



ACRES Commercial Realty Corp.

Fourth Quarter 2021 Earnings Presentation

March 3, 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 our 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 us or are within our control. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. You should not place undue reliance on these forward-looking statements, which reflect our view only as of the date of this presentation. We use 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 our forward-looking statements, including, but not limited to:

- changes in our industry, interest rates, the debt securities markets, real estate markets or the general economy;
- increased rates of default and/or decreased recovery rates on our investments;
- the performance and financial condition of our borrowers;
- the cost and availability of our financings, which depend in part on our asset quality, the nature of our relationships with our lenders and other capital providers, our 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 our business strategy;
- availability of investment opportunities in commercial real estate-related and commercial finance assets;
- the degree and nature of our competition;
- the resolution of our non-performing and sub-performing assets;
- The outbreak of widespread contagious disease, such as the novel coronavirus, COVID-19;
- our ability to comply with financial covenants in our debt instruments;
- the adequacy of our cash reserves and working capital;
- the timing of cash flows, if any, from our investments;
- unanticipated increases in financial and other costs, including a rise in interest rates;
- our ability to maintain compliance with over-collateralization and interest coverage tests in our CDOs and/or CLOs;
- our dependence on ACRES Capital, LLC, our “Manager”, and ability to find a suitable replacement in a timely manner, or at all, if our Manager or we were to terminate the management agreement;
- environmental and/or safety requirements;
- our ability to satisfy complex rules in order for us to qualify as a REIT, for federal income tax purposes and qualify for our exemption under the Investment Company Act of 1940, as amended, and our ability and the ability of our 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 our Annual Report on Form 10-K for the year ended December 31, 2020 and those factors that may be contained in any subsequent filing we make with the Securities and Exchange Commission.

Disclaimer (continued)



Forward-Looking Statements (continued)

We undertake no obligation, and specifically disclaim 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. 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.

Past Performance Waiver

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 ACRES Commercial Realty Corp.’s (“ACR’s” or the “Company’s”) financial performance. Please refer to page 25 for the reconciliation of Net (Loss) Income, a GAAP financial measure, to Core Earnings, a Non-GAAP financial measure.

Unless otherwise indicated, information included in this presentation is as of or for the period ended December 31, 2021.

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.

Fourth Quarter 2021 Highlights¹



- Over **\$1.5 billion** of CRE² loan originations in 2021, a record year in the Company's history
- The close of two managed CLOs² in 2021 provided over **\$1.5 billion** of financing capacity that can be reinvested into the vehicles for two years each from the respective dates of close

Growth in CRE Loan Originations

\$447M

of CRE loan originations were closed

GAAP Net Income²

\$0.76

per share-diluted

Robust Liquidity at February 28, 2022

\$178M

of net liquidity, including unrestricted cash, CRE term facility and senior secured financing facility² unfinanced proceeds and 12.00% Senior Unsecured Notes² availability

New Managed CLO² Closed in December

\$700M

of CRE loan financing capacity was funded with non-recourse floating-rate notes issued through the close of a managed CLO, which has a 180-day ramp-up acquisition period and 24-month reinvestment period

Invested in New Investments in Real Estate

\$29M

of direct investments in commercial real estate, equity completed⁶

Company Repurchased Common Stock

\$3.7M

or 274,529 shares, of common stock was repurchased by ACR, which resulted in \$0.27 per share⁷ of accretion to book value⁷, in the fourth quarter. \$16.3M remains available at December 31, 2021 for repurchase



Results for Quarter and Year Ended December 31, 2021

Three Months and Year Ended Dec. 31, 2021 Results and Recent Developments



Financial Results

- GAAP net income³: **\$0.76** and **\$1.85**, respectively
- GAAP net income includes a **\$0.61** and **\$2.18** reversal of CECL⁵ reserves³, respectively, primarily from:
 - Improved macroeconomic conditions
 - Improved collateral operating performance
 - Improved reserves on individually-evaluated loans
 - Offset by net CRE loan originations during the periods
- Core Earnings^{5,8}: **\$0.22** and **\$(0.05)**, respectively

Book Value⁷

- GAAP book value⁹: **\$23.87**, up 5% from \$22.68 in the third quarter of 2021 and **up 16%** from \$20.57 in the fourth quarter of 2020

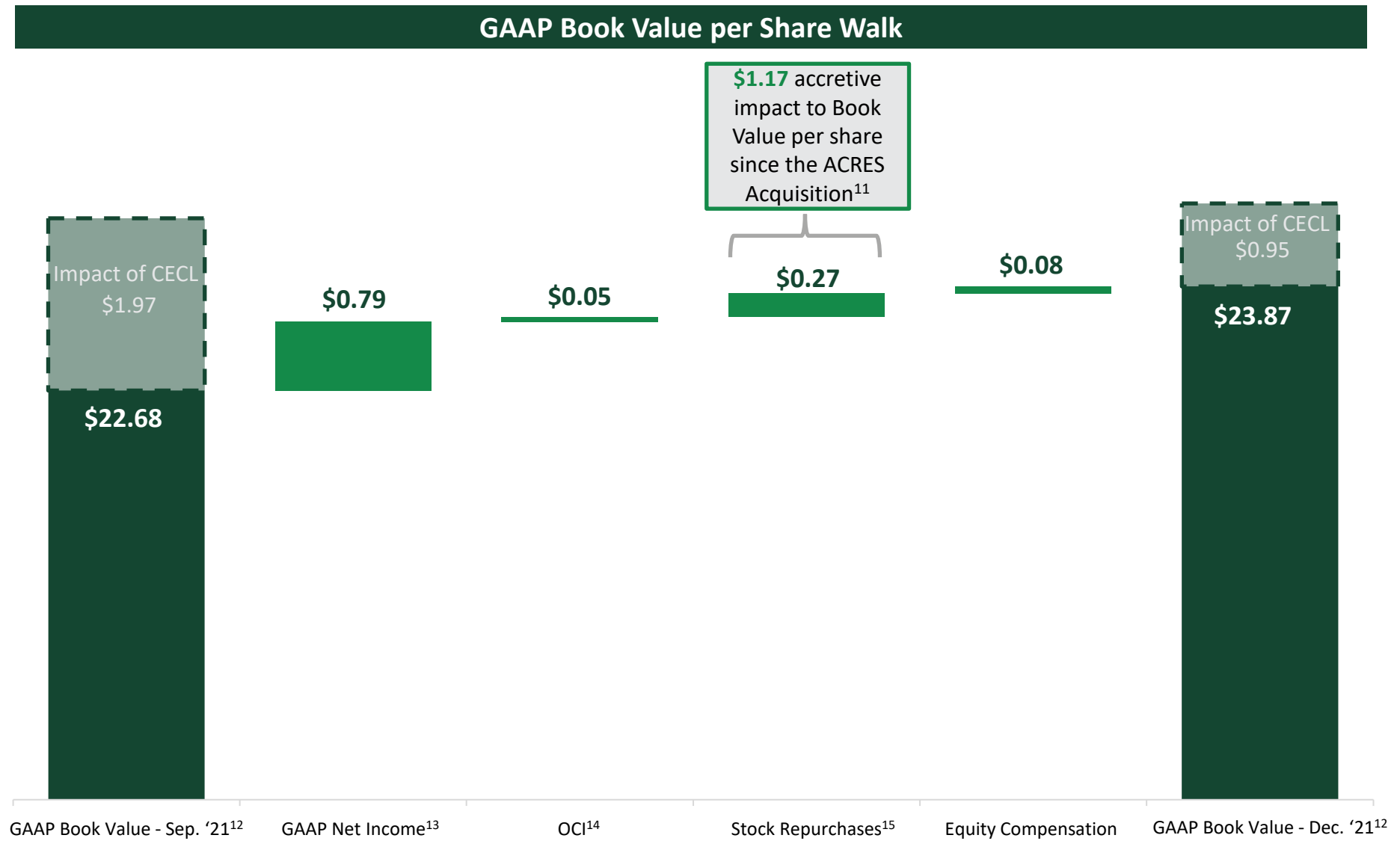
CRE Loan Activity & CRE Portfolio

- **\$447.2M** and **\$1.5B**, respectively, of CRE loan originations³
- **\$1.9B** CRE loan portfolio⁹ with a weighted average LTV⁵ of **72%**
- **\$83.3M** of investments in real estate⁹, comprising properties acquired through direct investments in equity and properties acquired from lending activities

