



---

# Ares Commercial Real Estate Corporation

Quarter Ended June 30, 2023

# 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 Corporation (“ACRE” or, the “Company”), 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, 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 return or impact of current and future investments, rates of repayments and prepayments on ACRE’s mortgage loans and the effect on ACRE’s business of such prepayments, availability of investment opportunities in mortgage-related and real estate-related investments and securities, ACREM’s ability to locate suitable investments for ACRE, monitor, service, and administer ACRE’s investments and execute its investment strategy, ACRE’s ability to obtain, maintain, repay or refinance financing arrangements, including securitizations, global economic trends and economic conditions, including heightened inflation, slower growth or recession, changes to fiscal and monetary policy, higher interest rates, currency fluctuations and challenges in the supply chain, changes in interest rates, credit spreads and the market value of ACRE’s investments, the demand for commercial real estate loans, 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 on ACRE, see Part I, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Part I, Item 1A. “Risk Factors” in ACRE’s Annual Report on Form 10-K for the year ended December 31, 2022 and Part II, Item 1A. “Risk Factors” in subsequent ACRE’s Quarterly Reports on Form 10-Q.

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.

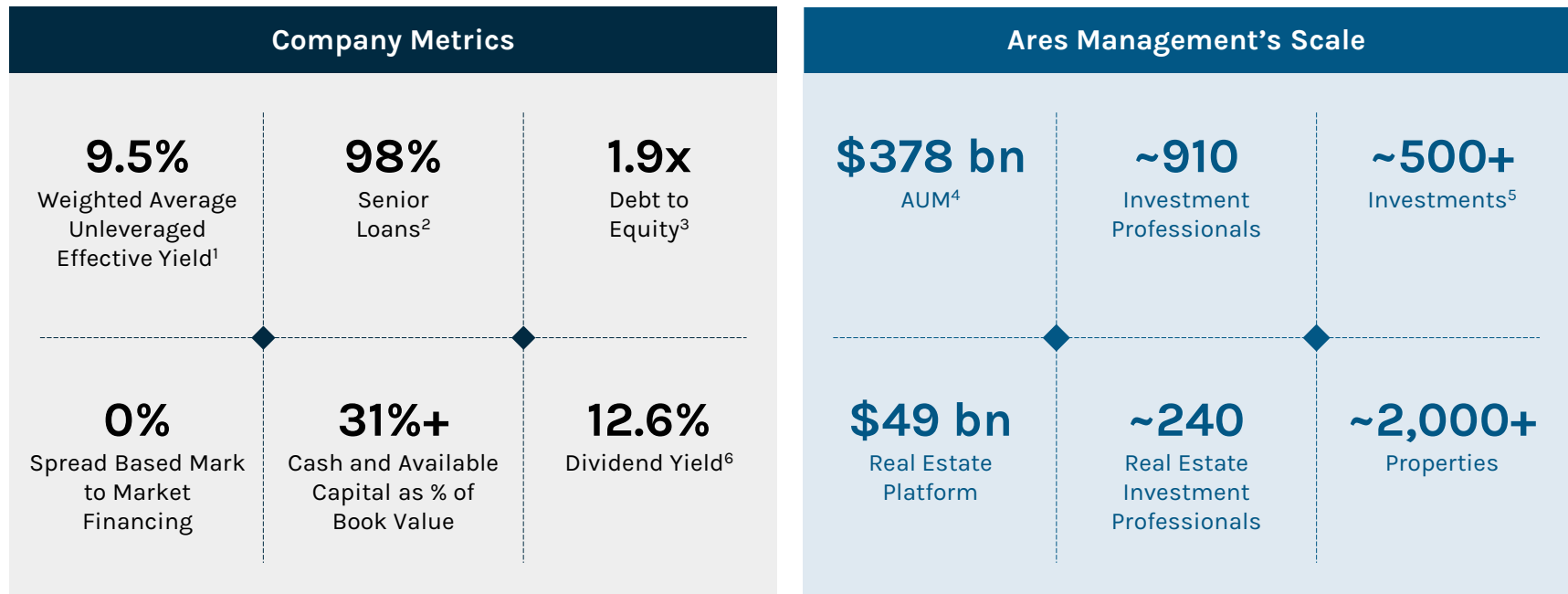
These materials are not intended as an offer to sell, or the solicitation of an offer to purchase, any security, the offer and/or sale of which can only be made by definitive offering documentation. Any offer or solicitation with respect to any securities that may be issued by ACRE will be made only 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 presentation 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 and is externally managed by a subsidiary of Ares Management Corporation



Note: As of June 30, 2023, 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. **Please see glossary on page 30 of this presentation.**

1. Excludes impact of five loans on non-accrual status. Including the five non-accrual loans, total weighted average unleveraged effective yield for total loans held for investment is 8.7%.
2. Based on outstanding principal balance.
3. Net debt to equity ratio is calculated as (i) \$1.7 billion of outstanding principal of borrowings less \$142.6 million of cash, (ii) divided by total stockholders' equity of \$691.2 million excluding CECL reserve of \$112.5 million at June 30, 2023. Net debt to equity ratio including the CECL reserve is 2.2x. Total debt to equity ratio excluding the CECL reserve is 2.1x and including the CECL reserve is 2.4x.
4. AUM amounts include funds managed by Ivy Hill Asset Management, LP, a wholly owned portfolio company of Ares Capital Corporation and registered investment adviser.
5. Current unrealized deals.
6. Based on market price as of August 11, 2023. Dividend yield reflects the quarterly dividend of \$0.33 annualized and divided by the market price. There is no assurance that dividends will be paid at historical levels or at all.



# Well-Positioned for Today's Market Environment

Deep Platform Benefits to Support Execution of Strategy

Senior Floating Rate Portfolio Attractively Financed



Proactive Portfolio Management and Disciplined Use of Capital

Strong Liquidity, Reserves and Capital Position

# Ares Management

» Ares Management Corporation is a global alternative investment manager operating an integrated platform across five business groups

## Profile

Founded	1997
AUM	\$378bn
Employees	~2,640
Investment Professionals	~910
Global Offices	35+
Direct Institutional Relationships	~1,980
Listing: NYSE – Market Capitalization	\$30.2bn <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**

**A pioneer and leader in leveraged finance, private credit and secondaries**

	Credit	Private Equity	Real Assets	Secondaries	Other Businesses
AUM	<b>\$250.1bn</b>	<b>\$35.5bn</b>	<b>\$64.8bn</b>	<b>\$23.0bn</b>	<b>\$4.2bn</b>
Strategies	Direct Lending	Corporate Private Equity	Real Estate Equity	Private Equity Secondaries	Ares Insurance Solutions <sup>3</sup>
	Liquid Credit	Special Opportunities	Real Estate Debt	Real Estate Secondaries	Ares Acquisition Corporation
	Alternative Credit		Infrastructure Opportunities	Infrastructure Secondaries	
	APAC Special Situations		Infrastructure Debt	Credit Secondaries	

Note: As of June 30, 2023. AUM amounts include funds managed by Ivy Hill Asset Management, L.P., a wholly owned portfolio company of Ares Capital Corporation and registered investment adviser.

Past performance is not indicative of future results.

