J M SMUCKER Co
Form 8-K
June 07, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of report (Date of earliest event reported): June 7, 2018

The J. M. Smucker Company
(Exact Name of Registrant as Specified in Charter)

Ohio	**001-05111**	**34-0538550**
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

One Strawberry Lane Orrville, Ohio	**44667-0280**
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: **(330) 682-3000**

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

¨Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 ((§240.12b-2 of this chapter).

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. ¨

Item 2.02 Results of Operations and Financial Condition.

On June 7, 2018, The J. M. Smucker Company (the "Company") issued a press release announcing the Company's financial results for the fourth quarter and fiscal year ended April 30, 2018. A copy of the press release is attached to this Current Report on Form 8-K as Exhibit 99.1 and is incorporated herein by reference.

The information in this Current Report on Form 8-K, including the exhibit attached hereto, is furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that Section, and shall not be deemed incorporated by reference into any filing under the Exchange Act or the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit Number	Exhibit Description
99.1	Press Release, dated June 7, 2018

SIGNATURE

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 hereunto duly authorized.

THE J. M. SMUCKER COMPANY

By: /s/ Mark R. Belgya
Mark R. Belgya
Vice Chair and Chief Financial Officer

Date: June 7, 2018

EXHIBIT INDEX

Exhibit Number	Exhibit Description
99.1	Press Release, dated June 7, 2018

style="width:04.50pt;border-top:1pt none #D9D9D9 ;border-left:1pt none #D9D9D9 ;border-bottom:1pt none #D9D9D9 ;border-right:1pt none #D9D9D9 ;background-color: #auto;padding:0pt;">

Maximum

Carrying value at December 31,

Maturity

Maturity(a)

Pricing

Carrying Value

Facility Size

2015

2014

Lender 1 Repo 1

(b)

(b)

LIBOR + 1.85% to 5.25%

$

1,427,281

$

1,600,000

$

975,735

$

875,111

Lender 2 Repo 1

Oct 2017

Oct 2020

LIBOR + 1.75% to 2.75%

326,292

500,000

233,705

240,188

Lender 3 Repo 1

May 2017

May 2019

LIBOR + 2.50% to 2.85%

185,917

131,997

131,997

124,250

Lender 4 Repo 1

Oct 2016

Oct 2017

LIBOR + 2.00%

394,945

309,498

309,498

327,117

Lender 4 Repo 2

Dec 2018

Dec 2020

LIBOR + 2.50%

—

1,000,000

(c)

—

—

Lender 6 Repo 1

Aug 2018

N/A

LIBOR + 2.50% to 3.00%

708,071

500,000

491,263

296,967

Lender 7 Secured Financing

Jul 2018

Jul 2019

LIBOR + 2.75%

(d)

157,716

650,000

(e)

38,055

189,871

Conduit Repo 1

Sep 2016

N/A

LIBOR + 1.95% to 3.35%

107,580

150,000

80,741

94,727

Conduit Repo 2

Nov 2016

N/A

LIBOR + 2.10%

—

150,000

—

113,636

Conduit Repo 3

Feb 2018

Feb 2019

LIBOR + 2.10%

88,266

150,000

66,041

—

CMBS Repo 1

(f)

(f)

LIBOR + 1.90%

—

—

—

—

CMBS Repo 2

Dec 2016

N/A

LIBOR + 2.35% to 2.70%

159,111

120,850

120,850

39,024

CMBS Repo 3

(g)

(g)

LIBOR + 1.40% to 1.85%

341,422

243,434

243,434

—

CMBS Repo 4

(h)

N/A

N/A

—

—

—

58,079

RMBS Repo 1

(i)

N/A

LIBOR + 1.90%

180,192

125,000

2,000

101,886

Investing and Servicing Segment Property Mortgages

June 2018 to Dec 2025

N/A

Various

153,356

90,055

82,964

14,000

Ireland Portfolio Mortgage

May 2020

N/A

EURIBOR + 1.69%

506,500

319,322

319,322

—

Woodstar Portfolio Mortgages

Nov 2025 to Jan 2026

N/A

3.72% to 3.81%

327,967

248,630

248,630

—

Woodstar Portfolio Government Financing

Mar 2026 to Dec 2043

N/A

3.00%

99,007

8,982

8,982

—

Term Loan

Apr 2020

N/A

LIBOR + 2.75%

(d)

3,254,640

658,270

656,568

(j)

662,933

(j)

FHLB Advances

Nov 2016

N/A

LIBOR + 0.37%

10,832

9,250

9,250

—

$

8,429,095

$

6,965,288

$

4,019,035

$

3,137,789

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

(b) Maturity date for borrowings collateralized by loans of January 2017 before extension options and January 2019 assuming initial extension options. Borrowings collateralized by loans existing at maturity may remain outstanding until such loan collateral matures, subject to certain specified conditions and not to exceed January 2023.

(c) The initial maximum facility size of $600.0 million may be increased to $1.0 billion at our option, subject to certain conditions.

(d) Subject to borrower’s option to choose alternative benchmark based rates pursuant to the terms of the credit agreement. The term loan is also subject to a 75 basis point floor.

(e) The initial maximum facility size of $450.0 million may be increased to $650.0 million at our option, subject to certain conditions.

(f) Facility carries a rolling 11 month term which may reset monthly with the lender’s consent. This facility carries no maximum facility size. Amount herein reflects the zero outstanding balance as of December 31, 2015.

(g) Facility carries a rolling 12 month term which may reset monthly with the lender’s consent. Current maturity is December 2016. This facility carries no maximum facility size. Amount herein reflects the outstanding balance as of December 31, 2015.

(h) Facility was terminated at our option in March 2015.

(i) The date that is 180 days after the buyer delivers notice to seller, subject to a maximum date of March 2017.

(j) Term loan outstanding balance is net of $1.7 million and $2.1 million of unamortized discount as of December 31, 2015 and 2014, respectively.

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

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In February 2015, we executed a $150.0 million repurchase facility ("Conduit Repo 3") for our Investing and Servicing Segment's conduit platform. The facility carries a three year initial term with a one year extension option and an annual interest rate of LIBOR +2.10%.

In March 2015, we executed a repurchase facility ("CMBS Repo 3") with a new lender to finance certain CMBS holdings, including CMBS holdings previously financed under the CMBS Repo 4 facility which was terminated at our option in March 2015. There is no maximum facility size specified under the facility as the lender will evaluate all eligible collateral on an individual basis. The facility carries a rolling 12 month term which may reset monthly with the lender's consent and an annual interest rate of LIBOR +1.40% to LIBOR +1.85% depending on the CMBS collateral.

In April 2015, we amended the Lender 4 Repo 1 facility to reduce pricing. In July 2015, we exercised a one-year extension option on the Lender 4 Repo 1 facility, extending the maturity from October 2015 to October 2016.

In May 2015, we executed a €294.0 million mortgage facility ("Ireland Portfolio Mortgage") to finance the acquisition of the Ireland Portfolio. The facility carries a five year term, an annual interest rate of EURIBOR + 1.69% and was fully funded as of December 31, 2015. Refer to Note 3 for further discussion of this acquisition. During the year ended December 31, 2015, we incurred deferred financing costs of $5.7 million associated with this facility.

In July 2015, we exercised a one-year extension option on the Lender 6 Repo 1 facility, extending the maturity from August 2017 to August 2018.

In July 2015, we amended the Lender 7 Secured Financing facility to (i) permanently upsize available borrowings from $250.0 million to $450.0 million; (ii) extend the maturity date to July 2019 assuming exercise of a one-year extension option; and (iii) reduce pricing. The maximum facility size of $450.0 million may be increased to $650.0 million at our option, subject to certain conditions.

In August 2015, we amended the Lender 1 Repo 1 facility to upsize available borrowings from $1.25 billion to $1.6 billion.

In September 2015, we were admitted as a member of the Federal Home Loan Bank ("FHLB") of Des Moines through a captive insurance subsidiary. On January 20, 2016, the FHLB system amended its membership rules to exclude captive insurers from membership. Therefore, effective January 20, 2016, we may no longer receive FHLB advances and are obligated to repay our $9.3 million of outstanding FHLB advances within one year from the effective date of the amendment.

In October 2015, we amended the Lender 2 Repo 1 facility to upsize available borrowings from $325.0 million to $500.0 million and extend the maturity from October 2018 to October 2020, assuming exercise of available extension options.

In October 2015, we exercised a one-year extension option on the Conduit Repo 2 facility extending the maturity from November 2015 to November 2016.

In November 2015, we executed a repurchase facility ("CMBS Repo 1") to finance certain CMBS holdings. There is no maximum facility size specified under the facility as the lender will evaluate all eligible collateral on an individual basis. The facility carries a rolling 11 month term which may reset monthly with the lender's consent and an annual interest rate of LIBOR + 1.90%.

In December 2015, we executed a $600.0 million repurchase facility ("Lender 4 Repo 2") that carries a three year initial term with two one-year extension options and an annual interest rate of LIBOR +2.50%. Subject to certain conditions defined in the facility agreement, the maximum facility size may be increased to $1.0 billion at our option.

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During the year ended December 31, 2015, we executed seven mortgage facilities with aggregate borrowings of $69.0 million to finance commercial real estate acquired by our Investing and Servicing Segment. As of December 31, 2015, these facilities carry a remaining weighted average term of 6.9 years. Four of the facilities carry floating annual interest rates ranging from LIBOR + 1.80% to 2.50% while three of the facilities carry fixed annual interest rates ranging from 4.52% to 4.91%.

During the quarter ended December 31, 2015, we executed 18 mortgage facilities ("Woodstar Portfolio Mortgages"), all with a new lender to finance each of the 18 properties acquired in our Woodstar Portfolio. These facilities have 10 year terms and carry fixed annual interest rates ranging from 3.72% to 3.81%.

During the quarter ended December 31, 2015, we assumed five state sponsored mortgage facilities ("Woodstar Portfolio Government Financing") associated with certain properties acquired in our Woodstar Portfolio with aggregate outstanding balances of $9.0 million as of the acquisition dates. The Woodstar Portfolio Government Financing was originated by the Florida Housing Finance Corporation, a state sponsored finance company, and carries fixed 3.0% interest rates with initial maturities ranging from March 2026 to December 2043.

Our secured financing agreements contain certain financial tests and covenants. Should we breach certain of these covenants it may restrict our ability to pay dividends in the future. As of December 31, 2015, we were in compliance with all such covenants.

The following table sets forth our five year principal repayments schedule for secured financings assuming no defaults and excluding loans transferred as secured borrowings. Our credit facilities generally require principal to be paid down prior to the facilities' respective maturities if and when we receive principal payments on, or sell, the investment collateral that we have pledged. The amount reflected in each period includes principal repayments on our credit facilities that would be required if (i) we received the repayments that we expect to receive on the investments that have been pledged as collateral under the credit facilities, as applicable, and (ii) the credit facilities that are expected to have amounts outstanding at their current maturity dates are extended where extension options are available to us (amounts in thousands):

	Repurchase Agreements	Other Secured Financing		Total
2016	$ 790,577	$ 54,351		$ 844,928
2017	581,395	7,058		588,453
2018	536,547	24,752		561,299
2019	545,599	7,257		552,856
2020	121,553	961,198	(1)	1,082,751
Thereafter	79,593	310,858		390,451
Total	$ 2,655,264	$ 1,365,474		$ 4,020,738

(1) Principal paydown of the term loan through 2020 excludes $1.7 million of unamortized discount.
Secured financing maturities for 2016 primarily relate to $243.4 million on the CMBS Repo 3 facility, $225.5 million on the Lender 6 Repo 1 facility and $120.8 million on the CMBS Repo 2 facility.

As of December 31, 2015 and 2014, we had approximately $38.3 million and $26.5 million, respectively, of deferred financing costs from secured financing agreements, net of amortization, which is included in other assets on our consolidated balance sheets. For the years ended December 31, 2015, 2014 and 2013, approximately $14.2 million, $11.3 million and $9.9 million, respectively, of amortization was included in interest expense on our consolidated statements of operations.

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As of December 31, 2015 and 2014, the outstanding balance of our repurchase agreements related to the following asset collateral classes (amounts in thousands):

Class of Collateral	December 31, 2015	December 31, 2014
Loans held-for-investment	$ 2,142,198	$ 1,863,633
Loans held-for-sale	146,782	208,363
Investment securities	366,284	198,989
	$ 2,655,264	$ 2,270,985

We seek to mitigate risks associated with our repurchase agreements by managing risk related to the credit quality of our assets, interest rates, liquidity, prepayment speeds and market value. The margin call provisions under the majority of our repurchase facilities, consisting of 61% of these agreements, do not permit valuation adjustments based on capital markets activity. Instead, margin calls on these facilities are limited to collateral-specific credit marks. To monitor credit risk associated with the performance and value of our loans and investments, our asset management team regularly reviews our investment portfolios and is in regular contact with our borrowers, monitoring performance of the collateral and enforcing our rights as necessary. For repurchase agreements containing margin call provisions for general capital markets activity, approximately 23% of these pertain to our loans held-for-sale, for which we manage credit risk through the purchase of credit index instruments. We further seek to manage risks associated with our repurchase agreements by matching the maturities and interest rate characteristics of our loans with the related repurchase agreements.

11. Convertible Senior Notes

On October 8, 2014, we issued $431.3 million of 3.75% Convertible Senior Notes due 2017 (the “2017 Notes”). On February 15, 2013, we issued $600.0 million of 4.55% Convertible Senior Notes due 2018 (the “2018 Notes”). On July 3, 2013, we issued $460.0 million of 4.00% Convertible Senior Notes due 2019 (the “2019 Notes”). We recognized interest expense of $58.0 million, $49.4 million and $33.0 million during the years ended December 31, 2015, 2014 and 2013, respectively, from our unsecured convertible senior notes (collectively, the “Convertible Notes”). The following summarizes our Convertible Notes outstanding as of December 31, 2015 (amounts in thousands, except rates):

	Principal Amount	Coupon Rate	Effective Rate(1)	Conversion Rate(2)	Maturity Date	Remaining Period of Amortization
2017 Notes	$ 431,250	3.75 %	5.87 %	41.7397	10/15/2017	1.8 years
2018 Notes	$ 599,981	4.55 %	6.10 %	46.1565	3/1/2018	2.2 years
2019 Notes	$ 341,363	4.00 %	5.37 %	48.9439	1/15/2019	3.0 years

	As of December 31,	
	2015	2014
Total principal	$ 1,372,594	$ 1,491,228
Net unamortized discount	(47,351)	(73,206)
Carrying amount of debt components	$ 1,325,243	$ 1,418,022
Carrying amount of conversion option equity components recorded in additional paid-in capital	$ 46,343	$ 64,070

(1) Effective rate includes the effects of underwriter purchase discount and the adjustment for the conversion option, the value of which reduced the initial liability and was recorded in additional paid in capital.

(2) The conversion rate represents the number of shares of common stock issuable per $1,000 principal amount of Convertible Notes converted, as adjusted in accordance with the indentures governing the Convertible Notes (including the applicable supplemental indentures) as a result of the spin-off of the SFR segment and cash dividend payments.

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The if-converted value of the 2019 Notes exceeded their principal amount by $2.2 million at December 31, 2015 since the closing market price of the Company's common stock of $20.56 per share exceeded the implicit conversion price of $20.43 per share. The if converted value of the 2017 Notes and 2018 Notes were less than their principal amounts by $61.2 million and $30.7 million at December 31, 2015, respectively, since the closing market price of the Company's common stock of $20.56 per share was less than the implicit conversion prices of $23.96 and $21.67, respectively. The Company has asserted its intent and ability to settle the principal amount of the Convertible Notes in cash. As a result, conversion of this principal amount, totaling 62.3 million shares, was not included in the computation of diluted EPS. However, the conversion spread value for the 2019 Notes, representing 0.1 million shares, was included in the computation of diluted EPS as the notes were "in-the-money". No dilution related to the 2017 Notes and 2018 Notes was included in the computation of diluted EPS for the year ended December 31, 2015 as these notes were not "in-the-money". See further discussion in Note 18.

