

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): May 4, 2021



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)

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 May 4, 2021, the registrant issued a press release announcing its financial results for the quarter ended March 31, 2021. A copy of the summary 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  |
|----------------------|--|
| <a href="#">99.1</a> | Press Release, dated May 4, 2021   |
| <a href="#">99.2</a> | Presentation of Ares Commercial Real Estate Corporation, dated May 4, 2021                               |
| 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: May 4, 2021

By: /s/ Tae-Sik Yoon

Name: Tae-Sik Yoon

Title: Chief Financial Officer and Treasurer



**ARES COMMERCIAL REAL ESTATE CORPORATION REPORTS  
FIRST QUARTER 2021 RESULTS**

*First quarter GAAP net income of \$15.7 million or \$0.45 per diluted common share and  
Distributable Earnings<sup>(1)</sup> of \$13.9 million or \$0.40 per diluted common share*

*- Subsequent to end of first quarter -*

*Declared second quarter 2021 dividend of \$0.33 per diluted common share and  
a supplemental dividend of \$0.02 per diluted common share*

*Closed \$88 million of loans in ACRE,  
with another \$185 million of ACRE eligible loans closed in the Ares Warehouse<sup>(2)</sup>*

*Extended reinvestment period of FL3 Securitization to March 31, 2024*

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 \$15.7 million or \$0.45 per diluted common share and Distributable Earnings<sup>(1)</sup> of \$13.9 million or \$0.40 per diluted common share for the first quarter of 2021.

“Our first quarter results mark a strong start to 2021, with significant growth in earnings versus the same period in 2020, and Distributable Earnings well in excess of the regular and supplemental dividends,” said Bryan Donohoe, Chief Executive Officer of ACRE. “Our strong earnings and our accretive equity offering drove another quarter of growth in our book value per share. Our larger equity base enables us to further scale our business and execute on our building pipeline of high quality opportunities in an attractive market. Our future outlook for 2021 remains promising and we continue to believe that our Distributable Earnings will meet or exceed our dividends for the year, including the supplemental dividends.”

“We continue to strengthen our balance sheet by raising accretive forms of capital and further diversifying our sources of financing, resulting in a greater equity base, lower overall leverage and increased non-recourse term financing compared to the first quarter of 2020,” said Tae-Sik Yoon, Chief Financial Officer of ACRE. “Supported by improving real estate market fundamentals, our portfolio continues to perform well with no new loans on non-accrual status and 100% of contractual interest payments collected during the first quarter.”

(1) Beginning in the fourth quarter of 2020, the non-GAAP financial measure of Core Earnings was renamed to Distributable Earnings. Refer to Schedule I for the definition and reconciliation of Distributable Earnings.

(2) Loans purchased from the Ares Warehouse must be purchased at fair value as determined by an independent third-party valuation expert, are dependent on liquidity and are subject to approval by a majority of ACRE’s independent directors. There can be no assurance that ACRE will acquire any loans from the Ares Warehouse.

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## COMMON STOCK DIVIDEND

On February 17, 2021, 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 2021. The first quarter 2021 dividend and supplemental cash dividend were paid on April 15, 2021 to common stockholders of record as of March 31, 2021. On May 4, 2021, 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 second quarter of 2021. The second quarter 2021 and supplemental cash dividends will be payable on July 15, 2021 to common stockholders of record as of June 30, 2021.

## ADDITIONAL INFORMATION

The Company issued a presentation of its first quarter 2021 results, which can be viewed at [www.arescre.com](http://www.arescre.com) on the Investor Resources section of our home page under Events and Presentations. The presentation is titled "First Quarter 2021 Earnings Presentation." The Company also filed its Quarterly Report on Form 10-Q for the quarter ended March 31, 2021 with the U.S. Securities and Exchange Commission on May 4, 2021.

## CONFERENCE CALL AND WEBCAST INFORMATION

On Tuesday, May 4, 2021, the Company invites all interested persons to attend its webcast/conference call at 12:00 p.m. (Eastern Time) to discuss its first quarter 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 4636556 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 May 18, 2021 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 10153165. An archived replay will also be available through May 18, 2021 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](http://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 18, 2021 and the risk factors described in Part II, Item 1A. Risk Factors in the Company's Quarterly

Report on Form 10-Q, filed with the SEC on May 4, 2021. Any forward-looking statement, including any contained herein, speaks only as of the time of this press release and Ares Commercial Real Estate Corporation undertakes no duty to update any forward-looking statements made herein or on the webcast/conference call. Projections and forward-looking statements are based on management's good faith and reasonable assumptions, including the assumptions described herein.

**INVESTOR RELATIONS CONTACTS**

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

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

|   | As of          |                   |
|---|----------------|-------------------|
|   | March 31, 2021 | December 31, 2020 |
|   | (unaudited)    |                   |
| ASSETS  |                |                   |
| Cash and cash equivalents   | \$ 97,944      | \$ 74,776         |
| Loans held for investment (\$1,189,234 and \$550,590 related to consolidated VIEs, respectively)  | 1,908,001      | 1,815,219         |
| Current expected credit loss reserve  | (20,895)       | (23,604)          |
| Loans held for investment, net of current expected credit loss reserve  | 1,887,106      | 1,791,615         |
| Real estate owned, net  | 37,059         | 37,283            |
| Other assets (\$2,599 and \$1,079 of interest receivable related to consolidated VIEs, respectively; \$35,025 and \$6,410 of other receivables related to consolidated VIEs, respectively)  | 68,694         | 25,823            |
| Total assets  | \$ 2,090,803   | \$ 1,929,497      |
| LIABILITIES AND STOCKHOLDERS' EQUITY  |                |                   |
| LIABILITIES   |                |                   |
| Secured funding agreements  | \$ 349,582     | \$ 755,552        |
| Notes payable   | 40,428         | 61,837            |
| Secured term loan   | 60,000         | 110,000           |
| Collateralized loan obligation securitization debt (consolidated VIEs)  | 979,257        | 443,871           |
| Secured borrowings  | 59,845         | 59,790            |
| Due to affiliate  | 3,319          | 3,150             |
| Dividends payable   | 14,248         | 11,124            |
| Other liabilities (\$650 and \$391 of interest payable related to consolidated VIEs, respectively)  | 8,151          | 11,158            |
| Total liabilities   | 1,514,830      | 1,456,482         |
| Commitments and contingencies   |                |                   |
| STOCKHOLDERS' EQUITY  |                |                   |
| Common stock, par value \$0.01 per share, 450,000,000 shares authorized at March 31, 2021 and December 31, 2020 and 40,477,841 and 33,442,332 shares issued and outstanding at March 31, 2021 and December 31, 2020, respectively | 399            | 329               |
| Additional paid-in capital  | 598,936        | 497,803           |
| Accumulated other comprehensive income  | 263            | —                 |
| Accumulated earnings (deficit)  | (23,625)       | (25,117)          |
| Total stockholders' equity  | 575,973        | 473,015           |
| Total liabilities and stockholders' equity  | \$ 2,090,803   | \$ 1,929,497      |

