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

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**FORM 8-K**

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

Date of report (Date of earliest event reported): May 8, 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. ☐

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**Item 2.02 Results of Operations and Financial Condition.**

On May 8, 2020, the registrant issued a press release announcing its financial results for the quarter ended March 31, 2020. A copy of the summary press release and the earnings presentation are attached hereto as Exhibit 99.1 and Exhibit 99.2, respectively, and incorporated herein by reference.

The information disclosed under this Item 2.02, including Exhibit 99.1 and Exhibit 99.2 hereto, is being furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 and shall not be deemed incorporated by reference into any filing made under the Securities Act of 1933, except as expressly set forth by specific reference in such filing.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits:

| Exhibit Number       | Description  |
|----------------------|--|
| <a href="#">99.1</a> | Press Release, dated May 8, 2020   |
| <a href="#">99.2</a> | Presentation of Ares Commercial Real Estate Corporation, dated May 8, 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: May 8, 2020

By: /s/ Tae-Sik Yoon

Name: Tae-Sik Yoon

Title: Chief Financial Officer and Treasurer



**ARES COMMERCIAL REAL ESTATE CORPORATION REPORTS  
FIRST QUARTER 2020 RESULTS**

*First quarter GAAP net loss of \$17.3 million or \$0.54 per diluted common share and Core Earnings<sup>(1)</sup> of \$10.3 million or \$0.32 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 loss of \$17.3 million or \$0.54 per diluted common share and Core Earnings<sup>(1)</sup> of \$10.3 million or \$0.32 per diluted common share for the first quarter of 2020.

“During this unprecedented economic disruption caused by the COVID-19 pandemic, we have relied on our seasoned team of professionals and rigorous, credit focused investment philosophy to manage our existing portfolio and liquidity position,” said Bryan Donohoe, Chief Executive Officer of ACRE. “We strategically structured our portfolio to be comprised of 95% senior loans with 62% collateralized by multifamily, office and industrial properties with limited exposure to hotel and retail properties. As of quarter end, our portfolio has performed relatively well with no impairments and we received all loan debt service payments for the April 2020 payment date.”

“Our funding structure is diversified across ten different sources of capital with relationship financial institutions that do not contain margin call provisions based on changes in market borrowing spreads,” said Tae-Sik Yoon, Chief Financial Officer of ACRE. “In addition, we have purposefully diversified the composition of senior loans that we finance with each of our lenders.”

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

## COMMON STOCK DIVIDEND

On February 20, 2020, the Company declared a cash dividend of \$0.33 per common share for the first quarter of 2020. The first quarter 2020 dividend was paid on April 15, 2020 to common stockholders of record as of March 31, 2020.

## ADDITIONAL INFORMATION

The Company issued a presentation of its first quarter 2020 results, which can be viewed at [www.arescre.com](http://www.arescre.com) on the Investor Resources section of our home page under Events and Presentations. The presentation is titled "First Quarter 2020 Earnings Presentation." The Company also filed its Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 with the U.S. Securities and Exchange Commission on May 8, 2020.

## CONFERENCE CALL AND WEBCAST INFORMATION

On Friday, May 8, 2020, the Company invites all interested persons to attend its webcast/conference call at 1:00 p.m. (Eastern Time) to discuss its first quarter 2020 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 6127925 followed by the # sign and reference "Ares Commercial Real Estate Corporation" once connected with the operator. All callers are asked to dial in 10-15 minutes prior to the call so that name and company information can be collected. For interested parties, an archived replay of the call will be available through May 21, 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 10141810. An archived replay will also be available through May 21, 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](http://www.arescre.com). The contents of such website are not, and should not be deemed to be, incorporated by reference herein.

## FORWARD-LOOKING STATEMENTS

Statements included herein or on the webcast / conference call may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended, which relate to future events or the Company's future performance or financial condition. These statements are not guarantees of future performance, condition or results and involve a number of risks and uncertainties. Actual results may differ materially from those in the forward-looking statements as a result of a number of factors, including the returns on current and future investments, rates of repayments and prepayments on the Company's mortgage loans, availability of investment opportunities, the Company's ability to originate additional investments and completion of pending investments, the availability of capital, the availability and cost of financing, market trends and conditions in the Company's industry and the general economy, the level of lending and borrowing spreads and interest rates, commercial real estate loan volumes, the impact of the COVID-19 pandemic and the pandemic's impact on the U.S. and global economy, 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 20, 2020, and the risk factors described in Part II - Other Information, Item 1A. Risk Factors in the Company's Quarterly Report on Form 10-Q filed with the SEC on May 8, 2020. 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](mailto:iracre@aresmgmt.com)

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

|   | As of          |                   |
|---|----------------|-------------------|
|   | March 31, 2020 | December 31, 2019 |
|   | (unaudited)    |                   |
| <b>ASSETS</b>   |                |                   |
| Cash and cash equivalents   | \$ 74,498      | \$ 5,256          |
| Restricted cash   | 379            | 379               |
| Loans held for investment (\$425,817 and \$515,896 related to consolidated VIEs, respectively)  | 1,870,639      | 1,682,498         |
| Current expected credit loss reserve  | (29,143)       | —                 |
| Loans held for investment, net of current expected credit loss reserve  | 1,841,496      | 1,682,498         |
| Real estate owned, net  | 37,907         | 37,901            |
| Other assets (\$1,010 and \$1,309 of interest receivable related to consolidated VIEs, respectively; \$131,183 and \$41,104 of other receivables related to consolidated VIEs, respectively)                                      | 147,075        | 58,100            |
| Total assets  | \$ 2,101,355   | \$ 1,784,134      |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                |                   |
| <b>LIABILITIES</b>  |                |                   |
| Secured funding agreements  | \$ 990,564     | \$ 728,589        |
| Notes payable and secured borrowings  | 65,047         | 54,708            |
| Secured term loan   | 109,378        | 109,149           |
| Collateralized loan obligation securitization debt (consolidated VIE)   | 443,558        | 443,177           |
| Due to affiliate  | 2,836          | 2,761             |
| Dividends payable   | 11,057         | 9,546             |
| Other liabilities (\$691 and \$718 of interest payable related to consolidated VIEs, respectively)  | 12,850         | 9,865             |
| Total liabilities   | 1,635,290      | 1,357,795         |
| <b>STOCKHOLDERS' EQUITY</b>   |                |                   |
| Common stock, par value \$0.01 per share, 450,000,000 shares authorized at March 31, 2020 and December 31, 2019 and 33,398,952 and 28,865,610 shares issued and outstanding at March 31, 2020 and December 31, 2019, respectively | 329            | 283               |
| Additional paid-in capital  | 496,689        | 423,619           |
| Accumulated earnings (deficit)  | (30,953)       | 2,437             |
| Total stockholders' equity  | 466,065        | 426,339           |
| Total liabilities and stockholders' equity  | \$ 2,101,355   | \$ 1,784,134      |