Under the repurchase program approved by our board of directors (refer to Note 17), we repurchased $118.6 million aggregate principal amount of our 2019 Notes during the year ended December 31, 2015 for $136.3 million plus transaction expenses of $0.1 million. The repurchase price was allocated between the fair value of the liability component and the fair value of the equity component of the convertible security. The portion of the repurchase price attributable to the equity component totaled $17.7 million and was recognized as a reduction of additional paid-in capital during the year ended December 31, 2015. The remaining repurchase price was attributable to the liability component. The difference between this amount and the net carrying amount of the liability and debt issuance costs was reflected as a loss on extinguishment of debt in our consolidated statement of operations. For the year ended December 31, 2015, the loss on extinguishment of debt totaled $5.9 million, consisting principally of the write-off of unamortized debt discount.

As of December 31, 2015 and 2014, we had approximately $1.4 million and $2.3 million, respectively, of deferred financing costs from our Convertible Notes, net of amortization, which is included in other assets on our consolidated balance sheet.

Conditions for Conversion

Prior to April 15, 2017 for the 2017 Notes, September 1, 2017 for the 2018 Notes and July 15, 2018 for the 2019 Notes, the Convertible Notes will be convertible only upon satisfaction of one or more of the following conditions: (1) the closing market price of the Company's common stock is at least 110%, in the case of the 2017 Notes, or 130%, in the case of the 2018 Notes and the 2019 Notes, of the conversion price of the respective Convertible Notes for at least 20 out of 30 trading days prior to the end of the preceding fiscal quarter, (2) the trading price of the Convertible Notes is less than 98% of the product of (i) the conversion rate and (ii) the closing price of the Company's common stock during any five consecutive trading day period, (3) the Company issues certain equity instruments at less than the 10 day average closing market price of its common stock or the per share value of certain distributions exceeds the market price of the Company's common stock by more than 10% or (4) other specified corporate events (significant consolidation, sale, merger, share exchange, fundamental change, etc.) occur.

On or after April 15, 2017, in the case of the 2017 Notes, September 1, 2017, in the case of the 2018 Notes, and July 15, 2018, in the case of the 2019 Notes, holders may convert each of their Convertible Notes at the applicable conversion rate at any time prior to the close of business on the second scheduled trading day immediately preceding the maturity date.

Impact of Spin-off on Convertible Senior Notes

As described in Note 3, on January 31, 2014, the Company distributed all of its interest in the SFR segment to the Company's stockholders of record as of January 24, 2014. As the per-share value of the distribution was expected to exceed 10% of the last reported market price of the Company's common stock on the trading day prior to the announcement for such distribution, holders of the Convertible Notes were eligible to surrender their Convertible Notes for conversion at any time during the period beginning November 26, 2013 (the 45th trading day immediately prior to the scheduled ex-dividend date for the distribution) and ending on the close of the business day immediately preceding February 3, 2014, the ex-dividend date for such distribution. During this period, the Company received notices of

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conversion totaling $19 thousand and $3 thousand in principal for the 2018 Notes and 2019 Notes, respectively. The cash settlement of these conversions occurred in April 2014.

Due to the distribution, the quarterly dividend threshold amounts for the Convertible Notes were adjusted to $0.3548 and $0.3710 (from $0.44 and $0.46) per share of common stock, in the case of the 2018 Notes and 2019 Notes, respectively, effective February 3, 2014.

12. Loan Securitization/Sale Activities

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

Within the Investing and Servicing Segment, we originate commercial mortgage loans with the intent to sell these mortgage loans to VIEs for the purposes of securitization. These VIEs then issue CMBS that are collateralized in part by these assets, as well as other assets transferred to the VIE. In certain instances, we retain a subordinated interest in the VIE and serve as special servicer for the VIE. The following summarizes the fair value and par value of loans sold from our conduit platform, as well as the amount of sale proceeds used in part to repay the outstanding balance of the repurchase agreements associated with these loans for the years ended December 31, 2015, 2014 and 2013 (amounts in thousands):

	For the Year Ended December 31,		
	2015	2014	2013
Fair value of loans sold	$ 2,100,216	$ 1,670,522	$ 1,326,602
Par value of loans sold	2,034,773	1,603,807	1,263,914
Repayment of repurchase agreements	1,548,111	1,196,778	947,351

Within the Lending Segment, we originate or acquire loans and then subsequently sell a portion, which can be in various forms including first mortgages, A Notes, senior participations and mezzanine loans. Typically, our motivation for entering into these transactions is to effectively create leverage on the subordinated position that we will retain and hold for investment. In certain instances, we continue to service the loan following its sale. The following table summarizes our loans sold and loans transferred as secured borrowings by the Lending Segment net of expenses (amounts in thousands):

	Loan Transfers Accounted for as Sales		Loan Transfers Accounted for as Secured Borrowings	
For the Year Ended December 31,	Face Amount	Proceeds	Face Amount	Proceeds

2015	$ 645,425	$ 637,124	$ 38,925	$ 38,925
2014	510,539	501,988	—	—
2013	435,933	435,818	95,000	95,000

During the years ended December 31, 2015 and 2014, the Lending Segment recognized gains on sales of loans of $4.8 million and $1.2 million within gain on sale of investments and other assets in our consolidated statements of operations. During the year ended December 31, 2013, the Lending Segment recognized losses on sales of loans of $1.1 million also recognized within gain on sale of investments and other assets in our consolidated statements of operations.

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13. Derivatives and Hedging Activity

Risk Management Objective of Using Derivatives

We are exposed to certain risks arising from both our business operations and economic conditions. We principally manage our exposures to a wide variety of business and operational risks through management of our core business activities. We manage economic risks, including interest rate, foreign exchange, liquidity, and credit risk primarily by managing the amount, sources, and duration of our debt funding and the use of derivative financial instruments. Specifically, we enter into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates, credit spreads, and foreign exchange rates. Our derivative financial instruments are used to manage differences in the amount, timing, and duration of the known or expected cash receipts and known or expected cash payments principally related to our investments, anticipated level of loan sales, and borrowings.

Designated Hedges

Our objective in using interest rate derivatives is to manage our exposure to interest rate movements. To accomplish this objective, we primarily use interest rate swaps as part of our interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for us making fixed rate payments over the life of the agreements without exchange of the underlying notional amount.

In connection with our repurchase agreements, we have entered into seven outstanding interest rate swaps that have been designated as cash flow hedges of the interest rate risk associated with forecasted interest payments. As of December 31, 2015, the aggregate notional amount of our interest rate swaps designated as cash flow hedges of interest rate risk totaled $76.8 million. Under these agreements, we will pay fixed monthly coupons at fixed rates ranging from 0.56% to 1.52% of the notional amount to the counterparty and receive floating rate LIBOR. Our interest rate swaps designated as cash flow hedges of interest rate risk have maturities ranging from March 2016 to May 2021.

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in AOCI and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. During the years ended December 31, 2015, 2014 and 2013, we did not recognize any hedge ineffectiveness in earnings.

Amounts reported in AOCI related to derivatives will be reclassified to interest expense as interest payments are made on the associated variable rate debt. Over the next 12 months, we estimate that an additional $0.2 million will be reclassified as an increase to interest expense. We are hedging our exposure to the variability in future cash flows for forecasted transactions over a maximum period of 65 months.

Non designated Hedges

Derivatives not designated as hedges are derivatives that do not meet the criteria for hedge accounting under GAAP or which we have not elected to designate as hedges. We do not use these derivatives for speculative purposes but instead they are used to manage our exposure to foreign exchange rates, interest rate changes, and certain credit spreads. Changes in the fair value of derivatives not designated in hedging relationships are recorded directly in gain (loss) on derivative financial instruments in the consolidated statements of operations.

We have entered into a series of forward contracts whereby we agreed to sell an amount of foreign currency for an agreed upon amount of USD at various dates through June 2020. These forward contracts were executed to

economically fix the USD amounts of foreign denominated cash flows expected to be received by us related to foreign denominated loan investments and properties.

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The following table summarizes our non-designated foreign exchange (“Fx”) forwards, interest rate swaps, interest rate caps and credit index instruments as of December 31, 2015 (notional amounts in thousands):

Type of Derivative	Number of Contracts	Aggregate Notional Amount	Notional Currency	Maturity
Fx contracts – Sell Euros ("EUR") (1)	83	346,666	EUR	February 2016 – June 2020
Fx contracts – Sell Pounds Sterling ("GBP")	64	217,756	GBP	January 2016 – March 2018
Fx contracts – Sell Swedish Krona ("SEK")	1	7,032	SEK	December 2016
Fx contracts – Sell Norwegian Krone ("NOK")	1	878	NOK	December 2016
Fx contracts – Sell Danish Krone ("DKK")	1	6,251	DKK	December 2016
Interest rate swaps – Paying fixed rates	31	325,048	USD	July 2016 – December 2025
Interest rate swaps – Receiving fixed rates	1	8,000	USD	July 2017
Interest rate caps	2	294,000	EUR	May 2020
Interest rate caps	4	34,635	USD	June 2018 – October 2020
Credit index instruments	11	40,000	USD	January 2047
Total	199			

(1) Includes 54 Fx contracts executed to hedge our Euro currency exposure created by our acquisition of the Ireland Portfolio. As of December 31, 2015, these contracts have an aggregate notional amount of €253.3 million and varying maturities through June 2020.

The table below presents the fair value of our derivative financial instruments as well as their classification on the consolidated balance sheets as of December 31, 2015 and 2014 (amounts in thousands):

	Fair Value of Derivatives in an Asset Position (1) as of December 31,		Fair Value of Derivatives in a Liability Position (2) as of December 31,	
	2015	2014	2015	2014
Derivatives designated as hedging instruments:				
Interest rate swaps	$ 57	$ 138	$ 122	$ 235
Total derivatives designated as hedging instruments	57	138	122	235
Derivatives not designated as hedging instruments:				
Interest rate swaps and caps	2,360	1,128	4,970	5,216
Foreign exchange contracts	41,137	24,388	104	15
Credit index instruments	1,537	974	—	10
Total derivatives not designated as hedging instruments	45,034	26,490	5,074	5,241
Total derivatives	$ 45,091	$ 26,628	$ 5,196	$ 5,476

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

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The tables below present the effect of our derivative financial instruments on the consolidated statements of operations and of comprehensive income for the years ended December 31, 2015, 2014 and 2013 (amounts in thousands):

Derivatives Designated as Hedging Instruments	Gain (Loss) Recognized in OCI	Gain (Loss) Reclassified from AOCI into Income	Gain (Loss) Recognized in Income	Location of Gain (Loss)
For the Year Ended December 31,	(effective portion)	(effective portion)	(ineffective portion)	Recognized in Income
2015	$ (709)	$ (741)	$ —	Interest expense
2014	$ (865)	$ (1,372)	$ —	Interest expense
2013	$ 334	$ (1,633)	$ —	Interest expense

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income	Amount of Gain (Loss) Recognized in Income for the Year Ended December 31, 2015	2014	2013
Interest rate swaps and caps	Gain (loss) on derivative financial instruments	$ (22,675)	$ (15,662)	$ 3,549
Foreign exchange contracts	Gain (loss) on derivative financial instruments	44,089	37,207	(13,160)
Credit index instruments	Gain (loss) on derivative financial instruments	184	(1,094)	(1,559)
		$ 21,598	$ 20,451	$ (11,170)

14. Offsetting Assets and Liabilities

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

(ii)	(iii) = (i) - (ii)	(iv) Gross Amounts Not Offset in the Statement of Financial Position

	(i) Gross Amounts Recognized	Gross Amounts Offset in the Statement of Financial Position	Net Amounts Presented in the Statement of Financial Position	Financial Instruments	Cash Collateral Received / Pledged	(v) = (iii) - (iv) Net Amount
As of December 31, 2015						
Derivative assets	$ 45,091	$ —	$ 45,091	$ 243	$ —	$ 44,848
Derivative liabilities	$ 5,196	$ —	$ 5,196	$ 243	$ 4,953	$ —
Repurchase agreements	2,655,264	—	2,655,264	2,655,264	—	—
	$ 2,660,460	$ —	$ 2,660,460	$ 2,655,507	$ 4,953	$ —
As of December 31, 2014						
Derivative assets	$ 26,628	$ —	$ 26,628	$ 2,016	$ —	$ 24,612
Derivative liabilities	$ 5,476	$ —	$ 5,476	$ 2,016	$ 3,460	$ —
Repurchase agreements	2,270,985	—	2,270,985	2,270,985	—	—
	$ 2,276,461	$ —	$ 2,276,461	$ 2,273,001	$ 3,460	$ —

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15. Variable Interest Entities

Investment Securities

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

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

VIEs in which we are the Primary Beneficiary

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

VIEs in which we are not the Primary Beneficiary

In certain instances, we hold a variable interest in a VIE in the form of CMBS, but either (i) we are not appointed, or do not serve as, special servicer or (ii) an unrelated third party has the rights to unilaterally remove us as special servicer. In these instances, we do not have the power to direct activities that most significantly impact the VIE’s economic performance. In other cases, the variable interest we hold does not obligate us to absorb losses or provide us with the right to receive benefits from the VIE which could potentially be significant. For these structures, we are not deemed to be the primary beneficiary of the VIE, and we do not consolidate these VIEs.

As of December 31, 2015, one of our CDO structures was in default, which pursuant to the underlying indentures, changes the rights of the variable interest holders. Upon default of a CDO, the trustee or senior note holders are allowed to exercise certain rights, including liquidation of the collateral, which at that time, is the activity which would most significantly impact the CDO’s economic performance. Further, when the CDO is in default, the collateral administrator no longer has the option to purchase securities from the CDO. In cases where the CDO is in default and we do not have the ability to exercise rights which would most significantly impact the CDO’s economic performance, we do not consolidate the VIE. As of December 31, 2015, this CDO structure was not consolidated. During the three months ended March 31, 2014, one of our CDOs, which was previously in default as of December 31, 2013, ceased to be in default. This event triggered the initial consolidation of the CDO and its underlying assets during the three months ended March 31, 2014.

As noted above, we are not obligated to provide, nor have we provided, any financial support for any of our securitization VIEs, whether or not we are deemed to be the primary beneficiary. As such, the risk associated with our involvement in these VIEs is limited to the carrying value of our investment in the entity. As of December 31, 2015, our maximum risk of loss related to VIEs in which we were not the primary beneficiary was $213.0 million on a fair

value basis.

As of December 31, 2015, the securitization VIEs which we do not consolidate had debt obligations to beneficial interest holders with unpaid principal balances of $40.6 billion. The corresponding assets are comprised primarily of commercial mortgage loans with unpaid principal balances corresponding to the amounts of the outstanding debt obligations.

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16. Related Party Transactions

Management Agreement

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

Base Management Fee. The base management fee is 1.5% of our stockholders’ equity per annum and calculated and payable quarterly in arrears in cash. For purposes of calculating the management fee, our stockholders’ equity means: (a) the sum of (1) the net proceeds from all issuances of our equity securities since inception (allocated on

a pro rata daily basis for such issuances during the fiscal quarter of any such issuance), plus (2) our retained earnings at the end of the most recently completed calendar quarter (without taking into account any non cash equity compensation expense incurred in current or prior periods), less (b) any amount that we pay to repurchase our common stock since inception. It also excludes (1) any unrealized gains and losses and other non cash items that have impacted stockholders’ equity as reported in our financial statements prepared in accordance with GAAP, and (2) one time events pursuant to changes in GAAP, and certain non cash items not otherwise described above, in each case after discussions between our Manager and our independent directors and approval by a majority of our independent directors. As a result, our stockholders’ equity, for purposes of calculating the management fee, could be greater or less than the amount of stockholders’ equity shown in our consolidated financial statements.

For the years ended December 31, 2015, 2014 and 2013, approximately $59.2 million, $54.5 million and $51.5 million, respectively, was incurred for base management fees. As of December 31, 2015 and 2014, there were $15.2 million and $13.9 million, respectively, of unpaid base management fees included in the related-party payable in our consolidated balance sheets.

Incentive Fee. Our Manager is entitled to be paid the incentive fee described below with respect to each calendar quarter if (1) our Core Earnings (as defined below) for the previous 12 month period exceeds an 8% threshold, and (2) our Core Earnings for the 12 most recently completed calendar quarters is greater than zero.

