



# Ares Commercial Real Estate Corporation

Year Ended December 31, 2022

# Disclaimer

Statements included herein may constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 and Section 21E of the Securities Exchange Act of 1934, as amended, which may relate to future events or the future performance or financial condition of Ares Commercial Real Estate Management LLC (“ACREM”), a subsidiary of Ares Management Corporation. (“Ares Corp.”), Ares Corp., certain of their subsidiaries and certain funds and accounts managed by ACREM, Ares Corp. and/or their subsidiaries, including, without limitation, Ares Commercial Real Estate Corporation (“ACRE”). These statements are not guarantees of future results or financial condition and involve a number of risks and uncertainties. Actual results could differ materially from those in the forward-looking statements as a result of a number of factors, including the returns on current and future investments, rates of repayments and prepayments on ACRE’s mortgage loans, availability of investment opportunities, ACRE’s ability to originate additional investments and completion of pending investments, the availability of capital, the availability and cost of financing, imposition of margin calls or valuation adjustment events in connection with such financings, market trends and conditions in ACRE’s industry and the general economy, the level of lending and borrowing spreads, commercial real estate loan volumes, the impact of COVID-19 and war in Ukraine, significant market volatility on ACRE’s business, heightened inflation, higher interest rates, ACRE’s borrowers, ACRE’s industry and the global economy, ACRE’s ability to pay future dividends at historical levels or at all, government-sponsored enterprise activity and other risks described from time to time in ACRE’s and Ares Corp.’s filings within the Securities and Exchange Commission (“SEC”). Any forward-looking statement, including any contained herein, speaks only as of the time of this release and none of ACRE, ARES Corp. nor ACREM undertakes any duty to update any forward-looking statements made herein. Any such forward-looking statements are made pursuant to the safe harbor provisions available under applicable securities laws.

Ares Corp. is the parent to several registered investment advisers, including Ares Management LLC (“Ares Management”) and ACREM. Collectively, Ares Corp., its affiliated entities, and all underlying subsidiary entities shall be referred to as “Ares” unless specifically noted otherwise. For a discussion regarding the potential risks and impact of the COVID-19 pandemic on ACRE, see Part I, Item 2. “Management’s Discussion and Analysis of Financial Condition and Results of Operation” and Part II, Item 1A. “Risk Factors” in ACRE’s Annual Report on Form 10-K.

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

Nothing in these materials should be construed as a recommendation to invest in any securities that may be issued by ACRE or any other fund or account managed by ACREM or Ares, or as legal, accounting or tax advice. None of ACRE, ACREM, Ares or any affiliate of ACRE, ACREM or Ares makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained herein and nothing contained herein shall be relied upon as a promise or representation whether as to the past or future performance. Certain information set forth herein includes estimates and projections and involves significant elements of subjective judgment and analysis. Further, such information, unless otherwise stated, is before giving effect to management and incentive fees and deductions for taxes. No representations are made as to the accuracy of such estimates or projections or that all assumptions relating to such estimates or projections have been considered or stated or that such estimates or projections will be realized.

In addition, in light of the various investment strategies of such other investment partnerships, funds and/or pools, it is noted that such other investment programs may have portfolio investments inconsistent with those of the investment vehicle or strategy discussed herein.

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

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

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

# Ares Commercial Real Estate Corporation (NYSE: ACRE)



**Ares Commercial Real Estate Corporation is a real estate investment trust focused on directly originating senior commercial mortgage loans**

**Sponsored by Ares Management, a \$352 bn alternative asset manager with a \$51 bn global Real Estate platform**

**Significant experience in value-add commercial real estate properties across a variety of sectors**

**Track record of attractive returns for shareholders and 5 years of >100% dividend coverage<sup>1</sup>**

**Positioned to benefit from rising interest rates with 99% invested in floating rate loans**

**Diversified loan portfolio of \$2.3 bn with 98% in senior loans<sup>2</sup>**

**Strong balance sheet with diversified funding and match-funded assets and liabilities**

Note: As of December 31, 2022, unless otherwise noted. There is no guarantee or assurance that investment objectives will be achieved. Past performance is not indicative of future results. Diversification does not ensure profit or protect against market loss.

1. Full dividend coverage since 2017. Beginning in Q4 2020, the non-GAAP financial measure of Core Earnings was renamed to Distributable Earnings. See slide 26 for Distributable Earnings definition and slide 24 for Reconciliation of Net Income to Non-GAAP. There is no assurance that dividends will be paid at historical levels or at all.

2. Based on outstanding principal balance.

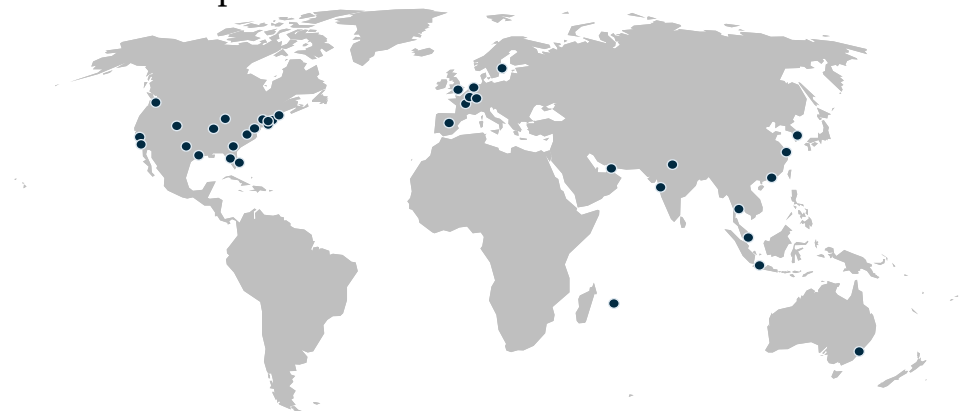
# Ares Management

» With approximately \$352 billion in assets under management, Ares Management Corporation is a global alternative investment manager operating an integrated platform across five business groups

## Profile

Founded	1997
AUM	\$352bn
Employees	~2,565
Investment Professionals	~900
Global Offices	30+
Direct Institutional Relationships	~1,940
Listing: NYSE – Market Capitalization	\$25.3bn <sup>1</sup>

## Global Footprint<sup>2</sup>



## The Ares Differentiators

Power of a broad and scaled platform enhancing investment capabilities

Deep management team with integrated and collaborative approach

20+ year track record of compelling risk adjusted returns through market cycles

Pioneer and a leader in leveraged finance, private credit and secondaries

	Credit	Private Equity	Real Assets	Secondaries	Strategic Initiatives
<b>AUM</b>	<b>\$214.2bn</b>	<b>\$34.7bn</b>	<b>\$66.1bn</b>	<b>\$22.0bn</b>	<b>\$15.0bn</b>
<b>Strategies</b>	Direct Lending	Corporate Private Equity	Real Estate Equity	Private Equity & Credit Secondaries	Ares SSG
	Liquid Credit	Special Opportunities	Real Estate Debt	Real Estate Secondaries	Ares Insurance Solutions <sup>3</sup>
	Alternative Credit		Infrastructure Opportunities	Infrastructure Secondaries	Ares Acquisition Corporation
			Infrastructure Debt		

Note: As of December 31, 2022. AUM amounts include funds managed by Ivy Hill Asset Management, LP, a wholly owned portfolio company of Ares Capital Corporation and registered investment adviser. Past performance is not indicative of future results.

1. As of February 7, 2023.

2. Jakarta and New Delhi offices are operated by third parties with whom Ares SSG maintains an ongoing relationship relating to the sourcing, acquisition and/or management of investments.

