Granite Point Mortgage Trust Inc.

Third Quarter 2017 Financial Results Call and Webcast

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CORPORATE PARTICIPANTS

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Steve Alpart, *CIO*

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PRESENTATION

Operator
Good day and welcome to the Granite Point Mortgage Trust Inc. Third Quarter 2017 Financial Results Conference Call and Webcast. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero. After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star, then 1 on a touchtone phone. To withdraw your question, please press star, then 2. Please note this event is being recorded.

I would now like to turn the conference call over to Ms. Maggie Field with Investor Relations for Granite Point. Ms. Field, the floor is yours, ma'am.

Maggie Field
Thank you, Operator, and good morning, everyone. Thank you for joining our call to discuss Granite Point's Third Quarter 2017 Financial Results. With me on the call this morning are Jack Taylor, our President and CEO, Marcin Urbaszek, our CFO, Steve Alpart, our CIO, and Steve Plust, our COO. After my introductory comments, Jack will provide a brief recap of our business strategy, a market update, and some business highlights. Steve Alpart will discuss our third quarter originations and portfolio, and Marcin will highlight key items from our financials.

The press release and financial tables associated with today's call were filed yesterday with the SEC. If you do not have a copy, you may find them on our website or on the SEC's website at sec.gov. In our earnings release and slides, which are now posted in the Investor Relations section of our website, we have provided a reconciliation of GAAP to non-GAAP financial measures. We urge you to review this information in conjunction with today's call. I would also like to mention that this call is being webcast and may be accessed on our website in the same location.

Before I turn the call over to Jack, I would like to remind you that remarks made by management during this conference call and the supporting slides may include forward-looking statements. Forward-looking statements reflect our views regarding future events and are typically associated with the words such as "anticipate," "expect," "estimate," and "believe," or other such words. We caution investors not to rely unduly on forward-looking statements. They imply risks and uncertainties, and actual results may differ materially from expectations. We urge you to carefully consider the risks described in our filings with the SEC, which can be obtained on the SEC's website at sec.gov. We do not undertake any obligation to update or correct any forward-looking statements if later events prove them to be inaccurate.

I will now turn the call over to Jack.

Jack Taylor
Thank you, Maggie, and good morning, everyone. Thank you for joining us for our Third Quarter Earnings Call. On behalf of the company and our Board of Directors, we would like to welcome all of our investors and analysts. Thank you all for your support of our business.

The last few months have been quite active between completing our IPO and formation transactions, establishing a significant initial $2 billion borrowing capacity with several large financial institutions, and commencing the investment of capital. As a reminder, Granite Point was formed in order to continue and grow the commercial real estate lending business established by Two Harbors in 2015. As part of the formation transaction, Two Harbors contributed its commercial lending business to Granite Point. This included a portfolio of approximately $1.8 billion in assets, primarily in loans that the Granite Point team had originated on behalf of Two Harbors. In exchange for the contribution, Two Harbors received approximately 33.1 million shares of Granite Point common stock. Since quarter end, Two Harbors has completed the distribution of its Granite Point common stock to its shareholders. This distribution allows Granite Point to have a fully floating market capitalization, which we believe provides our investors with significant liquidity in our stock.

Please turn to Slide #2 of the presentation. For those of you who are new to our company, I'd like to take a couple of minutes to review our business strategy and discuss our view of the current market environment. Granite Point is focused on directly originating and managing senior floating rate commercial real estate loans. We employ a fundamental value-driven investment approach backed by an intensive credit diligence, with cash flow as a key underwriting metric. Our aim is to construct on an asset-by-asset basis, a portfolio that is well diversified across markets and property types. We target institutional quality, existing income-producing properties sponsored by highly regarded sponsors who have demonstrated expertise in a particular asset class. We typically lend in the top 25 and up to the top 50 markets in the U.S. and target loan sizes ranging between $25 [million] and $150 million, stabilized LTVs between 55 and 70 percent, and yields of LIBOR plus 4 to 5½ percent.

