



## First Quarter 2022 Earnings Presentation

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# Company Highlights

Well-Positioned Loan Portfolio	\$2.4 billion outstanding principal balance	99% Senior Loans	Earnings and Dividends	\$0.34 Distributable Earnings <sup>(1)</sup> per diluted common share	
	Stable credit quality; sold single REO asset			Declared Q2 2022 regular dividend of \$0.33 plus \$0.02 supplemental dividend per common share	
Benefit from Rising Interest Rates	98% floating rate loans	~50% of loans have LIBOR/SOFR floors less than 80 bps	Strong Ares Sponsorship	\$325 billion ARES AUM	\$46 billion ARES real estate platform AUM
	Well-positioned for a rising interest rate environment			Benefits from market intelligence and deep relationships	

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

1. Distributable Earnings is a non-GAAP financial measure. See page 20 for Distributable Earnings definition and page 19 for the Reconciliation of Net Income to Non-GAAP Distributable Earnings.

# Summary of Q1 2022 Results and Activity

<b>Earnings Results</b>	<ul style="list-style-type: none"> <li>• GAAP net income of \$0.34 per diluted common share</li> <li>• Distributable Earnings of \$0.34 per diluted common share<sup>(1)</sup></li> <li>• Book value per diluted common share of \$14.54</li> <li>• Cash dividend of \$0.33 and supplemental cash dividend of \$0.02<sup>(2)</sup></li> </ul>
<b>Portfolio Activity and Performance</b>	<ul style="list-style-type: none"> <li>• Portfolio with \$2.4 billion in outstanding principal balance</li> <li>• Originated \$263 million in new commitments, with \$223 million in outstanding principal funded<sup>(3)</sup></li> <li>• \$213 million in full or partial loan repayments</li> <li>• Closed sale of Westchester Marriott REO property</li> </ul>
<b>Balance Sheet Positioning</b>	<ul style="list-style-type: none"> <li>• Moderate leverage with total debt to equity ratio of 2.5x and recourse debt to equity ratio of 1.2x<sup>(4)</sup></li> <li>• Well-positioned for potential material increases in short-term interest rates with 98% of the loan portfolio in floating rate assets combined with interest rate hedge on liabilities</li> </ul>
<b>Recent Developments</b>	<ul style="list-style-type: none"> <li>• Originations momentum in Q2 2022 with \$123 million in new commitments and \$73 million in outstanding principal funded quarter to date</li> <li>• On May 3, 2022, declared a cash dividend for second quarter 2022 of \$0.33 per common share and a supplemental cash dividend of \$0.02 per common share</li> </ul>

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

1. Inclusive of \$0.01 benefit per diluted common share for Q1 2022 for CECL.
2. There is no assurance dividends will continue at these levels or at all.
3. Outstanding principal funded includes fundings on previously originated loans.
4. Total debt to equity ratio of 2.6x and recourse debt to equity ratio of 1.3x including CECL reserve.

# Loan Portfolio Positioning and Performance

## Portfolio Metrics

## Focused and Geographically Diverse Portfolio<sup>(2)</sup>

Outstanding principal balance<sup>(1)</sup> **\$2.4 billion**

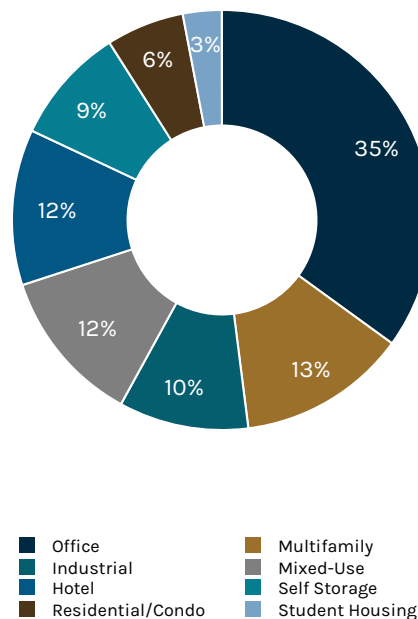
Number of loans **77**

Percentage of senior loans<sup>(2)</sup> **99%**

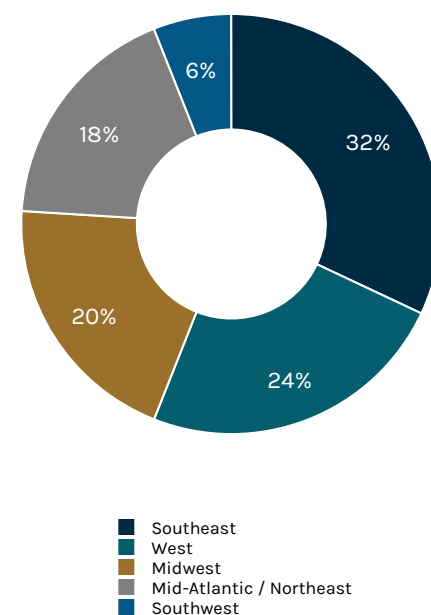
Percentage of floating loans<sup>(2)</sup> **98%**

Weighted average unleveraged effective yield<sup>(3)</sup> **5.6%**

By Asset Type



By Geography



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

1. Weighted average unpaid principal balance of loan portfolio of \$2.362 billion during Q1 2022.

2. Based on outstanding principal balance.

3. Excludes impact of two loans on non-accrual status. Including the two non-accrual loans, total weighted average unleveraged effective yield for total loans held for investment is 5.5%.

