UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

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

Date of report (Date of earliest event reported): August 6, 2024

ARES COMMERCIAL REAL ESTATE CORPORATION

(Exact Name of Registrant as Specified in Charter)

Maryland	001-35517	45-3148087
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

245 Park Avenue, 42nd Floor, New York, NY 10167
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code **(212) 750-7300**

(Former Name or Former Address, if Changed Since Last Report) **N/A**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

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

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

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

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value per share	ACRE	New York Stock Exchange

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

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.02 Results of Operations and Financial Condition.

On August 6, 2024, the registrant issued a press release announcing its financial results for the quarter ended June 30, 2024. A copy of the press release is attached hereto as Exhibit 99.1 and incorporated herein by reference.

Item 7.01 Regulation FD Disclosure.

On August 6, 2024, the registrant made available on its website an earnings presentation with respect to its financial results for the quarter ended June 30, 2024. A copy of the presentation is attached hereto as Exhibit 99.2 and incorporated herein by reference.

The information disclosed under Item 2.02 and Item 7.01, including Exhibit 99.1 and Exhibit 99.2 hereto, is being furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 and shall not be deemed incorporated by reference into any filing made under the Securities Act of 1933, except as expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits:

Exhibit Number	Description
99.1	Press Release, dated August 6, 2024
99.2	Presentation of Ares Commercial Real Estate Corporation, dated August 6, 2024
104	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ARES COMMERCIAL REAL ESTATE CORPORATION

Date: August 6, 2024	By:	/s/ Tae-Sik Yoon
	Name:	Tae-Sik Yoon
	Title:	Chief Financial Officer and Treasurer

ARES COMMERCIAL REAL ESTATE CORPORATION REPORTS
SECOND QUARTER 2024 RESULTS

Second quarter GAAP net income (loss) of $(6.1) million or $(0.11) per diluted common share and
Distributable Earnings (Loss)[1] of $(6.6) million or $(0.12) per diluted common share

- Subsequent to three months ended June 30, 2024 -
Tae-Sik Yoon appointed to Chief Operating Officer; Jeff Gonzales appointed to Chief Financial Officer & Treasurer

Declared third quarter 2024 dividend of $0.25 per common share

NEW YORK—(BUSINESS WIRE)—Ares Commercial Real Estate Corporation (the "Company") (NYSE:ACRE), a specialty finance company engaged in originating and investing in commercial real estate assets, reported generally accepted accounting principles ("GAAP") net income (loss) of $(6.1) million or $(0.11) per diluted common share and Distributable Earnings (Loss)[1] of $(6.6) million or $(0.12) per diluted common share for the second quarter of 2024.

"We continued to make progress on resolving risk rated 4 and 5 loans and maintaining financial flexibility," said Bryan Donohoe, CEO of Ares Commercial Real Estate Corporation. "While these measures impacted our second quarter financial results, we believe these actions better position the Company for higher levels of portfolio growth and earnings in the future."

"I am also proud to announce the appointments of Tae-Sik Yoon to Chief Operating Officer and Jeff Gonzales to Chief Financial Officer and Treasurer, effective as of August 30, 2024," Mr. Donohoe added. "Tae-Sik has been our Chief Financial Officer for the past twelve years and is a trusted member of our management team and a demonstrated leader within our organization. As Chief Operating Officer, we believe that he will be better positioned to help execute the Company's strategic priorities. I am also pleased that Jeff will be our next Chief Financial Officer. Jeff is a seasoned professional, having worked with our team for the past eleven years and is the natural choice for the role. I have the utmost confidence in Tae-Sik and Jeff and look forward to our continued partnership as we seek to execute on behalf of our shareholders."

(1) Distributable Earnings (Loss) is a non-GAAP financial measure. Refer to Schedule I for the definition and reconciliation of Distributable Earnings (Loss).

COMMON STOCK DIVIDEND

On May 9, 2024, the Board of Directors of the Company declared a regular cash dividend of $0.25 per common share for the second quarter of 2024. The second quarter 2024 dividend was paid on July 16, 2024 to common stockholders of record as of June 28, 2024.

On August 6, 2024, the Board of Directors of the Company declared a regular cash dividend of $0.25 per common share for the third quarter of 2024. The third quarter 2024 dividend will be payable on October 15, 2024 to common stockholders of record as of September 30, 2024.

ADDITIONAL INFORMATION

The Company issued a presentation of its second quarter 2024 results, which can be viewed at www.arescre.com on the Investor Resources section of our home page under Events and Presentations. The presentation is titled "Second Quarter 2024 Earnings Presentation." The Company also filed its Quarterly Report on Form 10-Q for the quarter ended June 30, 2024 with the U.S. Securities and Exchange Commission on August 6, 2024.

CONFERENCE CALL AND WEBCAST INFORMATION

On August 6, 2024, the Company invites all interested persons to attend its webcast/conference call at 12:00 p.m. (Eastern Time) to discuss its second quarter 2024 financial results.

All interested parties are invited to participate via telephone or the live webcast, which will be hosted on a webcast link located on the Home page of the Investor Resources section of the Company's website at www.arescre.com. Please visit the website to test your connection before the webcast. Domestic callers can access the conference call by dialing +1 (800) 225-9448. International callers can access the conference call by dialing +1 (203) 518-9708. Please provide passcode ACREQ224. All callers are asked to dial in 10-15 minutes prior to the call so that name and company information can be collected. For interested parties, an archived replay of the call will be available through September 6, 2024 at 5:00 p.m. (Eastern Time) to domestic callers by dialing +1 (800) 756-8809 and to international callers by dialing +1 (402) 220-7214. An archived replay will also be available through September 6, 2024 on a webcast link located on the Home page of the Investor Resources section of the Company's website.

ABOUT ARES COMMERCIAL REAL ESTATE CORPORATION

Ares Commercial Real Estate Corporation (the "Company") is a specialty finance company primarily engaged in originating and investing in commercial real estate loans and related investments. Through its national direct origination platform, the Company provides a broad offering of flexible and reliable financing solutions for commercial real estate owners and operators. The Company originates senior mortgage loans, as well as subordinate financings, mezzanine debt and preferred equity, with an emphasis on providing value added financing on a variety of properties located in liquid markets across the United States. Ares Commercial Real Estate Corporation elected and qualified to be taxed as a real estate investment trust and is externally managed by a subsidiary of Ares Management Corporation. For more information, please visit www.arescre.com. The contents of such website are not, and should not be deemed to be, incorporated by reference herein.

FORWARD-LOOKING STATEMENTS

Statements included herein or on the webcast / conference call may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended. These statements relate to future events or the Company's future performance or financial condition and include, but are not limited to, statements about the resolution of underperforming loans, reduction of CECL reserve, increase of available borrowings, the industry, loan market, and the benefits of the announced officer appointments. These statements are not guarantees of future performance, condition or results and involve a number of risks and uncertainties. Actual results may differ materially from those in the forward-looking statements as a result of a number of factors, including global economic trends and economic conditions, including high inflation, slower growth, changes to fiscal and monetary policy, higher interest rates and currency fluctuations, as well as geopolitical instability, including conflicts between Russia and Ukraine and the conflict between Israel and Hamas, changes in interest rates, failure to obtain benefits from the announced officer appointments, credit spreads and the market value of the Company's investments, the Company's business and investment strategy, the Company's projected operating results, the return or impact of current and future investments, the demand for commercial real estate loans, rates of prepayments on the Company's mortgage loans and the effect on the Company's business of such prepayments, availability of investment opportunities in mortgage-related and real estate-related investments and securities, ACREM's ability to locate suitable investments for the Company, monitor, service and administer the Company's investments and execute its investment strategy, and the risks described from time to time in the Company's filings with the Securities and Exchange Commission (the "SEC"), including, but not limited to, the risk factors described in Part I, Item 1A. Risk Factors in the Company's Annual Report on Form 10-K, filed with the SEC on February 22, 2024, and the risk factors described in Part II, Item 1A. Risk Factors in the Company's subsequent Quarterly Reports on Form 10-Q. Any forward-looking statement, including any contained herein, speaks only as of the time of this press release and Ares Commercial Real Estate Corporation undertakes no duty to update any forward-looking statements made herein or on the webcast/conference call. Projections and forward-looking statements are based on management's good faith and reasonable assumptions, including the assumptions described herein.

