STARWOOD
PROPERTY TRUST

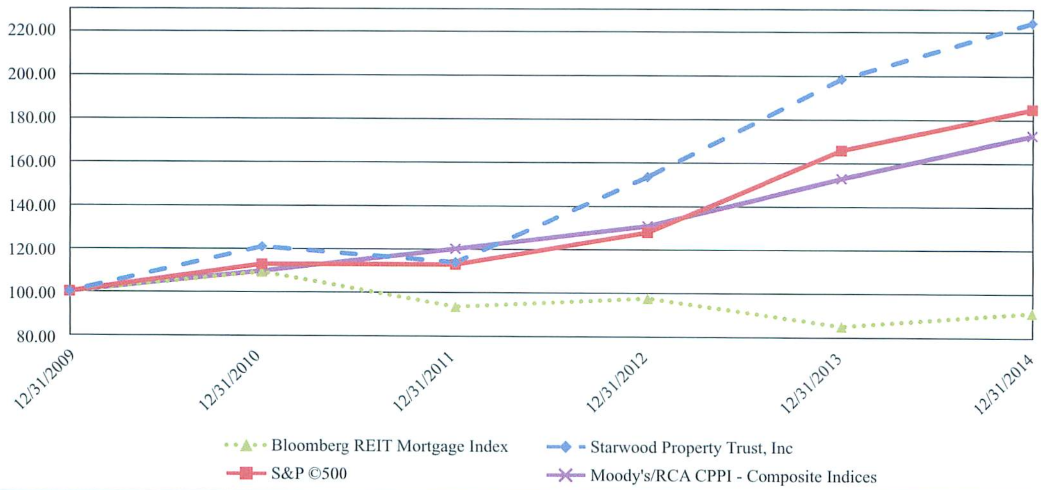
Starwood Property Trust, Inc.
591 West Putnam Avenue
Greenwich, Connecticut 06830

March 24, 2015

Dear Fellow Shareholders,

It was over five years ago that together we created Starwood Property Trust (NYSE: STWD), and I wanted to take a minute to reflect on how far we have come. We built our company to provide a substantial yet stable yield to our investors by helping fill the void in the commercial real estate (CRE) lending markets that existed in 2009. Since our IPO, we achieved a 125.6% return on your capital—a 15.8% compound annual return. We appreciate your support of our company and your patience and trust in our approach. We strive to find areas that reward our shareholders' precious capital as the cycle matures with a keen focus on the risks and rewards of each successive investment.

Cumulative Total Return



Note: Based on initial investment of $100 on January 1, 2010. Assumes dividend reinvestment at quarter end.

From 2005-2007 there were almost $1.4 trillion in CRE sales. Over $1 trillion in CRE debt was created; more than half financed by commercial mortgage-backed securities (CMBS) financings alone. In 2008-2009 the "wall of cash" had disappeared, CRE prices plummeted, traditional lenders were hampered by their own balance sheet issues, and lending became scarce. The landscape was wide open for a lender with capital to lend to world class borrowers on great properties, on great terms—and Starwood Property Trust was able to take advantage of that opportunity.

Liquidity has now returned to the CRE markets, yet a "wall of maturities" looms as a result of the tremendous volumes of eight to ten years ago. We see this development as another important—albeit different—opportunity for our company. We expect that many of these loans written with looser underwriting standards will default, and will need to be refinanced in the next few years. When they do, we will again be ready. We are uniquely positioned and eager to capitalize on the lending opportunities in front of us, as the named special servicer on more than $130 billion of these upcoming maturities. We will benefit from our advantageous seat, as additional loans enter our 320 person strong, world-class special servicing business. With the economy 20% larger today in nominal terms than in 2007, you don't have to look far to see new opportunities emerging across asset classes. In each case, there is an investor seeking to borrow capital. Opportunities to lend are ample, and we will spend much of the next five years sifting through these market opportunities and maturing loans to find the best risk-adjusted prospects for your capital.

