



ACRES Commercial Realty Corp.

Second Quarter 2022 Earnings Presentation

August 4, 2022



## Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of federal securities laws. These forward-looking statements are not historical facts but rather are based on ACRES Commercial Realty Corp.'s ("ACR's" or the "Company's") current beliefs, assumptions and expectations. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to ACR or are within its control. If a change occurs, its business, financial condition, liquidity and results of operations may vary materially from those expressed in the forward-looking statements. You should not place undue reliance on these forward-looking statements, which reflect ACR's view only as of the date of this presentation. ACR uses words such as "anticipate," "expect," "intend," "plan," "believe," "seek," "estimate," "target," and variations of these words and similar expressions to identify forward-looking statements. Forward-looking statements are subject to various risks and uncertainties that could cause actual results to vary from its forward-looking statements, including, but not limited to:

- changes in the industry, interest rates, the debt securities markets, real estate markets or the general economy;
- increased rates of default and/or decreased recovery rates on its investments;
- the performance and financial condition of its borrowers;
- the cost and availability of its financings, which depend in part on its asset quality, the nature of its relationships with its lenders and other capital providers, its business prospects and outlook and general market conditions;
- the availability and attractiveness of terms of additional debt repurchases;
- availability, terms and deployment of short-term and long-term capital;
- availability of, and ability to retain, qualified personnel;
- changes in its business strategy;
- availability of investment opportunities in commercial real estate-related and commercial finance assets;
- the degree and nature of its competition;
- the resolution of its non-performing and sub-performing assets;
- the outbreak of widespread contagious disease, such as the novel coronavirus, COVID-19;
- the Company's ability to comply with financial covenants in its debt instruments;
- the adequacy of its cash reserves and working capital;
- the timing of cash flows, if any, from its investments;
- unanticipated increases in financial and other costs, including a rise in interest rates;
- its ability to maintain compliance with over-collateralization and interest coverage tests in its CDOs and/or CLOs;
- its dependence on ACRES Capital, LLC, its "Manager", and ability to find a suitable replacement in a timely manner, or at all, if its Manager or the Company were to terminate the management agreement;
- environmental and/or safety requirements;
- its ability to satisfy complex rules in order for ACR to qualify as a REIT, for federal income tax purposes and qualify for its exemption under the Investment Company Act of 1940, as amended, and its ability and the ability of its subsidiaries to operate effectively within the limitations imposed by these rules;
- legislative and regulatory changes (including changes to laws governing the taxation of REITs or the exemptions from registration as an investment company); and
- other factors discussed under Item IA. Risk Factors in its Annual Report on Form 10-K for the year ended December 31, 2021 and those factors that may be contained in any subsequent filing ACR makes with the Securities and Exchange Commission.

# Disclaimer (continued)



## Forward-Looking Statements (continued)

In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this presentation might not occur and actual results, performance or achievement could differ materially from those anticipated or implied in the forward-looking statements. The Company undertakes no obligation, and specifically disclaims any obligation, to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

## Past Performance

Past performance is not indicative of future results. There is no guarantee that any investment strategy referenced herein will work under all market conditions. Prior to making any investment decision, you should evaluate your ability to invest for the long-term, especially during periods of downturns in the market. You alone assume the responsibility of evaluating the merits and risks associated with any potential investment or investment strategy referenced herein.

## Notes on Presentation

This presentation contains information regarding financial results that is calculated and presented on the basis of methodologies other than in accordance with accounting principles generally accepted in the United States (“GAAP”), which management believes is relevant to assessing ACR’s financial performance.

Commencing with the Company’s financial results for the quarter ended March 31, 2022, Earnings Available for Distribution (“EAD”), which is a non-GAAP financial measure intended to supplement the Company’s financial results computed in accordance with GAAP, has replaced the Company’s prior presentation of Core Earnings. In addition, Core Earnings results from prior reporting periods have been relabeled Earnings Available for Distribution. In line with evolving industry practices, the Company believes the term Earnings Available for Distribution more accurately reflects the principal purpose of the measure than the term Core Earnings and serves as a useful indicator for investors in evaluating the Company’s performance and its ability to pay dividends. Please refer to page 24 for the reconciliation of Net Income (Loss), a GAAP financial measure, to EAD, a non-GAAP financial measure.

Unless otherwise indicated, information included in this presentation is at or for the period ended June 30, 2022.

## Definitions

Refer to page 28 for a description of certain terms not otherwise defined or footnoted, including EAD, Benchmark Rate, GAAP Book Value, and other key terms.

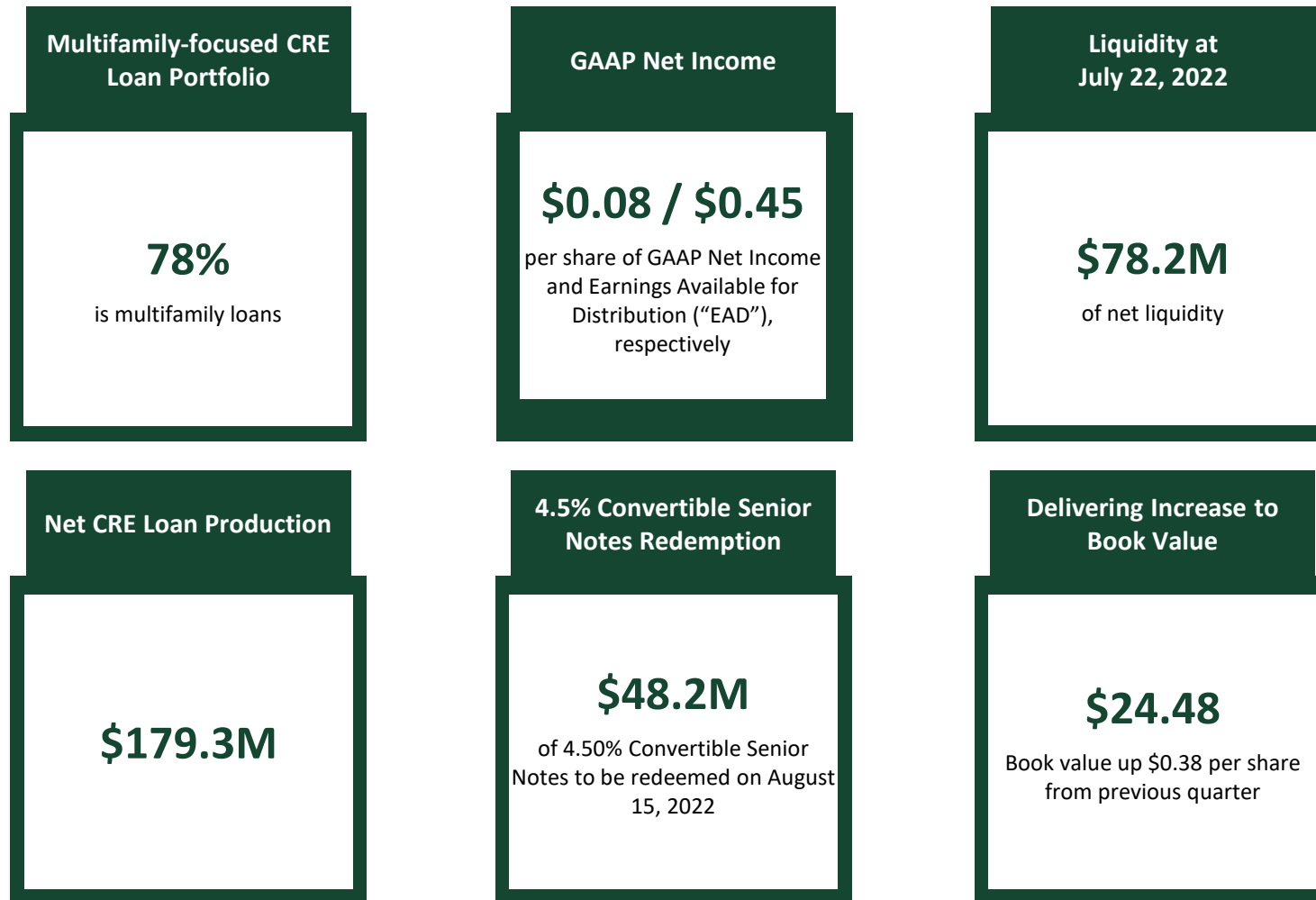
## No Offer or Sale of Securities

This presentation is for informational purposes only and does not constitute an offer to sell or the solicitation of any offer to buy any securities of ACR or any other entity. Any offering of securities would be made pursuant to separate documentation and any such securities would not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

# Second Quarter 2022 Highlights



- Manager is focused on delivering shareholder value through earnings growth and share repurchases
- Earnings Available for Distribution or “EAD” and capital gains can be retained through tax asset to increase book value





