

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): February 15, 2022



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)

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 February 15, 2022, the registrant issued a press release announcing its financial results for the quarter and year ended December 31, 2021. A copy of the press release and the earnings presentation are attached hereto as Exhibit 99.1 and Exhibit 99.2, respectively, and incorporated herein by reference.

The information disclosed under this Item 2.02, 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 February 15, 2022
99.2	Presentation of Ares Commercial Real Estate Corporation, dated February 15, 2022
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: February 15, 2022

By: /s/ Tae-Sik Yoon

Name: Tae-Sik Yoon

Title: Chief Financial Officer and Treasurer



**ARES COMMERCIAL REAL ESTATE CORPORATION REPORTS
FOURTH QUARTER AND FULL YEAR 2021 RESULTS**

*Fourth quarter GAAP net income of \$17.2 million or \$0.36 per diluted common share and
Distributable Earnings⁽¹⁾ of \$19.4 million or \$0.41 per diluted common share*

*Full year GAAP net income of \$60.5 million or \$1.42 per diluted common share and
Distributable Earnings⁽¹⁾ of \$66.0 million or \$1.55 per diluted common share*

Closed record \$1.4 billion of new loan commitments in 2021

- Subsequent to year ended December 31, 2021 -

*Declared first quarter 2022 dividend of \$0.33 per common share and
a supplemental dividend of \$0.02 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 of \$17.2 million or \$0.36 per diluted common share and Distributable Earnings⁽¹⁾ of \$19.4 million or \$0.41 per diluted common share for the fourth quarter of 2021. The Company reported GAAP net income of \$60.5 million or \$1.42 per diluted common share and Distributable Earnings⁽¹⁾ of \$66.0 million or \$1.55 per diluted common share for full year 2021.

“We generated strong earnings for both the fourth quarter and full year driven by record originations of \$1.4 billion while maintaining stable credit quality and continuing to strengthen our balance sheet,” said Bryan Donohoe, Chief Executive Officer of Ares Commercial Real Estate Corporation. “Looking forward, the Company continues to benefit from the advantages of the Ares real estate platform. We are optimistic that 2022 will be another great year for the Company and our shareholders.”

“To support the increase in our investment activity and enhance our earnings throughout 2021, we raised accretive equity, scaled our balance sheet and further reduced our cost of capital,” said Tae-Sik Yoon, Chief Financial Officer of Ares Commercial Real Estate Corporation. “During 2021, the Company fully covered its regular and supplemental dividends through its Distributable Earnings and the Company declared the same level of regular and supplemental dividends for the first quarter.”

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

2022 ANNUAL STOCKHOLDERS MEETING

The Board of Directors set March 25, 2022 as the record date for the Company's 2022 Annual Meeting of Stockholders. The 2022 Annual Meeting of Stockholders will be held on May 25, 2022.

COMMON STOCK DIVIDEND

On November 3, 2021, the Board of Directors of the Company declared a regular cash dividend of \$0.33 per common share and a supplemental cash dividend of \$0.02 per common share for the fourth quarter of 2021. The fourth quarter 2021 dividend and supplemental cash dividend were paid on January 19, 2022 to common stockholders of record as of December 31, 2021.

On February 15, 2022, the Board of Directors of the Company declared a regular cash dividend of \$0.33 per common share and a supplemental cash dividend of \$0.02 per common share for the first quarter of 2022. The first quarter 2022 dividend and supplemental cash dividend will be payable on April 14, 2022 to common stockholders of record as of March 31, 2022.

ADDITIONAL INFORMATION

The Company issued a presentation of its fourth quarter and full year 2021 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 "Fourth Quarter and Full Year 2021 Earnings Presentation." The Company also filed its Annual Report on Form 10-K for the year ended December 31, 2021 with the U.S. Securities and Exchange Commission on February 15, 2022.

CONFERENCE CALL AND WEBCAST INFORMATION

On Tuesday, February 15, 2022, the Company invites all interested persons to attend its webcast/conference call at 12:00 p.m. (Eastern Time) to discuss its fourth quarter and full year 2021 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 <http://www.arescre.com>. Please visit the website to test your connection before the webcast. Domestic callers can access the conference call by dialing +1 (888) 317-6003. International callers can access the conference call by dialing +1 (412) 317-6061. All callers will need to enter the Participant Elite Entry Number 1507058 followed by the # sign and reference "Ares Commercial Real Estate Corporation" once connected with the operator. 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 March 1, 2022 at 5:00 p.m. (Eastern Time) to domestic callers by dialing +1 (877) 344-7529 and to international callers by dialing +1 (412) 317-0088. For all replays, please reference conference number 3956123. An archived replay will also be available through March 1, 2022 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 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, which relate to future events or the Company's future performance or financial condition. 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 the returns on current and future investments, rates of repayments and prepayments on the Company's mortgage loans, availability of investment opportunities, the Company's ability to originate additional investments and completion of pending investments, the availability of capital, the availability and cost of financing, market

trends and conditions in the Company's industry and the general economy, the level of lending and borrowing spreads and interest rates, commercial real estate loan volumes, the impact of the COVID-19 pandemic and the pandemic's impact on the U.S. and global economy, the Company's ability to pay future dividends at historical levels or at all, 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 15, 2022. 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 Veronica Mendiola Mayer
(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 December 31,	
	2021	2020
ASSETS		
Cash and cash equivalents	\$ 50,615	\$ 74,776
Loans held for investment (\$974,424 and \$550,590 related to consolidated VIEs, respectively)	2,414,383	1,815,219
Current expected credit loss reserve	(23,939)	(23,604)
Loans held for investment, net of current expected credit loss reserve	2,390,444	1,791,615
Real estate owned held for sale, net	36,602	37,283
Other assets (\$2,592 and \$1,079 of interest receivable related to consolidated VIEs, respectively; \$128,589 and \$6,410 of other receivables related to consolidated VIEs, respectively)	154,177	25,823
Total assets	<u>\$ 2,631,838</u>	<u>\$ 1,929,497</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Secured funding agreements	\$ 840,047	\$ 755,552
Notes payable	50,358	61,837
Secured term loan	149,016	110,000
Collateralized loan obligation securitization debt (consolidated VIEs)	861,188	443,871
Secured borrowings	22,589	59,790
Due to affiliate	4,156	3,150
Dividends payable	16,674	11,124
Other liabilities (\$570 and \$391 of interest payable related to consolidated VIEs, respectively)	9,182	11,158
Total liabilities	<u>1,953,210</u>	<u>1,456,482</u>
Commitments and contingencies		
STOCKHOLDERS' EQUITY		
Common stock, par value \$0.01 per share, 450,000,000 shares authorized at December 31, 2021 and 2020 and 47,144,058 and 33,442,332 shares issued and outstanding at December 31, 2021 and 2020, respectively	465	329
Additional paid-in capital	703,950	497,803
Accumulated other comprehensive income	2,844	—
Accumulated earnings (deficit)	(28,631)	(25,117)
Total stockholders' equity	<u>678,628</u>	<u>473,015</u>
Total liabilities and stockholders' equity	<u>\$ 2,631,838</u>	<u>\$ 1,929,497</u>

