

**Supplemental Financial Information Presentation** 

Q4 2014

February 26, 2015

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This presentation may contain forward-looking statements that are within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and such statements are intended to be covered by the safe harbor provided by the same. Forward-looking statements are subject to substantial risks and uncertainties, many of which are difficult to predict and are generally beyond management's control. These forward-looking statements include information about possible or assumed future results of Apollo Commercial Real Estate Finance, Inc.'s ("ARI" or the "Company") business, financial condition, liquidity, results of operations, plans and objectives. When used in this presentation, the words "believe," "expect," "anticipate," "estimate," "plan," "continue," "intend," "should," "may" or similar expressions, are intended to identify forward-looking statements. Statements regarding the following subjects, among others, may be forward-looking: ARI's business and investment strategy; ARI's operating results; ARI's ability to obtain and maintain financing arrangements; the return on equity, the yield on investments and risks associated with investing in real estate assets, including changes in business conditions and the general economy.

The forward-looking statements are based on management's beliefs, assumptions and expectations of future performance, taking into account all information currently available to ARI. Forward-looking statements are not predictions of future events. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to ARI. Some of these factors are described under "Risk Factors," and "Management's Discussion and Analysis of Financial Condition and Results of Operations" as included in ARI's Annual Report on Form 10-K for the fiscal year ended December 31, 2013 and other periodic reports filed with the Securities and Exchange Commission ("SEC"), which are accessible on the SEC's website at www.sec.gov. If a change occurs, ARI's business, financial condition, liquidity and results of operations may vary materially from those expressed in ARI's forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made. New risks and uncertainties arise over time, and it is not possible for management to predict those events or how they may affect ARI. Except as required by law, ARI is not obligated to, and does not intend to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

This presentation contains information regarding ARI's 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"), including Operating Earnings and Operating Earnings per share. Please refer to slide 3 for a definition of "Operating Earnings" and the reconciliation of "Operating Earnings" to the applicable GAAP financial measure set forth on slide 17.

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#### Past performance is not indicative nor a guarantee of future returns.

Index performance and yield data are shown for illustrative purposes only and have limitations when used for comparison or for other purposes due to, among other matters, volatility, credit or other factors (such as number and types of securities). Indices are unmanaged, do not charge any fees or expenses, assume reinvestment of income and do not employ special investment techniques such as leveraging or short selling. No such index is indicative of the future results of any investment by ARI.

### Apollo Commercial Real Estate Finance, Inc.



## 2014 Fourth Quarter Earnings Call

### February 26, 2015

#### **Stuart Rothstein**

Chief Executive Officer and President

#### **Scott Weiner**

Chief Investment Officer of the Manager

### **Megan Gaul**

Chief Financial Officer, Treasurer and Secretary

#### **Hilary Ginsberg**

**Investor Relations Manager** 

COMMERCIAL REAL ESTATE FINANCE, INC. ("ARI")

# ARI – Financial Summary

(\$ amounts in thousands, except per share data)		Three M	onths End	ed			Twelve Mo	onths End	ed	
Income Statement	Dece	mber 31, 2014	Decen	nber 31, 2013	% Change	December 31, 2014		Decem	ber 31, 2013	% Change
Interest income	\$	37,789	\$	21,471	76.0%	\$	123,347	\$	77,463	59.2%
Interest expense	\$	(10,740)	\$	(1,450)	640.7%	\$	(26,541)	\$	(4,356)	509.3%
Net interest income	\$	27,049	\$	20,021	35.1%	\$	96,806	\$	73,107	32.4%
Operating earnings <sup>(1)</sup>	\$	21,179	\$	14,488	46.2%	\$	73,982	\$	51,443	43.8%
Operating earnings per share (1)	\$	0.45	\$	0.39	15.4%	\$	1.69	\$	1.44	17.4%
Diluted weighted average shares of common stock outstanding		47,085,617	37,390,369		25.9%	43,684,805		35,679,755		22.4%
Balance sheet	Dece	mber 31, 2014	Decen	nber 31, 2013	% Change					
Investments at amortized cost (2)	\$	1,618,623	\$	848,761	90.7%					
Net equity in investments at cost	\$	1,026,556	\$	676,855	51.7%					
Common stockholders' equity	\$	768,819	\$	596,706	28.8%					
Preferred stockholders' equity	\$	86,250	\$	86,250	-					
Outstanding repurchase agreement borrowings	\$	622,194	\$	202,033	208.0%					
Convertible senior notes	\$	246,464	\$	-	100.0%					
Debt to common equity <sup>(3)</sup>		1.2x		0.4x						
Fixed charge coverage <sup>(4)</sup>		2.8x		5.3x						

<sup>(1)</sup> Operating Earnings is a non-GAAP financial measure that is used by the Company to approximate cash available for distribution and is defined by the Company as net income available to common stockholders, computed in accordance with GAAP, adjusted for (i) equity-based compensation expense (a portion of which may become cash-based upon final vesting and settlement of awards should the holder elect net share settlement to satisfy income tax withholding), (ii) any unrealized gains or losses or other non-cash items included in net income, (iii) unrealized income from equity investments and (iv) the non-cash amortization expense related to the reclassification of a portion of the senior convertible notes to stockholders' equity in accordance with GAAP. Please see slide 17 for a reconciliation of Operating Earnings and Operating Earnings per Share to GAAP Net Income per share.

