

**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 June 30, 2019.

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 001-38156



TPG RE Finance Trust, Inc.

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

36-4796967
(I.R.S. Employer
Identification No.)

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	TRTX	New York Stock Exchange

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

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

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

Large Accelerated Filer Accelerated Filer
Non-accelerated Filer Smaller Reporting Company
Emerging Growth Company

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

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

As of July 26, 2019, there were 72,943,213 shares of the registrant's common stock, \$0.001 par value per share, and 1,143,313 shares of the registrant's Class A common stock, \$0.001 par value per share, outstanding.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

There are a number of risks, uncertainties and other important factors that could cause our actual results to differ materially from the forward-looking statements contained in this Form 10-Q. Such risks, uncertainties and other important factors include, among others, the risks, uncertainties and factors set forth under the heading Item 1A – “Risk Factors” in our Form 10-K filed with the Securities and Exchange Commission (the “SEC”) on February 26, 2019, as such risk factors may be updated from time to time in our periodic filings with the SEC, which are accessible on the SEC’s website at www.sec.gov. Such risks, uncertainties and other factors include, but are not limited to, the following:

- the general political, economic and competitive conditions in the markets in which we invest;
- the level and volatility of prevailing interest rates and credit spreads;
- adverse changes in the real estate and real estate capital markets;
- general volatility of the securities markets in which we participate;
- changes in our business, investment strategies or target assets;
- difficulty in obtaining financing or raising capital;
- reductions in the yield on our investments and increases in the cost of our financing;
- adverse legislative or regulatory developments, including with respect to tax laws;
- acts of God such as hurricanes, floods, earthquakes, wildfires, mudslides, volcanic eruptions, and other natural disasters, acts of war and/or terrorism and other events that may cause unanticipated and uninsured performance declines and/or losses to us or the owners and operators of the real estate securing our investments;
- changes in the availability of attractive loan and other investment opportunities, whether they are due to competition, regulation or otherwise;
- deterioration in the performance of properties securing our investments that may cause deterioration in the performance of our investments and potentially principal losses to us;
- defaults by borrowers in paying debt service on outstanding indebtedness;
- the adequacy of collateral securing our investments and declines in the fair value of our investments;
- adverse developments in the availability of desirable investment opportunities;
- difficulty in successfully managing our growth, including integrating new assets into our existing systems;
- the cost of operating our platform, including, but not limited to, the cost of operating a real estate investment platform and the cost of operating as a publicly traded company;
- the availability of qualified personnel and our relationship with our Manager (as defined below);
- conflicts with TPG (as defined below) and its affiliates, including our Manager, the personnel of TPG providing services to us, including our officers, and certain funds managed by TPG;
- our qualification as a real estate investment trust (“REIT”) for U.S. federal income tax purposes and our ability to maintain our exemption or exclusion from registration under the Investment Company Act of 1940, as amended (the “Investment Company Act”); and
- authoritative U.S. generally accepted accounting principles (or “GAAP”) or policy changes from such standard-setting bodies such as the Financial Accounting Standards Board, the SEC, the Internal Revenue Service, the New York Stock Exchange and other authorities that we are subject to, as well as their counterparts in any foreign jurisdictions where we might do business.

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

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

Except where the context requires otherwise, the terms “Company,” “we,” “us,” and “our” refer to TPG RE Finance Trust, Inc., a Maryland corporation, and its subsidiaries; the term “Manager” refers to our external manager, TPG RE Finance Trust Management, L.P., a Delaware limited partnership; and the term “TPG” refers to TPG Global, LLC, a Delaware limited liability company, and its affiliates.

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Part I. Financial Information

Item 1. Financial Statements

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

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
ASSETS⁽¹⁾		
Cash and Cash Equivalents	\$ 70,042	\$ 39,720
Restricted Cash	450	1,000
Accounts Receivable	42	38
Accounts Receivable from Servicer/Trustee	213,410	96,464
Accrued Interest Receivable	30,923	20,731
Loans Held for Investment, net (includes \$2,807,240 and \$2,219,574 pledged as collateral under secured revolving repurchase and secured credit agreements)	4,830,235	4,293,787
Investment in Available-for-Sale Debt Securities (includes \$641,426 and \$36,307 pledged as collateral under secured revolving repurchase agreements)	679,178	74,381
Other Assets, Net	354	669
Total Assets	<u>\$ 5,824,634</u>	<u>\$ 4,526,790</u>
LIABILITIES AND STOCKHOLDERS' EQUITY⁽¹⁾		
Liabilities		
Accrued Interest Payable	\$ 9,604	\$ 6,146
Accrued Expenses	6,084	8,151
Secured Revolving Repurchase, Senior Secured, and Secured Credit Agreements (net of deferred financing costs of \$9,823 and \$10,448)	2,749,126	1,494,078
Collateralized Loan Obligations (net of deferred financing costs of \$7,945 and \$12,447)	1,179,464	1,509,930
Term Loan Facility (net of deferred financing costs of \$1,023 and \$758)	266,638	113,504
Asset-Specific Financings (net of deferred financing costs of \$564 and \$129)	108,936	32,371
Payable to Affiliates	7,649	5,996
Deferred Revenue	391	463
Dividends Payable	31,985	28,981
Total Liabilities	4,359,877	3,199,620
Commitments and Contingencies—See Note 14		
Stockholders' Equity:		
Preferred Stock (\$0.001 par value per share; 100,000,000 shares authorized; 125 and 0 shares issued and outstanding, respectively)	—	—
Common Stock (\$0.001 par value per share; 300,000,000 shares authorized; 72,996,096 and 66,020,387 shares issued and outstanding, respectively)	73	67
Class A Common Stock (\$0.001 par value per share; 2,500,000 shares authorized; 1,143,313 shares issued and outstanding)	1	1
Additional Paid-in-Capital	1,492,670	1,355,002
Accumulated Deficit	(29,220)	(25,915)
Accumulated Other Comprehensive Gain (Loss)	1,233	(1,985)
Total Stockholders' Equity	1,464,757	1,327,170
Total Liabilities and Stockholders' Equity	<u>\$ 5,824,634</u>	<u>\$ 4,526,790</u>

- (1) The Company's consolidated Total Assets and Total Liabilities at June 30, 2019 include assets and liabilities of variable interest entities ("VIEs") of \$1.6 billion and \$1.2 billion, respectively. The Company's consolidated Total Assets and Total Liabilities at December 31, 2018 include assets and liabilities of VIEs of \$1.9 billion and \$1.5 billion, respectively. These assets can be used only to satisfy obligations of the VIEs, and creditors of the VIEs have recourse only to these assets, and not to TPG RE Finance Trust, Inc. See Note 5 to the Consolidated Financial Statements for details.

See accompanying notes to the Consolidated Financial Statements

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

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	2019	2018	2019	2018
INTEREST INCOME				
Interest Income	\$ 88,254	\$ 64,693	\$ 164,855	\$ 124,058
Interest Expense	(46,426)	(30,154)	(85,793)	(56,152)
Net Interest Income	<u>41,828</u>	<u>34,539</u>	<u>79,062</u>	<u>67,906</u>
OTHER REVENUE				
Other Income, net	412	509	834	875
Total Other Revenue	<u>412</u>	<u>509</u>	<u>834</u>	<u>875</u>
OTHER EXPENSES				
Professional Fees	593	855	1,272	1,754
General and Administrative	1,674	1,089	2,999	2,197
Servicing and Asset Management Fees	431	767	944	1,534
Management Fee	5,323	4,763	10,466	9,467
Incentive Management Fee	2,048	1,146	3,413	2,072
Total Other Expenses	<u>10,069</u>	<u>8,620</u>	<u>19,094</u>	<u>17,024</u>
Income Before Income Taxes	<u>32,171</u>	<u>26,428</u>	<u>60,802</u>	<u>51,757</u>
Income Tax (Expense) Income, net	(202)	10	(421)	(205)
Net Income	<u>\$ 31,969</u>	<u>\$ 26,438</u>	<u>\$ 60,381</u>	<u>\$ 51,552</u>
Preferred Stock Dividends	(4)	—	(7)	(3)
Net Income Attributable to TPG RE Finance Trust, Inc.	<u>\$ 31,965</u>	<u>\$ 26,438</u>	<u>\$ 60,374</u>	<u>\$ 51,549</u>
Basic Earnings per Common Share	<u>\$ 0.43</u>	<u>\$ 0.44</u>	<u>\$ 0.85</u>	<u>\$ 0.86</u>
Diluted Earnings per Common Share	<u>\$ 0.43</u>	<u>\$ 0.44</u>	<u>\$ 0.85</u>	<u>\$ 0.86</u>
Weighted Average Number of Common Shares Outstanding				
Basic:	73,963,337	60,175,373	71,144,696	60,283,992
Diluted:	<u>73,963,337</u>	<u>60,175,373</u>	<u>71,144,696</u>	<u>60,283,992</u>
OTHER COMPREHENSIVE INCOME				
Net Income	<u>\$ 31,969</u>	<u>\$ 26,438</u>	<u>\$ 60,381</u>	<u>\$ 51,552</u>
Unrealized Gain (Loss) on Available-for-Sale Debt Securities	3,112	(1,424)	3,218	(1,638)
Comprehensive Net Income	<u>\$ 35,081</u>	<u>\$ 25,014</u>	<u>\$ 63,599</u>	<u>\$ 49,914</u>

See accompanying notes to the Consolidated Financial Statements

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

	Preferred Stock		Common Stock		Class A Common Stock		Additional	Accumulated	Accumulated	Other	Total
	Shares	Par Value	Shares	Par Value	Shares	Par Value	Paid-in-Capital	Deficit	Comprehensive Income (Loss)	Equity	
January 1, 2019	—	\$ —	66,020,387	\$ 67	1,143,313	\$ 1	\$ 1,355,002	\$ (25,915)	\$ (1,985)	\$ 1,327,170	
Issuance of Common Stock	—	—	6,000,000	6	—	—	119,094	—	—	119,100	
Repurchases of Common Stock	—	—	(2,324)	—	—	—	—	(42)	—	(42)	
Issuance of Series A Preferred Stock	125	—	—	—	—	—	125	—	—	125	
Equity Issuance and Equity Distribution Agreement Transaction Costs	—	—	—	—	—	—	(300)	—	—	(300)	
Amortization of Share Based Compensation	—	—	—	—	—	—	633	—	—	633	
Net Income	—	—	—	—	—	—	—	28,412	—	28,412	
Other Comprehensive Income	—	—	—	—	—	—	—	—	106	106	
Dividends on Preferred Stock	—	—	—	—	—	—	—	(3)	—	(3)	
Dividends on Common Stock (Dividends Declared per Share of \$0.43)	—	—	—	—	—	—	—	(31,160)	—	(31,160)	
Dividends on Class A Common Stock (Dividends declared per Share of \$0.43)	—	—	—	—	—	—	—	(492)	—	(492)	
March 31, 2019	<u>125</u>	<u>\$ —</u>	<u>72,018,063</u>	<u>\$ 73</u>	<u>1,143,313</u>	<u>\$ 1</u>	<u>\$ 1,474,554</u>	<u>\$ (29,200)</u>	<u>\$ (1,879)</u>	<u>\$ 1,443,549</u>	
Issuance of Common Stock	—	—	978,033	—	—	—	17,432	—	—	17,432	
Equity Issuance and Equity Distribution Agreement Transaction Costs	—	—	—	—	—	—	(197)	—	—	(197)	
Amortization of Share Based Compensation	—	—	—	—	—	—	881	—	—	881	
Net Income	—	—	—	—	—	—	—	31,969	—	31,969	
Other Comprehensive Income	—	—	—	—	—	—	—	—	3,112	3,112	
Dividends on Preferred Stock	—	—	—	—	—	—	—	(4)	—	(4)	
Dividends on Common Stock (Dividends Declared per Share of \$0.43)	—	—	—	—	—	—	—	(31,494)	—	(31,494)	
Dividends on Class A Common Stock (Dividends declared per Share of \$0.43)	—	—	—	—	—	—	—	(491)	—	(491)	
June 30, 2019	<u>125</u>	<u>\$ —</u>	<u>72,996,096</u>	<u>\$ 73</u>	<u>1,143,313</u>	<u>\$ 1</u>	<u>\$ 1,492,670</u>	<u>\$ (29,220)</u>	<u>\$ 1,233</u>	<u>\$ 1,464,757</u>	

	Preferred Stock		Common Stock		Class A Common Stock		Additional	Accumulated	Accumulated	Other	Total
	Shares	Par Value	Shares	Par Value	Shares	Par Value	Paid-in-Capital	Deficit	Comprehensive Income (Loss)	Equity	
January 1, 2018	125	\$ —	59,440,112	\$ 60	1,178,618	\$ 1	\$ 1,216,112	\$ (14,808)	\$ (34)	\$ 1,201,331	
Conversions of Class A Common Stock to Common Stock	—	—	24,071	—	(24,071)	—	—	—	—	—	
Repurchases of Common Stock	—	—	(443,570)	—	—	—	(9)	(8,351)	—	(8,360)	
Redemption of Series A Preferred Stock	(125)	—	—	—	—	—	(125)	—	—	(125)	
Amortization of Share Based Compensation	—	—	—	—	—	—	177	—	—	177	
Net Income	—	—	—	—	—	—	—	25,114	—	25,114	
Other Comprehensive (Loss)	—	—	—	—	—	—	—	—	(214)	(214)	
Dividends on Preferred Stock	—	—	—	—	—	—	—	(3)	—	(3)	
Dividends on Common Stock (Dividends Declared per Share of \$0.42)	—	—	—	—	—	—	—	(24,822)	—	(24,822)	
Dividends on Class A Common Stock (Dividends declared per Share of \$0.42)	—	—	—	—	—	—	—	(485)	—	(485)	
March 31, 2018	<u>—</u>	<u>\$ —</u>	<u>59,020,613</u>	<u>\$ 60</u>	<u>1,154,547</u>	<u>\$ 1</u>	<u>\$ 1,216,155</u>	<u>\$ (23,355)</u>	<u>\$ (248)</u>	<u>\$ 1,192,613</u>	
Issuance of Common Stock	—	—	19,352	—	—	—	—	—	—	—	
Amortization of Share Based Compensation	—	—	—	—	—	—	197	—	—	197	
Net Income	—	—	—	—	—	—	—	26,438	—	26,438	
Other Comprehensive (Loss)	—	—	—	—	—	—	—	—	(1,424)	(1,424)	
Dividends on Common Stock (Dividends Declared per Share of \$0.43)	—	—	—	—	—	—	—	(25,415)	—	(25,415)	
Dividends on Class A Common Stock (Dividends declared per Share of \$0.43)	—	—	—	—	—	—	—	(496)	—	(496)	
June 30, 2018	<u>—</u>	<u>\$ —</u>	<u>59,039,965</u>	<u>\$ 60</u>	<u>1,154,547</u>	<u>\$ 1</u>	<u>\$ 1,216,352</u>	<u>\$ (22,828)</u>	<u>\$ (1,672)</u>	<u>\$ 1,191,913</u>	

See accompanying notes to the Consolidated Financial Statements

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

	Six Months Ended June 30,	
	2019	2018
Cash Flows from Operating Activities:		
Net Income	\$ 60,381	\$ 51,552
Adjustment to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Amortization and Accretion of Premiums, Discounts and Loan Origination Fees, net	(7,898)	(8,911)
Amortization of Deferred Financing Costs	9,393	7,900
Stock Compensation Expense	1,514	374
Cash Flows Due to Changes in Operating Assets and Liabilities:		
Accounts Receivable	(4)	104
Accrued Interest Receivable	(12,224)	(1,500)
Accrued Expenses	(3,525)	1,165
Accrued Interest Payable	3,458	77
Payable to Affiliates	1,653	960
Deferred Fee Income	(72)	204
Other Assets	315	234
Net Cash Provided by Operating Activities	52,991	52,159
Cash Flows from Investing Activities:		
Origination and Acquisition of Loans Held for Investment	(1,133,817)	(1,040,793)
Advances on Loans Held for Investment	(117,131)	(150,769)
Principal Repayments of Loans Held for Investment	608,338	534,580
Purchase of Available-for-Sale Debt Securities	(632,267)	(143,643)
Principal Repayments of Available-for-Sale Debt Securities	6,641	4,536
Net Cash (Used in) Investing Activities	(1,268,236)	(796,089)
Cash Flows from Financing Activities:		
Payments on Collateralized Loan Obligations	(311,672)	—
Proceeds from Collateralized Loan Obligations	—	745,904
Payments on Secured Financing Agreements	(812,429)	(1,037,666)
Proceeds from Secured Financing Agreements	2,297,147	1,073,518
Payment of Deferred Financing Costs	(3,817)	(13,361)
Payments to Redeem Series A Preferred Stock	—	(125)
Payments to Repurchase Common Stock	(42)	(8,360)
Proceeds from Issuance of Preferred Stock	125	—
Proceeds from Issuance of Common Stock	136,532	—
Payment of Equity Issuance and Equity Distribution Agreement Transaction Costs	(188)	—
Dividends Paid on Common Stock	(59,649)	(47,442)
Dividends Paid on Class A Common Stock	(983)	(933)
Dividends Paid on Preferred Stock	(7)	(3)
Net Cash Provided by Financing Activities	1,245,017	711,532
Net Change in Cash, Cash Equivalents, and Restricted Cash	29,772	(32,398)
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	40,720	75,737
Cash, Cash Equivalents and Restricted Cash at End of Period	\$ 70,492	\$ 43,339
Supplemental Disclosure of Cash Flow Information:		
Interest Paid	\$ 72,942	\$ 48,175
Taxes Paid	368	205
Supplemental Disclosure of Non-Cash Investing and Financing Activities:		
Principal Repayments of Loans Held for Investment Held by Servicer/Trustee, net	208,697	36,435
Principal Repayments of Available-for-Sale Debt Securities Held by Servicer/Trustee, net	960	105
Proceeds from Secured Financing Agreements Held by Trustee	103	—
Dividends Declared, not paid	31,985	25,911
Accrued Equity Issuance and Equity Distribution Agreement Transaction Costs	309	78
Accrued Deferred Financing Costs	1,148	1,177
Unrealized Gain (Loss) on Available-for-Sale Debt Securities	3,218	(1,638)

See accompanying notes to the Consolidated Financial Statements

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

(1) Business and Organization

TPG RE Finance Trust, Inc. (together with its consolidated subsidiaries, “we,” “us,” “our” or the “Company”) is a Maryland corporation that was incorporated on October 24, 2014 and commenced operations on December 18, 2014 (“Inception”). We are organized as a holding company and conduct our operations primarily through TPG RE Finance Trust Holdco, LLC (“Holdco”), a Delaware limited liability company that is wholly owned by the Company, and Holdco’s direct and indirect subsidiaries. We conduct our operations as a real estate investment trust (“REIT”) for U.S. federal income tax purposes. We generally will not be subject to U.S. federal income taxes on our REIT taxable income to the extent that we annually distribute all of our REIT 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.

The Company’s principal business activity is to directly originate and acquire a diversified portfolio of commercial real estate related assets, consisting primarily of first mortgage loans and senior participation interests in first mortgage loans secured by institutional-quality properties in primary and select secondary markets in the United States and commercial real estate debt securities, including commercial mortgage-backed securities (“CMBS”) and commercial real estate collateralized loan obligation securities (“CRE CLO”). As of June 30, 2019, and December 31, 2018, the Company conducted substantially all of its operations through a Delaware limited liability company, TPG RE Finance Trust Holdco, LLC (“Holdco”), and the Company’s other wholly-owned subsidiaries.

(2) Summary of Significant Accounting Policies

Basis of Presentation

The interim consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”). The interim consolidated financial statements include the Company’s accounts, consolidated variable interest entities for which the Company is the primary beneficiary, and its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated.

Use of Estimates

The preparation of the interim consolidated financial statements in conformity with GAAP requires estimates of assets, liabilities, revenues, expenses and disclosure of contingent assets and liabilities at the date of the interim consolidated financial statements. Actual results could differ from management’s estimates, and such differences could be material. Significant estimates made in the interim consolidated financial statements include, but are not limited to: impairment; adequacy of provisions for loan losses; and valuation of financial instruments.

Principles of Consolidation

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

At each reporting date, the Company reconsiders its primary beneficiary conclusion to determine if its obligation to absorb losses of, or its rights to receive benefits from, the VIE could potentially be more than insignificant, and will consolidate or not consolidate accordingly (see Note 5 for details).

Revenue Recognition

Interest income on loans is accrued using the interest method based on the contractual terms of the loan, adjusted for credit impairment, if any. The objective of the interest method is to arrive at periodic interest income including recognition of fees and costs at a constant effective yield. Premiums, discounts, and origination fees are amortized or accreted into interest income over the lives of the loans using the interest method, or on a straight line basis when it approximates the interest method. Extension and modification fees are accreted into income on a straight line basis, when it approximates the interest method, over the related extension or modification period. Exit fees are accreted into income on a straight line basis, when it approximates the interest method, over the lives of the loans to which they relate unless they can be waived by the Company or a co-lender in connection with a loan refinancing. Prepayment penalties from borrowers are recognized as interest income when received. Certain of the Company's loan investments have in the past and may in the future provide for additional interest based on the borrower's operating cash flow or appreciation of the underlying collateral. Such amounts are considered contingent interest and are reflected as interest income only upon certainty of collection.

The Company considers a loan to be non-performing and places the loan on non-accrual status when: (1) management determines the borrower is incapable of, or has ceased efforts toward, curing the cause of a default; (2) the loan becomes 90 days delinquent; or (3) the loan experiences a maturity default. Based on the Company's judgment as to the collectability of principal, a loan on non-accrual status is either accounted for on a cash basis, where interest income is recognized only upon receipt of cash for principal and interest payments, or on a cost-recovery basis, where all cash receipts reduce the loan's carrying value, and interest income is only recorded when such carrying value has been fully recovered.

During the six months ended June 30, 2019 and the year end December 31, 2018, no loans were placed on non-accrual status and no losses or impairments were recorded to our loan portfolio.

Loans Held for Investment

Loans that the Company has the intent and ability to hold for the foreseeable future, or until maturity or repayment, are reported at their outstanding principal balances net of any premiums, discounts, loan origination fees and loan loss allowances, if any. Loan origination fees and direct loan origination costs are deferred and recognized in interest income over the estimated life of the loans using the interest method, or on a straight line basis when it approximates the interest method, adjusted for actual prepayments.

The Company evaluates each loan classified as a loan held for investment for impairment on a quarterly basis. Impairment occurs when it is deemed probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan. If the loan is considered to be impaired, a loan loss allowance is recorded to reduce the carrying value of the loan to the present value of the expected future cash flows discounted at the loan's contractual effective rate, or the fair value of the collateral securing the impaired loan, less estimated costs to sell such collateral, if recovery of the Company's investment is expected solely from the sale of such collateral. As part of the quarterly impairment review, the Company evaluates the risk of each loan and assigns a risk rating based on a variety of factors, grouped as follows to include, among other factors: (i) loan and credit structure, including the as-is loan-to-value ("LTV") ratio and structural features; (ii) quality and stability of real estate value and operating cash flow, including debt yield, property type, dynamics of the geographic, property-type and local market, physical condition, stability of cash flow, leasing velocity and quality and diversity of tenancy; (iii) performance against underwritten business plan; and (iv) quality, experience and financial condition of sponsor, borrower and guarantor(s). Based on a 5-point scale, the Company's loans are rated "1" through "5," from least risk to greatest risk, respectively, which ratings are defined as follows:

- 1- Outperform—Exceeds performance metrics (for example, technical milestones, occupancy, rents, net operating income) included in original or current credit underwriting and business plan;
- 2- Meets or Exceeds Expectations—Collateral performance meets or exceeds substantially all performance metrics included in original or current underwriting / business plan;
- 3- Satisfactory—Collateral performance meets or is on track to meet underwriting; business plan is met or can reasonably be achieved;
- 4- Underperformance—Collateral performance falls short of original underwriting, material differences exist from business plan, or both; technical milestones have been missed; defaults may exist, or may soon occur absent material improvement; and
- 5- Risk of Impairment/Default—Collateral performance is significantly worse than underwriting; major variance from business plan; loan covenants or technical milestones have been breached; timely exit from loan via sale or refinancing is questionable.