INVESTOR RELATIONS CONTACTS

Ares Commercial Real Estate Corporation
Carl Drake or John Stilmar
(888) 818-5298
iracre@aresmgmt.com

ARES COMMERCIAL REAL ESTATE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	As of	
	June 30, 2024 (unaudited)	December 31, 2023
ASSETS		
Cash and cash equivalents	$ 70,649	$ 110,459
Loans held for investment ($741,218 and $892,166 related to consolidated VIEs, respectively)	1,972,551	2,126,524
Current expected credit loss reserve	(137,403)	(159,885)
Loans held for investment, net of current expected credit loss reserve	1,835,148	1,966,639
Loans held for sale ($38,981 related to consolidated VIEs as of December 31, 2023)	20,534	38,981
Investment in available-for-sale debt securities, at fair value	28,113	28,060
Real estate owned held for investment, net	81,728	83,284
Real estate owned held for sale ($14,509 related to consolidated VIEs as of June 30, 2024)	14,509	—
Other assets ($2,484 and $3,690 of interest receivable related to consolidated VIEs, respectively; $32,002 of other receivables related to consolidated VIEs as of December 31, 2023)	19,074	52,354
Total assets	$ 2,069,755	$ 2,279,777
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Secured funding agreements	$ 625,936	$ 639,817
Notes payable	104,751	104,662
Secured term loan	137,409	149,393
Collateralized loan obligation securitization debt (consolidated VIEs)	588,421	723,117
Due to affiliate	4,526	4,135
Dividends payable	13,812	18,220
Other liabilities ($1,779 and $2,263 of interest payable related to consolidated VIEs, respectively)	12,637	14,584
Total liabilities	1,487,492	1,653,928
Commitments and contingencies		
STOCKHOLDERS' EQUITY		
Common stock, par value $0.01 per share, 450,000,000 shares authorized at June 30, 2024 and December 31, 2023 and 54,518,727 and 54,149,225 shares issued and outstanding at June 30, 2024 and December 31, 2023, respectively	532	532
Additional paid-in capital	814,620	812,184
Accumulated other comprehensive income	193	153
Accumulated earnings (deficit)	(233,082)	(187,020)
Total stockholders' equity	582,263	625,849
Total liabilities and stockholders' equity	$ 2,069,755	$ 2,279,777

ARES COMMERCIAL REAL ESTATE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share data)
(unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
Revenue:				
Interest income	$ 40,847	$ 51,941	$ 84,880	$ 101,441
Interest expense	(27,483)	(26,951)	(56,302)	(49,950)
Net interest margin	13,364	24,990	28,578	51,491
Revenue from real estate owned	3,433	—	6,910	—
Total revenue	16,797	24,990	35,488	51,491
Expenses:				
Management and incentive fees to affiliate	2,692	3,334	5,460	6,344
Professional fees	757	626	1,290	1,397
General and administrative expenses	1,957	2,038	4,038	3,723
General and administrative expenses reimbursed to affiliate	1,277	1,109	2,409	1,842
Expenses from real estate owned	2,226	—	4,262	—
Total expenses	8,909	7,107	17,459	13,306
Provision for current expected credit losses	(2,374)	20,127	(24,643)	41,146
Realized losses on loans	16,387	—	62,113	5,613
Change in unrealized losses on loans held for sale	—	—	(995)	—
Income (loss) before income taxes	(6,125)	(2,244)	(18,446)	(8,574)
Income tax expense (benefit), including excise tax	—	(46)	2	64
Net income (loss) attributable to common stockholders	$ (6,125)	$ (2,198)	$ (18,448)	$ (8,638)
Earnings (loss) per common share:				
Basic earnings (loss) per common share	$ (0.11)	$ (0.04)	$ (0.34)	$ (0.16)
Diluted earnings (loss) per common share	$ (0.11)	$ (0.04)	$ (0.34)	$ (0.16)
Weighted average number of common shares outstanding:				
Basic weighted average shares of common stock outstanding	54,426,112	54,347,204	54,411,255	54,468,752
Diluted weighted average shares of common stock outstanding	54,426,112	54,347,204	54,411,255	54,468,752
Dividends declared per share of common stock[(1)]	$ 0.25	$ 0.35	$ 0.50	$ 0.70

(1) There is no assurance dividends will continue at these levels or at all.

SCHEDULE I

Reconciliation of Net Income (Loss) to Non-GAAP Distributable Earnings (Loss)

Distributable Earnings (Loss) is a non-GAAP financial measure that helps the Company evaluate its financial performance excluding the effects of certain transactions and GAAP adjustments that it believes are not necessarily indicative of its current loan origination portfolio and operations. To maintain the Company's REIT status, the Company is generally required to annually distribute to its stockholders substantially all of its taxable income. The Company believes the disclosure of Distributable Earnings (Loss) provides useful information to investors regarding the Company's ability to pay dividends, which is one of the principal reasons the Company believes investors invest in the Company. The presentation of this additional information is not meant to be considered in isolation or as a substitute for financial results prepared in accordance with GAAP. Distributable Earnings (Loss) is defined as net income (loss) attributable to common stockholders computed in accordance with GAAP, excluding non-cash equity compensation expense, the incentive fees the Company pays to its Manager (Ares Commercial Real Estate Management LLC), depreciation and amortization (to the extent that any of the Company's target investments are structured as debt and the Company forecloses on any properties underlying such debt), any unrealized gains, losses or other non-cash items recorded in net income (loss) for the period, regardless of whether such items are included in other comprehensive income or loss, or in net income (loss), one-time events pursuant to changes in GAAP and certain non-cash charges after discussions between the Company's Manager and the Company's independent directors and after approval by a majority of the Company's independent directors. Loan balances that are deemed to be uncollectible are written off as a realized loss and are included in Distributable Earnings (Loss). Distributable Earnings (Loss) is aligned with the calculation of "Core Earnings," which is defined in the Management Agreement and is used to calculate the incentive fees the Company pays to its Manager.

Reconciliation of net income (loss) attributable to common stockholders, the most directly comparable GAAP financial measure, to Distributable Earnings (Loss) is set forth in the table below for the three months and twelve months ended June 30, 2024 ($ in thousands):

	For the Three Months Ended June 30, 2024	For the Twelve Months Ended June 30, 2024
Net income (loss) attributable to common stockholders	$ (6,125)	$ (48,678)
Stock-based compensation	1,152	4,463
Incentive fees to affiliate	—	—
Depreciation and amortization of real estate owned	770	2,571
Provision for current expected credit losses	(2,374)	26,036
Realized gain on termination of interest rate cap derivative (1)	—	(198)
Unrealized losses on loans held for sale	—	—
Distributable Earnings (Loss)	$ (6,577)	$ (15,806)
Net income (loss) attributable to common stockholders	$ (0.11)	$ (0.90)
Stock-based compensation	0.02	0.08
Incentive fees to affiliate	—	—
Depreciation and amortization of real estate owned	0.01	0.05
Provision for current expected credit losses	(0.04)	0.48
Realized gain on termination of interest rate cap derivative (1)	—	—
Unrealized losses on loans held for sale	—	—
Basic Distributable Earnings (Loss) per common share	$ (0.12)	$ (0.29)
Net income (loss) attributable to common stockholders	$ (0.11)	$ (0.90)
Stock-based compensation	0.02	0.08
Incentive fees to affiliate	—	—
Depreciation and amortization of real estate owned	0.01	0.05
Provision for current expected credit losses	(0.04)	0.48
Realized gain on termination of interest rate cap derivative (1)	—	—
Unrealized losses on loans held for sale	—	—
Diluted Distributable Earnings (Loss) per common share	$ (0.12)	$ (0.29)

(1) For the twelve months ended June 30, 2024, Distributable Earnings (Loss) includes a $198 thousand adjustment to reverse the impact of the $2.0 million realized gain from the termination of the interest rate cap derivative that was amortized into GAAP net income (loss).