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

|  | For the three months ended March 31, |                 |
|--|--------------------------------------|-----------------|
|  | 2020                                 | 2019            |
|  | (unaudited)                          | (unaudited)     |
| <b>Revenue:</b>  |                                      |                 |
| Interest income from loans held for investment               | \$ 31,448                            | \$ 27,986       |
| Interest expense   | (15,534)                             | (15,740)        |
| Net interest margin  | 15,914                               | 12,246          |
| Revenue from real estate owned                               | 5,220                                | 1,911           |
| Total revenue  | 21,134                               | 14,157          |
| <b>Expenses:</b>   |                                      |                 |
| Management and incentive fees to affiliate                   | 1,773                                | 1,574           |
| Professional fees  | 903                                  | 478             |
| General and administrative expenses                          | 868                                  | 1,120           |
| General and administrative expenses reimbursed to affiliate  | 1,051                                | 659             |
| Expenses from real estate owned                              | 6,676                                | 1,687           |
| Total expenses   | 11,271                               | 5,518           |
| Provision for current expected credit losses                 | 27,117                               | —               |
| <b>Income (loss) before income taxes</b>                     | <b>(17,254)</b>                      | <b>8,639</b>    |
| Income tax expense, including excise tax                     | 9                                    | 96              |
| <b>Net income (loss) attributable to common stockholders</b> | <b>\$ (17,263)</b>                   | <b>\$ 8,543</b> |
| <b>Earnings (loss) per common share:</b>                     |                                      |                 |
| Basic and diluted earnings (loss) per common share           | \$ (0.54)                            | \$ 0.30         |
| <b>Weighted average number of common shares outstanding:</b> |                                      |                 |
| Basic weighted average shares of common stock outstanding    | 31,897,952                           | 28,561,827      |
| Diluted weighted average shares of common stock outstanding  | 31,897,952                           | 28,780,980      |
| <b>Dividends declared per share of common stock (1)</b>      | <b>\$ 0.33</b>                       | <b>\$ 0.33</b>  |

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



**SCHEDULE I**

**Reconciliation of Net Income (Loss) 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 (loss) attributable to common stockholders, the most directly comparable GAAP financial measure, to Core Earnings is set forth in the table below for the three and twelve months ended March 31, 2020 (\$ in thousands):

|   | <b>For the three months ended March 31, 2020</b> |               | <b>For the twelve months ended March 31, 2020</b> |               |
|---|--|---------------|---|---------------|
| Net income (loss) attributable to common stockholders | \$   | (17,263)      | \$  | 11,186        |
| Stock-based compensation                              |  | 225           |   | 1,613         |
| Incentive fees to affiliate                           |  | —             |   | 1,052         |
| Depreciation of real estate owned                     |  | 221           |   | 834           |
| Provision for current expected credit losses          |  | 27,117        |   | 27,117        |
| <b>Core Earnings</b>                                  | <b>\$</b>  | <b>10,300</b> | <b>\$</b>   | <b>41,802</b> |
|   |  |               |   |               |
| Net income (loss) attributable to common stockholders | \$   | (0.54)        | \$  | 0.38          |
| Stock-based compensation                              |  | 0.01          |   | 0.05          |
| Incentive fees to affiliate                           |  | —             |   | 0.04          |
| Depreciation of real estate owned                     |  | 0.01          |   | 0.03          |
| Provision for current expected credit losses          |  | 0.85          |   | 0.92          |
| <b>Basic Core Earnings per common share</b>           | <b>\$</b>  | <b>0.32</b>   | <b>\$</b>   | <b>1.42</b>   |
|   |  |               |   |               |
| Net income (loss) attributable to common stockholders | \$   | (0.54)        | \$  | 0.38          |
| Stock-based compensation                              |  | 0.01          |   | 0.05          |
| Incentive fees to affiliate                           |  | —             |   | 0.04          |
| Depreciation of real estate owned                     |  | 0.01          |   | 0.03          |
| Provision for current expected credit losses          |  | 0.84          |   | 0.91          |
| <b>Diluted Core Earnings per common share</b>         | <b>\$</b>  | <b>0.32</b>   | <b>\$</b>   | <b>1.41</b>   |



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## First Quarter 2020 Earnings Presentation

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# 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 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 and conditions may differ materially from those in the forward-looking statements as a result of a number of factors, including those described from time to time in ACRE's and/or Ares Corp.'s filings with the Securities and Exchange Commission ("SEC"). Any such forward-looking statements are made pursuant to the safe harbor provisions available under applicable securities laws. For a discussion regarding the potential risks and impact of the COVID-19 pandemic on ACRE, see Part I, Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operation" and Part II, Item 1A. "Risk Factors" in ACRE's Quarterly Report on Form 10-Q.

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 or Ares may make, by press release or otherwise, from time to time. ACRE 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 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 or Ares or information about the market, as indicative of future results, the achievement of which cannot be assured.

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# Business Highlights

## Attractive Portfolio Positioning

95% senior loans

No liquid securities

Multifamily, office and industrial properties comprise 62% of loan portfolio

96% of the loan portfolio is either fixed rate or floating rate with a LIBOR floor (weighted average LIBOR floor of 1.77%)

## Well Capitalized Balance Sheet

Unrestricted cash as of May 7, 2020 of approximately \$50 million

Total borrowings across ten different sources

Primarily match funded assets and liabilities

No margin calls based on changes in market borrowing spreads on credit facilities

## Strong Credit Quality

No loan impairments since inception

100% debt service payments received for April 2020 payment date

We believe Ares Management sponsorship provides informational advantages and enhances asset management capabilities

Note: As of March 31, 2020, unless otherwise noted.  
See footnotes on page 16.

