



Lument Finance Trust

Investor Presentation

May 2021

Disclaimer

This presentation, any related webcast/conference call, and other oral statements made by our representatives from time to time may constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which reflect the current views of Lument Finance Trust, Inc. (NYSE: LFT) (“LFT” or the “Company”) with respect to, among other things, the Company’s operations and financial performance. You can identify these forward-looking statements by the use of words such as “outlook,” “indicator,” “believes,” “expects,” “potential,” “continues,” “may,” “will,” “should,” “seeks,” “approximately,” “predicts,” “projects,” “intends,” “plans,” “estimates,” “anticipates” or the negative version of these words or other comparable words. Such forward-looking statements are subject to various risks and uncertainties. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. The Company believes these factors include but are not limited to those described under the section entitled “Risk Factors” in its Annual Report for fiscal year 2020 on Form 10-K and other periodic filings with the Securities and Exchange Commission (“SEC”), when evaluating these forward-looking statements. Additionally, many of these risks and uncertainties are currently amplified by and will continue to be amplified by, or in the future may be amplified by, the COVID-19 outbreak. It is not possible to predict or identify all such risks. Additional information concerning these and other risk factors are contained in our 2020 Form 10-K which is available on the SEC’s website at www.sec.gov. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this presentation and in the filings. The Company assumes no obligation to update or supplement forward-looking statements that become untrue because of subsequent events or circumstances

This presentation includes non-GAAP financial measures within the meaning of Item 10(e) of Regulation S-K, as promulgated by the SEC. While we believe the non-GAAP information included in this presentation provides supplemental information to assist investors in analyzing our financials and to assist investors in comparing our results with other peer issuers, these measures are not in accordance with GAAP, and they should not be considered a substitute for, or superior to, our financial information calculated in accordance with GAAP. Our GAAP financial results and the reconciliations from these results contained herein should be carefully evaluated

Company Overview

- The Company is an externally-managed real estate investment trust focused on investing in, financing and managing a portfolio of commercial real estate debt investments
 - The Company is externally managed by Lument Investment Management, an affiliate of ORIX Corporation USA
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Key Investment Highlights

Strong Sponsorship/Ownership

- Access to extensive loan origination platform through affiliation with Lument, a premier national mortgage originator and asset manager
- Experienced management team with average of 23 years of industry experience across multiple economic cycles
- Affiliation with ORIX Corporation USA, an established international financial firm

Attractive Investment Profile

- Emphasis on middle market multifamily investments which are well positioned for the current environment
- Strong credit and asset management capabilities with zero delinquencies or defaults during the COVID era
- Attractive financing sources via non-recourse, non mark-to-market CRE CLOs

Leveraging the Depth of the Lument Platform

The Company leverages Lument's broad platform and significant expertise when originating and underwriting investments

- Lument is a nationally recognized leader in multifamily and seniors housing and care finance
- Combining the industry expertise of legacy brands Hunt Real Estate Capital, RED Capital Group, and Lancaster Pollard, Lument offers a comprehensive set of custom capital solutions to its clients across commercial real estate with a strong focus in multifamily, affordable housing, and seniors housing and healthcare

Significant Multifamily Expertise

- Top 10 non-bank multifamily lender
- \$47+ billion servicing portfolio (as of December 31, 2020)
- Lument's combined predecessor companies rank first in HUD senior housing and healthcare lending over the past decade, with more than 1,000 closings totaling over \$8.6 billion
- Top 5 Fannie Mae Small Loan lender (2020)
- Top 5 Freddie Mac Small Loan Lender (2020)
- Top ranked FHA MAP lender



Lument: A Platform Built for the Benefit of Investors

Diverse Opportunity Set via Lument Origination Platform

- 550+ employees across 30+ offices provide clients of Lument and its affiliates with a mix of markets, assets, and deal types that span the breadth of commercial and multifamily real estate
- Majority of deals are directly originated which creates differentiated access to investment opportunities

Proprietary Underwriting and Proactive Surveillance

- Seasoned underwriting staff analyze opportunities on a deal-by-deal basis, and are further supported by a proprietary database of more than 20,000 deals
- “Boots-on-the-ground” approach to underwriting, surveillance, and asset management allows for:
 - Real-time intelligence that helps inform investment process
 - Enhanced view of trends and warning signals across markets and asset types
- Lument’s \$47+ billion servicing portfolio⁽¹⁾ includes a Fitch-rated servicing unit

Cradle-to-Grave Capital Source

- Robust borrower relationships combined with an efficient underwriting process allows Lument to be a go-to capital provider, which in turn keeps the Company’s pipeline of investment opportunities active and diverse
- Flexibility to act as a capital provider up and down the capital stack both reinforces value to borrower clients and offers a multitude of investment opportunities to the Company

Backing from Well-Capitalized Parent Company

- Backing from ORIX Corporation USA, an established international parent
- ORIX Corporation (TSE: 8591 and NYSE: IX) operates in 37 countries and regions
- In-house operations, asset management, legal, compliance, HR, etc.

Note: (1) As of December 31, 2020.



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Affiliation with ORIX

ORIX Corporation USA, a subsidiary of ORIX Corporation, is the parent of the Company's investment manager and is also a meaningful Company shareholder

ORIX CORPORATION USA – AT A GLANCE

ORIX Corporation USA provides investment capital and asset management services to clients in the corporate, real estate and municipal finance sectors. ORIX USA and its family of companies have \$87 billion of assets under management, administration and servicing as of December 31, 2020. ORIX USA and its subsidiaries include a team of more than 1,200 employees spanning more than 50 offices across the U.S. and Brazil. Its parent company, ORIX Corporation, is a publicly owned, Tokyo-based international financial services company.