Additionally, and importantly, we benefit from a very talented and experienced team. Each member of our senior investment team has over 25 years of commercial real estate lending experience and has successfully navigated through multiple economic, real estate, and interest rate cycles. The members of our senior investment team have worked together for the majority of their careers and are complemented by a seasoned team of commercial real estate industry professionals with an average of 12 years' experience. Over the years, our commercial real estate team has developed a broad set of industry relationships, which has allowed us to focus on directly originating our portfolio, competing on flexibility, creativity, and a reputation for reliability, rather than on the loosening of loan structure.

Turning to Slide #3, our differentiated and proven origination platform allows us to select from a broad array of markets and property types to find the best risk-adjusted returns. For example, secondary markets, which we define as MSA 6 and above in the United States, often provide higher yields for loans of similar credit quality to those found in primary markets. The primary markets, which we classify as the top 5 MSAs, account for about 40 percent of our portfolio, while the rest is in secondary markets. We believe that our fundamental and relative value investment approach and disciplined underwriting will deliver strong stockholder returns over time. The overall market for commercial real estate lending continues to be very favorable, especially for our strategy focused on senior floating rate loans.

Real estate fundamentals remain strong across most markets and property types, with ongoing rent growth and improving occupancies. In general, real estate valuations are in line with historical averages. The extended recovery in the economy has served to lengthen the commercial real estate cycle and valuations are supported in part by a prolonged period of historically low construction activity since the onset of the great economic crisis.

Even though there has been some competitive pressure on spreads this year, we continue to find ample investment opportunities, and with our lenders working with us on our cost of financing, our overall return profile remains attractive. In our view, the manufacturing of senior floating rate loans offers the most attractive risk-adjusted returns and should benefit from a rise in interest rates. We also believe that the alternative lending sector will continue to be supported by enduring structural changes, healthy capital flows, and strong real estate fundamentals.

Now, please turn to Slide #4. Marcin will discuss our financial results shortly, but I'd like, first, to discuss some business highlights from the third quarter. We had a very productive quarter in terms of originations and deploying our investors' capital. After some slowdown in our origination pace in the second quarter, owing to many factors related to our formation and IPO transaction, we were able to ramp up originations and fully engage with our borrowers and business partners. This generated a large deal flow and robust originations for the third quarter. We are pleased to have originated over $450 million of senior floating rate loans at attractive yields to continue to grow our portfolio, which stood at approximately $2.2 billion at quarter end. One hundred percent of our investments are performing.

We continue to generate a strong pipeline of investment opportunities across our target markets. So far in the fourth quarter, we have committed to over $320 million of senior floating rate commercial mortgage loans, some of which have already closed. The rest, we expect to close by the end of the year, with some likely occurring in the second half of the fourth quarter. To accommodate the robust pace of originations post-quarter end, we upsized our borrowing capacity by $100 million and are in final negotiations to further upsize our borrowing capacity by an additional $250 million, which will bring our total borrowing capacity to approximately $2.3 billion.

We believe that our strategy of targeting primary and secondary markets across the U.S., combined with our broad network of deep industry relationships and our disciplined underwriting approach, enables us to directly originate high quality investments for our portfolio. We are proud of our progress since becoming an independent public company and are very excited about the future of our business.

Now, I will turn the call over to Steve Alpart to discuss our originations and portfolio in more detail.

Steve Alpart
Thank you, Jack, and appreciate everyone's time this morning. I'd like to spend a few minutes reviewing our third quarter originations and highlighting our progress so far in the fourth quarter and will then provide some key metrics on our portfolio.

Let's turn to Slide #5. We had a great third quarter of originations. We originated 11 senior floating rate loans, representing total commitments of approximately $450 million. Additionally, we funded over $390 million of loans and experienced no repayments in our portfolio. Importantly, we have longstanding relationships with the majority of these sponsors, which speaks to our ability to directly originate loans through our platform. Our third quarter originations are secured by existing, high quality, income-producing properties across our target markets and various property types. Nine of these loans, totaling approximately 80 percent of the fully funded loan amounts, are secured by office properties and apartment properties. The remaining 20 percent are secured by industrial and hotel properties. We continue to be highly selective in retail and hotel.

The largest percent of these originations by loan amount are secured by properties in the Northeast, with the rest spread across the Southwest, Southeast, Midwest, and West regions. The characteristics of these loans and the return profiles are in line with our overall investment targets. Our third quarter originations demonstrate the flexibility of our platform and ability to execute on a variety of financings, ranging in size from a $125 million loan secured by an office building in the Northeast to a $21.5 million loan on an apartment property in the Southeast.

