Investor Presentation

November 2016

Information is as of September 30, 2016 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.

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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 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.

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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, which management believes are relevant to assessing the Company's financial performance. Please refer to the footnote on slide 18 for a definition of "Operating Earnings" and the reconciliation of "Operating Earnings" to the applicable GAAP financial measure set forth on slides 24 and 25.

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Additional Information and Where to Find It

Copies of the documents filed by ARI with the SEC are available free of charge from the website of the SEC at www.sec.gov as well as on ARI's website at www.apolloreit.com.

This document is for informational purposes only and shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the securities laws of any such jurisdiction.

Company Overview

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COMMERCIAL REAL ESTATE FINANCE

Mortgage REIT with a Seven-Year Track Record as an Innovative, Creative Global CRE Debt Provider

Overview	➢ Equity capitalization - **$1.8 billion**(1) ➢ Book value per common share - **$15.94** ➢ Price/Book – **1.05x**(2)
Experienced Team within Apollo Platform	➢ First call relationships with real estate owners and operators, senior lenders and brokers ➢ Full-scale commercial real estate debt investing platform that has deployed **$12.1 billion** of capital since 2009, **$1.6 billion** of which was deployed in the first nine months of 2016
Stable and Diverse Investment Portfolio	➢ **$2.7 billion** commercial real estate debt portfolio with a **13.3%** fully levered internal rate of return ("IRR")(3) ➢ Weighted average loan-to-value ("LTV") of **64%** at September 30, 2016
Attractive and Steady Dividend	➢ **$1.84** annual dividend ➢ **10.9%** dividend yield(4) ➢ **94%** dividend payout ratio in 2015, based upon Operating Earnings
Well Positioned for Rising Interest Rates	➢ **88%** of loans in the portfolio have a floating interest rate, based upon face amount ➢ 50 basis point increase in LIBOR would result in approximately a **$0.07** per diluted share of common stock increase in Operating Earnings(5) annually(6) ➢ Debt-to-common equity ratio of **1.0x**(7)

See footnotes on page 18

Acquisition of Apollo Residential Mortgage, Inc. (AMTG)

- On August 31, 2016, ARI completed the acquisition of AMTG for **89.25%** of AMTG's book value
- AMTG stockholders received **$6.86**/share in cash and ~**0.417** shares of ARI common stock per share of AMTG common stock
- ARI assumed **$172.5 million** of AMTG's **8.0%** Series A Cumulative Redeemable Perpetual Preferred Stock
- ARI issued **13.4 million** shares of common stock at $**16.75**/share, an ~ **8%** premium to book value(8) and ~ **3%** premium to the closing price(9) on August 31, 2016
- At closing, Athene acquired **$1.1 billion** of AMTG's non-Agency residential mortgage backed securities ("RMBS") and small-balance commercial MBS
- As of September 30, 2016, ARI liquidated ~ **98%** of the ~ **$2.8 billion** AMTG asset portfolio

Apollo Commercial Real Estate Finance + Apollo Residential Mortgage =

Merger Generated ~ $400 Million of Investable Capital

Capital Raised ~ 3.5% Accretive to ARI's Pre-Acquisition Book Value per Share(10)

See footnotes on page 18

Agenda

1. **Commercial Real Estate Market Overview**
2. ARI Strategy and Portfolio Overview
3. Financial Overview

Macro Environment Continues to Create Compelling Opportunities

Economic Backdrop Supportive of Real Estate Fundamentals	➢ Fueled by job growth and positive consumer sentiment, real estate operating fundamentals have continued to show modest improvement[(11)] ➢ Supply has been limited in most markets and asset classes[(12)]; pipelines are still subdued[(11)]
Steady Capital Flows into Real Estate	➢ Increased capital availability for U.S. properties and attractive property yields have continued to benefit U.S. CRE transaction volume[(13)] ➢ Investor demand and stable operating fundamentals are some of the factors we believe are driving CRE pricing gains. For many markets and property types, prices have surpassed prior peaks
What Will Drive Compelling Lending Opportunities?	➢ More than $1.1 trillion of debt is maturing over the next three years[(14)] ➢ About half of near-term CMBS loan maturities have debt yields below 9%, which will generate opportunities for mezzanine lenders[(15)] ➢ Despite prolonged recovery, many lenders are maintaining their discipline with respect to underwriting. Commercial real estate CDO and CLO issuance is benign, which has limited the overall leverage of the industry[(16)] ➢ Recent capital markets volatility as well as forthcoming regulation has tempered the CMBS markets, which creates opportunities for non-bank lenders ➢ We believe pricing from balance sheet lenders on senior mortgages continues to be low, which allows borrowers to layer in mezzanine debt at an attractive blended rate

See footnotes on page 18

CRE Debt Market Overview

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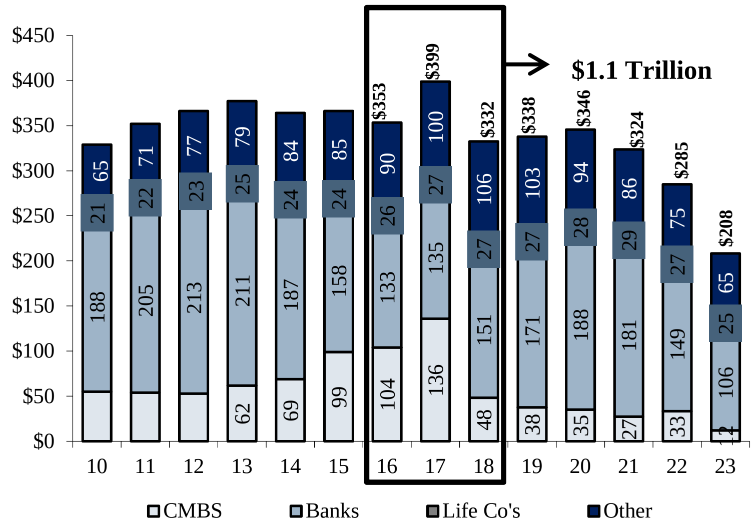
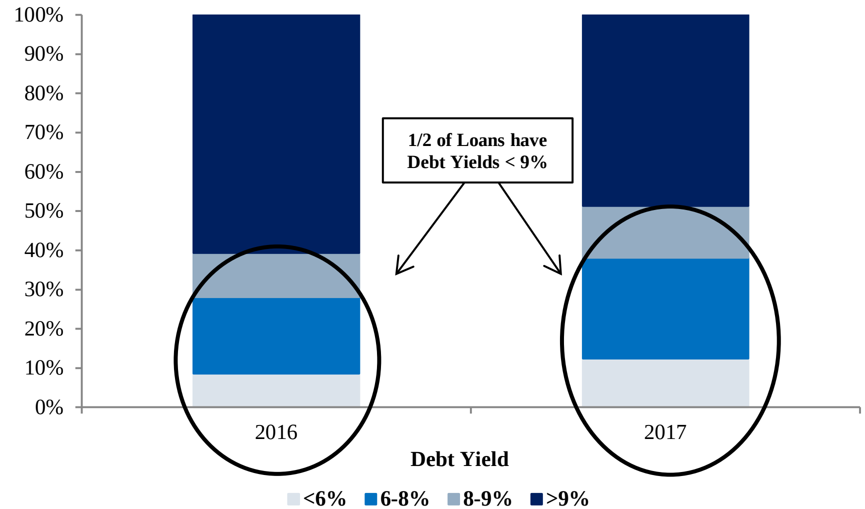
The Pending Maturity Wall and the CMBS Market Volatility are Creating Lending Opportunities