3. AUM managed by Ares Insurance Solutions excludes assets which are sub-advised by other Ares' investment groups or invested in Ares funds and investment vehicles.

# Ares Real Assets Group: Real Estate

» Global real estate investment manager with vertically integrated operating platform that seeks to generate compelling risk-adjusted performance through a combination of our knowledge of markets and sectors, diligent asset selection and skilled execution

## \$51.2 Billion AUM

- 25 Partners averaging 25 years of experience
- ~240 real estate investment professionals
- In-house, vertically integrated industrial operating platform
- PERE Top 10 Real Estate Manager by 2017-2022 Equity Raised<sup>1</sup>
- Rated Special Servicing Platform 2016-2021 by FitchRatings<sup>1</sup>
- PERE 2021 Top 2 Logistics Investor of the Year, North America<sup>1</sup>
- PERE 2021 Top 2 Residential Investor of the Year, Europe<sup>1</sup>

## Full Suite of Complementary Real Estate Debt & Equity Strategies

	Debt	U.S. Equity	European Equity
AUM	\$11.2bn	\$31.5bn	\$8.6bn
Strategies	Opportunistic	Opportunistic	Opportunistic
	Value-Add	Value-Add	Value-Add
	Core/Core-Plus	Core/Core-Plus	

## Global Real Estate Portfolio Diversified by Property Sectors and Markets

### Experience Across Property Sectors

Industrial	Multifamily	Office
Hospitality	Retail	Life Sciences
Self-Storage	Single Family Rental	Mixed-Use

### Global Market Coverage with Local Presence

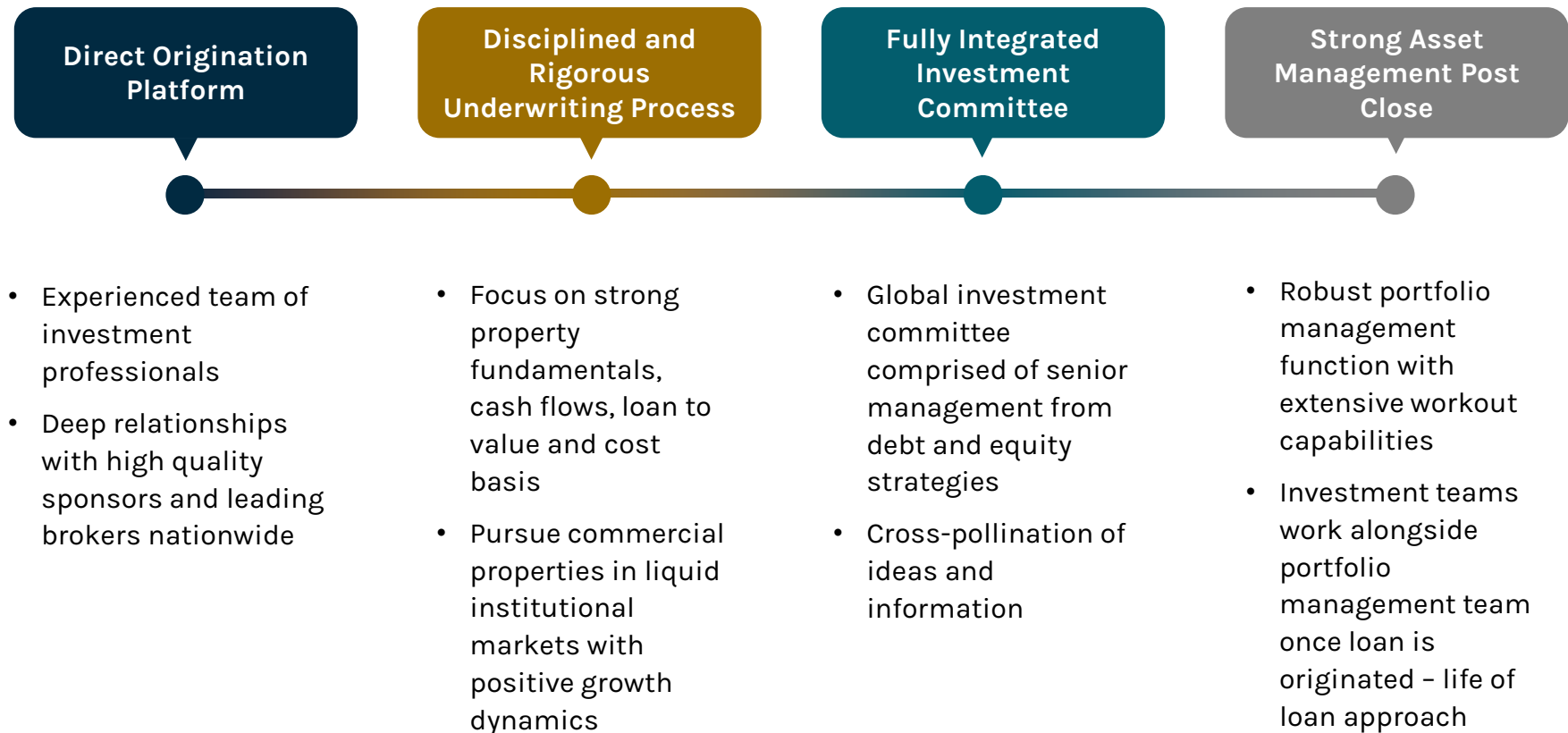


Note: As of December 31, 2022, unless otherwise noted. **Please see endnotes at the end of this presentation.**

1. The performance, awards/ratings noted herein relate only to selected funds/strategies and may not be representative of any given client's experience and should not be viewed as indicative of Ares' past performance or its funds' future performance. Ares has not provided any compensation in connection with obtaining or using these awards. All investments involve risk, including loss of principal.
2. Includes Ares Management Corporation ("ARES") principal and originating offices where real estate activities take place.
3. In Madrid and Frankfurt, Ares Real Estate Group does not maintain a physical office but has an investment professional located in this market.
4. Non-Ares location providing administrative and support functions to the Ares Real Estate Group.

# Cycle Tested Investment Approach

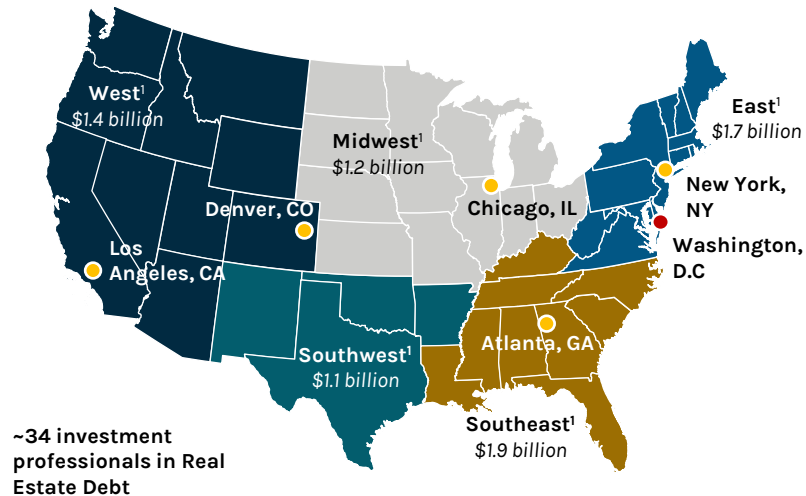
» We use our direct origination platform to selectively make investments in defensive property types in growing markets that are structured with a level of downside protection and actively managed



As of December 31, 2022, unless otherwise indicated. There is no guarantee or assurance investment objectives will be achieved. References to downside protection are not guarantees against loss of investment capital or value.

