

**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): November 7, 2024



ARES COMMERCIAL REAL ESTATE CORPORATION

(Exact Name of Registrant as Specified in Charter)

Maryland
(State or Other Jurisdiction
of Incorporation)

001-35517
(Commission
File Number)

45-3148087
(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 November 7, 2024, the registrant issued a press release announcing its financial results for the quarter ended September 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 November 7, 2024, the registrant made available on its website an earnings presentation with respect to its financial results for the quarter ended September 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:

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press Release, dated November 7, 2024
99.2	Presentation of Ares Commercial Real Estate Corporation, dated November 7, 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: November 7, 2024

By: /s/ Jeffrey Gonzales

Name: Jeffrey Gonzales

Title: Chief Financial Officer and Treasurer



**ARES COMMERCIAL REAL ESTATE CORPORATION REPORTS
THIRD QUARTER 2024 RESULTS**

***Third quarter GAAP net income (loss) of \$(5.9) million or \$(0.11) per diluted common share and
Distributable Earnings⁽¹⁾ of \$3.7 million or \$0.07 per diluted common share***

- Subsequent to three months ended September 30, 2024 -

Declared fourth 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 \$(5.9) million or \$(0.11) per diluted common share and Distributable Earnings⁽¹⁾ of \$3.7 million or \$0.07 per diluted common share for the third quarter of 2024.

“During the third quarter, we continued to make progress on our objective of further strengthening our balance sheet position and resolving our risk rated 4 and 5 loans, which declined by 33%,” said Bryan Donohoe, Chief Executive Officer of Ares Commercial Real Estate Corporation. “Together with our financial flexibility and the capabilities provided by our Ares Real Estate Group, we believe we are well positioned to resolve our remaining underperforming assets, which will ultimately position the Company for higher levels of portfolio growth and earnings in the future.”

“We believe our balance sheet positioning is paramount in our ability to drive successful outcomes resolving our remaining underperforming assets,” said Jeff Gonzales, Chief Financial Officer of Ares Commercial Real Estate Corporation. “During the third quarter, we have continued to further de-lever our balance sheet with our outstanding debt balance declining by an additional 8% while continuing to maintain strong levels of liquidity.”

(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 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 was paid on October 15, 2024 to common stockholders of record as of September 30, 2024.

On November 7, 2024, the Board of Directors of the Company declared a regular cash dividend of \$0.25 per common share for the fourth quarter of 2024. The fourth quarter 2024 dividend will be payable on January 15, 2025 to common stockholders of record as of December 31, 2024.

ADDITIONAL INFORMATION

The Company issued a presentation of its third 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 "Third Quarter 2024 Earnings Presentation." The Company also filed its Quarterly Report on Form 10-Q for the quarter ended September 30, 2024 with the U.S. Securities and Exchange Commission on November 7, 2024.

CONFERENCE CALL AND WEBCAST INFORMATION

On November 7, 2024, the Company invites all interested persons to attend its webcast/conference call at 12:00 p.m. (Eastern Time) to discuss its third 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 ACREQ324. 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 December 7, 2024 at 5:00 p.m. (Eastern Time) to domestic callers by dialing +1 (800) 839-1246 and to international callers by dialing +1 (402) 220-0464. An archived replay will also be available through December 7, 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 or increase of CECL reserve, increase of available borrowings, the industry, and the loan market. 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 in the Middle East, 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, the ability of Ares Commercial Real Estate Management LLC ("ACREM") or our

“Manager”) 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@aresgmt.com

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

	As of	
	September 30, 2024 (unaudited)	December 31, 2023
ASSETS		
Cash and cash equivalents	\$ 68,881	\$ 110,459
Restricted cash (\$3,466 related to consolidated VIEs as of September 30, 2024)	3,466	—
Loans held for investment (\$658,956 and \$892,166 related to consolidated VIEs, respectively)	1,812,773	2,126,524
Current expected credit loss reserve	(144,068)	(159,885)
Loans held for investment, net of current expected credit loss reserve	1,668,705	1,966,639
Loans held for sale (\$38,981 related to consolidated VIEs as of December 31, 2023)	—	38,981
Investment in available-for-sale debt securities, at fair value	27,005	28,060
Real estate owned held for investment, net (\$59,953 related to consolidated VIEs as of September 30, 2024)	140,912	83,284
Real estate owned held for sale (\$14,509 related to consolidated VIEs as of September 30, 2024)	14,509	—
Other assets (\$2,094 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)	17,125	52,354
Total assets	<u>\$ 1,940,603</u>	<u>\$ 2,279,777</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Secured funding agreements	\$ 640,610	\$ 639,817
Notes payable	—	104,662
Secured term loan	127,828	149,393
Collateralized loan obligation securitization debt (consolidated VIEs)	574,896	723,117
Due to affiliate	4,106	4,135
Dividends payable	13,809	18,220
Other liabilities (\$1,686 and \$2,263 of interest payable related to consolidated VIEs, respectively)	15,601	14,584
Total liabilities	<u>1,376,850</u>	<u>1,653,928</u>
Commitments and contingencies		
STOCKHOLDERS' EQUITY		
Common stock, par value \$0.01 per share, 450,000,000 shares authorized at September 30, 2024 and December 31, 2023 and 54,532,393 and 54,149,225 shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively	532	532
Additional paid-in capital	815,802	812,184
Accumulated other comprehensive income	190	153
Accumulated earnings (deficit)	(252,771)	(187,020)
Total stockholders' equity	<u>563,753</u>	<u>625,849</u>
Total liabilities and stockholders' equity	<u>\$ 1,940,603</u>	<u>\$ 2,279,777</u>