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

	For the three months ended December 31, 2021	For the year ended December 31, 2021
Revenue:		
Interest income	\$ 38,044	\$ 133,631
Interest expense	(14,180)	(50,080)
Net interest margin	23,864	83,551
Revenue from real estate owned	6,247	18,518
Total revenue	30,111	102,069
Expenses:		
Management and incentive fees to affiliate	3,443	12,136
Professional fees	556	2,436
General and administrative expenses	1,271	4,741
General and administrative expenses reimbursed to affiliate	703	3,016
Expenses from real estate owned	6,089	18,548
Total expenses	12,062	40,877
Provision for current expected credit losses	765	10
Income before income taxes	17,284	61,182
Income tax expense, including excise tax	130	722
Net income attributable to common stockholders	\$ 17,154	\$ 60,460
Earnings per common share:		
Basic earnings per common share	\$ 0.36	\$ 1.43
Diluted earnings per common share	\$ 0.36	\$ 1.42
Weighted average number of common shares outstanding:		
Basic weighted average shares of common stock outstanding	47,026,252	42,399,613
Diluted weighted average shares of common stock outstanding	47,312,873	42,681,505
Dividends declared per share of common stock⁽¹⁾	\$ 0.35	\$ 1.40

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

SCHEDULE I

Reconciliation of Net Income to Non-GAAP Distributable Earnings

Distributable Earnings 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 provides useful information to investors regarding the Company's ability to pay dividends, which 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 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 (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. Distributable Earnings 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 attributable to common stockholders, the most directly comparable GAAP financial measure, to Distributable Earnings is set forth in the table below for the three months and year ended December 31, 2021 (\$ in thousands):

	For the three months ended December 31, 2021		For the year ended December 31, 2021	
Net income attributable to common stockholders	\$	17,154	\$	60,460
Stock-based compensation		494		1,940
Incentive fees to affiliate		830		2,752
Depreciation of real estate owned		151		825
Provision for current expected credit losses		765		10
Distributable Earnings	\$	19,394	\$	65,987
Net income attributable to common stockholders	\$	0.36	\$	1.43
Stock-based compensation		0.01		0.05
Incentive fees to affiliate		0.02		0.06
Depreciation of real estate owned		—		0.02
Provision for current expected credit losses		0.02		—
Basic Distributable Earnings per common share	\$	0.41	\$	1.56
Net income attributable to common stockholders	\$	0.36	\$	1.42
Stock-based compensation		0.01		0.05
Incentive fees to affiliate		0.02		0.06
Depreciation of real estate owned		—		0.02
Provision for current expected credit losses		0.02		—
Diluted Distributable Earnings per common share	\$	0.41	\$	1.55



Fourth Quarter and Full Year 2021 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 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 the returns on current and future investments, rates of repayments and prepayments on ACRE’s mortgage loans, availability of investment opportunities, ACRE’s ability to originate additional investments and completion of pending investments, the availability of capital, the availability and cost of financing, imposition of margin calls or valuation adjustment events in connection with such financings, market trends and conditions in ACRE’s industry and the general economy, the level of lending and borrowing spreads, commercial real estate loan volumes, the impact of the novel Coronavirus (“COVID-19”) pandemic and significant market volatility on ACRE’s business, ACRE’s borrowers, ACRE’s industry and the global economy, ACRE’s ability to pay future dividends at historical levels or at all, government-sponsored enterprise activity and other risks described from time to time in ACRE’s and Ares Corp.’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 the potential risks and impact of the COVID-19 pandemic 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.

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.

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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.

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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

Growing Loan Portfolio	\$2.4 billion outstanding principal balance	33% year over year portfolio growth ⁽¹⁾	Strong Origination Momentum	\$1.4 billion in FY 2021 originations	100% Senior Loans
	Fifth consecutive quarter of portfolio growth			Focused on high conviction sectors including multifamily and industrial	
Stable and Diversifying Balance Sheet	2.7x Debt to Equity Ratio ⁽¹⁾	48% Non-recourse financing	Consistent Earnings and Dividends	\$0.41 Distributable Earnings ⁽²⁾ per diluted common share	1.1x FY 2021 dividend coverage (per share)
	Increased equity base by 44% in FY 2021			Well-protected for a rising interest rate environment	
Originations activity supports portfolio growth and stable earnings					

As of December 31, 2021, unless otherwise noted. Past performance is not indicative of future results. There is no guarantee or assurance investment objectives will be achieved. Diversification does not ensure profit or protect against market loss.

1. Excludes CECL reserve. Total debt to equity ratio of 2.8x including CECL reserve.

2. Distributable Earnings is a non-GAAP financial measure. See page 20 for Distributable Earnings definition and page 19 for the Reconciliation of Net Income to Non-GAAP Distributable Earnings.

