

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT

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

Date of report (Date of earliest event reported): November 3, 2021



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 November 3, 2021, the registrant issued a press release announcing its financial results for the quarter ended September 30, 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
99.1	Press Release, dated November 3, 2021
99.2	Presentation of Ares Commercial Real Estate Corporation, dated November 3, 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: November 3, 2021

By: /s/ Tae-Sik Yoon

Name: Tae-Sik Yoon

Title: Chief Financial Officer and Treasurer



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

*Third quarter GAAP net income of \$10.0 million or \$0.21 per diluted common share and
Distributable Earnings⁽¹⁾ of \$17.5 million or \$0.37 per diluted common share*

Closed \$485 million of new loan commitments

- Subsequent to end of third quarter -

*Declared fourth quarter 2021 dividend of \$0.33 per diluted common share and
a supplemental dividend of \$0.02 per diluted 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 \$10.0 million or \$0.21 per diluted common share and Distributable Earnings⁽¹⁾ of \$17.5 million or \$0.37 per diluted common share for the third quarter of 2021.

“ACRE delivered another quarter of strong and stable Distributable Earnings supported by robust new investment activity,” said Bryan Donohoe, Chief Executive Officer of Ares Commercial Real Estate Corporation. “During the third quarter, we fully deployed the proceeds from our June equity offering, which enabled us to grow our loan portfolio by more than 30% versus the same period a year ago.”

“Based on our strong actual results year-to-date and continued confidence in our outlook, we expect to more than fully cover our regular and supplemental dividends from our Distributable Earnings for the year,” said Tae-Sik Yoon, Chief Financial Officer of Ares Commercial Real Estate Corporation. “Looking forward, as most of our loans are floating rate combined with interest rate hedges on our liabilities, we believe that we are well-positioned to benefit should short-term interest rates materially increase.”

(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.

COMMON STOCK DIVIDEND

On July 30, 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 third quarter of 2021. The third quarter 2021 dividend and supplemental cash dividend were paid on October 15, 2021 to common stockholders of record as of September 30, 2021.

On November 3, 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 fourth quarter of 2021. The fourth quarter 2021 dividend and supplemental cash dividend will be payable on January 19, 2022 to common stockholders of record as of December 31, 2021.

ADDITIONAL INFORMATION

The Company issued a presentation of its third quarter 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 "Third Quarter 2021 Earnings Presentation." The Company also filed its Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 with the U.S. Securities and Exchange Commission on November 3, 2021.

CONFERENCE CALL AND WEBCAST INFORMATION

On Wednesday, November 3, 2021, the Company invites all interested persons to attend its webcast/conference call at 12:00 p.m. (Eastern Time) to discuss its third 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 7647248 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 November 17, 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 10159872. An archived replay will also be available through November 17, 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. 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 November 3, 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 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	
	September 30, 2021	December 31, 2020
	(unaudited)	
ASSETS		
Cash and cash equivalents	\$ 15,787	\$ 74,776
Loans held for investment (\$1,135,660 and \$550,590 related to consolidated VIEs, respectively)	2,363,499	1,815,219
Current expected credit loss reserve	(22,691)	(23,604)
Loans held for investment, net of current expected credit loss reserve	2,340,808	1,791,615
Real estate owned, net	36,695	37,283
Other assets (\$2,524 and \$1,079 of interest receivable related to consolidated VIEs, respectively; \$47,618 and \$6,410 of other receivables related to consolidated VIEs, respectively)	73,395	25,823
Total assets	<u>\$ 2,466,685</u>	<u>\$ 1,929,497</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Secured funding agreements	\$ 656,014	\$ 755,552
Notes payable	47,381	61,837
Secured term loan	60,000	110,000
Collateralized loan obligation securitization debt (consolidated VIEs)	940,133	443,871
Secured borrowings	59,962	59,790
Due to affiliate	3,947	3,150
Dividends payable	16,523	11,124
Other liabilities (\$549 and \$391 of interest payable related to consolidated VIEs, respectively)	9,982	11,158
Total liabilities	<u>1,793,942</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 September 30, 2021 and December 31, 2020 and 47,001,821 and 33,442,332 shares issued and outstanding at September 30, 2021 and December 31, 2020, respectively	464	329
Additional paid-in capital	701,370	497,803
Accumulated other comprehensive income	19	—
Accumulated earnings (deficit)	(29,110)	(25,117)
Total stockholders' equity	<u>672,743</u>	<u>473,015</u>
Total liabilities and stockholders' equity	<u>\$ 2,466,685</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 September 30,		For the nine months ended September 30,	
	2021 (unaudited)	2020 (unaudited)	2021 (unaudited)	2020 (unaudited)
Revenue:				
Interest income	\$ 34,023	\$ 30,626	\$ 95,587	\$ 91,908
Interest expense	(12,669)	(11,875)	(35,900)	(40,450)
Net interest margin	21,354	18,751	59,687	51,458
Revenue from real estate owned	5,850	3,623	12,271	10,032
Total revenue	27,204	22,374	71,958	61,490
Expenses:				
Management and incentive fees to affiliate	3,175	1,847	8,693	5,771
Professional fees	480	639	1,880	2,202
General and administrative expenses	1,119	969	3,470	2,797
General and administrative expenses reimbursed to affiliate	773	802	2,313	2,890
Expenses from real estate owned	5,339	4,046	12,458	13,976
Total expenses	10,886	8,303	28,814	27,636
Provision for current expected credit losses	6,367	(1,048)	(756)	22,063
Realized losses on loans sold	—	4,008	—	4,008
Change in unrealized losses on loans held for sale	—	(3,998)	—	—
Income before income taxes	9,951	15,109	43,900	7,783
Income tax expense, including excise tax	—	181	593	350
Net income attributable to common stockholders	\$ 9,951	\$ 14,928	\$ 43,307	\$ 7,433
Earnings per common share:				
Basic earnings per common share	\$ 0.21	\$ 0.45	\$ 1.06	\$ 0.23
Diluted earnings per common share	\$ 0.21	\$ 0.44	\$ 1.05	\$ 0.22
Weighted average number of common shares outstanding:				
Basic weighted average shares of common stock outstanding	46,957,339	33,337,445	40,840,453	32,852,553
Diluted weighted average shares of common stock outstanding	47,209,469	33,550,444	41,120,751	33,072,085
Dividends declared per share of common stock⁽¹⁾	\$ 0.35	\$ 0.33	\$ 1.05	\$ 0.99