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 September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenue:				
Interest income	\$ 39,345	\$ 52,819	\$ 124,225	\$ 154,260
Interest expense	(27,401)	(29,745)	(83,703)	(79,695)
Net interest margin	11,944	23,074	40,522	74,565
Revenue from real estate owned	4,709	809	11,619	809
Total revenue	16,653	23,883	52,141	75,374
Expenses:				
Management and incentive fees to affiliate	2,654	2,974	8,114	9,317
Professional fees	681	682	1,971	2,080
General and administrative expenses	1,939	1,691	5,978	5,414
General and administrative expenses reimbursed to affiliate	871	775	3,280	2,617
Expenses from real estate owned	3,164	480	7,426	480
Total expenses	9,309	6,602	26,769	19,908
Provision for current expected credit losses	7,461	3,227	(17,182)	44,373
Realized losses on loans	5,766	4,886	67,879	10,499
Change in unrealized losses on loans held for sale	—	—	(995)	—
Income (loss) before income taxes	(5,883)	9,168	(24,330)	594
Income tax expense (benefit), including excise tax	(3)	(16)	(1)	48
Net income (loss) attributable to common stockholders	\$ (5,880)	\$ 9,184	\$ (24,329)	\$ 546
Earnings (loss) per common share:				
Basic earnings (loss) per common share	\$ (0.11)	\$ 0.17	\$ (0.45)	\$ 0.01
Diluted earnings (loss) per common share	\$ (0.11)	\$ 0.17	\$ (0.45)	\$ 0.01
Weighted average number of common shares outstanding:				
Basic weighted average shares of common stock outstanding	54,464,147	54,085,035	54,429,014	54,339,441
Diluted weighted average shares of common stock outstanding	54,464,147	54,796,413	54,429,014	55,043,206
Dividends declared per share of common stock⁽¹⁾	\$ 0.25	\$ 0.33	\$ 0.75	\$ 1.03

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

SCHEDULE 1
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, 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 September 30, 2024 (\$ in thousands):

	For the Three Months Ended September 30, 2024		For the Twelve Months Ended September 30, 2024	
Net income (loss) attributable to common stockholders	\$	(5,880)	\$	(63,742)
Stock-based compensation		1,182		4,658
Incentive fees to affiliate		—		—
Depreciation and amortization of real estate owned		967		3,331
Provision for current expected credit losses		7,461		30,271
Realized gain on termination of interest rate cap derivative (1)		—		(105)
Unrealized losses on loans held for sale		—		—
Distributable Earnings (Loss)	\$	3,730	\$	(25,587)
Net income (loss) attributable to common stockholders	\$	(0.11)	\$	(1.17)
Stock-based compensation		0.02		0.09
Incentive fees to affiliate		—		—
Depreciation and amortization of real estate owned		0.02		0.06
Provision for current expected credit losses		0.14		0.56
Realized gain on termination of interest rate cap derivative (1)		—		—
Unrealized losses on loans held for sale		—		—
Basic Distributable Earnings (Loss) per common share	\$	0.07	\$	(0.47)
Net income (loss) attributable to common stockholders	\$	(0.11)	\$	(1.17)
Stock-based compensation		0.02		0.09
Incentive fees to affiliate		—		—
Depreciation and amortization of real estate owned		0.02		0.06
Provision for current expected credit losses		0.14		0.56
Realized gain on termination of interest rate cap derivative (1)		—		—
Unrealized losses on loans held for sale		—		—
Diluted Distributable Earnings (Loss) per common share	\$	0.07	\$	(0.47)

(1) For the twelve months ended September 30, 2024, Distributable Loss includes a \$105 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).



Third Quarter 2024 Earnings Presentation

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 or increase of CECL reserve, liquidity management 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 in the Middle East, 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, access to the financing and debt markets, 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.

This presentation may contain information obtained from third parties, including ratings from credit ratings agencies such as Standard & Poor's. Such information has not been independently verified and, accordingly, ACRE makes no representation or warranty in respect of this information. Reproduction and distribution of third party content in any form is prohibited except with the prior written permission of the related third party. Third party content providers do not guarantee the accuracy, completeness, timeliness or availability of any information, including ratings, and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such content. THIRD PARTY CONTENT PROVIDERS GIVE NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. THIRD PARTY CONTENT PROVIDERS SHALL NOT BE LIABLE FOR ANY DIRECT, INDIRECT, INCIDENTAL, EXEMPLARY, COMPENSATORY, PUNITIVE, SPECIAL OR CONSEQUENTIAL DAMAGES, COSTS, EXPENSES, LEGAL FEES, OR LOSSES (INCLUDING LOSS OF INCOME OR PROFITS AND OPPORTUNITY COSTS OR LOSSES CAUSED BY NEGLIGENCE) IN CONNECTION WITH ANY USE OF THEIR CONTENT, INCLUDING RATINGS. Credit ratings are statements of opinions and are not statements of fact or recommendations to purchase, hold or sell securities. They do not address the suitability of securities or the suitability of securities for investment purposes, and should not be relied on as investment advice.