Results for Quarter Ended June 30, 2022

# Results and Recent Developments



## Financial Results

- GAAP net income: **\$0.08**, and includes:
  - **\$0.17** of combined minimum interest collections and origination fee accelerations included in interest income as the result of payoffs on three loans during the quarter
  - **\$(0.06)** provision for CECL reserves, primarily attributable to the negative impact of macroeconomic factors focused on expected increases in inflation, energy costs and interest rates, partially offset by improvements in property-level cash flows
  - **\$(0.04)** of net operating losses on our investments in real estate for the quarter, down from net operating losses of **\$(0.18)** in the first quarter of 2022 due to improved property operating performances. The loss during the second quarter 2022 includes:
    - **\$(0.18)** of depreciation and amortization expense on investments in real estate properties
- Earnings Available for Distribution (“EAD”) (previously labeled Core Earnings)<sup>(1)</sup>: **\$0.45**

## Book Value

- GAAP book value: **\$24.48**, up **2%** from \$24.10 in first quarter of 2022

## CRE Loan Activity & CRE Portfolio

- **\$311.7M** of CRE loan originations
- **\$2.1B** CRE loan portfolio with a weighted average LTV of **72%**
- **\$134.9M** of investments in real estate and property held for sale, comprising properties acquired through direct investments in equity and properties acquired from lending activities

## Capitalization & Liquidity

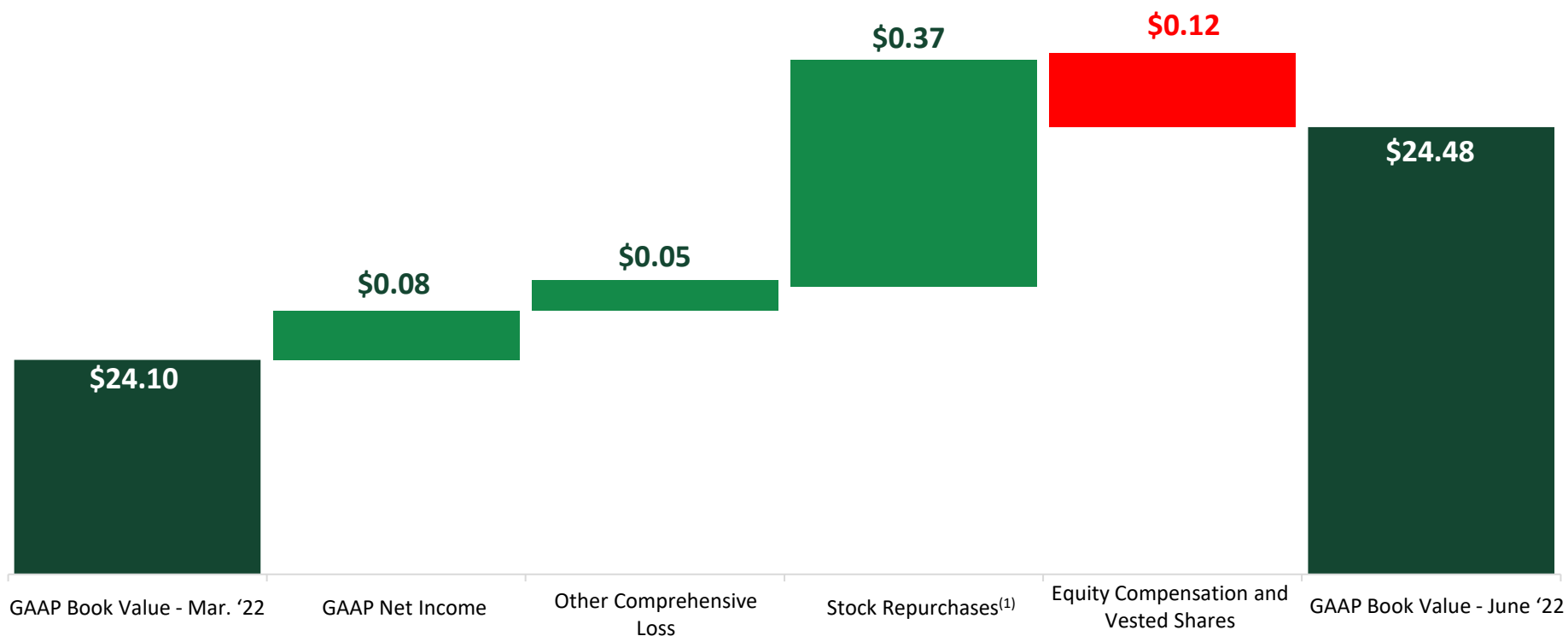
- Acquired two real estate properties through direct equity investments for **\$51.6M**
- Non-recourse, non-mark-to-market CLO financings comprised **77%** of asset-specific borrowings
- Net liquidity of **\$78.2M** at July 22, 2022

(1) Refer to page 24 for the reconciliation of Net income (loss), a GAAP financial measure, to EAD, a non-GAAP financial measure.

# Manager Focus on Delivering Increased Book Value per Share



## Summary of Changes to GAAP Book Value per Share



(1) As of June 30, 2022, \$10.0 million, or 826,811 shares, were repurchased under the \$20 million reauthorized plan.



# CRE Loan Activity and CRE Portfolio



# Deployment Progress



CRE Loan Production, at Par					
\$ in Millions	2 <sup>nd</sup> Quarter 2022	1 <sup>st</sup> Quarter 2022	4 <sup>th</sup> Quarter 2021	3 <sup>rd</sup> Quarter 2021	12 Mos. Ended Jun. 30, 2022
<b>New CRE floating-rate loan commitments</b>	<b>\$311.7</b>	<b>\$99.9</b>	<b>\$447.2</b>	<b>\$468.2</b>	<b>\$1,327.0</b>
Sales, payoffs and paydowns	(109.2)	(92.3)	(363.2)	(120.3)	(684.9)
Future fundings	16.6	10.7	9.7	7.0	44.0
New unfunded loan commitments	(39.8)	(2.8)	(35.2)	(69.9)	(147.8)
<b>Net CRE loans funded</b>	<b>\$179.3</b>	<b>\$15.5</b>	<b>\$58.5</b>	<b>\$285.0</b>	<b>\$538.3</b>
<b>New CRE loans:</b>					
<b>Weighted average LTV</b>	<b>73%</b>	<b>69%</b>	<b>72%</b>	<b>73%</b>	<b>72%</b>
<b>Weighted average coupon</b>	<b>1M BR + 3.79%</b>	<b>1M BR + 3.37%</b>	<b>1M BR + 3.53%</b>	<b>1M BR + 3.46%</b>	<b>1M BR + 3.55%</b>
<b>Weighted average BR floor <sup>(1)</sup></b>	<b>0.61%</b>	<b>0.08%</b>	<b>0.10%</b>	<b>0.18%</b>	<b>0.25%</b>

(1) Excludes one CRE floating-rate whole loan without a benchmark rate floor that was originated in April 2021 with a principal balance of \$44.9 million.

# Production, Payoff and Paydown Detail



New Loan Production in the 2 <sup>nd</sup> Qtr. 2022	W. Avg. Coupon Rate	Commitments (\$ in Millions)
Multifamily (8 Loans)	1M BR (0.53% floor) + 3.70%	\$276.2
Office (1 Loan)	1M BR (1.50% floor) + 5.00%	35.5
<b>W. Avg/Total (9 Loans)</b>	<b>1M BR (0.61% floor) + 3.79%</b>	<b>\$311.7</b>

Loan Payoffs & Paydowns in the 2 <sup>nd</sup> Qtr. 2022	W. Avg. Months on Balance Sheet	W. Avg. Coupon Rate	Payoffs & Paydowns (\$ in Millions)
Hotel (3 Loans)	16	1M BR (0.65% floor) + 6.21%	\$51.4
Multifamily (3 Loans)	24	1M BR (1.37% floor) + 3.84%	35.9
Retail (1 Loan)	41	1M BR (2.15% floor) + 3.85%	16.3
Manufactured Housing (2 Loans)	35	1M BR (2.50% floor) + 4.25%	5.6
<b>W. Avg/Total (9 Loans)</b>	<b>23 months</b>	<b>1M BR (1.21% floor) + 4.98%</b>	<b>\$109.2</b>