# First Quarter 2020 Results

|                                    |   |
|------------------------------------|---|
| <b>Financial Results</b>           | <ul style="list-style-type: none"> <li>GAAP loss of \$17.3 million or \$0.54 per diluted common share, inclusive of \$27.1 million or \$0.85 per diluted common share CECL impact</li> <li>Core Earnings<sup>(1)</sup> of \$10.3 million or \$0.32 per diluted common share</li> <li>Book value per diluted common share of \$13.95 or \$14.92 excluding current expected credit losses ("CECL") reserve</li> </ul>   |
| <b>CECL</b>                        | <ul style="list-style-type: none"> <li>Cumulative CECL reserve of \$32.2 million reflects macroeconomic environment from COVID-19</li> <li>Provision for current expected credit losses of \$27.1 million or \$0.85 per diluted common share for Q1-20</li> </ul>   |
| <b>Originations and Repayments</b> | <ul style="list-style-type: none"> <li>Closed six senior loans and one subordinated loan totaling \$355.8 million in commitments</li> <li>\$284.6 million in outstanding principal initially funded on new commitments</li> <li>\$12.7 million in outstanding principal funded on previously originated commitments</li> <li>Repayments of \$107.1 million from four loans</li> </ul>   |
| <b>Total Loan Portfolio</b>        | <ul style="list-style-type: none"> <li>53 loans held for investment</li> <li>\$2.2 billion in originated commitments at closing and \$1.9 billion in outstanding principal</li> <li>Weighted average unleveraged effective yield of 6.2%<sup>(2)</sup> (including non-accrual loans) and 6.6% (excluding non-accrual loans)</li> <li>Based on March 31, 2020 ending spot one month LIBOR rate of 0.99%, approximately 88% of the Q1-20 portfolio is either fixed rate or floating rate with a LIBOR floor that is currently "in the money"</li> </ul> |
| <b>Dividends</b>                   | <ul style="list-style-type: none"> <li>Common stock dividend of \$0.33 per common share for Q1-20 paid in cash on April 15, 2020*</li> </ul>  |

\* There is no assurance dividends will continue at these levels or at all.  
 Note: As of March 31, 2020, unless otherwise noted.  
 See footnotes on page 16.



# Total Loans Held for Investment Portfolio

## Key Statistics

(\$ in millions)

|   |           |
|---|-----------|
| Total loan commitments  | \$2,158.1 |
| Outstanding principal balance   | \$1,883.1 |
| Weighted average unpaid principal balance of loan portfolio*                          | \$1,854.1 |
| Total number of loans   | 53        |
| Percentage of floating rate loans based on outstanding principal balance              | 98%       |
| Percentage of senior loans based on outstanding principal balance                     | 95%       |
| 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 | 2.5 years |

## Unleveraged Effective Yield<sup>(2)</sup>



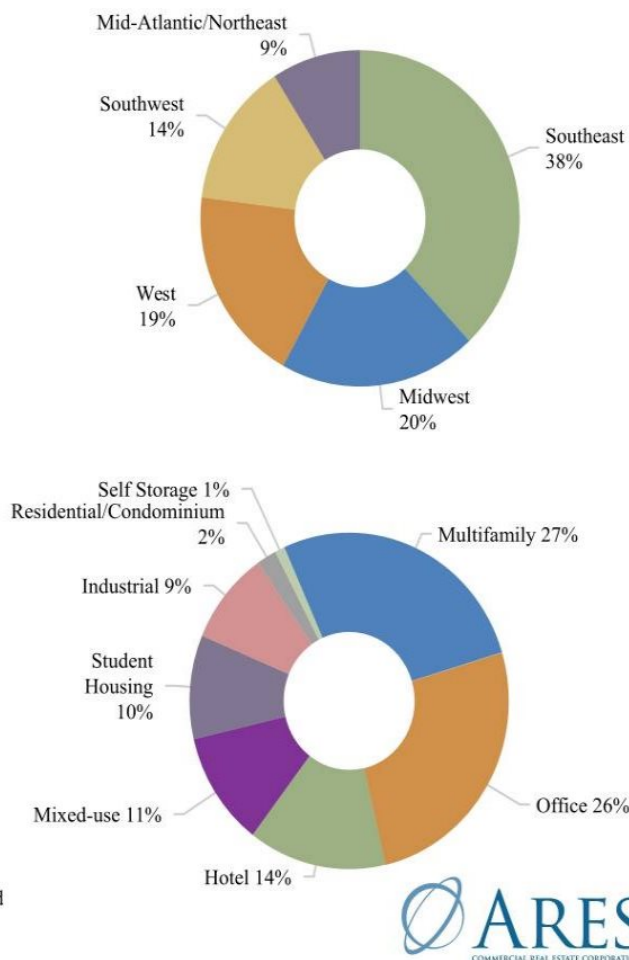
Note: As of March 31, 2020, unless otherwise noted.

\* During the quarter ended March 31, 2020.

\*\*Excludes impact of loans on non-accrual status as of March 31, 2020. Including non-accrual loans, total weighted average Unleveraged Effective Yield for total portfolio and senior loans would be 6.2% and 5.9%, respectively.

See footnotes on page 16.