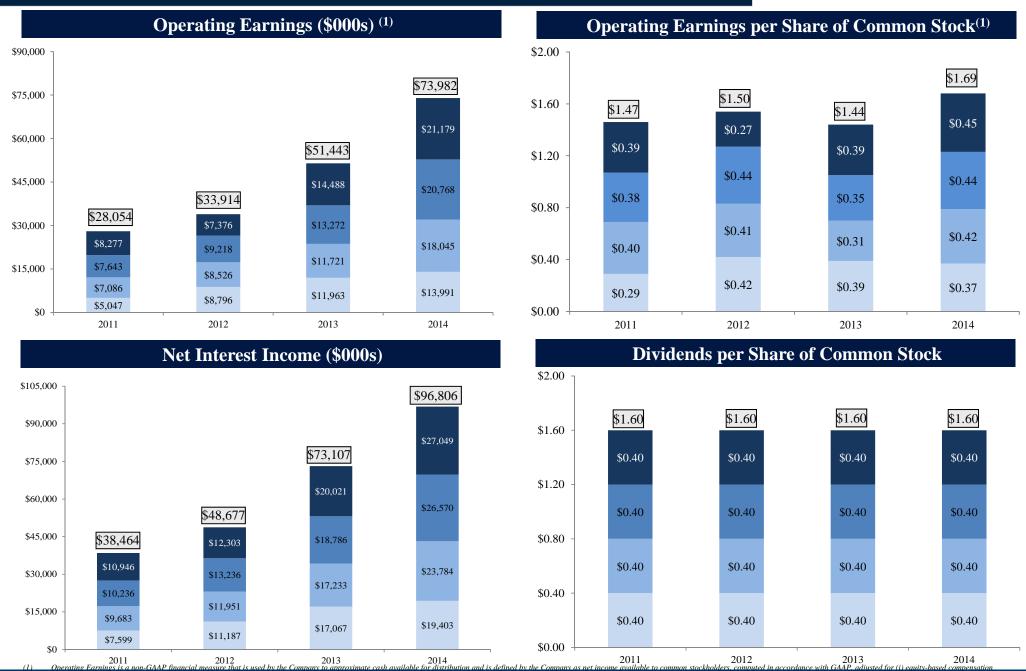
<sup>(2)</sup> Includes Commercial Mortgage Backed Securities, ("CMBS") held-to-maturity, which are net of a participation sold during June 2014. ARI presents the participation sold as both assets and non-recourse liabilities because the participation does not qualify as a sale according to GAAP. At December 31, 2014, ARI had one such participation sold with a carrying amount of \$89,584.

<sup>(3)</sup> Debt to common equity is net of participations sold.

<sup>(4)</sup> Fixed charge coverage is EBITDA divided by interest expense plus the preferred stock dividends.



### ARI – Historical Financial Overview





### ARI – Q4 Financial Highlights

### Financial Results & Earnings Per Share

- Operating Earnings for the year ended December 31, 2014 of \$74.0 million, or \$1.69 per diluted share of common stock, a 17.4% per share increase as compared to Operating Earnings of \$51.4 million, or \$1.44 per diluted share of common stock for the year ended December 31, 2013<sup>(1)</sup>
  - Net interest income of \$96.8 million
  - Total expenses of \$18.1 million, comprised of management fees of \$12.0 million, G&A of \$4.5 million and equity-based compensation of \$1.6 million
  - Net income available to common stockholders for the year ended December 31, 2014 of \$75.3 million, or \$1.72 per diluted share of common stock

#### **Dividends**

- Declared a dividend of \$0.40 per share of common stock for the quarter ended December 31, 2014
- Declared a divided of \$0.44 per share of common stock for the quarter ending March 31, 2015, a 10% increase from the prior quarter
- Declared a dividend on the Company's 8.625% Series A Cumulative Redeemable Perpetual Preferred Stock of \$0.5391 per share for stockholders of record on December 31, 2014

#### **Book Value**

GAAP book value of \$16.39 per share as of December 31, 2014

<sup>(1)</sup> Operating Earnings is a non-GAAP financial measure that is used by the Company to approximate cash available for distribution and is defined by the Company as net income available to common stockholders, computed in accordance with GAAP, adjusted for (i) equity-based compensation expense (a portion of which may become cash-based upon final vesting and settlement of awards should the holder elect net share settlement to satisfy income tax withholding) (ii) any unrealized gains or losses or other non-cash items included in net income (iii) unrealized income from equity investments and (iv) the non-cash amortization expense related to the reclassification of a portion of the senior convertible notes to stockholders' equity in accordance with GAAP. Please see slide 17 for a reconciliation of Operating Earnings and Operating Earnings of Earnings and Operating Earnings and Operating Earnings of Earnings Income Proceedings Earnings Income Earnings Income Proceedings Earnin

