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COMMERCIAL REAL ESTATE FINANCE

Investor Presentation

March 2017

Information is as of December 31, 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 19 for a definition of "Operating Earnings" and the reconciliation of the applicable GAAP financial measure to "Operating Earnings" set forth on slides 26 and 27.

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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.

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.

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

Experienced Team with Strong Sponsorship

*Full-scale investment platform that has deployed **$13.3 billion** of capital since 2009*

Stable and Diverse Investment Portfolio

***$3.1 billion** portfolio with a **13.8%** fully-levered internal rate of return ("IRR")(1)*

Well Positioned for Rising Interest Rates

*100 bps increase in LIBOR would increase Operating Earnings(2) per diluted share of common stock by approximately **$0.17** on an annual basis(3)*

Attractive and Steady Dividend

***$1.84** annual dividend which generates a **10.1%** dividend yield(4)*

See footnotes on page 19

Agenda

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

Macro Environment Continues to Create Compelling Opportunities

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Positive Market Factors Impacting ARI's Commercial Real Estate Lending Business

- ✓ **Steady CRE Operating Fundamentals**
- ✓ **Limited New Supply**
- ✓ **Strong Capital Flows into Transitional Assets from Real Estate Private Equity Funds**
- ✓ **Continued Robust U.S. CRE Transaction Volume**
- ✓ **2017 is Peak Year for U.S. CRE Debt Maturities**
- ✓ **Pull Back from Bank and CMBS Lenders Due to Regulatory Restraints**

See footnotes on page 19

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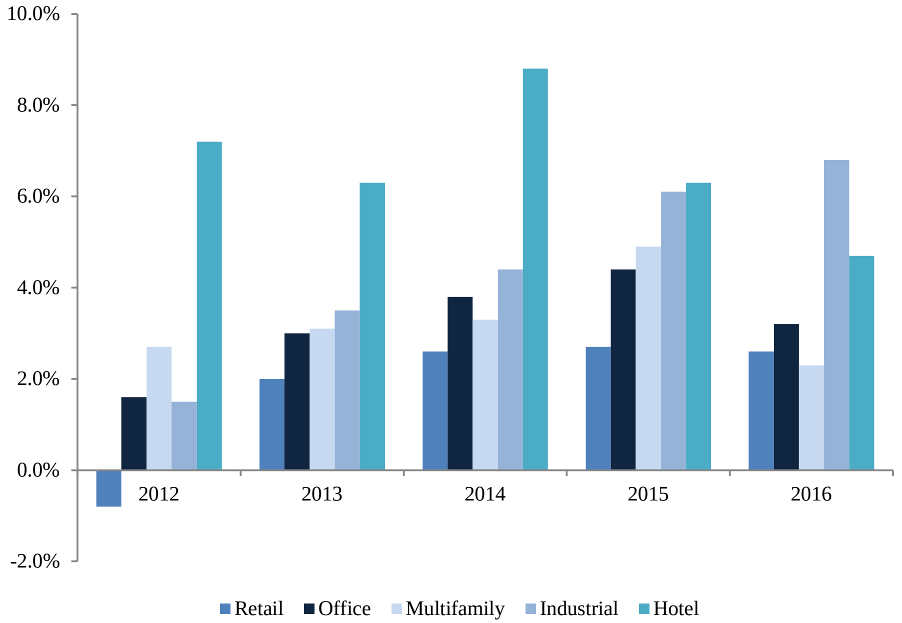
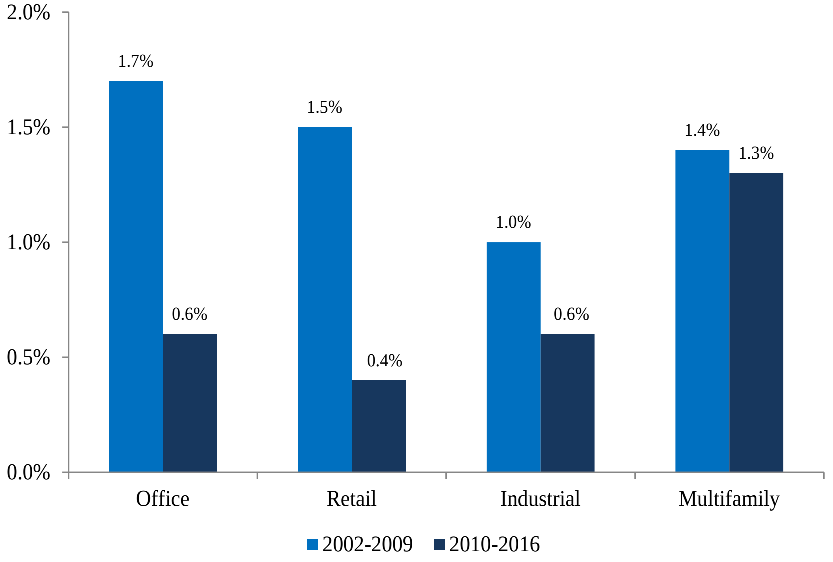
Operating Fundamentals Remain Stable and New Supply Remains Muted

Revenue Growth Across Property Sectors is Steady(5)



New Supply is Below Long Term Averages(6)