(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 and twelve months ended September 30, 2021 (\$ in thousands):

	For the three months ended September 30, 2021		For the twelve months ended September 30, 2021	
Net income attributable to common stockholders	\$	9,951	\$	\$7,713
Stock-based compensation		428		1,828
Incentive fees to affiliate		572		2,456
Depreciation of real estate owned		225		898
Provision for current expected credit losses		6,367		(2,633)
Distributable Earnings	\$	17,543	\$	60,262
Net income attributable to common stockholders	\$	0.21	\$	1.48
Stock-based compensation		0.01		0.05
Incentive fees to affiliate		0.01		0.06
Depreciation of real estate owned		—		0.02
Provision for current expected credit losses		0.14		(0.07)
Basic Distributable Earnings per common share	\$	0.37	\$	1.55
Net income attributable to common stockholders	\$	0.21	\$	1.47
Stock-based compensation		0.01		0.05
Incentive fees to affiliate		0.01		0.06
Depreciation of real estate owned		—		0.02
Provision for current expected credit losses		0.13		(0.07)
Diluted Distributable Earnings per common share	\$	0.37	\$	1.54



Third 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 in Form 10-Q for the three months ended September 30, 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.

These materials may contain confidential and proprietary information, and their distribution or the divulgence of any of their contents to any person, other than the person to whom they were originally delivered and such person’s advisers, without the prior consent of ACRE, ACREM or Ares, as applicable, is prohibited. You are advised that United States securities laws restrict any person who has material, non-public information about a company from purchasing or selling securities of such company (and options, warrants and rights relating thereto) and from communicating such information to any other person under circumstances in which it is reasonably foreseeable that such person is likely to purchase or sell such securities. You agree not to purchase or sell such securities in violation of any such laws.

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

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

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

Company Highlights

Strong Deployment Activity	Growing Portfolio	Stable Earnings and Financial Metrics
\$485 million of new commitments in Q3 2021	\$2.4 billion outstanding principal balance	\$0.37 Distributable Earnings ⁽¹⁾ per diluted common share
90% growth in year to date commitments versus same period in 2019 ⁽²⁾	33% growth in outstanding principal balance from Q3 2020	1.1x Q3 2021 dividend coverage from Distributable Earnings per diluted common share
<i>On track for record year with \$1.0 billion in originations year to date</i>	<i>Fourth consecutive quarter of portfolio growth</i>	<i>Generated 9.8% dividend yield on book value per diluted common share</i>
Originations activity supports portfolio growth and stable earnings		

As of September 30, 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.

- Beginning in Q4 2020, the non-GAAP financial measure of Core Earnings was renamed to Distributable Earnings. See page 18 for Distributable Earnings definition and page 17 for the Reconciliation of Net Income to Non-GAAP Distributable Earnings.
- Based on the comparison of new commitments year to date as of the end of Q3 2021 with pre-COVID new commitments as of the end of Q3 2019.