# Ares Real Assets Group: Real Estate

» Global real estate investment manager with vertically integrated operating platform

**\$49.2 Billion AUM**

- 24 Partners averaging 25 years of experience
- ~240 real estate investment professionals
- 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>

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

	Debt	U.S. Equity	European Equity
AUM	<b>\$11.1bn</b>	<b>\$29.5bn</b>	<b>\$8.6bn</b>
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

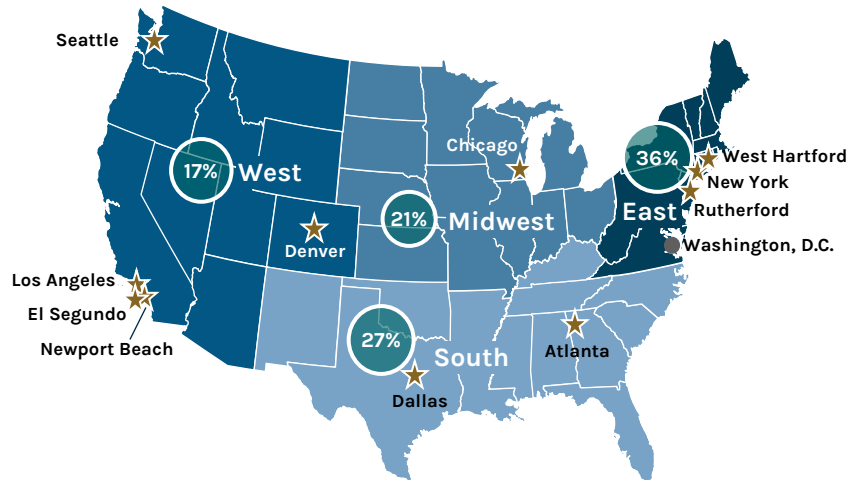
### Global Market Coverage with Local Presence



Note: As of June 30, 2023, unless otherwise noted. Diversification does not assure profit or protect against market loss. **Please see endnotes at the end of this presentation.**

# National Direct Origination Platform

## Current ACRE Portfolio<sup>1</sup>



★ Ares Real Estate Office

● Additional Business Infrastructure / Support Office<sup>2</sup>

## 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

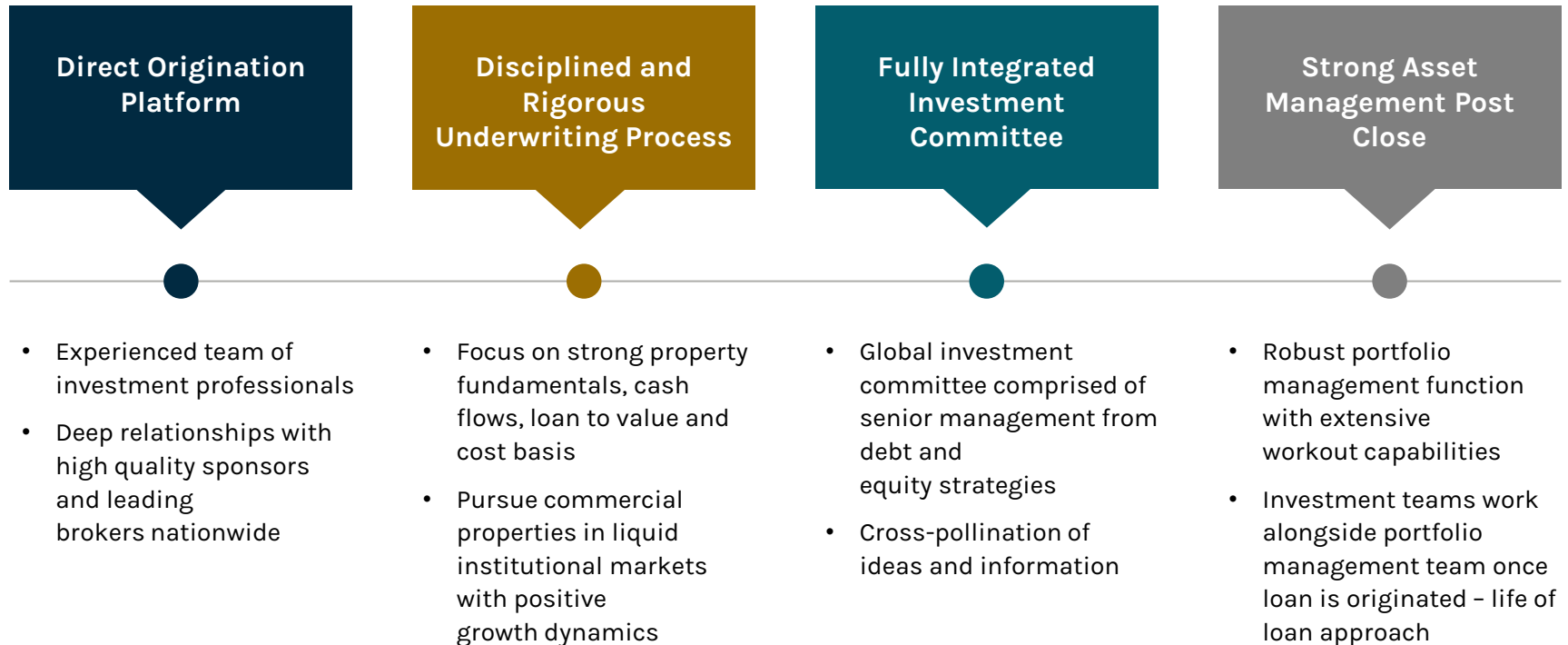
As of June 30, 2023 unless otherwise indicated. Diversification does not assure profit or protect against market loss.

1. Based on Gross Asset Value of all active investments in the Ares Commercial Real Estate Corporation portfolio as of June 30, 2023.

2. Non-Ares location providing administrative and support functions to the Ares Real Estate.

# 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

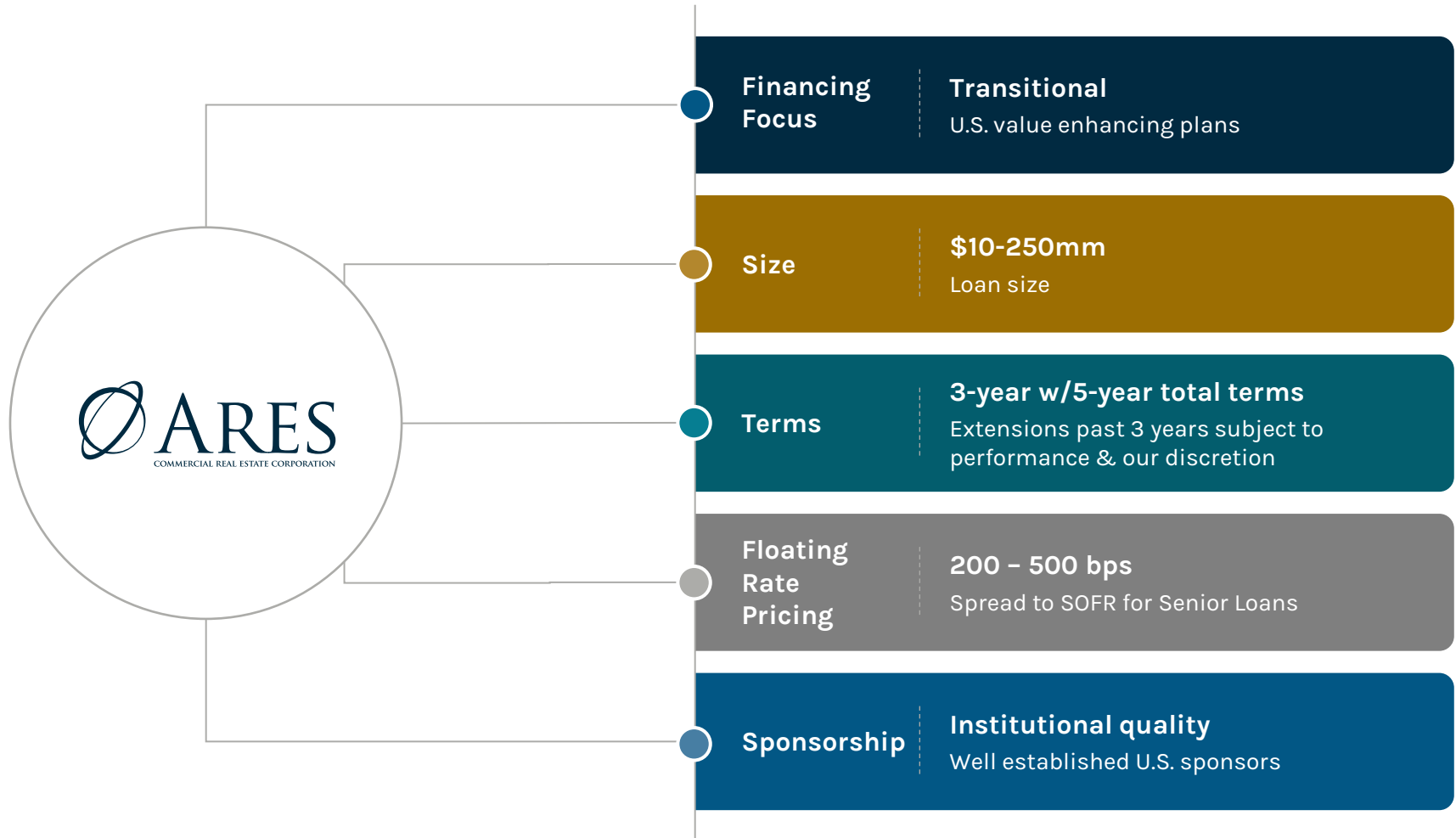


As of June 30, 2023, unless otherwise indicated. There is no guarantee or assurance investment objectives will be achieved. References to “downside protection” are not guarantees against loss of investment capital or value.