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

|   | For the three months ended March 31, |                     |
|---|--------------------------------------|---------------------|
|   | 2021<br>(unaudited)                  | 2020<br>(unaudited) |
| <b>Revenue:</b>   |                                      |                     |
| Interest income   | \$ 30,704                            | \$ 31,448           |
| Interest expense  | (12,139)                             | (15,534)            |
| Net interest margin   | 18,565                               | 15,914              |
| Revenue from real estate owned                                    | 2,658                                | 5,220               |
| Total revenue   | 21,223                               | 21,134              |
| <b>Expenses:</b>  |                                      |                     |
| Management and incentive fees to affiliate                        | 2,567                                | 1,773               |
| Professional fees   | 785                                  | 903                 |
| General and administrative expenses                               | 1,157                                | 868                 |
| General and administrative expenses reimbursed to affiliate       | 752                                  | 1,051               |
| Expenses from real estate owned                                   | 3,277                                | 6,676               |
| Total expenses  | 8,538                                | 11,271              |
| Provision for current expected credit losses                      | (3,240)                              | 27,117              |
| <b>Income (loss) before income taxes</b>                          | 15,925                               | (17,254)            |
| Income tax expense, including excise tax                          | 185                                  | 9                   |
| <b>Net income (loss) attributable to common stockholders</b>      | <u>\$ 15,740</u>                     | <u>\$ (17,263)</u>  |
| <b>Earnings (loss) per common share:</b>                          |                                      |                     |
| Basic earnings (loss) per common share                            | <u>\$ 0.46</u>                       | <u>\$ (0.54)</u>    |
| Diluted earnings (loss) per common share                          | <u>\$ 0.45</u>                       | <u>\$ (0.54)</u>    |
| <b>Weighted average number of common shares outstanding:</b>      |                                      |                     |
| Basic weighted average shares of common stock outstanding         | 34,417,040                           | 31,897,952          |
| Diluted weighted average shares of common stock outstanding       | 34,720,950                           | 31,897,952          |
| <b>Dividends declared per share of common stock<sup>(1)</sup></b> | \$ 0.35                              | \$ 0.33             |

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



# SCHEDULE 1

## Reconciliation of Net Income to Non-GAAP Distributable Earnings

Beginning in the fourth quarter of 2020, the non-GAAP financial measure of Core Earnings was renamed to Distributable Earnings to more appropriately reflect the principal purpose of the measure. Distributable Earnings 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 twelve months ended March 31, 2021 (\$ in thousands):

|  | For the three months ended March 31, 2021 | For the twelve months ended March 31, 2021 |
|--|---|--|
| Net income attributable to common stockholders         | \$ 15,740                                 | \$ 54,842                                  |
| Stock-based compensation                               | 521                                       | 1,635                                      |
| Incentive fees to affiliate                            | 658                                       | 1,494                                      |
| Depreciation of real estate owned                      | 224                                       | 896  |
| Provision for current expected credit losses           | (3,240)                                   | (10,171)                                   |
| <b>Distributable Earnings</b>                          | <b>\$ 13,903</b>                          | <b>\$ 48,696</b>                           |
| Net income attributable to common stockholders         | \$ 0.46                                   | \$ 1.63                                    |
| Stock-based compensation                               | 0.02                                      | 0.05                                       |
| Incentive fees to affiliate                            | 0.02                                      | 0.04                                       |
| Depreciation of real estate owned                      | 0.01                                      | 0.03                                       |
| Provision for current expected credit losses           | (0.09)                                    | (0.30)                                     |
| <b>Basic Distributable Earnings per common share</b>   | <b>\$ 0.40</b>                            | <b>\$ 1.45</b>                             |
| Net income attributable to common stockholders         | \$ 0.45                                   | \$ 1.62                                    |
| Stock-based compensation                               | 0.02                                      | 0.05                                       |
| Incentive fees to affiliate                            | 0.02                                      | 0.04                                       |
| Depreciation of real estate owned                      | 0.01                                      | 0.03                                       |
| Provision for current expected credit losses           | (0.09)                                    | (0.30)                                     |
| <b>Diluted Distributable Earnings per common share</b> | <b>\$ 0.40</b>                            | <b>\$ 1.44</b>                             |



## First Quarter 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 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, Ares Commercial Real Estate Corporation (“ACRE” or, the “Company”). 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 for the year ended December 31, 2020 and Part II, Item 1A, “Risk Factors” in ACRE’s Quarterly Report on Form 10-Q for the three months ended March 31, 2021.

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.

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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

## Defensive Portfolio of Primarily Senior Loans

**97%**  
senior loans

**53**  
loans across 17 markets

**\$1.9 billion**  
outstanding principal balance

*Focused on multifamily, offices with  
long-term leases and industrial properties*

## Stable Earnings and Financial Metrics in Q1 2021

**\$0.40**  
Distributable Earnings<sup>(4)</sup>  
per diluted common share

**\$14.23**  
book value per diluted  
common share

**\$0.35**  
Q2 Dividend declared<sup>(5)</sup>

*Another quarter of Distributable Earnings  
in excess of dividends and supported by LIBOR floors*

## Conservative Balance Sheet and Liquidity Position

**\$36 million**  
of current liquidity<sup>(1)</sup> plus approx. \$40 million  
of anticipated additional financing proceeds

**8 facilities<sup>(2)</sup>**  
with intentional  
diversification among assets

**2.4x**  
debt to equity ratio<sup>(3)</sup>

*Moderate use of leverage;  
no spread based mark to market provisions*

## Supported by Ares Management

**\$207.2 billion**  
ARES AUM

**~80**  
ARES real estate investment  
professionals

**\$17.2 billion**  
ARES Real Estate Group AUM

*Benefit from the broader Ares Management  
investment platform*

*After a period of earnings and portfolio stability in 2020, we demonstrated our ability to  
access accretive forms of capital to further enhance our balance sheet and scale our business in 2021*

As of March 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. As of May 3, 2021, includes \$4 million of unrestricted cash and \$32 million of availability under secured funding agreements.

2. Excludes Notes Payable. See page 10 for additional details on sources of funding.

3. Excludes current expected credit losses ("CECL") reserve.

4. Beginning in Q4 2020, the non-GAAP financial measure of Core Earnings was renamed to Distributable Earnings. See page 17 for Distributable Earnings definition and page 16 for the Reconciliation of Net Income to Non-GAAP Distributable Earnings.

5. Consists of Q2 2021 cash dividend of \$0.33 and supplemental cash dividend of \$0.02. There is no assurance that dividends will be paid at historical levels or at all.



