
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
WASHINGTON, DC 20549

FORM 8-K

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

Date of report (Date of earliest event reported): February 20, 2020



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
(Address of Principal Executive Offices)

10167
(Zip Code)

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

(Former Name or Former Address, if Changed Since Last Report)

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

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

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

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

Emerging growth company ☐

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

Item 2.02 Results of Operations and Financial Condition.

On February 20, 2020, the registrant issued a press release declaring its first quarter 2020 dividend and announcing its financial results for the quarter and year ended December 31, 2019. 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 February 20, 2020
99.2	Presentation of Ares Commercial Real Estate Corporation, dated February 20, 2020

SIGNATURE

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

ARES COMMERCIAL REAL ESTATE CORPORATION

Date: February 20, 2020

By: /s/ Tae-Sik Yoon

Name: Tae-Sik Yoon

Title: Chief Financial Officer and Treasurer

ARES COMMERCIAL REAL ESTATE CORPORATION REPORTS
FOURTH QUARTER AND FULL-YEAR 2019 RESULTS*Fourth quarter GAAP net income of \$9.7 million or \$0.33 per diluted common share and
Core Earnings⁽¹⁾ of \$10.7 million or \$0.37 per diluted common share**Full-year 2019 GAAP net income of \$37.0 million or \$1.28 per diluted common share and
Core Earnings⁽¹⁾ of \$40.6 million or \$1.41 per diluted common share**- Subsequent to year ended December 31, 2019 -**Raised approximately \$73 million of equity**Closed \$238 million of new loans year to date**Declared first quarter 2020 dividend of \$0.33 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 \$9.7 million or \$0.33 per diluted common share and Core Earnings⁽¹⁾ of \$10.7 million or \$0.37 per diluted common share for the fourth quarter of 2019. The Company reported GAAP net income of \$37.0 million or \$1.28 per diluted common share and Core Earnings⁽¹⁾ of \$40.6 million or \$1.41 per diluted common share for full-year 2019. In addition, the Company announced that its Board of Directors declared a first quarter 2020 dividend of \$0.33 per diluted common share payable on April 15, 2020 to common stockholders of record on March 31, 2020.

“We delivered strong earnings in both the fourth quarter and full year 2019 due to higher investment activity at attractive spreads and continued strong performance of our portfolio,” said Bryan Donohoe, Chief Executive Officer of ACRE. “Looking forward, we believe we are well positioned to grow our company accretively on behalf of our stakeholders.”

“ACRE is already off to a strong start in the first quarter of 2020. Year to date, we have completed a \$73 million equity offering, secured a \$150 million new financing facility, closed \$238 million of new loans and have an attractive pipeline of investments,” said Tae-Sik Yoon, Chief Financial Officer of ACRE. “We remain focused on further enhancing our earnings through our investment activities and optimizing our borrowing facilities.”

(1) Core Earnings is a non-GAAP financial measure. Refer to Schedule I for further details.

2020 ANNUAL STOCKHOLDERS MEETING

The Board of Directors set February 26, 2020 as the record date for the Company's 2020 Annual Meeting of Stockholders. The 2020 Annual Meeting of Stockholders will be held on April 23, 2020.

COMMON STOCK DIVIDEND

On November 8, 2019, the Company declared a cash dividend of \$0.33 per common share for the fourth quarter of 2019. The fourth quarter 2019 dividend was paid on January 15, 2020 to common stockholders of record as of December 30, 2019.

ADDITIONAL INFORMATION

The Company issued a presentation of its fourth quarter and full-year 2019 results, which can be viewed at www.arescre.com on the Investor Resources section of our home page under Events and Presentations. The presentation is titled "Fourth Quarter and Full-Year 2019 Earnings Presentation." The Company also filed its Annual Report on Form 10-K for the year ended December 31, 2019 with the U.S. Securities and Exchange Commission on February 20, 2020.

CONFERENCE CALL AND WEBCAST INFORMATION

On Thursday, February 20, 2020, the Company invites all interested persons to attend its webcast/conference call at 11:00 a.m. (Eastern Time) to discuss its fourth quarter and full-year 2019 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 8615348 followed by the # sign and reference "Ares Commercial Real Estate Corporation" once connected with the operator. All callers are asked to dial in 10-15 minutes prior to the call so that name and company information can be collected. For interested parties, an archived replay of the call will be available through March 5, 2020 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 10137628. An archived replay will also be available through March 5, 2020 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 and the risks described from time to time in the

Company’s filings with the Securities and Exchange Commission. Any forward-looking statement, including any contained herein, speaks only as of the time of this press release and Ares Commercial Real Estate Corporation undertakes no duty to update any forward-looking statements made herein or on the webcast/conference call. Projections and forward-looking statements are based on management’s good faith and reasonable assumptions, including the assumptions described herein.

INVESTOR RELATIONS CONTACTS

Ares Commercial Real Estate Corporation
Carl Drake or Veronica Mendiola Mayer
(888)-818-5298
iracre@aresmgmt.com

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

	As of December 31,	
	2019	2018
ASSETS		
Cash and cash equivalents	\$ 5,256	\$ 11,089
Restricted cash	379	379
Loans held for investment (\$515,896 and \$289,576 related to consolidated VIEs, respectively)	1,682,498	1,524,873
Real estate owned, net	37,901	—
Other assets (\$1,309 and \$843 of interest receivable related to consolidated VIEs, respectively; \$41,104 and \$51,582 of other receivables related to consolidated VIEs, respectively)	58,100	66,983
Total assets	<u>\$ 1,784,134</u>	<u>\$ 1,603,324</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Secured funding agreements	\$ 728,589	\$ 777,974
Notes payable	54,708	—
Secured term loan	109,149	108,345
Collateralized loan obligation securitization debt (consolidated VIE)	443,177	270,737
Due to affiliate	2,761	3,163
Dividends payable	9,546	8,914
Other liabilities (\$718 and \$541 of interest payable related to consolidated VIEs, respectively)	9,865	8,604
Total liabilities	<u>1,357,795</u>	<u>1,177,737</u>
STOCKHOLDERS' EQUITY		
Common stock, par value \$0.01 per share, 450,000,000 shares authorized at December 31, 2019 and 2018 and 28,865,610 and 28,755,665 shares issued and outstanding at December 31, 2019 and 2018, respectively	283	283
Additional paid-in capital	423,619	421,739
Accumulated earnings	2,437	3,565
Total stockholders' equity	<u>426,339</u>	<u>425,587</u>
Total liabilities and stockholders' equity	<u>\$ 1,784,134</u>	<u>\$ 1,603,324</u>