### ARI – Q4 New Investments

#### **Summary of New Investments**

			12 Months
	_	arter Ended	Ended
	1	2/31/2014	12/31/2014
Number of Loans Closed		5	16
Capital Committed to Loans (\$ in thousands)	\$	351,184	\$ 967,850
Fixed Rate %/Floating Rate % <sup>(1)</sup>		14%/86%	26%/74%
First Mortgage %/Subordinate Loan %		76%/24%	74%/26%
Weighted Average Loan-to-Value		61.0%	61.7%
Equity Invested in CMBS (\$ in thousands)	\$	4,657	\$ 75,001
Weighted Average Duration of CMBS		3.0 years	2.8 years
Total Capital Committed (\$ in thousands)	\$	351,184	\$ 1,092,326
Weighted Average IRR <sup>(2)</sup>		12.8%	12.6%











Based upon committed amount of loan.

The Internal Rate of Return ("IRR") for the investments shown in this presentation reflect the returns underwritten by ACREFI Management, LLC, the Company's external manager (the "Manager"), calculated on a weighted average basis assuming no dispositions, early prepayments or defaults but assuming that extension options are exercised and that the cost of borrowings remains constant over the remaining term. With respect to certain loans, the IRR calculation assumes certain estimates with respect to the timing and magnitude of future fundings for the remaining commitments and associated loan repayments, and assumes no defaults. IRR is the annualized effective compounded return rate that accounts for the time-value of money and represents the rate of return on an investment over a holding period expressed as a percentage of the investment. It is the discount rate that makes the net present value of all cash outflows (the costs of investment) equal to the net present value of cash inflows resulting from or produced by each transaction (or for a transaction involving more than one investment, cash flows resulting from or produced by each of the investments), whether positive, such as investment returns, or negative, such as transaction expenses or other costs of investment, taking into account the dates on which such cash flows occurred or are expected to occur, and compounding interest accordingly. There can be no assurance that the actual IRRs will equal the underwritten IRRs shown above. See "Item 1A—Risk Factors—The Company may not achieve its underwritten internal rate of return on its investments shown in the table over time. IRR calculation excludes ARI's investment in BKB Bank.

### ARI – Commercial Real Estate Debt Portfolio Overview

Asset Type (\$000s)	Amortized Cost	Borrowings	Equity at Cost <sup>(1)</sup>	Remaining Weighted Average Life (years) <sup>(2)</sup>	Current Weighted Average Underwritten IRR(3)(4)	Levered Weighted Average Underwritten IRR(3)(4)(5)
First Mortgage Loans	\$ 458,520	\$ 168,124	\$ 290,396	3.7	12.6%	12.9%
Subordinate Loans <sup>(6)</sup>	625,881	-	625,881	3.5	13.1	13.1
CMBS	534,222	454,070	110,279	2.3	16.2	16.2
Investments at December 31, 2014	\$ 1,618,623	\$ 622,194	\$ 1,026,556	3.2 Years	13.3%	13.4%

CMBS includes \$30.1 million of restricted cash related to the Company's master repurchase agreement with UBS AG (the "UBS Facility").

Remaining Weighted Average Life assumes all extension options are exercised.

Borrowings under the Company's master repurchase agreement with JPMorgan Chase Bank, N.A. (the "JPMorgan Facility") bear interest at LIBOR plus 250 basis points, or 2.7% at December 31, 2014. The IRR calculation further assumes the JPMorgan Facility or any replacement facility will remain available over the life of these investments.

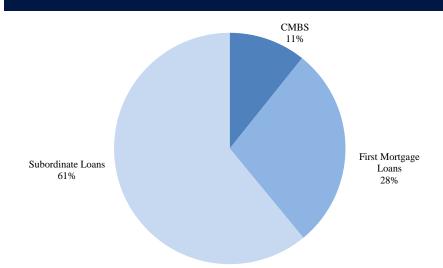
The underwritten IRR for the investments shown in this table reflect the returns underwritten by the Manager, calculated on a weighted average basis assuming no dispositions, early prepayments or defaults but assuming that extension options are exercised and that the cost of borrowings remains constant over the remaining term. With respect to certain loans, the underwritten IRR calculation assumes certain estimates with respect to the timing and magnitude of future fundings for the remaining commitments and associated loan repayments, and assumes no defaults. IRR is the annualized effective compounded return rate that accounts for the time-value of money and represents the rate of return on an investment over a holding period expressed as a percentage of the investment. It is the discount rate that makes the net present value of all cash outflows (the costs of investment) equal to the net present value of cash inflows (returns on investment). It is derived from the negative and positive cash flows resulting from or produced by each transaction (or for a transaction involving more than one investment, cash flows resulting from or produced by each of the investments), whether positive, such as investment returns, or negative, such as transaction expenses or other costs of investment, taking into account the dates on which such cash flows occurred or are expected to occur, and compounding interest accordingly. There can be no assurance that the actual IRRs will equal the underwritten IRRs shown in the table. See "Item 1A—Risk Factors—The Company may not achieve its underwritten internal rate of return on its investments which may lead to future returns that may be significantly lower than anticipated" included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013 for a discussion of some of the factors that could adversely impact the returns received by the Company from the investments shown in the table over time The Company's ability to achieve its underwritten levered weighted average IRR with regard to its portfolio of first mortgage loans is additionally dependent upon the Company re-borrowing approximately \$6,753 in total under the JPMorgan Facility or any replacement facility with

