# Supplemental Financial Information Package – Q3 2015

*October 30, 2015*

*Information is as of September30, 2015, except as otherwise noted.*
*It should not be assumed that investments made in the future will be profitable or will equal the performance of investments in this document.*

# Forward Looking Statements and Other Disclosures

*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 may 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; and 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" included in ARI's Annual Report on Form 10-K for the fiscal year ended December 31, 2014 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 18.*

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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.*

# ARI Q3 2015 Earnings Call

**October 30, 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

# Financial Summary

| *($ amounts in thousands, except per share data)* | Three Months Ended | | | Nine Months Ended | | |
|---|---|---|---|---|---|---|
| **Income Statement** | **September 30, 2015** | **September 30, 2014** | **% Change** | **September 30, 2015** | **September 30, 2014** | **% Change** |
| Interest income | $ 51,878 | $ 35,356 | 46.7% | $ 136,348 | $ 85,559 | 59.4% |
| Interest expense | $ (13,187) | $ (8,786) | 50.1% | $ (36,287) | $ (15,802) | 129.6% |
| Net interest income | $ 38,691 | $ 26,570 | 45.6% | $ 100,061 | $ 69,757 | 43.4% |
| Operating earnings[1] | $ 31,742 | $ 20,768 | 52.8% | $ 80,347 | $ 52,805 | 52.2% |
| Operating earnings per diluted share[1] | $ 0.53 | $ 0.44 | 20.5% | $ 1.42 | $ 1.24 | 14.5% |
| Diluted weighted average shares of common stock outstanding | 59,934,008 | 47,068,929 | 27.3% | 56,415,082 | 42,538,744 | 32.6% |

| **Balance sheet** | **September 30, 2015** | **December 31, 2014** | **% Change** |
|---|---|---|---|
| Investments at amortized cost [2] | $ 2,344,092 | $ 1,618,623 | 44.8% |
| Net equity in investments at cost | $ 1,608,678 | $ 1,026,556 | 56.7% |
| Common stockholders' equity | $ 1,098,145 | $ 768,819 | 42.8% |
| Preferred stockholders' equity | $ 286,250 | $ 86,250 | 231.9% |
| Outstanding repurchase agreement borrowings | $ 735,437 | $ 622,194 | 18.2% |
| Convertible senior notes | $ 247,736 | $ 246,464 | 0.5% |
| Debt to common equity[3] | 0.9x | 1.2x | |
| Fixed charge coverage[4] | 3.1x | 2.8x | |

(1) *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 available to common stockholders, (iii) unrealized income from unconsolidated joint ventures, (iv) foreign currency gains/losses, and (v) the non-cash amortization expense related to the reclassification of a portion of the convertible senior notes to stockholders' equity in accordance with GAAP. Please see slide 18 for a reconciliation of Operating Earnings and Operating Earnings per Share to GAAP Net Income and GAAP Net Income per share.*

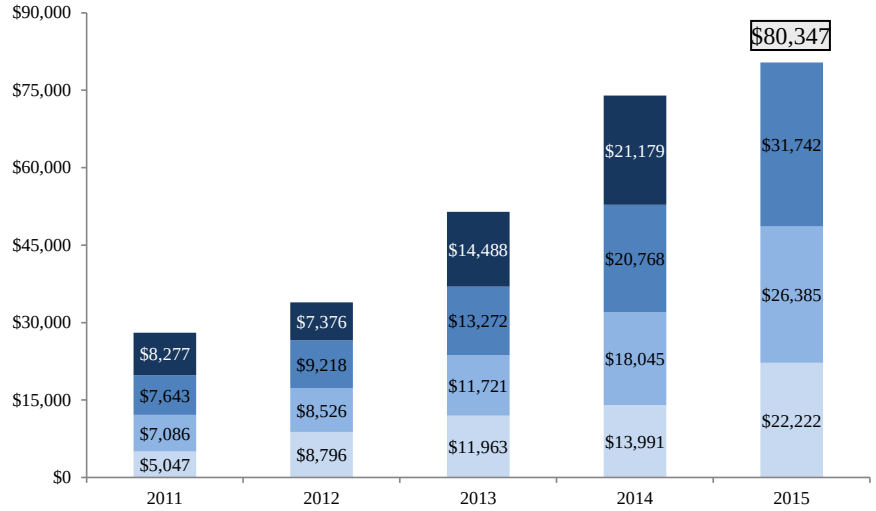
(2) *Includes Commercial Mortgage-Backed Securities ("CMBS"), held-to-maturity, which are net of a participation sold during June 2014. ARI presents the participation sold as both assets and non-recourse liabilities because the participation does not qualify as a sale according to GAAP. At September 30, 2015, ARI had one such participation sold with a carrying amount of $89,303. Subordinate loans also are net of a participation sold in February 2015. At September 30, 2015, this participation sold had a face amount of £19,900 and a carrying amount of $30,104.*

(3) *Debt to common equity is net of participations sold.*

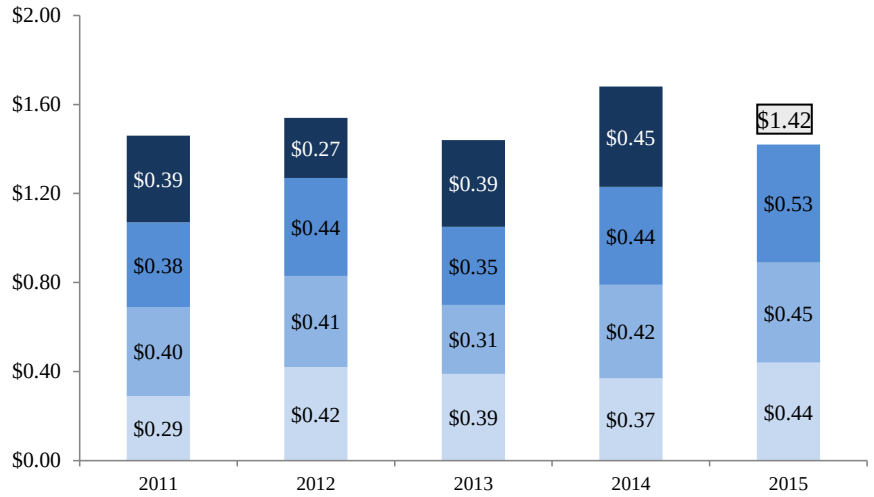
(4) *Fixed charge coverage is EBITDA divided by interest expense plus the preferred stock dividends.*

