Ares Commercial Real Estate Corporation

Quarter Ended March 31, 2023

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REF: RE-03507

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 $360bn alternative asset manager with a $51bn global Real Estate platform
- Significant experience in value-add commercial real estate properties across a variety of sectors
- Portfolio benefits from higher rate environment
- Strong balance sheet with diverse funding and match-funded assets and liabilities
- Diversified loan portfolio of $2.2bn with 98% in senior loans[1]
- Strong cash flows to support dividend

Note: As of March 31, 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.

1. Based on outstanding principal balance.

Well-Positioned for Today's Environment

1 Deep Real Estate Capabilities	• Asset manager with $360bn of AUM and a leading real estate group with $49bn of AUM • Proven asset management and property ownership experience which has supported positive outcomes for ACRE shareholders
2 Strong Liquidity & Capital Position	• Net leverage 1.9x debt to equity[1], meaningfully lower than peers and banks • $225mm+ of available liquidity with cash totaling 19% of equity[2]
3 Reserves that Appropriately Reflect Current Conditions	• $92mm total CECL reserve which equates to 4% of loans held for investment[3]
4 Match Funded Sources with No Mark to Market	• Funding relationships with some of the largest global firms (no direct funding relationship with any regional banks) • No spread based mark to market provisions in borrowing facilities
5 Strong cash flow to support dividends	• Earnings have benefitted from the increased rate environment • Over a decade of steady or increasing dividends

Note: As of March 31, 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.

1. Net debt to equity ratio is calculated as (i) $1.7 billion of outstanding borrowings less $153.8 million of cash, (ii) divided by total stockholders' equity excluding CECL reserve of $92.3 million at March 31, 2023. Net debt to equity ratio including the CECL reserve is 2.1x. Excluding the impact of cash on the outstanding borrowings, the total debt to equity ratio excluding the CECL reserve is 2.1x and including the CECL reserve is 2.4x.
2. Equity excludes total CECL reserves.
3. Based on outstanding principal balance.

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Ares Management

» With approximately $360 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	$360bn
Employees	~2,615
Investment Professionals	~905
Global Offices	30+
Direct Institutional Relationships	~1,960
Listing: NYSE – Market Capitalization	$24.6bn[1]

Global Footprint[2]

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	$235.1bn	$34.6bn	$64.1bn	$22.9bn	$3.5bn
Strategies	Direct Lending	Corporate Private Equity	Real Estate Equity	Private Equity Secondaries	Ares Insurance Solutions[3]
	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 March 31, 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.

1. As of April 26, 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

» 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

$49.2 Billion AUM

- 24 Partners averaging 26 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[1]
- Rated Special Servicing Platform 2016-2021 by FitchRatings[1]
- PERE 2021 Top 2 Logistics Investor of the Year, North America[1]
- PERE 2021 Top 2 Residential Investor of the Year, Europe[1]

Full Suite of Complementary Real Estate Debt & Equity Strategies

	Debt	U.S. Equity	European Equity
AUM	$10.8bn	$29.8bn	$8.5bn
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 March 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 these awards but may have paid to use the award logo. 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.

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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

Direct Origination Platform

- Experienced team of investment professionals
- Deep relationships with high quality sponsors and leading brokers nationwide

Disciplined and Rigorous Underwriting Process

- Focus on strong property fundamentals, cash flows, loan to value and cost basis
- Pursue commercial properties in liquid institutional markets with positive growth dynamics

Fully Integrated Investment Committee

- Global investment committee comprised of senior management from debt and equity strategies
- Cross-pollination of ideas and information

Strong Asset Management Post Close

- Robust portfolio management function with extensive workout capabilities
- Investment teams work alongside portfolio management team once loan is originated – life of loan approach

As of March 31, 2023, unless otherwise indicated. The is no guarantee or assurance investment objectives will be achieved. References to downside protection are not guarantees against loss of investment capital or value.

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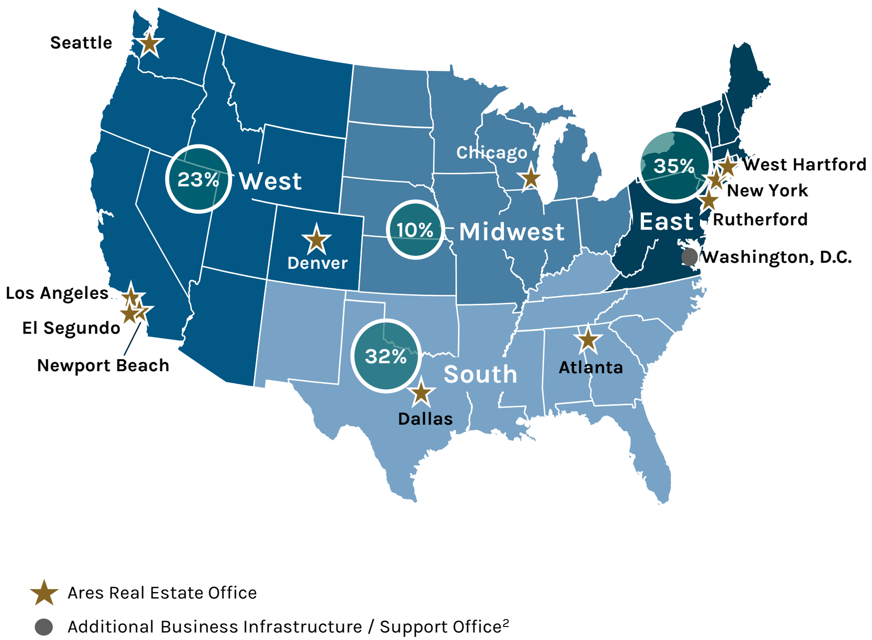
Direct Origination Platform

