



TREMONT MORTGAGE TRUST

First Quarter 2020

Supplemental Operating and Financial Data



The Blazer Plaza, Dublin, OH
\$22.8 Million First Mortgage Whole Loan



All amounts in this report are unaudited.

CORPORATE INFORMATION	<u>Page</u>
Company Profile	4
Investor Information	5
Research Coverage	6
FINANCIALS	
First Quarter 2020 Highlights	8
Condensed Consolidated Balance Sheets	9
Condensed Consolidated Statements of Operations	10
Debt Summary	11
Reconciliation of Net Income to Core Earnings	12
PORTFOLIO OVERVIEW	
First Quarter 2020 Portfolio Summary	14
Loan Investment Details	15
Loan Portfolio Diversification	16
Interest Rate Sensitivity	17
Capital Structure Overview	18
WARNING CONCERNING FORWARD-LOOKING STATEMENTS	19
NON-GAAP FINANCIAL MEASURES AND CERTAIN DEFINITIONS	20

Please refer to Non-GAAP Financial Measures and Certain Definitions for terms used throughout this document.

CORPORATE INFORMATION



1000 Floral Vale, Yardley, PA
\$14.9 Million First Mortgage Whole Loan

The Company:

Tremont Mortgage Trust, or TRMT, we, our or us, is a real estate investment trust, or REIT, that focuses on originating and investing in floating rate first mortgage whole loans secured by middle market and transitional commercial real estate, or CRE. We define middle market CRE as commercial properties that have values up to \$75.0 million and transitional CRE as commercial properties subject to redevelopment or repositioning activities that are expected to increase the value of the properties.

Management:

Our Manager, Tremont Realty Advisors LLC, is registered with the Securities and Exchange Commission, or SEC, as an investment adviser and is owned by The RMR Group LLC, or RMR LLC, the majority owned operating subsidiary of The RMR Group Inc., or RMR Inc., a holding company listed on The Nasdaq Stock Market LLC, or Nasdaq, under the symbol "RMR". We collectively refer to RMR Inc. and its consolidated subsidiaries, including RMR LLC, as RMR.

RMR is an alternative asset management company that was founded in 1986 to manage real estate companies and related businesses. RMR primarily provides management services to four publicly traded equity REITs and three real estate related operating businesses. In addition to managing TRMT, RMR manages Service Properties Trust, a REIT that owns a diverse portfolio of hotels and net lease service and necessity-based retail properties, Industrial Logistics Properties Trust, a REIT that owns industrial and logistics properties, Office Properties Income Trust, a REIT that owns properties primarily leased to single tenants and those with high credit quality characteristics such as government entities, and Diversified Healthcare Trust, a REIT that owns high-quality, private-pay healthcare properties like medical office and life science properties, senior living communities and wellness centers. RMR also provides management services to Five Star Senior Living Inc., a publicly traded operator of senior living communities, Sonesta International Hotels Corporation, a privately owned operator and franchisor of hotels and cruise boats, and TravelCenters of America Inc., a publicly traded operator and franchisor of travel centers along the U.S. Interstate Highway System and restaurants. RMR also advises the RMR Real Estate Income Fund, which is in the process of converting from a registered investment company to a publicly traded mortgage REIT, which will focus on originating and investing in floating rate first mortgage whole loans, secured by middle market and transitional commercial real estate, through Tremont Realty Advisors LLC, as well as manages the RMR Office Property Fund, a private, open end core plus fund focused on the acquisition, ownership and leasing of a diverse portfolio of multi-tenant office properties throughout the U.S. As of March 31, 2020, RMR had \$32.0 billion of real estate assets under management and the combined RMR managed companies had approximately \$12 billion of annual revenues, over 2,100 properties and nearly 50,000 employees.

We believe our Manager's relationship with RMR provides us with a depth of market knowledge that may allow us to identify high quality investment opportunities and to evaluate them more thoroughly than many of our competitors, including other commercial mortgage REITs. We also believe RMR's broad platform provides us with access to RMR's extensive network of real estate owners, operators, intermediaries, sponsors, financial institutions and other real estate related professionals and businesses with which RMR has historical relationships. We also believe that our Manager provides us with significant experience and expertise in investing in middle market and transitional CRE.