# Historical Financial Overview

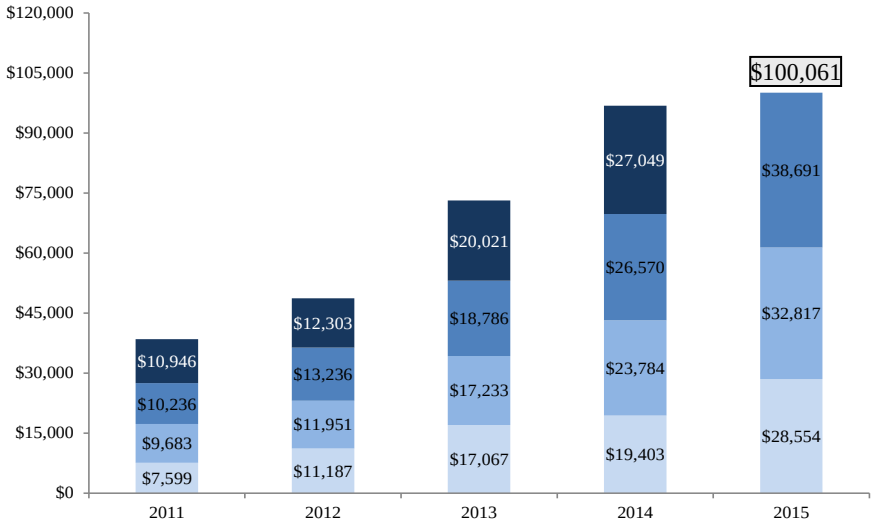
## Operating Earnings ($000s) (1)



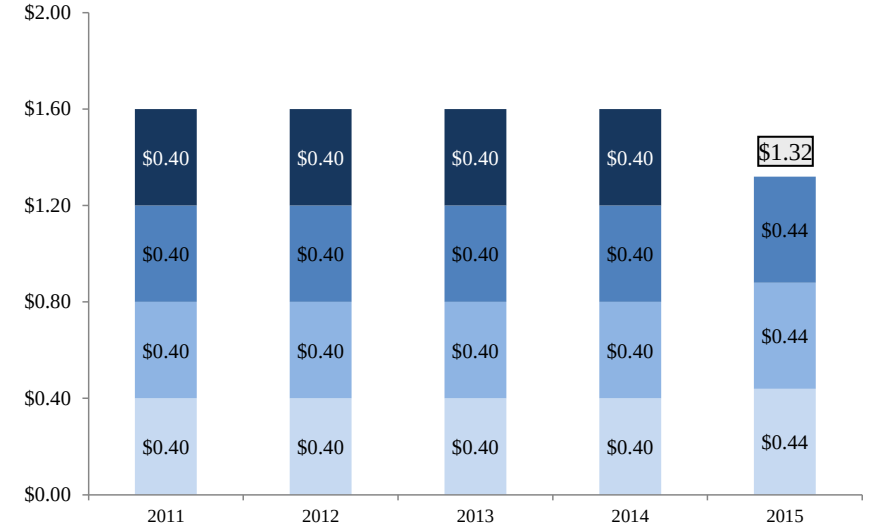

## Operating Earnings per Share of Common Stock(1)




## Net Interest Income ($000s)




## Dividends per Share of Common Stock




(1) *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 available to common stockholders, (iii) unrealized income from unconsolidated joint ventures, (iv) foreign currency gains/losses, and (v) the non-cash amortization expense related to the reclassification of a portion of the convertible senior notes to stockholders' equity in accordance with GAAP. Please see slide 18 for a reconciliation of Operating Earnings and Operating Earnings per Share to GAAP Net Income and GAAP Net Income per share.*

# Q3 Financial Highlights

## Financial Results & Earnings Per Share

- Operating Earnings for the quarter ended September 30, 2015 of $31.7 million, or $0.53 per diluted share of common stock, a 20.4% per share increase as compared to Operating Earnings of $20.8 million, or $0.44 per diluted share of common stock for the quarter ended September 30, 2014[(1)]
  - Net interest income of $38.7 million
  - Total expenses of $6.2 million, comprised of management fees of $4.1 million, G&A of $1.3 million and equity-based compensation of $0.8 million
  - Net income available to common stockholders for the quarter ended September 30, 2015 of $23.5 million, or $0.39 per diluted share of common stock

## Dividends

- Declared a dividend of $0.44 per share of common stock for the quarter ended September 30, 2015
  - 10.4% annualized dividend yield based on $16.87 closing price on October 28, 2015
- 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 September 30, 2015

## Book Value

- GAAP book value of $16.35 per share as of September 30, 2015

*(1) 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 available to common stockholders, (iii) unrealized income from unconsolidated joint ventures, (iv) foreign currency gains/losses, and (v) the non-cash amortization expense related to the reclassification of a portion of the convertible senior notes to stockholders' equity in accordance with GAAP. Please see slide 18 for a reconciliation of Operating Earnings and Operating Earnings per Share to GAAP Net Income and GAAP Net Income per share.*

# Q3 – New Investments and Funding

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## Summary of New Investments

| | Quarter Ended 9/30/2015 | 9-Months Ended 9/30/2015 |
|---|---|---|
| Number of Loans Closed | 5 | 17 |
| Commitments to New Loans *($ in thousands)* | $331,480 | $1,052,548 |
| Funding of New Loans *($ in thousands)* | $269,369 | $781,510 |
| Fixed Rate %/Floating Rate %(1) | 0%/100% | 4%/96% |
| First Mortgage %/Subordinate Loan %(1) | 45%/55% | 35%/65% |
| Weighted Average Loan-to-Value | 57% | 57% |
| Weighted Average Levered IRR(2) | 14% | 15% |
| Funding of Previously Closed Loans *($ in thousands)* | $155,527 | $199,143 |