# Summary of Q1 2021 Results and Activity

|   |   |
|---|---|
| <b>Earnings Results</b>                   | <ul style="list-style-type: none"> <li>GAAP net income of \$0.45 per diluted common share<sup>(1)</sup></li> <li>Distributable Earnings of \$0.40 per diluted common share, a 25% increase from Q1 2020<sup>(2)</sup></li> <li>Book value per diluted common share increased by \$0.09 to \$14.23</li> <li>Maintained cash dividend of \$0.33 and introduced a supplemental cash dividend of \$0.02<sup>(3)</sup></li> </ul>  |
| <b>Portfolio Activity and Performance</b> | <ul style="list-style-type: none"> <li>Portfolio with \$2.1 billion in commitments                             <ul style="list-style-type: none"> <li>\$223 million in outstanding principal funded, with \$205 million of new commitments<sup>(4)</sup></li> <li>\$131 million in full or partial loan repayments</li> </ul> </li> <li>100% of contractual interest payments received in Q1 2021</li> <li>100% of loans benefit from LIBOR floors or are fixed rate<sup>(5)</sup></li> </ul> |
| <b>Capital and Liquidity</b>              | <ul style="list-style-type: none"> <li>Demonstrated strong capital markets execution to improve balance sheet positioning                             <ul style="list-style-type: none"> <li>Raised \$101 million in common equity offering that priced above book value per share</li> <li>Closed \$667 million FL4 CLO Securitization that lowered cost of funds, increased match term financing and reduced recourse debt to equity ratio<sup>(6)(7)</sup></li> </ul> </li> </ul>          |
| <b>Recent Developments</b>                | <ul style="list-style-type: none"> <li>Closed \$88 million of loans in ACRE, with another \$185 million of ACRE eligible loans closed in the Ares Warehouse<sup>(8)</sup></li> <li>Extended reinvestment period of FL3 CLO Securitization to March 2024 to maintain efficient cost of capital</li> <li>Declared Q2 2021 cash dividend of \$0.33 and a supplemental cash dividend of \$0.02</li> </ul>   |

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

1. Inclusive of \$0.09 provision benefit per diluted common share for Q1 2021 for CECL.

2. Beginning in Q4 2020, the non-GAAP financial measure of Core Earnings was renamed to Distributable Earnings. See page 17 for Distributable Earnings definition and page 16 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. Based on ending spot one month LIBOR rate of 0.11113%. For floating rate loans with LIBOR floors (100%), weighted average LIBOR floor of 1.56%.

6. Total debt to equity ratio of 2.4x and recourse debt to equity ratio of 0.7x excluding CECL reserve.

7. Total debt to equity ratio of 2.5x and recourse debt to equity ratio of 0.7x including CECL reserve.

8. Loans purchased from the Ares Warehouse must be purchased at fair value as determined by an independent third-party valuation expert, are dependent on liquidity and are subject to approval by a majority of ACRE's independent directors. There can be no assurance that ACRE will acquire any loans from the Ares Warehouse.

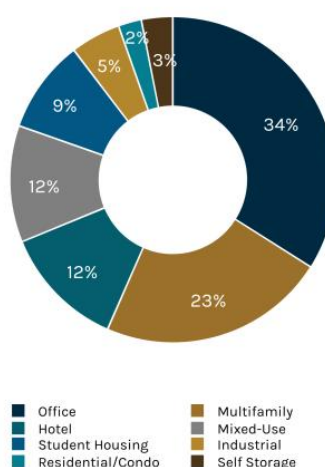
# Loan Portfolio Positioning and Performance

## Portfolio Characteristics

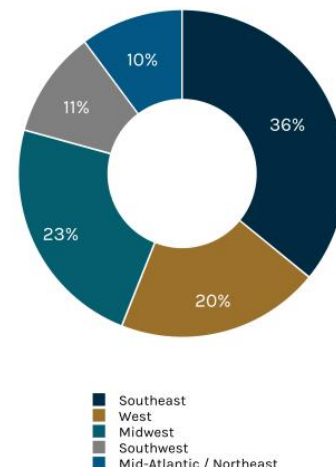
|                                       |  |  |   |
|---------------------------------------|--|--|---|
| Defensive and Diversified Portfolio   | <b>53</b><br>Number of Active Loans  | <b>\$1.9 billion</b><br>Outstanding Principal Balance <sup>(2)</sup> | <b>62%</b><br>Multifamily, Office and Industrial                |
| Well-Constructed for Volatile Markets | <b>97%</b><br>Percentage of Senior Loans <sup>(1)</sup>                    | <b>1.3 years</b><br>Weighted Average Remaining Life                  | <b>100%</b><br>% of Loan Portfolio with LIBOR Floors/Fixed Rate |
| Stable Credit and Cash Flow           | <b>6.2%</b><br>Weighted Average Unleveraged Effective Yield <sup>(3)</sup> | <b>100%</b><br>of Contractual Interest Payments Received in Q1 2021  | <b>91%</b><br>Internally rated a 3 or better <sup>(4)</sup>     |

## Focused and Geographically Diverse Portfolio<sup>(1)</sup>

By Asset Type



By Geography



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

1. Based on outstanding principal balance.

2. Weighted average unpaid principal balance of loan portfolio of \$1.902 billion for Q1 2021.

3. Excludes impact of loans on non-accrual status. Including non-accrual loans, total weighted average unleveraged effective yield for total loans held for investment is 6.0%.

4. Percentage calculated based on the unpaid principal balance, excluding the CECL Reserve, of the Company's loans held for investment within each risk rating.

See page 17 for discussion of the Company's portfolio risk rating methodology.

# Q1 2021 Portfolio Activity

## Investment Characteristics

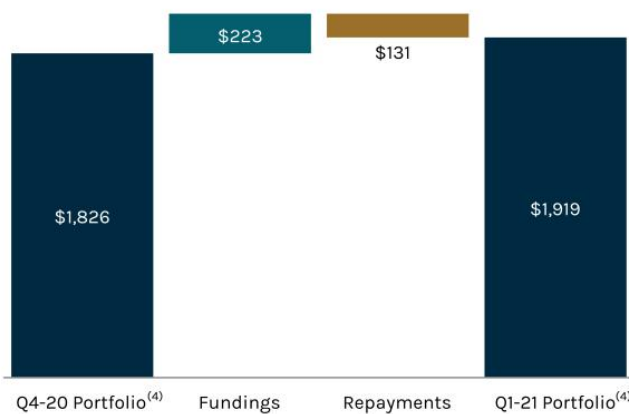
**7**  
new loans<sup>(1)</sup>

**\$29 million**  
average loan size

**100%**  
senior loans

**\$223 million**  
in fundings<sup>(2)</sup>

(\$ in millions)



Note: Differences may arise due to rounding.

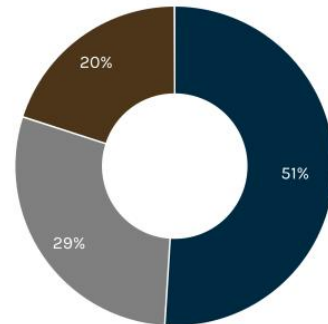
1. Total commitments were \$205 million.