Exhibit 99.2

ARES
COMMERCIAL REAL ESTATE CORPORATION

Second Quarter 2024 Earnings Presentation

Confidential – Not for Publication or Distribution

Disclaimer

Statements included herein may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and Section 21E of the Securities Exchange Act of 1934, as amended, which may relate to future events or the future performance or financial condition of Ares Commercial Real Estate Corporation ("ACRE" or, the "Company"), Ares Commercial Real Estate Management LLC ("ACREM"), a subsidiary of Ares Management Corporation ("Ares Corp."), Ares Corp., certain of their subsidiaries and certain funds and accounts managed by ACREM, Ares Corp. and/or their subsidiaries, including, without limitation, ACRE. These statements include, but are not limited to, statements about the resolution of underperforming loans, reduction of CECL reserve, increase of available borrowings and the industry and loan market and are not guarantees of future results or financial condition and involve a number of risks and uncertainties. Actual results could differ materially from those in the forward-looking statements as a result of a number of factors, including global economic trends and economic conditions, including high inflation, slower growth or recession, changes to fiscal and monetary policy, higher interest rates and currency fluctuations, as well as geopolitical instability, including conflicts between Russia and Ukraine and the conflict between Israel and Hamas, changes in interest rates, credit spreads and the market value of the Company's investments, the Company's business and investment strategy, the Company's projected operating results, the return or impact of current and future investments, the demand for commercial real estate loans, rates of prepayments on the Company's mortgage loans and the effect on the Company's business of such prepayments, availability of investment opportunities in mortgage-related and real estate-related investments and securities, ACREM's ability to locate suitable investments for the Company, monitor, service and administer the Company's investments and execute its investment strategy, and other risks described from time to time in ACRE's filings within the Securities and Exchange Commission ("SEC"). Any forward-looking statement, including any contained herein, speaks only as of the time of this release and none of ACRE, ARES Corp. nor ACREM undertakes any duty to update any forward-looking statements made herein. Any such forward-looking statements are made pursuant to the safe harbor provisions available under applicable securities laws.

Ares Corp. is the parent to several registered investment advisers, including Ares Management LLC ("Ares Management") and ACREM. Collectively, Ares Corp., its affiliated entities, and all underlying subsidiary entities shall be referred to as "Ares" unless specifically noted otherwise. For a discussion regarding potential risks on ACRE, see Part I., Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Part I., Item 1A. "Risk Factors" in ACRE's Annual Report on Form 10-K and Part II, Item 1A. "Risk Factors" in ACRE's subsequent Quarterly Reports on Form 10-Q.

The information contained in this presentation is summary information that is intended to be considered in the context of ACRE's SEC filings and other public announcements that ACRE, ACREM or Ares may make, by press release or otherwise, from time to time. ACRE, ACREM and Ares undertake no duty or obligation to publicly update or revise the forward-looking statements or other information contained in this presentation. These materials contain information about ACRE, ACREM and Ares, and certain of their respective personnel and affiliates, information about their respective historical performance and general information about the market. You should not view information related to the past performance of ACRE, ACREM or Ares or information about the market, as indicative of future results, the achievement of which cannot be assured.

Nothing in these materials should be construed as a recommendation to invest in any securities that may be issued by ACRE or any other fund or account managed by ACREM or Ares, or as legal, accounting or tax advice. None of ACRE, ACREM, Ares or any affiliate of ACRE, ACREM or Ares makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained herein and nothing contained herein shall be relied upon as a promise or representation whether as to the past or future performance. Certain information set forth herein includes estimates and projections and involves significant elements of subjective judgment and analysis. Further, such information, unless otherwise stated, is before giving effect to management and incentive fees and deductions for taxes. No representations are made as to the accuracy of such estimates or projections or that all assumptions relating to such estimates or projections have been considered or stated or that such estimates or projections will be realized.

In addition, in light of the various investment strategies of such other investment partnerships, funds and/or pools, it is noted that such other investment programs may have portfolio investments inconsistent with those of the investment vehicle or strategy discussed herein.

These materials are not intended as an offer to sell, or the solicitation of an offer to purchase, any security, the offer and/or sale of which can only be made by definitive offering documentation. Any offer or solicitation with respect to any securities that may be issued by ACRE will be made only by means of definitive offering memoranda or prospectus, which will be provided to prospective investors and will contain material information that is not set forth herein, including risk factors relating to any such investment.

For the definitions of certain terms used in this presentation, please refer to the "Glossary" slide in the appendix.

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Company Highlights

Loan Portfolio

- **$2.0 billion** outstanding principal balance
- **99%** senior loans

Earnings and Dividends

- **$(0.11)** 2Q GAAP net income (loss) per diluted common share
- **$(0.12)** 2Q Distributable Earnings (Loss) per diluted common share[1]
- **$0.18** 2Q Distributable Earnings per diluted common share excluding realized losses of $0.30 per diluted common share[1,2]
- *$0.25 declared 3Q 2024 regular cash dividend per common share*

Balance Sheet Positioning

- **10%** YTD reduction in outstanding borrowings totaling $1.5 billion
- **1.9x** net debt to equity ratio excluding CECL reserves[3]
- **$121 million** of available capital[4]
- *No spread based mark to market provisions*

Ares Sponsorship

- **$447.2 billion** ARES AUM[5]
- **$51.5 billion** ARES real estate platform AUM
- *Benefits from market intelligence and deep relationships*

Note: As of June 30, 2024 unless otherwise noted. Past performance is not indicative of future results. Due to rounding, numbers presented may not add up to the totals provided.

1. Distributable Earnings (Loss) and Distributable Earnings excluding realized losses are non-GAAP financial measures. See page 22 for Distributable Earnings (Loss) and Distributable Earnings excluding realized losses definitions and page 20 for the Reconciliation of Net Income (Loss) to Non-GAAP Distributable Earnings (Loss) and Distributable Earnings excluding realized losses.
2. Distributable Earnings excluding realized losses per diluted common share is calculated as Distributable Earnings (Loss) of $(7) million or $(0.12) per diluted common share plus realized losses of $16 million or $0.30 per diluted common share.
3. Net debt to equity ratio (excluding CECL reserves) is calculated as (i) $1.5 billion of outstanding principal of borrowings less $71 million of cash, (ii) divided by the sum of total stockholders' equity of $582 million plus CECL reserve of $139 million at June 30, 2024. Net debt to equity ratio including CECL reserve is 2.4x. Total debt to equity ratio excluding CECL reserve is 2.0x and including CECL reserve is 2.5x.
4. As of June 30, 2024, includes $71 million of cash and approximately $50 million of available financing proceeds under the secured revolving funding agreement with City National Bank ("CNB Facility"). Amount immediately available under the CNB Facility at any given time can fluctuate based on the fair value of the collateral in the borrowing base that secures the CNB Facility. As of June 30, 2024, there was approximately $50 million immediately available under the CNB Facility based on the fair value of the collateral in the borrowing base at such time. The amount immediately available under the CNB Facility may be increased to up to $75 million by the pledge of additional collateral into the borrowing base in accordance with the CNB Facility agreement.
5. Ares AUM includes funds managed by Ivy Hill Asset Management, L.P., a wholly owned portfolio company of Ares Capital Corporation and registered investment adviser.

Summary of 2Q 2024 Results and Activity

Earnings Results	• 2Q 2024 GAAP net income (loss) of $(0.11) per diluted common share • 2Q 2024 Distributable Earnings (Loss) of $(0.12) per diluted common share[1] • 2Q 2024 Distributable Earnings of $0.18 per diluted common share excluding realized losses of $0.30 per diluted common share[1,2] • Book value per common share of $10.68 (or $13.22 excluding CECL reserve) as of June 30, 2024[3]
2Q 2024 Update	• One risk rated 5 multifamily loan with $98 million in outstanding principal balance was placed on non-accrual in 2Q 2024 • Converted a risk rated 5 office loan with $33 million in outstanding principal balance to real estate owned ("REO") held for sale resulting in a realized loss of $16 million • $139 million CECL reserve at 2Q 2024 or 7% of outstanding principal balance for loans held for investment
Balance Sheet Positioning	• Further reduced outstanding borrowings to less than $1.5 billion, resulting in a net debt to equity ratio excluding CECL reserve of 1.9x[4] • Available capital of $121 million[5] plus additional unlevered assets that may be financed to further increase available capital and earnings potential[6]
Dividends	• Declared cash dividend of $0.25 per common share for shareholders for 3Q 2024

Note: As of June 30, 2024 unless otherwise noted. Past performance is not indicative of future results. Due to rounding, numbers may not add up to the totals provided.