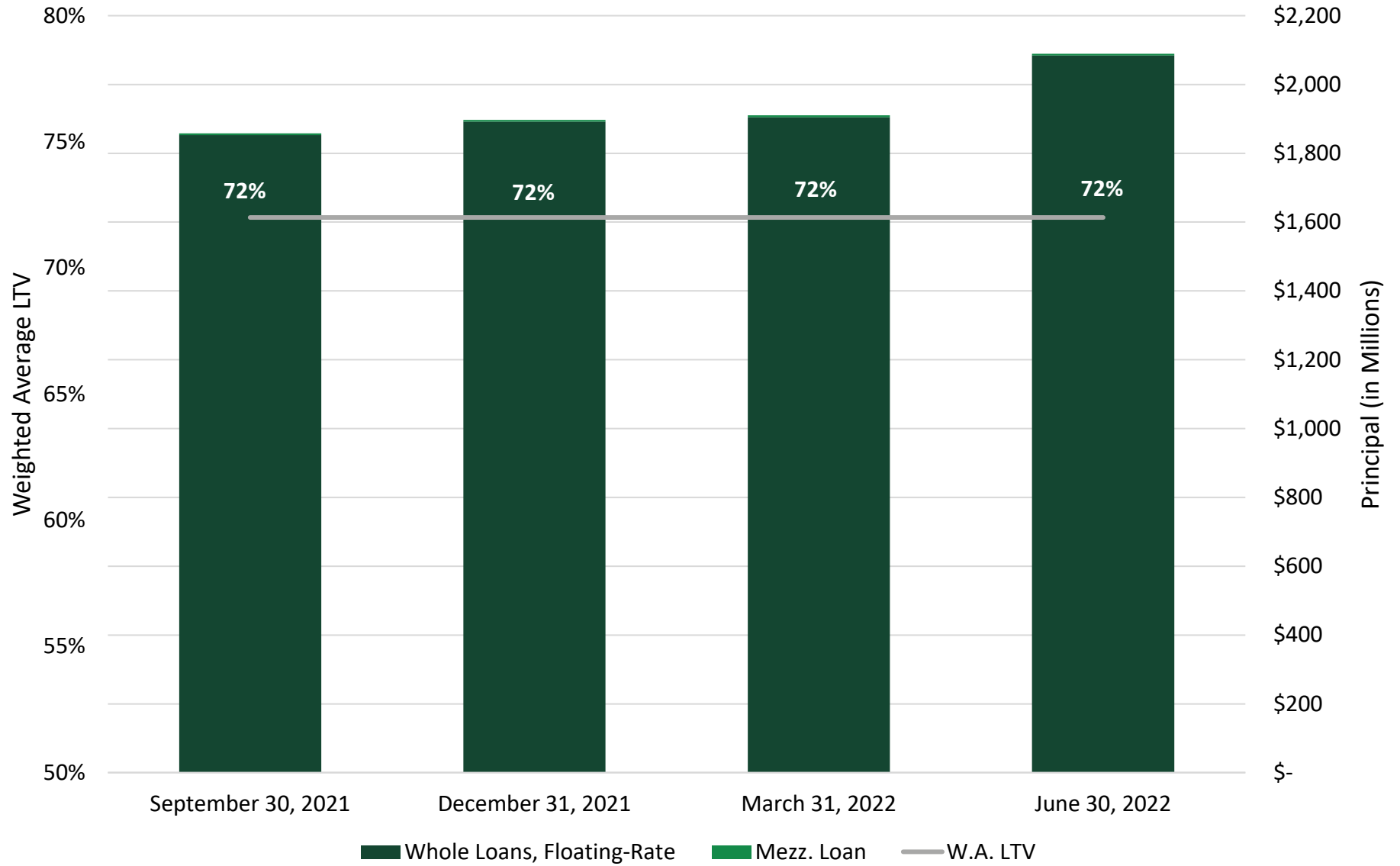
# CRE Loan Portfolio Overview



\$ in Millions	Jun. 30, 2022	Mar. 31, 2022	Dec. 31, 2021	Sep. 30, 2021
CRE whole loans, floating-rate	\$2,070.0	\$1,891.7	\$1,877.9	\$1,841.0
CRE mezzanine loan	4.7	4.7	4.7	4.7
<b>Total loans held for investment amortized cost</b>	<b>\$2,074.7</b>	<b>\$1,896.4</b>	<b>\$1,882.6</b>	<b>\$1,845.7</b>
Allowance for credit losses	(5.2)	(4.7)	(8.8)	(18.9)
<b>Total loans held for investment carrying value</b>	<b>\$2,069.5</b>	<b>\$1,891.7</b>	<b>\$1,873.8</b>	<b>\$1,826.8</b>
<b>Weighted Averages</b>				
CRE whole loans, floating-rate <sup>(1)</sup>	1M BR + 3.61%	1M BR + 3.67%	1M BR + 3.67%	1M BR + 3.71%
1M BR Floor <sup>(1)</sup>	0.62%	0.66%	0.75%	1.03%
CRE mezzanine loan coupon rate	10.00%	10.00%	10.00%	10.00%
<b>Total CRE loan portfolio LTV</b>	<b>72%</b>	<b>72%</b>	<b>72%</b>	<b>72%</b>
<b>Total number of CRE Loans</b>	<b>89</b>	<b>89</b>	<b>94</b>	<b>96</b>

(1) 1 Month Benchmark at June 30, 2022 for SOFR and LIBOR was 1.69% and 1.79%, respectively.

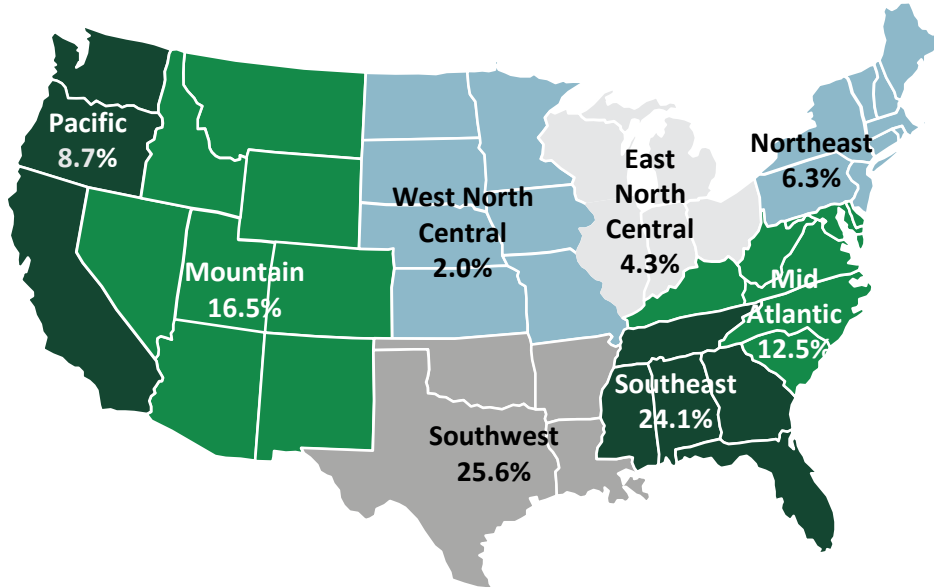
# CRE Loan Portfolio LTV



# CRE Loan Portfolio Diversification



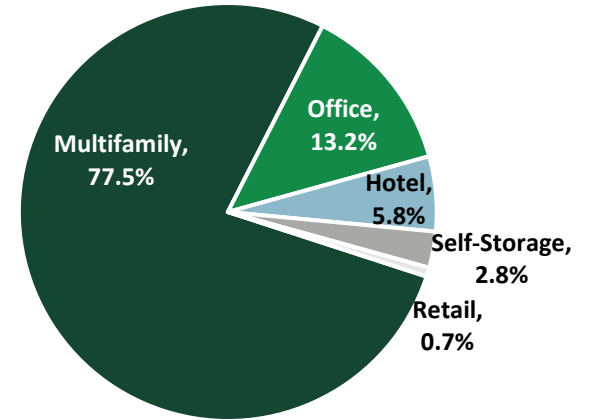
## Balance by Region <sup>(1)</sup>



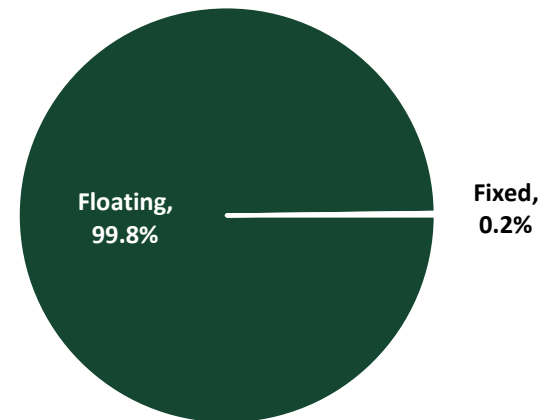
### Top State Concentration Metrics:

- Texas: 25.6%
- Florida: 19.1%
- Arizona: 11.4%
- South Carolina: 6.1%
- California: 5.9%