Since Inception, the Company has not recognized any impairments on its loan portfolio and has not recorded any loan loss allowances against any of the loans in its portfolio. The Company's determination of asset-specific loan loss reserves, should any such reserves be necessary, relies on material estimates regarding the fair value of loan collateral. Such losses could be caused by various factors, including, but not limited to, unanticipated adverse changes in the economy or events adversely affecting specific assets, borrowers, industries in which our borrowers operate or markets in which our borrowers or their properties are located. Significant judgment is required when evaluating loans for impairment.

The Company's loans are typically collateralized by real estate, or in the case of mezzanine loans, by a partnership or similar equity interest in an entity that owns real estate. As a result, the Company regularly evaluates on a loan-by-loan basis the extent and impact of any credit deterioration associated with the performance and/or value of the underlying collateral property as well as the financial and operating capability of the borrower/sponsor. The Company also evaluates the financial strength of loan guarantors, if any, and the borrower's competency in managing and operating the property or properties. In addition, the Company considers the overall economic environment, real estate sector, and geographic sub-market in which the borrower operates. Such impairment analyses are completed and reviewed by asset management personnel and evaluated by senior management, who utilize various data sources, including (i) periodic financial data such as property occupancy, tenant profile, rental rates, operating expenses, the borrower's exit plan, and capitalization and discount rates, (ii) site inspections, (iii) sales and financing comparables, (iv) current credit spreads for refinancing and (v) other market data.

Commercial Mortgage-Backed and Commercial Real Estate Collateralized Loan Obligation Securities

The Company acquires CMBS and CRE CLO investments primarily for cash management purposes, and also for investment purposes. The Company designates CMBS and CRE CLO investments as available-for-sale on the acquisition date. CMBS and CRE CLO investments that are classified as available-for-sale are recorded at fair value through other comprehensive income (loss) in the Company's consolidated financial statements. Additionally, CMBS and CRE CLO investments that are not classified as held-to-maturity and which the Company does not hold for the purpose of selling in the near-term, but may dispose of prior to maturity, are also designated as available-for-sale and are carried at fair value. The Company's recognition of interest income from its CMBS and CRE CLO investments, including its amortization of premium and discount, follows the Company's revenue recognition policy as described under "Revenue Recognition" above. The Company uses a specific identification method when determining the cost of a security sold and the amount of unrealized gain or loss reclassified from accumulated other comprehensive income (loss) into earnings. Unrealized losses on securities that, in the judgment of management, are other than temporary are charged against earnings as a loss in the consolidated statements of income and comprehensive income. Significant valuation inputs are Level II in the fair value hierarchy as described below under "Fair Value Measurements".

Portfolio Financing Arrangements

The Company finances certain loan and CMBS and CRE CLO investments using secured revolving repurchase agreements, asset-specific financing arrangements, senior secured and secured credit agreements, collateralized loan obligations, and a term loan facility. The related borrowings are recorded as separate liabilities on the Company's consolidated balance sheets. Interest income earned on the investments and interest expense incurred on the related borrowings are reported separately on the Company's consolidated statements of income and comprehensive income.

In certain instances, the Company creates structural leverage through the co-origination or non-recourse syndication of a senior loan interest to a third party. For all such syndications the Company has completed through June 30, 2019, the Company has transferred 100% of the senior mortgage loan that the Company originated on a non-recourse basis to a third-party lender and has retained as a loan investment a separate mezzanine loan investment secured by a pledge of the equity in the mortgage borrower. With respect to the senior mortgage loan transferred, the Company retains: no control over the mortgage loan; no economic interest in the mortgage loan; and no recourse to the purchaser or the borrower. Consequently, based on these circumstances and because the Company does not have any continuing involvement with the transferred senior mortgage loan, these syndications are accounted for as sales under GAAP and are removed from the Company's consolidated financial statements at the time of transfer. The Company's consolidated balance sheets only include the separate mezzanine loan remaining after the transfer, and not the non-consolidated senior loan interest sold or co-originated that the Company transferred.

As of December 31, 2018, the Company revised its "Note Payable" naming convention in its consolidated balance sheet to "Asset-Specific Financings". No amounts reported in prior periods were reclassified between financial statement line items and there was no impact to the Company's consolidated financial statements resulting from this naming convention change during the current fiscal year.

Fair Value Measurements

The Company follows ASC 820-10, *Fair Value Measurements and Disclosures* (“ASC 820-10”), for its holdings of financial instruments. ASC 820-10 defines fair value, establishes a framework for measuring fair value in accordance with GAAP and expands disclosure of fair value measurements. ASC 820-10 determines fair value to be the price that would be received for a financial instrument in a current sale, which assumes an orderly transaction between market participants on the measurement date. The Company determines the estimated fair value of financial assets and liabilities using the three-tier fair value hierarchy established by GAAP, which prioritizes the inputs used in measuring fair value. GAAP establishes market-based or observable inputs as the preferred source of values followed by valuation models using management assumptions in the absence of market inputs. The financial instruments recorded at fair value on a recurring basis in the Company’s consolidated financial statements are cash and cash equivalents, restricted cash and available-for-sale CMBS and CRE CLO investments. The three levels of inputs that may be used to measure fair value are as follows:

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

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

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

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

Income Taxes

The Company qualifies and has elected to be taxed as a REIT for U.S. federal income tax purposes under the Internal Revenue Code of 1986, as amended, commencing with its initial taxable year ended December 31, 2014. To the extent that it annually distributes at least 90% of its REIT taxable income to stockholders and complies with various other requirements as a REIT, the Company generally will not be subject to U.S. federal income taxes on its distributed REIT taxable income. If the Company fails to continue to qualify as a REIT in any taxable year and does not qualify for certain statutory relief provisions, the Company will be subject to U.S. federal and state income taxes at regular corporate rates beginning with the year in which it fails to qualify and may be precluded from being able to elect to be treated as a REIT for the Company’s four subsequent taxable years. Even though the Company currently qualifies for taxation as a REIT, the Company may be subject to certain U.S. federal, state, local and foreign taxes on the Company’s income and property and to U.S. federal income and excise taxes on the Company’s undistributed REIT taxable income.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the periods in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period in which the enactment date occurs. Under ASC Topic 740, *Income Taxes* (“ASC 740”), a valuation allowance is established when management believes it is more likely than not that a deferred tax asset will not be realized. The Company intends to continue to operate in a manner consistent with, and to continue to meet the requirements to be treated as, a REIT for tax purposes and to distribute all of its REIT taxable income. Accordingly, the Company does not expect to pay corporate level federal taxes.

Earnings per Common Share

The Company utilizes the two-class method when assessing participating securities to calculate earnings per common share. Basic and diluted earnings per common share is computed by dividing net income attributable to common stockholders (i.e., holders of common stock and Class A common stock), by the weighted-average number of common shares (both common stock and Class A common stock) outstanding during the period. The preferences, rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications and terms and conditions of redemption of the Class A common stock are identical to the common stock, except (1) the Class A common stock is not a “margin security” as defined in Regulation U of the Board of Governors of the U.S. Federal Reserve System (and rulings and interpretations thereunder) and may not be listed on a national securities exchange or a national market system and (2) each share of Class A common stock is convertible at any time or from time to time, at the option of the holder, for one fully paid and non-assessable share of common stock. The Class A common stock votes together with the common stock as a single class. Shares of Class A common stock have been issued to, and are owned by, TPG RE Finance Trust Management, L.P., a Delaware limited partnership (the “Manager”), and certain individuals or entities who are or were affiliated with the Manager, and the sale or conversion to common stock by investors of such shares of Class A common stock is subject to certain restrictions.

Diluted earnings per common share is calculated by including the effect of dilutive securities. The Company accounts for unvested share-based payment awards that contain non-forfeitable dividend rights or dividend equivalents (whether paid or unpaid) as participating securities, which are included in the computation of earnings per share pursuant to the two-class method.

Share-Based Compensation

Share-based compensation consists of awards issued by the Company to certain employees of affiliates of our Manager and certain members of our Board of Directors. These share-based awards generally vest in installments over a fixed period of time. Compensation expense is recognized in net income on a straight-line basis over the applicable awards’ vesting period. Forfeitures of share-based awards are recognized as they occur.

Deferred Financing Costs

Deferred financing costs are reflected net of the collateralized loan obligations and secured financing arrangements on the Company’s consolidated balance sheets. These costs are amortized in interest expense using the interest method, or on a straight line basis when it approximates the interest method, over the shorter of the initial maturity of the obligation or financing arrangement.

Cash and Cash Equivalents

Cash and cash equivalents include cash held in banks or invested in money market funds with original maturities of less than 90 days. The Company deposits its cash and cash equivalents with high credit quality institutions to minimize credit risk exposure. The Company maintains cash accounts at several financial institutions, which are insured up to a maximum of \$250,000 per account as of June 30, 2019 and December 31, 2018. The balances in these accounts may exceed the insured limits.

Restricted Cash

Restricted cash primarily represents deposit proceeds from potential borrowers which may be returned to borrowers, after deducting transaction costs paid by the Company for the benefit of the borrowers, upon the closing of a loan transaction.

Accounts Receivable from Servicer/Trustee

Accounts receivable from Servicer/Trustee represents cash proceeds from loan and CMBS and CRE CLO investment activities that have not been remitted to the Company based on contractual procedures previously agreed upon. Amounts are generally held by the Servicer/Trustee for less than 60 days before being remitted to the Company.

Recently Issued Accounting Pronouncements

In June 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (“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. Upon adoption, and resulting from this change, the Company expects that it will be required to record a loan loss reserve at origination or acquisition of an individual loan or a loan portfolio. ASU 2016-13 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. The Company is currently evaluating the impact ASU 2016-13 will have on its consolidated financial statements.

(3) Loans Held for Investment

The Company currently originates and acquires first mortgage and mezzanine loans secured by commercial properties. These loans can potentially subject the Company to concentrations of credit risk as measured by various metrics, including without limitation property type collateralizing the loan, loan size, loans to a single sponsor and loans in a single geographic area. The Company's loans held for investment are accounted for at amortized cost.

During the three months ended June 30, 2019, the Company originated or acquired eight loans with a total commitment of approximately \$755.0 million (including a non-consolidated senior interest of \$132.0 million), an initial unpaid principal balance of \$507.8 million, and unfunded commitments at closing of \$115.2 million. For the six months ended June 30, 2019, the Company originated or acquired 19 loans with a total commitment of approximately \$1.5 billion (including a non-consolidated senior interest of \$132.0 million), initial unpaid principal balance of \$1.1 billion, and unfunded commitments at closing of \$195.7 million. The following tables present an overview of the loan investment portfolio as of June 30, 2019 and December 31, 2018 (dollars in thousands):

Loans Receivable	Outstanding Principal	June 30, 2019	
		Unamortized Premium (Discount), Loan Origination Fees, net	Carrying Amount
Senior loans	\$ 4,844,228	\$ (18,644)	\$ 4,825,584
Subordinated and mezzanine loans	5,000	(349)	4,651
Subtotal before allowance	4,849,228	(18,993)	4,830,235
Allowance for loan losses	—	—	—
Total	\$ 4,849,228	\$ (18,993)	\$ 4,830,235

Loans Receivable	Outstanding Principal	December 31, 2018	
		Unamortized Premium (Discount), Loan Origination Fees, net	Carrying Amount
Senior loans	\$ 4,313,591	\$ (19,804)	\$ 4,293,787
Subordinated and mezzanine loans	—	—	—
Subtotal before allowance	4,313,591	(19,804)	4,293,787
Allowance for loan losses	—	—	—
Total	\$ 4,313,591	\$ (19,804)	\$ 4,293,787

For the six months ended June 30, 2019, loan portfolio activity was as follows (dollars in thousands):

	Carrying Value
Balance at December 31, 2018	\$ 4,293,787
Additions during the period:	
Loans originated and acquired	1,133,817
Additional fundings	117,131
Amortization of discount and origination fees	7,902
Deductions during the period:	
Collection of principal	(722,402)
Balance at June 30, 2019	\$ 4,830,235

During the three months ended June 30, 2019, the Company co-originated a \$167.0 million construction loan, of which \$132.0 million is accounted for as a non-consolidated senior interest. At closing, the Company retained a mezzanine loan investment with a total loan commitment of \$35.0 million, an initial unpaid principal balance of \$5.0 million, and an interest rate of LIBOR plus 10.3%.

At June 30, 2019 and December 31, 2018, there was no unamortized loan discount or premium included in loans held for investment at amortized cost on the consolidated balance sheets.

The table below summarizes the carrying values and results of the Company's internal risk rating review performed as of June 30, 2019 and December 31, 2018 (dollars in thousands):

Rating	Carrying Value	
	June 30, 2019	December 31, 2018
1	\$ —	\$ 29,923
2	1,073,740	959,314
3	3,420,107	3,099,401
4	336,388	205,149
5	—	—
Totals	\$ 4,830,235	\$ 4,293,787
Weighted Average Risk Rating ⁽¹⁾	2.8	2.8

(1) Weighted Average Risk Rating calculated based on carrying value at period end.

The weighted average risk rating at June 30, 2019 was 2.8, which was unchanged from the weighted average risk rating at December 31, 2018. During the three months ended June 30, 2019, two loans were moved from the Company's Category 3 risk rating into its Category 2 risk rating, resulting from recent improvements in the operating performance of the underlying collateral. Additionally, during the three months ended June 30, 2019, the Company moved one loan from its Category 2 risk rating into its Category 3 risk rating, and three loans from its Category 3 risk rating into its Category 4 risk rating, based in three instances on a decline in operating performance of the underlying collateral during the current period, and in one instance due to recently enacted changes in New York City rent regulation whose impact on collateral performance is currently uncertain.

At June 30, 2019 and December 31, 2018, there were no loans on non-accrual status or that were impaired; thus, the Company did not record any allowance for loan losses.

(4) Available-for-Sale Debt Securities

During the three months ended June 30, 2019, the Company purchased for short-term cash management and investment purposes 17 CRE CLO investments for an aggregate purchase price of \$368.2 million. The purchased CRE CLO investments consist of floating rate debt securities which, in the aggregate, had a weighted average coupon of LIBOR plus 1.9%. For the six months ended June 30, 2019, the Company purchased 27 CRE CLO investments for an aggregate purchase price of \$602.4 million which, in the aggregate, have a weighted average coupon of LIBOR plus 2.0%. The CRE CLO investments purchased during the current year consist solely of floating rate investment grade debt securities.

As of June 30, 2019 and December 31, 2018, the Company had 31 and four CMBS and CRE CLO investments, respectively, designated as available-for-sale debt securities. Details of the carrying and fair values of the Company's CMBS and CRE CLO investment portfolio are as follows (dollars in thousands):

	June 30, 2019			
	Face Amount	Unamortized Premium (Discount), net	Gross Unrealized Gain (Loss)	Estimated Fair Value
Investments, at Fair Value				
CMBS and CRE CLO Investments	\$ 677,800	\$ 145	\$ 1,233	\$ 679,178
	December 31, 2018			
	Face Amount	Unamortized Premium (Discount), net	Gross Unrealized (Loss)	Estimated Fair Value
Investments, at Fair Value				
CMBS and CRE CLO Investments	\$ 76,404	\$ (38)	\$ (1,985)	\$ 74,381

CMBS and CRE CLO investment fair values are considered Level II fair value measurements within the fair value hierarchy of ASC 820-10. The CMBS and CRE CLO investment fair values are based upon multiple market, broker, and counterparty or pricing services quotations, which provide valuation estimates, based upon reasonable market order indications. The Company reviews the fair value quotations, which are subject to significant variability based on market conditions such as interest rates, credit spreads and market liquidity, for reasonableness and consistency.

The Company's CMBS and CRE CLO investments have a weighted average contractual maturity, based on estimated fair value, of 16.4 years. The amortized cost and estimated fair value of the Company's available-for-sale CMBS and CRE CLO investments by contractual maturity are shown in the following table (dollars in thousands):

Maturity Date	June 30, 2019	
	Amortized Cost	Estimated Fair Value
Within five years	\$ 37,834	\$ 37,752
After five years	640,111	641,426
Total investment in CMBS and CRE CLO securities, at amortized cost and estimated fair value	<u>\$ 677,945</u>	<u>\$ 679,178</u>

Maturity Date	December 31, 2018	
	Amortized Cost	Estimated Fair Value
After one, within five years	\$ 37,929	\$ 38,076
After five years	38,436	36,305
Total investment in CMBS and CRE CLO securities, at amortized cost and estimated fair value	<u>\$ 76,365</u>	<u>\$ 74,381</u>

As of June 30, 2019, four of the Company's CMBS and CLO investment holdings were in an unrealized loss position. During the six months ended June 30, 2019 and year ended December 31, 2018, these CMBS and CLO investments traded at, or near, their carrying values, and interest and principal payments are current. Additionally, as of June 30, 2019, substantially all of the unrealized loss position relates to CMBS investments issued by a government sponsored enterprise. Currently, all of the underlying mortgage loans are performing. No other-than-temporary impairments were recognized through income during the three and six months ended June 30, 2019 or the year ended December 31, 2018.

(5) Variable Interest Entities and Collateralized Loan Obligations

On November 29, 2018 (the "FL2 Closing Date"), TPG RE Finance Trust CLO Sub-REIT, a subsidiary of the Company ("Sub-REIT"), entered into a collateralized loan obligation ("TRTX 2018-FL2") through its wholly-owned subsidiaries TRTX 2018-FL2 Issuer, Ltd., an exempted company incorporated in the Cayman Islands with limited liability, as issuer (the "FL2 Issuer"), and TRTX 2018-FL2 Co-Issuer, LLC, a Delaware limited liability company, as co-issuer (the "FL2 Co-Issuer" and together with the FL2 Issuer, the "FL2 Issuers"). On the FL2 Closing Date, FL2 Issuer issued \$872.6 million principal amount of notes (the "FL2 Notes"). The FL2 Co-Issuer co-issued \$795.1 million principal amount of investment grade-rated notes which were purchased by third party investors. Concurrently with the issuance of the FL2 Notes, the FL2 Issuer also issued preferred shares, par value \$0.001 per share and with an aggregate liquidation preference and notional amount equal to \$1,000 per share (the "FL2 Preferred Shares" and, together with the FL2 Notes, the "FL2 Securities"), to TRTX 2018-FL2 Retention Holder, LLC, a Delaware limited liability company and wholly-owned subsidiary of the Sub-REIT ("FL2 Retention Holder"). Through FL2 Retention Holder, the Sub-REIT retained ownership of \$205.0 million of FL2 Notes issued and FL2 Preferred Shares. Additionally, the Company currently holds as an investment \$19.7 million (principal amount) of FL2 Notes, all of which were purchased during the three months ended March 31, 2019.

Proceeds from the issuance of the FL2 Securities were used by the FL2 Issuers to purchase two commercial real estate whole loans (the "FL2 Whole Loans") and 23 fully-funded *pari passu* participations (the "FL2 *Pari Passu* Participations," and, together with the FL2 Whole Loans and the FL2 Additional Interests (as defined below), the "FL2 Mortgage Assets") in certain commercial real estate mortgage loans. The FL2 Mortgage Assets were purchased by the FL2 Issuer from TRTX CLO Loan Seller 2, LLC, a Delaware limited liability company, wholly-owned subsidiary of the Company and an affiliate of the FL2 Issuers. TRTX 2018-FL2 contains a reinvestment feature that, subject to certain eligibility criteria, allows the Company to contribute new loans or participation interests (the "FL2 Additional Interests") in loans to TRTX 2018-FL2 in exchange for cash, which provides additional liquidity to the Company to originate new loan investments as underlying loans repay.

For the three months ended June 30, 2019, the Company utilized the reinvestment feature twice, contributing FL2 Additional Interests of \$69.5 million, and receiving net cash proceeds of \$17.1 million, after the repayment of \$52.4 million of existing borrowings, including accrued interest, secured by the FL2 Additional Interests. For the six months ended June 30, 2019, the Company utilized the reinvestment feature four times, contributing FL2 Additional Interests of \$101.3 million, and receiving net cash proceeds of \$23.5 million, after the repayment of \$77.8 million of existing borrowings, including accrued interest, secured by the FL2 Additional Interests.

The Company incurred approximately \$8.7 million of issuance costs which are amortized on an effective yield basis over the shorter of the remaining life of the loans that collateralized the FL2 Notes, or the FL2 Notes. As of June 30, 2019, the Company's unamortized issuance costs were \$7.3 million.

Interest expense on the outstanding FL2 Notes is payable monthly. For the three and six months ended June 30, 2019, interest expense (excluding amortization of deferred financing costs) of \$7.6 million and \$15.3 million, respectively, is included in the Company's consolidated statements of income and comprehensive income.

As of June 30, 2019, FL2 Mortgage Assets represented 18.4% of the aggregate unpaid principal balance of the Company's loan investment portfolio and had an aggregate principal balance of approximately \$892.3 million.

On February 14, 2018 (the "FL1 Closing Date"), the Sub-REIT entered into a collateralized loan obligation ("TRTX 2018-FL1") through its wholly-owned subsidiaries TPG Real Estate Finance 2018-FL1 Issuer, Ltd., an exempted company incorporated in the Cayman Islands with limited liability, as issuer (the "FL1 Issuer"), and TPG RE Finance Trust 2018-FL1 Co-Issuer, LLC, a Delaware limited liability company, as co-issuer (the "FL1 Co-Issuer" and together with the FL1 Issuer, the "FL1 Issuers"). On the FL1 Closing Date, FL1 Issuer issued \$820.5 million principal amount of notes (the "FL1 Notes"). The FL1 Co-Issuer co-issued \$745.9 million principal amount of investment grade-rated notes which were purchased by third party investors. Concurrently with the issuance of the FL1 Notes, the FL1 Issuer also issued preferred shares, par value \$0.001 per share and with an aggregate liquidation preference and notional amount equal to \$1,000 per share (the "FL1 Preferred Shares" and, together with the FL1 Notes, the "FL1 Securities"), to TPG RE Finance Trust 2018-FL1 Retention Holder, LLC, a Delaware limited liability company and wholly-owned subsidiary of the Sub-REIT ("FL1 Retention Holder"). Through FL1 Retention Holder, the Sub-REIT retained ownership of \$186.5 million of the FL1 Notes issued and FL1 Preferred Shares. Additionally, the Company currently holds as an investment \$8.5 million (principal amount) of FL1 Notes, of which \$9.9 million were purchased during the three months ended March 31, 2019.

Proceeds from the issuance of the FL1 Securities were used by the FL1 Issuers to purchase one commercial real estate whole loan (the "FL1 Whole Loan") and 25 fully-funded *pari passu* participations (the "FL1 *Pari Passu* Participations," and, together with the FL1 Whole Loan and the FL1 Contributed Companion Participation Interests (as defined below), the "FL1 Mortgage Assets") in certain commercial real estate mortgage loans. The FL1 Mortgage Assets were purchased by the FL1 Issuer from TPG RE Finance Trust CLO Loan Seller, LLC, a Delaware limited liability company, wholly-owned subsidiary of the Company and an affiliate of the FL1 Issuers. TRTX 2018-FL1 contains a replenishment feature that, subject to certain limitations, allowed the Company to contribute companion participation interests ("FL1 Contributed Companion Participation Interests") in loans in which TRTX 2018-FL1 already owned an interest in exchange for cash, which provided additional liquidity to the Company to originate new loan investments as underlying loans repay. As of June 30, 2019, the replenishment feature was fully utilized. Approximately 66.2%, or \$325.5 million, of TRTX 2018-FL1 Class A Notes have repaid since the FL1 Closing Date.

