virtue of any of the following acquisitions: (A) by the Company or any Subsidiary; (B) by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Subsidiary; (C) by any underwriter temporarily holding securities pursuant to an offering of such securities; (D) pursuant to a Non-Qualifying Transaction, as defined in paragraph (iii), or (E) by any person of Company Voting Securities from the Company, if a majority of the Incumbent Board approves in advance the acquisition of beneficial ownership of 30% or more of Company Voting Securities by such person;

(iii) The consummation of a merger, consolidation, statutory share exchange or similar form of corporate transaction involving the Company or any of its Subsidiaries that requires the approval of the Company's stockholders, whether for such transaction or the issuance of securities in the transaction (a "Business Combination"), unless immediately following such Business Combination: (A) more than 50% of the total voting power of (1) the corporation resulting from such Business Combination (the "Surviving Corporation"), or (2) if applicable, the ultimate parent corporation that directly or indirectly has beneficial ownership of 100% of the voting securities eligible to elect directors of the Surviving Corporation (the "Parent Corporation"), is represented by Company Voting Securities that were outstanding immediately prior to such Business Combination (or, if applicable, is represented by shares into which such Company Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Company Voting Securities among the holders thereof immediately prior to the Business Combination; (B) no person (other than any employee benefit plan (or related trust) sponsored or maintained by the Surviving Corporation or the Parent Corporation), is or becomes the beneficial owner, directly or indirectly, of 30% or more of the total voting power of the outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation) and (C) at least a majority of the members of the board of directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation) following the consummation of the Business Combination were Incumbent Directors at the time of the Board's approval of the execution of the initial agreement providing for such Business Combination (any Business Combination which satisfies all of the criteria specified in (A), (B) and (C) above shall be deemed to be a "Non-Qualifying Transaction"); or

(iv) The consummation of a sale of all or substantially all of the Company's assets or the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company.

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any person acquires beneficial ownership of more than 30% of the Company Voting Securities as a result of the acquisition of Company Voting Securities by the Company which reduces the number of Company Voting Securities outstanding; provided, that if after such acquisition by the Company such person becomes the beneficial owner of additional Company Voting Securities that increases the percentage of outstanding Company Voting Securities beneficially owned by such person, a Change in Control of the Company shall then occur. Solely with respect to any award that constitutes "deferred compensation" subject to Section 409A of the Code and that is payable on account of a Change in Control (including any installments or stream of payments that are accelerated on account of a Change in Control), a Change in Control shall occur only if such event also constitutes a "change in the ownership," "change in effective control," and/or a "change in the ownership of a substantial portion of assets" of the Company as those terms are defined under Treasury Regulation §1.409A-3(i)(5), but only to the extent necessary to establish a time or form of payment that complies with Section 409A of the Code, without altering the definition of Change in Control for purposes of determining whether a participant's rights to such Award become vested or otherwise unconditional upon the Change in Control.

(f) "Code" means the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder.

(g) "Committee" means the committee established by the Board to administer the Plan, the composition of which shall at all times consist of "non-employee directors" within the meaning of Rule 16b-3 under the Exchange Act.

(h) "Company" means Starwood Property Trust, Inc., a Maryland corporation, or any successor corporation.

(i) "Effective Date" means April 28, 2022, the date on which the Plan was approved by the Company's stockholders.

(j) "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, and the rules and regulations promulgated thereunder.

(k) "Fair Market Value" means, with respect to Stock or other property, the fair market value of such Stock or other property determined by such methods or procedures as shall be established from time to time by the Committee. Unless otherwise determined by the Board in good faith, the per share Fair Market Value of Stock as of a particular date shall mean (i) the closing sales price per share of Stock on the national securities exchange on which the Stock is principally traded, for the last preceding date on which there was a sale of such Stock on such exchange; (ii) if the shares of Stock are then traded in an over-the-counter market, the average of the closing bid and asked prices for the shares of Stock in such over-the-counter market for the last preceding date on which there was a sale of such Stock in such market; or (iii) if the shares of Stock are not then listed on a national securities exchange or traded in an over-the-counter market, such value as the Board, in its sole discretion, shall determine.