# Direct Origination Platform

## Direct Origination and Market Coverage



### Legend

- Ares Real Estate Debt Group Office and Coverage Location
- Additional Business Infrastructure/Support Office

## Benefits of Broad Direct Origination Footprint

1

Widens the funnel to provide larger deal universe

2

Increases control over structures and better economics

3

Enables proactive portfolio construction

4

Drives strong credit performance

Broad investment capabilities combined with direct origination focus strengthen investment sourcing, selectivity and structuring

As of December 31, 2022, unless otherwise indicated. Diversification does not assure profit or protect against market loss.

1. Past performance is not indicative of future results. Amounts represent ACRE commitment amounts since inception. Map excludes \$0.8 billion of investment portfolios backed by properties located in multiple regions across the U.S.

# Investment Strategy

## Target Investments<sup>1</sup>

- Loan Size:**
  - \$10m - \$250m
- Loan Type:**
  - Senior focused
  - Short term, transitional with stable cash flow
- Property Type:**
  - Multifamily
  - Industrial
  - Self-storage
  - Office
  - Mixed-use
  - Hotel
  - Residential/Condo
  - Student housing
- Location:**
  - Major liquid markets
  - Positive market dynamics
- Maturity:**
  - 3 years with extension options
- Sponsorship:**
  - Institutional quality
  - Well established

## Target Property Types<sup>2</sup>

### *Multifamily*



### *Industrial*



### *Self-Storage*



Strategically focused on directly originated short-term, transitional loans with stable cash flow and tenancy

Note: Diversification does not assure profit or protect against profit loss.

1. Not every investment meets each of the below criteria.

2. Pictures show properties of loans currently in the portfolio of the 6 most recently originated property types.

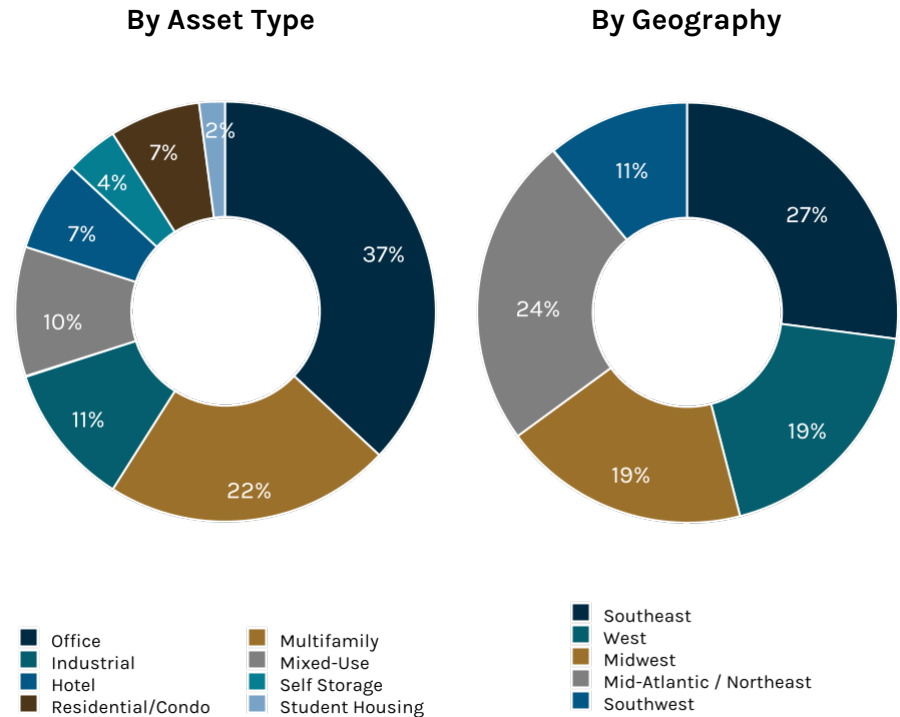


# Loan Portfolio Positioning and Performance

## Loan Portfolio Metrics<sup>1</sup>

Outstanding principal balance <sup>2</sup>	\$2.3 billion
Number of loans	60
Percentage of senior loans <sup>3</sup>	98%
Percentage of floating rate loans <sup>3</sup>	99%
Weighted average unleveraged effective yield <sup>4</sup>	8.9%

## Diverse Loan Portfolio<sup>1,3</sup>



Note: As of December 31, 2022, unless otherwise noted. Past performance is not indicative of future results. Diversification does not ensure profit or protect against market loss.

1. Includes only loans and excludes \$28.0 million of AAA rated CRE debt securities purchased in 2022.

2. Weighted average unpaid principal balance of loan portfolio of \$2.446 billion and \$2.474 billion during Q4 and FY 2022, respectively.

3. Based on outstanding principal balance.

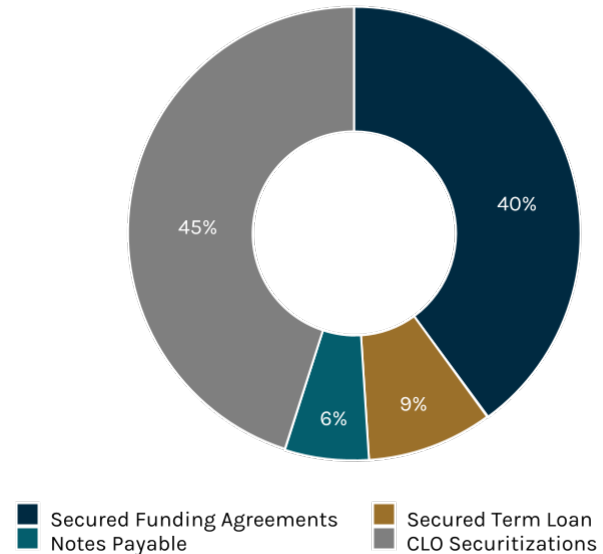
4. Excludes impact of three loans on non-accrual status. Including the three non-accrual loans, total weighted average unleveraged effective yield for total loans held for investment is 8.5%.

# Well-Positioned Balance Sheet

## Financing Metrics

Total capacity across all financings <sup>1</sup>	\$2.3 billion
Sources of financing <sup>2</sup>	8
Percentage of non-recourse financing <sup>3</sup>	45%
Debt to equity ratio <sup>4</sup>	2.1x
Spread based mark to market provisions <sup>5</sup>	0%

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



Note: As of December 31, 2022, unless otherwise noted. Diversification does not ensure profit or protect against market loss.

1. Weighted average unpaid principal balance of \$1.856 billion and \$1.865 billion across all financings for Q4 2022 and FY 2022, respectively.

2. Excludes Notes Payable. See page 11 for additional details on sources of financing.

3. Based on outstanding principal balance.

4. Excludes CECL reserve. Total debt to equity ratio of 2.3x including CECL reserve. The Net debt to equity ratio is 2.0x and excludes CECL. Net debt to equity ratio reduces the debt amount by \$141.3 million of cash on the balance sheet as of December 31, 2022.

