ACRES
COMMERCIAL REALTY

# FOURTH QUARTER 2023 EARNINGS PRESENTATION

February 28, 2024

# DISCLAIMER

## 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 collateralized debt obligations ("CDOs") and/or collateralized loan obligations ("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 real estate investment trust ("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, 2022 and those factors that may be contained in any subsequent filing ACR makes with the Securities and Exchange Commission.

# DISCLAIMER

### 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. Please refer to page 16 for the reconciliation of Net Income (Loss), a GAAP financial measure, to Earnings Available for Distribution ("EAD"), a non-GAAP financial measure. Unless otherwise indicated, information included in this presentation is at or for the period ended December 31, 2023.

### Definitions

Refer to page 19 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.

# HIGHLIGHTS

**Manager is focused on delivering shareholder value through EAD[1] growth and share repurchases**

**Earnings and capital gains can be retained through tax assets to increase book value**

Percentage of Multifamily-focused CRE in Loan Portfolio

**80%**

Per Share-Diluted GAAP Net Income / EAD

**$0.20 / $0.55**

Percentage of CRE loan portfolio current on payments

**98%**

Total Liquidity at December 31, 2023

**$107.7M**

4Q23 Net CRE Loan Repayments

**$64.7M**

Book Value Per Share at December 31, 2023

**$26.65**

[1] Refer to page 16 for the reconciliation of Net Income (Loss), a GAAP financial measure, to EAD, a non-GAAP financial measure

# FOURTH QUARTER RESULTS

## Financial Results

**$0.20**

GAAP net income per share-diluted

Includes **$(0.13)** due to $1.1M provision for CECL reserves

**$0.55**

EAD[1] for 4Q23

## Book Value

**$26.65**

GAAP book value

**up** from $25.07 in 3Q23 and **up** from $24.54 in 4Q22

**14.5%**

annual increase since ACRES acquisition in 3Q20

## CRE Loan Activity & CRE Portfolio

**$1.9B**

comprising **70** loans with a weighted average LTV of **76%**

CRE loan portfolio at par value

**$64.7M**

of net loan repayments

**16%**

of the par value of the CRE loan portfolio is rated 4 or 5

**98%**

of the par value of the CRE loan portfolio is current on payments

**$158.9M**

of net investments in real estate and properties held for sale

## Capitalization & Liquidity

**82%**

of asset-specific borrowings were composed of non-recourse, non-mark-to-market CLO financings

**$107.7M**

Total liquidity at December 31, 2023

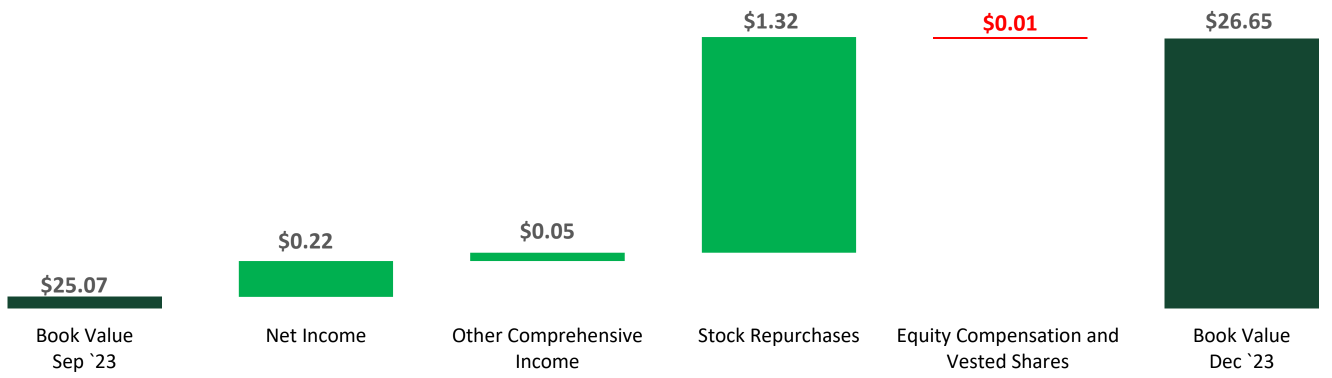
[1] Refer to page 16 for the reconciliation of Net Income (Loss), a GAAP financial measure, to EAD, a non-GAAP financial measure

# BALANCE SHEET OVERVIEW

## 4Q23 Balance Sheet Overview

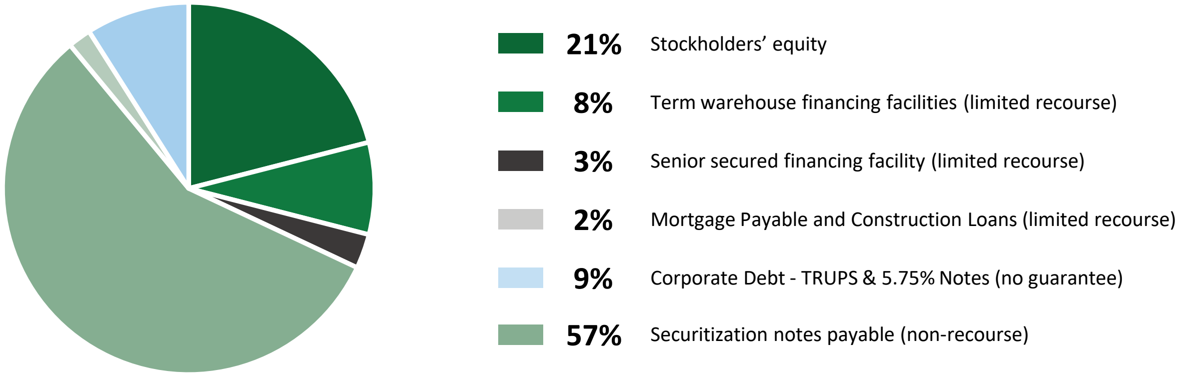
| | |
|---|---|
| **Total Assets ($B)** | **$2.2** |
| **Total Liquidity ($M)** | **$107.7** |
| **CRE Whole Loans, at par ($B)**<br>WA Spread | **$1.9**<br>3.77% |
| **CECL Reserve – General ($M)**<br>Per BV Share / Basis Points | **$24.1**<br>$3.06/1.29% |
| **CECL Reserve – Specific ($M)**<br>Per BV Share / Basis Points | **$4.7**<br>$0.60/0.25% |
| **Investments in Real Estate and Properties Held for Sale, net[3] ($M)**<br>Number of Investments | **$158.9**<br>6 |
| **Total Borrowings ($B)**<br>Leverage Ratio | **$1.7**<br>3.8x |
| **Asset Specific Borrowings ($B)**<br>WA Spread | **$1.5**<br>1.90% |
| **Corporate Debt ($M)**<br>WA Coupon | **$201.5**<br>6.74% |
| **Preferred and Common Equity[4] ($M)**<br>Dividend %: WA Preferred / Common | **$226.5/$219.7**<br>8.26% / NA |