3Q 2024 Company Results and Highlights

Earnings and Results	<ul style="list-style-type: none"> • 3Q 2024 GAAP net income (loss) of \$(0.11) per diluted common share • 3Q 2024 Distributable Earnings of \$0.07 per diluted common share⁽¹⁾ • 3Q 2024 Distributable Earnings of \$0.17 per diluted common share excluding realized losses of \$0.10 per diluted common share^(1,2) • Received \$4 million (or approximately \$0.08 per diluted common share) of cash from loans on non-accrual in 3Q 2024⁽³⁾ • \$146 million CECL reserve at 3Q 2024 or 8% of outstanding principal balance for loans held for investment • Book value per common share of \$10.34 (or \$13.01 excluding CECL reserve) as of September 30, 2024⁽⁴⁾
Objectives	<ul style="list-style-type: none"> • Further reduce debt and increase liquidity to support our objectives of resolving risk rated 4 and 5 loans and actively managing the portfolio • Resolve risk rated 4 and 5 loans to seek the highest net benefit by balancing recovery of capital, impact on earnings (including loans on non-accrual status) and liquidity, and timing • Continue to actively manage existing loan portfolio to identify and minimize risks and generate additional liquidity
Progress	<p>Continued to Increase Liquidity and Lower Financial Leverage to Support Loan Resolutions</p> <ul style="list-style-type: none"> • Outstanding borrowings declined to \$1.3 billion, which decreased 8% from 2Q 2024 • Net debt to equity ratio excluding CECL reserve was lowered to 1.8x, down from 1.9x at 2Q 2024⁽⁵⁾ • \$134 million⁽⁶⁾ of available capital as of November 5, which increased 11% from 2Q 2024⁽⁷⁾ • Received \$124 million of repayments in 3Q 2024 <p>Further Addressed Risk Rated 4 and 5 Loans</p> <ul style="list-style-type: none"> • Total outstanding principal balance of risk rated 4 and 5 loans declined by \$157 million or 33% from 2Q 2024⁽⁸⁾ <ul style="list-style-type: none"> • Exited a \$98 million outstanding principal balance risk rated 5 loan above carrying value, excluding CECL reserve • Converted a risk rated 5 office loan with a \$69 million outstanding principal balance to real estate owned, resulting in a realized loss of \$6 million, in line with the prior quarter's CECL reserve • Total outstanding principal balance of loans on non-accrual decreased by 12% from 2Q 2024 <p>Actively Managed Existing Loan Portfolio</p> <ul style="list-style-type: none"> • Borrowers contributed more than \$37 million as repayment of loans or funding of reserves, capital expenditures, purchase of interest rate caps, or other purposes during 3Q 2024
Dividends	<ul style="list-style-type: none"> • Declared cash dividend of \$0.25 per common share for shareholders for 4Q 2024

Note: As of September 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. **See relevant endnotes on page 23.**

Ares Management

» With approximately \$464 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	\$464bn
Employees	3,140+
Investment Professionals	1,095+
Global Offices	35+
Direct Institutional Relationships	2,660+
Listing: NYSE – Market Capitalization	\$53.2bn ¹

Global Footprint²



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	\$335.3bn	\$70.3bn	\$24.5bn	\$27.3bn	\$6.4bn
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 September 30, 2024. AUM amounts include funds managed by Ivy Hill Asset Management, LP, a wholly owned portfolio company of Ares Capital Corporation and registered investment adviser. Past performance is not indicative of future results.

- As of October 21, 2024.
- 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.
- In 1Q 2024, Ares Management 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.
- 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.
- AUM includes Ares Acquisition Corporation II ("AACT").

Ares Real Estate

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

\$54 bn

Real Estate
AUM

280+

Investment
Professionals

17

Offices and Market
Coverage Locations

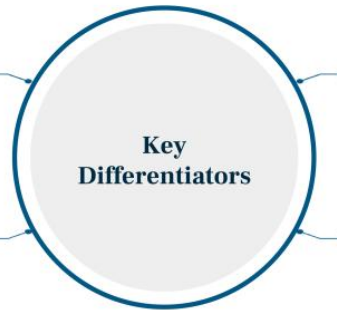
550

Real Estate
Investments Globally



**Scaled Real Estate Platform
Experienced Across All Sectors**

**In-House Sector Experience
Vertical Integration**



**Cycle-Tested & Collaborative
Team with Local Networks**

**Real Time Corporate & Market
Insights**

Note: As of September 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. 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. Returns may increase or decrease as a result of currency fluctuations.

Portfolio Overview

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

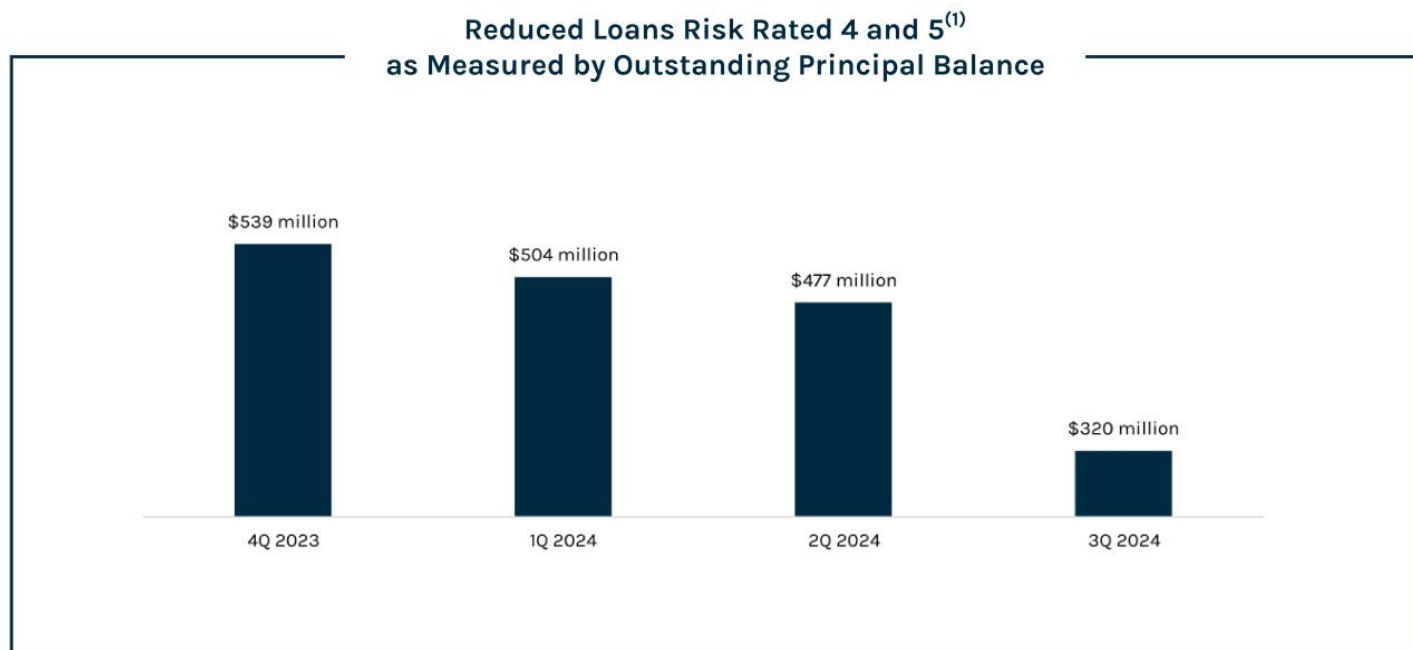


Note: As of September 30, 2024 unless otherwise noted. Past performance is not indicative of future results. Due to rounding, numbers presented may not add up to the totals provided.