similar terms. Without such re-borrowing, the levered weighted average underwritten IRRs will be as indicated in the current weighted average underwritten IRR column above.

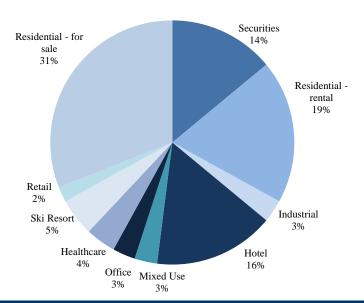
Subordinate loans also include CMBS, held-to-maturity, which represents a loan the Company closed during May 2014 that was subsequently contributed to a securitization during August 2014. During May 2014, the Company closed a \$155,000 floating-rate whole loan secured by the first mortgage and equity interests in an entity that owns a resort hotel in Aruba. During June 2014, the Company syndicated a \$90,000 senior participation in the loan and retained a \$65,000 junior participation. During August 2014, both the \$90,000 senior participation and the Company's \$65,000 junior participation were contributed to a CMBS securitization. In exchange for contributing its \$65,000 junior participation, the Company received a CMBS secured solely by the \$65,000 junior participation. ARI presents the participation sold as both assets and non-recourse liabilities because the participation does not qualify as a sale according to GAAP. At December 31, 2014, ARI had one such participation sold with a carrying amount of \$89,584.

### ARI – Commercial Real Estate Debt Portfolio Overview

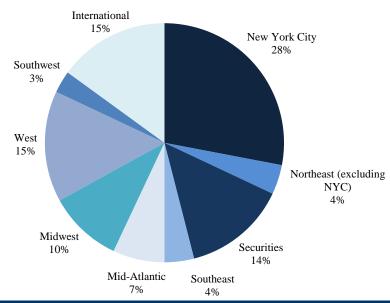
### Net Invested Equity at Amortized Cost Basis<sup>(1)</sup>



### **Property Type by Net Equity**<sup>(1)</sup>

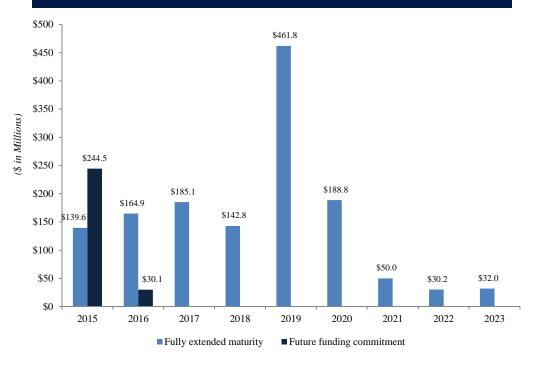


### Geographic Diversification by Net Equity<sup>(1)</sup>

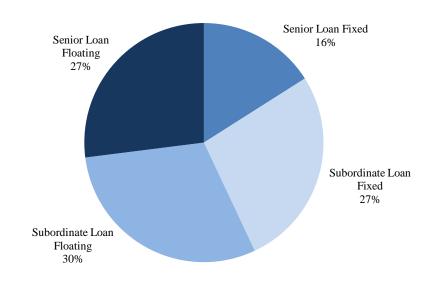


## ARI – Loan Portfolio - Maturity and Type

# Fully Extended Loan Maturities and Future Fundings (1)(2)(3)(4)



### **Loan Position and Rate Type**<sup>(1)(3)</sup>



57% Floating Rate/43% Fixed Rate

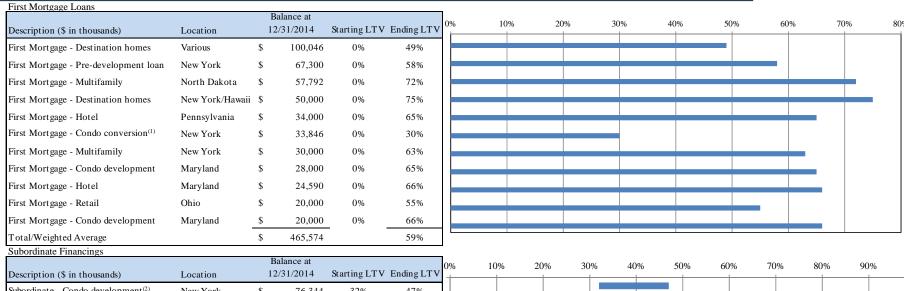
<sup>)</sup> Based upon Face Amount of Loans; Does not include CMBS, but does include CMBS, held-to-maturity.