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

3. Based on commitment amount for new loans originated in Q1 2021.

4. Represents outstanding principal balance.

## Focused Loan Origination Activity<sup>(3)</sup>



■ Office ■ Mixed-Use ■ Self Storage

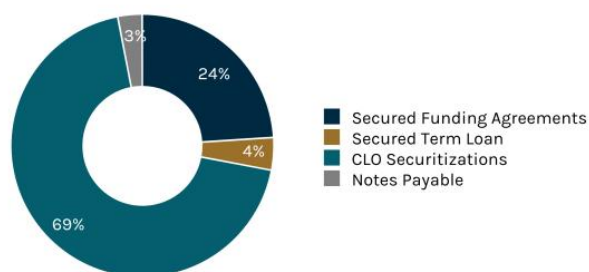
## Notable Loan Portfolio Activity

- Portfolio grew by 5% from Q4 2020
- Repayments of \$131 million

# Conservative Balance Sheet and Liquidity Management

|  |  |   |   |
|--|--|---|---|
| Diversified & Conservative Balance Sheet | <b>8</b><br>Sources of Financing <sup>(1)</sup>                    | <b>71%</b><br>Non-recourse  | <b>\$2.2 billion</b><br>Outstanding Total Capacity Across All Financings <sup>(2)</sup>             |
| Well-Constructed for Volatile Markets    | <b>0%</b><br>Spread Based Mark to Market Provisions <sup>(4)</sup> | <b>2.1 years</b><br>Average Weighted Remaining Term of Financing vs. Loans <sup>(5)</sup>   | <b>Asset Diversification Across Facilities</b><br>Only One Hotel Loan Per Secured Funding Agreement |
| Stable Leverage and Liquidity Position   | <b>2.4x</b><br>Debt to Equity Ratio <sup>(6)(7)</sup>              | <b>\$36 million</b><br>of Current Liquidity <sup>(8)</sup> Plus Approx. \$40 million of Anticipated Additional Financing Proceeds | Additional Capacity Under the Ares Warehouse and CLO Securitizations                                |

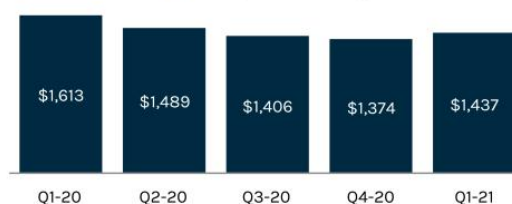
## Diversified Sources of Financing<sup>(3)</sup>



## Strengthened Balance Sheet with Reduced Leverage and Expanded Non-Recourse Debt Compared to Q1 2020

(\$ in millions)

Principal Outstanding



|                                  |      |      |      |      |       |
|----------------------------------|------|------|------|------|-------|
| Liquidity (\$mm) <sup>(9)</sup>  | \$75 | \$73 | \$81 | \$75 | \$148 |
| Debt to Equity <sup>(6)(7)</sup> | 3.2x | 3.0x | 2.8x | 2.8x | 2.4x  |
| % Non-Recourse                   | 32%  | 34%  | 36%  | 37%  | 71%   |

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

1. Excludes Notes Payable. See page 10 for additional details on sources of funding.

2. Weighted average unpaid principal balance of \$1.491 billion across all financings for Q1 2021.

3. Based on outstanding principal balance.

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

5. Assumes exercise of extension options on financing agreements.

6. Excludes CECL reserve.

7. Total debt to equity ratio of 2.5x including CECL reserve.

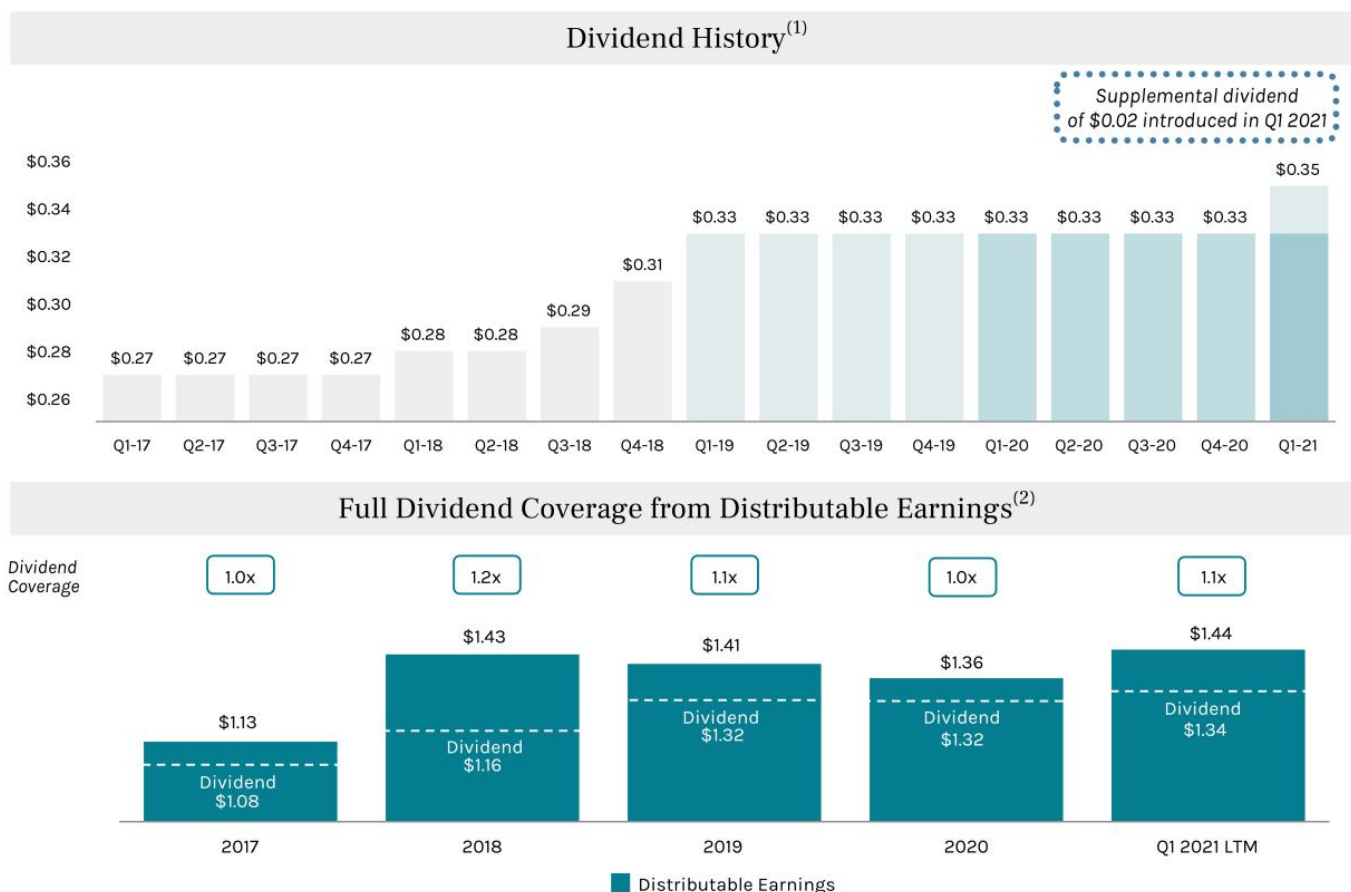
8. As of May 3, 2021, includes \$4 million of unrestricted cash and \$32 million of availability under secured funding agreements.