The Company incurred approximately \$9.8 million of issuance costs which are amortized on an effective yield basis over the shorter of the remaining life of the loans that collateralized the FL1 Notes, or the FL1 Notes. As of June 30, 2019, the Company's unamortized issuance costs were \$0.6 million.

Interest expense on the outstanding FL1 Notes is payable monthly. For the three and six months ended June 30, 2019, interest expense (excluding amortization of deferred financing costs) of \$4.5 million and \$9.9 million, respectively, is included in the Company's consolidated statements of income and comprehensive income.

As of June 30, 2019, FL1 Mortgage Assets represent 10.5% of the aggregate unpaid principal balance of the Company's loan investment portfolio and had an aggregate principal balance of approximately \$509.5 million.

In accordance with ASC 810, the Company evaluated the key attributes of the FL2 Issuers and the FL1 Issuers to determine if they were VIEs and, if so, whether the Company was the primary beneficiary of their operating activities. This analysis caused the Company to conclude that the FL2 Issuers and FL1 Issuers were VIEs and that the Company was the primary beneficiary. The Company is the primary beneficiary of the VIEs because it has the ability to control the most significant activities of the FL2 Issuers and the FL1 Issuers, the obligation to absorb losses, and the right to receive benefits, that could potentially be significant to these entities. As a result, the Company consolidates the FL2 Issuers and FL1 Issuers.

The Company's total assets and total liabilities as of June 30, 2019 and December 31, 2018 included the following VIE assets and liabilities of TRTX 2018-FL2 and TRTX 2018-FL1 (dollars in thousands):

	June 30, 2019	December 31, 2018
ASSETS		
Cash and Cash Equivalents	\$ 6,013	\$ 3,896
Accounts Receivable from Servicer/Trustee	205,236	94,763
Accrued Interest Receivable	3,975	3,672
Loans Held for Investment	1,401,841	1,824,281
Total Assets	\$ 1,617,065	\$ 1,926,612
LIABILITIES		
Accrued Interest Payable	\$ (2,074)	\$ (2,637)
Accrued Expenses	(619)	(668)
Collateralized Loan Obligations	(1,207,620)	(1,514,790)
Total Liabilities	\$ (1,210,313)	\$ (1,518,095)

The following table outlines TRTX 2018-FL2 and TRTX 2018-FL1 loan collateral and borrowings under the TRTX 2018-FL2 and TRTX 2018-FL1 collateralized loan obligations as of June 30, 2019 and December 31, 2018 (dollars in thousands):

June 30, 2019			
Collateral (loan investments)		Debt (notes issued)	
Outstanding Principal	Carrying Value	Face Value	Carrying Value
\$ 1,401,841	\$ 1,401,841	\$ (1,215,565)	\$ (1,207,620)
December 31, 2018			
Collateral (loan investments)		Debt (notes issued)	
Outstanding Principal	Carrying Value	Face Value	Carrying Value
\$ 1,824,281	\$ 1,824,281	\$ (1,527,237)	\$ (1,514,790)

Assets held by the FL2 Issuers and the FL1 Issuers are restricted and can only be used to settle obligations of the related VIE. The liabilities of the FL2 Issuers and the FL1 Issuers are non-recourse to the Company and can only be satisfied from the assets of the related VIE.

(6) Secured Revolving Repurchase Agreements, Senior Secured and Secured Credit Agreements, Term Loan Facility, and Asset-Specific Financing

At June 30, 2019 and December 31, 2018, the Company had secured revolving repurchase agreements, senior secured and secured credit agreements, a term loan facility and asset-specific financings for certain of the Company's originated loans. In general, these financing arrangements bear interest at a rate equal to LIBOR plus a credit spread determined primarily by advance rate and property type. The financing arrangements contain covenants that include certain financial requirements, including maintenance of minimum liquidity, minimum tangible net worth, maximum debt to net worth ratio, current ratio and limitations on capital expenditures, indebtedness, distributions, transactions with affiliates and maintenance of positive net income as defined in the agreements.

The following table presents certain information regarding the Company's secured revolving repurchase agreements, senior secured and secured credit agreements, and asset-specific financing as of June 30, 2019 and December 31, 2018. Except as otherwise noted, all agreements are on a non-recourse basis (dollars in thousands):

June 30, 2019								
Asset-specific Financing	Maturity Date	Index Rate	Weighted Average Credit Spread	Interest Rate	Commitment Amount	Maximum Current Availability	Balance Outstanding	Principal Balance of Collateral
BMO Harris Bank ⁽¹⁾	04/09/20	1 Month LIBOR	2.7%	5.0%	\$ 32,500	—	\$ 32,500	\$ 45,000
Institutional Lender	10/09/20	1 Month LIBOR	4.2	6.5	77,000	—	77,000	112,000
Subtotal					\$ 109,500	—	\$ 109,500	\$ 157,000
Secured Revolving Repurchase Agreements								
Goldman Sachs ⁽¹⁾	08/19/19	1 Month LIBOR	2.1%	4.5%	\$ 750,000	\$ 315,565	\$ 434,435	\$ 661,876
Wells Fargo ⁽¹⁾	04/18/22	1 Month LIBOR	1.7	4.1	750,000	177,934	572,066	771,022
Morgan Stanley ⁽¹⁾	05/04/20	1 Month LIBOR	2.1	4.5	500,000	208,719	291,281	379,106
JP Morgan ⁽¹⁾	08/20/21	1 Month LIBOR	2.1	4.5	400,000	233,179	166,821	222,348
US Bank ⁽¹⁾	10/09/21	1 Month LIBOR	1.7	4.1	233,883	17,243	216,640	274,051
Goldman Sachs (CMBS and CRE CLO) ⁽²⁾	07/05/19	1 Month OIS	0.8	3.2	60,555	—	60,555	70,433
JP Morgan (CMBS and CRE CLO) ⁽²⁾	07/10/19	1 Month LIBOR	0.9	3.3	400,856	—	400,856	458,635
Wells Fargo (CMBS and CRE CLO) ⁽²⁾	07/22/19	1 Month LIBOR	1.0	3.4	117,178	—	117,178	137,322
Royal Bank of Canada (CMBS and CRE CLO) ⁽²⁾	N/A	N/A	N/A	N/A	—	—	—	—
Subtotal					\$ 3,212,472	\$ 952,640	\$ 2,259,832	\$ 2,974,793
Senior Secured and Secured Credit Agreements								
Bank of America ⁽¹⁾	09/29/20	1 Month LIBOR	1.8%	4.2%	\$ 500,000	\$ 89,563	410,437	514,714
Citibank ⁽³⁾	07/12/20	1 Month LIBOR	2.3	4.6	160,000	71,320	88,680	132,400
Subtotal					\$ 660,000	\$ 160,883	\$ 499,117	\$ 647,114
Total					<u>\$ 3,981,972</u>	<u>\$ 1,113,523</u>	<u>\$ 2,868,449</u>	<u>\$ 3,778,907</u>

- (1) Borrowings under secured revolving repurchase agreements, a senior secured credit agreement, and one asset-specific financing arrangement with a guarantee for 25% recourse.
- (2) Borrowings under secured revolving repurchase agreements with a guarantee for 100% recourse. Maturity Date represents the sooner of the next maturity date of the CMBS and CRE CLO investment secured revolving repurchase agreement, or roll over date for the applicable underlying trade confirmation, subsequent to June 30, 2019. All of the financing arrangements were extended subsequent to period end.
- (3) Borrowings under the secured credit agreement with a guarantee for 100% recourse.

December 31, 2018									
Weighted									
Average									
Credit									
Interest									
Commitment									
Maximum									
Current									
Balance									
Outstanding									
Principal									
Balance of									
Collateral									
Asset-specific Financing	Maturity Date	Index Rate	Weighted Average Credit Spread	Interest Rate	Commitment Amount	Maximum Current Availability	Balance Outstanding	Principal Balance of Collateral	
BMO Harris Bank ⁽¹⁾	04/09/20	1 Month LIBOR	2.7%	4.0%	\$ 32,500	—	\$ 32,500	\$ 45,000	
Subtotal					\$ 32,500	—	\$ 32,500	\$ 45,000	
Secured Revolving Repurchase Agreements									
Goldman Sachs ⁽¹⁾	08/19/19	1 Month LIBOR	2.2%	4.6%	\$ 750,000	\$ 558,836	\$ 191,164	\$ 474,243	
Wells Fargo ⁽¹⁾	05/25/19	1 Month LIBOR	1.8	4.3	750,000	503,792	246,208	339,012	
Morgan Stanley ⁽¹⁾	05/04/19	1 Month LIBOR	2.2	4.7	500,000	317,493	182,507	244,936	
JP Morgan ⁽¹⁾	08/20/21	1 Month LIBOR	2.2	4.6	400,000	214,471	185,529	254,026	
US Bank ⁽¹⁾	10/09/21	1 Month LIBOR	1.8	4.3	212,840	6,800	206,040	262,929	
Goldman Sachs (CMBS and CRE CLO) ⁽²⁾	01/02/19	1 Month OIS	0.6	2.9	100,000	67,303	32,697	38,517	
Royal Bank of Canada (CMBS and CRE CLO) ⁽²⁾	N/A	N/A	N/A	N/A	100,000	100,000	—	—	
Subtotal					\$ 2,812,840	\$ 1,768,695	\$ 1,044,145	\$ 1,613,663	
Senior Secured and Secured Credit Agreements									
Bank of America ⁽¹⁾	09/29/20	1 Month LIBOR	1.9%	4.2%	\$ 500,000	\$ 112,560	387,440	494,247	
Citibank ⁽³⁾	07/12/20	1 Month LIBOR	2.3	4.8	160,000	87,059	72,941	169,134	
Subtotal					\$ 660,000	\$ 199,619	\$ 460,381	\$ 663,381	
Total					\$ 3,505,340	\$ 1,968,314	\$ 1,537,026	\$ 2,322,044	

- (1) Borrowings under secured revolving repurchase agreements, a senior secured credit agreement, and one asset-specific financing arrangement with a guarantee for 25% recourse.
- (2) Borrowings under secured revolving repurchase agreements with a guarantee for 100% recourse. Maturity Date represents the sooner of the next maturity date of the CMBS and CRE CLO investment secured revolving repurchase agreement, or roll over date for the applicable underlying trade confirmation, subsequent to December 31, 2018. All of the financing arrangements were extended subsequent to period end.
- (3) Borrowings under the secured credit agreement with a guarantee for 100% recourse.

Asset-Specific Financings

As of June 30, 2019 and December 31, 2018, the Company had two and one asset-specific financing arrangements, respectively, to finance certain of its lending activities.

On April 2, 2019, the Company entered into an asset-specific financing with an institutional lender that is secured by one loan held for investment. The asset-specific financing does not provide for additional advances.

The BMO Harris asset-specific financing allows for additional advances up to a specified cap and is secured by one loan held for investment. Holdco has delivered a payment guarantee in favor of BMO Harris, the lender, as additional credit support for the financing. The liability of Holdco under this guarantee is generally capped at 25% of the outstanding obligations of the special purpose subsidiary which is the primary obligor under the financing. In addition, Holdco has delivered a non-recourse carveout guarantee, which can trigger recourse to Holdco as a result of certain “bad boy” defaults for losses incurred by BMO Harris or the entire outstanding obligations of the financing borrower, depending on the nature of the “bad boy” default in question.

The BMO Harris asset-specific financing at June 30, 2019 and December 31, 2018 is guaranteed by Holdco, and the agreement includes guarantor covenants regarding liquid assets and net worth requirements. The Company was in compliance with all covenants as of June 30, 2019 and December 31, 2018.

Secured Revolving Repurchase Agreements

The Company frequently utilizes secured revolving repurchase agreements to finance the direct origination or acquisition of commercial real estate mortgage loans, and CMBS and CRE CLO investments. Under these secured revolving repurchase agreements, the Company transfers all of its rights, title and interest in the loans, CMBS and CRE CLO investments to the repurchase counterparty in exchange for cash, and simultaneously agrees to reacquire the asset at a future date for an amount equal to the cash exchanged plus an interest factor. The repurchase counterparty collects all principal and interest on related loans or CMBS and CRE CLO investments and remits to the Company only the net after collecting its interest and other fees. The loan and CMBS and CRE CLO investments related secured revolving repurchase agreements are 25% and 100% recourse to Holdco, respectively.

At June 30, 2019 and December 31, 2018, the Company had five secured revolving repurchase agreements to finance its loan investing activities. Credit spreads vary depending upon the collateral type and advance rate. Assets pledged at June 30, 2019 and December 31, 2018 consisted of 53 and 51 mortgage loans, or participation interests therein, respectively. The Company's secured revolving repurchase agreements secured by commercial mortgage loans are considered long-term borrowings.

At June 30, 2019 and December 31, 2018, the Company had four and two secured revolving repurchase agreements to finance its CMBS and CRE CLO investment activities, of which the commitment amounts are based on the assets pledged. Credit spreads also vary depending upon the collateral type and advance rate. CMBS and CRE CLO investments pledged consisted of 27 CRE CLO investments and two CMBS investments at June 30, 2019 and two CMBS investments at December 31, 2018. The Company's secured revolving repurchase agreements secured by CMBS and CRE CLO investments are considered short-term borrowings.

The following table summarizes certain characteristics of the Company's secured revolving repurchase agreements secured by commercial mortgage loans and CMBS and CRE CLO investments, including counterparty concentration risks, at June 30, 2019 (dollars in thousands):

	June 30, 2019							
	Commitment Amount	UPB of Collateral	Carrying Value of Collateral ⁽¹⁾	Amounts Payable ⁽²⁾	Net Counterparty Exposure ⁽³⁾	Percent of Stockholders' Equity	Days to Extended Maturity ⁽⁴⁾	
Loan Financings								
Goldman Sachs Bank	\$ 750,000	\$ 661,876	\$ 663,507	\$ 435,535	\$ 227,972	15.6%	50	
Wells Fargo Bank	750,000	771,022	771,966	572,773	199,193	13.6	1,023	
Morgan Stanley Bank ⁽⁴⁾	500,000	379,106	377,786	292,177	85,609	5.8	N/A	
JP Morgan Chase Bank	400,000	222,348	221,408	167,112	54,296	3.7	1,512	
US Bank	233,883	274,051	273,038	216,970	56,068	3.8	1,745	
Subtotal / Weighted Average	\$ 2,633,883	\$ 2,308,403	\$ 2,307,705	\$ 1,684,567	\$ 623,138		890	
CMBS and CRE CLO Investment Financings								
Goldman Sachs Bank	\$ 60,555	\$ 70,433	\$ 70,139	\$ 61,055	\$ 9,084	0.6%	5	
JP Morgan	400,856	458,635	463,336	401,533	61,803	4.2	11	
Wells Fargo	117,178	137,322	137,965	117,390	20,575	1.4	23	
Royal Bank of Canada	—	—	—	—	—	—	—	
Subtotal / Weighted Average	\$ 578,589	\$ 666,390	\$ 671,440	\$ 579,978	\$ 91,462		12	
Total / Weighted Average - Loans, CMBS and CRE CLO	<u>\$ 3,212,472</u>	<u>\$ 2,974,793</u>	<u>\$ 2,979,145</u>	<u>\$ 2,264,545</u>	<u>\$ 714,600</u>		632	

- (1) Loan amounts shown in the table include interest receivable of \$13.7 million and are net of premium, discount and origination fees of \$14.4 million. CMBS and CRE CLO investment amounts shown in the table include interest receivable of \$3.5 million and are net of premium, discount, and unrealized gains of \$1.5 million.
- (2) Loan amounts shown in the table include interest payable of \$3.3 million and do not reflect unamortized deferred financing fees of \$7.1 million. CMBS and CRE CLO investments shown in the table include interest payable of \$1.4 million.
- (3) Loan amounts represent the net carrying value of the commercial real estate assets sold under agreements to repurchase, including accrued interest plus any cash or assets on deposit to secure the repurchase obligation, less the amount of the repurchase liability, including accrued interest. CMBS and CRE CLO investment amounts represents the net carrying value of available-for-sale securities sold under agreements to repurchase, including accrued interest plus any cash or assets on deposit to secure the repurchase obligation, less the amount of the repurchase liability, including accrued interest.
- (4) The secured revolving repurchase agreement provided by Morgan Stanley Bank is excluded from the "Days to Extended Maturity" column because it does not have a limit on the maximum number of permitted extensions, subject to satisfaction of certain conditions and approvals. CMBS and CRE CLO investment extended maturity represents the sooner of the next maturity date of the CMBS and CRE CLO investment secured revolving repurchase agreement, or roll date for the applicable underlying trade confirmation, subsequent to June 30, 2019.

The following table summarizes certain characteristics of the Company's secured revolving repurchase agreements secured by commercial mortgage loans and CMBS and CRE CLO investments, including counterparty concentration risks, at December 31, 2018 (dollars in thousands):

	December 31, 2018						
	Commitment	UPB of	Carrying	Amounts	Net	Percent of	Days to
Loan Financings	Amount	Collateral	Value	Payable ⁽²⁾	Counterparty	Stockholders'	Extended
			of		Exposure ⁽³⁾	Equity	Maturity ⁽⁴⁾
			Collateral ⁽¹⁾				
Goldman Sachs Bank	\$ 750,000	\$ 474,243	\$ 472,797	\$ 191,705	\$ 281,092	21.2%	231
Wells Fargo Bank	750,000	339,012	338,531	246,635	91,896	6.9	876
Morgan Stanley Bank ⁽⁴⁾	500,000	244,936	245,932	183,901	62,031	4.7	N/A
JP Morgan Chase Bank	400,000	254,026	253,145	185,892	67,253	5.1	1,693
US Bank	212,840	262,929	261,916	206,422	55,494	4.2	1,743
Subtotal / Weighted Average	\$ 2,612,840	\$ 1,575,146	\$ 1,572,321	\$ 1,014,555	\$ 557,766		1,125
CMBS and CRE CLO Investment Financings							
Goldman Sachs Bank	\$ 100,000	\$ 38,517	\$ 36,414	\$ 32,984	\$ 3,430	0.3%	2
Royal Bank of Canada	100,000	—	—	—	—	—	—
Subtotal / Weighted Average	\$ 200,000	\$ 38,517	\$ 36,414	\$ 32,984	\$ 3,430		2
Total / Weighted Average - Loans, CMBS and CRE CLO	\$ 2,812,840	\$ 1,613,663	\$ 1,608,735	\$ 1,047,539	\$ 561,196		1,083

- (1) Loan amounts shown in the table include interest receivable of \$14.5 million and are net of premium, discount and origination fees of \$17.3 million. CMBS and CRE CLO investment amounts shown in the table include interest receivable of \$0.1 million and are net of premium, discount, and unrealized gains of \$2.2 million.
- (2) Loan amounts shown in the table include interest payable of \$3.1 million and do not reflect unamortized deferred financing fees of \$6.7 million. CMBS and CRE CLO investment amounts shown in the table include interest payable of \$0.3 million.
- (3) Loan amounts represent the net carrying value of the commercial real estate assets sold under agreements to repurchase, including accrued interest plus any cash or assets on deposit to secure the repurchase obligation, less the amount of the repurchase liability, including accrued interest. CMBS and CRE CLO investment amounts represent the net carrying value of available-for-sale securities sold under agreements to repurchase, including accrued interest plus any cash or assets on deposit to secure the repurchase obligation, less the amount of the repurchase liability, including accrued interest.
- (4) The secured revolving repurchase agreement provided by Morgan Stanley Bank is excluded from the "Days to Extended Maturity" column because it does not have a limit on the maximum number of permitted extensions, subject to satisfaction of certain conditions and approvals. CMBS and CRE CLO investment extended maturity represents the sooner of the next maturity date of the CMBS and CRE CLO secured revolving repurchase agreement, or roll date for the applicable underlying trade confirmation, subsequent to December 31, 2018.

The agreements include various covenants covering net worth, liquidity, recourse limitations, and debt coverage. The Company was in compliance with all covenants as of June 30, 2019 and December 31, 2018.

Senior Secured and Secured Credit Agreements

The Company has a senior secured credit agreement with Bank of America N.A. that has a maximum commitment amount of \$500 million and \$410.4 million outstanding as of June 30, 2019. The senior secured credit agreement bears interest at LIBOR plus 1.8%. The current initial maturity of this agreement is September 29, 2020.

The Company has a secured credit agreement (the "Credit Agreement"), as borrower, with Citibank, N.A. as administrative agent and lender, and Citigroup Global Markets Inc. as sole lead arranger and sole lead book running manager. The Credit Agreement governs a secured revolving credit agreement with aggregate secured borrowing capacity of up to \$160.0 million, subject to borrowing base availability and certain other conditions, which the Company uses to finance originations or acquisitions of eligible loans on an interim basis until permanent financing is arranged. The Credit Agreement has an initial maturity date of July 12, 2020, and borrowings bear interest at an interest rate per annum equal to one-month LIBOR or the applicable base rate plus a margin of 2.25%. The initial advance rate on borrowings under the Credit Agreement with respect to individual pledged assets can vary up to 70%, and may decline over the borrowing term of up to a 90-day period, after which borrowings against that respective asset must be repaid. At June 30, 2019, \$88.7 million was outstanding on the Credit Agreement.

The agreements include various covenants covering net worth, liquidity, recourse limitations, and debt coverage. The Company was in compliance with all covenants as of June 30, 2019 and December 31, 2018.

Term Loan Facility

The Company entered into a term loan facility, as the borrower, with an institutional asset manager as the lender. The term loan facility has capacity up to \$750 million, bears interest at LIBOR plus 1.85%, and allows for an advance rate of no less than 70% and up to 85% based on the loans pledged to the facility. As of June 30, 2019, the Company pledged five loan investments to the term loan facility supporting outstanding borrowings of \$267.7 million.

The agreement includes various covenants covering net worth, liquidity, recourse limitations, and debt coverage. The Company was in compliance with all covenants as of June 30, 2019 and December 31, 2018.

(7) Schedule of Maturities

The future principal payments for the five years subsequent to June 30, 2019 and thereafter are as follows (in thousands):

	Collateralized loan obligations	Secured revolving repurchase agreements	Senior secured and secured credit agreements	Term loan facility	Asset-specific financing
2019	\$ 441,772	\$ 1,163,883	\$ —	\$ —	\$ —
2020	411,138	498,957	499,117	114,020	109,500
2021	195,780	334,266	—	34,827	—
2022	138,719	262,726	—	88,654	—
2023	—	—	—	30,160	—
Thereafter	—	—	—	—	—
Total	<u>\$ 1,187,409</u>	<u>\$ 2,259,832</u>	<u>\$ 499,117</u>	<u>\$ 267,661</u>	<u>\$ 109,500</u>

(8) Fair Value Measurements

The Company's consolidated balance sheet includes Level I fair value measurements related to cash equivalents, restricted cash, accounts receivable, and accrued liabilities. At June 30, 2019, the Company had \$36.8 million invested in money market funds with original maturities of less than 90 days. The carrying values of these financial assets and liabilities are reasonable estimates of fair value because of the short-term maturities of these instruments. The consolidated balance sheet also includes Loans Held for Investment, the assets and liabilities of TRTX 2018-FL1 and TRTX 2018-FL2 (collateralized loan obligations as of June 30, 2019 and December 31, 2018), and secured financing arrangements that are considered Level III fair value measurements that are not measured at fair value on a recurring basis, but are subject to fair value adjustments utilizing the fair value of the underlying collateral when there is evidence of impairment. The Company did not have any non-recurring fair value items as of June 30, 2019 and December 31, 2018.