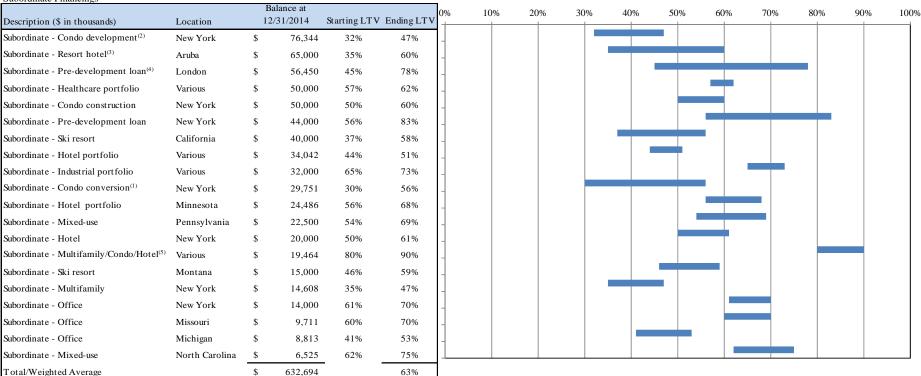
 $<sup>(2) \</sup>qquad \textit{Maturities reflect the fully funded amounts of the loans}.$ 

<sup>(3)</sup> Subordinate loans include CMBS, held-to-maturity which are net of a participation sold during June 2014. ARI presents the participation sold as both assets and non-recourse liabilities because the participation does not qualify as a sale according to GAAP. At December 31, 2014, ARI had one such participation sold with a carrying amount of \$89,584.

<sup>(4)</sup> Future funding dates are based upon the Manager's projections and are subject to change.

### ARI – Loan Portfolio – Loan Level LTV (Through Last Invested Dollar)





<sup>)</sup> Both loans are for the same property; Mezzanine loan ending LTV includes committed amount plus PIK.

LTV is based upon the committed amount plus PIK.

<sup>3)</sup> This is CMBS, held-to-maturity and is net of a participation sold. ARI presents the participation sold as both assets and non-recourse liabilities because the participation does not qualify as a sale according to GAAP. At December 31, 2014, this participation sold had a carrying amount

<sup>(4)</sup> Based upon £32.1 face amount converted to USD based upon the conversion rate on December 31, 2014.

<sup>(5)</sup> Ending LTV is based upon the committed amount of \$19.5 million.



# ARI – CMBS Portfolio<sup>(1)</sup>

CUSIP	Description
07388YAB8	BSCMS 07-PW16 A2
61754KAC9	MSC 07-IQ14 A2
92978YAB6	WBCMT 07-C32 A2
61751NAD4	MSC 2007-HQ11 A31
92978TAB7	WBCMT 2007-C31 A2
92978PAJ8	WBCMT 2006-C29 AJ
07388QAH2	BSCMS 2007-PW17 AJ
07401DAH4	BSCMS 2007PW18 AJ
46625YVZ3	JPMCC 2005-CB13 AJ
50180CAG5	LBUBS 2006-C7 AJ
60688CAJ5	MLCFC 2007-9 AJ
05947US25	BACM 2005-3 AJ
61756VAJ0	MSC 2007-1Q16 AJ

CUSIP	Description
59025KAG7	MLMT 2007-C1 AM
22546BAH3	CSMC 2007-C5 AM
36159XAH3	GECMC 2007-C1 AM
46627QBC1	JMPCC 2006-CB15 AM
46631BAJ4	JPMCC 2007-LD11 AM
14986DAJ9	CD 2006-CD3 AJ
17311QBN9	CGCMT 2007-C6 AJ
17313KAK7	CGCMT 2008-C7 AJ
20047QAH8	COMM 2006-C7 AJ
61755YAK0	MSC 2007-IQ15 AJ
46629YAH2	JPMCC 2007-CB18AJ
173311QAE0	CGCMT 2007-C6 AJFX

	Face	Amo	ortized Cost	Remaining Weighted Average Life with Extensions (years)	stimated ir Value	Debt	et Equity t Cost <sup>(2)</sup>
CMBS – Total	\$ 544,190	\$	534,222	2.3 Years	\$ 539,835	\$ 454,070	\$ 110,279

