



Second Quarter 2019 Earnings Presentation

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Second Quarter 2019 Highlights

Financial Results

- GAAP Earnings of \$9.8 million or \$0.34 per diluted common share
- Core Earnings⁽¹⁾ of \$11.0 million or \$0.38 per diluted common share
- Book value per diluted common share of \$14.75

Loan Originations & Repayments

- Closed three senior loans totaling \$99.2 million in commitments including one loan purchased from the Ares Warehouse Vehicle
- \$59.1 million in outstanding principal funded on new commitments
- \$69.5 million in outstanding principal funded on previously originated commitments
- Received \$190.1 million from the repayment of three loans

Total Loan Portfolio

- 45 loans held for investment
- \$1.7 billion in originated commitments at closing and \$1.5 billion in outstanding principal
- 98% of loans have floating interest rates based on outstanding principal balance
- 96% of loans are senior loans based on outstanding principal balance
- Weighted average unleveraged effective yield of 7.2%⁽²⁾

Capital and Liquidity

- Diverse financing sources with total borrowing capacity of \$1.9 billion and \$1.2 billion in outstanding principal
- Amended the secured revolving funding facility with City National Bank to, among other things, lower the cost and extend the maturity

Dividends

- Common stock dividend of \$0.33 per common share paid for Q2-19
- 8.9% annualized dividend yield based upon closing share price on June 28, 2019⁽³⁾

Subsequent Events

- Declared Q3-19 dividend of \$0.33 per common share on July 26, 2019

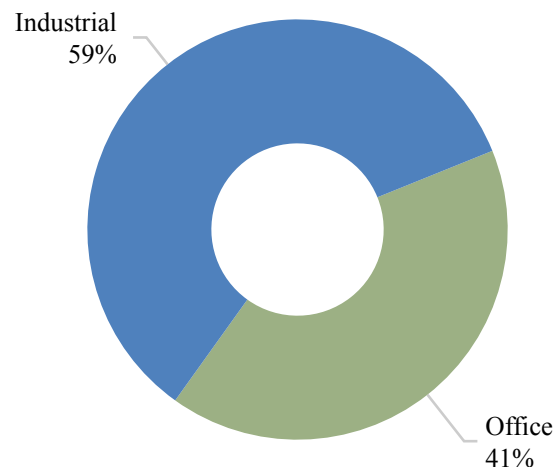
Note: As of June 30, 2019, unless otherwise noted
See footnotes on page 14.

Second Quarter 2019 Investment Activity

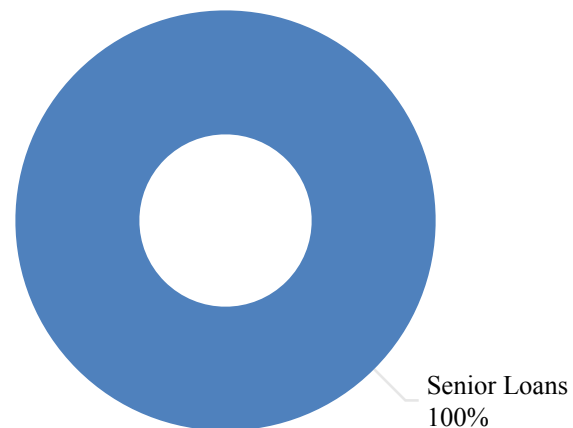
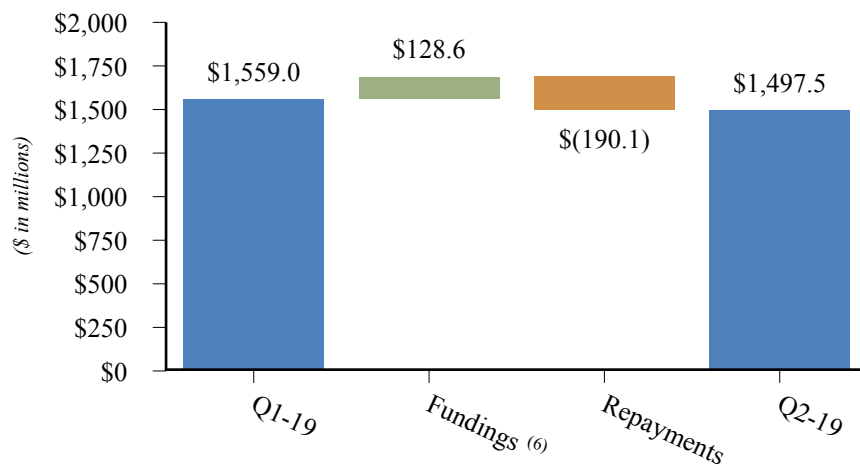
Second Quarter 2019 Loans Summary

