BLACKSTONE MORTGAGE TRUST, INC.
Form 10-Q
October 24, 2017
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2017

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: 001-14788

Blackstone Mortgage Trust, Inc.

(Exact name of Registrant as specified in its charter)

Maryland	**94-6181186**
(State or other jurisdiction of	**(I.R.S. Employer**

incorporation or organization) **Identification No.)**

345 Park Avenue, 42nd Floor

New York, New York 10154

(Address of principal executive offices)(Zip Code)

(212) 655-0220

(Registrant s telephone number, including area code)

N/A

(Former name, former address and formal fiscal year, if changed since last report)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

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

Large accelerated filer		Accelerated filer
Non-accelerated filer	(Do not check if a smaller reporting company)	Smaller reporting company
		Emerging growth company

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

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

The number of the Registrant s outstanding shares of class A common stock, par value $0.01 per share, outstanding as of October 17, 2017 was 94,828,437.

Table of Contents

TABLE OF CONTENTS

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Blackstone Mortgage Trust, Inc.

Consolidated Balance Sheets (Unaudited)

(in thousands, except share data)

	September 30, 2017	December 31, 2016
Assets		
Cash and cash equivalents	$ 61,221	$ 75,567
Restricted cash	32,864	
Loans receivable, net	9,637,152	8,692,978
Other assets	45,680	44,070
Total Assets	$ 9,776,917	$ 8,812,615
Liabilities and Equity		
Secured debt agreements, net	$ 6,079,135	$ 5,716,354
Loan participations sold, net	33,193	348,077
Securitized debt obligations, net	474,298	
Convertible notes, net	562,741	166,762
Other liabilities	101,758	87,819
Total Liabilities	7,251,125	6,319,012
Commitments and contingencies		
Equity		
Class A common stock, $0.01 par value, 200,000,000 shares authorized, 94,828,007 and 94,540,263 shares issued and outstanding as of September 30, 2017 and December 31, 2016, respectively	948	945
Additional paid-in capital	3,109,094	3,089,997
Accumulated other comprehensive loss	(32,362)	(56,202)
Accumulated deficit	(558,066)	(541,137)
Total Blackstone Mortgage Trust, Inc. stockholders equity	2,519,614	2,493,603
Non-controlling interests	6,178	
Total Equity	2,525,792	2,493,603
Total Liabilities and Equity	$ 9,776,917	$ 8,812,615

Note: The consolidated balance sheet as of September 30, 2017 includes assets of a consolidated variable interest entity, or VIE, that can only be used to settle obligations of the VIE, and liabilities of a consolidated VIE for which creditors do not have recourse to Blackstone Mortgage Trust, Inc. As of September 30, 2017, assets of the VIE totaled $500.8 million and liabilities of the VIE totaled $474.9 million. We did not consolidate any VIEs as of December 31, 2016. Refer to Note 16 for additional discussion of the VIE.

See accompanying notes to consolidated financial statements.

Table of Contents

Blackstone Mortgage Trust, Inc.

Consolidated Statements of Operations (Unaudited)

(in thousands, except share and per share data)

	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Income from loans and other investments				
Interest and related income	$ 146,446	$ 128,190	$ 391,787	$ 381,686
Less: Interest and related expenses	67,891	45,373	168,917	139,819
Income from loans and other investments, net	78,555	82,817	222,870	241,867
Other expenses				
Management and incentive fees	13,243	13,701	40,557	43,161
General and administrative expenses	7,419	7,414	22,219	20,990
Total other expenses	20,662	21,115	62,776	64,151
Gain on investments at fair value		2,824		13,413
Income from equity investment in unconsolidated subsidiary		2,060		2,192
Income before income taxes	57,893	66,586	160,094	193,321
Income tax provision	83	194	265	281
Net income	57,810	66,392	159,829	193,040
Net income attributable to non-controlling interests	(88)	(1,598)	(88)	(8,119)
Net income attributable to Blackstone Mortgage Trust, Inc.	$ 57,722	$ 64,794	$ 159,741	$ 184,921
Net income per share of common stock basic and diluted	$ 0.61	$ 0.69	$ 1.68	$ 1.97
Weighted-average shares of common stock outstanding, basic and diluted	95,013,087	94,071,537	95,004,188	94,067,923
Dividends declared per share of common stock	$ 0.62	$ 0.62	$ 1.86	$ 1.86

See accompanying notes to consolidated financial statements.

Table of Contents

Blackstone Mortgage Trust, Inc.

Consolidated Statements of Comprehensive Income (Unaudited)

(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	**2016**	**2017**	**2016**
Net income	$ 57,810	$ 66,392	$ 159,829	$ 193,040
Other comprehensive income				
Unrealized gain (loss) on foreign currency remeasurement	16,175	(10,128)	43,990	(25,472)
Realized and unrealized (loss) gain on derivative financial instruments	(8,029)	5,882	(20,150)	11,841
Other comprehensive income (loss)	8,146	(4,246)	23,840	(13,631)
Comprehensive income	65,956	62,146	183,669	179,409
Comprehensive income attributable to non-controlling interests	(88)	(1,598)	(88)	(8,119)
Comprehensive income attributable to Blackstone Mortgage Trust, Inc.	$ 65,868	$ 60,548	$ 183,581	$ 171,290

See accompanying notes to consolidated financial statements.

4

Table of Contents

Blackstone Mortgage Trust, Inc.

Consolidated Statements of Changes in Equity (Unaudited)

(in thousands)

	Blackstone Mortgage Trust, Inc.						
	Class A Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit	Stockholders' Equity	Non-controlling Interests	Total Equity
Balance at December 31, 2015	$ 937	$ 3,070,200	$ (32,758)	$ (545,791)	$ 2,492,588	$ 13,143	$ 2,505,731
Shares of class A common stock issued, net	2				2		2
Restricted class A common stock earned		14,190			14,190		14,190
Dividends reinvested		276		(256)	20		20
Deferred directors compensation		282			282		282
Other comprehensive loss			(13,631)		(13,631)		(13,631)
Net income				184,921	184,921	8,119	193,040
Dividends declared on common stock				(174,678)	(174,678)		(174,678)
Distributions to non-controlling interests						(20,158)	(20,158)
Balance at September 30, 2016	$ 939	$ 3,084,948	$ (46,389)	$ (535,804)	$ 2,503,694	$ 1,104	$ 2,504,798
Balance at December 31, 2016	$ 945	$ 3,089,997	$ (56,202)	$ (541,137)	$ 2,493,603	$	$ 2,493,603
Shares of class A common stock issued, net	3				3		3
Restricted class A common stock earned		17,493			17,493		17,493
Issuance of convertible notes		964			964		964
Dividends reinvested		327		(296)	31		31
Deferred directors compensation		313			313		313
Other comprehensive income			23,840		23,840		23,840
Net income				159,741	159,741	88	159,829
Contributions from non-controlling interests						6,090	6,090
Dividends declared on common stock				(176,374)	(176,374)		(176,374)

Balance at September 30, 2017	$ 948	$ 3,109,094	$ (32,362)	$ (558,066)	$ 2,519,614	$ 6,178	$ 2,525,792

See accompanying notes to consolidated financial statements.

5

Table of Contents

Blackstone Mortgage Trust, Inc.

Consolidated Statements of Cash Flows (Unaudited)

(in thousands)

	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Cash flows from operating activities		
Net income	$ 159,829	$ 193,040
Adjustments to reconcile net income to net cash provided by operating activities		
Non-cash compensation expense	17,809	16,517
Amortization of deferred fees on loans	(28,887)	(31,594)
Amortization of deferred financing costs and premiums/discount on debt obligations	16,356	15,129
Income from equity investment in unconsolidated subsidiary		(2,192)
Distributions of income from unconsolidated subsidiary		8,167
Gain on investments at fair value		(13,413)
Changes in assets and liabilities, net		
Other assets	(219)	8,315
Other liabilities	11,651	(6,405)
Net cash provided by operating activities	176,539	187,564
Cash flows from investing activities		
Origination and fundings of loans receivable	(2,314,721)	(2,300,636)
Principal collections and sales proceeds from loans receivable and other assets	1,976,271	3,054,821
Origination and exit fees received on loans receivable	38,434	35,388
Receipts under derivative financial instruments	6,115	
Payments under derivative financial instruments	(18,115)	
Return of collateral deposited under derivative agreements	8,980	
Collateral deposited under derivative agreements	(16,651)	
Net cash (used in) provided by investing activities	(319,687)	789,573

continued

See accompanying notes to consolidated financial statements.

Table of Contents

Blackstone Mortgage Trust, Inc.

Consolidated Statements of Cash Flows (Unaudited)

(in thousands)

	Nine Months Ended September 30,	
	2017	**2016**
Cash flows from financing activities		
Borrowings under secured debt agreements	$ 2,776,058	$ 2,225,895
Repayments under secured debt agreements	(2,481,250)	(2,988,217)
Proceeds from sale of loan participations	33,193	54,441
Repayment of loan participations	(381,310)	(92,000)
Payment of deferred financing costs	(13,591)	(12,564)
Receipts under derivative financial instruments		31,668
Payments under derivative financial instruments		(14,266)
Contributions from non-controlling interests	6,090	
Distributions to non-controlling interests		(20,158)
Net proceeds from issuance of convertible notes	394,074	
Net proceeds from issuance of class A common stock	31	20
Dividends paid on class A common stock	(176,195)	(174,549)
Net cash provided by (used in) financing activities	157,100	(989,730)
Net increase (decrease) in cash, cash equivalents, and restricted cash	13,952	(12,593)
Cash, cash equivalents, and restricted cash at beginning of period	75,567	106,005
Effects of currency translation on cash, cash equivalents, and restricted cash	4,566	1,526
Cash, cash equivalents, and restricted cash at end of period	$ 94,085	$ 94,938
Supplemental disclosure of cash flows information		
Payments of interest	$ (141,124)	$ (123,564)
Payments of income taxes	$ (220)	$ (131)
Supplemental disclosure of non-cash investing and financing activities		
Dividends declared, not paid	$ (58,793)	$ (58,388)
Loan principal payments held by servicer, net	$ 513	$ 9,515
Consolidation of loans receivable of a VIE	$ 500,000	$
Consolidation of securitized debt obligations of a VIE	$ (474,620)	$

See accompanying notes to consolidated financial statements.

Table of Contents

Blackstone Mortgage Trust, Inc.

Notes to Consolidated Financial Statements

(Unaudited)

1. ORGANIZATION

References herein to Blackstone Mortgage Trust, Company, we, us or our refer to Blackstone Mortgage Tru and its subsidiaries unless the context specifically requires otherwise.

Blackstone Mortgage Trust is a real estate finance company that originates and purchases senior loans collateralized by properties in North America and Europe. We are externally managed by BXMT Advisors L.L.C., or our Manager, a subsidiary of The Blackstone Group L.P., or Blackstone, and are a real estate investment trust, or REIT, traded on the New York Stock Exchange, or NYSE, under the symbol BXMT. We are headquartered in New York City.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP, for interim financial information and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. The consolidated financial statements, including the notes thereto, are unaudited and exclude some of the disclosures required in annual financial statements. Management believes it has made all necessary adjustments, consisting of only normal recurring items, so that the consolidated financial statements are presented fairly and that estimates made in preparing its consolidated financial statements are reasonable and prudent. The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year. The accompanying unaudited consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 filed with the Securities and Exchange Commission, or the SEC.

Basis of Presentation

The accompanying consolidated financial statements include, on a consolidated basis, our accounts, the accounts of our wholly-owned subsidiaries, majority-owned subsidiaries, and variable interest entities, or VIEs, of which we are the primary beneficiary. All intercompany balances and transactions have been eliminated in consolidation.

Principles of Consolidation

We consolidate all entities that we control through either majority ownership or voting rights. In addition, we consolidate all VIEs of which we are considered the primary beneficiary. VIEs are defined as entities in which equity investors (i) do not have the characteristics of a controlling financial interest and/or (ii) do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The entity that consolidates a VIE is known as its primary beneficiary and is generally the entity with (i) the power to direct the activities that most significantly affect the VIE s economic performance and (ii) the right to receive benefits from the VIE or the obligation to absorb losses of the VIE that could be significant to the VIE. Refer to Note 16 for additional discussion of our consolidated VIE.

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

Table of Contents

Blackstone Mortgage Trust, Inc.

Notes to Consolidated Financial Statements (continued)

(Unaudited)

Use of Estimates

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

Revenue Recognition

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

Cash, Cash Equivalents, and Restricted Cash

Cash and cash equivalents represent cash held in banks, cash on hand, and liquid investments with original maturities of three months or less. We may have bank balances in excess of federally insured amounts; however, we deposit our cash and cash equivalents with high credit-quality institutions to minimize credit risk exposure. We have not experienced, and do not expect, any losses on our cash or cash equivalents.

Restricted cash represents cash held in a segregated bank account related to a letter of credit.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash in our consolidated balance sheets to the total amount shown in our consolidated statements of cash flows ($ in thousands):

	September 30, 2017	September 30, 2016
Cash and cash equivalents	$ 61,221	$ 94,061
Restricted cash	32,864	877
Total cash, cash equivalents, and restricted cash shown in our consolidated statements of cash flows	$ 94,085	$ 94,938

Loans Receivable and Provision for Loan Losses

We originate and purchase commercial real estate debt and related instruments generally to be held as long-term investments at amortized cost. We are required to periodically evaluate each of these loans for possible impairment. Impairment is indicated when it is deemed probable that we will not be able to collect all amounts due to us pursuant to the contractual terms of the loan. If a loan is determined to be impaired, we write down the loan through a charge to the provision for loan losses. Impairment of these loans, which are collateral dependent, is measured by comparing the estimated fair value of the underlying collateral, less costs to sell, to the book value of the respective loan. These valuations require significant judgments, which include assumptions regarding capitalization rates, leasing, creditworthiness of major tenants, occupancy rates, availability of financing, exit plan, loan sponsorship, actions of other lenders, and other factors deemed necessary by our Manager. Actual losses, if any, could ultimately differ from these estimates.

Table of Contents

Blackstone Mortgage Trust, Inc.

Notes to Consolidated Financial Statements (continued)

(Unaudited)

Our Manager performs a quarterly review of our portfolio of loans. In conjunction with this review, our Manager assesses the risk factors of each loan, and assigns a risk rating based on a variety of factors, including, without limitation, loan-to-value ratio, or LTV, debt yield, property type, geographic and local market dynamics, physical condition, cash flow volatility, leasing and tenant profile, loan structure and exit plan, and project sponsorship. Based on a 5-point scale, our loans are rated 1 through 5, from less risk to greater risk, which ratings are defined as follows:

1 - **Very Low Risk**

2 - **Low Risk**

3 - **Medium Risk**

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

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

During the second quarter of 2015, we acquired a portfolio of loans from General Electric Capital Corporation and certain of its affiliates, or the GE portfolio, for a total purchase price of $4.7 billion. We allocated the aggregate purchase price between each loan based on its fair value relative to the overall portfolio, which allocation resulted in purchase discounts or premiums determined on an asset-by-asset basis. Each loan accretes from its allocated purchase price to its expected collection value over the life of the loan, consistent with the other loans in our portfolio.

Equity Investment in Unconsolidated Subsidiary

Our carried interest in CT Opportunity Partners I, LP, or CTOPI, was accounted for using the equity method. CTOPI s assets and liabilities were not consolidated into our financial statements due to our determination that (i) it was not a VIE and (ii) the other investors in CTOPI had sufficient rights to preclude consolidation by us. As such, we reported our allocable percentage of the net assets of CTOPI on our consolidated balance sheets. The investment was fully realized as of December 31, 2016 and we no longer have any equity investments in unconsolidated subsidiaries in our consolidated financial statements.

Derivative Financial Instruments

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

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

On a quarterly basis, we also formally assess whether the derivative we designated in each hedging relationship is expected to be, and has been, highly effective in offsetting changes in the value or cash flows of the hedged items. If it is determined that a derivative is not highly effective at hedging the designated exposure, hedge accounting is discontinued and the changes in fair value of the instrument are included in net income prospectively. Changes in the fair value of our derivative instruments that qualify as hedges are reported as a component of accumulated other comprehensive income (loss) on our consolidated financial statements. Deferred gains and losses are reclassified out of accumulated other comprehensive income (loss) and into net income in the same period or periods during which the hedged transaction affects earnings, and are presented in the same line item as the earnings effect of the hedged item. For cash flow hedges, this is typically when the periodic swap settlements are made, while for net investment hedges, this occurs when the hedged item is sold or substantially liquidated. To the extent a derivative does not qualify for hedge accounting and is deemed a non-designated hedge, the changes in its fair value are included in net income concurrently.

Table of Contents

Blackstone Mortgage Trust, Inc.

Notes to Consolidated Financial Statements (continued)

(Unaudited)

Secured Debt Agreements

Where applicable, we record investments financed with repurchase agreements as separate assets and the related borrowings under any repurchase agreements are recorded as separate liabilities on our consolidated balance sheets. Interest income earned on the investments and interest expense incurred on the repurchase agreements are reported separately on our consolidated statements of operations.

Senior Loan Participations

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

Convertible Notes

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

Deferred Financing Costs

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

Fair Value of Financial Instruments

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

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

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

Level 1: Generally includes only unadjusted quoted prices that are available in active markets for identical financial instruments as of the reporting date.

Blackstone Mortgage Trust, Inc.

Notes to Consolidated Financial Statements (continued)

(Unaudited)

Level 2: Pricing inputs include quoted prices in active markets for similar instruments, quoted prices in less active or inactive markets for identical or similar instruments where multiple price quotes can be obtained, and other observable inputs, such as interest rates, yield curves, credit risks, and default rates.