In 2009, we had just 163 professionals at Starwood Property Trust and its manager, Starwood Capital Group. Today, we have over 1,400 professionals operating within an increasingly global platform. We rely on the expertise of this team to find the most compelling investment opportunities. Our lending pipeline has always been built more through relationships and repeat business than through funding the *deal du jour*, and that will not change. We will not reach for yield, and we will not compromise on credit quality. At the end of 2011, our optimal asset-level return was 12.1%, with an average LTV of 67%, and three years later, at the end of 2014, our optimal asset-level return was 10.8%, with an average LTV of just under 62%. We are proud of our financial performance over the past five years, and of the fact that we achieved that performance without reducing the quality of our investment portfolio, and did so during a period in which the yield on 10-year U.S. treasuries has fallen 175 basis points from 3.75% to 2%. We will continue to grow our loan book only if we can maintain the right balance between reward and risk. It is also important to note that our portfolio has been constructed defensively in relation to a potential interest rate rise, as more than 77% of our loans float with LIBOR, and our earnings will increase materially in a rising rate environment.

Total Portfolio Size vs. Weighted Average LTV

Today, we are proud to say that we are substantially larger than our competition, and we leverage that scale and significantly benefit from our size. In 2014, we originated nearly $7.0 billion in loans. In our Lending Segment alone, we reviewed almost 1,000 loan opportunities, yet selected just 38 for funding, and at double-digit average yields. We are proud of our track record, and are very pleased to say that in our five-plus years, we have not realized a single dollar of loss on any of the 160 loans, total investment of $14.1 billion, that we have originated to date.

Year in Review

In 2014, we announced core earnings of $2.17 per share, or $474 million, with 63% of that coming from our Lending Segment, and the remainder from our newly named Real Estate Investing and Servicing segment. Our Lending Segment deployed capital of $5.2 billion this year. Among our many investment highlights during the year, we:

- Provided a $450 million first mortgage and mezzanine loan to finance the construction of 250 E. 57th Street, a 57-story, Skidmore, Owings and Merrill-designed, luxury residential tower in the

Midtown East area of New York City. The loan is sponsored by a joint venture between World Wide Group, Rose Associates and others.

- Co-originated with Vornado $408 million out of a total of $815 million of a first mortgage and mezzanine loan to refinance and recapitalize loans that Starwood Property Trust had co-originated in October 2012 for the acquisition and redevelopment 701 7th Avenue, a hotel and retail development in the heart of Manhattan's Times Square.
- Provided a $480 million first mortgage and mezzanine loan to finance the construction of 181 Fremont, a LEED Gold-certified, 633,198 gross square foot, Class A+ office and luxury condominium tower located in San Francisco. At 54 stories and 800 feet high, the project when completed will be the tallest office and residential tower in the western United States. The loan is sponsored by the Jay Paul Companies.
- Originated a $264 million first mortgage loan to finance Marblehead, 196 acres of oceanfront land in San Clemente that represents the premier coastal residential development opportunity in California. The property includes 308 lots for the construction of single-family homes. The loan is sponsored by Oaktree, TPG and Taylor Morrison.
- Co-originated a £200 million first mortgage loan for the refinancing of Aldgate Tower, a new, 17-story, Grade A tower in Aldgate, London, comprising 317,000 square feet of office accommodation. The loan was co-originated with Starwood European Real Estate Finance Ltd. (LSE: SWEF) and other private funds.
- LNR was atop the league tables in 2014 with an industry leading 18.8% market share in special servicing assignments in the fixed rate conduit space. We added roughly $15.8 billion in named special servicing loan balances, which should help sustain our special servicing platform for many years to come.
- We deployed $176 million to purchase new issue CMBS B-piece investments throughout the year. We were able to leverage our deep knowledge, proprietary database and our dedicated team of loan workout and investment professionals to analyze and underwrite billions of dollars of collateral that we believe are attractive risk adjusted investments. Not only did we increase the size and diversification of our CMBS book, but we also captured valuable asset and market specific data to expand and deepen our proprietary databases.
- Our conduit loan origination platform, Starwood Mortgage Capital, continued its strong track record of generating solid earnings while turning capital at a very high velocity. We successfully closed 11 securitizations during the year for a total of $1.6 billion. This business is another example of the synergies that are created by STWD's scale, since we can successfully leverage our capital markets and loan underwriting professionals across multiple platforms as well as sourcing lending opportunities from our special servicing and industry relationships.