1. Distributable Earnings (Loss) and Distributable Earnings excluding realized losses are non-GAAP financial measures. See page 22 for Distributable Earnings (Loss) and Distributable Earnings excluding realized losses definitions and page 20 for the Reconciliation of Net Income (Loss) to Non-GAAP Distributable Earnings (Loss) and Distributable Earnings excluding realized losses.
2. Distributable Earnings excluding realized losses per diluted common share is calculated as Distributable Earnings (Loss) of $(7) million or $(0.12) per diluted common share plus realized losses of $16 million or $0.30 per diluted common share.
3. Book value per common share excluding CECL reserve is calculated as (i) total stockholders' equity of $582 million plus CECL reserve of $139 million divided by (ii) total outstanding common shares of 54,518,727 as of June 30, 2024.
4. Net debt to equity ratio (excluding CECL reserves) is calculated as (i) $1.5 billion of outstanding principal of borrowings less $71 million of cash, (ii) divided by the sum of total stockholders' equity of $582 million plus CECL reserve of $139 million at June 30, 2024. Net debt to equity ratio including CECL reserve is 2.4x. Total debt to equity ratio excluding CECL reserve is 2.0x and including CECL reserve is 2.5x.
5. As of June 30, 2024, includes $71 million of cash and approximately $50 million of available financing proceeds under the CNB Facility. Amount immediately available under the CNB Facility at any given time can fluctuate based on the fair value of the collateral in the borrowing base that secures the CNB Facility. As of June 30, 2024, there was approximately $50 million immediately available under the CNB Facility based on the fair value of the collateral in the borrowing base at such time. The amount immediately available under the CNB Facility may be increased to up to $75 million by the pledge of additional collateral into the borrowing base in accordance with the CNB Facility agreement.
6. Additional unlevered assets that may be financed in the future include $82 million of total real estate owned held for investment net of depreciation and amortization, $28 million floating rate investment grade debt securities and other assets that are not levered.

Portfolio Overview

» Focused on maximizing outcomes for our risk rated 4 and 5 loans

Risk Rated 1-3 Loan Portfolio

$1.5 billion Portfolio Size[2]

35 Loans

- Majority Collateralized by Multifamily, Industrial, Self-Storage and Mixed Use[2,4]
- CECL Reserve is Approximately 1% of Loan Balance[2,5]
- Approximately $140 Million of Additional Borrower Capital Contributions in the LTM[7]
- All Borrowers Renewed Expiring Interest Rate Caps in the LTM[9]

Risk Rated 4 & 5 Loan Portfolio

$0.5 billion Portfolio Size[3]

7 Loans

- 75% is Collateralized by Office and Residential / Condo Properties[3]
- 90% of Total CECL Reserve Relates to Risk Rated 4 and 5 Loans[6]
- CECL Reserve is 26% of Loan Balance[8]
- CECL Reserve is 29% of Loan Balance for Office Loans[10]

Note: As of June 30, 2024 unless otherwise noted. Past performance is not indicative of future results. Due to rounding, numbers presented may not add up to the totals provided.

1. Based on outstanding principal balance of loans held for investment.
2. Based on outstanding principal balance of loans with risk ratings of 1, 2 or 3.
3. Based on outstanding principal balance of loans with risk ratings of 4 or 5.
4. Student housing is included in multifamily.
5. CECL reserve of $14 million on risk rated 1, 2 and 3 loans.
6. $125 million of the $139 million total CECL reserve related to loans risk rated 4 and 5.
7. Includes borrower capital contributions relating to the purchase of interest rate caps, current interest payments, debt paydowns, tenant improvements and leasing commissions, interest and carry reserves and other items.
8. $125 million of CECL reserve for risk rated 4 and 5 loans as a percentage of the $477 million in outstanding principal balance of risk rated 4 and 5 loans.
9. Interest rate caps relating to risk rated 1-3 loans that expired in the last twelve months ("LTM") were renewed at their prior strike or economically equivalent amounts were contributed as additional reserves.
10. Based on outstanding principal balance of loans backed by office properties with risk ratings of 4 or 5.

Ares Management

» With approximately $447 billion in assets under management, Ares Management Corporation is a global alternative investment manager operating an integrated platform across five business groups

Profile

Founded	1997
AUM	$447bn
Employees	2,950+
Investment Professionals	1,000+
Global Offices	35+
Direct Institutional Relationships	2,500+
Listing: NYSE – Market Capitalization	$45.5bn[1]

Global Footprint[2]

The Ares Differentiators

- **Power of a broad and scaled platform enhancing investment capabilities**
- **Deep management team with integrated and collaborative approach**
- **20+ year track record of attractive risk adjusted returns through market cycles**
- **A pioneer and leader in leveraged finance, private credit and secondaries**

	Credit	Real Assets	Private Equity	Secondaries	Other Businesses
AUM	$323.1bn	$67.7bn	$24.6bn	$26.3bn	$5.5bn
Strategies	Direct Lending	Real Estate Equity	Corporate Private Equity	Private Equity Secondaries	Ares Insurance Solutions[4]
	Liquid Credit	Real Estate Debt	APAC Private Equity	Real Estate Secondaries	Ares Acquisition Corporation[5]
	Alternative Credit	Infrastructure Opportunities		Infrastructure Secondaries	
	Opportunistic Credit[3]	Infrastructure Debt		Credit Secondaries	
	APAC Credit				

Note: As of June 30, 2024. AUM amounts include funds managed by Ivy Hill Asset Management, L.P., a wholly owned portfolio company of Ares Capital Corporation and registered investment adviser.
Past performance is not indicative of future results.

1. As of July 25, 2024.
2. New Delhi office is operated by a third party with whom Ares Asia maintains an ongoing relationship relating to the sourcing, acquisition and/or management of investments.
3. In Q1 2024, we moved our Special Opportunities strategy from our Private Equity Group into our Credit Group as Opportunistic Credit. The fund name remains Special Opportunities. Opportunistic Credit has been reclassified and presented within the Credit Group and reflected on a historical basis.
4. AUM managed by Ares Insurance Solutions excludes assets which are sub-advised by other Ares' investment groups or invested in Ares funds and investment vehicles.
5. AUM includes Ares Acquisition Corporation II ("AACT").

Ares Real Estate Group Capabilities

» Global real estate investment manager with vertically integrated operating platform that seeks to generate compelling risk-adjusted performance[1] through market cycles

$51.5 billion Real Estate AUM	**270+** Investment Professionals
19 Offices and Market Coverage Locations	**500+** Real Estate Investments Globally

Core/Core-Plus	Value-Add	Opportunistic

Private Debt

Private Equity Real Estate

Key Advantages

- Scaled Real Estate Platform Experienced Across All Sectors
- Cycle-Tested & Collaborative Team with Local Networks
- In-House Sector Expertise and Vertical Integration
- Real Time Corporate & Market Insights

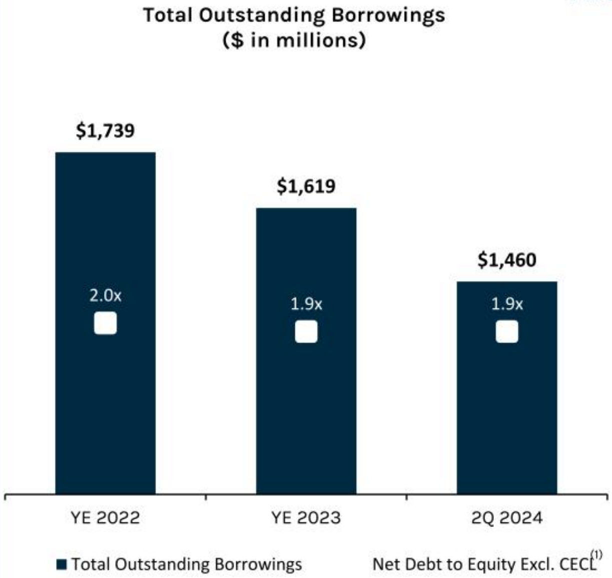
Note: As of June 30, 2024, unless otherwise noted. Past performance is not indicative of future results. Due to rounding, numbers presented may not add up to the totals provided.