Capitalization & Liquidity

- Closed a **\$700.0M** managed CLO in December 2021; issued **\$567.0M** of non-recourse floating-rate notes at a weighted average cost of 1M LIBOR⁵ plus **1.80%**
- Non-recourse, non-mark-to-market CLO financings comprised **96%** of asset-specific borrowings⁹
- Net liquidity of **\$177.5M**¹⁰
- Repurchased **\$39.8M** of 4.50% Convertible Senior Notes⁵ in February 2022
- Redeemed **\$69.0M** of floating-rate notes of the 2020-RSO9 CLO in February 2022

Fourth Quarter 2021 Book Value





CRE Loan Activity and CRE Portfolio

Deployment Progress



CRE Loan Production, at Par					
\$ in Millions	4 th Quarter 2021	3 rd Quarter 2021	2 nd Quarter 2021	1 st Quarter 2021	Year Ended Dec. 31, 2021
New CRE floating-rate loan commitments	\$447.2	\$468.2	\$470.2	\$144.3	\$1,529.9
Sales, payoffs and paydowns	(363.2)	(120.3)	(353.1)	(197.2)	(1,033.8)
Future fundings	9.7	7.0	6.5	6.6	29.8
New unfunded loan commitments	(35.2)	(69.9)	(39.0)	(18.6)	(162.7)
Net CRE loans funded (repaid)	\$58.5	\$285.0	\$84.6	\$(64.9)	\$363.2
New CRE loans:					
Weighted average LTV ¹⁶	72%	73%	70%	67%	71%
Weighted average coupon	1M BR ¹⁷ + 3.53%	1M L ¹⁷ + 3.46%	1M L ¹⁷ + 3.81%	1M L ¹⁷ + 4.38%	1M BR ¹⁷ + 3.68%
Weighted average BR ¹⁷ floor ¹⁸	0.10%	0.18%	0.22%	0.44%	0.19%

Production, Payoff and Paydown Detail



<small>\$ in Millions</small> New Loan Production in the 4th Qtr. 2021	W. Avg. Coupon Rate	Commitments
Multifamily (12 Loans)	1M BR (0.10% floor) + 3.39%	\$375.1
Office (1 Loan)	1M BR (0.10% floor) + 3.50%	31.7
Self-Storage (1 Loan)	1M BR (0.10% floor) + 3.85%	21.4
Hotel (1 Loan)	1M BR (0.10% floor) + 5.85%	19.0
W. Avg./Total (15 loans)	1M BR (0.10% floor) + 3.53%	\$447.2

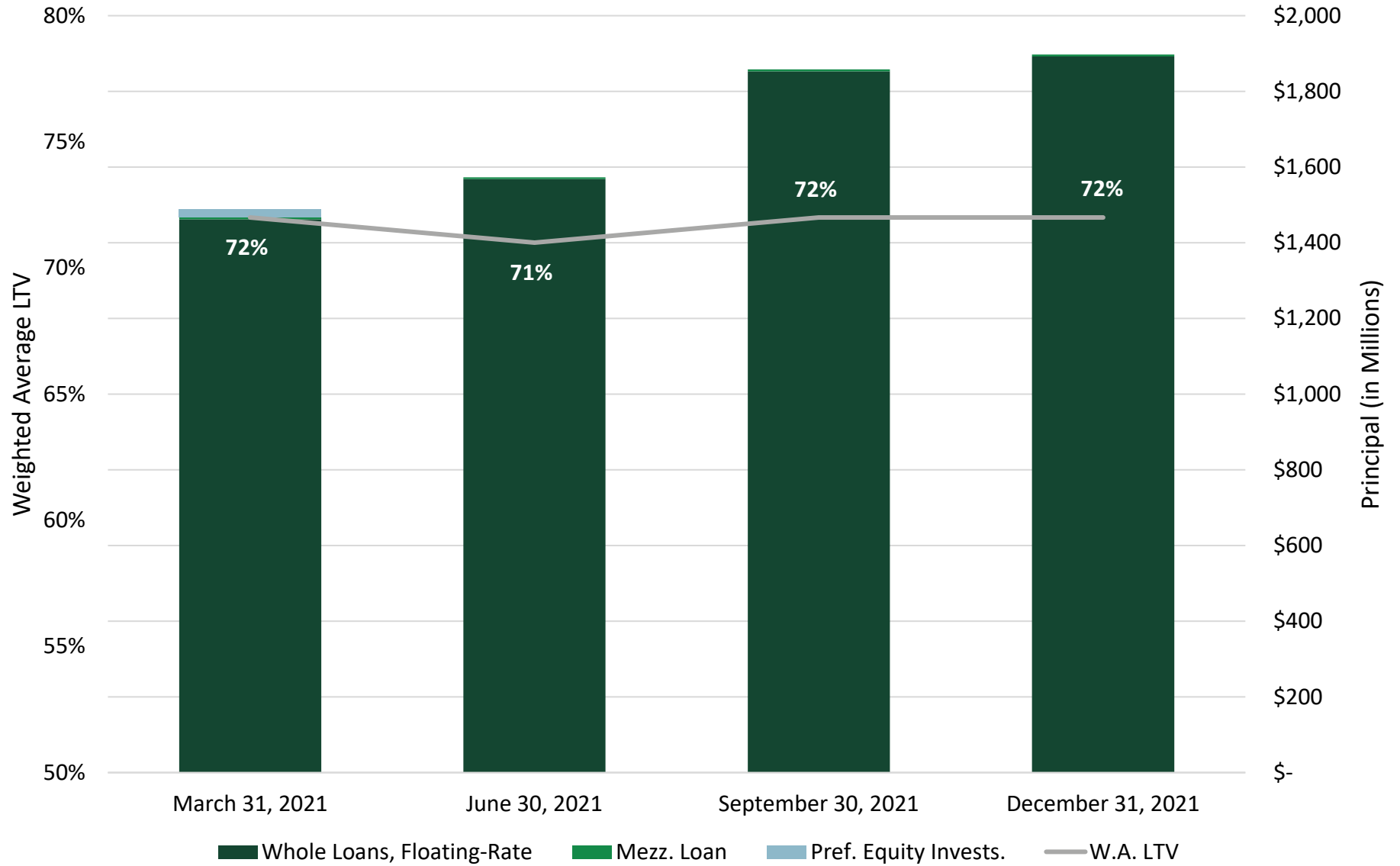
<small>\$ in Millions</small> Loan Sales, Payoffs & Paydowns in the 4th Qtr. 2021 ¹⁹	W. Avg. Months on Balance Sheet	W. Avg. Flt. Coupon Rate	Sales, Payoffs & Paydowns
Multifamily (11 Loans)	22.5	1M L (1.04% floor) + 3.47%	\$259.6
Self-Storage (3 Loans)	33.9	1M L (2.25% floor) + 3.50%	75.5
Hotel (2 Loans)	20.6	1M L (1.18% floor) + 7.36%	28.1
W. Avg/Total (16 loans)	24.7 mths.	1M L²⁰ (1.30% floor) + 3.77%	\$363.2

CRE Loan Portfolio Overview



\$ in Millions	Dec. 31, 2021 (94 loans)	Sep. 30, 2021 (96 loans)	Jun. 30, 2021 (88 loans)	Mar. 31, 2021 (92 loans)
CRE whole loans, floating-rate ^{21,22}	\$1,878	\$1,841	\$1,559	\$1,456
CRE mezzanine loan	5	5	5	5
CRE preferred equity investments ²³	-	-	-	22
Total loans held for investment amortized cost	\$1,883	\$1,846	\$1,564	\$1,483
Allowance for credit losses	(9)	(19)	(18)	(29)
Total loans held for investment carrying value	\$1,874	\$1,827	\$1,546	\$1,454
Weighted Averages				
CRE whole loans, floating-rate ^{21,22}	1M BR + 3.67%	1M L + 3.71%	1M L + 3.78%	1M L + 3.67%
1M BR Floor ^{21,22}	0.75%	1.03%	1.31%	1.72%
CRE mezzanine loan & preferred equity investments coupon rate	10.00% ²³	10.00% ²³	10.00% ²³	11.43% ²³
Total CRE loan portfolio LTV²⁴	72%	72%	71%	72%