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

	For the three months ended December 31, 2019	For the year ended December 31, 2019
Revenue:		
Interest income from loans held for investment	\$ 28,536	\$ 114,784
Interest expense	(15,044)	(62,583)
Net interest margin	13,492	52,201
Revenue from real estate owned	8,088	25,058
Total revenue	21,580	77,259
Expenses:		
Management and incentive fees to affiliate	1,959	7,363
Professional fees	641	2,194
General and administrative expenses	1,035	4,188
General and administrative expenses reimbursed to affiliate	764	3,026
Expenses from real estate owned	7,338	22,982
Total expenses	11,737	39,753
Income before income taxes	9,843	37,506
Income tax expense, including excise tax	183	515
Net income attributable to common stockholders	\$ 9,660	\$ 36,991
Earnings per common share:		
Basic earnings per common share	\$ 0.34	\$ 1.29
Diluted earnings per common share	\$ 0.33	\$ 1.28
Weighted average number of common shares outstanding:		
Basic weighted average shares of common stock outstanding	28,640,363	28,609,282
Diluted weighted average shares of common stock outstanding	28,872,975	28,846,641
Dividends declared per share of common stock	\$ 0.33	\$ 1.32

SCHEDULE I

Reconciliation of Net Income to Non-GAAP Core Earnings

The Company believes the disclosure of Core Earnings provides useful information to investors regarding the calculation of incentive fees the Company pays to its manager, Ares Commercial Real Estate Management LLC, and the Company's financial performance. Core Earnings is an adjusted non-GAAP measure that helps the Company evaluate its financial performance excluding the effects of certain transactions and GAAP adjustments that it believes are not necessarily indicative of its current loan origination portfolio and operations. 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. Core Earnings is a non-GAAP measure and is defined as net income (loss) computed in accordance with GAAP, excluding non-cash equity compensation expense, the incentive fee, 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 external manager and the Company's independent directors and after approval by a majority of the Company's independent directors.

Reconciliation of net income attributable to common stockholders, the most directly comparable GAAP financial measure, to Core Earnings is set forth in the table below for the three months and year ended December 31, 2019 (\$ in thousands):

	For the three months ended December 31, 2019	For the year ended December 31, 2019
Net income attributable to common stockholders	\$ 9,660	\$ 36,991
Stock-based compensation	482	1,880
Incentive fees to affiliate	378	1,052
Depreciation of real estate owned	219	667
Core Earnings	\$ 10,739	\$ 40,590
Net income attributable to common stockholders	\$ 0.34	\$ 1.29
Stock-based compensation	0.02	0.07
Incentive fees to affiliate	0.01	0.04
Depreciation of real estate owned	0.01	0.02
Basic Core Earnings per common share	\$ 0.37	\$ 1.42
Net income attributable to common stockholders	\$ 0.33	\$ 1.28
Stock-based compensation	0.02	0.07
Incentive fees to affiliate	0.01	0.04
Depreciation of real estate owned	0.01	0.02
Diluted Core Earnings per common share	\$ 0.37	\$ 1.41



Fourth Quarter and Full-Year 2019 Earnings Presentation

Important Notice

Statements included herein may constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 and Section 21E of the Securities Exchange Act of 1934, as amended, which may relate to future events or the future performance or financial condition of Ares Commercial Real Estate Corporation (“ACRE” or the “Company”), its external manager, Ares Commercial Real Estate Management LLC (“ACREM”), a subsidiary of Ares Management Corporation (“Ares Corp.”), Ares Corp., certain of their respective subsidiaries and certain funds and accounts managed by ACREM, Ares Corp. and/or their subsidiaries. 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 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 of cost financing, market trends and conditions in ACRE’s industry and the general economy, the level of lending and borrowing spreads, commercial real estate loan volumes, government-sponsored enterprise activity and other risks described from time to time in ACRE’s and Ares Corp.’s filings with the Securities and Exchange Commission (“SEC”). Any forward-looking statement, including any contained herein, speaks only as of the time of this presentation 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.

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

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Fourth Quarter and Full-Year 2019 Highlights

