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

# FORM 10-Q

**(Mark One)**

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

**For the quarterly period ended September 30, 2022**

**OR**

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

**For the transition period from _____ to _____**
**Commission file number 001-38156**




# TPG RE Finance Trust, Inc.

**(Exact name of registrant as specified in its charter)**

| **Maryland** | **36-4796967** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

**888 Seventh Avenue, 35th Floor**
**New York, New York 10106**
**(Address of principal executive offices) (Zip Code)**
**(212) 601-4700**
**(Registrant's telephone number, including area code)**

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock, par value $0.001 per share | TRTX | New York Stock Exchange |
| 6.25% Series C Cumulative Redeemable Preferred Stock, par value $0.001 per share | TRTX PRC | 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 x No o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No o

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 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 | x | Accelerated Filer | o |
| Non-accelerated Filer | o | Smaller Reporting Company | o |
| Emerging Growth Company | o | | |

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. o

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

As of October 28, 2022, there were 77,406,620 shares of the registrant's common stock, $0.001 par value per share, outstanding.

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which reflect our current views with respect to, among other things, our operations and financial performance. You can identify these forward-looking statements by the use of words such as "outlook," "believe," "expect," "potential," "continue," "may," "should," "seek," "approximately," "predict," "intend," "will," "plan," "estimate," "anticipate," the negative version of these words, other comparable words or other statements that do not relate strictly to historical or factual matters. By their nature, forward-looking statements speak only as of the date they are made, are not statements of historical fact or guarantees of future performance and are subject to risks, uncertainties, assumptions or changes in circumstances that are difficult to predict or quantify. Our expectations, beliefs and projections are expressed in good faith, and we believe there is a reasonable basis for them. However, there can be no assurance that management's expectations, beliefs and projections will occur or be achieved, and actual results may vary materially from what is expressed in or indicated by the forward-looking statements.

There are a number of risks, uncertainties and other important factors that could cause our actual results to differ materially from the forward-looking statements contained in this Form 10-Q. Such risks, uncertainties and other important factors include, among others, the risks, uncertainties and factors set forth under the heading "Risk Factors" in our Form 10-K filed with the Securities and Exchange Commission (the "SEC") on February 23, 2022, as such risk factors may be updated from time to time in our periodic filings with the SEC, which are accessible on the SEC's website at www.sec.gov. Such risks, uncertainties and other factors include, but are not limited to, the following:

- the general political, economic, regulatory, competitive and other conditions in the markets in which we invest;
- the level and volatility of prevailing interest rates and credit spreads, including as a result of the planned discontinuance of LIBOR and the transition to alternative reference rates such as term or compounded Secured Overnight Financing Rate ("SOFR"); adverse changes in the real estate and real estate capital markets;
- general volatility of the securities markets in which we participate;
- changes in our business, investment strategies or target assets;
- difficulty in obtaining financing or raising capital;
- reductions in the yield on our investments and increases in the cost of our financing;
- events giving rise to increases in our current expected credit loss reserve;
- adverse legislative or regulatory developments, including with respect to tax laws, securities laws and the laws governing financing and lending institutions;
- acts of God such as hurricanes, floods, earthquakes, wildfires, mudslides, volcanic eruptions, and other natural disasters, acts of war and/or terrorism and other events that may cause unanticipated and uninsured performance declines and/or losses to us or the owners and operators of the real estate securing our investments;
- global economic trends and economic conditions, including heightened inflation, slower growth or recession, changes to fiscal and monetary policy, higher interest rates, labor shortages, currency fluctuations and challenges in global supply chains;
- higher interest rates imposed by the Federal Reserve may lead to a decrease in prepayment speeds and an increase in the number of borrowers who exercise extension options, which could extend beyond the term of certain secured financing agreements we use to finance our loan investments;
- the ongoing impact of the COVID-19 pandemic on our business, U.S. and global economies, the real estate industry and our borrowers, and the performance of the properties securing our loans;
- reduced demand for office space, including as a result of the COVID-19 pandemic and/or hybrid work schedules which allow work from remote locations other than the employer's office premises;
- changes in the availability of attractive loan and other investment opportunities, whether they are due to competition, regulation or otherwise;
- deterioration in the performance of properties securing our investments that may cause deterioration in the performance of our investments, adversely impact certain of our financing arrangements and our liquidity, and potentially expose us to principal losses on our investments;
- defaults by borrowers in paying debt service or principal on outstanding indebtedness;
- the adequacy of collateral securing our investments and declines in the fair value of our investments;

- adverse developments in the availability of desirable investment opportunities, whether due to competition, regulation or otherwise;
- difficulty or delays in redeploying the proceeds from repayments of our existing investments;
- increased competition from entities engaged in mortgage lending and/or investing in our target assets;
- difficulty in successfully managing our growth, including integrating new assets into our existing systems;
- the cost of operating our platform, including, but not limited to, the cost of operating a real estate investment platform and the cost of operating as a publicly traded company;
- the availability of qualified personnel and our relationship with our Manager;
- the potential unavailability of the London Interbank Offered Rate ("LIBOR") after June 30, 2023;
- conflicts with TPG and its affiliates, including our Manager, the personnel of TPG providing services to us, including our officers, and certain funds managed by TPG;
- our qualification as a real estate investment trust ("REIT") for U.S. federal income tax purposes and our ability to maintain our exemption or exclusion from registration under the Investment Company Act of 1940, as amended (the "Investment Company Act"); and
- authoritative U.S. generally accepted accounting principles (or "GAAP") or policy changes from standard-setting bodies such as the Financial Accounting Standards Board ("FASB"), the SEC, the Internal Revenue Service ("IRS"), the New York Stock Exchange ("NYSE") and other authorities that we are subject to, as well as their counterparts in any foreign jurisdictions where we might do business.

There may be other risks, uncertainties or factors that may cause our actual results to differ materially from the forward-looking statements, including risks, uncertainties, and factors disclosed under the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Form 10-Q. You should evaluate all forward-looking statements made in this Form 10-Q in the context of these risks, uncertainties and other factors.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. We caution you that the risks, uncertainties and other factors referenced above may not contain all of the risks, uncertainties and other factors that are important to you. In addition, we cannot assure you that we will realize the results, benefits or developments that we expect or anticipate or, even if substantially realized, that they will result in the consequences or affect us or our business in the way expected. All forward-looking statements in this Form 10-Q apply only as of the date made and are expressly qualified in their entirety by the cautionary statements included in this Form 10-Q and in other filings we make with the SEC. We undertake no obligation to publicly update or revise any forward-looking statements to reflect subsequent events or circumstances, except as required by law.

In this quarterly report, except where the context requires otherwise:

- "Company," "we," "us," and "our" refer to TPG RE Finance Trust, Inc., a Maryland corporation and, where applicable, its subsidiaries.
- "Manager" refers to our external manager, TPG RE Finance Trust Management, L.P., a Delaware limited partnership.
- "TPG" refers to TPG Inc., a Delaware corporation (previously TPG Global, LLC, a Delaware limited liability company), and its affiliates.
- "TPG Fund" refers to any partnership or other pooled investment vehicle, separate account, fund-of-one or any similar arrangement or investment program sponsored, advised or managed (including on a subadvisory basis) by TPG, whether currently in existence or subsequently established (in each case, including any related alternative investment vehicle, parallel or feeder investment vehicle, co-investment vehicle and any entity formed in connection therewith, including any entity formed for investments by TPG and its affiliates in any such vehicle, whether invested as a limited partner or through general partner investments).

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## Part I. Financial Information

### Item 1. Financial Statements

**TPG RE Finance Trust, Inc.**
**Consolidated Balance Sheets (Unaudited)**
**(dollars in thousands, except share data)**

| | September 30, 2022 | December 31, 2021 |
|---|---|---|
| **Assets**[1] | | |
| Cash and cash equivalents | $ 236,094 | $ 260,635 |
| Restricted cash | 484 | 404 |
| Accounts receivable | 474 | 12 |
| Collateralized loan obligation proceeds held at trustee | 286,621 | 204 |
| Accounts receivable from servicer/trustee | 12,315 | 176 |
| Accrued interest and fees receivable | 35,410 | 26,620 |
| Loans held for investment | 5,301,804 | 4,909,202 |
| Allowance for credit losses | (210,547) | (41,999) |
| Loans held for investment, net | 5,091,257 | 4,867,203 |
| Real estate owned | — | 60,622 |
| Other assets | 983 | 2,144 |
| Total assets | $ 5,663,638 | $ 5,218,020 |
| **Liabilities and stockholders' equity**[1] | | |
| Liabilities | | |
| Accrued interest payable | $ 7,687 | $ 2,723 |
| Accrued expenses and other liabilities | 24,283 | 11,563 |
| Collateralized loan obligations, net | 2,456,668 | 2,545,691 |
| Secured financing agreements, net | 1,283,469 | 1,162,206 |
| Asset-specific financings, net | 558,867 | — |
| Payable to affiliates | 5,906 | 5,609 |
| Deferred revenue | 1,653 | 1,366 |
| Dividends payable | 18,711 | 24,156 |
| Total liabilities | 4,357,244 | 3,753,314 |
| Commitments and contingencies - see Note 14 | | |
| Permanent equity | | |
| Series A preferred stock ($0.001 par value per share; 100,000,000 and 100,000,000 shares authorized; 125 and 125 shares issued and outstanding, respectively) ($125 aggregate liquidation preference) | — | — |
| Series C preferred stock ($0.001 par value per share; 8,050,000 shares authorized; 8,050,000 and 8,050,000 shares issued and outstanding, respectively) ($201,250 aggregate liquidation preference) | 8 | 8 |
| Common stock ($0.001 par value per share; 302,500,000 and 302,500,000 shares authorized, respectively; 77,406,620 and 77,183,892 shares issued and outstanding, respectively) | 77 | 77 |
| Additional paid-in-capital | 1,715,412 | 1,711,886 |
| Accumulated deficit | (409,103) | (247,265) |
| Total stockholders' equity | 1,306,394 | 1,464,706 |
| Total permanent equity | 1,306,394 | 1,464,706 |
| **Total liabilities and stockholders' equity** | $ 5,663,638 | $ 5,218,020 |

(1) The Company's consolidated Total Assets and Total Liabilities as of September 30, 2022 include assets and liabilities of variable interest entities ("VIEs") of $3.0 billion and $2.5 billion, respectively. The Company's consolidated Total Assets and Total Liabilities as of December 31, 2021 include assets and liabilities of VIEs of $3.2 billion and $2.6 billion, respectively. These assets can be used only to satisfy obligations of the VIEs, and creditors of the VIEs have recourse only to these assets, and not to TPG RE Finance Trust, Inc. See Note 5 to the Consolidated Financial Statements for details.

*See accompanying notes to the Consolidated Financial Statements*

**TPG RE Finance Trust, Inc.**
**Consolidated Statements of Income (Loss)**
**and Comprehensive Income (Loss) (Unaudited)**
**(dollars in thousands, except share and per share data)**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| **Interest income and interest expense** | | | | |
| Interest income | $ 75,497 | $ 59,984 | $ 202,535 | $ 180,048 |
| Interest expense | (45,072) | (20,979) | (95,581) | (63,286) |
| **Net interest income** | 30,425 | 39,005 | 106,954 | 116,762 |
| **Other revenue** | | | | |
| Other income, net | 1,362 | 97 | 2,009 | 350 |
| **Total other revenue** | 1,362 | 97 | 2,009 | 350 |
| **Other expenses** | | | | |
| Professional fees | 1,074 | 1,044 | 3,370 | 3,380 |
| General and administrative | 1,197 | 1,173 | 3,315 | 3,285 |
| Stock compensation expense | 932 | 1,250 | 3,526 | 4,099 |
| Servicing and asset management fees | 494 | 462 | 1,481 | 1,117 |
| Management fee | 5,906 | 5,473 | 17,471 | 15,910 |
| Incentive management fee | — | — | 5,183 | — |
| **Total other expenses** | 9,603 | 9,402 | 34,346 | 27,791 |
| Gain on sale of real estate owned, net | — | — | 13,291 | — |
| Credit loss (expense) benefit, net | (136,666) | (139) | (183,840) | 5,751 |
| **(Loss) income before income taxes** | (114,482) | 29,561 | (95,932) | 95,072 |
| Income tax expense, net | (125) | (236) | (328) | (1,400) |
| **Net (loss) income** | $ (114,607) | $ 29,325 | $ (96,260) | $ 93,672 |
| Preferred stock dividends and participating securities' share in earnings | (3,307) | (3,279) | (10,026) | (16,497) |
| Series B Preferred Stock redemption make-whole payment | — | — | — | (22,485) |
| Series B Preferred Stock accretion, including allocated Warrant fair value and transaction costs | — | — | — | (25,449) |
| **Net (loss) income attributable to common stockholders - see Note 11** | $ (117,914) | $ 26,046 | $ (106,286) | $ 29,241 |
| (Loss) earnings per common share, basic | $ (1.52) | $ 0.34 | $ (1.38) | $ 0.38 |
| (Loss) earnings per common share, diluted | $ (1.52) | $ 0.32 | $ (1.38) | $ 0.36 |
| Weighted average number of common shares outstanding | | | | |
| Basic: | 77,403,487 | 77,060,225 | 77,259,382 | 76,952,306 |
| Diluted: | 77,403,487 | 82,028,975 | 77,259,382 | 81,575,257 |
| **Other comprehensive income (loss)** | | | | |
| **Net (loss) income** | $ (114,607) | $ 29,325 | $ (96,260) | $ 93,672 |
| **Comprehensive net (loss) income** | $ (114,607) | $ 29,325 | $ (96,260) | $ 93,672 |

*See accompanying notes to the Consolidated Financial Statements*

**TPG RE Finance Trust, Inc.**
**Consolidated Statements of**
**Changes in Equity (Unaudited)**
**(dollars in thousands, except share and per share data)**

| | Permanent equity | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Series A Preferred Stock | | Series C Preferred Stock | | Common Stock | | | | |
| | Shares | Par value | Shares | Par value | Shares | Par value | Additional paid-in-capital | Accumulated deficit | Total stockholders' equity |
| **January 1, 2022** | 125 | $ — | 8,050,000 | $ 8 | 77,183,892 | $ 77 | $ 1,711,886 | $ (247,265) | $ 1,464,706 |
| Issuance of common stock | — | — | — | — | 1,953 | — | — | — | — |
| Amortization of stock compensation expense | — | — | — | — | — | — | 1,266 | — | 1,266 |
| Net income | — | — | — | — | — | — | — | 23,781 | 23,781 |
| Dividends on preferred stock | — | — | — | — | — | — | — | (3,148) | (3,148) |
| Dividends on common stock (dividends declared per share of $0.24) | — | — | — | — | — | — | — | (18,697) | (18,697) |
| **March 31, 2022** | 125 | $ — | 8,050,000 | $ 8 | 77,185,845 | $ 77 | $ 1,713,152 | $ (245,329) | $ 1,467,908 |
| Issuance of common stock | — | — | — | — | 217,536 | — | — | — | — |
| Amortization of stock compensation expense | — | — | — | — | — | — | 1,328 | — | 1,328 |
| Net loss | — | — | — | — | — | — | — | (5,434) | (5,434) |
| Dividends on preferred stock | — | — | — | — | — | — | — | (3,148) | (3,148) |
| Dividends on common stock (dividends declared per share of $0.24) | — | — | — | — | — | — | — | (18,726) | (18,726) |
| **June 30, 2022** | 125 | $ — | 8,050,000 | $ 8 | 77,403,381 | $ 77 | $ 1,714,480 | $ (272,637) | $ 1,441,928 |
| Issuance of common stock | — | — | — | — | 3,239 | — | — | — | — |
| Amortization of stock compensation expense | — | — | — | — | — | — | 932 | — | 932 |
| Net loss | — | — | — | — | — | — | — | (114,607) | (114,607) |
| Dividends on preferred stock | — | — | — | — | — | — | — | (3,148) | (3,148) |
| Dividends on common stock (dividends declared per share of $0.24) | — | — | — | — | — | — | — | (18,711) | (18,711) |
| **September 30, 2022** | 125 | $ — | 8,050,000 | $ 8 | 77,406,620 | $ 77 | $ 1,715,412 | $ (409,103) | $ 1,306,394 |

**TPG RE Finance Trust, Inc.**
**Consolidated Statements of**
**Changes in Equity (Unaudited)**
**(dollars in thousands, except share and per share data)**

| | Permanent equity | | | | | | | | | Temporary equity |
|---|---|---|---|---|---|---|---|---|---|---|
| | Series A Preferred Stock | | Series C Preferred Stock | | Common Stock | | | | | |
| | Shares | Par value | Shares | Par value | Shares | Par value | Additional paid-in-capital | Accumulated deficit | Total stockholders' equity | Series B Preferred Stock |
| **January 1, 2021** | 125 | $ — | — | $ — | 76,787,006 | $ 77 | $ 1,559,681 | $ (292,858) | $ 1,266,900 | $ 199,551 |
| Issuance of common stock | — | — | — | — | 110,096 | — | — | — | — | — |
| Amortization of stock compensation expense | — | — | — | — | — | — | 1,456 | — | 1,456 | — |
| Net income | — | — | — | — | — | — | — | 31,955 | 31,955 | — |
| Dividends on preferred stock | — | — | — | — | — | — | — | (6,124) | (6,124) | — |
| Series B Preferred Stock accretion, including allocated Warrant fair value and transaction costs | — | — | — | — | — | — | (1,452) | — | (1,452) | 1,452 |
| Dividends on common stock (dividends declared per share of $0.20) | — | — | — | — | — | — | — | (15,507) | (15,507) | — |
| **March 31, 2021** | 125 | $ — | — | $ — | 76,897,102 | $ 77 | $ 1,559,685 | $ (282,534) | $ 1,277,228 | $ 201,003 |
| Issuance of common stock | — | — | — | — | 192,023 | — | — | — | — | — |
| Issuance of Series C Preferred Stock | — | — | 8,050,000 | 8 | — | — | 201,242 | — | 201,250 | — |
| Equity Issuance, Shelf Registration, and Equity Distribution Agreement transaction costs | — | — | — | — | — | — | (6,866) | — | (6,866) | — |
| Amortization of stock compensation expense | — | — | — | — | — | — | 1,393 | — | 1,393 | — |
| Net income | — | — | — | — | — | — | — | 32,391 | 32,391 | — |
| Dividends on preferred stock | — | — | — | — | — | — | — | (6,214) | (6,214) | — |
| Series B Preferred Stock redemption at par value | — | — | — | — | — | — | — | — | — | (225,000) |
| Series B Preferred Stock redemption make-whole payment | — | — | — | — | — | — | (22,485) | — | (22,485) | — |
| Series B Preferred Stock accretion and write-off of discount, including allocated Warrant fair value and transaction costs | — | — | — | — | — | — | (23,997) | — | (23,997) | 23,997 |
| Dividends on common stock (dividends declared per share of $0.20) | — | — | — | — | — | — | — | (15,509) | (15,509) | — |
| **June 30, 2021** | 125 | $ — | 8,050,000 | $ 8 | 77,089,125 | $ 77 | $ 1,708,972 | $ (271,866) | $ 1,437,191 | $ — |
| Issuance of common stock | — | — | — | — | 1,783 | — | — | — | — | — |
| Retirement of common stock | — | — | — | — | (42,942) | — | — | — | — | — |
| Amortization of stock compensation expense | — | — | — | — | — | — | 1,250 | — | 1,250 | — |
| Net income | — | — | — | — | — | — | — | 29,325 | 29,325 | — |
| Dividends on preferred stock | — | — | — | — | — | — | — | (3,708) | (3,708) | — |
| Dividends on common stock (dividends declared per share of $0.24) | — | — | — | — | — | — | — | (18,591) | (18,591) | — |
| **September 30, 2021** | 125 | $ — | 8,050,000 | $ 8 | 77,047,966 | $ 77 | $ 1,710,222 | $ (264,840) | $ 1,445,467 | $ — |

*See accompanying notes to the Consolidated Financial Statements*

**TPG RE Finance Trust, Inc.**
**Consolidated Statements of Cash Flows (Unaudited)**
**(dollars in thousands)**

| | Nine Months Ended September 30, | |
|---|---|---|
| | **2022** | **2021** |
| **Cash flows from operating activities:** | | |
| Net (loss) income | $ (96,260) | $ 93,672 |
| Adjustment to reconcile net (loss) income to net cash flows from operating activities: | | |
| Amortization and accretion of premiums, discounts and loan origination fees, net | (5,266) | (5,448) |
| Amortization of deferred financing costs | 10,637 | 11,258 |
| Decrease of accrued capitalized interest | 613 | 1,209 |
| Gain on sale of real estate owned, net | (13,291) | — |
| Stock compensation expense | 3,526 | 4,099 |
| Increase (decrease) of allowance for credit losses, net (see Note 3) | 183,840 | (5,751) |
| Cash flows due to changes in operating assets and liabilities: | | |
| Accounts receivable | (312) | 768 |
| Accrued interest receivable | (9,091) | (1,021) |
| Accrued expenses and other liabilities | 1,435 | (4,095) |
| Accrued interest payable | 4,964 | 33 |
| Payable to affiliates | 297 | (98) |
| Deferred revenue | 287 | (484) |
| Other assets | 1,161 | 2,881 |
| **Net cash provided by operating activities** | 82,540 | 97,023 |
| **Cash flows from investing activities:** | | |
| Origination and acquisition of loans held for investment | (1,461,931) | (1,062,872) |
| Advances on loans held for investment | (105,905) | (110,196) |
| Principal repayments of loans held for investment | 877,082 | 782,144 |
| Sale of real estate owned | 73,913 | — |
| Sales of loans held for investment | — | 58,374 |
| **Net cash (used in) investing activities** | (616,841) | (332,550) |
| **Cash flows from financing activities:** | | |
| Payments on collateralized loan obligations | (995,494) | (109,751) |
| Proceeds from collateralized loan obligations | 907,031 | 1,037,500 |
| Payments on secured financing agreements | (1,025,464) | (1,122,858) |
| Proceeds from secured financing agreements | 1,147,466 | 519,915 |
| Proceeds from asset-specific financing arrangements | 564,232 | — |
| Payment of deferred financing costs | (16,908) | (9,417) |
| Proceeds from issuance of Series C Cumulative Redeemable Preferred Stock | — | 201,250 |
| Series B Preferred Stock redemption make-whole payment | — | (22,485) |
| Series B Preferred Stock redemption at par value | — | (225,000) |
| Dividends paid on common stock | (61,579) | (60,499) |
| Dividends paid on preferred stock | (9,444) | (16,043) |
| Payment of Equity Issuance and Equity Distribution Agreement transaction costs | — | (6,824) |
| **Net cash provided by financing activities** | 509,840 | 185,788 |
| **Net change in cash, cash equivalents, and restricted cash** | (24,461) | (49,739) |
| Cash, cash equivalents and restricted cash at beginning of period | 261,039 | 319,669 |
| **Cash, cash equivalents and restricted cash at end of period** | $ 236,578 | $ 269,930 |
| **Supplemental disclosure of cash flow information:** | | |
| Interest paid | $ 80,071 | $ 52,033 |
| Taxes paid | $ 784 | $ 1,169 |
| **Supplemental disclosure of non-cash investing and financing activities:** | | |
| Collateralized loan obligation proceeds held at trustee | $ 286,417 | $ — |
| Dividends declared, not paid | $ 18,711 | $ 18,593 |
| Transfer from Loans Held for Investment to Loans Held for Sale | $ — | $ 86,636 |
| Principal repayments of loans held for investment held by servicer/trustee, net | $ 11,988 | $ 15,332 |
| Accrued Equity Issuance and Transaction Costs | $ — | $ 42 |
| Accrued deferred financing costs | $ 393 | $ 593 |

*See accompanying notes to the Consolidated Financial Statements*

**TPG RE Finance Trust, Inc.**
**Notes to the Consolidated Financial Statements**
**(Unaudited)**

## (1) Business and Organization

TPG RE Finance Trust, Inc. (together with its consolidated subsidiaries, "we," "us," "our" or the "Company") is organized as a holding company and conducts its operations primarily through TPG RE Finance Trust Holdco, LLC ("Holdco"), a Delaware limited liability company that is wholly owned by the Company, and Holdco's direct and indirect subsidiaries. The Company conducts its operations as a real estate investment trust ("REIT") for U.S. federal income tax purposes. The Company is generally not subject to U.S. federal income taxes on its REIT taxable income to the extent that it annually distributes all of its REIT taxable income to stockholders and maintains its qualification as a REIT. The Company also operates its business in a manner that permits it to maintain an exclusion from registration under the Investment Company Act of 1940, as amended.

The Company's principal business activity is to directly originate and acquire a diversified portfolio of commercial real estate related credit investments, consisting primarily of first mortgage loans and senior participation interests in first mortgage loans secured by institutional-quality properties in primary and select secondary markets in the United States. The Company has in the past invested in commercial real estate debt securities ("CRE debt securities"), primarily investment-grade commercial real estate collateralized loan obligation securities ("CRE CLOs").

## (2) Summary of Significant Accounting Policies

### *Basis of Presentation*

The interim consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The interim consolidated financial statements include the Company's accounts, consolidated variable interest entities for which the Company is the primary beneficiary, and its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated. The Company believes it has made all necessary adjustments, consisting of only normal recurring items, so that the consolidated financial statements are presented fairly and that estimates made in preparing the consolidated financial statements are reasonable and prudent. The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year. These interim consolidated financial statements should be read in conjunction with the Company's Form 10-K filed with the SEC on February 23, 2022.

### *Use of Estimates*

The preparation of the consolidated financial statements in conformity with GAAP requires estimates of assets, liabilities, revenues, expenses and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Actual results could differ from management's estimates, and such differences could be material. Significant estimates made in the consolidated financial statements include, but are not limited to, the adequacy of our allowance for credit losses and the valuation inputs related thereto and the valuation of financial instruments. Actual amounts and values as of the balance sheet dates may be materially different from the amounts and values reported due to the inherent uncertainty in the estimation process and the limited availability of observable pricing inputs due to the nature of transitional mortgage loans. Also, future amounts and values could differ materially from those estimates due to changes in values and circumstances after the balance sheet date and the limited availability of observable prices.

### *Principles of Consolidation*

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 810—Consolidation ("ASC 810") provides guidance on the identification of a variable interest entity ("VIE"), for which control is achieved through means other than voting rights, and the determination of which business enterprise, if any, should consolidate the VIE. An entity is considered a VIE if any of the following applies: (1) the equity investors (if any) lack one or more of the essential characteristics of a controlling financial interest; (2) the equity investment at risk is insufficient to finance that entity's activities without additional subordinated financial support; or (3) the equity investors have voting rights that are not proportionate to their economic interests and the activities of the entity involve or are conducted on behalf of an investor with a disproportionately small voting interest. The Company consolidates VIEs in which the Company is considered to be the primary beneficiary. The primary beneficiary is defined as the entity having both of the following characteristics: (1) the power to direct the activities that, when taken together, most significantly impact the VIE's performance; and (2) the obligation to absorb losses and right to receive the returns from the VIE that would be significant to the VIE.

At each reporting date, the Company reconsiders its primary beneficiary conclusions for all its VIEs to determine if its obligation to absorb losses of, or its rights to receive benefits from, the VIE could potentially be more than insignificant, and will consolidate or not consolidate in accordance with GAAP. See Note 5 for details.

***Revenue Recognition***

Interest income on loans is accrued using the interest method based on the contractual terms of the loan, adjusted for expected or realized credit losses, if any. The objective of the interest method is to arrive at periodic interest income, including recognition of fees and costs, at a constant effective yield. Premiums, discounts, and origination fees are amortized or accreted into interest income over the lives of the loans using the interest method, or on a straight-line basis when it approximates the interest method. Extension and modification fees are accreted into interest income on a straight-line basis, when it approximates the interest method, over the related extension or modification period. Exit fees are accreted into interest income on a straight-line basis, when it approximates the interest method, over the lives of the loans to which they relate unless they can be waived by the Company or a co-lender in connection with a loan refinancing, or if timely collection of principal and interest is doubtful. Prepayment penalties from borrowers are recognized as interest income when received. Certain of the Company's loan investments have in the past, and may in the future, provide for additional interest based on the borrower's operating cash flow or appreciation in the value of the underlying collateral. Such amounts are considered contingent interest and are reflected as interest income only upon certainty of collection. Certain of the Company's loan investments have in the past, and may in the future, provide for the accrual of interest (in part, or in whole) instead of its current payment in cash, with the accrued interest ("PIK interest") added to the unpaid principal balance of the loan. Such PIK interest is recognized currently as interest income unless the Company concludes eventual collection is unlikely, in which case the PIK interest is written off.

All interest accrued but not received for loans placed on non-accrual status is subtracted from interest income at the time the loan is placed on non-accrual status. Based on the Company's judgment as to the collectability of principal, a loan on non-accrual status is either accounted for on a cash basis, where interest income is recognized only upon receipt of cash for interest payments, or on a cost-recovery basis, where all cash receipts reduce the loan's carrying value, and interest income is only recorded when such carrying value has been fully recovered.

***Loans Held for Investment***

Loans that the Company has the intent and ability to hold for the foreseeable future, or until maturity or repayment, are reported at their outstanding principal balances net of cumulative write-offs, interest applied to principal (for loans accounted for using the cost recovery method), unamortized premiums, discounts, loan origination fees and costs. Loan origination fees and direct loan origination costs are deferred and recognized in interest income over the estimated life of the loans using the interest method, or on a straight-line basis when it approximates the interest method, adjusted for actual prepayments. Accrued but not yet collected interest is separately reported as accrued interest and fees receivable on the Company's consolidated balance sheets.

*Non-Accrual Loans*

Loans are placed on non-accrual status when the full and timely collection of principal and interest is doubtful, generally when: management determines that the borrower is incapable of, or has ceased efforts toward, curing the cause of a default; the loan becomes 90 days or more past due for principal and interest; or the loan experiences a maturity default. The Company considers an account past due when an obligor fails to pay substantially all (defined as 90%) of the scheduled contractual payments by the due date. In each case, the period of delinquency is based on the number of days payments are contractually past due. A loan may be returned to accrual status if all delinquent principal and interest payments are brought current, and collectability of the remaining principal and interest payments in accordance with the loan agreement is reasonably assured. Loans that in the judgment of the Company's external manager, TPG RE Finance Trust Management, L.P., a Delaware limited partnership (the "Manager"), are adequately secured and in the process of collection are maintained on accrual status, even if they are 90 days or more past due.

***Loans Held for Sale***

The Company may change its intent, or its assessment of its ability, to hold for the foreseeable future loans held for investment based on changes in the real estate market, capital markets, or when a shift in its loan portfolio construction occurs. Once a determination is made to sell a loan, or the Company determines it no longer has the intent and ability to hold a loan held for investment for the foreseeable future, the loan is transferred to loans held for sale. In accordance with GAAP, loans classified as held for sale are recorded at the lower of cost or fair value, net of estimated selling costs, and the loan is excluded from the determination of the current expected credit loss ("CECL") reserve.

***Credit Losses***

*Allowance for Credit Losses for Loans Held for Investment*

The Company accounts for its allowance for credit losses on loans held for investment using the Current Expected Credit Loss model of ASC Topic 326, Financial Instruments-Credit Losses ("ASC 326"). Periodic changes to the CECL reserve are recognized through net income on the Company's consolidated statements of income and comprehensive income. The allowance for credit losses measured under the CECL accounting framework represents an estimate of current expected losses for the Company's existing portfolio of loans held for investment, and is presented as a valuation reserve on the Company's consolidated balance sheets. Expected credit losses related to non-cancelable unfunded loan commitments are accounted for as separate liabilities included in accrued expenses and other liabilities on the consolidated balance sheets. The allowance for credit losses for loans held for investment, as reported in the Company's consolidated balance sheets, is adjusted by a credit loss benefit (expense), which is reported in earnings in the consolidated statements of income and comprehensive income and reduced by the write-off of loan amounts, net of recoveries and additions related to purchased credit-deteriorated ("PCD") assets, if relevant. The allowance for credit losses includes a modeled component and an individually-assessed component. The Company has elected to not measure an allowance for credit losses on accrued interest receivables related to all of its loans held for investment because it writes off uncollectible accrued interest receivable in a timely manner pursuant to its non-accrual policy, described above.

The Company considers key credit quality indicators in underwriting loans and estimating credit losses, including but not limited to: the capitalization of borrowers and sponsors; the expertise of the borrowers and sponsors in a particular real estate sector and geographic market; collateral type; geographic region; use and occupancy of the property; property market value; loan-to-value ("LTV") ratio; loan amount and lien position; debt service coverage ratio; the Company's risk rating for the same and similar loans; and prior experience with the borrower and sponsor. This information is used to assess the financial and operating capability, experience and profitability of the sponsor/borrower. Ultimate repayment of the Company's loans is sensitive to interest rate changes, general economic conditions, liquidity, LTV ratio, existence of a liquid investment sales market for commercial properties, and availability of replacement short-term or long-term financing. The loans in the Company's commercial mortgage loan portfolio are secured by collateral of the following property types: office; life science; multifamily; hotel; industrial; mixed-use; land for industrial and office use; and self storage.

The Company's loans are typically collateralized by real estate, or in the case of mezzanine loans, by a partnership interest or similar equity interest in an entity that owns real estate. The Company regularly evaluates on a loan-by-loan basis, typically no less frequently than quarterly, the extent and impact of any credit deterioration associated with the performance and/or value of the underlying collateral property, and the financial and operating capability of the borrower/sponsor. The Company also evaluates the financial strength of loan guarantors, if any, and the borrower's competency in managing and operating the property or properties. In addition, the Company considers the overall economic environment, real estate sector, and geographic sub-market in which the borrower operates. Such analyses are completed and reviewed by asset management personnel and evaluated by senior management, who utilize various data sources, including, to the extent available (i) periodic financial data such as property occupancy, tenant profile, rental rates, operating expenses, the borrower's exit plan, and capitalization and discount rates, (ii) site inspections, (iii) sales and financing comparables, (iv) current credit spreads for refinancing and (v) other market data.

Quarterly, the Company evaluates the risk of all loans and assigns a risk rating based on a variety of factors, grouped as follows: (i) loan and credit structure, including the as-is LTV structural features; (ii) quality and stability of real estate value and operating cash flow, including debt yield, property type, dynamics of the geography, local market, physical condition, stability of cash flow, leasing velocity and quality and diversity of tenancy; (iii) performance against underwritten business plan; (iv) the frequency and materiality of loan modifications or waivers occasioned by unfavorable variances between the underwritten business plan and actual performance; (v) changes in the capital markets that may impact the refinancing or sale of the loan; and (vi) quality, experience and financial condition of sponsor, borrower and guarantor(s). Based on a 5-point scale, the Company's loans are rated "1" through "5," from least risk to greatest risk, respectively, which ratings are defined as follows:

1 - Outperform—Exceeds performance metrics (for example, technical milestones, occupancy, rents, net operating income) included in original or current credit underwriting and business plan;

2 - Meets or Exceeds Expectations—Collateral performance meets or exceeds substantially all performance metrics included in original or current underwriting / business plan;

3 - Satisfactory—Collateral performance meets or is on track to meet underwriting; business plan is met or can reasonably be achieved;

4 - Underperformance—Collateral performance falls short of original underwriting, material differences exist from business plan, or both; technical milestones have been missed; defaults may exist, or may soon occur absent material improvement; and

5 - Default/Possibility of Loss—Collateral performance is significantly worse than underwriting; major variance from business plan; loan covenants or technical milestones have been breached; the loan is in default or substantially in default; timely exit from loan via sale or refinancing is questionable; significant risk of principal loss.

The Company generally assigns a risk rating of "3" to all loan investments upon origination or acquisition, except when specific circumstances warrant an exception.

The Company's CECL reserve also reflects its estimates of the current and future economic conditions that impact the performance of the commercial real estate assets securing the Company's loans. These estimates include unemployment rates, inflation rates, interest rates, price indices for commercial property, current and expected future availability of liquidity in the commercial property debt and equity capital markets, and other macroeconomic factors that may influence the likelihood and magnitude of potential credit losses for the Company's loans during their anticipated term. The Company licenses certain macroeconomic financial forecasts to inform its view of the potential future impact that broader economic conditions may have on its loan portfolio's performance. Selection of the economic forecast or forecasts used, in conjunction with loan level inputs, to determine the CECL reserve requires significant judgment about future events that, while based on the information available to the Company as of the balance sheet date, are ultimately unknowable with certainty. The actual economic conditions impacting the Company's portfolio could vary significantly from the estimates the Company made for the periods presented.