Current US Real Estate Debt Portfolio[1]



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 March 31, 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 Real Estate Debt portfolio as of March 31, 2023.
2. Non-Ares location providing administrative and support functions to the Ares Real Estate.

Investment Strategy

Target Investments[1]	
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[2]

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.

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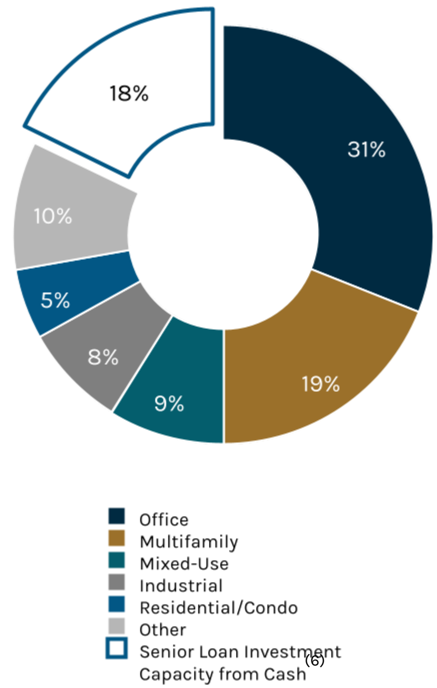
Loan Portfolio Positioning and Performance

Loans Held for Investment Portfolio Metrics[1]

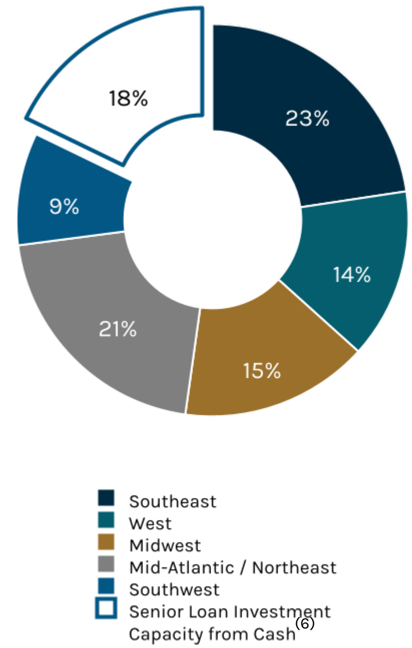
Outstanding principal balance[2]	**$2.2 billion**
Number of loans	**53**
Percentage of senior loans[4]	**98%**
Weighted average unleveraged effective yield[5]	**9.2%**
Senior loan investment capacity from cash[6]	**$475 million**

Diverse Loans Held for Investment Portfolio

By Asset Type[3]



By Geography[3]



Note: As of March 31, 2023, unless otherwise noted. Past performance is not indicative of future results. Diversification does not ensure profit or protect against market loss.

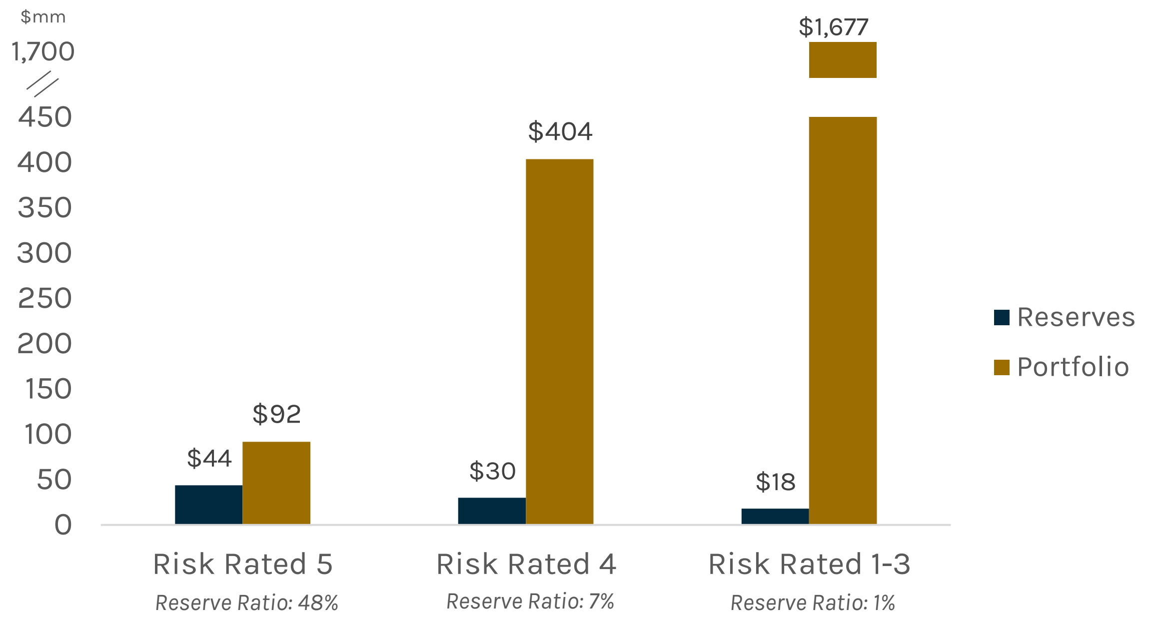
1. Unless otherwise noted, includes only loans held for investment and excludes $27.4 million of loans held for sale and $28.0 million of AAA rated CRE debt securities purchased in 2022.
2. Weighted average unpaid principal balance of loan portfolio of $2.262 billion during Q1 2023.
3. Based on outstanding principal balance of loans held for investment and senior loan investment capacity from cash.
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 8.5%.
6. Our senior loan investment capacity from cash is assuming that we use all available unrestricted cash of $153.8 million as of March 31, 2023 to originate new senior loans and we are able to leverage such amount under our Secured Funding Agreements at our total debt to equity ratio of 2.1x excluding the CECL reserve.