Summary of Q4 and FY 2021 Results and Activity

Earnings Results	<ul style="list-style-type: none"> Q4 and FY 2021 GAAP net income of \$0.36 and \$1.42 per diluted common share, respectively⁽¹⁾ Q4 and FY 2021 Distributable Earnings of \$0.41 and \$1.55 per diluted common share, respectively⁽²⁾ Book value per diluted common share of \$14.39 Cash dividend of \$0.33 per common share and supplemental cash dividend per common share of \$0.02 for Q4 2021, resulting in FY 2021 total dividends of \$1.40 per common share⁽³⁾
Portfolio Activity and Performance	<ul style="list-style-type: none"> Portfolio grew 33% year over year to \$2.4 billion in outstanding principal balance Originated \$365 million in new commitments in Q4 2021, bringing total FY 2021 commitments to a record \$1.4 billion \$1.3 billion in outstanding principal funded⁽⁴⁾ exceeded \$657 million in full or partial loan repayments in FY 2021
Balance Sheet Positioning	<ul style="list-style-type: none"> Moderate leverage with total debt to equity ratio of 2.7x and recourse debt to equity ratio of 1.4x⁽⁵⁾ Well-protected for potential rise in short-term interest rates with 98% of the loan portfolio in floating rate assets combined with interest rate hedges on liabilities Increased capital base by \$206 million, including \$204 million in net proceeds from equity transactions in FY 2021
Dividend	<ul style="list-style-type: none"> On February 15, 2022, declared a cash dividend for first quarter 2022 of \$0.33 per common share and a supplemental cash dividend of \$0.02 per common share

Note: As of December 31, 2021, unless otherwise noted.

1. Inclusive of \$0.02 provision per diluted common share for Q4 2021 for CECL.

2. Distributable Earnings is a non-GAAP financial measure. See page 20 for Distributable Earnings definition and page 19 for the Reconciliation of Net Income to Non-GAAP Distributable Earnings.

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

4. Outstanding principal funded includes fundings on previously originated loans.

5. Excludes CECL reserve. Total debt to equity ratio of 2.8x and recourse debt to equity ratio of 1.5x including CECL reserve.



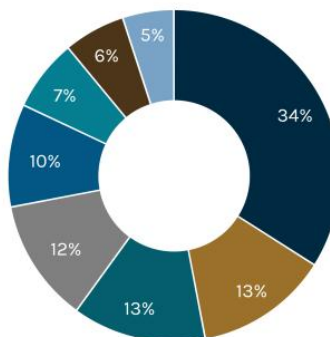
Loan Portfolio Positioning and Performance

Portfolio Characteristics

Defensive and Diversified Portfolio	72 Active Loans Across Diversified Portfolio	\$2.4 billion Outstanding Principal Balance ⁽¹⁾	5.5% Weighted Average Unleveraged Effective Yield ⁽²⁾
Well-Constructed	99% Senior Loans ⁽³⁾	43% of loans with LIBOR floors below 50 bps	98% Floating Rate Loans

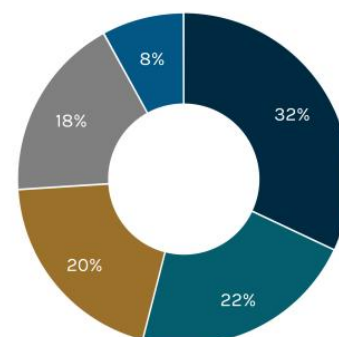
Focused and Geographically Diverse Portfolio⁽¹⁾

By Asset Type



■ Office
■ Industrial
■ Hotel
■ Residential/Condo
■ Multifamily
■ Mixed-Use
■ Self Storage
■ Student Housing

By Geography



■ Southeast
■ West
■ Midwest
■ Mid-Atlantic / Northeast
■ Southwest

Note: As of December 31, 2021, unless otherwise noted. Past performance is not indicative of future results. Diversification does not ensure profit or protect against market loss.

1. Weighted average unpaid principal balance of loan portfolio of \$2.461 billion and \$2.154 billion during Q4 2021 and FY 2021, respectively.

2. Excludes impact of two loans on non-accrual status. Including the two non-accrual loans, total weighted average unleveraged effective yield for total loans held for investment is 5.4%.

3. Based on outstanding principal balance.

Full Year Portfolio Activity

Record Year of Production in 2021 Accelerated Portfolio Growth

(\$ in millions)



33% Year Over Year Portfolio Growth⁽¹⁾

(\$ in millions)



Note: Differences may arise due to rounding.

1. Portfolio balances represent outstanding principal balance and outstanding principal funded includes fundings on previously originated loans.

Q4 and FY 2021 Origination Activity

Q4 2021 New Investment Commitments

16
new loans

\$365 million
Q4 2021 commitments

100%
senior loans for
Q4 2021 commitments

100%
floating rate loans

FY 2021 New Investment Commitments

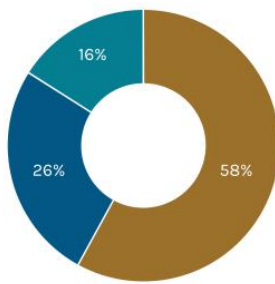
42
new loans

\$1.4 billion
FY 2021 commitments

100%
senior loans for
FY 2021 commitments

99%
floating rate loans

Q4 2021 Loan Origination Composition⁽¹⁾

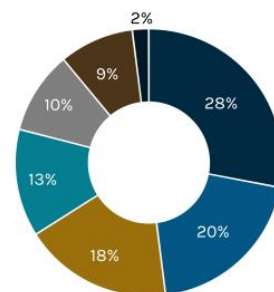


■ Multifamily ■ Industrial ■ Self Storage

Note: Differences may arise due to rounding.

1. Based on commitment amount for new loan commitments closed.

FY 2021 Loan Origination Composition⁽¹⁾



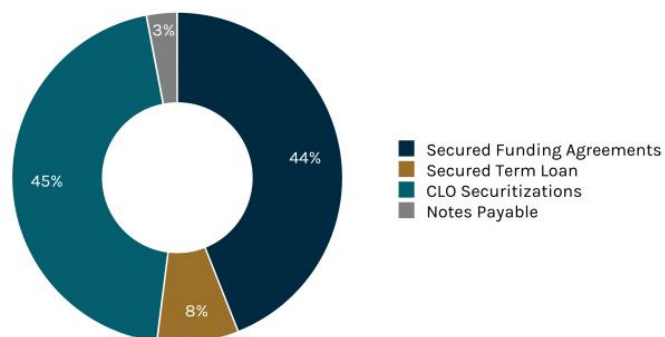
■ Office ■ Industrial ■ Multifamily
■ Self Storage ■ Mixed-Use ■ Residential/Condo
■ Student Housing



Conservative Balance Sheet and Liquidity Management

Diversified & Conservative Balance Sheet	8 Sources of Financing ⁽¹⁾	48% Non-recourse Financing	\$2.3 billion Total Capacity Across All Financings ⁽²⁾
Well-Constructed	~50% of floating rate debt protected against rising rates	2.7x Debt to Equity Ratio ⁽⁴⁾	0% Spread Based Mark to Market Provisions ⁽⁵⁾

Diversified Sources of Financing⁽³⁾



Note: As of December 31, 2021, unless otherwise noted. Diversification does not ensure profit or protect against market loss.