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. \$18 million of the \$146 million total CECL reserve related to loans risk rated 1, 2 and 3.
5. \$128 million of the \$146 million total CECL reserve related to loans risk rated 4 and 5.
6. Includes borrower capital contributions relating to repayment of loans or funding of reserves, capital expenditures, purchase of interest rate caps, or other purposes.
7. \$128 million of CECL reserve for risk rated 4 and 5 loans as a percentage of the \$320 million in outstanding principal balance of risk rated 4 and 5 loans.
8. Primarily represents ACRE's commitment to fund future tenant improvement costs.
9. Based on outstanding principal balance of loans backed by office properties with risk ratings of 4 or 5.

Continued Progress Addressing Risk Rated 4 and 5 Loans in 3Q 2024

» 33% reduction in outstanding principal balance of loans risk rated 4 and 5 since 2Q 2024 and a 41% reduction since 4Q 2023

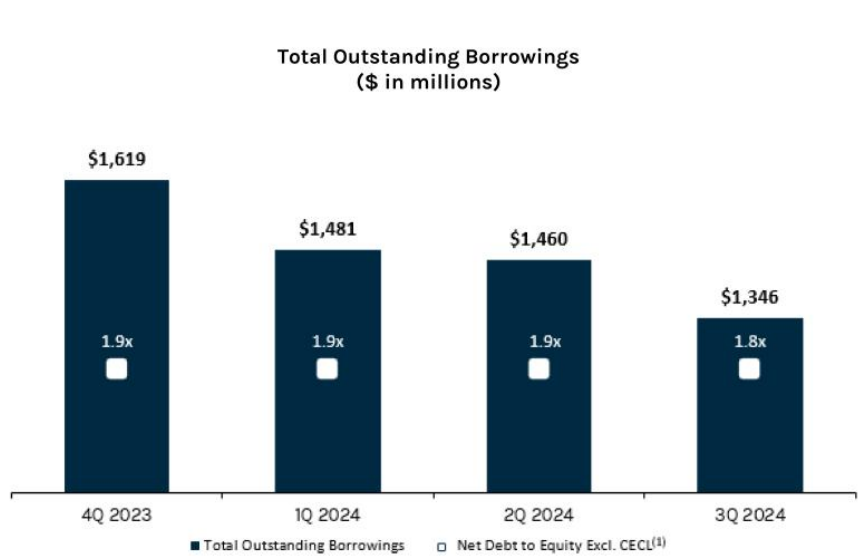


Note: As of September 30, 2024 unless otherwise noted. Past performance is not indicative of future results.

1. Loan balances relate to outstanding principal balance.

Balance Sheet and Capital Position Provides Flexibility

» Focused on further de-levering the balance sheet and maintaining higher levels of available liquidity to support positive outcomes on risk rated 4 and 5 loans