(l) "Management Agreement" means the Management Agreement, dated as of August 17, 2009, by and between the Company and the Manager, as such may be amended from time to time.

(m) "Manager" means SPT Management, LLC, a Delaware limited liability company.

(n) "Option" means a right, granted to a Participant under Section 6(b)(i), to purchase shares of Stock.

(o) "Other Stock-Based Award" means a right or other interest granted to a Participant that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Stock, including but not limited to unrestricted shares of Stock or dividend equivalent rights.

(p) "Participant" means an eligible person who has been granted an Award under the Plan.

(q) "Person" means any natural person, corporation, partnership, association, limited liability company, estate, trust, joint venture, any federal, state or municipal government or any bureau, department or agency thereof or any other legal entity and any fiduciary acting in such capacity on behalf of the foregoing.

(r) "Plan" means this Starwood Property Trust, Inc. 2022 Equity Plan, as amended from time to time.

(s) "Predecessor Plans" means (i) the Starwood Property Trust, Inc. Equity Plan, as amended, (ii) the Starwood Property Trust, Inc. 2017 Equity Plan, as amended and (iii) the Starwood Property Trust, Inc. Non-Executive Director Stock Plan.

(t) "Restricted Stock" means an Award of shares of Stock to a Participant under Section 6(b)(iii) that may be subject to certain restrictions and to a risk of forfeiture.

(u) "Restricted Stock Unit" or "RSU" means a right granted to a Participant under Section 6(b)(iv) to receive Stock, cash or other property at the end of a specified period, which right may be conditioned on the satisfaction of specified performance or other criteria.

(v) "Securities Act" means the Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder.

(w) "Separation from Service" shall have the meaning attributed to such term under Section 409A of the Code.

(x) "Stock" means shares of the common stock, par value $0.01 per share, of the Company.

(y) "Stock Appreciation Right" or "SAR" means the right granted to a Participant under Section 6(b)(ii) to be paid an amount measured by the appreciation in the Fair Market Value of Stock from the date of grant to the date of exercise of the right.

3. Administration.

The Plan shall be administered by the Board. Except with respect to the amendment, modification, suspension or early termination of the Plan, the Board may appoint a Committee to administer all or a portion of the Plan. To the extent that the Board so delegates its authority, references herein to the Board shall be deemed references to the Committee. The Board may delegate to one or more agents such administrative duties as it may deem advisable, and the Committee or any other person to whom the Board has delegated duties as aforesaid may employ one or more persons to render advice with respect to any responsibility the Board or such Committee or person may have under the Plan. No member of the Board or Committee shall be liable for any action taken or determination made in good faith with respect to the Plan or any Award granted hereunder.

The Board shall have the authority in its discretion, subject to and not inconsistent with the express provisions of the Plan, to administer the Plan and to exercise all the powers and authorities either specifically granted to it under the Plan or necessary or advisable in the administration of the Plan, including, without limitation, the authority to: (i) grant Awards; (ii) determine the persons to whom and the time or times at which Awards shall be granted; (iii) determine the type and number of Awards to be granted, the number of shares of Stock to which an Award may relate and the terms, conditions, restrictions and performance criteria relating to any Award; (iv) determine whether, to what extent, and under what circumstances an Award may be settled, cancelled, forfeited, exchanged, or surrendered; (v) make adjustments in the terms and conditions of Awards; (vi) construe and interpret the Plan and any Award; (vii) prescribe, amend and rescind rules and regulations relating to the Plan; (viii) determine the terms and provisions of the Award Agreements (which need not be identical for each Participant); and (ix) make all other determinations deemed necessary or advisable for the administration of the Plan. All decisions, determinations and interpretations of the Board shall be final and binding on all persons, including but not limited to the Company, any parent or subsidiary of the Company, any Participant (or any person claiming any rights under the Plan from or through any Participant) and any stockholder. Notwithstanding any provision of the Plan or any Award Agreement to the contrary, except as provided in the second paragraph of Section 5, neither the Board nor the Committee shall, without obtaining the approval of the Company's stockholders, (a) reduce the purchase or base price of any previously granted Option or SAR, (b) cancel any previously granted Option or SAR in exchange for another Option or SAR with a lower purchase or base price or (c) cancel any previously granted Option or SAR in exchange for cash or another award if the purchase or base price of such Option or SAR exceeds the Fair Market Value of a share of Stock on the date of such cancellation, in each case other than in connection with a Change in Control.