2019 Financial Results	<ul style="list-style-type: none"> GAAP Earnings of \$9.7 million or \$0.33 per diluted common share and \$37.0 million or \$1.28 per diluted common share for the fourth quarter and full-year, respectively Core Earnings⁽¹⁾ of \$10.7 million or \$0.37 per diluted common share and \$40.6 million or \$1.41 per diluted common share for the fourth quarter and full-year, respectively Book value per diluted common share of \$14.77
Loan Originations & Repayments	<p>Q4-2019:</p> <ul style="list-style-type: none"> Closed six senior loans totaling \$250.3 million in commitments \$204.6 million in outstanding principal funded on new commitments and \$55.4 million in outstanding principal funded on previously originated commitments Repayments of \$115.4 million from three loans and a partial principal paydown on one loan <p>Full-Year 2019:</p> <ul style="list-style-type: none"> Closed 18 senior loans totaling \$776.9 million in commitments Repayments of \$482.4 million from eleven loans and a partial principal paydown on one loan
Total Loan Portfolio	<ul style="list-style-type: none"> 50 loans held for investment \$1.9 billion in originated commitments at closing and \$1.7 billion in outstanding principal 98% of loans have floating interest rates based on outstanding principal balance 96% of loans are senior loans based on outstanding principal balance Weighted average unleveraged effective yield of 6.8%⁽²⁾ 95% of the loan portfolio is either fixed rate or floating rate with a weighted average LIBOR floor of 1.76% Based on December 31, 2019 ending spot one month LIBOR rate of 1.76%, approximately 61% of the Q4-19 portfolio is either fixed rate or floating rate with a LIBOR floor that is currently "in the money"
Capital and Liquidity	<ul style="list-style-type: none"> Diverse financing sources with total borrowing capacity of \$1.9 billion⁽³⁾ and \$1.3 billion in outstanding principal
Dividends	<ul style="list-style-type: none"> Common stock dividend of \$0.33 per common share paid for Q4-19 8.3% annualized dividend yield based upon closing share price on December 31, 2019⁽⁴⁾
Subsequent Events	<ul style="list-style-type: none"> Raised approximately \$73 million of equity Established new \$150.0 million facility with Morgan Stanley Bank N.A. Closed four loans with a total commitment amount of \$237.6 million and \$197.7 million funded at closing Declared Q1-20 dividend of \$0.33 per diluted common share on February 20, 2020

Note: As of December 31, 2019, unless otherwise noted.
See footnotes on page 16.

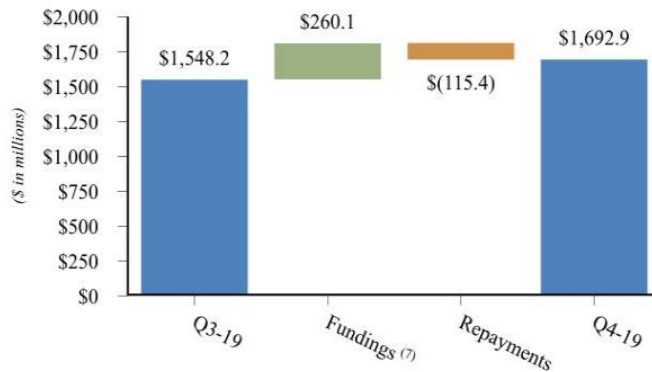
Q4-2019 Investment Activity

Q4-2019 Loans Summary

(\$ in millions)

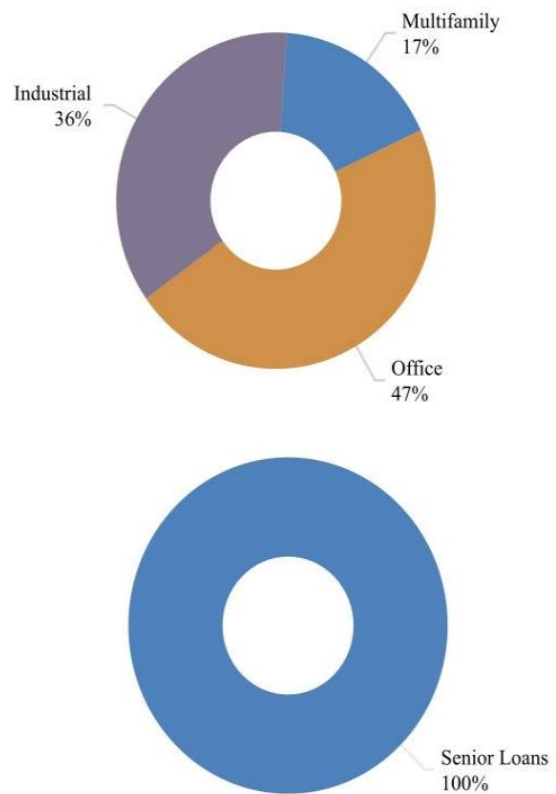
Number of loans closed	6
New loan commitments	\$250.3
Average size of loans closed	\$41.7
Percentage of floating rate loans	100%
Percentage of senior loans	100%
Total fundings ⁽⁷⁾	\$260.1

Changes in Loan Portfolio⁽⁵⁾



Note: As of December 31, 2019, unless otherwise noted.
See footnotes on page 16.