On December 4, 2014, our board of directors authorized an amendment to our Management Agreement to adjust the calculation of the incentive fee for the spin-off of SWAY (the “Amendment”). The Amendment provides that on and after January 31, 2014, the date of the SWAY spin-off, the computation of the weighted average issue price per share of the common stock shall be decreased to give effect to the book value per share on January 31, 2014 of the assets of SWAY, and the computation of the average number of shares of common stock outstanding shall be decreased by the weighted-average number of shares of SWAY distributed in the spin-off. The Amendment results in an increase to the incentive fee of $18.0 million for the year ended December 31, 2014, which is recognized within management fee expense in our consolidated statement of operations.

After giving effect to the Amendment, the incentive fee is calculated as follows: an amount, not less than zero, equal to the difference between (1) the product of (x) 20% and (y) the difference between (i) our Core Earnings for the

previous 12 month period, and (ii) the product of (A) the weighted average of the issue price per share of our common stock of all of our public offerings as decreased for the spin-off of SWAY multiplied by the weighted average number of all shares of common stock outstanding (including any RSUs, any RSAs and other shares of common stock underlying awards granted under our equity incentive plans) in such previous 12 month period as decreased for the spin-off of SWAY, and (B) 8%, and (2) the sum of any incentive fee paid to our Manager with respect to the first three calendar quarters of such previous 12 month period. One half of each quarterly installment of the incentive fee is payable in shares of our common stock so long as the ownership of such additional number of shares by our Manager would not violate the 9.8% stock ownership limit set forth in our charter, after giving effect to any waiver from such limit that our board of directors may grant in the future. The remainder of the incentive fee is payable in cash. The number of shares to be issued to our Manager is equal to the dollar amount of the portion of the quarterly installment of the incentive fee

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payable in shares divided by the average of the closing prices of our common stock on the NYSE for the five trading days prior to the date on which such quarterly installment is paid.

Core Earnings is a non-GAAP financial measure. We calculate Core Earnings as GAAP net income (loss) excluding non-cash equity compensation expense, the incentive fee, depreciation and amortization of real estate and associated intangibles, losses on extinguishment of debt, acquisition costs associated with successful acquisitions and any unrealized gains, losses or other non-cash items recorded in net income for the period, regardless of whether such items are included in OCI, or in net income. The amount is adjusted to exclude one-time events pursuant to changes in GAAP and certain other non-cash adjustments as determined by our Manager and approved by a majority of our independent directors.

For the years ended December 31, 2015, 2014 and 2013, approximately $37.7 million, $34.4 million and $11.6 million, respectively, was incurred for incentive fees. As of December 31, 2015 and 2014, approximately $21.8 million and $18.9 million, respectively, of unpaid incentive fees were included in related party payable in our consolidated balance sheets.

Expense Reimbursement. We are required to reimburse our Manager for operating expenses incurred by our Manager on our behalf. In addition, pursuant to the terms of the Management Agreement, we are required to reimburse our Manager for the cost of legal, tax, consulting, auditing and other similar services rendered for us by our Manager's personnel provided that such costs are no greater than those that would be payable if the services were provided by an independent third party. The expense reimbursement is not subject to any dollar limitations but is subject to review by our independent directors. For the years ended December 31, 2015, 2014 and 2013, approximately $7.0 million, $8.1 million and $8.8 million was incurred, respectively, for executive compensation and other reimbursable expenses. As of December 31, 2015 and 2014, approximately $3.6 million and $3.4 million, respectively, of unpaid reimbursable executive compensation and other expenses were included in related party payable in our consolidated balance sheets.

Termination Fee. We can terminate the Management Agreement without cause, as defined in the Management Agreement, with an affirmative two-thirds vote by our independent directors and 180 days written notice to our Manager. Upon termination without cause, our Manager is due a termination fee equal to three times the sum of the average annual base management fee and incentive fee earned by our Manager over the preceding eight calendar quarters. No termination fee is payable if our Manager is terminated for cause, as defined in the Management Agreement, which can be done at any time with 30 days written notice from our board of directors.

Manager Equity Plan

In May 2015, we granted 675,000 RSUs to our Manager under the Starwood Property Trust, Inc. Manager Equity Plan ("Manager Equity Plan"). In January 2014, we granted 2,489,281 RSUs to our Manager under the Manager Equity Plan. In connection with these grants and prior similar grants, we recognized share-based compensation expense of $26.6 million, $26.5 million and $15.7 million within management fees in our consolidated statements of operations for the years ended December 31, 2015, 2014 and 2013, respectively. Refer to Note 17 herein for further discussion of these grants.

Investments in Loans and Securities

In March 2015, we purchased a subordinate single-borrower CMBS from a third party for $58.6 million which is secured by 85 U.S. hotel properties. The borrower is an affiliate of Starwood Distressed Opportunity Fund IX ("Fund IX"), an affiliate of our Manager.

In March 2015, we sold our entire interest, consisting of a $35 million participation, in a subordinate loan (the "Mammoth Loan") at par to Mammoth Mezz Holdings, LLC, an affiliate of our Manager. We purchased the Mammoth Loan in April 2011 from an independent third party and a syndicate of financial institutions and other entities acting as subordinate lenders to Mammoth Mountain Ski Area, LLC ("Mammoth"). Mammoth is a single purpose, bankruptcy remote entity that is owned and controlled by Starwood Global Opportunity Fund VII A, L.P., Starwood Global Opportunity Fund VII B, L.P., Starwood U.S. Opportunity Fund VII D, L.P. and Starwood U.S. Opportunity Fund VII D 2, L.P. (collectively, the "Sponsors"). Each of the Sponsors is indirectly wholly owned by Starwood Capital

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Group Global I, LLC and an affiliate of our Chief Executive Officer.

In January 2015, a junior mezzanine loan, which we co-originated with SEREF and an unaffiliated third party in 2012, was restructured to reduce both our and SEREF's participation interests and margin. Following the restructuring, we held a participation interest in the junior mezzanine loan of £18 million, which paid interest at three-month LIBOR plus 8.81%. Prior to the restructure, our participation interest was £30.0 million and carried an interest rate of three-month LIBOR plus 11.65%. The junior mezzanine loan paid off in full in October 2015.

In December 2014, we co-originated a £200 million first mortgage for the acquisition of a 17-story office tower located in London with SEREF and other private funds, all affiliates of our Manager. We originated £138.3 million of the loan, SEREF provided £45.0 million and the private funds provided £16.7 million.

In July 2014, we announced the co-origination of a £101.75 million first mortgage loan for the development of a 46-story residential tower and 18-story housing development containing a total of 366 private residential and affordable housing units located in London. We originated £86.75 million of the loan, and private funds managed by an affiliate of our Manager provided £15.0 million.

In July 2014, we co-originated a €99.0 million mortgage loan for the refinancing and refurbishment of a 239 key, full service hotel located in Amsterdam, Netherlands with SEREF and other private funds, both affiliates of our Manager. We originated €58.0 million of the loan, SEREF provided €25.0 million and the private funds provided €16.0 million.

In December 2013, we acquired a subordinate CMBS investment in a securitization issued by an affiliate of our Manager. The security was acquired for $84.1 million and is secured by five regional malls in Ohio, California and Washington.

In November 2013, we co originated a GBP denominated first mortgage loan with SEREF, which is secured by Centre Point, an iconic tower located in Central London, England. We funded £15 million of the initial £55 million funding and committed to future funding of £165 million. The A Note bears interest at 8.55% fixed and the B Note bears interest at three-month LIBOR plus 7.0%, unless the fixed rate option is elected. The loan was amended in December 2014, increasing the total commitment to £265.0 million and our future funding commitment to £195.0 million. The loan matures in December 2017.

In October 2013, we co-originated a GBP-denominated $467.2 million first mortgage loan with SEREF that is secured by the Heron Tower in London, England (the "Heron Tower Loan"). The facility was advanced in October 2013 in a single utilization, with SEREF taking $29.2 million of the total advance. The most senior tranche funded by us, which is of $340.6 million, carries a return of LIBOR plus 3.90% and the other tranche funded by us, which is of $97.3 million, carries a fixed rate of 5.61% per annum. The Heron Tower Loan matures in October 2018.

In September 2013, we co originated a EUR denominated first mortgage loan with Starfin Lux S.a.r.l. ("Starfin"), an affiliate of our Manager. The loan had an initial funding of approximately $102.3 million ($53.8 million for us and $48.5 million for Starfin), and future funding commitments totaling $24.6 million, of which we committed to fund $12.9 million and Starfin is committed to fund $11.7 million. The loan bears interest at three-month EURIBOR plus 7.0% and is secured by a portfolio of approximately 20 retail properties located throughout Finland. The loan matures in October 2016.

In August 2013, we co originated GBP denominated first mortgage and mezzanine loans with Starfin. The loans are collateralized by a development of a 109 unit retirement community and a 30 key nursing home in Battersea Park,

London, England. We and Starfin committed $11.3 million and $22.5 million, respectively, in aggregate for the two loans. The first mortgage loan bears interest at 5.02% and the mezzanine loan bears interest at 15.12%, and the loans each have three year terms.

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In April 2013, we purchased two B Notes for $146.7 million from entities substantially all of whose equity was owned by an affiliate of our Manager. The B Notes are secured by two Class A office buildings located in Austin, Texas. On May 17, 2013, we sold senior participation interests in the B Notes to a third party, generating $95.0 million in aggregate proceeds. We retained the subordinated interests. In October 2015, we sold one of the subordinated interests in the B-Notes to a third party, generating $29.2 million in aggregate proceeds.

In December 2012, we acquired 9,140,000 ordinary shares in SEREF, a debt fund that is externally managed by an affiliate of our Manager and is listed on the London Stock Exchange, for approximately $14.7 million, which equated to approximately 4% ownership of SEREF. As of December 31, 2015, our shares represent an approximate 3% interest in SEREF. Refer to Note 6 for additional details.

In October 2012, we co originated $475.0 million in financing for the acquisition and redevelopment of a 10 story retail building located at 701 Seventh Avenue in the Times Square area of Manhattan through a joint venture with Fund IX, an affiliate of our Manager. In January 2014, we refinanced the initial financing with an $815.0 million first mortgage and mezzanine financing to facilitate the further development of the property. Fund IX did not participate in the refinancing. As such, the joint venture distributed $31.6 million to Fund IX for the liquidation of Fund IX’s interest in the joint venture.

Investment in Unconsolidated Entities

In October 2014, we committed $150 million for a 33% equity interest in four regional shopping malls (the “Retail Fund”), of which $132.0 million was funded as of December 31, 2014. During the year ended December 31, 2015, we received capital distributions of $17.1 million, which reduced our carrying value to $122.5 million as of December 31, 2015. The Retail Fund was established for the purpose of acquiring and operating four leading regional shopping malls located in Florida, Michigan, North Carolina and Virginia. All leasing services and asset management functions for the properties are conducted by an affiliate of our Manager which specializes in redeveloping, managing and repositioning retail real estate assets. In addition, another affiliate of our Manager serves as general partner of the Retail Fund. In consideration for its services, the general partner will earn incentive distributions that are payable once we, along with the other limited partners, receive 100% of our capital and a preferred return of 8%. During the years ended December 31, 2015 and 2014, we recognized $10.1 million and $2.2 million of income from the Retail Fund, respectively.

In April 2013, in connection with our acquisition of LNR, we acquired 50% of a joint venture. An affiliate of ours, Fund IX, owns the remaining 50% of the venture.

Other Related-Party Arrangements

In connection with the LNR acquisition, we were required to cash collateralize certain obligations of LNR, including letters of credit and performance obligations. Fund IX funded $6.2 million of this obligation, but the account was in our name and was thus reflected within our restricted cash balance. As of December 31, 2014, we recognized a corresponding payable to Fund IX of $4.4 million within related-party payable in our consolidated balance sheet. Our obligation was released in September 2015.

Our Investing and Servicing Segment acquires properties from CMBS trusts, some of which are consolidated as VIEs on our balance sheet. Acquisitions from consolidated VIEs are reflected as repayment of debt of consolidated VIEs in

our consolidated statement of cash flows. During the year ended December 31, 2015, we acquired $138.7 million of properties, $13.6 million of which were acquired as non-performing loans and subsequently converted to properties through foreclosure, from both consolidated and unconsolidated CMBS trusts. During the year ended December 31, 2014, we acquired $35.0 million of properties from a consolidated CMBS trust. There were no properties acquired from CMBS trusts during the year ended December 31, 2013. Refer to Note 3 for further discussion of these acquisitions.

17. Stockholders' Equity

The Company's authorized capital stock consists of 100,000,000 shares of preferred stock, $0.01 par value per share, and 500,000,000 shares of common stock, $0.01 par value per share.

We issued common stock in public offerings as follows during the years ended December 31, 2015, 2014 and 2013:

Pricing date	Shares issued (in thousands)	Price per share	Proceeds (in thousands)
4/20/15	13,800	$ 23.63	$ 326,142
4/11/14	25,300	22.32	564,695
9/9/13	28,750	24.04	691,150
4/8/13	30,475	26.99	822,367

In May 2014, we established the Starwood Property Trust, Inc. Dividend Reinvestment and Direct Stock Purchase Plan (the "DRIP Plan"), which provides stockholders with a means of purchasing additional shares of our common stock by reinvesting the cash dividends paid on our common stock and by making additional optional cash purchases. Shares of our common stock purchased under the DRIP Plan will either be issued directly by the Company or purchased in the open market by the plan administrator. The Company may issue up to 11 million shares of common stock under the DRIP Plan. During the years ended December 31, 2015 and 2014, shares issued under the DRIP Plan were not material.

In May 2014, we entered into an amended and restated At-The-Market Equity Offering Sales Agreement (the "ATM Agreement") with Merrill Lynch, Pierce, Fenner & Smith Incorporated to sell shares of the Company's common stock of up to $500.0 million from time to time, through an "at the market" equity offering program. Sales of shares under the ATM Agreement are made by means of ordinary brokers' transactions on the NYSE or otherwise at market prices prevailing at the time of sale or at negotiated prices. During the year ended December 31, 2015, there were no shares issued under the ATM Agreement. During the year ended December 31, 2014, we issued 1.5 million shares under the ATM Agreement for gross proceeds of $36.2 million.

In September 2014, our board of directors authorized and announced the repurchase of up to $250 million of our outstanding common stock over a period of one year. Subsequent amendments to the repurchase program approved by our board of directors in December 2014 and June 2015 resulted in the program being (i) amended to increase maximum repurchases to $450.0 million, (ii) expanded to allow for the repurchase of our outstanding Convertible Notes under the program and (iii) extended through June 2016. Purchases made pursuant to the program are made in either the open market or in privately negotiated transactions from time to time as permitted by federal securities laws and other legal requirements. The timing, manner, price and amount of any repurchases are discretionary and are subject to economic and market conditions, stock price, applicable legal requirements and other factors. The program may be suspended or discontinued at any time. During the year ended December 31, 2015, we repurchased $118.6 million aggregate principal amount of our 2019 Notes for $136.3 million (refer to Note 11). Also during the year ended December 31, 2015, we repurchased 2,340,246 shares of common stock for $48.7 million under the repurchase program. During the year ended December 31, 2014, we repurchased 587,900 shares of common stock for $13.0 million and no Convertible Notes under the repurchase program. As of December 31, 2015, we had $251.8 million of remaining capacity to repurchase common stock and/or Convertible Notes under the repurchase program.

In January 2016, our board of directors authorized a $50.0 million increase and an extension of our share repurchase program through January 2017, increasing the maximum amount of shares and Convertible Notes available for

repurchase under the program to $500.0 million. Refer to Note 25 for further discussion.

Underwriting and offering costs for the years ended December 31, 2015, 2014 and 2013 were $0.9 million, $1.5 million and $1.4 million, respectively, and are reflected as a reduction of additional paid in capital in the consolidated statements of equity.