## Portfolio Metrics – Quarterly Migration Summary

Portfolio Metrics (\$ in thousands)										
1 order tractices (\$\psi\$ in thousands)	Q4 2014			Q3 2014		Q2 2014		Q1 2014		Q4 2013
(Investment balances represent amortized cost)		<u>( ) = 0 - 1</u>		<b>C</b>		<b>C</b>		<b>C</b> - 20-1		(12020
First Mortgage Loans	\$	458,520	\$	369,924	\$	343,810	\$	185,516	\$	161,099
Subordinate Loans <sup>(1)</sup>		625,881		650,084		659,045		484,979		497,484
CMBS		534,222		511,445		339,724		173,174		190,178
Total Investments	\$	1,618,623	\$	1,531,453	\$	1,342,579	\$	843,669	\$	848,761
(Investment balances represent net equity, at cost)										
First Mortgage Loans	\$	290,396	\$	247,202	\$	197,112	\$	185,513	\$	140,716
Subordinate Loans <sup>(1)</sup>		625,881		650,084		659,045		484,979		497,484
CMBS		110,279 (4)	)	99,988	(5)	70,325 (4)		36,310 <sup>(4)</sup>		38,655 <sup>(4)</sup>
Net Equity in Investments at Cost	\$	1,026,556	\$	997,274	\$	926,482	\$	706,802	\$	676,855
Levered Weighted Average Underwritten IRR <sup>(2)</sup>		13.4% (6)	)	13.7%	(6)	13.9% (6	5)	14.1% (6	)	14.1% (6)
Weighted Average Duration		3.2 Years		3.0 Years		3.2 Years		3.2 Years		3.3 Years
Loan Portfolio Weighted Average Ending LTV <sup>(3)</sup>		62.0%		58.0%		58.0%		58.0%		58.0%
Borrowings Under Repurchase Agreements	\$	622,194	\$	537,766	\$	446,224	\$	166,994	\$	202,033
Convertible Senior Notes	\$	246,464	\$	246,054	\$	139,362	\$	139,163	\$	-
Debt-to-Common Equity		1.2x (7)	)	1.1x <sup>(</sup>	(7)	0.8x (7	")	0.5x		0.4x

Subordinate loans include CMBS, held-to-maturity which are net of a participation sold during June 2014. ARI presents the participation sold as both assets and non-recourse liabilities because the participation does not qualify as a sale according to GAAP. At December 31, 2014, ARI had one such participation sold with a carrying amount of \$89,584.

The underwritten IRR for the investments shown in this presentation reflect the returns underwritten by the Manager, calculated on a weighted average basis assuming no dispositions, early prepayments or defaults but assuming that extension options are exercised and that the cost of borrowings remains constant over the remaining term. With respect to certain loans, the underwritten IRR calculation assumes certain estimates with respect to the timing and magnitude of future fundings for the remaining commitments and associated loan repayments, and assumes no defaults. IRR is the annualized effective compounded return rate that accounts for the time-value of money and represents the rate of return on an investment over a holding period expressed as a percentage of the investment. It is the discount rate that makes the net present value of all cash outflows (the costs of investment) equal to the net present value of cash inflows (returns on investment). It is derived from the negative and positive cash flows resulting from or produced by each of the investments), whether positive, such as investment returns, or negative, such as investment, cash flows occurred or are expected to occur, and compounding interest accordingly. There can be no assuty near the actual IRRs will equal the underwritten IRRs shown in the table. See "Item 1A—Risk Factors—The Company may not achieve its underwritten internal rate of return on its investments which may lead to future returns that may be significantly lower than anticipated" included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013 for a discussion of some of the factors that could adversely impact the returns received by the Company from the investments shown in the table over time

<sup>(3)</sup> Does not include CMBS.

<sup>(4)</sup> Includes \$30.1 million of restricted cash related to the UBS Facility.

<sup>5)</sup> Includes \$30.1 million of restricted cash related to the UBS Facility and \$26.5 million related to investments purchased not yet settled.

Represents an underwritten levered weighted average IRR. The Company's ability to achieve the underwritten levered weighted average IRR additionally depends upon the Company re-borrowing approximately \$6,753 under the JPMorgan Facility or any replacement facility with similar terms with regard to its portfolio of first mortgage loans. Without such re-borrowing, the levered weighted average underwritten IRR will be lower than the amount shown above, as indicated in the current weighted average underwritten IRR column on slide 7.