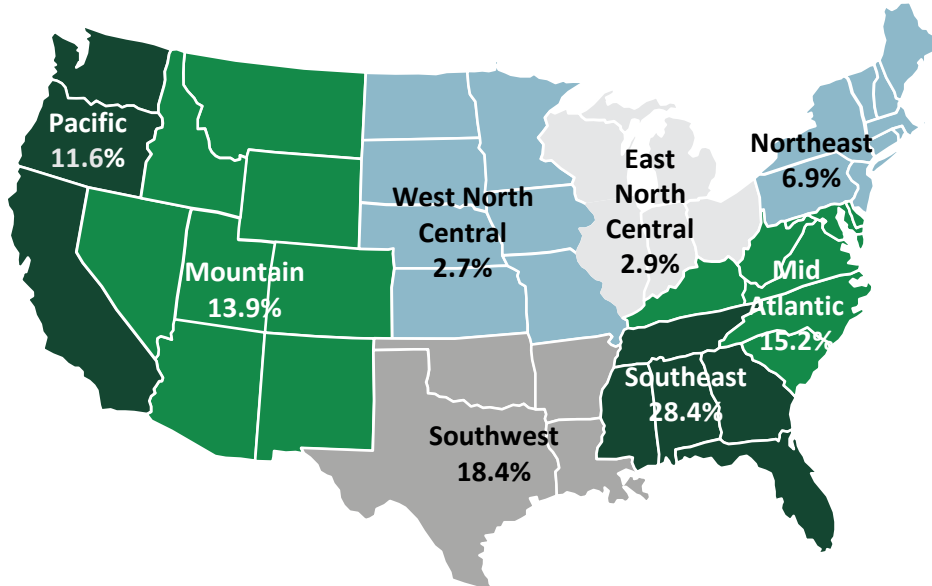
CRE Loan Portfolio LTV²⁴



CRE Loan Portfolio Diversification



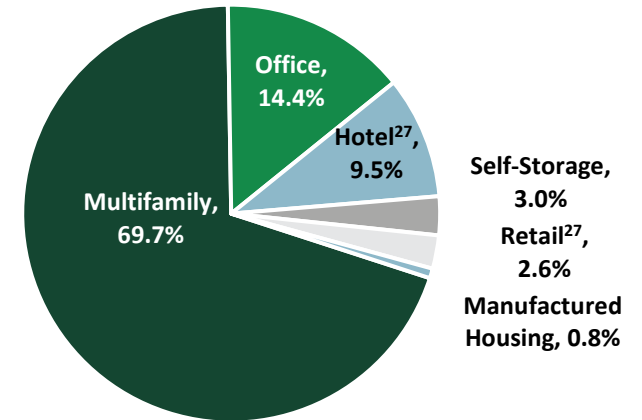
Balance by Region^{25,26}



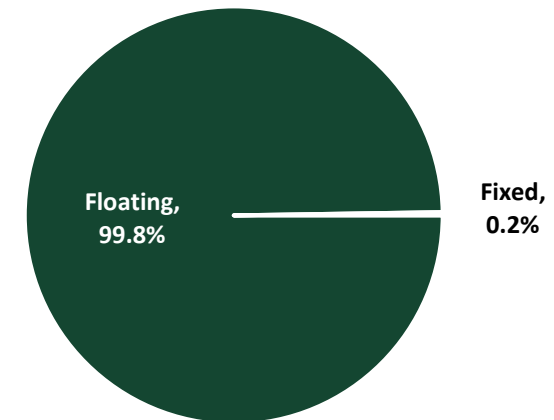
Top State Concentration Metrics:

- Florida: 22.7%
- Texas: 18.4%
- Arizona: 10.8%
- South Carolina: 6.7%
- North Carolina: 5.9%

Property Type²⁶



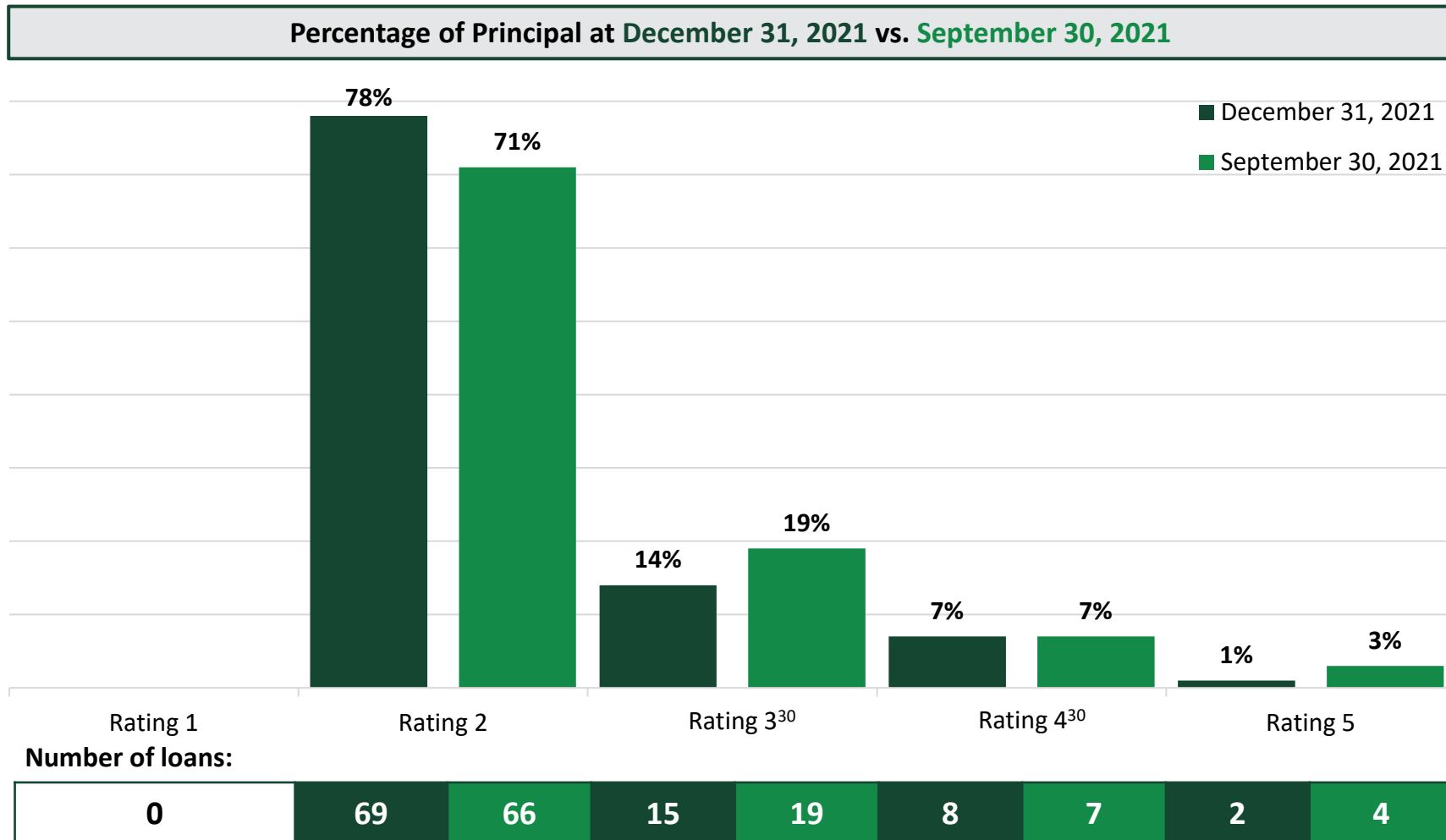
Interest Rate Type²⁶



CRE Loan Portfolio Risk Ratings²⁸



- **92%** of ACR's loans have a risk rating of 2 or 3 that are performing in line or near underwritten expectations
- **All but three²⁹** of ACR's 94 loans are current on contractual payments through December 2021²⁷