Summary of Q3 2021 Results and Activity

Earnings Results	<ul style="list-style-type: none"> • GAAP net income of \$0.21 per diluted common share⁽¹⁾ • Distributable Earnings of \$0.37 per diluted common share⁽²⁾ • Book value per diluted common share of \$14.31 • Cash dividend of \$0.33 and supplemental cash dividend of \$0.02,⁽³⁾ representing a yield of 9.8% on book value per diluted common share
Portfolio Activity and Performance	<ul style="list-style-type: none"> • Portfolio with \$2.4 billion in outstanding principal balance, a 33% increase from Q3 2020 <ul style="list-style-type: none"> ◦ \$419 million in outstanding principal funded with \$485 million of new commitments⁽⁴⁾ ◦ \$85 million in full or partial loan repayments
Balance Sheet Positioning	<ul style="list-style-type: none"> • Strong balance sheet positioning <ul style="list-style-type: none"> ◦ Moderate leverage with total debt to equity ratio of 2.5x and recourse debt to equity ratio of 1.1x⁽⁵⁾ • Well-positioned 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
Recent Developments	<ul style="list-style-type: none"> • Declared Q4 2021 cash dividend of \$0.33 and a supplemental cash dividend of \$0.02

Note: As of September 30, 2021, unless otherwise noted.

1. Inclusive of \$0.13 provision per diluted common share for Q3 2021 for CECL CECL provision reflects an increase that is primarily attributable to new loan commitments in Q3 2021.
2. Beginning in Q4 2020, the non-GAAP financial measure of Core Earnings was renamed to Distributable Earnings. See page 18 for Distributable Earnings definition and page 17 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. Total debt to equity ratio of 2.5x and recourse debt to equity ratio of 1.0x excluding CECL reserve.

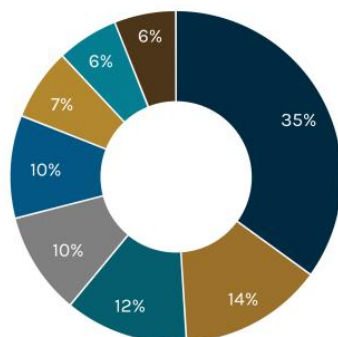
Loan Portfolio Positioning and Performance

Portfolio Characteristics

Defensive and Diversified Portfolio	64 Active Loans Across Diversified Portfolio	\$2.4 billion Outstanding Principal Balance ⁽²⁾	5.8% Weighted Average Unleveraged Effective Yield ⁽³⁾
Well-Constructed	99% Percentage of Senior Loans ⁽¹⁾	1.4 years Weighted Average Remaining Life	98% Floating Rate Loans

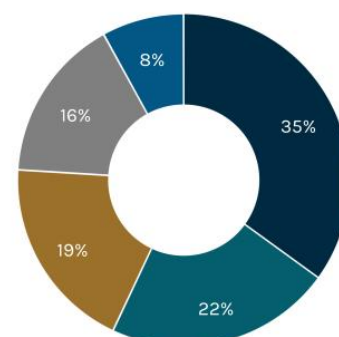
Focused and Geographically Diverse Portfolio⁽¹⁾

By Asset Type



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

By Geography



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

Note: As of September 30, 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 \$2.282 billion during Q3 2021.

3. 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 5.7%.

Portfolio Activity

New Investment Commitments

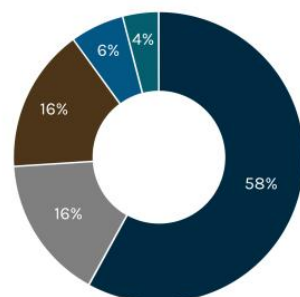
\$485 million
Q3 2021 commitments

90% growth
in year to date
commitments versus
same period in 2019⁽¹⁾

100%
senior loans for
Q3 2021 commitments

100%
floating rate loans

Q3 2021 Loan Origination Composition⁽²⁾

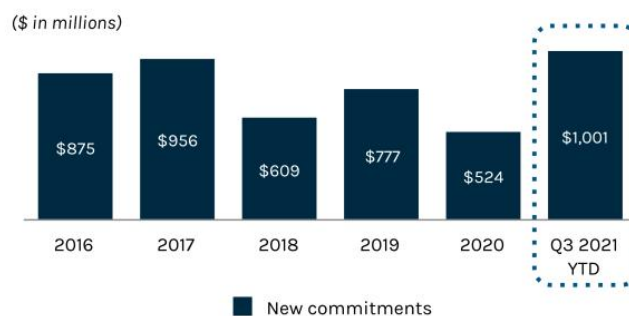


Office Mixed-Use Residential/Condo
Industrial Self Storage

Q3 2021 Portfolio Activity



Strong Production in Q3 2021 YTD Accelerates Growth



Note: Differences may arise due to rounding.

1. Based on the comparison of new commitments year to date as of the end of Q3 2021 with pre-COVID new commitments as of the end of Q3 2019.

