

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2020

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number: 001-38124

GRANITE POINT MORTGAGE TRUST INC.

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of
incorporation or organization)

61-1843143

(I.R.S. Employer
Identification No.)

**3 Bryant Park, Suite 2400A
New York, New York**

(Address of principal executive offices)

10036

(Zip Code)

(212) 364-5500

(Registrant's telephone number, including area code)

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$0.01 per share	GPMT	New York Stock Exchange

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of May 8, 2020, there were 55,136,885 shares of outstanding common stock, par value \$0.01 per share, issued and outstanding.

GRANITE POINT MORTGAGE TRUST INC.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

GRANITE POINT MORTGAGE TRUST INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	March 31, 2020	December 31, 2019
ASSETS		
Loans held-for-investment	\$ 4,313,816	\$ 4,226,212
Allowance for credit losses	(62,565)	—
Loans held-for-investment, net	4,251,251	4,226,212
Available-for-sale securities, at fair value	8,319	12,830
Held-to-maturity securities	10,836	18,076
Cash and cash equivalents	99,332	80,281
Restricted cash	8,533	79,483
Accrued interest receivable	11,215	11,323
Other assets	87,392	32,657
Total Assets ⁽¹⁾	\$ 4,476,878	\$ 4,460,862
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Repurchase agreements	\$ 2,072,099	\$ 1,924,021
Securitized debt obligations	982,312	1,041,044
Asset-specific financings	119,062	116,465
Revolving credit facilities	38,361	42,008
Convertible senior notes	270,031	269,634
Dividends payable	25	23,063
Other liabilities	32,929	24,491
Total Liabilities ⁽¹⁾	3,514,819	3,440,726
10% cumulative redeemable preferred stock, par value \$0.01 per share; 50,000,000 shares authorized and 1,000 and 1,000 shares issued and outstanding, respectively	1,000	1,000
Stockholders' Equity		
Common stock, par value \$0.01 per share; 450,000,000 shares authorized and 55,136,885 and 54,853,205 shares issued and outstanding, respectively	552	549
Additional paid-in capital	1,049,836	1,048,484
Accumulated other comprehensive (loss) income	(3,712)	32
Cumulative earnings	106,413	162,076
Cumulative distributions to stockholders	(192,030)	(192,005)
Total Stockholders' Equity	961,059	1,019,136
Total Liabilities and Stockholders' Equity	\$ 4,476,878	\$ 4,460,862

(1) The condensed consolidated balance sheets include assets of consolidated variable interest entities, or VIEs, that can only be used to settle obligations of these VIEs, and liabilities of the consolidated VIEs for which creditors do not have recourse to Granite Point Mortgage Trust Inc. At March 31, 2020 and December 31, 2019, assets of the VIEs totaled \$1,310,887 and \$1,387,148, and liabilities of the VIEs totaled \$983,094 and \$1,042,122, respectively. See Note 3 - *Variable Interest Entities* for additional information.

The accompanying notes are an integral part of these condensed consolidated financial statements.

GRANITE POINT MORTGAGE TRUST INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(in thousands, except share data)

	Three Months Ended	
	March 31,	
	2020	2019
Interest income:		
Loans held-for-investment	\$ 63,259	\$ 56,665
Available-for-sale securities	280	308
Held-to-maturity securities	310	661
Cash and cash equivalents	326	511
Total interest income	64,175	58,145
Interest expense:		
Repurchase agreements	19,675	16,989
Securitized debt obligations	9,434	9,859
Convertible senior notes	4,516	4,465
Asset-specific financings	1,122	—
Revolving credit facilities	242	695
Total interest expense	34,989	32,008
Net interest income	29,186	26,137
Other (loss) income:		
Provision for credit losses	(53,336)	—
Fee income	522	913
Total other (loss) income	(52,814)	913
Expenses:		
Management fees	3,907	3,449
Incentive fees	—	244
Servicing expenses	1,109	773
Other operating expenses	8,553	5,616
Total expenses	13,569	10,082
(Loss) income before income taxes	(37,197)	16,968
Benefit from income taxes	(6)	(1)
Net (loss) income	(37,191)	16,969
Dividends on preferred stock	25	25
Net (loss) income attributable to common stockholders	\$ (37,216)	\$ 16,944
Basic (loss) earnings per weighted average common share	\$ (0.68)	\$ 0.35
Diluted (loss) earnings per weighted average common share	\$ (0.68)	\$ 0.34
Dividends declared per common share	\$ —	\$ 0.42
Weighted average number of shares of common stock outstanding:		
Basic	55,056,411	48,601,431
Diluted	55,056,411	62,256,595
Comprehensive (loss) income:		
Net (loss) income attributable to common stockholders	\$ (37,216)	\$ 16,944
Other comprehensive (loss) income, net of tax:		
Unrealized (loss) gain on available-for-sale securities	(3,744)	192
Other comprehensive (loss) income	(3,744)	192
Comprehensive (loss) income attributable to common stockholders	\$ (40,960)	\$ 17,136

The accompanying notes are an integral part of these condensed consolidated financial statements.

GRANITE POINT MORTGAGE TRUST INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except share data)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive (Loss) Income	Cumulative Earnings	Cumulative Distributions to Stockholders	Total Stockholders' Equity
	Shares	Amount					
Balance, December 31, 2018	43,621,174	\$ 436	\$ 836,288	\$ (192)	\$ 91,875	\$ (100,876)	\$ 827,531
Cumulative effect of adoption of new accounting principle	—	—	13	—	(13)	—	—
Adjusted balance, January 1, 2019	43,621,174	436	836,301	(192)	91,862	(100,876)	827,531
Net income	—	—	—	—	16,969	—	16,969
Other comprehensive income before reclassifications	—	—	—	192	—	—	192
Amounts reclassified from accumulated other comprehensive income	—	—	—	—	—	—	—
Net other comprehensive income	—	—	—	192	—	—	192
Issuance of common stock, net of offering costs	8,291,829	83	157,145	—	—	—	157,228
Common dividends declared	—	—	—	—	—	(21,913)	(21,913)
Preferred dividends declared	—	—	—	—	—	(25)	(25)
Non-cash equity award compensation	258,918	3	1,146	—	—	—	1,149
Balance, March 31, 2019	52,171,921	522	994,592	—	108,831	(122,814)	981,131
Balance, December 31, 2019	54,853,205	\$ 549	\$ 1,048,484	\$ 32	\$ 162,076	\$ (192,005)	\$ 1,019,136
Cumulative effect of adoption of new accounting principle	—	—	—	—	(18,472)	—	(18,472)
Adjusted balance, January 1, 2020	54,853,205	549	1,048,484	32	143,604	(192,005)	1,000,664
Net loss	—	—	—	—	(37,191)	—	(37,191)
Other comprehensive loss before reclassifications	—	—	—	(4,511)	—	—	(4,511)
Amounts reclassified from accumulated other comprehensive income	—	—	—	767	—	—	767
Net other comprehensive loss	—	—	—	(3,744)	—	—	(3,744)
Preferred dividends declared	—	—	—	—	—	(25)	(25)
Non-cash equity award compensation	283,680	3	1,352	—	—	—	1,355
Balance, March 31, 2020	55,136,885	\$ 552	\$ 1,049,836	\$ (3,712)	\$ 106,413	\$ (192,030)	\$ 961,059

The accompanying notes are an integral part of these condensed consolidated financial statements.

GRANITE POINT MORTGAGE TRUST INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Three Months Ended	
	March 31,	
	2020	2019
Cash Flows From Operating Activities:		
Net (loss) income	\$ (37,191)	\$ 16,969
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Accretion of discounts and net deferred fees on loans held-for-investment	(4,774)	(3,822)
Amortization of deferred debt issuance costs on convertible senior notes and securitized debt obligations	1,665	2,029
Provision for credit losses	53,336	—
Equity based compensation	1,355	1,149
Net change in assets and liabilities:		
Decrease (increase) in accrued interest receivable	108	(327)
Increase in other assets	(54,735)	(3,781)
Increase in other liabilities	904	6,327
Net cash (used in) provided by operating activities	(39,332)	18,544
Cash Flows From Investing Activities:		
Originations, acquisitions and additional fundings of loans held-for-investment, net of deferred fees	(184,969)	(276,574)
Proceeds from repayment of loans held-for-investment	102,139	155,320
Principal payments on held-to-maturity securities	6,298	881
Net cash used in investing activities	(76,532)	(120,373)
Cash Flows From Financing Activities:		
Proceeds from repurchase agreements	237,344	225,261
Principal payments on repurchase agreements	(89,266)	(732,170)
Proceeds from issuance of securitized debt obligations	—	646,868
Principal payments on securitized debt obligations	(60,000)	(105,000)
Proceeds from asset-specific financings	2,597	—
Proceeds from revolving credit facilities	38,361	48,697
Repayment of revolving credit facilities	(42,008)	(123,697)
Proceeds from issuance of common stock, net of offering costs	—	157,228
Dividends paid on preferred stock	(25)	(25)
Dividends paid on common stock	(23,038)	(18,321)
Net cash provided by financing activities	63,965	98,841
Net decrease in cash, cash equivalents and restricted cash	(51,899)	(2,988)
Cash, cash equivalents, and restricted cash at beginning of period	159,764	123,423
Cash, cash equivalents, and restricted cash at end of period	\$ 107,865	\$ 120,435
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	\$ 31,914	\$ 28,284
Cash paid for taxes	\$ —	\$ —
Noncash Activities:		
Dividends declared but not paid at end of period	\$ 25	\$ 21,938

The accompanying notes are an integral part of these condensed consolidated financial statements.

GRANITE POINT MORTGAGE TRUST INC.

Notes to the Condensed Consolidated Financial Statements

Note 1. Organization and Operations

Granite Point Mortgage Trust Inc., or the Company, is a Maryland corporation that focuses primarily on directly originating, investing in and managing senior floating-rate commercial mortgage loans and other debt and debt-like commercial real estate investments. The Company is currently externally managed by Pine River Capital Management L.P., or the Manager. The Company's common stock is listed on the New York Stock Exchange, or NYSE, under the symbol "GPMT."

On March 2, 2020, the Company announced that it has agreed to a process with the Manager to internalize the Company's management function. If the internalization is completed, the Company will become a self-managed real estate investment trust, or REIT. There can be no assurance that the internalization will be consummated.

The Company has elected to be treated as a REIT, as defined under the Internal Revenue Code of 1986, as amended, or the Code, for U.S. federal income tax purposes. As long as the Company continues to comply with a number of requirements under federal tax law and maintains its qualification as a REIT, the Company generally will not be subject to U.S. federal income taxes to the extent that the Company distributes its taxable income to its stockholders on an annual basis and does not engage in prohibited transactions. However, certain activities that the Company may perform may cause it to earn income which will not be qualifying income for REIT purposes. The Company has designated one of its subsidiaries as a taxable REIT subsidiary, or TRS, as defined in the Code, to engage in such activities.

Note 2. Basis of Presentation and Significant Accounting Policies

Consolidation and Basis of Presentation

The interim unaudited condensed consolidated financial statements of the Company have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission, or SEC. Certain information and note disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles, or GAAP, have been condensed or omitted according to such SEC rules and regulations. However, management believes that the disclosures included in these interim condensed consolidated financial statements are adequate to make the information presented not misleading. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019. In the opinion of management, all normal and recurring adjustments necessary to present fairly the financial condition of the Company at March 31, 2020 and results of operations for all periods presented have been made. The results of operations for the three months ended March 31, 2020 should not be construed as indicative of the results to be expected for future periods or the full year.

The unaudited condensed consolidated financial statements of the Company include the accounts of all subsidiaries; inter-company accounts and transactions have been eliminated. Certain prior period amounts have been reclassified to conform to the current period presentation.

All entities in which the Company holds investments that are considered VIEs for financial reporting purposes were reviewed for consolidation under the applicable consolidation guidance. Whenever the Company has both the power to direct the activities of an entity that most significantly impact the entity's performance, and the obligation to absorb losses or the right to receive benefits of the entity that could be significant, the Company consolidates the entity.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make a number of significant estimates. These include estimates of amount and timing of allowances for credit losses, fair value of certain assets and liabilities, and other estimates that affect the reported amounts of certain assets and liabilities as of the date of the condensed consolidated financial statements and the reported amounts of certain revenues and expenses during the reported period. It is likely that changes in these estimates (e.g., valuation changes to the underlying collateral of loans due to changes in market capitalization rates, leasing, credit worthiness of major tenants, occupancy rates, availability of financing, exit plan, loan sponsorship, actions of other lenders, overall economic and capital markets conditions, the broader commercial real estate market, local geographic sub-markets or other factors) will occur in the near term. Over the course of the first quarter of 2020, a global outbreak of a novel strain of coronavirus (COVID-19), took place. The outbreak has spread around the world, including to every state in the United States. As a result of the pandemic, numerous countries, including the United States, have declared national emergencies. As the global impact of the outbreak has been rapidly evolving and as new cases of COVID-19 have quickly spread around the world, many countries, including the U.S., have reacted by instituting quarantines, restrictions on travel, and temporarily closing non-essential businesses. Many states in the U.S. instituted varying degrees of "shelter-in-place" guidelines or orders and other measures designed to contain the spread of COVID-19. Such actions are creating significant macroeconomic disruptions and adversely impacting many industries. The outbreak could have a continued adverse impact on macroeconomic and market conditions, and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate adverse impact of COVID-19 on macroeconomic and market conditions. The Company believes the estimates and assumptions underlying

GRANITE POINT MORTGAGE TRUST INC.

Notes to the Condensed Consolidated Financial Statements

its consolidated financial statements are reasonable and supportable based on the information available as of March 31, 2020. However, the significant degree of uncertainty over the ultimate impact COVID-19 will have on the global economy generally, and the Company's business in particular, makes any estimates and assumptions as of March 31, 2020 inherently less certain than they would be absent the current and potential impacts of COVID-19. The Company's actual results could ultimately differ from its estimates and the differences may be material.

Significant Accounting Policies

Included in Note 2 to the Consolidated Financial Statements of the Company's Annual Report on Form 10-K for the year ended December 31, 2019 is a summary of the Company's significant accounting policies. Provided below is a summary of additional accounting policies that are significant to the Company's consolidated financial condition and results of operations for the three months ended March 31, 2020.

Recently Issued and/or Adopted Accounting Standards

Measurement of Credit Losses on Financial Instruments

On January 1, 2020, the Company adopted Accounting Standard Update, or ASU, 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, or ASU 2016-13. ASU 2016-13 significantly changes how entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. ASU 2016-13 replaces the incurred loss model under existing guidance with a Current Expected Credit Loss, or CECL, model for instruments measured at amortized cost, and also require entities to record allowances for available-for-sale, or AFS, debt securities rather than reduce the amortized cost, as they did under the other-than-temporary impairment model. It also simplifies the accounting model for purchased credit-impaired debt securities and loans. In addition, the new model applies to off-balance sheet credit exposures, such as unfunded loan commitments. ASU 2016-13 was adopted by the Company through a cumulative-effect adjustment to cumulative earnings of \$18.5 million as of January 1, 2020.

The allowance for credit losses required under ASU 2016-13 is a valuation account that is deducted from the amortized cost basis of related loans and debt securities on the Company's condensed consolidated balance sheets, and which reduces the Company's total stockholders' equity. The initial allowance for credit losses recorded on January 1, 2020 is reflected as a direct charge to cumulative earnings; however, going forward, changes to the allowance for credit losses are recognized through net income on the Company's condensed consolidated statements of comprehensive (loss) income. While ASU 2016-13 does not require any particular method for determining the allowance for credit losses, it does specify the allowance should be based on relevant information about past events, including historical loss experience, current portfolio, market conditions, and reasonable and supportable forecasts for the duration of each respective loan. In addition, other than a few narrow exceptions, ASU 2016-13 requires that all financial instruments subject to the CECL model have some amount of expected loss to reflect the GAAP principal underlying the CECL model that all loans, debt securities, and similar assets have some inherent risk of loss, regardless of credit quality, subordinate capital or other mitigating factors.

The Company's loans typically include commitments to fund incremental proceeds to its borrowers over the life of the loan. Those future funding commitments are also subject to an allowance for credit losses. The allowance for credit losses related to future loan fundings is recorded as a component of other liabilities on the Company's condensed consolidated balance sheets, and not as an offset to the related loan balance. This allowance for credit losses is estimated using the same process outlined below for the Company's outstanding loan balances, and changes in this component of the allowance for credit losses similarly flow through the Company's condensed consolidated statement of comprehensive (loss) income.

The Company elected not to measure an allowance for credit losses on accrued interest receivable. The Company generally writes off accrued interest receivable balance when interest is 90 days or more past due unless the loan is both well secured and in the process of collection. Write-offs of accrued interest receivable are recognized within provision for credit losses in the condensed consolidated statements of comprehensive income. The Company did not write-off any accrued interest receivable during the three months ended March 31, 2020.

The Company's implementation process included a selection of a credit loss analytical model, completion and documentation of policies and procedures, changes to internal reporting processes and related internal controls and additional disclosures. A control framework for governance, data, forecast, and model controls was developed to support the CECL process. Estimating an allowance for credit losses requires significant judgment and a variety of subjective assumptions, including (i) determination of relevant historical loan loss data sets, (ii) the expected timing and amount of future loan fundings and repayments, (iii) the current credit quality of loans and operating performance of loan collateral and the Company's expectations of performance and (iv) expectations for macroeconomic conditions over the relevant time period.

Considering the lack of historical company data related to any realized loan losses since its inception, the Company elected to estimate its allowance for credit losses by using a probability-weighted analytical model that considers the likelihood of default and loss-given-default for each individual loan. The analytical model incorporates a third-party licensed database with historical

GRANITE POINT MORTGAGE TRUST INC.
Notes to the Condensed Consolidated Financial Statements

loan losses from 1998 to 2019 for over 100,000 commercial real estate loans. At the time of adoption of ASU No. 2016-13, in determining its initial allowance for credit losses estimate, the Company employed a third-party licensed macroeconomic forecast that largely reflected management's views at the time and projected a stable overall economic scenario over the reasonable projection period. Significant inputs to the Company's estimate of the allowance for credit losses include the reasonable and supportable forecast period and loan specific factors such as DSCR, LTV, remaining loan term, property type, and others. In addition, the Company also considers relevant loan-specific qualitative factors to estimate its allowance for credit losses. In certain instances, for loans with unique risk characteristics, the Company may instead elect to employ different methods to estimate loan losses that also conform to ASU 2016-13 and related guidance.

Upon adoption of ASU No. 2016-13 on January 1, 2020, based on the Company's loan portfolio, pre-COVID-19 economic environment and management's expectations for future economic and market conditions at the time, the Company recorded an initial allowance for credit losses, as a cumulative-effective adjustment to the cumulative earnings in its consolidated statement of equity, of approximately \$18.5 million, or approximately \$0.34 per share.

The following table illustrates the day-one financial statement impact of the adoption of ASU 2016-13 on January 1, 2020:

(in thousands)

ASSETS	Pre-ASU 2016-13 Adoption	Cumulative Effect of Adoption	As Reported Under ASU 2016-13
Loans and securities	\$ 4,257,086	\$ —	\$ 4,257,086
Allowance for credit losses	—	(16,692)	(16,692)
Loans and securities, net	\$ 4,257,086	\$ (16,692)	\$ 4,240,394
LIABILITIES			
Liability for off-balance sheet credit losses ⁽¹⁾	\$ —	\$ 1,780	\$ 1,780
STOCKHOLDERS' EQUITY			
Cumulative earnings	\$ 162,076	\$ (18,472)	\$ 143,604

(1) Represents expected loss on unfunded commitments.

Note 3. Variable Interest Entities

The Company finances pools of its commercial real estate loans through collateralized loan obligations, or CLOs, which are considered VIEs for financial reporting purposes and, thus, are reviewed for consolidation under the applicable consolidation guidance. The Company has both the power to direct the activities of the CLOs that most significantly impact the entities' performance, and the obligation to absorb losses or the right to receive benefits of the entities that could be significant, therefore, the Company consolidates the CLOs.

The following table presents a summary of the assets and liabilities of all VIEs consolidated on the Company's condensed consolidated balance sheets as of March 31, 2020 and December 31, 2019:

(in thousands)	March 31, 2020	December 31, 2019
Loans held-for-investment	\$ 1,317,406	\$ 1,301,369
Allowance for credit losses	(16,067)	—
Loans held-for-investment, net	1,301,339	1,301,369
Restricted cash	900	76,093
Other assets	8,648	9,686
Total Assets	\$ 1,310,887	\$ 1,387,148
Securitized debt obligations	\$ 982,312	\$ 1,041,044
Other liabilities	782	1,078
Total Liabilities	\$ 983,094	\$ 1,042,122

GRANITE POINT MORTGAGE TRUST INC.

Notes to the Condensed Consolidated Financial Statements

The Company is not required to consolidate VIEs for which it has concluded it does not have both the power to direct the activities of the VIEs that most significantly impact the entities' performance, and the obligation to absorb losses or the right to receive benefits of the entities that could be significant. The Company's investments in these unconsolidated VIEs include commercial mortgage-backed securities, or CMBS, which are classified within AFS securities, at fair value, and held-to-maturity, or HTM, securities on the condensed consolidated balance sheets. As of March 31, 2020 and December 31, 2019, the carrying value, which also represents the maximum exposure to loss, of all CMBS in unconsolidated VIEs was \$19.2 million and \$30.9 million, respectively.

Note 4. Loans Held-for-Investment, Net of Allowance for Credit Losses

The Company originates and acquires commercial real estate debt and related instruments generally to be held as long-term investments. These assets are classified as "loans held-for-investment" on the condensed consolidated balance sheets. Loans held-for-investment are reported at cost, net of any unamortized acquisition premiums or discounts, loan fees, origination costs and allowance for credit losses as applicable.

The following tables summarize the Company's loans held-for-investment by asset type, property type and geographic location as of March 31, 2020 and December 31, 2019:

	March 31, 2020			
(dollars in thousands)	Senior Loans ⁽¹⁾	Mezzanine Loans	B-Notes	Total
Unpaid principal balance	\$ 4,314,836	\$ 13,197	\$ 14,395	\$ 4,342,428
Unamortized (discount) premium	(115)	—	—	(115)
Unamortized net deferred origination fees	(28,498)	1	—	(28,497)
Allowance for credit losses	(61,261)	(1,016)	(288)	(62,565)
Carrying value	<u>\$ 4,224,962</u>	<u>\$ 12,182</u>	<u>\$ 14,107</u>	<u>\$ 4,251,251</u>
Unfunded commitments	\$ 762,756	\$ —	\$ —	\$ 762,756
Number of loans	119	2	1	122
Weighted average coupon	5.1%	11.5%	8.0%	5.2%
Weighted average years to maturity ⁽²⁾	1.6	1.7	6.8	1.6

	December 31, 2019			
(dollars in thousands)	Senior Loans ⁽¹⁾	Mezzanine Loans	B-Notes	Total
Unpaid principal balance	\$ 4,229,194	\$ 13,503	\$ 14,448	\$ 4,257,145
Unamortized (discount) premium	(124)	—	—	(124)
Unamortized net deferred origination fees	(30,788)	(21)	—	(30,809)
Carrying value	<u>\$ 4,198,282</u>	<u>\$ 13,482</u>	<u>\$ 14,448</u>	<u>\$ 4,226,212</u>
Unfunded commitments	\$ 748,878	\$ —	\$ —	\$ 748,878
Number of loans	117	2	1	120
Weighted average coupon	5.4%	11.7%	8.0%	5.4%
Weighted average years to maturity ⁽²⁾	1.8	2.0	7.1	1.8

(1) Loans primarily secured by a first priority lien on commercial real property and related personal property and also includes, when applicable, any companion subordinate loans.

(2) Based on contractual maturity date. Certain loans are subject to contractual extension options with such conditions stipulated in the applicable loan documents. Actual maturities may differ from contractual maturities stated herein as certain borrowers may have the right to prepay with or without paying a prepayment fee. The Company may also extend contractual maturities in connection with loan modifications.