CRE Loan Maturities[14]

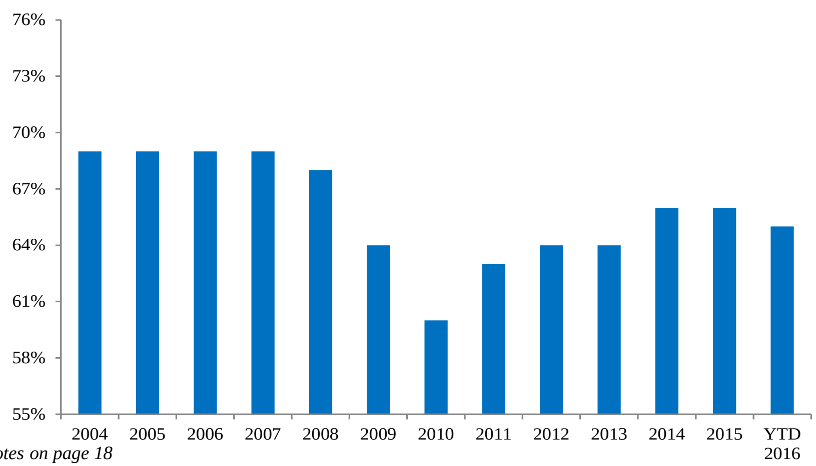


$250B in CMBS Set to Mature 2016-2018[15]

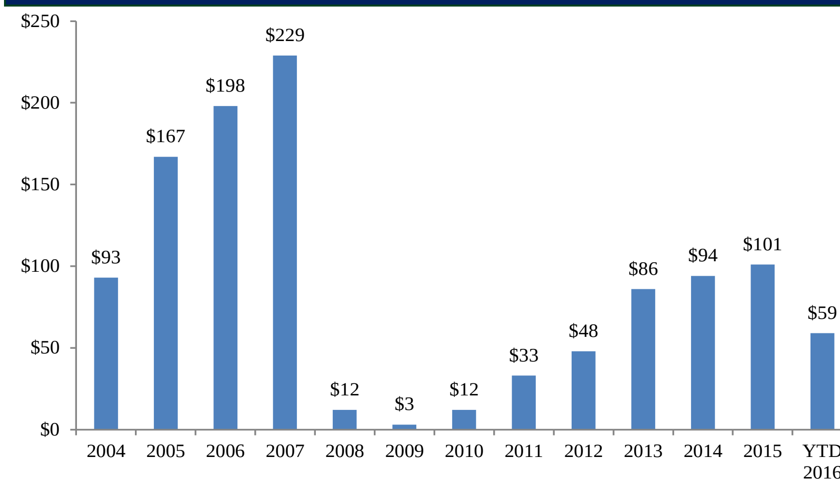


At the Same Time, Credit Quality is Stable and Overall Leverage is Limited

Average Loan-to-Value Remains Below Prior Peaks[17]



U.S. CMBS Issuance is Muted[16]



See footnotes on page 18

Who is Buying CRE and Who is Financing CRE

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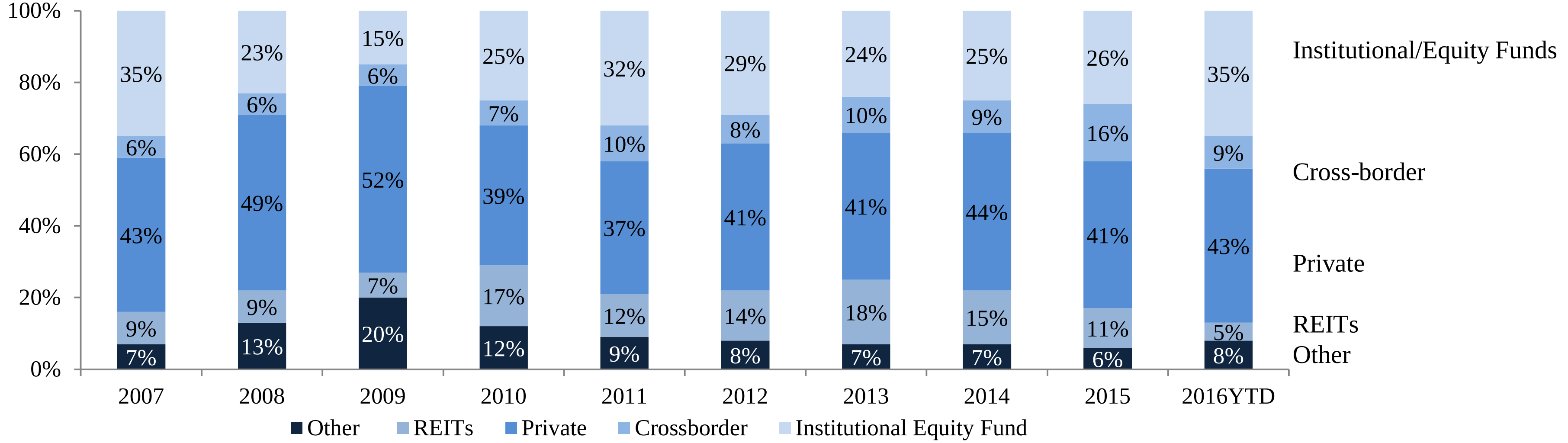
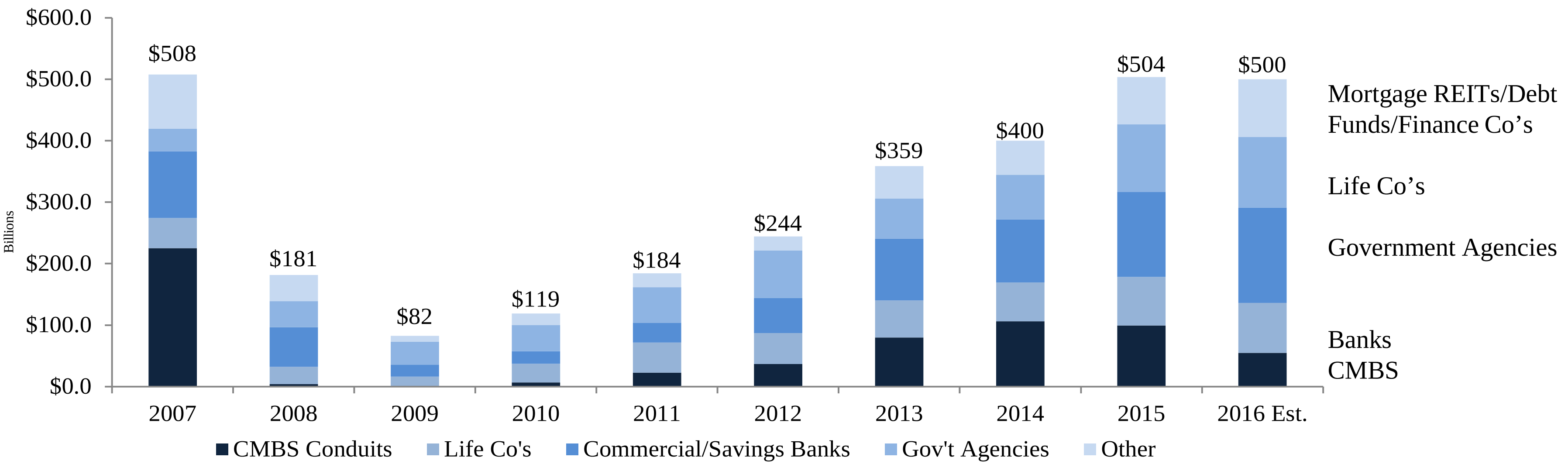
U.S. Sales Volume – Buyer Composition of U.S. Real Estate[18]