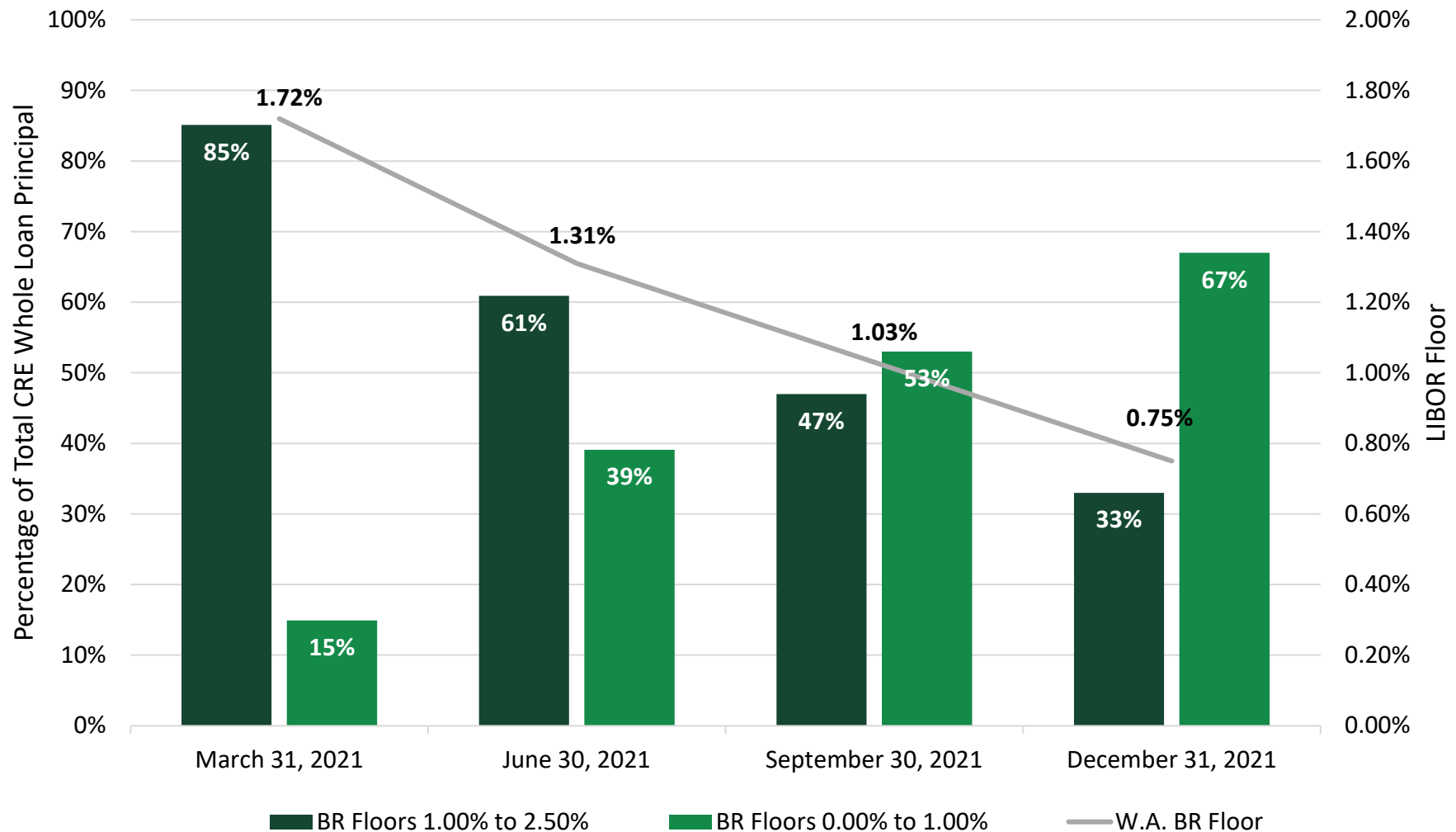


BR Floor Trend



- **All but one** of ACR's floating-rate CRE whole loans had benchmark rate floors, which provide asset yield protection to the changes in the benchmark rates

BR Floor Trend by Weighted Average Floor Pool

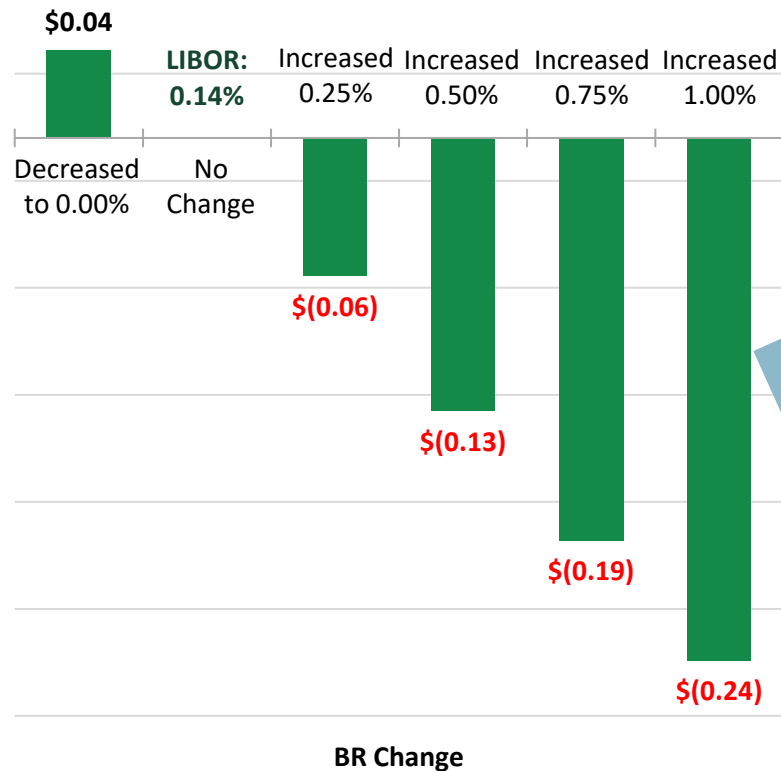


BR Sensitivity Analysis Trend

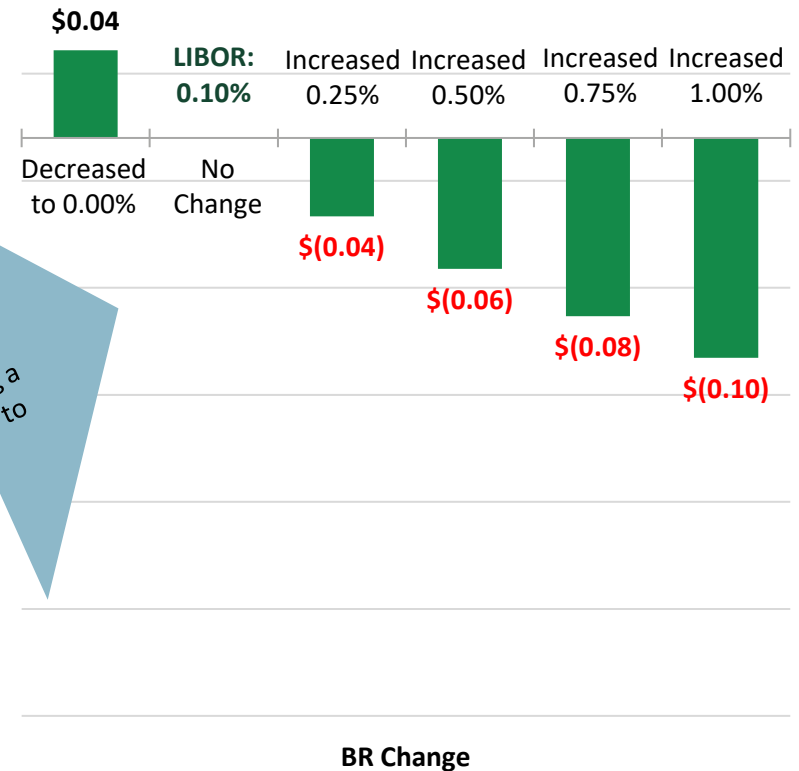


- The potential impact of increases to benchmark rates on net interest income has compressed as the weighted average benchmark rate floors have declined

Quarterly Net Interest Income per Share Sensitivity to Changes in BRs at Dec. 31, 2020



Quarterly Net Interest Income per Share Sensitivity to Changes in BRs at Dec. 31, 2021




58% reduction of negative volatility on net interest income assuming a 1.00% increase to BRs

Investments in Real Estate Properties



- **\$83.3 million** of investments in real estate are being managed to generate a positive return for ACR's shareholders

	KOP Office Development ^{31,32}	KOP Land Development ^{31,32}	Center City Hotel ^{33,34}	Downtown Office ^{33,34}
Investment amount ^{9,35}	\$13.5M	\$14.2M	\$37.8M	\$17.8M
Investment type	Equity via Direct Investment	Equity via Direct Investment	100% Equity via Lending Activities	100% Equity via Lending Activities
Initial transaction date	October 2021	November 2021	November 2020	October 2021
Property size and type	99K SF Class A office / life science / lab space	12-acre parcel of land intended for multifamily development	279-unit hotel property	226K SF Class B office building
Location ³⁶	Northeast	Northeast	Northeast	East North Central
Strategy	Lease up and sale of a life science/lab building	Development and sale of a multifamily complex	Stabilize and sell hotel building	Sale process underway
Property photo/rendering				