(\$ in millions)	
Number of loans closed	3
New loan commitments	\$99.2
Average size of loans closed	\$33.1
Percentage of floating rate loans	100%
Percentage of senior loans	100%

Characteristics of Funded Loans⁽⁵⁾



Changes in Portfolio⁽⁴⁾



Note: As of June 30, 2019, unless otherwise noted
See footnotes on page 14.

Total Loans Held for Investment Portfolio

Key Statistics

(\$ in millions)

Total loan commitments at closing	\$1,737.3
Outstanding principal balance	\$1,497.5
Weighted average unpaid principal balance of loan portfolio*	\$1,607.0
Total number of loans	45
Percentage of floating rate loans based on outstanding principal balance	98%
Percentage of senior loans based on outstanding principal balance	96%
Weighted average remaining life of loan portfolio	1.7 years
Weighted average remaining life of senior loans	1.6 years
Weighted average remaining life of subordinated debt and preferred equity investments	3.3 years

Unleveraged Effective Yield⁽²⁾



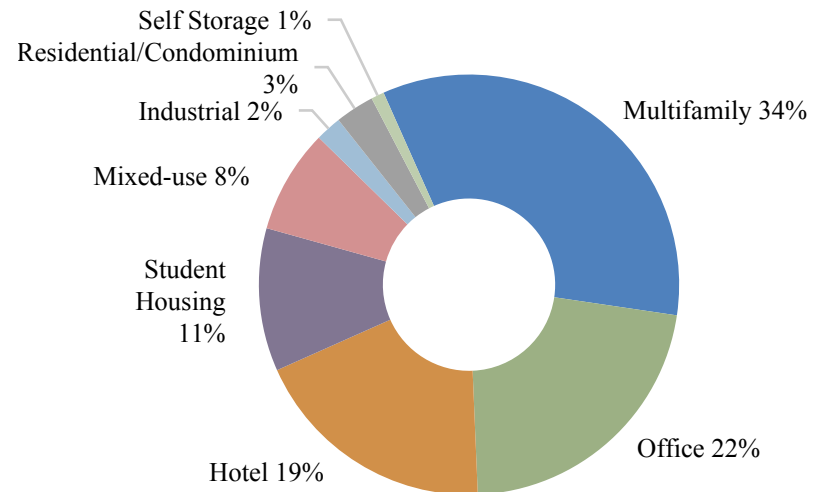
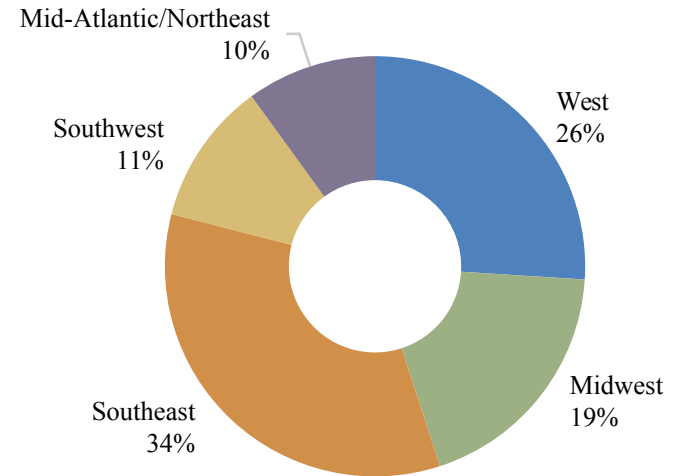
	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19
Senior loans	6.7%	6.8%	7.0%	6.9%	6.9%
Subordinated debt and preferred equity investments	11.1%	13.4%	14.9%	15.2%	14.7%