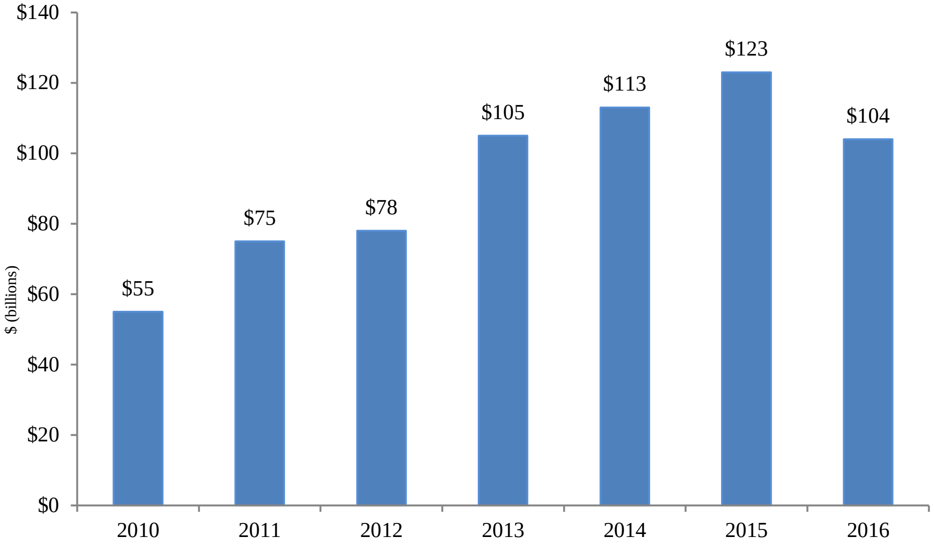


See footnotes on page 19

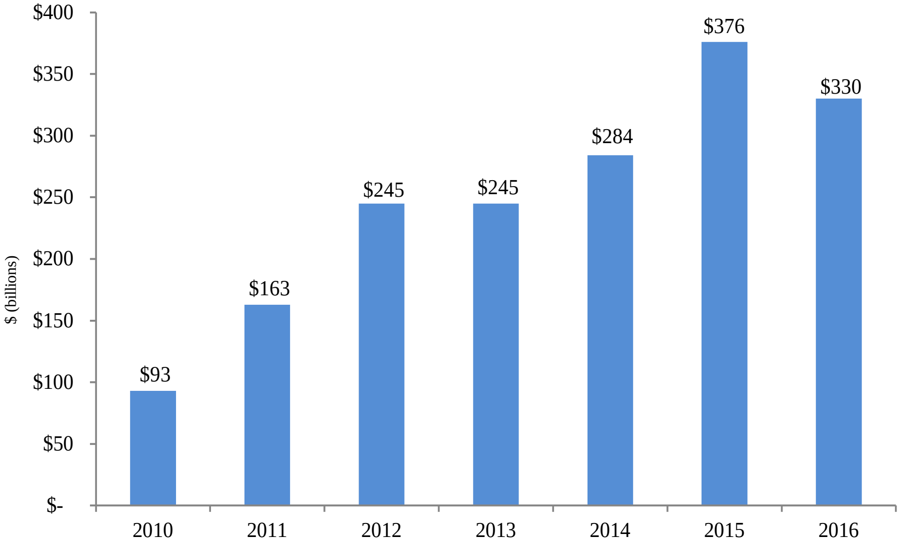
Commercial Real Estate Market Overview

Strong Capital Flows Continue to Fuel Transaction Volume

Fund Raising for Global Real Estate Private Equity(7)



U.S. Sales Volume(8)



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Commercial Real Estate Debt Market Overview

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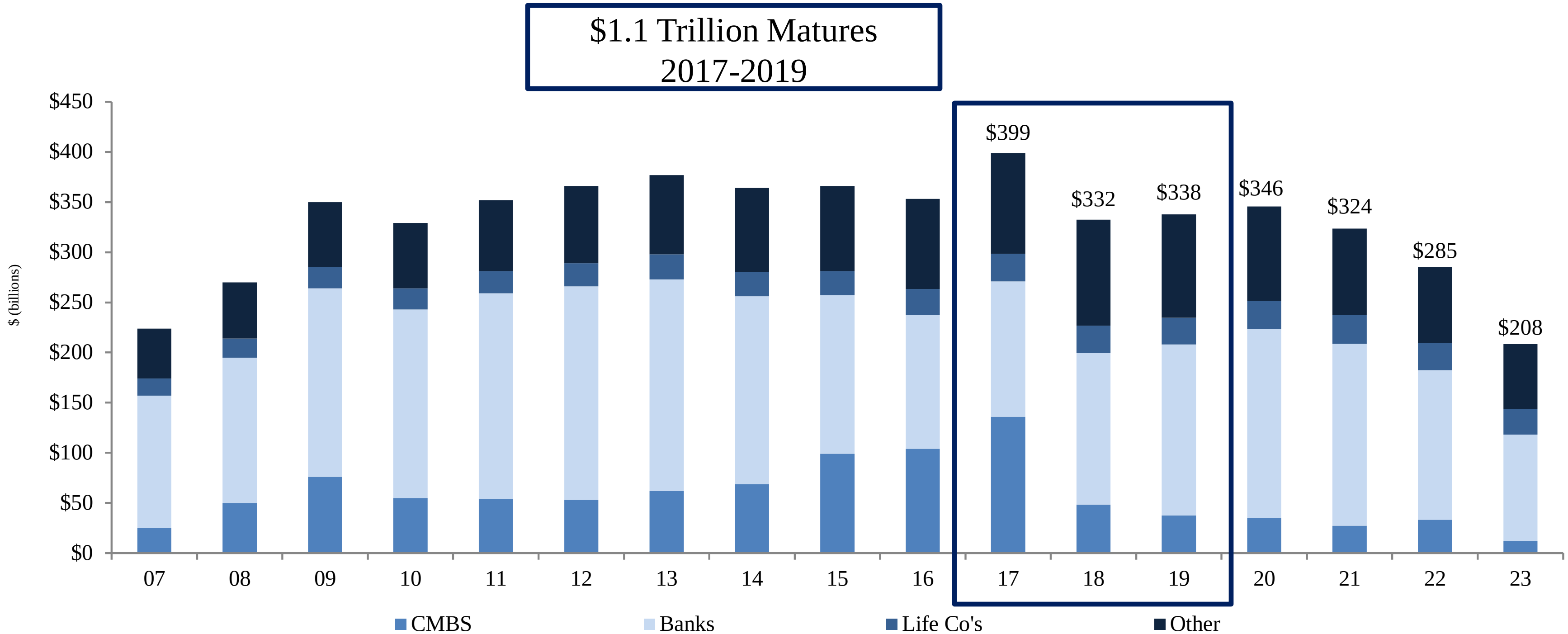
2017 is a Peak Year for U.S. CRE Debt Maturity(9)