Characteristics of Funded Loans⁽⁶⁾



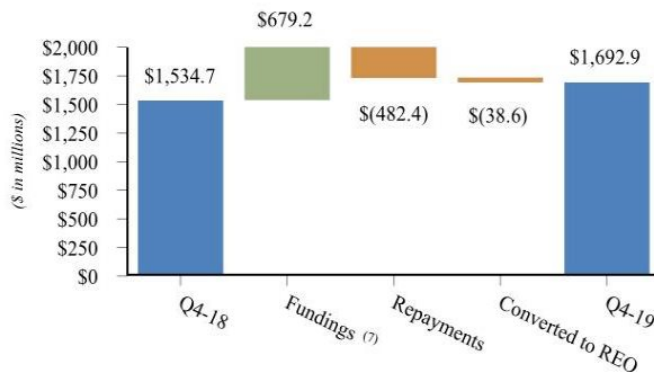
Full-Year 2019 Investment Activity

Full-Year 2019 Loans Summary

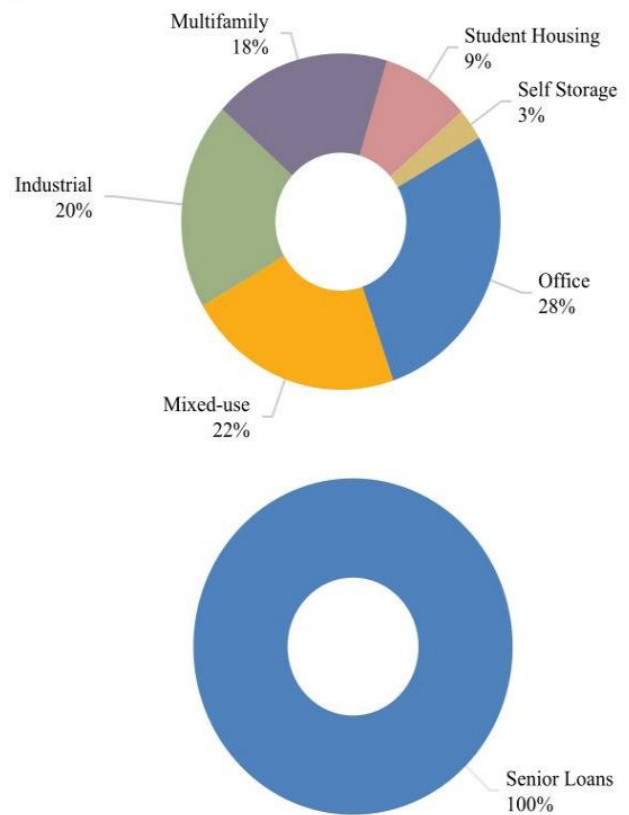
(\$ in millions)

Number of loans closed	18
New loan commitments	\$776.9
Average size of loans closed	\$43.2
Percentage of floating rate loans	100%
Percentage of senior loans	100%
Total fundings ⁽⁷⁾	\$679.2

Changes in Loan Portfolio⁽⁵⁾



Characteristics of Funded Loans⁽⁶⁾



Note: As of December 31, 2019, unless otherwise noted.
See footnotes on page 16.

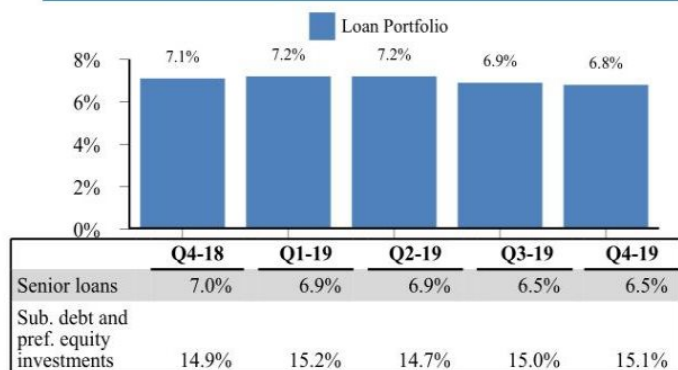
Total Loans Held for Investment Portfolio

Key Statistics

(\$ in millions)

Total loan commitments	\$1,909.1
Outstanding principal balance	\$1,692.9
Weighted average unpaid principal balance of loan portfolio*	\$1,601.0
Total number of loans	50
Percentage of floating rate loans based on outstanding principal balance	98%
Percentage of senior loans based on outstanding principal balance	96%
Weighted average remaining life of loan portfolio	1.6 years
Weighted average remaining life of senior loans	1.5 years
Weighted average remaining life of subordinated debt and preferred equity investments	2.6 years

Unleveraged Effective Yield⁽²⁾

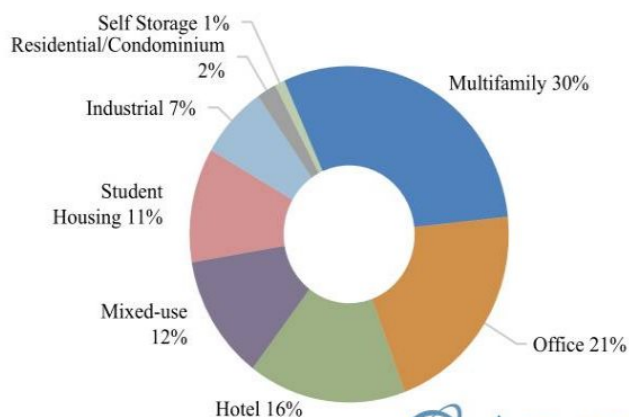
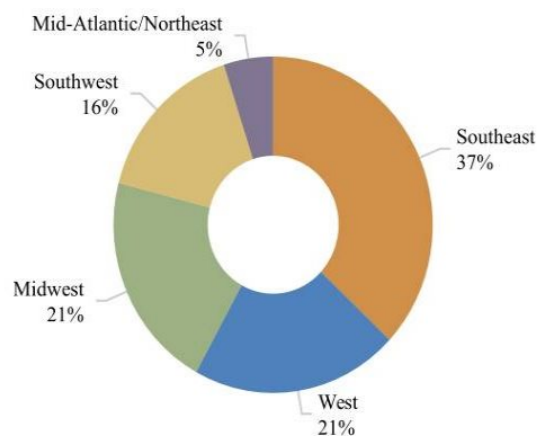


Note: As of December 31, 2019, unless otherwise noted.

* During the quarter ended December 31, 2019.

See footnotes on page 16.