Importantly, each of the financing structures was customized to meet the individual business plans of our borrowers, without compromising on credit protections.

Turning to the fourth quarter, we continue to see a strong flow of investment opportunities. We have made total commitments to date of approximately $320 million across six senior floating rate loans with attractive returns. Two of these loans closed the first week of October, with a fully committed loan amount of $109 million. The remaining four loans are expected to close in the second half of the quarter.

Now, moving on to Slide #6, let's discuss our portfolio as of September 30th, which is 100 percent performing, with a total outstanding principal balance of $2.2 billion, a weighted average stabilized LTV of approximately 64 percent, and a weighted average asset yield of LIBOR plus 519. In addition to our funded balance, we have $272 million of future funding commitments, much of which we expect to fund over the next 18 to 24 months. By property type, our portfolio is weighted toward the office and multifamily sectors, which we continue to find attractive as we remain selective on retail and hotel. The portfolio is also well diversified across markets and is over 97 percent floating rate.

If we take a look at Slide #7, you will see our interest rate sensitivity. We believe our portfolio is well positioned for a rise in short-term rates — rates as if LIBOR were to increase by 100 basis points, as you can see on the slide, our annual net interest income per share would increase by approximately 14 cents.

Turning to Slide #8, I'd like to briefly comment on two recent deal examples to further illustrate our strategy and the types of high quality assets we originate through our large network of industry relationships. The first deal example is a $30 million senior floating rate loan collateralized by two newly constructed apartment buildings totaling 62 units in Brooklyn, New York. The properties were 79 percent occupied when we closed this loan. As is typical in such situations, the business plan involved the lease-up of the remaining units, at which time the sponsor is likely to sell or refinance the property. Our sponsor was a real estate investment development and property management firm headquartered in New York City and is a repeat sponsor of our platform. They have extensive experience in this asset class and in this overall market and own two similar properties in this particular neighborhood.

We like this type of investment for several reasons. First, the loan is secured by recently constructed apartments in a desirable location within a strong market with low single digit vacancy rates. Second, we have an experienced sponsor with whom we have an existing relationship. And, third, our loan basis is attractive relative to the sponsor's basis and recent sales.

The second deal example, which closed in the fourth quarter, is an approximately $75 million senior floating rate acquisition loan collateralized by an office property in the NoMa submarket of Washington, D.C. This submarket is regarded as one of the best performers in D.C. The sponsor's business plan involved a capital improvement program, and the re-leasing of vacant space. The sponsor was a fully vertically integrated real estate company based in the D.C. Metro Area that has extensive experience owning and operating similar value-add office properties along the East Coast, with a concentration in the D.C. Metro Area.

We like this type of investment for several reasons. Our loan is secured by a high quality office building located near Union Station, the largest transportation hub in D.C., and, importantly, the Class B office vacancy in this submarket is under 5 percent, which makes it one of the tightest submarkets in the D.C. Metro Area. This low vacancy level is driven in large part by tenants who want to be in this location and at a discount to Class A rents. Similar to the first deal example, the sponsor is a highly experienced owner/operator with significant expertise executing similar business plans on value-add office properties in this market. And, finally, our loan basis is attractive relative to the sponsor's basis and recent sales.

So to summarize, we continue to see a great flow of investment opportunities from existing relationships that fit our overall strategy and investment criteria. Based on the strength of our platform, our industry relationships, and our reputation as a reliable counterparty, we are confident that we will be able to continue to successfully execute on our business plan on behalf of our shareholders as we move into 2018.

I will now turn the call over to Marcin for a more detailed review of our quarterly financial results.

Marcin Urbaszek
Thank you, Steve, and good morning, everyone. I will spend a few minutes discussing our financial performance as well as our capitalization and liquidity. Our GAAP net income for the third quarter was $11.5 million, or 27 cents per share. Core earnings, which is GAAP earnings adjusted for non-cash equity compensation expense, was $11.9 million, or 28 cents per share. Taxable income for the third quarter was $14.3 million, or 33 cents per share. Our book value per share was $19.22.