# Investment Strategy

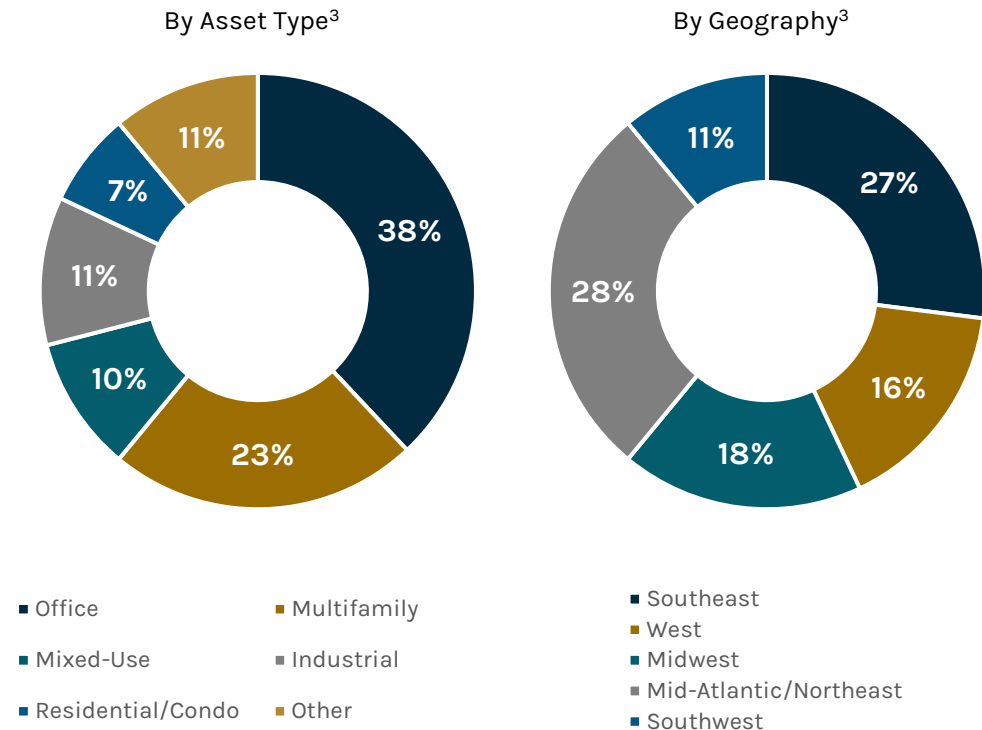
» Strategically focused on senior, directly-originated, short-term, transitional loans with stable cash flow and tenancy



# Loan Portfolio Positioning

Loans Held for Investment Portfolio Metrics <sup>1</sup>	
Outstanding principal balance <sup>2</sup>	\$2.3 billion
Number of loans	53
Percentage of senior loans <sup>4</sup>	98%
Weighted average unleveraged effective yield <sup>5</sup>	9.5%

## Diverse Loans Held for Investment Portfolio



Note: As of June 30, 2023, unless otherwise noted. Past performance is not indicative of future results. All investments involve risk, including loss of principal. Diversification does not ensure profit or protect against market loss.

1. Unless otherwise noted, includes only loans held for investment and excludes \$28.0 million of AAA rated CRE debt securities purchased in 2022.

2. Weighted average unpaid principal balance of loan portfolio of \$2.246 billion during Q2 2023.

3. Based on outstanding principal balance of loans held for investment.

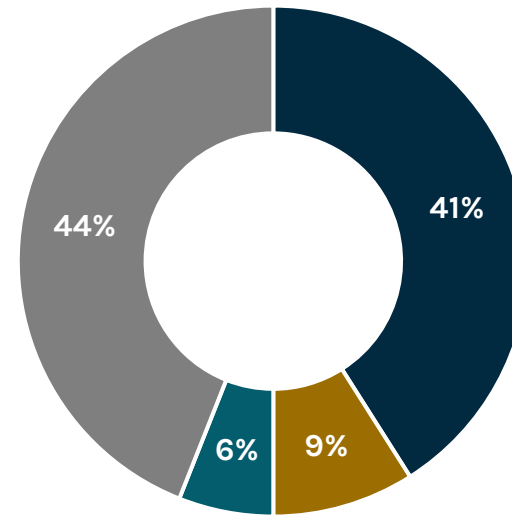
4. Based on outstanding principal balance.

5. Excludes impact of five loans on non-accrual status. Including the five non-accrual loans, total weighted average unleveraged effective yield for total loans held for investment is 8.7%.

# Well-Positioned Balance Sheet

Financing Metrics	
Total capacity across all financings <sup>1</sup>	\$2.3 billion
Sources of financing <sup>2</sup>	8
Outstanding principal borrowings	\$1.7 billion
Percentage of non-recourse financing <sup>3</sup>	44%
Net debt to equity ratio <sup>4</sup>	1.9x
Spread based mark to market provisions <sup>5</sup>	0%

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



■ Secured Funding Agreements ■ Secured Term Loan ■ Notes Payable ■ CLO Securitizations

All of ACRE's funding agreements are with leading U.S. banks and insurance companies

Note: As of June 30, 2023, unless otherwise noted. Diversification does not ensure profit or protect against market loss.