Reserves for Expected Credit Losses

($ in thousands)		
Balance at 12/31/2022	$	71,307
Provision for CECL		21,019
Balance at 3/31/2023	**$**	**92,326**

- Increase in total CECL reserve of $21.0 million (bifurcated between an increase in funded commitments provision of $21.5 million partially offset by a decrease in unfunded commitments provision of $0.5 million)
- As of March 31, 2023, the total CECL reserve includes specific reserves of $43.9 million, including $38.3 million on a senior office loan and $5.6 million on a senior hotel loan

Loan Portfolio and Reserves by Risk Rating



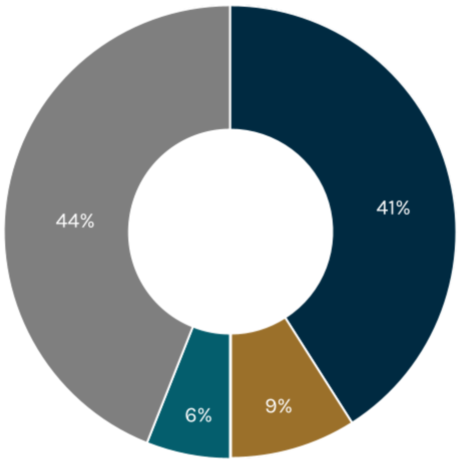
As of March 31, 2023, unless otherwise indicated. There is no guarantee or assurance that investment objectives will be achieved. References to downside protection are not guarantees against loss of investment capital or value.

Well-Positioned Balance Sheet

Financing Metrics

Total capacity across all financings[1]	**$2.3 billion**
Sources of financing[2]	**8**
Outstanding principal borrowings	**$1.7 billion**
Percentage of non-recourse financing[3]	**44%**
Net debt to equity ratio[4]	**1.9x**
Spread based mark to market provisions[5]	**None**

Diversified Sources of Financing[3]



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

Note: As of March 31, 2023, unless otherwise noted. Diversification does not ensure profit or protect against market loss.
1, Weighted average unpaid principal balance of $1.703 billion across all financings for Q1 2023.
2. Excludes Notes Payable. See page 11 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 borrowings less $153.8 million of cash, (ii) divided by total stockholders' equity excluding CECL reserve of $92.3 million at March 31, 2023. Net debt to equity ratio including the CECL reserve is 2.1x. Excluding the impact of cash on the outstanding borrowings, the 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 remargining provisions based on the credit performance of our loans.

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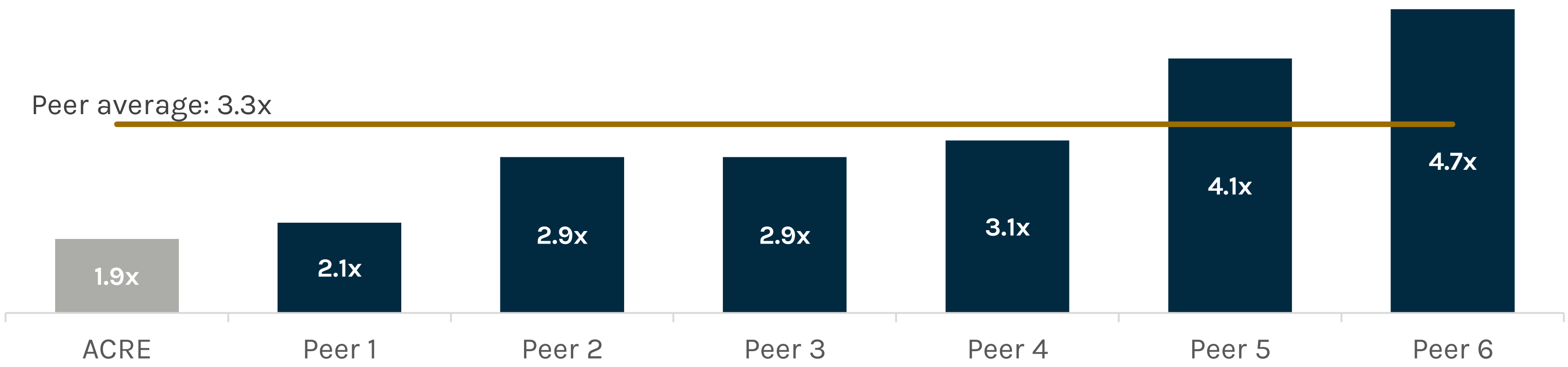
Low Leverage with Significant Liquidity