The following tables provide information about financial assets and liabilities not carried at fair value on a recurring basis in our consolidated balance sheet (dollars in thousands):

	Carrying Value	June 30, 2019		
		Fair Value		
		Level I	Level II	Level III
Financial Assets				
Loans Held for Investment	\$ 4,830,235	—	—	\$ 4,856,225
Financial Liabilities				
Term Loan Facility	266,638	—	—	266,638
Collateralized Loan Obligations	1,179,464	—	—	1,179,464
Secured Financing Arrangements	2,858,062	—	—	2,858,062
	Carrying Value	December 31, 2018		
		Fair Value		
		Level I	Level II	Level III
Financial Assets				
Loans Held for Investment	\$ 4,293,787	—	—	\$ 4,317,844
Financial Liabilities				
Term Loan Facility	113,504	—	—	113,504
Collateralized Loan Obligations	1,509,930	—	—	1,509,930
Secured Financing Arrangements	1,526,449	—	—	1,526,449

Level III fair values were determined based on standardized valuation models and significant unobservable market inputs, including holding period, discount rates based on LTV ratio, property type and loan pricing expectations developed by the Manager that were corroborated with other institutional lenders to determine a market spread that was added to the one-month LIBOR forward curve. There were no transfers of financial assets or liabilities within the fair value hierarchy during the three months ended June 30, 2019 or December 31, 2018.

At June 30, 2019 and December 31, 2018, the estimated fair value of Loans Held for Investment was \$4.9 billion and \$4.3 billion, respectively. The weighted average gross spread at June 30, 2019 and December 31, 2018 was 3.8% and 3.9%, respectively. The weighted average years to maturity at June 30, 2019 and December 31, 2018 was 3.8 years and 3.9 years, respectively, assuming full extension of all loans.

At June 30, 2019 and December 31, 2018, the carrying value of the secured financing agreements approximates fair value as current borrowing spreads reflect market terms. At June 30, 2019 and December 31, 2018, the carrying value of the assets and liabilities of TRTX 2018-FL1 and TRTX 2018-FL2 approximates fair value as current borrowing spreads reflect market terms.

(9) Income Taxes

The Company indirectly owns 100% of the equity of multiple taxable REIT subsidiaries (collectively “TRSs”), including certain of its TRTX 2018-FL1 and TRTX 2018-FL2 subsidiaries. Taxable REIT subsidiaries are subject to applicable U.S. federal, state, local and foreign income tax on their taxable income. In addition, as a REIT, the Company also may be subject to a 100% excise tax on certain transactions between it and its TRSs that are not conducted on an arm’s-length basis. The Company files income tax returns in the United States federal jurisdiction as well as various state and local jurisdictions. The filings are subject to normal reviews by regulatory agencies until the related statute of limitations expires, with open tax years for all years since the Company’s initial capitalization in 2014. The years open to examination generally range from 2015 to present.

ASC 740 also prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company has analyzed its various federal and state filing positions and believes that its income tax filing positions and deductions are well documented and supported. As of June 30, 2019 and December 31, 2018, based on the Company’s evaluation, there is no reserve for any uncertain income tax positions.

The Company’s policy is to classify interest and penalties associated with underpayment of U.S. federal and state income taxes, if any, as a component of general and administrative expense on its consolidated statements of income and comprehensive income. For the three and six months ended June 30, 2019 and 2018, respectively the Company did not have interest or penalties associated with the underpayment of any income taxes.

For the three and six months ended June 30, 2019 and 2018, the Company incurred no federal, state and local tax expense relating to its TRSs. For the three months ended June 30, 2019 and 2018, the Company recognized \$0.2 million and \$0.0 million, respectively, of federal, state and local tax expense. For the six months ended June 30, 2019 and 2018, the Company recognized \$0.4 million and \$0.2 million, respectively, of federal, state and local tax expense. At June 30, 2019 and 2018, the Company’s effective tax rate was 0.7% and 0.4%, respectively.

At June 30, 2019 and December 31, 2018, the Company had no deferred tax assets or liabilities.

(10) Related Party Transactions

Management Agreement

The Company is externally managed and advised by the Manager pursuant to the terms of a management agreement, dated July 25, 2017, between the Company and the Manager (as amended, the “Management Agreement”). On May 2, 2018, the Company and the Manager amended the Management Agreement solely for the purpose of amending the definitions of “Equity,” “Core Earnings” and “Incentive Compensation” in the Management Agreement. The changes were effected to include equity issued by subsidiaries of the Company in the definition of Equity, and to exclude distributions on equity issued by subsidiaries from the calculation of the Manager’s Incentive Compensation.

Pursuant to the Management Agreement, the Company pays the Manager a base management fee equal to the greater of \$250,000 per annum (\$62,500 per quarter) and 1.50% per annum (0.375% per quarter) of the Company's "Equity." The base management fee is payable in cash, quarterly in arrears. As amended, "Equity" means (a) the sum of (1) the net proceeds received by the Company and, without duplication, the Company's subsidiaries, from all issuances of the Company's and the subsidiaries' equity securities, including for the avoidance of doubt issuances of common stock and Class A common stock by the Company prior to the completion of the Company's initial public offering (for purposes of calculating this amount, the net proceeds received by the Company from all issuances of the Company's outstanding common stock and Class A common stock prior to the completion of the Company's initial public offering equals approximately \$1.0 billion), plus (2) the value of contributions, including, without limitation, contributions of assets or interests in assets in exchange for equity securities, made by persons other than the Company or a subsidiary of the Company, from time to time, to the capital of the Company or another subsidiary of the Company plus (3) the Company's cumulative Core Earnings for the period commencing on the completion of the Company's initial public offering to the end of the most recently completed calendar quarter, and (b) less (1) any distributions made by the Company to the holders of the Company's equity securities and any distributions made by the Company's subsidiaries to the holders of the subsidiaries' equity securities (other than to the Company or another subsidiary of the Company) following the completion of the Company's initial public offering, (2) any amount that the Company or any of the Company's subsidiaries has paid to repurchase for cash the Company's common stock or Class A common stock following the completion of the Company's initial public offering and (3) any Incentive Compensation earned by the Manager following the completion of the Company's initial public offering. With respect to that portion of the period from and after the completion of the Company's initial public offering that is used in the calculation of Incentive Compensation or the base management fee, all items in the foregoing sentence (other than the Company's cumulative Core Earnings) will be calculated on a daily weighted average basis.

The Manager is entitled to incentive compensation which is calculated and payable in cash with respect to each calendar quarter following the completion of the Company's initial public offering (or part thereof that the Management Agreement is in effect) in arrears in an amount, not less than zero, equal to the difference between: (1) the product of (a) 20% and (b) the difference between (i) the Company's Core Earnings for the most recent 12-month period (or such lesser number of completed calendar quarters, if applicable), including the calendar quarter (or part thereof) for which the calculation of incentive compensation is being made (the "applicable period"), and (ii) the product of (A) the Company's Equity in the most recent 12-month period (or such lesser number of completed calendar quarters, if applicable), including the applicable period, and (B) 7% per annum; and (2) the sum of any incentive compensation paid to the Manager with respect to the first three calendar quarters of the most recent 12-month period (or such lesser number of completed calendar quarters preceding the applicable period, if applicable). No incentive compensation is payable to the Manager with respect to any calendar quarter unless Core Earnings for the 12 most recently completed calendar quarters (or such lesser number of completed calendar quarters following the completion of the Company's initial public offering) is greater than zero. For purposes of calculating the Manager's incentive compensation, the Management Agreement, as amended, specifies that equity securities of the Company or any of the Company's subsidiaries that are entitled to a specified periodic distribution or have other debt characteristics will not constitute equity securities and will not be included in "Equity" for the purpose of calculating incentive compensation. Instead, the aggregate distribution amount that accrues to such equity securities during the calendar quarter of such calculation will be subtracted from Core Earnings, before incentive compensation for purposes of calculating incentive compensation, unless such distribution is otherwise excluded from Core Earnings.

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

The Company is required to reimburse the Manager or its affiliates for documented costs and expenses incurred by it and its affiliates on the Company's behalf except those specifically required to be borne by the Manager or its affiliates under the Management Agreement. The Company's reimbursement obligation is not subject to any dollar limitation. The Manager or its affiliates is responsible for, and the Company will not reimburse the Manager or its affiliates for, the expenses related to the personnel of the Manager and its affiliates who provide services to the Company. However, the Company will reimburse the Manager for the Company's allocable share of the compensation (including, without limitation, annual base salary, bonus, any related withholding taxes and employee benefits) paid to (1) the Manager's personnel serving as the Company's chief financial officer based on the percentage of his or her time spent managing the Company's affairs and (2) other corporate finance, tax, accounting, internal audit, legal risk management, operations, compliance and other non-investment personnel of the Manager or its affiliates who spend all or a portion of their time managing the Company's affairs, based on the percentage of time devoted by such personnel to the Company's and the Company's subsidiaries' affairs.

Management Fees Incurred and Paid for the three and six months ended June 30, 2019 and June 30, 2018

For the three and six months ended June 30, 2019 and 2018, the Company incurred and paid the following management fees and incentive management fees pursuant to the Management Agreement (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Management Agreement fees incurred	\$ 7,371	\$ 5,909	\$ 13,879	\$ 11,539
Management Agreement fees paid	6,508	5,630	12,608	10,862

Management fees and incentive management fees included in payable to affiliates on the consolidated balance sheets at June 30, 2019 and December 31, 2018 are \$7.4 million and \$6.1 million, respectively.

The Company is responsible for reimbursing the Manager for certain expenses paid by the Manager on behalf of the Company or for certain services provided by the Manager to the Company. Expenses incurred by the Manager and reimbursed by the Company are reflected in the respective consolidated statements of income and comprehensive income expense category or the consolidated balance sheets based on the nature of the item. For the three months ended June 30, 2019 and 2018, the Manager incurred \$0.3 million, respectively of expenses that were reimbursable by the Company. For the six months ended June 30, 2019 and 2018, the Manager incurred \$0.6 million, respectively of expenses that were reimbursable by the Company.

As of June 30, 2019, \$0.3 million remained outstanding that was reimbursable by the Company to the Manager. As of December 31, 2019, no amounts remained outstanding that were reimbursable by the Company to the Manager.

Termination Fee

A termination fee will be payable to the Manager upon termination of the Management Agreement by the Company absent a cause event. The termination fee would also be payable to the Manager upon termination of the Management Agreement by the Manager if the Company materially breaches the Management Agreement. The termination fee is equal to three times the sum of (x) the average annual base management fee and (y) the average annual incentive compensation earned by the Manager, in each case during the 24-month period immediately preceding the most recently completed calendar quarter prior to the date of termination or, if such termination occurs prior to July 25, 2019, and such termination fee is payable, the base management fees and the incentive compensation will be annualized for the period from July 25, 2017 to July 25, 2019 based on such fees actually received by the Manager during such period.

(11) Earnings per Share

The Company calculates its basic and diluted earnings per share using the two-class method for all periods presented, as the unvested restricted shares of its common stock granted to certain current and former employees and affiliates of the Manager, qualify as participating securities. These restricted shares have the same rights as the Company's other shares of common stock and Class A common stock, including participating in any dividends, and therefore have been included in the Company's basic and diluted earnings per share calculation. For the three months ended June 30, 2019 and 2018, \$0.1 million and \$0.0 million, respectively of common stock dividends declared and undistributed net income attributable to common stockholders were allocated to unvested shares of our common stock pursuant to stock grants made under the Company's Incentive Plan (see Note 13 for details). For the six months ended June 30, 2019 and 2018, \$0.3 million and \$0.1 million, respectively of common stock dividends declared and undistributed net income attributable to common stockholders were allocated to unvested shares of our common stock pursuant to stock grants made under the Company's Incentive Plan.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net Income Attributable to TPG RE Finance Trust, Inc.	\$ 31,965	\$ 26,438	\$ 60,374	\$ 51,549
Participating Securities' Share in Earnings	(138)	—	(279)	—
Net Income Attributable to Common Stockholders	<u>\$ 31,827</u>	<u>\$ 26,438</u>	<u>\$ 60,095</u>	<u>\$ 51,549</u>
Weighted Average Common Shares Outstanding, Basic and Diluted	73,963,337	60,175,373	71,144,696	60,283,992
Per Common Share Amount, Basic and Diluted	<u>\$ 0.43</u>	<u>\$ 0.44</u>	<u>\$ 0.85</u>	<u>\$ 0.86</u>

(1) Totals may not sum due to rounding

(12) Stockholders' Equity

Equity Distribution Agreement

On March 7, 2019, the Company and the Manager entered into an equity distribution agreement with each of Citigroup Global Markets Inc., J.P. Morgan Securities LLC, JMP Securities LLC, Wells Fargo Securities, LLC and TPG Capital BD, LLC (each a "Sales Agent" and, collectively, the "Sales Agents") relating to the issuance and sale by the Company of shares of its common stock, \$0.001 par value per share, pursuant to a continuous offering program. In accordance with the terms of the equity distribution agreement, the Company may, at its discretion and from time to time, offer and sell shares of its common stock having an aggregate gross sales price of up to \$125.0 million through the Sales Agents, each acting as the Company's agent. The offering of shares of the Company's common stock pursuant to the equity distribution agreement will terminate upon the earlier of (1) the sale of shares of the Company's common stock subject to the equity distribution agreement having an aggregate gross sales price of \$125.0 million and (2) the termination of the equity distribution agreement by the Sales Agents or the Company at any time as set forth in the equity distribution agreement.

Each Sales Agent will be entitled to commissions in an amount not to exceed 1.75% of the gross sales prices of shares of the Company's common stock sold through it, as the Company's agent. For the three and six months ended June 30, 2019, no shares of common stock were sold pursuant to the equity distribution agreement.

Common Stock Offering Option Exercise

On April 12, 2019, Morgan Stanley & Co. LLC, as representative of the underwriters, exercised in full the underwriters' option to purchase 900,000 additional shares of common stock. As a result, and pursuant to the terms of the underwriting agreement, the Company issued and sold 900,000 additional shares of common stock to the underwriters on April 16, 2019, generating additional net proceeds, before transaction expenses, of approximately \$17.4 million from the issuance and sale of such shares.

Dividends

Upon the approval of the Company's Board of Directors, dividends are accrued by the Company. Dividends are paid first to the holders of the Company's Series A preferred stock at the rate of 12.5% of the total \$0.001 million liquidation preference per annum plus all accumulated and unpaid dividends thereon, and then to the holders of the Company's common stock and Class A common stock. The Company intends to distribute each year substantially all of its taxable income to its stockholders to comply with the REIT provisions of the Internal Revenue Code of 1986, as amended.

Preferred Stock

During the three months ended June 30, 2019, a subsidiary of the Company declared and paid a dividend of \$0.007 million on the subsidiary's outstanding Series A preferred shares. No dividends were paid on the subsidiary's outstanding Series A preferred shares during the three and six months ended June 30, 2018.

Common and Class A Common Stock

On June 18, 2019, the Company's Board of Directors declared a dividend for the second quarter of 2019 in the amount of \$0.43 per share of common stock and Class A common stock, or \$32.0 million in the aggregate, which dividend was payable on July 25, 2019 to holders of record of our common stock and Class A common stock as of June 28, 2019. On June 15, 2018, the Company declared a dividend for the second quarter of 2018 in the amount of \$0.43 per share of common stock and Class A common stock, or \$25.9 million in the aggregate, which was paid on July 25, 2018 to holders of record of our common stock and Class A common stock as of June 25, 2018.

For the six months ended June 30, 2019 and 2018, common stock and Class A common stock dividends in the amount of \$63.6 million and \$51.2 million were declared and approved, respectively.

As of June 30, 2019 and December 31, 2018, \$32.0 million and \$29.0 million, respectively, remain unpaid and are reflected in dividends payable on the Company's consolidated balance sheets.

Other Comprehensive Gain (Loss) Income

For the three months ended June 30, 2019 and 2018, other comprehensive gain (loss) income was \$3.1 million and \$(1.4) million, respectively. For the six months ended June 30, 2019 and June 30, 2018, other comprehensive (loss) income was \$3.2 million and \$(1.6) million, respectively. Other comprehensive (loss) income is a result of unrealized (losses) gains on available-for-sale securities (CMBS and CRE CLO investments held at period end).

(13) Share-based Incentive Plan

The Company does not have any employees as it is externally managed by the Manager. However, as of June 30, 2019, certain individuals employed by an affiliate of the Manager and certain members of the Company's Board of Directors were compensated, in part, through the issuance of share-based instruments.

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

Generally, the shares vest in installments over a four-year period, pursuant to the terms of the award and the Incentive Plan. As of June 30, 2019, there were 263,000 shares of common stock that will vest as follows: 35,404 shares in 2019; 93,876 shares in 2020; 93,877 shares in 2021; and 39,843 shares in 2022. As of June 30, 2019, total unrecognized compensation cost relating to unvested share-based compensation arrangements was \$4.6 million. This non-cash expense is expected to be recognized over a weighted average period of 1.7 years from June 30, 2019. For the three and six months ended June 30, 2019, the Company recognized \$0.9 million and \$1.5 million, respectively of share-based compensation expense as general and administrative expense in the consolidated statements of income and comprehensive income. For the three and six months ended June 30, 2018, the Company recognized \$0.2 million and \$0.4 million, respectively of share-based compensation expense as general and administrative expense in the consolidated statements of income and comprehensive income.

During the three months ended June 30, 2019, the Company issued deferred stock units to the non-management members of the Company's Board of Directors. The deferred stock units were fully vested on the grant date and accrue dividends that are paid-in kind on a quarterly basis. On May 14, 2019, the Company issued, and the non-management members of the Company's Board of Directors received, deferred stock units with an aggregate fair value of \$0.3 million, which is included in share-based compensation expense as general and administrative expense in the consolidated statements of income and comprehensive income.

(14) Commitments and Contingencies

Unfunded Commitments

As of June 30, 2019 and December 31, 2018, the Company had \$664.4 million and \$634.2 million, respectively, of unfunded commitments related to loans held for investment. These commitments are not reflected on the consolidated balance sheets.

Litigation

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

As of June 30, 2019 and December 31, 2018, the Company was not involved in any material legal proceedings and has not recorded an accrued liability for loss contingencies.

(15) Concentration of Credit Risk

Property Type

A summary of the loan portfolio by property type as of June 30, 2019 and December 31, 2018 based on total loan commitment and current unpaid principal balance (“UPB”) is as follows (dollars in thousands):

Property Type	June 30, 2019				
	Loan Commitment	Unfunded Commitment	% of Loan Commitment	Loan UPB	% of Loan UPB
Office	\$ 2,012,904	\$ 292,217	36.6%	\$ 1,720,687	35.5%
Multifamily	1,325,378	104,905	24.0	1,220,473	25.2
Mixed Use	1,003,725	142,017	18.2	861,708	17.8
Hotel	716,293	74,685	13.0	641,608	13.2
Retail	233,554	47,016	4.2	186,538	3.8
Condominium	109,783	3,569	2.0	106,214	2.2
Other	112,000	—	2.0	112,000	2.3
Total	\$ 5,513,637	\$ 664,409	100.0%	\$ 4,849,228	100.0%

Property Type	December 31, 2018				
	Loan Commitment	Unfunded Commitment	% of Loan Commitment	Loan UPB	% of Loan UPB
Office	\$ 1,898,511	\$ 316,510	38.5%	\$ 1,582,001	36.8%
Multifamily	1,247,860	131,177	25.2	1,116,683	25.9
Mixed Use	838,200	114,748	16.9	723,452	16.8
Hotel	508,450	10,896	10.3	497,554	11.5
Retail	233,555	50,247	4.7	183,308	4.2
Condominium	154,673	10,580	3.1	144,093	3.3
Industrial	66,500	—	1.3	66,500	1.5
Total	\$ 4,947,749	\$ 634,158	100.0%	\$ 4,313,591	100.0%

Geography

All of the Company's loans held for investment are secured by properties within the United States. The geographic composition of loans held for investment based on total loan commitment and current UPB as of June 30, 2019 and December 31, 2018 is as follows (dollars in thousands):

Geographic Region	June 30, 2019				
	Loan Commitment	Unfunded Commitment	% of Loan Commitment	Loan UPB	% of Loan UPB
East	\$ 1,970,524	\$ 152,536	35.9%	\$ 1,817,988	37.6%
South	1,568,407	242,862	28.4	1,325,545	27.3
West	955,925	121,112	17.3	834,813	17.2
Midwest	795,704	120,674	14.4	675,030	13.9
Various	223,077	27,225	4.0	195,852	4.0
Total	\$ 5,513,637	\$ 664,409	100.0%	\$ 4,849,228	100.0%

Geographic Region	December 31, 2018				
	Loan Commitment	Unfunded Commitment	% of Loan Commitment	Loan UPB	% of Loan UPB
East	\$ 2,084,807	\$ 170,131	42.1%	\$ 1,914,676	44.4%
South	1,525,173	270,933	30.8	1,254,240	29.1
West	760,416	100,422	15.4	659,994	15.3
Midwest	577,353	92,672	11.7	484,681	11.2
Total	\$ 4,947,749	\$ 634,158	100.0%	\$ 4,313,591	100.0%

Category

A summary of the loan portfolio by category as of June 30, 2019 and December 31, 2018 based on total loan commitment and current UPB is as follows (dollars in thousands):

Loan Category	June 30, 2019				
	Loan Commitment	Unfunded Commitment	% of Loan Commitment	Loan UPB	% of Loan UPB
Bridge	\$ 2,712,650	\$ 188,200	49.2%	\$ 2,524,450	52.0%
Light Transitional	1,505,874	158,557	27.3	1,347,317	27.8
Moderate Transitional	1,260,113	287,652	22.9	972,461	20.1
Construction	35,000	30,000	0.6	5,000	0.1
Total	\$ 5,513,637	\$ 664,409	100.0%	\$ 4,849,228	100.0%

Loan Category	December 31, 2018				
	Loan Commitment	Unfunded Commitment	% of Loan Commitment	Loan UPB	% of Loan UPB
Bridge	\$ 2,414,456	\$ 199,397	48.8%	\$ 2,215,059	51.3%
Light Transitional	1,513,227	212,290	30.6	1,300,937	30.2
Moderate Transitional	1,020,066	222,471	20.6	797,595	18.5
Total	\$ 4,947,749	\$ 634,158	100.0%	\$ 4,313,591	100.0%

Loan commitments represent principal commitments made by the Company at June 30, 2019 and December 31, 2018, respectively.

(16) Subsequent Events

The following events occurred subsequent to June 30, 2019:

Investment Activity

From July 1, 2019 through July 29, 2019, the Company has closed, or is in the process of closing, three first mortgage loans with a total loan commitment amount of \$454.3 million.

Senior Mortgage Loan Repayments

From July 1, 2019 through July 29, 2019, the Company received full loan repayments related to two of its first mortgage loans with a total loan commitment and unpaid principal balance of \$290.6 million and \$249.1 million, respectively. These loan repayments consist of a Category 4 risk rated loan with a total loan commitment of \$141.6 million and unpaid principal balance of \$100.1 million, and a Category 2 risk rated loan with a total loan commitment of \$149.0 million and unpaid principal balance \$149.0 million, as of June 30, 2019.

Cash Dividend

On July 25, 2019, the Company paid a cash dividend on its common stock and Class A common stock of \$0.43 per share, or \$32.0 million, to stockholders of record as of June 28, 2019.

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

The following discussion and analysis should be read in conjunction with the unaudited and audited consolidated financial statements and the accompanying notes included elsewhere in this Form 10-Q and in our Form 10-K filed with the SEC on February 26, 2019. In addition to historical data, this discussion contains forward-looking statements about our business, results of operations, cash flows, and financial condition based on current expectations that involve risks, uncertainties and assumptions. See “Cautionary Note Regarding Forward-Looking Statements”. Our actual results may differ materially from those in this discussion as a result of various factors, including but not limited to those discussed under the heading Item 1A – “Risk Factors” in our Form 10-K filed with the SEC on February 26, 2019.