## Loan Portfolio Characteristics<sup>(4)</sup>

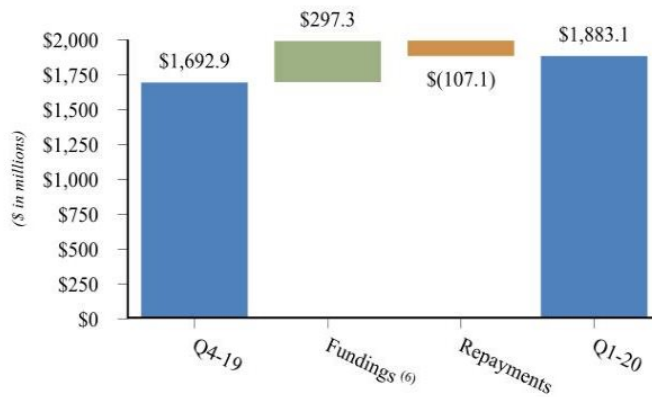


# First Quarter 2020 Investment Activity

## First Quarter 2020 Loans Summary

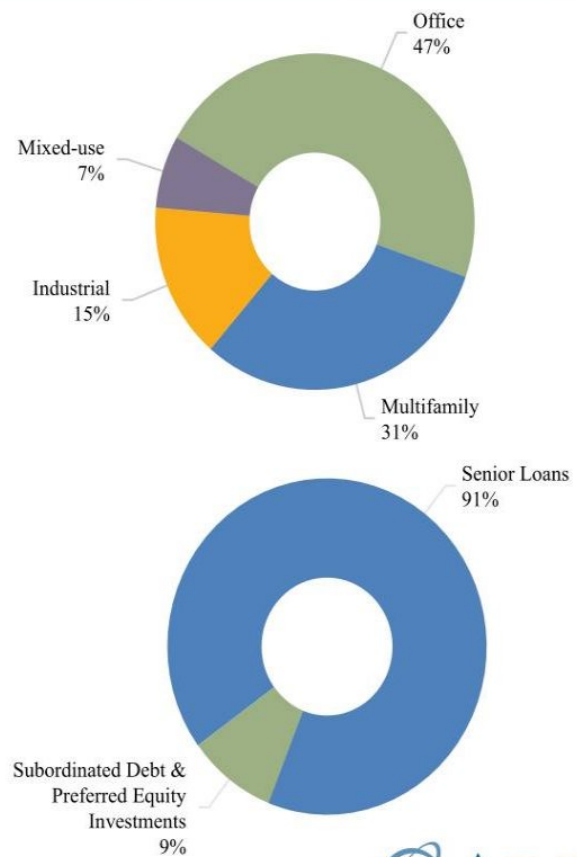
|                                   |         |
|-----------------------------------|---------|
| (\$ in millions)                  |         |
| Number of loans closed            | 7       |
| New loan commitments              | \$355.8 |
| Average size of loans closed      | \$50.8  |
| Percentage of floating rate loans | 100%    |
| Percentage of senior loans        | 91%     |
| Total fundings <sup>(6)</sup>     | \$297.3 |

## Changes in Loan Portfolio<sup>(4)</sup>



Note: As of March 31, 2020, unless otherwise noted.  
See footnotes on page 16.

## Characteristics of Funded Loans<sup>(5)</sup>



## Interest Rate Sensitivity<sup>(4)</sup>

- 98% of the loan portfolio is floating rate and 2% is fixed rate
- 96% of the loan portfolio is either floating rate with a LIBOR floor (94%) or fixed rate (2%)
  - For the floating rate loans with LIBOR floors, the weighted average LIBOR floor is 1.77%
- 88% of the loan portfolio is either fixed rate or floating rate with a LIBOR floor of 0.99% or higher
- 100% of outstanding financing is floating rate
  - 8% has a LIBOR floor with a weighted average LIBOR floor of 1.49%

### Total Loan Portfolio by LIBOR Floor Levels

(\$ in millions)

| LIBOR Floor Range | Outstanding Principal | % Total | Cumulative % |
|-------------------|-----------------------|---------|--------------|
| Fixed rate        | \$ 42.9               | 2%      | 2%           |
| 2.25% - 2.50%     | 410.3                 | 22%     | 24%          |
| 2.00% - 2.24%     | 218.4                 | 12%     | 36%          |
| 1.75% - 1.99%     | 403.7                 | 21%     | 57%          |
| 1.50% - 1.74%     | 360.7                 | 19%     | 76%          |
| 1.25% - 1.49%     | 139.6                 | 8%      | 84%          |
| 1.00% - 1.24%     | 72.2                  | 4%      | 88%          |
| <1.00%            | 159.1                 | 8%      | 96%          |
| No floor          | 76.2                  | 4%      | 100%         |
| Total             | \$ 1,883.1            | 100%    |              |

Note: As of March 31, 2020, unless otherwise noted.

\*Per diluted weighted average common shares of 31.9 million for the three months ended March 31, 2020.

See footnotes on page 16.

### Net Income Sensitivity to USD LIBOR Changes<sup>(7)</sup>

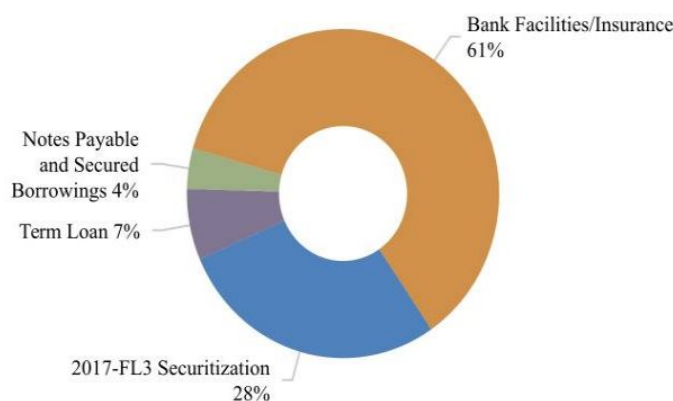


■ Annual estimated increase/(decrease) in net income (loss) (per diluted common share basis)\*



# Financing Sources Overview

## Financing Sources Composition<sup>(4)</sup>



Primarily match-funded, asset-level financing

|   |                   |
|---|-------------------|
| Debt to equity ratio excluding CECL reserve*              | 3.2x              |
| Loans held for investment weighted average remaining life | 1.6 years         |
| Weighted average remaining term of financing agreements** | 3.2 years         |
| Q1-20 weighted average borrowings***                      | \$1,449.7 million |

Note: As of March 31, 2020, unless otherwise noted.

\* Debt to equity ratio of 3.5x including CECL reserve.

\*\* Assumes exercise of extension options.

\*\*\* During the quarter ended March 31, 2020.

See footnotes on page 16.

## Financing Sources Detail

(\$ in millions)

| Financing Sources                    | Total Commitments <sup>(3)</sup> | Interest Rate       | Outstanding Balance |
|--------------------------------------|----------------------------------|---------------------|---------------------|
| <b>Bank Facilities</b>               |                                  |                     |                     |
| Wells Fargo Facility                 | \$ 500.0                         | LIBOR+1.45 to 2.25% | \$ 472.9            |
| Citibank Facility                    | 325.0                            | LIBOR+1.50 to 2.50% | 122.5               |
| BAML Facility                        | 36.3                             | LIBOR+2.00 to 2.75% | 36.3                |
| CNB Facility                         | 50.0                             | LIBOR+2.65%         | 50.0                |
| U.S. Bank Facility                   | 186.0                            | LIBOR+1.65 to 2.25% | 39.2                |
| Morgan Stanley Facility              | 150.0                            | LIBOR+1.75 to 2.85% | 117.2               |
| <b>Insurance</b>                     |                                  |                     |                     |
| MetLife Facility                     | 180.0                            | LIBOR+2.10 to 2.30% | 152.5               |
| Subtotal                             | \$ 1,427.3                       |                     | \$ 990.6            |
| <b>Asset Level Financing</b>         |                                  |                     |                     |
| Notes Payable and Secured Borrowings | \$ 108.6                         | LIBOR+2.50 to 3.75% | \$ 66.7             |
| <b>Capital Markets</b>               |                                  |                     |                     |
| Term Loan                            | \$ 110.0                         | LIBOR+5.00%         | \$ 110.0            |
| 2017-FL3 Securitization              | 445.6                            | LIBOR + 1.70%       | 445.6               |
| Subtotal                             | \$ 555.6                         |                     | \$ 555.6            |
| <b>Total Debt</b>                    | <b>\$ 2,091.5</b>                |                     | <b>\$ 1,612.9</b>   |