Level 3: Pricing inputs are unobservable for the financial instruments and include situations where there is little, if any, market activity for the financial instrument. These inputs require significant judgment or estimation by management of third-parties when determining fair value and generally represent anything that does not meet the criteria of Levels 1 and 2.

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

Certain of our other assets are reported at fair value either (i) on a recurring basis, as of each quarter-end, or (ii) on a nonrecurring basis, as a result of impairment or other events. Our assets that are recorded at fair value are discussed further in Note 15. We generally value our assets recorded at fair value by either (i) discounting expected cash flows based on assumptions regarding the collection of principal and interest and estimated market rates, or (ii) obtaining assessments from third-party dealers. For collateral-dependent loans that are identified as impaired, we measure impairment by comparing our Manager s estimation of the fair value of the underlying collateral, less costs to sell, to the book value of the respective loan. These valuations may require significant judgments, which include assumptions regarding capitalization rates, leasing, creditworthiness of major tenants, occupancy rates, availability of financing, exit plan, loan sponsorship, actions of other lenders, and other factors deemed necessary by our Manager.

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

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

Cash and cash equivalents: The carrying amount of cash and cash equivalents approximates fair value.

Restricted cash: The carrying amount of restricted cash approximates fair value.

Loans receivable, net: The fair values of these loans were estimated by our Manager based on a discounted cash flow methodology, taking into consideration various factors including capitalization rates, discount rates, leasing, occupancy rates, availability and cost of financing, exit plan, sponsorship, actions of other lenders, and indications of market value from other market participants.

Derivative financial instruments: The fair value of our foreign currency and interest rate contracts was estimated using advice from a third-party derivative specialist, based on contractual cash flows and observable inputs comprising foreign currency rates and credit spreads.

Secured debt agreements, net: The fair value of these instruments was estimated based on the rate at which a similar credit facility would currently be priced.

Loan participations sold, net: The fair value of these instruments was estimated based on the value of the related loan receivable asset.

Securitized debt obligations, net: The fair value of these instruments was estimated by utilizing third-party pricing service providers. In determining the value of a particular investment, pricing service providers may use broker-dealer quotations, reported trades, or valuation estimates from their internal pricing models to determine the reported price.

Convertible notes, net: Each series of the convertible notes is actively traded and their fair values were obtained using quoted market prices.

Blackstone Mortgage Trust, Inc.

Notes to Consolidated Financial Statements (continued)

(Unaudited)

Income Taxes

Our financial results generally do not reflect provisions for current or deferred income taxes on our REIT taxable income. We believe that we operate in a manner that will continue to allow us to be taxed as a REIT and, as a result, we generally do not expect to pay substantial corporate level taxes other than those payable by our taxable REIT subsidiaries. If we were to fail to meet these requirements, we may be subject to federal, state, and local income tax on current and past income, and penalties. Refer to Note 13 for additional information.

Stock-Based Compensation

Our stock-based compensation consists of awards issued to our Manager and certain individuals employed by an affiliate of our Manager that vest over the life of the awards, as well as deferred stock units issued to certain members of our Board of Directors. Stock-based compensation expense is recognized for these awards in net income on a variable basis over the applicable vesting period of the awards, based on the value of our class A common stock. Refer to Note 14 for additional information.

Earnings per Share

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

Diluted earnings per share, or Diluted EPS, is determined using the treasury stock method, and is based on the net earnings allocable to our class A common stock, including restricted class A common stock and deferred stock units, divided by the weighted-average number of shares of our class A common stock, including restricted class A common stock and deferred stock units. Refer to Note 11 for additional discussion of earnings per share.

Foreign Currency

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

Underwriting Commissions and Offering Costs

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

Recent Accounting Pronouncements

In August 2017, the FASB issued ASU 2017-12   Derivatives and Hedging Topic 815: Targeted Improvements to Accounting for Hedging Activities,   or ASU 2017-12. ASU 2017-12 is intended to better align an entity s financial reporting for hedging activities with the economic objectives of those activities. Upon adoption of ASU 2017-12, the cumulative ineffectiveness that has previously been recognized on existing cash flow and net investment hedges will be adjusted and removed from beginning retained earnings and placed in accumulated other comprehensive income (loss). We adopted ASU 2017-12 in the third quarter of 2017, which did not have an impact on our financial statements as we had not previously recognized any hedge ineffectiveness related to our existing cash flow and net investment hedges. In future periods, for hedges that are deemed effective, we will no longer need to bifurcate hedges into an effective and ineffective portion, and all gains or losses on effective hedges will be recognized in other comprehensive income (loss).

Blackstone Mortgage Trust, Inc.

Notes to Consolidated Financial Statements (continued)

(Unaudited)

In November 2016, the FASB issued ASU 2016-18 Statement of Cash Flows (Topic 230): Restricted Cash, or ASU 2016-18. ASU 2016-18 is intended to clarify how entities present restricted cash in the statement of cash flows. The guidance requires entities to show the changes in the total of cash and cash equivalents and restricted cash in the statement of cash flows. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash in the statement of cash flows. We adopted ASU 2016-18 in the second quarter of 2017 and applied the guidance retrospectively to our prior period consolidated statement of cash flows.

In June 2016, the FASB issued ASU 2016-13 Financial Instruments Credit Losses Measurement of Credit Losses on Financial Instruments (Topic 326), or ASU 2016-13. ASU 2016-13 significantly changes how entities 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 will replace the incurred loss model under existing guidance with an expected loss model for instruments measured at amortized cost, and require entities to record allowances for available-for-sale debt securities rather than reduce the carrying amount, as they do today under the other-than-temporary impairment model. It also simplifies the accounting model for purchased credit-impaired debt securities and loans. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019 and is to be adopted through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. While we are currently evaluating the impact ASU 2016-13 will have on our consolidated financial statements, we expect that the adoption will result in an increased amount of provisions for potential loan losses as well as the recognition of such provisions earlier in the lending cycle. We currently do not have any provision for loan losses on our consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), or ASU 2014-09. ASU 2014-09 broadly amends the accounting guidance for revenue recognition. ASU 2014-09 is effective for the first interim or annual period beginning after December 15, 2017, and is to be applied retrospectively. We do not anticipate that the adoption of ASU 2014-09 will have a material impact on our consolidated financial statements.

Blackstone Mortgage Trust, Inc.

Notes to Consolidated Financial Statements (continued)

(Unaudited)

3. LOANS RECEIVABLE, NET

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

	September 30, 2017		December 31, 2016	
Number of loans		111		107
Principal balance	$	9,681,055	$	8,727,218
Net book value	$	9,637,152	$	8,692,978
Unfunded loan commitments[1]	$	1,622,216	$	882,472
Weighted-average cash coupon[2]		5.30%		5.01%
Weighted-average all-in yield[2]		5.68%		5.36%
Weighted-average maximum maturity (years)[3]		3.4		3.2

(1) Unfunded commitments will primarily be funded to finance property improvements or lease-related expenditures by the borrowers. These future commitments will be funded over the term of each loan, subject in certain cases to an expiration date.

(2) As of September 30, 2017, our floating rate loans were indexed to various benchmark rates, with 91% of floating rate loans by principal balance indexed to USD LIBOR. In addition, $273.9 million of our floating rate loans earned interest based on floors that are above the applicable index, with an average floor of 1.24%, as of September 30, 2017. As of December 31, 2016, our floating rate loans were indexed to various benchmark rates, with 84% of floating rate loans indexed to USD LIBOR. In addition, $216.3 million of our floating rate loans earned interest based on floors that are above the applicable index, with an average floor of 1.27%, as of December 31, 2016. In addition to cash coupon, all-in yield includes the amortization of deferred origination and extension fees, loan origination costs, purchase discounts, and accrual of exit fees. Cash coupon and all-in yield assume applicable floating benchmark rates for weighted-average calculation.

(3) Maximum maturity assumes all extension options are exercised by the borrower, however our loans may be repaid prior to such date. As of September 30, 2017, 72% of our loans by principal balance were subject to yield maintenance or other prepayment restrictions and 28% were open to repayment by the borrower without penalty. As of December 31, 2016, 64% of our loans were subject to yield maintenance or other prepayment restrictions and 36% were open to repayment by the borrower without penalty.

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

	Principal Balance	Deferred Fees / Other Items[1]	Net Book Value
December 31, 2016	$ 8,727,218	$ (34,240)	$ 8,692,978
Loan fundings	2,789,341		2,789,341
Loan repayments	(1,970,743)		(1,970,743)
Unrealized gain (loss) on foreign currency translation	135,239	(116)	135,123
Deferred fees and other items		(38,434)	(38,434)
Amortization of fees and other items		28,887	28,887
September 30, 2017	$ 9,681,055	$ (43,903)	$ 9,637,152

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

Blackstone Mortgage Trust, Inc.

Notes to Consolidated Financial Statements (continued)

(Unaudited)

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

	September 30, 2017			
Property Type	**Number of Loans**	**Net Book Value**	**Total Loan Exposure[(1)]**	**Percentage of Portfolio**
Office	55	$ 5,781,675	$ 5,814,214	54%
Hotel	14	1,713,162	1,784,893	17
Retail	7	539,752	982,270	9
Multifamily	17	762,969	767,875	7
Condominium	2	129,421	273,112	3
Manufactured housing	7	232,148	231,856	2
Other	9	478,025	814,457	8
	111	$ 9,637,152	$ 10,668,677	100%

Geographic Location	**Number of Loans**	**Net Book Value**	**Total Loan Exposure[(1)]**	**Percentage of Portfolio**
United States				
Northeast	26	$ 2,680,546	$ 2,694,018	25%
West	28	2,470,097	2,629,456	24
Southeast	21	1,964,534	2,414,994	23
Midwest	8	890,546	894,564	8
Southwest	8	291,792	290,393	3
Northwest	2	249,118	251,422	2
Subtotal	93	8,546,633	9,174,847	85
International				
United Kingdom	7	486,794	838,763	8
Canada	7	462,832	458,619	4
Belgium	1	72,544	73,247	1
Germany	1	12,114	66,810	1
Netherlands	2	56,235	56,391	1
Subtotal	18	1,090,519	1,493,830	15
Total	111	$ 9,637,152	$ 10,668,677	100%

(1) In certain instances, we finance our loans through the non-recourse sale of a senior loan interest that is not included in our consolidated financial statements. See Note 2 for further discussion. Total loan exposure encompasses the entire loan we originated and financed, including $987.6 million of such non-consolidated senior interests as of September 30, 2017.

Table of Contents

Blackstone Mortgage Trust, Inc.

Notes to Consolidated Financial Statements (continued)

(Unaudited)

	December 31, 2016			
Property Type	**Number of Loans**	**Net Book Value**	**Total Loan Exposure[1]**	**Percentage of Portfolio**
Office	55	$ 4,800,609	$ 4,889,456	50%
Hotel	18	1,889,732	1,957,334	20
Retail	9	769,813	1,173,592	12
Multifamily	8	521,097	523,529	5
Manufactured housing	9	296,290	296,252	3
Condominium	2	66,070	258,360	3
Other	6	349,367	658,211	7
	107	$ 8,692,978	$ 9,756,734	100%

Geographic Location	**Number of Loans**	**Net Book Value**	**Total Loan Exposure[1]**	**Percentage of Portfolio**
United States				
Northeast	26	$ 2,548,257	$ 2,562,149	26%
Southeast	21	1,492,530	1,899,748	19
West	22	1,628,811	1,828,667	19
Midwest	7	695,713	698,093	7
Southwest	8	380,639	379,766	4
Northwest	3	227,747	293,564	3
Subtotal	87	6,973,697	7,661,987	78
International				
United Kingdom	9	977,136	1,305,816	13
Canada	8	487,835	483,923	5
Germany	1	204,241	254,644	3
Netherlands	2	50,069	50,364	1
Subtotal	20	1,719,281	2,094,747	22
Total	107	$ 8,692,978	$ 9,756,734	100%

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

$1.0 billion of such non-consolidated senior interests as of December 31, 2016.

Loan Risk Ratings

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

Table of Contents

Blackstone Mortgage Trust, Inc.

Notes to Consolidated Financial Statements (continued)

(Unaudited)

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

September 30, 2017				December 31, 2016			
Risk Rating	**Number of Loans**	**Net Book Value**	**Total Loan Exposure[1]**	**Risk Rating**	**Number of Loans**	**Net Book Value**	**Total Loan Exposure[1]**
1	4	$ 421,313	$ 421,628	1	8	$ 361,100	$ 361,574
2	49	3,701,801	3,708,603	2	52	4,011,992	4,083,678
3	57	5,493,409	6,517,829	3	46	4,299,026	5,290,668
4	1	20,629	20,617	4	1	20,860	20,814
5				5			
	111	$ 9,637,152	$ 10,668,677		107	$ 8,692,978	$ 9,756,734

(1) In certain instances, we finance our loans through the non-recourse sale of a senior loan interest that is not included in our consolidated financial statements. See Note 2 for further discussion. Total loan exposure encompasses the entire loan we originated and financed, including $987.6 million and $1.0 billion of such non-consolidated senior interests as of September 30, 2017 and December 31, 2016, respectively.

The weighted-average risk rating of our total loan exposure was 2.6 and 2.5 as of September 30, 2017 and December 31, 2016, respectively. The increase in weighted-average risk rating was primarily driven by repayments of loans with lower risk ratings, and not rating downgrades in the existing portfolio.

We did not have any impaired loans, nonaccrual loans, or loans in maturity default as of September 30, 2017 or December 31, 2016.

Multifamily Joint Venture

As discussed in Note 2, we entered into a Multifamily Joint Venture in April 2017. As of September 30, 2017, our Multifamily Joint Venture held $146.1 million of loans, which are included in the loan disclosures above. Refer to Note 2 for additional discussion of our Multifamily Joint Venture.

4. EQUITY INVESTMENT IN UNCONSOLIDATED SUBSIDIARY

Our equity investment in unconsolidated subsidiary consisted solely of our carried interest in CTOPI, a fund formerly sponsored and managed by an affiliate of our Manager. The investment was fully realized as of December 31, 2016 and we no longer have any investments in unconsolidated subsidiaries on our consolidated financial statements.

Our carried interest in CTOPI entitled us to earn promote revenue in an amount equal to 17.7% of the fund s profits, after a 9% preferred return and 100% return of capital to the CTOPI partners. We recognized $2.1 million and $2.2 million of promote income from CTOPI in respect of our carried interest and recorded such amounts in our consolidated statements of operations during the three and nine months ended September 30, 2016, respectively.

CTOPI Incentive Management Fee Grants

In January 2011, we created a management compensation pool for employees equal to 45% of the CTOPI promote distributions received by us. During the nine months ended September 30, 2016, we recognized $1.1 million of expenses under the CTOPI incentive plan. Such amounts were recognized as a component of general and administrative expenses in our consolidated statement of operations.

Table of Contents

Blackstone Mortgage Trust, Inc.

Notes to Consolidated Financial Statements (continued)

(Unaudited)

5. OTHER ASSETS AND LIABILITIES

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

	September 30, 2017	December 31, 2016
Accrued interest receivable	$ 34,715	$ 32,871
Collateral deposited under derivative agreements	7,750	79
Derivative assets	1,628	4,086
Loan portfolio payments held by servicer(1)	845	5,765
Prepaid expenses	469	803
Prepaid taxes	34	16
Other	239	450
Total	$ 45,680	$ 44,070

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

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

	September 30, 2017	December 31, 2016
Accrued dividends payable	$ 58,793	$ 58,615
Accrued interest payable	19,922	9,049
Accrued management and incentive fees payable	13,243	12,798
Derivative liabilities	7,167	210
Accounts payable and other liabilities	2,633	1,775
Secured debt repayments pending servicer remittance(1)		5,372
Total	$ 101,758	$ 87,819

(1) Represents pending transfers from our third-party loan servicer that were remitted to our banking counterparties during the subsequent remittance cycle.

6. SECURED DEBT AGREEMENTS, NET

Our secured debt agreements include credit facilities, the GE portfolio acquisition facility, asset-specific financings, and a revolving credit agreement. The following table details our secured debt agreements ($ in thousands):

	Secured Debt Agreements Borrowings Outstanding	
	September 30, 2017	**December 31, 2016**
Credit facilities	$ 4,386,645	$ 3,572,837
GE portfolio acquisition facility	1,090,946	1,479,582
Asset-specific financings	517,256	679,207
Revolving credit agreement	101,750	
Total secured debt agreements	$ 6,096,597	$ 5,731,626
Deferred financing costs[1]	(17,462)	(15,272)
Net book value of secured debt	$ 6,079,135	$ 5,716,354

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

Table of Contents

Blackstone Mortgage Trust, Inc.