# Portfolio Activity

## New Investment Commitments

**10**  
new loans

**\$263 million**  
new commitments

**7.1%**  
weighted average  
unleveraged effective  
yield

**\$223 million**  
outstanding principal  
funded<sup>(2)</sup>

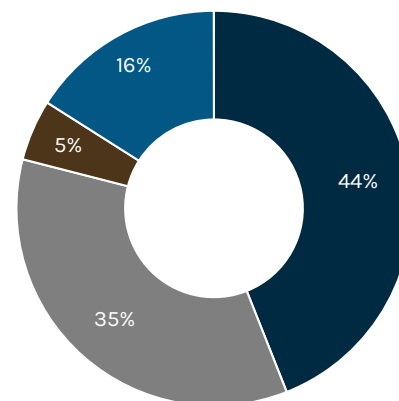
**100%**  
senior loans

**100%**  
floating rate loans

Note: Differences may arise due to rounding.

1. Based on commitment amount for new loan commitments closed in Q1 2022.
2. Outstanding principal funded includes fundings on previously originated loans.
3. Represents outstanding principal balance.

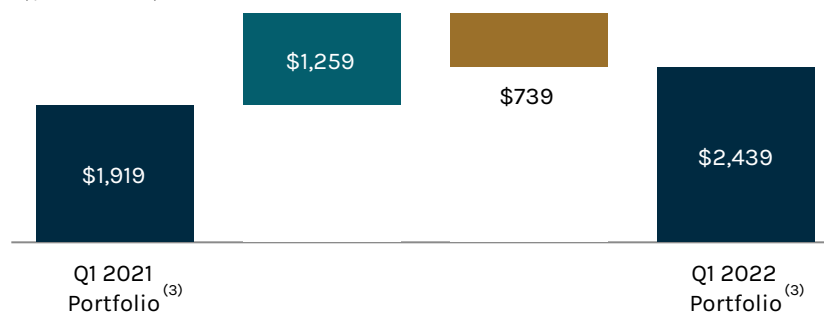
## Q1 2022 Loan Origination Composition<sup>(1)</sup>



■ Hotel ■ Residential/Condo ■ Industrial ■ Self Storage

## LTM Portfolio Activity

(\$ in millions)



■ Fundings<sup>(2)</sup> ■ Repayments

# Well-Positioned Balance Sheet

## Financing Metrics

**Total capacity across all financings<sup>(1)</sup>      \$2.3 billion**

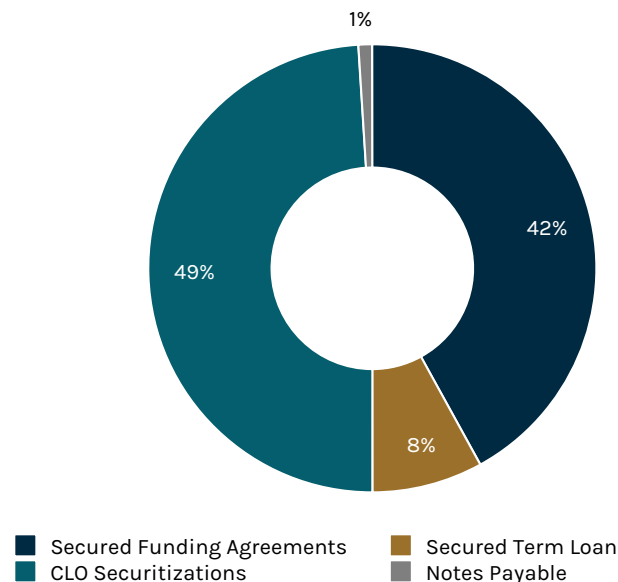
**Sources of financing<sup>(2)</sup>      8**

**Percentage of non-recourse financing      50%**

**Debt to equity ratio<sup>(3)</sup>      2.5x**

**Spread based mark to market provisions<sup>(4)</sup>      0%**

## Diversified Sources of Financing<sup>(5)</sup>



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

1. Weighted average unpaid principal balance of \$1.835 billion across all financings for Q1 2022.

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

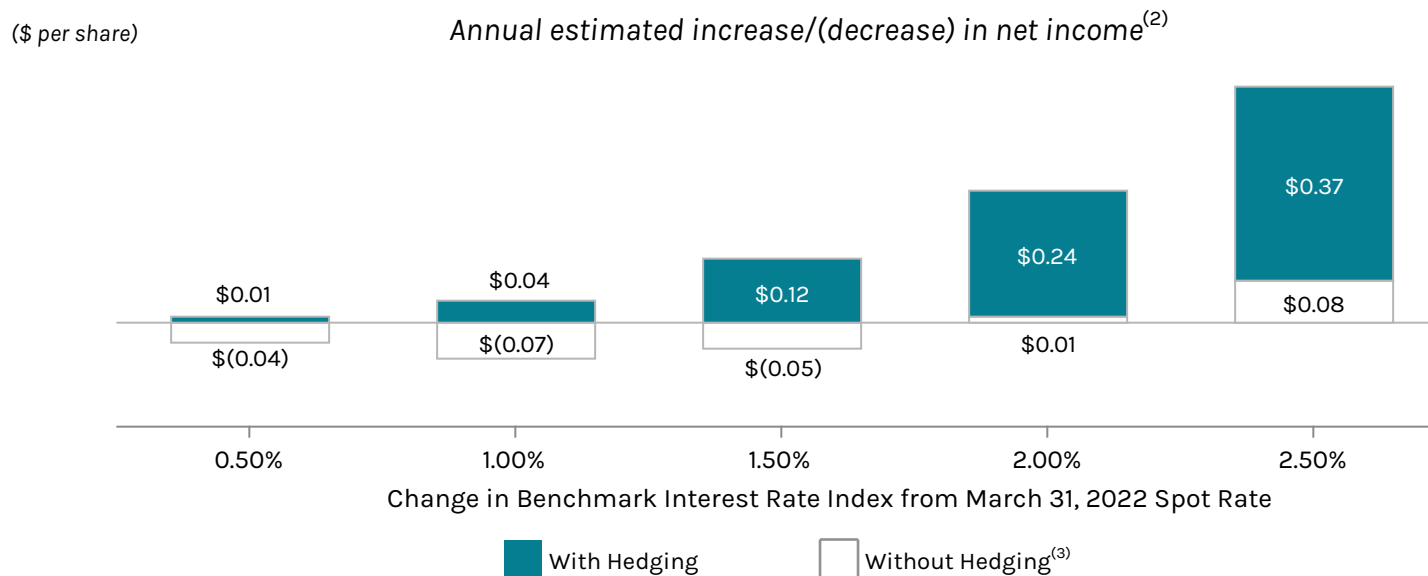
3. Excludes CECL reserve. Total debt to equity ratio of 2.6x including CECL reserve.