1. Weighted average unpaid principal balance of \$1.681 billion across all financings for Q2 2023.

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

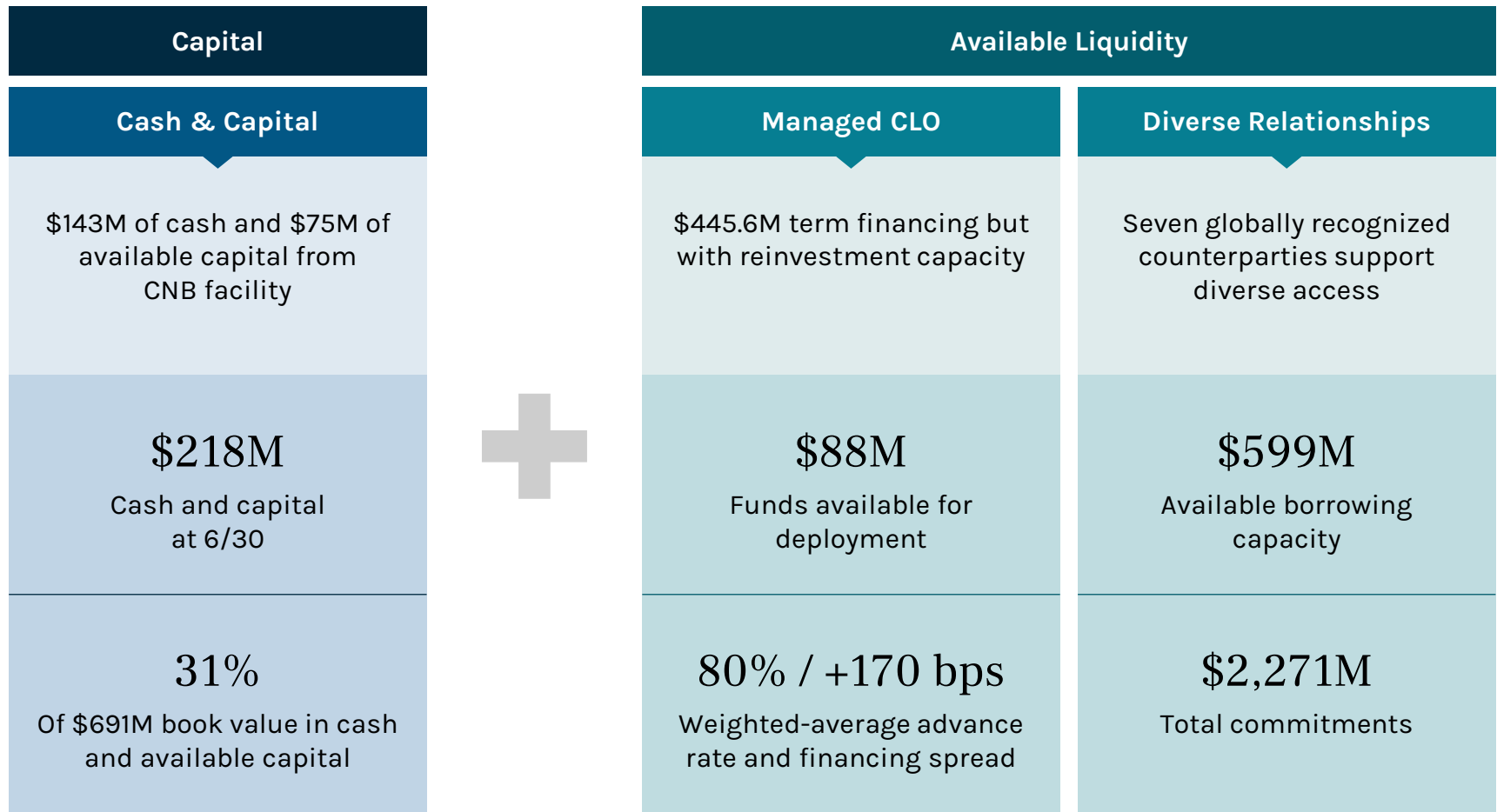
3. Based on outstanding principal balance.

4. Net debt to equity ratio is calculated as (i) \$1.7 billion of outstanding principal of borrowings less \$142.6 million of cash, (ii) divided by total stockholders' equity of \$691.2 million excluding CECL reserve of \$112.5 million at June 30, 2023. Net debt to equity ratio including the CECL reserve is 2.2x. Total debt to equity ratio excluding the CECL reserve is 2.1x and including the CECL reserve is 2.4x.

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.

## Strong Level of Capital & Available Liquidity

» ACRE has strong sources of available capital that could drive additional earnings power

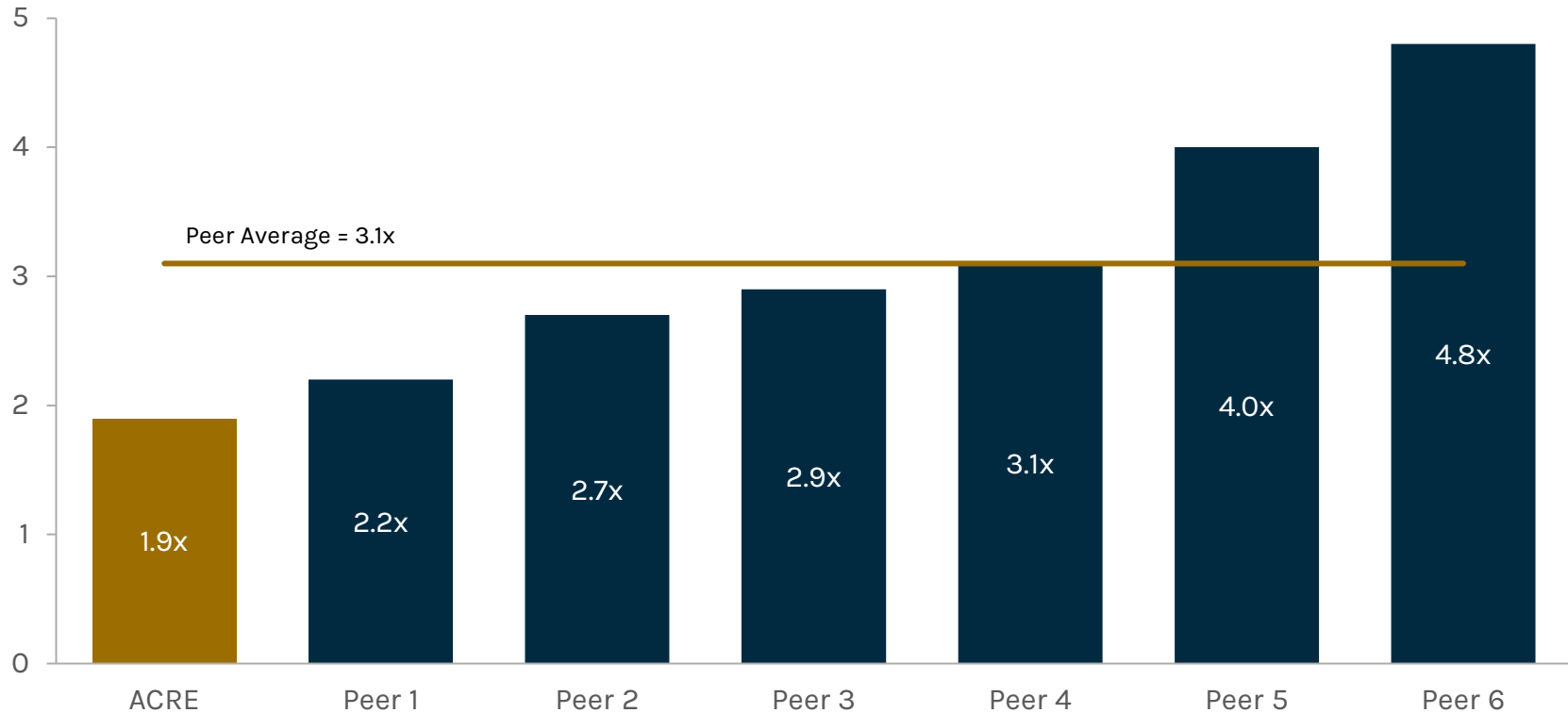


Current liquidity does not include opportunities to finance unlevered investments, including AAA CMBS securities

# Modest Leverage

» Intentional positioning with below average levels of leverage, providing offensive and defensive advantages