*(1) Based upon committed amount of loan.*

*(2) 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"), taking into account leverage and 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 (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 above. 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, 2014 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.*

# Commercial Real Estate Debt Portfolio Overview

| Asset Type ($000s) | Amortized Cost | Borrowings | Equity at Cost[1] | Remaining Weighted Average Life (years)[2] | Current Weighted Average Underwritten IRR[3] | Fully-Levered Weighted Average Underwritten IRR[3][4] |
|---|---|---|---|---|---|---|
| First Mortgage Loans | $ 905,681 | $ 301,533 | $ 604,148 | 3.1 | 12.1% | 14.7% |
| Subordinate Loans[5][6] | 926,304 | - | 896,200 | 4.3 | 13.2 | 13.2 |
| CMBS | 512,107 | 433,904 | 108,330 | 1.7 | 16.2 | 16.2 |
| **Investments at September 30, 2015** | **$ 2,344,092** | **$ 735,437** | **$ 1,608,678** | **3.3 Years** | **13.0%** | **13.9%** |

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

*(2) Remaining Weighted Average Life assumes all extension options are exercised.*

*(3) The underwritten IRR for the investments shown in this table reflect the returns underwritten by the Manager, taking into account leverage and 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, 2014 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.*

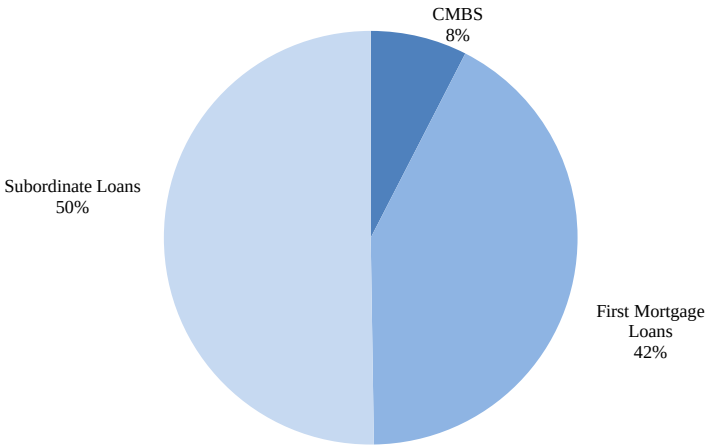
*(4) Represents an underwritten levered weighted average IRR. The Company's ability to achieve the underwritten levered weighted average IRR additionally depends upon the Company re-borrowing under the JPMorgan Facility or any replacement facility with similar terms with regard to its portfolio of first 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.*

*(5) Subordinate loans 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 September 30, 2015, ARI had one such participation sold with a carrying amount of $89,303.*

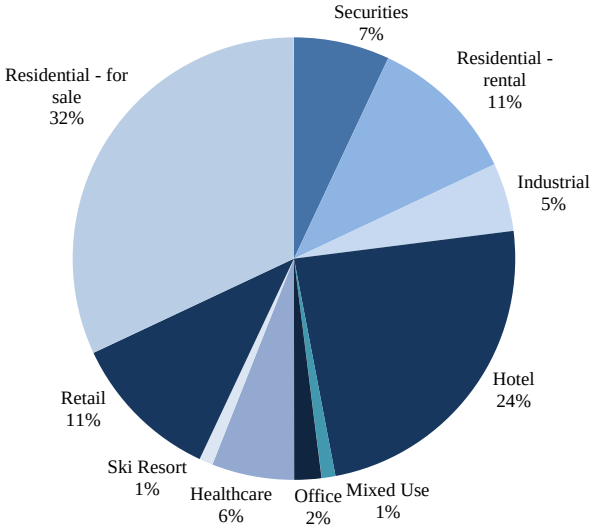
*(6) Subordinate loans also are net of a participation sold during February 2015. The Company presents the participations sold as both assets and non-recourse liabilities because the participation does not qualify as a sale according to GAAP. At September 30, 2015, the Company had one such participation sold with a face amount of £19,900 and a carrying amount of $30,104*

# Commercial Real Estate Debt Portfolio Overview

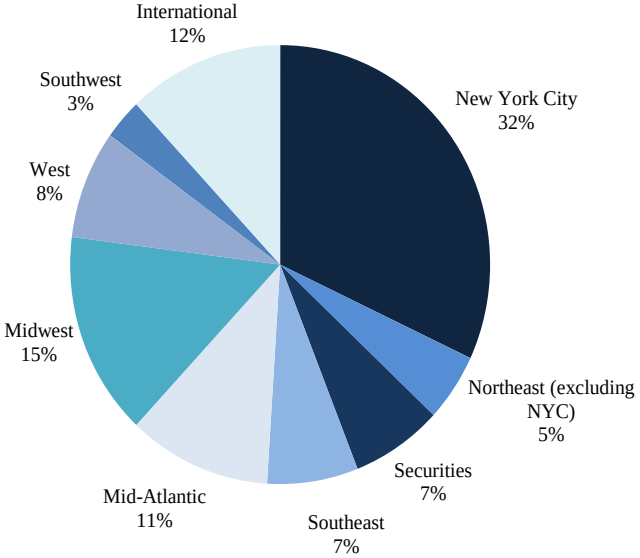
## Net Invested Equity at Amortized Cost Basis[1]