The key inputs to the Company's estimation of its allowance for credit losses as of September 30, 2022 were impacted by dislocations in the capital markets, increased interest rates, accelerating inflationary trends, a heightened risk of recession, and geopolitical conflicts. Inherent uncertainty in the estimation process and the limited availability of observable pricing inputs due to the nature of transitional mortgage loans also constrain the Company's ability to estimate key inputs utilized to calculate its allowance for credit losses. Key inputs to the estimate include, but are not limited to: LTV; debt service coverage ratio; current and future operating cash flow and performance of collateral properties; the financial strength and liquidity of borrowers and sponsors; capitalization rates and discount rates used to value commercial real estate properties; and market liquidity based on market indices or observable transactions involving the sale or financing of commercial properties. Estimates made by the Company are subject to change. Actual results could differ from management's estimates, and such differences could be material.

*Credit Loss Measurement*

The amount of allowance for credit losses is influenced by the size of the Company's loan portfolio, loan quality and duration, collateral operating performance, risk rating, delinquency status, historic loss experience and other characteristics influencing loss expectations, such as reasonable and supportable forecasts of economic conditions. The Company employs two methods to estimate credit losses in its loan portfolio: a loss-given-default ("LGD") model-based approach utilized for substantially all of its loans; and an individually-assessed approach for loans for which the Company concludes it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan, or are individually-assessed because the loan is considered to be "collateral-dependent" as the repayment of the loan is expected to be provided substantially through the operation or sale of the underlying collateral and the borrower is experiencing financial difficulty.

Once the expected credit loss amount is determined, an allowance for credit losses is established. A loan will be written off through credit loss (expense) benefit, net in the consolidated statements of income and comprehensive income when it is deemed non-recoverable upon a realization event. This is generally at the time the loan is settled, transferred or exchanged. Non-recoverability may also be concluded by the Company if, in its determination, it is nearly certain that all amounts due will not be collected. This loss is equal to the difference between the cash received, or expected to be received, and the carrying value of the asset. Factors considered by the Company in determining whether the expected credit loss is not recoverable include whether the Company determines that the loan is uncollectible, which means repayment is deemed to be delayed beyond a reasonable time, a loss becomes evident due to a borrower's lack of assets and liquidity, or a borrower's sponsor is unwilling or unable to support the loan.

*Allowance for Credit Losses for Loans Held for Investment – Model-Based Approach*

The model-based approach used to measure the allowance for credit losses relates to loans which are not individually-assessed. The Company licenses from Trepp, LLC historical loss information, incorporating loan performance data for over 120,000 commercial real estate loans dating back to 1998, in an analytical model to compute statistical credit loss factors (i.e., probability-of-default, loss severity, and loss-given-default). These credit loss factors are utilized by the Company together with loan specific inputs such as property-level operating performance information, delinquency status, indicators of credit quality, and other credit trends and risk characteristics. Additionally, the Company considers relevant loan and borrower specific qualitative factors, incorporates its expectations about the impact of current macroeconomic and local market conditions and reasonable and supportable operating forecasts on expected future credit losses in deriving its estimate. For the period beyond which the Company is able to make reasonable and supportable forecasts, the Company reverts to unadjusted historical loan loss information.

In certain instances, the Company uses a probability-weighted outcome approach that considers the likelihood of default and expected loss given a borrower default to estimate future recovery amounts. The probability-weighted outcome approach is used when multiple credit resolution paths may exist, some of which may involve disparate outcomes.

*Allowance for Credit Losses for Loans Held for Investment – Individually-Assessed Approach*

In instances where the Company concludes a loan repayment is entirely dependent on the sale of the underlying collateral, or when it is deemed probable that the Company will not be able to collect all amounts due according to the contractual terms of the loan, the Company individually assesses the allowance for credit loss for the underlying loan. The amount of expected credit loss is determined using broadly accepted and standard real estate valuation techniques (most commonly, a discounted cash flow model and real estate sales comparables), and considers substantially the same credit factors as utilized in the model-based method. In instances where the Company determines foreclosure of the underlying collateral is probable, the expected credit loss is measured as the difference between the amortized cost basis of the loan and the fair value of the underlying collateral as of the measurement date. The fair value of the underlying collateral is adjusted for the estimated cost to sell if repayment or satisfaction of a loan is dependent on the sale (rather than the operation) of the underlying collateral in instances where foreclosure is not probable.

Determining the appropriateness of the allowance is complex and requires judgment by management about the effect of matters that are inherently uncertain. Evaluations of the loan portfolio in future periods, given the prevailing forecasts and credit loss factors, may result in significant changes to the Company's allowance for credit losses and credit loss expense.

*Unfunded Loan Commitments*

The Company's first mortgage loans often contain provisions for future funding of a pre-determined portion of capital and other costs incurred by the borrower in executing its business plan. These deferred fundings are conditioned upon the borrower's execution of its business plan with respect to the underlying collateral property securing the loan. These deferred fundings are typically for base building work, tenant improvement costs and leasing commissions, interest reserves, and occasionally to fund forecasted operating deficits during lease-up. These deferred funding commitments may be for specific periods, often require satisfaction by the borrower of conditions precedent, and may contain termination clauses at the option of the borrower or, more rarely, at the Company's option. The total amount of unfunded commitments does not necessarily represent actual amounts that may be funded in cash in the future, since commitments may expire without being drawn, may be cancelled if certain conditions are not satisfied by the borrower, or borrowers may elect not to borrow some or all of the unused commitment. The Company does not recognize these unfunded loan commitments in its consolidated financial statements.

The Company applies its expected credit loss estimates to all future funding commitments that cannot be contractually terminated at the Company's option. The Company maintains a separate allowance for expected credit losses from unfunded loan commitments, which is included in accrued expenses and other liabilities on the consolidated balance sheets. The Company estimates the amount of expected losses by calculating a commitment usage factor over the contractual period for exposures that are not unconditionally cancellable by the Company and applies the loss factors used in the allowance for credit loss methodology described above to the results of the usage calculation to estimate the liability for credit losses related to unfunded commitments for each loan.

***Real Estate Owned***

Real estate acquired through a foreclosure or by deed-in-lieu of foreclosure is classified as real estate owned ("REO") and held for investment on the Company's consolidated balance sheet until a pending sales transaction meets the criteria of ASC 360-10-45-9 after which the real estate is considered to be held for sale, or is sold. The Company's cost basis in REO is equal to the estimated fair value of the collateral at the date of acquisition, less estimated selling costs. The estimated fair value of REO is determined using a discounted cash flow model and inputs that include the highest and best use for each asset, estimated future values based on extensive discussions with local brokers, investors and other market participants, the estimated holding period for the asset, and discount rates that reflect estimated investor return requirements for the risks associated with the expected use of each asset. If the estimated fair value of REO is lower than the carrying value of the related loan upon acquisition, the difference, along with any previously recorded specific CECL reserve, is recorded through Credit Loss (Benefit) Expense in the consolidated statements of income and comprehensive income.

REO is initially measured at fair value and is thereafter subject to an ongoing impairment analysis. Subsequent to a REO acquisition, events or circumstances may occur that result in a material and sustained decrease in the cash flows generated from the asset. REO is evaluated for recoverability, on a fair value basis, when impairment indicators are identified. Any impairment loss, revenue and expenses from operations of the properties, and resulting gains or losses on sale are included in the consolidated statements of income and comprehensive income.

***Investment Portfolio Financing Arrangements***

The Company finances its portfolio of loans, or participation interests therein, and REO using secured financing agreements, including secured credit agreements, secured revolving credit facilities, asset-specific financing arrangements, mortgage loans payable, and collateralized loan obligations. The related borrowings are recorded as separate liabilities on the Company's consolidated balance sheets. Interest income earned on the investments and interest expense incurred on the related borrowings are reported separately on the Company's consolidated statements of income and comprehensive income.

In certain instances, the Company creates structural leverage through the co-origination or non-recourse syndication of a senior loan interest to a third party. For all such syndications the Company has completed through September 30, 2022, the Company transferred, on a non-recourse basis, 100% of the senior mortgage loan that the Company originated to a third-party lender, and retained as a loan investment a separate mezzanine loan investment secured by a pledge of the equity in the mortgage borrower. With respect to the senior mortgage loans transferred, the Company retains: no control over the mortgage loan; no economic interest in the mortgage loan; and no recourse to the purchaser or the borrower. Consequently, based on these circumstances and because the Company does not have any continuing involvement with the transferred senior mortgage loan, these syndications are accounted for as sales under GAAP and are removed from the Company's consolidated financial statements at the time of transfer. The Company's consolidated balance sheets only include the separate mezzanine loan remaining after the transfer.

For more information regarding the Company's investment portfolio financing arrangements, see Note 6.

***Fair Value Measurements***

The Company follows ASC 820-10, Fair Value Measurements and Disclosures ("ASC 820-10"), for its holdings of financial instruments. ASC 820-10 defines fair value, establishes a framework for measuring fair value in accordance with GAAP and expands disclosure of fair value measurements. ASC 820-10 determines fair value to be the price that would be received for a financial instrument in a current sale, which assumes an orderly transaction between market participants on the measurement date. The Company determines the estimated fair value of financial assets and liabilities using the three-tier fair value hierarchy established by GAAP, which prioritizes the inputs used in measuring 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 financial instruments recorded at fair value on a recurring basis in the Company's consolidated financial statements are cash, cash equivalents, and restricted cash. The three levels of inputs that may be used to measure fair value are as follows:

Level I—Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.

Level II—Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level III—Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

For certain financial instruments, the inputs used by management to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for such financial instrument is based on the lowest level of input that is significant to the fair value measurement.

The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument. The Company may use valuation techniques consistent with the market and income approaches to measure the fair value of its assets and liabilities. The market approach uses third-party valuations and information obtained from market transactions involving identical or similar assets or liabilities. The income approach uses projections of the future economic benefits of an instrument to determine its fair value, such as in the discounted cash flow methodology. The inputs or methodology used for valuing financial instruments are not necessarily an indication of the risk associated with investing in these financial instruments. Transfers between levels of the fair value hierarchy are assumed to occur at the end of the reporting period.

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

- Cash and cash equivalents: the carrying amount of cash and cash equivalents approximates fair value.
- Loans held for investment, net: using a discounted cash flow methodology employing a discount rate for loans of comparable credit quality, structure, and LTV based upon appraisal information and current estimates of the value of collateral property performed by the Manager, and credit spreads for loans of comparable risk (as determined by the Manager based on the factors previously described) as corroborated by inquiry of other market participants.
- Loans held for sale: estimated fair market value based on sale comparables as corroborated by inquiry of other market participants or independent market data providers.
- Secured revolving credit facilities, asset-specific financings, and mortgage loan payable (if any): based on the rate at which a similar secured revolving credit facility, asset-specific financing, or mortgage loan payable (if any) would currently be priced, as corroborated by inquiry of other market participants.
- CRE Collateralized Loan Obligations, net: indications of value from dealers active in trading similar or substantially similar securities, observable quotes from market data services, reported prices and spreads for recent new issues, and Manager estimates of the credit spread at which similar bonds would be issued, or traded, in the new issue and secondary markets.
- Other assets and liabilities subject to fair value measurement, including receivables, payables and accrued liabilities have carrying values that approximate fair value due to their short-term nature.

As discussed above, market-based or observable inputs are generally the preferred source of values for purposes of measuring the fair value of the Company's assets under GAAP. The commercial property investment sales and commercial mortgage loan markets have experienced uneven liquidity due to global macroeconomic conditions, including heightened inflation, slower growth or recession, changes to fiscal and monetary policy, increased interest rates, currency fluctuations, labor shortages and challenges in the supply chain, coupled with the war in Ukraine and the lingering aftereffects of COVID-19, which has made it more difficult to rely on market-based inputs in connection with the valuation of the Company's assets under GAAP. Key valuation inputs include, but are not limited to, future operating cash flow and performance of collateral properties, the financial strength and liquidity of borrowers and sponsors, capitalization rates and discount rates used to value commercial real estate properties, and observable transactions involving the sale or financing of commercial properties.

In the absence of plentiful market inputs, GAAP permits the use of management assumptions to measure fair value. Inherent uncertainty in the estimation process, and the limited availability of observable pricing inputs due to the nature of transitional mortgage loans, also constrain the Company's ability to estimate key inputs utilized to calculate its estimated fair value measurements.

***Income Taxes***

The Company qualifies and has elected to be taxed as a REIT for U.S. federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), commencing with its initial taxable year ended December 31, 2014. To the extent that it annually distributes at least 90% of its REIT taxable income to stockholders and complies with various other requirements as a REIT, the Company generally will not be subject to U.S. federal income taxes on its distributed REIT taxable income. In 2017, the Internal Revenue Service issued a revenue procedure permitting "publicly offered" REITs to make elective stock dividends (i.e., dividends paid in a mixture of stock and cash), with at least 20% of the total distribution being paid in cash, to satisfy their REIT distribution requirements. Pursuant to this revenue procedure, the Company may elect to make future distributions of its taxable income in a mixture of stock and cash. If the Company fails to continue to qualify as a REIT in any taxable year and does not qualify for certain statutory relief provisions, the Company will be subject to U.S. federal and state income taxes at regular corporate rates beginning with the year in which it fails to qualify and may be precluded from being able to elect to be treated as a REIT for the Company's four subsequent taxable years. Even though the Company currently qualifies for taxation as a REIT, the Company may be subject to certain U.S. federal, state, local and foreign taxes on the Company's income and property and to U.S. federal income and excise taxes on the Company's undistributed REIT taxable income.

In certain instances, the Company may generate excess inclusion income ("EII") within the Sub-REIT structure it established for the purpose of issuing collateralized loan obligations ("CRE CLOs"). EII has in the past been present in certain of the Company's CRE CLOs due to sharp declines in LIBOR or compounded SOFR since the issuance of a CRE CLO's liabilities, loans contributed to the CRE CLOs with interest rate floors materially higher than the current applicable benchmark rates, and liabilities whose benchmark rates are unfloored. EII, which is treated as unrelated business taxable income ("UBTI"), is an obligation of the Company and is allocated only to a taxable REIT subsidiary ("TRS") and not to its common stockholders.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the periods in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period in which the enactment date occurs. Under ASC Topic 740, Income Taxes ("ASC 740"), a valuation allowance is established when management believes it is more likely than not that a deferred tax asset will not be realized. Currently, the Company has no temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis.

The Company intends to continue to operate in a manner consistent with, and to continue to meet the requirements to be treated as, a REIT for tax purposes and to distribute all of its REIT taxable income.

***Earnings per Common Share***

The Company calculates basic earnings per share using the two-class method which defines unvested stock-based compensation awards that contain nonforfeitable rights to dividends as participating securities. The two-class method is an allocation formula that determines earnings per share for each share of common stock and participating securities according to dividends declared and participation rights in undistributed earnings. Under this method, all earnings (distributed and undistributed) are allocated to common shares and participating securities based on their respective rights to receive dividends. Basic earnings per common share is calculated by dividing earnings allocated to common shareholders by the weighted-average number of common shares outstanding during the period.

Diluted earnings per share is computed under the more dilutive of the treasury stock method or the two-class method. The computation of diluted earnings per share is based on the weighted average number of participating securities outstanding plus the incremental shares that would be outstanding assuming exercise of warrants to purchase common stock (the "Warrants", see Note 12) issued in connection with the Company's no-longer-outstanding Series B Cumulative Redeemable Preferred Stock (the "Series B Preferred Stock"), which are exercisable on a net-share settlement basis. The number of incremental shares is calculated utilizing the treasury stock method.

The Company accounts for unvested stock-based compensation awards that contain non-forfeitable dividend rights or dividend equivalents (whether paid or unpaid) as participating securities, which are included in the computation of earnings per share pursuant to the two-class method. The Company excludes participating securities and Warrants from the calculation of diluted weighted average shares outstanding in periods of net losses since their effect would be anti-dilutive.

***Stock-based Compensation***

Stock-based compensation consists of awards issued by the Company to certain employees of affiliates of the Manager and certain members of the Company's Board of Directors. The stock-based compensation awards to certain employees of affiliates of the Manager generally vest in installments over a fixed period. Deferred stock units granted to the Company's Board of Directors prior to December 2021 fully vested on the grant date and accrued, and will continue to accrue, common stock dividends that are paid-in kind through additional deferred stock units on a quarterly basis. Deferred stock units granted in December 2021 and in future periods will fully vest on the grant date, and will continue to accrue and be paid, cash common stock dividends on a quarterly basis. Stock-based compensation expense is recognized in net income on a straight-line basis over the applicable award's vesting period. Forfeitures of stock-based compensation awards are recognized as they occur.

***Deferred Financing Costs***

Deferred financing costs are reflected net of the liabilities to which they relate, currently collateralized loan obligations and secured financing agreements, which include secured credit agreements and a secured revolving credit facility, on the Company's consolidated balance sheets. These costs are amortized in interest expense using the interest method, or on a straight-line basis when it approximates the interest method, as follows: (i) for secured financing agreements other than CRE CLOs, the initial term of the financing agreement, or in the case of costs directly associated with the loan, over the life of the financing agreement or the loan, whichever is shorter; and (ii) for CRE CLOs, over the estimated life of the liabilities issued based on the underlying loans' initial maturity dates, considering the expected repayment behavior of the loans collateralizing the notes and the impact of any reinvestment periods, as of the closing date.

***Cash and Cash Equivalents***

Cash and cash equivalents include cash held in banks or invested in money market funds with original maturities of less than 90 days. The Company deposits its cash and cash equivalents with high credit quality institutions to minimize credit risk exposure. The Company maintains cash accounts at several financial institutions, which are insured up to a maximum of $250,000 per account as of September 30, 2022 and December 31, 2021. The balances in these accounts may exceed the insured limits.

Pursuant to financial covenants applicable to Holdco, which is the guarantor of the Company's recourse indebtedness, the Company is required to maintain minimum cash equal to the greater of (i) $15 million or (ii) the product of 5% and the aggregate recourse indebtedness of the Company. As of September 30, 2022 and December 31, 2021, the Company held as part of its total cash balances $25.4 million and $15.0 million to comply with this covenant, respectively.

***Restricted Cash***

Restricted cash primarily represents deposits paid by potential borrowers to cover certain costs incurred by the Company in connection with loan originations. These deposits may be returned to borrowers, after deducting eligible transaction costs paid by the Company for the benefit of the borrowers, upon the closing of a loan transaction, or if a loan transaction does not close and deposit proceeds remain. As of September 30, 2022, cash and cash equivalents of $236.1 million has been combined with $0.5 million of restricted cash in the consolidated statement of cash flows. As of December 31, 2021, cash and cash equivalents of $260.6 million has been combined with $0.4 million of restricted cash in the consolidated statement of cash flows.

***Collateralized Loan Obligation Proceeds Held at Trustee***

Collateralized Loan Obligation Proceeds Held at Trustee represent cash held by the Company's collateralized loan obligations pending reinvestment in eligible collateral. See Note 5 for additional details.

***Accounts Receivable from Servicer/Trustee***

Accounts receivable from Servicer/Trustee represents cash proceeds from loan activities that have not been remitted to the Company based on established servicing and borrowing procedures. Such amounts are generally held by the Servicer/Trustee for less than 30 days before being remitted to the Company.

***Stockholders' Equity***

Total Stockholders' Equity may include preferred stock, common stock, and derivative instruments indexed to the Company's common stock such as warrants or other embedded options within financing arrangements that may be classified as temporary or permanent equity. Common shares generally represent a basic ownership interest in an entity and a residual corporate interest in liquidation, bearing the ultimate risk of loss and receiving the benefit of success. Common shares are usually perpetual in nature with voting rights and dividend rights. Preferred shares are usually characterized by the life of the instrument (i.e., perpetual or redeemable) and the ability of a holder to convert the equity instrument into cash, common shares, or a combination thereof. The terms of preferred shares can vary significantly, including but not limited to, an equity instrument's dividend rate, term (e.g., existence of a stated redemption date), conversion features, voting rights, and liquidation preferences. Derivative instruments indexed to the Company's common stock such as warrants or other embedded options within financing arrangements are generally classified based on which party controls the contract settlement mechanism and the nature of the settlement terms that may require, or allow, the Company to make a cash payment, issue common shares, or a combination thereof to satisfy its obligation of the underlying contract.

***Temporary Equity***

Equity instruments that are redeemable for cash or other assets are classified as temporary equity if the instrument is redeemable, at the option of the holder, at a fixed or determinable price on a fixed or determinable date or upon the occurrence of an event that is not solely within the control of the issuer.

Redeemable equity instruments are initially carried at the relative fair value of the equity instrument at the issuance date, which is subsequently adjusted at each balance sheet date if the instrument is currently redeemable or probable of becoming redeemable. The Series B Preferred Stock issued in connection with the Investment Agreement described in Note 12 is classified as temporary equity in the accompanying financial statements. The Company elected the accreted redemption value method under which it accreted changes in the redemption value over the period from the date of issuance of the Series B Preferred Stock to the earliest costless redemption date (May 28, 2024, the fourth anniversary) using the effective interest method. Such adjustments are included in Accretion of Discount on Series B Cumulative Redeemable Preferred Stock on the Company's consolidated statements of changes in equity and treated similarly to a dividend on preferred stock for GAAP purposes. On June 16, 2021, the Company redeemed all 9,000,000 outstanding shares of the Series B Preferred Stock and accelerated the accretion of the redemption value. As of September 30, 2022 and December 31, 2021, the Company had no shares of Series B Preferred Stock outstanding. The Series B Preferred Stock issuance, including details related to the Warrants, and redemption are described in Note 12.

***Permanent Equity***

The Company has preferred stock, common stock, and Warrants issued in connection with the Series B Preferred Stock transaction that are outstanding and classified as permanent equity. The Warrants are exercisable on a net-settlement basis and expire on May 28, 2025. None of the Warrants have been exercised as of September 30, 2022. The Company's common stock is perpetual with voting rights and dividend rights. On June 14, 2021, the Company issued 8,050,000 shares of Series C Cumulative Redeemable Preferred Stock (the "Series C Preferred Stock") that is classified as permanent equity. The outstanding shares of Series C Preferred Stock have a 6.25% dividend rate and may be redeemed by the Company at its option on and after June 14, 2026. The Series C Preferred Stock issuance and Warrants related to the Series B Preferred Stock, are described in Note 12.

***Recently Issued Accounting Pronouncements***

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting ("ASU 2020-04"). ASU 2020-04 provides optional expedients and exceptions to GAAP requirements for modifications to debt agreements, leases, derivatives, and other contracts, related to the market transition from LIBOR, and certain other floating rate benchmark indices, or collectively, IBORs, to alternative reference rates. ASU 2020-04 generally considers contract modifications related to reference rate reform to be an event that does not require contract remeasurement at the modification date nor a reassessment of a previous accounting determination. In January 2021, the FASB clarified the scope of that guidance with the issuance of ASU 2021-01, “Reference Rate Reform: Scope.” This ASU provides optional guidance for a limited period to ease the burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. This would apply to companies meeting certain criteria that have contracts, hedging relationships and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. This standard is effective for the Company immediately and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022.

The Company continues to evaluate the documentation and control processes associated with its assets and liabilities to manage the transition from LIBOR to an alternative rate endorsed by the Alternative Reference Rates Committee of the Federal Reserve System, and continues to utilize required resources to revise its control and risk management systems to ensure there is no disruption to our day-to-day operations from the transition as it occurs. The Company will continue to employ prudent risk management as it relates to the potential financial, operational and legal risks associated with the expected cessation of LIBOR, and to ensure that its assets and liabilities generally remain match-indexed following this event. For the three and nine months ended September 30, 2022, the Company has not elected to apply the temporary optional expedients and exceptions and will be reevaluating the application each quarter.

***Recently Adopted Accounting Pronouncements***

In August 2020, the FASB issued ASU 2020-06, Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity’s Own Equity (Subtopic 815 – 40) (“ASU 2020-06”). ASU 2020-06 simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity’s own equity. The ASU is part of the FASB’s simplification initiative, which aims to reduce unnecessary complexity in GAAP. The ASU’s amendments are effective for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. The Company's adoption of ASU 2020-06 on January 1, 2022 did not have a material impact on the Company's consolidated financial statements.

In April 2021, the FASB issued ASU 2021-04, which included Topic 260 “Earnings Per Share”. This guidance clarifies and reduces diversity in an issuer’s accounting for modifications or exchanges of freestanding equity-classified written call options due to a lack of explicit guidance in the FASB Codification. The ASU 2021-04 is effective for all entities for fiscal years beginning after December 15, 2021. Early adoption was permitted. The Company's adoption of ASU 2021-04 on January 1, 2022 did not have a material impact on the Company's consolidated financial statements.

In March 2022, the FASB issued ASU 2022-02, Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures. The amendments in this ASU eliminate the accounting guidance for TDRs by creditors in Subtopic 310-40, Receivables—Troubled Debt Restructurings by Creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. Additionally, for public business entities, the amendments in this ASU require that an entity disclose current-period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326-20, Financial Instruments—Credit Losses—Measured at Amortized Cost. The ASU’s amendments are effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years and early adoption is permitted. The Company's adoption of ASU 2022-02 on January 1, 2022 did not have a material impact on the Company's consolidated financial statements.

**(3) Loans Held for Investment and the Allowance for Credit Losses**

The Company originates and acquires first mortgage and mezzanine loans secured by commercial properties. The Company considers these loans to comprise a single portfolio of mortgage loans, and the Company has developed its systematic methodology to determine the allowance for credit losses based on a single portfolio. For purposes of certain disclosures herein, the Company disaggregates this portfolio segment into the following classes of finance receivables: senior loans; and subordinated and mezzanine loans. These loans can potentially subject the Company to concentrations of credit risk, including, without limitation: property type collateralizing the loan; loan category; loan size; loans to a single sponsor; and loans in a single geographic area. The Company's loans held for investment are accounted for at amortized cost. Interest accrued but not yet collected is separately reported within accrued interest and fees receivable on the Company's consolidated balance sheets. Amounts within that caption relating to loans held for investment were $20.4 million and $14.3 million as of September 30, 2022 and December 31, 2021, respectively.

During the nine months ended September 30, 2022, the Company originated seventeen and acquired five mortgage loans with a total commitment of $1,597.3 million, an initial unpaid principal balance of $1,487.4 million, and unfunded commitments at closing of $109.9 million.

During the nine months ended September 30, 2022, the Company received sixteen full loan repayments of $1,008.7 million, and partial principal payments including accrued PIK interest payments, of $167.4 million across thirteen loans, for total loan repayments of $1,176.1 million.

The following table details overall statistics for the Company's loans held for investment portfolio (dollars in thousands):

| | September 30, 2022 | | December 31, 2021 | |
|---|---|---|---|---|
| | Balance sheet portfolio | Total loan exposure[1] | Balance sheet portfolio | Total loan exposure[1] |
| Number of loans | 75 | 75 | 69 | 70 |
| Floating rate loans | 100.0 % | 100.0 % | 100.0 % | 100.0 % |
| Total loan commitment | $ 5,792,681 | $ 5,792,681 | $ 5,411,944 | $ 5,543,944 |
| Unpaid principal balance[2] | $ 5,332,184 | $ 5,332,184 | $ 4,919,343 | $ 5,051,343 |
| Unfunded loan commitments[3] | $ 462,912 | $ 462,912 | $ 487,773 | $ 487,773 |
| Amortized cost | $ 5,301,804 | $ 5,301,804 | $ 4,909,202 | $ 4,909,202 |
| Weighted average credit spread | 3.5 % | 3.5 % | 3.4 % | 3.4 % |
| Weighted average all-in yield[4] | 7.1 % | 7.1 % | 4.8 % | 4.8 % |
| Weighted average term to extended maturity (in years)[5] | 2.9 | 2.9 | 2.8 | 2.8 |

(1) In certain instances, the Company creates structural leverage through the co-origination or non-recourse syndication of a senior loan interest to a third-party. In either case, the senior mortgage loan (i.e., the non-consolidated senior interest) is not included on the Company's balance sheet. When the Company creates structural leverage through the co-origination or non-recourse syndication of a senior loan interest to a third-party, the Company retains on its balance sheet a mezzanine loan. Total loan exposure encompasses the entire loan portfolio the Company originated, acquired and financed. The Company had outstanding one non-consolidated senior interest of $132.0 million as of December 31, 2021, and none as of September 30, 2022.

(2) Unpaid principal balance includes PIK interest of $2.4 million and $3.0 million as of September 30, 2022 and December 31, 2021, respectively.

(3) Unfunded loan commitments may be funded over the term of each loan, subject in certain cases to an expiration date or a force-funding date, primarily to finance property improvements or lease-related expenditures by the Company's borrowers, to finance operating deficits during renovation and lease-up, and in limited instances to finance construction.

(4) As of September 30, 2022, all of the Company's loans were floating rate. Loans originated by the Company before December 31, 2021 are indexed to LIBOR, while loans originated after January 1, 2022 are indexed to Term SOFR. As of September 30, 2022, based on the total loan commitments of the Company's loan portfolio, 18.6% (or $1.1 billion) of the Company's loans were subject to Term SOFR and 81.4% (or $4.7 billion) were subject to LIBOR as the benchmark interest rate. In addition to credit spread, all-in yield includes the amortization of deferred origination fees, purchase price premium and discount if any, and accrual of both extension and exit fees. All-in yield for the total portfolio assumes the applicable floating benchmark interest rate as of September 30, 2022 for weighted average calculations.

(5) Extended maturity assumes all extension options are exercised by the borrower; provided, however, that the Company's loans may be repaid prior to such date. As of September 30, 2022, based on the unpaid principal balance of the Company's total loan exposure, 47.4% of the Company's loans were subject to yield maintenance or other prepayment restrictions and 52.6% were open to repayment by the borrower without penalty.

The following tables present an overview of the Company's loans held for investment portfolio by loan seniority (dollars in thousands):

| | September 30, 2022 | | |
|---|---|---|---|
| **Loans held for investment, net** | **Outstanding principal** | **Unamortized premium (discount) and loan origination fees, net** | **Amortized cost** |
| Senior loans[1] | $ 5,332,184 | $ (30,380) | $ 5,301,804 |
| Subordinated and mezzanine loans | — | — | — |
| Total | $ 5,332,184 | $ (30,380) | $ 5,301,804 |
| Allowance for credit losses | | | (210,547) |
| **Loans held for investment, net** | | | $ 5,091,257 |

| | December 31, 2021 | | |
|---|---|---|---|
| **Loans held for investment, net** | **Outstanding principal** | **Unamortized premium (discount) and loan origination fees, net** | **Amortized cost** |
| Senior loans[1] | $ 4,884,343 | $ (10,101) | $ 4,874,242 |
| Subordinated and mezzanine loans | 35,000 | (40) | 34,960 |
| Total | $ 4,919,343 | $ (10,141) | $ 4,909,202 |
| Allowance for credit losses | | | (41,999) |
| **Loans held for investment, net** | | | $ 4,867,203 |

(1) Senior loans may include contiguous mezzanine loans and *pari passu* participations in senior mortgage loans.

For the nine months ended September 30, 2022, the Company's loans held for investment portfolio activity was as follows (dollars in thousands):

| | **Carrying value** |
|---|---|
| **Balance as of January 1, 2022** | $ 4,867,203 |
| Additions during the period: | |
| Loans originated and acquired | 1,461,931 |
| Additional fundings | 105,905 |
| Amortization of origination fees and discounts | 5,266 |
| Deductions during the period: | |
| Collection of principal | (1,171,087) |
| Collection of accrued PIK interest | (613) |
| Write-off | (4,400) |
| (Increase) of allowance for credit losses | (172,948) |
| **Balance as of September 30, 2022** | $ 5,091,257 |

As of September 30, 2022 and December 31, 2021, there was $8.6 million and $10.1 million, respectively, of unamortized loan fees included in loans held for investment, net in the consolidated balance sheets. As of September 30, 2022, there was $21.8 million of unamortized discounts included in loans held for investment at amortized cost on the consolidated balance sheets. As of December 31, 2021, there were no unamortized discounts included in loans held for investment at amortized cost on the consolidated balance sheets.

*Loan Risk Ratings*

The Company evaluates all of its loans to assign risk ratings on a quarterly basis on a 5-point scale. As described in Note 2, the Company's loans are rated "1" through "5," from least risk to greatest risk, respectively. The Company generally assigns a risk rating of "3" to all loan investments upon origination or acquisition, except when specific circumstances warrant an exception.

The following tables present the Company's loans held for investment portfolio on an amortized cost basis by origination year, grouped by risk rating (dollars in thousands):

| | September 30, 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Amortized cost by origination year | | | | | | |
| | 2022 | 2021 | 2020 | 2019 | 2018 | Prior | Total |
| Senior loans by internal risk ratings: | | | | | | | |
| 1 | $ — | $ — | $ — | $ — | $ — | $ — | $ — |
| 2 | — | 215,104 | — | 271,966 | — | 80,700 | 567,770 |
| 3 | 982,374 | 1,694,369 | 217,242 | 560,421 | 110,356 | — | 3,564,762 |
| 4 | — | — | — | 497,541 | 342,969 | 51,542 | 892,052 |
| 5 | — | — | 78,269 | 53,985 | 55,732 | 89,234 | 277,220 |
| Total senior loans | $ 982,374 | $ 1,909,473 | $ 295,511 | $ 1,383,913 | $ 509,057 | $ 221,476 | $ 5,301,804 |
| Senior loans: | | | | | | | |
| Current-period write-offs | $ — | $ — | $ — | $ — | $ (4,400) | $ — | $ (4,400) |
| Total current-period write-offs | $ — | $ — | $ — | $ — | $ (4,400) | $ — | $ (4,400) |
| Subordinated and mezzanine loans by internal risk ratings: | | | | | | | |
| 1 | $ — | $ — | $ — | $ — | $ — | $ — | $ — |
| 2 | — | — | — | — | — | — | — |
| 3 | — | — | — | — | — | — | — |
| 4 | — | — | — | — | — | — | — |
| 5 | — | — | — | — | — | — | — |
| Total subordinated and mezzanine loans | — | — | — | — | — | — | — |
| Total | $ 982,374 | $ 1,909,473 | $ 295,511 | $ 1,383,913 | $ 509,057 | $ 221,476 | $ 5,301,804 |

| | December 31, 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Amortized cost by origination year | | | | | | |
| | 2021 | 2020 | 2019 | 2018 | 2017 | Prior | Total |
| Senior loans by internal risk ratings: | | | | | | | |
| 1 | $ — | $ — | $ — | $ — | $ — | $ — | $ — |
| 2 | 33,621 | — | 82,461 | 242,614 | 168,355 | — | 527,051 |
| 3 | 1,600,659 | 95,858 | 1,400,670 | 407,509 | 169,934 | 17,163 | 3,691,793 |
| 4 | — | 78,013 | 154,093 | 183,750 | 216,542 | — | 632,398 |
| 5 | — | — | — | 23,000 | — | — | 23,000 |
| Total senior loans | $ 1,634,280 | $ 173,871 | $ 1,637,224 | $ 856,873 | $ 554,831 | $ 17,163 | $ 4,874,242 |
| Subordinated and mezzanine loans by internal risk ratings: | | | | | | | |
| 1 | $ — | $ — | $ — | $ — | $ — | $ — | $ — |
| 2 | — | — | — | — | — | — | — |
| 3 | — | — | 34,960 | — | — | — | 34,960 |
| 4 | — | — | — | — | — | — | — |
| 5 | — | — | — | — | — | — | — |
| Total subordinated and mezzanine loans | — | — | 34,960 | — | — | — | 34,960 |
| Total | $ 1,634,280 | $ 173,871 | $ 1,672,184 | $ 856,873 | $ 554,831 | $ 17,163 | $ 4,909,202 |

Loans acquired are presented in the preceding table in the column corresponding to the year of origination, not acquisition.

The table below summarizes the Company's portfolio of loans held for investment on an amortized cost basis, by the results of its internal risk rating review process performed (dollars in thousands):

| Risk rating | September 30, 2022 | December 31, 2021 |
|---|---|---|
| 1 | $ — | $ — |
| 2 | 567,770 | 527,051 |
| 3 | 3,564,762 | 3,726,753 |
| 4 | 892,052 | 632,398 |
| 5 | 277,220 | 23,000 |
| Total | $ 5,301,804 | $ 4,909,202 |
| Allowance for credit losses | (210,547) | (41,999) |
| Carrying value | $ 5,091,257 | $ 4,867,203 |
| Weighted average risk rating[(1)] | 3.2 | 3.0 |

(1) Weighted average risk rating calculated based on the amortized cost balance at period end.

The weighted average risk rating of the Company's loans held for investment portfolio increased to 3.2 as of September 30, 2022 compared to 3.0 as of December 31, 2021.

*Allowance for Credit Losses*

The Company's allowance for credit losses developed pursuant to ASC 326 reflects its current estimate of potential credit losses related to its loans held for investment portfolio as of September 30, 2022. As part of its allowance for credit losses, the Company maintains a separate allowance for credit losses related to unfunded loan commitments which is included in accrued expenses and other liabilities on the consolidated balance sheets. See Note 2 for additional details regarding the Company's accounting policies and estimation of its allowance for credit losses.