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Our board of directors declared the following dividends in 2015, 2014 and 2013:

Declaration Date	Record Date	Ex-Dividend Date	Payment Date	Amount	Frequency
11/5/15	12/31/15	12/29/15	1/15/16	$ 0.48	Quarterly
8/4/15	9/30/15	9/28/15	10/15/15	0.48	Quarterly
5/5/15	6/30/15	6/26/15	7/15/15	0.48	Quarterly
2/25/15	3/31/15	3/27/15	4/15/15	0.48	Quarterly
11/5/14	12/31/14	12/29/14	1/15/15	0.48	Quarterly
8/6/14	9/30/14	9/26/14	10/15/14	0.48	Quarterly
5/6/14	6/30/14	6/26/14	7/15/14	0.48	Quarterly
2/24/14	3/31/14	3/27/14	4/15/14	0.48	Quarterly
11/7/13	12/31/13	12/27/13	1/15/14	0.46	Quarterly
10/31/13 (non-cash SWAY shares)	1/24/14	2/3/14	1/31/14	5.77	Special
8/6/13	9/30/13	9/26/13	10/15/13	0.46	Quarterly
5/8/13	6/28/13	6/26/13	7/15/13	0.46	Quarterly
2/27/13	3/28/13	3/26/13	4/15/13	0.44	Quarterly

Equity Incentive Plans

The Company currently maintains the Manager Equity Plan, which provides for the grant of stock options, stock appreciation rights, RSAs, RSUs and other equity based awards, including dividend equivalents, to our Manager. The Company also maintains the Starwood Property Trust, Inc. Equity Plan (the "Equity Plan"), which provides for the same types of equity based awards to individuals who provide services to the Company, including employees of our Manager. The maximum number of shares that may be made subject to awards granted under either the Manager Equity Plan or the Equity Plan, determined on a combined basis, was initially 3,112,500 shares. On March 26, 2013, the Company amended, subject to stockholder approval which was obtained on May 2, 2013, the Manager Equity Plan and the Equity Plan to (i) increase the number of shares available under such plans for awards granted on or after January 1, 2013 by 6,000,000 shares of common stock, (ii) clarify the prohibitions on the repricing of stock options and stock appreciation rights, and (iii) remove the restriction that no more than an aggregate of 50,000 shares may be subject to awards granted to the Company's chief financial officer and/or compliance officer. Additionally, we have reserved 100,000 shares of common stock for issuance under the Starwood Property Trust, Inc. Non Executive Director Stock Plan ("Non Executive Director Stock Plan") which provides for the issuance of restricted stock, RSUs and other equity based awards to non executive directors. To date, we have only granted RSAs and RSUs under the three equity incentive plans. The holders of awards of RSAs or RSUs are entitled to receive dividends or "distribution equivalents," which generally will be payable at such time dividends are paid on our outstanding shares of common stock.

The table below summarizes our share awards granted or vested under the Manager Equity Plan during the years ended December 31, 2015, 2014 and 2013 (dollar amounts in thousands):

Grant Date	Type	Amount Granted	Vesting Period

			Grant Date Fair Value	
May 2015	RSU	675,000	$ 16,511	3 years
January 2014 (1)	RSU	489,281	14,776	3 years
January 2014	RSU	2,000,000	55,420	3 years
October 2012	RSU	875,000	19,854	3 years
May 2012	RSA	30,000	602	9 months

(1) As part of the spin-off of our SFR segment, all holders of the Company's common stock and vested restricted common stock received one SWAY common share for every five shares of the Company's common stock. At the time of the spin-off, the Manager held certain unvested RSUs that were not entitled to SWAY shares. Under the legal documentation governing the outstanding RSUs, the Manager was entitled to receive additional RSUs in an amount equal to the number of such outstanding RSUs multiplied by the amount received in the spin-off by a holder of a share of the Company's common stock (i.e., the price per share of a SWAY common share divided by five) divided by the fair market value of a share of the Company's common stock on the date of the spin-off. In order to prevent dilution of the rights of our equity plan participants resulting from this make-whole issuance, the Equity Plan and Manager Equity Plan provide for, and, on August 12, 2014, our

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board of directors authorized, an increase of 489,281 shares to the maximum number of shares available for issuance under the Equity Plan and Manager Equity Plan.

During the year ended December 31, 2015, we granted 576,408 RSAs under the Equity Plan to a select group of eligible participants which includes our employees and employees of our Manager who perform services for us. The awards were granted based on the market price of the Company's common stock on the respective grant date and vest over a three-year period. Expenses related to the vesting of these awards is reflected in general and administrative expenses in our consolidated statements of operations.

As of December 31, 2015, there were 2.7 million shares available for future grants under the Manager Equity Plan, the Equity Plan and the Non-Executive Director Stock Plan.

The following shares of common stock were issued, without restriction, to our Manager as part of the incentive compensation due under the Management Agreement:

Timing of Issuance	Shares of Common Stock Issued	Price per share
November 2015	126,154	$ 20.22
August 2015	95,696	21.82
May 2015	136,261	24.17
March 2015	387,299	24.39
November 2014	92,865	22.97
August 2014	86,328	23.49
May 2014	152,316	23.99
March 2014	138,288	23.92
November 2013	89,269	26.72
March 2013	13,188	27.83

The following table summarizes our share based compensation expenses during the years ended December 31, 2015, 2014 and 2013 (in thousands):

	For the year ended December 31,		
	2015	2014	2013
Management fees:			
Manager incentive fee	$ 18,859	$ 17,258	$ 5,764
Manager Equity Plan	26,625	26,498	15,688
	45,484	43,756	21,452
General and administrative:			
Non-Executive Director Stock Plan	360	294	217

Equity Plan	5,161	1,830	437
	5,521	2,124	654
Income tax effect	—	—	—
Total share-based compensation expense	$ 51,005	$ 45,880	$ 22,106

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Schedule of Non Vested Shares and Share Equivalents

	Non-Executive Director Stock Plan	Equity Plan	Manager Equity Plan	Total	Weighted Average Grant Date Fair Value (per share)
Balance as of December 31, 2014	17,105	109,708	1,854,585	1,981,398	$ 27.30
Granted	16,988	576,408	675,000	1,268,396	24.20
Vested	(17,105)	(52,249)	(1,226,735)	(1,296,089)	26.58
Forfeited	—	(85,489)	—	(85,489)	24.27
Balance as of December 31, 2015	16,988	548,378	1,302,850	1,868,216	25.84

The weighted average grant date fair value per share of grants during the years ended December 31, 2015, 2014 and 2013 was $24.20, $27.91 and $26.87, respectively.

Vesting Schedule

	Non-Executive Director Stock Plan	Equity Plan	Manager Equity Plan	Total
2016	16,988	273,429	1,021,600	1,312,017
2017	—	234,998	225,000	459,998
2018	—	39,951	56,250	96,201
Total	16,988	548,378	1,302,850	1,868,216

As of December 31, 2015, there was approximately $36.0 million of total unrecognized compensation costs related to unvested share based compensation arrangements which are expected to be recognized over a weighted average period of 1.7 years. The total fair value of shares vested during the year ended December 31, 2015 was $28.3 million as of the respective vesting dates.

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18. Earnings per Share

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

	For the Year Ended December 31,		
	2015	2014	2013
Basic Earnings			
Continuing Operations:			
Income from continuing operations attributable to STWD common shareholders	$ 450,697	$ 496,572	$ 324,824
Less: Income attributable to participating shares	(3,434)	(5,579)	(1,579)
Basic — Income from continuing operations	$ 447,263	$ 490,993	$ 323,245
Discontinued Operations:			
Loss from discontinued operations	$ —	$ (1,551)	$ (19,794)
Basic — Net income attributable to STWD common shareholders after allocation to participating shares	$ 447,263	$ 489,442	$ 303,451
Diluted Earnings			
Continuing Operations:			
Basic — Income from continuing operations attributable to STWD common shareholders	$ 450,697	$ 496,572	$ 324,824
Less: Income attributable to participating shares	(3,434)	(5,579)	(1,579)
Add: Undistributed earnings to participating shares	—	918	—
Less: Undistributed earnings reallocated to participating shares	—	(902)	—
Diluted — Income from continuing operations	$ 447,263	$ 491,009	$ 323,245
Discontinued Operations:			
Basic — Loss from discontinued operations	$ —	$ (1,551)	$ (19,794)
Diluted — Net income attributable to STWD common shareholders after allocation to participating shares	$ 447,263	$ 489,458	$ 303,451
Number of Shares:			
Basic — Average shares outstanding	233,419	214,945	166,356
Effect of dilutive securities — Convertible Notes	97	3,432	—
Effect of dilutive securities — Contingently issuable shares	524	404	139
Effect of dilutive securities — Unvested non-participating shares	102	—	—
Diluted — Average shares outstanding	234,142	218,781	166,495
Earnings Per Share Attributable to STWD Common Stockholders:			
Basic:			
Income from continuing operations	$ 1.92	$ 2.29	$ 1.94
Loss from discontinued operations	—	(0.01)	(0.12)

Net income	$ 1.92	$ 2.28	$ 1.82
Diluted:			
Income from continuing operations	$ 1.91	$ 2.25	$ 1.94
Loss from discontinued operations	—	(0.01)	(0.12)
Net income	$ 1.91	$ 2.24	$ 1.82

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As of December 31, 2015, 2014 and 2013, participating shares of 1.5 million, 2.0 million and 0.5 million, respectively, were excluded from the computation of diluted shares as their effect was already considered under the more dilutive two-class method used above.

Also as of December 31, 2015, there were 62.4 million potential shares of common stock contingently issuable upon the conversion of the Convertible Notes. The Company has asserted its intent and ability to settle the principal amount of the Convertible Notes in cash. As a result, this principal amount, representing 62.3 million shares at December 31, 2015, was not included in the computation of diluted EPS. However, as discussed in Note 11, the conversion options associated with the 2019 Notes are “in-the-money” as the if-converted values of the 2019 Notes exceeded their principal amounts by $2.2 million at December 31, 2015. The dilutive effect to EPS is determined by dividing this “conversion spread value” by the average share price. The “conversion spread value” is the value that would be delivered to investors in shares based on the terms of the Convertible Notes, upon an assumed conversion. In calculating the dilutive effect of these shares, the treasury stock method was used and resulted in a dilution of 0.1 million shares for the year ended December 31, 2015. The conversion option associated with the 2017 Notes and 2018 Notes are “out-of-the-money” because the if-converted value of the 2017 Notes and 2018 Notes was less than their principal amount by $61.2 million and $30.7 million, respectively, at December 31, 2015, therefore, there was no dilutive effect to EPS for the 2017 Notes and 2018 Notes.

19. Accumulated Other Comprehensive Income

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

	Effective Portion of Cumulative Loss on Cash Flow Hedges	Cumulative Unrealized Gain (Loss) on Available-for-Sale Securities	Foreign Currency Translation	Total
Balance at January 1, 2013	$ (2,571)	$ 82,246	$ —	$ 79,675
OCI before reclassifications	334	10,723	9,487	20,544
Amounts reclassified from AOCI	1,633	(26,403)	—	(24,770)
Net period OCI	1,967	(15,680)	9,487	(4,226)
Balance at December 31, 2013	(604)	66,566	9,487	75,449
OCI before reclassifications	(865)	3,683	(13,684)	(10,866)
Amounts reclassified from AOCI	1,372	(10,059)	—	(8,687)
Net period OCI	507	(6,376)	(13,684)	(19,553)
Balance at December 31, 2014	(97)	60,190	(4,197)	55,896
OCI before reclassifications	(709)	(17,487)	(9,285)	(27,481)
Amounts reclassified from AOCI	741	(5,396)	5,969	1,314
Net period OCI	32	(22,883)	(3,316)	(26,167)
Balance at December 31, 2015	$ (65)	$ 37,307	$ (7,513)	$ 29,729

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The reclassifications out of AOCI impacted the consolidated statements of operations for the years ended December 31, 2015, 2014 and 2013 as follows:

Details about AOCI Components	Amounts Reclassified from AOCI during the Year Ended December 31, 2015	2014	2013	Affected Line Item in the Statements of Operations
Losses on cash flow hedges:				
Interest rate contracts	$ (741)	$ (1,372)	$ (1,633)	Interest expense
Unrealized gains (losses) on available-for-sale securities:				
Interest realized upon collection	5,396	—	—	Interest income from investment securities
Net realized gain on sale of investments	—	10,148	27,417	Gain on sale of investments and other assets, net
OTTI	—	(89)	(1,014)	OTTI
Total	5,396	10,059	26,403	
Foreign currency translation:				
Foreign currency loss from CMBS redemption	(5,969)	—	—	Foreign currency loss, net
Total reclassifications for the period	$ (1,314)	$ 8,687	$ 24,770	

20. Fair Value

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

three levels of the hierarchy are described below:

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

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

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

Valuation Process

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

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

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assumptions used by the external source to generate a price and/or by evaluating how active the third party pricing source (or originating sources used by the third party pricing source) is in the market.

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

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

Fair Value on a Recurring Basis

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

Loans held-for-sale

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

RMBS

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

CMBS

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

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hierarchy. CMBS may shift between Level II and Level III of the fair value hierarchy if the significant fair value inputs used to price the CMBS become or cease to be observable.

Equity security

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

Domestic servicing rights

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

Derivatives

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

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

Although we have determined that the majority of the inputs used to value our derivatives fall within Level II of the fair value hierarchy, the credit valuation adjustments associated with our derivatives utilize Level III inputs, such as estimates of current credit spreads to evaluate the likelihood of default by us and our counterparties. However, as of December 31, 2015 and 2014, we have assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our derivative positions and have determined that the credit valuation adjustments are not as significant to the overall valuation of our derivatives. As a result, we have determined that our derivative valuations in their entirety are classified in Level II of the fair value hierarchy.

The valuation of over the counter (“OTC”) derivatives are determined using discounted cash flows based on Overnight Index Swap (“OIS”) rates. Fully collateralized trades are discounted using OIS with no additional economic adjustments to arrive at fair value. Uncollateralized or partially collateralized trades are also discounted at OIS, but include appropriate economic adjustments for funding costs (i.e., a LIBOR OIS basis adjustment to approximate uncollateralized cost of funds) and credit risk.

For credit index instruments, fair value is determined based on changes in the relevant indices from the date of initiation of the instrument to the reporting date, as these changes determine the amount of any future cash settlement between us and the counterparty. These indices are considered Level II inputs as they are directly observable. We have assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our credit index

instruments and have determined that any credit valuation adjustment would not be significant to the overall valuation as

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the counterparty to these contracts is a highly rated global financial institution. As a result, we have determined that credit index instruments are classified in Level II of the fair value hierarchy.

Liabilities of consolidated VIEs

We utilize several inputs and factors in determining the fair value of VIE liabilities, including future cash flows, market transaction information, ratings, subordination levels, and current market spread and pricing information where available. Quoted market prices are used when this debt trades as an asset. Depending upon the significance of the fair value inputs used in determining these fair values, these liabilities are classified in either Level II or Level III of the fair value hierarchy. VIE liabilities may shift between Level II and Level III of the fair value hierarchy if the significant fair value inputs used to price the VIE liabilities become or cease to be observable.

Assets of consolidated VIEs

The VIEs in which we invest are "static"; that is, no reinvestment is permitted, and there is no active management of the underlying assets. In determining the fair value of the assets of the VIE, we maximize the use of observable inputs over unobservable inputs. We also acknowledge that our principal market for selling CMBS assets is the securitization market where the market participant is considered to be a CMBS trust or a CDO. This methodology results in the fair value of the assets of a static CMBS trust being equal to the fair value of its liabilities. The individual assets of a VIE are inherently incapable of precise measurement given their illiquid nature and the limitations on available information related to these assets. Because our methodology for valuing these assets does not value the individual assets of a VIE, but rather uses the value of the VIE liabilities as an indicator of the fair value of VIE assets as a whole, we have determined that our valuations of VIE assets in their entirety should be classified in Level III of the fair value hierarchy.

Fair Value Only Disclosed

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

Loans held for investment and loans transferred as secured borrowings

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

HTM securities

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

European servicing rights

The fair value of this intangible was determined using discounted cash flow modeling techniques which require management to make estimates regarding future net servicing cash flows. Since the most significant of these inputs are unobservable, we have determined that the fair values of these intangibles in their entirety should be classified in Level III of the fair value hierarchy.