Overview

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

As of June 30, 2019, our portfolio consisted of 67 first mortgage loans (or interests therein) and one mezzanine loan with an aggregate unpaid principal balance of \$4.8 billion, a weighted average credit spread of 3.8%, a weighted average all-in yield of 6.5%, a weighted average term to extended maturity (assuming all extension options have been exercised by borrowers) of 3.8 years, and a weighted average LTV of 65.1%. As of June 30, 2019, 100.0% of the loan commitments in our portfolio consisted of floating rate loans, of which 99.9% were first mortgage loans and 0.01% was a mezzanine loan. As of June 30, 2019, we had \$664.4 million of unfunded loan commitments, our funding of which is subject to borrower satisfaction of certain milestones.

In addition, as of June 30, 2019, we held for cash management and short-term investment purposes 31 CMBS and CRE CLO investments, with an aggregate face amount of \$677.8 million and a weighted average coupon, including LIBOR, of 4.3%.

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

Our Manager

We are externally managed by our Manager, TPG RE Finance Trust Management, L.P., an affiliate of TPG. TPG manages investments across multiple asset classes, including private equity, real estate, energy, infrastructure, credit and hedge funds. Our Manager manages our investments and our day-to-day business and affairs in conformity with our investment guidelines and other policies that are approved and monitored by our board of directors. Our Manager is responsible for, among other matters, (A) the selection, origination or purchase and sale of our portfolio investments, (B) our financing activities and (C) providing us with investment advisory services. Our Manager is also responsible for our day-to-day operations and performs (or causes to be performed) such services and activities relating to our investments and business and affairs as may be appropriate. Our investment decisions are approved by an investment committee of our Manager that is comprised of senior investment professionals of TPG, including a senior investment professional of TPG's real estate equity group. For a summary of certain terms of the management agreement between us and our Manager (the “Management Agreement”), see Note 10 to our Consolidated Financial Statements included in this Form 10-Q.

Key Financial Measures and Indicators

As a commercial real estate finance company, we believe the key financial measures and indicators for our business are earnings per share, dividends declared per share, Core Earnings, and book value per share. For the three months ended June 30, 2019, we recorded earnings per diluted common share of \$0.43, an increase of \$0.01 from the quarter ended March 31, 2019, primarily due to net interest income growth, offset by the impact of the issuance of 6.9 million common shares during the current year. Core Earnings per diluted common share was \$0.44 for the three months ended June 30, 2019, an increase of \$0.01 from the prior quarter.

For the three months ended June 30, 2019, we declared a cash dividend of \$0.43 per share. Our book value per common share as of June 30, 2019 was \$19.76, a \$0.03 increase from our book value per common share as of March 31, 2019, primarily due to estimated fair value increases of our available-for-sale debt securities during the quarter. As further described below, Core Earnings is a measure that is not prepared in accordance with 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 Common Share and Dividends Declared Per Common Share

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

	Three Months Ended	
	June 30, 2019	March 31, 2019
Net Income Attributable to TPG RE Finance Trust, Inc. ⁽¹⁾	\$ 31,965	\$ 28,409
Weighted Average Number of Common Shares Outstanding, Basic and Diluted ⁽²⁾	73,963,337	68,294,736
Basic and Diluted Earnings per Common Share ⁽²⁾	\$ 0.43	\$ 0.42
Dividends Declared per Common Share ⁽²⁾	\$ 0.43	\$ 0.43

(1) Represents net income attributable to holders of our common stock and Class A common stock.

(2) Weighted average number of shares outstanding includes common stock and Class A common stock.

Core Earnings

We use Core Earnings to evaluate our performance excluding the effects of certain transactions and GAAP adjustments we believe are not necessarily indicative of our current loan activity and operations. Core Earnings is a non-GAAP measure, which we define as GAAP net income (loss) attributable to our stockholders, including realized gains and losses not otherwise included in GAAP net income (loss), and excluding (i) non-cash equity compensation expense, (ii) depreciation and amortization, (iii) unrealized gains (losses), and (iv) 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. The exclusion of depreciation and amortization from the calculation of Core Earnings only applies to debt investments related to real estate to the extent we foreclose upon the property or properties underlying such debt investments.

We believe that Core Earnings provides meaningful information to consider in addition to our net income and cash flow from operating activities determined in accordance with GAAP. Although pursuant to the Management Agreement we calculate the incentive and base management fees due to our Manager using Core Earnings before incentive fee expense, we report Core Earnings after incentive fee expense, because we believe this is a more meaningful presentation of the economic performance of our common and 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.

For additional information on the fees we pay our Manager, see Note 10 to our Consolidated Financial Statements included in this Form 10-Q.

The following tables provide a reconciliation of GAAP net income attributable to common stockholders to Core Earnings (in thousands, except share and per share data):

	Three Months Ended	
	June 30, 2019	March 31, 2019
Net Income Attributable to Common Stockholders ⁽¹⁾	\$ 31,827	\$ 28,268
Non-Cash Compensation Expense	881	633
Depreciation and Amortization Expense	—	—
Unrealized Gains (Losses)	—	—
Other Items	—	—
Core Earnings	\$ 32,708	\$ 28,901
Weighted-Average Common Shares Outstanding, Basic and Diluted ⁽²⁾	73,963,337	68,294,736
Core Earnings per Common Share, Basic and Diluted ⁽²⁾	\$ 0.44	\$ 0.43

(1) Represents GAAP net income attributable to our common and Class A common stockholders.

(2) Weighted average number of shares outstanding includes common stock and Class A common stock.

Book Value Per Common Share

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

	June 30, 2019	March 31, 2019
Total Stockholders' Equity	\$ 1,464,757	\$ 1,443,549
Preferred Stock	125	125
Stockholders' Equity, Net of Preferred Stock	<u>\$ 1,464,632</u>	<u>\$ 1,443,424</u>
Number of Common Shares Outstanding at Period End ⁽¹⁾⁽²⁾	74,139,409	73,161,376
Book Value per Common Share ⁽²⁾	\$ 19.76	\$ 19.73

(1) Includes shares of common stock and Class A common stock.

(2) Number of common shares outstanding at period end includes common stock and Class A common stock.

Second Quarter 2019 Highlights

Operating Results:

- Generated GAAP net income of \$32.0 million, an increase of \$3.6 million, or 12.7%, as compared to the quarter ended March 31, 2019.
- Increased Core Earnings to \$32.7 million, or \$0.44 per share, an increase of \$3.8 million as compared to the quarter ended March 31, 2019.
- Declared dividends of \$32.0 million, or \$0.43 per share, representing an annualized dividend yield of 8.7% on a book value per common share of \$19.76 as of June 30, 2019.

Investment Portfolio Activity:

- Originated eight loans with a total commitment of \$755.0 million, an initial unpaid principal balance of \$507.8 million, unfunded commitments upon closing of \$115.2 million, a weighted average LTV of 60.1%, and a weighted average interest rate of LIBOR plus 3.64%, including a \$132.0 million non-consolidated senior interest that closed during the period.
- Purchased 17 floating rate CRE CLO investments for \$368.2 million, which have a weighted average coupon of LIBOR plus 1.9%, a weighted average expected life of 4.7 years, and credit ratings of AAA to BBB-.
- Funded \$59.7 million of commitments in connection with existing loans having future funding obligations.
- Received proceeds of \$451.3 million from principal repayments from our loan portfolio.

Portfolio Financing Activity:

- Increased equity capital base by \$17.4 million from the sale of 900,000 Underwriter Option Shares related to the Company's March 2019 underwritten public offering of common stock.
- Closed a new matched term, non-market-to-market asset-specific financing arrangement with an aggregate commitment of \$77.0 million, a 68.8% advance rate, and a credit spread of 4.15%.

Available Liquidity:

- At June 30, 2019, we had unrestricted cash available for investment of \$70.0 million, a portion of which is subject to certain liquidity covenants, and CMBS and CRE CLO investments with an aggregate face amount of \$677.8 million available-for-sale.
- At June 30, 2019, we had undrawn capacity (liquidity available to us without the need to pledge more collateral to our lenders) of \$101.4 million under secured revolving repurchase agreements, senior secured and secured credit agreements, and a term loan facility, with eight lenders:
 - These financing arrangements have an aggregate maximum commitment amount of \$4.0 billion and a weighted average interest rate of LIBOR plus 1.9% as of June 30, 2019, providing stable financing, with mark-to-market provisions limited to asset and, in one instance, market specific events and a weighted average term to extended maturity (assuming we have exercised all extension options and term out provisions) of 3.1 years.

- As of June 30, 2019, we had \$1.6 billion of financing capacity under secured revolving repurchase agreements, senior secured and secured credit agreements, and a term loan facility, provided by nine lenders. Our ability to draw on this capacity is dependent upon our lenders' willingness to accept as collateral loan or CMBS and CRE CLO investments we pledge to them to secure additional borrowings:
 - These financing arrangements have an aggregate maximum commitment amount of \$4.0 billion and credit spreads based upon the LTV and other risk characteristics of collateral pledged, which together provide stable financing with mark-to-market provisions generally limited to asset and, in one instance, market specific events, and a weighted average term to extended maturity (assuming we have exercised all extension options and term out provisions) of 3.1 years. These financing arrangements are generally 25% recourse to Holdco, except with respect to our secured credit agreement, which is 100% recourse to Holdco, and our term loan facility which is non-recourse.
 - Financing capacity available for CMBS and CRE CLO investments under four secured revolving repurchase agreements is based upon the haircut and other risk characteristics at the time the collateral is pledged. The weighted average term to extended maturity (assuming we have exercised all extension options and term out provisions) and have obtained the consent of our lenders) of our outstanding borrowings is less than one month. These agreements are 100% recourse to Holdco.

Portfolio Overview

Loan Portfolio

During the three months ended June 30, 2019, we originated eight loans with a total loan commitment amount of \$755.0 million, of which \$507.8 million was funded at origination, including a \$132.0 million non-consolidated senior interest that closed during the period. Other loan fundings included \$59.7 million of deferred fundings related to previously originated loan commitments. Proceeds from loan repayments during the three months ended June 30, 2019 totaled \$451.3 million. We generated interest income of \$88.3 million, incurred interest expense of \$46.4 million, and generated net interest income of \$41.8 million.

The following table details our loan activity by unpaid principal balance (dollars in thousands):

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Loan originations and acquisitions — initial funding	\$ 507,796	\$ 1,140,908
Other loan fundings ⁽¹⁾	59,737	117,131
Loan repayments	(451,267)	(722,402)
Total loan fundings, net	<u>\$ 116,266</u>	<u>\$ 535,637</u>

(1) Additional fundings made under existing loan commitments during the three months ended June 30, 2019.

The following table details overall statistics for our loan portfolio as of June 30, 2019 (dollars in thousands):

	Balance Sheet Portfolio	Total Loan Portfolio
Number of loans	68	69
Floating rate loans (by unpaid principal balance)	100.0%	100.0%
Total loan commitment	\$ 5,513,637	\$ 5,645,637
Unpaid principal balance	\$ 4,849,228	\$ 4,849,228
Unfunded loan commitments ⁽¹⁾	\$ 664,409	\$ 664,409
Carrying value	\$ 4,830,235	\$ 4,830,235
Weighted average credit spread ⁽²⁾	3.8%	3.8%
Weighted average all-in yield ⁽²⁾	6.5%	6.5%
Weighted average term to extended maturity (in years) ⁽³⁾	3.8	3.8
Weighted average LTV ⁽⁴⁾	65.1%	65.1%

- Unfunded loan commitments may be funded over the term of each loan, subject in certain cases to an expiration date or a force-funding date, primarily to finance property improvements or lease-related expenditures by our borrowers, to finance operating deficits during renovation and lease-up, and in some instances to finance development.
- As of June 30, 2019, our floating rate loans were indexed to LIBOR. In addition to credit spread, all-in yield includes the amortization of deferred origination fees, purchase price premium and discount, loan origination costs and accrual of both extension and exit fees. Credit spread and all-in yield for the total portfolio assumes the applicable floating benchmark rate as of June 30, 2019 for weighted average calculations.
- Extended maturity assumes all extension options are exercised by the borrower; provided, however, that our loans may be repaid prior to such date. As of June 30, 2019, based on the unpaid principal balance of our total loan exposure, 63.0% of our loans were subject to yield maintenance or other prepayment restrictions and 37.0% were open to repayment by the borrower without penalty.

- (4) Except for construction loans, LTV is calculated for loan originations and existing loans as the total outstanding principal balance of the loan or participation interest in a loan (plus any financing that is *pari passu* with or senior to such loan or participation interest) as of June 30, 2019, divided by the as-is real estate value at the time of origination or acquisition of such loan or participation interest. For construction loans only, LTV is calculated as the total commitment amount of the loan divided by the as-stabilized value of the real estate securing the loan. The as-is or as-stabilized (as appropriate) value reflects our Manager’s estimates, at the time of origination or acquisition of the loan or participation interest in a loan, of the real estate value underlying such loan or participation interest determined in accordance with our Manager’s underwriting standards and consistent with third-party appraisals obtained by our Manager.

See Note 16 to the Consolidated Financial Statements included in this Form 10-Q for details about our mortgage loan originations subsequent to June 30, 2019.

CMBS and CRE CLO Investment Portfolio

We invest from time to time in CMBS and CRE CLO investments as part of our investment strategy, often as a short-term cash management tool. As of June 30, 2019, our CMBS and CRE CLO investment portfolio consisted of four fixed rate and 27 floating rate securities, the underlying collateral of which consists of first mortgage loans secured by commercial real estate properties. The underlying real estate collateral is located across the United States, primarily in Texas, with no state representing more than 15.9% of an investment’s current face amount. Additionally, the payment of principal and interest on the securities on our CMBS investments at June 30, 2019 is guaranteed by a U.S. Government agency or a U.S. government sponsored enterprise (“GSE”). Our CRE CLO investments are floating rate securities with an expected weighted average life of less than 4.0 years.

The following table details overall statistics for our CMBS and CRE CLO investment portfolio as of June 30, 2019 (dollars in thousands):

	Total Investments	CRE CLO Investments ⁽¹⁾ Floating Rate	CMBS Investments ⁽¹⁾ Fixed Rate
Number of CMBS and CRE CLO investments ⁽¹⁾	31	27	4
CMBS and CRE CLO investments (by current face amount)	100.0%	88.9%	11.1%
Initial Par value	\$ 680,333	\$ 602,437	\$ 77,896
Current face amount ⁽¹⁾	\$ 677,800	\$ 602,434	\$ 75,366
Weighted average coupon ⁽²⁾	4.3%	4.4%	3.4%
Weighted average yield to expected maturity ⁽³⁾	4.2%	4.2%	3.5%
Weighted average life (in years)	4.0	4.3	1.8
Weighted average principal repayment window (in years)	4.3	4.3	4.1
Contractual maturity (in years)	16.4	16.6	14.2
Ratings range ⁽⁴⁾	Unrated to AAA	BBB- to AAA	Unrated

- (1) CRE CLO investments exclude the Company’s holdings of TRTX 2018-FL2 and TRTX 2018-FL1 Notes as of June 30, 2019. Current face amount is weighted by estimated fair value as of June 30, 2019.
- (2) Weighted average coupon includes LIBOR of 2.4% as of June 28, 2019. Amounts disclosed are before giving effect to unamortized purchase price premium and discount and unrealized gains or losses.
- (3) Weighted average yield to expected maturity based on expected principal repayment window.
- (4) The largest CMBS investment is a structured finance investment that is 100% collateralized by multifamily mortgage loans underwritten by the Federal Home Loan Mortgage Corporation (“FHLMC”), which loans are slated for near term securitization by FHLMC. Upon the contractual maturity of the structured finance investment, FHLMC is required to purchase all of the performing mortgage loans at par. Currently, all of the underlying mortgage loans are performing. The other CMBS investments are structured finance investments issued by Fannie Mae and Ginnie Mae which are backed primarily by mortgage loans on multifamily properties that satisfy GSE program requirements. These bonds are unrated but carry a government guaranty.

Asset Management

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

Our Manager reviews our entire loan portfolio quarterly, undertakes an assessment of the performance of each loan, and assigns it a risk rating between “1” and “5,” from least risk to greatest risk, respectively. See Notes 2 and 3 to our Consolidated Financial Statements included in this Form 10-Q for a discussion regarding the risk rating system that we use in connection with our portfolio. The following table allocates the carrying value of our loan portfolio as of June 30, 2019 and December 31, 2018 based on our internal risk ratings (dollars in thousands):

Risk Rating	June 30, 2019		December 31, 2018	
	Carrying Value	Number of Loans	Carrying Value	Number of Loans
1	\$ —	—	\$ 29,923	1
2	1,073,740	12	959,314	12
3	3,420,107	48	3,099,401	41
4	336,388	8	205,149	6
5	—	—	—	—
Totals	<u>\$ 4,830,235</u>	<u>68</u>	<u>\$ 4,293,787</u>	<u>60</u>

For the period ended June 30, 2019 and December 31, 2018 the weighted average risk rating of our total loan exposure based on carrying value was 2.8.

Investment Portfolio Financing

Our portfolio financing arrangements during the period ended June 30, 2019 and December 31, 2018 included collateralized loan obligations, secured revolving repurchase agreements, senior secured and secured credit agreements, a term loan facility, and asset-specific financing arrangements. We had one outstanding non-consolidated senior interest at June 30, 2019, with a total loan commitment of \$132.0 million, and no non-consolidated senior interests outstanding at December 31, 2018.

The following table details our portfolio financing arrangements at June 30, 2019 and December 31, 2018 (dollars in thousands):

	Portfolio Financing Outstanding Principal Balance	
	June 30, 2019	December 31, 2018
Collateralized loan obligations	\$ 1,187,409	\$ 1,522,377
Secured revolving repurchase agreements	2,259,832	1,044,145
Senior secured and secured credit agreements	499,117	460,381
Term loan facility	267,661	114,262
Asset-specific financings	109,500	32,500
Total indebtedness ⁽¹⁾	<u>\$ 4,323,519</u>	<u>\$ 3,173,665</u>

(1) Excludes deferred financing costs of \$19.4 million and \$23.8 million as of June 30, 2019 and December 31, 2018, respectively.

Collateralized Loan Obligation

As of June 30, 2019, we had two collateralized loan obligations totaling \$1.2 billion, financing existing first mortgage loan investments totaling \$1.4 billion, reducing our cost of funds and providing matched-term, non-recourse financing for 31.7% of our loan portfolio borrowings. The collateralized loan obligations bear a weighted average interest rate of LIBOR plus 1.4%, weighted average advance rate of 79.7%, and in one instance includes a reinvestment feature that provides additional liquidity that allows us to originate new loan investments funded in part or in whole by the CLO. As of June 30, 2019, the loan investments contributed to the collateralized loan obligations represented 28.9% of the aggregate unpaid principal balance of our loan investment portfolio.

Secured Revolving Repurchase Agreements

As of June 30, 2019, aggregate borrowings outstanding under our secured revolving repurchase agreements totaled \$2.3 billion, of which \$1.7 billion related to our loan investments. As of June 30, 2019, for our secured revolving repurchase agreements related to our loan investments, the weighted average interest rate was LIBOR plus 1.9% per annum, the weighted average all-in cost of credit, including associated fees and expenses, was LIBOR plus 2.4% per annum, and the weighted average advance rate was 77.1%. As of June 30, 2019, outstanding borrowings under these agreements for our loan investments had a weighted average term to extended maturity of 2.4 years (assuming we have exercised all extension options and term out provisions). The Morgan Stanley secured revolving repurchase agreement has an initial maturity date of May 4, 2020 and can be extended for additional successive one year periods, subject to approval by the lender. The number of extension options is not limited by the terms of this agreement. These secured revolving repurchase agreements are 25% recourse to Holdco.

As of June 30, 2019, we had four secured revolving repurchase agreements to finance our CMBS and CRE CLO investing activities. Credit spreads vary depending upon the CMBS and CRE CLO investments and advance rate. These secured revolving repurchase agreements are 100% recourse to Holdco.

The following tables detail our secured revolving repurchase agreements (dollars in thousands):

Lender	June 30, 2019									
	Commitment Amount ⁽¹⁾	UPB of Collateral	Advance Rate	Approved Borrowings	Outstanding Balance	Undrawn Capacity ⁽³⁾	Available Capacity ⁽²⁾	Interest Rate	Extended Maturity ⁽⁴⁾	
Goldman Sachs	\$ 750,000	\$ 661,876	76.8%	\$ 503,668	\$ 434,435	\$ 69,233	\$ 246,332	L+ 2.1%	8/19/2019	
Wells Fargo	750,000	771,022	76.2	586,000	572,066	13,934	164,000	L+ 1.7%	4/18/2022	
Morgan Stanley	500,000	379,106	77.3	292,739	291,281	1,458	207,261	L+ 2.1%	N/A	
JP Morgan	400,000	222,348	77.0	170,848	166,821	4,027	229,152	L+ 2.1%	8/20/2023	
US Bank	233,883	274,051	80.0	219,241	216,640	2,601	14,642	L+ 1.7%	4/9/2024	
Subtotal/Weighted Average—Loans	\$ 2,633,883	\$ 2,308,403	77.1%	\$ 1,772,496	\$ 1,681,243	\$ 91,253	\$ 861,387	L+ 1.9%		
Royal Bank of Canada	—	—	90.0	—	—	—	—	N/A	N/A	
Goldman Sachs	60,555	70,433	87.7	60,555	60,555	—	—	L+ 0.8%	7/5/2019 ⁽⁵⁾	
JP Morgan	400,856	458,635	87.4	400,856	400,856	—	—	L+ 0.9%	7/10/2019 ⁽⁵⁾	
Wells Fargo	117,178	137,322	84.8	117,178	117,178	—	—	L+ 1.0%	7/22/2019 ⁽⁵⁾	
Subtotal/Weighted Average—CMBS and CRE CLO	\$ 578,589	\$ 666,390	86.9%	\$ 578,589	\$ 578,589	\$ —	\$ —	L+ 0.9%		⁽⁵⁾
Total/Weighted Average	\$ 3,212,472	\$ 2,974,793	79.5%	\$ 2,351,085	\$ 2,259,832	\$ 91,253	\$ 861,387	L+ 1.7%		⁽⁵⁾

- (1) Commitment amount represents the largest amount of borrowings available under a given agreement once sufficient collateral assets have been approved by the lender and pledged by us.
- (2) Represents the commitment amount less the approved borrowings which amount is available to be borrowed provided we pledge and the lender approves additional collateral assets.
- (3) Undrawn capacity represents the positive difference between the borrowing amount approved by the lender against collateral assets pledged by us and the amount actually drawn against those collateral assets.
- (4) Our ability to extend our secured revolving repurchase agreements to the dates shown above is subject to satisfaction of certain conditions. Even if extended, our lenders retain sole discretion to determine whether to accept pledged collateral, and the advance rate and credit spread applicable to each borrowing thereunder.
- (5) Extended Maturity represents the sooner of the next maturity date of the agreement or roll over date for the applicable underlying trade confirmation, subsequent to June 30, 2019. Weighted average interest rate includes the impact of the Overnight swap index (“OIS”) rate used for CMBS and CRE CLO investment secured revolving repurchase agreements, as applicable.