The following tables present activity in the allowance for credit losses for loans by finance receivable class (dollars in thousands):

| | For the Three Months Ended September 30, 2022 | | |
|---|---|---|---|
| | Senior loans | Subordinated and mezzanine loans | Total |
| Allowance for credit losses for loans held for investment: | | | |
| Beginning balance at July 1, 2022 | $ 83,485 | $ 671 | $ 84,156 |
| Allowance for (reversal of) credit losses, net | 131,462 | (671) | 130,791 |
| Write-off | (4,400) | — | (4,400) |
| Subtotal | 210,547 | — | 210,547 |
| Allowance for credit losses on unfunded loan commitments: | | | |
| Beginning balance at July 1, 2022 | 9,227 | — | 9,227 |
| Allowance for (reversal of) credit losses, net | 5,875 | — | 5,875 |
| Subtotal | 15,102 | — | 15,102 |
| Total allowance for credit losses | $ 225,649 | $ — | $ 225,649 |

| | For the Three Months Ended September 30, 2021 | | |
|---|---|---|---|
| | Senior loans | Subordinated and mezzanine loans | Total |
| Allowance for credit losses for loans held for investment: | | | |
| Beginning balance at July 1, 2021 | $ 51,431 | $ 510 | $ 51,941 |
| Allowance for (reversal of) credit losses, net | (1,084) | (323) | (1,407) |
| Write-off | (483) | — | (483) |
| Subtotal | 49,864 | 187 | 50,051 |
| Allowance for credit losses on unfunded loan commitments: | | | |
| Beginning balance at July 1, 2021 | 3,360 | 11 | 3,371 |
| Allowance for (reversal of) credit losses, net | 852 | 694 | 1,546 |
| Subtotal | 4,212 | 705 | 4,917 |
| Total allowance for credit losses | $ 54,076 | $ 892 | $ 54,968 |

| | For the Nine Months Ended September 30, 2022 | | |
|---|---|---|---|
| | Senior loans | Subordinated and mezzanine loans | Total |
| Allowance for credit losses for loans held for investment: | | | |
| Beginning balance at January 1, 2022 | $ 41,193 | $ 806 | $ 41,999 |
| Allowance for (reversal of) credit losses, net | 173,754 | (806) | 172,948 |
| Write-off | (4,400) | — | (4,400) |
| Subtotal | 210,547 | — | 210,547 |
| Allowance for credit losses on unfunded loan commitments: | | | |
| Beginning balance at January 1, 2022 | 4,210 | — | 4,210 |
| Allowance for (reversal of) credit losses, net | 10,892 | — | 10,892 |
| Subtotal | 15,102 | — | 15,102 |
| Total allowance for credit losses | $ 225,649 | $ — | $ 225,649 |

| | For the Nine Months Ended September 30, 2021 | | |
|---|---|---|---|
| | Senior loans | Subordinated and mezzanine loans | Total |
| Allowance for credit losses for loans held for investment: | | | |
| Beginning balance at January 1, 2021 | $ 58,210 | $ 1,730 | $ 59,940 |
| Allowance for (reversal of) credit losses, net | (6,237) | (1,543) | (7,780) |
| Write-off | (2,109) | — | (2,109) |
| Subtotal | 49,864 | 187 | 50,051 |
| Allowance for credit losses on unfunded loan commitments: | | | |
| Beginning balance at January 1, 2021 | 2,756 | 132 | 2,888 |
| Allowance for (reversal of) credit losses, net | 1,456 | 573 | 2,029 |
| Subtotal | 4,212 | 705 | 4,917 |
| Total allowance for credit losses | $ 54,076 | $ 892 | $ 54,968 |

The following table presents the allowance for credit losses for loans held for investment (dollars in thousands):

| | September 30, 2022 | | |
|---|---|---|---|
| | General reserve | Specific reserve | Total reserve |
| Allowance for credit losses: | | | |
| Loans held for investment | $ 138,254 | $ 72,293 | $ 210,547 |
| Unfunded loan commitments | 15,102 | — | 15,102 |
| Total allowance for credit losses | $ 153,356 | $ 72,293 | $ 225,649 |
| Total unpaid principal balance | $ 5,054,964 | $ 277,220 | $ 5,332,184 |

| | December 31, 2021 | | |
|---|---|---|---|
| | General reserve | Specific reserve | Total reserve |
| Allowance for credit losses: | | | |
| Loans held for investment | $ 41,999 | $ — | $ 41,999 |
| Unfunded loan commitments | 4,210 | — | 4,210 |
| Total allowance for credit losses | $ 46,209 | $ — | $ 46,209 |
| Total unpaid principal balance | $ 4,919,343 | $ — | $ 4,919,343 |

The Company’s allowance for credit losses is influenced by the size and maturity dates of its loans, loan quality, credit indicators including risk ratings, delinquency status, historical loss experience and other conditions influencing loss expectations, such as reasonable and supportable forecasts of economic conditions.

During the three months ended September 30, 2022, the Company recorded an increase of $132.3 million to its allowance for credit losses. The increase to the Company's allowance for credit losses was due to weakening credit indicators, inflationary expectations, reduced liquidity in the capital markets, increased capitalization rates for properties, especially office, an uncertain macroeconomic outlook, and new loan investments offset by eight loan repayments in-full and nine partial repayments. The uncertain macroeconomic outlook is caused by surging inflationary pressures, rising short term interest rates, continuing supply chain disruptions, widening credit spreads in the fixed income markets, a material decline in U.S. stock market indices and unsettled geopolitical conditions. These factors, and slowing business plan execution for certain of our loans, contributed to the increase in the Company's allowance for credit losses during the three months ended September 30, 2022. While the ultimate impact of the macroeconomic outlook and property-level performance trends of the Company's loan portfolio remain uncertain, the Company's macroeconomic outlook is intended to address these uncertainties. The Company has made specific forward-looking valuation adjustments to the inputs of its loss calculation to reflect the variability associated with the timing, strength, and breadth of a sustained economic recovery or the potential impact of an uncertain economic outlook that may occur.

During the nine months ended September 30, 2022, the Company recorded an increase of $179.4 million to its allowance for credit losses, increasing its CECL reserve to $225.6 million as of September 30, 2022. For the nine months ended September 30, 2022, the Company's estimate of expected credit losses was impacted by loan investments and repayments of $1,461.9 million and $1,171.1 million, respectively, an increase to four from one in the number of loans bearing a risk rating of "5", and recessionary and recovery macroeconomic assumptions employed in determining the model-based general CECL reserve. For the nine months ended September 30, 2021, the Company's estimate of expected credit losses was impacted by loan investments, sales, and repayments of $1,062.9 million, $60.7 million, and $799.7 million, respectively, recessionary and recovery macroeconomic assumptions employed in determining the model-based general CECL reserve, and an increase in the Company's total loan commitments and unpaid principal balance as of September 30, 2021.

As of September 30, 2022, four first mortgage loans satisfied the CECL framework's criteria for individual assessment, of which three were first mortgage loans secured by office properties that were determined to satisfy the CECL framework's criteria for individual assessment for the first time as of September 30, 2022. The amortized cost of the loans was $277.2 million and $221.2 million as of September 30, 2022 and December 31, 2021, respectively. Accordingly, the Company utilized the estimated fair value of the collateral to estimate a total allowance for credit losses of $72.3 million as of September 30, 2022. The Company's fair market value estimates were determined primarily using discounted cash flow models and Level 3 inputs, which include estimates of property-specific cash flows over a specific holding period, a discount rate range of 8.5% – 13.6%, and a terminal capitalization rate range of 8.0% – 9.0%. These inputs are based on the location, type and nature of the property, current sales and lease comparables, anticipated real estate and capital market conditions, and management's knowledge, experience and judgment. In limited instances, the Company uses broker-prepared estimates of values based on discounted cash flows and sales comparables to estimate or corroborate fair value. As of September 30, 2022, two of the four loans with an amortized cost of $167.5 million were on non-accrual status; the two other loans with an amortized cost of $109.7 million were not on non-accrual status because all amounts of interest due were collected by the Company and the borrowers were not in default of the loan agreements.

During the three months ended September 30, 2022, the property securing the Company's non-performing retail loan was sold by the borrower for $19.7 million, generating net proceeds of $18.6 million that were directed by the borrower to retire the Company's loan. The Company wrote-off $4.4 million during the three months ended September 30, 2022, which was fully reserved within the Company's CECL reserve as of June 30, 2022. The amortized cost of the loan was $23.0 million as of December 31, 2021. The loan was previously placed on non-accrual status due to a default caused by non-payment of interest in December 2020. In accordance with the Company's revenue recognition and allowance for credit losses accounting policies, the Company suspended its accrual of interest income when the loan was placed on non-accrual status.

As of September 30, 2022, the Company had two loans with an amortized cost of $167.5 million on non-accrual status. In accordance with the Company's revenue recognition and allowance for credit losses accounting policies, the Company suspended its accrual of interest income when the loan was placed on non-accrual status. As of September 30, 2022 and December 31, 2021, none of the Company's accrual status loans had accrued interest income receivable 90 days or more past due.

The following table presents an aging analysis for the Company's portfolio of loans held for investment, by class of loans on amortized cost basis (dollars in thousands):

| | | Days Outstanding as of September 30, 2022 | | | | |
|---|---|---|---|---|---|---|
| | Current | Days: 30-59 | Days: 60-89 | Days: 90 or more | Total loans past due | Total loans |
| Loans receivable: | | | | | | |
| Senior loans | $ 5,134,301 | $ 167,503 | $ — | $ — | $ 167,503 | $ 5,301,804 |
| Subordinated and mezzanine loans | — | — | — | — | — | — |
| **Total** | $ 5,134,301 | $ 167,503 | $ — | $ — | $ 167,503 | $ 5,301,804 |

| | | Days Outstanding as of December 31, 2021 | | | | |
|---|---|---|---|---|---|---|
| | Current | Days: 30-59 | Days: 60-89 | Days: 90 or more | Total loans past due | Total loans |
| Loans receivable: | | | | | | |
| Senior loans | $ 4,851,242 | $ — | $ — | $ 23,000 | $ 23,000 | $ 4,874,242 |
| Subordinated and mezzanine loans | 34,960 | — | — | — | — | 34,960 |
| **Total** | $ 4,886,202 | $ — | $ — | $ 23,000 | $ 23,000 | $ 4,909,202 |

*Loan Modifications*

The Company may amend or modify a loan depending on the loan's specific facts and circumstances. These loan modifications typically include additional time for the borrower to refinance or sell the collateral property, adjustment or waiver of performance tests that are prerequisite to the extension of a loan maturity, and/or deferral of scheduled principal payments. In exchange for a modification, the Company often receives a partial repayment of principal, a short-term accrual of PIK interest for a portion of interest due, a cash infusion to replenish interest or capital improvement reserves, termination of all or a portion of the remaining unfunded loan commitment, additional call protection, and/or an increase in the loan coupon. For the nine months ended September 30, 2022, none of the Company's loan modifications resulted in significant modifications.

As of September 30, 2022, the total amount of accrued PIK interest in the loans held for investment portfolio was $2.4 million with respect to three first mortgage loans.

The following table presents the accrued PIK interest activity for the nine months ended September 30, 2022 for the Company's loans held for investment portfolio (dollars in thousands):

| | September 30, 2022 |
|---|---|
| **Balance as of January 1, 2022** | $ 3,028 |
| Accrued PIK interest | — |
| Repayments of accrued PIK interest | (313) |
| **Balance as of March 31, 2022** | $ 2,715 |
| Accrued PIK interest | — |
| Repayments of accrued PIK interest | (300) |
| Write-off of accrued PIK interest | — |
| **Balance as of June 30, 2022** | $ 2,415 |
| Accrued PIK interest | — |
| Repayments of accrued PIK interest | — |
| Write-off of accrued PIK interest | — |
| **Balance as of September 30, 2022** | $ 2,415 |

No accrued PIK interest was recorded and deferred during the nine months ended September 30, 2022.

**(4) Real Estate Owned**

In December 2020, the Company acquired two largely undeveloped commercially-zoned land parcels on the Las Vegas Strip comprising 27 acres (the "REO Property") pursuant to a negotiated deed-in-lieu of foreclosure. The Company's cost basis in the REO Property was $99.2 million, equal to the estimated fair value of the collateral at the date of acquisition, net of estimated selling costs. The Company obtained from a third party a $50.0 million non-recourse first mortgage loan secured by the REO Property which it repaid on November 12, 2021. See Note 6 for additional information regarding the related mortgage loan.

During the three months ended December 31, 2021, the Company sold a 17 acre parcel of the REO Property for net cash proceeds of $54.4 million and recognized a gain on sale of real estate owned, net of $15.8 million on the consolidated statements of income and comprehensive income. The Company utilized $15.8 million of its $203.4 million of capital loss carryforwards to offset the gain on sale of its REO Property for income tax purposes in 2021. As of December 31, 2021, the Company held the remaining 10 acre parcel of REO Property at its estimated fair value at the time of acquisition, net of estimated selling costs, of $60.6 million.

On April 4, 2022, the Company sold the remaining 10 acre parcel of REO Property for net cash proceeds of $73.9 million and recognized a gain on sale of real estate owned, net of $13.3 million on the consolidated statements of income and comprehensive income. The Company utilized $13.3 million of the $187.6 million of available capital loss carryforwards to offset the gain on sale of its REO Property for income tax purposes in 2022. See Note 9 for additional details. As of September 30, 2022, the Company no longer owns any REO Property.

For the nine months ended September 30, 2022 and 2021, operating revenues from the REO Property were sufficient to cover the operating expenses and were immaterial to the financial results of the Company.

**(5) Variable Interest Entities and Collateralized Loan Obligations**

Subsidiaries of the Company have financed certain pools of the Company's loans held for investment portfolio through the issuance of collateralized loan obligations.

On February 16, 2022, TPG RE Finance Trust CLO Sub-REIT ("Sub-REIT"), a subsidiary of the Company, issued a collateralized loan obligation ("TRTX 2022-FL5" or "FL5"). TRTX 2022-FL5 permits the Company, during the 24 months after closing, to contribute eligible new loans or participation interests in loans to TRTX 2022-FL5 in exchange for cash, which provides additional liquidity to the Company to originate new loan investments as underlying loans repay. The Company utilized the reinvestment feature during the three and nine months ended September 30, 2022. In connection with TRTX 2022-FL5, the Company incurred $6.5 million of deferred financing costs, including issuance, legal, and accounting related costs.

On March 31, 2021, Sub-REIT issued a collateralized loan obligation ("TRTX 2021-FL4" or "FL4"). TRTX 2021-FL4 permits the Company, during the 24 months after closing, to contribute eligible new loans or participation interests in loans to TRTX 2021-FL4 in exchange for cash, which provides additional liquidity to the Company to originate new loan investments as underlying loans repay. During the three and nine months ended September 30, 2022, the Company utilized the reinvestment feature in TRTX 2021-FL4. During the three and nine months ended September 30, 2021, the Company utilized the reinvestment feature in TRTX 2021-FL4. In connection with TRTX 2021-FL4, the Company incurred $8.3 million of deferred financing costs, including issuance, legal, and accounting related costs.

On October 25, 2019, Sub-REIT issued a collateralized loan obligation ("TRTX 2019-FL3" or "FL3"). TRTX 2019-FL3 permits the Company, during the 24 months after closing, to contribute eligible new loans or participation interests in loans to TRTX 2019-FL3 in exchange for cash, which provides additional liquidity to the Company to originate new loan investments as underlying loans repay. The reinvestment period for TRTX 2019-FL3 ended on October 11, 2021 and the Company utilized the reinvestment feature during the three and nine months ended September 30, 2021. In connection with TRTX 2019-FL3, the Company incurred $7.8 million of deferred financing costs, including issuance, legal, and accounting related costs.

On November 29, 2018, Sub-REIT issued a collateralized loan obligation ("TRTX 2018-FL2" or "FL2"). TRTX 2018-FL2 permitted the Company, during the 24 months after closing, to contribute eligible new loans or participation interests in loans to TRTX 2018-FL2 in exchange for cash, which provides additional liquidity to the Company to originate new loan investments as underlying loans repay. The reinvestment period for TRTX 2018-FL2 ended on December 11, 2020. In connection with TRTX 2018-FL2, the Company incurred $8.7 million of deferred financing costs, including issuance, legal, and accounting related costs.

On February 17, 2022, the Company redeemed TRTX 2018-FL2, which at its redemption had $600.0 million of investment-grade bonds outstanding. The 17 loans or participation interests therein with an aggregate unpaid principal balance of $805.7 million held by the trust were refinanced in part by the issuance of TRTX 2022-FL5 and in part with the expansion of an existing secured credit agreement. In connection with the redemption of TRTX 2018-FL2, the Company exercised an option under an existing secured credit agreement to increase the commitment amount by $250.0 million, pledge additional collateral with an aggregate unpaid principal balance of $463.8 million and borrow an additional $359.1 million.

The Company evaluated the key attributes of the issuers of the CRE CLOs ("CRE CLO Issuers"), which are wholly-owned subsidiaries of the Company, to determine if they were VIEs and, if so, whether the Company was the primary beneficiary of their operating activities and therefore consolidate the CRE CLOs. The Company concluded that the CRE CLO Issuers are VIEs and the Company is the primary beneficiary because it has the ability to control the most significant activities of the CRE CLO Issuers, the obligation to absorb losses to the extent of its equity investments, and the right to receive benefits that could potentially be significant to these entities. Accordingly, as of September 30, 2022 and December 31, 2021 the Company consolidated the CRE CLO Issuers.

The following table outlines the total assets and liabilities within the Sub-REIT (dollars in thousands):

| | September 30, 2022 | December 31, 2021 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 26,659 | $ 28,167 |
| Collateralized loan obligation proceeds held at trustee[(1)] | 286,621 | 204 |
| Accounts receivable from servicer/trustee[(2)] | 2,288 | 150 |
| Accrued interest receivable | 6,628 | 6,765 |
| Loans held for investment, net[(3)] | 2,645,166 | 3,138,603 |
| **Total assets** | $ 2,967,362 | $ 3,173,889 |
| **Liabilities** | | |
| Accrued interest payable | $ 4,337 | $ 1,823 |
| Accrued expenses | 1,277 | 1,490 |
| Collateralized loan obligations, net[(4)] | 2,456,668 | 2,545,691 |
| Payable to affiliates | 3,046 | 3,830 |
| **Total liabilities** | $ 2,465,328 | $ 2,552,834 |

(1) Includes $162.7 million and $123.9 million of cash available to acquire eligible assets related to TRTX 2022-FL5 and TRTX 2021-FL4, respectively, as of September 30, 2022. Includes $0.2 million of cash available to acquire eligible assets related to TRTX 2021-FL4 as of December 31, 2021.

(2) Includes $2.0 million of cash proceeds related to loan repayments related to TRTX 2019-FL3 and TRTX 2022-FL5 held by the Company's loan servicer as of September 30, 2022, which are remitted to the Company during the subsequent remittance cycle.

(3) Includes two loans held for investment with an unpaid principal balance of $1.4 million and $0.1 million as of September 30, 2022 and December 31, 2021, respectively.

(4) Net of $10.9 million and $10.3 million of unamortized deferred financing costs as of September 30, 2022 and December 31, 2021, respectively.

As of September 30, 2022 and December 31, 2021, assets held by these VIEs are restricted and are only available to settle obligations of the related VIE. The liabilities of these VIEs are non-recourse to the Company and can only be satisfied from the then-current assets of the related VIE.

The following tables detail the loan collateral and borrowings under the Company's CRE CLOs (dollars in thousands):

| | September 30, 2022 | | | | | |
|---|---|---|---|---|---|---|
| **CRE CLOs** | **Count** | **Benchmark interest rate** | **Outstanding principal balance** | **Carrying value[1]** | **Wtd. avg. spread[2]** | **Wtd. avg. maturity[3]** |
| TRTX 2019-FL3 | | | | | | |
| Collateral loan investments | 13 | LIBOR | $ 713,696 | $ 660,103 | 3.19 % | 1.7 |
| Financing provided | 1 | Term SOFR[4] | 522,995 | 522,268 | 1.72 % | 12.0 |
| TRTX 2021-FL4 | | | | | | |
| Collateral loan investments | 24 | LIBOR[5] | 1,250,000 | 1,211,718 | 3.18 % | 2.8 |
| Financing provided | 1 | LIBOR | 1,037,500 | 1,032,609 | 1.60 % | 15.4 |
| TRTX 2022-FL5 | | | | | | |
| Collateral loan investments | 18 | LIBOR[6] | 1,075,000 | 1,058,611 | 3.32 % | 3.5 |
| Financing provided | 1 | Compounded SOFR | 907,031 | 901,791 | 2.02 % | 16.4 |
| Total | | | | | | |
| Collateral loan investments[7] | 55 | LIBOR | $ 3,038,696 | $ 2,930,432 | 3.23 % | 2.7 years |
| Financing provided[8] | 3 | Term SOFR/LIBOR/Compounded SOFR | $ 2,467,526 | $ 2,456,668 | 1.78 % | 15.1 years |

(1) Includes loan amounts held in the Company's CRE CLOs and excludes other loans held for investment, net of $1.4 million held within the Sub-REIT.

(2) Weighted average spread excludes the amortization of loan fees and deferred financing costs.

(3) Loan term represents weighted-average final maturity, assuming extension options are exercised by the borrower. Repayments of CRE CLO notes are dependent on timing of related loan repayments post-reinvestment period. The term of the CRE CLO notes represents the rated final distribution date.

(4) On October 1, 2021, the benchmark index interest rate for borrowings under TRTX 2019-FL3 was converted from Compounded SOFR to Term SOFR by the designated transaction representative under the FL3 indenture. The Company has the right to convert the mortgage assets benchmark interest rate from LIBOR to Term SOFR to eliminate the difference between benchmark rates used for the assets and liabilities of the CRE CLO.

(5) As of September 30, 2022, the TRTX 2022-FL4 mortgage assets are indexed to LIBOR, with the exception of three participation interests totaling $106.4 million which are indexed to Term SOFR.

(6) As of September 30, 2022, the TRTX 2022-FL5 mortgage assets are indexed to LIBOR, with the exception of two participation interests totaling $87.8 million which are indexed to Term SOFR. The Company has the right to convert the mortgage assets benchmark interest rate from LIBOR to Compounded SOFR to eliminate the difference between benchmark rates used for the assets and liabilities of the CRE CLO.

(7) Collateral loan investment assets of FL3, FL4 and FL5 represent 13.4%, 23.4% and 20.2% of the aggregate unpaid principal balance of the Company's loans held for investment portfolio as of September 30, 2022.

(8) During the three months ended September 30, 2022, the Company recognized interest expense of $26.4 million, which includes $1.9 million of deferred financing cost amortization and is reflected within the Company's consolidated statements of income and comprehensive income. During the nine months ended September 30, 2022, the Company recognized interest expense of $58.8 million, which includes $6.0 million of deferred financing cost amortization and is reflected within the Company's consolidated statements of income and comprehensive income.

| CRE CLOs | December 31, 2021 Count | Benchmark interest rate | Outstanding principal balance | Carrying value | Wtd. avg. spread[1] | Wtd. avg. maturity[2] |
|---|---|---|---|---|---|---|
| TRTX 2018-FL2 | | | | | | |
| Collateral loan investments | 17 | LIBOR | $ 805,685 | $ 795,815 | 3.39 % | 2.0 |
| Financing provided | 1 | LIBOR | 600,001 | 599,394 | 1.56 % | 15.9 |
| TRTX 2019-FL3 | | | | | | |
| Collateral loan investments | 19 | LIBOR | 1,109,229 | 1,100,497 | 3.19 % | 2.2 |
| Financing provided | 1 | Term SOFR[3] | 918,487 | 915,451 | 1.48 % | 12.8 |
| TRTX 2021-FL4 | | | | | | |
| Collateral loan investments | 24 | LIBOR | 1,249,796 | 1,242,291 | 3.19 % | 3.1 |
| Financing provided | 1 | LIBOR | 1,037,500 | 1,030,846 | 1.60 % | 16.2 |
| Total | | | | | | |
| Collateral loan investments[4] | 60 | LIBOR | $ 3,164,710 | $ 3,138,603 | 3.24 % | 2.7 years |
| Financing provided[5] | 3 | Term SOFR/LIBOR | $ 2,555,988 | $ 2,545,691 | 1.55 % | 15.2 years |

(1) Weighted average spread excludes the amortization of loan fees and deferred financing costs.

(2) Loan term represents weighted-average final maturity, assuming extension options are exercised by the borrower. Repayments of CRE CLO notes are dependent on timing of related loan repayments post-reinvestment period. The term of the CRE CLO notes represents the rated final distribution date.

(3) On October 1, 2021, the benchmark index interest rate for borrowings under TRTX 2019-FL3 was converted from Compounded SOFR to Term SOFR by the designated transaction representative under the FL3 indenture. The Company has the right to convert the mortgage assets benchmark interest rate from LIBOR to Term SOFR to eliminate the difference between benchmark rates used for the assets and liabilities of the CRE CLO.

(4) Collateral loan investment assets of FL2, FL3, and FL4 represent 16.4%, 22.5%, and 25.4% of the aggregate unpaid principal balance of the Company's loans held for investment portfolio as of December 31, 2021.

(5) During the three months ended September 30, 2021, the Company recognized interest expense of $13.7 million, which includes $2.2 million of deferred financing cost amortization and is reflected within the Company's consolidated statements of income and comprehensive income. During the nine months ended September 30, 2021, the Company recognized interest expense of $35.7 million, which includes $5.0 million of deferred financing cost amortization and is reflected within the Company's consolidated statements of income and comprehensive income.

**(6) Investment Portfolio Financing**

The Company finances its portfolio of loans, or participation interests therein, and REO using secured financing agreements, including secured credit agreements, secured revolving credit facilities, asset-specific financing arrangements, mortgage loans payable, and collateralized loan obligations.

The following table summarizes the Company's investment portfolio financing (dollars in thousands):

| | Outstanding principal balance | |
|---|---|---|
| | September 30, 2022 | December 31, 2021 |
| Collateralized loan obligations[1] | $ 2,467,526 | $ 2,555,988 |
| Secured credit agreements | 1,083,854 | 1,166,211 |
| Secured revolving credit facility | 204,359 | — |
| Asset-specific financing arrangements | 564,232 | — |
| Total | $ 4,319,971 | $ 3,722,199 |

(1) See Note 5 for additional information regarding the Company's collateralized loan obligations.

***Secured Credit Agreements***

As of September 30, 2022 and December 31, 2021, the Company had secured credit agreements used to finance certain of the Company's loan investments. These financing arrangements bear interest at rates equal to LIBOR or Term SOFR plus a credit spread negotiated between the Company and each lender, often a separate credit spread for each pledge of collateral, which is primarily based on property type and advance rate against the unpaid principal balance of the pledged loan. These borrowing arrangements contain defined mark-to-market provisions that permit our lenders to issue margin calls to the Company only in the event that the collateral properties underlying the Company's loans pledged to the Company's lenders experience a non-temporary decline in value ("credit marks") due to reasons other than capital markets events that result in changing credit spreads for similar borrowing obligations. In connection with one of these borrowing arrangements, the lender is also permitted to issue margin calls to the Company in the event the lender determines capital markets events have caused credit spreads to change for similar borrowing obligations ("spread marks"). Furthermore, in connection with one of these borrowing arrangements, the lender has the right to re-margin the secured credit agreement based solely on appraised loan-to-values after the second anniversary date of the facility on October 30, 2022.

The following table presents certain information regarding the Company's secured credit agreements. Except as otherwise noted, all agreements are on a partial (25%) recourse basis (dollars in thousands):

| | September 30, 2022 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Secured credit agreements[1] | Initial maturity date | Extended maturity date | Index rate | Weighted average credit spread | Interest rate | Commitment amount | Maximum current availability | Balance outstanding | Principal balance of collateral | Amortized cost of collateral |
| Goldman Sachs[2] | 08/19/23 | 08/19/24 | 1 Month BR | 1.8 % | 4.9 % | $ 500,000 | $ 129,132 | $ 370,868 | $ 555,743 | $ 555,256 |
| Wells Fargo[3] | 04/18/25 | 04/18/25 | 1 Month BR | 1.6 % | 4.7 % | 500,000 | 91,990 | 408,010 | 532,594 | 528,361 |
| Barclays[4] | 08/13/25 | 08/13/26 | 1 Month BR | 1.6 % | 4.6 % | 500,000 | 403,074 | 96,926 | 128,159 | 127,539 |
| Morgan Stanley[5] | 05/04/23 | 05/04/23 | 1 Month BR | 2.3 % | 5.4 % | 500,000 | 446,975 | 53,025 | 77,749 | 77,731 |
| JP Morgan | 10/30/23 | 10/30/25 | 1 Month BR | 1.6 % | 4.7 % | 400,000 | 280,840 | 119,160 | 164,733 | 164,673 |
| Bank of America[6] | 03/31/23 | 03/31/23 | 1 Month BR | 1.8 % | 4.8 % | 200,000 | 164,135 | 35,865 | 47,820 | 47,820 |
| Institutional Lender 1 | 10/30/23 | 10/30/25 | 1 Month BR | 4.5 % | 7.6 % | 249,546 | 249,546 | — | 3,849 | 3,849 |
| Totals | | | | | | $ 2,849,546 | $ 1,765,692 | $ 1,083,854 | $ 1,510,647 | $ 1,505,229 |

(1) Borrowings under secured credit agreements with a 25% recourse guarantee from Holdco. Each secured credit agreement contains defined mark-to-market provisions that permit the lenders to issue margin calls based on credit marks. Under the JP Morgan secured credit agreement, the Company is also subject to spread marks. Index rate is the underlying benchmark interest rate ("BR"), currently LIBOR or Term SOFR, for the Company's borrowings on each secured credit agreement.

(2) On August 19, 2022 the secured credit agreement's initial maturity was extended to August 19, 2023.

(3) On February 9, 2022 the secured credit agreement's initial maturity was extended to April 18, 2025.

(4) On April 11, 2022 the secured credit agreement's initial maturity was extended to August 13, 2025 and the Company reduced the total commitment to $500.0 million from $750.0 million. The secured credit agreement includes a $250.0 million accordion feature subject to the lender's approval.

(5) On April 29, 2022 the secured credit agreement's maturity was extended to May 4, 2023.

(6) On September 14, 2022, the secured credit agreement's initial and extended maturity was extended to March 31, 2023.

| | December 31, 2021 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Secured credit agreements[1] | Initial maturity date | Extended maturity date | Index rate | Weighted average credit spread | Interest rate | Commitment amount | Maximum current availability | Balance outstanding | Principal balance of collateral | Amortized cost of collateral |
| Goldman Sachs | 08/19/22 | 08/19/24 | 1 Month LIBOR | 2.0 % | 2.1 % | $ 250,000 | $ 153,680 | $ 96,320 | $ 158,177 | $ 157,550 |
| Wells Fargo[2] | 04/18/22 | 04/18/24 | 1 Month LIBOR | 1.6 % | 1.7 % | 750,000 | 179,784 | 570,216 | 779,791 | 773,868 |
| Barclays | 08/13/22 | 08/13/23 | 1 Month LIBOR | 1.5 % | 1.7 % | 750,000 | 726,686 | 23,314 | 41,294 | 41,058 |
| Morgan Stanley | 05/04/22 | 05/04/23 | 1 Month LIBOR | 2.0 % | 2.1 % | 500,000 | 319,269 | 180,731 | 255,125 | 254,559 |
| JP Morgan | 10/30/23 | 10/30/25 | 1 Month LIBOR | 1.7 % | 1.8 % | 400,000 | 290,523 | 109,477 | 200,148 | 199,246 |
| US Bank | 07/09/22 | 07/09/24 | 1 Month LIBOR | 1.4 % | 1.7 % | 44,730 | 10,748 | 33,982 | 59,060 | 59,060 |
| Bank of America[3] | 09/29/22 | 09/29/22 | 1 Month LIBOR | 1.8 % | 1.9 % | 128,625 | — | 128,625 | 183,750 | 183,750 |
| Institutional Lender 1 | 10/30/23 | 10/30/25 | 1 Month LIBOR | 4.5 % | 4.8 % | 249,546 | 226,000 | 23,546 | 42,390 | 42,366 |
| Totals | | | | | | $ 3,072,901 | $ 1,906,690 | $ 1,166,211 | $ 1,719,735 | $ 1,711,457 |

(1) Borrowings under secured credit agreements with a 25% recourse guarantee from Holdco. Each secured credit agreement contains defined mark-to-market provisions that permit the lenders to issue margin calls based on credit marks. Under the JP Morgan secured credit agreement, the Company is also subject to spread marks.

(2) On February 9, 2022 the secured credit agreement's initial maturity was extended to April 18, 2025.

(3) Effective February 1, 2022 for the sole loan pledged to the secured credit agreement, the Company amended its financing arrangement to reduce its borrowing by $9.4 million and extend its term on a non-mark-to-market basis through March 31, 2022, with an option to further extend its maturity through April 15, 2022 in exchange for a further reduction in borrowings of $9.4 million.

*Secured Credit Agreement Terms*

As of September 30, 2022 and December 31, 2021, the Company had six and seven secured credit agreements, respectively, to finance its loan investing activities. Credit spreads vary depending upon the collateral type, advance rate and other factors. Assets pledged as of September 30, 2022 and December 31, 2021 consisted of 53 and 53 mortgage loans, or participation interests therein, respectively. Under five of the six secured credit agreements, the Company transfers all of its rights, title and interest in the loans to the secured credit agreement counterparty in exchange for cash, and simultaneously agrees to reacquire the asset at a future date for an amount equal to the cash exchanged plus an interest factor. The secured credit agreement lender collects all principal and interest on related loans and remits to the Company the net amount after the lender collects its interest and other fees. For the sixth secured credit agreement, which is a mortgage warehouse facility, the lender receives a security interest (pledge) in the loans financed under the arrangement. The secured credit agreements used to finance loan investments are 25% recourse to Holdco.

Under each of the Company's secured credit agreements, including the mortgage warehouse facility, the Company is required to post margin for changes in conditions to specific loans that serve as collateral for those secured credit agreements. The lender's margin amount is in all but one instance limited to collateral-specific credit marks based on non-temporary declines in the value of the properties securing the underlying loan collateral. Market value determinations and redeterminations may be made by the repurchase lender in its sole discretion subject to certain specified parameters. These considerations only include credit-based factors unrelated to the capital markets. In only one instance do the considerations include changes in observable credit spreads in the market for these assets.

The following table summarizes certain characteristics of the Company's secured credit agreements secured by mortgage loan investments, including counterparty concentration risks (dollars in thousands):

| | September 30, 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| **Secured credit agreements** | **Commitment amount** | **UPB of collateral** | **Amortized cost of collateral[1]** | **Amount payable[2]** | **Net counterparty exposure[3]** | **Percent of stockholders' equity** | **Days to extended maturity** |
| Goldman Sachs Bank | $ 500,000 | $ 555,743 | $ 557,922 | $ 371,873 | $ 186,049 | 14.2 % | 689 |
| Wells Fargo | 500,000 | 532,594 | 530,990 | 408,604 | 122,386 | 9.4 % | 931 |
| Barclays | 500,000 | 128,159 | 127,890 | 97,135 | 30,755 | 2.4 % | 1413 |
| Morgan Stanley Bank | 500,000 | 77,749 | 77,944 | 53,367 | 24,577 | 1.9 % | 216 |
| JP Morgan Chase Bank | 649,546 | 168,582 | 169,937 | 120,000 | 49,937 | 3.8 % | 1126 |
| Bank of America | 200,000 | 47,820 | 48,216 | 35,907 | 12,309 | 0.9 % | 182 |
| Total / weighted average | $ 2,849,546 | $ 1,510,647 | $ 1,512,899 | $ 1,086,886 | $ 426,013 | | 853 |

(1) Loan amounts include interest receivable of $7.7 million and are net of premium, discount and origination fees of $5.4 million.

(2) Loan amounts include interest payable of $3.0 million and do not reflect unamortized deferred financing fees of $2.9 million.

(3) Loan amounts represent the net carrying value of the commercial real estate assets sold under agreements to repurchase, including accrued interest plus any cash or assets on deposit to secure the repurchase obligation, less the amount of the repurchase liability, including accrued interest.

The following table summarizes certain characteristics of the Company's secured credit agreements secured by mortgage loan investments, including counterparty concentration risks (dollars in thousands):

| | December 31, 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| **Secured credit agreements** | **Commitment amount** | **UPB of collateral** | **Amortized cost of collateral[1]** | **Amount payable[2]** | **Net counterparty exposure[3]** | **Percent of stockholders' equity** | **Days to extended maturity** |
| Goldman Sachs Bank | $ 250,000 | $ 158,177 | $ 159,269 | $ 96,389 | $ 62,880 | 4.3 % | 962 |
| Wells Fargo | 750,000 | 779,791 | 776,196 | 570,839 | 205,357 | 14.0 % | 839 |
| Barclays | 750,000 | 41,294 | 41,019 | 23,330 | 17,689 | 1.2 % | 590 |
| Morgan Stanley Bank | 500,000 | 255,125 | 255,858 | 180,891 | 74,967 | 5.1 % | 489 |
| JP Morgan Chase Bank | 649,546 | 242,538 | 243,181 | 133,191 | 109,990 | 7.5 % | 1399 |
| US Bank | 44,730 | 59,060 | 59,435 | 34,035 | 25,400 | 1.7 % | 921 |
| Bank of America | 128,625 | 183,750 | 184,531 | 128,648 | 55,883 | 3.8 % | 272 |
| Total / weighted average | $ 3,072,901 | $ 1,719,735 | $ 1,719,489 | $ 1,167,323 | $ 552,165 | | 794 |

(1) Loan amounts include interest receivable of $8.0 million and are net of premium, discount and origination fees of $8.8 million.