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Notes to the Condensed Consolidated Financial Statements

(dollars in thousands)	Property Type	March 31, 2020		December 31, 2019	
		Carrying Value	% of Loan Portfolio	Carrying Value	% of Loan Portfolio
	Office	\$ 1,788,377	42.0%	\$ 1,779,173	42.0%
	Multifamily	1,063,785	25.0%	1,058,708	25.1%
	Hotel	661,760	15.6%	640,503	15.2%
	Retail	396,438	9.3%	398,742	9.4%
	Industrial	304,133	7.2%	312,637	7.4%
	Other	36,758	0.9%	36,449	0.9%
	Total	\$ 4,251,251	100.0%	\$ 4,226,212	100.0%

(dollars in thousands)	Geographic Location	March 31, 2020		December 31, 2019	
		Carrying Value	% of Loan Portfolio	Carrying Value	% of Loan Portfolio
	Northeast	\$ 1,148,560	27.1%	\$ 1,196,767	28.4%
	Southwest	874,194	20.5%	923,519	21.8%
	West	808,168	19.0%	735,416	17.4%
	Midwest	701,781	16.5%	700,778	16.6%
	Southeast	718,548	16.9%	669,732	15.8%
	Total	\$ 4,251,251	100.0%	\$ 4,226,212	100.0%

At March 31, 2020 and December 31, 2019, the Company pledged loans held-for-investment with a carrying value, net of allowance for credit losses, of \$4.2 billion and \$4.1 billion, respectively, as collateral for repurchase agreements, an asset-specific financing facility, a revolving credit facility and securitized debt obligations. See Note 9 - *Collateralized Borrowings* and Note 10 - *Securitized Debt Obligations*.

The following table summarizes activity related to loans held-for-investment, net of allowance for credit losses, for the three months ended March 31, 2020 and 2019:

(in thousands)	Three Months Ended March 31,	
	2020	2019
Balance at beginning of period	\$ 4,226,212	\$ 3,167,913
Originations, acquisitions and additional fundings	187,422	279,694
Repayments	(102,139)	(155,320)
Net discount accretion (premium amortization)	8	13
Increase in net deferred origination fees	(2,453)	(3,120)
Amortization of net deferred origination fees	4,766	3,809
Allowance for credit losses	(62,565)	—
Balance at end of period	\$ 4,251,251	\$ 3,292,989

Subsequent to the adoption of ASU 2016-13 on January 1, 2020, to estimate and recognize an allowance for credit losses on loans held-for-investment and their related unfunded commitments, the Company continues to use a probability-weighted analytical model. Given the highly uncertain current macroeconomic environment and the lack of clarity on the near-term outlook for the overall U.S. economy as a result of the COVID-19 pandemic, in determining its allowance for credit losses estimate through March 31, 2020, the Company employed an updated third-party provided macroeconomic forecast over the reasonable projection period. This updated forecast reflects the impact of the COVID-19 pandemic on the overall U.S. economy, commercial real estate markets generally and is not specific to any loans in its portfolio. These estimates may change in future periods based on available future macro-economic data and might result in a material change in the Company's future estimates of expected credit losses.

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for its loan portfolio. See Note 2 - *Use of Estimates* for further discussion of COVID-19. Significant inputs to the Company's estimate of the allowance for credit losses include loan specific factors such as DSCR, LTV, remaining loan term, property type and others. In certain instances, for loans with unique risk characteristics, the Company may instead elect to employ different methods to estimate loan losses that also conform to ASU 2016-13 and related guidance.

The allowance for credit losses related to the Company's loans held-for-investment is deducted from the amortized cost basis of related loans, while the allowance for credit losses related to off-balance sheet future funding commitments is recorded as a component of other liabilities on the Company's condensed consolidated balance sheets. As of March 31, 2020, the Company recognized \$7.5 million in other liabilities related to the allowance for credit losses on unfunded commitments. Changes in the provision for credit losses for both loans held-for-investment and their related unfunded commitments are recognized through net income on the Company's condensed consolidated statements of comprehensive (loss) income.

The following table presents the changes for the three months ended March 31, 2020 in the allowance for credit losses on loans held-for-investment:

(in thousands)	Three Months Ended March 31, 2020	
Balance at beginning of period	\$	16,692
Provision for credit losses		45,873
Writeoffs		—
Recoveries of amounts previously written off		—
Balance at end of period	\$	62,565

The Company's primary credit quality indicators are its risk rankings. The Company evaluates the credit quality of each loan at least quarterly by assessing the risk factors of each loan and assigning a risk rating based on a variety of factors. Risk factors include property type, geographic and local market dynamics, physical condition, leasing and tenant profile, projected cash flow, loan structure and exit plan, LTV, project sponsorship and other factors deemed necessary. Risk ratings are defined as follows:

- 1 – Lower Risk
- 2 – Average Risk
- 3 – Acceptable Risk
- 4 – Higher Risk: A loan that has exhibited material deterioration in cash flows and/or other credit factors, which, if negative trends continue, could be indicative of probability of default or principal loss.
- 5 – Loss Likely: A loan that has a significantly increased probability of default or principal loss.

The following table presents the number of loans, unpaid principal balance and carrying value by risk rating for loans held-for-investment as of March 31, 2020 and December 31, 2019:

(dollars in thousands)	Risk Rating	March 31, 2020			December 31, 2019		
		Number of Loans	Unpaid Principal Balance	Carrying Value	Number of Loans	Unpaid Principal Balance	Carrying Value
	1	4	\$ 104,751	\$ 103,889	9	\$ 293,191	\$ 292,270
	2	97	3,470,230	3,408,924	100	3,661,077	3,632,528
	3	17	653,475	633,979	9	243,127	241,901
	4	4	113,972	104,459	2	59,750	59,513
	5	—	—	—	—	—	—
	Total	122	\$ 4,342,428	\$ 4,251,251	120	\$ 4,257,145	\$ 4,226,212

As of December 31, 2019 (prior to the adoption of ASU 2016-13), the Company had not identified any impaired loans and it had not recorded any allowances for losses as it was not deemed probable that the Company would not be able to collect all amounts due pursuant to the contractual terms of the loans.

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The following table presents the carrying value of loans held-for-investment as of March 31, 2020 by risk rating and year of origination:

(dollars in thousands)	March 31, 2020						
	Origination Year						
	2020	2019	2018	2017	2016	Prior	Total
Risk Rating							
1 (Low Risk)	\$ —	\$ —	\$ 49,269	\$ 21,290	\$ 33,330	\$ —	\$ 103,889
2 (Average Risk)	122,649	1,513,409	892,526	584,385	186,142	109,813	3,408,924
3 (Acceptable Risk)	—	84,461	233,342	189,622	—	126,554	633,979
4 (High Risk)	—	—	38,793	65,666	—	—	104,459
5 (Loss Likely)	—	—	—	—	—	—	—
Total	\$ 122,649	\$ 1,597,870	\$ 1,213,930	\$ 860,963	\$ 219,472	\$ 236,367	\$ 4,251,251

As of March 31, 2020 and December 31, 2019, the Company had not identified any loans that were past-due, in nonaccrual status, or in maturity default. Additionally, during the three months ended March 31, 2020, the Company did not enter into any loan modifications which were classified as troubled debt restructuring.

Note 5. Available-for-Sale Securities

The following table presents the components of the carrying value of AFS securities as of March 31, 2020 and December 31, 2019:

(in thousands)	March 31, 2020	December 31, 2019
Face value	\$ 12,798	\$ 12,798
Unamortized premium (discount)	—	—
Allowance for credit losses	(767)	—
Gross unrealized gains	—	32
Gross unrealized losses	(3,712)	—
Carrying value	\$ 8,319	\$ 12,830

On March 31, 2020, the Company's AFS securities had contractual maturities of less than one year.

At March 31, 2020 and December 31, 2019, the Company pledged AFS securities with a carrying value of \$8.3 million and \$12.8 million, respectively, as collateral for repurchase agreements. See Note 9 - *Collateralized Borrowings*.

At March 31, 2020, the Company's AFS securities were in an unrealized loss position for less than twelve months. At December 31, 2019, the Company's AFS securities were in an unrealized gain position.

Note 6. Held-to-Maturity Securities

The following table presents the components of the carrying value of HTM securities as of March 31, 2020 and December 31, 2019:

(in thousands)	March 31, 2020	December 31, 2019
Face value	\$ 11,778	\$ 18,076
Unamortized premium (discount)	—	—
Allowance for credit losses	(942)	—
Carrying value	\$ 10,836	\$ 18,076

On March 31, 2020, the Company's HTM securities had contractual maturities of less than one year.

At March 31, 2020 and December 31, 2019, the Company pledged HTM securities with a carrying value of \$10.8 million and \$18.1 million, respectively, as collateral for repurchase agreements. See Note 9 - *Collateralized Borrowings*.

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Notes to the Condensed Consolidated Financial Statements

Note 7. Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents include cash held in bank accounts and cash held in money market funds on an overnight basis.

The Company is required to maintain certain cash balances in restricted accounts as collateral for the Company's repurchase agreements and with counterparties to support investment activities. As of March 31, 2020 and December 31, 2019, the Company had \$7.6 million and \$3.4 million, respectively, as collateral for repurchase agreements and by counterparties to support investment activities. In addition, as of March 31, 2020 and December 31, 2019, the Company held \$0.9 million and \$76.1 million, respectively, in restricted cash representing proceeds from principal paydowns of loans held in the CLOs.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported on the Company's condensed consolidated balance sheets as of March 31, 2020 and December 31, 2019 that sum to the total of the same such amounts shown in the statements of cash flows:

(in thousands)	March 31, 2020	December 31, 2019
Cash and cash equivalents	\$ 99,332	\$ 80,281
Restricted cash	8,533	79,483
Total cash, cash equivalents and restricted cash	<u>\$ 107,865</u>	<u>\$ 159,764</u>

Note 8. Fair Value**Fair Value Measurements**

ASC 820, *Fair Value Measurements*, or ASC 820, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 clarifies that fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices available in active markets (*i.e.*, observable inputs) and the lowest priority to data lacking transparency (*i.e.*, unobservable inputs). Additionally, ASC 820 requires an entity to consider all aspects of nonperformance risk, including the entity's own credit standing, when measuring fair value of a liability.

ASC 820 establishes a three-level hierarchy to be used when measuring and disclosing fair value. An instrument's categorization within the fair value hierarchy is based on the lowest level of significant input to its valuation. Following is a description of the three levels:

- Level 1** Inputs are quoted prices in active markets for identical assets or liabilities as of the measurement date under current market conditions. Additionally, the entity must have the ability to access the active market and the quoted prices cannot be adjusted by the entity.
- Level 2** Inputs include quoted prices in active markets for similar assets or liabilities; quoted prices in inactive markets for identical or similar assets or liabilities; or inputs that are observable or can be corroborated by observable market data by correlation or other means for substantially the full-term of the assets or liabilities.
- Level 3** Unobservable inputs are supported by little or no market activity. The unobservable inputs represent the assumptions that market participants would use to price the assets and liabilities, including risk. Generally, Level 3 assets and liabilities are valued using pricing models, discounted cash flow methodologies or similar techniques that require significant judgment or estimation.

Following are descriptions of the valuation methodologies used to measure material assets and liabilities at fair value and details of the valuation models, key inputs to those models and significant assumptions utilized.

Available-for-sale securities. The Company holds AFS securities that are carried at fair value on the condensed consolidated balance sheets and are comprised of CMBS. In determining the fair value of the Company's CMBS AFS, management judgment may be used to arrive at fair value that considers prices obtained from third-party pricing providers or broker quotes received using the bid price, which are both deemed indicative of market activity and other applicable market data. The third-party pricing providers and brokers use pricing models that generally incorporate credit and cash flow factors including, but not limited to, required market yields for comparable investments, coupons, expected life of the security, property type, LTV and debt yield. If observable market prices are not available or insufficient to determine fair value due principally to illiquidity in the marketplace, then fair value is based upon internally developed models that are primarily based on observable market-based inputs but also include unobservable market data inputs (including prepayment speeds, delinquency levels and credit losses).

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Recurring Fair Value

The following tables display the Company's assets measured at fair value on a recurring basis. The Company does not hold any liabilities measured at fair value on its condensed consolidated balance sheets.

(in thousands)	Recurring Fair Value Measurements			
	March 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale securities	\$ —	\$ 8,319	\$ —	\$ 8,319
Total assets	\$ —	\$ 8,319	\$ —	\$ 8,319

(in thousands)	Recurring Fair Value Measurements			
	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale securities	\$ —	\$ 12,830	\$ —	\$ 12,830
Total assets	\$ —	\$ 12,830	\$ —	\$ 12,830

Transfers between Levels are deemed to take place on the first day of the reporting period in which the transfer has taken place. The Company did not incur transfers between Levels for the three months ended March 31, 2020 and 2019.

Nonrecurring Fair Value

The Company may be required to measure certain assets or liabilities at fair value from time to time. These periodic fair value measures typically result from application of certain impairment measures under GAAP. These items would constitute nonrecurring fair value measures under ASC 820. As of March 31, 2020 and December 31, 2019, the Company did not have any assets or liabilities measured at fair value on a nonrecurring basis in the periods presented.

Fair Value of Financial Instruments

In accordance with ASC 820, the Company is required to disclose the fair value of financial instruments, both assets and liabilities recognized and not recognized in the condensed consolidated balance sheets, for which fair value can be estimated.

The following describes the Company's methods for estimating the fair value for financial instruments:

- Loans held-for-investment are carried at cost, net of any unamortized acquisition premiums or discounts, loan fees, origination costs and allowance for credit losses, as applicable. The Company estimates the fair value of its loans held-for-investment by assessing any changes in market interest rates, shifts in credit profiles and actual operating results for mezzanine loans and senior loans, taking into consideration such factors as underlying property type, property competitive position within its market, market and submarket fundamentals, tenant mix, nature of business plan, sponsorship, extent of leverage and other loan terms. The Company categorizes the fair value measurement of these assets as Level 3.
- AFS securities are recurring fair value measurements; carrying value equals fair value. See discussion of valuation methods and assumptions within the *Fair Value Measurements* section of this footnote.
- HTM securities, which are comprised of CMBS, are carried at cost, net of any unamortized acquisition premiums or discounts and allowance for credit losses. In determining the fair value of the Company's CMBS HTM, management judgment may be used to arrive at fair value that considers prices obtained from third-party pricing providers or broker quotes received using the bid price, which are both deemed indicative of market activity, and other applicable market data. The third-party pricing providers and brokers use pricing models that generally incorporate such factors as coupons, primary and secondary mortgage rates, rate reset period, issuer, prepayment speeds, credit enhancements and expected life of the security. The Company categorizes the fair value measurement of these assets as Level 2.
- Cash and cash equivalents and restricted cash have a carrying value which approximates fair value because of the short maturities of these instruments. The Company categorizes the fair value measurement of these assets as Level 1.

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- The carrying value of repurchase agreements, asset-specific financings and revolving credit facilities that mature in less than one year generally approximates fair value due to the short maturities. The Company's long-term repurchase agreements and asset-specific financings have floating rates based on an index plus a credit spread and the credit spread is typically consistent with those demanded in the market. Accordingly, the interest rates on these borrowings are at market and, thus, carrying value approximates fair value. The Company categorizes the fair value measurement of these liabilities as Level 2.
- Securitized debt obligations are recorded at outstanding principal, net of any unamortized deferred debt issuance costs. In determining the fair value of its securitized debt obligations, management judgment may be used to arrive at fair value that considers prices obtained from third-party pricing providers, broker quotes received and other applicable market data. If observable market prices are not available or insufficient to determine fair value due principally to illiquidity in the marketplace, then fair value is based upon internally developed models that are primarily based on observable market-based inputs but also include unobservable market data inputs (including prepayment speeds, delinquency levels and credit losses). The Company categorizes the fair value measurement of these liabilities as Level 2.
- Convertible senior notes are carried at their unpaid principal balance, net of any unamortized deferred issuance costs. The Company estimates the fair value of its convertible senior notes using the market transaction price nearest to March 31, 2020. The Company categorizes the fair value measurement of these assets as Level 2.

The following table presents the carrying values and estimated fair values of assets and liabilities that are required to be recorded or disclosed at fair value as of March 31, 2020 and December 31, 2019:

(in thousands)	March 31, 2020		December 31, 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Loans held-for-investment, net of allowance for credit losses	\$ 4,251,251	\$ 4,269,192	\$ 4,226,212	\$ 4,261,612
Available-for-sale securities	\$ 8,319	\$ 8,319	\$ 12,830	\$ 12,830
Held-to-maturity securities	\$ 10,836	\$ 4,711	\$ 18,076	\$ 18,076
Cash and cash equivalents	\$ 99,332	\$ 99,332	\$ 80,281	\$ 80,281
Restricted cash	\$ 8,533	\$ 8,533	\$ 79,483	\$ 79,483
Liabilities				
Repurchase agreements	\$ 2,072,099	\$ 2,072,099	\$ 1,924,021	\$ 1,924,021
Securitized debt obligations	\$ 982,312	\$ 846,600	\$ 1,041,044	\$ 1,050,912
Asset-specific financings	\$ 119,062	\$ 119,062	\$ 116,465	\$ 116,465
Revolving credit facilities	\$ 38,361	\$ 38,361	\$ 42,008	\$ 42,008
Convertible senior notes	\$ 270,031	\$ 112,660	\$ 269,634	\$ 283,332

Note 9. Collateralized Borrowings

To finance its loans held-for-investment, AFS securities and HTM securities, the Company has entered into a variety of financing arrangements, including repurchase agreements, an asset-specific financing facility and a revolving credit facility. The Company's repurchase agreements are collateralized by loans held-for-investment, AFS and HTM securities (CMBS) and certain cash balances. Although the transactions under repurchase agreements represent committed borrowings until maturity, the respective lender retains the right to mark the underlying collateral to fair value. A reduction in the value of pledged assets due to collateral-specific credit events, or, with respect to a limited number of the Company's repurchase agreements, capital market events, would require the Company to fund margin calls. The Company's asset-specific financing facility is collateralized by loans held-for-investment. The Company does not typically retain similar rights for the Company to make margin calls on its underlying borrowers as a result of a determination by the Company and/or its financing counterparty that there has been a decrease in the market value of the underlying pledged collateral. The Company's revolving credit facility is collateralized by a borrowing base of loans held-for-investment and provides intermediate-term bridge or transitional financing for typically approximately 90 days per loan.

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The following tables summarize details of the Company's collateralized borrowings outstanding as of March 31, 2020 and December 31, 2019:

March 31, 2020						
(in thousands)	Maturity Date ⁽¹⁾	Amount Outstanding	Unused Capacity	Total Capacity	Carrying Value of Collateral	Weighted Average Borrowing Rate
Repurchase agreements:						
Morgan Stanley Bank	June 28, 2021	\$ 594,545	\$ 5,455	\$ 600,000	\$ 725,284	2.9%
Goldman Sachs Bank	May 2, 2021	461,860	38,140	500,000	606,643	2.8%
JPMorgan Chase Bank	June 28, 2022	405,505	44,495	450,000	567,688	2.7%
Citibank	January 9, 2023	412,812	87,188	500,000	517,683	2.5%
Wells Fargo Bank ⁽²⁾	June 28, 2021	180,456	94,544	275,000	237,467	2.6%
JPMorgan Chase Bank ⁽³⁾	May 11, 2020	16,921	NA	NA	23,457	3.9%
Total/Weighted Average		<u>\$ 2,072,099</u>	<u>\$ 269,822</u>	<u>\$ 2,325,000</u>	<u>\$ 2,678,222</u>	
Asset-specific financings:						
Canadian Imperial Bank of Commerce	Various	\$ 119,062	\$ 30,938	\$ 150,000	\$ 147,065	2.5%
Revolving credit facilities:						
Citibank ⁽⁴⁾	July 26, 2021	\$ 38,361	\$ 36,639	\$ 75,000	\$ 64,905	3.3%
December 31, 2019						
(in thousands)	Maturity Date ⁽¹⁾	Amount Outstanding	Unused Capacity	Total Capacity	Carrying Value of Collateral	Weighted Average Borrowing Rate
Repurchase agreements:						
Morgan Stanley Bank	June 28, 2021	\$ 556,887	\$ 43,113	\$ 600,000	\$ 740,791	3.9%
Goldman Sachs Bank	May 2, 2020	405,057	94,943	500,000	541,640	3.8%
JPMorgan Chase Bank	June 28, 2022	408,819	41,181	450,000	553,020	3.7%
Citibank	July 15, 2022	339,888	60,112	400,000	432,867	3.4%
Wells Fargo Bank ⁽²⁾	June 28, 2021	194,113	80,887	275,000	286,672	3.5%
JPMorgan Chase Bank ⁽³⁾	February 10, 2020	19,257	NA	NA	30,906	4.1%
Total/Weighted Average		<u>\$ 1,924,021</u>	<u>\$ 320,236</u>	<u>\$ 2,225,000</u>	<u>\$ 2,585,896</u>	
Asset-specific financings:						
Canadian Imperial Bank of Commerce	Various	\$ 116,465	\$ 33,535	\$ 150,000	\$ 144,322	3.5%
Revolving credit facilities:						
Citibank ⁽⁴⁾	July 26, 2021	\$ 42,008	\$ 32,992	\$ 75,000	\$ 80,473	4.0%

(1) The facilities are set to mature on the stated maturity date, unless extended pursuant to their terms.

(2) As of March 31, 2020, the Company retained an option to increase the maximum facility capacity amount up to \$350 million, subject to customary terms and conditions.

(3) Includes repurchase agreement collateralized by the Company's CMBS, including both AFS and HTM securities. As of March 31, 2020, carrying value of collateral includes \$4.3 million of cash balances required to be maintained in restricted accounts as collateral for the repurchase agreements. There was no balance maintained in restricted accounts as collateral for repurchase agreements as of December 31, 2019.

(4) As of March 31, 2020, the Company retained an option to increase the maximum facility capacity amount up to \$150 million, subject to customary terms and conditions.

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At March 31, 2020, the Company's collateralized borrowings outstanding had the following remaining maturities:

(dollars in thousands)	March 31, 2020			
	Repurchase Agreements	Asset-Specific Financings	Revolving Credit Facilities	Total Amount Outstanding
Within one year	\$ 16,921	\$ —	\$ 38,361	\$ 55,282
One to three years	2,055,178	119,062	—	2,174,240
Three to five years	—	—	—	—
Five years and over	—	—	—	—
Total	\$ 2,072,099	\$ 119,062	\$ 38,361	\$ 2,229,522

The following table summarizes certain characteristics of the Company's repurchase agreements and counterparty concentration at March 31, 2020 and December 31, 2019:

(dollars in thousands)	March 31, 2020				December 31, 2019			
	Amount Outstanding	Net Counterparty Exposure ⁽¹⁾	Percent of Equity	Weighted Average Years to Maturity	Amount Outstanding	Net Counterparty Exposure ⁽¹⁾	Percent of Equity	Weighted Average Years to Maturity
Morgan Stanley Bank	\$ 594,545	\$ 141,595	15%	1.24	\$ 556,887	\$ 185,022	18%	1.49
JPMorgan Chase Bank	422,426	179,773	19%	2.16	428,076	156,764	15%	2.39
Goldman Sachs Bank	461,860	153,315	16%	1.09	405,057	137,326	13%	0.34
Citibank	412,812	109,520	11%	2.78	339,888	93,553	9%	2.54
Wells Fargo Bank	180,456	59,110	6%	1.24	194,113	93,004	9%	1.49
Total	\$ 2,072,099	\$ 643,313			\$ 1,924,021	\$ 665,669		

(1) Represents the excess of the carrying amount or market value of the loans held-for-investment, AFS securities and HTM securities pledged as collateral for repurchase agreements, including accrued interest plus any cash on deposit to secure the repurchase obligation, less the amount of the repurchase liability, including accrued interest.