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Secured financing agreements and secured borrowings on transferred loans

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

Convertible Notes

The fair value of the debt component of our Convertible Notes is estimated by discounting the contractual cash flows at the interest rate we estimate such notes would bear if sold in the current market without the embedded conversion option which, in accordance with ASC 470, is reflected as a component of equity. We have determined that our valuation of our Convertible Notes should be classified in Level III of the fair value hierarchy.

Fair Value Disclosures

The following tables present our financial assets and liabilities carried at fair value on a recurring basis in the consolidated balance sheets by their level in the fair value hierarchy as of December 31, 2015 and 2014 (amounts in thousands):

	December 31, 2015			
	Total	Level I	Level II	Level III
Financial Assets:				
Loans held-for-sale, fair value option	$ 203,865	$ —	$ —	$ 203,865
RMBS	176,224	—	—	176,224
CMBS	212,981	—	—	212,981
Equity security	14,498	14,498	—	—
Domestic servicing rights	119,698		—	119,698
Derivative assets	45,091	—	45,091	—
VIE assets	76,675,689	—	—	76,675,689
Total	$ 77,448,046	$ 14,498	$ 45,091	$ 77,388,457
Financial Liabilities:				
Derivative liabilities	$ 5,196	$ —	$ 5,196	$ —
VIE liabilities	75,817,014	—	73,264,566	2,552,448
Total	$ 75,822,210	$ —	$ 73,269,762	$ 2,552,448

	December 31, 2014			
	Total	Level I	Level II	Level III
Financial Assets:				
Loans held-for-sale, fair value option	$ 391,620	$ —	$ —	$ 391,620

RMBS	207,053	—	—	207,053
CMBS	334,080	—	—	334,080
Equity security	15,120	15,120	—	—
Domestic servicing rights	132,303	—	—	132,303
Derivative assets	26,628	—	26,628	—
VIE assets	107,816,065	—	—	107,816,065
Total	$ 108,922,869	$ 15,120	$ 26,628	$ 108,881,121
Financial Liabilities:				
Derivative liabilities	$ 5,476	$ —	$ 5,476	$ —
VIE liabilities	107,232,201	—	102,339,081	4,893,120
Total	$ 107,237,677	$ —	$ 102,344,557	$ 4,893,120

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The changes in financial assets and liabilities classified as Level III are as follows for the years ended December 31, 2015 and 2014 (amounts in thousands):

	Loans Held for sale	RMBS	CMBS	Domestic Servicing Rights	VIE Assets	VIE Liabilities	Total
January 1, 2014 balance	$ 206,672	$ 296,236	$ 208,006	$ 150,149	$ 103,151,624	$ (1,597,984)	$ 102,414,703
Total realized and unrealized gains (losses):							
Included in earnings:							
Change in fair value / gain on sale	70,420	11,677	11,712	(16,788)	(15,306,563)	(762,590)	(15,992,132)
OTTI	—	(259)	—	—	—	—	(259)
Net accretion	—	20,600	—	—	—	—	20,600
Included in OCI	—	59	(12,876)	—	—	—	(12,817)
Purchases / Originations	1,785,769	—	113,240	—	—	—	1,899,009
Sales	(1,670,522)	(68,134)	(29,301)	—	—	—	(1,767,957)
Issuances	—	—	—	—	—	(89,354)	(89,354)
Cash repayments / receipts	(719)	(53,126)	(1,124)	—	—	118,165	63,196
Transfers into Level III	—	—	54,220	—	—	(3,428,958)	(3,374,738)
Transfers out of Level III	—	—	(180)	(1,058)	—	2,827,109	2,825,871
Consolidations of VIEs	—	—	(10,474)	—	29,363,132	(2,004,330)	27,348,328
Deconsolidations of VIEs	—	—	857	—	(9,392,128)	44,822	(9,346,449)
December 31, 2014 balance	391,620	207,053	334,080	132,303	107,816,065	(4,893,120)	103,988,001
Total realized and unrealized gains (losses):							
Included in earnings:							
Change in fair value / gain on sale	64,320	—	(3,093)	(12,605)	(35,365,585)	3,980,376	(31,336,587)
OTTI	—	—	—	—	—	—	—
Net accretion	—	20,625	—	—	—	—	20,625
Included in OCI	—	(16,210)	(2,363)	—	—	—	(18,573)

Purchases / Originations	1,848,879	—	14,653	—	—	—	1,863,532
Sales	(2,100,216)	—	(6,410)	—	—	—	(2,106,626)
Issuances	—	—	—	—	—	(9,132)	(9,132)
Cash repayments / receipts	(738)	(35,244)	(100,738)	—	—	304,816	168,096
Transfers into Level III	—	—	—	—	—	(2,920,033)	(2,920,033)
Transfers out of Level III	—	—	—	—	—	1,290,497	1,290,497
Consolidations of VIEs	—	—	(24,309)	—	12,050,421	(363,008)	11,663,104
Deconsolidations of VIEs	—	—	1,161	—	(7,825,212)	57,156	(7,766,895)
December 31, 2015 balance	$ 203,865	$ 176,224	$ 212,981	$ 119,698	$ 76,675,689	$ (2,552,448)	$ 74,836,009
Amount of total gains (losses) included in earnings attributable to assets still held at:							
December 31, 2014	$ 1,278	$ 18,376	$ 9,747	$ (16,788)	$ (15,306,563)	$ (762,590)	$ (16,056,540)
December 31, 2015	155	15,131	3,134	(12,605)	(35,365,585)	3,980,376	(31,379,394)

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

The following table presents the fair values, all of which are classified in Level III of the fair value hierarchy, of our financial instruments not carried at fair value on the consolidated balance sheets (amounts in thousands):

	December 31, 2015		December 31, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets not carried at fair value:				
Loans held-for-investment and loans transferred as secured borrowings	$ 6,059,652	$ 6,125,881	$ 5,908,665	$ 6,034,838
HTM securities	321,244	315,255	441,995	440,629
European servicing rights	2,626	5,302	11,849	12,741
Financial liabilities not carried at fair value:				

Secured financing agreements and secured borrowings on transferred loans	$ 4,107,035	$ 4,092,264	$ 3,267,230	3,251,035
Convertible senior notes	1,325,243	1,331,979	1,418,022	1,444,975

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

	Carrying Value at December 31, 2015	Valuation Technique	Unobservable Input	Range as of December 31, (1) 2015	2014
Loans held-for-sale, fair value option	$ 203,865	Discounted cash flow	Yield (b)	4.8% - 5.3%	4.2% - 4.9%
			Duration (c)	5.0 - 10.0 years	5.0 - 10.0 years
RMBS	176,224	Discounted cash flow	Constant prepayment rate (a)	2.6% - 17.8%	1.2% - 15.9%
			Constant default rate (b)	1.0% - 8.9%	1.1% - 8.9%
			Loss severity (b)	10% - 79% (e)	15% - 80% (e)
			Delinquency rate (c)	2% - 29%	2% - 43%
			Servicer advances (a)	30% - 94%	14% - 75%
			Annual coupon deterioration (b)	0% - 0.5%	0% - 0.6%
			Putback amount per projected total collateral loss (d)	0% - 11%	0% - 11%
CMBS	212,981	Discounted cash flow	Yield (b)	0% - 435.8%	0% - 421.4%
			Duration (c)	0 - 18.5 years	0 - 11.8 years
Domestic servicing rights	119,698	Discounted cash flow	Debt yield (a)	8.25%	8.25%
			Discount rate (b)	15%	15%
			Control migration (b)	0% - 80%	0% - 80%
VIE assets	76,675,689	Discounted cash flow	Yield (b)	0% - 920.2%	0% - 925.0%
			Duration (c)	0 - 17.5 years	0 - 21.0 years
VIE liabilities	2,552,448	Discounted cash flow	Yield (b)	0% - 920.2%	0% - 925.0%
			Duration (c)	0 - 17.5 years	0 - 21.0 years

(1) The ranges of significant unobservable inputs are represented in percentages and years.

Sensitivity of the Fair Value to Changes in the Unobservable Inputs

(a) Significant increase (decrease) in the unobservable input in isolation would result in a significantly higher (lower) fair value measurement.
(b) Significant increase (decrease) in the unobservable input in isolation would result in a significantly lower (higher) fair value measurement.
(c) Significant increase (decrease) in the unobservable input in isolation would result in either a significantly lower or higher (lower or higher) fair value measurement depending on the structural features of the security in question.
(d) Any delay in the putback recovery date leads to a decrease in fair value for the majority of securities in our RMBS portfolio.
(e) 76% and 85% of the portfolio falls within a range of 45%   80% as of December 31, 2015 and 2014, respectively.

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21. Income Taxes

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

Our TRSs engage in various real estate-related operations, including special servicing of commercial real estate, originating and securitizing commercial mortgage loans, and investing in entities which engage in real estate-related operations. The majority of our TRSs are held within the Investing and Servicing Segment. As of December 31, 2015 and 2014, approximately $858.5 million and $1.0 billion, respectively, of the Investing and Servicing Segment's assets, including $185.6 million and $88.6 million in cash, respectively, were owned by TRS entities. Our TRSs are not consolidated for federal income tax purposes, but are instead taxed as corporations. For financial reporting purposes, a provision for current and deferred taxes is established for the portion of earnings recognized by us with respect to our interest in TRSs.

Our income tax provision consisted of the following for the years ended December 31, 2015, 2014 and 2013 (in thousands):

	For the year ended December 31,		
	2015	2014	2013
Current			
Federal	$ 15,095	$ 28,677	$ 27,850
Foreign	6,000	5,432	1,484
State	2,532	4,946	4,768
Total current	23,627	39,055	34,102
Deferred			
Federal	(3,799)	(9,975)	(6,915)
Foreign	(1,973)	(3,400)	(1,829)
State	(649)	(1,584)	(1,305)
Total deferred	(6,421)	(14,959)	(10,049)
Total income tax provision (1)	$ 17,206	$ 24,096	$ 24,053

(1) Includes provision of zero and $0.2 million reflected in discontinued operations for the years ended December 31, 2014 and 2013, respectively.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are presented net by tax jurisdiction and are reported in other assets and other liabilities, respectively. At December 31, 2015 and 2014, our U.S. tax jurisdiction was in a net deferred tax asset position, while our European tax

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jurisdiction was in a net deferred tax liability position. The following table presents each of these tax jurisdictions and the tax effects of temporary differences on their respective net deferred tax assets and liabilities (in thousands):

	December 31,	
	2015	2014
U.S.		
Deferred tax asset, net		
Reserves and accruals	$ 11,659	$ 13,818
Domestic intangible assets	17,734	9,617
Investment securities and loans	(2,416)	(2,327)
Investment in unconsolidated entities	(362)	883
Deferred income	423	427
Net operating and capital loss carryforwards	2,967	2,498
Valuation allowance	(2,967)	(2,498)
Other U.S. temporary differences	343	515
	27,381	22,933
Europe		
Deferred tax liability, net		
European servicing rights	(583)	(2,681)
Net operating and capital loss carryforwards	7,606	8,702
Valuation allowance	(7,606)	(8,702)
Other European temporary differences	(346)	(337)
	(929)	(3,018)
Net deferred tax assets	$ 26,452	$ 19,915

Unrecognized tax benefits were not material as of and during the years ended December 31, 2015 and 2014. The Company's tax returns are no longer subject to audit for years ended prior to January 1, 2012. The Company had pre-tax income from foreign operations of $22.0 million and $13.5 million during the years ended December 31, 2015 and 2014, respectively, and a pre-tax loss of $2.5 million during the year ended December 31, 2013.

The following table is a reconciliation of our federal income tax determined using our statutory federal tax rate to our reported income tax provision for the years ended December 31, 2015, 2014 and 2013 (dollar amounts in thousands):

	For the year ended December 31,					
	2015		2014		2013	
Federal statutory tax rate	$ 164,286	35.0 %	$ 183,622	35.0 %	$ 117,034	35.0 %
REIT and other non-taxable income	(148,514)	(31.6) %	(160,745)	(30.7) %	(93,892)	(28.1) %
State income taxes	1,800	0.4 %	3,149	0.6 %	3,769	1.1 %
Federal benefit of state tax deduction	(630)	(0.1) %	(1,102)	(0.2) %	(1,319)	(0.4) %

Valuation allowance	445	0.1 %	1,315	0.3 %	(1,928)	(0.6) %
Other	(181)	(0.1) %	(2,143)	(0.4) %	389	0.2 %
Effective tax rate	$ 17,206	3.7 %	$ 24,096	4.6 %	$ 24,053	7.2 %

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The changes in the valuation allowance associated with our deferred tax assets are as follows for the years ended December 31, 2015 and 2014 (amounts in thousands):

	2015	2014
January 1 balance	$ 11,200	$ 11,750
Additions to income tax provision	445	1,315
Provision to return adjustments to deferred tax amounts	23	(822)
Foreign currency adjustments reflected in OCI	(770)	(1,086)
Other	(325)	43
December 31 balance	$ 10,573	$ 11,200

22. Commitments and Contingencies

As of December 31, 2015, we had future funding commitments on 54 loans totaling $1.5 billion, of which we expect to fund $1.3 billion. These future funding commitments primarily relate to construction projects, capital improvements, tenant improvements and leasing commissions. Generally, funding commitments are subject to certain conditions that must be met, such as customary construction draw certifications, minimum debt service coverage ratios or executions of new leases before advances are made to the borrower.

In the ordinary course of business, we provide various forms of guarantees. In limited instances, specifically involving construction loans, the Company has guaranteed the future funding obligations of certain third party lenders in the event that such third parties fail to fund their proportionate share of the obligation in a timely manner. We are currently unaware of any circumstances which would require us to make payments under any of these guarantees.

Future minimum rental payments and sublease income related to our existing corporate leases and subleases for each of the next five years and thereafter are as follows (in thousands):

	Minimum Rents	Sublease Income
2016	$ 7,093	$ 1,447
2017	6,797	1,481
2018	6,697	1,375
2019	6,389	789
2020	5,691	612

Thereafter	2,647	483
Total	$ 35,314	$ 6,187

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

23. Segment and Geographic Data

In its operation of the business, management, including our chief operating decision maker, who is our Chief Executive Officer, reviews certain financial information, including segmented internal profit and loss statements prepared on a basis prior to the impact of consolidating VIEs under ASC 810. The segment information within this note is reported on that basis. Effective January 1, 2015, we established a separate presentation for corporate overhead, which includes our corporate debt facilities and the associated expenses, management fee expenses and general and administrative expenses not directly allocable to our segments. Also effective January 1, 2015, we transferred a performing loan with a balance of $25.0 million as of December 31, 2014 from our Investing and Servicing Segment to our Lending Segment. Effective upon our Ireland Portfolio acquisition discussed in Note 3, we established a third business segment, the Property Segment, and transferred our existing equity method investment in the Retail Fund from our Lending Segment to our Property Segment. As of December 31, 2014, the carrying value of the Retail Fund was $129.5 million. We have retrospectively reclassified prior periods to conform to these changes in presentation.