Note: As of June 30, 2019, unless otherwise noted

* During the quarter ended June 30, 2019

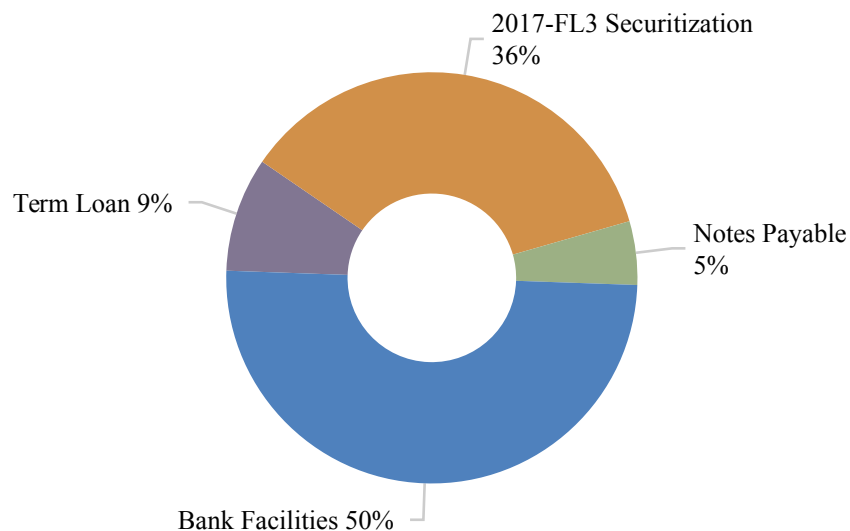
See footnotes on page 14.

Loan Portfolio Characteristics⁽⁴⁾



Financing Sources Overview

Financing Sources Composition⁽⁴⁾



Debt to equity ratio	2.9x
Loans held for investment weighted average remaining life	1.7 years
Weighted average remaining term of financing agreements	3.8 years
Q2-19 weighted average borrowings*	\$1,239.1 million

Note: As of June 30, 2019, unless otherwise noted

* During the quarter ended June 30, 2019

See footnotes on page 14.