Capitalization and Liquidity

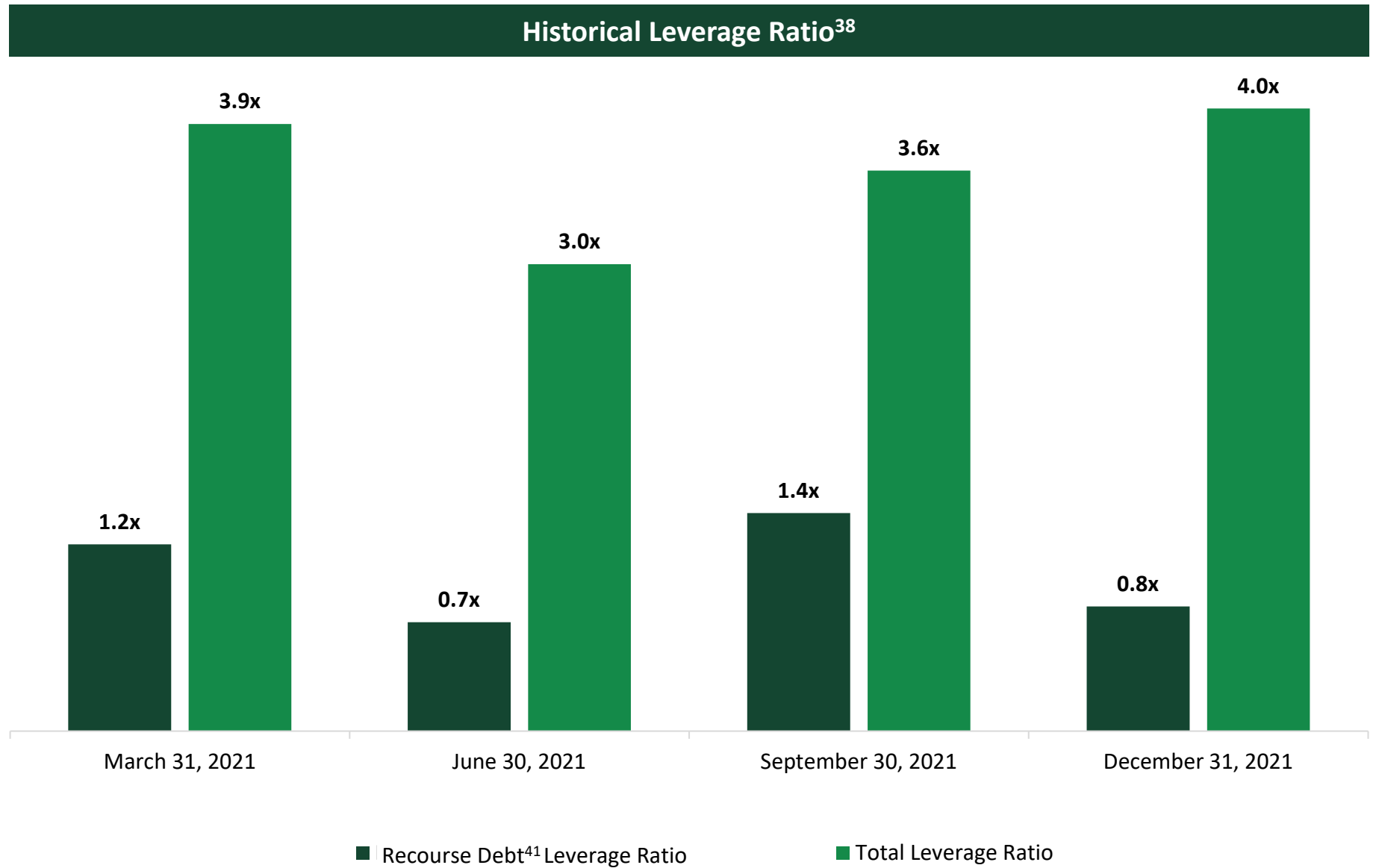
Summary Capitalization



- **\$1.0 billion** of availability³⁷ on the term warehouse and senior secured financing facilities and 12.00% Senior Unsecured Notes

\$ in Millions	Capitalization ⁹				
	Maximum Capacity	Amount	Availability ³⁷	Wghtd. Avg. Coupon	Leverage Ratio ³⁸
Term warehouse financing facilities ³⁹	\$750.0	\$66.8	\$679.0	2.27%	0.2x
Senior secured financing facility ^{39,40,41,42}	250.0	(3.4)	250.0	5.75%	0.0x
Senior unsecured notes ^{43,44}	225.0	146.6	75.0	5.75% - 12.00%	0.3x
Convertible senior notes ⁴⁵	86.4	86.4	-	4.50%	0.2x
Trust preferred securities	51.5	51.5	-	3M L ⁴⁷ + 3.95%	0.1x
Total recourse debt⁴¹	\$1,362.9	\$347.9	\$1,004.0		0.8x
Securitizations ^{39,41,46} (non-MTM)	1,466.5	1,466.5	-	BR ⁴⁸ + 1.82%	3.2x
Total leverage	\$2,829.4	\$1,814.4	\$1,004.0		4.0x
Preferred equity ⁴⁵		226.6		8.26%	
Common equity		221.6			
Total capitalization		\$2,262.6		3.11% WACC⁴⁹	

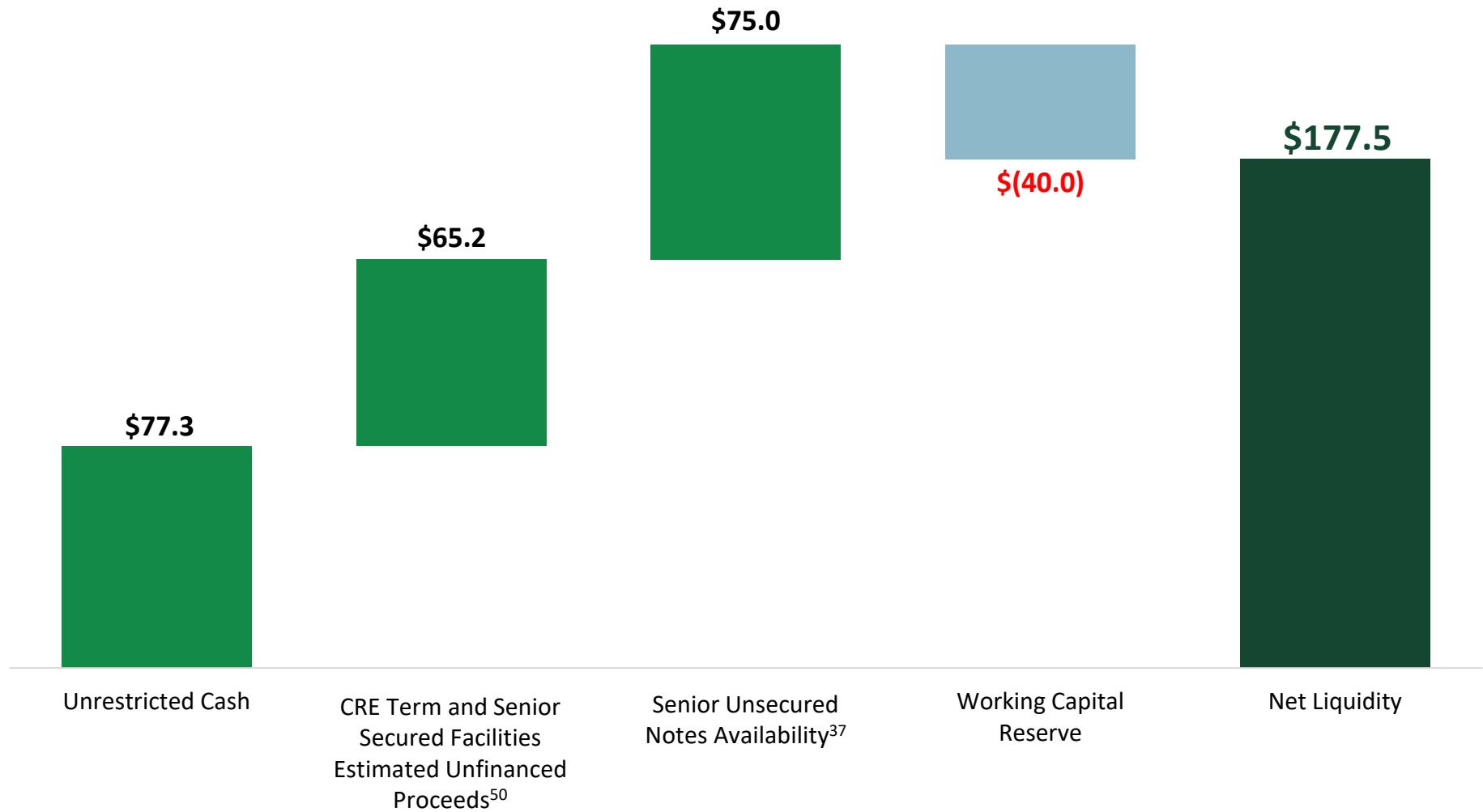
Historical Leverage Ratios



Liquidity at February 28, 2022



(\$ in Millions)