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The table below presents our results of operations for the year ended December 31, 2015 by business segment (amounts in thousands):

	Lending Segment	Investing and Servicing Segment	Property Segment	Corporate	Subtotal	Investing and Servicing VIEs	Total
Revenues:							
Interest income from loans	$ 460,365	$ 17,566	$ —	$ —	$ 477,931	$ —	$ 477,931
Interest income from investment securities	68,059	156,365	—	—	224,424	(130,759)	93,665
Servicing fees	428	215,770	—	—	216,198	(99,130)	117,068
Rental income	—	11,177	25,445	—	36,622	—	36,622
Other revenues	597	10,928	—	—	11,525	(934)	10,591
Total revenues	529,449	411,806	25,445	—	966,700	(230,823)	735,877
Costs and expenses:							
Management fees	901	72	—	123,532	124,505	228	124,733
Interest expense	81,676	10,386	5,584	104,904	202,550	—	202,550
General and administrative	21,685	123,746	1,205	7,275	153,911	717	154,628
Acquisition and investment pursuit costs	2,065	2,375	8,951	38	13,429	—	13,429
Costs of rental operations	—	6,121	5,421	—	11,542	—	11,542
Depreciation and amortization	—	13,972	15,038	—	29,010	—	29,010
Loan loss allowance, net	(2)	—	—	—	(2)	—	(2)
Other expense	6	383	—	—	389	—	389
Total costs and expenses	106,331	157,055	36,199	235,749	535,334	945	536,279
Income (loss) before other income, income taxes and non-controlling interests	423,118	254,751	(10,754)	(235,749)	431,366	(231,768)	199,598
Other income:							
Change in net assets related to	—	—	—	—	—	185,490	185,490

consolidated VIEs							
Change in fair value of servicing rights	—	(46,831)	—	—	(46,831)	34,226	(12,605)
Change in fair value of investment securities, net	209	(9,952)	—	—	(9,743)	12,827	3,084
Change in fair value of mortgage loans held-for-sale, net	—	64,320	—	—	64,320	—	64,320
Earnings from unconsolidated entities	4,045	13,042	10,090	—	27,177	(503)	26,674
Gain on sale of investments and other assets, net	4,839	17,825	—	—	22,664	—	22,664
Gain (loss) on derivative financial instruments, net	30,764	(14,226)	5,060	—	21,598	—	21,598
Foreign currency (loss) gain, net	(36,956)	(296)	31	—	(37,221)	—	(37,221)
Loss on extinguishment of debt	—	—	—	(5,921)	(5,921)	—	(5,921)
Other income, net	—	161	1,530	17	1,708	—	1,708
Total other income (loss)	2,901	24,043	16,711	(5,904)	37,751	232,040	269,791
Income (loss) before income taxes	426,019	278,794	5,957	(241,653)	469,117	272	469,389
Income tax provision	(242)	(16,964)	—	—	(17,206)	—	(17,206)
Net income (loss)	425,777	261,830	5,957	(241,653)	451,911	272	452,183
Net income attributable to non-controlling interests	(1,389)	175	—	—	(1,214)	(272)	(1,486)
Net income (loss) attributable to Starwood Property Trust, Inc.	$ 424,388	$ 262,005	$ 5,957	$ (241,653)	$ 450,697	$ —	$ 450,697

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The table below presents our results of operations for the year ended December 31, 2014 by business segment (amounts in thousands):

	Lending Segment	Investing and Servicing Segment	Property Segment	Corporate	Single Family Residential	Subtotal	Investing and Servicing VIEs	Total
Revenues:								
Interest income from loans	$ 420,683	$ 13,979	$ —	$ —	$ —	$ 434,662	$ —	$ 434
Interest income from investment securities	68,348	109,819	—	—	—	178,167	(66,151)	112
Servicing fees	330	227,145	—	—	—	227,475	(91,910)	135
Rental income	—	9,831	—	—	—	9,831	—	9,83
Other revenues	406	11,619	—	—	—	12,025	(1,224)	10,8
Total revenues	489,767	372,393	—	—	—	862,160	(159,285)	702
Costs and expenses:								
Management fees	2,079	72	—	115,411	—	117,562	170	117
Interest expense	65,913	4,781	—	90,410	—	161,104	—	161
General and administrative	21,551	141,500	—	5,887	—	168,938	723	169
Acquisition and investment pursuit costs	2,023	1,206	—	452	—	3,681	—	3,68
Costs of rental operations	—	5,938	—	—	—	5,938	—	5,93
Depreciation and amortization	—	16,627	—	—	—	16,627	—	16,6
Loan loss allowance, net	2,047	—	—	—	—	2,047	—	2,04
Other expense	52	7,167	—	—	—	7,219	—	7,21
Total costs and expenses	93,665	177,291	—	212,160	—	483,116	893	484
Income (loss) before other income, income taxes and non-controlling interests	396,102	195,102	—	(212,160)	—	379,044	(160,178)	218
Other income:								

Change in net assets related to consolidated VIEs	—	—	—	—	—	—	212,506	212
Change in fair value of servicing rights	—	(53,065)	—	—	—	(53,065)	36,278	(16,
Change in fair value of investment securities, net	822	97,723	—	—	—	98,545	(83,468)	15,0
Change in fair value of mortgage loans held-for-sale, net	—	70,420	—	—	—	70,420	—	70,4
Earnings from unconsolidated entities	7,484	13,610	2,176	—	—	23,270	(3,338)	19,9
Gain on sale of investments, net	12,886	—	—	—	—	12,886	—	12,8
Gain (loss) on derivative financial instruments, net	30,713	(10,262)	—	—	—	20,451	—	20,4
Foreign currency loss, net	(29,139)	(803)	—	—	—	(29,942)	—	(29,
OTTI	(259)	(797)	—	—	—	(1,056)	—	(1,0
Other income, net	(327)	4,159	—	—	—	3,832	—	3,83
Total other income	22,180	120,985	2,176	—	—	145,341	161,978	307
Income (loss) from continuing operations before income taxes	418,282	316,087	2,176	(212,160)	—	524,385	1,800	526
Income tax provision	(1,476)	(22,620)	—	—	—	(24,096)	—	(24,
Income (loss) from continuing operations	416,806	293,467	2,176	(212,160)	—	500,289	1,800	502
Loss from discontinued operations, net of tax	—	—	—	—	(1,551)	(1,551)	—	(1,5
Net income (loss)	416,806	293,467	2,176	(212,160)	(1,551)	498,738	1,800	500
Net income attributable to	(3,717)	—	—	—	—	(3,717)	(1,800)	(5,5

non-controlling interests								
Net income (loss) attributable to Starwood Property Trust, Inc.	$ 413,089	$ 293,467	$ 2,176	$ (212,160)	$ (1,551)	$ 495,021	$ —	$ 495

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The table below presents our results of operations for the year ended December 31, 2013 by business segment (amounts in thousands):

	Lending Segment	Investing and Servicing Segment	Single Family Residential	Corporate	Subtotal	Investing and Servicing VIEs	Total
Revenues:							
Interest income from loans	$ 335,078	$ 9,562	$ —	$ —	$ 344,640	$ —	$ 344,640
Interest income from investment securities	57,802	54,020	—	—	111,822	(37,510)	74,312
Servicing fees	—	179,015	—	—	179,015	(54,289)	124,726
Rental income	6	—	—	—	6	—	6
Other revenues	592	6,111	—	—	6,703	(892)	5,811
Total revenues	393,478	248,708	—	—	642,186	(92,691)	549,495
Costs and expenses:							
Management fees	2,993	51	—	73,650	76,694	122	76,816
Interest expense	65,007	3,117	—	43,679	111,803	—	111,803
General and administrative	11,125	132,713	—	5,658	149,496	523	150,019
Business combination costs	—	—	—	17,958	17,958	—	17,958
Acquisition and investment pursuit costs	2,819	829	—	—	3,648	—	3,648
Depreciation and amortization	—	9,701	—	—	9,701	—	9,701
Loan loss allowance, net	1,923	—	—	—	1,923	—	1,923
Other expense	150	1,148	—	—	1,298	—	1,298
Total costs and expenses	84,017	147,559	—	140,945	372,521	645	373,166
Income (loss) before other income, income taxes and non-controlling interests	309,461	101,149	—	(140,945)	269,665	(93,336)	176,329
Other income:							
	—	—	—	—	—	116,377	116,377

Change in net assets related to consolidated VIEs							
Change in fair value of servicing rights	—	(15,868)	—	—	(15,868)	9,024	(6,844)
Change in fair value of investment securities, net	(148)	22,657	—	—	22,509	(31,393)	(8,884)
Change in fair value of mortgage loans held-for-sale, net	—	43,849	—	—	43,849	—	43,849
Earnings from unconsolidated entities	4,776	4,502	—	—	9,278	(437)	8,841
Gain on sale of investments, net	25,063	—	—	—	25,063	—	25,063
(Loss) gain on derivative financial instruments, net	(13,259)	2,089	—	—	(11,170)	—	(11,170)
Foreign currency gain (loss), net	10,478	(95)	—	—	10,383	—	10,383
OTTI	(1,014)	—	—	—	(1,014)	—	(1,014)
Other income, net	15	1,037	—	—	1,052	—	1,052
Total other income	25,911	58,171	—	—	84,082	93,571	177,653
Income (loss) from continuing operations before income taxes	335,372	159,320	—	(140,945)	353,747	235	353,982
Income tax provision	1,722	(25,580)	—	—	(23,858)	—	(23,858)
Income (loss) from continuing operations	337,094	133,740	—	(140,945)	329,889	235	330,124
Loss from discontinued operations, net of tax	—	—	(8,106)	(11,688)	(19,794)	—	(19,794)
Net income (loss)	337,094	133,740	(8,106)	(152,633)	310,095	235	310,330
Net income attributable to	(5,065)	—	—	—	(5,065)	(235)	(5,300)

non-controlling interests							
Net income (loss) attributable to Starwood Property Trust, Inc.	$ 332,029	$ 133,740	$ (8,106)	$ (152,633)	$ 305,030	$ —	$ 305,030

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The table below presents our consolidated balance sheet as of December 31, 2015 by business segment (amounts in thousands):

	Lending Segment	Investing and Servicing Segment	Property Segment	Corporate	Subtotal	Investing and Servicing VIEs	Total
ets:							
h and cash ivalents	$ 83,836	$ 62,649	$ 2,944	$ 218,408	$ 367,837	$ 978	$ 368,815
tricted cash	9,775	8,826	4,468	—	23,069	—	23,069
ns d-for-investment, net	5,973,079	—	—	—	5,973,079	—	5,973,0
ns held-for-sale	—	203,865	—	—	203,865	—	203,865
ns transferred as ured borrowings	86,573	—	—	—	86,573	—	86,573
estment securities	511,966	1,038,200	—	—	1,550,166	(825,219)	724,947
perties, net	—	150,497	768,728	—	919,225	—	919,225
ngible assets	—	152,278	61,121	—	213,399	(11,829)	201,570
estment in onsolidated entities	30,827	53,145	122,454	—	206,426	(7,225)	199,201
odwill	—	140,437	—	—	140,437	—	140,437
ivative assets	33,412	2,087	9,592	—	45,091	—	45,091
rued interest eivable	34,028	286	—	—	34,314	—	34,314
er assets	27,883	72,936	31,853	11,648	144,320	(2,057)	142,263
assets, at fair value	—	—	—	—	—	76,675,689	76,675,
al Assets	$ 6,791,379	$ 1,885,206	$ 1,001,160	$ 230,056	$ 9,907,801	$ 75,830,337	$ 85,738,
bilities and Equity							
bilities:							
ounts payable, rued expenses other liabilities	$ 18,822	$ 90,399	$ 25,427	$ 21,468	$ 156,116	$ 689	$ 156,805
ated-party payable	—	423	—	40,532	40,955	—	40,955
idends payable	—	—	—	114,947	114,947	—	114,947
ivative liabilities	5,190	6	—	—	5,196	—	5,196
ured financing eements, net	2,361,842	423,691	576,934	656,568	4,019,035	—	4,019,0
nvertible senior notes,	—	—	—	1,325,243	1,325,243	—	1,325,2
ured borrowings on nsferred loans	88,000	—	—	—	88,000	—	88,000
liabilities, at fair ue	—	—	—	—	—	75,817,014	75,817,
al Liabilities	2,473,854	514,519	602,361	2,158,758	5,749,492	75,817,703	81,567,

ity:							
wood Property							
st, Inc.							
ckholders' Equity:							
nmon stock	—	—	—	2,410	2,410	—	2,410
litional paid-in capital	2,477,987	1,146,926	394,465	173,466	4,192,844	—	4,192,8
asury stock	—	—	—	(72,381)	(72,381)	—	(72,381
umulated other							
nprehensive income							
s)	37,242	(3,714)	(3,799)	—	29,729	—	29,729
ained earnings							
cumulated deficit)	1,790,705	221,073	8,133	(2,032,197)	(12,286)	—	(12,286
al Starwood Property							
st, Inc. Stockholders'							
ity	4,305,934	1,364,285	398,799	(1,928,702)	4,140,316	—	4,140,3
n-controlling interests							
solidated subsidiaries	11,591	6,402	—	—	17,993	12,634	30,627
al Equity	4,317,525	1,370,687	398,799	(1,928,702)	4,158,309	12,634	4,170,9
al Liabilities and							
ity	$ 6,791,379	$ 1,885,206	$ 1,001,160	$ 230,056	$ 9,907,801	$ 75,830,337	$ 85,738,

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The table below presents our consolidated balance sheet as of December 31, 2014 by business segment (amounts in thousands):

	Lending Segment	Investing and Servicing Segment	Property Segment	Corporate	Subtotal	Investing and Servicing VIEs	Total
ets:							
n and cash valents	$ 125,132	$ 85,252	$ —	$ 44,017	$ 254,401	$ 786	$ 255,187
tricted cash	34,941	13,763	—	—	48,704	—	48,704
ns -for-investment, net	5,771,307	7,931	—	—	5,779,238	—	5,779,23
ns held-for-sale	—	391,620	—	—	391,620	—	391,620
ns transferred as ared borrowings	129,427	—	—	—	129,427	—	129,427
estment securities	764,517	753,553	—	—	1,518,070	(519,822)	998,248
perties, net	—	39,854	—	—	39,854	—	39,854
ngible assets	—	190,207	—	—	190,207	(46,055)	144,152
estment in onsolidated entities	22,537	48,693	129,475	—	200,705	(6,722)	193,983
dwill	—	140,437	—	—	140,437	—	140,437
vative assets	23,579	3,049	—	—	26,628	—	26,628
rued rest receivable	39,188	914	—	—	40,102	—	40,102
er assets	21,329	61,048	—	14,739	97,116	(1,464)	95,652
assets, at fair value	—	—	—	—	—	107,816,065	107,816,
l Assets	$ 6,931,957	$ 1,736,321	$ 129,475	$ 58,756	$ 8,856,509	$ 107,242,788	$ 116,099,
bilities and Equity							
bilities:							
ounts payable, ued expenses other liabilities	$ 23,015	$ 97,424	$ —	$ 23,620	$ 144,059	$ 457	$ 144,516
ated-party payable	—	4,405	—	36,346	40,751	—	40,751
dends payable	—	—	—	108,189	108,189	—	108,189
vative liabilities	3,662	1,814	—	—	5,476	—	5,476
ured financing eements, net	2,252,493	222,363	—	662,933	3,137,789	—	3,137,78
vertible senior notes,	—	—	—	1,418,022	1,418,022	—	1,418,02
ured borrowings on sferred loans	129,441	—	—	—	129,441	—	129,441
	—	—	—	—	—	107,232,201	107,232,

liabilities, at fair e							
l Liabilities	2,408,611	326,006	—	2,249,110	4,983,727	107,232,658	112,216,
ity:							
wood Property st, Inc. kholders' Equity:							
nmon stock	—	—	—	2,248	2,248	—	2,248
itional paid-in capital	3,126,845	1,413,608	127,299	(832,027)	3,835,725	—	3,835,72
asury stock	—	—	—	(23,635)	(23,635)	—	(23,635)
umulated other prehensive income	55,781	115	—	—	55,896	—	55,896
ained earnings umulated deficit)	1,328,794	(3,408)	2,176	(1,336,940)	(9,378)	—	(9,378)
l Starwood Property st, Inc. Stockholders' ity	4,511,420	1,410,315	129,475	(2,190,354)	3,860,856	—	3,860,85
-controlling interests solidated subsidiaries	11,926	—	—	—	11,926	10,130	22,056
l Equity	4,523,346	1,410,315	129,475	(2,190,354)	3,872,782	10,130	3,882,91
l Liabilities and ity	$ 6,931,957	$ 1,736,321	$ 129,475	$ 58,756	$ 8,856,509	$ 107,242,788	$ 116,099,

Revenues generated from foreign sources were $134.7 million, $111.5 million and $64.8 million for the years ended December 31, 2015, 2014 and 2013, respectively. The majority of our revenues generated from foreign sources are derived from Ireland and the United Kingdom. Refer to Schedule III for a detailed listing of the properties held by the Company, including their respective geographic locations.