(2) Loan amounts include interest payable of $1.1 million and do not reflect unamortized deferred financing fees of $4.0 million.

(3) Loan amounts represent the net carrying value of the commercial real estate assets sold under agreements to repurchase, including accrued interest plus any cash or assets on deposit to secure the repurchase obligation, less the amount of the repurchase liability, including accrued interest.

As a result of contributing collateral into TRTX 2022-FL5 upon its issuance during the nine months ended September 30, 2022, the Company accelerated $1.1 million of unamortized deferred transaction costs related to its secured credit agreements to interest expense in its consolidated statements of income and comprehensive income. See Note 5 for details regarding the Company's issuance of TRTX 2022-FL5.

On April 11, 2022, the Company repaid the $34.0 million outstanding under the US Bank secured credit agreement and simultaneously terminated the financing arrangement prior to its July 9, 2022 maturity date.

***Secured Revolving Credit Facility***

On February 22, 2022, the Company closed a $250.0 million secured revolving credit facility with a syndicate of 5 lenders. This facility has an initial term of 3 years, an interest rate of Term SOFR plus 2.00% that is payable monthly in arrears, and an unused fee of 15 or 20 basis points, depending upon whether utilization exceeds 50.0%. During the three and nine months ended September 30, 2022, the weighted average unused fee was 16 basis points and 19 basis points, respectively. The facility generally provides the Company with interim financing of eligible loans for up to 180 days at an initial advance rate of 75.0%, which declines to 65.0%, 45.0%, and 0.0% after 90, 135, and 180 days from initial borrowing, respectively, depending on the permanent financing asset classification. This facility is 100% recourse to Holdco. As of September 30, 2022, the Company pledged two loan investments with an aggregate collateral principal balance of $272.5 million and outstanding Term SOFR-based borrowings of $204.4 million.

***Asset-Specific Financing Arrangements***

As of September 30, 2022, the Company had two asset-specific financing arrangements with Axos Bank each secured by a performing first mortgage loan. The separate arrangements provide non-mark-to-market financing, a term of up to 2 years, and are 15% recourse to Holdco.

On June 30, 2022, the Company closed a $200.0 million loan financing facility with BMO Harris Bank ("BMO Facility"). The facility provides asset-specific financing on a non-mark-to-market, matched term basis. This facility is 25% recourse to Holdco. The advance rate and borrowing rate are determined separately for each loan financed under the facility.

On September 1, 2022, the Company closed a $397.9 million asset-specific financing arrangement with an Institutional Lender ("Institutional Lender 2"). The arrangement is non-mark-to-market, matched term, and non-recourse. The advance rate and borrowing rate are uniform for all loans financed under the arrangement.

The following table details the Company's asset-specific financing arrangements (dollars in thousands):

| | September 30, 2022 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Financing | | | | | | Collateral | | | |
| Asset-specific financing | Count | Commitment amount | Outstanding principal balance | Carrying value[1] | Wtd. avg. spread[2] | Wtd. avg. term[3] | Count | Outstanding principal balance | Amortized Cost | Wtd. avg. term |
| Axos Bank | 2 | $ 108,652 | $ 108,652 | $ 107,878 | 4.4 % | 1.6 | 2 | $ 198,603 | $ 198,184 | 1.5 |
| BMO Facility | 1 | 200,000 | 63,510 | 62,892 | 1.7 % | 4.7 | 2 | 79,388 | 79,041 | 4.7 |
| Institutional Lender 2 | 1 | 397,928 | 392,070 | 388,097 | 3.5 % | 2.7 | 5 | 513,181 | 491,377 | 2.7 |
| Total / weighted average | | $ 706,580 | $ 564,232 | $ 558,867 | 3.5 % | 2.7 years | | $ 791,172 | $ 768,602 | 2.6 years |

(1) Net of $5.4 million unamortized deferred financing costs.

(2) Collateral loan assets and related financings are indexed to Term SOFR under Axos Bank and the BMO Facility. Under the Institutional Lender 2 arrangement, collateral loan assets are indexed to LIBOR and the financing provided is indexed to Term SOFR.

(3) Term under Axos Bank is based on the extended maturity date for the specific arrangement. Borrowings under the BMO Facility and the Institutional Lender 2 arrangement are term-matched to the corresponding collateral loan asset. The weighted-average term assumes all extension options of the collateral loan assets are exercised by the borrower.

***Mortgage Loan Payable***

The Company through a special purpose entity subsidiary was a borrower under a $50.0 million mortgage loan secured by a first deed of trust against an REO Property. The loan had an interest rate of LIBOR plus 4.50% and was subject to a LIBOR interest rate floor of 0.50% and a rate cap of 0.50%. The Company posted cash of $2.4 million to pre-fund interest payments due under the note during its initial term through December 15, 2021.

On November 12, 2021, the Company repaid the mortgage loan. See Note 4 for additional information.

***Financial Covenant Compliance***

The financial covenants and guarantees for outstanding borrowings related to the Company's secured credit agreements and secured revolving credit facility require Holdco to maintain compliance with certain financial covenants. The uncertain long-term impact of global macroeconomic conditions, including heightened inflation, slower growth or recession, changes to fiscal and monetary policy, increased interest rates, currency fluctuations, labor shortages and challenges in the supply chain, coupled with the war in Ukraine and the lingering aftereffects of COVID-19, on the commercial real estate markets and global capital markets may make it more difficult to meet or satisfy these covenants, and there can be no assurance that the Company will remain in compliance with these covenants in the future.

*Financial Covenant relating to the Series B Preferred Stock*

For as long as the Series B Preferred Stock was outstanding, the Company was required to maintain a debt-to-equity ratio not greater than 3.0 to 1.0. For the purpose of determining this ratio, the aggregate liquidation preference of the outstanding shares of Series B Preferred Stock was excluded from the calculation of total indebtedness of the Company and its subsidiaries, and was included in the calculation of total stockholders' equity. On June 16, 2021, the Company redeemed all 9,000,000 outstanding shares of the Series B Preferred Stock and this covenant no longer applied.

*Financial Covenant Compliance*

The Company was in compliance with all financial covenants for its secured credit agreements and secured revolving credit facility to the extent of outstanding balances as of September 30, 2022 and December 31, 2021.

**(7) Schedule of Maturities**

As of September 30, 2022 future principal payments for the following five years and thereafter are as follows (dollars in thousands):

| | Total indebtedness | Collateralized loan obligations[1] | Secured credit agreements[2] | Secured revolving credit facility[2] | Asset-specific financing arrangements[3] |
|---|---|---|---|---|---|
| 2022 | $ 82,974 | $ 82,974 | $ — | $ — | $ — |
| 2023 | 984,000 | 678,121 | 208,050 | — | 97,829 |
| 2024 | 913,829 | 348,130 | 370,868 | — | 194,831 |
| 2025 | 877,936 | 168,641 | 504,936 | 204,359 | — |
| 2026 | 561,307 | 353,245 | — | — | 208,062 |
| Thereafter | 899,925 | 836,415 | — | — | 63,510 |
| Total | $ 4,319,971 | $ 2,467,526 | $ 1,083,854 | $ 204,359 | $ 564,232 |

(1) The scheduled maturities for the investment grade bonds issued by the Company's CRE CLOs are based upon the fully extended maturity of the underlying mortgage loan collateral, considering the reinvestment window of each CRE CLO.

(2) The scheduled maturities of the Company's secured credit agreement liabilities is based on the extended maturity date for the specific credit agreement where extension options are at its option, subject to standard default provisions, or the current maturity date of those credit agreements where extension options are subject to counterparty approval.

(3) The scheduled maturities of the Company's asset-specific financing arrangements are based on the extended maturity date for the specific arrangement, or in the case of the BMO Facility and the Institutional Lender 2 arrangement, the fully-extended maturity date of the underlying mortgage loan collateral.

**(8) Fair Value Measurements**

The Company's consolidated balance sheet includes Level I fair value measurements related to cash equivalents, restricted cash, accounts receivable, and accrued liabilities. As of September 30, 2022 and December 31, 2021, the Company had $139.1 million and $199.3 million, respectively, invested in money market funds with original maturities of less than 90 days. The carrying values of these financial assets and liabilities are reasonable estimates of fair value because of the short-term maturities of these instruments. The consolidated balance sheet also includes loans held for investment, the assets and liabilities of its CLOs, secured credit agreements, and asset-specific financing arrangements that are considered Level III fair value measurements. Level III items are not measured at fair value on a recurring basis, but are subject to fair value adjustments utilizing the fair value of the underlying collateral when there is evidence of impairment and when the loan is dependent solely on the collateral for payment of principal and interest.

The following tables provide information about the fair value of the Company's financial assets and liabilities on the Company's consolidated balance sheets (dollars in thousands):

| | September 30, 2022 | | | |
|---|---|---|---|---|
| | | Fair value | | |
| | Carrying value | Level I | Level II | Level III |
| **Financial assets** | | | | |
| Loans held for investment | $ 5,091,257 | $ — | $ — | $ 5,213,472 |
| **Financial liabilities** | | | | |
| Collateralized loan obligations | 2,456,668 | — | — | 2,502,693 |
| Secured credit agreements | 1,080,953 | — | — | 1,130,722 |
| Secured revolving credit facility | 202,516 | — | — | 208,451 |
| Asset-specific financing arrangements | 558,867 | — | — | 562,665 |

| | December 31, 2021 | | | |
|---|---|---|---|---|
| | | Fair value | | |
| | Carrying value | Level I | Level II | Level III |
| **Financial assets** | | | | |
| Loans held for investment | $ 4,867,203 | $ — | $ — | $ 4,899,666 |
| **Financial liabilities** | | | | |
| Collateralized loan obligations | 2,545,691 | — | — | 2,558,544 |
| Secured credit agreements | 1,162,206 | — | — | 1,169,710 |

As of September 30, 2022 and December 31, 2021, the estimated fair value of the Company's loans held for investment portfolio was $5.2 billion and $4.9 billion, respectively, which approximated carrying value. The weighted average gross credit spread for the Company's loans held for investment portfolio as of September 30, 2022 and December 31, 2021 was 3.46% and 3.39%, respectively. The weighted average years to maturity as of September 30, 2022 and December 31, 2021 was 2.9 years and 2.8 years, respectively, assuming full extension of all loans held for investment.

As of September 30, 2022 and December 31, 2021, the estimated fair value of the collateralized loan obligation liabilities and secured credit agreements approximated fair value since current borrowing spreads reflect current market terms.

Level III fair values are determined based on standardized valuation models and significant unobservable market inputs, including holding period, discount rates based on LTV, property type and loan pricing expectations developed by the Manager that were corroborated with other institutional lenders to determine market spreads that are added to the forward curve of the underlying benchmark interest rate. There were no transfers of financial assets or liabilities within the levels of the fair value hierarchy during the three and nine months ended September 30, 2022.

**(9) Income Taxes**

The Company indirectly owns 100% of the equity of TRSs. TRSs are subject to applicable U.S. federal, state, local and foreign income tax on their taxable income. In addition, as a REIT, the Company also may be subject to a 100% excise tax on certain transactions between it and its TRSs that are not conducted on an arm's-length basis. The Company files income tax returns in the United States federal jurisdiction as well as various state and local jurisdictions. The filings are subject to normal reviews by tax authorities until the related statute of limitations expires. The years open to examination generally range from 2018 to present.

ASC 740 also prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company has analyzed its various federal and state filing positions and believes that its income tax filing positions and deductions are well documented and supported. As of September 30, 2022 and December 31, 2021, based on the Company's evaluation, the Company did not have any material uncertain income tax positions.

The Company's policy is to classify interest and penalties associated with underpayment of U.S. federal and state income taxes, if any, as a component of general and administrative expense on its consolidated statements of income and comprehensive income. For the three and nine months ended September 30, 2022 and 2021, the Company did not have interest or penalties associated with the underpayment of any income taxes.

The Company owns, through an entity classified as a partnership for U.S. federal tax purposes ("Parent LLC"), 100% of the common equity in Sub-REIT, which qualifies as a REIT for U.S. federal income tax purposes and is a separate taxpayer from both the Company and Parent LLC. Parent LLC is owned by the Company both directly and indirectly through a TRS. The Company, through Sub-REIT, issues CRE CLOs to finance on a non-recourse, non-mark-to-market basis a large proportion of its loan investment portfolio. Due to unusually low LIBOR rates beginning in March 2020 coupled with high interest rate floors relating to many loans and participation interests pledged to Sub-REIT's CLOs, certain of Sub-REIT's CRE CLOs have in the past generated EII, which is treated as UBTI. Published IRS guidance requires that Sub-REIT allocate its EII in accordance with its dividends paid. Accordingly, EII generated by Sub-REIT's CRE CLOs is allocated to Parent LLC. Pursuant to the Parent LLC operating agreement, any EII allocated from Sub-REIT to Parent LLC is allocated further to the TRS. Consequently, no EII is allocated to the Company and, as a result, the Company's shareholders will not be allocated any EII (or UBTI attributable to such EII) by the Company. The tax liability borne by the TRS on the EII is 21%. This tax liability is included in the consolidated statements of income and comprehensive income and balance sheets of the Company.

For the three months ended September 30, 2022 and 2021, the Company recognized $0.1 million and $0.2 million, respectively, of federal, state, and local tax expense. For the nine months ended September 30, 2022 and 2021, the Company recognized $0.3 million and $1.4 million, respectively, of federal, state, and local tax expense. As of September 30, 2022 and 2021, the Company's effective tax rate was 0.6% and 1.5%, respectively.

As of September 30, 2022, the Company had no income tax assets and a $0.1 million income tax liability recorded for the operating activities of the Company's TRSs. As of December 31, 2021, the Company had no income tax assets and a $0.3 million income tax liability recorded for the operating activities of the Company's TRSs.

During the year ended December 31, 2020, the Company sold all of its CRE debt securities investments and recorded losses from these sales of $203.4 million, which became available to offset qualifying capital gains of the Company in 2020 and, to the extent those capital losses exceeded the Company's capital gains for 2020, such losses were carried forward to offset capital gains in future years. The Company recognized no capital gains during the year ended December 31, 2020 and recognized capital gains of $15.8 million during the year ended December 31, 2021, utilizing its capital loss carryforwards to offset an equal amount for income tax purposes. As of December 31, 2021, the Company had $187.6 million of remaining capital losses that it can carryforward into future years indefinitely.

During the nine months ended September 30, 2022, the Company utilized $13.3 million of the $187.6 million of available remaining capital loss carryforwards to offset the capital gain generated from the partial sale of its REO Property in April 2022. The Company has $174.3 million of capital losses that it can carryforward into future years indefinitely as of September 30, 2022.

The Company does not expect these losses to reduce the amount that the Company will be required to distribute in accordance with the requirement that the Company distribute to its stockholders at least 90% of the Company's REIT taxable income (computed without regard to the deduction for dividends paid and excluding net capital gain) each year in order to continue to qualify as a REIT.

**(10) Related Party Transactions**

***Management Agreement***

The Company is externally managed and advised by the Manager pursuant to the terms of a management agreement between the Company and the Manager (as amended, the "Management Agreement"). Pursuant to the Management Agreement, the Company pays the Manager a base management fee equal to the greater of $250,000 per annum ($62,500 per quarter) or 1.50% per annum (0.375% per quarter) of the Company's "Equity" as defined in the Management Agreement. Net proceeds from the issuance of Series B and Series C Preferred Stock are included in the Company's Equity for purposes of determining the base management fee using the same daily weighted average method as is utilized for common equity. The base management fee is payable in cash, quarterly in arrears. The Manager is also entitled to incentive compensation which is calculated and payable in cash with respect to each calendar quarter in arrears in an amount, not less than zero, equal to the difference between: (1) the product of (a) 20% and (b) the difference between (i) the Company's Core Earnings for the most recent 12-month period, including the calendar quarter (or part thereof) for which the calculation of incentive compensation is being made (the "applicable period"), and (ii) the product of (A) the Company's Equity in the most recent 12-month period, including the applicable period, and (B) 7% per annum; and (2) the sum of any incentive compensation paid to the Manager with respect to the first three calendar quarters of the most recent 12-month period. No incentive compensation is payable to the Manager with respect to any calendar quarter unless Core Earnings for the 12 most recently completed calendar quarters is greater than zero. For purposes of calculating the Manager's incentive compensation, the Management Agreement specifies that equity securities of the Company or any of the Company's subsidiaries that are entitled to a specified periodic distribution or have other debt characteristics will not constitute equity securities and will not be included in "Equity" for the purpose of calculating incentive compensation. Instead, the aggregate distribution amount that accrues to such equity securities during the calendar quarter of such calculation will be subtracted from Core Earnings, before incentive compensation for purposes of calculating incentive compensation, unless such distribution is otherwise excluded from Core Earnings.

Core Earnings, as defined in the Management Agreement, means the net income (loss) attributable to the holders of the Company's common stock and Class A common stock (in those periods in which such Class A shares were outstanding) and, without duplication, the holders of the Company's subsidiaries' equity securities (other than the Company or any of the Company's subsidiaries), computed in accordance with GAAP, including realized gains and losses not otherwise included in net income (loss), and excluding (i) non-cash equity compensation expense, (ii) the incentive compensation, (iii) depreciation and amortization, (iv) any unrealized gains or losses, including an allowance for credit losses, or other similar non-cash items that are included in net income for the applicable period, regardless of whether such items are included in other comprehensive income or loss or in net income and (v) one-time events pursuant to changes in GAAP and certain material non-cash income or expense items, in each case after discussions between the Manager and the Company's independent directors and approved by a majority of the Company's independent directors.

For so long as any shares of Series B Preferred Stock remain issued and outstanding, the Manager agreed to reduce by 50% the base management fee attributable to the Series B Preferred Stock net proceeds included in the Company's Equity, such that the base management fee rate will equal 0.75% per annum instead of 1.50% per annum as provided in the Management Agreement. On June 16, 2021, the Company redeemed all 9,000,000 outstanding shares of the Series B Preferred Stock, incorporating the impact of the redemption into its Equity calculation. The reduced base management fee rate will apply until the Series B Preferred Stock issuance and redemption no longer impact the Company's Equity used to calculate the base management fee payable to its Manager.

***Management Fees and Incentive Management Fees Incurred and Paid***

The following table details the management fees and incentive management fees incurred and paid pursuant to the Management Agreement (dollars in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| **Incurred** | | | | |
| Management fees | $ 5,906 | $ 5,473 | $ 17,471 | $ 15,910 |
| Incentive management fee | — | — | 5,183 | — |
| Total management and incentive fees incurred | $ 5,906 | $ 5,473 | $ 22,654 | $ 15,910 |
| | | | | |
| **Paid** | | | | |
| Management fees | $ 5,856 | $ 5,344 | $ 17,174 | $ 15,796 |
| Incentive management fee | 5,183 | — | 5,183 | — |
| Total management and incentive fees paid | $ 11,039 | $ 5,344 | $ 22,357 | $ 15,796 |

Management fees and incentive management fees included in payable to affiliates on the consolidated balance sheets as of September 30, 2022 and December 31, 2021 are $5.9 million and $5.6 million, respectively. No incentive management fee was earned during the three months ended September 30, 2022. During the nine months ended September 30, 2022, the Manager earned $5.2 million of incentive management fees. No incentive management fee was earned during the three and nine months ended September 30, 2021.

***Termination Fee***

A termination fee would be due to the Manager upon termination of the Management Agreement by the Company absent a cause event. The termination fee would also be payable to the Manager upon termination of the Management Agreement by the Manager if the Company materially breaches the Management Agreement. The termination fee is equal to three times the sum of (x) the average annual base management fee and (y) the average annual incentive compensation earned by the Manager, in each case during the 24-month period immediately preceding the most recently completed calendar quarter prior to the date of termination.

***Other Related Party Transactions***

The Manager or its affiliates is responsible for the expenses related to the personnel of the Manager and its affiliates who provide services to the Company. However, the Company does reimburse the Manager for agreed-upon amounts based upon the Company's allocable share of the compensation (including, without limitation, annual base salary, bonus, any related withholding taxes and employee benefits) paid to (1) the Manager's personnel serving as the Company's chief financial officer based on the percentage of his or her time spent managing the Company's affairs and (2) other corporate finance, tax, accounting, internal audit, legal risk management, operations, compliance and other non-investment personnel of the Manager or its affiliates who spend all or a portion of their time managing the Company's affairs, based on the percentage of time devoted by such personnel to the Company's and the Company's subsidiaries' affairs. For the three and nine months ended September 30, 2022 and 2021, the Company reimbursed to the Manager $0.3 million and $0.8 million, respectively, of expenses for services rendered on its behalf by the Manager and its affiliates.

For as long as any shares of Series B Preferred Stock remained issued and outstanding, the Manager agreed that it would not seek reimbursement for reimbursable expenses in excess of the greater of (x) $1.0 million per fiscal year and (y) twenty percent (20%) of the Company's allocable share of such reimbursable expenses pursuant to the Management Agreement per fiscal year. On June 16, 2021, the Company redeemed all 9,000,000 outstanding shares of the Series B Preferred Stock and no shares of Series B Preferred Stock remained outstanding. As a result of the Series B Preferred Stock redemption, this agreement was terminated and there can be no assurance that the Manager will not seek reimbursement of such expenses in future quarters.

The Company is required to pay the Manager or its affiliates for documented costs and expenses incurred with third parties by the Manager or its affiliates on behalf of the Company, subject to the Company's review and approval of such costs and expenses. The Company's obligation to pay for costs and expenses incurred on its behalf is not subject to a dollar limitation.

As of September 30, 2022 and December 31, 2021, no amounts remained outstanding and payable to the Manager or its affiliates for third party expenses that were incurred on behalf of the Company. All expenses due and payable to the Manager are reflected in the respective expense category of the consolidated statements of income and comprehensive income or consolidated balance sheets based on the nature of the item.

**(11) Earnings per Share**

The Company calculates its basic and diluted earnings (loss) per share using the two-class method for all periods presented, which defines unvested stock-based compensation awards that contain nonforfeitable rights to dividends as participating securities. The two-class method is an allocation formula that determines earnings per share for each share of common stock and participating securities according to dividends declared and participation rights in undistributed earnings. Under this method, all earnings (distributed and undistributed) are allocated to common shares and participating securities based on their respective rights to receive dividends. The unvested restricted shares of its common stock granted to certain current and former employees and affiliates of the Manager qualify as participating securities. These restricted shares have the same rights as the Company's other shares of common stock, including participating in any dividends, and therefore are included in the Company's basic and diluted earnings per share calculation. For the three months ended September 30, 2022 and 2021, $0.2 million and $0.1 million, respectively, of common stock dividends declared and undistributed net income attributable to common stockholders were allocated to unvested shares of our common stock pursuant to stock grants made under the Company's Incentive Plan. For the nine months ended September 30, 2022 and 2021, $0.6 million and $0.4 million, respectively, of common stock dividends declared and undistributed net income attributable to common stockholders were allocated to unvested shares of our common stock pursuant to stock grants made under the Company's Incentive Plan. See Note 12 for details.

In connection with the issuance of Series B Preferred Stock and the Warrants described in Note 12, the Company elected the accreted redemption value method whereby the discount created based on the relative fair value of the Warrants to the fair value of the Series B Preferred Stock and the related issuance costs were accreted as a non-cash dividend on preferred stock over four years using the effective interest method. Such adjustments are included in Accretion of Discount on Series B Cumulative Redeemable Preferred Stock on the Company's consolidated statements of changes in equity and treated as a deemed dividend on preferred stock for GAAP and income tax purposes. For the three and nine months ended September 30, 2021 this adjustment totaled $0.0 million and $25.4 million, respectively.

The computation of diluted earnings per common share is based on the weighted average number of participating securities outstanding plus the incremental shares that would be outstanding assuming exercise of the Warrants. The number of incremental common shares is calculated utilizing the treasury stock method. For the three and nine months ended September 30, 2022, the Warrants are excluded from the calculation of diluted earnings per common share since their effect would be anti-dilutive. For the three and nine months ended September 30, 2021, the Warrants are included in the calculation of diluted earnings per common share because the Company generated earnings on a per common share basis, and the average market price of the Company's common stock was $12.80 and $12.20, respectively, which exceeds the strike price of $7.50 per common share for Warrants currently outstanding.

The following table sets forth the calculation of basic and diluted earnings per common share based on the weighted-average number of shares of common stock outstanding (dollars in thousands, except share and per share data):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Net (loss) income | $ (114,607) | $ 29,325 | $ (96,260) | $ 93,672 |
| Preferred stock dividends[1] | (3,148) | (3,157) | (9,444) | (16,081) |
| Participating securities' share in (loss) earnings | (159) | (122) | (582) | (416) |
| Series B preferred stock redemption make-whole payment[2] | — | — | — | (22,485) |
| Series B Preferred Stock accretion, including allocated Warrant fair value and transaction costs[3] | — | — | — | (25,449) |
| Net (loss) income attributable to common stockholders | $ (117,914) | $ 26,046 | $ (106,286) | $ 29,241 |
| Weighted average common shares outstanding, basic | 77,403,487 | 77,060,225 | 77,259,382 | 76,952,306 |
| Incremental shares of common stock issued from the assumed exercise of the Warrants | — | 4,968,750 | — | 4,622,951 |
| Weighted average common shares outstanding, diluted | 77,403,487 | 82,028,975 | 77,259,382 | 81,575,257 |
| (Loss) earnings per common share, basic[4] | $ (1.52) | $ 0.34 | $ (1.38) | $ 0.38 |
| (Loss) earnings per common share, diluted[4] | $ (1.52) | $ 0.32 | $ (1.38) | $ 0.36 |

(1) Includes preferred stock dividends declared and paid for Series A preferred stock, Series C Preferred Stock, and Series B Preferred Stock shares outstanding for the three and nine months ended September 30, 2022 and 2021 and undeclared dividends for Series C Preferred Stock shares outstanding of $0.04 million for the three and nine months ended September 30, 2021.

(2) Represents the make-whole payment to the holder of the Series B Preferred Stock for an amount equal to the present value of all remaining dividend payments due on such share of Series B Preferred Stock from and after the redemption date (and not including any declared or paid dividends or accrued dividends prior to such redemption date) through the second anniversary of the original issue date, computed in accordance with the terms of the Articles Supplementary. Refer to Note 12 to these consolidated financial statements for details.

(3) Series B Preferred Stock Accretion, including Allocated Warrant Fair Value and Transaction Costs includes amounts recorded as deemed dividends of amortized transaction costs and the write-off of unamortized transactions costs and the unaccreted portion of the allocated Warrant fair value related to the Company's Series B Preferred Stock. For the nine months ended September 30, 2021, the write-off of unamortized transaction costs and unaccreted allocated Warrant fair value was $22.5 million.

(4) Basic and diluted (loss) earnings per common share are computed independently based on the weighted-average shares of common stock outstanding. Diluted earnings per common share also includes the impact of participating securities outstanding plus any incremental shares that would be outstanding assuming the exercise of the Warrants. Accordingly, the sum of the quarterly (loss) earnings per common share amounts may not agree to the total for the nine months ended September 30, 2022 and 2021.

**(12) Stockholders' Equity**

***Series C Cumulative Redeemable Preferred Stock***

On June 14, 2021, the Company received net proceeds of $194.4 million from the sale of the 8,050,000 shares of Series C Preferred Stock after deducting the underwriting discount and commissions of $6.3 million and issuance costs of $0.6 million. The Company used the net proceeds from the offering to partially fund the redemption of all of the outstanding shares of the Company's Series B Preferred Stock. The Series C Preferred Stock is currently listed on the NYSE under the symbol "TRTX PRC." In connection with the Series C Preferred Stock issuance the Company paid TPG Capital BD, LLC a $0.7 million underwriting discount and commission for its services as joint bookrunner. The underwriting discount and commission was settled net of the preferred stock issuance proceeds and recorded as a reduction to additional paid-in-capital in the Company's consolidated statement of changes in equity at closing.

The Company's Series C Preferred Stock has a liquidation preference of $25.00 per share. When, as, and if authorized by the Company's board of directors and declared by the Company, dividends on Series C Preferred Stock will be payable quarterly in arrears on or about March 30, June 30, September 30, and December 30 of each year at a rate per annum equal to 6.25% per annum of the $25.00 per share liquidation preference ($1.5624 per share annually or $0.3906 per share quarterly). Dividends on the Series C Preferred Stock are cumulative. The first dividend on the Series C Preferred Stock was payable on September 30, 2021, and covered the period from, and including, June 14, 2021 to, but not including, September 30, 2021 and was in the amount of $0.4601 per share.

On and after June 14, 2026, the Company, at its option, upon not fewer than 30 days' nor more than 60 days' written notice, may redeem the Series C Preferred Stock, in whole, at any time, or in part, from time to time, for cash, at a redemption price of $25.00 per share, plus any accrued and unpaid dividends (whether or not declared) on such shares of Series C Preferred Stock to, but not including, the redemption date (other than any dividend with a record date before the applicable redemption date and a payment date after the applicable redemption date, which shall be paid on the payment date notwithstanding prior redemption of such shares.

Upon the occurrence of a Change of Control event, the holders of Series C Preferred Stock have the right to convert their shares solely into common stock at their request and do not have the right to request that their shares convert into cash or a combination of cash and common stock. The Company, upon the occurrence of a Change of Control event, at its option, upon not fewer than 30 days' nor more than 60 days' written notice, may redeem the shares of Series C Preferred Stock, in whole or in part, within 120 days after the first date on which such Change of Control occurred, for cash at a redemption price equal to $25.00 per share, plus any accrued and unpaid dividends (whether or not declared) to, but not including, the redemption date (other than any dividend with a record date before the applicable redemption date and a payment date after the applicable redemption date, which will be paid on the payment date notwithstanding prior redemption of such shares).

Holders of Series C Preferred Stock have no voting rights except as set forth in the Articles Supplementary for the Series C Preferred Stock.

***Series B Cumulative Redeemable Preferred Stock and Warrants to Purchase Shares of Common Stock***

On May 28, 2020, the Company entered into an Investment Agreement (the "Investment Agreement") with PE Holder L.L.C., a Delaware limited liability company (the "Purchaser"), an affiliate of Starwood Capital Group Global II, L.P., under which the Company agreed to issue and sell to the Purchaser up to 13,000,000 shares of 11.0% Series B Preferred Stock, par value $0.001 per share (plus any additional such shares paid as dividends pursuant to the Articles Supplementary for the Series B Preferred Stock), and Warrants to purchase, in the aggregate, up to 15,000,000 shares (subject to adjustment) of the Company's Common Stock, for an aggregate cash purchase price of up to $325,000,000. Such purchases could occur in up to three tranches prior to December 31, 2020. The Investment Agreement contains market standard provisions regarding board representation, voting agreements, rights to information, and a standstill agreement and registration rights agreement regarding common stock acquired via exercise of Warrants. At closing, the Purchaser acquired the initial tranche consisting of 9,000,000 shares of Series B Preferred Stock and Warrants to purchase up to 12,000,000 shares of Common Stock, for an aggregate price of $225.0 million. The Company elected to allow its option to issue additional shares of Series B Preferred Stock to expire unused.

*Series B Preferred Stock*

The Company's Series B Preferred Stock had a liquidation preference of $25.00 per share over all other classes of the Company's equity other than Series A preferred stock, which had liquidation preference over the Series B Preferred Stock.

Series B Preferred Stock bore a dividend at 11% per annum, accrued daily and compounded semi-annually, which was payable quarterly in cash; provided that up to 2.0% per annum of the liquidation preference could be paid, at the option of the Company, in the form of additional shares of Series B Preferred Stock.

On June 16, 2021, the Company redeemed all 9,000,000 outstanding shares of the Series B Preferred Stock at an aggregate redemption price of approximately $247.5 million. Dividends on all shares of Series B Preferred Stock were paid in full as of the redemption date and no shares of Series B Preferred Stock remained outstanding.

*Warrants to Purchase Common Stock*

The Warrants have an initial exercise price of $7.50 per share. The exercise price of the Warrants and shares of Common Stock issuable upon exercise of the Warrants are subject to customary adjustments. The Warrants are exercisable on a net-settlement basis and expire on May 28, 2025. The Warrants are classified as equity and were initially recorded at their estimated fair value of $14.4 million with no subsequent remeasurement. None of the Warrants have been exercised as of September 30, 2022.

On the issuance date, the Company retained third party valuation experts to assist with estimating the fair value of the Series B Preferred Stock and the Warrants using a binomial lattice model. Based on the Warrants' relative fair value to the fair value of the Series B Preferred Stock, $14.4 million of the $225.0 million proceeds was allocated to the Warrants, creating a corresponding preferred stock discount in the same amount. The Company elected the accreted redemption value method whereby this discount was accreted over four years using the effective interest method, resulting in an increase in the carrying value of the Series B Preferred Stock. Additionally, $14.2 million of costs directly related to the issuance was accreted using the effective interest method. Such adjustments were included in Accretion of Discount on Series B Cumulative Redeemable Preferred Stock on the Company's consolidated statements of changes in equity and treated similarly to a dividend on preferred stock for GAAP purposes, but only the accretion of the Warrant allocated fair value was treated as a dividend for income tax purposes.

***Equity Distribution Agreement***

On March 7, 2019, the Company and the Manager entered into an equity distribution agreement with each of Citigroup Global Markets Inc., J.P. Morgan Securities LLC, JMP Securities LLC, Wells Fargo Securities, LLC and TPG Capital BD, LLC (each a "Sales Agent" and, collectively, the "Sales Agents") relating to the issuance and sale by the Company of shares of its common stock pursuant to a continuous offering program. As of September 30, 2022, cumulative gross proceeds issued under the equity distribution agreement totaled $50.9 million, leaving $74.1 million available for future issuance subject to the direction of management, and market conditions.

Each Sales Agent will be entitled to commissions in an amount not to exceed 1.75% of the gross sales prices of shares of the Company's common stock sold through it, as the Company's agent. For the three and nine months ended September 30, 2022 and 2021, the Company sold no shares of common stock under this arrangement.

***Dividends***

Upon the approval of the Company's Board of Directors, the Company accrues dividends. Dividends are paid first to the holders of the Company's Series A preferred stock at the rate of 12.5% of the total $0.001 million liquidation preference per annum plus all accumulated and unpaid dividends thereon, then to the holder of the Company's Series B Preferred Stock (which was redeemed in-full on June 16, 2021) at the rate of 11.0% per annum of the $25.00 per share liquidation preference, then to the holders of the Company's Series C Preferred Stock at the rate of 6.25% per annum of the $25.00 per share liquidation preference, and then to the holders of the Company's common stock, in each case, to the extent outstanding. The Company intends to distribute each year not less than 90% of its taxable income to its stockholders to comply with the REIT provisions of the Internal Revenue Code. The Board of Directors will determine whether to pay future dividends, entirely in cash, or in a combination of stock and cash based on facts and circumstances at the time such decisions are made.

On September 12, 2022, the Company's Board of Directors declared and approved a cash dividend of $0.24 per share of common stock, or $18.7 million in the aggregate, for the third quarter of 2022. The common stock dividend was paid on October 25, 2022 to the holders of record of the Company's common stock as of September 28, 2022.

On September 8, 2022, the Company's Board of Directors declared a cash dividend of $0.3906 per share of Series C Preferred Stock, or $3.1 million in the aggregate, for the third quarter of 2022. The Series C Preferred Stock dividend was paid on September 30, 2022 to the preferred stockholders of record as of September 20, 2022.

On September 13, 2021, the Company's Board of Directors declared and approved a cash dividend of $0.24 per share of common stock, or $18.6 million in the aggregate, for the third quarter of 2021. The common stock dividend was paid on October 22, 2021 to the holders of record of the Company's common stock as of September 29, 2021.

On September 13, 2021, the Company's Board of Directors declared a cash dividend of $0.4601 per share of Series C Preferred Stock, or $3.7 million in the aggregate, for the period of issuance to, but not including, September 30, 2021. The Series C Preferred Stock dividend was paid on September 30, 2021 to the preferred stockholders of record as of September 20, 2021.

For the nine months ended September 30, 2022 and 2021, common stock dividends in the amount of $56.1 million and $49.6 million, respectively, were declared and approved.