Global Reach

- Operating in 37 countries and regions
- More than 2,100 locations
- Ranked No. 292 on 2020 Forbes Global 2000: World's Largest Public Companies

Publicly Traded

- Listed on the Tokyo (8591) and New York (NYSE: IX) stock exchanges
- Approximately \$20 billion market capitalization as of March 2020

Capital Reach

- Balance sheet assets exceeding \$128 billion (As of December 2020)
- Approximately \$400 billion in assets under management across the globe (As of December 2020)

Rated

- Long-term debt credit rating of A- by S&P's, Fitch's and A3 by Moody's (As of April 2020)



Lument: Experienced Leadership Team



JAMES FLYNN

Director & CEO, Lument Finance Trust
Chief Executive Officer, Lument



MIKE LARSEN

President, Lument Finance Trust
Chief Operating Officer, Lument



JAMES BRIGGS

CFO, Lument Finance Trust
Chief Accounting Officer, Lument



PRECILLA TORRES

Head of Real Estate Investment
Strategies, Lument



VIC CLARK

Head of Conventional
Multifamily Production,
Lument



BARRY FULLER

Head of Loan Servicing and
Asset Management, Lument



PHIL GIBSON

Chief Credit Officer, Real Estate
Investment Strategies, Lument



JAMES HENSON

General Counsel, Lument

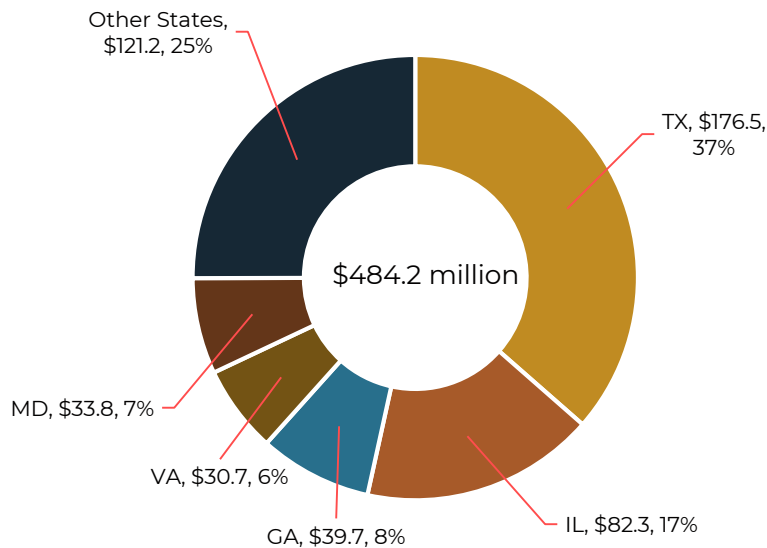
Lument Finance Trust: Target Investments

Loan Size	\$5 million to \$50+ million
Collateral	Primarily first lien real estate debt on stabilized or transitional assets
Property Type	Multifamily, retail, office, industrial, and self storage
Geographies	Within the United States
Loan to Value	Typically up to 80% LTC / up to 75% of stabilized value
Rate	LIBOR + 3.00% and higher
Term	3 to 5 years
Amortization	Typically interest only
Recourse	Typically non-recourse except for standard carve-outs

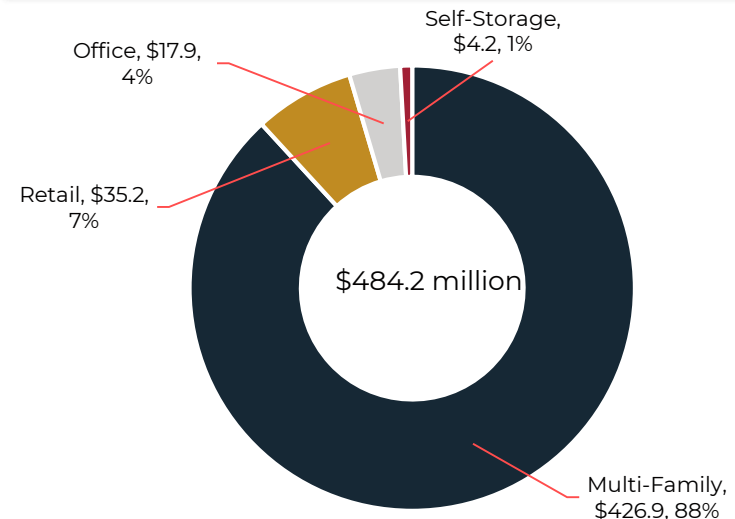
Lument Finance Trust: Investment Portfolio

- As of Q1 2021, the Company owned a portfolio of floating-rate CRE loans with an aggregate UPB of \$484.2 million. 88% of the portfolio was invested in loans backed by multifamily assets
- The Company anticipates that the majority of loan activity will continue to be related to multifamily assets. The Company does not own any hospitality assets and has limited exposure to retail and office properties (~11% of portfolio UPB)
- LIBOR floors exist on 100% of the loans in the Portfolio
- During the “COVID era,” the Company has not granted a single forbearance nor has it experienced a single loan default