4. Secured funding agreements are not subject to capital markets 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.

5. Based on outstanding principal balance.

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

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



**98%**  
floating rate loans

**~50%**  
of loans have LIBOR/SOFR floors  
less than 80 bps

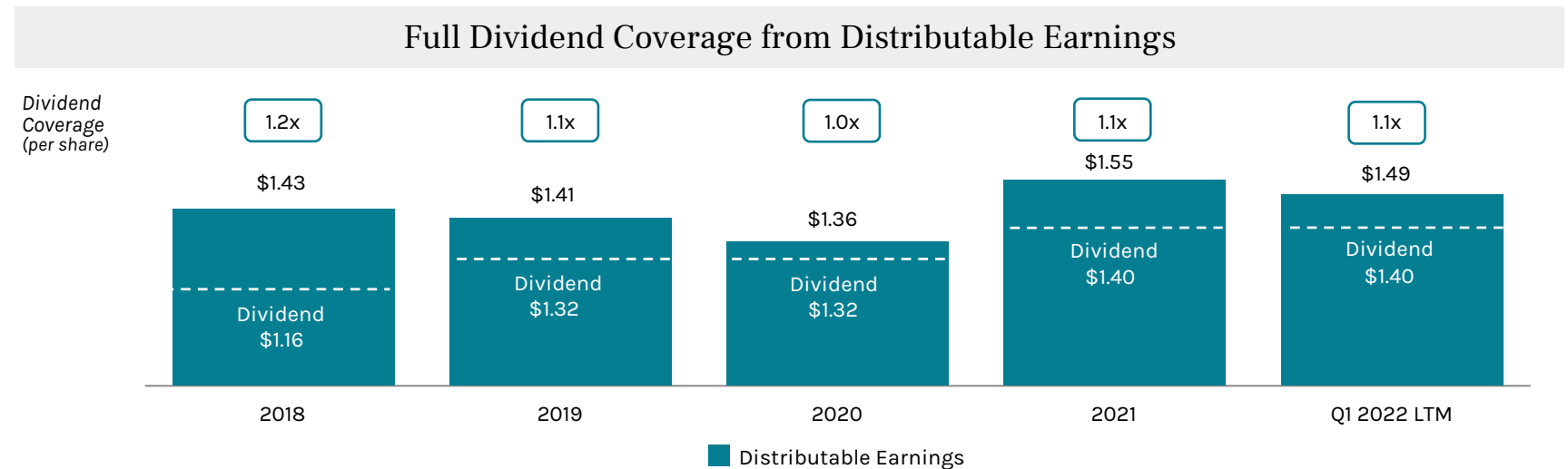
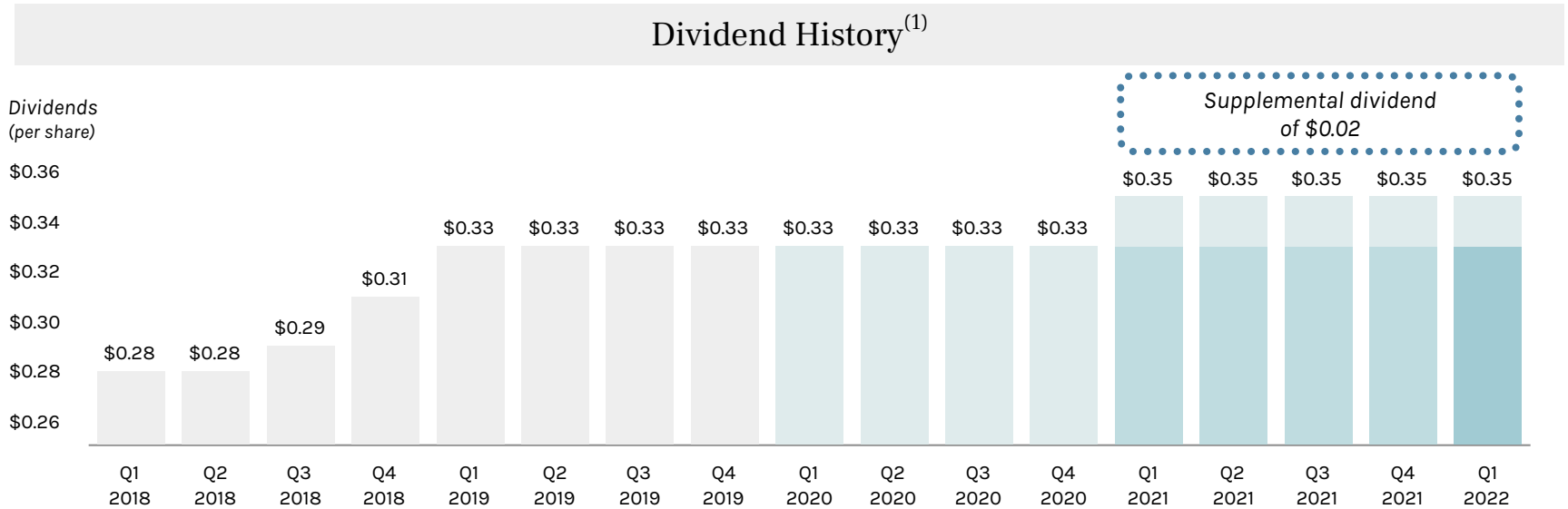
**~40%**  
of total debt is either fixed rate or  
protected by interest rate hedging