## Property Type



## Interest Rate Type

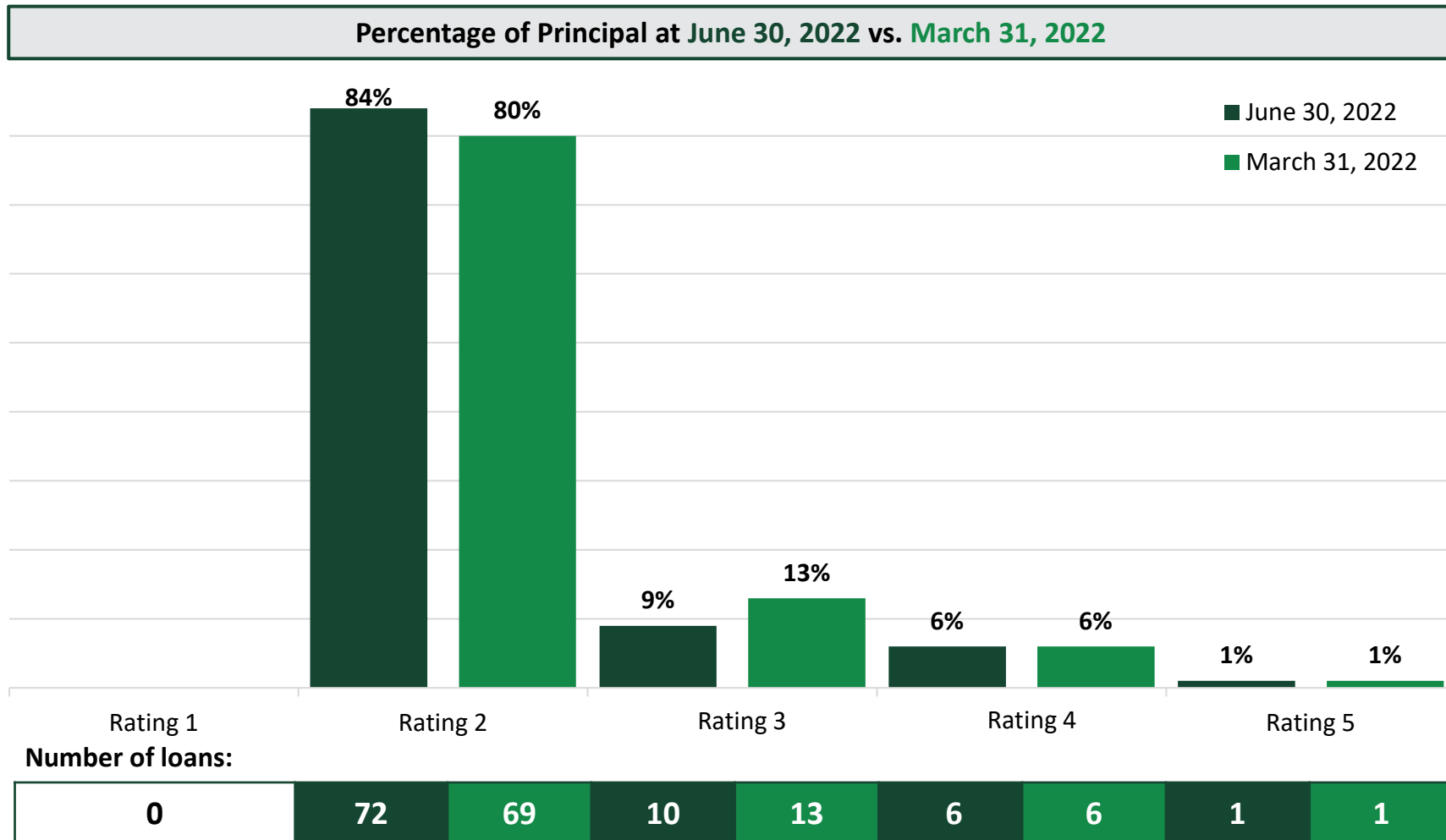


(1) Based on the regions identified by the National Council of Real Estate Investment Fiduciaries (NCREIF).

# CRE Loan Portfolio Risk Ratings



- **93%** of ACR's loans have a risk rating of 2 or 3 that are performing in line or near underwritten expectations <sup>(1)</sup>
- **All but three** of ACR's 89 loans are current on contractual payments through June 30, 2022

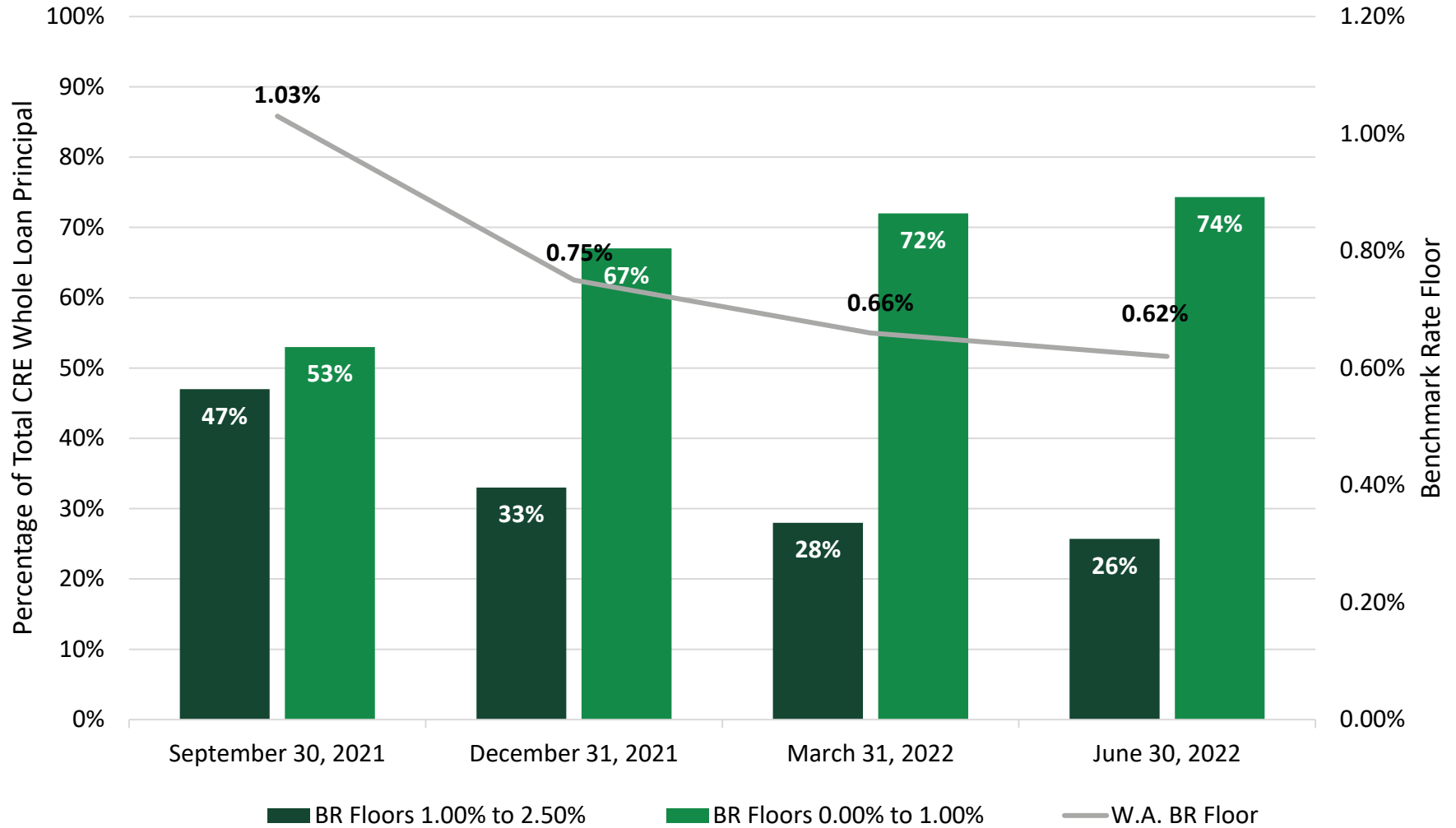


(1) See page 29 for additional information on the risk rating definitions.