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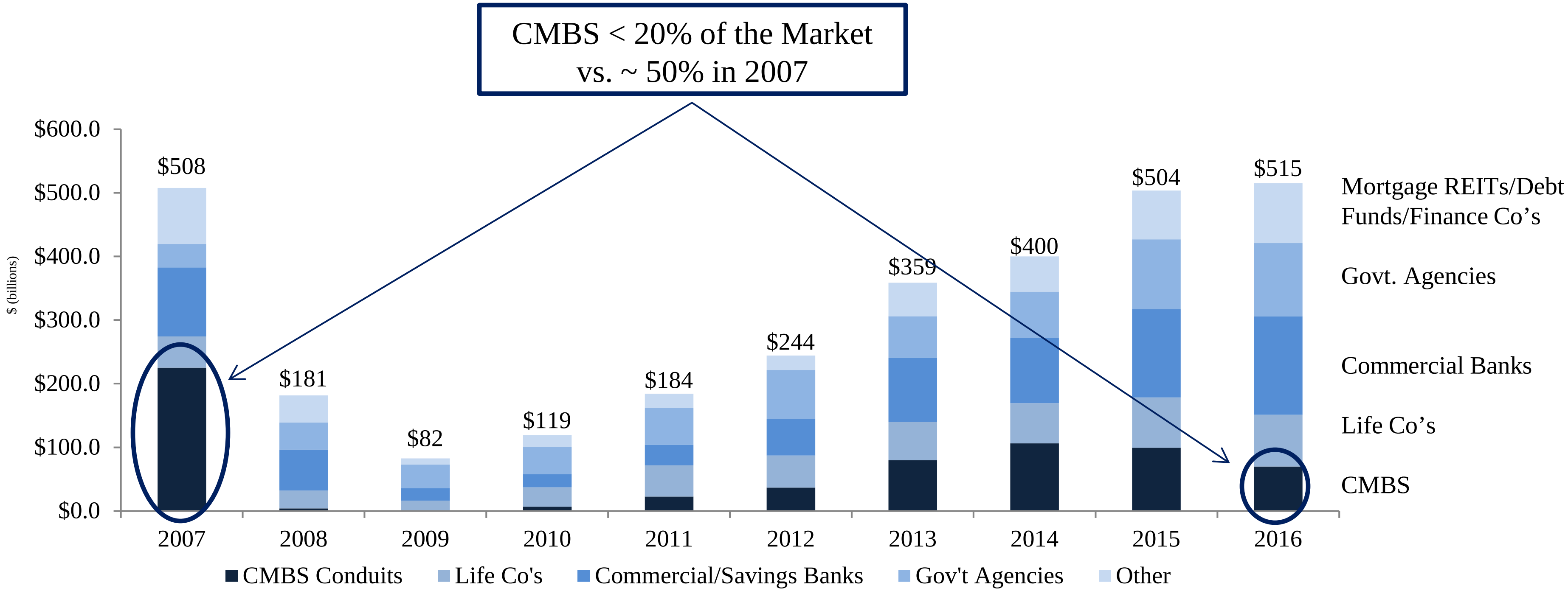
Commercial Real Estate Debt Market Overview

CMBS and Bank Lenders Have Scaled Back on CRE Lending Activity(10)



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Agenda

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

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

First Mortgage Loans

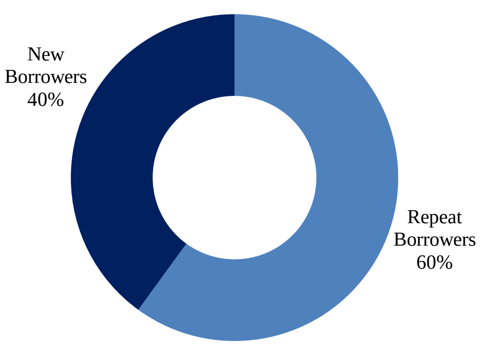
- First mortgages on stabilized, cash-flowing commercial properties or transitional properties
- Loan-to-Value ("LTV") generally from 0% up to ~65%
- Fixed or floating rate
- All commercial property types throughout North America and Europe

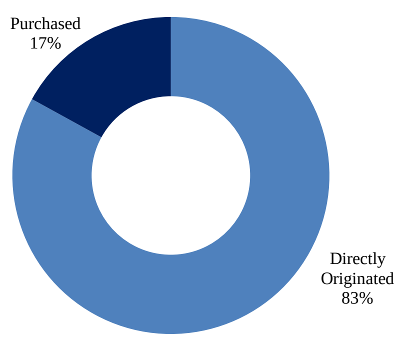
Subordinate Loans

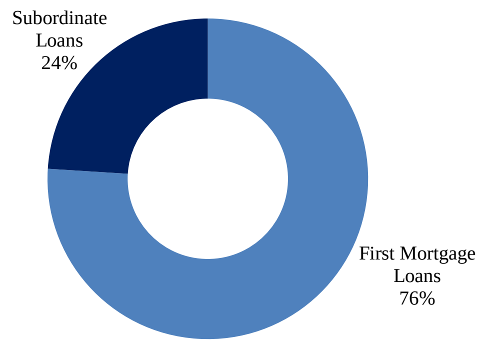
- Subordinate financing (mezzanine loans or preferred equity) on stabilized, cash-flowing commercial properties or transitional properties
- LTV generally from ~50% up to ~75%
- Fixed or floating rate
- All commercial property types throughout North America and Europe

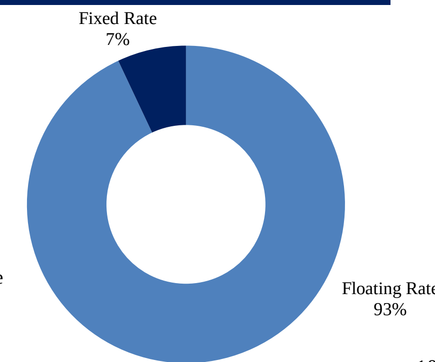
Directly Originate with Borrower or Co-Originate with Senior Lender → **Underwrite and Structure** → **Pro-Actively Asset Manage**

2016 Loan Origination Summary









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Illustrative First Mortgage Loan

LTV	Illustrative $250mm Capital Stack	Total $
42%	Repo Facility Advance: $105 Million	$105 mm
60%	ARI Investment: $45 Million	$150 mm
100%	Borrower's Equity: $100 Million	$250 mm

L+ 5.5%
Return on Assets

+ Leverage

L+2.50%	All-in Cost
70%	Advance Rate
3.3x	Leverage Multiple
2.50%	Spread

L+ 12.5%
Gross ROI

– Overhead

1.5%	Management Fee
0.4%	G&A

L+ 10.6%
Imputed Core ROE

Illustrative Subordinate Loan

LTV	Illustrative $250 mm Capital Stack	Total $
50%	Senior Loan: $125 Million	$125 mm
65%	ARI Subordinate Loan: $37 Million	$162 mm
100%	Borrower's Equity: $88 Million	$250 mm

L+ 11.5%
Return on Assets

L+ 11.5%
Gross ROI

– Overhead

1.5%	Management Fee
0.4%	G&A

L+ 9.6%
Imputed Core ROE

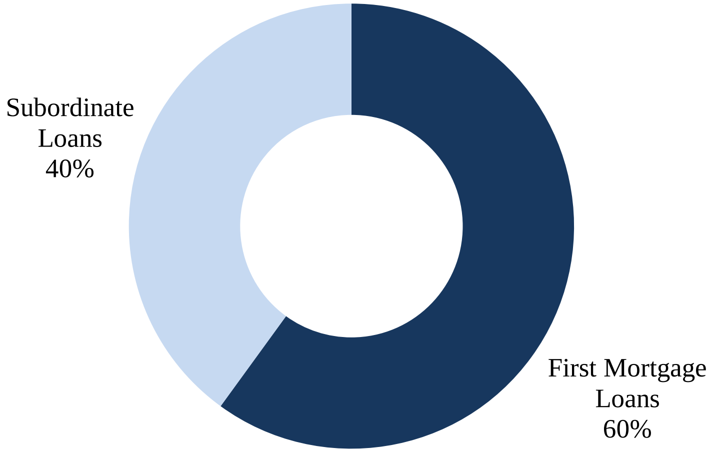
For illustrative purposes only. Past performance is not indicative nor a guarantee of future results. See footnotes on page 19