Corporate Headquarters:

Two Newton Place
 255 Washington Street, Suite 300
 Newton, MA 02458-1634
 (617) 796-8317

Stock Exchange Listing:

Nasdaq

Trading Symbol:

Common Shares: TRMT

Key Data (as of and for the three months ended March 31, 2020):

(dollars in thousands)

Q1 2020 income from investments, net	\$	2,527
Q1 2020 net income	\$	1,666
Q1 2020 Core Earnings	\$	1,708
Loans held for investment, net	\$	271,487
Total assets	\$	282,840

Board of Trustees

John L. Harrington
Independent Trustee

Joseph L. Morea
Independent Trustee

Jeffrey P. Somers
Independent Trustee

David M. Blackman
Managing Trustee

Adam D. Portnoy
Managing Trustee

Executive Officers

David M. Blackman
President and Chief Executive Officer

G. Douglas Lanois
Chief Financial Officer and Treasurer

Contact Information

Investor Relations

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Jones Trading Institutional Services, LLC

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TRMT is followed by the analysts listed above. Please note that any opinions, estimates or forecasts regarding TRMT's performance made by these analysts do not represent opinions, forecasts or predictions of TRMT or its management. TRMT does not by its reference above imply its endorsement of or concurrence with any information, conclusions or recommendations provided by any of these analysts.

FINANCIALS



West Park II, St. Louis, MO
Part of West Park I, West Park II and Pine View Point Office Portfolio
\$29.5 Million First Mortgage Whole Loan

Financial Results

- Net income and Core Earnings of \$1.7 million, or \$0.20 and \$0.21 per diluted common share, respectively.
- Income from investments, net, of \$2.5 million.
- Book value per common share of \$10.44.
- Distribution of \$0.01 per common share declared March 2020 and payable in May 2020.

Loan Originations

- Closed two first mortgage whole loans with an aggregate total loan commitment of \$36.8 million.
 - Weighted average maturity of 4.1 years based on maximum maturities.
 - Weighted average coupon of 5.31% and all in yield of 6.45%.

Loan Portfolio

- 14 first mortgage whole loans diversified among office, retail, multifamily, industrial and hotel collateral, with an aggregate total loan commitment of \$297.0 million.
 - Weighted average maturity of 3.4 years based on maximum maturities.
 - Weighted average coupon of 5.70% and all in yield of 6.40%.

Capitalization

- Our master repurchase facility with Citibank, N.A., or Citibank, or our Master Repurchase Facility, has approximately \$7.0 million available to be drawn on loans that are below the previously approved maximum leverage amount and an additional \$10.1 million available to be drawn to fund future advances on unfunded loan commitments.
- In place leverage of \$196.3 million; 2.2x Net Debt to Equity Ratio.

Interest Rates

- All loans held for investment have floating interest rates and borrowers have loan required hedging instruments in place to mitigate the risk of rising interest rates.
- Borrowings under our Master Repurchase Facility are subject to floating interest rates.
- Floating rate investments and floating rate liabilities support earnings stability.

⁽¹⁾ As of March 31, 2020, unless otherwise stated.

CONDENSED CONSOLIDATED BALANCE SHEETS



(dollars in thousands, except per share data)

	March 31, 2020	December 31, 2019
<u>ASSETS</u>		
Cash and cash equivalents	\$ 10,204	\$ 8,732
Restricted cash	3	143
Loans held for investment, net	271,487	242,078
Accrued interest receivable	953	755
Prepaid expenses and other assets	193	221
Total assets	<u>\$ 282,840</u>	<u>\$ 251,929</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Accounts payable, accrued liabilities and deposits	\$ 908	\$ 1,011
Master repurchase facility, net	195,566	164,694
Due to related persons	334	3
Total liabilities	<u>196,808</u>	<u>165,708</u>
Commitments and contingencies		
Shareholders' equity:		
Common shares of beneficial interest, \$0.01 par value per share; 25,000,000 shares authorized; 8,239,226 and 8,239,610 shares issued and outstanding, respectively	82	82
Additional paid in capital	88,909	88,869
Cumulative net income	3,603	1,937
Cumulative distributions	(6,562)	(4,667)
Total shareholders' equity	<u>86,032</u>	<u>86,221</u>
Total liabilities and shareholders' equity	<u>\$ 282,840</u>	<u>\$ 251,929</u>