## Property Type by Net Equity



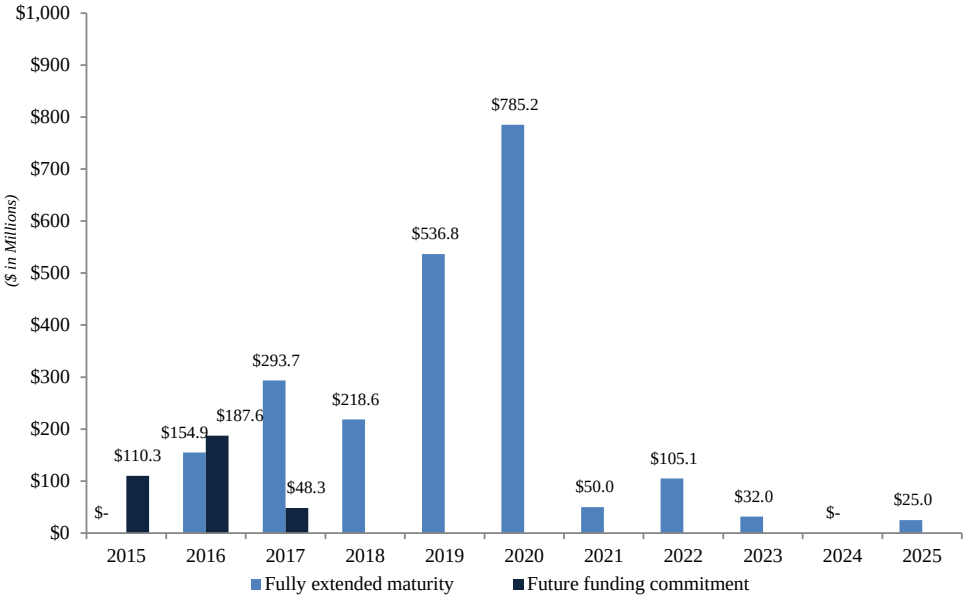

## Geographic Diversification by Net Equity



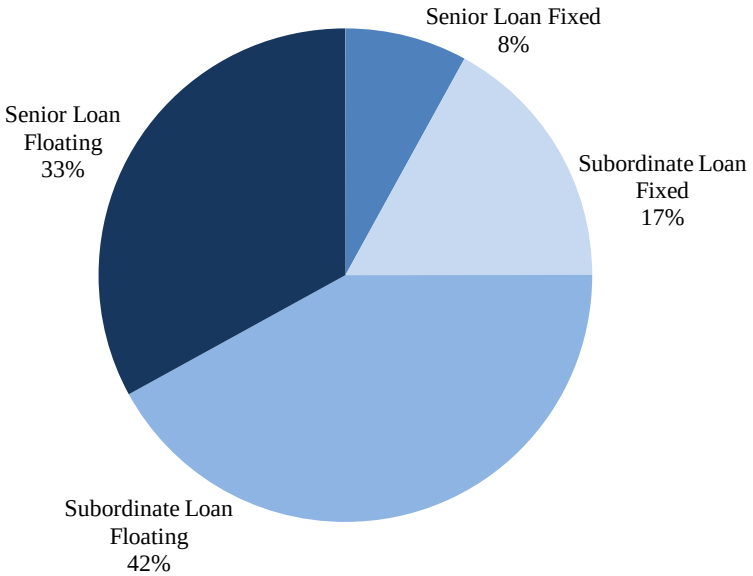

(1) *Subordinate loans include CMBS, held-to-maturity and are net of participations sold of $ 119,407. ARI presents the participations sold as both assets and non-recourse liabilities because the participation does not qualify as a sale according to GAAP.*

# Commercial Real Estate Loan Portfolio – Maturity and Type

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




## Loan Position and Rate Type(1)(3)




## 75% Floating Rate/25% Fixed Rate

*(1) Based upon face amount of loans; Does not include CMBS, but does include CMBS, held-to-maturity.*
*(2) Maturities reflect the fully funded amounts of the loans.*
*(3) Subordinate loans include CMBS, held-to-maturity and are net of participations sold of $119,407. ARI presents the participations sold as both assets and non-recourse liabilities because the participation does not qualify as a sale according to GAAP.*
*(4) Future funding dates are based upon the Manager's projections and are subject to change.*

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

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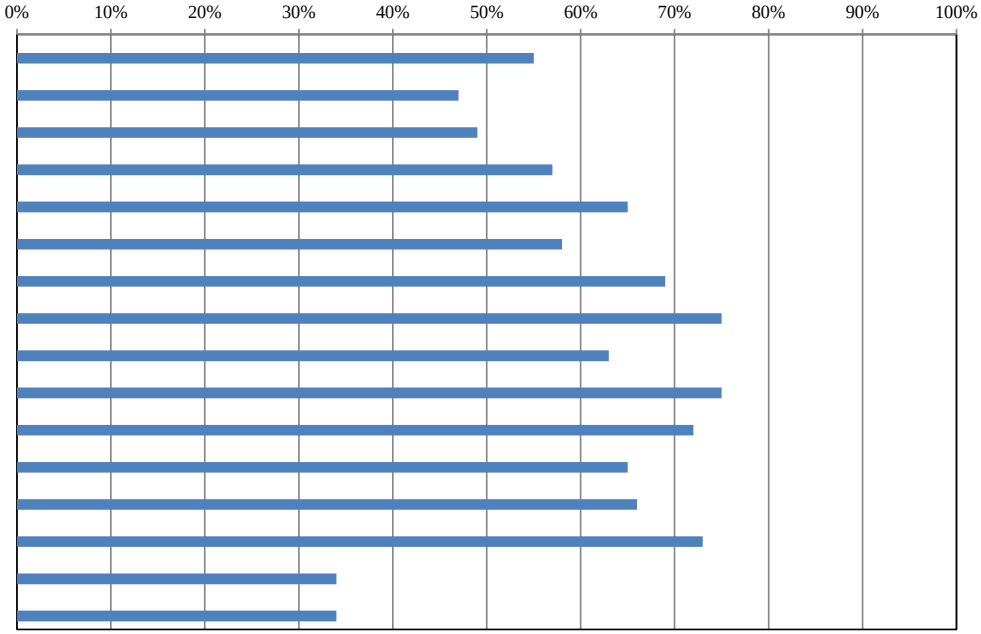
## First Mortgage Loans

| Description ($ in thousands) | Location | Balance at 9/30/2015 | Starting LTV | Ending LTV |
|---|---|---|---|---|
| First Mortgage - Retail | Ohio | $ 128,700 | 0% | 55% |
| First Mortgage - Hotel[1] | New York | $ 97,807 | 0% | 47% |
| First Mortgage - Destination homes | Various | $ 95,984 | 0% | 49% |
| First Mortgage - Retail | New York | $ 85,770 | 0% | 57% |
| First Mortgage - Condo development | Maryland | $ 80,000 | 0% | 65% |
| First Mortgage - Pre-development loan | New York | $ 67,300 | 0% | 58% |
| First Mortgage - Multifamily | North Dakota | $ 55,140 | 0% | 69% |
| First Mortgage - Destination homes | New York/Hawaii | $ 50,000 | 0% | 75% |
| First Mortgage - Hotel portfolio | Various | $ 45,400 | 0% | 63% |
| First Mortgage - Pre-development loan | Florida | $ 45,000 | 0% | 75% |
| First Mortgage - Multifamily | New York | $ 34,500 | 0% | 72% |
| First Mortgage - Hotel | Pennsylvania | $ 34,000 | 0% | 65% |
| First Mortgage - Condo development[2] | Maryland | $ 33,000 | 0% | 66% |
| First Mortgage - Pre-development loan | Florida | $ 33,000 | 0% | 73% |
| First Mortgage - Condo conversion[3] | New York | $ 24,131 | 0% | 34% |
| First Mortgage - Retail[4] | New York | $ 1,653 | 0% | 34% |
| Total/Weighted Average | | $ 911,385 | | 60% |