2. Based on commitment amount for new loan commitments closed in Q3 2021.

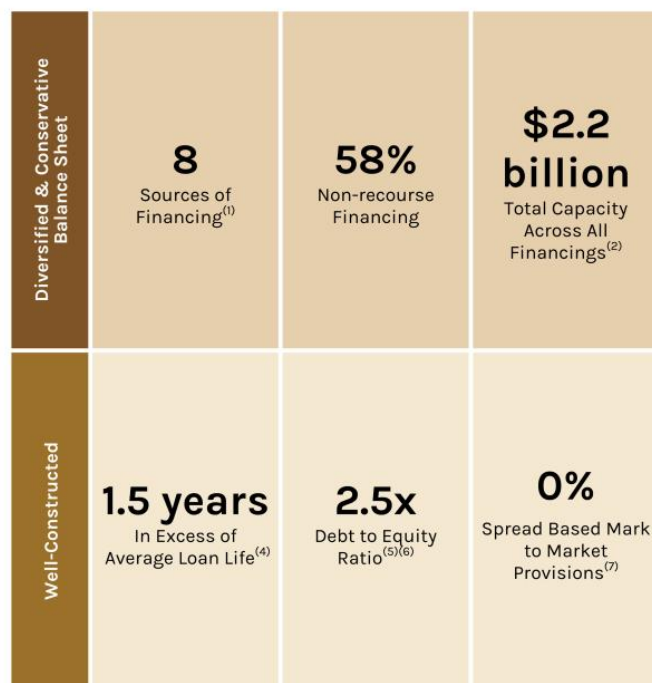
3. Represents outstanding principal balance.

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

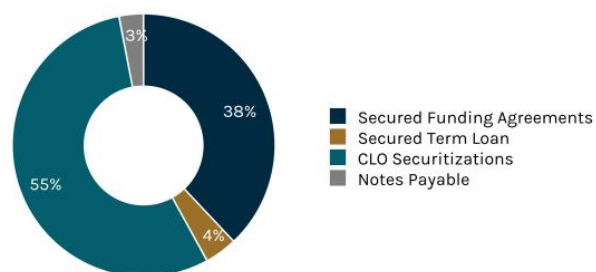
5



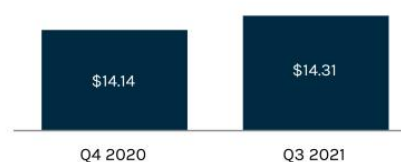
Conservative Balance Sheet and Liquidity Management



Diversified Sources of Financing⁽³⁾



Strengthened Balance Sheet Position



■ Book Value Per Diluted Common Share

(\$ in millions)	Q4 2020	Q3 2021
Debt to Equity ⁽⁶⁾	2.8x	2.5x
% Non-Recourse	37%	58%
Principal Outstanding	\$1,374	\$1,709

Note: As of September 30, 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 \$1.671 billion across all financings for Q3 2021.

3. Based on outstanding principal balance.

4. Assumes exercise of extension options on financing agreements.

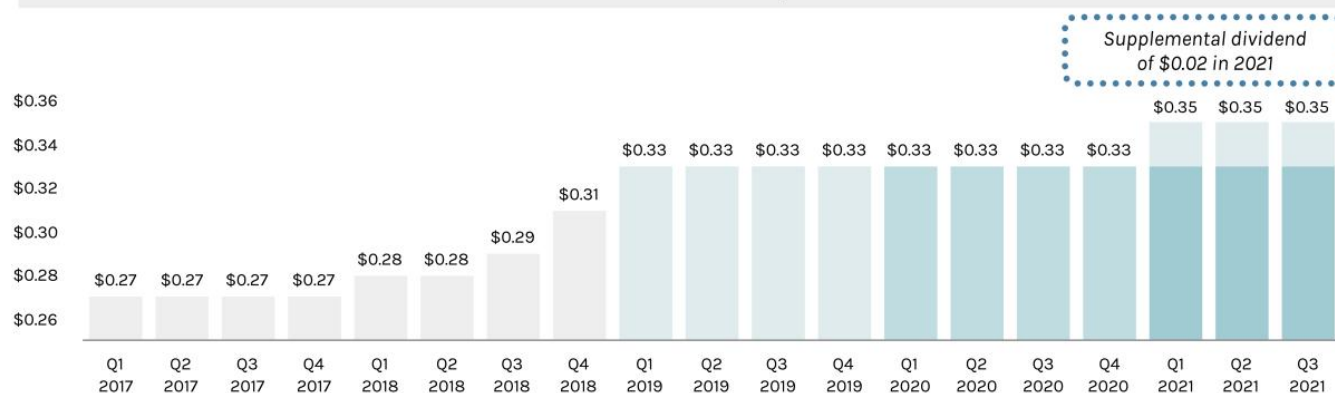
5. Excludes CECL reserve.

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

7. 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.