1. Excludes Notes Payable. See page 12 for additional details on sources of funding.

2. Weighted average unpaid principal balance of \$1.840 billion and \$1.623 billion across all financings for Q4 2021 and FY 2021, respectively.

3. Based on outstanding principal balance.

4. Excludes CECL reserve. Total debt to equity ratio of 2.8x including CECL reserve.

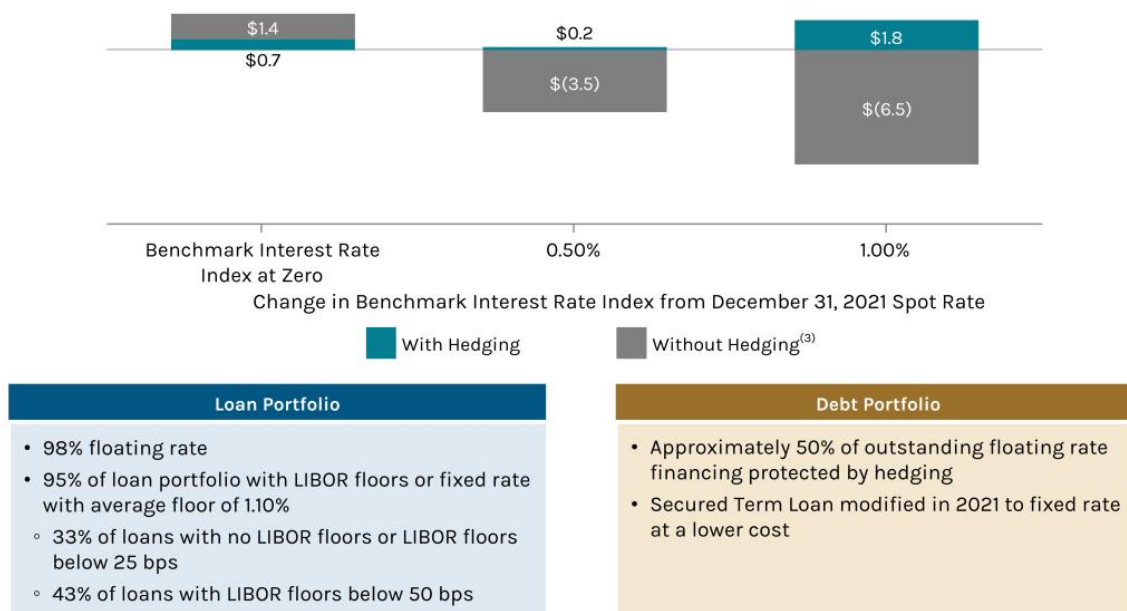
5. Secured funding agreements are not subject to capital markets mark-to-market provisions based on changes in market borrowing spreads but are subject to remargining provisions based on the credit performance of our loans.

Well-Positioned for Potential Rise in Short-Term Interest Rates

Interest Rate Sensitivity to Benchmark Interest Rate Index⁽¹⁾ Changes

(\$ in millions)

Annual estimated increase/(decrease) in net income⁽²⁾



Note: As of December 31, 2021, unless otherwise noted.

1. Benchmark Interest Rate Index represents the interest rates indexed to LIBOR and term SOFR.

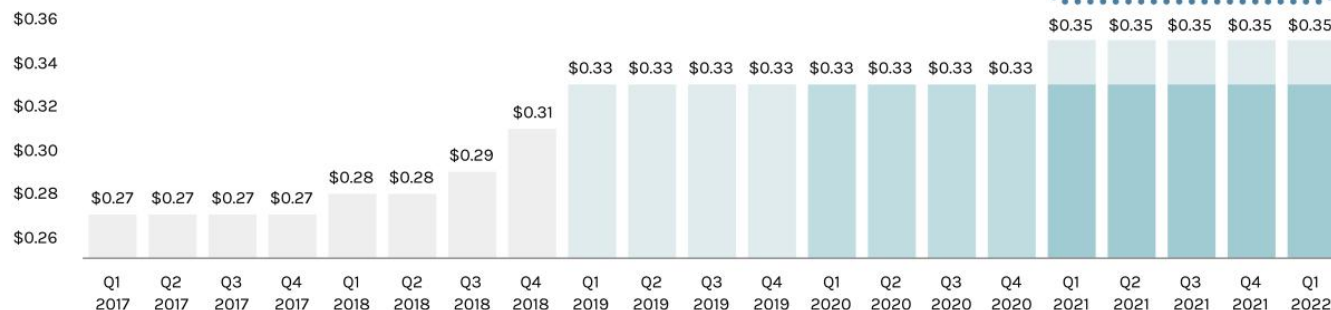
2. The chart estimates the hypothetical increases/(decreases) in net income for a twelve month period, assuming (1) an immediate increase or decrease in 30-day Benchmark Interest Rate Index as of December 31, 2021, (2) no change in the outstanding principal balance of our loans held for investment portfolio and borrowings as of December 31, 2021 and (3) no changes in the notional amount of the interest rate swap and interest rate cap agreements entered into as of December 31, 2021.

3. Represents the hypothetical impact to net income if we did not enter into interest rate swap and cap agreements as of the reporting date.

History of Growing and Consistent Dividends

Dividend History⁽¹⁾

Dividends
(per share)



Full Dividend Coverage from Distributable Earnings⁽²⁾

Dividend
Coverage
(per share)



1. There is no assurance that dividends will be paid at historical levels or at all.

2. Beginning in Q4 2020, the non-GAAP financial measure of Core Earnings was renamed to Distributable Earnings. See page 20 for Distributable Earnings definition and page 19 for Reconciliation of Net Income to Non-GAAP Distributable Earnings.