2024 Loan Repayments

\$124 million in 3Q

\$203 million YTD

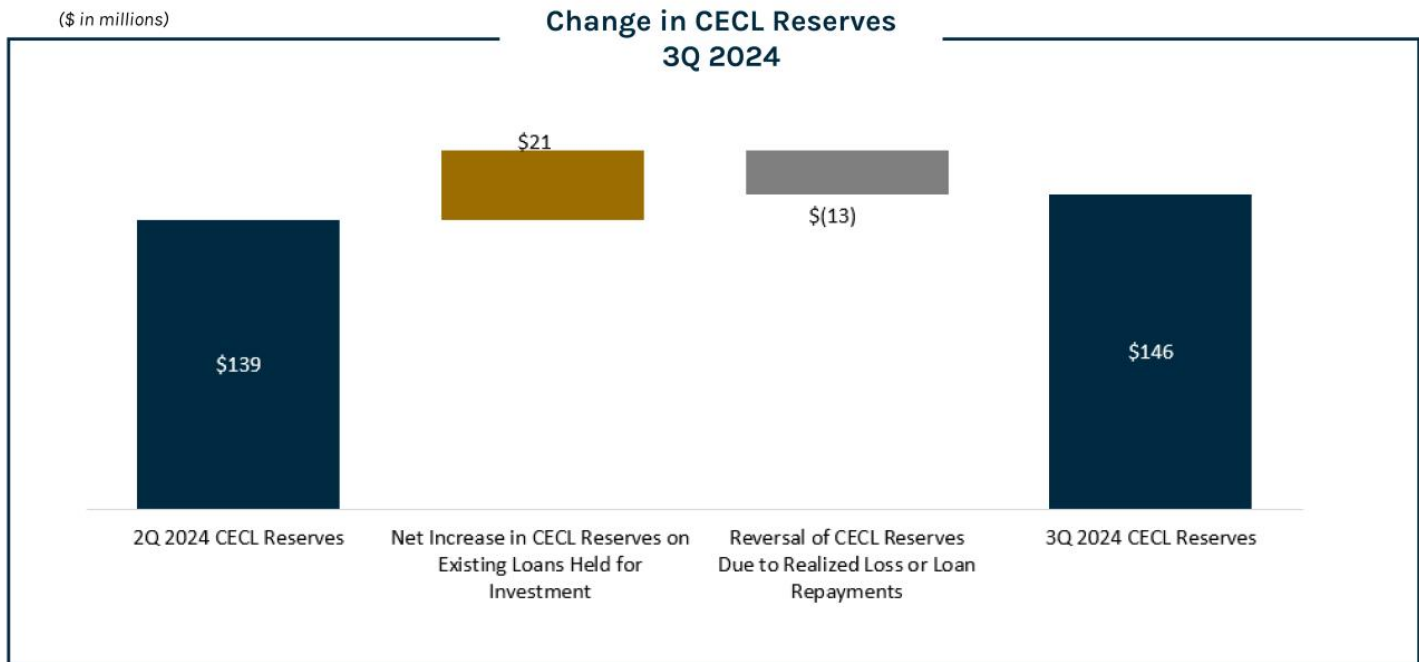
Available Capital⁽²⁾

\$134 million

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

- Net debt to equity ratio (excluding CECL reserves) is calculated as (i) \$1.3 billion of outstanding principal of borrowings less \$72 million of cash (inclusive of restricted amounts), (ii) divided by the sum of total stockholders' equity of \$564 million plus CECL reserve of \$146 million at September 30, 2024. Net debt to equity ratio including CECL reserve is 2.3x. Total debt to equity ratio excluding CECL reserve is 1.9x and including CECL reserve is 2.4x.
- As of November 5, 2024, includes \$92 million of cash and approximately \$42 million of available financing proceeds under the CNB Facility. The 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 November 5, 2024, there was approximately \$42 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



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

CECL Reserves

**\$146
million**

Total CECL Reserves

8%

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

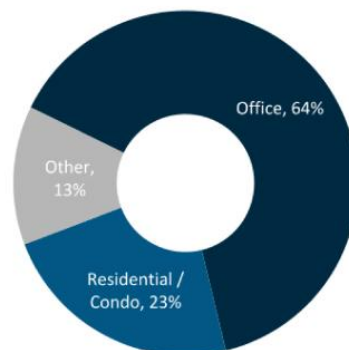
**CECL Reserves by
Risk Rating ⁽¹⁾**



87%

CECL reserves relates to risk rated 4 and 5 loans

**CECL Reserves by
Property Type ⁽¹⁾**



87%

CECL reserves relates to office and residential /
condo loans

Note: As of September 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. Percentages are based on outstanding principal balance of loans held for investment.

CECL Reserves for Risk Rated 4 and 5 Loans

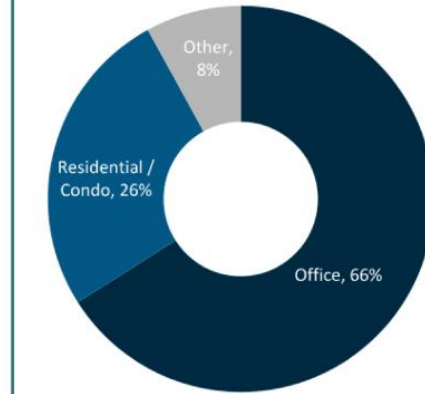
**\$128
million**

CECL Reserves for Risk Rated
4 and 5 Loans

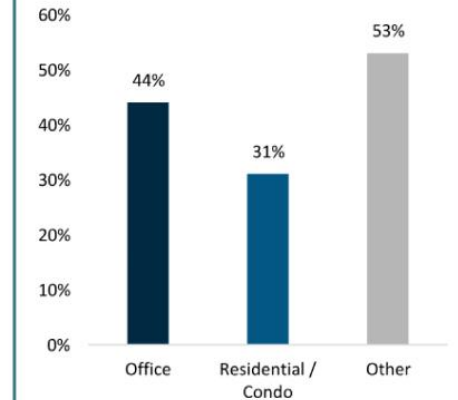
40%

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 September 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 ("REO")

	 Mixed Use	 Office	 Office
Quarter Converted to REO:	3Q 2023	2Q 2024	3Q 2024
Location:	Florida	California	North Carolina
Square Footage:	816	197	568
Carrying Value:⁽¹⁾	\$81	\$15	\$60
Income Yield:⁽²⁾	9%	11%	8%⁽³⁾

Note: As of September 30, 2024 unless otherwise noted. Past performance may not be indicative of future results. Numbers may not sum due to rounding. All dollars in millions and square feet in thousands.

1. Carrying value is net of accumulated depreciation and amortization of \$3.3 million for the Florida mixed-use property and \$0.2 million for the North Carolina office property. There was no accumulated depreciation and amortization for the California office property as it was classified as held for sale.
2. Calculated as the annualized property level net operating income for the three months ended August 31, 2024 divided by the carrying value.
3. ACRE acquired legal title of the property on September 19, 2024. The property level net operating income used to calculate the Income Yield was not earned while ACRE owned the property.



Appendix

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	\$162.6	\$162.6	\$152.1	(2)	1.5%	— ⁽²⁾	Mar 2025	I/O
2	Senior	Diversified	Jan 2020	88.9	88.9	88.8	S+3.75%	1.6%	8.9%	Jan 2025	P/I
3	Senior	AZ	Sep 2021	100.7	74.5	74.5	S+3.61%	0.1%	8.9%	Oct 2024	I/O
4	Senior	NC	Aug 2021	85.0	70.6	70.5	S+3.65%	0.2%	8.5%	Aug 2028	I/O
5	Senior	NY	Jul 2021	59.0	59.0	59.0	S+2.65% ⁽³⁾	3.0%	7.5%	Jul 2027	I/O
6	Senior	IL	Dec 2022	55.9	55.9	55.9	S+4.25%	3.0%	9.6%	Jan 2025	P/I
7	Senior ⁽⁴⁾	MA	Apr 2022	82.2	51.5	51.0	S+3.75%	—	9.2%	Apr 2026	I/O
8	Senior	GA	Nov 2019	48.2	48.2	48.2	S+3.15%	1.9%	8.3%	Dec 2024	P/I
9	Senior	CA	Nov 2018	20.3	20.3	20.2	S+3.50%	2.3%	8.6%	Nov 2025	P/I
10	Subordinated	NJ	Mar 2016	18.5	18.5	15.7	12.00%	—	— ⁽⁵⁾	Jan 2026	I/O
11	Subordinated	NY	Jul 2021	10.0	10.0	7.6	5.50% ⁽³⁾	—	— ⁽³⁾	Jul 2027	I/O
Total Office				\$731.3	\$660.0	\$643.5					

Note: As of September 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 senior and mezzanine loans were both on non-accrual status as of September 30, 2024 and the Unleveraged Effective Yield is not applicable.