4. Eligibility.

Awards may be granted, in the discretion of the Board, to individuals who are, as of the date of grant, directors or officers, employees, advisors, consultants or other third party service providers of the Company, who in any case are natural persons and providing services to the Company, including without limitation individuals who are employees of the Manager or one of its Affiliates. In determining the persons to whom Awards shall be granted and the type of any Award (including the number of shares to be covered by such Award), the Board shall take into account such factors as the Board shall deem relevant in connection with accomplishing the purposes of the Plan.

5. Stock Subject to the Plan.

The maximum number of shares of Stock reserved for the grant of Awards under the Plan shall be equal to 18,700,000, less any shares of common stock issued or subject to awards granted under the Company's 2022 Manager Equity Plan, subject to adjustment as provided herein. Stock issued under the Plan may, in whole or in part, be authorized but unissued shares or shares that shall have been or may be reacquired by the Company in the open market, in private transactions or otherwise. If any shares of Stock are surrendered to or withheld by the Company as payment of either the exercise price of an option or stock appreciation right granted under this Plan, a Predecessor Plan or the Company's Manager Equity Plan, 2017 Manager Equity Plan or 2022 Manager Equity Plan and/or withholding taxes in respect of an award granted under any of such plans, the shares of Stock that were subject to such award shall not again be available for Awards under the Plan. If any shares subject to an award under this Plan, any of the Predecessor Plans or the Company's Manager Equity Plan, 2017 Manager Equity Plan or 2022 Manager Equity Plan are forfeited, cancelled, exchanged or surrendered or if such an award is settled in cash or otherwise terminates or expires without a distribution of shares to the Participant (other than as provided in the immediately preceding sentence), the shares of Stock with respect to such award shall, to the extent of any such forfeiture, cancellation, exchange, surrender, termination or expiration, again be available for Awards under the Plan. Upon the exercise of any Award granted in tandem with any other Award, such related Award shall be cancelled to the extent of the number of shares of Stock as to which the Award is exercised and, notwithstanding the foregoing, such number of shares shall no longer be available for Awards under the Plan.

In the event of any equity restructuring (within the meaning of Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation—Stock Compensation, or any successor or replacement accounting standard) that causes the per share value of shares of Stock to change, such as a stock dividend, stock split, spinoff, rights offering or recapitalization through an extraordinary cash dividend, the number and class of securities available under this Plan, the terms of each outstanding Option and SAR (including the number and class of securities subject to each outstanding Option or SAR and the purchase price or base price per share), the terms of each outstanding Restricted Stock award and Restricted Stock Unit award (including the number and class of securities subject thereto), and the terms of each outstanding Other Stock-Based Award (including the number and class of securities subject thereto) shall be appropriately adjusted by the Committee, such adjustments to be made in the case of outstanding Options and SARs without an increase in the aggregate purchase price or base price and in accordance with Section 409A of the Code. In the event of any other change in corporate capitalization, including a merger, consolidation, reorganization, or partial or complete liquidation of the Company, such equitable adjustments described in the foregoing sentence may be made as determined to be appropriate and equitable by the Committee to prevent dilution or enlargement of rights of participants. In either case, the decision of the Committee regarding any such adjustment shall be final, binding and conclusive.