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

1. Benchmark Interest Rate Index represents the interest rates indexed to LIBOR and SOFR.
2. The chart estimates the hypothetical increases/(decreases) in net income for a twelve month period, assuming (1) an immediate increase or decrease in 30-day Benchmark Interest Rate Index as of March 31, 2022, (2) no change in the outstanding principal balance of our loans held for investment portfolio and borrowings as of March 31, 2022 and (3) no changes in the notional amount of the interest rate swap agreement entered into as of March 31, 2022.
3. Represents the hypothetical impact to net income if we did not enter into interest rate swap agreement as of the reporting date.



# History of Growing and Consistent Dividends



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



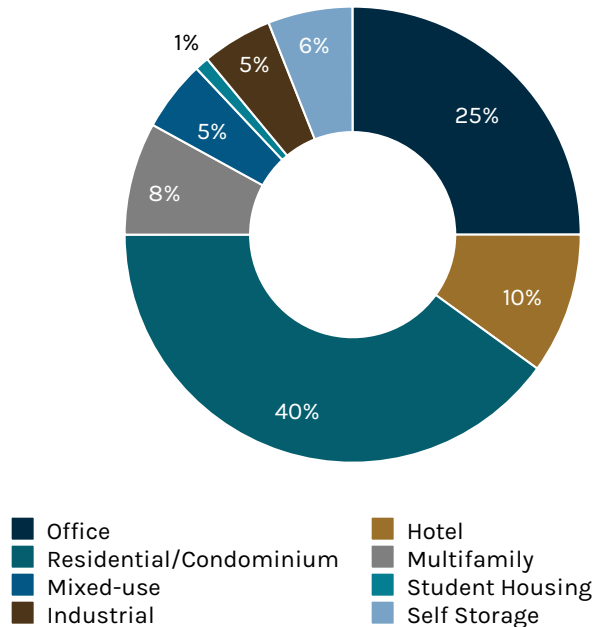
# Appendix

# Current Expected Credit Losses

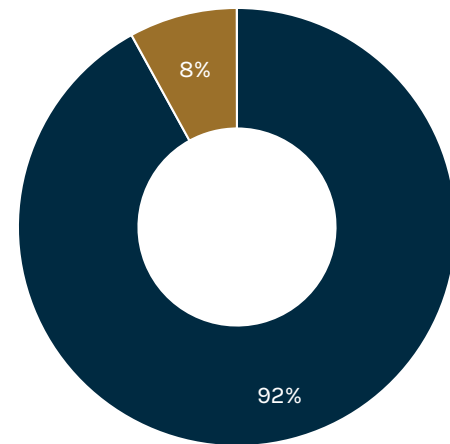
(\$ in thousands)		
Balance at 12/31/2021	\$	25,247
Provision for CECL		(594)
<b>Balance at 3/31/2022</b>	<b>\$</b>	<b>24,653</b>

- No specific loan impairments on loan portfolio
- Decrease in CECL reserve of \$0.6 million (bifurcated between a decrease in funded commitments provision of \$3.5 million and an increase in unfunded commitments provision of \$2.9 million) primarily attributable to forecasted improvement in macroeconomic factors

Current Expected Credit Loss Reserve  
by Property Type



Current Expected Credit Loss Reserve  
by Loan Type



Senior Loans  
Sub. Debt & Pref. Equity Investments

# 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	\$345.9	Base Rate <sup>(1)</sup> +1.50 to 2.75%	Credit	
Citibank Facility	325.0	201.0	Base Rate <sup>(1)</sup> +1.50 to 2.10%	Credit	
CNB Facility	75.0	—	SOFR+2.65%	Credit	
Morgan Stanley Facility	250.0	172.5	Base Rate <sup>(1)</sup> +1.50 to 3.00%	Credit	
MetLife Facility	180.0	20.6	Base Rate <sup>(1)</sup> +2.10 to 2.50%	Credit	
Subtotal	\$1,280.0	\$740.0			
Asset Level Financing					
Notes Payable	\$23.5	\$22.8	LIBOR+ 3.75%	None	
Capital Markets					
Secured Term Loan	\$150.0	\$150.0	4.50%	Credit	
2017-FL3 Securitization	445.6	445.6	LIBOR+ 1.70%	None	
2021-FL4 Securitization	419.2	419.2	LIBOR+ 1.26%	None	
Subtotal	\$1,014.8	\$1,014.8			
Total Debt	\$2,318.3	\$1,777.7			

Note: As of March 31, 2022.