History of Growing and Consistent Dividends

Dividend History⁽¹⁾



Full Dividend Coverage from Distributable Earnings⁽²⁾



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



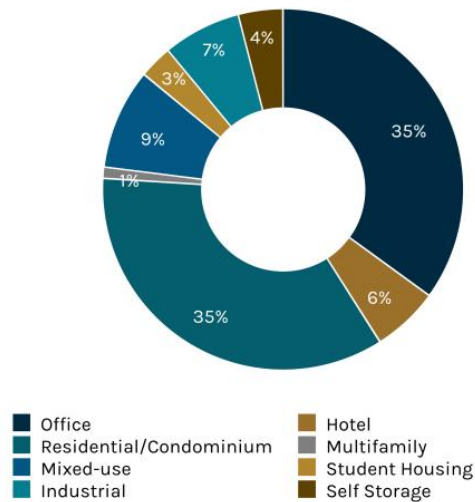
Appendix

Current Expected Credit Losses

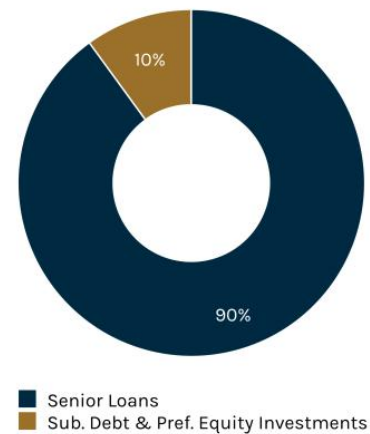
(\$ in thousands)		
Balance at 6/30/2021	\$	18,113
Provision for CECL		6,367
Balance at 9/30/2021	\$	24,480

- No specific loan impairments on loan portfolio
- Increase in CECL reserve of \$6.4 million (bifurcated between funded commitments provision of \$5.8 million and unfunded commitments provision of \$0.6 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	\$	350.0	\$	281.2	LIBOR+1.50 to 2.75%	Credit
Citibank Facility		325.0		148.0	LIBOR+1.50 to 2.25%	Credit
CNB Facility		50.0		—	LIBOR+2.65%	Credit
Morgan Stanley Facility		250.0		206.2	LIBOR+1.75 to 2.85%	Credit
MetLife Facility		180.0		20.6	LIBOR+2.10 to 2.50%	Credit
Subtotal	\$	1,155.0	\$	656.0		
Asset Level Financing						
Notes Payable	\$	51.8	\$	48.3	LIBOR+3.00 to 3.75%	None
Capital Markets						
Secured Term Loan	\$	60.0	\$	60.0	LIBOR+ 5.75%	Credit
2017-FL3 Securitization		445.6		445.6	LIBOR+ 1.70%	None
2021-FL4 Securitization		499.5		499.5	LIBOR+ 1.19%	None
Subtotal	\$	1,005.1	\$	1,005.1		
Total Debt	\$	2,211.9	\$	1,709.4		

Note: As of September 30, 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	\$149.8	L+3.61%	1.5%	5.5%	Mar 2023	I/O
2	Senior	Diversified	Jan 2020	132.6	112.5	112.2	L+3.65%	1.6%	5.7%	Jan 2023	I/O
3	Senior	AZ	Sep 2021	115.7	77.4	76.5	L+3.50%	0.1%	4.0%	Oct 2024	I/O
4	Senior	IL	Nov 2017	67.8	67.8	67.8	L+3.75%	1.3%	5.3%	Dec 2021	I/O
5	Senior	NC	Aug 2021	85.0	64.6	63.8	L+3.55%	0.2%	4.2%	Aug 2024	I/O
6	Senior	NC	Mar 2019	84.0	63.5	63.5	L+4.25%	2.4%	6.7%	Mar 2022	I/O
7	Senior	NY	Jul 2021	81.0	60.4	59.7	L+3.85%	0.1%	4.3%	Aug 2025	I/O
8	Senior	IL	May 2018	59.4	57.4	57.3	L+3.95%	2.0%	6.2%	Jun 2022	P/I
9	Senior	GA	Nov 2019	56.2	46.3	46.1	L+3.05%	2.0%	5.7%	Dec 2022	I/O
10	Senior	CA	Oct 2019	37.2	32.2	32.1	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	28.1	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%	6.2%	Nov 2022	I/O
14	Subordinated	NJ	Mar 2016	17.0	17.0	16.3	12.00%	—%	13.7%	Jan 2026	I/O
15	Senior	NC	Oct 2018	13.5	9.4	9.4	L+4.00%	2.1%	6.2%	Nov 2022	I/O
16	Subordinated	CA	Nov 2017	3.1	3.0	3.0	L+8.25%	1.3%	9.7%	Nov 2021	I/O
Total Office				\$999.3	\$841.9	\$836.8					
Multifamily Loans:											
17	Senior	FL	Jun 2020	\$91.8	\$91.3	\$91.0	L+5.00%	0.8%	6.7%	Jun 2022	I/O
18	Senior	TX	Sep 2019	75.0	75.0	74.8	L+3.25%	0.2%	3.5%	Oct 2024	I/O
19	Senior	FL	Jun 2020	46.7	46.2	46.1	L+5.00%	0.8%	6.6%	Jun 2022	I/O
20	Senior	SC	Jun 2021	37.5	37.5	37.2	L+2.75%	0.2%	3.4%	Jun 2023	I/O
21	Senior	SC	Aug 2019	34.6	30.9	30.7	L+6.50%	2.2%	10.2%	Sep 2022	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	WA	Feb 2020	19.0	18.7	18.6	L+3.00%	1.7%	5.1%	Mar 2023	I/O
Total Multifamily				\$334.9	\$329.0	\$327.7					