Notes to Consolidated Financial Statements (continued)

(Unaudited)

Credit Facilities

During the nine months ended September 30, 2017, we added two new credit facilities related to our Multifamily Joint Venture, providing an aggregate additional $450.0 million of credit capacity, increased the maximum facility size of two of our existing credit facilities, providing an additional £250.0 million and   250.0 million of credit capacity, respectively, and converted one of our asset-specific financings to a $500.0 million credit facility. The following tables detail our credit facilities ($ in thousands):

	September 30, 2017				
	Maximum	Collateral	Credit Borrowings		
Lender	Facility Size[1]	Assets[2]	Potential[3]	Outstanding	Available[3]
Wells Fargo	$ 2,000,000	$ 2,232,117	$ 1,724,227	$ 1,398,224	$ 326,003
MetLife	1,000,000	1,030,148	807,164	807,164	
Bank of America	750,000	818,359	641,066	641,066	
Citibank[4]	795,350	596,119	464,849	356,751	108,098
JP Morgan[5]	500,000	453,121	344,656	295,984	48,672
Deutsche Bank	500,000	393,564	295,743	295,743	
Société Générale[6]	472,560	332,761	266,000	266,000	
Morgan Stanley[7]	669,900	422,332	331,037	211,105	119,932
Bank of America - Multi. JV[8]	200,000	87,000	69,600	69,600	
Goldman Sachs - Multi. JV[8]	250,000	59,125	45,008	45,008	
	$ 7,137,810	$ 6,424,646	$ 4,989,350	$ 4,386,645	$ 602,705

	December 31, 2016				
	Maximum	Collateral	Credit Borrowings		
Lender	Facility Size[1]	Assets[2]	Potential[3]	Outstanding	Available[3]
Wells Fargo	$ 2,000,000	$ 1,718,874	$ 1,339,942	$ 1,107,733	$ 232,209
MetLife	1,000,000	1,106,017	862,454	862,454	
Bank of America	750,000	794,881	617,694	617,694	
JP Morgan[5]	500,000	550,560	420,414	316,219	104,195
Morgan Stanley[7]	308,500	344,056	272,221	231,930	40,291
Citibank[4]	500,000	508,989	394,677	229,629	165,048
Société Générale[6]	420,680	274,351	207,178	207,178	
	$ 5,479,180	$ 5,297,728	$ 4,114,580	$ 3,572,837	$ 541,743

(1) Maximum facility size represents the largest amount of borrowings available under a given facility once sufficient collateral assets have been approved by the lender and pledged by us.

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

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

(4) As of September 30, 2017, the Citibank maximum facility size was composed of a general $500.0 million facility size denominated in U.S. Dollars plus a general 250.0 million ($295.4 million) facility size that contemplated British Pound Sterling and Euro borrowings. As of December 31, 2016, the maximum facility size was composed of a general $500.0 million facility.

(5) As of September 30, 2017 and December 31, 2016, the JP Morgan maximum facility size was composed of a general $500.0 million facility size, under which U.S. Dollars and British Pound Sterling borrowings are contemplated.

(6) As of September 30, 2017 and December 31, 2016, the Société Générale maximum facility size was composed of a 400.0 million facility size that was translated to $472.6 million and $420.7 million, respectively. Borrowings denominated in U.S. Dollars, British Pound Sterling, and Euro are contemplated under this facility.

(7) As of September 30, 2017, the Morgan Stanley maximum facility size was composed of a £500.0 million facility size that was translated to $669.9 million. As of December 31, 2016, the maximum facility size was composed of a £250.0 million facility size that was translated to $308.5 million. Borrowings denominated in U.S. Dollars, British Pound Sterling, and Euro are contemplated under this facility.

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

Blackstone Mortgage Trust, Inc.

Notes to Consolidated Financial Statements (continued)

(Unaudited)

The weighted-average outstanding balance of our credit facilities was $4.0 billion for the nine months ended September 30, 2017. As of September 30, 2017, we had aggregate borrowings of $4.4 billion outstanding under our credit facilities, with a weighted-average cash coupon of LIBOR plus 1.88% per annum, a weighted-average all-in cost of credit, including associated fees and expenses, of LIBOR plus 2.09% per annum, and a weighted-average advance rate of 78.8%. As of September 30, 2017, outstanding borrowings under these facilities had a weighted-average maturity, excluding extension options and term-out provisions, of 1.5 years.

The weighted-average outstanding balance of our credit facilities was $2.9 billion for the nine months ended September 30, 2016. As of December 31, 2016, we had aggregated borrowings of $3.6 billion outstanding under our credit facilities, with a weighted-average cash coupon of LIBOR plus 1.82% per annum, a weighted-average all-in cost of credit, including associated fees and expenses, of LIBOR plus 2.02% per annum, and a weighted-average advance rate of 79.1%. As of December 31, 2016, outstanding borrowings under these facilities had a weighted-average maturity, excluding extension options and term-out provisions, of 1.5 years.

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

The following tables outline the key terms of our credit facilities as of September 30, 2017:

Lender	Currency	Guarantee[(1)]	Margin Call[(2)]	Term/Maturity
Wells Fargo	$	25%	Collateral marks only	Term matched[(3)]
MetLife	$	50%	Collateral marks only	April 21, 2023[(4)]
Bank of America	$	50%	Collateral marks only	May 21, 2021[(5)]
Société Générale	$ / £ /	25%	Collateral marks only	Term matched[(3)]
Deutsche Bank	$	35%	Collateral marks only	Term matched[(3)]
Citibank	$ / £ /	25%	Collateral marks only	Term matched[(3)]
Morgan Stanley	$ / £ /	25%	Collateral marks only	March 3, 2020
JP Morgan	$ / £	50%	Collateral marks only	January 7, 2020
Bank of America - Multi. JV[(6)]	$	43%	Collateral marks only	July 19, 2021
Goldman Sachs - Multi. JV[(6)]	$	25%	Collateral marks only	July 12, 2020

(1) Other than amounts guaranteed based on specific collateral asset types, borrowings under our credit facilities are non-recourse to us.

(2) Margin call provisions under our credit facilities do not permit valuation adjustments based on capital markets events, and are limited to collateral-specific credit marks.

(3)

These credit facilities have various availability periods during which new advances can be made and which are generally subject to each lender s discretion. Maturity dates for advances outstanding are tied to the term of each respective collateral asset.

(4) Includes five one-year extension options which may be exercised at our sole discretion.

(5) Includes two one-year extension options which may be exercised at our sole discretion.

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

Currency	Outstanding Borrowings	Potential Borrowings[1]	Index	Rate[2]	Advance Rate[3]
$	$ 4,123,064	$ 4,610,777	1-month USD LIBOR	L+1.86%	78.8%
	66,186	87,786	3-month EURIBOR	L+2.24%	80.0%
£	£ 138,371	£ 205,152	3-month GBP LIBOR	L+2.24%	78.6%
	$ 4,386,645	$ 4,989,350		L+1.88%	78.8%

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

(2) Represents weighted-average cash coupon based on borrowings outstanding.

(3) Represents weighted-average advance rate based on the outstanding principal balance of the collateral assets pledged.

21

Table of Contents

Blackstone Mortgage Trust, Inc.

Notes to Consolidated Financial Statements (continued)

(Unaudited)

GE Portfolio Acquisition Facility

During the second quarter of 2015, concurrently with our acquisition of the GE portfolio, we entered into an agreement with Wells Fargo to provide us with secured financing for the acquired portfolio. As of September 30, 2017, this facility provided for $1.2 billion of financing, of which $1.1 billion was outstanding and an additional $129.4 million was available to finance future loan fundings in the GE portfolio. The GE portfolio acquisition facility is non-revolving and consists of a single master repurchase agreement providing for asset-specific borrowings for each collateral asset.

The asset-specific borrowings under the GE portfolio acquisition facility were advanced at a weighted-average rate of 80% of our purchase price of the collateral assets and are repaid pro rata from collateral asset repayment proceeds. The asset-specific borrowings are currency matched to the collateral assets and accrue interest at a rate equal to the sum of (i) the applicable base rate plus (ii) a margin of 1.75%, which will increase to 1.80% and 1.85% in year four and year five, respectively. As of September 30, 2017, those borrowings were denominated in U.S. Dollars, Canadian Dollars, and British Pounds Sterling. The asset-specific borrowings are term matched to the underlying collateral assets with an outside maturity date of May 20, 2020, which may be extended pursuant to two one-year extension options. We guarantee obligations under the GE portfolio acquisition facility in an amount equal to the greater of (i) 25% of outstanding asset-specific borrowings, and (ii) $250.0 million. We had outstanding asset-specific borrowings under the GE portfolio acquisition facility of $1.1 billion and a weighted-average all-in cost of credit, including associated fees and expenses, of LIBOR plus 1.75% per annum as of September 30, 2017, compared to $1.5 billion of outstanding asset-specific borrowings and a weighted-average all-in cost of credit, including associated fees and expenses, of LIBOR plus 1.83% per annum as of December 31, 2016.

Asset-Specific Financings

The following tables detail our asset-specific financings ($ in thousands):

		September 30, 2017				
Asset-Specific Financings	**Count**	**Principal Balance**	**Book Value**	**Wtd. Avg. Yield/Cost[1]**	**Guarantee[2]**	**Wtd. Avg. Term[3]**
Collateral assets	5	$ 662,223	$ 659,152	L+4.70%	n/a	Dec. 2020
Financing provided[4]	5	$ 517,256	$ 516,537	L+2.48%	$ 162,517	Dec. 2020

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

(2) Other than amounts guaranteed on an asset-by-asset basis, borrowings under our asset-specific financings are non-recourse to us.
(3) The weighted-average term is determined based on the maximum maturity of the corresponding loans, assuming all extension options are exercised by the borrower. Each of our asset-specific financings are term-matched to the corresponding collateral loans.
(4) Borrowings of $394.8 million under these asset specific financings are cross collateralized with related credit facilities with the same lenders.

	December 31, 2016					
Asset-Specific Financings	**Count**	**Principal Balance**	**Book Value**	**Wtd. Avg. Yield/Cost(1)**	**Guarantee(2)**	**Wtd. Avg. Term(3)**
Collateral assets	7	$ 876,083	$ 869,417	L+4.84%	n/a	Aug. 2020
Financing provided(4)	7	$ 679,207	$ 676,333	L+2.60%	$ 231,585	Aug. 2020

(1) These floating rate loans and related liabilities are indexed to the various benchmark rates relevant in each arrangement in terms of currency and payment frequency. Therefore the net exposure to each benchmark rate is in direct proportion to our net assets indexed to that rate. In addition to cash coupon, yield/cost includes the amortization of deferred origination fees / financing costs.
(2) Other than amounts guaranteed on an asset-by-asset basis, borrowings under our asset-specific financings are non-recourse to us.
(3) The weighted-average term is determined based on the maximum maturity of the corresponding loans, assuming all extension options are exercised by the borrower. Each of our asset-specific financings are term-matched to the corresponding collateral loans.
(4) Borrowings of $392.3 million under these asset specific financings are cross collateralized with related credit facilities with the same lenders.

Table of Contents

Blackstone Mortgage Trust, Inc.

Notes to Consolidated Financial Statements (continued)

(Unaudited)

The weighted-average outstanding balance of our asset-specific financings was $596.2 million for the nine months ended September 30, 2017 and $557.9 million for the nine months ended September 30, 2016.

Revolving Credit Agreement

During the second quarter of 2017, we increased the borrowing capacity under our secured revolving credit agreement with Barclays by $125.0 million to $250.0 million. This full recourse facility is designed to finance first mortgage originations for up to six months as a bridge to term financing or syndication. Advances under the agreement are subject to availability under a specified borrowing base and accrue interest at a per annum pricing rate equal to the sum of (i) an applicable base rate or Eurodollar rate and (ii) an applicable margin, in each case, dependent on the applicable type of loan collateral. The maturity date of the facility is April 4, 2020.

During the nine months ended September 30, 2017, the weighted-average outstanding borrowings under the revolving credit agreement were $23.5 million and we recorded interest expense of $1.7 million, including $575,000 of amortization of deferred fees and expenses. As of September 30, 2017, we had $101.8 million of borrowings outstanding under the agreement.

During the nine months ended September 30, 2016, the weighted-average outstanding borrowings under the revolving credit agreement were $19.5 million and we recorded interest expense of $915,000, including $248,000 of amortization of deferred fees and expenses. As of December 31, 2016 we had no outstanding borrowings under the agreement.

Debt Covenants

Each of the guarantees related to our secured debt agreements contain the following uniform financial covenants: (i) our ratio of earnings before interest, taxes, depreciation, and amortization, or EBITDA, to fixed charges, as defined in the agreements, shall be not less than 1.4 to 1.0; (ii) our tangible net worth, as defined in the agreements, shall not be less than $1.9 billion as of each measurement date plus 75% of the net cash proceeds of future equity issuances subsequent to September 30, 2017; (iii) cash liquidity shall not be less than the greater of (x) $10.0 million or (y) 5% of our recourse indebtedness; and (iv) our indebtedness shall not exceed 83.33% of our total assets. As of September 30, 2017 and December 31, 2016, we were in compliance with these covenants.

7. LOAN PARTICIPATIONS SOLD, NET

The financing of a loan by the non-recourse sale of a senior interest in the loan through a participation agreement generally does not qualify as a sale under GAAP. Therefore, in the instance of such sales, we present the whole loan as an asset and the loan participation sold as a liability on our consolidated balance sheet until the loan is repaid. The obligation to pay principal and interest on these liabilities is generally based on the performance of the related loan obligation. The gross presentation of loan participations sold does not impact stockholders equity or net income.

Blackstone Mortgage Trust, Inc.

Notes to Consolidated Financial Statements (continued)

(Unaudited)

The following tables detail our loan participations sold ($ in thousands):

		September 30, 2017				
Loan Participations Sold	**Count**	**Principal Balance**	**Book Value**	**Yield/Cost[1]**	**Guarantee[2]**	**Term**
Total loan	1	$ 93,710	$ 91,498	L+5.96%	n/a	Feb. 2022
Senior participation[3]	1	33,193	33,193	L+4.00%	n/a	Feb. 2022

		December 31, 2016				
Loan Participations Sold	**Count**	**Principal Balance**	**Book Value**	**Yield/Cost[1]**	**Guarantee[2]**	**Term**
Total loan	1	$ 419,560	$ 416,233	L+4.48%	n/a	Dec. 2019
Senior participation[3][4]	1	349,633	348,077	L+2.72%	$ 29,616	Dec. 2019

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

(2) As of September 30, 2017, our loan participation sold was non-recourse to us. As of December 31, 2016, our loan participation was subject to a related guarantee agreement for £24.0 million ($29.6 million as of December 31, 2016).

(3) During the three and nine months ended September 30, 2017, we recorded $4.0 million and $9.3 million, respectively, of interest expense related to our loan participations sold, of which $2.6 million and $7.7 million was paid in cash. During the three and nine months ended September 30, 2016, we recorded $3.4 million and $10.7 million, respectively, of interest expense related to our loan participations sold, of which $3.2 million and $10.3 million was paid in cash.

(4) The difference between principal balance and book value of loan participations sold is due to deferred financing costs of $1.6 million as of December 31, 2016.

8. SECURITIZED DEBT OBLIGATIONS, NET

In the second quarter of 2017, we financed one of our loans through a single asset securitization vehicle, or the Securitization, which is consolidated in our financial statements. The Securitization has issued securitized debt obligations that are non-recourse to us. Refer to Note 16 for further discussion of our Securitization.

The following table details our securitized debt obligations ($ in thousands):

	September 30, 2017				
Securitized Debt Obligations	Count	Principal Balance	Book Value	Yield/Cost[1]	Term[2]
Total loan	1	$ 644,788	$ 641,262	L+3.60%	June 2023
Securitized debt obligations[3]	1	474,620	474,298	L+1.94%	June 2033

(1) In addition to cash coupon, yield/cost includes the amortization of deferred origination fees / financing costs.
(2) Loan term represents final maturity, assuming all extension options are exercised by the borrower. Repayments of securitized debt obligations are tied to timing of the related collateral loan asset repayments. The term of these obligations represents the rated final distribution date of the securitization.
(3) During the three and nine months ended September 30, 2017, we recorded $3.8 million of interest expense related to our securitized debt obligations.

We did not have any securitized debt obligations as of December 31, 2016.

Blackstone Mortgage Trust, Inc.

Notes to Consolidated Financial Statements (continued)

(Unaudited)

9. CONVERTIBLE NOTES, NET

As of September 30, 2017, the following convertible senior notes, or Convertible Notes, were outstanding ($ in thousands):

Convertible Notes Issuance	Face Value	Coupon Rate	All-in Cost[1]	Conversion Rate[2]	Maturity
November 2013	$ 172,500	5.25%	5.87%	36.1380	December 1, 2018
May 2017	402,500	4.38%	4.85%	28.0324	May 5, 2022

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

(2) Represents the shares of class A common stock per $1,000 principal amount of Convertible Notes, which is equivalent to a conversion price of $27.67 and $35.67 per share of class A common stock, respectively, for the November 2013 and May 2017 convertible notes. As a result of exceeding the cumulative dividend threshold, as defined in the November 2013 convertible notes supplemental indenture, the conversion rate on the November 2013 convertible notes was most recently adjusted on June 28, 2017 from the prior conversion rate of 35.7236 shares of class A common stock per $1,000 principal amount of convertible notes, which was equivalent to a conversion price of $27.99 per share of class A common stock. The cumulative dividend threshold as defined in the May 2017 convertible notes supplemental indenture has not been exceeded as of September 30, 2017.

In May 2017 we issued $287.5 million of convertible notes. In the third quarter of 2017, we issued an additional $115.0 million of convertible notes under the same indenture and with the same terms as the May 2017 convertible notes. Accordingly, as of September 30, 2017, the May 2017 convertible notes had an aggregate outstanding face value of $402.5 million.

The Convertible Notes are convertible at the holders   option into shares of our class A common stock, only under specific circumstances, prior to the close of business on August 31, 2018 and January 31, 2022, for the November 2013 and May 2017 convertible notes, respectively, at the applicable conversion rate in effect on the conversion date. Thereafter, the Convertible Notes are convertible at the option of the holder at any time until the second scheduled trading day immediately preceding the maturity date. Neither series of the Convertible Notes were convertible as of September 30, 2017. We may not redeem the Convertible Notes prior to maturity. The last reported sale price of our class A common stock of $31.02 on September 29, 2017, the last trading day in the quarter ended September 30, 2017, was greater than the per share conversion price of the November 2013 convertible notes but less than the per share conversion price of the May 2017 convertible notes. We have the intent and ability to settle each series of the Convertible Notes in cash and, as a result, the Convertible Notes did not have any impact on our diluted earnings per share.