6. Terms of Awards.

(a) General. The term of each Award shall be for such period as may be determined by the Board. Subject to the terms of the Plan and any applicable Award Agreement, payments to be made by the Company upon the grant, vesting, maturation or exercise of an Award may be made in such forms as the Board shall determine at the date of grant or thereafter, including, without limitation, cash, Stock or other property, and may be made in a single payment or transfer, in installments or on a deferred basis. The Board may make rules relating to installment or deferred payments with respect to Awards, including the rate of interest to be credited with respect to such payments. In addition to the foregoing, the Board may impose on any Award or the exercise thereof, at the date of grant or thereafter, such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Board shall determine.

(b) Terms of Specified Awards. The Board is authorized to grant the Awards described in this Section 6(b), under such terms and conditions as deemed by the Board to be consistent with the purposes of the Plan. Such Awards may be granted with vesting, value and/or and payment contingent upon attainment of one or more performance goals. Except as otherwise set forth herein or as may be determined by the Board, each Award granted under the Plan shall be evidenced by an Award Agreement containing such terms and conditions applicable to such Award as the Board shall determine at the date of grant or thereafter.

(i) Options. The Board is authorized to grant Options to Participants on the following terms and conditions:

(A) Exercise Price. The exercise price per share of Stock purchasable under an Option shall be determined by the Board, but in no event shall the per share exercise price of any Option be less than 100% of the Fair Market Value of a share of Stock on the date of grant of such

Option. The exercise price for Stock subject to an Option may be paid (i) in cash or by an exchange of Stock previously owned by the Participant, (ii) by authorizing the Company to withhold whole shares of Stock otherwise issuable pursuant to the exercise of such Option, (iii) through a "broker cashless exercise" procedure approved by the Board (to the extent permitted by law) or (iv) a combination of the above, in any case in an amount having a combined value equal to such exercise price. An Award Agreement may provide that a Participant may pay all or a portion of the aggregate exercise price by having shares of Stock with a Fair Market Value on the date of exercise equal to the aggregate exercise price withheld by the Company.

(B) Term and Exercisability of Options. The date on which the Board adopts a resolution expressly granting an Option shall be considered the day on which such Option is granted. Options shall be exercisable over the exercise period (which shall not exceed ten years from the date of grant), at such times and upon such conditions as the Board may determine, as reflected in the Award Agreement; provided, that the Board shall have the authority to accelerate the exercisability of any outstanding Option at such time and under such circumstances as it, in its sole discretion, deems appropriate. An Option may be exercised to the extent of any or all full shares of Stock as to which the Option has become exercisable, by giving written notice of such exercise to the Board or its designated agent.

(C) Termination of Service. Subject to Section 7, an Option may not be exercised unless (1) the Participant is then providing services to the Company and (2) the Participant has continuously maintained such relationship since the date of grant of the Option; provided, that the Award Agreement may contain provisions extending the exercisability of Options, in the event of specified terminations of service, to a date not later than the expiration date of such Option.

(D) Other Provisions. Options may be subject to such other conditions including, but not limited to, restrictions on transferability of the shares acquired upon exercise of such Options, as the Board may prescribe in its discretion or as may be required by applicable law.

(ii) Stock Appreciation Rights. The Board is authorized to grant SARs to Participants on the following terms and conditions:

(A) In General. Unless the Board determines otherwise, an SAR granted in tandem with an Option may be granted at the time of grant of the related Option or at any time thereafter. An SAR granted in tandem with an Option shall be exercisable only to the extent the underlying Option is exercisable. Payment of an SAR may made in cash, Stock, or property as specified in the Award or determined by the Board.

(B) Right Conferred. An SAR shall confer on the Participant a right to receive an amount with respect to each share subject thereto, upon exercise thereof, equal to the excess of (1) the Fair Market Value of one share of Stock on the date of exercise over (2) the base price of the SAR (which in the case of an SAR granted in tandem with an Option shall be equal to the exercise price of the underlying Option, and which in the case of any other SAR shall be such price as the Board may determine, provided it is no less than 100% of the Fair Market Value of a share of Stock on the date of grant of such SAR).