# Benchmark Rate Floor Trend



## BR Floor Trend by Weighted Average Floor Pool



# Investments in Real Estate Properties



- **\$117.2 million** of investments in real estate <sup>(1)(2)</sup> are being managed to generate a positive return for ACR's shareholders

## Office Value Add \$14.6M



- 99K SF Class A office / life science/ lab space
- Equity investment in the northeast region
- Lease up as life science / lab building
- Acquired in October 2021

## Hotel \$39.8M



- 279-key hotel next to a convention center
- Equity via lending activities in the northeast region
- Stabilize hotel asset
- Acquired the deed in November 2020

## Multifamily Development \$14.2M



- 12-acre parcel of land for multifamily development
- Equity investment in the northeast region
- Development of a multifamily complex
- Acquired in November 2021

## Hotel \$38.6M



- 388-key hotel next to a convention center
- Equity investment in the east north central region
- Conversion to a Hilton hotel and stabilization
- Acquired in April 2022

## Student Housing \$13.0M



- Existing structure and development of adjacent lot
- Equity investment in the southeast region
- Value add and development project
- Acquired in April 2022

(1) Investments in real estate are held at depreciated/amortized cost basis and do not include property held for sale.

(2) Depreciation and amortization expense is \$1.6 million for the 2<sup>nd</sup> quarter of 2022. Expected depreciation and amortization expense is \$1.3 million for both the 3<sup>rd</sup> and 4<sup>th</sup> quarters of 2022 for a total expected depreciation and amortization expense of \$5.6 million for 2022.





# Capitalization and Liquidity

# Summary Capitalization



➤ **\$725.4 million** of availability

\$ in Millions	Capitalization <sup>(1)</sup>				
	Maximum Capacity	Amount	Availability	W. Avg. Coupon	Leverage Ratio
Term warehouse financing facilities <sup>(2)</sup>	\$750.0	\$328.4	\$418.6	3.62%	0.7x
Senior secured financing facility <sup>(2)</sup>	250.0	16.7	230.1	5.75%	0.1x
Mortgage payable <sup>(2)</sup>	20.4	18.1	1.7	BR + 3.80%	0.1x
Senior unsecured notes <sup>(3)</sup>	225.0	147.2	75.0	5.75% - 12.00%	0.3x
Convertible senior notes	48.0	48.0	-	4.50%	0.1x
Trust preferred securities	51.5	51.5	-	BR + 3.95%	0.1x
<b>Total recourse debt</b>	<b>\$1,344.9</b>	<b>\$609.9</b>	<b>\$725.4</b>		<b>1.4x</b>
Securitizations <sup>(2)</sup> (non-MTM)	1,232.0	1,232.0	-	BR + 1.63%	2.8x
<b>Total leverage <sup>(4)</sup></b>	<b>\$2,576.9</b>	<b>\$1,841.9</b>	<b>\$725.4</b>		<b>4.2x</b>
Preferred equity		226.6		8.26%	
Common equity <sup>(5)</sup>		220.7			
<b>Total capitalization</b>		<b>\$2,289.2</b>		<b>4.10% WACC</b>	

(1) For additional details, please refer to the Company's Liquidity and Capital Resources discussion in its 10-K and subsequent public securities filings.

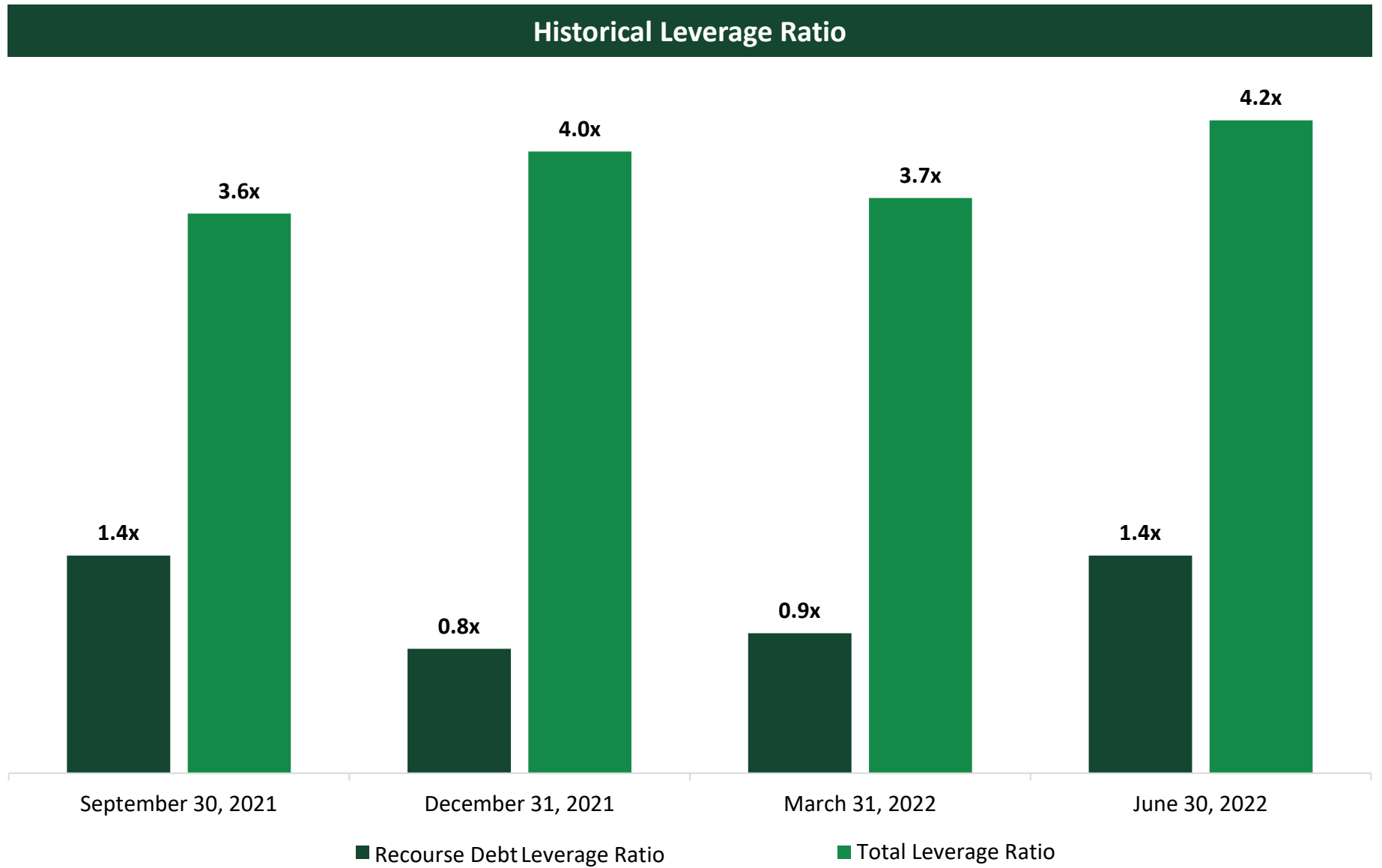
(2) Asset-specific borrowings

(3) Set to expire on July 31, 2022

(4) Includes \$20.4 million of unamortized deferred debt issuance costs and discounts on borrowings