Loan Portfolio Characteristics⁽⁵⁾



Interest Rate Sensitivity⁽⁵⁾

- 98% of the loan portfolio is floating rate and 2% is fixed rate
- 95% of the loan portfolio is either floating rate with a LIBOR floor (93%) or fixed rate (2%)
 - For the floating rate loans with LIBOR floors, the weighted average LIBOR floor is 1.76%
- 61% of the loan portfolio is either fixed rate or floating rate with a LIBOR floor of 1.76% or higher
- 100% of outstanding financing is floating rate
 - Less than 5% has a LIBOR floor with a weighted average LIBOR floor of 1.90%

Total Loan Portfolio by LIBOR Floor Levels

(\$ in millions)

LIBOR Floor Range	Outstanding Principal	% Total	Cumulative %
Fixed rate	\$ 42.3	2%	2%
2.25% - 2.50%	403.7	24%	26%
2.00% - 2.24%	216.7	13%	39%
1.75% - 1.99%	403.2	24%	63%
1.50% - 1.74%	73.3	4%	67%
<1.50%	477.6	28%	95%
No floor	76.1	5%	100%
Total	\$ 1,692.9	100%	

Net Income Sensitivity to USD LIBOR Changes⁽⁸⁾



■ Annual increase/(decrease) in net income (per diluted common share basis)*

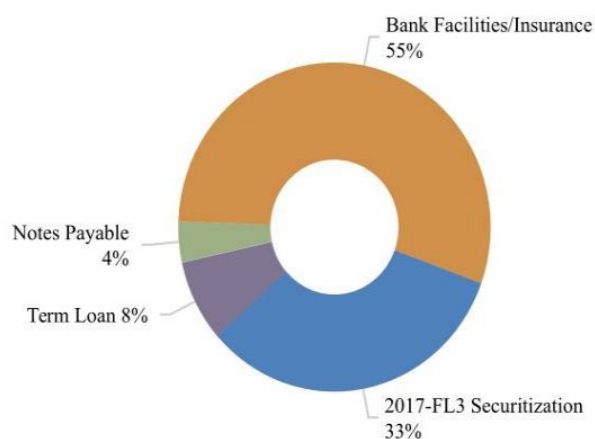
Note: As of December 31, 2019, unless otherwise noted.

*Per diluted common share is based on 28.866 million shares.

See footnotes on page 16.

Financing Sources Overview

Financing Sources Composition⁽⁵⁾



Debt to equity ratio	3.1x
Loans held for investment weighted average remaining life	1.6 years
Weighted average remaining term of financing agreements	3.3 years
Q4-19 weighted average borrowings*	\$1,260.1 million

Note: As of December 31, 2019, unless otherwise noted.

* During the quarter ended December 31, 2019.

See footnotes on page 16.

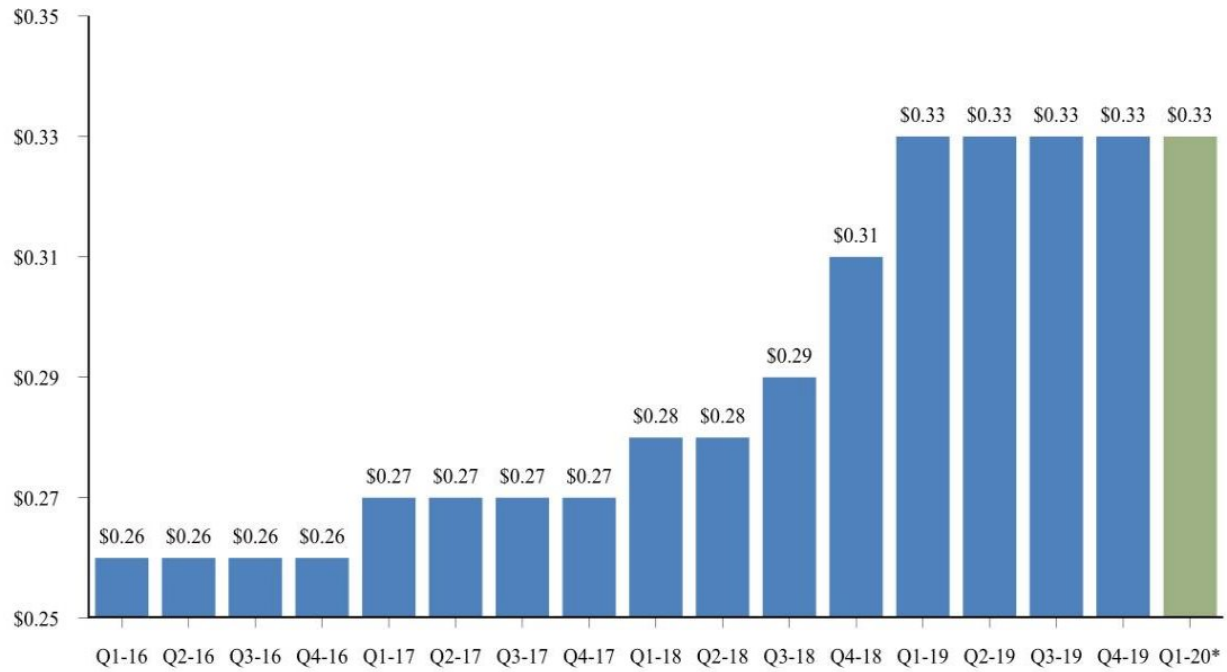
Financing Sources Detail

(\$ in millions)

Financing Sources	Total Commitments ⁽³⁾	Interest Rate	Outstanding Balance
Bank Facilities			
Wells Fargo Facility	\$ 500.0	LIBOR+1.50 to 2.25%	\$ 360.4
Citibank Facility	325.0	LIBOR+1.50 to 2.50%	126.6
BAML Facility	36.3	LIBOR+2.00%	36.3
CNB Facility	50.0	LIBOR+2.65%	30.5
U.S. Bank Facility	186.0	LIBOR+1.65 to 2.25%	43.0
Insurance			
MetLife Facility	180.0	LIBOR+2.30%	131.8
Subtotal	\$ 1,277.3		\$ 728.6
Asset Level Financing			
Notes Payable	\$ 84.2	LIBOR+2.50 to 3.75%	\$ 56.2
Capital Markets			
Term Loan	\$ 110.0	LIBOR+5.00%	\$ 110.0
2017-FL3 Securitization	445.6	LIBOR+1.70%	445.6
Subtotal	\$ 555.6		\$ 555.6
Total Debt	\$ 1,917.1		\$ 1,340.4

Dividend Summary

Quarterly Dividend Since Q1-16



*Declared a first quarter 2020 dividend of \$0.33 per common share payable on April 15, 2020 to common stockholders of record as of March 31, 2020. There is no assurance dividends will continue at these levels or at all.