For the nine months ended September 30, 2022 and 2021, Series C Preferred Stock dividends in the amount of $9.4 million and $3.7 million, respectively, were declared and approved.

For the nine months ended September 30, 2021, Series B Preferred Stock dividends in the amount of $12.3 million were declared and approved.

As of September 30, 2022 and December 31, 2021, common stock dividends of $18.7 million and $24.2 million, respectively, were unpaid and are reflected in dividends payable on the Company's consolidated balance sheets.

**(13) Stock-based Compensation**

The Company does not have any employees. As of September 30, 2022, certain individuals employed by an affiliate of the Manager and certain members of the Company's Board of Directors were compensated, in part, through the issuance of stock-based instruments.

The Company's Board of Directors has adopted, and the Company's stockholders have approved, the TPG RE Finance Trust, Inc. 2017 Equity Incentive Plan (the "Incentive Plan"). The Incentive Plan provides for the grant of equity-based compensation awards to the Company's, and its affiliates', directors, officers, employees (if any) and consultants, and the members, officers, directors, employees and consultants of our Manager or its affiliates, as well as to our Manager and other entities that provide services to us and our affiliates and the employees of such entities. The total number of shares of common stock or long-term incentive plan ("LTIP") units that may be awarded under the Incentive Plan is 4,600,463. The Incentive Plan will automatically expire on the tenth anniversary of its effective date, unless terminated earlier by the Company's Board of Directors.

Generally, common shares vest over a four-year period pursuant to the terms of the award and the Incentive Plan with the exception of deferred stock units granted to certain members of the Company's Board of Directors that are vested upon issuance. Over the next four years the number of common shares associated with outstanding stock-based compensation awards that will vest include the following: 274,041 in 2023, 220,758 in 2024, 136,859 in 2025 and 30,048 in 2026. During the three months ended September 30, 2022, no common shares vested, no common shares were granted or issued by the Company and there were no forfeitures of common shares. During the nine months ended September 30, 2022, 278,821 common shares vested, of which the Company issued 214,297 shares of common stock. During the nine months ended September 30, 2022, the Company granted 120,192 common shares and forfeited 15,594 common shares related to certain individuals employed by an affiliate of the Manager pursuant to the terms of the Incentive Plan.

During the three and nine months ended September 30, 2022, the Company accrued 3,239 and 7,699 shares of common stock, respectively, for dividends that are paid-in kind to non-management members of its Board of Directors related to the dividend payable to holders of record of our common stock as of March 29, 2022, June 28, 2022 and September 28, 2022. Dividends payable to holders of such grants made on December 17, 2021 and thereafter will be paid in cash.

As of September 30, 2022, total unrecognized compensation costs relating to unvested stock-based compensation arrangements was $7.2 million. These compensation costs are expected to be recognized over a weighted average period of 1.3 years from September 30, 2022. For the three months ended September 30, 2022 and 2021, the Company recognized $0.9 million and $1.3 million, respectively, of stock-based compensation expense. For the nine months ended September 30, 2022 and 2021, the Company recognized $3.5 million and $4.1 million, respectively, of stock-based compensation expense.

**(14) Commitments and Contingencies**

***Impact of Global Macroeconomic Conditions***

Global economic trends and economic conditions, including heightened inflation, slower growth or recession, changes to fiscal and monetary policy, increased interest rates, currency fluctuations and challenges in the supply chain, the war in Ukraine and the lingering aftereffects of the COVID-19 pandemic have had, and may in the future have, an adverse impact on the Company's business, the U.S. and global economies, the real estate industry and the Company's borrowers, and the performance of the properties securing the Company's loans. As of September 30, 2022, no contingencies have been recorded on the Company's consolidated balance sheet as a result of such trends and conditions; however, if market conditions worsen or extend, it may have long-term impacts on the Company's financial condition, results of operations, and cash flows.

***Unfunded Commitments***

As part of its lending activities, the Company commits to certain funding obligations which are not advanced at loan closing and that have not been recognized in the Company’s consolidated financial statements. These commitments to extend credit are made as part of the Company’s loans held for investment portfolio and are generally utilized for base building work, tenant improvement costs and leasing commissions, and interest reserves. The aggregate amount of unrecognized unfunded loan commitments existing as of September 30, 2022 and December 31, 2021 was $462.9 million and $487.8 million, respectively.

The Company recorded an allowance for credit losses on loan commitments that are not unconditionally cancellable by the Company of $15.1 million and $4.2 million as of September 30, 2022 and December 31, 2021 which is included in accrued expenses and other liabilities on the Company’s consolidated balance sheets.

***Litigation***

From time to time, the Company may be involved in various claims and legal actions arising in the ordinary course of business. The Company establishes an accrued liability for loss contingencies when a settlement arising from a legal proceeding is both probable and reasonably estimable. If a legal matter is not probable and reasonably estimable, no such liability is recorded. Examples of this include (i) early stages of a legal proceeding, (ii) damages that are unspecified or cannot be determined, (iii) discovery has not started or is incomplete or (iv) there is uncertainty as to the outcome of pending appeals or motions. If these items exist, an estimated range of potential loss cannot be determined and as such the Company does not record an accrued liability.

As of September 30, 2022 and December 31, 2021, the Company was not involved in any material legal proceedings and has not recorded an accrued liability for loss contingencies.

**(15) Concentration of Credit Risk**

***Impact of COVID-19 on Concentration of Credit Risk***

The potential negative impacts on the Company's business caused by COVID-19 may be heightened because the Company is not required to observe specific diversification criteria, which means that the Company's investments may be concentrated in certain property types, geographical areas or loan categories that are more adversely affected by COVID-19 than other property types, geographical areas or loan categories. For example, certain of the loans in the Company's loan portfolio are secured by office buildings, hotels and retail properties. At the onset of the COVID-19 pandemic, hotels were disproportionately affected. As the pandemic has evolved, and the ways people use real estate has changed, much of the Company's focus has shifted to its office exposure. For example, office buildings may be adversely impacted by a slowdown in return-to-office or a reversal in the pre-COVID trend toward increased densification of office space, or a preference by office users for suburban properties less reliant on public transportation to safely deliver their employees to and from the workplace. Additionally, entrenched work-from-home behavior by employees may cause a slow return to office, or permanent reduction in demand for office space.

***Property Type***

A summary of the Company's portfolio of loans held for investment by property type based on total loan commitment and current unpaid principal balance ("UPB") follows (dollars in thousands):

| | September 30, 2022 | | | | |
|---|---|---|---|---|---|
| **Property type** | **Loan commitment** | **Unfunded commitment** | **% of loan commitment** | **Loan UPB** | **% of loan UPB** |
| Multifamily | $ 2,561,834 | $ 128,697 | 44.2 % | $ 2,433,137 | 45.6 % |
| Office | 1,632,864 | 146,261 | 28.1 | 1,486,603 | 28.0 |
| Hotel | 677,443 | 11,667 | 11.7 | 668,191 | 12.5 |
| Life Science | 404,600 | 121,666 | 7.0 | 282,934 | 5.3 |
| Mixed-Use | 283,340 | 15,134 | 4.9 | 268,206 | 5.0 |
| Industrial | 113,000 | 5,987 | 2.0 | 107,013 | 2.0 |
| Self Storage | 69,000 | 11,900 | 1.2 | 57,100 | 1.1 |
| Other | 50,600 | 21,600 | 0.9 | 29,000 | 0.5 |
| **Total** | $ 5,792,681 | $ 462,912 | 100.0 % | $ 5,332,184 | 100.0 % |

| | December 31, 2021 | | | | |
|---|---|---|---|---|---|
| **Property type** | **Loan commitment** | **Unfunded commitment** | **% of loan commitment** | **Loan UPB** | **% of loan UPB** |
| Office | $ 2,265,187 | $ 178,878 | 41.9 % | $ 2,086,309 | 42.4 % |
| Multifamily | 1,595,643 | 121,211 | 29.5 | 1,474,731 | 30.0 |
| Hotel | 658,943 | 4,000 | 12.2 | 657,672 | 13.4 |
| Life Science | 494,600 | 163,860 | 9.1 | 330,740 | 6.7 |
| Mixed-Use | 347,408 | 17,681 | 6.4 | 329,728 | 6.7 |
| Retail[(1)] | 33,000 | 2,143 | 0.6 | 23,000 | 0.5 |
| Condominium[(2)] | 17,163 | — | 0.3 | 17,163 | 0.3 |
| **Total** | $ 5,411,944 | $ 487,773 | 100.0 % | $ 4,919,343 | 100.0 % |

(1) As of December 31, 2021, the Company's non-performing retail loan held for investment was in default of its loan agreement and as a result the $2.1 million of outstanding unfunded loan commitments could not be drawn upon by the borrower.

(2) Condominium property type includes a 24% pari passu participation interest in each of four whole mortgage loans related to one project to the same borrower.

Loan commitments exclude (1) capitalized interest resulting from previously modified loans of $2.4 million and $3.0 million as of September 30, 2022 and December 31, 2021, respectively and include (2) a $7.8 million commitment related to a non-performing retail loan held for investment as of December 31, 2021. The commitment could not be drawn by the borrower and was extinguished in July 2022.

***Geography***

All of the Company's loans held for investment are secured by properties within the United States. The geographic composition of loans held for investment based on total loan commitment and current UPB follows (dollars in thousands):

| | September 30, 2022 | | | | |
|---|---|---|---|---|---|
| **Geographic region** | **Loan commitment** | **Unfunded commitment** | **% of loan commitment** | **Loan UPB** | **% of loan UPB** |
| East | $ 1,932,437 | $ 77,572 | 33.4 % | $ 1,856,037 | 34.8 % |
| West | 1,761,901 | 213,791 | 30.4 | 1,548,812 | 29.0 |
| South | 1,586,581 | 119,759 | 27.4 | 1,467,363 | 27.5 |
| Midwest | 372,762 | 33,903 | 6.4 | 338,859 | 6.4 |
| Various | 139,000 | 17,887 | 2.4 | 121,113 | 2.3 |
| **Total** | $ 5,792,681 | $ 462,912 | 100.0 % | $ 5,332,184 | 100.0 % |

| | December 31, 2021 | | | | |
|---|---|---|---|---|---|
| **Geographic region** | **Loan commitment** | **Unfunded commitment** | **% of loan commitment** | **Loan UPB** | **% of loan UPB** |
| East | $ 1,925,457 | $ 63,459 | 35.6 % | $ 1,863,172 | 37.8 % |
| West[(1)] | 1,484,883 | 244,100 | 27.4 | 1,233,628 | 25.1 |
| South | 1,323,800 | 115,714 | 24.5 | 1,208,940 | 24.6 |
| Midwest | 677,804 | 64,500 | 12.5 | 613,603 | 12.5 |
| **Total** | $ 5,411,944 | $ 487,773 | 100.0 % | $ 4,919,343 | 100.0 % |

(1) As of December 31, 2021, the Company's unfunded loan commitments included $2.1 million of outstanding unfunded loan commitments that could not be drawn upon by the borrower related to a non-performing retail loan held for investment that was in default.

Loan commitments exclude (1) capitalized interest resulting from previously modified loans of $2.4 million and $3.0 million as of September 30, 2022 and December 31, 2021, respectively and include (2) a $7.8 million commitment related to a non-performing retail loan held for investment as of December 31, 2021. The commitment could not be drawn by the borrower and was extinguished in July 2022.

***Category***

A summary of the Company's portfolio of loans held for investment by loan category based on total loan commitment and current UPB follows (dollars in thousands):

| | September 30, 2022 | | | | |
|---|---|---|---|---|---|
| **Loan category** | **Loan commitment** | **Unfunded commitment** | **% of loan commitment** | **Loan UPB** | **% of loan UPB** |
| Moderate Transitional | $ 1,589,595 | $ 246,761 | 27.4 % | $ 1,344,005 | 25.3 % |
| Bridge | 2,433,792 | 59,772 | 42.0 | 2,375,264 | 44.5 |
| Light Transitional | 1,718,694 | 134,779 | 29.7 | 1,583,915 | 29.7 |
| Construction | 50,600 | 21,600 | 0.9 | 29,000 | 0.5 |
| **Total** | $ 5,792,681 | $ 462,912 | 100.0 % | $ 5,332,184 | 100.0 % |

| | December 31, 2021 | | | | |
|---|---|---|---|---|---|
| **Loan category** | **Loan commitment** | **Unfunded commitment** | **% of loan commitment** | **Loan UPB** | **% of loan UPB** |
| Moderate Transitional | $ 1,950,739 | $ 294,693 | 36.1 % | $ 1,657,218 | 33.7 % |
| Light Transitional | 1,779,310 | 145,621 | 32.9 | 1,633,689 | 33.2 |
| Bridge[(1)] | 1,646,895 | 47,459 | 30.4 | 1,593,436 | 32.4 |
| Construction | 35,000 | — | 0.6 | 35,000 | 0.7 |
| **Total** | $ 5,411,944 | $ 487,773 | 100.0 % | $ 4,919,343 | 100.0 % |

(1) As of December 31, 2021, the Company's unfunded loan commitments included $2.1 million of outstanding unfunded loan commitments that could not be drawn upon by the borrower related to a non-performing retail loan held for investment that was in default.

Loan commitments exclude (1) capitalized interest resulting from previously modified loans of $2.4 million and $3.0 million as of September 30, 2022 and December 31, 2021, respectively and include (2) a $7.8 million commitment related to a non-performing retail loan held for investment as of December 31, 2021. The commitment cannot be drawn by the borrower.

**(16) Subsequent Events**

The following events occurred subsequent to September 30, 2022:

- The Company acquired via a deed-in-lieu of foreclosure an 845,919 square foot office property in Dallas, Texas. The property previously served as collateral for a loan held for investment with an amortized cost of $89.2 million and a carrying value of $76.5 million, net of an individually-assessed CECL reserve of $12.7 million and bore a "5" risk rating at September 30, 2022.

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

*The following discussion and analysis should be read in conjunction with the unaudited and audited consolidated financial statements and the accompanying notes included elsewhere in this Form 10-Q and in our Form 10-K filed with the SEC on February 23, 2022. In addition to historical data, this discussion contains forward-looking statements about our business, results of operations, cash flows, and financial condition based on current expectations that involve risks, uncertainties and assumptions. See "Cautionary Note Regarding Forward-Looking Statements." Our actual results may differ materially from any results expressed or implied by these forward-looking statements as a result of various factors, including but not limited to those discussed under the heading "Risk Factors" in this Form 10-Q and in our Form 10-K filed with the SEC on February 23, 2022.*

### Overview

We are a commercial real estate finance company externally managed by TPG RE Finance Trust Management, L.P., an affiliate of our sponsor TPG. We directly originate, acquire and manage commercial mortgage loans and other commercial real estate-related debt instruments in North America for our balance sheet. Our objective is to provide attractive risk-adjusted returns to our stockholders over time through cash distributions and capital appreciation. To meet our objective, we focus primarily on directly originating and selectively acquiring floating rate first mortgage loans that are secured by high quality commercial real estate properties undergoing some form of transition and value creation, such as retenanting, refurbishment or other form of repositioning. The collateral underlying our loans is located in primary and select secondary markets in the U.S. that we believe have attractive economic conditions and commercial real estate fundamentals. We operate our business as one segment.

We have made an election to be taxed as a REIT for U.S. federal income tax purposes, commencing with our initial taxable year ended December 31, 2014. We believe we have been organized and have operated in conformity with the requirements for qualification and taxation as a REIT under the Internal Revenue Code and we believe that our organization and current and intended manner of operation will enable us to continue to meet the requirements for qualification and taxation as a REIT. As a REIT, we generally are not subject to U.S. federal income tax on our REIT taxable income that we distribute currently to our stockholders. We operate our business in a manner that permits us to maintain an exclusion or exemption from registration under the Investment Company Act.

We continue to evaluate the effects of macroeconomic concerns, including, without limitation, a rising interest rate environment, inflation, supply chain disruptions, geopolitical tensions, growing concerns of an economic recession in the near term, and changes to the way commercial tenants use real estate. Rising interest rates, increased volatility in public debt and equity markets, and elevated geopolitical risk led us to moderate our loan origination volume and increase our liquidity during the first half of 2022. Improving conditions for lending caused us to increase investment activity during the third quarter of 2022. From January 1, 2022 through September 30, 2022 we originated 17 and acquired 5 first mortgage transitional loans, with total commitments of $1.6 billion, an initial unpaid principal balance of $1.5 billion, and unfunded commitments at closing of $0.1 billion.

For more information regarding the impact that current macroeconomic concerns have had and may have on our business, see the risk factors set forth in our Form 10-K filed with the SEC on February 23, 2022.

### Our Manager

We are externally managed by our Manager, TPG RE Finance Trust Management, L.P., an affiliate of TPG. TPG is a global, diversified alternative asset management firm consisting of five multi-product private equity investment platforms, including capital, growth, impact, real estate, and market solutions. Our Manager manages our investments and our day-to-day business and affairs in conformity with our investment guidelines and other policies that are approved and monitored by our board of directors. Our Manager is responsible for, among other matters, the selection, origination or purchase and sale of our portfolio investments, our financing activities and providing us with investment advisory services. Our Manager is also responsible for our day-to-day operations and performs (or causes to be performed) such services and activities relating to our investments and business and affairs as may be appropriate. Our investment decisions are approved by an investment committee of our Manager that is comprised of senior investment professionals of TPG, including senior investment professionals of TPG's real estate investment group and TPG's executive committee.

For a summary of certain terms of the management agreement between us and our Manager (the "Management Agreement"), see Note 10 to our Consolidated Financial Statements included in this Form 10-Q.

**Third Quarter 2022 Activity**

Operating Results:

- Recognized net (loss) attributable to common stockholders of ($117.9) million, compared to ($8.8) million for the three months ended June 30, 2022, an increase of $109.1 million.
- Generated Distributable Earnings of $15.3 million, a decrease of $6.2 million compared to the three months ended June 30, 2022.
- Produced net interest income of $30.4 million, resulting from interest income of $75.5 million and interest expense of $45.1 million. All interest income and interest expense resulted from our loan portfolio.
- Recorded an increase to our allowance for credit losses on our loan portfolio of $132.3 million, for a total allowance for credit losses of $225.6 million, or 390 basis points of total loan commitments of $5.8 billion.
- Declared a common stock dividend of $0.24 per common share for the three months ended September 30, 2022.

Investment Portfolio Activity:

- Originated five and acquired five first mortgage loans with total loan commitments of $984.0 million, an aggregate initial unpaid principal balance of $950.1 million, unfunded loan commitments of $33.9 million, a weighted average interest rate of the applicable benchmark rate plus 3.52%, and a weighted average interest rate floor of 0.89%.
- Funded $47.3 million in future funding obligations associated with existing loans
- Received eight full loan repayments of $291.4 million, and partial principal payments including accrued PIK interest payments of $79.7 million across nine loans, for total loan repayments of $371.1 million.

Investment Portfolio Financing Activity:

- Closed an asset-specific financing arrangement with an Institutional Lender secured by five performing first mortgage loans. The arrangement provides financing on a matched term, non-recourse, non-mark-to-market basis.
- Utilized the reinvestment feature in TRTX 2021-FL4 six times, recycling loan repayments of $120.9 million.
- Utilized the reinvestment feature in TRTX 2022-FL5 two times, recycling loan repayments of $74.2 million.

Liquidity:

Available liquidity as of September 30, 2022 of $571.3 million was comprised of:

- Cash-on-hand of $236.1 million, of which $210.7 million was available for investment, net of $25.4 million held to satisfy liquidity covenants under our secured financing agreements.
- $286.6 million of cash in our CRE CLOs available for investment in eligible collateral.
- Undrawn capacity (liquidity available to us without the need to pledge additional collateral to our lenders) of $48.6 million under secured credit agreements with five lenders.

We have financed our loan investments as of September 30, 2022 utilizing three CRE CLOs totaling $2.5 billion, two of which are open for reinvestment of eligible loan collateral at quarter end, $1.1 billion under secured credit agreements with total commitments of $2.8 billion provided by six lenders, $204.4 million under our $250.0 million secured revolving credit facility and $564.2 million under asset-specific financing arrangements. As of September 30, 2022, 57.1% of our borrowings were pursuant to our CRE CLO vehicles, 29.8% were pursuant to our secured credit agreements and secured revolving credit facility and 13.1% were pursuant to our asset-specific financing arrangements. Non-mark-to-market financing comprised 74.9% of total loan portfolio borrowings as of the end of the third quarter of 2022.

Our ability to draw on our secured credit agreements and secured revolving credit facility is dependent upon our lenders' willingness to accept as collateral loan investments we pledge to them to secure additional borrowings. These financing arrangements have credit spreads based upon the LTV and other risk characteristics of collateral pledged, and provide financing with mark-to-market provisions generally limited to collateral-specific events and, in only one instance, to capital markets-driven events. Borrowings under our secured revolving credit agreement are permitted with respect to collateral that satisfies pre-determined eligibility standards, and have a pre-determined advance rate (generally, 75% of the unpaid principal balance pledged) and credit spread (2.00% above Term SOFR). As of September 30, 2022, borrowings under these secured credit agreements and secured revolving credit facility had a weighted average credit spread of 1.76% (1.71% for arrangements with mark-to-market provisions and 2.00% for two arrangements with no mark-to-market provisions, one of which will become subject to mark-to-market provisions after October 30, 2022), and a weighted average term to extended maturity assuming exercise of all extension options and term-out provisions of 2.3 years. These financing arrangements are generally 25% recourse to Holdco, with the exception of the secured revolving credit facility that is 100% recourse to Holdco.

**Key Financial Measures and Indicators**

As a commercial real estate finance company, we believe the key financial measures and indicators for our business are earnings per share, dividends declared per common share, Distributable Earnings, and book value per common share. As further described below, Distributable Earnings is a measure that is not prepared in accordance with GAAP. We use Distributable Earnings to evaluate our performance excluding the effects of certain transactions and GAAP adjustments that we believe are not necessarily indicative of our current loan activity and operations.

For the three months ended September 30, 2022, we recorded net (loss) attributable to common stockholders of ($1.52) per diluted common share, an increase of $1.41 per diluted common share from the three months ended June 30, 2022, of which $1.22 per diluted common share relates to an increase of our allowance for credit losses in the third quarter of 2022 and $0.17 per diluted common share related to a gain on sale of 10 acres of REO Property recorded during the second quarter of 2022.

Distributable Earnings per diluted common share was $0.19 for three months ended September 30, 2022, a decrease of $0.08 per diluted common share from the three months ended June 30, 2022. The decrease in Distributable Earnings per diluted common share was primarily due to $0.06 per diluted common share of a write-off related to a non-performing retail loan recognized during the third quarter of 2022.

For the three months ended September 30, 2022, we declared a cash dividend of $0.24 per common share which was paid on October 25, 2022.

Our book value per common share as of September 30, 2022 was $14.28, a decrease of $2.09 per common share from our book value per common share as of December 31, 2021 of $16.37, primarily due to an increase in our allowance for credit losses during the nine months ended September 30, 2022 of $183.8 million or $2.37 per common share.

***Earnings Per Common Share and Dividends Declared Per Common Share***

The following table sets forth the calculation of basic and diluted net (loss) income attributable to common stockholders per share and dividends declared per share (dollars in thousands, except share and per share data):

| | Three Months Ended, | |
|---|---|---|
| | **September 30, 2022** | **June 30, 2022** |
| Net (loss) income | $ (114,607) | $ (5,434) |
| Preferred stock dividends[(1)] | (3,148) | (3,148) |
| Participating securities' share in (loss) earnings | (159) | (226) |
| Net (loss) income attributable to common stockholders - see Note 11 | $ (117,914) | $ (8,808) |
| Weighted average common shares outstanding, basic | 77,403,487 | 77,188,291 |
| Weighted average common shares outstanding, diluted | 77,403,487 | 77,188,291 |
| (Loss) earnings per common share, basic[(2)] | $ (1.52) | $ (0.11) |
| (Loss) earnings per common share, diluted[(2)] | $ (1.52) | $ (0.11) |
| Dividends declared per common share | $ 0.24 | $ 0.24 |

(1) Includes preferred stock dividends declared and paid for Series A preferred stock and Series C Preferred Stock shares outstanding for the three months ended September 30, 2022 and June 30, 2022.

(2) Basic and diluted (loss) earnings per common share are computed independently based on the weighted-average shares of common stock outstanding. Diluted earnings per common share also includes the impact of participating securities outstanding plus any incremental shares that would be outstanding assuming the exercise of the Warrants.

***Distributable Earnings***

Distributable Earnings is a non-GAAP measure, which we define as GAAP net income (loss) attributable to our common stockholders, including realized gains and losses, regardless of whether such items are included in other comprehensive income or loss, or in GAAP net income (loss), and excluding (i) non-cash stock compensation expense, (ii) depreciation and amortization expense, (iii) unrealized gains (losses), and (iv) certain non-cash or income and expense items. The exclusion of depreciation and amortization expense from the calculation of Distributable Earnings only applies to debt investments related to real estate to the extent we foreclose upon the property or properties underlying such debt investments.

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 generally must distribute at least 90% of our net taxable income annually, subject to certain adjustments and excluding any net capital gains, for us to continue to qualify as a REIT for U.S. federal income tax purposes. We believe that one of the primary reasons investors purchase our common stock is to receive our dividends. Because of our investors' continued focus on our ability to pay dividends, Distributable Earnings is an important measure for us to consider when determining our distribution policy and dividends per common share. 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 investment and operating activities.

Distributable Earnings excludes the impact of our credit loss provision or reversals of our credit loss provision, but only to the extent that our credit loss provision exceeds any realized credit losses during the applicable reporting period.

A loan will be written off as a realized loss when it is deemed non-recoverable or upon a realization event. Such a realized loss would generally be recognized at the time the loan receivable is settled, transferred or exchanged, or in the case of foreclosure, when the underlying property is foreclosed upon or sold. Non-recoverability may also be concluded by us if, in our determination, it is nearly certain that all amounts due will not be collected. A realized loss may equal the difference between the cash or consideration received or expected to be received, and the net book value of the loan, reflecting our economics as it relates to the ultimate realization of the asset.

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), an indication of our GAAP cash flows from operations, a measure of our liquidity, or an indication of funds available for our cash needs. In addition, our methodology for calculating Distributable Earnings may differ from the methodologies employed by other companies to calculate the same or similar supplemental performance measures, and accordingly, our reported Distributable Earnings may not be comparable to the Distributable Earnings reported by other companies.

The following table provides a reconciliation of GAAP net (loss) income attributable to common stockholders to Distributable Earnings (dollars in thousands, except share and per share data):

| | Three Months Ended, | |
|---|---|---|
| | **September 30, 2022** | **June 30, 2022** |
| Net (loss) income attributable to common stockholders - see Note 11 | $ (117,914) | $ (8,808) |
| Utilization of taxable income capital loss carryforwards[(1)] | — | (13,291) |
| Non-cash stock compensation expense | 932 | 1,328 |
| Credit loss expense (benefit), net | 136,666 | 42,290 |
| Write-off | (4,400) | — |
| Distributable earnings | $ 15,284 | $ 21,519 |
| Weighted average common shares outstanding, basic | 77,403,487 | 77,188,291 |
| Weighted average common shares outstanding, diluted | 79,939,764 | 80,592,302 |
| Distributable earnings per common share, basic | $ 0.20 | $ 0.28 |
| Distributable earnings per common share, diluted | $ 0.19 | $ 0.27 |

(1) For the three months ended June 30, 2022, taxable income capital loss carryforwards were utilized to offset the $13.3 million taxable income gain realized from the partial sale of our REO Property.

***Book Value Per Common Share***

The following table sets forth the calculation of our book value per common share (dollars in thousands, except share and per share data):

| | **September 30, 2022** | **December 31, 2021** |
|---|---|---|
| Total stockholders' equity | $ 1,306,394 | $ 1,464,706 |
| Series C Preferred Stock ($201,250 aggregate liquidation preference) | (201,250) | (201,250) |
| Series A preferred stock ($125 aggregate liquidation preference) | (125) | (125) |
| Total stockholders' equity, net of preferred stock | $ 1,105,019 | $ 1,263,331 |
| Number of common shares outstanding at period end | 77,406,620 | 77,183,892 |
| Book value per common share | $ 14.28 | $ 16.37 |

**Investment Portfolio Overview**

Our interest-earning assets are comprised entirely of a portfolio of floating rate, first mortgage loans, or in limited instances, mezzanine loans. As of September 30, 2022, our loans held for investment portfolio consisted of 75 first mortgage loans (or interests therein) totaling $5.8 billion of commitments with an unpaid principal balance of $5.3 billion. As of September 30, 2022, 100% of the loan commitments in our portfolio consisted of floating rate loans, of which 100.0% were first mortgage loans or, in three instances, a first mortgage loan and contiguous mezzanine loan both owned by us. As of September 30, 2022, we had $462.9 million of unfunded loan commitments, our funding of which is subject to borrower satisfaction of certain milestones.

As of December 31, 2021, we owned a 10 acre parcel of largely undeveloped land near the north end of the Las Vegas Strip with a carrying value of $60.6 million. The REO Property was acquired pursuant to a negotiated deed-in-lieu of foreclosure in December 2020. On April 4, 2022, we sold the 10 acre parcel of REO Property for net cash proceeds of $73.9 million and recognized a gain on sale of real estate owned, net of $13.3 million. As of September 30, 2022, we no longer own any REO Property.

See Note 4 to our consolidated financial statements included in this Form 10-Q for additional information regarding the sale of the remaining portion of the REO Property.

***Loan Portfolio***

During the three months ended September 30, 2022, we originated five and acquired five mortgage loans with a total commitment of $984.0 million, an initial unpaid principal balance of $950.1 million, and an unfunded commitment at closing of $33.9 million. Loan fundings included $47.3 million of deferred future fundings related to previously originated loans. We received proceeds from eight loan repayments in-full of $291.4 million, and principal amortization and accrued PIK interest payments of $79.7 million across nine loans, for total loan repayments of $371.1 million during the period.

The following table details our loans held for investment portfolio activity by unpaid principal balance (dollars in thousands):

| | Three Months Ended, | |
|---|---|---|
| | **September 30, 2022** | **June 30, 2022** |
| Loan originations and acquisitions — initial funding | $ 950,147 | $ 312,690 |
| Other loan fundings[(1)] | 47,347 | 29,323 |
| Loan repayments | (371,070) | (756,719) |
| Accrued PIK interest repayments | — | (300) |
| Write-off | (4,400) | — |
| Total loan activity, net | $ 622,024 | $ (415,006) |

(1) Additional fundings made under existing loan commitments.

For the three months ended September 30, 2022, we generated interest income of $75.5 million and incurred interest expense of $45.1 million, which resulted in net interest income of $30.4 million. All interest income and interest expense resulted from our loan portfolio.

The following table details overall statistics for our loans held for investment portfolio as of September 30, 2022 (dollars in thousands):

| | Balance sheet portfolio | Total loan exposure[1] |
|---|---|---|
| Number of loans[1] | 75 | 75 |
| Floating rate loans (by unpaid principal balance) | 100.0 % | 100.0 % |
| Total loan commitments | $ 5,792,681 | $ 5,792,681 |
| Unpaid principal balance[2] | $ 5,332,184 | $ 5,332,184 |
| Unfunded loan commitments[3] | $ 462,912 | $ 462,912 |
| Amortized cost | $ 5,301,804 | $ 5,301,804 |
| Weighted average credit spread | 3.5 % | 3.5 % |
| Weighted average all-in yield[4] | 7.1 % | 7.1 % |
| Weighted average term to extended maturity (in years)[5] | 2.9 | 2.9 |
| Weighted average LTV[6] | 67.2 % | 67.2 % |

(1) In certain instances, we create structural leverage through the co-origination or non-recourse syndication of a senior loan interest to a third-party. In either case, the senior mortgage loan (i.e., the non-consolidated senior interest) is not included on our balance sheet. When we create structural leverage through the co-origination or non-recourse syndication of a senior loan interest to a third-party, we retain on our balance sheet a mezzanine loan. Total loan exposure encompasses the entire loan portfolio we originated, acquired and financed.

(2) Unpaid principal balance includes PIK interest of $2.4 million as of September 30, 2022.

(3) Unfunded loan commitments may be funded over the term of each loan, subject in certain cases to an expiration date or a force-funding date, primarily to finance property improvements or lease-related expenditures by our borrowers, to finance operating deficits during renovation and lease-up, and in limited instances to finance construction.

(4) As of September 30, 2022, all of our loans were floating rate. Loans originated before December 31, 2021 are indexed to LIBOR, while loans originated after January 1, 2022 are indexed to Term SOFR. As of September 30, 2022, based on the total loan commitments of our loan portfolio, 18.6% (or $1.1 billion) of our loans were subject to Term SOFR and 81.4% (or $4.7 billion) were subject to LIBOR as the benchmark interest rate. In addition to credit spread, all-in yield includes the amortization of deferred origination fees, purchase price premium and discount, and accrual of both extension and exit fees. All-in yield for the total portfolio assumes the applicable floating benchmark interest rate as of September 30, 2022 for weighted average calculations.

(5) Extended maturity assumes all extension options are exercised by the borrower; provided, however, that our loans may be repaid prior to such date. As of September 30, 2022, based on the unpaid principal balance of our total loan exposure, 47.4% of our loans were subject to yield maintenance or other prepayment restrictions and 52.6% were open to repayment without penalty.

(6) Except for construction loans, LTV is calculated for loan originations and existing loans as the total outstanding principal balance of the loan or participation interest in a loan (plus any financing that is pari passu with or senior to such loan or participation interest) as of September 30, 2022, divided by the as-is appraised value of our collateral at the time of origination or acquisition of such loan or participation interest. For construction loans only, LTV is calculated as the total commitment amount of the loan divided by the as-stabilized value of the real estate securing the loan. The as-is or as-stabilized (as applicable) value reflects our Manager's estimates, at the time of origination or acquisition of the loan or participation interest in a loan, of the real estate value underlying such loan or participation interest determined in accordance with our Manager's underwriting standards and consistent with third-party appraisals obtained by our Manager.

The following table details the interest rate floors for our loans held for investment portfolio as of September 30, 2022 (dollars in thousands):

| Interest Rate Floors | Total Commitment[1] | Unpaid Principal Balance | Weighted Average Interest Rate Floor |
|---|---|---|---|
| 0.50% or less floor | $ 2,918,359 | $ 2,635,321 | 0.16 % |
| 0.51% to 1.00% floor | 768,482 | 744,155 | 0.88 |
| 1.01% to 1.50% floor | 704,995 | 678,058 | 1.48 |
| 1.51% to 2.00% floor | 1,215,442 | 1,113,269 | 1.88 |
| 2.01% or more floor | 185,403 | 161,381 | 2.23 |
| Total | $ 5,792,681 | $ 5,332,184 | 0.85 % |

(1) Excludes capitalized interest resulting from previously modified loans of $2.4 million.

For information regarding the financing of our loans held for investment portfolio, see the section entitled "Investment Portfolio Financing."

***Real Estate Owned***

In December 2020, we acquired two largely undeveloped commercially-zoned land parcels on the Las Vegas Strip comprising 27 acres pursuant to a negotiated deed-in-lieu of foreclosure. Our cost basis in the REO Property was $99.2 million, equal to the estimated fair value of the collateral at the date of acquisition, net of estimated selling costs. We obtained from a third party a $50.0 million non-recourse first mortgage loan secured by the REO Property which was repaid on November 12, 2021.

During the three months ended December 31, 2021, we sold a 17 acre parcel of REO Property. As of December 31, 2021, we held the remaining 10 acre parcel of the REO Property at its estimated fair value at the time of acquisition, net of estimated selling costs, of $60.6 million. On April 4, 2022, we sold the 10 acre parcel of REO Property for net cash proceeds of $73.9 million and recognized a gain on sale of real estate owned, net of $13.3 million. As of September 30, 2022, we no longer own any REO Property.

See Notes 4 and 6 to our Consolidated Financial Statements included in this Form 10-Q for additional information regarding the sale of the remaining portion of the REO Property and the predecessor mortgage loan, respectively.

**Asset Management**

We actively manage the assets in our portfolio from closing to final repayment. We are party to an agreement with Situs Asset Management, LLC (“SitusAMC”), one of the largest commercial mortgage loan servicers, pursuant to which SitusAMC provides us with dedicated asset management employees to provide asset management services pursuant to our proprietary guidelines. Following the closing of an investment, this dedicated asset management team rigorously monitors the investment under our Manager’s oversight, with an emphasis on ongoing financial, legal and quantitative analyses. Through the final repayment of an investment, the asset management team maintains regular contact with borrowers, servicers and local market experts monitoring performance of the collateral, anticipating borrower, property and market issues, and enforcing our rights and remedies when appropriate.

***Loan Portfolio Review***

Our Manager reviews our entire loan portfolio quarterly, undertakes an assessment of the performance of each loan, and assigns it a risk rating between “1” and “5,” from least risk to greatest risk, respectively. See Note 2 to our Consolidated Financial Statements included in this Form 10-Q for a discussion regarding the risk rating system that we use in connection with our loan portfolio.