Note: As of September 30, 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 ⁽¹⁾
Mixed-Use Loans:											
24	Senior	FL	Feb 2019	\$84.0	\$84.0	\$84.0	L+4.25%	1.5%	5.7%	Feb 2023	I/O
25	Senior	NY	Jul 2021	78.3	75.0	74.3	L+3.65%	0.1%	4.1%	Jul 2024	I/O
26	Senior	CA	Jan 2021	58.9	56.8	56.6	(2)	(2)	5.4%	Jan 2024	I/O
27	Senior	TX	Sep 2019	42.2	35.8	35.6	(3)	0.3%	4.7%	Sep 2022	I/O
28	Senior	CA	Feb 2020	39.6	35.2	34.9	L+4.10%	1.7%	6.4%	Mar 2023	I/O
Total Mixed-Use				\$303.0	\$286.8	\$285.4					
Industrial Loans:											
29	Senior	IL	May 2021	\$100.7	\$70.1	\$69.4	L+4.55%	0.2%	5.2%	May 2024	I/O
30	Senior	NY	Jan 2020	77.5	69.4	69.2	L+5.00%	1.6%	7.1%	Feb 2022	I/O
31	Senior	NJ	Jun 2021	44.7	23.2	22.9	L+3.75%	0.3%	4.5%	May 2024	I/O
32	Senior	CA	Nov 2019	26.6	23.0	23.0	L+4.50%	1.9%	7.4%	Dec 2021	I/O
33	Senior	CO	Jul 2021	20.8	20.8	20.6	L+6.75%	0.3%	7.7%	Feb 2023	I/O
34	Senior	CA	Aug 2019	19.6	16.7	16.6	L+3.75%	2.0%	6.3%	Mar 2023	I/O
35	Senior ⁽⁴⁾	PA	Sep 2021	3.0	3.0	2.9	L+5.50%	0.3%	6.1%	Sep 2024	I/O
36	Senior ⁽⁴⁾	CO	Sep 2021	2.9	2.9	2.9	L+6.25%	0.3%	6.9%	Sep 2024	I/O
37	Senior ⁽⁴⁾	AZ	Sep 2021	2.7	2.7	2.7	L+5.90%	0.3%	6.5%	Oct 2024	I/O
38	Senior ⁽⁴⁾	GA	Aug 2021	1.3	1.3	1.3	L+5.25%	0.3%	5.9%	Sep 2024	I/O
Total Industrial				\$299.8	\$233.1	\$231.5					

Note: As of September 30, 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 September 30, 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 \$11.8 million as of September 30, 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 September 30, 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 September 30, 2021, accrues interest at a per annum rate of L+10.00%.