Geographic Concentration⁽¹⁾



Property Type⁽¹⁾

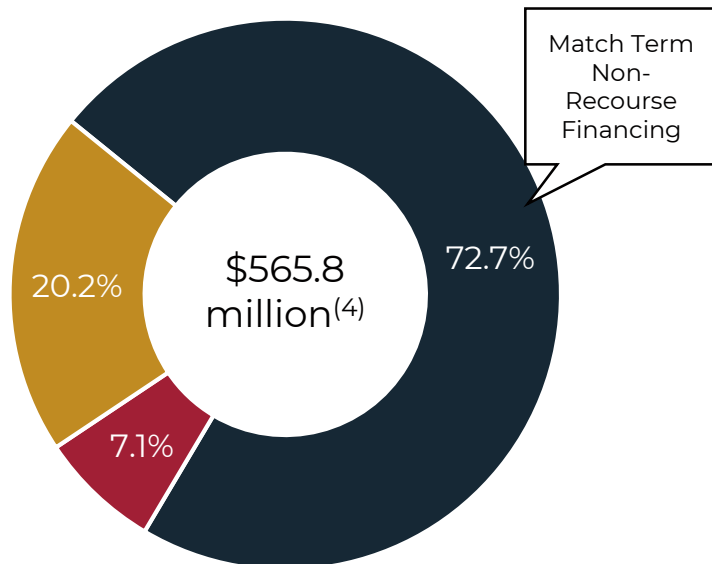


Note: (1) \$ In millions, based on UPB.

Lument Finance Trust: Capital Structure Overview

- The Company does not currently utilize repurchase or warehouse facility financing and therefore is not subject to margin calls on any of its assets from repo or warehouse lenders
- Primary sources of debt financing are two match-term non-MTM CRE CLOs as well as a corporate term loan

Capital Structure Composition



■ CLO Financing ■ Term Loan ■ Common Equity

Capital Structure Detail

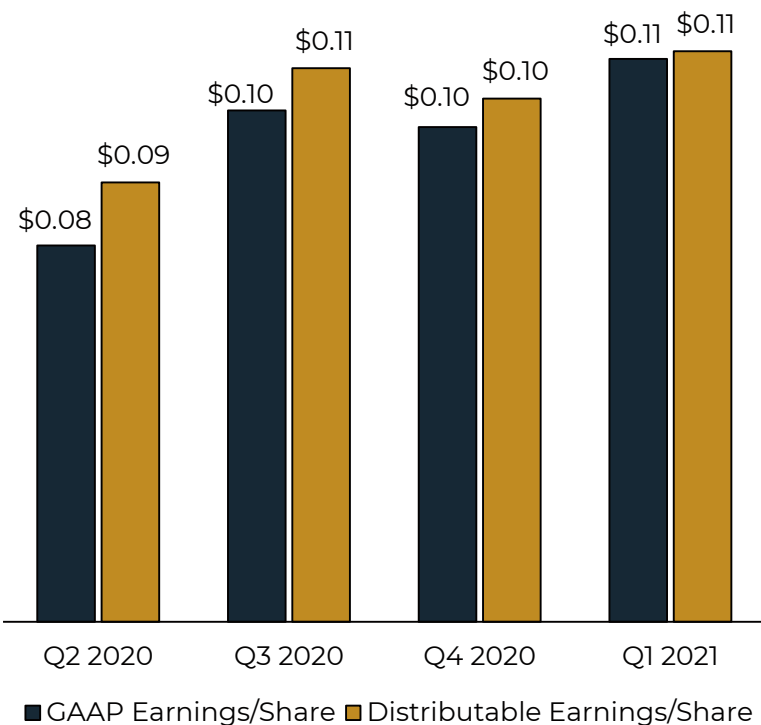
(\$ in millions)

<u>Collateralized Loan Obligations</u>	<u>Rate</u>	<u>Advance Rate</u>	<u>Amount</u>
Hunt CRE 2017-FL1 ⁽¹⁾	L + 1.57%	79.8%	\$191.8
Hunt CRE 2018-FL2 ⁽¹⁾	L + 1.44%	77.0%	\$219.4
Total Collateralized Loan Obligations	L + 1.50%		\$411.2
<u>Credit Facilities</u>			
Term Loan ⁽²⁾	7.25%		\$40.3
Total Debt			\$451.5
<u>Equity</u>			
Book Value of Common Equity⁽³⁾			\$114.3
Total Capitalization⁽⁴⁾			\$565.8

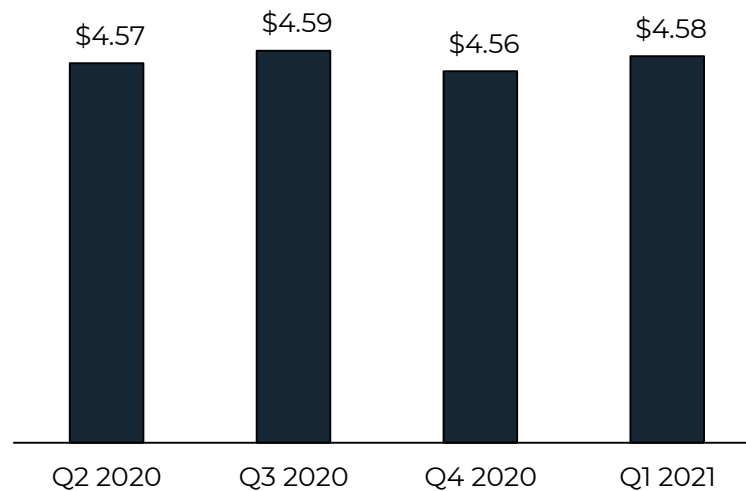
Note: (1) CLO financing shown at par value. GAAP carrying value of \$409.4 million includes \$1.8 million of unamortized debt issuance costs for Hunt CRE 2018-FL2.
 (2) Term loan shown at par value. GAAP carrying value of \$39.6 million includes \$0.7 million of unamortized debt issuance costs.
 (3) Noncontrolling interest was \$99,500 as of 3/31/2021 and is included in common equity above.
 (4) LFT total capitalization is a non-GAAP measure which excludes certain Balance Sheet items; Please see Appendix for reconciliation to GAAP.