## Summary of Changes to Book Value per Share [1,2]




## Capitalization

**$2.1B**
Total Capitalization



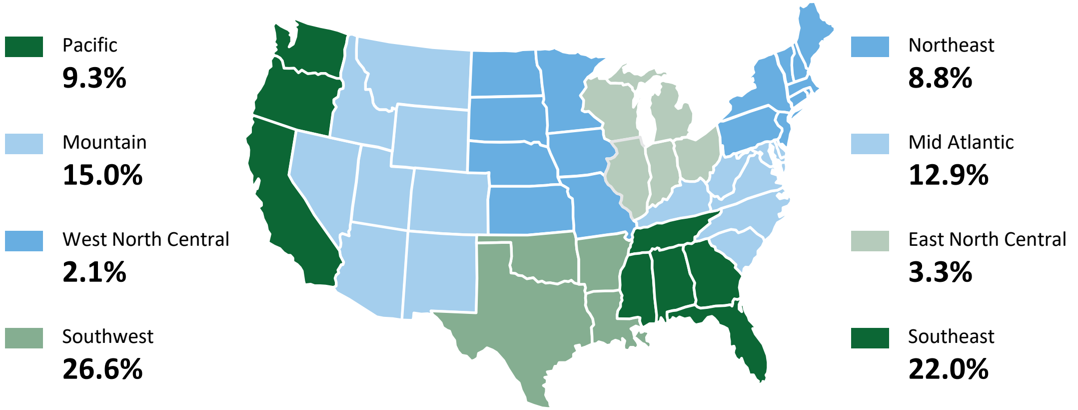

[1] Per share adjustments are calculated based on the share count outstanding of 7,853,536 utilized in the calculation of book value at December 31, 2023
[2] At December 31, 2023, $9.8 million remains available under this repurchase program
[3] Investments in real estate and properties held for sale are shown net of related financings and real estate related lease obligations
[4] Includes $10.4 million of non-controlling interests

# CRE LOAN PORTFOLIO OVERVIEW

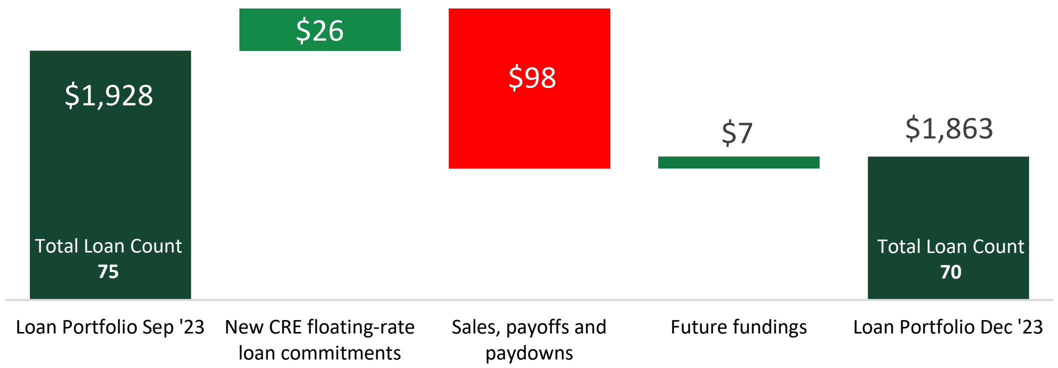
## CRE Loan Summary [1]

| | |
|---|---|
| Loans held for investment, at amortized cost | $1,857.1 |
| CECL Reserves | ($28.8) |
| CRE whole loans, floating-rate WA | 1M BR + 3.77% |
| WA 1M BR Floor[2] | 0.70% |
| WA CRE loan portfolio LTV | 76% |
| Total number of CRE loans | 70 |
| Average CRE whole loan size, at par | $26.9 |
| WA Risk Rating, at par | 2.7 |

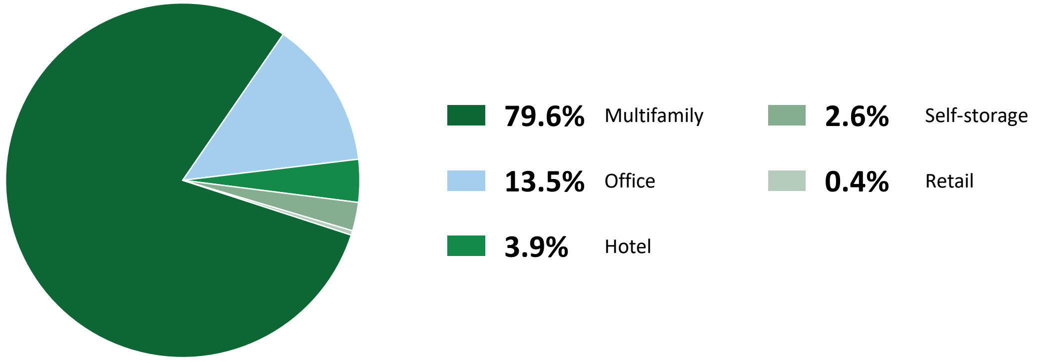
## Balance by Region [1,3]