Turning to Slide #9, let's touch on a few drivers of our earnings and quarterly dividend. We had a strong quarter in terms of our originations and putting capital to work. As is generally the case in this sector, it is hard to control when the loans actually close and fund. Our third quarter originations were weighted towards the end of the quarter, which impacted our earnings for the period. The earnings impact of our third quarter originations will be more fully realized in the fourth quarter of this year. Since the company is in the growth and capital deployment phase, timing of loan closings can have a material impact on quarterly results. Over time, however, each incremental investment should have a less material impact on our results going forward.

Let's discuss our dividend and its drivers. When setting our dividend, our Board and management team consider multiple factors, including our current and projected profitability, sustainability of our dividends, and our taxable income. Tax planning and compliance are important elements of maintaining our REIT eligibility. During our formation transaction, contribution of the commercial real estate lending business from Two Harbors was treated as a sale for tax purposes. As a result, we recognized a lower tax basis than GAAP basis of approximately $22 million at the time of the transaction. This GAAP-to-tax difference will result in higher tax accretion versus GAAP accretion over the life of the loan portfolio contributed to us by Two Harbors. In the third quarter, we recognized approximately $2.6 million of additional accretion and taxable income versus GAAP income. We estimate that through the end of 2019, the company will recognize approximately an additional $15 million of taxable accretion, which may result in taxable income being higher than core earnings. I will note that this estimate and timing of its recognition may change depending on factors such as additional fundings, prepayments, and any potential credit losses, among other things.

In light of the fact that our third quarter results were uniquely impacted by the capital raised in our IPO and the timing of loan closings, we feel it is beneficial to provide our stockholders with additional insight into our performance by providing one-time guidance on our dividend for the fourth quarter of this year. We anticipate that our dividend for the current quarter will be in the range of 38 to 40 cents per share, subject to the discretion and approval of our Board of Directors.

I would like to caution that going forward, we do not expect to provide guidance on dividends or any other financial results.

Turning to Slide #10, as you may recall, at the time of the IPO, we had established approximately $2 billion of financing capacity with multiple counterparties. As of September 30, we had approximately $1.5 billion outstanding on our facilities. Since that time, we have upsized our financing facility with Morgan Stanley by $100 million and are in final negotiations with another lender to increase their facility by $250 million, which would bring our total borrowing capacity to about $2.3 billion. We believe financing markets remain healthy and are operating in an efficient manner. As we grow the portfolio, we will look to optimize our cost of capital and diversify our financing profile to include additional financing sources such as syndicated loan positions or other forms of structured funding.

We ended the third quarter with a debt-to-equity ratio of approximately 1.8 times. As we grow the portfolio and invest additional capital, we expect our leverage to stabilize in the range of 2.5 to 3 times debt to equity, which we view as a prudent level, given our focus on senior floating rate loans. Our liquidity at the end of the third quarter could support additional originations of about $400 million of senior loans, depending on specific investments and available leverage. We are progressing in realizing these originations and believe we have positioned our balance sheet well from a capital deployment perspective going forward.

Thank you again for joining us today. And now I will ask the Operator to open the call to questions.

QUESTIONS AND ANSWERS

Operator
Thank you, sir. We will now begin the question-and-answer session. To ask a question, you may press star, then 1 on your touchtone phone. If you are using a speakerphone, please pick up your handset before pressing the keys, if at any time your question has been addressed and you would like to withdraw your question, please press star, then 2. Again, it is star, then 1 to ask a question. At this time, we will just pause momentarily to assemble our roster.

And the first question we have will come from Jade Rahmani of KBW.

Jade Rahmani
Thanks very much. In terms of the liquidity you cited, is that reflective of optimal leverage in the 2½ to 3 times range that you cited, or is that based on your current borrowing capacity which could potentially increase?

Marcin Urbaszek
Hi, Jade, this is Marcin. Thanks for joining us. Nice to speak with you again. I would say this is based on our current available capital and capacity. I think we will get to that 2½ to 3 times hopefully within the next few quarters.

Jade Rahmani
Okay. Do you have a sense of what the headwind from the timing of originations was in the quarter? I suspect that's one of the reasons the stock is modestly weak today.