*(1) This first mortgage loan is for the same property as the $2.5 million NYC hotel mezzanine loan listed on page 11.*
*(2) LTV is based upon the fully committed loan amount of $65.1 million.*
*(3) This first mortgage loan is for the same property as the $11.4 million NYC condo conversion mezzanine loan listed on page 11.*
*(4) This first mortgage loan is for the same property as the $12.3 million NYC retail mezzanine loan listed on page 11.*

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

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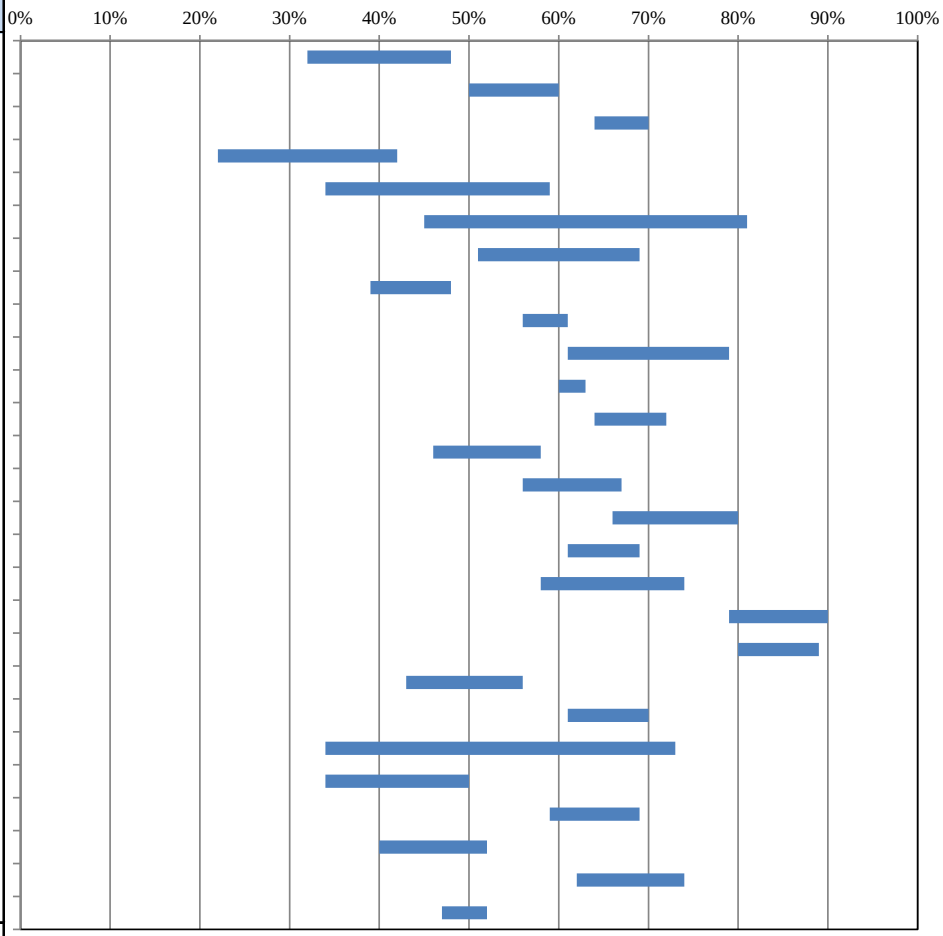
## Subordinate Financings

| Description ($ in thousands) | Location | Balance at 9/30/2015 | Starting LTV | Ending LTV |
|---|---|---|---|---|
| Subordinate - Condo development[1] | New York | $ 84,396 | 32% | 48% |
| Subordinate - Condo development[2] | New York | $ 75,473 | 50% | 60% |
| Subordinate - Hotels | Various | $ 75,000 | 64% | 70% |
| Subordinate - Condo development[3] | New York | $ 73,072 | 22% | 42% |
| Subordinate - Resort Hotel[4] | Aruba | $ 64,581 | 34% | 59% |
| Subordinate - Pre-development loan[5] | London | $ 52,024 | 45% | 81% |
| Subordinate - Healthcare portfolio[6] | UK | $ 51,958 | 51% | 69% |
| Subordinate - Condo conversion | New York | $ 50,764 | 39% | 48% |
| Subordinate - Healthcare portfolio | Various | $ 45,588 | 56% | 61% |
| Subordinate - Industrial portfolio | New York | $ 45,000 | 61% | 79% |
| Subordinate - Condo development[2] | New York | $ 30,000 | 60% | 63% |
| Subordinate - Industrial portfolio | Various | $ 32,000 | 64% | 72% |
| Subordinate - Hotel | Arizona | $ 25,000 | 46% | 58% |
| Subordinate - Hotel portfolio | Minnesota | $ 24,261 | 56% | 67% |
| Subordinate - Multifamily[7] | Florida | $ 22,000 | 66% | 80% |
| Subordinate - Hotel | Washington D.C. | $ 20,000 | 61% | 69% |
| Subordinate - Hotel | California | $ 20,000 | 58% | 74% |
| Subordinate - Multifamily/Condo/Hotel | Various | $ 19,500 | 79% | 90% |
| Preferred Equity - Multifamily[7] | Florida | $ 15,500 | 80% | 89% |
| Subordinate - Ski resort | Montana | $ 15,000 | 43% | 56% |
| Subordinate - Office | New York | $ 14,000 | 61% | 70% |
| Subordinate - Retail[8] | New York | $ 12,347 | 34% | 73% |
| Subordinate - Condo conversion[9] | New York | $ 11,437 | 34% | 50% |
| Subordinate - Office | Missouri | $ 9,604 | 59% | 69% |
| Subordinate - Office | Michigan | $ 8,769 | 40% | 52% |
| Subordinate - Mixed-use | North Carolina | $ 6,525 | 62% | 74% |
| Subordinate - Hotel[10] | New York | $ 2,562 | 47% | 52% |
| Total/Weighted Average | | $ 906,361 | | 63% |