## Loan Portfolio Activity, at par [1]




## Property Type [1]




[1] All $ amounts are in millions and the percentages for region and property type disclosures are based on total carrying value of the CRE loans
[2] At December 31, 2023, all CRE whole loans are now indexed only to SOFR and the WA benchmark rate was 5.39%
[3] Texas (26.6%) and Florida (16.1%) were the states with the highest concentrations. Based on regions identified by the National Council of Real Estate Investment Fiduciaries (NCREIF)

# CRE LOAN PORTFOLIO MATURITY PROFILE

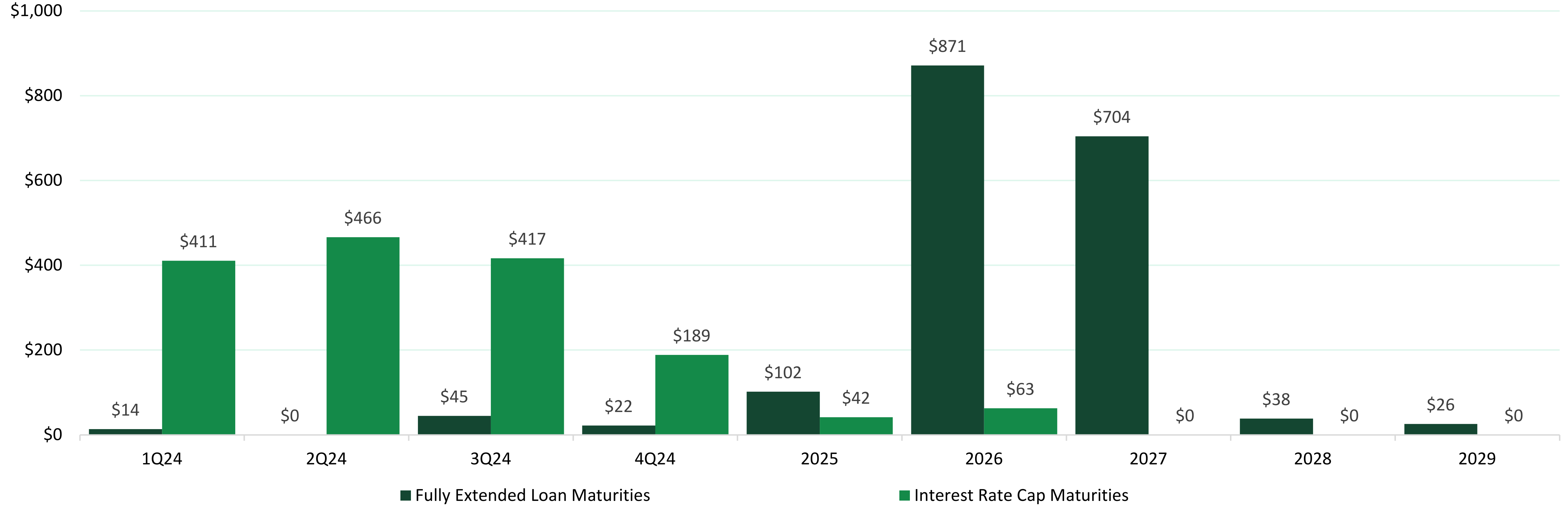
**2.8 years**

Fully extended weighted average loan maturity [1,2]

**85%**

of the par value of the portfolio has interest rate caps in place at December 31, 2023 [3,4]

## Fully Extended Loan and Interest Rate Cap Maturities ($ in millions at par)




[1] Excludes loans in default at December 31, 2023
[2] Fully-extended maturity basis assumes borrower elects and qualifies for all extensions
[3] Interest rate caps are contractually owned by the underlying borrower and supplement the property cash flows that collateralize the floating rate CRE loan portfolio
[4] Our current interest rate caps have maturities from January 2024 through July 2026

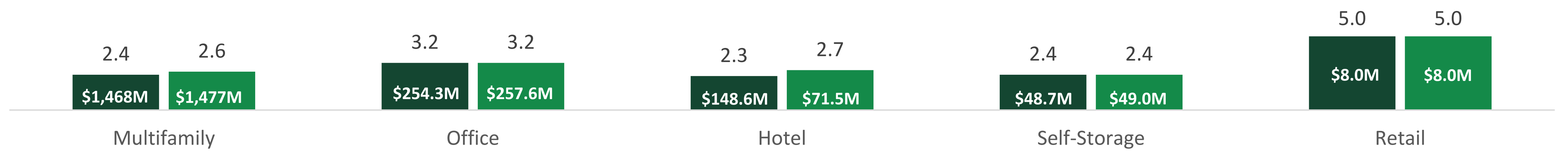
# CRE LOAN RISK RATINGS AND CECL RESERVES

**84%** of ACR's loans have a risk rating of 2 or 3 that are performing in line with or near underwritten expectations [1]

**All but four** of ACR's 70 loans are current on contractual payments through December 31, 2023

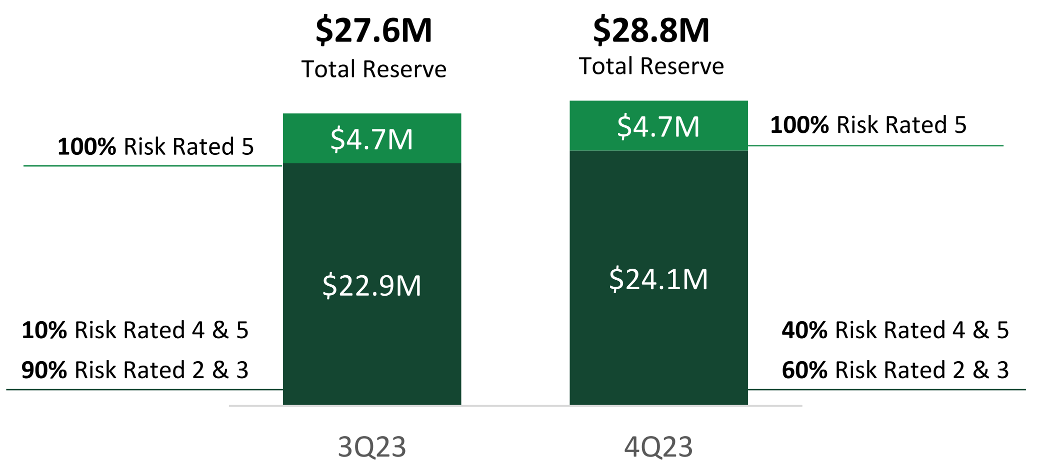
## Risk Rating by Collateral Type, $ at par