Upon our issuance of the November 2013 convertible notes, we recorded a $9.1 million discount based on the implied value of the conversion option and an assumed effective interest rate of 6.50%, as well as $4.1 million of initial issuance costs. Including the amortization of this discount and the issuance costs, our total cost of the November 2013 convertible notes issuance is 7.16% per annum. Upon our issuance of the May 2017 convertible notes, including our additional issuance in the third quarter of 2017, we recorded a $979,000 discount based on the implied value of the conversion option and an assumed effective interest rate of 4.57%, as well as $8.4 million of initial debt discount and issuance costs. Including the amortization of the discount and issuance costs, our total cost of the May 2017 convertible notes issuance is 4.91% per annum.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	**2016**	**2017**	**2016**
Cash coupon	$ 6,247	$ 2,264	$ 12,732	$ 6,792
Discount and issuance cost amortization	1,202	691	2,869	2,038
Total interest expense	$ 7,449	$ 2,955	$ 15,601	$ 8,830

25

Blackstone Mortgage Trust, Inc.

Notes to Consolidated Financial Statements (continued)

(Unaudited)

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

	September 30, 2017		December 31, 2016	
Face value	$	575,000	$	172,500
Unamortized discount		(11,386)		(5,532)
Deferred financing costs		(873)		(206)
Net book value	$	562,741	$	166,762

Accrued interest payable for the Convertible Notes was $9.0 million and $755,000 as of September 30, 2017 and December 31, 2016, respectively. Refer to Note 2 for additional discussion of our accounting policies for the Convertible Notes.

10. DERIVATIVE FINANCIAL INSTRUMENTS

The sole objective of our use of derivative financial instruments is to minimize the risks and/or costs associated with our investments and/or financing transactions. These derivatives may or may not qualify as net investment, cash flow, or fair value hedges under the hedge accounting requirements of ASC 815 Derivatives and Hedging. Derivatives not designated as hedges are not speculative and are used to manage our exposure to interest rate movements and other identified risks. For more information on the accounting for designated and non-designated hedges, refer to Note 2.

The use of derivative financial instruments involves certain risks, including the risk that the counterparties to these contractual arrangements do not perform as agreed. To mitigate this risk, we only enter into derivative financial instruments with counterparties that have appropriate credit ratings and are major financial institutions with which we and our affiliates may also have other financial relationships. We do not anticipate that any of the counterparties will fail to meet their obligations.

Net Investment Hedges of Foreign Currency Risk

Certain of our international investments expose us to fluctuations in foreign interest rates and currency exchange rates. These fluctuations may impact the value of our cash receipts and payments in terms of our functional currency, the U.S. Dollar. We use foreign currency forward contracts to protect the value or fix the amount of certain investments or cash flows in terms of the U.S. Dollar.

The following table details our outstanding foreign exchange derivatives that were designated as net investment hedges of foreign currency risk (notional amount in thousands):

September 30, 2017				December 31, 2016			
Foreign Currency Derivatives	Number of Instruments		Notional Amount	Foreign Currency Derivatives	Number of Instruments		Notional Amount
Sell GBP Forward	1	£	112,700	Sell GBP Forward	2	£	141,900
Sell CAD Forward	1	C$	102,000	Sell CAD Forward	2	C$	122,900
				Sell EUR Forward	1		44,900

Cash Flow Hedges of Interest Rate Risk

Certain of our financing transactions expose us to a fixed versus floating rate mismatch between our assets and liabilities. We use derivative financial instruments, which include interest rate caps and swaps, and may also include interest rate options, floors, and other interest rate derivative contracts, to hedge interest rate risk associated with our borrowings where there is potential for an index mismatch.

Blackstone Mortgage Trust, Inc.

Notes to Consolidated Financial Statements (continued)

(Unaudited)

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

September 30, 2017					
Interest Rate Derivatives	**Number of Instruments**	**Notional Amount**	**Strike**	**Index**	**Wtd.-Avg. Maturity (Years)**
Interest Rate Swaps	4	C$ 108,183	1.0%	CDOR	1.7
Interest Rate Caps	9	$ 204,248	2.4%	USD LIBOR	1.7
Interest Rate Caps	3	C$ 23,370	2.0%	CDOR	0.6

December 31, 2016					
Interest Rate Derivatives	**Number of Instruments**	**Notional Amount**	**Strike**	**Index**	**Wtd.-Avg. Maturity (Years)**
Interest Rate Swaps	4	C$ 108,271	1.0%	CDOR	2.4
Interest Rate Caps	21	$ 802,256	2.0%	USD LIBOR	0.4
Interest Rate Caps	5	C$ 400,035	2.0%	CDOR	0.4
Interest Rate Cap	1	£ 15,142	2.0%	GBP LIBOR	0.3

Amounts reported in accumulated other comprehensive income (loss) related to derivatives will be reclassified to interest expense as interest payments are made on our floating rate debt. During the twelve months following September 30, 2017, we estimate that an additional $561,000 will be reclassified from accumulated other comprehensive income (loss) as an increase to interest income.

Non-designated Hedges

During the three and nine months ended September 30, 2017, we recorded losses of $42,000 and $355,000, respectively, related to non-designated hedges that were reported as a component of interest expense in our consolidated financial statements. During the three and nine months ended September 30, 2016, we recorded losses of $528,000 and $2.2 million, respectively.

The following tables summarize our non-designated hedges (notional amount in thousands):

September 30, 2017		
Non-designated Hedges	**Number of Instruments**	**Notional Amount**
Buy USD / Sell GBP Forward	1	£ 35,000
Buy GBP / Sell USD Forward	1	£ 35,000

Buy USD / Sell CAD Forward	1	C$ 15,000
Buy CAD / Sell USD Forward	1	C$ 15,000
Buy GBP / Sell EUR Forward	1	12,857

December 31, 2016		
Non-designated Hedges	**Number of Instruments**	**Notional Amount**
Interest Rate Caps	3	$ 256,875
Interest Rate Caps	2	C$ 37,221
Buy GBP / Sell EUR Forward	1	12,857

Table of Contents

Blackstone Mortgage Trust, Inc.

Notes to Consolidated Financial Statements (continued)

(Unaudited)

Valuation of Derivative Instruments

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

	Fair Value of Derivatives in an Asset Position[1] as of		Fair Value of Derivatives in a Liability Position[2] as of	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Derivatives designated as hedging instruments:				
Foreign exchange contracts	$	$ 3,268	$ 5,617	$ 210
Interest rate derivatives	1,238	331		
Total derivatives designated as hedging instruments	$ 1,238	$ 3,599	$ 5,617	$ 210
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	$ 390	$ 487	$ 1,550	$
Interest rate derivatives				
Total derivatives not designated as hedging instruments	$ 390	$ 487	$ 1,550	$
Total Derivatives	$ 1,628	$ 4,086	$ 7,167	$ 210

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

The following table presents the effect of our derivative financial instruments on our consolidated statements of operations ($ in thousands):

	Amount of Gain (Loss) Recognized in OCI on Derivatives	Location of Gain (Loss) Reclassified	Amount of Gain (Loss) Reclassified from

Derivatives in Hedging Relationships	**Three Months Ended September 30, 2017**	**Nine Months Ended September 30, 2017**	**from Accumulated OCI into Income**	**Accumulated OCI into Income Three Months Ended September 30, 2017**	**Nine Months Ended September 30, 2017**
Net Investment Hedges					
Foreign exchange contracts(1)	$ (8,524)	$ (21,757)	Interest Expense	$	$
Cash Flow Hedges					
Interest rate derivatives	536	707	Interest Income (Expense)(2)	41	(900)
Total	$ (7,988)	$ (21,050)		$ 41	$ (900)

(1) During the three and nine months ended September 30, 2017, we paid net cash settlements of \$8.7 million and \$11.8 million, respectively, on our foreign currency forward contracts, compared to receiving \$19.2 million and \$17.4 million during the same periods in 2016. Those amounts are included as a component of accumulated other comprehensive loss on our consolidated balance sheets.

(2) During the three months ended September 30, 2017, we recorded total interest and related income of \$146.4 million which included interest income of \$41,000 related to our cash flow hedges. During the nine months ended September 30, 2017, we incurred total interest and related expenses of \$168.9 million which included \$900,000 related to our cash flow hedges.

Credit-Risk Related Contingent Features

We have entered into agreements with certain of our derivative counterparties that contain provisions where if we were to default on any of our indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, we may also be declared in default on our derivative obligations. In addition, certain of our agreements with our derivative counterparties require that we post collateral to secure net liability positions. As of September 30, 2017, we were in a net liability position with each such derivative counterparty and posted collateral of \$7.8 million. As of December 31, 2016 we were in a net asset position with each such derivative counterparty and posted collateral of \$79,000.

Table of Contents

Blackstone Mortgage Trust, Inc.

Notes to Consolidated Financial Statements (continued)

(Unaudited)

11. EQUITY

Stock and Stock Equivalents

Authorized Capital

As of September 30, 2017, we had the authority to issue up to 300,000,000 shares of stock, consisting of 200,000,000 shares of class A common stock and 100,000,000 shares of preferred stock. Subject to applicable NYSE listing requirements, our board of directors is authorized to cause us to issue additional shares of authorized stock without stockholder approval. In addition, to the extent not issued, currently authorized stock may be reclassified between class A common stock and preferred stock. We did not have any shares of preferred stock issued and outstanding as of September 30, 2017.

Class A Common Stock and Deferred Stock Units

Holders of shares of our class A common stock are entitled to vote on all matters submitted to a vote of stockholders and are entitled to receive such dividends as may be authorized by our board of directors and declared by us, in all cases subject to the rights of the holders of shares of outstanding preferred stock, if any.

We also issue restricted class A common stock under our stock-based incentive plans. Refer to Note 14 for additional discussion of these long-term incentive plans. In addition to our class A common stock, we also issue deferred stock units to certain members of our board of directors in lieu of cash compensation for services rendered. These deferred stock units are non-voting, but carry the right to receive dividends in the form of additional deferred stock units in an amount equivalent to the cash dividends paid to holders of shares of class A common stock.

The following table details the movement in our outstanding shares of class A common stock, including restricted class A common stock and deferred stock units:

	Nine Months Ended September 30,	
Common Stock Outstanding(1)	**2017**	**2016**
Beginning balance	94,709,290	93,843,847
Issuance of class A common stock(2)	971	812
Issuance of restricted class A common stock, net	286,773	209,798
Issuance of deferred stock units	20,560	20,850
Ending balance	95,017,594	94,075,307

(1) Includes deferred stock units held by members of our board of directors of 189,587 and 162,371 as of September 30, 2017 and 2016, respectively.

(2) Consists of 971 and 812 shares issued under our dividend reinvestment program during the nine months ended September 30, 2017 and 2016, respectively.

Dividend Reinvestment and Direct Stock Purchase Plan

On March 25, 2014, we adopted a dividend reinvestment and direct stock purchase plan, under which we registered and reserved for issuance, in the aggregate, 10,000,000 shares of class A common stock. Under the dividend reinvestment component of this plan, our class A common stockholders can designate all or a portion of their cash dividends to be reinvested in additional shares of class A common stock. The direct stock purchase component allows stockholders and new investors, subject to our approval, to purchase shares of class A common stock directly from us. During the three and nine months ended September 30, 2017, we issued 428 shares and 971 shares, respectively, of class A common stock under the dividend reinvestment component of the plan compared to 262 shares and 812 shares for the same periods in 2016. As of September 30, 2017, a total of 9,997,356 shares of class A common stock remained available for issuance under the dividend reinvestment and direct stock purchase plan.

Blackstone Mortgage Trust, Inc.

Notes to Consolidated Financial Statements (continued)

(Unaudited)

At the Market Stock Offering Program

On May 9, 2014, we entered into equity distribution agreements, or ATM Agreements, pursuant to which we may sell, from time to time, up to an aggregate sales price of $200.0 million of our class A common stock. On July 29, 2016, in connection with filing a new universal shelf registration statement on Form S-3, we entered into amendments to each of the ATM Agreements. Sales of class A common stock made pursuant to the ATM Agreements may be made in negotiated transactions or transactions that are deemed to be at the market offerings as defined in Rule 415 under the Securities Act of 1933, as amended. Actual sales will depend on a variety of factors including market conditions, the trading price of our class A common stock, our capital needs, and our determination of the appropriate sources of funding to meet such needs. We did not sell any shares of our class A common stock under the ATM Agreements during the nine months ended September 30, 2017 and 2016. As of September 30, 2017, sales of our class A common stock with an aggregate sales price of $188.6 million remained available for issuance under the ATM Agreements.

Dividends

We generally intend to distribute substantially all of our taxable income, which does not necessarily equal net income as calculated in accordance with GAAP, to our stockholders each year to comply with the REIT provisions of the Internal Revenue Code of 1986, as amended, or the Internal Revenue Code. Our dividend policy remains subject to revision at the discretion of our board of directors. All distributions will be made at the discretion of our board of directors and will depend upon our taxable income, our financial condition, our maintenance of REIT status, applicable law, and other factors as our board of directors deems relevant.

On September 15, 2017, we declared a dividend of $0.62 per share, or $58.8 million, that was paid on October 13, 2017 to stockholders of record as of September 30, 2017. The following table details our dividend activity ($ in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Dividends declared per share of common stock	$ 0.62	$ 0.62	$ 1.86	$ 1.86
Total dividends declared	$ 58,793	$ 58,226	$ 176,374	$ 174,678

Earnings Per Share

We calculate our basic and diluted earnings per share using the two-class method for all periods presented as the unvested shares of our restricted class A common stock qualify as participating securities, as defined by GAAP. These restricted shares have the same rights as our other shares of class A common stock, including participating in any dividends, and therefore have been included in our basic and diluted net income per share calculation. Our Convertible Notes are excluded from dilutive earnings per share as we have the intent and ability to settle these instruments in cash.

The following table sets forth the calculation of basic and diluted net income per share of class A common stock based on the weighted-average of both restricted and unrestricted class A common stock outstanding ($ in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	**2016**	**2017**	**2016**
Net income[1]	$ 57,722	$ 64,794	$ 159,741	$ 184,921
Weighted-average shares outstanding, basic and diluted	95,013,087	94,071,537	95,004,188	94,067,923
Per share amount, basic and diluted	$ 0.61	$ 0.69	$ 1.68	$ 1.97

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

30

Blackstone Mortgage Trust, Inc.

Notes to Consolidated Financial Statements (continued)

(Unaudited)

Other Balance Sheet Items

Accumulated Other Comprehensive Loss

As of September 30, 2017, total accumulated other comprehensive loss was $32.4 million, primarily representing (i) $63.5 million of cumulative unrealized currency translation adjustments on assets and liabilities denominated in foreign currencies and (ii) an offsetting $31.1 million of net realized and unrealized gains related to changes in the fair value of derivative instruments. As of December 31, 2016, total accumulated other comprehensive loss was $56.2 million, primarily representing (i) $107.5 million of cumulative unrealized currency translation adjustments on assets and liabilities denominated in foreign currencies and (ii) an offsetting $51.3 million of net realized and unrealized gains related to changes in the fair value of derivative instruments.

Non-Controlling Interests

The non-controlling interests included on our consolidated balance sheets represent the equity interests in our Multifamily Joint Venture that are not owned by us. A portion of our Multifamily Joint Venture s consolidated equity and results of operations are allocated to these non-controlling interests based on their pro-rata ownership of our Multifamily Joint Venture. As of September 30, 2017, our Multifamily Joint Venture s total equity was $41.2 million, of which $35.0 million was owned by Blackstone Mortgage Trust, and $6.2 million was allocated to non-controlling interests. As of December 31, 2016, we did not have any non-controlling interests on our consolidated financial statements.

12. OTHER EXPENSES

Our other expenses consist of the management and incentive fees we pay to our Manager and our general and administrative expenses.

Management and Incentive Fees

Pursuant to a management agreement between our Manager and us, or our Management Agreement, our Manager earns a base management fee in an amount equal to 1.50% per annum multiplied by our outstanding equity balance, as defined in the Management Agreement. In addition, our Manager is entitled to an incentive fee in an amount equal to the product of (i) 20% and (ii) the excess of (a) our Core Earnings (as defined in our Management Agreement) for the previous 12-month period over (b) an amount equal to 7.00% per annum multiplied by our outstanding Equity, provided that our Core Earnings over the prior three-year period is greater than zero. Core Earnings, as defined in our Management Agreement, is generally equal to our net income (loss) prepared in accordance with GAAP, excluding (i) certain non-cash items (ii) the net income (loss) related to our legacy portfolio and (iii) incentive management fees.

During the three and nine months ended September 30, 2017, we incurred $9.5 million and $28.6 million, respectively, of management fees payable to our Manager, compared to $9.5 million and $28.4 million during the same periods in 2016. In addition, during the three and nine months ended September 30, 2017, we incurred $3.7 million and $11.9 million, respectively, of incentive fees payable to our Manager, compared to $4.2 million and $14.8 million during the same periods in 2016.

As of September 30, 2017 and December 31, 2016, we had accrued management and incentive fees payable to our Manager of $13.2 million and $12.8 million, respectively.

Blackstone Mortgage Trust, Inc.