Debt Originations[19]



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Lending Strategy

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ARI's Direct Origination Platform Offers First Mortgage and Subordinate Loans Across a Broad Spectrum of Property Types

First Mortgage Loans

- First mortgages on stabilized, cash-flowing commercial properties or transitional properties
- LTV generally from 0% up to 65%
- Fixed or floating rate
- All commercial property types throughout North America and Europe

Subordinate Loans

- Subordinate financing (mezzanine loans or preferred equity) on stabilized, cash-flowing commercial properties or transitional properties
- LTV generally from ~50% up to ~75%
- Fixed or floating rate
- All commercial property types throughout North America and Europe

Directly Originate with Borrower or Co-Originate with Senior Lender → **Underwrite and Structure** → **Pro-Actively Asset Manage**

$105M M mezz loan
NYC condo construction
~ 13% IRR(3); 60% LTV

$220 MM whole loan
Miami retail assemblage
~ 16% IRR(3); 68% LTV

$152MM whole loan
NYC Hotel redevelopment
~ 14% IRR(3); 52% LTV

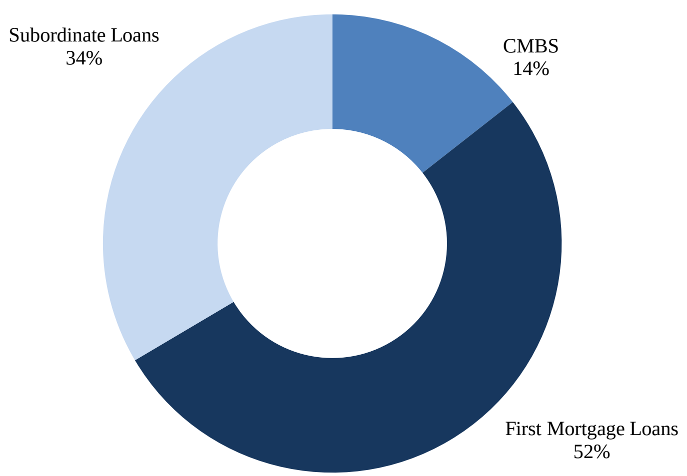
$133 MM whole loan
Chicago mixed use
~ 14% IRR(3); 65% LTV

See footnotes on page 18; IRRs for whole loans are levered IRRs.

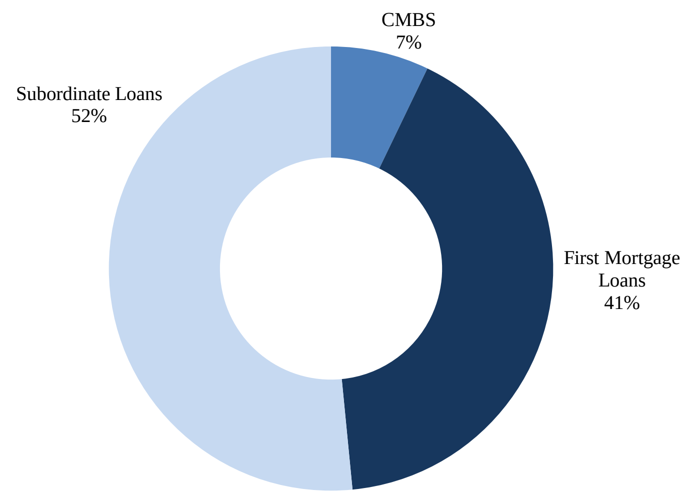
Portfolio Overview

Asset Type ($000s)	Amortized Cost	Borrowings	Equity at Cost[20]	Remaining Weighted Average Life (years)[21]	Current Weighted Average Underwritten IRR[3]	Fully-Levered Weighted Average Underwritten IRR[3][22]	CMBS IRR Since Investment Date[23]
First Mortgage Loans	$ 1,426,990	$ 690,882	$ 736,108	2.5	13.0%	15.6%	NA
Subordinate Loans[24][25]	918,480	-	918,480	3.4	12.4	12.4	NA
CMBS	395,160	330,155	127,329	2.0	6.2	6.2	**10.7%**
Investments at September 30, 2016	**$ 2,740,630**	**$ 1,021,037**	**$ 1,781,917**	**2.7 Years**	**12.2%**	**13.3%**	

Gross Assets at Amortized Cost Basis



Net Invested Equity at Amortized Cost Basis[26]



See footnotes on page 18

Portfolio Diversification

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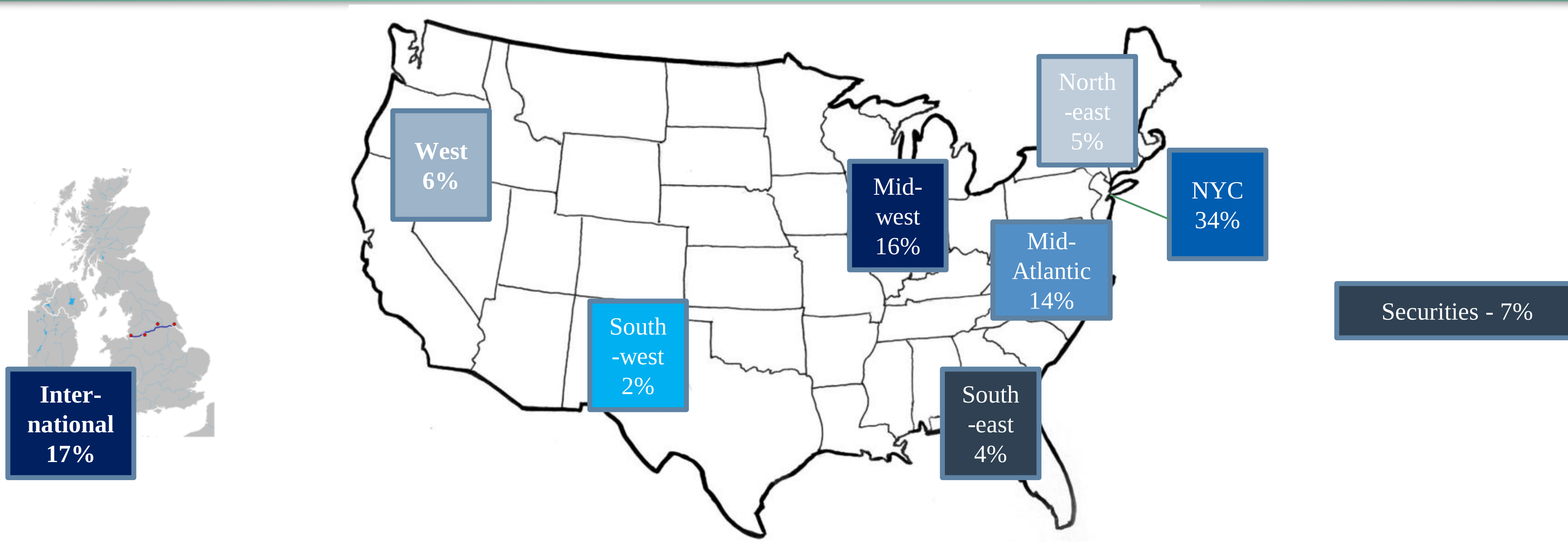
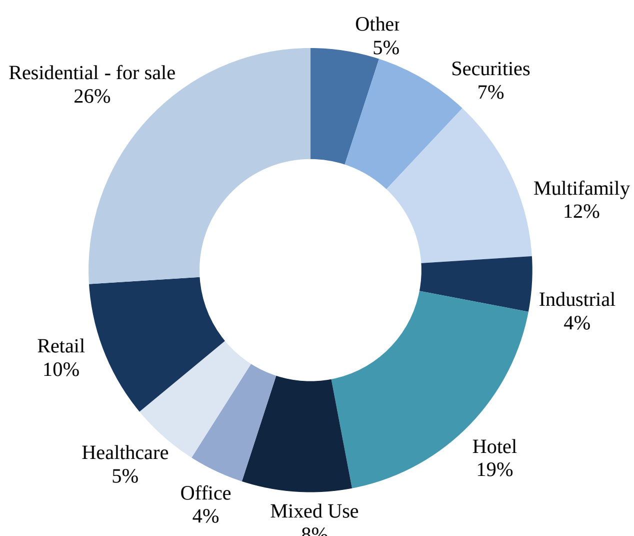
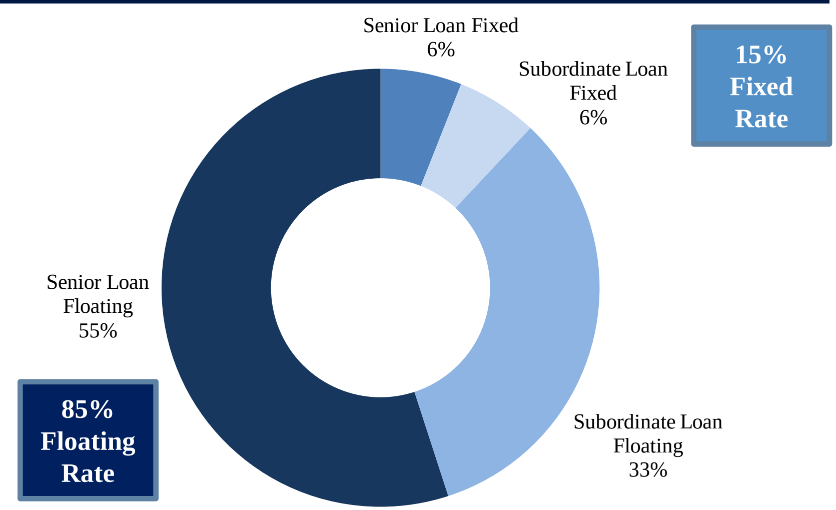