(C) Term and Exercisability of SARs. The date on which the Board adopts a resolution expressly granting an SAR shall be considered the day on which such SAR is granted. SARs shall be exercisable over the exercise period (which shall not exceed the lesser of ten years from the date of grant or, in the case of a tandem SAR, the expiration of its related Award), at such times and upon such conditions as the Board may determine, as reflected in the Award Agreement; provided, that the Board shall have the authority to accelerate the exercisability of any outstanding SAR at such time and under such circumstances as it, in its sole discretion, deems appropriate. An SAR may be exercised to the extent of any or all full shares of Stock as to which the SAR (or, in the case of a tandem SAR, its related Award) has become exercisable, by giving written notice of such exercise to the Board or its designated agent.

(D) Termination of Service. Subject to Section 7, an SAR may not be exercised unless (1) the Participant is then providing services to the Company and (2) the Participant has continuously maintained such relationship since the date of grant of the SAR; provided, that the Award Agreement may contain provisions extending the exercisability of SARs, in the event of specified terminations of service, to a date not later than the expiration date of such SARs (or, in the case of a tandem SAR, its related Award).

(E) Other Provisions. SARs may be subject to such other conditions including, but not limited to, restrictions on transferability of the shares acquired upon exercise of such SARs, as the Board may prescribe in its discretion or as may be required by applicable law.

(iii) Restricted Stock. The Board is authorized to grant Restricted Stock to Participants on the following terms and conditions:

(A) Issuance and Restrictions. Restricted Stock shall be subject to such restrictions on transferability and other restrictions, if any, as the Board may impose at the date of grant or thereafter, which restrictions may lapse separately or in combination at such times, under such circumstances, in such installments, or otherwise, as the Board may determine. The Board may place restrictions on Restricted Stock that shall lapse, in whole or in part, only upon the attainment of one or more performance goals. Unless otherwise determined by the Board, a Participant granted Restricted Stock shall have all of the rights of a stockholder including, without limitation, the right to vote Restricted Stock and the right to receive dividends thereon.

(B) Forfeiture. Subject to Section 8, upon termination of service to the Company during the applicable restriction period, Restricted Stock and any accrued but unpaid dividends that are then subject to restrictions shall be forfeited; provided, that the Board may provide, by rule or regulation or in any Award Agreement, or may determine in any individual case, that restrictions or forfeiture conditions relating to Restricted Stock will be waived in whole or in part in the event of terminations resulting from specified causes, and the Board may in other cases waive in whole or in part the forfeiture of Restricted Stock.

(C) Certificates for Stock. Restricted Stock granted under the Plan may be evidenced in such manner as the Board shall determine. If certificates representing Restricted Stock are registered in the name of the Participant, such certificates shall bear an appropriate legend referring to the terms, conditions and restrictions applicable to such Restricted Stock, and the Company shall retain physical possession of the certificate.

(D) Dividends/Distributions. Unless otherwise determined by the Board, dividends paid on Restricted Stock shall be paid at the dividend or distribution payment date, provided that such payments may be deferred to such date as determined by the Board, and in any event shall be payable in cash or in shares of Stock having a Fair Market Value equal to the amount of such dividends and distributions. Unless otherwise determined by the Board, Stock distributed in connection with a stock split or stock dividend, and other property distributed as a dividend or distribution, shall be subject to restrictions and a risk of forfeiture to the same extent as the Restricted Stock with respect to which such Stock or other property has been distributed.

(iv) Restricted Stock Units. The Board is authorized to grant RSUs to Participants, subject to the following terms and conditions:

(A) Award and Restrictions. Delivery of Stock, cash or other property, as determined by the Board, will occur upon expiration of the period specified for RSUs by the Board during which forfeiture conditions apply, or such later date as the Board shall determine. The Board may place restrictions on RSUs that shall lapse, in whole or in part, only upon the attainment of one or more performance goals.