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS



(amounts in thousands, except per share data)

	Three Months Ended March 31,	
	2020	2019
INCOME FROM INVESTMENTS:		
Interest income from investments	\$ 4,284	\$ 3,000
Less: interest and related expenses	(1,757)	(1,549)
Income from investments, net	2,527	1,451
OTHER EXPENSES:		
General and administrative expenses	540	503
Reimbursement of shared services expenses	321	370
Total expenses ⁽¹⁾	861	873
Net income	\$ 1,666	\$ 578
Weighted average common shares outstanding - basic	8,169	3,136
Weighted average common shares outstanding - diluted	8,169	3,142
Net income per common share - basic and diluted	\$ 0.20	\$ 0.18

⁽¹⁾ Our Manager has waived any base management or incentive fees otherwise due and payable by us under our management agreement through the period ending June 30, 2020. If our Manager had not waived these base management and incentive fees, we would have recognized \$320 and \$223 of base management fees for the three months ended March 31, 2020 and 2019, respectively, and no incentive fees would have been paid or payable for either the three months ended March 31, 2020 and 2019.

DEBT SUMMARY



(dollars in thousands)

	March 31, 2020		
	Coupon Rate	Initial Maturity Date	Principal Balance
Financings Under Master Repurchase Facility:			
Multifamily, Houston, TX	L + 1.85%	11/10/2020	\$ 21,980
Retail, Paradise Valley, AZ	L + 2.10%	11/30/2020	6,929
Retail, Coppell, TX	L + 2.10%	02/05/2021	11,632
Office, Metairie, LA	L + 2.35%	04/11/2021	12,377
Office, Houston, TX	L + 2.15%	06/26/2021	9,544
Office, St. Louis, MO	L + 1.85%	11/06/2021	20,229
Hotel, Atlanta, GA	L + 2.00%	11/06/2021	16,425
Multifamily, Rochester, NY	L + 2.00%	11/06/2021	18,413
Industrial, Barrington, NJ	L + 2.00%	11/06/2021	26,175
Retail, Omaha, NE	L + 2.00%	11/06/2021	9,761
Office, Yardley, PA	L + 2.00%	11/06/2021	10,506
Multifamily, Orono, ME	L + 1.85%	11/06/2021	12,778
Industrial, Allentown, PA	L + 2.00%	11/06/2021	10,500
Office, Dublin, OH	L + 2.10%	11/06/2021	9,095
Total/weighted average	L + 2.00%		\$ 196,344

RECONCILIATION OF NET INCOME TO CORE EARNINGS



(amounts in thousands, except per share data)

	Three Months Ended March 31,	
	2020	2019
Reconciliation of Net Income to Core Earnings:		
Net income	\$ 1,666	\$ 578
Non-cash equity compensation expense	42	35
Core earnings	<u>\$ 1,708</u>	<u>\$ 613</u>
Weighted average common shares outstanding - basic	<u>8,169</u>	<u>3,136</u>
Weighted average common shares outstanding - diluted	<u>8,169</u>	<u>3,142</u>
Core earnings per common share - basic and diluted	<u>\$ 0.21</u>	<u>\$ 0.20</u>