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

# Loans Held for Investment Portfolio Details

(\$ in millions)											
#	Loan Type	Location	Origination Date	Current Loan Commitment	Outstanding Principal	Carrying Value	Interest Rate	LIBOR/ SOFR Floor	Unleveraged Effective Yield	Maturity Date	Payment Terms <sup>(1)</sup>
Office Loans:											
1	Senior	IL	Nov 2020	\$151.5	\$150.5	\$150.0	L+3.61%	1.5%	5.5%	Mar 2023	I/O
2	Senior	Diversified	Jan 2020	122.6	114.4	114.3	L+3.65%	1.6%	5.7%	Jan 2023	I/O
3	Senior	AZ	Sep 2021	115.7	77.4	76.6	L+3.50%	0.1%	4.3%	Oct 2024	I/O
4	Senior	NC	Mar 2019	69.5	69.5	69.3	L+4.25%	2.4%	7.0%	Mar 2023	I/O
5	Senior	NC	Aug 2021	85.0	64.8	64.1	L+3.55%	0.2%	4.5%	Aug 2024	I/O
6	Senior	NY	Jul 2021	81.0	62.7	62.0	L+3.85%	0.1%	4.6%	Aug 2025	I/O
7	Senior	IL	Nov 2017	61.0	61.0	60.9	L+3.75%	1.3%	5.3%	Dec 2022	I/O
8	Senior	IL	May 2018	59.1	57.0	57.0	L+3.95%	2.0%	6.2%	Jun 2022	P/I
9	Senior	GA	Nov 2019	56.2	47.3	47.1	L+3.05%	2.0%	5.7%	Dec 2022	I/O
10	Senior	CA	Oct 2019	37.2	32.4	32.3	L+3.35%	2.0%	6.0%	Nov 2022	I/O
11	Senior	IL	Dec 2019	41.9	28.5	28.4	L+3.80%	1.8%	6.2%	Jan 2023	I/O
12	Senior	NC	Apr 2019	30.5	28.5	28.2	L+3.53%	2.3%	6.8%	May 2023	I/O
13	Senior	CA	Nov 2018	22.9	22.9	22.8	L+3.40%	2.3%	6.0%	Nov 2022	I/O
14	Subordinated	NJ	Mar 2016	17.4	17.4	16.8	12.00%	—%	13.7%	Jan 2026	I/O
15	Senior	NC	Oct 2018	13.5	9.4	9.4	L+4.00%	2.1%	6.6%	Nov 2022	I/O
Total Office				\$965.0	\$843.7	\$839.2					
Multifamily Loans:											
16	Senior <sup>(2)</sup>	SC	Dec 2021	\$67.0	\$67.0	\$66.7	L+2.90%	0.1%	3.6%	Nov 2024	I/O
17	Senior	TX	Nov 2021	68.8	66.2	65.6	L+2.85%	0.1%	3.7%	Dec 2024	I/O
18	Senior	SC	Jun 2021	37.5	37.5	37.3	L+2.75%	0.2%	3.6%	Jun 2023	I/O
19	Senior	SC	Aug 2019	34.6	34.0	33.9	L+6.50%	2.2%	10.2%	Sep 2022	I/O
20	Senior	CA	Nov 2021	31.7	31.7	31.4	L+2.90%	—%	3.6%	Dec 2025	I/O
21	Senior	PA	Dec 2018	30.2	29.3	29.3	L+3.00%	1.3%	4.5%	Dec 2022	I/O
22	Senior	WA	Dec 2021	23.1	23.1	23.0	L+2.90%	—%	3.5%	Nov 2025	I/O
23	Senior	TX	Oct 2021	23.1	21.9	21.7	L+2.50%	0.1%	3.3%	Oct 2024	I/O
24	Senior	WA	Feb 2020	19.0	18.7	18.6	L+3.00%	1.7%	5.1%	Mar 2023	I/O
Total Multifamily				\$335.0	\$329.4	\$327.5					

Note: As of March 31, 2022.

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).

# Loans Held for Investment Portfolio Details

(\$ in millions)											
#	Loan Type	Location	Origination Date	Current Loan Commitment	Outstanding Principal	Carrying Value	Interest Rate	LIBOR/ SOFR Floor	Unleveraged Effective Yield	Maturity Date	Payment Terms <sup>(1)</sup>
Hotel Loans:											
25	Senior	OR/WA	May 2018	\$68.1	\$68.1	\$67.9	L+3.45%	1.9%	7.4%	May 2022	I/O
26	Senior	Diversified	Sep 2018	60.4	60.4	60.3	L+3.60%	2.1%	6.1%	Sep 2022	P/I
27	Senior	CA	Dec 2017	40.0	40.0	39.8	L+4.12%	1.4%	6.0%	Jan 2023	I/O
28	Senior	CA	Mar 2022	60.8	38.9	38.3	S+4.20%	—%	5.1%	Mar 2025	I/O
29	Senior	IL	Apr 2018	35.0	35.0	30.5	S+4.00%	0.3%	—% <sup>(2)</sup>	May 2024	I/O
30	Senior	MI	Nov 2015	33.2	33.2	33.2	L+3.95%	0.3%	4.6%	Jul 2022	I/O
31	Senior	NY	Mar 2022	55.7	30.7	30.2	S+4.40%	0.1%	5.2%	Mar 2026	I/O
Total Hotel				\$353.2	\$306.3	\$300.2					
Mixed-Use Loans:											
32	Senior	FL	Feb 2019	\$84.0	\$84.0	\$84.0	L+4.25%	1.5%	5.7%	Feb 2023	I/O
33	Senior	NY	Jul 2021	78.3	75.0	74.4	L+3.65%	0.1%	4.5%	Jul 2024	I/O
34	Senior	CA	Jan 2021	58.8	57.5	57.4	(3)	0.2%	6.8%	Jan 2024	I/O
35	Senior	CA	Feb 2020	37.9	37.9	37.8	L+4.10%	1.7%	6.3%	Mar 2023	I/O
36	Senior	TX	Sep 2019	42.2	35.8	35.7	(4)	0.3%	4.9%	Sep 2022	I/O
Total Mixed-Use				\$301.2	\$290.2	\$289.3					

Note: As of March 31, 2022.