Revving Up the Engine

We have successfully added a number of cylinders to the engine that we originally built in 2009, all of which help us remain the premier finance company that can generate attractive and sustainable total returns for shareholders across various market conditions. We will use each of these cylinders to stay invested in the most appropriate risk/reward assets—and we are likely to add a few new ones along the way.

We added the first major cylinder to our best-in-class lending business when we took advantage of illiquidity and the "mispricing" of residential mortgages to create and spin off Starwood Waypoint Residential Trust (NYSE: SWAY), and we as shareholders have greatly benefitted from that transaction. In 2013, we added another key cylinder with the purchase of LNR, one of the preeminent commercial mortgage special servicers and conduit originators in the world, and a pioneer in the CMBS B-piece investing space. The operating results at LNR since its acquisition have been exceptional. The team has continued to generate positive returns on the servicing business, as we await the maturity of over $300 billion in CMBS loans over the next three years. In addition to special servicing, LNR also provides us with a high-yielding CMBS portfolio, a best-in-class CMBS conduit originator (Starwood Mortgage Capital), the largest special servicer in Europe (Hatfield Phillips International), and a team of more than 400 experienced professionals who are uniquely positioned to underwrite and manage CRE assets.

You might also have noticed that we recently added real estate equity to our portfolio. We did this through a co-investment of a one-third interest in a portfolio of four high-quality, Class A malls, investing alongside three sovereign wealth funds. Our manager, Starwood Capital Group, is uniquely suited to bring us opportunities to invest in these types of quality properties globally, and to take advantage of aggressive pockets of financing to generate accretive, above-market yields on assets that we are proud to own. We will continue to augment our existing book with these types of investments when the market gives us the opportunity and returns exceed those available in our Lending Segment with acceptable or lower risk.

We will also remain true to our initial pledge to our shareholders. We will seek to avoid "stretching" into markets where we do not believe we have an information or pricing advantage or where risk is inappropriate relative to our reward. Instead, we will pivot our focus to match the opportunity set that the ever-evolving real estate markets and the global platform of Starwood Capital Group afford us.

Cap Rates—All Property Types vs. 10 Year Treasury Yields

Source: Real Capital Analytics

Commitment to Partnership

We are a complex, diversified real estate finance company, and this year we continued to devote a tremendous amount of time to telling our story to our shareholders through hundreds of calls and meetings. We pride ourselves on having the most detailed and transparent disclosure in our business. We believe that investors who take the time to understand all facets of our business, and how they interrelate, have been and will continue to be rewarded for that effort.

We approach markets in a rigorous, quantitative manner, and we treat our shareholders like our partners. We are proud to say that because of the excellence of our team, their tenacity, flexibility and speed, we win a tremendous amount of repeat borrower business. Overall speed, size, flexibility and knowledge across all types of debt and equity globally continue to provide us with sustainable competitive advantages. Today, we offer borrowers innovative, tailored solutions around the globe. We maintain a diligent focus on the right side of our balance sheet. We have 13 warehouse lines totaling $4.3 billion, which uniquely positions us as the go-to provider for large, highly structured loans.

We thank you again for serving as our partners in this exciting endeavor and we want to thank our dedicated Board of Directors and our employees for their hard work this year and in years past. We do not take your commitment and loyalty lightly.

Yours very truly,

Barry Sternlicht

Barry S. Sternlicht
Chairman and Chief Executive Officer