PORTFOLIO OVERVIEW



675 Bering Drive, Houston, TX
\$15.2 Million First Mortgage Whole Loan

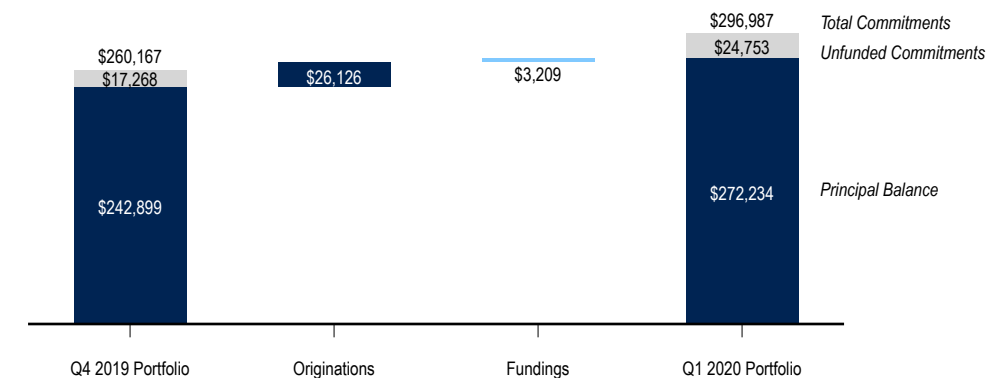
FIRST QUARTER 2020 PORTFOLIO SUMMARY



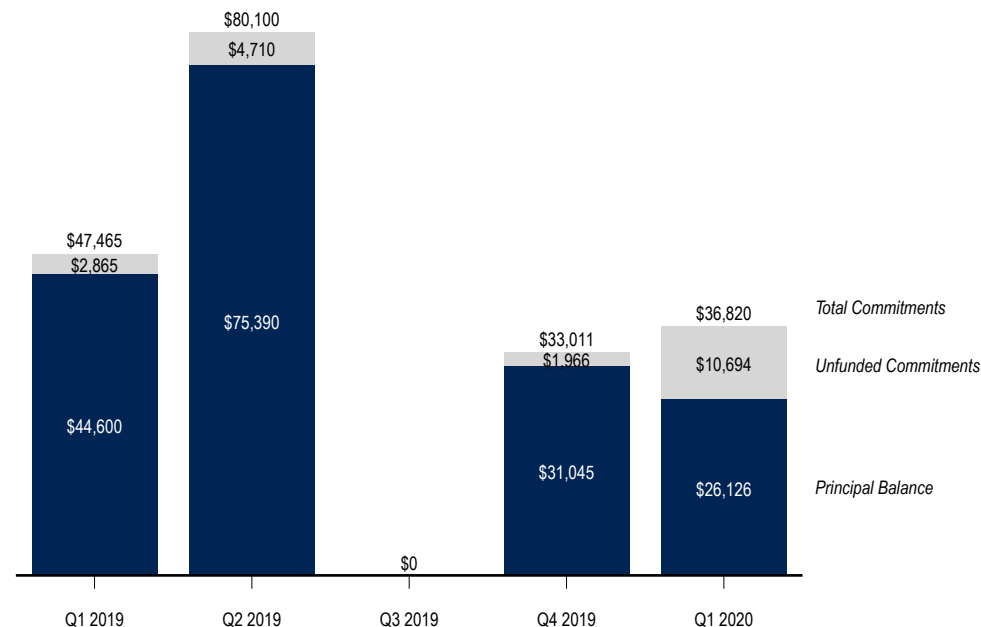
(dollars in thousands)

	First Quarter 2020 Originations	Portfolio Summary as of March 31, 2020
Number of loans	2	14
Average loan commitment	\$18,410	\$21,681
Total loan commitments	\$36,820	\$296,987
Unfunded loan commitments	\$10,694	\$24,753
Principal balance	\$26,126	\$272,234
Weighted average coupon rate	5.31%	5.70%
Weighted average all in yield	6.45%	6.40%
Weighted average maximum maturity	4.1	3.4
Weighted average LTV	51%	68%

First Quarter 2020 Portfolio Activity



Loan Originations by Quarter



LOAN INVESTMENT DETAILS

(dollars in thousands)

First Mortgage Whole Loans as of March 31, 2020:

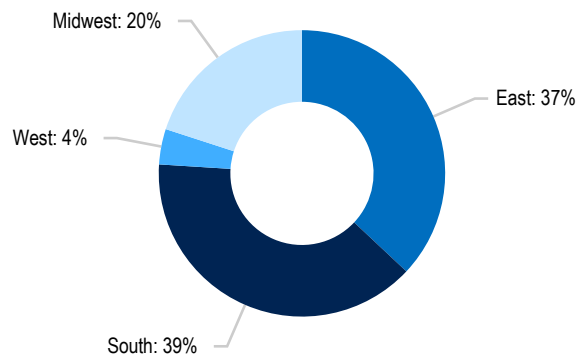
Location	Property Type	Origination Date	Committed Principal Amount	Principal Balance	Coupon Rate	All in Yield	Maximum Maturity (date)	Maximum Maturity (years remaining)	LTV
Coppell, TX ⁽¹⁾	Retail	02/05/2019	\$ 22,915	\$ 22,204	L + 3.50%	L + 4.25%	02/05/2021	0.9	73%
Houston, TX	Multifamily	05/10/2019	28,000	27,475	L + 3.50%	L + 4.37%	11/10/2022	2.7	56%
Paradise Valley, AZ	Retail	11/30/2018	12,790	9,724	L + 4.25%	L + 5.76%	11/30/2022	2.7	48%
Dublin, OH	Office	02/18/2020	22,820	12,947	L + 3.75%	L + 5.55%	02/18/2023	2.9	33%
Metairie, LA	Office	04/11/2018	18,102	17,030	L + 5.00%	L + 5.65%	04/11/2023	3.1	79%
Barrington, NJ	Industrial	05/06/2019	37,600	34,962	L + 3.50%	L + 4.05%	05/06/2023	3.1	79%
Houston, TX	Office	06/26/2018	15,200	13,901	L + 4.00%	L + 4.60%	06/26/2023	3.3	69%
St. Louis, MO	Office	12/19/2018	29,500	27,477	L + 3.25%	L + 3.75%	12/19/2023	3.8	72%
Atlanta, GA	Hotel	12/21/2018	24,000	23,904	L + 3.25%	L + 3.72%	12/21/2023	3.8	62%
Rochester, NY	Multifamily	01/22/2019	24,550	24,550	L + 3.25%	L + 3.86%	01/22/2024	3.9	74%
Omaha, NE	Retail	06/14/2019	14,500	13,015	L + 3.65%	L + 4.05%	06/14/2024	4.3	77%
Yardley, PA	Office	12/19/2019	14,900	14,008	L + 3.75%	L + 4.48%	12/19/2024	4.8	75%
Orono, ME	Multifamily	12/20/2019	18,110	17,037	L + 3.25%	L + 3.89%	12/20/2024	4.8	72%
Allentown, PA	Industrial	01/24/2020	14,000	14,000	L + 3.50%	L + 4.02%	01/24/2025	4.9	67%
Total/weighted average			<u>\$ 296,987</u>	<u>\$ 272,234</u>	<u>L + 3.59%</u>	<u>L + 4.29%</u>		<u>3.4</u>	<u>68%</u>

⁽¹⁾ The borrower under our loan related to a property located in Coppell, TX requested relief from its debt service obligation owed to us and failed to make its April 2020 debt service payment by the scheduled due date, resulting in a default under the loan agreement. This full recourse loan has an outstanding principal balance of \$22,204, which accounts for approximately 8.2% of the aggregate outstanding principal balance of our loan portfolio. In response to this default, we implemented a cash flow sweep on this borrower's accounts and the loan agreement was modified to increase the interest reserve balance that may be used to make interest payments, if needed, and to waive the default. Before this loan modification and related waiver of default become effective, the borrower is required to pay us rent it collected for April 2020 to fulfill a portion of its debt service obligation. As of May 1, 2020, the borrower has not yet fulfilled this obligation. We have not recorded an allowance for loan loss with respect to this investment because we believe it is probable that we will ultimately collect all outstanding loan amounts due under this loan. As of May 1, 2020, all of our other borrowers have paid all of their debt service obligations owed to us and none of the other loans included in our investment portfolio are in default.

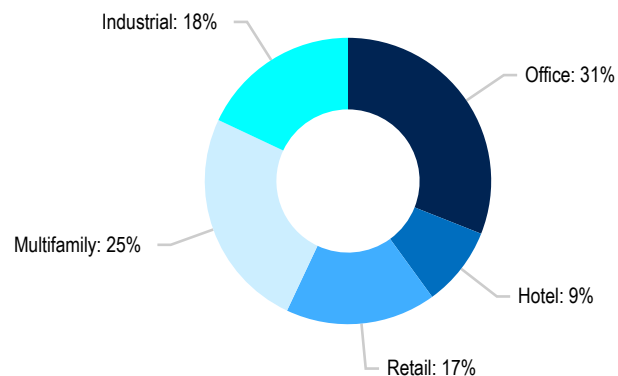
LOAN PORTFOLIO DIVERSIFICATION

(dollars in thousands)