3. The New York loan is structured as both a senior A-Note with an outstanding principal balance of \$59.0 million and a subordinated B-Note with an outstanding principal balance of \$10.0 million. The subordinated B-Note is subordinate to new sponsor equity contributed in March 2024 and additional capital contributions. 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%. As of September 30, 2024, the subordinated B-Note, which had an outstanding principal balance of \$10.0 million, was on non-accrual status and therefore, the Unleveraged Effective Yield is not applicable.

4. The senior Massachusetts loan is collateralized by a life sciences property.

5. Loan was on non-accrual status as of September 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:											
12	Senior	NY	May 2022	\$133.0	\$132.2	\$131.8	S+3.90%	0.2%	9.2%	Jun 2025	I/O
13	Senior	TX	Nov 2021	68.8	68.5	68.5	S+2.95%	—%	8.2%	Dec 2024	I/O
14	Senior ⁽²⁾	SC	Dec 2021	67.0	67.0	67.0	S+3.00%	—%	8.1%	Nov 2024	I/O
15	Senior	OH	Sep 2023	57.8	57.3	56.9	S+3.05%	2.5%	8.3%	Oct 2026	I/O
16	Senior	CA	Nov 2021	31.7	31.7	31.6	S+3.00%	—%	8.1%	Dec 2025	I/O
17	Senior	PA	Dec 2018	28.2	28.2	28.2	S+2.50%	2.8%	7.3%	Dec 2025	I/O
18	Senior	WA	Dec 2021	23.1	23.1	23.1	S+3.00%	—%	8.0%	Nov 2025	I/O
19	Senior	TX	Oct 2021	23.1	23.1	23.1	S+2.60%	—%	7.8%	Oct 2024	I/O
20	Subordinated	SC	Aug 2022	20.6	20.6	20.6	S+9.53%	1.5%	14.8%	Sep 2025 ⁽³⁾	I/O
Total Multifamily				\$453.3	\$451.7	\$450.8					
Industrial Loans:											
21	Senior	IL	May 2021	\$100.7	\$100.7	\$100.7	S+4.65%	0.1%	11.1%	Nov 2024	I/O
22	Senior	MA	Jun 2023	49.0	47.5	47.3	S+2.90%	—%	7.9%	Jun 2028	I/O
23	Senior	NJ	Jun 2021	28.3	27.8	27.8	S+3.85%	0.2%	10.8%	Nov 2024 ⁽⁴⁾	I/O
24	Senior	FL	Dec 2021	25.5	25.5	25.4	S+3.00%	—%	8.1%	Dec 2025	I/O
25	Senior	CA	Aug 2019	19.6	19.6	17.9	S+3.85%	2.0%	—% ⁽⁵⁾	Nov 2024 ⁽⁵⁾	I/O
26	Senior	TN	Oct 2021	6.4	6.4	6.4	S+5.60%	0.2%	10.8%	Nov 2024	I/O
Total Industrial				\$229.5	\$227.5	\$225.5					

Note: As of September 30, 2024

1. I/O = interest only, P/I = principal and interest.

2. Loan commitment is allocated between a multifamily property (\$61 million) and an office property (\$6 million).

3. As of June 30, 2024, the Company intended to sell the mezzanine South Carolina loan to a third party and the loan was classified as held for sale and was carried at its carrying value, which was equal to fair value, in the Company's consolidated balance sheets. As of September 30, 2024, the Company no longer had plans to sell the mezzanine South Carolina loan and it was reclassified to held for investment. The Company did not recognize any gain or loss upon reclassifying the loan to held for investment as the carrying value was equal to fair value.

4. In July 2024, the borrower exercised a three-month extension option in accordance with the loan agreement, which extended the maturity date on the senior New Jersey loan from August 2024 to November 2024.

5. Loan was on non-accrual status as of September 30, 2024 and the Unleveraged Effective Yield is not applicable. The Company and the borrower entered into a modification and extension agreement that was effective in September 2024 to, among other things, extend the maturity date on the senior California loan from September 2024 to November 2024.

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⁾
Residential/Condominium Loans:											
27	Senior	NY	Mar 2022	\$109.5	\$109.5	\$94.1	S+8.95%	0.4%	—% ⁽²⁾	Dec 2025	I/O
28	Senior	FL	Jul 2021	75.0	75.0	75.0	S+5.35%	—%	10.2%	Jul 2025 ⁽³⁾	I/O
Total Residential/Condominium				\$184.5	\$184.5	\$169.1					
Hotel Loans:											
29	Senior	CA	Mar 2022	\$60.8	\$58.6	\$58.5	S+4.20%	—%	9.5%	Mar 2025	I/O
30	Senior	NY	Mar 2022	55.7	55.5	55.3	S+4.40%	0.1%	9.6%	Mar 2026	I/O
Total Hotel				\$116.5	\$114.1	\$113.8					
Mixed-Use Loans:											
31	Senior	NY	Jul 2021	\$78.3	\$77.2	\$77.0	S+3.75%	—%	8.9%	Jul 2025 ⁽⁴⁾	I/O
32	Senior	TX	Sep 2019	35.3	35.3	35.3	S+3.85%	0.7%	9.5%	Dec 2024 ⁽⁵⁾	I/O
Total Mixed-Use				\$113.6	\$112.5	\$112.3					

Note: As of September 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 September 30, 2024 and the Unleveraged Effective Yield is not applicable.
3. In July 2024, the borrower exercised a 12-month extension option in accordance with the loan agreement, which extended the maturity date on the senior Florida loan to July 2025.
4. In July 2024, the Company and the borrower entered into a modification and extension agreement to, among other things, extend the maturity date on the senior New York loan from July 2024 to July 2025.
5. In September 2024, the Company and the borrower entered into a modification and extension agreement to, among other things, extend the maturity date on the senior Texas loan from September 2024 to December 2024.