December 31, 2018

Lender	Commitment Amount ⁽¹⁾	UPB of Collateral	Advance Rate	Approved Borrowings	Outstanding Balance	Undrawn Capacity ⁽³⁾	Available Capacity ⁽²⁾	Interest Rate	Extended Maturity ⁽⁴⁾	
Goldman Sachs	\$ 750,000	\$ 474,243	76.7%	\$ 355,051	\$ 191,164	\$ 163,887	\$ 394,949	L+ 2.2%	8/19/2019	
Wells Fargo	750,000	339,012	76.4	256,120	246,208	9,912	493,880	L+ 1.8%	5/25/2021	
Morgan Stanley	500,000	244,936	75.7	185,221	182,507	2,714	314,779	L+ 2.2%	N/A	
JP Morgan	400,000	254,026	75.4	190,541	185,529	5,012	209,459	L+ 2.2%	8/20/2023	
US Bank	212,840	262,929	79.0	207,344	206,040	1,304	5,496	L+ 1.8%	10/9/2023	
Subtotal/Weighted Average—Loans	\$ 2,612,840	\$ 1,575,146	76.6%	\$ 1,194,277	\$ 1,011,448	\$ 182,829	\$ 1,418,563	L+ 2.0%		
Royal Bank of Canada	100,000	—	90.0	—	—	—	100,000	N/A	N/A	
Goldman Sachs	100,000	38,517	90.0	32,697	32,697	—	67,303	OIS+	1/2/2019	⁽⁵⁾
Subtotal/Weighted Average—CMBS and CRE CLO	\$ 200,000	\$ 38,517	90.0%	\$ 32,697	\$ 32,697	\$ —	\$ 167,303	OIS+		⁽⁵⁾
Total/Weighted Average	\$ 2,812,840	\$ 1,613,663	77.0%	\$ 1,226,974	\$ 1,044,145	\$ 182,829	\$ 1,585,866	L+ 2.0%		⁽⁵⁾

- (1) Commitment amount represents the largest amount of borrowings available under a given agreement once sufficient collateral assets have been approved by the lender and pledged by us.
- (2) Represents the commitment amount less the approved borrowings which amount is available to be borrowed provided we pledge and the lender approves additional collateral assets.

- (3) Undrawn capacity represents the positive difference between the borrowing amount approved by the lender against collateral assets pledged by us and the amount actually drawn against those collateral assets.
- (4) Our ability to extend our secured revolving repurchase agreements to the dates shown above is subject to satisfaction of certain conditions. Even if extended, our lenders retain sole discretion to determine whether to accept pledged collateral, and the advance rate and credit spread applicable to each borrowing thereunder.
- (5) Extended Maturity represents the sooner of the next maturity date of the agreement or roll over date for the applicable underlying trade confirmation, subsequent to December 31, 2018. Weighted average interest rate includes the impact of the Overnight swap index (“OIS”) rate used for CMBS and CRE CLO investment secured revolving repurchase agreements.

Borrowings under our secured revolving repurchase agreements are subject to the initial approval of eligible collateral loans (or CMBS and CRE CLO investments, depending on the agreement) by the lender. The maximum advance rate and pricing rate of individual advances are determined with reference to the attributes of the respective collateral.

The maximum and average month end balances for our secured revolving repurchase agreements during the three months ended June 30, 2019 are as follows (dollars in thousands):

	Six Months Ended June 30, 2019		
	Carrying Value	Maximum Month End Balance	Average Month End Balance
JP Morgan	\$ 166,821	\$ 208,129	\$ 187,090
Goldman Sachs	434,435	436,291	374,250
Wells Fargo	572,066	572,066	430,225
Morgan Stanley	291,281	291,281	227,923
US Bank	216,640	216,640	206,107
Subtotal / Averages - Loans ⁽¹⁾	\$ 1,681,243	\$ 1,681,243	\$ 1,425,595
JP Morgan	400,856	400,856	212,933
Goldman Sachs	60,555	60,555	46,258
Wells Fargo	117,178	117,178	55,432
Royal Bank of Canada	—	—	—
Subtotal / Averages - CMBS and CRE CLO ⁽¹⁾	\$ 578,589	\$ 578,589	\$ 314,623
Total / Averages - Loans, CMBS and CRE CLO ⁽¹⁾	<u>\$ 2,259,832</u>	<u>\$ 2,259,832</u>	<u>\$ 1,740,218</u>

- (1) The maximum month end balance subtotal and total represents the maximum outstanding borrowings on all secured revolving repurchase agreements at a month end during the three months ended June 30, 2019.

We use secured revolving repurchase agreements to finance certain of our originations or acquisitions of our target assets, which may be accepted by a respective secured revolving repurchase agreement lender as collateral. Once we identify an asset and the asset is approved by the secured revolving repurchase agreement lender to serve as collateral (which lender’s approval is in its sole discretion), we and the lender may enter into a transaction whereby the lender advances to us a percentage of the value of the asset, which is referred to as the “advance rate,” as the purchase price for such transaction with an obligation of ours to repurchase the asset from the lender for an amount equal to the purchase price for the transaction plus a price differential, which is calculated based on an interest rate. For each transaction, we and the lender agree to a trade confirmation which sets forth, among other things, the purchase price, the maximum advance rate, the interest rate, the market value of the loan asset and any future funding obligations which are contemplated with respect to the specific transaction and/or the underlying loan asset. For loan assets which involve future funding obligations of ours, the repurchase transaction may provide for the repurchase lender to fund portions (for example, pro rata per the maximum advance rate of the related repurchase transaction) of such future funding obligations. Generally, our secured revolving repurchase agreements allow for revolving balances, which allow us to voluntarily repay balances and draw again on existing available credit. The primary obligor on each secured revolving repurchase agreement is a separate special purpose subsidiary of ours which is restricted from conducting activity other than activity related to the utilization of its secured revolving repurchase agreement. As additional credit support, our holding company subsidiary, Holdco, provides certain guarantees of the obligations of its subsidiaries. The liability of Holdco under the guarantees related to our secured revolving repurchase agreements secured by CMBS and CRE CLO investments are in an amount equal to 100% of the outstanding obligations of the special purpose subsidiary which is the primary obligor under the related agreement. The liability of Holdco under the guarantees related to our secured revolving repurchase agreements secured by loans is generally capped at 25% of the outstanding obligations of the special purpose subsidiary which is the primary obligor under the related agreement. However, such liability cap under the guarantees related to our secured revolving repurchase agreements secured by loans does not apply in the event of certain “bad boy” defaults which can trigger recourse to Holdco for losses or the entire outstanding obligations of the borrower depending on the nature of the “bad boy” default in question. Examples of such “bad boy” defaults include, without limitation, fraud, intentional misrepresentation, willful misconduct, incurrence of additional debt in violation of financing documents, and the filing of a voluntary or collusive involuntary bankruptcy or insolvency proceeding of the special purpose entity subsidiary or the guarantor entity.

Each of the secured revolving repurchase agreements have “margin maintenance” provisions, which are designed to allow the repurchase lender to maintain a certain margin of credit enhancement against the loan assets which serve as collateral. The lender’s margin amount is typically based on a percentage of the market value of the loan asset and/or mortgaged property collateral; however, certain secured revolving repurchase agreements may also involve margin maintenance based on maintenance of a minimum debt yield with respect to the cash flow from the underlying real estate collateral. Market value determinations and redeterminations may be made by the repurchase lender in its sole discretion subject to any specified parameters regarding the repurchase lender’s determination, which may involve the limitation or enumeration of factors which the repurchase lender may consider when determining market value.

At June 30, 2019, the weighted average haircut (which is equal to one minus the advance rate percentage against collateral for our secured revolving repurchase agreements taken as a whole) was 20.5%, as compared to 23.0% at December 31, 2018.

Generally, when the repurchase lender’s margin amount has fallen below the outstanding purchase price for a transaction, a margin deficit exists and the repurchase lender may require that we prepay outstanding amounts on the secured revolving repurchase agreement to eliminate such margin deficit. In certain secured revolving repurchase agreement, the repurchase lender’s ability to make a margin call is further limited by certain prerequisites, such as the existence of enumerated “credit events” or that the margin deficit exceed a specified minimum threshold.

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

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

Senior Secured and Secured Credit Agreements

We have a senior secured credit agreement with Bank of America N.A. that has a maximum commitment amount of \$500 million and \$410.4 million outstanding as of June 30, 2019. The senior secured credit agreement bears interest at LIBOR plus 1.8%. The current extended maturity of this agreement is September 29, 2022.

We have a secured credit agreement (the “Credit Agreement”), as borrower, with Citibank, N.A. as administrative agent and lender, and Citigroup Global Markets Inc. as sole lead arranger and sole lead book running manager. The Credit Agreement governs a secured revolving credit agreement with aggregate secured borrowing capacity of up to \$160.0 million, subject to borrowing base availability and certain other conditions, which we use to finance originations or acquisitions of eligible loans on an interim basis until permanent financing is arranged. The Credit Agreement has an initial maturity date of July 12, 2020, and borrowings bear interest at an interest rate per annum equal to one-month LIBOR or the applicable base rate plus a margin of 2.25%. The initial advance rate on borrowings under the Credit Agreement with respect to individual pledged assets can vary up to 70%, and may decline over the borrowing term of up to a 90-day period, after which borrowings against that respective asset must be repaid. At June 30, 2019, we had \$88.7 million outstanding on the Credit Agreement.

Term Loan Facility

We entered into a term loan facility, as the borrower, with an institutional asset manager as the lender. The term loan facility has capacity up to \$750 million, bears interest at LIBOR plus 1.85%, and allows for an advance rate of no less than 70% and up to 85% based on the loans pledged to the facility. As of June 30, 2019, we pledged five loan investments to the term loan facility supporting outstanding borrowings of \$267.7 million.

Asset-Specific Financings

As of June 30, 2019 and December 31, 2018, we had outstanding two and one loan investments financed by two and one counterparties, respectively, as asset-specific financings. At June 30, 2019, our aggregate amount payable was \$109.5 million that bears interest at a weighted average interest rate of LIBOR plus 3.7%. The asset-specific financings have extended maturity dates of April 9, 2020 and October 9, 2020.

In connection with the BMO Harris asset-specific financing, Holdco has delivered a payment guarantee in favor of the lender as additional credit support for the financing. The liability of Holdco under this guarantee is capped at 25% of the outstanding obligations of the special purpose subsidiary which is the primary obligor under the financing. In addition, Holdco has delivered to the lender certain non-recourse carveout guarantees, which can trigger recourse to Holdco as a result of certain “bad boy” defaults for losses incurred by the lender, or the entire outstanding obligations of the financing borrower, depending on the nature of the “bad boy” default. Examples of “bad boy” defaults include, without limitation: fraud; intentional misrepresentation; willful misconduct; incurrence of additional debt in violation of financing documents; and the filing of a voluntary or collusive involuntary bankruptcy or insolvency proceeding of the special purpose entity subsidiary or the guarantor entity. The guarantee agreement for the asset-specific financing also contains financial covenants covering liquid assets and net worth requirements.

Non-Consolidated Senior Interests

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

During the three months ended June 30, 2019, the Company co-originated with an institutional lender a \$167.0 million financing, including a \$132.0 million non-consolidated senior interest. Upon closing, the total originated loan commitment was \$167.0 million. The Company retained a mezzanine loan investment with a total loan commitment of \$35.0 million, an initial unpaid principal balance of \$5.0 million, and an interest rate of LIBOR plus 10.3%.

The following table presents our non-consolidated senior interests outstanding as of June 30, 2019 (dollars in thousands):

Non-Consolidated Senior Interests	Count	Loan Commitment	Principal Balance	Carrying Value	Credit Spread ⁽¹⁾	Guarantee	Weighted Average Term to Extended Maturity ⁽²⁾
Senior loan sold or co-originated	1	\$ 132,000	\$ —	N/A	L+ 4.3%	N/A	6/28/2025
Retained mezzanine loan	1	\$ 35,000	\$ 5,000	\$ 4,651	L+ 10.3%	N/A	6/28/2025
Total loan	1	\$ 167,000	\$ 5,000	N/A	L+ 4.5%	N/A	6/28/2025

Financial Covenants for Outstanding Borrowings

Our financial covenants and guarantees for outstanding borrowings related to our secured revolving repurchase agreements, senior secured and secured credit agreements, term loan facility, and asset-specific financings require Holdco to maintain compliance with the following financial covenants (among others):

- Cash Liquidity: maintenance of minimum cash liquidity of no less than the greater of \$10.0 million and 5.0% of Holdco’s recourse indebtedness;
- Tangible Net Worth: maintenance of minimum tangible net worth of at least 75% of the net cash proceeds of all prior equity issuances made by Holdco or the Company plus 75% of the net cash proceeds of all subsequent equity issuances made by Holdco or the Company;
- Debt to Equity: maintenance of a debt to equity ratio not to exceed 3.5 to 1.0; and
- Interest Coverage: maintenance of a minimum interest coverage ratio (EBITDA to interest expense) of no less than 1.5 to 1.0.

The Company was in compliance with all covenants for its secured revolving repurchase agreements, senior secured and secured credit agreements, term loan facility, and asset-specific financings as of June 30, 2019 and December 31, 2018.

Debt-to-Equity Ratio and Total Leverage Ratio

The following table presents our Debt-to-Equity ratio and Total Leverage ratio as of June 30, 2019 and December 31, 2018:

	June 30, 2019	December 31, 2018
Debt-to-equity ratio ⁽¹⁾	2.90x	2.36x
Total leverage ratio ⁽²⁾	2.99x	2.36x

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

Floating Rate Portfolio

Our business model seeks to minimize our exposure to changing interest rates by match-indexing our assets using the same, or similar, benchmark indices, typically LIBOR, as well as durations. Accordingly, rising interest rates will generally increase our net interest income, while declining interest rates will generally decrease our net interest income, subject to the beneficial impact of LIBOR floors in our loan investments. As of June 30, 2019, 100.0% of our loans by unpaid principal balance earned a floating rate of interest and were financed with liabilities that require interest payments based on floating rates, which resulted in approximately \$1.1 billion of net floating rate exposure that is positively correlated to rising interest rates, subject to the impact of interest rate floors on all but one of our floating rate loans. We had no fixed rate loans outstanding as of June 30, 2019.

Our liabilities are generally index-matched to each collateral asset, resulting in a net exposure to movements in benchmark rates that vary based on the relative proportion of floating rate assets and liabilities. The following table details our portfolio's net floating rate exposure as of June 30, 2019 (dollars in thousands):

	Net Exposure
Floating rate assets ⁽¹⁾	\$ 4,849,228
Floating rate debt ⁽¹⁾⁽²⁾	(3,744,930)
Net floating rate exposure	<u>\$ 1,104,298</u>

- (1) Floating rate mortgage loan assets and liabilities are indexed to LIBOR. The net exposure to the underlying benchmark interest rate is directly correlated to our assets indexed to the same rate. Excludes CMBS and CRE CLO investments and related liabilities.
- (2) Floating rate liabilities include secured revolving repurchase agreements, collateralized loan obligations, senior secured and secured credit agreements, a term loan facility, and asset-specific financings.

Interest-Earning Assets and Interest-Bearing Liabilities

The following table presents the average balance of interest-earning assets and related interest-bearing liabilities, associated interest income and expense, and financing costs and the corresponding weighted average yields for the three months ended June 30, 2019 and March 31, 2019 (dollars in thousands):

	June 30, 2019		Three months ended,		March 31, 2019	
	Average Carrying Value ⁽¹⁾	Interest Income/Expense	Wtd. Avg. Yield/Financing Cost ⁽²⁾	Average Carrying Value ⁽¹⁾	Interest Income/Expense	Wtd. Avg. Yield/Financing Cost ⁽²⁾
<i>Core Interest-earning assets:</i>						
First mortgage loans	\$ 4,807,439	\$ 82,794	6.9%	\$ 4,442,240	\$ 74,845	6.7%
Retained mezzanine loans	1,550	7	1.8%	—	—	—
CMBS and CRE CLO investments	565,619	5,453	3.9%	230,277	1,756	3.1%
Core interest-earning assets	\$ 5,374,608	\$ 88,254	6.6%	\$ 4,672,517	\$ 76,601	6.6%
<i>Interest-bearing liabilities:</i>						
Asset-specific financings ⁽³⁾	\$ 109,500	\$ 1,803	6.6%	\$ 32,500	\$ 445	5.5%
Secured revolving repurchase agreements	2,036,641	21,873	4.3%	1,444,122	15,391	4.3%
Collateralized loan obligations	1,236,839	14,366	4.6%	1,329,813	15,345	4.6%
Senior secured and secured credit agreements	457,758	6,252	5.5%	411,559	7,318	7.1%
Term loan facility	267,661	2,132	3.2%	203,119	868	1.7%
Total interest-bearing liabilities	\$ 4,108,399	\$ 46,426	4.5%	\$ 3,421,113	\$ 39,367	4.6%
Net interest income⁽⁴⁾		\$ 41,828			\$ 37,234	
<i>Other Interest-earning assets:</i>						
Cash equivalents	\$ 79,853	\$ 400	2.0%	\$ 89,885	\$ 418	1.9%
Accounts receivable from servicer/trustee	109,625	13	0.0%	32,765	3	0.0%
Total interest-earning assets	\$ 5,564,086	\$ 88,667	6.4%	\$ 4,795,167	\$ 77,022	6.4%

(1) Based on carrying value for loans, amortized cost for CMBS and CRE CLO investments and carrying value for interest-bearing liabilities. Calculated balances as the month-end averages.

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

(3) Weighted average financing cost for the three months ended June 30, 2019 reflects the addition of one asset-specific financing arrangement during the three months ended June 30, 2019.

(4) Represents interest income on core interest-earning assets less interest expense on total interest-bearing liabilities.

The following table presents the average balance of interest-earning assets and related interest-bearing liabilities, associated interest income and expense, and financing costs and the corresponding weighted average yields for the six months ended June 30, 2019 and 2018 (dollars in thousands):

	Six months ended,					
	June 30, 2019			June 30, 2018		
	Average Carrying Value ⁽¹⁾	Interest Income/ Expense	Wtd. Avg. Yield/ Financing Cost ⁽²⁾	Average Carrying Value ⁽¹⁾	Interest Income/ Expense	Wtd. Avg. Yield/ Financing Cost ⁽²⁾
<i>Core Interest-earning assets:</i>						
First mortgage loans	\$ 4,624,839	\$ 157,639	6.8%	\$ 3,478,292	\$ 117,211	6.7%
Retained mezzanine loans ⁽³⁾	775	7	1.8%	48,754	4,920	20.2%
CMBS and CRE CLO investments	397,948	7,209	3.6%	138,582	1,927	2.8%
Core interest-earning assets	\$ 5,023,562	\$ 164,855	6.6%	\$ 3,665,628	\$ 124,058	6.8%
<i>Interest-bearing liabilities:</i>						
Asset-specific financings	\$ 71,000	\$ 2,247	6.3%	\$ 230,447	\$ 7,615	6.6%
Secured revolving repurchase agreements	1,740,436	37,265	4.3%	1,613,811	36,897	4.6%
Collateralized loan obligations	1,283,326	29,711	4.6%	620,753	10,627	3.4%
Senior secured and secured credit agreements	434,658	13,570	6.2%	128,040	1,013	1.6%
Term loan facility	235,390	3,000	2.5%	—	—	0.0%
Total interest-bearing liabilities	\$ 3,764,810	\$ 85,793	4.6%	\$ 2,593,051	\$ 56,152	4.3%
Net interest income⁽⁴⁾		\$ 79,062			\$ 67,906	
<i>Other Interest-earning assets:</i>						
Cash equivalents	\$ 73,672	\$ 818	2.2%	\$ 111,825	\$ 710	1.3%
Accounts receivable from servicer/trustee	74,967	16	0.0%	11,109	—	0.0%
Total interest-earning assets	\$ 5,172,201	\$ 165,689	6.4%	\$ 3,788,562	\$ 124,768	6.6%

- (1) Based on carrying value for loans, amortized cost for securities and carrying value for debt. Calculated as the month-end averages.
- (2) Weighted average yield or financing cost calculated based on annualized interest income or expense divided by average carrying value.
- (3) Retained mezzanine loans interest income for the six months ended June 30, 2018 includes a minimum multiple payment related to the repayment of a mezzanine loan during the period.
- (4) Represents interest income on core interest-earning assets less interest expense on total interest-bearing liabilities.

Our Results of Operations

Operating Results

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

	Three Months Ended June 30,		2019 vs 2018 \$	Six Months Ended June 30,		2019 vs 2018 \$
	2019	2018		2019	2018	
INTEREST INCOME						
Interest Income	\$ 88,254	\$ 64,693	\$ 23,561	\$ 164,855	\$ 124,058	\$ 40,797
Interest Expense	(46,426)	(30,154)	(16,272)	(85,793)	(56,152)	(29,641)
Net Interest Income	41,828	34,539	7,289	79,062	67,906	11,156
OTHER REVENUE						
Other Income, net	412	509	(97)	834	875	(41)
Total Other Revenue	412	509	(97)	834	875	(41)
OTHER EXPENSES						
Professional Fees	593	855	(262)	1,272	1,754	(482)
General and Administrative	1,674	1,089	585	2,999	2,197	802
Servicing and Asset Management Fees	431	767	(336)	944	1,534	(590)
Management Fees	5,323	4,763	560	10,466	9,467	999
Incentive Management Fee	2,048	1,146	902	3,413	2,072	1,341
Total Other Expenses	10,069	8,620	1,449	19,094	17,024	2,070
Income Before Income Taxes						
	32,171	26,428	5,743	60,802	51,757	9,045
Income Tax Benefit (Expense)	(202)	10	(212)	(421)	(205)	(216)
Net Income	\$ 31,969	\$ 26,438	\$ 5,531	\$ 60,381	\$ 51,552	\$ 8,829
Preferred Stock Dividends	(4)	—	(4)	(7)	(3)	(4)
Net Income Attributable to TPG RE Finance Trust, Inc.	\$ 31,965	\$ 26,438	\$ 5,527	\$ 60,374	\$ 51,549	\$ 8,825
Basic Earnings per Common Share	\$ 0.43	\$ 0.44	(0.01)	\$ 0.85	\$ 0.86	(0.01)
Diluted Earnings per Common Share	\$ 0.43	\$ 0.44	(0.01)	\$ 0.85	\$ 0.86	(0.01)
Dividends Declared per Common Share	\$ 0.43	\$ 0.43	—	\$ 0.86	\$ 0.85	0.01
OTHER COMPREHENSIVE INCOME						
Unrealized Gain (Loss) on Available-for-Sale Debt Securities	\$ 3,112	\$ (1,424)	\$ 4,536	\$ 3,218	\$ (1,638)	\$ 4,856
Comprehensive Income	\$ 35,081	\$ 25,014	\$ 10,067	\$ 63,599	\$ 49,914	\$ 13,685

Comparison of the Three Months Ended June 30, 2019 and June 30, 2018

Net Interest Income

Net interest income increased \$7.3 million, to \$41.8 million, during the three months ended June 30, 2019 compared to the three months ended June 30, 2018. The increase was due primarily to loan and CMBS and CRE CLO investment growth of \$1.7 billion and a higher average LIBOR on the underlying loans partially offset by a decline in the weighted average credit spread of our loan portfolio to 377 basis points from 432 basis points. The increase in interest income was partially offset by an increase in interest expense due to increased borrowings of \$2.4 billion to fund loan and CMBS and CRE CLO investment growth and a higher average borrowing rate, due to an increase in LIBOR, offset in part by a decrease in the weighted average credit spread of our borrowings to 180 basis points from 225 basis points, at June 30, 2019 as compared to June 30, 2018.

Other Revenue

Other revenue is comprised of net gain/loss on the sale of certain loans and CMBS and CRE CLO investments, interest income earned on certain cash collection accounts, and miscellaneous fee income. Other revenue decreased by \$0.1 million during the three months ended June 30, 2019 compared to the three months ended June 30, 2018. The change in other revenue was primarily due to lower average cash balances during the three months ended June 30, 2019.

Other Expenses

Other expenses are comprised of professional fees, general and administrative expenses, servicing and asset management fees, and management fees payable to our Manager. Other expenses increased by \$0.5 million for the three months ended June 30, 2019 compared to the three months ended June 30, 2018. The increase in other expenses for the three months ended June 30, 2019 was primarily due to: (i) an increase in management fees to our Manager of \$0.6 million due primarily to growth in the Company's quarterly common stockholder's equity base of \$264.9 million due to our equity issuances in August 2018 and March 2019, and growth in Core Earnings, (ii) an increase in general and administrative expenses and professional fees in the aggregate of \$0.3 million, resulting from an increase in stock compensation expense offset by a decline in legal and other professional fee expenses and (ii) a decrease in servicing and asset management fees of \$0.3 million during the three months ended June 30, 2019.