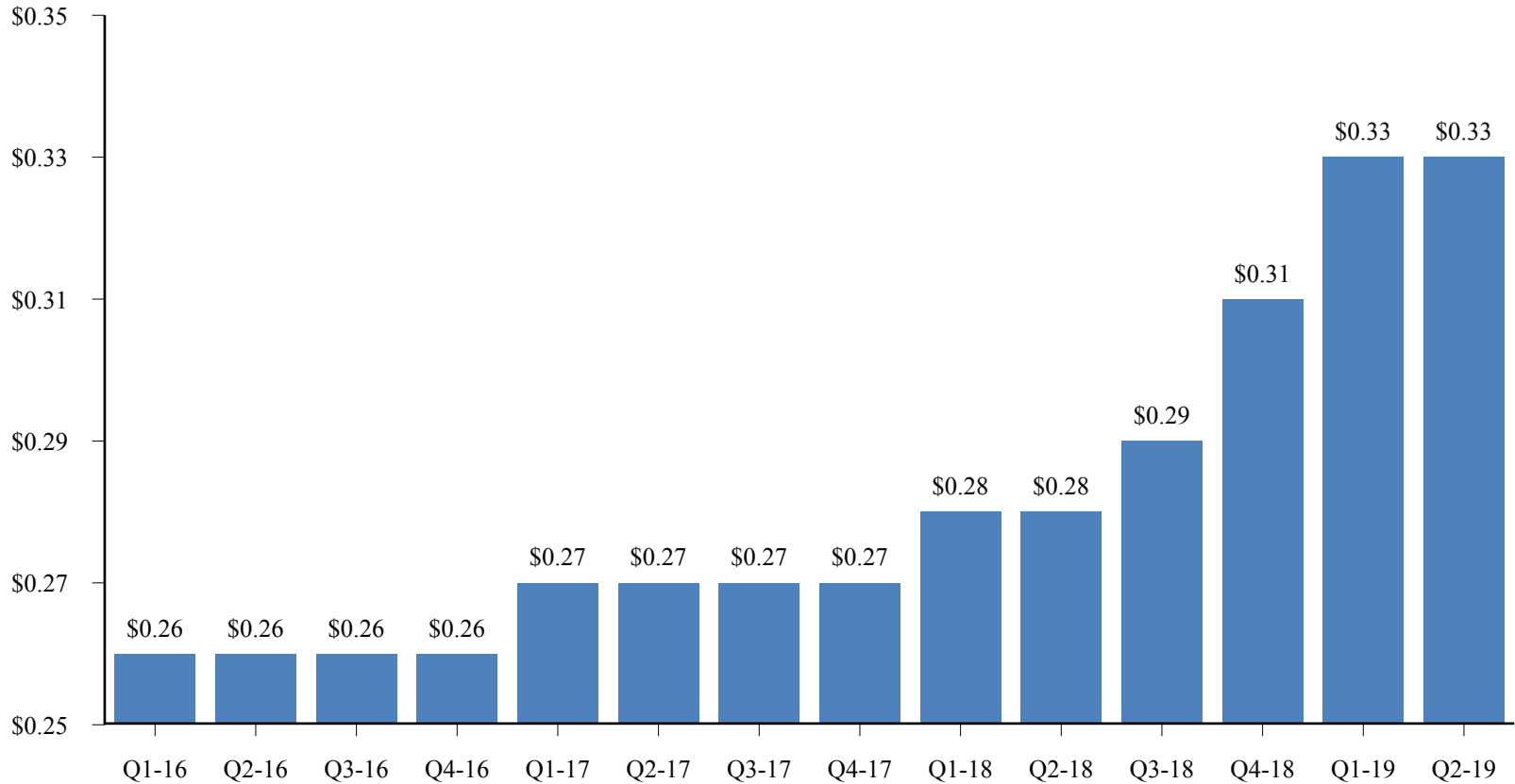
Financing Sources Detail

(\$ in millions)

Financing Sources	Total Commitments ⁽⁷⁾	Interest Rate	Outstanding Balance
Bank Facilities			
Wells Fargo Facility	\$ 500.0	LIBOR+1.50 to 2.25%	\$ 171.6
Citibank Facility	325.0	LIBOR+1.50 to 2.50%	195.6
BAML Facility	36.3	LIBOR+2.00%	36.3
CNB Facility	50.0	LIBOR+2.65%	21.1
U.S. Bank Facility	186.0	LIBOR+1.65 to 2.25%	43.0
Insurance			
Metlife Facility	180.0	LIBOR+2.30%	150.0
Subtotal	\$ 1,277.3		\$ 617.5
Asset Level Financing			
Notes Payable	\$ 60.7	LIBOR+2.50 to 3.00%	56.2
Capital Markets			
Term Loan	\$ 110.0	LIBOR+5.00%	\$ 110.0
2017-FL3 Securitization	445.6	LIBOR + 1.70%	445.6
Subtotal	\$ 555.6		\$ 555.6
Total Debt	\$ 1,893.6		\$ 1,229.3

Dividend Summary

Quarterly Dividend Paid Since Q1-16



Appendix

Loans Held for Investment Portfolio Details

(\$ in millions)