Track Record of EPS Growth and Book Value Stability

GAAP Earnings & Distributable Earnings⁽¹⁾
Per Share of Common Stock



Book Value Per Share



Note: (1) See Appendix for definition of Distributable Earnings.

Conclusion



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Key Investment Highlights

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Appendix

Q1 2021 Financial Updates

Q1 2021 Key Updates

Financial Results	<ul style="list-style-type: none">• Q1 2021 Distributable Earnings⁽¹⁾ of \$2.8 million, or \$0.11 per share• Q1 2021 GAAP Net Income of \$2.8 million, or \$0.11 per share• Q1 2021 Book Value Per Share of \$4.58
Highlights	<ul style="list-style-type: none">• On May 5th, the Company closed an underwritten public offering of 2.4 million shares of 7.875% Series A Cumulative Redeemable Preferred Stock at a public offering price of \$25.00 per share, for net proceeds of approximately \$58.1 million, after the underwriting discount but before estimated offering expenses• On April 21st, the Company entered into an amendment to its term loan which provided the Company with an incremental \$7.5 million of proceeds, extended the maturity date, and amended certain covenants and concentration limits• During Q1 2021, the Company acquired and/or funded \$34.9 million of new loans and participations at a weighted average spread of LIBOR + 3.54%. 100% of the new acquisitions were multifamily assets. The Company experienced \$98.1 million of loan payoffs during the quarter
Investment Portfolio Overview	<ul style="list-style-type: none">• As of March 31, 2021, 99.8%⁽²⁾ of LFT's investment portfolio consisted of floating-rate CRE loans<ul style="list-style-type: none">• The \$484.2 million CRE loan portfolio had a weighted average remaining term of 11 months⁽³⁾ and a weighted average coupon of L + 3.53%• The portfolio had a weighted-average LIBOR floor of 1.54%• 88%⁽²⁾ of the portfolio was multifamily
Capitalization	<ul style="list-style-type: none">• The floating-rate CRE loan portfolio is financed with \$411.2 million of investment grade notes issued through two CRE CLOs

Note:

(1) We believe that Distributable Earnings provides meaningful information to consider in addition to our net income (loss) and cash flows from operating activities determined in accordance with GAAP. Distributable Earnings mirrors how we calculated Core Earnings in the past.

(2) Based on UPB.

(3) If all extensions are exercised by the borrowers, the CRE loan portfolio will have a weighted average remaining term of 35 months.

Q1 2021 Income Statement Summary

Summary Income Statement (thousands)	Three Months Ended March 31, 2021
Net interest income	\$4,517
Total other income (loss)	104
Operating expenses	(1,798)
Benefit (provision) from income taxes	(15)
Preferred dividends	4
Net income attributable to common stockholders	\$2,805
Weighted average shares outstanding during the period	24,943,383
Net income per share	\$0.11

GAAP Net Income to Distributable Earnings Reconciliation (thousands)	Three Months Ended March 31, 2021
Net Income attributable to common stockholders	\$2,805
Adjustments:	
Unrealized losses (gains) on mortgage servicing rights	20
Recognized compensation expense related to restricted stock	3
Adjustment for (provision for) income taxes	15
Distributable earnings ⁽¹⁾	\$2,843
Weighted average shares outstanding during the period	24,943,383
Distributable earnings per share	\$0.11
Dividend per share	\$0.09

Note: (1) See Appendix for definition of Distributable Earnings.

Q1 2021 Balance Sheet Summary

Balance Sheet (thousands)	March 31, 2021 ⁽¹⁾
Commercial mortgage loans held-for-investment	\$484,165
Mortgage servicing rights, at fair value	899
Cash and cash equivalents	11,718
Restricted cash ⁽²⁾	32,154
Accrued interest receivable	2,173
Investment Related Receivable	34,539
Other assets	1,758
Total assets	\$567,407
Collateralized loan obligations ⁽³⁾	\$409,405
Credit facility	39,599
Other liabilities	4,137
Total liabilities	\$453,141
Total equity	\$114,266
Total liabilities / total equity	3.97x
Book value per share	\$4.58

Note:

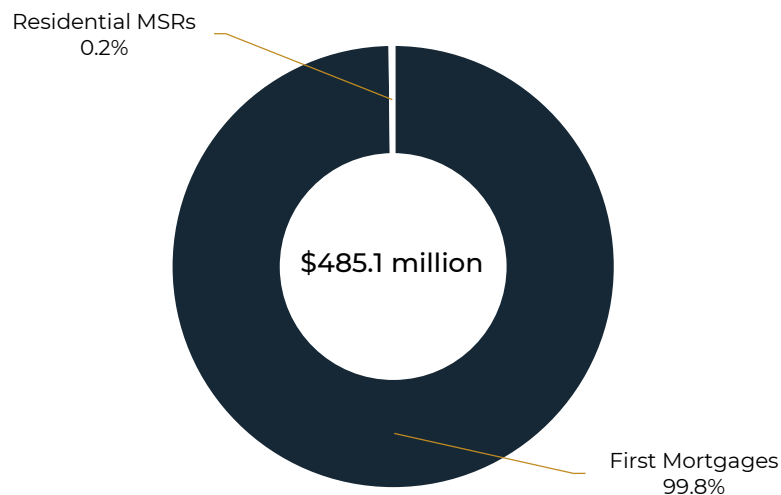
(1) Refer to footnote 1 on page 17 for information on the Company's consolidated variable interest entities ("VIE's").