9. Includes unrestricted cash and availability under secured funding agreements.





# History of Growing and Consistent Dividends



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 17 for Distributable Earnings definition and page 16 for Reconciliation of Net Income to Non-GAAP Distributable Earnings.



# Appendix

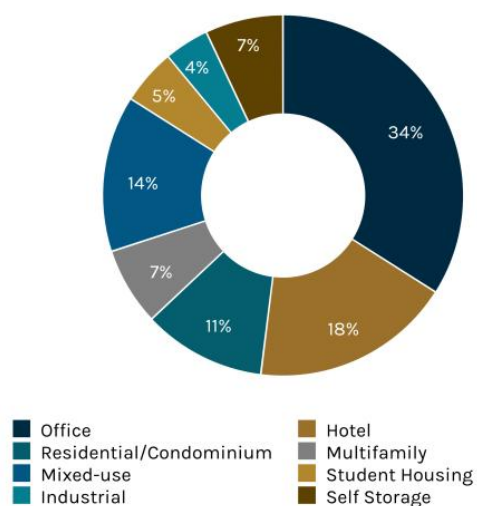
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## Current Expected Credit Losses

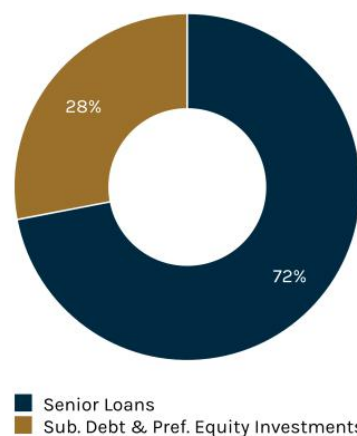
| (\$ in thousands)           |           |               |
|-----------------------------|-----------|---------------|
| Balance at 12/31/2020       | \$        | 25,236        |
| Provision for CECL          |           | (3,240)       |
| <b>Balance at 3/31/2021</b> | <b>\$</b> | <b>21,996</b> |

- No specific loan impairments on loan portfolio
- Reduction in CECL reserve of \$3.2 million (bifurcated between funded commitments of \$2.7 million and unfunded commitments of \$0.5 million) primarily attributable to improved economic outlook

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       | \$                | 350.0   | \$                  | 227.3   | LIBOR+1.50 to 2.75% | Credit         |
| Citibank Facility          |                   | 325.0   |                     | 44.7    | LIBOR+1.50 to 2.25% | Credit         |
| CNB Facility               |                   | 50.0    |                     | —       | LIBOR+2.65%         | Credit         |
| Morgan Stanley Facility    |                   | 150.0   |                     | 56.9    | LIBOR+1.75 to 2.85% | Credit         |
| MetLife Facility           |                   | 180.0   |                     | 20.7    | LIBOR+2.10 to 2.50% | Credit         |
| Subtotal                   | \$                | 1,055.0 | \$                  | 349.6   |                     |                |
| Asset Level Financing      |                   |         |                     |         |                     |                |
| Notes Payable              | \$                | 51.8    | \$                  | 41.4    | LIBOR+3.00 to 3.75% | None           |
| Capital Markets            |                   |         |                     |         |                     |                |
| Secured Term Loan          | \$                | 60.0    | \$                  | 60.0    | LIBOR+5.13%         | Credit         |
| 2017-FL3 Securitization    |                   | 445.6   |                     | 445.6   | LIBOR+1.70%         | None           |
| 2021-FL4 Securitization    |                   | 540.5   |                     | 540.5   | LIBOR+1.17%         | None           |
| Subtotal                   | \$                | 1,046.1 | \$                  | 1,046.1 |                     |                |
| Total Debt                 | \$                | 2,152.9 | \$                  | 1,437.1 |                     |                |

Note: As of March 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 <sup>(1)</sup> |
|--------------------|--------------|-------------|------------------|-------------------------|-----------------------|----------------|---------------|-------------|-----------------------------|---------------|------------------------------|
| Office Loans:      |              |             |                  |                         |                       |                |               |             |                             |               |                              |
| 1                  | Senior       | IL          | Nov 2020         | \$151.5                 | \$150.5               | \$149.5        | L+3.61%       | 1.5%        | 5.5%                        | Mar 2023      | I/O                          |
| 2                  | Senior       | Diversified | Jan 2020         | 132.6                   | 110.8                 | 110.5          | L+3.65%       | 1.6%        | 5.7%                        | Jan 2023      | I/O                          |
| 3                  | Senior       | IL          | Nov 2017         | 67.8                    | 67.8                  | 67.7           | L+3.75%       | 1.3%        | 5.3%                        | Dec 2021      | I/O                          |
| 4                  | Senior       | NC          | Mar 2019         | 84.0                    | 62.1                  | 62.1           | L+4.25%       | 2.4%        | 6.7%                        | Mar 2022      | I/O                          |
| 5                  | Senior       | IL          | May 2018         | 59.6                    | 57.5                  | 57.5           | L+3.95%       | 2.0%        | 6.3%                        | Jun 2021      | I/O                          |
| 6                  | Senior       | GA          | Nov 2019         | 56.2                    | 44.7                  | 44.4           | L+3.05%       | 2.0%        | 5.7%                        | Dec 2022      | I/O                          |
| 7                  | Senior       | CA          | Oct 2019         | 37.2                    | 31.9                  | 31.7           | L+3.35%       | 2.0%        | 6.0%                        | Nov 2022      | I/O                          |
| 8                  | Senior       | IL          | Dec 2019         | 41.9                    | 28.5                  | 28.3           | L+3.80%       | 1.8%        | 6.2%                        | Jan 2023      | I/O                          |
| 9                  | Senior       | NC          | Apr 2019         | 30.5                    | 28.5                  | 28.0           | L+3.53%       | 2.3%        | 6.8%                        | May 2023      | I/O                          |
| 10                 | Senior       | CA          | Nov 2018         | 22.9                    | 22.9                  | 22.8           | L+3.40%       | 2.3%        | 6.2%                        | Nov 2021      | I/O                          |
| 11                 | Senior       | TX          | Apr 2019         | 28.2                    | 18.1                  | 18.0           | L+4.05%       | 2.5%        | 7.5%                        | Nov 2021      | I/O                          |
| 12                 | Subordinated | NJ          | Mar 2016         | 17.0                    | 17.0                  | 16.4           | 12.00%        | —%          | 12.8%                       | Jan 2026      | P/I                          |
| 13                 | Senior       | NC          | Oct 2018         | 13.5                    | 8.6                   | 8.6            | L+4.00%       | 2.1%        | 6.7%                        | Nov 2022      | I/O                          |
| 14                 | Subordinated | CA          | Nov 2017         | 3.1                     | 3.0                   | 3.0            | L+8.25%       | 1.3%        | 9.7%                        | Nov 2021      | I/O                          |
| Total Office       |              |             |                  | \$746.0                 | \$651.9               | \$648.5        |               |             |                             |               |                              |
| Multifamily Loans: |              |             |                  |                         |                       |                |               |             |                             |               |                              |
| 15                 | Senior       | FL          | Jun 2020         | \$91.8                  | \$91.3                | \$90.9         | L+5.00%       | 0.8%        | 6.7%                        | Jun 2022      | I/O                          |
| 16                 | Senior       | TX          | Sep 2019         | 75.0                    | 75.0                  | 74.8           | L+2.85%       | 2.0%        | 5.0%                        | Oct 2022      | I/O                          |
| 17                 | Senior       | FL          | Jun 2020         | 46.7                    | 46.2                  | 46.1           | L+5.00%       | 0.8%        | 6.6%                        | Jun 2022      | I/O                          |
| 18                 | Senior       | FL          | Dec 2018         | 43.5                    | 43.4                  | 43.3           | L+2.60%       | 2.4%        | 5.5%                        | Jan 2022      | I/O                          |
| 19                 | Senior       | NJ          | Mar 2020         | 41.0                    | 41.0                  | 40.9           | L+3.05%       | 1.5%        | 4.9%                        | Mar 2022      | I/O                          |
| 20                 | Senior       | KS          | Oct 2019         | 35.8                    | 35.8                  | 35.6           | L+3.25%       | 1.9%        | 5.6%                        | Nov 2022      | I/O                          |
| 21                 | Senior       | NY          | Dec 2017         | 30.2                    | 30.2                  | 30.1           | L+3.20%       | 1.4%        | 4.8%                        | Dec 2021      | I/O                          |
| 22                 | Senior       | PA          | Dec 2018         | 30.3                    | 29.4                  | 29.3           | L+3.00%       | 2.4%        | 5.9%                        | Dec 2021      | I/O                          |
| 23                 | Senior       | SC          | Aug 2019         | 34.6                    | 22.9                  | 22.6           | L+6.50%       | 2.2%        | 10.1%                       | Sep 2022      | I/O                          |
| 24                 | Senior       | WA          | Feb 2020         | 19.0                    | 18.7                  | 18.5           | L+3.00%       | 1.7%        | 5.1%                        | Mar 2023      | I/O                          |
| Total Multifamily  |              |             |                  | \$447.9                 | \$433.9               | \$432.1        |               |             |                             |               |                              |