The Company does not anticipate any defaults by its financing counterparties, although there can be no assurance that one or more defaults will not occur.

Note 10. Securitized Debt Obligations

The Company finances pools of its commercial real estate loans through CLOs, which are consolidated on the Company's condensed consolidated financial statements. See Note 3 - *Variable Interest Entities* for additional information regarding consolidation of the CLOs. The securitized debt obligations issued by the CLOs are recorded at outstanding principal, net of any unamortized deferred debt issuance costs, on the Company's condensed consolidated balance sheets. As of March 31, 2020 and December 31, 2019, the outstanding amount due on securitized debt obligations was \$982.3 million and \$1.0 billion, net of deferred issuance costs, respectively, with a weighted average interest rate of 3.27% and 3.32%, respectively.

Note 11. Convertible Senior Notes

In December 2017, the Company closed a private placement of \$125.0 million aggregate principal amount of convertible senior notes due 2022. In January 2018, an additional \$18.8 million in notes were issued by the Company in connection with the exercise of the initial purchaser's option. The net proceeds from the offering were approximately \$139.5 million after deducting underwriting discounts and expenses. The notes are unsecured, pay interest semiannually at a rate of 5.625% per annum and are convertible at the option of the holder into shares of the Company's common stock. The notes will mature in December 2022, unless earlier converted or repurchased in accordance with their terms. The Company does not have the right to redeem the notes prior to maturity, but may be required to repurchase the notes from holders under certain circumstances. As of March 31, 2020, the notes had a conversion rate of 50.7073 shares of common stock per \$1,000 principal amount of the notes.

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In October 2018, the Company closed an underwritten public offering of \$131.6 million aggregate principal amount of convertible senior notes due 2023. The net proceeds from the offering were approximately \$127.7 million after deducting underwriting discounts and expenses. The notes are unsecured, pay interest semiannually at a rate of 6.375% per annum and are convertible at the option of the holder into shares of the Company's common stock. The notes will mature in October 2023, unless earlier converted or repurchased in accordance with their terms. The Company does not have the right to redeem the notes prior to maturity, but may be required to repurchase the notes from holders under certain circumstances. As of March 31, 2020, the notes had a conversion rate of 48.8496 shares of common stock per \$1,000 principal amount of the notes.

The consolidated amount outstanding due on convertible senior notes as of March 31, 2020 and December 31, 2019 was \$270.0 million and \$269.6 million, respectively, net of deferred issuance costs.

Note 12. Commitments and Contingencies

The following represent the material commitments and contingencies of the Company as of March 31, 2020:

Impact of COVID-19. The full extent of the impact of the COVID-19 pandemic on the global economy generally, and the Company's business in particular, is uncertain. As of March 31, 2020, no contingencies have been recorded on the Company's condensed consolidated balance sheet as a result of COVID-19. However, as the global pandemic continues and the economic implications worsen, it may have long-term impacts on the Company's financial condition, results of operations and cash flows. See Note 2 - *Use of Estimates* for further discussion of COVID-19.

Management Agreement. Upon closing its initial public offering, or IPO, on June 28, 2017, the Company entered into a management agreement with the Manager. The Company pays the Manager a base management fee equal to 1.5% of the Company's equity on an annualized basis, as defined in the management agreement. For purposes of calculating the management fee, equity means the sum of the net proceeds received by the Company from all issuances of its equity securities, plus its cumulative "core earnings" at the end of the most recently completed calendar quarter, less any distributions to stockholders, any amount that the Company has paid to repurchase its stock and any incentive fees earned by the Manager, but excluding the incentive fee earned in the current quarter. As a result, equity for purposes of calculating the management fee may differ from the amount of stockholders' equity shown in the Company's financial statements.

Incentive fees, if earned, are payable to the Manager, as defined in the management agreement. The incentive fee is the excess of (1) the product of (a) 20% and (b) the result of (i) the Company's "core earnings" for the previous 12-month period, minus (ii) the product of (A) the Company's equity in the previous 12-month period, and (B) 8% per annum, less (2) the sum of any incentive fees paid to the Manager with respect to the first three calendar quarters of such previous 12-month period; provided, however, that no incentive fees are payable with respect to any calendar quarter unless "core earnings" for the 12 most recently completed calendar quarters in the aggregate is greater than zero.

In addition, under the terms of an amendment to the management agreement entered into in the fourth quarter of 2018, the Manager agreed to reimburse the Company an amount related to the compensation payable to the sales agents under the Company's equity distribution agreement by netting such amount from the base management fee payable to the Manager for the applicable quarterly period.

For purposes of calculating base management and incentive fees, "core earnings" means net income (loss) attributable to common stockholders, excluding non-cash equity compensation expense, incentive fees earned by the Manager, depreciation and amortization, any unrealized gains or 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 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.

The initial term of the management agreement expires on June 28, 2020, and thereafter will automatically renew for successive one-year terms annually until terminated in accordance with the terms of the agreement. Upon termination of the management agreement by the Company without cause or by the Manager due to the Company's material breach of the management agreement, the Company is required to pay a termination fee equal to three times the sum of the average annual base management fee and average annual incentive compensation, in each case earned by the Manager during the 24-month period immediately preceding the date of termination, calculated as of the end of the most recently completed fiscal quarter prior to the date of termination.

On March 2, 2020, the Company announced that it has agreed to a process with the Manager to internalize the Company's management function. The Company and the Manager have not yet executed and delivered a final agreement and definitive documentation or agreed upon fee or date by which the internalization may be completed. The Company cannot provide any assurance that the internalization will be consummated. As of March 31, 2020, the Company's consolidated financial statements do not recognize a contingency liability under ASC 450 because management does not believe the amount of the loss or expense related to the internalization is reasonably estimable. Once the loss or expense may be reasonably estimable and management believes the internalization is a "probable" future event that may result in a loss or expense to the Company, the Company may

GRANITE POINT MORTGAGE TRUST INC.

Notes to the Condensed Consolidated Financial Statements

recognize in the consolidated financial statements a contingency liability and resulting loss in such period. If the internalization is completed, the management agreement will be terminated and therefore the Company will no longer pay a management fee or reimburse expenses.

Employment contracts. The Company does not directly employ any personnel. Instead, the Company relies on the resources of the Manager and its affiliates to conduct the Company's operations. See *Management Agreement* above.

Legal and regulatory. From time to time, the Company may be subject to liability under laws and government regulations and various claims and legal actions arising in the ordinary course of business. Liabilities are established for legal claims when payments associated with the claims become probable and the costs can be reasonably estimated. The actual costs of resolving legal claims may be substantially higher or lower than the amounts established for those claims. Based on information currently available, management is not aware of any legal or regulatory claims that would have a material effect on the Company's consolidated financial statements and, therefore, no accrual is required as of March 31, 2020.

Unfunded commitments on loans held-for-investment. Certain of the Company's commercial real estate loan agreements contain provisions and obligations to extend credit to its borrowers through its unfunded loan commitments over the contractual period of its loans. As of March 31, 2020 and December 31, 2019, the Company had unfunded loan commitments of \$762.8 million and \$748.9 million, respectively, on loans held-for-investment, which it expects to fund, subject to the satisfaction of any conditions precedent to such commitments, over the tenure of these loans, which have a weighted average future funding period of approximately three years. These commitments generally provide funding for lease-related or capital improvement expenditures, as well as interest and carry costs, all of which will vary depending on the progress of capital improvement projects, leasing and cash flows at the properties that serve as collateral for the Company's loans. Therefore, the exact timing and amounts of such loan balance future fundings are generally uncertain and will depend on the current and future performance of the collateral properties. Because of the COVID-19 pandemic and its impact on the global and U.S. economies and the U.S. commercial real estate market, the pace of lease-related or capital improvement expenditures may be slower than otherwise expected, and the pace of associated future fundings relating to these capital needs accordingly may be similarly slower; however, the exact timing and amounts are uncertain. The Company typically finances the funding of its loan commitments on terms generally consistent with its overall financing facilities; however, most of its financing agreement counterparties are not obligated to fund their ratable portion of these loan commitments over time and have varying degrees of discretion over future loan funding obligations, including the advance rates on their fundings. The Company may be obligated to fund loan commitments with respect to a pledged asset even if the applicable financing counterparty will not fund their ratable portion of the loan commitment and/or has made margin calls with respect to such pledged asset. As a result of the COVID-19 pandemic and the increased degree of uncertainty it has created, the Company's financing agreement counterparties may be less likely to finance its future loan funding commitments than they were prior to the COVID-19 pandemic.

Note 13. Preferred Stock

The Company's preferred stock ranks senior to the rights of holders of the Company's common stock, but junior to all other classes or series of preferred stock that may be issued. The holders of the preferred stock are entitled to receive, when, as and if authorized and declared by the Company, cumulative cash dividends at the rate of 10% per annum of the \$1,000 liquidation preference per share of the preferred stock. Such dividends accrue on a daily basis and are cumulative from and including the initial issue date of the preferred stock.

The Company has the option at any time after five years from the initial issue date to redeem the preferred stock at a redemption price of \$1,000 per share, plus any accrued and unpaid dividends. At any time after six years from the initial issue date, the Company will, at the request of any preferred stockholder, repurchase the holder's preferred stock at a price of \$1,000 per share, plus any accrued and unpaid dividends. During the three months ended March 31, 2020 and 2019, the Company declared dividends to the preferred stockholder of \$25,000 and \$25,000, respectively.

Note 14. Stockholders' Equity

Common Stock

On February 5, 2019, the Company closed an underwritten public offering of 6,850,000 shares of its common stock. The Company received total proceeds from the offering of approximately \$130.2 million. In addition, the Company granted the underwriters a thirty-day option to purchase up to an additional 1,027,500 shares of its common stock, which was exercised in full on March 6, 2019 resulting in proceeds of \$19.5 million from exercise of the underwriters option. In connection with this offering, the Manager agreed to pay approximately \$1.6 million of the underwriting fees and discounts.

GRANITE POINT MORTGAGE TRUST INC.

Notes to the Condensed Consolidated Financial Statements

As of March 31, 2020, the Company had 55,136,885 shares of common stock outstanding. The following table presents a reconciliation of the common shares outstanding for the three months ended March 31, 2020 and 2019:

	Number of common shares
Common shares outstanding, December 31, 2018	43,621,174
Issuance of common stock	8,291,829
Issuance of restricted stock ⁽¹⁾	258,918
Common shares outstanding, March 31, 2019	52,171,921
Common shares outstanding, December 31, 2019	54,853,205
Issuance of common stock	—
Issuance of restricted stock ⁽¹⁾	283,680
Common shares outstanding, March 31, 2020	55,136,885

(1) Represents shares of restricted stock granted under the Company's 2017 Equity Incentive Plan, net of forfeitures. See Note 15 - *Equity Incentive Plan* for additional information.

Distributions to Stockholders

On March 25, 2020, as a result of the unprecedented market conditions and uncertainty caused by the COVID-19 pandemic, the Company announced that it had suspended its first quarter 2020 common stock dividend in order to conserve available liquidity. The following table presents cash dividends declared by the Company on its common stock from December 31, 2018 through March 31, 2020:

Declaration Date	Record Date	Payment Date	Cash Dividend Per Share
December 18, 2019	December 31, 2019	January 17, 2020	\$ 0.42
September 18, 2019	October 3, 2019	October 18, 2019	\$ 0.42
June 20, 2019	July 5, 2019	July 19, 2019	\$ 0.42
March 20, 2019	April 1, 2019	April 18, 2019	\$ 0.42

Share Repurchase Program

The Company's Share Repurchase Program allows for the repurchase of up to an aggregate of 2,000,000 shares of the Company's common stock. The shares are expected to be repurchased from time to time through privately negotiated transactions or open market transactions, including pursuant to a trading plan in accordance with Rules 10b5-1 and 10b-18 under the Securities Exchange Act of 1934, as amended, or the Exchange Act, or by any combination of such methods. The manner, price, number and timing of share repurchases will be subject to a variety of factors, including market conditions and applicable SEC rules. The Company has not repurchased any of its common stock since the program was authorized.

At-the-Market Offering

The Company is party to an equity distribution agreement under which the Company may sell up to an aggregate of 8,000,000 shares of its common stock from time to time in any method permitted by law deemed to be an "at-the-market" offering as defined in Rule 415 under the Securities Act of 1933, as amended, or the Securities Act. As of March 31, 2020, 3,242,364 shares of common stock had been sold under the equity distribution agreement for total accumulated net proceeds of approximately \$61.2 million, of which 414,329 shares were sold for total proceeds of \$7.8 million during the three months ended March 31, 2019. No shares were sold during the three months ended March 31, 2020.

GRANITE POINT MORTGAGE TRUST INC.**Notes to the Condensed Consolidated Financial Statements*****Accumulated Other Comprehensive (Loss) Income***

Accumulated other comprehensive (loss) income at March 31, 2020 and December 31, 2019 was as follows:

(in thousands)	March 31, 2020	December 31, 2019
Available-for-sale securities		
Unrealized gains	\$ —	\$ 32
Unrealized losses	(3,712)	—
Accumulated other comprehensive (loss) income	\$ (3,712)	\$ 32

Reclassifications out of Accumulated Other Comprehensive (Loss) Income

The Company reclassifies unrealized gains and losses on AFS securities in accumulated other comprehensive (loss) income to net (loss) income upon the recognition of any provision for credit losses as the allowance for credit losses on individual AFS securities is increased or decreased. For the three months ended March 31, 2020, the Company reclassified \$0.8 million of unrealized losses on AFS securities out of accumulated other comprehensive (loss) income to provision for credit losses on the condensed consolidated statement of comprehensive (loss) income. The Company did not record any reclassifications out of accumulated other comprehensive (loss) income during the three months ended March 31, 2019.

Note 15. Equity Incentive Plan

The Company's 2017 Equity Incentive Plan, or the Plan, provides incentive compensation to attract and retain qualified directors, officers, advisors, consultants and other personnel, including certain personnel of the Manager and its affiliates. The Plan is administered by the compensation committee of the Company's board of directors. The compensation committee has the full authority to administer and interpret the Plan, to authorize the granting of awards, to determine the eligibility of directors, officers, advisors, consultants and other personnel, including personnel of the Manager and its affiliates, to receive an award, to determine the number of shares of common stock to be covered by each award (subject to the individual participant limitations provided in the Plan), to determine the terms, provisions and conditions of each award (which may not be inconsistent with the terms of the Plan), to prescribe the form of instruments evidencing awards and to take any other actions and make all other determinations that it deems necessary or appropriate in connection with the Plan or the administration or interpretation thereof. In connection with this authority, the compensation committee may, among other things, establish performance goals that must be met in order for awards to be granted or to vest, or for the restrictions on any such awards to lapse.

The Plan provides for grants of restricted common stock, phantom shares, dividend equivalent rights and other equity-based awards, subject to a ceiling of 3,242,306 shares available for issuance under the Plan. The Plan allows for the Company's board of directors to expand the types of awards available under the Plan to include long-term incentive plan units in the future. If an award granted under the Plan expires or terminates, the shares subject to any portion of the award that expires or terminates without having been exercised or paid, as the case may be, will again become available for the issuance of additional awards. Unless earlier terminated by the Company's board of directors, no new award may be granted under the Plan after the tenth anniversary of the effective date of the Plan. No award may be granted under the Plan to any person who, assuming payment of all awards held by such person, would own or be deemed to own more than 9.8% of the outstanding shares of the Company's common stock.

During the three months ended March 31, 2020 and 2019, the Company granted 297,769 and 258,918 shares of restricted common stock, respectively, to key employees of the Manager and its affiliates pursuant to the terms of the Plan and the associated award agreements. The estimated fair value of these awards was \$18.47 and \$19.31 per share, respectively, on the grant date, based on the closing market price of the Company's common stock on the NYSE on such date. The shares underlying the grants vest in three equal annual installments commencing on the first anniversary of the grant date, as long as the grantee complies with the terms and conditions of his or her applicable restricted stock award agreement.

GRANITE POINT MORTGAGE TRUST INC.**Notes to the Condensed Consolidated Financial Statements**

The following table summarizes the activity related to restricted common stock for the three months ended March 31, 2020 and 2019:

	Three Months Ended March 31,			
	2020		2019	
	Shares	Weighted Average Grant Date Fair Market Value	Shares	Weighted Average Grant Date Fair Market Value
Outstanding at Beginning of Period	461,371	\$ 18.75	321,134	\$ 18.04
Granted	297,769	18.47	258,918	19.31
Vested	(153,425)	(18.44)	(67,694)	(17.33)
Forfeited	(14,089)	(18.57)	—	—
Outstanding at End of Period	<u>591,626</u>	<u>\$ 18.69</u>	<u>512,358</u>	<u>\$ 18.78</u>

For the three months ended March 31, 2020 and 2019, the Company recognized compensation related to restricted common stock of \$1.4 million and \$1.1 million, respectively.

Note 16. Income Taxes

The Company has elected to be taxed as a REIT under the Code for U.S. federal income tax purposes. As long as the Company qualifies as a REIT, the Company generally will not be subject to U.S. federal income taxes on that portion of its income that it distributes to its stockholders if it annually distributes at least 90% of its REIT taxable income, without regard to the deduction for dividends paid and excluding net capital gains, and does not engage in prohibited transactions. While the Company currently intends to distribute 100% of its REIT taxable income for the taxable year ending December 31, 2020 and comply with all requirements to continue to qualify as a REIT, the Company will continue to evaluate its capital and liquidity needs in light of the significant uncertainties created by the COVID-19 pandemic, including the potential for a continued and prolonged adverse impact on economic and market conditions. The majority of states also recognize the Company's REIT status. The Company's TRS files a separate federal tax return and is fully taxed as a standalone U.S. C-corporation. It is assumed that the Company will retain its REIT status and will incur no REIT level taxation as it intends to comply with the REIT regulations and annual distribution requirements.

Based on the Company's evaluation, it has been concluded that there are no significant uncertain tax positions requiring recognition in the Company's condensed consolidated financial statements of a contingent tax liability for uncertain tax positions. Additionally, there were no amounts accrued for penalties or interest as of or during the periods presented in these condensed consolidated financial statements.

GRANITE POINT MORTGAGE TRUST INC.

Notes to the Condensed Consolidated Financial Statements

Note 17. Earnings Per Share

The following table presents a reconciliation of the earnings and shares used in calculating basic and diluted earnings per share for the three months ended March 31, 2020 and 2019:

(in thousands, except share data)	Three Months Ended	
	March 31,	
	2020	2019
Numerator:		
Net income (loss) attributable to common stockholders - basic	\$ (37,216)	\$ 16,944
Interest expense attributable to convertible notes ⁽¹⁾	—	4,449
Net income (loss) attributable to common stockholders - diluted	\$ (37,216)	\$ 21,393
Denominator:		
Weighted average common shares outstanding	54,499,000	48,145,555
Weighted average restricted stock shares	557,411	455,876
Basic weighted average shares outstanding	55,056,411	48,601,431
Effect of dilutive shares issued in an assumed conversion of the convertible senior notes	—	13,655,164
Diluted weighted average shares outstanding	55,056,411	62,256,595
Earnings (Loss) per share		
Basic	\$ (0.68)	\$ 0.35
Diluted	\$ (0.68)	\$ 0.34

(1) Includes a nondiscretionary adjustment for the assumed change in the management fee calculation.

For the three months ended March 31, 2020, excluded from the calculation of diluted earnings per share is the effect of adding back \$4.5 million of interest expense, net of nondiscretionary adjustment for the assumed change in the management fee calculation, and 13,717,782 weighted average common share equivalents related to the assumed conversion of the Company's convertible senior notes, as their inclusion would be antidilutive.

Note 18. Related Party Transactions

The Company does not have any employees and is currently externally managed by the Manager under the terms of a management agreement. Under the management agreement, the Manager and its affiliates provide the Company with the personnel and resources necessary to operate the Company's business. In exchange, the Company pays the Manager a base management fee that is equal to 1.5% of the Company's equity, as defined in the management agreement, on an annualized basis. The Company incurred \$3.9 million and \$3.4 million, respectively, as a management fee to the Manager for the three months ended March 31, 2020 and 2019.

In addition, incentive fees, if earned, are payable to the Company's Manager, as defined in the management agreement. The Company incurred \$0.2 million as an incentive fee to the Manager for the three months ended March 31, 2019. No incentive fees were incurred for the three months ended March 31, 2020. See further discussion of the base management fee and incentive fee calculations in Note 12 - *Commitments and Contingencies* and further discussion of base management fee reimbursements for common stock sold under the Company's equity distribution agreement in Note 14 - *Stockholder's Equity*.

On March 2, 2020, the Company announced that it has agreed to a process with the Manager to internalize the Company's management function. If the internalization is completed, the management agreement will be terminated and therefore the Company will no longer pay a management fee or reimburse expenses.

During the three months ended March 31, 2020 and 2019, the Company reimbursed the Manager for certain direct and allocated net costs incurred by the Manager on behalf of the Company. These direct and allocated net costs totaled approximately \$7.8 million and \$6.6 million, respectively.

In addition, during the three months ended March 31, 2019, the Manager paid the underwriters an amount equal to \$0.20 per share for each share issued in connection with the Company's underwritten public offering of its common stock and the related option exercised by the underwriters to purchase additional shares of the Company's common stock.

GRANITE POINT MORTGAGE TRUST INC.

Notes to the Condensed Consolidated Financial Statements

The Company has contractual relationships with a majority of its third-party vendors and pays those vendors directly. The Company will continue to have certain costs allocated to it by the Manager under the management agreement for compensation, data services, technology and certain office lease payments.

The Company recognized \$1.4 million and \$1.1 million of compensation during the three months ended March 31, 2020 and 2019 related to restricted common stock issued to employees of the Manager and the Company's independent directors pursuant to the Plan. See Note 15 - *Equity Incentive Plan* for additional information.

The terms of these transactions may have been different had they been transacted with an unrelated third-party.

Note 19. Subsequent Events

Events subsequent to March 31, 2020, were evaluated through the date these financial statements were issued and no other additional events were identified requiring further disclosure in these condensed consolidated financial statements.

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 consolidated financial statements and accompanying notes included elsewhere in this Quarterly Report on Form 10-Q, as well as our Annual Report on Form 10-K for the year ended December 31, 2019.

Our Company

Granite Point Mortgage Trust Inc. focuses primarily on directly originating, investing in and managing senior floating-rate commercial mortgage loans and other debt and debt-like commercial real estate investments. We are currently externally managed by Pine River Capital Management L.P., or our Manager. We operate as a real estate investment trust, or REIT, as defined under the Internal Revenue Code of 1986, as amended, or the Code. We also operate our business in a manner that will permit us to maintain our exclusion from registration under the Investment Company Act of 1940, as amended, or the Investment Company Act.

We recently announced that we have agreed to a process with our Manager to internalize the Company’s management function. A committee comprised entirely of independent members of our board of directors, or the Independent Committee, has been negotiating the internalization on our behalf and has retained independent advisors. In connection with the completion of the internalization, we expect to continue to be managed by our strong senior management team along with other personnel providing services to us, who are currently employed by our Manager, and to whom the Independent Committee expects to extend offers of employment. Details are expected to be announced once finalized, and a final agreement and definitive documentation are expected to be delivered and executed at that time. There can be no assurance that the internalization will be consummated. See “*Risk Factors - Risks Related to Our Relationship With Our Manager*” in Item 1A of our Annual Report on Form 10-K.

COVID-19 Pandemic

Over the course of the first quarter of 2020, a global outbreak of a novel coronavirus (COVID-19), took place. The outbreak has spread around the world, including to every state of the United States. As a result of the pandemic, numerous countries, including the United States, have declared national emergencies. As the global impact of the outbreak has been rapidly evolving, and new cases of COVID-19 have quickly spread around the world, many countries, including the U.S., have reacted by instituting quarantines, restrictions on travel and temporarily closing non-essential businesses. Many states in the U.S. instituted varying degrees of “shelter-in-place” guidelines or orders and other measures designed to contain the spread of COVID-19. Such actions are creating significant macroeconomic disruptions and adversely impacting many industries. The outbreak could have a continued adverse impact on macroeconomic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate adverse impact of COVID-19 on economic and market conditions, and, as a result, present material uncertainty and risk with respect to us and the performance of our investments.