1. I/O = interest only, P/I = principal and interest.
2. Loan was on non-accrual status as of March 31, 2022 and therefore, there is no Unleveraged Effective Yield as the loan is non-interest accruing.
3. At origination, the California loan was structured as both a senior and mezzanine loan with us holding both positions. The senior loan, which had an outstanding principal balance of \$45.0 million as of March 31, 2022, accrues interest at a per annum rate of L+3.80% with a 0.20% LIBOR floor and the mezzanine loan, which had an outstanding principal balance of \$12.5 million as of March 31, 2022, accrues interest at a per annum rate of 15.00%.
4. The Texas loan is split into two separate notes: Note A, which had an outstanding principal balance of \$35.3 million as of March 31, 2022, accrues interest at a per annum rate of L + 3.75% and Note B, which had an outstanding principal balance of \$0.4 million as of March 31, 2022, accrues interest at a per annum rate of L + 10.00%.

# Loans Held for Investment Portfolio Details

(\$ in millions)											
#	Loan Type	Location	Origination Date	Current Loan Commitment	Outstanding Principal	Carrying Value	Interest Rate	LIBOR/ SOFR Floor	Unleveraged Effective Yield	Maturity Date	Payment Terms <sup>(1)</sup>
<b>Industrial Loans:</b>											
37	Senior	IL	May 2021	\$100.7	\$86.5	\$85.9	L+4.55%	0.2%	5.4%	May 2024	I/O
38	Senior	FL	Dec 2021	25.5	25.5	25.3	L+2.90%	0.1%	3.6%	Dec 2025	I/O
39	Senior <sup>(3)</sup>	CO	Jul 2021	24.6	24.6	24.4	(2)	0.3%	8.2%	Feb 2023	I/O
40	Senior	NJ	Jun 2021	28.3	23.3	23.0	L+3.75%	0.3%	4.8%	May 2024	I/O
41	Senior	CA	Aug 2019	19.6	19.6	19.5	L+3.75%	2.0%	6.3%	Mar 2023	I/O
42	Senior <sup>(3)</sup>	TX	Nov 2021	10.4	10.4	10.3	L+5.25%	0.3%	6.1%	Dec 2024	I/O
43	Senior <sup>(3)</sup>	PA	Sep 2021	8.0	8.0	8.0	L+5.50%	0.3%	6.3%	Sep 2024	I/O
44	Senior <sup>(3)</sup>	FL	Nov 2021	9.5	7.8	7.7	L+5.90%	0.3%	6.8%	Nov 2024	I/O
45	Senior <sup>(3)</sup>	PA	Oct 2021	7.0	7.0	6.9	L+5.90%	0.3%	6.7%	Nov 2024	I/O
46	Senior <sup>(3)</sup>	TN	Oct 2021	6.7	6.7	6.6	L+5.50%	0.3%	6.3%	Nov 2024	I/O
47	Senior	FL	Feb 2022	5.9	5.9	5.9	S+5.90%	0.3%	6.6%	Feb 2025	I/O
48	Senior	FL	Feb 2022	4.7	4.7	4.6	S+5.75%	0.3%	6.4%	Mar 2025	I/O
49	Senior <sup>(3)</sup>	CO	Sep 2021	2.9	2.9	2.9	L+6.25%	0.3%	7.1%	Sep 2024	I/O
50	Senior <sup>(3)</sup>	AZ	Sep 2021	2.7	2.7	2.6	L+5.90%	0.3%	6.7%	Oct 2024	I/O
51	Senior <sup>(3)</sup>	GA	Aug 2021	1.3	1.3	1.3	L+5.25%	0.3%	6.1%	Sep 2024	I/O
<b>Total Industrial</b>				<b>\$257.8</b>	<b>\$236.9</b>	<b>\$234.9</b>					

Note: As of March 31, 2022.

1. I/O = interest only, P/I = principal and interest.
2. At origination, the Colorado loan was structured as a senior loan and in January 2022, the Company also originated the mezzanine loan. The senior loan, which had an outstanding principal balance of \$20.8 million as of March 31, 2022, accrues interest at a per annum rate of L + 6.75% and the mezzanine loan, which had an outstanding principal balance of \$3.8 million as of March 31, 2022, accrues interest at a per annum rate of S + 8.50%.
3. Loans are a cross-collateralized portfolio with affiliates of the same borrower.

# Loans Held for Investment Portfolio Details

(\$ in millions)											
#	Loan Type	Location	Origination Date	Current Loan Commitment	Outstanding Principal	Carrying Value	Interest Rate	LIBOR/ SOFR Floor	Unleveraged Effective Yield	Maturity Date	Payment Terms <sup>(1)</sup>
<b>Self Storage Loans:</b>											
52	Senior	NJ	Apr 2021	\$55.5	\$55.5	\$55.6	L+3.80%	0.4%	4.2%	Feb 2024	I/O
53	Senior	PA	Mar 2022	18.2	17.2	17.0	L+2.90%	1.0%	4.2%	Dec 2025	I/O
54	Senior	PA	Nov 2021	12.8	12.8	12.7	L+3.05%	1.0%	4.4%	Oct 2024	I/O
55	Senior	MD	Nov 2021	12.5	12.5	12.4	L+3.05%	1.0%	4.3%	Oct 2024	I/O
56	Senior	MD	Nov 2021	12.2	12.1	12.0	L+3.05%	1.0%	4.3%	Oct 2024	I/O
57	Senior	FL	Jan 2021	10.8	10.8	10.8	L+2.90%	1.0%	4.4%	Dec 2023	I/O
58	Senior	WA	Nov 2021	10.2	10.2	10.2	L+3.05%	1.0%	4.3%	Oct 2024	I/O
59	Senior	MO	Nov 2021	9.0	8.9	8.8	L+3.05%	1.0%	4.4%	Oct 2024	I/O
60	Senior	AZ	Jul 2021	8.6	8.5	8.5	L+2.90%	0.9%	4.0%	May 2024	I/O
61	Senior	MA	Mar 2022	8.5	8.5	8.5	L+2.90%	0.9%	3.9%	Dec 2024	I/O
62	Senior	AZ	Jul 2021	7.4	7.4	7.3	L+2.90%	0.9%	4.1%	May 2024	I/O
63	Senior	FL	Jan 2021	7.0	7.0	6.9	L+2.90%	1.0%	4.3%	Dec 2023	I/O
64	Senior	FL	Jan 2021	6.4	6.4	6.4	L+2.90%	1.0%	4.3%	Dec 2023	I/O
65	Senior	MO	Jan 2021	6.5	6.2	6.2	L+3.00%	1.3%	4.4%	Dec 2023	I/O
66	Senior	NJ	Mar 2022	5.9	5.9	5.9	L+2.90%	0.9%	4.2%	Jul 2024	I/O
67	Senior	IL	Jan 2021	5.6	5.6	5.6	L+3.00%	1.0%	4.3%	Dec 2023	I/O
68	Senior	WI	Mar 2022	5.4	5.4	5.4	L+2.90%	0.9%	3.9%	Jul 2024	I/O
69	Senior	FL	Jan 2021	4.4	4.4	4.4	L+2.90%	1.0%	4.2%	Dec 2023	I/O
70	Senior	CO	Jul 2021	3.2	3.2	3.2	L+2.90%	0.9%	3.8%	Apr 2024	I/O
71	Senior	TX	Mar 2022	2.9	2.9	2.9	L+2.90%	0.9%	3.9%	Sep 2024	I/O
<b>Total Self Storage</b>				<b>\$213.0</b>	<b>\$211.4</b>	<b>\$210.7</b>					