Note: As of March 31, 2021.  
1. I/O = interest only, P/I = principal and interest.

# 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 <sup>(1)</sup> |
| Hotel Loans:           |              |             |                  |                         |                       |                |               |             |                             |               |                              |
| 25                     | Senior       | OR/WA       | May 2018         | \$68.1                  | \$68.1                | \$67.2         | L+3.45%       | 1.9%        | 4.6%                        | May 2022      | I/O                          |
| 26                     | Senior       | Diversified | Sep 2018         | 64.2                    | 60.8                  | 60.7           | L+3.60%       | 2.1%        | 6.2%                        | Sep 2021      | I/O                          |
| 27                     | Senior       | CA          | Dec 2017         | 40.0                    | 40.0                  | 39.9           | L+4.12%       | 1.4%        | 5.8%                        | Jan 2022      | I/O                          |
| 28                     | Senior       | MI          | Nov 2015         | 33.2                    | 33.2                  | 33.1           | L+3.95%       | 0.3%        | 4.4%                        | Jul 2022      | I/O                          |
| 29                     | Senior       | IL          | Apr 2018         | 32.9                    | 32.9                  | 31.8           | L+4.40%       | 1.9%        | —%                          | May 2021      | I/O                          |
| Total Hotel            |              |             |                  | \$238.4                 | \$235.0               | \$232.7        |               |             |                             |               |                              |
| Mixed-Use Loans:       |              |             |                  |                         |                       |                |               |             |                             |               |                              |
| 30                     | Senior       | FL          | Feb 2019         | \$84.0                  | \$84.0                | \$84.0         | L+4.25%       | 1.5%        | 5.7%                        | Feb 2023      | I/O                          |
| 31                     | Senior       | CA          | Jan 2021         | 58.9                    | 56.2                  | 56.0           | (2)           | (2)         | 5.4%                        | Jan 2024      | I/O                          |
| 32                     | Senior       | TX          | Sep 2019         | 42.2                    | 35.3                  | 35.1           | (3)           | 0.3%        | 4.7%                        | Sep 2022      | I/O                          |
| 33                     | Senior       | CA          | Feb 2020         | 39.6                    | 30.3                  | 29.9           | L+4.10%       | 1.7%        | 6.3%                        | Mar 2023      | I/O                          |
| 34                     | Subordinated | IL          | May 2018         | 16.1                    | 16.1                  | 16.0           | L+12.25%      | 1.5%        | 14.5%                       | Nov 2021      | I/O                          |
| Total Mixed-Use        |              |             |                  | \$240.8                 | \$221.9               | \$221.0        |               |             |                             |               |                              |
| Student Housing Loans: |              |             |                  |                         |                       |                |               |             |                             |               |                              |
| 35                     | Senior       | TX          | Dec 2017         | \$39.9                  | \$39.9                | \$39.8         | L+4.75%       | 0.5%        | 5.5%                        | Jan 2022      | P/I                          |
| 36                     | Senior       | CA          | Jun 2017         | 36.7                    | 36.7                  | 36.7           | L+3.95%       | 0.4%        | 4.3%                        | Jul 2022      | I/O                          |
| 37                     | Senior       | NC          | Feb 2019         | 30.0                    | 30.0                  | 29.9           | L+3.15%       | 2.3%        | 5.9%                        | Feb 2022      | I/O                          |
| 38                     | Senior       | TX          | Dec 2017         | 25.1                    | 24.6                  | 24.4           | L+3.45%       | 1.6%        | 5.5%                        | Feb 2023      | I/O                          |
| 39                     | Senior       | AL          | Feb 2017         | 24.1                    | 24.1                  | 22.7           | L+4.45%       | 0.8%        | —%                          | Apr 2021      | I/O                          |
| 40                     | Senior       | FL          | Jul 2019         | 22.0                    | 22.0                  | 21.9           | L+3.25%       | 2.3%        | 6.0%                        | Aug 2022      | I/O                          |
| Total Student Housing  |              |             |                  | \$177.8                 | \$177.3               | \$175.4        |               |             |                             |               |                              |

Note: As of March 31, 2021.

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

2. 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 March 31, 2021, accrues interest at a per annum rate of L + 3.80% with 0.20% LIBOR floor and the mezzanine loan, which had an outstanding principal balance of \$11.2 million as of March 31, 2021, accrues interest at a per annum rate of 10.00%.