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

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:											
39	Senior	OR/WA	May 2018	\$68.1	\$68.1	\$67.3	L+3.45%	1.9%	7.4%	May 2022	I/O
40	Senior	Diversified	Sep 2018	60.8	60.8	60.6	L+3.60%	2.1%	6.1%	Sep 2022	I/O
41	Senior	CA	Dec 2017	40.0	40.0	40.0	L+4.12%	1.4%	5.8%	Jan 2022	I/O
42	Senior	MI	Nov 2015	33.2	33.2	33.2	L+3.95%	0.3%	4.4%	Jul 2022	I/O
43	Senior	IL	Apr 2018	32.9	32.9	31.0	L+4.40%	1.9%	—% ⁽²⁾	May 2022	I/O
Total Hotel				\$235.0	\$235.0	\$232.1					
Student Housing Loans:											
44	Senior	TX	Dec 2017	\$39.5	\$39.5	\$39.5	L+4.75%	0.5%	5.5%	Jan 2022	P/I
45	Senior	CA	Jun 2017	36.5	36.5	36.5	L+3.95%	0.4%	4.3%	Jul 2022	I/O
46	Senior	NC	Feb 2019	30.0	30.0	30.0	L+3.15%	2.3%	5.9%	Feb 2022	I/O
47	Senior	TX	Dec 2017	25.1	24.6	24.4	L+3.45%	1.6%	5.6%	Feb 2023	I/O
48	Senior	FL	Jul 2019	22.0	22.0	21.9	L+3.25%	2.3%	6.0%	Aug 2022	I/O
49	Senior	AL	Apr 2021	19.5	19.5	19.3	L+3.85%	0.2%	4.4%	May 2024	I/O
Total Student Housing				\$172.6	\$172.1	\$171.6					
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	FL	Feb 2019	19.5	19.5	19.5	L+3.50%	2.0%	6.0%	Mar 2022	I/O
52	Senior	FL	Jan 2021	10.8	10.8	10.7	L+2.90%	1.0%	4.4%	Dec 2023	I/O
53	Senior	AZ	Jul 2021	8.6	8.3	8.3	L+2.90%	0.9%	4.0%	May 2024	I/O
54	Senior	AZ	Jul 2021	7.4	7.4	7.3	L+2.90%	0.9%	4.1%	May 2024	I/O
55	Senior	FL	Jan 2021	7.0	7.0	6.9	L+2.90%	1.0%	4.3%	Dec 2023	I/O
56	Senior	FL	Jan 2021	6.4	6.4	6.4	L+2.90%	1.0%	4.3%	Dec 2023	I/O
57	Senior	MO	Jan 2021	6.5	6.1	6.1	L+3.00%	1.3%	4.4%	Dec 2023	I/O
58	Senior	IL	Jan 2021	5.6	5.5	5.5	L+3.00%	1.0%	4.3%	Dec 2023	I/O
59	Senior	FL	Jan 2021	4.4	4.4	4.4	L+2.90%	1.0%	4.2%	Dec 2023	I/O
60	Senior	CO	Jul 2021	3.2	3.2	3.2	L+2.90%	0.9%	3.8%	Apr 2024	I/O
Total Self Storage				\$134.9	\$134.1	\$133.9					

Note: As of September 30, 2021.

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

2. Loan was on non-accrual status as of September 30, 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:											
61	Senior	FL	Jul 2021	\$75.0	\$65.7	\$65.1	L+5.25%	—%	6.0%	Jul 2023	I/O
62	Senior	NY	Oct 2018	53.6	53.6	53.6	(2)	(2)	10.9%	May 2021 ⁽³⁾	I/O
63	Senior	CA	Jan 2018	14.3	14.3	14.3	13.00%	—%	—% ⁽⁴⁾	May 2021 ⁽⁵⁾	I/O
64	Subordinated	HI	Aug 2018	11.5	11.5	11.5	14.00%	—%	19.0%	Aug 2021	I/O
Total Residential/Condominium				\$154.4	\$145.1	\$144.5					
Loan Portfolio Total/Weighted Average				\$2,633.9	\$2,377.1	\$2,363.5		1.2%⁽⁶⁾	5.7%		

Note: As of September 30, 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 \$35.0 million as of September 30, 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 \$18.6 million as of September 30, 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 September 30, 2021. Loan was evaluated for impairment and it was concluded that no impairment charge should be recognized as of September 30, 2021 and that this loan should not be placed on non-accrual status as of September 30, 2021. For more information see "Notes to Consolidated Financial Statements," "Note 3 - Loans Held for Investment" in our Quarterly Report on Form 10-Q.

4. Loan was on non-accrual status as of September 30, 2021 and therefore, there is no Unleveraged Effective Yield as the loan is non-interest accruing.

5. Loan was in maturity default as of September 30, 2021. Loan was evaluated for impairment and it was concluded that no impairment charge should be recognized as of September 30, 2021 and that this loan should be placed on non-accrual status as of September 30, 2021. For more information see "Notes to Consolidated Financial Statements," "Note 3 - Loans Held for Investment" in our Quarterly Report on Form 10-Q.

6. 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	
	9/30/2021	12/31/2020
ASSETS		
Cash and cash equivalents	\$ 15,787	\$ 74,776
Loans held for investment (\$1,135,660 and \$550,590 related to consolidated VIEs, respectively)	2,363,499	1,815,219
Current expected credit loss reserve	(22,691)	(23,604)
Loans held for investment, net of current expected credit loss reserve	2,340,808	1,791,615
Real estate owned, net	36,695	37,283
Other assets (\$2,524 and \$1,079 of interest receivable related to consolidated VIEs, respectively; \$47,618 and \$6,410 of other receivables related to consolidated VIEs, respectively)	73,395	25,823
Total assets	\$ 2,466,685	\$ 1,929,497
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Secured funding agreements	\$ 656,014	\$ 755,552
Notes payable	47,381	61,837
Secured term loan	60,000	110,000
Collateralized loan obligation securitization debt (consolidated VIEs)	940,133	443,871
Secured borrowings	59,962	59,790
Due to affiliate	3,947	3,150
Dividends payable	16,523	11,124
Other liabilities (\$549 and \$391 of interest payable related to consolidated VIEs, respectively)	9,982	11,158
Total liabilities	1,793,942	1,456,482
Commitments and contingencies		
STOCKHOLDERS' EQUITY		
Common stock, par value \$0.01 per share, 450,000,000 shares authorized at September 30, 2021 and December 31, 2020 and 47,001,821 and 33,442,332 shares issued and outstanding at September 30, 2021 and December 31, 2020, respectively	464	329
Additional paid-in capital	701,370	497,803
Accumulated other comprehensive income	19	—
Accumulated earnings (deficit)	(29,110)	(25,117)
Total stockholders' equity	672,743	473,015
Total liabilities and stockholders' equity	\$ 2,466,685	\$ 1,929,497