(1) *LTV is based upon the fully funded loan amount of $60 million plus PIK interest.*
(2) *LTV is based upon the fully committed loan amount of $105 million; Both loans are secured by the same property. The $30 million loan is structured as a corporate loan and has additional collateral.*
(3) *LTV is based upon the fully funded loan amount of $275 million.*
(4) *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 September 30, 2015, this participation sold had a carrying amount of $89,303.*
(5) *Based upon £31.2 face amount plus PIK converted to USD based upon the conversion rate on September 30, 2015.*
(6) *Based upon £34.4 face amount converted to USD based upon the conversion rate on September 30, 2015, net of participation sold of $30,104.*
(7) *Mezzanine loan and preferred equity are secured by the same portfolio of properties.*
(8) *Loan is for the same property as the $1.6 million NYC retail first mortgage loan listed on page 10.*
(9) *Loan is for the same property as the $24.1 million NYC condo conversion first mortgage loan listed on page 10. LTV for the mezzanine loan is based upon the fully committed amount of $29.4 million plus PIK interest.*
(10) *Loan is for the same property as the $97.8 million NYC hotel first mortgage loan listed on page 10.*

# CMBS Portfolio[1]

| CUSIP | Description |
|---|---|
| 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 |
| 61756UAJ0 | MSC 2007-1Q16 AJ |
| 46629YAH2 | JPMCC 2007-CB18AJ |
| 173311QAE0 | CGCMT 2007-C6 AJFX |

| 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 |

| | Face | Amortized Cost | Remaining Weighted Average Life with Extensions (years) | Estimated Fair Value | Debt | Net Equity at Cost[2] |
|---|---|---|---|---|---|---|
| **CMBS – Total** | **$ 520,883** | **$ 512,107** | **1.7 Years** | **$ 512,485** | **$ 433,904** | **$ 108,330** |

*(1) Does not include CMBS, held-to-maturity.*
*(2) Includes $30.1 million of restricted cash related to the UBS Facility*

# Portfolio Metrics – Quarterly Migration Summary

| Portfolio Metrics ($ in thousands) | Q3 2015 | Q2 2015 | Q1 2015 | Q4 2014 | Q3 2014 |
|---|---|---|---|---|---|
| **(Investment balances represent amortized cost)** | | | | | |
| First Mortgage Loans | $ 905,681 | $ 704,040 | $ 563,390 | $ 458,520 | $ 369,924 |
| Subordinate Loans[1] | 926,304 | 894,926 | 736,838 | 625,881 | 650,084 |
| CMBS | 512,107 | 511,412 | 510,740 | 534,222 | 511,445 |
| *Total Investments* | $ 2,344,092 | $ 2,110,378 | $ 1,810,968 | $ 1,618,623 | $ 1,531,453 |
| **(Investment balances represent net equity, at cost)** | | | | | |
| First Mortgage Loans | $ 604,148 | $ 275,205 | $ 421,862 | $ 290,396 | $ 247,202 |
| Subordinate Loans[1] | 896,200 | 847,968 | 707,201 | 625,881 | 650,084 |
| CMBS | 108,330 [4] | 107,635 [4] | 106,963 [4] | 110,279 [4] | 99,988 [4] |
| *Net Equity in Investments at Cost* | $ 1,608,678 | $ 1,230,808 | $ 1,236,026 | $ 1,026,556 | $ 997,274 |
| Levered Weighted Average Underwritten IRR[2] | 13.9% [5] | 14.6% [5] | 14.2% [5] | 13.4% [5] | 13.7% [5] |
| Weighted Average Duration | 3.3 Years | 3.1 Years | 3.0 Years | 3.2 Years | 3.0 Years |
| Loan Portfolio Weighted Average Ending LTV[3] | 61.0% | 62.0% | 62.0% | 62.0% | 58.0% |
| Borrowings Under Repurchase Agreements | $ 735,437 | $ 878,352 | $ 575,433 | $ 622,194 | $ 537,766 |
| Convertible Senior Notes | $ 247,736 | $ 247,305 | $ 246,881 | $ 246,464 | $ 246,054 |
| Debt-to-Common Equity | 0.9x [6] | 1.2x [6] | 0.9x [6] | 1.2x [6] | 1.1x [6] |

*(1) Subordinate loans include CMBS, held-to-maturity and are net of participations sold of $119,407. ARI presents the participations sold as both assets and non-recourse liabilities because the participation does not qualify as a sale according to GAAP.*

*(2) The underwritten IRR for the investments shown in this presentation reflect the returns underwritten by the Manager, taking into account leverage and 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, 2014 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*

*(3) Does not include CMBS.*

*(4) Includes $30.1 million of restricted cash related to the UBS Facility.*

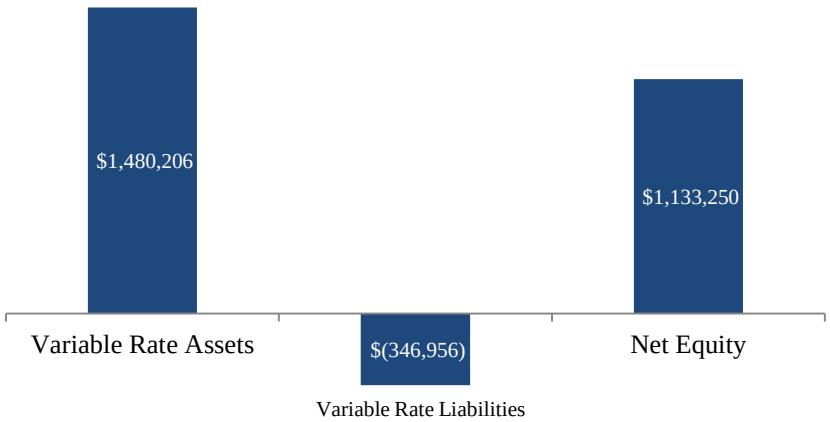
*(5) Represents an underwritten levered weighted average IRR. The Company's ability to achieve the underwritten levered weighted average IRR additionally depends upon the Company re-borrowing under the JPMorgan Facility or any replacement facility with similar terms with regard to its portfolio of first 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.*