The following table allocates the amortized cost basis of our loans held for investment portfolio based on our internal risk ratings (dollars in thousands):

| | September 30, 2022 | | December 31, 2021 | |
|---|---|---|---|---|
| Risk rating | Number of loans | Amortized cost | Number of loans | Amortized cost |
| 1 | — | $ — | — | $ — |
| 2 | 8 | 567,770 | 5 | 527,051 |
| 3 | 52 | 3,564,762 | 57 | 3,726,753 |
| 4 | 11 | 892,052 | 6 | 632,398 |
| 5 | 4 | 277,220 | 1 | 23,000 |
| Totals | 75 | $ 5,301,804 | 69 | $ 4,909,202 |

The following table allocates the amortized cost basis of our loans held for investment portfolio based on our property type classification (dollars in thousands):

| Property type | September 30, 2022 | | | December 31, 2021 | | |
|---|---|---|---|---|---|---|
| | Number of loans | Amortized cost | Weighted average risk rating | Number of loans | Amortized cost | Weighted average risk rating |
| Office | 18 | $ 1,485,945 | 3.7 | 22 | $ 2,084,496 | 2.9 |
| Multifamily | 37 | 2,415,641 | 2.9 | 24 | 1,468,505 | 3.0 |
| Hotel | 9 | 658,290 | 2.8 | 9 | 657,565 | 3.6 |
| Mixed-Use | 3 | 268,000 | 3.7 | 4 | 329,434 | 2.9 |
| Life Science | 4 | 281,904 | 3.0 | 5 | 329,039 | 2.7 |
| Industrial | 2 | 106,667 | 3.0 | — | — | — |
| Self Storage | 1 | 56,776 | 3.0 | — | — | — |
| Other | 1 | 28,581 | 3.0 | — | — | — |
| Retail | — | — | — | 1 | 23,000 | 5.0 |
| Condominium[(1)] | — | — | — | 4 | 17,163 | 3.0 |
| Totals | 75 | $ 5,301,804 | 3.2 | 69 | $ 4,909,202 | 3.0 |

(1) Condominium property type includes a 24% pari passu participation interest in each of four whole mortgage loans related to one project and to the same borrower.

The weighted average risk rating of our loan portfolio increased to 3.2 as of September 30, 2022 compared to 3.0 as of December 31, 2021.

During the three months ended September 30, 2022, as part of our quarterly risk rating process, we: downgraded three office loans from risk category "4" to "5" because of near-term loan maturities and a significant risk of principal loss; and upgraded one hotel and two multifamily loans from risk category "3" to "2" due to strong property-level operating performance and debt service coverage that materially exceeds original underwriting. During the three months ended September 30, 2022, we received full loan repayments with respect to eight loans with a total unpaid principal balance of $291.4 million and a weighted average risk rating of 2.6 as of June 30, 2022. The eight loans were included within our office, hotel, retail and condominium property categories. Additionally, we received partial principal repayments of $77.1 million relating to three separate loans secured by office properties. Two of the ten new loan investments made during the three months ended September 30, 2022, were assigned an initial risk rating of "2" based on their strong operating performance and debt service coverage ratios and the remaining eight new loan investments were assigned an initial risk rating of "3".

During the three months ended June 30, 2022, we downgraded one office loan and upgraded one hotel loan as part of our quarterly loan risk rating process. We downgraded one office loan from risk category "4" to "5" because of the loan's near-term maturity, and a risk of principal loss because a short sale of the underlying collateral was likely during the second half of 2022.

During the three months ended June 30, 2022, we upgraded one hotel loan from risk category "3" to "2" due to continued improvement in property-level operating performance and strong debt service coverage that exceeds original underwriting. Additionally, during the three months ended June 30, 2022, we received full loan repayments with respect to seven loans with a total unpaid principal balance of $676.9 million and a weighted average risk rating of 2.8 as of March 31, 2022. The seven loans were included within our multifamily, office, hotel, mixed-use and life science property categories.

During the three months ended March 31, 2022, we downgraded nine loans and upgraded one loan as part of our quarterly loan risk rating process. Of the nine downgraded loans, eight loans related to office properties and one loan related to a mixed-use property. We downgraded seven office loans from risk category "3" to "4" and one office loan from risk category "2" to "3" because of ongoing concerns about shifting office market fundamentals, the impact on property-level operating performance of slower-than-expected return-to-office trends, and increased market volatility. Additionally, we downgraded one mixed-use loan from risk category "3" to "4" because of plateauing property-level operating performance, local market economic conditions, and concerns regarding the borrower’s ability to repay the loan upon or prior to its maturity later this year.

During the three months ended March 31, 2022, we upgraded one hotel loan from risk category "3" to "2" due to continued improvement in property-level operating performance and strong debt service coverage that exceeds original underwriting. During the three months ended March 31, 2022, we received repayment in full of one office loan with a total unpaid principal balance of $40.3 million and a risk rating of 3 as of December 31, 2021.

***Loan Modification Activity***

Loan modifications and amendments are commonplace in the transitional lending business. We may amend or modify a loan depending on the loan's specific facts and circumstances. These loan modifications typically include additional time for the borrower to refinance or sell the collateral property, adjustment or waiver of performance tests that are prerequisite to the extension of a loan maturity, and/or deferral of scheduled principal payments. In exchange for a modification, we often receive a partial repayment of principal, a short-term accrual of PIK interest for a portion of interest due, a cash infusion to replenish interest or capital improvement reserves, termination of all or a portion of the remaining unfunded loan commitment, additional call protection, and/or an increase in the loan coupon. None of our loan modifications resulted in a significant modification.

We continue to work with our borrowers to address required changes as they arise, while seeking to protect the credit attributes of our loans. However, we cannot assure you that these efforts will be successful, and we may experience payment delinquencies, defaults, foreclosures, or losses. All modified loans are performing as of September 30, 2022.

***Allowance for Credit Losses***

Our allowance for credit losses is influenced by the size and weighted average maturity date of our loans, loan quality, risk rating, delinquency status, historical loss experience and other conditions influencing loss expectations, such as reasonable and supportable forecasts of economic conditions. During the three and nine months ended September 30, 2022, we recorded an increase of $132.3 million and $179.4 million, respectively, in our allowance for credit losses for an aggregate CECL reserve of $225.6 million. The increase in our allowance for credit losses reflects ongoing concerns about growing geopolitical tensions, the potential impact of market volatility, the increasing probability of an economic recession, tightening liquidity in the capital markets and a slowdown in investment sales, and loan specific property-level performance trends such as shifting office market fundamentals, supply chain constraints and delays, and inflationary pressures that may cause operating margins to narrow.

While the ultimate impact of the macroeconomic outlook and property performance trends remain uncertain, we selected our macroeconomic outlook to address this uncertainty, and made specific forward-looking valuation adjustments to the inputs of our calculation to reflect variability in the timing, strength, and breadth of a sustained economic recovery or the potential impact of an uncertain economic outlook that may result in a post-COVID environment.

The following table presents the allowance for credit losses for loans held for investment (dollars in thousands):

| | September 30, 2022 | | | | | |
|---|---|---|---|---|---|---|
| | **Allowance for credit losses: loans held for investment** | **Unpaid principal balance** | **Allowance for credit losses: unfunded commitments** | **Unfunded commitments** | **Total commitments** | **Total basis points** |
| General reserve | $ 138,254 | $ 5,054,964 | $ 15,102 | $ 453,000 | $ 5,505,549 | 279 bps |
| Specific reserve | 72,293 | 277,220 | — | 9,912 | 287,132 | 2,518 |
| Total | $ 210,547 | $ 5,332,184 | $ 15,102 | $ 462,912 | $ 5,792,681 | 390 bps |

**Investment Portfolio Financing**

We finance our investment portfolio using secured financing agreements, including secured credit agreements, secured revolving credit facilities, mortgage loans payable, asset-specific financing arrangements, and collateralized loan obligations. In certain instances, we may create structural leverage and obtain matched-term financing through the co-origination or non-recourse syndication of a senior loan interest to a third party (a "non-consolidated senior interest"). We generally seek to match-fund and match-index our investments by minimizing the differences between the durations and indices of our investments and those of our liabilities, while minimizing our exposure to mark-to-market risk.

As of September 30, 2022, non-mark-to-market financing sources accounted for 74.9% of our total loan portfolio borrowings. The remaining 25.1% of our loan portfolio borrowings, comprised primarily of our six secured credit agreements, are subject to credit marks, and in only one instance to credit and spread marks.

The following table summarizes our investment portfolio financing arrangements (dollars in thousands):

| | | | Outstanding principal balance | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | September 30, 2022 | | | December 31, 2021 | | |
| Loan portfolio financing arrangements | Basis of margin calls | Recourse percentage | Non-mark-to-market | Mark-to-market | Total | Non-mark-to-market | Mark-to-market | Total |
| **Secured credit agreements** | | | | | | | | |
| Goldman Sachs | Credit | 25.0 % | $ — | $ 370,868 | $ 370,868 | $ — | $ 96,320 | $ 96,320 |
| Wells Fargo | Credit | 25.0 % | — | 408,010 | 408,010 | — | 570,216 | 570,216 |
| Barclays | Credit | 25.0 % | — | 96,926 | 96,926 | — | 23,314 | 23,314 |
| Morgan Stanley | Credit | 25.0 % | — | 53,025 | 53,025 | — | 180,731 | 180,731 |
| JP Morgan | Credit and Spread | 25.0 % | — | 119,160 | 119,160 | — | 109,477 | 109,477 |
| US Bank[1] | Credit | 25.0 % | — | — | — | — | 33,982 | 33,982 |
| Bank of America | Credit | 25.0 % | — | 35,865 | 35,865 | — | 128,625 | 128,625 |
| Institutional Lender 1[2] | Credit | 25.0 % | — | — | — | 23,546 | — | 23,546 |
| | | | — | 1,083,854 | 1,083,854 | 23,546 | 1,142,665 | 1,166,211 |
| **Secured revolving credit facility** | | | | | | | | |
| Syndicate lenders | None | 100.0 % | 204,359 | — | 204,359 | — | — | — |
| | | | | | | | | |
| **Asset-specific financing** | | | | | | | | |
| Axos Bank | None | 15.0 % | 108,652 | — | 108,652 | — | — | — |
| BMO Facility | None | 25.0 % | 63,510 | — | 63,510 | — | — | — |
| Institutional Lender 2 | None | n.a | 392,070 | — | 392,070 | — | — | — |
| | | | 564,232 | — | 564,232 | — | — | — |
| **Collateralized loan obligations** | | | | | | | | |
| TRTX 2018-FL2 | None | n.a | — | — | — | 600,001 | — | 600,001 |
| TRTX 2019-FL3 | None | n.a | 522,995 | — | 522,995 | 918,487 | — | 918,487 |
| TRTX 2021-FL4 | None | n.a | 1,037,500 | — | 1,037,500 | 1,037,500 | — | 1,037,500 |
| TRTX 2022-FL5 | None | n.a | 907,031 | — | 907,031 | — | — | — |
| | | | 2,467,526 | — | 2,467,526 | 2,555,988 | — | 2,555,988 |
| | | | | | | | | |
| **Non-consolidated senior interests** | None | n.a | — | — | — | 132,000 | — | 132,000 |
| **Total indebtedness** | | | $ 3,236,117 | $ 1,083,854 | $ 4,319,971 | $ 2,711,534 | $ 1,142,665 | $ 3,854,199 |
| **Percentage of total indebtedness** | | | 74.9% | 25.1% | 100.0% | 70.4% | 29.6% | 100.0% |

(1) On April 11, 2022, we repaid $34.0 million outstanding and simultaneously terminated the financing arrangement.

(2) The secured credit agreement may be re-margined beginning after its second anniversary date on October 30, 2022 based on an LTV test; otherwise, no credit or spread-based margin calls apply.

***Secured Credit Agreements***

As of September 30, 2022, aggregate borrowings outstanding under our secured credit agreements totaled $1.1 billion, relating to our loan investment portfolio. As of September 30, 2022, the overall weighted average interest rate was the benchmark interest rate plus 1.71% per annum, the weighted average credit spread for borrowings with mark-to-market provisions was 1.71%, the weighted average credit spread for borrowings with no current mark-to-market provisions was 4.50%, and the overall weighted average advance rate was 76.9%. As of September 30, 2022, outstanding borrowings under these arrangements had a weighted average term to extended maturity of 2.3 years assuming the exercise of all extension options and term out provisions. These secured credit agreements are generally 25.0% recourse to Holdco.

The following table details our secured credit agreements as of September 30, 2022 (dollars in thousands):

| Lender | Commitment amount[1] | UPB of collateral | Advance rate | Approved borrowings | Outstanding balance | Undrawn capacity[2] | Available capacity[3] | Wtd. avg. credit spread[4] | Extended maturity[5] |
|---|---|---|---|---|---|---|---|---|---|
| Goldman Sachs[6] | $ 500,000 | $ 555,743 | 76.3 % | $ 397,706 | $ 370,868 | $ 26,838 | $ 102,294 | 1.81 % | 08/19/24 |
| Wells Fargo[7] | 500,000 | 532,594 | 79.3 | 422,062 | 408,010 | 14,052 | 77,938 | 1.61 | 04/18/25 |
| Barclays[8] | 500,000 | 128,159 | 77.3 | 97,340 | 96,926 | 414 | 402,660 | 1.58 | 08/13/26 |
| Morgan Stanley[9] | 500,000 | 77,749 | 73.3 | 56,950 | 53,025 | 3,925 | 443,050 | 2.32 | 05/04/23 |
| JP Morgan | 400,000 | 164,733 | 72.3 | 122,511 | 119,160 | 3,351 | 277,489 | 1.60 | 10/30/25 |
| Bank of America[10] | 200,000 | 47,820 | 75.0 | 35,865 | 35,865 | — | 164,135 | 1.75 | 03/31/23 |
| Institutional Lender 1 | 249,546 | 3,849 | 60.0 | — | — | — | 249,546 | 4.50 | 10/30/25 |
| Totals / weighted average | $ 2,849,546 | $ 1,510,647 | 76.9 % | $ 1,132,434 | $ 1,083,854 | $ 48,580 | $ 1,717,112 | 1.71 % | |

(1) Commitment amount represents the maximum amount of borrowings available under a given agreement once sufficient collateral assets have been approved by the lender and pledged by us.

(2) Undrawn capacity represents the positive difference between the borrowing amount approved by the lender against collateral assets pledged by us and the amount actually drawn against those collateral assets. The funding of such amounts is generally subject to the sole and absolute discretion of each lender.

(3) Represents the commitment amount less the approved borrowings, which amount is available to be borrowed provided we pledge, and the lender approves, additional collateral assets.

(4) Each secured credit agreement interest rate is subject to LIBOR or Term SOFR as its benchmark interest rate, depending upon the LIBOR transition provisions of the specific secured credit agreement and underlying transaction confirmations. The credit spread for each arrangement is added to the applicable benchmark interest rate to calculate the interest rate charged for each borrowing.

(5) Our ability to extend our secured credit agreements to the dates shown above is subject to satisfaction of certain conditions. Even if extended, our lenders retain sole discretion to determine whether to accept pledged collateral, and the advance rate and credit spread applicable to each borrowing thereunder.

(6) On August 19, 2022, the secured credit agreement's initial maturity was extended to August 19, 2023.

(7) On February 9, 2022 the secured credit agreement’s initial maturity was extended to April 18, 2025.

(8) On April 11, 2022 the secured credit agreement's initial maturity was extended to August 13, 2025 and the Company reduced the total commitment to $500.0 million from $750.0 million. The secured credit agreement includes a $250.0 million accordion feature subject to the lender's approval.

(9) On April 29, 2022 the secured credit agreement's maturity was extended to May 4, 2023.

(10) On September 14, 2022, the secured credit agreement's initial and extended maturity was extended to March 31, 2023.

Once we identify an asset and the asset is approved by the secured credit agreement lender to serve as collateral (which lender’s approval is in its sole discretion), we and the lender may enter into a transaction whereby the lender advances to us a percentage of the value of the loan asset, which is referred to as the “advance rate.” In the case of borrowings under our secured credit agreements that are repurchase arrangements, this advance serves as the purchase price at which the lender acquires the loan asset from us with an obligation of ours to repurchase the asset from the lender for an amount equal to the purchase price for the transaction plus a price differential, which is calculated based on an interest rate. Advance rates are subject to negotiation between us and our secured credit agreement lenders.

For each transaction, we and the lender agree to a trade confirmation which sets forth, among other things, the asset purchase price, the maximum advance rate, the interest rate and the market value of the asset. A trade confirmation will also include benchmark interest rate and any applicable transition language that complies with the current standards as set forth by the ARRC in its 2021 recommendations. For transactions under our secured credit agreements, the trade confirmation may also set forth any future funding obligations which are contemplated with respect to the specific transaction and/or the underlying loan asset and loan-specific margin maintenance provisions, described below.

Generally, our secured credit agreements allow for revolving balances, which allow us to voluntarily repay balances and draw again on existing available credit. The primary obligor on each secured credit agreement is a separate special purpose subsidiary of ours which is restricted from conducting activity other than activity related to the utilization of its secured credit agreement and the loans or loan interests that are originated or acquired by such subsidiary. As additional credit support, our holding company subsidiary, Holdco, provides certain guarantees of the obligations of its subsidiaries. Holdco's liability is generally capped at 25% of the outstanding obligations of the special purpose subsidiary which is the primary obligor under the related agreement. However, this liability cap does not apply in the event of certain "bad boy" defaults which can trigger recourse to Holdco for losses or the entire outstanding obligations of the borrower depending on the nature of the "bad boy" default in question. Examples of such "bad boy" defaults include, without limitation, fraud, intentional misrepresentation, willful misconduct, incurrence of additional debt in violation of financing documents, and the filing of a voluntary or collusive involuntary bankruptcy or insolvency proceeding of the special purpose entity subsidiary or the guarantor entity.

Each of the secured credit agreements has "margin maintenance" provisions, which are designed to allow the lender to maintain a certain margin of credit enhancement against the assets which serve as collateral. The lender's margin amount is typically based on a percentage of the market value of the asset and/or mortgaged property collateral; however, certain secured credit agreements may also involve margin maintenance based on maintenance of a minimum debt yield with respect to the cash flow from the underlying real estate collateral. In certain cases, margin maintenance provisions can relate to minimum debt yields for pledged collateral considered as a whole, or limits on concentration of loan exposure measured by property type or loan type.

Our secured credit agreements contain defined mark-to-market provisions that permit the lenders to issue margin calls to us in the event that the collateral properties underlying our loans pledged to our lenders experience a non-temporary decline in value or net cash flow ("credit marks"). In connection with one of these borrowing arrangements, the lender is also permitted to issue margin calls to us in the event the lender determines capital markets events have caused credit spreads to change for similar borrowing obligations ("spread marks"). Furthermore, in connection with one of these borrowing arrangements, the lender has the right to re-margin the secured credit agreement based solely on appraised loan-to-values in the third year of the facility. In the event that we experience market turbulence, we may be exposed to margin calls in connection with our secured credit agreements.

The maturity dates for each of our secured credit agreements are set forth in tables that appear earlier in this section. Our secured credit agreements generally have terms of between one and three years, but may be extended if we satisfy certain performance-based conditions. In the normal course of business, we maintain discussions with our lenders to extend or amend any financing agreements related to our loans.

As of September 30, 2022, the weighted average haircut (which is equal to one minus the advance rate percentage against collateral for our secured credit agreements taken as a whole) was 23.1% compared to 23.9% as of December 31, 2021.

The secured credit agreements also include cash management features which generally require that income from collateral loan assets be deposited in a lender-controlled account for distribution in accordance with a specified waterfall of payments designed to keep facility-related obligations current before such income is disbursed for our own account. The cash management features generally require the trapping of cash in such controlled account if an uncured default under our borrowing arrangement remains outstanding. Furthermore, some secured credit agreements may require an accelerated principal amortization schedule if the secured credit agreement is in its final extended term.

Notwithstanding that a loan asset may be subject to a financing arrangement and serve as collateral under a secured credit agreement, we retain the right to administer and service the loan and interact directly with the underlying obligors and sponsors of our loan assets so long as there is no default under the secured credit agreement, and so long as we do not engage in certain material modifications (including amendments, waivers, exercises of remedies, or releases of obligors and collateral, among other things) of the loan assets without the lender's prior consent.

***Secured Revolving Credit Facility***

On February 22, 2022, we closed a $250.0 million, secured revolving credit facility with a syndicate of 5 banks to provide interim funding of up to 180 days for newly-originated and existing loans. This facility has an initial term of 3 years, an interest rate of Term SOFR plus 2.00% that is payable monthly in arrears, and an unused fee of 15 or 20 basis points, depending upon whether utilization exceeds 50.0%. During the three and nine months ended September 30, 2022, the weighted average unused fee was 16 basis points and 19 basis points, respectively. This facility is 100% recourse to Holdco. As of September 30, 2022, we pledged two loan investments with an aggregate collateral principal balance of $272.5 million and had outstanding Term SOFR-based borrowings of $204.4 million.

***Asset-Specific Financing Arrangements***

We closed three separate asset-specific financing arrangements with third party lenders during the second and third quarters of 2022, which increased our non-mark-to-market portfolio financing arrangements. On September 1, 2022, we closed a $397.9 million asset-specific financing arrangement with an Institutional Lender ("Institutional Lender 2"). The arrangement provides non-mark-to-market matched term, non-recourse financing. As of September 30, 2022, we had two asset-specific financing arrangements with Axos Bank secured by two performing first mortgage loans. The separate arrangements provide non-mark-to-market financing, a term of up to 2 years, and are 15% recourse to Holdco. On June 30, 2022, we closed a $200.0 million loan financing facility (the "BMO Facility"). The BMO Facility provides asset-specific financing on a non-mark-to-market basis with matched term. This facility is 25% recourse to Holdco.

The following table details our asset-specific financing arrangements (dollars in thousands):

| | September 30, 2022 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Financing | | | | | | Collateral | | | |
| Asset-specific financing | Count | Commitment amount | Outstanding principal balance | Carrying value[1] | Wtd. avg. spread[2] | Wtd. avg. term[3] | Count | Outstanding principal balance | Amortized Cost | Wtd. avg. term |
| Axos Bank | 2 | $ 108,652 | $ 108,652 | $ 107,878 | 4.4 % | 1.6 | 2 | $ 198,603 | $ 198,184 | 1.5 |
| BMO Facility | 1 | 200,000 | 63,510 | 62,892 | 1.7 % | 4.7 | 2 | 79,388 | 79,041 | 4.7 |
| Institutional Lender 2 | 1 | 397,928 | 392,070 | 388,097 | 3.5 % | 2.7 | 5 | 513,181 | 491,377 | 2.7 |
| Total / weighted average | | $ 706,580 | $ 564,232 | $ 558,867 | 3.5 % | 2.7 years | | $ 791,172 | $ 768,602 | 2.6 years |

(1) Net of $5.4 million unamortized deferred financing costs.

(2) Collateral loan assets and related financings are indexed to Term SOFR under Axos Bank and the BMO Facility. Under the Institutional Lender 2 arrangement, collateral loan assets are indexed to LIBOR and the financing provided is indexed to Term SOFR.

(3) Term under Axos Bank is based on the extended maturity date for the specific arrangement. Borrowings under the BMO Facility and the Institutional Lender 2 arrangement are term-matched to the corresponding collateral loan asset. The weighted-average term assumes all extension options of the collateral loan asset are exercised by the borrower.

***Collateralized Loan Obligations***

As of September 30, 2022, we had three collateralized loan obligations, TRTX 2022-FL5, TRTX 2021-FL4, and TRTX 2019-FL3, totaling $2.5 billion, financing $3.0 billion, or 57.0%, of our loans held for investment portfolio and holding $286.6 million of cash for investment in eligible loan collateral. As of September 30, 2022, our CRE CLOs provide low cost, non-mark-to-market, non-recourse financing for 57.1% of our loan portfolio borrowings. The collateralized loan obligations bear a weighted average interest rate of Term SOFR, LIBOR, or Compounded SOFR plus 1.78%, have a weighted average advance rate of 81.5%, and include a reinvestment feature that allows us to contribute existing or new loan investments in exchange for proceeds from loan repayments held in the collateralized loan obligations.

The following table details the loan collateral and borrowings under our CRE CLOs (dollars in thousands):

| | September 30, 2022 | | | | | |
|---|---|---|---|---|---|---|
| **CRE CLOs** | **Count** | **Benchmark interest rate** | **Outstanding principal balance** | **Carrying value[1]** | **Wtd. avg. spread[2]** | **Wtd. avg. maturity[3]** |
| TRTX 2019-FL3 | | | | | | |
| Collateral loan investments | 13 | LIBOR | $ 713,696 | $ 660,103 | 3.19 % | 1.7 |
| Financing provided | 1 | Term SOFR[4] | 522,995 | 522,268 | 1.72 % | 12.0 |
| TRTX 2021-FL4 | | | | | | |
| Collateral loan investments | 24 | LIBOR[5] | 1,250,000 | 1,211,718 | 3.18 % | 2.8 |
| Financing provided | 1 | LIBOR | 1,037,500 | 1,032,609 | 1.60 % | 15.4 |
| TRTX 2022-FL5 | | | | | | |
| Collateral loan investments | 18 | LIBOR[6] | 1,075,000 | 1,058,611 | 3.32 % | 3.5 |
| Financing provided | 1 | Compounded SOFR | 907,031 | 901,791 | 2.02 % | 16.4 |
| Total | | | | | | |
| Collateral loan investments[7] | 55 | LIBOR | $ 3,038,696 | $ 2,930,432 | 3.23 % | 2.7 years |
| Financing provided[8] | 3 | Term SOFR/LIBOR/Compounded SOFR | $ 2,467,526 | $ 2,456,668 | 1.78 % | 15.1 years |

(1) Includes loan amounts held in our CRE CLO investment structures and does not include other loans held for investment, net of $1.4 million held within the Sub-REIT structure.

(2) Weighted average spread excludes the amortization of loan fees and deferred financing costs.

(3) Loan term represents weighted-average final maturity, assuming extension options are exercised by the borrower. Repayments of CRE CLO notes are dependent on timing of related loan repayments post-reinvestment period. The term of the CRE CLO notes represents the rated final distribution date.

(4) On October 1, 2021, the benchmark index interest rate for borrowings under TRTX 2019-FL3 was converted from Compounded SOFR to Term SOFR by the designated transaction representative under the FL3 indenture. We have the right to convert the mortgage assets benchmark interest rate from LIBOR to Term SOFR to eliminate the difference between benchmark rates used for the assets and liabilities of the CRE CLO.

(5) As of September 30, 2022, the TRTX 2022-FL4 mortgage assets are indexed to LIBOR, with the exception of three participation interests totaling $106.4 million which are indexed to Term SOFR.

(6) As of September 30, 2022, the TRTX 2022-FL5 mortgage assets are indexed to LIBOR, with the exception of two participation interests totaling $87.8 million which are indexed to Term SOFR. We have the right to convert the mortgage assets benchmark interest rate from LIBOR to Compounded SOFR to eliminate the difference between benchmark rates used for the assets and liabilities of the CRE CLO.

(7) Collateral loan investment assets of FL3, FL4 and FL5 represent 13.4%, 23.4% and 20.2% of the aggregate unpaid principal balance of our loans held for investment portfolio as of September 30, 2022.

(8) During the three months ended September 30, 2022, we recognized interest expense of $26.4 million, which includes $1.9 million of deferred financing cost amortization. During the nine months ended September 30, 2022, we recognized interest expense of $58.8 million, which includes $6.0 million of deferred financing cost amortization.

During the three and nine months ended September 30, 2022, we utilized our eligible reinvestment feature related to TRTX 2021-FL4 six times, recycling repayment of loan principal of $120.9 million and eight times, recycling repayment of loan principal of $207.6 million, respectively. During the three and nine months ended September 30, 2022, we utilized our eligible reinvestment feature related to TRTX 2022-FL5 two times, recycling $74.2 million of principal repayments received. The reinvestment period for TRTX 2019-FL3 ended on October 11, 2021.

See Note 5 to our Consolidated Financial Statements included in this Form 10-Q for details about our CRE CLO reinvestment feature.

***Non-Consolidated Senior Interests and Retained Mezzanine Loans***

In certain instances, we create structural leverage through the co-origination or non-recourse syndication of a senior loan interest to a third party. In either case, the senior mortgage loan (i.e., the non-consolidated senior interest) is not included on our balance sheet. When we create structural leverage through the co-origination or non-recourse syndication of a senior loan interest to a third party, we retain on our balance sheet a mezzanine loan.

On August 18, 2022, our $35.0 million retained mezzanine loan was repaid. As of September 30, 2022, there are no non-consolidated senior interests or retained mezzanine loans outstanding.

***Financial Covenants for Outstanding Borrowings***

Our financial covenants and guarantees for outstanding borrowings related to our secured financing agreements require Holdco to maintain compliance with the following financial covenants (among others):

| Financial Covenant | Current |
|---|---|
| Cash Liquidity | Minimum cash liquidity of no less than the greater of: $15.0 million; and 5.0% of Holdco's recourse indebtedness |
| Tangible Net Worth | $1.0 billion, plus 75% of all subsequent equity issuances (net of discounts, commissions, expense), minus 75% of the redeemed or repurchased preferred or redeemable equity or stock |
| Debt-to-Equity | Debt-to-Equity ratio not to exceed 4.25 to 1.0 |
| Interest Coverage | Minimum interest coverage ratio of no less than 1.5 to 1.0 |

We were in compliance with all financial covenants for our secured credit agreements and secured revolving credit facility to the extent of outstanding balances as of September 30, 2022 and December 31, 2021.

If we fail to satisfy any of the covenants in our financing arrangements and are unable to obtain a waiver or other suitable relief from the lenders, we would be in default under these agreements, which could result in a cross-default or cross-acceleration under other financing arrangements, and our lenders could elect to declare outstanding amounts due and payable (or such amounts may automatically become due and payable), terminate their commitments, require the posting of additional collateral and enforce their respective interests against existing collateral. A default also could significantly limit our financing alternatives, which could cause us to curtail our investment activities or dispose of assets when we otherwise would not choose to do so. Further, this could make it difficult for us to satisfy the requirements necessary to maintain our qualification as a REIT for U.S. federal income tax purposes.

**Floating Rate Portfolio**

Our business model seeks to minimize our exposure to changing interest rates by match-indexing our assets using the same, or similar, benchmark indices, prior to December 31, 2021, LIBOR, and thereafter Term or Compounded SOFR. Accordingly, rising interest rates will generally increase our net interest income, while declining interest rates will generally decrease our net interest income, subject to the impact of interest rate floors in our mortgage loan investment portfolio. As of September 30, 2022, 100.0% of our loan investments by unpaid principal balance earned a floating rate of interest and were financed with liabilities that require interest payments based on floating rates, which resulted in $1.0 billion of net floating rate exposure, subject to the impact of interest rate floors on all our floating rate loans and less than 3.3% of our liabilities. Our liabilities are generally index-matched to each loan investment asset, resulting in a net exposure to movements in floating benchmark interest rates that vary based on the relative proportion of floating rate assets and liabilities.

The following table details the net floating rate exposure of our loan portfolio as of September 30, 2022 (dollars in thousands):

| | Net exposure |
|---|---|
| Floating rate mortgage loan assets[1] | $ 5,332,184 |
| Floating rate mortgage loan liabilities[1][2] | (4,319,971) |
| Total floating rate mortgage loan exposure, net | $ 1,012,213 |

(1) Prior to December 31, 2021, substantially all of our floating rate mortgage loan assets and liabilities were subject to LIBOR as the benchmark interest rate. As of September 30, 2022, $1.1 billion of $5.3 billion of our floating rate mortgage loan assets and $2.9 billion of $4.3 billion of our outstanding floating rate mortgage loan liabilities were subject to Compounded SOFR or Term SOFR as the benchmark interest rate.

(2) Floating rate liabilities include secured credit agreements, a secured revolving credit facility, asset-specific financing arrangements and collateralized loan obligations.

With the cessation of LIBOR expected to occur effective June 30, 2023, we continue to evaluate the appropriate timing to transition our assets and liabilities away from LIBOR to Term SOFR, the alternative rate endorsed by the Alternative Reference Rates Committee of the Federal Reserve System. Although recent statements from regulators indicate the possibility of a longer period of transition, perhaps extending through the final cessation of LIBOR in June 2023, we continue to utilize resources to revise our control and risk management systems to ensure there is no disruption to our day-to-day operations from the transition, when it is completed. We will continue to employ prudent risk management as it relates to the potential financial, operational, and legal risks associated with the expected cessation of LIBOR. While we generally seek to match index our assets and liabilities, there is an ongoing transition period as different underlying assets and sources of financing transition from LIBOR to an alternative index (generally, Term SOFR or Compounded SOFR) at different times.

***Interest-Earning Assets and Interest-Bearing Liabilities***

The following table presents the average balance of interest-earning assets and related interest-bearing liabilities, associated interest income and interest expense, and financing costs and the corresponding weighted average yields for our loan portfolio (dollars in thousands):

| | Three Months Ended, | | | | | |
|---|---|---|---|---|---|---|
| | September 30, 2022 | | | June 30, 2022 | | |
| | Average amortized cost[1] | Interest income / expense | Wtd. avg. yield / financing cost[2] | Average amortized cost[1] | Interest income / expense | Wtd. avg. yield / financing cost[2] |
| *Core Interest-earning assets:* | | | | | | |
| First mortgage loans | $ 4,902,928 | $ 74,680 | 6.1 % | $ 4,893,521 | $ 64,571 | 5.3 % |
| Retained mezzanine loans | 35,000 | 817 | 17.4 % | 35,000 | 1,450 | 16.6 % |
| Core interest-earning assets | $ 4,937,928 | $ 75,497 | 6.2 % | $ 4,928,521 | $ 66,021 | 5.4 % |
| | | | | | | |
| *Interest-bearing liabilities:* | | | | | | |
| Collateralized loan obligations | 2,529,651 | 26,380 | 4.2 % | $ 2,732,973 | $ 18,153 | 2.7 % |
| Secured credit agreements | 1,108,407 | 11,903 | 4.3 % | 1,107,521 | 8,299 | 3.0 % |
| Secured revolving credit facility | 167,809 | 2,259 | 6.0 % | 44,594 | 678 | 6.0 % |
| Asset-specific financing arrangements | 271,030 | 4,530 | 5.4 % | 90,323 | 878 | 5.4 |
| Total interest-bearing liabilities | $ 4,076,897 | $ 45,072 | 4.4 % | $ 3,975,411 | $ 28,008 | 2.9 % |
| Net interest income[3] | | $ 30,425 | | | $ 38,013 | |
| | | | | | | |
| Other Interest-earning assets: | | | | | | |
| Cash equivalents | $ 309,619 | $ 911 | 1.2 % | $ 365,822 | $ 219 | 0.2 % |
| Accounts receivable from servicer/trustee | 365,018 | 452 | 0.5 % | 207,252 | 33 | 0.1 % |
| Total interest-earning assets | $ 5,612,565 | $ 76,860 | 5.5 % | $ 5,501,595 | $ 66,273 | 4.8 % |

(1) Based on amortized cost for loans held for investment and interest-bearing liabilities as of September 30, 2022. Calculated balances as the month-end averages.

(2) Weighted average yield or financing cost calculated based on annualized interest income or expense divided by calculated month-end average outstanding balance.

(3) Represents interest income on core interest-earning assets less interest expense on total interest-bearing liabilities. Interest income on Other Interest-earning assets is included in Other Income, net on the consolidated statements of income and comprehensive income.

The following table presents the average balance of interest-earning assets and related interest-bearing liabilities, associated interest income and interest expense, and financing costs and the corresponding weighted average yields for our loan portfolio (dollars in thousands):

| | Nine Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | September 30, 2022 | | | September 30, 2021 | | |
| | Average amortized cost[1] | Interest income / expense | Wtd. avg. yield / financing cost[2] | Average amortized cost[1] | Interest income / expense | Wtd. avg. yield / financing cost[2] |
| *Core Interest-earning assets:* | | | | | | |
| First mortgage loans | $ 4,951,235 | $ 199,132 | 5.4 % | $ 4,678,282 | $ 176,687 | 5.0 % |
| Retained mezzanine loans | 34,987 | 3,403 | 15.6 % | 33,961 | 3,361 | 13.2 % |
| Core interest-earning assets | $ 4,986,222 | $ 202,535 | 5.4 % | $ 4,712,243 | $ 180,048 | 5.1 % |
| | | | | | | |
| *Interest-bearing liabilities:* | | | | | | |
| Collateralized loan obligations | 2,660,559 | 58,832 | 2.9 % | $ 2,600,659 | $ 35,705 | 1.8 % |
| Secured credit agreements | 1,135,636 | 28,246 | 3.3 % | 1,043,230 | 25,428 | 3.2 % |
| Secured revolving credit facility | 97,029 | 3,094 | 4.3 % | — | — | — |
| Asset-specific financing arrangements | 113,501 | 5,409 | 6.4 % | — | — | — |
| Mortgage loan payable | — | — | — | 50,000 | 2,153 | 5.7 % |
| Total interest-bearing liabilities | $ 4,006,725 | $ 95,581 | 3.2 % | $ 3,693,889 | $ 63,286 | 2.3 % |
| Net interest income[3] | | $ 106,954 | | | $ 116,762 | |
| | | | | | | |
| Other Interest-earning assets: | | | | | | |
| Cash equivalents | $ 325,106 | $ 1,134 | 0.5 % | $ 185,564 | $ 15 | 0.0 % |
| Accounts receivable from servicer/trustee | 172,093 | 485 | 0.4 % | 102,863 | 4 | 0.0 % |
| Total interest-earning assets | $ 5,483,421 | $ 204,154 | 5.0 % | $ 5,000,670 | $ 180,067 | 4.8 % |

(1) Based on amortized cost for loans held for investment and interest-bearing liabilities as of September 30, 2022. Calculated balances as the month-end averages.