Property Type by Net Equity



Loan Position and Rate Type(26)(27)

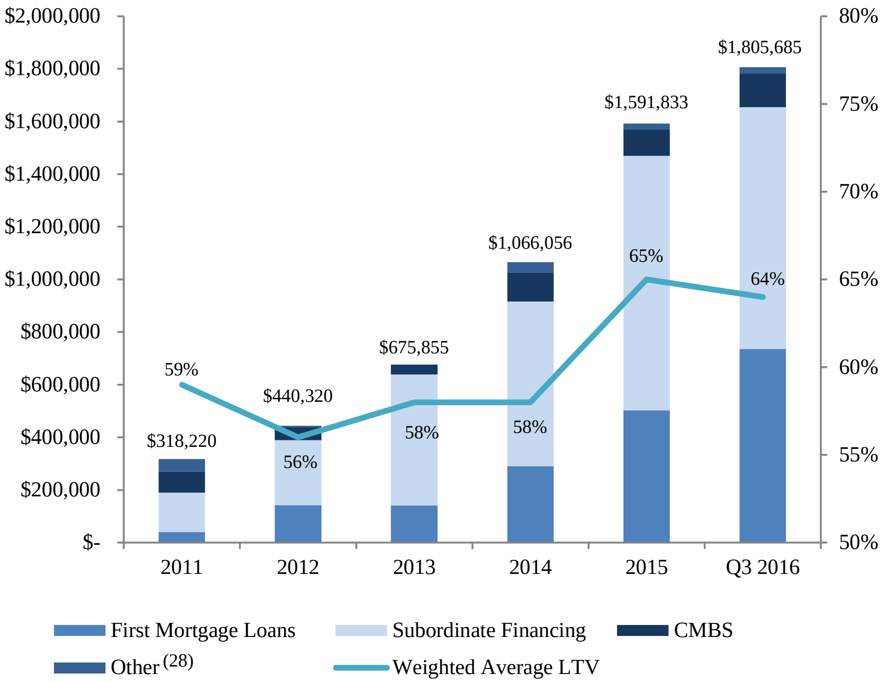


See footnotes on page 18

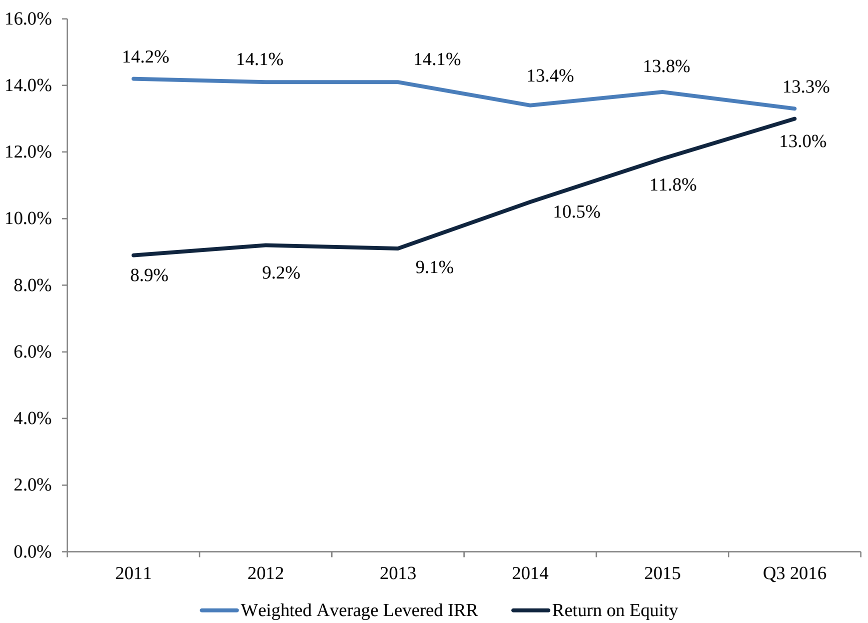
Portfolio Evolution with Consistent Returns

ARI has shifted its portfolio composition to capitalize on market opportunities and generate attractive, risk-adjusted returns, which have remained constant at the corporate and investment level

Net Equity Invested



Weighted Average Levered IRR and Return on Equity [(3)(29)]



Past performance is not indicative nor a guarantee of future results. See footnotes on page 18

Agenda

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Capital Structure

Secured Credit Facilities
$1.0 Billion Outstanding
3.0% W/A Rate

Facility ($000s)		Maximum Size		Outstanding Balance	Maturity[30]	W/A Rate[31]
Loans						
JP Morgan[32]	$	943,000	$	648,086	Jan-19	L+2.26%
Goldman Sachs				42,796	Apr-19	L+3.50%
Deutsche Bank		300,000		-	Sep-19	N/A
Subtotal	**$**	**1,243,000**	**$**	**690,882**		**L+2.33%**
Securities						
UBS			$	133,899	Sep-18	2.79%
Deutsche Bank CMBS				196,256	Apr-18	3.66%
Subtotal			**$**	**330,155**		**3.31%**
Total Borrowings at September 30, 2016[33]			**$**	**1,013,162**		**3.01%**