Net Debt to Common Equity (excluding CECL)[1,2]



ACRE has a strong cash position with $225mm+ of available liquidity and cash totaling 19% of equity before CECL

As of March 31, 2023, unless otherwise indicated. The is no guarantee or assurance investment objectives will be achieved. References to downside protection are not guarantees against loss of investment capital or value.
1. Net debt to equity ratio is calculated as net borrowing divided by total stockholders' equity excluding total CECL reserves at March 31, 2023.
2. Peers include ARI, BXMT, CMTG, GPMT, KREF and TRTX.

ACRE Investment Highlights

Attractively positioned senior loan portfolio

Highly experienced management team backed by sponsorship of Ares Management

Deep sources of liquidity and financing from long-term and diverse sources of financing and match funds its assets

The company maintains modest leverage

Strong cash flows to support dividends

Past performance is not indicative of future results.

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

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Appendix

Fully Integrated Investment Committee

Includes Leadership of Debt and Equity Strategies

Bill Benjamin

Partner, Head of Ares Real Estate Group

37 years of experience

Bryan Donohoe

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

23 years of experience

Tae-Sik Yoon

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

28 years of experience

David Roth

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

38 years of experience

JB Gerber

Partner, Head of Real Estate Debt Origination

18 years of experience

Kevin Cahill

Partner, Portfolio Manager, Europe Equity

19 years of experience

Jay Glaubach

Partner, Portfolio Manager, U.S. Equity

25 years of experience

Marshall Hayes

Partner, Head of Multifamily Acquisitions

25 years of experience

Andrew Holm

Partner, Portfolio Manager, U.S. Equity

18 years of experience

Howard Huang

Partner, Portfolio Manager U.S.