Notes to Consolidated Financial Statements (continued)

(Unaudited)

General and Administrative Expenses

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	**2016**	**2017**	**2016**
Professional services[1]	$ 933	$ 828	$ 2,811	$ 2,474
Operating and other costs[1]	489	305	1,424	1,695
Subtotal	1,422	1,133	4,235	4,169
Non-cash and CT Legacy Portfolio compensation expenses				
Management incentive awards plan - CTOPI[2]		938		1,106
Management incentive awards plan - CT Legacy Partners[3]		354		1,112
Restricted class A common stock earned	5,819	4,855	17,496	14,190
Director stock-based compensation	125	94	313	282
Subtotal	5,944	6,241	17,809	16,690
Total BXMT expenses	7,366	7,374	22,044	20,859
Other expenses	53	40	175	131
Total general and administrative expenses	$ 7,419	$ 7,414	$ 22,219	$ 20,990

(1) During the three and nine months ended September 30, 2017 we recognized an aggregate $112,000 of expenses related to our Multifamily Joint Venture.

(2) Represents the portion of CTOPI promote revenue recorded under compensation awards. See Note 4 for further discussion.

(3) Represents the amounts recorded under the CT Legacy Partners management incentive awards during the period. See below for discussion of the CT Legacy Partners management incentive awards plan.

CT Legacy Partners Management Incentive Awards Plan

In conjunction with our March 2011 restructuring, we created an employee pool for up to 6.75% of the distributions paid to the common equity holders of our subsidiary, CT Legacy Partners (subject to certain caps and priority distributions). During the three and nine months ended September 30, 2016 we recognized $354,000 and $1.1 million, respectively, of expenses under the CT Legacy Partners incentive plan. Our investment in CT Legacy Partners was substantially realized as of December 31, 2016.

13. INCOME TAXES

We elected to be taxed as a REIT, effective January 1, 2003, under the Internal Revenue Code for U.S. federal income tax purposes. We generally must distribute annually at least 90% of our net taxable income, subject to certain adjustments and excluding any net capital gain, in order for U.S. federal income tax not to apply to our earnings that we distribute. To the extent that we satisfy this distribution requirement, but distribute less than 100% of our net taxable income, we will be subject to U.S. federal income tax on our undistributed taxable income. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we pay out to our stockholders in a calendar year is less than a minimum amount specified under U.S. federal tax laws.

Our qualification as a REIT also depends on our ability to meet various other requirements imposed by the Internal Revenue Code, which relate to organizational structure, diversity of stock ownership, and certain restrictions with regard to the nature of our assets and the sources of our income. Even if we qualify as a REIT, we may be subject to certain U.S. federal income and excise taxes and state and local taxes on our income and assets. If we fail to maintain our qualification as a REIT for any taxable year, we may be subject to material penalties as well as federal, state, and local income tax on our taxable income at regular corporate rates and we would not be able to qualify as a REIT for the subsequent four full taxable years. As of September 30, 2017 and December 31, 2016, we were in compliance with all REIT requirements.

During the three and nine months ended September 30, 2017, we recorded a current income tax provision of $83,000 and $265,000, respectively, primarily related to activities of our taxable REIT subsidiaries and various state and local taxes. During the three and nine months ended September 30, 2016, we recorded an income tax provision of $194,000 and $281,000, respectively. We did not have any deferred tax assets or liabilities as of September 30, 2017 or December 31, 2016.

Table of Contents

Blackstone Mortgage Trust, Inc.

Notes to Consolidated Financial Statements (continued)

(Unaudited)

We have net operating losses, or NOLs, generated by our predecessor business that may be carried forward and utilized in current or future periods. As a result of our issuance of 25,875,000 shares of class A common stock in May 2013, the availability of our NOLs is generally limited to $2.0 million per annum by change of control provisions promulgated by the Internal Revenue Service with respect to the ownership of Blackstone Mortgage Trust. As of December 31, 2016, we had NOLs of $159.0 million that will expire in 2029, unless they are utilized by us prior to expiration.

As of September 30, 2017, tax years 2014 through 2016 remain subject to examination by taxing authorities.

14. STOCK-BASED INCENTIVE PLANS

We are externally managed by our Manager and do not currently have any employees. However, as of September 30, 2017, our Manager, certain individuals employed by an affiliate of our Manager, and certain members of our board of directors were compensated, in part, through the issuance of stock-based instruments.

We had stock-based incentive awards outstanding under seven benefit plans as of September 30, 2017: (i) our amended and restated 1997 non-employee director stock plan, or 1997 Plan; (ii) our 2007 long-term incentive plan, or 2007 Plan; (iii) our 2011 long-term incentive plan, or 2011 Plan; (iv) our 2013 stock incentive plan, or 2013 Plan; (v) our 2013 manager incentive plan, or 2013 Manager Plan; (vi) our 2016 stock incentive plan, or 2016 Plan; and (vii) our 2016 manager incentive plan, or 2016 Manager Plan. We refer to our 1997 Plan, our 2007 Plan, our 2011 Plan, our 2013 Plan, and our 2013 Manager Plan, collectively, as our Expired Plans and we refer to our 2016 Plan and 2016 Manager Plan, collectively, as our Current Plans.

Our Expired Plans have expired and no new awards may be issued under them. Under our Current Plans, a maximum of 2,400,000 shares of our class A common stock may be issued to our Manager, our directors and officers, and certain employees of affiliates of our Manager. As of September 30, 2017, there were 1,448,852 shares available under the Current Plans.

The following table details the movement in our outstanding shares of restricted class A common stock and the weighted-average grant date fair value per share:

	Restricted Class A Common Stock	Weighted-Average Grant Date Fair Value Per Share
Balance as of December 31, 2016	1,309,995	$ 28.68
Granted	289,896	30.55

Vested	(335,536)		27.78
Forfeited	(3,123)		27.37
Balance as of September 30, 2017	1,261,232	$	29.35

These shares generally vest in installments over a three-year period, pursuant to the terms of the respective award agreements and the terms of the Current Plans. The 1,261,232 shares of restricted class A common stock outstanding as of September 30, 2017 will vest as follows: 412,480 shares will vest in 2017; 542,789 shares will vest in 2018; 305,218 shares will vest in 2019; and 745 shares will vest in 2020. As of September 30, 2017, total unrecognized compensation cost relating to nonvested share-based compensation arrangements was $29.8 million based on the closing price of our class A common stock of $31.02 on September 29, 2017, the last trading day in the quarter ended September 30, 2017. This cost is expected to be recognized over a weighted average period of 1.0 years from September 30, 2017.

Table of Contents

Blackstone Mortgage Trust, Inc.

Notes to Consolidated Financial Statements (continued)

(Unaudited)

15. FAIR VALUES

Assets and Liabilities Measured at Fair Value

The following table summarizes our assets and liabilities measured at fair value on a recurring basis ($ in thousands):

	September 30, 2017				December 31, 2016			
	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3	Fair Value
Assets								
Derivatives	$	$ 1,628	$	$ 1,628	$	$ 4,086	$	$ 4,086
Liabilities								
Derivatives	$	$ 7,167	$	$ 7,167	$	$ 210	$	$ 210

The following table reconciles the beginning and ending balances of assets measured at fair value on a recurring basis using Level 3 inputs ($ in thousands):

	Nine Months Ended September 30,	
	2017	2016[(1)]
January 1,	$	$ 12,561
Proceeds from investment realizations		(2,406)
Transfers out of level 3[(2)]		(20,745)
Adjustments to fair value included in earnings		
Gain on investments at fair value		11,790
September 30,	$	$ 1,200

(1) All assets measured at fair value on a recurring basis using Level 3 inputs were included as a component of other assets in the consolidated Balance Sheets.

(2) During the second quarter of 2016, $20.7 million of collateralized debt obligations, or CDOs, were transferred out of Level 3 and into Level 1 as a result of a binding agreement to sell the underlying collateral assets of the CDO to an independent third-party. These investments were realized in the third quarter of 2016.

Refer to Note 2 for further discussion regarding fair value measurement.

Fair Value of Financial Instruments

As discussed in Note 2, GAAP requires disclosure of fair value information about financial instruments, whether or not recognized in the statement of financial position, for which it is practicable to estimate that value. The following table details the carrying amount, face amount, and fair value of the financial instruments described in Note 2 ($ in thousands):

	September 30, 2017			December 31, 2016		
	Carrying Amount	Face Amount	Fair Value	Carrying Amount	Face Amount	Fair Value
Financial assets						
Cash and cash equivalents	$ 61,221	$ 61,221	$ 61,221	$ 75,567	$ 75,567	$ 75,567
Restricted cash	32,864	32,864	32,864			
Loans receivable, net	9,637,152	9,681,055	9,685,422	8,692,978	8,727,218	8,733,784
Financial liabilities						
Secured debt agreements, net	6,079,135	6,096,597	6,096,597	5,716,354	5,731,626	5,731,626
Loan participations sold, net	33,193	33,193	33,193	348,077	349,633	349,633
Securitized debt obligations, net	474,298	474,620	474,655			
Convertible notes, net	562,741	575,000	602,503	166,762	172,500	191,763

34

Blackstone Mortgage Trust, Inc.

Notes to Consolidated Financial Statements (continued)

(Unaudited)

Estimates of fair value for cash and cash equivalents, restricted cash, and convertible notes are measured using observable, quoted market prices, or Level 1 inputs. Estimates of fair value for securitized debt obligations are measured using observable, quoted market prices, in inactive markets, or Level 2 inputs. All other fair value significant estimates are measured using unobservable inputs, or Level 3 inputs. See Note 2 for further discussion regarding fair value measurement of certain of our assets and liabilities.

16. VARIABLE INTEREST ENTITIES

In the second quarter of 2017, we financed one of our loans through the Securitization, which is a VIE. We are the primary beneficiary and consolidate the Securitization on our balance sheet as we (i) control the subordinate tranche of the Securitization, which we believe gives us the power to direct the activities that most significantly affect the Securitization, and (ii) have the right to receive benefits and obligation to absorb losses of the Securitization through the subordinate interests we own.

The following table details the assets and liabilities of our consolidated Securitization VIE ($ in thousands):

	September 30, 2017		December 31, 2016
Assets:			
Loans receivable, net	$	500,000	$
Other assets		763	
Total assets	$	500,763	$
Liabilities:			
Securitized debt obligations, net	$	474,298	$
Other liabilities		604	
Total liabilities	$	474,902	$

Assets held by the Securitization are restricted and can be used only to settle obligations of the Securitization, including the subordinate interests owned by us. The liabilities of the Securitization are non-recourse to us and can only be satisfied from the assets of the Securitization. The consolidation of the Securitization results in an increase in our gross assets, liabilities, interest income and interest expense, however it does not affect our stockholders equity or net income. We are not obligated to provide, have not provided, and do not intend to provide financial support to the Securitization.

17. TRANSACTIONS WITH RELATED PARTIES

We are managed by our Manager pursuant to the Management Agreement, the current term of which expires on December 19, 2017, and will be automatically renewed for a one-year term each anniversary thereafter unless earlier terminated.

As of September 30, 2017 and December 31, 2016, our consolidated balance sheet included $13.2 million and $12.8 million of accrued management and incentive fees payable to our Manager, respectively. During the three and nine months ended September 30, 2017, we paid management and incentive fees of $14.4 million and $40.1 million, respectively, to our Manager, compared to $15.8 million and $43.8 million during the same periods of 2016. In addition, during the three and nine months ended September 30, 2017, we reimbursed our Manager for expenses incurred on our behalf of $59,000 and $325,000, respectively, compared to $82,000 and $462,000 during the same periods of 2016. During the three and nine months ended September 30, 2016, CT Legacy Partners made aggregate preferred distributions of $146,000 and $491,000, respectively, to an affiliate of our Manager.

As of September 30, 2017, our Manager held 607,789 shares of unvested restricted class A common stock, which had an aggregate grant date fair value of $17.8 million. The shares vest in installments over three years from the date of issuance. During the three and nine months ended September 30, 2017, we recorded non-cash expense related to shares held by our Manager of $2.9 million and $8.7 million, respectively, compared to $2.5 million and $7.1 million during the same periods of 2016. We did not issue any shares of restricted class A common stock to our Manager during the nine months ended September 30, 2017 or 2016, respectively. Refer to Note 14 for further details on our restricted class A common stock.

During the nine months ended September 30, 2017 and 2016, we originated five loans and one loan, respectively, whereby each respective borrower engaged an affiliate of our Manager to act as title insurance agent in connection with each transaction. We did not incur any expenses or receive any revenues as a result of these transactions.

Table of Contents

Blackstone Mortgage Trust, Inc.

Notes to Consolidated Financial Statements (continued)

(Unaudited)

During the three and nine months ended September 30, 2017, we incurred $87,000 and $254,000, respectively, of expenses for various administrative and capital market data services to third-party service providers that are affiliates of our Manager, compared to $112,000 and $282,000 during the same periods of 2016.

On June 30, 2017, in a fully subscribed offering totaling $474.6 million, certain Blackstone-advised investment vehicles purchased, in the aggregate, $72.9 million of securitized debt obligations issued by the Securitization. These investments by the Blackstone-advised investment vehicles represented no more than a 49% participation in any individual tranche and were purchased by the Blackstone-advised investment vehicles from third-party investment banks on market terms negotiated by the majority third-party investors. Refer to Note 8 for further details on the Securitization.

18. COMMITMENTS AND CONTINGENCIES

Unfunded Commitments Under Loans Receivable

As of September 30, 2017, we had unfunded commitments of $1.6 billion related to 67 of our loans receivable, which amounts will generally be funded to finance lease-related or capital expenditures by our borrowers. These future commitments will expire variously over the next four years.

Litigation

From time to time, we may be involved in various claims and legal actions arising in the ordinary course of business. As of September 30, 2017, we were not involved in any material legal proceedings.

Board of Directors Compensation

In April 2017, our board of directors approved changes to the compensation of our five independent directors which were effective as of the beginning of the third quarter of 2017. The other three board members, including our chairman and our chief executive officer, will continue to serve as directors without compensation for such service. These changes increased the annual compensation of our directors from $125,000 to $175,000 and are paid $75,000 in cash and $100,000 in the form of deferred stock units. In addition, (i) the chair of our audit committee received an increase in the additional annual cash compensation from $12,000 to $20,000, (ii) the other members of our audit committee received additional annual cash compensation of $10,000, and (iii) the chairs of each of our compensation and corporate governance committees received additional annual cash compensation of $10,000.

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

The following discussion should be read in conjunction with the unaudited consolidated financial statements and notes thereto appearing elsewhere in this quarterly report on Form 10-Q. In addition to historical data, this discussion contains forward-looking statements about our business, operations and financial performance based on current expectations that involve risks, uncertainties and assumptions. Our actual results may differ materially from those in this discussion as a result of various factors, including but not limited to those discussed in Item 1A. Risk Factors in our annual report on Form 10-K for the year ended December 31, 2016 and elsewhere in this quarterly report on Form 10-Q.

Introduction

Blackstone Mortgage Trust is a real estate finance company that originates and purchases senior loans collateralized by properties in North America and Europe. We are externally managed by BXMT Advisors L.L.C., or our Manager, a subsidiary of The Blackstone Group L.P., or Blackstone, and are a real estate investment trust, or REIT, traded on the New York Stock Exchange, or NYSE, under the symbol BXMT. We are headquartered in New York City.

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

I. Key Financial Measures and Indicators

As a real estate finance company, we believe the key financial measures and indicators for our business are earnings per share, dividends declared, Core Earnings, and book value per share. For the three months ended September 30, 2017 we recorded earnings per share of $0.61, declared a dividend of $0.62 per share, and reported $0.69 per share of Core Earnings. In addition, our book value per share as of September 30, 2017 was $26.52. As further described below, Core Earnings is a measure that is not prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP. We use Core Earnings to evaluate our performance excluding the effects of certain transactions and GAAP adjustments that we believe are not necessarily indicative of our current loan activity and operations.

Earnings Per Share and Dividends Declared

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

	Three Months Ended	
	September 30, 2017	June 30, 2017

Net income [1]	$	57,722	$	50,613
Weighted-average shares outstanding, basic and diluted		95,013,087		95,005,873
Net income per share, basic and diluted	$	0.61	$	0.53
Dividends declared per share	$	0.62	$	0.62

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

Core Earnings

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

Table of Contents

We believe that Core Earnings provides meaningful information to consider in addition to our net income and cash flow from operating activities determined in accordance with GAAP. This adjusted measure helps us to evaluate our performance excluding the effects of certain transactions and GAAP adjustments that we believe are not necessarily indicative of our current loan portfolio and operations. Although, according to the management agreement between our Manager and us, or our Management Agreement, we calculate the incentive and base management fees due to our Manager using Core Earnings before incentive fees expense, we report Core Earnings after incentive fee expense, as we believe this is a more meaningful presentation of the economic performance of our class A common stock.

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

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

	Three Months Ended	
	September 30, 2017	June 30, 2017
Net income[1]	$ 57,722	$ 50,613
Non-cash compensation expense	5,944	5,959
GE purchase discount accretion adjustment[2]	(138)	(198)
Other items	1,610	1,001
Core Earnings	$ 65,138	$ 57,375
Weighted-average shares outstanding, basic and diluted	95,013,087	95,005,873
Core Earnings per share, basic and diluted	$ 0.69	$ 0.60

(1) Represents net income attributable to Blackstone Mortgage Trust.
(2) Adjustment in respect of the deferral in Core Earnings of the accretion of a total $9.1 million of purchase discount attributable to a certain pool of GE portfolio loans pending the repayment of those loans.

Book Value Per Share

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

	September 30, 2017	June 30, 2017
Stockholders equity	$ 2,519,614	$ 2,506,473

Shares				
Class A common stock		94,828,007		94,827,579
Deferred stock units		189,587		181,931
Total outstanding		95,017,594		95,009,510
Book value per share	$	26.52	$	26.38

II. Loan Portfolio

During the quarter ended September 30, 2017, we originated $1.1 billion of loans. Loan fundings during the quarter totaled $860.5 million and repayments totaled $870.8 million. We generated interest income of $146.4 million and incurred interest expense of $67.9 million during the quarter, which resulted in $78.6 million of net interest income during the three months ended September 30, 2017.