Loan Portfolio Overview

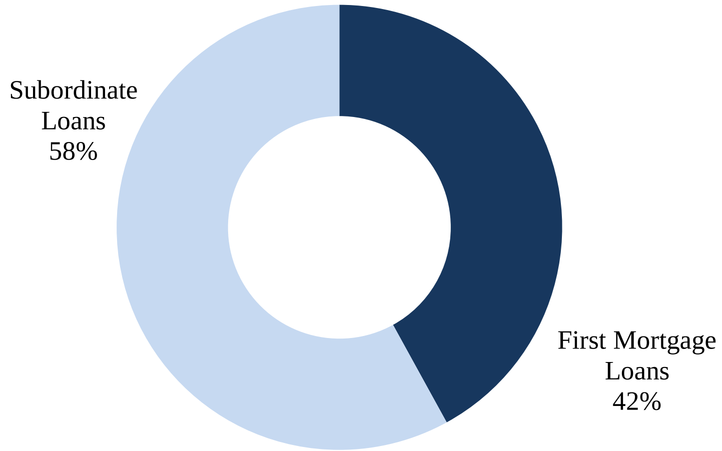
Loan Portfolio Metrics

Number of Loans	46
Amortized Cost	$2,754,465
Net Equity at Cost	$1,919,001
Current Weighted Average Underwritten IRR[1]	13.1%
Fully-Levered Weighted Average Underwitten IRR[1][11]	14.0%
Remaining Weighted Average Life[12]	2.7 Years
Weighed Average LTV	63%

Loan Portfolio at Amortized Cost[13]



Net Equity Invested at Amortized Cost Basis[13]



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Loan Portfolio Diversification

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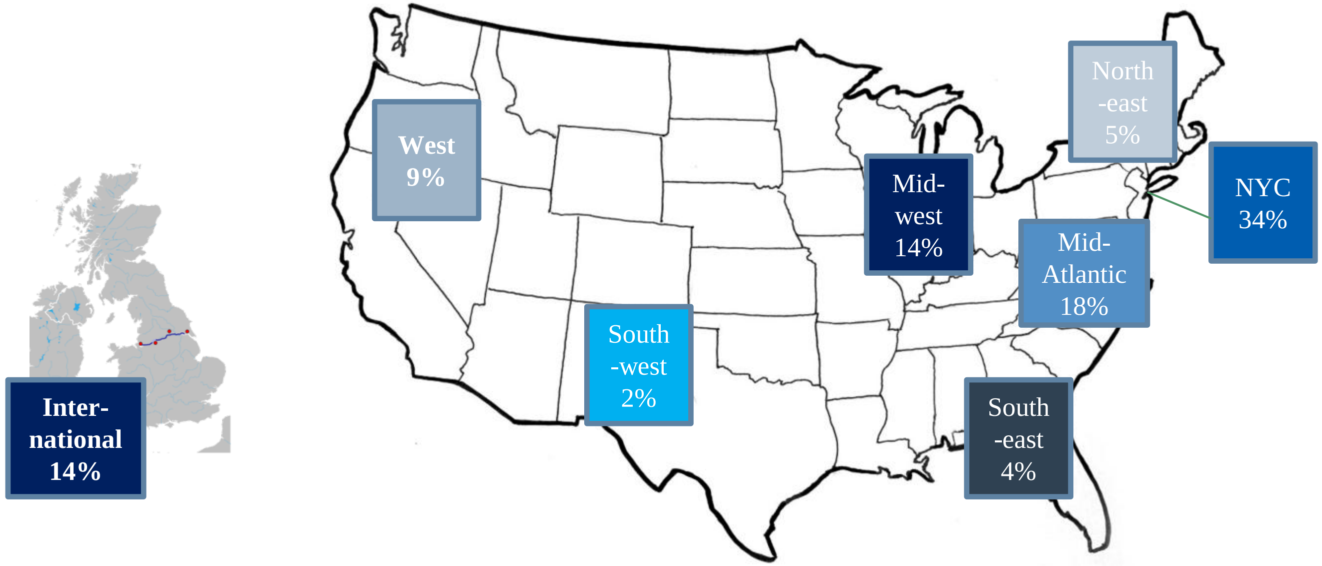
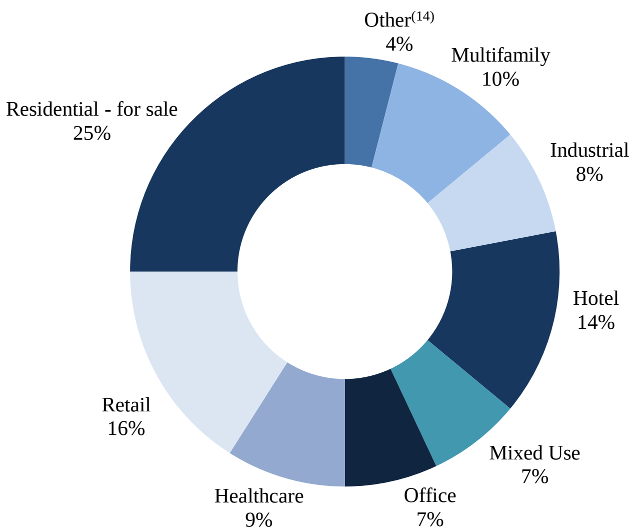
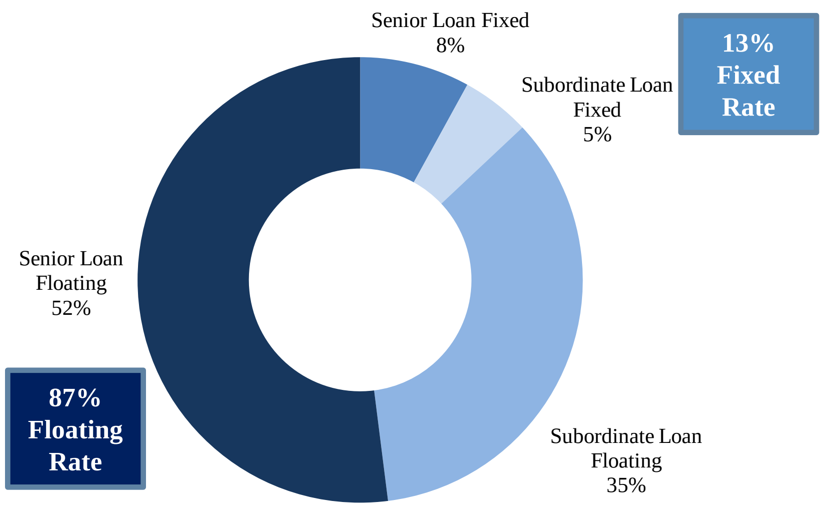


Property Type by Net Equity(13)