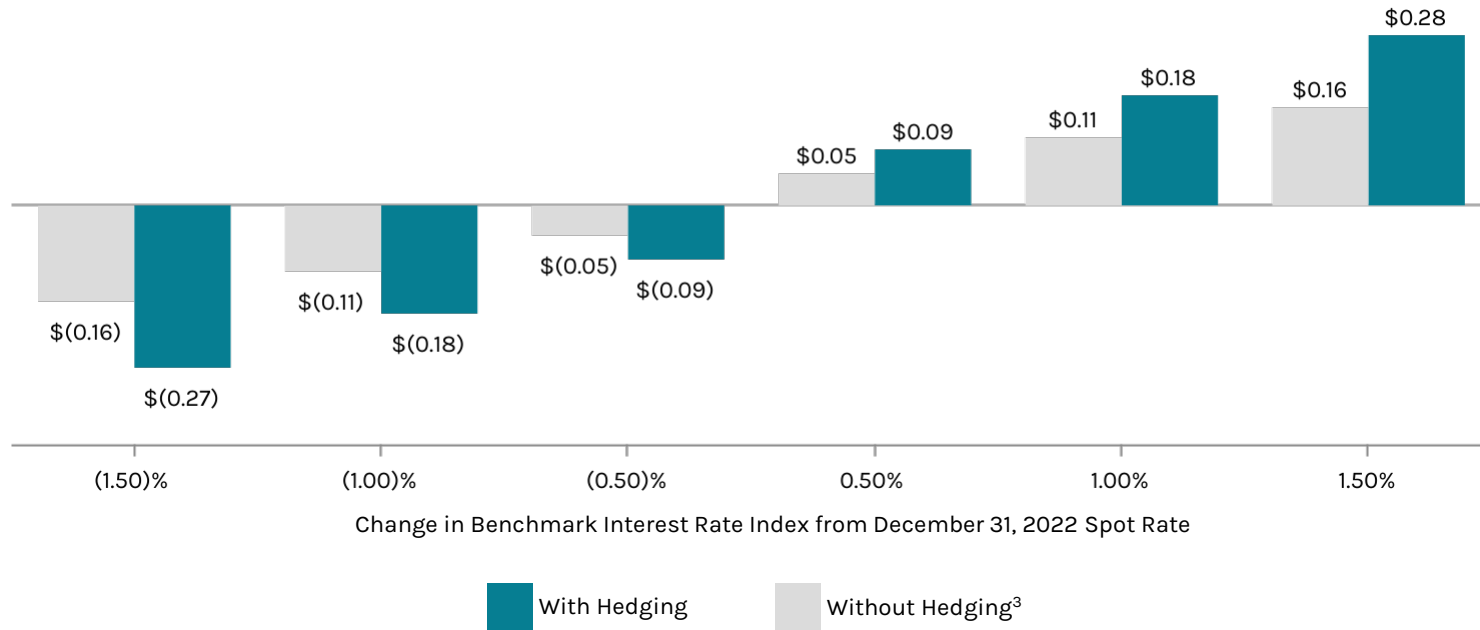
5. Secured funding agreements are not subject to mark-to-market provisions based on changes in market borrowing spreads but are subject to remarking provisions based on the credit performance of our loans.

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

## Interest Rate Sensitivity to Benchmark Interest Rate Index<sup>1</sup> Changes

(\$ per share)

Annual estimated change in Distributable Earnings per share<sup>2</sup>



**99% of loans are interest rate sensitive versus 68% of total debt is interest rate sensitive<sup>4</sup>**

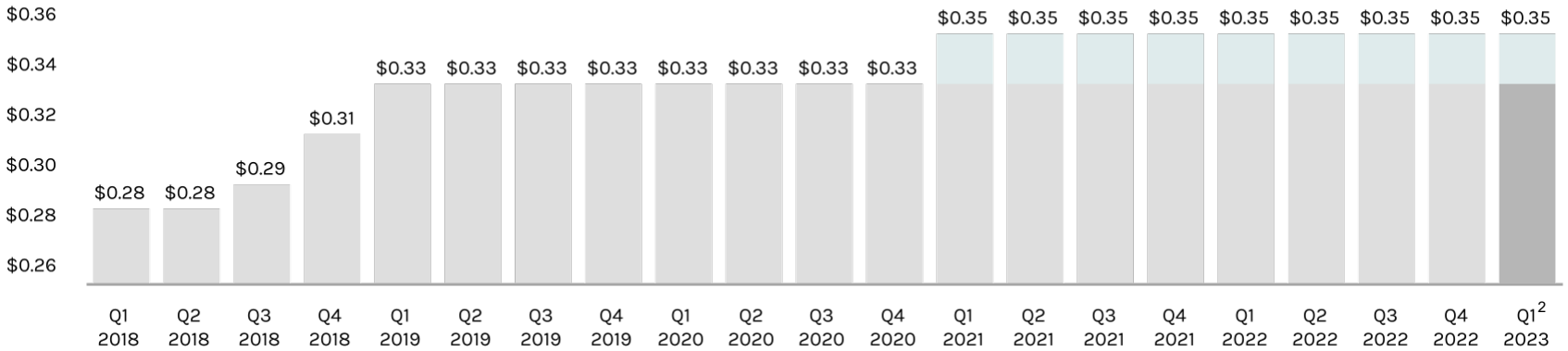
Note: As of December 31, 2022, unless otherwise noted.

- Benchmark Interest Rate Index represents the interest rates indexed to LIBOR and SOFR.
- The chart estimates the hypothetical changes in Distributable Earnings per share for the twelve month period ended December 31, 2022, assuming (1) an immediate increase or decrease in 30-day Benchmark Interest Rate Index as of December 31, 2022, (2) no change in the outstanding principal balance of our loans held for investment portfolio and borrowings as of December 31, 2022 and (3) no changes in the notional amount of the interest rate swap agreement entered into as of December 31, 2022.
- Represents the hypothetical impact to Distributable Earnings per share had we not entered into interest rate swap agreement as of the reporting date.
- Based on LIBOR and SOFR rates as of December 31, 2022 and LIBOR and SOFR floors in place.

# History of Growing and Consistent Dividends

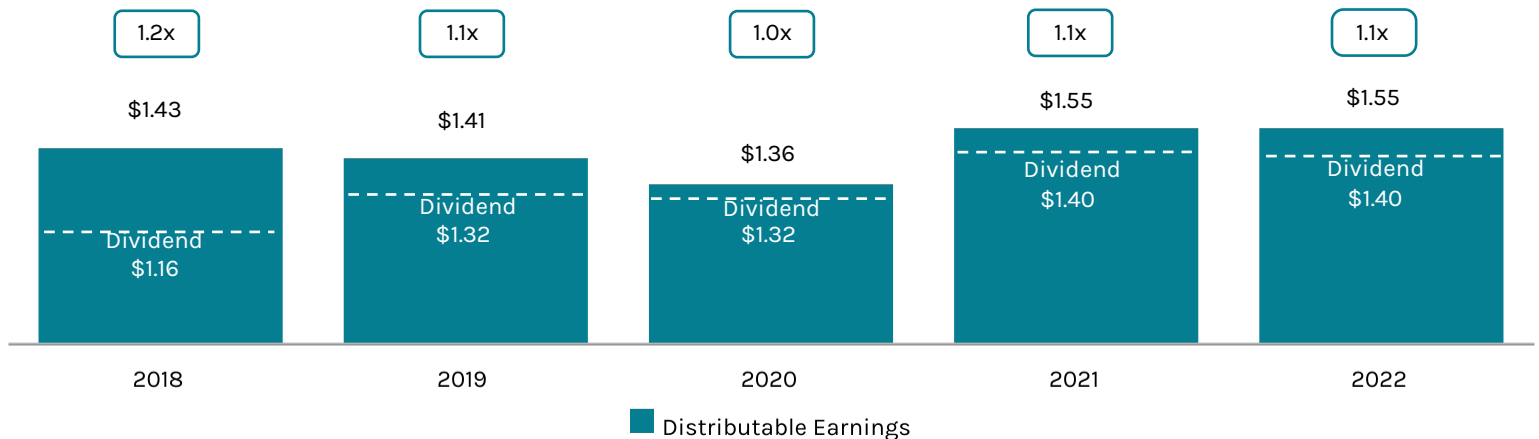
## Dividend History<sup>1</sup>

Dividends  
(per share)



## Full Dividend Coverage from Distributable Earnings

Dividend  
Coverage  
(per share)



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

2. Dividend declared but not paid. Q1 2023 dividend and supplemental cash dividend will be payable on April 18, 2023 to common stockholders of record as of March 31, 2023.