See Note 10 to our Consolidated Financial Statements included in this Form 10-Q for details regarding our Management Agreement.

Incentive Compensation

The incentive compensation earned by our Manager increased by \$0.9 million for the three months ended June 30, 2019 compared to the three months ended June 30, 2018. The change in incentive compensation to our Manager was due to growth in Core Earnings subject to an incentive fee.

See Note 10 to our Consolidated Financial Statements included in this Form 10-Q for details regarding our Management Agreement.

Dividends Declared Per Share

During the three months ended June 30, 2019, we declared cash dividends of \$0.43 per share, or \$32.0 million. During the three months ended June 30, 2018, we declared cash dividends of \$0.43 per share, or \$25.9 million. The increase in cash dividends declared was primarily due to continued growth in our loan portfolio and net income.

Unrealized Gain (Loss) on CMBS and CRE CLO Investments

Other comprehensive income (loss) increased \$4.5 million during the three months ended June 30, 2019 compared to the three months ended June 30, 2018. The increase is primarily related to fair value increases of our CMBS and CRE CLO investments and changes in the size and composition of our CMBS and CRE CLO investment portfolio, from the three months ended June 30, 2018.

Comparison of the Six Months Ended June 30, 2019 and June 30, 2018

Net Interest Income

Net interest income increased \$11.2 million, to \$79.1 million, during the six months ended June 30, 2019 compared to the six months ended June 30, 2018. The increase was due primarily to loan and CMBS and CRE CLO investment growth of \$1.7 billion and a higher average LIBOR on the underlying loans partially offset by a decline in the weighted average credit spread of our loan portfolio to 377 basis points from 432 basis points. The increase in interest income was partially offset by an increase in interest expense due to increased borrowings of \$2.4 billion to fund loan and CMBS and CRE CLO investment growth and a higher average borrowing rate, due to an increase in LIBOR, offset in part by a decrease in the weighted average credit spread of our borrowings to 180 basis points from 225 basis points, at June 30, 2019 as compared to June 30, 2018.

Other Revenue

Other revenue is comprised of net gain/loss on the sale of certain loans and CMBS and CRE CLO investments, interest income earned on certain cash collection accounts, and miscellaneous fee income. Other revenue decreased by \$0.04 million during the six months ended June 30, 2019 compared to the six months ended June 30, 2018. The change in other revenue was primarily due to limited changes in average cash balances during the six months ended June 30, 2019 compared to the prior year.

Other Expenses

Other expenses are comprised of professional fees, general and administrative expenses, servicing and asset management fees, and management fees payable to our Manager. Other expenses increased by \$0.7 million for the six months ended June 30, 2019 compared to the six months ended June 30, 2018. The increase in other expenses for the six months ended June 30, 2019 was primarily due to: (i) an increase in management fees to our Manager of \$1.0 million due primarily to growth in the Company's quarterly common stockholder's equity base of \$264.9 million due to our equity issuances in August 2018 and March 2019, and growth in Core Earnings, (ii) an increase in general and administrative expenses and professional fees in the aggregate of \$0.3 million, resulting from an increase in stock compensation expense offset by a decline in legal and other professional fee expenses and (ii) a decrease in servicing and asset management fees of \$0.6 million during the six months ended June 30, 2019.

See Note 10 to our Consolidated Financial Statements included in this Form 10-Q for details regarding our Management Agreement.

Incentive Compensation

The incentive compensation earned by our Manager increased by \$1.3 million for the six months ended June 30, 2019 compared to the six months ended June 30, 2018. The change in incentive compensation to our Manager was due to growth in Core Earnings subject to an incentive fee.

See Note 10 to our Consolidated Financial Statements included in this Form 10-Q for details regarding our Management Agreement.

Dividends Declared Per Share

During the six months ended June 30, 2019, we declared cash dividends of \$0.86 per share, or \$63.6 million. During the six months ended June 30, 2018, we declared cash dividends of \$0.85 per share, or \$51.2 million. The increase in cash dividends per share and cash dividends declared was primarily due to continued growth in our loan portfolio and net income.

Unrealized (Loss) Gain on CMBS and CRE CLO Investments

Other comprehensive income (loss) increased \$4.9 million during the six months ended June 30, 2019 compared to the six months ended June 30, 2018. The increase is primarily related to fair value increases of our CMBS and CRE CLO investments and changes in the size and composition of our CMBS and CRE CLO investment portfolio, from the six months ended June 30, 2018.

Liquidity and Capital Resources

Capitalization

We have capitalized our business to date through, among other things, the issuance and sale of shares of our common stock, borrowings under secured revolving repurchase agreements, collateralized loan obligations, senior secured and secured credit agreements, a term loan facility, asset-specific financings, and non-consolidated senior interests. As of June 30, 2019, we had outstanding 74.1 million shares of our common stock and Class A common stock representing \$1.4 billion of stockholders' equity, and \$4.3 billion of outstanding borrowings used to finance our operations.

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

Sources of Liquidity

Our primary sources of liquidity include cash and cash equivalents, available borrowings under secured revolving repurchase agreements, senior secured and secured credit agreements, a term loan facility, and asset-specific financings, which are set forth in the following table (dollars in thousands):

	June 30, 2019	December 31, 2018
Cash and cash equivalents	\$ 70,042	\$ 39,720
Secured revolving repurchase agreements	91,253	182,829
Senior secured and secured credit agreements	5,334	53,410
Term loan facility	4,770	275
Asset-specific financings	—	—
Total	<u>\$ 171,399</u>	<u>\$ 276,234</u>

Our existing loan portfolio also provides us with liquidity as loans are repaid or sold, in whole or in part, of which some proceeds may be included in accounts receivable from our servicers until released, and the proceeds from such repayments become available for us to reinvest. The future sale of non-consolidated senior interests would also provide incremental liquidity.

Liquidity Needs

In addition to our ongoing loan activity, our primary liquidity needs include interest and principal payments under our \$4.3 billion of outstanding borrowings under secured revolving repurchase agreements, collateralized loan obligations, senior secured and secured credit agreements, a term loan facility, and asset-specific financings, \$664.4 million of unfunded loan commitments, dividend distributions to our stockholders, and operating expenses.

Contractual Obligations and Commitments

Our contractual obligations and commitments as of June 30, 2019 were as follows (dollars in thousands):

	Total Obligation	Less than 1 Year	Payment Timing		More than 5 Years
			1 to 3 Years	3 to 5 Years	
Unfunded loan commitments ⁽¹⁾	\$ 664,409	\$ 142,782	\$ 435,034	\$ 86,593	\$ —
Secured debt agreements—principal ⁽²⁾	4,323,519	2,219,674	2,103,845	—	—
Secured debt agreements—interest ⁽²⁾	186,499	118,858	66,580	1,061	—
Total ⁽³⁾	<u>\$ 5,174,427</u>	<u>\$ 2,481,314</u>	<u>\$ 2,605,459</u>	<u>\$ 87,654</u>	<u>\$ —</u>

(1) The allocation of our loan commitments is based on the earlier of the commitment expiration date and the loan maturity date.

(2) The allocation of our secured debt agreements is based on the current maturity date of each individual borrowing under the respective agreement. Amounts include the related future interest payment obligations, which are estimated by assuming the amounts outstanding under our secured debt agreements and the interest rates in effect as of June 30, 2019 will remain constant into the future. This is only an estimate, as actual amounts borrowed and rates will vary over time. Our floating rate loans and related liabilities are indexed to LIBOR.

With respect to our debt obligations that are contractually due within the next five years, we plan to employ several strategies to meet these obligations, including: (i) applying repayments from underlying loans to satisfy the debt obligations which they secure; (ii) exercising maturity date extension options that exist in our current financing arrangements; (iii) negotiating extensions of terms with our providers of credit; (iv) periodically accessing the capital markets to raise cash to fund new investments or the repayment of indebtedness; (v) the issuance of additional structured finance vehicles, such as a collateralized loan obligations similar to TRTX 2018-FL1 or TRTX 2018-FL2, as a method of financing; (vi) term loans with private lenders; and/or (vii) selling loan or CMBS and CRE CLO investments to generate cash to repay our debt obligations.

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. See Note 10 to our consolidated financial statements included in this Form 10-Q for additional terms and details of the fees payable under our Management Agreement.

As a REIT, we generally must distribute substantially all of our net taxable income to stockholders in the form of dividends to comply with the REIT provisions of the Internal Revenue Code. Our REIT 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 balances for the six months ended June 30, 2019 and 2018 (dollars in thousands):

	Six Months Ended June 30,	
	2019	2018
Cash flows provided by operating activities	\$ 52,991	\$ 52,159
Cash flows used in investing activities	(1,268,236)	(796,089)
Cash flows provided by financing activities	1,245,017	711,532
Net (decrease) in cash, cash equivalents, and restricted cash	<u>\$ 29,772</u>	<u>\$ (32,398)</u>

We experienced a net increase in cash, cash equivalents, and restricted cash of \$29.8 million for the six months ended June 30, 2019, compared to a net decrease of \$32.4 million for the six months ended June 30, 2018. During the six months ended June 30, 2019, cash flows provided by operating activities totaled \$53.0 million primarily related to net interest income, cash flows used in investing activities totaled \$1.3 billion due primarily to loan originations and CRE CLO investment purchases, and cash flows provided by financing activities totaled \$1.2 billion due primarily to proceeds from our equity issuance and net secured financing proceeds. We used the proceeds from our investing and financing activities, including cash provided by principal repayments, to originate new loans and purchase CRE CLO investments totaling \$1.8 billion during the six months ended June 30, 2019.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Corporate Activities

Common Stock Issuance

Pursuant to the terms of the underwriting agreement that we entered into with Morgan Stanley & Co. LLC, as representative of the underwriters, on April 12, 2019, the underwriters exercised in full their option to purchase 900,000 additional shares of our common stock (the "Option Shares"). As a result, and pursuant to the terms of the underwriting agreement, we issued and sold 900,000 Option Shares to the underwriters on April 16, 2019 and generated additional net proceeds, before transaction expenses, of approximately \$17.4 million.

Dividends

On June 18, 2019, we declared a cash dividend for the second quarter of 2019, to holders of record of our common stock and Class A common stock as of June 28, 2019, in the amount of \$0.43 per share of common stock and Class A common stock, or \$32.0 million in the aggregate, which dividend was paid on July 25, 2019.

Critical Accounting Policies

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

If conditions change from those expected, it is possible that our judgments, estimates and assumptions described below could change, which may result in a change in our interest income and other revenue recognition, allowance for loan losses, expense recognition, tax liability, future impairment of our investments, and valuation of our investment portfolio, among other effects. If actual amounts are ultimately different from those estimated, judged or assumed, revisions are included in the consolidated financial statements in the period in which the actual amounts become known. We believe our critical accounting policies could potentially produce materially different results if we were to change underlying estimates, judgments or assumptions.

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

Recent Accounting Pronouncements

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

Subsequent Events

The following events occurred subsequent to quarter end:

Investment Activity

From July 1, 2019 through July 29, 2019, the Company has closed, or is in the process of closing, three first mortgage loans with a total loan commitment amount of \$454.3 million.

Senior Mortgage Loan Repayments

From July 1, 2019 through July 29, 2019, the Company received full loan repayments related to two of its first mortgage loans with a total loan commitment and unpaid principal balance of \$290.6 million and \$249.1 million, respectively. These loan repayments consist of a Category 4 risk rated loan with a total loan commitment of \$141.6 million and unpaid principal balance of \$100.1 million and a Category 2 risk rated loan with a total loan commitment of \$149.0 million and unpaid principal balance of \$149.0 million, as of June 30, 2019.

Cash Dividend

On July 25, 2019, we paid a cash dividend on our common stock and Class A common stock of \$0.43 per share, or \$32.0 million, to stockholders of record as of June 28, 2019.

Loan Portfolio Details

The following table provides details with respect to our portfolio, excluding our investments in CMBS and CRE CLO investments, on a loan-by-loan basis as of June 30, 2019 (dollars in millions, except loan per square foot/unit):

Loan #	Form of Investment	Origination / Acquisition Date ⁽²⁾	Total Loan	Principal Balance	Carrying Value ⁽³⁾	Credit Spread ⁽⁴⁾	All-in Yield ⁽⁵⁾	Fixed / Floating	Extended Maturity ⁽⁶⁾	City, State	Property Type	Loan Type	Loan Per SQFT / Unit	LTV ⁽⁷⁾	Risk Rating ⁽⁸⁾
First Mortgage Loans ⁽¹⁾															
1	Senior Loan	08/07/18	\$ 223.0	\$ 167.8	\$ 166.0	L+ 3.4%	L +3.6%	Floating	8/9/24	Atlanta, GA	Office	Light Transitional	\$214 Sq ft	61.4%	3
2	Senior Loan	12/19/18	210.0	131.9	130.4	L+ 3.6%	L +4.0%	Floating	1/9/24	Detroit, MI	Office	Moderate Transitional	\$217 Sq ft	59.8%	3
3	Senior Loan	12/21/18	206.5	185.4	185.4	L+ 2.9%	L +3.2%	Floating	1/9/24	Various, FL	Multifamily	Light Transitional	\$181,299 Unit	76.6%	3
4	Senior Loan	06/28/18	190.0	182.0	182.0	L+ 2.7%	L +3.0%	Floating	7/9/23	Philadelphia, PA	Office	Bridge	\$177 Sq ft	73.6%	3
5	Senior Loan	04/28/17	188.0	142.0	141.8	L+ 4.1%	L +4.4%	Floating	10/9/21	Nashville, TN	Mixed-Use	Bridge	\$292 Sq ft	60.7% ⁽¹⁰⁾	2
6	Senior Loan	10/12/17	180.0	173.5	173.2	L+ 3.8%	L +4.0%	Floating	11/9/22	Charlotte, NC	Hotel	Bridge	\$257,143 Unit	65.5%	2
7	Senior Loan	09/29/17	173.3	163.2	162.5	L+ 4.3%	L +4.6%	Floating	10/9/22	Philadelphia, PA	Office	Moderate Transitional	\$213 Sq ft	72.2%	3
8	Senior Loan	02/14/18	165.0	158.1	157.6	L+ 3.8%	L +4.0%	Floating	3/9/23	Various, NJ	Multifamily	Bridge	\$132,850 Unit	78.4%	3
9	Senior Loan	09/28/18	160.0	138.2	138.2	L+ 2.8%	L +3.0%	Floating	10/9/23	Houston, TX	Mixed-Use	Light Transitional	\$299 Sq ft	61.9%	3
10	Senior Loan	06/27/18	149.0	149.0	148.4	L+ 3.3%	L +3.5%	Floating	7/9/23	San Diego, CA	Office	Light Transitional	\$474 Sq ft	71.4%	2
11	Senior Loan	05/15/19	143.0	98.3	98.3	L+ 2.6%	L +2.9%	Floating	5/9/24	New York, NY	Mixed-Use	Moderate Transitional	\$1,741 Sq ft	61.0%	3
12	Senior Loan	12/16/16	141.6	100.1	99.8	L+ 4.5%	L +4.7%	Floating	1/9/22	Atlanta, GA	Retail	Bridge	\$398 Sq ft	47.7%	4
13	Senior Loan	05/20/19	135.0	123.9	123.9	L+ 4.1%	L +4.5%	Floating	4/10/22	Various, Various	Office	Bridge	\$186 Sq ft	67.0%	3
14	Senior Loan	08/23/17	121.6	100.1	100.1	L+ 4.4%	L +4.7%	Floating	7/26/22	Houston, TX	Multifamily	Bridge	\$425,245 Unit	62.5%	4
15	Senior Loan	02/13/18	112.0	112.0	111.4	L+ 3.5%	L +3.8%	Floating	3/9/23	Chicago, IL	Mixed-Use	Bridge	\$226 Sq ft	78.4%	2
16	Senior Loan	03/28/19	112.0	112.0	111.1	L+ 6.8%	L +7.8%	Floating	10/9/21	Las Vegas, NV	Land	Bridge	\$93 Sq ft	42.6%	3
17	Senior Loan	07/21/17	106.6	90.0	89.6	L+ 4.5%	L +4.7%	Floating	8/9/24	Pittsburgh, PA	Multifamily	Bridge	\$296,042 Unit	59.4%	3
18	Senior Loan	12/20/18	105.9	89.8	89.8	L+ 3.3%	L +3.4%	Floating	1/9/24	Torrance, CA	Mixed-Use	Moderate Transitional	\$254 Sq ft	61.1%	3
19	Senior Loan	02/27/18	90.0	79.5	78.9	L+ 4.8%	L +5.1%	Floating	3/9/23	Brooklyn, NY	Office	Moderate Transitional	\$195 Sq ft	52.2%	3
20	Senior Loan	10/14/15	90.0	90.0	90.0	L+ 3.9%	L +4.1%	Floating	10/14/20	Brooklyn, NY	Mixed-Use	Light Transitional	\$359 Sq ft	58.2%	3
21	Senior Loan	09/29/17	89.5	81.2	81.0	L+ 3.9%	L +4.2%	Floating	10/9/22	Dallas, TX	Office	Moderate Transitional	\$106 Sq ft	50.7%	2
22	Senior Loan	03/27/19	88.2	87.7	86.8	L+ 3.5%	L +3.8%	Floating	4/9/24	Aurora, IL	Multifamily	Bridge	\$211,394 Unit	74.8%	3
23	Senior Loan	03/28/19	88.1	71.9	71.5	L+ 3.7%	L +3.9%	Floating	4/9/24	Various, Various	Hotel	Moderate Transitional	\$100,228 Unit	69.6%	3
24	Senior Loan	02/01/17	85.0	85.0	84.8	L+ 4.7%	L +5.0%	Floating	2/9/22	St. Pete Beach, FL	Hotel	Light Transitional	\$222,382 Unit	60.7%	3
25	Senior Loan	06/13/17	84.4	83.8	83.6	L+ 3.8%	L +4.0%	Floating	7/9/22	Jersey City, NJ	Multifamily	Bridge	\$148,330 Unit	81.0%	3
26	Senior Loan	03/07/19	81.3	81.3	81.3	L+ 3.1%	L +3.4%	Floating	3/9/24	Rockville, MD	Mixed-Use	Bridge	\$256 Sq ft	67.2%	3
27	Senior Loan	06/17/19	79.4	78.5	77.7	L+ 2.8%	L +3.2%	Floating	7/9/25	Boston, MA	Office	Bridge	\$187 Sq ft	70.7%	3
28	Senior Loan	12/15/17	79.0	79.0	78.9	L+ 5.3%	L +5.9%	Floating	1/9/23	Rochester & Buffalo, NY	Multifamily	Bridge	\$57,164 Unit	59.6%	2
29	Senior Loan	09/27/18	77.2	73.6	73.2	L+ 4.7%	L +4.9%	Floating	10/1/20	Dallas, TX	Condominium	Light Transitional	\$337 Sq ft	55.6%	2
30	Senior Loan	06/06/18	76.4	76.4	76.2	L+ 3.2%	L +3.5%	Floating	6/9/23	Roseville, CA	Office	Bridge	\$171 Sq ft	81.6%	2

Loan #	Form of Investment	Origination / Acquisition Date ⁽²⁾	Total Loan	Principal Balance	Carrying Value ⁽³⁾	Credit Spread ⁽⁴⁾	All-in Yield ⁽⁵⁾	Fixed / Floating	Extended Maturity ⁽⁶⁾	City, State	Property Type	Loan Type	Loan Per SQFT / Unit	LTV ⁽⁷⁾	Risk Rating ⁽⁸⁾
First Mortgage Loans ⁽¹⁾															
31	Senior Loan	03/29/18	75.0	71.7	71.7	L+ 3.8%	L +4.0%	Floating	4/9/23	Hamilton, NJ	Office	Bridge	\$154 Sq ft	72.3%	3
32	Senior Loan	04/29/19	70.0	69.4	68.7	L+ 3.3%	L +3.5%	Floating	5/9/24	Clayton, MO	Multifamily	Bridge	\$280,000 Unit	74.9%	3
33	Senior Loan	09/20/17	64.9	59.6	59.3	L+ 4.3%	L +4.6%	Floating	10/9/22	Glenview, IL	Multifamily	Light Transitional	\$153,428 Unit	70.5%	4
34	Senior Loan	11/29/18	64.2	44.9	44.6	L+ 3.3%	L +3.5%	Floating	12/9/23	Brooklyn, NY	Multifamily	Moderate Transitional	\$226,946 Unit	58.0%	4
35	Senior Loan	06/28/19	63.9	53.9	53.9	L+ 2.5%	L +2.7%	Floating	7/9/24	Burlington, CA	Office	Light Transitional	\$327 Sq ft	70.9%	3
36	Senior Loan	11/16/17	63.0	63.0	62.9	L+ 3.4%	L +3.6%	Floating	12/9/22	Brooklyn, NY	Multifamily	Bridge	\$440,559 Unit	69.3%	3
37	Senior Loan	06/25/19	62.0	46.8	46.6	L+ 3.1%	L +3.3%	Floating	7/9/24	Calistoga, CA	Hotel	Moderate Transitional	\$696,629 Unit	48.6%	2
38	Senior Loan	06/20/18	61.0	52.8	52.8	L+ 3.0%	L +3.3%	Floating	7/9/23	Houston, TX	Office	Light Transitional	\$162 Sq ft	74.9%	3
39	Senior Loan	01/08/19	60.2	28.3	27.8	L+ 3.8%	L +4.3%	Floating	2/9/24	Kansas City, MO	Office	Moderate Transitional	\$92 Sq ft	74.3%	3
40	Senior Loan	01/09/19	60.0	60.0	59.8	L+ 3.4%	L +3.6%	Floating	1/9/24	Mountain View, CA	Hotel	Bridge	\$375,000 Unit	64.2%	3
41	Senior Loan	08/13/18	59.0	55.9	55.7	L+ 3.7%	L +4.1%	Floating	9/9/22	Parma, OH	Retail	Light Transitional	\$79 Sq ft	55.3%	3
42	Senior Loan	08/06/18	55.0	50.5	50.3	L+ 6.0%	L +6.3%	Floating	8/9/23	Boston, MA	Mixed-Use	Light Transitional	\$529 Sq ft	53.1%	3
43	Senior Loan	09/20/18	54.5	53.2	52.8	L+ 3.9%	L +4.1%	Floating	10/9/23	Columbus, OH	Multifamily	Bridge	\$110,677 Unit	72.3%	3
44	Senior Loan	01/23/18	54.2	50.5	50.3	L+ 3.4%	L +3.6%	Floating	2/9/23	Walnut Creek, CA	Office	Bridge	\$121 Sq ft	66.9%	2
45	Senior Loan	01/22/19	54.0	49.2	49.2	L+ 3.4%	L +3.6%	Floating	2/9/23	Manhattan, NY	Office	Light Transitional	\$441 Sq ft	61.1%	3
46	Senior Loan	06/15/18	53.6	32.2	31.9	L+ 3.1%	L +3.3%	Floating	6/9/23	Brisbane, CA	Office	Moderate Transitional	\$514 Sq ft	72.4%	3
47	Senior Loan	12/20/17	50.8	50.7	50.8	L+ 4.0%	L +4.3%	Floating	1/9/23	New Orleans, LA	Hotel	Bridge	\$217,949 Unit	59.9%	2
48	Senior Loan	06/15/18	50.0	41.9	41.6	L+ 3.7%	L +3.9%	Floating	7/9/23	Atlanta, GA	Office	Bridge	\$119 Sq ft	57.2%	3
49	Senior Loan	03/29/19	48.5	39.5	39.1	L+ 3.2%	L +3.5%	Floating	4/9/24	Various, VA	Multifamily	Moderate Transitional	\$66,989 Unit	58.2%	3
50	Senior Loan	03/30/18	46.3	42.2	41.9	L+ 3.7%	L +3.9%	Floating	4/9/23	Honolulu, HI	Office	Light Transitional	\$161 Sq ft	57.9%	2
51	Senior Loan	03/21/17	45.0	45.0	44.9	L+ 5.3%	L +5.5%	Floating	4/9/22	Chicago, IL	Hotel	Bridge	\$172,414 Unit	60.2%	3
52	Senior Loan	01/28/19	43.1	37.8	37.4	L+ 3.0%	L +3.2%	Floating	2/9/24	Dallas, TX	Office	Light Transitional	\$222 Sq ft	64.3%	3
53	Senior Loan	03/07/19	39.2	32.4	32.1	L+ 3.8%	L +4.2%	Floating	3/9/24	Lexington, KY	Hotel	Moderate Transitional	\$107,221 Unit	61.6%	3
54	Senior Loan	03/11/19	39.0	39.0	39.0	L+ 3.4%	L +3.6%	Floating	4/9/24	Miami, FL	Hotel	Bridge	\$295,455 Unit	59.3%	3
55	Senior Loan	01/04/18	36.0	26.8	26.6	L+ 3.4%	L +3.7%	Floating	1/9/23	Santa Ana, CA	Office	Light Transitional	\$182 Sq ft	71.8%	3
56	Senior Loan	06/04/19	34.7	32.0	31.7	L+ 3.5%	L +3.8%	Floating	6/9/24	Riverside, CA	Mixed-Use	Bridge	\$99 Sq ft	68.0%	3
57	Senior Loan	12/21/18	33.8	27.7	27.4	L+ 3.2%	L +3.5%	Floating	1/9/24	Loma Linda, CA	Mixed-Use	Bridge	\$72 Sq ft	48.3%	3
58	Senior Loan	05/27/18	33.0	30.6	30.4	L+ 3.7%	L +3.9%	Floating	6/9/23	Woodland Hills, CA	Retail	Bridge	\$498 Sq ft	63.6%	3
59	Senior Loan	10/11/16	32.0	32.0	32.0	L+ 5.9%	L +6.3%	Floating	10/11/21	Chicago, IL	Hotel	Bridge	\$148,837 Unit	59.8%	3
60	Senior Loan	08/28/18	32.0	29.8	29.5	L+ 3.9%	L +4.2%	Floating	9/9/23	Austin, TX	Multifamily	Light Transitional	\$80,605 Unit	71.9%	3
61	Senior Loan	11/17/17	28.0	28.0	27.9	L+ 5.3%	L +5.6%	Floating	12/9/22	Victor, NY	Multifamily	Bridge	\$152,174 Unit	71.7%	3
62	Senior Loan	11/17/17	26.0	26.0	25.9	L+ 5.3%	L +5.6%	Floating	12/9/22	Rochester, NY	Multifamily	Bridge	\$154,762 Unit	69.1%	3
63	Senior Loan	06/14/17	23.1	23.1	23.0	L+ 4.9%	L +5.3%	Floating	7/9/20	Newark, NJ	Multifamily	Bridge	\$151,660 Unit	62.2%	3
64	Senior Loan	11/16/16	13.4	13.4	13.4	L+ 4.8%	L +5.0%	Floating	5/9/21	Manhattan, NY	Condominium	Moderate Transitional	\$720 Sq ft	49.8%	4