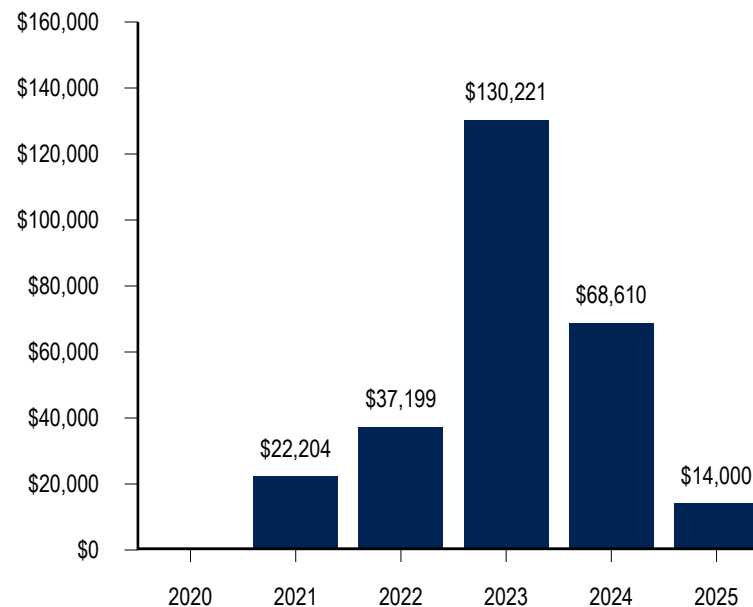
Geographic Diversification by Investment
(based on book value of loans held for investment as of March 31, 2020)



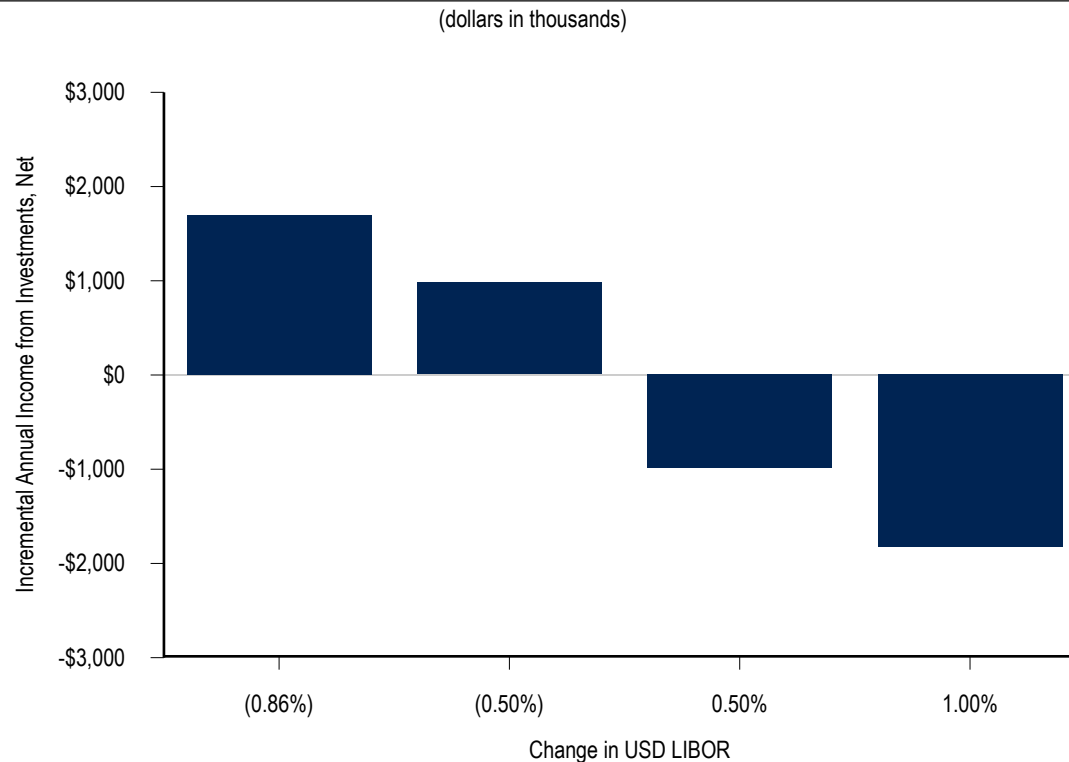
Property Type by Investment
(based on book value of loans held for investment as of March 31, 2020)



Maximum Maturity Profile
(based on principal balances as of March 31, 2020)