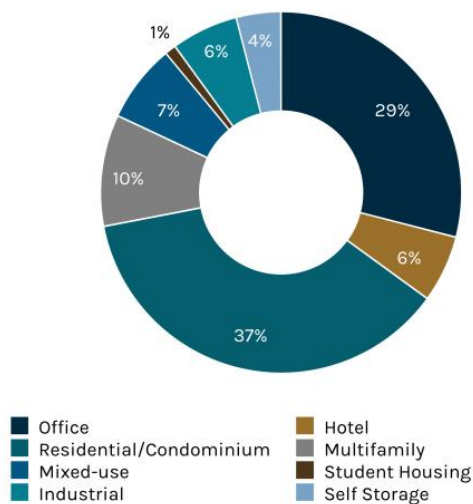
Appendix

Current Expected Credit Losses

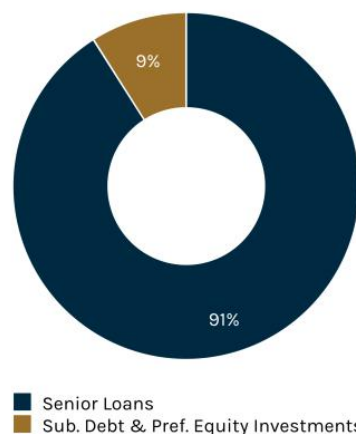
(\$ in thousands)		
Balance at 9/30/2021	\$	24,481
Provision for CECL		765
Balance at 12/31/2021	\$	25,246

- No specific loan impairments on loan portfolio
- Increase in CECL reserve of \$0.8 million (bifurcated between an increase in funded commitments provision of \$1.2 million and a decrease in unfunded commitments provision of \$0.5 million) primarily attributable to portfolio growth

Current Expected Credit Loss Reserve
by Property Type



Current Expected Credit Loss Reserve
by Loan Type



Additional Details on Sources of Funding

(\$ in millions)					
Financing Sources	Total Commitments	Outstanding Balance	Pricing Range	Mark-to-Market	
Secured Funding Agreements					
Wells Fargo Facility	\$450.0	\$399.5	LIBOR+1.50 to 2.75%	Credit	
Citibank Facility	325.0	193.0	LIBOR+1.50 to 2.25%	Credit	
CNB Facility	75.0	—	SOFR+2.65%	Credit	
Morgan Stanley Facility	250.0	226.9	LIBOR+1.75 to 3.00%	Credit	
MetLife Facility	180.0	20.6	LIBOR+2.10 to 2.50%	Credit	
Subtotal	\$1,280.0	\$840.0			
Asset Level Financing					
Notes Payable	\$51.8	\$51.1	LIBOR+3.00 to 3.75%	None	
Capital Markets					
Secured Term Loan	\$150.0	\$150.0	4.50%	Credit	
2017-FL3 Securitization	445.6	445.6	LIBOR+ 1.70%	None	
2021-FL4 Securitization	419.2	419.2	LIBOR+ 1.26%	None	
Subtotal	\$1,014.8	\$1,014.8			
Total Debt	\$2,346.6	\$1,905.9			

Note: As of December 31, 2021.

Loans Held for Investment Portfolio Details

(\$ in millions)

#	Loan Type	Location	Origination Date	Current Loan Commitment	Outstanding Principal	Carrying Value	Interest Rate	LIBOR Floor	Unleveraged Effective Yield	Maturity Date	Payment Terms ⁽¹⁾
Office Loans:											
1	Senior	IL	Nov 2020	\$151.5	\$150.5	\$149.9	L+3.61%	1.5%	5.5%	Mar 2023	I/O
2	Senior	Diversified	Jan 2020	132.6	113.6	113.4	L+3.65%	1.6%	5.7%	Jan 2023	I/O
3	Senior	AZ	Sep 2021	115.7	77.4	76.6	L+3.50%	0.1%	4.0%	Oct 2024	I/O
4	Senior	NC	Aug 2021	85.0	64.7	64.0	L+3.55%	0.2%	4.2%	Aug 2024	I/O
5	Senior	NC	Mar 2019	84.0	63.9	63.9	L+4.25%	2.4%	6.7%	Mar 2022	I/O
6	Senior	NY	Jul 2021	81.0	61.6	60.8	L+3.85%	0.1%	4.3%	Aug 2025	I/O
7	Senior	IL	Nov 2017	61.0	61.0	60.9	L+3.75%	1.3%	5.3%	Dec 2022	I/O
8	Senior	IL	May 2018	59.3	57.2	57.2	L+3.95%	2.0%	6.2%	Jun 2022	P/I
9	Senior	GA	Nov 2019	56.2	46.6	46.5	L+3.05%	2.0%	5.7%	Dec 2022	I/O
10	Senior	CA	Oct 2019	37.2	32.3	32.2	L+3.35%	2.0%	6.0%	Nov 2022	I/O
11	Senior	IL	Dec 2019	41.9	28.5	28.4	L+3.80%	1.8%	6.2%	Jan 2023	I/O
12	Senior	NC	Apr 2019	30.5	28.5	28.2	L+3.53%	2.3%	6.8%	May 2023	I/O
13	Senior	CA	Nov 2018	22.9	22.9	22.8	L+3.40%	2.3%	6.0%	Nov 2022	I/O
14	Subordinated	NJ	Mar 2016	17.4	17.4	16.7	12.00%	—%	13.7%	Jan 2026	I/O
15	Senior	NC	Oct 2018	13.5	9.4	9.4	L+4.00%	2.1%	6.6%	Nov 2022	I/O
Total Office				\$989.7	\$835.5	\$830.9					
Multifamily Loans:											
16	Senior ⁽²⁾	SC	Dec 2021	\$67.0	\$67.0	\$66.7	L+2.90%	0.1%	3.3%	Nov 2024	I/O
17	Senior	TX	Nov 2021	68.8	56.2	55.6	L+2.85%	0.1%	3.4%	Dec 2024	I/O
18	Senior	SC	Jun 2021	37.4	37.4	37.2	L+2.75%	0.2%	3.4%	Jun 2023	I/O
19	Senior	SC	Aug 2019	34.6	34.0	33.8	L+6.50%	2.2%	10.2%	Sep 2022	I/O
20	Senior	CA	Nov 2021	31.7	31.7	31.4	L+2.90%	—%	3.3%	Dec 2025	I/O
21	Senior	PA	Dec 2018	30.3	29.4	29.3	L+3.00%	1.3%	4.5%	Dec 2022	I/O
22	Senior	WA	Dec 2021	23.1	23.1	23.0	L+2.90%	—%	3.2%	Nov 2025	I/O
23	Senior	TX	Oct 2021	23.1	21.9	21.7	L+2.50%	0.1%	3.0%	Oct 2024	I/O
24	Senior	WA	Feb 2020	19.0	18.7	18.6	L+3.00%	1.7%	5.1%	Mar 2023	I/O
Total Multifamily				\$335.0	\$319.4	\$317.3					

Note: As of December 31, 2021.