The full extent of the impact and effects of COVID-19 will depend on future developments, including, among other factors, the duration and spread of the outbreak, along with the related travel advisories, quarantines and restrictions, the recovery time of the disrupted supply chains and industries, the impact of labor market interruptions, the impact of government interventions and uncertainty with respect to the duration of the global economic slowdown. For additional discussion with respect to the potential impact of the COVID-19 pandemic on our liquidity and capital resources, see *Liquidity and Capital Resources* below.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains, or incorporates by reference, not only historical information, but also forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act and that are subject to the safe harbors created by such sections. Forward-looking statements involve numerous risks and uncertainties. Our actual results may differ from our beliefs, expectations, estimates and projections and, consequently, you should not rely on these forward-looking statements as predictions of future events. Forward-looking statements are not historical in nature and can be identified by words such as “anticipate,” “estimate,” “will,” “should,” “expect,” “target,” “believe,” “intend,” “seek,” “plan,” “goals,” “future,” “likely,” “may” and similar expressions or their negative forms, or by references to strategy, plans or intentions. 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, in particular due to the uncertainties created by the COVID-19 pandemic, including the projected impact of COVID-19 on our business, financial performance and operating results. 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 result or be achieved and actual results may vary materially from what is expressed in or indicated by the forward-looking statements.

These forward-looking statements are subject to risks and uncertainties, including, among other things, those described in our Annual Report on Form 10-K for the year ended December 31, 2019, under the caption “Risk Factors.” These risks may also be further heightened by the continued impact of the COVID-19 pandemic. Other risks, uncertainties and factors that could cause actual results to differ materially from those projected are described below and may be described from time to time in reports we file with the SEC, including our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update or revise any such forward-looking statements, whether as a result of new information, future events or otherwise. Important factors, among others, that may affect our actual results include:

- the severity and duration of the COVID-19 pandemic;
- potential risks and uncertainties relating to the ultimate geographic spread of COVID-19;
- actions that may be taken by governmental authorities to contain the COVID-19 outbreak or to mitigate its impact;
- the potential negative impacts of COVID-19 on the global economy, including the sudden severe rise in unemployment, and the impacts of COVID-19 on our financial condition, business operations and value of our assets, as well as the financial condition and operations of our borrowers;
- the general political, economic and competitive conditions in the markets in which we invest;
- defaults by borrowers in paying debt service on outstanding indebtedness and borrowers' abilities to manage and stabilize properties;
- our ability to obtain or maintain financing arrangements on terms favorable to us or at all, particularly in light of the current disruption in the financial markets;
- the level and volatility of prevailing interest rates and credit spreads;
- reductions in the yield on our investments and increases in the cost of our financing;
- general volatility of the securities markets in which we participate and the potential need to post additional collateral on our financing arrangements;
- the return or impact of current or future investments;
- changes in our business, investment strategies or target investments;
- allocation of investment opportunities to us by our Manager;
- increased competition from entities investing in our target investments;
- effects of hedging instruments on our target investments;
- changes in governmental regulations, tax law and rates and similar matters;
- our ability to maintain our qualification as a REIT for U.S. federal income tax purposes and our exclusion from registration under the Investment Company Act;
- availability of desirable investment opportunities;
- availability of qualified personnel and our relationship with our Manager;
- the time and cost of the process to internalize our management function;
- estimates relating to our ability to make distributions to our stockholders in the future;
- hurricanes, earthquakes and other natural disasters, acts of war and/or terrorism, pandemics such as COVID-19 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;
- deterioration in the performance of the properties securing our investments that may cause deterioration in the performance of our investments and, potentially, principal losses to us, including the risk of impairment charges and any impact on our ability to satisfy the covenants and conditions in our debt agreements; and
- difficulty or delays in redeploying the proceeds from repayments of our existing investments.

This Quarterly Report on Form 10-Q may contain statistics and other data that, in some cases, have been obtained or compiled from information made available by mortgage loan servicers and other third-party service providers.

Factors Affecting our Operating Results

The results of our operations are affected by a number of factors and primarily depend on, among other things, the level of our net interest income, the availability and cost of financing for us, the market value of our assets, credit performance of our assets and the supply of, and demand for, commercial real estate loans, other commercial real estate debt instruments and other financial assets available for investment in the market and available as a source of refinancing of our assets. Our net interest income, which reflects the amortization of origination fees and direct costs, is recognized based on the contractual rate and the outstanding principal balance of the loans we originate. The objective of the interest method is to arrive at periodic interest income that yields a level rate of return over the loan term. Interest rates vary according to the type of loan or security, conditions in the financial markets, credit worthiness of our borrowers, competition and other factors, none of which can be predicted with any certainty. Our operating results may also be impacted by credit losses in excess of initial anticipations or unanticipated credit events experienced by our borrowers. We continue to monitor the effects on each of these factors as a result of the COVID-19 pandemic and how they will affect the results of our operations.

Loan Originations

Our business model is mainly focused on directly originating, investing in and managing senior floating-rate commercial mortgage loans and other debt and debt-like commercial real estate investments. As a result of this strategy, our operating performance is subject to overall market demand for commercial real estate loan products and other debt and debt-like commercial real estate investments. We manage originations and acquisitions of our target investments by diversifying our investment portfolio across geographical regions and local markets, property types, borrower types, loan structures and types. We do not limit our investments to any number of geographical areas or property types for our originations and will continue to develop a well-diversified investment portfolio. Additionally, our team has extensive experience originating and acquiring commercial real estate loans and other debt and debt-like commercial real estate investments, through a network of long-standing relationships with borrowers, sponsors and industry brokers.

Financing Availability

We are subject to availability and cost of financing to successfully execute on our business strategy and generate attractive risk-adjusted returns to our stockholders. Much of our financing is in the form of repurchase agreements, or other types of credit facilities, provided to us by our lender counterparties. We mitigate this counterparty risk by seeking to diversify our lending partners, focusing on establishing borrowing relationships with strong counterparties and continuously monitoring them through a thoughtful approach to counterparty risk oversight. Additionally, as part of our broader risk management strategy, and to the extent available in the market, we finance our business through other means which may include, but not be limited to, securitizations, note sales and issuance of unsecured debt and equity instruments. We will continue to actively explore additional types of funding facilities in order to further diversify our financing sources. The COVID-19 pandemic has resulted in significant disruptions in financial markets and uncertainty about the overall macroeconomic outlook. Impending declines in economic conditions could negatively impact real estate and real estate capital markets, which could make it more difficult for us to obtain or maintain financing.

We finance pools of our commercial real estate loans through collateralized loan obligations, or CLOs, retaining the subordinate securities in our investment portfolio. Our CLOs are accounted for as financings with the non-retained securitized debt obligations recognized on our balance sheet.

Credit Risk

We are subject to varying degrees of credit risk in connection with our target investments. We seek to mitigate this risk by seeking to originate or acquire assets of higher quality at appropriate rates of return given anticipated and unanticipated losses, by employing a comprehensive review and selection process and by proactively monitoring originated or acquired investments. Nevertheless, unanticipated credit losses, including as a result of the COVID-19 pandemic, could occur that could adversely impact our operating results.

Operating Expenses - Investment Management and Corporate Overhead

We incur significant general and administrative costs, including certain costs related to being a public company and costs incurred on our behalf by our Manager. We rely on our Manager to provide, or obtain on our behalf, the personnel and services necessary for us to conduct our business because we have no employees of our own. Our Manager performs these services for us and provides us with a comprehensive suite of investment and portfolio management services.

Under the management agreement with our Manager, we pay all costs and expenses of our Manager incurred on our behalf in order to operate our business, as well as all compensation costs for certain personnel providing services to us under the management agreement, other than personnel directly involved in supporting the investment function. We also pay our Manager a quarterly base management fee equal to 0.375% (a 1.50% annual rate) of our equity and an incentive fee, which is payable, if earned, as defined in the management agreement. See further discussion of the base management fee and incentive fee calculations in Note 12 - *Commitments and Contingencies* of the notes to the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

We recently announced that we have agreed to a process with our Manager to internalize the Company's management function. If the internalization is completed, the management agreement will be terminated and, therefore, we will no longer pay a management fee and reimburse expenses. Details of the internalization are expected to be announced once finalized in several months, and a final agreement and definitive documentation are expected to be delivered and executed at that time. See "Business - Our Manager" in Item 1 and "Risks Relating to Our Relationship With Our Manager" in Item 1A of our Annual Report on Form 10-K.

Market Conditions

Prior to the COVID-19 pandemic, the commercial real estate debt markets offered compelling investment opportunities, especially when approached fundamentally, with a focus on strong credit and cash flow characteristics and high quality borrowers and sponsors. These investment opportunities were supported by active real estate transaction volumes, continuous need for refinancing of legacy loans and borrower and sponsor demand for debt capital to renovate, reposition or redevelop their properties. Additionally, the stricter regulatory environment after the financial crisis from 2007 to 2009 for traditional providers of financing in this market, such as banks and insurance companies, limited the capacity of available funding for certain types of commercial real estate loans which comprised a large part of our target investments. The COVID-19 pandemic has created a high degree of uncertainty with respect to the overall economic environment along with the negative impact it has had on many segments of the commercial real estate market, including a significant decline in real estate transaction volume combined with severe dislocations in the financing markets. We believe that, over time, as the markets return to more normalized levels of activity and the ultimate economic recovery takes place, U.S. commercial real estate will continue to be viewed as an attractive asset class and will provide us with the opportunities consistent with our investment strategy to invest our capital and generate attractive, risk-adjusted returns for our stockholders over the long-term.

Due to the current COVID-19 pandemic in the United States and globally, most of our borrowers, sponsors, their tenants, the properties serving as collateral on our loan investments, and the economy as a whole have been, and will continue to be, adversely affected. The magnitude and duration of the COVID-19 pandemic and its impact on our borrowers and their tenants, cash flows and future results of operations could be significant and will largely depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the COVID-19 pandemic, the success of actions taken to contain or treat the pandemic and reactions by consumers, companies, governmental entities and capital markets. The prolonged duration and impact of the COVID-19 pandemic could materially disrupt our business operations and impact our financial condition and performance, and our liquidity and ability to pay dividends.

The COVID-19 pandemic has resulted in significant disruptions in financial markets, business shutdowns and uncertainty about how the United States and global economy will perform over the next several months. Possible future declines in rental rates and expectations of future rental concessions, including free rent to renew tenants early, to retain tenants who are up for renewal, to attract new tenants or rent abatements for tenants severely impacted by the COVID-19 pandemic may result in decreases in cash flows to our borrowers and potentially in defaults in paying debt service on outstanding indebtedness to us, which could adversely impact our results of operations and financial performance. Impending declines in economic conditions could negatively impact real estate and real estate capital markets and result in lower occupancy, lower rental rates and declining values in our portfolio, which could adversely impact the value of our investments, making it more difficult for us to pay dividends or meet our financing obligations.

Allowance for Credit Losses

In June 2016, the Financial Accounting Standards Board, or FASB, issued Accounting Standard Update, or ASU, 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, or ASU 2016-13. ASU 2016-13 significantly changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. ASU 2016-13 replaces the incurred loss model under existing guidance with a Current Expected Credit Loss, or CECL, model for instruments measured at amortized cost, and require entities to record allowances for AFS debt securities rather than reduce the carrying amount, as they did under the other-than-temporary impairment model. It also simplifies the accounting model for purchased credit-impaired debt securities and loans. In addition, the new model applies to off-balance sheet credit exposures, such as unfunded loan commitments. ASU 2016-13 was adopted through a cumulative-effect adjustment to cumulative earnings as of January 1, 2020.

The allowance for credit losses required under ASU 2016-13 is a valuation account that is deducted from the amortized cost basis of related loans and debt securities on our consolidated balance sheets, and which will reduce our total stockholders' equity. The initial allowance for credit losses recorded on January 1, 2020 was reflected as a direct charge to cumulative earnings; however future changes to the allowance for credit losses are recognized through net income on our consolidated statements of operations. While ASU 2016-13 does not require any particular method for determining the allowance for credit losses, it does specify the allowance should be based on relevant information about past events, including historical loss experience, current portfolio, market conditions and reasonable and supportable forecasts for the duration of each respective loan. In addition, other than a few narrow exceptions, ASU 2016-13 requires that all financial instruments subject to the CECL model have some amount of allowance for credit losses to reflect the GAAP principal underlying the CECL model that all loans, debt securities and similar assets have some inherent risk of loss, regardless of credit quality, subordinate capital or other mitigating factors.

Our loans typically include commitments to fund incremental proceeds to our borrowers over the life of the loan. Those future funding commitments are also subject to an allowance for credit losses. The allowance for credit losses related to future loan fundings is recorded as a component of other liabilities on our consolidated balance sheets and not as an offset to the related loan balance. This allowance for credit losses is estimated using the same process outlined below for our outstanding loan balances and changes in this component of the allowance for credit losses will similarly flow through our consolidated statement of operations.

Our implementation process included a selection of a credit loss analytical model, completion and documentation of policies and procedures, changes to internal reporting processes and related internal controls and additional disclosures. A control framework for governance, data, forecast and model controls was developed to support the CECL process. Estimating an allowance for credit losses requires significant judgment and a variety of subjective assumptions, including (i) determination of relevant historical loan loss data sets, (ii) the expected timing and amount of future loan fundings and repayments, (iii) the current credit quality of loans and operating performance of loan collateral and our expectations of performance and (iv) expectations for macroeconomic conditions over the relevant time period.

Considering the lack of historical company data related to any realized loan losses since our inception, we elected to estimate our allowance for credit losses by using a probability-weighted analytical model that considers the likelihood of default and loss-given-default for each individual loan. The analytical model incorporates a third-party licensed database with historical loan losses from 1998 to 2019 for over 100,000 commercial real estate loans. At the time of adoption of ASU No. 2016-13, in determining our initial allowance for credit losses estimate, we employed a third-party licensed macroeconomic forecast that largely reflected our views at the time and projected stable economic over the reasonable projection period. Significant inputs to our estimate of the allowance for credit losses include loan specific factors such as DSCR, LTV, remaining loan term, property type and others. In certain instances, for loans with unique risk characteristics, we may instead elect to employ different methods to estimate loan losses that also conform to ASU 2016-13 and related guidance.

Upon adoption of ASU No. 2016-13 on January 1, 2020, based on the Company's loan portfolio, pre-COVID-19 economic environment and management's expectations for future economic and market conditions at the time, the Company recorded, as a cumulative-effective adjustment to the cumulative earnings in our consolidated statement of equity, an initial allowance for credit losses of approximately \$18.5 million, or approximately \$0.34 per common share. In addition, we recorded an incremental allowance for credit losses for the three months ended March 31, 2020 of approximately \$53.3 million, or \$0.97 per common share, resulting in a cumulative quarter-to-date CECL impact of \$71.8 million or \$1.31 per common share, largely reflecting the changed expectations for macroeconomic and commercial real estate market conditions as a result of the COVID-19 pandemic.

Changes in the Fair Value of Our Investments

We intend to hold our target investments for the long-term and, as such, they are carried at amortized cost on our condensed consolidated balance sheets. We evaluate our investments for impairment on a quarterly basis and impairments are recognized when it is probable that we will not be able to collect all amounts estimated to be collected at the time of origination of the investment. We evaluate impairment (both interest and principal) based on the present value of expected future cash flows, discounted at the investment's effective interest rate or the fair value of the collateral, less estimated costs to sell.

Although we intend to hold our target investments for the long-term, we may occasionally classify some of our investments as AFS. Investments classified as AFS are carried at their fair value, with changes in fair value recorded through accumulated other comprehensive income, a component of stockholders' equity, rather than through earnings. We do not intend to hold any of our investments for trading purposes.

Changes in Market Interest Rates

Although our strategy is to primarily originate, invest in and manage senior floating-rate commercial mortgage loans, from time-to-time we may acquire fixed-rate investments, which exposes our operating results to the risks posed by fluctuations in interest rates. To the extent that this applies to us, we may choose to actively manage this risk through the use of hedging strategies.

Summary of Results of Operations and Financial Condition

Our GAAP net loss attributable to common stockholders was \$37.2 million, or \$0.68 per diluted weighted average share, for the three months ended March 31, 2020, as compared to GAAP net income attributable to common stockholders of \$16.9 million, or \$0.34 per diluted weighted average share for the three months ended March 31, 2019. The GAAP net loss for the three months ended March 31, 2020 was largely a result of an increase in the provision for credit losses recognized in accordance with the new credit loss accounting standard adopted on January 1, 2020. The increase in the provision for credit losses was magnified by the significant deterioration in macroeconomic forecasts during the first quarter of 2020, due to the economic dislocation caused by the COVID-19 pandemic.

The following table presents the components of our comprehensive (loss) income for the three months ended March 31, 2020 and 2019:

(in thousands, except share data) Income Statement Data:	Three Months Ended	
	March 31,	
	2020	2019
	(unaudited)	
Interest income:		
Loans held-for-investment	\$ 63,259	\$ 56,665
Available-for-sale securities	280	308
Held-to-maturity securities	310	661
Cash and cash equivalents	326	511
Total interest income	64,175	58,145
Interest expense:		
Repurchase agreements	19,675	16,989
Securitized debt obligations	9,434	9,859
Convertible senior notes	4,516	4,465
Asset-specific financings	1,122	—
Revolving credit facilities	242	695
Total interest expense	34,989	32,008
Net interest income	29,186	26,137
Other (loss) income:		
Provision for credit losses	(53,336)	—
Fee income	522	913
Total other (loss) income	(52,814)	913
Expenses:		
Management fees	3,907	3,449
Incentive fees	—	244
Servicing expenses	1,109	773
Other operating expenses	8,553	5,616
Total expenses	13,569	10,082
(Loss) income before income taxes	(37,197)	16,968
Benefit from income taxes	(6)	(1)
Net (loss) income	(37,191)	16,969
Dividends on preferred stock	25	25
Net (loss) income attributable to common stockholders	\$ (37,216)	\$ 16,944
Basic (loss) earnings per weighted average common share	\$ (0.68)	\$ 0.35
Diluted (loss) earnings per weighted average common share	\$ (0.68)	\$ 0.34
Dividends declared per common share	\$ —	\$ 0.42
Weighted average number of shares of common stock outstanding:		
Basic	55,056,411	48,601,431
Diluted	55,056,411	62,256,595
Comprehensive (loss) income:		
Net (loss) income attributable to common stockholders	\$ (37,216)	\$ 16,944
Other comprehensive (loss) income, net of tax:		
Unrealized (loss) gain on available-for-sale securities	(3,744)	192
Other comprehensive (loss) income	(3,744)	192
Comprehensive (loss) income attributable to common stockholders	\$ (40,960)	\$ 17,136

(in thousands)			
Balance Sheet Data:		March 31, 2020	December 31, 2019
Loans held-for-investment	\$	4,251,251	\$ 4,226,212
Total assets	\$	4,476,878	\$ 4,460,862
Repurchase agreements	\$	2,072,099	\$ 1,924,021
Securitized debt obligations	\$	982,312	\$ 1,041,044
Asset-specific financings	\$	119,062	\$ 116,465
Revolving credit facilities	\$	38,361	\$ 42,008
Convertible senior notes	\$	270,031	\$ 269,634
Total stockholders' equity	\$	961,059	\$ 1,019,136

Results of Operations

The following analysis focuses on our financial results during the three months ended March 31, 2020 and 2019.

Interest Income

Interest income increased from \$58.1 million for the three months ended March 31, 2019 to \$64.2 million same period in 2020, due to the origination of 40 commercial real estate loans with a principal balance of \$1.5 billion, additional fundings of \$260.9 million provided on existing loan commitments and upsizings of \$3.7 million, offset by repayments of \$730.7 million during the year ended March 31, 2020.

Interest Expense

Interest expense increased from \$32.0 million for the three months ended March 31, 2019 to \$35.0 million for the same period in 2020, due to increased financing on originations and additional fundings described above.

Net Interest Income

The following table presents the components of interest income and average annualized net asset yield earned by asset type, the components of interest expense and average annualized cost of funds on borrowings incurred by collateral type and net interest income and average annualized net interest rate spread for the three months ended March 31, 2020 and 2019:

(dollars in thousands)	Three Months Ended March 31, 2020			Three Months Ended March 31, 2019		
	Average Balance	Interest Income/Expense ⁽¹⁾	Net Yield/Cost of Funds	Average Balance	Interest Income/Expense	Net Yield/Cost of Funds
Interest-earning assets ⁽²⁾						
Loans held-for-investment						
Senior loans ⁽³⁾	\$ 4,267,974	\$ 62,549	5.9%	\$ 3,163,419	\$ 55,743	7.0%
Subordinated loans	27,739	710	10.2%	35,735	922	10.3%
Available-for-sale securities	12,798	280	8.8%	12,798	308	9.6%
Held-to-maturity securities	13,672	310	9.1%	26,530	661	10.0%
Other		326			511	
Total interest income/net asset yield	\$ 4,322,183	\$ 64,175	5.9%	\$ 3,238,482	\$ 58,145	7.2%
Interest-bearing liabilities						
Borrowings collateralized by:						
Loans held-for-investment						
Senior loans ⁽³⁾	\$ 3,125,388	\$ 30,191	3.9%	\$ 2,141,379	\$ 27,115	5.1%
Subordinated loans	9,371	107	4.6%	9,519	131	5.5%
Available-for-sale securities	8,365	76	3.6%	8,378	92	4.4%
Held-to-maturity securities	9,557	99	4.1%	16,631	205	4.9%
Other unsecured:						
Convertible senior notes	269,899	4,516	6.7%	268,369	4,465	6.7%
Total interest expense/cost of funds	\$ 3,422,580	\$ 34,989	4.1%	\$ 2,444,276	\$ 32,008	5.2%
Net interest income/spread		\$ 29,186	1.8%		\$ 26,137	2.0%

(1) Includes amortization of deferred debt issuance costs.

(2) Average balance represents average amortized cost on loans held-for-investment, AFS securities and HTM securities.

(3) Loans primarily secured by a first priority lien on commercial real property and related personal property and also includes, when applicable, any companion subordinate loans.

The majority of our interest-earning assets and liabilities have floating rates based on an index (e.g., 1-month U.S. LIBOR) plus a credit spread. As a result, our asset yields and cost of funds are impacted by changes in market interest rates and credit spreads on investments, as well as changes in the mix of our investment portfolio credit spreads due to new originations, amendments of existing investments, additional fundings, upsizings and repayments.

The overall decrease in yields on our investment portfolio for the three months ended March 31, 2020, as compared to the same period in 2019, was primarily driven by a significant decline in short-term interest rates and repayments of loans with higher spreads than those originated in 2019. The overall decrease in cost of funds on our secured borrowings for the three months ended March 31, 2020, as compared to the same period in 2019, was driven by the decline in short-term interest rates, issuance of our second CLO securitization in the first quarter of 2019, which provides us with lower costs of financing relative to our financing facilities, as well as lower cost of funds on our financing facilities on newly originated loans.

Our convertible senior notes due 2022 and 2023 are unsecured and pay interest semiannually at a rate of 5.625% and 6.375%, respectively, per annum. The cost of funds associated with our convertible senior notes also includes amortization of deferred debt issuance costs.