Net Debt to Common Equity (excluding CECL)<sup>1,2</sup>



**ACRE has the Lowest Leverage Amongst its Peers**

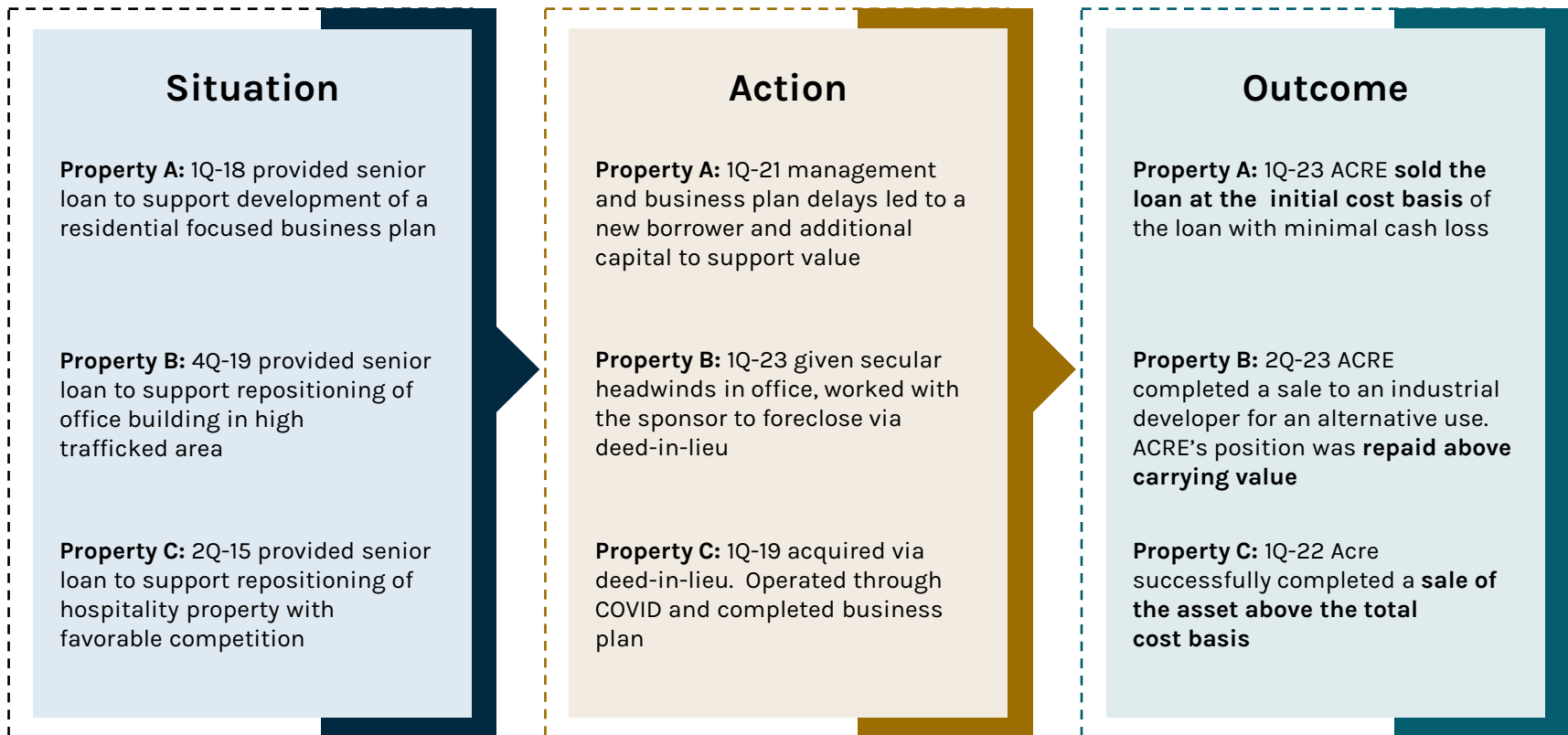
As of June 30, 2023. The use of leverage magnifies the potential for gain or loss on the amount invested and may increase the risk of investments.

1. Net debt to equity ratio is calculated as (i) \$1.7 billion of outstanding principal of borrowings less \$142.6 million of cash, (ii) divided by total stockholders' equity of \$691.2 million excluding CECL reserve of \$112.5 million at June 30, 2023. Net debt to equity ratio including the CECL reserve is 2.2x. Total debt to equity ratio excluding the CECL reserve is 2.1x and including the CECL reserve is 2.4x.

2. Peers include ARI, BXMT, CMTG, GPMT, KREF and TRTX.

# Capital Strategy Provides Flexibility to Maximize Outcomes

» Successful outcomes of certain underperforming loans are supported by in-depth market knowledge, broad asset type experience, platform wide collaboration and strong levels of capital to drive outcomes



Note: These properties are the most recent exited 4 & 5 loans and REO properties as of August 2, 2023.

# Prudently Investing in Market with Favorable Dynamics

## Capital Gaps

Fill **capital gaps** on new originations where **banks have retreated**

## Refinancing Proceeds to Strong Collateral

Lend to **revalued collateral** supported by **institutional sponsors**

## Regional Banks Supply/Demand Imbalance

Capitalize on **supply/demand imbalance** caused by **reduction in lending**

## Bank Liquidity

**Purchase loans at a discounted price**, driving **yield to maturity**

For illustrative purposes only. As of June 30, 2023. Based on Ares Real Estate's current market observations. As such, our views are subject to change at any time. There is no guarantee or assurance investment objectives will be achieved.

# Case Study of Current Market Opportunity

» \$49M senior loan secured by a 2-building industrial asset with compelling location and demand use



Overview	
<b>Property Type:</b>	Industrial
<b>Size:</b>	<b>374k SF</b>
<b>Location:</b>	Massachusetts
<b>Loan Size:</b>	<b>\$49M (total)</b>
<b>Pricing:</b>	SOFR +2.90%
<b>Term:</b>	Max 5 years
<b>LTV:</b>	<b>10-20% below historical LTVs for this assets</b>
<b>Sponsor:</b>	<b>Institutional, repeat borrower of Ares with over \$100B AUM</b>

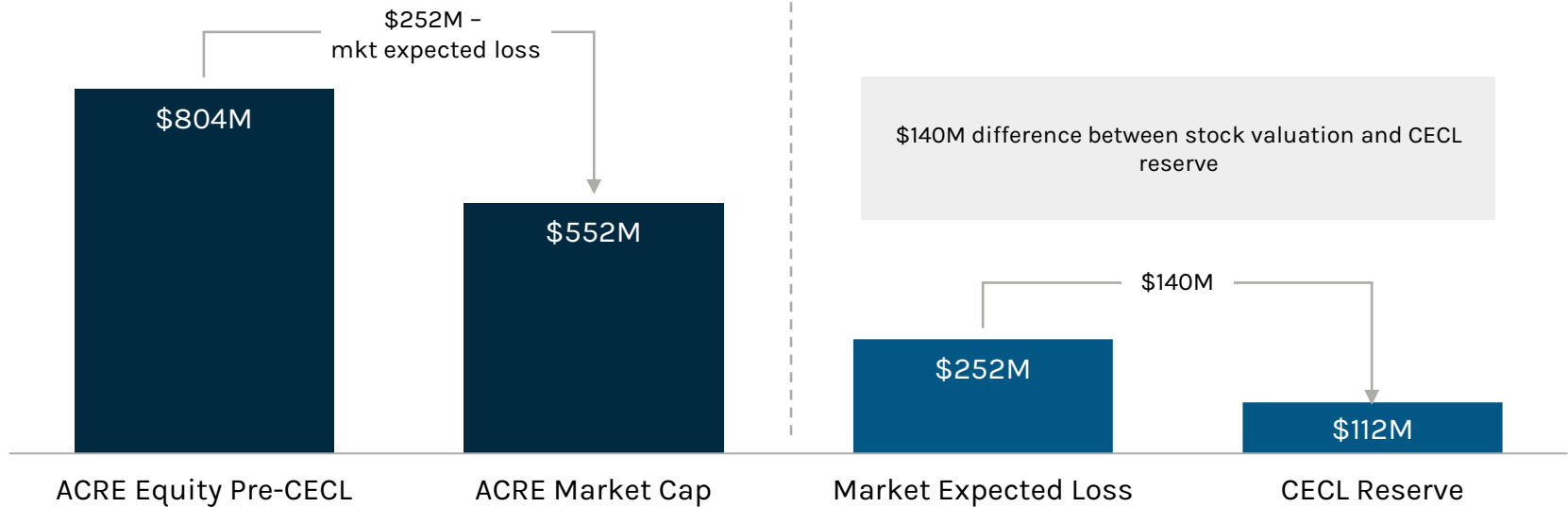
Key Fundamentals	
<b>1</b>	<b>Irreplaceable Asset:</b> Building specs have multiple temperature-controlled zones / loading areas, meeting all standards of a modern cold storage facility. There is limited large-scale cold storage availability within the MSA
<b>2</b>	<b>Valuation:</b> Basis of loan at significant premium to replace costs. Not even considering the significant time and permitting needed for competing product
<b>3</b>	<b>Strong Market Fundamentals:</b> Low single digit vacancy as net absorption has kept pace with new deliveries over the last 10 years
<b>4</b>	<b>Desirable Location:</b> The property is well situated to service multiple end markets including Boston, New Hampshire and New England

All data is as of origination in May 2023. Case studies are shown for illustrative purposes only and are not necessarily representative of all transactions of a given type and are intended to be illustrative of some of the types of investments that may be made by Ares Real Estate employing the investment strategies detailed in this presentation, and are not necessarily representative of the investment opportunities that will be available to Ares Real Estate. This represents the most recent transaction closed by ACRE.