(B) Forfeiture. Subject to Section 8, upon termination of service to the Company prior to the vesting of RSUs, or upon failure to satisfy any other conditions precedent to the delivery of Stock or cash to which such RSUs relate, all RSUs and any accrued but unpaid dividend equivalents that are then subject to deferral or restriction shall be forfeited; provided, that the Board may provide, by rule or regulation or in any Award Agreement, or may determine in any individual case, that restrictions or forfeiture conditions relating to RSUs will be waived in whole or in part in the event of termination resulting from specified causes, and the Board may in other cases waive in whole or in part the forfeiture of RSUs.

(C) Dividend/Distribution Equivalents. The Board is authorized to grant to Participants the right to receive dividend equivalent payments and/or distribution equivalent payments for the period prior to settlement of the RSU. Dividend equivalents or distribution equivalents may be paid currently or credited to an account for the Participant, and may be settled in cash or Stock, as determined by the Board. Any such settlements, and any such crediting of dividend equivalents or distribution equivalents or reinvestment in Stock, may be subject to such conditions, restrictions and contingencies as the Board shall establish, including the reinvestment of such credited amounts in Stock equivalents. Unless otherwise determined by the Board, any such dividend equivalents or distribution equivalents shall be paid or credited, as applicable, on the dividend payment date to the Participant as though each RSU held by such Participant were a share of outstanding Stock.

(v) Other Stock-Based Awards. The Board is authorized to grant Awards to Participants in the form of Other Stock-Based Awards, as deemed by the Board to be consistent with the purposes of the Plan. Awards granted pursuant to this paragraph may be granted with vesting, value and/or payment contingent upon the attainment of one or more performance goals. The Board shall determine the terms and conditions of such Awards at the date of grant or thereafter. Without limiting the generality of this paragraph, Other Stock-Based Awards may include grants of shares of Stock that are not subject to any restrictions or a substantial risk of forfeiture.

7. Termination of Service. Unless otherwise determined by the Board or the Committee, all unvested Awards then held by a Participant who ceases to provide services to the Company, whether through a Separation from Service or because of reassignment by such Participant's employer, shall be immediately cancelled and forfeited without consideration. The terms of Award Agreements shall set forth the terms under which an Option or Stock Appreciation Right may remain exercisable following such a termination of service with the Company.

8. Change in Control. In the event of a Change in Control, any Award that was not previously vested will become fully vested and/or payable, and any performance conditions imposed with respect to the Award will be deemed to be fully achieved; provided, however, that for any Award subject to Section 409A of the Code, no payment may be made to the holder of such Award unless the transaction constituting a Change in Control also constitutes, within the meaning of Section 409A of the Code, a "change in the ownership or effective control" of the Company or a "change in the ownership of a substantial portion of the assets" of the Company.

9. General Provisions.

(a) Nontransferability. Unless otherwise provided in an Award Agreement, Awards shall not be transferable by a Participant except by will or the laws of descent and distribution and shall be exercisable during the lifetime of a Participant only by such Participant or his guardian or legal representative.

(b) No Right to Continued Service, etc. Nothing in the Plan or in any Award, any Award Agreement or other agreement entered into pursuant hereto shall confer upon any Participant the right to continue as a director of, or continue to provide services to, the Company or any parent, subsidiary or Affiliate of the Company or the Manager or to be entitled to any remuneration or benefits not set forth in the Plan or such Award Agreement or other agreement or to interfere with or limit in any way the right of the Company to terminate such Participant's service.

(c) Taxes. The Company or any parent or subsidiary of the Company is authorized to withhold from any Award granted, any payment relating to an Award under the Plan, including from a distribution of Stock, or any other payment to a Participant, amounts of withholding and other taxes due in connection with any transaction involving an Award, and to take such other action as the Board may deem advisable to enable the Company and Participants to satisfy obligations for the payment of withholding taxes and other tax obligations relating to any Award. This authority shall include authority to withhold or receive Stock or other property and to make cash payments in respect thereof in satisfaction of a Participant's tax obligations.