# ACRE Investment Highlights

» By investing in commercial real estate properties in attractive and growing markets across the U.S., the company provides an attractive stream of dividends to its investors

**Attractively positioned senior loan portfolio in stable property sectors across diversified markets with attractive growth demographics**

**Highly experienced management team backed by sponsorship of Ares Management**

**Broad, experienced and specialized investment team in local offices provide coverage across the U.S.**

**The company maintains modest leverage from long-term and diverse sources of financing and match funds its assets**

**Historical strong track record of attractive dividends with full dividend coverage from Distributable Earnings<sup>1</sup>**

Past performance is not indicative of future results.

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

A dark blue rectangular box containing the word "Appendix" in white serif font. The background of the entire page is a photograph of a modern building's interior, showing concrete walls and a large opening that looks out onto a sky with clouds.

# Appendix

# Fully Integrated Investment Committee

» Includes Leadership of Debt and Equity Strategies



**Bill Benjamin**

Partner, Head of Ares Real Estate Group

36 years of experience



**David Roth**

Partner, Head of U.S. Equity, President of ACRE

38 years of experience



**Jay Glaubach**

Partner, Portfolio Manager, U.S. Equity

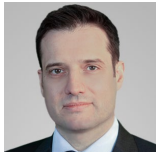
24 years of experience



**Howard Huang**

Partner, Portfolio Manager U.S.

33 years of experience



**Philip Moore**

Partner, Head of European Real Estate Debt

18 years of experience



**David Sachs**

Partner, Strategy and Relationship Mgmt. Group

41 years of experience



**Bryan Donohoe**

Partner, Head of U.S. Debt, CEO of ACRE

22 years of experience



**JB Gerber**

Partner, Head of Real Estate Debt Origination

17 years of experience



**Marshall Hayes**

Partner, Head of Multifamily Acquisitions

24 years of experience



**Wilson Lamont**

Partner, Co-Head of Europe Equity

22 years of experience



**Joel Pecoy**

Managing Director, Real Estate Debt Portfolio Management

15 years of experience



**Sumit Sasidharan**

Managing Director, Head of Capital Markets, Real Estate Debt

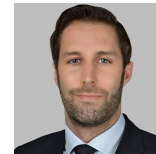
25 years of experience



**Tae-Sik Yoon**

Partner, CFO of Ares Real Estate Group, CFO of ACRE

29 years of experience



**Kevin Cahill**

Partner, Portfolio Manager, Europe Equity

18 years of experience



**Andrew Holm**

Partner, Portfolio Manager, U.S. Equity

17 years of experience



**Alastair McDonnell**

Partner, Head of European Investment Operations

23 years of experience



**John Ruane**

Partner, Co-Head of Europe Equity

22 years of experience



**Julie Solomon**

Partner, Head of Product Management and Investor Relations, Real Estate

23 years of experience

\*Serves on the Global Real Estate Investment Committee that reviews transactions over a certain threshold.

# Additional Details on Sources of Funding

(\$ in millions)					
Financing Sources	Total Commitments	Outstanding Balance	Pricing Range	Mark-to-Market	
<b>Secured Funding Agreements</b>					
Wells Fargo Facility	\$450.0	\$270.8	Base Rate <sup>1</sup> +1.50 to 3.75%	Credit	
Citibank Facility	325.0	236.2	Base Rate <sup>1</sup> +1.50 to 2.10%	Credit	
CNB Facility	75.0	—	SOFR+2.65%	Credit	
Morgan Stanley Facility	250.0	198.2	Base Rate <sup>1</sup> +1.50 to 3.00%	Credit	
MetLife Facility	180.0	—	Base Rate <sup>1</sup> +2.10 to 2.50%	Credit	
<b>Subtotal</b>	<b>\$1,280.0</b>	<b>\$705.2</b>			
<b>Asset Level Financing</b>					
Notes Payable	\$105.0	\$105.0	SOFR + 2.00%	Credit	
<b>Capital Markets</b>					
Secured Term Loan	\$150.0	\$150.0	4.50% (Fixed)	Credit	
2017-FL3 Securitization	445.6	445.6	LIBOR+ 1.70%	None	
2021-FL4 Securitization	333.4	333.4	LIBOR+ 1.37%	None	
<b>Subtotal</b>	<b>\$929.0</b>	<b>\$929.0</b>			
<b>Total Debt</b>	<b>\$2,314.0</b>	<b>\$1,739.2</b>			

Note: As of December 31, 2022.

1. The base rate is LIBOR for loans pledged prior to December 31, 2021 and SOFR for loans pledged subsequent to December 31, 2021.



# Loans Held for Investment Portfolio Details

(\$ in millions)											
#	Loan Type	Location	Origination Date	Current Loan Commitment	Outstanding Principal	Carrying Value	Interest Rate	LIBOR/SOF R Floor	Unleveraged Effective Yield	Maturity Date	Payment Terms <sup>1</sup>
<b>Office Loans:</b>											
1	Senior	IL	Nov 2020	\$151.5	\$151.5	\$151.4	L+3.60%	1.5%	8.3%	Mar 2023	I/O
2	Senior	Diversified	Jan 2020	122.6	118.0	117.7	S+3.75%	1.6%	8.5%	Jan 2023	I/O
3	Senior	AZ	Sep 2021	115.7	77.4	76.8	L+3.50%	0.1%	8.3%	Oct 2024	I/O
4	Senior	NC	Mar 2019	69.1	69.1	69.0	L+4.25%	2.4%	9.0%	Mar 2023	P/I
5	Senior	NY	Jul 2021	81.0	68.2	67.6	L+3.85%	0.1%	8.6%	Aug 2025	I/O
6	Senior	NC	Aug 2021	85.0	66.5	66.0	S+3.65%	0.2%	8.5%	Aug 2024	I/O
7	Senior	IL	May 2018	58.9	56.9	55.0	S+3.95%	2.0%	— <sup>2</sup>	Jun 2023	I/O
8	Senior	IL	Dec 2022	56.0	56.0	55.5	L+4.25%	3.0%	9.1%	Jan 2025	I/O
9	Senior	GA	Nov 2019	48.7	48.7	48.6	L+3.15%	1.9%	7.8%	Dec 2023	I/O
10	Senior	CA	Oct 2019	33.2	33.2	33.1	L+3.35%	2.0%	8.5%	Mar 2023	I/O
11	Senior	IL	Dec 2019	41.9	30.2	30.2	L+3.80%	1.8%	8.8%	Jan 2023	I/O
12	Senior	MA	Apr 2022	82.2	23.7	23.0	S+3.75%	—	9.6%	Apr 2025	I/O
13	Senior	CA	Nov 2018	22.8	22.8	22.8	S+3.50%	2.3%	8.1%	Nov 2023	I/O
14	Subordinate	NJ	Mar 2016	18.4	18.4	17.9	12.00%	—	13.6%	Jan 2026	I/O
<b>Total Office</b>				<b>\$987.0</b>	<b>\$840.6</b>	<b>\$834.6</b>					
<b>Multifamily Loans:</b>											
15	Senior	NY	May 2022	\$133.0	\$130.6	\$129.3	S+3.90%	0.2%	8.7%	Jun 2025	I/O
16	Senior	TX	Jun 2022	100.0	100.0	99.2	S+3.50%	1.5%	8.2%	Jul 2025	I/O
17	Senior	TX	Nov 2021	68.8	67.9	67.4	L+2.85%	0.1%	7.6%	Dec 2024	I/O
18	Senior <sup>3</sup>	SC	Dec 2021	67.0	67.0	66.8	L+2.90%	0.1%	7.6%	Nov 2024	I/O
19	Senior	CA	Nov 2021	31.7	31.7	31.5	L+2.90%	—	7.6%	Dec 2025	I/O
20	Senior	PA	Dec 2018	30.2	29.3	29.3	S+4.00%	1.3%	8.6%	Dec 2023	I/O
21	Senior	WA	Dec 2021	23.1	23.1	23.0	L+2.90%	—	7.5%	Nov 2025	I/O
22	Senior	TX	Oct 2021	23.1	22.2	22.1	L+2.50%	0.1%	7.3%	Oct 2024	I/O
23	Subordinate	SC	Aug 2022	20.6	20.6	20.4	S+9.53%	1.5%	14.3%	Sep 2025	I/O
24	Senior	WA	Feb 2020	19.0	18.8	18.7	L+3.00%	1.7%	7.8%	Mar 2023	I/O
<b>Total Multifamily</b>				<b>\$516.5</b>	<b>\$511.2</b>	<b>\$507.7</b>					