# We Believe Our Stock is a Compelling Investment

## ACRE's Implied Stock Valuation



12.6% Dividend Yield<sup>1</sup>



77% Price to book



~10% of Buyback Deployed in Q2-23<sup>2</sup>



1% of Outstanding Stock Repurchased in Q2-23

As of June 30, 2023 unless otherwise noted.

1. Based on market price as of August 11, 2023. Dividend yield reflects the quarterly dividend of \$0.33 annualized and divided by the market price.

2. For the second quarter of 2023, ACRE repurchased \$4.6mm of stock before expenses against the \$50 million authorization.

# ACRE Investment Highlights

**1**

---

We believe our stock is a compelling investment

**2**

---

The company maintains modest leverage with a goal of maximizing outcomes and investing in the attractive market opportunity

**3**

---

Highly experienced management team backed by sponsorship of Ares Management

**4**

---

The stock is trading at a meaningful discount to our book equity after CECL reserves



# Appendix

# Consolidated Income Statements

	For the Three Months Ended				
(\$ in thousands, except share and per share data)	6/30/2023	3/31/2023	12/31/2022	9/30/2022	6/30/2022
<b>Revenue:</b>					
Interest income	\$51,941	\$49,500	\$52,552	\$45,633	\$38,621
Interest expense <sup>1</sup>	(26,951)	(22,999)	(22,144)	(18,362)	(13,475)
<b>Net interest margin</b>	<b>24,990</b>	<b>26,501</b>	<b>30,408</b>	<b>27,271</b>	<b>25,146</b>
<b>Expenses:</b>					
Management and incentive fees to affiliate	3,334	3,010	4,290	3,868	3,766
Professional fees	626	771	630	842	1,100
General and administrative expenses	2,038	1,685	1,777	1,416	1,587
General and administrative expenses reimbursed to affiliate	1,109	732	1,136	1,011	796
<b>Total expenses</b>	<b>7,107</b>	<b>6,198</b>	<b>7,833</b>	<b>7,137</b>	<b>7,249</b>
Provision for current expected credit losses	20,127	21,019	19,402	19,485	7,768
Realized losses on loans sold	—	5,613	—	—	—
<b>Income (loss) before income taxes</b>	<b>(2,244)</b>	<b>(6,329)</b>	<b>3,173</b>	<b>649</b>	<b>10,129</b>
Income tax expense (benefit), including excise tax	(46)	110	264	5	98
<b>Net income (loss) attributable to common stockholders</b>	<b>\$(2,198)</b>	<b>\$(6,439)</b>	<b>\$2,909</b>	<b>\$644</b>	<b>\$10,031</b>
<b>Earnings per common share:</b>					
Basic earnings (loss) per common share	\$(0.04)	\$(0.12)	\$0.05	\$0.01	\$0.20
Diluted earnings (loss) per common share	\$(0.04)	\$(0.12)	\$0.05	\$0.01	\$0.20
<b>Weighted average number of common shares outstanding:</b>					
Basic weighted average shares of common stock outstanding	54,347,204	54,591,650	54,427,041	54,415,545	50,562,559
Diluted weighted average shares of common stock outstanding	54,347,204	54,591,650	54,894,888	54,846,756	50,999,505
<b>Dividends declared per share of common stock<sup>2</sup></b>	<b>\$0.35</b>	<b>\$0.35</b>	<b>\$0.35</b>	<b>\$0.35</b>	<b>\$0.35</b>

1. Interest expense was reduced by the hedging benefit of \$2.2 million, \$4.4 million, \$ 4.4 million, \$2.9 million and \$1.0 million for the three month period ending 6/30/2023, 3/31/2023, 12/31/2022, 9/30/2022, 6/30/2022, respectively. As of period end 6/30/2023, most of the underlying hedges have expired.

2. 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 share and per share data)	6/30/2023	3/31/2023	12/31/2022	9/30/2022	6/30/2022
Net income (loss) attributable to common stockholders	\$(2,198)	\$(6,439)	\$2,909	\$644	\$10,031
Stock-based compensation	1,004	960	738	673	699
Incentive fees to affiliate	334	—	1,264	855	965
Incentive fees to affiliate	334	—	1,264	855	965
Provision for current expected credit losses	20,127	21,019	19,402	19,485	7,768
Realized gain on termination of interest rate cap derivative <sup>1</sup>	(266)	(457)	(422)	(354)	(264)
<b>Distributable Earnings</b>	<b>\$19,001</b>	<b>\$15,083</b>	<b>\$23,891</b>	<b>\$21,303</b>	<b>\$19,199</b>
Net income (loss) attributable to common stockholders	\$(0.04)	\$(0.12)	\$0.05	\$0.01	\$0.20
Stock-based compensation	0.02	0.02	0.01	0.01	0.01
Incentive fees to affiliate	0.01	—	0.02	0.02	0.02
Depreciation of real estate owned	—	—	—	—	—
Provision for current expected credit losses	0.37	0.39	0.36	0.36	0.15
Realized gain on termination of interest rate cap derivative <sup>1</sup>	—	(0.01)	(0.01)	(0.01)	(0.01)
<b>Basic Distributable Earnings per common share</b>	<b>\$0.35</b>	<b>\$0.28</b>	<b>\$0.44</b>	<b>\$0.39</b>	<b>\$0.38</b>
Net income (loss) attributable to common stockholders	\$(0.04)	\$(0.12)	\$0.05	\$0.01	\$0.20
Stock-based compensation	0.02	0.02	0.01	0.01	0.01
Incentive fees to affiliate	0.01	—	0.02	0.02	0.02
Depreciation of real estate owned	—	—	—	—	—
Provision for current expected credit losses	0.37	0.38	0.35	0.36	0.15
Realized gain on termination of interest rate cap derivative <sup>1</sup>	—	(0.01)	(0.01)	(0.01)	(0.01)
<b>Diluted Distributable Earnings per common share</b>	<b>\$0.35</b>	<b>\$0.27</b>	<b>\$0.44</b>	<b>\$0.39</b>	<b>\$0.38</b>

1. For the three months ended June 30, 2023, March 31, 2023, December 31, 2022, September 30, 2022, and June 30, 2022, Distributable Earnings includes \$0.3 million, \$0.5 million, \$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.

# Consolidated Balance Sheets

(\$ in thousands, except share and per share data)	As of	
	6/30/2023	12/31/2022
<b>Assets</b>		
Cash and cash equivalents	\$142,603	\$141,278
Loans held for investment (\$886,343 and \$887,662 related to consolidated VIEs, respectively)	2,228,100	2,264,008
Current expected credit loss reserve	(108,114)	(65,969)
Loans held for investment, net of current expected credit loss reserve	2,119,986	2,198,039
Investment in available-for-sale debt securities, at fair value	27,970	27,936
Other assets (\$4,207 and \$2,980 of interest receivable related to consolidated VIEs, respectively; \$87,950 and \$129,495 of other receivables related to consolidated VIEs, respectively)	109,452	155,749
<b>Total assets</b>	<b>\$2,400,011</b>	<b>\$2,523,002</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Secured funding agreements	\$681,257	\$705,231
Notes payable	104,559	104,460
Secured term loan	149,295	149,200
Collateralized loan obligation securitization debt (consolidated VIEs)	735,093	777,675
Due to affiliate	4,806	5,580
Dividends payable	19,180	19,347
Other liabilities (\$1,952 and \$1,913 of interest payable related to consolidated VIEs, respectively)	14,630	13,969
<b>Total liabilities</b>	<b>1,708,820</b>	<b>1,775,462</b>
Commitments and contingencies		
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, par value \$0.01 per share, 450,000,000 shares authorized at June 30, 2023 and December 31, 2022 and 54,136,273 and 54,443,983 shares issued and outstanding at June 30, 2023 and December 31, 2022, respectively	532	537
Additional paid-in capital	810,161	812,788
Accumulated other comprehensive income	987	7,541
Accumulated earnings (deficit)	(120,489)	(73,326)
<b>Total stockholders' equity</b>	<b>691,191</b>	<b>747,540</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$2,400,011</b>	<b>\$2,523,002</b>