Appendix

Loans Held for Investment Portfolio Details

(\$ in millions)

(\$ in millions)

#	Loan Type	Location	Origination Date	Current Loan Commitment	Outstanding Principal	Carrying Value	Interest Rate	LIBOR Floor	Unleveraged Effective Yield ⁽²⁾	Maturity Date	Payment Terms ⁽⁹⁾
Multifamily Loans:											
1	Senior	FL	Sep 2016	\$89.7	\$89.7	\$89.6	L+4.75%	0.5%	6.8%	Feb 2020	I/O
2	Senior	TX	Sep 2019	75.0	75.0	74.7	L+2.85%	2.0%	5.0%	Oct 2022	I/O
3	Senior	FL	Sep 2016	45.4	45.4	45.3	L+4.75%	0.5%	6.8%	Feb 2020	I/O
4	Senior	TX	Dec 2017	42.7	42.7	42.6	L+3.30%	1.0%	5.4%	Dec 2020	I/O
5	Senior	FL	Dec 2018	43.5	42.4	42.1	L+2.60%	2.4%	5.5%	Jan 2022	I/O
6	Senior	IL	Nov 2018	40.0	39.2	39.0	L+3.50%	2.3%	6.5%	Nov 2020	I/O
7	Senior	KS	Oct 2019	35.8	35.8	35.5	L+3.25%	1.9%	5.5%	Nov 2022	I/O
8	Senior	NY	Dec 2017	30.2	30.2	30.1	L+3.20%	1.4%	5.3%	Dec 2020	I/O
9	Senior	PA	Dec 2018	30.2	29.3	29.2	L+3.00%	2.4%	5.9%	Dec 2021	I/O
10	Senior	TX	Sep 2017	27.5	27.5	27.4	L+3.20%	1.2%	5.5%	Oct 2020	I/O
11	Senior	CA	June 2017	27.0	26.8	26.7	L+3.85%	1.2%	6.1%	July 2020	I/O
12	Senior	FL	Oct 2017	19.2	19.2	19.1	L+4.00%	1.2%	6.1%	Nov 2020	I/O
13	Senior	SC	Aug 2019	34.6	2.0	1.7	L+6.50%	2.2%	10.1%	Sep 2022	I/O
Total Multifamily				\$540.8	\$505.2	\$503.0					
Office Loans:											
14	Senior	IL	Nov 2017	\$82.0	\$69.2	\$69.0	L+3.75%	1.3%	6.1%	Dec 2020	I/O
15	Senior	IL	May 2018	59.6	57.0	56.8	L+3.95%	2.0%	6.3%	June 2021	I/O
16	Senior	NC	Mar 2019	84.0	49.6	49.0	L+4.25%	2.4%	8.6%	Mar 2021	I/O
17	Senior	GA	Nov 2019	56.2	36.9	36.3	L+3.05%	2.0%	5.8%	Dec 2022	I/O
18	Senior	CA	Oct 2019	37.2	30.9	30.6	L+3.35%	2.0%	6.0%	Nov 2022	I/O
19	Senior	IL	Dec 2019	41.9	27.5	27.2	L+3.80%	1.8%	6.2%	Jan 2023	I/O
20	Senior	FL	Apr 2017	19.0	18.4	18.4	L+4.30%	1.0%	6.6%	Apr 2020	I/O
21	Senior	CA	Nov 2018	22.8	17.7	17.6	L+3.40%	2.3%	6.3%	Nov 2021	I/O
22	Subordinated	NJ	Mar 2016	17.0	17.0	16.4	12.00%	N/A	12.8%	Jan 2026	I/O
23	Senior	NC	Apr 2019	30.5	13.2	13.0	L+3.51%	2.3%	6.7%	May 2023	I/O
24	Senior	TX	Apr 2019	28.2	13.1	12.8	L+4.05%	2.5%	7.5%	Nov 2021	I/O
25	Senior	NC	Oct 2018	13.5	8.6	8.5	L+4.00%	2.1%	6.7%	Nov 2022	I/O
26	Subordinated	CA	Nov 2017	3.1	2.8	2.8	L+8.25%	1.3%	10.2%	Nov 2021	I/O
Total Office				\$495.0	\$361.9	\$358.4					

See footnotes on page 16.

Loans Held for Investment Portfolio Details

(\$ in millions)

(\$ in millions)