3. 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 March 31, 2021, accrues interest at a per annum rate of L + 3.75% and Note B, which had no outstanding principal balance as of March 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 <sup>(1)</sup> |
| Industrial Loans:                     |              |          |                  |                         |                       |                |                     |             |                             |               |                              |
| 41                                    | Senior       | NY       | Jan 2020         | \$77.5                  | \$59.0                | \$58.8         | L+5.00%             | 1.6%        | 8.1%                        | Aug 2021      | I/O                          |
| 42                                    | Senior       | CA       | Nov 2019         | 26.6                    | 22.5                  | 22.4           | L+4.50%             | 1.9%        | 7.4%                        | Dec 2021      | I/O                          |
| 43                                    | Senior       | CA       | Aug 2019         | 19.5                    | 13.9                  | 13.8           | L+3.75%             | 2.0%        | 6.4%                        | Mar 2023      | I/O                          |
| Total Industrial                      |              |          |                  | \$123.6                 | \$95.4                | \$95.0         |                     |             |                             |               |                              |
| Residential/Condominium Loans:        |              |          |                  |                         |                       |                |                     |             |                             |               |                              |
| 44                                    | Subordinated | NY       | Oct 2018         | \$18.3                  | \$18.3                | \$18.3         | L+14.00%            | 2.3%        | 17.9%                       | May 2021      | I/O                          |
| 45                                    | Senior       | CA       | Jan 2018         | 14.3                    | 14.3                  | 14.3           | 13.00%              | —%          | 13.0%                       | May 2021      | I/O                          |
| 46                                    | Subordinated | HI       | Aug 2018         | 11.5                    | 11.5                  | 11.5           | 14.00%              | —%          | 16.1%                       | Aug 2021      | I/O                          |
| Total Residential/Condominium         |              |          |                  | \$44.1                  | \$44.1                | \$44.1         |                     |             |                             |               |                              |
| Self Storage Loans:                   |              |          |                  |                         |                       |                |                     |             |                             |               |                              |
| 47                                    | Senior       | FL       | Feb 2019         | \$19.5                  | \$19.5                | \$19.4         | L+3.50%             | 2.0%        | 6.0%                        | Mar 2022      | I/O                          |
| 48                                    | Senior       | FL       | Jan 2021         | 10.8                    | 10.8                  | 10.7           | L+2.90%             | 1.0%        | 4.4%                        | Dec 2023      | I/O                          |
| 49                                    | Senior       | FL       | Jan 2021         | 7.0                     | 7.0                   | 6.9            | L+2.90%             | 1.0%        | 4.3%                        | Dec 2023      | I/O                          |
| 50                                    | Senior       | FL       | Jan 2021         | 6.4                     | 6.4                   | 6.4            | L+2.90%             | 1.0%        | 4.3%                        | Dec 2023      | I/O                          |
| 51                                    | Senior       | MO       | Jan 2021         | 6.5                     | 6.0                   | 6.0            | L+3.00%             | 1.3%        | 4.4%                        | Dec 2023      | I/O                          |
| 52                                    | Senior       | IL       | Jan 2021         | 5.6                     | 5.4                   | 5.4            | L+3.00%             | 1.0%        | 4.3%                        | Dec 2023      | I/O                          |
| 53                                    | Senior       | FL       | Jan 2021         | 4.4                     | 4.4                   | 4.4            | L+2.90%             | 1.0%        | 4.2%                        | Dec 2023      | I/O                          |
| Total Self Storage                    |              |          |                  | \$60.2                  | \$59.5                | \$59.2         |                     |             |                             |               |                              |
| Loan Portfolio Total/Weighted Average |              |          |                  | \$2,078.8               | \$1,919.0             | \$1,908.0      | 1.6% <sup>(2)</sup> |             | 6.0%                        |               |                              |

Note: As of March 31, 2021.

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

2. 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               |                     |
|---|---------------------|---------------------|
|   | 3/31/2021           | 12/31/2020          |
| <b>ASSETS</b>   |                     |                     |
| Cash and cash equivalents   | \$ 97,944           | \$ 74,776           |
| Restricted cash   | —                   | —                   |
| Loans held for investment (\$1,189,234 and \$550,590 related to consolidated VIEs, respectively)  | 1,908,001           | 1,815,219           |
| Current expected credit loss reserve  | (20,895)            | (23,604)            |
| Loans held for investment, net of current expected credit loss reserve  | 1,887,106           | 1,791,615           |
| Real estate owned, net  | 37,059              | 37,283              |
| Other assets (\$2,599 and \$1,079 of interest receivable related to consolidated VIEs, respectively; \$35,025 and \$6,410 of other receivables related to consolidated VIEs, respectively)  | 68,694              | 25,823              |
| <b>Total assets</b>   | <b>\$ 2,090,803</b> | <b>\$ 1,929,497</b> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                     |                     |
| <b>LIABILITIES</b>  |                     |                     |
| Secured funding agreements  | \$ 349,582          | \$ 755,552          |
| Notes payable   | 40,428              | 61,837              |
| Secured term loan   | 60,000              | 110,000             |
| Collateralized loan obligation securitization debt (consolidated VIEs)  | 979,257             | 443,871             |
| Secured borrowings  | 59,845              | 59,790              |
| Due to affiliate  | 3,319               | 3,150               |
| Dividends payable   | 14,248              | 11,124              |
| Other liabilities (\$650 and \$391 of interest payable related to consolidated VIEs, respectively)  | 8,151               | 11,158              |
| <b>Total liabilities</b>  | <b>1,514,830</b>    | <b>1,456,482</b>    |
| Commitments and contingencies   |                     |                     |
| <b>STOCKHOLDERS' EQUITY</b>   |                     |                     |
| Common stock, par value \$0.01 per share, 450,000,000 shares authorized at March 31, 2021 and December 31, 2020 and 40,477,841 and 33,442,332 shares issued and outstanding at March 31, 2021 and December 31, 2020, respectively | 399                 | 329                 |
| Additional paid-in capital  | 598,936             | 497,803             |
| Accumulated other comprehensive income  | 263                 | —                   |
| Accumulated earnings (deficit)  | (23,625)            | (25,117)            |
| <b>Total stockholders' equity</b>   | <b>575,973</b>      | <b>473,015</b>      |
| <b>Total liabilities and stockholders' equity</b>   | <b>\$ 2,090,803</b> | <b>\$ 1,929,497</b> |