5.50% Convertible Notes
$249 Million

- Convertible to common stock – conversion ratio of 56.5584 ($17.68 effective conversion price)
- Matures in May 2019

Series A, Series B & Series C Cumulative Redeemable Perpetual Preferred Stock
$458.8 Million

- Series A – publicly sold in July 2012; 8.625% rate, callable August 1, 2017
- Series B – privately placed in September 2015; 8.00% rate, callable September 2020
- Series C – assumed from AMTG transaction in August 2016, originally issued in September 2012; 8.00% rate, callable September 20, 2017

Common Stock
$1.3 Billion

- 80,802,311 shares issued and outstanding at September 30, 2016
- 10.9% dividend yield[4]

Debt to Common Equity Ratio[7]: 1.0x
Fixed Charge Coverage: 2.2x

See footnotes on page 18

Innovative Capital Raising

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Private Placement

~$50 million of common stock at book value when common shares were trading at .97x book value

Preferred Stock

~$86.3 million public offering of 8.625% Series A Cumulative Redeemable Perpetual Preferred Stock

Convertible Notes

Two offerings of **~$255 million** of 5.50% Convertible Senior Unsecured Notes

Private Placement

~$350 million of common and 8.0% preferred stock with a sovereign wealth fund

AMTG Merger

~$400 million of capital from common stock issuance at 1.08x book value and assumption of 8.0% preferred stock

2011 2012 2014 2015 2016

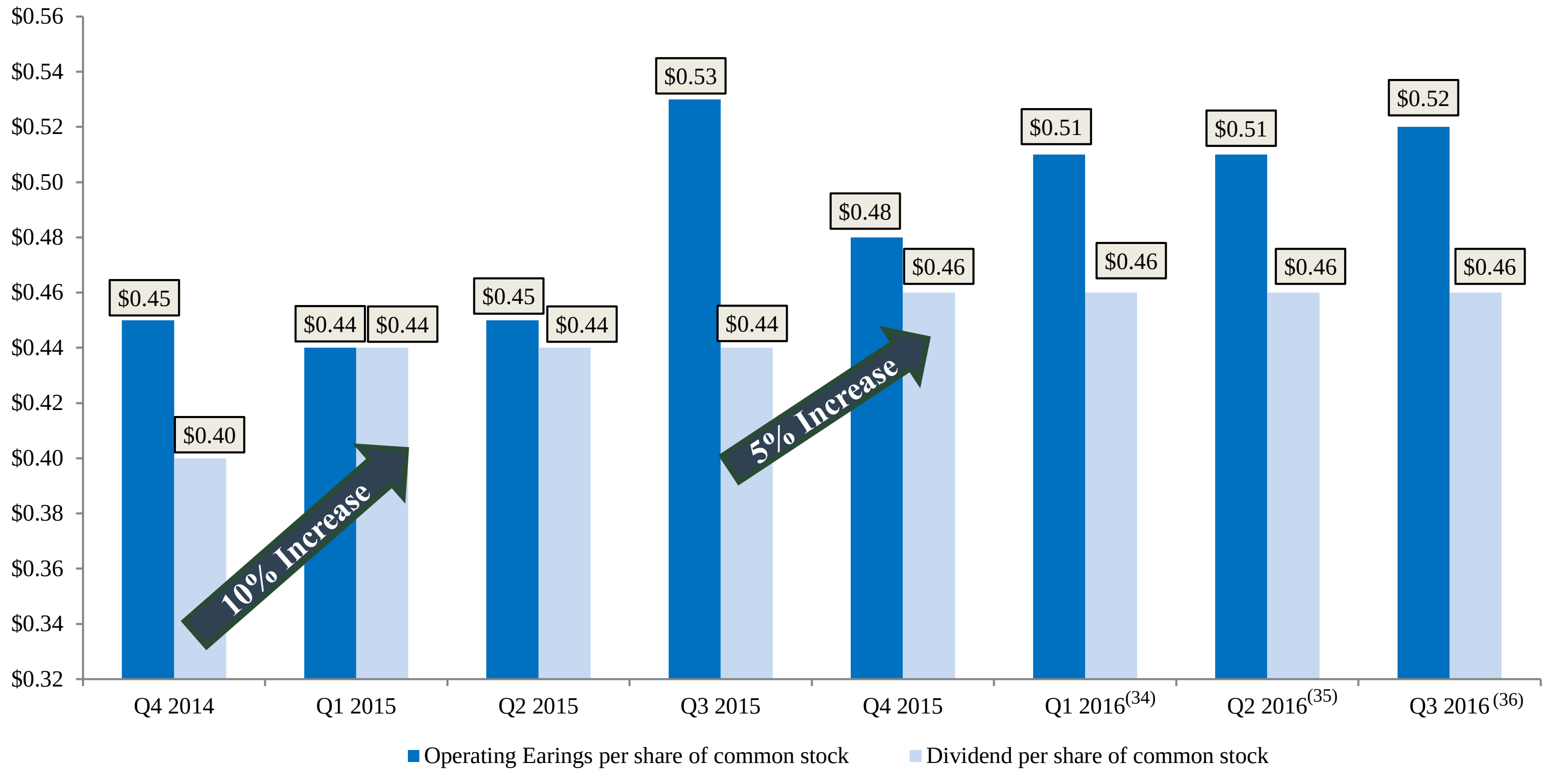
Since 2011, ARI has continued to find innovative ways to raise over $1.1 billion of debt and equity capital

See footnotes on page 18

Growth in Operating Earnings Has Led to Growth in Dividends

Apollo Commercial Real Estate Finance

Operating Earnings and Dividends per share of Common Stock (5)



Increased Dividend 15% Since Q4 2014

Consistently Earning Dividend

See footnotes on page 18

Investment Highlights

10.9% Dividend Yield[4]

Seven-Year Track Record as an Innovative, Creative Global CRE Debt Provider

Stable and Diverse $2.7 Billion Investment Portfolio With ~ 13.3% Levered IRR[3]

"First-Call" Relationships with Real Estate Owners and Operators, Senior Lenders and Brokers