## Current Expected Credit Losses - Additional Information

### Current Expected Credit Loss Reserve

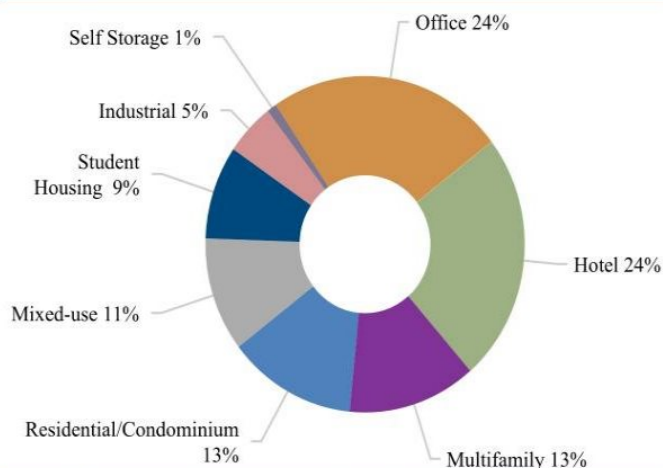
(\$ in thousands)

|  |    |               |
|--|----|---------------|
| Balance at 12/31/19                          | \$ | —             |
| Initial reserve upon adoption                |    | 5,051         |
| Provision for current expected credit losses |    | 27,117        |
| Write-offs                                   |    | —             |
| Recoveries                                   |    | —             |
| Balance at 3/31/20                           | \$ | <u>32,168</u> |

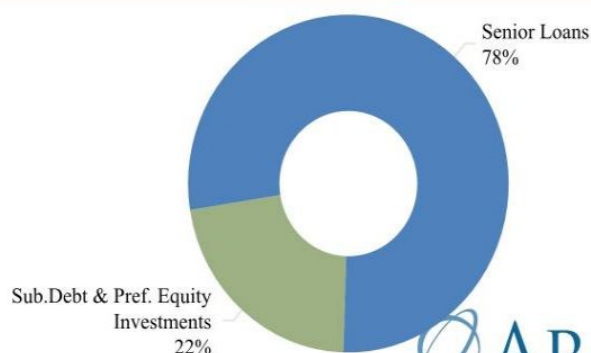
- CECL adoption impact on 1/1/20 of \$5.1 million bifurcated between funded commitments of \$4.4 million and unfunded commitments of \$0.6 million
- Q1-20 provision for current expected credit losses of \$27.1 million bifurcated between funded commitments of \$24.7 million and unfunded commitments of \$2.4 million
- No specific loan impairments on loan portfolio
- Increased reserve for current expected credit losses from initial adoption reflects associated economic impact of COVID-19
- Weighted average risk rating of 3.0 on a scale of 1.0 (lowest risk) to 5.0 (highest risk)

Note: As of March 31, 2020, unless otherwise noted.  
See footnotes on page 16.

### Current Expected Credit Loss Reserve by Property Type



### Current Expected Credit Loss Reserve by Loan Type



## Appendix

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# 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 <sup>(2)</sup> | Maturity Date | Payment Terms <sup>(8)</sup> |
|--------------------|--------------|-------------|------------------|-------------------------|-----------------------|----------------|---------------|-------------|--|---------------|------------------------------|
| Multifamily Loans: |              |             |                  |                         |                       |                |               |             |  |               |                              |
| 1                  | Senior       | FL          | Sep 2016         | \$89.7                  | \$89.7                | \$89.7         | L+4.75%       | 0.5%        | 5.7%                                       | May 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                  | 45.4           | L+4.75%       | 0.5%        | 5.7%                                       | May 2020      | I/O                          |
| 4                  | Senior       | FL          | Dec 2018         | 43.5                    | 42.8                  | 42.5           | L+2.60%       | 2.4%        | 5.5%                                       | Jan 2022      | I/O                          |
| 5                  | Senior       | NJ          | Mar 2020         | 41.0                    | 41.0                  | 40.7           | L+3.05%       | 1.5%        | 4.9%                                       | Mar 2022      | I/O                          |
| 6                  | Senior       | IL          | Nov 2018         | 40.0                    | 39.4                  | 39.3           | 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                    | 30.1                  | 30.1           | L+3.20%       | 1.4%        | 4.9%                                       | Dec 2020      | I/O                          |
| 9                  | Senior       | TX          | Jan 2020         | 29.6                    | 29.6                  | 29.3           | L+3.25%       | 1.7%        | 5.5%                                       | Feb 2023      | I/O                          |
| 10                 | Senior       | PA          | Dec 2018         | 30.2                    | 29.3                  | 29.2           | L+3.00%       | 2.4%        | 5.9%                                       | Dec 2021      | I/O                          |
| 11                 | Senior       | TX          | Sep 2017         | 27.5                    | 27.5                  | 27.5           | L+3.20%       | 1.2%        | 4.9%                                       | Oct 2020      | I/O                          |
| 12                 | Senior       | WA          | Feb 2020         | 19.0                    | 18.6                  | 18.4           | L+3.00%       | 1.7%        | 5.1%                                       | Mar 2023      | I/O                          |
| 13                 | Senior       | SC          | Aug 2019         | 34.6                    | 2.1                   | 1.7            | L+6.50%       | 2.2%        | 10.2%                                      | Sep 2022      | I/O                          |
| Total Multifamily  |              |             |                  | \$541.5                 | \$506.3               | \$504.0        |               |             |  |               |                              |
|                    |              |             |                  |                         |                       |                |               |             |  |               |                              |
| Office Loans:      |              |             |                  |                         |                       |                |               |             |  |               |                              |
| 14                 | Senior       | Diversified | Jan 2020         | \$132.6                 | \$107.5               | \$106.9        | L+3.65%       | 1.6%        | 5.7%                                       | Jan 2023      | I/O                          |
| 15                 | Senior       | IL          | Nov 2017         | 82.0                    | 69.5                  | 69.3           | L+3.75%       | 1.3%        | 5.6%                                       | Dec 2020      | I/O                          |
| 16                 | Senior       | IL          | May 2018         | 59.6                    | 57.2                  | 57.0           | L+3.95%       | 2.0%        | 6.3%                                       | June 2021     | I/O                          |
| 17                 | Senior       | NC          | Mar 2019         | 84.0                    | 53.9                  | 53.4           | L+4.25%       | 2.4%        | 8.5%                                       | Mar 2021      | I/O                          |
| 18                 | Senior       | GA          | Nov 2019         | 56.2                    | 37.2                  | 36.7           | L+3.05%       | 2.0%        | 5.8%                                       | Dec 2022      | I/O                          |
| 19                 | Senior       | CA          | Oct 2019         | 37.2                    | 30.9                  | 30.6           | L+3.35%       | 2.0%        | 6.0%                                       | Nov 2022      | I/O                          |
| 20                 | Senior       | IL          | Dec 2019         | 41.9                    | 27.5                  | 27.2           | L+3.80%       | 1.8%        | 6.2%                                       | Jan 2023      | I/O                          |
| 21                 | Subordinated | IL          | Mar 2020         | 37.5                    | 26.2                  | 25.8           | L+8.00%       | 1.5%        | 10.2%                                      | Mar 2023      | I/O                          |
| 22                 | Senior       | CA          | Nov 2018         | 22.8                    | 17.8                  | 17.7           | L+3.40%       | 2.3%        | 6.3%                                       | Nov 2021      | I/O                          |
| 23                 | Subordinated | NJ          | Mar 2016         | 17.0                    | 17.0                  | 16.4           | 12.00%        | N/A         | 12.8%                                      | Jan 2026      | I/O                          |
| 24                 | Senior       | TX          | Apr 2019         | 28.2                    | 13.5                  | 13.3           | L+4.05%       | 2.5%        | 7.7%                                       | Nov 2021      | I/O                          |
| 25                 | Senior       | NC          | Apr 2019         | 30.5                    | 13.3                  | 12.6           | L+3.53%       | 2.3%        | 7.7%                                       | May 2023      | I/O                          |
| 26                 | Senior       | NC          | Oct 2018         | 13.5                    | 8.6                   | 8.5            | L+4.00%       | 2.1%        | 6.7%                                       | Nov 2022      | I/O                          |
| 27                 | Subordinated | CA          | Nov 2017         | 3.1                     | 2.9                   | 2.9            | L+8.25%       | 1.3%        | 9.7%                                       | Nov 2021      | I/O                          |
| Total Office       |              |             |                  | \$646.1                 | \$483.0               | \$478.3        |               |             |  |               |                              |