(2) Restricted cash held by CRE CLO securitization trusts and available for investment in eligible mortgage assets.

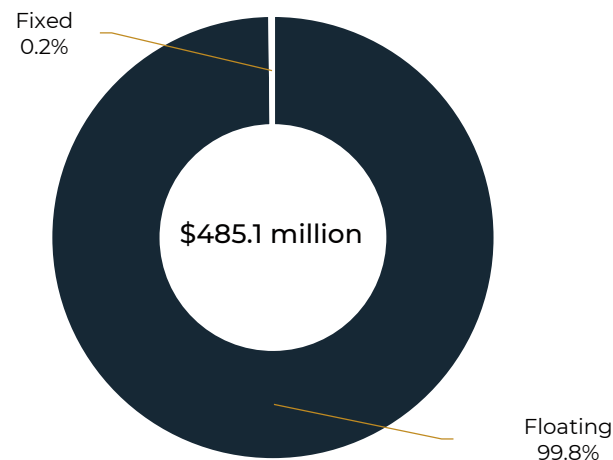
(3) Outstanding notional amount of bonds issued from both CLOs is \$411.2 million. For GAAP purposes, these liabilities are carried at their outstanding unpaid principal balance, net of any unamortized discounts and debt issuance costs.

Q1 2021 Summary of Investment Portfolio

Investment Type



Interest Rate Type



Investment Portfolio as of
March 31, 2021
(thousands)

	UPB / Notional	Net Carrying Value	Weighted Average Coupon	Weighted Average Remaining Term (months)	Weighted Average LTV at Loan Origination	Weighted Average Stabilized LTV at Loan Origination
First Mortgages	\$484,165	\$484,165	L + 3.53%	11 ⁽¹⁾	73.60%	69.34%(2)
Residential MSRs	\$152,466	\$899	0.25%	265 ⁽³⁾		
Total	\$636,531	\$485,064				

Note:

(1) If all extensions are exercised by the borrowers, the CRE loan portfolio will have a weighted average remaining term of 35 months.

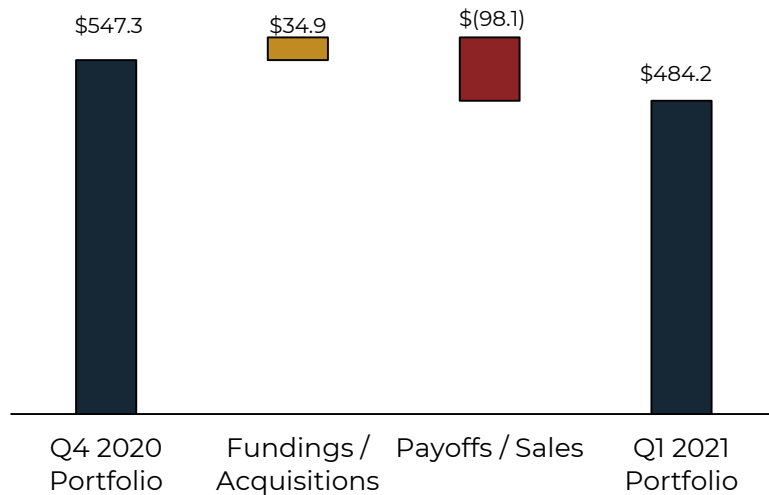
(2) LTV as of the date the loan was originated by an affiliate. LTV has not been updated for any subsequent draws or loan modifications and is not reflective of any changes in value which may have occurred subsequent to the origination date.

(3) The weighted average remaining term of the residential MSR portfolio is based on the maturity dates of the underlying residential loan pool and excludes the impact of potential borrower prepayments. We anticipate that the weighted average remaining term of the portfolio to be less than 265 months.

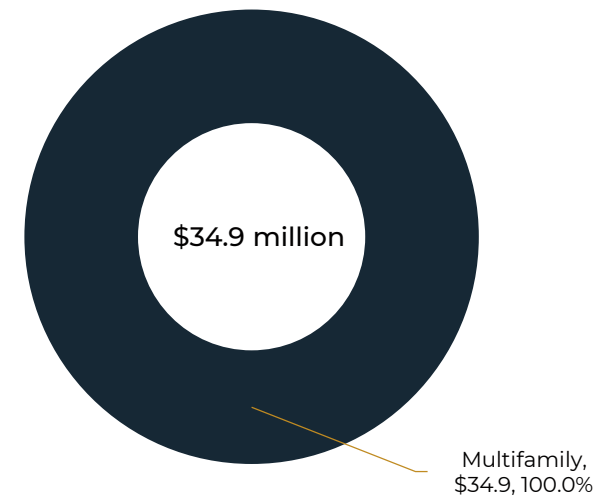
Q1 2021 Balance Sheet Summary

- The CRE loan portfolio decreased by \$63.2 million in Q1
- We acquired \$34.9 million of loans at par from an affiliate of the Manager
- We experienced \$98.1 million of loan payoffs. \$63.9 million of these loans were held in FL1 which is past its reinvestment period, \$33.4 million were held in FL2, and \$0.8 million were participations held outside the CLOs