3Q23 W.A. Risk Rating: 2.6 | 4Q23 W.A. Risk Rating: 2.7

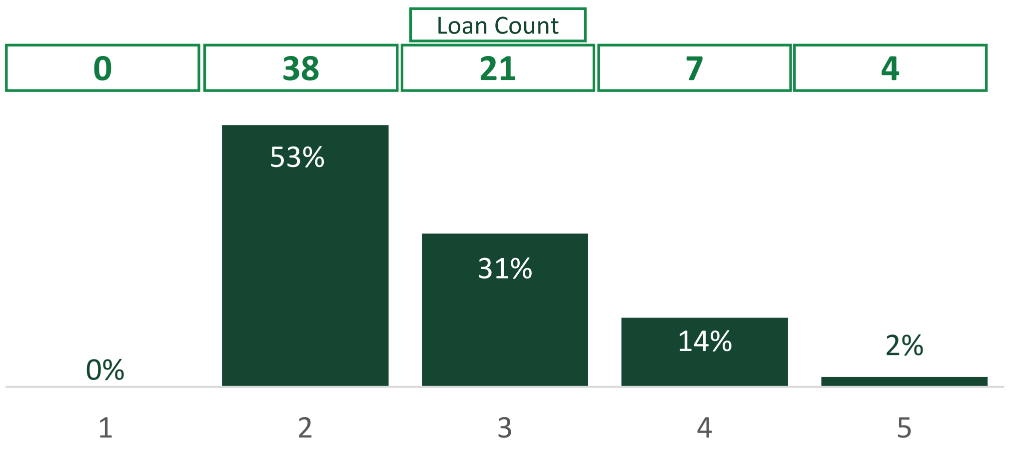



## CECL Reserve Overview

Specific CECL Reserve | General CECL Reserve




## 4Q23 Risk Rating Overview




[1] See page 20 for additional information on the risk rating definitions

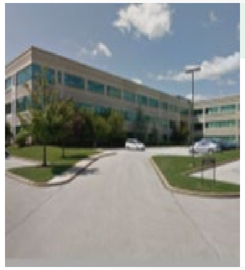
# INVESTMENTS IN REAL ESTATE PROPERTIES

## $158.9 million

of net investments in real estate and properties held for sale [1,2]

### Student Housing $13.0M [3]

- Existing structure and development of adjacent lot
- Equity investment in the southeast region
- Value add and development project
- Acquired in April 2022
- Construction commenced in the first quarter of 2023



### Office $14.6M [3]

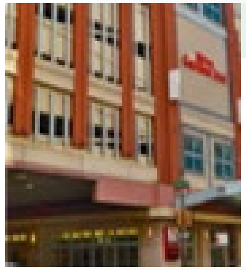
- 99K SF Class A office / life science/ lab space
- Equity investment in the northeast region
- Lease up as life science / lab building
- Acquired in October 2021

### Hotel $38.6M [3]

- 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

### Multifamily $14.2M [3]

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



### Hotel $39.8M [3]

- 279-key hotel next to a convention center
- Equity via lending activities in the northeast region
- Acquired the deed in November 2020
- Reclassified to held for sale as of September 30, 2022

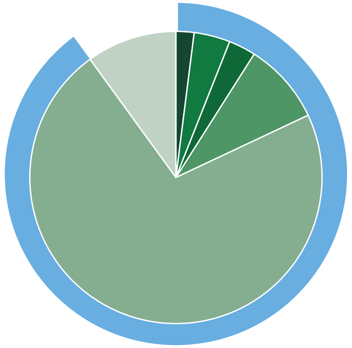
[1] Investments in real estate comprise six properties, four of which are held at depreciated/amortized cost basis and two of which are held for sale at lower of cost or fair value. Images exclude the $20.9M property held for sale acquired via deed-in-lieu of foreclosure in June 2023.
[2] Real estate related depreciation and amortization expense is $1.2M for the 4th quarter of 2023
[3] Represents value on date of acquisition

# CAPITALIZATION OVERVIEW

| Total Capitalization | $2,122.4 |
|---|---|
| **Corporate WACC [1]** | **7.38%** |
| Total Asset Specific Financing | $1,476.6 |
| WA Asset Specific Cost | BR + 1.90% |
| Term/Senior Secured Avail. | $765.2 |
| Recourse Debt Leverage | 1.1x |
| **Total Corporate Leverage** | 3.8x |

## Outstanding Financing

| | |
|---|---|
| **90%** | Non-Mark-to-Market |
| **10%** | Term Warehouse Financing |
| **72%** | Securitizations |
| **9%** | Senior Unsecured Notes |
| **4%** | Senior Secured Financing |
| **3%** | Trust Preferred Securities |
| **2%** | Mortgage Payable and Construction Loans |