The Board may provide in the Award Agreement that in the event that a Participant is required to pay any amount to be withheld in connection with the issuance of shares of Stock in settlement or exercise of an Award, the Participant may satisfy such obligation (in whole or in part) by electing to have the Company withhold a portion of the shares of Stock to be received upon settlement or exercise of such Award. The shares of Stock withheld to satisfy such obligation shall not have an aggregate Fair Market Value in excess of the amount determined by applying the maximum individual statutory tax rate in the employee's applicable jurisdiction; provided that the Company shall be permitted to limit the number of shares so withheld to a lesser number if necessary, in the judgment of the Committee, to avoid adverse accounting consequences or for administrative convenience.

(d) Effective Date; Amendment and Termination.

(i) The Plan shall take effect upon the Effective Date, subject to the approval of the Company's stockholders.

(ii) The Board may at any time and from time to time terminate, amend, modify or suspend the Plan in whole or in part; provided, however, that unless otherwise determined by the Board, an amendment that requires stockholder approval in order for the Plan to comply with any law, regulation or stock exchange requirement shall not be effective unless approved by the requisite vote of stockholders. The Board may at any time and from time to time amend any outstanding Award in whole or in part. Notwithstanding the foregoing sentence of this clause (ii), no amendment or modification to or suspension or termination of the Plan or amendment of any Award shall affect adversely any of the rights of any Participant, without such Participant's consent, under any Award theretofore granted under the Plan.

(e) Expiration of Plan. Unless earlier terminated by the Board pursuant to the provisions of the Plan, the Plan shall expire on the tenth anniversary of the Effective Date. No Awards shall be granted under the Plan after such expiration date. The expiration of the Plan shall not affect adversely any of the rights of any Participant, without such Participant's consent, under any Award theretofore granted.

(f) Deferrals. The Board shall have the authority to establish such procedures and programs that it deems appropriate to provide Participants with the ability to defer receipt of cash, Stock or other property payable with respect to Awards granted under the Plan.

(g) No Rights to Awards; No Stockholder Rights. No Participant shall have any claim to be granted any Award under the Plan. There is no obligation for uniformity of treatment among Participants. Except as provided specifically herein, a Participant or a transferee of an Award shall have no rights as a stockholder with respect to any shares covered by the Award until the date of the issuance of a stock certificate to him for such shares.

(h) Unfunded Status of Awards. The Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. With respect to any payments not yet made to a Participant pursuant to an Award, nothing contained in the Plan or any Award shall give any such Participant any rights that are greater than those of a general creditor of the Company.

(i) No Fractional Shares. No fractional shares of Stock shall be issued or delivered pursuant to the Plan or any Award. The Board shall determine whether cash, other Awards or other property shall be issued or paid in lieu of such fractional shares or whether such fractional shares or any rights thereto shall be forfeited or otherwise eliminated.

(j) Regulations and Other Approvals.

(i) The obligation of the Company to sell or deliver Stock with respect to any Award granted under the Plan shall be subject to all applicable laws, rules and regulations, including all applicable federal and state securities laws, and the obtaining of all such approvals by governmental agencies as may be deemed necessary or appropriate by the Board.

(ii) Each Award is subject to the requirement that, if at any time the Board determines, in its absolute discretion, that the listing, registration or qualification of Stock issuable pursuant to the Plan is required by any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the grant of an Award or the issuance of Stock, no such Award shall be granted or payment made or Stock issued, in whole or in part, unless listing, registration, qualification, consent or approval has been effected or obtained free of any conditions not acceptable to the Board.

(iii) In the event that the disposition of Stock acquired pursuant to the Plan is not covered by a then-current registration statement under the Securities Act and is not otherwise exempt from such registration, such Stock shall be restricted against transfer to the extent required by the Securities Act or regulations thereunder, and the Board may require a Participant receiving Stock pursuant to the Plan, as a condition precedent to receipt of such Stock, to represent to the Company in writing that the Stock acquired by such Participant is acquired for investment only and not with a view to distribution.