# Loans Held for Investment Portfolio Details

(\$ in millions)

#	Loan Type	Location	Origination Date	Current Loan Commitment	Outstanding Principal	Carrying Value	Interest Rate	SOFR Floor	Unleveraged Effective Yield	Maturity Date	Payment Terms <sup>1</sup>
<b>Office Loans:</b>											
1	Senior	IL	Nov 2020	\$156.8	\$156.8	\$154.0	(2)	1.5%	7.4% <sup>2</sup>	Mar 2025	I/O
2	Senior	Diversified	Jan 2020	122.3	122.2	122.0	S+3.75%	1.6%	9.1%	Jan 2024	P/I
3	Senior	AZ	Sep 2021	115.7	79.1	78.7	S+3.61%	0.1%	9.2%	Oct 2024	I/O
4	Senior	NY	Jul 2021	81.0	72.2	71.7	S+3.95%	—%	9.5%	Aug 2025	I/O
5	Senior	NC	Mar 2019	68.8	68.8	68.7	S+4.35%	2.3%	9.8%	Mar 2024	P/I
6	Senior	NC	Aug 2021	85.0	68.0	67.7	S+3.65%	0.2%	9.2%	Aug 2024	I/O
7	Senior	IL	May 2018	58.9	56.9	52.5	S+3.95%	2.0%	—% <sup>3</sup>	Dec 2023	I/O
8	Senior	IL	Dec 2022	56.0	56.0	55.6	S+4.25%	3.0%	9.9%	Jan 2025	I/O
9	Senior	GA	Nov 2019	48.6	48.6	48.5	S+3.15%	1.9%	8.6%	Dec 2023	P/I
10	Senior	MA	Apr 2022	82.2	38.1	37.5	S+3.75%	—%	9.5%	Apr 2025	I/O
11	Senior	CA	Oct 2019	33.2	33.2	31.9	S+3.45%	1.9%	—% <sup>3</sup>	Nov 2023	I/O
12	Senior	CA	Nov 2018	22.9	22.9	22.8	S+3.50%	2.3%	8.9%	Nov 2023	I/O
13	Subordinate	NJ	Mar 2016	18.5	18.5	16.8	12.00%	—%	—% <sup>3</sup>	Jan 2026	I/O
<b>Total Office</b>				<b>\$949.9</b>	<b>\$841.3</b>	<b>\$828.4</b>					

Note: As of June 30, 2023.

- 1/0 = interest only, P/I = principal and interest.
- The Illinois loan is structured as both a senior and mezzanine loan with the Company holding both positions. The senior position has a per annum interest rate of S + 2.25% and the mezzanine position has a fixed per annum interest rate of 10.00%. The mezzanine position of this loan, which had an outstanding principal balance of \$42.8 million as of June 30, 2023, was on non-accrual status as of June 30, 2023 and therefore, the Unleveraged Effective Yield presented is for the senior position only as the mezzanine position is non-interest accruing.
- Loan was on non-accrual status as of June 30, 2023 and the Unleveraged Effective Yield is not applicable.

# Loans Held for Investment Portfolio Details

(\$ in millions)

#	Loan Type	Location	Origination Date	Current Loan Commitment	Outstanding Principal	Carrying Value	Interest Rate	SOFR Floor	Unleveraged Effective Yield	Maturity Date	Payment Terms <sup>1</sup>
<b>Multifamily Loans:</b>											
14	Senior	NY	May 2022	\$133.0	\$132.2	\$131.1	S+3.90%	0.2%	9.5%	Jun 2025	I/O
15	Senior	TX	Jun 2022	100.0	100.0	99.3	S+3.50%	1.5%	9.5%	Jul 2025	I/O
16	Senior	TX	Nov 2021	68.8	68.2	67.9	S+2.95%	—%	8.5%	Dec 2024	I/O
17	Senior <sup>2</sup>	SC	Dec 2021	67.0	67.0	66.9	S+3.00%	—%	8.4%	Nov 2024	I/O
18	Senior	CA	Nov 2021	31.7	31.7	31.5	S+3.00%	—%	8.4%	Dec 2025	I/O
19	Senior	PA	Dec 2018	29.2	29.2	29.2	S+4.00%	1.3%	9.4%	Dec 2023	P/I
20	Senior	WA	Dec 2021	23.1	23.1	23.0	S+3.00%	—%	8.3%	Nov 2025	I/O
21	Senior	TX	Oct 2021	23.1	22.6	22.4	S+2.60%	—%	8.1%	Oct 2024	I/O
22	Subordinated	SC	Aug 2022	20.6	20.6	20.5	S+9.53%	1.5%	15.1%	Sep 2025	I/O
23	Senior	WA	Feb 2020	18.8	18.7	18.7	S+3.10%	1.6%	8.8%	Sep 2023	I/O
<b>Total Multifamily</b>				<b>\$515.3</b>	<b>\$513.3</b>	<b>\$510.5</b>					
<b>Mixed-Use Loans:</b>											
24	Senior	FL	Feb 2019	\$82.7	\$82.7	\$82.7	S+4.25%	2.5%	9.5%	Feb 2023 <sup>3</sup>	I/O
25	Senior	NY	Jul 2021	78.3	75.7	75.4	S+3.75%	—%	9.3%	Jul 2024	I/O
26	Senior	CA	Feb 2020	37.9	37.9	37.9	S+4.10%	1.7%	9.3%	Mar 2023 <sup>4</sup>	I/O
27	Senior	TX	Sep 2019	35.3	35.3	35.2	S+3.85%	0.7%	9.3%	Sep 2024	I/O
<b>Total Mixed-Use</b>				<b>\$234.2</b>	<b>\$231.6</b>	<b>\$231.2</b>					

Note: As of June 30, 2023.

- 1/0 = interest only, P/I = principal and interest.
- Loan commitment is allocated between a multifamily property (\$60.5 million) and an office property (\$6.5 million).
- As of June 30, 2023, the senior Florida loan, which is collateralized by a mixed-use property, is in maturity default due to the failure of the borrower to repay the outstanding principal balance of the loan by the February 2023 maturity date.
- As of June 30, 2023, the senior California loan, which is collateralized by a mixed-use property, is in maturity default due to the failure of the borrower to repay the outstanding principal balance of the loan by the March 2023 maturity date.