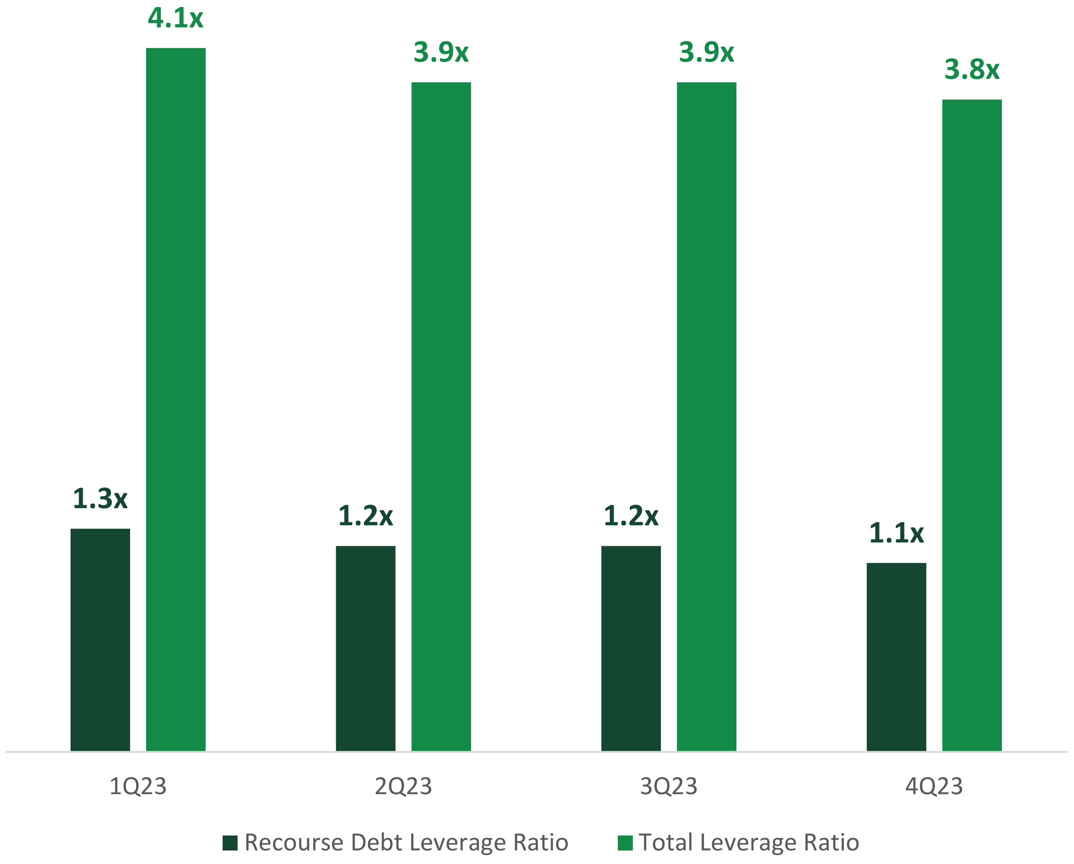


| $ in Millions | Capitalization | | | | |
|---|---|---|---|---|---|
| | Maximum Capacity | Amount | $ Avail. | W. Avg. Coupon | Leverage Ratio |
| Term Warehouse Financing [2] | $500.0 | $168.6 | $329.7 | BR + 2.60% | 0.4x |
| Senior Secured Financing [2] | 500.0 | 61.6 | 435.5 | BR + 3.78% | 0.1x |
| Mortgage Payable [2] | 20.4 | 19.4 | 0.8 | BR + 3.80% | 0.1x |
| Construction Loans [2] | | | | | |
| Oceanview Life and Annuity Company [3] | 48.0 | 7.3 | 39.4 | BR + 6.00% | |
| Florida Pace Funding Agency [3] | 15.5 | 15.1 | 0.0 | 7.26% | |
| Total Construction Loans | 63.5 | 22.4 | 39.4 | | 0.1x |
| Senior Unsecured Notes | 150.0 | 148.1 | - | 5.75% | 0.3x |
| Trust Preferred Securities | 51.5 | 51.5 | - | BR + 3.95% | 0.1x |
| **Total Recourse Debt** | **$1,285.4** | **$471.6** | **$805.4** | | **1.1x** |
| Securitizations [2] | 1,204.6 | 1,204.6 | - | BR + 1.64% | 2.7x |
| **Total Leverage [4]** | **$2,490.0** | **$1,676.2** | **$805.4** | | **3.8x** |
| Preferred Equity | | 226.5 | | 8.26% | |
| Common Equity [5] | | 219.7 | | | |
| **Total Capitalization** | | **$2,122.4** | | **7.38% [1]** | |

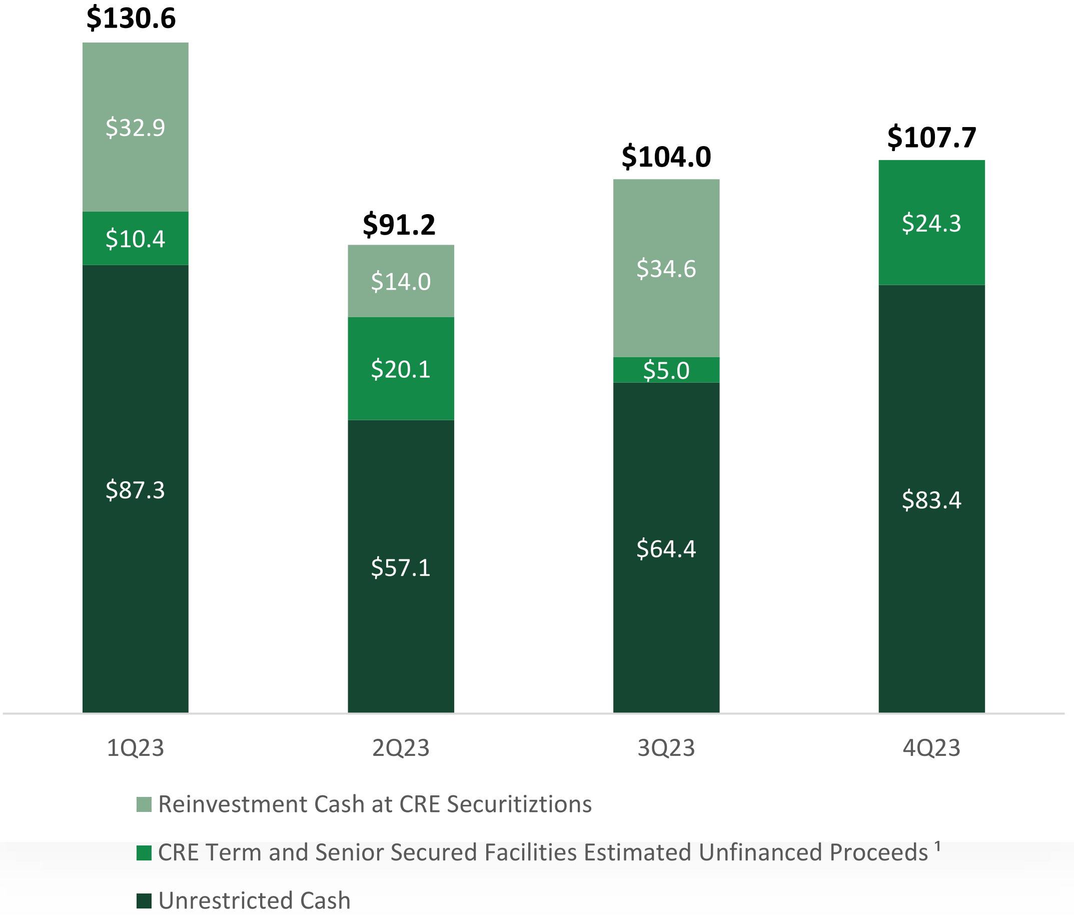
[1] Weighted average cost of capital ("WACC") calculation excludes the impact of common equity in the denominator
[2] Asset-specific borrowings total $1.5 billion, of which securitizations are 82%
[3] Current balance includes capitalized deferred debt issuance costs
[4] Includes $14.5 million of unamortized deferred debt issuance costs and discounts on borrowings
[5] Includes $10.4 million of non-controlling interests