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 <sup>(2)</sup> | Maturity Date | Payment Terms <sup>(3)</sup> |
|------------------------|--------------|-------------|------------------|-------------------------|-----------------------|----------------|---------------|-------------|--|---------------|------------------------------|
| Hotel Loans:           |              |             |                  |                         |                       |                |               |             |  |               |                              |
| 28                     | Senior       | OR/WA       | May 2018         | \$68.1                  | \$68.1                | \$67.8         | L+3.45%       | 1.9%        | 4.6% <sup>(9)</sup>                        | May 2021      | I/O                          |
| 29                     | Senior       | Diversified | Sep 2018         | 64.3                    | 60.3                  | 60.0           | L+3.60%       | 2.1%        | 6.2%                                       | Sep 2021      | I/O                          |
| 30                     | Senior       | CA          | Dec 2017         | 40.0                    | 40.0                  | 39.9           | L+4.12%       | 1.4%        | 5.9%                                       | Jan 2021      | I/O                          |
| 31                     | Senior       | MI          | Nov 2015         | 35.2                    | 35.2                  | 35.2           | L+4.40%       | N/A         | —% <sup>(10)</sup>                         | July 2020     | I/O                          |
| 32                     | Senior       | IL          | Apr 2018         | 32.9                    | 32.9                  | 32.7           | L+4.40%       | 1.9%        | —% <sup>(10)</sup>                         | May 2021      | I/O                          |
| 33                     | Senior       | MN          | Aug 2018         | 31.5                    | 31.5                  | 31.4           | L+3.55%       | 2.1%        | 6.0%                                       | Aug 2021      | I/O                          |
| Total Hotel            |              |             |                  | \$272.0                 | \$268.0               | \$267.0        |               |             |  |               |                              |
| Mixed-Use Loans:       |              |             |                  |                         |                       |                |               |             |  |               |                              |
| 34                     | Senior       | FL          | Feb 2019         | \$100.6                 | \$100.6               | \$100.0        | L+4.25%       | 2.5%        | 7.8%                                       | Feb 2021      | I/O                          |
| 35                     | Senior       | CA          | Mar 2018         | 56.1                    | 49.0                  | 48.8           | L+4.00%       | 1.9%        | 6.3%                                       | Apr 2021      | I/O                          |
| 36                     | Senior       | TX          | Sep 2019         | 42.2                    | 34.3                  | 34.0           | L+3.75%       | 2.3%        | 6.7%                                       | Sep 2022      | I/O                          |
| 37                     | Senior       | CA          | Feb 2020         | 39.6                    | 19.7                  | 19.3           | L+4.10%       | 1.7%        | 6.4%                                       | Mar 2023      | I/O                          |
| 38                     | Subordinated | IL          | May 2018         | 15.3                    | 14.9                  | 14.8           | L+12.25%      | 1.5%        | 14.6%                                      | Nov 2021      | I/O                          |
| Total Mixed-Use        |              |             |                  | \$253.8                 | \$218.5               | \$216.9        |               |             |  |               |                              |
| Student Housing Loans: |              |             |                  |                         |                       |                |               |             |  |               |                              |
| 39                     | Senior       | CA          | June 2017        | \$43.0                  | \$41.7                | \$41.7         | L+3.95%       | 1.2%        | 5.7%                                       | July 2020     | I/O                          |
| 40                     | Senior       | TX          | Dec 2017         | 41.0                    | 41.0                  | 40.9           | L+4.75%       | N/A         | 6.3%                                       | Jan 2021      | I/O                          |
| 41                     | Senior       | NC          | Feb 2019         | 30.0                    | 30.0                  | 29.9           | L+3.15%       | 2.3%        | 5.9%                                       | Feb 2022      | I/O                          |
| 42                     | Senior       | TX          | Dec 2017         | 25.1                    | 24.6                  | 24.3           | L+3.45%       | 1.6%        | 5.5%                                       | Feb 2023      | I/O                          |
| 43                     | Senior       | AL          | Feb 2017         | 24.1                    | 24.1                  | 23.6           | L+4.45%       | 0.8%        | —% <sup>(10)</sup>                         | Aug 2020      | I/O                          |
| 44                     | Senior       | FL          | Jul 2019         | 22.0                    | 22.0                  | 21.8           | L+3.25%       | 2.3%        | 5.9%                                       | Aug 2022      | I/O                          |
| Total Student Housing  |              |             |                  | \$185.2                 | \$183.4               | \$182.2        |               |             |  |               |                              |