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:											
33	Senior	PA	Mar 2022	\$18.2	\$18.2	\$18.1	S+3.00%	1.0%	8.1%	Dec 2025	I/O
34	Senior	NJ	Aug 2022	17.6	17.6	17.5	S+2.90%	1.0%	8.5%	Apr 2025	I/O
35	Senior	WA	Aug 2022	11.5	11.5	11.5	S+2.90%	1.0%	8.5%	Mar 2025	I/O
36	Senior	IN	Sep 2023	11.4	10.9	10.9	S+3.60%	0.9%	8.6%	Jun 2026	I/O
37	Senior	MA	Apr 2022	7.7	7.7	7.7	S+3.00%	0.8%	8.1%	Nov 2024	I/O
38	Senior	MA	Apr 2022	6.8	6.8	6.8	S+3.00%	0.8%	8.1%	Oct 2024	I/O
39	Senior	NJ	Mar 2022	5.9	5.9	5.9	S+3.00%	0.8%	8.1%	Jul 2025	I/O
Total Self Storage				\$79.1	\$78.6	\$78.4					
Student Housing Loans:											
40	Senior	AL	Apr 2021	\$19.5	\$19.5	\$19.4	S+3.95%	2.0%	10.1%	Dec 2024	P/I
Total Student Housing				\$19.5	\$19.5	\$19.4					
Loan Portfolio Total/Weighted Average				\$1,927.3	\$1,848.4	\$1,812.8		1.1%⁽²⁾	7.5%		

Note: As of September 30, 2024.

1. I/O = interest only, P/I = principal and interest.

2. 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	
	9/30/2024	12/31/2023
ASSETS		
Cash and cash equivalents	\$ 68,881	\$ 110,459
Restricted cash (\$3,466 related to consolidated VIEs as of September 30, 2024)	3,466	—
Loans held for investment (\$658,956 and \$892,166 related to consolidated VIEs, respectively)	1,812,773	2,126,524
Current expected credit loss reserve	(144,068)	(159,885)
Loans held for investment, net of current expected credit loss reserve	1,668,705	1,966,639
Loans held for sale (\$38,981 related to consolidated VIEs as of December 31, 2023)	—	38,981
Investment in available-for-sale debt securities, at fair value	27,005	28,060
Real estate owned held for investment, net (\$59,953 related to consolidated VIEs as of September 30, 2024)	140,912	83,284
Real estate owned held for sale (\$14,509 related to consolidated VIEs as of September 30, 2024)	14,509	—
Other assets (\$2,094 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)	17,125	52,354
Total assets	\$ 1,940,603	\$ 2,279,777
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Secured funding agreements	\$ 640,610	\$ 639,817
Notes payable	—	104,662
Secured term loan	127,828	149,393
Collateralized loan obligation securitization debt (consolidated VIEs)	574,896	723,117
Due to affiliate	4,106	4,135
Dividends payable	13,809	18,220
Other liabilities (\$1,686 and \$2,263 of interest payable related to consolidated VIEs, respectively)	15,601	14,584
Total liabilities	1,376,850	1,653,928
Commitments and contingencies		
STOCKHOLDERS' EQUITY		
Common stock, par value \$0.01 per share, 450,000,000 shares authorized at September 30, 2024 and December 31, 2023 and 54,532,393 and 54,149,225 shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively	532	532
Additional paid-in capital	815,802	812,184
Accumulated other comprehensive income	190	153
Accumulated earnings (deficit)	(252,771)	(187,020)
Total stockholders' equity	563,753	625,849
Total liabilities and stockholders' equity	\$ 1,940,603	\$ 2,279,777

Consolidated Statements of Operations

(\$ in thousands, except share and per share data)	For the Three Months Ended				
	9/30/2024	6/30/2024	3/31/2024	12/31/2023	9/30/2023
Revenue:					
Interest income	\$ 39,345	\$ 40,847	\$ 44,033	\$ 44,348	\$ 52,819
Interest expense	(27,401)	(27,483)	(28,819)	(29,957)	(29,745)
Net interest margin	11,944	13,364	15,214	14,391	23,074
Revenue from real estate owned	4,709	3,433	3,478	3,161	809
Total revenue	16,653	16,797	18,692	17,552	23,883
Expenses:					
Management and incentive fees to affiliate	2,654	2,692	2,768	2,946	2,974
Professional fees	681	757	533	974	682
General and administrative expenses	1,939	1,957	2,081	1,830	1,691
General and administrative expenses reimbursed to affiliate	871	1,277	1,132	818	775
Expenses from real estate owned	3,164	2,226	2,037	2,038	480
Total expenses	9,309	8,909	8,551	8,606	6,602
Provision for current expected credit losses	7,461	(2,374)	(22,269)	47,452	3,227
Realized losses on loans	5,766	16,387	45,726	—	4,886
Change in unrealized losses on loans held for sale	—	—	(995)	995	—
Income (loss) before income taxes	(5,883)	(6,125)	(12,321)	(39,501)	9,168
Income tax expense (benefit), including excise tax	(3)	—	2	(87)	(16)
Net income (loss) attributable to common stockholders	\$ (5,880)	\$ (6,125)	\$ (12,323)	\$ (39,414)	\$ 9,184
Earnings (loss) per common share:					
Basic earnings (loss) per common share	\$ (0.11)	\$ (0.11)	\$ (0.23)	\$ (0.73)	\$ 0.17
Diluted earnings (loss) per common share	\$ (0.11)	\$ (0.11)	\$ (0.23)	\$ (0.73)	\$ 0.17
Weighted average number of common shares outstanding:					
Basic weighted average shares of common stock outstanding	54,464,147	54,426,112	54,396,397	54,111,544	54,085,035
Diluted weighted average shares of common stock outstanding	54,464,147	54,426,112	54,396,397	54,111,544	54,796,413
Dividends declared per share of common stock ⁽¹⁾	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.33	\$ 0.33