Loan Position and Rate Type(13)(15)



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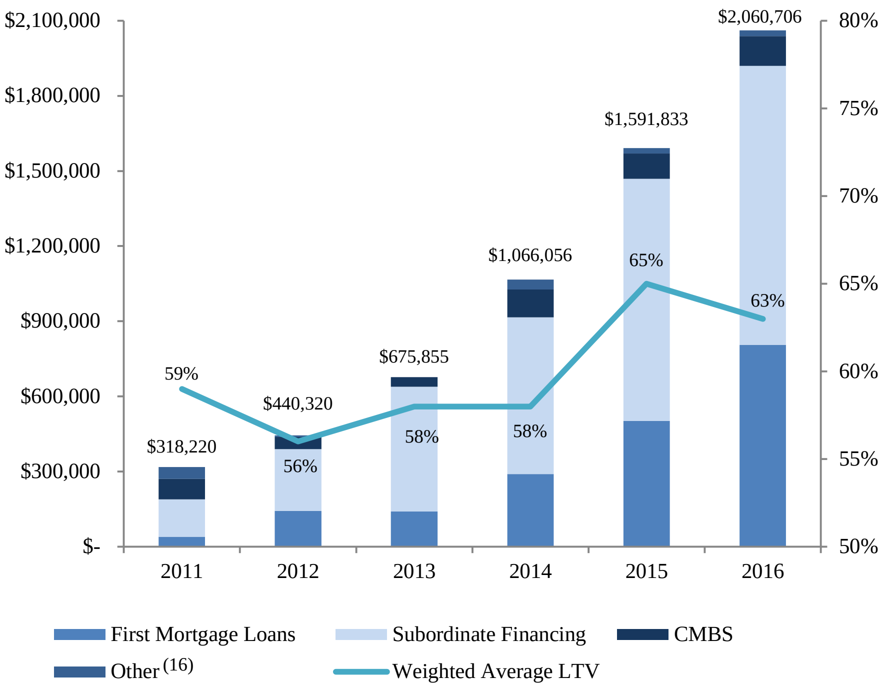
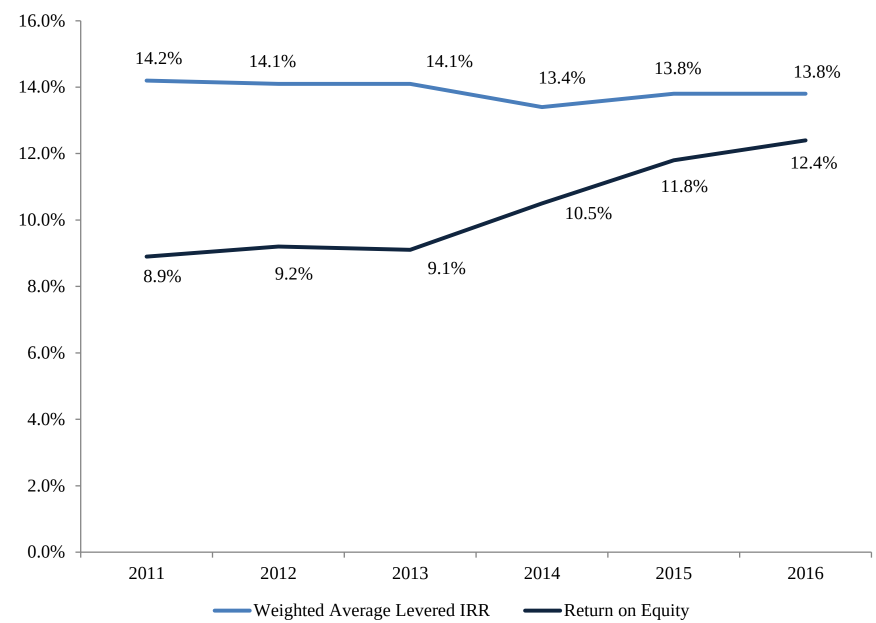
ARI has shifted its portfolio composition to capitalize on market opportunities and generate attractive, risk-adjusted returns, which have remained constant at the corporate and investment level

Net Equity Invested



Weighted Average Levered IRR and Return on Equity (1)(17)



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Agenda

Capital Structure

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Secured Credit Facilities
$1.1 Billion Outstanding
3.18% W/A Rate

Facility ($000s)	Maximum Size	Outstanding Balance	Maturity[18]	W/A Rate[19]
Loans				
JP Morgan[20]	$ 943,000	$ 657,452	Jan-19	L+2.25%
Goldman Sachs		40,657	Apr-19	L+3.50%
Deutsche Bank	300,000	137,355	Sep-19	L+2.66%
Subtotal	**$ 1,243,000**	**$ 835,464**		**L+2.38%**
Securities				
UBS		$ 133,899	Sep-18	2.79%
Deutsche Bank CMBS		177,203	Apr-18	3.63%
Subtotal		**$ 311,102**		**3.27%**
Total Borrowings at December 31, 2016[21]		**$ 1,139,803**		**3.18%**

5.50% Convertible Notes
$249 Million

- Convertible to common stock – conversion ratio of 56.7586 ($17.62 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 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 2017

Common Stock
$1.5 Billion

- 91,422,676 shares issued and outstanding at December 31, 2016
- 10.1% dividend yield[4]