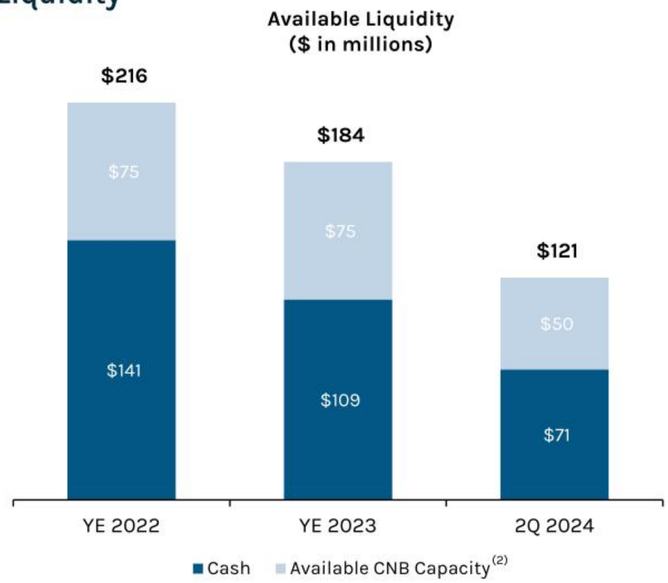
1. All investments involve risk, including loss of principal. References to "risk-adjusted performance" or similar phrases are not guarantees against loss of investment capital or value.

Balance Sheet and Capital Position Provides Flexibility

» We are focused on de-levering the balance sheet and maintaining higher levels of available liquidity to support positive outcomes on underperforming loans

Further De-Leveraged & Maintained Higher Levels of Available Liquidity



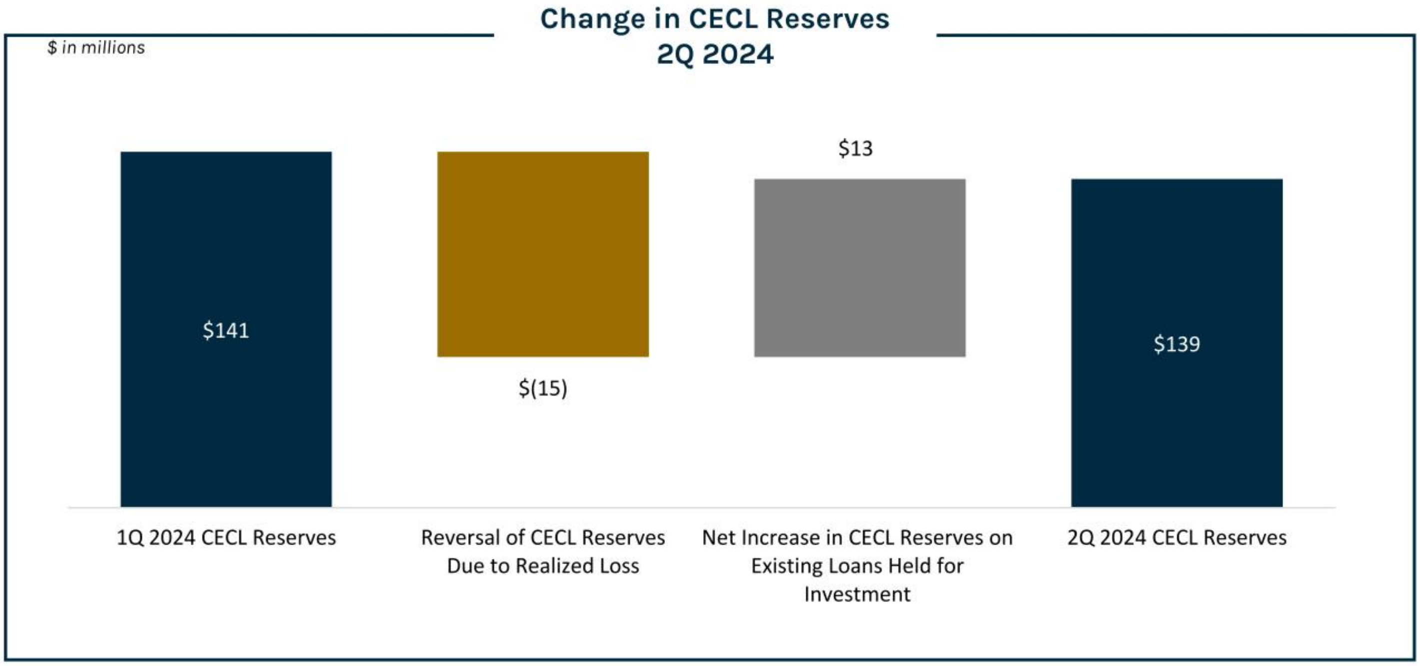


Note: Past performance is not indicative of future results. Due to rounding, numbers presented may not add up to the totals provided.

1. Net debt to equity ratio (excluding CECL reserves) is calculated as (i) $1.5 billion of outstanding principal of borrowings less $71 million of cash, (ii) divided by the sum of total stockholders' equity of $582 million plus CECL reserve of $139 million at June 30, 2024. Net debt to equity ratio including CECL reserve is 2.4x. Total debt to equity ratio excluding CECL reserve is 2.0x and including CECL reserve is 2.5x.
2. As of June 30, 2024, includes $71 million of cash and approximately $50 million of available financing proceeds under the CNB Facility. Amount immediately available under the CNB Facility at any given time can fluctuate based on the fair value of the collateral in the borrowing base that secures the CNB Facility. As of June 30, 2024, there was approximately $50 million immediately available under the CNB Facility based on the fair value of the collateral in the borrowing base at such time. The amount immediately available under the CNB Facility may be increased to up to $75 million by the pledge of additional collateral into the borrowing base in accordance with the CNB Facility agreement.

Trends in CECL Reserves

» Net reduction in CECL reserves primarily reflects the reversal of a previous reserve associated with the realization of loss on a loan converted to REO partially offset by net increases in reserves on existing loans held for investment



Note: As of June 30, 2024 unless otherwise noted. Past performance is not indicative of future results. Numbers may not sum due to rounding.

Current Expected Credit Loss Reserves

» CECL reserves are approximately 7% of total loans held for investment(1)

$139 million

Total CECL Reserves

7%

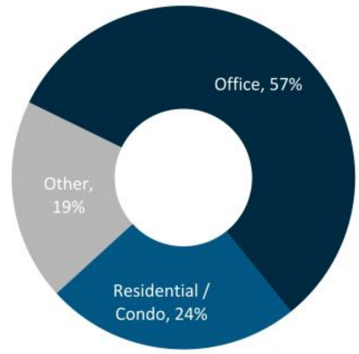
CECL Reserves as a Percent of Loans Held for Investment(1)

CECL Reserves by Risk Rating

90%

CECL reserves relates to risk rated 4 and 5 loans

CECL Reserves by Property Type



81%

CECL reserves relates to office and residential / condo loans

Note: As of June 30, 2024 unless otherwise noted. Past performance is not indicative of future results. Due to rounding, numbers presented may not add up to the totals provided.

1. Percentage of loans held for investment based on outstanding principal balance.

CECL Reserves for Risk Rated 4 and 5 Loans

» Majority of CECL reserves on risk rated 4 and 5 loans relate to office and residential / condo loans

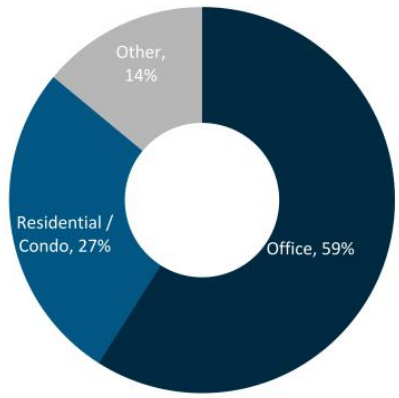
$125 million

CECL Reserves for Risk Rated 4 and 5 Loans

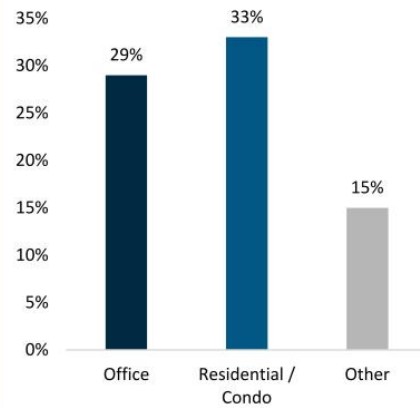
26%

CECL Reserves as a Percent of Risk Rated 4 and 5 Loan Balance[(1)]

Risk Rated 4 and 5 Loans CECL Reserves by Property Type



Risk Rated 4 and 5 Loans CECL Reserves as a Percent of Loan Balance[(2)]



Note: As of June 30, 2024 unless otherwise noted. Past performance is not indicative of future results. Due to rounding, numbers presented may not add up to the totals provided.