Note: As of December 31, 2022.

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

2. Loan was on non-accrual status as of December 31, 2022 and the Unleveraged Effective Yield is not applicable. In May 2022, the Company and the borrower entered into a modification and extension agreement to, among other things, amend the interest rate from L + 3.95% to S + 3.95% and extend the maturity date on the senior Illinois loan from June 2022 to June 2023. For the year ended December 31, 2022, the Company received \$3.5 million of interest payments in cash on the senior Illinois loan that was recognized either as interest income or as a reduction to the carrying value of the loan and the borrower is current on all contractual interest payments.

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

# Loans Held for Investment Portfolio Details

(\$ in millions)											
#	Loan Type	Location	Origination Date	Current Loan Commitment	Outstanding Principal	Carrying Value	Interest Rate	LIBOR/SOF R Floor	Unleveraged Effective Yield	Maturity Date	Payment Terms <sup>1</sup>
<b>Industrial Loans:</b>											
25	Senior	IL	May 2021	\$100.7	\$98.2	\$97.8	L+4.55%	0.2%	9.4%	May 2024	I/O
26	Senior	FL	Dec 2021	25.5	25.5	25.4	L+2.90%	0.1%	7.6%	Dec 2025	I/O
27	Senior	CO	Jul 2021	24.5	24.5	24.5	(3)	0.3%	12.2%	Feb 2023	I/O
28	Senior	NJ	Jun 2021	28.3	23.3	23.1	L+3.75%	0.3%	8.9%	May 2024	I/O
29	Senior	CA	Aug 2019	19.6	19.6	19.6	L+3.75%	2.0%	8.7%	Mar 2023	I/O
30	Senior <sup>2</sup>	TX	Nov 2021	10.4	10.4	10.3	L+5.25%	0.3%	10.0%	Dec 2024	I/O
31	Senior <sup>2</sup>	FL	Nov 2021	9.5	9.5	9.4	L+4.75%	0.3%	10.7%	Nov 2024	I/O
32	Senior	PA	Sep 2021	8.0	8.0	8.0	L+5.50%	0.3%	10.3%	Sep 2024	I/O
33	Senior <sup>2</sup>	PA	Oct 2021	7.0	7.0	6.9	L+5.90%	0.3%	10.7%	Nov 2024	I/O
34	Senior <sup>2</sup>	TN	Oct 2021	6.7	6.7	6.6	L+5.50%	0.3%	10.3%	Nov 2024	I/O
35	Senior	FL	Feb 2022	4.7	4.7	4.6	S+5.75%	0.3%	10.5%	Mar 2025	I/O
36	Senior <sup>2</sup>	GA	Aug 2021	1.3	1.3	1.3	L+5.25%	0.3%	10.0%	Sep 2024	I/O
<b>Total Industrial</b>				<b>\$246.2</b>	<b>\$238.7</b>	<b>\$237.5</b>					
<b>Mixed-Use Loans:</b>											
37	Senior	FL	Feb 2019	\$84.0	\$84.0	\$84.0	L+4.25%	1.5%	8.6%	Feb 2023	I/O
38	Senior	NY	Jul 2021	78.3	75.0	74.6	L+3.65%	0.1%	8.4%	Jul 2024	I/O
39	Senior	CA	Feb 2020	37.9	37.9	37.9	L+4.10%	1.7%	9.1%	Mar 2023	I/O
40	Senior	TX	Sep 2019	35.3	35.3	35.2	S+3.85%	0.7%	8.5%	Sep 2024	I/O
<b>Total Mixed-Use</b>				<b>\$235.5</b>	<b>\$232.2</b>	<b>\$231.7</b>					

Note: As of December 31, 2022.

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

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

3. At origination, the Colorado loan was structured as a senior loan and in January 2022, the Company also originated the mezzanine loan. The senior loan, which had an outstanding principal balance of \$20.8 million as of December 31, 2022, accrues interest at a per annum rate of L + 6.75% and the mezzanine loan, which had an outstanding principal balance of \$3.8 million as of December 31, 2022, accrues interest at a per annum rate of S + 8.50%.

# Loans Held for Investment Portfolio Details

(\$ in millions)											
#	Loan Type	Location	Origination Date	Current Loan Commitment	Outstanding Principal	Carrying Value	Interest Rate	LIBOR/SOFR Floor	Unleveraged Effective Yield	Maturity Date	Payment Terms <sup>1</sup>
<b>Residential/Condominium Loans:</b>											
41	Senior	FL	Jul 2021	\$75.0	\$72.5	\$72.3	L+5.25%	—%	10.2%	Jul 2023	I/O
42	Senior <sup>2</sup>	NY	Mar 2022	91.1	72.2	71.7	S+8.95%	0.4%	15.3%	Oct 2023	I/O
43	Senior	CA	Jan 2018	14.3	14.3	14.3	13.00%	—%	—% <sup>3</sup>	May 2021	I/O
<b>Total Residential/Condominium</b>				<b>\$180.4</b>	<b>\$159.0</b>	<b>\$158.3</b>					
<b>Hotel Loans:</b>											
44	Senior	CA	Dec 2017	\$40.0	\$40.0	\$40.0	L+4.12%	1.4%	9.0%	Jan 2023	I/O
45	Senior	CA	Mar 2022	60.8	39.5	39.1	S+4.20%	—%	9.0%	Mar 2025	I/O
46	Senior	IL	Apr 2018	35.0	35.0	29.8	S+4.00%	0.3%	—% <sup>4</sup>	May 2024	I/O
47	Senior	NY	Mar 2022	55.7	34.0	33.5	S+4.40%	0.1%	9.2%	Mar 2026	I/O
<b>Total Hotel</b>				<b>\$191.5</b>	<b>\$148.5</b>	<b>\$142.4</b>					

Note: As of December 31, 2022.

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

2. This senior mortgage loan refinanced the previously existing \$53.3 million senior mortgage loan that was held by the Company. The senior New York loan is currently in default due to the failure of the borrower to reach certain construction milestones.