# LEVERAGE AND LIQUIDITY TREND

## Leverage Ratios




## Total Liquidity ($ in millions)




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

ACRES COMMERCIAL REALTY

# APPENDIX

# CONSOLIDATED BALANCE SHEETS

| (in thousands, except share and per share data) | Dec. 31, 2023 | Dec. 31, 2022 |
|---|---|---|
| **Assets** | (unaudited) | |
| Cash and cash equivalents | $ 83,449 | $ 66,232 |
| Restricted cash | 8,437 | 38,579 |
| Accrued interest receivable | 11,783 | 11,969 |
| CRE loans | 1,857,093 | 2,057,590 |
| Less: allowance for credit losses | (28,757) | (18,803) |
| CRE loans, net | 1,828,336 | 2,038,787 |
| Loan receivable - related party | 10,975 | 11,275 |
| Investments in unconsolidated entities | 1,548 | 1,548 |
| Properties held for sale | 62,605 | 53,769 |
| Investments in real estate | 157,621 | 120,968 |
| Right of use assets | 19,879 | 20,281 |
| Intangible assets | 7,882 | 8,880 |
| Other assets | 3,590 | 4,364 |
| **Total Assets** | $ 2,196,105 | $ 2,376,652 |
| **Liabilities** | | |
| Accounts payable and other liabilities | $ 13,963 | $ 10,391 |
| Management fee payable - related party | 584 | 898 |
| Accrued interest payable | 8,459 | 6,921 |
| Borrowings | 1,676,200 | 1,867,033 |
| Lease liabilities | 44,276 | 43,695 |
| Distributions payable | 3,262 | 3,262 |
| Accrued tax liability | 121 | 113 |
| Liabilities held for sale | 3,025 | 3,025 |
| **Total Liabilities** | 1,749,890 | 1,935,338 |
| **Equity** | | |
| Series C Preferred stock, par value $0.001 | 5 | 5 |
| Series D Preferred stock, par value $0.001 | 5 | 5 |
| Common stock, par value $0.001 | 8 | 9 |
| Additional paid-in capital | 1,169,970 | 1,174,202 |
| Accumulated other comprehensive loss | (4,801) | (6,394) |
| Distributions in excess of earnings | (729,391) | (732,359) |
| **Total Stockholders' Equity** | 435,796 | 435,468 |
| Non-controlling interests | 10,419 | 5,846 |
| **Total Equity** | 446,215 | 441,314 |
| **Total Liabilities and Equity** | $ 2,196,105 | $ 2,376,652 |

# CONSOLIDATED STATEMENTS OF OPERATIONS

| (Unaudited, in thousands, except share and per share data) | For the Three Months Ended | | For the Year Ended | |
|---|---|---|---|---|
| | Dec. 31, 2023 | Dec. 31, 2022 | Dec. 31, 2023 | Dec. 31, 2022 |
| **Revenues** | | | | |
| Interest income | $ 46,781 | $ 42,514 | $ 187,466 | $ 126,274 |
| Interest expense | 33,419 | 28,733 | 130,791 | 82,324 |
| Net interest income | 13,362 | 13,781 | 56,675 | 43,950 |
| Real estate income | 9,045 | 9,429 | 34,311 | 31,129 |
| Other revenue | 38 | 31 | 145 | 91 |
| Total revenues | 22,445 | 23,241 | 91,131 | 75,170 |
| **Operating Expenses** | | | | |
| General and administrative | 2,939 | 2,637 | 10,512 | 10,575 |
| Real estate expenses | 9,855 | 9,799 | 38,913 | 33,854 |
| Management fees - related party | 1,686 | 2,012 | 7,462 | 7,035 |
| Equity compensation - related party | 483 | 914 | 2,578 | 3,562 |
| Corporate depreciation and amortization | 23 | 21 | 91 | 85 |
| Provision for credit losses, net | 1,123 | 10,953 | 10,902 | 12,295 |
| Total operating expenses | 16,109 | 26,336 | 70,458 | 67,406 |
| **Other Income (Expense)** | | | | |
| Loss on extinguishment of debt | — | — | — | (460) |
| Gain on sale of real estate | — | — | 745 | 1,870 |
| Other income | 62 | 485 | 527 | 1,588 |
| Total other income | 62 | 485 | 1,272 | 2,998 |
| **Income (Loss) before Taxes** | 6,398 | (2,610) | 21,945 | 10,762 |
| Income tax benefit (expense) | 32 | (56) | (97) | (336) |
| **Net Income (Loss)** | 6,430 | (2,666) | 21,848 | 10,426 |
| Net income allocated to preferred shares | (4,856) | (4,856) | (19,422) | (19,422) |
| Net loss allocable to non-controlling interest, net of taxes | 123 | 91 | 542 | 197 |
| **Net Income (Loss) Allocable to Common Shares** | $ 1,697 | $ (7,431) | $ 2,968 | $ (8,799) |
| **Net Income (Loss) per Common Share – Basic** | $ 0.21 | $ (0.87) | $ 0.35 | $ (1.00) |
| **Net Income (Loss) per Common Share – Diluted** | $ 0.20 | $ (0.87) | $ 0.35 | $ (1.00) |
| Weighted Average Number of Common Shares Outstanding - Basic | 8,258,106 | 8,555,382 | 8,416,290 | 8,811,761 |
| Weighted Average Number of Common Shares Outstanding - Diluted | 8,436,930 | 8,555,382 | 8,566,058 | 8,811,761 |