34 years of experience

Wilson Lamont

Partner, Co-Head of Europe Equity

23 years of experience

Alastair McDonnell

Partner, Head of European Investment Operations

24 years of experience

Philip Moore

Partner, Head of European Real Estate Debt

19 years of experience

Joel Pecoy

Managing Director, Real Estate Debt Portfolio Management

13 years of experience

John Ruane

Partner, Co-Head of Europe Equity

23 years of experience

David Sachs

Partner, Strategy and Relationship Mgmt. Group

41 years of experience

Sumit Sasidharan

Managing Director, Head of Capital Markets, Real Estate Debt

26 years of experience

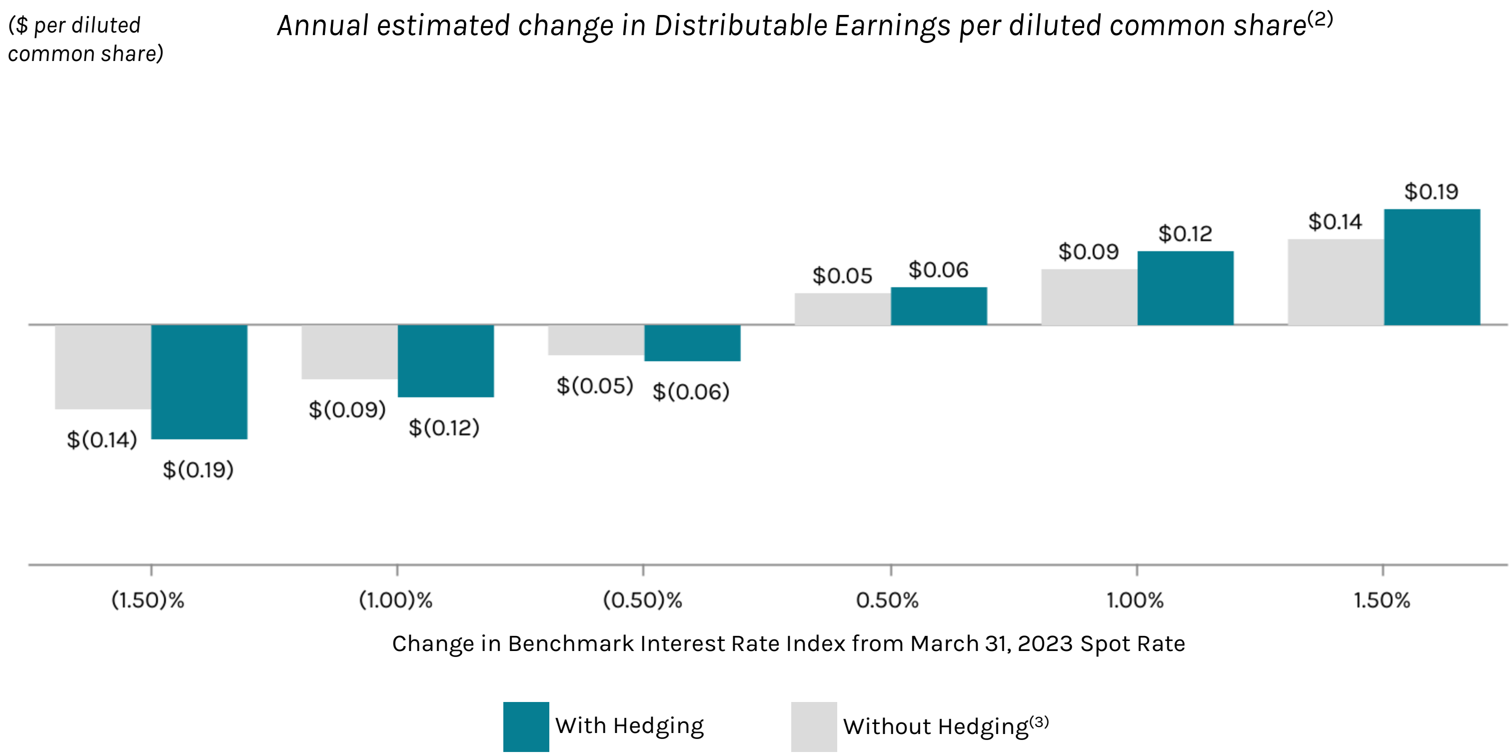
Julie Solomon

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.

Interest Rate Sensitivity to Benchmark Interest Rate Index[1] Changes



97% of loans are interest rate sensitive versus 80% of total debt is interest rate sensitive[4]

Note: As of March 31, 2023, unless otherwise noted.

1. Benchmark Interest Rate Index represents the interest rates indexed to LIBOR and SOFR.
2. The chart estimates the hypothetical changes in Distributable Earnings per diluted common share for the twelve month period ended March 31, 2023, assuming (1) an immediate increase or decrease in 30-day Benchmark Interest Rate Index as of March 31, 2023, (2) no change in the outstanding principal balance of our loans held for investment portfolio, available-for-sale debt securities and borrowings as of March 31, 2023 and (3) no changes in the notional amount of the interest rate swap agreement entered into as of March 31, 2023.
3. Represents the hypothetical impact to Distributable Earnings per diluted common share had we not entered into interest rate swap agreement as of the reporting date.
4. Based on LIBOR and SOFR rates as of March 31, 2023 and LIBOR and SOFR floors in place.

Additional Details on Sources of Funding

($ in millions) Financing Sources	Total Commitments	Outstanding Balance	Pricing Range	Mark-to-Market
Secured Funding Agreements				
Wells Fargo Facility	$450.0	$261.1	Base Rate[1]+1.50 to 3.75%	Credit
Citibank Facility	325.0	236.2	Base Rate[1]+1.50 to 2.10%	Credit
CNB Facility	75.0	—	SOFR+2.65%	Credit
Morgan Stanley Facility	250.0	200.9	SOFR+1.60 to 3.10%	Credit
MetLife Facility	180.0	—	Base Rate[1]+2.10 to 2.50%	Credit
Subtotal	**$1,280.0**	**$698.2**		
Asset Level Financing				
Notes Payable	$105.0	$105.0	SOFR + 2.00%	Credit
Capital Markets				
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	291.3	291.3	LIBOR+ 1.45%	None
Subtotal	**$886.9**	**$886.9**		
Total Debt	**$2,271.9**	**$1,690.1**		

Note: As of March 31, 2023.

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/SOFR Floor	Unleveraged Effective Yield	Maturity Date	Payment Terms[1]
Office Loans:											
1	Senior	IL	Nov 2020	$155.7	$155.7	$154.0	(2)	1.5%	7.1%[2]	Mar 2025	I/O
2	Senior	Diversified	Jan 2020	122.4	120.4	120.2	S+3.75%	1.6%	8.8%	Jan 2024	P/I
3	Senior	AZ	Sep 2021	115.7	78.0	77.6	L+3.50%	0.1%	8.8%	Oct 2024	I/O
4	Senior	NY	Jul 2021	81.0	70.2	69.6	L+3.85%	0.1%	9.1%	Aug 2025	I/O
5	Senior	NC	Mar 2019	68.9	68.9	68.7	S+4.35%	2.3%	9.5%	Mar 2024	P/I
6	Senior	NC	Aug 2021	85.0	67.3	66.9	S+3.65%	0.2%	8.9%	Aug 2024	I/O
7	Senior	IL	May 2018	58.9	56.9	53.8	S+3.95%	2.0%	—%[3]	Jun 2023	I/O
8	Senior	IL	Dec 2022	56.0	56.0	55.5	S+4.25%	3.0%	9.6%	Jan 2025	I/O
9	Senior	GA	Nov 2019	48.6	48.6	48.5	S+3.15%	1.9%	8.3%	Dec 2023	P/I
10	Senior	CA	Oct 2019	33.2	33.2	32.6	S+3.45%	1.9%	—%[3]	Nov 2023	I/O
11	Senior	MA	Apr 2022	82.2	26.8	26.1	S+3.75%	—%	9.9%	Apr 2025	I/O
12	Senior	CA	Nov 2018	22.9	22.9	22.8	S+3.50%	2.3%	8.6%	Nov 2023	I/O
13	Subordinate	NJ	Mar 2016	18.5	18.5	17.4	12.00%	—%	—%[3]	Jan 2026	I/O
Total Office				**$949.0**	**$823.4**	**$813.7**					

Note: As of March 31, 2023.