# Loans Held for Investment Portfolio Details

(\$ in millions)											
#	Loan Type	Location	Origination Date	Current Loan Commitment	Outstanding Principal	Carrying Value	Interest Rate	SOFR Floor	Unleveraged Effective Yield	Maturity Date	Payment Terms <sup>1</sup>
<b>Industrial Loans:</b>											
28	Senior	IL	May 2021	\$100.7	\$100.1	\$99.8	S+4.65%	0.1%	10.2%	May 2024	I/O
29	Senior	MA	Jun 2023	49.0	47.0	46.8	S+2.90%	—%	8.2%	Jun 2028	I/O
30	Senior	NJ	Jun 2021	28.3	27.8	27.7	S+3.85%	0.2%	9.6%	May 2024	I/O
31	Senior	FL	Dec 2021	25.5	25.5	25.4	S+3.00%	—%	8.4%	Dec 2025	I/O
32	Senior	CA	Aug 2019	19.6	19.6	19.5	S+3.85%	2.0%	9.3%	Sep 2024	I/O
33	Senior	TX	Nov 2021	10.0	10.0	9.9	S+5.35%	0.2%	10.9%	Dec 2024	I/O
34	Senior	TN	Oct 2021	6.4	6.4	6.4	S+5.60%	0.2%	11.1%	Nov 2024	I/O
35	Senior	FL	Feb 2022	4.0	4.0	4.0	S+5.75%	0.3%	11.3%	Mar 2025	I/O
<b>Total Industrial</b>				<b>\$243.5</b>	<b>\$240.4</b>	<b>\$239.5</b>					
<b>Residential/Condominium Loans:</b>											
36	Senior	NY	Mar 2022	\$91.1	\$81.4	\$81.2	S+8.95%	0.4%	15.9%	Oct 2023 <sup>(2)</sup>	I/O
37	Senior	FL	Jul 2021	75.0	75.0	75.0	S+5.35%	—%	11.0%	Jul 2024	I/O
<b>Total/Residential/Condominium</b>				<b>\$166.1</b>	<b>\$156.4</b>	<b>\$156.2</b>					
<b>Hotel Loans:</b>											
38	Senior	CA	Mar 2022	\$60.8	\$42.0	\$41.6	S+4.20%	—%	9.9%	Mar 2025	I/O
39	Senior	NY	Mar 2022	55.7	39.5	39.0	S+4.40%	0.1%	9.9%	Mar 2026	I/O
40	Senior <sup>3</sup>	IL	Apr 2018	35.0	35.0	29.6	S+4.00%	0.3%	—% <sup>4</sup>	May 2024	I/O
<b>Total Hotel</b>				<b>\$151.5</b>	<b>\$116.5</b>	<b>\$110.2</b>					

Note: As of June 30, 2023.

- 1/0 = interest only, P/I = principal and interest.
- In June 2023, the Company and the borrower entered into a modification agreement to, among other things, modify certain construction milestones. Upon the closing of the modification agreement, the senior New York loan was no longer in default.
- 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 and due to the borrower not making its contractual interest payments due subsequent to the January 2023 interest payment date.
- Loan was on non-accrual status as of June 30, 2023 and the Unleveraged Effective Yield is not applicable.

# Loans Held for Investment Portfolio Details

(\$ in millions)

#	Loan Type	Location	Origination Date	Current Loan Commitment	Outstanding Principal	Carrying Value	Interest Rate	SOFR Floor	Unleveraged Effective Yield	Maturity Date	Payment Terms <sup>1</sup>
<b>Self Storage Loans:</b>											
41	Senior	PA	Mar 2022	\$18.2	\$18.2	\$18.1	S+3.00%	1.0%	8.4%	Dec 2025	I/O
42	Senior	NJ	Aug 2022	17.6	17.6	17.4	S+2.90%	1.0%	8.8%	Apr 2025	I/O
43	Senior	WA	Aug 2022	11.5	11.5	11.4	S+2.90%	1.0%	8.8%	Mar 2025	I/O
44	Senior	MA	Mar 2022	8.5	8.5	8.5	S+3.00%	0.8%	8.3%	Dec 2024	I/O
45	Senior	TX	Apr 2022	8.0	8.0	8.0	S+3.00%	0.8%	8.4%	Aug 2024	I/O
46	Senior	MA	Apr 2022	7.7	7.7	7.7	S+3.00%	0.8%	8.3%	Nov 2024	I/O
47	Senior	MA	Apr 2022	6.7	6.7	6.7	S+3.00%	0.8%	8.4%	Oct 2024	I/O
48	Senior	MO	Jan 2021	6.5	6.5	6.5	S+3.10%	1.2%	8.4%	Dec 2023	I/O
49	Senior	NJ	Mar 2022	5.9	5.9	5.9	S+3.00%	0.8%	8.6%	Jul 2024	I/O
50	Senior	IL	Jan 2021	5.6	5.6	5.6	S+3.10%	0.9%	8.6%	Dec 2023	I/O
51	Senior	TX	Mar 2022	2.9	2.9	2.9	S+3.00%	0.8%	8.3%	Sep 2024	I/O
<b>Total Self Storage</b>				<b>\$99.1</b>	<b>\$99.1</b>	<b>\$98.7</b>					
<b>Student Housing Loans:</b>											
52	Senior	CA	Jun 2017	\$34.0	\$34.0	\$34.0	S+3.95%	0.5%	9.1%	Jan 2024	I/O
53	Senior	AL	Apr 2021	19.5	19.5	19.4	S+3.95%	0.1%	9.5%	May 2024	I/O
<b>Total Student Housing</b>				<b>\$53.5</b>	<b>\$53.5</b>	<b>\$53.4</b>					
<b>Loan Portfolio Total/Weighted Average</b>				<b>\$2,413.1</b>	<b>\$2,252.1</b>	<b>\$2,228.1</b>		<b>1.1%<sup>2</sup></b>	<b>8.7%</b>		

Note: As of June 30, 2023.

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

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

# Additional Details on Sources of Funding

(\$ in millions)				
Financing Sources	Total Commitments	Outstanding Principal	Pricing Range	Mark-to-Market
<b>Secured Funding Agreements</b>				
Wells Fargo Facility	\$450.0	\$241.9	SOFR+1.50 to 3.75%	Credit
Citibank Facility	325.0	236.2	SOFR+1.50 to 2.10%	Credit
CNB Facility	75.0	—	SOFR+2.65%	Credit
Morgan Stanley Facility	250.0	203.2	SOFR+1.60 to 3.10%	Credit
MetLife Facility	180.0	--	SOFR+2.50%	Credit
<b>Subtotal</b>	<b>\$1,280.0</b>	<b>\$681.3</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	290.5	290.5	SOFR+ 1.56%	None
<b>Subtotal</b>	<b>\$886.1</b>	<b>\$886.1</b>		
<b>Total Debt</b>	<b>\$2,271.1</b>	<b>\$1,672.4</b>		

Note: As of June 30, 2023.

Confidential – Not For Publication or Distribution

# Fully Integrated Investment Committee

» Includes Leadership of Debt and Equity Strategies



**Bill Benjamin**

Partner, Head of Ares Real Estate Group

37 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

25 years of experience



**Howard Huang**

Partner, Portfolio Manager U.S.

34 years of experience



**Philip Moore**

Partner, Head of European Real Estate Debt

19 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

23 years of experience



**JB Gerber**

Partner, Head of Real Estate Debt Origination

18 years of experience



**Marshall Hayes**

Partner, Head of Multifamily Acquisitions

25 years of experience



**Wilson Lamont**

Partner, Co-Head of Europe Equity

23 years of experience



**Joel Pecoy**

Managing Director, Real Estate Debt Portfolio Management

13 years of experience



**Julie Solomon**

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

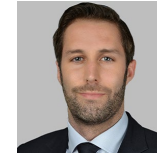
23 years of experience



**Tae-Sik Yoon**

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

28 years of experience



**Kevin Cahill**

Partner, Portfolio Manager, Europe Equity

19 years of experience



**Andrew Holm**

Partner, Portfolio Manager, U.S. Equity

18 years of experience



**Alastair McDonnell**

Partner, Head of European Investment Operations

24 years of experience



**John Ruane**

Partner, Co-Head of Europe Equity

23 years of experience

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

# Endnotes

## Ares Management

1. As of July 24, 2023.
2. New Delhi office is operated by a third party with whom Ares Asia 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

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 these awards but may have paid to use the award logo. All investments involve risk, including loss of principal.
  2. Includes Ares Corp. 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.
- 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

## **Distributable Earnings**

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.

## **Unleveraged Effective Yield**

Unleveraged effective yield is the compounded effective rate of return that would be earned over the life of the investment based on the contractual interest rate (adjusted for any deferred loan fees, costs, premiums or discounts) and assumes no dispositions, early prepayments or defaults.

## **Weighted Average Unleveraged Effective Yield**

Weighted average unleveraged effective yield is calculated based on the average of unleveraged effective yield of all loans held by the Company as weighted by the outstanding principal balance of each loan.