*(6) Net of participations sold.*

# Financing Overview and Interest Rate Sensitivity

| Facility ($000s) | Debt Balance | Weighted Average Remaining Maturity[1] | Weighted Average Rate |
|---|---|---|---|
| UBS Facility | $ 133,899 | 3.0 Years | 2.8% |
| Deutsche Bank Facility | 300,005 | 2.5 Years | 3.7 |
| JPMorgan Facility | 253,481 | 2.3 Years | 2.5 |
| Goldman Sachs Loan | 48,052 | 3.6 Years | 3.7 |
| **Total Borrowings at September 30, 2015** | **$ 735,437** | **2.5 Years** | **3.0%** |

## Variable Rate Investments & Liabilities




**ARI anticipates a 0.5% increase in LIBOR results in approximately a $0.08 per diluted share of common stock increase in Operating Earnings annually[2]**

(1) *Assumes extension options on the UBS Facility are exercised.*

(2) *Based upon the Company's portfolio as of September 30, 2015, any such hypothetical impact on interest rates on the Company's variable rate borrowings does not consider the effect of any change in overall economic activity that could occur in a rising interest rate environment. Further, in the event of a change in interest rates of that magnitude, the Company may take actions to further mitigate the Company's exposure to such a change. However, due to the uncertainty of the specific actions that would be taken and their possible effects, this analysis assumes no changes in the Company's financial structure.*

# Financials

# Consolidated Balance Sheets

| *(in thousands—except share and per share data)* | September 30, 2015 | December 31, 2014 |
|---|---|---|
| **Assets:** | (Unaudited) | |
| Cash | $ 20,158 | $ 40,641 |
| Restricted cash | 30,127 | 30,127 |
| Securities available-for-sale, at estimated fair value | - | 17,105 |
| Securities, at estimated fair value | 512,485 | 522,730 |
| Securities, held-to-maturity | 153,799 | 154,283 |
| Commercial mortgage loans, held for investment | 905,681 | 458,520 |
| Subordinate loans, held for investment | 861,808 | 561,182 |
| Investment in unconsolidated joint venture | 20,183 | 37,016 |
| Derivative assets | 246 | 4,070 |
| Interest receivable | 14,424 | 10,829 |
| Deferred financing costs, net | 8,125 | 7,444 |
| Other assets | 767 | 1,200 |
| Total Assets | $ 2,527,803 | $ 1,845,147 |
| | | |
| **Liabilities and Stockholders' Equity** | | |
| **Liabilities:** | | |
| Borrowings under repurchase agreements | $ 735,437 | $ 622,194 |
| Convertible senior notes, net | 247,736 | 246,464 |
| Participations sold | 119,407 | 89,584 |
| Accounts payable and accrued expenses | 4,668 | 7,578 |
| Payable to related party | 4,100 | 3,240 |
| Dividends payable | 32,060 | 21,018 |
| Total Liabilities | 1,143,408 | 990,078 |
| | | |
| Stockholders' Equity: | | |
| Preferred stock, $0.01 par value, 50,000,000 shares authorized: | | |
| Series A Preferred stock, 3,450,000 shares issued and outstanding ($86,250 aggregate liquidation preference) in 2015 and 2014 | 35 | 35 |
| Series B Preferred stock, 8,000,000 shares issued and outstanding ($200,000 aggregate liquidation preference) in 2015 | 80 | - |
| Common stock, $0.01 par value, 450,000,000 shares authorized 67,145,252 and 46,900,442 shares issued and outstanding in 2015 and 2014, respectively | 671 | 469 |
| Additional paid-in-capital | 1,408,448 | 868,035 |
| Retained earnings (accumulated deficit) | (22,225) | (10,485) |
| Accumulated other comprehensive loss | (2,614) | (2,985) |
| Total Stockholders' Equity | 1,384,395 | 855,069 |
| Total Liabilities and Stockholders' Equity | $ 2,527,803 | $ 1,845,147 |

# Consolidated Statements of Operations

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | **September 30, 2015** | **September 30, 2014** | **September 30, 2015** | **September 30, 2014** |
| **Net interest income:** | | | | |
| Interest income from securities | $ 8,293 | $ 6,129 | $ 24,846 | $ 12,914 |
| Interest income from securities, held to maturity | 2,956 | 2,219 | 9,050 | 2,219 |
| Interest income from commercial mortgage loans | 15,184 | 8,025 | 37,246 | 18,475 |
| Interest income from subordinate loans | 25,445 | 18,983 | 65,206 | 51,951 |
| Interest expense | (13,187) | (8,786) | (36,287) | (15,802) |
| **Net interest income** | **38,691** | **26,570** | **100,061** | **69,757** |
| **Operating expenses:** | | | | |
| General and administrative expenses (includes $756 and $2,695 of equity-based compensation in 2015 and $308 and $1,096 in 2014, respectively) | (2,099) | (1,434) | (6,512) | (4,355) |
| Management fees to related party | (4,097) | (3,193) | (11,325) | (8,725) |
| **Total operating expenses** | **(6,196)** | **(4,627)** | **(17,837)** | **(13,080)** |
| Income from unconsolidated joint venture | 108 | (88) | 495 | (88) |
| Interest income from cash balances | 239 | 21 | 252 | 26 |
| Realized loss on sale of securities | - | - | (443) | - |
| Unrealized gain on securities | (6,926) | (2,147) | (5,792) | 4,787 |
| Foreign currency gain | (2,165) | (3,596) | 3,424 | (2,637) |
| Loss on derivative instruments | 2,096 | 3,026 | (4,144) | 1,933 |
| **Net income** | **$ 25,847** | **$ 19,159** | **$ 76,016** | **$ 60,698** |
| Preferred dividends | (2,304) | (1,860) | (6,023) | (5,580) |
| **Net income available to common stockholders** | **$ 23,543** | **$ 17,299** | **$ 69,993** | **$ 55,118** |
| | | | | |
| Basic and diluted net income per share of common stock | $ 0.39 | $ 0.37 | $ 1.24 | $ 1.30 |
| | | | | |
| Basic weighted average shares of common stock outstanding | 59,355,613 | 46,848,675 | 55,818,731 | 42,332,380 |
| | | | | |
| Diluted weighted average shares of common stock outstanding | 59,934,008 | 47,068,929 | 56,415,082 | 42,538,744 |
| | | | | |
| Dividend declared per share of common stock | $ 0.44 | $ 0.40 | $ 1.32 | $ 1.20 |