# EARNINGS AVAILABLE FOR DISTRIBUTION

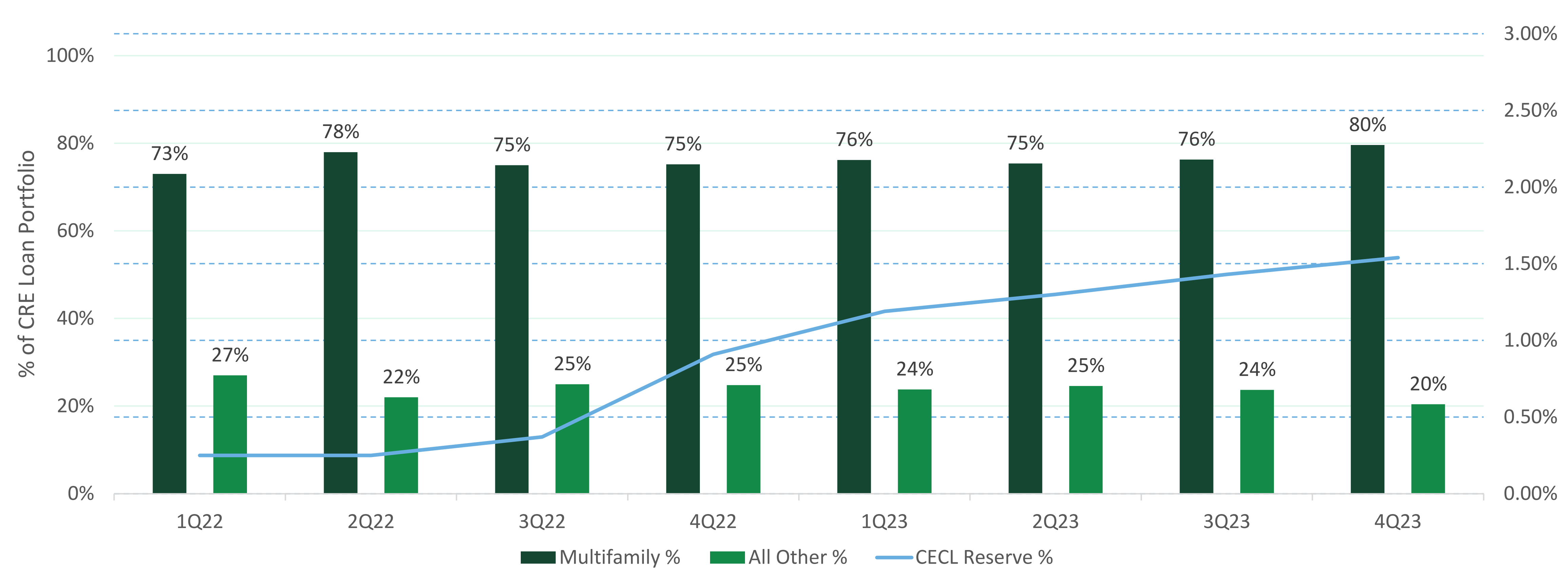
| (Unaudited, in thousands, except share and per share data) | For the Three Months Ended | | For the Year Ended | |
|---|---|---|---|---|
| | Dec. 31, 2023 | Dec. 31, 2022 | Dec. 31, 2023 | Dec. 31, 2022 |
| **Net Income (Loss) Allocable to Common Shares - GAAP** | $ 1,697 | $ (7,431) | $ 2,968 | $ (8,799) |
| Realized gain on sale of investment in real estate | — | — | (745) | (1,870) |
| **Net income (loss) allocable to common shares - GAAP, adjusted** | $ 1,697 | $ (7,431) | $ 2,223 | $ (10,669) |
| | | | | |
| **Reconciling Items from Continuing Operations:** | | | | |
| Non-cash equity compensation expense | 483 | 914 | 2,578 | 3,562 |
| Non-cash provision for CRE credit losses | 1,123 | 10,953 | 10,902 | 12,295 |
| Realized loss on sale of investment in real estate | — | — | 745 | (372) |
| Real estate depreciation and amortization | 1,180 | 811 | 4,013 | 5,113 |
| Non-cash amortization of discounts or premiums associated with borrowings | — | — | — | 1,271 |
| Net income (loss) from non-core assets | 132 | (27) | 104 | (787) |
| | | | | |
| **Reconciling Items from Legacy CRE Assets:** | | | | |
| Net interest income on legacy CRE assets | — | — | — | (29) |
| **Earnings Available for Distribution Allocable to common shares** [1] | $ 4,615 | $ 5,220 | $ 20,565 | $ 10,384 |
| **Earnings Available for Distribution per Common Share – Diluted** [1] | $ 0.55 | $ 0.60 | $ 2.40 | $ 1.17 |
| Weighted Average Number of Common Shares Outstanding - Diluted on EAD Allocable to Common Shares | 8,436,930 | 8,670,456 | 8,566,058 | 8,876,738 |

[1] See page 19 for additional information on these non- GAAP financial measures

# CECL TREND ANALYSIS CHART

ACR's CECL reserve as a percentage of the total CRE loan portfolio remained steady from 1Q22 until 3Q22[1]

Since 3Q22, volatility in the commercial real estate sector and limited market liquidity have caused an increase in the CECL reserves to 1.54% at 4Q23