1. I/O = interest only, P/I = principal and interest.
2. 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 $41.8 million as of March 31, 2023, was on non-accrual status as of March 31, 2023 and therefore, the Unleveraged Effective Yield presented is for the senior position only as the mezzanine position is non-interest accruing.
3. Loan was on non-accrual status as of March 31, 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	LIBOR/SOFR Floor	Unleveraged Effective Yield	Maturity Date	Payment Terms[1]
Multifamily Loans:											
14	Senior	NY	May 2022	$133.0	$132.2	$131.0	S+3.90%	0.2%	9.2%	Jun 2025	I/O
15	Senior	TX	Jun 2022	100.0	100.0	99.2	S+3.50%	1.5%	9.1%	Jul 2025	I/O
16	Senior	TX	Nov 2021	68.8	68.1	67.7	S+2.95%	—%	8.1%	Dec 2024	I/O
17	Senior[2]	SC	Dec 2021	67.0	67.0	66.8	L+2.90%	0.1%	8.0%	Nov 2024	I/O
18	Senior	CA	Nov 2021	31.7	31.7	31.5	S+3.00%	—%	8.1%	Dec 2025	I/O
19	Senior	PA	Dec 2018	30.2	29.4	29.3	S+4.00%	1.3%	9.1%	Dec 2023	I/O
20	Senior	WA	Dec 2021	23.1	23.1	23.0	S+3.00%	—%	8.0%	Nov 2025	I/O
21	Senior	TX	Oct 2021	23.1	22.4	22.2	S+2.60%	—%	7.8%	Oct 2024	I/O
22	Subordinate	SC	Aug 2022	20.6	20.6	20.5	S+9.53%	1.5%	14.7%	Sep 2025	I/O
23	Senior	WA	Feb 2020	18.8	18.8	18.7	S+3.10%	1.6%	8.4%	Sep 2023	I/O
Total Multifamily				**$516.3**	**$513.3**	**$509.9**					
Mixed-Use Loans:											
24	Senior	FL	Feb 2019	$82.7	$82.7	$82.7	L+4.25%	1.5%	9.1%	Feb 2023[3]	I/O
25	Senior	NY	Jul 2021	78.3	75.0	74.7	S+3.75%	—%	8.9%	Jul 2024	I/O
26	Senior	CA	Feb 2020	37.9	37.9	37.9	L+4.10%	1.7%	9.0%	Mar 2023[4]	I/O
27	Senior	TX	Sep 2019	35.3	35.3	35.2	S+3.85%	0.7%	8.9%	Sep 2024	I/O
Total Mixed-Use				**$234.2**	**$230.9**	**$230.5**					

Note: As of March 31, 2023.

1. I/O = interest only, P/I = principal and interest.
2. Loan commitment is allocated between a multifamily property ($60.5 million) and an office property ($6.5 million).
3. As of March 31, 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.
4. As of March 31, 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	LIBOR/SOFR Floor	Unleveraged Effective Yield	Maturity Date	Payment Terms[1]
Industrial Loans:											
28	Senior	IL	May 2021	$100.7	$98.2	$97.8	L+4.55%	0.2%	9.8%	May 2024	I/O
29	Senior	FL	Dec 2021	25.5	25.5	25.4	L+2.90%	0.1%	8.0%	Dec 2025	I/O
30	Senior	NJ	Jun 2021	28.3	24.6	24.4	L+3.75%	0.3%	9.3%	May 2024	I/O
31	Senior[3]	CO	Jul 2021	23.6	23.6	23.5	(2)	0.3%	12.2%	Feb 2024	I/O
32	Senior	CA	Aug 2019	19.6	19.6	19.5	S+3.85%	2.0%	8.9%	Sep 2024	I/O
33	Senior[2]	TX	Nov 2021	10.0	10.0	9.9	S+5.35%	0.2%	10.5%	Dec 2024	I/O
34	Senior[2]	TN	Oct 2021	6.4	6.4	6.4	S+5.60%	0.2%	10.8%	Nov 2024	I/O
35	Senior	FL	Feb 2022	4.0	4.0	4.0	S+5.75%	0.3%	11.0%	Mar 2025	I/O
Total Industrial				**$218.1**	**$211.9**	**$210.9**					
Residential/Condominium Loans:											
36	Senior[4]	NY	Mar 2022	$91.1	$76.2	$75.9	S+8.95%	0.4%	15.6%	Oct 2023	I/O
37	Senior	FL	Jul 2021	75.0	74.5	74.4	S+5.35%	—%	10.7%	Jul 2023	I/O
Total Residential/Condominium				**$166.1**	**$150.7**	**$150.3**					
Hotel Loans:											
38	Senior	CA	Mar 2022	$60.8	$40.2	$39.8	S+4.20%	—%	9.5%	Mar 2025	I/O
39	Senior	NY	Mar 2022	55.7	36.5	36.1	S+4.40%	0.1%	9.6%	Mar 2026	I/O
40	Senior[5]	IL	Apr 2018	35.0	35.0	29.5	S+4.00%	0.3%	—%[6]	May 2024	I/O
Total Hotel				**$151.5**	**$111.7**	**$105.4**					

Note: As of March 31, 2023.