Table of Contents

Portfolio Overview

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

	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2017
Loan originations[1]	$ 1,095,994	$ 3,568,900
Loan fundings[2]	$ 860,482	$ 2,838,320
Loan repayments[3]	(870,761)	(2,093,567)
Total net fundings	$ (10,279)	$ 744,753

(1) Includes new loan originations and additional commitments made under existing loans. Loan originations during the three and nine months ended September 30, 2017 include $4.0 million of additional commitments under related non-consolidated senior interests.

(2) Loan fundings during the three and nine months ended September 30, 2017 include $10.8 million and $49.0 million, respectively, of additional fundings under related non-consolidated senior interests.

(3) Loan repayments during the three and nine months ended September 30, 2017 include $17.8 million and $122.8 million, respectively, of additional repayments under related non-consolidated senior interests.

The following table details overall statistics for our loan portfolio as of September 30, 2017 ($ in thousands):

		Total Loan Exposure[1]		
	Balance Sheet Portfolio	Total Loan Portfolio	Floating Rate Loans	Fixed Rate Loans
Number of loans	111	111	98	13
Principal balance	$ 9,681,055	$ 10,668,677	$ 9,793,239	$ 875,438
Net book value	$ 9,637,152	$ 10,621,408	$ 9,746,450	$ 874,958
Unfunded loan commitments[2]	$ 1,622,216	$ 1,673,300	$ 1,673,300	$
Weighted-average cash coupon[3]	5.30%	5.13%	L + 3.97%	4.78%
Weighted-average all-in yield[3]	5.68%	5.55%	L + 4.36%	5.69%
Weighted-average maximum maturity (years)[4]	3.4	3.4	3.4	3.9

Loan to value (LTV)(5)	61.8%	61.1%	60.3%	69.6%

(1) In certain instances, we finance our loans through the non-recourse sale of a senior loan interest that is not included in our consolidated financial statements. Total loan exposure encompasses the entire loan we originated and financed, including $987.6 million of such non-consolidated senior interests that are not included in our balance sheet portfolio.

(2) Unfunded commitments will primarily be funded to finance property improvements or lease-related expenditures by the borrowers. These future commitments will be funded over the term of each loan, subject in certain cases to an expiration date.

(3) As of September 30, 2017, our floating rate loans were indexed to various benchmark rates, with 91% of floating rate loans by loan exposure indexed to USD LIBOR based on total loan exposure. In addition, $273.9 million of our floating rate loans earned interest based on floors that are above the applicable index, with an average floor of 1.24%, as of September 30, 2017. In addition to cash coupon, all-in yield includes the amortization of deferred origination and extension fees, loan origination costs, purchase discounts, and accrual of exit fees. Cash coupon and all-in yield for the total portfolio assume applicable floating benchmark rates for weighted-average calculation.

(4) Maximum maturity assumes all extension options are exercised by the borrower, however our loans may be repaid prior to such date. As of September 30, 2017, based on total loan exposure, 69% of our loans were subject to yield maintenance or other prepayment restrictions and 31% were open to repayment by the borrower without penalty.

(5) Based on LTV as of the dates loans were originated or acquired by us.

Table of Contents

The charts below detail the geographic distribution and types of properties securing these loans, as of September 30, 2017:

Refer to section VI of this Item 2 for details of our loan portfolio, on a loan-by-loan basis.

Asset Management

We actively manage the investments in our loan portfolio and exercise the rights afforded to us as a lender, including collateral level budget approvals, lease approvals, loan covenant enforcement, escrow/reserve management/collection, collateral release approvals and other rights that we may negotiate.

As discussed in Note 2 to our consolidated financial statements, our Manager performs a quarterly review of our loan portfolio, assesses the performance of each loan, and assigns it a risk rating between 1 and 5, from less risk to greater risk. The following table allocates the principal balance and total loan exposure balances based on our internal risk ratings ($ in thousands):

		September 30, 2017	
Risk Rating	Number of Loans	Net Book Value	Total Loan Exposure(1)
1	4	$ 421,313	$ 421,628
2	49	3,701,801	3,708,603
3	57	5,493,409	6,517,829
4	1	20,629	20,617
5			
	111	$ 9,637,152	$ 10,668,677

(1) In certain instances, we finance our loans through the non-recourse sale of a senior loan interest that is not included in our consolidated financial statements. See Note 2 to our consolidated financial statements for further discussion. Total loan exposure encompasses the entire loan we originated and financed, including $987.6 million of such non-consolidated senior interests as of September 30, 2017.

The weighted-average risk rating of our total loan exposure was 2.6 and 2.5 as of September 30, 2017 and December 31, 2016, respectively. The increase in weighted-average risk rating was primarily driven by repayments of loans with lower risk ratings, and not rating downgrades in the existing portfolio.

Multifamily Joint Venture

As of September 30, 2017, our Multifamily Joint Venture held $146.1 million of loans, which are included in the loan disclosures above. Refer to Note 2 for additional discussion of our Multifamily Joint Venture.

Portfolio Financing

Our portfolio financing arrangements include credit facilities, the GE portfolio acquisition facility, asset-specific financings, a revolving credit agreement, loan participations sold, non-consolidated senior interests, and securitized debt obligations.

The following table details our portfolio financing ($ in thousands):

	Portfolio Financing Outstanding Principal Balance	
	September 30, 2017	December 31, 2016
Credit facilities	$ 4,386,645	$ 3,572,837
GE portfolio acquisition facility	1,090,946	1,479,582
Asset-specific financings	517,256	679,207
Revolving credit agreement	101,750	
Loan participations sold	33,193	349,633
Non-consolidated senior interests	987,621	1,029,516
Securitized debt obligations	474,620	
Total portfolio financing	$ 7,592,031	$ 7,110,775

Credit Facilities

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

	September 30, 2017				
	Maximum	Collateral	Credit Borrowings		
Lender	Facility Size[1]	Assets[2]	Potential[3]	Outstanding	Available[3]
Wells Fargo	$ 2,000,000	$ 2,232,117	$ 1,724,227	$ 1,398,224	$ 326,003
MetLife	1,000,000	1,030,148	807,164	807,164	
Bank of America	750,000	818,359	641,066	641,066	
Citibank[4]	795,350	596,119	464,849	356,751	108,098
JP Morgan[5]	500,000	453,121	344,656	295,984	48,672
Deutsche Bank	500,000	393,564	295,743	295,743	
Société Générale[6]	472,560	332,761	266,000	266,000	
Morgan Stanley[7]	669,900	422,332	331,037	211,105	119,932
Bank of America - Multi. JV[8]	200,000	87,000	69,600	69,600	
Goldman Sachs - Multi. JV[8]	250,000	59,125	45,008	45,008	
	$ 7,137,810	$ 6,424,646	$ 4,989,350	$ 4,386,645	$ 602,705

(1) Maximum facility size represents the largest amount of borrowings available under a given facility once sufficient collateral assets have been approved by the lender and pledged by us.
(2) Represents the principal balance of the collateral assets.
(3) Potential borrowings represents the total amount we could draw under each facility based on collateral already approved and pledged. When undrawn, these amounts are immediately available to us at our sole discretion under the terms of each credit facility.
(4) As of September 30, 2017, the Citibank maximum facility size was composed of a general $500.0 million facility size denominated in U.S. Dollars plus a general 250.0 million ($295.4 million) facility size that contemplated British Pound Sterling and Euro borrowings.
(5) As of September 30, 2017, the JP Morgan maximum facility size was composed of a general $500.0 million facility size, under which U.S. Dollars and British Pound Sterling borrowings are contemplated.
(6) As of September 30, 2017, the Société Générale maximum facility size was composed of a 400.0 million facility size that was translated to $472.6 million. Borrowings denominated in U.S. Dollars, British Pound Sterling, and Euro are contemplated under this facility.
(7) As of September 30, 2017, the Morgan Stanley maximum facility size was composed of a £500.0 million facility size that was translated to $669.9 million. Borrowings denominated in U.S. Dollars, British Pound Sterling, and Euro are contemplated under this facility.
(8) These facilities finance the loan investments of our consolidated Multifamily Joint Venture. Refer to Note 2 for additional discussion of our Multifamily Joint Venture.

The weighted-average outstanding balance of our credit facilities was $4.0 billion for the nine months ended September 30, 2017. As of September 30, 2017, we had aggregate borrowings of $4.4 billion outstanding under our credit facilities, with a weighted-average cash coupon of LIBOR plus 1.88% per annum, a weighted-average all-in cost of credit, including associated fees and expenses, of LIBOR plus 2.09% per annum, and a weighted-average advance rate of 78.8%. As of September 30, 2017, outstanding borrowings under these facilities had a weighted-average maturity, excluding extension options and term-out provisions, of 1.5 years.

Table of Contents

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

GE Portfolio Acquisition Facility

During the second quarter of 2015, concurrently with our acquisition of the GE portfolio, we entered into an agreement with Wells Fargo to provide us with secured financing for the acquired portfolio. As of September 30, 2017, this facility provided for $1.2 billion of financing, of which $1.1 billion was outstanding and an additional $129.4 million was available to finance future loan fundings in the GE portfolio. The GE portfolio acquisition facility is non-revolving and consists of a single master repurchase agreement providing for asset-specific borrowings for each collateral asset.

The asset-specific borrowings under the GE portfolio acquisition facility were advanced at a weighted-average rate of 80% of our purchase price of the collateral assets and are repaid pro rata from collateral asset repayment proceeds. The asset-specific borrowings are currency matched to the collateral assets and accrue interest at a rate equal to the sum of (i) the applicable base rate plus (ii) a margin of 1.75%, which will increase to 1.80% and 1.85% in year four and year five, respectively. As of September 30, 2017, those borrowings were denominated in U.S. Dollars, Canadian Dollars, and British Pounds Sterling. The asset-specific borrowings are term matched to the underlying collateral assets with an outside maturity date of May 20, 2020, which may be extended pursuant to two one-year extension options. We guarantee obligations under the GE portfolio acquisition facility in an amount equal to the greater of (i) 25% of outstanding asset-specific borrowings, and (ii) $250.0 million. We had outstanding asset-specific borrowings under the GE portfolio acquisition facility of $1.1 billion and a weighted-average all-in cost of credit, including associated fees and expenses, of LIBOR plus 1.75% per annum as of September 30, 2017.

Asset-Specific Financings

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

		September 30, 2017				
Asset-Specific Financings	**Count**	**Principal Balance**	**Book Value**	**Wtd. Avg. Yield/Cost[1]**	**Guarantee[2]**	**Wtd. Avg. Term[3]**
Collateral assets	5	$ 662,223	$ 659,152	L+4.70%	n/a	Dec. 2020
Financing provided[4]	5	$ 517,256	$ 516,537	L+2.48%	$ 162,517	Dec. 2020

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

(2) Other than amounts guaranteed on an asset-by-asset basis, borrowings under our asset-specific financings are non-recourse to us.

(3) The weighted-average term is determined based on the maximum maturity of the corresponding loans, assuming all extension options are exercised by the borrower. Each of our asset-specific financings are term-matched to the corresponding collateral loans.

(4) Borrowings of $394.8 million under these asset specific financings are cross collateralized with related credit facilities with the same lenders.

Refer to Note 6 to our consolidated financial statements for additional terms and details of our secured debt agreements, including certain financial covenants.

Revolving Credit Agreement

During the second quarter of 2017, we increased the borrowing capacity under our secured revolving credit agreement with Barclays by $125.0 million to $250.0 million. This full recourse facility is designed to finance first mortgage originations for up to six months as a bridge to term financing or syndication. Advances under the agreement are subject to availability under a specified borrowing base and accrue interest at a per annum pricing rate equal to the sum of (i) an applicable base rate or Eurodollar rate and (ii) an applicable margin, in each case, dependent on the applicable type of loan collateral. The maturity date of the facility is April 4, 2020.

During the nine months ended September 30, 2017, the weighted-average outstanding borrowings under the revolving credit agreement were $23.5 million and we recorded interest expense of $1.7 million, including $575,000 of amortization of deferred fees and expenses. As of September 30, 2017, we had $101.8 million of borrowings outstanding under the agreement.

Table of Contents

Loan Participations Sold

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

		September 30, 2017				
Loan Participations Sold	Count	Principal Balance	Book Value	Yield/Cost[(1)]	Guarantee[(2)]	Term
Total loan	1	$ 93,710	$ 91,498	L+5.96%	n/a	Feb. 2022
Senior participation[(3)]	1	33,193	33,193	L+4.00%	n/a	Feb. 2022

(1) Our floating rate loans and related liabilities are indexed to the various benchmark rates relevant in each arrangement in terms of currency and payment frequency. Therefore the net exposure to each benchmark rate is in direct proportion to our net assets indexed to that rate. In addition to cash coupon, yield/cost includes the amortization of deferred fees / financing costs.
(2) As of September 30, 2017, our loan participation sold was non-recourse to us.
(3) During the three and nine months ended September 30, 2017, we recorded $4.0 million and $9.3 million, respectively, of interest expense related to our loan participations sold, of which $2.6 million and $7.7 million was paid in cash.

Refer to Note 7 to our consolidated financial statements for additional details of our loan participations sold.

Non-Consolidated Senior Interests

In certain instances, we finance our loans through the non-recourse sale of a senior loan interest that is not included in our consolidated financial statements. These non-consolidated senior interests provide structural leverage for our net investments which are reflected in the form of mezzanine loans or other subordinate interests on our balance sheet and in our results of operations. The following table details the subordinate interests retained on our balance sheet and the related non-consolidated senior interests as of September 30, 2017 ($ in thousands):

		September 30, 2017				
Non-Consolidated Senior Interests	Count	Principal Balance	Book Value	Wtd. Avg. Yield/Cost[(1)]	Guarantee	Wtd. Avg. Term
Total loan	3	$ 1,203,306	n/a	5.97%	n/a	Sept. 2021
Senior participation	3	987,621	n/a	4.37%	n/a	Sept. 2021

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

Securitized Debt Obligations

The following table details our securitized debt obligations ($ in thousands):

	September 30, 2017				
Securitized Debt Obligations	**Count**	**Principal Balance**	**Book Value**	**Yield/Cost[(1)]**	**Term[(2)]**
Total loan	1	$ 644,788	$ 641,262	L+3.60%	June 2023
Securitized debt obligations[(3)]	1	474,620	474,298	L+1.94%	June 2033

(1) In addition to cash coupon, yield/cost includes the amortization of deferred origination fees / financing costs.

(2) Loan term represents final maturity, assuming all extension options are exercised by the borrower. Repayments of securitized debt obligations are tied to timing of the related collateral loan asset repayments. The term of these obligations represents the rated final distribution date of the securitization.

(3) During the three and nine months ended September 30, 2017, we recorded $3.8 million of interest expense related to our securitized debt obligations.

Refer to Notes 8 and 16 to our consolidated financial statements for additional details of our securitized debt obligations.

Table of Contents

Floating Rate Portfolio

Generally, our business model is such that rising interest rates will increase our net income, while declining interest rates will decrease net income. As of September 30, 2017, 92% of our loans by total loan exposure earned a floating rate of interest and were financed with liabilities that pay interest at floating rates, which resulted in an amount of net equity that is positively correlated to rising interest rates, subject to the impact of interest rate floors on certain of our floating rate loans. As of September 30, 2017, the remaining 8% of our loans by total loan exposure earned a fixed rate of interest, but are financed with liabilities that pay interest at floating rates, which resulted in a negative correlation to rising interest rates to the extent of our financing. In certain instances where we have financed fixed rate assets with floating rate liabilities, we have purchased interest rate swaps or caps to limit our exposure to increases in interest rates on such liabilities.

Our liabilities are generally currency and index-matched to each collateral asset, resulting in a net exposure to movements in benchmark rates that varies by currency silo based on the relative proportion of floating rate assets and liabilities. The following table details our loan portfolio s net exposure to interest rates by currency as of September 30, 2017 ($/£/ /C$ in thousands):

	USD		GBP		EUR	CAD	
Floating rate loans[1]	$	8,923,957	£	306,606	109,732	C$	410,145
Floating rate debt[1][2][3]		(6,503,552)		(172,553)	(66,186)		(358,905)
Net floating rate exposure[4]	$	2,420,405	£	134,053	43,546	C$	51,240

(1) Our floating rate loans and related liabilities are indexed to the various benchmark rates relevant in each case in terms of currency and payment frequency. Therefore the net exposure to each benchmark rate is in direct proportion to our net assets indexed to that rate.
(2) Includes borrowings under secured debt agreements, loan participations sold, non-consolidated senior interests, and securitized debt obligations.
(3) Liabilities balance includes four interest rate swaps totaling C$108.2 million ($86.7 million as of September 30, 2017) that are used to hedge a portion of our fixed rate debt.
(4) In addition, we have interest rate caps of $204.2 million and C$23.4 million to limit our exposure to increases in interest rates.

Convertible Notes

As of September 30, 2017, the following convertible senior notes, or Convertible Notes, were outstanding ($ in thousands):

Convertible Notes Issuance		Face Value	Coupon Rate	All-in Cost[1]	Maturity
November 2013	$	172,500	5.25%	5.87%	December 1, 2018

May 2017	402,500	4.38%	4.85%	May 5, 2022

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

Refer to Notes 2 and 9 to our consolidated financial statements for additional discussion of our Convertible Notes.