Well Positioned for Rising Interest Rates

Demonstrated Ability to Access Attractively Priced Capital

See footnotes on page 18

Footnotes

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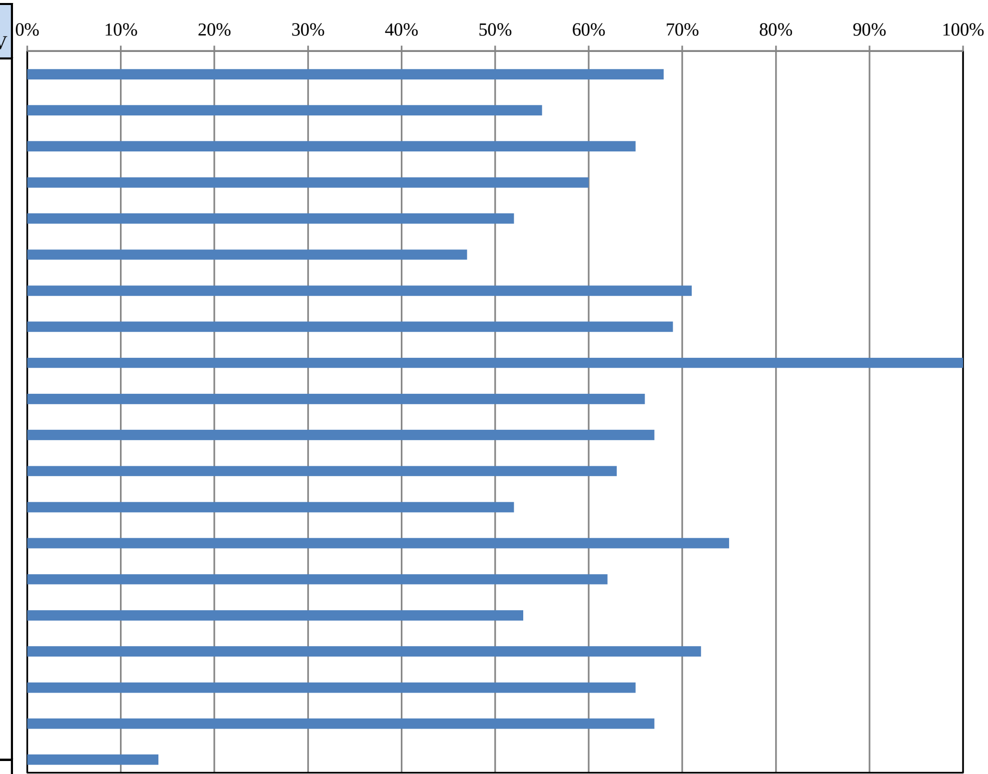
(1) Calculated based upon the market value of common shares on November 4, 2016 and the liquidation preference of the outstanding Series A, Series B and Series C preferred stock.
(2) Based upon the closing price on November 4, 2016 and the September 30, 2016 book value per share of common stock of $15.94.
(3) Internal rate of return ("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. The underwritten IRR for the investments shown in the table on slide 10 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. 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, 2015 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 or elsewhere in this presentation over time.
(4) Based upon the $1.84 annual dividend per share of common stock and the closing stock price on November 4, 2016.
(5) 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, other than realized gains/(losses) related to interest income, (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; and (vi) provisions for loan loss. Please see slides 24 and 25 for a reconciliation of Operating Earnings and Operating Earnings per Share to GAAP Net Income and GAAP Net Income per share.
(6) Based upon the Company's portfolio as of September 30, 2016, 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.
(7) Debt to common equity is net of participation sold.
(8) Premium to June 30, 2016 book value per share of common stock of $15.51.
(9) Premium to $16.30 closing common stock price on August 31, 2016.
(10) Based upon the June 30, 2016 book value per share of common stock and including the accretion from the issuance of 13.4 million shares of ARI's common stock and the proceeds from the purchase of AMTG's assets at a discount to book value and subsequent sale.
(11) Source: Green Street Advisors Commercial Property Outlook, February 29, 2016.
(12) Source: REIS as of May 19, 2016.
(13) Source: Eastdil Secured Capital Markets Outlook, June, 2016.
(14) Source: TREPP.
(15) Source: Bloomberg, Morgan Stanley Research.
(16) Source: Commercial Mortgage Alert.
(17) Source: Real Capital Analytics.
(18) Source: Eastdil
(19) Source: Eastdil
(20) CMBS includes $62,324 of restricted cash related to the Company's master repurchase agreements with UBS AG (the "UBS Facility") and Deutsche Bank (the "DB CMBS Facility").
(21) Remaining Weighted Average Life assumes all extension options are exercised.
(22) Represents an underwritten levered weighted average IRR. The Company's ability to achieve the underwritten levered weighted average IRR additionally depends upon the availability of the Company's master repurchase agreement with JPMorgan Chase Bank, N.A. (the JPMorgan Facility") or any replacement facility with similar terms with regard to its portfolio of first mortgage loans. Without such availability, the levered weighted average underwritten IRR will be lower than the amount shown.
(23) IRR calculated from date of investment in 2015 through September 30, 2016 and includes the historical and projected cash flows for the CMBS held.
(24) Subordinate loans are net of a participation sold during February 2015. The Company 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, 2016, the Company had one such participation sold with a carrying amount of £19,626 ($25,459).
(25) Subordinate loans also include CMBS, held-to-maturity, which are net of a participation sold during June 2014. At September 30, 2016, the Company presented the participation sold with a carrying amount of $5,465.
(26) Subordinate loans include CMBS, held-to-maturity and are net of participations sold of $110.9 million. ARI presents the participations sold as both assets and non-recourse liabilities because the participation does not qualify as a sale according to GAAP.
(27) Based upon face amount of loans; does not include CMBS, but does include CMBS, held-to-maturity.
(28) Other includes a repurchase agreement investment secured by collateralized debt obligation or CDO bonds and equity investment in Bremer Kreditbank AG ("BKB Bank").
(29) Return on common equity is calculated as Operating Earnings (see definition in footnote 5) for the period as a percentage of average stockholders' equity for the period.
(30) Assumes extension options are exercised.
(31) Assumes one-month LIBOR at September 30, 2016 was 0.53%.
(32) The debt balance as of September 30, 2016, includes $143 million of borrowings for the first mortgage loans secured by an assemblage of properties in the Design District of Miami that does not count toward the maximum capacity under the JPMorgan Facility.
(33) Total balance less $7,875 in deferred financing costs.
(34) Operating Earnings per share for the quarter ended March 31, 2016 as reported on this chart excludes $0.07 of expenses associated with ARI's acquisition of AMTG. Including those expenses, Operating Earnings for the quarter ended March 31, 2016 was $0.44 per share of common stock.
(35) Operating Earnings per share for the quarter ended June 30, 2016 as reported on this chart excludes $0.02 of expenses associated with ARI's acquisition of AMTG. Including those expenses, Operating Earnings for the quarter ended June 30, 2016 was $0.49 per share of common stock.
(36) Operating Earnings per share for the quarter ended September 30, 2016 as reported on this chart excludes $0.07 of expenses associated with ARI's acquisition of AMTG. Including those expenses, Operating Earnings for the quarter ended September 30, 2016 was $0.45 per share of common stock.

Appendix

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

Senior Loans

Description ($ in thousands)	Location		Balance at 9/30/2016	Starting LTV	Ending LTV
First Mortgage - Retail	Florida	$	220,000	0%	68%
First Mortgage - Retail	Ohio	$	165,000	0%	55%
First Mortgage - Mixed-use[1]	Illinois	$	128,000	0%	65%
First Mortgage - Retail[2]	New York	$	122,180	0%	60%
First Mortgage - Hotel[3]	New York	$	108,138	0%	52%
First Mortgage - Destination homes	Various	$	91,015	0%	47%
First Mortgage - Hotel[4]	New York	$	78,140	0%	71%
First Mortgage - Destination homes	New York/Hawaii	$	59,500	0%	69%
First Mortgage - Multifamily[5]	North Dakota	$	54,706	0%	100%
First Mortgage - Office	Virginia	$	54,000	0%	66%
First Mortgage - Condominium	Maryland	$	51,419	0%	67%
First Mortgage - Condominium	Maryland	$	49,893	0%	63%
First Mortgage - Office	New York	$	45,069	0%	52%
First Mortgage - Retail	Florida	$	45,000	0%	75%
First Mortgage - Hotel	St. Thomas	$	42,000	0%	62%
First Mortgage - Retail	New York	$	40,600	0%	53%
First Mortgage - Multifamily	New York	$	34,500	0%	72%
First Mortgage - Hotel	Pennsylvania	$	34,000	0%	65%
First Mortgage - Office	Massachusetts	$	28,570	0%	67%
First Mortgage - Condominium[6]	New York	$	3,175	0%	14%
Total/Weighted Average		$	1,454,905		64%