Consolidated Statements of Operations

(\$ in thousands, except share and per share data)	For the Three Months Ended				
	9/30/2021	6/30/2021	3/31/2021	12/31/2020	9/30/2020
Revenue:					
Interest income	\$ 34,023	\$ 30,859	\$ 30,704	\$ 29,144	\$ 30,626
Interest expense	(12,669)	(11,092)	(12,139)	(11,499)	(11,875)
Net interest margin	21,354	19,767	18,565	17,645	18,751
Revenue from real estate owned	5,850	3,764	2,658	3,560	3,623
Total revenue	27,204	23,531	21,223	21,205	22,374
Expenses:					
Management and incentive fees to affiliate	3,175	2,951	2,567	2,388	1,847
Professional fees	480	615	785	438	639
General and administrative expenses	1,119	1,195	1,157	935	969
General and administrative expenses reimbursed to affiliate	773	788	752	762	802
Expenses from real estate owned	5,339	3,842	3,277	4,151	4,046
Total expenses	10,886	9,391	8,538	8,674	8,303
Provision for current expected credit losses	6,367	(3,883)	(3,240)	(1,877)	(1,048)
Realized losses on loans sold	—	—	—	—	4,008
Change in unrealized losses on loans held for sale	—	—	—	—	(3,998)
Income before income taxes	9,951	18,023	15,925	14,408	15,109
Income tax expense, including excise tax	—	408	185	1	181
Net income attributable to common stockholders	\$ 9,951	\$ 17,615	\$ 15,740	\$ 14,407	\$ 14,928
Earnings per common share:					
Basic earnings per common share	\$ 0.21	\$ 0.43	\$ 0.46	\$ 0.43	\$ 0.45
Diluted earnings per common share	\$ 0.21	\$ 0.43	\$ 0.45	\$ 0.43	\$ 0.44
Weighted average number of common shares outstanding:					
Basic weighted average shares of common stock outstanding	46,957,339	41,009,175	34,417,040	33,349,475	33,337,445
Diluted weighted average shares of common stock outstanding	47,209,469	41,294,597	34,720,950	33,567,072	33,550,444
Dividends declared per share of common stock ⁽¹⁾	\$ 0.35	\$ 0.35	\$ 0.35	\$ 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				
	9/30/2021	6/30/2021	3/31/2021	12/31/2020	9/30/2020
Net income attributable to common stockholders	\$ 9,951	\$ 17,615	\$ 15,740	\$ 14,407	\$ 14,928
Stock-based compensation	428	497	521	382	367
Incentive fees to affiliate	572	693	658	533	—
Depreciation of real estate owned	225	225	224	224	224
Provision for current expected credit losses	6,367	(3,883)	(3,240)	(1,877)	(1,048)
Change in unrealized losses on loans held for sale	—	—	—	—	(3,998)
Distributable Earnings	\$ 17,543	\$ 15,147	\$ 13,903	\$ 13,669	\$ 10,473
Net income attributable to common stockholders	\$ 0.21	\$ 0.43	\$ 0.46	\$ 0.43	\$ 0.45
Stock-based compensation	0.01	0.01	0.02	0.01	0.01
Incentive fees to affiliate	0.01	0.02	0.02	0.02	—
Depreciation of real estate owned	—	0.01	0.01	0.01	0.01
Provision for current expected credit losses	0.14	(0.09)	(0.09)	(0.06)	(0.03)
Change in unrealized losses on loans held for sale	—	—	—	—	(0.12)
Basic Distributable Earnings per common share	\$ 0.37	\$ 0.37	\$ 0.40	\$ 0.41	\$ 0.31
Net income attributable to common stockholders	\$ 0.21	\$ 0.43	\$ 0.45	\$ 0.43	\$ 0.44
Stock-based compensation	0.01	0.01	0.02	0.01	0.01
Incentive fees to affiliate	0.01	0.02	0.02	0.02	—
Depreciation of real estate owned	—	0.01	0.01	0.01	0.01
Provision for current expected credit losses	0.13	(0.09)	(0.09)	(0.06)	(0.03)
Change in unrealized losses on loans held for sale	—	—	—	—	(0.12)
Diluted Distributable Earnings per common share	\$ 0.37	\$ 0.37	\$ 0.40	\$ 0.41	\$ 0.31

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	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.
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.