Net Funding Activity⁽¹⁾



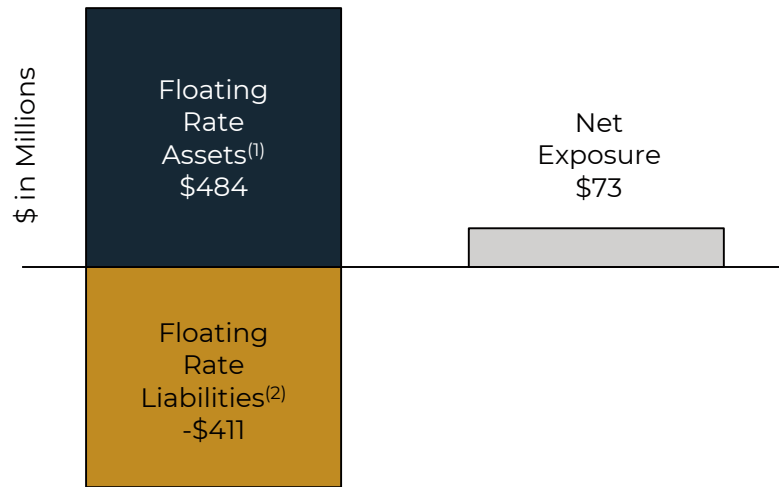
Q1 2021 Loan Acquisitions⁽¹⁾



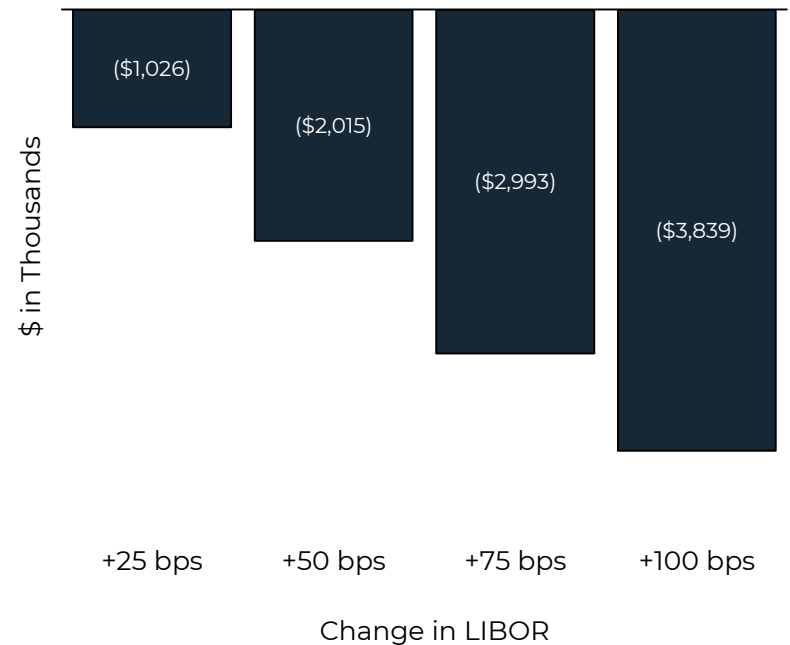
Note: (1) \$ In millions.

Interest Rate Sensitivity as of March 31, 2021

Floating-Rate Exposure



Annual Net Interest Income Sensitivity to Shifts in One-Month LIBOR^(3,4)



Note:

(1) Comprised of the Company's portfolio of floating-rate CRE loans.

(2) Comprised of outstanding securitization notes in the CRE CLOs.

(3) Assumes starting one-month LIBOR rate of 0.1151%.

(4) Negative LIBOR will not have further impacts on P&L.

3/31/2021 CRE Loan Portfolio Details

#	Loan Name	Closing Date	Maturity Date	Property Type	City	State	Current Balance	Note Spread ⁽¹⁾	Initial Term (months)	As-Is LTV at Origination ⁽²⁾
1	Loan 1	11/30/2018	12/6/2021	Multi-Family	Nacogdoches	TX	35,441,348	4.05%	36	70.39%
2	Loan 2	6/5/2018	6/4/2021	Multi-Family	Palatine	IL	35,352,208	4.30%	37	68.50%
3	Loan 3	7/9/2018	8/6/2021	Multi-Family	Pikesville	MD	33,752,111	3.25%	36	77.59%
4	Loan 4	8/8/2018	8/6/2021	Multi-Family	Dallas	TX	32,526,660	3.65%	36	81.23%
5	Loan 5	11/22/2019	8/6/2022	Multi-Family	Virginia Beach	VA	26,500,000	2.75%	33	77.10%
6	Loan 6	5/18/2018	6/4/2021	Multi-Family	Woodridge	IL	25,355,116	3.75%	37	76.43%
7	Loan 7	12/10/2019	7/6/2022	Multi-Family	San Antonio	TX	24,540,507	3.15%	30	71.90%
8	Loan 8	1/15/2020	7/6/2022	Multi-Family	Chattanooga	TN	24,180,000	2.95%	30	80.60%
9	Loan 9	11/26/2019	12/6/2021	Multi-Family	Doraville	GA	20,000,000	2.75%	25	76.10%
10	Loan 10	12/6/2018	12/6/2021	Multi-Family	Greensboro	NC	18,703,039	3.35%	37	79.78%
11	Loan 11	12/28/2018	1/6/2022	Retail	Austin	TX	18,000,000	3.90%	37	71.40%
12	Loan 12	12/28/2018	1/6/2022	Retail	Austin	TX	17,172,624	4.10%	37	60.50%
13	Loan 13	2/25/2021	9/6/2021	Multi-Family	Sacramento	CA	15,000,000	3.50%	6	63.60%
14	Loan 14	8/29/2019	8/6/2022	Multi-Family	Austell	GA	14,632,203	3.40%	36	72.50%
15	Loan 15	7/23/2018	8/6/2021	Office	Chicago	IL	12,828,794	3.75%	37	72.74%
16	Loan 16	8/8/2019	8/6/2022	Multi-Family	Fort Worth	TX	12,649,099	3.00%	36	75.83%
17	Loan 17	3/12/2021	4/5/2024	Multi-Family	Mesa	AZ	12,375,000	3.55%	37	75.00%

Continued on the following page

Note:

(1) All loan spreads are indexed to one-month LIBOR.