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24. Quarterly Financial Data (Unaudited)

The following table summarizes our quarterly financial data which, in the opinion of management, reflects all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of our results of operations (amounts in thousands, except per share data):

	For the Three-Month Periods Ended			
	March 31	June 30	September 30	December 31
2015:				
Revenues	$ 178,849	$ 178,660	$ 192,145	$ 186,223
Income from continuing operations	120,779	117,640	117,116	96,648
Net income	120,779	117,640	117,116	96,648
Net income attributable to Starwood Property Trust, Inc.	120,363	117,148	116,735	96,451
Basic earnings per share:				
Continuing operations	0.53	0.49	0.49	0.40
Net income	0.53	0.49	0.49	0.40
Diluted earnings per share:				
Continuing operations	0.52	0.49	0.49	0.40
Net income	0.52	0.49	0.49	0.40
2014:				
Revenues	171,979	170,750	181,368	178,778
Income from continuing operations	122,432	120,382	167,390	91,885
Net income	120,881	120,382	167,390	91,885
Net income attributable to Starwood Property Trust, Inc.	120,601	117,868	165,044	91,508
Basic earnings per share:				
Continuing operations	0.62	0.53	0.73	0.41
Net income	0.61	0.53	0.73	0.41
Diluted earnings per share:				
Continuing operations	0.61	0.52	0.73	0.40
Net income	0.60	0.52	0.73	0.40

Annual EPS may not equal the sum of each quarter’s EPS due to rounding and other computational factors.

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25. Subsequent Events

Our significant events subsequent to December 31, 2015 were as follows:

Woodstar Portfolio Acquisitions

Since December 31, 2015, we have acquired 12 properties in the Woodstar Portfolio, comprised of 3,082 units, which were previously under contract for an aggregate gross acquisition price of $202.8 million. We assumed sponsored debt of $126.7 million at acquisition.

Amendment to Share Repurchase Program and Subsequent Repurchases

In January 2016, our board of directors authorized a $50.0 million increase and an extension of our share repurchase program through January 2017, increasing the maximum amount of shares and Convertible Notes available for repurchase under the program to $500.0 million. Subsequent to December 31, 2015 and through February 19, 2016, we repurchased 1.1 million shares for $19.7 million and no Convertible Notes, bringing the remaining capacity under the repurchase program to $282.1 million as of February 19, 2016.

Dividend Declaration

On February 25, 2016, our board of directors declared a dividend of $0.48 per share for the first quarter of 2016, which is payable on April 15, 2016 to common stockholders of record as of March 31, 2016.

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Starwood Property Trust, Inc. and Subsidiaries

Schedule III—Real Estate and Accumulated Depreciation

December 31, 2015

(Dollars in thousands)

		Initial Cost to Company		Costs Capitalized Subsequent to	Gross Amounts Carried at December 31, 2015				
roperty Type / eographic ocation	Encumbrances	Land	Depreciable Property	Acquisition (1)	Land	Depreciable Property	Total	Accumulated Depreciation (2)	Acquisition Date
ndividually ignificant roperties									
ffice—Dublin, reland—1	$ 78,331	$ 35,476	$ 69,301	$ —	$ 35,476	$ 69,301	$ 104,777	$ (1,012)	Jul-15
ffice—Dublin, reland—2	49,559	23,144	46,844	—	23,144	46,844	69,988	(1,012)	May-15
ffice—Dublin, reland—3	44,398	21,901	39,149	—	21,901	39,149	61,050	(845)	May-15
ffice—Dublin, reland—4	33,922	14,993	31,495	—	14,993	31,495	46,488	(680)	May-15
ggregated roperties									
ffice—Ireland (8 roperties)	102,059	53,931	83,255	—	53,931	83,255	137,186	(1,798)	May-15
ulti-family—U.S., outh East (24 roperties)	275,981	82,613	282,947	1,410	82,613	284,357	366,970	(2,047)	Sep-14 to Dec-15
ulti-family—U.S., outh West (1 roperty)	—	665	2,356	—	665	2,356	3,021	(105)	Sep-14
ulti-family—Ireland 1 property)	11,053	8,247	8,766	—	8,247	8,766	17,013	(189)	May-15
etail—U.S., North ast (3 properties)	23,057	7,457	24,804	286	7,457	25,090	32,547	(173)	May-15 to Nov-15
etail—U.S., West (2 roperties)	—	1,339	2,910	—	1,339	2,910	4,249	(5)	Dec-15
etail—U.S., South ast (3 properties)	4,838	7,617	12,304	—	7,617	12,304	19,921	(85)	Aug-15 to Dec-15
	12,300	5,238	5,692	—	5,238	5,692	10,930	(39)	Nov-15

etail—U.S., Midwest (1 roperty)									
etail—U.S., South Vest (3 properties)	24,400	10,108	26,615	188	10,108	26,803	36,911	(691)	Oct-14 to Sep-15
ndustrial—U.S., Midwest (1 roperty)	—	717	2,557	35	717	2,592	3,309	(145)	Apr-14
elf-storage—U.S., North East (1 roperty)	—	2,202	11,498	—	2,202	11,498	13,700	(9)	Dec-15
	$ 659,898	$ 275,648	$ 650,493	$ 1,919	$ 275,648	$ 652,412	$ 928,060(2)	$ (8,835)	

Notes to Schedule III:

(1) No costs subsequent to acquisition are capitalized to land.

(2) The aggregate cost for federal income tax purposes is $1.0 billion.

(3) Depreciation is computed based upon estimated useful lives as described in Note 7 of our Consolidated Financial Statements.

The following schedule presents our real estate activity during the years ended December 31, 2015, 2014 and 2013 (in thousands):

	2015	2014	2013
Beginning balance, January 1	$ 40,497	$ 754,981	$ 99,328
Additions during the year:			
Acquisitions (1)	900,247	96,901	539,610
Acquisitions through foreclosure	12,548	7,897	18,867
Gain on conversion of loans to real estate	—	—	8,624
Improvements	2,056	1,872	102,490
Total additions	914,851	106,670	669,591
Deductions during the year:			
Spin-off of SWAY	—	(819,239)	—
Costs of real estate sold	(18,421)	(1,915)	12,842
Foreign currency translation	(8,867)	—	—
Other	—	—	1,096
Total deductions	(27,288)	(821,154)	13,938
Ending balance, December 31	$ 928,060	$ 40,497	$ 754,981

(1) Refer to Note 16 of our Consolidated Financial Statements for a discussion of property acquisitions from related

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parties.

The following schedule presents activity within accumulated depreciation during the years ended December 31, 2015, 2014 and 2013 (in thousands):

	2015	2014	2013
Beginning balance, January 1	$ 643	$ 5,767	$ 213
Depreciation expense	8,802	2,183	5,554
Spin-off of SWAY	—	(7,221)	—
Disposition/write-offs	(539)	(86)	—
Foreign currency translation	(71)	—	—
Ending balance, December 31	$ 8,835	$ 643	$ 5,767

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Starwood Property Trust, Inc. and Subsidiaries

Schedule IV—Mortgage Loans on Real Estate

December 31, 2015

(Dollars in thousands)

Description/ Location	Prior Liens(1)	Face Amount	Carrying Amount	Interest Rate(2)	Payment Terms(3)	Maturity Date(4)
Individually Significant First Mortgages:						
Hospitality, Various, USA-1	$ —	$ 164,902	$ 163,282	L+2.40%	I/O	12/9/2018
Hospitality, Various, USA-2	—	41,225	41,223	L+9.90%	I/O	12/9/2018
Mixed Use, New York, NY-1	—	118,750	117,951	L+8.00%	I/O	1/31/2019
Mixed Use, New York, NY-2	—	32,700	32,388	L+8.00%	I/O	1/31/2019
Mixed Use, New York, NY-3	—	42,687	40,840	L+8.00%	I/O	1/31/2019
Mixed Use, New York, NY-4	—	53,000	51,573	5.90%	I/O	1/31/2019
Office, London, England-1	—	88,428	87,759	5.61%	I/O	10/1/2018
Office, London, England-2	—	309,498	307,186	3GBP+3.90%	I/O	10/1/2018
Office, New York, NY-1	—	140,000	139,475	L+10.90%	I/O	4/9/2018
Office, New York, NY-2	—	161,085	160,101	L+3.50%	I/O	4/9/2018
Office, New York, NY-3	—	48,914	48,608	L+3.50%	I/O	4/9/2018
Aggregated First Mortgages:						
Hospitality, International, Floating (1 mortgage)	N/A	N/A	54,175	3EU+7.00%	N/A	2016
Hospitality, North East, Floating (6 mortgages)	N/A	N/A	72,798	L+2.75% to 9.75%	N/A	2017-2018
	N/A	N/A	68,015	9.00%	N/A	2016

Hospitality, South East, Fixed (1 mortgage)						
Hospitality, South East, Floating (10 mortgages)	N/A	N/A	406,940	L+2.65% to 13.00%	N/A	2016-2019
Hospitality, South West, Floating (4 mortgages)	N/A	N/A	131,536	L+2.25% to 9.75%	N/A	2020
Hospitality, West, Floating (14 mortgages)	N/A	N/A	374,083	L+2.25% to 10.25%	N/A	2018-2019
Industrial, South East, Fixed (7 mortgages)	N/A	N/A	31,312	7.80% to 9.83%	N/A	2016-2024
Industrial, West, Fixed (1 mortgage)	N/A	N/A	463	9.75%	N/A	2017
Mixed Use, North East, Floating (3 mortgages)	N/A	N/A	141,908	L+3.50% to 10.19%	N/A	2018-2019
Mixed Use, South West, Floating (2 mortgages)	N/A	N/A	87,537	L+2.50% to 10.00%	N/A	2019
Mixed Use, West, Floating (4 mortgages)	N/A	N/A	52,810	L+1.00% to 7.50%	N/A	2017-2018
Multi-family, International, Fixed (1 mortgage)	N/A	N/A	21,936	8.55%	N/A	2017
Multi-family, International, Floating (1 mortgage)	N/A	N/A	37,546	3GBP+7.00%	N/A	2017
Multi-family, International, Floating (1 mortgage)	N/A	N/A	47,448	GBP+7.65%	N/A	2017
Multi-family, North East, Floating (12 mortgages)	N/A	N/A	61,335	L+6.34%	N/A	2018
Multi-family, West, Floating (21 mortgages)	N/A	N/A	215,199	L+1.00% to 9.25%	N/A	2016-2020
Office, International, Fixed (2 mortgages)	N/A	N/A	117,950	5.60%	N/A	2016
Office, International, Floating (1 mortgage)	N/A	N/A	68,281	3GBP+4.50%	N/A	2016

Office, Mid Atlantic, Fixed (1 mortgage)	N/A	N/A	48,014	5.25%	N/A	2017
Office, Mid Atlantic, Floating (4 mortgages)	N/A	N/A	156,494	L+2.25% to 11.25%	N/A	2016-2019
Office, Midwest, Floating (5 mortgages)	N/A	N/A	33,679	L+2.25% to 10.58%	N/A	2017-2019
Office, North East, Fixed (2 mortgages)	N/A	N/A	75,254	6.35% to 11.00%	N/A	2017-2019
Office, North East, Floating (10 mortgages)	N/A	N/A	324,147	L+2.00% to 10.67%	N/A	2018-2019
Office, South East, Floating (4 mortgages)	N/A	N/A	146,963	L+2.25% to 13.00%	N/A	2018-2019
Office, South West, Floating (4 mortgages)	N/A	N/A	50,817	L+5.50%	N/A	2017
Office, West, Floating (14 mortgages)	N/A	N/A	189,539	L+2.25% to 9.75%	N/A	2016-2019
Other, International, Fixed (2 mortgages)	N/A	N/A	10,341	5.02% to 15.12%	N/A	2016
Other, South East, Fixed (3 mortgages)	N/A	N/A	126,165	5.00% to 12.00%	N/A	2017-2024
Other, South East, Floating (4 mortgages)	N/A	N/A	36,042	L+8.50%	N/A	2018
Other, Various, Fixed (1 mortgage)	N/A	N/A	41,894	10.00%	N/A	2025
Residential, West, Floating (1 mortgage)	N/A	N/A	99,775	L+5.25%	N/A	2018
Retail, International, Floating (1 mortgage)	N/A	N/A	39,238	3EU+8.00%	N/A	2016
Retail, Mid Atlantic, Fixed (1 mortgage)	N/A	N/A	650	7.07%	N/A	2019
Retail, Midwest, Fixed (4 mortgages)	N/A	N/A	2,021	7.07% to 10.25%	N/A	2017-2019
Retail, Midwest, Floating (6 mortgages)	N/A	N/A	81,403	L+2.25% to 10.75%	N/A	2018

Retail, North East, Fixed (3 mortgages)	N/A	N/A	7,287	5.74% to 10.00%	N/A	2016-2019
Retail, North East, Floating (8 mortgages)	N/A	N/A	64,744	L+2.25% to 8.05%	N/A	2017
Retail, South East, Fixed (4 mortgages)	N/A	N/A	9,242	5.93% to 10.00%	N/A	2016-2019
Retail, South West, Fixed (3 mortgages)	N/A	N/A	2,404	6.03% to 7.99%	N/A	2018
Retail, South West, Floating (4 mortgages)	N/A	N/A	33,865	L+2.25% to 15.25%	N/A	2018
Retail, Various, Floating (2 mortgages)	N/A	N/A	12,432	L+2.25% to 9.25%	N/A	2016
Retail, West, Fixed (6 mortgages)	N/A	N/A	10,651	5.82% to 7.26%	N/A	2017-2023
Investing and Servicing Segment Loans						
Held-for-Sale, Various, Fixed	N/A	N/A	203,865	4.61% to 5.32%	N/A	2020-2025
Aggregated Subordinated and Mezzanine Loans:						
Hospitality, Midwest, Floating (2 mortgages)	N/A	N/A	15,670	L+8.11%	N/A	2018
Hospitality, North East, Floating (5 mortgages)	N/A	N/A	44,569	L+5.10% to 11.17%	N/A	2018
Hospitality, South East, Floating (2 mortgages)	N/A	N/A	14,615	L+3.49% to 8.83%	N/A	2018
Hospitality, Various, Floating (4 mortgages)	N/A	N/A	151,681	L+7.50% to 11.13%	N/A	2017-2018
Hospitality, West, Fixed (1 mortgage)	N/A	N/A	6,142	12.66%	N/A	2016
Hospitality, West, Floating (2 mortgages)	N/A	N/A	11,985	L+7.75%	N/A	2018
Industrial, South East, Fixed (8 mortgages)	N/A	N/A	63,425	8.18%	N/A	2024
Mixed Use, North East, Floating (2 mortgages)	N/A	N/A	155,273	L+10.00% to 12.00%	N/A	2017-2020

Mixed Use, West, Floating (2 mortgages)	N/A	N/A	38,950	L+9.31%	N/A	2018
Multi-family, Mid Atlantic, Fixed (1 mortgage)	N/A	N/A	2,976	10.50%	N/A	2024
Multi-family, Mid Atlantic, Floating (2 mortgages)	N/A	N/A	9,828	L+8.35%	N/A	2019

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Description/ Location	Prior Liens(1)	Face Amount	Carrying Amount	Interest Rate(2)	Payment Terms(3)	Maturity Date(4)
Multi-family, Midwest, Fixed (1 mortgage)	N/A	N/A	1,786	7.62%	N/A	2016
Multi-family, North East, Floating (2 mortgages)	N/A	N/A	85,578	L+9.08% to 15.00%	N/A	2016-2018
Multi-family, South East, Fixed (1 mortgage)	N/A	N/A	2,878	5.47%	N/A	2020
Multi-family, South West, Fixed (1 mortgage)	N/A	N/A	4,179	8.51%	N/A	2016
Multi-family, West, Fixed (1 mortgage)	N/A	N/A	3,684	7.83%	N/A	2016
Multi-family, West, Floating (1 mortgage)	N/A	N/A	99,569	L+10.13%	N/A	2019
Office, Midwest, Floating (6 mortgages)	N/A	N/A	57,566	L+8.25% to 9.00%	N/A	2017-2019
Office, North East, Fixed (5 mortgages)	N/A	N/A	56,226	6.79% to 8.72%	N/A	2016-2023
Office, North East, Floating (3 mortgages)	N/A	N/A	62,487	L+8.00% to 10.25%	N/A	2017-2018
Office, South East, Fixed (1 mortgage)	N/A	N/A	7,770	8.25%	N/A	2020
Office, South West, Fixed (2 mortgages)	N/A	N/A	56,706	5.92% to 6.13%	N/A	2017
Office, West, Floating (6 mortgages)	N/A	N/A	93,902	L+7.34% to 8.85%	N/A	2017-2019
Other, Midwest, Floating (2 mortgages)	N/A	N/A	25,698	L+10.67%	N/A	2016
Other, South East, Fixed (1 mortgage)	N/A	N/A	4,582	12.02%	N/A	2021
Other, West, Floating (2 mortgages)	N/A	N/A	57,822	L+6.10% to 10.08%	N/A	2018
Residential, South East, Floating (1 mortgage)	N/A	N/A	8,574	L+9.46%	N/A	2019
Residential, West, Floating (1 mortgage)	N/A	N/A	34,566	L+7.89%	N/A	2019
	N/A	N/A	92,073		N/A	2017-2024

Retail, Midwest, Fixed (3 mortgages)				6.97% to 7.16%		
Retail, South West, Floating (1 mortgage)	N/A	N/A	7,417	L+8.85%	N/A	2017
Retail, Various, Floating (1 mortgage)	N/A	N/A	3,787	L+8.85%	N/A	2017
Retail, West, Floating (1 mortgage)	N/A	N/A	8,290	L+8.85%	N/A	2017
Loan Loss Allowance	—	—	(6,029)			
Prepaid Loan Costs, Net	—	—	(9,292)			
			$ 6,263,517(5)			

Notes to Schedule IV:

(1) Represents third party priority liens. Third party portions of pari passu participations are not considered prior liens. Additionally, excludes the outstanding debt on third party joint ventures of underlying borrowers.