#	Loan Type	Location	Origination Date	Current Loan Commitment	Outstanding Principal	Carrying Value	Interest Rate	Unleveraged Effective Yield ⁽²⁾	Maturity Date	Payment Terms ⁽⁸⁾
Multifamily Loans:										
1	Senior	FL	Sep 2016	\$89.7	\$89.7	\$89.6	L+4.75%	7.7%	Sep 2019	I/O
2	Senior	UT	Nov 2017	63.7	63.6	63.3	L+3.25%	5.9%	Dec 2020	I/O
3	Senior	FL	Sep 2016	45.4	45.4	45.4	L+4.75%	7.7%	Sep 2019	I/O
4	Senior	TX	Dec 2017	42.7	42.7	42.6	L+3.30%	6.1%	Dec 2020	I/O
5	Senior	FL	Dec 2018	43.5	41.7	41.4	L+2.60%	5.5%	Jan 2022	I/O
6	Senior	SC	Apr 2018	39.2	38.9	38.8	L+3.36%	6.2%	May 2021	I/O
7	Senior	IL	Nov 2018	40.0	38.2	37.9	L+3.50%	6.6%	Nov 2020	I/O
8	Senior	NY	Dec 2017	30.2	30.2	30.0	L+3.20%	6.0%	Dec 2020	I/O
9	Senior	PA	Dec 2018	30.2	29.3	29.1	L+3.00%	6.0%	Dec 2021	I/O
10	Senior	TX	Sep 2017	27.5	27.5	27.4	L+3.20%	6.1%	Oct 2020	I/O
11	Senior	CA	Jun 2017	27.0	26.8	26.7	L+3.85%	6.7%	July 2020	I/O
12	Senior	CA	Jan 2018	21.7	20.4	20.3	L+3.30%	6.1%	Feb 2021	I/O
13	Senior	FL	Oct 2017	19.2	19.2	19.1	L+4.00%	6.8%	Nov 2020	I/O
Total Multifamily				\$520.0	\$513.6	\$511.6				
Office Loans:										
14	Senior	IL	Nov 2017	\$82.0	\$66.1	\$65.8	L+3.75%	6.7%	Dec 2020	I/O
15	Senior	NJ	Jun 2017	56.7	56.2	56.0	L+4.65%	7.6%	July 2020	I/O
16	Senior	IL	May 2018	59.6	55.8	55.5	L+3.95%	6.7%	June 2021	I/O
17	Senior	NC	Mar 2019	84.0	42.5	41.7	L+4.25%	8.6%	Mar 2021	I/O
18	Senior	CO	May 2017	31.0	23.5	23.4	L+4.15%	7.1%	June 2021	I/O
19	Senior	FL	Apr 2017	19.0	18.4	18.3	L+4.30%	7.3%	Apr 2020	I/O
20	Senior	CA	Nov 2018	22.9	17.5	17.3	L+3.40%	6.4%	Nov 2021	I/O
21	Subordinated	NJ	Mar 2016	17.0	17.0	16.4	12.00%	12.8%	Jan 2026	I/O
22	Senior	NC	Apr 2019	30.5	12.8	12.5	L+3.50%	6.6%	May 2023	I/O
23	Senior	TX	Apr 2019	28.2	11.6	11.4	L+4.05%	7.5%	Nov 2021	I/O
24	Senior	NC	Oct 2018	13.5	8.0	7.9	L+4.00%	6.9%	Nov 2022	I/O
25	Subordinated	CA	Nov 2017	3.1	2.8	2.7	L+8.25%	10.8%	Nov 2021	I/O
Total Office				\$447.5	\$332.2	\$328.9				

See footnotes on page 14.

Loans Held for Investment Portfolio Details

(\$ in millions)