Table of Contents

III. Our Results of Operations

Operating Results

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

	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	2017 vs 2016 $	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016	2017 201 $
ne from loans and other investments						
st and related income	$ 146,446	$ 128,190	$ 18,256	$ 391,787	$ 381,686	$ 10
Interest and related expenses	67,891	45,373	22,518	168,917	139,819	29
ne from loans and other investments, net	78,555	82,817	(4,262)	222,870	241,867	(18
r expenses						
gement and incentive fees	13,243	13,701	(458)	40,557	43,161	(2
al and administrative expenses	7,419	7,414	5	22,219	20,990	1
other expenses	20,662	21,115	(453)	62,776	64,151	(1
on investments at fair value		2,824	(2,824)		13,413	(13
ne from equity investment in unconsolidated subsidiary		2,060	(2,060)		2,192	(2
ne before income taxes	57,893	66,586	(8,693)	160,094	193,321	(33
ne tax provision	83	194	(111)	265	281	
ncome	57,810	66,392	(8,582)	159,829	193,040	(33
ncome attributable to non-controlling interests	(88)	(1,598)	1,510	(88)	(8,119)	8
ncome attributable to Blackstone Mortgage Trust, Inc.	$ 57,722	$ 64,794	$ (7,072)	$ 159,741	$ 184,921	$ (25
ncome per share - basic and diluted	$ 0.61	$ 0.69	$ (0.08)	$ 1.68	$ 1.97	$ (
ends declared per share	$ 0.62	$ 0.62	$	$ 1.86	$ 1.86	$

Income from loans and other investments, net

Income from loans and other investments, net decreased $4.3 million and $19.0 million during the three and nine months ended September 30, 2017, respectively, as compared to the corresponding periods in 2016. The decreases in both periods were primarily due to a decrease in non-recurring prepayment fee income and an increase in interest expense as a result of the convertible debt we issued in May 2017.

Other expenses

Other expenses are composed of management and incentive fees payable to our Manager and general and administrative expenses. Other expenses decreased by $453,000 during the three months ended September 30, 2017 compared to the corresponding period in 2016 due to (i) a decrease of $1.3 million of compensation expenses associated with our CT Legacy Portfolio incentive plans, and (ii) a decrease of $494,000 of incentive fees payable to our Manager. These were partially offset by (i) $964,000 of additional non-cash restricted stock amortization related to shares awarded under our long-term incentive plans, and (ii) an increase of $302,000 of general operating expenses.

Other expenses decreased by $1.4 million during the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016 due to (i) a decrease of $2.8 million of incentive fees payable to our Manager, and (ii) a decrease of $2.2 million of compensation expenses associated with our CT Legacy Portfolio incentive plans. These were partially offset by (i) $3.3 million of additional non-cash restricted stock amortization related to shares awarded under our long-term incentive plans, (ii) an increase of $212,000 of management fees payable to our Manager, and (iii) an increase of $87,000 of general operating expenses.

Gain on investments at fair value

During the three and nine months ended September 30, 2016, we recognized $2.8 million and $13.4 million, respectively, of net gains on investments held by CT Legacy Partners. Our investment in CT Legacy Partners was substantially realized as of December 31, 2016.

Income from equity investment in unconsolidated subsidiary

During the three and nine months ended September 30, 2016, we recognized a $2.1 million gain and a $2.2 million gain, respectively, related to our promote interest from CTOPI. The investment in CTOPI was fully realized as of December 31, 2016.

Net income attributable to non-controlling interests

During the three and nine months ended September 30, 2017, our non-controlling interests related to our Multifamily Joint Venture. During the three and nine months ended September 30, 2016, our non-controlling interests related to CT Legacy Partners. In each case, the non-controlling interests represent the portion of the consolidated entity s net income that is not owned by us.

During the three and nine months ended September 30, 2017, we recognized $88,000 of net income attributable to non-controlling interests related to our Multifamily Joint Venture. During the three and nine months ended September 30, 2016, we recognized $1.6 million and $8.1 million, respectively, of net income attributable to non-controlling interests which related to the gain on investments at fair value recognized by CT Legacy Partners during both periods.

Dividends per share

During the three months ended September 30, 2017, we declared a dividend of $0.62 per share, or $58.8 million, which was paid on October 13, 2017 to common stockholders of record as of September 30, 2017. During the three months ended September 30, 2016, we declared a dividend of $0.62 per share, or $58.2 million.

During the nine months ended September 30, 2017, we declared aggregate dividends of $1.86 per share, or $176.4 million. During the nine months ended September 30, 2016, we declared aggregate dividends of $1.86 per share, or $174.7 million.

IV. Liquidity and Capital Resources

Capitalization

We have capitalized our business to date through, among other things, the issuance and sale of shares of our class A common stock, borrowings under secured debt agreements, and the issuance and sale of Convertible Notes. As of September 30, 2017, we had 94,828,007 shares of our class A common stock outstanding representing $2.5 billion of stockholders equity, $6.1 billion of outstanding borrowings under secured debt agreements, and $575.0 million of Convertible Notes outstanding.

As of September 30, 2017, our secured debt agreements consisted of credit facilities with an outstanding balance of $4.4 billion, the GE portfolio acquisition facility with an outstanding balance of $1.1 billion, and $517.3 million of asset-specific financings. We also finance our business through the sale of loan participations and non-consolidated senior interests. As of September 30, 2017 we had $33.2 million of loan participations sold and $987.6 million of non-consolidated senior interests outstanding. In addition, as of September 30, 2017, our consolidated balance sheets included $474.6 million of securitized debt obligations related to the Securitization.

See Notes 6, 7, 8, and 9 to our consolidated financial statements for additional details regarding our secured debt agreements, loan participations sold, securitized debt obligations, and Convertible Notes, respectively.

Debt-to-Equity Ratio and Total Leverage Ratio

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

	September 30, 2017	December 31, 2016
Debt-to-equity ratio(1)	2.6x	2.3x
Total leverage ratio(2)	3.2x	2.9x

(1) Represents (i) total outstanding secured debt agreements and convertible notes, less cash, to (ii) total equity, in each case at period end.

(2) Represents (i) total outstanding secured debt agreements, convertible notes, loan participations sold, non-consolidated senior interests, and securitized debt obligations, less cash, to (ii) total equity, in each case at period end.

Sources of Liquidity

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

	September 30, 2017	December 31, 2016
Cash and cash equivalents	$ 61,221	$ 75,567
Available borrowings under secured debt agreements	639,828	541,743
Loan principal payments held by servicer, net(1)	845	670
	$ 701,894	$ 617,980

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

In addition to our current sources of liquidity, we have access to liquidity through public offerings of debt and equity securities. To facilitate such offerings, in July 2016, we filed a shelf registration statement with the Securities and Exchange Commission, or the SEC, that is effective for a term of three years and expires in July 2019. The amount of securities to be issued pursuant to this shelf registration statement was not specified when it was filed and there is no specific dollar limit on the amount of securities we may issue. The securities covered by this registration statement include: (i) class A common stock; (ii) preferred stock; (iii) debt securities; (iv) depositary shares representing preferred stock; (v) warrants; (vi) subscription rights; (vii) purchase contracts; and (viii) units consisting of one or more of such securities or any combination of these securities. The specifics of any future offerings, along with the use of proceeds of any securities offered, will be described in detail in a prospectus supplement, or other offering materials, at the time of any offering.

We may also access liquidity through a dividend reinvestment plan and direct stock purchase plan, under which 9,997,356 shares of class A common stock were available for issuance as of September 30, 2017, and our at-the-market stock offering program, pursuant to which we may sell, from time to time, up to $188.6 million of additional shares of our class A common stock as of September 30, 2017. Refer to Note 11 to our consolidated financial statements for additional details.

Our existing loan portfolio also provides us with liquidity as loans are repaid or sold, in whole or in part, and the proceeds from such repayments become available for us to reinvest.

Liquidity Needs

In addition to our ongoing loan origination activity, our primary liquidity needs include interest and principal payments under our $6.1 billion of outstanding borrowings under secured debt agreements, our Convertible Notes, our unfunded loan commitments, dividend distributions to our stockholders, and operating expenses.

Table of Contents

Contractual Obligations and Commitments

Our contractual obligations and commitments as of September 30, 2017 were as follows ($ in thousands):

		Payment Timing			
	Total Obligation	Less Than 1 Year	1 to 3 Years	3 to 5 Years	More Than 5 Years
Unfunded loan commitments[1]	$ 1,622,216	$ 224,032	$ 1,294,133	$ 104,051	$
Principal payments under secured debt agreements[2]	6,096,597	2,221,319	3,629,304	245,974	
Principal payments on convertible notes	575,000		172,500	402,500	
Interest payments[2][3]	400,423	204,915	164,633	30,875	
Total[4]	$ 8,694,236	$ 2,650,266	$ 5,260,570	$ 783,400	$

(1) The allocation of our unfunded loan commitments is based on the earlier of the commitment expiration date or the loan maturity date.
(2) The allocation of our secured debt agreements for both principal and interest payments is based on the current maturity date of each individual borrowing under the respective agreement.
(3) Represents interest payments on our secured debt agreements and convertible notes. Future interest payment obligations are estimated assuming the amounts outstanding and the interest rates in effect as of September 30, 2017 will remain constant into the future. This is only an estimate as actual amounts borrowed and rates will vary over time.
(4) Total does not include $33.2 million of loan participations sold, $987.6 million of non-consolidated senior interests, and $474.6 million of consolidated securitized debt obligations, as the satisfaction of these liabilities will not require cash outlays from us.

We are also required to settle our foreign currency forward contracts and interest rate swaps with our derivative counterparties upon maturity which, depending on foreign exchange and interest rate movements, may result in cash received from or due to the respective counterparty. The table above does not include these amounts as they are not fixed and determinable. Refer to Note 10 to our consolidated financial statement for details regarding our derivative contracts.

We are required to pay our Manager a base management fee, an incentive fee, and reimbursements for certain expenses pursuant to our Management Agreement. The table above does not include the amounts payable to our Manager under our Management Agreement as they are not fixed and determinable. Refer to Note 12 to our consolidated financial statements for additional terms and details of the fees payable under our Management Agreement.

As a REIT, we generally must distribute substantially all of our net taxable income to stockholders in the form of dividends to comply with the REIT provisions of the Internal Revenue Code of 1986, as amended, or the Internal Revenue Code. Our taxable income does not necessarily equal our net income as calculated in accordance with GAAP, or our Core Earnings as described above.

Cash Flows

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

	Nine Months Ended September 30, 2017	2016
Cash flows provided by operating activities	$ 176,539	$ 187,564
Cash flows (used in) provided by investing activities	(319,687)	789,573
Cash flows provided by (used in) financing activities	157,100	(989,730)
Net increase (decrease) in cash, cash equivalents, and restricted cash	$ 13,952	$ (12,593)

We experienced a net increase in cash, cash equivalents, and restricted cash of $14.0 million for the nine months ended September 30, 2017, compared to a net decrease of $12.6 million for the nine months ended September 30, 2016. During the nine months ended September 30, 2017, we (i) collected $2.0 billion of proceeds from loan principal repayments, (ii) received $394.1 million of net proceeds from the issuance of a convertible note offering, and (iii) borrowed a net $294.8 million under our secured debt agreements. We used the proceeds from our debt and equity financing activities to fund $2.3 billion of new loans during the nine months ended September 30, 2017.

Table of Contents

Refer to Note 3 to our consolidated financial statements for further discussion of our loan activity. Refer to Notes 6 and 7 to our consolidated financial statements for additional discussion of our secured debt agreements and participations sold.

V. Other Items

Income Taxes

We elected to be taxed as a REIT, effective January 1, 2003, under the Internal Revenue Code for U.S. federal income tax purposes. We generally must distribute annually at least 90% of our net taxable income, subject to certain adjustments and excluding any net capital gain, in order for U.S. federal income tax not to apply to our earnings that we distribute. To the extent that we satisfy this distribution requirement, but distribute less than 100% of our net taxable income, we will be subject to U.S. federal income tax on our undistributed taxable income. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we pay out to our stockholders in a calendar year is less than a minimum amount specified under U.S. federal tax laws.

Our qualification as a REIT also depends on our ability to meet various other requirements imposed by the Internal Revenue Code, which relate to organizational structure, diversity of stock ownership, and certain restrictions with regard to the nature of our assets and the sources of our income. Even if we qualify as a REIT, we may be subject to certain U.S. federal income and excise taxes and state and local taxes on our income and assets. If we fail to maintain our qualification as a REIT for any taxable year, we may be subject to material penalties as well as federal, state and local income tax on our taxable income at regular corporate rates and we would not be able to qualify as a REIT for the subsequent four full taxable years. As of September 30, 2017 and December 31, 2016, we were in compliance with all REIT requirements.

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

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires our Manager to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. Actual results could differ from these estimates. There have been no material changes to our Critical Accounting Policies described in our annual report on Form 10-K filed with the SEC on February 14, 2017.

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

Table of Contents

VI. Loan Portfolio Details

The following table provides details of our loan portfolio, on a loan-by-loan basis, as of September 30, 2017 ($ in millions):

nation te[2]	Total Loan[3]	Principal Balance[3]	Net Book Value	Cash Coupon[4]	All-in Yield[4]	Maximum Maturity[5]	Location	Property Type	Loan SQFT / Ur
1/2017	$ 752.6	$644.8	$ 641.3	L + 3.40 %	L + 3.60 %	6/10/2023	Virginia	Office	3
5/2015	590.0	531.4	89.9	L + 4.25 %	L + 4.74 %	5/15/2020	Miami	Retail	6
6/2015	494.8	494.8	89.7	4.49%	5.82%	10/29/2022	Diversified - EUR	Other	
1/2015	320.3	294.5	293.9	L + 3.45 %	L + 3.83 %	5/1/2020	New York	Office	3
7/2015	315.0	293.8	293.0	L + 3.50 %	L + 3.71 %	1/9/2021	New York	Office	2
4/2015	274.4	274.4	277.6	L + 4.34 %	L + 4.20 %	9/2/2020	Diversified - CAN	Hotel	42,3
1/2017	258.4	241.5	239.3	L + 4.15 %	L + 4.54 %	4/9/2022	Maui	Hotel	318,1
3/2015	222.7	215.1	214.7	L + 3.65 %	L + 3.97 %	5/8/2022	Washington DC	Office	2
1/2014	215.0	213.3	213.1	L + 3.40 %	L + 3.52 %	8/9/2019	Chicago	Office	2
3/2016	275.9	194.1	192.3	L + 4.66 %	L + 5.21 %	8/9/2021	New York	Office	2
9/2016	200.0	189.8	189.5	L + 3.64 %	L + 4.10 %	9/9/2021	New York	Office	5
5/2016	200.0	188.8	188.1	L + 4.25 %	L + 4.86 %	5/9/2021	New York	Office	1
5/2014	181.0	181.0	180.8	L + 4.75 %	L + 5.07 %	3/9/2019	Diversified - US	Hotel	95,1
0/2015	180.1	177.1	34.9	L + 4.75 %	L + 5.16 %	8/15/2022	San Francisco	Condo	8
2/2016	204.5	171.9	170.5	L + 3.50 %	L + 4.07 %	1/9/2022	New York	Office	2
7/2016	186.7	169.1	168.0	L + 3.75 %	L + 4.13 %	9/9/2021	San Francisco	Office	4
1/2017	183.0	165.4	163.6	L + 3.00 %	L + 3.40 %	9/9/2022	Orange County	Office	1
6/2017	189.2	163.8	162.0	L + 3.90 %	L + 4.29 %	5/16/2021	Chicago	Office	1
8/2016	181.2	161.7	160.6	L + 3.55 %	L + 3.85 %	3/9/2021	Orange County	Office	2
3/2016	160.0	160.0	160.0	L + 4.42 %	L + 4.42 %	6/9/2021	Los Angeles	Office	
7/2017	150.0	150.0	148.8	L + 4.65 %	L + 5.04 %	3/9/2022	Honolulu	Hotel	240,7
0/2013	140.0	140.0	139.8	L + 4.38 %	L + 4.54 %	9/9/2020	San Francisco	Hotel	215,7
5/2016	145.5	139.4	138.5	L + 4.35 %	L + 4.84 %	10/9/2021	Diversified - US	Hotel	52,5
3/2017	165.0	135.8	134.1	L + 3.25 %	L + 3.64 %	10/9/2022	Los Angeles	Office	2
6/2016	133.5	133.5	132.5	L + 4.20 %	L + 4.57 %	11/9/2021	Oakland	Office	1
0/2014	133.4	133.4	133.1	L + 4.30 %	L + 5.32 %	12/1/2017	New York	Hotel	212,3
2/2016	225.0	124.6	122.4	L + 5.75 %	L + 7.08 %	2/11/2021	Seattle	Office	1
9/2017	141.1	121.0	119.7	L + 3.35 %	L + 3.77 %	7/9/2022	Torrance	Multi	239,1
9/2014	141.5	120.4	120.4	L + 3.80 %	L + 3.80 %	12/9/2019	Diversified - US	Office	
7/2016	111.2	111.2	110.4	L + 3.95 %	L + 4.31 %	10/21/2021	Diversified - UK	Other	1