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

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

(\$ in thousands, except per share data)	For the Three Months Ended					
	9/30/2024	6/30/2024	3/31/2024	12/31/2023	9/30/2023	
Net income (loss) attributable to common stockholders	\$ (5,880)	\$ (6,125)	\$ (12,323)	\$ (39,414)	\$ 9,184	
Stock-based compensation	1,182	1,152	1,284	1,041	986	
Incentive fees to affiliate	—	—	—	—	—	
Depreciation and amortization of real estate owned	967	770	786	809	206	
Provision for current expected credit losses	7,461	(2,374)	(22,269)	47,452	3,227	
Realized gain on termination of interest rate cap derivative ⁽¹⁾	—	—	—	(105)	(93)	
Change in unrealized losses on loans held for sale	—	—	(995)	995	—	
Distributable Earnings (Loss)	\$ 3,730	\$ (6,577)	\$ (33,517)	\$ 10,778	\$ 13,510	
Realized losses on loans	5,766	16,387	45,726	—	4,886	
Distributable Earnings excluding realized losses	\$ 9,496	\$ 9,810	\$ 12,209	\$ 10,778	\$ 18,396	
Net income (loss) attributable to common stockholders	(0.11)	(0.11)	(0.23)	(0.73)	0.17	
Stock-based compensation	0.02	0.02	0.02	0.02	0.02	
Incentive fees to affiliate	—	—	—	—	—	
Depreciation and amortization of real estate owned	0.02	0.01	0.01	0.01	—	
Provision for current expected credit losses	0.14	(0.04)	(0.41)	0.88	0.06	
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	\$ 0.07	\$ (0.12)	\$ (0.62)	\$ 0.20	\$ 0.25	
Realized losses on loans	0.10	0.30	0.84	—	0.09	
Basic Distributable Earnings excluding realized losses per common share	\$ 0.17	\$ 0.18	\$ 0.22	\$ 0.20	\$ 0.34	
Net income (loss) attributable to common stockholders	(0.11)	(0.11)	(0.23)	(0.72)	0.17	
Stock-based compensation	0.02	0.02	0.02	0.02	0.02	
Incentive fees to affiliate	—	—	—	—	—	
Depreciation and amortization of real estate owned	0.02	0.01	0.01	0.01	—	
Provision for current expected credit losses	0.14	(0.04)	(0.41)	0.87	0.06	
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	\$ 0.07	\$ (0.12)	\$ (0.62)	\$ 0.20	\$ 0.25	
Realized losses on loans	0.10	0.30	0.84	—	0.09	
Diluted Distributable Earnings excluding realized losses per common share	\$ 0.17	\$ 0.18	\$ 0.22	\$ 0.20	\$ 0.34	

1. For the three months ended December 31, 2023 and September 30, 2023, Distributable Earnings includes \$0.1 million and \$0.1 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.



Diverse Sources of Financing Supports Portfolio

» Diversified financing sources totaling \$1.8 billion with \$460 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⁾	\$212.5	SOFR+1.50 to 3.75%	✓	✓
Citibank Facility	325.0 ⁽¹⁾	228.7	SOFR+1.50 to 2.10%	✓	✓
Morgan Stanley Facility	250.0 ⁽¹⁾	199.4	SOFR+1.75 to 2.25%	✓	✓
CNB Facility	75.0 ⁽²⁾	—	SOFR+3.25%	✓	✓
Subtotal	\$1,100.0	\$640.6			
Capital Markets					
2017-FL3 Securitization	\$407.5	\$407.5	SOFR + 1.87%	✓	✓
2021-FL4 Securitization	167.7	167.7	SOFR + 2.01%	✓	✓
Secured Term Loan	130.0	130.0	4.50% (Fixed) ⁽³⁾	✓	✓
Subtotal	\$705.2	\$705.2			
Total Debt	\$1,805.2	\$1,345.8			

Note: As of September 30, 2024.

- For the Wells Fargo, Citibank and Morgan Stanley facilities, total commitments are available subject to the pledge of additional collateral.
- 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 September 30, 2024, there was approximately \$49 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.
- The Secured Term Loan includes interest rate increases on advances to the following fixed rates: (i) 4.50% per annum until May 1, 2025 and (ii) after May 1, 2025 through November 12, 2026, the interest rate increases 0.25% every three months. Additionally, there is a contingent interest rate increase of 4.00% if the outstanding principal amount of the Secured Term Loan is not paid down to the following amounts on specific dates as follows: (i) \$135.0 million as of August 1, 2024, (ii) \$130.0 million as of November 1, 2024, (iii) \$120.0 million as of February 1, 2025, (iv) \$110.0 million as of May 1, 2025, (v) \$100.0 million as of August 1, 2025 and (vi) \$90.0 million as of November 1, 2025.

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.

Endnotes

Company Results and Highlights

Note: As of September 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 of \$3.7 million or \$0.07 per diluted common share plus realized losses of \$5.8 million or \$0.10 per diluted common share.
3. Included as part of net cash provided by investing activities in the Consolidated Statement of Cash Flows.
4. Book value per common share excluding CECL reserve is calculated as (i) total stockholders' equity of \$564 million plus CECL reserve of \$146 million divided by (ii) total outstanding common shares of 54,532,393 as of September 30, 2024.
5. Net debt to equity ratio (excluding CECL reserves) is calculated as (i) \$1.3 billion of outstanding principal of borrowings less \$72 million of cash (inclusive of restricted amounts), (ii) divided by the sum of total stockholders' equity of \$564 million plus CECL reserve of \$146 million at September 30, 2024. Net debt to equity ratio including CECL reserve is 2.3x. Total debt to equity ratio excluding CECL reserve is 1.9x and including CECL reserve is 2.4x.
6. As of November 5, 2024, includes \$92 million of cash and approximately \$42 million of available financing proceeds under the CNB Facility. The 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 November 5, 2024, there was approximately \$42 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.
7. Additional unlevered assets that may be financed in the future include \$9 million floating rate investment grade debt securities and other assets that are not levered.
8. One office loan with \$163 million of total outstanding principal balance moved from risk rating 4 to risk rating 5 in 3Q 2024.