Note: As of March 31, 2022.

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



# Loans Held for Investment Portfolio Details

(\$ in millions)											
#	Loan Type	Location	Origination Date	Current Loan Commitment	Outstanding Principal	Carrying Value	Interest Rate	LIBOR/ SOFR Floor	Unleveraged Effective Yield	Maturity Date	Payment Terms <sup>(1)</sup>
Residential/Condominium Loans:											
72	Senior	FL	Jul 2021	\$75.0	\$68.0	\$67.5	L+5.25%	—%	6.3%	Jul 2023	I/O
73	Senior	NY	Mar 2022	91.1	61.8	60.9	S+8.95%	0.4%	11.4%	Oct 2023	I/O
74	Senior	CA	Jan 2018	14.3	14.3	14.3	13.00%	—%	—% <sup>(2)</sup>	May 2021	I/O
Total Residential/Condominium				\$180.4	\$144.1	\$142.7					
Student Housing Loans:											
75	Senior	CA	Jun 2017	\$35.9	\$35.9	\$35.9	L+3.95%	0.4%	4.4%	Jul 2022	I/O
76	Senior	FL	Jul 2019	22.0	22.0	22.0	L+3.25%	2.3%	6.0%	Aug 2022	I/O
77	Senior	AL	Apr 2021	19.5	19.5	19.4	L+3.85%	0.2%	4.7%	May 2024	I/O
Total Student Housing				\$77.4	\$77.4	\$77.3					
Loan Portfolio Total/Weighted Average				\$2,683.0	\$2,439.4	\$2,421.8	0.98% <sup>(3)</sup>		5.5%		

Note: As of March 31, 2022.

1. I/O = interest only, P/I = principal and interest.
2. Loan was on non-accrual status as of March 31, 2022 and therefore, there is no Unleveraged Effective Yield as the loan is non-interest accruing. As of March 31, 2022, the senior California loan, which is collateralized by a residential property, is in maturity default due to the failure of the borrower to repay the outstanding principal balance of the loan by the May 2021 maturity date. The Company evaluated this loan for impairment and concluded that no impairment charge should be recognized as of March 31, 2022. This conclusion was based in part on: (1) the current estimated fair market value of the underlying collateral property, (2) the estimated value of the contractual right to residual proceeds from the sale of a second residential property and (3) the recourse payment guarantee from two individuals that are the owners of the underlying collateral. The estimated fair market value of the underlying collateral property was determined using the comparable market sales approach.
3. The weighted average floor is calculated based on loans with LIBOR or SOFR floors.

# Consolidated Balance Sheets

(\$ in thousands, except share and per share data)	As of	
	3/31/2022	12/31/2021
<b>ASSETS</b>		
Cash and cash equivalents	\$ 13,759	\$ 50,615
Loans held for investment (\$1,028,398 and \$974,424 related to consolidated VIEs, respectively)	2,421,772	2,414,383
Current expected credit loss reserve	(20,452)	(23,939)
Loans held for investment, net of current expected credit loss reserve	2,401,320	2,390,444
Real estate owned held for sale, net	—	36,602
Other assets (\$2,267 and \$2,592 of interest receivable related to consolidated VIEs, respectively; \$74,615 and \$128,589 of other receivables related to consolidated VIEs, respectively)	100,726	154,177
<b>Total assets</b>	<b>\$ 2,515,805</b>	<b>\$ 2,631,838</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Secured funding agreements	\$ 740,022	\$ 840,047
Notes payable	22,631	50,358
Secured term loan	149,061	149,016
Collateralized loan obligation securitization debt (consolidated VIEs)	861,788	861,188
Secured borrowings	22,612	22,589
Due to affiliate	3,823	4,156
Dividends payable	16,740	16,674
Other liabilities (\$689 and \$570 of interest payable related to consolidated VIEs, respectively)	9,794	9,182
<b>Total liabilities</b>	<b>1,826,471</b>	<b>1,953,210</b>
Commitments and contingencies		
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, par value \$0.01 per share, 450,000,000 shares authorized at March 31, 2022 and December 31, 2021 and 47,412,436 and 47,144,058 shares issued and outstanding at March 31, 2022 and December 31, 2021, respectively	467	465
Additional paid-in capital	707,579	703,950
Accumulated other comprehensive income	10,458	2,844
Accumulated earnings (deficit)	(29,170)	(28,631)
<b>Total stockholders' equity</b>	<b>689,334</b>	<b>678,628</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 2,515,805</b>	<b>\$ 2,631,838</b>