(5) Includes \$5.0 million of non-controlling interests

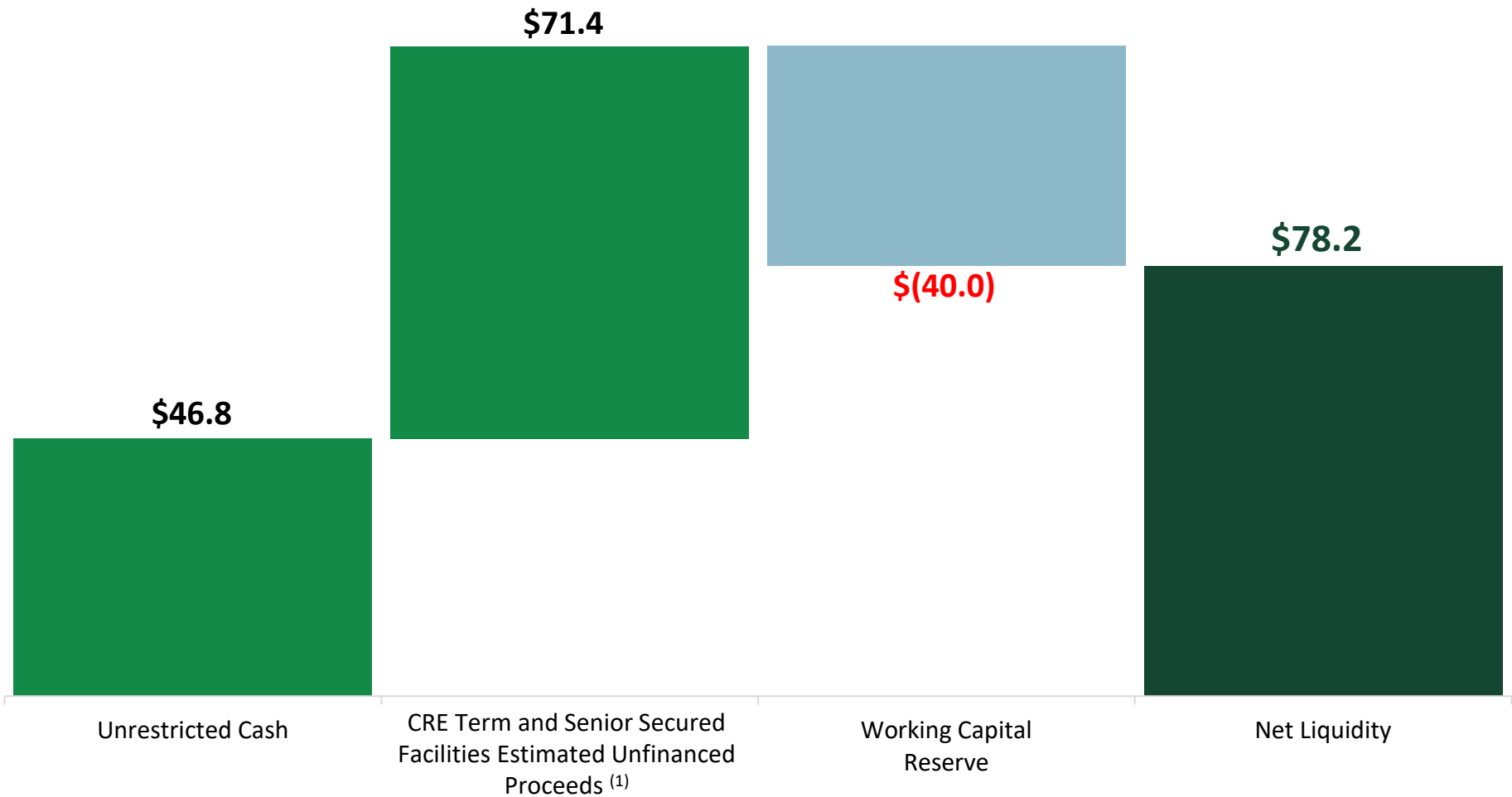
# Historical Leverage Ratios



# Liquidity at July 22, 2022



(\$ in Millions)



(1) Includes the projected amount of proceeds available to the Company if the unfinanced loans were financed with the applicable facilities



Appendix

# Consolidated Balance Sheets



(in thousands, except share and per share data)

	Jun. 30, 2022	Dec. 31, 2021
	(unaudited)	
<b>Assets</b>		
Cash and cash equivalents	\$34,870	\$35,500
Restricted cash	25,367	248,431
Accrued interest receivable	7,162	6,112
CRE loans	2,074,689	1,882,551
Less: allowance for credit losses	(5,230)	(8,805)
CRE loans, net	2,069,459	1,873,746
Principal paydowns receivable	-	14,899
Loan receivable - related party	11,450	11,575
Investments in unconsolidated entities	1,548	1,548
Property held for sale	17,657	17,846
Investments in real estate	144,356	59,308
Right of use assets	25,480	5,951
Intangible assets	12,170	3,877
Other assets	6,907	5,482
<b>Total Assets</b>	<b>\$2,356,426</b>	<b>\$2,284,275</b>
<b>Liabilities</b>		
Accounts payable and other liabilities	\$10,838	\$7,025
Management fee payable - related party	558	561
Accrued interest payable	5,752	5,937
Borrowings	1,841,965	1,814,424
Lease liabilities	46,620	3,537
Distributions payable	3,262	3,262
Accrued tax liability	105	1
Liabilities held for sale	-	1,333
<b>Total Liabilities</b>	<b>1,909,100</b>	<b>1,836,080</b>
<b>Equity</b>		
Preferred stock, par value \$0.001: 10,000,000 shares authorized 8.625% Fixed-to-Floating Series C Cumulative Redeemable Preferred Stock, liquidation preference \$25.00 per share; 4,800,000 and 4,800,000 shares issued and outstanding	5	5
Preferred stock, par value \$0.001: 6,800,000 shares authorized 7.875% Series D Cumulative Redeemable Preferred Stock, liquidation preference \$25.00 per share; 4,607,857 and 4,607,857 shares issued and outstanding	5	5
Common stock, par value \$0.001: 41,666,666 shares authorized; 8,930,130 and 9,149,079 shares issued and outstanding (including 583,333 and 333,329 unvested restricted shares)	9	9
Additional paid-in capital	1,175,146	1,179,863
Accumulated other comprehensive loss	(7,210)	(8,127)
Distributions in excess of earnings	(725,641)	(723,560)
<b>Total Stockholders' Equity</b>	<b>442,314</b>	<b>448,195</b>
Non-controlling interests	5,012	-
<b>Total Equity</b>	<b>447,326</b>	<b>448,195</b>
<b>Total Liabilities and Equity</b>	<b>\$2,356,426</b>	<b>\$2,284,275</b>

# Consolidated Statements of Operations



(unaudited, in thousands, except share and per share data)

	For the Three Months Ended		For the Six Months Ended	
	Jun. 30, 2022	Jun. 30, 2021	Jun. 30, 2022	Jun. 30, 2021
<b>Revenues</b>				
Interest income	\$27,019	\$25,793	\$49,695	\$50,542
Interest expense	15,745	18,702	30,652	32,426
Net interest income	11,274	7,091	19,043	18,116
Real estate income	8,777	2,732	11,915	4,386
Other revenue	19	16	35	32
Total revenues	20,070	9,839	30,993	22,534
<b>Operating Expenses</b>				
General and administrative	2,353	2,716	5,810	5,689
Real estate expenses	9,162	2,481	13,956	4,312
Management fees – related party	1,672	1,379	3,354	2,705
Equity compensation – related party	991	171	1,735	190
Corporate depreciation and amortization	21	15	43	59
Provision for (reversal of) credit losses, net	524	(10,343)	(1,278)	(15,984)
Total operating expenses	14,723	(3,581)	23,620	(2,849)
<b>Other Income (Expense)</b>				
Net realized and unrealized gain on investment securities available-for-sale and loans and derivatives	-	-	-	878
Loss on extinguishment of debt	-	-	(460)	-
Other income	175	219	973	434
Total other income	175	219	513	1,312
<b>Income before Taxes</b>	5,522	13,639	7,886	26,695
Income tax expense	-	-	(280)	-
<b>Net Income</b>	5,522	13,639	7,606	26,695
Net income allocated to preferred shares	(4,856)	(3,568)	(9,711)	(6,156)
Net loss allocable to non-controlling interest	24	-	24	-
<b>Net Income (Loss) Allocable to Common Shares</b>	\$690	\$10,071	\$(2,081)	\$20,539
<b>Net Income (Loss) Per Common Share - Basic</b>	\$0.08	\$1.04	\$(0.23)	\$2.06
<b>Net Income (Loss) Per Common Share - Diluted</b>	\$0.08	\$1.04	\$(0.23)	\$2.06
Weighted Average Number of Common Shares Outstanding - Basic	8,888,461	9,711,940	8,992,142	9,952,254
Weighted Average Number of Common Shares Outstanding - Diluted	8,914,172	9,720,609	8,992,142	9,961,211

# Earnings Available for Distribution <sup>(1)</sup>



- The following table provides a reconciliation from GAAP net income (loss) allocable to common shares to Earnings Available for Distribution (previously labeled Core Earnings) allocable to common shares, a non-GAAP measure, for the periods presented:

(unaudited, in thousands, except share and per share data)

	For the Three Months Ended		For the Six Months Ended	
	Jun. 30, 2022	Jun. 30, 2021	Jun. 30, 2022	Jun. 30, 2021
<b>Net Income (Loss) Allocable to Common Shares – GAAP</b>	\$690	\$10,071	\$(2,081)	\$20,539
<b>Reconciling Items From Continuing Operations:</b>				
Non-cash equity compensation expense	991	171	1,735	190
Non-cash provision for (recovery of) CRE credit losses	524	(10,343)	(1,278)	(15,984)
Realized loss on core activities <sup>(2)(3)</sup>	-	-	-	(5,246)
Unrealized gain on core activities <sup>(3)</sup>	-	-	-	(878)
Real estate depreciation and amortization	1,564	467	2,955	998
Non-cash amortization of discounts or premiums associated with borrowings	280	848	1,126	1,670
Net income from non-core assets	(76)	(87)	(730)	(120)
<b>Reconciling Items From Legacy CRE Assets:</b>				
Net interest income on legacy CRE assets	-	(157)	(29)	(318)
<b>EAD to Common Shares</b>	<b>\$3,973</b>	<b>\$970</b>	<b>\$1,698</b>	<b>\$851</b>
<b>EAD per Common Share – Diluted</b>	<b>\$0.45</b>	<b>\$0.10</b>	<b>\$0.19</b>	<b>\$0.09</b>
Weighted Average Number of Common Shares Outstanding - Diluted on EAD Allocable to Common Shares	8,914,172	9,720,609	8,992,142	9,961,211

(1) See page 28 for additional information.