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

2. Loan commitment is allocated between a multifamily property (\$60.5 million) and an office property (\$6.5 million).

Loans Held for Investment Portfolio Details

(\$ in millions)											
#	Loan Type	Location	Origination Date	Current Loan Commitment	Outstanding Principal	Carrying Value	Interest Rate	LIBOR Floor	Unleveraged Effective Yield	Maturity Date	Payment Terms ⁽¹⁾
Industrial Loans:											
25	Senior	IL	May 2021	\$100.7	\$77.5	\$76.9	L+4.55%	0.2%	5.1%	May 2024	I/O
26	Senior	NY	Jan 2020	77.5	77.3	77.3	L+5.00%	1.6%	7.1%	Feb 2022	I/O
27	Senior	FL	Dec 2021	25.5	25.5	25.3	L+2.90%	0.1%	3.2%	Dec 2025	I/O
28	Senior	TX	Dec 2021	30.9	25.3	25.1	L+4.65%	0.1%	5.1%	Dec 2024	I/O
29	Senior	NJ	Jun 2021	28.3	23.2	22.9	L+3.75%	0.3%	4.7%	May 2024	I/O
30	Senior ⁽²⁾	CO	Jul 2021	20.8	20.8	20.6	L+6.75%	0.3%	7.7%	Feb 2023	I/O
31	Senior	CA	Aug 2019	19.6	16.7	16.6	L+3.75%	2.0%	6.4%	Mar 2023	I/O
32	Senior ⁽²⁾	TX	Nov 2021	10.4	10.4	10.2	L+5.25%	0.3%	5.9%	Dec 2024	I/O
33	Senior ⁽²⁾	PA	Sep 2021	8.0	8.0	8.0	L+5.50%	0.3%	6.1%	Sep 2024	I/O
34	Senior ⁽²⁾	FL	Nov 2021	9.5	7.8	7.7	L+5.90%	0.3%	6.6%	Nov 2024	I/O
35	Senior ⁽²⁾	PA	Oct 2021	7.0	7.0	6.9	L+5.90%	0.3%	6.5%	Nov 2024	I/O
36	Senior ⁽²⁾	TN	Oct 2021	6.7	6.7	6.6	L+5.50%	0.3%	6.1%	Nov 2024	I/O
37	Senior ⁽²⁾	CO	Sep 2021	2.9	2.9	2.9	L+6.25%	0.3%	6.9%	Sep 2024	I/O
38	Senior ⁽²⁾	AZ	Sep 2021	2.7	2.7	2.6	L+5.90%	0.3%	6.5%	Oct 2024	I/O
39	Senior ⁽²⁾	GA	Aug 2021	1.3	1.3	1.3	L+5.25%	0.3%	5.9%	Sep 2024	I/O
Total Industrial				\$351.8	\$313.1	\$310.9					
Mixed-Use Loans:											
40	Senior	FL	Feb 2019	\$84.0	\$84.0	\$84.0	L+4.25%	1.5%	5.7%	Feb 2023	I/O
41	Senior	NY	Jul 2021	78.3	75.0	74.4	L+3.65%	0.1%	4.1%	Jul 2024	I/O
42	Senior	CA	Jan 2021	58.8	57.1	56.9	(3)	0.2%	5.5%	Jan 2024	I/O
43	Senior	TX	Sep 2019	42.2	35.8	35.6	(4)	0.3%	4.7%	Sep 2022	I/O
44	Senior	CA	Feb 2020	39.6	35.4	35.2	L+4.10%	1.7%	6.3%	Mar 2023	I/O
Total Mixed-Use				\$302.9	\$287.3	\$286.1					

Note: As of December 31, 2021.

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

2. Loans are a cross-collateralized portfolio with affiliates of the same borrower.

3. At origination, the California loan was structured as both a senior and mezzanine loan with us holding both positions. The senior loan, which had an outstanding principal balance of \$45.0 million as of December 31, 2021, accrues interest at a per annum rate of L+3.80 with a 0.20% LIBOR floor and the mezzanine loan, which had an outstanding principal balance of \$12.1 million as of December 31, 2021, accrues interest at a per annum rate of 12.00%

4. In March 2021, ACRE and the borrower entered into a modification agreement to, among other things, split the original senior Texas loan into two separate notes. Note A, which had an outstanding principal balance of \$35.3 million as of December 31, 2021, accrues interest at a per annum rate of L + 3.75% and Note B, which had an outstanding principal balance of \$0.4 million as of December 31, 2021, accrues interest at a per annum rate of L+10.00%.