(2) LTV as of the date the loan was originated by an affiliate. LTV has not been updated for any subsequent draws or loan modifications and is not reflective of any changes in value which may have occurred subsequent to the origination date.



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3/31/2021 CRE Loan Portfolio Details

#	Loan Name	Closing Date	Maturity Date	Property Type	City	State	Current Balance	Note Spread ⁽¹⁾	Initial Term (months)	As-Is LTV at Origination ⁽²⁾
18	Loan 18	9/10/2020	7/6/2021	Multi-Family	Winchester	OH	9,527,000	4.25%	10	61.90%
19	Loan 19	8/7/2018	9/6/2021	Multi-Family	Birmingham	AL	8,235,825	3.50%	38	78.01%
20	Loan 20	1/13/2020	2/6/2022	Multi-Family	Fort Lauderdale	FL	7,930,194	3.15%	25	78.40%
21	Loan 21	3/12/2018	4/6/2022	Multi-Family	Waco	TX	7,912,000	4.75%	50	72.90%
22	Loan 22	11/13/2019	12/6/2021	Multi-Family	Holly Hill	FL	7,780,000	2.90%	25	77.80%
23	Loan 23	3/19/2021	4/6/2024	Multi-Family	Glendora	CA	7,513,000	3.60%	37	72.20%
24	Loan 24	6/10/2019	7/6/2022	Multi-Family	San Antonio	TX	6,525,817	3.40%	37	77.70%
25	Loan 25	12/9/2019	1/6/2022	Multi-Family	Fort Worth	TX	6,230,000	3.15%	25	77.70%
26	Loan 26	8/28/2019	8/6/2022	Multi-Family	Austin	TX	5,966,157	3.25%	36	69.90%
27	Loan 27	6/22/2018	7/6/2021	Multi-Family	Chicago	IL	5,900,550	4.10%	37	80.53%
28	Loan 28	6/10/2019	7/6/2022	Multi-Family	San Antonio	TX	5,295,605	2.90%	37	62.92%
29	Loan 29	12/13/2019	1/6/2022	Multi-Family	Jacksonville	FL	5,070,339	2.90%	25	74.90%
30	Loan 30	11/30/2018	11/6/2021	Office	Decatur	GA	5,036,066	4.10%	36	56.80%
31	Loan 31	12/29/2020	1/6/2022	Multi-Family	Fayetteville	NC	4,920,000	3.95%	12	70.30%
32	Loan 32	5/31/2019	6/6/2022	Multi-Family	Austin	TX	4,275,035	3.50%	37	74.09%
33	Loan 33	11/12/2019	12/6/2021	Self-Storage	Chesapeake	VA	4,225,000	3.15%	25	64.50%
34	Loan 34	6/5/2018	6/4/2021	Multi-Family	Palatine	IL	2,813,952	4.30%	37	68.50%
Total / Average							484,165,249	3.53%	33	73.60%

Note:

(1) All loan spreads are indexed to one-month LIBOR.

(2) LTV as of the date the loan was originated by an affiliate. LTV has not been updated for any subsequent draws or loan modifications and is not reflective of any changes in value which may have occurred subsequent to the origination date.



L U M E N T

Consolidated Balance Sheets

	March 31, 2021 ⁽¹⁾ (unaudited)	December 31, 2020 ⁽¹⁾
ASSETS		
Cash and cash equivalents	\$ 11,717,804	\$ 11,375,960
Restricted cash	32,154,188	57,999,396
Commercial mortgage loans held-for-investment, at amortized cost	484,165,249	547,345,334
Mortgage servicing rights, at fair value	899,223	919,678
Accrued interest receivable	2,173,007	2,015,617
Investment related receivable	34,539,187	—
Other assets	1,757,914	1,833,794
Total assets	<u>\$ 567,406,572</u>	<u>\$ 621,489,779</u>
LIABILITIES AND EQUITY		
LIABILITIES:		
Collateralized loan obligations, net	409,404,872	463,060,090
Secured term loan, net	39,598,532	39,556,198
Accrued interest payable	393,130	432,936
Dividends payable	2,248,612	3,242,640
Fees and expenses payable to Manager	1,204,688	1,156,340
Other accounts payable and accrued expenses	290,670	338,423
Total liabilities	<u>453,140,504</u>	<u>507,786,627</u>
COMMITMENTS AND CONTINGENCIES (NOTES 10 & 11)		
EQUITY:		
Common Stock; par value \$0.01 per share; 450,000,000 shares authorized, 24,943,383 shares issued and outstanding, at March 31, 2021 and December 31, 2020, respectively	249,389	249,389
Additional paid-in capital	233,853,156	233,850,271
Cumulative distributions to stockholders	(133,604,590)	(131,355,978)
Accumulated earnings	13,668,613	10,859,970
Total stockholders' equity	<u>114,166,568</u>	<u>113,603,652</u>
Noncontrolling interests	\$ 99,500	\$ 99,500
Total equity	<u>\$ 114,266,068</u>	<u>\$ 113,703,152</u>
Total liabilities and equity	<u>\$ 567,406,572</u>	<u>\$ 621,489,779</u>

(1) Our consolidated balance sheets include assets and liabilities of consolidated variable interest entities ("VIEs") as the Company was the primary beneficiary of these VIEs. As of March 31, 2021 and December 31, 2020, assets of consolidated VIEs related to Hunt CRE 2017-FL1, Ltd. and Hunt CRE 2018-FL2, Ltd. totaled \$537,399,673 and \$591,318,506, respectively and the liabilities of consolidated VIEs related to Hunt CRE 2017-FL1, Ltd. and Hunt CRE 2018-FL2, Ltd. totaled \$409,716,943 and \$463,411,967 respectively. See Note 4 for further discussion.