(2) Weighted average yield or financing cost calculated based on annualized interest income or expense divided by calculated month-end average outstanding balance.

(3) Represents interest income on core interest-earning assets less interest expense on total interest-bearing liabilities. Interest income on Other Interest-earning assets is included in Other Income, net on the consolidated statements of income and comprehensive income.

## Our Results of Operations

### *Operating Results*

### *Comparison of the Three Months Ended September 30, 2022 and June 30, 2022*

The following table sets forth information regarding our consolidated results of operations (dollars in thousands, except per share data):

| | Three Months Ended | | |
|---|---|---|---|
| | September 30, 2022 | June 30, 2022[2] | Variance |
| **Interest income and interest expense** | | | |
| Interest income | $ 75,497 | $ 66,021 | $ 9,476 |
| Interest expense | (45,072) | (28,008) | (17,064) |
| **Net interest income** | 30,425 | 38,013 | (7,588) |
| **Other revenue** | | | |
| Other income, net | 1,362 | 629 | 733 |
| **Total other revenue** | 1,362 | 629 | 733 |
| **Other expenses** | | | |
| Professional fees | 1,074 | 1,150 | (76) |
| General and administrative | 1,197 | 949 | 248 |
| Stock compensation expense | 932 | 1,328 | (396) |
| Servicing and asset management fees | 494 | 493 | 1 |
| Management fee | 5,906 | 5,856 | 50 |
| Incentive management fee | — | 5,183 | (5,183) |
| **Total other expenses** | 9,603 | 14,959 | (5,356) |
| Gain on sale of real estate owned, net | — | 13,291 | (13,291) |
| Credit loss (expense) benefit, net | (136,666) | (42,290) | (94,376) |
| **(Loss) income before income taxes** | (114,482) | (5,316) | (109,166) |
| Income tax expense, net | (125) | (118) | (7) |
| **Net (loss) income** | $ (114,607) | $ (5,434) | $ (109,173) |
| Preferred stock dividends and participating securities' share in earnings | (3,307) | (3,374) | 67 |
| **Net (loss) income attributable to common stockholders - see Note 11** | $ (117,914) | $ (8,808) | $ (109,106) |
| **Other comprehensive income (loss)** | | | |
| Net (loss) income | $ (114,607) | $ (5,434) | $ (109,173) |
| **Comprehensive net (loss) income** | $ (114,607) | $ (5,434) | $ (109,173) |
| (Loss) earnings per common share, basic[(1)] | $ (1.52) | $ (0.11) | $ (1.41) |
| (Loss) earnings per common share, diluted[(1)] | $ (1.52) | $ (0.11) | $ (1.41) |
| Dividends declared per common share | $ 0.24 | $ 0.24 | $ — |

(1) Basic and diluted (loss) earnings per common share are computed independently based on the weighted-average shares of common stock outstanding. Diluted earnings per common share also includes the impact of participating securities outstanding plus any incremental shares that would be outstanding assuming the exercise of the Warrants.

(2) Additional information regarding our consolidated results of operations and financial performance for the three months ended June 30, 2022 can be found in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2022 filed with the SEC on August 2, 2022.

*Net Interest Income*

Net interest income decreased by $7.6 million to $30.4 million during the three months ended September 30, 2022 compared to $38.0 million for the three months ended June 30, 2022. The decrease was primarily due to an increase in the benchmark index rates tied to all of our loans and borrowings which increased our interest expense more quickly than it increased our interest income. By the end of the third quarter of 2022, the benchmark index rates exceeded the highest of the rate floors embedded in certain of our loans, which had previously constrained increases in interest income in response to rising benchmark rates. Additionally, our weighted average interest rate floors decreased from 0.90% as of June 30, 2022 to 0.85% as of September 30, 2022.

*Other Revenue*

Other revenue increased $0.7 million for the three months ended September 30, 2022 compared to the three months ended June 30, 2022 primarily due to an increase in interest rates earned on cash balances during the three months ended September 30, 2022, partially offset by the absence of $0.4 million of income recognized from our REO property prior to its sale during the three months ended June 30, 2022.

*Other Expenses*

Other expenses decreased $5.4 million for the three months ended September 30, 2022 compared to the three months ended June 30, 2022, primarily due to incentive management fee expense of $5.2 million earned during the second quarter of 2022 resulting from an increase in Core Earnings (as defined in the Management Agreement) primarily attributable to the $13.3 million gain on sale of real estate owned, net during the second quarter of 2022.

*Gain on Sale of Real Estate Owned, net*

During the three months ended June 30, 2022, we sold the remaining 10 acre parcel of the REO Property for net cash proceeds of $73.9 million and recognized a gain on sale of real estate owned, net of $13.3 million. We did not own any real estate owned during the three months ended September 30, 2022.

*Allowance for Credit Losses*

Allowance for Credit losses increased by $94.4 million for the three months ended September 30, 2022 compared to the three months ended June 30, 2022. The increase to our allowance for credit losses was due to weakening credit indicators, rising interest rates, inflationary expectations, an uncertain macroeconomic outlook that informed a more conservative macroeconomic forecast used to estimate our potential future credit losses, weakening conditions in the capital markets and a decline in investment sales, and new loan investments offset by loan repayments in-full. See Notes 3 and 15 to our Consolidated Financial Statements included in this Form 10-Q for additional details regarding our allowance for credit losses, risk ratings, and property type concentration risk.

*Preferred Stock Dividends and Participating Securities Share in Earnings*

During the three months ended September 30, 2022 and June 30, 2022, we declared and paid a cash dividend of $3.1 million related to our Series C Preferred Stock.

*Dividends Declared Per Common Share*

During the three months ended September 30, 2022, we declared cash dividends of $0.24 per common share, or $18.7 million. During the three months ended June 30, 2022, we declared cash dividends of $0.24 per common share, or $18.7 million.

***Comparison of the Nine Months Ended September 30, 2022 and September 30, 2021***

The following table sets forth information regarding our consolidated results of operations (dollars in thousands, except per share data):

| | Nine Months Ended | | |
|---|---|---|---|
| | **September 30, 2022** | **September 30, 2021** | **Variance** |
| **Interest income and interest expense** | | | |
| Interest income | $ 202,535 | $ 180,048 | $ 22,487 |
| Interest expense | (95,581) | (63,286) | (32,295) |
| **Net interest income** | 106,954 | 116,762 | (9,808) |
| **Other revenue** | | | |
| Other income, net | 2,009 | 350 | 1,659 |
| **Total other revenue** | 2,009 | 350 | 1,659 |
| **Other expenses** | | | |
| Professional fees | 3,370 | 3,380 | (10) |
| General and administrative | 3,315 | 3,285 | 30 |
| Stock compensation expense | 3,526 | 4,099 | (573) |
| Servicing and asset management fees | 1,481 | 1,117 | 364 |
| Management fee | 17,471 | 15,910 | 1,561 |
| Incentive management fee | 5,183 | — | 5,183 |
| **Total other expenses** | 34,346 | 27,791 | 6,555 |
| Gain on sale of real estate owned, net | 13,291 | — | 13,291 |
| Credit loss (expense) benefit, net | (183,840) | 5,751 | (189,591) |
| **Income before income taxes** | (95,932) | 95,072 | (191,004) |
| Income tax expense, net | (328) | (1,400) | 1,072 |
| **Net income** | $ (96,260) | $ 93,672 | $ (189,932) |
| Preferred stock dividends and participating securities' share in earnings | (10,026) | (16,497) | 6,471 |
| Series B Preferred Stock redemption make-whole payment | — | (22,485) | 22,485 |
| Series B Preferred Stock accretion, including allocated Warrant fair value and transaction costs | — | (25,449) | 25,449 |
| **Net income attributable to common stockholders - see Note 11** | $ (106,286) | $ 29,241 | $ (135,527) |
| **Other comprehensive income** | | | |
| Net income | $ (96,260) | $ 93,672 | $ (189,932) |
| **Comprehensive net income** | $ (96,260) | $ 93,672 | $ (189,932) |
| Earnings per common share, basic[(1)] | $ (1.38) | $ 0.38 | $ (1.76) |
| Earnings per common share, diluted[(1)] | $ (1.38) | $ 0.36 | $ (1.74) |
| Dividends declared per common share | $ 0.72 | $ 0.64 | $ 0.08 |

(1) Basic and diluted earnings per common share are computed independently based on the weighted-average shares of common stock outstanding. Diluted earnings per common share also includes the impact of participating securities outstanding plus any incremental shares that would be outstanding assuming the exercise of the Warrants.

*Net Interest Income*

Net interest income decreased $9.8 million to $107.0 million during the nine months ended September 30, 2022 compared to $116.8 million for the nine months ended September 30, 2021. The decrease was primarily due to an increase in the weighted average index rate, which increased our interest expense, and the lingering impact of high-rate floors on certain of our loans, which limited an increase in interest income on these loans until late in the third quarter, when benchmark rates exceeded 100% of our rate floors during the nine months ended September 30, 2022. Our weighted average interest rate floors decreased from 1.33% as of September 30, 2021 to 0.85% as of September 30, 2022.

*Other Revenue*

Other revenue increased $1.7 million for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 primarily due to an increase in interest rates earned on our cash balances and $0.4 million recognized in association with our REO property prior to its sale during the second quarter of 2022.

*Other Expenses*

Other expenses increased $6.6 million for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021, primarily due to incentive management fees of $5.2 million resulting from an increase in Core Earnings primarily attributable to the $13.3 million gain on sale of real estate owned, net during the second quarter of 2022. Additionally, management fee expense increased $1.6 million for the nine months ended September 30, 2022 compared to the same period in 2021.

*Gain on Sale of Real Estate Owned, net*

During the nine months ended September 30, 2022, we sold the remaining 10 acre parcel of the REO Property for net cash proceeds of $73.9 million and recognized a gain on sale of real estate owned, net of $13.3 million. We did not sell any real estate owned during the nine months ended September 30, 2021.

*Allowance for Credit Losses*

Allowance for Credit losses increased by $189.6 million for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021, primarily due to a $183.8 million increase to our allowance for credit losses during the nine months ended September 30, 2022 compared to a $5.8 million benefit recognized during the comparable period. The increase to the Company's allowance for credit losses was due to weakening credit indicators, weakening conditions in the capital markets and a decline in investment sales, inflationary expectations, an uncertain macroeconomic outlook that informed a more conservative macroeconomic forecast used to estimate our potential future credit losses, and new loan investments offset by loan repayments in-full. See Notes 3 and 15 to our Consolidated Financial Statements included in this Form 10-Q for additional details regarding our allowance for credit losses, risk ratings, and property type concentration risk.

*Income Tax Expense*

Income tax expense decreased $1.1 million for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 primarily due to a reduction of excess inclusion income (“EII”) generated by certain of our CRE CLOs. Any EII generated by our CRE CLOs is ultimately allocated further to our TRSs. Consequently, no EII is allocated to us and, as a result, our shareholders will not be allocated any EII or unrelated business taxable income by us. See Note 9 to our Consolidated Financial Statements included in this Form 10-Q for details.

*Preferred Stock Dividends and Participating Securities Share in Earnings*

During the nine months ended September 30, 2022, we declared and paid a cash dividend of $9.4 million related to our Series C Preferred Stock. During the nine months ended September 30, 2021, we declared and paid a cash dividend of $12.3 million related to our Series B Preferred Stock.

*Series B Preferred Stock Redemption Make-Whole Payment*

During the nine months ended September 30, 2021, we made a make-whole payment of $22.5 million to the holder of the Series B Preferred Stock for an amount equal to the present value of all remaining dividend payments due on such shares of Series B Preferred Stock from and after the redemption date (any not including any declared or paid dividends or accrued dividends prior to such redemption date) through the second anniversary of the original issue date, computed in accordance with the terms of the Articles Supplementary. See Note 12 to our Consolidated Financial Statements included in this Form 10-Q for additional details.

*Series B Preferred Stock Accretion, Including Allocated Warrant Fair Value and Transaction Costs*

During the nine months ended September 30, 2021, in connection with the redemption of the Series B Preferred Stock, we accelerated and wrote-off the unamortized discount related to the allocated Warrant fair value and transaction costs. See Note 12 to our Consolidated Financial Statements included in this Form 10-Q for additional details.

*Dividends Declared Per Common Share*

During the nine months ended September 30, 2022, we declared cash dividends of $0.72 per common share, or $56.1 million. During the nine months ended September 30, 2021, we declared cash dividends of $0.64 per common share, or $49.6 million.

## Liquidity and Capital Resources

### *Capitalization*

We have capitalized our business to-date through, among other things, the issuance and sale of shares of our common stock, issuance of Series C Preferred Stock classified as permanent equity, issuance of Series B Preferred Stock treated as temporary equity, borrowings under secured credit agreements, secured revolving credit facilities, collateralized loan obligations, mortgage loan payable, asset-specific financings, and non-consolidated senior interests. As of September 30, 2022, we had outstanding 77.4 million shares of our common stock representing $1.1 billion of stockholders' equity, $194.4 million of Series C Preferred Stock, and $4.3 billion of outstanding borrowings used to finance our investments and operations.

See Notes 5 and 6 to our Consolidated Financial Statements included in this Form 10-Q for details regarding our borrowings under secured credit agreements, a secured revolving credit facility, asset-specific financings and collateralized loan obligations.

### *Debt-to-Equity Ratio and Total Leverage Ratio*

Our Debt-to-Equity ratio and Total Leverage ratio as of September 30, 2022 reflect the increase in our allowance for credit losses during the nine months ended September 30, 2022 of $183.8 million.

The following table presents our Debt-to-Equity ratio and Total Leverage ratio:

| | September 30, 2022 | December 31, 2021 |
|---|---|---|
| Debt-to-equity ratio[(1)] | 3.13x | 2.36x |
| Total leverage ratio[(2)] | 3.13x | 2.45x |

(1) Represents (i) total outstanding borrowings under secured financing arrangements, including collateralized loan obligations, secured credit agreements, asset-specific financing arrangements, a secured revolving credit facility, and mortgage loans payable (if any), less cash, to (ii) total stockholders' equity, at period end.

(2) Represents (i) total outstanding borrowings under secured financing arrangements, including collateralized loan obligations, secured credit agreements, asset-specific financing arrangements, a secured revolving credit facility, and mortgage loans payable (if any), plus non-consolidated senior interests sold or co-originated (if any), less cash, to (ii) total stockholders' equity, at period end.

### *Sources of Liquidity*

Our primary sources of liquidity include cash and cash equivalents, available borrowings under secured credit agreements, available borrowings under our asset-specific financing arrangements, capacity in our collateralized loan obligations available for reinvestment, and a secured revolving credit facility.

Our current sources of immediate liquidity are set forth in the following table (dollars in thousands):

| | September 30, 2022 | December 31, 2021 |
|---|---|---|
| Cash and cash equivalents | $ 236,094 | $ 260,635 |
| Secured credit agreements | 48,580 | 60,319 |
| Collateralized loan obligation proceeds held at trustee | 286,621 | 204 |
| Total | $ 571,295 | $ 321,158 |

Our existing loan portfolio provides us with liquidity as loans are repaid or sold, in whole or in part, of which some proceeds may be included in accounts receivable from our servicers until released and the proceeds from such repayments become available for us to reinvest. For the nine months ended September 30, 2022, loan repayments (including $0.6 million of accrued PIK interest) totaled $1,171.7 million. Additionally, we held unencumbered loan investments with an aggregate unpaid principal balance of $7.6 million that are eligible to pledge under our existing financing arrangements.

### *Uses of Liquidity*

In addition to our ongoing loan activity, our primary liquidity needs include interest and principal payments under our $4.3 billion of outstanding borrowings under secured credit agreements, a secured revolving credit facility, asset-specific financing arrangements, and collateralized loan obligations, $462.9 million of unfunded loan commitments on our loans held for investment, dividend distributions to our preferred and common stockholders, and operating expenses.

***Consolidated Cash Flows***

Our primary cash flow activities involve actively managing our investment portfolio, originating floating rate, first mortgage loan investments, and raising capital through public offerings of our equity and debt securities.

The following table provides a breakdown of the net change in our cash, cash equivalents, and restricted cash balances (dollars in thousands):

| | Nine Months Ended September 30, | |
|---|---|---|
| | **2022** | **2021** |
| Cash flows provided by operating activities | $ 82,540 | $ 97,023 |
| Cash flows (used in) investing activities | (616,841) | (332,550) |
| Cash flows provided by financing activities | 509,840 | 185,788 |
| Net change in cash, cash equivalents, and restricted cash | $ (24,461) | $ (49,739) |

*Operating Activities*

During the nine months ended September 30, 2022 and 2021, cash flows provided by operating activities totaled $82.5 million and $97.0 million, respectively, primarily related to net interest income, offset by operating expenses.

*Investing Activities*

During the nine months ended September 30, 2022, cash flows used in investing activities totaled $616.8 million primarily due to new loan originations and acquisitions of $1,461.9 million, advances on loans of $105.9 million, offset by loan repayments of $877.1 million and proceeds from the sale of real estate owned of $73.9 million. During the nine months ended September 30, 2021 cash flows used in investing activities totaled $332.6 million primarily due to new loan originations of $1,062.9 million and advances on loans of $110.2 million, offset by loan repayments of $782.1 million and proceeds from sales of loans of $58.4 million.

*Financing Activities*

During the nine months ended September 30, 2022, cash flows provided by financing activities totaled $509.8 million primarily due to the issuance of TRTX 2022-FL5 which generated gross proceeds of $907.0 million, borrowings on our secured financing agreements of $1,147.5 million, borrowings on our asset-specific financing arrangements of $564.2 million, offset by repayments of CRE CLO liabilities of $995.5 million (of which $600.8 million related to the redemption of TRTX 2018-FL2), payments on secured financing agreements of $1,025.5 million, and payment of dividends on our common stock and Series C Preferred Stock of $71.0 million. During the nine months ended September 30, 2021, cash flows provided by financing activities totaled $185.8 million primarily due to proceeds from the issuance of TRTX 2021-FL4 of $1.04 billion net of the FL4 Ramp-Up Account of $308.9 million, issuance of Series C Preferred Stock of $201.3 million offset by net payments on secured financing agreements of $602.9 million, payments related to the redemption of Series B Preferred Stock of $247.5 million, payment of dividends on our common stock and Series B Preferred Stock of $76.5 million and payments of deferred financing costs of $9.4 million.

See Note 5 to our Consolidated Financial Statements included in this Form 10-Q for additional details related to our CRE CLO financing activities.

**Contractual Obligations and Commitments**

Our contractual obligations and commitments as of September 30, 2022 were as follows (dollars in thousands):

| | | Payment timing | | | |
|---|---|---|---|---|---|
| | Total obligation | Less than 1 Year | 1 to 3 Years | 3 to 5 Years | More than 5 Years |
| Unfunded loan commitments[1] | $ 462,912 | $ 160,859 | $ 302,053 | $ — | $ — |
| Collateralized loan obligations—principal[2] | 2,467,526 | 761,095 | 516,771 | 353,245 | 836,415 |
| Secured credit agreements—principal[3] | 1,083,854 | 88,891 | 994,963 | — | — |
| Secured revolving credit facility—principal[3] | 204,359 | — | 204,359 | — | — |
| Asset-specific financing arrangements—principal[4] | 564,232 | — | 292,660 | 271,572 | — |
| Collateralized loan obligations—interest[5] | 365,932 | 23,361 | 52,132 | 59,482 | 230,957 |
| Secured credit agreements—interest[5] | 105,998 | 2,574 | 103,424 | — | — |
| Secured revolving credit facility—interest[3] | 25,073 | — | 25,073 | — | — |
| Asset-specific financing arrangements—interest[5] | 97,021 | — | 31,029 | 65,992 | — |
| Total | $ 5,376,907 | $ 1,036,780 | $ 2,522,464 | $ 750,291 | $ 1,067,372 |

(1) The allocation of our unfunded loan commitments for our loans held for investment portfolio is based on the earlier of the commitment expiration date and the loan maturity date.

(2) Collateralized loan obligation liabilities are based on the fully extended maturity of mortgage loan collateral, considering the reinvestment window of our collateralized loan obligation.

(3) The allocation of secured credit agreements and secured revolving credit facility is based on the extended maturity date for those secured financing agreements where extensions are at our option, subject to no default, or the current maturity date of those facilities where extension options are subject to counterparty approval.

(4) The allocation of asset-specific financing arrangements are based on the extended maturity date for the specific arrangement or, in the case of the BMO Facility and the Institutional Lender 2 arrangement, the fully extended maturity date of the underlying mortgage loan collateral.

(5) Amounts include the related future interest payment obligations, which are estimated by assuming the amounts outstanding under our secured debt agreements, asset-specific financing arrangements and collateralized loan obligations and the interest rates in effect as of September 30, 2022 will remain constant into the future. This is only an estimate, as actual amounts borrowed and rates will vary over time. Our floating rate loans are indexed to LIBOR or Term SOFR; our related liabilities are indexed to LIBOR, Compounded SOFR or Term SOFR.

With respect to our debt obligations that are contractually due within the next five years, we plan to employ several strategies to meet these obligations, including: (i) exercising maturity date extension options that exist in our current financing arrangements; (ii) negotiating extensions of terms with our providers of credit; (iii) periodically accessing the public and private equity and debt capital markets to raise cash to fund new investments or the repayment of indebtedness; (iv) the issuance of additional structured finance vehicles, such as collateralized loan obligations similar to TRTX 2022-FL5, TRTX 2021-FL4, or TRTX 2019-FL3 as a method of financing; (v) term loans with private lenders; (vi) selling loans to generate cash to repay our debt obligations; and/or (vii) applying repayments from underlying loans to satisfy the debt obligations which they secure. Although these avenues have been available to us in the past, we cannot offer any assurance that we will be able to access any or all of these alternatives in the future.

We are required to pay our Manager a base management fee, an incentive fee, and reimbursements for certain expenses pursuant to our Management Agreement. The table above does not include the amounts payable to our Manager under our Management Agreement as they are not fixed and determinable. No incentive management fee was earned during the three months ended September 30, 2022. During the nine months ended September 30, 2022, our Manager earned $5.2 million of incentive management fees. See Note 10 to our Consolidated Financial Statements included in this Form 10-Q for additional terms and details of the fees payable under our Management Agreement.

As a REIT, we generally must distribute substantially all of our net taxable income to stockholders in the form of dividends to comply with the REIT provisions of the Internal Revenue Code. In 2017, the IRS issued a revenue procedure permitting “publicly offered” REITs to make elective stock dividends (i.e. dividends paid in a mixture of stock and cash), with at least 20% of the total distribution being paid in cash, to satisfy their REIT distribution requirements. Pursuant to this revenue procedure, we may elect to make future distributions of our taxable income in a mixture of stock and cash.

Our REIT taxable income does not necessarily equal our net income as calculated in accordance with GAAP or our Distributable Earnings as described above. See Note 9 to our Consolidated Financial Statements included in this Form 10-Q for additional details.

**Corporate Activities**

***Offering of Common Stock***

On March 7, 2019, we and our Manager entered into an equity distribution agreement with each of Citigroup Global Markets Inc., J.P. Morgan Securities LLC, JMP Securities LLC, Wells Fargo Securities, LLC and TPG Capital BD, LLC (each a "Sales Agent" and, collectively, the "Sales Agents") relating to the issuance and sale of shares of our common stock pursuant to a continuous offering program. In accordance with the terms of the equity distribution agreement, we may, at our discretion and from time to time, offer and sell shares of our common stock having an aggregate gross sales price of up to $125.0 million through the Sales Agents, each acting as our agent. The offering of shares of our common stock pursuant to the equity distribution agreement will terminate upon the earlier of (1) the sale of shares of our common stock subject to the equity distribution agreement having an aggregate gross sales price of $125.0 million and (2) the termination of the equity distribution agreement by the Sales Agents or us at any time as set forth in the equity distribution agreement. As of September 30, 2022, cumulative gross proceeds issued under the equity distribution agreement totaled $50.9 million, leaving $74.1 million available for future issuance subject to the direction of management, and market conditions.

Each Sales Agent will be entitled to commissions in an amount not to exceed 1.75% of the gross sales prices of shares of our common stock sold through it, as our agent. No shares of common stock were sold pursuant to the equity distribution agreement during the nine months ended September 30, 2022 and 2021.

***Dividends***

Upon the approval of our Board of Directors, we accrue dividends. Dividends are paid first to the holders of our Series A preferred stock at the rate of 12.5% of the total $0.001 million liquidation preference per annum plus all accumulated and unpaid dividends thereon, then to the holder of our Series B Preferred Stock (which was redeemed in-full on June 16, 2021) at the rate of 11.0% per annum of the $25.00 per share liquidation preference, then to the holders of our Series C Preferred Stock at the rate of 6.25% per annum of the $25.00 per share liquidation preference, and then to the holders of our common stock, in each case, to the extent outstanding. We intend to distribute each year not less than 90% of its taxable income to its stockholders to comply with the REIT provisions of the Internal Revenue Code. The Board of Directors will determine whether to pay future dividends, entirely in cash, or in a combination of stock and cash based on facts and circumstances at the time such decisions are made.

On September 12, 2022, our Board of Directors declared and approved a cash dividend of $0.24 per share of common stock, or $18.7 million in the aggregate, for the third quarter of 2022. The common stock dividend was paid on October 25, 2022 to the holders of record of our common stock as of September 28, 2022.

On September 8, 2022, our Board of Directors declared a cash dividend of $0.3906 per share of Series C Preferred Stock, or $3.1 million in the aggregate, for the third quarter of 2022. The Series C Preferred Stock dividend was paid on September 30, 2022 to the preferred stockholders of record as of September 20, 2022.

On September 13, 2021, our Board of Directors declared and approved a cash dividend of $0.24 per share of common stock, or $18.6 million in the aggregate, for the third quarter of 2021. The common stock dividend was paid on October 22, 2021 to the holders of record of our common stock as of September 29, 2021.

On September 13, 2021, our Board of Directors declared a cash dividend of $0.4601 per share of Series C Preferred Stock, or $3.7 million in the aggregate, for the period of issuance to, but not including, September 30, 2021. The Series C Preferred Stock dividend was paid on September 30, 2021 to the preferred stockholders of record as of September 20, 2021.

For the nine months ended September 30, 2022 and 2021, common stock dividends in the amount of $56.1 million and $49.6 million, respectively, were declared and approved.

As of September 30, 2022 and December 31, 2021, common stock dividends of $18.7 million and $24.2 million, respectively, were unpaid and are reflected in dividends payable on our consolidated balance sheets.

**Critical Accounting Policies and Use of Estimates**

The preparation of our consolidated financial statements in accordance with GAAP requires our management to make estimates and judgments that affect the reported amounts of assets and liabilities, interest income and other revenue recognition, allowance for loan losses, expense recognition, tax liability, future impairment of our investments, valuation of our investment portfolio and disclosure of contingent assets and liabilities, among other items. Our management bases these estimates and judgments about current, and for some estimates, future economic and market conditions and their effects on available information, historical experience and other assumptions that we believe are reasonable under the circumstances. However, these estimates, judgments and assumptions are often subjective and may be impacted negatively based on changing circumstances or changes in our analyses.

If conditions change from those expected, it is possible that our judgments, estimates and assumptions could change, which may result in a change in our interest income and other revenue recognition, allowance for loan losses, expense recognition, tax liability, future impairment of our investments, and valuation of our investment portfolio, among other effects. If actual amounts are ultimately different from those estimated, judged or assumed, revisions are included in the consolidated financial statements in the period in which the actual amounts become known. We believe our critical accounting estimates could potentially produce materially different results if we were to change underlying estimates, judgments or assumptions. Except as discussed below, there have been no material changes to our Critical Accounting Policies and Use of Estimates as described within "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Form 10-K filed with the SEC on February 23, 2022.

***Credit Losses***

As discussed in Note 2 to the Consolidated Financial Statements in our Form 10-K filed with the SEC on February 23, 2022, on January 1, 2020, we adopted Accounting Standard Update (“ASU”) 2016-13, Financial Instruments-Credit Losses, and subsequent amendments, which replaced the incurred loss methodology with an expected loss model known as the Current Expected Credit Loss ("CECL") model. The initial CECL reserve recorded on January 1, 2020 is reflected as a direct charge to our retained earnings on the consolidated statements of changes in equity. Subsequent changes to the CECL reserve are recognized through net income on our consolidated statements of income (loss) and comprehensive income (loss). The allowance for credit losses measured under the CECL accounting framework represents an estimate of current expected losses for our existing portfolio of loans held for investment, and is presented as a valuation reserve on our consolidated balance sheets. Expected credit losses related to non-cancelable unfunded loan commitments are accounted for as separate liabilities included in accrued expenses and other liabilities on the consolidated balance sheets. The allowance for credit losses for loans held for investment, as reported in our consolidated balance sheets, is adjusted by a credit loss benefit (expense), which is reported in earnings in the consolidated statements of income (loss) and comprehensive income (loss) and reduced by the write-off of loan amounts, net of recoveries and additions related to purchased credit-deteriorated (“PCD”) assets, if relevant. The allowance for credit losses includes a modeled component and an individually-assessed component. We have elected to not measure an allowance for credit losses on accrued interest receivables related to all of our loans held for investment because we write off uncollectible accrued interest receivable in a timely manner pursuant to our non-accrual policy, described above.

We consider key credit quality indicators in underwriting loans and estimating credit losses, including but not limited to: the capitalization of borrowers and sponsors; the expertise of the borrowers and sponsors in a particular real estate sector and geographic market; collateral type; geographic region; use and occupancy of the property; property market value; loan-to-value (“LTV”) ratio; loan amount and lien position; debt service and coverage ratio; our risk rating for the same and similar loans; and prior experience with the borrower and sponsor. This information is used to assess the financial and operating capability, experience and profitability of the sponsor/borrower. Ultimate repayment of our loans is sensitive to interest rate changes, general economic conditions, liquidity, LTV ratio, existence of a liquid investment sales market for commercial properties, and availability of replacement short-term or long-term financing. The loans in our commercial mortgage loan portfolio are secured by collateral of the following property types: office; life science; multifamily; hotel; industrial; mixed-use; land for industrial and office use; and self storage.

Our loans are typically collateralized by real estate, or in the case of mezzanine loans, by a partnership interest or similar equity interest in an entity that owns real estate. We regularly evaluate on a loan-by-loan basis, typically no less frequently than quarterly, the extent and impact of any credit deterioration associated with the performance and/or value of the underlying collateral property, and the financial and operating capability of the borrower/sponsor. We also evaluate the financial strength of loan guarantors, if any, and the borrower’s competency in managing and operating the property or properties. In addition, we consider the overall economic environment, real estate sector, and geographic sub-market in which the borrower operates. Such analyses are completed and reviewed by asset management personnel and evaluated by senior management, who utilize various data sources, including, to the extent available (i) periodic financial data such as property occupancy, tenant profile, rental rates, operating expenses, the borrower’s exit plan, and capitalization and discount rates, (ii) site inspections, (iii) sales and financing comparables, (iv) current credit spreads for refinancing and (v) other market data.

Quarterly, we evaluate the risk of all loans and assign a risk rating based on a variety of factors, grouped as follows: (i) loan and credit structure, including the as-is LTV and structural features; (ii) quality and stability of real estate value and operating cash flow, including debt yield, property type, dynamics of the geography, property type and local market, physical condition, stability of cash flow, leasing velocity and quality and diversity of tenancy; (iii) performance against underwritten business plan; and (iv) quality, experience and financial condition of sponsor, borrower and guarantor(s). Based on a 5-point scale, our loans are rated "1" through "5," from least risk to greatest risk, respectively, which ratings are defined as follows:

1 - Outperform—Exceeds performance metrics (for example, technical milestones, occupancy, rents, net operating income) included in original or current credit underwriting and business plan;

2 - Meets or Exceeds Expectations—Collateral performance meets or exceeds substantially all performance metrics included in original or current underwriting / business plan;

3 - Satisfactory—Collateral performance meets or is on track to meet underwriting; business plan is met or can reasonably be achieved;

4 - Underperformance—Collateral performance falls short of original underwriting, material differences exist from business plan, or both; technical milestones have been missed; defaults may exist, or may soon occur absent material improvement; and

5 - Default/Possibility of Loss—Collateral performance is significantly worse than underwriting; major variance from business plan; loan covenants or technical milestones have been breached; the loan is in default or substantially in default; timely exit from loan via sale or refinancing is questionable; significant risk of principal loss.

We generally assign a risk rating of "3" to all loans originated or acquired during the most recent quarter, except when specific circumstances warrant an exception.

Our CECL reserve also reflects an estimation of the current and future economic conditions that impact the performance of the commercial real estate assets securing the loans. These estimations include unemployment rates, inflation rates, interest rates, price indices for commercial property, current and expected future availability of liquidity in the commercial property debt and equity capital markets, and other macroeconomic factors that may influence the likelihood and magnitude of potential credit losses for our loans during their anticipated term. We license certain macroeconomic financial forecasts to inform our view of the potential future impact that broader economic conditions may have on our loan portfolio's performance. Selection of the economic forecast or forecasts used, in conjunction with loan level inputs, to determine the CECL reserve requires significant judgment about future events that, while based on the information available to us as of the balance sheet date, are ultimately unknowable with certainty. The actual economic conditions impacting our loan portfolio could vary significantly from the estimates made for the periods presented.

The commercial property investment sales and commercial mortgage loan markets have experienced uneven liquidity due to global macroeconomic conditions, including heightened inflation, changes to fiscal and monetary policy, increased interest rates, currency fluctuations, labor shortages and challenges in the supply chain, coupled with the war in Ukraine and the lingering aftereffects of COVID-19, which has made it more difficult to estimate key inputs for estimating the allowance for credit losses. The amount of allowance for credit losses is influenced by the size of our loan portfolio, loan asset quality, risk rating, delinquency status, historic loss experience and other conditions influencing loss expectations, such as reasonable and supportable forecasts of economic conditions. We employ two methods to estimate credit losses in our loan portfolio: a loss-given-default ("LGD") model-based approach utilized for substantially all of our loans; and an individually-assessed approach for loans for which we conclude it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan, or are individually-assessed based on accounting guidance contained in the CECL accounting guidance because the loan is in default, or default is probable and impending, and repayment of the loan is expected based solely on the underlying collateral value. Estimates made by us are necessarily subject to change due to the limited number of observable inputs and uncertainty regarding the global macroeconomic conditions described above. See Note 2 to the Consolidated Financial Statements in this Form 10-Q for further discussion of our methodologies.

Significant judgment is required when estimating future credit losses and as a result actual losses over time could be materially different. During the three and nine months ended September 30, 2022, we recognized an increase of $132.3 million and $179.4 million, respectively, to our allowance for credit losses. The credit loss allowance was $225.6 million as of September 30, 2022.

See Note 2 to our Consolidated Financial Statements included in this Form 10-Q for a listing and description of our significant accounting policies.

**Recent Accounting Pronouncements**

For a discussion of recently issued accounting pronouncements, see Note 2 to our Consolidated Financial Statements included in this Form 10-Q.

**Subsequent Events**

For a discussion of subsequent events, see Note 16 to our Consolidated Financial Statements included in this Form 10-Q.