# Financing Overview

• ARI had total borrowings outstanding of \$622 million at December 31, 2014:

Facility (\$000s)	Debt Balance	Weighted Average Remaining Maturity <sup>(1)</sup>	Weighted Average Rate
Wells Facility	\$ 20,166	0.2 years	1.0%
UBS Facility	133,899	3.7 years	2.8%
Deutsche Bank Facility	300,005	3.3 years	3.7%
JPMorgan Facility <sup>(2)</sup>	168,124	0.1 years	2.7%
Total Borrowings at December 31, 2014	\$ 622,194	3.2 years	3.2%

• ARI's borrowings had the following remaining maturities at December 31, 2014:

Facility (\$000s)	Less than 1 year		1 to 3 years		3 to 5	years	Total		
Wells Facility	\$	20,166	\$	-	\$	-	\$	20,166	
UBS Facility <sup>(1)</sup>		-		133,899		-		133,899	
Deutsche Bank Facility		40,476		213,654		45,875		300,005	
JPMorgan Facility <sup>(2)</sup>		168,124		-		-		168,124	
Total Borrowings at December 31, 2014	\$	228,766	\$	347,553	\$	45,875	\$	622,194	

<sup>(1)</sup> Assumes extension options on the UBS Facility are exercised.

<sup>(2)</sup> The JPMorgan Facility was amended and restated in January, 2015 for a term of two years with a one year extension option.

# Financials

# Consolidated Balance Sheets

(in thousands—except share and per share data)				
	Decer	nber 31, 2014	Decem	ber 31, 2013
Assets:				
Cash	\$	40,641	\$	20,096
Restricted cash		30,127		30,127
Securities available-for-sale, at estimated fair value		17,105		33,362
Securities, at estimated fair value		522,730		158,086
Securities, held-to-maturity		154,283		-
Commercial mortgage loans, held for investment, net		458,520		161,099
Subordinate loans, held for investment, net		561,182		497,484
Investment in unconsolidated joint venture		37,016		-
Derivative instrument		4,070		-
Interest receivable		10,829		6,022
Deferred financing costs, net		7,444		628
Other assets		1,200		600
Total Assets	\$	1,845,147	\$	907,504
Liabilities and Stockholders' Equity Liabilities:				
Borrowings under repurchase agreements	\$	622,194	\$	202,033
Convertible senior notes, net		246,464		-
Participations sold		89,584		-
Accounts payable and accrued expenses		7,578		2,660
Payable to related party		3,240		2,628
Dividends payable		21,018		17,227
Total Liabilities		990,078		224,548
Stockholders' Equity:				
Preferred stock, \$0.01 par value, 50,000,000 shares authorized and 3,450,000 shares issued and outstanding in 2014				
and 2013 (\$86,250 aggregate liquidation preference)		35		35
Common stock, \$0.01 par value, 450,000,000 shares authorized 46,900,422 and 36,888,467 shares issued and				
outstanding in 2014 and 2013, respectively		469		369
Additional paid-in-capital		868,035		697,610
Retained earnings (accumulated deficit)		(10,485)		(14,188
Accumulated other comprehensive loss		(2,985)		(870
Total Stockholders' Equity		855,069		682,956
Total Liabilities and Stockholders' Equity	\$	1,845,147	\$	907,504

# Consolidated Statement of Operations

		Three mor	ths end	ed		Twelve months ended			
	Dec	ember 31, 2014	Dec	ember 31, 2013	Dec	ember 31, 2014	Dec	cember 31, 2013	
Net interest income:									
Interest income from securities	\$	8,275	\$	3,633	\$	21,189	\$	12,267	
Interest income from securities, held to maturity		3,165		-		4,613		-	
Interest income from commercial mortgage loans		9,328		3,812		27,802		16,034	
Interest income from subordinate loans		17,021		14,026		69,743		49,162	
Interest expense		(10,740)		(1,450)		(26,541)		(4,356)	
Net interest income		27,049		20,021		96,806		73,107	
Operating expenses:									
General and administrative expenses (includes \$481 and \$1,576 of									
equity-based compensation in 2014 and \$1,392 and \$3,488 in 2013,									
respectively)		(1,796)		(2,438)		(6,151)		(7,563)	
Management fees to related party		(3,236)		(2,627)		(11,960)		(10,012)	
Total operating expenses		(5,032)		(5,065)		(18,111)		(17,575)	
Income from unconsolidated joint venture		(69)		-		(157)		-	
Interest income from cash balances		9		1		34		20	
Unrealized gain/(loss) on securities		(639)		908		4,147		(3,065)	
Foreign currency loss		(1,413)		-		(4,050)		-	
Gain/(loss) on derivative instruments (includes \$2,137 and \$4,070 of									
unrealized gains in 2014 and \$0 and \$155 of unrealized gains in 2013,									
respectively)		2,137		(1)		4,070		(2)	
Net income	\$	22,042	\$	15,864	\$	82,739	\$	52,485	
Preferred dividends		(1,860)		(1,860)		(7,440)		(7,440)	
Net income available to common stockholders	\$	20,182	\$	14,004	\$	75,299	\$	45,045	
Basic and diluted net income per share of common stock	\$	0.43	\$	0.37	\$	1.72	\$	1.26	
			<u>'</u>				-		
Basic weighted average shares of common stock outstanding		46,852,646		36,886,619		43,464,255		35,212,211	
Diluted weighted average shares of common stock outstanding		47,085,617		37,390,369		43,684,805		35,679,755	
Dividend declared per share of common stock	\$	0.40	\$	0.40	\$	1.60	\$	1.60	