Provision for Credit Losses

Subsequent to the adoption of ASU 2016-13 on January 1, 2020, we use a probability-weighted analytical model to estimate and recognize an allowance for credit losses on loans held-for-investment and their related unfunded commitments. Additionally, in determining the allowance for credit losses estimate through March 31, 2020, we employed a third-party licensed macroeconomic forecast, over the reasonable projection period, that includes the impact of the COVID-19 pandemic on the overall economy and commercial real estate markets generally and is not specific to any loan losses or impairments in our portfolio. Significant inputs to our estimate of the allowance for credit losses include loan specific factors such as DSCR, LTV, remaining loan term, property

type, and others. In certain instances, for loans with unique risk characteristics, we may instead elect to employ different methods to estimate loan losses that also conform to ASU 2016-13 and related guidance.

The allowance for credit losses related to our portfolio is deducted from the carrying value on the balance sheet, while the allowance for credit losses related to off-balance sheet future funding commitments is recorded as a component of other liabilities. Changes in the provision for credit losses for both the assets and their related unfunded commitments are recognized through net income on the condensed consolidated statements of comprehensive (loss) income. The following table presents the components of provision for credit losses for the three months ended March 31, 2020:

(in thousands)	Three Months Ended March 31, 2020	
Provision for credit losses on:		
Loans held-for-investment	\$	(45,873)
Available-for-sale securities		(767)
Held-to-maturity securities		(942)
Other liabilities		(5,754)
Total provision for credit losses	\$	(53,336)

Fee Income

During the three months ended March 31, 2020 and 2019, we recognized \$0.5 million and \$0.9 million, respectively, in prepayment and other fee income on our portfolio.

Expenses

The following table presents the components of expenses for the three months ended March 31, 2020 and 2019:

(in thousands, except share data)	Three Months Ended March 31,	
	2020	2019
Management fees	\$ 3,907	\$ 3,449
Incentive fees	\$ —	\$ 244
Servicing expenses	\$ 1,109	\$ 773
Other operating expenses:		
Compensation paid to certain officers by our Manager and reimbursed by us ⁽¹⁾	\$ 1,707	\$ 1,364
Other direct and allocated costs paid by our Manager and reimbursed by us	6,054	5,193
Amortization of executive officers' restricted stock ⁽²⁾	793	745
All other operating expenses/changes in operating expense accruals	(1)	(1,686)
Total other operating expenses	\$ 8,553	\$ 5,616
Annualized other operating expense ratio	3.4%	2.5%

(1) Officers include our principal financial officer, chief operating officer and general counsel. We do not reimburse our Manager for any expenses related to the compensation of our chief executive officer or chief investment officer.

(2) Equity based compensation expense related to the amortization of restricted stock awarded to our executive officers in conjunction with the Plan (see discussion in Note 15 - *Equity Incentive Plan* of the notes to the consolidated financial statements included in this Quarterly Report on Form 10-Q), including our chief executive officer, chief investment officer, chief operating officer, principal financial officer, secretary and general counsel.

We do not have any employees and are currently externally managed by our Manager under the terms of a management agreement. Under the management agreement, our Manager and its affiliates provide us with the personnel and resources necessary to operate our business in exchange for a management fee and, if applicable, an incentive fee. The management fee is calculated based on our equity with certain adjustments outlined in the management agreement. The incentive fee is calculated based on historical "core earnings" as well as our equity with certain adjustments outlined in the management agreement. See further discussion of the base management fee and incentive fee calculations in Note 12 - *Commitments and Contingencies* of the notes to the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

We recently announced that we have agreed to a process with our Manager to internalize the Company’s management function. If the internalization is completed, the management agreement will be terminated and, therefore, we will no longer pay a management fee. See “*Business - Our Manager*” in Item 1 and “*Risks Relating to Our Relationship With Our Manager*” in Item 1A of our Annual Report on Form 10-K.

We also incur servicing expenses related to the servicing of commercial real estate loans and other operating expenses. The increase in servicing expenses during the three months ended March 31, 2020, as compared to the same period in 2019, was driven by the growth of our investment portfolio, as described above. The increase in our operating expense ratio during the three months ended March 31, 2020, as compared to the same period in 2019, resulted primarily from an increase in expenses related to the personnel and infrastructure to support the operation and growth of our business. Included in other operating expenses are direct and allocated costs incurred by our Manager on our behalf and reimbursed by us, including compensation paid to employees of our Manager serving as our principal financial officer, chief operating officer and general counsel. We reimburse our Manager for our allocable share of the compensation paid by our Manager to its personnel serving as our chief operating officer, principal financial officer and general counsel; we do not reimburse our Manager for any expenses related to the compensation of our chief executive officer or chief investment officer.

Financial Condition

We originate and acquire commercial real estate debt and related instruments generally to be held as long-term investments. These assets are classified as “loans held-for-investment” on the condensed consolidated balance sheets. Loans held-for-investment are reported at cost, net of any unamortized acquisition premiums or discounts, loan fees and origination costs as applicable. We also hold CMBS, representing interests in commercial mortgage and mezzanine loans issued by trusts.

The following tables provide a summary of our portfolio as of March 31, 2020:

(dollars in thousands)

Type	Maximum Loan Commitment	Principal Balance	Carrying Value	Cash Coupon (2)	All-in Yield at Origination(3)	Original Term (Years)	Initial LTV (4)	Stabilized LTV (5)
Senior loans (1)	\$ 5,077,592	\$ 4,314,836	\$ 4,224,962	L+3.52%	L+4.20%	3.1	66.3%	63.8%
Subordinated loans	27,592	27,592	26,289	L+9.50%	L+9.84%	8.2	56.1%	49.9%
CMBS	24,576	24,576	19,155	L+7.07%	L+7.61%	2.8	71.5%	71.4%
Total/Wtd. Avg.	\$ 5,129,760	\$ 4,367,004	\$ 4,270,406	L+3.55%	L+4.23%	3.2	66.3%	63.7%

(dollars in millions)

Type (1)	Origination/ Acquisition Date	Maximum Loan Commitment	Principal Balance	Carrying Value	Cash Coupon (2)	All-in Yield at Origination (3)	Original Term (Years)	State	Property Type	Initial LTV (4)	Stabilized LTV (5)
Senior	07/18	\$144.3	\$113.8	\$111.6	L+3.34%	L+4.27%	2.0	CA	Retail	50.7%	55.9%
Senior	12/15	120.0	120.0	117.4	L+3.65%	L+4.43%	4.0	LA	Mixed-Use	65.5%	60.0%
Senior	10/19	120.0	81.6	79.5	L+3.24%	L+3.86%	3.0	CA	Office	63.9%	61.1%
Senior	12/19	101.7	81.5	80.1	L+2.75%	L+3.23%	3.0	IL	Multifamily	76.5%	73.0%
Senior	08/19	100.3	74.9	73.7	L+2.80%	L+3.26%	3.0	MN	Office	73.1%	71.2%
Senior	07/19	94.0	67.5	65.7	L+3.69%	L+4.32%	3.0	IL	Office	70.0%	64.4%
Senior	06/19	92.4	68.4	66.4	L+3.45%	L+3.88%	3.0	TX	Hotel	56.1%	48.1%
Senior	12/18	92.0	52.6	51.7	L+3.75%	L+5.21%	3.0	NY	Mixed-Use	26.2%	47.6%
Senior	10/19	87.8	65.2	63.8	L+2.55%	L+3.05%	3.0	TN	Office	70.2%	74.2%
Senior	05/17	86.8	82.5	81.9	L+3.50%	L+4.82%	4.0	MA	Office	71.3%	71.5%
Senior	01/20	81.8	47.5	46.5	L+3.25%	L+3.93%	3.0	CO	Industrial	47.2%	47.5%
Senior	06/19	80.0	79.4	78.4	L+2.69%	L+3.05%	3.0	TX	Mixed-Use	71.7%	72.2%
Senior	09/19	75.6	66.5	65.6	L+3.07%	L+3.58%	3.0	NY	Multifamily	62.7%	67.1%
Senior	10/19	75.1	75.1	72.4	L+3.36%	L+3.73%	3.0	FL	Mixed-Use	67.7%	62.9%
Senior	10/17	74.8	50.3	49.4	L+4.07%	L+4.47%	4.0	DC	Office	67.0%	66.0%
Senior	11/17	73.3	68.8	65.2	L+4.45%	L+5.20%	3.0	TX	Hotel	68.2%	61.6%
Senior	12/16	71.8	68.0	66.7	L+3.75%	L+4.87%	4.0	FL	Office	73.3%	63.2%
Senior	06/16	68.4	62.4	61.6	L+3.87%	L+4.93%	4.0	HI	Retail	76.2%	57.4%
Senior	11/17	68.3	64.4	63.9	L+4.10%	L+4.73%	3.0	CA	Office	66.8%	67.0%
Senior	12/19	65.2	50.2	49.4	L+2.80%	L+3.28%	3.0	NY	Office	68.8%	59.3%
Senior	01/19	64.5	64.5	61.1	L+3.85%	L+4.38%	3.0	MN	Hotel	67.2%	64.5%
Senior	04/18	64.0	64.0	60.9	L+3.78%	L+4.23%	3.0	GA	Hotel	68.8%	59.8%

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(dollars in millions)

Type ⁽¹⁾	Origination/ Acquisition Date	Maximum Loan Commitment	Principal Balance	Carrying Value	Cash Coupon ⁽²⁾	All-in Yield at Origination ⁽³⁾	Original Term (Years)	State	Property Type	Initial LTV ⁽⁴⁾	Stabilized LTV ⁽⁵⁾
Senior	09/19	60.2	53.7	53.1	L+3.00%	L+3.63%	2.0	TX	Office	64.7%	59.0%
Senior	12/18	60.1	49.1	48.4	L+2.90%	L+3.44%	3.0	TX	Office	68.5%	66.7%
Senior	01/17	58.6	47.3	47.0	L+4.50%	L+5.16%	3.0	CA	Industrial	51.0%	60.4%
Senior	01/17	56.2	56.2	55.9	L+4.75%	L+5.24%	4.0	SC	Office	67.6%	67.1%
Senior	06/19	55.0	50.0	48.9	L+3.10%	L+3.67%	3.0	AL	Multifamily	69.5%	74.0%
Senior	12/15	54.5	54.5	54.2	L+3.73%	L+4.87%	4.0	PA	Office	74.5%	67.5%
Senior	06/19	54.1	48.8	48.2	L+3.30%	L+3.70%	3.0	VA	Office	49.3%	49.9%
Senior	12/19	52.3	42.2	41.5	L+3.61%	L+4.20%	3.0	NY	Industrial	76.8%	72.4%
Senior	10/18	52.2	49.4	48.7	L+2.70%	L+3.10%	3.0	NJ	Industrial	73.9%	68.8%
Senior	05/17	52.0	52.0	50.8	L+4.70%	L+5.50%	3.0	HI	Hotel	60.8%	59.4%
Senior	12/18	51.0	51.0	50.4	L+2.99%	L+3.40%	3.0	IL	Multifamily	78.6%	74.9%
Senior	02/20	50.2	42.0	40.5	L+3.30%	L+3.75%	3.0	TN	Hotel	69.1%	54.2%
Senior	09/18	50.1	21.5	21.2	L+3.25%	L+4.13%	3.0	IL	Office	47.9%	56.1%
Senior	08/17	50.0	49.7	49.3	L+3.09%	L+4.88%	3.0	LA	Multifamily	64.6%	60.9%
Senior	05/18	50.0	50.0	49.3	L+3.60%	L+3.85%	3.0	TX	Multifamily	71.1%	71.4%
Senior	10/18	49.1	36.1	35.3	L+4.15%	L+5.24%	3.0	IL	Multifamily	60.7%	62.4%
Senior	12/18	49.0	42.9	42.5	L+2.93%	L+3.39%	3.0	NY	Industrial	56.5%	56.3%
Senior	12/17	47.0	40.6	40.0	L+4.38%	L+5.26%	3.0	MA	Mixed-Use	72.9%	62.0%
Senior	05/18	46.5	32.0	31.7	L+4.07%	L+4.63%	3.0	NY	Mixed-Use	57.0%	51.1%
Senior	08/19	46.4	39.7	38.8	L+2.84%	L+3.39%	3.0	GA	Office	69.5%	68.3%
Senior	07/16	46.0	34.9	34.7	L+2.93%	L+4.99%	4.0	VA	Office	62.8%	61.5%
Senior	06/18	46.0	44.4	42.8	L+3.60%	L+4.06%	3.0	WY	Hotel	67.4%	62.3%
Senior	08/18	44.8	41.7	41.3	L+2.93%	L+3.32%	3.0	TX	Multifamily	68.9%	63.6%
Senior	05/19	44.1	40.6	40.1	L+3.20%	L+3.60%	3.0	NY	Mixed-Use	59.7%	55.1%
Senior	10/19	42.9	31.0	30.5	L+2.75%	L+3.28%	3.0	CA	Office	70.6%	67.8%
Senior	08/17	40.0	40.0	35.9	L+4.24%	L+4.40%	3.0	KY	Multifamily	79.8%	73.1%
Senior	05/18	38.8	33.0	32.9	L+3.18%	L+3.95%	3.0	MA	Office	47.0%	41.1%
Senior	07/19	37.5	34.6	33.3	L+3.70%	L+4.43%	3.0	NJ	Hotel	47.8%	54.6%
Senior	12/17	37.2	35.3	34.9	L+3.90%	L+4.55%	3.0	CA	Office	69.8%	66.4%
Senior	11/18	37.1	22.3	21.6	L+3.60%	L+5.50%	3.0	CA	Mixed-Use	69.9%	67.9%
Senior	10/18	36.8	29.9	29.4	L+2.85%	L+3.45%	3.0	NY	Industrial	71.2%	70.8%
Senior	05/17	35.2	31.2	29.8	L+5.00%	L+5.97%	3.0	TX	Office	68.7%	65.1%
Senior	06/18	34.9	30.3	28.6	L+4.07%	L+4.75%	3.0	OH	Hotel	70.6%	57.4%
Senior	03/20	34.9	11.7	11.3	L+3.42%	L+4.66%	3.0	GA	Office	63.2%	64.6%
Senior	12/18	34.2	27.5	27.3	L+2.92%	L+3.27%	4.0	IL	Multifamily	70.8%	62.1%
Senior	10/17	34.1	23.7	23.5	L+4.05%	L+4.69%	3.0	AZ	Office	62.6%	59.5%
Senior	05/17	33.8	29.5	29.2	L+4.40%	L+5.36%	3.0	AZ	Office	69.5%	59.0%
Senior	03/16	33.8	33.8	33.3	5.11%	5.26%	10.0	NJ	Office	74.9%	74.9%
Senior	10/19	33.7	25.9	25.4	L+3.15%	L+3.75%	3.0	CA	Office	70.6%	64.2%
Senior	03/20	33.5	24.8	24.5	L+2.80%	L+3.27%	3.0	CA	Office	63.6%	66.7%
Senior	11/19	33.2	27.4	26.9	L+2.70%	L+3.14%	3.0	NC	Multifamily	80.0%	72.8%
Senior	03/19	32.0	26.9	26.6	L+2.97%	L+3.42%	3.0	NY	Office	53.8%	48.5%
Senior	08/19	32.0	10.1	9.8	L+3.32%	L+5.27%	3.0	MA	Office	76.5%	54.1%
Senior	08/19	31.7	26.1	25.6	L+2.80%	L+3.53%	3.0	LA	Multifamily	74.1%	72.4%
Senior	11/19	31.3	31.1	30.8	L+2.75%	L+3.27%	2.0	IL	Multifamily	72.7%	72.7%
Senior	08/19	31.3	25.0	24.6	L+2.90%	L+3.38%	3.0	TX	Multifamily	79.3%	72.5%
Senior	05/17	30.9	28.7	28.3	L+3.50%	L+5.19%	4.0	FL	Office	69.3%	68.5%
Senior	07/17	30.0	30.0	29.8	L+4.10%	L+4.58%	3.0	NY	Multifamily	76.5%	76.5%
Senior	06/18	29.3	24.9	24.6	L+3.40%	L+4.18%	3.0	CA	Office	69.1%	64.3%
Senior	06/18	29.0	29.0	28.3	L+3.55%	L+3.96%	3.0	TX	Multifamily	74.3%	68.2%
Senior	11/18	28.6	25.4	25.1	L+3.50%	L+4.12%	3.0	TN	Office	61.8%	63.6%
Senior	11/15	28.5	28.5	28.2	L+4.75%	L+4.67%	3.0	NY	Office	66.4%	68.7%
Senior	11/19	27.7	18.5	18.2	L+3.18%	L+3.64%	3.0	CA	Office	61.7%	62.8%
Senior	01/19	27.5	25.9	25.7	L+2.97%	L+3.38%	3.0	TX	Multifamily	64.9%	64.9%
Senior	12/18	27.5	24.7	23.6	L+3.90%	L+4.42%	3.0	MN	Hotel	64.7%	57.7%

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(dollars in millions)

Type ⁽¹⁾	Origination/ Acquisition Date	Maximum Loan Commitment	Principal Balance	Carrying Value	Cash Coupon ⁽²⁾	All-in Yield at Origination ⁽³⁾	Original Term (Years)	State	Property Type	Initial LTV ⁽⁴⁾	Stabilized LTV ⁽⁵⁾
Senior	06/17	27.0	24.0	23.3	L+3.83%	L+5.24%	3.0	CA	Hotel	54.7%	48.6%
Senior	01/19	27.0	23.4	23.1	L+2.90%	L+3.44%	3.0	MA	Office	71.2%	70.1%
Senior	09/17	26.9	23.9	23.1	L+4.90%	L+5.52%	3.0	MA	Hotel	67.3%	63.9%
Senior	08/19	26.8	23.3	22.9	L+3.15%	L+3.67%	3.0	SC	Multifamily	67.0%	58.7%
Senior	07/17	26.0	24.6	24.4	L+3.15%	L+4.86%	3.0	CA	Office	62.3%	64.2%
Senior	01/18	26.0	26.0	25.0	L+5.13%	L+5.58%	3.0	AZ	Hotel	65.8%	61.3%
Senior	12/18	26.0	21.1	20.9	L+2.95%	L+3.43%	3.0	FL	Office	61.9%	65.5%
Senior	06/18	25.9	25.9	25.5	L+3.50%	L+4.37%	3.0	PA	Industrial	72.1%	66.1%
Senior	09/18	25.5	22.0	21.6	L+3.87%	L+4.42%	3.0	NY	Mixed-Use	60.2%	59.3%
Senior	06/19	25.5	25.5	23.5	L+4.50%	L+5.05%	3.0	NY	Other	39.6%	39.6%
Senior	10/15	25.0	25.0	24.4	L+4.07%	L+5.76%	3.0	MO	Hotel	73.2%	57.8%
Senior	08/19	25.0	23.9	23.6	L+2.66%	L+3.07%	2.0	OK	Multifamily	79.9%	74.2%
Senior	07/19	24.0	16.1	15.9	L+3.00%	L+3.60%	3.0	OH	Office	63.1%	66.1%
Senior	10/18	23.7	23.2	21.8	L+4.21%	L+5.16%	3.0	CT	Hotel	75.4%	66.9%
Senior	01/18	23.4	21.1	20.9	L+4.77%	L+5.50%	3.0	PA	Mixed-Use	66.8%	67.3%
Senior	03/19	23.3	23.3	22.9	L+3.27%	L+3.79%	3.0	WI	Multifamily	72.4%	75.2%
Senior	07/19	23.3	20.0	19.7	L+2.95%	L+3.51%	3.0	CA	Office	62.3%	62.6%
Senior	08/16	23.2	23.2	23.1	L+5.15%	L+5.42%	4.0	NY	Industrial	70.0%	67.6%
Senior	03/18	23.0	23.0	21.1	L+4.05%	L+4.65%	2.0	FL	Office	60.8%	60.8%
Senior	06/18	22.8	17.2	16.7	L+4.21%	L+4.73%	3.0	FL	Retail	74.0%	69.4%
Senior	01/19	22.7	22.4	22.2	L+2.99%	L+3.40%	3.0	WI	Multifamily	69.3%	73.5%
Senior	04/18	22.2	21.5	21.4	L+4.05%	L+4.46%	3.0	KS	Multifamily	72.1%	67.4%
Senior	08/17	21.9	18.9	18.7	L+4.77%	L+5.49%	3.0	PA	Office	66.7%	67.3%
Senior	12/18	21.8	10.2	10.1	L+4.44%	L+5.56%	3.0	PA	Multifamily	70.1%	67.0%
Senior	07/17	21.5	21.3	21.3	L+2.98%	L+4.42%	3.0	GA	Multifamily	75.6%	75.2%
Senior	10/18	21.5	18.4	18.2	L+3.24%	L+3.69%	3.0	TX	Office	73.0%	69.9%
Senior	12/18	21.2	19.7	19.5	L+3.42%	L+3.88%	2.0	MN	Multifamily	73.6%	73.7%
Senior	08/17	21.2	21.2	21.1	L+4.20%	L+4.50%	3.0	NY	Office	72.7%	66.7%
Senior	03/19	21.1	19.3	19.0	L+2.93%	L+3.40%	3.0	KY	Multifamily	69.8%	69.9%
Senior	06/19	21.0	19.4	19.2	L+2.90%	L+4.24%	3.0	GA	Mixed-Use	60.6%	67.4%
Senior	06/19	20.9	13.8	13.3	10.00%	14.17%	1.0	FL	Other	39.7%	57.2%
Senior	03/18	19.7	19.7	17.7	L+5.15%	L+5.71%	3.0	CA	Hotel	67.2%	60.0%
Senior	11/18	19.0	15.2	14.9	L+3.20%	L+3.83%	3.0	CA	Office	73.1%	64.5%
Senior	04/18	18.7	18.7	18.6	L+4.29%	L+4.65%	3.0	NV	Multifamily	78.7%	66.1%
Senior	08/19	18.4	18.4	18.2	L+2.97%	L+3.45%	3.0	TN	Multifamily	63.6%	62.1%
Senior	01/19	18.3	17.6	17.3	L+3.40%	L+4.14%	3.0	TX	Multifamily	72.2%	68.2%
Senior	07/18	16.6	11.0	10.6	L+3.75%	L+4.35%	3.0	CA	Office	77.1%	63.5%
Senior	09/18	16.5	16.5	16.4	L+2.85%	L+3.06%	3.0	SC	Multifamily	79.4%	72.2%
Senior	11/18	16.2	16.2	16.0	L+3.15%	L+3.65%	3.0	TX	Multifamily	68.8%	68.7%
Senior	06/19	15.2	10.3	10.1	L+3.96%	L+4.69%	3.0	NY	Office	40.7%	60.0%
Mezzanine	01/17	14.4	14.4	14.1	8.00%	8.11%	10.0	HI	Hotel	41.4%	36.2%
Senior	04/19	14.3	12.2	12.0	L+3.75%	L+4.31%	3.0	OH	Multifamily	62.6%	65.4%
CMBS	12/15	12.8	12.8	8.3	L+6.91%	L+7.20%	2.8	Various	Office	65.8%	65.8%
Senior	09/19	12.0	11.1	10.8	L+2.99%	L+3.50%	3.0	WI	Multifamily	51.4%	75.0%
CMBS	11/15	11.8	11.8	10.8	L+7.25%	L+8.06%	2.8	Various	Office	77.6%	77.5%
Mezzanine	08/15	9.9	9.9	9.2	L+9.50%	L+9.84%	5.0	GA	Office	73.3%	67.1%
Mezzanine	11/15	3.3	3.3	3.0	13.00%	12.50%	10.0	NY	Hotel	68.3%	58.0%
Total/Weighted Average		\$5,129.8	\$4,367.0	\$4,270.4	L+3.55%	L+4.23%	3.2			66.3%	63.7%

(1) "Senior" means a loan primarily secured by a first priority lien on commercial real property and related personal property and also includes, when applicable, any companion subordinate loans.

(2) Cash coupon does not include origination or exit fees. Weighted average cash coupon excludes fixed rate loans.

(3) Yield includes net origination fees and exit fees, but does not include future fundings, and is expressed as a monthly equivalent. Weighted average yield excludes fixed rate loans.