# Consolidated Statements of Operations

(\$ in thousands, except share and per share data)	For the Three Months Ended				
	3/31/2022	12/31/2021	9/30/2021	6/30/2021	3/31/2021
<b>Revenue:</b>					
Interest income	\$ 33,364	\$ 38,044	\$ 34,023	\$ 30,859	\$ 30,704
Interest expense	(12,013)	(14,180)	(12,669)	(11,092)	(12,139)
Net interest margin	21,351	23,864	21,354	19,767	18,565
Revenue from real estate owned	2,672	6,247	5,850	3,764	2,658
Total revenue	24,023	30,111	27,204	23,531	21,223
<b>Expenses:</b>					
Management and incentive fees to affiliate	2,974	3,443	3,175	2,951	2,567
Professional fees	778	556	480	615	785
General and administrative expenses	1,613	1,271	1,119	1,195	1,157
General and administrative expenses reimbursed to affiliate	834	703	773	788	752
Expenses from real estate owned	4,309	6,089	5,339	3,842	3,277
Total expenses	10,508	12,062	10,886	9,391	8,538
Provision for current expected credit losses	(594)	765	6,367	(3,883)	(3,240)
Gain on sale of real estate owned	2,197	—	—	—	—
Income before income taxes	16,306	17,284	9,951	18,023	15,925
Income tax expense, including excise tax	105	130	—	408	185
Net income attributable to common stockholders	\$ 16,201	\$ 17,154	\$ 9,951	\$ 17,615	\$ 15,740
<b>Earnings per common share:</b>					
Basic earnings per common share	\$ 0.34	\$ 0.36	\$ 0.21	\$ 0.43	\$ 0.46
Diluted earnings per common share	\$ 0.34	\$ 0.36	\$ 0.21	\$ 0.43	\$ 0.45
<b>Weighted average number of common shares outstanding:</b>					
Basic weighted average shares of common stock outstanding	47,204,397	47,026,252	46,957,339	41,009,175	34,417,040
Diluted weighted average shares of common stock outstanding	47,654,549	47,312,873	47,209,469	41,294,597	34,720,950
Dividends declared per share of common stock <sup>(1)</sup>	\$ 0.35	\$ 0.35	\$ 0.35	\$ 0.35	\$ 0.35

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

# Reconciliation of Net Income to Non-GAAP Distributable Earnings

(\$ in thousands, except per share data)	For the Three Months Ended					
	3/31/2022	12/31/2021	9/30/2021	6/30/2021	3/31/2021	
Net income attributable to common stockholders	\$ 16,201	\$ 17,154	\$ 9,951	\$ 17,615	\$ 15,740	
Stock-based compensation	766	494	428	497	521	
Incentive fees to affiliate	358	830	572	693	658	
Depreciation of real estate owned <sup>(1)</sup>	(2,385)	151	225	225	224	
Provision for current expected credit losses	(594)	765	6,367	(3,883)	(3,240)	
Realized gain on termination of interest rate cap derivative <sup>(2)</sup>	1,960	—	—	—	—	
<b>Distributable Earnings</b>	<b>\$ 16,306</b>	<b>\$ 19,394</b>	<b>\$ 17,543</b>	<b>\$ 15,147</b>	<b>\$ 13,903</b>	
Net income attributable to common stockholders	\$ 0.34	\$ 0.36	\$ 0.21	\$ 0.43	\$ 0.46	
Stock-based compensation	0.02	0.01	0.01	0.01	0.02	
Incentive fees to affiliate	0.01	0.02	0.01	0.02	0.02	
Depreciation of real estate owned <sup>(1)</sup>	(0.05)	—	—	0.01	0.01	
Provision for current expected credit losses	(0.01)	0.02	0.14	(0.09)	(0.09)	
Realized gain on termination of interest rate cap derivative <sup>(2)</sup>	0.04	—	—	—	—	
<b>Basic Distributable Earnings per common share</b>	<b>\$ 0.35</b>	<b>\$ 0.41</b>	<b>\$ 0.37</b>	<b>\$ 0.37</b>	<b>\$ 0.40</b>	
Net income attributable to common stockholders	\$ 0.34	\$ 0.36	\$ 0.21	\$ 0.43	\$ 0.45	
Stock-based compensation	0.02	0.01	0.01	0.01	0.02	
Incentive fees to affiliate	—	0.02	0.01	0.02	0.02	
Depreciation of real estate owned <sup>(1)</sup>	(0.05)	—	—	0.01	0.01	
Provision for current expected credit losses	(0.01)	0.02	0.13	(0.09)	(0.09)	
Realized gain on termination of interest rate cap derivative <sup>(2)</sup>	0.04	—	—	—	—	
<b>Diluted Distributable Earnings per common share</b>	<b>\$ 0.34</b>	<b>\$ 0.41</b>	<b>\$ 0.37</b>	<b>\$ 0.37</b>	<b>\$ 0.40</b>	

- For the three months ended March 31, 2022, Distributable Earnings include a \$2.4 million adjustment to reverse the impact of accumulated depreciation following the sale of the hotel property that was recognized as real estate owned. For periods prior to the sale, depreciation of real estate owned was an additive adjustment to Distributable Earnings.
- For the three months ended March 31, 2022, Distributable Earnings include a \$2.0 million adjustment to include the realized gain from the termination of the interest rate cap derivative.

# Glossary

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