#	Loan Type	Location	Origination Date	Current Loan Commitment	Outstanding Principal	Carrying Value	Interest Rate	Unleveraged Effective Yield ⁽²⁾	Maturity Date	Payment Terms ⁽⁸⁾
Hotel Loans:										
26	Senior	Diversified	Sep 2018	\$78.0	\$68.2	\$67.8	L+3.60%	6.5%	Sep 2021	I/O
27	Senior	OR/WA	May 2018	68.0	67.4	67.0	L+3.45%	6.4%	May 2021	I/O
28	Senior	CA	Dec 2017	40.0	40.0	39.8	L+4.12%	6.9%	Jan 2021	I/O
29	Senior	MI	Nov 2015	35.2	35.2	35.2	L+4.15%	6.6%	July 2020	I/O
30	Senior	IL	Apr 2018	32.9	32.4	32.2	L+4.40%	7.3%	May 2021	I/O
31	Senior	MN	Aug 2018	31.5	31.5	31.3	L+3.55%	6.3%	Aug 2021	I/O
Total Hotel				\$285.6	\$274.7	\$273.3				
Student Housing Loans:										
32	Senior	CA	Jun 2017	\$43.0	\$41.8	\$41.6	L+3.95%	6.9%	July 2020	I/O
33	Senior	TX	Dec 2017	41.0	41.0	40.8	L+4.75%	7.7%	Jan 2021	I/O
34	Senior	NC	Feb 2019	30.0	30.0	29.8	L+3.15%	6.0%	Feb 2022	I/O
35	Senior	AL	Feb 2017	24.1	24.1	24.0	L+4.45%	7.4%	Feb 2020	I/O
36	Senior	TX	Dec 2017	24.0	24.0	23.9	L+4.10%	7.0%	Jan 2021	I/O
Total Student Housing				\$162.1	\$160.9	\$160.1				
Mixed-Use Loans:										
37	Senior	FL	Feb 2019	\$100.6	\$51.7	\$50.8	L+4.25%	7.8%	Feb 2021	I/O
38	Senior	CA	Mar 2018	56.1	49.0	48.7	L+4.00%	6.8%	April 2021	I/O
39	Subordinated	IL	May 2018	15.3	13.4	13.2	L+12.25%	15.6%	Nov 2021	I/O
Total Mixed-Use				\$172.0	\$114.1	\$112.7				
Residential/Condominium Loans:										
40	Senior	CA	Jan 2018	\$16.7	\$10.3	\$10.1	12.00%	15.5%	Feb 2020	I/O
41	Senior	FL	Oct 2018	17.5	17.5	17.4	L+8.00%	11.8%	Apr 2020	I/O
42	Subordinated	NY	Oct 2018	14.0	11.8	11.7	L+14.00%	17.3%	May 2021	I/O
43	Subordinated	HI	Aug 2018	8.0	8.0	8.0	14.00%	14.5%	Oct 2019	I/O
Total Residential/Condominium				\$56.2	\$47.6	\$47.2				

See footnotes on page 14.

Loans Held for Investment Portfolio Details

(\$ in millions)

#	Loan Type	Location	Origination Date	Current Loan Commitment	Outstanding Principal	Carrying Value	Interest Rate	Unleveraged Effective Yield ⁽²⁾	Maturity Date	Payment Terms ⁽⁸⁾
Industrial Loans:										
44	Senior	NC	May 2019	\$40.5	\$34.9	\$34.6	L+4.05%	6.7%	Mar 2024	I/O
Total Industrial				\$40.5	\$34.9	\$34.6				
Self Storage Loans:										
45	Senior	FL	Feb 2019	\$19.5	\$19.5	\$19.3	L+3.50%	6.4%	Mar 2022	I/O
Total Self Storage				\$19.5	\$19.5	\$19.3				
Portfolio Total/Weighted Average				\$1,703.4	\$1,497.5	\$1,487.7		7.2%		

See footnotes on page 14.

Consolidated Balance Sheets

	As of	
	6/30/2019	12/31/2018
<i>(\$ in thousands, except share and per share data)</i>		
ASSETS		
Cash and cash equivalents	\$ 5,215	\$ 11,089
Restricted cash	379	379
Loans held for investment (\$434,187 and \$289,576 related to consolidated VIEs, respectively)	1,487,735	1,524,873
Real estate owned, net	36,891	—
Other assets (\$1,413 and \$843 of interest receivable related to consolidated VIEs, respectively; \$122,813 and \$51,582 of other receivables related to consolidated VIEs, respectively)	141,227	66,983
Total assets	<u>\$ 1,671,447</u>	<u>\$ 1,603,324</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Secured funding agreements	\$ 617,524	\$ 777,974
Notes payable	54,960	—
Secured term loan	108,735	108,345
Collateralized loan obligation securitization debt (consolidated VIE)	442,715	270,737
Due to affiliate	3,163	3,163
Dividends payable	9,527	8,914
Other liabilities (\$820 and \$541 of interest payable related to consolidated VIEs, respectively)	9,066	8,604
Total liabilities	<u>1,245,690</u>	<u>1,177,737</u>
STOCKHOLDERS' EQUITY		
Common stock, par value \$0.01 per share, 450,000,000 shares authorized at June 30, 2019 and December 31, 2018 and 28,868,735 and 28,755,665 shares issued and outstanding at June 30, 2019 and December 31, 2018, respectively	283	283
Additional paid-in capital	422,658	421,739
Accumulated earnings	2,816	3,565
Total stockholders' equity	<u>425,757</u>	<u>425,587</u>
Total liabilities and stockholders' equity	<u>\$ 1,671,447</u>	<u>\$ 1,603,324</u>