(4) Initial loan-to-value ratio, or initial LTV, is calculated as the initial loan amount (plus any financing that *ipari passu* with or senior to such loan) divided by the as is appraised value (as determined in conformance with the Uniform Standards of Professional Appraisal Practice, or USPAP) as of the date of the loan was originated set forth in the original appraisal.

(5) Stabilized loan-to-value ratio, or stabilized LTV, is calculated as the fully funded loan amount (plus any financing that *ipari passu* with or senior to such loan), including all contractually provided for future fundings, divided by the as stabilized value (as determined in conformance with USPAP) set forth in the original appraisal. As stabilized value may be based on certain assumptions, such as future construction completion, projected re-tenancing, payment of tenant improvement or leasing commissions allowances or free or abated rent periods, or increased tenant occupancies.

As of March 31, 2020, our borrowings consisted of repurchase agreements collateralized by loans held-for-investment, AFS and HTM securities (CMBS) and certain cash balances, securitized debt obligations issued by CLOs and collateralized by pools of loans held-for-investment, asset-specific financings collateralized by loans held-for-investment, a revolving credit facility collateralized by a borrowing base of loans held-for-investment and long-term unsecured convertible senior notes.

As of March 31, 2020, we had outstanding \$2.1 billion of repurchase agreements, and the term to maturity ranged from 41 days to approximately 2.8 years. Repurchase agreements had a weighted average borrowing rate of 2.72% and weighted average remaining maturities of 1.7 years as of March 31, 2020.

As of March 31, 2020, we had outstanding \$982.3 million of securitized debt obligations with a weighted average borrowing rate of 3.27% and weighted average remaining maturities of 1.2 years.

As of March 31, 2020, we had outstanding \$119.1 million of asset-specific financings with a weighted average borrowing rate of 2.5% and weighted average remaining maturities of 1.9 years.

As of March 31, 2020, we had outstanding \$38.4 million of revolving credit facilities with a weighted average borrowing rate of 3.3% and weighted average remaining maturities of 83 days. Our revolving credit facility provides intermediate-term bridge or transitional financing for typically around 90 days per loan.

As of March 31, 2020, the total outstanding amount due on convertible senior notes was \$270.0 million, net of deferred issuance costs. The notes are unsecured and pay interest semiannually at a rate of 5.625% per annum on the notes maturing in December 2022 and a rate of 6.375% per annum on the notes maturing in October 2023. As of March 31, 2020, the notes had a conversion rate of 50.7073 and 48.8496 shares of common stock per \$1,000 principal amount of the notes, respectively.

As of March 31, 2020, the debt-to-equity ratio with respect to our loans held-for-investment, AFS securities and HTM securities, defined as total debt, net of cash, divided by equity, was 3.5:1.0.

The following table provides the quarterly average balances, the quarter-end balances and the maximum balances at any month-end within that quarterly period, of borrowings under repurchase agreements, asset-specific financings, revolving credit facilities, securitized debt obligations and convertible senior notes for the three months ended March 31, 2020, and the four immediately preceding quarters:

(in thousands)	Quarterly Average	End of Period Balance	Maximum Balance of Any Month-End
For the Three Months Ended March 31, 2020	\$ 3,422,580	\$ 3,481,865	\$ 3,481,865
For the Three Months Ended December 31, 2019	\$ 3,299,023	\$ 3,393,172	\$ 3,393,172
For the Three Months Ended September 30, 2019	\$ 3,015,152	\$ 3,233,053	\$ 3,233,053
For the Three Months Ended June 30, 2019	\$ 2,549,873	\$ 2,731,238	\$ 2,731,238
For the Three Months Ended March 31, 2019	\$ 2,444,276	\$ 2,459,932	\$ 2,586,880

Liquidity and Capital Resources

Liquidity is a measure of our ability to meet potential cash requirements, including ongoing commitments to repay borrowings, fund and maintain our target investments and operations, make distributions to our stockholders and other general business needs. We use cash to acquire our target investments, repay principal and interest on our borrowings, make distributions to our stockholders and fund our operations. Our primary sources of cash consist of approved but unused borrowing capacity under our financing sources, the net proceeds of future equity and debt offerings, payments of principal, including loan repayments and prepayments, and interest we receive on our portfolio of assets and cash generated from our operating results.

We continue to monitor the COVID-19 pandemic and its impact on us, our borrowers, sponsors and their properties serving as collateral on our loans, our financing sources and the overall economy. Because the severity, magnitude and duration of the COVID-19 pandemic and its economic consequences are highly uncertain, rapidly changing and challenging to predict, the pandemic's impact on our operations and liquidity remains uncertain and difficult to predict.

Other than capital markets activities, loan repayments and prepayments are typically our largest source of incremental liquidity. As a result of the COVID-19 pandemic and its impact on the capital markets and overall economy, we currently anticipate the pace of loan repayments and prepayments to slow meaningfully.

We expect that the impact of the COVID-19 pandemic will likely continue to decrease our cash flow from operations as we seek to enter into loan modifications on certain of our loans permitting interest payments to be deferred and/or capitalized, and as

we repay borrowings under our secured financing facilities. In addition, we are able to generate incremental liquidity through the reinvestment provisions of the CLO that we closed on in 2019, the FL2 CLO, which allows us to reinvest certain proceeds generated from repayments or prepayments of loans financed through the FL2 CLO by either increasing the principal amount of existing CLO collateral assets or acquiring additional qualified collateral assets to maintain the aggregate amount of collateral assets in the CLO and the related financing outstanding. Because of the COVID-19 pandemic, the pace of any such repayments and prepayments may meaningfully slow.

We are focused on strengthening our balance sheet and enhancing our liquidity position to best position us to weather near-term market uncertainty, satisfy our loan future funding and financing obligations and to potentially make opportunistic new investments, which will cause us to take some or all of the following actions: raise capital from offerings of securities, on a public or private basis, borrow additional capital, post additional capital, sell assets and/or change our dividend practice (which we did for the quarter ended March 31, 2020 by temporarily suspending the payment of dividends of our common stock).

In the future, we may also use other additional sources of financing to fund the origination or acquisition of our target investments, including other financing facilities and other secured and unsecured forms of borrowing. These financings may be collateralized or non-collateralized and may involve one or more lenders. We expect that these facilities will typically have maturities ranging from two to five years and may accrue interest at either fixed or floating rates. We may also finance our business through the non-recourse sale of senior loan interests. There can be no assurance that we will be able to consummate any such financing or that they will be on commercially reasonable terms.

We may also seek to raise further equity capital and issue additional debt securities in order to fund our future investments. We may also seek to enhance the returns on our commercial real estate loan portfolio through additional CLOs or other securitizations, if available.

We are party to an equity distribution agreement under which we may sell up to an aggregate of 8,000,000 shares of our common stock from time to time in any method permitted by law deemed to be an “at the market” offering as defined in Rule 415 under the Securities Act of 1933, as amended, or Securities Act. As of March 31, 2020, 3,242,364 shares of common stock had been sold under the equity distribution agreement for total accumulated net proceeds of approximately \$61.2 million. No shares were sold during the three months ended March 31, 2020.

As of March 31, 2020, we held \$99.3 million in cash and cash equivalents available to support our operations; \$4.3 billion of loans held-for-investment, AFS securities and HTM securities; and \$3.5 billion of outstanding debt in the form of repurchase agreements, securitized debt obligations, asset-specific financings, revolving credit facilities and long-term unsecured convertible senior notes. From December 31, 2019 to March 31, 2020, our debt-to-equity ratio, defined as total debt, net of cash, divided by equity, increased from 3.3:1.0 to 3.5:1.0 predominantly driven by increased financings on originations. To that end, subject to maintaining our qualification as a REIT and our exclusion from registration under the Investment Company Act, we intend to use borrowings to fund the origination or acquisition of our target investments. Given our focus on senior floating-rate mortgage loans, we currently expect that such leverage will not significantly exceed, on a debt-to-equity basis, a 3.5-to-1 ratio on a company basis, however, our leverage may vary depending on market conditions and any steps we may take to strengthen our balance sheet and enhance our liquidity position. The amount of leverage we deploy for our target investments depends upon our assessment of a variety of factors, which may include the anticipated liquidity and price volatility of the investments in our portfolio, the potential for losses in our portfolio, the gap between the duration of our assets and liabilities, including hedges, the availability and cost of financing the investments, our opinion of the creditworthiness of our financing counterparties, the health of the U.S. economy and commercial real estate financing markets, our outlook for the level and volatility of interest rates, the slope of the yield curve, the credit quality of our investments, the collateral underlying our investments and our outlook for investment spreads relative to LIBOR.

Our primary sources of liquidity include cash and cash equivalents. As of March 31, 2020, we held approximately \$99.3 million in cash and cash equivalents. A potential additional source of liquidity may be using unused borrowing capacity on our uncommitted financing facilities to finance unpledged commercial real estate loans held-for-investment and unpledged funded loan commitments on our existing loans held-for-investment that are pledged on such facilities. Given the uncommitted nature of such financing facilities, obtaining liquidity on such unpledged loans and unpledged funded loan commitments is at varying degrees of discretion of our lending counterparties and may not be available to us when desired. Generally, unused borrowing capacity may be the result of our election not to utilize certain financing, as well as delays in the timing in which funding is provided for a specific investment. We monitor and forecast our available, or excess, liquidity on a daily basis. If borrowing rates and/or collateral requirements change in the near term, we believe we are subject to less earnings volatility than a more leveraged organization.

During the three months ended March 31, 2020, we did not experience any material restrictions to our funding sources. We expect ongoing sources of financing to be primarily repurchase agreements, asset-specific financings, revolving credit facilities, securitizations, convertible notes, issuance of common stock, potential additional securitizations and similar financing arrangements. We will continue to explore other types of funding facilities to further diversify our financing sources. We plan to finance our assets with a moderate amount of leverage, the level of which may vary based upon the particular characteristics of our portfolio and market conditions.

As of March 31, 2020, we had repurchase agreements in place with five counterparties (lenders), an asset-specific financing facility with one counterparty and a revolving credit facility with one counterparty to finance loans held-for-investment. We also had one other direct repurchase agreement in place to finance our CMBS. We continue to evaluate additional counterparties to manage and reduce counterparty risk. Under our repurchase agreements, our counterparties may make margin calls because of a perceived decline in the value of our assets collateralizing the given secured financing arrangement due to a credit event, or under a limited number of our repurchase agreements, market events. To cover a margin call, we may transfer cash to such counterparty. At maturity, any cash on deposit as collateral is generally applied against the repurchase agreement balance, thereby reducing the amount borrowed. Should the value of our assets suddenly decrease, significant margin calls on our repurchase agreements could result, causing an adverse change in our liquidity position.

We are in frequent, constructive dialogue with our secured credit facilities counterparties regarding our management of their collateral assets in light of the impacts of the COVID-19 pandemic. We have reduced the advance rate on certain assets within these facilities by transferring cash and/or additional unencumbered assets to such counterparties, thereby reducing the amount we are able to borrow against such assets and mitigating risks associated with future margin calls. There can be no assurance that we have adequate capacity to satisfy any potential margin call or that we would be able to enter into amendments to our agreements that prevent a foreclosure on any margin call.

An overview of our facilities that provide short- and long-term financing for our loans held-for-investment is presented in the table below:

March 31, 2020					
(in thousands)	Maturity Date ⁽¹⁾	Committed	Amount Outstanding	Unused Capacity	Total Capacity
Repurchase facilities:					
Morgan Stanley Bank	June 28, 2021	No	\$ 594,545	\$ 5,455	\$ 600,000
Goldman Sachs Bank	May 2, 2021	No	\$ 461,860	\$ 38,140	\$ 500,000
JPMorgan Chase Bank	June 28, 2022	No	\$ 405,505	\$ 44,495	\$ 450,000
Citibank	January 9, 2023	No	\$ 412,812	\$ 87,188	\$ 500,000
Wells Fargo Bank ⁽²⁾	June 28, 2021	No	\$ 180,456	\$ 94,544	\$ 275,000
Asset-specific financings:					
Canadian Imperial Bank of Commerce	Various	No	\$ 119,062	\$ 30,938	\$ 150,000
Revolving credit facilities:					
Citibank ⁽³⁾	July 26, 2021	No	\$ 38,361	\$ 36,639	\$ 75,000

(1) The facilities are set to mature on the stated maturity date, unless extended pursuant to their terms.

(2) We retain an option to increase the maximum facility capacity amount up to \$350 million, subject to customary terms and conditions.

(3) We retain an option to increase the maximum facility capacity amount up to \$150 million, subject to customary terms and conditions.

We are subject to a variety of financial covenants under our lending agreements. The following represent the most restrictive financial covenants across the agreements as of March 31, 2020:

- Unrestricted cash cannot be less than the greater of \$30.0 million and 5.0% of recourse indebtedness. As of March 31, 2020, our unrestricted cash, as defined, was \$99.3 million, while 5.0% of our recourse indebtedness, as defined, was \$45.9 million.
- Tangible net worth must be greater than the sum of 75.0% of tangible net worth as of March 31, 2020 and 75.0% of net cash proceeds of additional equity issuances, which calculates to \$782.3 million. As of March 31, 2020, our tangible net worth, as defined, was \$1.0 billion.
- Target asset leverage ratio cannot exceed 77.5% and our total leverage ratio cannot exceed 80.0%. As of March 31, 2020, our target asset leverage ratio, as defined, was 75.2% and our total leverage ratio, as defined, was 78.5%.
- Minimum interest coverage must be greater than 1.5:1.0. As of March 31, 2020, our minimum interest coverage, as defined, was 1.8:1.0.

We may also be subject to additional financial covenants in connection with various other agreements we enter into in the normal course of our business. We intend to continue to operate in a manner which complies with all of our financial covenants.

The following table summarizes assets at carrying values that were pledged or restricted as collateral for the future payment obligations of repurchase agreements, asset-specific financings, revolving credit facilities and securitized debt obligations as of March 31, 2020 and December 31, 2019:

(in thousands)	March 31, 2020	December 31, 2019
Loans held-for-investment	\$ 4,168,312	\$ 4,081,155
Available-for-sale securities, at fair value	8,319	12,830
Held-to-maturity securities	10,836	18,076
Restricted cash	4,302	—
Total	\$ 4,191,769	\$ 4,112,061

Although we generally intend to hold our target investments as long-term investments, we may sell certain of our assets in order to manage our liquidity needs, to meet other operating objectives and to adapt to market conditions. Commercial real estate loans are subject to longer trade timelines than securities and, as a result, market conditions could significantly and adversely affect the liquidity of our assets. Any illiquidity of our assets may make it difficult for us to sell such assets if the need or desire arises. Our ability to quickly sell certain assets may be limited by delays due to the time period needed for negotiating transaction documents and conducting diligence. Consequently, even if we identify a buyer for our commercial real estate loans, there is no assurance that we would be able to quickly sell such assets if the need or desire arises. Additionally, we cannot assure you that the recent economic impact of the COVID-19 pandemic would not make it more difficult to sell certain of our assets or that it would not have a material impact on the value of our assets.

In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we previously recorded our assets. Assets that are illiquid are more difficult to finance, and to the extent that we use leverage to finance assets that become illiquid, we may lose that leverage or have it reduced. Assets tend to become less liquid during times of financial stress, which is often the time that liquidity is most needed. As a result, our ability to sell assets or vary our portfolio in response to changes in economic and other conditions may be limited by liquidity constraints, which could adversely affect our results of operations and financial condition.

We cannot predict the timing and impact of future sales of our assets, if any. Because many of our assets are financed with repurchase agreements, asset-specific financings and revolving credit facilities, a significant portion of the proceeds from sales of our assets (if any), prepayments and scheduled amortization would be used to repay balances under these financing sources.

The following table provides the maturities of our repurchase agreements, asset-specific financings, revolving credit facilities, securitized debt obligations and convertible senior notes, net of deferred debt issuance costs, as of March 31, 2020 and December 31, 2019:

(in thousands)	March 31, 2020	December 31, 2019
Within one year	\$ 360,113	\$ 709,363
One to three years	2,993,046	2,533,995
Three to five years	128,706	149,814
Five years and over	—	—
Total	\$ 3,481,865	\$ 3,393,172

For the three months ended March 31, 2020, our restricted and unrestricted cash balance decreased approximately \$51.9 million to \$71.5 million at March 31, 2020. The cash movements can be summarized by the following:

- *Cash flows from operating activities.* For the three months ended March 31, 2020, operating activities decreased our cash balances by approximately \$39.3 million, primarily driven by our financial results for the year.
- *Cash flows from investing activities.* For the three months ended March 31, 2020, investing activities decreased our cash balances by approximately \$76.5 million, primarily driven by originations of loans held-for-investment, offset by repayments of loans held-for-investment and held-to-maturity securities.
- *Cash flows from financing activities.* For the three months ended March 31, 2020, financing activities increased our cash balance by approximately \$64.0 million, primarily driven by net proceeds from repurchase agreements and asset-specific financings, offset by net repayments of securitized debt obligations and revolving credit facilities and dividends paid.

Off-Balance Sheet Arrangements

We have not participated in transactions that create relationships with unconsolidated entities or financial partnerships which would have been established for the purpose of facilitating off-balance sheet arrangements. Further, we have not guaranteed any obligations of unconsolidated entities or entered into any commitment or intent to provide funding to any such entities. However, as of March 31, 2020, we had unfunded commitments on commercial real estate loans held-for-investment of \$762.8 million to be used for future fundings to borrowers, generally to finance lease-related or capital expenditures.

Dividends

Depending on overall market conditions and our overall financial condition and performance, we intend to make regular quarterly distributions to holders of our common stock. U.S. federal income tax law generally requires that a REIT annually distribute at least 90% of its REIT taxable income, without regard to the deduction for dividends paid and excluding net capital gains, and that it pay tax at regular corporate rates to the extent that it annually distributes less than 100% of its REIT taxable income, including capital gains. We intend to pay dividends to our stockholders in a manner intended to satisfy the REIT distribution requirements and to avoid both corporate income tax and excise tax. Before we pay any dividend, whether for U.S. federal income tax purposes or otherwise, we must first meet both our operating requirements and debt service on our secured funding facilities, other lending facilities, repurchase agreements and other debt payable. If our cash available for distribution is less than our required distribution for REIT qualification purposes, we could be required to sell investments or borrow funds to make cash distributions or we may make a portion of the required distribution in the form of a taxable stock distribution or distribution of debt securities.

Inflation

Virtually all of our assets and liabilities are interest rate sensitive in nature. As a result, interest rates and other factors influence our performance far more so than does inflation. Changes in interest rates do not necessarily correlate with inflation rates or changes in inflation rates. Our financial statements are prepared in accordance with GAAP and our distributions will be determined by our board of directors consistent with our obligation to distribute to our stockholders at least 90% of our REIT taxable income on an annual basis in order to maintain our REIT qualification; in each case, our activities and balance sheet are measured with reference to historical cost and/or fair market value without considering inflation.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We seek to manage our risks related to the credit quality of our investments, interest rates, liquidity and market value while, at the same time, seeking to generate attractive risk-adjusted returns to our stockholders. While we are exposed to certain types of market risk in our business, we seek to actively manage them using our risk management infrastructure and philosophy centered around quantifying and measuring various market risks on a continuous basis. We seek to be fairly compensated through the returns we earn on our investments for taking those risks and focus on maintaining liquidity and capital levels consistent with the risks to which we are exposed. However, many of those risks have been magnified by the continuing economic disruption and capital markets volatility resulting from the COVID-19 pandemic.

Recent Market Conditions

Due to the current COVID-19 pandemic in the United States and globally, most of our borrowers, sponsors, their tenants, the properties serving as collateral on our loan investments, and the economy as a whole have been, and will likely continue to be, adversely affected. The magnitude and duration of the COVID-19 pandemic and its impact on our borrowers and their tenants, cash flows and future results of operations could be significant and will largely depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the COVID-19 pandemic, the success of actions taken to contain or treat the pandemic, and reactions by consumers, companies, governmental entities and capital markets. The prolonged duration and impact of the COVID-19 pandemic could materially disrupt our business operations and impact our financial condition and performance, and our liquidities and ability to pay distributions.

The COVID-19 pandemic has resulted in significant disruptions in financial markets, business shutdowns and uncertainty about how the U.S. and global economy will perform over the next several months. Possible future declines in rental rates and expectations of future rental concessions, including free rent to renew tenants early, to retain tenants who are up for renewal or to attract new tenants, or rent abatements for tenants severely impacted by the COVID-19 pandemic may result in decreases in cash flows to our borrowers and potentially in defaults in paying debt service on outstanding indebtedness, which could adversely impact our results of operations and financial performance. Impending declines in economic conditions could negatively impact real estate and real estate capital markets and result in lower occupancy, lower rental rates and declining values in our portfolio, which could adversely impact the value of our investments, making it more difficult for us to make distributions or meet our financing obligations.

Credit Risk

We are subject to varying degrees of credit risk in connection with holding a portfolio of our target investments. The performance and value of our 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. We seek to manage credit risk by performing deep fundamental credit analysis of our potential investments. Credit risk is also addressed through our on-going review, and our investment portfolio is monitored for variance from expected defaults, severities, losses and cash flow on a monthly basis, with more intense analysis and oversight done on a quarterly basis.

The COVID-19 pandemic has significantly impacted the commercial real estate markets, causing reduced occupancy, requests from tenants for rent deferrals or abatement, and delays in capital improvements on projects currently planned or underway. These negative conditions may persist into the future and impair our borrowers' ability to pay principal and interest due to us under our loan agreements. We maintain an active dialogue and strong relationships with our borrowers as part of our overall asset management strategy. Through our asset management process, we focus on addressing potential impacts of the COVID-19 pandemic on our loans secured by properties experiencing cash flow strains. Certain of our borrowers have indicated that due to the impact of COVID-19 pandemic, they will be unable to timely execute their business plans, have had to temporarily close their businesses or have experienced other business challenges. As a result, they have requested temporary deferrals of interest payments or forbearance, or other modifications of their loans. Discussions we have had with our borrowers have addressed potential near-term loan modifications including repurposing of funds in certain reserve accounts, temporary deferrals of interest or performance tests, certain covenant waivers on loans collateralized by properties impacted by the COVID-19 pandemic. While no loan modifications of this nature closed as of March 31, 2020 and we generally believe that the principal amount of our loans are generally sufficiently protected by the underlying collateral value, there is a risk that we will not realize the entire principal amount of certain of our loan investments.

Interest Rate Risk

Generally, the composition of our investments is such that rising interest rates increase our net income, while declining interest rates will decrease net income. As of March 31, 2020, approximately 98.5% of our portfolio by carrying value earned a floating rate of interest. The remaining approximately 1.5% of our portfolio earned a fixed rate of interest. If interest rates were to decline, the value of these fixed-rate investments may increase and if interest rates were to increase, the value of these fixed-rate investments may fall; however, the interest income generated by these investments would not be affected by market interest rate fluctuations. The interest rates we pay under our current repurchase agreements and securitized debt obligations are primarily floating rate. Accordingly, our interest expense generally increases as interest rates increase and decreases as interest rates decrease.

Our analysis of risks is based on our experience, estimates, models and assumptions. These analyses rely on models which utilize estimates of fair value and interest rate sensitivity. Actual economic conditions or our implementation of decisions may produce results that differ significantly from the estimates and assumptions used in our models.

The information presented in the following interest rate sensitivity table projects the potential impact of sudden parallel changes in interest rates on our financial results and financial condition over the next 12 months, based on our interest sensitive financial instruments at March 31, 2020. All changes in value are measured as the change from our March 31, 2020 financial position. All projected changes in annualized net interest income are measured as the change from our projected annualized net interest income based off current performance returns.