(2) In January 2022, ACR received \$9.2 million of proceeds on the discounted payoff of its last legacy CRE loan with value. Upon payoff, the provision for credit losses became realized, and accordingly, was included in the calculation of EAD.

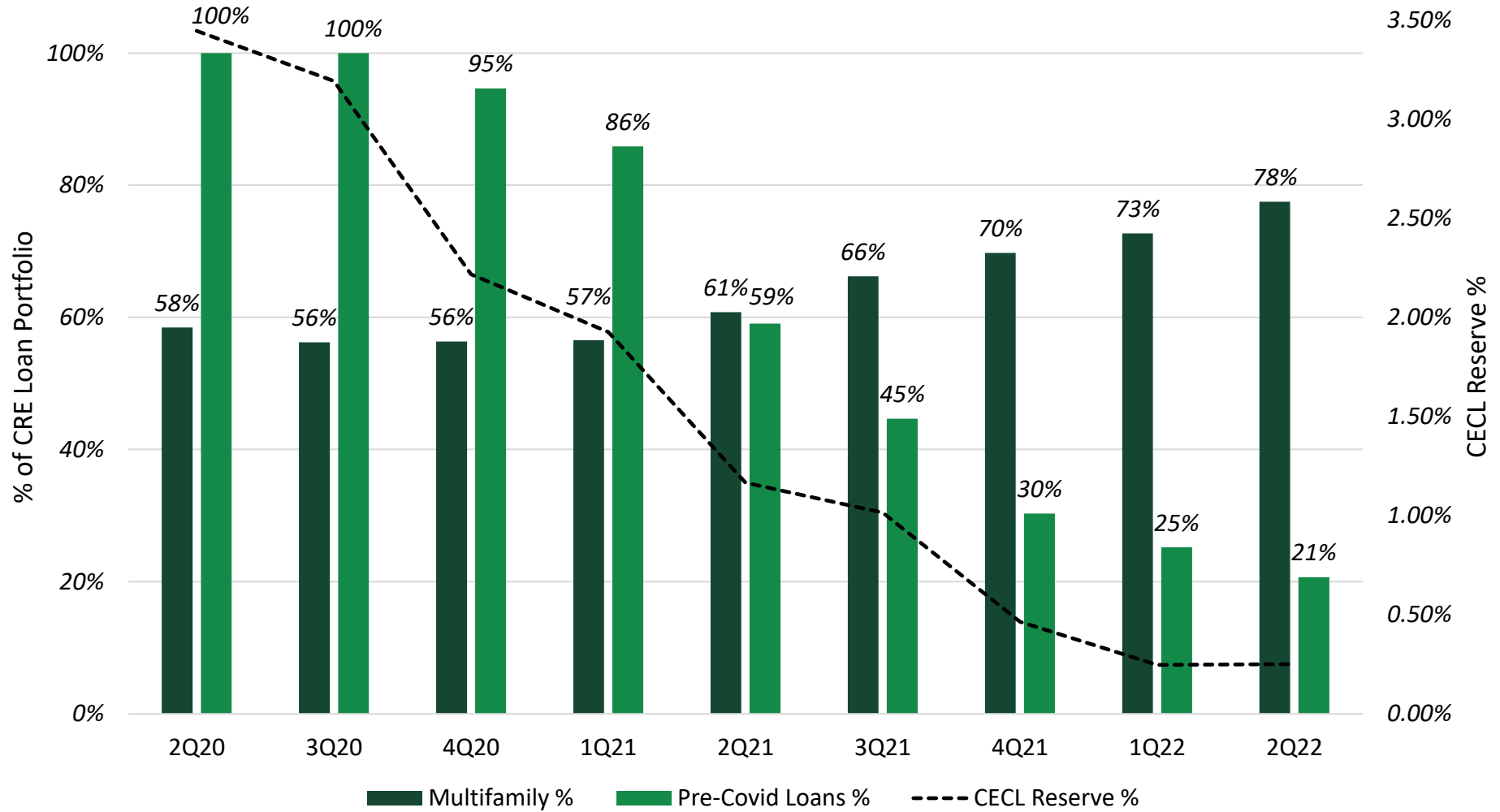
(3) In March 2021, the remaining CMBS portfolio was sold for \$3.0 million, representing a total realized loss of \$5.2 million that was included in EAD during the quarter ended March 31, 2021. Unrealized gain on core activities includes the unrealized gains on the CMBS portfolio, which were excluded from EAD.



# CECL Trend Analysis Chart



- ACR's CECL reserve as a percentage of the total CRE loan portfolio has declined as ACR (i) increased its percentage of multifamily loans and (ii) simultaneously reduced its portfolio percentage of loans originated prior to 4Q20 ("Pre-Covid Loans") <sup>(1)</sup>



(1) Percentages based on total CRE loans at par, except for the Multifamily percentage, which is based on total carrying value of the CRE loans

# Illustrative Earnings Potential<sup>(1)</sup>



- The chart below is meant to display the illustrative earnings potential of the Company. It is not meant to represent performance guidance for any period.

<b>Projected Maximum CRE Loan Portfolio Size &amp; GAAP EPS &amp; EAD per Share</b>		
	(In millions, except per share data)	
Projected maximum CRE loan portfolio size	\$2,100.0	\$2,500.0
Target range of asset-specific leverage	3.6x	4.5x
<hr/>		
Illustrative return on net deployable capital	11.0%	13.0%
CRE net interest income	\$54.1	\$63.8
Less: general & administrative	(10.7)	(10.7)
Less: base management fee	(6.6)	(6.6)
Less: corporate interest expense	(11.8)	(11.8)
Less: net REO and other GAAP activities	(5.2)	(6.2)
Less: preferred dividends	(19.4)	(19.4)
Illustrative GAAP earnings	\$0.4	\$9.1
Add: other GAAP activities	10.0	11.0
Illustrative EAD	\$10.4	\$20.1
<hr/>		
<i>Fully diluted share count</i>	<i>9.0</i>	<i>9.0</i>
<b>GAAP EPS</b>	<b>\$0.04</b>	<b>\$1.02</b>
<b>EAD EPS</b>	<b>\$1.15</b>	<b>\$2.24</b>

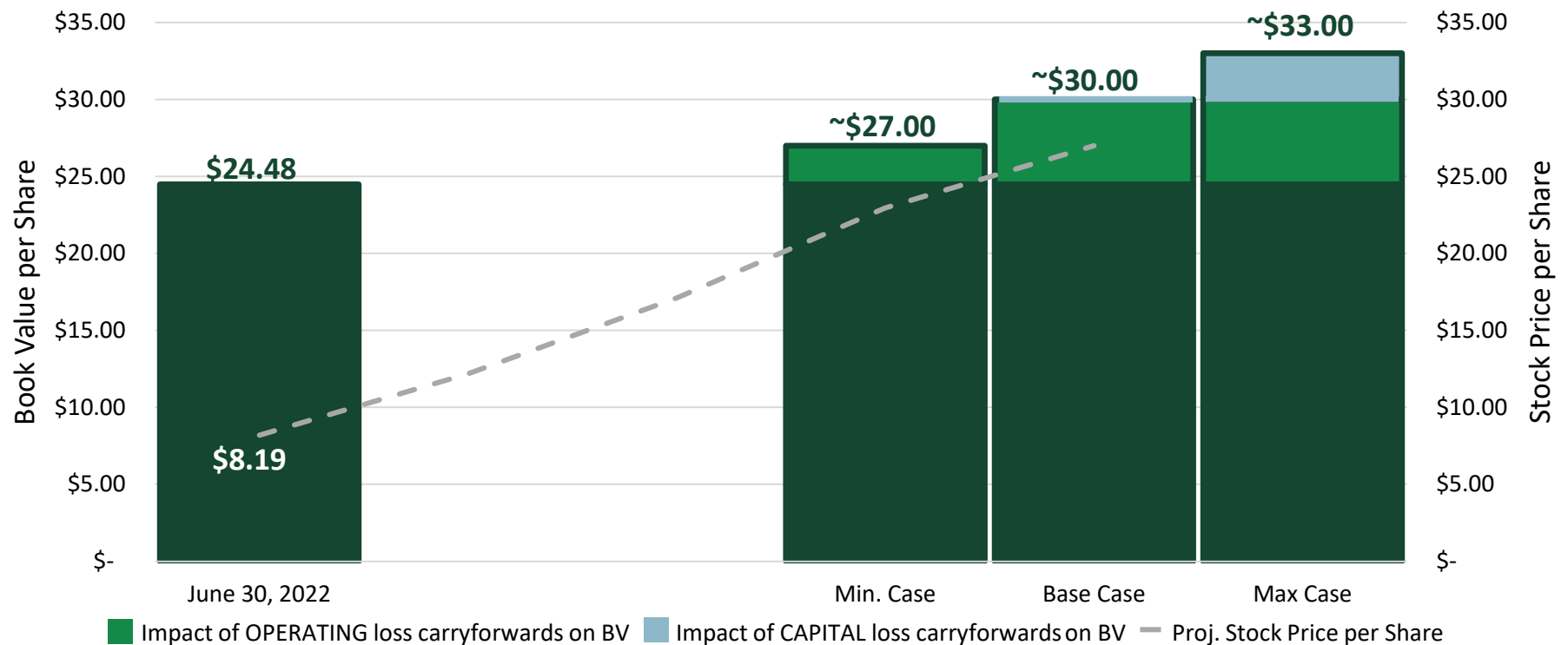
(1) ACR has presented this slide for illustrative purposes only. The illustrative earnings potential is based on current market conditions and assumptions with respect to general business, economic, regulatory, and financial conditions and other future events, as well as matters specific to ACR's business, all of which are difficult to predict and many of which are beyond ACR's control. As a result, there can be no assurance that any of the results will be realized or achieved. The illustration should not be relied upon as being necessarily indicative of future results, and you are cautioned not to place undue reliance on these scenarios. See page 30 for further details and assumptions.