### *Loan Portfolio Details*

The following table provides details with respect to our loans held for investment portfolio on a loan-by-loan basis as of September 30, 2022 (dollars in millions, except loan per square foot/unit):

| Loan # | Form of investment | Origination or acquisition date[2] | Total loan | Principal balance | Amortized cost[3] | Interest rate[4] | All-in yield[5] | Fixed / floating | Extended maturity[6] | City / state | Property type | Loan type | Loan per SQFT / unit | LTV[7] | Risk rating[8] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| First mortgage loans[1] | | | | | | | | | | | | | | | |
| 1 | Senior Loan | 7/28/2022 | $ 245.0 | $ 245.0 | $ 245.0 | S + 3.4% | S + 3.6% | Floating | 8/9/2027 | San Jose, CA | Multifamily | Bridge | $444,646 Unit | 75.9 % | 3 |
| 2 | Senior Loan[10] | 8/21/2019 | 228.8 | 226.9 | 226.9 | L + 1.6% | L + 1.8% | Floating | 9/9/2024 | New York, NY | Office | Light Transitional | $452 Sq ft | 65.2 % | 3 |
| 3 | Senior Loan | 5/5/2021 | 215.0 | 151.9 | 151.4 | L + 3.9% | L + 4.1% | Floating | 5/9/2026 | Daly City, CA | Life Science | Moderate Transitional | $545 Sq ft | 63.1 % | 3 |
| 4 | Senior Loan | 7/20/2021 | 188.0 | 187.0 | 187.0 | L + 3.4% | L + 3.6% | Floating | 8/9/2026 | Various, NJ | Multifamily | Bridge | $151,369 Unit | 71.3 % | 3 |
| 5 | Senior Loan[11] | 9/18/2019 | 185.0 | 185.0 | 185.0 | L + 2.9% | L + 3.2% | Floating | 3/9/2023 | New York, NY | Office | Moderate Transitional | $836 Sq ft | 65.2 % | 3 |
| 6 | Senior Loan[12] | 6/28/2018 | 177.6 | 169.6 | 169.6 | L + 4.7% | L + 5.1% | Floating | 3/9/2024 | Philadelphia, PA | Office | Bridge | $166 Sq ft | 73.6 % | 4 |
| 7 | Senior Loan | 8/7/2018 | 152.6 | 110.4 | 110.4 | L + 3.4% | L + 3.6% | Floating | 8/9/2024 | Atlanta, GA | Office | Light Transitional | $215 Sq ft | 61.4 % | 3 |
| 8 | Senior Loan[13] | 9/1/2022 | 148.5 | 140.8 | 135.8 | L + 3.5% | L + 4.6% | Floating | 6/9/2026 | Dallas, TX | Hotel | Bridge | $445,946 Unit | 54.2 % | 2 |
| 9 | Senior Loan | 5/15/2019 | 141.0 | 132.5 | 132.5 | L + 3.6% | L + 4.0% | Floating | 9/9/2023 | New York, NY | Mixed-Use | Moderate Transitional | $1,717 Sq ft | 61.0 % | 4 |
| 10 | Senior Loan[14] | 9/1/2022 | 128.0 | 128.0 | 118.4 | L + 3.5% | L + 10.7% | Floating | 11/15/2023 | San Francisco, CA | Multifamily | Bridge | $387,969 Unit | 67.0 % | 3 |
| 11 | Senior Loan | 5/7/2021 | 122.5 | 119.1 | 119.1 | L + 2.9% | L + 3.1% | Floating | 5/9/2026 | Towson, MD | Multifamily | Bridge | $147,947 Unit | 70.2 % | 3 |
| 12 | Senior Loan | 6/14/2021 | 114.0 | 86.0 | 86.0 | L + 3.1% | L + 3.4% | Floating | 7/9/2026 | Hayward, CA | Life Science | Moderate Transitional | $308 Sq ft | 49.7 % | 3 |
| 13 | Senior Loan | 11/26/2019 | 113.0 | 113.7 | 113.7 | L + 3.0% | L + 3.3% | Floating | 12/9/2024 | Burbank, CA | Hotel | Bridge | $231,557 Unit | 70.4 % | 4 |
| 14 | Senior Loan[15] | 9/1/2022 | 112.8 | 112.8 | 112.2 | L + 3.3% | L + 3.6% | Floating | 8/9/2024 | Brooklyn, NY | Multifamily | Bridge | $473,950 Unit | 50.9 % | 2 |
| 15 | Senior Loan | 12/20/2018 | 105.9 | 101.8 | 101.8 | L + 4.0% | L + 4.2% | Floating | 1/9/2024 | Torrance, CA | Mixed-Use | Moderate Transitional | $254 Sq ft | 61.1 % | 4 |
| 16 | Senior Loan | 12/18/2019 | 101.0 | 86.3 | 86.3 | L + 2.6% | L + 2.8% | Floating | 1/9/2025 | Arlington, VA | Office | Light Transitional | $319 Sq ft | 71.1 % | 4 |
| 17 | Senior Loan | 4/1/2022 | 97.0 | 76.0 | 76.0 | S + 3.4% | S + 3.7% | Floating | 4/9/2027 | Los Angeles, CA | Multifamily | Moderate Transitional | $551,136 Unit | 60.0 % | 3 |
| 18 | Senior Loan | 12/9/2021 | 96.0 | 90.0 | 89.2 | L + 3.8% | L + 4.0% | Floating | 12/9/2026 | Los Angeles, CA | Multifamily | Light Transitional | $213,808 Unit | 78.1 % | 3 |
| 19 | Senior Loan | 10/27/2021 | 92.2 | 89.5 | 89.5 | L + 3.3% | L + 3.6% | Floating | 11/9/2026 | Nashville, TN | Multifamily | Light Transitional | $143,984 Unit | 73.2 % | 3 |
| 20 | Senior Loan | 6/29/2021 | 90.0 | 85.3 | 85.3 | L + 3.0% | L + 3.2% | Floating | 7/9/2026 | Columbus, OH | Multifamily | Light Transitional | $109,756 Unit | 79.0 % | 3 |
| 21 | Senior Loan | 9/29/2017 | 89.5 | 89.2 | 89.2 | L + 3.9% | L + 4.2% | Floating | 10/9/2022 | Dallas, TX | Office | Moderate Transitional | $106 Sq ft | 50.7 % | 5 |
| 22 | Senior Loan | 9/25/2020 | 87.9 | 78.3 | 78.3 | L + 3.0% | L + 3.1% | Floating | 4/9/2025 | Brooklyn, NY | Office | Light Transitional | $198 Sq ft | 78.4 % | 5 |
| 23 | Senior Loan | 2/1/2017 | 80.7 | 80.7 | 80.7 | L + 5.7% | L + 6.0% | Floating | 2/9/2023 | St. Pete Beach, FL | Hotel | Light Transitional | $211,257 Unit | 60.7 % | 2 |
| 24 | Senior Loan | 11/30/2021 | 80.0 | 78.8 | 78.2 | L + 3.5% | L + 3.8% | Floating | 12/9/2026 | Arlington Heights, IL | Multifamily | Bridge | $304,183 Unit | 70.9 % | 3 |
| 25 | Senior Loan | 8/8/2019 | 76.5 | 63.3 | 63.3 | L + 3.0% | L + 3.2% | Floating | 8/9/2024 | Orange, CA | Office | Moderate Transitional | $225 Sq ft | 64.2 % | 4 |
| 26 | Senior Loan | 12/10/2019 | 75.8 | 61.5 | 61.5 | L + 2.6% | L + 2.8% | Floating | 12/9/2024 | San Mateo, CA | Office | Moderate Transitional | $368 Sq ft | 65.8 % | 4 |
| 27 | Senior Loan | 10/12/2021 | 74.0 | 70.0 | 70.0 | L + 5.3% | L + 5.6% | Floating | 11/9/2025 | Los Angeles, CA | Hotel | Bridge | $250,847 Unit | 60.9 % | 3 |
| 28 | Senior Loan | 7/28/2022 | 72.0 | 71.0 | 71.0 | S + 4.0% | S + 4.3% | Floating | 8/9/2027 | Yonkers, NY | Multifamily | Bridge | $400,000 Unit | 64.8 % | 3 |
| 29 | Senior Loan[16] | 9/1/2022 | 70.0 | 70.0 | 65.1 | L + 3.4% | L + 5.3% | Floating | 9/9/2026 | Cedar Creek, TX | Hotel | Bridge | $346,034 Unit | 61.2 % | 3 |
| 30 | Senior Loan | 2/9/2022 | 70.0 | 64.0 | 64.0 | S + 3.3% | S + 3.6% | Floating | 2/9/2027 | Various, Various | Industrial | Bridge | $188 Sq ft | 72.1 % | 3 |
| 31 | Senior Loan | 7/26/2022 | 69.0 | 57.1 | 56.8 | S + 4.2% | S + 4.5% | Floating | 8/9/2027 | Various, Various | Self Storage | Light Transitional | $173 Sq ft | 66.2 % | 3 |
| 32 | Senior Loan | 9/30/2021 | 69.0 | 56.3 | 56.3 | L + 3.7% | L + 4.0% | Floating | 10/9/2026 | Tampa, FL | Multifamily | Moderate Transitional | $221,154 Unit | 64.2 % | 3 |
| 33 | Senior Loan | 11/30/2021 | 65.6 | 52.4 | 51.9 | L + 3.4% | L + 3.7% | Floating | 12/9/2026 | St. Louis, MO | Multifamily | Moderate Transitional | $158,838 Unit | 69.3 % | 3 |
| 34 | Senior Loan | 6/28/2019 | 63.9 | 59.1 | 59.1 | L + 2.5% | L + 2.7% | Floating | 7/9/2024 | Burlington, CA | Office | Light Transitional | $327 Sq ft | 70.9 % | 3 |
| 35 | Senior Loan | 4/20/2022 | 63.0 | 63.0 | 62.5 | S + 4.2% | S + 4.5% | Floating | 5/9/2027 | Buffalo, NY | Multifamily | Bridge | $167,553 Unit | 67.1 % | 3 |
| 36 | Senior Loan | 4/11/2022 | 62.4 | 57.9 | 57.9 | S + 3.4% | S + 3.7% | Floating | 5/9/2027 | San Antonio, TX | Multifamily | Bridge | $104,017 Unit | 81.2 % | 3 |
| 37 | Senior Loan | 6/25/2019 | 62.0 | 62.0 | 62.0 | L + 3.1% | L + 3.3% | Floating | 7/9/2024 | Calistoga, CA | Hotel | Moderate Transitional | $696,629 Unit | 48.6 % | 2 |
| 38 | Senior Loan[17] | 9/1/2022 | 61.5 | 61.5 | 59.8 | L + 2.8% | L + 3.5% | Floating | 5/9/2026 | Raleigh, NC | Multifamily | Bridge | $188,650 Unit | 66.2 % | 3 |
| 39 | Senior Loan | 12/29/2021 | 60.6 | 55.0 | 54.5 | L + 3.3% | L + 3.6% | Floating | 1/9/2027 | Rogers, AR | Multifamily | Bridge | $153,125 Unit | 75.9 % | 3 |
| 40 | Senior Loan | 12/18/2019 | 58.8 | 58.8 | 58.7 | L + 2.7% | L + 3.0% | Floating | 1/9/2025 | Houston, TX | Multifamily | Light Transitional | $80,109 Unit | 73.6 % | 2 |
| 41 | Senior Loan | 3/3/2022 | 58.0 | 58.0 | 58.0 | S + 3.4% | S + 3.7% | Floating | 3/9/2027 | Hampton, VA | Multifamily | Bridge | $202,091 Unit | 72.4 % | 3 |
| 42 | Senior Loan | 6/20/2018 | 55.7 | 55.7 | 55.7 | L + 3.0% | L + 3.3% | Floating | 10/9/2022 | Houston, TX | Office | Light Transitional | $148 Sq ft | 74.9 % | 5 |

| Loan # | Form of investment | Origination or acquisition date[2] | Total loan | Principal balance | Amortized cost[3] | Interest rate[4] | All-in yield[5] | Fixed / floating | Extended maturity[6] | City / state | Property type | Loan type | Loan per SQFT / unit | LTV[7] | Risk rating[8] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 43 | Senior Loan | 3/12/2020 | 55.0 | 51.7 | 51.6 | L + 2.7% | L + 2.9% | Floating | 3/9/2025 | Round Rock, TX | Multifamily | Light Transitional | $133,820 Unit | 75.4 % | 3 |
| 44 | Senior Loan | 1/22/2019 | 54.0 | 54.0 | 54.0 | L + 4.4% | L + 4.8% | Floating | 2/9/2023 | Manhattan, NY | Office | Light Transitional | $441 Sq ft | 61.1 % | 5 |
| 45 | Senior Loan | 10/10/2019 | 52.9 | 50.6 | 50.6 | L + 2.8% | L + 3.1% | Floating | 11/9/2024 | Miami, FL | Office | Light Transitional | $214 Sq ft | 69.5 % | 3 |
| 46 | Senior Loan | 1/8/2019 | 52.8 | 38.9 | 38.9 | L + 3.8% | L + 4.1% | Floating | 2/9/2024 | Kansas City, MO | Office | Moderate Transitional | $80 Sq ft | 74.3 % | 3 |
| 47 | Senior Loan | 12/17/2021 | 52.1 | 47.2 | 47.2 | L + 3.7% | L + 3.9% | Floating | 1/9/2027 | Newport News, VA | Multifamily | Light Transitional | $135,677 Unit | 67.3 % | 3 |
| 48 | Senior Loan | 10/27/2021 | 51.9 | 41.4 | 41.0 | L + 3.4% | L + 3.6% | Floating | 11/9/2026 | Longmont, CO | Office | Moderate Transitional | $149 Sq ft | 70.6 % | 3 |
| 49 | Senior Loan | 6/24/2022 | 51.6 | 47.8 | 47.8 | S + 3.8% | S + 4.0% | Floating | 7/9/2027 | San Antonio, TX | Multifamily | Bridge | $159,259 Unit | 70.2 % | 3 |
| 50 | Senior Loan[18] | 6/3/2021 | 51.4 | 48.5 | 48.2 | L + 4.7% | L + 4.8% | Floating | 6/9/2026 | Durham, NC | Multifamily | Bridge | $102,787 Unit | 86.3 % | 3 |
| 51 | Senior Loan | 12/20/2017 | 51.0 | 51.5 | 51.5 | L + 4.8% | L + 5.0% | Floating | 1/9/2023 | New Orleans, LA | Hotel | Bridge | $217,949 Unit | 59.9 % | 4 |
| 52 | Senior Loan | 8/26/2021 | 51.0 | 27.9 | 27.5 | L + 4.1% | L + 4.4% | Floating | 9/9/2026 | San Diego, CA | Life Science | Moderate Transitional | $630 Sq ft | 72.1 % | 3 |
| 53 | Senior Loan | 5/26/2022 | 50.6 | 29.0 | 28.6 | S + 8.5% | S + 9.5% | Floating | 6/9/2024 | Durham, NC | Other | Construction | $34 Sq ft | 37.0 % | 3 |
| 54 | Senior Loan | 3/12/2020 | 50.2 | 47.3 | 47.2 | L + 2.7% | L + 2.9% | Floating | 3/9/2025 | Round Rock, TX | Multifamily | Light Transitional | $137,049 Unit | 75.6 % | 3 |
| 55 | Senior Loan | 6/2/2021 | 48.6 | 45.1 | 44.8 | L + 3.8% | L + 4.0% | Floating | 6/9/2026 | Fort Lauderdale, FL | Office | Light Transitional | $187 Sq ft | 71.0 % | 3 |
| 56 | Senior Loan | 4/6/2021 | 47.0 | 45.9 | 45.8 | L + 3.7% | L + 4.0% | Floating | 4/9/2026 | St. Petersburg, FL | Multifamily | Bridge | $222,749 Unit | 74.8 % | 3 |
| 57 | Senior Loan | 8/10/2022 | 46.2 | 36.4 | 35.9 | S + 3.9% | S + 4.2% | Floating | 9/9/2027 | Plano, TX | Multifamily | Moderate Transitional | $173,534 Unit | 66.3 % | 3 |
| 58 | Senior Loan | 9/30/2021 | 45.9 | 45.9 | 45.6 | L + 3.3% | L + 3.6% | Floating | 10/9/2026 | San Antonio, TX | Multifamily | Bridge | $136,488 Unit | 64.1 % | 2 |
| 59 | Senior Loan | 3/17/2021 | 45.4 | 44.5 | 44.3 | L + 3.3% | L + 3.6% | Floating | 4/9/2026 | Indianapolis, IN | Multifamily | Light Transitional | $62,209 Unit | 63.7 % | 3 |
| 60 | Senior Loan | 12/21/2021 | 45.0 | 41.1 | 41.1 | L + 3.7% | L + 3.9% | Floating | 1/9/2027 | Knoxville, TN | Multifamily | Bridge | $119,681 Unit | 84.9 % | 3 |
| 61 | Senior Loan | 3/30/2018 | 43.1 | 41.1 | 41.1 | L + 3.7% | L + 4.0% | Floating | 4/9/2023 | Honolulu, HI | Office | Light Transitional | $149 Sq ft | 57.9 % | 4 |
| 62 | Senior Loan | 1/14/2022 | 43.0 | 43.0 | 42.9 | S + 3.7% | S + 4.0% | Floating | 2/9/2027 | Columbia, SC | Multifamily | Bridge | $162,879 Unit | 79.8 % | 3 |
| 63 | Senior Loan | 3/4/2022 | 43.0 | 43.0 | 42.7 | S + 4.0% | S + 4.1% | Floating | 3/9/2027 | Various, SC | Industrial | Bridge | $35 Sq ft | 45.3 % | 3 |
| 64 | Senior Loan | 3/7/2019 | 39.2 | 40.4 | 40.4 | L + 3.8% | L + 4.2% | Floating | 3/9/2024 | Lexington, KY | Hotel | Moderate Transitional | $107,221 Unit | 61.6 % | 4 |
| 65 | Senior Loan | 3/11/2019 | 39.0 | 39.0 | 39.0 | L + 3.4% | L + 3.6% | Floating | 4/9/2024 | Miami Beach, FL | Hotel | Bridge | $295,455 Unit | 59.3 % | 2 |
| 66 | Senior Loan | 7/15/2021 | 39.0 | 39.0 | 38.8 | L + 3.5% | L + 3.8% | Floating | 8/9/2026 | Chicago, IL | Multifamily | Bridge | $261,745 Unit | 78.8 % | 3 |
| 67 | Senior Loan | 6/3/2021 | 36.4 | 33.9 | 33.7 | L + 3.6% | L + 3.8% | Floating | 6/9/2026 | Riverside, CA | Mixed-Use | Bridge | $103 Sq ft | 62.2 % | 2 |
| 68 | Senior Loan | 1/4/2018 | 35.2 | 30.4 | 30.4 | L + 3.7% | L + 3.9% | Floating | 1/9/2023 | Santa Ana, CA | Office | Light Transitional | $178 Sq ft | 71.8 % | 4 |
| 69 | Senior Loan | 8/11/2021 | 34.5 | 31.4 | 31.3 | L + 3.6% | L + 3.8% | Floating | 9/9/2026 | Mesa, AZ | Multifamily | Bridge | $176,020 Unit | 78.5 % | 3 |
| 70 | Senior Loan | 6/9/2022 | 31.2 | 27.7 | 27.4 | S + 3.6% | S + 3.8% | Floating | 6/9/2027 | Centerton, AR | Multifamily | Light Transitional | $156,859 Unit | 73.8 % | 3 |
| 71 | Senior Loan | 8/23/2022 | 31.0 | 27.5 | 27.2 | S + 4.0% | S + 4.5% | Floating | 9/9/2027 | Marietta, GA | Multifamily | Light Transitional | $127,049 Unit | 68.5 % | 3 |
| 72 | Senior Loan | 5/14/2021 | 27.6 | 24.1 | 23.9 | L + 3.2% | L + 3.5% | Floating | 6/9/2026 | Pensacola, FL | Multifamily | Moderate Transitional | $137,752 Unit | 72.8 % | 3 |
| 73 | Senior Loan | 10/27/2021 | 24.6 | 17.1 | 16.9 | L + 5.5% | L + 5.7% | Floating | 11/9/2026 | San Diego, CA | Life Science | Moderate Transitional | $872 Sq ft | 75.8 % | 3 |
| 74 | Senior Loan | 6/29/2022 | 24.5 | 21.6 | 21.5 | S + 3.9% | S + 4.0% | Floating | 7/9/2027 | San Antonio, TX | Multifamily | Light Transitional | $107,456 Unit | 75.5 % | 3 |
| 75 | Senior Loan | 1/26/2022 | 19.0 | 17.3 | 17.1 | S + 3.8% | S + 3.8% | Floating | 2/9/2027 | Los Angeles, CA | Multifamily | Light Transitional | $191,919 Unit | 81.4 % | 3 |
| Total / weighted average[9] | | | $ 5,792.7 | $ 5,332.2 | $ 5,301.8 | BR +3.5% | BR +4.0% | | 2.9 years | | | | | 67.2 % | 3.2 |

* Numbers presented may not foot due to rounding.

(1) First mortgage loans are whole mortgage loans unless otherwise noted.

(2) Date loan was originated or acquired by us. The origination or acquisition date is not updated for subsequent loan modifications.

(3) Represents unpaid principal balance net of unamortized costs.

(4) Interest rate represents the formula pursuant to which our right to receive a cash coupon on a loan is determined, or the underlying benchmark interest rate ("BR") plus credit spread.

(5) In addition to the interest rate, all-in yield includes the amortization of deferred origination fees, purchase price premium and discount, and accrual of both extension and exit fees. All-in yield for our loan assets and total loan portfolio assumes the applicable floating benchmark interest rate as of September 30, 2022 and excludes the impact of our interest rate floors.

(6) Extended maturity assumes all extension options are exercised by the borrower; provided, however, that our loans may be repaid prior to such date. As of September 30, 2022, based on unpaid principal balance, 47.4% of our loans were subject to yield maintenance or other prepayment restrictions and 52.6% were open to repayment by the borrower without penalty.

(7) Except for construction loans, LTV is calculated for loan originations and existing loans as the total outstanding principal balance of the loan or participation interest in a loan (plus any financing that is *pari passu* with or senior to such loan or participation interest) divided by the as-is appraised value of our collateral at the time of origination or acquisition of such loan or participation interest. For construction loans only, LTV is calculated as the total commitment amount of the loan divided by the as-stabilized value of the real estate securing the loan. The as-is or as-stabilized (as applicable) value reflects our Manager's estimates, at the time of origination or acquisition of the loan or participation interest in a loan, of the real estate value underlying such loan or participation interest determined in accordance with our Manager's underwriting standards and consistent with third-party appraisals obtained by our Manager.

(8) For a discussion of risk ratings, please see Notes 2 and 3 to our Consolidated Financial Statements included in this Form 10-Q.

(9) Represents the weighted average of the credit spread as of September 30, 2022 for the loans, all of which are floating rate.

(10) Calculated as the ratio of unpaid principal balance as of September 30, 2022 to the as-is appraised value at origination, to reflect the sale by us in August 2020 of the contiguous mezzanine loan with an unpaid principal balance of $46.4 million and a commitment amount of $50.0 million.

(11) This loan is comprised of a first mortgage loan of $98.3 million and a contiguous mezzanine loan of $86.7 million, of which we own both. Each loan carries the same interest rate.

(12) This loan is comprised of a first mortgage loan of $129.4 million and a contiguous mezzanine loan of $48.2 million, of which we own both. Each loan carries the same interest rate.

(13) This loan represents a 75.0% *pari passu* participation interest in a first mortgage loan, that was originated by a third party on June 11, 2021 and acquired by us on September 1, 2022.

(14) This loan represents a 19.2% *pari passu* participation interest in a first mortgage loan, that was originated by a third party on October 29, 2020 and acquired by us on September 1, 2022.

(15) This loan represents a 50.0% *pari passu* participation interest in a first mortgage loan, that was originated by a third party on July 18, 2019 and acquired by us on September 1, 2022.

(16) This loan represents a 41.2% *pari passu* participation interest in a first mortgage loan, that was originated by a third party on August 31, 2021 and acquired by us on September 1, 2022.

(17) This loan was originated by a third party on June 9, 2021 and acquired by us on September 1, 2022.

(18) On June 3, 2021, we originated a loan with a total loan commitment of $51.4 million. This loan is comprised of a first mortgage loan of $46.3 million and a contiguous mezzanine loan of $5.1 million, of which we own both. The interest rate on the first mortgage loan is 3.9% and the interest rate on the contiguous mezzanine loan is 12.0%. The weighted average interest rate is 4.7%.

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

### *Investment Portfolio Risks*

*Interest Rate Risk*

Our business model seeks to minimize our exposure to changing interest rates by matching duration of our assets and liabilities and match-indexing our assets using the same, or similar, benchmark indices, prior to December 31, 2021 LIBOR, and thereafter SOFR. Accordingly, rising interest rates will generally increase our net interest income, while declining interest rates will generally decrease our net interest income, subject to the impact of interest rate floors embedded in substantially all of our loans. As of September 30, 2022, the weighted average interest rate floor for our loan portfolio was 0.85%. As of September 30, 2022, all of our loans by unpaid principal balance earned a floating rate of interest, subject to the beneficial impact of embedded interest rate floors, and were financed with liabilities that require interest payments based on floating rates. As of September 30, 2022, less than 3.3% of our liabilities do not contain interest rate floors greater than zero.

The following table illustrates the impact on our interest income and interest expense, for the twelve-month period following September 30, 2022, of an immediate increase or decrease in the underlying benchmark interest rate of 25, 50 and 75 basis points on our existing floating rate loans held for investment portfolio and related liabilities (dollars in thousands):

| Assets (liabilities) subject to interest rate sensitivity[1][2] | Net exposure | Income (expense) subject to interest rate sensitivity | 25 Basis Point | | 50 Basis Point | | 75 Basis Point | |
|---|---|---|---|---|---|---|---|---|
| | | | Increase | Decrease | Increase | Decrease | Increase | Decrease |
| Floating rate mortgage loan assets | $ 5,332,184 | Interest income | $ 13,330 | $ (13,330) | $ 26,661 | $ (26,661) | $ 39,991 | $ (39,985) |
| Floating rate mortgage loan liabilities | (4,319,971) | Interest expense | (10,800) | 10,800 | (21,600) | 21,600 | (32,400) | 32,400 |
| Total floating rate mortgage loan exposure, net | $ 1,012,213 | Total change in net interest income | $ 2,530 | $ (2,530) | $ 5,061 | $ (5,061) | $ 7,591 | $ (7,585) |

(1) Prior to December 31, 2021, substantially all of our floating rate mortgage loan assets and liabilities were subject to LIBOR as the benchmark interest rate. As of September 30, 2022, $1.1 billion of $5.3 billion of our floating rate mortgage loan assets (based on total unpaid principal balance) and $2.9 billion of $4.3 billion of floating rate mortgage loan liabilities (based on outstanding principal balance) were subject to Compounded SOFR or Term SOFR as the benchmark interest rate.

(2) Floating rate liabilities include secured credit agreements, a secured revolving credit facility, asset-specific financing arrangements, and collateralized loan obligations.

*Credit Risk*

Our loans are also subject to credit risk. The performance and value of our loans and other investments depend upon the sponsors' ability to operate the properties that serve as our collateral so that they produce cash flows adequate to pay interest and principal due to us. To monitor this risk, the asset management team reviews our portfolio and maintains regular contact with borrowers, co-lenders and local market experts to monitor the performance of the underlying collateral, anticipate borrower, property and market issues and, to the extent necessary or appropriate, enforce our rights as the lender.

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

*Prepayment Risk*

Prepayment risk is the risk that principal will be repaid at a different rate than anticipated, causing the return on certain investments to be less than expected. As we receive prepayments of principal on our assets, any premiums paid on such assets are amortized against interest income. In general, an increase in prepayment rates accelerates the amortization of purchase premiums, thereby reducing the interest income earned on the assets. Conversely, discounts on such assets are accreted into interest income. In general, an increase in prepayment rates accelerates the accretion of purchase discounts, thereby increasing the interest income earned on the assets.

*Extension Risk*

Our Manager computes the projected weighted average life of our assets based on assumptions regarding the pace at which individual borrowers will prepay the mortgages or extend. If prepayment speeds decrease in a rising interest rate environment or extension options are exercised, the life of our loan investments could extend beyond the term of the secured debt agreements we use to finance our loan investments, except for our CRE CLOs for which the obligation to repay liabilities is tied to the repayment of underlying loans held by the CRE CLO trust. We expect that higher interest rates imposed by the Federal Reserve to rein in inflation may lead to a decrease in prepayment speeds and an increase in the number of our borrowers who exercise extension options, especially for loans

involving office, hotel, and retail properties. This could have a negative impact on our results of operations. In some situations, we may be forced to sell assets to maintain adequate liquidity, which could cause us to incur losses.

*Non-Performance Risk*

In addition to the risks related to fluctuations in cash flows and asset values associated with movements in interest rates, there is also the risk of non-performance on floating rate assets. In the case of a significant increase in interest rates, the additional debt service payments due from our borrowers may strain the operating cash flows of the collateral real estate assets and, potentially, contribute to non-performance or, in severe cases, default. This risk is partially mitigated by various factors we consider during our underwriting and loan structuring process, including but not limited to, establishing interest reserves in our loans and requiring substantially all of our borrowers to purchase an interest rate cap contract for all, or substantially all, of the initial term of our loan.

*Loan Portfolio Value*

We may in the future originate loans that earn a fixed rate of interest on unpaid principal balance. The value of fixed rate loans is sensitive to changes in interest rates. We generally hold all of our loans to maturity, and do not expect to realize gains or losses on any fixed rate loan we may hold in the future, as a result of movements in market interest rates during future periods.

*Real Estate Risk*

The market values of commercial mortgage assets are subject to volatility and may be adversely affected by a number of factors, including, but not limited to, national, regional and local economic conditions (which may be adversely affected by industry slowdowns and other factors); local real estate conditions; changes or continued weakness in specific industry segments; construction quality, age and design; demographic factors; and retroactive changes to building or similar codes. In addition, decreases in property values reduce the value of the collateral and the potential proceeds available to a borrower to repay the underlying loans, which could also cause us to suffer losses.

***Operating and Capital Market Risks***

*Liquidity Risk*

Liquidity is a measure of our ability to meet potential cash requirements, including ongoing commitments to repay borrowings including margin calls, fund and maintain investments, pay dividends to our stockholders and other general business needs. Our liquidity risk is principally associated with our financing of longer-maturity investments with shorter-term borrowings in the form of secured credit agreements. We are subject to “margin call” risk under our secured credit agreements. In the event that the value of our assets pledged as collateral decreases as a result of changes in credit spreads or interest rates, or due to an other-than-temporary decline in the value of the collateral securing our pledged loan, margin calls relating to our secured credit agreements could increase, causing an adverse change in our liquidity position. Additionally, if one or more of our secured credit agreement counterparties chooses not to provide ongoing funding, we may be unable to replace the financing through other lenders on favorable terms or at all. As such, we provide no assurance that we will be able to roll over or replace our secured credit agreements as they mature from time to time in the future. We maintain frequent dialogue with the lenders under our secured credit agreements regarding our management of their collateral assets.

In some situations, we have in the past, and may in the future, decide to sell assets to adjust our portfolio construction or maintain adequate liquidity. Market disruptions may lead to a significant decline in transaction activity in all or a significant portion of the asset classes in which we invest and may at the same time lead to a significant contraction in short-term and long-term debt and equity funding sources. A decline in market liquidity of real estate-related investments, as well as a lack of availability of observable transaction data and inputs, may make it more difficult to sell assets or determine their fair values. As a result, we may be unable to sell investments, or only be able to sell investments at a price that may be materially different from the fair values presented. Also, in such conditions, there is no guarantee that our borrowing arrangements or other arrangements for obtaining leverage will continue to be available or, if available, will be available on terms and conditions acceptable to us.

*Capital Markets Risk*

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

Global macroeconomic conditions, including, without limitation, heightened inflation, changes to fiscal and monetary policy, increased interest rates, currency fluctuations, labor shortages and challenges in global supply chains, coupled with the war in Ukraine and the lingering aftereffects of COVID-19 have contributed to increased volatility in public debt and equity markets, increased cost of funds and reduced availability of efficient debt capital, factors which caused us to reduce our investment activity in the first half of 2022, and may cause us to restrain our investment activity in the future. For more information, see risk factors set forth in our Form 10-K filed with the SEC on February 23, 2022.

*Counterparty Risk*

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

The nature of our loans and other investments also exposes us to the risk that our counterparties do not make required interest and principal payments on scheduled due dates. We seek to manage this risk through a comprehensive credit analysis prior to making an investment and rigorous monitoring of the underlying collateral during the term of our investments.

*Currency Risk*

We may in the future hold assets denominated in foreign currencies, which would expose us to foreign currency risk. As a result, a change in foreign currency exchange rates may have an adverse impact on the valuation of our assets, as well as our income and distributions. Any such changes in foreign currency exchange rates may impact the measurement of such assets or income for the purposes of our REIT tests and may affect the amounts available for payment of dividends on our common stock.

We intend to hedge any 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 unavailability of 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.

We may hedge foreign currency exposure on certain investments in the future by entering into a series of forwards to fix the U.S. dollar amount of foreign currency denominated cash flows (interest income, rental income and principal payments) we expect to receive from any foreign currency denominated investments. Accordingly, the notional values and expiration dates of our foreign currency hedges would approximate the amounts and timing of future payments we expect to receive on the related investments.

**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 under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer), to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by Rules 13a-15(b) and 15d-15(b) under the Exchange Act, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer), of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2022. Based upon that evaluation, our Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer) concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of September 30, 2022.

*Changes in Internal Control Over Financial Reporting.* There were no changes in our internal control over financial reporting (as such term as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

From time to time, we may be involved in various claims and legal actions arising in the ordinary course of business. As of September 30, 2022, we were not involved in any material legal proceedings. See the “Litigation” section of Note 14 to the consolidated financial statements included in this Form 10-Q for information regarding legal proceedings, which information is incorporated by reference in this Item 1.

### Item 1A. Risk Factors

There have been no material changes to the risk factors previously disclosed under Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2021 filed with the SEC on February 23, 2022.

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

None.

### Item 3. Defaults Upon Senior Securities

None.

### Item 4. Mine Safety Disclosures

Not applicable.

### Item 5. Other Information

None.

**Item 6. Exhibits**

| Exhibit Number | Description |
|---|---|
| 3.1 | Articles of Amendment and Restatement of TPG RE Finance Trust, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (001-38156) filed on July 25, 2017) |
| 3.2 | Second Amended and Restated Bylaws of TPG RE Finance Trust, Inc. (incorporated by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (001-38156) filed on February 19, 2020) |
| 3.3 | Articles Supplementary of 11.0% Series B Cumulative Redeemable Preferred Stock of TPG RE Finance Trust Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (001-38156) filed on May 29, 2020) |
| 3.4 | Articles Supplementary of 6.25% Series C Cumulative Redeemable Preferred Stock of TPG RE Finance Trust Inc. (incorporated by reference to Exhibit 3.4 to the Company's Registration Statement on Form 8-A (001-38156) filed on June 10, 2021) |
| 3.5 | Articles Supplementary reclassifying and designating 7,000,000 authorized but unissued shares of the Company's 11% Series B Cumulative Redeemable Preferred Stock, $0.001 par value per share, as additional shares of undesignated preferred stock, $0.001 par value per share, of the Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (001-38156) filed on June 24, 2021) |
| 4.1 | Specimen Common Stock Certificate of TPG RE Finance Trust, Inc. (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-11/A (333-217446) filed on June 21, 2017) |
| 31.1 | Certificate of Doug Bouquard, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2 | Certificate of Robert Foley, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1 | Certificate of Doug Bouquard, Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith) |
| 32.2 | Certificate of Robert Foley, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith) |
| 101.INS | Inline 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 (formatted as Inline XBRL and contained in Exhibit 101) |

**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.

Date: November 1, 2022

TPG RE Finance Trust, Inc.

(Registrant)

/s/ Doug Bouquard

Doug Bouquard
*Chief Executive Officer*
*(Principal Executive Officer)*

/s/ Robert Foley

Robert Foley
*Chief Financial Officer*
*(Principal Financial Officer)*

**Exhibit 31.1**

**CERTIFICATION PURSUANT TO**
**RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,**
**AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Doug Bouquard, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2022 of TPG RE Finance Trust, Inc.;

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

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

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

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) 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: November 1, 2022

/s/ Doug Bouquard
Doug Bouquard
Chief Executive Officer
(Principal Executive Officer)

**Exhibit 31.2**

**CERTIFICATION PURSUANT TO**
**RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,**
**AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Robert Foley, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2022 of TPG RE Finance Trust, Inc.;

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

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

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

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) 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: November 1, 2022

/s/ Robert Foley
Robert Foley
Chief Financial Officer
(Principal 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 the Quarterly Report on Form 10-Q of TPG RE Finance Trust, Inc. (the "Company") for the quarterly period ended September 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Doug Bouquard, Chief Executive Officer and Principal Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 1, 2022

/s/ Doug Bouquard
Doug Bouquard
Chief Executive Officer
(Principal Executive Officer)

*A signed original of this certification required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request. The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.*

**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 the Quarterly Report on Form 10-Q of TPG RE Finance Trust, Inc. (the "Company") for the quarterly period ended September 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert Foley, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 1, 2022

/s/ Robert Foley
Robert Foley
Chief Financial Officer
(Principal Financial Officer)

*A signed original of this certification required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request. The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.*