Debt to Common Equity Ratio[22]: 1.0x
Fixed Charge Coverage[23]: 2.7x

See footnotes on page 19

Interest Rate Sensitivity

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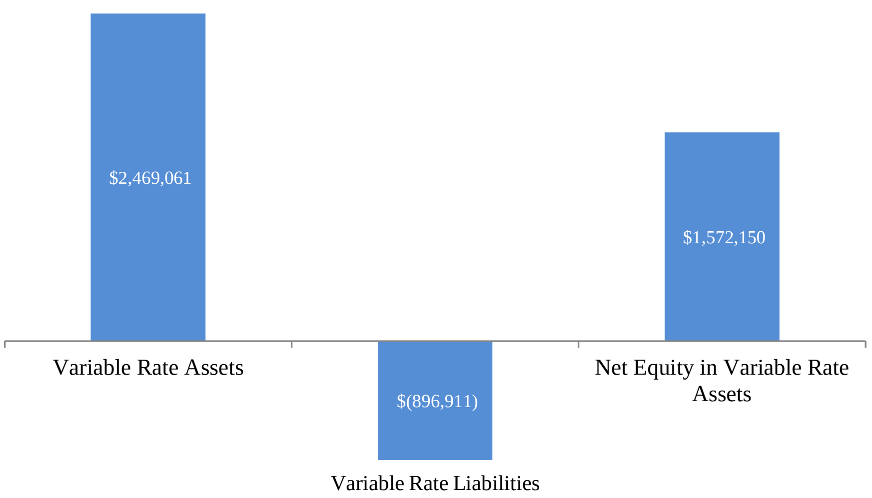
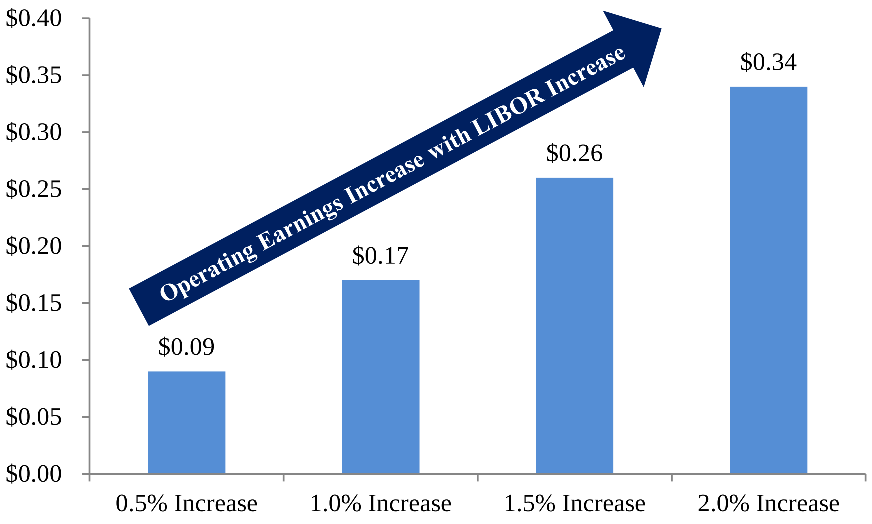
ARI's Portfolio Income and Operating Earnings are Positively Correlated to an Increase in LIBOR

Variable Rate Investments and Liabilities ($000s)



Operating Earnings Sensitivity to LIBOR(2)(3)



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Investment Highlights

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

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

Stable and Diverse $3.1 Billion Investment Portfolio With ~ 13.8% Levered IRR(1)

Demonstrated Ability to Access Attractively Priced Capital

Well Positioned for Rising Interest Rates

10.1% Dividend Yield(4)

See footnotes on page 19

Footnotes

(1) *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 above 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 presentation. 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, 2016 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.*

(2) *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) provision for loan losses. Please see slides 26 and 27 for a reconciliation of GAAP net income and GAAP net income per share to Operating Earnings and Operating Earnings per Share. Operating Earnings may also be adjusted to exclude certain other non-cash items, as determined by the Manager and approved by a majority of the Company's independent directors.*

(3) *Based upon the Company's portfolio as of December 31, 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.*

(4) *Based upon the $1.84 annual dividend per share of common stock and the closing stock price on March 3, 2017.*

(5) *Source: Wells Fargo and CoStar Realty Information, Inc.*

(6) *Source: Reis.*

(7) *Source: Prequin.*

(8) *Source: Real Capital Analytics.*

(9) *Source: Trepp.*

(10) *Source: MBA Origination Survey.*

(11) *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.*

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

(13) *Subordinate loans include CMBS, held-to-maturity and are net of participations sold of $85.0 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.*

(14) *Other includes ski resorts, a data center and water park resorts.*

(15) *Based upon face amount of loans; does not include CMBS, but does include CMBS, held-to-maturity.*

(16) *Other includes a repurchase agreement investment secured by collateralized debt obligation or CDO bonds and equity investment in Bremer Kreditbank AG ("BKB Bank").*

(17) *Return on common equity is calculated as Operating Earnings (see definition in footnote 2) for the period as a percentage of average stockholders' equity for the period.*

(18) *Assumes extension options are exercised.*

(19) *Assumes one-month LIBOR at December 31, 2016 was 0.77%.*

(20) *The debt balance as of December 31, 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.*

(21) *Total balance less $6,763 in deferred financing costs.*

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

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

Appendix

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

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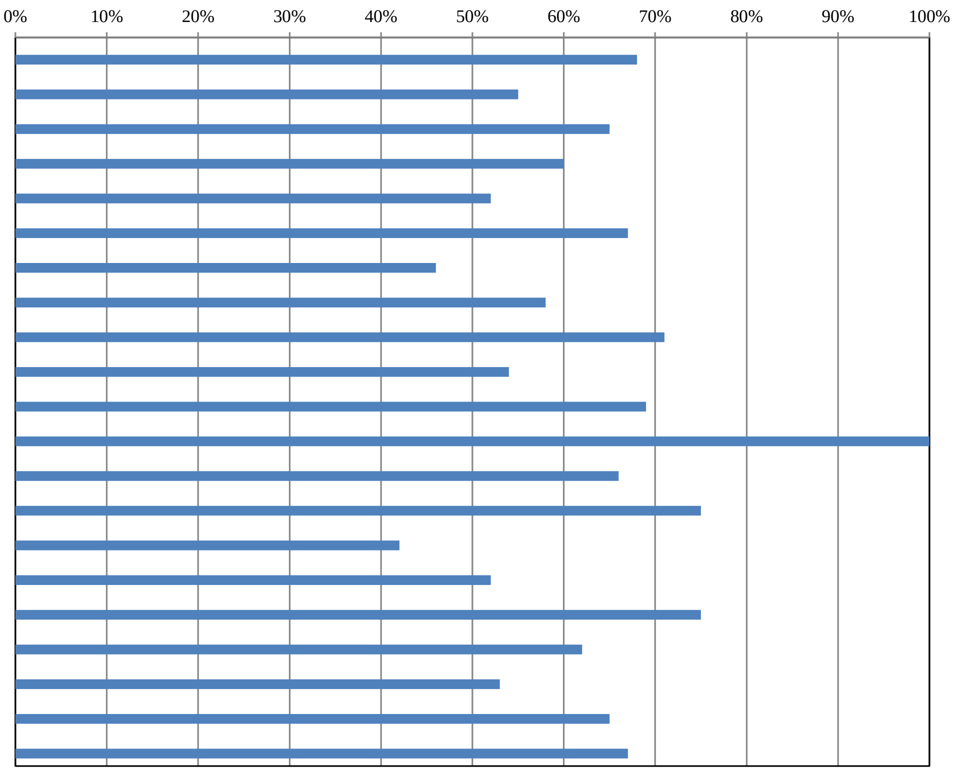
Senior Loans