Loan #	Form of Investment	Origination / Acquisition Date ⁽²⁾	Total Loan	Principal Balance	Carrying Value ⁽³⁾	Credit Spread ⁽⁴⁾	All-in Yield ⁽⁵⁾	Fixed / Floating	Extended Maturity ⁽⁶⁾	City, State	Property Type	Loan Type	Loan Per SQFT / Unit	LTV ⁽⁷⁾	Risk Rating ⁽⁸⁾
First Mortgage Loans ⁽¹⁾															
65	Senior Loan	11/16/16	10.2	10.2	10.2	L+ 4.8%	L +5.0%	Floating	5/9/21	Manhattan, NY	Condominium	Moderate Transitional	\$902 Sq ft	43.3%	4
66	Senior Loan	11/16/16	6.1	6.1	6.1	L+ 4.8%	L +5.0%	Floating	5/9/21	Manhattan, NY	Condominium	Moderate Transitional	\$824 Sq ft	40.7%	4
67	Senior Loan	11/16/16	2.9	2.9	2.9	L+ 4.8%	L +5.0%	Floating	5/9/21	Manhattan, NY	Condominium	Moderate Transitional	\$616 Sq ft	46.6%	4
Subtotal / Weighted Average			5,478.6	4,844.2	4,825.5	L +3.8% ⁽⁹⁾	L +4.1%		3.8 yrs					65.2%	2.8
Mezzanine Loans:															
68	Mezzanine Loan	06/28/19	35.0	5.0	4.7	L+ 10.3%	L +10.8%	Floating	6/28/25	Napa, CA	Hotel	Construction	\$259 Unit	41.0%	3
Subtotal / Weighted Average			35.0	5.0	4.7	L+ 10.3%	L +10.8%		6.0 yrs					41.0%	3
Total / Weighted Average ⁽⁹⁾			<u>\$ 5,513.6</u>	<u>\$ 4,849.2</u>	<u>\$ 4,830.2</u>	L +3.8%	L +4.1%		3.8 yrs					65.1%	2.8

- (1) First mortgage loans are whole mortgage loans unless otherwise noted. Loans numbered 64, 65, 66, and 67 represent 24% *pari passu* participation interests in whole mortgage loans.
- (2) Date loan was originated or acquired by us, which date has not been updated for subsequent loan modifications.
- (3) Represents unpaid principal balance net of unamortized costs.
- (4) Represents the formula pursuant to which our right to receive a cash coupon on a loan is determined.
- (5) In addition to credit spread, all-in yield includes the amortization of deferred origination fees, purchase price premium and discount, loan origination costs and accrual of both extension and exit fees. All-in yield for the total portfolio assumes the applicable floating benchmark rate as of June 30, 2019 for weighted average calculations.
- (6) Extended maturity assumes all extension options are exercised by the borrower; provided, however, that our loans may be repaid prior to such date. As of June 30, 2019, based on unpaid principal balance, 63.0% of our loans were subject to yield maintenance or other prepayment restrictions and 37.0% were open to repayment by the borrower without penalty.
- (7) Except for construction loans, LTV is calculated for loan originations and existing loans as the total outstanding principal balance of the loan or participation interest in a loan (plus any financing that is *pari passu* with or senior to such loan or participation interest) divided by the as-is real estate value at the time of origination or acquisition of such loan or participation interest. For construction loans only, LTV is calculated as the total commitment amount of the loan divided by the as-stabilized value of the real estate securing the loan. The as-is or as-stabilized (as appropriate) value reflects our Manager's estimates, at the time of origination or acquisition of the loan or participation interest in a loan, of the real estate value underlying such loan or participation interest determined in accordance with our Manager's underwriting standards and consistent with third-party appraisals obtained by our Manager.
- (8) For a discussion of risk ratings, please see Notes 2 and 3 to our Consolidated Financial Statements included in this Form 10-Q.
- (9) Represents the weighted average of the credit spread as of June 30, 2019 for the loans, all of which are floating rate.
- (10) LTV is calculated using an as-complete real estate value at the time of origination. The as-complete real estate value reflects our Manager's estimate, at the time of origination of the underlying real estate value, determined in accordance with our Manager's underwriting standards and consistent with third-party appraisals obtained by our Manager.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

Our business model is such that rising interest rates will generally increase our net interest income, while declining interest rates will generally decrease our net interest income, subject to the beneficial impact of LIBOR floors in our loan investments. As of June 30, 2019, 100.0% of our loans by unpaid principal balance earned a floating rate of interest and were financed with liabilities that require interest payments based on floating rates, which resulted in an amount of net equity that is positively correlated to rising interest rates. As of June 30, 2019, we had no loans that earned a fixed rate of interest.

The following table illustrates the impact, assuming our existing floating rate mortgage loan portfolio and related liabilities, on our interest income and interest expense for the twelve-month period following June 30, 2019, assuming an immediate increase or decrease of 25 and 50 basis points in the underlying benchmark interest rate (dollars in thousands):

Assets (Liabilities)			25 Basis Point	25 Basis Point	50 Basis Point	50 Basis Point
Subject			Increase	Decrease	Increase	Decrease
to Interest Rate						
Sensitivity ⁽¹⁾						
\$	4,849,228	Interest income	\$ 12,123	\$ (10,314)	\$ 24,246	\$ (19,950)
	(3,744,930) ⁽²⁾	Interest expense	(9,362)	8,822	(18,725)	17,515
\$	1,104,298	Total change in net interest income	\$ 2,761	\$ (1,492)	\$ 5,521	\$ (2,435)

- (1) Floating rate mortgage loan assets and liabilities are indexed to LIBOR. Excludes CMBS and CRE CLO investments and related liabilities.
- (2) Floating rate liabilities include secured revolving repurchase agreements, collateralized loan obligations, senior secured and secured credit agreements, a term loan facility, and asset-specific financings.

Credit Risk

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

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

Prepayment Risk

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

Extension Risk

Our Manager computes the projected weighted average life of our assets based on assumptions regarding the rate at which the borrowers will prepay the mortgages or extend. If prepayment rates decrease in a rising interest rate environment or extension options are exercised, the life of the fixed rate assets could extend beyond the term of the secured debt agreements. This could have a negative impact on our results of operations. In some situations, we may be forced to sell assets to maintain adequate liquidity, which could cause us to incur losses.

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

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

Non-Performance Risk

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

Loan Portfolio Value

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

Real Estate Risk

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

Currency Risk

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

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

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

Item 4. Controls and Procedures

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

As required by Rules 13a-15(b) and 15d-15(b) under the Exchange Act, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer), of the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2019. Based upon that evaluation, our Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer) concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of June 30, 2019.

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may be involved in various claims and legal actions arising in the ordinary course of business. As of June 30, 2019, we were not involved in any material legal proceedings. See the “Litigation” section of Note 14 to the Consolidated Financial Statements included in this Form 10-Q for information regarding legal proceedings, which information is incorporated by reference in this Item 1.

Item 1A. Risk Factors

For a discussion of our potential risks and uncertainties, see the information under the heading Item 1A - “Risk Factors” previously disclosed under Item 1A of our Form 10-K filed with the SEC on February 26, 2019. There have been no material changes to our principal risks that we believe are material to our business, results of operations, and financial condition from the risk factors previously disclosed in our Form 10-K filed with the SEC on February 26, 2019, which is accessible on the SEC’s website at www.sec.gov.

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

(a) Unregistered Sales of Equity Securities

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description
3.1	<u>Articles of Amendment and Restatement of TPG RE Finance Trust, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (001-38156) filed on July 25, 2017)</u>
3.2	<u>Amended and Restated Bylaws of TPG RE Finance Trust, Inc. (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K (001-38156) filed on July 25, 2017)</u>
4.1	<u>Specimen Common Stock Certificate of TPG RE Finance Trust, Inc. (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-11/A (333-217446) filed on June 21, 2017)</u>
10.1	<u>Amendment No. 5 to the Master Repurchase and Securities Contract, dated as of April 18, 2019, by and between TPG RE Finance 11, Ltd. And Wells Fargo Bank, National Association</u>
31.1	<u>Certificate of Greta Guggenheim, Chief Executive Officer and President, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
31.2	<u>Certificate of Robert Foley, Chief Financial and Risk Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
32.1	<u>Certificate of Greta Guggenheim, Chief Executive Officer and President, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)</u>
32.2	<u>Certificate of Robert Foley, Chief Financial and Risk Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)</u>
101.INS	XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

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

Date: July 29, 2019

TPG RE Finance Trust, Inc.

(Registrant)

/s/ GRETA GUGGENHEIM

Greta Guggenheim
Chief Executive Officer
(Principal Executive Officer)

/s/ ROBERT FOLEY

Robert Foley
Chief Financial and Risk Officer
(Principal Financial Officer)

AMENDMENT NO. 5 TO MASTER REPURCHASE AND SECURITIES CONTRACT

AMENDMENT NO. 5 TO MASTER REPURCHASE AND SECURITIES CONTRACT, dated as of April 18, 2019 (this “Amendment”) by and between TPG RE FINANCE 11, LTD., an exempted company incorporated with limited liability under the laws of the Cayman Islands (“Seller”) and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association (“Buyer”). Capitalized terms used but not otherwise defined herein shall have the meanings given to them in the Repurchase Agreement (as defined below).

RECITALS

WHEREAS, Seller and Buyer are parties to that certain Master Repurchase and Securities Contract, dated as of May 25, 2016 (as amended by that certain Amendment No. 1 to Master Repurchase and Securities Contract, dated as of September 21, 2016, as further amended by that certain Amendment No. 2 to Master Repurchase and Securities Contract, dated as of December 22, 2016, as further amended by that certain Amendment No. 3 to Master Repurchase and Securities Contract, dated as of June 8, 2017, as further amended by that certain Amendment No. 4 to Master Repurchase and Securities Contract, dated as of May 4, 2018, as amended hereby and as further amended, restated, supplemented or otherwise modified and in effect from time to time, the “Repurchase Agreement”); and

WHEREAS, Seller and Buyer have agreed, subject to the terms and conditions hereof, that the Repurchase Agreement shall be amended as set forth in this Amendment; and TPG RE Finance Trust Holdco, LLC (“Guarantor”) has agreed, subject to the terms and conditions hereof, to make the acknowledgements set forth herein.

NOW THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller and Buyer hereby agree as follows:

SECTION 1. Repurchase Agreement Amendments. The Repurchase Agreement is hereby amended as follows:

(a) Article 2 of the Repurchase Agreement is hereby amended by inserting the following new definitions in correct alphabetical order:

“Beneficial Ownership Certification”: A certification regarding beneficial ownership as required by the Beneficial Ownership Regulation in a form as agreed to by Buyer.

“Beneficial Ownership Regulation”: Means 31 C.F.R. § 1010.230.

“BHC Act Affiliate” has the meaning assigned to the term “affiliate” in, and shall be interpreted in accordance with, 12 U.S.C. § 1841(k).

“Default Right” has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable.

“Fifth Amendment Effective Date”: April 18, 2019.

“U.S. Special Resolution Regime” means each of (i) the Federal Deposit Insurance Act and the regulations promulgated thereunder and (ii) Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the regulations promulgated thereunder.

(b) The defined term “Funding Expiration Date”, as set forth in Article 2 of the Repurchase Agreement, is hereby amended by deleting the date “May 25, 2019” and inserting the date “April 18, 2022” in lieu thereof.

(c) The defined term “Maturity Date”, as set forth in Article 2 of the Repurchase Agreement, is hereby amended by deleting the date “May 25, 2019” and inserting the date “April 18, 2022” in lieu thereof.

(d) Section 3.06 of the Repurchase Agreement is hereby amended by adding the following new clause (vi) to the end of the second sentence thereof immediately preceding the period:

“and (vi) if requested by Buyer, Seller shall have delivered to Buyer a new or updated Beneficial Ownership Certification, as applicable, in relation to Seller to the extent that Seller qualifies as a “legal entity customer” under the Beneficial Ownership Regulation”

(e) Article 7 of the Repurchase Agreement is hereby amended by inserting the following new Section 7.21 in correct numerical order:

“Section 7.21 Beneficial Ownership Certification. The information included in each Beneficial Ownership Certification is true and correct in all respects.”

(f) Article 8 of the Repurchase Agreement is hereby amended by inserting the following new Section 8.17 in correct numerical order:

“Section 8.17 Beneficial Ownership. To the extent that Seller is a “legal entity customer” under the Beneficial Ownership Regulation, Seller shall promptly give notice to Buyer of any change in the information provided in any Beneficial Ownership Certification that would result in a change to the list of beneficial owners identified therein and shall promptly deliver an updated Beneficial Ownership Certification to Buyer.”

(g) Section 18.15(b) of the Repurchase Agreement is hereby amended by inserting the following new clause at the end thereof immediately preceding the period:

“, including, but not limited to, any information required to be obtained by Buyer pursuant to the Beneficial Ownership Regulation”.

(h) Article 18 of the Repurchase Agreement is hereby amended by inserting the following new Section 18.25 at the end thereof in correct numerical order:

“Section 18.25 Recognition of the U.S. Special Resolution Regimes

(a) In the event that Buyer becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer from Buyer of this Agreement and/or the Repurchase Documents, and any interest and obligation in or under this Agreement and/or the Repurchase Documents, will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if this Agreement and/or the Repurchase Documents, and any such interest and obligation, were governed by the laws of the United States or a state of the United States.

(b) In the event that Buyer or a BHC Act Affiliate of Buyer becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under this Agreement and/or the Repurchase Documents that may be exercised against Buyer are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if this Agreement and/or the Repurchase Documents were governed by the laws of the United States or a state of the United States.”

SECTION 2. Conditions Precedent. This Amendment shall become effective on the date hereof provided that (a) this Amendment is duly executed and delivered by each of Seller, Buyer and Guarantor, (b) Seller and Buyer have executed and delivered that certain Amendment No. 6 to Fee and Pricing Letter, dated as of the date hereof, by and between Seller and Buyer, (c) outside counsel to Seller and Guarantor have delivered to Buyer updated copies of each of the legal opinions which were originally delivered to Buyer on May 25, 2016, each in form and substance acceptable to Buyer and its counsel and (d) Buyer shall have received payment from Seller of the respective Structuring Fee and Draw Fee installments that are due on the date hereof.

SECTION 3. Representations and Warranties. On and as of the date first above written, Seller hereby represents and warrants to Buyer that (a) it is in compliance with all the terms and provisions set forth in the Repurchase Agreement on its part to be observed or performed, (b) after giving effect to this Amendment, no Default or Event of Default under the Repurchase Agreement has occurred and is continuing, and (c) after giving effect to this Amendment, the representations and warranties contained in Article 9 of the Repurchase Agreement are true and correct in all respects as though made on such date (except for any such representation or warranty that by its terms refers to a specific date other than the date first above written, in which case it shall be true and correct in all respects as of such other date).

SECTION 4. Acknowledgments of Guarantor. Guarantor hereby acknowledges the **execution** and delivery of this Amendment by Seller and Buyer and agrees that it continues to be bound by that certain Amended and Restated Guarantee Agreement, dated as of May 4, 2018 (as may be amended, restated, supplemented or otherwise modified from time to time, the “Guarantee Agreement”), made by Guarantor in favor of Buyer, notwithstanding the execution and delivery of this Amendment and the impact of the changes set forth herein.

SECTION 5. Limited Effect. Except as expressly amended and modified by this Amendment, the Repurchase Agreement and each of the other Repurchase Documents shall continue to be, and shall remain, in full force and effect in accordance with their respective terms; provided, however, that upon the date hereof, (a) all references in the Repurchase Agreement to the “Repurchase Documents” shall be deemed to include, in any event, this Amendment, and (b) each reference to the “Repurchase Agreement” in any of the Repurchase Documents shall be deemed to be a reference to the Repurchase Agreement as amended hereby.

SECTION 6. No Novation, Effect of Agreement. The parties hereto have entered into this Amendment solely to amend the terms of the Repurchase Agreement and do not intend this Amendment or the transactions contemplated hereby to be, and this Amendment and the transactions contemplated hereby shall not be construed to be, a novation of any of the obligations owing by Seller, Guarantor or any of **their** respective affiliates (the “Repurchase Parties”) under or in connection with the Repurchase Agreement or any of the other Repurchase Documents. It is the intention of each of the parties hereto that (i) the perfection and priority of all security interests securing the payment of the obligations of the Repurchase Parties under the Repurchase Agreement are preserved and (ii) the liens and security interests granted under the Repurchase Agreement continue in full force and effect.

SECTION 7. Counterparts. This Amendment may be executed in counterparts, each of which so executed shall be deemed to be an original, but all of such counterparts shall together constitute but one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment in Portable Document Format (.PDF) or by facsimile transmission shall be effective as delivery of a manually executed original counterpart thereof.

SECTION 8. Costs and Expenses. Seller shall pay Buyer’s reasonable actual out of pocket costs and expenses incurred in connection with the preparation, negotiation, execution and consummation of this Amendment in accordance with the Repurchase Agreement.

SECTION 9. Submission to Jurisdiction. Each party irrevocably and unconditionally (i) submits to the non-exclusive jurisdiction of any United States Federal or New York State court sitting in Manhattan, and any appellate court from any such **court**, solely for the purpose of any suit, action or proceeding brought to enforce its obligations under this Amendment or relating in any way to this Amendment and (ii) waives, to the fullest extent it may effectively do so, any defense of an inconvenient forum to the maintenance of such action or proceeding in any such court and any right of jurisdiction on account of its place of residence or domicile.

To the extent that either party has or hereafter may acquire any immunity (sovereign or otherwise) from any legal action, suit or proceeding, from jurisdiction of any court or from set off or any legal process (whether service or notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise) with respect to itself or any of its property, such party hereby irrevocably waives and agrees not to plead or claim such immunity in respect of any action brought to enforce its obligations under this Amendment or relating in any way to this Amendment.

The parties hereby irrevocably waive, to the fullest extent each may effectively do so, the defense of an inconvenient forum to the maintenance of such action or proceeding and irrevocably consent to the service of any summons and complaint and any other process by the mailing of copies of such process to them at their respective address specified in the Repurchase Agreement. The parties hereby agree that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Section 9 shall affect the right of Buyer to serve legal process in any other manner permitted by law or affect the right of Buyer to bring any action or proceeding against Seller or its property in the courts of other jurisdictions.

SECTION 10. WAIVER OF JURY TRIAL. EACH OF THE PARTIES HEREBY IRREVOCABLY WAIVES ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO **THIS** AMENDMENT.

SECTION 11. GOVERNING LAW. THIS AMENDMENT AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED TO THIS AMENDMENT, THE RELATIONSHIP OF THE PARTIES TO THIS AMENDMENT, AND/OR THE INTERPRETATION AND ENFORCEMENT OF THE RIGHTS AND DUTIES OF THE PARTIES TO THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS AND DECISIONS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE CHOICE OF LAW RULES THEREOF. THE PARTIES HERETO INTEND THAT THE PROVISIONS OF SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW SHALL APPLY TO THIS AMENDMENT.

[Signature Pages to Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered as of the day and year first above written.

BUYER:

**WELLS FARGO BANK, NATIONAL
ASSOCIATION,**
a national banking association

By: /s/ Allen Lewis
Name: Allen Lewis
Title: Managing Director

SELLER:

TPG RE FINANCE 11, LTD.,
an exempted company incorporated with limited
liability under the laws of the Cayman Islands

By: /s/ Matthew Coleman
Name: Matthew Coleman
Title: Vice President

Acknowledged:

TPG RE FINANCE TRUST HOLDCO, LLC,
a Delaware limited liability company, in its
capacity as Guarantor, and solely for purposes of
acknowledging and agreeing to Section 1(h) and
Section 4 of this Amendment:

By: /s/ Matthew Coleman
Name: Matthew Coleman
Title: Vice President

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

I, Greta Guggenheim, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2019 of TPG RE Finance Trust, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 29, 2019

/s/ Greta Guggenheim

Greta Guggenheim
Chief Executive Officer and President
(Principal Executive Officer)

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

I, Robert Foley, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2019 of TPG RE Finance Trust, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 29, 2019

/s/ Robert Foley

Robert Foley
Chief Financial and Risk Officer
(Principal Financial Officer)

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

In connection with the Quarterly Report on Form 10-Q of TPG RE Finance Trust, Inc. (the “Company”) for the quarterly period ended June 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Greta Guggenheim, Chief Executive Officer and President of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: July 29, 2019

/s/ Greta Guggenheim
Greta Guggenheim
Chief Executive Officer and President
(Principal Executive Officer)

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

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

In connection with the Quarterly Report on Form 10-Q of TPG RE Finance Trust, Inc. (the “Company”) for the quarterly period ended June 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Robert Foley, Chief Financial and Risk Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: July 29, 2019

/s/ Robert Foley

Robert Foley
Chief Financial and Risk Officer
(Principal Financial Officer)

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