#	Loan Type	Location	Origination Date	Current Loan Commitment	Outstanding Principal	Carrying Value	Interest Rate	LIBOR Floor	Unleveraged Effective Yield ⁽²⁾	Maturity Date	Payment Terms ⁽³⁾
Hotel Loans:											
27	Senior	OR/WA	May 2018	\$68.1	\$68.1	\$67.7	L+3.45%	1.9%	5.9%	May 2021	I/O
28	Senior	Diversified	Sep 2018	64.3	58.9	58.6	L+3.60%	2.1%	6.2%	Sep 2021	I/O
29	Senior	CA	Dec 2017	40.0	40.0	39.9	L+4.12%	1.4%	6.2%	Jan 2021	I/O
30	Senior	MI	Nov 2015	35.2	35.2	35.2	L+4.40%	N/A	6.2%	July 2020	I/O
31	Senior	IL	Apr 2018	32.9	32.9	32.7	L+4.40%	1.9%	6.8%	May 2021	I/O
32	Senior	MN	Aug 2018	31.5	31.5	31.3	L+3.55%	2.1%	6.0%	Aug 2021	I/O
Total Hotel				\$272.0	\$266.6	\$265.4					
Mixed-Use Loans:											
33	Senior	FL	Feb 2019	\$100.6	\$100.6	\$99.9	L+4.25%	2.5%	7.8%	Feb 2021	I/O
34	Senior	CA	Mar 2018	56.1	49.0	48.8	L+4.00%	1.9%	6.3%	Apr 2021	I/O
35	Senior	TX	Sep 2019	42.2	33.8	33.4	L+3.75%	2.3%	6.7%	Sep 2022	I/O
36	Subordinated	IL	May 2018	15.3	14.5	14.3	L+12.25%	1.5%	14.9%	Nov 2021	I/O
Total Mixed-Use				\$214.2	\$197.9	\$196.4					
Student Housing Loans:											
37	Senior	CA	June 2017	\$43.0	\$41.7	\$41.7	L+3.95%	1.2%	6.3%	July 2020	I/O
38	Senior	TX	Dec 2017	41.0	41.0	40.8	L+4.75%	N/A	7.1%	Jan 2021	I/O
39	Senior	NC	Feb 2019	30.0	30.0	29.8	L+3.15%	2.3%	5.9%	Feb 2022	I/O
40	Senior	AL	Feb 2017	24.1	24.1	24.1	L+4.45%	0.8%	6.8%	Feb 2020	I/O
41	Senior	TX	Dec 2017	24.0	24.0	23.9	L+4.10%	1.6%	6.4%	Jan 2021	I/O
42	Senior	FL	Jul 2019	22.0	22.0	21.8	L+3.25%	2.3%	5.9%	Aug 2022	I/O
Total Student Housing				\$184.1	\$182.8	\$182.1					

See footnotes on page 16.

Loans Held for Investment Portfolio Details

(\$ in millions)

(\$ in millions)

#	Loan Type	Location	Origination Date	Current Loan Commitment	Outstanding Principal	Carrying Value	Interest Rate	LIBOR Floor	Unleveraged Effective Yield ⁽²⁾	Maturity Date	Payment Terms ⁽⁶⁾
Industrial Loans:											
43	Senior	FL	Oct 2019	\$52.5	\$52.5	\$52.0	L+6.10%	2.1%	8.8%	Oct 2022	I/O
44	Senior	NC	May 2019	40.5	34.8	34.6	L+4.05%	1.6%	6.1%	Mar 2024	I/O
45	Senior	CA	Nov 2019	26.6	21.0	20.8	L+4.50%	1.9%	7.4%	Dec 2021	I/O
46	Senior	CA	Aug 2019	19.6	12.7	12.6	L+3.75%	2.0%	6.3%	Mar 2023	I/O
Total Industrial				\$139.2	\$121.0	\$120.0					
Residential/Condominium Loans:											
47	Senior	CA	Jan 2018	\$16.7	\$11.6	\$11.5	13.00%	N/A	22.5%	Feb 2020	I/O
48	Subordinated	NY	Oct 2018	16.1	14.9	14.8	L+14.00% ⁽¹¹⁾	2.3%	19.1%	May 2021 ⁽¹¹⁾	I/O
49	Subordinated	HI	Aug 2018	11.5	11.5	11.5	14.00%	N/A	14.5%	Mar 2020	I/O
Total Residential/Condominium				\$44.3	\$38.0	\$37.8					
Self Storage Loans:											
50	Senior	FL	Feb 2019	\$19.5	\$19.5	\$19.4	3.50%	2.0%	6.0%	Mar 2022	I/O
Total Self Storage				\$19.5	\$19.5	\$19.4					
Loan Portfolio Total/Weighted Average				\$1,909.1	\$1,692.9	\$1,682.5		1.8% ⁽¹⁰⁾	6.8%		

See footnotes on page 16.

Consolidated Balance Sheets

	As of	
	12/31/2019	12/31/2018
(\$ in thousands, except share and per share data)		
ASSETS		
Cash and cash equivalents	\$ 5,256	\$ 11,089
Restricted cash	379	379
Loans held for investment (\$515,896 and \$289,576 related to consolidated VIEs, respectively)	1,682,498	1,524,873
Real estate owned, net	37,901	—
Other assets (\$1,309 and \$843 of interest receivable related to consolidated VIEs, respectively; \$41,104 and \$51,582 of other receivables related to consolidated VIEs, respectively)	58,100	66,983
Total assets	<u>\$ 1,784,134</u>	<u>\$ 1,603,324</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Secured funding agreements	\$ 728,589	\$ 777,974
Notes payable	54,708	—
Secured term loan	109,149	108,345
Collateralized loan obligation securitization debt (consolidated VIE)	443,177	270,737
Due to affiliate	2,761	3,163
Dividends payable	9,546	8,914
Other liabilities (\$718 and \$541 of interest payable related to consolidated VIEs, respectively)	9,865	8,604
Total liabilities	<u>1,357,795</u>	<u>1,177,737</u>
STOCKHOLDERS' EQUITY		
Common stock, par value \$0.01 per share, 450,000,000 shares authorized at December 31, 2019 and 2018 and 28,865,610 and 28,755,665 shares issued and outstanding at December 31, 2019 and 2018, respectively	283	283
Additional paid-in capital	423,619	421,739
Accumulated earnings	2,437	3,565
Total stockholders' equity	<u>426,339</u>	<u>425,587</u>
Total liabilities and stockholders' equity	<u>\$ 1,784,134</u>	<u>\$ 1,603,324</u>