# Reconciliation of Operating Earnings to Net Income

| | Three Months Ended | | | |
|---|---|---|---|---|
| | September 30, 2015 | Earnings Per Share (Diluted) | September 30, 2014 | Earnings Per Share (Diluted) |
| **Operating Earnings:** | | | | |
| **Net income available to common stockholders** | **$ 23,543** | **$ 0.39** | **$17,299** | **$ 0.37** |
| Adjustments: | | | | |
| Equity-based compensation expense | 756 | 0.01 | 308 | 0.01 |
| Unrealized loss on securities | 6,926 | 0.12 | 2,147 | 0.04 |
| Unrealized (gain) on derivative instruments | (2,096) | (0.04) | (3,026) | (0.07) |
| Foreign currency loss | 2,165 | 0.04 | 3,596 | 0.08 |
| Amortization of convertible senior notes related to equity reclassification | 556 | 0.01 | 356 | 0.01 |
| Income from unconsolidated joint venture | (108) | - | 88 | - |
| Total adjustments: | 8,199 | 0.14 | 3,469 | 0.07 |
| **Operating Earnings** | **$ 31,742** | **$ 0.53** | **$ 20,768** | **$ 0.44** |
| Basic weighted average shares of common stock outstanding | | 59,355,613 | | 46,848,675 |
| Diluted weighted average shares of common stock outstanding | | 59,934,008 | | 47,068,929 |

| | Nine Months Ended | | | |
|---|---|---|---|---|
| | September 30, 2015 | Earnings Per Share (Diluted) | September 30, 2014 | Earnings Per Share (Diluted) |
| **Operating Earnings:** | | | | |
| **Net income available to common stockholders** | **$ 69,993** | **$ 1.24** | **$ 55,118** | **$ 1.30** |
| Adjustments: | | | | |
| Equity-based compensation expense | 2,695 | 0.05 | 1,096 | 0.03 |
| Unrealized (gain)/loss on securities | 5,792 | 0.10 | (4,787) | (0.11) |
| Unrealized (gain)/loss on derivative instruments | 4,144 | 0.07 | (1,933) | (0.05) |
| Foreign currency (gain)/loss | (3,424) | (0.06) | 2,637 | 0.06 |
| Amortization of convertible senior notes related to equity reclassification | 1,642 | 0.03 | 586 | 0.01 |
| Income from unconsolidated joint venture | (495) | (0.01) | 88 | - |
| Total adjustments: | 10,354 | 0.18 | (2,313) | (0.06) |
| **Operating Earnings** | **$ 80,347** | **$ 1.42** | **$ 52,805** | **$ 1.24** |
| Basic weighted average shares of common stock outstanding | | 55,818,731 | | 42,322,380 |
| Diluted weighted average shares of common stock outstanding | | 56,415,082 | | 42,538,744 |

# Financial Metrics – Quarterly Migration Summary

| Financial Metrics<br>($ in thousands, except per share data) | Q3 2015 | Q2 2015 | Q1 2015 | Q4 2014 | Q3 2014 |
|---|---|---|---|---|---|
| Net Interest Income | $ 38,691 | $ 32,817 | $ 28,554 | $ 27,049 | $ 26,570 |
| Management Fee | 4,097 | 3,887 | 3,341 | 3,236 | 3,193 |
| General and Administrative Costs | 1,343 | 1,238 | 1,238 | 1,315 | 1,126 |
| Non-Cash Stock Based Compensation | 756 | 821 | 1,117 | 481 | 308 |
| Net Income Available to Common Stockholders | $ 23,543 | $ 22,798 | $ 23,653 | $ 20,182 | $ 17,299 |
| GAAP Diluted EPS | $ 0.39 | $ 0.39 | $ 0.47 | $ 0.43 | $ 0.37 |
| Operating Earnings[(1)] | $ 31,742 | $ 26,385 | $ 22,222 | $ 21,179 | $ 20,768 |
| Operating Diluted EPS[(1)] | $ 0.53 | $ 0.45 | $ 0.44 | $ 0.45 | $ 0.44 |
| Distributions Declared to Common Stockholders | $ 0.44 | $ 0.44 | $ 0.44 | $ 0.40 | $ 0.40 |
| GAAP Book Value per Share of Common Stock | $ 16.35 | $ 16.41 | $ 16.44 | $ 16.39 | $ 16.42 |
| Total Stockholders' Equity | $ 1,384,395 | $ 1,044,844 | $ 1,046,482 | $ 855,069 | $ 855,686 |
| Diluted weighted average shares of common stock outstanding | 59,934,008 | 59,022,217 | 50,171,687 | 47,085,617 | 47,068,929 |
| Return on Common Equity Based on Operating Earnings[(2)] | 12.8% | 11.0% | 10.9% | 11.0% | 10.8% |

(1) *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 available to common stockholders, (iii) unrealized income from unconsolidated joint ventures, (iv) foreign currency gains/losses, and (v) the non-cash amortization expense related to the reclassification of a portion of the convertible senior notes to stockholders' equity in accordance with GAAP. Please see slide 18 for a reconciliation of Operating Earnings and Operating Earnings per Share to GAAP Net Income and GAAP Net Income per share.*

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