3. Loan was on non-accrual status as of December 31, 2022 and the Unleveraged Effective Yield is not applicable. As of December 31, 2022, the senior California loan, which is collateralized by a residential property, is in maturity default due to the failure of the borrower to repay the outstanding principal balance of the loan by the May 2021 maturity date. As of December 31, 2022, the Company has elected to assign a specific CECL reserve on the senior California loan.

4. Loan was on non-accrual status as of December 31, 2022 and the Unleveraged Effective Yield is not applicable. In March 2022, the Company and the borrower entered into a modification and extension agreement to, among other things, amend the interest rate from L + 4.40% to S + 4.00% and extend the maturity date on the senior Illinois loan from May 2022 to May 2024. For the year ended December 31, 2022, the Company received \$1.8 million of interest payments in cash on the senior Illinois loan that was recognized either as interest income or as a reduction to the carrying value of the loan and the borrower is current on all contractual interest payments. However, the senior Illinois loan is currently in default due to the failure of the borrower to make certain contractual reserve deposits by the May 2022 due date.

# Loans Held for Investment Portfolio Details

(\$ in millions)											
#	Loan Type	Location	Origination Date	Current Loan Commitment	Outstanding Principal	Carrying Value	Interest Rate	LIBOR/SOFR Floor	Unleveraged Effective Yield	Maturity Date	Payment Terms <sup>1</sup>
<b>Self Storage Loans:</b>											
48	Senior	PA	Mar 2022	\$18.2	\$17.9	\$17.7	L+2.90%	1.0%	7.6%	Dec 2025	I/O
49	Senior	NJ	Aug 2022	17.6	17.6	17.3	S+2.90%	1.0%	8.0%	Apr 2025	I/O
50	Senior	WA	Aug 2022	11.5	11.5	11.3	S+2.90%	1.0%	8.0%	Mar 2025	I/O
51	Senior	MA	Mar 2022	8.5	8.5	8.5	L+2.90%	0.9%	7.5%	Dec 2024	I/O
52	Senior	TX	Apr 2022	8.0	8.0	8.0	L+2.90%	0.9%	7.5%	Aug 2024	I/O
53	Senior	MA	Apr 2022	7.7	7.7	7.7	L+2.90%	0.9%	7.5%	Nov 2024	I/O
54	Senior	MA	Apr 2022	6.8	6.5	6.5	L+2.90%	0.9%	7.5%	Oct 2024	I/O
55	Senior	MO	Jan 2021	6.5	6.5	6.5	L+3.00%	1.3%	7.5%	Dec 2023	I/O
56	Senior	NJ	Mar 2022	5.9	5.9	5.9	L+2.90%	0.9%	7.7%	Jul 2024	I/O
57	Senior	IL	Jan 2021	5.6	5.6	5.6	L+3.00%	1.0%	7.7%	Dec 2023	I/O
58	Senior	TX	Mar 2022	2.9	2.9	2.9	L+2.90%	0.9%	7.4%	Sep 2024	I/O
<b>Total Self Storage</b>				<b>\$99.2</b>	<b>\$98.6</b>	<b>\$97.9</b>					
<b>Student Housing Loans:</b>											
59	Senior	CA	Jun 2017	\$34.5	\$34.5	\$34.5	S+3.95%	0.5%	8.3%	Jul 2023	I/O
60	Senior	AL	Apr 2021	19.5	19.5	19.4	L+3.85%	0.2%	8.6%	May 2024	I/O
<b>Total Student Housing</b>				<b>\$54.0</b>	<b>\$54.0</b>	<b>\$53.9</b>					
<b>Loan Portfolio Total/Weighted Average</b>				<b>\$2,510.3</b>	<b>\$2,282.8</b>	<b>\$2,264.0</b>		<b>1.0%<sup>2</sup></b>	<b>8.5%</b>		

Note: As of December 31, 2022.

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

2. The weighted average floor is calculated based on loans with LIBOR or SOFR floors.

# Consolidated Balance Sheets

(\$ in thousands, except share and per share data)	As of	
	12/31/2022	12/31/2021
<b>ASSETS</b>		
Cash and cash equivalents	\$ 141,278	\$ 50,615
Loans held for investment (\$887,662 and \$974,424 related to consolidated VIEs, respectively)	2,264,008	2,414,383
Current expected credit loss reserve	(65,969)	(23,939)
Loans held for investment, net of current expected credit loss reserve	2,198,039	2,390,444
Real estate owned held for sale, net	—	36,602
Investment in available-for-sale debt securities, at fair value	27,936	—
Other assets (\$2,980 and \$2,592 of interest receivable related to consolidated VIEs, respectively; \$129,495 and \$128,589 of other receivables related to consolidated VIEs, respectively)	155,749	154,177
<b>Total assets</b>	<b>\$ 2,523,002</b>	<b>\$ 2,631,838</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Secured funding agreements	\$ 705,231	\$ 840,047
Notes payable	104,460	50,358
Secured term loan	149,200	149,016
Collateralized loan obligation securitization debt (consolidated VIEs)	777,675	861,188
Secured borrowings	—	22,589
Due to affiliate	5,580	4,156
Dividends payable	19,347	16,674
Other liabilities (\$1,913 and \$570 of interest payable related to consolidated VIEs, respectively)	13,969	9,182
<b>Total liabilities</b>	<b>1,775,462</b>	<b>1,953,210</b>
Commitments and contingencies		
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, par value \$0.01 per share, 450,000,000 shares authorized at December 31, 2022 and 2021 and 54,443,983 and 47,144,058 shares issued and outstanding at December 31, 2022 and 2021, respectively	537	465
Additional paid-in capital	812,788	703,950
Accumulated other comprehensive income	7,541	2,844
Accumulated earnings (deficit)	(73,326)	(28,631)
<b>Total stockholders' equity</b>	<b>747,540</b>	<b>678,628</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 2,523,002</b>	<b>\$ 2,631,838</b>

# Consolidated Statements of Operations

(\$ in thousands, except share and per share data)	For the Three Months Ended				
	12/31/2022	9/30/2022	6/30/2022	3/31/2022	12/31/2021
<b>Revenue:</b>					
Interest income	\$ 52,552	\$ 45,633	\$ 38,621	\$ 33,364	\$ 38,044
Interest expense	(22,144)	(18,362)	(13,475)	(12,013)	(14,180)
Net interest margin	30,408	27,271	25,146	21,351	23,864
Revenue from real estate owned	–	–	–	2,672	6,247
Total revenue	30,408	27,271	25,146	24,023	30,111
<b>Expenses:</b>					
Management and incentive fees to affiliate	4,290	3,868	3,766	2,974	3,443
Professional fees	630	842	1,100	778	556
General and administrative expenses	1,777	1,416	1,587	1,613	1,271
General and administrative expenses reimbursed to affiliate	1,136	1,011	796	834	703
Expenses from real estate owned	–	–	–	4,309	6,089
Total expenses	7,833	7,137	7,249	10,508	12,062
Provision for current expected credit losses	19,402	19,485	7,768	(594)	765
Gain on sale of real estate owned	–	–	–	2,197	–
<b>Income before income taxes</b>	<b>3,173</b>	<b>649</b>	<b>10,129</b>	<b>16,306</b>	<b>17,284</b>
Income tax expense, including excise tax	264	5	98	105	130
<b>Net income attributable to common stockholders</b>	<b>\$ 2,909</b>	<b>\$ 644</b>	<b>\$ 10,031</b>	<b>\$ 16,201</b>	<b>\$ 17,154</b>
<b>Earnings per common share:</b>					
Basic earnings per common share	\$ 0.05	\$ 0.01	\$ 0.20	\$ 0.34	\$ 0.36
Diluted earnings per common share	\$ 0.05	\$ 0.01	\$ 0.20	\$ 0.34	\$ 0.36
<b>Weighted average number of common shares outstanding:</b>					
Basic weighted average shares of common stock outstanding	54,427,041	54,415,545	50,562,559	47,204,397	47,026,252
Diluted weighted average shares of common stock outstanding	54,894,888	54,846,756	50,999,505	47,654,549	47,312,873
<b>Dividends declared per share of common stock<sup>1</sup></b>	<b>\$ 0.35</b>	<b>\$ 0.35</b>	<b>\$ 0.35</b>	<b>\$ 0.35</b>	<b>\$ 0.35</b>