# Consolidated Statements of Operations

| (\$ in thousands, except share and per share data)           | For the Three Months Ended |            |            |            |             |
|--|----------------------------|------------|------------|------------|-------------|
|  | 3/31/2021                  | 12/31/2020 | 9/30/2020  | 6/30/2020  | 3/31/2020   |
| <b>Revenue:</b>  |                            |            |            |            |             |
| Interest income  | \$ 30,704                  | \$ 29,144  | \$ 30,626  | \$ 29,835  | \$ 31,448   |
| Interest expense   | (12,139)                   | (11,499)   | (11,875)   | (13,042)   | (15,534)    |
| Net interest margin  | 18,565                     | 17,645     | 18,751     | 16,793     | 15,914      |
| Revenue from real estate owned                               | 2,658                      | 3,560      | 3,623      | 1,189      | 5,220       |
| Total revenue  | 21,223                     | 21,205     | 22,374     | 17,982     | 21,134      |
| <b>Expenses:</b>   |                            |            |            |            |             |
| Management and incentive fees to affiliate                   | 2,567                      | 2,388      | 1,847      | 2,152      | 1,773       |
| Professional fees  | 785                        | 438        | 639        | 660        | 903         |
| General and administrative expenses                          | 1,157                      | 935        | 969        | 959        | 868         |
| General and administrative expenses reimbursed to affiliate  | 752                        | 762        | 802        | 1,038      | 1,051       |
| Expenses from real estate owned                              | 3,277                      | 4,151      | 4,046      | 3,254      | 6,676       |
| Total expenses   | 8,538                      | 8,674      | 8,303      | 8,063      | 11,271      |
| Provision for current expected credit losses                 | (3,240)                    | (1,877)    | (1,048)    | (4,007)    | 27,117      |
| Realized losses on loans sold                                | —                          | —          | 4,008      | —          | —           |
| Change in unrealized losses on loans held for sale           | —                          | —          | (3,998)    | 3,998      | —           |
| Income (loss) before income taxes                            | 15,925                     | 14,408     | 15,109     | 9,928      | (17,254)    |
| Income tax expense, including excise tax                     | 185                        | 1          | 181        | 160        | 9           |
| Net income (loss) attributable to common stockholders        | \$ 15,740                  | \$ 14,407  | \$ 14,928  | \$ 9,768   | \$ (17,263) |
| <b>Earnings (loss) per common share:</b>                     |                            |            |            |            |             |
| Basic earnings (loss) per common share                       | \$ 0.46                    | \$ 0.43    | \$ 0.45    | \$ 0.29    | \$ (0.54)   |
| Diluted earnings (loss) per common share                     | \$ 0.45                    | \$ 0.43    | \$ 0.44    | \$ 0.29    | \$ (0.54)   |
| <b>Weighted average number of common shares outstanding:</b> |                            |            |            |            |             |
| Basic weighted average shares of common stock outstanding    | 34,417,040                 | 33,349,475 | 33,337,445 | 33,316,933 | 31,897,952  |
| Diluted weighted average shares of common stock outstanding  | 34,720,950                 | 33,567,072 | 33,550,444 | 33,539,580 | 31,897,952  |
| Dividends declared per share of common stock <sup>(1)</sup>  | \$ 0.35                    | \$ 0.33    | \$ 0.33    | \$ 0.33    | \$ 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 |                  |                  |                  |                  |
|--|----------------------------|------------------|------------------|------------------|------------------|
|  | 3/31/2021                  | 12/31/2020       | 9/30/2020        | 6/30/2020        | 3/31/2020        |
| Net income (loss) attributable to common stockholders  | \$ 15,740                  | \$ 14,407        | \$ 14,928        | \$ 9,768         | \$ (17,263)      |
| Stock-based compensation                               | 521                        | 382              | 367              | 365              | 225              |
| Incentive fees to affiliate                            | 658                        | 533              | —                | 303              | —                |
| Depreciation of real estate owned                      | 224                        | 224              | 224              | 224              | 221              |
| Provision for current expected credit losses           | (3,240)                    | (1,877)          | (1,048)          | (4,007)          | 27,117           |
| Change in unrealized losses on loans held for sale     | —                          | —                | (3,998)          | 3,998            | —                |
| <b>Distributable Earnings</b>                          | <b>\$ 13,903</b>           | <b>\$ 13,669</b> | <b>\$ 10,473</b> | <b>\$ 10,651</b> | <b>\$ 10,300</b> |
| Net income (loss) attributable to common stockholders  | \$ 0.46                    | \$ 0.43          | \$ 0.45          | \$ 0.29          | \$ (0.54)        |
| Stock-based compensation                               | 0.02                       | 0.01             | 0.01             | 0.01             | 0.01             |
| Incentive fees to affiliate                            | 0.02                       | 0.02             | —                | 0.01             | —                |
| Depreciation of real estate owned                      | 0.01                       | 0.01             | 0.01             | 0.01             | 0.01             |
| Provision for current expected credit losses           | (0.09)                     | (0.06)           | (0.03)           | (0.12)           | 0.85             |
| Change in unrealized losses on loans held for sale     | —                          | —                | (0.12)           | 0.12             | —                |
| <b>Basic Distributable Earnings per common share</b>   | <b>\$ 0.40</b>             | <b>\$ 0.41</b>   | <b>\$ 0.31</b>   | <b>\$ 0.32</b>   | <b>\$ 0.32</b>   |
| Net income (loss) attributable to common stockholders  | \$ 0.45                    | \$ 0.43          | \$ 0.44          | \$ 0.29          | \$ (0.54)        |
| Stock-based compensation                               | 0.02                       | 0.01             | 0.01             | 0.01             | 0.01             |
| Incentive fees to affiliate                            | 0.02                       | 0.02             | —                | 0.01             | —                |
| Depreciation of real estate owned                      | 0.01                       | 0.01             | 0.01             | 0.01             | 0.01             |
| Provision for current expected credit losses           | (0.09)                     | (0.06)           | (0.03)           | (0.12)           | 0.84             |
| Change in unrealized losses on loans held for sale     | —                          | —                | (0.12)           | 0.12             | —                |
| <b>Diluted Distributable Earnings per common share</b> | <b>\$ 0.40</b>             | <b>\$ 0.41</b>   | <b>\$ 0.31</b>   | <b>\$ 0.32</b>   | <b>\$ 0.32</b>   |

# Glossary

|   |  |
|---|--|
| <b>Ares Warehouse</b>                               | 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.  |
| <b>Distributable Earnings</b>                       | Beginning in Q4 2020, the non-GAAP financial measure of Core Earnings was renamed to Distributable Earnings to more appropriately reflect the principal purpose of the measure. Distributable Earnings 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. |
| <b>Portfolio Risk Ratings</b>                       | The portfolio assessment and risk levels have been classified according to the Company's proprietary methodology on a scale of 1.0 (very low risk) to 5.0 (impaired/loss likely). Risk factors include property type, geographic and local market dynamics, physical condition, leasing and tenant profile, projected cash flow, loan structure and exit plan, loan-to-value ratio, debt service coverage ratio, project sponsorship, and other factors deemed necessary. The assumptions underlying this proprietary methodology are subject to change, may not prove to be true and actual risks may be different than the classifications presented herein. Accordingly, no representation or warranty is made in respect of this information. For more information on risk ratings, see "Notes to Consolidated Financial Statements," "Note 4 - Current Expected Credit Losses" in our Quarterly Report on Form 10-Q.  |
| <b>Unleveraged Effective Yield</b>                  | 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.   |
| <b>Weighted Average Unleveraged Effective Yield</b> | 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.   |