INTEREST RATE SENSITIVITY

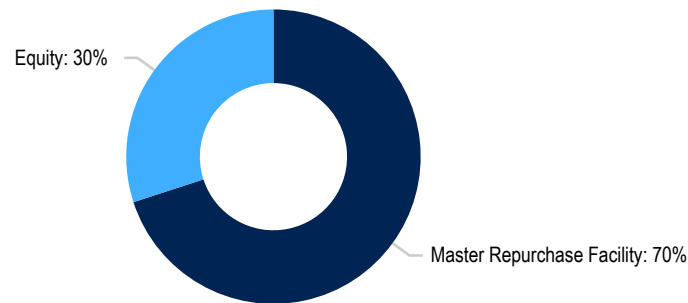
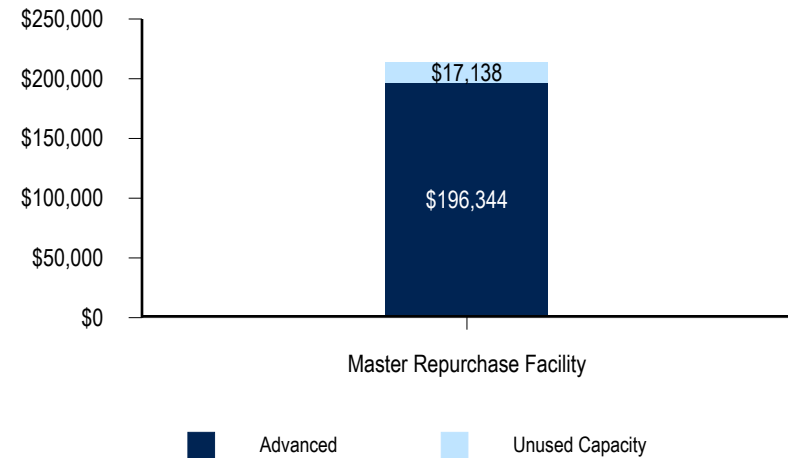
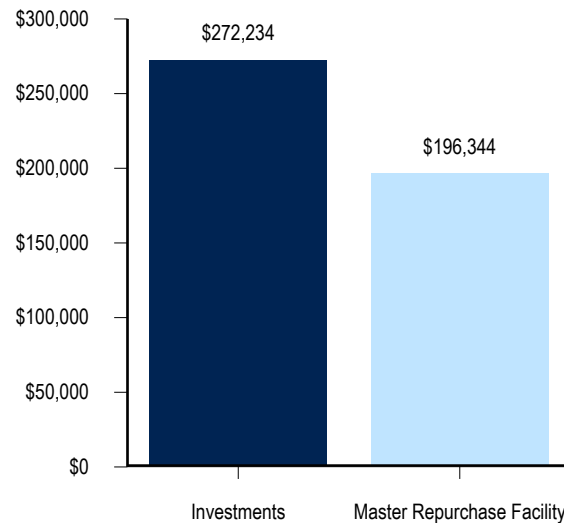


The interest income on our loans held for investment and the interest expense on our borrowings float with LIBOR. Because we generally lever approximately 75% of our investments, as LIBOR increases, our income from investments, net of interest and related expenses, will increase, and, as LIBOR decreases, our income from investments, net of interest and related expenses, will decrease. However, we have interest rate floor provisions in our loan agreements with borrowers which set a minimum LIBOR rate for each loan. Based on our loan portfolio at March 31, 2020, our weighted average LIBOR floor was 2.11% compared to a LIBOR rate of 0.86% used at the time of this analysis. We do not currently have a LIBOR floor provision in our master repurchase agreement. As a result, if LIBOR decreases below the floor established for any of our investments, our income from investments will decrease less than our borrowing costs and the net amount may result in an increase in our net investment income. The above table illustrates the incremental impact on our annual income from investments, net, due to increases and decreases in LIBOR of 50 basis points and 100 basis points taking into consideration our borrowers' interest rate floors as of March 31, 2020. The 100-basis point decrease in LIBOR used in the analysis above has been limited in that analysis to 0.86% to result in a LIBOR rate of 0.00%. The results in the table above are based on our loan portfolio and debt outstanding at March 31, 2020. Any changes to the mix of our investments or debt outstanding could impact the interest rate sensitivity analysis and this illustration is not meant to forecast future results.