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 <sup>(2)</sup> | Maturity Date | Payment Terms <sup>(6)</sup> |
|---------------------------------------|--------------|----------|------------------|-------------------------|-----------------------|----------------|---------------|----------------------|--|---------------|------------------------------|
| Industrial Loans:                     |              |          |                  |                         |                       |                |               |                      |  |               |                              |
| 45                                    | Senior       | FL       | Oct 2019         | \$52.5                  | \$52.5                | \$52.0         | L+6.10%       | 2.1%                 | 8.8%                                       | Oct 2022      | I/O                          |
| 46                                    | Senior       | NY       | Jan 2020         | 56.5                    | 43.8                  | 43.4           | L+5.00%       | 1.6%                 | 8.3%                                       | Feb 2021      | I/O                          |
| 47                                    | Senior       | NC       | May 2019         | 40.5                    | 34.8                  | 34.6           | L+4.05%       | 1.6%                 | 5.9%                                       | Mar 2024      | I/O                          |
| 48                                    | Senior       | CA       | Nov 2019         | 26.6                    | 21.1                  | 20.9           | L+4.50%       | 1.9%                 | 7.4%                                       | Dec 2021      | I/O                          |
| 49                                    | Senior       | CA       | Aug 2019         | 19.6                    | 13.0                  | 12.8           | L+3.75%       | 2.0%                 | 6.3%                                       | Mar 2023      | I/O                          |
| Total Industrial                      |              |          |                  | \$195.7                 | \$165.2               | \$163.7        |               |                      |  |               |                              |
| Residential/Condominium Loans:        |              |          |                  |                         |                       |                |               |                      |  |               |                              |
| 50                                    | Senior       | CA       | Jan 2018         | \$16.7                  | \$12.2                | \$12.2         | 13.00%        | N/A                  | 14.4%                                      | Aug 2020      | I/O                          |
| 51                                    | Subordinated | NY       | Oct 2018         | 16.1                    | 15.5                  | 15.4           | L+14.00%      | 2.3%                 | 19.1%                                      | May 2021      | I/O                          |
| 52                                    | Subordinated | HI       | Aug 2018         | 11.5                    | 11.5                  | 11.5           | 14.00%        | N/A                  | 14.5%                                      | Oct 2020      | I/O                          |
| Total Residential/Condominium         |              |          |                  | \$44.3                  | \$39.2                | \$39.1         |               |                      |  |               |                              |
| Self Storage Loans:                   |              |          |                  |                         |                       |                |               |                      |  |               |                              |
| 53                                    | Senior       | FL       | Feb 2019         | \$19.5                  | \$19.5                | \$19.4         | L+3.50%       | 2.0%                 | 6.0%                                       | Mar 2022      | I/O                          |
| Total Self Storage                    |              |          |                  | \$19.5                  | \$19.5                | \$19.4         |               |                      |  |               |                              |
| Loan Portfolio Total/Weighted Average |              |          |                  | \$2,158.1               | \$1,883.1             | \$1,870.6      |               | 1.8% <sup>(11)</sup> | 6.2%                                       |               |                              |

See footnotes on page 16.



# Consolidated Balance Sheets

|   | As of                         |                     |
|---|-------------------------------|---------------------|
|   | March 31, 2020<br>(unaudited) | December 31, 2019   |
| (\$ in thousands, except share and per share data)  |                               |                     |
| <b>ASSETS</b>   |                               |                     |
| Cash and cash equivalents   | \$ 74,498                     | \$ 5,256            |
| Restricted cash   | 379                           | 379                 |
| Loans held for investment (\$425,817 and \$515,896 related to consolidated VIEs, respectively)  | 1,870,639                     | 1,682,498           |
| Current expected credit loss reserve  | (29,143)                      | —                   |
| Loans held for investment, net of current expected credit loss reserve  | 1,841,496                     | 1,682,498           |
| Real estate owned, net  | 37,907                        | 37,901              |
| Other assets (\$1,010 and \$1,309 of interest receivable related to consolidated VIEs, respectively; \$131,183 and \$41,104 of other receivables related to consolidated VIEs, respectively)                                      | 147,075                       | 58,100              |
| Total assets  | <u>\$ 2,101,355</u>           | <u>\$ 1,784,134</u> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                               |                     |
| <b>LIABILITIES</b>  |                               |                     |
| Secured funding agreements  | \$ 990,564                    | \$ 728,589          |
| Notes payable and secured borrowings  | 65,047                        | 54,708              |
| Secured term loan   | 109,378                       | 109,149             |
| Collateralized loan obligation securitization debt (consolidated VIE)   | 443,558                       | 443,177             |
| Due to affiliate  | 2,836                         | 2,761               |
| Dividends payable   | 11,057                        | 9,546               |
| Other liabilities (\$691 and \$718 of interest payable related to consolidated VIEs, respectively)  | 12,850                        | 9,865               |
| Total liabilities   | <u>1,635,290</u>              | <u>1,357,795</u>    |
| <b>STOCKHOLDERS' EQUITY</b>   |                               |                     |
| Common stock, par value \$0.01 per share, 450,000,000 shares authorized at March 31, 2020 and December 31, 2019 and 33,398,952 and 28,865,610 shares issued and outstanding at March 31, 2020 and December 31, 2019, respectively | 329                           | 283                 |
| Additional paid-in capital  | 496,689                       | 423,619             |
| Accumulated earnings (deficit)  | (30,953)                      | 2,437               |
| Total stockholders' equity  | <u>466,065</u>                | <u>426,339</u>      |
| Total liabilities and stockholders' equity  | <u>\$ 2,101,355</u>           | <u>\$ 1,784,134</u> |