1. Based on outstanding principal balance of loans with risk ratings of 4 or 5.
2. Based on outstanding principal balance of loans with risk ratings of 4 or 5 by property type.

Summary of Real Estate Owned

	Mixed-Use ($ in millions)	Office ($ in millions)
Quarter Converted to REO:	Q3-23	Q2-24
Location:	Florida	California
Carrying Value[1]:	$82	$15
Debt Outstanding:	--	--
Net Equity[2]:	$82	$15
Held for Sale:	No	Yes

Note: As of June 30, 2024 unless otherwise noted. Past performance is not indicative of future results. Numbers may not sum due to rounding.
1. Carrying value is net of accumulated depreciation and amortization of $2.6 million for the Florida mixed-use property. There was no accumulated depreciation and amortization for the California office property as it was classified as held for sale.
2. Net Equity is calculated as the Carrying Value less debt outstanding.

Appendix

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Loans Held for Investment Portfolio Details

($ in millions)											
#	Loan Type	Location	Origination Date	Current Loan Commitment	Outstanding Principal	Carrying Value	Interest Rate	SOFR Floor	Unleveraged Effective Yield	Maturity Date	Payment Terms[1]
Office Loans:											
1	Senior	IL	Nov 2020	$161.4	$161.4	$154.0	(2)	1.5%	7.6%[2]	Mar 2025	I/O
2	Senior	Diversified	Jan 2020	109.0	108.9	108.7	S+3.75%	1.6%	9.3%	Jan 2025	P/I
3	Senior	AZ	Sep 2021	100.7	73.2	73.1	S+3.61%	0.1%	9.4%	Oct 2024	I/O
4	Senior	NC	Aug 2021	85.0	70.6	70.5	S+3.65%	0.2%	9.0%	Aug 2028[3]	I/O
5	Senior	NC	Mar 2019	68.6	68.6	64.9	S+4.35%	2.3%	—%[4]	May 2024[4]	P/I
6	Senior	NY	Jul 2021	59.0	59.0	59.0	S+2.65%	3.0%	8.0%[5]	Jul 2027[5]	I/O
7	Senior	IL	Dec 2022	56.0	56.0	55.9	S+4.25%	3.0%	10.1%	Jan 2025	I/O
8	Senior	MA	Apr 2022	82.2	51.4	51.0	S+3.75%	—%	9.7%	Apr 2026[6]	I/O
9	Senior	GA	Nov 2019	48.3	48.3	48.2	S+3.15%	1.9%	8.8%	Dec 2024	P/I
10	Senior	CA	Nov 2018	20.3	20.3	20.3	S+3.50%	2.3%	9.1%	Nov 2025	P/I
11	Subordinated	NJ	Mar 2016	18.5	18.5	15.7	12.00%	—%	—%[7]	Jan 2026	I/O
12	Subordinated	NY	Jul 2021	9.9	9.9	7.6	5.50%	—%	—%[5]	Jul 2027	I/O
Total Office				**$818.9**	**$746.1**	**$728.9**					

Note: As of June 30, 2024.

1. I/O = interest only, P/I = principal and interest.
2. The Illinois loan is structured as both a senior and mezzanine loan with the Company holding both positions. The senior position has a per annum interest rate of S + 2.25% and the mezzanine position has a fixed per annum interest rate of 10.00%. The mezzanine position of this loan, which had an outstanding principal balance of $47.4 million as of June 30, 2024, was on non-accrual status as of June 30, 2024 and therefore, the Unleveraged Effective Yield presented is for the senior position only as the mezzanine position is non-interest accruing.
3. In June 2024, the Company and the borrower entered into a modification and extension agreement to, among other things, extend the maturity date on the senior North Carolina loan from August 2024 to August 2028.
4. Loan was on non-accrual status as of June 30, 2024 and the Unleveraged Effective Yield is not applicable. As of June 30, 2024, the senior North Carolina loan, which is collateralized by an office property, is in maturity default due to the failure of the borrower to repay the outstanding principal balance of the loan by the May 2024 maturity date. The Company is in the process of acquiring legal title to the property. Once legal title of the property is acquired, the Company will derecognize the senior North Carolina loan and recognize the office property as real estate owned.
5. In March 2024, the Company and the borrower entered into a modification and extension agreement to, among other things, split the existing senior New York loan, which was on non-accrual status and had an outstanding principal balance of $73.8 million at the time of the modification, into a senior A-Note with an outstanding principal balance of $60.0 million and a subordinated B-Note with an outstanding principal balance of $13.8 million. In conjunction with the modification, the borrower repaid the outstanding principal of the senior A-Note down to $59.0 million and the subordinated B-Note down to $9.8 million. The subordinated B-Note is subordinate to new sponsor equity related to the loan paydown and additional capital contributions. In addition, the maturity date of the senior A-Note and the subordinated B-Note was extended from August 2025 to July 2027. The senior A-Note has a per annum interest rate of S + 2.65% and the subordinated B-Note has a fixed per annum interest rate of 5.50%. During the six months ended June 30, 2024, the senior A-Note, which had an outstanding principal balance of $59.0 million as of June 30, 2024, was restored to accrual status. As of June 30, 2024, the subordinated B-Note, which had an outstanding principal balance of $9.9 million, was on non-accrual status and therefore, the Unleveraged Effective Yield is not applicable. As of June 30, 2024, the borrower is current on all contractual interest payments for the senior A-Note and the subordinated B-Note.
6. In June 2024, the Company and the borrower entered into a modification and extension agreement to, among other things, extend the maturity date on the senior Massachusetts loan from April 2025 to April 2026.
7. Loan was on non-accrual status as of June 30, 2024 and the Unleveraged Effective Yield is not applicable. The mezzanine New Jersey loan is currently in default due to the borrower not making its contractual interest payments due subsequent to the December 2023 interest payment date.

Loans Held for Investment Portfolio Details

($ in millions)											
#	Loan Type	Location	Origination Date	Current Loan Commitment	Outstanding Principal	Carrying Value	Interest Rate	SOFR Floor	Unleveraged Effective Yield	Maturity Date	Payment Terms[1]
Multifamily Loans:											
13	Senior	NY	May 2022	$133.0	$132.2	$131.6	S+3.90%	0.2%	9.7%	Jun 2025	I/O
14	Senior	TX	Jun 2022	97.5	97.5	95.4	S+3.00%	1.5%	—%[2]	Jul 2025	I/O
15	Senior	TX	Nov 2021	68.8	68.4	68.3	S+2.95%	—%	8.7%	Dec 2024	I/O
16	Senior[3]	SC	Dec 2021	67.0	67.0	67.0	S+3.00%	—%	8.6%	Nov 2024	I/O
17	Senior	OH	Sep 2023	57.8	57.0	56.6	S+3.05%	2.5%	8.8%	Oct 2026	I/O
18	Senior	CA	Nov 2021	31.7	31.7	31.6	S+3.00%	—%	8.6%	Dec 2025	I/O
19	Senior	PA	Dec 2018	28.2	28.2	28.2	S+2.50%	2.8%	7.8%	Dec 2025	I/O
20	Senior	WA	Dec 2021	23.1	23.1	23.0	S+3.00%	—%	8.5%	Nov 2025	I/O
21	Senior	TX	Oct 2021	23.1	23.1	23.1	S+2.60%	—%	8.3%	Oct 2024	I/O
Total Multifamily				**$530.2**	**$528.2**	**$524.8**					
Industrial Loans:											
22	Senior	IL	May 2021	$100.7	$100.7	$100.7	S+4.65%	0.1%	11.6%	Nov 2024	I/O
23	Senior	MA	Jun 2023	49.0	47.4	47.2	S+2.90%	—%	8.4%	Jun 2028	I/O
24	Senior	NJ	Jun 2021	28.3	27.8	27.7	S+3.85%	0.2%	11.3%	Aug 2024	I/O
25	Senior	FL	Dec 2021	25.5	25.5	25.4	S+3.00%	—%	8.6%	Dec 2025	I/O
26	Senior	CA	Aug 2019	19.6	19.6	18.2	S+3.85%	2.0%	—%[4]	Sep 2024	I/O
27	Senior	TX	Nov 2021	10.0	10.0	10.0	S+5.35%	0.2%	11.1%	Dec 2024	I/O
28	Senior	TN	Oct 2021	6.4	6.4	6.4	S+5.60%	0.2%	11.3%	Nov 2024	I/O
Total Industrial				**$239.5**	**$237.4**	**$235.6**					

Note: As of June 30, 2024
1. I/O = interest only, P/I = principal and interest.
2. Loan was on non-accrual status as of June 30, 2024 and the Unleveraged Effective Yield is not applicable.
3. Loan commitment is allocated between a multifamily property ($61 million) and an office property ($6 million).
4. Loan was on non-accrual status as of June 30, 2024 and the Unleveraged Effective Yield is not applicable.