continued

Table of Contents

ation e(2)	Total Loan(3)	Principal Balance(3)	Net Book Value	Cash Coupon(4)	All-in Yield(4)	Maximum Maturity(5)	Location	Property Type	Loan SQFT / U
/2014	110.0	110.0	109.7	L + 3.95 %	L + 4.16 %	3/9/2021	Long Island	Office	
/2016	107.2	107.2	106.9	L + 3.75 %	L + 4.41 %	4/20/2019	London - UK	Office	
/2015	107.3	103.7	103.4	L + 4.25 %	L + 4.62 %	7/9/2020	Honolulu	Hotel	173
/2016	119.0	103.4	102.7	L + 3.60 %	L + 4.00 %	8/9/2021	Atlanta	Office	
/2015	101.2	101.1	101.0	L + 3.25 %	L + 3.61 %	3/11/2020	Orange County	Office	
/2016	100.8	100.8	100.7	L + 4.35 %	L + 5.02 %	5/9/2021	Chicago	Office	
/2016	128.5	97.8	97.2	L + 4.25 %	L + 4.76 %	2/9/2021	Los Angeles	Retail	
/2015	93.8	93.8	95.9	L + 4.30 %	L + 4.83 %	1/27/2018	Diversified - US	Other	231,
/2017	288.0	93.7	91.5	L + 5.50 %	L + 5.96 %	2/9/2022	Boston	Office	
/2016	98.5	90.7	90.2	L + 4.10 %	L + 4.52 %	4/9/2021	Chicago	Multi	625,
/2014	100.0	90.6	90.1	L + 3.85 %	L + 4.21 %	4/9/2022	Miami	Office	
/2014	98.7	85.8	85.6	L + 3.75 %	L + 4.07 %	6/15/2021	Orange County	Office	
/2015	89.9	85.6	85.6	L + 3.75 %	L + 3.75 %	3/9/2020	Diversified - CA	Office	
/2014	90.0	85.0	84.7	L + 3.85 %	L + 4.07 %	7/9/2020	Atlanta	Office	
/2017	134.8	84.8	83.7	L + 5.00 %	L + 5.49 %	2/9/2022	Boston	Other	
/2014	87.2	82.2	81.7	L + 3.55 %	L + 3.83 %	8/9/2020	Chicago	Office	
/2014	85.0	82.1	82.0	L + 3.75 %	L + 4.12 %	11/9/2019	New York	Retail	1
/2015	80.9	80.9	81.3	L + 3.65 %	L + 3.82 %	11/30/2018	Diversified - US	Hotel	68
/2015	83.5	79.7	79.5	L + 3.95 %	L + 4.31 %	5/9/2020	Maryland	Hotel	204
/2016	100.0	79.5	79.4	L + 4.15 %	L + 4.68 %	3/9/2021	Long Island	Office	
/2015	75.4	75.2	75.3	5.19 %(6)	5.50 %(6)	8/31/2020	Diversified - FL	MHC	20,
/2015	77.6	74.2	74.8	5.13 %(6)	5.43 %(6)	3/28/2019	Diversified - CAN	Retail	
/2017	82.3	73.2	72.5	L + 4.10 %	L + 4.46 %	8/18/2022	Brussels	Office	
/2017	91.2	68.3	67.5	L + 4.30 %	L + 4.87 %	4/9/2022	New York	Office	
/2015	102.2	67.7	67.0	L + 3.55 %	L + 3.92 %	4/28/2022	Chicago	Office	
/2017	76.0	65.0	64.3	L + 4.15 %	L + 4.58 %	9/9/2021	New York	Condo	
/2014	67.0	64.4	64.2	L + 4.35 %	L + 4.61 %	10/9/2019	Long Island	Hotel	104
/2016	79.0	63.9	63.3	L + 3.95 %	L + 4.39 %	12/9/2021	Chicago	Retail	1
/2016	75.4	63.7	63.2	L + 3.65 %	L + 4.08 %	7/9/2021	Fort Lauderdale	Office	
/2017	135.9	62.7	61.5	L + 3.40 %	L + 3.91 %	6/10/2023	Virginia	Office	

continued

51

ination ate(2)	Total Loan(3)	Principal Balance(3)	Net Book Value	Cash Coupon(4)	All-in Yield(4)	Maximum Maturity(5)	Location	Property Type	Loan I SQFT / Un
11/2014	65.0	62.1	62.1	L + 4.50 %	L + 4.77 %	4/9/2019	New York	Multi	698,1
13/2017	86.3	60.0	59.2	L + 3.75 %	L + 4.18 %	8/9/2022	Honolulu	Hotel	192,9
13/2014	60.0	60.0	59.5	L + 3.45 %	L + 4.89 %	6/9/2020	New York	Office	2
/9/2017	73.7	59.3	58.7	L + 3.85 %	L + 4.30 %	5/9/2022	New York	Multi	357,5
29/2017	64.2	57.5	56.9	L + 3.40 %	L + 3.71 %	7/9/2023	New York	Multi	167,6
/4/2015	57.0	57.0	56.8	L + 3.25 %	L + 4.09 %	1/6/2018	Norwich - UK	Retail	1
28/2013	63.0	56.2	56.2	L + 4.38 %	L + 5.30 %	1/20/2019	London - UK	Office	6
21/2017	55.4	55.4	55.4	L + 3.95 %	L + 4.15 %	4/1/2019	Broomfield	Multi	153,8
/9/2014	56.0	52.5	52.4	L + 4.00 %	L + 4.25 %	9/9/2019	Ft. Lauderdale	Office	1
20/2015	52.4	52.4	52.7	L + 3.50 %	L + 3.75 %	12/31/2018	Chicago	Office	1
23/2016	55.4	50.0	49.6	L + 3.50 %	L + 3.80 %	12/9/2022	New York	Multi	208,3
20/2015	58.0	49.5	49.5	5.25 %(6)	5.52 %(6)	6/30/2019	Charlotte	Office	
27/2016	57.2	49.5	49.0	L + 4.65 %	L + 5.08 %	1/9/2022	New York	Multi	1,260,4
/1/2016	47.6	47.6	47.5	L + 4.35 %	L + 4.97 %	9/1/2021	Atlanta	Multi	240,5
22/2016	46.0	45.5	45.3	L + 4.25 %	L + 4.90 %	10/9/2019	New York	Office	4
19/2015	50.0	45.3	45.3	L + 4.00 %	L + 4.32 %	10/9/2018	New York	Office	1,1
/9/2017	46.6	44.4	44.0	L + 4.50 %	L + 4.98 %	2/9/2022	London	Office	7
29/2017	51.2	43.5	43.0	L + 3.10 %	L + 3.52 %	10/9/2022	Southern California	Industrial	
26/2014	42.9	42.9	42.8	L + 4.30 %	L + 4.56 %	4/9/2019	East Bay	Office	1
11/2015	39.5	39.5	39.7	5.18 %(6)	5.41 %(6)	9/30/2020	Diversified - US	MHC	22,5
26/2015	42.1	38.8	38.8	L + 3.75 %	L + 3.76 %	7/9/2020	San Diego	Office	1
17/2014	38.5	38.5	38.4	L + 5.50 %	L + 6.17 %	12/9/2019	Diversified - CAN	Office	
20/2015	37.9	37.9	38.0	4.66 %(6)	5.19 %(6)	1/31/2019	Los Angeles	Office	1
25/2015	43.8	37.4	37.3	L + 4.50 %	L + 4.76 %	9/9/2018	Los Angeles	Office	1
12/2014	34.8	34.8	34.7	L + 4.00 %	L + 4.36 %	6/30/2018	Los Angeles	Office	
22/2015	34.8	34.8	34.8	L + 4.50 %	L + 5.03 %	10/22/2018	London - UK	Office	2,6
11/2015	34.0	34.0	34.1	5.34%	5.58%	5/31/2020	Diversified - US	MHC	20,8
14/2017	32.8	32.8	32.8	L + 4.35 %	L + 4.58 %	8/1/2018	Davis	Multi	215,4
20/2015	36.5	32.0	31.9	L + 3.60 %	L + 4.07 %	7/11/2019	Los Angeles	Office	3
17/2015	31.9	31.9	31.8	L + 4.50 %	L + 4.95 %	4/20/2020	Hague - NL	Hotel	104,2

continued

n	Total Loan(3)	Principal Balance(3)	Net Book Value	Cash Coupon(4)	All-in Yield(4)	Maximum Maturity(5)	Location	Property Type	SQ
4	26.0	26.0	26.0	L + 4.00 %	L + 4.26 %	3/9/2019	Phoenix	Other	
5	25.9	25.9	25.9	5.25 %(6)	5.74 %(6)	11/30/2020	West Palm Beach	MHC	
4	24.5	24.5	24.4	L + 4.00 %	L + 4.43 %	7/20/2019	Diversified - NL	Office	
5	24.4	24.4	24.4	5.37 %(6)	5.87 %(6)	11/30/2020	Ft. Lauderdale	MHC	
5	48.7	21.7	21.7	L + 4.00 %	L + 4.57 %	6/30/2018	Los Angeles	Office	
5	21.3	21.3	21.1	4.50%	5.06%	12/23/2021	Montreal - CAN	Office	
5	20.6	20.6	20.6	L + 3.95 %	L + 4.97 %	3/31/2019	Pittsburgh	Hotel	
5	18.2	18.2	18.3	4.63%	5.00%	3/1/2019	Ontario - CAN	Other	
5	17.9	17.9	17.8	5.04 %(6)	5.61 %(6)	11/30/2020	Ft. Lauderdale	MHC	
5	17.2	17.2	17.3	5.20%	5.55%	9/4/2020	Diversified - CAN	Other	
7	80.0	15.2	14.4	L + 3.75 %	L + 4.86 %	5/8/2022	Washington DC	Office	
5	14.9	14.9	14.9	5.34 %(6)	5.87 %(6)	9/30/2020	Tampa	MHC	
5	15.6	14.8	15.4	L + 4.50 %	L + 4.69 %	12/1/2017	Toronto - CAN	Office	
7	13.6	13.6	13.6	L + 4.50 %	L + 4.74 %	10/1/2018	Phoenix	Multi	
7	13.3	13.3	13.2	L + 4.25 %	L + 5.17 %	4/1/2019	Austin	Multi	
7	13.1	13.1	13.1	L + 4.50 %	L + 4.86 %	2/1/2020	Orlando	Multi	
5	12.8	12.8	12.8	L + 4.75 %	L + 5.01 %	10/15/2017	Diversified - US	Office	
7	10.7	10.7	10.7	L + 4.50 %	L + 4.74 %	8/1/2018	Phoenix	Multi	
7	7.3	7.3	7.3	L + 5.00 %	L + 5.30 %	7/1/2019	Phoenix	Multi	
7	193.2	0.0	(1.9)	L + 5.10 %	L + 6.17 %	8/9/2022	Oakland	Office	
7	91.0	0.0	(0.9)	L + 5.25 %	L + 5.98 %	10/9/2022	Oakland	Multi	
	$ 12,342.0	$10,668.7	$ 9,637.2	5.13%	5.55%	3.4 yrs			

(1) Senior loans include senior mortgages and similar credit quality loans, including related contiguous subordinate loans and pari passu participations in senior mortgage loans.

(2) Date loan was originated or acquired by us, and the LTV as of such date. Dates are not updated for subsequent loan modifications or upsizes.

(3) In certain instances, we finance our loans through the non-recourse sale of a senior loan interest that is not included in our consolidated financial statements. As of September 30, 2017, three loans in our portfolio have been financed with an aggregate $987.6 million of non-consolidated senior interest, which are included in the table above.

(4) As of September 30, 2017, our floating rate loans were indexed to various benchmark rates, with 91% of floating rate loans by loan exposure indexed to USD LIBOR. In addition, $273.9 million of our floating rate loans earned interest based on floors that are above the applicable index, with an average floor of 1.24%, as of September 30, 2017. In addition to cash coupon, all-in yield includes the amortization of deferred origination and extension fees, loan origination costs, and accrual of exit fees.

(5) Maximum maturity assumes all extension options are exercised, however our loans may be repaid prior to such date.

(6) Loan consists of one or more floating and fixed rate tranches. Coupon and all-in yield assume applicable floating benchmark rates for weighted-average calculation.

Table of Contents

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK
Interest Rate Risk

Loan Portfolio Net Interest Income

Generally, our business model is such that rising interest rates will increase our net income, while declining interest rates will decrease net income. As of September 30, 2017, 92% of our loans by total loan exposure earned a floating rate of interest and were financed with liabilities that pay interest at floating rates, which resulted in an amount of net equity that is positively correlated to rising interest rates, subject to the impact of interest rate floors on certain of our floating rate loans. As of September 30, 2017, the remaining 8% of our loans by total loan exposure earned a fixed rate of interest, but are financed with liabilities that pay interest at floating rates, which resulted in a negative correlation to rising interest rates to the extent of our financing. In certain instances where we have financed fixed rate assets with floating rate liabilities, we have purchased interest rate swaps or caps to limit our exposure to increases in interest rates on such liabilities.

The following table projects the impact on our interest income and expense for the twelve-month period following September 30, 2017, assuming an immediate increase or decrease of both 25 and 50 basis points in the applicable interest rate benchmark by currency ($ in thousands):

Currency	Assets (Liabilities) Subject to Interest Rate Sensitivity(1)(2)		25 Basis Point Increase	25 Basis Point Decrease	50 Basis Point Increase	50 Basis Point Decrease
USD	$ 8,923,957	Interest income	$ 22,299	$ (21,505)	$ 44,608	$ (41,195)
	(6,503,552)	Interest expense	(16,259)	16,227	(32,518)	31,299
	$ 2,420,405	Total	$ 6,040	$ (5,278)	$ 12,090	$ (9,896)
GBP	$ 410,791	Interest income	$ 1,027	$ (1,027)	$ 2,054	$ (1,636)
	(231,187)	Interest expense	(578)	578	(1,156)	1,156
	$ 179,604	Total	$ 449	$ (449)	$ 898	$ (480)
EUR	$ 129,637	Interest income	$	$	$ 222	$
	(78,192)	Interest expense	(195)	195	(391)	391
	$ 51,445	Total	$ (195)	$ 195	$ (169)	$ 391
CAD(3)	$ 328,853	Interest income	$ 822	$ (822)	$ 1,644	$ (1,644)
	(287,769)	Interest expense	(719)	719	(1,439)	1,439
	$ 41,084	Total	$ 103	$ (103)	$ 205	$ (205)

Total	$ 6,397	$ (5,635)	$ 13,024	$ (10,190)

(1) Our floating rate loans and related liabilities are indexed to the various benchmark rates relevant in each case in terms of currency and payment frequency. Therefore the net exposure to each benchmark rate is in direct proportion to our net assets indexed to that rate.
(2) Includes borrowings under secured debt agreements, loan participations sold, non-consolidated senior interests, and securitized debt obligations.
(3) Liabilities balance includes four interest rate swaps totaling C$108.2 million ($86.7 million as of September 30, 2017) that are used to hedge a portion of our fixed rate debt.

Loan Portfolio Value

As of September 30, 2017, 8% of our loans by total loan exposure earned a fixed rate of interest and as such, the values of such loans are sensitive to changes in interest rates. We generally hold all of our loans to maturity and so do not expect to realize gains or losses on our fixed rate loan portfolio as a result of movements in market interest rates.

Risk of Non-Performance

In addition to the risks related to fluctuations in cash flows and asset values associated with movements in interest rates, there is also the risk of non-performance on floating rate assets. In the case of a significant increase in interest rates, the additional debt service payments due from our borrowers may strain the operating cash flows of the collateral real estate assets and, potentially, contribute to non-performance or, in severe cases, default. This risk is partially mitigated by various facts we consider during our underwriting process, which in certain cases include a requirement for our borrower to purchase an interest rate cap contract.

Credit Risks

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

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

Capital Market Risks

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

Counterparty Risk

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

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

Currency Risk

Our loans and investments that are denominated in a foreign currency are also subject to risks related to fluctuations in currency rates. We mitigate this exposure by matching the currency of our foreign currency assets to the currency of the borrowings that finance those assets. As a result, we substantially reduce our exposure to changes in portfolio value related to changes in foreign currency rates. In certain circumstances, we may also enter into foreign currency derivative contracts to further mitigate this exposure.

Table of Contents

The following table outlines our assets and liabilities that are denominated in a foreign currency (£/ /C$ in thousands):

	September 30, 2017		
Foreign currency assets(1)	£ 683,745	145,958	C$ 583,528
Foreign currency liabilities(1)	(475,609)	(66,290)	(467,788)
Foreign currency contracts - notional	(112,700)		(102,000)
Net exposure to exchange rate fluctuations	£ 95,436	79,668	C$ 13,740

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

We estimate that a 10% appreciation of the United States Dollar relative to the British Pound Sterling and the Euro would result in a decline in our net assets in U.S. Dollar terms of $27.9 million and $9.4 million, respectively, as of September 30, 2017. Substantially all of our net asset exposure to the Canadian Dollar has been hedged with foreign currency forward contracts.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)), as of the end of the period covered by this quarterly report on Form 10-Q was made under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (a) are effective to ensure that information required to be disclosed by us in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by SEC rules and forms and (b) include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Controls over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during the period covered by this quarterly report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we may be involved in various claims and legal actions arising in the ordinary course of business. As of September 30, 2017, we were not involved in any material legal proceedings.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors previously disclosed under Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2016.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

Table of Contents

ITEM 6. EXHIBITS

10.1	Second Supplemental Indenture, dated May 5, 2017, between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee (filed as Exhibit 4.2 to the Company s Current Report on Form 8-K (File No. 001-14788) filed with the Commission on May 5, 2017 and incorporated herein by reference).
10.2	Form of 4.375% Convertible Senior Notes due 2022 (included as Exhibit A in Exhibit 10.1).
31.1	Certification of Chief Executive Officer, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1 +	Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2 +	Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

+ This exhibit shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the Exchange Act) or otherwise subject to the liability of that Section. Such exhibit shall not be deemed incorporated into any filing under the Securities Act of 1933, as amended (the Securities Act), or the Exchange Act.

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

Table of Contents

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.

	BLACKSTONE MORTGAGE TRUST, INC.
October 24, 2017 Date	/s/ Stephen D. Plavin Stephen D. Plavin Chief Executive Officer (Principal Executive Officer)
October 24, 2017 Date	/s/ Anthony F. Marone, Jr. Anthony F. Marone, Jr. Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)