Appendix

Consolidated Balance Sheets



(In Thousands, except share and per share data)

	Dec. 31, 2021	Dec. 31, 2020
	(Unaudited)	
Assets		
Cash and cash equivalents	\$35,500	\$29,355
Restricted cash	248,431	38,386
Accrued interest receivable	6,112	7,372
CRE loans	1,882,551	1,541,992
Less: allowance for credit losses	(8,805)	(34,310)
CRE loans, net	1,873,746	1,507,682
Investment securities available-for-sale	-	2,080
Principal paydowns receivable	14,899	4,250
Loan receivable - related party	11,575	11,875
Investments in unconsolidated entities	1,548	1,548
Property held for sale	17,846	-
Investment in real estate	59,308	33,806
Right of use assets	5,951	5,592
Intangible assets	3,877	3,294
Other assets	5,482	8,783
Assets held for sale	-	61
Total Assets	\$2,284,275	\$1,654,084
Liabilities		
Accounts payable and other liabilities	\$7,025	\$2,068
Management fee payable - related party	561	442
Accrued interest payable	5,937	6,036
Borrowings	1,814,424	1,304,727
Lease liabilities	3,537	3,107
Distributions payable	3,262	1,725
Accrued tax liability	1	57
Liabilities held for sale	1,333	1,540
Total Liabilities	1,836,080	1,319,702
Stockholders' Equity		
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 0 shares issued and outstanding	5	-
Common stock, par value \$0.001: 41,666,666 and 125,000,000 shares authorized; 9,149,079 and 10,162,289 shares issued and outstanding (including 333,329 and 11,610 unvested restricted shares)	9	10
Additional paid-in capital	1,179,863	1,085,941
Accumulated other comprehensive loss	(8,127)	(9,978)
Distributions in excess of earnings	(723,560)	(741,596)
Total Stockholders' Equity	448,195	334,382
Total Liabilities and Stockholders' Equity	\$2,284,275	\$1,654,084

Consolidated Statements of Operations



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

	For the Three Months Ended		For the Year Ended	
	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
Revenues				
Interest income	\$26,504	\$23,072	\$101,032	\$108,243
Interest expense	14,615	14,034	61,575	58,008
Net interest income	11,889	9,038	39,457	50,235
Real estate income	3,540	-	10,553	-
Other revenue	16	14	65	76
Total revenues	15,445	9,052	50,075	50,311
Operating Expenses				
Management fees - related party	1,684	1,326	6,089	6,054
Equity compensation - related party	761	18	1,722	3,136
Real estate operating expenses	3,888	298	10,601	298
General and administrative	3,069	2,783	11,602	14,335
Depreciation and amortization	19	15	94	49
(Reversal of) provision for credit losses, net	(5,815)	(18,634)	(21,262)	30,815
Total operating expenses	3,606	(14,194)	8,846	54,687
Other Income (Expense)				
Net realized and unrealized (loss) gain on investment securities, loans and derivatives	-	(367)	878	(186,610)
Fair value adjustments on financial assets held for sale	-	(679)	-	(8,768)
Gain on conversion	-	1,570	-	1,570
Loss on extinguishment of debt	-	-	(9,006)	-
Other income	317	279	822	471
Total other income (expense)	317	803	(7,306)	(193,337)
Income (Loss) before Taxes	12,156	24,049	33,923	(197,713)
Income tax benefit	-	-	-	-
Net Income (Loss)	12,156	24,049	33,923	(197,713)
Net income allocated to preferred shares	(4,854)	(2,587)	(15,887)	(10,350)
Net Income (Loss) Allocable to Common Shares	\$7,302	\$21,462	\$18,036	\$(208,063)
Net Income (Loss) Per Common Share - Basic	\$0.77	\$1.96	\$1.85	\$(19.33)
Net Income (Loss) Per Common Share - Diluted	\$0.76	\$1.95	\$1.85	\$(19.33)
Weighted Average Number of Common Shares Outstanding - Basic	9,493,329	10,973,282	9,736,268	10,763,261
Weighted Average Number of Common Shares Outstanding - Diluted	9,545,729	10,979,286	9,763,217	10,763,261

Core Earnings⁵¹



- The following table provides a reconciliation from GAAP net income (loss) allocable to common shares to 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 Year Ended	
	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
Net Income (Loss) Allocable to Common Shares - GAAP	\$7,302	\$21,462	\$18,036	\$(208,063)
Reconciling Items From Continuing Operations:				
Non-cash equity compensation expense	761	18	1,722	3,136
Non-cash (reversal of) provision for CRE credit losses	(5,815)	(18,634)	(21,262)	29,793
Realized loss on core activities ^{52,53}	(1,742)	-	(6,988)	-
Unrealized (gain) loss on core activities ^{52,54}	-	(1,264)	(878)	4,552
Real estate depreciation and amortization	1,396	169	2,860	169
Non-cash amortization of discounts or premiums associated with borrowings	498	869	6,937	3,039
Net income from non-core assets	(155)	(56)	(247)	(6)
Reconciling Items From Legacy CRE Assets:				
Net interest income on legacy CRE assets	(159)	(200)	(637)	(675)
Fair value and other adjustments on legacy CRE assets	-	679	-	8,768
Core Earnings Allocable to Common Shares	\$2,086	\$3,043	\$(457)	\$(159,287)
Core Earnings per Common Share - Diluted	\$0.22	\$0.28	\$(0.05)	\$(14.80)
Weighted Average Number of Common Shares Outstanding - Diluted on Core Earnings Allocable to Common Shares	9,545,729	10,979,286	9,736,268	10,763,261

52. In March 2021, the CMBS portfolio was sold for \$3.0 million, representing a total realized loss of \$5.2 million that was included in Core Earnings during the year ended December 31, 2021. Unrealized loss on core activities includes the unrealized gains and losses on the CMBS portfolio, which were excluded from Core Earnings.

53. In November 2021, one CRE whole loan was sold for proceeds, net of costs, of \$7.6 million, representing a total realized loss of \$1.7 million that was included in Core Earnings during the year ended December 31, 2021.

54. In November 2020, we received property through the receipt of the deed-in-lieu of foreclosure on one CRE whole loan. At the time of receipt, the property had an appraised value of \$39.8 million, which was above our loan basis, resulting in a gain on conversion of \$1.6 million.