Loans Held for Investment Portfolio Details

(\$ in millions)											
#	Loan Type	Location	Origination Date	Current Loan Commitment	Outstanding Principal	Carrying Value	Interest Rate	LIBOR Floor	Unleveraged Effective Yield	Maturity Date	Payment Terms ⁽¹⁾
Hotel Loans:											
45	Senior	OR/WA	May 2018	\$68.1	\$68.1	\$67.6	L+3.45%	1.9%	7.4%	May 2022	I/O
46	Senior	Diversified	Sep 2018	60.6	60.6	60.5	L+3.60%	2.1%	6.1%	Sep 2022	P/I
47	Senior	CA	Dec 2017	40.0	40.0	39.8	L+4.12%	1.4%	5.8%	Jan 2023	I/O
48	Senior	MI	Nov 2015	33.2	33.2	33.2	L+3.95%	0.3%	4.4%	Jul 2022	I/O
49	Senior	IL	Apr 2018	32.9	32.9	30.7	L+4.40%	1.9%	—% ⁽²⁾	May 2022	I/O
Total Hotel				\$234.8	\$234.8	\$231.8					
Self Storage Loans:											
50	Senior	NJ	Apr 2021	\$55.5	\$55.5	\$55.6	L+3.80%	0.4%	4.1%	Feb 2024	I/O
51	Senior	PA	Nov 2021	12.8	12.7	12.6	L+3.05%	1.0%	4.4%	Oct 2024	I/O
52	Senior	MD	Nov 2021	12.5	12.4	12.3	L+3.05%	1.0%	4.3%	Oct 2024	I/O
53	Senior	MD	Nov 2021	12.2	12.0	11.9	L+3.05%	1.0%	4.4%	Oct 2024	I/O
54	Senior	FL	Jan 2021	10.8	10.8	10.8	L+2.90%	1.0%	4.4%	Dec 2023	I/O
55	Senior	WA	Nov 2021	10.2	10.2	10.1	L+3.05%	1.0%	4.3%	Oct 2024	I/O
56	Senior	MO	Nov 2021	9.0	8.8	8.7	L+3.05%	1.0%	4.4%	Oct 2024	I/O
57	Senior	AZ	Jul 2021	8.6	8.4	8.4	L+2.90%	0.9%	4.0%	May 2024	I/O
58	Senior	AZ	Jul 2021	7.4	7.4	7.3	L+2.90%	0.9%	4.1%	May 2024	I/O
59	Senior	FL	Jan 2021	7.0	7.0	6.9	L+2.90%	1.0%	4.3%	Dec 2023	I/O
60	Senior	FL	Jan 2021	6.4	6.4	6.4	L+2.90%	1.0%	4.3%	Dec 2023	I/O
61	Senior	MO	Jan 2021	6.5	6.2	6.2	L+3.00%	1.3%	4.4%	Dec 2023	I/O
62	Senior	IL	Jan 2021	5.6	5.6	5.6	L+3.00%	1.0%	4.3%	Dec 2023	I/O
63	Senior	FL	Jan 2021	4.4	4.4	4.4	L+2.90%	1.0%	4.2%	Dec 2023	I/O
64	Senior	CO	Jul 2021	3.2	3.2	3.2	L+2.90%	0.9%	3.8%	Apr 2024	I/O
Total Self Storage				\$172.1	\$171.0	\$170.4					

Note: As of December 31, 2021.

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

2. Loan was on non-accrual status as of December 31, 2021 and therefore, there is no Unleveraged Effective Yield as the loan is non-interest accruing.

Loans Held for Investment Portfolio Details

(\$ in millions)											
#	Loan Type	Location	Origination Date	Current Loan Commitment	Outstanding Principal	Carrying Value	Interest Rate	LIBOR Floor	Unleveraged Effective Yield	Maturity Date	Payment Terms ⁽¹⁾
Residential/Condominium Loans:											
65	Senior	FL	Jul 2021	\$75.0	\$66.9	\$66.3	L+5.25%	—%	6.0%	Jul 2023	I/O
66	Senior	NY	Oct 2018	54.5	54.5	54.5	(2)	1.8%	10.84% ⁽³⁾	May 2021	I/O
67	Senior	CA	Jan 2018	14.3	14.3	14.3	13.00%	—%	—% ⁽⁴⁾	May 2021	I/O
Total Residential/Condominium				\$143.8	\$135.7	\$135.1					
Student Housing Loans:											
68	Senior	CA	Jun 2017	\$36.2	\$36.2	\$36.2	L+3.95%	0.4%	4.3%	Jul 2022	I/O
69	Senior	NC	Feb 2019	30.0	30.0	30.0	L+3.15%	2.3%	5.9%	Feb 2022	I/O
70	Senior	TX	Dec 2017	25.1	24.6	24.4	L+3.45%	1.6%	5.6%	Feb 2023	I/O
71	Senior	FL	Jul 2019	22.0	22.0	22.0	L+3.25%	2.3%	6.0%	Aug 2022	I/O
72	Senior	AL	Apr 2021	19.5	19.5	19.3	L+3.85%	0.2%	4.4%	May 2024	I/O
Total Student Housing				\$132.8	\$132.3	\$131.9					
Loan Portfolio Total/Weighted Average				\$2,662.9	\$2,429.1	\$2,414.4		1.1% ⁽⁵⁾	5.4%		

Note: As of December 31, 2021.

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

2. At origination, the New York loan was structured as both a senior and mezzanine loan with the Company holding the mezzanine loan and a third party holding the senior loan. In April 2021, the Company purchased the senior loan from the third party at par. The senior loan, which had an outstanding principal balance of \$35.9 million as of December 31, 2021, accrues interest at a per annum rate of L + 6.00% with a 1.75% LIBOR floor and the mezzanine loan, which had an outstanding principal balance of \$15.9 million as of December 31, 2021, accrues interest at a per annum rate of L + 14.00% with a 2.28% LIBOR floor. The mezzanine loan includes a \$2.6 million to the borrower, for which such amount accrues interest at a per annum rate of 20.00%.

3. Loan was in maturity default as of December 31, 2021. Loan was evaluated for impairment and it was concluded that no impairment charge should be recognized as of December 31, 2021 and that this loan should not be placed on non-accrual status as of December 31, 2021. For more information see "Notes to Consolidated Financial Statements," "Note 3 - Loans Held for Investment" in our annual report on Form 10-K.

4. Loan was on non-accrual status as of December 31, 2021 and therefore, there is no Unleveraged Effective Yield as the loan is non-interest accruing. As of December 31, 2021, the senior California loan, which is collateralized by a residential property, is in maturity default due to the failure of the borrower to repay the outstanding principal balance of the loan by the May 2021 maturity date. The Company evaluated this loan for impairment and concluded that no impairment charge should be recognized as of December 31, 2021. This conclusion was based in part on: (1) the current estimated fair market value of the underlying collateral property, (2) the estimated value of the contractual right to residual proceeds from the sale of a second residential property and (3) the recourse payment guarantee from two individuals that are the owners of the underlying collateral. The estimated fair market value of the underlying collateral property was determined using the comparable market sales approach.