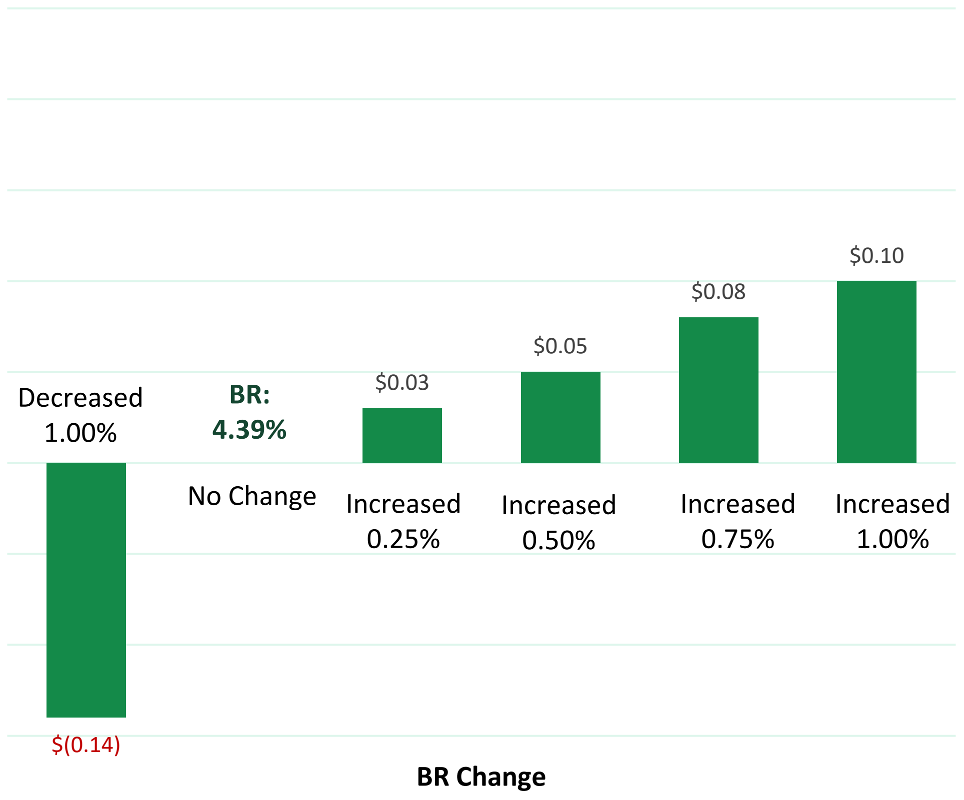

[1] Percentages based on total CRE loans at par, except for the multifamily percentage, which is based on total carrying value of the CRE loans

# BENCHMARK SENSITIVITY ANALYSIS TREND

The recent increases to benchmark rates on net interest income have returned our match-financed investment portfolio to having a direct correlation to the rise or fall in interest rates

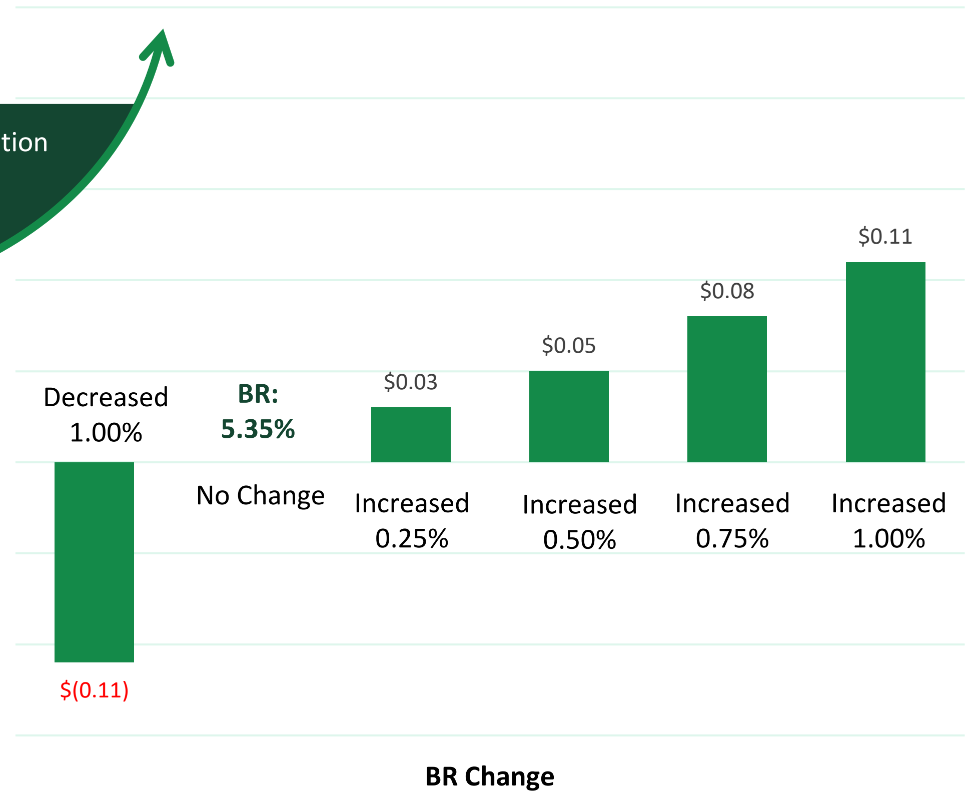
**Quarterly Net Interest Income per Share Sensitivity to Changes in BRs**

### December 31, 2022




Change to a positive correlation to net interest income assuming a 1.00% increase to BRs

### December 31, 2023



# KEY DEFINITIONS

## Earnings Available for Distribution:

Earnings Available for Distribution ("EAD") 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 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.

## Current Expected Credit Losses:

Current Expected Credit Losses ('CECL") refers to the provision to earnings in order to estimate expected losses.

# OTHER DISCLOSURES

## 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 re-underwritten 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 |

ACRES
COMMERCIAL REALTY

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

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516-862-2385


**New York Stock Exchange:**

Common Stock Symbol: ACR

Pref. Stock Symbols: ACRPrC & ACRPrD