Illustrative Earnings Potential⁵⁵



- ACR targets GAAP EPS⁵⁶ loss of \$(0.30) - \$(0.45) in FY 2022 driven in part by projected depreciation and amortization on investments in real estate⁵⁷
- ACR intends to fully invest available capital, optimize capital structure and manage expenses to deliver Core Earnings in the future

Projected Maximum CRE Loan Portfolio Size ⁹ & GAAP EPS & Core Earnings per Share	(In millions, except per share data)	
Projected maximum CRE loan portfolio size	\$2,100.0	\$2,500.0
Target range of asset-specific leverage ⁵⁸	3.5x	4.3x
Illustrative return on net deployable capital ⁵⁹	10.5%	12.5%
CRE net interest income	\$58.9	\$69.8
Less: general & administrative ⁶⁰	(10.3)	(10.3)
Less: base management fee ⁶⁰	(6.7)	(6.7)
Less: corporate interest expense	(13.7)	(13.7)
Less: net REO and other GAAP activities ⁶¹	(6.4)	(7.8)
Less: preferred dividends	(19.4)	(19.4)
Illustrative GAAP earnings	\$2.4	\$11.9
Add: other GAAP activities ⁶¹	10.2	11.6
Illustrative Core Earnings	\$12.6	\$23.5
<i>Fully diluted share count⁹</i>	9.5	9.5
GAAP EPS	\$0.25	\$1.25
Core EPS⁵¹	\$1.33	\$2.47

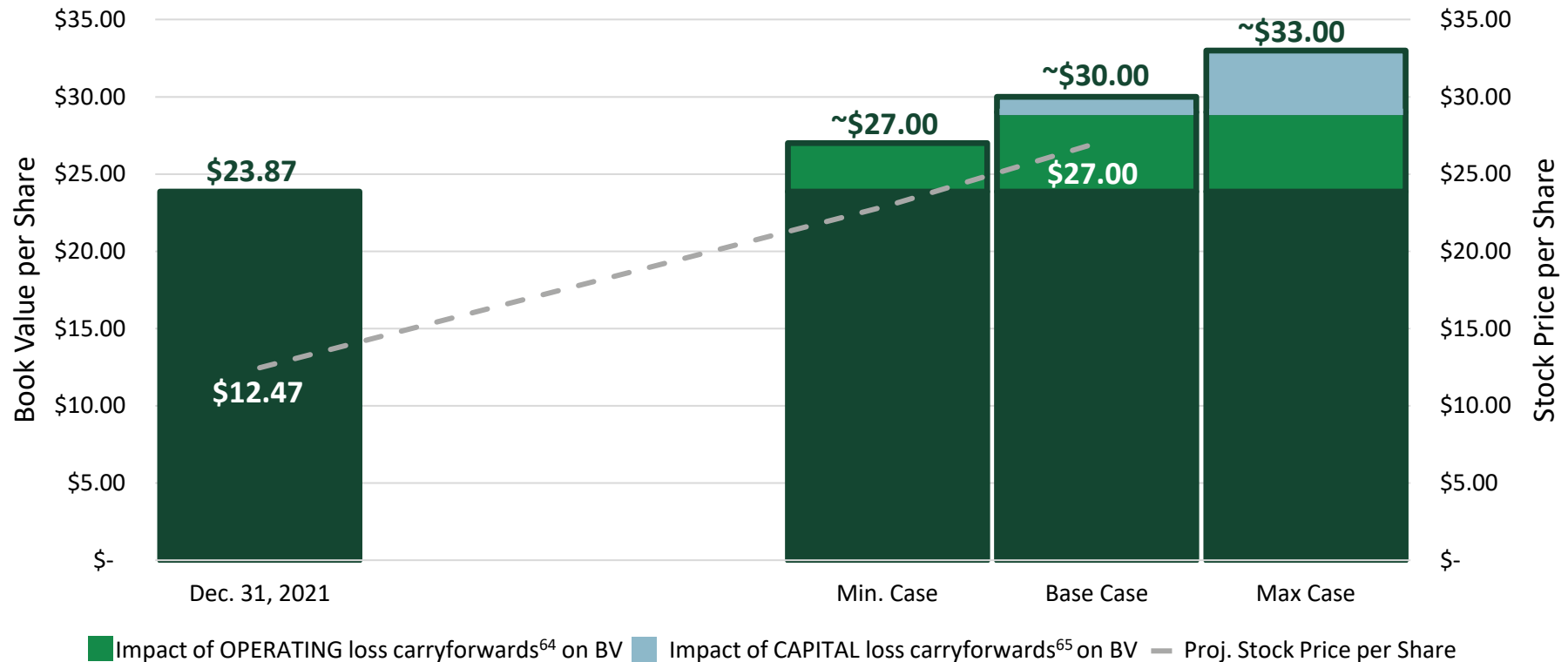
55. ACR has presented this slide for illustrative purposes only. The illustrative earnings potential is based on current market conditions and assumptions with respect to general business, economic, regulatory, and financial conditions and other future events, as well as matters specific to ACR's business, 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.

Projected Book Value & Common Stock Growth⁶²



- ACR's strategy is to drive book value ("BV") growth over the coming years
- Projected **OPERATING** loss carryforwards⁶³ of approx. **\$63M**, expected to be fully utilized
- Projected **CAPITAL** loss carryforwards⁶⁴ of approx. **\$137M**, expected to be partially utilized
- Projected operating loss carryforwards at TRSs⁶⁵ of approx. **\$60M**, expected to be partially utilized
- **117%** common stock appreciation to Base Case⁶⁶

Projected BV Growth Under Multiple Scenarios⁶⁷



62. 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.

Summary of Tax Loss Carryforwards



➤ The following table summarizes the expected tax assets and the conditions of the useful lives:

\$ in Millions Tax Asset Item	Tax Year Recognized	REIT (QRS) Ordinary Losses	REIT (QRS) Capital Losses	TRS Ordinary Losses	TRS Capital Losses
NOL⁶⁴ Carryforwards⁶⁸:					
Historical ⁶⁹	Prior Years			\$58.7	
Per tax return	2020 Return	\$47.7		\$1.5	
Estimated - realized in 2021 ⁷⁰	2021	\$5.3			
Expected in 2022 ⁷¹	2022	\$9.5			
Net Capital Loss Carryforwards⁷²:					
Historical	Prior Years		\$10.6		\$1.0
Per tax return	2020 Return		\$126.3		
Total tax asset estimates		\$62.5	\$136.9	\$60.2	\$1.0
Tax asset useful life		Unlimited	5 Years⁷²	Various⁶⁹	5 Years⁷²

- ACR plans to acquire equity investments in commercial real estate properties to utilize the capital loss carryforwards in its qualified REIT subsidiaries
- These investments offer the opportunity for enhanced returns that may be reinvested into the loan origination pipeline if or when realized



1. “Fourth quarter 2021 highlights” includes activity that occurred during the first quarter of 2022 or balances at February 28, 2022, where specifically referenced.
2. “CRE” refers to commercial real estate. “CLO” refers to collateralized loan obligation. “GAAP net income” refers to GAAP net income allocable to common shares - diluted. The “senior secured financing facility” refers to the senior secured financing facility with MassMutual with total commitments of \$250.0 million. The “12.00% Senior Unsecured Notes” refer to the 12.00% senior unsecured notes issuable until July 31, 2022.
3. During the three months and year ended December 31, 2021.
4. During the year ended December 31, 2021.
5. “CECL” refers to current expected credit losses, the determinant of the estimate of the CRE loan allowance. “Core Earnings” refers to Core Earnings allocable to common shares - diluted, a non-GAAP measure. “LTV” refers to loan-to-collateral value. “LIBOR” refers to the London Interbank Offered Rate. “4.50% Convertible Senior Notes” refer to the 4.50% convertible senior notes due 2022.
6. Excludes the investment in a property through the receipt of the deed-in-lieu of foreclosure, with an appraised value of \$17.6 million at acquisition in October 2021.
7. 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.
8. Refer to page 25 for the reconciliation of Net (Loss) Income, a GAAP financial measure, to Core Earnings, a Non-GAAP financial measure.
9. At December 31, 2021.
10. At February 28, 2022.
11. At July 31, 2020.
12. Per share calculations exclude unvested restricted stock, as disclosed on the consolidated balance sheets, of 333,329 shares at December 31, 2021 and September 30, 2021 and include warrants to purchase up to 466,661 shares of common stock at December 31, 2021 and September 30, 2021, see footnote 44 below. The denominators for the calculations are 9,282,411 and 9,556,940 at December 31, 2021 and September 30, 2021, respectively.
13. The per share amount is calculated with the denominator referenced in footnote 12 at December 31, 2021. Net income per common share - diluted of \$0.76 is calculated using the weighted average diluted shares outstanding during the three months ended December 31, 2021.
14. “OCI” refers to the change in accumulated other comprehensive income (loss) attributable to terminated derivatives.
15. ACR’s board of directors (“Board”) authorized and approved the continued use of the share repurchase program to repurchase up to \$20.0 million of the currently outstanding common stock initially in November 2020. The initial plan was completed in July 2021. In November 2021, ACR’s Board reauthorized and approved the plan to repurchase an additional \$20.0 million of the outstanding common stock. As of December 31, 2021, \$3.7 million, or 274,529 shares, were repurchased under the reauthorized plan.
16. LTV is based on the initial funding divided by the as-is appraised property value for new CRE loans, the average of which is weighted based on the initial CRE loan commitments of originated CRE loans.
17. “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. “1M L” refers to the one-month London Interbank Offered Rate.
18. Excludes one CRE floating-rate whole loan without a 1M LIBOR floor that was originated in April 2021 with a principal balance of \$43.4 million.
19. Excludes partial paydowns of \$49,000 on one CRE loan during the fourth quarter.
20. The total weighted average 1M L floor on the floating-rate loan payoffs was 1.30%.
21. Includes one legacy CRE loan reported at its amortized cost of \$11.5 million at each period end classified as a CRE loan on the consolidated balance sheets that entered technical default in June 2020. At December 31, 2021, its forbearance period ended and the loan entered delinquency. The loan paid off in January 2022.
22. Includes one loan with an amortized cost of \$20.8 million that earned a fixed rate of interest of 5.75% from June 2021 through November 2021 in connection with a modification. The loan’s interest rate was excluded from the calculations of the weighted average CRE whole loan, floating rate and 1M BR floor at September 30, 2021 and June 30, 2021. The loan paid off in November 2021.
23. ACR received payoffs of \$6.7 million and \$22.1 million on its preferred equity investments in March 2021 and April 2021, respectively.
24. LTV is based on the outstanding principal divided by the as-is appraised property value available as of each respective period end.
25. Regions refer to the regions identified by the National Council of Real Estate Investment Fiduciaries.
26. At December 31, 2021; percentages are calculated based on \$1.9 billion carrying value.