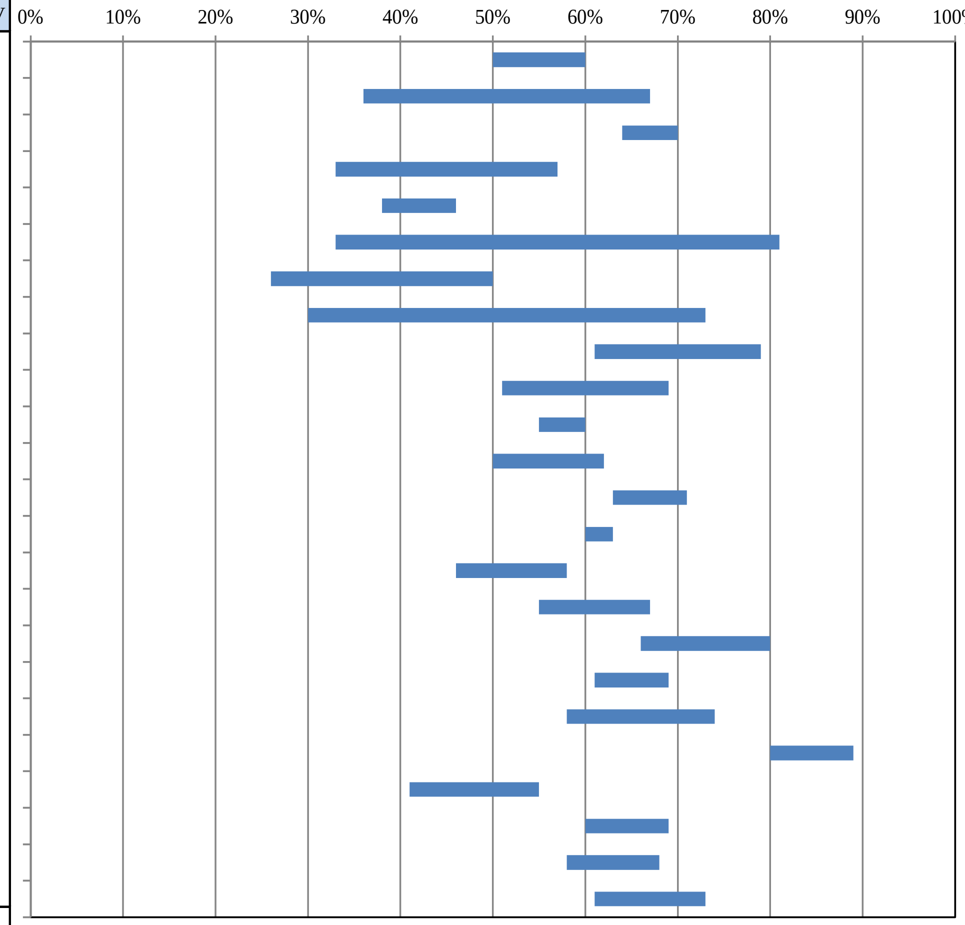
(1) *LTV is based upon the fully committed loan amount of $133,000.*
(2) *This includes four first mortgage loans with outstanding balances of $85,770, $23,000, $7,500 and $5,910, respectively, secured by cross collateralized retail parcels. LTV is based upon fully committed loan amount of $128,910.*
(3) *This whole loan includes a first mortgage with an outstanding balance of $101,764 and a mezzanine loan with an outstanding balance of $6,374.*
(4) *LTV is based upon the fully committed loan amount of $105,000.*
(5) *This whole loan includes a first mortgage loan with an outstanding balance of $49,706 and a mezzanine loan with an outstanding balance of $5,000.*
(6) *Original commitment was $62,400. Current balance reflects original commitment net of proceeds from unit sales.*

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

APOLLO COMMERCIAL REAL ESTATE FINANCE

Subordinate Loans

Description ($ in thousands)	Location	Balance at 9/30/2016	Starting LTV	Ending LTV
Subordinate - Condo development[1]	New York	$ 96,856	50%	60%
Subordinate - Pre-development loan[2]	London	$ 71,346	36%	67%
Subordinate - Other[3]	Various	$ 75,000	64%	70%
Subordinate - Hotel[4]	Aruba	$ 61,763	33%	57%
Subordinate - Condo conversion	New York	$ 57,750	38%	46%
Subordinate - Multifamily	New York	$ 55,000	33%	81%
Subordinate - Condo development[5]	New York	$ 50,616	26%	50%
Subordinate - Hotel	New York	$ 50,000	30%	73%
Subordinate - Industrial portfolio	New York	$ 45,000	61%	79%
Subordinate - Healthcare portfolio[6]	UK	$ 43,941	51%	69%
Subordinate - Healthcare portfolio	Various	$ 38,858	55%	60%
Subordinate - Condo conversion[7]	New York	$ 37,646	50%	62%
Subordinate - Industrial portfolio	Various	$ 32,000	63%	71%
Subordinate - Condo development[1]	New York	$ 30,000	60%	63%
Subordinate - Hotel	Arizona	$ 25,000	46%	58%
Subordinate - Hotel portfolio	Minnesota	$ 23,947	55%	66%
Subordinate - Multifamily[8]	Florida	$ 22,000	66%	80%
Subordinate - Hotel	Washington D.C.	$ 20,000	61%	69%
Subordinate - Hotel	California	$ 20,000	58%	74%
Preferred Equity - Multifamily[8]	Florida	$ 15,500	80%	89%
Subordinate - Other[9]	Montana	$ 15,000	41%	55%
Subordinate - Office	New York	$ 14,000	60%	69%
Subordinate - Office	Missouri	$ 9,454	58%	68%
Subordinate - Mixed-use	North Carolina	$ 6,525	61%	73%
Total/Weighted Average		$ 917,202		65%



(1) LTV is based upon the fully committed loan amount of $105,000; both loans are secured by the same property. The $30,000 loan is structured as a corporate loan and has additional collateral.
(2) Based upon £55.0 million face amount converted to USD based upon the conversion rate on September 30, 2016.
(3) Other includes a loan secured by a portfolio of indoor waterpark resorts.
(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.
(5) LTV is based upon the fully committed loan amount of $75,000.
(6) Based upon £19.8 million face amount converted to USD based upon the conversion rate on September 30, 2016, net of participation sold.
(7) Based upon the fully committed loan amount of $77,000.
(8) Mezzanine loan and preferred equity are secured by the same portfolio of properties.
(9) Other includes a loan on a ski resort.