LIBOR is currently expected to be phased out in 2021. We currently expect that the determination of interest under the agreements governing our loans held for investment and our master repurchase agreement would be revised as provided under such agreements or amended as necessary to provide for an interest rate that approximates the existing interest rate as calculated in accordance with LIBOR. Despite our current expectations, we cannot be sure that, if LIBOR is phased out or transitioned, the changes to the determination of interest under such agreements would approximate the current calculation in accordance with LIBOR. We do not know what standard, if any, will replace LIBOR if it is phased out or transitioned.

CAPITAL STRUCTURE OVERVIEW

(amounts in thousands)

Capital Structure Composition
 (as of March 31, 2020)

Leverage Capacity
 (as of March 31, 2020)

Outstanding Debt to Funded Investments
 (as of March 31, 2020)

Capital Structure Detail
 (as of March 31, 2020)

Secured Financing	Maximum Facility Size	Coupon Rate ⁽¹⁾	Initial Maturity Date	Principal Balance
Master Repurchase Facility	\$ 213,482	L + 2.00%	11/06/2021	\$ 196,344
Book Value per Common Share				
Shareholders' equity				\$ 86,032
Total outstanding common shares				8,239
Book value per common share				\$ 10.44

⁽¹⁾ Weighted average rate based on outstanding principal balances as of March 31, 2020.

This supplemental operating and financial data may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and other securities laws. Also, whenever we use words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “estimate”, “will”, “may” and negatives or derivatives of these or similar expressions, we are making forward-looking statements. These forward-looking statements are based upon our present intent, beliefs or expectations, but forward-looking statements are not guaranteed to occur and may not occur. Actual results may differ materially from those contained in or implied by our forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control.

This presentation indicates that we have implemented a cash sweep on a borrower’s accounts in order to collect future interest payments. This may protect us against investment losses by mitigating the impact from the borrower being unable to pay debt service obligations as scheduled for a temporary period. However, this risk mitigation mechanism may not adequately cover the debt service obligations and will likely not be able to fully fund the debt service obligations if the tenants’ businesses fail or the borrower is unable to remedy the default.

The information contained in our filings with the SEC, including under “Risk Factors” in our periodic reports, or incorporated therein, identifies important factors that could cause our actual results to differ materially from those stated in or implied by our forward-looking statements. Our filings with the SEC are available on the SEC’s website at www.sec.gov. You should not place undue reliance upon forward-looking statements. Except as required by law, we do not intend to update or change any forward-looking statements as a result of new information, future events or otherwise.

Non-GAAP Financial Measures:

We present Core Earnings, which is considered a “non-GAAP financial measure” within the meaning of the applicable SEC rules. Core Earnings does not represent net income or cash generated from operating activities and should not be considered as an alternative to net income determined in accordance with GAAP or an indication of our cash flows from operations determined in accordance with GAAP, a measure of our liquidity or operating performance or an indication of funds available for our cash needs. In addition, our methodology for calculating Core Earnings may differ from the methodologies employed by other companies to calculate the same or similar supplemental performance measures; therefore, our reported Core Earnings may not be comparable to the core earnings as reported by other companies.

We believe that Core Earnings provides meaningful information to consider in addition to net income and cash flows from operating activities determined in accordance with GAAP. This measure helps 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. In addition, Core Earnings is used in determining the amount of base management and incentive fees payable by us to our Manager under our management agreement.

Core Earnings

We calculate Core Earnings as net income, computed in accordance with GAAP, including realized losses not otherwise included in net income determined in accordance with GAAP, and excluding: (a) the incentive fees earned by our Manager (if any); (b) depreciation and amortization (if any); (c) non-cash equity compensation expense; (d) unrealized gains, losses and other similar non-cash items that are included in net income for the period of the calculation (regardless of whether such items are included in or deducted from net income or in other comprehensive income under GAAP) (if any); and (e) one-time events pursuant to changes in GAAP and certain non-cash items (if any).

Other Measures:**All in yield:**

All in yield is inclusive of the amortization of deferred fees over the initial term of the loan.

Maximum Maturity:

Maximum maturity assumes all extension options are exercised, which options are subject to the borrower meeting certain conditions.

LTV:

Loan to Value Ratio, or LTV, represents the initial loan amount divided by the underwritten in place value at closing.

Net Debt:

Principal balance of debt less cash.