Footnotes (Continued)



27. In January 2022, two whole loans paid off, including a hotel loan with a carrying value of \$8.4 million performing in accordance with a forbearance agreement at December 31, 2021 and a retail loan, which was delinquent, with a carrying value of \$9.2 million at December 31, 2021.
28. See page 32 for additional information.
29. Excludes one whole loan with a principal balance of \$8.4 million at December 31, 2021 that was in maturity default but performing in accordance with a forbearance agreement. The loan paid off in January 2022, see footnote 27.
30. Includes one mezzanine loan, 0.2% and 0.3% of total principal, risk rated a 4 at December 31, 2021 and a 3 at September 30, 2021, respectively.
31. Gains or losses on sales of investments in real estate, equity, are capital in nature for tax purposes. Net taxable income from operations from investments in real estate, equity, are ordinary in nature.
32. Acquired through direct investments in equity.
33. Net taxable income from operations and gains or losses on sales of investments in real estate from lending activities are ordinary in nature for tax purposes.
34. Acquired through the receipt of the deed from lending activities.
35. Investment amount is equal to the depreciated/amortized cost basis of the real estate-related assets and liabilities for properties that are held for investment or the lower of cost or fair value for properties that are held for sale.
36. Represents the NCREIF region.
37. Availability is calculated as the difference between the maximum capacity on the applicable borrowing and the principal outstanding.
38. The leverage ratio is calculated as the respective period ended borrowings over total equity.
39. Represents asset-specific borrowings.
40. The facility has an initial two-year revolving period followed by a five-year term that matures on July 31, 2027 and charges interest at 5.75%.
41. Borrowings included as recourse debt are guaranteed by ACR while CRE securitizations have no recourse against the Company. Additionally, the senior secured financing facility is guaranteed by Exantas Real Estate Funding 2020-RS08 Investor, LLC and Exantas Real Estate Funding 2020-RS09 Investor, LLC.
42. Amount includes \$3.4 million of deferred debt costs that is amortized until the facility's maturity.
43. In January 2022, \$75.0 million availability on the 12.00% Senior Unsecured Notes was extended to July 2022.
44. ACR issued warrants to purchase 466,661 shares of its common stock at an exercise price of \$0.03 per share in connection with the issuance of the \$50.0 million of 12.00% Senior Unsecured Notes to MassMutual and Oaktree, in the aggregate. The issuance of the remaining \$75.0 million of unsecured notes will trigger the issuance of additional warrants to purchase 699,992 common shares ratably as commitments are funded.
45. Face amount of convertible senior notes and preferred equity are \$88.0 million and \$235.2 million, respectively.
46. Securitizations include (a) a CLO that closed in May 2021 and includes \$137.9 million of uninvested proceeds that can be reinvested into the CLO through May 2023; (b) a CLO that closed in December 2021 and includes \$98.9 million in an unused proceeds from the issuance of the third-party owned notes that can be used to acquire additional loans 180 days after close. Additionally, the CLO referenced in (b) allows for the reinvestment of principal payoff or paydown proceeds into the CLO through December 2023.
47. "3M L" refers to the three-month LIBOR rate.
48. Effective June 2021, the third-party owned notes at Exantas Capital Corp. 2020-RS08, Ltd. and Exantas Capital Corp. 2020-RS09, Ltd. are benchmarked to the compounded SOFR plus a benchmark adjustment. ACRES Commercial Realty 2021-FL1 Issuer, Ltd. and ACRES Commercial Realty 2021-FL2 Issuer, Ltd. are benchmarked to 1M LIBOR.
49. "WACC" refers to the weighted average cost of capital. The calculation of weighted average cost of capital excludes the impact of common equity on the denominator.
50. CRE term and senior secured facilities estimated unfinanced proceeds includes the projected amount of proceeds available to the Company if the unfinanced loans were financed with the applicable facilities.
51. See page 33 for additional information.
56. "GAAP EPS" refers to GAAP earnings per common share-diluted and "Core EPS" refers to Core Earnings per common share-diluted.

Footnotes (Continued)



57. The majority of ACR's projected GAAP net losses in 2022 are expected to be in the first quarter of 2022, including a recurring depreciation and amortization expense of approximately \$1.5 million and non-recurring charges of approximately \$1.4 million in connection with the retirement or redemption of certain borrowings. In addition, we expect a decrease in net interest margin of approximately \$500,000 resulting from loan originations at lower base rate floors than loans that are expected to payoff. Net loan production volume is expected to improve subsequent to the first quarter of 2022 and create positive net interest margin and earnings growth.
58. Asset-specific leverage is calculated over total equity at December 31, 2021. It excludes corporate leverage.
59. Net deployable capital is calculated as the total current corporate capital of approximately \$696.3 million, less total projected commitments for investments in real estate, excluding potential financing, of approximately \$96.0 million and a working capital reserve of \$40.0 million for a total of \$560.3 million.
60. Represents ACR's projected annualized general and administrative expenses and base management fee. The projection excludes the impact of the expected increase of incentive compensation in the fourth quarter of 2022.
61. Includes annualized projections of real estate income, real estate depreciation, provision for credit losses, equity compensation expense and non-cash amortization expense of the unamortized discount and deferred debt issuance costs on the convertible senior notes. Real estate depreciation, provision for credit losses, equity compensation expense and non-cash amortization expense are excluded from the calculation of Core Earnings. See page 33 for additional information.
63. 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.
64. CAPITAL loss carryforwards comprise QRS net capital loss carryforwards which have a useful life of five years.
65. "TRS" refers to taxable REIT subsidiaries.
66. Calculated as the increase from the \$12.47 price per share of ACR's common stock to \$27.00, which is an estimate of 90% of the projected common stock book value.
67. 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.
68. In general, net operating loss ("NOL") carryforwards can be used to offset both ordinary taxable income and capital gains in future years.
69. Includes \$39.9 million of NOL carryforwards realized prior to the effective date of the Tax Cuts and Jobs Act of 2017, some of which expire in 2044. The remaining NOL carryforwards have an unlimited useful life.
70. Includes original issuance discount ("OID") losses on senior note classes in two CLOs that were redeemed in 2021.
71. Includes projected OID losses on senior note classes in CLOs that are expected to be redeemed in 2022.
72. Net capital loss carryforwards may be carried forward up to five years to offset future capital gains.



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

Other Disclosures (continued)



Core Earnings

Core Earnings is a non-GAAP financial measure that we use to evaluate our operating performance. Core Earnings exclude the effects of certain transactions and GAAP adjustments that we believe are not necessarily indicative of our current CRE loan portfolio and other CRE-related investments and operations. Core Earnings exclude income (loss) from all non-core assets comprised 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.

Core Earnings, 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. Core Earnings 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 we calculate the Manager's incentive compensation using Core Earnings excluding incentive fees payable to the Manager, we include incentive fees payable to the Manager in Core Earnings for reporting purposes.

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.

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New York Stock Exchange:

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