Consolidated Statement of Income

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Revenues:		
Interest income:		
Commercial mortgage loans held-for-investment	\$ 7,470,117	\$ 9,165,805
Cash and cash equivalents	4,300	28,167
Interest expense:		
Collateralized loan obligations	(2,185,242)	(4,237,889)
Secured term loan	(771,865)	(780,441)
Net interest income	4,517,310	4,175,642
Other income (loss):		
Unrealized (loss) on mortgage servicing rights	(20,455)	(877,749)
Servicing income, net	124,156	194,147
Other income	—	2
Total other income (loss)	103,701	(683,600)
Expenses:		
Management and incentive fees	720,999	584,821
General and administrative expenses	680,314	765,892
Operating expenses reimbursable to Manager	312,454	461,121
Other operating expenses	34,753	300,926
Compensation expense	49,135	54,132
Total expenses	1,797,655	2,166,892
Net income before provision for income taxes	2,823,356	1,325,150
(Provision for) benefit from income taxes	(14,713)	226,521
Net income	2,808,643	1,551,671
Dividends to preferred stockholders	(3,708)	(3,750)
Net income attributable to common stockholders	\$ 2,804,935	\$ 1,547,921
Earnings per share:		
Net income attributable to common stockholders (basic and diluted)	\$ 2,804,935	\$ 1,547,921
Weighted average number of shares of common stock outstanding	24,943,383	24,911,483
Basic and diluted income per share	\$ 0.11	\$ 0.06
Dividends declared per share of common stock	\$ 0.09	\$ 0.08

Reconciliation of GAAP to Distributable Earnings

GAAP to Distributable Earnings Reconciliation	Three Months Ended March 31, 2021
<i>Reconciliation of GAAP to non-GAAP Information</i>	
Net income attributable to common stockholders	\$2,804,935
<i>Adjustments for non-Distributable earnings</i>	
Unrealized loss on mortgage servicing rights	20,455
Subtotal	20,455
<i>Other Adjustments</i>	
Recognized compensation expense related to restricted common stock	2,885
Provision for income taxes	14,713
Subtotal	17,598
Distributable Earnings	\$2,842,988
Weighted average shares outstanding, basic and diluted	24,943,383
Distributable Earnings per share, basic and diluted	\$0.11

Detailed Walk of Capitalization

<i>(in 000's)</i>	3/31/2021
Total GAAP liabilities and stockholders' equity	\$567,407
<i>Adjustments for Capitalization</i>	
(-) Accrued interest payable	(393)
(-) Dividends payable	(2,249)
(-) Fees and expenses payable to Manager	(1,205)
(-) Other accounts payable and accrued expenses	(291)
(+) Other capitalized financing & issuance costs	2,489
LFT Capitalization	\$565,758

Key Definitions

“Distributable Earnings” is a non-GAAP measure, which we define as GAAP net income (loss) attributable to holders' of common stock, or, without duplication, owners of the Company's subsidiaries, computed in accordance with GAAP, including realized losses not otherwise included in GAAP net income (loss) and excluding (i) non-cash equity compensation, (ii) incentive compensation payable to the Manager, (iii) depreciation and amortization, (iv) any unrealized gains or losses or other similar non-cash items that are included in net income for that applicable reporting period, regardless of whether such items are included in other comprehensive income (loss) or net income (loss), and (v) one-time events pursuant to changes in GAAP and certain material non-cash income or expense items after discussions with the Company's board of directors and approved by a majority of the Company's independent directors. Distributable Earnings mirrors how we calculate Core Earnings pursuant to the terms of our management agreement between our Manager and us, or our Management Agreement, for purposes of calculating the incentive fee payable to our Manager. While Distributable Earnings excludes the impact of any unrealized provisions for credit losses, any loan losses are charged off and realized through Distributable Earnings when deemed non-recoverable. Non-recoverability is determined (i) upon the resolution of a loan (i.e. when the loan is repaid, fully or partially, or in the case of foreclosures, when the underlying asset is sold), or (ii) with respect to any amount due under any loan, when such amount is determined to be non-collectible.

We believe that Distributable Earnings provides meaningful information to consider in addition to our net income (loss) and cash flows from operating activities determined in accordance with GAAP. We believe Distributable Earnings is a useful financial metric for existing and potential future holders of our common stock as historically, over time, Distributable Earnings has been a strong indicator of our dividends per share. As a REIT, we generally must distribute annually at least 90% of our taxable income, subject to certain adjustments, and therefore we believe our dividends are one of the principal reasons stockholders may invest in our common stock. Refer to Note 16 to our consolidated financial statements for further discussion of our distribution requirements as a REIT. Furthermore, Distributable Earnings help us to evaluate our performance excluding the effects of certain transactions and GAAP adjustments that we believe are not necessarily indicative of our current loan portfolio and operations, and is a performance metric we consider when declaring our dividends.

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



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May 2021