Description ($ in thousands)	Location	Balance at 12/31/2016	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	$ 129,397	0%	65%
First Mortgage - Retail(2)	New York	$ 122,180	0%	60%
First Mortgage - Hotel(3)	New York	$ 116,430	0%	52%
First Mortgage - Office	New York	$ 105,000	0%	67%
First Mortgage - Destination homes	Various	$ 88,876	0%	46%
First Mortgage - Datacenter	Virginia	$ 80,000	0%	58%
First Mortgage - Hotel(4)	New York	$ 78,140	0%	71%
First Mortgage - Retail	New York	$ 60,300	0%	54%
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	$ 51,695	0%	75%
First Mortgage - Retail	California	$ 50,000	0%	42%
First Mortgage - Office	New York	$ 45,789	0%	52%
First Mortgage - Retail	Florida	$ 45,000	0%	75%
First Mortgage - Hotel	St. Thomas	$ 42,000	0%	62%
First Mortgage - Retail	New York	$ 41,016	0%	53%
First Mortgage - Hotel	Pennsylvania	$ 34,000	0%	65%
First Mortgage - Office	Massachusetts	$ 28,659	0%	67%
Total/Weighted Average		$ 1,671,689		62%



(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 $108,857 and a mezzanine loan with an outstanding balance of $7,573.*
(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.*

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

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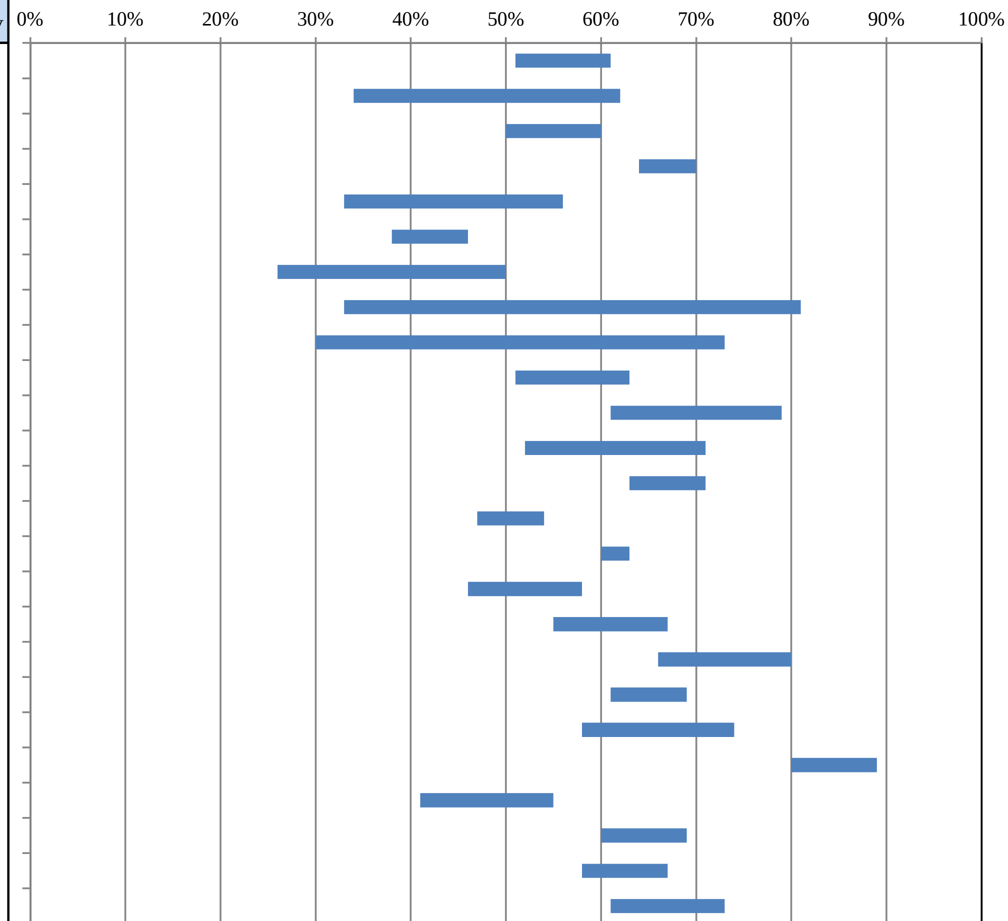
Subordinate Loans

Description ($ in thousands)	Location	Balance at 12/31/2016	Starting LTV	Ending LTV
Subordinate - Healthcare portfolio	Various	$ 130,000	51%	61%
Subordinate - Pre-development loan[1]	London	$ 123,400	34%	62%
Subordinate - Condo development[2]	New York	$ 99,581	50%	60%
Subordinate - Other[3]	Various	$ 75,000	64%	70%
Subordinate - Hotel[4]	Aruba	$ 61,448	33%	56%
Subordinate - Condo conversion	New York	$ 59,636	38%	46%
Subordinate - Condo development[5]	New York	$ 56,925	26%	50%
Subordinate - Multifamily	New York	$ 55,000	33%	81%
Subordinate - Hotel	New York	$ 50,000	30%	73%
Subordinate - Condo conversion[6]	New York	$ 48,944	51%	63%
Subordinate - Industrial portfolio	New York	$ 45,000	61%	79%
Subordinate - Healthcare portfolio	UK	$ 41,693	52%	71%
Subordinate - Industrial portfolio	Various	$ 32,000	63%	71%
Preferred Equity - Condo development	New York	$ 30,175	47%	54%
Subordinate - Condo development[2]	New York	$ 30,000	60%	63%
Subordinate - Hotel	Arizona	$ 25,000	46%	58%
Subordinate - Hotel portfolio	Minnesota	$ 23,863	55%	66%
Subordinate - Multifamily[7]	Florida	$ 22,000	66%	80%
Subordinate - Hotel	Washington D.C.	$ 20,000	61%	69%
Subordinate - Hotel	California	$ 20,000	58%	74%
Preferred Equity - Multifamily[7]	Florida	$ 15,500	80%	89%
Subordinate - Other[8]	Montana	$ 15,000	41%	55%
Subordinate - Office	New York	$ 14,000	60%	69%
Subordinate - Office	Missouri	$ 9,414	58%	67%
Subordinate - Mixed-use	North Carolina	$ 6,525	61%	73%
Total/Weighted Average		$ 1,110,104		64%



(1) Based upon £100.0 million face amount converted to USD based upon the conversion rate on December 31, 2016.
(2) 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
(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) LTV is based upon the fully committed loan amount of $77,000.
(7) Mezzanine loan and preferred equity are secured by the same portfolio of properties.
(8) Other includes a loan on a ski resort.

CMBS Portfolio[(1)]

CUSIP	Description
14986DAJ9	CD 2006-CD3 AJ
17311QBN9	CGCMT 2007-C6 AJ
17313KAK7	CGCMT 2008-C7 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
17311QAE0	CGCMT 2007-C6 AJFX
61755YAK0	MSC 2007-IQ15 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

	Face	Amortized Cost	Remaining Weighted Average Life with Extensions (years)	Estimated Fair Value	Debt	Net Equity at Cost[(2)]
CMBS – Total	**$ 375,861**	**$ 368,247**	**2.5 Years**	**$ 331,076**	**$ 311,102**	**$ 119,602**

(1) Does not include CMBS, held-to-maturity.
(2) Includes $62.5 million of restricted cash related to the UBS Facility and the DB CMBS Facility.