(in thousands)	Changes in Interest Rates			
	-100 bps	-50 bps	+50 bps	+100 bps
Change in value of financial position:				
Loans held-for-investment	\$ 62	\$ 50	\$ (872)	\$ (1,745)
Available-for-sale securities	2	2	(2)	(3)
Held-to-maturity securities	3	2	(2)	(5)
Repurchase agreements	(871)	(439)	439	877
Securitized debt obligations	(318)	(206)	206	412
Asset-specific financings	(49)	(25)	25	50
Revolving credit facilities	(16)	(8)	8	16
Convertible senior notes	(3,385)	(1,678)	1,649	3,271
Total net assets	\$ (4,572)	\$ (2,302)	\$ 1,451	\$ 2,873
Change in annualized net interest income:	\$ 26,908	\$ 14,122	\$ 5,203	\$ 10,406

The interest rate sensitivity table quantifies the potential changes in annualized net interest income and portfolio value, should interest rates immediately change. The interest rate sensitivity table presents the estimated impact of interest rates instantaneously rising 50 and 100 basis points, and falling 50 and 100 basis points. The cash flows associated with the portfolio for each rate change are calculated based on assumptions, including yield on future originations and acquisitions, slope of the yield curve and size of the portfolio. Assumptions made on the interest rate sensitive liabilities include anticipated interest rates, collateral requirements as a percentage of borrowings and amount and term of borrowing.

Certain assumptions have been made in connection with the calculation of the information set forth in the foregoing interest rate sensitivity table and, as such, there can be no assurance that assumed events will occur or that other events will not occur that would affect the outcomes. The base interest rate scenario assumes interest rates at March 31, 2020. The analysis utilizes assumptions and estimates based on management's judgment and experience. Furthermore, while we generally expect to retain such assets and the associated interest rate risk to maturity, future originations, acquisitions and sales of assets could materially change our interest rate risk profile.

The information set forth in the interest rate sensitivity table above and all related disclosures constitutes forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. Actual results could differ significantly from those estimated in the foregoing interest rate sensitivity table.

LIBOR Transition

LIBOR is expected to be discontinued after 2021. As of March 31, 2020, approximately 99.5% of our loans by principal balance/carrying value earned a floating rate of interest indexed to LIBOR, and 100.0% of our outstanding borrowings (excluding convertible notes) bear interest indexed to LIBOR. All of these arrangements provide procedures for determining an alternative base rate in the event that LIBOR is discontinued. Regardless, there can be no assurances as to what alternative base rates may be and whether such base rate will be more or less favorable than LIBOR and any other unforeseen impacts of the potential discontinuation of LIBOR. We intend to monitor the developments with respect to the potential phasing out of LIBOR after 2021 and work with our lenders and borrowers to minimize the impact of any LIBOR transition on our financial condition and results of operations, but can provide no assurances regarding the impact of the discontinuation of LIBOR.

Borrower Performance

In addition to the risks related to fluctuations in cash flows and investment values associated with movements in interest rates, there is also the risk of borrower non-performance on our floating-rate investments. If interest rates were to significantly rise, it is possible that the increased debt service costs may negatively impact operating cash flows on properties securing our commercial real estate loan investments, resulting in potential non-performance of our borrowers or, in severe cases, default. This risk is partially mitigated by various facts we consider during our rigorous underwriting and loan structuring process, which in certain cases include a requirement for our borrower to purchase an interest rate cap contract. As of March 31, 2020, none of the commercial real estate loans in our portfolio were non-performing.

Capital Markets Risk

As a REIT, we are required to distribute a significant portion of our taxable income annually, which constrains our ability to accumulate significant operating cash flow and therefore requires us to utilize capital markets, both debt and equity, to finance our business. As a result, we are exposed to risks related to the equity capital markets and our related ability to raise capital through the issuance of our common stock or other equity instruments. We are also exposed to risks related to the debt capital markets, and our related ability to finance our business through borrowings under credit facilities or other debt instruments, such as securitizations or unsecured debt. 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.

Real Estate Risk

Our business strategy focuses on commercial real estate related debt investments. As a result, we will be exposed to the risks generally associated with the commercial real estate market, including occupancy rates, capitalization rates, absorption rates and other macroeconomic factors beyond our control, including, but not limited to, the impacts of the COVID-19 pandemic discussed above.

Additionally, commercial real estate debt investments may be affected by a number of factors, including, national, regional and local economic and real estate conditions, changes in business trends of specific industry segments, property construction characteristics, demographic factors and changes to building codes. Any combination of these factors may affect the value of real estate collateral for investments within our investment portfolio and the potential proceeds available to a borrower to repay the underlying loans, which could cause us to suffer losses. We seek to manage these risks through our rigorous and fundamentally driven underwriting and investment management processes.

Liquidity Risk

Our liquidity risk is principally associated with our financing of longer-maturity investments with shorter-term borrowings in the form of repurchase agreements, asset-specific financings and revolving credit facilities. Should the value of our investments pledged as collateral on our repurchase agreements significantly decrease, including, but not limited to, as a result of the impacts

of the COVID-19 pandemic discussed above, our lenders may exercise their margin call rights, causing an adverse change in our liquidity position. If we fail to resolve such margin calls when due, the lenders may exercise their rights under such repurchase agreements, including requiring payment by us of our aggregate outstanding financing obligations and / or taking ownership of the loans securing such obligations, potentially of an unfinanced basis, thereby reducing our available liquidity. Additionally, if one or more of our repurchase agreement, asset-specific financing or revolving credit facility counterparties chose not to provide ongoing funding, including with respect to future funding obligations on existing loans financed with such counterparties, which such risks are increased as a result of the COVID-19 pandemic and its effects on the global and U.S economies and commercial real estate, our ability to finance our investments and related future funding obligations would decline or exist at possibly less advantageous terms.

Risk Management

To the extent consistent with maintaining our REIT qualification, we seek to manage risk exposure by closely monitoring our portfolio and actively managing the financing, interest rate, credit and other risks associated with holding a portfolio of our target investments. Generally, with the guidance and experience of our Manager:

- we manage our portfolio with focus on diligent, investment-specific market review, enforcement of loan and security rights and timely execution of disposition strategies;
- we actively employ portfolio-wide and investment-specific risk measurement and management processes in our daily operations, including utilizing our Manager's risk management tools; and
- we seek to manage credit risk through our rigorous underwriting due diligence process prior to origination or acquisition of our target investments and through the use of non-recourse financing, when and where available and appropriate.

Item 4. Controls and Procedures

A review and evaluation was performed by our management, including our Chief Executive Officer, or CEO, and Chief Financial Officer, or CFO, of the effectiveness of our disclosure controls and procedures (as such term is defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that review and evaluation, the CEO and CFO have concluded that our current disclosure controls and procedures, as designed and implemented, were effective as of the end of the period covered by this Quarterly Report on Form 10-Q. Although our CEO and CFO have determined our disclosure controls and procedures were effective at the end of the period covered by this Quarterly Report on Form 10-Q, a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will detect or uncover failures within the Company to disclose material information otherwise required to be set forth in the reports we submit under the Exchange Act.

There was no change in our internal control over financial reporting that occurred during the quarter ended March 31, 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time we may be involved in various legal claims and/or administrative proceedings that arise in the ordinary course of our business. As of the date of this filing, we are not party to any litigation or legal proceedings or, to the best of our knowledge, any threatened litigation or legal proceedings, which, in our opinion, individually or in the aggregate, would have a material adverse effect on our results of operations or financial condition.

Item 1A. Risk Factors

For information regarding factors that could affect our results of operations, financial condition and liquidity, see the risk factors discussed in Part I, Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2019, or Annual Report.

In light of developments relating to the COVID-19 pandemic occurring subsequent to the filing of our Annual Report, we are supplementing the risk factors discussed in our Annual Report with the following risk factor, which should be read in conjunction with the risk factors contained in our Annual Report.

The current outbreak of the novel coronavirus, or COVID-19, has caused severe disruptions in the United States and global economy and to our business, and may continue to have an adverse impact on our performance and results of operations.

During the first quarter of 2020, a novel coronavirus, or COVID-19, spread to over 200 countries and territories, as well as to every state in the United States. The World Health Organization has designated COVID-19 as a pandemic, and numerous countries, including the United States, have declared national emergencies with respect to COVID-19. The global impact of the outbreak has been rapidly evolving, and as cases of COVID-19 have continued to be identified in additional countries, many countries have reacted by instituting quarantines and restrictions on travel, closing financial markets and/or restricting trading and limiting operations of non-essential businesses. Such measures are disrupting global supply chains, significantly increasing rates of unemployment and adversely impacting many industries, including the commercial finance and real estate markets in which we compete. The outbreak could have a continued adverse impact on economic and market conditions and trigger a period of global economic slowdown.

The outbreak of COVID-19 has had, and may continue to have an adverse impact on our financial condition, liquidity and results of operations and the market price of our common stock, among other things. We expect that these impacts are likely to continue to some extent as the outbreak persists and potentially even after the outbreak subsides. In particular, our ability to operate successfully could be adversely impacted due to the following:

- The COVID-19 pandemic could have a significant long-term impact on the broader economy and the commercial real estate market generally, which would negatively impact the value of the assets collateralizing our loans. Our portfolio includes loans collateralized by hotel, retail and other asset classes which have been significantly negatively impacted by the pandemic, particularly due to government-mandated closures and travel restrictions. While we believe the principal amount of our loans are generally adequately protected by the value of the underlying collateral, there can be no assurance that we will realize the entire principal value of certain investments.
- We are actively engaged in discussions with our borrowers, some of whom have indicated that, due to the impact of the COVID-19 pandemic, they have been unable to timely execute their business plans, have had to temporarily close their businesses or have experienced other negative business consequences. As a result, some borrowers have requested or indicated that they will be requesting interest deferral or forbearance or other modifications of their loans. We therefore anticipate more frequent modifications of our loans and potentially instances of default or foreclosure on assets underlying our loans, which would adversely affect the credit profile of our assets and our results of operations and financial condition.
- We have repurchase agreements with numerous lenders and are actively engaged in discussions with them, particularly with respect to the effects of the COVID-19 pandemic, around the value of pledged assets as defined in such agreements, our ability to deleverage or finance our future loan funding commitments, the application of certain provisions of such agreements to these circumstances and other structural elements under the agreements. If we do not have sufficient liquidity to make required payments on a timely basis, we would likely experience defaults and potential loss of assets to the lenders unless we are able to raise the funds from alternative sources, including by selling or financing assets or raising capital, or liquidity sources, each of which we may be required to do under adverse market conditions or at an inopportune time or on unfavorable terms, or may be unable to do at all. A default under one agreement may trigger cross-defaults under other agreements. Continued market volatility may further limit our ability to access liquidity sources under favorable terms, or at all. Pledging additional collateral or otherwise paying down facilities to satisfy our lenders and avoid potential margin calls and loan defaults would reduce our cash available to meet subsequent margin calls and/or future funding requests, as well as to make other higher yielding investments, thereby decreasing our liquidity, return on equity, available cash, net income and ability to implement our investment strategy. We also have covenants in some of our debt agreements that require us to maintain a minimum amount of cash, which could impact our ability to satisfy

margin calls. If we cannot meet lender requirements related to margin calls or other terms of our credit agreements, the lender or counterparty could accelerate our indebtedness, increase the interest rate on advanced funds our limit our ability to borrow additional funds, which would materially and adversely affect our financial condition and ability to implement our investment strategy.

- Because of the impacts of the COVID-19 pandemic on global economies and U.S. commercial real estate, we likely will experience reduced availability of liquidity sources, but our requirements for liquidity, including future loan funding obligations and potential margin calls, likely will not be commensurately reduced. If we do not have funds available to meet our obligations, we would have to raise funds from alternative sources, which may be at unfavorable terms or may not be available to us. We expect that the financial impact of the COVID-19 pandemic will likely adversely affect our liquidity position and could limit our ability to grow our business and successfully execute our business strategy. In order to preserve and build our liquidity to weather near-term market uncertainty, satisfy our loan future funding and financing obligations and potentially make opportunistic new investments, we intend to take some or all of the following actions: raise capital from offerings of securities, borrow additional capital, sell assets and/or change our dividend practice (which we did for the quarter ended March 31, 2020 by temporarily suspending the payment of dividends on our common stock). One or more of these conditions could increase our secured debt or be dilutive to our existing stockholders.
- Interest rates and credit spreads have been significantly impacted since the outbreak of COVID-19. This can increase the volatility of the fair value of our floating rate loans and also the interest obligations on our floating-rate debt and fair value of our fixed-rate liabilities, which could increase our interest expense.
- An extended period of remote working by our personnel could strain our technology resources and introduce operational risks, including heightened cybersecurity risk. Remote working environments may be less secure and more susceptible to hacking attacks, including phishing and social engineering attempts that seek to exploit the COVID-19 pandemic.

In addition to the foregoing, we have experienced, and may continue to experience, other negative impacts to our business as a result of the COVID-19 pandemic that further heighten the impact of other risks described in our Annual Report on Form 10-K for the year ended December 31, 2019, including, but not limited to:

- lack of liquidity of our investments;
- the greater risk of loss to which we are exposed in connection with CMBS, CLOs, B-notes, mezzanine loans and other investments that are subordinated or otherwise junior in an issuer's capital structure and that involve privately negotiated structures;
- risks associated with loans on properties in transition, renovation, restoration or construction;
- impairment of our investments and harm to our operations from a prolonged economic slowdown, a lengthy or severe recession or declining real estate values;
- the concentration of our loans and investments in terms of geography, asset types and sponsors;
- losses resulting from foreclosing on certain of the loans we originate or acquire;
- downgrades in credit ratings assigned to our investments;
- investments in non-investment grade rated commercial real estate loans or securities;
- the difficulty of estimating provisions for loan losses;
- our debt;
- risks associated with non-recourse securitizations which we use to finance our loans and investments;
- losses arising from current and future guarantees of debt and contingent obligations of our subsidiaries;
- borrower and counterparty risks;
- if the market value or income potential of our assets decline, we may need to increase our real estate assets and income or liquidate our non-qualifying assets in order to maintain our REIT qualification or exclusion from the Investment Company Act;
- operational impacts on ourselves and our third-party service providers, including loan servicers and other service providers, such as trustees, appraisers and other due diligence vendors and document custodians, related to our investments in commercial real estate debt investments, as well as for general operating purposes;
- the availability of key personnel of the Manager and our service providers as they face changed circumstances and potential illness during the pandemic; and
- other risks described in our Annual Report as they may be amended by our periodic filings with the SEC.

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

disrupted supply chains and industries, the impact of labor market interruptions, the impact of government interventions and uncertainty with respect to the duration of the global economic slowdown, including the resulting impact on the value of our assets. COVID-19 and the current financial, economic and capital markets environment, and future developments in these and other areas, present uncertainty and risk with respect to our performance, results of operations and ability to pay distributions.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

(a) Exhibits

A list of exhibits to this Quarterly Report on Form 10-Q is set forth below.

<u>Exhibit Number</u>	<u>Exhibit Index</u>
3.1	Articles of Amendment and Restatement of Granite Point Mortgage Trust Inc.'s Charter (incorporated by reference to Exhibit 3.1 of Amendment No. 3 to the registrant's Registration Statement on Form S-11 (File No. 333-218197) filed with the SEC on June 20, 2017).
3.2	Amended and Restated Bylaws of Granite Point Mortgage Trust Inc. (incorporated by reference to Exhibit 3.2 of Amendment No. 1 to the registrant's Registration Statement on Form S-11 (File No. 333-218197) filed with the SEC on June 15, 2017).
3.3	Articles Supplementary for Cumulative Redeemable Preferred Stock of Granite Point Mortgage Trust Inc. (incorporated by reference to Exhibit 3.3 of Amendment No. 3 to the registrant's Registration Statement on Form S-11 (File No. 333-218197) filed with the SEC on June 20, 2017).
4.1	Indenture, dated as of December 12, 2017, between Granite Point Mortgage Trust Inc. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.1 to the registrant's Current Report on Form 8-K filed with the SEC on December 12, 2017).
4.2	Supplemental Indenture, dated as of December 12, 2017, between Granite Point Mortgage Trust Inc. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.2 to the registrant's Current Report on Form 8-K filed with the SEC on December 12, 2017).
4.3	Indenture, dated as of October 12, 2018, between Granite Point Mortgage Trust Inc. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.1 to the registrant's Current Report on Form 8-K filed with the SEC on October 12, 2018).
4.4	Supplemental Indenture, dated as of October 12, 2018, between Granite Point Mortgage Trust Inc. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.2 to the registrant's Current Report on Form 8-K filed with the SEC on October 12, 2018).
10.1	Form of Amended and Restated Indemnification Agreement to be entered into by and between Granite Point Mortgage Trust Inc. and certain officers and directors. (filed herewith)
31.1	Certification of the Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (filed herewith)
31.2	Certification of the Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (filed herewith)
32.1	Certification of the Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (furnished herewith)
32.2	Certification of the 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	Financial statements from the Quarterly Report on Form 10-Q of Granite Point Mortgage Trust Inc. for the three months ended March 31, 2020, filed with the SEC on May 11, 2020, formatted in Inline XBRL: (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Comprehensive Income, (iii) the Condensed Consolidated Statements of Stockholders' Equity, (iv) the Condensed Consolidated Statements of Cash Flows, and (v) the Notes to the Condensed Consolidated Financial Statements. (filed herewith)
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101). (filed herewith)

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.

Dated: May 11, 2020

GRANITE POINT MORTGAGE TRUST INC.

By: /s/ John A. Taylor

John A. Taylor
President, Chief Executive Officer and Director
(Principal Executive Officer)

Dated: May 11, 2020

By: /s/ Marcin Urbaszek

Marcin Urbaszek
Chief Financial Officer
(Principal Accounting and Financial Officer)

AMENDED AND RESTATED

INDEMNIFICATION AGREEMENT

THIS AMENDED AND RESTATED INDEMNIFICATION AGREEMENT (“Agreement”) is made and entered into as of the 18th day of March, 2020, by and between Granite Point Mortgage Trust Inc., a Maryland corporation (the “Company”), and _____ (“Indemnitee”) and amends and restates that certain Indemnification Agreement made and entered into as of the 7th day of April, 2017 (the “Original Effective Date”), by and between the Company and Indemnitee.

WHEREAS, at the request of the Company, Indemnitee currently serves as a [director] [and] [officer] of the Company and may, therefore, be subjected to claims, suits or proceedings arising as a result of his [her] service; and

WHEREAS, as an inducement to Indemnitee to continue to serve as such [director] [and] [officer], the Company has agreed to indemnify and to advance expenses and costs incurred by Indemnitee in connection with any such claims, suits or proceedings, to the maximum extent permitted by law; and

WHEREAS, the parties by this Agreement desire to set forth their agreement regarding indemnification and advance of expenses;

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Company and Indemnitee do hereby covenant and agree as follows:

Section 1. Definitions. For purposes of this Agreement:

(a) “Change in Control” means a change in control of the Company occurring after the Original Effective Date of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or in response to any similar item on any similar schedule or form) promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), whether or not the Company is then subject to such reporting requirement; provided, however, that, without limitation, such a Change in Control shall be deemed to have occurred if, after the Original Effective Date:

(i) any “person” (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 15% or more of the combined voting power of all of the Company’s then-outstanding securities entitled to vote generally in the election of directors;

(ii) the Company or any of its controlled affiliates is a party to a merger, consolidation, statutory share exchange, sale or other disposition of assets, acquisition of assets or stock of another entity, plan of liquidation, reorganization or similar transaction (a “Business Combination”), in each case unless following such Business Combination

(A) all or substantially all of the individuals and entities that were the beneficial owners of the Company’s then-outstanding securities entitled to vote generally in the election of directors immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the combined voting power of the then-outstanding securities entitled to vote generally in the election of directors of the corporation resulting from such Business Combination (including, without limitation, a corporation that, as a result of such

transaction, owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries),

(B) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 30% or more of, respectively, the then-outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then-outstanding voting securities of such corporation, except to the extent that such ownership existed prior to the Business Combination, and

(C) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were Incumbent Directors (as defined below) at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination; or

(iii) at any time, a majority of the members of the Board of Directors are not individuals

(A) who were directors as of the Original Effective Date or

(B) whose election by the Board of Directors or nomination for election by the Company's stockholders was approved by the affirmative vote of at least two-thirds of the directors then in office who were directors as of the Original Effective Date or whose election or nomination for election was previously so approved (the "Incumbent Director"), provided that any individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors and who was not nominated by the Board of Directors shall not be considered an Incumbent Director; or

(iv) the stockholders of the Company approve the liquidation or dissolution of the Company.

(b) "Corporate Status" means the status of a person as a present or former director, officer, employee or agent of the Company or as a director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any other foreign or domestic corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise that such person is or was serving in such capacity at the request of the Company. As a clarification and without limiting the circumstances in which Indemnitee may be serving at the request of the Company, service by Indemnitee shall be deemed to be at the request of the Company if Indemnitee serves or served as a director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise (i) of which a majority of the voting power or equity interest is owned directly or indirectly by the Company or (ii) the management of which is controlled directly or indirectly by the Company.

(c) "Disinterested Director" means a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification and/or advance of Expenses is sought by Indemnitee.

(d) "Expenses" means any and all reasonable and out-of-pocket attorneys' fees and costs, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, federal, state, local or foreign taxes imposed on Indemnitee as a result of the actual or deemed receipt of any payments under this Agreement, ERISA excise taxes and penalties and any other disbursements or expenses incurred in connection with

prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in or otherwise participating in a Proceeding. Expenses shall also include Expenses incurred in connection with any appeal resulting from any Proceeding including, without limitation, the premium, security for and other costs relating to any cost bond superseded bond or other appeal bond or its equivalent.

(e) “Independent Counsel” means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither is, nor in the past five years has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party (other than with respect to matters concerning Indemnitee under this Agreement or of other indemnitees under similar indemnification agreements), or (ii) any other party to or participant or witness in the Proceeding giving rise to a claim for indemnification or advance of Expenses hereunder. Notwithstanding the foregoing, the term “Independent Counsel” shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee’s rights under this Agreement.

(f) “Proceeding” means any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing, claim, demand, discovery request or any other proceeding, whether brought by or in the right of the Company or otherwise and whether of a civil (including intentional or unintentional tort claims), criminal, administrative or investigative (formal or informal) nature, including any appeal therefrom, except one pending or completed on or before the Original Effective Date, unless otherwise specifically agreed in writing by the Company and Indemnitee. If Indemnitee reasonably believes that a given situation may lead to or culminate in the institution of a Proceeding, such situation shall also be considered a Proceeding.

Section 2. Services by Indemnitee. This Agreement shall not impose any independent obligation on Indemnitee or the Company to continue Indemnitee’s service to the Company. This Agreement shall not be deemed an employment contract between the Company (or any other entity) and Indemnitee.

Section 3. General. The Company shall indemnify, and advance Expenses to, Indemnitee (a) as provided in this Agreement and (b) otherwise to the maximum extent permitted by Maryland law in effect on the Original Effective Date and as amended from time to time; provided, however, that no change in Maryland law shall have the effect of reducing the benefits available to Indemnitee hereunder based on Maryland law as in effect on the Original Effective Date. The rights of Indemnitee provided in this Section 3 shall include, without limitation, the rights set forth in the other sections of this Agreement, including any additional indemnification permitted by Section 2-418(g) of the Maryland General Corporation Law (the “MGCL”).

Section 4. Standard for Indemnification. If, by reason of Indemnitee’s Corporate Status, Indemnitee is, or is threatened to be, made a party to any Proceeding, Indemnitee shall be indemnified against all judgments, penalties, fines, taxes and interest and amounts paid in settlement (collectively, “Liabilities”) and all Expenses actually and reasonably incurred by him [her] or on his [her] behalf in connection with any such Proceeding unless it is established by clear and convincing evidence that (a) the act or omission of Indemnitee was material to the matter giving rise to the Proceeding and (i) was committed in bad faith or (ii) was the result of active and deliberate dishonesty, (b) Indemnitee actually received an improper personal benefit in money, property or services or (c) in the case of any criminal Proceeding, Indemnitee had reasonable cause to believe that his [her] conduct was unlawful.