# Projected Book Value & Common Stock Growth<sup>(1)</sup>



- ACR's strategy is to drive book value ("BV") growth over the coming years
- Projected **OPERATING** loss carryforwards of approx. **\$63M**, expected to be fully utilized
- Projected **CAPITAL** loss carryforwards of approx. **\$139M**, expected to be partially utilized
- Projected operating loss carryforwards at Taxable REIT Subsidiaries ("TRSs") of approx. **\$60M**, expected to be partially utilized
- **230%** common stock appreciation to Base Case

## Projected BV Growth Under Multiple Scenarios



(1) ACR has presented this slide for illustrative purposes only. The projected book value and common stock growth is based on available projections and current market conditions and assumptions with respect to general business, economic, regulatory, and financial conditions and other future events, as well as matters specific to ACR's business, all of which are difficult to predict and many of which are beyond ACR's control. As a result, there can be no assurance that any of the results will be realized or achieved. The illustration should not be relied upon as being necessarily indicative of future results, and you are cautioned not to place undue reliance on these scenarios. See page 30 for further details and assumptions.

# Key Definitions



**Earnings Available for Distribution:** Earnings Available for Distribution (“EAD”) (previously labeled Core Earnings) is a non-GAAP financial measure that the Company uses to evaluate its operating performance. EAD excludes the effects of certain transactions and GAAP adjustments that it believes are not necessarily indicative of its current CRE loan portfolio and other CRE-related investments and operations. EAD excludes income (loss) from all non-core assets comprising of investments and securities owned by the Company at the initial measurement date of December 31, 2016 in commercial finance, middle market lending, residential mortgage lending, certain legacy CRE loans and other non-CRE assets designated as assets held for sale.

EAD, for reporting purposes, is defined as GAAP net income (loss) allocable to common shares, excluding (i) non-cash equity compensation expense, (ii) unrealized gains and losses, (iii) non-cash provisions for loan losses, (iv) non-cash impairments on securities, (v) non-cash amortization of discounts or premiums associated with borrowings, (vi) net income or loss from a limited partnership interest owned at the initial measurement date, (vii) net income or loss from non-core assets, (viii) real estate depreciation and amortization, (ix) foreign currency gains or losses and (x) income or loss from discontinued operations. EAD may also be adjusted periodically to exclude certain one-time events pursuant to changes in GAAP and certain non-cash items.

Although pursuant to the Fourth Amended and Restated Management Agreement the Company calculates the Manager’s incentive compensation using EAD excluding incentive fees payable to the Manager, the Company includes incentive fees payable to the Manager in EAD for reporting purposes.

**Benchmark Rate:** Benchmark Rate (“BR”) refers to the collective one-month LIBOR and one-month Term Secured Overnight Finance Rate (“SOFR”) rates that are used as benchmarks on the originated loans during the associated period.

**GAAP Book Value:** GAAP book value is presented per common share, excluding unvested restricted stock and including warrants to purchase common stock. The measure refers to common stock book value, which is calculated as total stockholders’ equity less preferred stock equity.

**Leverage Ratio:** Leverage ratio is calculated as the respective period ended borrowings over total equity. Asset-specific leverage ratio excludes corporate debt from the calculation.

**Weighted Average Cost of Capital:** Weighted average cost of capital (“WACC”) calculation excludes the impact of common equity in the denominator.



## Commercial Real Estate Loans Risk Ratings

CRE loans are collateralized by a diversified mix of real estate properties and are assessed for credit quality based on the collective evaluation of several factors, including but not limited to: collateral performance relative to underwritten plan, time since origination, current implied and/or reunderwritten loan-to-collateral value ratios, loan structure and exit plan. Depending on the loan's performance against these various factors, loans are rated on a scale from 1 to 5, with loans rated 1 representing loans with the highest credit quality and loans rated 5 representing loans with the lowest credit quality. The factors evaluated provide general criteria to monitor credit migration in the Company's loan portfolio; as such, a loan's rating may improve or worsen, depending on new information received.

The criteria set forth below should be used as general guidelines, and therefore not every loan will have all of the characteristics described in each category below.

- Rating 1:
  - Property performance has surpassed underwritten expectations
  - Occupancy is stabilized, the property has had a history of consistently high occupancy, and the property has a diverse and high-quality tenant mix
- Rating 2:
  - Property performance is consistent with underwritten expectations and covenants and performance criteria are being met or exceeded
  - Occupancy is stabilized, near stabilized or is on track with underwriting
- Rating 3:
  - Property performance lags behind underwritten expectations
  - Occupancy is not stabilized and the property has some tenancy rollover
- Rating 4:
  - Property performance significantly lags behind underwritten expectations. Performance criteria and loan covenants have required occasional waivers
  - Occupancy is not stabilized and the property has a large amount of tenancy rollover
- Rating 5:
  - Property performance is significantly worse than underwritten expectations. The loan is not in compliance with loan covenants and performance criteria and may be in default. Expected sale proceeds would not be sufficient to pay off the loan at maturity
  - The property has a material vacancy rate and significant rollover of remaining tenants
  - An updated appraisal is required upon designation and updated on an as-needed basis

# Key Assumptions



## Illustrative Earnings Potential – page 26

- Net deployable capital is calculated as the total current corporate capital of approximately \$642.3 million, less total projected commitments for investments in real estate, excluding potential financing, of approximately \$110.7 million and a working capital reserve of \$40.0 million for a total of \$491.6 million.
- ACR's projected annualized general and administrative expenses and base management fee exclude the impact of expected incentive compensation in the fourth quarter of 2022.
- Real estate depreciation, provision for credit losses, equity compensation expense and certain non-cash amortization expenses are excluded from the calculation of Earnings Available for Distribution. See page 29 for additional information.

## Projected Book Value Growth – page 27

- Operating loss carryforwards comprise qualified REIT subsidiary ("QRS") net operating loss carryforwards, including projections for the tax years ended December 31, 2021 and 2022, which have an unlimited useful life.
- Capital loss carryforwards comprise QRS net capital loss carryforwards, including projection for the tax year ended December 31, 2021, which have a useful life of five years.
- Common stock appreciation is calculated as the increase from the \$8.19 price per share of ACR's common stock to \$27.00, which is an estimate of 90% of the projected common stock book value.
- The "Min. Case" scenario assumes the partial utilization of the operating loss carryforwards. The "Base Case" scenario assumes the full utilization of existent operating loss carryforwards (\$48 million), plus a portion of the capital loss carryforwards. The "Max Case" scenario assumes the full utilization of existent operating loss carryforwards, plus a greater portion of the capital loss carryforwards than the "Base Case" Scenario.

# Company Information



ACRES Commercial Realty Corp. is a real estate investment trust that is primarily focused on originating, holding and managing commercial real estate mortgage loans and equity investments in commercial real estate property through direct ownership and joint ventures. Additional information is available at the Company's website, [www.acresreit.com](http://www.acresreit.com).

---

## Contact Information:

### Headquarters:

390 RXR Plaza  
Uniondale, NY 11556

### Investor Relations:

[ir@acresreit.com](mailto:ir@acresreit.com)  
516-862-2385

### New York Stock Exchange:

Common Stock Symbol: ACR  
Pref. Stock Symbols:  
ACRPrC & ACRPrD