Loans Held for Investment Portfolio Details

#	Loan Type	Location	Origination Date	Current Loan Commitment	Outstanding Principal	Carrying Value	Interest Rate	SOFR Floor	Unleveraged Effective Yield	Maturity Date	Payment Terms(1)
($ in millions)											
Residential/Condominium Loans:											
29	Senior	NY	Mar 2022	$101.7	$101.7	$90.2	S+8.95%	0.4%	—%(2)	Dec 2025	I/O
30	Senior	FL	Jul 2021	75.0	75.0	75.0	S+5.35%	—%	10.7%	Jul 2024	I/O
Total Residential/Condominium				**$176.7**	**$176.7**	**$165.2**					
Mixed-Use Loans:											
31	Senior	NY	Jul 2021	$78.3	$77.2	$77.2	S+3.75%	—%	9.5%	Jul 2024	I/O
32	Senior	TX	Sep 2019	35.3	35.3	35.3	S+3.85%	0.7%	9.5%	Sep 2024	I/O
Total Mixed-Use				**$113.6**	**$112.5**	**$112.5**					
Hotel Loans:											
33	Senior	CA	Mar 2022	$60.8	$55.0	$54.8	S+4.20%	—%	10.0%	Mar 2025	I/O
34	Senior	NY	Mar 2022	55.7	53.6	53.3	S+4.40%	0.1%	10.1%	Mar 2026	I/O
Total Hotel				**$116.5**	**$108.6**	**$108.1**					

Note: As of June 30, 2024.
1. I/O = interest only, P/I = principal and interest.
2. The New York loan is structured as both a senior and mezzanine loan with the Company holding both positions. The senior and mezzanine positions each have a per annum interest rate of S + 8.95%. The senior and mezzanine loans were both on non-accrual status as of June 30, 2024 and the Unleveraged Effective Yield is not applicable.

Loans Held for Investment Portfolio Details

($ in millions)

#	Loan Type	Location	Origination Date	Current Loan Commitment	Outstanding Principal	Carrying Value	Interest Rate	SOFR Floor	Unleveraged Effective Yield	Maturity Date	Payment Terms[(1)]
Self Storage Loans:											
35	Senior	PA	Mar 2022	$18.2	$18.2	$18.1	S+3.00%	1.0%	8.6%	Dec 2025	I/O
36	Senior	NJ	Aug 2022	17.6	17.6	17.5	S+2.90%	1.0%	9.0%	Apr 2025	I/O
37	Senior	WA	Aug 2022	11.5	11.5	11.5	S+2.90%	1.0%	9.0%	Mar 2025	I/O
38	Senior	IN	Sep 2023	11.4	10.7	10.7	S+3.60%	0.9%	9.1%	Jun 2026	I/O
39	Senior	MA	Apr 2022	7.7	7.7	7.7	S+3.00%	0.8%	8.5%	Nov 2024	I/O
40	Senior	MA	Apr 2022	6.8	6.8	6.7	S+3.00%	0.8%	8.5%	Oct 2024	I/O
41	Senior	NJ	Mar 2022	5.9	5.9	5.9	S+3.00%	0.8%	8.8%	Jul 2025[(2)]	I/O
Total Self Storage				**$79.1**	**$78.4**	**$78.1**					
Student Housing Loans:											
42	Senior	AL	Apr 2021	$19.5	$19.5	$19.4	S+3.95%	2.0%	10.6%	Dec 2024[(3)]	P/I
Total Student Housing				**$19.5**	**$19.5**	**$19.4**					
Loan Portfolio Total/Weighted Average				**$2,094.0**	**$2,007.4**	**$1,972.6**		**1.2%[(4)]**	**7.6%**		

Note: As of June 30, 2024.
1. I/O = interest only, P/I = principal and interest.
2. In May 2024, the borrower exercised a 12-month extension option in accordance with the loan agreement, which extended the maturity date on the senior New Jersey loan to July 2025.
3. In May 2024, the Company and the borrower entered into a modification and extension agreement to, among other things, extend the maturity date on the senior Alabama loan from May 2024 to December 2024.
4. The weighted average floor is calculated based on loans with SOFR floors.

Consolidated Balance Sheets

($ in thousands, except share and per share data)	As of 6/30/2024		As of 12/31/2023	
ASSETS				
Cash and cash equivalents	$	70,649	$	110,459
Loans held for investment ($741,218 and $892,166 related to consolidated VIEs, respectively)		1,972,551		2,126,524
Current expected credit loss reserve		(137,403)		(159,885)
Loans held for investment, net of current expected credit loss reserve		1,835,148		1,966,639
Loans held for sale ($38,981 related to consolidated VIEs as of December 31, 2023)		20,534		38,981
Investment in available-for-sale debt securities, at fair value		28,113		28,060
Real estate owned held for investment, net		81,728		83,284
Real estate owned held for sale ($14,509 related to consolidated VIEs as of June 30, 2024)		14,509		—
Other assets ($2,484 and $3,690 of interest receivable related to consolidated VIEs, respectively; $32,002 of other receivables related to consolidated VIEs as of December 31, 2023)		19,074		52,354
Total assets	$	2,069,755	$	2,279,777
LIABILITIES AND STOCKHOLDERS' EQUITY				
LIABILITIES				
Secured funding agreements	$	625,936	$	639,817
Notes payable		104,751		104,662
Secured term loan		137,409		149,393
Collateralized loan obligation securitization debt (consolidated VIEs)		588,421		723,117
Due to affiliate		4,526		4,135
Dividends payable		13,812		18,220
Other liabilities ($1,779 and $2,263 of interest payable related to consolidated VIEs, respectively)		12,637		14,584
Total liabilities		1,487,492		1,653,928
Commitments and contingencies				
STOCKHOLDERS' EQUITY				
Common stock, par value $0.01 per share, 450,000,000 shares authorized at June 30, 2024 and December 31, 2023 and 54,518,727 and 54,149,225 shares issued and outstanding at June 30, 2024 and December 31, 2023, respectively		532		532
Additional paid-in capital		814,620		812,184
Accumulated other comprehensive income		193		153
Accumulated earnings (deficit)		(233,082)		(187,020)
Total stockholders' equity		582,263		625,849
Total liabilities and stockholders' equity	$	2,069,755	$	2,279,777