(2) L = one month LIBOR rate, GBP=one month GBP LIBOR rate, 3GBP= three month GBP LIBOR rate, 3EU = three month Euro LIBOR rate.

(3) I/O = interest only until final maturity.

(4) Based on management's judgment of extension options being exercised.

(5) The aggregate cost for federal income tax purposes is $6.2 billion.

For the activity within our loan portfolio during the years ended December 31, 2015, 2014 and 2013, refer to the loan activity table in Note 5 of our Consolidated Financial Statements.

Refer to Note 16 of our Consolidated Financial Statements for a discussion of loan activity with related parties.

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

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

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

Management Report on Internal Control Over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed under the supervision of our principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America.

As of December 31, 2015, our management conducted an assessment of the effectiveness of our internal control over financial reporting based on the framework established in Internal Control—Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. Based on this assessment, our management has concluded that our internal control over financial reporting as of December 31, 2015 is effective.

Our internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements.

The effectiveness of our internal control over financial reporting as of December 31, 2015 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report included in this Form 10 K, which expresses an unqualified opinion on the effectiveness of our internal control over financial reporting as of December 31, 2015.

Changes to Internal Control Over Financial Reporting. No change in internal control over financial reporting (as defined in Rule 13a 15(f) under the Exchange Act) occurred during the quarter ended December 31, 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None noted.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Information required by this Item with respect to members of our board of directors and with respect to our Audit Committee will be contained in the Proxy Statement for the 2016 Annual Meeting of Shareholders ("2016 Proxy Statement") under the captions "Election of Directors" and "Board and Committee Meetings—Audit Committee" and in the chart disclosing Audit Committee membership and is incorporated herein by this reference. Information required by this Item with respect to our executive officers will be contained in the 2016 Proxy Statement under the caption "Executive Officers," and is incorporated herein by this reference. Information required by this Item with respect to compliance with Section 16(a) of the Securities Exchange Act of 1934 will be contained in the 2016 Proxy Statement under the caption "Compliance with Section 16(a) of the Securities Exchange Act of 1934," and is incorporated herein by this reference.

Code of Ethics

We have adopted a Code of Business Conduct and Ethics for all directors, officers and employees of the Company which is available on our website at http://ir.starwoodpropertytrust.com/govdocs. In addition, stockholders may request a free copy of the Code of Business Conduct and Ethics from:

Starwood Property Trust, Inc.

Attention: Investor Relations

591 West Putnam Avenue

Greenwich, CT 06830

(202) 422 7700

We have also adopted a Code of Ethics for our Principal Executive Officer and Senior Financial Officers setting forth a code of ethics applicable to our Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer, which is available on our website at http://ir.starwoodpropertytrust.com/govdocs. Stockholders may request a free copy of the Code of Ethics for Principal Executive Officer and Senior Financial Officers from the address and phone number set forth above.

Corporate Governance Guidelines

We have also adopted Corporate Governance Guidelines, which are available on our website at http://ir.starwoodpropertytrust.com/govdocs. Stockholders may request a free copy of the Corporate Governance Guidelines from the address and phone number set forth above.

Item 11. Executive Compensation.

Information required by this Item will be contained in the 2016 Proxy Statement under the captions “Executive Compensation” and “Compensation of Directors” and is incorporated herein by this reference, provided that the Compensation Committee Report shall not be deemed to be “filed” with this Annual Report on Form 10 K.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Information required by this Item will be contained in the 2016 Proxy Statement under the captions “Security Ownership of Certain Beneficial Owners, Directors and Management” and “Equity Compensation Plan Information” and is incorporated herein by this reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Information required by this Item will be contained in the 2016 Proxy Statement under the captions “Certain Relationships and Related Transactions” and “Corporate Governance—Determination of Director Independence” and is incorporated herein by this reference.

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Item 14. Principal Accountant Fees and Services.

Information required by this Item will be contained in the 2016 Proxy Statement under the captions “Independent Registered Public Accounting Firm” and “Pre Approval Policies for Services of Independent Registered Public Accounting Firm” and is incorporated herein by reference.

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PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) Documents filed as part of this report:
(1) Financial Statements:
See Item 8—"Financial Statements and Supplementary Data", filed herewith, for a list of financial statements.

(2) Financial Statement Schedules:
Included within Item 8:

Schedule III—Real Estate and Accumulated Depreciation

Schedule IV—Mortgage Loans on Real Estate

(3) Exhibits:

Exhibit No.	Description
2.1	Unit Purchase Agreement, dated January 23, 2013, by and among Starwood Property Trust, Inc., LNR Property LLC, Aozora Investments LLC, CBR I LLC, iStar Marlin LLC, Opps VIIb LProp, L.P. and VNO LNR Holdco LLC (Incorporated by reference to Exhibit 2.1 of the Company's Current Report on Form 8 K filed January 24, 2013)
2.2	Separation and Distribution Agreement, dated January 16, 2014, by and between Starwood Property Trust, Inc. and Starwood

	Waypoint Residential Trust (Incorporated by reference to Exhibit 2.1 of the Company's Current Report on Form 8 K filed January 21, 2014)
3.1	Articles of Amendment and Restatement of Starwood Property Trust, Inc. (Incorporated by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10 Q filed November 16, 2009)
3.2	Amended and Restated Bylaws of Starwood Property Trust, Inc. (Incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8 K filed March 17, 2014)
4.1	Form of Indenture for Senior Debt Securities between the Company and The Bank of New York Mellon, as trustee (Incorporated by reference to Exhibit 4.4 of the Company's Registration Statement on Form S 3 filed February 11, 2013)
4.2	

	First Supplemental Indenture, dated as of February 15, 2013, between the Company and The Bank of New York Mellon, as trustee (Incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8 K filed February 15, 2013)
4.3	Form of 4.55% Convertible Senior Notes due 2018 (Incorporated by reference to Exhibit 4.3 of the Company's Current Report on Form 8 K filed February 15, 2013)
4.4	Second Supplemental Indenture, dated as of July 3, 2013, between the Company and The Bank of New York Mellon, as trustee (Incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8 K filed July 3, 2013)

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Exhibit No.	Description
4.5	Form of 4.00% Convertible Senior Notes due 2019 (Incorporated by reference to Exhibit 4.3 of the Company's Current Report on Form 8 K filed July 3, 2013)
4.6	Third Supplemental Indenture, dated as of October 8, 2014, between the Company and The Bank of New York Mellon, as trustee (Incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8 K filed October 8, 2014)
4.7	Form of 3.75% Convertible Senior Notes due 2017 (Incorporated by reference to Exhibit 4.3 of the Company's Current Report on Form 8 K filed October 8, 2014)
10.1	Registration Rights Agreement, dated August 17, 2009, among Starwood Property Trust, Inc., SPT Investment, LLC and SPT Management, LLC (Incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10 Q filed November 16, 2009)
10.2	Management Agreement, dated August 17, 2009, among SPT Management, LLC and Starwood Property Trust, Inc. (Incorporated by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10 Q filed November 16, 2009)
10.3	Amendment No. 1, dated May 7, 2012, to Management Agreement, dated August 17, 2009, as amended, between Starwood Property Trust, Inc. and SPT Management, LLC (Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8 K filed May 8, 2012)
10.4	Amendment No. 2, dated December 4, 2014, to Management Agreement, dated August 17, 2009, as amended, between Starwood Property Trust, Inc. and SPT Management, LLC (Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8 K filed December 5, 2014)
10.5	Co Investment and Allocation Agreement, dated August 17, 2009, among Starwood Property Trust, Inc., SPT Management, LLC and Starwood Capital Group Global, L.P. (Incorporated by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10 Q filed November 16, 2009)
10.6	Amendment No. 1, dated as of June 19, 2015, to the Co-Investment and Allocation Agreement, dated as of August 17, 2009, by and among Starwood Property Trust, Inc., SPT Management, LLC and Starwood Capital Group Global, L.P. (Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed June 25, 2015)
10.7	Starwood Property Trust, Inc. Non Executive Director Stock Plan (Incorporated by reference to Exhibit 10.5 of the Company's Quarterly Report on Form 10 Q filed November 16, 2009)
10.8	Form of Restricted Stock Award Agreement for Independent Directors (Incorporated by reference to Exhibit 10.6 of the Company's Quarterly Report on Form 10 Q filed November 16, 2009)
10.9	Starwood Property Trust, Inc. Manager Equity Plan (Incorporated by reference to Exhibit 10.7 of the Company's Quarterly Report on Form 10 Q filed November 16, 2009)
10.10	First Amendment to the Starwood Property Trust, Inc. Manager Equity Plan (Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8 K filed May 6, 2013)
10.11	Restricted Stock Unit Award Agreement, dated August 17, 2009, between Starwood Property Trust, Inc. and SPT Management, LLC (Incorporated by reference to Exhibit 10.8 of the Company's Quarterly Report on Form 10 Q filed November 16, 2009)
10.12	Starwood Property Trust, Inc. Equity Plan (Incorporated by reference to Exhibit 10.9 of the Company's Quarterly Report on Form 10 Q filed November 16, 2009)

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Exhibit No.	Description
10.13	First Amendment to the Starwood Property Trust, Inc. Equity Plan (Incorporated by reference to Exhibit 10.2 of the Company’s Current Report on Form 8 K filed May 6, 2013)
10.14	Master Repurchase and Securities Contract, dated March 31, 2010, between Starwood Property Mortgage Sub 1, L.L.C. and Wells Fargo Bank, National Association (Incorporated by reference to Exhibit 10.2 of the Company’s Quarterly Report on Form 10 Q filed May 10, 2010)
10.15	Master Repurchase and Securities Contract, dated August 6, 2010, between Starwood Property Mortgage Sub 2, L.L.C. and Wells Fargo Bank, National Association (Incorporated by reference to Exhibit 10.1 of the Company’s Current Report on Form 8 K filed August 12, 2010)
10.16	Amendment No. 2, dated November 3, 2011, to Amended and Restated Master Repurchase and Securities Contract, Amended and Restated Guarantee and Security Agreement and Amended and Restated Fee and Pricing Letter between and among Starwood Property Mortgage Sub 2, L.L.C., Starwood Property Mortgage Sub 2A, L.L.C., Starwood Property Trust, Inc. and Wells Fargo Bank, National Association (Incorporated by reference to Exhibit 10.17 of the Company’s Annual Report on Form 10 K filed February 29, 2012)
10.17	Second Amended and Restated Master Repurchase and Securities Contract, dated January 27, 2014, between and among Starwood Property Mortgage Sub 2, L.L.C., Starwood Property Mortgage Sub 2 A, L.L.C. and Wells Fargo Bank, National Association (Incorporated by reference to Exhibit 10.20 of the Company’s Annual Report on Form 10 K filed February 26, 2014)
10.18	Third Amended and Restated Master Repurchase and Securities Contract, dated October 23, 2014, between and among Starwood Property Mortgage Sub 2, L.L.C., Starwood Property Mortgage Sub 2 A, L.L.C. and Wells Fargo Bank, National Association (Incorporated by reference to Exhibit 10.19 of the Company’s Annual Report on Form 10-K filed February 25, 2015)
10.19	Fourth Amended and Restated Master Repurchase and Securities Contract, dated August 3, 2015, between and among Starwood Property Mortgage Sub 2, L.L.C., Starwood Property Mortgage Sub-2-A, L.L.C. and Wells Fargo Bank, National Association (Incorporated by reference to Exhibit 10.1 of the Company’s Quarterly Report on Form 10 Q filed November 5, 2015)
10.20	Master Repurchase Agreement, dated December 2, 2010, between Starwood Property Mortgage Sub 3, L.L.C. and Goldman Sachs Mortgage Company (Incorporated by reference to Exhibit 10.1 of the Company’s Current Report on Form 8 K filed December 6, 2010)
10.21	Credit Agreement, dated December 3, 2010, among SPT Real Estate Sub II, LLC, Starwood Property Trust, Inc. and certain subsidiaries of Starwood Property Trust, Inc., as guarantors, and Bank of America, N.A., as administrative agent (Incorporated by reference to Exhibit 10.1 of the Company’s Quarterly Report on Form 10 Q filed August 6, 2014)
10.22	Uncommitted Master Repurchase Agreement, dated as of December 10, 2015, by and among Starwood Property Mortgage Sub-14, L.L.C., Starwood Property Mortgage Sub-14-A, L.L.C. and JPMorgan Chase Bank, National Association (Incorporated by reference to Exhibit 10.1 of the Company’s Current Report on Form 8-K filed December 16, 2015)
10.23	Form of Indemnification Agreement for Directors and Officers
21.1	Subsidiaries of the Registrant
23.1	Consent of Independent Registered Public Accounting Firm

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Exhibit No.	Description
31.1	Certification pursuant to Section 302 of the Sarbanes Oxley Act of 2002
31.2	Certification pursuant to Section 302 of the Sarbanes Oxley Act of 2002
32.1	Certification pursuant to Section 906 of the Sarbanes Oxley Act of 2002
32.2	Certification pursuant to Section 906 of the Sarbanes Oxley Act of 2002
101.INS	XBRL Instance Document
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

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	Starwood Property Trust, Inc.	
Date: February 25, 2016		
	By:	/s/ BARRY S. STERNLICHT
		Barry S. Sternlicht Chief Executive Officer and Chairman of the Board of Directors

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

		Chief Executive Officer and Chairman of the Board of Directors (Principal Executive Officer)
Date: February 25, 2016	By:	/s/ BARRY S. STERNLICHT
		Barry S. Sternlicht Chief Executive Officer and Chairman of the Board of Directors (Principal Executive Officer)
Date: February 25, 2016	By:	/s/ RINA PANIRY
		Rina Paniry Chief Financial Officer, Treasurer, Chief Accounting Officer and Principal Financial Officer
Date: February 25, 2016	By:	/s/ JEFFREY G. DISHNER
		Jeffrey G. Dishner Director
Date: February 25, 2016	By:	/s/ RICHARD D. BRONSON
		Richard D. Bronson Director
Date: February 25, 2016	By:	/s/ CAMILLE J. DOUGLAS
		Camille J. Douglas Director

Date: February 25, 2016	By:	/s/ STRAUSS ZELNICK
		Strauss Zelnick Director
Date: February 25, 2016	By:	/s/ SOLOMON J. KUMIN
		Solomon J. Kumin Director

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