Consolidated Balance Sheet

(in thousands—except share and per share data)	December 31, 2016	December 31, 2015
Assets:		
Cash	$ 200,996	$ 67,415
Restricted cash	62,457	30,127
Securities, at estimated fair value	331,076	493,149
Securities, held-to-maturity	146,352	153,193
Commercial mortgage loans, held for investment	1,641,856	994,301
Subordinate loans, held for investment	1,051,236	931,351
Investment in unconsolidated joint venture	22,103	22,583
Derivative assets	5,906	3,327
Interest receivable	19,281	16,908
Other assets	1,714	236
Total Assets	$ 3,482,977	$ 2,712,590
Liabilities and Stockholders' Equity		
Liabilities:		
Borrowings under repurchase agreements (net of deferred financing costs of $6,763 in 2016 and $7,353 in 2015, respectively)	$ 1,139,803	$ 918,421
Convertible senior notes, net	249,994	248,173
Participations sold	84,979	118,201
Accounts payable and accrued expenses	17,681	9,246
Payable to related party	7,015	5,297
Dividends payable	51,278	37,828
Total Liabilities	1,550,750	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 91,422,676 and 67,195,252 shares issued and outstanding in 2016 and 2015, respectively	914	672
Additional paid-in-capital	1,983,010	1,410,138
Retained earnings (accumulated deficit)	(48,070)	(32,328)
Accumulated other comprehensive loss	(3,811)	(3,173)
Total Stockholders' Equity	1,932,227	1,375,424
Total Liabilities and Stockholders' Equity	$ 3,482,977	$ 2,712,590

Consolidated Statement of Operations

	Three months ended December 31, 2016	Three months ended December 31, 2015	Twelve months ended December 31, 2016	Twelve months ended December 31, 2015
Net interest income:				
Interest income from securities	$ 3,901	$ 8,343	$ 27,586	$ 33,188
Interest income from securities, held to maturity	2,872	2,704	11,469	12,054
Interest income from commercial mortgage loans	30,200	18,846	102,927	56,092
Interest income from subordinate loans	32,746	25,623	122,394	90,830
Interest expense	(16,139)	(12,275)	(63,759)	(48,861)
Net interest income	**53,580**	**43,241**	**200,617**	**143,303**
Operating expenses:				
General and administrative expenses (includes $1,655 and $7,090 of equity-based compensation in 2016 and $1,693 and $4,387 in 2015, respectively)	(3,527)	(2,979)	(24,983)	(9,492)
Management fees to related party	(7,015)	(5,294)	(23,388)	(16,619)
Total operating expenses	**(10,542)**	**(8,273)**	**(48,371)**	**(26,111)**
Income/(loss) from unconsolidated joint venture	(303)	2,972	(96)	3,464
Other income	760	983	1,094	1,239
Provision for loan losses	-	-	(15,000)	-
Realized gain/(loss) on sale of assets	4,059	-	3,834	(443)
Unrealized gain/(loss) on securities	10,502	(11,618)	(26,099)	(17,408)
Foreign currency loss	(7,359)	(3,121)	(29,284)	(4,894)
Bargain purchase gain	-	-	40,021	-
Gain/(loss) on derivative instruments (includes unrealized gains/(losses) of $877 and $2,608 in 2016 and $3,081 and $(1,063) in 2015)	8,329	3,054	31,160	4,106
Net income	**$ 59,026**	**$ 27,238**	**$ 157,876**	**$ 103,256**
Preferred dividends	(9,310)	(5,860)	(30,295)	(11,884)
Net income available to common stockholders	**$ 49,716**	**$ 21,378**	**$ 127,581**	**$ 91,372**
Basic and diluted net income per share of common stock	$ 0.60	$ 0.32	$ 1.74	$ 1.54
Basic weighted average shares of common stock outstanding	82,670,237	67,146,882	72,371,374	58,674,046
Diluted weighted average shares of common stock outstanding	83,548,823	67,754,673	73,305,101	59,273,280
Dividend declared per share of common stock	$ 0.46	$ 0.46	$ 1.84	$ 1.78

Reconciliation of Net Income to Operating Earnings

	Three Months Ended			
	December 31, 2016	Earnings Per Share (Diluted)	December 31, 2015	Earnings Per Share (Diluted)
Operating Earnings:				
Net income available to common stockholders	**$ 49,716**	**$ 0.60**	**$ 21,378**	**$ 0.32**
Adjustments:				
Equity-based compensation expense	1,655	0.02	1,693	0.02
Unrealized (gain)/loss on securities	(10,502)	(0.13)	11,618	0.17
Unrealized (gain) on derivative instruments	(8,329)	(0.10)	(3,054)	(0.05)
Foreign currency loss, net	7,519	0.09	3,121	0.05
Amortization of convertible senior notes related to equity reclassification	599	0.01	565	0.01
(Income)/loss from unconsolidated joint venture	303	-	(2,969)	(0.04)
Total adjustments:	(8,754)	(0.11)	10,974	0.16
Operating Earnings	**$ 40,962**	**$ 0.49**	**$ 32,352**	**$ 0.48**
Basic weighted average shares of common stock outstanding		82,670,237		67,146,882
Diluted weighted average shares of common stock outstanding		83,548,823		67,754,673

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 Net Income to Operating Earnings

	Twelve Months Ended			
	December 31, 2016	Earnings Per Share (Diluted)	December 31, 2015	Earnings Per Share (Diluted)
Operating Earnings:				
Net income available to common stockholders	**$ 127,581**	**$ 1.74**	**$ 91,372**	**$ 1.54**
Adjustments:				
Equity-based compensation expense	7,090	0.10	4,387	0.08
Unrealized (gain)/loss on securities	26,099	0.36	17,408	0.29
Provision for loan losses	15,000	0.20	-	-
Unrealized (gain) on derivative instruments	(31,160)	(0.42)	(4,106)	(0.07)
Foreign currency loss, net	29,937	0.41	4,894	0.08
Bargain purchase gain	(40,021)	(0.55)	-	-
Amortization of convertible senior notes related to equity reclassification	2,344	0.03	2,206	0.04
(Income)/loss from unconsolidated joint venture	96	-	(3,464)	(0.06)
Total adjustments:	9,385	0.13	21,325	0.36
Operating Earnings	**$ 136,966**	**$ 1.87**	**$ 112,697**	**$ 1.90**
Merger-related expenses	11,350	0.15	-	-
Operating Earnings excluding merger-related expenses	**$ 148,316**	**$ 2.02**	**$ 112,697**	**$ 1.90**
Basic weighted average shares of common stock outstanding		72,371,374		58,674,046
Diluted weighted average shares of common stock outstanding		73,305,101		59,273,280