Consolidated Statements of Operations

	For the Three Months Ended				
	6/30/2019	3/31/2019	12/31/2018	9/30/2018	6/30/2018
<i>(\$ in thousands, except share and per share data)</i>					
Revenue:					
Interest income from loans held for investment	\$ 29,993	\$ 27,986	\$ 30,882	\$ 30,362	\$ 29,604
Interest expense	(16,675)	(15,740)	(16,357)	(16,378)	(15,968)
Net interest margin	13,318	12,246	14,525	13,984	13,636
Revenue from real estate owned	8,357	1,911	—	—	—
Total revenue	21,675	14,157	14,525	13,984	13,636
Expenses:					
Management and incentive fees to affiliate	2,252	1,574	2,116	1,571	2,173
Professional fees	532	478	510	498	455
General and administrative expenses	1,029	1,120	892	852	789
General and administrative expenses reimbursed to affiliate	771	659	946	870	830
Expenses from real estate owned	7,118	1,687	—	—	—
Total expenses	11,702	5,518	4,464	3,791	4,247
Income before income taxes	9,973	8,639	10,061	10,193	9,389
Income tax expense, including excise tax	218	96	43	236	86
Net income attributable to common stockholders	\$ 9,755	\$ 8,543	\$ 10,018	\$ 9,957	\$ 9,303
Earnings per common share:					
Basic and diluted earnings per common share	\$ 0.34	\$ 0.30	\$ 0.35	\$ 0.35	\$ 0.33
Weighted average number of common shares outstanding:					
Basic weighted average shares of common stock outstanding	28,599,282	28,561,827	28,553,540	28,542,828	28,524,775
Diluted weighted average shares of common stock outstanding	28,863,765	28,780,980	28,709,145	28,698,600	28,618,308
Dividends declared per share of common stock	\$ 0.33	\$ 0.33	\$ 0.31	\$ 0.29	\$ 0.28

Reconciliation of Net Income to Non-GAAP Core Earnings⁽¹⁾

	For the Three Months Ended				
	6/30/2019	3/31/2019	12/31/2018	9/30/2018	6/30/2018
<i>(\$ in thousands, except per share data)</i>					
Net income attributable to common stockholders	\$ 9,755	\$ 8,543	\$ 10,018	\$ 9,957	\$ 9,303
Stock-based compensation	427	492	324	329	215
Incentive fees to affiliate	674	—	540	—	610
Depreciation of real estate owned	188	54	—	—	—
Core Earnings	\$ 11,044	\$ 9,089	\$ 10,882	\$ 10,286	\$ 10,128
Basic Core Earnings per common share	\$ 0.39	\$ 0.32	\$ 0.38	\$ 0.36	\$ 0.36
Diluted Core Earnings per common share	\$ 0.38	\$ 0.32	\$ 0.38	\$ 0.36	\$ 0.35

Footnotes

1. The Company believes the disclosure of Core Earnings provides useful information to investors regarding the calculation of incentive fees the Company pays to its manager, Ares Commercial Real Estate Management LLC, and the Company's financial performance. Core Earnings is an adjusted non-GAAP 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. 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. Core Earnings is a non-GAAP measure and is defined as net income (loss) computed in accordance with GAAP, excluding non-cash equity compensation expense, the incentive fee, 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.
2. 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. The total 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.
3. There is no assurance that dividends will continue at these levels or at all. Represents closing price of \$14.86 per share as of June 28, 2019 and based on annualized Q2-19 paid dividend of \$0.33 per common share.
4. Based on outstanding principal balance.
5. Based on outstanding principal balance on new loan commitments for the three months ended June 30, 2019.
6. Includes outstanding principal funded of \$59.1 million on new commitments and \$69.5 million on previously originated commitments.
7. Represents total commitments. Ability to draw on available capacity is subject to available collateral and lender approvals.
8. I/O = interest only, P/I = principal and interest.