Marcin Urbaszek
Sure. Hi, it's Marcin again. I would say, as we mentioned, a significant amount of our loans closed in the second half, and towards the end of the quarter. I would say it is a couple pennies of earnings in Q3, and as Steve mentioned in his remarks, considering it's almost mid-November and we closed two loans so far, I would expect a probably similar pattern in the fourth quarter in terms of closings later in the quarter.

Jade Rahmani
I think you've in the past mentioned your emphasis on cash flowing assets. Would you be able to give some color on the overall portfolio occupancy rate-to-debt service coverage ratio or debt yield, just to give investors and analysts a sense of, you know, level of light transition?

Steve Alpart
Hey, Jade, it's Steve Alpart. Thanks for that question. So, yeah, as we mentioned, we're continuing to to focus on existing properties. The majority of these properties have cash flow in place, and just to give you a sense, like for third quarter for example, the average going in debt yield was in the mid 6's, and the fact that a lot of these properties are multifamily properties that tend to have lower cap rates, I think that's reflective of our overall focus on yields with some cash flow in place.

Jade Rahmani
And, generally, where would you say you're finding the most value, and could you give any examples of areas that you're avoiding?

Steve Alpart
It's Steve again. I'll take that. So about 70 percent of our portfolio, as you can see in some of the charts, right now is in office and multifamily properties, and we continue to like those sectors. As you heard me say earlier, we're selective on retail and hotel. We're always looking for high quality industrial. We do have some industrial in our portfolio, but a lot of the big institutions in public REITs dominate that sector, but we're always looking for high quality industrial. There's a few asset classes that we're not focused on. Residential condo loans, land loans would be examples of that, and, as you heard Jack say earlier, as far as geographies, we continue to focus on primarily the top 25 MSAs selectively. We'll go to MSAs, you know, 26 through 50. There's no regions in the country that we would say are redlined, but there's certainly some regions of the country that we would probably be very quiet on, generally characterized as not a lot of economic drivers or not a lot of economic growth, but we see a lot of opportunities in the top 25 MSAs.

Jade Rahmani
I was wondering on the office exposure, how you think about trends in space utilization. You know, if you have a property that's nearly entirely occupied but has, for example, a lot of law firms or businesses that in the past have used more square footage, how do you underwrite that?

Steve Alpart
It's Steve again. So look, it's always going to be asset-by-asset, market-by-market, corner-by- corner analysis, so every situation's a little bit different, but we're obviously aware of the overall trends in the office space. We're going to look at each investment on a fundamental basis. We're going to look at the property and the location, the market, the sponsor. The other thing I would point out is that we're not underwriting to markets improving. The typical profile that we would have would be a deal that's a great building, great location, very strong sponsor, well capitalized, lost a tenant or has a rollover coming up, maybe undercapitalized, and we're

underwriting to get that property back up to market. So your question about space utilization is an element in that overall analysis, because a lot of factors go into the underwriting.

Jade Rahmani
Thanks very much for taking the questions.

Steve Alpart
Sure. Thank you.

Operator
The next question we have will come from Steve Delaney of JMP Securities.

Steve Delaney
Good morning, and thank you for taking the question. I'd like to start with payoffs. I didn't pick up in the release or your comments that there were any. Were there no payoffs in the portfolio in the third quarter?

Steve Plust
Steve, hi, this is Steve Plust, and I'll handle that question.

Steve Delaney
Hi, Steve.

Steve Plust
Okay. As of September 30th, we had no prepayments at all.

Steve Delaney
Okay, great. And looking out, I mean, obviously you've been lending for some time, so over the last couple years as you were building up the company and the portfolio, if you look out, Steve, over the next two quarters —and I realize it's very difficult to time something between, say, the fourth quarter this year and the first quarter, so maybe on a combined basis over the next six months — are you seeing some scheduled repayments or expected early repayments over the next six months?

Steve Plust
Steve, hi, this is Steve Plust again.As far as the fourth quarter is concerned, we've had one de minimis $10 million prepayment so far. We may have one or two more in the quarter which would be less than $100 million, maybe $50 million to $75 million for the quarter. And, as we project forward, we think in terms of the status of the sponsor's business plan, generally as the best predictor of prepays in our portfolio.
And, historically, as we've looked at our portfolio, these are three- to five-year loans with sponsors with business plans that range from two to four years, so, historically, we think that our portfolio in a mature and stabilized manner, might have 25 percent prepaid per year.