Section 5. Certain Limits on Indemnification. Notwithstanding any other provision of this Agreement (other than Section 6), Indemnitee shall not be entitled to:

(a) indemnification hereunder if the Proceeding was one by or in the right of the Company and it is established by a court of competent jurisdiction in a final non-appealable order that the Indemnitee is liable to the Company;

(b) indemnification hereunder if it is established by a court of competent jurisdiction in a final non-appealable order that the Indemnitee is liable on the basis that personal benefit was improperly received in any Proceeding charging improper personal benefit to Indemnitee, whether or not involving action in the Indemnitee's Corporate Status; or

(c) indemnification or advance of Expenses hereunder if the Proceeding was brought by Indemnitee unless: (i) the Proceeding was brought to enforce indemnification under this Agreement, and then only to the extent in accordance with and as authorized by Section 12 of this Agreement, or (ii) the Company's charter or Bylaws, a resolution of the stockholders entitled to vote generally in the election of directors or of the Board of Directors or an agreement approved by the Board of Directors to which the Company is a party expressly provides otherwise.

Section 6. Court-Ordered Indemnification. Notwithstanding any other provision of this Agreement, a court of appropriate jurisdiction, upon application of Indemnitee and such notice as the court shall require, may order indemnification in the following circumstances:

(a) if it determines Indemnitee is entitled to reimbursement under Section 2-418(d)(1) of the MGCL, the court shall order indemnification, in which case Indemnitee shall be entitled to recover the Expenses of securing such reimbursement; or

(b) if it determines that Indemnitee is fairly and reasonably entitled to indemnification in view of all the relevant circumstances, whether or not Indemnitee (i) has met the standards of conduct set forth in Section 2-418(b) of the MGCL or (ii) has been adjudged liable for receipt of an improper personal benefit under Section 2-418(c) of the MGCL, the court may order such indemnification as the court shall deem proper. However, indemnification with respect to any Proceeding by or in the right of the Company or in which liability shall have been adjudged in the circumstances described in Section 2-418(c) of the MGCL shall be limited to Expenses.

Section 7. Indemnification for Expenses and Liabilities of a Party Who is Wholly or Partly Successful. Notwithstanding any other provision of this Agreement, and without limiting any such provision, to the extent that Indemnitee was or is, by reason of his [her] Corporate Status, made a party to (or otherwise becomes a participant in) any Proceeding and is successful, on the merits or otherwise, in the defense of such Proceeding, Indemnitee shall be indemnified for all Expenses and Liabilities actually and reasonably incurred by him [her] or on his [her] behalf in connection therewith. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnitee under this Section 7 for all Expenses and Liabilities actually and reasonably incurred by him [her] or on his [her] behalf in connection with each such claim, issue or matter, allocated on a reasonable and proportionate basis. For purposes of this Section 7 and, without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

Section 8. Advance of Expenses for a Party. If, by reason of Indemnitee's Corporate Status, Indemnitee is, or is threatened to be, made a party to any Proceeding, the Company shall, without requiring a preliminary determination of Indemnitee's ultimate entitlement to indemnification hereunder, advance all reasonable Expenses incurred by or on behalf of Indemnitee in connection with such Proceeding within ten days after the receipt by the Company of a statement or statements requesting such advance or advances

from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by Indemnitee and shall include or be preceded or accompanied by a written affirmation by Indemnitee of Indemnitee's good faith belief that the standard of conduct necessary for indemnification by the Company as authorized by law and by this Agreement has been met and a written undertaking by or on behalf of Indemnitee, in substantially the form attached hereto as Exhibit A or in such form as may be required under applicable law as in effect at the time of the execution thereof, to reimburse the portion of any Expenses advanced to Indemnitee relating to claims, issues or matters in the Proceeding as to which it shall ultimately be established that the standard of conduct has not been met by Indemnitee and which have not been successfully resolved as described in Section 7 of this Agreement. To the extent that Expenses advanced to Indemnitee do not relate to a specific claim, issue or matter in the Proceeding, such Expenses shall be allocated on a reasonable and proportionate basis. The undertaking required by this Section 8 shall be an unlimited general obligation by or on behalf of Indemnitee and shall be accepted without reference to Indemnitee's financial ability to repay such advanced Expenses and without any requirement to post security therefor.

Section 9. Indemnification and Advance of Expenses of a Witness. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is or may be, by reason of his [her] Corporate Status, made a witness or otherwise asked to participate in any Proceeding, whether instituted by the Company or any other party, and to which Indemnitee is not a party, he [she] shall be advanced all Expenses and indemnified against all Expenses actually and reasonably incurred by him [her] or on his [her] behalf in connection therewith within ten days after the receipt by the Company of a statement or statements requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by Indemnitee. In connection with any such advance of Expenses, the Company may require Indemnitee to provide an undertaking and affirmation substantially in the form attached hereto as Exhibit A.

Section 10. Procedure for Determination of Entitlement to Indemnification.

(a) To obtain indemnification under this Agreement, Indemnitee shall submit to the Company a written request, including therein or therewith such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification. Indemnitee may submit one or more such requests from time to time and at such time(s) as Indemnitee deems appropriate in his [her] sole discretion. The officer of the Company receiving any such request from Indemnitee shall, promptly upon receipt of such a request for indemnification, advise the Board of Directors in writing that Indemnitee has requested indemnification.

(b) Upon written request by Indemnitee for indemnification pursuant to Section 10(a) above, a determination, if required by applicable law, with respect to Indemnitee's entitlement thereto shall promptly be made in the specific case: (i) if a Change in Control shall have occurred, by Independent Counsel, in a written opinion to the Board of Directors, a copy of which shall be delivered to Indemnitee, which Independent Counsel shall be selected by the Indemnitee and approved by the Board of Directors in accordance with Section 2-418(e)(2)(ii) of the MGCL, which approval will not be unreasonably withheld; or (ii) if a Change in Control shall not have occurred, (A) by the Board of Directors by a majority vote of a quorum consisting of Disinterested Directors or, if such a quorum cannot be obtained, then by a majority vote of a duly authorized committee of the Board of Directors consisting solely of one or more Disinterested Directors, (B) if Independent Counsel has been selected by the Board of Directors in accordance with Section 2-418(e)(2)(ii) of the MGCL and approved by the Indemnitee, which approval shall not be unreasonably withheld, by Independent Counsel, in a written opinion to the Board of Directors, a copy of which shall be delivered to Indemnitee or (C) if so directed by a majority of the members of the Board of Directors, by the stockholders of the Company, other than directors or officers who are parties to the Proceeding. If it is so determined that

Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within ten days after such determination. Indemnitee shall cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination in the discretion of the Board of Directors or Independent Counsel if retained pursuant to clause (ii)(B) of this Section 10(b). Any Expenses incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company shall indemnify and hold Indemnitee harmless therefrom.

(c) The Company shall pay the reasonable fees and documented expenses of Independent Counsel, if one is appointed.

Section 11. Presumptions and Effect of Certain Proceedings.

(a) In making any determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall presume that Indemnitee is entitled to indemnification under this Agreement if Indemnitee has submitted a request for indemnification in accordance with Section 10(a) of this Agreement, and the Company shall have the burden of proof to overcome that presumption in connection with the making of any determination contrary to that presumption.

(b) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, upon a plea of *nolo contendere* or its equivalent, or entry of an order of probation prior to judgment, does not create a presumption that Indemnitee did not meet the requisite standard of conduct described herein for indemnification.

(c) The knowledge and/or actions, or failure to act, of any other director, officer, employee or agent of the Company or any other director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any other foreign or domestic corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise shall not be imputed to Indemnitee for purposes of determining any other right to indemnification under this Agreement.

(d) For purposes of any determination of whether any act or omission of the Indemnitee met the requisite standard of conduct described herein for indemnification, each act of the Indemnitee shall be deemed to have met such standard if the Indemnitee's action is based on the records or books of accounts of the Company, including financial statements, or on information supplied to the Indemnitee by the officers of the Company in the course of their duties, or on the advice of legal counsel for the Company or on information or records given or reports made to the Company by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Company. The provisions of this Section 11(d) shall not be deemed to be exclusive or to limit in any way the other circumstances in which the Indemnitee may be deemed to have met the applicable standard of conduct set forth in this Agreement or under applicable law.

Section 12. Remedies of Indemnitee.

(a) If (i) a determination is made pursuant to Section 10(b) of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advance of Expenses is not timely made pursuant to Sections 8 or 9 of this Agreement, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 10(b) of this Agreement within 60 days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to Section 7 of this Agreement

within ten days after receipt by the Company of a written request therefor or (v) payment of indemnification pursuant to any other section of this Agreement or the charter or Bylaws of the Company is not made within ten days after a determination has been made that Indemnitee is entitled to indemnification, Indemnitee shall be entitled to an adjudication in an appropriate court located in the State of Maryland, or in any other court of competent jurisdiction, of his [her] entitlement to such indemnification or advance of Expenses. Alternatively, Indemnitee, at his [her] option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. Indemnitee shall commence a proceeding seeking an adjudication or an award in arbitration within 180 days following the date on which Indemnitee first has the right to commence such proceeding pursuant to this Section 12(a); provided, however, that the foregoing clause shall not apply to a proceeding brought by Indemnitee to enforce his [her] rights under Section 7 of this Agreement. Except as set forth herein, the provisions of Maryland law (without regard to its conflicts of laws rules) shall apply to any such arbitration. The Company shall not oppose Indemnitee's right to seek any such adjudication or award in arbitration.

(b) In any judicial proceeding or arbitration commenced pursuant to this Section 12, Indemnitee shall be presumed to be entitled to indemnification or advance of Expenses, as the case may be, under this Agreement and the Company shall have the burden of proving by clear and convincing evidence that Indemnitee is not entitled to indemnification or advance of Expenses, as the case may be. If Indemnitee commences a judicial proceeding or arbitration pursuant to this Section 12, Indemnitee shall not be required to reimburse the Company for any advances pursuant to Sections 8 or 9 of this Agreement until a final determination is made with respect to Indemnitee's entitlement to indemnification (as to which all rights of appeal have been exhausted or lapsed). The Company shall, to the fullest extent not prohibited by law, be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 12 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all of the provisions of this Agreement.

(c) If a determination shall have been made pursuant to Section 10(b) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 12, absent a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification.

(d) In the event that Indemnitee, pursuant to this Section 12, seeks a judicial adjudication of or an award in arbitration to enforce his [her] rights under, or to recover damages for breach of, this Agreement, Indemnitee shall be entitled to advance of Expenses in connection therewith and to recover from the Company, and shall be indemnified by the Company for, any and all Expenses and Liabilities actually and reasonably incurred by him [her] in such judicial adjudication or arbitration. If it shall be determined in such judicial adjudication or arbitration that Indemnitee is entitled to receive part but not all of the indemnification or advance of Expenses sought, the Expenses incurred by Indemnitee in connection with such judicial adjudication or arbitration shall be appropriately prorated.

(e) Interest shall be paid by the Company to Indemnitee at the maximum rate allowed to be charged for judgments under the Courts and Judicial Proceedings Article of the Annotated Code of Maryland for amounts which the Company pays or is obligated to pay for the period commencing with the date on which the Company was requested to advance Expenses in accordance with Sections 8 or 9 of this Agreement or to make the determination of entitlement to indemnification under Section 12(a) above and ending on the date such payment is made to Indemnitee by the Company.

Section 13.

Defense of the Underlying Proceeding.

(a) Indemnitee shall notify the Company promptly in writing upon being served with any summons, citation, subpoena, complaint, indictment, request or other document relating to any Proceeding which may result in the right to indemnification or the advance of Expenses hereunder and shall include with such notice a description of the nature of the Proceeding and a summary of the facts underlying the Proceeding. The failure to give any such notice shall not disqualify Indemnitee from the right, or otherwise affect in any manner any right of Indemnitee, to indemnification or the advance of Expenses under this Agreement unless the Company's ability to defend in such Proceeding or to obtain proceeds under any insurance policy is materially and adversely prejudiced thereby, and then only to the extent the Company is thereby actually so prejudiced.

(b) Subject to the provisions of the last sentence of this Section 13(b) and of Section 13(c) below, the Company shall have the right to defend Indemnitee in any Proceeding which may give rise to indemnification hereunder; provided, however, that the Company shall notify Indemnitee of any such decision to defend within 15 calendar days following receipt of notice of any such Proceeding under Section 13(a) above. The Company shall not, without the prior written consent of Indemnitee, which shall not be unreasonably withheld or delayed, consent to the entry of any judgment against Indemnitee or enter into any settlement or compromise which (i) includes an admission of fault of Indemnitee, (ii) does not include, as an unconditional term thereof, the full release of Indemnitee from all liability in respect of such Proceeding, which release shall be in form and substance reasonably satisfactory to Indemnitee or (iii) would impose any Expense, Liability or limitation on Indemnitee. This Section 13(b) shall not apply to a Proceeding brought by Indemnitee under Section 12 of this Agreement.

(c) Notwithstanding the provisions of Section 13(b) above, if in a Proceeding to which Indemnitee is a party by reason of Indemnitee's Corporate Status, (i) Indemnitee reasonably concludes, based upon an opinion of counsel approved by the Company, which approval shall not be unreasonably withheld, that he [she] may have separate defenses or counterclaims to assert with respect to any issue which may not be consistent with other defendants in such Proceeding, (ii) Indemnitee reasonably concludes, based upon an opinion of counsel approved by the Company, which approval shall not be unreasonably withheld, that an actual or apparent conflict of interest or potential conflict of interest exists between Indemnitee and the Company or (iii) if the Company fails to assume the defense of such Proceeding in a timely manner, Indemnitee shall be entitled to be represented by separate legal counsel of Indemnitee's choice, subject to the prior approval of the Company, which shall not be unreasonably withheld, at the expense of the Company. In addition, if the Company fails to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes any action to declare this Agreement void or unenforceable, or institutes any Proceeding to deny or to recover from Indemnitee the benefits intended to be provided to Indemnitee hereunder, Indemnitee shall have the right to retain counsel of Indemnitee's choice, subject to the prior approval of the Company, which shall not be unreasonably withheld, at the expense of the Company (subject to Section 12(d) of this Agreement), to represent Indemnitee in connection with any such matter.

Section 14.

Non-Exclusivity; Survival of Rights; Subrogation.

(a) The rights of indemnification and advance of Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the charter or Bylaws of the Company, any agreement or a resolution of the stockholders entitled to vote generally in the election of directors or of the Board of Directors, or otherwise. Unless consented to in writing by Indemnitee, no amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his [her] Corporate Status prior to such amendment, alteration or repeal, regardless of whether

a claim with respect to such action or inaction is raised prior or subsequent to such amendment, alteration or repeal. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right or remedy shall be cumulative and in addition to every other right or remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion of any right or remedy hereunder, or otherwise, shall not prohibit the concurrent assertion or employment of any other right or remedy.

(b) In the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

Section 15. Insurance. The Company will use its reasonable best efforts to acquire directors and officers liability insurance, on terms and conditions deemed appropriate by the Board of Directors, with the advice of counsel, covering Indemnitee or any claim made against Indemnitee by reason of his [her] Corporate Status and covering the Company for any indemnification or advance of Expenses made by the Company to Indemnitee for any claims made against Indemnitee by reason of his [her] Corporate Status. Without in any way limiting any other obligation under this Agreement, the Company shall indemnify Indemnitee for any payment by Indemnitee arising out of the amount of any deductible or retention and the amount of any excess of the aggregate of all Liabilities and Expenses incurred by Indemnitee in connection with a Proceeding over the coverage of any insurance referred to in the previous sentence. The purchase, establishment and maintenance of any such insurance shall not in any way limit or affect the rights or obligations of the Company or Indemnitee under this Agreement except as expressly provided herein, and the execution and delivery of this Agreement by the Company and the Indemnitee shall not in any way limit or affect the rights or obligations of the Company under any such insurance policies. If, at the time the Company receives notice from any source of a Proceeding to which Indemnitee is a party or a participant (as a witness or otherwise) the Company has director and officer liability insurance in effect, the Company shall give prompt notice of such Proceeding to the insurers in accordance with the procedures set forth in the respective policies.

Section 16. Coordination of Payments. The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable or payable or reimbursable as Expenses hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

Section 17. Contribution. If the indemnification provided in this Agreement is unavailable in whole or in part and may not be paid to Indemnitee for any reason, other than for failure to satisfy the standard of conduct set forth in Section 4 or due to the provisions of Section 5, then, in respect to any Proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such Proceeding), to the fullest extent permissible under applicable law, the Company, in lieu of indemnifying and holding harmless Indemnitee, shall pay, in the first instance, the entire amount incurred by Indemnitee, whether for Expenses, judgments, penalties, and/or amounts paid or to be paid in settlement, in connection with any Proceeding without requiring Indemnitee to contribute to such payment, and the Company hereby waives and relinquishes any right of contribution it may have at any time against Indemnitee.

Section 18. Reports to Stockholders. To the extent required by the MGCL, the Company shall report in writing to its stockholders the payment of any amounts for indemnification of, or advance of Expenses to, Indemnitee under this Agreement arising out of a Proceeding by or in the right of the Company with the notice of the meeting of stockholders of the Company next following the date of the payment of any such indemnification or advance of Expenses or prior to such meeting.

(a) This Agreement shall continue until and terminate on the later of (i) the date that Indemnitee shall have ceased to serve as a director, officer, employee or agent of the Company or as a director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any other foreign or domestic corporation, real estate investment trust, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise that such person is or was serving in such capacity at the request of the Company and (ii) the date that Indemnitee is no longer subject to any actual or possible Proceeding (including any rights of appeal thereto and any Proceeding commenced by Indemnitee pursuant to Section 12 of this Agreement).

(b) The indemnification and advance of Expenses provided by, or granted pursuant to, this Agreement shall be binding upon and be enforceable by the parties hereto and their respective successors and assigns (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company), shall continue as to an Indemnitee who has ceased to be a director, officer, employee or agent of the Company or a director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any other foreign or domestic corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise that such person is or was serving in such capacity at the request of the Company, and shall inure to the benefit of Indemnitee and his [her] spouse, assigns, heirs, devisees, executors and administrators and other legal representatives.

(c) The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all, substantially all or a substantial part, of the business and/or assets of the Company, by written agreement in form and substance satisfactory to Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

(d) The Company and Indemnitee agree herein that a monetary remedy for breach of this Agreement, at some later date, may be inadequate, impracticable and difficult of proof, and further agree that such breach may cause Indemnitee irreparable harm. Accordingly, the parties hereto agree that Indemnitee may enforce this Agreement by seeking injunctive relief and/or specific performance hereof, without any necessity of showing actual damage or irreparable harm and that by seeking injunctive relief and/or specific performance, Indemnitee shall not be precluded from seeking or obtaining any other relief to which he [she] may be entitled. Indemnitee shall further be entitled to such specific performance and injunctive relief, including temporary restraining orders, preliminary injunctions and permanent injunctions, without the necessity of posting bonds or other undertakings in connection therewith. The Company acknowledges that, in the absence of a waiver, a bond or undertaking may be required of Indemnitee by a court, and the Company hereby waives any such requirement of such a bond or undertaking.

Section 20. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including, without limitation, each portion of any Section, paragraph or sentence of this Agreement containing any such provision held to be invalid, illegal or unenforceable that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by law; (b) such provision or provisions shall be deemed reformed to the extent necessary to conform to applicable law and to give the maximum effect to the intent of the parties hereto; and (c) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any Section, paragraph or sentence of this Agreement

containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

Section 21. Identical Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. One such counterpart signed by the party against whom enforceability is sought shall be sufficient to evidence the existence of this Agreement.

Section 22. Headings. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

Section 23. Modification and Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

Section 24. Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given if (i) delivered by hand and receipted for by the party to whom said notice or other communication shall have been directed or (ii) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed:

- (a) If to Indemnitee, to the address set forth on the signature page hereto.
- (b) If to the Company, to:

Granite Point Mortgage Trust Inc.
3 Bryant Park, Suite 2400A
New York, NY 10036
Attn: General Counsel

or to such other address as may have been furnished in writing to Indemnitee by the Company or to the Company by Indemnitee, as the case may be.

Section 25. Governing Law. The parties agree that this Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Maryland, without regard to its conflicts of laws rules.

Section 26. Miscellaneous. Use of the masculine pronoun shall be deemed to include usage of the feminine pronoun where appropriate.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

COMPANY:

GRANITE POINT MORTGAGE TRUST INC.

By: _____

Name:

Title:

INDEMNITEE:

Name:

Address:

EXHIBIT A

FORM OF UNDERTAKING TO REPAY EXPENSES ADVANCED

The Board of Directors of Granite Point Mortgage Trust Inc.

Re: Undertaking to Repay Expenses Advanced

Ladies and Gentlemen:

This undertaking is being provided pursuant to that certain Amended and Restated Indemnification Agreement dated as of the ____ day of _____, 20____, by and between Granite Point Mortgage Trust Inc., a Maryland corporation (the "Company"), and the undersigned Indemnitee (the "Indemnification Agreement"), pursuant to which I am entitled to advance of Expenses in connection with **[Description of Proceeding]** (the "Proceeding").

Terms used herein and not otherwise defined shall have the meanings specified in the Indemnification Agreement.

I am subject to the Proceeding by reason of my Corporate Status or by reason of alleged actions or omissions by me in such capacity. I hereby affirm my good faith belief that at all times, insofar as I was involved as **[a director]** **[an officer]** of the Company, in any of the facts or events giving rise to the Proceeding, I (1) did not act with bad faith or active or deliberate dishonesty, (2) did not receive any improper personal benefit in money, property or services and (3) in the case of any criminal proceeding, had no reasonable cause to believe that any act or omission by me was unlawful.

In consideration of the advance by the Company for Expenses incurred by me in connection with the Proceeding (the "Advanced Expenses"), I hereby agree that if, in connection with the Proceeding, it is established that (1) an act or omission by me was material to the matter giving rise to the Proceeding and (a) was committed in bad faith or (b) was the result of active and deliberate dishonesty or (2) I actually received an improper personal benefit in money, property or services or (3) in the case of any criminal proceeding, I had reasonable cause to believe that the act or omission was unlawful, then I shall promptly reimburse the portion of the Advanced Expenses relating to the claims, issues or matters in the Proceeding as to which the foregoing findings have been established.

[Signatures appear on the following page.]

IN WITNESS WHEREOF, I have executed this Affirmation and Undertaking on this ____ day of _____, 20____.

**CHIEF EXECUTIVE OFFICER CERTIFICATION PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, John A. Taylor, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Granite Point Mortgage Trust Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers 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 quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 11, 2020

/s/ John A. Taylor

John A. Taylor

Chief Executive Officer and President

**CHIEF FINANCIAL OFFICER CERTIFICATION PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Marcin Urbaszek, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Granite Point Mortgage Trust Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers 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 quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 11, 2020

/s/ Marcin Urbaszek

Marcin Urbaszek

Chief Financial Officer and Treasurer

CERTIFICATION

Pursuant to 18 U.S.C. §1350, the undersigned officer of Granite Point Mortgage Trust Inc. (the "Registrant") hereby certifies that the Registrant's Quarterly Report on Form 10-Q for the three months ended March 31, 2020 (the "Quarterly Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: May 11, 2020

/s/ John A. Taylor

John A. Taylor

Chief Executive Officer and President

The foregoing certification is being furnished solely pursuant to 18 U.S.C. §1350 and is not being filed as part of the Quarterly Report or as a separate disclosure document.

CERTIFICATION

Pursuant to 18 U.S.C. §1350, the undersigned officer of Granite Point Mortgage Trust Inc. (the "Registrant") hereby certifies that the Registrant's Quarterly Report on Form 10-Q for the three months ended March 31, 2020 (the "Quarterly Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: May 11, 2020

/s/ Marcin Urbaszek

Marcin Urbaszek

Chief Financial Officer and Treasurer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. §1350 and is not being filed as part of the Quarterly Report or as a separate disclosure document.