(iv) The Board may require a Participant receiving Stock pursuant to the Plan, as a condition precedent to receipt of such Stock, to enter into a stockholder agreement or "lock-up" agreement in such form as the Board shall determine is necessary or desirable to further the Company's interests.

(k) Registration on Form S-8. The Company shall file with the Securities and Exchange Commission a registration statement on Form S-8 with respect to the securities to be offered to Participants under the Plan and shall during the term of the Plan keep such registration statement effective.

(l) Governing Law. The Plan and all determinations made and actions taken pursuant hereto shall be governed by the laws of Maryland without giving effect to the conflict of laws principles thereof.

(m) Section 409A. It is intended that the payments and benefits under the Plan comply with, or as applicable, constitute a short-term deferral or otherwise be exempt from, the provisions of Section 409A of the Code. The Plan will be administered and interpreted in a manner consistent with this intent, and any provision that would cause the Plan or any Award to fail to satisfy Section 409A of the Code will have no force and effect until amended to comply therewith (which amendment may be retroactive to the extent permitted by Section 409A of the Code). To the extent required in order to avoid accelerated taxation and/or tax penalties under Section 409A of the Code, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to this Plan during the six-month period immediately following Participant's termination of employment shall instead be paid on the first business day after the date that is six months following Participant's termination of employment (or upon Participant's death, if earlier).

(n) Designation of Beneficiary. To the extent permitted by the Company, a holder of an award may file with the Company a written designation of one or more persons as such holder's beneficiary or beneficiaries (both primary and contingent) in the event of the holder's death or incapacity. To the extent an outstanding option or SAR granted hereunder is exercisable, such beneficiary or beneficiaries shall be entitled to exercise such option or SAR pursuant to procedures prescribed by the Company. Each beneficiary designation shall become effective only when filed in writing with the Company during the holder's lifetime on a form prescribed by the Company. The spouse of a married holder domiciled in a community property jurisdiction shall join in any designation of a beneficiary other than such spouse. The filing with the Company of a new beneficiary designation shall cancel all previously filed beneficiary designations. If a holder fails to designate a beneficiary, or if all designated beneficiaries of a holder predecease the holder, then each outstanding award held by such holder, to the extent vested or exercisable, shall be payable to or may be exercised by such holder's executor, administrator, legal representative or similar person.

(o) Awards Subject to Clawback. The awards granted under this Plan and any cash payment or shares of Stock delivered pursuant to an award are subject to forfeiture, recovery by the Company or other action pursuant to the applicable Agreement or any clawback or recoupment policy which the Company may adopt from time to time, including without limitation any such policy which the Company may be required to adopt under the Dodd-Frank Wall Street Reform and Consumer Protection Act and implementing rules and regulations thereunder, or as otherwise required by law.

Exhibit 31.1

Certification Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Barry S. Sternlicht, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Starwood Property Trust, Inc. for the period ended March 31, 2022;

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 controls 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: May 4, 2022

/s/ BARRY S. STERNLICHT

Barry S. Sternlicht

Chief Executive Officer

Exhibit 31.2

Certification Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Rina Paniry, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Starwood Property Trust, Inc. for the period ended March 31, 2022;

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 controls 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: May 4, 2022

/s/ RINA PANIRY

Rina Paniry

Chief Financial Officer

Exhibit 32.1

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 Starwood Property Trust, Inc.'s (the "Company") Quarterly Report on Form 10-Q for the period ended March 31, 2022 (the "Report"), I, Barry S. Sternlicht, do hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, 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.

Date: May 4, 2022

/s/ BARRY S. STERNLICHT
Barry S. Sternlicht
Chief Executive Officer

Exhibit 32.2

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 Starwood Property Trust, Inc.'s (the "Company") Quarterly Report on Form 10-Q for the period ended March 31, 2022 (the "Report"), I, Rina Paniry, do hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, 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.

Date: May 4, 2022

/s/ RINA PANIRY

Rina Paniry

Chief Financial Officer