Steve Delaney
Per year, okay. Great. That's very helpful for the near term. Thank you so much. Also, I'm just curious on your — how you guys see your capital market's flexibility. I may be a little premature here, you've just done your IPO, but when I look at your capital structure, you have $830 million of common equity, so no corporate debt, no unsecured corporate debt at this time. Now, I believe you have to wait a period of time to have any kind of a shelf registration, but as you look at your business over the next year or two, to the extent that you become — you hit that 2.5 leverage and

maybe you don't want to push it too much higher, do you look at your situation as one where you have the flexibility to issue corporate notes, unsecured corporate notes or possibly convertible notes sometime over the next 12 months?

Marcin Urbaszek
Hi, Steve, this is Marcin.
Steve Delaney
Hi, Marcin.

Marcin Urbaszek
I would say, look, I think our overall philosophy on just generally capital raising, first and foremost, obviously has to make sense for our shareholders. We have, as you've heard, good use of capital right now, great originations. I think as a public company, we obviously have a variety of options available to us, from debt through preferred, to equity. We will look at all those as appropriate and when we have potential needs. I think we have — as of right now, I mentioned earlier we have ample capital for the near term, and we'll look to stabilize the company and evaluate alternatives as we move forward with our business plan.

Steve Delaney
Okay. Thank you. And just a final thing for me. Leverage, you know, I look at our model, and we clearly see you getting to 2½. We hear a lot of people say 3 times is sort of a practical limit, but, frankly, we're not seeing many senior floating rate lenders actually get to that level on any kind of a consistent basis. And I'm just curious as you model the company and look towards your IPO, can you say whether you think 3.0 is realistic, and if I or any other analyst had, say, a 2.9 to 3.0 leverage level in, say, early 2019, would you look at that as being too aggressive on my part? Thank you. That's my last question.

Marcin Urbaszek
Sure, thanks, Steve. It's Marcin again. I'll say generally, when we think about leverage 2½ to 3 times on a corporate basis, that will also have some liquidity and cash and unencumbered assets. When we look at it on an asset basis, the standard is 75 percent advance or 3 times debt to equity on a loan by loan.

Steve Delaney
Right.

Marcin Urbaszek
Additionally, when we think of leverage, we think of kind of recourse leverage. There may be an opportunity to do something in the market that's non-recourse. Our overall reported leverage may get closer to that 3 or higher, depending on the opportunities, but I would say 2½ to 3 times is kind of the target. So, from your modeling perspective, I don't think you would be too far off in terms of how we're thinking about it.

Steve Delaney
Okay. I appreciate the comments. Thank you.

Marcin Urbaszek
Thank you, Steve.

Operator
And next we'll have Rick Shane of JP Morgan.

Rick Shane
Hey, guys, thanks for taking my questions. Really two things here. I appreciate the outlook in terms of dividend for the fourth quarter. As things are ramping up, it's important to sort of have that context. I am curious, though, how to think about the characterization of that dividend. Are you changing dividend policy in the short term, or will this be fully covered from taxable income in the fourth quarter?

Marcin Urbaszek
Hi, Rick, this is Marcin. Thanks for joining us and thank you for the question. Our overall dividend policy, as I mentioned earlier, involves multiple factors. Taxable income obviously is a driver, considering we are a REIT. As a REIT, we are required to pay out 90 percent of taxable income. We will be in compliance with that, but, I will mention that as you saw the taxable income being, obviously, higher then GAAP and core, there will be some of that disconnect for the next couple years, but taxable and overall profitability and sustainability of our dividend, those are going to be our drivers for the next couple years.

Rick Shane
Got it. Second question, when we think about spread compression in this space, one of the things that we've basically seen is that it feels like the asset sensitivity in this space is basically deemed given back to the market in terms of spread compression. Do you think over time, you know, you will be able to achieve the asset sensitivity of the floating rate loans?