Consolidated Balance Sheet

(in thousands—except share and per share data)	September 30, 2016	December 31, 2015
Assets:	(unaudited)	
Cash	$ 254,643	$ 67,415
Restricted cash	62,324	30,127
Securities, at estimated fair value	347,456	493,149
Securities, held-to-maturity	147,190	153,193
Commercial mortgage loans, held for investment	1,426,990	994,301
Subordinate loans, held for investment	882,214	931,351
Investment in unconsolidated joint venture	23,765	22,583
Derivative assets	5,037	3,327
Interest receivable	18,025	16,908
Other assets	31,303	236
Total Assets	$ 3,198,947	$ 2,712,590
Liabilities and Stockholders' Equity		
Liabilities:		
Borrowings under repurchase agreements (net of deferred financing costs of $7,875 in 2016 and $7,353 in 2015, respectively)	$ 1,013,162	$ 918,421
Convertible senior notes, net	249,528	248,173
Participations sold	110,924	118,201
Accounts payable and accrued expenses	26,367	9,246
Payable to related party	5,903	5,297
Dividends payable	46,028	37,828
Total Liabilities	1,451,912	1,337,166
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 2016 and 2015	35	35
Series B Preferred stock, 8,000,000 shares issued and outstanding ($200,000 aggregate liquidation preference) in 2016 and 2015	80	80
Series C Preferred stock, 6,900,000 shares issued and outstanding ($172,500 aggregate liquidation preference) in 2016	69	
Common stock, $0.01 par value, 450,000,000 shares authorized 80,826,566 and 67,195,252 shares issued and outstanding in 2016 and 2015, respectively	808	672
Additional paid-in-capital	1,803,667	1,410,138
Retained earnings (accumulated deficit)	(54,950)	(32,328)
Accumulated other comprehensive loss	(2,674)	(3,173)
Total Stockholders' Equity	1,747,035	1,375,424
Total Liabilities and Stockholders' Equity	$ 3,198,947	$ 2,712,590

Consolidated Statement of Operations

	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Net interest income:		(unaudited)		
Interest income from securities	$ 8,029	$ 8,293	$ 23,685	$ 24,846
Interest income from securities, held to maturity	2,875	2,956	8,597	9,050
Interest income from commercial mortgage loans	27,460	15,184	72,727	37,246
Interest income from subordinate loans	32,207	25,445	89,649	65,206
Interest expense	(17,256)	(13,187)	(47,620)	(36,287)
Net interest income	**53,315**	**38,691**	**147,038**	**100,061**
Operating expenses:				
General and administrative expenses (includes $1,828 and $5,434 of equity-based compensation in 2016 and $756 and $2,695 in 2015, respectively)	(8,352)	(2,099)	(21,456)	(6,512)
Management fees to related party	(5,903)	(4,097)	(16,374)	(11,325)
Total operating expenses	**(14,255)**	**(6,196)**	**(37,830)**	**(17,837)**
Income from unconsolidated joint venture	80	108	207	495
Other income	309	239	334	252
Provision for loan losses	-	-	(15,000)	-
Realized loss on sale of securities	(225)	-	(225)	(443)
Unrealized loss on securities	(9,798)	(6,926)	(36,601)	(5,792)
Foreign currency gain/(loss)	(4,369)	(2,165)	(21,926)	3,424
Bargain purchase gain	40,021	-	40,021	-
Gain/(loss) on derivative instruments (includes unrealized gains/(losses) of ($10,297) and $1,731 in 2016 and $(2,096) and $4,144 in 2015)	4,815	2,096	22,831	(4,144)
Net income	**$ 69,893**	**$ 25,847**	**$ 98,849**	**$ 76,016**
Preferred dividends	(9,310)	(2,304)	(20,985)	(6,023)
Net income available to common stockholders	**$ 60,583**	**$ 23,543**	**$ 77,864**	**$ 69,993**
Basic and diluted net income per share of common stock	$ 0.83	$ 0.39	$ 1.11	$ 1.24
Basic weighted average shares of common stock outstanding	71,919,549	59,355,613	68,913,362	55,818,731
Diluted weighted average shares of common stock outstanding	72,861,611	59,934,008	69,865,603	56,415,082
Dividend declared per share of common stock	$ 0.46	$ 0.44	$ 1.38	$ 1.32

Reconciliation of Operating Earnings to Net Income

	Three Months Ended			
	September 30, 2016	Earnings Per Share (Diluted)	September 30, 2015	Earnings Per Share (Diluted)
Operating Earnings:				
Net income available to common stockholders	**$ 60,583**	**$ 0.83**	**$23,543**	**$ 0.39**
Adjustments:				
Equity-based compensation expense	1,828	0.03	756	0.01
Unrealized loss on securities	9,798	0.13	6,926	0.12
Unrealized (gain)/loss on derivative instruments	(4,815)	(0.07)	(2,096)	(0.04)
Foreign currency loss, net	4,861	0.07	2,165	0.04
Bargain purchase gain	(40,021)	(0.55)	-	-
Amortization of convertible senior notes related to equity reclassification	590	0.01	556	0.01
Income from unconsolidated joint venture	(80)	-	(108)	-
Total adjustments:	(27,839)	(0.38)	8,199	0.14
Operating Earnings	**$ 32,744**	**$ 0.45**	**$ 31,742**	**$ 0.53**
Merger-related expenses	4,925	0.07	-	-
Operating Earnings excluding merger-related expenses	**$ 37,669**	**$ 0.52**	**$ 31,742**	**$ 0.53**
Basic weighted average shares of common stock outstanding		71,919,549		59,355,613
Diluted weighted average shares of common stock outstanding		72,861,611		59,934,008

In order to evaluate the effective yield of the portfolio, the Company uses Operating Earnings to reflect the net investment income of the Company's portfolio as adjusted to include the net interest expense related to the Company's derivative instruments. Operating Earnings allows the Company to isolate the net interest expense associated with the Company's swaps in order to monitor and project the Company's full cost of borrowings. The Company also believes that investors use Operating Earnings or a comparable supplemental performance measure to evaluate and compare the performance of the Company and its peers and, as such, the Company believes that the disclosure of Operating Earnings is useful to its investors.

A significant limitation associated with Operating Earnings as a measure of the Company's financial performance over any period is that it excludes net realized and unrealized gains (losses) from investments. In addition, the Company's presentation of Operating Earnings may not be comparable to similarly-titled measures of other companies, who may use different calculations. As a result, Operating Earnings should not be considered as a substitute for the Company's GAAP net income as a measure of its financial performance or any measure of its liquidity under GAAP.

Beginning with the quarter ended September 30, 2016, the Company has slightly modified its definition of Operating Earnings to include realized gains/(losses) on currency swaps related to interest income on investments denominated in a currency other than U.S. dollars. The Company believes that including the effects of realized gains/(losses) on currency swaps related to interest income more accurately reflects the Company's investment income for a particular period and will allow investors to more easily compare its operating results over various periods. The effects of such unrealized gains/(losses) in prior periods were not material to the Company's financial results. The Company intends to apply this modified definition for Operating Earnings for all future periods.

Reconciliation of Operating Earnings to Net Income

	Nine Months Ended			
	September 30, 2016	Earnings Per Share (Diluted)	September 30, 2015	Earnings Per Share (Diluted)
Operating Earnings:				
Net income available to common stockholders	**$ 77,864**	**$ 1.11**	**$ 69,993**	**$ 1.24**
Adjustments:				
Equity-based compensation expense	5,434	0.08	2,695	0.05
Unrealized (gain)/loss on securities	36,601	0.53	5,792	0.10
Provision for loan losses	15,000	0.22	-	-
Unrealized (gain)/loss on derivative instruments	(22,831)	(0.33)	4,144	0.07
Foreign currency (gain)/loss, net	22,417	0.33	(3,424)	(0.06)
Bargain purchase gain	(40,021)	(0.59)	-	-
Amortization of convertible senior notes related to equity reclassification	1,745	0.03	1,642	0.03
Income from unconsolidated joint venture	(207)	-	(495)	(0.01)
Total adjustments:	18,138	0.27	10,354	0.18
Operating Earnings	**$ 96,002**	**$ 1.38**	**$ 80,347**	**$ 1.42**
Merger-related expenses	11,350	0.16	-	-
Operating Earnings excluding merger-related expenses	**$ 107,352**	**$ 1.54**	**$ 80,347**	**$ 1.42**
Basic weighted average shares of common stock outstanding		68,913,362		55,818,731
Diluted weighted average shares of common stock outstanding		69,865,603		56,415,082