# Reconciliation of Operating Earnings to Net Income

	Three Months Ended										
		aber 31, 2014	-	gs Per Share Diluted)	Decem	ber 31, 2013	Earnings Per Shar (Diluted)				
Operating Earnings:											
Net income available to common stockholders	\$	20,182	\$	0.43		\$14,004	\$	0.37			
Adjustments:											
Income from unconsolidated joint venture		69		-		-		-			
Unrealized (gain)/loss on securities		639		0.01		(908)		(0.02)			
Unrealized (gain)/loss on derivative instruments		(2,137)		(0.04)		-		-			
Equity-based compensation expense		481		0.01		1,392		0.04			
Foreign currency loss		1,413		0.03		-		-			
Amortization of convertible notes related to equity reclassification		532		0.01		<u>-</u>		-			
Total adjustments:		997		0.02		484		0.02			
Operating Earnings	\$	21,179	\$	0.45	\$	14,488	\$	0.39			
Basic weighted average shares of common stock outstanding				46,852,646				36,886,619			
Diluted weighted average shares of common stock outstanding				47,085,617				37,390,369			

	Twelve Months Ended									
	Decem	ber 31, 2014		ngs Per Share (Diluted)	December 31, 2013		Earnings Per Share (Diluted)			
Operating Farnings:										
Net income available to common stockholders	\$	75,299	\$	1.72	\$	45,045	\$	1.26		
Adjustments:										
Income from unconsolidated joint venture		157		-		-		-		
Unrealized (gain)/loss on securities		(4,147)		(0.09)		3,065		0.09		
Unrealized (gain)/loss on derivative instruments		(4,070)		(0.09)		(155)		(0.01)		
Equity-based compensation expense		1,576		0.04		3,488		0.10		
Foreign currency loss		4,050		0.09		-		-		
Amortization of convertible notes related to equity reclassification		1,117		0.02		-		-		
Total adjustments:		(1,317)		(0.03)		6,398		0.18		
Operating Earnings	\$	73,982	\$	1.69	\$	51,443	\$	1.44		
Basic weighted average shares of common stock outstanding				43,464,225				35,212,211		
Diluted weighted average shares of common stock outstanding				43,684,805				35,679,755		

# Financial Metrics – Quarterly Migration Summary

Financial Metrics										
(\$ in thousands, except per share data)	Q4 2014		Q3 2014		Q2 2014		Q1 2014		Q4 2013	
Net Interest Income	\$	27,049	\$	26,570	\$ 23,784	\$	19,403	\$	20,021	
Management Fee		3,236		3,193	2,966		2,565		2,627	
General and Administrative Costs		1,315		1,126	1,117		1,016		1,046	
Non-Cash Stock Based Compensation		481		308	362		426		1,392	
Net Income Available to Common Stockholders	\$	20,182	\$	17,299	\$ 22,098	\$	15,720	\$	14,004	
GAAP Diluted EPS	\$	0.43	\$	0.37	\$ 0.51	\$	0.42	\$	0.37	
Operating Earnings <sup>(1)</sup>	\$	21,179	\$	20,768	\$ 18,045	\$	13,991	\$	14,488	
Operating EPS <sup>(1)</sup>	\$	0.45	\$	0.44	\$ 0.42	\$	0.37	\$	0.39	
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Distributions Declared to Common Stockholders	\$	0.40	\$	0.40	\$ 0.40	\$	0.40	\$	0.40	
GAAP Book Value per Share of Common Stock	\$	16.39	\$	16.42	\$ 16.30	\$	16.21	\$	16.18	
·										
Total Stockholders' Equity	\$	855,069	\$	855,686	\$ 849,998	\$	687,912	\$	682,956	
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Diluted weighted average shares of common stock outstanding		47,085,617		47,068,929	43,099,354		37,341,050		37,390,369	
Return on Common Equity Based on Operating Earnings (2)		11.0%		10.8%	10.6%		9.4%		9.7%	

<sup>(1)</sup> Operating Earnings is a non-GAAP financial measure that is used by the Company to approximate cash available for distribution and is defined by the Company as net income available to common stockholders, computed in accordance with GAAP, adjusted for (i) equity-based compensation expense (a portion of which may become cash-based upon final vesting and settlement of awards should the holder elect net share settlement to satisfy income tax withholding) (ii) any unrealized gains or losses or other non-cash items included in net income (iii) unrealized income from equity investments and (iv) the non-cash amortization expense related to the reclassification of a portion of the senior convertible notes to stockholders' equity in accordance with GAAP. Please see slide 17 for a reconciliation of Operating Earnings and Operating Earnings per Share to GAAP net income per share.

<sup>(2)</sup> Return on common equity is calculated as annualized Operating Earnings for the period as a percentage of average stockholders' equity for the period.