ARES
COMMERCIAL REAL ESTATE CORPORATION

Consolidated Statements of Operations

	For the Three Months Ended				
($ in thousands, except share and per share data)	6/30/2024	3/31/2024	12/31/2023	9/30/2023	6/30/2023
Revenue:					
Interest income	$ 40,847	$ 44,033	$ 44,348	$ 52,819	$ 51,941
Interest expense	(27,483)	(28,819)	(29,957)	(29,745)	(26,951)
Net interest margin	13,364	15,214	14,391	23,074	24,990
Revenue from real estate owned	3,433	3,478	3,161	809	—
Total revenue	16,797	18,692	17,552	23,883	24,990
Expenses:					
Management and incentive fees to affiliate	2,692	2,768	2,946	2,974	3,334
Professional fees	757	533	974	682	626
General and administrative expenses	1,957	2,081	1,830	1,691	2,038
General and administrative expenses reimbursed to affiliate	1,277	1,132	818	775	1,109
Expenses from real estate owned	2,226	2,037	2,038	480	—
Total expenses	8,909	8,551	8,606	6,602	7,107
Provision for current expected credit losses	(2,374)	(22,269)	47,452	3,227	20,127
Realized losses on loans	16,387	45,726	—	4,886	—
Unrealized losses on loans held for sale	—	(995)	995	—	—
Income (loss) before income taxes	(6,125)	(12,321)	(39,501)	9,168	(2,244)
Income tax expense (benefit), including excise tax	—	2	(87)	(16)	(46)
Net income (loss) attributable to common stockholders	$ (6,125)	$ (12,323)	$ (39,414)	$ 9,184	$ (2,198)
Earnings (loss) per common share:					
Basic earnings (loss) per common share	$ (0.11)	$ (0.23)	$ (0.73)	$ 0.17	$ (0.04)
Diluted earnings (loss) per common share	$ (0.11)	$ (0.23)	$ (0.73)	$ 0.17	$ (0.04)
Weighted average number of common shares outstanding:					
Basic weighted average shares of common stock outstanding	54,426,112	54,396,397	54,111,544	54,085,035	54,347,204
Diluted weighted average shares of common stock outstanding	54,426,112	54,396,397	54,111,544	54,796,413	54,347,204
Dividends declared per share of common stock[1]	$ 0.25	$ 0.25	$ 0.33	$ 0.33	$ 0.35

1. There is no assurance dividends will continue at these levels or at all.

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Reconciliation of Net Income (Loss) to Non-GAAP Distributable Earnings (Loss)

($ in thousands, except per share data)		For the Three Months Ended 6/30/2024		3/31/2024		12/31/2023		9/30/2023		6/30/2023
Net income (loss) attributable to common stockholders	$	(6,125)	$	(12,323)	$	(39,414)	$	9,184	$	(2,198)
Stock-based compensation		1,152		1,284		1,041		986		1,004
Incentive fees to affiliate		—		—		—		—		334
Depreciation and amortization of real estate owned		770		786		809		206		—
Provision for current expected credit losses		(2,374)		(22,269)		47,452		3,227		20,127
Realized gain on termination of interest rate cap derivative[1]		—		—		(105)		(93)		(266)
Unrealized losses on loans held for sale		—		(995)		995		—		—
Distributable Earnings (Loss)	$	(6,577)	$	(33,517)	$	10,778	$	13,510	$	19,001
Realized losses on loans		16,387		45,726		—		4,886		—
Distributable Earnings excluding realized losses	$	9,810	$	12,209	$	10,778	$	18,396	$	19,001
Net income (loss) attributable to common stockholders		(0.11)		(0.23)		(0.73)		0.17		(0.04)
Stock-based compensation		0.02		0.02		0.02		0.02		0.02
Incentive fees to affiliate		—		—		—		—		0.01
Depreciation and amortization of real estate owned		0.01		0.01		0.01		—		—
Provision for current expected credit losses		(0.04)		(0.41)		0.88		0.06		0.37
Realized gain on termination of interest rate cap derivative[1]		—		—		—		—		—
Unrealized losses on loans held for sale		—		(0.02)		0.02		—		—
Basic Distributable Earnings (Loss) per common share	$	(0.12)	$	(0.62)	$	0.20	$	0.25	$	0.35
Realized losses on loans		0.30		0.84		—		0.09		—
Basic Distributable Earnings excluding realized losses per common share	$	0.18	$	0.22	$	0.20	$	0.34	$	0.35
Net income (loss) attributable to common stockholders		(0.11)		(0.23)		(0.72)		0.17		(0.04)
Stock-based compensation		0.02		0.02		0.02		0.02		0.02
Incentive fees to affiliate		—		—		—		—		0.01
Depreciation and amortization of real estate owned		0.01		0.01		0.01		—		—
Provision for current expected credit losses		(0.04)		(0.41)		0.87		0.06		0.37
Realized gain on termination of interest rate cap derivative[1]		—		—		—		—		—
Unrealized losses on loans held for sale		—		(0.02)		0.02		—		—
Diluted Distributable Earnings (Loss) per common share	$	(0.12)	$	(0.62)	$	0.20	$	0.25	$	0.35
Realized losses on loans		0.30		0.84		—		0.09		—
Diluted Distributable Earnings excluding realized losses per common share	$	0.18	$	0.22	$	0.20	$	0.34	$	0.35

1. For the three months ended December 31, 2023, September 30, 2023, and June 30, 2023, Distributable Earnings includes $0.1 million, $0.1 million, and $0.3 million, respectively, adjustment to reverse the impact of the $2.0 million realized gain from the termination of the interest rate cap derivative that was amortized into GAAP net income.

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Diverse Sources of Financing Supports Portfolio

» Diversified financing sources totaling $1.9 billion with $474 million of undrawn capacity[1,2]

($ in millions) Financing Sources	Total Commitments	Outstanding Principal	Pricing Range	Mark to Credit	Non Spread Based Mark to Market
Secured Funding Agreements					
Wells Fargo Facility	$450.0[1]	$216.5	SOFR+1.50 to 3.75%	✓	✓
Citibank Facility	325.0[1]	204.1	SOFR+1.50 to 2.10%	✓	✓
CNB Facility	75.0[2]	—	SOFR+3.25%	✓	✓
Morgan Stanley Facility	250.0[1]	205.3	SOFR+1.60 to 3.10%	✓	✓
Subtotal	**$1,100.0**	**$625.9**			
Asset Level Financing					
Notes Payable	$105.0	$105.0	SOFR + 2.00%	✓	✓
Capital Markets					
Secured Term Loan	$140.0	$140.0	4.50% (Fixed)	✓	✓
2017-FL3 Securitization	407.7	407.7	SOFR + 1.87%	✓	✓
2021-FL4 Securitization	181.1	181.1	SOFR + 1.94%	✓	✓
Subtotal	**$728.8**	**$728.8**			
Total Debt	$1,933.8	$1,459.7			

Note: As of June 30, 2024.

1. For the Wells Fargo, Citibank and Morgan Stanley facilities, total commitments are available subject to the pledge of additional collateral.
2. Amount immediately available under the CNB Facility at any given time can fluctuate based on the fair value of the collateral in the borrowing base that secures the CNB Facility. As of June 30, 2024, there was approximately $50.0 million immediately available under the CNB Facility based on the fair value of the collateral in the borrowing base at such time. The amount immediately available under the CNB Facility may be increased to up to $75.0 million by the pledge of additional collateral into the borrowing base in accordance with the CNB Facility agreement.

Glossary

Distributable Earnings (Loss)	Distributable Earnings (Loss) is a non-GAAP financial measure that helps the Company evaluate its financial performance excluding the effects of certain transactions and GAAP adjustments that it believes are not necessarily indicative of its current loan origination portfolio and operations. To maintain the Company's REIT status, the Company is generally required to annually distribute to its stockholders substantially all of its taxable income. The Company believes the disclosure of Distributable Earnings (Loss) provides useful information to investors regarding the Company's ability to pay dividends, which the Company believes is one of the principal reasons investors invest in the Company. The presentation of this additional information is not meant to be considered in isolation or as a substitute for financial results prepared in accordance with GAAP. Distributable Earnings (Loss) is defined as net income (loss) computed in accordance with GAAP, excluding non-cash equity compensation expense, the incentive fees the Company pays to its Manager, depreciation and amortization (to the extent that any of the Company's target investments are structured as debt and the Company forecloses on any properties underlying such debt), any unrealized gains, losses or other non-cash items recorded in net income (loss) for the period, regardless of whether such items are included in other comprehensive income or loss, or in net income (loss), one-time events pursuant to changes in GAAP and certain non-cash charges after discussions between the Company's manager and the Company's independent directors and after approval by a majority of the Company's independent directors. Loan balances that are deemed to be uncollectible are written off as a realized loss and are included in Distributable Earnings (Loss). Distributable Earnings (Loss) is aligned with the calculation of "Core Earnings," which is defined in the Management Agreement and is used to calculate the incentive fees the Company pays to its Manager. Distributable Earnings excluding realized losses is Distributable Earnings (Loss) further adjusted to exclude realized losses.

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