Consolidated Statements of Operations

	For the Three Months Ended				
	12/31/2019	9/30/2019	6/30/2019	3/31/2019	12/31/2018
(\$ in thousands, except share and per share data)					
Revenue:					
Interest income from loans held for investment	\$ 28,536	\$ 28,269	\$ 29,993	\$ 27,986	\$ 30,882
Interest expense	(15,044)	(15,124)	(16,675)	(15,740)	(16,357)
Net interest margin	13,492	13,145	13,318	12,246	14,525
Revenue from real estate owned	8,088	6,702	8,357	1,911	—
Total revenue	21,580	19,847	21,675	14,157	14,525
Expenses:					
Management and incentive fees to affiliate	1,959	1,578	2,252	1,574	2,116
Professional fees	641	542	532	478	510
General and administrative expenses	1,035	1,005	1,029	1,120	892
General and administrative expenses reimbursed to affiliate	764	831	771	659	946
Expenses from real estate owned	7,338	6,838	7,118	1,687	—
Total expenses	11,737	10,794	11,702	5,518	4,464
Income before income taxes	9,843	9,053	9,973	8,639	10,061
Income tax expense, including excise tax	183	19	218	96	43
Net income attributable to common stockholders	<u>\$ 9,660</u>	<u>\$ 9,034</u>	<u>\$ 9,755</u>	<u>\$ 8,543</u>	<u>\$ 10,018</u>
Earnings per common share:					
Basic earnings per common share	<u>\$ 0.34</u>	<u>\$ 0.32</u>	<u>\$ 0.34</u>	<u>\$ 0.30</u>	<u>\$ 0.35</u>
Diluted earnings per common share	<u>\$ 0.33</u>	<u>\$ 0.31</u>	<u>\$ 0.34</u>	<u>\$ 0.30</u>	<u>\$ 0.35</u>
Weighted average number of common shares outstanding:					
Basic weighted average shares of common stock outstanding	28,640,363	28,634,514	28,599,282	28,561,827	28,553,540
Diluted weighted average shares of common stock outstanding	28,872,975	28,867,603	28,863,765	28,780,980	28,709,145
Dividends declared per share of common stock	\$ 0.33	\$ 0.33	\$ 0.33	\$ 0.33	\$ 0.31

Reconciliation of Net Income to Non-GAAP Core Earnings⁽¹⁾

	For the Three Months Ended				
	12/31/2019	9/30/2019	6/30/2019	3/31/2019	12/31/2018
(\$ in thousands, except per share data)					
Net income attributable to common stockholders	\$ 9,660	\$ 9,034	\$ 9,755	\$ 8,543	\$ 10,018
Stock-based compensation	482	479	427	492	324
Incentive fees to affiliate	378	—	674	—	540
Depreciation of real estate owned	219	207	188	54	—
Core Earnings	\$ 10,739	\$ 9,720	\$ 11,044	\$ 9,089	\$ 10,882
Net income attributable to common stockholders	\$ 0.34	\$ 0.32	\$ 0.34	\$ 0.30	\$ 0.35
Stock-based compensation	0.02	0.02	0.01	0.02	0.01
Incentive fees to affiliate	0.01	—	0.02	—	0.02
Depreciation of real estate owned	0.01	0.01	0.01	—	—
Basic Core Earnings per common share	\$ 0.37	\$ 0.34	\$ 0.39	\$ 0.32	\$ 0.38
Net income attributable to common stockholders	\$ 0.33	\$ 0.31	\$ 0.34	\$ 0.30	\$ 0.35
Stock-based compensation	0.02	0.02	0.01	0.02	0.01
Incentive fees to affiliate	0.01	—	0.02	—	0.02
Depreciation of real estate owned	0.01	0.01	0.01	—	—
Diluted Core Earnings per common share	\$ 0.37	\$ 0.34	\$ 0.38	\$ 0.32	\$ 0.38

See footnotes on page 16.

Footnotes

1. The Company believes the disclosure of Core Earnings provides useful information to investors regarding the calculation of incentive fees the Company pays to its manager, Ares Commercial Real Estate Management LLC, and the Company's financial performance. Core Earnings is an adjusted non-GAAP measure that helps the Company evaluate its financial performance excluding the effects of certain transactions and GAAP adjustments that it believes are not necessarily indicative of its current loan origination portfolio and operations. 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. Core Earnings is a non-GAAP measure and is defined as net income (loss) computed in accordance with GAAP, excluding non-cash equity compensation expense, the incentive fee, 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.
2. 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. The total 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.
3. Represents total commitments. Ability to draw on available capacity is subject to available collateral and lender approvals.
4. There is no assurance that dividends will continue at these levels or at all. Represents closing price of \$15.84 per share as of December 31, 2019 and based on annualized Q4-19 paid dividend of \$0.33 per common share.
5. Based on outstanding principal balance.
6. Based on outstanding principal balance on new loans closed for the fourth quarter and full-year ended December 31, 2019, respectively.
7. Includes outstanding principal funded of \$204.6 million and \$493.9 million, respectively, on new commitments and \$55.4 million and \$185.3 million, respectively, on previously originated commitments for the fourth quarter and full-year 2019.
8. Represents the hypothetical increases/(decreases) in net income per diluted common share for a twelve month period, assuming (1) an immediate increase or decrease in 30-day LIBOR as of December 31, 2019 of 1.76% and (2) no change in the outstanding principal balance of the Company's loans held for investment portfolio and borrowings as of December 31, 2019. The analysis detailed herein represents ACRE's perspective and is merely a mathematical illustration. These metrics are shown for illustrative purposes only and the terms and characteristics of such transactions are not necessarily indicative of every type of transaction entered into or arranged by ACRE. Any future results may differ from those discussed herein. Accordingly, no representation or warranty is made in respect of this information.
9. I/O = interest only, P/I = principal and interest.
10. The weighted average floor is calculated based on loans with LIBOR floors.
11. In September 2019, the Company and the borrower entered into a modification agreement to, among other things, loan an additional \$2.1 million to the borrower on the subordinated New York loan, for which such amount accrues interest at a per annum rate of 20.00% and has an initial maturity date of April 2020. The remaining outstanding principal balance of the subordinated New York loan continues to accrue interest at L + 14.00% and has an initial maturity date of May 2021.