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 $19.8 million as of March 31, 2023, 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 March 31, 2023, accrues interest at a per annum rate of S + 8.50%.
4. 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.
5. 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.
6. Loan was on non-accrual status as of March 31, 2023 and the Unleveraged Effective Yield is not applicable.

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Loans Held for Investment Portfolio Details

($ in millions)

#	Loan Type	Location	Origination Date	Current Loan Commitment	Outstanding Principal	Carrying Value	Interest Rate	LIBOR/SOFR Floor	Unleveraged Effective Yield	Maturity Date	Payment Terms[1]
Self Storage Loans:											
41	Senior	PA	Mar 2022	$18.2	$18.2	$18.1	L+2.90%	1.0%	8.1%	Dec 2025	I/O
42	Senior	NJ	Aug 2022	17.6	17.6	17.4	S+2.90%	1.0%	8.5%	Apr 2025	I/O
43	Senior	WA	Aug 2022	11.5	11.5	11.4	S+2.90%	1.0%	8.4%	Mar 2025	I/O
44	Senior	MA	Mar 2022	8.5	8.5	8.5	L+2.90%	0.9%	7.9%	Dec 2024	I/O
45	Senior	TX	Apr 2022	8.0	8.0	8.0	L+2.90%	0.9%	8.0%	Aug 2024	I/O
46	Senior	MA	Apr 2022	7.7	7.7	7.7	L+2.90%	0.9%	8.0%	Nov 2024	I/O
47	Senior	MA	Apr 2022	6.7	6.6	6.6	L+2.90%	0.9%	8.0%	Oct 2024	I/O
48	Senior	MO	Jan 2021	6.5	6.5	6.5	L+3.00%	1.3%	8.0%	Dec 2023	I/O
49	Senior	NJ	Mar 2022	5.9	5.9	5.9	L+2.90%	0.9%	8.2%	Jul 2024	I/O
50	Senior	IL	Jan 2021	5.6	5.6	5.6	S+3.10%	0.9%	8.2%	Dec 2023	I/O
51	Senior	TX	Mar 2022	2.9	2.9	2.9	L+2.90%	0.9%	7.9%	Sep 2024	I/O
Total Self Storage				**$99.1**	**$99.0**	**$98.6**					
Student Housing Loans:											
52	Senior	CA	Jun 2017	$34.5	$34.5	$34.5	S+3.95%	0.5%	8.8%	Jul 2023	I/O
53	Senior	AL	Apr 2021	19.5	19.5	19.4	S+3.95%	0.1%	9.1%	May 2024	I/O
Total Student Housing				**$54.0**	**$54.0**	**$53.9**					
Loan Portfolio Total/Weighted Average				**$2,388.3**	**$2,194.9**	**$2,173.2**		**1.0%[2]**	**8.5%**		

Note: As of March 31, 2023.
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.

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Consolidated Balance Sheets

($ in thousands, except share and per share data)	As of 3/31/2023		As of 12/31/2022	
ASSETS				
Cash and cash equivalents	$	153,764	$	141,278
Loans held for investment ($846,718 and $887,662 related to consolidated VIEs, respectively)		2,173,205		2,264,008
Current expected credit loss reserve		(87,502)		(65,969)
Loans held for investment, net of current expected credit loss reserve		2,085,703		2,198,039
Loans held for sale, at fair value		27,375		—
Investment in available-for-sale debt securities, at fair value		28,007		27,936
Other assets ($2,959 and $2,980 of interest receivable related to consolidated VIEs, respectively; $128,334 and $129,495 of other receivables related to consolidated VIEs, respectively)		149,471		155,749
Total assets	$	2,444,320	$	2,523,002
LIABILITIES AND STOCKHOLDERS' EQUITY				
LIABILITIES				
Secured funding agreements	$	698,153	$	705,231
Notes payable		104,509		104,460
Secured term loan		149,247		149,200
Collateralized loan obligation securitization debt (consolidated VIEs)		735,839		777,675
Due to affiliate		3,899		5,580
Dividends payable		19,346		19,347
Other liabilities ($1,942 and $1,913 of interest payable related to consolidated VIEs, respectively)		15,024		13,969
Total liabilities		1,726,017		1,775,462
Commitments and contingencies				
STOCKHOLDERS' EQUITY				
Common stock, par value $0.01 per share, 450,000,000 shares authorized at March 31, 2023 and December 31, 2022 and 54,606,826 and 54,443,983 shares issued and outstanding at March 31, 2023 and December 31, 2022, respectively		537		537
Additional paid-in capital		813,748		812,788
Accumulated other comprehensive income		3,129		7,541
Accumulated earnings (deficit)		(99,111)		(73,326)
Total stockholders' equity		718,303		747,540
Total liabilities and stockholders' equity	$	2,444,320	$	2,523,002