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

# Reconciliation of Net Income to Non-GAAP Distributable Earnings

	For the Three Months Ended					
(\$ in thousands, except per share data)	12/31/2022	9/30/2022	6/30/2022	3/31/2022	12/31/2021	
Net income attributable to common stockholders	\$ 2,909	\$ 644	\$ 10,031	\$ 16,201	\$ 17,154	
Stock-based compensation	738	673	699	766	494	
Incentive fees to affiliate	1,264	855	965	358	830	
Depreciation of real estate owned	—	—	—	(2,385)	151	
Provision for current expected credit losses	19,402	19,485	7,768	(594)	765	
Realized gain on termination of interest rate cap derivative <sup>1</sup>	(422)	(354)	(264)	1,960	—	
<b>Distributable Earnings</b>	<b>\$ 23,891</b>	<b>\$ 21,303</b>	<b>\$ 19,199</b>	<b>\$ 16,306</b>	<b>\$ 19,394</b>	
Net income attributable to common stockholders	\$ 0.05	\$ 0.01	\$ 0.20	\$ 0.34	\$ 0.36	
Stock-based compensation	0.01	0.01	0.01	0.02	0.01	
Incentive fees to affiliate	0.02	0.02	0.02	0.01	0.02	
Depreciation of real estate owned	—	—	—	(0.05)	—	
Provision for current expected credit losses	0.36	0.36	0.15	(0.01)	0.02	
Realized gain on termination of interest rate cap derivative <sup>1</sup>	(0.01)	(0.01)	(0.01)	0.04	—	
<b>Basic Distributable Earnings per common share</b>	<b>\$ 0.44</b>	<b>\$ 0.39</b>	<b>\$ 0.38</b>	<b>\$ 0.35</b>	<b>\$ 0.41</b>	
Net income attributable to common stockholders	\$ 0.05	\$ 0.01	\$ 0.20	\$ 0.34	\$ 0.36	
Stock-based compensation	0.01	0.01	0.01	0.02	0.01	
Incentive fees to affiliate	0.02	0.02	0.02	—	0.02	
Depreciation of real estate owned	—	—	—	(0.05)	—	
Provision for current expected credit losses	0.35	0.36	0.15	(0.01)	0.02	
Realized gain on termination of interest rate cap derivative <sup>1</sup>	(0.01)	(0.01)	(0.01)	0.04	—	
<b>Diluted Distributable Earnings per common share</b>	<b>\$ 0.44</b>	<b>\$ 0.39</b>	<b>\$ 0.38</b>	<b>\$ 0.34</b>	<b>\$ 0.41</b>	

1. For the three months ended December 31, 2022, September 30, 2022 and June 30, 2022, Distributable Earnings includes \$0.4 million, \$0.4 million and \$0.3 million, respectively, adjustment to reverse the impact of the \$2.0 million realized gain from the termination of the interest rate cap derivative that was amortized into GAAP net income.

# Endnotes

## Ares Real Assets Group: Real Estate

- PERE 100: Ares ranked 16th out of 100. Ranking applies to the Ares Real Estate Group related to selected funds managed therein. The PERE 100 measures equity raised between January 1, 2017 and March 31, 2022 for direct real estate investment through closed-ended, commingled real estate funds and co-investment vehicles that invest alongside these funds. The vehicles must give the general partner discretion over capital and investment decisions and excludes club funds, separate accounts and joint ventures where the general partner does not have discretion over capital and investments. Also excluded are funds with strategies other than real estate value-added and opportunistic (such as core and core-plus), funds not directly investing in real estate (such as fund of funds and debt funds) and funds where the primary strategy is not real estate-focused (such as general private equity funds). Ares did not pay a participation or licensing fee in order to be considered for the PERE 100 ranking.
- Fitch Ratings assigned a commercial real estate loan level special servicer rating of 'CLSS2-' to Ares Commercial Real Estate Servicer LLC ("ACRES") as of June 8, 2021. To be considered for a Fitch rating, Ares paid Fitch a standard, contracted fee for initial and ongoing evaluation. The rating assigned by Fitch Ratings was solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Fitch Ratings assigns ratings to commercial mortgage special servicers on a scale ranging from Level 1 through Level 5, each of which are described below:
  - Level 1 Servicer Rating: Servicers demonstrating the highest standards in overall servicing ability.
  - Level 2 Servicer Rating: Servicers demonstrating high performance in overall servicing ability.
  - Level 3 Servicer Rating: Servicers demonstrating proficiency in overall servicing ability.
  - Level 4 Servicer Rating: Servicers lacking proficiency due to a weakness in one or more areas of servicing ability.
  - Level 5 Servicer Rating: Servicers demonstrating limited or no proficiency in servicing ability



# Glossary

<b>Ares Warehouse</b>	The Ares Warehouse represents a real estate debt warehouse investment vehicle maintained by an affiliate of ACREM. The Ares Warehouse holds Ares Management originated commercial real estate loans, which are made available to purchase by other investment vehicles, including ACRE and other Ares Management managed investment vehicles.
<b>Distributable Earnings</b>	Distributable Earnings is a non-GAAP financial measure that helps the Company evaluate its financial performance excluding the effects of certain transactions and GAAP adjustments that it believes are not necessarily indicative of its current loan origination portfolio and operations. To maintain the Company's REIT status, the Company is generally required to annually distribute to its stockholders substantially all of its taxable income. The Company believes the disclosure of Distributable Earnings provides useful information to investors regarding the Company's ability to pay dividends, which the Company believes is one of the principal reasons investors invest in the Company. The presentation of this additional information is not meant to be considered in isolation or as a substitute for financial results prepared in accordance with GAAP. Distributable Earnings is defined as net income (loss) computed in accordance with GAAP, excluding non-cash equity compensation expense, the incentive fees the Company pays to its Manager, depreciation and amortization (to the extent that any of the Company's target investments are structured as debt and the Company forecloses on any properties underlying such debt), any unrealized gains, losses or other non-cash items recorded in net income (loss) for the period, regardless of whether such items are included in other comprehensive income or loss, or in net income (loss), one-time events pursuant to changes in GAAP and certain non-cash charges after discussions between the Company's manager and the Company's independent directors and after approval by a majority of the Company's independent directors. Loan balances that are deemed to be uncollectible are written off as a realized loss and are included in Distributable Earnings. Distributable Earnings is aligned with the calculation of "Core Earnings," which is defined in the Management Agreement and is used to calculate the incentive fees the Company pays to its Manager.
<b>Unleveraged Effective Yield</b>	Unleveraged effective yield is the compounded effective rate of return that would be earned over the life of the investment based on the contractual interest rate (adjusted for any deferred loan fees, costs, premiums or discounts) and assumes no dispositions, early prepayments or defaults.
<b>Weighted Average Unleveraged Effective Yield</b>	Weighted average unleveraged effective yield is calculated based on the average of unleveraged effective yield of all loans held by the Company as weighted by the outstanding principal balance of each loan.