Marcin Urbaszek
Hi, Rick, it's Marcin again. I think if you look at our reported yields over the last couple quarters, the 6.2 to 6.4, as we reported on realized yield basis. We do believe that there is some asset sensitivity, obviously. In terms of overall spread compression, as I'm sure you've heard from others, there has been some early in the year. The one thing that we'll point out is our lenders and financing providers have been working with us as well to help accommodate some of that, but I think, overall, we feel pretty good about being asset sensitive to rising LIBOR, so there should be a benefit in our earnings going forward.

Rick Shane
Got it. Okay. Thank you very much, guys.

Marcin Urbaszek
Thank you for your questions.

Operator
The next question we have will come from Fred Small with Compass Point.

Fred Small
Hey, good morning. Thanks for taking my question. Did you give a weighted average portfolio balance for the quarter?

Marcin Urbaszek
Hi, Fred, this is Marcin. Thanks for joining us. If you look in our presentation on page 15 in the Appendix, we provide average balances by category, so that should help you with that.

Fred Small
Okay, great. Thanks. And then, I guess, I didn't fully understand your dividend guidance. Do you think core earnings will cover the dividend guidance for the fourth quarter?

Marcin Urbaszek
Okay. Thank you. As I said earlier, we have taxable income that's in excess of GAAP and core earnings. We expect that to continue for the next couple years, as I mentioned earlier, as a result of the formation transaction. I think if you look at our core this quarter, our dividend and taxable, I would expect that relationship to persist. Obviously on a per-share basis, it's hard to quantify that as the company grows, but overall I would expect taxable to be in excess of core, and obviously taxable is a big driver of our dividend.

Fred Small
Okay, sure. I mean, what here maps most closely to cash? Is it core or taxable?

Marcin Urbaszek
I would say most of our earnings is cash. I think core is probably the best estimate of cash, so I would probably point to that.

Fred Small
Okay. So the — but just so I understand, the difference that you're talking about between the core and the taxable is mostly non-cash?

Marcin Urbaszek
It's an accretion that we have to recognize for tax purposes as a result of the $22 million GAAP- to-tax difference that we discussed earlier.

Fred Small
Okay. And then, last one, just on — expenses in the quarter were just — G&A was a little bit higher than your run rate in the first half. Is there anything one-time in that, or is the current level sort of what you expect going forward?

Marcin Urbaszek
Sure. Thanks. It's Marcin again. I would say considering the company is newly public as of the end of June, we do have additional costs related to public company infrastructure and just public company expenses, whether it's legal, insurance, Board, and things like that, so it's hard to make comparisons when the business was part of Two Harbors and some of those direct costs related to a public company were not there. I would say our current run rate of expenses, it's plus or minus somewhere in the range of what we had in the third quarter.

Fred Small
All right. Thanks.

Operator
And next we have a follow-up from Jade Rahmani of KBW.

Jade Rahmani
Yeah, I was wondering if Jack or Steve could provide some color regarding the current competitive landscape. Specifically, I was wondering if there's been any diminution in the level of competition

in the fourth quarter, seasonally, and also if you're seeing any as a result of competition, you know, compromises from lenders in terms of structure or covenants or any other concessions being made to borrowers' fees, et cetera?

Jack Taylor
Hi, Jade, thank you. This is Jack Taylor. I would say that we don't think there's been any seasonal lowering of the competition in the fourth quarter. It seems like there's been a healthy competition in the market that's continued for the past couple of quarters and through the fourth quarter. And I would say we are not witnessing competitors capitulating on credit terms. We don't think that there's irrational lending occurring in order to win the deals. In fact, I would characterize the market as a free flowing market where there's more competition on price than there is on credit.

Jade Rahmani
Thanks very much.

Operator
Showing no further questions at this time, we will conclude the question-and-answer session. I would now like to turn the conference call back over to Mr. Jack Taylor, CEO, for any closing remarks. Sir?

CONCLUSION

Jack Taylor
Well, thank you, Mike, and we appreciate your hosting us. We'd like to thank everyone for joining us today and for your support of our business. We look forward to speaking with you all again soon. Thank you.

Operator
And we thank you, sir, and also to the rest of the management team for your time also today. The conference call is now concluded. At this time, you may disconnect your lines. Again, we thank you all for participating. Take care and have a great day.