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Consolidated Statements of Operations

($ in thousands, except share and per share data)	For the Three Months Ended 3/31/2023	12/31/2022	9/30/2022	6/30/2022	3/31/2022
Revenue:					
Interest income	$ 49,500	$ 52,552	$ 45,633	$ 38,621	$ 33,364
Interest expense	(22,999)	(22,144)	(18,362)	(13,475)	(12,013)
Net interest margin	26,501	30,408	27,271	25,146	21,351
Revenue from real estate owned	—	—	—	—	2,672
Total revenue	26,501	30,408	27,271	25,146	24,023
Expenses:					
Management and incentive fees to affiliate	3,010	4,290	3,868	3,766	2,974
Professional fees	771	630	842	1,100	778
General and administrative expenses	1,685	1,777	1,416	1,587	1,613
General and administrative expenses reimbursed to affiliate	732	1,136	1,011	796	834
Expenses from real estate owned	—	—	—	—	4,309
Total expenses	6,198	7,833	7,137	7,249	10,508
Provision for current expected credit losses	21,019	19,402	19,485	7,768	(594)
Realized losses on loans sold	5,613	—	—	—	—
Gain on sale of real estate owned	—	—	—	—	2,197
Income (loss) before income taxes	(6,329)	3,173	649	10,129	16,306
Income tax expense, including excise tax	110	264	5	98	105
Net income (loss) attributable to common stockholders	$ (6,439)	$ 2,909	$ 644	$ 10,031	$ 16,201
Earnings per common share:					
Basic earnings (loss) per common share	$ (0.12)	$ 0.05	$ 0.01	$ 0.20	$ 0.34
Diluted earnings (loss) per common share	$ (0.12)	$ 0.05	$ 0.01	$ 0.20	$ 0.34
Weighted average number of common shares outstanding:					
Basic weighted average shares of common stock outstanding	54,591,650	54,427,041	54,415,545	50,562,559	47,204,397
Diluted weighted average shares of common stock outstanding	54,591,650	54,894,888	54,846,756	50,999,505	47,654,549
Dividends declared per share of common stock[1]	$ 0.35	$ 0.35	$ 0.35	$ 0.35	$ 0.35

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

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Reconciliation of Net Income to Non-GAAP Distributable Earnings

($ in thousands, except per share data)	For the Three Months Ended 3/31/2023	12/31/2022	9/30/2022	6/30/2022	3/31/2022
Net income (loss) attributable to common stockholders	$ (6,439)	$ 2,909	$ 644	$ 10,031	$ 16,201
Stock-based compensation	960	738	673	699	766
Incentive fees to affiliate	—	1,264	855	965	358
Depreciation of real estate owned	—	—	—	—	(2,385)
Provision for current expected credit losses	21,019	19,402	19,485	7,768	(594)
Realized gain on termination of interest rate cap derivative[1]	(457)	(422)	(354)	(264)	1,960
Distributable Earnings	**$ 15,083**	**$ 23,891**	**$ 21,303**	**$ 19,199**	**$ 16,306**
Net income (loss) attributable to common stockholders	$ (0.12)	$ 0.05	$ 0.01	$ 0.20	$ 0.34
Stock-based compensation	0.02	0.01	0.01	0.01	0.02
Incentive fees to affiliate	—	0.02	0.02	0.02	0.01
Depreciation of real estate owned	—	—	—	—	(0.05)
Provision for current expected credit losses	0.39	0.36	0.36	0.15	(0.01)
Realized gain on termination of interest rate cap derivative[1]	(0.01)	(0.01)	(0.01)	(0.01)	0.04
Basic Distributable Earnings per common share	**$ 0.28**	**$ 0.44**	**$ 0.39**	**$ 0.38**	**$ 0.35**
Net income (loss) attributable to common stockholders	$ (0.12)	$ 0.05	$ 0.01	$ 0.20	$ 0.34
Stock-based compensation	0.02	0.01	0.01	0.01	0.02
Incentive fees to affiliate	—	0.02	0.02	0.02	—
Depreciation of real estate owned	—	—	—	—	(0.05)
Provision for current expected credit losses	0.38	0.35	0.36	0.15	(0.01)
Realized gain on termination of interest rate cap derivative[1]	(0.01)	(0.01)	(0.01)	(0.01)	0.04
Diluted Distributable Earnings per common share	**$ 0.27**	**$ 0.44**	**$ 0.39**	**$ 0.38**	**$ 0.34**

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

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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 'CLLSS2-' 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

Ares Warehouse	The Ares Warehouse represents a real estate debt warehouse investment vehicle maintained by an affiliate of ACREM. The Ares Warehouse holds Ares Management originated commercial real estate loans, which are made available to purchase by other investment vehicles, including ACRE and other Ares Management managed investment vehicles.
Distributable Earnings	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.

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