# Consolidated Statements of Operations

|  | For the Three Months Ended |                 |                 |                 |                 |
|--|----------------------------|-----------------|-----------------|-----------------|-----------------|
|  | 3/31/2020                  | 12/31/2019      | 9/30/2019       | 6/30/2019       | 3/31/2019       |
| (\$ in thousands, except share and per share data)           |                            |                 |                 |                 |                 |
| <b>Revenue:</b>  |                            |                 |                 |                 |                 |
| Interest income from loans held for investment               | \$ 31,448                  | \$ 28,536       | \$ 28,269       | \$ 29,993       | \$ 27,986       |
| Interest expense   | (15,534)                   | (15,044)        | (15,124)        | (16,675)        | (15,740)        |
| Net interest margin  | 15,914                     | 13,492          | 13,145          | 13,318          | 12,246          |
| Revenue from real estate owned                               | 5,220                      | 8,088           | 6,702           | 8,357           | 1,911           |
| Total revenue  | 21,134                     | 21,580          | 19,847          | 21,675          | 14,157          |
| <b>Expenses:</b>   |                            |                 |                 |                 |                 |
| Management and incentive fees to affiliate                   | 1,773                      | 1,959           | 1,578           | 2,252           | 1,574           |
| Professional fees  | 903                        | 641             | 542             | 532             | 478             |
| General and administrative expenses                          | 868                        | 1,035           | 1,005           | 1,029           | 1,120           |
| General and administrative expenses reimbursed to affiliate  | 1,051                      | 764             | 831             | 771             | 659             |
| Expenses from real estate owned                              | 6,676                      | 7,338           | 6,838           | 7,118           | 1,687           |
| Total expenses   | 11,271                     | 11,737          | 10,794          | 11,702          | 5,518           |
| Provision for current expected credit losses                 | 27,117                     | —               | —               | —               | —               |
| <b>Income (loss) before income taxes</b>                     | <b>(17,254)</b>            | <b>9,843</b>    | <b>9,053</b>    | <b>9,973</b>    | <b>8,639</b>    |
| Income tax expense, including excise tax                     | 9                          | 183             | 19              | 218             | 96              |
| <b>Net income (loss) attributable to common stockholders</b> | <b>\$ (17,263)</b>         | <b>\$ 9,660</b> | <b>\$ 9,034</b> | <b>\$ 9,755</b> | <b>\$ 8,543</b> |
| <b>Earnings (loss) per common share:</b>                     |                            |                 |                 |                 |                 |
| Basic earnings (loss) per common share                       | \$ (0.54)                  | \$ 0.34         | \$ 0.32         | \$ 0.34         | \$ 0.30         |
| Diluted earnings (loss) per common share                     | \$ (0.54)                  | \$ 0.33         | \$ 0.31         | \$ 0.34         | \$ 0.30         |
| <b>Weighted average number of common shares outstanding:</b> |                            |                 |                 |                 |                 |
| Basic weighted average shares of common stock outstanding    | 31,897,952                 | 28,640,363      | 28,634,514      | 28,599,282      | 28,561,827      |
| Diluted weighted average shares of common stock outstanding  | 31,897,952                 | 28,872,975      | 28,867,603      | 28,863,765      | 28,780,980      |
| <b>Dividends declared per share of common stock*</b>         | <b>\$ 0.33</b>             | <b>\$ 0.33</b>  | <b>\$ 0.33</b>  | <b>\$ 0.33</b>  | <b>\$ 0.33</b>  |

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



## Reconciliation of Net Income (Loss) to Non-GAAP Core Earnings<sup>(1)</sup>

|   | For the Three Months Ended |                  |                 |                  |                 |
|---|----------------------------|------------------|-----------------|------------------|-----------------|
|   | 3/31/2020                  | 12/31/2019       | 9/30/2019       | 6/30/2019        | 3/31/2019       |
| (\$ in thousands, except per share data)              |                            |                  |                 |                  |                 |
| Net income (loss) attributable to common stockholders | \$ (17,263)                | \$ 9,660         | \$ 9,034        | \$ 9,755         | \$ 8,543        |
| Stock-based compensation                              | 225                        | 482              | 479             | 427              | 492             |
| Incentive fees to affiliate                           | —                          | 378              | —               | 674              | —               |
| Depreciation of real estate owned                     | 221                        | 219              | 207             | 188              | 54              |
| Provision for current expected credit losses          | 27,117                     | —                | —               | —                | —               |
| <b>Core Earnings</b>                                  | <b>\$ 10,300</b>           | <b>\$ 10,739</b> | <b>\$ 9,720</b> | <b>\$ 11,044</b> | <b>\$ 9,089</b> |
| Net income (loss) attributable to common stockholders | \$ (0.54)                  | \$ 0.34          | \$ 0.32         | \$ 0.34          | \$ 0.30         |
| Stock-based compensation                              | 0.01                       | 0.02             | 0.02            | 0.01             | 0.02            |
| Incentive fees to affiliate                           | —                          | 0.01             | —               | 0.02             | —               |
| Depreciation of real estate owned                     | 0.01                       | 0.01             | 0.01            | 0.01             | —               |
| Provision for current expected credit losses          | 0.85                       | —                | —               | —                | —               |
| <b>Basic Core Earnings per common share</b>           | <b>\$ 0.32</b>             | <b>\$ 0.37</b>   | <b>\$ 0.34</b>  | <b>\$ 0.39</b>   | <b>\$ 0.32</b>  |
| Net income (loss) attributable to common stockholders | \$ (0.54)                  | \$ 0.33          | \$ 0.31         | \$ 0.34          | \$ 0.30         |
| Stock-based compensation                              | 0.01                       | 0.02             | 0.02            | 0.01             | 0.02            |
| Incentive fees to affiliate                           | —                          | 0.01             | —               | 0.02             | —               |
| Depreciation of real estate owned                     | 0.01                       | 0.01             | 0.01            | 0.01             | —               |
| Provision for current expected credit losses          | 0.84                       | —                | —               | —                | —               |
| <b>Diluted Core Earnings per common share</b>         | <b>\$ 0.32</b>             | <b>\$ 0.37</b>   | <b>\$ 0.34</b>  | <b>\$ 0.38</b>   | <b>\$ 0.32</b>  |

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 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. Based on outstanding principal balance.
5. Based on outstanding principal balance on new loans closed for the three months ended March 31, 2020.
6. Includes outstanding principal funded of \$284.6 million on initial fundings on new commitments and \$12.7 million on previously originated commitments.
7. Represents the estimated hypothetical increases/(decreases) in net income (loss) per diluted common share for a twelve month period, assuming (1) an immediate increase or decrease in 30-day LIBOR as of March 31, 2020 and (2) no change in the outstanding principal balance of the Company's loans held for investment portfolio and borrowings as of March 31, 2020. The analysis detailed herein represents the Company'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 the Company. Any future results may differ from those discussed herein. Accordingly, no representation or warranty is made in respect of this information.
8. I/O = interest only, P/I = principal and interest.
9. At origination, the Oregon/Washington loan was structured as both a senior and mezzanine loan with the Company holding both positions. The mezzanine position of this loan, which had an outstanding principal balance of \$13.1 million as of March 31, 2020, was on non-accrual status as of March 31, 2020 and therefore, the Unleveraged Effective Yield presented is for the senior position only as the mezzanine position is non-interest accruing.
10. Loan was on non-accrual status as of March 31, 2020 and therefore, there is no Unleveraged Effective Yield as the loan is non-interest accruing.
11. The weighted average floor is calculated based on loans with LIBOR floors.