5. The weighted average floor is calculated based on loans with LIBOR floors.

Consolidated Balance Sheets

(\$ in thousands, except share and per share data)	As of	
	12/31/2021	12/31/2020
ASSETS		
Cash and cash equivalents	\$ 50,615	\$ 74,776
Loans held for investment (\$974,424 and \$550,590 related to consolidated VIEs, respectively)	2,414,383	1,815,219
Current expected credit loss reserve	(23,939)	(23,604)
Loans held for investment, net of current expected credit loss reserve	2,390,444	1,791,615
Real estate owned held for sale, net	36,602	37,283
Other assets (\$2,592 and \$1,079 of interest receivable related to consolidated VIEs, respectively; \$128,589 and \$6,410 of other receivables related to consolidated VIEs, respectively)	154,177	25,823
Total assets	\$ 2,631,838	\$ 1,929,497
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Secured funding agreements	\$ 840,047	\$ 755,552
Notes payable	50,358	61,837
Secured term loan	149,016	110,000
Collateralized loan obligation securitization debt (consolidated VIEs)	861,188	443,871
Secured borrowings	22,589	59,790
Due to affiliate	4,156	3,150
Dividends payable	16,674	11,124
Other liabilities (\$570 and \$391 of interest payable related to consolidated VIEs, respectively)	9,182	11,158
Total liabilities	1,953,210	1,456,482
Commitments and contingencies		
STOCKHOLDERS' EQUITY		
Common stock, par value \$0.01 per share, 450,000,000 shares authorized at December 31, 2021 and December 31, 2020 and 47,144,058 and 33,442,332 shares issued and outstanding at December 31, 2021 and December 31, 2020, respectively	465	329
Additional paid-in capital	703,950	497,803
Accumulated other comprehensive income	2,844	—
Accumulated earnings (deficit)	(28,631)	(25,117)
Total stockholders' equity	678,628	473,015
Total liabilities and stockholders' equity	\$ 2,631,838	\$ 1,929,497

Consolidated Statements of Operations

(\$ in thousands, except share and per share data)	For the Three Months Ended				
	12/31/2021	9/30/2021	6/30/2021	3/31/2021	12/31/2020
Revenue:					
Interest income	\$ 38,044	\$ 34,023	\$ 30,859	\$ 30,704	\$ 29,144
Interest expense	(14,180)	(12,669)	(11,092)	(12,139)	(11,499)
Net interest margin	23,864	21,354	19,767	18,565	17,645
Revenue from real estate owned	6,247	5,850	3,764	2,658	3,560
Total revenue	30,111	27,204	23,531	21,223	21,205
Expenses:					
Management and incentive fees to affiliate	3,443	3,175	2,951	2,567	2,388
Professional fees	556	480	615	785	438
General and administrative expenses	1,271	1,119	1,195	1,157	935
General and administrative expenses reimbursed to affiliate	703	773	788	752	762
Expenses from real estate owned	6,089	5,339	3,842	3,277	4,151
Total expenses	12,062	10,886	9,391	8,538	8,674
Provision for current expected credit losses	765	6,367	(3,883)	(3,240)	(1,877)
Income before income taxes	17,284	9,951	18,023	15,925	14,408
Income tax expense, including excise tax	130	—	408	185	1
Net income attributable to common stockholders	\$ 17,154	\$ 9,951	\$ 17,615	\$ 15,740	\$ 14,407
Earnings per common share:					
Basic earnings per common share	\$ 0.36	\$ 0.21	\$ 0.43	\$ 0.46	\$ 0.43
Diluted earnings per common share	\$ 0.36	\$ 0.21	\$ 0.43	\$ 0.45	\$ 0.43
Weighted average number of common shares outstanding:					
Basic weighted average shares of common stock outstanding	47,026,252	46,957,339	41,009,175	34,417,040	33,349,475
Diluted weighted average shares of common stock outstanding	47,312,873	47,209,469	41,294,597	34,720,950	33,567,072
Dividends declared per share of common stock ⁽¹⁾	\$ 0.35	\$ 0.35	\$ 0.35	\$ 0.35	\$ 0.33

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

Reconciliation of Net Income to Non-GAAP Distributable Earnings

(\$ in thousands, except per share data)	For the Three Months Ended				
	12/31/2021	9/30/2021	6/30/2021	3/31/2021	12/31/2020
Net income attributable to common stockholders	\$ 17,154	\$ 9,951	\$ 17,615	\$ 15,740	\$ 14,407
Stock-based compensation	494	428	497	521	382
Incentive fees to affiliate	830	572	693	658	533
Depreciation of real estate owned	151	225	225	224	224
Provision for current expected credit losses	765	6,367	(3,883)	(3,240)	(1,877)
Distributable Earnings	\$ 19,394	\$ 17,543	\$ 15,147	\$ 13,903	\$ 13,669
Net income attributable to common stockholders	\$ 0.36	\$ 0.21	\$ 0.43	\$ 0.46	\$ 0.43
Stock-based compensation	0.01	0.01	0.01	0.02	0.01
Incentive fees to affiliate	0.02	0.01	0.02	0.02	0.02
Depreciation of real estate owned	—	—	0.01	0.01	0.01
Provision for current expected credit losses	0.02	0.14	(0.09)	(0.09)	(0.06)
Basic Distributable Earnings per common share	\$ 0.41	\$ 0.37	\$ 0.37	\$ 0.40	\$ 0.41
Net income attributable to common stockholders	\$ 0.36	\$ 0.21	\$ 0.43	\$ 0.45	\$ 0.43
Stock-based compensation	0.01	0.01	0.01	0.02	0.01
Incentive fees to affiliate	0.02	0.01	0.02	0.02	0.02
Depreciation of real estate owned	—	—	0.01	0.01	0.01
Provision for current expected credit losses	0.02	0.13	(0.09)	(0.09)	(0.06)
Diluted Distributable Earnings per common share	\$ 0.41	\$ 0.37	\$ 0.37	\$ 0.40	\$ 0.41

Glossary

Ares Warehouse	The Ares Warehouse represents a real estate debt warehouse investment vehicle maintained by an affiliate of ACREM. The Ares Warehouse holds Ares Management originated commercial real estate loans, which are made available to purchase by other investment vehicles, including ACRE and other Ares Management managed investment vehicles.
Distributable Earnings	Distributable Earnings 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 provides useful information to investors regarding the Company's ability to pay dividends, which 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 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. Distributable Earnings 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.
Unleveraged Effective Yield	Unleveraged effective yield is the compounded effective rate of return that would be earned over the life of the investment based on the contractual interest rate (adjusted for any deferred loan fees, costs, premiums or discounts) and assumes no dispositions, early prepayments or defaults.
Weighted Average Unleveraged Effective Yield	Weighted average unleveraged effective yield is calculated based on the average of unleveraged effective yield of all loans held by the Company as weighted by the outstanding principal balance of each loan.

